

Lessons Learned: Opening a Restaurant

The Austin restaurant scene is big business. Successful eateries - widely touted in national publications and prime spots for celebrity watching - are highly visible all over the cityscape, making restaurant ownership an appetizing ambition for many enterprising entrepreneurs.

While a new restaurant is a business brimming with potential, it is also a high risk endeavor, with an 80-percent failure rate in the first five years of operation. The reasons for a new restaurant failing are many, including overestimating the first year's cash flow, not developing a loyal clientele and dishing up poor customer service.

Nonetheless, a start-up restaurant has every chance of joining the long list of thriving Austin eateries with the right planning, commitment and execution, according to Austin's top culinary gurus.

"If you really want to be in the restaurant business and want it for the right reasons, you won't be deterred," said Austin restaurant critic Dr. Rob Balon. "The owners of successful restaurants all have an unrelenting sense of passion about what they are doing."

Balon and several other eminently qualified Austin restaurant authorities shared their advice on opening an eatery and making it prosper over the long-term with more than 70 aspiring restaurateurs at the 2007 industry specific start-up conference, "Ingredients for Success: Opening a Restaurant." The fifth annual forum, sponsored by the City of Austin Small Business Development Program (SBDP), was held April 13, 2007 at the Palmer Events Center.

Lesson 1: Deliver quality customer service consistently

A successful restaurant depends on much more than a great chef and terrific

food. Loyal followers of any restaurant will tell you that it is the wonderful menu offerings plus the welcoming, friendly, courteous, sincere, knowledgeable, efficient service that keeps them going back to their favorite restaurants over and over again. Chef Mike Erickson, a chef instructor at the Texas Culinary Academy, said world-class customer service cannot be overstated as the primary reason for the continued growth of a restaurant.

"In today's competitive market your advantage comes from your customers' belief that your employees want to meet and exceed their expectations," Erickson said. "Customers go back to a restaurant because they want to be taken care of."

Ken Schiller, co-owner of the four Austin area Rudy's Country Store & Bar-B-Q restaurants, said that by creating a winning business culture that inspires each staff member to excellence, a

restaurant or any business consistently will deliver the very best experience to each customer.

"If you strive for excellence and do things right from the very beginning, the profits are there," Schiller said.

One way Schiller ensures Rudy's employees deliver the best customer service possible is by always utilizing "topgrading," or the practice of hiring only high performers or "A-players" for his staff.

"If you hire the top ten percent of the people ninety percent of the time, you'll wind up with a team of A-players," Schiller said. "At Rudy's we live and breathe topgrading."

That explains Rudy's mission: "To guarantee that every guest is delighted because of me."

Nilda de la Llata, majority co-owner of El Sol y La Luna restaurant, started out

Lesson 2: Make it personal

in the restaurant industry 20 years ago as a waitress at Las Manitas in downtown Austin and quickly was promoted to assistant manager. She

opened her own restaurant at the popular South Congress Avenue location 12 years ago. Throughout her career, there has been one constant – complete personal dedication to every facet of her restaurant business.

“It’s a fun but very difficult business. It has to be your top priority everyday when you wake up,” de la Llata said. “Owning a restaurant has a lot to do with who you are as a person. You have to make it personal. I don’t know any other way to do it. I just know my way works.”

De la Llata recommends establishing close relationships with everyone in your realm as a restaurateur, including the staff, the vendors and customers. She also generates great word of mouth advertising by actively promoting her restaurant in free print and online articles and by displaying the work of local artists at El Sol y La Luna.

“There is so much you can do that is free and keeps your regular customers coming back and attracts new customers. The bottom line is that you have to do a lot of the work yourself. If it’s your dream, you’ll do it to succeed,” De la Llata said. “What’s more personal than a business you created?”

Lesson 3:
Minimize the risks

Chef Hoover Alexander had worked in a variety of roles for several

Austin restaurants, including the legendary Night Hawk chain, for 25 years before he opened his first restaurant, Hoover’s Cooking, in 1998. Although he knew the industry inside and out and had solid business partners backing his new venture, Alexander recognized the huge risk he was taking in a city with an estimated 4,000 restaurants.

Even now, with a popular East Austin eatery specializing in down-home cooking on his hands, Alexander spends a lot of his time minimizing the risks of restaurant ownership, especially when it comes to planning and pricing menu items.

“Always think in terms of the big picture when it comes to the menu. Who is your audience? What do you want to project? What is the perceived value of your product? How does an item look

on a plate? Does it look like a \$5 or a \$20 item?” Hoover said. “And compare. What are other folks doing? What will the market bear?”

Pure economics and the physical design of your kitchen will play a big part in what items you include on your menu and at what prices, he stressed.

“You need enough cash flow to survive and that influences how you price menu items,” Hoover said. “Your kitchen is the engine that drives what you’ll serve and have on your menu. You’ll be limited by the size of your kitchen and how much equipment you can fit in there. This is the reality check, regardless of how ambitious you are about your menu choices in the early planning process.”

Restaurant owners, particularly start-ups, should avail themselves of any and all resources that keep them abreast of industry trends, Hoover said. He suggested joining the Texas Restaurant Association, subscribing to food magazines and staying in contact with the many great cooking schools in Central Texas.

“This is such a highly competitive industry that you want to make sure you’re not operating in a vacuum,” Hoover said. “There is so much information out there that will serve you well in realizing your dream.”

Independent restaurant owners typically can not afford big advertising campaigns to market their new establishments. The next best thing is creating a buzz about your eatery, meaning a catchy theme that gets the community talking, said Austin business coach Dana Minney of DanaLynn Media.

Lesson 4: Create
a buzz

“Just as Huts is known for its hamburgers and Threadgill’s for its chicken fried steak, your passion for your restaurant will help you find the right buzz words to promote it,” Minney said.

Because of the highly competitive nature of the Austin restaurant scene, Minney suggested that start-up restaurateurs find a community mentor or coach to help them leverage their passion into not only a quality restaurant experience but also that special buzz to capture Austinites’ attention.

“Find and incorporate your passion into your restaurant. People will feel your heart and soul,” Minney said. “You have to be the mouthpiece for your restaurant everywhere you go and to everyone you come in contact with. Creating great word of mouth is free advertising that you could never pay for, but the payoff can be a successful restaurant.”

In summary, succeeding as the owner of your own restaurant requires total personal

dedication, consistent first-class customer service, a staff committed to excellence, awareness of the many risks ahead and the ability to infuse your passion into every facet of the business.

For more information about the 2007 restaurant conference or about starting your own business, contact the SBDP at 512.974.7800.