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OpenTable dines out on \$10 million

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What's harder for an Internet CEO, finding \$10 million in funding or getting a reservation at the hottest restaurant in town? For Chuck Templeton, there's no difference: he scored both.

Since Mr. Templeton is CEO of OpenTable.com, the online restaurant reservation network, finding a place to eat isn't really a problem. And on the finance side, his company just closed a second round of VC funding led by new investors Impact Venture Partners and Benchmark Capital. With that money, he plans to expand OpenTable's reservation system nationwide, beyond the four cities it currently serves.

Inspired by his wife's frustration trying to book a table one weekend, Mr. Templeton, formerly a product marketer for semiconductor equipment maker Quester, put his MBA studies on hold and started OpenTable in San Francisco in 1998. His reasoning: other people must be tired of phoning around town or waiting until restaurants were open in order to make reservations. To speed the process, he devised a site that would let hungry Web surfers search for a restaurant based on cuisine type and neighborhood and let them book at any time of the day, for up to 12 people per reservation, and up to a year in advance.

Angel investors watering at the mouth included Infospace (Nasdaq: INSP) CEO Naveen Jain, famed angel investor Ron Conway, and VC firms Venture Frogs and Draper Richards, who anted up a total of \$2 million last May.

A BIGGER MENU

After starting out with a small list of clients in New York and San Francisco, OpenTable now has 130 restaurants using its service, with eateries in Chicago and Seattle now part of its list. Clients of the service have terminals located in the restaurant, which can be used to input both phone and Internet reservations into the main book. OpenTable, which is soon slated to add clients in Boston; Washington, D.C.; Los Angeles; and Vail, Colorado, gets a fee for each booking derived from its site.

For the nationwide expansion, Mr. Templeton says the plan is to add more restaurants in each city currently served before expanding into other regional markets, beginning with the South. Mr. Templeton's priority is to attract top-tier restaurants (Fleur de Lys, in the top five of San Francisco's best restaurants according to Zagat, is a participant) but he adds, "As we proliferate in each market, we [also] want to offer more casual dining choices."

There's no major competitor for OpenTable yet -- Foodline, a startup based in New York City, currently only offers restaurant reviews but plans to offer reservations in cities nationwide "very soon," according to its Web site. What Mr. Templeton says is his biggest challenge is the phone. "People are so used to calling up restaurants," he says. "We're trying to change consumer behavior."

ADDING TO THE LIST

An even bigger challenge may be to get five-star restaurants to sign up. Maître d's, especially in New York and Los Angeles, often pride themselves in personally turning away common diners and have made an art of booking their establishments six months in advance.

Mr. Templeton has no statistical data on how much of an impact OpenTable has had on filling tables, though the manager of one SF-based restaurant recently told him that profits were up 17 percent one month after OpenTable was installed. San Francisco may be an anomaly due to the number of people here who plan their whole lives out on the computer screen; it remains to be seen how many people in other cities will immediately go to the computer when they want some fine dining reservations.

But OpenTable's current users are happy with the results they've been seeing. Kirsten Borstad, marketing director for Ark Restaurants (Nasdaq: ARKR), which owns 26 chic restaurants in New York, Las Vegas, and Boston, has been working with OpenTable since mid-November and says the service has come in especially handy for keeping track of repeat customers. "It's been a good customer service tool to easily recognize VIPs and remember what their preferences are," she says. Not all of the company's restaurants are connected yet, but it's only a matter of time, says Ms. Borstad. As she puts it, "Online is the wave of the future for restaurateur."