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Disruption from the Inside-Out: Innovation in the Restaurant Industry

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1 Is the next innovative disruption going to be found in the back-of-house?

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Opening the door to the highly acclaimed fine-dining restaurant Eastern Standard is akin to drawing back the curtain of a Broadway musical: the lights are dimmed, the music starts, and your attention is captivated by the beautiful set before you. Your spirit is soothed by the muted ruby reds and royal purples that greet you, and deep shadows cast by glamorous chandeliers further erase the memories of a tiring day. The long, granite-topped bar harkens back to days of elegance, while the modern, stunning hosts, servers, and sommeliers are experts in their performance as cast and crew guiding you through a truly sensual experience. The meal is an indulgence to your taste buds, the wine an illumination to your tongue, and the entire experience restorative to the soul. You leave the restaurant reluctantly as the candles burn low, already planning your return.

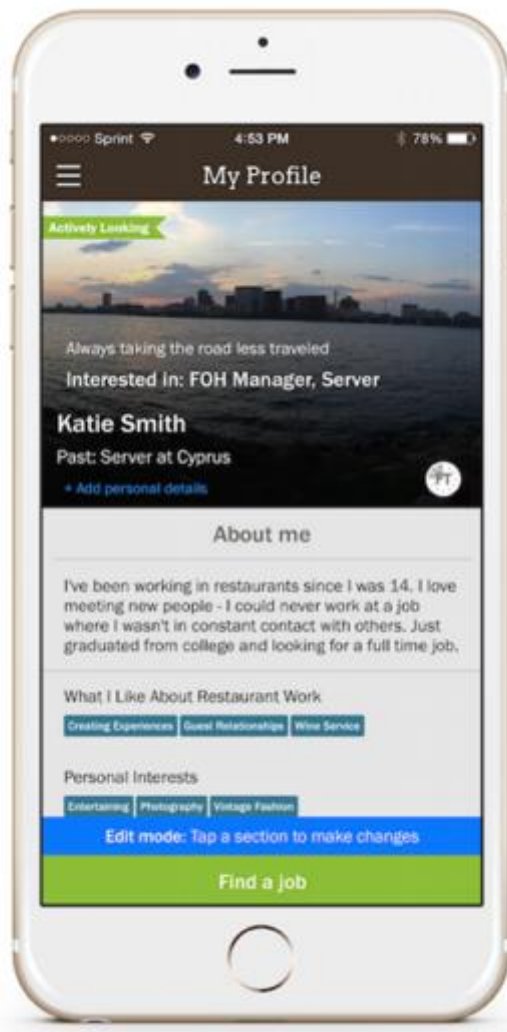
Like many of the finer things in life, such as a classic car, an Old-Master painting, or a moving jazz performance, the fine dining experience has changed little in the past century. A certain degree of expectation accompanies one's conception of "fine dining," and this expectation differentiates fine dining from merely "going out for dinner." This expectation does not merely include food quality or preparation; it does not demand a specific setting or menu, wine list or top-shelf bottle of Scotch. Rather, the expectation is more an overall quality of experience, and interestingly enough, it is the apparent unchanging nature of both "fine dining" and "eating out" that is noteworthy and puzzling. Eating out looks much like it always has, even amidst today's storms of disruptive and breakthrough models. How is it that while so much of our

world changes, the business of eating has essentially stayed the same? Has the restaurant industry been affected by disruptive models at all?

Disruption capitalizes on improving the efficiency of existing systems as seen with the success in other branches of the hospitality industry: transportation (Uber) and lodging (Airbnb). Uber and Airbnb have achieved remarkable success because their systems capitalize on independence and convenience for the traveler. In both models the customer does not need to rely on a system operated by another party (hotels, hostels, taxis, etc.) but instead can be the captains of their own fate by calling their Uber and booking their dream stay without third-party fees. Even more conveniently, these innovative models are utilized through the use of smart technology and online interactions. The restaurant, however, cannot exist online, and the successful restaurant is as much experiential as it is product-based. Any adaptation of the restaurant model (pre-ordering, tablets on tables, etc.) have not lasted very long as they tarnish the very essence of a dining experience. A true meal in any self-respecting restaurant is tech-free, engaging, authentic, and sensory.

This leaves quite the challenge for any entrepreneur looking to introduce innovative, disruptive models into the restaurant world without tainting the sanctity of the experience. The reality, however, is that perhaps the front-of-house model does not need innovation. Instead, it may be the back-of-house that could benefit from some disruptive thinking. Eli Feldman, a 2001 SHA alum, recognized this early on. A former restaurateur himself, Eli is very familiar with the operations and service philosophy that restaurants hold so dear. This however, is what gave him the idea for his start-up platform, Clothbound.

Clothbound is an online platform that connects potential employees with restaurants. Similar to monster.com, it provides a convenient, simple job board specifically for the restaurant industry. Finding reliable, talented staff takes up more time and effort than most employers would like to admit. With a current nation-wide turnover rate for 66% (according to the U.S. Labor Department) this time and effort amounts to an enormous monetary and time cost for restaurants that need to re-hire over half of their staff each year, essentially causing a bottleneck in the employment process and productivity. Clothbound looks to lower this rate by helping employers find potential staff by searching 'tags' of skill sets, personality traits, and employment history allowing them to filter through candidates more easily. In short, Clothbound is innovating the current human resource model for restaurants. Throughout all of this process however, Eli and his team have continued to recognize the importance of the human component of the restaurant industry. Clothbound does not replace a human's job. It connects the right person to the right job so that they can help the restaurant become more efficient in providing a personal experience to the customer.



2 The userprofile on Clothbound makes it easy for employers and job-seekers to find each other based on skills and interests. Image via Clothbound.

Restaurants thrive because of their human component. They are living art, culinary museums that only exist when people provide a product through thoughtful service. This is why other 'disruptive' technologies have not seen success in the market: they try to remove the human element through the use of iPads at tables or ordering kiosks. But these sorts of models will only achieve initial success in fast-casual settings when the customer is looking to receive food quickly. For those looking for the authentic dining experience, technology will not interfere with that any time soon. Clothbound's model though, which disrupts the system behind the scenes, is beginning to make its mark. Zagat most recently recognized Kelly Daigle, co-founder of Clothbound, in their 30 under 30 list of Boston's finest, acknowledging her innovative thinking and impact on the market. Clothbound's technological platform is bringing the restaurant network to a digital space, effectively bringing together the two networks of employers and their potential staff.

Hiring on Clothbound

Eastern Standard

Position: Wine Steward

A bit about the culture of Eastern Standard:

- Benefits Offered
- Education Oriented
- High Volume
- Growth from Within
- Community Minded
- Becomes a Family

Requirements for this role:

- 1+ Years Experience
- Full Time Availability
- Time Management
- Team Oriented
- Passion for Wine
- Desire to Teach & Learn

An amazing opportunity to learn and grow at on one of Boston's top restaurants

3 Using Clothbound's tagging system, Eastern Standard can strategically post openings on the new platform. Image via Clothbound.

This means that restaurants can now become more selective in regard to their hiring practices. With access to more qualified staff who will also be a better fit in the company, restaurants will see additional benefits emerge over time: devoted staff, higher levels of customer service, higher restaurant reviews, and lower turnover rates, which increase the bottom line. The employment process now becomes more sustainable as labor costs decrease and the staff become more efficient, eventually reaching a higher level of service. These employees, already a 'best fit' for the company, are more likely to receive promotions and positions within the company. Now we have the introduction of a skilled workforce in this hospitality sector, many of whom are already graduates with hospitality degrees.

Danny Meyer, CEO of the Union Square Hospitality Group and New York City restaurant Entrepreneur recognizes this shift in the service industry. He has just recently put all of his servers onto salary, announcing that none of them will accept tips. To him, their expertise deserves not only a higher living wage but also secure full-time employment. "There's not a more important stakeholder to get right than our staff" he said in an interview with New York Eater. By moving his staff to salary positions, Meyer is recognizing his staff as a skilled workforce with his own disruptive behind-the-scenes model. This has introduced hot debate over sustainable business production and increased minimum wage, neither of which will disappear any time soon. The issue of inadequate wages for these over-qualified employees is gaining attention, which in itself may give momentum to another disruptive movement as employees demand a living wage for their top-quality service. But with a revenue increase of

4.2% in the fine-dining industry in the past year, supporting skilled workers has become vitally important as restaurants compete to become the best of their markets.



4 Danny Meyer, CEO of Union Square Hospitality Group is causing a shift in the restaurant industry by doing away with tipping in return for higher salaries. (Photo via Financial Times)

And as restaurants bring in more qualified staff to their businesses, there is the interesting domino-effect that now provides an opportunity to re-approach the culture of each restaurant. Restaurants are now taking a proactive approach to fostering new work culture for the staff they have brought to the company. Many restaurants are now implementing knowledge programs: bartending classes, wine service seminars, increased menu comprehension. In hiring the ‘right people’ for the job, the company is also taking liberties to nurture the ‘right culture’ for a restaurant to create an atmosphere that encourages server participation, teamwork, and internal promotions.

The result of this back-door disruption is due mostly to consumers. Consumers want to experience memorable service. As restaurants move to meet these expectations they must in turn provide service that is reliable and organic. And here we see the opportunity for restaurants to innovate their former systems of recruiting, hiring, training, and retention of staff in the company. This is a vulnerable turning point for the industry as it takes advantage of this time to re-define what it means to work in food service. Chefs are beginning to receive more recognition, servers are put on salaries, and hospitality and business degrees are prerequisites for entry-level positions. The outcome is a highly efficient workplace with a skilled workforce that wants to be in the restaurant doing what they do best. Restaurants are taking better care of their employees all because of consumers who demand higher quality of service, which allows restaurants to become more selective of their team. This is already present in other branches of the hospitality industry: Disney is known for its positive, ‘can-do’ cast, and Ritz-Carlton for its elite professionalism among even the hourly employees. Quality restaurants are looking to join their ranks; introducing new, disruptive service models has simply taken its time. Innovation and disruption of the restaurant industry must happen slowly and cautiously. Any restaurateur worth his breadsticks will protect his space. However, he will also look for

creative ways to cut costs and increase the service value. And while the tradition of food service may not change within the next decade or so, it is clear that new models of employment are beginning to have a presence in the industry.



5 As consumers expect higher quality of service, restaurants can be more selective in their hiring and build innovative business models. (Photo by J. Annie Wang)

In this we see the undeniable relation between disruption, innovation, and culture. Creative disruption has provided space for innovation which now leads to a new, exciting work culture that will appeal to both sides of the employment relationship. If all goes well this means the next time you go out to eat, look for the behind-the-scenes disruption models not in the food you eat, but in those who bring you the food. Work culture will bleed into the performance of the front-of-house service, drawing guests to eat out again and again. Restaurants, if they capitalize on these innovative models, will see success as they impress their audience with their artistic expression of the traditional dining experience that will surely earn a standing ovation.



Makaela Reinke is a student at the School of Hospitality Administration, class of 2016. Having worked at both small cafes and larger restaurants, she is excited about where the industry is going. As true Bostonian at heart, she enjoys exploring the city one restaurant at a time.