

# Business Review

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**COMPANIES** by Dave Szymanski | Tampa Bay Editor

## Made to Order

Drew Peloubet worked and managed restaurants for 14 years before forming a private equity real estate investment company.

The investment company did well, but it was too much about numbers. Peloubet missed the human dynamics of the restaurant business. In 2005, investment advisor Geoff Simon introduced Peloubet to entrepreneur Ray Murray.

That same year, Peloubet joined Murray and entrepreneur and Fort Myers native Steve Roberts as a partner at AccSys Inc., which would later become Restaurant Magic Software, a Tampa company that writes software for the restaurant industry.

Today, Restaurant Magic is on its seventh version of the software, updating it for use on a number of tasks, from payroll to ordering to inventory. Revenue has steadily climbed each year.

Restaurant Magic is headquartered in Tampa, has a sales office in Dallas and a software development office in Kiev, Ukraine, where there are a significant number of PhDs in computer science.

Restaurant software benefits from a largely untapped market.

There are 560,000 restaurants in the United States and less than 10% have a software to help run their business.

“There are a lot of desperate, home-grown systems,” Peloubet says. “There’s a tremendous need for information. It’s a substantial market that’s underserved. The long-term growth potential is substantial.”

In the short-term, Restaurant Magic wants to grow wisely.

“We expect to grow our revenues by double digits over the next three years,” Peloubet says. “As the economic environment tightens for our prospects, I anticipate that they’ll divide themselves into two groups. One will look for efficiencies and leverage tools, like ours, to

Restaurateur-turned-entrepreneur Drew Peloubet wants to crack a virtually untapped market: restaurant management software.



**Drew Peloubet**, president and chief executive officer of Restaurant Magic, has used his restaurant experience to help improve the company's software product.

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enhance margins. The other will hunker down, cut costs, and lay low until there’s an uptick. Our job is to find the first and educate the second.”

## Interesting times

Peloubet quotes an old Chinese proverb when talking about the restaurant industry today: “May you live in interesting times.”

Restaurants are feeling a squeeze from two directions. The cost of wheat and dairy products has gone up. Traffic counts are down. Restaurant margins, already low, are stressed.

That’s why organizing all the restaurant’s crucial information through a software system can help a company save and make money by pinpointing cost-saving or revenue-making opportunities, Peloubet says.

“We believe in the way we have our product positioned,” he says.

What sets Restaurant Magic apart from competitors? Instead of inundating customers with spreadsheet after spreadsheet of numbers, Restaurant Magic selects key performance indicators, so managers can quickly see how a restaurant is doing.

The software acts as a scorecard for a business, generating the operating profit and loss statement. It captures all the information on what took place, what sold, what you bought, what you used and labor costs. In almost every case, except for inventory, a restaurant company does not have to manually key in all of the information for Restaurant Magic to organize it because the software interfaces with the other data systems in the restaurant.

Customers of Restaurant Magic log in to use the software, which Restaurant Magic hosts. Customers lease the software instead of buying it, which keeps the cost lower.

“That means our customers can use us to enhance their margins without having to lay out significant cash,” Peloubet says.

The company also advises its clients to hire people with restaurant experience because they will be able to pick up the software tool more quickly.

“It’s easier to teach people the technology who understand the restaurant industry than teach people who understand technology but not the restaurant industry,” Peloubet says.

Restaurant Magic markets the software in two main ways: Trade shows and satisfied customers.

“Word of mouth is important for us,” Peloubet says. “It’s a small world. People know each other. We get referrals frequently.”

As the economy has slowed, some restaurant companies are doing more aggressive things, adjusting purchasing and adding efficiencies. Others are behind the curve.

“We bring insights to the table and help them enhance their margins,” Peloubet says. “In this economy, tools like this become more valuable.”

Restaurant Magic gets out to restaurant managers and trains them on the software, which is configured specifically for their company.

## Service is key

Restaurant Magic believes it is very similar to the industry it serves.

“Probably the most significant insight is the fact that this business and perhaps most businesses serving the restaurant industry are very much like the restaurant industry itself,” Peloubet says. “It really does ultimately come down to how was your last experience.

“In the restaurant industry, service is every bit as important as food,” Peloubet says. “In ours, service is just as important as the product.”

Restaurant Magic learned that it was not good enough to have good product. You have to have good people supporting it.

“I realized, in leading a group of restaurants, that my first competition was for great people,” Peloubet says. “My second was for customers.”

It is true today, with Restaurant Magic. Good employees are difficult to find.

“As you find good people, they tend to be the best recruiters of other good people,” Peloubet says.

Restaurant Magic and Peloubet try to adopt the teachings of management guru Peter Drucker to their business.

The company believes its employees are its greatest asset. It needs great people in order to grow.

“I believe that, as you grow, you need to build the steps that you’re going to stand on before you climb,” Peloubet says. “In a knowledge business like ours, that means smart people. Of course, if I call this one

wrong, and build a step but don’t get the sales, I’ve hurt our company.”

The company also tries to decentralize and give employees decision-making power.

“I’m not smart enough, and don’t have enough time, to make all of the decisions,” Peloubet says. “I believe in hiring smart people and giving them the guidance of our company values and strategic direction, then letting them make decisions.”

Restaurant Magic also needs to not get married to certain technology and methods if newer products do the job better. It calls it “planned abandonment.”

“As a technology company, we can’t fall in love with yesterday’s winner,” he says. “We need to have the discipline to leave it behind and move on. We did this recently by declaring an end of life to what was a very successful product. Of course, we needed to offer a path forward for our customers on that platform.”

Looking forward, Peloubet believes some restaurant brands will fail, and some will survive, but close some locations. Smart operators will find a way to ride the economic downturn out. Some will prosper.

“I’ve seen value pricing and portion adjustments at some brands that have enhanced traffic counts and margins,” Peloubet says. “More good ideas will be thought up. It’s America. It’s what we do.”

## Faith and family

Besides a passion for their business, Murray, Roberts and Peloubet also share a strong faith, which guides them in their business decisions.

“Our business owners will share the credit and rewards for our successes, and take the responsibility for our failures,” Peloubet says. “They will lead our company as Christians.

Peloubet, 50, his wife Susan and three stepchildren have made social action trips overseas to Haiti and Tanzania to help dig wells and build an orphanage and schools. It keeps their jobs and other parts of their lives in perspective.

“We pray together frequently, and don’t let fear into our lives because we have faith,” Peloubet says. “We have been amazingly blessed.”

Unlike his irregular hours in the restaurant industry, Peloubet has more control over his schedule at the software company. He is committed to carving out regular time for his family.

“I made a commitment to that when I got married,” Peloubet says. “If the phone rings when I’m having dinner with my family, I let it ring.”