



The greatest threat to restaurants this year: the packed lunch.

Corporate crisis

Corporate customers are a mainstay of many restaurants, but tough economic times are hitting this market hard. How do you ride out the storm? By **John Burfitt**

The leafy Greenwood Plaza is the meeting place for the corporate crowds in the commercial centre of North Sydney—the sixth biggest CBD in the country.

The Living Room restaurant overlooks the plaza and, since the global economic crisis hit at the end of last year, a regular sight has greeted manager Ann-Marie Truelson when she has peered out the restaurant's window at lunch times.

"I have never seen so many people in their suits, opening their briefcases and pulling out lunchboxes," Truelson says. "Once upon a time, they were eating in here with us or buying food in the food court, but now they are bringing their lunches with them and eating outside in the plaza.

"Whenever there has been some bad news about the economy on the TV, you can

bet the plaza will be packed the next day with people in their suits eating their packed lunches, while all the restaurants and cafes in the area will be empty."

Such has been the climate most restaurants across the nation have faced in recent months. Along with the fear of tough times ahead, not to mention a climbing unemployment rate as businesses endure new rounds of retrenchments, it is hardly inspiring corporate diners to step into the restaurants that appeal to the commercial big end of town.

Some restaurants have claimed a drop in the number of corporate lunch diners of around 10 per cent. Others tell they have lost almost 50 per cent of their business.

While such figures are to be expected in a recession, there are other restaurants that claim business has never been better.

Industry consultant Howard Tinker boasts that one of his clients has reported a 30 per cent increase in business since the same time last year.

Tales of buoyant business are welcome to Truelson, who, with her husband James, has been working overtime to keep the Living Room open. She admits it has been tough going, but is not prepared to admit defeat.

Faced with the changing economic tastes of their clientele, the couple instead changed the style of service in their restaurant.

"When we had some clients tell us we looked too expensive, we knew we needed to take action," Truelson says.

Out went the leather furniture, to be replaced by cane settings. The cloths disappeared from the tables, and a set of stools appeared in front of the bar area. The price point of the menu was also changed, with

the top mains of \$38 scrapped in favour of a new menu priced under \$20. And in a serious push to attract the budget-conscious, as well as showcase a restaurant busy with diners, a special \$10 lunch is now offered for the first 10 people at the bar before 12.30 pm.

"These were tough decisions, but the result is that business has improved," she says. "We are now a smart bistro, and have seen a 20 per cent improvement in business.

"A few of our regulars have not liked the changes, but we can't afford to not change and keep three people happy. But most of our clientele have been coming back and are on our side. They want us to still be here at the end of the year."

Making changes that suit the market in difficult times is essential to remaining in business, says John Close of Close Encounters consultancy. Close

says restaurants that do not respond with dramatic changes to a market downturn are not taking their businesses seriously.

He applauds the types of changes the Living Room owners have made, calling them "savvy operators".

"These people are listening to their clients, but so few people do," Close says. "One of the biggest problems with the corporate dining market is ego. What needs to happen for many is to look at the business from the customer's expectations, not from the owner's own ego. It is a matter of understanding what you are and what you're offering. Many businesses have lost touch with the reality of the market they're catering to."

Of the restaurants appealing to the corporate diner that Close works with, he estimates 10 per cent of them are doing

as well as, if not better than, in previous years. But he says there are also others that have not made any effort to maintain their approach to the market, and have slid up to 50 per cent in revenue as a result.

While drastic times call for drastic measures, Close urges caution before ripping up an established menu and replacing the filet mignon with beef nachos.

"You need to stop and review your business and define the customer coming through the door, particularly if they have changed over the past 12 months," he says.

"Act early, but do so on a point of reason and plan it rather than doing it in a panic. Knee-jerk reactions can be very dangerous, particularly if all that was needed was some subtle changes." If the number of suits dining in the room is

"Do your due diligence very carefully, and don't rely on anyone else."

John Close, Close Encounters

diminishing, Close advocates considering removing the tablecloths, splitting rooms into formal and informal dining areas, and also introducing a BYO approach to wine.

Close is also a fan of dining deals, whether they are fixed-price lunch menus or early-bird dinner deals. He insists a good package deal makes for better business than a discount.

"Value-add, don't discount," he says. "Many Australian restaurants have this mentality of discounting rather than value-

adding. What people love is a good deal, so if it is a main and a glass of wine at a good price, that will get people talking. It is also cheaper to offer something like that than having a discount that cuts into your own profits. You should not be giving away your own profit."

Simon Denton of Melbourne's Verge restaurant says the Express Lunch (two courses, wine and coffee for \$40) has proven to be a hit with his corporate clients.

But, interestingly, Denton says the majority of people are still ordering off the à la carte menu, while the Express Lunch is keeping new trade coming in.

"Sometimes, to have 25 people spending well is better than having 60 people who are not, so you have to maintain the standard of your service at all times to ensure everyone is



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happy and keeps coming back," he says. "The one thing I have noticed about corporate diners is they are all taking shorter lunches. I guess they don't want to be seen wasting time taking long lunches—they are in and out a lot faster."

Rather than focusing on a new range of marketing strategies, Denton believes editorial coverage in the local media is still the best way to improve the profile of his business.

"This works for us, and it is keeping the name Verge in people's minds," he says. "We let the media know that we are doing interesting things and there is always something going on, so when they think of a story on lunch, they think of Verge and write about us."

"This is a tough time, but if you make your adjustments, you can deal with it. If you

know what you are doing and have the right processes in play, there is no reason you won't get through this."

One marketing strategy that has proven successful for retention is loyalty cards for regular diners. Gift cards like R&CA's Savour card have also proven to drive up business.

"Once that person comes in with their card, sign them up to your database and then keep in touch through newsletters and email offers," says Howard Tinker. "Work out the lifetime value of that customer, and keep in touch with them."

"A gift card can also be a great way for corporate customers to encourage their interstate business visitors to eat locally while they are in town. Or a gift card can be a good way to reward the managers of the local hotels and

serviced apartments who have been sending visiting business people to your restaurant. It is also a way of attracting them as a future regular diner too."

Geoff Copping of Hobart's Blue Skies Dining is certain that one stimulus package that could help all areas of the industry is to scrap the Fringe Benefits Tax and to once again allow dining to become a tax deductible item. Copping is lobbying the federal government for the changes, which he is certain would provide a lifeline to the market.

"When the FBT came in, our area (Hobart) lost 40 per cent of business in one year," Copping says. "We want a stimulus to encourage people back to our businesses. We estimate scrapping the tax would lead to a 10-20 per cent increase in business." Some industry veterans

agree the current economic climate is just part of the business cycle, and after a boom decade, the tougher times are affecting the restaurants that have not encountered such hardship before.

John Kilroy of Brisbane's Cha Cha Char Wine Bar & Grill and Jellyfish says the lunch trade has dropped 50 per cent since the end of last year, but much of that has moved to evenings as corporate diners come in for dinner. "You have to notice the changes, and we changed our efforts," says Kilroy. "Instead of going after stockbrokers, we went into fields like mining. It's about knowing who your clients are in a personal way. Treat them like family and they stay loyal to you. You have to do that in good times and the bad times. And I think we forgot to do that as the bad times began." □

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