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Cohn Restaurant Group diversifies dining market while adapting to change

By **BRIE IATAROLA**, The Daily Transcript
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Restaurateurs David and Lesley Cohn know that for food lovers, Fifth Avenue in the Gaslamp Quarter has become one stop on a journey to gustatory bliss. That's why the husband-and-wife team that heads the **Cohn Restaurant Group** has invested so much into downtown's celebrated strip.



The Cohn family, from left, Jessica Cohn Feinman, David, Lesley and Jeremy Cohn. Photo: J. Kat Woronowicz for The Daily Transcript

Of the approximately 90 restaurants sandwiched between offices, independent boutiques and corporate retailers, four -- strategically located within walking distance from each other -- belong to the Cohn Restaurant Group. Diners often aren't aware of this, however, because the establishments differ vastly from one another in terms of menu, ambience and décor. This business tactic has allowed the private "multiconcept" company, which the Cohn duo founded in 1986, to secure a powerful position in San Diego's mushrooming restaurant scene.

"To me, restaurants are a point of difference," company President David Cohn said. "There was a time at which if you opened a restaurant you were simply busy because there was a huge demand for them. ... Today, there's tremendous competition.

"The Gaslamp is growing, and so is the number of restaurants," he later noted as he drew an improvised graph to demonstrate the change. "But there is a big divide because the guests aren't growing as fast as the restaurants. ... The risk-reward ratio is out of balance."

Resilience

Despite the risk-reward imbalance, the Cohns' business has thrived, thanks in part to the success of the night club Rox and a quartet of eateries downtown -- Dakota Grill & Spirits; Blue Point Coastal Cuisine; Gaslamp Strip Club; A Steak Place; and Mister Tiki Mai Tai Lounge. Observers such as Jimmy Parker, executive director of the Gaslamp Quarter Association, are cognizant of the company's dominating presence in the local food-service industry.

"The Cohn Restaurant Group has bought a unique variety in all of their concepts, from the south to the north in all of the Gaslamp Quarter," Parker said. "One thing I'm most impressed with is their ability to develop a stand-alone concept, though it's part of a restaurant group. ... I also think that their consistency in their ability to recognize and adapt to a changing market is their strength."

The company has acclimated to the city's transforming dining landscape in a number of ways, one of which is by purchasing and revamping established restaurants, and then modifying certain elements with hopes of generating profit while attracting a different crowd. The acquisition in March of Thee Bungalow in Ocean Beach serves as an example.

"We bought Thee Bungalow because we loved the tradition of it," Cohn said, noting that the eatery has been around for nearly 37 years. "What we're trying to do is take a real tradition and a restaurant that hasn't been trendy and, you know, bring some new energy. ... Tweak it a little bit so that it appeals maybe to a younger audience."

The Cohns' approach and their willingness to retain Thee Bungalow's work force cemented former owner Ed Moore's decision to sell the restaurant after 19 years of operating it.

"They wanted to keep the restaurant together," Moore said. "They kept all the employees, many of whom have been there for 10 to 20 years. They wanted a continuation of Thee Bungalow.

"I had other offers, and many wanted to turn it into something other than the Bungalow."

Past makeover strategies have proved profitable for the Cohns, whose budding restaurant empire extends beyond Ocean Beach and the Gaslamp to Hillcrest, Balboa Park, Little Italy, Harbor Island and even Maui, Hawaii.

"For a small organization, we come off as looking corporate, but we're really not," said Chief Financial Officer Lesley Cohn, whose son and daughter are involved in the company's daily operations as well. The Cohns also rely on the culinary expertise of executive chef and partner Deborah Scott and a work force of more than 800 employees to run the business.

"We don't have a large corporate group," David Cohn said. "One of the things that I believe has also helped us be successful is that we don't have a lot of overhead. We don't have a lot of debt. ... All of us in the office here wear a lot of hats. ... We outsource a lot, which is another one of our strategies.

"And we love thinking of ourselves still as a mom-and-pop business."

Which means that as long as Lesley and David, who are in their "mid-50s" and potentially could retire, stick around, the Cohn Restaurant Group will remain a private company.

"We've been very blessed in this marketplace, and I get to do what I like. And I get to make my own decisions," David Cohn said. "We've never had any interest whatsoever in going public or bringing in a lot of investors, because to me that means all of a sudden you can't do what you want."

Future endeavors

Though the freedom to take risks without justifying motives has resulted in an occasional flop (the late T-Bird Diner in Escondido, for example), the group's knack for diversifying its business and tapping into niche markets may explain why it expects to reap nearly \$40 million in revenues this year -- a figure that could increase in 2007 if plans to open another Strip Club, where diners grill their own steaks, are realized.

"We've just had an overwhelming response to the Strip Club concept," Cohn said. "... We are actively working on a location in La Jolla. We think La Jolla is the perfect market for a Strip Club concept, especially around the university and UTC."

Provided that California doesn't experience another "red meat scare" as Cohn said the state did during the early 1980s when the company was forced to close two meat farm stores, replicating this particular restaurant concept could be a wise business decision. According to the most recent data from the California Beef Council, beef servings in commercial restaurants increased nearly 10 percent from approximately 11.22 billion in 2003 to 11.3 billion in 2004. Furthermore, "there really is no high level of activity concerning cooking your own steak (restaurants)," said Ron Paul, president of **Technomic Inc.**, a Chicago-based market research firm that specializes in compiling data on the food-service industry.

"It seems to be a very, very small niche," he added. "There are several players across the country, but frankly I'm going to guess it's 25, maybe 50 at the max. So it's a very, very small category."

Though launching another Strip Club could undermine what distinguishes the company from other multiconcept operators, Cohn seems ready for the challenge.

"I think we have a reputation downtown, and I think many people in the area and our demographic know of the Strip Club," he said. "There's always risk involved, of course, but I think it's a pretty perfect location for us.

"We'll be operating it ourselves -- and each one will have a different feel to it."

Cohn Restaurant Group

Type: Private

Business: Restaurants, nightclub

Joint owners: David and Lesley Cohn

Web page: www.cohnrestaurants.com

Email: info@cohnrestaurants.com

Phone: (619) 236 1299

Date founded: 1986

Number of employees: 800

Notable San Diego restaurants: Blue Point Coastal Cuisine, Dakota Grill & Spirits, Gaslamp Strip Club: A Steak Place, Mister Tiki Mai Tai Lounge, Thee Bungalow

Estimated 2006 revenues: \$40 million

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