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## **Q. Why do I need a competitive advantage? A. To survive for the long term - by Dennis Serpone**

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If you gamble once in a while, you hear it all the time... “the house always wins.”

In real estate...it's that house that has a pool, underground sprinklers, a theater room that generates the most activity.

With cars...the new cars have automatic braking, rear-facing cameras, and heated and cooling seats.

Fast food restaurants...drive thru, large parking lots, and walking distance to T stops.

Full service restaurants...fresh food, full liquor license, great visibility, and evenings only.

Sports bars...agreements with sports figures to appear onsite, large capacity bar, outdoor seating.

Breakfast & lunch restaurants...location on the ‘A.M.’ side of the street and full breakfast menu.

If you're a single male, your competitive advantage could be a luxury car, being tall, lean and good looking. Being financially secure helps.

If you're a single woman, it could be as obvious as being funny, approachable, and attentive. Like a single man, being financially secure helps.

That said, in today's highly competitive environment, a restaurant's competitive advantage is most noticeable with the staff, from upper management to kitchen workers. With food and beverage businesses, of every size and shape on every street corner, in every commercial bldg., and with new restaurants opening every day it seems, why won't over 50% of them survive longer than 5 years?

For 37 years, as a daily hands-on, president of the National Restaurant Exchange and New England Restaurant Brokers, I've seen dreams shattered, families destroyed, friendships gone awry, and

fortunes lost.

As the Seaport area was in the early stages of development, before all the office buildings, apartment, and condos were built, I got a call from a commercial broker begging me to find a buyer for a recently opened upscale restaurant and bar. The owner was a very well-known chef who had corralled a bunch of investors to put up \$2 million to build this high-profile food emporium. The place was magnificent. The problem was that the ownership group wanted to bail out of their long term \$60,000 per month lease. They were willing to forgo getting all their investment back, they just didn't want to be responsible for the lease. The problem was that, other than being in the Seaport area, they had no competitive advantage. The food was OK, the menu uninspiring, the parking expensive, but more importantly, the lease to sales factor was 32%.

Since then, the area has exploded with similar restaurants...a signature chef/owner, investors with a lot of disposable income, and a propensity to invest in optimistic blunders.

Today, patrons are looking for a dining experience. Patrick Lyons, patriarch of the Lyons Group and originator of 'KINGS', the super successful bowling, eating and drinking mega-joints. He recognized years ago that people frequent places, not for the food, and the liquor but the 'experience', ala Hooters with beautiful, young, sexy, personable servers and bartenders, it could be Dave & Busters with games, or it could be Tony C's where you have it all including some sports figures hanging out, or it could be the incredibly popular Wahlburgers where you might get to see Paul, the chef owner, and God-willing maybe see Mark or Donnie.

Lyons said in an interview, when he started there were 20 'places' in Boston that could be considered 'experience dining'...now there are 200. To survive for the long term, restaurateurs need to create that competitive advantage.

The National Restaurant News has recently noted with some eye-opening trends, a number of them that I've noted in the past. The overall industry continues to grow, however unevenly, with competition for staff, reasonable rents, and with other food operators making growth a daunting task. The franchising industry, with its ability to offer financing to potential franchisees, continues to accelerate its growth across the broad spectrum of concepts. Draining the Swamp, to draw on a general principle can be applied to the likes of Whole Foods where they're drawing away customers from surrounding towns who are picking up prepared dinners while they shop for the usual household products. Now it appears that Amazon will be providing a deliver service for dinners. The landscape is changing. As restaurant brokers we're seeing a serious consolidation within the fast food arena, a slight growth in casual dining, and a stagnation in growth of the independent full service restaurants. The exception seems to be a strengthening within the upscale dining tier. People with money are spending more and saving less. The Trump Phenomenon is fueling the record levels of the stock market and real estate markets. Contrary to what the 'main stream media' is touting, life is better for most of us. Now let's go out for dinner.

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