

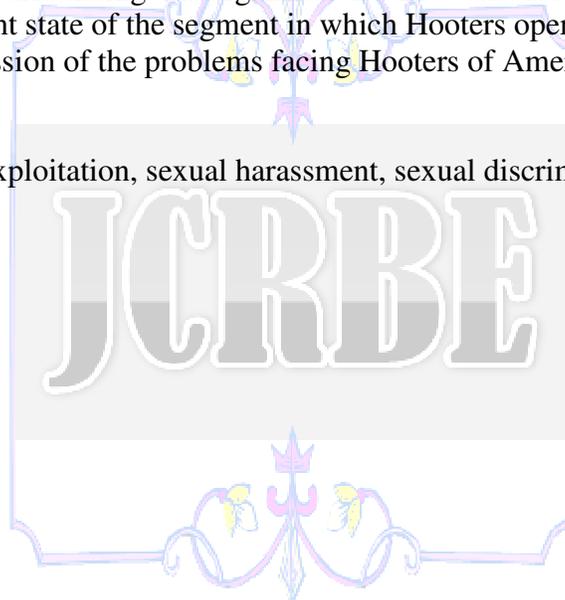
It's more than just the perceived exploitation of women. Contemporary issues facing Hooters restaurants

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ABSTRACT

Hooters of America and Hooters International share rights to a brand that has emerged as a powerful force in the branding game over the past twenty-four years. This case study will examine, while focusing almost solely on Hooters of America, the history of the organization, the operational domain in which it functions, the service style found at the restaurant, the management structure found at the unit level, the breadth of the organization, and various operations within the restaurant. Outside of the unit level, the external environment surrounding this organization will be discussed with a focus on competition and current state of the segment in which Hooters operates. The study will conclude with a discussion of the problems facing Hooters of America and various discussion questions.

Keywords: Hooters, exploitation, sexual harassment, sexual discrimination



OVERVIEW OF THE ORGANIZATION

Company History

When examining an organization that has created such a stir over the past few decades, one must first discuss the company from its inception then continue on to describe its growth process into what it has become today. According to a 2003 article in Fortune Magazine, the organization began like many others in the industry had before it, as a great idea derived from the minds of eager entrepreneurs (Heylar, 2003). It was 1983 and six friends were enjoying each others company in Clearwater, Florida when the light bulb went off. These young men decided they wanted to create a restaurant that celebrated what men enjoyed, cold beer, good food, and attractive women. Between the six of them, they pooled their resources and opened the very first Hooters restaurant for \$140,000. The six friends consisted of two painters, L.D. Stewart and Ken Wimmer, a mason named Dennis Johnson, a real estate executive named Ed Droste, a liquor salesman named Gil DiGiannantonio, and William Ranieri, a retiree (Heylar, 2003). Upon opening the first store, they were visited by Hugh Connerty in 1984, a restaurant executive who loved the concept and offered to buy the trademark for \$50,000. Beside the initial buyout, the six co-founders were also slated to receive three cents for every dollar brought in by the new locations Connerty was scheduled to open outside of the Tampa Bay area (Tampa Bay and Chicago were areas reserved for the co-founders to open new stores on their own). The agreed upon buyout also held a clause which stated that Connerty's restaurants had to stay true to the atmosphere and menu of the original in Clearwater (Helyar, 2003).

Connerty soon realized his ability to grow and keep up with the exploding demand through growing reputation was hindered by a lack of financing. Connerty was forced to take on debt in order to pursue further growth from Bob Brooks; an acquaintance of Connerty's who owned the Naturally Fresh food-service company, which is why Naturally Fresh salad dressings and various other sauces and condiments are still used at Hooters restaurants. Brooks would eventually take over Hooters of America as Connerty left the business, dividing the Hooters brand between Brooks and Hooters Incorporated that was still being operated in the Tampa Bay and Chicago areas by the original founders (Funding Universe, 2005). Legal battles ensued over the years between the co-founders and Hooters of America over control of the brand. The two sides argued over everything from menu items, restaurant décor, waitress uniforms, and even the type of bleu cheese to be served. In 1994, Brooks attempted to flex his financial muscle by purchasing stock from one of the co-founders, a move that was in violation of original contracts and was blocked by a Florida judge in 1995 (Helyar, 2003).

In 2001, the co-founders and Hooters Incorporated decided to sell the trademark to Brooks for \$60 million while still retaining the Tampa Bay, Chicago, and Manhattan stores (Funding Universe, 2005). The settlement among the two groups has allowed the brand to expand more rapidly than ever to where Hooters is planning to venture even further to various international markets such as Israel (Weber, 2007).

Mission Statement

As discussed above, the six original founders of Hooters had a vision for what their organization was to become and how it was to operate. In doing so, it was necessary for them to outline in writing a mission statement by which all emerging strategies and operating procedures are to follow. The mission, as outlined on their company website reads:

“We are committed to providing an environment of employee growth and development so that we can provide every guest a unique, entertaining dining experience in a fun and casual atmosphere delivered by attractive, vivacious Hooters Girls while making positive contributions to the communities in which we live” (Hooters Brand Mission Statement, 2007).

Operational Domain

Hooters restaurants operate in the casual dining segment of the hospitality industry. The casual dining segment is defined by moderate menu prices, casual atmosphere, and table service. This segment falls between the fine dining segment which lies at the high end of the service spectrum with respect to menu pricing, amount of service, and atmosphere and the quick-service and fast-casual segments which offer limited service, low menu prices, and a lack of comfortable or formal atmosphere.

Service Style

As stated in the mission statement, the service style was generated to perpetuate a unique experience for the guest that is fun and casual (Hooters Brand Mission Statement, 2007). As stated in the definition of the operational domain, table service in a comfortable atmosphere is a characteristic of the casual dining segment. The amount of service at Hooters is comparable to that of various other chain casual-dining restaurants with one exception. This service is to be administered by the world famous Hooters Girls who fit the profile of attractive females with friendly attitudes and table-waiting skills.

Hooters Girl Image

One of the most important aspects when determining the history and future success of the organization is the main attraction to the restaurant, the Hooters girls. The servers at these establishments are the epitome of sex appeal and the company recognizes their ability to make or break one of their units. Because of their level of importance, the founders have outlined in specific detail through the employee handbook how a Hooters girl is to act, dress, and maintain themselves in order to retain their status as an employee (Hooters Employee Handbook, 2007). The handbook states that a Hooters girl is to have the look and the attitude of the “all-American, cheerleader, surfer, girl next door.” In order for a female to play this role as a server, they must first maintain a certain look before even coming into contact with the customer. Hair is to be styled at all times in a conservative fashion and color while being worn down with ponytails and headbands being prohibited.

Makeup is to be worn at all times to accent the facial features so that the server is always ready to be seen and/or photographed as would a model. Jewelry and body piercings are to be subtle, yet sexy. The maximum amount of jewelry allowed is one earring per ear, one necklace (no chokers or beads), one ring per hand, and one bracelet per wrist, no exceptions (viewable piercings other than of the ear are prohibited). Fingernails are to be well-maintained and clean at all times while being free from extreme colors and nail artwork as they distract from the wholesome look of the image. Tattoos are not too visible however they may be covered up if they can be made inconspicuous. Uniforms are comprised of an approved, tight-fitting tank top which is to be clean and tucked in at all times (exceptions can be made for certain promotional activities as approved by the store's general manager). Approved shorts are to be tight-fitting also but should fit so that the buttocks of the server are not showing. White Sketchers are the official footwear of the uniform and white "bobby socks" are to be worn scrunched down. Pantyhose are required to be worn by all servers and they must be a relative match to the skin tone of the server with a tan pair of pantyhose being the lightest approved shade. Smiling is the final requirement in the uniform outline to project a comfortable atmosphere (Hooters Employee Handbook, 2007).

Number of Units

Hooters restaurants can be found at over 435 locations worldwide. Out of those locations, 120 are corporate-owned and operated while the other are franchised to private owner/operators who pay franchise fees to use and operate under the Hooters brand (Helyar). In order to open a franchise in America, one must have the ability to develop at least three restaurants in a given area, establish said locations in areas with significant populations, possess \$2 million in assets, and have at least five years of operational experience. Above those qualifications, a new owner can expect to pay a franchise fee of \$75,000 and sink \$1.2 million into each new location (Hooters U.S. Franchising Opportunities, 2007).

Menu

The menu offered at a Hooters restaurant is divided into ten areas (Hooterstizers/appetizers, salads, chicken wings, seafood, burgers, sandwiches, sides, soups, desserts, and both alcoholic and non-alcoholic beverages). Menu prices and availability of certain menu items vary from location to location depending on actual geographic location, availability of certain products, strategic decisions of franchisees, and cost of certain food/drink items. Menu items range from \$3.99 for certain appetizers to \$149.99 for the gourmet wing dinner (a bottle of Dom Perignon and twenty wings). Gourmet dinners and appetizers aside, the more commonly ordered items on the Hooters menu range from \$7.99 to \$11.99, falling right in the range other casual-dining price ranges. Besides the food items which comprise 72% of an average store's sales, Hooters offers alcoholic beverages which account for 23% of an average store's sales and merchandise which accounts for the remaining 5% (Hooters of America). Studies are currently being constructed to determine if these numbers will be affected by the

introduction of a full-service bar to certain locations which previously limited their alcohol sales to beer and wine.

SWOT Analysis

When examining a restaurant organization, it can be extremely beneficial to perform a SWOT analysis to determine the current health of an organization and potential for threats or an increase of success. For the purpose of this case, only the most prevalent and relevant strengths and weaknesses will be outlined while leaving the opportunities and threats open for further research and discussion. The most glaring strength of the Hooters organization is the brand and its recognition. Hooters has embraced sex appeal and a unique dining experience and transformed that into a marketing giant. Besides the brand being exposed at the restaurant locations, Hooters has stretched itself into the sports world through sponsorship of a NASCAR racing team and a professional golfing tour, into merchandising, into the world of travel while operating Hooters Air, into the financial realm with the introduction of a Hooters MasterCard, into the print media with Hooters Magazine, and into the world of gambling and tourism with the opening of the Hooters Casino-Hotel in Las Vegas. A strength at the unit level is the relaxed atmosphere that is very appealing to the male consumer with its emphasis on good food at a good price served by attractive females in an entertaining, sports-oriented setting. Even though Hooters was originally intended to appeal to the male consumer, statistics have shown that Hooters has become a family restaurant through marketing schemes such as special discounts for women and children. The weaknesses of the Hooters organization are the perceived value of the experience by the consumer and the negative stigma of the restaurant and their exploitation of women and sex appeal (which will be discussed later in this study).

OVERVIEW OF THE SEGMENT

Current State of the Segment

It is estimated that the restaurant industry as a whole will generate over \$491 billion in 2007. The restaurant industry as a whole employs 12 million people with accounts for almost ten-percent of the American work force. More specifically, the casual dining segment within the restaurant industry accounts for 14.75% of the entire industry making it second behind the sandwich and quick service restaurants which account for almost 40% of the industry. In recent years, however, the fast-casual dining segment which consists of major players such as Moe's, Firehouse Subs, Chipotle, and Panera Bread has begun to emerge as a force in the restaurant industry with their higher levels of food quality than fast food restaurants and lower priced menu items than are found in the casual dining segment.

Competition

Competition for Hooters can be found in the casual dining segment and the fast-casual segment. At the casual dining level, Hooters is always affected by the local restaurants with comparable themes (sports-oriented restaurants with good service, value-

based prices, and a casual atmosphere) in almost every geographic market. On the national scale, Hooters directly competes with the major players in the casual dining segment. The leaders with respect to market saturation in the industry (number of units) are Applebee's, Chili's and Ruby Tuesday with 1,841, 1,210 and 882 units respectively (Hensley, 2006). On a more direct level of competition, a restaurant is emerging that is trying to compete with Hooters by utilizing a carbon copy of Hooters operations and style. Ker's Wing House has opened over twenty locations in Florida and Texas and their locations are complete with wooden floors, tables, and siding just like Hooters, Wing House girls dressed in black tank tops and short black shorts just like Hooters, menu items that are primarily fried or cooked on a flat top range such as burgers just like Hooters, and the theme inside the restaurant is a sports bar theme just like Hooters. This direct competition is of growing concern to Hooters and has led to several lawsuits by Hooters to try and stifle their competition. When Wing House originally opened its first store as Knockers, the Hooters corporation threatened lawsuits and forced the owners to change the name and uniform to the current name and black uniforms. However, with the increase in popularity of the Wing House brand throughout the southeast and in Texas, Hooters again felt the need to file a lawsuit for brand infringement (Hayes, 2005). Hooters would lose a 2003 lawsuit as the judge stated that in this case the restaurant's atmosphere and server dress code were used as marketing schemes and could not be trademarked. Wing House would in turn file a countersuit stating Hooters was attempting to crush Wing House with poor publicity and won that settlement for \$1.2 million (Hayes, 2005).

The growing fast-casual dining segment discussed above with its rapid growth is a threat to the Hooters organization because consumers view the fast-casual establishments as fast, convenient, and offering a good value for the dollar. This is a threat to Hooters who can sacrifice quality and value by making up for it with environment. If the fast-casual restaurants are offering comparable or more desirable food products for less money, the consumer is likely to overlook the environment and service offered at Hooters and go for the better value.

Trends in the Casual Dining Segment

With 37% of surveyed consumers claiming they have used curbside take-away or take-out service at a full-service restaurant and 38% of surveyed managers believing that take-out service will account for more of their revenues in the upcoming year, management must recognize this as an emerging trend in the casual dining segment (Hensley, 2006). How to exploit this trend will be a growing challenge for managers in the upcoming future with respect to streamlining their operations to increase efficiency while increasing in-house sales revenues to counteract the loss of beverage and dessert sales that are lost with take-out service. Another emerging trend is the consumers' growing concerns with menu items as they are looking for nutrition, organic options, and exciting menu items. As the fast-food or quick-service segment has come under fire in the recent years for its lack of available and affordable nutritional menu items, the casual dining segment will soon too come under similar scrutiny. As the consumer becomes more informed, they will begin to realize how unhealthy some of their favorite casual dining restaurants truly are. It is a challenge for management and chefs of these organizations to come up with feasible and desirable menu items that satisfy the needs of the consumer by giving them health-

conscious options. The final trend in the industry is found in the beverage sales with the increase in wine sales and higher-end alcohol sales. Consumers are beginning to become more interested in wines with the popularity of emerging American vineyards, wine in popular culture through movies such as *Sideways*, and the availability of wine classes offered. Consumers are also enjoying higher quality forms of their favorite liquors and beers due to expanded offerings by restaurants and a recognition of the stringent D.U.I. laws. As the legal B.A.C. limit has lowered to a level that makes it almost impossible to drink with a meal and drive afterward, consumers have begun to limit the number of drinks and opt for less of a better quality.

Current Organizational Issues and Problems

Everyone knows that Hooters always has and always will have people in American society that think that the Hooters brand stands for exploitation, harassment, and discriminations which are a major problem for the organization. The organization must find a way to balance the relaxed atmosphere, the sexually-charged environment, and a responsibility to the surrounding community while staying true to the mission statement and vision set forth by the founders.

Exploitation

There is a view of Hooters held by some in society that Hooters exploits women. This is refuted on the Hooters website by the organization by stating that Hooters girls should be viewed much the same as cheerleaders and models are viewed. To view these women as being exploited for their looks ignores the fact that it takes more than just looks to be an effective server and these women have the right to use their looks to make money. Furthermore, the organization challenges other professions such as athletics where it can be pointed out that large males are exploited in the NFL for their size and ability to perform certain duties on the field due to that size. The organization flips a complete turn of the table trick on those who point toward exploitation by stating that the organization encourages advancement by the servers to levels of management and further careers within the industry.

Sexual Harassment

As with all other organizations in the restaurant industry, sexual harassment is a problem that needs a great deal of attention from management and staff due to the nature of the industry, the interaction of the staff, and the type of staff involved. Hooters restaurants have come under legal fire on several occasions such as in Cincinnati in 2000 when a judge granted a 24 year old server \$275,000 in a sexual harassment case in which two managers made unwanted sexual advances toward the server and forced her to participate in bikini contests as punishment for poor sales performances (Vela, 2000). In another example managers of a Chicago store were accused of staring at waitresses through peepholes in the wall while they were changing in 2001 (Sweetingham, 2004).

Sexual harassment can and must be prevented in the workplace by implementing policies and procedures that prohibit any kind of behavior that creates a hostile

environment and necessary steps must be taken to educate the employees as to what harassment is, how to prevent it, and how to report it. Hooters knows that this issue is extremely important, especially in their own organization with such a sexually-charged atmosphere. Two important preventative steps Hooters has taken as an organization include the policy that managers and servers can not become romantically involved and a confidential reporting system for any concerns one might have with harassment issues.

Discrimination

In 1991, Hooters faced investigations into discrimination with respect to hiring practices with the Equal Employment Opportunities Commission (EEOC). A four-year investigation was used to determine if the hiring practices were discriminatory towards men and it was found that Hooters did indeed discriminate against men when hiring Hooters girls (Hooters Company History, 2007). In 1996, twenty-three members of congress encouraged the EEOC to drop the investigation and no litigation was ever brought forth against the organization from this investigation (Hooters Company History, 2007).

Discrimination again was brought up in 1997 when a group of men in Chicago and Maryland banded together to file a class action lawsuit against the organization (Hooters Company History, 2007). This suit was settled and the presiding judge determined that being a female was reasonable necessary to perform the job as a Hooters girl and the overriding concept of the organization was safe once again.

CASE STUDY QUESTION

1. Should any changes be made to the atmosphere of Hooters restaurants in order to increase its appeal to the consumer to combat the rise of the fast-casual establishments?
2. How should Hooters adapt to the increase of competition from direct competitors with similar themes and atmospheres such as Wing House in Florida and Texas?
3. With the recent introduction of liquor sales in Hooters, will there be additional problems with having a staff that is primarily female in the presence of hard alcohol?
4. Should Hooters show a growing concern toward placing items on the menu that are more nutritious in order to attract new consumers or retain aging consumers?
5. Should Hooters continue to expand in the US or stick to their current stance of opening no new franchise units in America?

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