

## ***RISING FROM THE ASHES***

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The fire started early in the morning of Tuesday, October 4, 2016. Approximately 40 firefighters and five engines responded and largely extinguished the fire by 8:00 a.m. Fire damage was limited because of the sprinkler system, but water damage in the back of the restaurant, where the fire had started, was extensive. Smoke damage extended throughout the building and to several adjacent businesses. It was clear that the business would be closed for several months at least.

In the space of a few moments, El Moro Tavern (See Exhibit 1) had gone from a thriving part of the Durango restaurant scene and strong contributor to Peak Brewing Company's financial results to a significant financial obligation.

Kris Oyler, CEO of Peak Brewing Company, told *The Durango Herald* "We're going to rebuild it, and we'll get it back open, and we'll make it better than ever" (Benjamin, 2016). He committed to keeping all 40 workers employed during the closure.

Privately, Oyler worried about both the high cost of the repairs and the several months of payroll he would need to meet without revenue from the business. He hoped he could pull it off.

**Exhibit 1. The El Moro Sign**

Source: Photo by the case authors

**Background**

The restaurant business in Durango, Colorado was highly competitive. It was a point of pride for the community that Durango had more restaurants *per capita* than San Francisco (Olivarius-Mcallister, 2012). The publication of this fact led San Francisco to change its marketing materials to note that it had the most restaurants per capita of any *major* city. The competitive nature of Durango's restaurant business made identifying a unique and desirable niche both challenging and critical.

The food and beverage selection at El Moro was, in many ways, unique in Durango. For instance, the menu featured a variety of beers found nowhere else in Durango such as La Chouffe, La Fin Du Monde, and other exotic European and American craft brews (See Exhibit 2).

**Exhibit 2. Exotic Beer for the Connoisseur**

Source: Photo by the case authors



The food menu was equally creative. One could order Scotch Egg or Roasted Marrow Bones as an appetizer and Garam Masala Salmon as a main course. One “Wednesday Special” was Pot Roast Egg Rolls with Gravy and Salad -- \$10. The non-alcoholic cocktail? San Pellegrino Sparkling Prickly Pear & Orange. (See Exhibit 3). The alcoholic cocktail might be Felurian’s Florist (Aalborg Taffel Akvavit, Maurin Dry Vermouth, Cabrito Blanco Tequila, Lee Spirits Crème de Rose, DRAM Honey, Chamomile Bitters, begonia petal ice cube) or, in homage to the original El Moro Saloon, a cocktail called Coffin Varnish (Buffalo Trace Bourbon Whiskey, lemon juice, simple syrup, house absinth bitters, house grenadine).

Prices were approachable for a casual lunch or dinner while the menu and execution kept customers coming back. The restaurant was a winner – until the fire.

**Exhibit 3. A Wednesday Special of Pot Roast Egg Rolls**

Source: Photo by the case authors



### The Story

Peak Brewing, LLC owned El Moro Tavern and a second brew pub, Steamworks Brewing Company. Steamworks was a mature business while El Moro was a recent addition. Kris Oyler, CEO of Peak Brewing Company, was delighted with the success of the latest venture. El Moro Tavern occupied a unique niche in the vibrant restaurant scene of Durango. Classic cocktails, exotic beer and the unique and high-end food menu combined with an upscale interior with touches harkening back to the El Moro Tavern of 100 years ago had hit a sweet spot with locals and tourists alike.

The new El Moro benefited from an intriguing back story dating to 1906 (See Exhibit 4). The story was imparted to patrons via the décor of the El Moro. Miners, smelter workers, ranch hands, spittoons, pool, gambling, guns, and alcohol – what could go wrong? (See Exhibit 5.)

#### Exhibit 4. El Moro circa 1906

Source: Photo by the case authors



The story on display inside El Moro read:

*“El Moro lays claim as the site of Durango strangest shootout. In January in 1906, Sheriff William Thompson raided the saloon in the midst of a poker game and ... confiscated a roulette wheel that was also in play. On the sidewalk in front of El Moro, Thompson confronted the city marshal, Jesse Stansel, for his lack of enforcement. The two men exchanged insults and guns were drawn. When the smoke cleared Sheriff Thompson was dead and Marshall Stansel was injured.”* See Exhibit 6.

**Exhibit 5. The gambling in the lower left**

Source: Photo by the case authors



**Exhibit 6. Marshal Stansel in 1904**

Source: Photo by the case authors



The story on display inside El Moro read:

*“Animosity is brewing between two factions in our rapidly growing railroad town in the southwest. Gambling has recently been outlawed by the state of Colorado, but a rebellious gang made up of saloon owners and businessmen, are intent on keeping the rackets alive. The newly elected Sheriff boldly acts to shut down these illegal activities, but, by challenging the gang, the sheriff has made a high stakes wager of his own.”*

Lest the patrons forget the story, the drink coasters were a constant reminder (see Exhibit 7).

### Exhibit 7. Thompson and Stansel

Source: Photo by the case authors



A local production company, Fast Forward Media, had even made a movie about El Moro's back story (Trailer: <https://vimeo.com/126456155>). By the fall of 2016, the El Moro Tavern was a strong addition to Steamworks Brewing Company, the original Peak Brewing Company restaurant and brewery.

### Business Interruption Insurance

Fortunately, the El Moro Tavern had fire insurance as part of its property policy and a business interruption endorsement. After paying deductibles, the fire insurance would provide the funds needed to rebuild the physical structure of the restaurant. The business interruption endorsement would replace El Moro's lost income stream and pay its employees their foregone wages and benefits, as appropriate, during the time it took to rebuild. However, for the wait staff, wages represented only a fraction of income. Much of what they earned came from tips and the insurance policy did not cover foregone tips.

### Taking Care of Employees

It was not accidental that El Moro had chosen to purchase an insurance policy that replaced employee wages in the case of a fire. The firm placed a high value on its employees. According to Oyler, “If you do right by your team members, they will do right by you” (Oyler, 2017).

Peak Brewing Company was governed by a Board of Managers and had 90 shareholders. Twenty-six of those 90 shareholders were employees. Profit interest for employees in Peak Brewing started early on and in the late 1990s equity interest became available. If an employee was offered an opportunity to purchase equity in Peak Brewing, the firm would help the employee finance the purchase. Peak Brewing wanted employees to be fully integrated into the business.

Given its commitment to its employees, Peak Brewing wanted to do more than simply replace the lost wages of the wait staff. A GoFundMe was established to help replace lost tips. CEO Kris Oyler contributed the first \$1,000 to get it started. Eventually approximately \$10,000 was donated. These funds were dispersed to furloughed employees in December prior to Christmas. The money was distributed on a *pro rata* basis. Management used the employees’ pay in the two months prior to the fire to calculate the proportionate amount of the tip replacement funds the wait staff should receive.

But this still did not completely cover the financial hardship experienced by the employees. Kris Oyler announced that El Moro’s furloughed employees could stop by the sister establishment, Steamworks, for one shift per day. The Steamworks kitchen was able to absorb four El Moro employees. In addition, Peak Brewing’s 90 owners paid for part of the cost of compensating lost employee tips by accepting reduced fourth quarter profits.



This commitment to employees both enhanced productivity and created loyalty in a tight labor market. The highly competitive Durango restaurant scene made performance on price, product and atmosphere essential, which in turn required a highly trained and fully dedicated staff.

### Putting Down-time to Good Use

The El Moro employees were being paid but there were no customers for them to serve. Peak Brewing had some employees use down-time to participate in ServSafe online training programs. The ServSafe program was developed by the National Restaurant Association with the help of foodservice industry experts and regulatory agencies. ServSafe offered online training to food managers, food handlers and bartenders. The ServSafe Food Manager program addressed food-borne illnesses, how to prevent them, and how to train employees in food sanitation. The ServSafe Food Handler program taught basic practices for safely preparing and serving food. The ServSafe Alcohol training focused on responsible alcohol service and the risks and liabilities associated alcohol sales. Peak Brewing also directed bartenders to BarSmarts which provided the *“leading online bartender education program”* (Barsmarts.com).

These training programs did not take up all of the employees’ time. Chris Ruecker, Controller of the firm, suggested that employees take their remaining paid-time and volunteer in the community. According to Oyler, *“If you do right by the community, the community will do right be you”* (Oyler, 2017). Peak Brewing’s marketing plan had always been based on this notion. It did not advertise, but instead employees got involved in the community and were a presence at community events.

There were no restrictions placed on where employees could volunteer. It was suggested to the employees that their volunteer hours should be roughly equal the number of hours calculated for their compensation package while the tavern was being rehabilitated. However,

it was an honor system - no one checked to see if reported volunteer hours were the same as the hours for which the employees were being paid. Organizations where employees volunteered included the Manna Soup Kitchen (feeding the hungry), the San Juan Mountains Association (local environmental group), Community Connections (providing assistance for children and adults with intellectual and developmental disabilities), Wolfwood Refuge (providing a safe haven for wolves and wolf-dogs), La Plata County Humane Society (adoption shelter for dogs and cats without homes), and the local Sexual Assault Services Organization (operating a 24-hour hotline).

The commitment to employees and local nonprofits was genuinely altruistic, but had the ancillary benefit of painting El Moro in a positive light. El Moro's commitment to its employees and to the community received significant favorable coverage in the local newspaper, *The Durango Herald*. The paper even wrote an op-ed encouraging the community to come out and support El Moro upon its re-opening (Durango Herald Editorial, 2017).

### Epilogue

El Moro Tavern was closed for 3.5 months. It had 42 employees before the fire and 42 employees after it re-opened. Thirty-six of the original 42 returned. The loss of 6 employees over 3.5 months was, according to Kris Oyler, "about normal" for that time period (Oyler, 2017). No one who accepted compensation during the tavern closure didn't return. One employee refused the money because he knew he was leaving.

In the first full month after it re-opened, revenue was up more than 20% over the same time period in the previous year. However, that quickly trailed off and by the end of the third quarter of 2017, El Moro's revenue was up slightly less than 2% over the previous year.

Since the tavern re-opened, the labor market in Durango had become even tighter than it was before. The legal marijuana industry had started to offer highly competitive wages, which made it difficult to attract kitchen help workers.

El Moro won the Spirit of Durango Award at the annual Durango Chamber of Commerce awards ceremony on January 18, 2018. The purpose of the Spirit of Durango award was to honor a business for providing a unique and valued contribution to the character and economy of Durango. The winner was selected by the Durango Diplomats based on the following criteria provided by the Durango Chamber of Commerce:

- Business must be a Chamber of Commerce member;
- Business must promote and enhance Durango's spirit of accomplishment and community involvement;
- Business must project a positive image of the Durango area to residents and visitors.



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