

# Andrew Zimmern Talks About the Challenges Facing the Restaurant Industry



**Gene Marks**

CPA, Columnist, and Host



**Andrew Zimmern**

Celebrity Chef and TV Personality

## Full transcript

**Gene Marks:**

Hey everybody, my name is Gene Marks and welcome to the Paychex Business Series podcast. Andrew Zimmern is a TV personality, a chef, a writer, a teacher, and a social justice advocate. He has also spent decades in the restaurant industry and has plenty of advice to share. During our conversation, Andrew talks about the challenges facing independent restaurants, the need for chefs to delegate more, and opportunities in the restaurant business in the years to come. So, if you're a restaurant owner, you're going to learn a lot by this conversation. And if you're a business owner, trust me, you'll learn just as much. Andrew, thank you so much for joining me today.

**Andrew Zimmern:**

Of course.

**Gene Marks:**

Glad to have you here. Listen, you and I were talking before we started recording this, I have so many things that I want to talk to you about, but really, we want to stay focused in this 20 minute conversation, on the restaurant industry and for business owners that are running restaurants, thinking of getting in the restaurant business. Before we actually jump into some of your thoughts on the industry itself, let's first of all establish the fact that you know a lot about the industry, which you do. I know you host TV shows, you're a chef, you're a writer, you're a speaker, but give us a little background, Andrew, about your life in the restaurant business, please.

**Andrew Zimmern:**

Sure, I started working in restaurants when I was 14, in summers, and one day a week during the winter time, that was all I could beg my parents to do. Took five years, five and a half years, to complete college because I took three semesters off to go work in different parts of the world, in restaurants. Returned after college to New York City, and worked in restaurants in Los Angeles and New York, in kitchens, managing

them. Worked for a year for the number one PR company in New York, just to learn everything that I could about the restaurant business and the restaurant industry. Was involved in restaurants my whole life up until about 20 years ago part-time, and 15 years ago full-time, when my TV career took off. And it was no longer tenable for me to maintain a full-time position in the restaurant world. And obviously, that's when I became best known to my fans and many of your listeners. However, I've never strayed far from the restaurants.

**Andrew Zimmern:**

I own a stake in several restaurants, I'm an operating partner in one of them, I am a strategic investor in about nine of them, and I'm on the board of a very large and very well-known hospitality company, here in the United States as well. And I teach entrepreneurship at Babson College in Newton, Mass. I'm actually an Entrepreneur Emeritus there, I've been doing it for about nine years. I own three businesses here in the Twin Cities, separate from restaurants. I have Passport Hospitality, which is the operating partner, the conduit through which I do my restaurant work. We have a marketing company called Food Works, and I have a production company called Intuitive Content that makes TV for myself and other people. So I know a lot about restaurants and I know a lot about small businesses.

**Gene Marks:**

And you're also a founding member of the Independent Restaurant Coalition. What is that?

**Andrew Zimmern:**

Yes. Well, actually, it started about five years ago, we just didn't have a name for it yet. A bunch of us decided that we were kind of sick and tired of doing these gala dinners and raising \$100,000, and throwing it into a bucket that had a hole that was \$105,000 wide. I still do the galas, the group of chefs, we still do a lot of these things, we just decided that policy had to become our love language. And we just all got really active on Capitol Hill. If we want to end hunger in America, we can keep raising all the money that we want, but that hasn't made a difference. We have to actually change laws. And so to that end, I'm focusing on childhood hunger and making my tent pole cause a national school lunch program for example. I realize every year, a different organization is asking me to be their spokesperson during the summer because kids can't get food. And when the school is not in session, we saw that come out, a lot of that discussion, during the pandemic with schools not being in session regularly.

**Andrew Zimmern:**

And we provide everything else for kids, who go to public schools, we just don't provide food. And that's horrific, we make everyone pay for it, one way or another. And if we had a national school lunch program, we could invest in nutritious healthy meals for our children because we know the kids that eat well have better outcomes. So why wouldn't we do it? It's not that we can't afford to, we can't afford not to.

**Gene Marks:**

It's a great organization and it's great that you're working with it. And I wish you success with it. Let's talk about restaurants right now. I mean, short of operating a restaurant in Pompeii around 79 AD, this was probably one of the worst years for restaurants worldwide in recorded history.

**Andrew Zimmern:**

Yeah, yeah.

**Gene Marks:**

I mean, Andrew, what has COVID done to the industry and where do you think restaurant owners should be going from here?

**Andrew Zimmern:**

Well, I think the first thing that it did was, it showed us where are our weakest links were.

**Gene Marks:**

Right.

**Andrew Zimmern:**

It showed us the mistakes and the weaknesses that we had spent decades ignoring, putting our heads in the sand. I'll just give you a couple of examples. The restaurant industry was extremely brittle and fragile and going into COVID. I remember when I started in restaurants, a lot of restaurants brought 17, 18% to the bottom line and people still didn't think it was a great business, from a money-making standpoint. Because of that 18%, half of that had to go back into the business. You've got to buy new ovens, and new whatever, and paint the place, and all that other kind of stuff. You have to make reinvestment in yourself. And if you were in a business that was returning 7, 8, 9%, you'd start to question, "Well, I mean, if I just stick it into a money market fund, I can get a number approaching that, right?"

**Andrew Zimmern:**

So why go through all the headaches? Well, the reason was, is that we loved what happened when we saw our dining rooms full and we saw what happened when food hit the table. I mean, I'm addicted to that feeling, I'm addicted to the hospitality of it. I am addicted to the rhythm, and the drama, and the theater of it. I'm addicted to the romance of it. And over the course of the 40 years plus that I've been in this industry, profit margins have shrunk, average independent restaurant I think is at 7.5, 8%. Well, the reason it's so low is, we've destroyed ourselves, fumbling and stepping over ourselves, trying to do the right thing. Provide paid vacations for our key staff, give people a living wage, taking a hit on menu price so that we could fill up the dining room, and try to make money on liquor, right? That's the other big myth.

**Andrew Zimmern:**

I have friends, I call it the parable of the chicken, I ask every person who's had a restaurant for 25 years or more, what they charged for their half chicken dish on their menu when they opened and now. And most of them, it's just a couple dollars more, usually anywhere from 15 to 20% more, is what they're charging for their chicken. I used to charge \$22 in 1995, now I'm charging \$26.50, right? That's 20%. However, all their other costs have gone up hundreds of percentage points, if not more. And so we have artificially deflated menu prices, to align with the public's perception of a value proposition. To the point where, and you know this as well as I do, every single conversation, that when you're talking about starting restaurants, "Oh, we're going to make money at the bar." Well, that's becoming increasingly difficult too, as everybody's tensions have been pulled as customers, in one way or the other.

**Andrew Zimmern:**

The issue is one of fragility. We also had our Me Too experience, we've been a sexist racist industry for the longest time. Even the idea of tipping is one that has its roots in systemic racism in this country. So we really needed to take our business apart, brick by brick, and rebuild it. So it was stronger and better. COVID blew it all down.

**Gene Marks:**

Yeah, it almost seems like COVID is a cathartic experience for a lot of restaurant owners. And it also seems, based on what you were saying, is that it seems like there's a good percentage of restaurant owners that really shouldn't have been in business in the first place.

**Andrew Zimmern:**

Well, of course not. I mean, my phone rings every day. At least three times a week, we get a call from people who are not in the restaurant business who want to start a restaurant and would like me to front it for them, one way or another. Design it for them, consult for them, be the face of it, whatever. I mean, how many times have you sat at a restaurant and had all the other amateur restaurateurs at the table chime in with, "Well, they ought to do this. The seat should be less comfy. And these lights, it's too noisy." And I mean, we're all amateur restaurant critics. I've yet to see... I mean, look, I guess some people watch Legends of the Fall and turn to their movie mate, and said, "Wow, I could ranch." But very few do, no one fixes a leaky faucet and says, "I'm going to be a plumber." Everyone goes out and has a great meal, and it's like, "My God, I got to get in the restaurant business."

**Andrew Zimmern:**

It's it is extremely alluring and very sexy, and it's a lot of fun. But you're right, there are a lot of people who shouldn't be in this business. Now, I will say, it's not my job to tell anyone what they should or shouldn't. You want to be in the restaurant business, go right ahead. What I can do though, is try to make sure that the industry is less volatile for restaurateurs, that they are safeguarded as best they can. And we have to get to a place where we're professionalized in the sense that we are offering compensation commensurate with other jobs of its type, we have rights and responsibilities as owners to provide a safe and caring work environment for our employees. And I think one of the biggest rising costs over the last couple of years for restaurateur has been training, as people have come in, taken jobs, and left, taken jobs and left. And if we professionalize and eliminate that constant retraining cost, which by the way is very, very large, I think that will go a long way to helping drop numbers, drop money at the bottom line.

**Gene Marks:**

Andrew, when my kids were little and I was coaching Little League, I could be actually pretty discriminatory. When kids would try out for the baseball team, I could pretty much tell in 30 seconds, if the kid was a ballplayer or not.

**Andrew Zimmern:**

Sure.

**Gene Marks:**

Just the way they throw the ball, or the way they'd move around, you know what I mean? You could just tell. The same's got to be for you when you meet people that are looking to start up a restaurant. Maybe it doesn't take 30 seconds, but I am sure you meet people that you were like, and I'm not saying you're going to be right every time, but you're probably saying, "There is no way this person should be running a restaurant," versus the people that you do meet saying, "You know what? This person is going to succeed, I can tell." What is it, coming out of COVID, what are the factors of a restaurant owner, when you look at them, that say to you, "This person's got it. This is the right person to be running a restaurant"?

**Andrew Zimmern:**

I think running a restaurant, you need to be tireless, you need to be incredibly creative. Look how many times we've been asked to pivot, as entrepreneurs and business owners, over the last 13 months. It is an incredibly demanding industry. You have to understand, you have to understand food, you have to understand wine, you have to understand the consumer and what they desire. And all three of those things are often incompatible, and you have to find a way to make them compatible within your space. That is a very, very tricky business plan idea, right? But it is something that you have to have figured out.

Tirelessness I think, is the single most important characteristic. I cannot tell you how hard... I mean, give up weekends, give up nights, give up days. You give up everything, as you are operating a small business, because it requires hands on deck all the time.

**Andrew Zimmern:**

The other thing that you need is a really good editor. I have a lot of friends who are chefs, who went into business for themselves. And the ones that are successful are the ones that got a strategic investor, who was also going to be not just the person who put the dollars in, but the person who managed the dollars, and managed the business side of the equation. Chefs are extremely smart people. They stand at the forefront of finance, and immigration, and public health policy, and food safety and chemistry, and the creation of menus, so they're artists. I mean, and on, and on, and on. Chefs are the most creative people that I know, some of the most genius people in the world.

**Andrew Zimmern:**

However, you can't spend 23 hours a day working, you have to care of yourself. So it's vital that you have someone you trust and someone who can be your editor, someone who could walk into the kitchen and say, "As good as this dish is, it shouldn't be on the menu, and here's why." You need to have somebody who you go into business with. It's like a marriage. You have to have somebody that you share that experience with. Your chances for success, the outcomes, positive outcomes, are greater when you have strategic partners that you trust.

**Gene Marks:**

Do you have to be a good business person, even if you are an excellent chef, don't you use skills as well?

**Andrew Zimmern:**

Yes.

**Gene Marks:**

But that's kind of hard to do.

**Andrew Zimmern:**

No, but at least you're using the managing your schedule, and where you're going to buy milk, or eggs, or red snapper, or beef from that week.

**Gene Marks:**

Right, right.

**Andrew Zimmern:**

Let's use your business skills in your areas of core competency. Most chef owners you can't do that, and then get the night that the Kimmelmans are coming in, with party of 12 with a tasty menu for their 30th wedding anniversary, spend two hours dealing with an HR issue.

**Gene Marks:**

Right.

**Andrew Zimmern:**

Those things are going to pop up. Most people don't understand that a successful restaurant is, let's just pick an average number for an independent restaurant, a \$3 million a year operation with 100 employees. When someone says you want to open a restaurant, the first thing I say is, "Are you ready to manage a \$3 million-a-year business with 100 employees?"

**Gene Marks:**

Right.

**Andrew Zimmern:**

Because it's those last two figures that scare the crap out of people. What? Really? Because they look at as, "I'm just putting out lunch and dinner, I got 10 people in the kitchen." It's like, "Well, you don't really."

**Gene Marks:**

Well, let's talk about that, because you had mentioned earlier about staffing. And you're right, you're running a \$3 million business with a hundred employees. Having people skills, seems to me, to be one of the most important criteria of running a restaurant as well. And again, if you're a brilliant chef, you're like an artist, you can't be everything. But what do you think that restaurant owners need to know about staffing, even in this new world of staffing, to succeed?

**Andrew Zimmern:**

Well, restaurant owners priority realize it because they're either A, good at the staffing equation, or B, they've constantly suffered from it, which means that you're the wrong person to be doing the hiring. It is a very, very specific talent to hire and train employees. There's a partnership that I'm engaged in here in the Twin Cities, we have three restaurants. We had enviable turnover, we had people with us a year, managers and stuff like that, before they would go off to other ventures. We were very successful in Minneapolis, still are. Obviously, our people are the first ones that people try to steal. But it wasn't until we actually brought in a strategic partner, to be in charge of hiring, training, and long-term strategic growth, that all of a sudden, we started to retain employees at twice the rate that we had before.

**Andrew Zimmern:**

And we found that people on average were staying with us two years instead of one year. And now it's grown even beyond that. And the reason is, is that we have someone managing the process of onboarding training. And most importantly, figuring out ways in which to retain those employees, to make them be an actual part of the team, as opposed to just saying they're a part of the team. Now, I know there's a lot of listeners saying, "Hey, I have a little diner. We can't have someone, that sounds like a lofty title. I can't have a vice-president of staff, of HR, or something like that." Well, actually you can. You can just assign that workload based on size of restaurant to someone else who's already in the restaurant.

**Andrew Zimmern:**

I had a small restaurant a couple of years ago where we had someone in that position and they also were our lead waiter. They were just in charge of all of our training, and they were in charge of our strategic growth as well because this fantastically talented human being went to college, gotten a business degree, got married, started having kids, husband was working, blah, blah, blah. And she wanted a part-time job, said, "I love serving people. I love waiting tables. It's a great way to get some money." The kids were old enough, they were involved in after-school activities. So here was someone who had the skillset to take on more, and she was right under our noses the whole time.

**Gene Marks:**

Funny, you talk about the different things that a business owner's restaurant has to be. And you are kind of consistent along one theme, which is delegating. I mean, you've literally said you could be a talented chef, but you need that editor, or that manager. You need that business partner, you need that HR manager, strategic partner. It's like you can't do it all yourself.

**Andrew Zimmern:**

Well, chefs are ego-driven. We want to do it all ourselves. We believe we're the most talented person in the room.

**Gene Marks:**

Yeah.

**Andrew Zimmern:**

And sometimes, I might be the most talented person in the room. It still doesn't mean I need to take on every job, it's still doesn't mean that I even should be offering an opinion on every job. The best thing that a real business leader could do, whether you're the chef in a restaurant, the general manager, the owner, the head bartender, whatever, is delegate. And by that I mean, be very specific with someone else, whether it's the strategic partner or someone who reports up to you, about what the expectations are, and let them go out and deliver it. If you let people know how you're going to measure them, my experience is, is they more often than not deliver.

**Andrew Zimmern:**

What happens is, we have weak leadership. I call it weak cup of coffee leadership, as opposed to a strong cup of coffee. You want to be a strong cup of coffee leader. One who's up early in the morning, one that people respect. Delegate and give people an understanding of what's expected of them. I know that sounds like Fisher Price My First Business toy.

**Gene Marks:**

Yeah [crosstalk 00:20:57].

**Andrew Zimmern:**

I can't tell you how many people I speak to in the business world, whether they own a hardware store, a shoe store, restaurant, whatever, I can't tell you how many people do not have clear identifiable goals and job descriptions for all their employees. The minute you have that, you have something that people can report to, and you have a way to hold people accountable.

**Gene Marks:**

I wanted to get your thoughts, just free form, on some trends that are affecting the restaurant industry post-COVID, okay? First is self-service restaurants, I see a lot of restaurants minimizing. We're talking about staff, but looking to minimize staff, robotic hamburger flippers, sushi makers. What are your thoughts on self-service restaurants?

**Andrew Zimmern:**

I'm bullish.

**Gene Marks:**

Next, delivery services. We've had a lot of restaurants been fighting, the Grubhubs and the Instacarts.

**Andrew Zimmern:**

Double bullish.

**Gene Marks:**

Also bullish on them.

**Andrew Zimmern:**

Double bullish.

**Gene Marks:**

What are your thoughts on delivery services, good or bad for restaurants?

**Andrew Zimmern:**

Good, but they have to stop their usurious practices. Municipalities need to step in and create percentage caps on those businesses within municipal hubs. We are dealing right now with our Hennepin County Commission. Minneapolis is in Hennepin County, I've been talking to Hennepin County Commissioners about introduction of legislation, because remember I talked before, policy has to be our love language.

**Gene Marks:**

Sure.

**Andrew Zimmern:**

To cap providers in the City at 15%.

**Gene Marks:**

Yeah, well, it seemed like if the industry comes to some type of a mutual agreement with the delivery service companies, the love can go around.

**Andrew Zimmern:**

Well, of course, it's beneficial for both.

**Gene Marks:**

Course. I never understood why they're fighting each other. But now, I do understand why they don't come to some resolution. Okay, finally, chains versus independent restaurants. Is there a future for independent restaurants, Andrew?

**Andrew Zimmern:**

Maybe not.

**Gene Marks:**

Why do you say that?

**Andrew Zimmern:**

The saddest piece of COVID-19, chains have lines of credit banks. They could rely on units that are producing better, and moth ball units that are producing less. You hear a lot of talk for the first time, on the front page of the newspapers, about independent restaurants, ones that are not chain-oriented. Now, let me explain what independent restaurants are and aren't. Independent restaurants are the second largest employer in America, after the U.S. government. They are a trillion dollar plus industry and that does not include the surplus, the supply line, and pipeline going into them. It does not account for the halo of businesses that are around them, like hotels and other things that work in concert with restaurants to attract tourism and stuff like that. When you add all that up, it's a multi-trillion dollar industry. Independent restaurants are roughly around 12, 13 million employees. When you add in the other parts of the supply chain, hotels, tourism, and stuff, it's 40 to 50 million. The single largest number of employees on the unemployment lines right now are those that had jobs in independent restaurants, single one source of unemployment right now.



**Andrew Zimmern:**

Independent restaurants account for almost 5% of GDP. We cannot allow this group of businesses to fail yet because they're all single owner operated, mom and pop, they're in own LLCs, there are restaurant groups that have maybe 10 or 15 restaurants, but each one is its own standalone businesses. Those are businesses, that's still an independent restaurant. It is scary to me, that we've now seen about 40% of restaurants in America close. I believe there's another 15, 20% that are dead, they just don't know it yet. And if we do not get the Restaurants Act passed in the Senate, well, in the new Congress and new Senate, we're going to see an extinction event for restaurants. And that scares me very much, and I'm talking about 75 to 80% of independent restaurants closing.

**Gene Marks:**

Well, come on, let's end this on a good note, please. You're depressing me. I live in Philly and I walk around Center City, Philadelphia. And the numbers that you just said match, many restaurants are closed, they're shut down.

**Andrew Zimmern:**

Absolutely

**Gene Marks:**

It's pretty depressing, Andrew. I mean, regardless of who returns, whether it's independent or even the chains, do you think the restaurant industry itself will recover anytime soon from this?

**Andrew Zimmern:**

I think it's going to be a recovery that's measured in single digits of years, whether that's two years, or five, or six, or seven, really depends on what the financial backstopping is that we get from the Fed and from the states. I can tell you this, I'm still bullish on restaurants. And the reason is, there is no more creative, smarter, better group of people than the folks who own and operate the independent restaurants. As the industry itself is being kneecapped, as they are literally being shut out and going out of business, they're pivoting, pivoting, pivoting, pivoting, to try to add any dollars to the bottom line that they can. But more importantly, you know who's still feeding frontline workers? The restaurant industry. We are the second responders. We are still giving. The size of the heart in the fighter is what determines how many times you get up off the canvas. And there's no one in the fight that has a bigger heart than people in the restaurant industry.

**Gene Marks:**

Andrew, we're out of time. I want to thank you so much for joining me, great insights, great advice. And I hope some of your forecasts do come true. Again, thanks for your time and best of luck. Anything you want to plug before I let you go?

**Andrew Zimmern:**

No, if people could... Discovery+ now has all of my TV shows, and for all things Andrew Zimmern, go to [andrewzimmern.com](http://andrewzimmern.com).

**Gene Marks:**

Thank you very much. And someday, we'll have a chance to talk about your love for maggot infested cheese.

**Andrew Zimmern:**

Casu marzu, my favorite.

**Gene Marks:**

It's another topic for another time. Please, I just ate my lunch.

**Andrew Zimmern:**

You don't like maggot poop cheese? What's wrong with you?

**Gene Marks:**

Like I said, we'll talk to some other time.

**Andrew Zimmern:**

What's wrong with you?

**Gene Marks:**

Andrew, thanks so much.

**Andrew Zimmern:**

See you later.

**Gene Marks:**

Take care. Andrew Zimmern is a TV personality, chef, writer, teacher, and social justice advocate. In February of 2020, he returned to television with *What's Eating America*, which premiered on MSNBC. And in 2021, he will premiere *Family Dinner*, on Chip and Joanna Gaines' Magnolia Network. My name is Gene Marks, I hope you've enjoyed this conversation. If you'd like more advice and insights to help you run your business, please come and visit us [paychex.com/worx](https://paychex.com/worx), that's W-O-R-X. And we look forward to seeing you next time.

**Speaker 1:**

This podcast is property of Paychex, Inc. 2021. All rights reserved.