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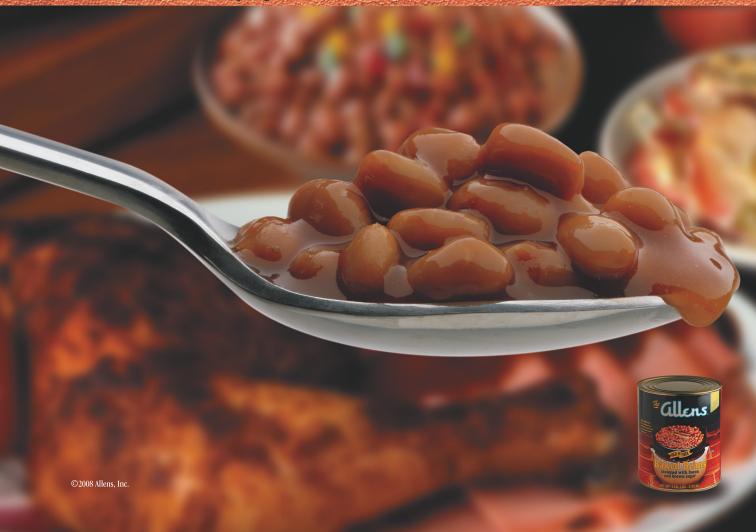


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How Green Is Your Customer?

Consumers might still be learning about what green means, but they say they are willing to pay for it.

ost consumers, 82 percent, say they are still buying green products and services, even though these items sometimes cost more, according to a study by nonprofit certification organization Green Seal and marketing firm EnviroMedia Social Marketing. Half of the respondents say they are buying just as many green products now as before the economic downturn, and 19 percent say they are purchasing more.

The survey found that 21 percent of consumers say a product's reputation is the biggest factor they weigh when making purchasing

decisions, followed by word of mouth and brand loyalty. Only 9 percent say green marketing is their top factor.

That may be because a third of the respondents say they don't know how to tell if a green claim is true, and only one in 10 says they trust such claims without question.

The research reports that although 87 percent of those surveyed say they recycle, the Environmental Protection Agency finds that just 33 percent of waste is diverted from landfills.



SIMILAR FINDINGS

Research from The Hartmann Group, a consumer marketing firm based in Bellevue, Wash., generally concurs. Its January report, "Sustainability: The Rise of Consumer Responsibility," notes 88 percent of consumers engage in "sustainable behavior," 75 percent consider environmental and social aspects when deciding what to buy, and a third are willing to pay more for those products.

The research also shows about 56 percent of consumers are familiar with the term "sustainability," up only slightly from 54 percent in 2007. Fully 71 percent say they don't know which companies follow sustainability values, and 75 percent don't know what products are sustainable. The report notes that consumers relate more to terms like "saving energy" and "hope for a better world."

BlGidea Consumers are confused about "green" and "greenwashing." Companies that market their green efforts should have easy-to-find, thorough and honest information available for customers who want it and if possible post third-party verification such as certification from a green organization or a municipality.

EATING GREEN

Many restaurant consumers care about green ingredients and practices, according to *Restaurants & Institutions*' 2009 New American Diner Study. Women tend to care just a little bit more, as these data show, except where it comes to locally sourced products.

Which of the following words in a menu description would make you more likely to order an item? (percentage agreeing)

	Female	<u> Male</u>
All-natural	40.4%	35.0%
Locally sourced	23.5	24.1
Organic	23.8	21.7
Farm-raised	21.1	21.8

How important to you is buying or eating locally grown products?

Highest importance 10.0 11.1
Very important 20.3 18.4

How important to you is buying or eating organic products?

Highest importance8.46.7Very important12.512.1

Source: Restaurants & Institutions' 2009 New American Diner Study

ON THE WEB: For additional New American Diner Study data, visit www.rimag.com and see the January issue of Restaurants & Institutions.





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The ROI of Going Green

This issue examines chains' ecofriendly initiatives from building materials to local sourcing and its impact on costs, operations, customers and employees. Personifying the topic is Michael Harder, president and chief operating officer of Boloco, a Boston-based upstart lets customers discover its green efforts.



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Changing Places

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By David Farkas

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By David Farkas

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Restaurant chains are overcoming challenges and doing more to explore local-sourcing options, such as implementing regional menus and adjusting by season.

By Monica Rogers

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Restaurant marketers get squeamish about boasting to customers that they are green. But some chains make it easy for customers to discover their efforts.

By Margaret Littman



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on the WEB

WEB EXCLUSIVES

- Video: Growing chain Winking Lizard's lessons on conversions
- How a Wendy's franchisee measures and controls energy use in the units
- Cold Stone Creamery and Tim Hortons cobrand
- Auntie Anne's uses twisted logic to reposition
- Overcoming the perils of serving alcohol
- Denny's promises more Grand Slam menu promotions
- Pizza Inn courts franchisees by killing royalty fee
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- Larry Flax on the LA Food Show menu
- Debbie Fox sharpens service at The Palm
- Surviving the Downturn: A series of panel discussions with industry leaders on the economy, menu prices, marketing and more

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- George McKerrow outlines five first steps toward green
- Judy Hollis of Fazoli's offers purchasing strategies
- Restaurant consultant Kevin Moll on what to outsource

PLUS

- Industry blogs from chain veteran Lane Cardwell and Senior Editor David Farkas
- Daily news
- Franchise opportunities
- Topic-specific pages on marketing, expansion, operations and more

www.chainleader.com

All the Cool Kids Are Doing It

ast year when we did our green issue, I wrote in this space about how you need to look at the subject strategically and examine the long-term benefits of going green. I suggested examining food availability, energy prices, waste-collection costs and potential taxes on packaging and carbon emissions.

Today I'm trying another argument: peer pressure. All the cool kids are doing it. And you want to be cool, don't you?

animal populations, use of recycled packaging, building construction and more.

John Rockwell, the burger giant's LEED quality manager, is active in the United States Green Building Council and since 2005 has led McDonald's green building strategy. He outlined the chain's efforts on the webcast, "The LEED Advantage: How to Build Sustainable, Energy-Efficient Restaurants," which you can find at www.chainleader.com.

Chipotle is also well-known for its eco-friendly practices. The chain proudly

discusses its "food with integrity," meaning "unprocessed, seasonal, family-farmed, sustainable, nutritious, naturally raised, added-hormone

free, organic and artisanal." And it has applied the same philosophy to its stores, opening its first green building in 2002.

The companies that are still making profits and growing are finding ways to implement green initiatives. Follow their examples.

Both customers and employees want to hang out with companies that care about something bigger than profits, something like protecting natural resources, avoiding being wasteful, and caring about their impact on and the future of their communities.



the companies that are still doing well despite the disastrous economy.

McDonald's has long been a leader and includes environmental topics in its public corporate social responsibility report. It's been raising its standards in energy savings, the treatment and sustainability of its

QUIETER EXAMPLES

Buffalo Wild Wings and Panera Bread Co. have been less overt about their efforts, but they are not ignoring the environment. Buffalo Wild Wings' corporate ethics code states that it will operate in a manner "which does its best to protect the public and the environment." And Panera Bread has added antibiotic-free chicken and some organic ingredients, including yogurt and apple juice, and operates a unit in Abercorn Common, a LEED-certified shopping center in Savannah, Ga.

Of course, their green efforts aren't necessarily what makes them successful companies. But if successful companies are calling environmental and sustainable efforts a priority, shouldn't you?

BIG ideas

"I remember when you couldn't even mention environmental issues without a snicker. But then in the '70s people got tired of seeing the Cuyahoga River catch on fire from all the chemicals."

-John Kerry

"The difference between animals and humans is that animals change themselves for the environment, but humans change the environment for themselves."

—Ayn Rand

"Unless someone like you cares a whole awful lot, nothing is going to get better, it's not."

—The Lorax, by Dr. Suess

"We've got to pause and ask ourselves: How much clean air do we need?"

—Lee lacocca



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BACK OF THE HOUSE

Dining Trends and the Equipment That **SUPPORTS** Them

recent article in *Foodservice*Equipment & Supplies explains
consumers' growing relationship to
their food means that the kitchen's role
as the heart of any foodservice operation is more pronounced than ever. It
explored some key dining trends and
their impact on the selection and use of
foodservice equipment and supplies.

Here are four restaurant dining trends and the equipment that supports them:

AUTHENTICITY

A Mongolian grill lets customers in on the process. An upgraded rice steamer shows you know Asian cooking, while a tandoori oven lends Indian credibility. For Churrasco-style cooking, a higher or angled grill turns the meat cooking over an open flame into a show.

DISPLAY COOKING

The cooking show adds to the customers' experience. So make sure the kitchen is visually appealing, has good flow and is easy to maintain. Chef's tables, which often mean customers are eating in the kitchen, are an emerging aspect of this trend. Give them something to look at like a wood-burning grill or a busy saute station. Hide their view of cleaning equipment and supplies.

TASTING MENUS

This kind of service does not have a material impact on the back of the

house, but it might require, on average, four times the serving

utensils and flatware. If there are a lot of options on the menu, consider whether more burner space is necessary.

Photo by Amelia Levin

LOCAL/SUSTAINABLE

LEED certification, offered by the U.S. Green Building Council, has become the standard. Less-stringent options include purchasing energy-efficient pieces of equipment and water-saving ware washers. Use of goods from local suppliers may require a shift in storage space. And where will you put the additional recyclables?

EXECUTIVE COMPENSATION

What Is Your CEO **Worth?**

Mineola, N.Y.-based HVS Executive Search looked at CEO compensation for 53 restaurant companies. The firm uses a model that compares pay to performance metrics over a four-year period: earnings growth, market capitalization and stock appreciation.

Its pay-for-performance index, or HVS Value Index, is based on an average score of 100 and quantifies whether a CEO was paid too much or too little, compared to the rest of the CEOs. An HVS Value Index over 100 is good, and the CEO was theoretically underpaid.

This year's survey included 53 CEOs who made at least \$200,000 in total compensation.

Based on the model, the top performer in 2008 was Joel A. Schwartz of Miami-based Benihana Inc., who retired in February. Schwartz received a pay-for-performance rating of 211.2, demonstrating that he was underpaid by 111.2 percent or nearly \$11.9 million.

Top 10 Restaurant CEOs Based on HVS Pay-for-Performance Index

	Salary	Total	HVS Value	Should Have Been
CEO, Company	(\$K)	Comp. (\$K)	Index	Compensated (\$K)
Joel A. Schwartz, Benihana Inc.	\$355	\$408	211.2	\$862
Eric Gatoff, Nathan's Famous Inc.	\$229	\$538	210.6	\$1,132
Marcus E. Jundt, Kona Grill Inc.	\$315	\$604	205.8	\$1,243
Gerald W. Deitchle, BJ's Restaurants Inc.	\$375	\$1,160	201.4	\$2,335
Clifford J. Hudson, Sonic Corp.	\$593	\$1,542	199.3	\$3,073
Steve Ells, Chipotle Mexican Grill Inc.	\$558	\$4,159	191.8	\$7,975
Christopher J. Pappas, Luby's Inc.	\$400	\$616	189.7	\$1,168
Sally J. Smith, Buffalo Wild Wings Inc.	\$500	\$1,808	173.3	\$3,134
Ronald M. Shaich, Panera Bread Co.	\$530	\$1,213	168.0	\$2,039
Lonnie J. Stout II, J. Alexander's Corn	\$364	\$643	160.2	\$1.030

Source: HVS Executive Search; minimum of \$200,000 in total compensation to be included; stock market data garnered from Smart Money and based on years ending December 31, 2004 to 2007

SITE LINES

Room at the Inn

hen you think of hotel restaurants, you might think of high-end steakhouses or plain-Jane family diners. Beef 'O' Brady's believes its family sports concept can slide in between them.

The Tampa, Fla.-based, 266-unit chain has two restaurants operating in hotels and is happy with the results. So much so that it hopes to open one or two restaurants inside hotels in 2009, and two to four a year after that.

LUCKY BREAK

The original idea was serendipity. Beef 'O' Brady's President Nick Vojnovic was driving home from dinner with his wife and happened to notice a "restaurant for lease" sign at the Brandon, Fla., Best Western. The space and equipment wouldn't need too much investment, and the location could serve lunch customers from a nearby warehouse district.

Vojnovic proposed the idea to Beef's founder's family, who owned the original unit just three miles away. It didn't work out for them, but the hotel owner, Chris Lewis, decided to franchise the concept himself. The unit opened in Sept. 2008.

"My initial thought was just to do a big lunch business because of all the surrounding commercial and maybe happy hour, and let's go book parties," Vojnovic recalls. "Chris felt that if he was going to do it, he was going to do it right. He went from a \$150,000 budget, and he did \$300,000." The



figure is still significantly less than the \$500,000 an average Beef's costs to open.

The second hotel unit, at the Tradewinds Resort on St. Pete Beach, Fla., opened in December. Another opportunistic case: Beef 'O' Brady's holds its family-oriented company retreat there.

TRAVEL PLANS

The chain targets families in small towns that are not served by other casual-dining chains. "Because Beef's is kind of a Middle America brand, we felt we could find hotels in Middle America that have a restaurant that really isn't doing well," Vojnovic says.

"If we can find those folks, we think it would be a very viable business model where they could put a Beef'O' Brady's in there and attract the local youths and the soccer teams, the Little Leaguers, and also help their guests," he explains.

While it's early for results, the company expects the units in hotels to make about the same as a typical Beef 'O' Brady's: approximately \$1 million in sales. ■

VIDEO TALKBACK PODCAST

Restaurant Conversion Lessons Learned

Jim Callam's first experience converting restaurant space to a Winking Lizard Tavern involved a 100-year-old house in Peninsula, Ohio, a project he hopes never to repeat. As the president of the 14-unit casual-dining chain explains, "You're dealing with old construction, no blueprints, and antiquated electrical and plumbing systems."

Yet even that considerable challenge doesn't rank as Callam's toughest conversion project. The honor goes to the 22,000-square-foot former Elks Club built in 1913 that came with a basement bowling alley.

"You're opening a can of worms when you get into the old buildings," he warns.

That may explain why the Bedford, Ohio-based company from now on will limit conversion projects to "modern construction that comes with four walls and a flat roof."

Learn from Callam's missteps, or perhaps figure out how to make them work. Visit www.chainleader.com to watch a VIP TV video interview with the upstart operator.

REALITY Bites



"It's the quality and reputation of the entrepreneur that's being invested in whether they like it or not. No third party can substitute for that."

—Al Baldocchi

'm good at helping people understand what they need to focus on now," says Al Baldocchi, a strategic adviser and former investment banker in Boulder, Colo., who likes counseling emerging restaurant companies. Given the miserable economy and the havoc wreaked upon restaurants, is now the time for small players to focus on expanding?

Does it make sense to open a new unit these days?

It's important to first take an objective look at the business and understand that today's economic conditions are a reality and a store's performance will reflect them. Performance, by the way, isn't necessarily going to revert to what it was last year, at least not quickly.

What if sales at existing restaurants are now down 10 percent?

So what is the cash flow, the profitably of the unit and the investment cost? What is the outlook for sales? If it's a high-end steakhouse and sales are down 10 percent in this environment, you have to ask: Can you really make a go of another steakhouse?

Which concepts stand the best chance to grow in a bad economy?

Today's buzzword is "value." Clearly concepts with lower average checks appear to be coping better than those with high average checks. Fast-casual price points and traditional QSR are better positioned. The higher the sales volume, the better the cash flow.

What's your best advice to those who need to raise growth capital?

It is going to be a very difficult year. Restaurateurs have to plan appropriately. I don't expect there will be much institutional investor capital available.

But what about so-called pre-VC sources of capital?

It's the same answer. Private investors are much more careful with their investment funds They already have plenty of demands from some of their existing investments.

Where can operators turn?

The first place an emerging chain should look is to existing shareholders. They have the highest odds. Going beyond that will be difficult in 2009. Valuations are down in public markets, so the entrepreneur has to be realistic on how he or she values their company for new rounds of capital.

What are you advising?

In terms of preparing for expansion, I'm telling them, you have to be conservative in G&A spending. Also, be conservative in terms of not committing to leases or investing in G&A to support future growth until they have capital in hand.

That's a marked change from the recent past?

These young companies have all done things like signed leases when they didn't have the money to open stores. They've all taken some serious risks. But that's the nature of the entrepreneur.

Build it and they will come?

It happened that way for Chipotle, Noodles, a bunch of them. But money was easier. In this environment, money is tougher. You have to factor in risk assessment.

Are managements at emerging chains prepared to calculate the risk?

The softness in sales has been a real eye-opener and has helped make most management teams more realistic about the future. ■

IN THE WORKS: Baldocchi says real-estate developers are now looking beyond "standard players" for riskier emerging concepts.



TRAINING

Franchisees Benefit from **LEARNING 2.0** at Zaxby's

thens, Ga.-based Zaxby's isn't hooked on one training tactic over another. Rather, the fast-casual chicken chain combines conventional and nontraditional methods to create what it calls Learning 2.0.

COUNT THE WAYS

Over the last two years, Zaxby's has developed a franchisee training program integrating classroom, on-the-job and Web-based training that allows trainees to learn at their own pace and creates a more collaborative, flexible learning environment.

"The speed of knowledge is moving so fast that the old way of learning is just not going to work," says Richard Fletcher, senior director of learning and organizational development.

Training is divided into three sections. Franchisees go to Zaxby's head-quarters for the first and last part of their training. They initially take three days of classroom training, and before they open their stores, franchisees end their training with four days at head-quarters to learn about Zaxby's support.

PEER TO PEER

The second part of the training occurs at one of 15 franchised stores, where current franchisees train new franchisees. This allows them to learn from each other's experiences and network, which is a component of Learning 2.0, Fletch-

er says. "It's better if a fellow owner talks to you than the franchisor because you tend to believe them more," he says. "And then there's also the possibility for coaching and mentoring."

Zaxby's lets franchisees control the pace of their training through Zaxby's Learning Center. Launched at the end of 2007, the Web-based system holds, delivers and tracks training content.

Discussion forums, or team rooms, are the latest addition. They allow franchise owners and district managers to post questions, comments and information about the issues they are dealing with. Zaxby's plans to create team rooms for other employees such as general managers.

CONSUMER RESEARCH

Fast-Food Chains Get Their **Props**



Is fast food getting better, or are tough times making customers look at them differently? It doesn't matter if it's true that perception is everything.

According to research by San Clemente, Calif.-based Sandelman & Associates, customer satisfaction in the fast-food industry as a whole has improved. In 2008, 13 percent of QSRs posted statistically significant improvement in customer satisfaction compared with 2007.

The top chain is In-N-Out Burger, which won Sandelman & Associates' 2008 Quick-Track Award of Excellence. Fully 60 percent of customers rated their last visit "excellent." The Irvine, Calif.-based hamburger chain also received the highest scores on taste, quality of ingredients, friendliness of the staff, accuracy in filling orders, and being "a place for someone like me." In fact, In-N-Out finished in the Top 3 on eight of 15 attributes tracked.

THE TOP 10 CHAINS RATED "EXCELLENT" OVERALL IN SANDELMAN & ASSOCIATES' QUICK-TRACK STUDY ARE:

1. In-N-Out Burger	60%
2. Raising Cane's	59%
3. Giordano's Pizza	56%
4. Chick-fil-A	55%
5. Panera Bread	54%
6. Chipotle	52%
7. Pei Wei	51%
8. Firehouse Subs	51%
9. Taco Tote	50%
10. Qdoba	49%

Source: Sandelman & Associates

Three's a CHARM



From Hip Chicks to Big League clubs, **LIMITED-TIME OFFERS** that feature three items work well for Schlotzsky's.

chlotzsky's has learned that three's the magic number for limited-time-offer success. The 370-unit, Austin, Texas-based chain's most recent LTO, the Hip Chick Trio, accounted for more than 10 percent of the product mix during its August through November run. "Saleswise, the Hip Chick Trio blew all previous LTOs out of the water," says Jim Villemaire, director of research and development.

Featuring three products during a promotion is relatively new for Schlotzsky's. "Three years ago, the practice was always just one product per LTO," Villemaire explains. "We upped that to two products two years ago, but when you feature two products, one's always the winner, the other the loser. Three has proven to be the better way to go."

The top-selling Chicken Bacon Smokecheesy represented 40 percent of the Hip Chick Trio sales.

WELL-BUILT CHICKS

Representing 40 percent of Hip Chick sandwich sales, the Chicken Bacon Smokecheesy, with shaved chicken, smoked Cheddar cheese, bacon strips, lettuce, tomato, onion and chipotle mayonnaise, led the pack. The Chicken Cordon Bleu, with shaved chicken, bacon, shaved ham, Swiss cheese, mustard and a side of Dijon-honey mustard dipping sauce, was second-most popular. And the Fiesta Chicken Sandwich, roasted chicken breast meat, smoked Cheddar cheese, black olives, roasted red bell peppers, tomato, lettuce, onion and chipotle mayonnaise, ran a close third. Each sandwich cost \$4.99 for a small and \$5.99 for a medium.

Prior to the Hip Chick Trio, Schlotzsky's Angus Round Up, a trio of beef sandwiches that ran in spring 2007 and again in spring 2008, had been Schlotzsky's most successful LTO. "That shaped our thinking for the Hip Chick," says Villemaire.

While consumer testing indicated guests liked the chicken sandwiches, achieving sales beyond 10 percent of the product mix was an unanticipated bonanza. "In our segment, 3 or 4 percent is a good mix. But 10 percent is almost unheard of."

Shaping the chicken-sandwich builds,





Villemaire aimed for varied regional appeal. The Cordon Bleu was thought to have a cosmopolitan pull; the Chicken Bacon Smokecheesy, a down-home, Midwest American charm; and the Fiesta Chicken, a Southwestern slant. But during the promotion, sex played a larger role, Villemaire says. Males preferred the Chicken Bacon Smokecheesy, while females went for the Cordon Bleu.

KEEPING IT SIMPLE

Because going with three products rather than one is more operationally complex, Villemaire says he's been careful to keep procedures manageable. "We have a proven system that's very linear with a conveyor oven in the middle, fresh ingredients assembled on one side and finishing touches added on the end. As I plan each sandwich build, I am careful to ensure that we're not taking ingredients from the cold section and moving them to the hot section or vice versa."

Hoping to hit another home run with a triple play, Schlotzsky's next quarterly promotion, Big League Clubz, launches in March. While Hip Chicks was more female skewed, Big League Clubz, with almost 50 percent more meat than usual, are male oriented. During tests in five markets, the sandwiches scored even higher than the Hip Chick Trio. "So we have high expectations," Villemaire concludes. ■

The Chicken Cordon Bleu (above), with shaved chicken, bacon, shaved ham, Swiss cheese, mustard and a side of Dijon-honey mustard dipping sauce, was the second most popular sandwich in the promotion. The Fiesta Chicken, featuring smoked Cheddar, roasted peppers and chipotle mayo, ran a close third.

SNAPSHOT

Concept Schlotzsky's
Headquarters
Austin, Texas
Parent Company
Focus Brands, Atlanta
Units 370
2008 Systemwide
Sales \$246 million*
Average Unit Volume
\$680,000*
Average Check \$9*
*Chain Leader estimate

DOG Days

Johnnie's Dog House brings regional American hot dog favorites together and plans to take the diverse dogs nationwide.



ohnnie's Dog House takes the hot dog beyond the usual toppings of ketchup, mustard and relish. The fast-casual concept is exploring the local and regional interpretations of the hot dog as the six-unit, Berwyn, Pa.-based chain seeks to become a national brand over the next few years. Founder and CEO Todd Chusid launched Johnnie's Dog House in March 2004. A former management and tech-SNAPSHOT Concept

nology consultant for clients such as Walmart and Dell, Chusid traveled heavily for his job and ate hot dogs in the cities he visited.

JOHNNIE'S VISION

Inspired by the different hot dogs he tried, Chusid created a concept that revolves around a fictitious little boy named Johnnie who travels the world to find the best wiener.

"Hot dog people are extremely passionate about that product, just like hamburger people, rib people. So Johnnie's passionate about hot dogs," Chusid explains. "As he was traveling to different cities, experiencing different cultures and countries, he found there were toppings that were very specific to that region, to that culture, to that city."

The fictional boy wants to share his experiences and creates Johnnie's Dog House.

Johnnie's hot dogs, \$2.50 to \$3.50 each, reflect different parts of the country. The best seller is the Texas Tommy, a Pennsylvania specialty that features a hot dog wrapped in bacon, deep-fried and topped with cheese. Other popular items include the Southern Comfort Dog with chili and coleslaw; and Chicago Style Dog with mustard, relish, onions, tomatoes, sport

peppers, pickle and celery salt.

Johnnie's Dog House features a 1940s look with red leather chairs, chrome accents, and an orange and red color scheme.

Johnnie's offers three types of hot dogs: beef, turkey and vegetarian.

FLEXIBLE OPTIONS

To build awareness and drive revenue for franchisees, Johnnie's has developed multiple formats. A fast-casual unit, which ranges from 1,500 to 2,000 square feet, costs about \$275,000 to \$325,000. The company also offers express formats for food courts, as well as a kiosk and mobile van; invest-

ment costs range from \$40,000 to \$100,000.

To capture both families and business customers, Johnnie's locates the fast-casual units in endcaps or pad sites in suburban areas that have a mix of business and residential.

Smaller formats expose the brand to new customers. They can operate in nontraditional venues like airports and home improvement centers as well as cater special events.

NEW HORIZONS

Since Johnnie's launched its franchising program late in 2007, the company has signed agreements for 25 units. Franchisees opened four units in Washington, Colorado and Delaware in 2008. In 2009, they will open at least 12 in Pennsylvania, Maryland, New Jersey, California, Florida and Texas.

The chain contends it could be in 1,000 locations in five years. ■

ON THE WEB: Johnnie's will test international dogs like Colombian-style with potato chips, cheese, bacon and pineapple sauce.

Johnnie's Dog House

2008 Systemwide

Sales \$2.4 million

2009 Systemwide Sales \$10 million

(company estimate)

\$450,000 kiosk

Expansion Plans

At least 12 in 2009

Average Unit Volume

\$750,000 to \$1 million,

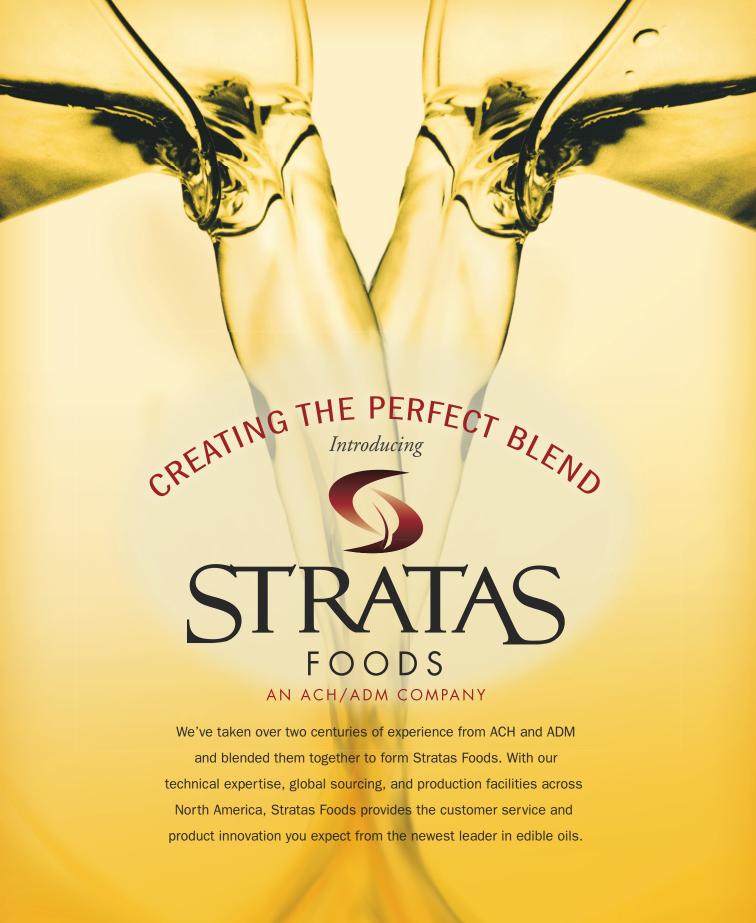
fast-casual; \$150,000 to

Average Transaction \$9

Headquarters

Berwyn, Pa.

Units 6



GREEN Means

Growing chains take small, inexpensive steps toward operating eco-friendly restaurants.



ome chain operators, including small upstarts with limited resources, believe incorporating eco-friendly elements means big investments for little payback or even brand dilution. But many operators have taken small steps with an ROI that is fiscal and/or builds goodwill with customers.

Dan McGowan, president, Big Bowl, Chicago

We changed out all of the fluorescent light bulbs in the kitchen to those that use about 25 percent of the energy. It might have cost us a couple thousand dollars. Within the first year that's going to pay for itself. We put in sensory switches in all of our bathrooms, storerooms and offices. The electricians cost more than the switches.

Michael Harder, COO, Boloco, Boston

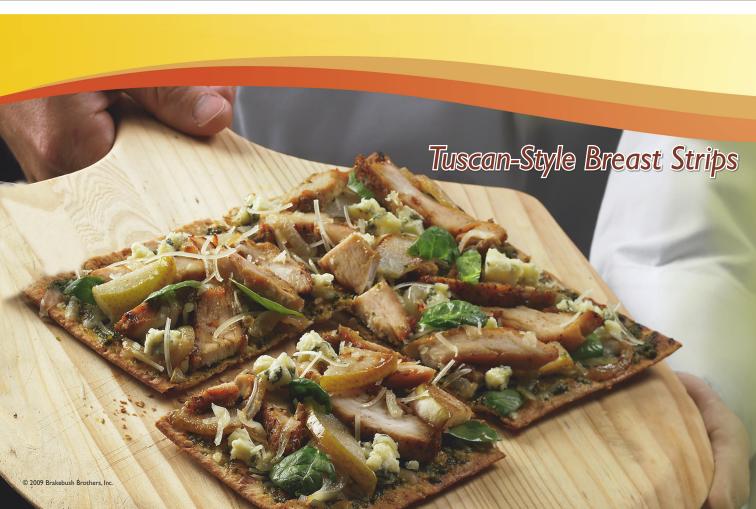
We put our crews in organic cotton T-shirts. Ends up being a little more expensive, by about \$1 a T-shirt. But it helps with our crew, who are a lot more in tune with this.

We replaced our plastic bowl that we use for the burrito bowl. We use a bamboo fiber bowl, and it is half the cost of the plastic.

And spray heads at the sink. There's a spray head that saves us \$1,000 a year. It cost us \$89 to put in, and you use a third less water.

Laurel Cudden, director of environmental health and food safety, B.R. Guest Restaurants, New York

One of our first steps was a recycling program.



Most of our team was already doing it at home, and this is something personal to them. We were able to get discounts through our garbage hauler, so we saved probably 30 percent.

Dino Lambridis, founder, Evos, Tampa, Fla.

Using soy-based ink on your printing materials vs. petroleum-based ink. The cost is minimal, and some printers don't charge more.

Biodegradable bags. A 5 to 15 percent markup on biodegradable bags goes a long way because people carry it in their hands; they can see the difference.

Deborah Sellers, founder, Sellers Market, San Francisco

It used to be cost-prohibitive to buy recyclable or compostable packaging. It's become more of a norm. If you do 50 percent takeout, like we do, you have to have packaging as number one on your list.

Mike Stone, manager of construction, Tijuana Flats, Maitland, Fla.

We looked at Energy Star equipment. To do all Energy Star would be too much for us. We chose a steamer. The steamer is one of the most used pieces on our line.

Where we can use them, we're using tankless water heaters. They take up less space too. ■

BlGidea Deb Sellers, founder of Sellers Market, recommends asking your city if they have a green certification program and a checklist for how to get qualified. "That checklist gives you ideas on how you can be more green," she says.



ON THE WEB: Ted's Montana Grill President George McKerrow outlines five ways to get the green ball rolling on www.chainleader.com



Changing PLACES

It might be eco-friendly, but it's economic, not environmental, concerns that are propeling restaurant chains **TO SEEK CONVERSIONS**.



McAlister's Deli is able to convert restaurant brands to the fast-casual sandwich shop because kitchen layouts are flexible, officials say.

Fast-growing Buffalo Wild Wings, which is aggressively looking for space to convert, is considering opening restaurants in former non-restaurant spaces, a practice some observers advise against. That is the question. Whether 'tis nobler to repurpose an existing building and prevent sprawl, or to take up more space and energy with a new one, extending brand reach and getting exactly what you want.

When it comes to growth-oriented restaurant companies, the answer is less about nobility than economics. "Our preference would always be to build a freestanding, prototype store," acknowledges Raising Cane's Chief Development Officer Brad Sanders.

But for the past two years the chicken-tender chain has begun converting existing restaurants to the fast-feeder's format. And it's not necessarily out of an abiding concern for all things green. Given the severe economic downturn, there are simply too many good deals to pass up.

"If brand 'XYZ' is struggling and we've targeted that area for expansion, we will evaluate [the units] to see if they match our site criteria. If they do, then we target them to acquire," explains Sanders, describing the 80-unit, Baton Rouge, La.-based chain's recession-based real estate strategy.

The supply of failed units is growing while construction of ground-ups lags because of the credit crunch, says financial adviser and former restaurant executive Jim Parish. "There will be more supply of restaurants to be converted and less supply of ground-up opportunities," he declares.

Port Washington, N.Y.-based NPD Group says industry growth fell 0.1 percent in 2008, largely on the weakness of independents (down 0.8 percent). Chains expanded by less than 1 percent. In short, net closings

nearly equaled net openings. Growth trends will continue to spiral down to 0.3 percent this year, Barclay Capital analyst Jeffrey Bernstein predicts.

NOBLE PURPOSE?

Sure it would sound noble if operators' actions led to less stuff in landfills and smaller carbon footprints. But stemming waste or trimming energy consumption hasn't been the motivating factor for conversions. More often than not, they are simply a less expensive way to grow.

Consider fast-growing Buffalo Wild Wings, which will expand by 15 percent in 2009, same as last year, when it added 28 units.

Nine of those openings were conversions, eight of them former Don Pablo's units, says Associate General Counsel Matt Brokl, who arranged the acquisition and oversaw the conversions. The deal offered Buffalo Wild Wings the chance to assume leases and convert the spaces at considerable savings.

In the case of a Cincinnati unit, which replaced a nearby unit, the company spent \$1.4 million rehabbing it. That sounds like a lot until you learn the total investment of a ground-up Buffalo Wild Wings is \$2 million.

As at Raising Cane's, conversions are a "key component" of the company's real estate strategy, Brokl says.

And it's not only looking at restaurant sites. The eager-to-expand chain has identified retail outlets lacking the infrastructure—HVAC, electrical and plumbing—that a restaurant requires. "It's the first time we've looked at [these] opportunities," he admits, conceding the Minneapolisbased company has yet to devise a conversion model for nonrestaurant space.

COSTLY RENOVATION

"I think they're going to be surprised once they get in," offers industry veteran and former Ruth's Chris CEO Bill Hyde, now an investor in several Dallas-area restaurants. And not in a good way, he adds, citing steep costs associated with adding mechanicals, electrical, plumbing,



as well as meeting Americans with Disabilities Act codes. "It all comes back to return on investment," he says.

Zane Tankel, CEO of Apple-Metro, which operates 32 franchised Applebee's in and around New York City, once converted a suburban bank only to discover he had to remove an underground vault, driving up the project's cost. Don Fox, COO of the 357-unit, Jacksonville, Fla.-based Firehouse Subs, recalls a franchisee who also ended up exceeding budget converting a bank. "The bank conversion was more expensive than expected," he says, adding that existing inline space is generally more expensive to convert when it's not a restaurant.

Even the cost of converting a shuttered restaurant to your brand can be high, recalls former

Franchisees of Zoes Kitchen, an in-line fastcasual eatery, are looking for failed independents that include walk-ins and hoods in decent shape.

Apple-Metro, a 32-unit Applebee's franchise, converted a shuttered seafood restaurant in Manhattan into a three story casual-dining restaurant, said to be the highest grossing outpost in the system.

Startups Should Avoid Ground-Ups

he trouble is that startup companies want to raise a lot of money," sighs consultant Brad Saltz, managing partner for Cincinnati-based SS&G.

Not that there is anything wrong with that. It's just that the raising-capital end of things keeps entrepreneurs from demonstrating what they do best: running a restaurant.

"They want a \$4 million place," he gripes. "If you have an idea and don't want to make a career of going around raising money, then you have to do things on a shoestring."

Saltz's advice to concept creators: "Go find a closed Denny's or a Perkins, and for \$500,000 give your idea a shot."

They will know soon enough if they have a winner on their hands, he says. If so, the capital-raising part will get much easier for them.

GROWTH STRATEGY



BlGidea Adamant about kitchen work flow, Raising Cane's insists that franchisees use its in-house designers to blueprint conversions.

managing partner for SS&G
Financial Services in Cincinnati. "[Houston's] did a lot of
conversions and, in all honesty, I don't
think it ever saved us any money," he says. "Sa

think it ever saved us any money," he says. "Say there was a restaurant there. You gut it, and end up with four walls, a roof and a foundation. So maybe that saves you \$200,000. On a \$4 million build-out, you improve ROI by what, half-apoint?"

But the attraction remains, particularly at a

time when capacity is slowly

Houston's CFO Brad Saltz, now

shrinking. "The recession this past year has had the most negative impact on the small chains and independents, and full-service restaurants that were performing poorly prior to the economic downturn," says Greg Starzynski, director of product development-foodservice at NPD Group.

If the cost of converting a restaurant like this former Backyard Burger to a Raising Cane's is less than 20 percent of a ground-up, the 80-unit chains opts for a new build.



Firehouse Subs is happy to find a restaurant property with a walk-in cooler in place. This unit is being converted from a former Tin Star.

KITCHEN FIRST

Those are the eateries growing chains have in their sights. At 21-unit, Birmingham, Ala.-based Zoes Kitchen, Chairman and CEO Greg Dollarhyde describes them as "marginal providers that aren't able to compete in this new world."

Change in Restaurant Units, 2008 vs. 2007

	All	Quick Service	Family Dining	Casual Dining	Fine Dining
Total restaurants	0%	1%	-3%	0%	-8%
Independents (1-2 units)	-1%	-1%	-3%	0%	-11%
Major chains (500+ units)	1%	1%	0%	3%	N/A
Midsize chains (100-499 units)	0%	1%	-5%	3%	11%
Minor chains (50-99 units)	-2%	-0%	-9%	-6%	7%
Smallest chains (3-49)	-1%	0%	-3%	-1%	1%
Source: The NPD Group/ReCount					

He's willing to pay "a little more" for them if they include a walk-in and hood. "That saves quite a bit of money," he adds.

"Having a walk-in cooler is a nice operational luxury," agrees Fox of Firehouse Subs. "So where they exist, we encourage franchisees to keep them in place."

At Raising Cane's, the kitchen itself drives the layout. "Most of the time we take a conversion down to the studs because we want the operations flow to be as close as possible to the prototype. We're not just taking down signs, painting the place and calling it a Raising Cane's," Sanders explains.

Neither is 281-unit, Jackson, Miss.-based McAlister's Deli, though layouts of the fast-casual concept are flexible, according to CEO Phil Friedman. "If we have to move the configuration of dining room and use the current electrical, plumbing and facilities, then we are willing to do it. Out kitchen layouts are relatively easy to operate. We have that advantage. Other concepts may have a different situation," he says.

TOSS UP

Apple-Metro's Tankel likes to remain flexible, too. "We have a demographic profile and if it fits a site, we couldn't care less [if it's a ground-up or a conversion]," he says. Case in point: a shuttered Lundy's Restaurant in midtown Manhattan. Tankel converted the three-story structure a few years ago; it's now the highest-grossing Applebee's in the system, he claims.

Last fall, Tankel jumped at the chance to convert a steakhouse in Port Chester, N.Y. The reason: The project would cost only \$800,000. "That's pretty inexpensive and was the real motivation for doing it," he says.

For restaurant analyst Bernstein, conversions can't come soon enough. "Overall capacity growth remains a significant issue, with unit growth (i.e. supply) well above sales growth (i.e. demand) for the second consecutive year," he wrote in a January report.

Switching one restaurant for another may turn out to be the answer for the industry—and the environment.

Quick Service Reporter

chain leader

A new monthly enewsletter from Chain Leader

With business-critical coverage of such topics as improving service, packaging and promotions, and a regular feature on technology,

Quick Service Reporter delivers insights and tactics specifically geared to limited-service restaurant operators.



chain leader

TREND FORWARD INSIGHTS TO BUILD BRANDS



BEYOND Chains keep whole-house sustainability Recycled

ECO-FRIENDLY BUILDING MATERIALS.

in mind when

choosing



n 2000, Denver-based Chipotle launched a new menu strategy, one that encompassed eco-friendly foods such as grass-fed beef. Two years later, the 800-unit fast-casual Mexican concept put its money where its mouth is, opening two "green" restaurants in Austin, Texas. Both included enough sustainable features, from low-toxin paints and sealants to efficient lighting and plumbing fixtures, to be certified green by the city of Austin.

Chipotle built four stores, including this one (above) in Gurnee, III., under a LEED pilot program for restaurants and retail stores. The Gurnee location has a whole-house energy-management system and generates some power via rooftop windmills.

Expensive, eco-friendly reclaimed hickory makes a design statement at Sweetgreen in Washington, D.C. The cost means future locations will sport a single wall of the antique wood.

Chipotle's commitment to green has only grown stronger. It has since incorporated ecofriendly elements into all its restaurants. More ambitiously, the chain plans to submit three restaurants, in Gurnee, Ill., Long Island, N.Y., and Minneapolis, for Leadership in Energy Efficiency and Design, or LEED, certification by the U.S. Green Building Council, a nonprofit dedicated to environmentally friendly construction. A fourth greenon-steroids unit was scheduled to open in March in Ballard, Wash.

"We do it for the same reason we started serving food from sustainable sources," says Chris Arnold, Chipotle spokesman. "It's the right thing to do."

Indeed it is, for several reasons, operators and experts say. As the green movement turns from fad to way of life, customers expect to see eco-friendly menus, operational touches such as biodegradable disposables, and buildings.

WHAT'S GREEN?

The general awareness of what green building is, and is not, is changing, says John Chrzanowski, partner and director of design at King-Casey Inc., a Westport, Conn.-based architecture and design firm that specializes in retail and restaurants.

Chrzanowski says that architects and clients are considering other factors such as the life span and durability of a product, its recyclability and reusability, and its energy efficiency. "It's not just, 'it's a recycled material, good, I'm done," Chrzanowski says.

Besides, he adds, recycled isn't the last word in eco-friendly building. Many construction materials—stone, glass, certain types of wood—are naturally green. "Ceramic floor tile—that's a natural material," Chrzanowski says.

MONEY MATTERS

Durability and even aesthetics play a part in Chipotle's green decisions. For instance, sustainable lighting proved challenging "because we didn't want to adversely affect the quality of lighting," Arnold says. The problem was solved when Chipotle found a source for LED spotlights, which last longer, emit less heat and run on less energy.

Budget counts as well: All materials decisions are made keeping the chain's average building cost, \$900,000, in mind.



Sweetgreen executives found a contractor who would sort and recycle material from the interior demolition at its first location, a 560-square-foot historic building in Washington, D.C.

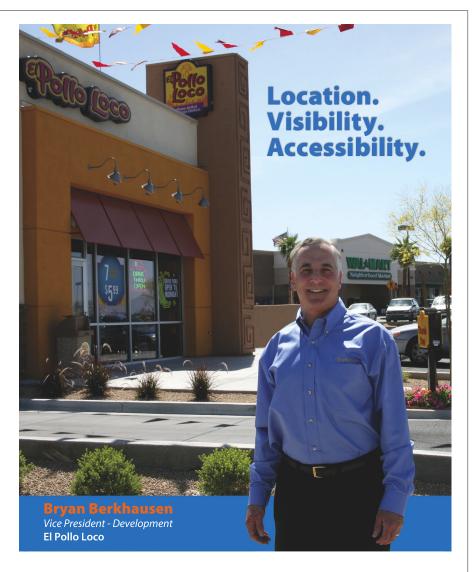
Get-Going Green

rchitects prefer the word "sustainable" over "green"; it speaks to a holistic approach, which encompasses reusing existing materials, recycling construction debris, careful choices that take into account a material's carbon footprint, and the building's long-term impression on the environment. If that sounds overwhelming, consider this advice: "Start doing little things," says John Chrzanowski, partner and director of design at King-Casey Inc., a Westport, Conn.-based architect and design firm. "It's becoming the price of entry for responsible dining." Here are some suggestions:

- Flooring: Recycled wood, which is attractive but expensive, or a lower-cost alternative, vinyl composite tile made of recycled plastic. Ceramic tile is naturally green.
- Paint: Low- or no-VOC (volatile organic compound) paint is cheaper and more readily available than it was even two years ago.
- Awnings: In warmer climates, awnings can cut air-conditioning use. Green "isn't always about recycling," Chrzanowski points out.
- Lighting: LED (light-emitting diode) lights "are as efficient as you can get," he says. The lights are more expensive than conventional bulbs, but deliver a trifecta of benefits: They last four to six times longer than conventional bulbs, use little power and generate little heat.
- Reuse of existing materials: In remodels, consider keeping what's there, be it a wood or concrete floor, instead of replacing it. Reuse means less debris destined for the dump and lower building costs.

OPERATIONS

BlGidea Consider long-term energy savings, not just the initial cost, when weighing eco-friendly building decisions.



"When you open a new business, there are plenty of things to worry about. Location isn't one of my worries — I worked with a Wal-Mart Real Estate Manager to purchase a Wal-Mart outparcel. With high visibility, great accessibility and proven customer traffic, this is a perfect spot for El Pollo Loco to call home."



www.wal-martrealty.com

"Most people look at, what is the cost of doing a green building," Arnold says. "We looked at what we were spending, and what we could do within that existing budget."

The exceptions to the budget rule are the four LEED units, which were built under a U.S. Green Building Council pilot program for restaurants and retail stores, Arnold says. Those stores are more expensive to build, though he wouldn't be specific. However, "there's a substantial payback based on the systems in place," Arnold says. The first LEED buildings are designed to show Chipotle what measures will yield the highest return on investment.

GREEN WHEN POSSIBLE

Pyrogrill, a three-unit, fast-casual wrap concept based in Jupiter, Fla., also subscribes to the pay-now, save-later principle of green building.

Two of its restaurants use reclaimed wood for millwork, tankless water heaters, and low-VOC, or volatile organic compound, paints and finishes, says Michael Curcio, chief executive officer and founder. All three locations use high-efficiency light bulbs and photocells to control artificial light depending on the availability of natural light.

Curcio says such materials add 2 to 3 percent to building costs, "but it's made back in spades" in energy savings.

Still, he is choosy about green materials. For instance, the sealant on the stained-concrete floor is not low-VOC. "There wasn't very much information as to the durability it would provide," Curcio says. For durability's sake, he also opted for stained concrete flooring over recycled laminate or bamboo. "It needs to be durable," he says of the store's finishes. "That's first and foremost."

A GREEN 'WOW'

The founders of Sweetgreen, a soup, salad and sandwich concept based in Washington, D.C., considered aesthetics first when taking their major green plunge: an expanse of antique hickory

that covers the floor, ceiling and walls of their first location, a 560-square-foot restaurant in Georgetown.

Nicolas Jammet, co-founder of the fast-casual concept, and his business partners splurged on the hickory, salvaged from an old barn in Virginia and priced at \$16 per square foot, to create a design "wow." The wood, Jammet says, adds a more organic feeling to the interior, in keeping with the chain's menu, made from sustainably grown food, and other green touches, such as biodegradable disposables.

A decorative panel of green and white leaves, made from recycled materials and printed with soy ink, completes the ecofriendly design package. The contractor also recycled materials from the interior demolition, Jammet says.

Sweetgreen's next two stores, scheduled to open this month in the D.C. area, will each measure 1,500 square feet, too big for the full hickory treatment. Instead, the back wall of each will

Green on the Web

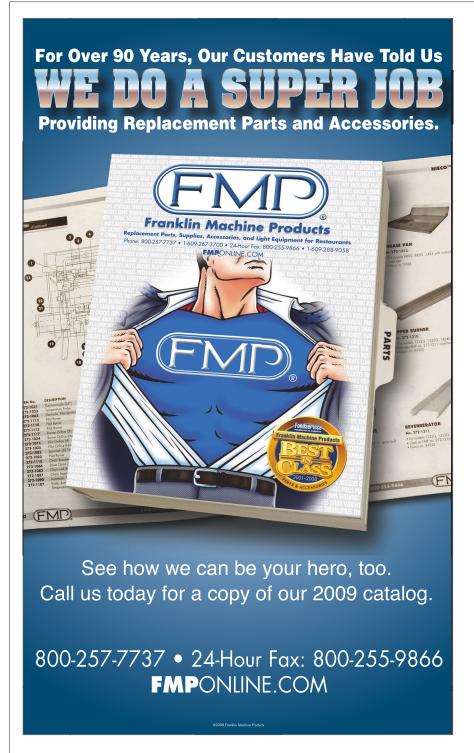
The U.S. Green Building Council (www.usgbc.com) is not a government entity; rather, it's a nonprofit dedicated to sustainable building practices. The Council introduced the LEED (Leadership in Energy and Environmental Design) certification program in 2000. The Web site provides information on LEED standards and sources for green building materials.

The National Restaurant Association's growing Conserve Web site (www.conserve.restaurant.org) offers a tour of a virtual green restaurant, plus tips on energy and water conservation and case studies of successful green restaurateurs.

The Green Restaurant Association (www.dinegreen.org), a nonprofit, offers a sustainability quiz and environmental practices tailored especially for restaurants.

be covered with hickory.

Jammet's ultimate goal is a LEEDcertified building, which will match the concept's dedication to serving sustainably grown foods. Until then, "it's a learning process," he says. "Green is always an evolution. Every day you add something." ■



The Greening of CKE

The company's **ENERGY EFFICIENCY BOSS** explains how the system is turning green one unit at a time.

estaurants are energy hogs. And for a long time it didn't matter because water, electricity and gas were dirt cheap. What's more, given that people have to eat, chain restaurants kept the energy spigot open all day, every day of the week. They still do, though over several years consumption trends have been changing, brought about by environmental pressure, rising costs and energy-saving technology. Today, the less energy a restaurant consumes the better.

That's the thinking behind CKE Restaurants' new Carl's Jr. outpost, dubbed a "flagship," in Carpinteria, Calif., two miles from headquarters. The company, which operates and franchises more than 3,000 Carl's Jr. and Hardee's restau-



rants, describes the eatery as "environmentally friendly" because of its Energy Star-rated equipment, solar-reflective roofing material, rainwater reuse and energy management system.

Energy Manager Juliann
Rogers played a major role in
the implementation of energy
efficient equipment. *Chain Leader*recently caught up with the for-

mer purchasing executive and grilled her about CKE's commitment to green initiatives.

What's your role in green matters at CKE and at the flagship unit in particular?

I helped keep things on track. I try to influence the company when it comes to energy-efficiency issues. My role is to herd people in that direction.

Does that explain the Energy Star equipment, solar-reflective roofing material, rainwater-reuse system, etc., in the new restaurant?

We sat down as a group in the construction and design department and started going down a LEED certification checklist and asking, "What can we do at this store?"

Were there any objections from those you were attempting to influence with this checklist?

I don't hear objections to green initiatives that produce green dollars, if you know what I mean.

What can you automate in a unit?

One of my initiatives this year is to automate as much as possible and then create some habitual energy-saving behaviors.

What do you realistically expect to automate?

All lighting and air-conditioning. Those are the two big energy hogs in a quick-service restaurant. So many different lighting zones—parking lot, dining room, bathrooms, on buildings—must come on at different increments.

Kitchen equipment?

You can automate kitchen ventilation fans, which often get left on all night long. It is very difficult to automate kitchen equipment during the day.



It is not. We used its commercial certification checklist to identify initiatives, but we didn't spend the spend money to go the extra step, which involves testing and so forth.

Is the new unit's green posture so different from other Carl's Jr. units that its energyefficient features can't be repeated again?

There are aspects of the Carpinteria store that are completely different, though I wouldn't say not repeatable. We want to evaluate them in this site. The equipment package is standard. We've been focused on energy-efficient equipment and things like light motion detectors in restrooms. Those are already is part of our standard prototypical design.

So what is different and new?

The energy management system is fairly new. It's the system that automatically manages lighting coming on and off and air conditioner and setpoint temperature on the AC so people are not turning it on and off.

Can the system automate the energy-efficiency process at a number of restaurants?

We are considering doing that going forward. We want to do what's called "enterprise system," meaning we can monitor and control the stores' systems as a whole or individually from a central point. Our energy management system is capable of doing that with the Carpinteria store. It's just a matter of IT hooking it up.

on the web: A Wendy's franchisee in Texas controls lights, air-conditioning and kitchen equipment with a cost-effective energymanagement system. www.chainleader.com.

Energy Manager Juliann Rogers advocated for many of the energyefficient systems in CKE Restaurants' flagship green Carl's Jr. unit in Carpinteria, Calif.

The company claims that the environmental initiatives at its new unit are cost-neutral or result in cost savings.

SNAPSHOT

Company CKE Restaurants Headquarters

Carpinteria, Calif.

2009 Systemwide Sales
\$1.55 billion (three
quarters, through Nov. 3)
Units 3.000

Expansion Plans

28 by end of fiscal year 2011, ending Jan. 2010

NEIGHBORHOOD

Relationships and the right questions assure chains like Burgerville that **BUYING LOCAL IS A SAFE ROUTE**.



Units 39

2009 Systemwide Sales

More than \$60 million (company estimate)

Average Unit Volume

\$1.8 million **Check Average \$8**

Expansion Plans 3 or 4 in 2009

reening menus by buying local products offers operators the chance to crow about "fresh" and "natural" ingredients while lapping up the goodwill that accrues from supporting small businesses in their community. Add to that the benefits derived from reducing carbon emissions given the proximity of the food source.

"It's a great differentiator. Not many [chain] restaurants do this," says Jeff Harvey, chief executive of Burgerville, a Vancouver, Wash.-based chain that sources the majority of its products from local producers.

Yet sourcing ingredients locally raises serious food safety concerns: Are local producers properly inspected? Are they practicing sound food safety techniques in their growing fields and processing plants?

Seattle attorney Bill Marler, a well-known foodsafety expert, ranks "local food and/or farmers

markets" second among the most important food safety challenges this year. "Community-supported agriculture groups and food co-ops need to demonstrate knowledge and practice of food safety, and be inspected. In addition to produce and meats/fish, prepared items are currently unsupervised in some but not all locations," he writes on his blog.

DO THE RIGHT THING

Despite the concern, the attraction of becoming known as socially conscious operator—and the ability to market that position—is hard for operators to resist given consumer interest. A survey from the National Restaurant Association shows that 70 percent of adults say they are more likely to visit a restaurant that offers locally produced food items.

The NRA also reports roughly four in 10 fullservice operators and three in 10 fast-food operators (chain and independent) say they plan to budget more on green programs. Already about a third of the QSR operators surveyed say they serve locally sourced products. The NRA says their number is growing.

Consider 39-unit Burgerville, which has hired five people in recent years to manage a supply chain infrastructure that depends heavily on local producers. About 75 percent of the quick-service chain's ingredient list is produced within a couple hundred miles from headquarters.

Harvey, who joined Burgerville as CEO five years ago, says the company first dipped its toe in local waters 13 years ago. When he arrived, he began "ramping up" the company's relationships with local vendors to make the chain distinctive. Today, Burgerville does business with 14 local vendors, which supply everything from smoked salmon to frozen yogurt.



Wilsonville, Ore.

The 39-unit chain believes that building relationships with local vendors makes it easier to deal with quality assurance and food safety issues.

Burgerville purchases ground beef from a co-operative of local cattle ranches, like this one in Brothers, Ore., that maintains control of the product until it reaches the restaurants.

Supply chain experts at Burgerville worked closely to develop specs and safe handling procedures with Liepold Farms, supplier of berries for the chain's seasonal milkshakes (opposite).

The Environment? Meh, Say Customers

with food products from local vendors. There's also a halo of helping Mother Earth when you use ingredients produced in your community.

Yet diners no longer care about such things like they once did. A January survey by the Pew Research Center shows a 15point decline, to 41 percent, in the number of Americans who rate the environment as a top priority. The economy now tops

Not to worry. The drop in environmental concerns matches the fall after 9/11, which lasted until January 2003 before resurging as a priority from 2006 to 2008, Pew says.

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FOOD SAFETY

Food safety expert Bill Marler predicts foodborne illness outbreaks will be linked to local food sources and farmers' markets.

Not all of these concerns are small and artisanal. Burgerville's french fry vendor, which happens to be located in Pasco, Wash., is one of the country's largest potato processors. Its frozen yogurt manufacturer, head-quartered in nearby Portland, Ore., rang up \$43 million in sales last year.

UP TO SNUFF?

Small, artisanal purveyors, however, may spark worry that food safety standards are not as stringent as they would be in larger companies, a notion largely disabused by the recent spate of foodborne illness, which involved both industrial farms and processing plants.

Purchasing consultant Lauren Cahill-LeFranc says that small growers, particularly on organic farms, are likely to pay close attention to food safety practices. But she nonetheless advises operators to consider the whole supply chain scenario before making any purchase decisions. That would include, she adds, working with distributors who truck the product to your restaurants.

"What's the temperature chain from farmer to restaurant," Cahill-LeFranc explains. "A basic question is: Are your trucks refrigerated, and are the temperatures working?"

"That's a conversation everyone has to have, regardless of the size, regardless of location," offers Kathy Means, vice president of government affairs for the Newark, Del.-based Produce Marketing Association, which represents growers, distributors and restaurant companies. "I would ask the distributor, 'You've checked out this company's food safety program, right?" Or if you are buying it direct, then you check it out yourself."

Burgerville does. "We believe strongly that anytime we can build a relationship with a source, we feel better insofar as not only guaranteeing the safety of a product but sharing the story of a small, local producer practicing a sustainable business," explains Alison Dennis,

BlGidea Burgerville CEO

Jeff Harvey encourages the chain's local producers to sell their products to a broadliner, because it adds another layer of food safety and quality assurance.

director of supply chain. "Safety practices and process improvement opportunities are part of our ongoing supplier-relations dialog throughout the year."

SPEC DUTY

According to Harvey, developing those kinds of relationships required the company to bring food safety and supply chain experts on board. "We've had to hire people who are specialists in supply-chain management to go to local farmers, ranchers and berry growers and nail down the specs and the processes," he says.

It included working with the owners of Liepold Farms, a small grower in Boring, Ore., that supplies fresh strawberries, raspberries and blackberries used in the chain's seasonal milkshakes. "Alison went there and worked with leadership and spelled out the specs for our products," Harvey recalls, adding the farm ships the berries to a local processor, which turns them into slurry suitable for blending into ice cream. "She explained the condition the berries need to be in and how many twigs and leaves are acceptable."

Wait. *Twigs and leaves*? "Sometimes a bug or twig can get in there," Harvey notes. "It underscores the idea, 'Oh, I get it. This comes form the farm." ■

Food Safety and Local Food Resources

Be FoodSafe: The FSIS magazine: A USDA publication focused on food safety measures for consumers and businesses. www.fsis.usda.gov/News & Events/

Be Foodsafe Magazine/index.asp

Eat Well Guide: A search engine that allows you to find local sources for organic and natural foods. www.eatwellguide.org

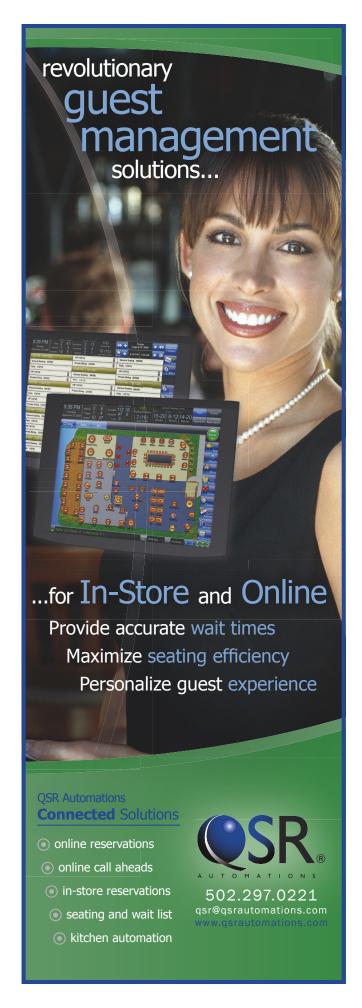
Food Alliance: An eco-label program connecting commercial food buyers with ranchers and farmers that employ sustainable methods and safe food-handling practices. www.foodalliance.org
Foodborne Illness Cost Calculator: A unique way to

Foodborne Illness Cost Calculator: A unique way to measure the nationwide cost of lost productivity due to food poisoning.

www.ers.usda.gov/Data/FoodbornelIlness/ Food Safety Hub: Searchable food safety portal including government recall information. www.pageflakes.com/foodsafety

"Food Safety: Uncovering the Facts & Myths Surrounding the E. coli Outbreak of 2006": An intriguing article by a Salinas Valley grower who reveals the background details of a tragic produce-related E. coli outbreak.

www.ccof.org/magazine Fall 2007.php



Bringing it Restaurant chains are overcoming lenges and

chains are overcoming challenges and doing more to explore LOCAL-SOURCING OPTIONS.

any American consumers say buying fresh, local and sustainable food is important to them. But at what personal cost? Will they skip the tomato on their sandwich unless it's in season?

Locavores have been stinging in their criticism of "big box" chains' contribution to the commoditization of America's food system. And yet there's been little support for operators who wish to turn that monolithic wheel in a different direction. But that doesn't mean the dialogues aren't happening. Changes are under way.

Following the lead of independent and regional-chain operators, multi-region chains are discussing ways to locally source ingredi-

ents. All agree that there are flavor, quality and community benefits. But chains have the added challenge of trying to do this consistently, safely and affordably at large numbers of restaurants.

LOCAL EVOLUTION

Operators are taking different approaches. Some feature local produce in regional, limited-time offers. Others source local products at peak season only. Still others find local sources for core menu items such as dairy and meat that are available year-round.

One of the leaders in the localsourcing effort, Denver-based Chipotle Mexican Grill has two seasons of a summer-produce pilot program

under its belt. The program brings bulk vegetable items—onions, peppers, lettuce and herbs—into Chipotle's supply chain from local farms during peak produce season.

"We met our goal of serving at least 25 percent of at least one of these produce items in each of our markets," says Chris Arnold, public relations director for the 800-plus-unit fast-casual concept. The program will be back this summer, with plans to increase that percentage, although

Chipotle can't yet say by how much.

Pittsburgh-based Eat'n Park Hospitality Group has also pushed toward a larger,

Burgerville's new Yukon & White Bean Burger with basil mayonnaise was designed to communicate gourmet quality, and local freshness. Walla Walla Onion Rings are a popular locally sourced summer feature.

locally grown food supply for its 78 restaurants. Currently the family-dining chain features seven or eight local produce items on the salad bar and throughout the menu from June to October. As well, all of Eat'n Park's pork and most of its dairy products are locally sourced year-round.

MAKING IT DOABLE

"Local sourcing is very doable," says Jamie Moore, director of sourcing and sustainability for the chain. "All you really need is a distributor who is willing to switch to sourcing locally when local product is available. That, and having somebody on staff who is active in local agricultural circles."

Dan McGowan, president of Chicago-based Big Bowl, which operates eight Asian restaurants in three markets and sources as much of its product locally as is possible, says being clear that local is a priority is the first big step. "If you communicate that it's a priority for you and develop relationships based on that, you'll have a much more seamless supply of the goods you're after," he says.

For larger chains to source local product, Moore believes they also have to change some procedures. Value-added products, for example, such as vegetables that have been chopped, diced or sliced, may have to go by the wayside. "It's very hard to do a local tomato if you have to have it processed." Moore explains.

To control costs, he says it's also important to work with suppliers to grow products to specification. "You also need to limit yourself to items in peak season and plentiful availability," he adds. Strawberries, for example, begin to be available in May, but Moore waits until July when supply is most plentiful and costs lower. Every Monday, Eat'n Park posts an updated list of locally sourced ingredients on the salad bar rather that listing them on the menu. "That way if something's only available for a week, it's okay," he says.

WHO'S TRYING WHAT

Taking a different approach, McCormick & Schmick's, the Portland, Ore.-based, 86-unit seafood concept, has always built regional recipes into menus on a local basis, says Bill King, vice president of culinary development and corporate



chef. Regional chefs develop relationships with local purveyors to obtain the ingredients for these specials.

While Dan Admire, vice president of culinary for Leawood, Kan.-based Houlihan's, thinks a "specials" approach is a start, "We're ultimately thinking much larger scale than that. We're asking the question, what ingredients universally apply? What can we find 'best of' regional versions for in every market?"

Before he tackles local sourcing for the Houlihan's concept, Admire is working with the company's 13 fine-dining concepts (nine seafood houses—Bristol, Devon, Braxton and Chequers,

popular Walla Walla Onion Rings are not in season, the company now offers locally sourced Yukon Gold Fries during the winter and spring.

Thoughts on Local Sourcing

DAN ADMIRE, CORPORATE EXECUTIVE CHEF, HOULIHAN'S, LEAWOOD, KAN.

"I think local sourcing is worth exploring. It would be a huge benefit for us on many levels, with quality at the top of the list. But it's a very complicated thing to do. To validate whether it's something that we can do, we are researching all aspects of this, this year."

JIM VILLEMAIRE, DIRECTOR OF RESEARCH AND DEVELOPMENT, SCHLOTZSKY'S, AUSTIN, TEXAS

"I have been very intrigued by the possibilities of local sourcing. The obstacles we perceive are largely behaviors and price. You have to pay for quality, and we'd have to go market by market, region by region, to find suitable suppliers. We'd also have to change our behavior in terms of mass marketing—not necessarily worry so much about serving the exact same promotion at the exact same time in all of our markets. But conceptually, we're exploring how to do that."

MICHAEL HARDER, PRESIDENT AND COO, BOLOCO, BOSTON

"I think some of the biggest obstacles national chains have to face to do local sourcing center on distribution and getting adequate supply. As an industry, we also have to figure out some of the definitional issues. What really constitutes locally grown? Is it something sourced from less than 50 miles away? 100? 200? There's a lot about this that still has to be defined."

NEW PRODUCT PIPELINE

Finding the right balance of price, availability, quality and size makes local sourcing a complex formula.

and four J. Gilbert's Wood Fired Steaks and Seafood). "We're going to spend the next six months really researching local sourcing with these concepts so that we can get a feel for what works and what doesn't," he says.

Broomfield, Colo.-based Noodles & Company, which has 204 fast-casual units in 18 states, is also exploring what works. Three years after switching from a national distribution system to local produce sourcing, Noodles is sourcing all of its cabbage locally when in season and all of its bean sprouts year-round. Before the end of the year, the company will likely complete its transition to locally sourced milk.

"It's much more complex for us to have local produce suppliers in every region, but we really feel local sourcing is the right thing to do," says Dawn Voss, chief administrative officer overseeing culinary and supply. The big challenge, she says, is finding the right balance between price,

BlGidea To make local sourcing work, operators must rethink their relationship with suppliers and mainline distributors, finding those who are willing to switch to local produce when available.

Since decentralizing its produce supply chain, Noodles & Company has been able to source bean sprouts, such as the ones the Japanese Pan Noodles, year round.





availability, quality and size, all of which makes local sourcing a complex formula.

TAKING CUES FROM BURGERVILLE

For others still trying to figure out that formula Vancouver, Wash.-based Burgerville provides inspiration. The 39-unit quick-service hamburger chain partners with 14 local suppliers for year-round supply of everything from pickles to cage-free eggs. Another four suppliers provide the produce for recurring seasonal specials such as local berry milkshakes and Walla Walla Sweet Onion rings in summer, and Sweet Potato Fries and Pumpkin milkshakes during the fall.

"The whole idea is to raise the bar for QSR by serving local ingredients at the peak of season in gourmet fashion," says Jack Graves, chief cultural officer.

New this year, Burgerville has added locally sourced Yukon Gold waffle cut french fries and upped the frequency of new menu items made from local ingredients. "We're looking at one or two per month," says Graves. The Yukon & White Bean Basil Burger, \$5.29, a veggie patty made with potatoes, northern white beans, mushrooms and grains and topped with lettuce, tomato and basil mayo, was first up in February. In March, rosemary month, features include Rosemary Shoestring Potatoes and Slow-Roasted Rosemary Chicken Sandwich.

While Burgerville is a regional concept with all of its units in the Pacific Northwest, a national chain could take some cues, says Graves, by featuring best regional foods that are at peak season, rather than just having the same limited time offer across the country. His one caveat: "You have to be learn to be flexible because you're dealing with Mother Nature here."

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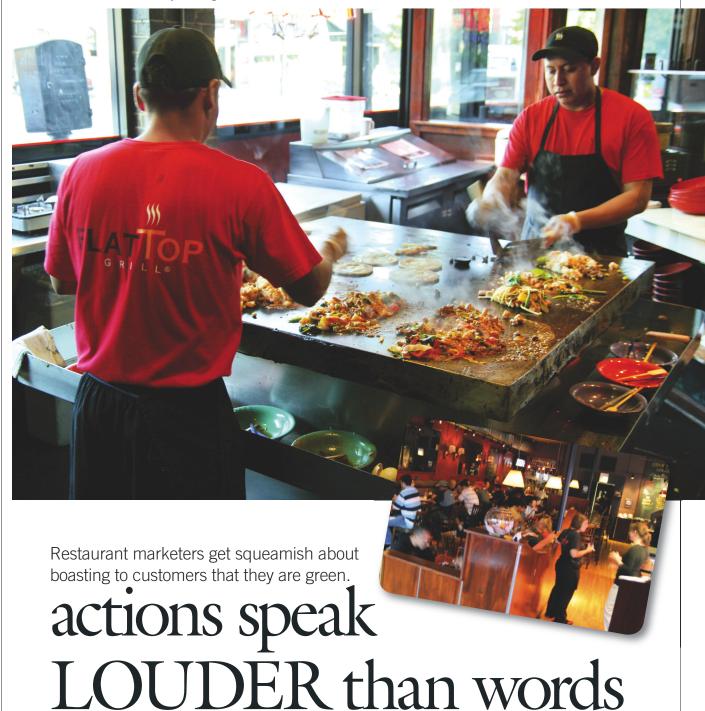
Chain Leader Senior Editor David Farkas continues the dialog he began in January 2006, providing not only plump bits of industry gossip, but news and analysis found nowhere else. And watch for the occasional quiz on current events.

HEAR WHAT INDUSTRY LEADERS HAVE TO SAY

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MARKETING/by margaret littman



t might be easier to be green than to talk about it. Companies are afraid of being accused of "greenwashing" or otherwise being insincere in their efforts to have a more eco-friendly business model, and, as a result, few chains are marketing their legitimate green and sustainable efforts to their consumers. Instead of touting their conservation steps in TV ads, on the radio or even on Facebook, chains are keeping their green cards close to their organic fabric vests, opting to let customers discover the sustainability on their own or through the enthusiasm of employees.

Flat Top Grill's stir-fry concept allows it to be creative when it comes to energy-saving promotional events such as Earth Hour. Lights will be out, but dinner will still be on.

SHINING A GREEN LIGHT

Of course there are exceptions. Among them is Oak Park, Ill.-based Flat Top Grill, which has expanded its eco-friendly marketing efforts from just one in-store green event in 2008 to three in 2009.

The most dramatic of Flat Top's promotions is scheduled for Earth Hour on March 28, an international one-hour time slot when people and businesses worldwide volunteer to turn off the lights to save electricity. In most restaurant chains, this flip of the switch would cause chaos. But at Flat Top Grill, all meals are prepared on the eponymous grill, so the lights can go out between 8:30 and 9:30 p.m. and customers can still dine by candlelight.

"We had a good response last year, so we wanted to do it again," explains Keene Addington, Flat Top's founder.

But the build-your-own-stir-fry chain did not want to fell trees to print signage for the store or direct-mail announcements, so it turned to that new standby: e-mail. The chain has a very loyal core of diners who request updates via e-mail. When it conducts its annual e-mail survey, the participation rate tops 50 percent, Addington says. he thinks of these efforts as "bonding" with the chain's customers, who tend to be 18 to 33 years old, rather than marketing to them.

There will be some in-store alerts as well, adds Dawn Campbell, a marketing specialist with the chain. Servers will wear t-shirts (made from organic cotton, of course) with tips on how to go green on the back.

Flat Top is planning similar promotions for Earth Week in April and Green Consumer Week later in the year.

And it is not just the promotions. The chain does green things year-round, from buying ingredients locally whenever possible, printing menus on biodegradable paper and using placemats made from sustainable materials.

"Consumers are demanding more. Their awareness is heightened," says Campbell, who handles all of Flat Top Grill's marketing collateral in-house. "We want to make sure we are doing everything we can, but we are doing it by starting a dialogue with

On the Cover: Outside Influences

Burrito maven Boloco uses third-party feedback to both give it legitimacy and help it grow.

ost restaurant chains, or, humans, for that matter, shy away from criticism. But at Boloco, executives surf the Internet and receive Google Alerts e-mails, looking for the random blog post or other reference to a negative experience at one of their 15 restaurants. Then, either the president or the CEO responds directly to these diners to address their concerns.

"We are constantly engaging feedback. In the early days that was the way we could hang our hat," says Michael Harder, Boloco's president and COO.

Boloco, which stands for "Boston Local Co.," is a 12-year-old burrito concept based in, obviously, Boston. The menu includes smoothies and not-necessarily-Mexican burritos that are

President and COO
Michael Harder is
hands-on in answering
customer concerns and
complaints at Boloco, a
process he says helps
the growing chain learn
what its diners want.

designed to be eaten on the road. While it has grown up over the years, even changing its name from The Wrap and buying back franchise rights it once sold, the emphasis on bringing outsiders in and soliciting feedback has remained an integral part of its business plan.

"One of the basics of the concept is evolving and listening to customers," Harder says. "Our customer needs might be different three years down the road. But we will find ways to be ahead of the changes."

NOT REINVENTING THE WHEEL

This philosophy does more than help the chain woo a disgruntled customer who is disappointed that a dish has been taken off the menu. The approach has also helped the chain reinforce its positioning as a progressive, sustainable company. For example, the team brought in a

From the countertops to the light bulbs to the burrito bowls, it is hard to find an element of Boloco's interior that is not eco-friendly.

vegan customer to talk to the chain's managers about his beliefs.

"It helps them understand that when you make a mistake it is a big deal," Harder says.

One of only two chains certified by Boston-based Green Restaurant Association, Bocolo has used the third-party certification to build its reputation as a green pioneer. Among the changes it has implemented over the years are: the use of naturally raised meats, use of low- and no-VOC paints, tankless water heaters, low-flow sprayers, and recycled paper resin countertops, and recycling and composting waste.

Instead of figuring out how to implement these changes on its own, the fast-casual Boloco sought out the help of GRA, Harder says. (continued on page 38)



MARKETING

GIVE THE STUDENTS WHAT THEY WANT

(continued from page 37) Boloco is taking growth in the economic downturn with a measured pace, opening four or five units this year. But the chain plans to have 50 units open by 2011, with expansion outside of New England. Boloco started near college campuses, and still has many college-centric locations, but it is also growing in suburban areas with young families.

The advantage of the college market, Harder says, is that students are willing to share their views. "College students tend to be very vocal. They send us feedback, they sit down with us in restaurants," he says. "Sometimes we don't even have to seek them out." Because today's college students are so eco-aware, the chain gets vocal support for all its green initiatives.

"We are small, we not going to change the world," Harder adds. "But we think what we are doing helps."



our guests. The marketing has to be minimal because green is about the bigger picture."

LEARNING FROM COLLEGE KIDS

Boston-based Boloco's green efforts aren't mini-

mal, but, like Flat Top, its green marketing efforts are. The chain is one of only two chains that are certified by the Green Restaurant Association. The third-party certification has given the chain street cred when it comes to being green, but still President and COO Michael Harder doesn't like to make it part of the chain's marketing efforts.

"You cannot preach. You cannot make it a moral thing," Harder cautions.

Recently, 15-unit Boloco began composting at one of its locations. The move has cut that unit's trash bill in half, sending foil and cardboard to recycling and almost everything else to the compost heap. But these moves are not advertised for local edification. Many of Boloco's units are near college campuses, and Harder says college students in particular both demand green princi-

ples from the businesses they patronize and are skeptical about those who seem to toot their own horn about them too much.

important because we are a beverage company," she says. "If your green efforts are not truly part of the brand, it may not work as well." ■

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Planet Smoothie solicited green ideas in store to come up with an eco-friendly solution to its polystyrene cup problem.

"We do a horrible job of letting people know what we are doing. We think it feels preachy," Harder says. The chain does use Twitter and restaurants the cups and bowls do some green talking on their own. The corn-based cups, for example, are printed with the line, "This cup grew up in Blair, Nebraska."

Facebook to talk to its customers, and in the

THE CUP RUNNETH OVER

Instead of having its cups do the talking, Atlanta-based Planet Smoothie got its customers involved in spreading the green word. The concept promoted a contest based around the chain's polystyrene cups in 2008. Consumers had asked the chain to switch to an eco-friendly option, says Becky Shell, Planet Smoothie's vice president of marketing, but the chain had not found one that kept the consistency of the smoothie in the way that the polystyrene does.

The Inventor's Challenge contest invited customers to propose economical options for reusing or repurposing the existing cups. A panel of three judges evaluated the more than 100 proposals, selecting one with a recycling initiative where diners would receive one free smoothie for every nine cups they bring in for recycling. The winner, announced earlier this year, received a \$5,000 cash prize and a year's worth of free smoothies. But more important, Shell says, the 128-unit chain was able to get the word out about why it uses its current cups while simultaneously showing that it values sustainability.

The chain is now looking into implementation of the winning suggestion, and Shell is confident that the contest was the right move for the brand.

"The cup is the first step because that is most



HUMAN ASSETS/by mary boltz chapman





Do Green Efforts Aid Recruiting?

Research and operator experience say environmental efforts can aid in **ATTRACTING EMPLOYEES.**

LOYALTY

Big Bowl employees are proud of the company's environment efforts.

uman resources executives help to build their company's "employment brand," or what prospective workers perceive it would be like to work there. Like any company that focuses on corporate social responsibility, those that can tout environmental efforts have an edge in the minds of some workers, and perhaps a growing number of them.

RECRUITING LEADERS

If being green is part of a company's social-responsibility reputation, it could certainly help attract future corporate leaders. According to "Corporation Reputation Watch," a research report by public relations consultancy Hill & Knowlton, almost 75 percent of MBA students said reputation plays an extremely important or very important role in considering where to work after graduating. About 70 percent said a company's financial performance was extremely or very important in the decision.

And a 2007 survey of almost 2,500 adults by research firm Harris Interactive found that a

third would prefer to work for a company with good environmental practices.

Lizz Pellet, an organizational culture consultant and CEO of Emerge International, writes, "We all expect companies like Whole Foods, Patagonia, Ben & Jerry's, Land's End and Timberland to be leading the green brigade."

She recommends looking at brands with that type of reputation to see how they market to potential employees. For example, Timberland's mission says, "We love every minute we spend outdoors, and we work hard to create things that make that experience better in every way." Whole Foods' Web site says, "We believe in a virtuous circle entwining the food chain, human beings and Mother Earth: each is reliant upon the others..."

Pellet adds that Gen Y and college graduates are concerned about how behavior impacts the environment.

ONE CHAIN'S EXPERIENCE

Dan McGowan, president of Chicagobased pan-Asian chain Big Bowl, would agree. "One thing I never, ever anticipated doing these initiatives four years ago is we have had a tremendous success in recruiting employees," he says.

He tells about a recent group of 10 applicants, eight of whom applied because they had read about some of the chain's green efforts. "They thought they wanted to work for a company that had these types of beliefs," he says. "What we found is, not only do we feel proud about it, but the people who are working for us, or that want to work for us, also believe in these things. And it's become a real nice recruitment tool for us."

Michael Oshman, founder of the Boston-based nonprofit Green Restaurant Association, points to the added bonus that staff morale improves and employees are more productive in restaurants making green strides. "And in an economy like this," he adds, "the better employees you have, the more you can do to keep those employees being more productive, the more financially beneficial it is."







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of chain restaurant operators say energy efficiency will be a "major factor" in buying decisions for any major new or replacement equipment purchases in 2009, according to *Foodservice Equipment & Supplies*" 2009 Industry Forecast Operators Survey.

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Manitowoc Foodservice Group



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SPECIAL ADVERTISING SECTION

Franchise Developer

Profiles in Growth: Rita's Water Ice

erry Crissman knows that in a struggling economy, nonessentials quickly disappear from consumers' budgets. So the owner of Rita's Water Ice in Newport News, Va., focuses his growth strategy on one factor: bringing people in the door. Crissman bought an existing Rita's franchise, which sells frozen treats including Italian ice and frozen custard, two years ago. In his first season, sales skyrocketed 65 percent over the previous year, last year's sales climbed an additional 27 percent.

Q: How did you achieve that sales growth?

A: Rita's is a product that you have to taste to appreciate, so my marketing goal is to get people to try it. I take ice out to functions so people can sample it for free. I do benefit nights where I give a percentage of sales back to organizations that bring people in. And I send letters to local schools and churches inviting kids to tour our store. Last year we had 107 of those events, and transactions were up almost 8,000 over 2007.

Q: How do you maintain those numbers in tough financial times?

A: You must create an environment where not only is the product good, but in which guests are treated so well that they keep coming back. I've become very good at training employees to keep our standards high. Everything we do in my store has a sense of urgency and order, and guests see that.

Q: What are you doing to build on that growth?

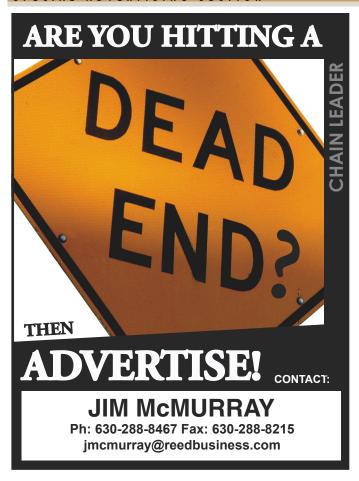
A: This year, I'm expanding the areas I target with the kids' tour letters to neighboring Hampton, Va., and York County, Va. I'm also negotiating to purchase another store in Williamsburg, Va.

Q: Why expand in today's uncertain economy?

A: I have an advantage because the first store is so successful, and bankers will see that. Once your employees think

like you do, it's a good time to open another store because you can wean yourself off the first one knowing it's under control. Having someone else who can do the technical and management work frees you up to do the strategic planning you have to do to be able to expand your business.







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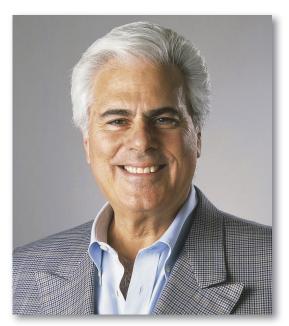
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Toque Radio/by monica rogers



The Show Must Go On

Chef-centric LA Food Show Grill & Bar spotlights showy cook stations and an eclectic menu.

ive years after opening their first LA Food Show Grill & Bar, Larry Flax and Rick Rosenfield have opened their second unit and are gearing up to grow the concept into a chain. As co-founders and co-chief executive officers of California Pizza Kitchen, the men are excited about having a new concept to create with. Flax talks about menus and his hopes for the concept.

What does the LA Food Show concept allow you to do with the food that you were not able to do before?

Pizza Kitchen required us to stay within certain boundaries—pizza, pasta and salads. But what LA Food Show allows us to do is to go where we please with the menu. We can go anywhere from hamburgers to steak and everything in between.

Larry Flax, co-founder and co-CEO of California Pizza Kitchen, says the menu at his new chain, LA Food Show Grill & Bar, is more flexible.

You've got several things you're doing with stir-fries. Wok cooking is pretty flashy to watch. How are you making the most of that?

The kitchens in both restaurants are right in the middle. And in the new one, there's even a balcony overlooking the kitchen. We have a variety of cooking stations, such as the grill and rotisserie, but the wok has become more important. Things like calamari salad,

dumpling soup, Dan Dan noodles, Kung Pao chicken are all prepared in the wok.

How important is it for you to create completely different experiences for guests at CPK and LA Food Show?

We've designed LA Food Show to go right next door to CPKs. Instead of bringing one restaurant with 12,000 square feet to a mall, now we can bring two 6,000-square-foot restaurants. In doing that, you have to make sure they're completely not identified with each other.

How has LA Food Show evolved since you opened the first unit?

The new unit is basically the first version on steroids. It's a very different look and much more upscale feeling. But we're still positioning this to be casual, family dining, accessible to families who want to spend an average check of \$18 a person.

This concept feels very chef-intensive. Will you need to have many chefs on hand to do this right?

Oh, yes. Labor is going to be high. In this restaurant, we're going to have to make it on volume. If you get into this kind of quality of food, you better turn and burn.

What are some of the dishes that guests like the best?

They've gone crazy for the Fried Chicken and Waffles—our riff on the Roscoe's classic dish—as well as the Miso Cod, a dish that Nobu did very well using butterfish.

What's new for 2009 with the menu?

We've actually called burgers out with their own section because we're getting so much interest in new burgers. The newest is the Chile Verde Turkey Burger.

Will you be bringing in any development chefs to help with the food as you move forward?

For 24 years Rick and I have done the food. We've tried bringing chef consultants in in the past, but not one of the items they developed has ever made the menu. ■

ON THE WEB: Read or download an extended audio interview with Larry Flax at www.chainleader.com.

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