

Expanding Cassopolis Hospitality Options

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Overview

It seems like a lifetime ago that the Alchemy restaurant team visited Cassopolis. But in February, no one could have predicted the economic havoc a global pandemic would wreak across the country. Mandated closures imposed to mitigate the spread of COVID-19 completely upended the state's (and nation's) hospitality industry (among others). In Michigan, 88% of food and beverage operators laid employees off after the Governor's March 16, 2020 proclamation closing restaurants and bars. In April alone, the state's restaurants posted \$1.2 Billion in sales losses. There has arguably never been a worse time to own and/or operate an already existing restaurant or bar in the state of Michigan. Operators did nothing to lose public trust, yet they are all in the unenviable position of needing to rebuild consumer confidence. Given the temporarily tenuous nature of the Michigan hospitality environment, as many as 20% of the state's 16,543 eating and drinking establishments are predicted to permanently shutter their doors due to the Coronavirus's economic crisis.

However, there is a flip side to this temporary economic devastation. Out of the ashes of crisis, new opportunities nearly always arise. This could well be the case for Cassopolis's hospitality environment if new local eating and drinking establishments are created from the get go with a plan and systems to be able to "pivot" their business models on a week's, day's or even an hour's notice, they could find lasting success—despite outside factors such as on-premise dining closures. In fact, they might well position themselves to capitalize on the trends that were already changing the face of the industry—such as delivery and the demand for high quality, highly-customized carryout food. There may never be a better time to consider launching new hospitality businesses including restaurants, rental properties or taverns – albeit under new business models and operations strategies.

The Demographics Still Show Potential

There is good reason to encourage the development of new eating and drinking establishments in Cassopolis as they will likely serve as the fuel for the rebirth of the community's entire retail sector. Numbers back this notion up. In Michigan, every dollar spent in traditional tableservice restaurants contribute \$1.90 back to the state's economy. Even limited-service restaurant models move \$1.66 back to Michigan's economy with every dollar spent in their establishments. As Cassopolis continues its transformation projects through its main street and along Stone Lake, eating and drinking establishments could well become the catalyst that tips the scales to draw people back into the village short term, as well as create a "come and stay" value proposition for the village in the future.

It's true that the Michigan restaurant industry's pre-COVID positive growth environment has largely dissipated; however, the pent-up consumer desire to go to restaurants has not. Data from the National Restaurant Association shows that even before people couldn't go to restaurants due to closures, almost half of adults wanted visit their favorite eateries more often. A full 45% said they were not purchasing take-out as frequently as they would like to. This is true across all age demographics, but particularly with Baby Boomers (age 54 to 79.)

The demographics are key because Michigan baby boomers boast significantly higher average household incomes (\$67K) than other age groups, as well as higher levels of disposable income. In a community like Cassopolis, where seasonal populations will help drive profits, this is encouraging. Seasonal residents mean an influx of higher-income families and individuals—most residing in homes they own around Diamond Lake. These temporary residents are accustomed to carryout and delivery from higher end urban restaurants, as well as hundreds of high end on premise eating, drinking, and gathering options.

Hospitality Potential

Cassopolis residents and business owners have always known that their seasonal residents have, in large part, been untapped as hospitality consumers. It is not news to anyone that seasonal residents coming from the cities are willing and used to spending on food and drink. Anecdotal information from the Chicago news market also supports the notion that many have already arrived. Recent stories from Chicago media note that many of the highest income Chicago residents quickly found their ways out of the city and its hotbed of COVID-19 cases to their traditional summer and vacation communities far earlier than in previous years. Many are able to work remotely and won't be quick to return, opting to wait out the pandemic and urban unrest in quiet vacation communities.

Cassopolis community leaders also recognize the community's potential to draw people heading to-and-from South Bend for sports and other college events and activities. The community is well positioned geographically. It is not far off of Interstate 90, but just far enough out to provide an "experience" if there's one to find. The community should consider investing in signage on main roads to draw people into the village for food and recreation once all projects are complete.

Restaurant and Tavern Landscape

There is only a handful of eating and drinking establishments in Cassopolis, with very limited offerings. From March 16th to June 8th, all were limited to offering takeout, delivery and curbside pickup by proclamation of Gov. Gretchen Whitmer. The Governor loosened the dine-in restrictions this month, allowing all of the state to reopen dine-in services at 50-percent capacity with additional safety precautions including 6-foot social distancing measures. We would be remiss if we did not remind everyone in the community to make their way back to The Broadway Café and other local restaurants to support them now.

Anyone entering the restaurant industry at such an uncertain time must have hospitality operations experience or hire professionals who do. In Michigan the average profitable operator nets about a 5% profit. Based on averages, that means the average Michigan restaurant nets approximately \$148 per day in profit. Even when there is potential for cadres of patrons, it's a tough industry to make money. That being said, there appears to be room for additional and different concepts in the community's restaurant and bar scene—especially once The Promenade is complete.

Lodging Landscape

For a vacation community, there are very few “weekend stay” options other than a dozen or so Airbnb rentals, mostly around Diamond Lake and then of course The Lodges at Stone Lake. Any incentives to encourage the development of unique or boutique weekend or weekly rentals to draw vacationers or even weekend football game attendees from South Bend to Cassopolis will improve the community’s value proposition as a village where people intentionally plan to stop and stay.

Observational SWOT Analysis on Cassopolis Hospitality Scene

While the Alchemy restaurant team didn’t sit and formally walk through the process of a group SWOT (Strengths, Weaknesses, Opportunity, Threats) analysis related to the notion of expanding the village’s hospitality options, in the day visiting with Cassopolis leaders, themes became quickly self-evident. The team’s observations related to the entire community as recommendations were formed on the various potential hospitality properties are as follows:

Strengths:

- Cassopolis is brimming with nature’s potential. The two lakes, properly developed, could easily become a weekend or day draw for people from across the area.
- The lake redevelopment plan, once completed, will be a tremendous upgrade and draw—providing more opportunities for hospitality venues to grow and thrive.
- The downtown buildings have their historic bones. While some have had façade’s put over the front, there is a great deal of potential to create a main street with turn of the century charm and character.
- Dreamers with vision, business skills and financial resources. Often people interested in creating hospitality establishments have none of these. The building owners the team met with have no illusions about how easy it is to open a hospitality. They are realistic about the challenges and costs.
- Diamond Lake has beautiful, expensive homes and attracts seasonal guests and their visitors. They are a demographic that has the ability and willingness to spend on hospitality and recreation venues.
- There is already a fledgling effort to having resident or visiting artists showcase their work, and a local interest in supporting this notion.
- Midwest Energy Communications has chosen to invest in a beautiful headquarters building and brings employees, customers and guests to the facility. Once the transformation projects are complete and additional hospitality/lodging options are in place, there will be weekly opportunities to showcase the community and collaborate with MEC.
- The village is the county seat which provides a regular draw for people from throughout Cass County.
- The Edward Lowe Foundation appears to have the potential to be an asset, particularly for hospitality venues if partnerships could be formed for catering and/or evenings out from their retreats and group events. The team went to the Visitor Center but did not meet with the Foundation staff.

- Emilie Sarratore is, in-and-of herself, a strength. Her passion for the community in combination with legal and planning background is a rare find for a village the size of Cassopolis.
- K&M has a ready made quickservice lunch crowd from its employee base.

Weaknesses

- While there are resources to start and own businesses, they will still need to be staffed. Attracting quality, experienced hospitality professionals to work in Cassopolis day-to-day will be a challenge—even with recent unemployment numbers.
- Acquiring a liquor license for one establishment seems a challenge. The proposed projects would require three or four. This will need some creative solutions to overcome.
- All of the potential restaurant and bar sites are buildings will require significant work and investment to retrofit them into hospitality establishments. This often comes with hidden costs related specifically to creating a hospitality venue (eg hood systems and grease traps.)
- The community is currently perceived by many as a place to pass through not stay-and-play. Any new hospitality business will need to aggressively market itself well outside of Cassopolis to have sustaining revenue.
- There appears to be an unspoken divide between the more affluent and struggling parts of this tiny village, which is somewhat unusual for a community with this size population. Hospitality businesses that cater (by offerings and price) to a more affluent clientele will still need to find ways to integrate and fold themselves into the community. It will be important for all of the new establishments to support the school, local charities and events.

Opportunities

- Every building the Alchemy team visited has strong potential to be an interesting hospitality site.
- There seems to be the energy for a community wide marketing campaign that could create a stay and play value proposition that would help all of the eateries as well as any additional retail businesses that may follow.
- Unlike many small communities which feel like their best days are behind and visioning is focused on trying to “revive” the community, Cassopolis has the air of a community that hasn’t yet met its full potential. Rather than putting a new face on something that had its glory days 100 years ago, Cassopolis’s best days have yet to be discovered.

Threats

- The hospitality plans are dependent on the sustained financial interest of the people who have the means to start businesses, but limited experience operating such businesses. Filling critical staff positions in the new establishments will be key.

- Much of the investment in new businesses is coming from people who are not currently visible full time members of the community.
- The actual cost of renovation may exceed the interest/expectation of the potential owners.
- The overall economic recovery and the potential mandates of a post COVID-19 hospitality world may make it incredibly difficult to operate profitably.
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144 S. Broadway

This gorgeous building is literally an open canvas. The Alchemy team recommends using the space in a mixed use format to ensure multiple sources of income are available. This will make the business model more stable, and provide more to the community than just a restaurant or bar.

Basement

- The team envisioned a wine bar with a “wine cave” leveraging the existing foundation. This space could provide an intimate upscale venue focusing on handmade craft cocktails and wines by-the-glass.
- A sophisticated lounge, the wine bar would be open in the evenings and include a limited small plate/ tapas/desserts menu paired with, and complementing, the featured cocktails and wine. Desserts from the proposed new bakery might be featured and paired with wine and/or cocktails in a dessert lounge format. See example of a “pairings menu” below.



PAIRINGS MENU								
<i>Listed below each dessert and drink pairing suggestion</i>								
Desserts	Sweets	10 Banana Bread Pudding Banana made cinnamon rolls, pecans, silky caramel sauce	19 Peanut Butter Lava Cake Warm Chocolate Cake, peanut butter center, Chocolate Ganache	19 Chocolate Flourless Torte Chocolate Torte, Almond Mousse, Assorted Caramel	19 Cinnamon Creme Brulee Vanilla + cinnamon eyes center, whip cream	17 Cake + Ice Cream Slice of cake served in a bowl, check with your server for available flavors	17 Cheesecake: Plain or Seasonal Served with your choice of salty caramel, raspberry or chocolate sauce	19 Vegan Raspberry Ice Cream Sandwich Biscuits topped with raspberry ice cream, high quality chocolate sauce, almonds
		18 Old Fashioned Bitter, fig, orange, cherry	16 White or Black Russian Sourwood, Kahlua, cream	19 Spanish Coffee LIVE! (NO) from 21, Kahlua, French Press Coffee, whip cream, cinnamon	17 Vanilla Mule Green Royal Vanilla, lime, ginger beer	18 Birthday Cake Martini 1/2 Cake Tada, Blueberry, apricots	18 Champagne Cocktail Grand Marnier, orange, Prosecco	17 Paloma Mojito, grapefruit, soda
Drinks	17 Cupcake Vineyard Chardonnay	17 Cupcake Vineyard Red	16 Exile Brewing Co. G.F.	17 Almond Champagne	17 Bellina Prosecco	17 Cupcake Vineyard Moscato	16 Exile Brewing Co. Ruthie	
	14 Honey Cinnamon Latte	14 White or Milk Chocolate Mocha	14 Almond Latte	14 Cinnamon Spice Latte	12 Creme House Blend Coffee	14 Vanilla Lemon Latte	12 Creme House Blend Coffee	
	15 Masala Chai Latte	15 Masala Chai Latte	13 Moroccan Mint Green Tea	15 Masala Chai Latte	13 Moroccan Mint Green Tea	13 Serenity Now Herbal Tea	13 Serenity Now Herbal Tea	

- The bar could also serve the upstairs venue but maintain its own identity as a separate spot with "speakeasy" access from the back alley.

Street Level/First Floor Deli and Gallery

- This separately operating establishment would be a small gourmet deli with a limited menu including 5-6 salads and 5-6 nice cold cut sandwiches using fresh baked bread from the new bakery up the hill.
- Charcuterie boards could be available for snacking with wine in the downstairs wine cave or in the first floor space.
- This upscale casual deli would sell bottled and canned drinks, fresh teas and lemonades.
- Lunch and dinner hours could be covered. It would be collaborative to leave breakfast hours to the bakery/coffee shop if it came to be.
- Open seating could use random table sets and chairs for added charm.
- Given the post COVID-19 sensitivities, tables would have a minimum of 6 feet of space between. This could allow for pricing and revenue models based on adjusted/smaller capacity. While this will not maximize the floor space for occupancy, it will provide the social distancing that consumers have recently been conditioned to expect.
- It will be important to have an aggressively marketed carryout program, and if possible, delivery strategy that includes corporate catering.
- For added ambiance and draw, a portion of the floor space could be used as an area to show and sell artwork from resident or local artists. This allows for another source of revenue and a unique draw into the establishment.
- This art/deli/wine adventure will create vibrant a living atmosphere with ever changing decor that gives people reasons to come in again and again.
- This street level operation could easily become a work remote haven for people with “laptop jobs” who want a place to sit, enjoy the ambiance and buy a light meal/snack.
- It will be important to resist the temptation to make a menu that’s too large. Across the country, restaurant menus in all types of concepts (delis to gastropubs) have been finding success because they provide unexpected takes on unpretentious, well-understood foods. Many restaurant experts use the rule of thumb that 7 starters, 7 appetizers and 7 desserts is a complete menu. Because this is suggested to be a deli, it will be best to operate under the assumption that “less is more.” A limited (20 item goal) menu can build a reputation as being high quality, and can be engineered for profit. A menu chalkboard would also make it simple to test items and remove the poor performers, as well as to promote special or seasonal items.
- This location would lend itself well to leverage local products and produce. Two thirds of diners today say the availability of locally sourced items makes them choose one restaurant over the other. 56% of those consumers also note that the primary reason for wanting local faire is to support local farms and producers.
- The National Restaurant Association recently researched consumer data and found that 75% of consumers are more likely to visit a restaurant that features locally sourced items or healthy menu options. 60% are more likely to opt for a restaurant that offers food grown or raised in an environmentally friendly way.



- A liquor license that allows retail sale of bottles of wine or packaged beer, as well as on premise service, should be investigated.
- Although the environment of this new venue will be a tremendous part of the attraction to the community, having a strong takeout sales strategy and operation will be absolutely critical to the longterm success of the operation. This reality predates the COVID19 closures that for months allowed only takeout from restaurants across Michigan. In fact, in February 2020 only 37% of food and beverage prepared in a restaurant was eaten in a restaurant. This means 63% was already takeout, delivery or drive-thru. Planning for simple ways to offer items as takeout is now just a given.
- 58% of all adults say they are more likely than two years ago to incorporate restaurant-prepared items into a home-prepared meals. This “blended” approach lends itself well to larger size deli to go containers for salads.
- The deli will want to consider catering, particularly corporate catering. This line of revenue has become almost ubiquitous in the industry. Even 43% of coffee and snack shops and 45% of quickservice restaurants offer catering today.

Second Floor/Loft

- Revamp the colorful upstairs apartment and list it on Airbnb or vrbo .
- Frame out 2-3 spaces in the large back area that artists can use as workspaces.
- Do not use this space for large events (as discussed) as it would hurt the rental of the holiday apartment.

Sinclair Station

The former Sinclair gas station is an absolute gem. Even before touring through it with the owner, the Alchemy team spotted it on the street and started envisioning what a fantastic taproom-style bar/bicycle depot and outdoor hangout for locals and visitors it could be. Leaving the familiar Sinclair look and branding is highly recommended from an interior/exterior design perspective. However, some suggested changes will make it more functional as a hospitality establishment. Specific suggestions include:

- Build a large deck that overhangs the hill on the back to provide expanded outdoor seating.
- Have working garage doors that can be opened when weather allows. Provide garage area as open tap room and covered seating as well as a seamless path to the patio.
- Include a bike rack for those who bike into town.
- Use interior for kitchen, counter for ordering, to go/carryout pick up and limited seating. Create a well-recognized traffic path to avoid congregating. This will help the business pivot if public health policy once again impacts operations. It also signals to customers that you care about their health and well-being.
- Keep the gas station décor and colors for a throw back ambiance.
- Clear some of the trees in back to ensure there is a view of the lake and new promenade but leave the healthiest/enough trees to give shade and atmosphere to the overhang deck.
- Promote the bar as something more than a watering hole. Suggestion: Taproom and tacos.
- Use the garage to have a tap display of as many as 18 taps of local craft beers, as well as domestic favorites.
- People in Michigan love beer. Covid-19 closures seem to have only reinforced that notion. State beer sales were up 36% from March 2019 to March 2020. That makes beer sale growth in Michigan this year the second highest in the nation. Carry domestic and local craft brews. There is no need for a full bar although a couple of signature summer mules or cocktails and a limited wine by the glass selection is advisable.
- Michigan ranks 6th in the nation on the number of craft breweries. Feature those products as the state's brewery business, like all hospitality sectors, could use the support right now. Must haves (of course) are from Bell's and if possible, close breweries like Niles Hands or Kelsey's Block, could be good choices. The taproom format also allows you to switch brands or seasonal brews providing built in marketing opportunities for launch and new introduction nights/weekends.
- The menu should be SIMPLE. It can include chips, salsa, guacamole, and queso, as well as tacos. Proteins including ground beef, pulled chicken, pork, and fish can be used for tacos and taco salad. A signature item could also be "Totchos" which are tator tot nachos. A limited menu requires less staff, increases turnaround time, leverages a staple of ingredients but won't overwhelm a small space kitchen.
- A counter order system with order buzzers and uses disposables for serving will give the feeling of a food truck and street food, which could fit the vibe of the station bar.
- It would be even better to implement a technology-based ordering system from day one. There is a movement toward phone-based menus, ordering and payment that

could be leveraged. This decreases contact surfaces, simplifies ordering, and generally speeds service.

- This service model is inline with emerging restaurant technology trends. In fact, when surveyed consumers ranked self-ordering technologies high on their list of desirable next steps in restaurants.
- COVID-19 has also created a better sense of “how” to use self-ordering technologies in restaurants and bars. Many restaurants in the past 10 weeks have moved almost exclusively to a QR code based or web-based menu with a paper menu available only upon request.
- There are other advantages to a technology-based menu as well including the ability to change prices and offerings as often as necessary.
- The team recommends starting by looking at technology from NCR. They are doing a number of highly integrated ordering and payment technology solutions that are being adopted by food trucks, food halls, and traditional operators across the country.
- If the liquor licenses allows, offer cans and bottles, as well as growlers to go. Also have a selection of white claw and canned cocktails for bikers or boaters to pack and take.
- The station bar could easily become a community gathering place that has family-friendly board games (battleship, Jenga, cards) and if possible lawn games (cornhole, bocce or carpet ball).
- Although the environment of this new venue will be a tremendous part of the attraction to the community, having a strong takeout sales strategy and operation will be absolutely critical to the longterm success of the operation. This reality predates the COVID19 closures that for months allowed only takeout from restaurants across Michigan. As was previously noted, in February 2020 only 37% of food and beverage prepared in a restaurant was eaten in a restaurant. This means 63% was already takeout, delivery or drive-thru. Planning for simple ways to offer items as takeout is now just a given.
- Three in four adults say they are more likely to stay at home and watch on-demand television and videos than they were two years ago. Leverage this with family packs of tacos, ordered online, picked up at the counter in the station.

Holding Green Tavern-

Again, what a fantastic place. The love and attention put into the small details in this location is evident. That being said, many of the small details will need to be removed to evolve this private space into a public space. There are many cool, but at risk, details in this bar that will simply have to be removed from the location to ensure they are not damaged or stolen. Each of the small artifacts and decorative items should be examined and the owners level of comfort for loss or damage assessed. Specific recommendations:

- Move the soda fountain to the front to make it a visual feature from the outside and operate it seasonally as a “boozy shake” bar.
- Move the games to the back of the first floor and increase seating on entire second side of the building.
- Develop the shed space into a food prep and storage area.
- Build a short order cook line, inside the building, directly off the prep area.
- Minimally refinish the upstairs for private event space with a small dedicated bar.
- Relocate the casino style games upstairs as well.
- For the actual bar, start with a small selection of signature classic cocktails with a twist as well as beer and wine by the glass.
- As was previously noted in Sinclair write-up, people in Michigan love beer. 82% of alcohol sales in the state are beer. Each year enough beer is sold in the state to provide 268 beers annually to each Michigan resident. You will need to decide which beer crowd you’d like to attract. The team’s sense was that the Holding Green Tavern owners want it to be place where people stop for drinks and a bite to eat, not a place where cheap beer flows. It will be important to make beer selections and price offerings accordingly. This is why having good food from the beginning will be important to the long-term environment and ambiance of the Holding Green.
- A basic rule of thumb for building alcohol inventory in a full bar is 45% beer, 40% liquor, 5% wine, and 10% mixers. The preference for beer in the area, may call for an adjustment. However, eight to ten taps, as well as a selection of cans and bottled beer should suffice initially. Using that interesting antique beer cooler gives added interest and ambiance to the environment.
- To start generating revenue, and to build demand for food, start with nightly food features.
- Don’t get too far away from the notion of great bar food--wings, steak night, burger night etc.
- Gastropub menus are elevating the notion of bar food. Because the owner does not have background as a chef, it is highly recommended he work with a food purveyor to get help developing a menu and to price it for profit.
- National distributors have in-house chefs and test kitchens in their facilities. They will bring a new operator in-house to help develop and test a profitable menu that capitalizes on current food trends, leverages minimum inventory, and streamlines purchases and storage. These professional chefs can create recipes, offer culinary

Proposed Bakery

The Alchemy team agreed that a bakery could be a profitable business and provide a significant addition to the Cassopolis main street. However, they felt strongly that the owner needed to consider expanding the focus into a coffee shop/bakery. This stands to create daily customers, elevated clientele, and a second revenue stream. Key recommendations include:

- The Alchemy team liked the proximity of the bakery to the other potential new hospitality establishments. This provides great opportunity to provide fresh bread to the deli, buns to Holding Green, and desserts to everyone. You can supplement your direct sales to consumers with business-to-business sales of rolls, buns and bread for both the new deli concept and Holding Green.
- For consumer facing goods, the top selling items in most bakeries are cakes (24%). This assumes that the bakery will offer celebration cakes for catering events such as weddings and parties in the area.
- After cakes, top sellers in bakeries are cookies (12%) then breads/rolls (11%) and finally cupcakes (8%).
- The bakery business is competitive and the Alchemy team felt strongly that a coffee shop should be integrated into the bakery space. A coffee shop's net profits in- and-of themselves are low, but so are a bakery's profits. A coffee shop in a bakery provides multiple revenue opportunities, and plenty of cross selling opportunities, particularly if you are limited to a single location.
- There is no local coffee shop, so the bakery could see significant repeat traffic by creating a menu that includes breakfast pastries, single slice breads and croissants to be available with coffee and coffee drinks, that people are able to take to go or stay and enjoy.
- Nationally, the average coffee shop sells 250 cups of coffee per day and has gross revenues of \$215,000. That is just under \$600 per day in sales. Obviously, Cassopolis does not have the potential customer base to sell 250 cups of coffee per day. Nonetheless, the profit on a cup of coffee is similar to 3-4 pastries and is an easy add on with limited space or staffing needs.
- Creating the "come and stay" environment of a coffee shop will also add traffic and increase the number of sales for all of the baked goods.
- Just like any food establishment, average check is an important. Specialty coffee prices (\$3 to \$6) per drink can be sold on their own but nearly always increase food sales and traffic. With coffee on the menu, there is the potential to run up to 50 checks per day at an average of \$5—and even more during the summer season. That holds the possibility of more than \$90K of additional revenue.
- Supplement income by baking rolls, buns and bread for deli concept and Holding Green.
- While the Alchemy team understood the sensitivities about the placement and path to the restrooms as part of the bakery plan as a reason the potential operator did not want

to encourage people to come in and use the bakery as a coffee shop, this seems something relatively easy to overcome with an architect.

- As was noted with the other establishments, national distributors have in-house chefs and test kitchens in their facilities. Test your recipes with their chefs. Work with them on all of the bakery items to ensure you have a strong net profit. They will develop and test a profitable menu that capitalizes on current food trends, leverages minimum inventory, and streamlines purchases and storage.