

3 Takeaways Podcast Transcript

Lynn Thoman

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Ep 75: The Transforming Power of Hospitality in Business: Setting the Table with Union Square Hospitality Group Founder & CEO Danny Meyer

INTRO (male voice): Welcome to the 3 Takeaways podcast, which features short memorable conversations with the world's best thinkers, business leaders, writers, politicians, scientists, and other newsmakers. Each episode ends with the three key takeaways that person has learned over their lives and their careers, and now your host and board member of schools at Harvard, Princeton and Columbia Lynn Thoman.

Lynn Thoman: Hi everyone, it's Lynn Thoman, welcome to another episode. Today, I'm excited to be with restaurateur Danny Meyer, CEO of Union Square Hospitality Group. Danny has created many beloved restaurants, including Union Square Cafe, Gramercy Tavern, The Modern and of course, Shake Shack. His restaurants have won several three-star Michelin ratings, 28 James Beard Awards, 16 years in the number one spot on the Zagat most popular restaurant list and 17 stars from the New York Times. Congratulations, Danny. And welcome, and thank you so much for all of your wonderful restaurants and for our conversation today.

Danny Meyer: It's really nice to be with you Lynn, thank you.

LT: Thank you, Danny. Danny, what does food represent for you?

DM: Food is love. Food is the provision of happiness and sustenance and a big hug. There's people who often say that the world divides into people who live to eat and people who eat to live. I think we all live to be loved, and I think that even if you don't live your life to eat the way people like I do, I do think that the expression of giving, nourishment and nurturing are inextricably linked.

LT: And I know that some of the most wonderful experiences in my life are with family and friends at restaurants, enjoying wonderful food, conversation and the setting and the hospitality.

DM: Absolutely, it's something that I've always appreciated and enjoyed deeply as a person, first in my own family, and then growing up in St. Louis and going out to eat in restaurants that were not necessarily famous for being gourmet in any respect back in those days, but just the feeling of having someone who's happy to see you and who's creating a social environment in which you can enjoy the pleasures of the table with people you want to be with in a larger environment and yet not have to do the dishes, it's a pretty good equation.

LT: Danny, how do you think about hospitality?

DM: I think hospitality is so firmly printed on our hierarchy of needs, both to give and to receive, and I've always defined hospitality as the sense that someone's on your side. I think hospitality exists when the person on the receiving end of whatever you're doing feels like you did something for them, it certainly doesn't exist for someone who feels like you did something to them, but we spend so much time thinking about good service when we go out to a hardware store or a grocery store, or an airline, or a hotel, or a restaurant, or a dry cleaner whatever, that service is the technical

delivery of the product. You better get it right. It's what people expect. If I say my car dealer has good service, when my car breaks, it means they fixed it, within the time they said they were going to fix it. If I say they have good hospitality, it goes way over and beyond that, which I expected, and it gets into the category of things that are remarkable because somebody applied thoughtfulness, which is a great word, because thoughtfulness implies that you're both thinking and feeling so you're using your brain and your heart, and somebody applied thoughtfulness to their service, meaning they did something tailored specifically for me.

DM: It could be at the car dealer something, as simple as, "I remember last time you came in here, we worked on that same thing. Let's see if I can do it even better for you this time," or, "I remember last time you came in, you were with your son, how did he do in that little league game?" Right, that doesn't cost the car dealer anything, but now you're in hospitality, go fix my car. Yeah, but make it feel like you did it for me, like this is custom designed for me. So it's a long way of saying, service is off the rack, you better do it consistently well for everybody, hospitality is what you did specifically fit for me. And that's a feeling that we don't get enough in life, and when people do it, when people customize the experience for you, it is something people remember a lot.

LT: How do you deliver outstanding hospitality in all of your restaurants?

DM: Well, we hire people who have the emotional wiring to say that this actually matters to them, I don't know how to teach somebody to care, who otherwise doesn't care about providing hospitality. We've identified six emotional skills that are always present at a very high level in someone who's got what we call a high HQ, High Hospitality Quotient, but we just don't know how to teach anyone to have any of those emotional skills, people who do have those skills at a high level who have a high HQ are people who are actually wired to be happier themselves when they're providing pleasure for other people, and I don't know if I want my kids to know this, but when they were all young, there came an age when I would do this kind of fun experiment, and all you've got to do is you give your kid, and let's say they were maybe six years old or something, I forget exactly, you give them that yellow bag of Nestle's chocolate chips. And you make sure to have all of the ingredients in the house, and you say, "I want you to follow the recipe, and I'll help you if you need it, but let's see what happens here."

DM: So think about it, anybody can make Toll House cookies almost every kid likes them, and so in that one bag, you've got reading, you've got a little bit of math, you've got learning to follow instructions, you've got safety training because you're dealing with something hot as well, you've got a little bit of impulse control because you could eat the batter, while it's not cooked, you could take the cookies out a little bit too soon, but then the coolest thing is when the cookies are baked, so you've gone through all those great learning opportunities. When the cookies are baked, now I get to see whether my kid's got a high HQ or not, because now I get a chance to see, does the kid put all the cookies on a plate and take them to their bedroom and yeah, host them away for good times, or is part of the pleasure taking that beautiful platter of cookies and presenting it to mom and dad and their siblings or whatever, and say, "Look what I made for you, for you," and if part of the pleasure is that I'm getting is what I did for you. That's a pretty good idea that this kid's got a high HQ.

DM: Now I do have to say, some of my very best friends some of my very favorite family members don't happen to have high HQs now, I don't hold that against anybody, you're not better because you've got one HQ or another anymore than you're better if you've got one IQ or another, but as a hiring principle to deliver hospitality to our customers and guests in a consistent way, the more

people on our team who over and beyond what a great cook they are, or what a great sommelier they are or what a great coat checker they are, if they also have a high HQ the chances that you're going to leave the restaurant feeling like we were on your side is immeasurably heightened.

LT: So it sounds like you value HQ or hospitality more than technical skills.

DM: Well, barely, we call it the 51-49 rule. I want to get 100 on our test. So if all you had was hospitality skills and you didn't have technical skills, we'd get a failing 51 on our test, I would never have been proud to show a 51 to my parents after taking a test, probably had a couple of those, but they didn't get to see it the next day. So the reason it's slightly more important is that in the great scheme of things, I think that great hospitality can overcome a technical mistake in a way that technical proficiency cannot overcome a poor attitude, it's just not going to. So I make it slightly more important, but I'm really, really clear that I want all 100 points, I think doing what we're supposed to do well is table stakes, but I want to be your favorite, and in order to be your favorite, I've got to ace as much of the 49%, that food better be good, better be cooked the way you asked it to be cooked, the temperature of the room better not either melt you or freeze you, the sound in the room better not be piercing the bubble of your ability to have a conversation with your table, all that stuff is technical. We got to get it right. But again, I want this to be your favorite restaurant, and to do that, I've got to be really good at what we do as a starter, but then I've got to do thoughtful things that make you want to come back and come back.

LT: What do you think distinguishes your restaurants?

DM: Well, I think we work hard on both ends of what we were just talking about. We're pretty clear on what the technical components are of the experience, and I think like any business maybe at least as much, restaurants are hard. It's hard to get all that stuff right, it's hard to get the look, feeling, sound, taste, smells, and it's also a very personal thing because let's just take the restaurant decor for an example. Same person who thinks restaurant A is beautiful. Someone else may say it's gaudy. Everything we do is a matter of taste, and so if we're trying to consistently offer a version of a point of view, we have to take a point of view otherwise who needs our restaurant as much as we would love everyone to love the restaurants. That's just not realistic. And in fact, if everyone loves you, you're probably not saying much of anything. So what we really try to do is get the technical stuff right, but then hire people who, as I said earlier, really live for the opportunity to make other people feel better and then set them free, let them make choices. I can't write a manual for what to do when someone says, I want a half portion of soup on the side, I just have to let people know, of course, you're going to do that with pleasure.

DM: I don't have a what if for every experience, but if I have people on the team who not only are happier themselves when they do something thoughtful for you, but understand that we want them to take the initiative, that it's their job. We want them to take risks, we want people to be generous, we want people to try to put themselves in your shoes and say, "What's the thing I could do right now in this situation that's going to make you leave here humming the tune." If we were a Broadway show, that's what I want you to do.

LT: Danny, what business are you in?

DM: Well, I think we've been talking about it, I'm in the hospitality business. Food and drink happen to be the stage props, but we're in the business of making people feel better, and we look for

every opportunity to extend what we call enlightened hospitality, not only inside of our restaurants, we actually invest in other people's businesses, because we're, I think hyper-aware that not only are we not smart enough to have all the bright ideas and best ideas, but there's not enough hours in the day to have them anyway. So when we see people and businesses and leaders who have come up with an idea, we wish we had come up with who are people we wish we had hired, we'll, even invest in their businesses outside of ours.

LT: Who do you admire in hospitality?

DM: Well, this is going to sound like a cop-out, but on balance, I have to say, and if I didn't feel it before, I certainly feel it since the onset of COVID, but I admire the entrepreneurs in our entire industry, I think what the resilience and entrepreneurial spirit and love and heart to be taken to our knees as this industry has been where the very, very thing that we do, which is welcoming people into our homes was deemed to be amongst the most dangerous things you could do during COVID, and our entire industry had to summon every ounce of entrepreneurial spirit, to pivot in ways we never thought possible, to figure out how to sell food for curbside, pick-up for delivery, for shipping across the country with QR codes out the door, because we couldn't even give you a menu to set up outdoor dining structures. And I might add at the same time to continuously look to the outer community to find out what can we do to feed people even when they're not our own customers, whether they were first responders, whether they were hospital workers, whether they were people in under-served neighborhoods, so my hero is truly our entire industry, and our industry had some really rough times even before COVID, and we've had to learn a lot, and I think we are learning from it, and I'm really proud of who this industry can become, not only as a great first job employer, but also as an industry that can promote people to better career ladders throughout their time as professionals.

LT: How do you think restaurants will be different post-COVID?

DM: I think that restaurants are not going to stop doing many of the things that they had to learn how to do during COVID, I think outdoor dining, for example, is something most full-service restaurants never would have contemplated. I remember a time, many years ago when full-service restaurants wouldn't even contemplate serving food at the bar, that one has gone by the wayside a long time ago, but I think outdoor dining is going to continue, I think that delivery is going to continue. I think shipping great food across the country with companies like Goldbelly, which is a company we invested in by the way, that has done remarkable things to help restaurants stay in business when we couldn't welcome you into our home and you couldn't get on an airplane. We could ship you great food from a restaurant like Gramercy Tavern all the way across the country, that's the kind of thing that we're going to continue over time.

LT: Danny, you said that flawless service is not really the goal. Can you give some examples of the types of service that you would consider exceptional, what you aspire to and what your restaurants actually deliver.

DM: Well, I do aspire to flawless service, it just never happens, so I would say perfection is not the goal, because perfection is a recipe to be unhappy, but I am somebody who cares deeply about getting it right. If you go on an airplane, there's basically three things they have to get, right, you've got to land alive. It would be really nice if it were on time, and it would be really nice if you got your luggage back. Now outside of those three things, but I think airlines can peck around the edges

to make you feel more or less important by recognizing your loyalty by serving you increasingly better food over time. In our business, it's very similar, we are responsible for serving you safely, you are trusting that our business is to create something that you're actually going to put inside your body, but outside of that, there is room for flaws, I promise you it's not the end of the world. If I accidentally serve you risotto that's too al dente for you, we can fix that, we can overcome that through hospitality, so do I want the risotto to be too al dente? Of course not, I want to have a really, really excellent technical expression of our product, but more than anything else, what I want is that when you leave, you just feel happier than however you felt when you came in, and that takes real hospitality skills, because it takes reading where people are and having the emotional skills and desire to make it even better.

LT: In many ways, flawless service can just be, as you say technical, but what your restaurants deliver is something so much more than that, for most restaurants, it would be exceptional instances of hospitality for yours, it's much more the norm. Can you talk more and give some examples of hospitality and also what you call writing the last chapter?

DM: Well, I've been on the receiving end of some exceptional hospitality, and partly probably because I'm in an industry colleague, and I think in our industry, one of the really neat things is that we like to show off for each other, but in a loving way. I'll never forget, checking into a hotel, and I was going to be a speaker at an event, speaking about wine, and I had made the long six or eight-hour journey to get to this place, and the first thing I do when I get to my hotel room, there was a desk set up with a computer, a desktop computer, and I put all my wine books, all of my study materials right on the table, accidentally hitting the mouse, that connected to the computer, and in so doing, it was like a Rube Goldberg invention. All of a sudden, the mouse activated the computer screen, and this hotel had actually logged in to the live Shake Shack cam, the web camera at the original Madison Square Park Shake Shack. So that the very first thing that happened to me when I got to my hotel room is I'm now looking at a live view of Madison Square Park, and I can see exactly how long the line is, which fortunately, it was a really long line that day at Shake Shack.

DM: And as if I didn't think that was enough, the hotel had upgraded me to a suite, so there was a little kitchen kind of thing, and in the kitchen, I noticed they've got a little bookshelf, and on the bookshelf are four cookbooks that we've written. There was a copy of *Setting The Table*, there was a copy of the *Union Square Cafe Cookbook*, *Gramercy Tavern Cookbook*, and even a cocktail book that we wrote called *Mix Shake Stir*. And in the cookbook, as if that were enough, there was a bookmark, excuse me, in the cocktail book, and I opened the page to the page of a cocktail called the *Mortoni*, which I named after my dad, Morton Meyer. They had researched and seen my headnote that this is my favorite cocktail, I named it after my dad, and now my eyes are drawn to the dining room table in the suite where they've laid out all of the ingredients for the *Mortoni*, ready for me to make my own cocktail.

DM: At this point, I'm just absolutely, completely blown away. You want to talk about customizing the experience just for me, from start to finish. This is basically three days, this conference, and on the last night, which was a the Saturday night before Father's Day, knowing that I would miss the first part of Father's Day as I flew back home to New York the next morning, I'm just about to go to bed, and this was in the days when you'd still call up the front desk to get a wake-up call, I don't even bother with that anymore in any hotel, but I'm just about to pick up the phone to call the front desk to get a wake-up call really early in the morning, and right next to the phone there is a framed picture of my entire family with all the kids and the dog and my wife that the hotel has, I have no

idea where they found this photograph, and underneath the frame it says, "Happy Father's day, Dad, see you tomorrow." And I'm going, "Okay, that was pushing the envelope about as far as I've ever seen it." Now the post script is that I ended up hiring the person who did that, who came to New York and helped us with our restaurants, because I wanted to be able to do that for everybody.

LT: Danny, that's an amazing story, and I think it's also very revealing about you, because your restaurants are known for their extraordinary hospitality. And yet the example you give is not one of your restaurants, it's a hotel that you stayed at. How do you think about opening new restaurants?

DM: I think it's really important, again, to have a point of view and to say, "Why does this restaurant need to exist?" I've always approached new restaurants one of three ways, which is that I've got a burning desire to do an idea to express, "What could we add to the dialogue on, it could be barbecue, it could be Indian, it could be Italian, it could be jazz." I start with an idea that I have to express. And by the way, once I have that idea, I'd better go find the right location, and I better go find the right chef to express it. Or it could start with, "There's this chef, I'm just dying to work with, now let's go find the right idea and the right location." Or it could be, "Oh, my gosh, what an amazing location and business opportunity this is, now let's figure out what's the right idea and the right chef." So it starts with one of those three things, idea, chef, location. I would say increasingly, as my career has gone on, it is more often than not been that the location and business opportunity goes first, and it's because someone might be approaching us and say, "We want to commission you guys to do something special for this place." And I like that, that's like someone handing you a frame and saying, "Now, go paint the picture that belongs in this frame."

DM: That's actually how Shake Shack came around. It was like, "Here's Madison Square Park," we didn't start Shake Shack to be a chain, we started it to solve a problem, "What belongs in this park, what food, what idea," etcetera? We did that with the Museum of Modern Art, which became the Modern, one of my favorite restaurants we've ever made, and it was basically, this is literally the frame, "What culinary art do you think belongs there?" And increasingly, I really like that challenge because what it does is, it allows you to think about the context, not just the location, but the context of something. And so we open a restaurant just very, very recently called Ci Siamo, that is off to a fantastic start. It's in a part of Manhattan no one's ever heard of before, because the street itself doesn't even have an address yet, it was a project built over the underpass to the Lincoln Tunnel. We've all been under that underpass many, many times, it's in the West 30s, and yet we never, as New Yorkers, had a chance to walk on a surface which never existed, full of buildings that are still not even populated.

DM: And so we have to take that into account and we say, "Where is the puck going? Where will that location be?" Well, it happens to be on the 50-yard line between Madison Square Garden and the Moynihan Train Station and Hudson Yards. There's a lot of human bodies that are going to be passing right through that thoroughfare, increasingly as time goes by. So when you're picking a restaurant site, you can pick something that's already highly established, but you can also sometimes realize that if you're going to sign a 20-year-deal, you're making just as much of a bet on the future of where that's going as you are on where it is right now. And if you can come up with an idea that works well enough today to be sustainable, because it has to be, but you believe will work even better in time, and you can benefit from an underlying real estate deal that you never would have gotten in an already completely established area, you can do something really special, especially if you get the idea in the culinary direction right, and I think we have with Ci Siamo.

LT: How do you think about your different constituencies?

DM: First and foremost about the people who work here, I think the people who work in our company are our first customer, we put them even before our paying customers, because if you really care about your paying customer, you probably do a better job of succeeding with them, if you have happier people serving them and cooking for them. So I'm a big believer in the power of both a vicious cycle and in the power of a virtue cycle. In a virtuous cycle one good thing keeps leading to something even better, it makes complete sense to me that the first thing we have to get right is, "How does it feel to work here?" So that's our first stakeholder. Our second stakeholder are the people who do pay for our product, also known as our guests, our customers. Our third constituent are the communities in which we do business. Our fourth are our suppliers and our fifth are our investors.

DM: We don't put our investors fifth, because we don't want to make money, in fact to the contrary, we think we can do better for them if each of those other stakeholders is rooting for our success. So if our staff members come to work saying, "This is the best job I've ever had in this industry, I'm going to do my best, I can't wait to take great care of our guests and offer exceptional hospitality," chances are better than our guests are going to leave raving and humming the tune, and if they do that, theoretically, we're going to have enough revenue so we can do great things for our community. And then the community is rooting for us to win, and then we can probably get the best suppliers, the best prices, the best products, the best service from our own suppliers and with all those things, we have to be pretty bad business people not to take great care of our investors.

DM: And by the way, the reason I call it a virtuous cycle, it's not a totem pole where the investors are on the bottom, it's truly a virtuous cycle. The best way to have happy employees, it turns out, which is job number one, is to have really happy investors, because what do employees want? They want professional and financial opportunities to grow, and you better make money if you want those two things to happen.

LT: Danny, how have you changed as a leader, what have been some of the most important lessons that you've learned?

DM: I hope I'm considered to be a better listener than ever, I've always been a decent listener sometimes to a fault, sometimes wanting to build consensus so much that I don't put my foot down and make the decision soon enough, because I think people know that I start a conversation with a point of view. I think they know that I want to hear from everybody, but I think that being a better listener is not just, "Are you listening?" It's also, "Are you reading body language?" And sometimes people just want the decision, that may sound counter-intuitive, because I think a lot of bad listeners don't even welcome the conversation. I think in my case, I sometimes welcome too much conversation, and I think people really appreciate clarity of accountability and clarity of decision-making, and I think I've learned how to do that better, where you still get heard, but people truly have an opportunity to participate, but they know when it's time to move on. There's a great expression, I think Jeff Bezos from Amazon may have said it years and years ago, but it goes something like, "Disagree and commit," because there comes a point when not everyone is going to agree, but everyone had their say, and everyone needs to leave that meeting moving ahead.

LT: What is success to you?

DM: I have no idea. It's something that I'm very uncomfortable with the term, because it seems to imply that you've reached a destination, I don't view success as a destination, I view success as pursuing a path that is consistent to your values. I don't think one ever arrives, if you're shooting for the moon and you're walking there, I don't think you're ever going to get there. So for me, success in many ways, it's not believing in your own success, but rather being committed to hopefully a noble journey where you're saying, "These are the things that matter, I've communicated that to everyone in the company, the people who want to come along can't wait to unleash you and your talents, and let's put one foot out in front of the other and keep heading in the right direction."

LT: Before I ask for the three takeaways you'd like to leave the audience with today, is there anything else you would like to mention that you haven't already talked about? What should I have asked you that I didn't?

DM: What continues all these years later, because I started this business when I was 27 with Union Square Cafe, what continues to get me excited about coming to work each day and creating new places, and truly, it's this question that I scratched my head about all the time, which is, "How can you use your growth to advance your culture?" I was always told that growth was the sure fire way to diminish the culture of your business, and I don't believe that. I believe you need growth to advance your culture, because if you indeed are promoting and giving raises to not only the people who are the best in what they do, but the best for your company culturally, the culture carriers, if you're doing that, I think that each time you grow, you're actually advancing the culture of the business. And the thing that I'm most excited about is it's something that I know we're working hard at every single day, and it's one of these things we may never obtain it, but can you scale culture? Famously in our industry, Ray Kroc with McDonald's, taught the world has scale systems for cooking food consistently, so the fries taste exactly the same, whether you're in Idaho or Alabama or Moscow for that matter.

DM: But I don't think that they thought that much about do the experience of working there, or do the experience of eating there feel emotionally consistent, and that's the thing I'm most excited about as a challenge which is, "Can you scale culture?" And I love that. So that's what you didn't ask me, but that's one that I'm proud to share.

LT: That is wonderful. What are the three takeaways, you'd like to leave the audience with?

DM: Well, the first one is, "This too shall pass." I think that no matter what challenges we have faced, it could be an internal challenge with something that wasn't a business that wasn't working out or a senior employee that wasn't working out, or it could have been an exogenous event like 911 or Hurricane Sandy, the Great Recession, certainly COVID the biggest of them all so far, I just think that the biggest lesson I've learned is, "This too shall pass." And you've got to double down on your behaviors and values when that happens and realize that it will be over, and you will be remembered for how you behaved while it was happening, and you may as well just focus on those things that you can impact, which are who were we while it was happening, and who do we want to be when it's over?

DM: Number two, something I learned many, many years ago from the late founder of Neiman Marcus, a guy named Stanley Marcus, and he taught me something that I think about every day of my life, the road to success is paved with mistakes, well-handled. As human beings, we are probably better wired than any animal on earth to be mistake makers in the same way that the ocean

is constantly producing another wave, we're constantly producing another mistake, and as long as it's an honest mistake, I think that you can actually end up in a better spot, because of how you handled the mistake, how you overcame the mistake. That's a big one for me, the road to success is paved with mistakes, well-handled.

DM: The third one is the minute you are ready to give up your values for any reason, just hand in the keys, just don't do it anymore, whatever it is you do, life's too short. So I think a values-based approach to decision-making is really, really helpful, it's understanding what are those core values that you have, and they should probably be different core values for every human being on earth, but what are those three things? And I'm not going to tell you what my three are, even though you asked me what are the three, but what are the three things that even if someone were to say, "If you just did it differently this time, you'd make an extra million dollars." You'd still say, "No I'm just not going to do it." Know what your core values are, that's thing number three, and the minute you're willing to compromise on them, just give back the keys to the store, because no one needs you.

LT: Danny, thank you so much. Thank you for your wonderful restaurants, and thank you for our conversation today.

DM: Come see us soon.

LT: That I will do with great pleasure.

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