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The Diner Wins

Minneapolis' picture-perfect Nighthawks redefines the way we eat at diners



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Monroe**

Editor's note: Each month, Dennis Monroe reviews a new restaurant's business proposition, based on his years as a business attorney and former CEO of a local multi-concept restaurant company.

THE NIGHTHAWKS EXPERIENCE is called "Adventures in Griddling"—a fitting tagline. This is truly a diner with a twist. Landon Schoenefeld, the owner and creator of HauteDish in Minneapolis' North Loop neighborhood, has taken his expertise from HauteDish and applied it to the classic casual restaurant. Even the name is a play on the old-fashioned diner: It comes from the famous Edward Hopper painting of a diner, titled "Nighthawks." Schoenefeld emphasized that Nighthawks (located at 38th and Nicollet) is a neighborhood restaurant first and foremost.

There's a diversity of seating options, including a row of kitchen-counter seats that give diners a front-row seat to the cooking action. The bar overlooks both the kitchen and the dining room and has great seats, including high tops. There are a number of overstuffed, black vinyl booths. The entire restaurant seats about 70 people, with 20 seats on the front sidewalk patio. For a neighborhood restaurant, this is a respectable number of seats for

making money.

Menu: The menu is diverse, including blue plate specials: Monday features fried chicken; Tuesday, spaghetti with two meatballs the size of softballs; Wednesday is barbecue spareribs; Thursday serves to-die-for meatloaf with ketchup frosting; Friday is fish and chips; and Saturday's plate is a chicken fried steak with poblano gravy.

Nighthawks' menu is organized by categories, including Eggs Anytime, Fried, and Hotdogs. Prices are reasonable—maybe a little too reasonable. The Caesar steak tartar is \$13. The Cobb salad is \$14. The Fried section (chicken legs, french fries, spicy cauliflower and turkey gizzards) is a real bargain. But the stars of the menu are the five hot dogs, footlong dogs dressed to the nines with an oversized bun and toppings that range from red dragon cheese to potato salad.

The sandwich section is classic diner—pastrami, French dip, hot turkey; and of course, they have their own Nighthawks cheeseburger. And under the Eggs Anytime—which they take literally—is a sophisticated foie gras and cheese omelet.

The beverage menu lives up to the neighborhood constraint: just wine, tap beer and bottled beer. Most beers are in the \$8 range.

I predicted the check averages to be between \$25 and \$30, and Schoenefeld confirmed I was on track.

Rating: The menu is clever, right on track and priced right for a broad Minnesota audience, so I give it 4 out of 4 stars.

Revenue: For the number of seats

and the fact that patrons are waiting some nights to be seated, Schoenefeld believes the initial revenue for the first 12 months will be approximately \$2 million. That being said, he is looking at possibly serving lunch beginning April 2016. This, of course, should boost the revenue.

Rating: In terms of potential revenue ability, given the size of the space and it being a neighborhood diner, I give 3 out of 4 stars. Nighthawks has not totally recognized all of the potential revenue sources (e.g., they are not yet serving lunch and hopefully will have a full-service bar). Also, their related concept, Birdie, will boost overall revenue.

Food Costs: Schoenefeld expressed some concern about food costs and is trying to get this in line. Since the pricing is a little low, I think he probably has some upside potential to raise prices. Nighthawks' ingredients are high quality; even the hot dogs are Kramarczuk's (the gold standard). Schoenefeld said his food costs are running 35-plus percent, which, given their volume, could be a real issue. The customers, however, are really getting more than their money's worth.

Rating: I give 2 out of 4 stars because I believe Schoenefeld has room to improve on the food costs (and I expect he will).

Décor and Investment: There are 70 seats inside and 20 seats on the patio, all sections of which have some uniqueness. After speaking with some people at the restaurant and Schoenefeld, I understand the space was initially pretty rough. Up to \$750,000 was spent to remodel (which, given the size of the space,

is quite a bit). This large investment is somewhat mitigated by the fact that the landlord, Alex Gese, is also an investor in the project.

The décor is a visually pleasing pull between an old diner and a trendy hot spot. In trying to keep as much as they could of the original hardwood floor, portions of the badly damaged floor were replaced with a mosaic tile element that really does the trick. The worn flooring and the old-style metal bar stools with black vinyl upholstered seats give customers a true diner experience with the pop of creative food.

The kitchen is an open, big stainless steel statement.

Schoenefeld said when Birdie arrives next door it'll be open three days a week. It will be a separate chef-driven concept, offering a pre-fixe menu with wine for \$100 per person. Birdie will have only 20 seats. This new concept, in and of itself, will help defray some of the high investment cost.

Rating: The décor turned out great but at a high investment cost. I like to see at least a three- times sale-to-investment ratio. At this point Nighthawks is a little short, so I'm forced to give 2.5 out of 4 stars.

Labor and Service: Some great servers and management personnel greet you at the front door, including one of my favorite servers in town, Andrew.

The server quality gives you an Uptown/North Loop feeling. They serve a wide variety of customers from various demographics and have a personal touch.

The back of the house appears efficient. We sat at the kitchen counter on a Tuesday night (not the busiest night), and it looked like staffing was just right (there were not a lot of people standing around). People do double duty at the bar and in the kitchen. Some of the restaurants I have been to lately do not seem to do such an effective job at multi-tasking their staff.

Schoenefeld indicated labor was 30 percent of sales, which is good for this

type of personal-service restaurant.

Rating: I give 4 out of 4 stars for labor and service costs.

Long-term Success: As an overall proposition, Nighthawks is a definite winner and will be around for a long time. It will be a go-to restaurant for foodies, like Haute Dish, but in many ways Nighthawks will elevate the diner concept to a new level in Minneapolis. Once the food costs get in line and other revenue sources evolve (which I am sure will happen), there is a high probability Nighthawks will be a long-term success.

Rating: 3.5 out of 4 stars for long-term success. 

Dennis L. Monroe is a shareholder and Chairman of Monroe Moxness Berg PA, a Minneapolis-based law firm specializing in multi-unit franchise finance, mergers and acquisitions, and taxation. In addition to this column, he writes a monthly column for the Restaurant Finance Monitor and is often quoted in industry publications. He was CEO of Parasole Restaurant Holdings from 2009 to 2011. You can reach him at dmonroe@mmblawfirm.com.