



Miami restaurant Crust is beating the odds in an industry where many others fail. *MICHAEL PRICE/CRUST*

By Martha Brannigan

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With a long career in fine dining under his belt, executive chef Klime Kovaceski got a craving for something more casual.

Two years ago, he and his wife opened a restaurant, Crust, in Miami, serving pizzas and pasta along with other fare. It was a huge risk. Even for the savviest chef or businessperson, a new restaurant is a great way to lose a lot of money—fast. The industry sees thousands of new entrants each year, and about 27% of them close their doors within 12 months, and 60% in the first three years, according to H.G. Parsa, a University of Denver professor who has studied restaurant failure rates for more than 10 years.

But Crust is beating the odds. Opened in June 2015, it posted sales of just over \$1 million for 2016 and a pretax profit of more than \$200,000, according to Mr. Kovaceski. The restaurant is on track to generate about \$1.5 million in sales for 2017 with a higher pretax profit margin than the approximately 20% in 2016, he says. TripAdvisor often ranks the little place as Miami's No. 1 restaurant.

How do they do it? How does one restaurant succeed where so many others fail, including many with big-name backers and renowned chefs?how corn mazes, banana museums and giant balls of

A look at the inner workings of Crust, which Mr. Kovaceski owns and runs with his wife, Anita, offers insights into how a small, independent restaurant becomes a success. Their formula is endless work and passion and attention to countless details. The couple stay on top of every aspect of the business, from choosing dishes that let them repurpose ingredients and ensure a good profit margin, to reinforcing good employee practices, to policing reviews and comments online to assuage disappointed diners and fix inaccuracies. They often work 12 or more hours a day—either in Crust or on call—six or seven days a week.

Along the way, they try to make it all seem effortless. “No one wants to see you running around in a panic,” says Mr. Kovaceski, 56, who formally trained in Croatia and Macedonia and has operated and consulted for restaurants for more than 30 years. “It should look easy.”

Romance and reality

Opening a restaurant is still among the most romanticized of small-business ventures. Even in 2009, amid fallout from the Great Recession, the industry added 2,568 eating and drinking establishments, a less than one-half percent increase, for a total of 548,246, according to the Bureau of Labor Statistics. In 2015, a more normal period, the number rose by 9,877 to 603,223. “On the surface, it doesn’t look all that complicated,” says Jim Laube, the CEO of RestaurantOwner.com, a resource for independent operators. “The problem is when you look under the hood and see all the moving parts.”



Owners Klime and Anita Kovaceski began brainstorming about their restaurant four years ago. PHOTO:MICHAEL PRICE/CRUST

The Kovaceskis began brainstorming about Crust four years ago. The couple—he's from Macedonia, she's from Australia—married in 2013. Mrs. Kovaceski had worked in medical advertising and marketing in Australia and was new to restaurants. Lively and gregarious, she would take on the job of welcoming guests and setting a tone of friendly service for her staff. “I never let a table go untouched,” she says.

Scheduling reservations is a juggling act. The restaurant is open 5 p.m. to 10 p.m., with seating for 70 guests. Managed properly, Crust can use each table 2.5 times per night.

Most guests want reservations between 7 p.m. and 8 p.m. That means asking them to push ahead or back a half-hour to smooth the flow during peak hours. “I thought we would just open up and things would start happening,” says Mrs. Kovaceski, who oversees the dining room, while her husband runs the kitchen.

Mr. Kovaceski knew better from decades of experience, seeing others make mistakes and making some himself. “The easiest thing is to open a restaurant,” he says. “The hardest one is to make it work.”

Mr. Kovaceski wanted to try an informal Italian restaurant and pizzeria with an accent on takeout and delivery, a hot area of growth for restaurants. The couple hunted for a year just to find the right location, finally locating an old house in a gentrifying neighborhood on the Miami River,

where rusted freighters nose by megayachts. Several restaurants were thriving within a few blocks.

The 1930s house, which has 14-foot ceilings and wall columns, had been a fish market and a paint shop. “Soon as I saw it, I knew,” Mr. Kovaceski says. It took a year to remodel and equip the place—which has a feel of old Europe with warm furnishings—and the couple invested \$500,000 of their own funds before the restaurant started to bring in money. Employees trained for weeks before opening day.



Mr. Kovaceski designs the menu with a close watch on food costs, which total “a lot less than 28%” of sales. PHOTO: MICHAEL PRICE/CRUST

One of the keys to initially turning and then maintaining a profit is a favorable lease. Rent runs about 5% of sales, Mr. Kovaceski says. That beats an industry benchmark of 6%.

Even more important, Mr. Kovaceski designs the menu with a close watch on food costs. For a casual restaurant like Crust, those costs typically should total no more than 28% of sales (33% at fine-food spots), according to benchmarks. “I’m a lot less than 28%,” Mr. Kovaceski says.

“Any decent restaurant does the accounting breakdown of food costs. You go one by one,” he says. “Some items you don’t make as much, but you want them on the menu.”

The key is making sure top-selling items—pasta, pizza and chicken dishes—are the most profitable, he says. A lamb-chops entree is less profitable, because its ingredients cost more

than 30% of its \$22.95 price, he says. But lamb isn't a top seller; he offers it because it rounds out the menu, and guests often order it with a bottle of wine, which typically is marked up 200% to 300% above its wholesale price.

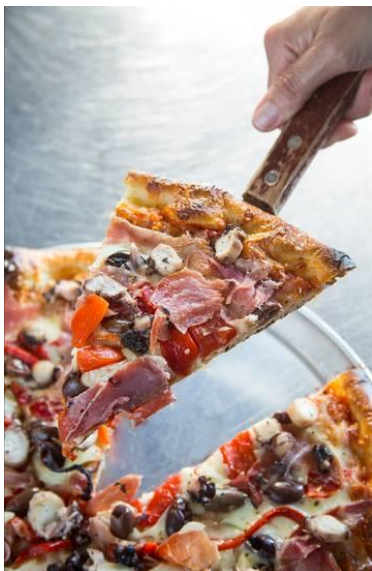
What's more, he says, many chefs use too many ingredients. That drives up costs and leads to spoilage. "Their menu is tiny, but the number of ingredients is huge," he says. Crust's menu is big, but simple to manage. He uses variations of risotto for dishes like chicken Marsala (mushroom risotto), rack of lamb (mint risotto), and chicken piccata (basil risotto). "It's all risotto, just done in different ways," he says.

Controlling waste is also vital: Employees must show him spoilage before throwing it out, so they can decide what went wrong.

The chef says he's vigilant in purchasing food and enforcing standards with suppliers. "If a company delivers to you fish or produce that was good but not great, and you accept it, take a wild guess who it's going to happen to again," he says.

Managing the staff

Crust emphasizes customer service, which shows in the online reviews from diners. The chef encourages staffers to see their work as "theater," coaching them to put aside personal concerns and focus on making guests happy.



Mr. Kovaceski last year bought bigger pizza ovens as part of a shift toward eat-in dining. PHOTO: MICHAEL PRICE/CRUST

He prefers to train novices with potential over hiring experienced workers who may bring “little bad habits.” That saves on labor costs and can make it easier to mold workers’ practices, he says.

He coaches servers never to give their backs to customers, but training is a process. “This isn’t something you tell people once and they’re always going to do it,” he says. “This is over and over and over, like a father talking to his children.”

If an employee tries to bring his own water bottle or a glass marked with his name, it warrants a mention at the 15-minute staff briefing held daily at 4:45 p.m.

“Before you know it, there’s going to be Coca-Cola , there’s going to be Red Bull, all over the place,” Mr. Kovaceski says. “Someone needs to keep everyone on their toes and focused.”

While labor costs typically total about one-third of sales at full-service restaurants, according to benchmarks, Crust’s are lower, because the owners do so much. “My labor is around 20%, because I don’t have to pay an executive chef and general manager,” Mr. Kovaceski says.

Crust starts servers at \$5.08 an hour, Florida’s minimum wage for tipped employees. Tips can bring that to more than \$20. And Mr. Kovaceski keeps a close eye on employees. When a new employee, just two weeks on the job, called in sick on a Sunday, one of the busiest days, the chef told the employee he had probably hired 5,000 people over 30 years, and “I’m not accusing you of anything—but most of the time, they call in Sunday because they’re partying on Saturday.” The worker insisted that wasn’t the case. “I said, ‘Don’t worry about it. If you’re doing it, you’re going to do it again.’ ”

Mr. Kovaceski remembers a worker at another restaurant who called in saying his mother-in-law died. Twice. In six months.

Mr. Kovaceski also lets employees know he’s watching his back door and garbage can—common ways that goods go missing. He originally planned to use a back kitchen door for

delivery orders, but decided it was too vulnerable to theft, he says. He bolted it shut and uses a side door in plain view of the dining room.

What's more, he reminds employees of the video-surveillance cameras throughout the restaurant. And only the owners can void items or checks.



One key to controlling quality, the chef says: being vigilant in purchasing food and enforcing standards with suppliers. PHOTO: MICHAEL PRICE/CRUST

“When people are stealing, they’re not stealing in their minds. They’re taking what’s theirs, because you can never pay an employee as much as they think they’re worth,” he says. “They’re entitled.”

Another crucial ingredient in the restaurant’s success is constant attention from the owners. Mr. Kovaceski often works from 11:30 a.m. to 1 a.m. and can’t recall taking a day off since opening. The restaurant is closed Mondays, but he’s there, catching up or doing repairs. For Mrs. Kovaceski, the biggest adjustment has been the switch from being an employee to being an owner and the 24/7 demands. “I worked really hard when I was an employee, but the weekends were mine,” she says.

Mrs. Kovaceski typically tries to take the day off, or at least not to come in. Mondays are also their day to go out to eat and see what other restaurants are doing.

She took a five-week trip to Australia last summer. That meant hiring a hostess and giving more responsibilities to a trusted manager. The family visit was planned months in advance. Even so, by 8 a.m. in Sydney, she was on her laptop watching the cameras at Crust, where it was 6 p.m. She checked reservations and sent texts to her husband and a manager who were gearing up for dinner service. "I couldn't disconnect," she says.

The hard work can take a personal toll. The day before the restaurant's opening day, June 16, 2015, her father was diagnosed with an illness, potentially serious, in Sydney. "My family didn't tell me for three months," she says. "My mom and my sister told me over the telephone after three months" when he was better. "That was really hard for me."

She was upset they had shielded her, but also thankful, because her instincts would have been to hop a plane to Australia. "I had to work. I had to put on a brave face, because it was a sensitive time," she says.

Another demand on their time is social media, which they use to attract customers and shape their reputation. They also monitor postings on sites like Yelp . Before the ubiquity of social media, a local newspaper would do a review "and that would be it for the year," Mr. Kovaceski says.

Now anyone can be a critic and guests sometimes post photos and comments while at the table. Services are available to manage online reputation, but the Kovaceskis like to do it themselves. They share the duties, but because of her marketing skills and command of English, he relies on her to edit him before making a posting. They answer every complaint, online and otherwise, to try to turn around the experience. "It doesn't mean the customer is always right," Mr. Kovaceski says. "But you make him feel that he's right."

When a bogus review was posted on TripAdvisor, the chef emailed and called the site to complain.

"I said, 'I work too hard in this place. Don't let somebody say my lasagna is no good. I have never, ever served lasagna here,'" Mr. Kovaceski says. The posting was quickly removed, he says.

A growing business

What comes next? The Kovaceskis envisioned Crust would be mostly takeout and delivery, but the eat-in business has proven to be strongest. “We’re turning people away all the time,” Mrs. Kovaceski says.

They shifted focus, sprucing up the ambience, adding ceiling fans and baffles to improve acoustics and decorating the exterior with potted plants. The wine list has more than doubled. Mr. Kovaceski last year bought bigger pizza ovens. He’d anticipated such growth by installing oversize exhaust hoods at the start. They have also bought new chairs that are more compact than the big, homey ones originally used. The idea is to save space between tables, since the place is often packed.

Mr. Kovaceski would like to attract investors and open other locations with the same concept. But the main focus is building on the business they have. With takeout and delivery totaling just 15% of sales, they see plenty of room for growth. They use DoorDash and Postmates to deliver food, but plan to hire drivers, when they’re ready for the added demand. They also are considering opening for lunch—a move Mr. Kovaceski figures would boost sales \$1 million a year—but not until they can do so without hurting quality. “Consistency is everything,” he says.

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