Galvin - the economics of starting a restaurant

4 Nov 2005 by JR

In June Chris Galvin, then the Executive Chef of the highly successful Wolseley on Piccadilly, invited me to lunch. As he had intimated some time before that he was considering opening his own restaurant with his younger brother Jeff, then the Executive Chef at my former restaurant, L'Escargot in Soho, I set off in anticipation of a scoop.

In fact it was more a swapping of information. While I heard of the proposed site on Baker Street, opposite the former M&S HQ, they wanted my opinion on the viability of the location. It had failed three times already, on the last occasion in the hands of one of London's otherwise most successful restaurateurs, and they were anxious to know whether moving on from two very well paid, secure jobs into this seemingly ill-fated site was the right thing to do.

I assured them it would be. I knew their cooking skills were certainly good enough; I liked Chris's ideal of a 'bistrot de luxe' which would keep them busy seven days a week in a city not over-supplied with good quality, fairly priced restaurants and I was reassured that they had an experienced backer so that they would not be taking all the financial risk themselves. Most importantly, they had each other, a vital factor when good chefs are in such short supply.

Happily, Galvin – the brothers decided against the plural because it looked clumsy – has got off to the best possible start. It has been enthusiastically received by my fellow reviewers and equally appreciated by their customers to such an extent that they have had to hire a full time receptionist to answer the telephone calls which have on occasion exceeded 1,000 a day. But exactly what this instant success has meant in terms of the running of the restaurant and its impact on their business plan was the reason that I sat down after lunch with their backer Ken Sanker, their first month's management accounts and, subsequently, with Chris and Jeff.

The reason the Galvins were late was that morning another set of brothers who work in their kitchen had simply not shown up for work so in the interim Sanker explained his involvement. " I'm an accountant who has moved into a private equity company supporting talented individuals and I had met Chris via another restaurant I am involved with, Chapter One in Blackheath. Once he said that he wanted to move on, I organised the financial side so that neither brother has had to mortgage their house, ensured that there was a sensible structure so that they will in due course reap the rewards from the accumulated profits and that the £600,000 it has cost to carry out the fit-out has been well spent with no superficial expenses."

Chris fell into the chair opposite, confessing immediately that the previous months' unremitting fourteen shifts a week had cost him 20lbs in weight. But he was happy and relieved that his vision of a 'bistrot de luxe' had been so well received. "I have wanted to do something like this since 1996," he explained, "when I heard that several sous-chefs had left their prestigious hotel jobs in Paris to open their own inexpensive restaurants, places like La Re<acute>galade and L'E<acute>pi Dupin. I went over, ate in them all and have wanted to so something that combined quality and the fairest possible prices ever since. And strange as it may seem, the width of Baker Street rather reminds me of a Parisian boulevard."

But despite their combined reputation and experience – both began washing dishes Chris, now 47, aged 15 while for Jeff, now 35 it was at the tender age of 12 – Chris admits that his initial business plan was too cautious particularly when it came to budgeting for the right level of waiting staff. "We have tried to keep the kitchen brigade lean; there are five of us cooking for 150 customers a day now, and the menu remains reasonably priced by not offering side dishes such as vegetables, potatoes or salads. We have these if a customer asks for them but if we were to offer them all the time it would have cost us more than £30,000 in wages and would have meant that much higher average bills. But we were simply not prepared for the number of customers the reviews brought in and service has been our weak spot although we have now brought in three experienced waiting staff and we are holding back on the bookings, no more than 70 at lunch and 80 for dinner."

The monthly figures bear this out. Turnover is an impressive 16% above budget and their gross margins are also good for the first month, which invariably includes more complimentary items than usual, but while the kitchen costs, rent and rates and variable overheads are all in line, the front of house costs are over budget by 10 per cent. As Jeff, who had urged his brother to be more bullish in the business plan, joined us Chris admitted, "This has been the biggest learning experience of the past month – apart from learning how quite aggressive wine salesmen can be - and I have learnt my lesson the

hard way because twice I over-ruled the restaurant manager to squeeze in two extra tables of four and on both occasions we let them down because we couldn't give them the right level of service. I will never do that again."

It is always possible to improve service and while Galvin's chairs and rather dark interior may not be to everyone's tastes there is no doubting the uplifting quality of the brothers' cooking or their menu's inherent value for money. A sunny autumn lunch included a pumpkin and girolles soup (£4.95); a terrine presse<acute> of pork and foie gras (£6); a sparkling risotto of courgettes and saffron and cod with parsley and coco beans (£14). And while on a second visit, their first attempt at home-made spaghetti was not right and the boudin blanc was bland, the lasagne of Dorset crab (£9.50) and a luscious fish soup (£5) were excellent. This gentle pricing has resulted in an average spend of £36.50 and a first month's trading profit of £1,000 before depreciation.

But how, if they were still achieving standard restaurant gross margins, could they still deliver such keen prices. It was Jeff's turn to answer. "We have had to work really, really hard with our suppliers, much harder than we had expected, buying directly whether it's fish from the day boats off Cornwall or buying whole lambs from an organic farm near Snowdonia or by plucking our own game. Partridge cost £2.70 but if we pluck them ourselves we can save 50 pence per bird and that makes a real difference."

But as the Evian water obviously took hold, the Galvins let me into a trade secret I was until then entirely unaware of. "We have got to know a lot of suppliers on New Covent Garden over the years and many of them take very big orders at keen prices from the hotels for their functions. Then shortly beforehand the hotel confirms the final number invariably downwards and the supplier is left with the rest. What we have agreed is that we will take them off their hands at the same price as long as we take whatever the balance is - we had 40 ducks delivered one morning and 36 portions of Gloucester Old Spot pork cheeks another. But by now we have learnt how to work these ingredients into dishes that people enjoy eating," Chris added unassumingly.

Both brothers admitted that while they are grateful for the kind reviews to date they would have wished that they could have been spaced out to ensure future business to the same high level. But here too I believe they may also be being over-cautious. While Jeff's reaction to his first month as a chef/proprietor was that it is like " holding something big in your arms and it's yours to drop", Chris acknowledged that seeing his surname above the door "gives me a second wind to ensure that we look after our customers as well as we can."

And the best news for anyone who cannot currently get a reservation were Chris's final words before he headed back to the kitchen, "I want our restaurant to be around for a long time. I want it to become an institution."

Galvin, 66 Baker Street, London W1U 7DH, 020-7935 4007. Open lunch and dinner 7 days.