



The Economic Club of New York

119th Year
857th Meeting

Danny Meyer
Founder and Chair
Union Square Hospitality Group

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In-Person/Hybrid Event

Moderator: David Westin
Anchor, Bloomberg Wall Street Week
Bloomberg Television

Introduction

Chair Dambisa Moyo

Hello and welcome to the 857th meeting of The Economic Club of New York. I'm Dambisa Moyo, Co-Principal of Versaca Investments and Chair of the Club. I hope you all had a wonderful summer, and I look forward to an enjoyable and successful fall. I would like to extend a warm welcome to the students joining us virtually from Syracuse University, and to recognize the members of the 2026 Class of Fellows, a group of diverse, next-generation business leaders who are with us today.

The Economic Club of New York is proud to stand as the nation's leading nonpartisan platform for discussion on economic, social, and political matters. For more than 100 years, the Club has hosted over 1,000 preeminent guest speakers contributing to our tradition of excellence. We continue that tradition today as part of the Club's Author Series welcoming our distinguished guest, Danny Meyer.

Danny is the Founder and Executive Chairman of Union Square Hospitality Group, which he founded with the opening of Union Square Café in 1985. USHG has created some of New York City's most acclaimed restaurants, including Gramercy Tavern and The Modern, and founded Shake Shack. Its ventures have also expanded hospitality into museums, sports arenas, cultural institutions, and emerging neighborhoods.

A *New York Times* bestselling author and celebrated speaker, Danny is recognized for his approach to hospitality, leadership, hiring, and corporate culture. He is the Chairman of the Boards of both USHG and Shake Shack and has held leadership and board roles across numerous public, private, philanthropic and civic organizations, including the New York City Economic Development Corporation.

Today's program will feature a conversation on his latest book, *What Could Possibly Go Right?* May I just take a moment here to thank Random House. The people in the room will have noticed on their seat a copy of this book. Just to emphasize how amazing Danny's team and our own team here at The Economic Club of New York are, we've been able to get a copy of his new book, which has not yet been published. It will be published on September 29th, just in a couple of weeks. But these are advanced copies that you have, and I just want to thank Danny's team and our own team led by Barbara for making that possible, as well as to Random House.

Today's conversation will be moderated by Club Member, David Westin, Anchor of Bloomberg Wall Street Week on Bloomberg Television. We will have Q&A. The program will conclude promptly at 1:00. And as a reminder, this discussion is on the record as we do have media in the room and online. Now, without further ado, please join me in welcoming Danny Meyer and David Westin to the stage.

Conversation with Danny Meyer

DAVID WESTIN: Thank you very much, Dambisa. It's really great to be back with you all and particularly with Danny Meyer. As Dambisa just said, this is not your first rodeo. I mean you're already a *New York Times* bestselling author. You did this 20 years ago.

DANNY MEYER: It's amazing how much you forget in 20 years, though. I have absolutely no recollection of writing *Setting the Table*, publishing *Setting the Table*. But it's a big deal for me today to be here. And I do have to start by thanking Bob Steel who is not only a very close friend, but a remarkable board member of ours. Bob was the one that suggested we do this. And when I asked the date and he told me, I said, oh, my gosh, we should really do it September 9th or 10th next year.

And he said, what are you talking about? And I said, because the book doesn't come out until September 29th, what a horrible shame it would be. And he was the one that actually planted the idea, well, don't you think we could get early copies. This is the first time we have seen this book. And after three and a half years of working on writing it, it's a really big occasion for us. So I hope you will enjoy reading it. I hope I don't say anything today that's going to make you not want to read it. But, yes, *Setting the Table* came out exactly 20 years ago.

DAVID WESTIN: Which makes my next question difficult because you said you don't remember anything from *Setting the Table*, because my next question was what's different? I mean what's happened in 20 years in your world, in the restaurant world, in Danny Meyer's world?

DANNY MEYER: First of all, everything is different. But here's what I do remember about writing *Setting the Table*. I didn't have a laptop. I didn't have a smartphone because nobody had smartphones until after *Setting the Table* came out. That meant that we didn't have apps. We didn't have write apps. We didn't have social media. So I wrote this book longhand. I wrote *Setting the Table* longhand on yellow legal paper on airplane trips. I was on the board of a company called Open Table really since it became a seed company back in 1999 all the way through its becoming a public company in 2009, the first company that went public after the Great Financial Crisis or during the Great Financial Crisis. But I remember that part of it, but I really don't know how I wrote it, because this one was so much harder to write. I don't think that one took three and a half years.

But here's what has changed the most, besides all the things I just said. Life is, for all of us, moving at such a dramatically faster clip because of social media, because of now AI. Obviously, we didn't have that. The ability to divide people and to group people has never been greater. So a big thing that I wanted to write about this time, *Setting the*

Table was my opportunity to talk about what I have learned about the power of hospitality, the way you make people feel to really drive business success.

Now, I'll just take a minute on that. I've always felt just a wee bit like a business imposter. Still do, to a degree. But I really felt like that 20 years ago. And I wanted to ask myself how is it, and this really dates things, is anyone here old enough, like I am, to remember the Zagat Survey? I got a laugh over here from Peter. Okay.

The Zagat Survey was the annual report card we would get to tell us how we were doing in really four different categories – food, decor, service, and then there was another category called New York's Favorite Restaurants. And it came out every year, mostly early November so they could get the Christmas stocking list, stuff like that. And every year that book would come out, Union Square Café, which was my one and only restaurant for the first ten years of my career before opening Gramercy Tavern, kept rising on the list of New York's Favorite Restaurants up to the point that when I opened Gramercy Tavern in year ten, Union Square Café was New York's third favorite restaurant.

A hundred percent of the restaurants beneath us in the Top 50 had either a higher food, decor, or service score. Now, we were doing well, but this imposter thing was kicking in and I said, what is this? And I finally got it. And I said, Zagat should be asking for a third column in addition to food, decor, and service. They should have an H for hospitality.

And I thought I was so smart. I called Tim Zagat on the phone. And he said, that's fine, thank you, Danny, we already have S for service.

And I said, but I really think, and then I stopped myself. He didn't need to be convinced, but I needed to be convinced that service and hospitality were two completely different things. And the reason that Union Square Café, and then later Gramercy Tavern, and those two restaurants, by the way, vied for number one or two, they had what we called a sibling rivalry. Eight consecutive years, one of those restaurants was one or two. And then Shake Shack even made it to number three one year. Eleven Madison Park and Tabla were in the Top 10 for New York's favorite.

We never had four of the Top 10 for food. We did well, but we never came close to that. And that's, I just said to myself, service is a great word. We need great service. But service describes the technical delivery of the product. It has nothing to do with the emotional way it felt to receive that product. And hospitality was the way we made people feel. So that was my great unlock with *Setting the Table*. And it worked well enough over 20 years that we started growing.

When I wrote *Setting the Table*, we had just opened The Modern. Now it's a Two-Star Michelin restaurant that's busier and better than it's ever been. When I wrote *Setting the Table*, there was one Shake Shack. Now there are over 700 in 24 countries in the world.

And so then I started grappling with a problem that in a way *Setting the Table* created for me, which is I had zero experience when it came to how can you, as you grow the business, make sure that you are also scaling excellence, a culture of excellence and hospitality at the same time. Because I think we all know the road is littered with businesses that kind of lost their way and they lost that something special.

And it's been a tight-wire act to figure that out but that's what gets me excited every single morning is, I'll finish with this because I hope I'm answering your question but I'm going on and on. But if you're in the food industry and, by the way, these ideas are not just for the food industry. That happens to be our laboratory for where we learn this, but just like you we have employees and customers and investors and suppliers and the community in which we do business. But if you're in the food industry, whether or not you go to McDonald's, you would have to say that in the history of restaurants probably no one did more to systematize the technical delivery of the product than Ray Kroc did. That's why french fries will taste exactly the same in any country, any state that you see a McDonald's.

I wish I could say that was true of Shake Shack. I mean our burger, our meat is always better than theirs...shush...But I will tell you that it may not be as consistently delivered because everything is made by hand. And it's not that we don't focus on always improving the technical delivery of our product. I want our fries to be golden brown and

seasoned exactly the right way in exactly the right temperature every time. Frankly, they're not. Does that keep me up at night? I'm embarrassed to say it does not. What keeps me up at night is I hope, you know, some 50 years from now someone will say that what those guys did was they helped to systematize an uplifting culture of hospitality.

And what does keep me up at night is if you go to a Shake Shack or you go to The Modern or Manhatta or any of our restaurants, that you would say I felt a very consistent level of hospitality. The food was really, really good but the thing that made me fall in love with it, and this is why we learned that we were always winning as New York's favorite, is that if someone says you're their favorite anything, you have to be doing the thing you do really well and you have to be doing it in a way that makes people feel like you're on their side, like they belong. And that's that we focus on more than anything. And it's a tall order to say if you go to Shake Shack in Dubai you will actually feel our thumb print there. Or if you go to a Shake Shack in Marin County, California, you will feel our thumb print there.

So that's why I wanted to write this book is because I wanted to learn what was keeping me up at night. And I wrote it selfishly to get the ideas that had been intuitive for me down on paper, or whatever I was writing on this time, so that I could then be intentional about it and then teach it to our team.

DAVID WESTIN: So this is The Economic Club of New York and most people are here for stock tips. Right? So now we're going to continue to stock tips. Because you tell a story in the book about being out with Jim Kramer, and you go on, and he puts up some publicly traded food companies, and said what's the best investment? And as I read the story, you relied on hospitality to answer the question.

DANNY MEYER: Yes, so Jim loves good restaurants. And I had gotten to know him through the years because he loves coming to our places. And this was right before the great financial meltdown. And he invited me to go on his show and I was too stupid to ask what he wanted to talk about. I didn't at that point have a great PR team at USHG. I just said, great! And they even sent me a card to go out to wherever that is, Teaneck, wherever their place is. And without asking any questions, I see that his producer says, okay, you're all miked up, you've got three minutes to go on stage, but I just want to show you what Jim is planning to do. So I had three minutes.

And they had a cart, like the kind of cart that's on wheels, and on top of that cart there had to be eight plates of food, and I could see what it was. There were no signs, but there was a lobster, it was clearly Red Lobster. There was a bowl of mushy spaghetti. It was clearly Olive Garden. There was a Big Mac. I knew what Big Mac looked like. There was a burrito from Chipotle. I knew what that was. There was a steak, and I kind of assumed it was Ruth's Chris but I wasn't sure. And I'm missing about three other things.

There was a taco from Taco Bell as well.

And Jim Kramer, who had read *Setting the Table* and loved it, gets on and he goes, Danny Meyer, the impresario from Union Square Hospitality Group. I want you to help our investors know which of these public company food businesses they should invest in now, purely based on how it tastes.

And at this point, I had come directly from The Modern, and one of our guests that day, who is now one of our board members, Clarence Otis, at the time was the public company CEO and Chairman of Darden, two of whose restaurants were on that thing. And I'm going, you're not going to say anything bad, you're not even going to taste their food. And then I looked at all the food, now keep in mind the producer had gotten it from the restaurants, it was probably three hours old. I didn't want to touch any of it.

But I came up all of a sudden with this idea, and I said, you know what, Jim, I don't even need to taste any of them. And I picked up the burrito from Chipotle and I said, if you're asking about a stock tip, let's put taste aside for a minute. We all like eating these. But the real reason to invest in this company is that they practice what we call enlightened hospitality where they create a virtuous cycle where they put their employees first as the input believing that that will then lead to greater customer satisfaction, believing that that will actually lead to a bigger top line with which they can take care of their community,

care about all their supplies deeply, and I think that's going to lead to the best investment outcome.

So that's all that happened, except for about three weeks later, I get a call from Kramer's producer saying the Chipotle stock just took off like a rocket. Kramer thinks it's because of this theory. He wants you to put together the Meyer Hospitality Index, and he's going to have you back on in some period of time. So this time I knew what it was. I did it. And I came up with a market basket of, I think it was 14 companies. Goldman Sachs was in there. Build-a-Bear Workshop was in there. Costco was in there. Salesforce. I think American Express was in there as well, Southwest Airlines.

And I was looking at companies that cared deeply for their own employees, which is what my thesis was. And stupidly, I did not invest in one of those businesses at the time, but I do get a call from Kramer's people. Do you realize that you've outperformed the S&P by 300%? And this was now after the Great Recession started. So that's what happened. And that then became the thesis that we put to work with our internal private equity fund which is called Enlightened Hospitality Investments. And that's the kind of businesses that we look for although they're not public yet.

DAVID WESTIN: It does strike me, in reading your books, I mean you're in the ultimate – I would say – consumer-facing business. Typically, when one talks to a CEO of a

consumer-facing business, they talk about brand. You don't talk about brand much at all. You talk a lot about culture. Throughout this book, you come back to culture and you work on it and you refine it and you change it. So give us your sense of how culture drives your company.

DANNY MEYER: Well, first of all, I think culture is our brand. And I think culture is any business's brand because culture drives how anybody feels when they relate to any one of your stakeholders. And so that is our brand. Do I talk a lot about brand in the classic marketing sense? No, I don't. You're right. But I think something that was really important to me was to get, to level-set with people on our team, and I do it in the book.

What do we mean when we say culture? Because everybody says culture is important. I've even heard people say we need to work to have a culture around here. And you don't need to work to have a culture because culture essentially, I come up with my own definition in the book, which I'll share in a moment, but culture at its core is how we do things around here. You don't have to work on that.

My next-door neighbor, growing up in St. Louis, had a family culture. And I knew it because I would always, my mom wouldn't let me have an afternoon snack, so I always went to their house for the afternoon snack, and I watched their family culture. Dad screeching into the driveway at 5:02. Made himself a cocktail. Started asking the kids

how their homework was. The dog starts barking. Someone gets in trouble. Time to go, Danny. They had a culture. Was it intentional? I don't think so. Was it uplifting? Not really. Mr. Sternbergh, nice to see you. This man is singly responsible for helping us restore Madison Square Park without which there would be no Shake Shack, so thank you for that.

So what is culture? Culture is the way we do things around here. Culture is also what happens when the boss is not in the room, or the founder is not in the room. Because that means that there's an intention behind how people are expected to behave to uphold the way we do things around here. So I came up with my own definition in this book because we can't scale culture if we don't all agree on what we mean when we say culture. And my definition was that culture is the sum of all of the wanted behaviors that we celebrate minus all of the unwanted behaviors that we tolerate. That's our culture.

And when you read the book, you will see that this book could have been called The Mistakes of Meyer because it's mistake after mistake after mistake, lesson after lesson after lesson. But amongst the many lessons that I learned, and you can come along with me for the journey – sometimes it's fun, sometimes it's not fun – is probably the biggest mistake was permitting too many unwanted behaviors to languish in our organization for too long.

And as a manager, leader gaining experience over these past 20 years, it was all too common in our business for me to say, you know what, she is really the best pasta cook we've ever had. It's okay, we'll look the other way when she's skunking up the way it feels to work there. It's not okay. Or, you know, this guy is a great culture carrier. He's not the best cook we've ever had, but he's so good for the culture, let's keep him. Not good. And sticking sometimes with things that I knew were wrong long after I knew they were wrong is one of my great learnings from the book.

Another great learning, I say from the book because the book was me taking my own personal therapy session. A great story, but what did you learn from it? And that's really what I tried to do.

DAVID WESTIN: So let's go to the title of the book, *What Could Possibly Go Right?*, because you just said there are some instances in here that you would not necessarily say it went right, I think it's fair to say. And you're very honest about where it went wrong. So why did you pick this title, and how does it fit with the times that you decide that you really didn't handle it the way you wish you had?

DANNY MEYER: Well, the through line I'll share with this group, and this is my first book talk, so you have to tell me how I'm doing here. But when I handed in the book proposal for this book, the book proposal was called *Gut Check*, which after about three

weeks I said not a good title for a guy in the food business. Okay.

But the reason that I initially thought that is that every single day we are all faced with decisions. Do I go left? Do I go right? Should I do this deal? Should I not do this deal? Should I hire this person? Should I fire this person? Should I close this restaurant or should we keep going for a while? So many. And a big thing that I have learned about myself is that while my gut does not have 1000% batting average, it has a higher batting average than this part of my brain in many, many cases. And learning to listen to my own gut has been something that I've learned.

So in terms of things that I hung in with too long, there's several of them in this book. And by the way, it can be a conversation. If I've learned one thing, if the answer is no, the sooner you tell someone that, the better. People do not like waiting a long time to get a no. The title came to me because I realized that through every one of these stories, through every one of these decisions, the ethos that as a leader that I bring every single day, is what could possibly go right? It's an ethos of starting the day with optimism.

I just don't think, we've had many bad ideas, and that's why not only the title of the book, but if you look at the graphic, there is not a straight line between point A and point B for any of us. Whether you're in business, whether you're a sailor, you know, you go

up, you go down, you go up, you go down. But at the end of the day you want to make sure that over time you were headed up and to the right.

And the up and to the right part has always been because of an optimistic approach that this could turn out well. And any great idea we've had, all the things that have worked out well, none of them, not one of them ever started with the question, well, what could go wrong here? I'm not Pollyanna. You will see in this book a lot of things have gone wrong. But none of the great things, and the Shake Shack story is a really great example of it, you know, starting as a hot dog cart in the middle of a park that no one wanted me to put in the effort to restore. And then no one on my team wanted me to bring art to the park.

We had two restaurants by this point overlooking the park, which were Eleven Madison Park and Tabla. And, like, why do you want to get distracted doing a hot dog cart as part of a piece of art for the park? What could possibly go right? Well, who knew that that was going to lead to Shake Shack in the park? Who knew that that was going to lead to a public company that has created more upward mobility for more people than I ever could have dreamed possible?

But Shake Shack is not the only story where that approach, now, look, if I'm getting on an airplane, I hope that there's a team that's actually asking, tasked with what could

possibly go wrong? Right? I want every one of those bolts as tight as they can be. And I think that in any of our businesses, it's crucial to have a team. Look, we hire people who self-inspect all of our restaurants for food safety. We have to. We have to have someone who is thinking about what could possibly go wrong. But they don't run the company. They perform a function in a company whose ethos is imagining what could possibly go right.

And I believe that today, maybe more than ever, there is so much pessimism and cynicism and negativity out there about so many things, it's not a bad thing if a whole bunch of us start our day by just asking that question. The power and influence in this room to go make the world better by starting your day with what could possibly go right, it's breathtaking for me.

DAVID WESTIN: Which is a wonderful positive, optimistic message. But for people who run things, who have to make decisions, it's always occurred to me you can try too much or you can try too little, and you can make a mistake either way. If you simply come in every day and say, yes, let's do it all, you're going to be in trouble. If you come in and say, no, nothing's going to work, you don't get anything done. So as a manager, as a leader, how do you figure out how many chances to take and which ones to pass on?

DANNY MEYER: One of the lessons that I write about in the book is that I was really, my own father went bankrupt twice when I was growing up. And this book, I'm going to back up one second, people ask me all the time, is there anything that you would change about *Setting the Table*, which is now 20 years old? And my answer is that 100% of the ideas have stood the test of time because we use them.

However, there is one thing I deeply regret writing in *Setting the Table*, and it's right in the opening paragraph in which I proudly proclaimed that in 25 years we had opened 11 restaurants and never closed one of them. And because my currency at that time was that closing a restaurant is failure and that will equate me to going bankrupt like my father, and I just was going to do anything. And so a lot of the times, and that's why this book opens with closing my first restaurant, Tabla, because I wanted to set the record straight that nothing is immortal, as much as we would all hope that it would be, nothing is immortal, and that you can really learn a lot through your failures.

And there's a whole chapter in here called Failing Up. I've heard the expression and I've finally gotten comfortable with it. I don't open a restaurant hoping that it's going to close. We open restaurants hoping that they become essential, that people's lives get better because that restaurant existed. And if it closed, God forbid, that people would miss it because they would have said something went missing in my life.

But it's okay to close businesses. But by not feeling like it was okay to close businesses, I was also holding myself back from taking the kinds of risks that could lead to failure. Why did it take ten years to open my second restaurant, Gramercy Tavern? Why did it take five years to open a second Shake Shack? I didn't want to fail. I'd say today I got that, you know, that voice off my shoulder to a degree.

But remember the very first thing we spoke about, which is that we want to grow when we believe we can do so at the same level of excellence and hospitality. And it's a really fun problem to try to solve, which is how can you open a restaurant further and further and further away from what I did when I was at the front door of Union Square Café every day for ten years of my career where I could see every guest, shake every hand? How can you do that in other cities? Shake Shack doesn't have maître d's or waiters or sous chefs or pastry chefs or tablecloths. That's much more of a system. But how can you do that with a fine dining restaurant? Now we're starting to experiment with that.

DAVID WESTIN: So let me take issue a little bit with one thing you said. You started with Tabla and how difficult that was when you had to walk down to tell them you were closing it. And you said you closed the restaurant. Then you talked about it as a failure, but later in the book you have a communication from someone. You'd done; I think a podcast. Was that what it was, where you talked about closing Tabla as a failure? And he wrote to you and said, wait a second, it was not a failure at all, and had an amazing

recitation of the experiences he had had with his family at Tabla. So closing a restaurant isn't necessarily a failure.

DANNY MEYER: You're not taking issue with me. You're agreeing with me. That's exactly right. I think that for me what a failure would be, would be to open something that didn't at least have the potential to find its way into somebody's heart. And that's the business we're in. There are great businesses that help other organizations gain mind share. And that's crucial, you've got to have customers.

I believe that hospitality, which is what I largely wrote about in *Setting the Table*, has been our greatest tool for gaining heart share. And that's when people fall in love with the place. And then when you gain heart share, it does all start with mind share. If you've never heard of the place, you're not even going to go there. But once you go there, then we want to earn heart share through our hospitality. And if you do that often enough, I think you have an opportunity to gain what we call essentiality. And for me that is the Holy Grail of the "why" that we get up every day. And many of our places have done that. Not all.

There's not a day that I walk out of my house in Gramercy Park that some neighbor doesn't say so when are you going to bring back Maialino. Maialino has been closed since March of 2020 when the hotel closed due to the pandemic. That restaurant was

essential. People miss it.

We had a restaurant at the Whitney Museum called Untitled. Notwithstanding a name, I wish I hadn't called it Untitled, I've never heard one person say when are you going to reopen Untitled? And we tried, but it just was not an essential restaurant. So I think that the story that you're referring to that's in the book is that the failure isn't a failure to be immortal. The failure would have been if Tabla had not gained the amount of mind share. And this person wrote like a four-page letter telling me all the life experiences that never would have happened in his life had it not been for that restaurant.

That's the great thing about what we do is that we're a stage for life. We don't even know, like a scintilla of all the life stories that happened at the tables in our restaurants. Sometimes they're bad stories. People break up. Sometimes they're great stories. People closed a deal or met the partner of their life or whatever. But it's just, the fun thing about writing a book for me is it forces me to have the discipline to get stuff out of my heart, out of my mind, put it down. Then I can make it intentional.

And this one truly, and I give my editor a lot of credit for this, because he just kept pushing the hell out of me saying, okay, that's an interesting story but how did you really feel? What did you really learn? And if you share that stuff with people, then they get to come along on the ride with you and maybe take some stuff themselves.

DAVID WESTIN: So let's spend a minute or two on the future of restaurants, and we're going to open it up for questions so people should be thinking about questions. But start with tipping. You took a hard run at doing away with tipping. For various reasons, it didn't happen. Can you look forward to a world in New York City, as opposed to Europe or some place, where in fact we don't normally compensate by tipping? Because one of the things I learned from your book was that whole initiative was as much about the back of the house as it was about the relationship between the diner and the waiter.

DANNY MEYER: Yes, we did take a hard run at it, five years. We started a program called Hospitality Included in 2015. And I started it because, two things. I don't want to give you guys too much of an economics lesson here, even though we're...what's this? (Laughter) But in New York State, and this is the case in most states, the state regulates labor law. And when it comes to tipping, in New York State it's legal for waiters to share tips amongst waiters.

So when you leave a tip at a restaurant, generally that tip is being shared between the waiter, the busboy, the bartender. It's called pooling tips. It's illegal for those tips to be shared with anyone in the kitchen. Or as New York law puts it, which is insane, anyone who did not spend 80% of their time in a guest-facing role. Okay, so if someone spends 78% of their time in a guest-facing role, the owner of the restaurant can end up in the *New York Post* the next day for stealing money from waiters. It's really a recipe for

unhappiness and really costly. Costly is the litigation quite frankly. So those are the laws.

What does that mean? What that means is that over the course of my career, in the tipping system, what is a tip? It is a multiplier of the menu price. Everyone would like to believe that it is the customer's way of imposing meritocracy on the quality of service and hospitality they receive, but it's not. Raise your hand if you feel like, if you're a 20% tipper. Raise your hand if all of you 20% tippers, if sometimes you give 17% to punish how slow the food was. Thank you, Fred. Okay, most people don't do that. You can see for most people what you tip is just what you tip.

So the big picture is the tip is a multiplier, percentage multiplier of menu price. And what does that mean? That means that every year menu prices only go up and the good news for tipped employees is they get to make more money every single year. The people who are paid an hourly wage who are not eligible to receive tips stay relatively stagnant. And you may say why don't you just keep raising, correspondingly raise their hourly pay? Great, we've done that. Every time we do that our menu prices go up and the disproportionate raise continues to go to tipped employees.

So I got so tired of that system because we started losing great cooks. There came a day, we had a restaurant called North End Grill, which was almost essential. It was a

nine-year-old, great restaurant, not the best location. And one day I was so proud because the general manager came to me and he said do you realize that nine of our servers – I was complimenting, I said the service has really gotten good here.

And he said, well, do you realize nine of our servers are graduates of the CIA. And for those of you who are here, I'm not talking about Langley. This is the Culinary Institute of America. And those nine students had gone to school, paying a lot of tuition to become chefs. They could not afford to be cooks and live in New York City. And the only way they could pursue a career in the hospitality business was to be servers. They're living three or four to an apartment.

And that's when I said that's it. That's it. We can't change the tipping rules, but we can get rid of tipping. We instituted Hospitality Included, whereby your menu price covered everything. It didn't only cover the tablecloth and the chicken and the shrimp and the flowers and the health insurance and all that stuff and the cooks' salaries. It also covered what we pay our servers.

And we took it a step further and we said while we're at it, let's be really comprehensive, let's throw in a Family Leave Plan, the gold standard of our industry. Let's throw in, let's actually give a raise to all of our managers. Because another problem with tipping is that waiters cannot afford an upward mobility career path because they would have to take a

25% pay cut to be a manager. So let's raise our managers as well so that waiters can now do this. It felt really, really good philosophically.

Most of our guests actually came along for the ride. They loved not buying their coat back from the coat checker at the end of the meal. Some said how am I going to buy a table when I come in? I said, you don't have to buy a table. Some said how am I going to punish bad service? I said the same, you're not going to punish the bad service by leaving a crappy tip. You're going to come tell me or come and tell the manager. We're going to make it right for you. Because you're not actually punishing that server, and the server may not be responsible for why the food took too long.

But what didn't work after five years, and we did retire it right when Governor Cuomo made it legal to open restaurants on the sidewalks. Remember those days? Like you can have eight tables on the sidewalk. Nothing inside. Eighty percent of our staff had left probably the city. We could not hire anybody back if we didn't have tips. And it was also really embarrassing to tell all of our guests you may not say thank you to that server, and to tell our server you may not accept that gratitude. And so, put up the white flag.

When we brought back tipping, which we did in 2020, we instituted something new, and I feel very good about it, mostly. And so in addition to our servers all being able to

collect tips, we now pay a percentage of our sales from each shift to all of our tip non-eligible employees. So if you ever worked in a restaurant, you have a cranking Thursday or Friday night, and the waiters are all counting their money and the cooks just perspired more, our cooks are now incentivized. They do better themselves. And it's working great.

My ultimate solution, and this is actually how I met Deputy Mayor Steel many years ago asking about this very topic, which sadly was not a city topic. It was a state topic and a federal topic. But the real answer is that it should be legal for tips to be shared amongst everybody. And why that perpetuates itself is beyond me, why we think that the person who made your risotto and shaved truffles on it shouldn't make more money when the waiter just made an even bigger tip because of those truffles for bringing it out to you.

And I don't want, I mean waiters are doing hard, emotional work. Their job is to host you. It's a very different job than the guy who cooked your food. But I can't say one is, it would be like on a football team that we pay the offense 60% more than the defense. And now imagine having a half-time meeting and there's such a disparity in pay and we're trying to win the game. And we are teams, we are a team sport as well. So we're getting there.

DAVID WESTIN: Okay, I want to open this up for questions but one more before that,

okay. And then everybody can think about your questions so we can get to you quickly. But essentiality, that is a theme through your book. That's what your quest is, the story of Kaitlin, because I find it a remarkable story. It's at the end of the book.

DANNY MEYER: Right, so probably my favorite chapter of the book, Essentiality, which you heard me talking about for a minute. We want this heart share to lead to essential restaurants. And I think all of us should feel like that. You've had essential teachers in your life, right, where you say my life got better because I had that teacher. You've had essential bosses in your life. You've gone to restaurants that are essential. You probably have essential songs in your life where there's something about those songs that every time you hear it, you just feel better. And you can't even imagine your life if that song had not been written. That's our goal. It takes people on the team all pulling in the same direction because of the culture that we foster to make that happen.

Well, literally as I was just about to hand in the final manuscript to my editor I got the most beautiful email from Kaitlin. And thankfully there was time to get it into the book at the very last minute. But I'll tell you the story.

So Kaitlin wrote me and she said I'm not sure you will remember me because I had to leave when our restaurants closed during the pandemic. I was our lead reservationist, and I'm the one that took the call from the woman who was making a reservation for a

Saturday night, and in the midst of the call I sensed that something wasn't right and I got the woman to keep talking enough to give me her address. And I called 911 because it seemed to me something was terribly wrong. That's what happened. 911 came. The woman was having a hemorrhagic stroke which Kaitlin picked up just by virtue of this woman making her reservation. Saved her life.

The woman lost her ability to speak. It's called aphasia. But throughout her life, for the remaining, I guess five or six years of her life after that, had gotten enough therapy that she was able to speak again. And she was able to speak enough to call Kaitlin with whom she had stayed in touch to thank her for her life and to tell her that...oh, man, it's going to get me all choked up again just talking about this...that she wanted to leave Kaitlin in her will so that Kaitlin could go to school to teach people how to get beyond aphasia.

And when Kaitlin wrote me that story, I said this was not a restaurant job. This was an uplifting job that truly illustrated the culture, the uplifting culture of enlightened hospitality that we work so hard to do. And I asked her permission to include it in the book and she said you're on.

DAVID WESTIN: A very powerful story.

DANNY MEYER: That is essentiality.

DAVID WESTIN: It certainly is. It certainly is. This is great, but I do want to get to everybody in the audience that wants to ask a question. I think we have microphones. Do we? Yes, right behind you. It's coming to you right now. If everyone could identify themselves, that would be very helpful.

QUESTION: Sure. Thank you, David. This is Bal Das from BGD Holdings. I thought this was wonderful. I'm curious to get your thoughts. The heart of your story is humanity's love for food, and the heart of what you aspire to is the heart share. When you see that part of the narrative and you're thinking about a debate that is floating through our society, changing at times, on AI, and how it is changing the fabric of that heart share human interaction, I'm curious to get your thoughts. Have you thought about that?

DANNY MEYER: I think a lot about it. Yes, thank you. I think about it every single day as I think we all should. With respect to our business, there are some, I'll start with what could possibly go right, because I tend to think about that. Hospitality, I have many, many definitions for it, but I feel like hospitality is when you customize service.

Service is the way we should be doing things consistently for everybody. Think of it as off-the-rack. And there are great off-the-rack brands. Hospitality is made to order. It's

how do we do this thing for you specifically. And already this was the case when it was only the internet. But it's inexcusable for us to not know more things about our guests so that we can have the opportunity to customize the hospitality experience for them. And we are putting that to use in a really, really good way.

The challenge is, and the other opportunity is that again taking what the internet did, and now to some factor I can't even imagine, artificial intelligence, machine learning is making it possible for all of us to know stuff. Not just about people but about everything. And the more we know about more things it levels the playing field of knowledge. That says nothing about how you make other people feel. Nothing.

And so I think that for businesses that care about how their stakeholders feel, beginning with the people who work there, to drive greater success for their customers and their community suppliers and investors, I think, if anything, the currency for hospitality is at an all-time high. Because my feeling is if you can take a picture of the thing with your phone, it can and will be copied. But you cannot take a picture of how I made you feel. And it becomes, that becomes one of the great defining competitive advantages, as a boss, as a brand, as a company, whatever.

And then the other thing that I think about a lot with AI is that, and I think it's kind of related to what I was just saying, but we've never, in the history of the world obviously

had more connectivity than we have today. Never. And yet, how is it that we've never had less connection, less human connection. And so I think that businesses that can find a way to marry connectivity with true human connection are going to be the ones that do the best. And so the first thing you're going to hear me say is we use AI as a tool to help advance our human connection.

You know, to this day, not just me but probably 30 people in our company get a report or two every single day of who will be dining in our restaurants tomorrow. And a lot of it is AI-generated, but now it has to turn into human connection to actually do something with that information. At the end of every day, actually I see this first thing every morning, the manager of every one of our restaurants writes a report on what happened at every single table, the real human experiences that happened there.

And does that take discipline and time to read all that stuff? You bet it does. But it gives me the opportunity to take connectivity and turn it into connection. I never know who I'm going to run into in an airport, at one of our restaurants, on the streets in the Flat Iron District. But it sure is a nice thing when I can genuinely say thanks for going to The Modern last night because I know you were there. And I can even take it a step further if I want to and say, you know, how was the sturgeon, because that was right in the report. That's using AI but AI didn't do the connection. It just provided the connectivity.

DAVID WESTIN: I think we have time for another question.

QUESTION: Kind of staying with that theme. My name is Matt Harrigan. I'm a partner at a venture capital firm. I have vivid memories of my parents, my father in particular, when I was a kid, on Thursday night leafing through Zagat's and calling out restaurant descriptions to my mother and saying does that sound good, does that sound good? And then they would book it for Saturday.

But I think the use of AI bots to gobble up restaurant reservations and the difficulty therefore for the less technologically inclined or people who just don't have sophisticated agents running to just get access to these great restaurants, and kind of the tiering of who has the access dictates who gets the good food and the good experiences seems kind of rotten. I think a lot of people feel that. I'm curious what you think about that, generating access for all people to your world-class restaurants.

DANNY MEYER: I agree with you. There's not a whole lot I can add. I think what you just described is the experience a lot of people had. So the Zagat Survey was the first and best opportunity for discovery. Where should we eat tonight?

I was a seed investor in Open Table back in 1999. And what I loved about it was it was going to give me the opportunity to provide customized experiences because I had an

electronic reservation system where I could keep data on people. But we never used Open Table as a way to keep people out. We used it as a way to bring people in.

When Open Table was acquired by PriceLine, we invested with Enlightened Hospitality Investments in RESY. And then when RESY was acquired by American Express, we invested in SevenRooms, which then got acquired by DoorDash. Kind of running out of these things. But the ones we will not and have not invested in are the ones that are selling access. I'm totally with you.

I think it's probably the greatest reason that you've seen such a proliferation of private members clubs throughout New York City is that people are fed up with, if I have to buy the reservation anyway, why don't I buy a membership where I'm assured that I can get in without a hassle whenever I want to. But what we love more than anything is when people become regulars at the restaurant and they want to dine there more and more frequently.

And for anyone who says I don't know how to get into a restaurant, I'm tired of this game, most restaurants these days, and Union Square Café kind of went first in 1985, but most good restaurants these days have dining at the bar. And most of those restaurants don't make you reserve for the bar. So I always tell people, if you really want to go to a restaurant, go to the bar. Give it a try. If you really like it, tell the

bartender how great it is. Say I want to meet the chef and say thank you for how great this was. I want to tell the maître d' how much I loved it. Restaurants are people too.

People who work in restaurants have a huge need to be loved. And then it doesn't take more than, and then as you leave just say I want to come back here next week, can you help me? You're in. And now all of a sudden, you're well on your way to becoming a regular. You've won the first two rounds of the tournament and you're now in the Round of 16. So there you go. So that's what I tell people. But I'm with you 100%. I think it's obnoxious selling, scalping, right? Because we have a value proposition that we think is right on our menu. And if now someone else is pocketing money and putting our value proposition askew, it's not really good for any of us.

DAVID WESTIN: Okay, Dambisa promised that we'd get out of here at 1:00 so I don't want to get... with the new Chair. So thank you all very much for being here.

CHAIR DAMBISA MOYO: That was absolutely fantastic and what a way to start our fall program. Thank you both for your time today and such an insightful conversation. I am pleased to announce that we have a robust lineup of speakers on the calendar for this fall. If you turn over your programs at your seat, and for those of you on Zoom you can refer to the screen to see what is ahead. And I just again want to thank Barbara and her team for what is an incredible next few months.

We have on September 16th, William Cohan, Financial Journalist, will be here talking about his work. On the 24th of September, on Thursday, I'm delighted to announce that we will have the President of Argentina, President Milei will join us. September 28th, the Honorable Kevin Hassett, Director of the White House National Economic Council, will be with us. David Booth on September 29th. He's the Founder and Chairman of Dimensional Fund Advisors. I'm sure many in this room are familiar with his amazing work and career.

We have Carla Harris interviewing Alan Guarino, the Vice Chairman of Korn Ferry in other Author Series on September 30th. We have Beth Ford, President and CEO of Land O'Lakes, a phenomenal mind. I'm pleased to serve with her on the board of Starbucks. She does a phenomenal job on issues of food security. She'll be here October 6th.

Peter Orszag, CEO and Chair of Lazard – I think I saw somebody from Lazard during the drinks reception – will be here on October 8th. We then; on October 19th. I'm not going to go through everything, because we've got so much coming up, but on October 19th ahead of the midterms we will have a discussion between David Axelrod, Former Senior Advisor to President Barack Obama and Karl Rove, Former Senior Advisor and Deputy Chief of Staff to President George W. Bush.

Please be sure to check the website and your emails for updates in the coming weeks as we have a few more shaping up. And as always, we encourage you to invite guests to our events.

Before we close, I'd like to take a moment to recognize the Centennial Society members who are with us today. Nearly 450 of our members have committed to the Centennial Society and their generous contributions continue to support the financial foundation of this Club. Thank you everyone for joining us. For those participating virtually, please make sure you buy your books, buy Danny's book online, and we look forward to seeing you next time. And for those of you here in the room please enjoy your lunch. Thank you so much.