

Introduction

LEARNING OUTCOMES

After reading and studying this chapter, you should be able to:

1. Discuss reasons why some people open restaurants.
2. Describe the beginnings and growth of restaurants in America.
3. List some challenges of restaurant operations.
4. Compare the advantages and disadvantages of buying, building, and franchising restaurants.





restaurant concept

Various styles and themes of restaurants.

Restaurants play a significant role in our lifestyles, and dining out is a popular social activity. Everyone needs to eat—so, enjoying good food and perhaps wine in the company of friends and in pleasant surroundings is one of life's pleasures. Eating out has become a way of life for families. Today, more meals than ever are being eaten away from home.

A successful restaurant offers a reasonable return on investment. One restaurant, then two, then perhaps a small chain. Retire wealthy. To be a winner in today's economy requires considerable experience, planning, financial support, and energy. Luck also plays a part. This book takes you from day one—that time when you dream of a restaurant—through the opening and into operation. The kind of **restaurant concept** you select determines, to a large extent, the kind of talents required. Talent, management, operations and temperament correlate with restaurant style. Managing a quick-service restaurant is quite different from being the proprietor of a luxury restaurant. Each choice makes its own demands and offers its own rewards to the operator.

This book shows the logical progression from dream to reality, from concept to finding a market gap to managing and operating a restaurant. Along the way, it gives a comprehensive picture of the restaurant business.

Going into the restaurant business is not for the faint of heart. People contemplating opening a restaurant come from diverse backgrounds and bring with them a wealth of experience. However, there is no substitute for experience in the restaurant business—especially in the segment in which you are planning to operate.

LEARNING OUTCOME 1. Discuss reasons why some people open restaurants.

So why go into the restaurant business? Here are some reasons others have done so, along with some of the liabilities involved. Figure 1.1 shows reasons for going into the restaurant business.

National Restaurant Association

A national association representing restaurants.

- **Money:** The restaurant is a potential money factory. According to the **National Restaurant Association (NRA)**, the restaurant industry totals \$863 billions in sales. However, the Coronavirus pandemic changed all that and it is anybody's guess as to how many restaurants may not open again. It is possible that more than 100,000 restaurants closed in 2020 and that at least a quarter of them will not reopen as the industry has lost billions of dollars. Successful restaurants can be highly profitable. Even in a lack-luster economy, the NRA predicts the restaurant-industry employs 15.3 million in more than one million locations. A restaurant with a million-dollar sales volume per year can generate \$150,000–\$200,000 per year in profit before taxes. But a failing restaurant, one with a large

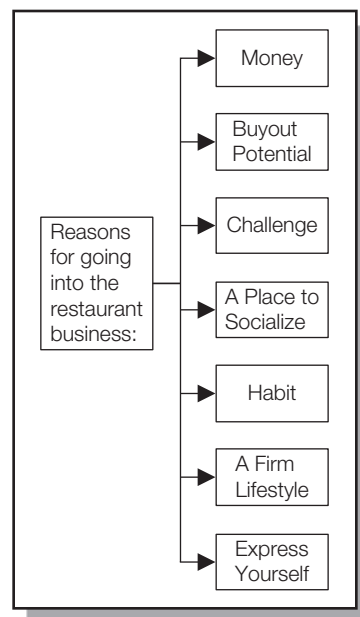


FIGURE 1.1: Reasons for going into the restaurant business.



investment and a large payroll, can lose thousands of dollars a month. Most restaurants are neither big winners nor big losers.

- *The potential for a buyout:* The successful restaurant owner is likely to be courted by a buyer. A number of large corporations have bought restaurants, especially small restaurant chains. The operator is often bought out for several million dollars, sometimes with the option of staying on as president of his or her own chain. The older independent owner can choose to sell out and retire.
- *A place to socialize:* The restaurant is a social exchange, satisfying the needs of people with a high need for socialization. Interaction is constant and varied. Personal relationships are a perpetual challenge. For many people, there is too much social interplay, which can prove exhausting. On a typical day in America, millions of individuals will be food service patrons.
- *Love of a changing work environment:* A number of people go into the restaurant business simply because the work environment is always upbeat and constantly changing. A workday or shift is never the same as the last. One day you're a manager and the next day you could be bartending, hosting, or serving. Are you bored of sitting behind a desk day after day? Then come and join us in the constantly evolving restaurant world!
- *Challenge:* Few businesses offer more challenges to the competitive person. There is always a new way to serve, new decor, a new dish, someone new to train, and new ways of marketing, promoting, and merchandising.
- *Habit:* Once someone has learned a particular skill or way of life, habit takes over. Habit, the great conditioner of life, tends to lock the person into a lifestyle. The young person learns to cook, feels comfortable doing so, enjoys the restaurant experience, and remains in the restaurant business without seriously considering other options.
- *A fun lifestyle:* People who are especially fond of food and drink may feel that the restaurant is "where it is," free for the taking, or at least available at reduced cost. Some are thrilled with food, its preparation, and its service and it can also be fun to be a continuous part of it.
- *Too much time on your hands:* A lot of people retire and decide to go into the business because they have too much time on their hands. Why a restaurant? Restaurants provide them with flexibility, social interaction, and fun!
- *Opportunity to express yourself:* Restaurant owners can be likened to theatrical producers. They write the script, cast the characters, devise the settings, and star in their own show. The show is acclaimed or fails according to the owner's talents and knowledge of the audience, the market at which the performance is aimed.

When restaurant owners were asked by the author and others what helped most "in getting where you are today," steady, hard work came out far ahead of any other factor. Next in line was "getting along with people." Then came the possession of a college degree. Close also was "being at the right place at the right time." Major concerns were low salaries, excessive stress, lack of room for advancement, and lack of long-term job security.

Opening and operating a restaurant takes dedication, high energy, ambition, persistence, and a few other ingredients discussed throughout this text. As Carl Karcher, founder of Carl's Jr., said, in America you can easily begin a restaurant as he did, on a cart outside Dodger Stadium selling hot dogs.

Early History of Eating Out

Eating out has a long history.¹ Taverns existed as early as 1700 B.C.E. The record of a public dining place in Ancient Egypt in 512 B.C.E. shows a limited menu—only one dish was served, consisting of cereal, wild fowl, and onion. Be that as it may, the ancient Egyptians had a fair selection of foods to choose from: peas, lentils, watermelons, artichokes, lettuce, endive, radishes, onions, garlic, leeks, fats (both vegetable and animal), beef, honey, dates, and dairy products, including milk, cheese, and butter.



The ancient Romans were great eaters out. Evidence can be seen even today in Herculaneum, a Roman town near Naples that in 70 A.D. was buried under some 65 feet of mud and lava by the eruption of Mt. Vesuvius.² Along its streets were a number of snack bars vending bread, cheese, wine, nuts, dates, figs, and hot foods. The counters were faced with marble fragments. Wine jugs were imbedded in them, kept fresh by the cold stone. Mulled and spiced wines were served, often sweetened with honey. A number of snack bars were identical or nearly so giving the impression that they were part of a group under single ownership.

Bakeries were nearby, where grain was milled in the courtyard, the mill turned by blind-folded asses. Some bakeries specialized in cakes. One of them had 25 bronze baking pans of various sizes, from about 4 inches to about 1.5 feet in diameter.

After the fall of Rome, eating out usually took place in an inn or tavern, but by 1200 A.D. there were cooking houses in London, Paris, and elsewhere in Europe, where cooked food could be purchased but seating wasn't available. Medieval travelers dined at inns, taverns, hostleries, and monasteries.

The first café was established in then Constantinople (now Istanbul) in 1475. It was a coffeehouse, hence the word *café*, the French word for *coffee*.³ (Both *café*, usually described as a small restaurant and bar, and *cafeteria*, find their roots here.) The coffeehouse, which appeared in England in 1652, was a forerunner of the restaurant today. Coffee at the time was considered a cure-all. As one advertisement in 1657 had it: "... Coffee closes the orifices of the stomach, fortifies the heat within, and helpeth digesting... is good against eyesores, coughs, or colds..." Lloyd's of London, the international insurance company, was founded as Lloyd's Coffee House. By the eighteenth century, there were about 3,000 coffeehouses in London. Coffeehouses were also popular in Colonial America. Boston had many of them, as did Virginia and New York.

In the eighteenth century, with the exception of inns that were primarily for travelers, food-away-from home could be purchased in places where alcoholic beverages were sold. Such places were equipped to serve simple, inexpensive dishes either cooked on the premises or ordered from a nearby inn or food shop. Tavern-restaurants existed in much of Europe, including France and Germany, which had *Winestuben* serving wine, *Delicatessen* (delicious food), sauerkraut, and cheese. In Spain, bodegas served tapas. Greek taverns served various foods with olive oil.

French Culinary History

The first restaurant ever was called a "public dining room" and established in France. Throughout history, France has played a key role in the development of restaurants. The first restaurant that actually consisted of patrons sitting at a table and being served individual portions, which they selected from menus, was founded in 1782 by a vendor named Beauvilliers. It was called the Grand Taverne de Londres. However, this was not the beginning of the *restaurant concept*.

The first restaurant proprietor is believed to have been A. Boulanger, a soup vendor, who opened his business in Paris in 1765. He sold soups at his all-night tavern on the Rue Baileul. According to Chef Thomas L. Burns, Boulanger was an entrepreneur because back then if you owned a shop or were a street vendor, you had to belong to a guild and there were plenty of them (bread makers, pastry, roasters, etc.). Since Boulanger could not afford the dues for a guild, he decided to form his own soup makers guild. He claimed that his soups would restore people—which led to the word **restaurant**. Boulanger believed that soup was the cure to all sorts of illnesses. However, he was not content to let his culinary repertoire rest with only a soup kitchen. By law at the time, only hotels could serve "food" (soup did not fit into this category). In 1767, he challenged the *traiteurs*' (hotel restaurateurs') monopoly and prepared a soup that consisted of sheep's feet with a white sauce. The *traiteurs*' guild filed a lawsuit against Boulanger, and the case went to the French Parliament. Boulanger won the suit and soon opened his restaurant, Le Champ d'Oiseau.

In 1782, the Grand Taverne de Londres, a true restaurant, opened on the Rue de Richelieu; three years later, Aux Trois Frères Provençaux opened near the Palais-Royal. The French Revolution in 1794 literally caused heads to roll—so much so that the chefs to the former nobility suddenly had no work. Some stayed in France to open restaurants and some went to other parts of Europe; many crossed the Atlantic to America, especially to New Orleans.

restaurant

A place where meals are prepared for purchase.

Birth of Restaurants in America

LEARNING OUTCOME 2. Describe the beginnings and growth of restaurants in America.

The beginning of the American restaurant industry dates back to 1634, when Samuel Coles opened an establishment named Coles Ordinary in Boston. It was believed to be the first tavern of record in the American colonies. It was quite successful, lasting well over 125 years.

Prior to the American Revolution, establishments selling food, beverages, and a place to sleep were called ordinaries, taverns, or inns. Rum and beer flowed freely. A favorite drink, called flip, was made from rum, beer, beaten eggs, and spices. The bartender plunged a hot iron with a ball on the end into the drink. Flips were considered both food and a drink. If customers had one too many flips, the ordinaries provided a place to sleep.

In America, the innkeeper, unlike in Europe, was often the most respected member of the community and was certainly one of its substantial citizens. The innkeeper usually held some local elected office and sometimes rose much higher than that. John Adams, the second president of the United States, owned and managed his own tavern between 1783 and 1789.⁴

The oldest continually operating tavern in America is the Fraunces Tavern in New York City, dating from about 1762. It served as the Revolutionary headquarters of General George Washington and was the place where he made his farewell address. It is still operating today.



Citizen of the Planet/Alamy Stock Photo

Fraunces Tavern is a landmark restaurant and museum that played a prominent role in history as the headquarters of George Washington and a venue for peace negotiations with the British.

The restaurant, as we know it today, is said to have been a byproduct of the French Revolution. The term *restaurant* came to the United States in 1794 through a French refugee from the guillotine, Jean-Baptiste Gilbert Paypalt. Paypalt set up what was likely the first French restaurant in this country, Julien's Restaurator, in Boston. There he served truffles, cheese fondues, and soups. The French influence on American cooking began early; both Washington and Jefferson were fond of French cuisine, and several French eating establishments were opened in Boston by Huguenots who fled France in the eighteenth century to escape religious persecution.



✿ ANTOINE'S

Some say that Antoine's is the oldest family-run restaurant in the United States. In 1840, young Antoine Alciator, after a brief stay-over in New York, adopted New Orleans to establish a restaurant that he and his wife cultivated to great success. Antoine's is credited with the invention of dishes such as Oysters Rockefeller, Lobster Newburg, Pomano en Papillote, Eggs Sandon, Pignonneau Paradis, and the drink Cafe Brulot.

Antoine's has 14 dining rooms including the 1840 room, which is a replica of a fashionable private dining room. It has a great silver duck press in the museum of culinary treasures; including a cookbook published in Paris in 1659.

✿ DELMONICO'S

Other early American restaurants include the Union Oyster House in Cambridge, Massachusetts, opened in 1826 by Atwood and Bacon and still operating,⁵ and Delmonico's, located in New York City. Delmonico's opened its doors in 1827. The story of Delmonico's and its proprietors exemplifies much about family-operated restaurants in America. John Delmonico, the founder, was a Swiss sea captain who retired from ship life in 1825 and opened a tiny shop on the Battery in New York City. At first, he sold only French and Spanish wines, but in 1827 with his brother Peter, a confectioner, he opened an establishment that also served fancy cakes and ices that could be enjoyed on the spot. New Yorkers, apparently bored with plain food, approved of the *petit gateaux* (little cakes), chocolate, and bonbons served by the Delmonico brothers. Success led in 1832 to the opening of a restaurant on the building's second story, and brother Lorenzo joined the enterprise. Lorenzo proved to be the restaurant genius. New Yorkers were ready to change from a roast-and-boiled bill of fare to *la grande cuisine*—and Lorenzo was ready for New Yorkers.

A hard worker, the basic qualification for restaurant success, Lorenzo was up at 4:00 A.M. and on his way to the public markets. By 8:00 A.M. he appeared at the restaurant, drank a small cup of black coffee, and smoked the third or fourth of his daily 30 cigars. Then home to bed until the dinner hour, when he reappeared to direct the restaurant show. Guests were encouraged to be



Raymond Boyd/Getty Images

The famous Delmonico's Restaurant
in New York City.

as profligate with food as they could afford. In the 1870s, a yachtsman gave a banquet at Delmonico's that cost \$400 a person, astronomical at the time.

Delmonico's pioneered the idea of printing a menu in both French and English. The menu was enormous—it offered 12 soups; 32 hors d'oeuvres; 28 different beef entrées, 46 of veal, 20 of mutton, 47 of poultry, 22 of game, 46 of fish, shellfish, turtle, and eels; 51 vegetable and egg dishes; 19 pastries and cakes; plus 28 additional desserts. Except for a few items temporarily unobtainable, any dish could be ordered at any time, and it would be served promptly, as a matter of routine. What restaurant today would or could offer so many different dishes to order?

Delmonico's expanded to four locations, each operated by one member of the family. Lorenzo did so well in handling large parties that he soon was called on to cater affairs all over the town. Delmonico's was *the* restaurant. In 1881, Lorenzo died, leaving a \$2 million estate. Charles, a nephew, took over, but in three years he suffered a nervous breakdown, brought on, it was believed, by overindulgence in the stock market. Other members of the family stepped in and kept the good name of Delmonico's alive. Interestingly, many years ago, Delmonico's was the first farm-to-table restaurant when they were unhappy with the quality of produce in local markets. They bought a farm to grow their own produce so the restaurant always had fresh items on the menu.

Delmonico's continued to prosper with new owners until the financial crash of 1987 forced it to close, and the magnificent old building sat boarded up for most of the 1990s. Delmonico's has since undergone renovations to restore the restaurant to its former brilliance. Restaurants bearing the Delmonico name once stood for what was best in the American French restaurant. Delmonico's served Swiss-French cuisine and was the focus of American gastronomy (the art of good eating). Delmonico's is also credited with the invention of the bilingual menu (until then French was the language of worldwide upscale restaurant menus, so diners could understand the menu in any part of the world and order their choice of dishes knowing what would be served), Baked Alaska, Chicken a la King, and Lobster Newberg. The Delmonico steak is named after the restaurant.

Few family restaurants last more than a generation. The Delmonico family was involved in nine restaurants from 1827 to 1923 (an early prohibition year), spanning four generations.⁶ The family had gathered acclaim and fortune, but finally the drive for success and the talent for it were missing in the family line. As has happened with most family restaurants, the name and the restaurants faded into history. In the case of Delmonico's, however, the restaurant was resurrected due to its familiar name.

AMERICAN-STYLE RESTAURANTS

Although Delmonico's restaurant is to be admired for its subtlety, grace, and service, it will probably remain more of a novelty on the American scene than the norm. While it won the kudos of the day and was the scene of high-style entertaining, there were hundreds of more typical eating establishments transacting business. It has been so ever since. It should be pointed out that there is also an American style in restaurants—in fact, several American styles. There are coffee shops, quick-service restaurants, delis, cafeterias, family-style restaurants, casual dining restaurants, and dinner house restaurants, all now being copied around the world. They meet the taste, timetable, and pocketbook of the average American and increasingly that of others elsewhere.

The Americans used their special brand of ingenuity to create something for everyone. By 1848, a hierarchy of eating places existed in New York City. At the bottom was Sweeney's "six-penny eating house" on Ann Street, whose proprietor, Daniel Sweeney, achieved the questionable fame as the father of the greasy spoon. Sweeney's less-than-appealing fare ("small plate sixpence, large plate shilling") was literally thrown or slid down a well-greased path to his hungry customers, who cared little for the ambiance of dining. The next step up was Brown's, an establishment of little more gentility than Sweeney's, but boasting a bill of fare, with all the extras honestly marked off and priced in the margin.

In 1888, Katz's deli (a fancy word for sandwich shop) was opened by immigrants in the Lower East Side of New York City. Long before refrigeration, smoking, pickling, and other curing methods of prolonging the useful life of food had been perfected. The Lower East Side was teeming with millions of newly emigrated families and, given the lack of public and private transportation,



a solid community of customers was readily available. Katz's reputation for serving the flavors of the Old World created a loyal following for many generations of residents and visitors to New York.⁷

More and more, eating places in the United States and abroad catered to the residents of a town or city and less to travelers. The custom of eating out for its own sake had arrived. Major cities all had hotels with fine restaurants that attracted the rich and famous.



Peter Horree/Alamy Stock Photo

P J Clarke's.

The nineteenth century also saw the birth of the ice cream soda, and marble-topped soda fountains began to make their appearances in so-called ice cream parlors. This century brought about enormous changes in travel and eating habits. Tastes were refined and expanded in the twentieth century, and it is interesting to note that 35 restaurants in New York City have celebrated their one-hundredth birthdays. One of them, P.J. Clark's, established in 1890, is a real restaurant-bar that has changed little in its 100 years of operation. On entering, one sees a large mahogany bar, its mirror tarnished by time, the original tin ceiling, and a tile mosaic floor. Memorabilia ranges from celebrity pictures to Jessie, the house fox terrier that guests had stuffed when she died and who now stands guard over the ladies' room door. Guests used to write their own guest checks at lunchtime, on pads with their table number on them (this goes back to the days when some servers could not read or write and were struggling to memorize orders).⁸

The public restaurant business grew steadily, but even as late as 1919 there were still only 42,600 restaurants in this country. For the average family in small cities and towns, dining out was an occasion. The workman's restaurant was strictly meat and potatoes. In 1919, the Volstead Act prohibited the sale of alcoholic beverages and forced out of business many restaurants that depended on their liquor sales for profit. It also forced a new emphasis on food-cost control and accounting.

In 1921, Walter Anderson and Billy Ingram began the White Castle hamburger chain. The name White Castle was selected because white stood for purity and castle for strength. The eye-catching restaurants were nothing more than stucco building shells, a griddle, and a few chairs. People came in droves, and within 10 years White Castle had expanded to 115 units.⁹

Marriott's Hot Shoppe and root beer stand opened in 1927. About this time, the drive-in roadside and fast-food restaurants also began springing up across America. The expression *car-hop* was coined because as an order-taker approached an automobile, he or she would hop onto the running board. The drive-in became an established part of Americana and a gathering place of the times. In 1925, another symbol of American eateries, Howard Johnson's original restaurant, opened in Wollaston, Massachusetts. Howard Johnson is credited with being the first restaurant to franchise. His first store was an ice cream parlor. In 1928, he had convinced a friend to build a restaurant and sell Howard Johnson's ice cream. Johnson's profit came from selling Howard Johnson's ice cream to the restaurant. By 1939, there were 107 Howard Johnson's restaurants operating in six states.

After the stock market crash of 1929 and the Great Depression, America rebounded with the elegance and deluxe dining of the 1930s à la Fred Astaire. The Rainbow Room opened in 1934. This art deco restaurant championed the reemergence of New York as a center of power and glamour.

Trader Vic's opened in 1937. Although the idea was borrowed from another restaurant known as the Beachcomber, Trader Vic's became successful by drawing the social elite to the Polynesian-themed restaurant where Vic concocted exotic cocktails including the mai-tai, which he invented.¹⁰

At the World's Fair in 1939, a restaurant called Le Pavillon de France was so successful that it later opened a nightclub in New York. By the end of the 1930s, every city had a deluxe supper club or nightclub.

The Four Seasons opened in 1959. The Four Seasons was the first elegant American restaurant that was not French in style. It expressed the total experience of dining, and everything from the scale of the space to the tabletop accessories was in harmony.¹¹ The Four Seasons was the first restaurant to offer seasonal menus—spring, summer, fall, and winter, with its modern architecture and art as a part of the theme. Joe Baum, the developer of this restaurant, understood why people go to restaurants—to be together and to connect with one another. It is very important that the restaurant reinforce why guests choose it in the first place. Restaurants exist to create pleasure, and how well a restaurant meets this expectation of pleasure is a measure of its success.¹²

Modern American food trucks were first introduced in California as early as the 1960s and 1970s under the terms hot trucks or mobile food prep units. From inception, food trucks have always been unwelcomed by traditional brick-and-mortar restaurants for a multitude of reasons. In the 1970s, food trucks were viewed as being unclean and unsafe, as well as an economic hazard to the environment. In the 1980s and 1990s, food trucks were slowly gaining momentum, but they could only operate in certain places in many cities. At this time, they were still perceived negatively by traditional restaurateurs for being able to pay less in licensing and fees and for cutting into their profits. By the 2000s, food trucks were rapidly growing in popularity on a national scale. People began traveling from city to city in search of specific food trucks for their renowned offerings. Today, people think of food trucks as being just another outlet for enjoying a quick, convenient, and delicious dining experience on-the-go. While food trucks remain a staple of American-style cuisine, many vendors offer different variations of ethnic, fusion, and imaginative cuisine.

❁ RESPONSES TO CHANGING TIMES

The savvy restaurateur is adaptable. Being quick to respond to changing market conditions has always been the key to success in the restaurant business. An interesting example of this was demonstrated in the early 1900s by the operator of Delmonico's. As business declined during a recession in the 1930s, Delmonico's opened for breakfast and then began delivering breakfast, lunch, dinner, and other fare to Wall Street firms for late-evening meetings. Next, Delmonico turned his attention to the weekends when Wall Street was quiet. He built up a weekend catering business and developed a specialty of weddings. Later he connected with tour groups going to Ellis Island and encouraged them to stop off for meals.¹³

Fast-forward to early 2020 when the COVID-19 pandemic devastated the restaurant industry, causing thousands of restaurants to close—unfortunately, many permanently. To survive,



some savvy restaurateurs entered survival mode and changed not only their menu but also their service style and offered contact-less takeout specials and delivery options. Restaurants eliminated printed menus for touch-less ordering and paying for meals. Alinea, a popular restaurant in Chicago, now uses a pre-paid ticket that books and pays for the meal experience just like a live performance.

World War II was the watershed period that made eating away from home a habit to be enjoyed by millions of people and thought of as a necessity by other millions. Since World War II, a number of social and economic trends have favored the restaurant business. The most important has been the rise in family income, the principal source of which has been the working woman. The more disposable income available, the greater the likelihood of eating out. Lifestyle changes have also been important for restaurant sales. Millions at work or traveling eat away from home at restaurants out of necessity, forgoing a “brown bag.” Despite economic cycles, many people perceive restaurant eating to be something deserved or even a different kind of necessity.

❁ QUICK-SERVICE RESTAURANTS

Following World War II, North America took to the road. There was a rapid development of hotels and coffee shops. They sprang up at almost every highway intersection. The 1950s saw the emergence of a new phenomenon—*fast food*. Perhaps one of the most colorful of the franchise stories involves the originator of Kentucky Fried Chicken, “Colonel” Harland Sanders. He had been a farmhand, carriage painter, soldier, railroad fireman, blacksmith, streetcar conductor, justice of the peace, salesman, and service station operator. At the age of 65, he found himself operating his own Kentucky restaurant/motel with little business because a new interstate highway bypassed it by seven miles. His only income was a social security check of \$105 per month.¹⁴ He had previously experimented with frying chicken in his restaurant and found that preparing it in a home-sized pressure cooker produced an especially tender product in seven minutes. He set off on a trip around the country to sell restaurant operators a franchise to produce and sell what he now called Kentucky Fried Chicken (KFC). He often slept in the back of his old car wrapped up in a blanket because he could not afford a motel room. Since it was a promotion package and procedure only for cooking chicken, the franchise could be used in an existing restaurant. The initial investment was low, only enough to buy a few needed pieces of cooking equipment. The franchisee would pay the Colonel 5 cents for every order served.¹⁵ The Colonel’s thoughts on marketing: “If you have something good, a certain number of people will beat a path to your doorstep; the rest you have to go and get.”¹⁶ A \$5,000 investment in KFC in 1964 was worth \$3.5 million five years later.

Of all the hospitality entrepreneurs, none have been more financially successful than Ray Kroc. Among the remarkable things about him was that it was not until the age of 52 that he even embarked on the road to fame and fortune. The accomplishment is all the more astounding because Kroc invented nothing new. In fact, the concept was leased from two brothers who had set up an octagonal-shaped fast-food “hamburgatorium” in San Bernardino, California. Kroc was impressed with the property’s golden arches, the McDonald’s sign lighting up the sky at night, and the cleanliness and simplicity of the operation. Even more fascinating was the long waiting line of customers.¹⁷

Kroc’s genius came in the way of organizational ability, perseverance sparked with enthusiasm, and an incredible talent for marketing. His talents extended to selecting equally dedicated close associates who added financial, analytical, and managerial skills to the enterprise. The McDonald’s Corporation is the projected image of one man, entrepreneur par excellence, who believed with a passion that business means competition, dedication, and drive. The empire was built in good part as a result of his arch-competitiveness, best illustrated by his reply to this question: “Is the restaurant business a dog-eat-dog business?” His reply: “No, it’s a rat-eat-rat business.”

The 1960s and 1970s saw the introduction of new establishments such as Taco Bell, Steak and Ale, T.G.I. Friday’s (now Friday’s) Houston’s, Red Lobster, and others. Several new chains have

emerged and are discussed in the subsequent chapters from time to time, and the “indy” (independent) restaurateur is also discussed throughout the text. In recent years, there has been an emergence of smaller chains and independent restaurants focused on fast food made with healthy ingredients or cooked in a healthy way. The idea that fast food is simply cheap and convenient, hence it will be bad for you is a notion of the past.

✿ OUR CULINARY HERITAGE

American cooking is formed on a matrix of national cuisines, the confluence of foods and food preparation methods from numerous national and racial groups. The early American colonists brought from England the love of beef and lamb. Once arrived, the Colonials quickly adapted to Indian corn; in fact, it necessarily became the basic food for a number of years. Later, successive streams of immigrants—Irish, Scots, Germans and Scandinavians—added their own foods and methods of preparation. Potatoes originally from the Inca Empire in South America became a staple, brought to North America via Europe. As wheat and other grains became plentiful, bread formed a part of every meal. Many Americans grew up on meat and potatoes, bread, and milk. Meat and bread as sandwiches, milk in milkshakes, and potatoes in French fries dominated the fast-food menus of yesterday and, to some extent, even today.

Later came the Italians with their cheeses and pasta dishes. Italian restaurants spread across the United States and what community is there that does not have a pizza parlor? Historically, the Italians cultivated fine cuisine long before the French. Yet, the Italian and French influences have much in common, for it was with Italy that much of the French fascination with food came originally. In the 16th century, when Florence led the Renaissance, a little girl aged 14, Caterina de Medici, came to France to become the bride of Henri Duke of Orleans, the second son of King Francis I of France. With her came a couple of her cooks who brought some of the Italian art of cookery to France along with an interest in olive oil, oranges, sugar, artichokes, broccoli, beans, and the tiny new peas, which the France called *petits pois*. Her cooks were well informed in the making of sweets; Caterina was particularly fond of *gelati*, one of the water ices. The year was 1533. Fourteen years later, Caterina had become Catherine, Queen of France, her husband having died in 1547.

Most food-service experts rank French cookery near or at the top of various national cuisines that is reflected by the French concern for subtlety of flavor introduced by sauces. Perhaps more than any other national groups, the French have long been concerned with the nuances and complexities of food. Much of the ingenuity of the French chef appears in various classical dishes that have been adopted worldwide.

Mexican food quite naturally has been a part of cookery of the American Southwest since all of that area, including California, was settled by Spanish-Mexicans long before the Anglos arrived. Restaurant chains featuring Mexican food with its comparatively low prices and zesty flavors have accelerated in popularity. Nowadays, the taco and burrito are as well-known as the hamburger. The reasons: cost and flavor. Based on rice, beans, corn, and chiles, the Mexican meal can be produced for about half the cost of a meal built around meat. Just about every Mexican dish begins with a tortilla originally made from corn meal pounded out on a metate (flat stone) and shaped by hand. Today's tortilla is factory made, either from flour or cornmeal. Eaten like bread, when deep-fried it becomes a taco, filled with combinations of hamburger, rice, beans, lettuce, or cheese. Among the popular Mexican dishes are a tostada, which is deep-fried flat and piled high with such items as beans, cheese, meat, and mounds of shredded lettuce, diced tomato, avocado slices, and olives. Enchiladas are tortillas filled with meat or cheese, rolled up and baked with a savory sauce. The burrito is usually a soft tortilla filled with beans, meat, or cheese, or combinations of the three. A quesadilla is a soft taco with cheese and green chile, usually served with rice and beans. For maximum flavor, most Mexican food must be served hot.

When Chinese laborers were brought in to help build the railroads and work the west, they brought their own cookery techniques and food combinations.



☀ TYPES OF RESTAURANTS

Vending Machines: In some large cities, vending machines offer a quick and convenient way for people to purchase a meal on-the-go.

Grocery Stores and Gas Stations: Many grocery stores and gas stations offer a selection of both hot and cold quick-service items to guests as a convenience. They are increasing competition for quick-service restaurants.

Pop-up Restaurants: A pop-up is a temporary restaurant that allows for a concept and culinary talents to be offered for a brief period of time at an appealing location.

Food Truck: A food truck is a mobile neighborhood-type restaurant frequently with a theme and a limited menu selection prepared in a small kitchen-on-wheels. Menu offerings such as simple sandwiches, burgers and fries, tacos, burritos, and regional food is common.

Quick-Service Restaurants (QSRs): QSRs are big on speed and convenience. They serve guests who are on the go and in a hurry. McDonald's is the leader in this segment, and there are several other chains and independent QSRs like Subway, KFC, Wendy's, Taco Bell, and many more.

Quick Casual Restaurants (QCRs): QCRs are popular as they appeal to so many guests with limited menu offerings, a casual environment, and quick service. Among the leaders in this group are Panera Bread, Chipotle, and Pei Wei. Guests order at a counter and either served at their table or "buzzed" when their order is ready for pick up.

Ethnic Restaurants: America has a number of ethnic restaurants from almost every country on earth. Some of the more popular include Italian, Spanish, Mexican, Japanese, and, of course, Chinese.

Fine Dining: Fine-dining restaurants usually have upscale facilities and amenities like valet parking and beautifully landscaped gardens and entrance ways. The interior generally has a welcoming atmosphere with a host stand where guests are greeted and assigned a table or invited to take a seat for a few moments. The tables are clothed and napkins are provided. The menu is extensive with several choices in each category.

There are also other less-considered restaurant types that are sometimes used.

WHAT DO YOU THINK?

What type of restaurant would you create and why?

Challenges of Restaurant Operation

LEARNING OUTCOME 3. List some of the challenges of restaurant operations.

Long working hours are the norm in restaurants. Some people like this; others get burned out. Excessive fatigue can lead to general health problems and susceptibility to viral infections, such as colds and mononucleosis. Many restaurant operators have to work 50 hours or longer per week, too long for many people to operate effectively. Long hours mean a lack of quality time with family, particularly when children are young and of school age. Restaurant owners have little time for thinking—an activity required to make the enterprise grow.

In working for others, managers have little job security. A shift of owners, for example, can mean discharge. Although restaurant owners can work as long as the restaurant is successful, they



often put in so many hours that they begin to feel incarcerated. Family life can suffer. The divorce rate is high among restaurant managers for several reasons. Stress comes from both the long hours of work and the many variables presented by the restaurant, some beyond a manager's control.

One big challenge for owners is the possibility of losing their investment and that of other investors, who may be friends or relatives. Too often, a restaurant failure endangers a family's financial security because collateral, such as a home, is also lost. Potential restaurateurs must consider whether their personality, temperament, and abilities fit the restaurant business. They must also factor the economy into the equation. New restaurants are always opening, even in a failing economy. New restaurant owners can count on the fact that, even in a bad economy, people still have to eat.

Consumers are mindful of how they spend their hard-earned money, and restaurant dining is a part of discretionary income, meaning people will spend first on essentials and then on niceties such as dining out. They may trade down in price and dine at quick-service or casual restaurants instead of using fine-dining restaurants. Even grocery stores and gas stations are trying to lure budget-conscious and time-starved consumers away from eateries toward a variety of prepared foods.

A few years ago, the well-known and highly successful football coach Vince Lombardi described the perfect football player as "agile, mobile, and hostile." In a restaurant context, he or she is someone who enjoys serving people, can handle frustration easily, and is tireless. Lacking one or more of these traits, the would-be restaurant operator can consider a restaurant as an investor only and find someone else to operate the restaurant.

Operating a restaurant demands lots of energy and stamina. Successful restaurant operators almost always are energetic, persevering, and able to withstand pressure. Recruiters for chain restaurants look for the ambitious, outgoing person with a record of hard work. The trainee normally works no fewer than 10 hours a day, five days a week. Weekends, holidays, and evenings are usually the busiest periods, with weekends sometimes accounting for 40 percent or more of sales. The restaurant business is no place for those who want weekends off.

Knowledge of food is highly desirable—a must in a dinner house and of less importance in fast food. Business skills, especially cost control and marketing, are also necessities in all foodservice businesses. Plenty of skilled chefs have gone broke without those business skills. A personality restaurant needs a personality; if the personality leaves, then the restaurant changes character.

Whatever the true rate of business failure, it is clear that starting a restaurant involves high risk, but risks must be taken in order to achieve success. Restaurants may require a year or two, or longer, to become profitable and need capital or credit to survive. A landmark study by Dr. H. G. Parsa reported the actual failure rate of restaurants in Columbus, Ohio, was 59 percent for a three-year period. The highest failure rate was during the first year, when 26 percent of the restaurants failed. In the second year, 19 percent failed, and in the third year, the failure rate dropped to only 14 percent.

Dr. Parsa's study is valid because it used data from the health department in determining when the restaurants opened; some studies obtain their data from other sources, including the Yellow Pages. Parsa adds that many restaurants close not because they did not succeed financially but because of personal reasons involving the owner or owners.¹⁸ If a restaurant survives for three years, its chances of continued operation are high. This suggests that in buying a restaurant, you should choose one that is more than three years old.

One reason family-owned restaurants survive the start-up period is that children and members of the extended family can pitch in when needed and work at low, or no, cost. Presumably, also, there is less danger of theft by family members than by employees who are not well known. Chain restaurant owners reduce the risk of start-up by calling on experienced and trusted personnel from existing units in the chain. Even restaurants started by families or chains, however, cannot be certain of a sufficient and sustainable market for success. When a new restaurant opens in a given area, it must share the market with existing restaurants unless the population or the per-capita income of the area is increasing fast enough to support it.



Many restaurants fail because of family problems. Too many hours are spent in the restaurant, and so much energy is exerted that there is none left for a balanced family life. These factors often cause dissatisfaction for the spouse and, eventually, divorce. In states such as California, where being married means having communal property, the divorce settlement can divide the couple's assets. If a divorcing spouse has no interest in the restaurant but demands half of the assets, a judgment of the cost can force a sale of the operation.

When a husband and wife operate a restaurant as a team, both must enjoy the business and be highly motivated to make it successful. These traits should be determined before the final decision is made to finance and enter the business.

❁ POST-COVID-19 RESTAURANT CHALLENGES

The post-pandemic restaurant challenges are different for large chains, particularly ones like McDonald's, Chipotle, and pizza restaurants, compared to smaller, independent restaurants. Chains usually have stronger financial capacity and much more experience with drive-throughs, carryout, and delivery. Independent restaurants are not as experienced in any of these and unless they quickly adapt to limited indoor dining and increased take-out and delivery services, they will struggle or close. In a normal year, about 60,000 restaurants open and about 50,000 close. But, in 2020, over 100,000 restaurants closed. Not all the big chains avoided bankruptcy: Ruby Tuesday, California Pizza Kitchen, Shake Shack, and Ruth's Hospitality Group all sought bankruptcy protection. Other chains like Starbucks, Dunkin Brands, and Pizza Hut all closed underperforming stores.

In post-COVID-19 life, quick-service restaurants will have fewer people inside, more outside dining (when weather permits), multi-lane drive-throughs, digital menus, mobile ordering, and delivery. To help the situation, some landlords accept a renegotiated rent or lease and banks may repackaging loans. In any event, those who survive will be stronger.

Buy, Build, Franchise, or Manage?

LEARNING OUTCOME 4. Compare the advantages and disadvantages of buying, building, and franchising restaurants.

A person considering the restaurant business has several career and investment options:

- To buy an existing restaurant, operate it as is or change its concept
- To build a new restaurant and operate it
- To purchase a **franchise** and operate the franchise restaurant
- To manage a restaurant for someone else, either an individual or a chain.

franchise

(1) The authorization given by one company to another to sell its unique products and services; and (2) the name of the business format or product being franchised.

In comparing the advantages and disadvantages of buying, building, franchising, and working as a professional manager, individuals should assess their own temperament, ambitions, and ability to cope with frustrations as well as the different risks and potential rewards. On one hand, buying a restaurant may satisfy an aesthetic personal desire. If the restaurant is a success, the rewards can be high. If it fails, the financial loss is also high, but usually not as high as it would have been if the investment were made in a new building. When buying an existing restaurant that has failed or is for sale for some other reason, the purchaser has information that a builder lacks. The buyer may know that the previous style of restaurant was not successful in that location or that a certain menu or style of management was unsuccessful. Such information cuts risks somewhat. On the other hand, the buyer may find it difficult to overcome a poor reputation acquired by the previous operator over a period of time. There are no quick fixes in overcoming a poor reputation or a poor location, but clearly, knowledge of these circumstances decreases risk. Figure 1.2 illustrates the restaurant career and investment options.

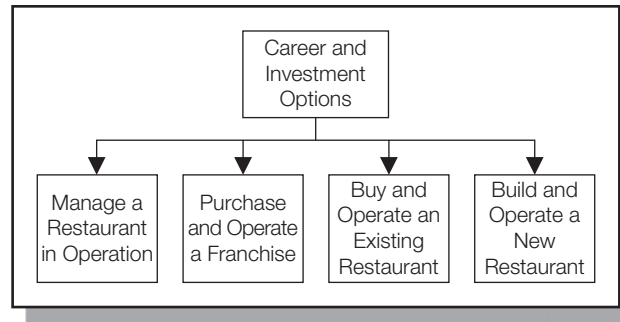


FIGURE 1.2: Restaurant career and investment options.

Without experience, the would-be restaurateur who builds from scratch is taking a great risk. Million-dollar investments in restaurants are fairly common. Finding investors who are ready to join in does not reduce that risk.

A 100-seat restaurant, fully equipped, costs anywhere from \$6,000 to \$10,000 or more per seat, or \$600,000 to \$1 million. In addition, a site must be bought or leased. Examples can be given of inexperienced people who have gone into the business, built a restaurant, and been successful from day one. Unfortunately, more examples can be given of those who have failed.

By contrast, a sandwich shop can usually be opened for less than \$30,000. As one entrepreneur put it, “All you really need is a refrigerator, a microwave oven, and a sharp knife.”

Franchising involves the least financial risk in that the restaurant format, including building design, menu, and marketing plans, already has been tested in the marketplace. Some franchises require less than \$50,000 to start, including the franchise fee and other operational expenses. Even so, franchises can fail and have failed.

The last option—being a professional manager working for an owner—involves the least financial risk. The psychological cost of failure, however, can be high.

Luckily, no one has to make all of the decisions in the abstract. Successful existing restaurants can be analyzed. Be a discriminating copycat. The advantages and disadvantages of the buy, build, franchise, or manage decision are shown in Figure 1.3.

Borrow the good points and practices; modify and improve them if possible. It is doubtful that any restaurant cannot be improved. Some of the most successful restaurants are surprisingly weak in certain areas. One of the best-known fast-food chains has mediocre coffee; another offers pie with a tough crust; yet another typically overcooks the vegetables. Still another highly successful chain could improve a number of its items by preparing them on the premises.

The restaurant business is a mixed bag of variables. The successful mix is the one that is better than the competition's. Few restaurants handle all variables well. Michelin has been in the business of evaluating and recommending restaurants and hotels for over a century.¹⁹ For restaurants, Michelin stars are based on five criteria: quality of the products, mastery of flavor and cooking, “personality” of the cuisine, value for the money, and consistency between visits.²⁰ In all of France, only 18–20 restaurants are granted the Michelin three-star rating. In the United States, hundreds

	Original Investment Needed	Experience Needed	Potential Personal Stress	Psychological Cost of Failure	Financial Risk	Potential Reward
Buy	Medium	High	High	High	High	High
Build	Highest	High	High	Highest	Highest	High
Franchise (A) Ex. Subway	Low to medium	Low	Medium	Medium	Medium	Medium to high
Franchise (B) Ex. Applebee's	High	High	High	High	High	High
Manage	None	Medium to high	Medium	Medium	None	Medium

FIGURE 1.3 Buy, build, franchise, or manage—advantages and disadvantages.



of restaurants do what they were conceived to do and do it well—serve a particular market, meeting that market's needs at a price acceptable to that market, but they do not earn a Michelin three-star rating.

The person planning a new dinner house should know that even huge companies such as General Mills can make big mistakes. Once owner of two profitable dinner house chains, Olive Garden and Red Lobster, General Mills bombed with Chinese, steak, and health-food restaurants.

The small operator lacks the purchasing power of the chain, which can save as much as 10 percent on food costs through mass purchasing. The new operator is usually unsophisticated in forecasting. Compare this with Red Lobster's system, which provides the manager with the number of each menu item to be prepared the next day. Each night, the manager uses a computer file on sales records to forecast the next day's sales. Based on what was served on the same day in the previous week and on the same day in the previous year, sales dollars for each menu item are forecast for the next day. Frozen items can be defrosted and prepped items produced to meet the forecast. Wholesale purchasing and mass processing give the chain an additional advantage. The Red Lobster chain processes most of its shrimp in St. Petersburg, Florida. The shrimp are peeled, deveined, cooked, quick-frozen, and packaged for shipping daily to Red Lobster restaurants. Swordfish and other fish are sent to several warehouses, where they are inspected and flown fresh to wherever they are needed.

quality control

The control of quality.

Quality control is critical; all managers should carry thermometers in their shirt pockets so that they can check at any time that food is served at exactly the correct temperature. For example, clam chowder must be at least 150 °F when served; coffee must be at least 170 °F; and salads at 40 °F or lower. Swordfish is grilled no more than four or five minutes on a side with the grill set at 450 °F. A 1-pound lobster is steamed for 10 minutes. In chains, illustrated diagrams tell cooks where to place a set number of parsley sprigs on the plate.



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Restaurants can not only offer excellent food but also an opportunity for socialization.

Individual operators can institute similar serving-temperature and cooking controls. They may be able to do a better job of plate presentation than chain unit managers can. Independent operators can develop a personal following and appeal to a niche market among customers who are bored with chain operators and menus. This puts individual owners at an advantage over chain competitors. Being on the job and having a distinct personality can really make the difference.

The restaurant business has both the element of production (food preparation) and of delivery (takeout). Food is a unique product because in order to experience the exact taste again, the customer must return to the same restaurant. The atmosphere is important to the patrons. Some would argue that restaurants are in the business of providing memorable experiences.



monkeybusinessimages/Getty Images

Dining at the popular La Jolla restaurant in California.

Starting from Scratch

Occasionally, a faculty colleague from another discipline (usually arts and sciences) says that he or she is thinking of opening up a restaurant and do I have any advice. My reply is: “Let me bring a few of my friends over to your house for dinner every day for the next month, and then after that we’ll talk about it.” So far, no takers. Joking apart, doing all it takes to prepare hundreds of meals night in and night out is very different from having a few friends over for dinner because, for one thing, there are multiple choices on the menu.

Would-be restaurant operators may have already worked in their family’s restaurant, perhaps starting at an early age. Hundreds of thousands of aspiring restaurant operators have tasted the restaurant business as employees of quick-service restaurants. According to the National Restaurant Industry, 9 of 10 restaurant managers began at an entry level position and worked their way up through the ranks, while 8 of 10 restaurant owners started their careers in entry level positions.²¹

For others, their first food business experience was in one of the 740 culinary school programs offered in vocational school or community college programs or at cooking institutes. Yet the industry still does not have nearly enough employees, and the turnover rate is high. The tens of thousands of young people who work in restaurants know that, but also welcome the experience and enjoy working with other young people who never consider the job as a career. One message comes through loud and clear: The restaurant business is highly competitive and requires inordinate energy, the ability to work long hours, and the willingness to accept a low salary. According to the NRA, the restaurant industry has lost millions of jobs due to the COVID-19 pandemic, but is expected to add millions back as soon as the pandemic is over.

Following the European tradition, students who wish to become known as master chefs often seek jobs at the name restaurants in big cities. Many go abroad for the same reason, building their skills and rounding out personal resumes.



Restaurants as Roads to Riches

Probably the biggest reason thousands of people seek restaurant ownership is the possible financial rewards. With relatively few financial assets, it is possible to buy or lease a restaurant or to purchase a franchise. Names such as Ray Kroc of McDonald's, Colonel Sanders of KFC, and Dave Thomas of Wendy's or Chris Sullivan and Bob Basham of Carmel Kitchen and Wine Bar and PDQ People Dedicated to Quality and Bloomin' Brands exemplify the potential success one can experience in the restaurant business.

Dozens of McDonald's franchise holders are multimillionaires, yet some McDonald's restaurants fail. Some owners and franchisees of KFC stores are also wealthy. A surprise billionaire is Tom Monaghan, the Domino's Pizza entrepreneur. Hundreds of lesser-known people are also making it big, some by building or buying restaurants and others by becoming franchisees.

With the economy still sluggish, all segments of the restaurant industry are feeling the effects. Consider all the effects of a weak economy. While prices of food and energy costs (heating, lighting, kitchen equipment) are rising, plus The Affordable Care Act adding to health care coverage costs and an increasing minimum wage, the overtime rule; all make challenges for restaurant owners and operators.

Here are some of the things this book will help you with:

- *Ownership:* Sole proprietorship, partnership, company, or franchise.
- *Development of a business plan:* A good business plan may take a while to develop, but you're not going to obtain financing without one.
- *Marketing/sales:* You need to know who your guests will be and how many there are of them.
- *Location:* Will your location be freestanding, in a mall or a city center, suburban, or something else?
- *Who is on your team?* Your chef and staff, lawyer, accountant, insurance, sales, marketing, and public relations.
- *Design/Ambience:* What design/ambience will you select?
- *Menu:* What will your menu feature? How many appetizers, entrées, and desserts will you offer?
- *Beverages:* Who will develop your beverage menu, and what will be on it?
- *Legal:* What permits do you need?
- *Budgets:* What will your budget look like?
- *Control:* What kind of control system will you have, and how will it work?
- *Service:* What style of service will you select, and how will it operate?
- *Management:* How will your restaurant operate?
- *Operations:* An overview of restaurant operations.

The Panera and Chipotle Effect

New restaurant concepts have been evolving all the time but given the increasing minimum wage and the Department of Labor's ruling on overtime; it is likely that we shall see more new restaurants adopting a Chipotle or Pei Wei style of operation. In fact, it is already happening; Chef Franklin Becker, formerly of New York's Abe & Arthur's restaurant, now at Little Beet, in Midtown Manhattan, is heading a new chain launching more branches serving gluten-free bowls of vegetables, proteins and grains—food that's fresh and designed to move over 1,500 guests in and out in about 20 minutes. This concept borrows from Chipotle and Pei Wei and Danny Meyer's Shake Shack burger chain, which evolved from a cart in a public park into a global behemoth valued at over 1 billion after an initial public offering (IPO). These grab-and-go concepts are an opportunity



Front of the house

areas where guests go including the host stand, bar area, restaurant dining area, and restrooms.

Back of the house

areas where guests do not go including: the receiving area, storage, kitchen, dishwashing and office.

Executive Chef

The chef in charge of the kitchen.

Sous Chef

The second in command of the kitchen. Sous means under in French.

Chef de Partie

a chef in charge of a station in a classical kitchen such as meat, vegetable, fish, or sauce.

Roundsman

A chef who relieves the chef de Partie.

for some high-end chefs to reach a large market at a far lower price point and cash in if they are lucky.²² So, what's your concept going to be?

Restaurant Organization

Naturally, with several different types of restaurants, one organization style will not fit all restaurants. A general manager is responsible for every element of the successful operation of the restaurant. These elements include: budgets, sales, cost control, guest and employee satisfaction, hiring, training and firing staff, purchasing, sales and marketing, promotions, maintenance, legal and financial matters, cleanliness, compliance with all government regulations, maintaining and exceeding standards/goals, and, yes, profit! As we can see, there are a lot of things a restaurant manager is responsible for, but thankfully they do not all need attention at once, and there are assistant managers and an executive chef to work as a team toward goal accomplishment. The functions of management are as follows:

Planning: includes establishing goals and developing strategies to attain or exceed goals.

Organizing: deciding what to do, who will do it, by when, and how it will be done.

Leading: communicating, motivation, mentoring, and setting an example.

Controlling: assessing results, comparing results to forecasts and budgets.

Generally, restaurants have a **front and back of the house**. The front of the house includes hosts, lounge, bar, and dining area. A large restaurant organization is more complex than others. The back of the house includes the kitchen, stores, stewarding, and dishwashing. A large restaurant has more staff and more specialization than other restaurants. As an example, the leader of the kitchen is the **Executive Chef** also known as the Chef de Cuisine, who is assisted by a **Sous Chef** (sous meaning under). This person relieves the Executive Chef when necessary. The Sous Chef is actively involved in the day-to-day running of the kitchen and will “cover” for a **Chef de Partie** when they are off duty. A Chef de Partie is responsible for running a section of the kitchen such as: roast, pantry, sauté, vegetable, fry, grill **roundsman, or relief cook**. We now know that restaurants are complex entities to run and take lots of expertise to run successfully.

Reasons Why People Go into the Restaurant Business²³

There are several reasons why people go into the restaurant business. Do any of the following apply to you?

1. I like food.
2. I think I am a good cook.
3. My spouse is a good cook and will be a chef.
4. Everyone likes [insert your cuisine-style choice] food.
5. I will beat other restaurants on price.
6. I was successful in another business.

We should remember that going into the restaurant business means that you may work or be on-call 24/7. Not only will you be managing the restaurant but also will be responsible for purchasing, receiving, storing, issuing, inventory control, bookkeeping, hiring associates, following government regulations, public relations, social media, marketing, budgeting, and financials. If you are not careful, you could lose some possessions like your house, auto, spouse, and family. Yet,



just think that someone has to run big restaurant corporations and get paid mega-bucks like Starbucks CEO (\$13.4 million) or Chipotle's CEO (\$33.5 million)—why not you?

So, what are the characteristics of a successful restaurant entrepreneur, you ask? There is no consensus on which characteristics lead to success but the following are widely acknowledged to be necessary:

1. Personal drive and grit.
2. Energy—bags of it!
3. Ability to take responsibility, risks, and make good decisions.
4. Ability to delegate tasks.
5. Excellent interpersonal skills, emotional intelligence, stability, sociability, and a good sense of humor.
6. Organizational ability.
7. Good communications ability both verbal and written.
8. Good planning and goal-setting skills.
9. Control and measurement of results.
10. Excellent leadership and judgment.

There is a pride of ownership, being your own boss, and maybe even being a small or large town celebrity. But before you jump into restaurant ownership or operations, first appraise your demeanor and chance of success by asking yourself:

- Can I accept the lifestyle changes that come with restaurant ownership or operations?
- Do I have the mental and physical stamina to run a restaurant?
- Do I have sufficient income to survive for several months while the restaurant becomes successful?
- How will my family react to the restaurant and the lifestyle changes it will bring?

Yes, there are some risks with restaurant ownership and operations. Even a celebrated and very successful restaurant operator can pick the wrong concept and location so as the old expression goes “look before you leap” or buyer beware. There is a substantial amount of capital required to open up a new restaurant; \$2 to 4 million can be spent to get the restaurant open. Even taking over a leased restaurant can be costly. Purchasing equipment and making alterations (known as leasehold improvements) can drain your capital before opening. Then, sufficient capital is needed to carry the restaurant for a few months until it becomes successful.

Restaurant owners and operators expect a **return on investment (ROI)**. If their restaurant is very successful, it may yield a 20% return, meaning 20 cents on every dollar. However, many restaurants make just 3–5 cents on every dollar or an ROI of 3–5%. Some restaurants lose money. Interestingly, some other investors make 30% or more in the stock market. Several stocks are up 30% this year.

This section is not designed to put you off restaurants, but to offer a realistic view of what one might expect. The remainder of the chapters will help improve the chances of success. Enjoy!

Return on Investment
the amount of money
returned to the investor
usually expressed in a
percentage.

Summary

The purpose of this book is to take the would-be restaurateur through the steps necessary to open, manage, and operate a successful restaurant. Sitting in a busy restaurant can be a fascinating experience. Food servers move deftly up and down aisles and around booths, guests are greeted and seated, orders are placed and picked up, the cashier handles a steady stream of people paying their bills and leaving. The flow of customers, the warm colors, and the lighting create a feeling of comfort and style.



The fascinating history of eating out and the birth of restaurants in America is discussed with examples from leading restaurants and operators.

Food servers are usually young, enthusiastic, and happy; the broiler cooks tend to their grilling and sandwich making with a fierce concentration. Food orders are slipped onto a revolving spindle to be taken in succession or pop up on the electronic printer in the kitchen; the orders are prepared, plated, and placed on the pickup counter. A silent buzzer informs the food server that an order is ready. The entire operation could be likened to a basketball team in action, a ballet of movement.

Among the players, the restaurant personnel, the emotional level is high. This ensures that each player performs his or her assigned role, one player's actions meshing with those of the other players. The observer may perceive an elaborate choreography paced to the desires of the customer; the restaurant is orchestrated and led by a conductor, the floor manager. How intricate, how complex, how exciting, how pleasurable—perhaps.

When the characters are in their places, know their assigned roles, and perform with enthusiasm, the restaurant operates smoothly and efficiently. To keep it that way means attention to detail and to the product, its preparation, its service; the personnel, their training and morale; cooking equipment, its maintenance and proper use; cleanliness of people, the place—and don't forget the toilets. A hundred things can go wrong, any one of which can break the spell of a satisfying restaurant experience for the guest.

Few jobs have the degree of staff turnover found in a restaurant. Few jobs require the attention to detail, the constant training of staff, the action, the movement, the reaction to and the attempt to satisfy the multitude of personalities appearing as guests and staff, day after day, week after week, year after year. The general manager is in charge of a large restaurant and is assisted by assistant managers. The organization charts show the organization of different restaurant sizes. The variables that must be controlled to ensure a smoothly operating restaurant can be overwhelming; the restaurant can, indeed, become a multivariate nightmare. Good luck on your way to becoming a small-town or, perhaps, a large-town, dignitary!



CASE STUDY: Castelli's Restaurant at 255

Four Generations of Castelli's

Castelli's Restaurant at 255 is a casual, family-owned restaurant serving traditional Italian-American comfort food made from secret recipes that have been handed down from generation to generation of the Castelli family. The restaurant is located in Alton, Illinois, a small farming community that sits just outside of St. Louis, Missouri. In approximately 75 years of existence, spanning four generations of rich family history, Castelli's has remained relevant by sticking to the basics with its menu items and ingredients, maintaining a family tradition of striving to provide excellent quality and service, and offering fair prices. However, like many long-running restaurants, Castelli's has had to overcome its share of difficulties throughout the years.

In the mid-2000s, Castelli's began experiencing financial difficulties, which continued to escalate when the economy began struggling. The fourth generation of the Castelli family, great-grandchildren Matt and Tracy, dropped what they were doing and moved back to Illinois to reassume control of their family's business and eventually purchase the building back from the bank.

Back to the Basics

After they assumed ownership of the restaurant, Matt and Tracy did not change a lot about the restaurant concept. They kept the original recipes and ingredients that have been in the family for generations. The reason was that their biggest customer base consists of the Alton, Illinois, locals. Many of these people are long-time patrons from an older generation, who are familiar with the concept and menu items and love it for what it is.



At Castelli's, the mentality has always been to give the customers whatever they want. This was initiated from the beginning by the original owners, Alfonso and Theresa. Because of this mentality, Castelli's offers a large and impressive menu with over 75 items to choose from. It also offers carry-out party packs and carry-out combo meals to feed larger groups in need of a little comfort food. Castelli's is open on weekdays from 11 A.M. to 9 P.M., and on weekends from Friday 11 A.M. to 10 P.M. The restaurant is busiest on weekends and holidays, at times serving up to 800 guests on a Saturday night.

Success Moving Forward

Matt and Tracy's philosophy for success revolves around the idea that they need to be in the restaurant constantly, watching over their business. They believe it is important to establish relationships with customers to ensure they have a good time at the restaurant. And in return, Castelli's has done well for itself under new ownership. With that being said, Matt and Tracy are still faced with many challenges every day. It is a challenge to maintain consistency in both the front of house and back of house operations by getting everyone to work as a team and produce a smooth and steady flow of service every shift.

A few years ago Castelli's annual revenue was approaching \$2 million. The restaurant saw a gradual increase in annual revenue and business demand, which reached \$2.5 million at the end of 2012. With that in mind, their food and beverage cost was 38 percent in 2012 and their labor cost was 25 percent. Matt and Tracy's goal was to increase revenue by 5–10 percent, lower their food and beverage cost to 30–35 percent and lower their labor cost to 22 percent in 2013. Ultimately, their long-term goal is to increase annual revenue to \$3 million and eventually expand the business to a second location.

Questions

- Chapter 1 discusses different challenges of restaurant operation. What are some of the challenges the Castelli family has faced operating the restaurant over the years?
- Does the current concept have lasting longevity?
Should the owners alter the concept in any way?
- What are some things the owners could do to increase their annual revenue?
 - How can they lower food and beverage cost?
 - How can they lower labor cost?
- What are some things the owners could do to generate more business demand with younger generations between the ages of 25 and 45?
 - What can you do to give people a reason to travel to Alton, Illinois, and visit the restaurant?



KEY TERMS AND CONCEPTS

Chef de partie

Executive chef

Franchise

Front and back of the house

National Restaurant Association

Quality control

Restaurant

Restaurant concept

Return on investment (ROI)

Roundsman or relief chef

Sous chef



REVIEW QUESTIONS

- Give three reasons why someone would want to own and operate a restaurant.
- Success in any business requires effort, perseverance, self-discipline, and ability. What other personality traits are especially important in the restaurant business?
- In entering the restaurant business as an owner/operator, the individual has a choice of buying, building, or franchising. Which would you choose for minimizing risks? For expressing your own personality? For maximizing return on investment?



4. How important do you think it is to have restaurant experience before entering the business as an owner/operator?
5. Give three reasons people patronize restaurants.
6. What can we learn from the history and development of restaurants?
7. Which comparisons can be made between the past and present of restaurant operations?



ENDNOTES

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