



Open for Good Campaign *Business model innovations*

A joint point of view on the business model innovations that
can help the independent restaurant industry build back better

OCTOBER 2021

Help independent restaurants **Open for Good.**

The James Beard Foundation launched the Open for Good campaign in 2020 to help the restaurant ecosystem survive the unprecedented crisis brought on by the COVID-19 pandemic, rebuild better, and thrive for the long term. The current economic model of most restaurants, particularly in the face of rising costs, does not allow for these businesses to prioritize equity nor sustainability, despite an overwhelming desire to do so – most restaurants are focused on simply keeping their doors open.

In the fall of 2021, the Foundation partnered with Deloitte Consulting in a project to learn from chefs and restaurateurs across the nation as to how they adapted their business models over the course of the pandemic and how they plan on adjusting their business models looking into the future.

This project aims to uncover the business models that restaurants can implement to become more financially resilient and, in turn, enable them to make purposeful sustainability and equity investments. This document is our joint perspective on those business model innovations that can position the restaurant industry to build back better.




Over the course of this project, a diverse group of chefs and restaurateurs were engaged in focus groups and one-on-one interviews about the challenges and opportunities in the industry

These chefs and restaurateurs shared multiple ways they adapted their businesses during the pandemic. The following are those that made their businesses more resilient by providing the greatest return on investment while also being the easiest to implement...




Contract Meals	Partnering with 3 rd party organizations to provide large quantities of prepared meals to people in the community	4
Family style Meals to-go	Providing pre-packaged meals for >1 person that likely need to be reheated at a customer's home	5
Expanded Takeout	Launching and/or increasing takeout operations either through own channels or 3 rd party platform	6
Cocktails To-go	Offering craft cocktails or mocktails in a to-go format	7
Pop-up Restaurants	Running a temporary restaurant hosted in various spaces as an alternative to brick-and-mortar restaurants	8
Market / Store	Establishing a physical or virtual storefront to sell own products and locally sourced products from other vendors and suppliers	9

Further details on each of these business models, including considerations for success and common roadblocks, can be found on pages 4 – 9

...Participants also raised consistent themes and adaptations to existing business models that are captured in this document to share observations across the industry.

	Being relentlessly focused on revenue growth in existing and new business models
	Minimizing and containing costs wherever possible
	Reexamining and adjusting labor practices to retain, recruit, and maintain a satisfied, supported staff

Additional information on these adaptations can be found on page 10

	The expanding (and exhausting) role of the owner / operator
	The criticality of the staff's flexibility, attitude, and support
	The importance of adapting to customer feedback (in the face of ever fluctuating customer attitudes)

Additional information on these themes can be found on page 11

Contract Meals | Partnering with 3rd party organizations to provide large quantities of prepared meals to people in the community

10%

Average reported net profit margin

SUSTAINABILITY & EQUITY IMPACTS

Partnerships can address food insecurity within the community while reducing food waste in restaurants. Increased use of single-use packaging has a negative impact on environmental sustainability.

CONSIDERATIONS FOR SUCCESS



- Create partnerships with organizations such as World Central Kitchen and other national/local groups to offer bulk servings of the same dish to a large group
- During the pandemic, most 3rd party organizations that restaurants partnered with were non-profit organizations who had received grant funding to pay for meals, but contract meals can be implemented with a variety of different organizations such as school systems, hospitals, and others
- Provides predictable demand, allowing restaurants to source and prepare meals in bulk saving costs and labor time
- Requires adjusting menu or selecting a specific dish that can be easily replicated in bulk and transported to the organization

TIPS FOR GETTING STARTED



- Identify and assess interest and budget availability of local partners, whether it be non-governmental organizations (NGOs), school districts, hospital systems, or other large volume systems
- Partnerships may involve a request for proposal and/or a pricing bid based on requirements established by the 3rd party
- Create agreement between your business and the partner organization, including duration, timing, pricing, responsibilities for pick-up / drop-off, and other requirements
- Engage a lawyer to review and draft the agreement between your business and the 3rd party organization as needed

COMMON ROADBLOCKS



- Some partnerships may require the restaurant to coordinate shipping logistics; make sure you are aware of the expectations of your responsibilities and include them in the pricing you set in the contract
- Like any to-go model, procuring packaging in volume can be challenging from a time and cost perspective
- Requires sufficient infrastructure and storage capacity for bulk preparation (e.g., storage containers)
- NGO partners' capacity to support contract meals may be tied to donations and/or emergency COVID-19 funding, where funding streams may be limited to a reimbursement model

STEPS TO LAUNCH



- 1 Assess possible local partners and conduct outreach to determine level of interest and develop relationships
- 2 Align on responsibilities for each party regarding packaging, transport, waste management (if applicable), duration and timing
- 3 Select dishes that can be prepared in bulk at low costs and align to the requirements of the partner organization
- 4 Procure packaging that satisfies requirements in agreement with partner

Note: these steps are aligned to a partnership with a NGO, they would vary for an ongoing contract with a business such as a hospital or school system due to their procurement and contracting processes

Notes: The average reported net profit margin is intended to be representative of the typical margin associated with this business model and should not be interpreted as a commitment that a certain profit or earnings will be achieved by implementing this business model.



Family Style Meals to-go |

Providing pre-packaged meals for >1 person that likely need to be reheated at a customer's home

15%

Average reported net profit margin

SUSTAINABILITY & EQUITY IMPACTS

Single-use packaging has a negative impact on environmental sustainability unless the packaging can be composted or recycled, which depends on local infrastructure and policy

CONSIDERATIONS FOR SUCCESS



- Menus for this business model should combine a main dish with sides to provide a complete meal for multiple people at home
- Customers expect perceived value when buying 'in bulk,' which often can drive down the price of offerings in this business model compared to in-person dining
- This model can be more viable for fine dining establishments because of the reduced menu offerings, lighter presentation requirements for dishes, and reheating expectations in comparison to traditional takeout
- Efficiencies associated with this business model are obtained by having guests pre-order meal kits ahead of sourcing order deadlines, a more streamlined prep process in the kitchen with fewer staff, and using same ingredients across dishes and models
- With pre-orders and strong marketing of family meals, restaurants can experience predictable, high demand

TIPS FOR GETTING STARTED



- Identify cost-effective dishes that can be packaged and reheated for family meals
- Consider rotating offerings to continue customer interest
- Operate on pre-order only on specific dates to source exact amounts of food from suppliers
- Allow for ordering on select dates and prepare family style meal kits on certain days to have staff focus on preparing and distributing the family style meals during that time
- Assess best-fit packaging options early and order as far in advance as possible to mitigate supply chain constraint issues

COMMON ROADBLOCKS



- Chefs who did not have loyal customer base or did not launch a marketing campaign experienced challenges generating demand for family style meals
- Restaurant owners noted that staff may complain about creating bulk style meals to-go due to the dull, repetitive nature so recommend limiting offering on one or two days a week in addition to other restaurant offerings and rotating the family meal menu offerings on a set basis
- Technology platforms do not have built-in capabilities to easily support this business model

STEPS TO LAUNCH



- 1 Develop family meal menu with accessible pricing that covers cost of ingredients, packaging, and labor to prepare
- 2 Determine timeline for business model, including when customers need to order, when to purchase ingredients, when supplies arrive, when food is prepared, and when customers can pick-up
- 3 Procure packaging that accommodates family style meals and can be reheated if needed
- 4 Integrate family style meals into online ordering platforms so that customers have visibility into offerings, ordering windows, and pick-up logistics

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Takeout

Launching and/or increasing takeout operations either through own channels or 3rd party platform

20%

Average reported net profit margin

SUSTAINABILITY & EQUITY IMPACTS

Single-use packaging has a negative impact on environmental sustainability unless the packaging can be composted or recycled, which depends on local infrastructure and policy

CONSIDERATIONS FOR SUCCESS



- This business model is most successful at scale with a menu that packages and travels well in to-go formats
- Businesses who were most successful adjusted their menu periodically to keep customers engaged
- Social media marketing campaigns can increase customer engagement and demand
- Menus must be priced accessibly to draw in customers
- Packaging should complement the menu
- It is crucial to create an ordering platform, whether through own website, 3rd party platform, or phone to facilitate a convenient customer experience
- While this business model is accessible to almost all restaurant types, it can be challenging for fine dining restaurants to find the right balance of menu modifications, pricing, and packaging

TIPS FOR GETTING STARTED



- Assess the commission 3rd party providers take and determine whether you should partner with them in addition to or instead of building your own online ordering platform
- Connect with an accountant to discuss if using a 3rd party provider for pick up and delivery impacts your annual taxes
- Price to-go options to cover 3rd party fees, packaging and other additional expenses associated with this business model (e.g., increased website maintenance costs)
- If needed, adjust your most popular menu items to be more takeout compatible so that customers do not feel like they are missing out on your offerings with the takeout model

COMMON ROADBLOCKS



- A major hurdle to a successful takeout operation is the ability to procure packaging in a timely and cost-effective manner, particularly in the face of the COVID-19 related supply chain constraints
- Restaurants that were unwilling to adapt their menu to be takeout friendly experienced less success with this business model than those that were purposeful about their offerings
- Balancing in-person dining and takeout can strain your operations and staff
- Managing this model in-house (without a 3rd party) requires staff dedicated to coordinating pick-ups and delivering food

STEPS TO LAUNCH



- 1 Test menu for compatibility with takeout format, accounting for travel time and presentation of dishes
- 2 If necessary, adjust menu based on the findings from the test and set pricing to cover costs of labor, packaging, online ordering, etc.
- 3 Determine whether packaging purchase decision will hinge on price, aesthetic, and/or sustainability and place order for packaging
- 4 Upload menu to 3rd party providers and/or launch ordering platform on your restaurant's website
- 5 Promote takeout offerings and availability on social media to stimulate demand

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Cocktails to-go |

Offering craft cocktails or mocktails in a to-go format

30%

Average reported net profit margin

SUSTAINABILITY & EQUITY IMPACTS

Single-use packaging has a negative impact on environmental sustainability unless the packaging can be composted or recycled, which depends on local infrastructure and policy

CONSIDERATIONS FOR SUCCESS



- Customers are more willing to purchase cocktails / mocktails that they typically would not make at home
- Requires a liquor license to offer cocktails to-go, but restaurants without a liquor license can serve mocktails with recommendations for at-home alcohol pairings
- Offering garnishes and other ingredients to compliment the cocktail can increase customer engagement and willingness to pay
- Cocktails to-go are often an impulse add-on to takeout or in-person dining due to the convenience, increasing overall check size
- In some states, packaging options for cocktails-to-go can be dictated by local regulations
- In highly regulated states, restaurants should consider limiting cocktails to-go for in-person pickup only with sealed packaging to promote compliance with regulations

TIPS FOR GETTING STARTED



- This business model is highly dependent on state and local regulations regarding alcohol to-go; please check your local laws and determine whether to include or exclude alcohol and supplement with alcohol pairing recommendations
- Connect with a lawyer to ensure understanding of and compliance with regulations
- Consider drinks and/or drink kits that allow customers to feel like they are at-home bartenders
- Identify packaging that is both aesthetically pleasing, effective, and compliant with local regulations

COMMON ROADBLOCKS



- Navigating highly variable and sometimes complex local liquor regulations can make this business model unpredictable
- Regulations can span restrictions on order limits, who can pickup alcohol (to include ID requirements), use of 3rd party apps, packaging, hours of day that it can be provided, etc.
- A major hurdle to successful cocktails to-go is the ability to procure packaging in a timely and cost-effective manner

STEPS TO LAUNCH



- 1 Research local regulations to ensure compliance and viability of this business model (for example, will an alcohol-to-go policy end at a certain date in your state? Can drinks only be offered at certain times?)
- 2 Develop menu for mocktails and/or cocktails that conforms to local regulations and is interesting to customers (for example, a customer is more likely to buy a craft margarita than a vodka soda)
- 3 Procure packaging that complies with local regulations and any additional ingredients needed (many restaurants discussed only using what they had on hand to save costs)
- 4 Integrate offering into ordering mechanisms (in-person, website, 3rd party delivery fees) and advertise on social media

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Pop-Up Restaurant

Running a temporary restaurant hosted in various spaces as an alternative to brick-and-mortar restaurants

30%

Average reported net profit margin

SUSTAINABILITY & EQUITY IMPACTS

Pop-ups allow for more diversity within the local restaurant industry and broader economy by reducing barriers to open a restaurant

CONSIDERATIONS FOR SUCCESS



- This business model is a lower risk way to test a restaurant concept versus jumping into a multi-year lease for a brick-and-mortar location
- Requires identifying a location that has sufficient space to operate a kitchen and serve guests with options for short-term lease structures
- Determine the timeline you would like to run the pop-up for and how you will measure the success of the pop-up restaurant during that timeframe
- A limited menu that is relatively easy to prepare and priced accessibly can spur demand and limit overhead costs
- Selling tickets and/or asking guests to pre-select meals ahead of the dining service can allow businesses to better match supply and demand and reduce waste
- Brick-and-mortar restaurants can profit from pop-ups by renting out kitchen space when operations are closed / reduced

TIPS FOR GETTING STARTED



- Evaluate options for space, including existing brick and mortar restaurants (particularly if you can operate during their off hours), farmer's markets, office areas, parks, etc. and determine if you will need an off-site ghost kitchen as well
- When drafting the contract, determine how many hours you'd like to operate, whether operating on a fixed monthly rate versus a percentage of revenue generated would be more financially advantageous, and the duration of the pop-up
- Connect with lawyer to draft and review a contract to make sure the contract still provides a lower risk and lower cost dynamic than a brick-and-mortar location would

COMMON ROADBLOCKS



- Identifying real-estate and negotiating lease contracts can be complex and plays a very large role on pricing structure
- Matching the restaurant concept to the hours of operation to prepare and serve for the pop-up can be critical to success but a downfall if not well executed
- Introducing customers to pop-up can be a major hurdle, so a strong marketing approach is integral to a successful launch, to include relying on connections within the local restaurant industry to share your pop-up concept with their guests

STEPS TO LAUNCH



- 1 Identify location and determine preferences for operations, then draft a contract with the owner / landlord specifying hours of use and rent structure
- 2 Develop a unique menu for the pop-up concept that contains easy to source, easily prepared meals with repeat ingredients
- 3 Determine approach for sign-up, reservations, or pre-orders, allowing you to source exact quantities of food ahead of time
- 4 Launch a robust marketing campaign that spans social media, local newspapers and radios, flyers, and leverages local connections

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Market

Establishing a physical or virtual storefront to sell own products and locally sourced products from other vendors and suppliers

20%

Average reported net profit margin

SUSTAINABILITY & EQUITY IMPACTS

Selling excess inventory through a market can reduce food waste from other models. Engaging local suppliers to provide products for the market helps support the local food ecosystem.

CONSIDERATIONS FOR SUCCESS



- Requires space to set-up market in a location that allows for foot traffic, either from restaurant guests or new customers, and has a dedicated storage area for inventory
- Offering ability to order online and pick up in store can increase demand
- Most businesses who implemented this business model did so in addition to traditional in-person or takeout dining concepts to generate demand from existing customer base instead of launching a standalone retail venue
- It is most efficient to have the market near the dining concept to share staff as needed, oversee both models, and eliminate transportation needs
- Determine which menu items can be packaged as take-home products to provide unique offerings in your market versus other stores and farmers markets
- For larger markets, may require hiring additional staff to conduct sales and coordinate sourcing

TIPS FOR GETTING STARTED



- Price based on margin: reduced staffing for this model compared to in-person dining may allow products in market to be sold at a lower price than in restaurant but can still maintain the same or higher profit margin
- Set hours for the market to compliment your dining operations so that restaurant guests can visit before or after their meal, enabling you to gain staffing synergies
- Publicize your offerings and hours on social media and use social media to engage with customers to get feedback
- Research or consult an advisor on retail best practices to inform store layout, pricing, lease structure, and branding

COMMON ROADBLOCKS



- Businesses need sufficient space to set up a market that allows for storing inventory, displaying products, and facilitating sales
- Coordinating with suppliers to ensure on-time deliveries can be difficult when working primarily with smaller-scale local operators that have more variance in product availability
- A market is a uniquely different business than a restaurant with implications for inventory, stock-outs, and supplier relationships – owners should recognize these nuances and be willing to adapt to the retail environment

STEPS TO LAUNCH



- 1** Assess options for dedicated physical space for product storage and storefront
- 2** Determine which of your existing dining options (e.g., sauces, side dishes) are most readily accessible to be packaged and sold as take-home products
- 3** To sell own products, determine packaging and labeling needs, as well as space/time requirements in existing kitchen operations to produce goods
- 4** Establish contracts with suppliers to commit to timing and quantity of goods and with owner of market real estate as needed
- 5** Plan layout and set up marketplace, including purchasing storage, cash registers, online ordering, payment system, etc.

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In addition to business innovations, many businesses adjusted their models to boost revenue, protect margin, and recruit and retain staff

REVENUE DRIVERS

Chefs and restaurateurs explored ways to boost their top line within each business model by:

- **Raising prices** | *Many discussed positive experiences with this with no customer pushback*
- **Expanding their online presence** | *Businesses had to rely on social media for marketing and online ordering to facilitate transactions*
- **Providing outdoor offerings** | *Outdoor space enabled restaurants to continue serving guests for in-person models without as many COVID restrictions*

COST CONTAINMENT

Chefs and restaurateurs also evaluated ways to protect their bottom line by:

- **Streamlining menus** | *With fewer offerings, businesses could have fewer back of the house staff and reduced ingredients costs*
- **Negotiating leases** | *A few businesses renegotiated with their landlords to remove minimum rent fees and adjust the commission*
- **Reduced Hours** | *Many businesses scaled back hours of operation to only operate during periods of peak demand (e.g., eliminating lunch service)*

LABOR STRATEGY

Chefs and restaurateurs spoke to the importance of recruiting and retaining staff and are experimenting with:

- **Tip pooling** | *Many business have implemented a tip sharing model across all staff*
- **Service fee model** | *Some businesses are charging a flat service fee instead of or in addition to collecting tips*
- **Providing benefits** | *A handful of businesses are offering programs like paid leave, reduced work hours, healthcare, etc.*
- **Recruiting** | *Some chefs and business owners are exploring new ways to bring quality staff in such as internships and a “staffing agency”*

While none of these business practices are new, chefs and owners reported an increased application of them over the course of the pandemic in the face of the financial and market constraints on their businesses

Although each restaurant experienced unique challenges, the chefs and restaurateurs spoke to three key themes associated with running their businesses amid the pandemic

CUSTOMER CENTRICITY

The strength of their **customer loyalty** kept them afloat

Had to learn how to **interpret and respond to customer needs** and preferences more acutely, which resulted in **constant pivoting**

Customer **sentiment shifted a lot** throughout the pandemic and has turned the corner from supportive to demanding

VALUE OF STAFF

The **safety of staff was paramount** during the pandemic – sometimes providing a new twist on “the customer is always right”

Compensation models have expanded to include benefits such as retirement fund investments, paid time off, predictable schedules, and health insurance

Want staff to view the restaurant industry as somewhere they can have a **sustainable career**

ROLE OF THE OWNER

Chefs and restaurateurs **wear multiple hats**: cook, social media manager, sourcing expert, etc.

Burnout is real. Juggling the launch of business models, the constant shifts in policy, the demands of customers, and the labor shortage has meant that chefs and restaurateurs have had to take on even more in this past year and a half than they had ever before.

The pandemic offered a period of reflection, and for many, to **rethink their business goals**

About the Open For Good Campaign

The James Beard Foundation's Open for Good programs provide critical resources to help independent restaurants build the capacity to come back stronger, more equitable, more sustainable, and more resilient. For more information and to sign up for our weekly industry support newsletter, please visit jamesbeard.org/aboutopenforgood.

Use #openforgood on social media to connect to our virtual campaign and encourage your customers to do the same to show their support.



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We'd like to hear from you!

We welcome your feedback on this material. How do these innovations reflect in your own businesses? What would you like to share? What would you like to know? You can access a simple, anonymous feedback form through the link or QR code below:
<https://www.surveymonkey.com/r/JBFIInnovationSurvey>



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