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## Randy McClain: Dining index shows economy picking up

COMMENTARY BY RANDY MCCLAIN • The Tennessean • September 12, 2010

President Barack Obama practically apologized in stump speeches last week that the U.S. economic recovery is going so "painfully slow."

The nation's jobless rate is lodged at 9.6 percent. And the stock market has been bouncing around too much for any investor's comfort.

At least there's some good financial news to report locally.

The Demos' Restaurant index is rising — a sure sign that consumers are gaining confidence and spending a little more. Here's what I mean.

Peter Demos, the 39-year-old president of the now five-restaurant Greek and Italian chain that bears his family's name, said 2008 to mid-year 2009 was one of the weakest periods in his family business's history. Sales fell sharply.

Average check size — what the typical diner spends at a meal, now dubbed (by me) the Demos Index — slipped from its historic average of \$10 per person to a low of \$9.30, a 7 percent drop.

Today, though, that average check size has crawled back to \$9.70 per person — not a complete recovery but on the right path.

This might seem like a frivolous statistic, but the fact that consumers are spending slightly more on spaghetti, stuffed peppers and lasagna counts for something.

Demos, who now runs the restaurant chain started by his parents roughly 20 years ago, comes into contact with hundreds of consumers every day at locations in Murfreesboro, downtown Nashville, Hendersonville, Lebanon and Florence, Ala.

The Alabama restaurant opened in 2008 just as the U.S. economic tailspin began.

It's been a difficult period that required tough

choices. But how Demos has led the business through the past 18 months offers lessons for other entrepreneurs.

### How to save \$60,000 on peppers

**Lesson No. 1:** Cut costs where you can, but don't cut too deeply. Companies that cut too much or the wrong things run the risk of breaking a bond of trust with customers.

For Demos, the choices were painful last year. He held the line and didn't cut staff (although hours of employees were trimmed in some cases). His restaurant chain had built a reputation on service and he didn't want to lose that appeal.

But he did lose the peppers.

For years, Demos' Restaurants had been known for garnishing each plate with a pepper — some bigger than others. The peppers were imported from Turkey. They cost a lot. They were tradition.

A manager suggested getting rid of the peppers. In a year, that one little move would save \$60,000 in operating costs. But Demos — as protector of the family business — thought loyal customers would get upset. He feared a pepper revolt.

So, he ran a test. He did away with the peppers at his Murfreesboro store for a single day. Only two people complained. Demos ditched the peppers and

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didn't lose any business.

**Lesson No. 2:** Remember to give customers value. Demos saw many competitors cut portion size to save on food costs in the past year or so. Six-ounce steaks became 5.5 ounces or less to save a few pennies.

One of his favorite restaurants (Demos declined to name it) reduced the portion size of its once-generous chicken salad to the circumference of a doorknob.

Then, the place took chicken salad off the menu entirely, telling Demos one evening that no one ordered it anymore.

Figures, Demos says. The portions got so small that customers didn't see the value in ordering it. "That restaurant shot itself in the foot," he says.

**Final lesson:** Innovate. Search for ways to capture new sales.

One way that Demos has tried lately is by offering pans of pasta and lasagna to go. Card-size advertisements adorn tables at his family's restaurants, touting "Pans to go." The promotion has captured sales that otherwise would have walked out the door empty-handed.

Demos, who calls himself "an optimist by nature," isn't certain whether the Demos Index will make it all the way back to \$10 per person this year or next. But he's trying.



**Restaurateur Peter Demos had to make tough choices.**

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