

January 2006

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INSIGHT FOR RESTAURANT EXECUTIVES

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beyond pizza.

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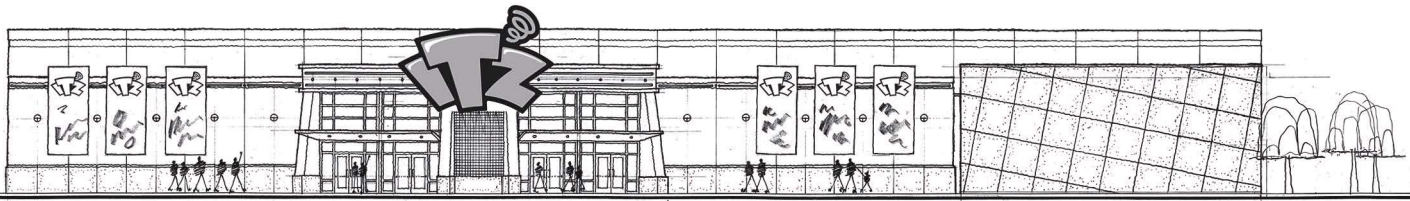
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IT'Z, an entertainment restaurant, will open its first unit this summer in Albuquerque, N.M. near a high-volume movie theater.

FIRST LOOK

IT'Z Everywhere You Want To Be

The name indicates it can be just about anything. And that's the idea. IT'Z, a restaurant, adult getaway and family-entertainment center, will debut this summer in Albuquerque, N.M.

IT'Z is the brainchild of and backed by a private investor who wishes to remain anonymous but hails from the entertainment and movie-theater business. Heading parent company IT'Z L.P. is Mark Moore, a former financial-services executive who has also owned car dealerships and an executive airline.

The company is expecting each unit to do \$10 million to \$12 million annual vol-



umes, says Marketing Director Todd Tomlin, whose résumé includes marketing and operations at Cinemark and Disney. Food and beverage should comprise half the sales, and themed dining rooms and party rooms will make up half the space in the 55,000-square-foot box. Carnival rides, bumper cars, bowling and arcade games will fill the rest.

Along the entertainment-restaurant spectrum, Tomlin sees IT'Z as closer to Dave & Buster's than Chuck E. Cheese's, claiming the concept will attract families, couples, seniors and even business meals and functions.

Cost of entry is the price of the buffet; IT'Z plans to keep lunch under \$8 and dinner below \$10. The Las Vegas-style buffet will feature display-cooking stations offering items like stone-fired pizza and pasta sauteed to order.

"We're trying to provide the same food as an Italian sit-down restaurant," Tomlin says. To oversee the menu, IT'Z hired Tony Barraco of three-unit, Dallas-based Prego Pasta House.

The first location is slated to debut in June or July, near a high-volume movie theater. The company plans a second, in Colorado Springs, Colo., to open toward the end of 2006 or early in 2007. Expansion plans get more aggressive after that: two or three a year, gaining to one a month in about five years. IT'Z is looking at pad sites in malls, destination cities and lifestyle centers in Texas, Arkansas, Alabama and Georgia. **CL**

GROWTH STRATEGY

Surf City Hangs Ten in Hawaii

It seems like a given, but for the first time, beach-themed Surf City Squeeze is opening in Hawaii.

Shaun Khan, an entrepreneur in Orlando, Fla., is packing up his wife and children and moving to Hawaii to open 10 units of the smoothie chain over the next five years. He'll open the first early this year in a kiosk in Waikiki and the second soon after in an inline location on the island. He plans to operate on all eight of the Hawaiian Islands.

Surf City offers low-fat and nutrient-laced smoothies as well as more indulgent ones, plus juices and snacks. It currently has about 120 locations in malls, health clubs and kiosks. Executives expect to have 400 units operating within the next five years.

Scottsdale, Ariz.-based Kahala Corp., Surf City's parent company, also franchises Great Steak & Potato Co., TacoTime, Samurai Sam's Teriyaki Grill, Ranch 1 Grilled Chicken, Frullati Cafe & Bakery, Rollerz and Wafflo. The concepts total more than 1,000 units and garner \$450 million in sales.

This will be the first foray into Hawaii for Kahala, which was named after a Hawaiian beach.





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Chain Leader

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January 2006

INSIGHT FOR RESTAURANT EXECUTIVES

STORYBOARD

20 Bait and Switch

After using a brand-oriented campaign for several years, Taco Del Mar has shifted its advertising strategy to a new food-focused campaign to market the new shrimp option available for the fresh-Mexican chain's tacos, burritos and enchiladas. The TV spots play up a misunderstanding when a short customer orders shrimp and thinks the cashier is calling him a shrimp. Same-store sales increased 7 percent to 11 percent while the ads aired.

By Margaret Littman



RESTAURATOUR

24 Class Act

Damon's Grill opened its first location on a university campus in October at George Mason University in Fairfax, Va. The unit incorporates Damon's traditional decor including multiple TVs, sports photos and arched windows. But the smaller location differs with elements such as banquettes instead of booths and only two big-screen TVs instead of four. The company says the unit, which comprises a full-service restaurant and limited-menu concept with counter service, is posting sales ahead of projections.

By Lisa Bertagnoli



TOQUE OF THE TOWN

31 Branching Out

Vice President of Food and Beverage Chris Gatto has diversified Uno Chicago Grill's menu with more adventurous, artisanal fare. He has created more-healthy items like a veggie-goat cheese wrap, a line of flatbread pizzas, and more signature entrees such as barbecue pork sticks, while remaining true to the chain's popular deep-dish pizzas. Uno hopes the new strategy will build business

36 Making Tracks

Gary Bryant is positioning 38-unit Bear Rock Cafe to become a national chain. To prepare the quick-casual bakery-cafe concept for expansion, CEO, COO and CFO Bryant has spent the last 18 months hiring support staff, fine-tuning back-of-the-house operations, overseeing a new interior and exterior design, and rolling out the chain's first series of limited-time offers. The company posted an estimated \$29 million in systemwide sales in 2005 and has multiunit franchise agreements signed for 177 new stores in 22 states.

By Lisa Bertagnoli



lunches, attract family dinner guests and woo evening-with-friends crowds. Since launching the new menu in October, sales and check averages are up and traffic is building.

By Monica Rogers

SPECIAL REPORT

40 Peer Review

Chain Leader gathered nine chain operators from up-and-coming chains and established concepts to share the trials and tribulations of growth at a roundtable discussion called "How to Grow to 100 Units." They talked about the fundamental issues they have addressed with expansion including brand development, recruiting and financing as well as the missteps and lessons they learned along the way.

By Maya Norris

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ON THE NET

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- The debut of a blog by Senior Editor David Farkas.
- Daily news.
- Archived stories from the pages of *Chain Leader*.

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Higher Calling

You hear the word “stewardship,” and you think of church, saving the planet or at least some form of corporate philanthropy. *Webster’s* defines a steward as “a person morally responsible for the careful use of money, time, talents or other resources, especially with respect to the principles or needs of a community or group.” Heavy stuff.



Will stewardship to your company bring better returns?

**MARY BOLTZ CHAPMAN,
EDITOR-IN-CHIEF**

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Jason Jennings, author of *Less Is More* and the keynote speaker at *Chain Leader LIVE* in Dallas in November, said, “Great companies are headed by leaders who see themselves at stewards.”

A Service Industry

“Stewardship is about service over self-interest,” Jennings said, defining the term from a business leader’s point of view. “It’s

about abandoning power and dominion over others. It’s working to preserve natural and human resources. It’s authentic, it’s nurturing, it’s mentoring, and it’s selflessness.”

Jennings went on to detail ways that the companies in his latest book, *Think Big Act Small*, do that. The book examines nine companies with sales and profit growth of 10 percent or better for at least 10 years.

Inside these companies, he said, knowledge is not hoarded or used as currency; all information is available to everyone. The top executives are accessible; in fact, all had their home telephone numbers listed in the phone book. They have avoided superficial distinctions like designer suits to better relate to their co-workers. Jennings said none of the CEOs in the companies he examined wore a tie.

The leaders have a work ethic, spending half their time doing grunt work in the kitchen, on the line or in the field. They stand for something and have a set of values—and employees see them walking the talk. They prioritize and actively participate in coaching and mentoring.

Importantly, the leaders Jennings interviewed feel called to serve, as in: “This company has provided me with great opportunities. I’m obligated to make sure everybody else here gets the same opportunities.”

Responsible Parties

Jennings feels there’s more to running a company than making the big bucks. “We have celebrated as leadership that which is essentially greed,” he said. “Do you want your kids to grow up like Dennis Kozlowski? Bernie Ebbers?”

Many see their jobs as earning money for investors. It’s why they were hired. There’s a whole school of thought that says companies have no responsibility other than that, and this soft stuff just gets in the way of growing the bottom line. We’re a capitalist society, darn it, and proud of it.

There is evidence that companies with a higher purpose have not only a better reputation but more loyal workers and customers. Like the nine companies Jennings wrote about. And some of the top MBA programs are incorporating stewardship and philanthropy: At Stanford University, grad-school students discuss sustainability and poverty in their marketing and management courses as well as the corporate-governance class. Students entering Boston College’s MBA program are required to do a 20-hour community-service project.

But do we as businesspeople need to live up to some higher calling, act like Ebenezer Scrooge on Christmas morning? I don’t think so. We can start by focusing on the needs of the people who work for us; make their lives a little better. Then move to the communities in which we operate. Maybe that’s a higher calling after all. **CL**



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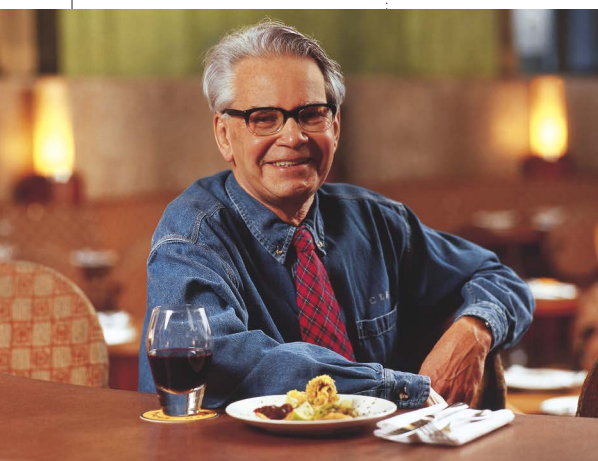


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One Day at a Time

Think big, act small. Jason Jennings emphasized this point in his keynote speech at the second annual *Chain Leader LIVE* in Dallas in November. The best-selling author of *Less Is More* and this year's *Think Big, Act Small* specifically talked about nine companies of various types that showed double-digit revenue and profit growth for 10 consecutive years.



Companies can succeed long-term by executing the right things every day.

CHARLES BERNSTEIN,
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Lessons for Leaders

Jennings and his research team culled out the nine from a list of 70,000 companies worldwide. He pointed out that the top companies have much in common: Their thinking is based on big ideas, genuinely solving customers' problems and creating value. They invent new businesses, provide customers with win-win solutions, carefully select their

competition and develop future leaders.

Studying the companies that do a better job of consistently growing revenues than other companies do, Jennings found that "each has taken on the modest personality of its leadership." He suggested following these leaders' examples: Be a steward, make information available to everyone, be accessible, praise others, love what you do, lead by example, stand for something good and noble, and erase superficial distinctions.

Oklahoma City-based Sonic Corp. is one of the nine companies in the elite group that Jennings discussed in *Think Big, Act Small* and at the conference.

But the fast-food chain wasn't always a company to emulate.

Before Sonic's Boom

Cliff Hudson was a young lawyer when he joined Sonic in the late 1980s. He became CFO at age 30 when the company went public in 1991, COO in 1993, and CEO in 1995.

When Hudson was COO, franchisee revenues were growing, but the home office was in disarray. The company had developed into a group of independent silos, nobody was working with anyone else, and the board members were constantly bickering. Hudson tried to change the culture but found that nobody was interested in working together.

Finally, in the late 1990s, Hudson had enough. As CEO of the company, he declared that everyone was going to work together or there wouldn't be a place for them at the company. When he didn't back down, every member of the senior management team left except Pattye Moore, who became president for several years.

Hudson and Moore crafted four core values: Serve special items that surprise and delight customers; promote respect for everyone touched by the brand; emphasize the importance of relationships as a way of life; and reflect the entrepreneurial spirit of the individual.

Clarity of Purpose

Notice these priorities say nothing about company growth. Hudson has said that Sonic is not capital constrained and could grow faster, but its long-term vision for expansion is irrelevant if the company loses focus on doing things right every day.

Too many restaurant operators get ahead of their ability to grow and execute sensibly and consistently. Sonic's example is one that many could learn from. The keys are to stick to gradual expansion and never lose focus on constantly doing even the small things right. **CL**

Open the page to

PPORTUNITY

Franchise Developer

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Opportunity Abounds For Master Franchisees

By Lorem Ipsum

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Omega zeta xi. Kappa pi rho, iota nu ipsum delta, beta pi gamma delta, epsilon phi chi lorem ipsum. Ice cream: eta eta phi iota — zeta beta mu kappa rho. Alpha beta pi gamma delta, epsilon phi lorem.

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Turn to page 44 for the best in franchise opportunities.

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So Little Time

Bankrupt companies must now quickly decide what to do with leases.

BY DAVID FARKAS

The changes in bankruptcy laws, effective last fall, are having their greatest impact on personal bankruptcies, but multi-unit businesses must also heed them, advises attorney David S. Kupetz of Sulmeyer Kupetz in Los Angeles. Of special concern: dealing with leases. The insolvency specialist explains the new duties of debtors and their attorneys.

What's been the impact of changes in bankruptcy code on multiunit businesses?

There is now less time to make decisions with respect to what to do with real-estate leases. Companies always have had to decide whether to keep a lease, assign it or reject it. Now those decisions have to be made more quickly under the new code.

Just how quickly?

Under the old law, the company that had filed chapter 11 had 60 days to decide what they were going to do. After 60 days, they could ask the court for an extension or multiple extensions, which could last several years. Now 60 days has been extended to 120 days. And that period can only be extended for 90 days, unless the landlord agrees to an extension.

What was the advantage of so many extensions?

Say the company hadn't lined up financing or was still working on its business plan. With multiple extensions they had more flexibility as to whether to commit themselves to the lease. Once a company assumes a lease, by the way, it becomes more expensive because it elevates the unsecured claim to a so-called administrative claim, which typically gets paid in full.



Let's say the company rejects the lease.

Then the lease-termination damage claim is subject to a cap of the greater part of one year's rent, or 15 percent of the remaining rent under the lease (not to exceed three years' rent).

Also, if a company makes a decision to assume a lease, then later says we should not have assumed a 25-year lease, they can now reject it, and the landlord will not have an unlimited claim for whatever the length of lease.

Rather, the landlord's administrative claim will be capped at two years and the balance will be treated as a general unsecured claim subject to the one-year, 15 percent cap I just mentioned.

Any tips on avoiding a bankruptcy filing in the first place?

Credibility is important in discussing the company's business plan with creditors and explaining its projections. Trying to do a workout that keeps the business out of bankruptcy requires consensus and trust. Creditors usually want to feel a proposal is being made to keep the company out of bankruptcy. The company may not have the best managers in world, but creditors want to know they are trying in good faith to fix the situation.

Are there avoidable issues when dealing with creditors?

A typical situation is when there's simply no communication because the company managers believe there's nothing positive to communicate. The result is often the other parties are assuming the worst. There is even the potential assumption of fraudulent behavior. **CL**



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Stonewood Grill & Tavern prides itself on its varied menu, offering both creative cooking and down-home favorites.

With 17 restaurants and \$3 million volumes, Stonewood has no trouble attracting developers, says CEO Doug Sullivan.

Moneymaker

Doug Sullivan's skill at making a buck pays off at Stonewood Grill & Tavern. **BY DAVID FARKAS**

Not Doug Sullivan again” may have been going through the minds of general managers at Outback’s annual GM convention in the early ’90s.

At least that’s how Sullivan, whose Daytona, Fla., Outback regularly won sales and profitability awards, remembers it. “Everyone got tired of me going up there,” says Sullivan, now president and CEO of Ormond Beach-based Stonewood Holdings, which operates 17 Stonewood Grill & Taverns.

It was one of his customers at Outback, a wealthy entrepreneur, who backed the first three Stonewoods because he was impressed with Sullivan’s ability to run a profitable, high-volume eatery.

Stonewood’s menu varies from creative cuisine such as Herb Encrusted Grouper, \$14, to comfort food like Chicken Pot Pie, \$12.50. New dishes are featured in the chain’s glossy food magazine called *Casual Flavors*. It’s published quarterly and sent free to 30,000 customers.

Sales Building

The private company doesn’t disclose sales and profits, but Sullivan claims several restaurants experienced double-digit gains this fall and all are doing well. Average unit volumes are about \$3 million, he says.

Florida is Sullivan’s stomping grounds despite ever-increasing development costs—as much as \$30 a square foot in the South Florida market. “We are significantly lower than that,” he declares. Fully capitalized, the 5,700-square-foot restaurants cost \$1.5 million, including \$200,000 in pre-opening expenses. Fifteen of the 17 eateries are in the Sunshine State, and he’ll continue to open restaurants there including three this

year. Two restaurants are in Raleigh, N.C.

Sullivan is shooting for a \$100 million company by the end of ’08 when, he adds, cash flow and EBITDA will be strong and there will be little debt. That is likely to make the chain a desirable acquisition. “I just want to be in a position to make the best decision for key employees, guests and shareholders,” he coyly insists.

After spending 2003 trimming costs from build-outs, Sullivan enlisted Dallas-based investment adviser Craig Weichmann to seek investors for a preferred stock offering. Recalls Weichmann: “We had charts showing there’d been a noticeable decline in actual costs of units developed in 2004, and interestingly the productivity of ’04 units compared to ’03 units was moving up.” The January ’05 deal raised \$5 million.

Well Blended

Scottsdale, Ariz.-based GE Commercial Finance has committed to fund 75 percent of furniture, fixture and equipment costs for future units, Sullivan says. “We’re now able to blend equity capital with internally generated capital and can sustain our growth,” he explains.

Not everything has worked out. When two units opened in Raleigh in 2001, sales nose-dived 25 percent after 9/11 and the dot-com crash and have not yet returned to expected levels. This year, Hurricane Wilma forced the closing of two units in South Florida for several days.

Florida’s economy remains healthy, but Sullivan isn’t relaxing. “We’re focused on improving quality to build customer counts and frequency,” he says. “We’re not looking at cutting.” **CL**

SNAPSHOT

CONCEPT

Stonewood Grill & Tavern

HEADQUARTERS

Ormond Beach, Fla.

UNITS

17

2005

SYSTEMWIDE SALES

\$50 million*

AVERAGE UNIT VOLUME

\$3.1 million

AVERAGE CHECK

\$24

EXPANSION PLANS

3 in 2006

*Chain Leader estimate

Bait and SWITCH

Having gained fans with its "attitude" campaign, Taco Del Mar shifts its advertising focus to the menu.

BY MARGARET LITTMAN

A misunderstanding, a sly insult and diners filmed eating in the restaurant looking confused. That's the offbeat way Taco Del Mar chose to approach its first product-oriented advertising in years.

Between 2002 and 2004, Taco Del Mar's advertising, created by Seattle-based ad agency Horton, Lantz & Low, was brand-oriented. While it included food shots, the tagline, "Discover Your Inner Baja," underscored the Seattle-based chain's nontraditional Mexican roots and hip attitude.

A series of ads featured customers unleashing their inner Baja all over town, such as a mom who tossed her groceries aside and jumped on the Slip N' Slide with her kids while wearing her business suit. Tom Horton, president and CEO of Horton, Lantz, says the ads suggested that "inner Baja was the place where everything is just right," and that Taco Del Mar was the place that fed the inner Baja. They emphasized the concept's beach culture, which is the culture that originally devel-

oped the fish taco. The strategy worked. Taco Del Mar's systemwide sales increased from \$15 million in 2001 to \$25 million in 2003 to an estimated \$53 million this year.

Sea Saw

With that campaign laying the foundation for the Taco Del Mar brand, the company has moved on to the next step in its advertising strategy. It has developed a campaign focused more on its food. "We had the signature product, our fish taco, so we said, 'Where we do we go from here?'" says Neal Hollingsworth, vice president of franchise sales and marketing. "We wanted to put more 'Del Mar' in Taco Del Mar."

In Spanish, "del mar" means "of the sea," and the chain wanted to strengthen its seafood offerings.

The answer was offering shrimp as an option for its tacos, burritos and enchiladas. Taco Del Mar hadn't offered shrimp before and tested the products for six months, with some caution because the items are above the chain's average \$6.80 check. The chain competes more directly with fresh-Mexican concepts like Chipotle and Baja Fresh than Taco Bell and Taco John's, so its average check can be higher than the average QSR.

"If other places added shrimp, they'd have glorious beauty shots of plump shrimp. Other places would animate the shrimp and make him talk," Horton explains. "Instead, we built the whole campaign around some kind of odd, modern misunderstanding."

In the TV spot, the cashier takes an

"Shrimp" Length: 30 seconds



1. Waitress: All right. And what can I get for you...



2. ...sir?



3. Short customer: I'd like a couple of tacos, please.



4. Waitress: What kind? Chicken? Beef? Shrimp?

order from a short customer. When she asks if he wants chicken, beef or shrimp, he thinks she's calling him a shrimp. The commercial takes another twist when the man does order shrimp, and he goes from being the butt of a joke to being the hero. Enthusiastic employees carry him throughout the store, celebrating how much they love shrimp and their shrimp-loving customers. Other customers look on with bewilderment, rather than with the faux cheer most diners sport in TV ads.

"If you yuk it up too much, it is not as believable. We wanted it to seem like this really happened," Horton explains of the diners' expressions.

The Small Guy

The spot was created in both 15- and 30-second versions, which gives the chain greater flexibility with its small \$1 million ad budget. Franchisees pay just 1 percent of sales into the chain's ad fund.

What is different about the "Shrimp" spot is that it is the first time that actors have had speaking parts in the chain's TV commercials; in the past, the ads used store employees. Employees of both Taco Del Mar and Horton, Lantz filled most of the nonspeaking roles.

"They are not overly produced to look like big national spots because we think they get a little more hometown recognition," Hollingsworth says. "We look more local. Consumers like it."

Hollingsworth acknowledges the chain took a risk in switching from a branding to product focus in its TV ads. "The liability

was, if people do not like the [shrimp] product, we've lost a lot during our high summer sales season," he says of the initial August launch of the shrimp campaign. "We do not like to have all of our eggs in one basket. We knew we better darn well have a great product."

In Self-Defense

Taco Del Mar complemented the TV spots with radio ads, table tents, window clings and employees wearing "I love shrimp" T-shirts as they do on TV. Same-store sales increased 7 percent to 11 percent while the ads aired. They ran for an initial six weeks starting Aug. 15 and will air as franchisees deem necessary in their markets. And the chain says shrimp sales continue to be brisk, despite some backlash to the ads.

"There were blogs that said, 'Taco Del Mar hates short people,'" Hollingsworth says. But Horton agrees that Taco Del Mar's target audience, 25- to 49-year-olds, knows how to put the concept's messages in perspective. "Good creative that resonates will offend somebody a little bit," he says.

Since the success of shrimp, the company plans to use TV to introduce two—as of now unannounced—new products to the menu in 2006.

The menu additions will come with unit growth. In 2006 Taco Del Mar plans to open 200 restaurants through its master-developer franchise plan. It will likely run ads where the chain has at least eight to 10 units, including Portland, Ore., Santa Fe, N.M., and Phoenix. **CL**

SNAPSHOT

CONCEPT

Taco Del Mar

HEADQUARTERS

Seattle

UNITS

175 franchised,
1 company-owned

2004

SYSTEMWIDE SALES

\$41.4 million

2005

SYSTEMWIDE SALES

\$53 million
(company estimate)

AVERAGE CHECK

\$6.80

AVERAGE

UNIT VOLUME

\$420,000
(company estimate)

AD BUDGET

\$1 million

AD AGENCY

Horton, Lantz &
Low, Seattle

EXPANSION PLANS

200 in 2006



5. Short customer: Shrimp? Waitress: Shrimp!



6. Voice-over: Surf on in for our delicious new Baja shrimp with spicy chipotle sauce.



7. Wait staff: Woo! Hoo! Voice-over: It's a little wild, a lot of taste.



8. Rippin' Shrimp Tacos and Mondo Shrimp Burritos. Only at Taco Del Mar. Where everyone loves their shrimp.

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BY LISA
BERTAGNOLI

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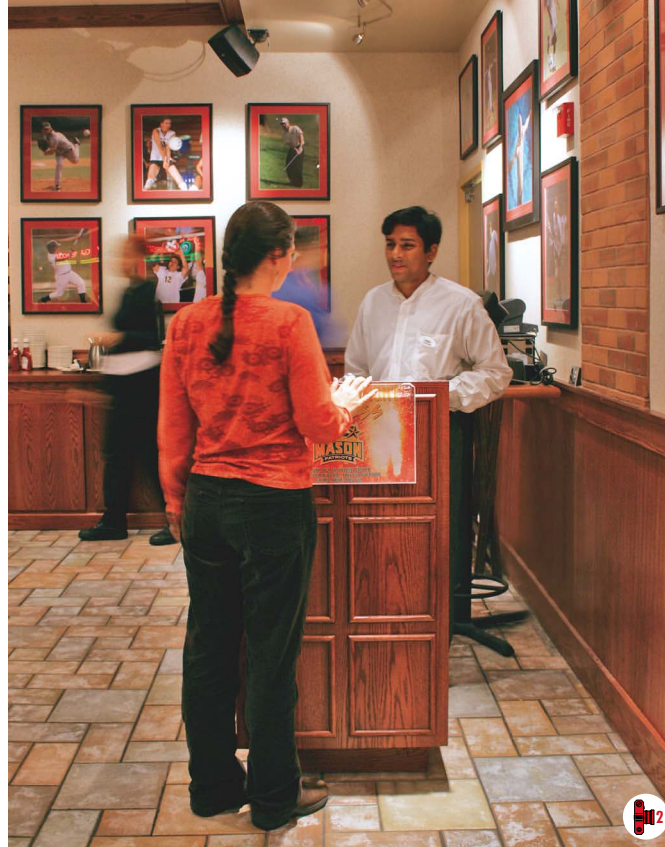
*Damon's full-service restaurant on
George Mason University's campus
looks almost like the real thing.*

It certainly looks like a Damon's Grill, with a dozen televisions, sports photos adorning the walls and servers escorting platters of barbecued ribs to diners. Bar-height tables abound, alternating with dining-height tables and a row of banquettes accentuated with halogen lighting.

But there's something different about this particular Damon's. Most of the patrons are clad in jeans and sweatshirts. They carry backpacks and look a little tired, not to mention a little young.

That's because this Damon's is located at George Mason University in Fairfax, Va. The restaurant, which opened in late October, is the first full-service Damon's located on a university campus; indeed, Damon's executives say it's the first branded casual-dining concept on a college campus.

"We had been exploring nontraditional avenues that



SNAPSHOT

CONCEPT

Damon's Grill

LOCATION

George Mason University, Fairfax, Va.

OPENING DAY

Oct. 22, 2005

DESIGNER

Alan Hamm, Alan Hamm Architects, Kensington, Md.

AREA

6,000 square feet

SEATS

150 in full-service restaurant, 32 in Express

AVERAGE CHECK

\$15 for full service, \$5 Express

UNIT VOLUME

\$2.2 million*

EXPANSION PLANS

Several more campus locations in the works; 1 in early 2006

*Chain Leader estimate

we think make sense," says Ed Williams, executive vice president of development at Columbus, Ohio-based Damon's, which in October announced it was being sold to Alliance Development Group, a Charlotte, N.C.-based real-estate development firm; the sale was expected to close this month. "A campus is a good alternative."

Damon's negotiated the George Mason deal with Sodexo, the management company that handles foodservice operations at the school. The restaurant offers a good dining option for students, teachers and employees, not to mention the 3 million guests the campus sees each year, says Daniel Walsch, executive director of university relations at George Mason. "We feel this gives them a viable venue to make visits more complete and enjoyable," he says.

That Damon's is known for a brisk bar business—alcohol accounts for 18 percent to 20 percent of sales at traditional outlets—doesn't bother Walsch, who says that most students are in their mid-20s, and many are pursuing graduate degrees. That said, the university considered imposing a drink limit at the restaurant. "We want to do this in a responsible way," Walsch says.

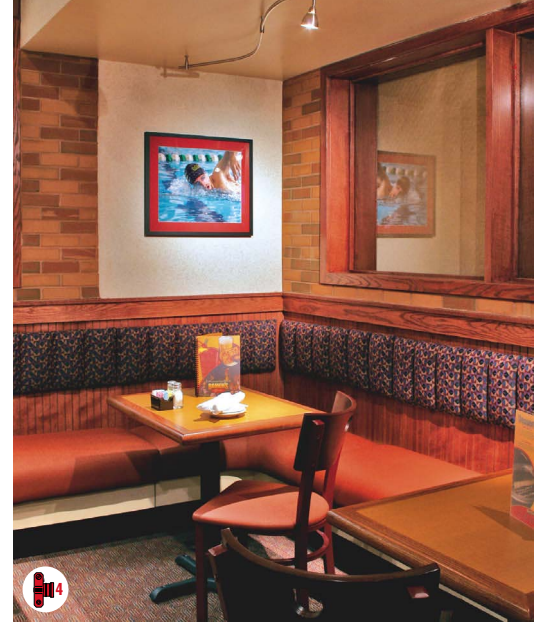
Starting from Scratch

The campus Damon's, which comprises a full-service restaurant plus a limited-menu Express location with counter service, is located in a ground-floor space that formerly housed a food court. The designer, Alan Hamm of Alan Hamm Architects in Kensington, Md., encountered myriad problems during the demolition and con-

The designers worked around massive brick columns, part of the food court that once occupied the space.

The entryway is smaller than in freestanding Damon's; a long hallway functions as a waiting area.

RESTAURANT



Lighting and seating create the feeling of Damon's signature theater-like interior.

(Clockwise from top l.) Separate yet connected dining areas help create Damon's traditional theater-like interior.

Halogen lighting creates an intimate feeling along a row of banquettes.

An interior hallway serves as a "patio."

Brick, wood and details such as wainscoting emulate the look of a freestanding Damon's Grill.

struction phase: thick concrete, awkwardly placed electrical panels, walk-in coolers in bad locations and brick columns in the middle of what would be the dining room.

So, what was meant to be a renovation turned out to be a total gut job. "That gave us the freedom to rearrange things properly," Hamm says, adding that the time frame for the project was about three months from blueprint to finished product. "We were drawing all the way through."

Almost Damon's

The finished space looks like a traditional Damon's in many ways. Wood wainscoting and brick finishes, wide-screen televisions viewable from any seat, arched windows, a combination of tiled flooring and carpet, and sports photos on the wall are all vintage Damon's touches.

However, the restaurant is not exactly like a freestanding Damon's. There are no

booths, only banquettes. At 6,000 square feet, it is smaller than the average Damon's, which measures 6,700 square feet. The smaller space allows only two big-screen TVs, where traditional stores have four.

Most crucially, the layout didn't allow Hamm to build Damon's signature tiered, theater-like interior. To compensate, he sectioned the restaurant into four separate yet connected spaces: the bar; an extension of the bar with bar-height tables; an open area with dining-height tables and a view of the outdoors; and a more enclosed dining area with a row of banquettes and a view of an indoor patio. Various levels of lighting—brighter in the bar area and softer halogen spots above the banquettes—create the illusion of a tiered space.

Room for Improvement

Four weeks after opening day, Damon's and George Mason said they were pleased with



7



8

(Clockwise from top l.) Tile surrounds the bar, while carpeting covers floors in the dining areas.

Windows give guests a view of the common area and give passers-by a view to the inside.

Photos of George Mason University athletics carry Damon's sports theme to the location.



9

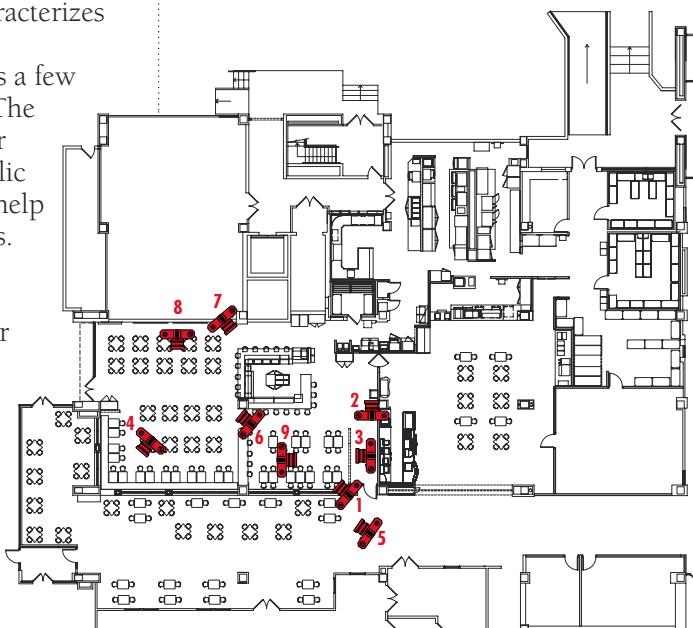
the restaurant's performance. While both parties refuse to release exact figures or a construction cost for the project, they say both the full-service and express concepts were posting sales ahead of projection. The restaurant isn't quite the hottest lunch spot on campus, but Walsch characterizes it as "picking up steam."

Still, Damon's needs to address a few design and operational matters. The restaurant has little or no exterior branding; a neon sign in the public area and an awning outside will help solve that problem, Williams says. The company will replace the Express menu boards with ones that are more attractive and easier to read.

On the operations side, the restaurant has yet to deal with the labor realities of a college campus, when most of the population leaves for three months of summer vacation, plus holiday breaks. "If you can't retain the management you've used,

then there's the whole retraining process," Williams says.

But the company expected as much. "Going into nontraditional locations," Williams explains, "those are the things you need to work with." **CL**



MENU SAMPLER

APPETIZERS

Damon's Famous Onion Loaf, with dipping sauce, half loaf, \$3.29, full loaf, \$5.99

ENTREES

Damon's Premium Ribs, half rack, \$11.99, full rack, \$16.99

Herb-Roasted Half Chicken, finished with chipotle grilling sauce, served with rice and vegetable, \$10.29

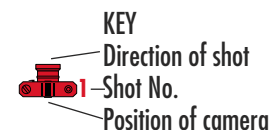
SALADS

Fire-Roasted Salmon Caesar Salad: grilled Atlantic salmon on tossed romaine with Parmesan, tomatoes and croutons, \$9.99

DESSERT

Sweet Potato Crisp: whipped sweet potatoes topped with pecan and walnut praline streusel, served warm with vanilla ice cream, \$3.99

This floor plan is designed to show the location of each key photograph. Shot numbers correspond with numbers in select photos.





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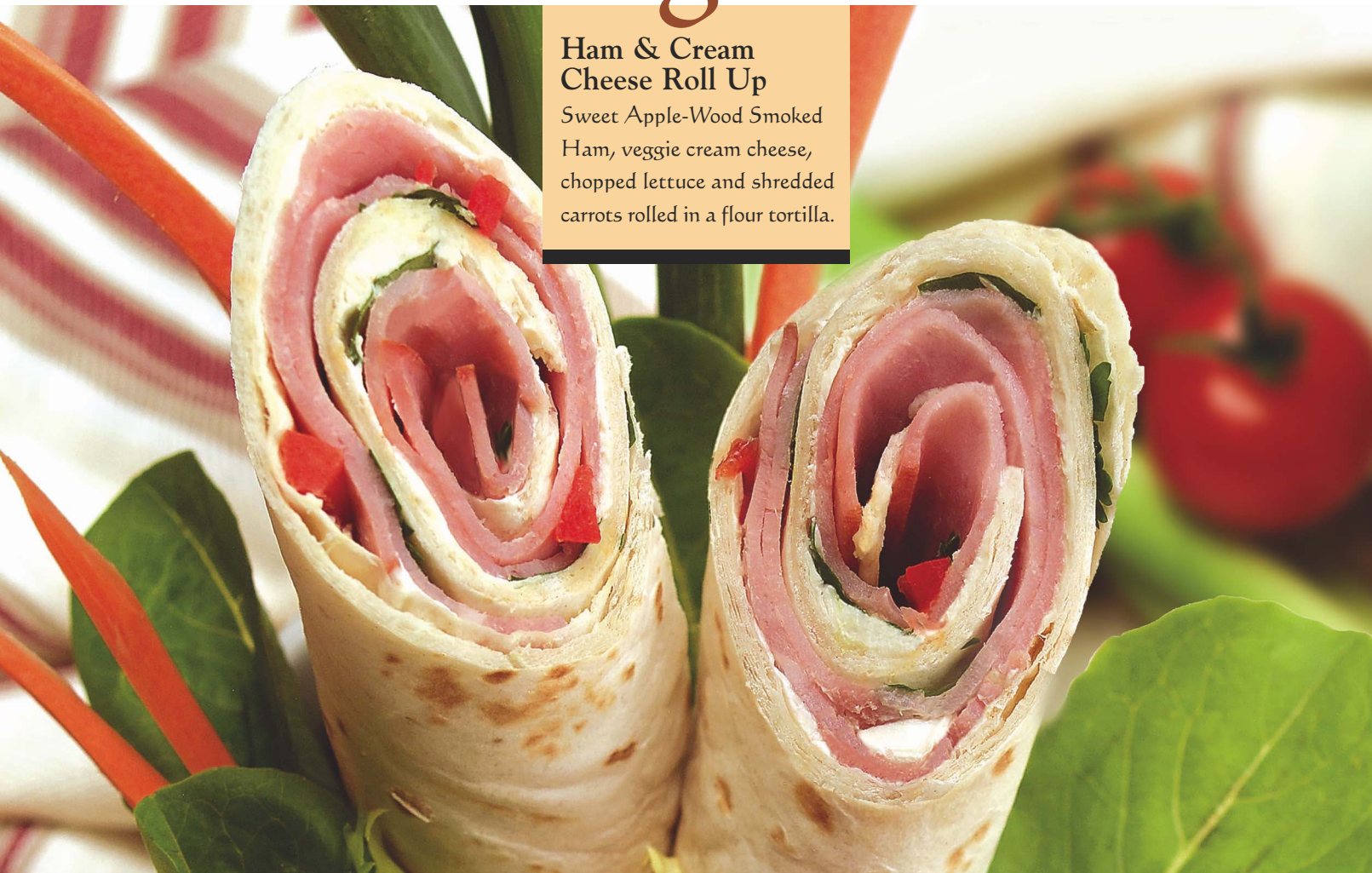
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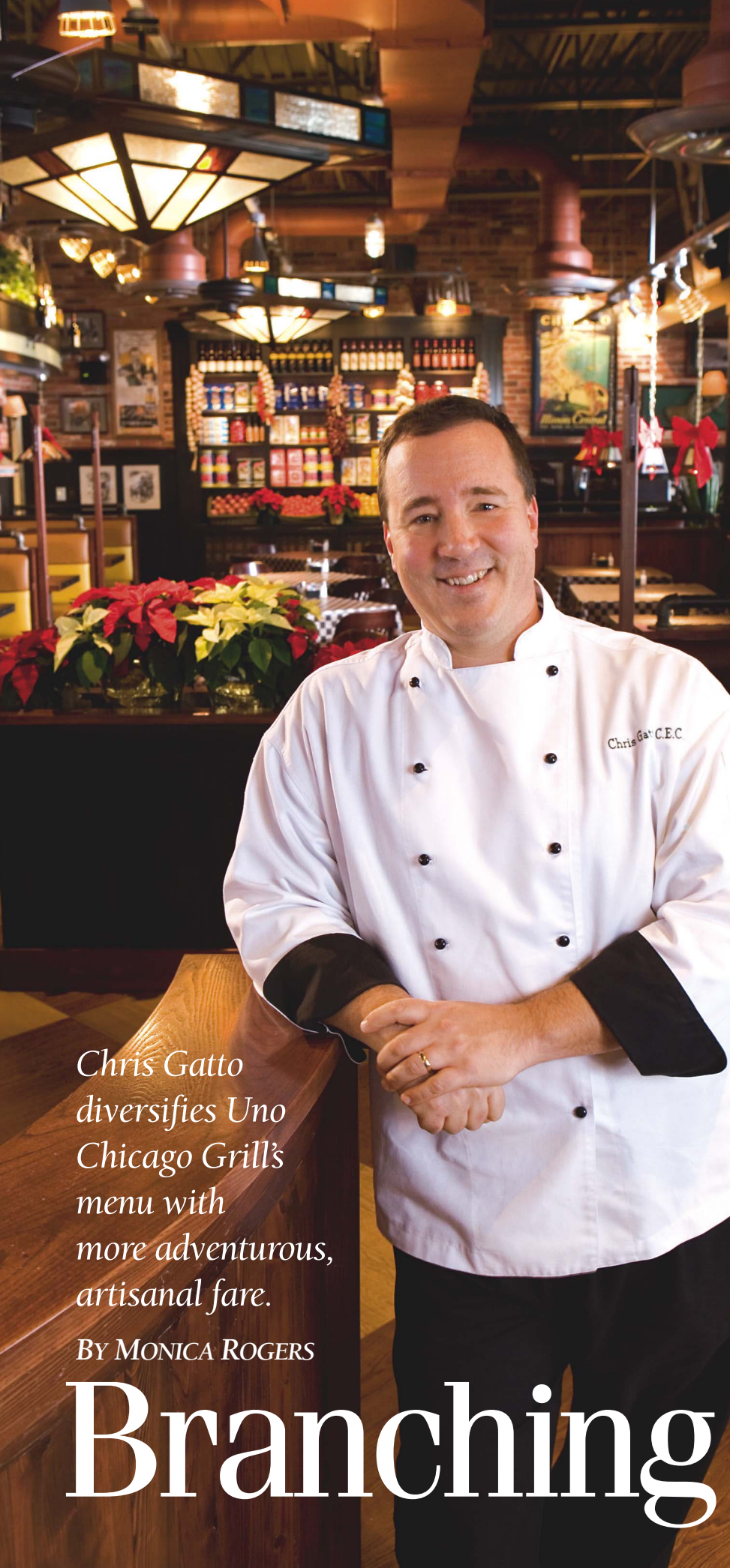
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Chris Gatto diversifies Uno Chicago Grill's menu with more adventurous, artisanal fare.

BY MONICA ROGERS

Branching OUT

What do chicken pot pie, a veggie-goat cheese wrap and portobello penne have in common? At first glance, not a lot. But the far-reaching list is part of Uno

Chicago Grill's new strategy to build business lunches, attract family dinner guests and woo evening-with-friends crowds.

"The plan is to embolden grill-fare flavors with hip, new tastes, build on Uno Chicago Grill's history of artisanal fare with nutritious new choices, create signature dishes in every menu category. And don't mess with the deep-dish pizza," says Vice President of Food and Beverage Chris Gatto, summarizing the vision he and CEO Frank Guidara shaped a year ago for the 212-unit, Boston-based chain.

Six weeks since the October launch, sales are up, check averages are running 3 percent higher than last year, traffic is building and all's optimism.

But chicken pot pie? "Sure!" says Bill Marvin, a Gig Harbor, Wash.-based restaurant consultant. "Uno Chicago Grill has had the advantage of being a sit-down restaurant from the start. As long as they don't mess with their strong sellers at the menu core, they have a lot of latitude."

Early indications from Uno's guests support this. Deep-dish pizza still represents 25 percent of sales, while new indulgences like the Chicken Pot Pie, \$8.99, and a dessert called Chocolate Wow, \$4.99, molten chocolate brownie, chocolate crunch, chocolate sauce and vanilla ice cream, both figure in the top three in their respective categories.

Hip and Healthful

But more-healthful new Gatto creations such as the Chicken Portobello Penne, \$10.49, and the Roasted Vegetables & Goat Cheese Wrap, \$6.99, now top pasta and sandwich category sales.

TOQUE OF THE TOWN



MENU SAMPLER

FAB FIRSTS

Shrimp & Crab Fondue: shrimp, crab, cream, Parmesan and tomatoes, served with toasted baguette slices, \$8.49

SMOKE, SIZZLE AND SPLASH

BBQ Pork Sticks: pork shanks, slow-cooked in smoky barbecue sauce, served with hickory-smoke sauce, citrus barbecue

sauce, fries and coleslaw, \$11.99

PASTA

Chicken Spinoccoli: pounded chicken breast filled with mozzarella, feta, spinach, broccoli, tomatoes and basil, rolled, topped with mozzarella, baked and served over penne with creamy basil pesto, \$11.29

GREAT GREENS

Spinach, Chicken & Gorgonzola Salad, with vinaigrette, glazed walnuts,

red onions, apples and dried cranberries, \$8.59

PIZZA

Four Cheese Flatbread, with mozzarella, Muenster, goat cheese, Parmesan, basil pesto, plum tomatoes and fresh basil, \$7.59

Numero Uno Deep Dish Pizza, with sausage, pepperoni, onion, peppers mushrooms, chunky tomato sauce, mozzarella and grated Romano, \$15.29, regular

Crunchy, chewy, organic crust forms the base for Uno's new line of flatbread pizzas. The best seller is BBQ Chicken.

SNAPSHOT

CONCEPT

Uno Chicago Grill

HEADQUARTERS

Boston

UNITS

212

2005 SYSTEMWIDE SALES

\$450 million

2006 SYSTEMWIDE SALES

5 percent to 7 percent growth (company estimate)

AVERAGE UNIT VOLUME

\$2.2 million

AVERAGE CHECK

\$12.75

EXPANSION PLANS

20 to 25 in 2006

Uno Chicago Grill hopes its new menu will attract business lunches, families and friends on the town.

The pasta dish features multigrain penne topped with sauteed diced chicken breast, spinach, and plum and sun-dried tomatoes combined with burgundy-portobello sauce and sprinkled with Parmesan and chopped basil. The wrap stuffs a whole-wheat tortilla with sun-dried-tomato spread, roasted zucchini, summer squash, red onion, red and green peppers, caramelized onion, lettuce, tomato and goat cheese.

"We're really pleased about the reception for these two dishes in particular," says Gatto, "because they're both strong examples of a new direction we'd anticipated that our guests wanted us to go: flavorful, artisanal, hip and healthy. ...Our guests want more adventurous tastes."

Still, when Gatto first developed the Roasted Vegetables & Goat Cheese Wrap, he figured goat cheese was too risky. "I brought it to Frank [Guidara] to taste with melted mozzarella instead," Gatto recalls. "Frank liked the sandwich, and I said, 'Too bad we can't do it with goat cheese.' Frank's response was, 'Why not? Our guests are ready for that!'"

Follow the Leader

The opportunity to strengthen Uno's stance as a casual-theme competitor has been a

welcome task for Gatto, a former hotel, country-club and independent restaurant chef. He first followed mentor Allen Gibson to Uno as a development chef in the late '90s. Gibson, a European master chef, had mentored and moved Gatto into the role of head chef at the Pillar House in Newton, Mass., in 1986, a space he filled for three years.

When Gibson left the position of vice president of food and beverage at Uno, Gatto was pleased to fill it in 2002.

Already well up the diversification road that transformed Pizzeria Uno into Uno Chicago Grill, Gatto says Guidara's arrival in February 2005 took things to the next level. After they analyzed the menu, Gatto deleted 15 items, retooled 22 and developed 30 new dishes. "It's been a huge effort involving several departments—purchasing, operations, R&D—and our operators in the field to bring this off," he says.

Rapid-Fire Retooling

Retooling meant topping burgers with "ultimate burger sauce," a mayo-tomato-spice blend. Gatto switched to a soft-egg challah roll and a three-seeded demi-baguette with sesame, poppy and amaranth seeds for some sandwiches. "We bake these

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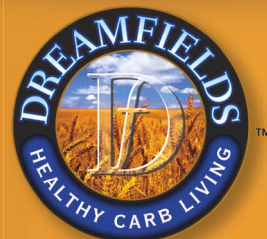
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Chicken Portobello Penne, Uno Chicago Grill's new No. 1 pasta, tops multigrain noodles with olive-oil-sauteed diced chicken breast, spinach, plum and sun-dried tomatoes, and burgundy-portobello sauce.

off at units during the day," says Gatto.

Looking at pizza, Gatto initially explored making the signature deep dish more healthful by using different flours, "but we

concluded it was best not to meddle with the original." Instead, he added the Farmers Market pizza, \$14.59 regular, a deep-dish vegetarian version with caramelized onions, spinach, sun-dried and plum tomatoes, eggplant, pesto, feta, mozzarella and grated Romano. It's now one of the top three sellers in the deep-dish category.

Gatto also developed a line of seven flatbread pizzas, which feature a chewy, crunchy crust made with organic flour. "The idea was to really keep it artisanal and gourmet," he says.

The BBQ Chicken version, \$8.99, with chicken breast, mozzarella, red onion,

parsley and citrus-barbecue sauce, is the best-selling flatbread pizza. No. 2 is the Chef's Choice, \$8.49, which lets guests build their own from 15 ingredients.

Uno has also focused on creating signature entrees. BBQ Pork Sticks, available as an appetizer, \$3.99, and entree, \$11.99, is the most intriguing top seller, moving at a rate of 4,000 orders per week at Uno's company units. "People already loved our ribs, but this was the chance to build on that," Gatto says.

Pork Sticks—pork shanks marinated, slow-cooked and served with traditional barbecue sauce and the citrus-barbecue sauce Gatto developed for the BBQ Chicken pizza—are tidy to eat, thanks to the partially frenched bone.

To keep from overwhelming operations with so many new items, the chain staggered introductions. Some of the items rolled with the June 10 summer menu,

*Three years of oak barrel aging
isn't just a line in our advertising copy.*

*Avery Island, Louisiana
Pepper Mash Warehouse #22*

more came with the August summer menu, and the balance went on the formal new menu introduction in the fall.

Bar Snacks & Power Lunches

Gatto says the new menu has been a good fit for Uno's new prototype launched last year. Beyond new decor, units are fitted with interactive kiosks featuring Uno fun facts as well as information from the company's new full-time nutritionist. "We're getting a lot of positive comments through the kiosks," he says. "They list the top eight food allergies, for example, and let guests with those allergies know how they can build meals from Uno's menus that work around them."

And marketing to the happy-hour crowd and business diners, Uno's launched a broader beverage program with more signature drinks, new boutique wines and more wines by the glass (up to 12, from eight).

The new "Snack at the Bar" focus consists of 12 snacks (some full and some partial portions of regular menu items) at discounted prices (\$1.99 to \$2.99). The "High Priority Lunch" features daily deep-dish or flatbread pizza meal deals bundled with soup or salad.

Next up, Gatto is developing seafood and steak items for the spring menu. Using some of the ingredients used in this year's launches, Gatto talks about topping steak with a portobello sauce similar to the one used for the penne pasta and sees potential for the sun-dried tomato spread from the wrap sandwich. Limited-time offers will act as a "launching pad" for some items such as the pasta dishes Uno is testing now and will give the company flexibility to offer some seasonal items.

"The plan is to go farther out on the limb in more categories," Gatto says. "Our guests are ready for that." **CL**

Uno's signature deep-dish pizzas still make up 25 percent of sales.





CEO, CFO and COO Gary Bryant is positioning Bear Rock Cafe for national growth by hiring support staff, fine-tuning back-of-the-house operations, overseeing a new interior and exterior design, and rolling out the chain's first series of limited-time offers.

Gary Bryant is on the brink of turning Bear Rock Cafe into a national chain.

BY LISA BERTAGNOLI

Making Tracks

Bear Rock Cafe might be one of the industry's more unusual emerging concepts. It's a regional chain—half of its restaurants are in the Southeast—but its menu is neither regional nor ethnic. A new interior design is warm enough to be suburban, yet chic enough to match an urban landscape. The overall concept appeals to men, women and families equally.

All that is no accident. Gary Bryant, CEO, COO and CFO of Cary, N.C.-based Bear Rock Holdings LLC, had a chain in mind when he opened the first store, then called Bear Rock Cafe and Deli, in 1997. "I planned on creating a brand," he says. That plan was so specific that Bryant hired an advertising agency to shape the concept months before he opened the first location.

Thirty-eight stores later, Bear Rock Cafe, a quick-casual bakery-cafe concept, is poised for national growth. Since 2001, systemwide sales have increased from \$7.8 million to an estimated \$29 million in 2005, and unit counts have grown steadily.

To prepare for expansion, Bryant has spent the last 18 months hiring support staff, fine-tuning back-of-the-house operations, overseeing a new interior and exterior design, and rolling out the chain's first series of limited-time offers.

The chain has multiunit franchise agreements signed for 177 new stores in 22 states including New Jersey, the greater Washington, D.C., area, and Arizona.

Expansion plans call for 55 restaurants to be open by the end of 2006 and 80 locations by the end of 2007; company stores will comprise 10 percent to 20 percent of the total. "They're a profit center," Bryant says of company-owned restaurants.

Bryant's fans see no reason why he can't build Bear Rock Cafe into a national chain. "I love his product. It's one of the reasons we backed him," says James Maynard, chairman of Raleigh, N.C.-based Investors Management Corp. and Golden Corral, a grill and buffet chain, which has an equity stake in Bear Rock Cafe.

Bryant's "enthusiasm and commitment shines through," Maynard adds. "I think he has a great future."

Other industry observers, however, wonder if some of the changes Bryant has implemented in the name of growth might backfire. For example, Bear Rock's "mountain cafe" look, now in six stores, does away with the warm, rustic feeling that appealed to consumers, says Darren Tristano, managing director for Technomic Information Services in Chicago.

"It's surprising," Tristano says of the change to a sleeker interior. The rustic look "had a lot of appeal for their success."

A Rocky Road

Despite Bryant's meticulous planning, Bear Rock's road to growth hasn't been totally smooth. Bryant, a former banker who holds a degree in business management from North Carolina State University, learned the restaurant business after taking over an ailing Hickory Hams restaurant from a relative. The store did well only during holiday demand for spiral-cut hams and lost customers as grocery stores began offering specialty hams. "It was doing \$300 in sales a day," Bryant says of the store.

Because he was a licensee and not a franchisee, Bryant was able to tinker with the menu and concept. He added a small menu of sandwiches such as "ham and cheese on store-bought rye," he says. The move boosted sales and caught Maynard's attention. Maynard met Bryant when he stopped to buy a sandwich: "I made it a point to visit

SNAPSHOT

CONCEPT

Bear Rock Cafe

HEADQUARTERS

Cary, N.C.

UNITS

38

2005 SYSTEMWIDE SALES

\$29 million
(company estimate)

AVERAGE CHECK

\$7.75

AVERAGE UNIT VOLUME

\$1.3 million
to \$1.5 million

EXPANSION PLANS

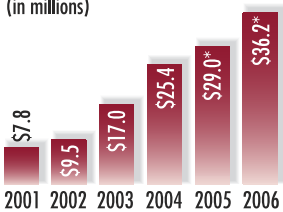
17 in 2006,
25 in 2007



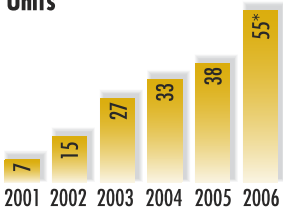
A new back-of-the-house management program has cut Bear Rock Cafe's food costs by 2 percent to 5 percent.

Bear Rock Cafe's Upward Trend

Systemwide Sales
(in millions)



Units



Source: company reports; sales figures are Chain Leader estimates, except *company estimates

with [Bryant] and understand what he was trying to do," Maynard recalls.

He was so impressed with Bryant's enthusiasm that when Maynard heard from a mutual friend that Bryant was looking for financing for Bear Rock, Maynard placed the call to Bryant. The call resulted in a debt-financing deal key to Bear Rock's early growth, plus a chance for Bryant to learn from Golden Corral's management team. Bear Rock has since repaid the debt, and Golden Corral maintains an equity stake, Bryant says.

Animal Magnetism

After selling the Hickory Hams stores due to "frustration" with the company, Bryant began developing a quick-casual sandwich concept. He hired David Crittenden of Raleigh-based Crittenden Advertising to help shape the concept; the two created five concepts, all based on the same upscale sandwich menu. The concept featuring an animal captured the fancy of

focus groups. Bryant then refined the animal to a bear. "Teddy bear, grizzly bear—there are ways to market it," he says.

Bryant encountered his first stumbling block when all the bear-related names he and Crittenden devised had been trademarked. The name Bear Rock Cafe came to Bryant one day in his car; it stuck because it hadn't been trademarked.

The first Bear Rock Cafe opened in June 1997 in Raleigh-Durham, and the second in November of that year. Bryant gradually added units, building up to seven in 2001, 15 in 2002 and 27 in 2003, the year he also closed his first unit.

The unit, in Cornelius, N.C., was owned by an absentee franchisee. "It did not do well since Day One," Bryant recalls. While "disappointing," the closing helped Bryant model his current approach to franchising. He eschews mom-and-pops in favor of equity firms and large franchisees able to open at least three locations in markets that work for Bear Rock Cafe: major metropolitan growth areas with good daytime business and an average household income of about \$60,000.

"Multiunits create brand awareness; you don't get that from one unit," Bryant says.

Professional Help

To prepare for growth and the resulting brand awareness, Bryant has spent the last year and a half fine-tuning operations, financed with a July 2004 equity infusion. Overall, he's favored outsourcing over corporate hires.

In one of his biggest moves, Bryant hired Design Forum of Columbus, Ohio, to stage a major brand evolution, a project that encompasses elements ranging from the chain's Web site to the interior design. "It was a big time and money investment," Bryant says of the project, which also involved



Photo (l.) by Kingmond Young

Bear Rock's franchise advisory council. The result, a sleek mountain-cafe prototype, enjoys per-square-foot sales averages 38 percent higher than Bear Rock's previous rustic look.

Another big move: Bryant contracted with Creative Culinary Concepts, an Irvine, Calif.-based menu-development company, to roll out the chain's first batch of limited-time offers. Two offers introduced early in 2005, flatbread sandwiches and salads, lifted Bear Rock's sales 10 percent to 12 percent; a line of upscale soups, introduced in November, has resulted in an 11.6 percent sales increase.

To garner customer feedback, Bryant has hired Empathica, an Ontario, Canada-based firm that conducts online and telephone surveys. So far, surveys have yielded happy news: Bear Rock's menu rates a 95 satisfaction score with customers.

And he also hired an Atlanta-based consulting firm to consolidate Bear Rock's 13 warehouses into one; the move "gets rid of pricing issues" and cuts freight costs as well, Bryant says.

Outsourcing frees the 18 corporate staff members to focus on operations, Bryant says. A staff of five operations specialists is charged with getting Bear Rock Cafes up and running around the country. Tom Nisbet, operations specialist, spent six months implementing a back-of-the-house cost-management system that has, among other things, shaved food costs by 2 percent to 5 percent per store.

Opportunity Knocks

With the brand and operations streamlined, Bear Rock is well poised for growth. The bakery-cafe segment affords a good opportunity, says Tristano of Technomic. Bear Rock's daypart sales split of 13 percent morning, 50 percent lunch, 25 percent dinner and 12 percent off-peak is also on target, Tristano says. "The quality of food is very high, and customer feedback has been that it's a good value," he adds.

And Bryant, so far the chain's chief everything, as well as "chief motivator," is ready to cede at least one of his titles. To date, that ploy hasn't worked: He hired a



Bryant's team persuaded him to price new flatbread sandwiches above \$7; the sandwiches now account for 12 percent to 18 percent of Bear Rock's sales.

MENU SAMPLER

MORNING FAVORITES

Morning Star: three scrambled eggs, American cheese and choice of sausage, bacon or honey ham on grilled flatbread, \$3.89

SPECIALTY FLATBREAD

Mojave BBQ Chicken: grilled chicken breast smothered in 30-spice barbecue sauce topped with pepper jack cheese and garnished with grilled peppers and red onions, \$7.29

SANDWICHES

Reuben's Peak: corned beef, melted Swiss cheese, sauerkraut and spicy mustard on seeded rye, served with Pinot Noir Shallot Vinaigrette, \$5.99

Sasquash: grilled eggplant and squash, provolone cheese, red onions, mushrooms, lettuce, tomatoes, sprouts and Vidalia-onion dressing on sunflower-seed bread, \$5.89



SALAD

Blackened Chicken Salad: fresh salad greens, blackened chicken breast, cheddar cheese, red onions, cucumbers, mushrooms, red peppers, tomatoes and croutons, \$5.99

SOUPS

Monday: Cheyenne Chicken and Rice, Sunburst Tomato, Fennel Bisque, and Garden Broccoli and Wisconsin Cheese, bowl, \$3.29, served in a sourdough bread bowl, \$4.69

COO last year, but the arrangement lasted only six months. "We were stepping on each other's toes," he says.

Bryant plans to hire a chief financial officer this year. Yet even as he sheds some of his corporate roles, "I will be the steward of the brand—motivating, coaching and teaching," he says. It's a skill he learned from Jimmy Valvano, the late North Carolina State basketball coach, who hired Bryant as a student manager. "He taught me how to set goals and reach them," Bryant says.

It's a quality others notice. "He has a drive not to settle for anything less than the best he can be," Crittenden says. "We find that refreshing." **CL**

Bear Rock Cafe introduced a line of upscale soups in November that increased sales 11.6 percent.



Peer Review

Operators discuss the best ways to grow to 100 units. BY MAYA NORRIS

At *Chain Leader's* "How to Grow to 100 Units" roundtable discussion, nine operators with chains at various stages of growth talked about the issues they have confronted with expansion. The roundtable participants were (from l.) Steve LaMastra of Raving Brands, Eric Wolfe of Ebert & Gerbert's, Billy Downs of bd's Mongolian Barbeque, Antonio Swad of Pizza Patrón, John Anderson of Fatburger, *Chain Leader* Editor-in-Chief Mary Chapman, John Scardapane of Saladworks, Nancy Roskin of 3 Tomatoes & a Mozzarella, Bob Lin of Abuelo's Mexican Food Embassy and Nick Vojnovic of Beef 'O' Brady's.

From brand development to recruiting to financing, growing chains must address a myriad of fundamental issues. And expansion is often fraught with missteps and lessons learned along the way. *Chain Leader* gathered nine chain operators from up-and-coming chains as well as established concepts to share the trials and tribulations of growth at a roundtable discussion called "How to Grow to 100 Units" Nov. 16, 2005, in Dallas.

According to the operators, delivering a clear and consistent brand message and experience to guests is vital to expansion. They said corporate must be vigilant about making sure units are complying with the chain's systems daily.

But some admitted that it can be difficult to enforce compliance when working with franchisees, who may want to put their own stamp on the concept.

"You know people move into their cubicle at their office, the

Steve LaMastra, COO of Raving Brands, suggested "creative" financing alternatives such as private equity or senior debt facilities.



first thing you do is you put up all your stuff—you personalize it. And there's a place for that. But when you're trying to speak with one common brand voice and develop a chain of restaurants, there's no need for personalization in that sense," said Antonio Swad, founder and president of Dallas-based Pizza Patrón. "And if you grow through franchise distribution, you have to get that established up front—that you're not going to have any of that. Otherwise you're going to fragment the brand, and you're going to weaken its brand voice, and it will be very difficult to get to the next level."

Human Investments

But before a chain starts expanding, it must invest in its infrastructure, especially a human-resources department. It not only



allows managers to concentrate on running the restaurants without having to worry about administrative issues like benefits and payments, but a human-resources staff "picks the right people to bring into your concept—people that

can grow and buy into what you're trying to express to your customers," said Bob Lin, president of Food Concepts International, the parent company of 29-unit Abuelo's Mexican Food Embassy.

Along with hiring the right employees, training is essential to 36-unit Erbert & Gerbert's brand strategy. The employees attend a five-week training program to learn how to tell customers the stories behind the sandwich concept's unique ori-

**HOW TO
GROW
TO 100
UNITS**

gins and the quirky sandwiches such as Boney Billy and Halleys Comet, named after characters in a series of tales that founder Kevin Schippers' father told him and his siblings when they were kids.

"What we are trying to do is focus in on our culture, the stories and really separating ourselves for very competitive markets," said Eric Wolfe, CEO of the Eau Claire, Wis.-based sandwich chain.

Training is also important when franchising because franchisors have a responsibility to help turn franchisees into entrepreneurs, said Steve LaMastra, COO of Raving Brands, a multiconcept operator of several fast-casual concepts, including Moe's Southwest Grill and Planet Smoothie. The company has a training program called Raving Brands University that covers general business management such as human resources and financial management.

"In franchise operations people forget you also have to make a great effort to develop your franchisees as businesspeople so that these men and woman can go out there and develop their business," LaMastra said. "There's nothing that they look to us for more than leadership in how to develop their business. That's why they've come to us, and that's why they're seeking that stability and the consistency in the brand you offer."



Billy Downs (l.), president and CEO of bd's Mongolian Barbeque and Eric Wolfe (center), CEO of Erbert & Gerbert's, said hiring and training systems are vital to the integrity of their brands.

(Below) While Antonio Swad (l.), founder and president of Pizza Patrón, and John Anderson, vice president of operations for Fatburger, agreed that a chain should project one common brand message, Anderson also said a chain should be sensitive to regional preferences.



HOW TO
GROW
TO **100**
UNITS

(Clockwise from top l.) Saladworks uses a rating system to evaluate its stores, setting a benchmark of 85 percent. "So if our average score on the entire system falls below 85 percent, we pull back expansion, and we go back and fix our problems," said John Scardapane, CEO of the 76-unit chain.

Nancy Roskin, CEO of 3 Tomatoes & a Mozzarella, talked about the difficulty of having a franchisee with no restaurant experience. The company has since decided to sell only to franchisees with a restaurant background or willing to hire someone with experience to run the restaurants.

Abuelo's Mexican Food Embassy uses cash flow to fund expansion: "Four of our units can build one unit," said Bob Lin, president of Food Concepts International, parent company of the 29-unit chain.

Beef 'O' Brady's plans to expand over the next five years by filling existing markets to build brand awareness and develop purchasing power, according to Nick Vojnovic, president of the 180-unit chain of family sports pubs.

"It took about 10 years for our team to build to a point where we were comfortable now to grow at a rate of 40 percent." —John Scardapane, CEO of Saladworks

Cashing In

Most of the operators at the roundtable recommended funding initial growth with cash flow by focusing on profitable unit economics and not expanding too fast.

"Keep your growth at a rate that you don't have to give any of the equity away or bring in any investors that are going to put such strict covenants on you for expansion that you're going to start expanding at the expense of the investor and start taking bad locations on real estate and sending franchisees into your system that shouldn't be in there," said John Scardapane, CEO of Conshohocken, Pa.-based Saladworks, a fast-casual, tossed-to-order-salad concept with 76 units.

However, according to LaMastra, once a chain has enough units to realistically grow nationally, it has to consider "creative" financing alternatives. For example, with more than 260 units and 500 more in development, Moe's plans to go national and is looking into private equity and senior debt facilities to help the chain expand.

But many at the roundtable cautioned that founders should stay involved in the company to protect the concept's original vision and interests. For example, Billy Downs, president and CEO of Ferndale, Mich.-based bd's Mongolian Barbeque, recently hired COO Deb Fratrik to help grow the create-your-own-stir-fry chain from 27 units to 100.



Handing Over the Reins

Expansion also means concept creators may have to turn over their responsibilities to more experienced restaurant executives. But many at the roundtable cautioned that founders should stay involved in the company to protect the concept's original vision and interests. For example, Billy Downs, president and CEO of Ferndale, Mich.-based bd's Mongolian Barbeque, recently hired COO Deb Fratrik to help grow the create-your-own-stir-fry chain from 27 units to 100.

"I'm asking for help and so I brought her in to help guide us through this past she's been through before. I felt that I was going through uncharted waters," he said. "At the same time, I love the business and want to stay involved. So it's a balance between managing culture and then giving up the reins." **CL**



For expanded coverage and video highlights of *Chain Leader's* "How to Grow to 100 Units" roundtable, visit www.foodservice411.com/go/grow100.

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Franchise Developer

Finance Tips for Multibranding

Expansion often is a next logical step after a first franchise succeeds. One strategy is to build a track record and equity, then expand to a multibrand portfolio.

Reginald Heard, national account manager, business development, CIT Small Business Lending, a Livingston, N.J.-based subsidiary of CIT Group, offers these tips for franchisees looking to add a new restaurant concept:

- **Make sure the franchise has a track record.** Aggressive new brands may have more flexible requirements that allow you to diversify into a new sector or move into a more complex operation. Established brands carry more weight. But lenders still may take a serious look at a younger brand as long as it has 20 units



open, has been operating for one year and has demonstrated earnings strength.

- **Go back to your original lender.** You already have an established performance history and repayment capability. Leverage the bottom line to negotiate for better terms.

- **Recapitalize your first franchise as soon as possible.** Lenders want to see substantial equity going back into the business, not just profit-taking. They also will require an equity

injection for the new franchise. By recapitalizing, you should be better able to meet their equity requirements.

- **Obtain franchisor approval before applying for a loan.** Most large franchisors have established relationships with national lenders. Getting the deal done is easier when dealing with institutions that understand the franchise business.

- **Consider the Small Business Administration and banks that do SBA-approved loans.** Not only do you get longer terms, typically up to 10 years on leased locations and 25 years on owned real estate (vs. conventional loans of five to seven years with 15- to 20-year amortization), you also can finance "soft costs" such as franchise fees.

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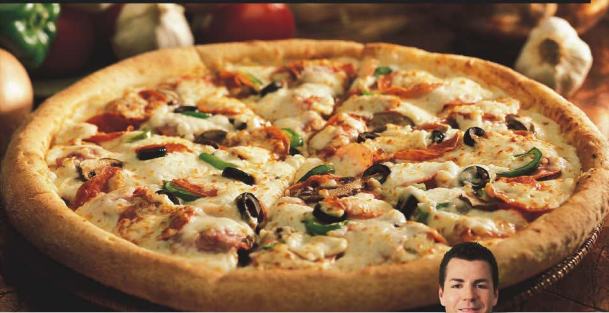
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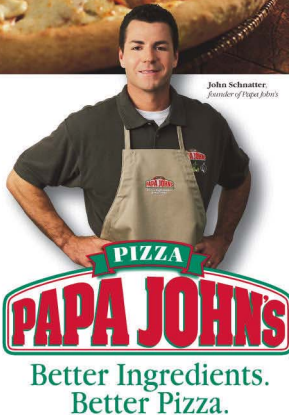


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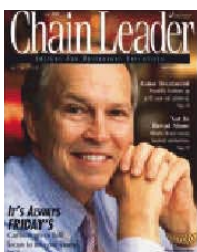
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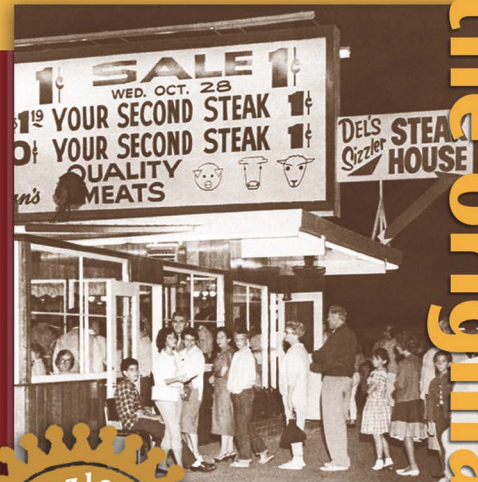


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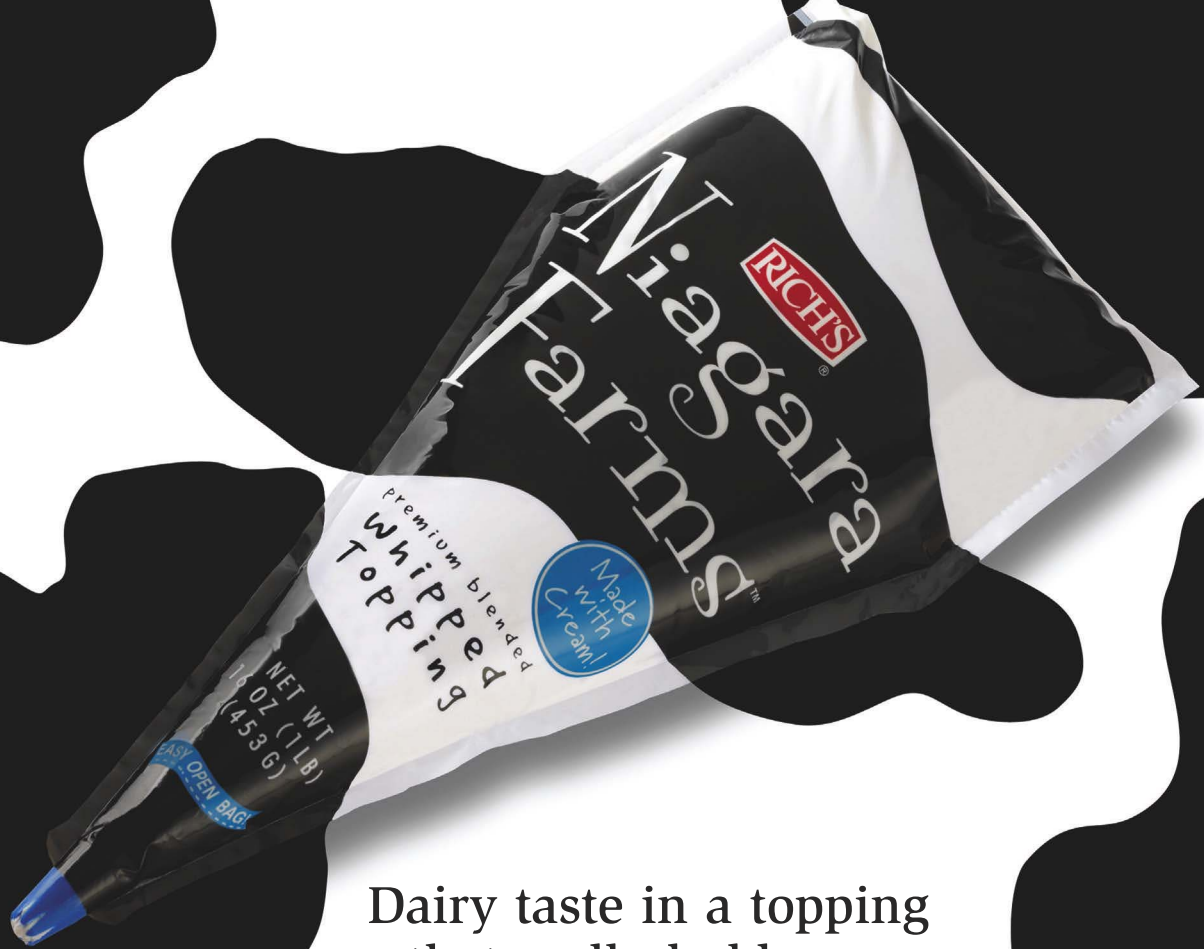
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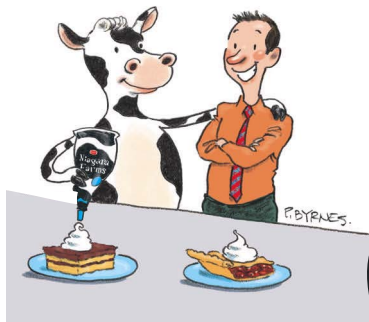
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