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Chain Leader

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INSIGHT FOR RESTAURANT EXECUTIVES

 Reed Business
Information

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Firehook Bakery
gives up design control
for a captive audience.

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with Pei Wei's menu.

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SECOND ACT

Donatos Pizza's post-McDonald's
struggle may finally be over. Page 39

Jane Grote Abell, COO, and
James Grote, CEO, Donatos Pizza



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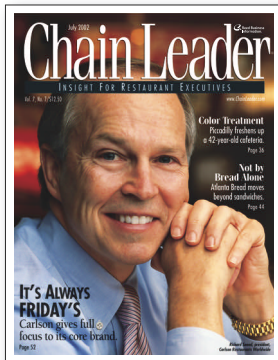
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A Little More Friday's



*Richard Snead's
"good to great"
goals for
improving the
guest experience
at TGI Friday's.*

BY MARY BOLTZ CHAPMAN

The *Chain Leader* Cover Society is made up of the executives who have appeared on the cover since the magazine's debut in August 1996. This occasional feature updates readers on a Cover Society member.

To find out more about what Snead had to say about readying TGI Friday's for the future, download the podcast of his extended interview at www.chainleader.com.

Richard Snead appeared on the cover of *Chain Leader* in July 2002, about four months into his tenure as president of Dallas-based Carlson Restaurants Worldwide. He said his top goal was to refresh the TGI Friday's brand through its operations, people practices, marketing, restaurant design and menu. Carlson embarked on a three-year initiative it dubbed 1-40-05: to be No. 1 by its 40th birthday in 2005. Pleased with the success of the program but unable to rest on his laurels, Snead tells *Chain Leader* what's next for the legendary brand.

How do you keep 1-40-05 alive? Or better yet, how do you move that forward?

We're now 41 years old, and it's '06, and we have regained in our measurements a place of category leadership, but now what we want to do is, we want to extend that leadership.

This isn't about winning a trophy, and our 40th birthday, March 2005, and putting that on the mantle and then going, "Whew, man, that was something. What a great ride, I'm glad that's over."

This last year it transitioned into my next three years, where I said, "good to great." And that, "you know what, we're a good company." And everybody kind of looked at me, and I said, "That's what I said."

What I've recognized in our progress to 1-40-05, in our best-in-history performance, is that we're only warming up and that we can be a great brand, a brand with unparalleled employee satisfaction, a brand with unparalleled guest satisfaction. We never had the opportunity with a facility that looked like it was 50 years old, with an advertising campaign that wasn't competitive, with a menu that wasn't relevant, with retention that was worse than average.

We are focusing our attention on great people, great place to work, unparalleled excellence in the guest experience. We set specific objectives in guest satisfaction. You can't have a great place to eat if you don't have great place to work. So if you're not

creating a great place to work, you're never going to hit that score in terms of how we're measuring overall guest satisfaction.

How are you measuring guest satisfaction?

We do it through guest surveys. We get guests in the store, we get guests when they leave, we do some interviews at home right after they've left the restaurant, within 24 hours after they've been there. And we measure once a month, and it's down to every store. We rank them, we publish them, we have goals for them, and they are reviewed. Matter of fact, I review them once a month.

And then we recognize the top performers. We're trying to make it a positive recognition, but by the same token, those people that are in the bottom 20 percent, we really know where to spend our time to help them.

Will you grow in existing markets or new markets?

A combination of the two. We've not penetrated some markets. Some of it was, our box economics had us so that we were building a very small amount of company stores—seven, 10 stores a year. We were being highly selective. We now have the ability to go into smaller markets than we ever did before. And because we've accelerated our investment in new store development, we're going back in to penetrate markets we didn't before.

Where's the company going to be in three years?

I want the company to have average unit volume over \$4 million. I want us to have over 1,000 restaurants. I want us to have a great-place-to-work score in the 90th percentile. And I want us to be perceived by the guests as having the highest overall guest satisfaction in the category.

That 1,000 restaurants means we can have 30 percent, 35 percent growth in new stores, which is certainly more dramatic than we've had in years past. We'll make that, too. We're well on our way. **CL**



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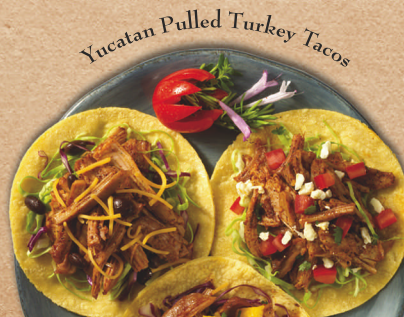
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Chain Leader

INSIGHT FOR RESTAURANT EXECUTIVES

Vol. 11, No. 7
June 2006

STORYBOARD

18 Game Night

ESPN Zone's latest ad campaign seeks to draw more families to the chain. The commercial highlights ESPN Zone as the solution to where busy families should eat, offering fun activities for the entire family. The company hopes the TV ad will help recast the chain from a special-occasion destination to a more everyday dining destination.

By Margaret Littman



RESTAURATOUR

22 Museum Quality

Firehook Bakery & Coffee House gave up the right to decorate its newest restaurant and put its name on the door for a location in The Phillips Collection, a private art museum in Washington, D.C., that received 170,000 visitors last year. Located in a Georgian Revival mansion, the cafe features an artistic look with deep red walls, black-and-white photography and cherry-wood furniture. The company expects the cafe to gross \$800,000 a year.

By Lisa Bertagnoli



COVER STORY

39 Second Act

Since founder and CEO James Grote and COO Jane Grote Abell reacquired Donatos Pizza from McDonald's in December 2003, the chain is on the path to profitability once again. The company opened a new prototype, introduced new products and stemmed the flow of red ink, citing a \$10.5 million turnaround in EBITDA since parting ways with McDonald's. Working capital will be used to finance growth including five company units this year.

By David Farkas





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ON THE NET

www.chainleader.com

- Download a podcast featuring Richard Snead of Carlson Restaurants Worldwide.
- Financial adviser Jim Parish talks about the financial status of the industry.
- Senior Editor David Farkas muses about the restaurant industry in his blog, Dave's Dispatch.
- Daily news.
- Franchise opportunities.
- Archived stories from the pages of *Chain Leader*.

How to Grow to 100 Units

- The experts respond: How often should regional managers visit units?
- Coverage of *Chain Leader's* "How to Grow to 100 Units" roundtable, including video highlights.
- An expanded editorial archive of stories on growing concepts.
- California Tortilla's Pam Felix on the trials and joys of growing her spunky concept.

TOQUE OF THE TOWN

29 Exploring Asia

Director of Culinary Operations Eric Justice is shaping a distinct food identity for fast-casual Pei Wei away from upscale sibling P.F. Chang's China Bistro. Justice is slowly incorporating more esoteric Chinese dishes and delving deeper into Southeast and other Pan-Asian cuisines. Through 2007, he will continue to feature three or four limited-time offers, some recurring seasonal dishes and others, items with potential for the core menu.

By Monica Rogers

FOOD SAFETY

50 Neverending Story

Rubio's Fresh Mexican Grill is always on the lookout for ways to improve its food-safety processes. In addition to its consistent and frequent training, periodic audits, and cooking and food-rotation standards, the chain is currently testing a Web-based food-safety training program and hand-held computerized thermometers.

By Mary Boltz Chapman

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Viral Marketing

Each year at the Elliot Leadership Conference, Rick Berman tells us who's out to get us. I don't always agree with Berman, industry lobbyist and president of Berman and Company. So I hate to admit that he's usually ahead of the curve in knowing what issue chain restaurants will be demonized for next. Throughout the years, he's warned us about drunk driving, obesity and unions. This time he had avian flu on the list.



We shouldn't be afraid to talk about avian flu. We should embrace the opportunity.

MARY BOLTZ CHAPMAN,
EDITOR-IN-CHIEF

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Scare Tactics

He pointed out that consumers are scared. Government officials and scientists don't agree on what we should expect, some warning that up to one-third of American citizens could die. ABC painted a frightening picture early in May with its television movie, "Fatal Contact: Bird Flu in America."

Berman argued, and I agree, that the restaurant industry needs to educate consumers about how safe poultry is and would continue to be even if there were an avian-flu outbreak. And it needs to tell them before their fear leads them to stop buying it.

I don't know of a chain whose leadership hasn't at least discussed, "What if the worst happens?" (If you haven't, you'd better.) Some have been willing to discuss their contingency plans, created just in case the avian flu makes its way to the United States and is transmitted to humans. They might have commercials produced and in the can. Flyers and signs might be in an easily accessible location, ready for the moment the red phone in the office rings.

Spread the News

Some companies like KFC and Popeyes have already begun marketing to consumers that their chicken is safe to eat, though they don't actually mention avian flu.

Why are we afraid to tell customers what

this industry does to keep them safe? This is an opportunity to open a dialogue about what restaurant operators and their supply-chain partners are already doing to ensure that we have the safest food supply in the world. You test levels of microorganisms—the good and the bad—at every step of the food chain from field to fork. You track the temperature of a piece of fish from the moment it's caught until it's placed in front of a customer—and often advise how to reheat the leftovers safely for lunch tomorrow. (Again, if you're not doing those things, catch up.)

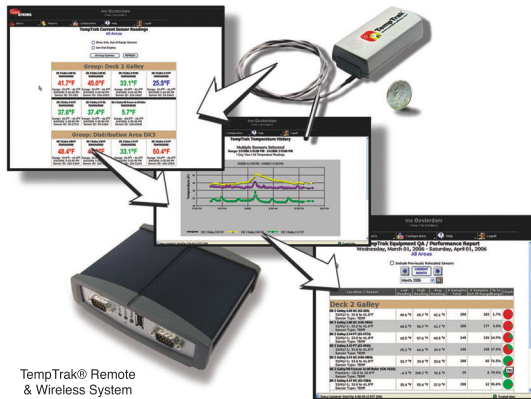
You have already taken the steps necessary to protect your customers, and you continue to raise the bar, as examined in "Neverending Story," the article on Rubio's Fresh Mexican Grill's food-safety program on Page 50. The industry is ready to share this story. It's a good one.

Your Side of the Story

As Berman will tell you, there are plenty of people out there willing to talk about how dangerous chain restaurants can be: Eric Schlosser, author of *Fast Food Nation* and *Chew On This: Everything You Don't Want to Know About Fast Food*, who specializes in out-of-date and heavily one-sided imagery of meat processing, agriculture and quick-service restaurants. Mothers Against Drunk Driving, which would be happy if you never sold another glass of wine. People for the Ethical Treatment of Animals, which would be happy if you never sold another hamburger.

Consumers need to hear your story, but not their version. **cl**

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Choose Your Partner

What you should know about private-equity firms.

By DAVID FARKAS

It's a great time to be a restaurant company," declares Roark Capital Group Partner Scott Pressly, citing the recent rush of private-equity funds into the industry. "But it won't last forever," he says. Pressly recently talked to *Chain Leader* about why private-equity firms such as his Atlanta-based outfit, which owns Carvel, Cinnabon and McAlister's Deli, make good partners.

Why are you qualified to talk about picking a partner?

We at Roark have been looking at the franchise business for a number of years. In the majority of cases, the owner has had considerations other than just the highest price and whom they sold the company to. If it's only that the owner wants full liquidity at highest price, the partner is not that relevant.

What do you want to know about the seller?

One of first things we talk to the seller about—whether they are selling today or three years from now—is what is important to them. We'll ask, "Do you really care about highest price?" and, "Do you care about your management team's role?" "Is selling truly what you want to do?"

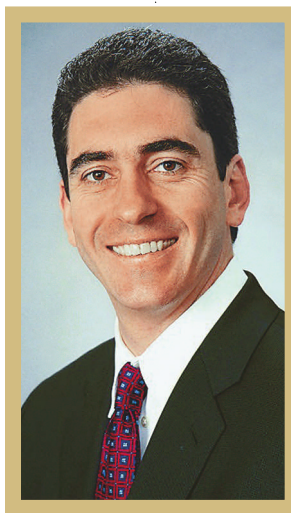
Don't most sellers already know what they want to do?

I wouldn't say that. This is why I like going into this level of detail. In a number of cases, this is their one shot. For years [restaurant companies] have been busy growing and operating their business. Now they have three broad choices for liquidity: go public, sell to a strategic buyer or find a private-equity partner.

Yet going public is certainly not in the cards for most restaurant companies. The

cost, exposure and Sarbanes-Oxley requirements have changed the playing field. Still, the one constant is a business' need for liquidity and growth capital. What's changing is where are they getting it.

If we were having this conversation four years ago, the majority of restaurant companies were being purchased by larger companies like Wendy's, McDonald's and Outback. Today, it's the exact opposite.



Does a private-equity firm's focus matter?

It makes a huge difference. There are a lot of private-equity firms entering the restaurant market for the first time. So if a seller is looking for just capital, he doesn't need board-level relations; if he just wants to grow restaurants, there are plenty of firms to handle that.

And if the seller doesn't?

If the private-equity firm is thinking of only owning the company for 18 to 36 months

or taking the company public the next year, and the seller has developed a five-year plan to invest and grow the business, there will be an inherent conflict on priorities and focus post-close. The seller and the firm should have an open and direct conversation about this before they close the deal.

What's the best way for a seller to learn more about a particular private-equity firm?

Talk to the CEOs of the companies they've partnered with. If I were selling a business, I'd ask what it's like to work with these guys. These are long-term relationships in most cases, so I'd want to know what it's like when things go wrong. **CL**

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Although 80 to 84 percent of sales are derived from the Create Your Own Salad option, the menu also includes wraps and soups.



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SNAPSHOT

CONCEPT

Salad Creations

HEADQUARTERS

Margate, Fla.

UNITS

7

2005 SYSTEMWIDE SALES

\$3.8 million

2006 SYSTEMWIDE SALES

\$6.2 million
(company estimate)

AVERAGE UNIT VOLUME

\$700,000

AVERAGE CHECK

\$9.70

EXPANSION PLANS

16 in 2006,
50 in 2007

A Simple Plan

Salad Creations relies on a straight forward menu and low startup costs to expand quickly. **BY MAYA NORRIS**

When President Jeff Levine opened Salad Creations three years ago, he intended it to be a fast-growing, franchised concept. Now the tossed-to-order salad chain is embarking on an aggressive expansion strategy, counting on low startup costs, flexible space requirements and a focused menu.

Salad Creations has grown to six units in southern Florida and one in Columbus, Ohio, with 16 more slated to open by year-end and 50 in 2007. In 2005 as well as the first quarter of 2006, same-store sales went up 10 percent.

Levine attributes the chain's growth and strong sales to the simplicity of the concept for both franchisees and consumers. "When I created this concept, I really created it to franchise it," he says. "One of the things I wanted to do from Day 1 was to keep it as simple as possible."

Freedom of Choice

Salad Creations' menu centers around its Create Your Own Salad option for \$6.59. Guests choose from iceberg mix, romaine or spring mix as the base. Then they select from among 40 toppings such as artichoke hearts and Mandarin oranges, choosing as many as they want without incurring an extra cost. The 16 dressings include Balsamic Vinaigrette, made from 12-year-old balsamic vinegar. Protein options such as baby shrimp cost an extra \$2.25.

Because nothing is cooked on site and the menu is small, units require only minimal equipment such as lettuce crispers and sandwich stations. So franchisees can open a unit for about \$200,000 or less and adapt it to fit various locations. Current units range from a 350-square-foot kiosk in a mall to a 1,500-square-foot inline location.

Targeting college-educated women ages 25 to 45, Salad Creations claims the concept can work in both downtown business districts and suburban markets. But it prefers a mix of residences and businesses, particularly endcaps in lifestyle centers.

Gaining an Edge

As Salad Creations expands, newly hired Chief Product Development Officer Tony Esposito, a former Subway franchisee who worked in R&D for Subway as chairman of its strategic planning committee, is developing the chain's first limited-time offer, which will be launched in the third quarter. He is also looking into offering hot toppings like steak and salmon that can be heated on site.

The company is purchasing ovens without hoods to offer freshly warmed breadsticks. And it recently switched soup purveyors to one that makes soups with all-natural ingredients.

In the meantime, Salad Creations is growing rapidly using area developers. This year the chain will open restaurants in its current markets and will enter west Florida, California, Virginia, Washington, D.C., Rhode Island, North Carolina, Mexico and Puerto Rico.

Because Salad Creations plans to have 5,000 stores in 10 years, Levine is confident the chain will have the market saturation and brand awareness to compete with similar concepts. In addition, unlike most salad chains, Salad Creations' Create Your Own Salad option offers guests an uncomplicated pricing structure with unlimited toppings. Yet the concept remains easy for franchisees to execute. "The fact that the concept is so simple and the customer is telling you what to make, it's pretty hard to mess up," he says. **CL**

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Game Night

ESPN Zone aims to bring families off the bench in its new TV ad campaign.

H

ow's this for irony? A restaurant concept that shares a brand with a TV network and is owned by a giant media conglomerate hasn't aired a new commercial in three years.

"When we first started, we needed to make sure that we communicated that ESPN Zone was closely affiliated with ESPN," explains John Pierce, director of marketing, creative content and communications for ESPN Zone and Disney Regional Entertainment. "We had to do a lot of branding to communicate that you can get an ESPN experience here. The word 'Zone' does not say it is a restaurant, so our advertising was literal: There is a restaurant here, you can play games, buy merchandise."

ESPN Zone created that first commercial in 2003 to be similar to a TV spot for *SportsCenter*, the flagship program of the ESPN network, with on-air talent and a slapstick style of humor.

Now the chain's newest ad campaign, which hit airwaves (at least those owned by parent company Walt Disney Co.) at the end of February, focuses on the guest's point of view rather than the restaurant, Pierce says. It abandons slapstick for something a little more clever, albeit still humorous, to draw more families to the chain.

A Mother Always Knows

Santa Monica, Calif.-based The Ballpark, ESPN Zone's agency for the last four years, created the new campaign (but did not work on the previous TV ads). In the new ad, a mom calls her husband on his cell phone, checking in on how he and the kids are faring while she's away on a business trip. While he assures her everything is OK and implies they're happy at home, she sees them in the background of an ESPN broadcast with sportscaster Shelley Smith as she's watching TV in her hotel room.

"The emphasis there was that a lot of dads really understand the experience and all that [ESPN Zone] has to offer.

"Mom's Calling"

Length: 30 Seconds



1. Father: It's your mother. Hi.



3. Father: Uh, we're OK. We were just watching a little TV.
Mother: Have the kids driven you nuts yet?



5. Mother: Jess said she'd help you with the dishes tonight.



7. Mother: Wow. You should reward yourselves. Take 'em somewhere fun.

BY MARGARET
LITTMAN



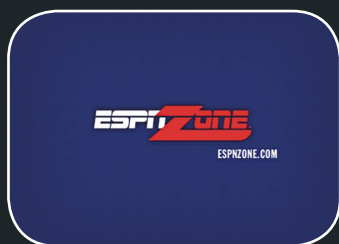
2. Mother: Hi. How are you guys holding up without me?



4. Father: No, we're keeping ourselves entertained.



6. Father: Well, the kitchen is spotless and dinner was great.



8. Announcer: ...at ESPN Zone, I'm Shelley Smith.

We needed to let moms know about all the fun activities and that there is something for everyone," says Ron Luscin-ski, creative director and agency principal at The Ballpark.

That's the real difference in the new message, says Pierce. It shows the "secret" about ESPN Zone: that it "is really a place for families. If your family is not into sports, odds are you do not know that," he says. ESPN Zone is targeting families with younger kids, particularly tweens, kids ages 8 to 12 who aren't old enough to go out alone but think of themselves as too "cool" to hang out with mom and dad.

"The stereotype is that dad's in heaven. But it is also acceptable to mom," Pierce says. "The food is better than she thought it would be."

ESPN Zone's marketing team and The Ballpark created the problem-solution scenario of the ad, highlighting ESPN Zone as the solution to where families should eat. Pierce hopes the commercial will help recast ESPN Zone from a special-occasion destination, with its average party size of 4.5 people, to a more everyday dining destination.

The spot is airing in 15-, 22- and 30-second versions on ESPN networks through the end of the summer. According to TNS Media Intelligence, ESPN Zone spent \$452,000 in media buys for restaurant and bar promotion in 2005, as compared to \$1.8 million in 2003, its last year on air.

Simultaneous online, radio and print ads do not convey the same message as the TV spots. Rather they cater to the local market. For example, the ads in Washington, D.C., focus on tourism and pitch ESPN Zone as a place where families can visit when they're in town.

A Focused Game Plan

As a division of Disney, ESPN Zone does not release financial information separate from the total Parks and Resorts segment, which also includes theme parks. About 60 percent of ESPN Zone's revenues are generated from food and beverage, the rest from games and merchandise. Chicago-based Technomic Inc. estimates 2005 food and beverage sales at \$100 million.

The Ballpark is not currently charged with creating more spots for the campaign, in part because ESPN Zone's growth plans are measured. The chain has eight units, with the ninth planned for Los Angeles in 2009. ESPN Zone units average 40,000 square feet and are in areas with significant foot traffic, according to Pierce, so there are limited proper locations for a new unit.

And despite being well bankrolled by parent Disney, it simply isn't cost efficient, even though it owns the network, to buy national air time with just eight units.

Having pauses between your TV advertising schedule has some advantages, adds Pierce: "When you don't do TV as often, it is really interesting to work on." **CL**

SNAPSHOT

CONCEPT

ESPN Zone

HEADQUARTERS

Glendale, Calif.

UNITS

8

2005

SYSTEMWIDE SALES

\$100 million*

AVERAGE CHECK

\$15 to \$24

2006 AD BUDGET

\$2.5 million**

AD AGENCY

The Ballpark,
Santa Monica, Calif.

EXPANSION PLANS

1 in Los Angeles
in 2009

*Technomic Inc. estimate;

**Chain Leader estimate

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10•18



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7•14 Gas Stacked

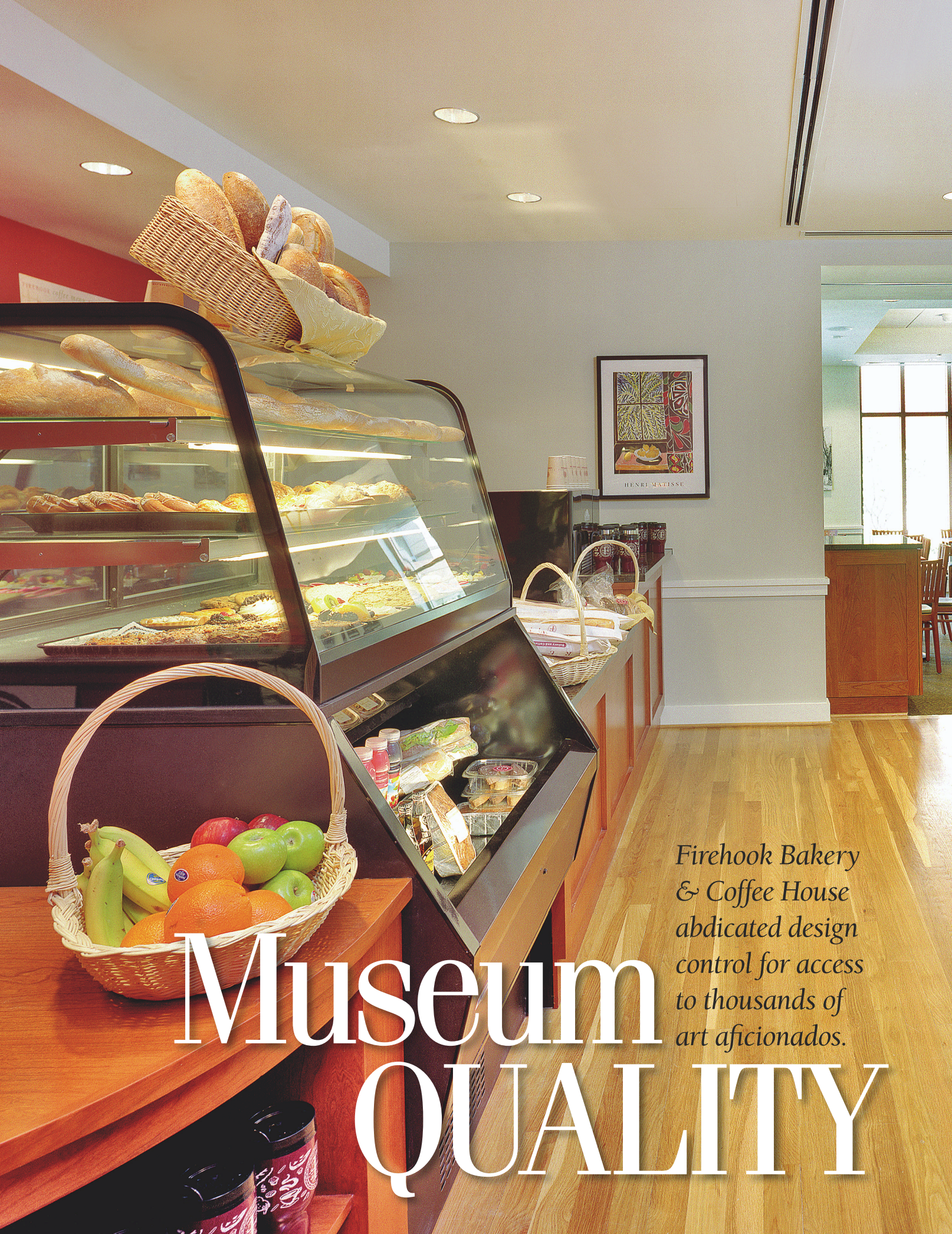


10•10

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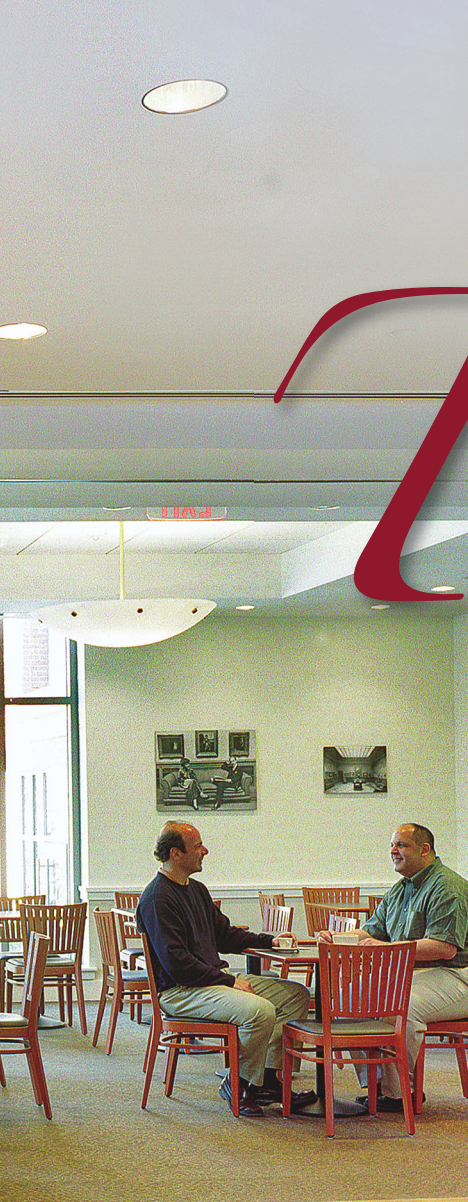
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Museum QUALITY

*Firehook Bakery
& Coffee House
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control for access
to thousands of
art aficionados.*



Photography by Kenneth Wyner

Two years ago, executives at Firehook Bakery & Coffee House, a Chantilly, Va.-based chain of 10 bakery-cafes, made a tradeoff. They gave up the right to decorate their newest restaurant and put their name on the door in exchange for a location that received 170,000 visitors last year.

The restaurant, a 40-seat cafe at The Phillips Collection, a private art museum in Washington, D.C., does indeed have an artistic look. Soft gray walls in the dining area offset deep-red walls in the ordering area. Black-and-white photos of Duncan Phillips, the collector who founded the museum in 1921, and his family adorn the walls, as do prints by Degas and Cezanne. The cherry-wood furniture and cabinetry have simple, elegant lines.

An oversize opaque glass lighting fixture illuminates the seating area, which overlooks a sunny sculpture garden featuring works by Ellsworth Kelly and Barbara Hepworth.

Firehook executives weren't afraid to give up control over the restaurant's look. "We were comfortable they'd be making good choices," says Pierre Abushacra, Firehook co-founder and CEO.

A Fresh Start

The plan to open a Firehook cafe at The Phillips Collection began two years ago, when the museum embarked on a three-year, \$27 million renovation, which included a new wing. Phillips board members were familiar with Firehook's reputation: *Washingtonian* magazine selected

Firehook's bread as the best bread in D.C. So board members originally asked Abushacra to manage an existing cafe, located in the basement of the main building. "I said we'd do it after the new building opened," he says.

The museum hired architects Cox Graae + Spack of Washington for the renovation and the new wing, both of which house components of the cafe. The serving area, storage and kitchen are in the renovated section, an 1897 Georgian Revival mansion that was Duncan Phillips' home. The seating area, which overlooks the sculpture garden, is situated in the new space.

Working with Phillips board members, the architects chose colors and furnishings for Firehook that complement the rest of the

SNAPSHOT

CONCEPT

Firehook Bakery & Coffee House

LOCATION

Washington, D.C.

DESIGNER

Cox Graae + Spack, Washington, D.C.

OPENING DAY

May 5, 2006

AREA

1,800 square feet

SEATS

40

AVERAGE CHECK

\$8

UNIT VOLUME

\$800,000
(company estimate)

EXPANSION PLANS

1 or 2 a year

At 1,800 square feet, the Phillips Firehook is bigger than the chain's other locations.

The cafe entrance is located just off the museum entryway and directly across from the museum-shop entrance.



RESTAURATOUR



(Clockwise from top l.) Arty touches include black-and-white photography and an elegant light fixture in Firehook's dining area.

The dining area overlooks a sculpture garden, which is a new addition to The Phillips Collection.

Arts and Crafts-style furnishings complement the museum, an 1897 Georgian Revival mansion.

Coincidentally, the "Phillips red" color chosen by the designers matches Firehook's marketing materials.

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

KEY
 Direction of shot
 Shot No.
 Position of camera



The Phillips Collection's signature red and gray color palette matches Firehook's marketing materials.

museum. Phillips uses brick red and dove gray in its marketing materials; coincidentally, so does Firehook. Arts and Crafts-style chairs, tables and cherry-wood cabinetry don't exactly match the main building's Victorian look, "but they're sympathetic to it," says Don Gregory, associate principal at Cox Graae + Spack. He planned on using furniture by the well-known maker Thos. Moser; however, cost and durability both proved problematic, so he chose another manufacturer.

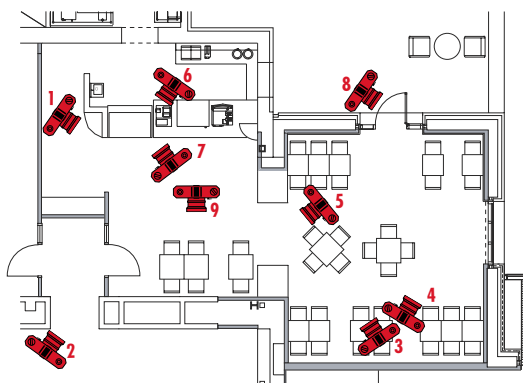
Gregory's sole challenge in designing the

cafe was figuring out where to put the entrance. All involved favored a street-accessible entrance, but "that was a non-starter with the community," he says. "They didn't want the cafe to be a destination location." The cafe entrance is located just off the museum entryway and directly across from the museum-shop entrance.

Alas, customers looking for Firehook might face a challenge: While signage inside the cafe boasts the Firehook name and logo, modest lettering in the museum foyer refers to it as "Vradenburg Cafe," the previous concept in the space. Because the museum won't allow Firehook to have signage outside the cafe proper, the Vradenburg Cafe sign is there to stay for now.

More for the Money

Because the cafe was part of the renovation, the museum paid for the buildout and the furniture. Firehook supplied the equipment such as coffee urns, display cases, a panini grill, bread oven, and refrigerated and dry storage. Most of the baked goods, salads and sandwiches are made at a cen-



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Sizzling BBQ Shrimp Skewer



made with HERSHEY'S Cocoa

Chocolate Bottom Key Lime Pie



made with HERSHEY'S Semi Sweet
Chocolate Chips

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¹ The NPD Group/NPD Foodworld Crest, Nov. '04-Nov. '05

² IRI Grocery Reviews, According to share, 2 weeks data ending 12/25/05

³ Restaurant Hospitality, Full Service Restaurant Study, 2005



MENU SAMPLER

BREAKFAST

Morning Glory Muffin: carrot muffin with apples, walnuts, raisins, coconut and spices, \$1.35

Turnovers: puff pastry filled with apples or cherries, \$1.50

HOT SANDWICHES

Croque Monsieur: ham, baby Swiss cheese, tomato and mustard on Firehook's bread, served with a side of mesclun, olives and cornichons, \$6.95

Roasted Veggie: eggplant, zucchini, caramelized onions, red peppers and smoked mozzarella, \$6.95

SALADS

Greek Salad: romaine lettuce, cucumbers, tomato, kalamata olives, red onions, green peppers, feta and lemon-oregano dressing, served with bread, \$6.25

BROWNIES & BARS

Chocolate Fudge Brownie, \$2.25



(Far l.) Menu items are made off site and shipped to the cafe daily.

(Clockwise from top) Firehook picked up the tab for display cases and other equipment, while the museum paid the buildout costs.

The dining room leads to a patio in the sculpture garden, which will hold chairs and tables for outdoor dining.

Prints by Cezanne, Degas and Matisse decorate the dining area.



The community said no to a streetside entrance, so Firehook is only accessible via the museum.

tral facility in Chantilly and then delivered to the restaurant.

Firehook spent \$50,000 on the location; a typical buildout costs between \$250,000 and \$300,000, according to Abushacra. He expects the cafe to gross \$800,000 a year, slightly higher than the average Firehook's \$750,000 annual sales. Because the cafe is run as an independent operation, Firehook had to apply for a business license and is responsible for staffing. Phillips gets an undisclosed percentage of gross sales.

The museum location presents a few challenges for Firehook. First, Abushacra is hiring employees more carefully. After interviews, Firehook brings potential employees to the Phillips to observe their reaction. "We are looking to determine if they have an appreciation for the environment and the art in the building," he says. Background checks are more stringent, and employees at the Phillips location are issued special badges for access in and out of the building.

Another difference: Phillips Collection has the dubious honor of charging admission in a city where most art museums are free. As a result, it doesn't get as much traffic as the National Gallery and other free museums in the city. "It's not your typical museum," Abushacra says of the Phillips, which specializes in 20th-century and contemporary art.

That may change. With the renovation and with the return of Phillips' Renoir collection, which just returned from a four-year tour around the world, Firehook expects more visitors to the museum and, therefore, more customers. The first weekend the Renoirs were on display, the museum saw 800 to 1,000 visitors a day.

With any luck, the steady foot traffic will give Firehook another challenge—feeding hoards of hungry art lovers. At least one fan was looking forward to the bakery's opening: "We know their reputation in terms of food and service," says Gregory, "and we can't wait til it's finally open." **CL**

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* Source of data: The NPD Group/CREST®. Data from January 1, 2004 through December 31, 2005. American Express spend is compared to other credit and debit cards.



SNAPSHOT

CONCEPT

Pei Wei Asian Diner

PARENT COMPANY

P.F. Chang's China
Bistro, Inc.,
Scottsdale, Ariz.

UNITS

82

2005

SYSTEMWIDE SALES

\$134 million

2006

SYSTEMWIDE SALES

\$189 million
(company estimate)

AVERAGE

UNIT VOLUME

\$2.1 million

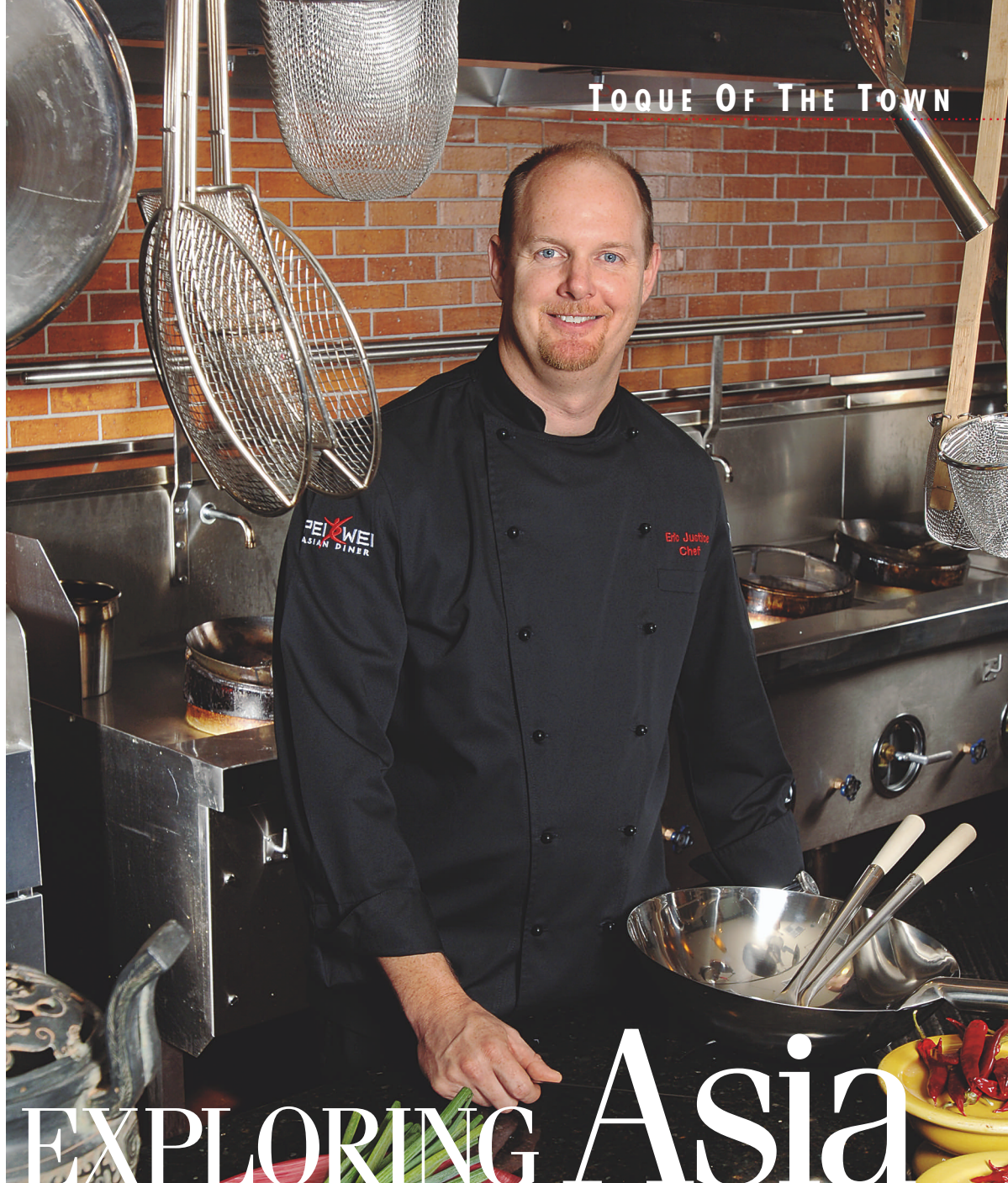
AVERAGE CHECK

\$9

EXPANSION PLANS

30 in 2006

Director of Culinary
Operations Eric Justice
tries to balance new flavors
with those customers are
familiar with.



EXPLORING Asia

Eric Justice steers Pei Wei menus away from sibling P.F. Chang's to more adventurous Pan-Asian flavors.

When Chef Eric Justice goes to Singapore on an ideation tour this year, it'll be with eyes wide open. Nonya, Chinese, Thai, Malay, Indonesian—Singapore is *the* crossroads for Pan-Asian street food. And Justice says portable, affordable, authentic Pan-Asian is really where it's at—especially since it's not what upscale sibling P.F. Chang's China Bistro is doing.

Director of culinary operations for Scottsdale, Ariz.-based Pei Wei since April 2005, Justice says shaping a distinct identity for the 82-unit, fast-casual chain has become

more important. "Differentiation is more key now," he says. "In the beginning, we aligned our food pretty closely to what P.F. Chang's was serving. But now we're pushing off a bit, trying to stand on our own two feet by eliminating some items we had in common with them and branching out with more Pan-Asian dishes."

For example, Pei Wei just removed shrimp with lobster sauce, a P.F. Chang's entree that Pei Wei menued in a noodle bowl, to make way for the new Japanese Udon Noodle Bowl. And the chain will

BY MONICA
ROGERS

MENU SAMPLER

FIRST TASTES

Minced Chicken with Cool Lettuce Wraps: chicken, shiitake mushrooms, water chestnuts, scallions, spicy soy and iceberg lettuce, \$6.25

NOODLE & RICE BOWLS

Dan Dan Noodle Bowl: chile-seared garlic soy, minced chicken, scallions, bean sprouts, cucumbers and egg noodles, \$6.25

SIGNATURE DISHES

Asian Coconut Curry with green curry-coconut sauce, ginger, Thai basil, red bell peppers, onions, long beans and tofu, \$6.75

Blazing Noodles with tomato, black-pepper sauce, scallions, snap peas, carrots, cilantro, Thai basil, chow-fun noodles and shrimp, \$9.00



The Japanese Udon Noodle Bowl Pei Wei launched in May blends silky noodles with a complex soy-mirin sauce, caramelized onions and shiitake-mushroom powder.

When ordering Chinese, Pei Wei guests hold traditional recipes dear, like the Lemon Pepper entree with shrimp, scallions, garlic, carrots and bean sprouts in lemon-pepper sauce. On the menu since inception, it is still a strong seller.

launch two signature entrees as limited-time offers this year and next that will use ingredients and techniques from Singaporean Nonya cuisine, a Malaysian-Chinese cross sometimes called Straits Chinese.

Until now, some analysts covering P.F. Chang's such as Sharon Zackfia of Chicago-based William Blair & Company have shrugged off menu overlap between the two concepts as unimportant, because Pei Wei's style is so different from P.F. Chang's. Pei Wei's spur-of-the-moment dining features fast-casual service, a \$9 average check and huge carryout business, whereas P.F. Chang's offers a high-end, destination-dining experience. "Pei Wei serves an entirely different meal occasion," Zackfia says.

"We are challenging ourselves to have a distinct menu personality from P.F. Chang's."

—Eric Justice, director of culinary operations, Pei Wei Asian Diner

But menu diversification makes sense to Lynne Collier, senior restaurant industry analyst for Little Rock, Ark.-based Stephens Inc. She says fast service and low prices encourage guests to visit Pei Wei more frequently than P.F. Chang's. "So shaping menus that include some adventurous items lets Pei Wei be more things to more people," Collier says. "Trying something new at Pei Wei carries less risk because there's less time and money invested."

Delving Deeper

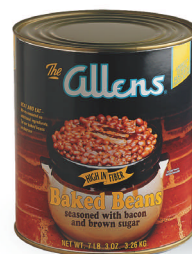
For now, Pei Wei's menu is split 50-50 between Chinese and familiar Pan-Asian flavors such as spicy Korean and Mongolian. But Justice will gradually incorporate more esoteric Chinese options like the Nonya dishes and delve deeper into more adventurous Southeast and other Pan-Asian cuisines.

It's a path Pei Wei's treading carefully, because customer responses are difficult to anticipate. The company expected fresh, nonfried Southeast Asian spring rolls to go gangbusters, for example, based on the popularity of Pei Wei's top-selling Minced Chicken with Cool Lettuce Wraps, \$6.25.

But the two rolls Justice launched as LTOs last summer "did OK but not overwhelming," he says. Served chilled and priced at \$6.95, a Thai Coastal Shrimp version and Vietnamese Steak variety were both seasoned with galangal, lemon grass, Thai basil, mint, cilantro and kaffir



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Pei Wei will try some new Chinese dishes from Singapore and delve deeper into Southeast Asian cuisines.

Although interested in Pan-Asian, many Pei Wei guests go for time-honored standards such as the Crab Wontons, an appetizer filled with crab and cream cheese.

The Thai Coastal Shrimp Roll is Pei Wei's first go at a chilled, rice-paper-wrapped shrimp roll, with coconut-braised shrimp, galangal, lemon grass, Thai basil, mint, cilantro, kaffir lime and rice stick, served with two dipping sauces.

lime leaf, and served with hydroponically grown Bibb lettuce leaves as well as two dipping sauces.

Udon noodles, on the other hand, met with unanticipated approval. While he can't share figures, Justice was surprised how much guests liked the \$6.50 Japanese Udon Noodle Bowl, silky wheat noodles with citrus, soy sauce and choice of protein, which Pei Wei tested in spring 2005 and added to core menus in May. "I saw opportunity with an udon-noodle dish but really didn't think we'd have this strong of a response to it," he says.

Such vagaries illustrate that "our guest is really looking to us for what the next great new taste will be," Justice says. "They're slow to step away from comforts they're used to, and it takes a while for them to embrace new flavors."

Approachably Authentic

Determining how closely to hew to authenticity without losing guests to the "ew" factor that comes with unfamiliar ingredients and heat levels is an ongoing challenge.

The Thai Coastal Shrimp and Vietnamese Steak Rolls are good examples.

Six months in development, the rolls proved to be a difficult balancing act for Justice. He had to mix just the right amount of fresh herbs and aromatics with heat provided by Thai chiles. "This took a while because this was a different flavor profile than our core guests were used to," he explains. "We wanted something new and vibrant but didn't want to overpower the taste buds."

Developing the Japanese Udon Noodle Bowl was also an exhaustive process, taking four to five months. Justice tested 50 to 60 dried noodles before finding a flash-frozen noodle with a silky texture from Japan that can be water-thawed, refrigerated and blanched for service. For the sauce, Justice sought a subtle Japanese flavor that nonetheless had plenty of body and heft. He created a complex blend of the extract of an Asian citrus fruit called yuzu, ginger, Japanese Worcestershire, two types of mirin, three soys (preservative free, tamari and dark shoyu) plus shiitake powder. Streamlining unit production, a vendor now makes the sauce to spec. The dish includes a choice of protein: shrimp, chicken, scallops, pork or tofu.

While core menu additions are rare at Pei Wei, Justice says adding udon was essential because it was the chain's first wheat-noodle offering. "I see 20 different noodles and so many different rices in here every week," he says. "So I'm constantly evaluating if there's something we really need to have." Beyond udon, Pei Wei menus two varieties of rice (Chinese brown and Texmati), two rice noodles (chow fun and pad thai), a buckwheat noodle (soba) and Chinese egg noodles. This relatively

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short list helps keep food costs in the 28 to 30 percent range.

Time Table

Through 2007 Justice plans to continue to feature three or four limited-time offers for 60 to 90 days. Half will likely be recurring seasonal dishes and the other half, items with potential for inclusion on core menus. Vietnamese pho—the classic Asian noodle soup—for example, is a cold-weather item in Pei Wei's recipe bank that “we continue to tweak for flavor and execution” off and on.

Shaping dishes at Pei Wei's new test kitchen, which was completed in summer '05, usually takes four to five months—more than the amount of time Justice spent shaping dishes in former positions as corporate chef for Bugaboo Creek Steak House and concept chef of Samba Room, Mignon and Timpano at Carlson Restaurants Worldwide before that. Menu development

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is longer at Pei Wei because Asian dishes are not only complex, “but we’re trying to shape something fresh, not just knock off classical recipes,” Justice explains.

Taking the Heat

Also time consuming, every recipe must work in a wok. All of Pei Wei’s food is prepared in gas-fired woks and rice cookers. Such simplicity keeps things uncluttered but can be a challenge training-wise. Getting wok cooks up to speed takes four to six months. “Wok cooking is extremely difficult,” Justice says. “You’re dealing with 130,000 Btu—that’s four times the heat of a saute station, and it’s much more physical—there’s never a break.”

Wok cooking is so rigorous that many cooks don’t make it past the first week: “The first week’s the hardest,” Justice says. To ease the process and help with employee retention, Justice has begun bringing trainees into the test kitchen with

its full wok line, which removes the stress of training in a unit. There’s also talk of building a Wok University.

As well, Justice plans to begin video training. “We use precut veggies on a few items—snow peas with the strings removed, carrots that have been sliced—but all of our proteins are sliced at the unit,” he says. “That’s hundreds of pounds of meat-cutting on a regular basis.”

The meat-cutting will get even more intensive since Pei Wei just added a brined boneless pork loin to the choose-your-own-protein options, “which is much better than the pork butt or shoulder you’d usually get with Asian dishes,” Justice says.

What about squid or seared tuna? “Not tuna,” he says. “But we’re definitely looking for dishes that would work with calamari.” **CL**



When they order Pan-Asian, Pei Wei guests like spicy options such as this Spicy Korean beef entree with hot-pepper sauce, garlic, white mushrooms, onions, carrots, long beans and toasted sesame seeds.



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Second Act

For Donatos Pizza, the struggle after parting ways with McDonald's may finally be over.

BY DAVID FARKAS

They say hindsight is 20-20. Just ask Donatos Pizza founder and CEO James Grote, who sold his then-rapidly growing chain—lock, stock and barrel—to McDonald's Corp. in 1999 for about \$150 million. Reminded that the burger giant acquired now-red-hot Chipotle Mexican Grill at about the same time in piecemeal fashion, management intact, Grote admits things might have been different had he held on to part of his creation.

"Maybe [McDonald's] could have taken

it slower. They would have tested more stuff out," recalls the 63-year-old entrepreneur, lamenting the immediate introduction of thick-crust pizza, a product Donatos had never sold. "Our traditional crust was thin."

It's also been said there are no second acts in American lives. But Grote and his daughter, COO Jane Grote Abell, aren't buying it. After reacquiring the regional chain in December 2003 for an undisclosed sum, they have opened a new prototype, introduced new products and stemmed the flow of red ink.

SNAPSHOT

CONCEPT

Donatos Pizza

HEADQUARTERS

Columbus, Ohio

UNITS

140 company,
41 franchise

2006

SYSTEMWIDE SALES

\$175 million
(company estimate)

AVERAGE UNIT VOLUME

\$1 million

AVERAGE CHECK

\$16.50

EXPANSION PLANS

5 company units
in 2006

Donatos CEO James Grote and his daughter, COO Jane Grote Abell, in the company's new prototype, a dramatic departure from the pizzerias former owner McDonald's opened from 1999 to 2003.

Donatos is still tweaking its brightly colored prototype, particularly the kitchen, which is too large.

Donatos' new prototype features seven different dough products, among them Santa Fe Chicken, topped with fresh jalapeños and corn chips.



"We were always back-of-the-house managers. But the paradigm is changing."

—Donatos COO Jane Grote Abell

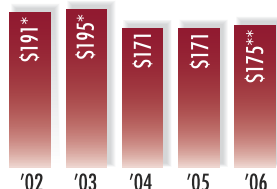
Just how much money Donatos lost over four years isn't clear. But McDonald's had invested heavily in equipment, people and research, recalls Abell, who filled several

top management slots during that time. Filings show that it wrote off \$237 million in 2003, the bulk of which was the loss on the sale to the Grotes, who reportedly paid \$50 million for the cash-strapped chain.

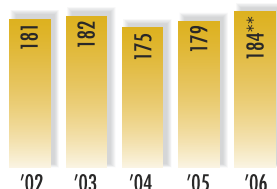
"We took over a bunch of liabilities, but we were left in a position that we could handle them," says Grote, whose family owns 70 percent of the business. Senior management and employees own the remainder.

Donatos Pizza at the Threshold?

Systemwide Sales (in millions)



Units



*Technomic Inc. estimate; **Donatos estimate

No Pain, No Gain

Getting profitable was painful. Donatos, which once operated and franchised 197 units, grew and then shrank under McDonald's wing. In the year prior to the sale, Donatos closed 36 units, including 23 in Atlanta. Since then the chain has shuttered seven underperforming units and refrained from opening new ones until last year. Yet today, the company claims, its balance sheet is healthy. "We've moved in a positive direction," says Abell, citing a \$10.5 million "turnaround" in EBITDA since parting with McDonald's.

Working capital is also available and will be used to finance growth. According to CFO Doug Kourie, this year's capital proj-

ects include five company units; two have already popped up, in Columbus, Ohio, and Orlando, Fla. The company is again following what it calls an "asset portfolio strategy," meaning it will open the right type of store for the market—versus a previous strategy that led to the opening of 55 large "pizzerias," which ultimately failed to produce profits.

The game plan doesn't surprise industry observers. "The founder's the one with faith in the brand, and when a corporate marriage doesn't work out, he has the belief and experience to make things happen," says Dennis Lombardi, executive vice president, foodservice strategies, of WD Partners, Columbus, Ohio-based consultants to chain restaurants.

"We are truly going back to what we know," Abell declares.

One thing Donatos knows well is how to make dough. It will expand an existing dough-making plant attached to its Columbus headquarters this fall. The plant currently manufactures shells used in franchise and company outlets. The company is now working on a new pre-proofed dough, in test in several units, that will eliminate the need for in-store proofing.

Ohio taxpayers are partially paying for the project, which will cost about \$5 million. The Ohio Department of Development, which typically funds high-tech ventures, granted Donatos a \$2.9 million low-interest loan earlier this year.



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Donatos' new prototype has to make \$15,500 in weekly sales to see a return on investment.

The loan drew criticism recently from the Buckeye Institute, a conservative think tank, which chided state officials in an article that appeared on its Web site. “Calculators everyone,” wrote President David Hansen. “State helps one pizza maker sell more pizza...divided by no growth in the market for pizza...equals...less sales for all the rest of the pizza shops on Main Street.”

There's some validity to the claim. The market for pizza is mature and crowded, offering few opportunities to create new customers. Worse, the swelling price of gas may dampen spending even for a relatively cheap item like a pizza. Domestic same-store sales at category leaders Domino's and Pizza Hut are down 3.8 percent and 5 percent, respectively, appearing to reflect the squeeze on consumers. Domino's CEO David Brandon told analysts domestic same-store sales would grow only 1 to 3 percent in '06. It was no different at Donatos, where first-quarter comps remained flat or down in company markets (Columbus, Cleveland, Orlando, Indianapolis and Philadelphia), and Abell doesn't expect them to climb above 2 percent, if at all, for the year.

Yet unlike the big national players, Donatos won't offer steep discounts to boost traffic. Grote doesn't want to sell “a commodity product,” thus tarnishing the chain's emphasis on quality,

abundance and consistency. And discounts cut into profits quickly given more costly ingredients. Donatos' current TV commercials—mostly animation—harp on the theme of “edge to edge” toppings and show mouthwatering product shots. The signature 14-inch pepperoni pizza, for example, is guaranteed to include at least 100 pieces (pieces are weighed, not counted).

Company officials maintain these upscale attributes are what attracted McDonald's in the first place. Asked to confirm that contention, a spokesperson for the burger giant says only, “We no longer own Donatos.”

Let's Make a Deal

To be sure, Donatos deals, Abell says, but chiefly to spark trial of new products, like a line of ciabatta-bread sandwiches rolled out earlier this year. Coupons typically offer \$2 off a \$10 purchase. Dayton franchisee Todd Rogers, who operates 15 units in southwest Ohio, recently bundled a two-liter soft drink with a pizza. “It worked well for us,” he says.

Yet during the tough first quarter, the chain couldn't resist offering a more substantial discount, selling a second medium-size pizza at half price with the purchase of a large. “We are still in a transition period,” Grote admits. “But we want to get off the Kool-Aid.”

When and if they do, management will be counting on an upscale image—both in

Donatos' new building strategy is to adapt elements of the latest prototype to the site, increasing the number of spots from which to sell pizza.

The menu at the prototype features several pizzas, like the Timpano, available nowhere in the Donatos system.



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“We took over a bunch of liabilities, but we were left in a position that we could handle them.”

—Donatos CEO James Grote



decor and service. High-quality products and high standards of service are responsible for average weekly sales of \$18,300, among the highest outside Columbus, Rogers says. In Columbus, the company's best market (it has a 40 percent market share, according to officials), Donatos rings up an average \$20,000 a week.

Those sales now come chiefly from “pizzerias,” costly 3,000-square-foot units that were McDonald's idea. Last December, Donatos changed course, opening a 40-seat, 2,100-square-foot prototype that features a walk-up counter and is something like the units Donatos opened prior to '99. Dayton-based Design Forum created the dining room, while WD Partners subsidiary SME designed the kitchen. The front of the house, which strongly suggests a fast-casual eatery, features soft colors, trendy lighting and inspirational wall messages like, “Enjoy. Hope. Smile.” An open kitchen allows dine-in customers to glimpse employees making pizza, sandwiches and salads without seeing the full process.

“In the old model, we had real separation,” Chief Concept Officer Tom Krouse recalls. “The room was dull, dark and without energy.” He is referring to the larger units McDonald's called pizzerias, casual-dining-like eateries with menus and, oddly, telephones at each table from which customers called in orders. Often a worker served as both hostess and order-taker, scampering back to the kitchen after seating a party only to answer their phone call. The system confused customers, as did plastic plates and forks.

Franchisees didn't open pizzerias, perhaps scared off by the cost, which climbed to as much as \$1.6 million, officials say. Abell recalls that during McDonald's ten-

ure, equipment innovation was prized. “Under the Arches, it became about the patent and innovating on equipment,” she says, remembering chilled racks over the make station that required a compressor. Today, she adds, “We look at an equipment package and buy what we need.”

By contrast, the new prototype, which costs just \$450,000 (noncapitalized), may prove attractive. “Investment had gone up with the pizzerias. It was an easy thing to bring back down,” Abell says. Donatos won't share specific unit-economic information but does say the prototype can make money with weekly sales of \$15,500.

Model Behavior

The company arrived at the sum after revising its unit-economics model. “We used to try to drive toward a sales number,” Kourie says. “What we think is prudent is to take a sales number we are pretty sure we can hit in average-town America and ask, ‘How do we make money at that?’”

Franchisees (there hasn't been a new one since 1998) now seem interested. “We [franchisees] stayed on the sidelines,” Rogers says. “Since the Grotes bought the company back, we're still on the sidelines but much closer to the playing field.” Rogers, a franchisee since 1993, will remodel two stores this year with elements of the new prototype.

Donatos also intends to remodel several pizzerias. “Some of the units are in planning stages,” Grote says. “A couple of them will go to counter service, and some we will do outside renditions with a pick-up window.” He's referring to the reddish-orange tower, a striking design element, encasing the pick-up window and emblazoned with “D To Go.”

Donatos got its start 43 years ago, when James Grote borrowed \$1,300 to open a pizza joint just outside downtown Columbus, Ohio. Today, the owners are trying to regain the simplicity of an earlier time.





Donatos has always boasted about edge-to-edge toppings, including at least 100-pieces of pepperoni on its best-selling pizza.

Donatos is working on a new pre-proofed dough that will eliminate the need for in-store proofing.

But the extent to which it will retrofit existing units is yet unclear. Management is currently wrestling with how much the company can afford to be “premium” in areas other than product.

Service recently became an area of focus after telephone surveys showed Donatos didn’t meet customer expectations. “We built the premium restaurant,” Abell says, referring to the prototype. “We have not yet built the service platform we need. We have a lot of work to do.”

To improve, Donatos will test a new POS system in company restaurants in July. It will trim order speed, according to Abell, and employees answering the phone will no longer immediately ask for a phone

number because the system automatically brings up customer data. “They can say ‘hello’ first,” she says. The cost: about \$15,000 per unit. The company is also planning a call center.

“We were always back-of-the-house managers. But the paradigm is changing. How we answer the phone is most critical, and how we cash you out,” Abell says.

In her spare time, she has been reading about successful service-oriented businesses. “I want to know what Nordstrom does to create the ‘wow’ factor. I don’t think it’s anything we don’t know,” she says. “But how do you transform a back-of-the-house culture to into one that turns around to face the customer?” **CL**

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SNAPSHOT

CONCEPT

Rubio's Fresh Mexican Grill

PARENT COMPANY

Rubio's Restaurants, Carlsbad, Calif.

UNITS

156

2005

SYSTEMWIDE SALES

\$140.9 million

2006

SYSTEMWIDE SALES

\$150 million*

AVERAGE

UNIT VOLUME

\$960,000

AVERAGE CHECK

\$8

EXPANSION PLANS

8 to 10 by year-end

*Chain Leader estimate



Neverending Story

At Rubio's Fresh Mexican Grill, quality management is a job of continuous improvement.

BY MARY BOLTZ CHAPMAN

With Rubio's Fresh Mexican Grill's food-safety processes, the story is not what's new, it's what's next. Senior Quality Assurance Manager Jose Rodriguez calls it a "moving goal post." "When it comes to food safety, it's always a continuous improvement," Rodriguez says. "You can't sit and relax. You're good today, but there's always new ways, better ways, better technology out there."

Case in point: Web-based food-safety training. Shift leaders and managers use a comprehensive online education program, beyond what they learn in manager training, ServSafe class and their operations manual. But now the Carlsbad, Calif.-based, fast-casual chain is testing Web-based training in three restaurants for hourly employees, too.

"It's obviously important that our gen-

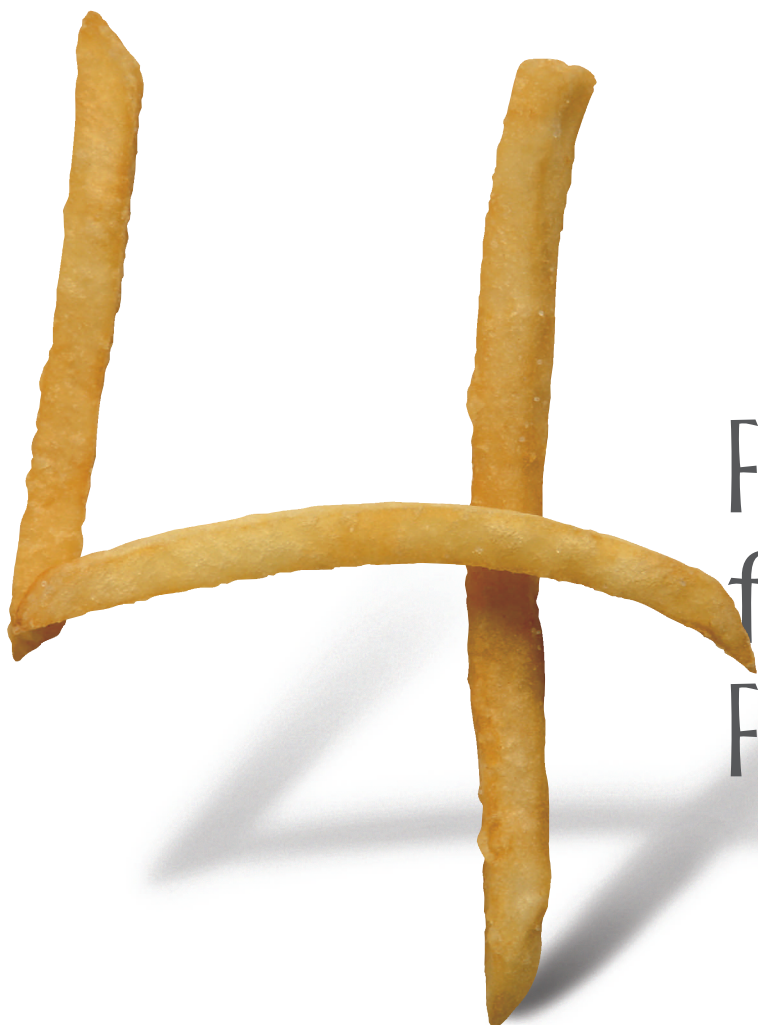
eral managers and supervisors know food safety, but at the end of the day, the ones doing the work day in and day out are the cooks and the people actually handling the food, so we want to bring it down to them," Rodriguez says. He hopes to roll the highly interactive, bilingual program systemwide by the end of the year.

But he doesn't want to stop there. Rodriguez would like to attach rewards to the lessons—when an employee completes so many chapters, he or she is eligible for a raise or job promotion.

Early and Often

Asked who is in charge of food safety, Rodriguez says, "Every single person at Rubio's is accountable for food safety. I may oversee the programs, from the fields to the manufacturing facilities and obviously the restaurants, but we all have to buy into that philosophy."

Rubio's Senior Quality Assurance Manager Jose Rodriguez (above, r.) makes surprise visits to restaurants, as do third-party auditors.



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Rubio's is testing Web-based training and electronic, downloadable thermometers to improve its food-safety practices.



Hand-held electronic thermometers, in test in four or five units, will enable managers to quickly temp products then get back to their customers.

To instill that philosophy, Rubio's trains and communicates with employees on food-safety issues early and often. Full-time trainers often travel to stores to refresh lessons. Rodriguez, who is fluent in Spanish, also makes surprise visits.

In his stead, a monthly food-safety bulletin is posted in each unit, encased in plastic above the handwashing sink. Started last fall, the bulletin is simple and quick to read, with a lot of pictures. Rodriguez writes it in both Spanish and English. Third-party auditors, who check each restaurant three times a year, know to make sure the latest issue of the bulletin is in place.

The chain also addresses food-safety concerns in its weekly operations report, which features news from all the support departments. The combined reports pre-

vent unit operators from being bombarded with e-mail from headquarters.

Rodriguez credits the training team and Rubio's food-safety task force with keeping quality improvements top of mind at the restaurants and the corporate office. The cross-functional task force—comprised of Rodriguez; a scientist and technician from food and beverage; a representative from purchasing, operations and training; and the district managers—meets every six weeks. The team addresses issues that have come up, checks off on assigned deadlines and looks proactively at what might be ahead.

Field to Fork

Looking ahead, Rodriguez is keeping tabs on what Rubio's manufacturers and distributors have done to prevent food-security issues and prepare for potential problems

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FOOD SAFETY

At manufacturing facilities, Rodriguez says, "I get on my hands and knees and take equipment apart and really go into a lot of detail."



Rodriguez' visibility in Rubio's stores helps keep food safety top of mind.

like avian flu. His 20 years' manufacturing experience in quality assurance enables him to speak their language on his own annual audits and ensures they are not trying to cut corners.

Rubio's demands adherence to freshness and quality guidelines of its suppliers, requiring frequent third-party audits and downloadable time- and temperature-tracking

devices on perishable goods. At the store level, beyond consistent and frequent training, periodic audits, cooking

and food-rotation standards and systems, Rubio's is testing hand-held, computerized thermometers to raise the bar on safety. Rodriguez admits that when there is a line of lunch customers out the door, it can be tempting to fill in times and temperatures after the rush. The new devices, which are in test in four or five restaurants, track when temperatures are measured to ensure it's happening, and, more importantly, make it fast so managers can quickly get back to their guests.

"The unit I have is very expensive, like \$3,000," says Rodriguez. "I have another one coming in tomorrow. I'll test this year, a few stores, a few products, find out which is the most affordable and what we want, and hopefully next year we'll go with something like that."

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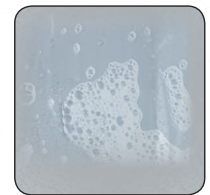
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Franchise Developer

How to Plan a Growth Spurt

Before you grow, create solid strategies to maximize capital and human resources. Heated competition for vacant spaces and new development sites makes it difficult to find good locations. That's putting pressure on area developers who need to meet mandated minimums for unit growth without having to take on secondary locations. "Thousands of restaurant brands are trying to expand, and you are competing against everyone, says Doug Pak, chief executive officer of Frandeli Franchise International, a Newport Beach, Calif.-based franchise investment, development and management company. "When it comes to the development pace, most developers will need a generous schedule."

Assuming you have the necessary capital, Pak recommends making the most of your territory with cluster development. "Study the market with real estate brokers and consultants to determine how many deals you can do realistically in a certain

period of time," he says. "The only caveat is not to open multiple stores with opening dates too close to each other."

Optimizing capital is just one side of the equation. Area developers also need to control the infrastructure needed to support an aggressive growth pace. Pak says most young development companies will need one or two in-house staff members who serve in project management roles. A good project coordinator or manager should know what needs to be done when, by whom and how much. "Project management

is everything in restaurant development," Pak adds. "If you mismanage this process, you can waste a lot of money and time."

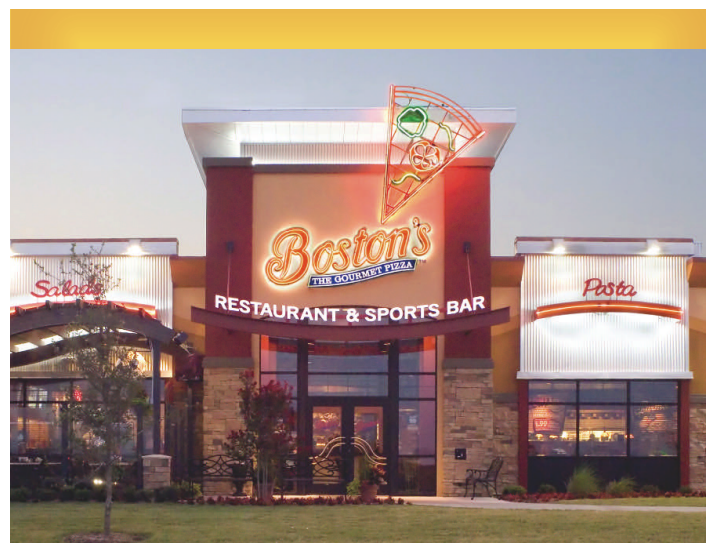
And obviously, working with the right architects and general contractors who have extensive experience in the restaurant space is extremely critical, as they can help you love your job or hate your life.

Beyond the core team, Pak advises outsourcing "as much as you can." One way is to maximize support from the franchisor. "The franchisor is a great resource for information or assistance. You just need to be adamant about getting the help you need," Pak says. When considering signing on for a territory, make sure that the franchisor has an in-house real estate manager, architect and construction manager, he recommends.

Despite the challenges, Pak says now is a good time to grow: "Since good real estate is getting harder to find these days, I would not hesitate to add units whenever I find good locations."



Good project management is critical to restaurant development.



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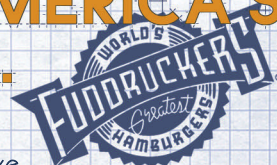
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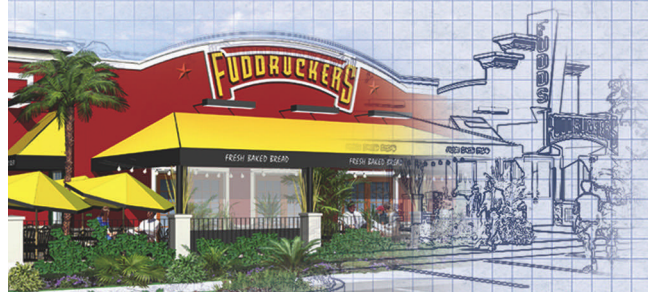
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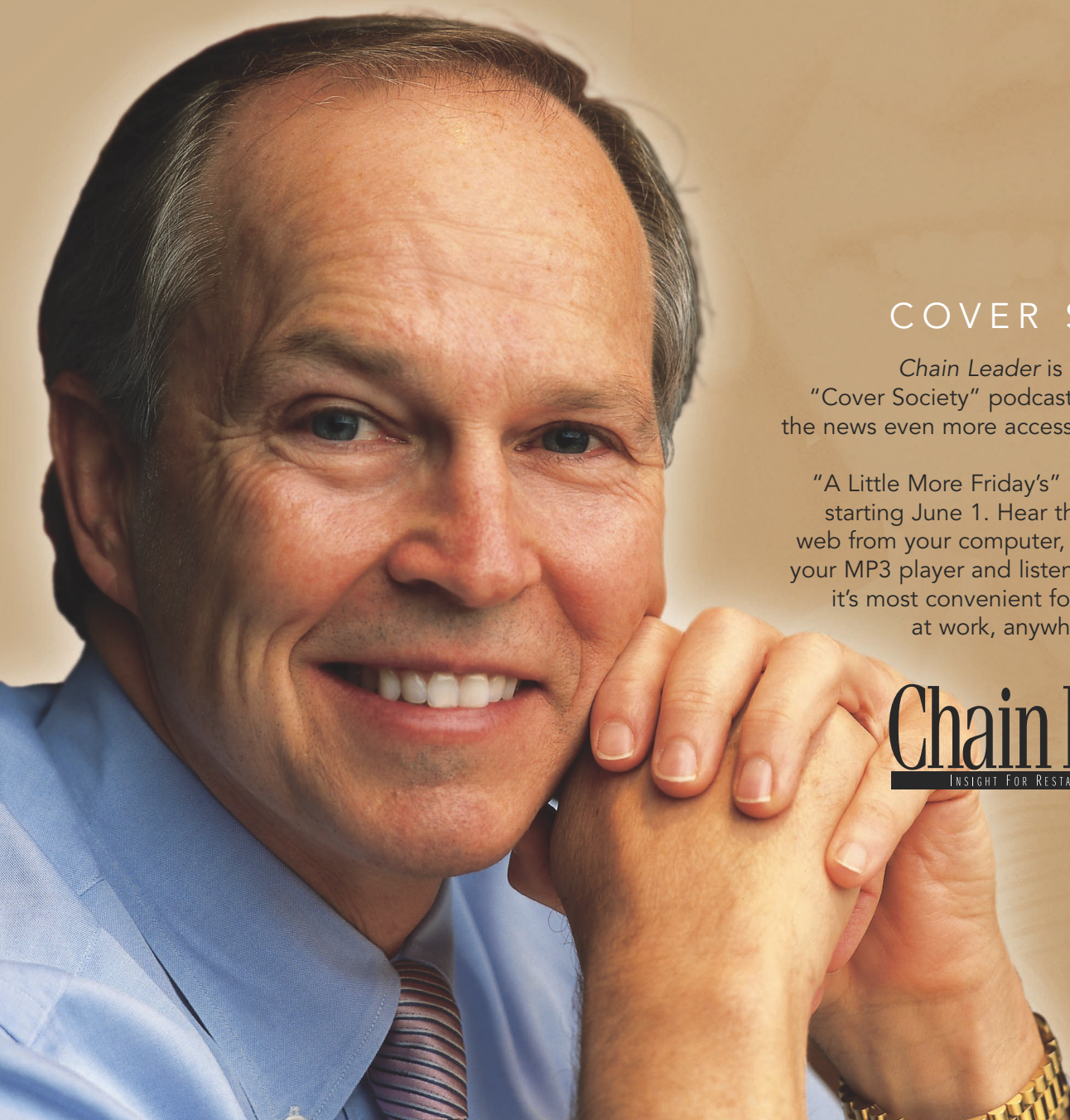
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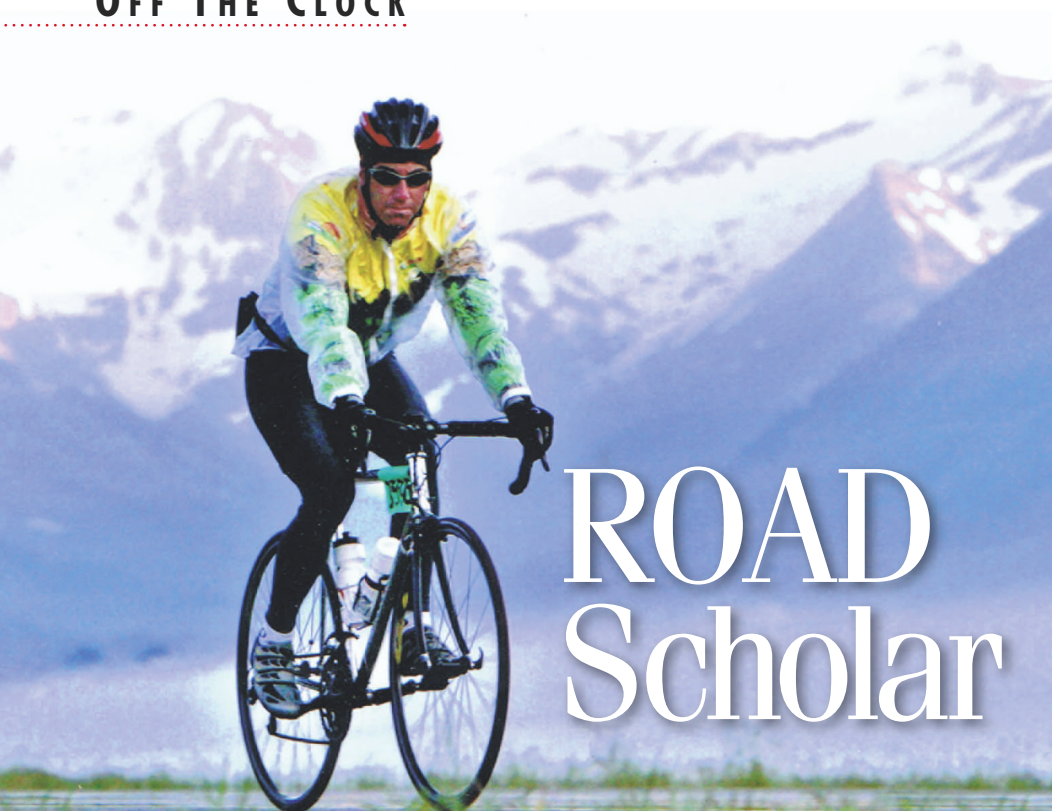
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ROAD Scholar

Qdoba's Mike Speck finds the journey is more important than the destination.

BY MAYA NORRIS

Mike Speck, vice president of human resources and training for Wheat Ridge, Colo.-based Qdoba Mexican Grill, is training hard for the Bicycle Tour of Colorado, a weeklong, 450-mile ride through the Colorado Rockies.

Mike Speck takes full advantage of living near the Rocky Mountains. The vice president of human resources and training for Wheat Ridge, Colo.-based Qdoba Mexican Grill rides his bike 50 to 75 miles a week in the foothills of the Rockies. But the 46-year-old has recently stepped up the pace as he prepares for a weeklong, 450-mile bike ride.

Speck is training for the Bicycle Tour of Colorado, a road-bicycling event through the Rockies June 25 to July 1. Each day bicyclists will ride 60 miles to 100 miles through mountain passes ranging from 7,893 feet to 11,530 feet above sea level. Unlike mountain biking, which involves single-track trails on rugged terrain, road biking takes place on paved roads and involves long distances.

To prepare, Speck started a three-month training program in March. He rides five days a week, gradually increasing the distance from 40 miles a week in March to 185 miles a week in June. Three days a week, he gets up at 5 a.m. to ride 90 minutes a day. He rides about three-and-a-half to seven hours a day on the weekends.

"I get a tremendous amount of personal enjoyment, confidence and self-satisfaction from the discipline and accomplishments involved in training, along with the ability

to not only experience the Colorado Rockies from the bike, but the relationships developed with others sharing the same passion and competitive spirit," he says.

Highs and Lows

This will be Speck's third year in the Bicycle Tour of Colorado. He will ride four to seven hours a day. Besides the elevation and endurance, riding in a pace line will be a challenge. Speck will ride with a group of three to seven people 20 to 30 miles per hour uphill and 50 miles per hour downhill with their tires only inches apart to minimize wind resistance. "It's part of team-

work because you have to trust the person in front of you," he says.

Speck will also have to deal with temperatures ranging from 35 degrees in the morning to 85 in the afternoon. "In previous years, we've experienced all types of weather, from beautiful sunny blue-sky days to rain, sleet and snow, sometimes waking up to a frost-covered tent," he says.

After he completes this event, Speck will move on to the Triple Bypass Bicycle Tour on July 8. The 120-mile ride includes ascents of more than 10,000 feet.

Residual Benefits

When he's not training, Speck goes road and mountain biking at least three days a week. His wife, Julie, and his children, Rachel, 11, and Andrew, 14, sometimes join him. "They haven't gotten the addiction yet, but I'm hoping they will someday," he says. "My family is completely supportive and excited that Dad has the gumption to physically keep the pace going."

Biking also helps him at Qdoba. "Time on the bike requires full concentration on the road or trail conditions, the constant changing weather and physical stamina to go the distance," he says. "As my overall physical endurance and stamina has increased so has my ability to focus on long-term strategic thinking." **CL**



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