

Buko Nero, Avoiding the Black Hole of Early Success

by Stephen W. Litvin and Brumby McLeod

Introduction

Tracy and Oscar return home tired at the end of another sold-out day at Buko Nero. It is 1:30 AM, about the same time they get home every night. There are some menu issues that need discussing, but at this hour, tired from a full day at the restaurant, they decide that discussion can wait for the morning. But morning is not that far away, as Oscar will be in his kitchen starting lunch preparation by 8:30 AM, and Tracy will start her rounds of the markets, selecting the day's supply of fresh produce, meats and fish, no later than 9:00 AM.

Tracy and Oscar

Tracy Ng Pasinato, a Chinese Singaporean, age 28, and the daughter of a Singapore Airlines' pilot, left school following her "A" levels (equivalent to a USA high school diploma) at the age of eighteen against her parents' wishes. But, per Tracy, studies just did not interest her very much. Soon thereafter, sharing her father's bug for travel, Tracy moved from Singapore to London to study French cuisine, specializing as a pastry chef at the famous le Cordon Bleu cooking school. She trained at le Cordon Bleu for two years, then went to work in the kitchen of Kensington Place Restaurant for a year before returning to Singapore. Though still interested in the restaurant business, she wished to see more of the world and, having spent several years in the kitchen, felt the need to experience customer contact and to learn service management skills she felt would help in furthering her career. She thus became a Singapore Girl – a flight attendant for world #1 ranked Singapore Airlines – and flew for five years. As had been her plan, Tracy then returned to the Food & Beverage industry, working with several Singapore restaurants in front-of-the-house positions, leading to a position on the pre-opening management team for the upscale Blue Lobster on the Singapore River, where she was to meet Oscar.

Oscar Pasinato, an Italian from Venice, aged 31, has been a chef for fourteen years. He claims his initial draw to the world of culinary science was that a cooking diploma provided the quickest ticket out of the classroom. With a bug for travel and a flair for food preparation, Oscar worked his way up the culinary ranks working in fine dining restaurant kitchens in Sardinia, London, Paris, New York, Puerto Rico,

Tokyo, and Bangkok. Oscar came to Singapore several years ago with the plan of opening a restaurant with several friends. Plans failed to materialize, with the friends each going their separate ways, and Oscar accepted a chef position on the pre-opening team of the Blue Lobster, where he met Tracy.

While working together, both love and entrepreneurial spirit took bloom. Tracy and Oscar got married the following year, traveled for a while, dreaming and plotting as to how they could fulfill Oscar's life's ambition of owning his own café. When they returned to Singapore, plans in hand, they put their dreams to the test. As this case is written, Tracy and Oscar have been married for 20 months. Buko Nero, their Italian-Asian café, just celebrated its successful first-year anniversary. (Photos of Tracy, Oscar and the restaurant are included in Appendix 1.)

Buko Nero

Buko Nero occupies the ground floor of a traditional shophouse in Tanjong Pagar, a restored section of Singapore's Chinatown, one block from the city's financial district. Singapore, which proclaims itself "A clean green city of excellence" is a Southeast Asian city-state of five million residents, with a population of just over 5 million, and boasts the highest per capita GDP in Asia, just edging out Japan for the distinction (IMF, 2011). Per the *London Telegraph*, "Food has a sacred status in Singapore and eating out is a national pastime" (Leopard, 2010).

The restaurant is, one could say, cozy. With a total square footage of 800 square feet, including the open kitchen where Oscar cooks in full view of his guests, the restaurant has but seven tables and a seating capacity of 20. It is open for lunch Monday to Friday, and for dinner every night but Sunday.

Tracy and Oscar are fond of the name they picked for their restaurant. Buko is a Tagalog word meaning coconut (Tagalog is the predominant language of the Philippines, where they honeymooned). Phonetically, in Italian buko means hole and colloquially refers to a small family run café. Nero, in Italian, translates as black, the couple's favorite color. As such, many of their friends and loyal patrons have come to refer to their restaurant as the Black Hole. Not surprisingly, their restaurant color scheme is black and white, accented with simple pieces accumulated during their travels. Though understated and fairly minimalist (a favorable *Straits Times* restaurant review described it as having "hardly any interior décor to speak of"), the restaurant is

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pleasantly attractive in its simplicity.

As Tracy noted, the food served at the restaurant, much like the owners, is cross-cultural. Oscar hates the term 'fusion', and does not think of his cooking as such. Rather, he describes his cuisine as Italian cooking accented by Asian sauces, utilizing local, rather than imported, ingredients. Lunch is a set menu with three choices. Dinner offers ala carte dining or the choice of two daily specials sold as five-course set meals. In addition to the listed five courses, they surprise guests with an amuse-bouche, a free morsel of an appetizer that one would expect only from a haute cuisine dining establishment. Guests are also served complimentary tart fruit drink and sorbet courses to cleanse the pallet during the dining experience. These extras, says Tracy, are provided to delight their guests by exceeding their expectations.

The restaurant has but two employees—Oscar and Tracy. Oscar does all the cooking while Tracy serves as hostess, server and sommelier. Tracy does the shopping and cleans the front of the house. Oscar takes care of food preparation and cleaning of his kitchen. Bookkeeping is shared. Until recently Tracy did the laundry and ironing, but has recently decided to treat herself to a few extra few hours of sleep per week and now out-sources the task.

No hours or opening days are posted for the restaurant. This, the owners feel, allows some flexibility. For example, on a couple of occasions Buko Nero had to close when Oscar had the flu, both for manpower and hygiene reasons. Similarly, when the Singapore government required all food handlers to attend a mandatory training session, Tracy and Oscar had to close the restaurant for several days. The restaurant is also closed for a week once every three months to allow the owners a break, and it is not opened on holidays as the couple wishes to share this time with family. During the one-week breaks, Tracy and Oscar like to travel, with a passion for experiencing different cuisines. (In total, Buko Nero is open approximately 45 weeks per year.) Regarding not posting a closing time, Tracy feels that having posted hours restricts their guest's enjoyment and rushes their meal—and guests are never rushed at Buko Nero.

The initial capital to open the restaurant exhausted the couple's savings. They each invested S\$40,000 (the conversion rate at the time of the case was US\$1=S\$1.70, therefore approximately US\$23,500) and are equal partners in the business. Tracy and Oscar were lucky, finding a shophouse that had last been a Pizza Hut, which meant that the kitchen area was wired as a commercial kitchen and outfitted with a grease trap, a Singapore restaurant requirement. Installing a new grease trap, which costs S\$30,000, would have meant borrowing from family or taking a loan—two things they did not wish to do. Tracy and Oscar wanted to make their dream happen on their own.

They like their location. Tanjong Pagar is a high traffic area with quite a few restaurants, but it is not one of Singapore's trendy areas (see the Singapore map and A Tanjong Pagar shophouse photos in

Appendix 1). Tracy did not want to go to one of the 'in spots', knowing that history points to such areas eventually slipping out of fashion. But that does not mean that their area is stable when it comes to restaurants. Since their opening, of the eight restaurants in near proximity, two closed, three new ones opened, and one was re-modeled and re-themed.

Buko Nero has been profitable since its first month. The first few weeks brought friends and relatives. Then friends of friends starting coming. A very positive review in Singapore's major newspaper was followed by a half dozen magazine articles about the restaurant and its attractive young owners. (Shortly after opening, they paid S\$2,000 for a listing and write-up in an Internet dining guide, the only advertis-

Figure 1

Buko Nero: Menu

Mesclum Salad tossed in balsamic dressing and diced mozzarella	S\$9.00
Crostino with melting mozzarella, topped with Parma ham	10.50
Buko Nero Tau Kwa tower with sautéed vegetable	8.50
Classic Minestrone Soup	7.50
Creamy Porcini mushroom soup	7.50
Spaghetti with sautéed prawns, red chilli and spring onion	12.50
Penne with gorgonzola cheese	11.50
Risotto with mixed stir fried mushroom	14.00
Salmon coated with miso and honey	17.00
Seared Chilean Cod with mango chilli salsa	19.00
Parma ham wrapped chicken in a curry leaf reduction	14.00
Baked Coconut-Cream Cheese cake	5.00
Home-made Ice Cream	5.50
Crunchy Caffe-Latte cup	5.00
San Pellegrino (500 ml)	4.00
Evian	2.50
Mango juice	2.50
Pink guava juice	2.50
Pineapple juice	2.50
Ice-blackcurrant tea	2.50
Ice latte	4.00
Coffee	3.00
Cappuccino	3.50
Espresso	3.00
Doppio	4.00
Tea by pot	3.00
House wine by glass	9.00
House wine by bottle	42.50
Tiger beer	7.50
Nastro Azzurro	8.00
Heineken	8.00
BYO corkage per bottle	10.00

ing money they have spent. A month later other dining guides began listing them for free. The owners have yet to have a customer say they found Buko Nero via the Internet.) Soon, the restaurant was at capacity for every meal. Lunch is generally fully reserved by early morning. Weekday nights are fully reserved by 4pm. Walk-ins without reservations, unless they are lucky and there has been a cancellation, are not invited to wait; rather they are encouraged to make reservations for a future night. Weekend evenings are fully reserved a week or two in advance—a restaurant reviewer indicated it took her three weeks to get a reservation. Tracy does not remember a day after the first month with less than a full-house. But again, a full-house means twenty guests for lunch, and another twenty for dinner. The only problem, Tracy says, is that their regular customers often complain of being frustrated not being able to get a reservation. In the earlier days of the restaurant loyal guests would come often and impulsively. Today, they need to plan well in advance.

The owners describe their prices as moderate, though comparison with other restaurants is difficult. Prices are considerably less expensive than Singapore’s fine dining establishments, but the style of service and décor are much more casual than one finds at those restaurants (Tracy makes each table feel as if they are her favorite table that evening). Buko Nero prices, though, are somewhat more expensive than a café, but Buko Nero is certainly more than a simple café (which was, in fact, the original concept).

For lunch, all patrons select from the set lunch menu, at S\$18.00, plus taxes and a 10% service charge. The five-course dinner is priced at S\$24.00++ for the nightly special (changed each week), with an additional charge if the special’s main course is changed to a selection from the ala carte menu. For example, having salmon as the main course increases the charge to S\$32.00, while pasta with prawns as an entrée makes the dinner price S\$29.00. Most prices have remained unchanged since opening. The house wine, changed often as Tracy and Oscar discover wines to share with their guests, is priced at S\$42.50 per bottle, reasonable by Singapore standards where liquor taxes are among the highest in the world. Corkage, an unusual offering in Singapore, is S\$10.00 per bottle, a very reasonable charge which approximates Buko Nero’s mark-up on a bottle of house wine. The average bill, including wine or corkage, is approximately S\$20.00–25.00 per person for lunch, S\$30.00–40.00 for evening guests. Tracy and Oscar’s gut feeling is that their customers would be uncomfortable paying more. Figure 1 provides a menu price list.

The owners did not wish to divulge specific expense items, but noted that rent for a typical shophouse in Tanjong Pagar ranged from S\$3,000 - 4,000 monthly (and that their rent was “average”). With no payroll costs, their only other significant operating expenses are insurance and utilities, which collectively approximate about S\$1,000 per month for a small restaurant. Other miscellaneous costs add another S\$500 monthly. Their food and beverage costs are in line with the

Table 1

Buko Nero, Estimated Statement of Income and Loss:

Revenue:		
(Lunch: 20 seats x S\$22.50 average check x 5 days per week)		S\$ 2,250
(Dinner: 20 seats x S\$35.00 average check x 6 nights per week)		4,200
		6,450
Weekly Revenue:		
Weeks in year	52	
Holidays (closed for 10 holidays = 2 weeks)	<2>	
Vacation closures	<4>	
Sick/miscellaneous closures (5 days)	<1>	
Operating weeks	45	
Annual Revenue:		290,250
Expenses:		
Cost of food and beverages (1/3 of revenue)		96,750
Rent of property (S\$3,500 per month)		42,000
Insurance and utilities (S\$1,000 per month)		12,000
Miscellaneous expenses (S\$500 per month)		6,000
Annual Expenses:		156,750
Net Income (before taxes)		S\$133,500

general restaurant rule of thumb—menu prices are approximately three times cost. Assuming an even split of profits between the couple, Oscar’s earnings are very similar to what he would be paid as an executive chef. Tracy is making more money than she could earn elsewhere (until, Tracy points out, she figures it on a per-hour basis!). Table 1 provides an estimated Income Statement.

What Next?

The question of “what next” is now on the owners’ minds. Having done so well during their initial year in an industry with a first year failure rate of 23% (RestaurantOwner.com, 2011), they appreciate they are living their dream, but feel that they have maximized their earning potential from the restaurant. When asked their future aspirations, both Tracy and Oscar responded that this remains a question they often ask of themselves. Their goal was to have their own place, and they have accomplished this. Oscar wanted his own kitchen, where he could cook what he wanted without someone telling him what to do or how to do it. He loves the freedom. In Tracy’s words, however, they have “created a monster” that now controls their lives and she feels that they have become “victims of their own success.” The couple sometimes thinks about expansion by moving to a larger location (no growth is feasible in the current shophouse), or even opening a second outlet. But each time they consider these options, they both envision the problems and the risks, financial and operational, and

decide to leave status quo alone, at least for the time being. The question of children is another that surfaces more and more often. Tracy jokes that she already has a child—The Black Hole—but at times she wonders how she and Oscar will work children into their lives. They also still consider themselves restive souls, both loving the experience of living and working abroad. How can they run Buko Nero and satisfy this desire, they wonder?

Tracy and Oscar have found that they work well as a team, but do have their differences. Tracy is quick to give in to any customer demand—too willing says Oscar. Tracy thinks that Oscar should interact more with the guests, pointing out that this was a major advantage of the open kitchen concept, but Oscar feels he is too busy and “too dirty” to be presentable in the front of the house, pointing out that he is not the “executive chef”; he is the guy in the kitchen actually doing the cooking. But they both say they have lots of fun together, often “laughing themselves silly” in the afternoons between meal times. However, one wonders, how healthy it is for a couple to spend every hour of every day together. Tracy admitted to wondering if the situation could affect their long-term relationship, but then just as quickly added that it was not a problem and points out the joy of “living their dream”.

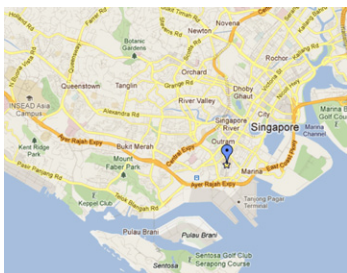
So, back home, at 1:30 in the morning as Tracy and Oscar turn in for the night, the question remains, “what next?”

References

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Appendix

Additional Case Facts and Details



Buko Nero is located at 126, Tanjong Pagar Road, Singapore, Singapore. The restaurant occupies the ground floor of a traditional shophouse in Tanjong Pagar, a restored section of Singapore’s Chinatown, one block from the city’s financial district. The restaurant is, one could say, cozy.

With a total square footage of 800 square feet, including the open kitchen where Oscar cooks in full view of his guests, the restaurant has but seven tables and a seating capacity of 20.



The exquisitely conserved area of Tanjong Pagar, on the fringe of Singapore’s Chinatown, has a wide range of pubs, bars and karaoke lounges housed in conserved but still quaint pre-World War II shophouses.



Oscar Pasinato and Tracy Ng Pasinato, Owners of Buko Nero



The interior: from a Straits Times review of the restaurant – “[The restaurant’s] philosophy is reflected in Buko Nero’s humble, homey set-up. Supported by a small kitchen, the dining area, with only seven tables and a maximum capacity of 20, looks more like a cozy extension of a living room where friends are invited to eat, than a restaurant” (Kerk, 01/26/01).