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PIZZAPALOOZA

Looking at a crowded, cutthroat market and saying, 'I want in'

By RALPH HEIBUTZKI
HP Correspondent

ST. JOSEPH — When Chivo's Pizza opened in February 2011, Tony Pedraza and his partners felt they had something special to offer – and word didn't take long to get around.

"Three months after we opened, the articles came out, people came in, tried us, and they were hooked," Pedraza said. "Those core customers from our first year are still our customers, five years later."

Pedraza said three other pizza places – Papa Murphy's, Passero's and Roma Pizza – left St. Joseph since Chivo's opened.

But word of mouth can sour quickly, now that customers can instantly voice opinions through websites like yelp.com.

"It's a cutthroat business, man," Pedraza said. "You get one bad review on these websites, and you see what impact it has that week, not just months down the road. You can also get a great review, and see what impact it has."

Instant feedback is among many factors that can make or break a new pizzeria – whether the owner hooks up with a national chain or starts his or her own business.

That's what Pedraza did at 22, when he opened Chivo's with Drew Truex, who is married to Pedraza's sister, Clara.

Pedraza was a veteran of 10 years in the industry, which he learned growing up in South Bend.

This year, Pedraza expects gross profits to break $300,000 for the first time, buoyed by a repeat customer base that he estimates at about 70 percent.

Pizza pie charts

Pedraza's comments carry a familiar ring to Chris Woodruff, chairman of Lake Michigan College's hospitality and culinary department.

"Everybody's very passionate and opinionated about their type of pizza, what makes a great pizza," he said.

Woodruff estimates Southwest Michigan's economy supports 100 chain- and independently owned pizza places. Berrien County has 30 – one for every 5,000 people.

"For every dollar of sales, about 30 percent is your food cost,"

Woodruff said. "Another 30 to 35 percent is labor, and the rest is everything else – light bill, rent, advertising – plus, hopefully, a little profit at the end of the month."

For Woodruff, the economics of pizza come down to the crust, sauce and cheese – which is where the biggest variations occur, and offer the best opportunity to make an impact in the local market.

Photos by Don Campbell / HP staff

TOP: A finished combination pizza from Chivo's in St. Joseph.
MIDDLE: Tony Pedraza, front, owner of Chivo's Pizza in St. Joseph, and John Winston, back, prepare pizza orders using only fresh ingredients. Chivo's has been open since February 2011, and Pedraza says many core customers from his first year are still the pizzeria's customers, nearly five years later.
BOTTOM: Pedraza removes a cheese pizza from an oven while handling dozens of orders during a Wednesday night shift.

"You have New York style, Chicago style ... a big trend now is the Neapolitan or Margherita pizza, where they're more artisan, small batch," Woodruff said. "So there's definitely a market, but you have to have your own niche."

Crust and sauce account for about 60 percent of the average pizza's cost, followed by cheese –

Why pie?

Pizza hits the spot for families on the go

By RALPH HEIBUTZKI
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The old bromide that bread is the staff of life may need an update.

Perhaps it's pizza's time.

"For the active family, pizza is the perfect food," said Chris Woodruff, chairman of Lake Michigan College's hospitality and culinary department. "It's easily made quickly. Usually, it can feed a larger family affordably, and people can get what they like on it. It's easy to carry, and it's easy to transport. For all of those reasons, that's why pizza's become such a popular food."

Ask Woodruff to explain how Southwest Michigan can support some 100 pizza places, and he cites several factors – starting with the appeal of pizza itself, which also coincides with an increasingly hectic society.

Tony Pedraza, owner of Chivo's Pizza in St. Joseph, adds layers of cheese to a pizza order during a Wednesday night rush. Cheese prices can fluctuate because it's a dairy product.

Don Campbell / HP staff

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whose price fluctuates because it's a dairy product, Woodruff said.

"Sometimes, the cheese can cost more than the sauce and the crust together. It's a higher-ticket item," he said.

Large variations aren't unusual, Pedraza said – such as last week, when he saw cheese prices shoot up from $2.35 to $2.75 per pound.

When that happens, there's no choice but to ride it out – which an owner can do if he's running his business properly, Pedraza said.

Weathering the storm

All things being equal, Woodruff advises new owners to plan on taking three years to turn a profit.

"That's why a lot of chains make you put up so much up front because you need a lot of money – and months – to weather the storm," he said.

Reserves are even more crucial if you go it alone since three out of four new independent restaurants fail in the first three years, Woodruff said.

"Independents fail, unfortunately, a lot more than chains," he said.

The margin for a successful owner-operator averages roughly 5 to 7 cents per dollar of sales after food, labor, rent and other costs are deducted, Woodruff said.

"We don't make a lot of money on every dollar, so we have to get all the dollars, and that's why repeat business is so important. Word of mouth is huge in our (hospitality) industry," he said.

For someone who's looking at buying into a franchise, LMC business instructor Joe Zwiller recommends asking one question first.

"Is the brand name and the efficiencies that you get worth it or not?" he said.

For example, many chains – like Dominos – allow customers to order online, to gain an extra edge in a crowded market, Zwiller said.

Conversely, an owner who opens their own business has greater creative leeway.

As an example, Zwiller cites Fire & Ice Pizza & Creamery in St. Joseph – which also sells ice cream and offers "a room in the back, for little kids," he said. "There's always a place for another business, if you can figure out an unmet need."