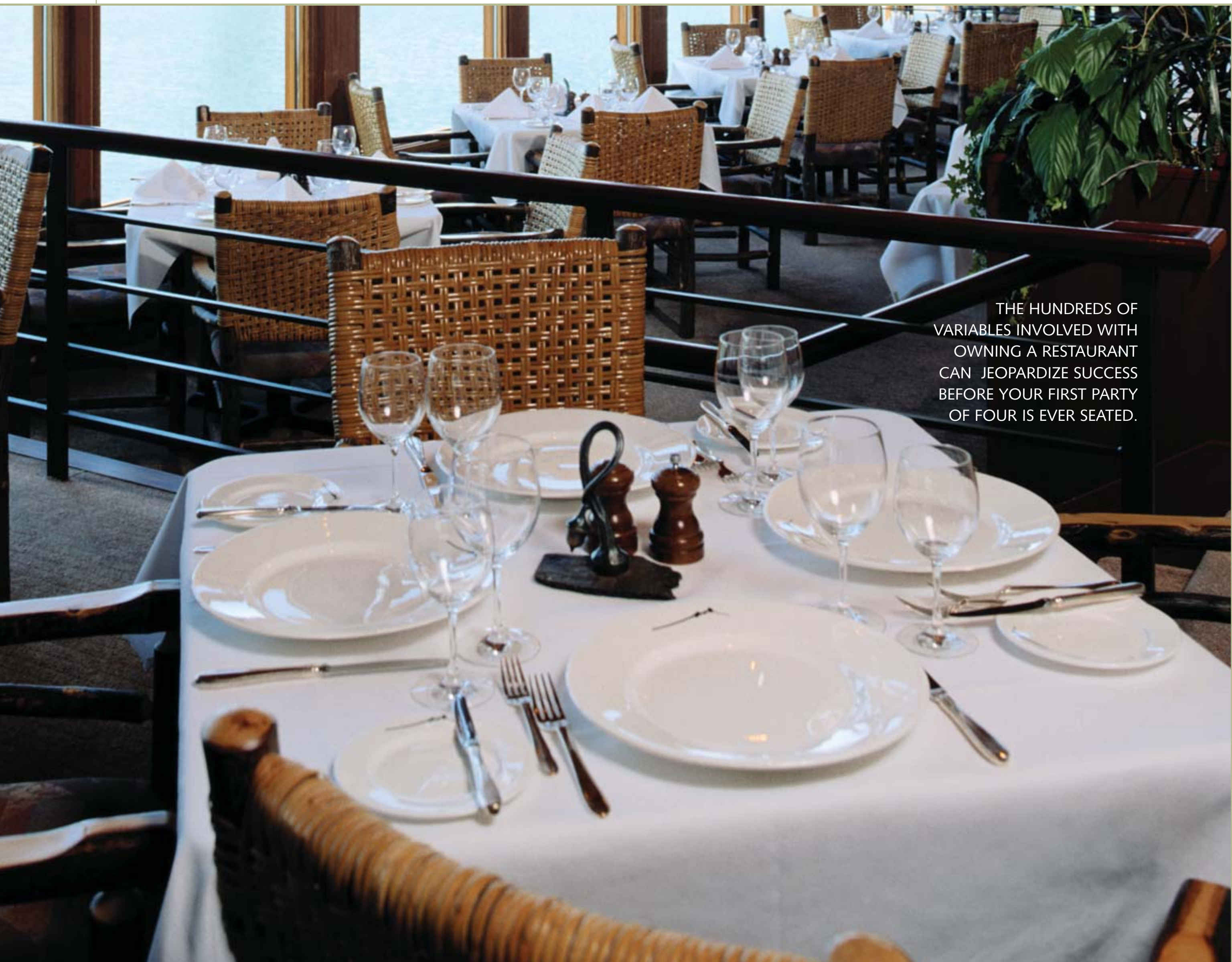
BY STEVE SCHIMOLER

# THE Bitter AND THE Sweet



THE HUNDREDS OF VARIABLES INVOLVED WITH OWNING A RESTAURANT CAN JEOPARDIZE SUCCESS BEFORE YOUR FIRST PARTY OF FOUR IS EVER SEATED.

QUICK-TAKE

THIS STORY TAKES A LOOK AT:

- How bitter realities can sour your sweet dreams of restaurant success
- Banking, real estate, legal counsel: the less flavorful parts of running a restaurant
- Advice on balancing a passion for food with a clear head for business

*Our resident culinologist shares his hard-earned insights into the less flavorful aspects of restaurant ownership*

Ask any aspiring chef about his or her ultimate career goal, and the reply will most likely include owning a restaurant, being one's own boss and controlling one's own destiny.

I was no different, and at the ripe old age of 23, I had realized that goal. By 26, I had two restaurants, a bakery and a catering company. For eight years, I lived the life of the entrepreneur and chef.

On the sweet side of those years was the creative power of experimenting with food and flavor combinations, designing menus, feeding people's appetites and souls and feeling a great sense of accomplishment after a big night. There were certainly bitter tastes: missing payments to vendors, scraping money for payroll, managing less-than-stellar employees and a litany of mishaps, bad luck and missteps that make the restaurant business so difficult.

## SWEET SUCCESS

Maybe balancing the bitter with the sweet got to me. I left the restaurant business in 1990 to pursue a career in product and business development, combining my culinary experience with the street smarts I earned doing it the hard way and on my own. For nine years, that plan worked nicely, but eventually my appetite for the sweeter side of restaurant ownership got to me.

Soon, I joined with partners to negotiate a lease on a space. We forged onward, designing, building and opening a unique, beautiful and carefully considered operation. We invested time, money and other resources with the understanding that our capital improvements in the building would be protected in the lease agreement.

The restaurant flourished from the minute we opened the doors. As a team of seasoned food veterans, we leveraged our combined expertise to create and operate what would turn out to be a nationally acclaimed establishment.

We enjoyed our success, thinking we had crossed all the T's and dotted all the I's every step of the way, especially in identifying the conditions of our lease in a way that would address the nuances of a restaurant.

And yet, nearly seven years and several-hundred-thousand dollars in investment later, after building a customer base of thousands and earning a reputation for exemplary food, wine and service, we were forced to close the doors when we lost a long legal battle against our landlord.

The details of the story are complex. But the lesson anyone who wants to own a restaurant can take away is that the business is full of ingredients that have nothing to do with food.

## PUNISHING ODDS

The failure rate for restaurants is grim. Many put the number at 85 percent within a three-year period, but I put it closer to 60 percent. The real figure is probably in between the two, and few businesses reflect mortality rates as high.

Why is this business so tough? On the outside, it may seem like opening a restaurant is all about serving great food and stepping back as people flock to your tables. But, as anyone on the inside knows, there are hundreds of variables to jeopardize success before the first party of four is ever seated.

First and foremost, banks are not exactly advertising for "wannabe restaurateurs" to take out low-interest, long-term loans for a business that will fail at least 60 percent of the time.

Many turn to the kind of alternative financing that can deplete family savings and the generosity of friends. And any kind of financing becomes strained when unforeseen construction costs and last-minute changes

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add thousands of dollars, placing an operation deeper in the hole before a dollar ever hits the cash register.

## PASSION WON'T PAY THE RENT

Let's face it: Most are in the restaurant business because of their passion for food, and many rely on intuition and passion when rationalizing their restaurant dreams. Passion and intuition count, but they do not hold up for long in the world of banks, leases and the legal system. You could say that passion is the sweetness that has to be balanced with the bitterness of hard resolve and discipline.

There are thousands of heartbreaking examples of great restaurant intentions gone wrong: nice people getting screwed, smart people underestimating the challenges of a fickle marketplace and confident people overestimating the appeal of a particular cuisine's viability.

## REAL ESTATE MOGUL OR RESTAURATEUR?

After my recent legal disaster, I came to realize that one of the most important elements of a restaurant's success comes down to real estate. The ideal option is to own, and in fact, many restaurateurs have made their fortunes more from being savvy real estate players than from creating the next great dish. The old adage "location, location, location" is very true, but the prime ones come at a premium that is out of the average entrepreneur's reach.

Those of us who are not real estate moguls on the side often open our doors under lease agreements that are rarely optimum. Excessive monthly rents tighten the noose, percentage deals can suck the last 2 percent of profit from a struggling operation and there are plenty of legal defaults for a landlord to wield a notice of eviction.

A second lesson learned from my recent legal fight is that strong legal counsel is mandatory in ferreting out any unreasonable demands from the upfront lease negotiations. But your attorney is not the one responsible for adhering to the terms and financial obligations. Investing heart, blood, sweat, tears and cash in a leased property comes with many risks that need to be weighed exactingly.

Often strong-headed desire and passion can obscure the fine print of a contract and cause oversights that can come back to haunt.

### TAKE-AWAY TIPS

- **CLEAR YOUR HEAD:** Don't let the passion for food and creativity cloud your business judgment
- **SEEK LEGAL COUNSEL:** Don't buy, rent or sign anything without a lawyer

## KEEPING THE BALANCE

Staying competitive is based not just on the romance of a new menu or the allure of a favorite ingredient. It also involves the nuts and bolts of a business — accounting, purchasing, benefits, payables, etc. And staying power certainly has a lot to do with swallowing bitter and expensive pills, including paying for strong legal counsel for the uglier side of the business — like fingers in chili or lease terminations.

Being proactive in identifying minefields is good business and can prevent unwelcome surprises. My advice: Before you put a single appetizer together or pick the colors of your walls, protect your passion and independence legally. Take every measure to ensure that you can savor the sweet notes for as long as you wish, not just for as long as someone else lets you. &

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