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So You Want to Own a Restaurant?

The demands are a recipe for failure unless one prepares well, say those who've risen to the challenge

BY PAM GEORGE

PHOTOGRAPHS BY SCOTT NATHAN

Would-be restaurateurs regularly approach Josh Grapski to “pick his brain.” That’s not surprising. Grapski is president of La Vida Hospitality, which owns and operates Nage and Big Chill Surf Cantina on Route 1 near Rehoboth Beach, as well as the Taco Reho food truck and Crooked Hammock, a brewpub under construction just outside Lewes.

What is surprising is that many such requests come from people outside the business. Grapski can generally separate them into three categories. Home chefs, encouraged by the “wows” garnered from appreciative friends and family members, want to share their recipes with the masses. Others are attracted by the lifestyle — or their perception of it. “Man, your business looks like so much fun,” they tell Grapski. “I would love to work in a restaurant — it wouldn’t feel like work.” Then there are those who tell him they have a concept that’s going to be “a home run.”

The proximity to the sea sweetens the appeal. Stressed out in their current jobs, they imagine shucking the 9-to-5 grind to spend their days on the sand and their nights in the restaurant, chatting with happy customers. Come winter, they’ll take a month-long vacation or two.

Mike Clampitt gained experience in various aspects of the restaurant business before opening Po’ Boys Creole & Fresh Catch in Milton in 2013.



Owner Steve Hagan hands food off to Kat Alberta at Hooked Up Ale House and Raw Bar in Millville, one of the restaurants he owns in coastal Sussex.

All these hopefuls have one thing in common: “They’re thinking of one small aspect of a business that has a lot of components,” says Grapski, who has a bachelor’s degree in hospitality management from Cornell University and is also a graduate of The Restaurant School at Walnut Hill College in Philadelphia. “They might have a great apple pie, but they don’t know how to market it, or how much money they need to run a business or how to operate it.”

Yet some will still plunge into the business — and plenty will fail. According to research by H.G. Parsa, a professor in Ohio State University’s Hospitality Management program, one in four restaurants closes or changes hands within the first year. Over the next three years, the sell-or-fail rate soars to three in five. The “good” news: The numbers are standard with most new businesses, according to the Small Business Administration and the Bureau of Labor Statistics.

But as you consider those odds, remember that a resort town can heighten the challenge. RehobothFoodie.com, a popular blog that offers

news and reviews about coastal restaurants, has made note of seven restaurants in downtown Rehoboth that closed within a year or two of opening. Indeed, the “Breaking Chews” section of the website reported in June that America’s Pie, soon to open in the ocean-block space formerly occupied by the short-lived Lexie’s and then the short-lived Uncle Louie’s, will add yet another slice of pizza life to the first block of Rehoboth Avenue (now sporting Grotto, Nicola Pizza, Louie’s and Dough Roller).

If your dream job involves owning a restaurant at the beach, here are some tips to consider before you sign the lease. As Carrie Leishman, president and CEO of the Delaware Restaurant Association, advises, “Buckle up and go in with your head on straight.”

Get a taste for the business

Dining out a lot or holding frequent dinner parties demonstrates an appreciation for good food, but it doesn’t ensure success in the restaurant business. “Like any other career, you need to train

Dining out a lot or holding frequent dinner parties demonstrates an appreciation for good food, but it doesn’t ensure success in the restaurant business. **“Like any other career, you need to train for it and put in your time to succeed.”**

for it and put in your time to succeed,” says Grapski, who helped open restaurants in Palm Springs, Calif., and New Orleans before joining mentor Kevin Reading at Nage in 2004. (He became the sole owner in 2010.) “My first piece of advice is don’t think about owning a restaurant until you’ve worked in a restaurant for at least one full year,” he says.

Experience in a commercial kitchen or restaurant dining room is particularly important at the beach. “Tourists can be really harsh when doing reviews on Yelp or Trip Advisor because they have only one or two weeks to go out, and they want to make sure they’ve made good choices,” says Meghan Gardner, who with husband Lion and two other partners owns the Blue Moon in Rehoboth Beach. Gardner, who studied religion in college, worked her way up from busing to serving to managing the Blue Moon before buying it.

While owner-chefs operate several coastal restaurants, it’s just as important to know how to handle payroll as it is to handle filo dough. Grapski would like to see more management classes in traditional culinary school programs.

Mike Clampitt, who in 2013 purchased Po’ Boys Creole & Fresh Catch in Milton, gained solid experience in bookkeeping, inventory and management while working as the executive chef at Baywood Greens, a public golf club in Long Neck. He knew the cost of running the front (dining room) and back (kitchen) of the “house.” A former chef at the Blue Moon, he’s been in the restaurant business since he was 15.

Even so, when he decided to explore entrepreneurship, the Johnson & Wales University graduate consulted the Small Business Development Center in Georgetown and enrolled in classes offered by SCORE, a nonprofit association, supported by the U.S. Business Administration, that helps small businesses start and grow. “I wanted to know exactly what I had to do instead of going into it without any kind of information,” he explains.

Steeped in the local flavor

If you’re not experienced or not planning to be a hands-on owner, you’ll need savvy managers. When Eden changed hands in 2006, much of the staff stayed on, says Gardner, whose husband was then the executive chef at the Rehoboth Beach restaurant.

Grapski says a staff of full-time residents is key along the coast, given its many small communities. Thanks to the relationships he’s built over the past 10 years, he can easily spread the word about Crooked Hammock’s opening. “People know you, and they know your business. Community relations are much more important than an ad in the paper.”

Gardner agrees: “You are the face of the business and there’s

that relationship you have with your guests.” Consider the Back Porch Cafe, where co-owner Keith Fitzgerald, who’s worked at the restaurant since 1974, often pulls double shifts at the season’s start. At Confucius, guests are greeted by Danielle Xiong, who owns the restaurant with her husband, Shawn.

Tucked in a tiny shopping center, surrounded by farmland, Po’ Boys gets 90 percent of its business from Milton-area residents, some of whom come in two to three times a week, Clampitt says. Cognizant of the local following, he held a free pig roast when he bought the restaurant, and about 400 people showed up. “I knew it would be OK,” he says of the ownership transition.

Such support is important to the Blue Moon too. It experiences strong tourism activity in season, but during the rest of the year, the locals “keep us going,” Gardner notes.

Biting off more than you can chew

Having enough money to get through the slow winter will largely depend on how low one can keep operating costs from the start. Clampitt appreciated that the 30-seat Po’ Boys was already established, and the restaurant is so small, he’s just as likely to take your order as he is to cook it, which saves on labor.

Steve Hagan had a similar experience when he opened the 50-seat Off the Hook in 2009 with partner Kevin Frey. Since there’s an open kitchen, fronted by a bar, Hagan was the chef, host and part-time bartender in the Bethany Beach restaurant. Hagan’s partner has a background in construction, and the men did much of the renovation work themselves.

Keeping the menu manageable is another way to control costs. Consider Half Full in Lewes, owned by Ian Crandall, Matt DiSabatino and their wives, all of whom also own Kindle together. Half Full was launched in a small building with a tiny kitchen. Since Crandall’s wife, Joanna Goode, is a baker with a killer pizza dough recipe, Half Full started with just beer, wine, desserts and pizzas. A good deal of the business is takeout.

The eatery, which is adding salads and a few other dishes, recently moved to a structure built in the mid-to-late 1800s. Outfitting the space required extensive renovations to comply with the Americans With Disabilities Act and to raise the ceiling, yet also keep it in character with other historic buildings on Second Street.

For a restaurant owner, extensive construction is often the Pandora’s box of the profession. Meg Hudson, for instance, had planned to open Lula Brazil, located in the old Cloud 9 space in Rehoboth Beach, by Memorial Day 2014. She took possession in December 2013, and spent the winter doing renovations, which included plumbing, painting, floor refinishing, drywall patching and a lot of scrubbing. The cold weather that year put her contractors



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behind schedule. Then she waited for the fire marshal's approval — and waited. She resubmitted drawings upon request, then waited another three to four weeks. She eventually got the restaurant open by late August. The delays cost her time and, during the season, money.

Even moving into a suitable existing space can present issues if you make

Despite an increasing number of full-time residents, beach restaurants still have only 16 to 20 weeks to make the bulk of their money for the year.

changes without checking the regulations. Grapski cites the restaurant that added a wood-fired pizza oven only to learn after the fact that it wasn't permitted. It was just before Memorial Day and the restaurant couldn't open as planned.

Because Delaware laws have not kept up with the popularity of food trucks, Grapski is now lobbying for food-truck-friendly laws. Taco Reho, the company's food truck, is regularly parked outside of Big Chill Surf Cantina because such trucks are now limited to private property or festivals.

When Grapski decided to expand Nage, he didn't realize he had to pay an impact fee to the county for the extra stress the addition would put on the sewer system. It cost him thousands of unanticipated dollars. Now wiser, he's built the fee into the Crooked Hammock's construction budget.

"Those are things you don't think about," Hagen acknowledged. "You're thinking about soup and a menu concept and who you're going to hire." He was bewildered when his accountant mentioned a "gross receipts tax." "But I paid my taxes," Hagen told him. Turns out, he hadn't paid them all: The Delaware gross receipts tax is a tax on the total gross revenues of a business, regardless of the source. There are no deductions for the cost of goods or property sold, material or labor costs, interest expense, delivery costs, state or federal taxes.

Crunch the numbers

Despite an increasing number of full-time area residents, beach restaurants still have only 16 to 20 weeks to make the bulk of their money for the year. But even if your restaurant is packed and there's a lengthy waiting list, you might not be building a hefty bank account.

For starters, don't count on a bank for full funding upfront unless you have collateral, says Grapski, who put his savings into Nage. Clampitt bought Po' Boys with his own money plus a loan.

What's more, in a good year, restaurant profit margins average around 5 percent, says Leishman of the Delaware Restaurant Association. "Labor and food costs are so high," she explains. "It's very expensive to own a restaurant." That also includes rent, equipment costs and maintenance, insurance, utilities and marketing.

Food costs have only gone up since Hagen opened his first restaurant in 2009. Like Off the Hook, two of his other restaurants — Just Hooked in Fenwick Island and Hooked in Ocean City — are influenced by the price of seafood, which, in turn, is affected by the cost of the fuel it takes to catch the seafood. As a result, Hooked Up Ale House and Raw Bar in Millville offers a pub menu with burgers and wings. The newly opened ale house has \$8 to \$15 menu items vs. the \$20 to \$28 entrees at its sister restaurants.

For Hudson's Brazilian concept, she initially had to drive to Philadelphia once a week, and sometimes more often, to buy specialty ingredients. She had no idea how busy she'd be in those first few months and didn't want to over-order. (Unlike a clothing boutique, a restaurant can't discount unsold product. It simply

goes to waste.) Now that she's found her footing, she can order larger amounts and get a discount on bulk.

And no matter how much money you think you'll need to survive the slow winter season, double it. Leishman says many restaurants open without enough funds to cover all the unexpected costs of the first year. And at the beach, "if you get a few lean winters, that can be a problem," she notes.

Lula Brazil, which has a nightclub component, did a decent business in the first few months after it opened. Then winter hit. There were nights when the restaurant had no customers, Hudson said. Fortunately, the dance club, which is less expensive to run, helped bring in revenue while would-be diners cocooned at home. The space has also been ideal for parties and wedding receptions.

Hudson planned to close for a month or two in winter, which for some owners is part of the appeal of starting a coastal restaurant. But her late opening meant ditching those plans to hopefully make more money in the off-season.

Winter closings are happening less often as activity increases in the shoulder seasons. Staying open also allows restaurants to keep staff instead of rehiring and retraining each May, and for some owners, that's worth barely breaking even or losing money for a few months in winter.

Keep a lid on the drama

Of course, there are some employees you may not want back. Staff, chefs and partners don't always get along, and while that is a recipe for good reality TV, it also has the makings of a migraine, particularly when you add demanding customers to the mix. >

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Ocean View resident Pete Marshall planned to play a lot of golf during retirement. But that dream seemed far off when one of his knees starting giving him real trouble.

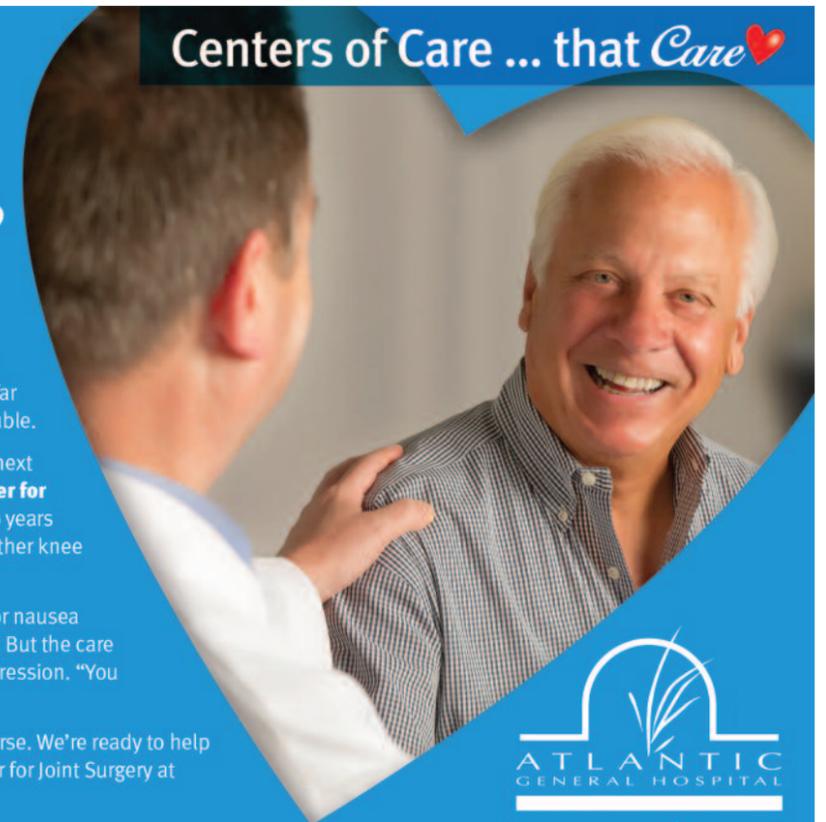
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Lula Brazil owner Meg Hudson, standing, checks on diners at her Rehoboth Beach restaurant. Seated, from left, are Erica McCants, of Alexandria, Va., Miguel Sanchez, of Wilmington, and Lisette Garcia and Craig Bennett, both of Manassas, Va.

“Everything is so dramatic,” Hagen says. “It’s like you are making life-and-death decisions.” Not surprisingly, tempers start simmering when the pressure is on.

Like an old married couple, Hagen and his business partner have agreed to work things out before the end of the day. They’ve also learned to walk away rather than continue a hot debate. “Let cooler heads prevail,” he advises.

Hagen couldn’t imagine being in business with a spouse. But that’s exactly what Meghan and Lion Gardner are doing, and so are their partners, Tim Ragan and Randy Hane, who recently married.

Gardner said it was challenging at first to work with her husband when he joined Blue Moon as the chef and she was the general manager. But while Joyce Felton owned the restaurant, they stuck to their primary areas of expertise. Now that they’re stakeholders in the entire operation, they often take the job home with them, checking reviews online, doing paperwork and placing orders at 11 p.m. or before 8 a.m. They’ve learned how to communicate so their restaurant roles don’t create friction.

Crandall says each of the four partners at Kindle and Half Full has a distinct role. DiSabatino excels in the front of the house. “He knows everybody in town and shakes their hand,” Crandall notes. Ali DiSabatino handles the books. Crandall is the chef and Goode is the baker. Despite the coordination challenges, Crandall has no

desire right now to start another restaurant on his own. “I like the partnership and the way it’s set up,” he says simply.

Siblings are another matter. When his brother worked at Kindle, the two men learned there was less brotherly love when one of them was the boss. “Proceed with caution,” he warns about such hiring decisions.

Embrace the whole enchilada

The restaurant business is sprinkled with risk. Hudson took a chance on a Brazilian concept that focused more on seafood and tropical ingredients, such as coconut milk and yucca, than steak. “Once people come in, they understand what it is,” she says. “That’s the best marketing. They tell their friends and bring friends. The food is approachable.”

Certainly, standing out can be an advantage. Grapski of Nage says one reason Agave in Lewes commands a two-hour wait list is because it’s the only Mexican concept restaurant in town. However, a place like Lewes, which is more sedate than Rehoboth, might not support a restaurant featuring cutting-edge dishes with unusual ingredients and prepared with novel tools (like liquid nitrogen). Nage brought innovative cuisine to the highway, but in the off-season, locals might think of it only for a special occasion. A casual option such as Big Chill Surf Cantina, also on the highway, meets the need for a low price

point. It’s also accessible during the tourist season, when finding parking in town is a challenge.

And at the beach, chefs and owners can’t stubbornly stick to a concept that isn’t working. They have to listen to their guests — there are simply too many options out there to remain obstinate. Today, the clientele is more engaged than in the past, Gardner

“I mop the floor every other night and I say to myself, ‘Oh, my god, I own a restaurant.’ It’s an awesome feeling.”

says. “They want you to tell the story of where the food comes from and where the wine comes from.” Because she and Lion are well versed in this area from traveling to wineries and food destinations, she finds customers’ interest exciting. She just has to make sure her staff is equally knowledgeable and passionate. Customers are informed enough to catch a fib.

Finally, to even venture into the restaurant business requires humility. “You have to be prepared to do every position, from janitorial to washing dishes,” says Hudson, who describes her first year in the business as a roller coaster ride with the highest highs and lowest lows.

You also must love the hospitality business, she adds. Grapski agrees. He points to Steve “Monty” Montgomery, co-owner of the Starboard in Dewey Beach. “That guy just loves to host people and for them to have a good time — it’s his passion.”

Now in his second year, Clampitt has no regrets about his decision to buy Po’ Boys. “To be honest, it’s probably the best thing I’ve ever done,” he says. “I mop the floor every other night and I say to myself, ‘Oh, my God, I own a restaurant.’ It’s an awesome feeling.” ■

PAM GEORGE is a frequent contributor to *Delaware Beach Life* — and the local restaurant economy. She is the author of “*First State Plates: Iconic Delaware Restaurants and Recipes*,” and she has a Facebook page, “*Small Wonder, Big Bites*,” which is devoted to the Delaware dining scene, particularly at the beach. She divides her time between Wilmington and Lewes.

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