

Tavern on the Green, NYC Restaurant Bankruptcy

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Restaurant and Foodservice Management

Restaurant Location

The Tavern on the Green restaurant is located in Central Park, New York City, which is located in the center of Manhattan right in the center of the city. Tavern on the Green was one of two full service restaurants in the park. The park is one of the most beautiful areas in the city and is 843 acres (or 6% of Manhattan's total acreage)¹. A restaurant in this location would be able to provide a beautiful view to its guests. With 25 million visitors a year to the park,² there is plenty of foot traffic which would provide a large, inherent customer base to a restaurant. With many of these visitors being tourists, a restaurant has the opportunity to become a destination restaurant in this location.

The Tavern on the Green is located in the southwest end of the park within easy walking distance of the theatre district (including Kennedy Center). Again this location provides a perfect opportunity to attract guests from those either going to or leaving the various shows. Another great opportunity due to the location is the close proximity of several high-end hotels such as the Ritz Carlton and the Trump International. These can provide a clientele with deep pockets who are looking for great places to eat.

All of these make for a great location for a restaurant; however, there is a lot of competition in the area. With a large, diverse population, the restaurants in the area also provide a large variety of cuisines in new and exciting ways. Competition in this location can cause a restaurant to push itself to stay current or risk losing out to its competition.

History of Tavern on the Green

The building was originally built in 1870 as the sheepfold that housed the sheep that grazed in Sheep Meadow. In 1934, as part of the park renovation, it became a restaurant. From its beginning in 1934 it has been managed by restaurateurs who were licensed by the Parks Department of New York City. The original operators added the twinkling lights around the property and added the Elm Tree Room. It was designed to be elegant but affordable with menu offerings changed regularly. In 1962 Joe Baum's Restaurant Associates purchased the operating rights. Then in 1974 Warner LeRoy took over the

restaurant's lease, spent \$10 million in renovating it, and reopened in 1976. He added the Crystal and Terrace Rooms, and lavishly used brass, stained glass, paintings, antiques, and chandeliers making it Central Park's most spectacular structure. The Tavern's size, beautiful setting, and radiant charm made it "the" place for New York City's most prestigious events.³

Warner LeRoy had turned this restaurant into a destination spot that attracted guests from the millions of tourists that visited the park each year. Celebrities saw this as a place to be seen and to throw large parties. The beauty and lavishness of the property and buildings also made it a place where weddings and benefits had to be. It used to derive 60 percent of its sales from higher-end banquet, event and corporate celebration business.⁴

The Tavern is described as "cavernous" by many people. It is 27,000 square feet with six dining rooms and an "al fresco" dining patio. In total it can hold 1500 people for a reception. It served almost 700,000 diners per year.⁵ These numbers are huge in terms of size and quantity of people. To serve this many people, in this size of an establishment, is a daunting task. Add in the consideration that there are six rooms plus a patio, and the service task becomes even more of a challenge.

The City and Neighborhoods

As mentioned earlier, the LeRoy family had operated the restaurant since 1974 under a license agreement with the New York City Parks Department. When Warner LeRoy passed away in 2001 his family took over the operation.⁶ Warner had signed a very generous contract with the city in 1973 for rent of 3.5% of revenue (compared with the Boathouse which pays 16.5%). In 2008 with revenues of \$36 million, that rent was \$1.26 million.⁷

According to some, there is little doubt that the city views the new Tavern contract as a way to boost its revenues during the downturn. Tavern on the Green's 3.5% of its gross revenues is low compared to other restaurants in the area. According to the proposal, other city park-owned restaurants, such as the Boathouse, Terrace on the Park in Flushing and Battery Gardens, generate much higher revenues for the

city, as much as 20% of annual gross revenues or in some cases twice as much as Tavern's income.⁸

It has many competitors in the area and within a one and half mile radius of the restaurant there are many, many restaurants. Looking at Google Maps, it can be seen that there are hundreds, and maybe even thousands of restaurants of all different sizes and varieties. However, the Boathouse is the only full-service restaurant inside the park along with a smaller café called Ballfields Café.

Demand Generators

“Warner’s fairyland,” food critic Gael Greene said, “the place that tourists had to go and the place where every benefit had to be. It was a jewel.” Mimi Sheraton, the New York Times restaurant critic from 1976 to 1984, said that in the troubled 1970s, Mr. LeRoy “helped to transform Central Park and the feeling about New York.”⁹ These statements show us a couple of demand generators for the restaurant. It has a long history and part of that history was to bring people back to Central Park and New York. So as a historic place it was able to bring in guests, people wanting to see and be part of that history. It was also a lavish place in a beautiful setting, attracting people to it.

Some of the other demand generators we have already noted above. The first is the location of the restaurant in Central Park, a place that has over 25 million visitors a year. With the restaurant being a landmark in the park, tourists are going to flock to the place. A tourist is more likely to pay the high price for the food for the once in a life time experience. Another demand generator discussed earlier is the surrounding neighborhoods. Within a mile radius there are many theaters, high-end hotels, New York City Center, museums, and Rockefeller Center. These all attract many people who are a short walk or drive away from the famous restaurant.

Another demand generator is again the location in the park as it attracts locals who use the park daily for activities such as walking, jogging, and hanging out in the Sheep Meadow to study, relax, play, or picnic. These are many local people that the restaurant can attract and make repeat customers. They are already bringing the people to the restaurant for a completely different reason than the food. The locals know that

the restrooms at the Sheep Meadow are very nasty and gross but the Tavern's public restrooms are immaculately maintained. Since the restaurant is on public land, the Tavern's restrooms have served as the public restrooms for the locals visiting the Sheep Meadow at the park.¹⁰ This is a possible clientele that is coming right to the doors of the restaurant.

Bidding

In early 2009 New York started taking bids for the license to operate the restaurant for the next 20 years after the current license expires in December 2009. Some people showing early interest were Donald Trump, The Glazier Group, and New York restaurateur Danny Meyer.¹¹ Donald Trump had a lukewarm interest in it knowing that it would require a lot of work and money.¹² Danny Meyer, owner of eleven restaurants in the Union Square Hospitality Group in New York, dropped out of the race saying, "the overall business opportunity unfortunately did not make sense for us at this time."¹³ Another possible candidate was Drew Nieporent, owner of Nobu, who worked at the Tavern as director between 1978 and 1982. He stated, "Though I am the most qualified person to run the place, I'm not certain I want to. Serving the best food and serving the masses is not always [possible],"¹⁴

However, the two main candidates for the location who did become bidders were already residents of the park. The first operator, who wasted no time trying to decide, was Jennifer LeRoy, Warren LeRoy's daughter who took over after her father passed away. "The LeRois have every intention of working with the city to continue serving the hundreds of thousands of New Yorkers that come through their doors every year," said the restaurant's chief operating officer, Michael Desiderio.¹⁵ However, they lost the bidding when the new 20 year license was granted to Dean J. Poll. One reason, said two people with knowledge of the process who requested anonymity because they were not authorized to discuss it, was that parks officials were concerned about the LeRoy company's finances.¹⁶

The other bidder was Dean J. Poll, owner of the Boathouse restaurant, the other restaurant in Central Park. In his bid he offered to invest \$25 million into the Tavern's renovation. The city awarded him a 20

year license in August, citing his significant capital investment and vision; the new Tavern will incorporate green building technology while a conservatory-style dining space will complement the original Victorian architecture. He also plans an outdoor cafe, bicycle racks and new public restrooms.¹⁷ From these plans you can see he already has a vision to capture the local foot traffic and those that use the public restrooms at the restaurant. As of this time he has not signed the lease agreement with the city. He still has issues to sort out such as the rental percentage and labor issues with the union that many of the non-management employees belonged to. One issue has been resolved and that is who owns the name. A judge recently ruled that the name belonged to the city since Warner LeRoy had fraudulently trademarked the name. It had been called Tavern on the Green for 40 year before he took over it, a fact he omitted telling the US Patent and Trademark Office.¹⁸

Why Did The Restaurant Fail?

In September 2009, after losing its license, its owners filed for bankruptcy. In a statement, the current license holder, Jennifer Oz LeRoy, chief executive of Tavern, said that the filing was "our only alternative given the current situation," adding that the decision was the result of "two factors - the extreme financial distress brought on by the current financial crisis and the City of New York's decision not to renew our license."¹⁹ These are certainly two factors that did play into the restaurant needing to file bankruptcy but there are numerous other reasons that led up to these factors that are more important.

Perceived value (Pv) is seen as the food and beverage plus the service plus the atmosphere of a restaurant divided by the price – or cost to eat at the restaurant. The restaurant seems to have fallen short in many areas of this equation.

First, let's take a look at the food. The New York Times reviewed Tavern on the Green five times in the past 33 years. Not once did it earn more than one star on a scale out of four, and twice it received zero stars. "Only a few of the simplest cold dishes can be considered decent ..." wrote Mimi Sheraton in 1976, and somewhat more perkily: "There were other disasters here, among them a pasty veal chop en chemise,

an esthetically offensive creation ..."²⁰ And the review sites seem to agree, with comments about the food ranging from awful to just ok. The menu is heavily invested in general meat and potato fare with a side menu of lackluster seafood and a bare nod to foreign foods – some describe it as uninspired American fare.²¹

Let's next take a look at the service. It has already been stated the difficulty related to a restaurant the size of Tavern on the Green. It seems that they were not keeping up in the aspect of the restaurant either, as many reviews talk about the terrible service at the restaurant. One Yelp contributor didn't mince words: "Besides my risotto being just eh, and besides finding a small bug on my plate, I had a fiasco getting my jacket from the coat check."²² Reviewers on MyTravelGuide.com in 2005 gave it 1 out 10 for service, stating that the service was very poor or bad.²³ Looking at other review sites such as Yelp and Yahoo, the service reviews do not get any better. Complaints range awful, poor, and bad to unimpressive and non-existent. Some staff members are rude and pretentious, others are flaky and irritating. These complaints covered the entire organization from the hostess to the coat check girl to the servers to the chefs and management.

Next let's look at the atmosphere. Looking at pictures of the inside and outside of the restaurant it can be seen that this place is meant to display opulence, luxury, and lavishness. "You have to remember that restaurants had a very different function in people's lives 30 years ago," Reichl said to me over the phone. "They were much more special occasion places. LeRoy's genius was knowing that people really wanted to go out for something that did not resemble their homes at all. And they loved the outrageousness of it, the theater of it. He did it like a Hollywood bar mitzvah, a Long Island wedding, that kind of celebration. It was very unabashed. And even if you knew it was awful, you'd walk past all those glittering lights in the garden and think, 'I want to be in there.'"²⁴

But is that what people are looking for today. Again looking at Yelp and yahoo reviews you find a mix of reviews, many still like or love the décor but other find it outdated, pretentious, unappealing, hokey, or

just plain awful. Many locals see it as a tourist trap thus losing that highly desired repeat business from locals. It was a restaurant giving the appearance of luxury and opulence but allowing anyone in (people wearing cut-offs, muscle shirts, no shoes, etc) which was a turnoff to many of the locals. It previously had an identity but today that identity seems to have been lost.

The final part of the equation is the cost. When you look at the menu for Tavern on the Green, you see prices ranging from \$12-\$21 for the first course and from \$24 to \$41 for the second course. So for a two course meal you could pay from \$36 to \$62 per person not counting drinks which are also high priced. Even children's meals were \$16 at lunch and \$19 at dinner.²⁵ These are definitely prices for a high-end upscale restaurant.

Now that we know the different factors in the perceived value equation let's take a look at it again. The food and beverage was poor to just ok, the service was rate from non-existent to bad or poor, the atmosphere had mixed reviews – some loving it while others hated it. Now when we divide all this by the high price of the food and beverages we end up with a very low perceived value score. For perceived value to be high at these prices, the four factors in the numerator of the equation need to be very high. Food and beverage needs to be great, service needs to be impeccable, and today the guest wants a memorable experience. Tavern on the Green fell short in all these areas, which is what really led to its demise.

Endnotes:

- ¹ Central Park FAQ, [http://www.centralpark.com/pages/faq.html#How big is Central Park?](http://www.centralpark.com/pages/faq.html#How_big_is_Central_Park?)
- ² Central Park FAQ, [http://www.centralpark.com/pages/faq.html#How many people visit Central Park each year?](http://www.centralpark.com/pages/faq.html#How_many_people_visit_Central_Park_each_year?)
- ³ "Tavern on the Green", Historic Sites, <http://www.u-s-history.com/pages/h2589.html>
- ⁴ Glenn Collins, "Why Did Tavern Fail?", September 15, 2009, http://www.nytimes.com/2009/09/16/dining/16tavern.html?_r=2&src=tp
- ⁵ "Keep Tavern on the Green", [http://keeptavernonthegreen.com/414/About Us](http://keeptavernonthegreen.com/414/About_Us)
- ⁶ USA Today, "New York City's tavern on the Green files for bankruptcy", 2009, http://www.usatoday.com/money/industries/food/2009-09-10-tavern-on-the-green_N.htm
- ⁷ Jen Chung, "Tavern On The Green Gets A New Operator", August 29, 2009, http://gothamist.com/2009/08/29/tavern_on_the_green_gets_a_new_oper.php
- ⁸ Lisa Fickenscher, "Bids invited for Tavern on the Green spot", February 2, 2009, <http://www.crainsnewyork.com/article/20090202/FREE/902029982>
- ⁹ Glenn Collins, "Why Did Tavern Fail?", September 15, 2009, http://www.nytimes.com/2009/09/16/dining/16tavern.html?_r=2&src=tp
- ¹⁰ John Del Signore, "Precious Park Restrooms Will Die With Tavern on the Green", September 15, 2009, http://gothamist.com/2009/09/15/precious_park_restrooms_will_die_wi.php
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- ¹² Chris Shott, "Tavern on the Green Takeover? Trump Lukewarm, Nieporent Reluctant, LeRoy Defiant", October 14, 2008, <http://www.observer.com/2008/real-estate/trump-lukewarm-leroy-defiant-about-tavern-deal>
- ¹³ Grubb Street New Yorker, "Danny Meyer Won't Take tavern on the Green..." May 18, 2009, http://newyork.grubstreet.com/2009/05/danny_meyer_wont_take_tavern_o.html
- ¹⁴ Chris Shott, "Tavern on the Green Takeover? Trump Lukewarm, Nieporent Reluctant, LeRoy Defiant", October 14, 2008, <http://www.observer.com/2008/real-estate/trump-lukewarm-leroy-defiant-about-tavern-deal>
- ¹⁵ Lisa Fickenscher, "Bids invited for Tavern on the Green spot", February 2, 2009, <http://www.crainsnewyork.com/article/20090202/FREE/902029982>
- ¹⁶ Glenn Collins, "Why Did Tavern Fail?", September 15, 2009, http://www.nytimes.com/2009/09/16/dining/16tavern.html?_r=2&src=tp
- ¹⁷ Verena Dobnik, "NY's Tavern on the Green restaurant bites the dust", December 31, 2009, http://seattletimes.nwsourc.com/html/business/technology/2010646761_apustavernonthegreen.html
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- ²¹ The Rope, "What Makes a Great Restaurant? And Why Did Tavern on the Green Fail?", <http://hubpages.com/hub/what-makes-a-great-restaurant>
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- ²⁵ Zagat, "Tavern on the Green menu", <http://www.zagat.com/Verticals/Menu.aspx?VID=8&R=51916&HID=21424#jumpPRE-THEATRE DINNER>