

Craving Success: introduction to critical success factors in the restaurant industry & an overview of two successful restaurateurs

Introduction

It might be fair to say that all restaurateurs crave or desire that their establishment will be successful and profitable. Everyone would like to know the secret to the success of a business and every researcher would like to develop the formula to that success. Internationally there have been proposed models of critical success factors (CSFs) to making the creation and operation of new restaurant ventures successful (Parsa *et al.*, 2005; Camillo *et al.*, 2008).

Before 2005 there were many examples used in publicising failure rates as high as 90% in the first year of new restaurant ventures. This figure and others were used in adverts but had no basis in fact. In 2005, Parsa *et al.* demonstrated that these figures were totally inaccurate. There still exists the perception that the failure rate for restaurants is very high. Numerous newspaper/magazine articles quote this fact in their opening paragraphs (Mealey, 2008; O Dell, 2010; Keller, 2014). It would appear that the perception of extremely high failure rates elicits more reaction in the business and banking world, than the more accurate lower rates suggested by academic research.

Any Irish references to successes or failures of the restaurant industry in press releases by the Restaurant Association of Ireland, Enterprise Ireland or Leader Groups, at best reference American studies and at worst are based on evidence lacking academic rigour. There are no definitive academic Irish studies to support any reports or press releases.

Parsa *et al.* (2005, 2011) have constructed their own American model for increasing the chance of success in the restaurant business. Camillo *et al.* (2008) in their San Francisco study have added extra emotional factors to Parsa's model from 2005.

According to Karim *et al.* (2011) their research was carried out because they do not believe that any of the American models will transfer and be of significant value in the Malaysian

restaurant industry. They also state that other research from abroad will not be appropriate in Malaysia. To this end they are carrying out fresh research to create data which will be unique to the Malaysian identity. This project will also take the approach that the Irish culture and identity warrants its own research into creating what might be a unique group or framework of CSFs for the Irish restaurant industry.

Defining success

In undertaking a study of what CSFs make restaurants successful, it is necessary to define what is meant by success. The Oxford Dictionaries (2013, online) states that success is “the accomplishment of an aim or purpose” or “the attainment of popularity or profit” or “a person or thing that achieves desired aims or attains prosperity”, Two of the above link success to profit or prosperity. It would be safe to say that if a restaurant were profitable it is also successful.

However for a researcher looking in from the outside it might not always be possible to have access to accounts that would indicate profitability and therefore other external factors indicating success would need to be examined.

Different researchers have commented on measuring the length of time a premises has been open as an indicator of success, Parsa *et al.* (2005) suggest that after 3 years the failure rate is drastically reduced and English (1996) submit that it is after 5 years that the rate of failure reduces. Camillo *et al.* (2005) consider a successful restaurant to be one that is ‘viable’; in other words an on-going operation. Parsa *et al.* (2005) research group examined restaurant failures and therefore did not find it necessary to define success.

External indicators of success could be favourable reviews in newspapers, magazines and websites. Consistently good reviews from a range of sources could possibly be a significant indicator of success. Awards received or won for excellence in service or food quality such as Michelin, Food & Wine, Taste of Ireland and Bridgestone would also be good indicators of establishments that are successful.

The question of what constitutes or contributes to success in the restaurant business is complicated by the fact the Restaurant Association of Ireland, the industry’s trade association, only tracks the data of its members and not the entire industry in Ireland , and most of the available data is incomplete, anecdotal, or superficial.

Since the overwhelming majority of restaurant failures that do occur, take place within the first three years (Parsa *et al.*, 2005), the definition of a successful restaurant, is one that has been in continuous operation for a minimum of three years and will have gathered a number of favourable reviews or awards.

What are Critical Success Factors?

Restaurants have a notoriously high perceived rate of failure. Parsa *et al.* (2005) found the failure rate to be 26% in the first year of operation. The same study further estimated that by the third year of operation, the number of failed restaurants is 61.4%. The failure rate for restaurants that survive their first three years of operation decreases dramatically. English (1996) postulated that the high failure rates was due to the low entry barriers, inefficient operators lacking skill, experience and capital, were able to enter the restaurant business,

At this point it is necessary to spend some time discussing critical success factors (CSFs). Using CSFs as an approach to management is not a new idea; its earliest expressions date back to the 1960s (Daniel, 1961). Very little research has been done, however, regarding the use of CSFs as a way to improve restaurant operations. Brotherton (2004) defined CSFs as “the factors that are to be achieved if a company’s overall goals are to be met”. Engle (2008) devised an admirable definition, calling CSFs, “the most efficient and effective methods of accomplishing a task or achieving a goal, based on repeatable procedures that have proven themselves over time for large numbers of organizations” (Engle, 2008, p. 20)

CSFs have two dimensions to them: internal and external (Dickinson *et al.*, 1984). Internal CSFs emphasize a company’s core competencies that directly influence its likelihood of survival in the marketplace. External dimensions of CSFs such as economic climate, market conditions and competitors are to a large extent outside the control of an individual and will be examined as being pertinent at a later stage in the overall project.

CSFs from current international literature

In examining the literature on CSFs in this field which is not abundant, the research will focus on three primary investigations in this general area. They are Brotherton (2004), Parsa *et al.* (2005) and Camillo *et al.* (2008).

Brotherton's (2004) research involved the hotel sector in the United Kingdom however it is worth consideration as some of the 36 CSFs he investigated, have a crossover effect on the restaurant sector, especially when they are compared to the CSFs generated by the Parsa (2005) and Camillo (2008) groups. Brotherton (2004) had 36 CSFs in his research of which nine (Table 1) could be used in reference to the restaurant industry.

Table 1 :Brotherton's Critical Success Factors

- Operational Flexibility/responsiveness
 - Responsiveness to customer demands
 - Customer loyalty/repeat business
 - Staff empowerment
 - Customer surveys/feedback
 - Staff Training
 - Staff recruitment & selection
 - Quality standards
 - Hygiene & cleanliness
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(Brotherton, 2004)

While many of the CSFs he listed were in the context of hotels, it is worth noting that some of them are restaurant relevant and some that are not were also included by either Parsa *et al.* (2005) (Table 2) or Camillo *et al.* (2008) (Table 3) in their studies.

Table 2 : Parsa *et al.* Critical Success Factors

- Distinctive concept, well researched.
- All decisions make long-term economic sense.
- Adapt technologies, for record keeping & tracking customers.
- Educate managers, continuing education, fosters professional growth & productivity.
- Effectively and regularly communicate values and objectives to employees.
- Maintain a clear vision, mission, and operation strategies, but be flexible
- Create a cost-conscious culture, which includes stringent record keeping.
- Focus on one concentrated theme and develop it well.
- Make a substantial time commitment both to the restaurant and to family.
- Create and build a positive organization culture through consistent management.
- Maintain managerial flexibility.
- Good location is a moderating variable not a mediating variable in restaurant viability

(Parsa *et al.*, 2005)

Table 3 :Camillo et al. Critical Success Factors

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|---|---|
| <ul style="list-style-type: none"> ➤ Cost and product differentiation ➤ Balance between family and work life ➤ Keep creative emotions high ➤ Unique concept ➤ Generous portion size ➤ Charge only what one needs to charge ➤ Sell a concept not your good name ➤ Culinary and hospitality management educational background ➤ Standardization of perishable products | <ul style="list-style-type: none"> ➤ Have a vision, stay focused, act, don't react ➤ Follow industry and technological trends ➤ Loyal patrons ➤ Competent management ➤ Operation benefits from owners interaction ➤ Care for the local business ➤ Competitive advantages of new entrants ➤ Staff seniority in the workforce ➤ Balance price, value, service, and product; appropriate combinations of price/value, service, product quality ➤ Manage cost not only revenues; revenue and cost control |
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(Camillo *et al.*, 2008)

The studies by the other two groups of researchers have more of their CSFs in common as they are specifically targeting the restaurant industry, even though from slightly different angles. Parsa *et al.* (2005) gathered their results while examining restaurant failure and Camillo *et al.* (2008) gathered theirs looking at the reasons for success, it might be argued that Camillo *et al.* (2008) CSFs are pure and that Parsa *et al.* (2005) are compiled by default. For which ever reason they were generated it is obvious that they have value to new entrants to the restaurant business and those already in the industry looking to improve.

Parsa *et al.* (2005) and Camillo *et al.* (2008) both listed concept as their number one CSF, some of the other CSFs that they have in common are:

- Clear vision, act don't react, stay focused/ Clear vision and mission, amend strategies as situation changes
- Balance between family and work life/ be willing to make substantial time commitment to restaurant and family
- Follow industry and technology trends/ Adapt desirable technologies especially for record keeping and tracking customers
- Competent management/ Educate managers through continuing education

(Camillo *et al.* (2008) / Parsa *et al.* (2005)

Both investigations uncovered other CSFs which were not in common, however they would merit closer inspection. Parsa *et al.* (2005) also suggested that

- *effective and regular communication with employees led to greater understanding and cooperation between owner and employees*
- *all decisions should make long term economic sense*
- *there is a need to maintain managerial flexibility.*

Camillo *et al.* (2008) and his group listed some interesting CSFs that were unique to their investigation, such as

- *Generous portion size*
- *keep creative emotions high*
- *operational benefits from owners interaction*
- *loyal patrons-care for the local business*
- *manage cost not only revenues.*

Brotherton (2004) in his research of CSFs, even though in the hotel sector, outlined five CSFs that might be important to examine more closely in the context of successful restaurant management. They were:

- *Staff training*
- *Customer surveys/feedback*
- *Staff Recruitment and selection*
- *Hygiene and cleanliness*
- *Staff empowerment.*

These would appear to be important CSFs yet are not considered in the other two investigations.

In a Cornell on line lecture, the General Manager of the Four Seasons in New York specified that he would rather be better at recruitment and selection of staff, that he considered it one of the most important skills as it would mean that less corrective training would be needed and more time could be spent in training for professional development (Food service management, 2010). Danny Meyer (2008) also writes about this in his book. He strongly suggests that selection of staff is of the utmost importance and that all his staff selections are the key to the success of his restaurants. Nick Landers (2012) in his book also writes about the importance of staff selection and training, cleanliness and feedback from guests, and how he found some or all of these traits present in the successful restaurants he reviewed. Fields (2007) confirms the value of the CSFs outlined here in his book and goes on to explain how they helped him in successfully opening four restaurants. It would seem obvious that an intensive study of all these CSFs would be of benefit to new entrants and those already in the business.

Overview of two successful Restaurateurs

Danny Meyer

“Understanding the distinction between service and hospitality has been at the foundation of our success. Service is the technical delivery of a product. Hospitality is how the delivery of that product makes its recipient feel” (Meyer, 2008, p.65).

Danny Meyer is a New York based restaurateur who owns six full service, fine dining restaurants, three cafes, forty three quick service outlets, an event catering company and a consulting and training company (Union Square Hospitality Group, 2014). He has written eight books and so far his restaurants and chefs have over ninety nine awards and honours (Klara 2013). Since he opened his first restaurant, Union Square Café, in 1985 he has only had to close one restaurant, Tabla which closed in 2010 after 12 years (Klara, 2013).

For ten years Meyer only had one restaurant and when he initially opened Union Square Café he planned to only have the one. This fear stemmed from his father’s failures in the hospitality industry and Meyer did not want to follow in those footsteps, however in 1994 he opened his second restaurant. In his book (Meyer 2008), he suggests that it took him time to see that expansion was not a gamble if he was betting on himself. Since then his empire has expanded rapidly and successfully.

He bases his success on a philosophy of what he calls “Enlightened Hospitality” (Meyer 2008; Pershing, 2013; Discovergw, 2013) and it has five pillars. These are ranked in order of importance and are the most important contribution to the ongoing success of his company (Meyer, 2008), the following are his CSFs with a brief explanation:

1. Our employees - Employees must be happy to come to work, must be encouraged in their work, rewarded for their work and be accountable for their work. They must work as a team. According to Meyer (2008) employees can be categorized as *Overwhelmers*, *Whelmers*, and *Underwhelmers*. It is easy to identify *Underwhelmers* and get rid of them. The most dangerous employees are the *Whelmers* because they tend to stay in the organization longer because their performance is adequate but *“they infuse an organization and its staff with mediocrity... and send a dangerous message to your staff and guests that “average” is acceptable.”(Meyer, 2008, p150)*

2. Our guests - Guests must be made feel genuinely welcome and wanted, it must be a natural rapport. Insincerity will be picked up by the guest and will not end in a happy customer willing to return and become a loyal patron.
3. Our community – Meyer believes that investing in the community is not only beneficial for your own well-being it is also beneficial for the company financially in the long run, rising tide lifts all boats. He believes that supporting the local community connects the business to the community and makes him successful.
4. Our suppliers – treat your suppliers fairly and they will look after you. Be honest, deal with the best, local where possible and pay on time. In return your suppliers look after you as a valued customer.
5. Our investors – only chooses investors that believe in long term, sees investors as people he can look to for advice, wisdom, contacts and influence. Meyers states

“Our investors understand and believe that by taking their place in line behind our other chief stakeholders; they stand an even better chance to reap sound, on-going financial rewards. They are buying into a business whose employees, customers, community, and suppliers have been given good reason to support our success.”

(Meyer, 2008, p.271)

According to Meyer (2008) each of these must be looked after in this order for each of his ventures to succeed. This is an unbreakable rule for success in his philosophy.

Tom O Connell

“O Connells is a mid-priced restaurant which obsesses about serving the best Irish ingredients at an affordable price with a certain sense of style and friendliness” (O Connell, 2014).

Tom O Connell is the owner of O Connells Restaurant in Donnybrook and has traded successfully for the last 15 years at three different locations. He began his career in Shannon School of Hotel Management in 1972, while there he spent time in Switzerland with Movenpick and with the Waldorf Astoria hotel in New York. This laid the foundations on how to treat customers and staff with recognition and respect (O Connell, 2014).

Once he finished his training he then moved to Hilton International and spent 14 years working for them in different establishments. After spending time at the Savoy and the Ritz in London he returned to Dublin in 1996 to the Berkley Court as General Manager for 3 years (O Connell, 2014).

Then in 1999 he opened O Connell's restaurant with his brother Rory in the basement of Bewley's Hotel in Ballsbridge (Clarke, 2013). After ten years of successful trading the hotel was sold and the new owners indicated that they wanted to take over the running of the restaurant themselves. In 2008 the restaurant moved to the Berkely Hotel, remained there for two years and in 2010 moved to its present location in Donnybrook (O Connells Donnybrook, 2013).

O Connell bases his success on the following factors:

- Best quality Irish ingredients
- Empathy, understanding and respect for your customer
- Respect for a great team where loyalty is balanced with skill and ability
- Loyalty to suppliers and flexibility to source new ones
- Respect your neighbours and your neighbourhood
- Embrace social media and technology

(O Connell, T. 2014; O Connells Donnybrook. 2013; Clarke, 2013)

Tom O Connells philosophy could be summed up in the following quote:

"I think the secret is, know your customer, mind your customer, honour your customer and be respectful and honest with your customer. I think then you will be grand"(Clarke, 2013, p.2).

Conclusion

This paper set out to provide the reader with an introduction to CSFs and the important role they can play in the success of restaurants, whether they are in the start-up phase or already existing. While CSFs are in relative terms, new to the business philosophy of the restaurant industry, they can and will play a major role in the industry in the future. Any information that can be added to a restaurateur's business knowledge, which will enhance the chances of success, can only be of value.

Restaurateurs like Meyer and Fields who have taken time and tried to make sense of how their success was achieved are rare and researchers should take the time to study, compare and contrast their findings against others. In the literature currently available in Ireland there has been no recognised academic study in this area, there are no equivalent studies to compare/benchmark against the studies by Parsa *et al.* (2005), Camillo *et al.* (2008) and Brotherton (2004) or the books written by Meyer (2008), Landers (2012) and Fields (2007). This area of study calls for an in depth investigation into the CSFs that exist in the Irish restaurant industry. An exhaustive study of the successful restaurateurs in Ireland could lead to a list of CSFs that would be unique to the Irish identity, which could benefit new and current entrants to the industry. This list could also be benchmarked against international standards to evaluate its quality and veracity.

Further research could also look at a longitudinal study over a period of time to develop a success/survival rate for restaurants in Ireland and benchmark these results against international figures available. This information might help to dispel the perception that the restaurant industry has higher failure rates than other industries.

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Appendix

Interview with Tom o Connell

Q. What was your background before you owned your own restaurant? Where did it all begin?

A. I grew up in a family business, the family were in retail, my father was a general Merchant in a small community, everything from grocer to hardware, undertaker, and post office. We sold everything from fertilisers to grain, everything really. We dealt with the local community. Then I went to Shannon College of Hotel Management, then in Shannon College of Management you were sent abroad, so I was sent for 16 months to Movenpick in Switzerland, a good organisation, at the time they were very innovative, this was in the 1970s, they were a leader in innovation at that time. Then my other placement within the college was for 16 months in the Waldorf Astoria in New York, there I was a management trainee, but because of the union system in New York we weren't allowed to do anyone else's job, we were supernumeraries. It was a very privileged and unusual job as if we were asked to do any kind of real work the union would be down and we would be stopped. You were allowed to work but only so long as you were helping someone and not doing the job on your own. After that I graduated from Shannon and then I worked with Hilton International. I stayed with them for 14 years, starting with the Hilton in Brussels where I spent 5 years; I started as head kitchen porter and worked my way up to assistant food and beverage manager. Then I became Food and Beverage Manager in the Hilton in Gatwick, in 1982, six months after the hotel was newly opened. This job allowed me to be innovative and creative. While I was in Gatwick we became the number one in the Hilton group in the world for Food and Beverage for which we received an award. This was a team effort to win this award. From there I went to the Hilton in London in Park Lane as Food and Beverage Manager and stayed there for a year and a half. Then I moved to the Savoy as Food and Beverage manager and it

was there that I realised the importance of the interaction between the customers and the staff. The respect for the customer and the recognition of the customer was more important than in any of the other hotels that I worked in. After 5 years there I became the number 2 in the Ritz in London, in charge of food and beverage, again the recognition and respect for the customer was hugely important. Then I became a general manager of the Ritz in London for a year and a half, and then I was offered to come to Dublin to manage the Berkley Court which at time was a leading hotel of the world. I took the job and spent 3 years there as the General Manager, while I did my job, I didn't really enjoy being a general manager, I spent my formative years as a food and beverage manager and I missed the interaction with customers and food.

Q. That's great so far Tom, so when did O Connells restaurant start?

A. Well in 1998-99 with my brother Rory, we opened O Connells restaurant in the basement of Bewleys Hotel in Ballsbridge as an independent business. That was 15 years ago this year, we opened on August 2 1999. The restaurant showed me once again the importance of minding the customer, the importance of recognition and respect, it wasn't enough to do a good product and run the business end well. The restaurant developed me more into the role of the front of house person, which I hadn't been for a while, it made me realise that the customer was honouring you by coming to spend their money with you and as such need to be recognised and be treated with respect. Whatever they are in your restaurant for you have to empathise with the customer; you might have 20 different scenarios happening in the room and you have to be able to empathise with each one, that's why as an example in O Connells we never allow balloons in the restaurant at things, because I say well that's fine, one party might be having a birthday, others might be coming from a removal, or might be having a first anniversary, or a month's mind, Ireland is a very small place so we are quite conscious of things like that.

Q. How long was the restaurant in Bewleys?

A. Well one day after 10 years I got a phone call from the owner saying the he had sold the hotel. He said he had sold the lot, all the hotels but that we would be grand, that the new guys would renew our contract. It became apparent after a few months that for one reason or another they didn't want us to renew and put forward terms that were unworkable, so we moved on.

Q. *What effect did moving after 10 years have on your business?*

A. We left Bewleys in May 2008, it definitely did have an effect, I was very concerned that we would lose our place in the market, so I took an opportunity to go back into the Berkely Court as I knew the property and it was near enough to the old restaurant, I didn't want to move too far as I was afraid our name would get lost. So we went in there for a year and a half and during this time I realised that while some customers moved with us other did not. The ones that did not move had certain reasons, maybe associated with the new property for not visiting our restaurant. It had become a budget hotel under the new management and some people did not want to come to us there. We traded successfully and took care of the banqueting also for the hotel. It became apparent that this would only be a short term fix and we began to look for another property. This move definitely did have an effect on our business, we still get people today coming into the restaurant in Donnybrook and saying that after we moved from Bewleys they thought we had closed up altogether, so all the PR and press reviews still don't register with or reach everybody. We weren't that good at social media or data bases back then, now however we are much better and when we moved to Donnybrook and our reservations became computerised, this has all improved.

Q. *When did you move to Donnybrook?*

A. We opened in Donnybrook in November 2010 the same month as the IMF came into Ireland, my timing wasn't great but my attitude was that we can't turn back now. Then we opened in two weeks of snow and spent more time cleaning the pavement of snow than in the restaurant, but these small gestures were noticed and appreciated in the neighbourhood. We might have had no customers in the restaurant but we had the cleanest pavements in Donnybrook. That whole week in the restaurant we gave those who came to dinner complimentary mulled wine, sometimes small gestures come into your head quite by chance they have a very big impact with your guests.

Q. *What other factors affected you or benefited you over the years?*

A. Our suppliers have been tremendous to us over the years, through good times and bad, they have always supported us and in turn we them. This is why we are hugely loyal to our suppliers some having been with us since the first day we started 15 years ago.

Q. What is the biggest challenge you have faced in running your business?

A. The biggest one for where we are now is that we have no partners, so it is just my wife and I, therefore every single penny that has gone into the place is our own. The early days were difficult as you plan to spend x and suddenly you are spending $x+++$. So we had to be very structured and organised from the very beginning. So we are there 3 years now so some of the leases are $3/4$ s of the way through, so while it is still a challenge it is a little less scary than what it was when we first opened. As most business owners will tell you in the beginning the biggest challenge is cash flow, cash flow. I am a big believer that you can't expect chefs to produce good food if you don't give them a good engine room. When we were opening and getting the kitchen ready I could see that the kitchen we had designed would not allow the chef to produce good quality product for the volume of customers we were hoping to do, so I stepped in, probably $3/4$ way through the process and said guys this isn't going to work your just limiting your selves and they said it going to cost x amount extra, so I said do it. So you will know from having seen our kitchens that they are small but efficient, the first table in the restaurant is no more than 2 metres from the open plan kitchen.

Q. Do you own the building?

A. No we are leasing the building

Q. What are the top 2 or 3 factors which you think are important to run your own restaurant?

A. I think you need to love food, you need to have empathy with the customer, you need to understand and respect the customer, these in equal quantities. You need a great team, where loyalty is balanced with skill and you need to respect your team, it is like a football manager, if somebody who is a member of the team is supposed to be a striker and they are not scoring or are capable of scoring then you have to agree that you are not made for each other, I would do this to a certain extent, if I have a chef in the kitchen who is not producing the goods, then I don't carry him/her. If they can't work to the standard of the position that they were hired for after a settling in period then we have to part company. We are a small business and can't afford to carry non-performers.

Q. What other factors are important in relation to the administration and the running of the business.

A. Well you need to be a good business manager, good at sales, manage social media. 50 per cent of our capacity is upstairs in a private function room and as this represents 50 per cent of my rent then I need to try and fill this as often as possible. Now by working better at sales and the social media side this room will be full all this summer, 5 nights of the week.

Q. What would your number one factor for success?

A. Concept would be my number one most important factor.

Q. How would you describe your concept?

A. O Connells is a mid-priced restaurant which obsesses about serving the best Irish ingredients at an affordable price with a certain sense of style and friendliness. To differentiate the service times of the day, we use tablecloths at night time not during lunch.

Q. Over the past few years with the recession and the IMF coming to town what challenges have you faced?

A. These last few years are the toughest we have faced. My wife and I have never worked harder; our staff has never worked harder. We have to be much more pro-active to win customers. Compared to 10 years ago when we were in the hotel, things are much more difficult now, back then we had instant customers from the rooms in the hotel and the hotel operated at 90% capacity. Also we didn't pay a rent only a percentage of turnover so we never really had any cash flow problems. As any business will tell you cash flow is the life blood of a company, nowadays cash flow is always to the forefront and very important. Now when we open the door we are much more aware of cost of opening i.e. rates, service charge. This has encouraged us to become more professional and efficient, it has also encouraged us to be more innovative, to use social media better and create databases

Q. How have you innovated with social media?

A. We have had to embrace social media and learn how to use it to our advantage; our daughter has helped us greatly in this area. It is a largely a free method of communication with your customers, very low cost involved, but you have to be good and consistent at it. We

are becoming more proficient at using the different forms of social media and again we have received a great deal of help from our daughter. We send to our customers a monthly update on what happening in the restaurant and what events we have upcoming. It is important that what we send has value or interest to our customers and that it is not drivel or rubbish and has no interest or relevance to them. We try and keep it short to just two or three pieces of news or events. We don't want to become annoying, we want our customers to look forward to our messages.