**MoS Rapid Response Script – Danny Meyer Interview**

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**BOB SAFIAN:** That's Danny Meyer, New York City's pre-eminent restaurateur and the founder of Shake Shack.

Forced by the pandemic to close iconic restaurants like Gramercy Tavern and Union Square Cafe, Danny is now radically rethinking his business model, trying to re-image the future of restaurants without killing off the warm hospitality that made his establishments so endearing.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

Danny was a guest on this show at the very beginning, when the Great Lockdown first began, after laying off 2,000 of his employees.

I wanted to talk with him again, to hear his plans for re-opening, because no one's been more creative in scaling restaurants than Danny.

It's no wonder that both New York Governor Andrew Cuomo and the city of New York turned to Danny to participate on special councils geared to aiding economic recovery.

Danny doesn't have a magic bullet. What he does have is hope, and a passion for new ideas.

His candid assessment of what's required — and how difficult it will be to achieve — is both refreshing and bracing.

Let's listen in.

**[THEME MUSIC]**

**SAFIAN:** I'm Bob Safian and I'm here with Danny Meyer, CEO of Union Square Hospitality Group, and founder of Shake Shack. Danny appeared on this podcast in late March after shuttering Union Square Hospitality's New York restaurants and laying off 2,000 employees.

Since then, the needs of his business have continued to evolve and twist, with no easy choices and no easy days. Danny is coming to us today from Connecticut where he is sheltering with his family as I ask my questions for my home in New York. Danny, thanks for joining us.

> **MEYER:** Well, it's good to be back here. And boy, life just keeps changing in unexpected ways.

**SAFIAN:** Yeah. The last time we spoke, you were lamenting that you had to lay off so many people and you likened it at that point too to chemotherapy during cancer, that you're trying to maximize the odds of surviving so you could rehire those team members in the long run. A lot has happened since then. I'm curious how you feel about the likelihood of that rehiring now, how things are going and feeling two months later.

> **MEYER:** We are absolutely in a completely different phase. I only vaguely remember making that analogy two months ago, which seems like 20 years ago in a certain sense. Coronavirus time is unlike any kind of time I've ever lived. That's for sure. Those early days we were in complete response mode and reaction mode. We had never been dealt this blow before, where we were in a complete no-revenue world and no sense whatsoever how long it was going to last.
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> What I meant when I talked about chemotherapy was this notion that in order to stay alive, we had to do that thing which would almost kill us. That was really dismantling 35 years of team building. Today, rather than the 2, 200 people we began with, we're down to 75 of our core team. Right now, we're, I would say, well beyond the reaction mode and we're very, very much beginning the recovery mode. I don't know how long that's going to go. But if we get this part right, then we'll hopefully get to the thrive mode.

**SAFIAN:** How does this recovery phase look for Union Square Hospitality Group?

> **MEYER:** Well, it's interesting because we were really, really quick to close our restaurants, maybe quicker than almost any other restaurant in New York City. A lot of that had to do with some early scares we had where we just didn't know what was going on. But, here's what happened. We, like many other restaurants in New York City, were really eager to try to flex some entrepreneurial muscles. Because when you lay off all those people, you want to do everything you possibly can to rehire them.

And then in, I guess it was early April, one of our beloved colleagues, former colleagues, died of the virus. He was still in his 50s and no underlying issues that we knew of. As a matter of fact, we had been together probably five weeks before that. That's Floyd Cardoz, who was the chef of Tabla and he had been the chef of North End Grill. That reality of losing someone that close to us, as well as a number of other really, really close colleagues, were actually hospitalized for it – happily recovered – but, we stopped in our tracks and we just stopped everything – nothing, nothing, nothing.

Really, here we are more than two months later, finally getting started by putting our toe in the water with one of our places, Daily Provisions, which lends itself to this takeout and curbside pickup world. In the coming weeks, we'll start to do that with each one of our businesses one by one by one. So, it's really stimulated a lot of entrepreneurial thinking and our recovery mode is... it's going to be interesting. We're throwing a lot of pasta up against the wall and we're going to see what sticks.

**SAFIAN:** And so, each of the restaurants has their own entrepreneurial strategy? It's not necessarily that there's a global strategy, but each team is tasked with coming up with what fits for them.

**MEYER:** Each one of our businesses is different, not only in terms of what it serves. If you think about it, the obvious ones to begin with are places like Daily Provisions, which does everything from breakfast sandwiches and crullers to, at nighttime, rotisserie chicken and vegetables. That works out really, really well for the way people want to eat today. But, it also works well because that place does not depend upon reservations and it doesn't depend upon a full dining room.

And then, you start to get into other places and you say, "All right. If I cannot welcome guests into our restaurants yet because we're just not feeling safe to do that at this point, what kind of foods naturally should go next?" We think about barbecue from Blue Smoke. We think about pizza from Marta.

But then you start to say, "All right. Well, we also have to take our cues from where these restaurants are." We have restaurants in museums like the Whitney and like the Museum of Modern Art. If the museum can open, who needs our food at that point? We've obviously got lots of other places. We have places in hotels. We actually serve food in airplanes like Delta. We serve food at the ballparks. They're all closed, so a lot of what we would like to do, we have to wait to see.

Now, one other interesting thing. We've got a restaurant called Manhatta, which is on the 60th floor of a building in the financial district. You have to take an elevator to get to the top floor. That is very, very obvious to us as a place that's going to naturally be slower in terms of consumers wanting to go there. So in that case, the team is thinking about how they can turn the kitchen into a place that feeds frontline workers and other hungry New

Yorkers, where we can cook the food there and then have the food go down the elevator safely and have it be delivered to the people who need it. So, every single one of these places is going to be different.

**SAFIAN:** As you're describing this, it sounds like there's two transitions that are part of this recovery. Part of it is safety, and part of it is emotional. I wonder how you think about the interplay of those two things, of the practical and the emotional overhangs that persist as you try to look at the next phase.

**MEYER:** I think that's a great observation. I would just add a third one, which is economic. It's really the three of those things, safety, economic, and where am I on the fear, confidence, morale spectrum. I think from a standpoint of morale, what we've really, really tried to do since the very beginning has been to focus on three things: stay at home, stay safe, and stay connected.

And so, every single Thursday, since the beginning of this, we've had a Zoom call which is open to anybody in the USHG family. Especially, we want to see those who were laid off because we want to stay in touch. Because look, there's going to be a point – it may be gradual, it's not going to be like a light switch, but there's going to be a point when we start to hire people back. And so, we want to stay in touch with people. We want to have provided exceptional outreach services, whether it's emotional, whether it is helping people with jobs, whether it's helping people with learning opportunities, whether it's helping people to stay connected with each other. That's been a really important point.

But, let's just get to the emotional part. Once we have the protocol in place, which I believe we do right now, to make it feel safe to come to work, then we start to say, "Okay, how can we safely cook the kind of food people want to eat in their current lifestyle? Many of whom are still at home. How can we do that in a safe way that is also going to not make us lose more money?" Because every day we lose money could lead to even more layoffs, which is exactly the opposite of what we want to do morale-wise, emotionally, or economically.

So, this is a really, really fine balance to get this thing right. As I said, we're down to 75 people right now. Everyone on our team, our remaining team – which, by the way, is fewer people than I employed when I was 27, when I first got into this business. At least then, we had 90 employees when there was just Union Square Cafe. But at this point, every one of those 75 people knows that their full-time job is revenue recovery. Because with that, we will feel better. Gradually, I think our guests will start to gain confidence and our other colleagues will start to gain confidence. That's when it's going to hopefully start to build on itself.

**SAFIAN:** If I understand this economic side of it, if say the team at Marta wants to be delivering pizzas if that additional activity can't be cash flow positive on its own, it's not worth it, because it's going to undercut the sort of run rate of the rest of the operation. Each piece, in other words, has to show economic benefit for it to be worth restarting.

**MEYER:** Well, I think that's true. The only thing I would say to balance that is that there's this other thing which is called your brand, and I think that being the first to close is one thing, but I don't want to be the last to open, and I do believe that it's important for our restaurants and our brand to be out showing that you can do this, if you use the right methods to do it.

And so we're looking at a lot of different things right now. We're looking at, can we learn more about testing our staff, which would then give you more confidence to do business with us? Can we look at some type of health passport? So that one day, in the same way that a metal detector made you feel more comfortable getting on airplanes after 9/11, that there's something in our restaurants, something that connects to a thermometer, something that connects to a health survey, something that connects to knowing that the rest of the people dining in that, within the four walls of the restaurant, have themselves said, "We are healthy. We feel safe."

It's going to be a cascade of a lot of different things, but I do believe that starting off small and starting with little measures, and yes, I really do want them to be profitable. We're starting with a very, very lean team. We have team members from different businesses helping team members from other businesses.

So for example, when we dipped our toe in the water last weekend and got Daily Provisions open, we had the Union Square Cafe chef and GM and director coming in to help them with that. And with that comes more confidence for the Union Square Cafe team to do their thing, and they're going to start off having a quote-unquote bottle shop, where because right now the state legislature has made it legal for restaurants to sell alcoholic beverages off-premise, Union Square Cafe, even before they activate their kitchen, is going to turn into a wine store, and hopefully sell some really good wines at some great prices for people. So everybody's trying something.

**SAFIAN:** So you're tapped to be part of Governor Cuomo's Reopening Council for New York State, as well as co-chair of the Coalition for New York City's Hospitality and Tourism Recovery. How did you get involved with them? And what is the goal for those organizations?

**MEYER:** Well, in each case, I was asked to try to share some leadership. I do think that a big part of what this has really provoked in our entire industry has been a lot of collaboration. And so I'm on the phone at least two or three times a day with industry colleagues, not just from New York City, but from all over the country, and in fact, all over the world, because we're all trying to learn from each other.

And yet this balance about doing the right thing for your staff, doing the right thing for your business, and doing the right thing for society, is this really hard thing to juggle. Is it a bad thing for our society to welcome people back into the restaurants? What does it feel like when all of our staff members are wearing masks, but obviously our guests can't eat their pasta through a mask or drink a glass of wine through a mask? I haven't seen that invention yet. We're all trying to balance these things, and so when I'm asked by Governor Cuomo's office to join a committee about reopening New York, of course I'm going to answer that call. And when I'm asked by NYC and Company to join a committee, which is much more about aligning the various cultural institutions and travel businesses of New York City, of course I'm going to answer that call.

And what it's truly meant at this point, it's much more about becoming sort of a railroad station for all these trains coming in. It's almost been an invitation for people to call me with their ideas or to write me with their ideas.

**SAFIAN:** I mean, it's so hard to find solutions to things. If New York City mandates that because of social distancing, restaurants have to stay at only 50% or 60% of capacity, is that financially sustainable in the business model of restaurants like yours?

**MEYER:** I've never been able to figure out how to make money at anything less than 80% of capacity. And so one of the things we're all hoping for is that these preliminary steps to revenue recovery, if we can do them with a lean enough team and learn how to do them, then we can actually add those to the arsenal of actually operating a restaurant thereafter. But it's not going to be possible, absent these additional means of revenue, to operate a restaurant with 50% capacity. Think about it.

It's a well-known fact that restaurants absolutely rely upon beverage sales, especially alcoholic beverage sales, for their profitability. A lot of restaurants also rely upon private parties and big gatherings, exactly the kind of thing that you're not supposed to do right now. So we need these additional means of revenue.

One of the things that we're doing at each of our restaurants is shipping food via a wonderful company that we actually invested in about two years ago called Goldbelly. This is very different from the last-mile delivery companies, where five short months ago, if I didn't feel like leaving the house, I might have one of these delivery companies send me a pizza from someplace half a mile away. This is a business, Goldbelly, where you can actually take one of your signature dishes from your restaurant and ship it to somebody anywhere else in the country, 24 hours later. And when you turn on that faucet, you can actually create a lot of sales in a very, very safe way without inviting anyone into your restaurant. So we may need that for survival today, but that may also be a really important adjunct part of our business, even after we get back into business.

**SAFIAN:** So the limitations that the model had before, if you're going to get through to the other side, you have to resolve those at the same time as you're trying to get the old model to sort of get back up to whatever speed it can actually operate at.

**MEYER:** No question about it. And this virus has done a superb job of exposing a lot of the preexisting conditions that our industry had. One of my colleagues last week said, "The restaurant industry is kind of like a COVID patient in their nineties with preexisting conditions." And it didn't actually take COVID to bring us down. Almost anything would have, but this has really, really done it, and he's right about that.

One of the big structural issues that we're trying to take a swipe at right now as an industry has to do with the inability for a business that's great at being your first-ever job, and maybe promoting you once. We are awful at creating the type of living for a massive number of people that you should be able to be afforded. And while we've done a miserable job of providing an amazing career path for the vast majority of people in this industry, we've also had an industry where it's been tougher and tougher to be an employer.

And so there are structural reasons for that, and a lot of the time that I'm spending talking to industry colleagues is truly asking, "What is the opportunity that this crisis is providing to deal with things that none of us as individuals have succeeded at dealing with in the past?" And a lot of the conversations we're having have to do with the way people are paid, the tipping system, some of the taxation system, i.e. payroll taxes, which do exactly the opposite of what ... It disincentivizes you to rehire people. I think some of the liquor laws are completely wrongheaded in terms of the restaurants' opportunity to operate.

And I would also say that this, if I've seen nothing else, this is exposing how unworkable the current relationship is between restaurants and landlords. If one thing could undo this business at lower levels of revenue, it's going to be the rent. And I think it's not the landlord's fault. Landlords showed up with an opportunity, restaurateurs took it, and it no longer works economically based on the kind of revenue buildup we're going to have.

So there are things that state governments can do to help with providing tax relief for landlords who are willing to provide rent breaks for the restaurants. So there's a whole host of policy things that this is bringing up, and as I said earlier, a lot of people are coming to me with their ideas and thoughts, hoping that I'll share them either with Governor Cuomo's commission or more broadly on a national basis.

**SAFIAN:** I was talking to someone else in the retail business who said that they were having a lot of interesting discussions with their current landlords. Have you been having those discussions?

**MEYER:** Well, landlords are people too. And I think it's a mistake to treat the landlord as if they did something wrong, any more than the guy selling us our cheese or our fava beans or the striped bass did something wrong. If we owe money, we owe money. That said, the current rent structure, especially in a big city, has always been based on the expectation of very, very high volumes of people because of the density of the city. And if you take a look at a place like New York – which, who knows when people are going to come back to New York? Who knows when the density is going to return? Who knows when the amount of people who want to gather together is going to return, three deep at the bar? Those days, it'll happen again, but it's not going to happen for a while.

Therefore, if you're a restaurant and you have a very, very high rent based on a high expectation of revenue, and you know that that's not going to happen for at least two years, you have to have a dialogue with your landlord because the landlord doesn't win if you go out of business and they can't rent the space to someone else, and you can't get back into business with that current amount of rent. It really comes down to one word and that's dialogue. It's sitting down and saying, "Look, you didn't do anything wrong and we didn't do anything wrong, but here we are. What are we going to do about it?"

And one of the solutions that I know a number of people are working towards is shifting your fixed rent to a percentage rent that is workable, that allows the landlord to benefit when the tide rises, but doesn't put you out of business when the tide is very, very low.

**SAFIAN:** That is a very different model, to be partners, essentially, as opposed to just pieceworkers. In the larger retail area, you kind of see bigger chains, the Walmarts and the Targets, doing pretty well while mom-and-pop groceries and neighborhood stores kind of suffer. And I imagine that restaurants could be facing a similar kind of split. You said there were 660,000 restaurants across America, independent ones, even successful ones like yours, may be in a different position than bigger chains like Shake Shack. What do you think the implication of that's going to be in the long run? Does that frustrate you at all of that differentiation?

**MEYER:** No, it's just a fact. I mean, I think part of the thing that America is learning is that restaurants play a massively important role in the whole economy of our country. And the low margins that restaurants make as businesses of all stripes, by the way. Now, I would say that quick serve makes a much higher margin than full service. I don't think it has to do with independent versus public. I just think that the business model of a fast casual, or a quick-serve restaurant where they don't have waiters and waitresses and they don't have linen and they don't have flowers and they don't have a chef and a pastry chef and a sous chef and a sommelier and a maître d', that adds up to a lot of costs. And so I do think that that segment is better poised more quickly to reopen. And they also tend to serve the kind of food, believe it or not, that works incredibly well with pickup and delivery.

They also tend to serve comfort food. All the things that people really, really want in terms of how they do business, et cetera. I don't really think that has to do with size as much as it has to do with service style.

For example, if there's a one-of-a-kind barbecue place in your community, it's probably going to do pretty well because they're not relying on full-service sit-down dining and the food travels really, really well. I do think that we should be looking at the segment and then you ask yourself, all right, well, what role do full-service restaurants play? And who cares? And I would just say that you should care because of the impact on the economy. The fact that the margins that full-service restaurants make are probably in the neighborhood these days of 5% to 10%, which is pretty low – it means that 90 cents of every dollar you put into them is going right back into the economy in a variety of different ways.

And so when you take that out of the economy and you think about the social fabric, so you just think about how did it feel this past spring, not to get to go to graduation lunches and Mother's Day brunch and bridal showers and all the kinds of things that we're used to doing that just make us feel good? That's why we need to have full-service restaurants – and they will come back, but I just think it's going to be a lot more slowly than people hoped.

**SAFIAN:** So much of the pressure is on the kind of hospitality experience that you have built your career on. I mean, that part, you're still confident that will come back. It's just going to take... That's at the farthest end of this recovery?

**MEYER:** Sadly, it is. I don't know how excited the vast majority of consumers are going to be to go to a restaurant and have their temperature taken at the front door, by someone wearing a mask. I mean, I've actually tried to smile while wearing a mask and you can't tell if I'm smiling or cursing you. My eyes are trying as hard as they can to smile. And now you go to the table and everyone's wearing a mask, but they can't really pour your wine because you're not wearing a mask. And so they put the bottle on the table, wearing gloves, so you don't have to touch anything else. And then by the time you go to the restroom, which is also fraught with the opportunity for transmission, there's so many things that we've got to figure out how to do the right way before the vast majority of restaurant-goers are going to say against the alternative of curbside pickup and my sense that the food that was delivered is safe, do I really want to have that experience?

One of the things I think we're all looking for is data because everything adds up to either this feeling of confidence or not. And if I knew, if I had real data, that would actually fuel some of my confidence to try some more things. But it's going to be a while before we get that data.

**SAFIAN:** It's hard to maintain your patience and maybe your optimism with all of the lack of data and the uncertainty. Do you struggle with that?

**MEYER:** Of course, I struggle with that because I feel a massive responsibility to our team, to our community, to my business. You want to do the right thing for everybody. I want to do the right thing for New York City. And the sooner that New York City reopens, the better it is for a lot of businesses. If you just think about it, everyone over the past handful of months has learned that you can actually live your life fine by not going into work. Well, that's not going to be great for the economy.

That's not going to be great for New York City. It's not going to be great for New York City if we can't see sports and theater, and if people can't get on an airplane, and if people can't go to restaurants. Why have a city if you take away the things culturally that make a city so wonderful to live in? New York is a city of audiences and players, and we need each other.

Every single thing you do in New York, it's this dialogue between people in very, very close proximity to one another. We're going to all have to take baby steps to get back there. I care deeply about playing the right role in that, but I care just as deeply about not playing the wrong role because our industry cannot afford a start and stop. We just can't do that. I'd rather go a little bit more slowly if it helps me get there more quickly.

Take baseball as an example. And I've been keeping my eye on baseball and basketball and hockey actually since the shutdown in early March, because those are big businesses that rely upon safely bringing people together. They are mostly talking about having a bridge season with no one in the stands. I see the Belmont Stakes is going to go off on June 20th as the first leg of the Triple Crown, which has never happened with no fans in the stands. I don't know how to do that in the restaurant business, but I do know that each time one of those things happen, each time I can actually see a baseball game, even if there's no one in the crowd, it's going to be one more step towards normalcy. And each one of those emotionally is going to help to bring us back.

**SAFIAN:** I just wanted to go back in history a little bit and ask you, you made the decision for Shake Shack to give back some money to the government that they could have kept at that time. =

**MEYER:** I think the lawmakers rushed, and I'm glad they rushed, to create the CARES Act. And part of the CARES Act was this PPP program, Payroll Protection Plan. In the rush to do it, however, I think there were some pretty serious mistakes. One was that they invited businesses to apply for the loans who in retrospect didn't need the loans the same way as others may have, given another mistake, which was they didn't adequately fund it. And then another big mistake they made was to treat all businesses exactly the same. So for example, the loan was not forgivable unless you hired back three quarters of your staff by June, which in the restaurant business, especially in a place like New York City, is not possible.

**SAFIAN:** It just wasn't practical.

**MEYER:** It won't happen. It just won't happen. And so now you take a business that's got a big question mark over its head as to whether it will survive or not, and you tack on another non-forgivable debt obligation, and that could be the death knell for that business. So my hope, my serious hope, is that the PPP program, for those businesses that got the loans, will actually be improved even more from this moment forward. And that's going to involve a substantial increase in the forgivable time period from the eight weeks that was completely nonworkable. Getting back to Shake Shack, Shake Shack appropriately applied for the loan. It obviously was eligible, or never would have received a loan.

And as luck would have it, the very day that the government announced it had run out of money was the day that Shake Shack put out a press release as a public company stating that it got the loan, and there was a pretty understandable public outcry. The last thing Shake Shack ever expected was to be the poster child for what was wrong with the PPP program. But there it was. And therefore, Shake Shack had a choice, and made the right choice very, very quickly. It was the first public company to return its loan. And that set off, if I'm not mistaken, somewhere over $2 billion of return loans, not just from public restaurant companies, but all public companies, a handful of institutions. Educational institutions even got caught up into it, and it exposed what was wrong with the program in the first place, but that's not a reason to not do the right thing when you've got that choice.

**SAFIAN:** I also wanted to ask you about your employee relief fund, the Union Square Hospitality Hugs, which is the 501(c)(3) that you set up to support those who've been laid off. How is that working? Is that working the way you'd hoped? Is it more complicated?

**MEYER:** No, it's actually less complicated, and working way better than I ever expected. That was one of the very first things we did after laying off 2,000 people was to activate something that we had been thinking about for years anyway. And so I did the thing that was right for me right off the bat, which was to give my full compensation to this fund. And then we started selling gift cards for one week, where 100% of the revenues went to the fund. That seeded it.

Then we've had three different auctions where our chefs have participated, we've gotten friends from around the country to participate, in terms of giving items of real value. We've had a wine auction, and we've now raised somewhere close to $1.4 million. We've granted out about $1.2 million of those dollars already. And so it's gone really, really well. The application process is simple, and this is done a lot with zero red tape whatsoever, cover some really important needs for people, for paying rent, for buying groceries, and other household needs, which has helped a lot of people get through this.

**SAFIAN:** You mentioned last time that you were trying some efforts to place employees at places that were hiring. There are fewer jobs for everyone to be placed into these days.

**MEYER:** Well, now, you'd be surprised, as a matter of fact. On our employee resource page, we have about 30 companies listed who are actually hiring right now. There are some bright spots in the economy that have actually benefited during this time, and I'm proud that people who've worked at Union Square Hospitality Group seem to be the kind of people that these companies want to hire.

So every now and then one of our weekly calls with our laid-off employees, we will have somebody speak up who has a new job. As a matter of fact, somebody became a driver for a DoorDash, and started talking on the Zoom call from his car. And unlike a sports team, we're going to have to re-recruit our team, because people have dispersed. When the Mets and Yankees are ready to get back in business, there's something called contracts, and their team is going to come back, but our guys, they're all over the place right now. I want to be able to bring people back.

**SAFIAN:** All right, Danny, thank you for doing this. Again, I appreciate it.

**MEYER:** This was a great conversation, and you asked the best questions. Thank you.