

www.chainleader.com Reed Business Information Houlihan's prototype cuts back on the clutter. Page 20 Applebee's speeds up development of bolder, more upscale fare. Page 27 NATURAL SELECTION Chipotle's Steve Ells says improving ingredients will sustain the chain. Click here for

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Page 35

Steve Ells, founder, chairman and CEO, Chipotle Mexican Grill

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All the Essentials



Michael Kaufman brings his chain experience to a small D.C. operation.

BY DAVID FARKAS

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 Kaufman had to say about developing and growing Harry's Tap Room and Essential Grille, as well as his experience at Metromedia Restaurant Group, download the podcast or view his extended interview at www.chainleader.com.

ichael Kaufman appeared on the cover of *Chain Leader* in November 2000, when he was president of Metromedia Restaurant Group, helping to breathe new life into its aging brands: Ponderosa, Bonanza, Bennigan's, and Steak and Ale. Today, Kaufman is using his chain experience to help develop Harry's Tap Room and its spinoff, Harry's Essential Grille, into viable chains. He spoke with *Chain Leader* about the new concept at the National Restaurant Association show in May.

Can you talk about the differences between Harry's Tap Room and Harry's Essential Grille?

Michael Sternberg and our other partner, Tom Greene, had created a restaurant in Arlington, Va., called Harry's Tap Room, and it is a very successful restaurant. As we looked at it and thought about how we would grow that brand, we thought it might be better to think about a name change. We called it Harry's Essential Grille because we wanted to emphasize what Tap Room was delivering, but you wouldn't know it from the name. Tap Room says, "Hey, let's go and have a beer," and what the menu shows is a fresh, organic and natural product. So the food side of it was really strong. We felt Essential Grille would allow us to talk about that.

Talk a little bit about the food side.

Its menu is contemporary American, but what we really place a strong emphasis on is the ingredients themselves. Kind of like Whole Foods, we can say to our guests, "This particular carrot came from this particular farm in Pennsylvania." We are very intent on where we source product, and we're very clear about the fact that it's an organic, natural product. We say it's real food naturally. But we're keeping our price points at a pretty moderate range.

What prompted you to move toward organic, to develop a menu that is healthful?

I think what we saw in our family, friends, neighbors and the success of companies like Whole Foods is that people don't necessarily say, "I want to become a vegetarian." People are concerned about what's in their food to the extent that one can bring in food that is without trans fats, growth hormones and other chemical additives, but it's still the foods that you like. It's not that it's any less fattening to eat a souffle that is natural and organic versus one that is not, but you know what you're getting and your decision about calories is your own decision.

Is it up to your servers to impart that information to the guests?

We have a story on our menu where we describe what we do, and certainly it is up to our servers to communicate what it is that we do as well. We sent out a photographer to go to the farms that supply us, and there are huge blown-up photographs of the vegetables that we are featuring on the walls. I think as you sit there, you kind of sense that we're about freshness and we're about authenticity.

By the end of 2007, how many Harry's Essential Grilles do you expect to have open?

Let's step back for a second. We had these two restaurants, Harry's Tap Room and Harry's Essential Grille. The airport authority for Dulles Airport came to us and said, "We want to put a Harry's Tap Room in Dulles Airport." We said, "We don't know how to do airports." So they said, "Let's link you up with some folks who do know how to do that." Within the last two weeks, we've opened two locations with an operating partner at Dulles of Harry's Tap Room.

We're thinking our strategy at this point is that Harry's Tap Room might be more logical in airports and those sorts of formats and that Harry's Essential Grille might be the way to go in freestanding. We didn't expect this to happen. So now we are looking to see, do we ride both horses or do we pick one of the two horses?

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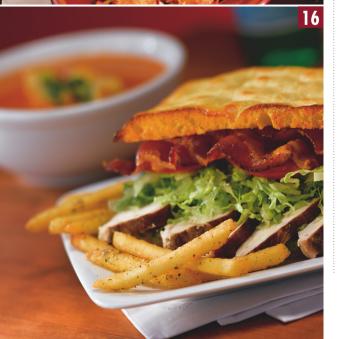


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Chain Leader

STORYBOARD

18 Fresh Face

Baja Fresh has partnered with Olympic gold medalist

Mia Hamm for its latest ad campaign. Launched in May, the TV spots emphasize the chain's no-freezers, no-can openers, no-microwaves method of making Mexican and promote a contest to win the chance to play soccer with Hamm. The company says the first month of the campaign netted a 5.2 percent increase in systemwide sales.





RESTAURATOUR

20 Less Is More

Houlihan's prototype in Algonquin, Ill., has cut back on the clutter to create a modern, warm look. Subtle details include recessed lights, flagstone surrounding a communal table, sage green Naugahyde booth backs and glowing orange plastic panels suspended above the display kitchen. According to the company, sales at the store are above the system's average \$2.8 million to \$2.9 million.

By Lisa Bertagnoli

TOQUE OF THE TOWN

27 Speedy Delivery

Senior Vice President of Menu Development and Innovation Kurt Hankins is rapidly cranking out bolder, contemporary fare at Applebee's. He has launched several upscale dishes like the Roasted Garlic and Asiago Chicken as limited-time offers, moving the most successful ones straight to the core menu. By shining the spotlight on the food rather than simply hammering on value, the company hopes to win back lapsed users and attract higher-income guests.

By Monica Rogers

THOUGHT LEADER

35 Natural Selection

With comparable sales growing by double digits, shares trading at \$60 apiece and a market cap of nearly \$2 billion, 505-unit Chipotle Mexican Grill looks like the real deal: a proven concept with staying power. Founder and CEO Steve Ells credits the chain's success to its limited menu, which emphasizes naturally raised meats and vegetables. Today he remains focused on improving food quality rather than adding new menu items. *By David Farkas*



42 Hot off the Presses

To project a consistent brand image yet still allow franchisees to meet their customers' unique pricing needs and regional preferences, IHOP uses a Web-based print-management system that helps units create their own customized marketing materials including menus.

By Christine Zimmerman

Take Note In "Second Act" in the June 2006 issue, Page 47, *Chain Leader* misidentified Donatos Pizza's kitchen designer. It should have read SRE. A caption in the same story on Page 40 suggests the kitchen SRE designed is too large; in fact, the designer was hired to improve that. We regret the errors.

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ON THE NET

Web Exclusive

 Creative Habitat: Check out the latest concepts Rainforest Cafe creator Steven Schussler is brewing up in a tour of his idea lab.



Cover Society Podcasts

- Michael Kaufman on updating aging brands and developing new ones.
- Richard Snead shares TGI Friday's plans for dominating casual dining.
- Jon Luther tells what's new and what's next at Dunkin' Brands.

How to Grow to 100 Units

- The experts respond: How often should regional managers visit units?
- Coverage of the "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.

Plus

- Senior Editor David Farkas muses about restaurants in his blog, Dave's Dispatch.
- Daily news.
- Franchise opportunities.
- Archived stories from the pages of Chain Leader.

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Give 'em What They Want

ometimes a theme emerges in one of our issues. Completely unplanned, it materializes as we're editing copy when it comes in or proofing pages at the last minute. This time, it's Whole Foods. Literally in a couple of places, figuratively in others, the natural and organic market, and all that it stands for, appears often from the first page of this magazine to the last.



The industry is addressing nutrition and food education as the customer asks for it.

MARY BOLTZ CHAPMAN, EDITOR-IN-CHIEF

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Turn the Page

The cover, and the Cover Story, of course, features Steve Ells, founder, chairman and CEO of Chipotle Mexican Grill, who believes that improving the quality of ingredients, not the variety, will determine the success of the chain. He says people want to know where their food comes from and that it has integrity. Customers, shareholders and its big

brother, McDonald's, all seem to agree with Ells, though perhaps for different reasons.

Go to Page 2, and find Senior Editor Dave Farkas' interview with Michael Kaufman, the former president of Metromedia Restaurant Group who is now working with a small Washington, D.C., outfit on Harry's Essential Grille. The concept focuses its menu on pedigreed food. According to Kaufman, customers know which farm the carrots on their salads came from—there might even be an enlarged photograph of carrots from that very grower next to their table.

Our Storyboard discusses the new ad campaign from Baja Fresh, which emphasizes its fresh ingredients and no-microwaves, no-freezers, no-can openers method of preparing them.

In our Toque of the Town feature, Kurt Hankins, senior vice president of menu development and innovation for 1,846-unit Applebee's, foresees the day he can walk outside and gather the herbs needed for a new recipe.

Even this month's Off the Clock—on the last page of the magazine—fits the theme:

Happy Joe's Training Guru and Chef of the World Robert Lewis spends his free time educating diabetics about the foods they can eat and how to prepare them.

The Dissenting Vote

Ironically, at the same time we were putting this issue together, news was coming in from several sources telling America that the restaurant industry is bad for our diets.

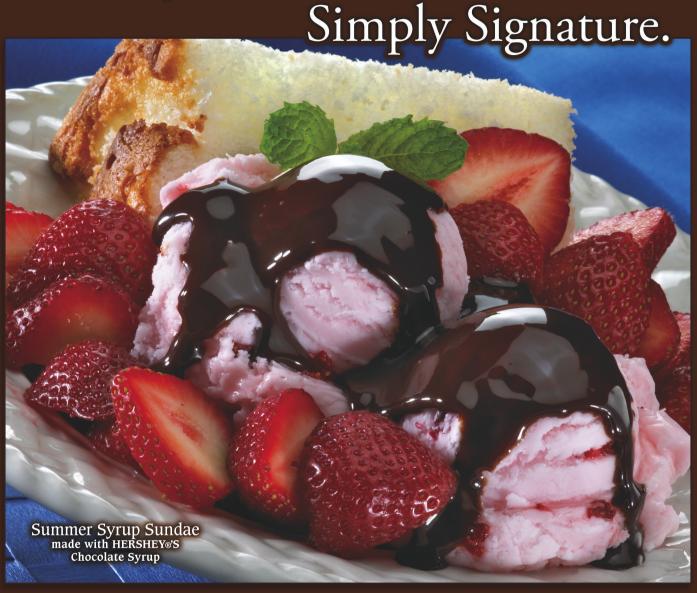
Portions are too large, says a report commissioned by the Food and Drug Administration, calorie counts are too high, and nutrition information is too rare and often inaccurate. It further suggests that restaurants should offer education on healthy lifestyles. (The report does say that there is no proven direct link between restaurant use and obesity, but the media doesn't put that in headlines.)

And the trans fats in KFC's signature fried chicken are allegedly so plentiful and the chain's use of them so deceptive that the Center for Science in the Public Interest felt compelled to sue the chain over it.

The Educated Customer

I cheer the companies, including many in this issue, who are adding healthful items and educating guests about the wholesomeness of their ingredients. Not because those items are better for you, per se, but because the chains are providing what their customers (not necessarily KFC's customers or In-N-Out Burger's customers) are asking for and actually buying. If the Food and Drug Administration and the Center for Science in the Public Interest would sit back and watch, instead of trying to tell the industry what to do, they might witness the very results they are fighting for.

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Give 'em What They Want

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The industry is addressing nutrition and food education as the customer asks for it

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

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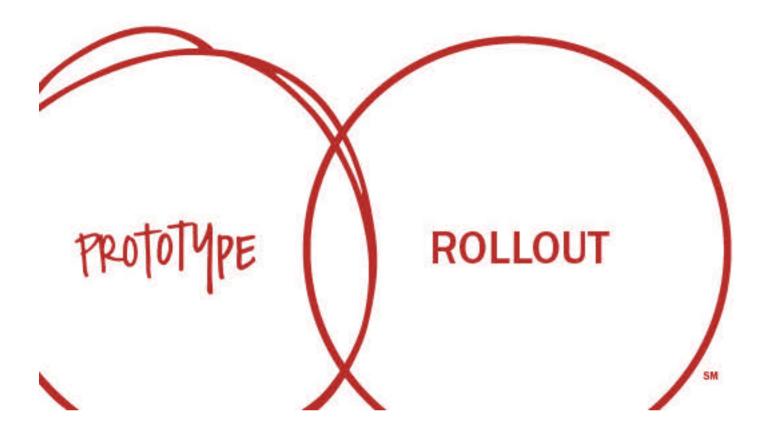
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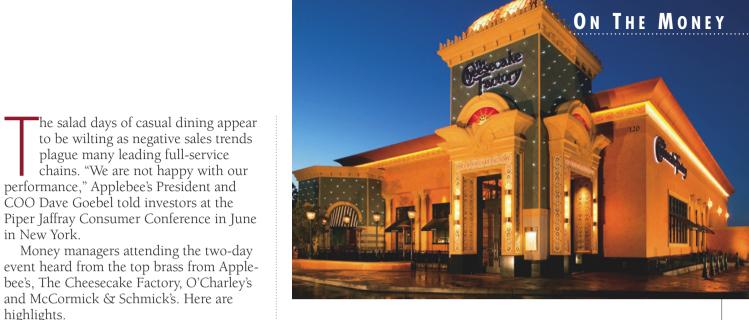
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ATLANTA BOSTON CHICAGO COLUMBUS DALLAS LOS ANGELES MIAMI



What Went Up, Now Comes Down

Applebee's: Same-store sales tanked in May, falling as much as 6 percent in Virginia, New England and Michigan, significant markets for the 1,846-unit chain. Sales had also weakened slightly in Southern California, normally a robust market. Goebel, citing macro pressures for the declines, said company research showed "low end" customers, who make up about 5 percent of the base, have simply disappeared, presumably trading down to less expensive fast food.

Still, management wasn't abandoning its long-term strategy, including improving Carside To Go (now 10 percent of sales), beefing up Weight Watchers marketing and adding dozens of new products.

The Cheesecake Factory: Shares of CAKE dipped below their 52-week low of \$29 last month on news that comps were weakening, if only slightly. Chairman and CEO David Overton said while lunch and dinner remained steady, mid-afternoon and late-night sales slipped 1 percent. "This is new, and it came pretty quickly," he said, blaming the negative impact on adjustable-rate-mortgage hikes and rising credit-card minimum payments.

Overton said new sales initiatives include radio spots in four markets and a revamped menu with a lunch section. He predicted a modest second-quarter gain of 0.5 percent.

McCormick & Schmick's: What macro pressures? CEO Saed Mohseni said the seafood concept's "diversity of its customer base" minimized its vulnerability to weak con-

sumer trends. Such diversity includes business travelers and upper-income diners. "From Day One the concept was designed to be flexible and for broad usage," he explained.

Part of the attraction is a twice-daily menu and the chain's ability to position itself as the best seafood restaurant in many of its 61 locations.

Citing 14 out of 16 years of positive same-store-sales growth, Mohseni said comp sales would climb 2 percent to 3 percent in '06.

O'Charley's: The 233-unit chain has struggled with "box economics," said Chairman and CEO Greg Burns, who added the chain is now in early turnaround mode. Samestore sales were up 0.6 percent in the first quarter and would likely remain positive in the second. Burns announced that the new management team at the Nashville, Tennabased company finally boosted margins with a pricing scheme that eliminated discounts and kids-eat-free positioning in 30 percent of the system.

Burns added the company recently decided not to enter more sale-leaseback deals after the board determined the best way to build shareholder value was through improving operations. "It's not business as usual at O'Charley's," Burns declared.

Casual-dining stocks tumble in an uncertain economy.

BY DAVID FARKAS

Afternoon and late-night sales at The Cheesecake Factory dropped 1 point in the first quarter of '06, surprising officials.



All of Go Roma's food is prepared from scratch and delivered to customers in eight minutes or less.

It costs about \$790,000 to open a Go Roma unit, which averages 3,200 square feet to 3.500 square feet with seating for 90.

Go Roma jumps into the fastcasual fray with Italian fare and a hospitality-driven approach.

BY MAYA NORRIS

SNAPSHOT

CONCEPT

Go Roma Italian Kitchen

PARENT COMPANY

Forklift Holdings, San Francisco

UNITS

2005 SYSTEMWIDE SALES

\$2.8 million

2006 Systemwide Sales

\$8.7 million (company estimate)

AVERAGE Unit Volume

\$1.6 million

AVERAGE CHECK

\$8.75 lunch, \$10.50 dinner

EXPANSION PLANS

3 in 2006

Filling the Void

ndustry veterans from Chicago-based Lettuce Entertain You Enterprises and Dallas-based Brinker International are putting their collective experience to the test. They have stepped out on their own with Go Roma Italian Kitchen, a fast-casual chain that they are preparing for nationwide expansion.

President David Wolfgram, former president of Corner Bakery; Chief Operating Officer Yorgo Koutsogiorgas, former senior vice president of Maggiano's Little Italy; Executive Chef Russell Bry, former vice president and executive chef of Lettuce; and Partner Jeff Drake, former regional director for Brinker, spent a year researching and developing Go Roma before launching it in Warrenville, Ill., in 2004. According to Wolfgram, the fastcasual Italian concept sets itself apart in a segment crowded with Mexican, bakery-cafe and sandwich concepts, while high-quality Italian cuisine, along with good service, is usually relegated to casual dining.

"There is an opportunity for Go Roma in quick-casual Italian," Wolfgram says. "We feel our quality of food and price value and the hospitality experience all come together to create an exceptional value proposition for the guest."

Italian Essentials

Go Roma features appetizers, soups, salads, sandwiches, artisan pizzas, pastas and Italian specialties. Best-selling dishes include Smoked Chicken & Pear Salad. \$7.59, with goat cheese, grape tomatoes, walnuts, dried cranberries, baby greens and balsamic vinaigrette; Margherita pizza, \$6.29 half plank, \$11.99 full plank, with fresh mozzarella, basil and tomato sauce; and Tilapia Piccatta, \$8.99, sauteed tilapia, lemon, capers, garlic and white-wine sauce, served with sauteed spinach.

Besides the food, the company also takes pride in its service. Dishes are delivered to guests in eight minutes or less, while servers and managers float around the restaurant checking on customers, refilling water glasses and bussing tables. Cashiers, trained as both hosts and servers, are familiar with the recipes so they can discuss the menu with guests, including those with food allergies. And the POS system helps the kitchen staff prepare a multicourse meal, so a customer with time to spare has the option of receiving his or her appetizer. entree and dessert separately.

But for the most part, Go Roma is targeting customers with busy lifestyles: young professionals and families with young children. So the company is looking for A locations in a mix of residential and business areas with a college-educated population. It prefers endcaps in strip malls or shopping centers with other fast-casual concepts like Qdoba or Potbelly and near movie theatres.

Fueling Growth

Go Roma has opened three more units since 2004 in Chicago, Northbrook and Deer Park, Ill. It expects to ring up \$8.7 million this year with an average unit volume of \$1.6 million.

The company will open three more units by year-end in Lincolnshire and Oak Brook, Ill.; and Merrillville, Ind. It plans 10 new company units a year in the Midwest for the next five years, with funding from cash flow and GESD Capital Partners, a San Francisco-based private-equity firm.

Go Roma will also grow through franchising. It expects four or five franchised units to open in 2007 in California and then 10 a year thereafter across the country.

It expects to have 100 company and franchised units open nationwide by 2010.



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"Mia: the Brand" Length: 30 seconds



1. Voice-over: At Baja Fresh we use only freshly grated cheese.



2. Guacamole made fresh all day.



3. Fresh meat grilled over an open flame.



4. It's the only way to make a Baja burrito this good.

Fresh Face

Baja Fresh partners with Olympic gold medalist Mia Hamm to underscore its active, healthy side.

wo strong women, one directly, one indirectly, are helping Baja Fresh Mexican Grill revitalize its brand. Mia Hamm and Oprah Winfrey, both women who know how to live life to the fullest, are players in the Thousand Oaks, Calif.-based chain's current campaign.

When Baja Fresh was founded 16 years ago, the term "fresh Mex" wasn't commonplace, if even coined. Certainly, there were not as many national competitors—such as Rubio's and Chipotle—as there are today.

"The brand had been under a lot of competitive pressure, because the category had gotten a lot of players," explains Dan Santy, president of Santy Advertising, the Phoenix-based ad agency that began working on the Baja Fresh account in December 2005.

Santy Advertising, new Chief Marketing Strategist Mark Chmiel and an outside consulting firm developed the "Live Fresh" campaign, emphasizing Baja Fresh's nofreezers, no-can openers, no-microwaves method of making Mexican.

"We had a lot of lapsed users who had tried the concept, but we lost the connection," Chmiel says. "Subway has 'eat fresh.' But we thought, 'No, we're bigger than that.' Who else can really say 'live fresh'? Can McDonald's? No. Wendy's? No. We live that life."

The tagline redefines the company, the brand and, in effect, what fresh means, he explains.

"We were doing the agency review, and one of the agencies said, 'We are going to help you fix this brand.' One of our executives said, 'Wait a minute. The brand isn't broken. The business has an issue,'" Chmiel remembers. "The brand has strong acceptance, but we were not as penetrated in some markets as we should be."

Mom Power

Live Fresh also positions Baja Fresh as an advocate for healthier lifestyles. The company turned to soccer star and Olympic gold medalist Mia Hamm, through her eponymous foundation, to help underscore its effort to encourage kids to be active. Chmiel says Hamm was already familiar

By Margaret Littman



5. Now, at Baja Fresh, Mia Hamm wants you to get active.



6. Baja Fresh is giving you a chance to play soccer with Mia Hamm.

LIVE FRESH

7. Eat fresh. Live fresh. Now, with Mia Hamm.



8. Enter today, only at Baja Fresh.

with the brand, as she and her husband frequent one of the Manhattan Beach, Calif., restaurants.

The chain launched the campaign in early May with the Live Fresh tagline and a contest for kids ages 5 to 17 to win the chance to play soccer with Hamm in Los Angeles, with one parent along for the ride. The 30-second TV spots are heavy on food photography, emphasizing the fresh ingredients, and end with images of Hamm playing soccer.

Hamm, Santy emphasizes, is not a spokesperson. But she does help the brand reach out to young mothers in particular, women who are interested in engaging their kids in athletic activities and who acknowledge that fast food is a way of life for many families.

"The sweepstakes are skewed toward mom as gatekeeper," Chmiel explains. "We targeted moms because they are the influencers."

Playing the Oprah Card

To reach the educated, suburban young moms, who comprise a slightly higher-income demographic than the diners at many QSRs, Baja Fresh spent its under \$10 million ad budget on media buys that other small chains eschew, such as during *The Oprah Winfrey Show* and *CBS This Morning*. Spending is up between 5 percent and 10 percent over 2005. It includes ads on drycleaner bags and in salons within a 5-mile radius of its stores; the ads are text-only messages, with no images of the food or Hamm. Online spending includes banners

on iVillage, a powerhouse Internet site targeted to women, and Disney Web sites. The banner ads feature an image of Hamm playing soccer.

"We could have been like the previous agency and just suggested buying cable one more different way. But we said, 'We have to be relevant to this audience,' and Oprah and salons are the way to do that," Santy says. "[Baja Fresh] embraced this rather than just doing the same thing over and over."

The ads are scheduled to run for three months, but the contract with Hamm is a multiyear one. Santy and Baja Fresh are working with her to decide how her involvement in the brand will evolve. Possibilities include "Mia meals," designed to give kids the right balance of protein and carbohydrates.

Because parent company Wendy's is putting its non-burger businesses on the block, Baja Fresh is in a quiet period and not releasing current sales numbers. However, Chmiel says the first month of the Live Fresh campaign netted a 5.2 percent increase in systemwide sales. It is too early to know whether that is a sustainable uptick or a marketing blip. But given that same-store sales declined 3.7 percent in 2005 and 6.3 percent in 2004, the numbers are impressive.

"We're really excited," Chmiel says.
"Not only from a business perspective, but we're also very enthusiastic because we have a real social conscious as a company. We have a real opportunity here to get people to eat better."

SNAPSHOT

CONCEPT

Baja Fresh Mexican Grill

HEADQUARTERS

Thousand Oaks, Calif.

OWNERSHIP

Wendy's International Inc.

UNITS

300

2005 Systemwide Sales

\$172 million

2006

SYSTEMWIDE SALES

 185 million^*

AVERAGE CHECK

\$7.50

AD BUDGET

Under \$10 million

AD AGENCY

Santy Advertising, Phoenix

EXPANSION PLANS

15 to 20 in 2006

*Chain Leader estimate





Houlihan's cuts back on clutter in favor of a clean, residential-looking prototype.

t first glance, the new Houlihan's in Algonquin, Ill., doesn't offer much for the hungry eye. No knickknacks are scattered around. Art is limited to a few abstract prints. There's not a trendy pendant light in sight.

The lack of design commotion doesn't mean the interior is boring. Subtle details include recessed lights, flagstone surrounding a communal table and the contemporary X-shaped light fixture above it, sage-green Naugahyde booth backs, and

above the display kitchen.

It's exactly the look Houlihan's wanted, says Bob Hartnett, CEO of the 87-unit, Leawood, Kan.-based casual-dining chain.

glowing orange plastic panels suspended

"We were trying to get a 21st-century look but still be warm—and it was meant to have a residential feeling," Hartnett says.

Cool but Not Cold

The redesign is part of a conceptwide repositioning begun in 2003, the highlight of which is a total revamp of the menu, including food, presentation and the physical menu. Work on the new building also began three years ago, "but that takes longer," Hartnett says.

Houlihan's hired Bobby Altman, principal of Miami-based Altman Architects Inc., to handle the exterior and interior architecture. He worked with Dennis Jenkins Associates, an interior-design firm also based in

By Lisa Bertagnoli





Miami, on the finishes, furniture and other interior details.

Altman, who visited 10 casual-dining chains to research the project, says his mandate was to restore a bit of the cutting edge to the concept. "Houlihan's used to be known as the hip place to go," he says. "And Houlihan's lost its cool."

Altman's interior is a "big box" broken up into several areas: a main, sunken dining room, smaller dining areas around its periphery, and a bar that's visible from the entire room yet separate in feeling thanks to a trellis above it and small lamps on the bar. Glass doors just off the bar open to a 75-seat patio.

The display kitchen, framed below by quilted stainless and above by orange Lexan panels, is the focal point. "It's a way of zoning this big space," Altman says. "You're always being entertained by lights, the kitchen and the out of doors."

Jennifer Stone, senior interior designer at Dennis Jenkins, created an interior that's contemporary, but not cold. Warming touches include oak tables and traditional schoolhouse chairs, plus hints of color in the sage upholstery and in the orange-and-cream wall graphics.

The warm look belies the plethora of high-tech touches. Backlit Lexan panels provide the surface of wait stations, which are set with red-leather baskets filled with rolled silverware. The bar top is Phenolic, a dense material made from pressing sheets of paper together. The traditional lamps on the bar have bases made of poured resin and custom-made shades.

A Dramatic Departure

The Algonquin store is the second prototype; the first opened in New Lebanon, Pa., about a year ago. That restaurant is 7,500 square feet and rectangular, while the Algonquin location, square and at 6,300 square feet, is more indicative of future locations, Hartnett says.

The only difference between the first and second prototypes is the display kitchen. In New Lebanon, the space above the kitchen is quilted stainless. In Algonquin, orange Lexan panels, more eye-catching than the

SNAPSHOT

CONCEPT

Houlihan's

LOCATION

Algonquin, Ill.

ARCHITECT

Altman Architects Inc., Miami

DESIGNER

Dennis Jenkins Associates, Miami

OPENING DAY

May 2, 2006

AREA

6,300 square feet

SEATS

213 inside, 75 on the patio

AVERAGE CHECK

\$15.87

UNIT VOLUME

\$3.4 million*

EXPANSION PLANS

22 new restaurants, 1 or 2 remodels in 2006; 25 new, 1 or 2 remodels in 2007

*Chain Leader estimate

Colors such as orange and sage green keep Houlihan's interior from feeling too contemporary.

The lack of clutter creates an environment "that everybody looks good in," says designer Bobby Altman.





(Clockwise from top I.) Lamps on the bar make the space feel intimate within the "big box."

Mahogany chairs and tables in the main dining area hark back to the "old" Houlihan's.

Flagstone adds texture and warmth to a dining enclave.

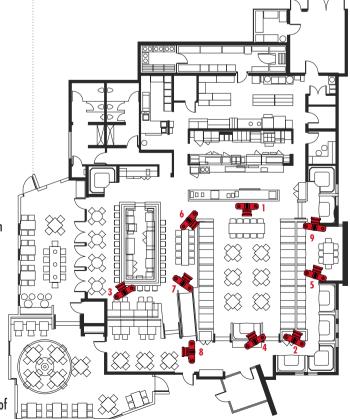
The main dining area is sunken, a la a 1970s living room.





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





Traditional schoolhouse chairs provide a connection to the old Houlihan's.

stainless, fill the space between the kitchen and the ceiling.

There are, however, several dramatic differences between Altman's original design and the realized prototypes. The original entry was near the bar; the current doorway is centered in the restaurant, so entering guests "can take in the whole space and feel the whole concept," Hartnett says.

Altman also specified an open ceiling. But Houlihan's added pastel soffits to break up the space.

He also designed a mahogany drink rail to accompany the ADA-required ramp, which is to the left of the entryway. Houlihan's omitted the drink rail, calling it "too tight a fit" in that area of the restaurant, but will reconsider it for future locations.

The Algonquin store cost about \$2 million to build. Houlihan's will make changes to the prototype in the name of value engi-



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MENU SAMPLER

APPETIZER

Calamari, in peppery buttermilk batter, with sesame-ginger dipping sauce and Sriracha sauce, \$7.75

SOUP

Original Baked Potato Soup (pictured), \$3.95

SALAD

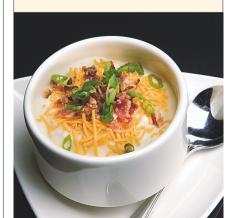
Ahi Tuna Salad: seared rare tuna, napa cabbage, cilantro, bananas and cashews in banana-ginger vinaigrette, topped with won ton strips and soy sauce, \$10.95

SANDWICH

Grilled Vegetable Panini: Italian bread layered with white beans, grilled zucchini, roasted red peppers, tomatoes, caramelized onions, provolone cheese and walnut-basil pesto, \$7.95

SPECIALTY

Chipotle-Smoked Chicken Enchiladas, filled with tomatillomarinated chicken, onions, garlic and queso fresco atop chipotlemozzarella sauce, with rice, black beans and chipotle slaw, \$10.95







Houlihan's center entryway allows immediate visual access to the entire space.

neering, for a target building cost between \$1.8 million and \$2 million, Hartnett says. Future building shells might be wood instead of expensive stainless steel. The chain is working with a lighting designer to create dimmers or other ways to reduce power costs. Building systems, such as the HVAC system, are also under review.

Most changes won't affect the guest experience, because customers are reacting well to the new, pareddown look, says Brian Tepen, director of design for Houlihan's. Sales at the two prototype stores are "north" of the system's average, which is \$2.8 million to \$2.9 million, though Hartnett won't give specific figures.

He does say that the sales increase isn't due to more seats: "It's because we fit the marketplace the way it's really compelling to consumers."

Customers at the Algonquin store are favorably comparing the new Houlihan's to an older store in nearby Schaumburg, Ill. "They say it's more modern, hipper and open," says Kurt Bayrenbruch, general manager at the Algonquin store.

Bayrenbruch and his staff especially felt the vibe on Mother's Day, when the restaurant was on wait from noon to 7:30 p.m. "We could have used about 20 extra tables," he says.

(Clockwise from top l.) Houlihan's display kitchen, visible from all angles, is the restaurant's focal point.

Plate-glass windows with aluminum framing add a modernist touch to the interior.

Glass doors just off the bar open to a 75-seat patio.

The artwork, which is evocative of nothing in particular, was created by a Kansas City firm called Hammerpress.

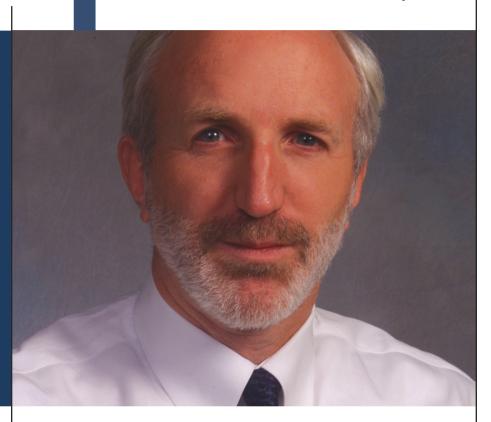
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The Grilled Shrimp 'N Spinach salad is one of Applebee's top three sellers. It tops fresh spinach with diced tomatoes, bacon, roasted red pepper, red onions, toasted sliced almonds, grilled shrimp and hot bacon vinaigrette.

urt Hankins doesn't obsess about the new culinary center Applebee's is building him. But he does think about it a lot. "Everyday," says Hankins, senior vice president of menu development and innovation for the 1,846-unit chain. "Especially when we've got about 25 people squeezed in our current space trying to get some new product out the door."

Not that a spiffy new test kitchen is the be-all and end-all—it's just there's an awful lot riding on the new dishes Hankins and his recently expanded 18-person team are speeding to market at an unprecedented rate. Any bells and whistles to help them will be appreciated.

Hoping to rebuild traffic counts, which have been down 5 percent since mid-2005, the chain has pinned its hopes on the bolder, more contemporary dishes its guests say they want. Applebee's believes cranking out lots of these dishes at a rapid pace can win back lapsed users and attract higher-income customers.

Newness Sevenfold

Hankins just hired four new chefs to bring fresh insights and muscle to the menu process and shave months off its development cycle. The team has fused limited-time offers into core menus, instead of handing out menu inserts. Guests will see seven menus in 2006, instead of the usual two. Each will feature a different assortment of food photos at the front—some old favorites, some new dishes.

With each menu introduction, the most successful items from the previous menu move to the core. "This means guests will be able to continue to order the new dishes they like on repeat visits, instead of seeing those dishes go away, as is usually the case with limited-time-offer promotions," Hankins says.



Speedy Delivery

Kurt Hankins shortens the development cycle at Applebee's to quickly deliver bolder, more upscale fare. By Monica Rogers



Parmesan Crusted Turkey Tenderloin



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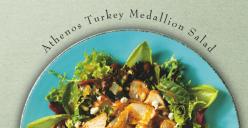
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Teriyaki Turkey Satay







Applebee's is adding bolder flavors to attract lapsed and new customers.

Three menus have already appeared this year: a January repeat of Applebee's popular Three-Course Combos, a February Shrimp Sensations menu, and in April, Steakhouse Inspirations.

Hankins says Steakhouse Inspirations foreshadows the sorts of things he plans through 2007. Capitalizing on Mother's and Father's Day and graduation celebrations with indulgences such as the House Sirloin & Lump Crab Cakes entree, \$13.99, Steakhouse Inspirations included five new items. Of these, two best sellers moved to the core in June. The \$7.99 Bistro Sirloin Sandwich, spice-rubbed grilled sirloin sliced thin and piled on a rosemary ciabatta roll with grilled red onions and a side of roasted garlic-Asiago cheese sauce and fries, moved to the Sandwiches, Rollups & Burgers section. And the Roasted Garlic and Asiago Chicken, \$9.99, Italian-seasoned chicken breast grilled and topped with roasted garlic, fresh tomatoes, basil and roasted garlic-Asiago cheese sauce and served with a side of garlic mashed potatoes, seasonal veggies and toasted side bread, is now on the Hot off the Grill section.

"This means every time a guest comes in here, they're seeing new news," says Hankins, who has changed virtually all of Applebee's menu items in the five years he's been on board as head development chef.

Born into a family of "excellent cooks," Hankins started his own food experiments when he was a little boy. After getting a bachelor's degree in business and marketing from the University of Kentucky, Hankins went on to culinary training at both the Culinary Institute of America at Greystone and Johnson & Wales Culinary Institute. He spent 10 years in operations and later menu development at Chi-Chi's and 11 years at Red Lobster. Hankins joined Applebee's in 2001 because of "Applebee's variety," he says. "I loved the brand, the value aspect and the fact that I



could work on everything from Southwestern American to Asian, bringing affordable dishes to a new level of excellence for mainstream America."

Food Quality Foremost

To get guests in to try what's new, Applebee's shines the spotlight on the food, rather than hammering simply on the value. To appeal to both lapsed users and potential new ones, the company's new TV spots and menus feature large color images of dishes such as the April-launched House Sirloin and Lump Crab Cakes, \$13.99, and Quesadilla Burger, \$7.49, Southwest-seasoned Angus beef topped with melted cheeses, bacon bits, tomatoes, red onion and jalapeños and tucked into grilled flour tortillas with melted pepper-Jack cheese, pico de gallo, Mexi-ranch dressing and shredded lettuce. Though he can't give figures, Hankins says the photos are successfully prompting first-time trials.

Management is convinced that the food-focused campaign will work with lower-income guests because they are food savvy enough to note that they're not going to get dishes of this caliber at QSRs or be able to quickly and cost-effectively create such recipes at home. And they believe higher-income guests will appreciate the quality these more contemporary, upscale dishes bring to this price point. Once the ads have done their job—getting guests in for first-time trial of new foods—manage-

Cross-utilizing ingredients, Applebee's features crab cakes as both an appetizer and as part of a sirloin entree.

SNAPSHOT

CONCEPT

Applebee's Neighborhood Grill & Bar

HEADQUARTERS

Overland Park, Kan.

UNITS

1,846

1,040

2005 Systemwide Sales

\$4.3 billion

AVERAGE CHECK

\$10.50 to \$11.00 in company markets

EXPANSION PLANS

80 franchised, 40 company-owned in 2006



MENU SAMPLER

APPETIZING STARTERS

Veggie Patch Pizza: ultra-thin crust with mushrooms, creamy spinach, artichoke hearts, tomatoes, a blend of Italian cheeses and herbs, \$6.49

SALAD SELECTIONS

Pecan-Crusted Chicken Salad: pecan-crusted chicken with Mandarin oranges, sweet-glazed pecans, celery, dried cranberries, romaine lettuce and blue cheese tossed with balsamic vinaigrette and served with toasted bread, \$8.99

NEIGHBORHOOD FAVORITES

Three-Cheese Chicken Penne (above): mozzarella, provolone and Parmesan cheeses with penne pasta, Italian-seasoned grilled chicken, diced tomatoes, fresh basil and Alfredo sauce, served with toasted bread, \$8.99

WEIGHT WATCHERS

Teriyaki Steak and Shrimp Skewers, grilled and served with rice pilaf, steamed vegetables and teriyaki sauce, \$9.99

ment hopes that product quality and value (checks average \$11 in company markets) will bring them back.

Analysts such as Jeff Omohundro of Wachovia Securities, applaud the approach, saying, "It's good to see the food more the focus." But others such as John Glass of CIBC World Markets question whether the approach will communicate clearly enough to lapsed, lower-income users.

Lending substance to the quality equation, Hankins and team have quietly upgraded ingredients in long-standing recipes such as using spring mix for salad and Angus beef for burgers. Hankins will continue to introduce more contemporary, upscale recipes like the Roasted Garlic and Asiago Chicken.

And to ensure kitchens are executing to a high level, "We've refocused on basics like proper techniques for seasoning proteins on the grill to make sure flavorings are evenly sprinkled on and in the proper amount," he says. "We've also reviewed the way we prep lettuce for salads to ensure that it looks fresh and stays crisp."

TOQUE OF THE TOWN

Applebee's continues to add to its Weight Watchers menu to stay ahead of the healthful-dining trend.

Upgrading Cost Effectively

Applebee's does not expect the move upmarket to significantly affect food or labor costs. Labor costs for first quarter '06 held steady at 32.8 percent, and food costs moved only slightly north from the previous quarter to 26.7 percent. Beyond negotiating strength that comes from Applebee's giant size, Hankins says, "In some cases we can trade portion for quality and still have a win-win for the guest."

Also a help: Hankins does what he can to cross-utilize ingredients. For example, he uses the same sauce on the Asiago chicken and bistro beef. And the crab cakes are available as both an appetizer and entree with sirloin.

Given the uncertainty of gasoline prices and other macro trends, Applebee's has been reluctant to lift menu prices significantly. After a 1 percent increase in November, menu prices increased another 1.5 percent in May. CFO Steve Lumpkin says the menu increases are "modest, given the environment and given what other people in the space are doing."

But that's not to say Applebee's isn't hoping for higher check averages. The \$14 steak and crab cake dinners are a few ticks higher than Applebee's mainstream menu favorites, which hover in the \$10 range.

Drinks, Health Hold Promise

The company also expects ticket increases from its new beverage push. Featuring smoothies, juice and energy blends, and spirits-based specialties, the initiative is designed to increase beverage sales, which now figure at 20 percent of the mix, while holding tight on overall beverage costs. Drink menus in combination with "50 percent-off appetizer" hours are already driving off-hours traffic in some test markets. One example: The Strawberry Coco Frost

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TOQUE OF THE TOWN



Bringing a bistro spin to the sandwich section, Applebee's launched a new grilled sirloin sandwich on rosemary ciabatta in April. Topped with grilled red onion and roasted garlic-Asiago cheese sauce, the steak is seasoned with a spicy rub.

Applebee's guests will see seven different menus in 2006, instead of the usual two.

Smoothie blends strawberry, banana and coconut purees with crushed pineapple.

Also yet to reach it's full potential? Applebee's Weight Watchers section. While sales of this section leveled off somewhat in 2005, accounting for only 5 percent to 8 percent of sales, Hankins quotes national studies that find three-fourths of Americans say they want to eat more healthfully. Giving them new reasons to do so at Applebee's, in April Hankins added the Southwest Cobb Salad, \$6.99, grilled chipotle-chicken, shredded cheese, broccoli, diced tomatoes, shredded carrots, corn and black beans on a bed of mixed greens with cilantro-ranch dressing. Cajun Lime Tilapia, \$8.49, grilled Cajun-seasoned tilapia with lime juice, black bean and corn

salsa, rice pilaf, and seasonal veggie medley, also went systemwide in April.

To keep creativity flowing into the future, Hankins again speaks of the new culinary center. He's looking forward to more elbow room, a full-sized Applebee's kitchen line, an area for test equipment that will allow the team to play around with line design, and another to encourage ideation, inspiration and blue-sky thinking.

"We really want this to be anything but white walls and pale fluorescent lighting," Hankins says. "Along the lines of what you see at the Culinary Institute of America's Greystone campus. There, if a chef wants fresh herbs, he heads out to the garden with a basket to pick some. We want our idea center to be as fresh and fertile as that."



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Chipotle Mexican Grill CEO Steve Ells believes that improving ingredients, not changing the menu, will sustain the chain. By David Farkas

ith comparablestore sales growing by double digits, shares trading hands at \$60 apiece and a market cap of nearly \$2 billion, 505-unit Chipotle Mexican Grill looks like the real deal: a proven concept with plenty of staying power.

The 13-year-old company's track record helped double the stock price on its opening day in January, making it the second biggest gain in restaurant history (ill-fated Boston Market holds the record). The Denver-based company is using part of the \$121.4 million it raised to open about 90 units this year and 80 to 90 in 2007.

Credit McDonald's Corp. for recognizing the chain's potential in 1998, investing in it and waiting patiently as founder and CEO Steve Ells and his management team opened new markets and improved a limited menu emphasizing naturally raised meats and vegetables.

Today, Ells, 40, who earned a degree at the Culinary Institute of America, remains focused on improving food quality without adding new products. In fact, the food





"When it comes to a recipe or the food, I am not looking necessarily for anyone else's opinion."

is a subject he prefers over sales trends, margin issues, traffic counts and the like.

In a Chipotle unit near company head-quarters, *Chain Leader* grilled him about the direction the chain is heading.

I've been wondering why you don't add another healthful protein.

We could do that. What next, lamb?

BIOGRAPHY

Full Name:

M. Steven Ells

Hometown:

Boulder, Colo. **Education:** University of Denver, B.A. in art

history, 1988; Culinary Institute of America, 1990

Ladder-climbing:

cook, Stars Restaurant, 1991-92; founder, CEO and chairman, Chipotle Mexican Grill Inc., 1993-present

On his nightstand:

The Omnivore's Dilemma by Michael Pollan; various cookbooks

Hobbies: cooking, cycling, art

Personal: Single

No, fish.

Maybe. We are taking a slightly different angle. We'll offer the things we are currently offering, only we will make them better. The whole concept of "fresh" not being enough anymore. To the people who appreciate Chipotle's tastes and also those people who consider their diets and what they are putting into their bodies, this concept of "food with integrity" makes perfect sense.

How far can you take it? Some people don't care where the corn comes from or whether the stuff is organic.

Not everybody is asking for that. But people were not asking for Chipotle 13 years ago, either. Today, about half the chicken [Chipotle] serves is naturally raised with no antibiotics, on all vegetarian feed and humanely raised.

I don't think this restaurant qualifies because I see that the thighs in the walk-in come from a purveyor not known for naturally raised chicken.

Yes, that's correct. But we have made huge strides in getting naturally raised meat into our restaurants in just the last year.

You have said it's tough to get naturally raised chicken in the West. Any idea when that will change?

Our two biggest suppliers are in the Midwest and East. Within the next couple of years, all of our meats are going to be naturally raised. Today, all of our pork is naturally raised.

Is it harder to market something that's good for you even though you might not be able to taste the difference in the products?

I think you can taste the difference over time. We're putting more organic beans into the mix every day. We are serving naturally raised beef. And constantly pushing to get better quality raw ingredients, whether it's pasture-raised dairy or organic cilantro or what have you, and always following this food-with-integrity journey—and always making sure you're raising things in a sustainable way is appealing on so many different levels.

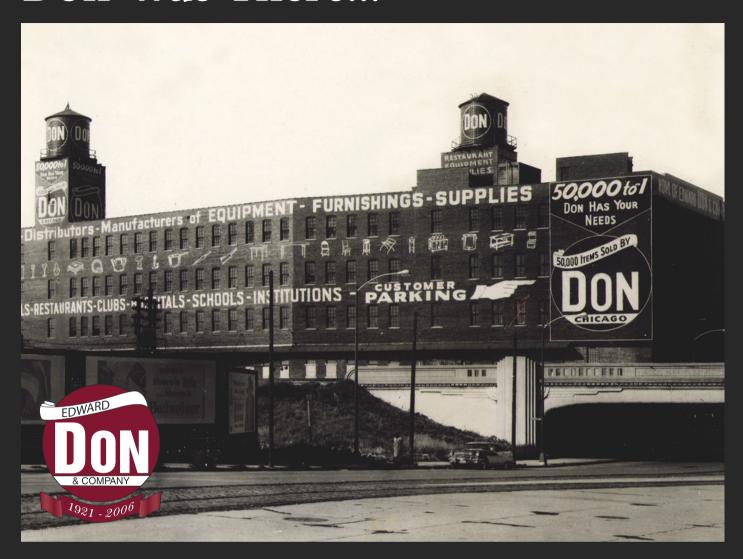
Why pay more for such products now when you have to take a price increase or lose margins on it?

We are not losing margin because we take a price increase when we add naturally raised items, and we're not seeing any degradation in transaction counts as we did this. So it's telling us that customers do think this is relevant and important.

At some point, do you want to account for the provenance of all your ingredients?

Absolutely. It is important that we know where every single ingredient comes from. It has an impact on the environment, on the workers who farm the land, on the notational value of what we are feeding customers. The more we can understand how the food was raised, the better off we are at giving customers a better quality experience.

Don Was There...



...to Deliver

Business was booming in the 1950s and time was at a premium. Fast food was everywhere and to keep up with the demand, Don was there to deliver from distribution centers in Chicago, Philadelphia and Miami. Don continues to grow with the industry and today we distribute foodservice equipment and supplies nationwide from six state-of the art facilities.

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Edward Don & Company 85 years of everything but the food.



"Think about Chipotle as an efficient way of getting top-quality raw ingredients cooked in front of you and put together in a way that works for your diet."

Have you figured out a tipping point where you raise prices too much?

Our vision is to feed the masses. We want to be available to people who eat fast food.

That's what McDonald's does now.

And we are feeding the masses, too. We think we can have thousands of restaurants.

You've said elsewhere that "food with integrity is the single biggest factor driving growth and profitability."
Is this true?

It is one of the things that contributes to it.

How do you know this?

We talk to our customers. We get a lot of customer feedback about what they like and don't like. You also understand what's going on in the world around you and what's important to people.

How do you know it's not just a bunch of people who like coming here for the flavor of Mexican food?

That's part of it. If you look at the Chipotle demographic, [the concept] appeals to so many people for so many reasons. Just to expand the number of reasons that people come is good for us.

When you do attribute research, what do you see?

The last customer research we did, people say they come

for the taste of the food and quality. That's the No. 1 reason they are coming. That's great, but it doesn't mean we can't improve our food.

In three to five years, what's the menu going to look like?

I hope exactly what it is today but with better ingredients.

But new ingredients?

There have been two new ingredients in the past 13 years: red-wine vinegar and honey. And those are in the Chipotle honey vinaigrette.

As a food person, I can certainly think of new, exciting things to make, but we have discipline here to appreciate our operating system. It has allowed us to bring cooking back to fast food. We are cooking in front of

the customer. You can't do that and continue to drive sales by adding new menu items. How new are "new" menu items anyway?

But fish seems like a natural.

You really want fish. Well, you are not going to get it anytime soon! It's certainly doable.

Can you do it in your kitchen setup?

Hey, I've set up the whole line with breakfast. It was great. We could roll out a new daypart. We've done shrimp tacos, we've done fish tacos just playing around back there. All these things are a possibility.

So why not add something new?

We continue to grow the business—new units and same-

Chipotle Is Smokin' Revenues (in millions)

'02 \$204.6

'03

′04



\$470.7



Sources: Company reports, The Buckingham Research Group; *Buckingham estimate

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"We continue to grow the business—new units and same-store sales—by staying very focused on a few things and doing those few things better than anyone else."

store sales—by staying very focused on a few things and doing those few things better than anyone else.

Aren't purveyors trying to interest you in the new and better?

They know we want something better. We want something better from everybody, even our best suppliers.

How do you work with purveyors?

We visit farms, commissaries, distributors. It is about the profit and taking advantage of opportunities.

What's on the horizon in that regard?

The question now is how to make our dairy better: sour cream and cheese. And we are working with the supplier who makes our cheese. And they are purchasing milk from farmers that don't use [bovine growth hormone]. Not all have that ability, but they will get there. And we've been

looking at pasturing dairy operations and organic and sometimes nonorganic. Pasture ways can look better than organic, but you really have to get in and understand what the conditions are.

What difference does it make flavor-wise?

It has an impact on flavor. The flavor of milk from cows that are out on pasture and in sunlight all day is probably different from that of eating grain in a barn.

Is Whole Foods a model for Chipotle?

Whole Foods is definitely someone we look up to. By the way, not everything in Whole Foods Market is organic and free range. At Chipotle we can't have 100 percent free range or organic. We wouldn't succeed in our mission to feed the masses—or make acceptable really great quality food. We have to have a stair-step approach to work with suppliers to manage the cost.

On the note of food with integrity, I wonder if you've ever thought of "expansion with integrity"? In other words, avoiding expanding to avoid urban sprawl.

It's an excellent point, and certainly, you know, I could feel hypocritical about on the one hand, [promoting] naturally raised meat and, on the other, supporting that kind of sprawl.

With the addition of 80 or 90 restaurants this year, can you avoid it?

A lot of our development in the past has been areas where we remodel old buildings. We have excellent examples of this, espe-

cially as we go into densely packed cities. In Boston we will have a lot of opportunity to do that kind of thing. And certainly in New York.



But Chipotle's expansion isn't limited to urban areas.

No, it will be a balance. You're right. Certainly we will be going into new development. There's no question about that.



A Sweet Repeat 2005&1999

In 1999, Sunny Fresh Foods was the first food company to receive the prestigious Malcolm Baldrige National Quality Award for business performance excellence.

An accomplishment worth repeating.

In 2005, we were named one of only 6

Malcolm Baldrige award recipients nationwide –

and the first food company to receive the

honor a second time.

As a leading supplier of value-added egg products to foodservice, Sunny Fresh looks forward to raising awareness about the Baldrige program by sharing performance insights to help others in their pursuit of excellence.



The Malcolm Baldrige national quality program recognizes companies that achieve performance excellence in 7 key areas. Many companies apply each year, but fewer than 80 have received the award since Congress founded the program in 1987. To learn more about it, visit www.baldrige.nist.gov

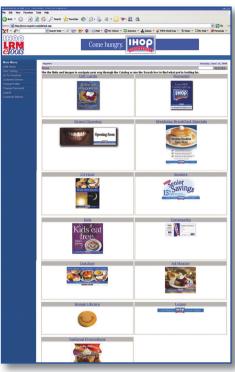




Hot off the PRESSES

IHOP units customize marketing with an online print-management tool.

BY CHRISTINE ZIMMERMAN



IHOP uses a printmanagement system that allows franchisees to visit a secure Web site and peruse a catalog of materials that they can customize for their stores.

SNAPSHOT

COMPANY

IHOP Corp.

HEADQUARTERS

Glendale, Calif.

UNITS

1,252

2005

SYSTEMWIDE SALES

\$1.9 billion

2006

SYSTEMWIDE SALES

\$2 billion (company estimate)

AVERAGE CHECK

\$8

EXPANSION PLANS

50 to 65 annually

IHOP corporate realized a few years ago that with more than 1,200 locations across the country, most of which are franchised, it can get pretty tricky presenting a unified marketing message. One unit down South, for instance, may have something very different to say in a local coupon promotion than an IHOP television campaign might convey nationwide.

The Glendale, Calif.-based family-dining chain wanted to make its overall brand image consistent, yet still allow franchisees to meet their customers' unique pricing needs and regional preferences. After all, country-fried steak in one area of the United States is chicken-fried steak in another. So in 2003 the company began using a print-management system that helps units create customized marketing materials—including menus—online.

"The system is helping franchisees drive down printing and distribution costs, but this is also about that fact that we are sending the right message to guests and representing the IHOP brand appropriately," says Patrick Lenow, director of public relations and communications. "We have 1,250 restaurants acting like a chain, not a bunch of units with some disjointed effort."

Tools of the Trade

The system, called eTools, allows franchisees to visit a secure Web site and peruse a catalog of materials such as coupons, door hangers and even newspaper ads that they can customize for their stores. It also has templates to help franchisees create marketing materials to address unique situations such as road construction by a unit or new competitors in the area.

IHOP franchisees can also order national point-of-purchase materials online.

Franchisees use the system to order menus online twice a year. Lenow explains that menus are IHOP's primary marketing tool, so it is important to keep them fresh with limited-time offers and items labeled as "new." The franchisee can go into the system to add or delete menu items or adjust pricing. The core items are there, but there are specific variations from which to choose. IHOP's regional offices then go into the site and review the franchisees' choices to make sure the overall market strategy is on target.

Orders for menus and other marketing materials go to the vendor, where they are printed and distributed. Franchisees can still use local printers if they have an urgent need for the materials.



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Farrellynn Wolf, CFO
Mr. Goodcents Subs and Pastas
Franchise Systems



"The software products created by InfoSoft Technologies have proven their value in our stores and at the headquarters level. We are impressed with the ease of use and the control we now have over our data, along with the low upfront cost and anticipated savings. The initial rollout has gone very well, InfoSoft's management and support teams have been there every step of the way. Our franchisees are able to manage their stores more effectively with InfoPOS™ by obtaining sales, management, payroll and other information at any time. We look forward to the complete rollout in all 320 of our Jersey Mike's locations."

Peter Cancro, President/CEO
Jersey Mike's
Franchise Systems



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> Marty Kunofsky, Store owner Carvel/Cinnabon Express Suwanee, GA





























Franchisees have saved 15 to 20 percent on printing.

Prior to automated menu printing, franchisees were printing menus on demand, depending on their needs. "We were not doing a good job taking advantage of efficiencies of scale," Lenow says. "With this paperless system, there is no more faxing or overnighting of proofs back and forth."

Lenow won't put a dollar amount on IHOP's overall savings but does say that the average franchisee has seen 15 percent to 20 percent savings on menu printing alone. "Considering the quantities they print twice yearly, that is significant," he says.

"Other savings, though, include getting our franchisee back out with the guests instead of poring over proofs, and having materials out there that we are proud of as a corporation," Lenow adds.

Ron Paul, president of Chicago-based foodservice consultancy Technomic Inc., says a system like this meets a growing need in the industry. "Chains need to learn to customize," Paul says. "Menus within a given market won't even be the same. A unit in the city will have different needs than a unit in the suburbs, for instance."

Paul adds that IHOP's tool solves some of the cost and logistics problems of customization while still allowing corporate to maintain control of quality.

A Major Investment

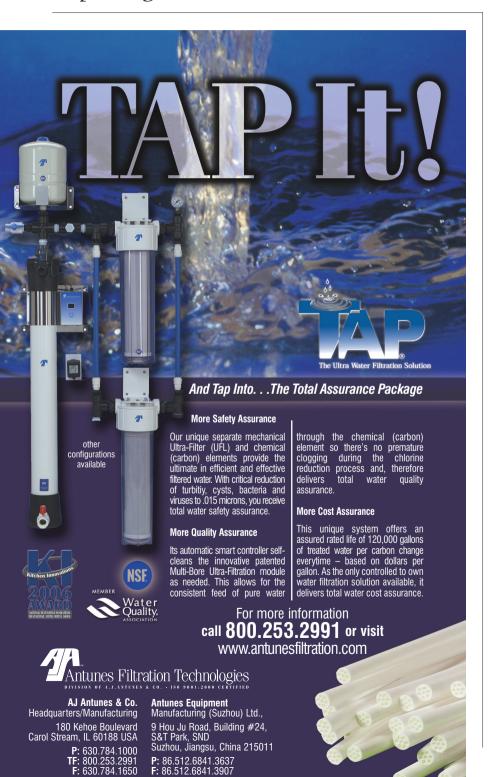
While franchisees must pay for their own printed materials, IHOP Corp. paid for the system. "This was our investment to help franchisees focus on what they do best—serving guests," Lenow says.

IHOP won't reveal how much it paid for the system, except that it "was not a minor investment," Lenow says, adding that working with a third-party provider enabled efficiency at a lower cost. "We knew the payback would be number of years. We are reaching payback time."

Kent Barkouras, CEO of MyPrint, the Irvine, Calif.-based printing company that developed eTools, says that setting up the program can cost less than \$10,000, depending on the complexity of the system.

ETools' next version, due out this summer, will allow self-administration, so users can load items to catalogs, add and delete other users, and create customized reports so managers can review data on how marketing materials are being used.

But all this technology is not intimidating, Barkouras insists, noting IHOP has 100 percent system participation. "Before using eTools, 30 percent of the units had never even placed any kind of order online for b2b purposes," he says.



If You Purchased the Flavor Enhancers MSG or Nucleotides from Entities other than the Manufacturers,

Your Rights may be Affected by a Class Action Settlement.

There is a proposed Settlement of a class action lawsuit on behalf of purchasers of MSG or Nucleotides or products containing MSG or Nucleotides. The class action is named *Eugene Higgins v. Archer Daniels Midland Co.* (D-202-CV-200306168) and is pending in the Second Judicial District Court, County of Bernalillo, State of New Mexico.

What Is the Class Action About?

The Settlement of the class action lawsuit will resolve antitrust, consumer protection, and unfair trade practice law claims brought on behalf of all persons or entities in the states listed below who indirectly purchased MSG (monosodium glutamate) or Nucleotides (disodium guanylate (DSG) and disodium inosinate (DSI)) manufactured or sold by any of the Defendants or Co-conspirators. Indirect purchases are purchases made from entities other than the manufacturers listed below.

What Are MSG and Nucleotides?

MSG and Nucleotides are food flavor enhancers. MSG and Nucleotides are used in dehydrated soups and gravies; canned meat; sausage; prepared meals; tomato sauce and ketchup; mayonnaise; snack foods (mix in salt); soy sauce; crab, prawn, fish and shellfish (preserved); Asian cuisine; prepared vegetables; and a variety of other products.

Who Is Involved?

Anyone present in the states below who indirectly purchased MSG or Nucleotides between January 1, 1983 through November 1, 1999 is a Class Member:

Arizona, Arkansas, the District of Columbia, Florida, Hawaii, Iowa, Kansas, Louisiana, Maine, Michigan, Minnesota, Mississippi, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Puerto Rico, South Dakota, Tennessee, Vermont, West Virginia and Wisconsin ("Class Jurisdictions").

Settlement of these lawsuits could affect you if you indirectly purchased products containing MSG or Nucleotides manufactured or sold by Archer Daniels Midland Company; Ajinomoto Co., Inc. and Ajinomoto USA, Inc.; CJ Corp., f/k/ a Cheil Jedang Corporation and CJ America, Inc.; Daesang Corporation, Daesang Group d/b/a/ Miwon Group, Miwon Company Ltd., Daesang Japan, Inc. and Daesang America, Inc.; Kyowa Hakko Kogyo Co., Ltd., Kyowa Hakko U.S.A., Inc., Kyowa Foods, Inc., and Kyowa America, Inc.; Samsung Corporation; and Takeda Pharmaceutical Co. Limited f/k/a Takeda Chemical Industries Ltd. (collectively referred to as "Settling Defendants") and their affiliates.

What Are the Terms of the Settlement?

The Settling Defendants have agreed to establish a fund (the "Settlement Fund") to resolve this litigation. Plaintiffs will recommend the Settlement Fund, minus various costs (including attorneys' fees, the costs of notice and settlement administration), be distributed *cy pres* to various charitable organizations within the Class Jurisdictions or as otherwise directed by the Court. Plaintiffs' counsel will request attorneys' fees not to exceed 33.33% of the Settlement Fund plus reimbursement of expenses.

Plaintiffs propose that the approximate distribution of the Settlement Fund (before costs) be allocated to each of the participating states as follows: Arizona-\$1,813,740; Arkansas-\$942,667; District of Columbia-\$202,852; Florida-\$5,648,050; Hawaii-\$429,570; Iowa-\$1,034,150; Kansas-\$950,622; Louisiana-\$1,579,067; Maine-\$449,457; Michigan-\$3,512,132; Minnesota-\$1,738,167; Mississippi-\$1,006,307; Nevada-\$707,995; New Jersey-\$2,975,170; New Mexico-\$644,355; New York-\$6,706,065; North Carolina-\$2,843,912; North Dakota-\$226,717; Puerto Rico-\$1,344,395; South Dakota-\$266,492; Tennessee-\$2,008,637; Vermont-\$214,785; West Virginia-\$640,377; Wisconsin-\$1,893,290.

What Are Your Options?

If you do not want to be legally bound by the Settlement, you must exclude yourself in writing, postmarked by **September 15, 2006** and sent to MSG Indirect Purchaser Settlement Administrator, P.O. Box 832, Acworth, GA 30101-0832. Excluding yourself may allow you to bring your own claims against the Settling Defendants.

If you stay in the Settlement Class you will release claims related to the purchase of MSG and Nucleotides during the time period. You may object to or comment on any aspect of the Settlement. Your objection/comment must be written and postmarked by **September 15, 2006**. You may also request in writing to speak at the Final Approval Hearing. The detailed *Notice of Proposed Class Action Settlement* describes the procedures for excluding yourself from or objecting to the Settlement or requesting to speak at the Hearing and can be obtained as outlined below.

Final Approval Hearing

The Court will hold a Final Approval Hearing on **October 25**, **2006** at 9:00 a.m. MDT and will consider whether to approve the Settlement, award attorneys' fees, and allow reimbursement of expenses.

For more information and a copy of the *Notice of Proposed Class Action Settlement*, Call: 1-888-245-1009 Access: www.msgindirectsettlement.com

or Write: MSG Indirect Purchaser Settlement Administrator, P.O. Box 832, Acworth, GA 30101-0832

MICHAEL KAUFMAN

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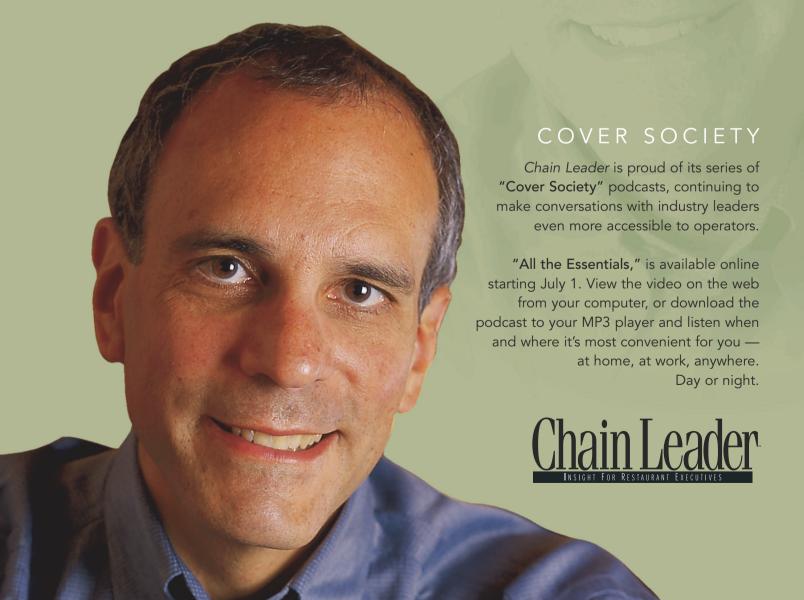
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- Fitting the right restaurant concept into a specific site



Beyond the Bucket

Chicken served at fast-food chains is likely inside a bun or alongside a dipping sauce.

BY MARY BOLTZ CHAPMAN

n their last visit, 18.5 percent of all fast-food users bought chicken. According to Quick-Track, a quarterly survey by San Clemente, Calif.-based Sandelman & Associates, a 21-quarter average shows that, of those having chicken, 44.9 percent had a sandwich; 27.6 percent, nuggets or strips; 16.8 percent, fried on the bone; and 8.1 percent, wings. (Figures for chicken wings and strips are an average of

19 quarters, as they were added to the survey in third-quarter 2001.)

- While only 57.5 percent of QSR users bought side dishes with their most recent purchase, 75.3 percent of diners who had chicken ordered sides, according to a 21-quarter average. Of those who did, 43.6 percent had french fries, 11.0 percent had mashed potatoes and gravy, and 7.5 percent had coleslaw.
- Customers having chicken on their last occasion were also more apt than all fast-food customers to have a beverage: 81.1 percent vs. 77.0 percent.
- A 21-quarter average shows 47.7 percent of QSR users ordering chicken on their last occasion did so at lunch and 46.7 percent at dinner. Of all QSR occasions, 42.0 percent were lunch; 41.4 percent, dinner.

- 36.6 percent of fast-food users who had chicken on their last visit used the drive-thru, while 40.5 percent of all users did. 30.8 percent of those having chicken used carryout; 23.0 percent of all users did.
- The average amount spent per person is slightly higher for guests having chicken on their most recent occasion than the all-user average: \$4.82 vs. \$4.77, a 21-quarter average shows.
- Customers ordering chicken on their last visit were less likely than all QSR users to use a limited-time special deal: 16.0 percent vs. 21.8 percent.
- First-quarter 2006 data reveal that black customers account for 10.0 percent of all QSR users and make up 14.6 percent of chicken-chain customers.

Methodology

Customer trend data is based on the quarterly Quick-Track survey by Sandelman & Associates, a San Clemente, Calif.-based research firm. Quick-Track queries a nationally representative sample of 600 fast-food customers on a host of demographic and usage questions. The firm defines "QSR chicken-chain users" as those who have purchased food from a chicken chain at least once in the past month. Most-recent purchase data is based on all QSR users who ordered chicken on their last QSR occasion.



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Spreading the Word

Happy Joe's Robert Lewis teaches diabetics about balance and moderation based on personal experience.

BY MAYA NORRIS

hen Robert Lewis is not overseeing menu development and training at Bettendorf, Iowa-based Happy Joe's Pizza & Ice Cream, the training guru and chef of the world (his actual title) teaches cooking classes and writes cookbooks for diabetics—a cause close to his heart.

Lewis was diagnosed with diabetes in 1998. A graduate of the Culinary Institute of America, he started developing diabetic-friendly recipes when he couldn't find many diabetic cookbooks written by chefs. The next year he began demonstrating those recipes at health fairs and for hospitals and health groups. Because attendees asked him where they could get his recipes, Lewis decided to write a diabetic cookbook. He published *Get Happy, Get Healthy: Recipes from the Kitchen of Chef Robert Lewis, the Happy Diabetic* in 1999 and *Simply Desserts* the next year.

Robert Lewis, training guru and chef of the world at Happy Joe's Pizza & Ice Cream, conducts cooking classes to show diabetics how to prepare healthful, flavorful meals and has a Web site, www.happydiabetic.com, where they can ask questions and get more information.

Outside the Kitchen

Lewis now spends at least three hours a week writing and testing recipes for two cookbooks he's working on. One follows up his first book with more appetizers, entrees and desserts for diabetics. The

other features finger-food recipes for diabetic children to cook with their parents.

He also conducts diabetic-cooking demonstrations two or three times a month. During the hour-long classes, which range in size from 10 to 500 participants, Lewis prepares an appetizer, entree and dessert. His quick, easy recipes have 10 ingredients or less, use fresh herbs, and contain a balance of protein and carbohydrates. Lewis also cooks on *Paula Sands Live*, a local TV show, two or three times a month in fiveminute segments.

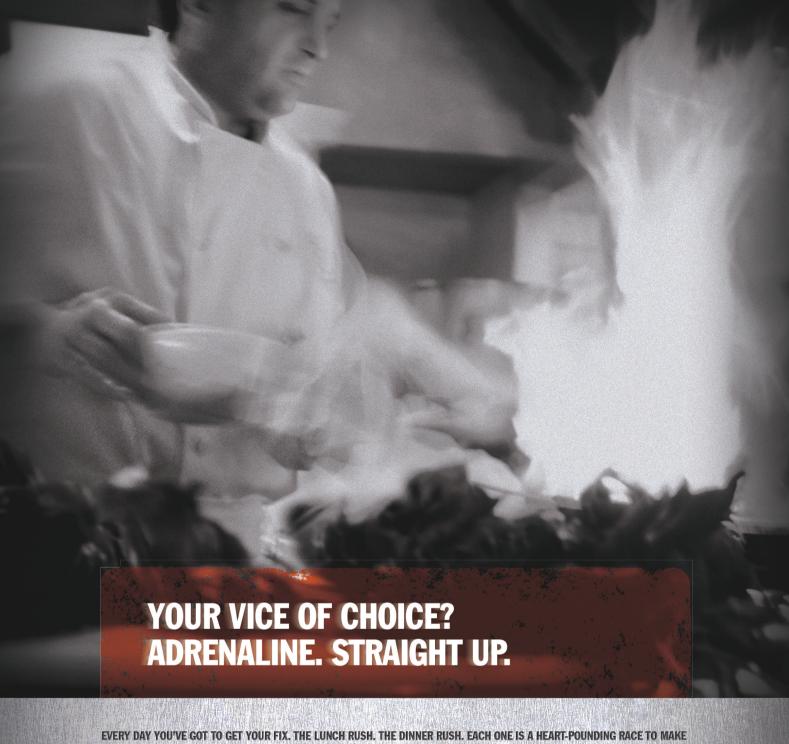
Whether in person or on TV, Lewis wants to show that healthful meals can be flavorful and easy to cook. "What I try to bring to diabetics is that there's hope. That there are all kinds of good foods that you can be eating and all kinds of ways that you can be cooking than to just be lazy and eat a lot of fast food and some burgers," he says. "So I try to bring restaurant-style cooking that's really simple to the masses."

Lewis also stresses portion control and moderation. "There's really nothing we really can't eat," he says. "Every food has a part of a healthy diet with maybe the exception of cotton candy." For example, if he eats a sandwich with white bread, he'll pair it with celery instead of potato chips.

Lifestyle Changes

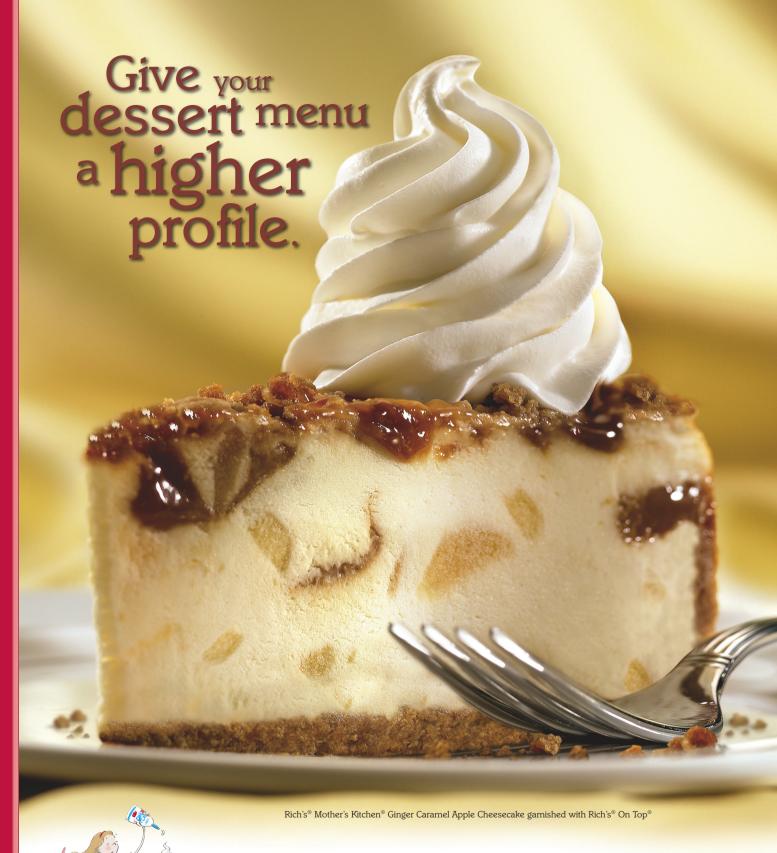
It's a strategy that's worked well for Lewis. He now eats five small meals a day, including a lot of fruits and vegetables. He also walks 1 or 2 miles a day with his wife, Cindy. As a result, he has dropped 15 pounds and has more energy.

Lewis will need that energy as he continues to balance his obligations to Happy Joe's, his family and his fellow diabetics. But he says it's worth it. "I feel this compassion for people who are hurting that have diabetes," Lewis says. "I'd much rather drive three hours for a one-hour cooking demonstration for 20 diabetics than play a round of golf. I just have this passion to spread the word of hope."



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