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**TREND-FORWARD
INSIGHTS TO
BUILD BRANDS**

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How chains can upsell customers
without turning them off. PAGE 30

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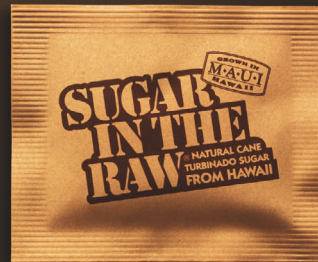




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CONTRARY Public Opinion

Many consumers think independent restaurants have better food than chains, but that doesn't mean they visit independents more often.



Chain restaurants receive a lot of flack for homogenizing the dining scene. Findings from *Restaurants & Institutions'* 2008 New American Diner Study show that consumers do think more of the food at independents. But data also show that they don't necessarily base their purchases on that perception.

The 2,194 respondents—who eat meals purchased out 3.72 times a week, according to the mean—were asked to think about how they select restaurants and agree or disagree with a series of statements using a 1 to 7 scale, where 1 means “strongly disagree” and 7 means “strongly agree.” The statement, “I believe that independent restaurants have higher food quality than chain restaurants,” garnered a mean score of 4.66.

INDEPENDENT DATA

A look at those who answered 6 or 7 shows an average of 31.5 percent for all respondents. Demographic groups skewing even higher include those in the Northeast, who average 38.8 percent; those whose household income is \$100,000 or more, who

average 38.0 percent; Hispanics, who average 37.7 percent; and married respondents, averaging 34.3 percent.

The figure is also higher for Gen Y respondents, those 26 years old and under: 41.7 answered in the top two, while 31.1 percent of Gen X (27 to 41 years old), 26.6 percent of baby boomers (42 to 60) and 28.4 percent of matures (those 61 and older) did.

When presented with the statement, “I've seen a commercial or advertising for a chain restaurant and decided to eat there,” the youngest participants were most likely to answer in the affirmative. Fully 35.7 percent of those 26 and under replied 6 or 7 compared to 33.7 percent of Gen X respondents, 26.7 percent of boomers, and 18.9 percent of matures.

CARRIED AWAY

One area where chains certainly seem to have the advantage is takeout. Fully 69 percent of the respondents say they are more likely to order carryout meals from a chain than a local independent restaurant. Almost half, 45.9 percent, say only once or twice a month, but 24.6 percent say they have carryout three or four times a month and 15.6 percent order five or more times monthly. ■

About 41.7 percent of Gen Y respondents to *R&I's* New American Diner Study believe independent restaurants have higher food quality than chain restaurants. Yet 35.7 percent of those respondents have eaten at chains because of ads they've seen.

BIG idea Offer a frequency program to drive traffic. While 59.4 percent of New American Diner respondents said they would eat at a restaurant more if they lowered their prices, 50.4 percent said they would visit more often if offered a loyalty discount.

A CASUAL RELATIONSHIP

Despite recent talk about tough times for casual-dining concepts, consumers say those are the restaurants they tend to patronize most often. *R&I's* New American Diner Study asked which of the following types of restaurants is the primary one participants visit when eating away from home and which types they had visited during the past year.

	Primary Type Visited	Visited During the Past Year
Casual dining	41.0%	87.4%
Fast food	33.6%	90.0%
Family dining	12.3%	76.7%
Fine dining	6.5%	59.6%
Buffet/cafeteria	4.9%	56.5%
Convenience store	1.1%	46.1%
Hotel	0.3%	26.2%

Source: Restaurants & Institutions' 2008 New American Diner Study



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30 COVER STORY

Sales Force

Upselling is an admirable—if not fundamental—goal, swelling both tips and sales. But how does your front-of-the-house staff turn up the heat without appearing greedy or aggressive? To find out, *Chain Leader* asked battle-tested trainers and consultants to share techniques for turning servers into salespeople and getting customers to buy more.

By David Farkas



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20 MARKETING

A MySpace Odyssey

Tijuana Flats Burrito Co. launched a MySpace page as part of a yearlong music competition designed to promote unknown, cutting-edge musicians while helping the fast-casual chain connect with a young, Web-centric customer base.

By Margaret Littman

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Natural Science

With most of its meats naturally raised and all of its sour cream and cheese hormone free, Chipotle Mexican Grill has been promoting a new way to think about healthy food. Rather than spotlight fat and calorie content, Chipotle emphasizes sustainable ingredients.

By Monica Rogers

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Taking Measures

Four years ago T.G.I. Friday's applied IBM's Six Sigma principles to a nagging back-of-the-house problem: slow ticket times. The chain simplified recipes and installed kitchen-management software and hardware, and ticket times are down to nine minutes from 16 minutes.

By Lisa Bertagnoli

36 GROWTH STRATEGY

Causing a Stir

Since being acquired by Walnut Group, a Cincinnati-based private-equity firm, in 2006, 10-unit Stir Crazy has been preparing for national expansion. The Pan-Asian chain has streamlined the menu, improved service and embarked on a remodeling program.

By Lisa Bertagnoli

42 MANAGEMENT REFERENCE

Immigration Update

Whether immigration reform ever takes place, employers must ensure workers are properly documented, following varying state laws and avoid discriminating against workers on the basis of their nationality or citizenship status.

By Mary Boltz Chapman



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- Lee Roy Selmon's spinoff from OSI Restaurant Partners means national expansion is on the horizon
- Damon's engineers a turnaround
- Houlihan's shares how it secured an investment to grow
- Concept creator Steve Schussler discusses his new concept, the Hot Dog Hall of Fame
- Phoenix-area restaurants prepare for the Super Bowl
- TCBY returns to its yogurt roots
- Cafe Express builds on Wendy's lessons
- Brio and Bravo seek to boost bar sales

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- Roland Dickey Jr. primes Dickey's Barbecue for national expansion
- Greg Burns transforms O'Charley's and Ninety Nine
- Julia Stewart works to keep IHOP's turnaround spirit alive

HOW TO GROW TO 100 UNITS

- Kelly Harris of Times Grill pinpoints the nine key areas small chains need to invest in as they expand
- Don Vlcek of Marco's Pizza provides 10 tips for working with suppliers
- Financial adviser Mark Saltzgaber offers small chains a primer on raising capital

PLUS

- Senior Editor David Farkas muses about the restaurant industry in his blog, Dave's Dispatch
- Daily news
- Franchise opportunities
- Topic-specific pages on marketing, expansion, operations and more

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“We can see ticket times for every restaurant, every day, every hour, and by shifts. If anyone starts to backslide, we can work on it.”

—Jay Johns, vice president of strategic operations, T.G.I. Friday's

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The New *Chain Leader*

When *Chain Leader* was gearing up for its debut, the founding editor, publisher and sales team walked around the 1996 National Restaurant Association Show wearing red and white buttons proclaiming, “Meet the New *Chain Leader*: Winning the Chain Restaurant Game.” It was an introduction to something new and unique.

Today I get the honor. Meet the new *Chain Leader*. In this issue we debut our new position: trend-forward insights to build brands.

In the last issue, I told you about the changing role of chains within the industry

Consumer Pulse article on Page 2. This occasional article will look at a piece of consumer research—this time *R&I*'s 2008 New American Diner Study—through a chain lens.

If you turn to Page 22, you'll find our new pillar food feature, New Product Pipeline, a look at what's new and coming up from chain kitchens. This month, we examine “health conscious” menus in a trend-forward way: expanding the definition to include healthy for the earth and animals as well.

Our Cover Story, “Sales Force,” on Page 30, discusses how restaurant chains turn servers into salespeople. Each month, the Cover Story will give readers concrete ways to improve in specific areas or benchmark themselves against other companies.

Flip to Page 42, and you'll find Management Reference, a look at some resources for following immigration law. This recurring department will always look at a human-

resource topic and will be focused for readers who aren't necessarily HR experts. And it will always have a list of resources and links to turn to for more information.

www.chainleader.com is getting a makeover, too, with new daily news sources, industry resources, blogs and easier feedback. Its relaunch will soon follow this issue, so watch your e-mail.

and our research and efforts to stay ahead of these changes. This month I'd like to walk you through some of the specifics.

PERSONAL TOUR

You've already seen the cover, sans restaurant executive. As it does here, it will show people, product, movement and environment. The “menu bar” in the upper left corner evokes a Web page, and allows us to highlight more stories than we could in the past. There's an ongoing argument in magazines as to whether you should put page numbers on the cover or lead readers to the Table of Contents. We think busy chain leaders would rather not take the extra step.

You also might have noticed a new

NEW AND IMPROVED

Finally, on our last page, is VIP Radio. A spin-off of our successful Cover Society interview series, VIP Radio is a quick Q&A with an industry leader. The extended interview is available as a podcast online; a transcript is also available.

There were some familiar sights along the way as well. Several of our departments and features have been refocused to adhere to our “trend-forward insights to build brands” position. Some topics had to be left behind. They simply weren't offering enough value.

As always, please let me know what you think of the new content and design, in print and online. And enjoy getting to know the new *Chain Leader*. ■

BIG ideas

“Even if you are on the right track, you'll get run over if you just sit there.”

—Will Rogers, humorist

“Innovation distinguishes between a leader and a follower.”

—Steve Jobs, co-founder, Apple

“Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.”

—Peter Drucker, writer and management consultant

“Kids, you tried your best and you failed miserably. The lesson is, never try.”

—Homer Simpson



Mary Boltz Chapman
Editor-in-Chief



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55% Patrons would be **more likely** to choose to eat at a restaurant that used disposable table cleaning wipes.



A financial guru gives fair warning about new restaurant construction—and a viable alternative.

Unhappy RETURNS

Public and private-equity-funded companies have been building restaurants at a significant rate to penetrate new markets and achieve regional dominance. While such growth powers valuation models and compensates for lagging traffic in existing units, new unit construction also wreaks havoc on returns, insists Vancouver, Wash.-based investor and financial strategist Jim Parish.

Explain your new warning for restaurant operators.

Returns on new restaurant construction are miserable and getting worse as measured in historical terms. It's so bad that a level of return on investment that would cause rejection of a new restaurant construction project just a short while ago is now significantly above what many such new projects will produce.

Why have returns on newly constructed restaurant units collapsed?

Costs of new construction have been rising at a double-digit rate for years, and the demands on construction materials such as lumber, concrete and steel brought about by hurricane relief have merely exacerbated the trend. Plus, real-estate costs have risen nearly across the board. In addition, landlords have repackaged developments into lifestyle formats to increase per-square-foot yields and more efficiently cover maintenance expenses. The result has been higher rent per square foot for tenants.

Municipalities have reduced development staffs in response to budgetary pressures. As a result, planning, zoning and site-approval processes are stretching longer and become more costly. In many areas, municipal and neighborhood activism has resulted in harsher architectural restrictions, further adding to cost and delay. For similar reasons, infrastruc-

ture costs which used to be borne by the municipality for streets, curbing, and water and waste disposal have been transferred to developers, who typically pass them along to tenants.

In the end, what's the danger for companies?

In many cases, building a new restaurant not only doesn't add value, it may destroy it due to excess capital usage and substandard returns. A chief financial officer recently told me his company's ROI on new construction has been halved in the past 10 years, from the high 20 percent range to below 15 percent. No. 1 on my personal list of fundamental metrics to create value in restaurants is that unit-level economics must provide a superior return, on sales and on investment. Both numbers should be above 20 percent.

Are there options?

There is a viable option to new construction: the conversion of existing restaurant sites. Such sites are preferable to non-restaurant retail given that hoods, ventilation and grease-disposal systems are still in place. Yet some non-restaurant "alternative" sites should also be considered. Due diligence is critical because unseen structural concerns are always a risk.

What are the advantages?

An existing building could mean significant savings in construction costs and higher ROIs. A further advantage is that location and traffic issues are known, giving you greater certainty of the level of performance. The opportunity to obtain a quality restaurant location at a price that both enhances performance and improves ROI may be just what new investors need to bring new capital to the restaurant industry. ■



"In many cases, building a new restaurant not only doesn't add value, it may destroy it due to excess capital usage and substandard returns." —Jim Parish

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Back to the Drawing Board

Rumbi Island Grill slows expansion to tweak operations and build-out costs.

Rumbi Island Grill took a step back last year to move forward. It slowed down growth in 2007 to concentrate on making the tropical, fast-casual concept more amenable to expansion. Now Rumbi believes the concept is ready to enter new markets and fill in its current markets.

The Sandy, Utah-based chain has 20 company and three franchised restaurants in Utah, Arizona and Colorado. Rumbi opened 10 units from 2000 to 2005 and eight in 2006. But it only opened five in 2007 as President Stuart Gee spent the last year trying to reduce the complexity and costs of the operations and lower build-out costs.



SNAPSHOT

Concept Rumbi Island Grill
Headquarters Sandy, Utah
Units 23
2007 Systemwide Sales
 \$22 million
2008 Systemwide Sales
 \$26 million to \$27 million
 (company estimate)
Average Unit Volume
 \$1.2 million
Average Check \$8.25
Expansion Plans 5 or 6
 company and 4 or 5
 franchised stores in 2008

“Based on what we’re finding with our restaurants and the financial model, we think we can do much better,” says Gee, former vice president of operations for Romano’s Macaroni Grill. “So we just took a measured approach to say, ‘Hey, let’s slow down and make sure we have the right model for us and for a franchisee coming in.’”

COST CONTROLS

To make its signature rice bowls less labor intensive, Rumbi began using preportioned, precut vegetables, as well as teriyaki and orange sauces made to its specifications by a vendor. The company kept costs down by negotiating contract pricing for vegetables and vendor-made sauces.

Unit workers still make the jerk and peanut sauces

and all the salad dressings on site. However, the company is looking into either having a vendor make them or buying them off the shelf.

Rumbi also re-engineered how to build the rice bowls and salads, which each make up 35 percent of sales. Previously unit workers tossed greens, proteins and other ingredients with dressing in chilled prep bowls. Now they put the salad ingredients directly into the customer’s bowl and serve the dressing on the side. And today rice bowls no longer come topped with green onions and sesame seeds.

While the salads and rice bowls are easier to make, unit workers are spending more time preparing the pulled pork used in Rumbi’s pork entree and sandwich. Previously the company used a prepared product. Now workers braise and boil the pork for four hours on site. By doing so and switching to a different vendor, Rumbi says it cut pork costs in half without sacrificing quality. “It’s tougher for us to make, but the cost savings was astronomical,” Gee says.

Stores feature a relaxed, tropical decor with padded booths, bamboo, plants, tribal masks and statues of famed Hawaiian surfer Duke Kahanamoku.

TROPICAL GETAWAY

One of the biggest cost savings will come from a new prototype, which will feature a smaller kitchen thanks to the menu-engineering changes. Future Rumbis will be 1,800 to 2,000 square feet and cost \$275,000 to \$300,000; the old box was 2,500 square feet and cost \$400,000 to \$600,000 to open.

The prototype will debut in April 2008 in Provo, Utah. It will be one of five or six company units opening in Utah and Arizona in 2008; the company expects franchisees to open four or five in Arizona, Idaho and California. Then it will ramp up expansion in 2009 with 20 units in current markets plus California and Nevada.

Rumbi would like to have 100 to 125 stores nationwide in five years, equally split between company and franchised units. ■

IN THE WORKS: To build dinner sales, Rumbi will test a meat lover’s platter and margarita-lime chicken and shrimp.

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Laying the **GROUNDWORK**

Operators discuss how small chains should go about building corporate infrastructure.



Corporate infrastructure is the foundation for any expanding restaurant concept. But small, growing chains often don't have the resources or funding to develop all aspects of their company as they expand. *Chain Leader* spoke to several operators about how small chains should build up their infrastructure and where they should invest their limited resources.

**Peter Barli, president,
Lee Roy Selmon's, Tampa, Fla.**

Your management and your team-member training infrastructure is the most important piece. Bar none, it's that training piece and having the right people to go out and develop your culture.

Bricks and mortar and even getting cash is far easier than replicating a concept's culture. And ultimately the

reason why we have the confidence, for instance, in Lee Roy Selmon's being able to go where people don't know who [retired Tampa Bay Buccaneer Lee Roy Selmon] is, is because if the culture's strong enough, then the deliverables on the soul-satisfying comfort food and the heartwarming hospitality will be there. And that is what will bring people in for second, third and fourth visits and turn them into regulars—the culture and the people. The building won't do it. The building will only get them in there once. The people will keep them coming back.

**Jim Frye, founder, chairman and CEO,
Italian Oven Cafe, West Palm Beach, Fla.**

One of the best ways to save one's very, very valuable capital when you are small and just beginning

to grow and yet provide the necessary services and personnel to grow is to outsource a lot of the work that you need done, for instance, for stock options. Also look to hire somebody on a part-time basis to do your marketing, to do your construction, to do your design work. People will understand that you don't have a great deal of money. And if they believe in your idea and your vision, I think that they will work for stock, which at the time is not expensive capital. You hope to create value in that stock, and you hope to make all those people that do take that stock as remuneration and make them wealthy by holding those shares.

As you get into the 15- to 20-store range, then the first people that you need to put on board are a chief financial officer and a full-time training and human-resources individual. Those are the two most important people that you need within the confines of the company early. Others can be outsourced until you get enough to play with and to offer good competitive salaries and benefits.

**Kenny Lao, founder and CEO,
Rickshaw Dumpling Bar, New York**

First off you need to assess what your skills are. Here are the things that we're really, really good at and here's how we're going to break it out. Now out of these

skills, what are things that only [co-founder David Weber] and I can do? For example, I do investor relations. I do new store openings. He does financial, operations standards.

First things that we want to consider is do you [hire] a higher up, expensive, C-level type of guy? Or do you hire someone below you? What you want to do when you look at first hires is you want to see what you need. For us right now, the first thing that we need is a great bookkeeper. We don't need a CFO right now at two units. We want to stay really, really nimble. You want a part-time bookkeeper and a part-time assistant, because even at two units, we can handle what's going on.

I think the next key hire that is either an equivalent of us or a higher up is going to be a district manager, where they oversee a couple of units in

HOW TO
GROW
TO **100**
UNITS

BIG idea Founder Jim Frye of Italian Oven Cafe suggests small chains offer stock options to employees until their companies are big enough to offer competitive salaries and benefits.

ON THE WEB: Check out the nine areas Times Grill's Kelly Harris says small chains should invest in as they expand at www.chainleader.com.

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Veal Pizza



Veal Chop



Veal Salad

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“You need to have systems in place to foster training and education. A lot of small companies make the mistake by not investing in those resources.”

—COO Martin Mayer, *The Loop Pizza Grill*



Manhattan to allow us to be able to move down to D.C. to do the new openings down there.

Steve Kishi, chief operating officer, Super Mex, Long Beach, Calif.

We brought in our shining stars that are doing well at the restaurant level to expand their contributions—give them a lot more special projects and try to identify the future leaders

of this company. So we picked and chose certain managers who are very strong [in areas such as] community relations. Another one is very strong in operations. Another one is very strong in menu preparation. And we use them as a task-force team. They'll meet here in the corporate office with the ownership, and we'll work on special projects together. And it gave us the benefit of having their knowledge to help us accelerate our infrastructure.

Steve Stoddard, president and CEO, Restaurants Unlimited, Seattle

You have to look at it as a timeline of when you're going to need what. So, for example, for us to open new units, the first thing you start dealing with are design, real estate, construction—those are the things that come at you first, a year prior to even opening the doors on that first restaurant in a new growth strategy. So to start adding infrastructure in accounting or marketing, for example—well, you're not going to need that until you're opening those

units. So you have to look at it in the flow of how departmentally you're affected by growth, which departments are affected first and when do you need to add things on.

And you've got to be disciplined to make certain that your overhead is based on the number of new units you're able to make arrangements to open and what your forecasted sales profiles for those restaurants would be.

Martin Mayer, chief operating officer, The Loop Pizza Grill, Jacksonville, Fla.

You need to have systems in place to foster training and education, which is very, very important. A lot of small companies make the mistake by not investing in those resources. At The Loop one of the things that we've implemented is a program called Next Steps. It's literally training that takes place the day they sign their franchise agreement. It's literally a step-by-step process in chronological order that walks them through what their next step is as far as getting the restaurant open. And then, moreover, identifying the parties that are responsible for completing that particular task. And that keeps them on track to get their restaurant open hopefully within the 300-day time frame that is outlined in the franchise agreement.

It's also an understanding of when you need to hire the appropriate human resources to support and facilitate the growth of the concept. In our case, for every 10 restaurants that are opened, we need to have another franchise business consultant. Now understanding the time frame and when those restaurants are going to open will trigger when we need to hire that next person and get them trained to the point to where they can conduct their responsibilities accordingly and help that franchise business partner succeed. You're always trying to think anywhere from 12 to 24 months out with regards to projection and growth and when the restaurants are going to come on line. ■



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A MySpace ODYSSEY

Tijuana Flats tries to **CONNECT WITH ITS CUSTOMERS**

by spotlighting unknown, cutting-edge musicians on MySpace.

SNAPSHOT

Concept

Tijuana Flats Burrito Co.

Headquarters

Maitland, Fla.

Units

59

2007 Systemwide Sales

\$55 million

(company estimate)

Average Check

\$9

Ad Agency

PUSH, Orlando, Fla.

Expansion Plans

20 in 2008

Social networking sites such as MySpace.com and Facebook are still relatively untested territory for many companies. Not that there aren't restaurant chains on MySpace, but whether that presence is contributing to their brand-building objectives remains to be seen.

The degree of viral feedback available on such sites means a marketer gives up the level of control available in traditional branding. While feedback and backlash is a possibility with any marketing effort, it is more likely on social networking Web sites. That, combined with the preponderance of college drinking photos that get linked to a page through "friends," make MySpace a potentially successful tool for only a select group of marketers.

Maitland, Fla.-based Tijuana Flats Burrito Co. feels it is in that group. In July it launched a MySpace page as part of a yearlong music competition designed to find ways to connect with a young, Web-centric customer base.

The company has had its own Web site

(www.tijuanafats.com) for two years. It reflects the sassy, tongue-in-cheek charm of the restaurants, which are filled with lively music from classic rock to 1980s sounds. "People ask us all the time. 'What music this is?'" explains Ashley Montgomery, director of marketing and public relations for the chain.

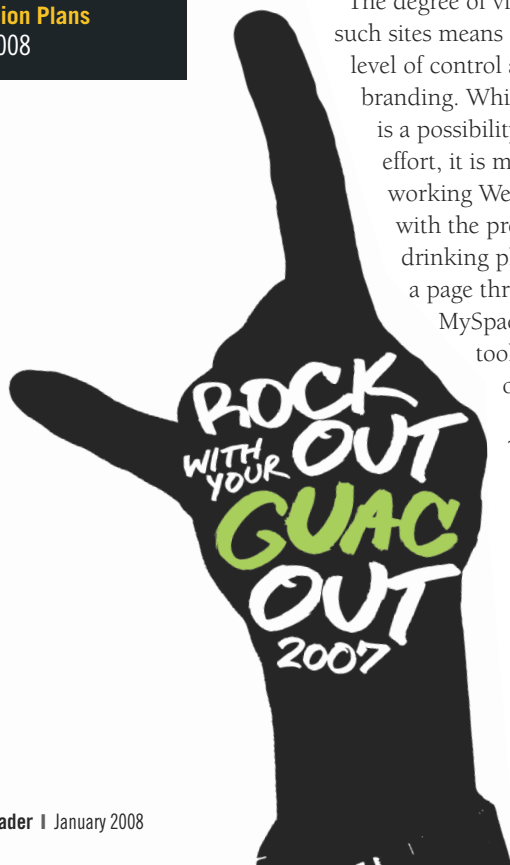
Tijuana Flats considered adding a music player to the site, but it was outside the chain's modest budget. Licensing rights to play one well-known song for a year topped \$50,000. That would have necessitated playing the same tunes over and over, which would not have driven repeat traffic to Tijuana Flats' site.

BATTLE OF THE BANDS

Brainstorming with PUSH, the Orlando, Fla.-based ad agency that has worked with Tijuana Flats since December 2003, the team came up with a way to give customers the new music they crave while capitalizing on the concept's irreverent, counterculture vibe—something Tijuana Flats has been known for since founder Brian Wheeler borrowed money from his parents to open the Tex-Mex joint in 1995 when he was a college student.

In July, Tijuana Flats launched the Rock Out with Your Guac Out contest, which solicited unsigned bands and singers to submit music that would be played on Tijuana Flats' MySpace page (www.myspace.com/tijuanafatsburritoco).

The team was impressed by the 100 responses it received in July. It chooses a winner for every month for a year; the 12 winners each have three songs in rotation on the MySpace site for a month, with the first winner, Betty's Not a Vitamin, an alternative country rock band from Clearwater, Fla., featured in August 2007. The chain targets diners





A MySpace Web page and contest promising to play the music of select unsigned artists increased internet buzz for the Tijuana Flats concept.

Betty's Not A Vitamin, an alternative country rock band from Clearwater, Fla., was Tijuana Flats' first contest winner. "We are really floored that Tijuana Flats chose us as the first new entree," says band frontman Todd Staudinger.

(Opposite) The Rock Out with Your Guac Out Contest will feature one new band's music each month.

ages 18 to 49, both male and female, so it looked for music from every genre. Submissions ran the gamut from Irish to folk to reggae. Bands were instructed not to submit songs that used foul language, and upbeat music was preferred.

Other winners included Never Alone and Matt MacKelcan. A promotion such as this could have attracted amateur-ish music from wannabes surfing the Web. But despite the fact that all the entrants were unsigned musical groups, Tijuana Flats received very few poor-quality entries.

According to Tijuana Flats, wannabe musicians and Tex-Mex lovers who like cutting-edge music would be drawn to the site to see what was new, the MySpace format would allow others to spread the word, and site traffic would increase.

"We kept trying to figure out ways to get people to come back to the site and try to build repeat traffic," says Chris Robb, chief creative officer for PUSH.

"MySpace is a good way to create an avenue for new bands," Montgomery adds. Prior to the contest, the MySpace page only had about 15 "friends" (folks who link through MySpace), all of whom were employees. Now there are more than 250, including guests, fans of the bands, radio personalities and people who do not live close to a Tijuana Flats location. After adding a music player and the new music to the Tijuana Flats Web site, average daily traffic increased to 900 from 300.

AND THE WINNER IS...

In addition to being a good avenue for new bands, MySpace appears to be a good avenue for the chain. The 13-year-old chain projected 2007 systemwide sales at \$55 million, up from \$15 million in 2003. But Tijuana Flats still doesn't have serious funds to

invest in marketing or advertising, with most of it earmarked for expansion. The 59-unit concept plans to add 20 new units in 2008.

While the chain has billboards and radio spots as part of other marketing efforts, there was virtually no expense in promoting Rock Out with Your Guac Out. "This is the first time we've gone underground," Montgomery says. "We did not even make posters. It was all word of mouth."

"That was the great thing about this. It was really cost effective," Robb says.

The contest has been so successful that Tijuana Flats plans to begin another round this July. Robb says there are ways to integrate the contest into the chain's other marketing efforts. A compilation CD or even a concert might work to extend the idea in the future, when Tijuana Flats has a larger national presence and a bigger marketing budget.

Robb says Tijuana Flats may be able to continue to take advantage of more viral marketing efforts that may not work for more established chains.

"The thing people love about Tijuana Flats is that it does not feel like a chain. It feels more personal," Robb says. "A lot of brands are doing things like this, but it is kind of tricky. If it is not right, it will not work. People can smell a fake, especially on the Web. It needs to be authentic. Some things probably should not be on MySpace." ■





SNAPSHOT

Concept
 Chipotle Mexican Grill Inc.
Headquarters Denver
Units 670
2007 Systemwide Sales
 \$1 billion*
Average Unit Volume
 \$1.7 million
Average Check \$9.50
Expansion Plans 130 to
 140 in '08

*Chain Leader estimate

Natural SCIENCE

Chipotle broadens what it means to be **HEALTH CONSCIOUS** while proving that sustainable fare can be both socially responsible and profitable.

composed of socially responsible, sustainable fare.

With most of its meats naturally raised and, just recently, all of its sour cream and cheese hormone-free, Chipotle Mexican Grill has been promoting a new way to think about healthy food in chain restaurants. Rather than spotlight fat and calorie content, Chipotle's "Food With Integrity" emphasizes sustainable ingredients: foods that are better for the human body, the planet and animals by virtue of being produced without pesticides, chemicals, antibiotics or hormones.

"It's not that we consider nutritional content to be unimportant," says Chipotle Public Relations Director Chris Arnold. "But we take a more holistic look at nutrition and health."



If you visited a Chipotle Mexican Grill this past summer, some of the cilantro that scented your rice, romaine lettuce that filled your burrito bowl or onion that spiced your barbacoa was locally grown. A summer pilot program 670-unit Chipotle will continue, the sourcing measures cut down on fossil fuels used to transport produce, gave local farmers a boost and improved taste by serving ingredients during their peak season.

Flouting suggestions that a huge, fast-casual restaurant chain can't do the fresh, local thing, the seasonal produce program is just the latest development in Chipotle's move to serving a menu entirely

With all of its pork, 80 percent of its chicken and 50 percent of its beef naturally raised, Chipotle's healthy focus emphasizes sustainable ingredients rather than fat and calorie content.

Chipotle says customers did not balk when it raised prices after switching to naturally raised meats in 2000.

HEALTH FARE

But are sustainable products more healthful than conventional ingredients? According to Dr. Daniel Fabricant, vice president of scientific and regulatory affairs at the Washington, D.C.-based Natural Products Association, "There's never going to be a double-blinded, placebo-controlled, randomized trial that shows that milk without hormones is less toxic than milk with it, because that study defies medical ethics. You can't run a study like that on humans." However, he says, "There have been case reports linking potential adverse affect to humans who have consumed products from live-stock given antibiotics and recombinant growth hormones."

Industry watchdogs such as the Center for Science in the Public Interest say while Chipotle's focus may be better for the earth and animals, it does not help consumers' health. "Their efforts with sustainability are commendable, but if we're talking about health benefits for human beings, there's still enormous room for improvement on their menus," says Michael F. Jacobson, the center's executive director.

Jacobson says lowering sodium content in bean and meat recipes at Chipotle would help, as would the switch to brown rice and low-fat cheese and sour cream. He also takes issue with the fact that calorie counts are hard to find on Chipotle's Web site. "People should know that a fully loaded burrito from Chipotle has 12 to 14 grams of saturated fat," Jacobson concludes.

Chipotle counters with the choice card: "There are more than 60,000 ways you can build these entrees," says Arnold. "Listing calorie contents for each version would be impossible."

Instead, Chipotle lists calories by ingredient type.

PAYING MORE FOR "BETTER"

Thus far Chipotle's shift to sustainable has been gobbled up by guests who are willing to pay a premium for natural ingredients. According to the Natural Marketing Institute's 2006 Health &

Roll Call: HEALTH PLANS

While Chipotle's spin on health puts the onus on sustainable ingredients, other chains have focused on stepping up more-traditional better-for-you measures aimed at helping customers count calories, watch their fat intake or eat smaller portions.

T.G.I. FRIDAY'S has already updated its Right Portion, Right Price program once since it launched in March 2007. The program features entrees that are one-third to one-half smaller and priced about one-third less than typical servings. It dropped two of its initial Right Portion, Right Price items—Jack Daniel's Chicken Alfredo and Bruschetta Chicken Parmesan—and added Garlic Chicken Primavera and Parmesan-Crusted Chicken late spring and early summer. "As with the rest of the Friday's menu, the Right Portion, Right Price menu will continue to evolve, with entrees being added and entrees being taken off," says President and COO Mike Archer. "We expect the number of these choices on the menu to remain close to 10."

UNO CHICAGO GRILL has continued to expand availability of healthful options and nutritional information under CEO Frank Guidara's guidance. The establishment of a Nutritional Advisory Board in 2005 with two outside physicians—one a heart specialist and the other an endocrinologist specializing in weight management—has meant a stream of alternatives to deep-dish pizza. Uno's flatbread pizza section, for

example, which started two years ago with four options, now includes 10 pizzas featuring high-flavor, lower-fat toppings, and now accounts for one-fourth of all pizza sales.

Uno has dedicated more than 100 pages on its Web site to the nitty gritty, right down to fiber, sodium and saturated fat. Kiosks in each restaurant's lobby take guests straight to those pages. Kiosks have tallied more than 2 million hits since being installed two years ago, with 460,000 hits on the "500-or-less Calorie" section, according to Senior Vice President of Marketing Rick Hendrie. This year Uno is looking hard at what it can do to remove more saturated fat and sodium from its recipes.

This past summer **SUBWAY** became the first national chain to post calorie counts on menu boards in New York City at 400 units. The company says it would like to put calorie counts on menus nationwide. "It fits with our strategy of making nutritional information easy for guests to access," says Kevin Kane, public relations manager for the 28,563-unit chain.

The holdup is that each of the 13 communities now debating making such measures mandatory may settle on different requirements, Kane says. "It would be easier for us if there was a uniform standard for how this is done throughout the country, but we understand that each community may want different things," he adds.

NEW PRODUCT PIPELINE

MENU SAMPLER

Tacos: three soft flour or four crispy corn tortillas with choice of meat, choice of salsa, cheese or sour cream, and romaine lettuce, \$6

Burrito: giant flour tortilla filled with cilantro-lime rice, choice of pinto or vegetarian black beans, choice of meat, choice of salsa, cheese or sour cream, \$6

Vegetarian Fajita Burrito: giant flour tortilla with sauteed pepper, onion and herb mix, vegetarian black beans and guacamole, \$6

Burrito Bowl: cilantro-lime rice, pinto or vegetarian black beans, choice of meat, choice of salsa, cheese or sour cream, served in a bowl instead of a tortilla, \$6

Burrito Bowl Salad: romaine lettuce with choice of pinto or vegetarian black beans, choice of meat, choice of salsa, and chipotle-honey vinaigrette, \$6



Chipotle recently began using hormone-free sour cream and cheese.

As part of its summer pilot program, Chipotle contracted with local farmers to buy at least one of its bulk vegetable items from each farm and distributed them to units closest to that farm.

Wellness Trends Database, 26 percent of the general population and primary grocery shoppers agree that organic foods and beverages are worth paying an extra 20 percent for.

Likewise, beginning in 2000, with the switch to naturally raised pork, which bumped carnitas menu prices up a dollar, Chipotle's guests have not balked at price increases.

"We actually saw carnitas sales double after the switch to naturally raised pork, despite increasing the price of the product a dollar, which transformed it from being the cheapest to the most expensive item on the menu," says Arnold. "For us, that was a good indicator that people were willing to pay a little bit more for food that they recognized as being better."

Subsequent 25- to 50-cent increases in

menu prices didn't raise customers' ire either when Chipotle introduced naturally raised chicken in October 2002 and debuted naturally raised beef in August 2003.

But Chipotle says the biggest proof that guests like its menu focus is its consistently growing revenue, both through new-restaurant openings and robust same-store sales. This month Chipotle begins its 10th year of double-digit, same-store-sales.

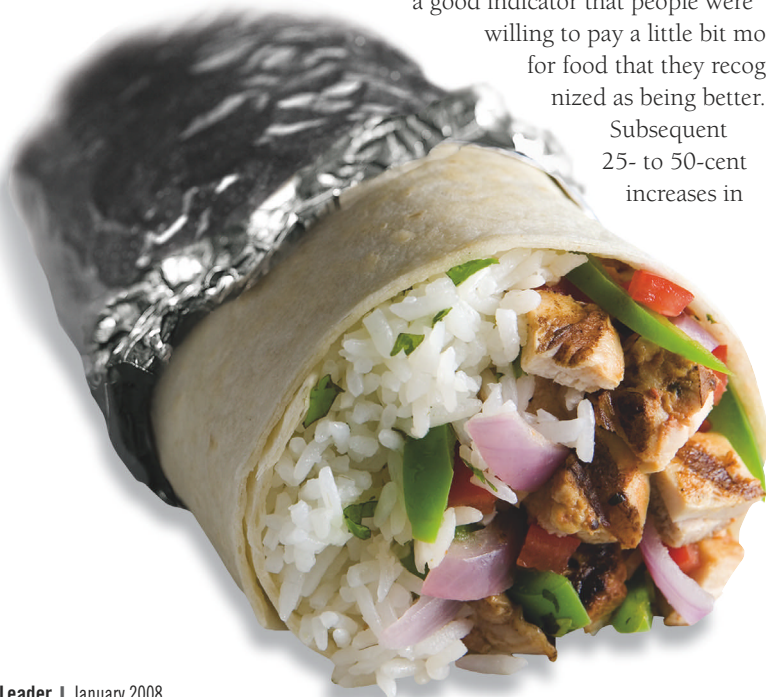
WORTH THE EFFORT

That's not to say Chipotle's ingredient evolution was a snap to execute. Careful planning has been necessary from the start.

Knowing that it wanted to use gourmet-quality ingredients, Chipotle built its unit-economic model specifically to allow for food-cost flexibility. The company has kept operational expenses low, the menu limited and crews small, for example, to help offset food costs—which at 31.9 percent are high for the industry.

As well, Chipotle's marketing team knew it would need in-store marketing materials and billboards to get guests on board the "Food With Integrity" bandwagon. Posters and billboards launched with each new protein have crystallized the message with simple slogans such as "No 'Pharm' On Our Farms," "Mystery-free Meat" and "Our Farmers Wear Jeans, Not Lab Coats."

BIG idea Chipotle built its unit-economic model specifically to offset its food costs, which at 31.9 percent are high for the industry.





But the biggest challenges to executing Chipotle's new sourcing model have been limited supply and high market costs. "You can't just throw a switch and make it all happen," says founder and CEO Steve

Ells. "The food industry is very change adverse. Farmers have been doing things the same way for a very long time. They need to know switching to sustainable practices will be viable. . . . Chipotle doesn't buy enough produce to set the market."

As a result, supplies of sustainably raised ingredients aren't yet consistently available to Chipotle. What is available is sold at a substantial price premium over commodity goods. "If we served burritos that were made with 100 percent sustainable ingredients today, they'd cost closer to \$16 than \$6," says Ells, "which would get us away from our goal of making gourmet, socially responsible food available to mainstream consumers at an affordable price."

CENTER OF THE PLATE

Still, Chipotle has made significant progress toward its ingredient goals. The company now serves more naturally raised meat than any other restaurant company in the world.

Because hogs mature in six months and chickens in just over six weeks, Chipotle was able to switch to naturally raised animals in those categories quickly. All of its pork and 80 percent of its chicken are now naturally raised.

But with cattle, which take two-and-a-half years to mature, the process has been slower. Only

50 percent of the beef Chipotle uses is naturally raised. Exacerbating the issue, "We use very little meat from each head of cattle," says Arnold.

Beef recipes on Chipotle's menu include steak from the ball tip cut and barbacoa from the shoulder or clod. To use more beef per animal, which will help with the current supply issue, the company is experimenting with different cuts of beef that it might add to recipes without altering taste or texture.

CONTINUING PROGRESS

Beyond meat, Chipotle has gradually reduced the amount of commodity black and pinto beans it uses; at year-end 2007, 25 percent were organic. Going to 100 percent organic supply has not yet been possible. "The supply is just not there," says Arnold.

Chipotle's also looking for a large enough affordable supply of sustainably raised romaine lettuce, cilantro, limes, tomatoes, peppers, onions, corn and other ingredients used in salsas and fajitas year-round. For the summer produce pilot, Chipotle's purchasing team contracted with local farmers to buy at least one of its bulk vegetable items (onions, peppers, lettuce and herbs) from each farm. The fresh, local veggies were then delivered to distribution centers throughout the country and served at units closest to each farm.

New this month: All sour cream and cheese supplied to Chipotle is now produced from milk taken from cows that have not received any rBGH (recombinant bovine growth hormones). Also on the horizon, it plans to use dairy products that are not only hormone free but sourced from cows that are pasture raised.

"We don't see our ingredient improvements as something that will ever be 'done,'" Ells concludes. "Our commitment is to work to constantly improve quality. That's something that will always continue." ■

TIMELINE

Summer 1999 Steve Ells reads "Art of Eating" article about naturally raised pork

October 2000 Chipotle begins sourcing naturally raised pork for all units systemwide

October 2002 Chipotle begins sourcing naturally raised chicken in a few stores

August 2003 Chipotle begins sourcing naturally raised beef in New York

January 2004 10 percent of Chipotle's beans are organically grown

October 2004 Chipotle's menu is trans-fat free

January 2005 15 percent of Chipotle's beans are organically grown

January 2007 25 percent of Chipotle's beans are organically grown

Year-end 2007 All Chipotle sour cream and cheese are rBGH-free

About 25 percent of Chipotle's black and pinto beans are organic.

Supplies of sustainably raised ingredients aren't yet consistently available, so Chipotle pays a substantial premium for those ingredients.





T.G.I. Friday's
employs **FACTORY-
LIKE CONTROLS** to
cut ticket times
and improve
service.

Taking MEASURES

When is a restaurant kitchen like a factory? All the time, at least if you pose that question to executives at T.G.I. Friday's. That's why, four years ago, Friday's executives decided to apply IBM's Six Sigma principles to a nagging back-of-the-house problem: slow ticket times.

Ticket times were running about 16 minutes, stressing the kitchen, servers and guests. "It was almost a joke that we couldn't get food out the window on a busy shift," says Jay Johns, vice president of strategic operations for the Carrollton, Texas-based company.

Johns, who at the time had completed some Six Sigma training at the University of Minnesota, thought it might work to apply those principles, normally used for factories, to Friday's kitchen. Factories and restaurants are not dissimilar: "In other businesses, you have points of sale, points of distribution," Johns explains. "In the restaurant business, it happens under one roof."

WINDOW OF OPPORTUNITY

Six Sigma's process is called DMAIC: define, measure, analyze, improve and control. Friday's applied all five steps to the slow ticket-time issue.

"We put processes in place to get the feedback from the field," Johns says. "Everyone agreed we had a bottleneck in the window." In addition to making the guest wait too long for food, the bottleneck meant food would "die" in the window—that is, become unsuitable for serving.

In analyzing the slow ticket times, Friday's made several discoveries and adjustments to the back of the house.

First, Friday's reworked several recipes to make them less complicated for cooks. Plates were also redesigned to be "guest ready" right off the line, not in need of garnishes or other finishing touches.

To simplify orders, Friday's unbundled the choice of soup or salad from its entree orders. "All research showed that guests were time-starved...their time was worth as much or more than soup or salad," Johns explains. "We were forcing another course on them when they didn't want it." After the unbundling, only 20 percent of guests now choose a soup or salad with their main course, he says.

Given guests' concerns about portion sizes, that move was astute, says Steve Loftis, a restaurant training consultant



(Opposite) T.G.I. Friday's kitchen-management system and zones in the pickup window enable wait staff to quickly find plates and deliver them to tables.

Friday's has cut ticket times to nine minutes from 16 by using factory-style controls.

The plating procedure has been reworked to eliminate garnishes and other frills guests deemed unnecessary. Today plates come off the line "guest ready."



SNAPSHOT

Concept T.G.I. Friday's
Ownership Carlson Restaurants Worldwide
Headquarters Carrollton, Texas
Units 907 worldwide, 600 domestic
2007 Systemwide Sales \$3.25 billion*
Average Check \$14.79
Average Unit Volume \$3.6 million

*Chain Leader estimate

BACK OF THE HOUSE

Faster ticket times means Friday's can serve 10 percent more guests during rush periods.



A new kitchen-management system is part of Friday's back-of-the-house controls package. The system keeps track of menu items' cooking time and paces orders accordingly.

based in Grand Haven, Mich. "They were answering the guest need," he says. "My feeling is, get to the future before your guest does...that's what [Friday's] is trying to do."

Overall, Loftis applauds Friday's initiative as "innovative and healthy for the industry."

LABOR ADJUSTMENTS

Friday's also installed new kitchen-management hardware and software, which enables the kitchen to group food in the window according to tables.

This tactic works well, says Anne Biron, who was a general manager at a Friday's in Methuen, Mass., while the new kitchen procedures were in test. The previous kitchen-management system "didn't gauge food properly," says Biron, now a Friday's director of operations in New Hampshire.

One example: A table would order a steak dish and a pasta dish, and both orders would be sent at the same time. As a result, the pasta was finished and waiting at the window long before the steak was done. The new system knows cooking times for all menu items and paces the orders accordingly.

A new way to "zone" food in the window also helps, Biron says. Each menu item has a designated place in the window, so servers know exactly where to look when their order comes up. "Before, it was wherever there was space in the window," Biron says. "Now, it's 'pull it and run it.'"

FAST AND EFFICIENT

Back-of-the-house staffing is more efficient, too. Eliminating parsley and other garnishes from the plate reduced the need for a garnisher/expediter. Cooks scheduled during busy times, or "weed eaters," are no longer necessary due to the streamlined recipes and plating process; in fact, Friday's was able to cut a position from the cook line.

Friday's began rolling out the improved kitchen system two years ago. Ticket times have been reduced to nine minutes. More efficient staffing and less waste have boosted profitability by 3 points and cut waste by 1 percent.

Because tables turn faster, Friday's restaurants are able to serve 10 percent more guests during peak periods. "We have seen nice guest-count gains over the last couple of years," Johns says.

Future refinements are in the works, including front-of-the-house procedures that Johns declined to discuss. And controls are now in place to make sure that kitchens don't fall back into bad habits.

"We can see [ticket] times for every restaurant, every day, every hour, and by shifts," Johns says. "If anyone starts to backslide, we can work on it." ■

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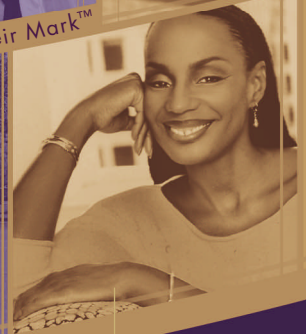
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Upselling. There's something off-putting about the word. In restaurants, it conjures up the image of an insincere waiter laying it on thick.

"Upselling has some negative connotations," concedes Hard Rock Cafe Senior Director of Training and Development Jim Knight, who teaches upselling. "There's the perception of being too pushy, like a used-car salesman."

Yet selling during service is an admirable—if not fundamental—goal, swelling both tips and sales. "The server's job is to sell as much as possible and to make service of such a nature that the guest comes back soon looking for you," says Denver-based author and training consultant Tim Kirkland.

Kirkland estimates "suggestive selling" (the term he prefers) can add \$150,000 to \$200,000 in sales a year to a Hard Rock unit. COO Tony Bendata of Kinder's Meats, a fast-casual sandwich concept based in Concord, Calif., says his units can ring up 5 percent to 7 percent more when servers upsell.

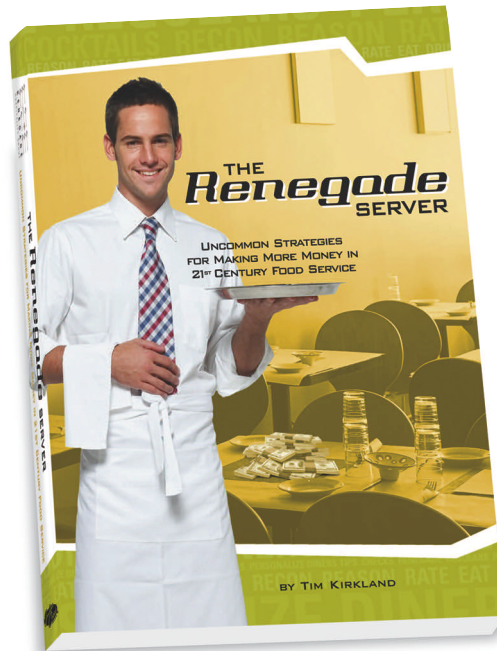
Who among today's restaurant operators isn't interested in at least maintaining revenues as guest counts and comparable sales dip? Indeed, urging customers to buy more can be an effective way to bolster the top line without hurting margins.

But how does your front-of-the-house staff turn up the heat without appearing greedy or aggressive? To find out, we asked battle-tested trainers and consultants to share their techniques for turning servers into salespeople and getting customers to buy more.

THE REAL DEAL

In their new book, *Authenticity: What Consumers Really Want* (Harvard Business School Press), James H. Gilmore and B. Joseph Pine II state that "people tend to desire real offerings that businesses execute on an individual-by-individual basis or in some extraordinary way." (See sidebar, "The Real Thing" on Page 34.)

It turns out our experts are generally of the same mind. "Authentic and genuine service is at the heart of hospitality. You want to let your employees be natural," advises training consultant and former Stir Crazy executive Kelly Grant of Charlotte, N.C.-based Results Thru Strategy.



Kinder's Meats units (opposite) can ring up 5 percent to 7 percent more when servers upsell.

In his new book, *The Renegade Server*, former restaurant executive Tim Kirkland offers tip-boosting strategies for "renegades," servers who master the basics and then adopt a unique style to stand out and connect with guests.

Getting customers to buy add-ons at Hard Rock Cafe depends largely on a server's ability to connect with customers on an emotional level.



Sales FORCE

How chains can upsell customers without turning them off.

Photo (L.) by Kingmond Young



Despite downplaying upselling in its restaurants, Cracker Barrel trains servers to talk about menu items in detail.

Spreading the spirit of rock 'n' roll is part of Hard Rock Cafe's mission statement, which employees live by as they interact with customers.

It's a point not lost on Knight, who is responsible for training at Orlando, Fla.-based Hard Rock Cafe's 143 restaurants. "Every experience has to be authentic, and that is how we suggestively sell," he says.

Hard Rock's curriculum, for example, teaches front-of-the-house employees to use "nonthreatening" language to tie a customer's experience to an add-on ("Hey, check this out"). It also instructs servers to suggest only relevant add-ons ("Chili would go great on that burger").

"People will buy as much as you provide them as long as their experience completely blows them away," Knight insists.

"We create a culture in which we assist our guest through add-on sales to maximize their experience," says Toni Quist, vice president of training for Memphis, Tenn.-based Perkins & Marie Callender's Inc., a 616-unit system of franchised and company-owned restaurants.

Training programs at both family chains encour-

age new employees to begin upselling by day two. "Working with a certified trainer, they would be making an appetizer offer or a to-go offer," she explains. "I want them involved from the start."

Quist, a former Perkins' server and manager, describes servers as menu experts who help customers choose dishes after first reading the table. "I wouldn't want you to be at either Perkins or Marie Callender's and not have the opportunity for dessert or to take one home if you're too full," she says.

CREATING EXPERIENCES

Training consultant Kirkland also favors tailoring service. In his new book, *The Renegade Server* (Indian Creek Press), the former Rock Bottom training executive argues that a customer's decision to buy more rests on a server's ability to create the "unique experience" a customer expects.

He offers the following tips:

- **Reconnaissance:** sizing up the customers to determine the approach
- **Regularity:** asking how often the customer comes in
- **Reason:** figuring out the occasion
- **Rate:** pacing service based on above

Kirkland advises servers to think of themselves as personal shoppers, not salespeople. "[Your job] is to discern what your guests will like and present them with several options from which to choose," he writes.

Even those who turn up their noses at the idea of upselling find it hard to argue with that notion. Cracker Barrel Senior Vice President of Operations Doug Barber, who claims the Lebanon, Tenn.-based chain's 570 restaurants are too busy for servers to

BIG idea Training consultant Tim Kirkland advises servers to discern what their guests want and present them with several options to choose from.

“Tonight, whoever sells the most slices of pie won’t have to clean up.”

—Vice President of Training Toni Quist, Perkins & Marie Callender’s Inc.

push add-ons, nonetheless says they “are all focused on the guest experience.”

Declares Barber: “It’s not high pressure. It is hospitality at its best. It’s about you and what your needs are. That’s not a seven-step process to service. It’s a mentality.”

Perhaps. But it is also one that, as Gilmore and Pine point out, depends “on an individual-by-individual basis.”

TAILOR MADE

Morgan Spurlock’s controversial film, *Super Size Me*, may have given upselling a black eye, but it hasn’t stopped fast-feeders from offering additional items to customers to increase per-person averages. Only, instead of asking, “Can I super-size that for you?” consultant Grant suggests customizing the experience.

“You have to start by teaching your employees to read the cues and telling them they are not just order takers,” she explains. No matter how brief the transaction, she says, it should be customized to the extent possible.

It’s typical for servers at Marie Callender’s to compete in slice-selling contests during their shift. For those who sell the most: no clean-up duties that night.

At Krispy Kreme, where Grant once worked, for example, employees pass out samples of new products to guests in line, giving cashiers something to talk about with customers.

Bendata says that display cases full of meats, pastas and



Designed to Sell

Washington, D.C.-based The Palm Restaurants boasts a remarkable style of personalized service at its 28 units that can be applied in any style of restaurant, insists Director of Training Debbie Fox. It can be done by following five practical steps:

Find the right people.

“I’d rather hire someone with a hospitality personality because we can’t teach them to be hospitable. We can teach service skills.”

Train them. “The No. 1 issue is menu knowledge. If you haven’t tasted an item, how can you recommend it? It’s also very important to know what goes into a dish and how it’s prepared.”

Motivate. “Young staff members want to be

involved. The best managers share information—food and beverage sales, for example—with them. They also empower them.”

Know your guests. “No. 1 for us is strong database marketing, with our 837 Club, comment cards and [online reservation service] OpenTable.com. We are using them to enhance guests’ experience by gathering as much information as possible. We know when it’s a

first-time visit or special occasion.”

Provide exceptional guest service. “We encourage servers to be part of the marketing program. They write thank-you notes and give out their own business cards. If customers have a server they trust, you can sell them anything.”

Front-of-the-house employees at The Palm are expected to cultivate relationships with guests, earning their trust and making it easier to sell add-ons, says Director of Training Debbie Fox.



The Real Thing

James H. Gilmore, co-author of *Authenticity: What Consumers Really Want* (Harvard Business School Press, 2007), explains the importance of authentic-looking service.

What's the trick to making service real or authentic? The key is to induce engaging performances from workers. Too often they're asked to say the same old lines all the time when circumstances warrant a different kind of interaction.

Have you seen this technique in restaurants?

I'll contrast Rainforest Cafe with Ed Debevic's. The last time I went to Rainforest Cafe, the host nonchalantly showed us to a table and threw the menus down. He had no idea he was on stage. It was as if he was struck by malaria, which would work at Rainforest Cafe if one was aware of the characterization being portrayed.

At Ed Debevic's, management encourages employees to give themselves stage names and put

it on their name tags. The host who greeted us was "Smiley." If you give yourself that name, you can't help but behave differently.

What did he do? I walked in and said, "Three please." And he said, "Follow me." He proceeded to weave through all the tables—at one point, even climbing over a booth—until I said, "Hey, what about our table?" To which his smart-aleck response was, "Table? You didn't say anything about a table?"

The experience exceeds all expectations? It defies all expectations. And it comes off as real. Great acting always comes off as rendering the scene more authentic.

How do you defy expectations in a more traditional restaurant? Don't be bound by conventional norms. Nothing kills authenticity like ubiquity. Not only ubiquity of location but of standard lines servers say when they greet you or in how they pour a glass of water. Breaking out of those norms is a way of rendering what we call "original authenticity."



"Only suggestively sell if the opportunity is relevant."

—Senior Director of Training Jim Knight, Hard Rock Cafe

salads help suggest additional items to customers, but Kinder's employees also attempt to enhance value during the 15 seconds it takes to get an order. Usually they tell the customer about a combo meal deal.

Workers do not use a script at the 13-unit chain. "What they talk about isn't robotic," declares Bendata, who operated a string of drive-thru coffee shops before joining Kinder's last year. "We want them to use their own personality. That's why we hired them."

It has apparently worked. "Our check average has gone up 50 cents because of our training. That makes employees understand the value of pushing one extra item," he says.

Sharing such information regularly is vital to upselling efforts. "There are so many metrics in this industry—check averages, appetizer sales, shopper reports and so on. You should post the results so people understand the impact [upselling] has on business," Grant says.

Former operator Jim Sullivan of Sullivision.com, a restaurant training site, warns against immediately showing employees how to suggestively

sell. "The first training step should be showing the server how low the profit on the dollar is in the business," he explains. "Help them clearly understand why we sell before stressing what to sell."

CAREFUL SELLING

Upselling at one of 171 Burger Kings in Puerto Rico takes special care, according to franchisee Anecito Solares. "Just because a customer accepts one of your suggestions doesn't mean they'll keep saying yes, and after a while, they might think you are badgering them," he explains.

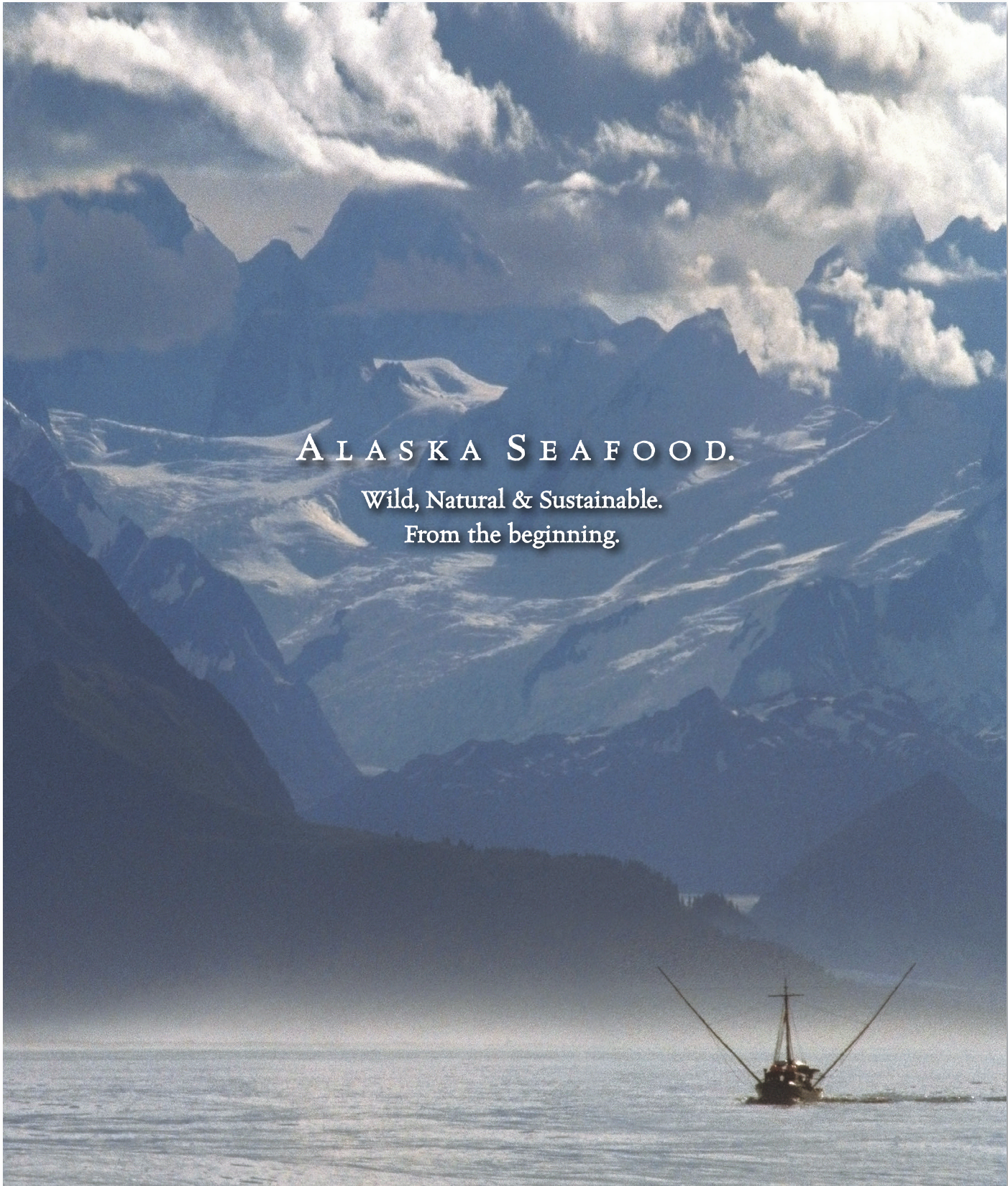
Employees make two offers: one to up-size a combo meal, the other to buy a dessert, usually ice cream. The suggestions add about 3 percent to the top line annually. "That's higher than what you might consider a normal Burger King average in the States though our pricing is very similar," he boasts.

Then again, upselling a cold dessert on the Caribbean island is practically a no-brainer. Solares says the temperature rarely falls below 70 degrees. ■

BIG idea

Managers at The Palm share sales information with servers to motivate and empower them to upsell.

ON THE WEB: Read about how sales contests can motivate server productivity at www.chainleader.com.



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CAUSING A STIR

With new capital and a fresh set of eyes, Stir Crazy is poised for **COMPANY-FUELED EXPANSION.**



It took Stir Crazy a dozen years to open 10 restaurants. Over the next five years, expansion will be decidedly more aggressive: eight restaurants this year, 10 to 12 in 2009, and at least 12 more a year following. The company's immediate goal: 50 to 60 locations open within the next four or five years.

Longer term? "We want to be a premiere national brand in casual dining," says Peter Nolan, director of marketing for the Chicago-based chain of full-service restaurants, which offer a pan-Asian menu as well as a do-it-yourself stir-fry bar.

Stir Crazy executives and industry observers say that goal is entirely reachable, from both a financial and competitive point of view. In 2006, Walnut Group, a Cincinnati-based private-equity firm, raised \$25 million, an undisclosed portion of which

SNAPSHOT

Concept Stir Crazy
Headquarters Chicago
Units 10
2007 Systemwide Sales \$36 million*
Average Unit Volume \$4 million
Average Check \$17.50
Expansion Plans 7 or 8 in 2008, 10 to 12 in 2009, 12 per year after that; 50 to 60 within the next 4 or 5 years

*Chain Leader estimate

was used to purchase Stir Crazy. "We paid cash for it," explains Michael Strauss, Stir Crazy CEO. "We raised more equity than we needed...we raised enough for growth."

As for the competitive scene, the time could be right for another full-service Asian chain to make a national splash. "The market is dominated by P.F. Chang's," says Darren Tristano, executive vice president at Technomic Inc., a Chicago-based restaurant research firm. "There is a very low incidence of major chain restaurants, so there's definitely an opportunity."

Stir Crazy, Tristano says, has an edge. Unlike Chicago-based Flat Top Grill or Ferndale, Mich.-based BD's Mongolian Barbecue, its culinary focus is on menu items, not do-it-yourself stir-fry. "Consumers don't want to cook," he says. Plus, with DIY cooking, "you may be creating something that doesn't taste very good," Tristano adds. Stir Crazy's extensive menu, for that reason, "is very smart," he says.

FINE-TUNING FOR GROWTH

Menu adjustments are among the many changes Stir Crazy has made to prepare for growth.

The menu, once at 95 items, was whittled to 60 items. The company deleted items that were slow sellers, strained the kitchen operationally or made purchasing difficult. For example, a popcorn shrimp appetizer (\$7.95) was removed from the menu due to the difficulty of sourcing rock shrimp in the wake

of Hurricane Katrina. An appetizer of plum-sauced chicken (\$5.95) was difficult to execute.

Customers didn't complain about the missing items, Strauss says: "We haven't missed a beat on this." The point was not necessarily to improve food or labor costs, but to improve service and therefore guest counts, he adds.

Stir Crazy also made some operational changes, including reducing the number of tables per server to three or four from five or six, a move that increased same-store sales by 2.5 percent in 2007 due to better service. Servers now wear a white button-down shirt, apron and black pants; the black, Asian-style wrap jacket they used to wear now adorns busers. The tabletop has been cleared of miscellanea such as table tents and stacks of sharing plates to give the room a sleeker look.

Stir Crazy has also embarked on a remodel program, spending anywhere from \$50,000 to \$400,000 per store. The remodeling program will be finished by mid-2008. A new prototype, which debuted in Greenwood, Ind., in early November, is the look for all future stores; it features a less cluttered interior, increased focus on the display kitchen, and a more colorful exterior. Launch costs, Strauss says, run about \$2.5 million per store.

New management was careful not to make huge, sweeping changes. "We have just rethought everything out," Strauss says, adding that new management lends "a fresh set of eyes" to the concept.

Since Walnut Group bought Stir Crazy two years

Stir Crazy's new prototype puts emphasis on the display kitchen (opposite).

Tables are now cleared of clutter, such as stacks of sharing plates, for a cleaner look. The cleaner tabletop also presents a customer-contact opportunity since servers now bring the sharing plates to the table.

Japanese Steak (\$19), one of the entrees that survived a menu "housecleaning."





MENU SAMPLER

APPETIZER

Lettuce Wraps, with chicken, vegetables and spices, \$7.50

SALAD

Mango Salmon Salad: grilled salmon on field greens with fresh mango, red onions, toasted almonds and light ginger-soy vinaigrette, \$13

NOODLES

Vietnamese Pho Bowl: thin rice noodles, flank steak, shrimp, onions and scallions in seasoned chicken broth, \$10

SPECIAL

Thai Chicken and Shrimp Crepe: curry crepes with chicken, shrimp, water chestnuts, shiitake mushrooms and scallions, served with Szechwan sauce, \$7

DESSERT

Chocolate Monsoon: three scoops of chocolate mousse in crispy wonton shells, topped with seasonal berries and whipped cream, \$6

One of Stir Crazy's best-selling appetizers is the \$9 Avocado and Tuna Poke.

Stir Crazy officials and luminaries of Greenwood, Ind., gathered at the grand opening of the newest Stir Crazy, which opened in early November in Greenwood. Among the attendees: Stir Crazy CEO Michael Strauss (with sunglasses), corporate chef Rodelio Aglibot (in chef's whites) and Greenwood Mayor Charles Henderson (standing behind Aglibot).

ago, only one operating partner (Stir Crazy's term for general managers) has left the company. That, Strauss says, speaks to the level and impact of the new owners' changes.

Russell Mark, operating partner at the Stir Crazy location in Creve Coeur, Mo., agrees. "Most changes have been geared toward service," says Mark, who's been with Stir Crazy for five years. Menu changes especially "did a great job of streamlining the menu without changing the food," he says. Other adjustments such as reducing the table volume for servers

BIG idea Stir Crazy eliminated about one-third of its menu items—slow sellers and anything too difficult to produce or purchase.

have succeeded in moving year-over-year sales at Mark's restaurant, which has 275 seats, from low double-digit negative to what he calls "a few percentage points positive."

Most importantly, he says, the staff has picked up on new management's positive feeling. "There's a lot of loyalty, a lot of company pride," Mark says.

COMPANY-FUELED GROWTH

Employees, especially operating partners, are looking forward to the stepped-up expansion. "I joined



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the company with the goal of expansion," Mark says.

All future stores will be company owned. With franchising, "you can't control the franchisee and the quality of the food," says Strauss, whose restaurant experience includes a stint as a Burger King franchisee. "We don't think franchising will give us good healthy growth."

Stir Crazy both leases and owns sites, depending on the deal and the situation. Because its main demographic is 35- to 50-year-olds with a median household income of \$70,000, Stir Crazy will focus on suburban sites (though Strauss is considering a location in Chicago). Its most recent store opened in Greenwood, Ind., a suburb of Indianapolis; the next opening, early in 2008, will also be in suburban Indianapolis.

Future stores will open to fill in markets where Stir Crazy already exists, among them the Midwest, Northeast and Southeast. At the end of 2008, Stir Crazy will begin opening stores in the Southwestern United States.

Marketing efforts will eventually go national, but for now, they're locally focused and built around the slogan "Crazy Fresh." One example: Stir Crazy has begun offering cooking classes, called "Cook Like a Wok Star," at several stores. The two-hour class, which costs \$20, includes cooking lessons for an appetizer, entree and dessert, plus a couple of glasses of wine. The classes, advertised via e-mail, sell out and get extensive press coverage, according to Nolan.

While financing is in place to grow and the opportunity for another full-service Asian chain exists, the future isn't without potential stumbling blocks. "Everybody's talking about \$100 barrels of oil, and the sub-prime lending market," Strauss says. "We are concerned about disposable income coming down because of higher oil prices, but these aren't things we can impact."

Strauss, though, isn't worried, saying that he considers factors such as oil prices cyclical. "We have a strong concept that can weather difficult times," he says. ■

The Mandarin Chocolate Fondue was one of the items that made the cut after Stir Crazy whittled its menu down to 60 items from 95.



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Immigration UPDATE

What you need to know right now about immigration law.



Comprehensive immigration reform is a frequent topic of presidential primary debates and is expected to take much of lawmakers' attention in Congress again this year. But until an overhaul takes place, employers must continue to ensure workers are documented properly, follow varying states' laws and avoid discriminating against workers on the basis of their nationality or citizenship status.

An estimated 12 million undocumented immigrants currently live in the United States. And the reality is that some might be working in restaurants under false identities and others are given jobs with no papers at all.

Whether a restaurant company handles verification and documentation itself or hires a law firm or human resources outsourcing company to do it, here are four things you need to know now about immigration laws.

1

FILE THE RIGHT FORMS

The I-9 form verifies that an employee is eligible to work in the United States. The U.S. Citizen and Immigration Services division of the Department of Homeland Security updated the form last year to streamline the process. It shortened the list of acceptable documents that establish both a person's identity and eligibility to work in the United States, removing five documents and adding a new one. The agency said the removed documents didn't have features that help deter counterfeiting, tampering and fraud.

Download the new I-9 form and "Handbook for Employers, Instructions for Completing the Form I-9" from www.uscis.gov. Forms and immigration-regulation updates are also available from the National Restaurant Association at www.restaurant.org/immigration.

Employers must use the new form, dated June 5, 2007, as of Dec. 26, 2007, or face fines from the Department of Homeland Security. Companies don't need to fill out new forms for current workers, unless their work authorization is about to expire.

What hasn't changed is the need to check worker documents carefully, looking for misspelled words and grammar mistakes. Track the expiration dates of all employees' documents, regularly audit the forms and match employees with social security numbers, and check the employment history on each new hire. To avoid charges of discrimination, be consistent in these efforts with all employees, not just immigrants or those of a particular national origin.

2

GO ONLINE TO VERIFY

To help employers comply with federal immigration laws, U.S. Citizen and Immigration Services launched the Basic Pilot Program in 1997. Last year, it was renamed E-Verify, and would have been made mandatory if Congress would have passed the immigration bill that failed last June.

The program enables employers to electronically check a person's eligibility to work by inputting a social security number and other document numbers into the system, which verifies the employee's status against online databases from the Social Security Administration and the Department of Homeland Security. The program is voluntary and free to use. For information, visit www.dhs.gov/e-verify.

Those who participate must check on all new employees within three days of hiring. They are not supposed to check current workers or those who haven't been hired yet. If new workers turn out to be

ineligible, the employer has to fire them, but they don't have to report them to immigration enforcement.

Some companies, including Dunkin' Brands, appreciate the ease of use and the extra check, though use of the system does not provide "safe harbor" from enforcement efforts. Others say the databases have mistakes and are not updated quickly enough, which might lead to properly documented workers being fired. Opponents, including the Society for Human Resource Management, argue that the system is unreliable and doesn't fix the greater immigration problem.

SHRM is part of a group called the HR Initiative for a Legal Workforce, whose mission is "to improve the current process of employment verification by creating a secure, efficient and reliable system that will help prevent unauthorized employment." The group proposes a private system that would incorporate fingerprints, retinal scans or other "biometric identifiers."

3 FOLLOW STATE LAWS

States have taken it upon themselves to tackle immigration because the national legislature hasn't gotten anywhere. This makes following the rules confusing for companies operating in more than one state.

The National Conference of State Legislatures in fall found that there were 1,562 immigration-related bills introduced in

statehouses in 2007. Of those, 244 were signed into law. The category with the greatest number of bills dealt with identification or driver's licenses; the second was employment-related issues; and the third was law enforcement.

For example, in Arizona, new regulations say that employers will lose their business license if they are caught hiring workers without proper documentation. In Illinois, a new law currently delayed in state courts would bar companies from using the E-Verify system.

The National Conference of State Legislatures maintains a list of states and their immigration legislation at www.ncsl.org.

4 NO-MATCH HITS A SNAG

The Department of Homeland Security is preparing to revamp its rules for employers who receive no-match letters, which inform them that a social security number does not match up with the employee.

In August, letters began telling employers that they needed to respond within 90 days to explain why the employee and number didn't match. In October, a federal court stopped those letters from going out, noting there are "serious questions" about the rules. Rather than fight the courts this time, the Department of Homeland Security will rework the regulations. The court's next hearing on the rules is scheduled for March 24, so expect to see the rules issued for public comment before that. ■



resources & LINKS

U.S. CITIZENSHIP AND IMMIGRATION SERVICES is responsible for the administration of immigration and naturalization adjudication functions and establishing immigration services policies and priorities. www.uscis.gov

BUREAU OF IMMIGRATION CONTROL AND ENFORCEMENT, the largest investigative branch of the Department of Homeland Security, enforces immigration law. www.ice.gov

NATIONAL CONFERENCE OF STATE LEGISLATURES offers a list of states and their immigration legislation efforts. www.ncsl.org

NATIONAL LABOR RELATIONS BOARD handles employee rights and protections, including discrimination against immigrants. www.nlr.gov

NATIONAL RESTAURANT ASSOCIATION discusses policy, maintains up-to-date legislation information and encourages comprehensive immigration reform. www.restaurant.org

ESSENTIAL WORKER IMMIGRATION COALITION, members of which include the National Council of Chain Restaurants and National Restaurant Association, is working for practical immigration reform legislation. www.ewic.org

CENTER FOR IMMIGRATION STUDIES seeks fewer immigrants but a warmer welcome for those admitted. www.cis.org

HR INITIATIVE FOR A LEGAL WORKFORCE is working to establish a fair and efficient way for employers to verify eligibility. www.legal-workforce.org

NATIONAL IMMIGRATION FORUM has united groups that support legalizing undocumented immigrants. www.immigrationforum.org

Franchise Developer

Simplifying Start Up

The U.S. franchise market abounds with burger, sub, pizza, chicken and ethnic concepts. But there is one American favorite that has been largely out of the franchise mix: the hot dog. That fact wasn't lost on native Chilean Ari Wurmman. Wurmman launched his Miami-based Franktitude (franks with attitude) chain to introduce his adopted U.S. home to "a hot dog elevated to something different."

Wurmman moved the concept up-market by inviting customers to personalize hot dogs plus paninis, wraps, ciabatta and salads with any of 50 toppings—from mustard and onions to wasabi mayonnaise. Franks come in a choice of beef, chicken, salmon and tofu.

Franktitude broadened the standard franchising menu as well. To reach his goal of 25 units in 12 months and 160 within five years, Wurmman is retooling the franchise model to provide for volume discounts and one-mile territorial protection for all franchisees regardless of the number of units they have.

"Territorial protection is one of franchisees' biggest issues," says Bruce Holzman, Franktitude's vice president of franchise sales. "They need it if they're going to be able penetrate their market areas without competition from fellow franchisees."



Franktitude management team: COO Terence (T.C.) Clemmons, Ari Wurmman, Bruce Holzman.

Simplicity was a key component of the concept. Because all products come ready to use, there is little or no prep work and no cooking, with the exception of fries. "Area developers already typically have complicated operations with lot of moving parts," says Holzman. "They often have brands that need a 2,500-square-foot footprint. Basically, our 1,500-square-foot stores are all about

heating and assembling the product. Yet our customers see what they perceive as a fresh, made-to-order meal or snack."

Volume discounts on franchise fees (\$25,000 for one, \$40,000 for two, \$50,000 for three) are designed to speed the take-up by area developers who want a second or third brand that is less management and capital intensive; existing restaurateurs with one or two units who want faster growth; and "individuals with some financial resources who want an easy lower investment cost business." Start-up costs average \$225,000.

Holzman says those numbers will be a plus for franchisees who seek financing for a new brand. "I expect some franchisees will pay cash for the first round of stores, then seek financing for future growth," he says. "Financing is somewhat of a wild card right now. But we expect our financial obligation versus the total investment will allow banks to see that the loans are relatively small."



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Veal Committee, National Cattlemen's Beef Association p. 17. With The Beef Checkoff, promotes the use of veal in restaurants. Call (800) 368-3138 or visit the Web site at www.vealstore.com.

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Wal-Mart Stores Inc. p. 28. Real-estate opportunities for restaurant concepts. Call (479) 204-2020 or visit the Web site at www.wal-martrealty.com.

FRANCHISE/FINANCE

Franchise Developer p. 44-46. News and opportunities for multiunit franchisees. Call (630) 288-8467 or visit the Web site at www.chainleader.com.

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President Roland Dickey Jr. says he expects Dickey's Barbecue to open about 58 restaurants this year thanks to a new fast-casual format.

get a number and get a cup, and we bring the food to the table—as we expand all over the country. [On Dec. 11] we opened two stores in Virginia and one store in Dover, Del., for instance, to a great response, a line out to the sidewalk. People want barbecue. They want good, fast-casual barbecue.

There's just not much of it around the country, which is kind of the unique opportunity for us.

We've evolved over the decade certainly, and we make choices between sticking to the core values that make us great and also staying with the times, and that's a management call. We want to make sure that we stay relevant, stay ahead of the times, and so that's why we continue to make modifications.

Now we're not going in, we're not changing our recipes. We're not really changing the look and feel of the restaurant that much. But we're always trying to tweak it to make it not only stay with the times but also to improve our stores' profitability. And I believe that our company will always be in a state of continuous innovation and improvement.

What are some of the elements that no matter what tweak, this is what Dickey's is?

Dickey's Barbecue is the New South. You talk about the regional preferences with barbecue. They're mostly grouped in the Southern United States. We're a Southern barbecue concept. What we are is the New South. What we are not is the Old West. And so you don't walk in our restaurants and you don't see wagon wheels and lariats on the wall. It's a very clean environment. And so what we want to do in our concept is take Southern barbecue in a fast-casual way to all parts of the country, making barbecue mainstream and also making it family oriented.

Are families your main demographic?

Families are our main demographic. We have a professional crowd at lunches Monday through Friday, but nights and weekends are dominated by families. Our business model is also home meal replacement, and we sell things called family packs and bulk orders, pounds of meat and gallons of vegetables, and it's very big with barbecue, as is catering. And delivery for Dickey's is huge.

What does Dickey's look like, say, in five years?

We want to have over 500 restaurants open, and we think that's a very attainable goal, but we certainly don't measure our success just by store counts. If you don't have a solid foundation, you don't need to keep expanding. Today our same-store sales are up 4.4 percent, and we think that's a very healthy number. If that was a negative 4.4 percent, we would stop the growth and figure out what we were doing wrong with our existing stores. ■

Right on CUE

Dallas favorite Dickey's Barbecue is accelerating growth with a new fast-casual sensibility.

Dickey's Barbecue President Roland Dickey Jr. is the third generation running the company founded by his grandfather in 1941. While the concept has grown slowly since into a successful regional player, for the last five years, Dickey's has been preparing for the national field. It opened 28 new stores in 2007. And it says a new tightly run fast-casual version will help propel the chain to open a projected 58 this year. Dickey spoke with *Chain Leader* about what has changed about the 96-unit chain and what never will.

How is your new prototype different than your current stores?

Well we've seen the growth in the fast-casual segment, which has just been explosive over the last decade, and our older stores were more of a buffet format. And so we have evolved to be just a more mainstream fast casual—order at the counter,

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