

New Ideas for Restaurant Profit Centers

Something evident from the recent Restaurant Finance Week was the great number of new ideas and serious discussions on what post-Covid restaurant concepts will look like. I would like to draw on some of these discussions and develop specific recommendations. Also, I wanted to get input from a true veteran of groundbreaking ideas in the restaurant industry, and that is Paul Saginaw, one of the co-founders of Zingerman's and also, recently, the creator of a new deli concept in Las Vegas.

First, it's apparent restaurants must have multiple profit centers, and I don't just mean takeout and delivery, but expanded formats incorporating a number of new ideas. Restaurant spaces need to be redefined, and sometimes the restaurant will embody two or three different concepts, in many cases with a bar as an additional concept. This particularly applies to a large casual dining space, which can then house multiple fast-casual concepts within.

Delivery methods have expanded to ideas like a boutique hotel that had to close their individual restaurant, but pivoted to offering three-hour blocks of in-room, gourmet cuisine dining for groups of four. Courses are delivered to the door and the rest is left to the guests.

Also, to get that restaurant feel, high-end restaurants are catering virtual events. For example, a national consulting firm is having a virtual holiday party for 150 with meals delivered to each participant at their home. A nationally recognized jazz club is taking a similar approach for their virtual New Year's Eve celebration and is offering a meal kit with a ticket for the virtual concert. Meal kits will be delivered or picked up. And, a unique approach that has recently developed is what is known as fine dining drive-up, where people drive to a designated area near the restaurant and a fine-dining meal is brought to your car.

Other potential profit centers include meal order/internet sales, licensing the concept names or products and possibly going into other distribution channels, such as grocery stores with frozen foods or packaged goods.

All of these additional profit centers are designed to leverage the name and the concept of restaurant companies. There have been many examples of restaurants licensing and distributing their products, from Famous

Dave's and TGI Friday's, to even White Castle. There is no reason on a localized basis that a restaurant cannot joint venture with local retailers rather than having to do something nationally. This is not as hard as you might think because most grocery chains, particularly larger local chains, have buyers that focus on local products, whether they are frozen, fresh or packaged goods. So the key is to find out who the focused buyer is for these chains.

An idea that deserves your attention is the mail order business, which now has adapted to the internet. Companies like Goldbelly are capitalizing on this opportunity of distributing unique, high-end products. Each restaurant should look at their signature products and decide if there is an opportunity in addition to going with local retailers and grocery stores to do a national internet approach.

Recognizing that this is just a huge opportunity for a restaurant, there is no one who is more knowledgeable in this area than Paul Saginaw. If you have not visited the Zingerman's website and catalog, it is really a work of art, and they have had great success with this distribution approach. Paul admits its what has kept them alive during Covid, because obviously things like their deli, their catering and private parties, even a large farm event center, are limited under the Covid rules.

Their online sales approach goes way back and was a product of the growing desire of past customers who had eaten at their delis in Michigan, and particularly in Ann Arbor, to get Zingerman's products delivered to their doors. As I said above, restaurants need to have various profit centers: Zingerman's started allowing its employees the latitude to develop other concepts, which it would then help to sponsor and fund, and they would become part of its family of concepts, thus extending the brand and diversifying.

When you visit their site, you'll notice they even have the "Zingerman's Deli Pie Pick Up Truck." Throughout December, pick-up trucks laden with holiday pies will be scheduled at various locations so customers can pick up their desserts without having to come into the store. As the website declares: "We miss your pie-loving selves, but want to limit your travel and the crowds at the Deli."

What has been unique for them is that they have developed a whole lifestyle around their products, particularly the breads that really make the consumer's life feel like they are at a Zingerman's deli.

They also have two new customer-centered concepts: Saginaw Deli and Jack Pots, developed in the Circa Resort and Casino, which was opened in October and the first hotel to be built in downtown Las Vegas in years.

Jack Pots is a grab-n-go and Saginaw Deli is a traditional deli catering to hotel guests. What really makes the deli unique, besides the fact that it's a 24-hour restaurant, is individual customer delivery to the largest sportsbook in Las Vegas—once again, meeting the consumer at the place where they are.

These are just some ideas to keep in mind as you reopen or reconfigure your restaurant, whether it is a franchise, local fine dining, fast casual or QSR. All restaurants can't be a Zingerman's, but we can learn from historic successes that have found new ways to deliver the restaurant experience to their customers.

Dennis Monroe is chair of Monroe Moxness Berg, a law firm which focuses on M&A, taxation and other business matters for multi-unit restaurant businesses. You can reach him at dmonroe@mmblawfirm.com, or at 952-885-5962.