Spring 4-28-2017

Restaurant Entrepreneurship: Theory and Practice

Margaret Leach
Southeastern University - Lakeland

Follow this and additional works at: http://firescholars.seu.edu/honors

Part of the Business Administration, Management, and Operations Commons, Entrepreneurial and Small Business Operations Commons, and the Marketing Commons

Recommended Citation
Leach, Margaret, "Restaurant Entrepreneurship: Theory and Practice" (2017). Selected Honors Theses. 67.
http://firescholars.seu.edu/honors/67

This Thesis is brought to you for free and open access by FireScholars. It has been accepted for inclusion in Selected Honors Theses by an authorized administrator of FireScholars. For more information, please contact firescholars@seu.edu.
Acknowledgements

I would like to thank Dr. R. Joseph Childs and Dr. Lyle Bowlin for their immense support and guidance over the past three semesters. The advice offered during this process has shaped my thesis, and also shaped my future career. Thank you for connecting me with Catapult, and for teaching me how to be a life-long leaner.

I would also like to thank my parents, John Mark and Suzanne Leach, for their endless love and for their many sacrifices. I am so grateful for the opportunity to pursue education, and for your encouragement in this process, and beyond. Thank you for inspiring me to follow my dreams.

Thank you, Dr. Miller, for your leadership in the Honors Program, and for requiring this project. Through writing a thesis, I have learned invaluable lessons and obtained priceless opportunities, and for this I am so grateful.
Abstract

Mirroring its industry, restaurant entrepreneurship is an expansive, evolving topic. This thesis seeks to answer the question, “How do community-focused restaurants, operated by lifestyle entrepreneurs, launch and scale?” A case study approach is taken and literature regarding restaurant ownership, entrepreneurship, and social enterprise is reviewed. Interviews of ten different non-franchise restaurant owners were obtained and analyzed. The interviewees detailed the processing of launching the venture, scaling and growing the business, and supporting and partnering with the surrounding community.

Keywords: Restaurant entrepreneurship, social enterprise, foodservice, small business ownership, entrepreneurship, management
# Table of Contents

Chapter One: Introduction ........................................................................................................ 8
  Research Questions ................................................................................................................ 9
  Authors .................................................................................................................................. 10

Chapter Two: Literature Review ............................................................................................... 10
  Socially-Minded Entrepreneurship ......................................................................................... 10
  Business Models and Plans ..................................................................................................... 13
  Restaurant Entrepreneurship .................................................................................................. 16
  Supporting Business Concepts ............................................................................................... 18
  Restaurant Management. ......................................................................................................... 18
  Restaurant Marketing. ............................................................................................................. 19
  Restaurant Financials............................................................................................................... 21

Chapter Three: Methodology ..................................................................................................... 23
  Case Study Research ............................................................................................................... 23
  Research Design .................................................................................................................... 24
  Interview Questions ............................................................................................................... 24
  Participants ............................................................................................................................. 25
  Recruitment ........................................................................................................................... 25
  Interview Procedure ............................................................................................................... 26

Chapter Four: Data Analysis ..................................................................................................... 26
  Research Question One .......................................................................................................... 27
    Motivation. ............................................................................................................................ 27
    Passion. ................................................................................................................................. 27
    Self-Employment. .................................................................................................................. 28
    Relationships. ...................................................................................................................... 29
    Skills. .................................................................................................................................... 29
    Restaurant Experience. ......................................................................................................... 29
    Managerial Experience. ........................................................................................................ 31
    Financing. ............................................................................................................................. 32
    Self-financed. ......................................................................................................................... 32
    SBA Loans. ............................................................................................................................ 33
  Research Question One Conclusion. ...................................................................................... 33

Research Question Two ............................................................................................................ 34
Learning Curve ................................................................. 34
Open slowly. ................................................................. 34
Adjust to the space. ......................................................... 35
Adapt to the customer. ..................................................... 36
Keep expenses low .......................................................... 38
Continue to grow ............................................................ 39
Successes and Failures ...................................................... 39
Successes ................................................................. 39
Failures ................................................................. 40
Components for Growth: Internal ...................................... 41
Management ................................................................. 41
   Employee Management .............................................. 42
   Employee Recruitment .............................................. 43
Marketing ................................................................. 44
Finances. ................................................................. 45
Components for Growth: External ...................................... 46
Competition ................................................................. 46
Regulations. ................................................................. 48
The Economy ............................................................... 48
Avenues for Growth ......................................................... 49
Additional Products/Services ........................................... 50
Additional Locations ........................................................ 52
Research Question Two Conclusion .................................... 53
Research Question Three .................................................. 53
Local Economy .............................................................. 54
   Buys from local suppliers. ............................................ 54
   Creates jobs for the local population. ............................ 55
   Enhances the tourism industry ..................................... 55
Local Environment ........................................................... 56
   Recycles. ..................................................................... 56
   Reduces food waste ..................................................... 56
   Uses eco-friendly products. ......................................... 57
Restaurant Entrepreneurship: Theory and Practice

Chapter One: Introduction

Restaurant entrepreneurship is a challenging business. The industry is demanding and constantly evolving to meet the ever changing appetites of customers. Trends such as fast-casual dining, locally sourced ingredients, and gluten free options arise from the new needs and desires of clientele. Amongst the avenues restaurateurs explore to cater to the customer is social enterprise. Today, restaurants are exploring how they can positively impact the communities in which they are planted (Dhiman & Marques, 2011). This thesis project explores themes of social enterprise, entrepreneurship, and restaurant ownership and asks the question, how can these concepts be blended into a successful venture?

Social entrepreneurship has been gaining traction in recent academic literature (Glover, 2012). Manifestations of these effort range from companies that solve social problems through their business models, to companies who simply strive to operate in an eco-friendly manner. (Dees, 1998). The definition of social enterprise that will be used in this project is from the European Commission’s Social Business Initiative. They state:

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities. (Social Enterprise, 2011)
An opportunity exists for research in the space that blends social entrepreneurship and the restaurant industry. Restaurants are notorious for their high failure rate, paper-thin profit margins, and unhappy staff members (Parse, Self, Njite, & King, 2005). How can this situation be redeemed to fight social injustices?

Many variations of social entrepreneurship exist, and this project will center research the degree of social entrepreneurship deemed “community focused entrepreneurship.” This type of social entrepreneurship entails mutually beneficial relationships with stakeholders and engagement with the local populous (Dees, 1998). Focused on impacting communities primarily through actions rather than primarily through monetary donations, this type of social entrepreneurship is compatible with the hospitable nature of restaurants, while taking into account the low profit margins associated with this industry. Social entrepreneurship is the umbrella which encompasses the term community focused entrepreneurship. Both concepts will be explored further in the literature review.

**Research Questions**

Research for this thesis will contribute to academic literature on the topics of restaurant ownership and social entrepreneurship. There will be one primary research question, and two secondary questions which emerge from this topic. The answer to these questions will manifest themselves in the form of a business plan appended to the project.

**Primary research question:** How does a community focused restaurant create a business model to serve their vision? **Secondary research questions:** 1) How does a community focused restaurant prepare to open for business? 2) How does a community focused restaurant grow and scale, in size and mission?
There is scant academic research on the restaurant industry, especially on small business restaurant ownership. The field of entrepreneurship is experiencing growth, complemented by the rise of small business incubators (Haugen, 1990). The topic of social entrepreneurship is also evolving and growing, which creates a gap in the research. These questions will guide the thesis and culminate in business plan that blends the three aforementioned subjects.

Authors

The primary author of the work is an undergraduate business management student at a liberal arts university. In her research, she is assisted by two advisors from the business department with specializations in economics, social entrepreneurship, finance, and supply chain management. The goal of this thesis is to be applicable to the future restaurant ownership of the primary author.

Chapter Two: Literature Review

Socially-Minded Entrepreneurship

Entrepreneurship, with or without a social purpose, produces social value. Acs, Boardman, & McNeely (2013) made the assertion that, “…an entrepreneur can state social goals without actually creating social value, and there is no reason to suggest that in order to create social value, an entrepreneur must state this as an explicit goal” (p. 787). These authors analyzed Microsoft and Grameen Bank according to the standard of productive entrepreneurship. Though both companies have different approaches to value creation, both entities better society’s economic standing. Both “social” and “commercial” entrepreneurs are creators of value and social progress. This research will
be used to contribute a continuum from bona fide social entrepreneurship ventures to destructive entrepreneurial businesses.

Dees first suggested the presence of a continuum in his 1998 paper, *Enterprising Nonprofits*. In speaking about the pressure for non-profits to generate revenue, he presented the “Social Enterprise Spectrum.” The spectrum spans from purely philanthropic on the left to purely commercial on the right. Dees asserted that non-profit organizations should analyze their core mission and competencies, and subsequently choose the position on the spectrum that best fits their style of social enterprise. Both the technique and the continuum can be applied to a restaurant entrepreneur as he/she chooses how to impact the community through social entrepreneurship.

Somewhere on above continuum are lifestyle entrepreneurs. Lifestyle entrepreneurs are defined as “neither wealth seekers nor financially independent hobbyists... [They are] individuals who owned and operated businesses closely aligned with their personal values, beliefs, interests, and passions” (Marcketti, Niehm, & Fuloria, 2006, p. 241). Lifestyle entrepreneurs seek a career that satisfies their passion, yet affords them work-life balance. Case studies from 12 lifestyle entrepreneurs were created to explore the relationship between lifestyle entrepreneurship and life quality. The study observed entrepreneurs across a wide range of industries and with varying demographic characteristics. It was discovered that lifestyle entrepreneurs felt that their lives, and the lives of their stakeholders, were improved by their economic venture. This piece of literature will influence the methodology of the thesis project.

The issue of stakeholders is prominent in literature about both social entrepreneurship and organizational development. Both are able to apply the concept of
“doing well by doing good,” which is profiting financially while creating social benefit. (Glover, 2012, p. 120). Three areas of similarity exist between social entrepreneurship and organizational development: social impact, change, and sustainability. Both social entrepreneurship and organizational development measure performance by social impact as well as financial stability. Both parties act as “change agents” in their respective environments. Social entrepreneurship seeks to change society while organizational development strives to change a company. They are both focused on creating a sustainable, lasting impact. The phrase “doing well by doing good” is exemplified in both of these schools of thought.

Social change is rarely brought about by a sole party. Montgomery, Dacin, & Dacin (2012), assert, while Western culture and social entrepreneurship literature glorify the individual, collaborative social entrepreneurship efforts deserve academic attention. There are four main categories of collective social entrepreneurship: same sector pooling, cross-sector trading, and cross-sector pooling. While the details of collaboration vary between categories, three central benefits that stay constant: framing, convening, and multivocality. Framing relates to the publication and portrayal of a social movement. Convening is the gathering of collective resources to further this movement. Multivocality speaks to the asset of diversity when several people or companies gather to engage in the movement. This research advocates for the use of partnerships in business models and can apply to partnership between food service establishments. Collaborative social entrepreneurship harnesses synergy and allows businesses to join together to create positive social change.
This collaboration can be in the form of corporate entrepreneurship. Incite, a $7.5 million enterprise developed by Sarah Harris from the parent company of Emmis Communications, is an exceptional example of corporate social entrepreneurship. (Plaskoff, 2012). Incite markets and promotes causes for non-profits and government initiatives, such as public health and green energy. By blending business and social purposes, Harris believes that society can trap into unreached potential for progress. Achieving a perfect balance of these dual priorities is challenging, Harris admits. Social entrepreneurs must constantly learn, adapt, and re-prioritize. Harris also notes the importance of joining with others to pool capital, resources, and expertise. Business people have an opportunity to use their expertise to curate social change, however no one should tackle these issues alone.

**Business Models and Plans**

Once one has a desire to positively impact society through entrepreneurship, what is the next step? Most educational materials for entrepreneurs focus on the general management skills necessary to run a business, skills that would be as applicable in a large corporation as in a “mom and pop shop.” Botha, van Vuuren, and Kunene (2015), synthesized eight entrepreneurship performance models into one congruent equation. Small and medium sized enterprise (SMEs) entrepreneurs were surveyed to glean their perspective about the accuracy of said models. The researchers chose to sample two populations: established SMEs (at least 5 years old) and start up SMEs (younger than 5 years old). Both populations placed the most value on functional and enterprising competencies and “considered the following skills to be very important: motivation, securing resources, operations, financial management, legal skills, and marketing”
An aspiring entrepreneur should hone these competencies.

One of the first steps when one is launching a business is to create a business plan. Sometimes, the formatting of these plans can deter the entrepreneur. Rogoff (2003) presented an alternative system for entrepreneurial planning, based on his experience mentoring aspiring business owners. It is a ten step process that begins with broad questions and gradually narrows to details. He instructs entrepreneurs to: define the company, identify the venture’s initial needs, choose a strategy, analyze the potential markets, develop a marketing campaign, build a sales effort, design the company, target the funding sources, detail and explain the financial data, and showcase the entrepreneur to investors. This process helps guide the entrepreneur through an organic way of crafting a business plan.

When crafting a business plan, the business model effects many decisions. However, how does one choose a business model? What restaurant business model is most profitable? An analysis of business models used in Russia’s restaurants was performed by Morris, Shirokova, & Shatalov (2013). They researched a link between business model and firm performance. The business models contain three components: value chain, market strategy, and financial positioning. The authors then took a sample of 281 restaurants from Russia’s foodservice industry to conduct their analysis. Seven business models were extracted from the data, which represented both small business enterprises and large corporations. The study found that companies which run a limited menu are able to grow the fastest.
While these findings are intriguing, the business model of the hospitality industry is changing. There is a shift in focus from orientations as product-based firms to service-based firms. The business model is now centered on the customer (Kandampully, 2006). Many hospitality products are becoming ambiguous, therefore companies have to differentiate themselves through service. Also, firms are beginning to network with each other to exchange complementary goods and services, called “out-partnering.” Finally, technology is affecting the industry. Kandampully (2006) asserts that it is the way that staff uses the technology that promotes innovation and growth, not simply the existence of the equipment. These factors are synthesized into a business model that centers on corporate intent, strategic direction, and core capabilities. The hospitality industry must embrace the shifting market and re-focus attention on the customer.

Planning is imperative to entrepreneurial success. Entrepreneurial Business Plans (EBPs) are one way prepare for the launch of a business. Mainprize and Hindle (2007) likened these plans to the preparations of a midwife before a birth. A midwife is prepared for most outcomes during labor. Because of her foreknowledge and experience, she is able to safely bring children into the world. The entrepreneurial business plan mirrors the midwife: it includes possible scenarios and the company’s reaction to the scenarios. Entrepreneurial business plans were evaluated by Mainprize and Hindle (2007) to determine whether the plans could predict success. After gathering data from 129 scenarios, the pair could mathematically predict performance with 81% accuracy. There is immense power in an EBP.
Restaurant Entrepreneurship

While most entrepreneurial guidance is applicable across many industries, for this thesis, the intricacies of restaurant ownership must be discussed. Smith (1996), a seasoned entrepreneur, wrote a journal article that addressed the framework for a thriving start up restaurant and continued with 13 specific tips. Any restaurant must thoroughly understand financials and keep tight control over both fixed and variable costs. Food management and cleanliness are prerequisites for a flourishing restaurant. Competitive advantage comes from providing superior value and exceptional customer service. Smith’s specific tips centered on three themes: go above and beyond to serve customers, streamline the menu, and value restaurant staff. Surprise customers with extras and discounts in house, instead of trying to lure buyers with coupons. A reputation for excellent hospitality will spread rapidly by word of mouth and bring new customers flooding through the doors. Focus the menu on what the restaurant does well and stop wasting time (and money) on providing excessive choices. The staff members are the heart of a restaurant. Employees craft the products and serve the patrons. Treat staff with value and respect, and they will serve the restaurant well. This wisdom is a gentle introduction that should guide future restauranteurs towards a prosperous enterprise.

While Smith’s advice came from the point-of-view of the restaurateur, Mamalis sought the perspective of the diner. Through surveys of Greek restaurant-goers, this article identified six factors that impact consumers’ attitudes towards a given restaurant: adaption to locality, service, facilities, food quality, place to be, and sales incentive program (Mamalis, 2009). Mamalis focused on the fast food segment of the restaurant industry; however, these results can easily be transferred to quick service, causal, and fast
casual dining. The author advised restauranteurs to differentiate themselves through the exceptional execution of these factors. Therefore, the job of the restaurant marketers is to inform the general public of this unmatched culinary experience and to gain loyal customers. Using these six factors, restaurants can grow their competitive advantage and improve their marketing strategy.

Using these two portions of advice, how can an entrepreneur steer towards success? Consider the conditions of small and medium enterprises (SMEs) of Hungary. Lazányi (2015) compared the EU’s economy in relation to SMEs and then explored Hungary’s particular economic situation in more detail. The SMEs of Hungary employ 76% of the population, yet have a high death rate of 12% (Lazányi, 2015). The author decided to survey successful Hungarian entrepreneurs to discover what contributed to their successes. She created an online questionnaire for entrepreneurs to rate causative factors using a Likert scale. She was able to use 44 responses in her analysis. Respondents indicated problems regarding the financing of their operations as the largest contributing factor to failure. Inadequate business models and problems in HR, legal, and marketing were also among the named failure influences. Lazányi (2005) concluded that entrepreneurs should focus on the said areas to avoid terminating their businesses.

The strategy of the individual entrepreneur will influence the success of the business. Frese, Gelderen, and Ombach (2000) interviewed 80 entrepreneurs across a wide range of industries to determine which strategy leads to profits as well as peace of mind. After the interviews, the authors detected which strategy the entrepreneur used. The study found that the entrepreneurs identified with one of five categories: Complete Planning, Critical Point, Opportunistic, Reactive, and Routine/Habit. The authors
hypothesized three results: “The Reactive Strategy is negatively related to firm success,” “The Critical Point Strategy is positively related to the success of starting firm and is the strategy most highly related to firm success,” and “The combination of Critical Point Strategy and Opportunistic Strategy is the strategy combination most highly related to firm success” (Frese, Gelderen, & Ombach, 2000 p. 6). These hypotheses were affirmed. Implementing the results of this study can influence entrepreneurial success.

**Supporting Business Concepts**

Restaurant entrepreneurship is heavily impacted by three realms of business: management, marketing, and finance. Other notable fields are excluded due to the intended length of this research. To explore all facets involved in the launch and scale of a successful restaurant is not plausible for this thesis.

**Restaurant Management.** Successful management begins with creating an environment where employees can thrive. Hellawell (2012), the managing director of a UK IT firm, suggested that the best way for small business to grow was to focus on employee engagement. When employees are thriving, they help the business thrive and expand. Employee engagement also saves companies training costs and keeps talent inside the company. Hellawell instructed managers to keep employees in the loop, be democratic, give credit where it is due, offer progression, provide training, build culture around teams, use imagination, and remember the little things. Employees want to feel valued and to perceive their work as meaningful. The author demonstrated practical ways to create an atmosphere conducive to employee engagement.

This concept is showcased in the example of Le Taj, a Montreal restaurant serving Indian cuisine. Two business professors conducted a semi-formal study of the business,
exploring the way the restaurant approached workplace diversity, cross functionality, efficiency, customer care, managerial support, quality, and employee loyalty. The conclusion of this article asserted that, while Le Taj certainly had a valuable product, it was their excellent approach to human resources that truly set them apart from the competition (Dhiman & Marques, 2011). By valuing their employees and treating them well, Le Taj has been able to thrive for 25 successful years in Montreal.

Stakeholder management is also key to restaurant managerial strategy. McVea and Freeman (2005) proposed a names-and-faces approach to stakeholder management, thus blending ethics and entrepreneurial strategy. The authors asserted that the current theory has become more academic and hypothetical, rather than practical. A “names and faces approach” to stakeholder theory helps the management view this group as real people who are invested (in some way) in the company, instead of ambiguous and impersonal crowds (McVea & Freeman, 2005, p. 58). This helps to raise the ethical standards in the business and to set the stage for financial success. The approach centers on three concepts: a focus on entrepreneurial value creation, a focus on strategic decision making, and a focus on individual relationships. The authors also mentioned the continuously blurred lines between the roles of stakeholder groups. Mass customization serves as a model of how named stakeholders should be served. Mass customization contains three elements: intense, lasting, individual relationships; modular design; and flexible delivery systems. When business owners understand their stakeholders as real people with names and faces, everyone can profit.

Restaurant Marketing. Marketing is an essential component of the restaurant entrepreneurship. While small businesses owners have full autonomy over market
activities, the overall market orientation in most small businesses is lacking (Perry, 2014). Through phone interviews with 57 restauranteurs and one month of social media observation, Perry observed two generic strategies, reactive (32%) and proactive (68%). Perry’s sample was based off of restaurants with an online presence, so there are firms who engage in even fewer marketing activities. The author found that restaurant owners gain market intelligence through going to local chamber and association meetings, visiting other establishments, and speaking with mutual suppliers. Only 50% of the firms used employees as information sources (Perry, 2014). It is common for the owner-operator to speak with customers about their experience in the restaurant in order to glean insights. Perry concluded by noting the importance of using market intelligence to guide business growth. While gathering this information costs the owner valuable time, the restaurant will be able to improve and gain a competitive advantage.

Restaurants can gain a competitive advantage through marketing their differentiated experience (Wall-Mullen & Envick, 2015). They can differentiate through the provision of excellent mechanic, functional, and humanic elements. “In choosing and using services, customers frequently behave like detectives as they search for information and organize their perceptions into a set of feelings about the service” (Wall-Mullen & Envick, 2015, p. 2). The authors defined functional clues as the technical competencies of a restaurant: the taste, temperature, and presentation of the food. Mechanic clues are derived from the atmosphere of the restaurant: the décor, lighting, and acoustics. The authors define humanic elements as, “employee behaviors during a transaction are also powerful in contributing to a customer’s perceptions of service quality such as being
attentive, helpful, and polite” (p 1.). There is value in each of these factors. Entrepreneurs can use an understanding of these factors to gain and retain customers.

In the realm of marketing, it is important to understand a target demographic. Many restaurants target college students. This demographic currently has disposable income, and soon will become young professionals with strong brand loyalty. Peng, Bilgihan, and Kandampully (2015) apply the Consumer Styles Inventory to this demographic to understand how they make dining decisions. The results revealed that college students make decisions based in accordance with three main styles: Hedonistic Style, Habitual Style, and Confused by Over-choice Style. Diners who ascribe to the most common style, Hedonistic, seek experiences and pleasure through dining. Habitual Style diners choose a select few restaurants to frequent. In the last style, Confused by Over-choice, the diners feel continuously indecisive as they learn more about dining options. Small business should leverage these styles to draw customers to their stores.

**Restaurant Financials.** Excellent financial management of any small business that strives to be sustainable. Understanding accounting and finance will help in day to day operations as well as the big picture decisions.

The first financial hurdle the restauranteur will most likely encounter is to procure a small business loan. Jones (1992) clarified the loan application process for small business owners and offered practical guidelines for short term and long term business financial planning. The author recommended keeping detailed financial records from the business’s inception and intentionally developing working relationships with bank staff (Jones, 1992). To obtain a loan in the short run, he advised guided preparation. Before asking for a sum of money, one should have a detailed plan of how the money will be
spent and recovered. An accountant should be consulted for financial projections. The business owner should also be monetarily invested in the business before asking for outside financial assistance. When applying for a loan, it is important that the entrepreneur understands the banker’s perspective on the investment and caters to their decision making factors. Jones offered a practical checklist of questions a banker may ask a loan applicant. Once the business loan is obtained, the restauranteur is on his way to opening for business.

While accounting can help keep customers, it can be used to gain new customers as well (Goetz, 1974). First, it keeps the business afloat. Accounting saves a business money by inventorying assets and keeping records of receivables and payables. Without these safeguards, the business could let their products slip through the cracks, lets bills go unpaid, and let credits go unresolved. Accounting also simplifies taxation matters. Most importantly, this practice can shape the future of the business. It shows where a business is making strides and where it is losing money. Through the process of keeping records, a company can use its finances to pursue a cost-efficient strategy to grow the business, thus gaining new customers. This principle can be seen in this anecdote of a start-up restauranteur. The owner kept all his cash in his register and discarded bills after payment. Once he realized the importance of accounting and started keeping careful records, his business began to thrive. He was able to direct his capital towards needed advertising and away from the money pit of overdue bills. Accounting is essential to restaurant entrepreneurs.

An essential component in the start-up and operation of a restaurant is the process of setting the prices of the products. Most restaurants price their items based on what
their competitor is charging, not by breaking down their own fixed and variable costs. This practice is extremely dangerous and can easily sink a foodservice venture (Malloy, 1984). Consider this example: the procedure of raising prices in an employee cafeteria after an increase in labor costs. In the situation recounted by Malloy, management faced roughly a $15,000 increase in the cost of labor, while serving a price sensitive audience. Management analyzed their costs, as well as their sales breakdown. They strategized as to which item they could allow a small increase. This strategy allowed the restaurant to cover additional costs without losing customers.

Overall, there is valuable information in this realm of literature that can shape the design of a community focused restaurant. Social entrepreneurship, entrepreneurship, and restaurant ownership are compatible topics that can be blended in a practical context. These sources provide a foundation for the methodology of this thesis.

**Chapter Three: Methodology**

To gain entrepreneurial insight regarding the launch and growth of restaurants, interviews of food service entrepreneurs were conducted. A case study approach is utilized in this thesis, which was primarily influenced by Robert Yin’s (2003) seminal work, *Case Study Research*.

**Case Study Research**

The definition of case study research as applied here is, “an intensive, holistic description and analysis of a bounded phenomenon such as a program, an institution, a person, a process, or a social unit” (Merriam, 1998, p.7). In *Case Study Research*, Yin (2003) advocates for a multi-case approach to research and this thesis adopts such an
approach in its design. Case studies allow for the use of answering research questions starting with “how” or “why” (Yin, 2003).

**Research Design**

The methodology of this thesis mirrors the approach taken in the paper, by Marcketti, Niehm, and Fuloria (2006) in their article, “An Exploratory Study of Lifestyle Entrepreneurs in Relation to Life Quality.” Interviews were used to gain an understanding of the experiences of entrepreneurship in the restaurant industry. IRB approval was ascertained to ensure protection of the interviewees. In this thesis, the names or names of the participants’ businesses are omitted from the results.

**Interview Questions**

The interviewed entrepreneurs were asked 10 questions which aided in answering the research questions. The following questions have been crafted in order to answer the research questions. They have been reviewed and vetted by the Responsible Project Investigator and the Additional Investigator. Bruce Lilyea, PhD¹, an expert in interview data collection, has also reviewed the set. Finally, these questions have been beta tested with a Service Corps of Retired Executives (SCORE) mentor who formally worked in the restaurant industry.

1) Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

2) How did you finance your business? How did this decision impact your business?

3) How did you find reliable employees to hire? Likeminded managers?

---

¹ Dr. Lilyea has earned a PhD in Peace Studies and Conflict Resolution, as well as a graduate certificate in Qualitative Research from Nova Southeastern University.
4) How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

5) What did you learn from the early weeks of business? The first year?

6) What were some ventures that did not go as planned? What were some successes?

7) Tell me about your plans for growth? How you craft those plans?

8) How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

9) How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

10) What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

Participants

Restaurants owners were selected based on personal connection with the Student Investigator and their status in the local industry. Food service establishments, such as fine dining restaurants, coffee shops, casual dining, food trucks, and small-scale gourmet manufacturing, were represented by the interviewees. A mix of males and females, ranging in ages from approximately 25-64, contributed to this case study. The participants’ businesses range in age from infancy to well established in the community. Their identity will not be revealed in the thesis project. This type of purposeful sampling makes use of information rich homogenous sources, as described by Patton (1987) in *How to Use Qualitative Methods in Evaluation.*

Recruitment

Participants were recruited through connections with this author. Potential interviewees were contacted via email. This email detailed the research project and also
contains an Informed Consent document, describing any risks and benefits associated with the interview. A phone call followed the email to set a day and time for the interview.

**Interview Procedure**

The Student Investigator met with the entrepreneur at his/her place of business. The Informed Consent document was signed and the interviewee was made aware of a recording device used to preserve the interview. The data collection lasted approximately 30 minutes per interview. Afterwards, the Student Investigator transcribed the interview, removing personally identifying information. Then, the transcript was sent back to the interviewee for review. The interviewee had the opportunity to strike any inadvertently-revealed trade secrets from the record or correct transcription errors. After approval from interviewee, the audio recording and transcripts were placed in a password protected Dropbox, controlled by the Responsible Project Investigator. Dropbox provides encrypted data storage. A copy of the data is backed up on the College of Business and Legal Studies I-Drive which is controlled by the Dean, in a password protected file. Data will be stored for five years.

**Chapter Four: Data Analysis**

The data gathered from interviews was analyzed in correspondence with the research question the response answered. Each of the ten interview questions were traced to one of the three research questions for exploration. In total, thirteen interviews were conducted, and ten were selected for analysis. Interview Two, Three, and Eleven were omitted due to recording errors and incomplete information. The ten remaining transcripts were then examined in search of patterns among interview responses.
Research Question One

“How does a community focused restaurant prepare for launch?” is the first of three research questions. Out of the ten interview questions, it was determined that the following four questions contained data relevant to this research question.

1) Tell me about the motivations behind launching your business. Why did you choose to enter the food service industry?

2) How did you finance your business? How did this decision impact your business?

3) How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

4) What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

In answering these questions, the interviewees’ responses centered around three main themes: motivation, skills, and financing. There were also several distinct, yet valuable responses, to note. To prepare for the launch of a restaurant, one should start with the motivation behind this undertaking.

Motivation.

Passion. This was the central motivation for this segment of entrepreneurs. Interviewee One said that opening a restaurant “...has been my dream for my whole life.” Another interviewee moved to the town for college, and then decided to open a restaurant after she “just fell in love with the hospitality industry, and how much fun it was. [I loved] running around, multitasking, and engaging with people” (Interview Seven). Interviewee Five echoed this sentiment, saying, “I’ve always loved the restaurant
business. I love the fast paced nature of it.” For these entrepreneurs, it was the love of the hospitality industry that inspired their business.

For others, it was their passion for the food that drove them to open their doors. A food truck owner described, “We were really, really big on our concept, which was bringing healthy foods to [this town] and that was what both of our interests and passions were for” (Interview Nine). Another matched her passion to the market, saying, “I figured I could turn my passion into a business” (Interview Ten). Experiences centered on food inspired Interviewee Six. “I’ve always loved food, and I’ve always loved really great food experiences. That was something, from a young age, that I wanted to recreate” (Interview Six).

Passion, based on the hospitality or the cuisine, was a common theme throughout all ten interviews. One interviewee stated that it was a requirement. “You have to really love it. You have to have your heart and your soul in it, because it’s going to be everything. It’s the best sometimes, and it’s the worst sometimes. Hopefully, it’s usually the best” (Interview Seven).

**Self-Employment.** Another motivational theme was the desire for self-employment. When asked why he/she started the restaurant the reply often imitated this response: “Our motivation was to be our own boss and to own our own business” (Interview Five). Interviewee Thirteen echoed, “The motivation behind launching my own business was that I really wanted to be my own boss” (Interview Thirteen). One of the participants started a business during their retirement, “We were so used to being our own bosses [that it would be difficult to work underneath a manager]” (Interview Eight).
**Relationships.** Out of ten interviews, six of the interviewees were part of a couple that ran the restaurant. The desire to labor next to his/her spouse/fiancé/life partner may have contributed to the motivations to launch a restaurant. This segment of data requires further research to properly analyze.

**Skills.** A person motivated by their passion for hospitality, their entrepreneurial spirit, or their kinship, also requires several skills gained through experience to turn his/her dream into a reality.

**Restaurant Experience.** Out of the ten entrepreneurs, nine of out ten had previous restaurant experience. Many cited this factor as the key to their entrepreneurial success and heartily recommended that future restauranteurs gain all the experience available. “I prepared to launch my business through all of the years I had worked in the restaurant business. Through working at all of those restaurants, I was learning” (Interview Five). One interview was inspired to open her business through being on the ground floor of a restaurant launch. “I saw an idea come together into a restaurant, from the inception, which as really cool” (Interview Twelve). This allowed her to anticipate the challenges she would face when she opened for business. Another interviewee asserted,

> You have to have worked in the industry to really understand how things flow...They’re so many people that think, as they get older, ‘Oh, I like food. I’m going to open a restaurant.’ If you have not done every aspect of it - done the dishes, jumped in the kitchen, waited on tables - I really think people have no idea. It’s a tough business (Interview Seven).

When gaining this experience, it is important to diversify one’s skill set. “It is very important to learn everything that is involved in a restaurant - from the front to the
back of the house” (Interview Eight). Another restauranteur stated that prior to opening for business himself and his wife, “had worked all [positions] in the restaurant industry - from bussing to serving to bartending, in cafes, bistros, fine dining. We pretty much knew the industry inside and out” (Interview Nine).

Once one understands the industry as a whole, the next recommendation was to acquire market segment specific experience. For example, one couple owned a restaurant in New York City for many years. However, their desire was to open a confectionary in Florida. So, they learned from the best. The wife recounted, “Our friend, [Jacque Torres], when we were in New York, before we came down, gave us the opportunity to work at his store” (Interview Eight). The husband learned the work of a chocolatier from Torres, and the wife managed one of the chocolate stores owned by Torres. This allow them to imitate the products and the business model when they moved to Florida. Another interviewee mentioned that she would have benefited from additional experience before opening her doors,

I had worked in the foodservice industry, but not since college, and then I went to work corporate jobs, which was great for bookkeeping and management aspects. I think I could have benefited by going back to work for somebody else for a little bit of time (Interview Ten).

It is also notable that only one of the ten interviewees had attended culinary school. This interviewee stated, “As soon as I finished high school, I went to culinary school at the Culinary Institute of America (CIA) in Hyde Park, New York. I was always interested in food and beverage and had worked in many restaurants before I [attended the CIA]” (Interview One). After discovering his passion for food and his penchant for the industry, he pursued a formal education. He believed that “it helped having classical
training.” However, he asserted that this training was not a substitute for experience in the field. “I think it is very, very important to immerse yourself in the industry before you even think of opening a restaurant.”

**Managerial Experience.** Restauranteurs were also quick to discredit the common myth that good cooking easily translates to industry success.

When people come to this town, and see how busy it is, and see the restaurant full, they think, “They must be making money. I can cook, therefore, I can open a restaurant.”.... Knowing the culinary side, but not the administration side of the restaurant business is the most common mistake people make (Interview Five).

Interviewee Two repeated this sentiment, saying, “I think that the number one mistake people make it that they think because they are good at cooking, it will automatically translate into restaurant success” (Interview Two). Managing food, finances, and employees is a commanding challenge.

Many restauranteurs had experience in the business world before opening their restaurant. For example, Interviewee Two explained that she and her life partner, “...had really strong customer service backgrounds through different things that [they]’ve done. Within the coffee industry, customer service is sort of lacking” (Interview Two). Another participant recounted,

My background is in people management. I’ve done small business book keeping and then I studied in marketing. I feel like those three things have really helped. Even though I am not classically trained as a chef or a pastry chef, and my cooking is just above average from a home cook, I can provide consistent branding, a positive customer service experience, being able to manage people (that’s really difficult if someone is not easy to work for or structured), and being able to keep my food costs and finances down. It’s a lot for a small business. But, because it is so small, I’m able to touch every one of those areas myself.
**Financing.** After acquiring both motivation and skill, an entrepreneur requires financing to launch his/her business. The ten restauranteurs used either personal funds or SBA loans to provide the start-up capital.

**Self-financed.** Each of the ten entrepreneurs invested personal savings into either their first or second venture. These funds came from a variety of sources within that category. “I liquidated my 401k, my retirement” (Interview One), one restauranteur explained. Another used a combination of personal and parental savings, “I saved all the money I could... I was able to convince my parents to loan me the rest of what I needed, which was at that time, $14,000. We capitalized [the business] at $21,000, which is ultimately a really small amount of money to start a business with” (Interview Six). Interviewee Seven mimicked this model, saying, “I borrowed $20,000 for my parents, and paid it back within 6 months of being open” (Interview Seven). Interviewee Five and his wife chose to “...finance it with credit cards and the little bit of cash that we had” (Interview Five). The eighth participant sold a home and “...financed it through all of our savings” (Interview Eight).

Many of the restauranteurs used personal savings because of their risk aversion. Interviewee Nine articulated, “We financed it personally, because we were not too keen on getting into debt right off the bat” (Interview Nine). This emotion and decision was corroborated by Interviewee Ten. This restauranteur explained, “I didn’t want to take out a large amount of money that would A) make my business hard to succeed because I had a monthly payment, and B) a lot more risky, because if I failed, I would be indebted for this amount of money. So, I did it on a shoestring budget” (Interview Ten). Investing in restaurants is a risk-leaden financial decision; therefore, mitigating as much as possible is
a wise choice. Interview Seven advised, “If you are going into entrepreneurship with money you cannot afford to lose, then you shouldn’t risk it” (Interview Six).

**SBA Loans.** In two cases, participants obtained loans for the SBA. For one interviewee, this was her second restaurant, and a major undertaking. She narrated, “We also took an SBA loan for a $1,000,000. To own half of this property and to have a year and a half renovation, it became a $2,000,000 project” (Interview Seven). She took her savings from the sale of her first restaurant and coupled it with the loan to build this restaurant. For the second restaurant with an SBA Loan, the inverse is true. This owner recounted:

For our first restaurant in Texas, [Restaurant One], we got an $80,000 SBA loan. We were vastly undercapitalized...We ended up selling it for a pretty good amount of money five years later when we moved here. We used some of the money to put a down payment on what would become [Restaurant Two]. (Interview Thirteen).

After the SBA Loan enabled the success of their first business, they were able to use personal funds to procure a new business.

**Research Question One Conclusion.** Research question one is: “How does a community focused restaurant prepare for launch?” To prepare, entrepreneurs require motivation, skill, and finances. Motivation may be found in passion for food and/or the hospitality industry, desire for self-employment, and/or the desire to work alongside a significant other. The skills required for entrepreneurial success in this field are derived from managerial and restaurant experience. Finally, financing to support this endeavor, comes most commonly from personal savings, or in some cases from SBA loans. Future
entrepreneurs can benefit from understands the intersections of these three components of motivation, skill, and finances.

**Research Question Two**

Research question two is: "How does a community focused restaurant grow and scale, both in size and mission?" It was determined that five of the interview questions contained data relevant to this research question.

1) How did you find reliable employees to hire? Likeminded managers?

2) What did you learn from the early weeks of business? The first year?

3) What were some ventures that did not go as planned? What were some successes?

4) Tell me about your plans for growth? How did you craft those plans?

5) How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

In a restaurant, growth begins the moment the business is open. The initial day through the first year of business contains a learning curve, complete with many successes and failures. The interviewed restauranteurs expressed three major internal factors, management, marketing, and finance, and three external factors, competition, the economy, and regulations, heavily impact the growth of the business. Finally, each of the interviewees identified avenues for growth, including horizontal and vertical paths.

**Learning Curve.** Many lessons from the first year of business were recounted by the interviewees. These lessons included open slowly, adjust to the space, adapt to the customer, learn the seasonal patterns, keep expenses low, and continue to grow.

**Open slowly.** After months, or sometimes even years, of preparation, restaurant owners are often eager to open. However, the interviewees emphasized that it is
important to open gradually, and ready to serve the customers. Interviewee Ten recounted, “I opened a little too ill-prepared. I thought I would learn through being open, but I should have had some soft openings or practices with friends and family or being open without having a sign, and let the menu come together more that way, I think.” Pop up dinners or menu testing would have benefited this entrepreneur. Another interviewee commented, “Your machine needs to be well oiled when you open, otherwise, you are setting yourself up for failure” (Interview Six). This owner asserted the power of first impressions to attract and retain customers.

Once a business is practiced and prepared for opening, it is important to add hours of operation slowly. One restauranteur commented,

It’s hard not to get over zealous and say, “I’m going to be open for breakfast, lunch, and dinner!” Don’t do it. Ease into it. Figure out, when you open, who is going to stick with you and who is not. Then transition and go, “Okay, I’m going to do lunch.” I think that’s a mistake that a lot of people make, thinking that they can just full throttle go into it. I find that it is more successful when you take your time (Interview Seven).

This owner recommended a slow transition, for the sake of the staff and the entrepreneur. When a restaurant is open for one meal a day, it allows the team to focus and perfect their flow for that meal. Gradually, hours can be expanded and revenue increased. Opening a restaurant is a naturally exhausting process. By opening slowly, entrepreneurs can adjust to their new business and routine.

**Adjust to the space.** A restauranteur may be meticulously prepared, however, one cannot anticipate everything. Interviewee Nine conveyed, “The early weeks were a complete learning curve. You can prepare as much as you want, and you can practice and rehearse. But, there is nothing like game speed, getting in there and actually going for it.”
Another participant echoed the sentiment, saying, “You need to give yourself a four month grace period. It will be amazing what you realize. Really simple things that will help you out, and you’ll be like, ‘I can’t believe it took me that long to figure it out’” (Interview Seven). This interviewee continued to describe a situation where the process for setting a table was altered after a few months of being open. The change helped smooth the peak hours of service. The flow of the space will come with trial and error, and entrepreneurs must be prepared to adjust to the home of their business.

**Adapt to the customer.** Once a space is operational, an entrepreneur should seek out the feedback from customers. Patrons are often forthcoming with candid responses, if a restauranteur seeks their perspective. One interviewee recounted their experience,

> Be sure to listen to your customer. You have a concept that, you think is really great, but it doesn't mean that everybody thinks it's great. You have to adapt. For example, [Restaurant One] was fairly casual. But, people kept asking me for more and more seafood. Over probably the first six months, we gradually added seafood until 50-60% of our menu was seafood. That had not occurred to us before we opened, but we listened to the customers” (Interview Thirteen).

It is important to hear the input of those served in the place of business to build relationships and loyalty with these essential parties. Another entrepreneur commented, “We really learned that first year to adapt to the customer. You have certain expectations. It’s a different market than New York. My mindset was in New York when we started here” (Interview Eight). This owner had to acclimate to the new customer base, because originally the product offered was tailored to a different geographic market. Adapting to the customer could also mean amending the hours of the business. Interviewee Ten explained,
I was originally 8:30 to 6:00, but I was really only busy for lunch, because you have to be open a little earlier than that for breakfast and a little later than that for dinner. People don’t really want lighter fare for dinner. Even if you are open after 5, people don’t want salads and sandwiches for dinner. So you have to tailor your time and your menu together. (Interview Ten).

Making changing to the hours of the business helped this owner better serve her clientele.

For these interviewed restauranteurs, adapting to the customer meant adding menu offerings, acknowledging cultural differences, and modifying hours of operation.

**Learn the seasons.** A new restaurant may predict the seasonality of their business, however, without experience, these predictions can be little more than educated guesses.

Many of the interviewed owners commented on the value of the first year when making forecasts for later years. Interviewee Nine described, “After the first year, the biggest take home message after that was probably what times of year were going to be busy” (Interview Nine). A variation of this statement was repeated,

The following year was easier. Why? Because we already knew what to expect. We stayed busy January, February, March, April, May, which was great. Now we know. That is what we learned - which seasons were busy and how to survive the slow seasons. The slow season can get really slow. Some days we don’t make enough money to cover the operating expenses - the mortgage, the electric, the staff, everything. So, we prepare. During the busy season, we save money to sustain us during the slow times” (Interview Five).

Understanding seasonality is of utmost importance for a restauranteur. With a large perishable inventory, high amounts of hourly employees, and small margins, accurate forecasting is essential. The aforementioned owner understood the impact of the seasons on the cash flow of the business, and took steps to ensure financial stability. Beyond understanding busy or slow months of the year, it is necessary to be familiar with peak times during the week. This owner remembers, “That was another thing we learned - what days of the week are going to be busy. For us it’s Fridays and Saturdays. [During
our first year] we learned things like that, things you can never anticipate until you are in it” (Interview Nine). As a lunch spot, they originally predicted high traffic from employees of surrounding businesses. However, they also captured weekenders who enjoyed their cuisine.

The importance of forecasting is clear. Without previous experience, how does a restauranteur make estimates in Year One? An owner in this circumstance explained, “Since this is our first year, we have no history. I’ve leaned on my food purveyors and my wine and beer purveyors to see if it is busy or it is slow. [I’ve asked them,] “When do you expect it to get busy” (Interview One)? The vendors who service this establishment are familiar with local patterns, because the seasonality affects them, just as it affects the businesses to which they sell. Grasping the ups and downs of the local regions help restaurants grow and serve their communities in an improved way.

*Keep expenses low.* The participants interviewed were largely self-financed. While this offered them many advantages, it often meant the budgets for operations and etc. were very small. Interviewee Thirteen clarified, “The first lesson for somebody is you are always undercapitalized. You never have enough money. We really learned it in our first venture, and it helped us on our second two businesses” (Interview Thirteen). For this owner, understanding that cash will be limited, helped keep a frugal mindset. A start up restaurant must conserve funds whenever possible. Interviewee One recounted their journey, “[In] the third month we were finally in the black. Extreme control over the expenses, keeping labor low during that time, and making sure there is no waste [helped us become profitable]” (Interview One). By following the old adage, “Waste not, want not,” these owners were able to stretch their savings and help their businesses grow.
**Continue to grow.** A foodservice business is constantly evolving to meet new needs and trends. This statement is especially true for young establishments.

You have to take criticism as constructive, and then grow organically. No matter what the feedback is or what thought the vision of the business was, (yes, you should have a business plan and stick to the core foundation of what that is), but you need to make that work, in whatever way possible. You have to be really flexible, steadfast, but flexible” (Interview Ten).

The owner captured the spirit of the entrepreneur, bending to meet the requests of the patrons, while holding to the ethos and mission of the business. In the first year of business, many lessons will be learnt, and adjustments made. One interview summarized, “The biggest thing I learned was to not get so stressed out. I have to remember to enjoy it when it is good, and know that there will be seasons of ups and downs. It all comes in waves. Roll with it, and it will all work out fine.” (Interview Twelve).

**Successes and Failures.** Throughout the first year of business, the selected entrepreneurs experienced many small victories and numerous minor defeats.

**Successes.** For the fortunate, victories included full establishments shortly after opening. “Never in our wildest dreams did we think we would open up slammed. We were under staffed because we were running out of money and we didn’t think we would be that crazy busy” (Interview Seven). The entrepreneur was pleasantly surprised by the number of customers served. Another participant echoed, “We hoped for the best and planned for the worst. We did get busier than we thought, quicker than we thought. I didn’t expect to be as busy as we were so soon. People really gravitated towards what we were doing because, at the time there was nothing really like it” (Interview Nine).

Also, one of the owners was opening a concept that braved uncharted waters. “The big unexpected success was the popsicle shop in general. At that point, I was only
aware of one other shop similar to mine in the entire United States when I opened, and I hadn’t been to it” (Interview Six). Though he was confident in the concept, the speed of success was again a surprise.

**Failures.** Amidst the joys of a busy restaurant, setbacks also occurred throughout the learning curve. After phenomenal growth, one establishment tried to open additional locations:

I opened stores #2 and #3 in Year One, and both of them failed. That was really a huge set back, especially when you are growing out of your own cash. We’ve only closed one other location beside those, in [Florida City]. We did that recently because the location just wasn’t right” (Interview Six).

This business made the mistake of accelerating its growth too quickly and reinvesting profits too rapidly. This failure, however, made them reconsider their previous success, and allowed them to avoid making the same mistake in the future.

Another entrepreneur assumed erroneously about the style of the establishment. The interviewee expounded, “We also made a little bit of a mistake thinking that we would be more of a bar and not so much a restaurant. We’re about 50/50 now. The biggest mistake that I made was designing a kitchen that was too small” (Interview Seven). After this initial miscalculation, the restauranteur made edits to the building’s design to add to the space for kitchen prep.

One owner did not anticipate the drastic effect the weather would have on the business. “There were also some unexpected setbacks - like the weather dependency. I didn’t think that the weather would make a huge impact on our business - but it is massive...That was something that we didn’t factor in, but was pretty detrimental to our
success” (Interview Nine). The business was able to thrive despite this challenge, however, their daily decisions are now made around the forecasted weather for the day.

**Components for Growth: Internal.** In order for a restaurant to scale, the internal environment of the business must be conducive to growth. Management, marketing, and finance have been selected as the most instrumental business functions for development.

**Management.** The management of a company starts with the philosophy of the entrepreneur. Commonly, entrepreneurs assume many roles in their new companies. It is important, however, that a single person does not wear all of the hats. One participant recommended, “Figure out what your strengths and your weaknesses are, and whatever your weaknesses are, hire someone to do it” (Interview Seven). Another owner added,

Too often in small business, managers or owners are unwilling to let things go and delegate. They end up having a lot of people who are waiting to be told what to do, instead of a bunch of people who are working and helping them with the business. I had to learn pretty early on to delegate and to let people do their thing (Interview Six).

This delegation not only helps the sanity of the entrepreneur, but also assists the employees in feeling ownership in the welfare of the business. It is important to recruit those who can build a cohesive team. One owner has managers over each sector of the business. These managers specialize in their respective areas, and make up for the owner’s blind spots. Weekly, the managerial team meets together to discuss the business. This entrepreneur described,

Learn to delegate. Watch your numbers every week, and then you can learn how to make them better...Why isn’t the cost of goods not where it is supposed to be? By meeting once a week, we have time to try to figure it out. It’s easier to catch it a month in, than it is a month later (Interview Seven).
This system allowed the entrepreneur to be an effective supervisor. Another owner provided insight on his/her personal perspective, “When you are managing people, there are three things that you need to be able to do: 1) Tell them what to do, 2) Encourage them when they do it correctly, and 3) correct them when they do it incorrectly” (Interview Six). To this participant the combination of these three actions allowed for proper administration.

Employee Management. Out of all the managerial functions, such as planning for the future or organizing the restaurant, possibly the most difficult task is managing the workforce. One restauranteur agreed,

The hardest thing you can deal with inside of a company is people. Both, making sure your top performing people want to stay and keep doing a great job, and everyone else, as they are coming in, are getting trained correctly and getting the correction and encouragement that they need and that the customers are getting great experiences every time, and they are not falling through the cracks” (Interview Six).

In the foodservice business, the staff is not only assigned responsibilities such as taking orders or preparing food, but also tasked with representing the brand of the restaurant through every customer interaction. From businesses with hundreds of workers, to those with less than ten, the importance of employees remains the same. “Your employees impact your business. We are not a big company, but it is still very important. If I don’t have the right people staffed at the stores during the holidays, it can really be detrimental” (Interview Eight). This reality was echoed by Interviewee Nine:

Your business is only going to be as successful as the people you have working with you... We really look at this place as a team in that you are only as good as each member of your team. If you have one weak link in the armor, it’s going to bring down the team unity. [The staff factor] is always huge, so we’re very selective on who we hire and how we train them” (Interview Nine).
Every staff member must represent the ethos of the company, and give the customer another reason to return to the establishment. Retaining valuable staff is of the utmost importance. “What you have to do is keep the ones that are really good. When you are trying to have a fine dining restaurant, where the quality of the food goes along with the service... Good food with bad service is no good” (Interview Five). For this business, excellence must be apparent through both the product and the people.

*Employee Recruitment.* Restauranteurs discover employees many ways. For the interviewed population, many hired those whom they knew, as social acquaintances or as regular customers.

One entrepreneur disclosed, “Luckily, [recruitment has] been through word of mouth. Everybody [I’ve hired] has been somebody that someone else knew, and mostly untraditional employees, which has been great” (Interview Ten). Word-of-mouth gave this employer confidence in employee selection. Another participant mirrored this statement, “I’m not one to put a hiring sign in the window. I just find it more comfortable if it is through someone we know. Usually, it has worked out better that way for us” (Interview Eight).

Additionally, entrepreneurs obtained their employees from their patrons. Interviewee Two explained, “Almost every employee started out as a regular. They just liked what we were doing and then, at some point they usually approached us for a job” (Interview Two). Interviewee Nine reiterated, “We source our staff through our customer base, people who are passionate about what we are doing (Interview Nine). This technique has several advantages. The employer is familiar with the employee’s behavior
and temperament through previous encounters. The future employee is also accustomed to the menu and processes of the establishment after regularly patronizing the location.

It is clear that hiring decisions must be made thoughtfully, and carefully. The perspective of Interviewee Six includes, “When you are hiring, at whatever level, you should be excited to hire them. Hiring a great worker is only going to multiply your efforts and going to allow you to be more successful and take work off of your plate” (Interview Six). On the contrary, if one is not excited about the employee, it may be time to reconsider the application. This philosophy was reflected in the statement by Interviewee Thirteen.

I'm one of those people that likes having a smaller restaurant so I can be pickier about who I hire. As a general rule, I don't hire anybody I don't like. If I don't like them, then I don't want to work with them. It has worked pretty well. I think that one of my biggest strengths in this business is hiring (Interview Thirteen).

Hiring decisions will impact a business for years to come, whether that includes positive growth or negative change.

**Marketing.** Marketing of a foodservice establishment is crucial for future growth. Entrepreneurs must ensure their customers and potential customers are educated about the offered products and/or services. “Sometimes, it was difficult that people aren’t really informed. You have to teach your client about your product” (Interview Eight). The struggles of marketing were felt by another participant as well:

[Marketing]’s the part most people get wrong because there is so much nuance. There is no straight line thing that is like, “Do this, do this, and do this, and people will come to your restaurant.” It does not work like that, and so, I think that the best stance that you can have towards marketing is a holistic marketing effort where you are trying to give yourself a really wide foundation as affordably as possible” (Interview Six).
Using a variety of methods to reach the target audience was the approach favored by this interviewee. However, an opposing viewpoint was offered: “I'm not a believer in advertising. To me, it's all about good food and good service” (Interview Thirteen). This restauranteur believed that the excellence of the experience would suffice to attract and retain customers. Another restauranteur gave advice on market research:

> Go around and go to places. We still, once a year, will find cheap flights and we’ll go to Austin, Texas or we’ll go to New York. So, we stay on top of trends and see what is out there and what is happening. I’ll go to places just to see what I like and what I don’t like about it, so I see what to take away from it (Interview Seven).

By visiting establishments in various location, entrepreneurs are able to learn from their distant competitors. When the visitors return home, they can implement what was seen, whether this means introducing a new menu item, or adapting a style of service. Market research keeps businesses current, and aides in their growth.

**Finances.** The financial component could be the most important factor in growth. Often, an establishment requires capital, whether to expand their services or open a second location. One entrepreneur recounted, “In Year One, we were making money. We had more money than we put into it. Our thought was to take that money and plant that back into the field... Let’s open another restaurant. Ultimately, that’s a poor decision” (Interview Six). The owner explained that they did not fully understand all the components of their success, and therefore, they were not able to replicate the factors in their second location. Unfortunately, the profit made thus far was lost when the second location closed. The interviewee continued, “One thing I would counsel anyone else growing a business to do would be to take a gap year or to raise additional capital.”

Having an amount of capital in reserve was a concept adopted by another participant:
“We were lucky to have a good backbone and savings” (Interview Eight). These owners were involved in day-to-day activities of the company, and this allowed them to better understand how and where they were spending resources, “We work in our business, and you really have to be careful not to be overstaffed, because you cannot afford to be paying salaries that you don’t need.” Through careful observation, these owners are able to control their financial position.

Typically, restaurants incur a high margin of variable cost, due to the cost of hourly employees and price of raw foods. Owners should price the menu items based on food cost to ensure that they can achieve viable profit margins. One participant explained that this is difficult in a fluctuating economy: “But, our food cost is changing every week. We have to absorb these changes or come up with another way to make up the money. That is why I say that the administration of the business is the most important part” (Interview Five, emphasis added). From this perspective, properly overseeing the financials of the business is imperative for restaurant sustenance and growth.

Components for Growth: External. Beyond the internal climate of a firm, set by management, marketing, and finance, is the external environment. Three main factors that affects the growth of a business are competitors, regulations, and the economy.

Competition. Taken as a whole, most of the interviewed restauranteurs viewed competition in a positive light. Interviewee Seven expressed this hospitable statement, “Competitors, I welcome them. I’m not scared of that at all. The more people [open restaurants], the better, even if they are slightly similar. Others will help people be educated before they walk in my doors. It helps me stay on my toes” (Interview Seven). A variation of this statement was repeated by Interviewee Thirteen.
Competitors - the more the merrier! Our goal when we moved to [this town] was to help make [this town] a dining destination, like Charleston or New Orleans or Santa Fe. I have another restaurateur that tells me all the time, ‘When you guys came here, I had to improve my game to compete.’ (Interview Thirteen)

The perspective was mirrored in yet another owner: “We have to keep being competitive; we have to keep growing. But, the competition only makes us better. We have to try to be on top” (Interview Five). Competitors can push entrepreneurs to continue to innovate and improve service to the customers. Also, they can be a source of collaboration and mutual support. Interviewee Two recounted,

We have a couple people that we consider collaborative competitors. [Coffee shop name] is really trying to do coffee well over there. Everybody does coffee, but most people don't do it well. We like people who are trying to do the right thing, trying to serve a great product, and trying to build the community (Interview Two).

With this mindset, competitors do not have to be feared or villainized. They can be a continual motivator to grow and learn. However, there are competitors who may attack businesses. Interview Two continued, “We have a couple people in town, which is really weird and I never thought this would happen, who would call the city on us, trying to cause harm” (Interview Two). Anonymous callers would contact government agencies, such as the health department or the mayor’s office to persuade these bodies to investigate the innocent business. Another interviewee mentioned avoiding looking at competitor’s social media, to avoid discouragement, explaining, “We just try to improve and get better every day. At the end of the day, people are coming here because they like what we do, not because they like us better than someone else. By focusing on ourselves, we get ahead of the curve” (Interview Nine). In the end, this restauranteur decided leave thoughts of competitors behind.
**Regulations.** In the foodservice industry, regulations abound. The geographic location where the participants are based included a historical downtown area, where the amount of rules only increased. An interviewee commented,

> Regulations – the only thing that is difficult is downtown. They can make it difficult. This town is very much a who-do-you-know town, and we didn't really know anyone when we got here. That was hard. Now that we are established, it's not a big deal. The other thing with regulations is sometimes it takes a long time” (Interview Two).

After establishment in the community and connections with local leaders, the entrepreneurs were able to navigate regulations more efficiently. Also, it is important to consider the length of the approval process when seeking a permit and planning for the future. A participant spoke out against the arduous customs, saying, “There are some ridiculous regulations... The government has to be careful, because it can tax a business a lot if they have too many regulations” (Interview Eight). The concern of crippling business owners was rephrased by another participant,

> I resent those things because I feel like the more people who are opening small businesses, who are trying, who are making a go of it, it’s just better for our economy, and better for us in general. We need to reduce the unreasonable barriers, and only leave the ones in place that really protect our people (Interview Six).

Barriers to entry, however, can serve to protect existing business, and slow competition through the rigor. One entrepreneur commented, “Regulation - there is a ridiculous amount of regulation. Just grin and bear it. Play by the rules. As long as everybody else is playing by the same rules, I'm happy” (Interview Thirteen).

**The Economy.** The conditions of the economy in the geographic region, as well as the economy as a whole, greatly impact the foodservice business, as demand for prepared food is relatively elastic. Several of the entrepreneur’s restaurants pre-dated the
economic recession of 2008. “During the recession, in 2007 and 2008, a lot of businesses went under... If you didn’t have enough of a reserve, then you were in trouble” (Interview Eight). When the recession was at its peak, this owner relied on the financial buffer built over years in the industry. During this time, prices of food were constantly shifting.

Another interviewed expounded, “The economy definitely impacts our business, because it affects our food cost. The price of the ingredients go up. We have to survive without many changes, because we cannot keep changing our menu prices every week.” This restaurant also absorbed the changing that an economy in freefall brought. Conversely, one entrepreneur pursue an opposite course of action. Remembering this era, he/she described,

2008 really defined [Restaurant 2]. The economy is down; we're struggling. We put in almost all the money we made from the other restaurant, a lot of money. We put things on credit cards just to keep going. Everybody in town is cutting quality. They are cutting their staff. They've gone from fresh fish to frozen fish. They are really trying to save every penny. [My wife/business partner] and I sat down and we said, "I don't care if the economy is bad, people still have birthdays, and they have anniversaries, and they have special guests coming into town." There was no place in town to take care of them. So we positioned ourselves to do that. We revamped the menu some, adding more lobster and foie gras and special things. We upped our wine list. We added more staff to take care of our customers better, rather than less. We actually raised our prices. We may be the only restaurant in Florida that did that in 2008. It worked fabulously well. We did what nobody else even thought about” (Interview Thirteen).

This unorthodox strategy proved successful for this company, and they continued to utilize their new market position after the Great Recession had subsided. The interviewed restaurants varied in their approached to economic conditions.

**Avenues for Growth.** The interviewed restauranteurs found many ways to growth their businesses. These ways were located on two main avenues: opening additional locations or adding products/services to the existing business. When asked how they craft
their plans for growth, one participant countered, “So I guess to concisely answer your question, we always are sort of looking at our vulnerabilities. You're always vulnerable to competition especially with in the food industry. You have to make calculated risks because restaurants tend to be the number one business that fails” (Interview Two).

Another interviewee candidly responded, “To be honest with you, at the stage where we are now, we are looking to retire. I’m 60, and [my husband] is 65, so we are not looking to expand into anything big. We want to continue doing what we are doing.” (Interview Eight). Understanding when, where, and how to grow can be very challenging.

In molding plans for the future, an owner sought help from the Small Business Development Council. The entrepreneur explained, “It is a free service, through a state funded grant, out of [state university]. They have helped me meet different people for insurance or small business attorneys. They have helped funnel my plan into a successful plan” (Interview Ten). By seeking outside advice, the entrepreneur was able to improve the blueprints for growth.

**Additional Products/Services.** Many of the participants mentioned expanding offerings out of their current space. For one, this meant expanding hours of operation: “I think if we were to talk about growth, we would talk about opening for dinner, or doing some sort of nighttime thing like art shows” (Interview Twelve). For another, it meant slowly increasing revenue, “In [Restaurant 3], we're doing about $1.5 M in sales now, and I think within three years will be doing $2.5 M, which is what this restaurant should make for its size. But, we are going to get there slowly and we are not going to bite off more than we can chew” (Interview Thirteen). The capacity for growth exists, and this restaurant intends to grow into the location gradually. Still another entrepreneur
continually reinvents the menu to appeal to customers, describing, “How we plan to grow is to keep our menu and our service attractive to the customers. Most of the customers are local, so we want to keep updating our menu to attract them” (Interview Five). To grow out of their current location, one foodservice establishment needed to revise the look and feel of online ordering. The entrepreneur explained, “Now, our website is outdated, and we really need to re-do all of that. But, it’s a lot of money, not so much the website, but adding a shopping cart.” (Interview Eight).

One participant decided to tackle vertical and horizontal growth simultaneously. Expounding, the owner commented,

Part of my plan is to keep growing in a vertical sense. While I am expanding my space, I am expanding on the services that I can offer in my small space. I kept looking for a bigger space with a bigger kitchen and I was doing some financial modeling for what that looks like, and how profitability translates per square foot” (Interview Ten).

This restauranteur carefully considered the future of the business, and decided to grow in both avenues. Catering is a variation on this theme. This style of growth includes preparation out of the original location, but service in a different space. Interviewee One mentioned,

I’d love to grow the catering aspect, because we are not doing as much catering as I’d like. [People are always dining in], but we do have take-out. I want to get out there and do a birthday party, or a bar mitzvah or more catering events. I think that that is really key. Developing a catering menu, and then having somebody to go out and market that in a positive way, would be some of my desires to change and help grow the business at much a faster rate” (Interview One)

While this restaurant is not prepared to open a second location, the owner can pursue additional sales through catering various events.
Additional Locations. If a restaurant is operating at full capacity and potential, the entrepreneur may pursue adding another location. This process, however, should be undertaken with great care. “You don’t want to scale too fast and expand too quickly because you risk: watering down your original product, giving less attention to location number one, and/or having the quality of service or quality of food diminish,” Interviewee Nine warned. Continuing, the participant added, “We’ve been open for three full years and I think it is a good time for us to take the next step. It’s a good indication to see if our business would be successful in different locations or if [our success] was just really a fluke” (Interview Nine). If the second location is successful, the entrepreneurs dream is to scale as large as logistically possible.

Another entrepreneur shared the desire for a multitude of stores, “Ideally, we would love to see 300 stores open. But, each one would be plugged into its community, have local management, and have local artists and people involved. So, that’s our idea” (Interview Six). Recounting their journey thus far, the owner beamed, “We are about to open our ninth store this weekend. We understand a lot more about what makes us successful and what might [hinder our success].” This dream was again mirrored in Interviewee One:

My plans are not set in stone for growth. Being only eight or nine months old, we’ll have to become a lot more profitable in this location. We’ll have to be able to create a nest egg just for that continued growth, and we are not there yet. But I would definitely like to eventually have three or four locations in the area.

The owner felt that the concept was translatable to multiple neighborhoods within the region, and hoped to expand the business to serve more customers. Growing horizontally is a viable option for many of the interviewed participants.
Research Question Two Conclusion. In summary, restaurant growth commences after the launch of the business. There is a learning curve over the first year, and the participants recommended opening slowly, adjusting to the space, adapting to the customer, learning the seasonal patterns, keeping expenses low, and continuing to grow. During these early stages, many successes and failures will occur. For continued growth, it is necessary for the internal environment of a company, controlled by management, marketing, and finance, to be conducive to expansion. Factors in the external environment, including competitors, the economy, and regulation, also affect the growth of foodservice business. There are two main avenues for expansion: vertical or horizontal growth. Restauranteurs who choose the vertical approach add hours of operation, expand their menu, or produce additional products in house. Other owners choose the horizontal approach, which includes replicating the initial success of their business at one or more locations. Growth is essential in any business, and these participants revealed how to nurture and expand a foodservice establishment.

Research Question Three

Research question three is: “What are the characteristics and features of a community-focused restaurant?” It was determined that one of the interview questions contained data relevant to this research question.

1) How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?” In answering these questions, the interviewees’ responses centered on supporting the local economy, local environment, local neighborhoods, charities, and local people.
Local Economy. One of the most basic, yet most essential ways that a restaurant serves its community is through bolstering the local economy. The interviewed restaurateurs enrich the economy around them through the way they buy from local suppliers, create jobs for the local population, and enhance the tourism industry.

Buys from local suppliers. Out of the ten participants in the interviews, six volunteered that they use local suppliers for produce, dairy, or seafood. Interviewee Nine boasted,

All of our produce is sourced locally, and we have contracts with the local farms. We’re really big on supporting local business and the community in town, not only growers and farmers. We support different artisans and vendors, with kombuchas and teas and things of that nature (Interview Nine).

To this participant, local partnerships were essential to the restaurant’s identity. This sentiment was echoed by Interviewee Six: “Our ethos as a brand is we want to support sustainable farming, support local farming, and support US farming.” Buying from local suppliers could mean purchasing from neighbors. One participant commented, “We try to be as local as possible. We get to source our fish and shrimp from a dock three blocks down from here” (Interview Seven).

While sourcing locally can be beneficial practice for the restaurant and surrounding community, it often comes at a cost. Interviewee Two noted, “We use local dairy, and we’re trying to promote a small dairy farm. They’re really trying to do the right thing with non-GMO grain and free range cows. We spend the extra money to get their product and to promote them.” (Interview Two). For this foodservice establishment, the price of ethical milk is one they are willing to pay. Purchasing from the surrounding businesses is also important to this business because, “People come in and purchase from
us, and we like to put that back into the economy as much as we can” (Interview Two).

Through buying from local small businesses, this foodservice establishment helps support the local economy.

*Creates jobs for the local population.* Inherent in the nature of a restaurant is the need for staff. “I, personally, have 70 employees, so we get to provide for a lot of local people,” noted Interviewee Seven. Beyond supplying paychecks and livelihoods for members of the community, several restaurateurs provided employees with ways to grow within the company. Interviewee Thirteen recounted, “When we have somebody that we feel like is doing a wonderful job we always try to promote from within. Our chef de cuisine started as the dishwasher, and now 10 years later he is running the kitchen.” A similar scenario was conveyed by Interviewee Six, and this participant further described the desired culture for the business.

We try to make our employees feel like they are a part of a larger family... [We don’t] want to just churn people out, but we want to make room for growth. We have a few great examples of that. [Name One], our financial controller, started at the café as a barista, and now she handles all of our invoicing and finances on the corporate side. [Name Two], our production manager, started selling popsicles in 2010 in our original store. I think it’s pretty cool. (Interview Six)

Providing avenues of growth for employees benefits the restaurants, the employees, and the surrounding community.

*Enhances the tourism industry.* In the geographic region where the ten restaurants are located, the main industry is hospitality and tourism. Several participants noted their role in enhancing the industry and attracting additional customers to the area. “I think we help enrich the neighborhood, and provide a place for tourists who want a broader experience. They can stay in a historic home, and they explore the area, and then
have breakfast or lunch within walking distance” (Interview Twelve). Another participant commented, “Our goal when we moved to [this town] was to help make [this town] a dining destination, like Charleston or New Orleans or Santa Fe” (Interview Thirteen). This restaurant acknowledged the influence that their place of business exerted on the community, and made an effort to leverage this to the benefit of the region.

**Local Environment.** Beyond the economic implications of their entrepreneurial endeavors, many of the participants sought to intentionally monitor their environmental footprint and impact on the planet. “We’ve always had a focus on planet by trying to use local ingredients, trying to compost when possible, using compostable plastics, and recycling” said Interviewee Ten.

**Recycles.** One restauranteur developed a system to recycle internally. This style of waste reduction also saved the energy typically expended to transform used materials into reusable product. The entrepreneur described, “For a while, we were using recyclable sleeves and they were pretty cool. But, we decided we wanted to brand our sleeves. Now, our branding is printed on a recycled cardboard and we try to get people to recycle them so we can use them multiple times.” (Interview Two). By using coffee sleeves several times, the shop saves money. Additionally, this allows their customers to play a role in reducing waste, and participate in an eco-friendly lifestyle.

**Reduces food waste.** Another interviewee was able to benefit the environment by accepting over-ripe fruit from farmers to make popsicles. “When these big food distributors who are in our area go to deliver to Publix or Walmart or different areas, if the fruit is too ripe, those stores will reject that. Now, that fruit needs to find a home. So, they’ll call us, and we’ll almost always take whatever they have.” While a grocery store
needs fruit with a shelf life, this company makes popsicles with fruit at the height of ripeness, for optimal flavor. The participant continued, “We take fruit that is ugly, #2s and #3s and fruit that is ripe and can’t sit on the shelf for a week. That helps our profitability and prevents waste” (Interview Six). This win-win scenario again benefits the environment by reducing waste, provides an economic solution to spoilage from large merchandizers, and reduces input costs to the restaurant.

*Uses eco-friendly products.* This advantageous relationship is again repeated through another participant’s restaurant. The restauranteur explained that all of their paper products “....are all recyclable and made of corn or paper. That was an essential in the beginning, to find those products that are not as wasteful.” Before the business sold its’ first plate of food, they considered how their business would affect the planet. The interviewee continued, “Same with the kitchen. They really try to have no waste and be efficient. It’s good for the planet, and good for our bottom line” (Interview Twelve). For this participant, eco-friendliness and financial responsibility have a direct relationship.

The interviewed population sought to better the plant through recycling internally, using unwanted fruit, and buying eco-friendly products.

*Local Neighborhoods.* These restaurants improve the community by uplifting the neighborhoods where they are located.

*Raises property value.* An excellent example is Interviewee Seven, who spent over a year renovating and restoring their location. “[We preserved] the history of this building, which the locals love, instead of just tearing it down.” The participant sourced items from the restaurant’s time period, and thoughtfully curated each piece of décor.
Additionally, the location for the restaurant was unconventional, because of the neighborhood’s perception and its’ distance from the historical area. The interviewee recounted, “When I came to school, this area was a little sketchy. It’s been growing, and getting redeveloped, but no actual businesses were [in the area.] It’s a long sidewalk [from the tourist district] before you get down here.” Nevertheless, the restaurant opened, and locals and tourists alike flocked to the establishment. The owner continued:

A lot of people were really happy that we were here and providing a successful business. It raised the property value of everyone around here and it brings more business this way. We also opened up the gates of what is possible back here, to show that you can be this far off of the beaten path and people will come (Interview Seven).

Through moving into the area, the restaurant financially benefited its neighbors, while also providing a gathering space.

*Broadens the tourist experience.* This scenario was repeated in Interview Twelve. The entrepreneur narrated, “We are the only restaurant in this historic neighborhood, so that is pretty cool. As the neighborhood changes, it is becoming more attractive to tourists” (Interview Twelve). Like the previous example, the addition of a restaurant is an advantage to the neighborhood where it is planted.

*Local Charities.* Partnering with local charities is one of the most common ways a food service establishment employs to connect with surrounding community. The interviewed restaurateurs’ varied in their approach to charitable organizations.

*Donates supplies.* One restaurant leveraged their relationship with their suppliers to procure food to donate to local charities. The owner explained,

We buy food to give to charities. There is a charity for kids who don’t have food on the weekends, so we buy large quantities of food to give to them. We donate
food to [local homeless shelter]. That is the least we can do for the town. The town has been so good to us. We just want to participate and give to the people here (Interview Five).

To the interviewee, giving was a natural response the generosity of local population and the loyalty the customer displayed received over the years. In turn, they used their standing with food distributors to purchase and donate products.

**Donates products.** Another business choose to donate what they produce in their establishment. “We prefer to donate our product over monetary sponsorship. It is better marketing for us to have our product out there, than to just have our name put up on the program or something. I think it also is just a bit more meaningful. (Interview Two). For this entrepreneur, getting the product into the hands of a potential customers was a victory for the charity and a marketing victory for the business.

Additionally, a food service business with multiple locations saw charitable donations as a way to connect and grow roots in community. The interview expressed that this was essential to their company ethos.

In every community that we go in to, we make ourselves very available for charitable donations. We give out tens of thousands of popsicles, every year at each location to nonprofits, either to help them run an event or we’ll give them gift cards to silent auctions. We are multiplying our effort to $30,000-$40,000 per location every year (Interview Six).

This family of stores seeks to build partnerships with local organizations and desires to support the efforts of those working in the community.

**Donates for events.** Charitable events are another way several restaurants participate in giving to those who patronize their establishments. “We do a lot of charitable events throughout the year. [Names several local charitable events]
Many organizations host galas, and search for food to attract and entertain donors for the evening. Restaurants who supply this fare boost the marketing for the event, and the event boosts the marketing and public relations for the restaurant. These relationships are mutually beneficial, and help create successful events for all parties.

The interviewed restauranteurs championed local charities through donating supplies, donating products, donating monetary funds, and donating catered food for events.

**Local People.** The entrepreneurs who participated in the interviews sought to benefit the local people through the way they conduct their businesses.

**Provides excellent customer service.** Some conveyed this devotion to people through excellent customer service. “For the customers, we really try to create the most excellent customer service experience... I built [this company] on, fantastic customer service” (Interview Six). For Interviewee Six, the service experience was foundational for the company. Another participant added, “Within the coffee industry, customer service is sort of lacking. You always hear about these snobby baristas, and we thought that was kind of weird” (Interview Two). In this case, the entrepreneur sought to restore the dignity in ordering a cup of coffee, and worked to provide a hospitable environment.

**Acts as a meeting space.** Other companies position themselves as gathering places for local people. Even without chairs and tables, one food service business has been able to foster community through the company’s space. “We’ve created this nice community. People come in and I know their drink order. We chit chat and it’s a meeting
space. Even though we don’t have traditional seating, people can still come hang out. I think that naturally translates to being profitable” (Interview Ten). Providing personal service and a community atmosphere allows the bottom line of this business to grow. Another participant echoed this sentiment, “Having a nice place where you can go have a nice meal, where after you've been here three times people call you by your first name, and having that comfortable place, is really I think enriching to the community. (Interview Thirteen).”

**Offers quality goods.** One interviewee noted, “I think that the quality of what we do is really nice, and I think that people are exposed to something that they are not going to see outside of our store, unless they are traveling.” Supplying a unique and excellence product enriches the lives of the locals. Also, this entrepreneur was sensitive to the budgets of the regional patrons. The interviewee continued, “It’s good quality, and it is a fair price, so we can offer our items to the community...We are really trying to keep our price as low as possible.” (Interview Eight).

**Serves the community.** Other restauranteurs sought to reach out to those who serve the community through their professions. For example, one interviewee stated, “On a Friday, we will just donate coffee to the police departments, the sheriff’s office, and the fire departments. We are trying to hit a lot of those guys just to say, “Thank you for being a part of our community. We hope your Friday is awesome!” (Interview Two). This is a simple way to exhibit gratitude for the service of others, while building brand loyalty. Another entrepreneur offered a variation on this theme. The owner described, “I think the way we touch the community is that we’ve reached out to all of the schools. We went to all of the elementary schools, the high schools in the local area and said, we’d love to
sponsor a student night” (Interview One). When hosting a spirit night, the company donates 10% of sales to the schools, and also offers its venue as a gathering place. Offering spirit nights helps this new restaurant connect and build relationships with customers. The owner continued, “This helps the community and it also helps word of mouth and to get new faces in to try our food. Hopefully, they will become repeat customers and grow our base.” (Interview One).

These interviewed restaurants sought to serve the local people through providing excellent customer service, acting as a gathering place, offering quality products, and serving the customers.

**Research Question Three Conclusion**

There are a myriad of ways the restaurants of the participants impact their community. They meet the triple bottom lines of people, planet, and profit while positively benefiting the local economy, local environment, local neighborhoods, local charities, and local people. The restauranteurs expressed an attitude of thankfulness to the community, and genuinely desired to serve their patrons in a hospitable environment. The overarching sentiment of the entrepreneurs was well phrased: “As far as profit, if you take care of the little things, the bottom line takes care of itself...We are interested in profit, but it's not all about profit. If you make the customer happy, serve good food, and take care of your costs, the profit will take care of itself” (Interview Thirteen).

**Chapter Five: Discussion**

The responses of the interviewees are juxtaposed below with the previously discussed literature to add to the current body of research on restaurant ownership, social enterprise, and entrepreneurship.
Research Question One Discussion

In explanation of the preparation and launch of a business, the interviewed restaurant owners spoke about the motivation, skills, and financing needed for success. The participants were motivated primarily by their passion for food and the hospitality industry. Several of the interviewees shared the characteristics of lifestyle entrepreneurs discussed by Marcketti, Niehm, and Fuloria (2006). These researchers determined that this genre of entrepreneur, “owned and operated businesses closely aligned with their personal values, beliefs, interests, and passions” (p.241). Many of the interviewees sought the benefits of self-employment through operating their own businesses.

Surprisingly, six of the ten the interviewed restauranteurs were a part of a husband/wife team. Spouses engaging in entrepreneurial ventures are called “copreneurs” in contemporary literature. This number, while unexpected, is not outlandish. In the article, “The Intermingling of Family and Business Financial Resources: Understanding the Copreneurial Couple,” the authors report,

Astrachan and Shanker (2003), Heck and Stafford (2001), and Heck and Scannell Trent (1999) have all estimated that approximately 14% of households in the United States own at least one family business. This percentage represents 8 to 10 million businesses. Within that segment, 30% of these enterprises are comprised of husbands and wives in business together (Fitzgerald & Muske, 2002; Muske, Fitzgerald, & Haynes, 2003) (Muske, Fitzgerald, Haynes, Black, Chin, MacClure, & Mashburn, 2009).

Many restaurant are operated by copreneurs. Further research is required to draw conclusions about the impact of copreneur-ship on their success in the industry.

Beyond motivation, the participants recommended obtaining restaurant experience and managerial experience prior to launching a foodservice establishment. The interviewees asserted that quality cooking should not be equated with a profitable
restaurant and warned against the plan of “retiring” and opening a food business. Repeatedly emphasized was the need for firsthand experience as an employee of the industry prior to ownership.

Botha, van Vuuren, & Kunene (2015) examined the necessary competencies required for successfully navigating business ownership. Their research concluded that veteran entrepreneurs “considered the following skills to be very important: motivation, securing resources, operations, financial management, legal skills, and marketing” (p. 63). All of the interviewed restauranteurs agreed that managerial skills were essential for operating a food service establishment.

Finally, the interviewees spoke about the financing required to launch a restaurant. Surprisingly, nine of the ten interviewees self-financed their venture. Because of the high start-up costs associated with this type of business, this result is unusual. When Lazányi, (2015) studied thriving and failing entrepreneurial ventures, respondents indicated problems regarding the financing of their operations as the largest contributing factor to failure. The ability to self-finance may have been a key factor in the long term success of the interviewed restauranteurs.

Additionally, two entrepreneurs secured SBA loans. (One restauranteur self-financed one venture and procured funding for a second). Jones (1992) discussed the process of obtaining loans. The interviewed entrepreneurs followed this model to provide additional capital needed for their businesses.

In summary, the participants discussed the motivation, skills, and financing needed for restaurant entrepreneurship. For further research, an examination of business
planning documents would have provided additional insights about the launch stage of entrepreneurship in foodservice.

**Research Question Two Discussion**

When discussing the process of scaling a foodservice business, the interviewed restauranteurs spoke about the learning curve, internal and external environments, and methods of horizontal and vertical growth.

The first year of culinary entrepreneurship is marked by numerous successes and failures. One of the most important lessons is the seasonality of the business, which should be considered to enable accurate forecasting and financial planning. During the learning curve, the participants advised a new businesses, open gradually, adjust to the space, adapt to the customer, keep expenses low, and continue to grow. These recommendations are consistent with the literature. Smith (1996) encouraged restauranteurs to streamline their menu, and focus on their core competencies. This allows entrepreneurs to cut unnecessary costs and adapt to the essential needs of their customers. The pattern of growth is also consistent with the lean start-up theory as discussed by Eric Ries (2011) in his book, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. In a review of the book, Hart (2012) remarked, “In Chapter 3, Ries relates the story of six months of his development efforts that produced a product that no one wanted. Ries realized that he could have learned this lesson earlier” (2012, p. 508). As restauranteurs launch and grow businesses, they must listen to customers and adapt to their needs. The first year is a time of learning and growth for the entrepreneur and the restaurant.
The interviewees spoke about internal and external environments. Three components of the internal environment, management, marketing, and finance, were identified as primary influences in a firm’s growth. In the management of a foodservice business, the most important factor is employee relations. Emphatically, the participants communicated the value of the quality staff: “Your business is only going to be as successful as the people you have working with you” (Interview Nine). Hellawell (2012) confirmed this assertion. In her article, “How to create a thriving workplace: reaping the benefits of employee satisfaction,” the author stated that small businesses should pursue growth through concentrating on employee engagement. By managing employees well, entrepreneurs can cultivate their businesses.

Another component of the internal environment is marketing. The interviewees were divided in their opinions on the subject. One participant expounded on the nuances of various styles of campaigns while another disclosed, “I'm not a believer in advertising” (Interview Thirteen). The literature mirrored these findings. Perry (2014) observed two generic strategies adopted by small business owners, reactive (32%) and proactive (68%). The former participant was consistent with the proactive strategy, while the latter could be described as reactive.

The final discussed factor of the internal environment is finance. To grow an entrepreneurial venture, there must be capital to invest and steward. Interviewee Five asserted, “The administration of the business is the most important part.” Goetz (1974) further demonstrated the importance of accounting and finance in small business. Tracking costs, his article illustrated, can allow businesses to redirect cash from
unnecessary expenditures to revenue generating avenues. Proficient management of the business finances is a prerequisite for sustainable growth.

After the internal environment is considered, the external environment must be taken into account. Elements of the external environment include regulations, the economy, and competition. The participants viewed the regulations that shape their restaurant practices as necessary evils. Though the entrepreneurs were not fond of these restrictions, eager compliance was recommended. Economic conditions greatly affect growing foodservice businesses. Restauranteurs suggested creating a financial base to buffer out operations during periods of economic downturn. As a whole, competitors were viewed in a positive light. Interviewee Seven boasted, “Competitors, I welcome them. I’m not scared of that at all. The more people [open restaurants], the better, even if they are slightly similar.” To gain a competitive advantage, Dhiman & Marques, (2011) recommended modeling the practices of Le Taj, a Montreal restaurant. This establishment focused on human resources to set them apart from neighboring restaurants. The external environment affects the growth of a foodservice business.

Lastly, the participants discussed both horizontal and vertical avenues for growth. Horizontal growth involves opening additional locations; a vision many participants shared. Vertical growth includes adding products and services, such as roasting coffee beans in house, instead of sourcing roasted beans. Whether horizontal or vertical, plans for growth should consider the impact on relevant stakeholders. McVea & Freeman (2005) wrote about stakeholder management. They asserted that current stakeholder theory has become too academic, losing practical application. They advocated a “names and faces” approach to stakeholders, where business owners envision actual people
reacting to changes. Therefore, when planning for growth, a restaurateur should ask, “How would [Name] react to this plan?” or “How would this affect [Name]?” When growing a restaurant, stakeholders should be considered.

Both the interviewed entrepreneurs and academic literature contained a wealth of information about the scaling of a foodservice business. During the initial months of ownership, a steep learning curve is ascended. Mistakes are made and failures occur. When scaling, the internal and external environments must be evaluated. Finally, two main avenues for growth, horizontal and vertical, exist, and the effects of growth on stakeholders should be carefully considered before action is taken.

**Research Question Three Discussion**

Participants also discussed the social impact of their establishments. Effects on the local economy, local environments, local neighborhoods, local charities, and local people were recounted.

The local economy was positively affected by the presence of foodservice businesses. These restaurants purchased from local suppliers, created jobs for the local population, and enhanced the tourism industry (the central source of revenue for the geographic region). Acs, Boardman, & McNeely (2013) asserted that entrepreneurship, regardless of the stated purpose, produces social value. Though the restaurant owners did not set out to enhance the local economy, it is strengthened nevertheless through their presence through job creation and the circulation of income. The interviewed participants additionally advanced the surrounding neighborhoods through raising property value and broadening the tourist experience.
The participant’s businesses positively impacted the local environments and local neighborhoods. Restaurateurs adopted several strategies to better the planet, including: recycling, reducing food waste, and using eco-friendly products. One of these techniques, reducing food waste, illustrates the concept of “doing well by doing good” as described by Glover (2012). While seeking to benefit the environment by limiting the amount of discarded material, the restaurant’s financials see a profit as food cost is reduced.

Lastly, local charities and local people were enriched by the existence of local foodservice establishments. The participants partnered with local charitable organizations to donate supplies, donate products, and donate for events. The actions undertaken indicate that these businesses exist on the social entrepreneurship continuum first suggested by Dees (1995). In his paper “Enterprising Nonprofits,” Dees presented purely nonprofit organizations on one end of the spectrum and purely competitive firms on the opposite end. The participants from this study fell near the competitive firms, however, they did not act in a purely competitive manner. The studied foodservice businesses served the local people through providing excellent customer service, acting as a meeting space, offering quality goods, and serving the community.

The interviewed restaurant enriched the community surrounding their area by positively impacting the local economy, local environment, local neighborhoods, local charities, and local people.

**Appended Business Plan**

Appended to this thesis is a business plan molded by the data gathered from interviewees. This business plan details the anticipated launch and subsequent growth of
an international fusion fast causal restaurant located in St. Augustine, Florida. Included in the document are financial statements, organizational structure, and the marketing plan.

**Conclusion and Further Research**

Further research could be gathered from different geographic areas. The participants in this study owned businesses located in the southeastern United States in a community that draws tourists. However, this study could be repeated with participants from other regions, nationally or potentially internationally. Also, additional financial data could have been analyzed in conjunction with interview data, to provide a more complete picture of a successful restaurant. This study could be narrowed to focus on a particular style of service, such as fast casual, or a particular type of cuisine, such as French fine dining.

This thesis discussed the launch and scale of a community focused foodservice business. The themes of entrepreneurship, restaurant ownership, and social enterprise were explored in the literature. Ten interview transcripts of restaurant entrepreneurs were analyzed in relation to the research questions. Interview data was then juxtaposed with existing academic findings. Interviewees emphasized the importance of restaurant experience prior to the launch of the venture. Additionally, nine of the ten participants self-financed their business, and recommended the path to future entrepreneurs. Finally, restaurateurs used myriad of ways to engage in the surrounding community, from donating product to utilizing over-ripe fruit. This thesis added to the body of research on entrepreneurship, restaurant ownership, and social enterprise.
References


McVea, J. F., & Freeman, R. E. (2005). A names-and-faces approach to stakeholder management: How focusing on stakeholders as individuals can bring ethics and


Appendices
BUSINESS PLAN

Margaret Leach, Owner
December 6, 2016
# Table of Contents

1. Executive Summary .............................................................................................................. 3

2. Mission, Goals, & Objectives ............................................................................................... 4
   1. General Description of the Business ................................................................................. 4
   2. Mission Statement ............................................................................................................. 5
   3. Goals & Objectives .......................................................................................................... 6

3. Organizational Matters ....................................................................................................... 7
   1. Business Structure ........................................................................................................... 7
      1. Management .................................................................................................................. 7
      2. Business Philosophy .................................................................................................... 7
      3. Personnel ..................................................................................................................... 8
   2. Operating Controls ......................................................................................................... 9
      1. Record-Keeping Functions ........................................................................................... 9

4. Marketing Plan ................................................................................................................... 10
   1. The Products & Services ................................................................................................. 10
      1. Products & Services Description .................................................................................. 10
      2. Features & Benefits ..................................................................................................... 12
   2. Market Analysis ............................................................................................................ 13
      1. Customer Analysis ....................................................................................................... 13
      2. Competitive Analysis .................................................................................................. 14
      3. Market Potential ......................................................................................................... 15
      4. Current Trade Area ...................................................................................................... 15
      5. Market Size and Trends ............................................................................................... 16
   4. Location ........................................................................................................................ 17
   3. Price/Quality Relationship ............................................................................................. 18
   4. Promotional Strategies ................................................................................................... 18
      1. Packaging .................................................................................................................... 19
      2. Public Relations .......................................................................................................... 19
      3. Advertising .................................................................................................................. 19
      4. Customer Service ...................................................................................................... 19

5. Financial Plan .................................................................................................................... 20
   1. Cash Flow Projections .................................................................................................... 20
      1. Break Even Analysis .................................................................................................... 20
      2. Financial Statements .................................................................................................. 23
         1. Assumptions for the Income Statement .................................................................... 23
         2. Assumptions for the Balance Sheet ......................................................................... 25
         3. Assumptions for the Statement of Owners Equity .................................................. 25

6. Appendixes ...................................................................................................................... 28
1. EXECUTIVE SUMMARY

Fuse International Cuisine is a fast-casual concept open for breakfast and lunch, and located in St. Augustine, Florida. Through its global fusion offerings, Fuse celebrates the diversity of our world. Central to the ethos of this restaurant is authentic hospitality. No tips are accepted and fair pay is given to all employees of the restaurant.

Fuse is strategically located to serve adventurous college students, experience craving tourists, and the faithful locals of St. Augustine, Florida. A curated menu, consisting of breakfast items, pastries, salads, sandwiches, coffee and tea is offered to guests from 7:00 a.m. - 4:00 p.m. Room rental and after hours catering is also available.

The mission statement of Fuse is “We exist to serve locals and tourists of St. Augustine, Florida, international cuisine in a welcoming and inclusive environment, while serving our global community through raising funds and awareness for service organizations.” A key distinction of Fuse is the intentional community engagement. This venue will often host local musicians and artists, and donate 10% of the sales of a specified item each month to the “Charity of the Month.” Fuse leverages its position in the marketplace to serve others.

Capital required for the launch of Fuse $350,000. Of that amount, $50,000 will be allocated for start-up costs, and $300,000 will cover expenses during the first year of operations. Pro forma income statements project a net income for $25,000 for Year One, with a revenue just above $450,000. The break-even point of $34,000 per month will be surpassed after the first three months of operation.
Fuse capitalizes on several industry trends such as “Chef-driven fast-casual concepts” and “environmental stainability” as it strives to serve great food with superior service to its patrons.

2. MISSION, GOALS & OBJECTIVES

2.1 General Description of the Business

Fuse will be a fast-causal restaurant located in St. Augustine, Florida. We will specialize in introducing our patrons to international fusion cuisine in a hospitable and warm environment.

Open for breakfast and lunch, Monday-Saturday, we will serve a varied market of local professionals, Flagler College students, and experience-craving tourists. Our restaurant will be a counter service operation with “a gratuity-included” (no tipping) policy\(^2\) to support fair restaurant wages. We will endeavor to welcome our guests with authentic hospitality and we will place great value on customer service and satisfaction.

International fusion\(^3\) items will comprise our menu at Fuse. We expect popular menu items to include our Shakshuka Skillet (a North African breakfast item of eggs cooked in a spicy tomato sauce) or our Beef Satay Salad (Thai beef skewers with a peanut dressing served over a bed of greens). We love communicating the beauty of diversity through ethnic dining. The National Restaurant Association published a study in 2016 indicating that 66% of diners eat more ethnic food today than they did five years ago\(^4\). This fast casual concept will service this trend. With our breakfast and lunch items,

---

\(^2\) This policy will follow the model of Union Square Hospitality Group and will be enabled financially through our unique approach to both pricing and human resources.

\(^3\) Merriam Webster Dictionary defines fusion cuisine as, “food prepared by using the techniques and ingredients of two or more ethnic or regional cuisines.” Fuse will fuse various international cuisine with American produce and preparations.

\(^4\) Retrieved from the National Restaurant Association 2016 Global Palate Report
Fuse will offer full-espresso service and a pastry case of international delicacies.

We will have a scratch kitchen at Fuse. Breads will be baked in house, meats butchered, and produce prepared by hand. Sourcing locally for the bulk of our menu, we will supplement with specialty imported items to convey authentic flavors. As a member of our global community, we will seek to use environmentally conscious products and reduce the food waste from our kitchen through intentional cross-utilization.

Fuse will seek to serve those around us. One menu category a month will be our “charity focus.” When a patron orders an item from said category, 10% will go to funding our Charity of the Month, a carefully selected local or global service organization. We will integrate a bulletin board into our décor where we will highlight this charity. After our business hours, we will host art shows and silent auctions and cater dinner fundraisers. Fuse is eager to partner with the community to promote social development.

After our initial launch and establishment within the community, we will explore four ways to grow our business. We plan to grow delivery sales, corporate catering, pastry wholesale, and ethnic food retail. We believe there is a unique opportunity to seize the market of professionals who are tired of doleful desk lunches. We are able to deliver a flavorful lunch experience to workplaces within 10 miles of our location. Also, we plan to cater for corporate events as a way to increase sales during the tourism slow season. Numerous bed and breakfasts are located in St. Augustine and we see an opportunity to partner with them to supply wholesale pastries. With this undertaking, we will create a custom baked good that fits their point-of-view as a bed and breakfast. Finally, we will

---

5 U.S. Census Bureau reports 3,431 firms within the city limits of St. Augustine, Florida as of 2012
6 St. Johns County Chamber of Commerce partners with eight locally owned bed and breakfasts
begin to sell ethnic food items as a “mini market” inside of Fuse. We will launch a “candy corner” and import various international candies, such as Kinder Bueno Bars. These four examples offer very lucrative revenue streams for our company. Fuse is ripe with ways to grow and expand.

2.2 Mission Statement
At Fuse, we exist to serve locals and tourists of St. Augustine, Florida, international cuisine in a welcoming and inclusive environment, while serving our global community through raising funds and awareness for service organizations.

2.3 Goals & Objectives
Fuse’s goal for the first year of operation is to operationally break even. We will work hard to ensure steady restaurant growth and we will seek to grow our customer base. We plan to establish a thriving work environment for our employees and engage their creativity to help us grow the business.

By Year One, we plan to reach sales of 455,000 and a net income of $25,000. This goal is achievable through average weekly sales of approximately $7,100 during the first quarter, 10,000 during the second and third quarters, and 11,400 in fourth quarter. These estimates are conservative, as unexpected circumstances oft arrive in this industry. Our front of the house manager will be responsible for the marketing activities to draw customers into the location. The back of the house manager will be monitoring food cost and tracking food waste and labor numbers. Management will meet weekly to review sales and adapt to the current situation.

7 Kinder Bueno Bars are “layers of delicious crispy wafer, milk chocolate and hazelnut milky filling,” according to the Italian company’s website (kinder.me/en/kinder-bueno).
In Year Two, we plan to turn an operational profit. By keeping our food cost to 20% and our labor cost to 30% percent, with fixed costs of 30%, we may enjoy a profit margin of 20%. At this stage, we can refine our business hours and begin to introduce our after-hours events.

In Years Three - Five, we plan to grow by 30% each year. The fast casual segment of the restaurant industry is growing at a rate of 12.8%, according to the Top 500 Chain Restaurant Report from Technomic, which analyzed industry data from 2015. We believe that ethos of Fuse encapsulates many nationwide trends\(^8\) and opportunities which should enable us to grow slightly faster than the industry at large. As with our beginning year, we will monitor our sales and costs weekly to insure that we meet this goal.

3. ORGANIZATIONAL MATTERS

3.1 Business Structure, Management, & Personnel

3.1.1 Business Structure. Fuse is a Limited Liability Company (LLC) registered with the state of Florida\(^9\). This legal structure was chosen to protect the personal assets of the owners as well as the flexibility in taxation methods and profit sharing. Exemption from the procedures of hosting shareholder meetings, electing a board of directors, and completing numerous other functions, would allow this young business to grow and thrive.

3.1.2 Management. The management team of Fuse will include a front of the house and a back of the house manager. A Certified Public Accountant from a local

---

\(^8\) National Restaurant Association reports that chef driven fast causal concepts, locally grown produce, environmental sustainability are found in the Top Ten Trends for 2016 (http://www.restaurant.org/News-Research).

\(^9\) Fuse has an attorney on retainer to assist with legal procedures.
accounting firm, who specializes in the restaurant industry, will be on retainer to consult the management team.

3.1.3 Business Philosophy. At Fuse, not only does our business philosophy affect every decision and action, it also offers us a competitive advantage.

We exist to serve our community, through the food we offer, the jobs we provide, and the awareness we raise for service organizations. Our ethos is community focused. We believe that the function of business is to produce value, and to connect people to products and services that they need or want. We seek to enter into win-win relationship with all of our stakeholders.

Our Charity-of-the-Month commitment is central to our business philosophy. We use our café as an avenue to raise funds and awareness for organizations working towards social justice.

At Fuse, we are aware of the emotional properties of food. Humanity eats to survive, eats to comfort, and eats to celebrate. Cultures and traditions are conveyed through food, and it is our mission to serve cuisine that is representative and respectful of these properties.

We aim to create valuable experiences in the lives of our customers, employees, suppliers, and owners. Service excites us.

3.1.4 Personnel. The employees of a restaurant have an immense effect on the

10 Our business philosophy is inspired by foodservice operations such as Edgar and Joe’s Café (http://edgarandjoes.ca/about/) and the Well Coffeehouse (http://www.wellcoffeehouse.com/about-us/)
success of the business. Our goal is to build a thriving team of invested people.

At Fuse, we will recruit our employees from friends or mutual friends of the owners and also from our social media followers. We will request that resumes and references are sent to the company email address. If a candidate fits our need, he/she will be contacted to set up an interview.

Front of the house employees will be interviewed by the front of the house manager, and likewise with the back of the house. As the restaurant and management team grows, we plan to instate a two-step interview process.11 Recruits would be screened through an interview by the assistant manager. Should the candidate fit our business philosophy, they would be granted a second interview by the front or back of the house manager.

We will use character as our primary filter for applicants, with competence serving as a secondary filter. Our belief is that our methods of food preparation can be easily taught, while work ethic, excellence, and honesty are much more difficult to acquire. We will take character references very seriously, and will seek those who are eager to learn.

Training for our employees is of the utmost importance. We will have one week of training before we open our doors. To begin, we will discuss our core values, mission, and vision for Fuse. Team building activities will be integrated into training, along with taste testing and family lunches. We will prepare our location through finishing the décor,

---

11 Two step interview process adapted from Jim Knight’s presentation at 2016 Independent Operator’s Workshop at the Florida Restaurant and Lodging Show. Currently, the management team is not large enough to instate this process.
stocking our inventory, and cleaning every square inch of our location.

When we add employees to our team after the initial opening, training will be a two day process, above and beyond the industry standard of a single training day. The first day will focus on the broad concepts of our mission, and how these values apply practically at Fuse. The second day of training will involve shadowing an employee and learning the competencies and procedures.

Fuse values learning. As a company, we will endeavor to be a student and learn continually throughout our lifecycle. We will provide training opportunities such as paid industry workshops and cross training within Fuse. Our goal is to inspire creativity and keep our valued employees engaged.

Once a month, Fuse will seek to be trained by our employees. We will host a dinner meeting where the opinions and suggestions of our employees can be voiced and positive changes can be made to our restaurant. We understand that our employees have a unique perspective and we will leverage their viewpoint to grow as a company.

### 3.2 Operating Controls

#### 3.2.1 Record-Keeping Functions.

The day to day financials, such as sales, payroll, and accounts receivable, will be monitored by the front of the house manager. Our back of the house manager will be responsible for controlling food costs and inventory management. Fuse will also have an accountant on retainer to consult on financial performance and record keeping.

We will use QuickBooks™ for day to day accounting and payroll, and utilize Square™ as our point-of-sales system. These programs are built to work in tandem and
they will provide vital analytics as we grow as a company.\footnote{QuickBooks™ and Square™ are able to interface with other record keeping technologies such as PeachWorks™ and Fresh KDS™ should we decide to increase our analytics at a later time.}

Both managers will meet weekly to review financial performance and information generated through QuickBooks™ and Square™. The accountant will join the meeting on a monthly basis for the first year. Quarterly, investors will meet for a presentation from the managerial team, detailing the financial and social position of the firm.

4. MARKETING PLAN

4.1 The Products & Services

4.1.1 Products & Services Description. The menu at Fuse reflects the diversity of international cuisine. Breakfast will feature egg dishes and other traditional breakfasts from around the world. Lunch will consist of salads and sandwiches. A pastry case will feature breakfast items, as well as desserts and coffee/tea accompaniments. Coffee and teas will also be available throughout the day.

Sample Breakfast Menu (Served from 7:00 a.m. - 11:00 a.m.)

- North African Shakshuka - $6
- Mexican Huevos Rancheros - $7
- Italian Frittata - $5
- Russian Blintzes - $6
- Japanese Rice Pancakes - $5

Sample Lunch Menu (Served from 11:00 a.m. - 4:00 p.m.)

- Brazilian Steak Sandwich with Chimichurri Aioli - $10
Korean Hoisin Pork Lettuce Wrap $9
Spanish Manchango-Ham Bocadillo $8
Indian Chicken Tikka Masala Naan Wrap $9
Moroccan Spiced Roasted Vegetable Wrap $7

Thai Beef Satay Salad with a Peanut Vinaigrette $8
Caribbean Jerk Chicken Salad with Mango Vinaigrette $7
Mexican Street Corn Salad with Shrimp and a Cilantro Vinaigrette $8
Italian Pesto Chicken Salad with a Lemon Vinaigrette $7

Sample Pastry Case Menu (7:00 a.m. - 4:00 p.m.)

Muffin $2.00
Croissant $3.00
Danish $2.50
Scone $2.50
Cookie $2.50

Sample Coffee & Tea Menu (7:00 a.m. - 4:00 p.m.)

Basic Offerings

  Espresso $2.50
  Latte $3.50
  Cappuccino $3.50
  Mocha $3.50

International Offerings

  Café Con Leche $3.50
  Flat White $3.00
  Cortado $4.00
  Turkish Coffee $3.50
  Vietnamese Iced Coffee $3.00
Sample Catering Menu

Evening Room Rental (with a la carte menu and $200 minimum purchase) - $75
- Evening Room Rental & Coffee, Tea, and Pastries for 25 - $175
- Evening Room Rental & Dinner for 25 - $500
- Afternoon Room Rental (with a la carte menu and $200 minimum purchase) $150
- Afternoon Room Rental & Coffee, Tea, and Pastries for 25 - $250
- Afternoon Room Rental & Lunch for 25 - $400
- Morning Room Rental (with a la carte menu and $200 minimum purchase) - $150
- Morning Room Rental & Coffee, Tea, and Pastries for 25 - $250
- Morning Room Rental & Breakfast for 25 - $350

4.1.2 Features & Benefits. The products served at Fuse are made from locally sourced produce and coupled with imported ethnic ingredients. The recipes are prepared on site from scratch. The products served are unique, and allow diners to experience new combinations of flavors.

The service paired with the food is excellent. Employees are empowered to improve the customer experience by comping meals when dissatisfied. Also, employees are rewarded when they go above and beyond to serve the customer. Barista / Servers constantly maintain the cleanliness of the front-of-the-house, and bring customers their food as it is prepared. Fuse employees seek to learn the Fuses of the customers as they welcome them with sincere hospitality.

To complement the food/service combination, the atmosphere at Fuse is curated to reflect a serene, relaxed environment. Décor has a vintage airport motif with light blue
map print, combined with pale yellows and greens with light brown wooden furniture. Large couches offer seating for those who bring their work into our place of business. Comfortable tables offer seating options for our breakfast and lunch-goers.

A distinctive feature of Fuse is our intentional community engagement. From the sales of a selected product each month, we give 10% to our Charity of the Month. This is unlike any other restaurant in the vicinity as it allows our customers to engage their hearts as the fill their stomachs. Also, Fuse is eager to host fundraisers, book readings, art shows, and poetry nights. We value creativity and seek to serve as a venue for community gatherings.

Customers will be drawn to Fuse for our unique and diverse menu, our unparalleled service, our relaxed atmosphere, and our community focus. This experience is like no other on the market and offers Fuse a significant competitive advantage.

4.2 Market Analysis

4.2.1 Consumer Analysis. The guests at Fuse will be varied. Included in this analysis is three target customer profiles. Overall, the corresponding themes will include the appreciation of trying new food, valuation of the relaxed atmosphere, and enjoyment of supporting a restaurant that is invested in the community.

One customer would be a 20-year-old Flagler College Student. Flagler College headquarters, the former Ponce de Leon Hotel, is only 1.7 miles from Fuse’s location. This customer would most likely be a female, either lunching with friends, or on a study date with herself. She would visit Fuse weekly to try the exotic food, and soak in the
hospitality. Events, such as poetry night or local music may draw her into Fuse on a weekend.

Another customer would be a young professional working in the downtown area of St. Augustine, most likely a male. He may run by Fuse on his way into work to grab a coffee and a quick breakfast. Or, he may meet a study group for early morning devotions. Also, he and his colleagues may grab unique lunch from our establishment.

Finally, a young couple, ages 25-30, would serve as target customers for Fuse. They are young professionals, with two incomes and without children, on a weekend getaway to St. Augustine. They would see reviews for Fuse on TripAdvisor, Yelp, or other social media sites, and be interested in trying it for themselves. In turn, they would post on their preferred social media platforms and draw additional customers toward Fuse.

The primary target customer is a millennial. This age group has the highest disposable income and the greatest willingness to spend that income on food and cultural experiences. However, Fuse will attract a wide range of customers living in the St. Augustine area, and those visiting the town.

4.2.2 Competitive Analysis. The three biggest independently owned competitors of Fuse are Blue Hen, Crave, and Uptown Scratch Kitchen / DOS Coffee and Wine. Panera Bread would comprise the major corporate of Fuse.

The Blue Hen Café is located at 117 Martin Luther King Avenue, in the Historic Lincolnville Neighborhood in St. Augustine, Florida. This three-year-old establishment serves breakfast and lunch with a Southern spin. Key strengths include loyal customers,
vintage décor, and a soulful menu. The Blue Hen Café serves a crowd of primarily locals, with supplementary tourist traffic. Weaknesses include limited parking and no espresso service to capture the between-meal crowd.

Crave is a health-conscious food truck located at 134 Riberia Street, in view of the San Sebastian River. They serve salads, wraps, and smoothies, as well as energy bites, from 11am-3pm daily. They recently introduced a covered outdoor dining area for patrons to enjoy their meals. Their strengths include a strong rating on social media, healthful lunch options, and their scenic view. This leads to their weakness, their only option of outdoor seating can be extremely hot in the summertime and they are only open for four hours each day.

Uptown Scratch Kitchen is a chef driven food truck parked outside of DOS Coffee and Wine at 300 San Marco Avenue. Most of their menu consists of specials, but their perennial offerings include specialty burgers, Cuban sandwiches, and po’boys. Their partnership with DOS allows customers to sit inside of DOS or order coffee and dessert. One of their strengths is their extremely high rating on TripAdvisor. However, because the food truck is quite small, orders can take up to 20 minutes to be completed. Also, they are slightly weather dependent.

Fuse’s biggest corporate competitor is Panera. Panera is the established authority on bakery-café and fast casual dining options. They offer an array of items that range from healthful to comforting. With a consistent growth in the area, they recently introduced their delivery option in St. Augustine. The closest Panera to Fuse is located at 600 Tingle Court, near FL-312. Their efficiency as a franchise is also their weakness. St. Augustinians and tourists alike enjoy supporting local businesses.
These four competitors will challenge Fuse to be the best in its class. The competitive advantage of intentional community engagement, as well as a unique global menu will allow us to gain a piece of the pie and to capture the customer’s dollar.

4.3.3 Market Potential.

4.3.3.1 Current Trade Area. [Fuse’s] trade area is St. Johns County, Florida, with a focus on St. Augustine and the surrounding neighborhoods. Within St. Johns County, the rough boundaries of the trading area are from I-95 on the west, to the coast on the east, and then SR-206 to the south, and SR-16 to the north. See map below.

St. Johns County is has been experiencing a growth rate of 19% for the past six years. It has the lowest tax rate of Northeast Florida, and average educational attainment levels above state and national levels. The population for the county is 226,640, with a work force of 109,011, and a low unemployment rate of 3.5%. The attraction of life in St. Augustine is amplified by the fact that it is home to Florida’s #1 public school system and also ranked the healthiest county in Florida.

---

4.3.3.2 Market Size and Trends. Much like St. Johns County, the restaurant industry is growing. In 2015, restaurants generated $782.7 billion in sales at over one million locations. Seven out of every ten restaurants is a single unit operation.\textsuperscript{14} The National Restaurant Industry summarized the current trends below.

\textsuperscript{14} Data retrieved from the National Restaurant Association http://www.restaurant.org/Downloads/PDFs/News-Research/PocketFactbook2016_LetterSize-FINAL.pdf
Additionally, the National Restaurant Association’s Global Palate Report concluded:

- 17 percent of consumers eat seven or more cuisines on a monthly basis.
- 29 percent of consumers tried a new ethnic cuisine in the last year.
- 3 out of 5 consumers take pride in their exposure to a wide range of ethnic cuisines.
- Restaurants are the primary point of access for trying new cuisines, as well as the source where frequent eaters typically get their ethnic food.
- 75 percent of consumers say they like it when restaurants with mainstream menus also serve ethnic cuisine.

Customers are more informed and curious than ever. Fuse capitalizes on key trends and
will deliver its product to a ripe market.

4.3.4 Location. Fuse is currently exploring a property at 172 San Marco Ave\textsuperscript{15}, in St. Augustine. Formerly a thriving restaurant, this space has sat empty since the 2008 recession, when management failed to control cash flow. The building is situated in Uptown St. Augustine, which is a perfect balance for both local and tourist accessibility. It is directly across from a Dunkin Donuts, and other nearby restaurants include Drake’s Deli and Tropi-Cali Food Truck (both have primarily outdoor seating).

This 4,500 square foot property consists of three connecting buildings, along with additional patio seating. The property is a sprawling oasis waiting to be transformed into a welcoming global fast casual restaurant. Fuse is seeking to enter a turn-key property to simplify the start-up process.

4.4 Price/Quality Relationship

Fuse features the high quality ingredients prepared by employees who are paid well. Additionally, we give a portion of the profits to support causes that empower those in need. The prices at Fuse reflect industry standards for this style of food, and more importantly they reflect the combination of food cost, labor cost, and operating cost to allow a sustainable margin. See more on the price structure in Section 5.

When people purchase food or drink at Fuse, they purchase a bundle comprised of food and an experience. They purchase a smiling barista, a hospitable seating area, and

\textsuperscript{15} View listing at http://www.showcase.com/property/172-San-Marco-Avenue/Saint-Augustine/Florida/5500075
the feeling of supporting a community focused restaurant, as well as quality global
cuisine.

4.5 Promotional Strategies

4.5.1 Packaging. The physical packaging at Fuse will consist of eco-friendly
paper or plastic products for to go items. Items consumed in house will be served on
ceramic dishes. The presentation of the food and coffee will be inventively plated so that
the customer may first eat with their eyes (and maybe even post a picture to social
media!)

Our branding process is currently underway. We are using a local graphic designer
to capture our passion for the local community and for global cuisine. Branding will be
integrated into all of our marketing materials.

4.5.2 Public Relations. The primary outlet for public relations for Fuse will be
through social media. We will have Facebook, Instagram, and Twitter accounts. The front
of the house manager will be responsible for curating the content across those platforms.
Additionally, we will encourage customers to rate us on TripAdvisor and Yelp! We will
respond to customer’s reviews, thanking them when appropriate and resolving issues
when needed.

For our Charity of the Month, we will ask our selected non-profit to send out
emails to their volunteer teams and supporters to inform them of our temporary
partnership. Hopefully, those who are invested in the charity will want to dine at a place
of business that is supporting said charity.

4.5.3 Advertising. Advertising will also be conducted through social media
platforms. Our posts will include specials, upcoming event graphics, and contests. We will attempt to creating compelling content to keep customers engaged with our brand.

We will also develop a continually updated website to inform our customers of our values, our hours and location, and our menu. This will feature enticing photos and restaurant branding.

We will invest lightly in mobile advertisements to secure customers, as many use their mobile device to assist in answering the question, “Where should we eat?”

4.5.4 Customer Service. Word-of-mouth is the most powerful form of marketing, and we at Fuse will strive to deliver exceptional customer service that will induce guests to share about their experience. Barista / servers will be encouraged to learn the Fuses of the customers and they will hand deliver orders to customers. The tidiness of the front-of-the-house will be prioritized as we seek to create a relaxed and welcoming environment. To further serve our customers, we will also offer a loyalty program. After six visits, a customer receives a free coffee or treat from the pastry case. The customer service handbook is available in the appendixes.

5. FINANCIAL PLAN

5.1 Cash Flow Projections

5.1.1 Break Even Analysis. The break-even analysis was modeled after industry standards. In a typical food service operation, every dollar of sales would consists of $0.30 food cost, $0.30 labor costs, $0.30 overhead costs, and $0.10 margin. The financial projection are calculated as if Fuse was set to open in January 1st, 2018. Seasonality of
the region is discussed in a later section.

Below, the fixed costs of salaries, rent, utilities, advertising, insurance, and accounting/legal fees are computed. These calculations are based upon a 25 day month, as Fuse is closed on Sundays.

*Monthly Break Even for Fuse:*

**Fixed Costs**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>15,400</td>
</tr>
<tr>
<td>Payroll</td>
<td>1,800</td>
</tr>
<tr>
<td>Rent</td>
<td>5,500</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>100</td>
</tr>
<tr>
<td>Insurance</td>
<td>500</td>
</tr>
<tr>
<td>Depreciation</td>
<td>0(^{16})</td>
</tr>
<tr>
<td>Administrative</td>
<td>20</td>
</tr>
<tr>
<td>Accounting &amp; Legal</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total Monthly Fixed Costs</strong></td>
<td><strong>24,000</strong></td>
</tr>
</tbody>
</table>

**Wage Breakout:**

2 Salaried Managers, FOH ($30,000) & BOH ($30,000) or $60,000 per year.
5,000 per month for both salaries / each work five out of six days per week

3 Full time hourly employees BOH (each work 4 10-hour days)
$10 per hour / $400 per week / 20,800 per year / roughly 1,733 per month
2 employees per day working staggered shifts (7am-5pm and 8am-6pm)
120 hours total per week at $10 per hour = 1,200 / 62,400 per year
5,200 per month for BOH employees

\(^{16}\) Depreciation of plant, property, and equipment is incurred by the landlord, not the renter
3 Full time hourly employees FOH (4 10-hour days)
$10 per hour / $400 per week / 20,800 per year / roughly 1,733 per month
2 employees per day working staggered shifts (7am-5pm and 8am-6pm)
120 hours total per week at $10 per hour = 1,200 / 62,400 per year
5,200 per month for FOH employees

Total Number of Employees:
-2 managers
-6 hourly employees

Monday & Tuesday - 1 manager & 4 hourly
Wednesday - Saturday - 2 managers & 4 hourly

Total wages per month = 15,400
Total average wage per day (1 manager days) = 525
Total average wage per day (2 manager days) = 650

Payroll Breakout:

Payroll Tax Rate: 7.65% (Social Security 6.2% tax & Medicare 1.45% tax)
Payroll Tax per Month: $1,180
Payroll Tax per Day (2 Manager): $50
Payroll Tax per Day (1 Manager): $40

Rent Breakout:

127 San Macro Ave., St. Augustine, Florida, 32084
3 interconnected buildings with courtyard & bar area
140 seats / 5,096 square feet
Historical Cost: 5,500 per month / rent includes kitchen and front-of-the-house equipment
Depreciation is not incurred on the part of the renter.

**Accounting/Legal Breakout:**

- Legal Retainer: $120 per month
- Accounting Retainer: $100
- QuickBooks subscription: $80 (QuickBooks Plus with Enhance Payroll)$^{17}$
- Total: $300 per month

**Variable Costs**

*Food cost is equal to $0.30 out of every dollar of sales.*

\[
\text{BEQ} = \frac{FC}{(P - VC)}
\]

*BEQ - fixed cost, *P* - price per unit, *VC* - variable costs per unit

**Monthly Break Even Amount in Dollars for Fuse**$^{18}$

\[
\frac{24,000}{1 - 0.30} = 34,285.71
\]

**Daily Break Even Amount in Dollars for Fuse**

\[
\frac{960}{1 - 0.30} = 1,371
\]

*The average guest at Fuse spends $10.00 per visit, therefore approximately 3500*

---

$^{17}$ [https://quickbooks.intuit.com/pricing-bundle/](https://quickbooks.intuit.com/pricing-bundle/)

customers per month or 140 customers per day (25 day month) will allow Fuse to reach the breakeven point.

5.1.2 Financial Statements
Attached in Appendices

5.1.2.1 Assumptions for the Income Statement. After speaking with local restauranteurs, Fuse staff outlined the general seasonality of St. Augustine. Typically, the “slow” season is in August-September. In October, restaurant traffic begins to increase. In November, the Nights of Lights begin and draw large crowds to the town, as well as encourage the locals to take part in community activities. December brings additional business, and this continues through January. The months of February, March, and April continue to be profitable, yet they show a slight decline. Tourist traffic picks up in May & June, and then peaks on the 4th of July. After July, St. Augustine is in her slow season. From there, this cycle is repeated. See below chart for an illustration.
As Fuse will be opening on January 1st, 2017, these seasonal trends will affect the income statement of the company.

Additionally, Fuse will be serving lunch only for the first three months of operation. This strategy allows Fuse to focus on the efficiency of our main revenue source (lunch) before adding the capacity for breakfast. This is also reflected in the income statement.

The items on the income statement are described in an earlier section on the breakeven point. The Cost of Goods Sold is the revenue multiplied by a factor of 0.3. The income tax is based off of a 15% Federal Income Tax according to the income bracket for Fuse.

The below chart summarizes the relationship between revenue and profit that is

---

expected in Year One.

![Revenue & Profit Year One](image)

5.1.2.2 Assumptions for the Balance Sheet. The balance sheet is based off of the same assumptions of the income statement. It is a snapshot of Fuse’s financial position as of December 31st, 2017. This assumes that the entrepreneur personally invested $100,000, as while as borrowed 150,000 dollars, and gained funds from an outside investor totaling $100,000. As the firm does not own the plant, property, or equipment, the balance sheet numbers are small.

5.1.2.3 Assumptions for the Statement of Owner’s Equity. The statement of owner’s equity reflects Margaret Leach’s personal investment into the firm. This statement is also dated at December 31st, 2017.

5.1.3 Summary of Financial Needs. The financial needs of Fuse are $50,000 for
startup capital for launch and $300,000 for working capital for operations. These conclusions are explained below.

Foodservice industry average startup costs are $125,000\textsuperscript{20}, which is $75,000 more than Fuse is forecasting. This includes costs for administration, renovation, and branding, as well as a buffer for the unexpected bills that may arise.

The initial expense of Fuse is the cost of administrative tasks. Articles of incorporation and other legal documentation have an estimated cost of $750. Initial consulting and set-up of QuickBooks will cost $250. The salary of the entrepreneur (FOH manager) and the BOH manager for two months prior to an opening date of January 1\textsuperscript{st}, 2017 will total $10,000. For administrative expenses, $11,000 is the forecasted total.

The central expense for a startup restaurant is the cost of the building and equipment. Since Fuse is leasing the property and the equipment, this price will be minimized. Fixtures, such as tables and chairs, kitchen tools, and lighting, will be owned by the landlord. Painting, general décor, and renovation have a budget of $18,000. The entrepreneur will serve as the laborer and the interior decorator for this purpose.

Branding, website design, and initial advertising have a budget of $16,000. Fuse is set to work with Space Camp Co,\textsuperscript{21} a local St. Augustine graphic and website design company specializing in small business branding. They understand the target market of Fuse and offer competitive design pricing. The majority of the budget, $11,000, will be paid to Space Camp Co. The other $5,000 will be spent on advertising through printed and digital mediums.

\textsuperscript{20} Retrieved from http://quickbooks.intuit.com/r/business-planning/start-costs-industry/
\textsuperscript{21} View Space Camp Co’s previous work at www.spacecamp.co
The restaurant industry is notorious as a minefield of unexpected expenses. Far too often, these expenses can cripple a restaurant before it has established itself in the community. For this reason, Fuse will be setting aside a fund of $5,000 to cover unforeseen startup expenses.

In summary, $11,000 will be spent on administrative expenses, $18,000 will be spent on the location, $16,000 will be spent on marketing, and Fuse will enjoy a $5,000 buffer for a total of $50,000 in startup expenses. A chart illustrating the distribution of startup capital is below.
Burnt Orange Hues - Administrative Expenses
Blue Hues - Building Expenses
Green Hues - Marketing Expenses
Gray Hue - Buffer

Working capital is needed to cover one calendar year of operational expenses. This allows Fuse the ability to adjust to the market and gain a reputation in the community. The operational expenses total $24,000 per month, or $288,000 per year, and are explained in detail in break-even analysis in Section 5.1.1. A buffer of 12,000 is also required. Total working capital needed is $300,000.

Total capital for launch and growth of Fuse is $350,000

7. APPENDIXES
### Pro Forma Income Statement for Fuse

**Income Statement**

12/31/2017

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakfast Items</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
<td>$ 3,000.00</td>
<td>$ 3,000.00</td>
</tr>
<tr>
<td>Lunch Items</td>
<td>$ 20,000.00</td>
<td>$ 22,000.00</td>
<td>$ 25,000.00</td>
<td>$ 24,000.00</td>
<td>$ 26,000.00</td>
<td>$ 30,000.00</td>
</tr>
<tr>
<td>Coffee &amp; Tea</td>
<td>$ 3,000.00</td>
<td>$ 3,500.00</td>
<td>$ 4,000.00</td>
<td>$ 5,000.00</td>
<td>$ 5,500.00</td>
<td>$ 6,000.00</td>
</tr>
<tr>
<td>Pastries</td>
<td>$ 2,000.00</td>
<td>$ 2,500.00</td>
<td>$ 3,000.00</td>
<td>$ 4,000.00</td>
<td>$ 4,400.00</td>
<td>$ 4,500.00</td>
</tr>
<tr>
<td>Catering</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ -</td>
<td>$ 300.00</td>
<td>$ 500.00</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$ 25,000.00</td>
<td>$ 28,000.00</td>
<td>$ 32,000.00</td>
<td>$ 36,300.00</td>
<td>$ 39,900.00</td>
<td>$ 44,250.00</td>
</tr>
<tr>
<td><strong>COST OF GOODS SOLD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Cost - Breakfast</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 900.00</td>
<td>$ 1,050.00</td>
<td>$ 1,050.00</td>
</tr>
<tr>
<td>Food Cost - Lunch</td>
<td>$ 6,000.00</td>
<td>$ 6,500.00</td>
<td>$ 7,500.00</td>
<td>$ 7,200.00</td>
<td>$ 7,800.00</td>
<td>$ 9,000.00</td>
</tr>
<tr>
<td>Food Cost - Coffee and Tea</td>
<td>$ 900.00</td>
<td>$ 1,050.00</td>
<td>$ 1,200.00</td>
<td>$ 1,500.00</td>
<td>$ 1,650.00</td>
<td>$ 1,800.00</td>
</tr>
<tr>
<td>Food Cost - Pastries</td>
<td>$ 600.00</td>
<td>$ 750.00</td>
<td>$ 900.00</td>
<td>$ 1,200.00</td>
<td>$ 1,320.00</td>
<td>$ 1,350.00</td>
</tr>
<tr>
<td>Food Cost - Catering</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 90.00</td>
<td>$ 150.00</td>
<td>$ 75.00</td>
</tr>
<tr>
<td><strong>TOTAL COGS</strong></td>
<td>$ 7,500.00</td>
<td>$ 8,400.00</td>
<td>$ 9,900.00</td>
<td>$ 10,890.00</td>
<td>$ 11,970.00</td>
<td>$ 15,275.00</td>
</tr>
<tr>
<td><strong>GROSS PROFIT (LOSS)</strong></td>
<td>$ 17,500.00</td>
<td>$ 19,600.00</td>
<td>$ 22,400.00</td>
<td>$ 25,410.00</td>
<td>$ 27,930.00</td>
<td>$ 30,975.00</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>$ 15,400.00</td>
<td>$ 15,400.00</td>
<td>$ 15,400.00</td>
<td>$ 15,400.00</td>
<td>$ 15,400.00</td>
<td>$ 15,400.00</td>
</tr>
<tr>
<td>Rent</td>
<td>$ 5,500.00</td>
<td>$ 5,500.00</td>
<td>$ 5,500.00</td>
<td>$ 5,500.00</td>
<td>$ 5,500.00</td>
<td>$ 5,500.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>$ 1,000.00</td>
<td>$ 1,000.00</td>
<td>$ 1,000.00</td>
<td>$ 1,000.00</td>
<td>$ 1,000.00</td>
<td>$ 1,000.00</td>
</tr>
<tr>
<td>Advertising</td>
<td>$ 100.00</td>
<td>$ 100.00</td>
<td>$ 100.00</td>
<td>$ 100.00</td>
<td>$ 100.00</td>
<td>$ 100.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>$ 500.00</td>
<td>$ 500.00</td>
<td>$ 500.00</td>
<td>$ 500.00</td>
<td>$ 500.00</td>
<td>$ 500.00</td>
</tr>
<tr>
<td>Payroll Taxes and Benefits</td>
<td>$ 1,180.00</td>
<td>$ 1,180.00</td>
<td>$ 1,180.00</td>
<td>$ 1,180.00</td>
<td>$ 1,180.00</td>
<td>$ 1,180.00</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Administration Expenses</td>
<td>$ 20.00</td>
<td>$ 20.00</td>
<td>$ 20.00</td>
<td>$ 20.00</td>
<td>$ 20.00</td>
<td>$ 20.00</td>
</tr>
<tr>
<td>Legal &amp; Accounting</td>
<td>$ 300.00</td>
<td>$ 300.00</td>
<td>$ 300.00</td>
<td>$ 300.00</td>
<td>$ 300.00</td>
<td>$ 300.00</td>
</tr>
<tr>
<td><strong>TOTAL OPER. EXPENSES</strong></td>
<td>$ 24,900.00</td>
<td>$ 24,900.00</td>
<td>$ 24,900.00</td>
<td>$ 24,900.00</td>
<td>$ 24,900.00</td>
<td>$ 24,900.00</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT (LOSS)</strong></td>
<td>$(6,500.00)</td>
<td>$(4,400.00)</td>
<td>$(1,600.00)</td>
<td>$(1,410.00)</td>
<td>$(3,930.00)</td>
<td>$(6,975.00)</td>
</tr>
<tr>
<td><strong>INCOME TAXES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 211.50</td>
<td>$ 589.50</td>
<td>$ 1,046.25</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE &amp; TAXES</strong></td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 211.50</td>
<td>$ 589.50</td>
<td>$ 1,046.25</td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS)</strong></td>
<td>$(6,500.00)</td>
<td>$(4,400.00)</td>
<td>$(1,600.00)</td>
<td>$(1,198.50)</td>
<td>$(3,340.50)</td>
<td>$(5,928.75)</td>
</tr>
</tbody>
</table>
## Pro Forma Income Statement for Fuse

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakfast Items</td>
<td>3,000.00</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>3,000.00</td>
<td>3,500.00</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Lunch Items</td>
<td>30,000.00</td>
<td>24,000.00</td>
<td>23,000.00</td>
<td>28,000.00</td>
<td>30,000.00</td>
<td>32,000.00</td>
</tr>
<tr>
<td>Coffee &amp; Tea</td>
<td>6,000.00</td>
<td>5,000.00</td>
<td>5,000.00</td>
<td>6,000.00</td>
<td>6,300.00</td>
<td>7,000.00</td>
</tr>
<tr>
<td>Pastries</td>
<td>4,485.00</td>
<td>3,000.00</td>
<td>3,000.00</td>
<td>4,500.00</td>
<td>5,200.00</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Catering</td>
<td>250.00</td>
<td>300.00</td>
<td>200.00</td>
<td>500.00</td>
<td>750.00</td>
<td>1,000.00</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>43,735.00</strong></td>
<td><strong>34,500.00</strong></td>
<td><strong>41,700.00</strong></td>
<td><strong>42,000.00</strong></td>
<td><strong>46,250.00</strong></td>
<td><strong>50,000.00</strong></td>
</tr>
<tr>
<td><strong>COST OF GOODS SOLD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Cost - Breakfast</td>
<td>900.00</td>
<td>750.00</td>
<td>750.00</td>
<td>900.00</td>
<td>1,050.00</td>
<td>1,200.00</td>
</tr>
<tr>
<td>Food Cost - Lunch</td>
<td>9,000.00</td>
<td>7,200.00</td>
<td>6,900.00</td>
<td>8,400.00</td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Food Cost - Coffee and Tea</td>
<td>1,800.00</td>
<td>1,500.00</td>
<td>1,500.00</td>
<td>1,800.00</td>
<td>1,950.00</td>
<td>2,100.00</td>
</tr>
<tr>
<td>Food Cost - Pastries</td>
<td>1,345.50</td>
<td>900.00</td>
<td>900.00</td>
<td>1,350.00</td>
<td>1,650.00</td>
<td>1,600.00</td>
</tr>
<tr>
<td>Food Cost - Catering</td>
<td>75.00</td>
<td>90.00</td>
<td>60.00</td>
<td>150.00</td>
<td>225.00</td>
<td>300.00</td>
</tr>
<tr>
<td><strong>TOTAL COGS</strong></td>
<td><strong>13,120.50</strong></td>
<td><strong>10,350.00</strong></td>
<td><strong>10,050.00</strong></td>
<td><strong>12,450.00</strong></td>
<td><strong>13,650.00</strong></td>
<td><strong>14,700.00</strong></td>
</tr>
<tr>
<td><strong>GROSS PROFIT (LOSS)</strong></td>
<td><strong>30,614.50</strong></td>
<td><strong>24,150.00</strong></td>
<td><strong>21,650.00</strong></td>
<td><strong>29,550.00</strong></td>
<td><strong>32,600.00</strong></td>
<td><strong>35,300.00</strong></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>15,400.00</td>
<td>15,400.00</td>
<td>15,400.00</td>
<td>15,400.00</td>
<td>15,400.00</td>
<td>15,400.00</td>
</tr>
<tr>
<td>Rent</td>
<td>5,500.00</td>
<td>5,500.00</td>
<td>5,500.00</td>
<td>5,500.00</td>
<td>5,500.00</td>
<td>5,500.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Advertising</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
<td>500.00</td>
</tr>
<tr>
<td>Payroll Taxes and Benefits</td>
<td>1,180.00</td>
<td>1,180.00</td>
<td>1,180.00</td>
<td>1,180.00</td>
<td>1,180.00</td>
<td>1,180.00</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administration Expenses</td>
<td>20.00</td>
<td>20.00</td>
<td>20.00</td>
<td>20.00</td>
<td>20.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Legal &amp; Accounting</td>
<td>300.00</td>
<td>300.00</td>
<td>300.00</td>
<td>300.00</td>
<td>300.00</td>
<td>300.00</td>
</tr>
<tr>
<td><strong>TOTAL OPER. EXPENSES</strong></td>
<td><strong>24,000.00</strong></td>
<td><strong>24,000.00</strong></td>
<td><strong>24,000.00</strong></td>
<td><strong>24,000.00</strong></td>
<td><strong>24,000.00</strong></td>
<td><strong>24,000.00</strong></td>
</tr>
<tr>
<td><strong>OPERATING PROFIT (LOSS)</strong></td>
<td><strong>6,614.50</strong></td>
<td><strong>2,150.00</strong></td>
<td><strong>1,650.00</strong></td>
<td><strong>5,550.00</strong></td>
<td><strong>8,600.00</strong></td>
<td><strong>11,300.00</strong></td>
</tr>
<tr>
<td><strong>INCOME TAXES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>992.18</td>
<td>22.50</td>
<td>-</td>
<td>832.50</td>
<td>1,290.00</td>
<td>1,695.00</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE &amp; TAXES</strong></td>
<td><strong>992.18</strong></td>
<td><strong>22.50</strong></td>
<td><strong>-</strong></td>
<td><strong>832.50</strong></td>
<td><strong>1,290.00</strong></td>
<td><strong>1,695.00</strong></td>
</tr>
<tr>
<td><strong>NET INCOME (LOSS)</strong></td>
<td><strong>5,622.33</strong></td>
<td><strong>127.50</strong></td>
<td><strong>350.00</strong></td>
<td><strong>4,717.50</strong></td>
<td><strong>7,310.00</strong></td>
<td><strong>9,605.00</strong></td>
</tr>
</tbody>
</table>
## Pro Forma Balance Sheet for Fuse

**Fuse Balance Sheet**  
**December 31st, 2017**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Current Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>109,000.00</td>
</tr>
<tr>
<td>Accounts Receivables</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Inventory</td>
<td>40,000.00</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>150,000.00</td>
</tr>
<tr>
<td><strong>Fixed Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>150,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>15,000.00</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>15,000.00</td>
</tr>
<tr>
<td><strong>Long Term Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Note Payable</td>
<td>100,000.00</td>
</tr>
<tr>
<td><strong>Total Long Term Liabilities</strong></td>
<td>100,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Leach</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Q. Investor</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>25,000.00</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>35,000.00</td>
</tr>
</tbody>
</table>

| TOTAL LIABILITIES & EQUITY | 150,000.00 |
## Fuse, LLC
### Statement of Owner's Equity
#### For the Year ended December 31, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Leach, capital, January 1</td>
<td>$0.00</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$0.00</td>
</tr>
<tr>
<td>Investment / Withdrawal</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Q. Investor, capital, January 1</td>
<td>$0.00</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$0.00</td>
</tr>
<tr>
<td>Investment / Withdrawal</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Retained Earnings, January 1</td>
<td>$0.00</td>
</tr>
<tr>
<td>Net Income</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Dividends</td>
<td>$0.00</td>
</tr>
<tr>
<td>Ending Blancing</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Total SHE</td>
<td>$30,000.00</td>
</tr>
</tbody>
</table>

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

K: I went to culinary school when I was much younger. As soon as I finished high school, I went to culinary school at the Culinary Institute of America [CIA] in Hyde Park, New York and I was always interested in food and beverage and stuff like that. I had worked in many restaurants before I went off to the CIA and pretty much my whole life has been in the food service industry as a chef, almost solely in the back of the house. With the exception of my last job… my last job I was there for about eight or nine years and it was actually a director of a call center. So it was my only job outside of the foodservice industry, and at that time I decided to basically leave and go out on my own. I was able to save up enough money to start my business, which has been my dream for my whole life, pretty much. That last job allowed me to save up enough money to actually open this restaurant. I’ve always wanted to work for myself, so that was my motivation.

M: You have answered this question in part, but, how did you finance your business? How did this decision impact your business?

K: As with, I believe, any entrepreneurial adjustment or experience, I think that you need to have the right mindset. It’s a huge, huge risk and gamble, especially in today’s financial climate. So, I liquidated my 401k, my retirement. I had saved up between
$60,000 and $80,000 in my retirement and at that point in time, even though I knew it was going to be a penalty, because 401ks are tax deferred, if you take it out before you are 65, there is a ten percent tax penalty on it. Even with that, I was still motivated enough and had enough passion and drive. A lot of my experience, even in the last eight or nine years, as the director of two call centers, one in El Salvador, and one in Jacksonville, Florida, they each had about 350 people, so I have a lot of managerial experience. Opening up a small business like this is almost a walk in the park, considering what I was used to. So now, we have 11 employees, and it’s much smaller and much easier to control. So that was how I financed my business - by liquidating my retirement.

M: Leading into that, how did you find reliable employees to hire? Likeminded managers?

So, I’m the chef/owner, and then my wife, we do this jointly. She’s more the front of the house manager. So, really, we run the place. We do have some key employees. There’s five employees that are relatives, so they are in the family, but on the payroll and I have another 6 employees that are non-relatives. [I found them through] everything from word of mouth and Craigslist, to social media, and things like that. I was lucky enough when I was doing the build out, and this might lead into another question. One of the biggest things in entrepreneurship is to control your start-up expenses and controlling your continued expenses. So, I built a business plan. I purchased software online, which I still, to this day have and I continue to put in because it’s able to help me forecast and retain history, records of monthly sales and things like that. You can put your expenses in, personnel, rent, electric, gas, cable, insurance, and all of the different expenses that you
might have, and it helps you determine what your breakeven point is. But, finding reliable employees was through word of mouth. I was lucky enough to get a very experienced waitress and her only request was that she worked Monday through Friday only. So, she is my reliable Monday through Friday, which helps me out in a way too, so she is my steady lunch waitress to depend on. So I schedule another person with her, and her daughter works here as well. When she’s off of school, she can work during the week and things like that. And then I have two or three other front of the house employees who work two or three day shifts and several night shifts, so they are flexible.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

K: Building a solid business plan and determining how many patrons you need to make all of your bills and knowing when you will start becoming profitable. I think building the business plan was my first step. Identifying a location that you are financially capable of opening. I did not take out any loans to start this business, which I think is a very, very huge critical piece. Some people go into debt and they think they are going to have every single seat filled from open to close and it just doesn’t happen that way. No matter how good you are, and no matter how good your location is (of course some locations are better than others, and there are a lot of other factors), to have the unrealistic opinion that because you are so good at X, Y, and Z, that you are going to have every seat full from open to close is not realistic and you will not be able to pay back your loans or cover your expenses. If anything, when you do your business plan, always underestimate to give a little bit of cushion. I know, for us, our break-even point is approximately $1,200 a day. To know your break-even point and to be able to reach that as quickly as possible is
really a key factor in becoming profitable and successful. The one step of preparation that impacted us the most was that business plan.

M: What did you learn from the early weeks of business? The first year?

K: Our first day was October 2\textsuperscript{nd} [of 2015]. From the early weeks of business, I learned to not give up. From the very first six to eight weeks, we weren’t making what we needed to make. For us, I kept expenses as low as I possibly could. I didn’t start out with 11 employees; I started out with three and myself. We were very, very skeleton crew and we were open seven days a week. For the first three months, we were seven days a week and by the end of December, I physically just couldn’t do it anymore and I needed a day off. I had been going literally for three months straight, every single day, from open to close. A lot of hard work is another thing that is very important. Some people are blessed with financial [abundance] and they have more money to put into the business, and they work less. This can also come back to bite you because you don’t know what’s going on, and you don’t have a clear vision of the day to day operations. You can’t expect people to be owners. That owner mentality is very, very difficult to find in an employee. And rightly so, I guess. They have a different mindset and they have a different motivation. So, for the early weeks of business, we were not profitable. We were not profitable until the third month. For the first two months, we were in the red. For the third month we were finally in the black. Again, extreme control over the expenses. Keeping your labor low during that time, making sure there is no waste. Another thing for us is that we bake our own bread here. It seems small, but A) it’s better quality, and B) it helps you control your cost. Us making our own bread and rolls and things, I’m paying about 10\% what I would be
paying if I was buying rolls. Baking your own bread and things like that, at least in this type of restaurant, is very critical in keeping your costs low.

M: What were some ventures that did not go as planned? What were some successes?

K: Some of the things that did not go as planned, definitely was the expense of the initial build out. I did a lot of this myself, because we were on such a tight budget. I did everything from the initial cleaning, because this space had been vacant for a year. The walls were not this color, and it was a nightmare. The first week, all we did was clean, clean, clean. And then, I started reaching out to different construction contractors. Because you are in a commercial space, you have to have a commercial contractor, if you are doing any sort of building. We were cutting down this bar and creating the bar where it is now. It was not at all like this. The bar was nonexistent when we first moved in, so we did things like that. It’s a minefield when you are trying to get a commercial contractor, because some wanted to charge 3-4 times what I finally went with. Shopping around is really, really important. We inherited a lot of the things, like the kitchen was here and the exhaust hood was already in place. To have [the hood] moved would have been way too expensive, so we had to kind of make do with some of things and the way they are set up. So now, good time for the interview, now in summer, which was something that we didn’t know, because we were moving in in October, we were coming out of the hot season. There are two five ton air conditioners. With the lights on and the exhaust system (it brings outside air in to replace what it sucks out, which means it’s bringing in 100 degree air right now), our air conditioners are working triple time. Things to look into are, is the HVAC, is the air conditioning system up to date? On a lease, we are responsible for them. So if they go out, the landlord is not [responsible.] They are
each probably about $7,000. I’m probably going to have to replace them. [There are lots] of these little things to take in when you lease. It’s just like leasing an apartment. You want to make sure things are working properly. Things that didn’t go right would be, short of the inherited set up, some of the menu items that we ran. I wanted to keep things seasonal. We started off with a fall menu, and about three or four months ago, we went into a summer menu. I’m going to keep that until the fall menu again. Then we’ll do maybe a fall and then maybe a winter. We’ll see. We don’t have as drastic of changes in season here. It’s either hot or cold, so we probably won’t have four different menus. But, to your point, some of the things we started with, we removed. That’s probably one of the biggest challenges that I’ve found is being able to predict things. You can go for a week and not sell a single particular menu item, and then all of a sudden, in three days, you will sell 27 of them. To be able to be flexible and to have menu items that you use a product in multiple menu items is really very critical. A) Especially for us, because we are small, it saves space and B) it also helps you use the product up quicker, so there is no waste. One of the things we have is Mahi, for instance, we do Mahi tacos, and we use it on the fishermen’s platter. Same thing for the shrimp, we have an island summer shrimp appetizer, and we also use that on the fisherman’s platter, and we do a shrimp cappellini, a sautéed shrimp pasta. So using the same raw items, whether it be meat, or vegetables, or fish, using that item in multiple menu items is very helpful.

M: Tell me about your plans for growth? How did you craft those plans?

K: My original thoughts on growth was that I wanted to open up at least one every year. Since we’re small, some of the challenges have been employees. Finding good employees, that as you know, is a huge problem. Finding the right people with the right
availability and the right attitude is really difficult. That has been the hardest and most
difficult thing in opening this place. As we expand, I cannot be at every place, all the
time. So, developing a menu that is simple and easy to reproduce, yet keeping the quality
high [is the goal.] At the second place, I’ll either have to transport the bread there, or I’ll
have to get a baker who knows bread well. Finding the skill sets and finding the right
place. Since this was already a restaurant before, the opening expenses were a lot less.
So, I have to find that same niche in another place or say this is a really great location, to
[justify] new opening expenses, to install a hood, to get all the kitchen equipment, things
like that. So it’s all about finding the right fit. A little craft beer and sandwich/salad place
seems like a pretty flexible concept where it would be well received in a lot of different
locations. My plans are not set in stone for growth. Being only eight or nine months,
we’ll have to become a lot more profitable in this location. We’ll have to be able to create
a nest egg just for that continued growth, and we are not there yet. But I would definitely
like to eventually have three or four locations in the area.

M: How do you enrich the community surrounding your area and beyond? How does
your business meet the triple bottom line of “planet, people, and profit?”

K: When we first opened, we reached out to social media. We’re big on social media.
We’re on Instagram, we’re on Facebook, and we’re constantly posting - our specials. I
want to get better. Since I’m wearing all the hats, I’m wearing the hat of chef, writing the
schedules, making all the orders, marketing, growth plans, wearing all of those different
hats [means that time is limited.] We could get a lot better on our social media posts. We
didn’t have a lot of money to go out and go to marketing firms. We created the logo
ourselves. From start to finish, we’ve done everything pretty much ourselves. I think the
way we touch the community is that we’ve reached out to all of the schools. We went to all of the elementary schools, the high schools in the local area and said, we’d love to sponsor a student night, whether it’s for a cheerleading squad or a football team. So, they would come in and do a spirit night, and it helps our word of mouth while we are giving back. Any time we do a spirit night, we give 10% of those proceeds to the schools. So far, that’s what we’ve done. We’re also partnering with a high school football team, both junior varsity and varsity. We’re supplying some team meals so, 40-50 meals for JV on Thursday night and then another 50-60 meals on Friday night. That football team will do a spirit night as well. This helps the community and it also helps word of mouth and to get new faces in to try our food. Hopefully, they will become repeat customers and grow our base. That’s our people, planet, and profit.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

K: Since this is our first year, we have no history. I’ve leaned on my food purveyors and my wine and beer purveyors to see if it is busy or it is slow. [I’ve asked them,] “When do you expect it to get busy?” The Fourth of July brought in a lot of people. Having a high rating on Yelp and Facebook and Google helped to bring in some transient customers, patrons who were just visiting St. Augustine. But, I’ve also noticed, that if there is something very large in St. Augustine - some sort of festival or some event downtown - everyone is downtown. Or, if it’s a really beautiful sunny day, everyone is at the beach, they are not here. We really have good lunchtime business, Monday through Friday, because we have a lot of local businesses, we’ve been able to reach out to the Sheriff’s Department, and the whole government center down there, Department of Motor
Vehicles, tax office. We flyer-ed the government center. Teachers from the schools come in after they find out about us through spirit nights. We’ve had tables and tables of teachers. When the teachers have a half day or a 12:00pm day, they’ll come in and have lunch and there’ll be like 8-10 of them, and it’s really helped. Market conditions, when it’s hot or sunny, it feels like people are away. Also, after a holiday, the very next week will be very slow. It’s almost like everyone just spent their money on fireworks, so they want to take it easy the next week. That helps me forecast a little bit better. We have become more consistent with sales, so that’s been very, very good. When we first opened, we’d have a really great day, and then three really bad days. So, it’s become more consistent as the time has passed. My personal desire is several fold. We’ve become self-sufficient now, where we are sustaining the business. What I would like to do is to be able to grow a little bit more. I’d love to grow the catering aspect, because we are not doing as much catering as I’d like. [People are always dining in], but we do have take-out. I want to get out there and do a birthday party, or a bar mitzvah or more catering events. It think that that is really key. Developing a catering menu, and then having somebody to go out and market that in a positive way, would be some of my desires to change and help grow the business at much faster rate.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

K: I think the first thing is that they need to have experience. I also believe that it helped having classical training, whether it be culinary training or managerial training. I think it is very, very important to immerse yourself in the industry before you even think of
opening a restaurant. The second thing is that you can have the best food in the world, but I think location plays a very, very large role. Now the problem with that is that normally great locations cost more. So it’s a balance. A couple more things - I made the mistake of paying for print advertisement in the Money Pages, the Money Mag, and the Home Mag when we first opened. I ran coupons in it. [Patrons should] clip the coupon out and bring it in. Out of a print of 30,000, I received two back. On the flip side, I spent nothing on word of mouth advertising and that is how my business grew the most. So, grassroots marketing, reaching out to the schools, making sure that people know that you are here, even having people stand out by the side of the road and shake a sign, it all helps. Before, this plaza was much more run down than it is. They spent a lot of money, and they have done a lot of nice landscaping and things like that. Even with a bright sign that is on 24 hours a day, seven days a week, people still come in and say, “How long have you been here?” And we’ve been here nine months, “Where have you been?” And they live right around the corner. So getting word of mouth out is the easiest, best way to do it. But, print advertisement absolutely did not work for us. The other common mistake, I would say is do not over extend yourself. It’s much better, I believe, to be out of pocket, and not to owe anyone, anything, because it’s much easier to become profitable at that time. If you have a $5,000 or $6,000 mortgage or payment for a loan that you have borrowed on and you miss that payment, it is not a good thing. Keep your rent low. Keep your expenses low. Make sure you are watching the air conditioning. Watching the lights. Watching the gas, how much you are using. Once you close, turn everything off, don’t let the fryers stay on for another two hours. Be very cost conscious. It sounds stupid, but, scraping out all of the dressings, scraping out mayonnaise, scraping out everything. Do
not waste. Use everything. And never, ever, ever take the chance on food past its expiration date. Anything like that, it’s never worth getting anyone sick, because you could hurt your business so much that way, as opposed to throwing something away and losing $20. You would hurt much more. They seem like elementary thoughts, but a lot of people will cut corners and a lot of people will just not do the right thing. Keep the place clean. Always keep the place clean.

M: Thank you!

Interview Two

July 11, 2016, 2:00 p.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

I own this with my partner, [name], who is my life and business partner. We were in corporate America - I was in finance and he was working with the state and we both just got really burnt out. I grew up in Colorado. We actually moved from Colorado to Atlanta because my mom was there we just thought that that might be a good change of pace. We could get jobs pretty quickly, and I love warm weather. So we got right into working corporate America there and realized that it is not for us. So we did it twice, and were like, “Nah, this is really not our thing.” [My partner] actually has an uncle that lives here and we came down to visit and loved it. I always wanted to live by the ocean. [My partner] grew up at the ocean and we were just like, “We need to move here.” We had always talked about owning a bar, but when we moved here we noticed there were hardly
any coffee places. In this town it would be difficult to get traditional jobs here because is small. You could commute, that would be one thing but we didn’t want to. So, we were like, “We’re always talked about doing this. We could translate [our idea] into coffee very easily.” To answer the second part of the question, we choose the food service industry, because we saw a need, but also because we both worked in the food service industry for a long time. My first job was a hostess in a hotel restaurant, where I actually met [my partner.] Then, we worked at another place sort of similar to Mellow Mushroom - a restaurant-bar kind of thing. I worked in retail for a little bit, so we just we felt very comfortable with that industry. We both had really strong customer service backgrounds through different things that we’ve done. Within the coffee industry, customer service is sort of lacking. You always hear about these snobby baristas, and we thought that was kind of weird.

M: How did you finance your business? How did this decision impact your business?

MA: So we found a little spot downtown, which was our first location. The business was on Craigslist, and it was like a Hungarian bakery shop. It was a family business. When we actually looked at it, they wanted $30,000 for the business. As we start getting into negotiations with them, we quickly realized that they didn’t have any business. They tried to make an Excel spreadsheet, but they just gave us a hand written balance sheet. It was just clear they didn’t have a business worth $30,000. In the end, we negotiated down to buying some of their equipment and signing a new lease. They weren’t paying their rent. They weren’t operating. They were closed for more than a month before we approached them about buying the business. It was a very, very cheap acquisition. We didn't get a whole lot equipment from them, but the lease was pretty cheap. We bought everything
used. The idea was with that small of a space, we could run it ourselves. So, we're free, and the buildout was pretty minimal. It got more expensive than we thought, but we just paid for everything ourselves. We worked for a couple of months to save up money. We took it over in March, and worked several more months. I think I quit my job in May, and [my partner] quit his job in June. Before that, we would just come down to the store on the weekends and paint and do work and stuff like that. It was pretty cheap compared to everything else we've done. We worked the store by ourselves for about seven months. Then, we hired our first employee and then we just like really slowly started to back out of it. Everything we did was just like, “We made a little money here, so let's upgrade this or upgrade that.” We saved a lot by just basically paying our bills, with no salaries for a year so.

M: How did you find reliable employees to hire? Likeminded managers?

MA: Almost every employee started out as a regular. They just liked what we were doing and then, at some point they usually approached us for a job. At least they did several years ago. It was just them coming in and saying that they liked what we were doing and wanted work. Our manager, [name], our training manager, was a regular and came and just came to us and said, “I do not want to work in corporate America anymore. I want to work for you guys.” We were like, “Alright!” He had worked in coffee for 10 years previously. My sister is one of the managers and we recruited her but everybody else has been either through word-of-mouth or regulars.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?
MA: We started negotiations for the business in January. We did not actually take over until March. At that time my partner really got into the nitty-gritty of coffee. He knew a little bit about it, but not at all to the extent that he knows it now. He did a lot of research and he bought several really good books. He kind of threw himself into that. I knew quite a bit just from being in finance. My degree is in Economics and Marketing, so I kind of had a little bit of a business background. My dad is a CPA, so he and I actually worked together to get everything set up. As you know, there's so much to get together. It's crazy. We just worked through all those steps of setting up the corporation and setting up the bank. Then, I did quite a bit of research on the products we would use. I found our coffee through a business in [city]. I found our tea distributor, and I found the person that was baking for us (before we started baking for ourselves). So, it was just like basic research to make sure that the products were really good. The biggest thing that we did that impacted the success of was working the business ourselves. You could never come into a place and be an owner of something that you didn't actually work in. We experimented with so many things that first year. It was just like, “Let's try this. Okay, this does not work. Let's try that.” We could get instant feedback from people and we could make changes immediately. We could see things like start to wear down we could purchase new things because we knew what we needed. That was the biggest thing: knowing everything about our business.

M: What did you learn from the early weeks of business? The first year?

MA: [Accidentally omitted]

M: What were some ventures that did not go as planned? What were some successes?
MA: One failure I can remember was when we took over a little kiosk inside of the big bank building downtown. We took that over because the person there sort of was doing coffee, but not really. It was sort of a weird situation. We kind of put them out of business -- we did not mean to it, was just like a really weird business that was sort of like satellite for another business. We put them out of business unintentionally. We took over the rent and the employees. We were trying to figure out what to make of the space. We ended up making it a little bodega style store. It just did not really work out. We did not sell very much and our employee was like not very happy. I think it lasted a couple of months and we were like, “We should just scrap this.” And we did. We actually used it as storage, and then we rented it out for a friend and made some rental income out of it.

There were a few things, like products, we would come up that would not sell. One thing that I remember was the lemonade we were selling. I don't know really know why we were doing it this way, but at first like, we made lemonade with water and like organic powder lemonade mix. The first person that tried it said. “This is really sweet. You should juice your own lemons and make it fresh. We could do that. Now, that lemonade has been huge for us. It's just like been awesome. Again, when you are working it yourself, you can get that instant feedback. You know the process, and you know whether you can do it that way or not.

M: Tell me about your plans for growth? How did you craft those plans?

MA: When we were working in our downtown location, we got really popular with [local college] students and other locals. We won an award for “Best Coffee” from [local newspaper.] When we started, there was like nothing like our business here. It was pretty easy for us to get in there and make all of our mistakes and still be okay. After maybe a
year, or a year and a half, other coffee businesses started to pop up. A couple places were seeing what we were doing and basing their model off of us. We saw that we were really vulnerable because we just had one store. There’s just a really small parking lot and the accessibility is difficult. We were primarily in a tourist area. We wanted to make our own pies and muffins and things. I’m not a baker, but people liked our stuff. We just decided we needed a second location just to insulate ourselves from the competition. We looked for a lot of different places. [We know a local jeweler who had a vacancy next door.] But, it was in a strip mall. We came and looked at it anyway. It had all of the things we needed it - had a kitchen, it was already a restaurant, we would not have to pay any crazy fees, the windows were amazing, it had like cool concrete floors, parking was not like an issue anymore. We just we felt it had a lot of really good things we needed. It was a really scary move because it's way more expensive then like our little spot downtown. If we started to fail downtown, then you know it wasn't a huge deal. We could cut our employees and start working again. But here, it's like, “Oh my god, this could bankrupt us if we fail.” Ultimately, it just felt like right for what we needed to grow. Spencer and I all ways kind of said we didn't want to be owner operators. We wanted to open the business and then if it was like okay but not great we would just sell it and move on.

Then, this took off. We were like we need to just continue growing. After we opened this spot, we started selling at the local farmers market. We had a lot of people tell us to do the farmers market. We were like, “Alright, let's try that!” Then, a ton of people were like, “Can you please come out to the beach?” That was always my thought. I thought it could be killer. A lot of people told us not to open a store there, but whatever. We met our previous landlord at the beach and he just like ecstatic. He just really wanted to move
us into his little spot - which was really cheap. We felt like even if it didn't do well it, was cheap enough for us to expand. So, we did it, and then it blew up and got really crazy and people loved it. We just actually moved to our new location at the beach which is bigger and doing very well. So I guess to like concisely answer your question, we always are sort of looking at our vulnerabilities. You're always vulnerable to competition especially with in the food industry. You have to make calculated risks because restaurants tend to be the number one business fails. It's really easy to find this cool space and be like, “Oh I love this! It's amazing!” We were really, really cautious. We mulled this spot over for like a month. We would just sit out front and like watch the people driving by. How busy is it? Where are the people going? What kind of people are coming in? Is this our demographic? Will these people spend money on coffee? How many of our customers would come here? We did the exact same thing downtown and we did the exact same thing at the beach. I think the thing that people don't like to consider is, “What happens tomorrow if people stopped coming in?” Of course they want to think it's going to be a success but the reality is risky. For us, there were enough pros and fewer cons, then go. We thought is his would be a good move. Let's take the giant risk!

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

MA: Let’s talk about planet first. For a while, we were using recyclable sleeves and they were pretty cool. But, we decided we wanted to brand our sleeves. Now, our branding is printed on a recycled cardboard and we try to get people to recycle them so we can use them multiple times. Our white cups are made from a recycled product. Unfortunately, our cold cups are not-they just are what they are. We use local dairy, and we're trying to
promote a small dairy farm. They’re really trying to do the right thing with non-GMO grain and free range cows. We spend the extra money to get their product and to promote them. Our beans are all direct trade from small farms. They don't have the “organic label,” but they are organically grown. They are purchased via our roasters, who are actually direct trading with farmers. [My partner] actually went with [our roaster] to Guatemala a couple months ago and actually got to tour 40 different farms. We really support them in their quest to do the right thing. Coffee, behind oil, is the biggest trading commodity. It's very easy to get coffee that's purchased under the market value. We try to make sure that we are getting fairly traded coffee - that is a huge focus for us. Our teas are organically grown, and they almost all of them have the fair trade stamp. Some of the blends don’t because they have berries that aren’t labeled fair trade. But, most of them are. We try to just get as much produce that we can locally to use in our pies. There's actually like 10 major farms like right outside of [this town]. Unfortunately, they grow mostly potatoes, which we don't use. But it's really cool. We have a local blueberry farm that we work with to get these amazing blueberries from when they're in season. We just try to do a lot of that stuff to give back because it's a local economy. People come in and purchase from us, and we like to put that back into the economy as much as we can. In terms of the bottom line of “people”, we do a ton of stuff in the community. We donate - pretty much if you call us and say, “Hey, I'm doing a fundraiser. Will you give a gift card or a T-shirt?” We will say yes. We really like to donate coffee. We donate coffee all the time. We donated coffee to most of the schools. On like a Friday, we will just donate coffee to the police departments, the sheriff’s office, and the fire departments. We are trying to hit a lot of those guys just to say, “Thanks you for being a part of our community. Hopefully
your Friday is awesome!” We donate stuff constantly. We prefer to donate our product over monetary sponsorship. It is better marketing for us to have our product out there, than to just have our name put up on the program or something. I think it also is just a bit more meaningful.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

MA: Let's start with external factors and market conditions. I think that we are in one of those industries, where we are looked at as a luxury item, but like a low-end luxury item. When the economy tanks, people buy coffee and they buy beer. They won't go buy a new car, or they won't go buy new clothes, but they will buy coffee or beer as a little reward.

We are in a great industry for that. We started in 2012, and downtown was just starting to recover. Pretty much in all of our locations, people were like, "I don't think you should do it. That's not a good spot. You shouldn't do it." We were like, "No, I think we'll be okay." My degree is in economics so I have a little better understanding. I was in school as the build up to 2008 was happening, I was able observe as I was in school. Then I worked in finance. This town has a couple of major factors to it - it's a tourist spot that is easily accessible to Floridians and Georgians by car. You also have an influx of college kids every nine months, and they are huge for us. We knew that the economy was still recovering. At the end of the day, Starbucks was still doing really well, because people want their coffee. People will go out and have coffee with friends, instead of having like a $200 bar tab at the end of the night. The economy has certainly gotten better. We've seen it, as foot traffic has increased over the last four years significantly. I look at our tourist numbers, but they are so ancillary. The tourists may be here, or they may not be
here. You have to really focus on getting locals into your shop, coming every day or every couple of days. Those are the people that you want because those are the people that will support you when the economy tanks or business is bad. Competitors and regulations have been really interesting. Competitors - we have a couple people that we consider collaborative competitors. [Coffee shop name] is really trying to do coffee well over there. Everybody does coffee, but most people don't do it well. We like people who are trying to do the right thing, trying to serve a great product, and trying to build the community. We have a couple people in town, which is really and weird I never thought this would happen, who would call the city on us, trying to cause harm. We've had people call the city because they thought we had too many chairs in our downtown location. Downtown, in particular, the regulations are crazy. You cannot have an A-frame sign, but you will see tons of businesses that will do it anyway. Every time we put up a sign, we get the city called on us immediately. I'll be looking right across the street at other business with an A-frame sign, but it doesn't matter. There are a couple of businesses that we know what will call the city for various things. The city comes in frequently about various things. They'll be like, "Hey, we got a complaint about this. We're just here to see if it's founded." And it never is. If you're successful business, and other people can't understand or achieve your level of success, sometimes the others will try to cut you down or harm your business. At our beach location, we have had three health inspections in six months. That's unheard of. That's crazy. We should be inspected just twice a year. Health inspections are an easy way for people to see if they can trip us up. I have a friend who owns a restaurant, whose competitor is like crazy. My friend's business does a lot of to go orders. Her competitor would call for twenty minutes straight during
their busier hours just to occupy the phone line. People do stuff like that. It happens, and you have to be prepared. That was something that I was not prepared for. I didn't understand it or expect it. Our whole thing is just focus on what we're doing. I never look at our social media because I cannot handle it. I don't like it when people are bashing us or bashing other businesses. I just can't handle it. I just want to focus on what we're doing, and not care about what anyone else is doing. Regulations – the only thing that is difficult is downtown. They can make it difficult. This town is very much a who-do-you-know town, and we didn't really know anyone when we got here. That was hard. Now that we are established, it's not a big deal. The other thing with regulations is sometimes it takes a long time. We have to go before the city for the second time to get our outside seating permit. You apply for it, and then that takes a month. Then you go before the city and they give you a yes or no. And then you wait another month to get more paperwork. It can be a really long process to get anything done. It can be stressful.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

MA: Let's start with mistakes. I think that the number one mistake people make is that they think because they are good at cooking that will automatically translate into restaurant success. If you've never worked in the food service industry you have absolutely no idea what it's like. The biggest mistake is that people just think that it would be "so fun" to open a restaurant or coffee shop or bar. We had people who have come in and said, "I love to retire and open a coffee shop." They don't realize that we are open for 15 hours a day. This means I'm on call for like 17 hours every day. It is seven
days a week. We work holidays. We work all the time. I work way more now than I have ever worked. People don't understand. We worked seven days a week from 7 AM to 7 PM for seven months. We couldn't afford anything else. People don't understand how much work is involved and how much time is necessary to run the business. They also don't understand what working in a restaurant is like if they've never held a job in the industry. That's a huge mistake. A bit of advice that I would say is, go work in your area of the foodservice industry. If someone said, "I want to open a coffee shop in [a different town], may I work for you for a year." I would say, "Yes, you need to." Part of the reason for our success is our prior foodservice experience. We worked in bars and hotels. We understood customer service, and knew it was the most important thing. That's really our focus, customer service. That leads to the second mistake. Here, people rely way too heavily on tourist traffic, and they don't care about their product and they don't care about them service. That's horrible. I think that gives a lot of people opportunities to do it right. If you are passionate about it, it is great. It's super social. It's the best feeling when people are like, "Oh my gosh, you own [coffee shop]." It's an even better feeling when you hear people saying positive things about it, and they don't know you are the owner. That is the best feeling. It is cool to be a meeting place for people and it is fun to see the people you know gathering in your shop. Local support means the world to us.

M: Thank you!
Interview Five

July 13th, 2016, 6:30 p.m.

S: We started in 1999 in [this town] in a little strip mall. We stayed in that location for five years and it allowed us to save money to move here. The location was a house before we bought it, and we did all the construction and everything. A gentleman lived here for 35 years and he had a little antique shop in the front. We use the upstairs now for wedding receptions, and we host a lot of pharmaceutical dinners here too. It seats 35-40 people. My husband and I started this business together, and it has just been great. We work really well together. We spent 24 hours a day together. It’s great. We have our differences, but we work well together. We’ve had this business for almost 19 years. This is our first restaurant. We have worked in several different restaurants before, though. So, we’ve been in the business for 43 years; that’s a long time. I’ve always loved the restaurant business. I love the fast paced nature of it. Right now, we are slow. After the 4th of July, we enter our slow season and that will last until October. Then, we stay busy until the 4th of July! It’s the same every year. Our cuisine is influenced by European flavors. My husband is Spanish, and we cook food from Italy, Spain, and France. Most of the ingredients have that little Latin flair to them. His flavors are just remarkable. He makes the best soups and sauces, and that’s the true test of talent to me, soups and sauces. Anyone can cook a piece of meat, but sauces and soups are a different story. So, he does all of that. I do the baking, and I make quiches and the salad dressings for the restaurant. I do that during the day, and manage the front of the house at night. So, he will do the interview because he will be much more thorough.
M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

J: Our motivation was to be our own boss and own our own business. We decided to open a restaurant because we had been in the business for a while, even then. My wife had 35 years in the industry, and I had 15 years’ experience. We had an opportunity to open a restaurant in this strip mall. The person who owned the restaurant before was my friend, an Italian man, and he sold it to us.

M: You have answered this question in part, but, how did you finance your business? How did this decision impact your business?

J: We financed it with credit cards and the little bit of cash that we had. We didn’t really know how much money we would have to put into the restaurant. We purchased the location for $20,000. We had to put a lot more money in. [Laughs]. But, it was all worth it. Our move into this location is a different story. From our first year, we were successful. Our accountant suggested that we could expand our business. So, we started looking around. The space next door to us was empty, so we decided to expand our business into that space. We spent about $35,000 and it doubled our seating. Then, it took us about three years to find this space. We went to so many different places, preexisting restaurants and other locations. We were never able to come up with a down payment. We also didn’t really like the location or the set up. So, five years after we opened, and three years after our first expansion, we found this place. At that point, we had five years of financial records showing that we were doing well. My wife and I found this place when we were just walking along the street. She said to me, “Do you think this would make a good restaurant?” It was not a restaurant at that point. I said, “Nah.” This area
was different back then. It is much nicer now. But, my wife was like, “I think we can do it.” So I was like, “Alright.” We went to our realtor and she told us the cost of the building and the down payment. She also put us in contact with a man who specializes in small business loans. He was from [location just north of town] and he came down to meet with us. He said, “Based on your financial statements, we can lend you money for the building, money for the renovations, and money for operations.” He made it very easy. It was easier for us to get that loan for all of those expenses, than to get the loan for our first small expansion. Our records showing our success really helped us.

M: How did you find reliable employees to hire? Likeminded managers?

J: It is very difficult, especially in a town like this. We have hired a lot of college students, but they don’t really understand how to do things, and they do not have the work ethic. There are a lot of people coming and going. It is a little difficult. What you have to do is keep the ones that are really good. When you are trying to have a fine dining restaurant, where the quality of the food goes along with the service. You cannot just have one or the other. Good food with bad service is no good. Good service with bad food is worse. [Laughs]. So, we try to get good people and treat them well and keep them. We have a small staff, because this business is seasonal. For us, right now we are in a slow season. August and September are our slowest months. We have a small staff because we want them to make good money and keep them motivated to stay with us. We don’t want ten servers standing around and making $15-20 all day during a slow time, and making $50-100 during a busy time. Even in a busy season, we have 5-6 servers. In the kitchen, it’s the same thing. That’s how we do things. We hire someone, and if it doesn’t work, we fire that person. We keep trying until we find the right person.
M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

J: I prepared to launch my business through all of the years I have worked in the restaurant business. Through working at all of those restaurants, I was learning. Learning cooking in restaurants is different from a culinary school because the stress is different. When a restaurant is busy, it is really stressful. The most important thing, though, for any business is the administration. The administration side of the business is more important than the food. A lot of people know how to cook. Not a lot of people can run a restaurant. It is really difficult.

M: What did you learn from the early weeks of business? The first year?

J: We learned when the busy and the slow seasons were. We opened on March 23rd, 1999. As soon as we opened, we were busy. We were like, “Wow. This is good.” The rest of March was good. April was very good. May was very good. In June, we started to slow down. Then in July it slowed down more. We were wondering what was going on. August was the worst. Where we were located we didn’t have any tourist traffic. We were dependent only on the locals. But, our local customers were going on vacation also! So, August and September, we were wondering if we would make it or not. We were in that position. Back then, we were opened seven days a week. We hired someone to cook for two days a week and to help administrate the business. We also hired someone for the front of the house, so we could have two days off. But, during those months, the four of us were just sitting, and waiting for the customers to come to us. Those were really hard months. We were wondering if we would survive. We got into debt. We couldn’t make our payments and pay the salaries of our two employees. We got to the point where we
had to lay off those two people. We opened for six days a week and closed on Monday.

So, we survived. I cooked and my wife waited the tables. Then, it started picking up again. October, November, December were busy, to the point that we were able to come out of debt and to grow. The following year was easier. Why? Because we already knew what to expect. We stayed busy January, February, March, April, May, which was great. Now we know. That is what we learned - which seasons were busy and how to survive the slow seasons. The slow season can get really slow. Some days we don’t make enough money to cover the operating expenses - the mortgage, the electric, the staff, everything.

So, we prepare. During the busy season, we save money to sustain us during the slow times.

M: What were some ventures that did not go as planned? What were some successes?

J: After that first year, everything pretty much worked out. The only other thing was it took a long time to find the right place where we could expand. Regarding the menu, everything sells on the menu pretty well. Some things sell more than others, but we really haven’t had any failures there. We change our menu every year to every six months, but every week, we have specials to keep attracting our customers. On the menu, we have meats, seafood, pasta dishes, salads, sandwiches, so many different items. We always try to focus on healthy food. Of course, sauces with heavy cream are not so healthy, but we try to have other options for our customers, like tomato sauce or white wine sauce. Also, we cater to any special dietary requests from our customers, like gluten-free, dairy allergies, etc. Sometimes customers come in with a list of what they cannot eat, and I have to come up with a dish for them right then. Sometimes doctors refer people to us because they know that we can accommodate the requests. Many of our customers are
local people. But, we also have a lot of tourists because we are located downtown, especially during the busy holiday seasons. But, pretty much everything has worked out well for us.

M: Tell me about your plans for growth? How did you craft those plans?

J: Our plan is always to grow as much as possible. But, we have to be prepared. How we plan to grow is to keep our menu and our service attractive to the customers. Most of the customers are local, so we want to keep updating our menu to attract them. But, this town is growing immensely. Each year, it gets busier and busier by itself. We are also increasing our advertising expenses. This town is really growing, but you have to remember that there are over 400 places to eat in town. Not every restaurant will survive. That is the challenge. We always have to be prepared and keep going after our goals - to offer the good food from the best ingredients with good service. We have some really loyal customers. We have some people who have been coming to our restaurant and supporting us since their children were small. Their children keep growing and then they have their rehearsal dinner here, or the baptism of their grandchildren here. That is really special.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

J: We try to participate in many of the local events. We make donations to charities all of the time. We buy food to give to charities. There is a charity for kids who don’t have food on the weekends, so we buy large quantities of food to give to them. We donate food to
[local homeless shelter]. That is the least we can to for the town. The town has been so
good to us. We just want to participate and give to the people here.

M: How do internal (personal desire, staff, finances) and external (market conditions,
competitors, regulation) factors impact your business?

J: Staffing definitely impacts our business. Sometimes our good employees move along -
they get married or move away. Then, we have to new employees, and it impacts our
business. The economy definitely impacts our business, because it affects our food cost.
The price of the ingredients go up. We have to survive without many changes, because
we cannot keep changing our menu prices every week. But, our food cost was changing
every week. We have to absorb these changes or come up with another way to make up
the money. That is why I say that the administration of the business is the most important
part. It really affects our business. External, one of the many things that impact us is
competition. There are restaurants opening constantly in this town. They don’t all make
it. Twenty restaurants close, and then twenty more open. We have to keep being
competitive; we have to keep growing. But, the competition only makes us better. We
have to try to be on top. We have some factors for us, and some things against us. For us,
there are always people looking for good food, for quality over quantity. But, there are
other people who are looking for food that is cheaper.

M: What can future entrepreneurs do to prepare themselves for the challenges of the
restaurant industry? What are some common mistakes restaurant owners make when they
launch their operation?
J: When people come to this town, and see how busy it is, and see the restaurant full, they think, “They must be making money. I can cook, therefore, I can open a restaurant.” Like I mentioned, a lot of people can cook, but that doesn’t mean they can open a restaurant. Once they try to open, and they see all the phases they have to go through to be in business, they are deterred. If they want to open downtown, they are subject to all kinds of regulations because it is a historic district. Sometimes people don’t like that. They won’t take it. Then, they start fighting with the town. The town says to them you cannot open here. Knowing the culinary side, but not the administration side of the restaurant business is the most common mistake people make. The second mistake is not anticipating the slow seasons. We are not always busy here in [this town]. The third mistake is the way they handle the finances. They need to control the food costs and the operating expenses. You cannot spend all of your revenue. You have to have limits and you have to save for the future. Unexpected expenses are a constant problem. The water heater breaks. The roof leaks. The dishwasher is broken. It is constant. You have to save so you can cover those expenses. Also, you have to have a good chef. For us, we don’t have managers. My wife manages the front, and I manage the kitchen and the administration. We are here every day. Some people don’t want that. They want to be hands off. But, we don’t want to depend on other people to run our business. The reason we are here every day is that nobody is going to care about my business as much as I do. No matter how good the other person is, or you pay them well, it is not the same. We are risking everything, not them. We are totally invested into this place.

M: Thank you!
Interview Six

Interview July 14, 2016 at 9:30 a.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

S: For me, I’ve always loved food, and I’ve always loved really great food experiences. That was something, from a really young age, that I wanted to recreate. In the early days, that manifested itself in a coffee shop. That’s definitely what I wanted to open originally. When I got the idea to do gourmet popsicles, I was like, “Wow, this is compelling.” It was certainly a lot more compelling back in 2010 when a lot of coffee shops had closed, between 2007 and 2008, because of the recession. There had kind of been a big stretch, and then a collapse. So, I got into popsicles because it was more engaging at the time. Foodservice - it was all about recreating great food experiences, like the ones I had in other places, growing up.

M: How did you finance your business? How did this decision impact your business?

S: Right before I opened my first business, I had worked in Montana as the front desk clerk for a hotel. Basically, I saved all the money I could during that time. I only worked for a winter, but I was able to save about $7,000. I think the usual thing is that you pitch to family and friends. I was able to convince my parents to give me the rest of what I needed, which was at that time $14,000. We capitalized [the business] at $21,000 which is ultimately a really small amount of money to start a business with. I think I wrote a check that would have overdrawn my account the day that we opened. It was tight. It had
to work. That particular concept became operationally cash solvent within just a couple of weeks. That’s not common. Larger restaurants, especially new brands, take longer.

S: [Answered later in the conversation.] We capitalized at $21,000 and we were able to grow out of our operations after that. One thing I would counsel anyone else growing a business to do, would be to take a gap year or to raise additional capital. In Year One, we were making money. We had more money than we put into it. Our thought was to take that money and plant that back into the field. Let’s open another restaurant. Let’s try to keep going. Ultimately, that’s a poor decision. When you create a concept and it is successful, it is a huge blessing. It is arrogant to think that you know why it is successful. That can be a very confusing thing. You see things about it that you really like, but that doesn’t mean that the things you like about it are the same as why others like your product or why they are coming. It can be a variety of factors. So, when you go to replicate that success so close to your first opening, you have a very high chance of missing one of your key elements. That was true for us. We opened our second store at [neighboring beach] and less than a year after opening our first location, and it failed. Yes, that location is beautiful, right next to the beach. With popsicles, you have to sell so many in a day, every day. That beach only has a population of 5,000 people. It could not sustain a shop, even if everyone loved it. So we got all these elements right, but we missed that one. I look back a lot and regret not taking a gap year. We opened something and found success; let’s just work this for the next year. If you can work in a profitable business for a year or two years, and show bottom line profits, and tweak your systems, get everything running really well, then you can go to a bank and get a bank loan, where interest rates are really low and grow out of that loaned money. You can then sit on a
base of cash to help buffer out your operations. We didn’t do that, and I wish we had. It just snowballs you into better things. You borrowed this money, you are paying it back, and you are growing. That just makes you look that much better for the next loan. Then that makes you look better when you go to raise equity with private investors. If you just take your profit, and churn that into the company, expense some of it and balance sheet some of it, it really only works if the next thing is successful. If not, then you are cash poor, and you are not bankable, because you are not showing bottom line profits. That was the situation we found ourselves in. For the first several years, we were constantly cash poor and un-bankable, but growing. Growing in a less sustainable, less comfortable way than what we could have if we had just taken a break. I would recommend anyone who was growing to do that.

M: How did you find reliable employees to hire? Likeminded managers?

S: Trial and error. Originally, I tried to only hire people that I knew, or people that I knew of through other people. But, at a certain scale, that is not practical anymore. We’ve definitely had some people who we’ve hired that are not so great, and then some people who we hired who were fantastic. In the first couple of years there was no real method, except for, let’s try to keep the awesome people and let the other people keep moving [on to new employment]. Now, what I focus on is hiring great management. Then, they are in charge of doing their own hiring. I provide support for that, in term of coaching them through what the interview process needs to look like and if we need to terminate somebody, what that needs to look like. That’s on them, but it is my job to hire the managers. The management hiring process is a little more lengthy and involved. One of the things that seems a little counterintuitive is to trust your gut on hiring people. But that
works out. If you can’t feel great about hiring someone based on the interview, you’re not going to feel great having them on your team. At this point, as a company, we’ve hired about 300 people over the course of six years. By and large, with like a 98% success rate, people who I had reservations about when I hired, those reservations only worsened, and those things that I was worried about manifested, and we ending up having to overcome that. Then, people that I was really excited about hiring, almost all of them ended up being really great employees. I think we have some of that intrinsically build into us.

When you are hiring, at whatever level, you should be excited to hire them. Hiring a great worker is only going to multiply your efforts and going to allow you to be more successful and take work off of your plate. Too often in small business, managers or owners are unwilling to let things go and delegate. They end up having a lot of people who are waiting to be told what to do, instead of a bunch of people who are working and helping them with the business. I had to learn pretty early on to delegate and to let people do their thing.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

S: Preparing for launch was fantastic. It was so much fun. It was like preparing for the biggest party of your life. You’re getting all of the pieces in place, and you are learning and you are filing all of these really official things like your articles of incorporation and your sales tax numbers and all these things. You’re buying paint and you have your friends over to paint your shop. There’s a real romance to opening your first business, in terms of getting the equipment in and building the menu. In terms of preparation, I think making sure you have the equipment and decorations and things you need to make it
right. I’ve seen a variety of other small restaurants open where they didn’t quite have everything they needed and the thought was, let’s just get it open and we’ll take money once we get moving and buy these other things. But, that’s not a good approach. You don’t need to gold plate everything. You need a million dollars to open a taco shop. You need a certain base of investment. Your machine needs to be well oiled when you open, otherwise, you are setting yourself up for failure. If you don’t have the cash you need to buy equipment you need, the tables and chairs you need, [and the décor you need] to complete your look, out of the box, then you don’t have enough cash to open that business. The preparation for me was counting those costs and making sure we had enough to open. Like I said, it was just barely enough. But, it was a fairly simple business at that time. So, you go through this whole romantic process of putting all these things together. It’s this huge project. You’re the man about town. You’re going to Home Depot. You are staying up late, or whatever. And then when you open, it’s this totally different thing. You’re stuck. There’s no more projects. There’s no more romance. You’re stuck and you are working in this thing you built. My recommendation is make sure the thing you built is something you really like. Have the right equipment and have the right look. It’s going to be your prison for a little while.

M: What did you learn from the early weeks of business? The first year?

S: I learned a ton about waking up and going to work and doing the same thing every day and how you need to be excited for that. I learned a lot about trying to be excellent. There is an acknowledgement that you are never going to be perfect. As soon as you start hiring people, you lose some control over each customer experience. For me, during that first year, I learned that small business is hard, yet it can be very rewarding. One of the things
I should have learned in the first year, in retrospect, if you are young starting something and hiring people who are older than you, you need to not let that affect your interaction. I was always incredulous about asking people to do things early on. That’s where that delegation part comes in. Telling someone who is older than me, “Hey, I need you to mop the floors” or “You did a bad job doing that” [was hard for me]. When you are managing people, there are three things that you need to be able to do: 1) Tell them what to do, 2) Encourage them when they do it correctly, and 3) correct them when they do it incorrectly. I think for first time business owners, it’s sometimes very difficult to do those things because you don’t think you are qualified. Now, six years in, I have a lot less problem doing that. It’s much better, and people are more comfortable hearing instruction. I think you feel kind of embarrassed doing that. All your other experiences may have been with co-workers or friends, where you are asking them what to do. But, once you are the business owner, you are the boss. You can phrase it as a question, but it definitely needs to be more of a telling. That needs to be the relationship. If you can’t have that, then people will start to not respect you and they will start to undermine your leadership. You’ll start to see the edges fray. Those were the big things I learned in Year One. You need to be able to command people, in a kind way but it a firm way. Also, try to be excellent at mundane, day after day things.

M: What were some ventures that did not go as planned? What were some successes?

S: The big unexpected success was the popsicle shop in general. At that point, I was only aware of one other shop similar to mine in the entire United States when I opened, and I hadn’t been to it. I just knew about it. It was totally different from what I was doing in terms of look and feel and position within the city. There was a big question mark of
whether or not this would be any good or if people would like it or if we could sell
enough popsicles to stay open. Now, there’s hundreds of popsicle shops, maybe
thousands. Back then, as far as I was aware, there was one, and mine was number two.
That one was run by two sisters from Mexico in a much bigger city, and I had never been
to it. So, the big success was the popsicle shop. It was really unexpected how successful
that was. Our failures were, in Year One, opening another store. That failed and we lost a
lot of money doing that. We found another guy similar to me, who was running some
carts out of Atlanta, [business name], and tried to mimic what he was doing. We thought,
“Oh wow, that’s a cool model. What do we have that looks like Atlanta?” We thought of
Jacksonville and the town center. We tried setting up a cart there, in front of [clothing
retailer], and that failed. It didn’t work. So it was really confusing. I opened stores #2 and
#3 in Year One, and both of them failed. That was really a huge set back, especially when
you are growing out of your own cash. We’ve only closed one other location beside
those, in [Florida city]. We did that recently because the location just wasn’t right.

M: What are your plans for growth, and how did you craft those plans?

S: Our plans for growth now, is to bring on investors to raise capital to open more
popsicle stores. At one point, we thought that we would really try to push wholesale into
the grocery sector and open more brick and mortar stores. After several years of
exploration, and a lot of lost revenue, learning the grocery industrial side, we found that it
is not for a company of our size. We’re retooling to focus more on the brick and mortar
stores and wholesale into boutique markets. Our plan now is to open as many brick and
mortar stores as we can, only in high traffic areas, and only in places we are really
excited about. [We want] to keep replicating that success and bring the [popsicle shop] to
more neighborhoods. That was crafted after finding profitability in brick and mortar and not finding as much profitability in grocery wholesale. We are about to open our ninth or tenth store this weekend. We understand a lot more about what makes us successful and what might [hinder our success]. We are not taking compromised real estate any more. A lot of managing your opportunities is knowing when something is a great opportunity and knowing when something is just a good opportunity. So if we want to be in a [certain city] so badly, but if the most perfect location doesn’t open there, we need to be patient to say, we are going to wait. If you look at larger chains, that’s they are what doing now. They are waiting until they get the space that is right for them. So, if we can’t find the perfect location in [one city], we will look at [several other cities. We will keep looking until we match a perfect location to a promising market]. Ideally, we would love to see 300 stores open. But, each one would be plugged into its community, have local management, have local artists and people involved. So, that’s our idea.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

S: To answer the first part of the question, we’re big into charity. Because of the nature of our product, we get a ton of donation requests or participation requests from different events and fundraisers. In every community that we go in to, we make ourselves very available for charitable donations. We accept almost 100%. We give out tens of thousands of popsicles, every year at each location to nonprofits, either to help them run an event or we’ll give them gift cards to silent auctions. We are multiplying our effort to $30,000-$40,000 per location every year. On top of that, we will sometimes bring our truck or our cart out to these events to help. In terms of planet, our ethos as a brand is we
want to support sustainable farming, support local farming, and support US farming. We are only interested in all natural products, really authentic food. In that way, we feel like we are helping people to live lives that are healthier, but also we love interacting with farm culture. We’re not buying frozen fruit or pureed fruit or fake things, we are only buying authentic, ripe fresh fruit. We fit a pretty cool place in the food chain for a lot of the larger food distributors in this area. When we make popsicles, we want our fruit to be perfectly ripe when it’s blended. But, if you’re a grocery store you don’t want to buy fruit that is perfectly ripe. You need some shelf life to be able to sell it. So what happens is when these big food distributors who are in our area go to deliver to Publix or Walmart or different areas, if the fruit is too ripe, those stores will reject that. Now, that fruit needs to find a home. So, they’ll call us, and we’ll almost always take whatever they have. It’s great for us, because we’ll get a saving because the fruit has been rejected from its #1 status. But, it’s perfect for us because it is ripe and ready to go. We fit a neat part of that food chain because we’ll take fruit that is rejected from stores for ripeness. This is perfect. We have the ability to shift what we are doing and say, for today and tomorrow, we are doing only red plums. We take fruit that is ugly, #2s and #3s and fruit that is ripe and can’t sit on the shelf for a week. That helps our profitability [and prevents waste]. In terms of the people aspect, there are two sets we interact with, our employees and our customers. For the customers, we really try to create the most excellent customer service experience. I don’t know how well we perform on that at all times, but that is our goal. That is what I build [this company] on, fantastic customer service. We try to train everyone [at all of our locations] that your job is not to sell food. If someone is coming in, we already have the microeconomic win of getting them to purchase our product.
Your job is not to sell food, like a car lot or a mattress store. Your job is to provide excellent customer service. The people who come in, they don’t work here and they don’t know everything. You need to facilitate getting them what they need and smiling and making it a great experience. We try to make our employees feel like they are a part of a larger family. There is a bunch of people here working towards common goals and common interests. [We don’t] want to just churn people out, but we want to make room for growth. We have a few great examples of that. [Name,] who is our financial controller, started at the café as a barista, and now she handles all of our invoicing and finances on the corporate side. [Name], our production manager, started selling popsicles in 2010 in our original store. I think it’s pretty cool. We are a growing company and we can’t promise everybody $1,000,000. But, I think we promote the idea that there is growth here and there is vibrancy. That is something that we want to communicate to our employees.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

S: The hardest thing you can deal with inside of a company is people. Both, making sure your top performing people want to stay and keep doing a great job, and everyone else, as they are coming in, are getting trained correctly and getting the correction and encouragement that they need and that the customers are getting great experiences every time, and they are not falling through the cracks. That is the stuff as a small business owner that you lose sleep over. When bad reviews come in on Yelp, it sucks. Especially, when you read one and it’s accurate. You’re like, “I’m sure we are guilty of that.” That is the worst. Internally, the biggest stress is creating a good system of personnel
management. [You don’t] want too much bureaucracy, people sitting in between everywhere, reducing your profitability, but you want enough people and systems in place so the people working for you are well trained, well looked after, and well managed. That is the hardest thing. Figuring out how to make great food and how to price it correctly, that is much less difficult. That’s easy, there is an equation for that. There is an equation for profitability. There’s another equation for good food - follow some food blogs, watch some TV, and figure it out. Food can be fun, like complicated and fun, but also, it doesn’t need to be a great mystery. At the end of the day, it just needs to be amazing. External factors are more difficult to control. In your company, what makes things hard is that you are having to change things from an existing relationship. If you have an issue with someone on one day, that issue or at least the hangover from that issue will be with you the next day. That makes it harder, but it is a controlled environment. Customers, what is great is, you have a different customer the next day, so you don’t have that hangover. So that one bad Yelp review, thank goodness that doesn’t apply to all of your customer base or that is not someone you are relying on to come back every day. On the other hand, the marketing side of it is the most nuanced part of [running a business] and that’s the part where there is the most room for failure. That’s the part most people get wrong because there is much nuance. There is no straight line thing that is like, “Do this, do this, and do this, and people will come to your restaurant.” It does not work like that, and so, I think that the best stance that you can have towards marketing is a holistic marketing effort where you are trying to give yourself a really wide foundation as affordably as possible. It’s really the best way to go. There are tons of print advertising
you can do, which is worthless, and it is not going to your demographic. There are so many different ways that you can spend marketing money, which might not drive traffic.

[Audio paused] Market conditions, competitors, and regulations impact your business in that microeconomics is not an exact science. The biggest thing is getting people to come to your establishment. If you are in a brick and mortar store, you got to get people there. Ultimately, all of those different things, market conditions, competitors, and regulations, is the difference between you getting people to your store or not. Where regulations really hurt us is in opening new stores. Right now, with the building code the way it is in the state of Florida, if we ever want to have an open food article in our store, they are requiring us to install a three compartment sink, a mop sink, a handwashing sink, a secondary handwashing sink (if it is more than twenty feet away), and with that comes floor breaks and grease traps. In the last several stores we’ve opened, we’ve had to install $10,000-$20,000 of plumbing, that doesn’t get used. We’re cutting up concrete in these spaces to run these expensive drain lines. If you’re an actual restaurant, like [our café], we have that floor break beneath the 3 compartment, and it’s annoying because they are huge sinks, so if you [drain] the whole sink, you will get water everywhere. That, to me, is already very unsanitary. For whatever reason, our government doesn’t want drain lines to be connected directly. They are afraid if we have drainage backflow, that it will backflow into our sinks. That is an extremely rare event and it is still backing into a sink. As it is now, if we have a back flow problem, it is going to back up sewage on to our floor and everywhere, there is no avoiding it. We already have an airgap between the facets and the basins. The biggest concern, and the reason they passed these laws, is sewage somehow back flowing from their own system into their supply system. But, you
have a facet that is disconnected from the sink, so that can’t happen. The whole building would have to fill for that facet to get touched. So, what happens when you have the air break, is [at the café], it is just a mess for us all the time. But, it stays clean because we are running a lot of water through it. What happens when they force us to have these things in a popsicle shop, where we are not making food, and we are not prepping food, and we are not using [that equipment], but they are forcing us to have it anyway, it just sits there empty, all the time, and it maybe has a tiny bit of water put in it occasionally. We have a floor trap that sits there and never gets flushed because we are not making food, and we are not putting anything down it. What we end up having is a floor drain and grease trap that we are having to constantly maintain with cleaners, and chemicals, and solvents to keep insects out of it, and to keep it from stinking. Why do we have this? It doesn’t make sense. [In our other popsicle stores,] we have plumbing to run an actual restaurant. We have a 150 pound grease trap in [city] because of all the codes. That’s insane. It doesn’t make sense! That’s where regulations really hurts. You’ve got people coming in [inspecting] that are not adaptable, that are not holding us to our own standard of management. They are saying a popsicle shop that never runs any liquid through is the same as a burger joint that is cooking hamburgers and French fries every day. Those aren’t the same. That makes a real barrier to business because if you are just an ice cream shop, or a taco shop, you should not have to pay the same amount of money for the same amount of infrastructure as a full service restaurant serving 200 covers every night. Those are two different things. I don’t think they are doing our country any favors when they are putting up barriers to entry. What they are doing is keeping more people out of small business by doing that. I resent those things because I feel like the more people who are
opening small businesses, who are trying, who are making a go of it, that’s just better for our economy, and better for us in general. We need to reduce the unreasonable barriers, and only leave the ones in place that really protect our people.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

S: Let’s start with the second question first. We covered one [mistake]: not building out your whole idea or full theme, for cash. The second thing that goes with that is not having enough cash on hand. You have to have cash to buffer. You can’t do what I did and write your last check when you open. You are going to fail. They say in retail, at the point in which you cannot buy fresh inventory, because you do not have the cash, whether or not you are still cash positive or not, you have already failed. You cannot climb out of that. In the same way, if you do not have money to invest in spoilage, invest in making your product great, and invest in making it right for the customers, and writing off bad months, if you do not have money to do that, you don’t have enough cash to run a restaurant. Cash is huge, and that is a big mistake that people make. They’re like, “I think I can buy all my equipment for like $30,000. I’ve got like $35,000. Let’s open, and I’m sure that $5,000 will be enough.” No, that $5,000 will not even cover what you did not factor in for not buying your equipment. You need to be very conservative. You need to be your own worst critic when it comes to planning. If you optimistically think something is going to cost $10,000, then realistically, it’s going to cost $15,000. It’s almost always how it pans out. The total number of businesses I have opened, not just [popsicles shops] is maybe 13 or 14. I would say maybe one of them cost what I estimated. All of the rest were more.
So, what does that tell you? You need to be estimating more. It’s always better to come in under budget than over budget. Under budget, you have extra money. Over budget - where is that money coming from? So, that is the biggest thing, and the biggest mistake people make is not having enough money. Another thing is not having enough grit to see it through. If you think you are going to just open a place and be able to come visit it periodically, and the people there will figure out how to run it, and it will be successful out of the gate, then you are going to fail. In the early days of the popsicle shop, I was working 20 hours a day. I’m sleeping on the floor in the shop, making it happen. You have got to be willing to do that, at least at the beginning. You have to be willing to bootstrap. Where is profitability? How do I get to that? If I don’t have any more money, how can I leverage my man hours to make it happen? They say that that is the number one cause for millennials for business failures, lack of grit. People don’t want to clean the toilets themselves. They don’t want to run all their own bills and review everything and work all day and just come home and go to sleep or stay at the business and go to sleep. That is what young people deal with, not being able to stick with it, not being able to keep working when it is not fun anymore. It’s fun when you first start and you own your own business and it’s an expression of you. But then, a few months in, you’ve gotten some bad reviews and you’ve had a bad employee. It’s hard, and you are tired, and you don’t have free time. It’s not glamourous, it’s not fun. It’s just hard work. That’s where people quit. The counter side, and the challenge is, once you have succeeded, pulling back from that. For me, I spent too long in that mindset of I’m eating, breathing, thinking about [my business]. At a certain point, that is not sustainable. You have to manage yourself as a resource. You see a lot of small business owners who are just still working
seven days a week, after three years, and four years, and five years. They are making money, and their bank account is growing, but it’s like they are still just there all the time, and they can’t leave it and they can’t delegate. That is unsustainable. In the same way that you would not dream of working a salaried employee over 60 hours a week every week because then they would quit. It’s like, when are you going to quit? You’ll see people who will do that and then they will hit a breaking point. Maybe their marriage is failing, or their kids hate them. They don’t know why they are going to work anymore and they will sell or crumble or fade. You don’t want to do that. You have to manage yourself. For me, when I realized that a couple of years ago, that meant being not afraid to take a vacation and not afraid to work only 40 hours some weeks. I think when you say, “I’m going to go surfing this morning, or I’m going to go to a family birthday party, or to Universal Studios,” then, when you are working, you enjoy your work more. You are more focused and you get more done. When I started realizing that and pulling back and managing my time better, I wasn’t getting less done, I was getting more done - at work and in my social life. That is a later pitfall. Once you’ve succeeded, then you have to be aware of that. [In terms of preparations.] you can say being realistic. You should say, this has a modicum of success depending on how you approach it, but also tell yourself that this is going to be wildly successful and incredible. If you cannot convince yourself before you open your business, that it is going to be wildly successful, then you should not do it. You need to think, “Oh my goodness, I can’t even begin to think how much money and success we are going to have here.” This is how we look at opening new locations now. If we look at a location and think, it’s fairly low-risk and we will do well. It’s a sign, don’t do that one. But, if you look at a location and think, “Oh my gosh!
This place is insane! I can’t even begin to think about the success we will have here and how many popsicles we will sell.” Then that might succeed. You have to tell yourself two things to prepare yourself. Preparation is almost all attitude and mentality, analyzing risks and being okay with them. If you have ever had a family member get a serious surgery, [the doctors will tell you that] we have a 95% of success and a 5% chance of total failure. When we hear that we think, “Oh, that’s fantastic! It will work out.” But, for the one in 20 people who pass away, we are livid and we are angry. “You said there was a 95% chance!” But, no. You got the one in twenty. You are the 5%. When we read statistics and odds, we don’t look at them like that. If it is above 70%, we think that it is in the bag. You will see poker players and black jack players be livid when they catch a bad run. Statistically, that is in there. I think when you are opening a business and trying to be an entrepreneur, you have to realize that entrepreneurship is like that, only worse. It’s like you have a 95% chance of failure, and a 5% chance of success. It would be ridiculous to go in with the thinking that, if I fail at this, then I am a failure or I did something terribly wrong. You are not. You have to understand that you are going to fail, and you have to be okay with that. A lot of people steer clear of going into business because they cannot handle the failure side of it. For me, when I started, it was a great opportunity because I was living at home with my parents, single, didn’t have my own family, didn’t have a lot of assets at risk. It was like, I don’t have anything to lose, and I will gain this amazing experience. If you are going into entrepreneurship with money you cannot afford to lose, then you shouldn’t risk it. [People will risk] their kid’s college fund. Can you afford to lose that? Are you okay if this fails, and you wake up a year from now without a restaurant and without that [college fund]? If you can’t say, “Yes, I’m okay with that,”
then you cannot open. Preparing yourself is: counting the costs, being okay with the risks, and running through, mentally, the idea of failure and being okay with that as an outcome, being conservative in all the ways that you appraise your potential upsides and your potential costs and expenses - that you are charging enough for your food and you have things structured the right way. Once you have done all of that, been very analytical and run through all of the worse-case scenarios, that’s how you know something is worth doing. Once you have done all of that, and set it aside, then you only think about the positives. You have to keep your energy up and you have to keep your charisma up. No matter how awesome and successful it is, it’s going to suck at some point. It’s going to be really hard work at some point. You got to have enough charisma, and energy, and positivity to get through that - not only for you, but for your customers and employees. You see these little restaurants where customers come in [and the owners will say,] “Yea, we’re not really doing that well. We’re about to close.” Just go ahead and close, because at that point, because you have failed at your customer service experience. So, those are the two components. Be ultra-conservative and analytical as you prepare, but once you commit, be ultra-energetic and enthusiastic.

M: Thank you!

**Interview Seven**

July 14, 2016 at 8:00 p.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?
P: I chose the food industry because I worked in the food industry when I was in college. I went to school here in town at [local college] for fine art, with a minor in business and a minor in graphic design. I was working at a friend’s restaurant, he was a few years ahead of me and opened it up, [local café] over on the beach. As graduation neared, I realized that I didn’t want to leave [this town]. I’m from Maryland originally. I knew that there was not a lot I could do with an art degree here, and I did not want to commute. I really, just fell in love with the hospitality industry, and how much fun it was - running around, multi-tasking, engaging with people. So then, I decided that I wanted to do this, potentially, on my own. An acquaintance of mine, him and his girlfriend were interested in doing something. We started with six of us, meeting and talking about things and looking at places. By the time it came down to it, it was really three of us, who were really looking and showing up to all the meetings and doing everything. This was six years ago, when we started the [acclaimed local restaurant] together. That was my first restaurant, with [previously mentioned couple]. It was the first farm to table restaurant in town. This is my second restaurant. [I choose to open this restaurant] because my first place was doing really well and older friends of mine were doing a distillery and a cocktail bar and realized that it was against the law to have ownership in both. You can either distil it and distribute it or have a liquor license. When they knew they were going to have to separate the idea, they contacted me to see if I was interested in doing it. I had never done liquor before. My previous restaurant had beer and wine, but we couldn’t afford a liquor license. This was a whole new world to me. I knew there was a lot more money in it. It was a whole renovation process from the ground up and we would actually own the building, which I had never done before. So that’s how I ended up over here.
M: How did you finance your business?

P: The [previous restaurant], I borrowed $20,000 from my parents, and I paid it back in 6 months of being open. We found a place that had already been a restaurant and pretty much just gave it a makeover for $50,000 total. This place, I took the money I made from selling my shares of my other restaurant, borrowed more money from my parents, and then we also took an SBA loan for a million dollars. To own half of this property and to have a year and a half renovation, it became almost a $2 million project. That’s just the restaurant side, not the distillery side.

M: How did this decision impact your business?

P: I didn’t really think about it honestly. Having the first restaurant go so successful, and knowing that if you have an idea, and you are passionate about it and you’ve worked all of the aspects, I just knew it would be successful. Transitioning into this restaurant, we were preserving a piece of history, we were the first craft cocktail bar to open in [this town]. It’s about picking up on trends and seeing what doesn’t exist here, that exists up north. I just had zero doubt that it wouldn’t be successful. I didn’t think it would be as successful as it was so quickly. If I could turn back time, I would have designed a kitchen for 90 seats, instead of 45. There’s no turning back. I think in this business, you have to be in it. You have to have worked in it. There’s so many people that think, as they get older, “Oh, I like food. I’m going to open up a restaurant.” If you have not done every aspect of it - done the dishes, jumped in the kitchen, waited on tables - I really think that people have no idea. It’s a tough business. People are always calling in sick, which can break you, if you are [short staffed]. Something is always broken. Everything gets used here so, so much. It’s a lot of stress, on top of dealing with people.
M: How did you find reliable employees to hire? Likeminded managers?

P: We were really lucky at [the first restaurant], we all went to college here. We had a ton of friends who were in my partner’s band or friends of mine or people who worked with me at [my first restaurant job]. So, we opened up, very under staffed, because we couldn’t afford it and doing a lot on our own, but we had all of our friends. That made a huge difference, especially for our first business. It was easy to find people that we trusted and wanted to work hard for us and believed in what we were doing. Here, I had a little bit of the same. I also found really good management here. I found an amazing bar manager here, which I obviously needed because I hadn’t done cocktails or anything like that before. Then, I think it’s just about treating people well. If you treat people well and they respect you and you respect them, I think it makes them want to work hard for you and feel guilty about calling in [sick] or stealing or doing any of those things that can happen in restaurant environments. Remember to point out the good, and not just the bad or things that people are doing wrong.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

P: I feel like we are a little bit unique because my partner and I had other businesses. So I had a following, through word of mouth, through people who came to [my first restaurant. The distillery owner had a following from his previous endeavors.] This building sat empty for ten years. For ten years, it has been for sale. People have looked at this building and thought, “What is it going to be? What is going on?” To this day, people come in and say, “I really wanted to buy this building. I was going to have a loft upstairs and do this or do that.” When we actually bought this building, it took a year and a half.
That built up the hype naturally. People saw construction here and were wondering was happening. So, in a weird way it just magically worked out itself. We had our following, and we started an Instagram. We took photos of the process as we were doing things, even if it was getting an elevator hole cut in the ground. It built up the hype.

M: What did you learn from the early weeks of business? The first year?

P: Never in our wildest dreams did we think we would open up slammed. We were under staffed because we were running out of money and we didn’t think we would be that crazy busy. We also made a little bit of a mistake thinking that we would be more of a bar and not so much a restaurant. We’re about 50/50 now. The biggest mistake that I made was designing a kitchen that was too small. There’s no way for me to fix it. It’s hard to explain without showing you, but in this historical building, the kitchen is literally built between the two bars upstairs. You have to take an elevator from the prep kitchen to where you cook. Then I had 8,000 pounds of cast iron steel that I’ve bought to frame the bars, so there’s just no expanding. I don’t know how I could have changed that, but I’ve been spending a lot of money since then doing everything that I can to try to figure it out. I moved my ice program out to a custom made trailer downstairs. We’re almost finished with a $200,000 renovation in our third year - turning our downstairs kitchen prep area into a functioning kitchen that has ovens and burners. It’s difficult to explain. You have a prep kitchen where you can cut stuff, and store stuff in refrigeration, but you can’t bake anything or cook anything. There’s nothing. That all has to be done upstairs. When we first opened, we were only open for dinner. Then, about six months later, when we felt comfortable, we opened up for lunch. That’s another thing I totally agree with, starting off slow. Don’t bite off more than you can chew. Of course, you want to make the
money. But no matter how hard you plan, you are never fully prepared. You need to give yourself a four month grace period. It will be amazing what you realize. Really simple things that will help you out, and you’ll be like, “I can’t believe it took me that long to figure it out.” [At the first restaurant,] it was as simple as like, we had a little bit of outside seating, and anytime someone wanted to sit out there we would go into the dining room where the server station was, grab silverware, grab glasses, take it out, set it up, set the silverware on the napkins. Three months later, we were just like, “Why don’t we roll the silverware up in the napkin?” It’s easier to grab. We’ll have it sitting by the door, so you can grab it right then instead of walking into the dining room. There’s just so many little things that you’ll never [anticipate], no matter how much you try to be prepared, no matter how many restaurants you’ve ever had. [When] you are in your space and you find the groove and you [will] find the flow of things and how they work and where things are. It just takes a little while. It’s hard not to get over zealous and say, “I’m going to be open for breakfast, lunch, and dinner!” Don’t do it. Ease into it. Figure out, when you open, who is going to stick with you and who is not. Then transition and go, “Okay, I’m going to do lunch.” I think that’s a mistake that a lot of people make, thinking that they can just full throttle go into it. I find that it is more successful when you take your time. It’s going to be stressful, and you are going to work 90 hours a week no matter what. Being understaffed, I came in here every day and swept and mopped myself. I was here at 10 in the morning, even though we didn’t open until 4:00 [p.m.], just doing things, doing whatever.

M: What were some ventures that did not go as planned? What were some successes?
P: As I mentioned before, we definitely didn’t think that we would have so many people coming in to sit down and eat dinner. We thought we would be more of a cocktail bar with snacks. That threw us off a bit. That’s really the only negative thing that I didn’t necessarily expect. The success was how well received the cocktails were. Not having that scene here and using all of these different ingredients, and different stemware, and names and things that people haven’t heard of before, I was surprised that they were so into it. And I was surprised about how much the atmosphere and preserving the history, people really respected. People come in and take engagement photos here and we were in a ridiculous amount of magazines for the design concept. We were taking something and preserving it as much as we can. To turn around and make our own ice and harvest it like they did, back in the day in 1927 when it was built, has brought us a lot of recognition. We’ve won local awards for preservation, local awards for design. We were in *Imbibe* magazine’s Top 50 Best Designed Bars, so little things like that. The sink in the women’s bathroom, we found a trough sink, still attached in an abandoned factory in Staten Island, that we got. It’s in the women’s restroom and it kind of jets out into the middle of the floor, with random spouts. It’s the most photographed bathroom I’ve ever known in my life. It has its own hashtag on Instagram. Girls will take pictures when they are in there and then tag it. I knew it was a unique sink, and I knew it was great, but I didn’t think it would become this bathroom selfie thing.

M: What are your plans for growth, and how did you craft those plans?

P: We’ll be open three years in September. We’ve spent the last three months designing and paying for this renovation, which is the only way we can expand. There is nowhere to go outside of this building at all. We’re doing the best that we can right now. We also
upped the AC units everywhere, because it wasn’t enough in this kind of heat and the way this building is insulated. We thought about possibly opening up another bar, but when I really thought about it, I decided against it. We bought the location, and I still own the location. I know it would be great and I know I could do it, but, I’m 36 now and I’ve spent the last six years of my life working anywhere from 50 to 90 hours a week. I’m finally done paying back my parents for the rest of the cash I owed them for this place. Working 50 hours a week is great, why would I want to go back to that? I’m not saying I wouldn’t do it again in the future. But, if I did, I would do a turnkey, like the [first restaurant], in a space that already has the seats paid for, has water connections, and not a huge thing like this again, it’s just crazy.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

P: When I came to school, this area was a little sketchy. It’s been growing, and getting redeveloped, but no actual business were [in this area.] It’s a long sidewalk [from the tourist district] before you get down here. Not only preserving the history of this building, which the locals love, instead of just tearing it down. It would have been way cheaper to just tear it down. We also opened up the gates of what is possible back here, to show that you can be this far off of the beaten path and people will come. If you have a great product and good reviews, they will come. A lot of people were really happy that we were here and providing a successful business. It raised the property value of everyone around here and it brings more business this way. It makes it, I feel, a little bit safer.

Before we had this building, it was just abandoned and had a lot of transients just hanging out. It goes both ways, there are a lot of people against this area growing and expanding, I
think, overall, it trickles over and they are a little happier. Planet, I would say, we do everything from scratch here. We try to be as local as possible. We get to source our fish and shrimp from a dock three blocks from here. I, personally, have 70 employees, so we get to provide for a lot of local people. The distillery has maybe 35, so about 100 [between us.] Profit, we have a pretty hefty loan we are paying back, but it is incorporated into everything and we are doing really well.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

P: Personally, it is hard because I am friends with every single person who works here now. Being a manager and having to address them sometimes when something is done wrong or I get a bad review, it’s hard. I’m learning that I am a better manager when I deal with things head on. You have to tell them that this is a business and it is separate from our friendship and this is what is happening. That being said, I have a really strong team. It’s important to realize that you cannot do everything. It’s impossible, you can’t. If you did try to do it, you would spread yourself too thin and not do that well at everything. I have a really strong kitchen manager, a really strong bar manager, and a really strong business manager. We meet once a week and look at our numbers. We see where our labor cost is at. If it is up, why is it? Is it because we were busier? Were a lot of people out sick? Were we training new people? If I have issues, like a complaint about a bartender or if we ran out of a product, we address them. I know I cannot do everything without these people. Learn to delegate. Watch your numbers every week, and then you can learn how to make them better. Why did something go up? Did the cost of limes go up? Why isn’t the cost of goods not where it is supposed to be? By meeting once a week,
we have time to try to figure it out. It’s easier to catch it a month in, than it is a month later. There was a time a few years ago, where Mexico had this crazy drought and the cost of limes went up like five times. There were bars that weren’t even doing lime juice anymore. We juice everything here from scratch. The [cost of limes] went from $70 a case to $210 a case. We were like, “What? This is crazy.” It’s important to hire the people you need and let them help you. Figure out what your strengths and your weaknesses are and whatever your weaknesses are, hire someone to do it. But, meet with them they so know what you expect and where they are at. Market conditions and competitors, I welcome them. I’m not scared of that at all. The more people [open restaurants], the better, even if they are slightly similar. Other cocktail bars will help people be educated before they walk in my doors. It helps me stay on my toes. I would like somewhere else to go. The more business you have, I’m assuming and I hope, it will raise the quality of everything. I have no problem with it. One of my bartenders that I had gotten from [city], who helped us open, left to open up his own little cocktail bar. I love it, I send people there, and I support it. A lot of people worry about [the competition] and I think it is silly to. The more business that are in an area too, the more people you are going to draw. Regulation - it was challenging to bring a 100 year old building up to modern day restaurant code, which was probably why it cost us so much money.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

P: You have to have worked in the industry to really understand how things flow and to see where everyone is coming from. Just being a manager of a restaurant isn’t necessarily
the best. Most likely, before you got there, you must have been a server or a bartender. It’s just important to be in it. Go do research. Go around and go to places. We still, once a year, will find cheap flights and we’ll go to Austin, Texas or we’ll go to New York. So, we stay on top of trends and see what is out there and what is happening. I’ll go to places just to see what I like and what I don’t like about it, so I see what to take away from it. Part of that is to see what is trending. Being in the south, we are always like, five years behind what going on and what’s happening up north. So you can pick up on that market. You know it’s going to work, it’s just not here yet. If you are the first one to do it [in the South], you are almost guaranteed success. Mistakes would be biting off more than you can chew. Of course, we like thinking big, but start off slow. You are still going to be working those 80, 90 hours a week, but you will eliminate half of the additional stress. Don’t go for all of it at once. Open up and start with either dinner then go to lunch or start with breakfast and then do lunch. Ease your way into it, even if it’s just four months later. You will work out so many kinks and you will learn very quickly what you are capable of. The other thing I would say, these days, is social media. As far as wanting to grow your business, get the hype going. We’ve gotten Top Ten Best Bar Instagram’s for our Instagram, which I would never even think about, for Saveur magazine and Imbibe.

M: Any parting advice?

P: You have to really love it. You have to have your heart and your soul in it, because it’s going to be everything. It’s the best sometimes and the worst sometimes. Hopefully, it’s usually the best.

M: Thank you!
Interview Eight

July 16, 2016, 10:30 a.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

N: We decided to start this business because we were in the restaurant business in New York. We were in the theater district. [My husband] was the chef, and I ran the front of the house. This restaurant belonged to my parents and we were managing it for many years. Before 9/11, we decided that we wanted a change. We were tired of New York, and we wanted a change of scenery. Our kids were finished with college, and they were doing their own thing, so they didn’t mind us moving. We were free. [My husband’s] best friend is Jacque Torres, a very famous chocolatier. We knew him before he was a chocolatier; he lived next door to us. He was a pastry chef at Le Cirque and [my husband] and Jacque were very good friends. When Jacque got into the chocolate business, [my husband] was spending a lot of time with him, and he came home one day and said, “When we go to Florida, I think I know what I want to do.” He liked the hours of the chocolate business. In the restaurant business, it is hard to have a family. What helped us is that we worked together, and we lived above the restaurant. Not too many people have that luxury. We were lucky that way. When we came down here, we didn’t enter the chocolate business right away. We started a little bistro, just to see what it was like around here. Then we got tired of doing that and we said, let’s just do it. We were a little nervous, but we just decided to start.
M: You have answered this question in part, but, how did you finance your business?
How did this decision impact your business?

N: We financed it through all of our savings. We had a house in Long Island that we sold before coming down here, and the market was pretty good then. We took those resources to finance the business. We were so used to being our own bosses. I wouldn’t have minded working for somebody, but [my husband] felt that there was no way he was going to be under someone else. It’s not that he doesn’t like working with people, it would just be difficult having someone be the boss. We took our savings and started our business. Where we are now, is a business condo. We didn’t start here though. We started in [the downtown area], and that’s where we started the bistro. It was not the best choice because it was too small. We had to have another location to make the chocolate. It was not the best choice, because the economy got really bad. When we bought this business condo, it was a shell. You had to put in everything - the electricity, the plumbing and get an architect to design everything. Everything was supposed to develop here, and then nothing happened. It was very difficult; people were not buying as much. One thing that was very bad was, when we did the work here, we ended up with an awful contractor. That is a very important decision to make when you do start doing work - who the contractor is. We had experience before doing other projects. We knew a very good contractor and he was supposed to do the work [on our business condo]. We had no issues with him. What happened in the meantime, his brother was dying. He worked as a contractor with his brother. He just couldn’t take on this project. Then, we had to look for somebody quickly, and we didn’t do our homework. There was a contractor working next door here. Someone said, “Oh yes, these contractors were fine.” So, we just did it. That
was not a good idea. Those are very, very important decisions, and you have to do your homework. He was a crook. It took over a year for us to be able to open. We took our savings, and we just kept putting in, and putting in. That was the hardest part. We had never been in that situation. It’s a lawyer that helped us out in the end. He helped us to fire the contractor. If you have somebody that is doing work for you like that, and you don’t fire them properly, they can come after you later. Then can say that your intention was not good and all along you strung them along and you didn’t pay them. They can turn the whole thing against you. We took a lawyer, and he helped us fire the contractor.

We then hired someone who was very nice, and he did the right thing by us, and we opened. But, for a whole year, we had this mortgage, and nothing is happening. You can’t just count on somebody when they say, “This person is good.” You really need to check and make sure.

M: How did you find reliable employees to hire? Likeminded managers?

N: We don’t have many employees. [Our assistant chocolatier] has been with us for five years. In New York, we had contacts. You would ask one chef, or another owner of a restaurant. You knew a lot of people who worked in the business. It was through the grapevine that you would find your employees. We were here, that is how we found [our assistant chocolatier]. A vendor, whose company sells us fresh fruit purees to make the bonbons, goes to all the restaurants and knows the businesses. He told us that she was looking for a change. She was a pastry chef, and didn’t know how to do the bonbons and all of that. She could work a little bit with chocolate, but that was not her forte. She is a true professional and she learned quickly. She enjoys what she does. If [my husband] is not around, she can definitely take over. I’m not one to put a hiring sign in the window. I
just find it more comfortable if it is through someone we know. Usually, it has worked out better that way for us. [At our retail location], we have a girl that goes to the college, and works the weekend. I found her through another colleague who had a store [in that area]. People who I know, who I think have good judgement. When you have business like this, you have to make sure it is somebody honest. They are handling the money, the merchandise, and the interactions with the customer. It’s more part time people that I have. I have two ladies also, who are retired that I can count on. They don’t want to work five days a week, but when we are really busy, they don’t mind helping out. Usually, they are pretty nice about it. They work together well. If one needs to take off, the other will help. You want there to be a nice atmosphere. If there is not a nice atmosphere when you are working, it is not worth it - for you as the boss, and for your employees.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

N: Our friend Jacque, when we were in New York, before we came down, gave us the opportunity to work at his store. My husband was going there to learn the chocolate and all of that, and I was at home, getting organized. I went to meet him one day, when he was working with Jacque. At the time, they had a store, and they were short of help. He said, “Why don’t you come on in? We need somebody, and you can get a little bit of money and at the same time, learn about the chocolate business.” I knew about the restaurant industry, but I didn’t know about the chocolate. It was a very good couple of months, because we went through the holidays. The month of December is the big month for chocolatiers. That’s where they make the most of their money. There’s corporate gifts, family gifts, people saying thank you. Chocolate is a pretty good gift to give.
[Jacque] gave us all the vendors that he used - from food to packaging. It was nice to have all of that information already. I looked up some stuff myself too, but there were pretty smart business people and gave me their information. I was able to see how they did different gifts and at the same time adapted it for business here. It is not the same down here as New York. [Working with Jacque] gave us what we needed to know. [My husband] does the chocolate, I don’t do any of that. I do this end of the store. Being in the restaurant industry before was a plus. My past is in customer service; I’m used to being with people. I like that side of the business.

M: What did you learn from the early weeks of business? The first year?

N: When we started, we were out of [the downtown area], so there were a lot of tourists. I guess you just learn as you go. The store was empty at first, but little by little, we kept adding items. We had to change our packaging - it’s hot in Florida. People don’t want a big gift, and we learned to do some smaller gifts, and samples. We adapted to our customer. During different seasons, there are different needs. One thing that is nice in this business, if it’s the holidays you fix up the store, and decorate - you’ve got Christmas, Valentines, Easter - there’s always something. We really learned that first year to adapt to the customer. You have certain expectations. It’s a different market than New York. My mindset was in New York when we started here.

M: What were some ventures that did not go as planned? What were some successes?

N: Well, the contractor thing was definitely unplanned. That did not go the way it needed to go. That planning is very important. The bonbons are our most popular product. I think people here are not used to European style chocolate making. That was a little difficult.
People would come in and say, “Don’t you have fudge?” We don’t have fudge. Bonbons are our specialty. People, as they taste it, learn to appreciate it. We do have people who have traveled, and people travel more and more, so they have a little better knowledge. Sometimes, it was difficult that people aren’t really informed. You have to teach your client about your product. In this store, our clients are more residents, or some of the reps - pharmaceutical companies or realtors - people who might need a gift. [Downtown,] it’s more of the tourists. Because we have been there for quite a while now, we do have a lot of regular customers. That’s a good sign. [Downtown] we don’t get very sophisticated tourists, not to be mean. People are used to a different way of eating, and that is something I really needed to adjust to. I’ve been very spoiled. It doesn’t have to be fancy food, but I am used to fresh. I’d rather have a smaller piece of chocolate, but a good piece of chocolate. Sometimes it was hard to really inform people. I like the contact with people, don’t get me wrong. But, sometimes it was a little disappointing to see people with no knowledge of what we were doing. Sometimes I forget that I am in the south. The United States is so big, and New York is so multi-cultured. That was kind of a shock. We’ve had some really wonderful reviews. If you look at TripAdvisor, people praise the taste. [My husband] makes a wonderful product. We have a lot of regular customers, which is important to have. To have loyal customers is very important. [My husband] is very consistent in what he makes. It was the same thing when we were in the restaurant, and it is a very important quality. He won’t cut corners, and [our assistant chocolatier] is the same way. She is a very good baker. She does most of the packaging, and she is very meticulous and careful about the way it looks.

M: Tell me about your plans for growth? How did you craft those plans?
N: To be honest with you, at the stage where we are now, we are looking to retire. I’m 60, and [my husband] is 65, so we are not looking to expand into anything big. We want to continue doing what we are doing. Maybe [our assistant chocolatier] could continue. Now, our website is outdated, and we really need to re-do all of that. But, it’s a lot of money - not so much the website, but if you do a shopping cart. It’s an important aspect of the business, because everything is online. We’re starting to get a little bit old. I have family in New York; I need to take care of my parents. It’s kind of stalled things for us right now. We’re in a little limbo about how we are going to handle things.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

N: I think we enrich the community by providing a really nice product. Nowadays, every [business] is a chain. I know, for myself, I enjoy buying from someone who has their own store - if it’s the bakers, or if it’s the butcher. I think that it is nice in a community when there is a town center, not just big stores. I think that the quality of what we do is really nice, and I think that people are exposed to something that they are not going to see outside of our store, unless they are traveling. We try [to use eco-friendly packaging.] If the customer is just buying a couple of pieces, instead of wasting a whole box, we try to put them on a napkin, or use a small bag. It’s a little hard in the chocolate business, because [our products are used as] gifts often. I try to buy packaging made in the USA. Some of the glues, and some of the materials used in other countries, may be toxic. So, we do try to work with the local people, when we can. The chocolate does come from Belgium. That, I can’t help. To make the chocolate, to get the beans and the whole thing, is difficult. Most chocolatiers, even our friend Jacque (he makes a little bit because he has
a machine) but most of it he buys from the same company we do. It comes in the chips, and the blocks, and you can get different cocoa contents. It takes a long time to make it from the beans. We get it, and we work with it and make our items. But, it does come from Belgium. It’s good quality, and it is a fair price, so we can offer our items to the community [at a affordable price.] I know it is not cheap, but if you compare our products to some other chocolatiers, [their products] are a lot more expensive. We are really trying to keep our price as low as possible. We need to make a living, and all of that. But, in [town] the clientele will not pay for our product if it costs too much. Packaging can be very expensive, so sometimes I could buy some higher end things, but it makes our products too expensive. I try to keep the packaging cost as modest as possible. The chocolate is already costly. The one thing with chocolate is that you do not have waste, unless you really mess something up. It’s not like a restaurant, as careful as you are, there’s fish, fruit, and vegetables, and you are always going to have some kind of waste. In the chocolate business there is not waste, and it is simple that way. That’s what interested [my husband] in the chocolate business. You cannot keep the chocolates on the counter for forever and ever. If you are careful, you will rarely throw something away. That’s very important, because it affects the bottom line if you are throwing away your product.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

N: Your employees impact your business. We are not a big company, but it is still very important. If I don’t have the right people staffed at the stores during the holidays, it can really be detrimental. That is when we need to make our money. Two years ago, we were
very lucky. It was November, and somebody stole the compressors for our walk-in freezer and refrigerator. We had $40,000 worth of merchandise inside, as we were getting ready for the holidays. Usually, we are closed on Sundays, but [our assistant chocolatier] came in to make gingerbread dough. She walked into the refrigerator, and right away saw that something was wrong with the temperature. She’s pretty mechanically inclined and she looked to see if something was happening with the electricity. Then, she looked outside and saw that compressors were gone, somebody had stolen them. Thank goodness that she was there, and that we have some extra refrigeration. It’s good to cover yourself - if you have one problem, then you can rely on something else. Especially if it is with your merchandise. Thank goodness we had somebody reliable like her. She called us right away, and we came, and we called the police. We had insurance, and that covered us. You do need to be insured properly. It definitely affects your business. We were lucky to get some good people - the refrigeration guy that we know came right away, called his people and got the equipment for us and worked with us. They had it up and running in less than a week. External factors and market conditions definitely impact us. During the recession, in 2007 and 2008, a lot of businesses went under. We were lucky to have a good backbone and savings. We work in our business, and you really have to be careful not to be overstaffed either. Because you cannot afford to be paying salaries that you don’t need. It was a rough time. There was a restaurant here, and the owners were restaurant people - they owned other restaurants before. They had bought their business condo, and they spent two million dollars creating a beautiful restaurant. It was gorgeous. That shows you what the expectation was of the area. [Names surrounding neighbors with affluent homeowners.] Then the housing market crashed. At the time, they had paid
a maximum to purchase it. We also purchased at a bad time. We couldn’t turn around and just sell this. That’s what happened to them too. They ended up filing Chapter 11 or something. We didn’t expect that. When we did purchase this, we thought if it doesn’t work out, or if we want to do something else, we can sell. You couldn’t sell, or rent the place out to someone. It was like that in a lot of areas. That’s something you don’t always foresee. If you don’t have enough of a reserve, then you can be in trouble. Now, things are starting to pick up again, and most of the spaces are occupied. The weather can be a factor too. We haven’t had hurricanes in a while, but the first couple of years, there were several hurricanes. I know some people who owned businesses near us in [town] and the hurricanes led to their closing. They didn’t have enough money to support doing what they were doing. Chocolate is a luxury item. If the economy is not good, people will not buy as much. But, for the holidays, thank God, they did buy. Regulations - there are some ridiculous regulations - like those water fountains over there. There’s a handicapped fountain and a regular fountain. All business in [this] county have to have that. It’s cheaper for a business to give somebody a bottle or a glass of water, than to be obligated to have this. You lose space for your merchandise. That regulation is just stupid. Bathrooms in restaurants - that is another ridiculous regulation. If you have ten seats or more, you have to have two bathrooms. You do not need two bathrooms for ten seats. It’s ridiculous. I understand that they have to protect the public, and I think it’s important to be handicapped accessible and to have a handicapped bathroom. The government has to be careful, because it can tax a business a lot if they have too many regulations.
M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

N: I think it’s important to have experience. It is very important to learn everything that is involved in a restaurant - from the front to the back of the house. It’s a team, and there needs to be cohesion among employees in a restaurant. When we ran the restaurant in New York, I would clean the floors and answer the phones, and do a little of everything. We had a private dining room, and I would run banquets, I knew how to do the bar, I helped the waiters. I think it’s important that you learn all of the different aspects of the business. That makes you stronger, and the more knowledge you have, the better. I think the chocolate business is a little simpler; maybe I just find it simpler because of the restaurant experience. You have to do your homework when you launch your operation. If you don’t have enough money when you start, it makes it very difficult. If you have any sort of problems, your air conditioning breaks down or something, and you don’t have the money, you could lose your business easily. It’s good to have some reserve and to plan for rainy days. In New York, if there was a snowstorm, you would lose 3-4 days of good business. But, you still have to pay the salaries of your staff. Have a reserve, and look at the market around you. You really need to research where you are going to be.

M: Thank you!
M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

A: We had a lot of experience and knowledge in the industry. My fiancé (my business partner) and I had been working in the industry for about 13 years each. I’ve been in foodservice since the time I was 15 years old, and even before that. Her and I, we had a lot of experience in the field and we had a really strong passion for what we wanted to do. We were really, really big on our concept, which was bringing healthy foods to [this town] and that was what both of our interests and passions were for. I have a degree in nutrition and was a personal trainer for a while and my fiancé is a really big health buff. We were both passionate and knowledgeable about food, and we have worked all [positions] in the restaurant industry - from bussing to serving to bartending, in cafes, bistros, fine dining. We pretty much knew the industry inside and out. We wanted to bring our own twist to the scene, and healthy lunch is what we decided to go for.

M: How did you finance your business? How did this decision impact your business?

A: We kind of did it unorthodoxly. We financed it personally, because we were not too keen on getting into debt right off the bat. People often opt for a loan. I guess there is less risk because it is not your money. We pooled all of our money from our entire [careers] and risked it more than the average person. We were pretty confident on what we were about to embark on. We knew if it didn’t work out, that was going to be it. We wanted to
make sure that we did everything carefully, and did all of our research, our homework, our due diligence, and put our hearts and souls into what we were doing.

M: How did you find reliable employees to hire? Likeminded managers?

A: That is, in talking to other business owners and personal experience, that’s the biggest challenge in any line of work, finding reliable help. [Find] people who you can trust, not only to do a good job, but be a representation of [your brand] to the community and the customer. They need to uphold your standards of service and food quality and excellence. To find help, we rarely go on Craigslist, rarely go on social media. We source our staff through our customer base, people who are passionate about what we are doing. We have a very niche market, in the sense that we are not serving food that everyone is going to eat. We serve healthy food, specifically healthy lunch items. People who gravitate towards this kind of food and this kind of atmosphere, are the kind of people we would like to cultivate and bring on board to our team. We use a lot of customers that we know, and just kind of put our feelers out: “Hey do you know anyone who is looking for a job.” Then, we interview them, get to know them personally, and then train them. We like to attract people who are likeminded and passionate about the same thing we are, before we bring them on board. We want someone who has at least a base knowledge of healthy food or fitness.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

A: Preparing for anything like this, like we said earlier, you have to do a lot of research. Know your target audience. Know what kind of food you are going to be serving. Know
what kind of customers you want to attract. I think a big mistake people make is to try to
cater to everyone, all walks of life. That makes sense on paper, but at the end of the day,
if you do not have something that you are going to do, and do it very well, then you are
going to get into trouble. You will do a lot of things, just okay, rather than doing one or
two things really well. That was something we really, really want to focus on - knowing
exactly how we were going to execute it and then making sure we were doing it
differently than everyone else. [You need to] set yourself apart - whether it be the
freshness of your ingredients, or cool flavor combos, or different specials that you run, or
your service - something that sets you apart. There are 400 or 500 restaurants in town. So,
you have to carve out a space for yourself. Say, “I want to be the authority on ________.”
Instead of, “I want to serve food that everyone will eat,” because you will get washed by
the wayside. That is what we attribute our success to, really knowing our market and
knowing what we wanted to do and who we wanted to serve and focusing on that and
perfecting it. It’s easier for us to make 50% of the people really, really happy, and have
them come back all the time than to try to make 100% of the people happy. You are
never going to get everyone to be happy with your product. It’s just the way it is. Not
everyone is going to like what you do. You should focus on a certain sect of the
population, big enough to support your business, and just keep those people really happy.

M: What did you learn from the early weeks of business? The first year?

A: The early weeks were a complete learning curve. You can prepare as much as you
want, and you can practice and rehearse. But, there is nothing like game speed, getting in
there and actually going for it. So the first couple of weeks was kind of just a mind blur,
coming in and just trying to get as many things lined up as we could and trying not to
mess anything up. It started off just me and my girl - the two of us. We didn’t have a staff. We didn’t have anyone to help us with inventory or bookkeeping or prepping the food items. Since it was just the two of us, the first couple of weeks were learning what not to do and ironing out any kinks. [We had to] figure out the efficiency of our place and how we can best serve the product quickly and keep it fresh. After the first year, the biggest take home message after that was probably what times of year were going to be busy, what our busy seasons were. During the wintertime we did more hot dishes and we’d have tourists coming down for vacation. During the dead, dead of winter, after the holidays, it would slow down. [During that time], it would be mostly locals and we would really try to harbor that connection. Springtime would pick back up with the nice weather and then summer would taper off. It depends on what kind of business you run and the kind of food you serve and the kind of atmosphere you have. We have only outdoor seating, being a food truck, so it is very weather dependent. That’s something we learned very quickly, the weather dependency of our business is a huge, huge factor of if were are going to do well or not. When to prep a lot of food, when to hold back. We prep everything fresh every morning. Whatever we don’t use, we are not using the next day. We’ll take it home for dinner or to the homeless shelter. We’re really big about the freshness of our ingredients. That was another thing we learned - what days of the week are going to be busy. For us it’s Fridays and Saturdays. [During our first year] we learned things like that, things you can never anticipate until you are in it.

M: What were some ventures that did not go as planned? What were some successes?

A: That’s a weird question for me, because we didn’t have very many expectations going into it. We didn’t know what to expect. We knew what we wanted to serve, who we
wanted to serve, and how we wanted to serve it. But beyond that, we didn’t have high
hopes or low hopes. We hoped for the best and planned for the worst. We did get busier
than we thought, quicker than we thought. I didn’t expect to be as busy as we were so
soon. People really gravitated towards what we were doing because, at the time there was
nothing really like it. There was only one other food truck in town. As far as healthy
lunch food, there was not really any options [in our area]. It was a void that the town
needed. We’ve gotten a lot of feedback from people saying that it was a really good idea
for us to do it and they are thankful that we came through with our idea. There were also
some unexpected setbacks - like the weather dependency. I didn’t think that the weather
would make a huge impact on our business - but it is massive. On hot days, we would be
really slow. On days where it rained, obviously, no one is going to sit in the rain and get
soaking wet, so that was a setback to business. That was something that we didn’t factor
in, but was pretty detrimental to our success.

M: Tell me about your plans for growth? How did you craft those plans?

A: We are actually very close to opening a second location. [CONFIDENTIAL!!] We
want to scale this as big as we can. We want to get our product in as many people’s
mouths and hands as we can because that is the dream of any business owner or
entrepreneur. You want to take your baby and take it to the moon if you could, but with a
very careful, calculated, systemic, cautious approach. You don’t want to scale too fast
and expand too quickly because you risk: watering down your original product, giving
less attention to location number one, and/or having the quality of service or quality of
food diminish. There were a lot of factors [considered] when we decided to open another
location. Also, you need to see if your product is wanted in that part of town. We have
gotten a lot of feedback from a lot of different people, saying, “We really wish you had food in this part of town or that part of town.” We’ve been open for three full years and I think it is a good time for us to take the next step. It’s a good indication to see if our business would be successful in different locations or if it was just really a fluke. [Our success could be attributed to the fact that my partner] and I were here every day or because of the location. It’s a big step for us. It’s a little risky because we are having to fund a whole new operation and staff it and do all of these things. Logistically, it’s a lot to keep up with. But, it is a step towards our larger, big picture goal - to have multiple locations that run themselves. This is step two, which is fun for us right now.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

A: We do numerous charitable events, Big Brother, Big Sisters. We do a lot for the Council on Aging and SAFE Foundation Pet Rescue. We do a lot of charitable events throughout the year. [Names several local charitable events]. All of our produce is sourced locally, and we have contracts with local farms. We’re really, really big on supporting local business and the community in town. Not only growers and farmers, but different artisans and vendors, with different kombuchas and teas and things of that nature. We source local desserts as well. We’re really, really big on promoting and supporting other local businesses. There are somethings we have to purchase from larger companies - like dry goods and cups and straws. We consider those the necessary evils of running a business. You have to have them for cheap. As far as our food quality, and the bulk of our [inventory] we do source here in town.
M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

A: Any of those factors can have a profound impact on our business. Staffing, personal desire, whether you are there at the business or not, those things can make or break you. Like we talked about before, if you don’t have a good staff that is competent and that you can trust to do the job you want them to do, [then running your business will be almost impossible]. Your business is only going to be as successful as the people you have working with you. You can have the most amazing owner, the most amazing manager, and the most amazing chef, but if you don’t have the right servers, or the right people behind the house, then the business will be an okay place with a couple of good workers.

We look at our place as a team. I’m a sports fanatic. We really look at this place as a team in that you are only as good as each member of your team. If you have one weak link in the armor, it’s going to bring down the team unity. [The staff factor] is always huge, so we’re very selective on who we hire and how we train them. We are really particular, almost OCD in a way, on the way we do things. It think it shows - the customer understands that and appreciates that. Personal goals and issues can obviously get in the way of business. External factors…Regulations are for everyone. It’s kind of a level playing field; everyone has to deal with that. Competitors are always going to be there as well. Competition is inevitable - it’s America. They’re going to want to do something to compete with you, or try to rip off your idea. We’ve had a lot of that. Since we’ve opened we’ve had people come to see what we are doing, how we execute it, and try to copy or mimic it. In today’s day and age, with social media and the internet it is easy to replicate what another place is doing - whether it is food or clothing or music or anything. With
everything so assessable on the internet, everything is just a click away, it’s hard to protect what you have and keep that private. What we do is we are always trying to constantly evolve and only worry about ourselves. We don’t go on social media and worry about competitors’ business. I don’t even look at it. It’ll drive you crazy. We just try to improve and get better every day. At the end of the day, people are coming here because they like what we do, not because they like us better than someone else. By focusing on ourselves, we get ahead of the curve.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

A: If you take on partners, be careful who you partner with. Be careful who you hire. Those things can always come back and bite you. When you are in the food industry, it is very common for a business to go 3-5 years without seeing a profit. That is another thing that a lot of people don’t understand. We’re always explaining to people who think, “Oh your business is so successful.” They have no idea what overhead we incur, what the bills are, and daily costs. Between rent, insurance, liability insurance, staffing, food cost, payroll, and taxes, it’s difficult to run a business, especially a food business. Every single day you have to pay your staff, your food cost, your rent. A lot of people would get very discouraged initially because I could make $10 or $12 an hour working this side job, but I’m working my business. I’m working 80 hours a week for myself, and I could be making more money working 40 hours for someone else. It’s a tradeoff. It’s a labor of love. If you think you are going to get really rich really quick in the restaurant industry, you are probably mistaken. Some people might. We’ve been successful, comparatively,
but we still struggled financially for the first couple of years. We’re three years in and there are days where we lose money. If it is a slow day - like a rainy day - and few people come in, we are hemorrhaging money at work. We still have to pay our employees, cover our costs, and rotate the food out. That would be a big thing I would advise people: don’t get discouraged. If it’s something that you are passionate about, and you believe in, then you need to really, really love it. There’s going to be long nights, and long days. If you want to open a business you need to get used to working 70, 80 hour weeks, and be okay with that. A lot of people think it is glamorous. But, it’s been three years, we haven’t had a day off. We have not taken a day off in three years. We’ve had a couple days off for Christmas and Thanksgiving. But, as far as the Monday through Saturday that we are open, and Sunday deep cleaning and prepping, we don’t take days off. The day you are off, unless you have a really, really solid managerial crew, and a staff that you pay very well, you slip up one day and it’s a domino effect. It will derail the entire process. Definitely do not get discouraged, and make sure you are able to handle the workload. If you love it, it is worth it, for sure. I would not trade this for anything in the world. But, there are some days where I really miss clocking out of work and going home, and just being done. Going home, and not having to work. We go home, and all we do is [take care of the business.] Your brain is always moving. Even on Sundays, when we are off. Even on Christmas, when you are off. There’s a lot more besides the 9-5 you are open. There is a lot more behind the scenes.

M: Thank you!
Interview Ten

July 21, 2016, 8:00 a.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

J: I’ve always enjoyed preparing food, and having guests over and cooking. I started cooking at a young age, really self-taught. My mom cooks and bakes as well. After school, my parents weren’t home, so I took on a lot of the cooking and grocery shopping responsibility in high school. By the time I was in college, I was hosting dinner parties, and had gotten into DIY. I think that’s when that movement was really starting to come about, mid-2000s. I started making syrups for sodas, and I had gotten into craft cocktails and baking. I got more and more involved in making my own food. I have a passion for it. I feel better when I eat well and I was really looking at what was in my food. I have ADHD and I’ve always been kind of affected by different fake sugars and food dyes. So, I started scratch making mostly anything. I was traveling a lot for work and moved [here], and there really wasn’t anything where I could [take my work] to a coffee shop and get a cold brew coffee or a healthy snack or an easy simple sandwich. I started coming up with some of that stuff on my own. I lived in the [----] neighborhood, and I saw a need for that. I figured I could turn my passion into a business.

M: How did you finance your business? How did this decision impact your business?

J: I actually self-financed. I had worked and had a pretty successful career in sales and management. I was always a pretty conscious saver. I’ve never expanding on my living style, even with all of my raises. I was taking bonuses, tax returns, and raises, and putting
them in a cash fund. I didn’t really know what it was going to be for, but I knew that I wanted a chunk of money that I was not putting in my 401k to either travel or buy a house or start a business. It did impact me because I had a small budget. Because I have a business background, I was trying to be conscious of risk management. I didn’t want to take out a large amount of money that would A) make my business hard to succeed because I had a monthly payment, and B) a lot more risky, because if I failed, I would be indebted for this amount of money. So, I did it on a shoestring budget.

M: Do you have employees?

J: I have just one part time employee. When I move and expand later this year, I will have several employees. I will have some front of the house and back of the house employees, because we will have a lot larger space. It’s just so tiny that really only one person needs to work at a time. I just have someone working when I am at the farmers markets or off on the weekend.

M: How did you find reliable employees to hire who can serve your customers when you are not there?

J: Luckily, it’s been through word of mouth. Everybody [I’ve hired] has been somebody that someone else knew, and mostly untraditional employees, which has been great. When you are by yourself, you have to do customer service, and cook, and bake, and be trustworthy. I’ve had really great experiences with people other people know.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?
J: We had to build the whole space out from scratch. That is something that many restaurant do not have to do. I learned every aspect of the health code and building code. Now, I’m able to leverage that as I move into a bigger space. I provided myself as a consult for getting the floor plan and all of the legal aspects of a kitchen put together. Most people will buy an existing space; that is already intact. They are not really able to tailor it the way they like because every change seems so daunting, because there are so many rules with everything. Whereas, I know if something will or won’t take. Like, it could seem scary, but only be a $1,000. I think that that has been a big part of preparation.] My background is in people management. I’ve done small business book keeping and then I studied in marketing. I feel like those three things have really helped. Even though I am not classically trained as a chef or a pastry chef, and my cooking is just above average from a home cook, I can provide consistent branding, a positive customer service experience, being able to manage people (that’s really difficult if someone is not easy to work for or structured), and being about to keep my food costs and finances down. It’s a lot for a small business. But, because it is so small, I’m able to touch every one of those areas myself.

M: What did you learn from the early weeks of business? The first year?

J: I was doing a lot of silly things in the beginning, which I think is true for any business, whether you are in the food service industry or not. I opened a little too ill-prepared. I thought I would learn through being open, but I should have had some soft openings or practices with friends and family or being open without having a sign, and letting the menu come together more that way I think. Throughout the year, I learned what works and what doesn’t, from inventory management to case selection, what is consistent and
what people want all the time, and how much help you need. You find out how much is realistic for you as a human, without being burnt out. You need breaks. There has been a lot of lessons like that over the year.

M: What has been your biggest takeaway?

J: You have to take criticism as constructive, and then grow organically. No matter what the feedback is or what thought the vision of the business was, (yes, you should have a business plan and stick to the core foundation of what that is), but you need to make that work, in whatever way possible. You have to be really flexible, steadfast, but flexible.

M: What were some ventures that did not go as planned? What were some successes?

J: Well, I never really set out to be a sandwich place; that was an unexpected success. That was something that there was really a void for in the neighborhood. I set out more to be a prepared foods market. You would come in, and there would be different selections. Everything would be by the piece or by the pound, and there [would] not really be a lot of tailoring in between there. I would serve different salads or quiches or that sort of thing. That concept was not as successful, so it turned into really about sandwiches and staples. Also, the time of the business being open [was not as successful]. I was originally 8:30 to 6:00, but I was really only busy for lunch, because you have to be open a little earlier than that for breakfast and a little later than that for lunch. People don’t really want lighter fare for dinner. Even if you are open after 5, people don’t want salads and sandwiches for dinner. So you have to tailor your time and your menu together.

M: Tell me about your plans for growth? How did you craft those plans?
J: I outgrew the space I was in pretty quickly, because it is so limiting in what I can and cannot bake. I had a disastrous Thanksgiving where I had sold all of these pies for pre-order and realized that you can only put two pies in the oven at a time. I knew that, but I hadn’t thought it all through. One pie would bake at 425 F and the other at 350 F. Pretty rapidly, I learned that I needed heavier equipment for what I was doing. I started working on space pretty immediately. I was finding all of these things that were not a good fit. It kept feeling like a failure to me. I felt stuck in my existing space. While it worked, it plateaued pretty quickly because there is only so much you can do and so many people you can fit in there. I had to learn how to grow on that. Part of my plans is to keep growing in a vertical sense. While I am expanding my space, I am expanding on the services that I can offer in my small space. I kept looking for a bigger space with a bigger kitchen and I was doing some financial modeling for what that looks like, and how profitability translates per square foot. I’ve worked a ton with the Small Business Development Council, which is a free service, through a state funded grant, out of [University of North Florida.] They have helped me meet different people for insurance or small business attorneys. They have helped funnel my plan into a successful plan. [In our new space,] we are going from a total square footage of 400 (under 240 square feet for the kitchen) to 600 square feet of dedicated space. It’s still going to be counter service. You will still walk up and order. We will be able to make some made-to-order food out of the kitchen and we will have a deli case for the salads, but we will also have a grab and go case for people who really use that service the most. We will have beer and wine, and full espresso. We already do specialty ice coffees and really nice organic drip coffee, but we are looking to expand into a high end espresso program. We will have a lot
more retail space. That is another thing that was really unexpected about my space. I’ve always been into really local ingredients and I shop as much as I can from the farms in the area and the small food purveyors. I liked all of the things I would go buy at the farmer’s market, like honey or teas and all of these things and there was no place in this area to buy that. Even though there is a health food store, they focus more on health food, and less on local. I was able to expand and add some of that in my existing space by building shelving on the front. I sell a local coffee by the pound and honey and nut butters, and other gourmet food items. That has been really successful. We will be expanding on that a lot more in our new space. That is our vision for growth - taking what we have, and expanding on it.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”

J: We’ve always had a focus on planet by trying to using local and trying to compost when possible and recycling, and using compostable plastics. Also, we support local farms, so we are not looking at monoculture. I think that that has created this community vibe, because we support so many other small businesses. To the point where, I had been able to do some small business consulting with people, and helped them get to the next level from a part time thing to a more lucrative thing. It’s created this nice community. People come in and I know their drink order. We chit chat and it’s more of a meeting space. Even though we don’t have traditional seating, people can still come hang out. I think that naturally translates to being profitable.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?
J: I think there are unique opportunities with both of those. Internally, you need to learn how to manage your business without physically being there. I think your staff can impact that a lot, especially when you are trying to have a customer service driven business. When one of your employees gets a bad review on an internet site, it’s always hard. But, it’s a good opportunity to learn and to teach them how they can improve. Obviously finances are always impacting. This is a slower time of year. There are some new products that I want to bring in, but I need to wait because I don’t want the financial investment of bringing in new product. In retail, you have to sit on your inventory until you can get your money back. I have to model it based off of the time of year for finances or wait to put in a larger espresso machine, those sort of things. External factors are always interesting with driving market conditions and competitors and what is going on in the neighborhood. Regulations directly impact you. I do not have seats on file, because there is no parking. For example, I would love to serve kombucha, an unpasteurized tea product, but you are not allowed to, or local eggs, that are not coming from a certified facility. There are some work arounds with that in working with small farms, but for the most part, there are certain things I cannot do due to regulations.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

J: I think a huge mistake is getting too focused on food in the kitchen or whatever it is in the business you are in. I really, really recommend for preparation that you work in the foodservice industry. See it from a firsthand perspective. I had worked in the foodservice industry, but not since college, and then I went to work corporate jobs, which was great
for bookkeeping and management aspects. I think I could have benefited by going back
to work for somebody else for a little bit of time. It’s not that I felt above it, I just didn’t
see the gap. I didn’t think to take time off of work and just work back in a coffee shop or
back in sandwich place to get the flow of things again. That would be something I really
recommend, that you get really multifaceted. There is so much more than just being a
good cook. That’s the thing, I’ve worked with a lot of really talented cooks and bakers in
the past, but I don’t think they have the concept of food cost or food waste. It’s about
coming up with a menu that is profitable. Here’s a good example, I love dried cherries. I
don’t use them in the restaurant that often because they are really expensive, or I use
them in a sparing amount. I substitute dried cranberries a lot because the price per pound
is significantly less. You could make that decision to say, no, I want to stick with the
ingredient listed and just charge more for it. You have to figure out if that is profitable
and if people have that price elasticity where they will pay it. I’ve made the decision that
like, unbleached flour and high quality butter are things that I cannot substitute because it
just affects the quality too much, and you factor that in your food cost. But, if you are not
financially minded, or people minded, or administratively minded, there is a lot of
downfall in the foodservice business. You can always take small business courses, you
don’t have to have a full time corporate management role. But, I do recommend at least
taking workshops and working with someone who can help get you acquainted with the
foodservice industry in that way. Get a job doing the type of food you want to do. Even if
it’s like, you want to own a sandwich shop, instead of working in fine dining, you work
in a sandwich shop so you get to see the day in, day out of that. A lot of it is a blind leap
of faith, and knowing when the time is right, and waiting and not rushing. Even if it
means working for a while. I worked six or seven years after college before I decided to do this, but it allowed me to save money and self-fund.

M: Thank you!

Interview Twelve

August 8, 2016, 10:00 a.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

T: Since I moved to [this town], I have worked in the food service industry. I moved here to go to [local college] in 2002. I got my first job at [local bakery] downtown, and met my first group of friends, like [names another successful restaurant owner]. Then I worked at [local café], and [same friend] worked there also. Then, several of my friends opened a farm-to-table restaurant. I helped open it, but I did not put any money into it. I was there from the very beginning, when they were just talking about the concept. So, I saw an idea come together into a restaurant from the inception which was really cool. It was a really great experience for a group of young friends to do together. Then, I worked there for a while. During that time, I met [my business partner]. He has had a couple of restaurants, and he had just sold one and was taking a break. So I was like, “I’ve got some money - let’s do this.” And here we are. I just learned what to do and what not to do from my experience.

M: How did you finance your business? How did this decision impact your business?
T: We started with very little. [My business partner] had a little more money than me because he sold his food truck. We found a space that would let us rent the equipment along with the building, so we didn’t have to buy any equipment at first. It was really small. We were at that location for a little over a year, and we just saved money so we could move here. In this location, we did the build out. We started small with very little money, and over time we grew to where we are now.

M: How did you find reliable employees to hire? Likeminded managers?

T: [My partner] and I are the managers; he does the hiring for the kitchen and I do the hiring for the front. We have several employees that we really trust, like to do the money at the end of the day. It can be hard sometimes to find reliable staff. In the restaurant industry there is constant turnover - people leaving, people going on vacation, etc. Some people just make a chunk of money and are ready to go. Right now, we have a really great staff. I’m really excited about it. I think it’s a lot easier when it is a small place, compared to someplace bigger. We only have twelve people on the payroll. I think [restaurant owner friend] has like 70, which is nuts. She has a much bigger team to help her, though. I’m doing the payroll right now, and I couldn’t imagine doing it for 70 people. Twelve is enough. We have a really great group. It helps a lot because [this town] is driven by the tourist industry. Most people have worked in the industry before and have a good idea of customer service to begin with.

M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?
T: It’s funny. When we were setting up the other place, we had just gotten our last chunk of food from our purveyor. We were set for the kitchen, but we had a few things we still needed to do for the front of the house. We had like -$10 in our bank account, so we were like, we have to open now. We have to make money, otherwise we can’t keep doing this. That was pretty much the motivation to open that first day. It’s pretty funny. It worked out fine. Leading up to our opening, I was really anxious. When I am really anxious or under a lot of stress, I just cry a lot. So, I was crying every day. Having a business partner who had already opened restaurants before, was very calming. He was like, “Chill out, we got this!” I was freaking out about the money. We literally have no money and we are going to open. What if it doesn’t work? What are we going to do? But it worked. That was probably the biggest thing, having someone reassuring you that you are doing the right thing, not just my partner, but my friends, the community. In [this town], it’s important to have a good group of friends and family to support you.

M: What did you learn from the early weeks of business? The first year?

T: The biggest thing I learned was to not get so stressed out. I would worry a lot about the schedule or the future. For example, right now, our staff is great. I don’t have to wait tables. I am just managing. It’s great. Sometimes I get really anxious about it though. I think, “It’s not going to last. Somebody is going to quit. Somebody is going to get pregnant.” But, I have to remember to enjoy it when it is good, and know that there will be seasons of ups and downs. It all comes in waves. Roll with it, and it will all work out fine. It’s worked out way better than my expectations anyway. It has been so, so great.

M: What were some ventures that did not go as planned? What were some successes?
T: When I was working at [the farm-to-table restaurant], even though I wasn’t a partner, I felt like a partner. I thought that I would be there forever and that would be my job. We talked about expanding the catering side, and I would be in charge of that. I thought that that was going to be my career pretty much. Things fell through for [my restaurant owner friend] and then I was like, this is not where I want to be anymore. I was kind of lost. I was still working there, but I didn’t want to be there. That was when my partner and I started talking about opening our own place. [The situation at the farm-to-table restaurant] motivated me to stop relying on other people and start my own business. As a woman, sometimes I think that I can’t do it by myself. I’ve felt before that I can’t branch out on my own, because of my gender. But, because of that venture that didn’t go as planned, I got something better.

M: Tell me about your plans for growth? How did you craft those plans?

T: Our big growth spurt was us moving from the smaller location to here. Now, I’m not really sure what will happen next. We haven’t really talked about opening a second location or franchising. I think we are too young to do something like that. We are kind of set right now. We are making money, but we don’t have to work as hard as we did in the beginning. Which is really nice. I don’t know. I don’t know if we would just stay here for a few years and then sell or try to add on to this building. Right now, though, we are pretty content.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”
T: We are the only restaurant in this historic neighborhood, so that is pretty cool. As the neighborhood changes, it is becoming more attractive to tourists. It’s a great place for people to stay in a vacation rental and explore the area. There is civil rights history here and African American history here, and the history of neighborhood really goes back to the founding of [this town.] I think we help enrich the neighborhood, and provide a place for tourists who want a broader experience. They can stay in a historic home, and they can walk, explore the area and then have breakfast or lunch within walking distance. I think that helps environmentally, and it gets people out walking. It’s amazing how many people will walk from downtown to here. That is kind of a hike. I think that is a higher degree of tourist, someone that will do that. They want to explore this little neighborhood, and I think that is cool. In terms of planet, people, and profit, we do try to use as many eco-friendly products as we can. Our to-go materials are all recyclable and made of corn or paper. That was an essential in the beginning, to find those products that are not as wasteful. Same with the kitchen. They really try to have no waste and be efficient. It’s good for the planet, and good for our bottom line.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

T: I’m not really sure how they directly impact us. I think if we were to talk about growth, we would talk about opening for dinner, or doing some sort of nighttime thing like art shows. The community might fight us on that. It was a big thing when we opened, that we were only breakfast/lunch. All of the cars would be gone by 3:00 p.m. There wouldn’t be people drinking until drinking time in a quiet neighborhood. That could be something that we could come into conflict about, but we haven’t tried any of that yet.
We have been in this location for a year and a half now. We have now established ourselves as a part of the neighborhood. There are still some people that give us the eye as they pass, because the parking situation is tough. Parking downtown is crazy, and the people in this neighborhood know that. Downtown is growing so much that there is nowhere else to go but here. Market conditions, [this town] is a tourist town, and we are in a boom right now. I’m hoping it will stay that way for a while, fingers crossed.

Regulations, when we were doing the built out, we ran into a couple of problems. We had to have an extra bathroom, so that changed the space. So far with the Health Department, everything has been smooth.

M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

T: To prepare yourself, the best thing is to work in as many restaurants as you can. You should get experience in all aspects - the kitchen, the front, management. That is really the thing that prepared me. Learning from my previous jobs, and all of the different owners, set me up for this. The best way to learn is to do it. Mistakes owners make, I think, include expecting too much from your staff, especially in the beginning. They don’t know you. They may not know that much about the restaurant industry. Also, not believing in yourself that you can do it. I think some people may take for granted the community that supports them, and that would be a really unfortunate mistake. I feel like this neighborhood has really welcomed us. We get quite a few tourists, but we are in a neighborhood and we get lots of love from them. I just constantly try to give back to them. We have a lot of regulars and every once in a while, I like to say, “Your meal is on
us today. Thank you so much for supporting us.” I do the books here, and I have no accounting experience. We work with an accountant, but I do the day-to-day. I wish I had classes in accounting and quick books and all of that. Our amazing accountant helps me a lot.

M: Thank you!

**Interview Thirteen**

August 22, 2016, 4:30 p.m.

M: Tell me about the motivations behind launching your business. Why did you choose to enter the foodservice industry?

MH: I got started in the industry when I took a semester off from college and began bartending and I enjoyed it. Now, I've been in the business for about 30 years. The motivation behind launching my own business was that I really wanted to be my own boss. I have managed restaurants for about eight years, and I just had this attitude where I think I can do it better than the people I work for and I think I proved it. The motivations behind starting [Restaurant 2], was, obviously to make a living, but also to have a really nice restaurant. I mean [my wife/business partner] and I have really high standards and we don't compromise as far as the standards. We liked [this town] and we needed a business. We bought a failing faux-French restaurant and turned it into [Restaurant 2]. The motivation behind starting our second restaurant in [this town], [Restaurant 3], was boredom. [Restaurant 2] was almost running itself. It got to the point where I wasn't as involved, and I was looking for something different to do.
M: How did you finance your business? How did this decision impact your business?

MH: Well, for our first restaurant in Texas, [Restaurant 1], we got an $80,000 SBA loan. We were vastly undercapitalized, and we pretty much did all the work ourselves, as far as finishing it out and starting a new concept. We struggled a lot during the first two years, but we made it work. We ended up selling it for a pretty good amount of money five years later when we moved here. We used some of the money to put a down payment on what would become [Restaurant 2]. The restaurant we bought was failing and it had terrible numbers and no banks would loan us any money. We bought it from the owners and now finally this month we paid them off. But, it was a struggle when 2008 hit and the economy tanked. We had to sink pretty much all the money that we had made off of [Restaurant 1] into [Restaurant 2] to keep it open. We knew we had something good going, but it was a struggle for the first couple years. For [Restaurant 3], one of our partners put up the money and we came up with the concept and now we manage it.

M: How did you find reliable employees to hire? Likeminded managers?

MH: I tend to hire more on personality than resume. I'm one of those people that likes having a smaller restaurant so I can be pickier about who I hire. As a general rule, I don't hire anybody I don't like. If I don't like them, then I don't want to work with them. It has worked pretty well. I think that one of my biggest strengths in this business is hiring. As far as management, if they have worked for you for a little bit and you trust them and you think they have the skills, then promote them. That's usually how we end up with a manager.
M: How did you prepare for the launch of your business? What is the one step of preparation that impacted your business success the most?

MH: That's kind of a tough question because I've had three businesses. [Restaurant 1] in West Texas, I got a lot of residual business because I had been managing the other nice restaurant in town for a number of years, then I had to quit and went to work as the Salesman Manager at a small Mercedes dealership, and my customers followed me to the restaurant. As far as [Restaurant 2], it was, like I said, that we bought a faux-French restaurant and we didn't want to have a French restaurant. I am half Italian and I've never desired to have a French restaurant. Plus it wasn't very good. So, we started putting our concept in place. We bought [Restaurant 2] in September 2006, and then started putting our concept in place. Finally, around February 2007, we felt confident enough that we could change the name and that we were doing a good enough job. My thinking was that, if we were going to make mistakes, let's make them under the old name. We had a quiet opening. I've never been a believer in lots of hype and advertising in any of my restaurants and I've never had a grand opening. For [Restaurant 3], one of our partners asked me, "When are we going to have a grand opening?" I said, "How many people do you want to piss off the first night?" We opened quietly and to get things working. It takes six months to a year to really get a restaurant running right. Then we gradually grew from there. For all three of the businesses, we averaged a 15 to 20% growth the first 5 to 8 years. [Restaurant 2's] is only growing at 8% right now because we only have so much space at that location. So, we build it slowly. Good employees are hard to come by, so you try to get them to stick around. Then you get the foundation of a good team, and
the restaurant gets better and the customers are happy. We use very little advertising and no hype.

M: What did you learn from the early weeks of business? The first year?

MH: The first lesson for somebody is you are always undercapitalized. You never have enough money. We really learned it in our first venture, and it helped us on our second two businesses. Be sure to listen to your customer. You have a concept that, you think is really great, but it doesn't mean that everybody thinks it's great. You have to adapt. For example, [Restaurant One] was fairly casual. But, people kept asking me for more and more seafood. Over probably the first six months, we gradually added seafood until 50-60% of our menu was seafood. That had not occurred to us before we opened, but we listened to the customers. When I started my first restaurant, I always tried to hire people that knew more about the business than I did, and learn from them. Now, that's not as easy as it used to be. Just learn as much as you can and just keep plugging away.

M: What were some ventures that did not go as planned? What were some successes?

MH: As far as things that did not work out, there has always been some menu items that didn't work. For example, in [Restaurant 1], we had steaks, and also a nice tenderloin. We decided we were going to put on a ribeye. So, we put out a 12 oz. ribeye, and it really was not selling. One night, this retired guy came in who used to own a really big steakhouse in Fort Worth, and he said, "Son, do you know why you're not selling the ribeye? You need an 18oz ribeye. No one is going to buy a 12oz." I learned that lesson. He also gave me other advice which I thought was very valuable. He said, "Every cow is different. Some of them are tender some of them are not." As far as success, 2008 really defined
[Restaurant 2]. The economy is down; we're struggling. We put in almost all the money we made from the other restaurant, a lot of money. We put things on credit cards just to keep going. Everybody in town is cutting quality. They are cutting their staff. They've gone from fresh fish to frozen fish. They are really trying to save every penny. [My wife/business partner] and I sat down and we said, "I don't care if the economy is bad, people still have birthdays, and they have anniversaries, and they have special guests coming into town." There was no place in town to take care of them. So we positioned ourselves to do that. We revamped the menu some, adding more lobster and foie gras and special things. We upped our wine list. We added more staff to take care of our customers better, rather than less. We actually raised our prices. We may be the only restaurant in Florida that did that in 2008. It worked fabulously well. We did what nobody else even thought about.

M: Tell me about your plans for growth? How did you craft those plans?

MH: [Restaurant 2] is full every night, so it's not going to grow. It's making good money, and we're not going to mess with it too much. It will have small and steady growth. I'm not a believer in advertising. To me, it's all about good food and good service. In [Restaurant 3], we're doing about $1.5 M in sales now, and I think within three years will be doing $2.5 M, which is what this restaurant should make for its size. But, we are going to get there slowly and we are not going to bite off more than we can chew.

M: How do you enrich the community surrounding your area and beyond? How does your business meet the triple bottom line of “planet, people, and profit?”
MH: As far as enriching the community, we give away a lot of gift certificates for charity events. But, having a nice place where you can go have a nice meal, where after you've been here three times people call you by your first name, and having that comfortable place, is really I think enriching to the community. Also, we lend our banquet room to all the neighborhood associations for free. We try to be good neighbors. As far as planet, if we can buy organic we do. At [Restaurant 3], we cannot recycle because it's set up that way in [this neighborhood], but at [Restaurant 2] we do. We try not to be wasteful. With organic and with locally grown produce, there's only so much and we do as much as we can. As far as profit, if you take care of the little things, the bottom line takes care of itself. It's not a matter of setting arbitrary goals for profit or anything. But, we keep our costs in check. We are interested in profit, but it's not all about profit. If you make the customer happy, serve good food, and take care of your costs, the profit will take care of itself.

M: How do internal (personal desire, staff, finances) and external (market conditions, competitors, regulation) factors impact your business?

MH: Starting with internal factors, my personal desire and goal is to really have a good restaurant that people will enjoy and kind of call their neighborhood restaurant. With [Restaurant 2], it is a little more complicated. We just try to give them an incredible experience, and that's why it's been named in the Top 100 Best Restaurants in America by Open Table for two years in a row. Our goal is to not compromise, to keep the quality good, even if we make a little less money, as long as the quality is good that's fine. If we have somebody that we feel like is doing a wonderful job we always try to promote from within. Our chef de cuisine started as the dishwasher, and now 10 years later he is
running the kitchen. Finding good people lately is hard because there is so much
competition. But, word gets around that this is good place to work and we want to try to
keep it that way. Finances - those really aren't an issue for us. We are not borrowing any
money. As long as we keep the boat steady, we are good. Market conditions - back to the
2008 thing, we just do that best we can. I think if anything the market conditions are very
good right now. More and more people are interested in the type of fare that we have.
People are learning that the all-you-can-eat catfish buffet is not really satisfying most of
the time. Tourism especially effects our business. At [Restaurant 2], fifty to sixty percent
of our business is tourism. At [Restaurant 3], twenty percent is tourism, and the rest is
local. The season affects our business. For example, we have a drop off at [Restaurant 3]
when the snowbirds go back in the winter. All the people from Canada in New York
absolutely love this restaurant, and when they go back we feel a little bit of drop off. At
[Restaurant 2], we will see what this September will bring us. Last September wasn't bad,
and it has been getting better every year, but there is definitely a seasonality. I talk to
people in Key West, and they say “We are busy five months out of the year.” Here we are
busy for ten months. I'll take that. Competitors - the more the merrier! Our goal when we
moved to [this town] was to help make [this town] a dining destination, like Charleston or
New Orleans or Santa Fe. I have another restaurateur that tells me all the time, “When
you guys came here, I had to improve my game to compete.” Regulation - there is
ridiculous the amount of regulation. Just grin and bear it. Play by the rules. As long as
everybody else is playing by the same rules, I'm happy.
M: What can future entrepreneurs do to prepare themselves for the challenges of the restaurant industry? What are some common mistakes restaurant owners make when they launch their operation?

MH: Well, I have seen a lot of new restaurateurs make financial mistakes. An owner may say, “Okay, I have got $3000 in the cash register, and I'm going to go buy a new car.” He blows the cash, not thinking that he has bills to pay. Having cash in the register does not mean it is yours. It is the business’s cash. A lot of start-ups run it like it's their personal cash register or wallet. [My wife] and I have always separated our needs from the business’s needs. The business comes first. The biggest thing is that most people don't manage their money well. And a lot of other people find out quickly that just because you can cook doesn't mean that you can run a restaurant. Some of these chefs who have won an award on TV fail to realize that customers don’t just come for your cooking, they come for the whole package. They come for the service, the atmosphere, the food, the wine, and all that kind of stuff. They don't just come because you're a celebrity. You have got to have good front of the house, good back of the house, and then good accounting. Put those three things together and you will have an advantage because not many people do, especially the accounting.

M: Thank you!