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Restaurant Revival

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Is your F&B outlet broken? Here are some tools to fix it.

By Marjorie Preston

Restaurant: Impossible



The National Restaurant Association estimates that about **one-quarter** of new restaurants fail in the first year, and about **60 percent** go under within three years.



The restaurant seemed to have it all: located on the top level a casino resort at the head of a glass-walled escalator, it featured panoramic views of the city and leisurely, multi-course meals that often spanned several hours. The décor was clubby and comfortable, the cuisine excellent, the service first-rate. The dining experience was nothing less than an education, courtesy of a personable chef who enjoyed regaling guests with the marvels of his cooking method.

Moreover, the restaurant—let’s call it Bistro XYZ—was a “name,” well-established in several other cities and run by a highly regarded restaurateur.

This place didn’t stand a chance. After several arduous years in which the parent company switched from continental fare to Italian to steaks in hopes of catching fire with casino patrons, the place finally folded its table tents and stole into the night.

In many respects, XYZ was a great restaurant, and the owner had an innovative idea. In the quick-and-casual world of casino dining, he tried to buck the trend by presenting epic, European-style feasts. But in so doing, he violated several unspoken covenants that exist between all restaurants—especially casino

restaurants—and their patrons.

First, XYZ was hard to find, and harder to get to (that vertigo-inducing escalator). Second, the pace of the spectacular multi-course meals was glacially slow. Third, the service was so attentive it actually detracted from the dining experience, and quickly went from ingratiating to irritating.

In short, the ill-fated XYZ didn’t give people what they wanted. It gave people what the owner thought they wanted, or perhaps what the owner himself wanted. Ultimately, and inevitably, it failed.

The National Restaurant Association estimates that about one-quarter of new restaurants fail in the first year, and about 60 percent go under within three years. Restaurant consultant David Rittvo, director of food and beverage for the Innovation Group, says the failure rate of casino restaurants may be lower because “you have a captive audience to some extent. A million customers a year are driven to your location, and any outside restaurant would love to attract those kinds of numbers.”

But complacency in the restaurant business has never been an option, not even in the casino industry, which is more competitive now than in the past.



STK main bar at
Cosmopolitan

Gordon Ramsay, the combustible TV chef who now has three restaurants in Las Vegas, has said of his industry, “If I relaxed, if I took my foot off the gas, I would probably die.”

We asked several F&B experts why casino restaurants bottom out, and what owners can do to maximize the odds of success and longevity.

The Right Place

Just as in real estate, one of the best predictors of success in a casino restaurant is a great location. While it may sound desirable to create a “destination,” the ideal location for F&B in the casino environment is the same place it’s always been: just off the casino floor, or within an easy stroll.

“Certain fine dining or white-tablecloth restaurants can get away with being off the beaten path, but it’s always difficult when you move it up a level. You start fighting human nature,” says Jay Chesterton, an Atlantic City casino veteran who is now vice president of food and beverage at Fantasy Springs Resort Casino in Indio, California. “Any F&B outlet that is away from the major traffic patterns and critical mass is going to be at a disadvantage, with the exception of a nightclub, which is always a destination. There are too many customers who just don’t like going up an escalator or elevator or flight of stairs.”

The exception that may prove the rule can be found at the Cosmopolitan in Las Vegas, which clusters seven of its best restaurants—STK, Scarpetta, Comme Ça, and a few others—on the third level of its Eastside Tower. The Wicked Spoon buffet is on one side of the second floor; on the other side are Holstein’s steakhouse and China Poblano, grouped with high-end boutiques. Only one restaurant and several bars—including the first tier of the eye-popping Chandelier lounge—are close to the first-floor casino.

Then again, since opening in December 2010, Cosmo has been distinguished by the success of its non-gaming amenities, and has yet to achieve the kind of casino crowd that could put it over the top. So the axiom holds: restaurants do best where the action is.

Money in the Bank

Is it a new restaurant? To avoid becoming a freshman dropout, it’s critical to have enough capital in reserve to keep the doors open and the bills paid with no expectation of immediate return for at least six months and ideally, a year or more. That includes rent, payroll, equipment, marketing, food costs, taxes, franchise fees if applicable, etc. Just as important, the owners must have enough faith in their concept that they can ride out the post-opening period of adjustment, when busi-

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—David Rittvo,
Director of Food and Beverage,
Innovation Group

ness is likely to be spotty and the temptation is great to change something—anything—to get the cash register ringing.

“If you don’t believe in it 110 percent and it comes out of the gate not hitting the numbers you projected, it’s hard not to start changing things—operational hours, menu items—instead of giving it a chance to be exposed to as many people as possible,” says Rittvo. “Believing in it is the first key, then having the development budget, the pre-opening budget and an ongoing budget available so you can weather the first two or three months when you could be overstaffed because you’re training people. Allow yourself to potentially struggle. In most cases it takes a while to develop a following, and you have to keep going.”

Even if a restaurant never really gets to the point where it’s turning them away at the door, it may serve its purpose within the casino environment, in which each piece serves the whole, Rittvo says. “If the restaurant is not doing great numbers but is serving a niche in the market and customers are happy, it can make sense. If it’s losing money and maybe they’re making it up on the gaming floor, then that restaurant might have a place.”

Chesterton adds, “There are some places in Vegas and maybe Atlantic City that have enough of a base to continue to let those restaurants go forward and are willing to not necessarily worry about how many covers they’re doing because they satisfy a certain customer. It’s an amenity and a service that’s important to those properties. But not every property has that luxury.”

“The trend now is the more cash, the better for the property,” says Ray Bertsch, vice president of food and beverage for the Tropicana in Atlantic City and a former executive chef. “You’ve got to realize sometimes we make money in food and beverage, and sometimes we don’t. We try to show profit but a lot of our money is based on comps.”



An Eye for the Bottom Line

It goes without saying that all businesses should run as lean as possible without compromising quality. For restaurants, which deal in perishables and fluctuating market costs, it's essential to stay on top of expenditures on a day-to-day basis. If a restaurant cannot control its food costs—which can range from 22 percent of a Chinese restaurant's total budget to almost 40 percent at a seafood restaurant—it's running inefficiently, which hampers its chances for long-term success. Chefs must be nimble enough to make quick changes to the menu when food prices seesaw.

"For example, a year ago we were paying a dollar for a lemon," says Bertschy. "Fresh tomatoes were high. And people stopped serving them."

Labor is a restaurant's No. 1 cost (food a close second), and a casino restaurant with union laborers can pay far more than outsourced operations. No wonder some properties are seeing the upside of outsourcing their food and beverage outlets. But there is also a downside.

"Some casinos take the stance that they want to concentrate on gaming; they may not have the core competencies to run the restaurants," says Rittvo. "Being the landlord reduces their capital risk and operational risk. The flip side is that it can create complications if the restaurant is not aligned with the host casino. You could have issues with customer service, and how do you deal with comp dollars in a case where the restaurateur wants 100 percent of the value?"

"Carmine's pays its cooks eight bucks an hour, and we pay our cooks \$18," says Bertschy. "Watching payroll is a daily thing—it's early-outs, sending people home or not scheduling them at all based on how busy we are. But we're quality-driven first. Yes, we want to make money, but the customer comes first."

When a customer asks what's good on today's menu, too often the server recommends a personal preference, or pushes the special just because it's the special. Instead, ask a few questions.

Engineer the Experience

Most restaurant operators train their service teams to upsell customers by hyping the daily specials, pushing the specialty cocktails, rolling out

the dessert cart, all with the aim of adding to the check total. Tom Frank of RoundWorld Management in Las Vegas advocates the precise opposite: down-selling as a way to win loyalty and ultimately benefit even more from those customers, their friends and everyone with whom they share their endorsements.

"This is not a one-time thing," says Frank, whose title is "culture engineer." "Fundamentally every visit is about the next visit. And we need our gamblers and customers to want to come back more than we need to gouge them while they're here—here they just lost \$100 on the slots, and now someone wants \$6.95 for a Coca-Cola? Enlightened casinos are getting past that; they know it's more about frequency than the size of the check."

Another common mistake: When a customer asks what's good on today's menu, says Frank, too often the server recommends a personal preference, or pushes the special just because it's the special. Instead, ask a few questions. This is an opportunity to truly serve, to inquire about the customer's needs and wants, and represent the establishment as caring about the individual's dining experience.

"Instead of saying, 'Well, my favorite thing is this or that,' ask, how hungry are you? Do you like specific foods? Is there anything you don't eat? Are you vegetarian? Imagine if you took over the responsibility of the menu and said, 'Let me take you there.' This is not about a contest to see who can sell the most prime rib." By the way, a waiter who suggests prime rib or pork loin to a vegan has already conjured up a negative image, albeit unwittingly. Be sure to ask first, and then make an informed suggestion.

Frank's colleague, Gregg Rapp, menu engineer at RoundWorld, says analyzing and reconstructing a menu for optimal profit can increase margins by 10 percent to 15 percent on an ongoing basis. Here is his four-part menu-engineering process:



“People will taste what you tell them they’re going to taste—if you take a bottle of wine and put a label on it from North Dakota, it’s going to taste different than one that has the Napa label. I would rather have fewer items on the menu and build the value of that food with description.”

—Gregg Rapp, Menu Engineer, RoundWorld

1. Cost your menu. Assess every item down to the individual ingredients to determine exactly how much it costs—to the penny—to offer a certain dish. Yes, it’s a time-consuming process, says Rapp, which may be the reason 80 percent of restaurants don’t do it, or don’t do it properly. But failing to cost the menu really leaves them in the dark about their expenditures, and is “the No. 1 black hole,” says Rapp. And that’s a recipe for losing money.

2. Categorize menu items according to profit and popularity. Section menu items into categories: veggie entrees, meat, seafood, alcoholic and non-alcoholic drinks, and so on with no overlap. Based on revenues from the past month or so, identify the current “stars” (dishes that are both profitable and popular), the “plow horses” (low profit but popular), “puzzles” (high-profit, not too popular), and “dogs” (low-profit, not in demand).

With the proper research, you can develop a menu that works harder for you. Of course, you will highlight your money-makers, the stars. Can you also devise a way to make the plow horses more profitable? How about taking the traditional soup-and-salad duo and turning it into a more profitable salad sampler? Sometimes, Frank says, lowering the cost of the puzzle items can create enough volume to make them profitable. As for the dogs, well, you may want to keep a few of them (kiddie meals often fall into this category), but don’t go out of your way to promote them.

3. Design your menu. Use visual cues such as graphics or bold text to draw people to the menu stars. Do not create a separate column for prices—if you do, customers are likely to scan the prices first, before even thinking about what they’re hungry for. Instead, position the price two spaces after the end of the item description, in the same font size and weight, and don’t use a dollar sign. A 2009 study from Cornell University’s Center for Hospitality Research suggests that guests spend more when menu prices are presented without dollar signs (or the use of the word “dollar”). Study co-author Sheryl E. Kimes said “references to dollars, in words or symbol, remind people of the ‘pain of paying.’”

Also, take time to “build the value” by selling menu items through effective copy. “People will taste what you tell them they’re going to taste—if you take a bottle of wine and put a label on it from North Dakota, it’s going to taste different than one that has the Napa label. I would rather have fewer items on the menu and build the value of that food with description,” says Rapp.

Are you serving meatloaf, or Aunt Martha’s Moline, Iowa meatloaf? That latter tells a whole new and delicious story.

4. Test your new menu. This process varies from restaurant to restaurant, but applying the same line-item scrutiny to your results as you did to the research should soon tell you how it’s working.

The Menu as Roadmap

Want an example of a well-structured menu? Surprisingly, both Rapp and Frank point to Dairy Queen, which guides patrons to their preferences through categorizing that is simple, fun and explanatory.

“It’s really brilliant,” says Frank. “It asks, ‘Are you a cookie lover, a chocolate lover, a candy lover, a fruit lover? You get to say, ‘Gee, I’m a chocolate lover,’ or ‘I love bananas, so give me the banana cream pie sundae.’ I didn’t have to search for it—the menu took me there.”

Rapp agrees. “In the old days, DQ had all the sundae flavors together—and there were 30 or 40 flavors. Now when you go in they have the fruit flavors grouped together, the candy, the chocolate. You can dial into what you want, and when you have an easier decision, you may even buy more.”

He recalls an upscale pizzeria that invited diners to create their own pizza from dozens of ingredients. It sounds like fun in theory, but in practice? “They’re making me work too much,” says Rapp. No



matter how great the food, when dozens of hungry customers on their lunch breaks are forced to design their own personal pie, it slows down the line, creates frustration and reduces profits.

Most important in Frank’s view: build a great culture. “If you and the employees hate their job, I promise you the good food will not taste as good. If everybody is miserable, what’s the point of fixing all the other stuff? Nothing else matters when the place doesn’t drive people back. We’re not just there to feed people before they go gambling. We’re there to help them have more fun.”

Eat Your Vegetables



Food trends come and go with the seasons, and sometimes more quickly. In the past few years, there have been surges of interest in organic and farm-to-table foods, molecular gastronomy, gluten-free everything, artisanal everything. Ice cream is in a cold war with frozen yogurt, and Chia seeds are all the rage. These food trends are slightly schizophrenic; the obsession for healthy foods is balanced by Cronut-mania and the recent introduction of French-fry burgers.

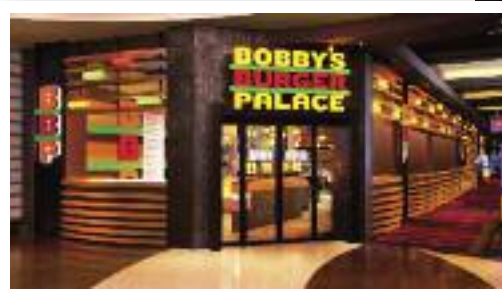
In generations past, even robust culinary trends were said to have a shelf life of 10 to 15 years at most. In the age of rapid-fire information, and with entire TV networks devoted to food, the trends can change from day to day. According to the Institute of Food Technologists, 31 million Americans consider themselves foodies, with preferences driven by trend.

“It wasn’t long ago that kale was a product you would only find as garnish on the buffet; now it’s on every menu in America as a salad item; next it could be cauliflower or Brussels sprouts,” says Jay Chesterton of Fantasy Springs. “Between social media and the influence of the internet and cooking shows, people are not intimidated anymore by new things and new ingredients.”

While restaurants should not blindly follow the fads, they should stay current through fine-tuning their menus quarterly or twice a year, says Tropicana’s Ray Bertschy. “Keep the ‘sellers,’” he says. “You can’t take away the veal chop and the filet, because that stuff is always going to sell.”

In the depths of the recession, comfort food made a comeback, and it’s still popular. Bertschy has noted a demand for “old-style meatloaf and mashed potatoes and spaghetti and meatballs.” Spanish food, especially tapas, is hot thanks to advocates like Chef Mario Vatali.

Another trend that started during the recession and is still going strong is the burger joint—not fast-food but fast-casual. Bobby’s Burger



Palace by Bobby Flay, which started at Mohegan Sun and has an outlet at Maryland Live!, will soon open a location at Crystals at CityCenter; Flay’s archrival Gordon Ramsay—the chefs recently challenged each other to a burger showdown—has opened his first Gordon Ramsay BurGR at Planet Hollywood in Vegas. At the Atlantic City Tropicana, a longtime favorite, Red Square, with its imposing statue of Lenin and walk-in vodka vault, has been replaced in recent months by—you guessed it—Chickie’s and Pete’s Burger Bar.

Former Red Square GM Joe Massari decried the end of the popular restaurant, telling *Atlantic City Insiders*, “Fine dining seems to be a thing of the past, unfortunately. People just seem more interested in having an appetizer and two entrees for \$20 than a fine dining meal.”

That may be true, says Chesterton, especially as the economy continues to limp along. “In the worst of the downturn, the American public really became more cautious with how they spent their food dollar. The restaurants that were hardest hit were what I refer to as ‘expense-account restaurants;’ people were not out buying the foie gras and multiple bottles of champagne. The economy is starting to pick up, but restaurants are still being more pragmatic with what they offer.”

Consultant David Rittvo concurs. “The three-hour meal has given way to shorter meal periods. You don’t have to walk in and order an appetizer, and entrée and dessert; I piece together a meal with small plates.”

He says Asian and Filipino cuisine have succeeded Vietnamese food as the ethnic favorite—a perfect fit for casinos eager to court Asian customers.

What’s the next big trend? Odds are some creative chef has already created it. “Instead of following the trends, if you have the ingenuity and wisdom you can set the trend,” says Chesterton. “A steakhouse will never go out of fashion, but you have to ride those waves a bit and be astute enough and be nimble to go in another direction.”

