



ATLANTA CUISINE

Atlanta's Restaurant, Food and Drink Newspaper



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It's all about the food, honey

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ROMANCING THE STONE



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Around Town

Oh, That Recession

by Christine L. Carrizales

Atlanta - **Bruce Blumberg** had planned to print new menus this coming January to introduce exciting new dishes at **Bella's Pizzeria** in Smyrna, but he never got a chance to fine-tune his recipes. The looming recession made him postpone that plan and focus instead on his business's long-term survival.

Faced with a large rent hike, a 33% increase in employee health insurance premiums, the higher cost of ingredients, and sagging sales, Blumberg needed to take action right away. In September, he decided to raise prices by 15%, which immediately presented him with another expense: nearly \$2,000 to reprint the dine-in and takeout menus.

Blumberg thought the price increase would translate into a 10% increase in sales revenue. But the revenue stayed flat, corresponding with an alarming industry trend of declining sales. "Our price increases are not even enough to cover the cost increases," Blumberg said. "There are a lot of ways that we can save money by changing different (ingredients), but we're trying not to compromise quality for costs. I think that would hurt me more in the long run."

Some customers, already facing economic troubles of their own, protested the higher prices. "I had to explain that this is not a price increase to pay for my house in the Bahamas," Blumberg said. "I don't have a house in the Bahamas. And if I don't raise my prices, I never will, because I won't have a business."

The restaurant industry has suffered a major blow in recent months due to the sputtering economy, according to **Steve Josovitz**, a commercial restaurant real estate specialist, who is vice president of **The Shumacher Group, Inc.** The situation has been particularly dire

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Oh, That Recession

Continued from cover

in Atlanta, where the recent gas shortage left drivers panicked over keeping their gas tanks full.

"The gas shortage was probably something that tipped the scales along with one of the worst economic downturns in a long time," Josovitz said. "Credit, borrowing, and mortgage lending dried up. Small businesses, especially restaurants, have really taken a major hit. The gas shortage added fuel to the fire."

Changing paradigms

Once gas became available again, diners began to eat out, but their numbers were fewer than before. "There's a paradigm shift here," Josovitz said. "People are really buckling down, and changing their dining, shopping, entertaining, and leisure-time habits. It's created a new consumer who says, 'I don't need to eat out as much. I need to save my money. I need to do things differently.'"

Eating out has now become a luxury to many people, where it never was before, Josovitz said. High unemployment, the prospect of losing their homes, failed banks, and devalued investments and 401(k) plans have caused people to re-think their dining-out habits. They're choosing to forgo a breakfast meal or expensive coffee drink, find bargains at the supermarket, and re-discover their own kitchens.

That's bad news for any restaurant owner, and the trend is visible in the dining rooms of restaurants across the metro region. Many contain only a few customers or are empty. Popular Atlanta dining establishments that once had an hour-long wait on Friday and Saturday nights now have no waiting list at all.

"Since August, it's gotten spooky," Josovitz said. "I'm fielding more calls from sellers looking to sell their business than in almost 20 years of doing this. The majority of those calls are restaurants that are not making a profit and bleeding. What I'm seeing in the market right now is Mom and Pops in bad trouble. I'm seeing national chain restaurants closing their doors and going bankrupt."

However, deals are still getting done and Atlanta is still a desired location for restaurant operators. Josovitz' firm recently placed the former Sonny's BBQ on Cheshire Bridge Road under contract. At Medlock Crossing in John's Creek, two large spaces were just leased to restaurant chains. He also recently leased a 6,000-square-foot, fully-equipped, turnkey restaurant in another suburban location.

Tighter credit markets

Lending institutions, though, have become even more cautious when it comes to loaning money to restaurateurs. Restaurant funding organizations, such as **National Restaurant Funding**, have seen a dramatic change in the past five months and are now feeling the pinch.

"We have definitely seen a slowdown," said **Rebecca Watkins**, chief operations manager of National Restaurant Funding. "Business is probably down by about 40%. Our level of activity has not decreased, but our availability of funding has decreased. It's that much harder for folks to get funding.

"If your credit score is in the tank, don't

even consider funding," Watkins advised. "We're getting deals done, but with people who have stellar credit."

More applicants are being rejected than are being approved, according to **Brian Josselson**, a broker who is the chief executive officer of National Restaurant Funding. Many people simply cannot obtain funding because they weren't financially cautious enough in the past. They're now considered by banks to be too much of a risk.

Previously, he said, applicants needed a credit score of 690 or 700 to get long-term financing. Now, applicants typically need at least a 780 or some form of assets to back up the deal in order to qualify for a long-term product.

"It's tough out there," Josselson said. "To be honest, we're sort of in limbo here. We're just rolling with the punches and trying to do what we've got to do to help our clients."

Instances of fraud by applicants are on the rise. Josselson and Watkins encountered two cases of fraud in the past month alone. Some applicants have lied about their business partner or created fake bank statements. Others knew they were going out of business, but applied for a loan anyway.

"People are getting more savvy and have gotten better at tricking the system," Watkins said, "so the lenders have gotten smarter." Banks now ask applicants for résumés, request statements explaining why they want the money, and perform on-site inspections of the restaurant sites.

Innovative ideas

But getting the funding is just the first hurdle to clear. The real challenges begin once the doors open for business.

Andy McCoy, the General Manager of **Rise Sushi Lounge** in downtown Atlanta, is feeling the effects of the deflated economy firsthand. When the sushi bar opened on Oct. 8 in the Luckie-Marietta District, a few blocks from the CNN Center, he failed to see the rush of diners he'd expected. McCoy was still waiting for liquor license approval and thinks that might have discouraged some diners who otherwise would have come to sample Asian delicacies like shrimp tempura and sashimi. "It was definitely much slower than I anticipated," he said toward the end of his third week in business.


But McCoy certainly wasn't about to hang up the Gone Fishin' sign. He decided to be proactive and set in motion a plan to draw attention to Rise Sushi. For the first two weeks, he offered 50% off on all menu items. Parking was also proving to be problematic, so management hired a valet firm to offer complimentary valet parking. They launched an e-mail marketing campaign, and began circulating a \$10 coupon. McCoy also brainstormed with management from the nearby Wine Loft, to devise joint marketing ventures that will benefit both businesses.

Diners took notice. The 50%-off promotion caused business to pick up by the second week. His creative ideas have earned him notice

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on various Internet sites related to Atlanta dining. The liquor license was to be approved during the last week of October, which McCoy believes will boost business even further.

"We've tried to overcome everything that seems to be a major obstacle," he said. "It's a matter of continuing to make it easier and accessible and to serve a good product."

"I'm not discouraged really," he continued. "I think we will do quite well. I think it won't be something that will happen overnight."

At Bella's Pizzeria, Blumberg is also exploring creative marketing ideas. He is planning to issue "Beat the Recession" coupons to attract diners with discounts. He's thinking of putting together some "family-type deals" to make it more economical for families to eat at Bella's for less money than they'd spend at a chain restaurant.

He's also managing operations carefully. Blumberg hasn't resorted to employee layoffs, but he has left several vacant positions unfilled. "If I have to, I'll get back there and start slapping pies again," he said. Usually, he ran three ovens during the day, but now is shutting two of them down between the slower hours of 1:00 p.m. and 5:00 p.m. to save electricity. "I'm even thinking of turning off every other light bulb in the restaurant," he laughed.

"It's a game of managing," he said, "and the ones who can manage it well will survive. We're still fortunate we're doing enough sales

to keep the business going. If we manage it the right way, we'll be just fine."

Coupon clipping

Six months ago, Realtor® **Beverly Hanson** of Tucker ate out two to three times a week, which included a weekly "Girls Night Out" and some business meals. Not much has changed. The "Girls Night Out" is still on, and Hanson dines out about twice a week these days.

"I would say I've cut back a little on dining out," Hanson said, "and I'm selecting restaurants where I can use coupons more than ever." Typically, Hanson stays close to home in order to conserve gas, or she eats in areas she'll be in for other reasons. Her favorite spots include **Taqueria Los Hermanos** and **Marlow's Tavern** in Tucker, and **The Grove Restaurant** in Decatur.

Hanson said that the bleak economy hasn't dampened her dining mood. She faithfully clips the "Two for One" or "\$1.00 off" coupons to make the cost a bit more affordable. Does she share an appetizer or skip dessert or not order wine or beer? "Not order wine or beer?" she exclaimed in mock horror. "You've GOT to be kidding. But I do lean toward ordering the lower-priced items."

And she's never at a loss for a dining companion. Hanson's 84-year-old mother, **Milly Hanson**, moved to Atlanta this year and is always up for dining out. Milly recently became a vegetarian, and enjoys Mexican food.

"She pays for my dinner if I will pick her up and drive her to a restaurant," Beverly said. "She lives to eat out. The cost of dining out doesn't faze her, since it's about the only thing she spends money on."

Milly Hanson isn't the only one who continues to dine with gusto in a rough economic climate. Some restaurants were positioned to withstand the downturn and keep bringing in diners due to the strong reputation they'd built.

Portions, prices, and pizzazz

On a recent Saturday in October, the parking lot at the **Marietta Diner** was full. The diner's sleek, gleaming, stainless steel exterior beckoned to motorists passing by on Cobb Parkway.

It had been a long week, and the headlines had been grim. Stock values had tumbled. Georgia had just posted the second-largest increase in unemployment in the nation. Consumer confidence was at an all-time low.

But inside the diner, the mood was upbeat and festive. Guests passing through the front entrance were seated immediately, and handed the voluminous, 13-page menu filled with hundreds of items. Servers smiled as they moved from table to table, taking orders and carrying generous platters of malted waffles, cheeseburgers, and broiled shrimp. No one could possibly be fixated on the sorry state of their 401(k) portfolio when that first forkful of steaming, Greek pastichio or sublimely sweet baklava passed their lips.

This is one of the highest-volume restaurants in Georgia, according to Josovitz. A nationally-aired, Food Network feature on this diner bolstered business. But there are other factors that led to its success.

A \$1 million renovation project was completed in honor of the restaurant's 10th anniversary. And management always makes guests feel welcomed by chatting briefly with diners and thanking them for their business.

"The key to their success was for 10 years providing large portions, low prices, great service with a smile, and a menu with several hundred menu items," Josovitz explained. "This is a restaurant that has been recession-proof, although they did experience a loss of sales when people couldn't find gas."

Josovitz said that the Marietta Diner is the type of establishment that will continue to attract diners – even those who are watching their pennies. "When we choose to dine out, it's going to be an experience," he said, "because we're not doing it as many times. You are going to choose a restaurant based on food and price, but also ambience. You're going to choose a restaurant that is full of life and exciting to look at."

Josovitz is confident that the economy will eventually improve, and some of the volatility will disappear after the presidential election. "I believe this is just a natural cycle," he said, "and things are going to get better. The question is: 'Will people go back to the spending habits they had?' And *that* is very scary for anyone in small business or in the hospitality business."

Over by the diner's cash register, two customers gazed longingly at a display case holding a colorful and glorious array of oversized layer cakes. The perfect strangers oohed and ahhed together in admiration, joined momentarily by a sugary bond of friendship. An old Stray Cats tune played in the background, adding to the air of festivity.

There were no trappings of recession evident that day at the Marietta Diner. Only heaping plates. Hearty appetites. Wide smiles. And full bellies. While the Dow and NASDAQ were receding, waistlines here definitely were not.

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