



Finding Opportunity in Troubled Times

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Sommelier Journal recently surveyed industry professionals across the nation to see how they were faring in these lean times; as their answers revealed, no one seems to have escaped the effects of the economy. Uncertainty lingers in the air, and consumers are keeping a tight grip on their cash—according to The Conference Board’s February 2009 Consumer Confidence Survey, 40.5% of consumers expect business conditions to worsen over the next six months.

The good news is that restaurant guests

are still spending—and when they do, just as much as they did before. The bad news is that they are not spending as often; instead of eating out three or four times a week, they now dine only once or twice. As a result, the National Restaurant Association (NRA) 2009 Restaurant Industry Forecast projects restaurant-industry sales, when adjusted for inflation, to decline 1% in 2009, to a total of \$566 billion. This would represent only a modest improvement over the 1.2% real sales decline recorded in 2008.

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Belinda Chang, wine director for The Modern in New York.

Location, Location

Many survey respondents called this the worst period of economic instability they had seen. “For some reason, this one seems to be the scariest that I have experienced,” said Belinda Chang, wine director for The Modern in New York. “Perhaps this is because there don’t seem to be any ‘winners’ this time around. In the past, there has always seemed to be at least one segment that has either been unaffected or even that has benefited from the recession, and we don’t seem to be seeing that this time.”

Based on our survey, some regions of the country are experiencing the effects of the recession less than others. “Being in Texas, and Houston in particular, we are a bit protected from the money-market crash, compared to the Northeast,” said Christopher Bates, CWE, restaurant manager and sommelier for the Inn at Dos Brisas. Fellow Texan Michael Flynn, beverage director for The Rosewood Mansion on Turtle Creek in Dallas, agreed: “Conditions in my market are somewhat better than the picture nationwide. Texas never experienced a so-called ‘housing bubble’; therefore, the mortgage crisis affected far fewer households here than elsewhere. Also, the energy market drives the local economy, and the Texas energy giants, fat from several years of record profits, have been able to cushion the blow of the recent downturn.” The NRA’s latest findings reinforce these observations, projecting that the top 19 states in 2009 restaurant-sales growth will be in either the South or the West (see map). Texas is expected to show the fastest growth in restaurant sales at 4%, followed by Nevada at 3.5% and Colorado at 3.4%. “Based upon what we are seeing, Las Vegas is doing better than the rest of the country,” confirmed Kevin Vogt, MS, sommelier of Delmonico Steakhouse in Las Vegas.



Christopher Bates, CWE, restaurant manager and sommelier for the Inn at Dos Brisas in Houston (above left); Michael Flynn, beverage director for The Rosewood Mansion on Turtle Creek in Dallas (above right).



Being west of the Mississippi is no guarantee of protection, however, as attested by Emily Wines, MS, wine director of San Francisco’s Fifth Floor. “San Francisco is an extremely expensive town,” she said. “The taxes and surcharges restaurants face are much higher than in most cities. With these expenses, our restaurants don’t have the flexibility to discount. In turn, prices are high and people are not dining.” Other large cities are finding their own challenges. “I think that, in some ways, New York City is harder hit than the rest of the country,” said Chang, “as so many luxury businesses are supported by those in the financial industries.” For Fernando Betea, MS, wine director at NoMI in Chicago, it’s more an issue of competition than of costs or connections. “Being in a city like Chicago, with so many restaurants,” he said, “it is very competitive now because people are being choosy about where they will spend. Fine dining still has the high-tier, but we’re lacking the upper-middle class that would normally splurge for a celebration.”

Fewer Guests, Similar Checks

Restaurants are lacking not only celebrators, but repeat guests. According to the NRA’s 2008 operator survey, repeat customers normally represent 75% of sales at family-dining establishments, 70% at casual-dining restaurants, and 60% at fine-dining venues—meaning that in times like these, restaurants must do almost



Kevin Vogt, MS, sommelier of Delmonico Steakhouse in Las Vegas (top); Emily Wines, MS, wine director of Fifth Floor in San Francisco (above).

Photo courtesy of The Modern (left); photos by Justin Goodwin (top center), Justin Lewis (bottom)



Fernando Beteta, MS, wine director of NoMI in Chicago (above left); Bobby Stuckey, MS, co-owner and wine director of Frasca Food and Wine in Boulder, Colo. (above center); Christy Canterbury, corporate beverage director for Culinary Concepts by Jean-Georges (above right).

anything to keep clients happy. “No expense is worth losing them,” said Bates. “If you have not seen a regular in a while, call and invite them in on a slow night on the house. If you do it on short notice and they cannot make it, even better—you show them you care, and it does not cost you.”

Many respondents reported that their weekday counts were hurting from the decline in regular visits, while weekends were relatively unaffected. Bobby Stuckey, MS, co-owner and wine director of Frasca Food and Wine in Boulder, Colo., noted that “2008 was the best year we have ever had, but we started to feel it in January, mostly in cover counts, not really check averages. Saturday nights are the same, but it seems that our midweek reservations are the toughest to fill.” “There isn’t a clear area that is being hit, in that no one is drinking wine or cocktails or not eating dessert,” added Christy Canterbury, corporate beverage director for Culinary Concepts by Jean-Georges in New York City. “It’s just that fewer people are dining out. When I get our daily report, I’m often surprised to see the check average is higher. I think guests are investing in quality and the full-on dining experience instead of going out more and spending less.”

“We have seen no slowing in the sales of our \$145 tasting menu or our \$135 wine pairing,” said Bates, “but we have seen that guests who pick by the bottle are spending half of what they did last year for the same occasions. Our \$800 customer has become a \$375 customer, and our \$80 customer a \$50 customer. But the biggest trend I have seen, and most relevant, has been half-bottles. This is my fastest-expanding cat-

egory, and people are not going cheap on them. We are still selling lots of \$100-200 half-bottles. People would rather drink less to save money than drink worse.”

Customers aren’t the only ones scaling back; both Flynn and John Cain, general manager of Truffles in St. Louis, reported being placed on a buying freeze. “Nothing is being brought in that is not a wine-by-the-glass selection, an already ordered banquet wine, a top-selling brand we just can’t live without, or a favorite of one of our regulars,” said Cain. “We’ve suspended all participation in pre-sells and futures and are drawing down our selection by roughly 300 labels and \$250,000.”

Desperate Times, Desperate Measures

With the economy forcing decisions that many respondents never dreamed they’d have to make, it’s becoming more of a challenge to stay true to the concept of a restaurant. “We are trying to provide much more obvious value to our guests without changing what the restaurant is about,” said Chang. “We have two lists: ‘Wine for Our Times,’ 30-plus selections \$40 and under, and also ‘Gems,’ 100-plus selections \$75 and under. We already had all of these wines in the cellar, but now we have made them easier to take advantage of.” “I could never sell a bottle under \$50,” Beteta recalled. “Now, I’ve added 20-30 wines in that price range.” Added Wines: “We are doing a one-day-a-week promotion that

Photos by Chris Takagi (center), Michael Seto (right)



*Projected. Source: NRA 2009 Restaurant Industry Forecast.

allows guests to receive 50% off bottles of wine. We also have a no-corkage promotion going on. I never thought I would stoop to doing either of these solutions.”

Jay Wisniewski, CSW, owner of Caffe Boa in Phoenix, saw the recession as a chance to reinforce his restaurant’s identity, which has actually led to increased profits. “I view this as an opportunity to greater separate ourselves from the average restaurant and gain business from others who are failing to keep up high standards,” he said. “We have increased our staff training and dialed in the menu with more price-conscious ingredients. Finding exceptional Spanish, Portuguese, Austrian, Slovenian, and Croatian producers, these have been filling our by-the-glass program as of late. The result was a January that was up 8% in gross sales over the previous year and with February on par.”

Rising costs are making matters even more difficult. Wholesale food costs climbed 8% in 2008 and are expected to rise another 2.9% in 2009, according to the Bureau of Labor Statistics and the NRA. Wineries are also dealing with increased costs: their producer price index was up 1.1% in January 2009 compared to the previous year. Fortunately for producers, however, consumers are still buying wine to drink at home. According to data from Information Resources, Inc., as reported by Lewis Perdue in WineIndustryInsight.com, sales of table wines through U.S. food and drug stores increased 4.6% over the 52-week period ending Feb. 22. Box wines costing less than \$2 per 750-ml equivalent posted the highest sales gain, 41.5%; wines priced at \$8-10.99 gained 9.2%; and the

\$20-plus category grew by 7.1%.

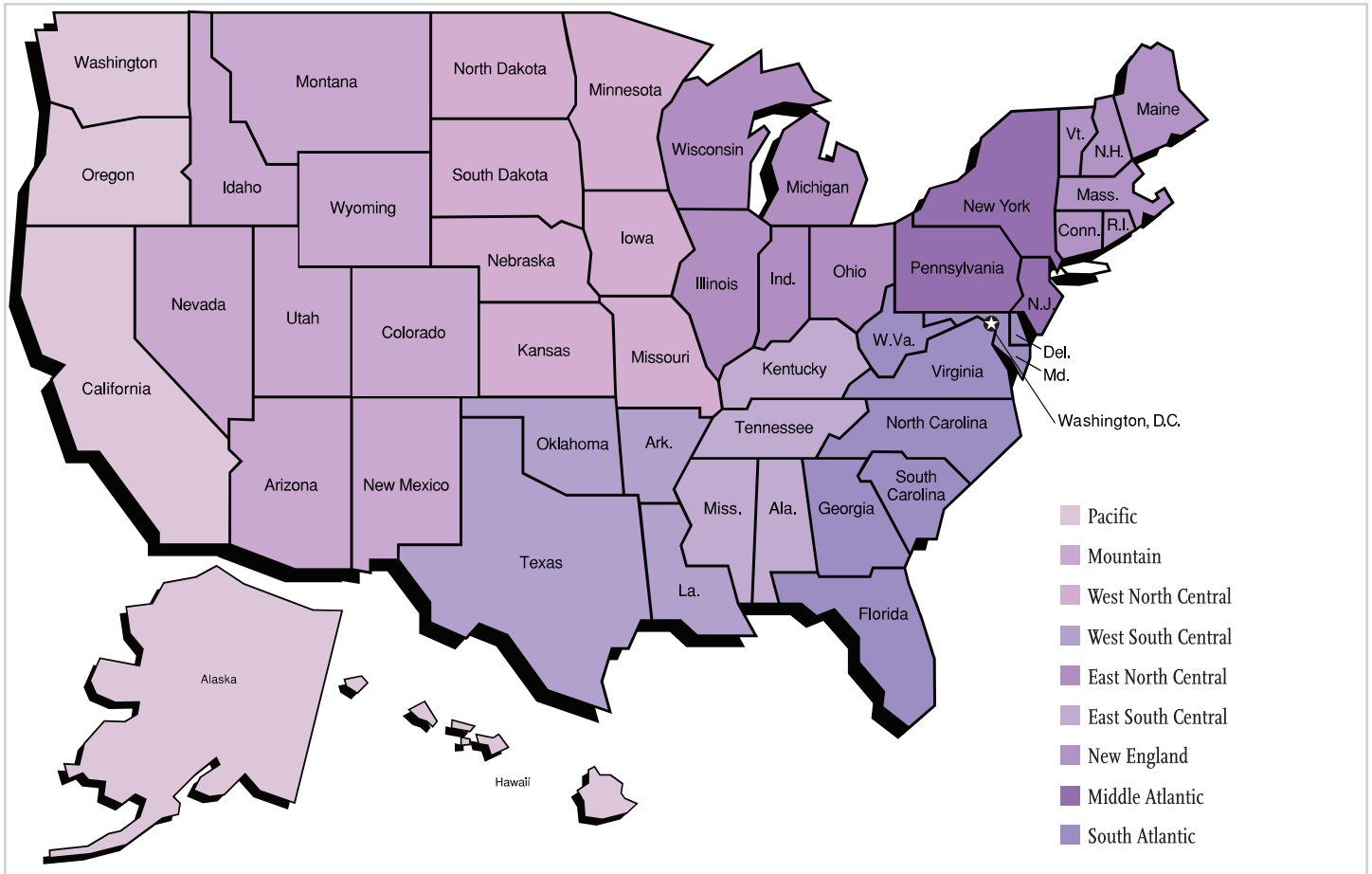
Squeezed by higher costs and lower sales, some restaurants have had to resort to staff-cutting measures. Vogt said Delmonico has begun to stagger starting times; the front-of-the-house staff now comes in an hour later than it did before. At Truffles, Cain is now opening only the bar on Monday nights, which, he reported, allows him to run the entire shift for about \$240 in labor. Wines has recently had to let some staff members go. “We have suffered greatly in the last couple of months,” she said. “Managers are being laid off, and remaining managers are taking pay cuts. It is brutal.” Although the NRA predicts that the restaurant industry will employ 13 million people in 2009, it projects a 0.5% loss in jobs compared to 2008—representing the first annual decline since 1991.

Hardship, Opportunity

To get through these troubling times, many survey respondents advised going back to basics. “In the short term, it may be hard to monitor costs and spending, so be flexible in your restaurant,” Beteta recommended. “If you’re not spending time buying, well, maximize your selling time! This year, you might pass on all the high-end wines, but take advantage of those super-value allocations that others are passing on that you can pour by the glass or highlight on the menu. Work with the other sommeliers in your city and split some costs for shipping and whole-case pricing.”



John Cain, general manager of Truffles in St. Louis (top); Jay Wisniewski, CSW, owner of Caffe Boa in Phoenix (above).



PROJECTED 2009 RESTAURANT SALES GROWTH BY REGION

(SEE MAP)

Pacific	2.7%
Mountain	3.2%
West North Central	2.2%
West South Central	3.6%
East North Central	1.9%
East South Central	2.4%
New England	1.9%
Middle Atlantic	1.6%
South Atlantic	2.4%

Source: NRA 2009 Restaurant Industry Forecast.

Flynn agreed that everyone is in this together: “Leave the ego behind. Listen to your bosses. This is serious stuff, and people could be out of work in a heartbeat,” he said. “You are the steward of your establishment’s biggest investment, and you are instrumental in running their business for them. Think more like a businessman and less like a somm. You may have to give up those precious allocations this year, but you know what? Many of your colleagues will have to do the same, so you’re not likely to be cut out next year. The culture of wine will endure, but some correction is inevitable, and with smart, disciplined choices, you and your business will survive.”

For Stuckey, it’s about remembering why you got into the business in the first place. “I think the best countermeasure is for restaurant owners to go back to how we worked so hard to be restaurant owners, meaning work your floor of the restaurant nightly and take more pressure off the GM or support staff,” he said. “For sommeliers, remember when you would do anything to move from a waiter to a wine guy or gal? Well, go back to the energy, and if you are a wine director, spend time on your floor. This will get us through this more than anything. I find that when I am acting as a restaurant worker (who happens to own the place), the guest gets more out of the experience and wants to come back. Remember how frugal you were when you opened your business? Go back to that.”

It’s often said that with hardship comes opportunity. Restaurants that return to their core values may well come out of this recession even stronger than before. 🍷