

RESTAURANT INSIDER

"NEWS YOU CAN USE"

NEWSLETTER...WINTER '07



HOT PROPERTIES

Eloy, AZ with Real Estate.

Brand-new free-standing building with its own parking, drive-thru window and patio located on the main highway with excellent street exposure and curb appeal in a very active and rapidly developing rural area. This restaurant was designed and built by a very experienced operator with efficiency and success in mind. Great opportunity to own the



Real Estate and business, or buy the business and lease the building. Currently operating as an Italian & Pizza restaurant with a series #12 Liquor License. \$750,000 total price. #1381

Phoenix Restaurant with Real Estate. Well maintained free standing building with a drive-thru located on a main artery near booming downtown Phoenix and adjacent to many varied businesses. Featuring a fully equipped and efficient kitchen with an open and inviting dining room. This is a very popular restaurant with many regular customers. An excellent opportunity to invest in the property and take advantage of the tremendous Downtown Phoenix growth and development. \$680,000 #1368



Tuscan Caffé - Great North Scottsdale location in an upscale area with major anchors such as Albertson's and Walgreens. Perfect lifestyle opportunity with short operating hours. Situated as an end-cap location with a patio and beautiful views. This gourmet cafe offers a large variety of coffees, espressos and coolers along with breakfast sandwiches and lunch. A new owner could benefit greatly with some local marketing/advertising,

catering and possibly adding entertainment. Great opportunity for a family business. \$95,000 #1363

Restaurant, micro-brewery, party and wedding venue with gift shop - Located in one of the hottest growth areas in Arizona. Established for 24 years and generating in excess of \$3M in annual revenues. The lease has 19 years left and is fixed with 3% annual increases throughout the term. Features include a steak & BBQ restaurant, a fully operational micro-brewery with bottling line, a newly remodeled Mexican food Cantina with full separate kitchen and bar, a wedding and party area with seating for 300 and a very popular gift shop. A truly unique and rare opportunity with multiple revenue sources and tremendous growth potential. \$1,750,000 #1334

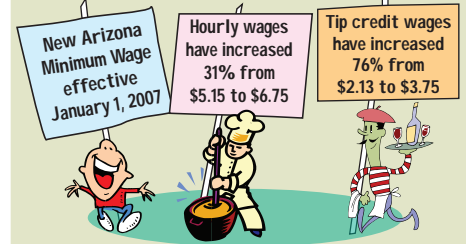


Pizza (former T.C. Luigis) - Located in the very visible end-cap of a Mesa shopping center with excellent street exposure. Large functional kitchen featuring a double-stack Lincoln conveyor oven, 60 qt. Hobart mixer, Somerset dough sheeter and walk-in refrigerator. State-of-the-art POS system is user friendly and includes built-in MapQuest. Seats 24 with room for patio and additional counter seating. The recently completed portion

of the 202 has created an even greater access to an already strong location. Can also be purchased as an independent restaurant for only \$79,000. #1369

Visit our website to view additional listings
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LABOR PAINS



We've all heard the old saying "don't tell me about the labor pains, show me the baby." Well, with the passing of Proposition 202 this past November, and its implementation this month, this saying should have new meaning to restaurateurs in Arizona. Because in spite of the labor pains (significant wage increases), you are still going to have to show them the baby (profits) to continue operating a successful business.

The passing of Prop 202 means that restaurant operators will have to deal with a number of labor cost issues that can significantly impact their operations. Basically, the standard hourly minimum wage went from \$5.15 to \$6.75, an increase of 31%, and the tip-credit wage went from \$2.13 to \$3.75, an increase of 76%. While these are the mandatory rules, there is also the issue of "upward pressure" to deal with. For example, if you hired an employee two years ago at \$6.00 per hour and gave them a 50¢ raise each year they are currently earning \$7.00 and there is virtually no chance that they will accept making just 25¢ more per hour than the new person you just hired today. When taking all of these matters into consideration it is estimated that most restaurant operators, depending on the size, type, style and configuration of your business, are looking at a labor cost increase in the range of 2-4% of gross sales. The bottom line is that if you currently make 10% profit per year, that number will drop to approximately 6-8% if no changes are made.

Continued inside

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LABOR PAINS Continued from front page

OK, so what do we do about it? The restaurant business, like pretty much every other business, operates on margin. The first step to increased margins is to increase gross profit; this is the difference between what you pay when you buy it and what you get when you sell it. For restaurant operators this is more commonly known as cost of goods sold. There are two ways to impact cost of goods sold: 1. Charge more for the products you are selling; 2. Spend less for the product and charge the same amount. We recommend using both strategies in a blended fashion.

First, let's acknowledge that you are offering some products where spending less is not a possibility, like a bottle of beer for example. Since you serve it in the exact same manner in which you buy it, the only option here is to increase the price, which, by the way, the beer companies do every year without fail. However, far more items fall into the other category where you can make adjustments on both sides of the cost. Let's take a grilled chicken sandwich for example: If you are currently using an 8 ounce breast and charging \$6.95 for the item, a slight reduction in the size of the chicken breast to 7 ounces coupled with a slight increase in the price to \$7.50 will create a margin increase of 10-12%.

If your restaurant is like most, it will take a margin increase of 6-12% across the board just to offset the labor cost increase implemented by Prop 202. This does not take into account things like the utility increases from Southwest Gas and APS seen in 2006 or the huge fluctuations you face in commodities pricing for produce, meat and dairy during different times of the year.

By the way, before we get too "gloom and doom" on the topic of increased labor costs and the negative impact they will have on your business, just remember that there is always a way make the adjustments necessary to have a successful and profitable business no matter what the labor costs are. Case in point, the minimum wage in Australia is \$13.47 per hour and they do not have a tip-credit wage. Many of the more skilled employees, especially in the kitchen, make significantly more than the minimum and the restaurant industry is flourishing there. The operators have budgeted for these costs and the products, portions and prices are positioned in such a way as to allow for them to thrive.

PEARLS OF WISDOM ~ Courtesy of Sullivision.com

Never underestimate the power of an angry customer. You've seen the statistics and they're frightening: an unhappy guest tells an average of 12 people each about their bad experience. Each of those 12 people tell 6 of their friends who tell 3 of their friends each and before you know it, nearly 380 people hear about the bad service experience of just one guest. So what do you do, shoot for 100% guest satisfaction? Sure, but let's also be realistic: shifts happen and someone, somewhere on every shift is going to make mistakes and someone else is going to be disappointed. The key is knowing how to resolve the problem so that the guest doesn't leave with it. "A great restaurant doesn't distinguish itself by how few mistakes it makes," says Danny Meyer, an owner of Union Square Café in New York City, "but by how well they handle those mistakes."

Manage the "Basics" for your employees first. Just as managing the basics for guests every shift results in more repeat business, managing the basics daily for your team members results in lower employee turnover. Make sure they always have the right supplies, tools, resources and systems in place that they need to succeed at their jobs. And when you're hiring, always ask yourself if you're hiring to fill a slot, or to make a difference. Hire the right person or you'll pay the price with loyal team members too. "Good employees will leave if you allow bad employees to remain in place," says Marvin Fields, senior vice president of operations, for Frisch's Restaurants in Cincinnati, Ohio, "and bad employees will stay until you throw them out."

"The restaurant business is like dancing with a tiger, when you get tired you can't sit down" ~ Richard Zebb

RESTAURANT INSIDER

THE RESTAURANT BROKERS RECENT SALES

Humphrey's Pacific Rim Cafe, 11144 N. Frank Lloyd Wright in Scottsdale, was recently purchased by Masoud Eghbalyan, to be converted to Pars Persian Cuisine.

Silke's American Grill, 2036 N. Gilbert, Mesa has been acquired by Bob & Ling Hui. No changes are planned for the restaurant at this time.

Café Eden, 16150 N. Arrowhead Fountain, Phoenix, AZ has been sold to Ray Barroso.

Imperial Café, 4255 W. Bell Road has been leased to Fasih Al Abidin & Kim Sejung on behalf of Orsett properties and will be converted to Tandoori Village Restaurant.

The owners of My Big Fat Greek Restaurants have leased the former **Tuchetti's** located at 2135 E. Camelback, Phoenix, to convert to the 8th My Big Fat Greek Restaurant.

The former **Barracuda Grill** located at 1455 W. Elliot, Gilbert, was recently purchased by Sanjay Matkin and is being converted to a gourmet hamburger restaurant.

Lollicup, 2050 N. Alma School Rd #11, Chandler was sold to Hseuh-Chen and Chou Wu. No changes are planned at this time.

Quizno's Subs, 707 W. Ray Gilbert, has been acquired by Lois Kim. No changes are planned for the restaurant at this time.

The former **Munchies** at 4th & Mill in Tempe, has been acquired by Angelo Megaris. Angelo converted the space to an all day diner called Sunset Diner. Opened in December.

The Bar at 1212 E. Apache in Tempe has been acquired by Scot Hindman. No changes are planned for the restaurant at this time.

Crabby Don's has been acquired by Shaken Not Stirred, LLC (James & Lael Ver Rogers, Timothy Rogers and Scott Crawford). Changes include a new menu featuring Fusion bar food and great drink specials.

Craiger's, 5400 N. 59th Avenue, Phoenix, has been acquired by Theresa Del Real and plans are in place to convert it to El Reventon, a Mexican food & entertainment venue.

Zest Spirited Dining, 4117 N. 16th Street in Phoenix was recently purchased by Charlie Seo, no changes are planned for the restaurant at this time.

Frank & Lupes, 118 E. McKellips Road, Mesa has been purchased by Norma & Miguel Noriega and Rogelio Laris. The restaurant will be converted to Mama Maria's in January.

Mozzarelli's Pizza & Wings at 694 S. Cooper in Gilbert has been sold to Ameen Awad and Abdul Al-Sayed and will be converted to Forno's Pizza.

The former **Rockfish Seafood Restaurant** located at 21001 N. Tatum Blvd in Desert Ridge Shopping Center, was recently purchased by Fork in the Road restaurant group owned by Mark Peterson. The space will be converted to the second branch of their popular concept "The Office" which currently is operating in Prescott.

Mamacita's Mexican Restaurant located at 216 E. University Drive in Tempe has been acquired by Justin and Adam Garbinski. No changes are planned for the restaurant at this time.

Sunrise Café has been acquired by George & Georgia Viores. The new restaurant will be named Athens Greek Café opened in December. Food offerings will be Greek and American.

Vinci's Pizza has been acquired by Michelle Chung. Look for Manna Café, which is a Taiwanese Tea Café (called Bubble Tea Café in Taiwan). They will open in January. The menu will feature Korean BBQ.


JOKE OF THE MONTH "THE RESTAURANT"

A man walks into a bar and says to the bartender, "Beer for me, beer for you and beer for everyone who is in the bar." After drinking, the man starts walking out of the bar. "Hey, what about the payment?" yells the bartender. "I have no money," answers the man. The bartender hears that and beats the man as hard as he can, then throws him out into the street.

The next evening the man walks again into the bar and says to the bartender, "Beer for me, beer for you, and beer for everyone who is in the bar." The bartender thinks to himself, "The man can't be stupid enough to pull the same trick twice, tonight he must have enough money", and gives beer to everyone. After drinking, the man starts walking out of the bar. "Hey, what about the payment?" yells the bartender. "I have no money," answers the man. The bartender hears that and beats the man as hard as he can, then throws him out into the street.

One evening later the man walks again into the bar and says to the bartender, "Beer for me, and beer for everyone who is now in the bar."

In disgust, the bartender asks "What, no beer for me this time?" "No," answers the man, "you get violent when you drink."



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Numbers that COUNT

10^{1/2}
MILLION

The combined dollar value of the restaurants sold by The Restaurant Brokers in 2006.

~The Restaurant Brokers

25

The percentage of adults in the U.S. that had their first job experience in a restaurant.

~FoodReference.com

15,000

The number of glasses of wine that can be produced from one acre of grapes.

~FoodReference.com

1, 2, 3

The most popular day to eat out in the U.S. is Saturday. Second is Friday, third is Sunday. Monday is the slowest day for restaurants.

~FoodReference.com

57

The number of restaurants, bars and food service related businesses sold by The Restaurant Brokers in 2006

~The Restaurant Brokers

30

The percentage of consumers that have used the internet to check out a restaurant's menu before deciding to visit.

~FoodReference.com

Layout & design courtesy of The Menu Designer. (www.themenudesigner.com)