

Restaurateur Danny Abrams Talks About the Aftermath of the COVID-19 Pandemic

PAYCHEX
Business
Series

Coronavirus



Gene Marks

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Danny Abrams

Owner of The Mermaid Inn, Pizzeria Sirennetta, and JG Melon Restaurants

Full transcript

Gene Marks:

Hey everybody and welcome to the Paychex Business Series podcast. I'm your host Gene Marks. I am a certified public accountant and regular business columnist for a bunch of publications, including *Forbes* and *Entrepreneur*. But more importantly, I'm a small business owner of a financial and technology management services company. I've teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services, to bring you real-life advice from real-life business owners and industry experts.

In this podcast, we'll talk about the complexities of running a small business and how my guest is handling the challenges he faces. And my guest today is Danny Abrams. Danny is the owner of a few restaurants in the New York City area. Danny, I've got down here The Mermaid Inn, Pizzeria Sirennetta, JG Melon. These are three restaurants, but multiple locations, is that correct?

Danny Abrams:

That is correct. There's actually four locations of The Mermaid Inn, one of Sirennetta, and one of JG Melon.

Gene Marks:

Got it. And are they all in New York City or are they in the New York area?

Danny Abrams:

All in Manhattan.

Gene Marks:

All in Manhattan. You lucky, lucky guy, running a bunch of restaurants in Manhattan in the middle of a pandemic. I'm so jealous of you. It sounds like lots and lots of good times. First of all, how long have you been in this business?

Danny Abrams:

I've been doing this a long time. I opened my first bar in '91. So I've been through 9-11, I've been through the recession, I've been through the Iran-Iraq war, which all had impacts on our business.

Gene Marks:

How does this compare?

Danny Abrams:

Here we are again. It's interesting because people ask me that. We were supposed to open a restaurant six blocks north of the World Trade Center on the 16th of September. So 9-11 happened and we got delayed, obviously. But when you left that neighborhood, life kind of seemed normal everywhere else. People were going to restaurants, the streets were lively. This is just bad everywhere.

Gene Marks:

Yeah. It's funny. I live in Philly and I'm good friends with a guy who owns five restaurants in Philadelphia, it's a chain of diners in the city. And he's never seen anything ... This guy has been running ... it's a family business. It's like a third generation thing. So, he's been in the restaurant business all his life, and he's never seen anything like it either. So let me first of all ask, when things hit and the city shut down, which basically said, "You've got to close, you can't have any diners coming in." Walk us back to what that was like and what steps you took?

Danny Abrams:

Well, we had just opened a brand new Mermaid Inn on the Monday before the shutdown. So, we had only been open for six days in this new location, or five days before they went to 50% occupancy. So we did 50% occupancy for a couple of nights. And then my partner called me Sunday morning and just said, "We've got to shut these restaurants." It was days before it was mandated. And it just became clear that at 50% occupancy, you weren't going to make any money, because 50% occupancy didn't translate into 50% less revenue; it was more like 60% less revenue.

So it became clear pretty quickly once they went to 50%, that was unsustainable. So we closed down on the Sunday prior to the Tuesday shutdown. And that was just a super hectic weekend. First, trying to rearrange all the restaurants to comply with the 50%, take tables out, make new seating charts, adjust the staffing levels. And that was just a nightmare. And then the process of actually closing the restaurants on Sunday was emotional, sad, scary. We gave all the food in the walk-ins to the employees. We had a lot of people there, so we were able to get them super clean and kind of ready for an extended shutdown. And people were walking around in a daze a little bit, like "What's happening? Why are you giving me this food from the walk-in?" A lot of people didn't quite understand.

Gene Marks:

What about now? How are you paying your bills?

Danny Abrams:

We're not. We applied for the first round of PPP for all the restaurants and our bank, Capital One, had not built out their own portal. So we missed out on that, which was scary. We applied for economic injury loans, which two of them have come through, out of eight entities. And now we applied but ... We got into the second round of PPP, and five of the seven restaurants have been approved already. We have two more that we're waiting for. And then we'll figure out how to navigate that.

Gene Marks:

Besides giving your employees food from the walk-in, could you do anything else for them and did you?

Danny Abrams:

Well, we made sure that we made our last payroll. We had to kick in money from our personal accounts to do that because the weekend was abysmal. We started a GoFundMe, which raised about \$60 or \$70,000. So we distributed the first portion of that to all of the more vulnerable employees: the porters, the cooks, the busboys. We knew that the servers, hosts, managers would all get on unemployment and get the benefit of the \$600 supplement. So we weren't so concerned about that group of people. We were more concerned with the people that might not be comfortable or knowledgeable navigating the system.

Gene Marks:

Did you help them at all?

Danny Abrams:

We did. I mean, we helped them with the GoFundMe money. Nobody really asked for help navigating unemployment. The chefs at the individual restaurants were in touch with their cooks and were offering advice where they could, but communicating with them has been a little bit more difficult.

Gene Marks:

So, Danny, some people would look at you and be like, "Hey man, this guy's in New York. He owns a few restaurants, a few locations in Manhattan. He's been in the business for a number of years. He's sitting on a pile of dough, he'll be fine through all of this." What do you say to someone who says that?

Danny Abrams:

I'll say, "Man, you don't know what you're talking about."

Gene Marks:

Why?

Danny Abrams:

My income spigot got turned off on the same day, and if I have no money coming in, I can't pay my bills the same way everybody else does. I mean, I think that people have a unrealistic expectation or idea of how profitable restaurants are. We have just been crushed in the last three years between increased regulation in New York City, increased HR, more litigious employees and customers, and the increase in the minimum wage. So a restaurant that went from being marginally profitable is on razor-thin margins right now. So, when your payroll goes from paying somebody \$7.50 an hour or \$9 an hour to \$15 an hour or tipped employees from \$5 an hour to \$10 an hour, it's just on borderline impossible to make a living in Manhattan, which has high rents, high cost of doing business. Has been very, very difficult.

Gene Marks:

You know, it's funny, because before all this happened, I've been writing for years about the high cost of doing business in New York City. And this almost is just ... It just throws you over the edge. It throws a lot of businesses over the edge. Are you doing anything right now? Are you doing deliveries? Take-out?

Danny Abrams:

We're not, we're not. We have two restaurants that did a very healthy delivery business while they were open. One restaurant did about \$15,000 a week, one restaurant did about \$11,000 a week. And I'm sure if we had stayed open and continued to have that, those numbers would have jumped up, but I felt, and my partner and I felt, we had a moral obligation to our employees not to ask them to get on the subway, coming from the Bronx, coming from Brooklyn, coming from Queens, that all were heavily affected by the virus, and asking them to come in, get on a crowded subway and come cook food for us so we can make a little bit of money. So the moral aspect of it was difficult for us to navigate. And when you're doing delivery as kind of a side business to your regular à la carte business, you can make a little bit of money, but when you're doing delivery as your sole means of doing business, there is no money in it.

Gene Marks:

Yeah, unless you're operating out of a food truck or something, right? I mean the rent alone just would kill the profit margins on that kind of a business.

Danny Abrams:

By the time you paid the services, and by the time you pay for the food and the labor, you can't even pay your rent. I think it's ... David Chang said "Liberty is fool's gold." And I kind of agree with that.

Gene Marks:

Do you talk to other restaurant owners in New York City? I mean, do you have friends that also run restaurants?

Danny Abrams:

I do. I started a weekly Zoom with some other restaurateurs just to trade ideas and to talk about things. I got onto a WhatsApp chain with a lot of restaurateurs, all trying to navigate mostly the programs. And then I'm on different Zoom meetings with restaurateurs, attorneys, accountants, real estate brokers, a wide variety of people. So we haven't been stagnant during this downtime. We're trying to navigate what's going on right now. It just changes every day.

Gene Marks:

As we talk now, and this is the first week of May, New York City is still a few weeks away from opening, optimistically. What are your current plans? And like you just said, your thought process could change tomorrow, but what are your current plans?

Danny Abrams:

We've run P&L models at 50% capacity and 60% capacity. And we've had the chefs rewrite the schedules and rewrite the menus to have less complicated items, so less prep, maybe less people cooking them. And with all that, we can't figure out a way to make any money at all. We still come out losing less money being closed than staying open. So we're not really sure ... It all depends on the occupancy level. If they say you can open it at 50% occupancy level, I'd have a real hard time jumping back in the game. And I certainly don't want to get caught with another shutdown and a whole nother walk-in full of food.

Gene Marks:

Even if the city allows you to open up at 100% occupancy though, I mean, obviously the concern is how long it will take for your customers to come back to pre-pandemic levels. Do you have any thoughts on that?

Danny Abrams:

Yeah, my partner and I are pretty convinced that until there's a vaccine or a prophylactic measure or some kind of treatment, people are not going to be coming back. And who wants to walk into a restaurant that has waiters in masks and gloves, and everybody's got masks and gloves? When the tables are further apart and the energy kind of low—who wants to walk back into that environment? I certainly don't.

Gene Marks:

You've been in the business for a hundred years now. At least I'm sure it seems that way. [crosstalk 00:12:59] Does something like this make you think about getting out of the business altogether?

Danny Abrams:

That's a multipart answer. The short answer is no, because I love it. And I'm a fairly optimistic person. I've gotten through different things before. And I think that when you come out on the other side of it, we'll be okay. I think our customers and our guests will come back. Unfortunately, I think there's going to be a big shakeup, and this will change the landscape for a while. A lot of restaurants won't make it. And if we're one of the restaurants still left standing, we think we'll be busy on the other side. So we just got to figure out how to get from today to that date.

Gene Marks:

I'm going to bet that you will. You've been doing this long enough. And I can tell just by what you're saying that you're prudent, you're running P&L scenarios, you're looking at your numbers. I can tell you're not going to make any dumb mistakes. I mean, obviously there's always a chance of that happening, but let's assume that you do reopen, you do get back on your feet, you start recovering. Looking back on this whole thing, what were the lessons learned?

Danny Abrams:

It's kind of confusing for me at this point, because this is a once in a lifetime, hopefully, event. And I might've said that about 9-11, but like I said, this is a magnitude so much greater than that. I think that I would get rid of any—and I mean any—excess fat in my business. And when you're running a business, and the money's coming in and things are okay, I've always said it's easier to run a business when there's money in the bank.

I think we're going to start running those businesses like there's no money in the bank, number one. I think it's going to change the way people staff and the way people's job descriptions are written. A few less people on the floor, managers picking up the slack in different areas. Maybe one less prep guy. I think it's going to be different.

Gene Marks:

Yeah, you think if you had just that one less person or two less people in the business, the salary savings alone, assuming that you pocketed it and put it away, would have been huge right now. And you don't think that way when things are busy and things are going good. You're not thinking that something like this can happen.

Danny, thank you. This is a great conversation. And a lot of lessons learned, and I hope that the people that are listening to this take away some good thoughts and things to think about as they're trying to figure out what to do with their businesses moving forward.

Everyone for more information about what we discussed today and other coronavirus questions and topics, please visit the Paychex COVID-19 help center. The address is paychex.com/coronavirus-resources.

Danny Abrams:

Thank you for having me.

Gene Marks:

I know you'll be fine. Yeah, I know you'll be fine. Danny is the owner of The Mermaid Inn, Pizzeria Sirenetta, and JG Melon restaurants. Those are different restaurants in New York City. Once New York City is up and running, please look for him, find him. I've got his website here as well. It's themermaidnyc.com, and his Twitter address is @themermaidnyc. Check out his restaurants. They'll be back up and running soon with lots of good food to eat.

My name is Gene Marks, everyone. Thanks for listening. And we will see you next time.