



TACTICS FOR TOUGH TIMES

What it Takes to Thrive in this Economy

by Verla Wallace

In 1942 in the middle of World War II President Harry Truman uttered to his cabinet the now-famous phrase, “If you can’t stand the heat, get out of the kitchen.” The words became a rallying cry for hanging tough in the wake of challenging circumstances.

In 2008 restaurant operators face a different kind of pressure that, nevertheless, demands a new level of resolve in the wake of challenging circumstances.

The nation’s mortgage crisis, the worst since the Great Depression, continues to rock the economy as consumers shoulder a growing mountain of credit card debt. Roller coaster oil prices have changed consumer spending and driving habits and ushered in, for restaurant operators, fuel charges on deliveries and spikes in the cost of everything from fertilizers used to grow food to petroleum-based products used



in food packaging. Then there are those wholesale food prices, which have seen the steepest rise in 27 years.

While the circumstances may qualify as a real “character builder,” John Kavanaugh, owner of the Esquire Club in Madison, says you have to take the long view.

“I grew up in the restaurant business. My folks bought this place two years before I was born and I took over in the mid 70s. Interest rates for borrowing money at that time were 17-20%. That

was brutal. *Those* were tougher times than now. Restaurant owners have always been strong, resilient and creative. We can handle what’s happening today.”

Over the years Kavanaugh has seen the way trade wars, overharvesting, droughts and other events caused steep hikes in beef, chicken, wine, seafood and produce.

“In tough times, you just pick up the pace,” he says. “The restaurateurs who last are the ones who know their niche and execute well year after year, regardless of the circumstances.”

We asked a cross-section of WRA members what they are doing to manage the challenges presented in this current economic climate. Six tactics emerged—all of which have the potential for adaptation to food establishments across the hospitality spectrum:

continued on page 16



1. Manage waste.

David Heide, owner and executive chef of Liliana's in Fitchburg, has stepped up efforts to eliminate waste, especially in the kitchen. He's on a mission to use every part of the food he orders.

"We're a New Orleans-style fine dining restaurant, so we use a lot of fennel and leek in the dishes on our menu. Typically, the top part of the leek and the fennel fronds are discarded as waste. They're not cheap. We experimented with ways we could turn these discards into a tasty menu item.

"We bake and puree these unused parts of the vegetables and then mix the puree with spices, shallots, a little cream and touch of absinthe, in keeping with our New Orleans-style cooking. The result is an exotic soup, which carries a higher price than other soups on our menu, yet costs us less to produce and uses what would otherwise be discarded. It sells out every time we make it."

Waste happens at both the front and back of the house. Tom Sigwarth owns franchise restaurants—a Dairy Queen and a Country Kitchen family dining restaurant in Platteville—so his menu is more fixed than Heide's. However, he, too, pays close attention to waste, particularly in the dining room.

"We watch what people leave on their plate. Did we give them too much pasta? Do plates come back with half the fries still on the plate? Did staff overportion? People have become more portion conscious for health reasons anyway, so we've found we can downsize some of the portions an ounce here or an ounce there, still give people plenty of value and save a little money at the same time."

Small changes can make a big difference. Some restaurants now make the breadbasket optional, available on request. Others make optional or charge extra for toppings that once were automatically included, such as lettuce, tomato and onion on a burger.



2. Offer more value for the dining dollar.

T.G.I. Friday's "Right Portion, Right Price" entrees have confirmed the public's enthusiasm for value and acceptance of smaller portions at a lower price.

An added benefit of the highly successful campaign is faster turnover in the dining room.

At the Esquire Club in Madison, John Kavanaugh has expanded the daily specials and given them a new twist, to highlight extra value. "We've long offered higher-ticket daily specials such as Crab Legs on Tuesday nights," he says. "Now, because of price sensitivity, we offer an additional more modestly-priced daily special, like Chicken and Dumplings. It's down home comfort food at an affordable price and costs us less to make than other chicken dishes."

Kavanaugh creates lower-priced daily specials for the lunch crowd, too, in smaller portions.

"Many of our older clientele have switched to lunch as their big meal for price reasons. They love the price, they love the comfort food and they don't mind smaller portions."

Tom Sigwarth's Country Kitchen lets guests customize their meal with specially priced combinations. They can choose an appetizer from column A, an entrée from column B, and a dessert from column C.

Jeff Wimmer, owner of The Del-Bar in Lake Delton, says occasionally he adds a lesser-known cut of steak to the menu as a value option. "It is always top quality prime meat, but the cut carries an appealing price tag."

Bruce Wolf, owner of 1951 Restaurant and Rock Garden Banquets in Green Bay, adds one caveat to the value discussion: it's not just about price.

"People go where they find the best value," he says, "but that doesn't always mean the cheapest item on the menu. They want to feel they've received their money's worth, whatever they've purchased."

True, guests are "managing the check" more carefully. But often, restaurant operators say, if a guest saves on an entrée and feels they received good value for their

continued on page 18

Why There's Pain

Wholesale Price Growth for Selected Food Commodities

Commodity	2007	2008
	Annual Increases	Increases Thru July 31
Cereal and bakery products	7%	17%
Flour	22%	73%
Milled rice	14%	51%
Milk	20%	14%
Cheese	22%	21%
Eggs	61%	55%
Fats and oils	17%	56%

Source: National Restaurant Association analyses of Bureau of Labor Statistics data

continued from page 16

dining dollar, they may order a smaller-portion appetizer or dessert offered at a lower price and end up spending the same dollars as on previous visits.



3. Shop vendors and buy smarter.

Fuel surcharges on everything delivered to the back door means restaurant operators must shop more carefully. Where possible, several say they now place orders less frequently and in higher volume.

"We're charged a \$7 fuel surcharge for each delivery," says Ismael Rivera, co-owner and manager of Manny's Mexican Cocina in Onalaska. "That's not counting price increases on the products themselves. Those charges add up quickly. By placing bigger orders less often, we reduce the delivery charges and also benefit from volume discounts on the products. You can't do it with everything and you have to order carefully," he says, "but it really pays off."

Rivera's staff began keeping closer tabs on alcohol and wine sales and preferences, so they had a sharper picture of what sold and how fast. Then, by ordering five cases of a particular wine at a time instead of one case, they saved 25% and saved on fuel surcharges for deliveries as well.

John Kavanaugh is a strong advocate of shopping vendors and prices. "One week we took an item we routinely order and compared its price with five vendors. We calculated the amount of that product we would order in a year and totaled up the cost if purchased from each vendor. The difference for that one item over one year, if purchased from the lowest-priced vendor vs. the highest-priced vendor was \$16,000.

"Our vendors are our partners and we value them," he continues, "but they are dealing with the same price increases we're seeing. One vendor may have had to buy his inventory at a higher price that week than another vendor. That's why we shop key items weekly to get the best prices.



4. Buy local and in season, wherever possible.

"Buying local used to be the trendy thing to do," says David Heide. "However, in today's economic climate it just plain saves money. I tell purveyors, 'It's nothing personal. It's business.' Buying local and in season has easily saved us 25% on produce."

Heide says one popular vegetable side dish used to be listed on his menu with a specific combination of vegetables. Now the menu says, "seasonal vegetables" and he uses whatever is readily available locally.

"You can't be afraid to change a dish just because customers love it. They're not the ones paying the \$ 7,000 produce bill at the end of the month. Customers are pickier than ever about service, quality and value. If you cover those bases, they'll adapt."



5. Don't be afraid to raise prices.

"We raised our prices 10-12% this year," says Bruce Wolf about his restaurant in Green Bay. "We've done it in small increments and, honestly, have taken no real flack for it. Our guests understand food costs have shot up. They hear about it on the news and see it every week on their own grocery bill."

Ismael Rivera says tighter cost controls and smarter purchasing have allowed them to avoid price increases so far at their Onalaska Mexican restaurant but admits a hike is likely soon.

"If we've done everything we can to control costs before taking that step, we think our customers will understand. We're not the only people doing it."



6. Build customer loyalty.

- **Get involved in the community.** Consistent involvement in the local community signals you are a "good neighbor" and neighbors look out for each other. "I believe loyalty is one reason we're having a good year when a lot of other people are not," says Tom Sigwarth. "We sponsor T-ball, bowling and other sports teams and actively participate in local fundraisers and we try to exceed expectations. It's important not to be cheap," he says. "It comes back to you in hometown loyalty from customers."

- **Give customers a reason to come back.** Successful incentives that encourage repeat visits range from coupons to Thank You promotions with dollars off future visits to frequency cards where customers receive something free after a pre-determined number of visits. Industry experts say it communicates, "You're special. We want to see you again. We know money is tight. We want to help."

- **Take service up a notch.** Now, more than ever, restaurateurs say service matters. Guests need to know their presence is not taken for granted. "Great service can overcome an average meal," Sigwarth says, "but poor service cannot overcome a great meal." In the end, it's about treating every customer like family.

"Where do people go when times are tough? They go *home*, where they feel welcomed and appreciated. Regardless of what is happening in the world around us, it's our job is to make sure everyone who walks through our doors feels like they're finally *home*."

WR