

## Restaurateurs Don't Just Wing It

Passion isn't enough. You'll need a sound concept and management experience, and you should know that some of the most popular assumptions about restaurant failure are wrong

by Kerry Miller

Jordan Busch and Sara Sawicki are the co-owners of Fire on the Mountain Buffalo Wings, a bustling wing joint in Portland, Ore., which has been embraced as a local favorite since virtually the day it opened, on New Year's Day, 2004. Last year, the restaurant rang up more than \$1 million in sales, and the business has proven profitable enough to bankroll a second, larger location along one of the city's main drags.

If you ask Busch or Sawicki for their secret to their success, they will tell you the answer is simple: Their food is good, and they serve it in a way that is different and better than the competition. And they are able to do this because they are passionate about buffalo wings: The end.

### Mapping Out Failure

Of course, you're likely to get a similar answer from virtually any successful restaurateur who is called upon to dispense such advice. To wit, Wolfgang Puck: "I always believe great food, great service, and wonderful customers put into the right space will make a successful restaurant." Or Daniel Boulud: "In the end, doing what you love is what matters...As time passes, your ambition will carry you from one milestone to another." These are the chestnuts that inspire an uncountable number of angst-ridden lawyers and free-spirited drifters to pursue their version of the American dream, to believe that they can succeed where so many others have failed.

These can-do stories also drive people like John Walker a little crazy. Walker is a professor at the University of South Florida's School of Hotel & Restaurant Management, and the author of thick textbooks like *Restaurant: From Concept to Operation* (now in its fifth edition). Books like Walker's lay out all the reasons would-be entrepreneurs have to think twice before starting a restaurant. Do you mind sacrificing your evenings, your weekends, and most likely your mornings, too? Do you have a menu, a concept, a business plan? Do you have money to lose? Because, after all, everyone knows that the restaurant business is a fool's game.

Until recently, however, there wasn't much research to confirm or deny any of this advice. Most academic work in the hospitality field focused more on the relative financial performance of existing restaurants rather than basic questions about why restaurants succeed or fail, and how often. H.G. Parsa, now a professor at the University of Central Florida's College of Hospitality Management, set out to investigate exactly those questions. He did so armed with a unique data set—three years' worth of operating license records from the Columbus (Ohio) health department—as well as in-depth interviews with both present and former restaurant owners. What Parsa determined was that a lot of popular assumptions about restaurant failure are incorrect.

### Success Is in the Concept

The oft-cited statistic that 9 out of 10 restaurants fail within their first year? Wrong. The actual figure, Parsa found, is closer to 1 in 4 (BusinessWeek.com, 4/16/07). Parsa

discovered that conventional wisdom is also unreliable when it comes to explaining why restaurants fail.

Restaurant owners weren't failing because they had ill-defined competitive strategies. They weren't failing because they lacked access to capital, or because they chose poor locations, either. (These are factors, Parsa says, just not typically make-or-break ones.) Rather, the single most critical element of a restaurant's success, Parsa says, is the presence of a distinctive, well-researched concept. This insight is, admittedly, a bit of an anticlimax. The importance of a concept seems like it would be obvious to anyone prepared to invest thousands of dollars in said concept. As it turns out? Not so much. When asked to describe their concept, failed restaurant owners answered "vegetarian food" or "Alaskan seafood"—when pressed, and they couldn't expand their description beyond food production. In contrast, the successful restaurant owners could describe, in detail, an entire operating philosophy encompassing everything—the ambiance, the service, the decor—not just the food.

### **Dining Out is not Field Experience**

Parsa's research also shows that the average aspiring restaurateur isn't willfully flying blind when it comes to the established how-tos of restaurant ownership. (Some of the failed restaurateurs in the study had elaborate strategic plans.) He is, however, overly confident in his own skills, knowledge, and level of commitment.

For example, take what John Walker says is rule No. 1 in the restaurant business: Experience is crucial. If you don't have restaurant experience, he says, do not open a restaurant.

Most people wouldn't quibble with this advice. In part, that's because virtually everyone has some "restaurant experience." Nearly half of all adults have worked in a restaurant at some point in their lives, according to National Restaurant Assn. figures. Scott Rockafellow, a business counselor at the North Carolina Small Business & Technology Development Center, says even those who haven't spent a summer slinging hash convince themselves they know all they need to know. "People think, 'I've eaten in restaurants, I like food, I cook at home—I can start a restaurant!'"

Rockafellow says a lack of familiarity with restaurant operations is especially problematic for those entrepreneurs without general business experience, either—which is to say, the majority of them. He says while most young outfits are run by entrepreneurs with a background in the type of business they want to start, restaurants, in contrast, attract "a lot of dreamers." People, at first glance, like the co-owners of Fire on the Mountain.

More than a Wing and a Prayer

Neither Busch, a law school graduate, or Sawicki, a self-described "ski bum," had any experience in business or restaurant management. But Dean Vachero, a Portland-based restaurant broker who found them their space, says the partners weren't "going on a wing and a prayer," either, like a lot of the clients he sees; their plan had cautious beginnings.

After first considering a new franchise (BusinessWeek.com, 8/31/07), the pair had started researching the wings concept in 2003 on the advice of a friend of a friend, who had opened several successful restaurants himself. They found some encouraging signs, like a magazine trend story about the growing popularity of new wing restaurants sprouting up across the country. "The more I researched, the more confidence I gained," says Busch, who had been kicking around the wings idea since he was a teenager. He already had the whole concept mapped out in his head: It would be someplace with the ambiance of a local sandwich shop rather than a sports bar—

someplace where everybody could feel comfortable. There would be a big chalkboard menu, live music, and a rotating gallery of local artists on the walls. Busch says most of these details were things he just had a gut feeling about. Even so, he and his partner didn't stake their initial \$100,000 investment on intuition.

Instead—unlike a lot of restaurateurs—Busch quit his job with a bar-review company to seek hands-on experience in the very field he was contemplating. He made his pitch to the owner of *Wingin' It*, a wings restaurant in Denver, offering to volunteer his time in exchange for the chance to learn about the business. Luckily, an employee had just quit, and there was a job open—as a fry cook. Busch took it. When he wasn't on the clock, he pored over the restaurant's financials, asking questions about everything he couldn't directly observe. The owner dispensed specific suggestions Busch says he could never have found in his Internet research. For example: Look for a small space of about 1,000 square feet to 1,200 square feet, he advised—it keeps costs down, and takeout and catering is where the real money is, anyway.

Once Busch and Sawicki were convinced their wings concept could work, they plotted the next step of their plan: location. Both liked the idea of Montana—Bozeman, or maybe Missoula—but they were swayed by a friend who had recently moved to Portland, Ore. The city was great, the friend said, and there weren't any good wings places. Busch and Sawicki thought their concept seemed a good match for Portland's laid-back, boho vibe, but the clincher came when they discovered that a wings-enthusiast site, *CluckBucket.com*, had rated Portland the worst city for wings in the country. Three months later, they packed their bags.

In Portland, the pair quickly set about acclimating themselves to their city—dining out frequently and introducing themselves around to local restaurateurs. Based on this informal market research (*BusinessWeek.com*, 1/9/08), they made a few tweaks to their concept, like adding soy-based "Portland Wings," to the menu after noticing that a non-meat option was pretty much *de rigueur* in the vegetarian-friendly city.

### **Sustaining Success**

Scott Roth, the owner of *Cluckbucket.com*, says wing-loving Portlanders now have half a dozen new places to satisfy their cravings, including national chains (*BusinessWeek.com*, 6/29/06) like Buffalo Wild Wings. A "buffalo wings and pizza" restaurant near Portland State University has come and gone, nevermind the seemingly natural match between college students and greasy food.

Meanwhile, Roth says that despite *Fire on the Mountain's* shortcomings—getting a table for big groups can be challenging, and it's in an out-of-the-way, semi-industrial neighborhood—the restaurant stays packed. The reason, he says, is simple: "They make really, really good wings."