

## 2010 AMERICAN EXPRESS RESTAURANT TRADE PROGRAM

### Meet the Masters: Sharing Your Playbook

**Panelists:** José Andrés (chef/owner, ThinkFoodGroup); Rick Bayless (chef/owner, Frontera Grill, Topolobampo, XOCO); Tom Colicchio (chef/owner, Craft Restaurants, 'wichcraft); Barbara Lynch (ceo, Barbara Lynch Gruppo).

**Managing time.** "It's the hardest part of my job," said Rick. My biggest struggle is that I can get involved in details and lose the joy of what I'm doing." He said he has a whole slew of assistants, and the one who keeps his schedule knows there are sacred times that are just for him in the kitchen. **"For me to be excited about what I'm doing every day, I have to maintain enough time to cook, to develop dishes, to do what I got into this business for,** because it's easy to get involved in the development side which is pretty joyless." Tom agreed, "You have to schedule your own time in the kitchen, in the office, and time for family, and really work that schedule. For seven years, we grew Craft into eight restaurants and 13 'wichcrafts, and I spent too much time in my office. Over the last year, I have completely pulled myself out of business development and put a team around me to focus on that. **I find when I spend too much time on business that the creative side of my brain just shuts off** and I'm not looking at food in terms of something new to work on."

**Creating teams.** "We do all of our hiring at the lower levels from the interns who work in our restaurants," explained Rick. "We get to know them that way, and if the relationship works out, after they finish culinary school, they come to work for us." Tom added, **"One of the most important things is to check your ego at the door. The second you think you can't teach people to be as passionate and committed as you are, and teach them how you want them to cook, you'll never grow."** He said most of their managers are home-grown talent, starting as servers. "The DNA is there, they understand hospitality. I preach that the welcome, the service is as important as the back of the house." Barbara said, **"I develop teams and hold them accountable for running the restaurants – the P&Ls, food and liquor costs are all on their shoulders.** I'm always there to fix a problem; when something isn't working, we tweak it. One

of the best things I ever did was get to the point where I could hire an HR manager. This fall, we're having our first strategic planning retreat."

**Changing course.** "What I've changed in the last two years is that I'm looking for hotel partnerships. My partner and I have been learning that if it's tough to get money to open a restaurant and the hotel industry needs to partner with restaurant operators like ourselves, why not look for those partnerships?" asked José. "The risk is a lot less – they get a concept, you get a hotel. I have a great partnership with SLS hotels." Tom said that going outside New York City with Craft, a high-end concept, even into mid-sized cities, has been tough. "In Atlanta and Dallas, we have become a special-occasion restaurant, so we may change the concept a little bit, into something less expensive and more like our Craftbar concept, which has actually grown on average 15% over the last two years, even in the down economy." He added, "The last couple of years have been interesting. **You see fine dining changing; the food is fine dining but everything else is relaxed.** I don't think fine dining will ever die, there will be pockets of it, but **I think that middle pricing – \$20-22 an entree – is what people are looking for.** The challenge is to come up with great dishes in that price range and create a great restaurant around it. There's a real opportunity at that level."

**Investing in your team.** "To me, the personal bond is the most powerful tool in human resources," said José. "When I go to Spain in the summer, I bring two or three cooks and take them to where the real people live, where the genuine flavors are, and give them this other way of learning. I think it is the most precious tool that I can give them." Rick takes 20 front-of-the-house and 20 back-of-the-house staff to Mexico for four days over July 4th every year. "We take cooking classes, go to markets, eat in restaurants, and then we put it in a cultural context. It gives us the opportunity to instill culture – not only the culture of Mexico, but our personal culture – in our staff in a different way. We always come back and put together menus for the restaurants that reflect the trip."

Tom Colicchio, José Andrés, Barbara Lynch, Rick Bayless



### Farm to Table+

"It seems unlikely to do a farmers' market right in the middle of the Strip, but Las Vegas is very close to some of the greatest agricultural areas in central California. With so many farmers bringing us product from there and locally, we thought it would be great to give them a venue to sell to locals who want to support that kind of agriculture. It's a real treat for people who live and work in Vegas, including in the hospitality industry – in an environment with all the glitz, the pumped-in air, neon, etc. – to be able to go to a real farmers' market, meet the farmers. Now up to a thousand people show up every Thursday for the market, called Bet The Farm, which we hold in our warehouse. Our chefs are passionate about it – they know the farmers, and the success is really based on their relationships."

–Joe Bastianich, owner/partner, B&B Hospitality Group

"We opened a farmers' market in our parking lot on Thursdays so we could get everything delivered to us. It was a challenge setting it up and difficult to get all the producers together – but the farmers came, our customers and people from surrounding communities came, and it created a whole new life for our businesses. We did it because we knew it was the right thing, but then it took hold and has been growing ever since. It worked better than we ever expected."

–Michel Nischan, owner/founder, Dressing Room

"The opposite works, too. I always go to the farmers' markets and I wear chef's clothes. I've got relationships with the good farmers and tell them that I'll use whatever they have left over. So, instead of driving back to the farm with leftovers, they drop it off, and I split it up among my restaurants."

–Cindy Pawlcyn, chef/owner, Mustard's Grill, Cindy's Backstreet Kitchen, Go Fish

## A Look at Restaurant Sales

2006	2007	2008	2009	2010 Jan-June
<b>Comp Sales</b>				
-0.1	-1.1	-3.1	-5.6	-1.7
<b>All Store Sales</b>				
6.1	4.2	1.2	-3.3	-0.4
<small>Note: Figures are for the casual dining sector. Source: Knapp-Track, Malcolm M. Knapp, Inc.</small>				

Restaurant Trade Program panelist, Malcolm Knapp, president, Malcolm M. Knapp, Inc., discussed the dynamics leading up to recent declines in restaurant sales. "Looking at casual dining as a proxy because it's a high growth sector, from the period of 2001 to 2006 we had positive comp sales – which you don't have in recessions. Lower interest rates coupled with increases in housing prices allowed a lot of people to start refinancing and cashing out. So there was a stream of money recovered from housing since 2001; that's why we stayed positive comp. Housing prices peaked in June of 2006; for that entire year we were minus 0.1% comp, but before that we were positive. Basically, people were living well beyond their means by cashing out their houses and taking on some debt. By 2006, it started fading, and, by 2009, we hit the bottom of the barrel. All store sales peaked at 12.7% in 2000, even in 2008, we were still positive 1.2%. But in 2009 – for the first time ever – we went negative for all store sales for casual to minus 3.3%.

"Fullservice restaurants had a lot more pain; if you were high end, significantly more pain. In 2007, there were roughly \$188 billion in fullservice all store sales, and we're projecting for the end of this year just \$184 billion, so it actually shrank. This has never happened. Fast food, on the other hand, did go up from \$150 billion to \$164 billion. For high-end steakhouses, which had really been depressed, we're now positive comp for the months of March, April, May, and June, although June was well below May. The high-end steak companies that are more heavily business oriented have shown much greater improvement than the ones that are geared to social and aspirational. Where it's personal, it's a little bit different – you're going to see big dichotomies in behavior.

"We're coming out of this very slowly, because we've had a financial collapse. The way I look at the economy going forward is like the cooking mantra of the pit master of a barbecue, low and slow. The economy is going to be low growth, and jobs – which are really the key to happiness – are going to be very slow in coming back. We're going to be in for a couple of years where the high end will start recovering because businesses start to spend again. Large businesses really have more cash on their books than they've ever had in their history, so there's plenty of money there. But the small guys don't, and so you have this dichotomy in the economy."

## Navigating THE NEAR-TERM

### Malcolm Knapp on BRAND LOYALTY

"Brand loyalty is dead. When times were good, you could go to a restaurant maybe four or five times, and if it screwed up, then you gave up. Now it screws up once and you give up, you go somewhere else. You want a guaranteed experience. That doesn't mean that brands aren't important – they are crucial, but you have to absolutely deliver on your brand promise, so there's a much greater premium on excellence, value, new product news, and execution."

### JJ Buettgen on BRAND MANAGEMENT

"Brand loyalty is not dead, it's just a lot harder to earn it because guests expect more. We're fortunate in that our brands have built loyal followings. As a company, we focus on operations excellence and brand management excellence. No matter how great your marketing programs – whether you are a company with 1,800 locations or a smaller company – at the end of the day, the ability to deliver on your brand's promise comes down to the level of execution by the employees in the restaurant. We're a very values-based company committed to hiring the right people and to training and development. Our employees are our lifeblood. It's our employees who determine whether we meet guest expectations, and who over the long term build loyalty to our brands."

### Dawn Sweeney on COMPETITION FOR THE DINING DOLLAR

"I think a real challenge to our industry is this steady drumbeat that started with Walmart and then Stouffers. You see these ads now about eating at home – instead of going out for breakfast, buy these five products, and you can have a breakfast for 87 cents a day instead of \$5 a day. If people who have been going out to eat four times a week start going out three times a week, or people who have been going out once a week go out only once every other week, it could over time impact the industry. There's nothing that takes the place of going out to eat, there just isn't, no matter how terrific they try to make putting a pizza in the microwave sound. The experience is not the same, and this feels like a threat to our industry."

### Thomas Keller on MAINTAINING INTEGRITY

"Our restaurants have always operated at a very high level – a level we achieve through the discipline of what we do each day in all of our restaurants – and for this reason, the experience we offer has always been in high demand. Integrity has to do not only with the quality of the experience we give our guests, but also the quality of experience we provide to our team. That has always been very important to me – not only to have a great dining room, but to have a great kitchen and a great office, where people are truly happy to come to work; they're comfortable in that work environment and they're going to perform their jobs at the highest levels. We give everyone in all our restaurants the tools they need to execute according to the expectations of myself and our guests. It's about spending money; it's about making that dollar commitment to your restaurants. The experience of your team is as important as the experience of your guests."

**Panelists:** JJ Buettgen (senior vp new business development, Darden Restaurants); Thomas Keller (chef, Thomas Keller Restaurant Group); Malcolm Knapp (president, Malcolm M. Knapp, Inc.); Dawn Sweeney (president/ceo, National Restaurant Association and NRA Educational Foundation).

## Social Media: Managing a Newly Empowered Consumer

**KEVIN COLLERAN**  
 director of national sales,  
 Facebook

There are many ways to go about getting Facebook fans – followers – whether it be advertising, putting up signs in your stores, utilizing your external email list, or just promoting your restaurant. However, fans are subscribing to show some sort of interest – they are only just giving you a chance. It's up to the restaurant or the brand to take advantage of that chance and turn it into a relationship. Most users don't return to fan pages – they wait for a brand to talk to them into their newsfeeds on their homepages. So, in the middle of conversations with friends, they're also getting messages from the brands they have chosen to follow. **People can see right through those brands that try to entice the user to become a fan only to then just send "buy-now" messages.** Or a lot of brands put their page up and may not pay attention to it. You're not offering any value to the relationship, so therefore they are going to click the "remove" button, and that relationship is gone. **Responding to fans in real time is important because it gives people the feeling they can actually talk to a brand.** Ten years ago, people would have been calling an 800-number or writing a letter to customer service. When you see low engagement scores or people falling off your fan page, so often it's because you're essentially using it as a constant stream and not a dialogue. Ask your market research questions, ask about what specials you should

have; test your ad creative. I hear that a lot of brands outsource social media – Twitter, Facebook, etc. – to their agencies, but they miss all the value of having that dialogue. There's just so much market research you can gather from this opted-in group of people who want to actually engage and want to give feedback.

**ETHAN LOWRY**  
 co-founder, Urbanspoon

When you look at the way that people interact with social media, there is a "push" and a "pull" mode. When you want to push something out to your diner, to your consumer, you use tools like Twitter and Facebook, and it's essentially this fantastic megaphone to reach your fans. Urbanspoon is really part of the pull strategy. When consumers are looking for restaurant, they are going to use tools like Urbanspoon, Google, and Yelp to help them make their decision. Your own Web site is also a powerful tool for people who are trying to find a place, but you need to make sure you get the basics down right. You'd be shocked at how many restaurants mess up on the simplest things. **Make sure your menu is up to date, that it's online and readable. Make sure that your site, sites like Urbanspoon, and those across the Web are sprinkled with high-quality photos that you've taken or that you've had a professional take** instead of what someone like me has taken in a restaurant with an iPhone.

**NIKI LEONDAKIS**  
 chief operating officer,  
 Kimpton Hotels & Restaurants

**One of the greatest values of social media is as an opportunity to do some intense customer listening** – gathering information about what our customers are saying about us. What are we doing really well? What are we doing not so well? If you compile statistically what people are saying, you can't dispute the fact that, maybe, you need to rethink some things. This is an amazing tool for customer listening and then improving your operation. We use Google alerts, but beyond that TweetDeck or through our Twitter account to search our brand name and our brand name in conjunction with certain adjectives to pick up what people are saying about us. **If anybody is tweeting about a bad experience, I can go in and do service recovery – it can be an opportunity to surprise and delight them.** Sometimes, when we're out there searching, we pick up that someone is going to celebrate a special occasion at one of our restaurants, for example. We have the opportunity to make it really special, and they don't even know. Or someone tweets that they can't sleep because there's noise outside their hotel window. I can jump on that and get the hotel to give them a different guest room. So we can not only add value to that customer by either turning around or enhancing their experience; **we're also reinforcing the reputation of the brand to all the people watching that publicly.**

**CHRIS COSENTINO** executive chef and co-owner, Incanto and Boccalone

I think Twitter has become a very interesting media platform. **People can instantly connect with you as a business, with you as a chef, with you as a company.** I'll put up a dish, and people can see immediately whether or not they want to come in for dinner tonight. Then they ask me "How did you make that? Where do the clams come from?" There can also be a direct response from media. It's breaking down a barrier that I think for many, many years was there. There was a wall in the kitchen, and chefs were behind the wall and nobody could really get to them.

Chefs follow local farmers and suppliers to see what's available, and other restaurants as a taste barometer. You can also use Twitter to find dairy prices, fish shortages, what's going on

with hiring. I've hired two cooks off Twitter. I link my Twitter to Facebook; I have a Facebook fan page and a Facebook personal page. It's really amazing how you can feed everything through one and basically you're hitting your friends, your customers, and you're hitting your staff. I've made it mandatory with my dining room staff to follow me on Facebook or Twitter because I change the menu everyday. So as I put up new dishes, they are getting updates on the food, even when they're off. The next day, when they walk in they aren't behind the eight ball.

You can't ramble on; learn to be smart, abbreviate using @ and & symbols. I try to send photos with tweets – **140 characters and a photo goes a long way to reach a lot of people who really care to know.**

*"The most important thing I've learned since I've been doing social media is to just be yourself and be honest. I think that people gravitate to that."*

- Chris Cosentino

## It IS Easy to Be Green: Feasible Farm-to-Table Practices

**Panelists:** **Joe Bastianich** (owner/partner, B&B Hospitality Group); **Sam Beall** (proprietor, Blackberry Farm); **Jeff Harvey** (president/ceo, Burgerville); **Michel Nischan** (president/ceo, Wholesome Wave Foundation and owner/founder, Dressing Room restaurant); **Cindy Pawlcyn** (chef/owner, Mustard's Grill, Cindy's Backstreet Kitchen, Go Fish).

**“Local is probably the most important word we can preach.** It kind of sets everything up. If it's local, then there's a good chance that it's going to be fresh.” **Sam Beall**

“I know *getting started* can sound really daunting. Our company started with a conversation around shared values with people in our organization – our employees, our network of suppliers, and our customers. What we do doesn't come from closed office discussions – our composting program came from our employees; wind power from energy companies who came in with an idea. **So the way you get started is you talk to your network about what you believe in, because when two or more can come together and say they believe in something, then you can spark it.**” **Jeff Harvey**

“Our restaurants now recycle 70% of all *waste*. We compost post-consumer waste and all the kitchen food waste; we recycle plastic, cardboard, and all of our cooking grease for biofuel. All my restaurants have much smaller garbage cans; **I've saved a ton of money. My food costs are a little higher, but I can keep my prices the same, and I'm putting the same amount to the bottom line because I'm offsetting costs.** One of the hostesses couldn't find cocktail napkins one day and so she cut up all of the old menus to use as coasters – we've been doing that ever since. What do you need cocktail napkins for?” **Cindy Pawlcyn**

**“It's not impossible to do what we do, and the *price points* don't have to be through the roof.** We are selling a burger using sustainable practices at about \$5. Our average ticket is about \$8.40, which is higher than Burger King, but these days the burger ticket is going up. And 70% of our ingredients are locally sourced.” **Jeff Harvey**

“We don't like getting on a soapbox and talking about the dangers and the ominous black hole of what's happening with the conventional food

system. We like *telling the story* of how we get our pork from this quirky guy, or about the woman who forages our mushrooms who has been doing it for 35 years, etc., or about our beef supplier – this guy who just refused to feed animals anything but grass, and how we changed our whole system to only have steak as a special because that way we could buy all of our beef from him. **People love hearing about where things come from.** If we were talking about how bad concentrated animal-feeding operations are, we might just as well lock the doors of the restaurant. But when one person is having the meatloaf, another a burger, and someone else the steak or pot roast, and it is all from the same animal and we can name the guy it came from – that's awesome, really cool.” **Michel Nischan**

**“We try to blend real grassroots farming relationships with *distribution methods* to satisfy our 39 restaurants –** whose menus might have some variation based on supply. We've got a team in our organization called Supply Chain, which meets with farmers. When we bring in Walla Walla onions, for example, the team goes to the farm, establishes the relationships with the farmers, works with them on the specifications for the product as well as the growing practices. Once that's all qualified and we've negotiated the price, then we walk hand-in-hand to SYSCO and have them distribute for us. It's a far cry from ordering from the SYSCO catalog. If we did it that way, we couldn't ensure the quality; we couldn't tell customers the story about where things come from.” **Jeff Harvey**

“The *big challenge* is that the whole green movement runs the risk of being elitist. I think that our responsibility as food professionals is to take the spirit of what we do with sustainability and have it permeate the market, trickle down. All the thought, all the incredible good intentions and intellectual capacity of people who think about food and serving food in this way...**how do you take it out of a \$90 check average and bring it to people who have \$5 to spend on a meal?** In New York, tens of thousands of school kids go to school hungry everyday. Forget about sustainable – they are hungry; they lack for food. As long as that exists then what we're talking about is a very, very heady intellectual kind of thing. That's the real challenge, and the journey is long, but that's where we have to keep our heads. It's our responsibility.” **Joe Bastianich**

**“Sustainability** is one of the most difficult words to define. To me, it has to do with the opportunity to work with and support everyone around you. Our gardener relies on our cheesemaker; our chef relies on our gardener; the dairy compost enhances our garden. It's a full circle and contributes to the quality of experience we can share with guests in our dining room. We grow the majority of what we use but we also have incredible neighbors, farmers I want to support who do some things better than we do.” **Sam Beall**

“When you talk about operating sustainably, you have to recognize that there's never an endpoint. You are committing to a life practice, a way of doing things. You are continually investing in what's coming next and thinking about how to create a system that's going to be supporting us years and years into the future. We imagine ourselves as a 100+-year company – one that actually supplies sustainable food for 100 years beyond any of our lives.” **Jeff Harvey**

“You can't have sustainability without supporting local people – directly sourcing from people within your region. Aside from efficiencies of scale, when you buy locally you are recirculating your dollars within your community, and that's economically sustainable.” **Michel Nischan**

“We have an urban rooftop garden at XOCO to show people that you can do it. But for us sustainability has to be part of the whole big picture. We focus on it in every aspect of the operation, so it has to affect the way we train and maintain our staff and how we build out the place. Sustainability affects every aspect of the whole business, not just food.” **Rick Bayless**

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