

August 2006

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10 years of
Chain Leader

Chain Leader®

INSIGHT FOR RESTAURANT EXECUTIVES

 Reed Business
Information.

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Wendy's is squaring
off with taste,
choice and value.

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A look back at 10
years of chains.

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here to
Renew

THE NEXT BIG THING?

A rich supply of cash and talent
puts Potbelly on the map.

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Bryant Keil, CEO, Potbelly Sandwich Works



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We've Only Just Begun



David Goronkin talks about the steps to making Famous Dave's more famous.

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.

For more about Goronkin's leadership priorities and plans for Famous Dave's, download the podcast or view the extended interview at www.chainleader.com.

When David Goronkin was on the cover of *Chain Leader* in March 2005, the CEO of Famous Dave's told us the chain was just hitting its stride. Today he likes the pace at the 132-unit casual-dining barbecue chain, crediting brand focus and people development. Goronkin sat down with *Chain Leader* to discuss what differentiates Famous Dave's.

In March 2005, you said you were just hitting your stride. What does "hitting your stride" mean?

You can really equate it back to kind of the life cycle of an organization. You've got storming, you've got forming, and you've got norming. Back in 2003, when I got involved with Famous Dave's, we were going through the storming phase. We had to set strategic planning, put an infrastructure together, put a team together. Then we moved more into the forming mode, where we had the best talent assigned to the job. And now we're in the norming stage.

We're at a point now where we have aggressive growth. Last year we opened up 24 restaurants. This year we'll open up 25 to 30 franchise restaurants in addition to three company-operated restaurants.

How is the smokehouse prototype performing?

We are very excited about it. In fact, we are building smokehouses now all over the country. We now have a building that's functional. We now have a building that will fit on many spaces across the country. We have two entrances, one for to-go and one for in-restaurant dining.

At Famous Dave's the to-go business is a very important piece of our business: 22 percent of our business is to go, another 10 percent is catering. We have to legitimize that experience for the guest. Oftentimes you go into a casual-dining restaurant and you want to order to-go, what do they do? They point you to a bartender, they point you to a hostess. And it's a distraction. We legitimize it by having a separate entrance.

We also positioned our main entrance right in between the to-go and the bar. So we've got adjacencies of all three of our revenue centers as each guest walks in.

We put a smokehouse on the exterior, so we got some great new brand iconography. So ultimately you won't even have to look for the sign, you'll know by the glance of the eye that's a Famous Dave's.

Another problem that some casual-dining restaurants have with takeout and catering is in the back of the house.

Because we positioned the to-go area right up by the front door, we had to reposition our kitchen so that part of our kitchen is adjacent to that area as well as into the main areas into the dining room. It took a lot of architectural work to get us to that point. It's a very functional kitchen, and it's a very functional space for our guests to be able to use us.

Are you bringing any of those smokehouse elements into the older stores?

In fact we are. We call it "reskinning." We're going back in and on the exterior putting the new smokehouse look on it because we really do believe that it's a sales driver for us.

Famous Dave's has a reputation for building teams and promoting. Could you talk about how that works in your organization?

We know that the greatest asset we have is talent. We've got terrific people, and our objective is to make sure that we understand the developmental needs for each person as an individual. We've got some people that have executive coaches. We've got some people that we've put on boards of nonprofit organizations. We've got some people that go out and network with others in the industry that have the same position.

Everybody's got different needs, and the way that we've been able to tackle that is by sitting down and talking with people, giving them feedback and helping them achieve their career goals. **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.



Chain Leader

INSIGHT FOR RESTAURANT EXECUTIVES

Vol. 11, No. 9
August 2006

STORYBOARD

23 Don of a New Day

In the midst of a turnaround, Don Pablo's, the Lubbock, Texas-based Mexican chain, has returned to the airwaves after a five-year absence. The new ad campaign emphasizes the chain's new dishes and festive atmosphere. It is focusing on strengthening brand awareness, improving in-store service and beefing up sales at current locations.

By Margaret Littman

RESTAURATOUR

28 Setting the Stage

Benihana's contemporary new prototype plays up the brand's showy display cooking. Set against a 20-foot-high blacked-out ceiling and jutting wood beams, the restaurant is broken up into several areas: a round sushi bar, semiprivate booths and two separate dining rooms equipped with teppanyaki tables. So far, the new locations have seen sales increase about 30 percent.

By Lisa Bertagnoli

TOQUE OF THE TOWN

37 Squaring Off

Senior Vice President of R&D Lori Estrada has developed both healthful items and indulgent ones to help Wendy's regain points lost to competitors. She has already introduced a new line of side dishes, deli sandwiches and salads, and is tweaking new double-melt burgers, breakfast sandwiches and afternoon snacks. For the first time in a year and a half, same-store sales were positive in June.

By Monica Rogers

COVER STORY

69 The Next Big Thing?

CEO Bryant Keil is preparing Potbelly Sandwich Works for fast growth and, perhaps, the eventual scrutiny of Wall Street. He has raised \$86 million, attracted a notable board of directors and recruited the executives responsible for Starbucks explosive growth. With \$38 million in cash to help fund growth, the debt-free company is adding 37 units this year and 40 to 50 in 2007.

By David Farkas

28



37



ON THE NET

Site Relaunch

- A more functional and user-friendly www.chainleader.com goes live in August.

Web Exclusive

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

Cover Society Podcasts

- David Goronkin says Famous Dave's has only just begun.
- 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

- Web-exclusive content for growing concepts and related articles from the magazine.
- Coverage of *Chain Leader's* "How to Grow to 100 Units" roundtable, including video highlights.
- California Tortilla's Pam Felix on the trials and joys of growing her spunky concept.

Plus

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

www.chainleader.com



10TH ANNIVERSARY

49 Then and Now

To celebrate *Chain Leader's* 10-year anniversary, we've compiled a gallery of covers, from the first issue in August 1996 to the most recent, July 2006. It's a who's who of industry leaders, some still at the vanguard, others not so much.

79 A Decade of Chain Business

In the 10 short years since *Chain Leader's* debut, we've learned that the more things change, the more they stay the same. Take a look back at some of the milestones in the industry.

WORLD PARTNERS

57 Lost in Translation

Bennigan's is off to a shaky start in Ireland. To increase sales in a country loyal to pubs and independent restaurants, franchisee Tom Coleman has run a dinner-and-movie promotion, bought radio spots and changed the menu to better suit Irish palates.

By David Farkas

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Who's Who in Chains

Several years ago, a former publisher was in my office (it was a cubicle at the time) looking for an old issue of *Chain Leader*. Scanning the magazine's covers, he said, "This is a who's who of chain restaurants." That comment was the kernel that eventually evolved into our Cover Society, which is comprised of the industry leaders who have been on the cover of *Chain Leader* since our debut issue in August 1996. All of its 109 members are in a special anniversary section on Page 49.



Our coverage of chain restaurants wouldn't be the same without the personalities.

MARY BOLTZ CHAPMAN,
EDITOR-IN-CHIEF

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Cover Models

In that feature we note that some of these executives are still powerful industry leaders, while others just aren't. But there isn't one that I wish I could turn back time and change. There are those who didn't do what they set out to do, or maybe their skills and experience weren't meant for the restaurant industry. Yet each one had at

the time a compelling story and was worth knowing about. I do regret, however, a few that will not become members of the Cover Society—some for reasons of their own, some for reasons out of anyone's control.

We try to keep track of all of our Cover Society members. Some have retired or moved to different industries, but they will always be on the list. A few, sadly, have passed away: former IHOP Chairman Kim Herzer, Yum Brands CEO Andrall Pearson and, just this week, Hooters Chairman Bob Brooks. There are a couple that have disappeared. Anyone know how to reach former Hard Rock CEO Jim Berk or Checker's CEO Dan Dorsch?

Who's Next

We editors also have our own lists of who we expect to see on the cover. There are companies and executives that we follow, just waiting for the right moment to pull the trigger. Some are women and minori-

ties. Most are still white males in their 40s and 50s, like the majority of people on our "Then & Now" spread.

We even have some long-term cover potentials in mind. But here is where we need your help. And one of the reasons we created the Protégé award. Who do you think will someday be on the cover of the magazine because you see the smarts, strength and leadership in this person today?

Your Vote Counts

The Protégé award is part of our *Chain Leader* Execution Awards, which we will present at the *Chain Leader LIVE* conference Nov. 1-3 in Chicago. We're looking for someone under 40 and ready to take the next step to executive leadership. A person who has shown measurable achievement, strong leadership and great promise. He or she might be running a department or region in your company or an entrepreneur creating a new chain. Last year's winner was Billy Downs, founder and president of bd's Mongolian Barbeque.

Please tell us who you think should win our Protégé award and why he or she deserves it. Send me a note at the e-mail or postal address on the left side of this page. Keep it simple and brief: under 250 words. We editors will read each submission, do some research and select the best. Watch for the winner to be featured in the pages of the magazine, and come celebrate the award at *Chain Leader LIVE*.

Then act surprised when you see his or her face on the cover of the magazine in a few years. **CL**

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It has been 10 years since *Chain Leader* was launched in August of 1996. I joined *Chain Leader* and *Restaurants & Institutions* that same month as associate publisher. As a foodservice professional with 25 years of operator, distributor and manufacturer experience under my belt at that time, I found it exciting to begin this new publishing facet of my foodservice career and participate in the launch of a new magazine.



For the past 10 years, the Chain Leader team's been working hard and having fun.

RAY HERRMANN,
PUBLISHER

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Yesterday and Today

Chain Leader was and is the only magazine with 100 percent of its editorial content dedicated to you, the Chain Leader. That first year, we delivered two issues. In 1997 we expanded to six, and in 1998 we grew to 12. The number of advertising and editorial pages grew as you embraced a product that quickly became "your" publication.

In 1999 I had the privilege to be appointed publisher of *Chain Leader*. These last seven years have been the best years of my foodservice career. With my partner, Mary Boltz Chapman, editor-in-chief of *Chain Leader*, and the rest of our team, fondly referred to as the "chain gang," we have continued to work hard to deliver must-read information to the chain foodservice industry, packaged in the best-looking magazine in the industry.

We have expanded and evolved our original editorial coverage. Our first few issues featured eatertainment and home-meal replacement. Today they are more likely to include growth strategy, food safety, human assets, beverages, technology and

finance. We have also introduced two special issues: "Best Places to Work" and "Driving Traffic" are in their third and second year, respectively.

The magazine has won numerous editorial awards including a Jesse H. Neal, one of the most prestigious awards in business journalism, and was selected twice by the American Society of Business Publication Editors as a "Top Ten" in its Magazine of the Year competition.

Beyond the Book

And we've grown beyond the pages of the magazine. In 2004 we successfully introduced a live issue of the magazine, *Chain Leader LIVE*. This event has grown tremendously over the last three years, delivering in person the same insights and solutions as in the magazine. In May 2006, we were the first to introduce executive interview podcasts with a one-on-one conversation with CEO Jon Luther from Dunkin' Brands, the first of a series of audio downloads. Our Web site, www.chainleader.com, relaunches this month, and our e-newsletter, *Chain Leader Executive Briefing*, also debuts in August.

Special, different and better are the benchmarks for everything we do. All products with the *Chain Leader* brand on it must pass muster of these three words. We are working hard and having a lot of fun delivering the entire line of *Chain Leader* products to all our Chain Leaders. We hope you find our efforts to be special, different and better. **CL**



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Are your smoke and grill flavors the best available?

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- A close-up photograph of several pieces of grilled food, including what appears to be chicken and potatoes, garnished with herbs. A single red chili pepper is also visible, all set against a background of intense orange and yellow flames.
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Do the Math

Operators better be ready to measure labor and service.

BY DAVID FARKAS

Labor costs often amount to a third of your sales. Dan Simons, former vice president of operations for Eatzi's and now a principal at Vucurevich/Simons, a Bethesda, Md.-based restaurant consultancy, explains how an "underlying profit architecture" can help you manage it effectively.

What's key for developing an underlying profit architecture?

The key is to evaluate all the metrics before making decisions. Construction, [furniture, fixtures and equipment], pre-opening budgets, all-in occupancy costs determined simultaneously with guest counts, check averages, prime costs and net income. Start-up guys need to develop this underlying profit architecture before they spend a penny on design or before they sign a lease. They need to make sure the math works.

Where should they begin?

The daily measurement of front-line activity. Server checkout is a vital component of that. We look at server tip average and at server check average each day. We put that on a grid so servers have their own charts. It's both a snapshot and a cumulative performance review each day. We get into the details of what they are selling and how they are performing compared to the benchmarks and their peers.

Contrast that with a more typical scenario.

Server checkout is often just a one-way transfer of money and information: This is what I did, this is what I owe. The process may not even have a manager involved.

What is management missing?

Management is disconnected from minute-to-minute activity that drives all the results. Upper-level management can talk about

check average and product mix, but if they don't have a mechanism to measure them in real time and give feedback, it's a diluted strategy.

What are some of the most effective labor practices you've encountered?

The most important labor practice is projecting sales and then writing a schedule to a labor matrix that is tied directly to those sales—by daypart and by 15-minute increments. This can be done with a handwritten schedule or Excel or a robust time-attendance package. But the key is to

believe labor is a predictable expense and can be controlled as such.

So you advise planning ahead?

Managing labor is not a reactive practice. That is the paradigm to break. Being reactive is overscheduling for a lunch shift because "maybe" it's going to be really busy. A manager will say, "Let's put 12 people on, and if it's not busy, I'll send people home."

But it might be really busy.

Gut-instinct labor management is a real mistake. Generally speaking, sales in this business are incredibly predictable. If you look at sales for the last 52 Friday nights, that data is going to tell you what to expect for the coming Friday night.

How bad does it get?

It never ceases to surprise me that even some corporate chains, say, with 30 to 50 restaurants, still use Word to write schedules and don't tie labor dollars to sales projections or workload projections. Of course, many companies are great at labor, but for such a predictable, controllable prime expense, everyone should be great at it. **cl**



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Imagine the Way



Salut offers non-French options like its raw bar and Maryland Soft Shell Crabs to appeal to customers ranging from young families to young professionals to senior citizens.

At 6,500 square feet and with seating for 190, Salut costs about \$2 million, or \$300 per square foot, to open.

Open to Interpretation

Phil Roberts' latest concept tries to make French food more accessible while poking fun along the way. **BY MAYA NORRIS**

Phil Roberts is at it again. The creative force behind the quirky Buca di Beppo and the high-end Oceanaire Seafood Room has created Salut Bar Américain, a playful interpretation of a neighborhood French bistro and brasserie.

Roberts opened Salut in November 2005 in Edina, Minn., to make French food accessible. "I've been in French restaurants where I'm just downright intimidated. I don't feel like I belong there. I don't speak French. I can't pronounce half the things on the menu," says Roberts, chairman and CEO of Parasole Restaurant Holdings Inc., the parent company of Salut. "Salut is a little more blue-collar chic. It's a little more approachable. It aims just a little bit lower."

places end up being an Epcot version of a bistro-brasserie."

Salut features an urbane yet casual look with a gold and red palette, black-and-white checkered tablecloths, booths upholstered in red leather with nailhead trim, and hardwood floors.

As with Roberts' other concepts, Salut incorporates his edgy sense of humor, this time poking fun at the French. For example, the restaurant's mascot is a frog. And wall signage includes sayings like "The French taste like chicken," and "With the right sauce, you can eat your father."

With its approachable food and fun atmosphere, Salut is expected to generate \$5 million in unit sales this year, according to Roberts.

SNAPSHOT

CONCEPT

Salut Bar Américain

PARENT COMPANY

Parasole Restaurant Holdings Inc., Edina, Minn.

UNITS

1

2006 SALES

\$5 million (company estimate)

AVERAGE CHECK

\$28 to \$29

EXPANSION PLANS

2 in 2007, 4 in 2008, 8 in 2009

Frenchy, Not French

Half of the menu is dedicated to classic French dishes such as Crock of French Onion Soup, \$8.50, topped with melted gruyere cheese; and Steak Frites Classique, \$19.95 hanger steak, \$31.95 filet and \$29.95 New York strip. The other half includes items with a French twist like the popular Boursin Burger, \$10.95, with herbed cheese and sauteed mushrooms on grilled ciabatta with hand-cut fries; and Corn Crusted Halibut, \$23.95, with asparagus, mushrooms, sorrel and lemon butter.

Like the menu, the decor and ambience are "Frenchy, not necessarily French," Roberts explains. "I think the problem with many French bistro and brasserie places is that they just take themselves way too seriously. They just try to be this pure iteration of something that somebody saw in Paris or Lyon 10 years ago. And so many

Travel Plans

Salut will open two units in 2007, four in 2008 and eight in 2009. Currently investigating sites in Minnesota, Florida, Arizona and Illinois, the company prefers areas with a college-educated population and a household income of \$70,000-plus.

Because there is no national French-restaurant chain and Salut is not a slave to authenticity, Roberts predicts the concept can expand to 300 units nationwide, eventually opening 15 to 20 units a year. "The folks that have tried French have by and large not succeeded with it," he says. "That's because I think they tried to be too much of a pure play."

"Before P.F. Chang's, there really wasn't a national play for Chinese food," COO Greg Gadel adds. "We think we can do the same thing with Salut with French food." **CL**

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1. Voice-over of mariachi band leader: At a lot of restaurants, this is a margarita.
Woman: Olé.



2. Band leader: But at Don Pablo's, viva la margarita!



3. Group of women: Olé!



4. Band leader: The zest of Don Pablo's famous margaritas, now fresh-squeezed into six new menu sensations.



5. Margarita salads, fajitas, margarita enchiladas, burritos, wings and more. It's the new flavor celebration of the summer.



6. Band leader: Viva la margarita!



7. Crowd: Olé!



8. Band leader: Only at Don Pablo's.

BY MARGARET LITTMAN

It's been five years since Don Pablo's, the Lubbock, Texas-based Mexican chain, courted new customers on television. In that period the company "crashed and burned," says new Senior Vice President of Marketing and Strategic Planning Robert L. Hogan.

The last time the company's ads graced the airwaves, sales were in a freefall and the future of the brand was uncertain. During the TV interim, the chain was producing what Hogan calls "very literal" advertising in print media, with four-color inserts in newspapers and other outlets.

What a difference five years makes. Don Pablo's systemwide sales were flat in 2005 as compared with 2004, which, of course, isn't ideal. But given that previous

years had logged drops as dramatic as 8 percent, flat was progress. The company had emerged from Chapter 11 protection in May 2005. Later that year, Rick Barbrick, who helmed a successful turnaround at Bertucci's, joined Madison, Ga.-based Avado Brands, Don Pablo's parent, as CEO and president. All of those signs suggested that it was time for Don Pablo's to return to the small screen.

Among its retrenching work in 2005, the company conducted extensive focus group surveys to understand when diners turned to Don Pablo's and how they perceived the brand.

"The heritage of this brand was that it was discounted to death," Hogan explains. "We needed to grow our share of visits, and we needed to understand that we are

A turnaround ushers in a new era of advertising at Don Pablo's.

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LOS ANGELES MIAMI SACRAMENTO



With 96 units in 19 states, Don Pablo's still has the geographic distribution that makes TV advertising cost-effective.

perceived with other casual-dining chains, not other Mexican chains.” Hogan was also grappling with Don Pablo’s “significant loss in brand awareness,” he says, in the period it was off the air.

In 2000 the chain spent \$4 million on a TV ad campaign that emphasized its authentic Mexican positioning, a tactic it now eschews. Because terms such as “real” and “authentic” raise different expectations for different diners, Hogan says they tend to be “polarizing.”

Chain Leader estimates Don Pablo’s is spending double its 2000 ad budget, about \$8 million. In 2000, the chain had 139 units, as compared with 96 today. But with restaurants still in 19 states, it has the kind of geographic distribution that makes television advertising cost-effective. The ads began airing in May in 10 markets: Baltimore; Cincinnati; Columbus, Ohio; Cleveland; Dallas; Indianapolis; Minneapolis; Washington, D.C.; and Orlando and Tampa, Fla.

The chain is holding off on expanding into new markets in 2006, focusing instead on strengthening its brand awareness, improving in-store service and beefing up sales at current locations.

A Look Inside

To reach diners in those markets, Don Pablo’s collaborated with Greenville, S.C.-based Brains on Fire, the ad agency that has worked with the chain off and on since the chain was founded in 1985.

“We felt they had real understanding of how their customers felt and how they used Don Pablo’s,” says Brains on Fire partner Greg Cordell. “We learned that food is important, but it is the total experience of Don Pablo’s that sets them apart. You can get fajitas just about anywhere these days.”

Over a 60-day period, Cordell’s team

created three spots for Don Pablo’s: a generic branding spot, one for specific events and a third, “Viva la Margarita,” which features some of the new margarita products Don Pablo’s added to its menu this year. While alcohol accounts for about 16 percent of sales, these dishes have margarita flavors as part of the food; they are not simply margaritas served with the standard Mexican fare. “What we wanted to do is capture the spirit of a margarita and put that into the food, make it celebratory,” Hogan says.

Along with the margarita dishes, the company also introduced Mexican carnitas, which now brings in more than 5 percent of sales.

Party Time

While the “Viva la Margarita” ad emphasizes the significance of the new dishes, for the first time in Don Pablo’s history, the new campaign shows the restaurant as well as the food. Don Pablo’s restaurants are designed to make the diner feel like he is eating at an outdoor Mexican plaza, modeled after one in Puerto Vallarta, even while he’s eating indoors in Cleveland.

“We wanted to reacquaint customers with the restaurants. We wanted to show guests having fun the way they do at Don Pablo’s. It is often larger parties in the restaurant, and we think we captured the sense of what it would be like, with lots of activities going on,” Cordell says.

In the new commercials, those activities include enjoying the new dishes and singing and dancing to music from Mariachi Campanas de America, one of the top mariachi bands in the United States (they’ve even played to audiences at the White House).

Adds Cordell: “They embody the spirit of the brand: They’re fun, yet classic.” **CL**

SNAPSHOT

CONCEPT

Don Pablo’s

HEADQUARTERS

Lubbock, Texas

OWNERSHIP

Avado Brands, Madison, Ga.

UNITS

96

2005

SYSTEMWIDE SALES

\$203 million*

2006

SYSTEMWIDE SALES

\$210 million*

AVERAGE

UNIT VOLUME

\$2.2 million

AVERAGE CHECK

\$13.25

AD BUDGET

\$8 million*

AD AGENCY

Brains on Fire, Greenville, S.C.

EXPANSION PLANS

2 in 2007

*Chain Leader estimate



Textures like bamboo and stone evoke natural surroundings at Benihana.

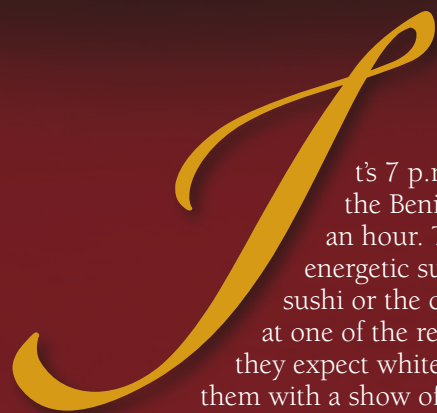
(Opposite) A video projection of bamboo hovers above the sushi counter.

The exterior of the Miramar, Fla., unit features light stone and a neon sign.

Concrete flooring gives the room a modern feeling.

Benihana's prototype focuses on teppanyaki tables and show-off chefs.

Setting



BY LISA
BERTAGNOLI

SNAPSHOT

CONCEPT

Benihana

LOCATION

Miramar, Fla.

DESIGNER

WD Partners,
Columbus, Ohio

OPENING DAY

June 12, 2006

AREA

7,500 square feet

SEATS

164

AVERAGE CHECK

\$25

UNIT VOLUME

\$3.5 million

EXPANSION PLANS

20 to 25
renovations,
2 or 3 units during
the next 25 to 30
months

It's 7 p.m. on Father's Day, and the wait at the Benihana in Miramar, Fla., spans about an hour. There's plenty of seating at the stylish, energetic sushi bar, but guests aren't interested in sushi or the chefs that prepare it. They want a seat at one of the restaurant's 18 teppanyaki tables, where they expect white-coated, red-toqued chefs to dazzle them with a show of chopping and sauteing.

The public's love for Benihana's brand of showy display cooking is the main reason the company has unveiled a contemporary new prototype, as far removed from its older, more sedate look as sushi is from fish sticks. Older Benihanas—the system's average store age is 18—feature blond wood and minimal decor in a vast expanse of carpeted space. The new restaurants are broken up into several areas: a round sushi bar, semiprivate booths, plus a red “spirits” dining room and a blue “energy” room.

The space, with a 20-foot-high blacked-out ceiling, jutting wood beams and a stained concrete floor, recalls a stage—not surprising, seeing that Benihana was one of the country's original “dinner as theater” concepts.

“Theater is the core of what they are and what they offer,” says Lee Peterson, executive director, design and branding at WD Partners, the Columbus, Ohio-based design firm that created the prototype. “The theatrical element...that's what the customer's journey is based on.”

Visiting the Multiplex

New York-based Benihana enlisted WD Partners in 2004 to update the concept and bring a uniform look to the chain. “We function and work very well, but each Benihana was different,” says Joel Schwartz, president and CEO of the 57-unit chain (the company also owns RA Sushi and Haru, a small New York sushi chain). The plan was “to look into a prototype and bring Benihana into the 2000s,” he says.

If the old Benihana was a theater, the new Benihana is a multiplex, with a large waiting area, two separate dining rooms equipped with teppanyaki tables (large tables inset with a gas-fired flat-top grill), several groupings of semiprivate booths, and a large bar and sushi bar.

The point of several different dining areas is to drive frequency, Peterson says. “The average Benihana customer is there two times a year, for dinner,” he says. “To increase frequency even once is a 50 percent increase.”

The entryway, larger than in the previous design, offers



the STAGE

RESTAURANT





Benihana emphasizes sushi, once an afterthought, with a large, circular bar.

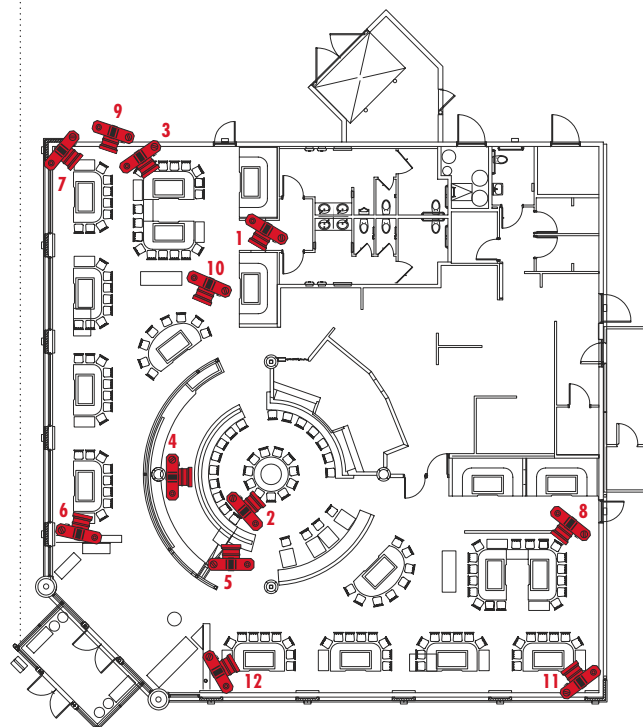
(Clockwise from top l.) A round center area housing the bar and sushi counter gives guests an alternative to the teppanyaki tables.

Windows embedded in the curved stone wall let guests peer into the bar.

Spot lighting calls attention to Benihana's teppanyaki chefs.

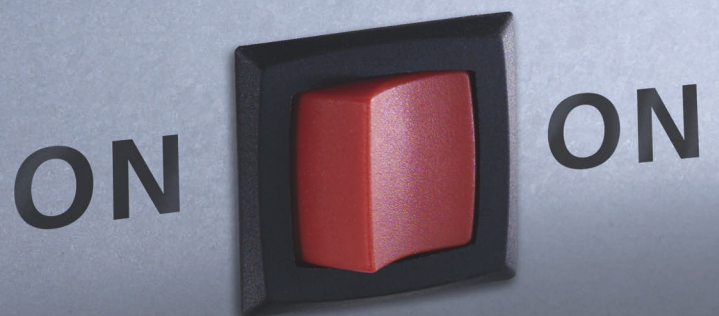
This floor plan is designed to show the location of each key photograph. Shot numbers correspond with numbers in select photos.

KEY
 Direction of shot
 1 — Shot No.
 Position of camera



glimpses into the dining area. Waiting customers can peer through a narrow glass window embedded into a stone wall to view the sushi bar or look through a bamboo screen to see the “earthen” dining room, the signature of which is a sky-blue wall and Japanese-style paned windows. To the right is the “spirit” dining room, decorated in deep red and festooned with bamboo graphics. In the center, the round sushi bar features a “wishing well” table of concrete and brushed stainless steel.

The prototypical exterior is equally dramatic, with large beams protruding from the building and panes of frosted glass. But because the Miramar location is in a planned development (a shopping center with Home Depot as the anchor), its exterior is some-



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MENU SAMPLER

MEATS

Hibachi Steak: teppanyaki-grilled with mushrooms and served with Japanese onion soup, Benihana salad, shrimp appetizer, hibachi vegetables, dipping sauces, rice and hot green tea, \$20

NOODLES

Benihana Yakisoba Dinner: sauteed noodles with chicken, vegetables and a special sauce, \$16.25

SUSHI

Shrimp Crunchy Roll: shrimp tempura, avocado, cucumber, crab sticks and tempura crumbs, \$7.25

Sushi Combination, three served with miso soup and salad, \$13.95

SPECIALTIES

Tofu Salad (pictured): tofu marinated in soy dressing, with cucumbers, tomatoes and sprouts, \$5.50



Bamboo motifs add a splash of green to Benihana's black-and-red interior.

what tame. It features light stone and a neon sign but none of the beamwork of the prototype.

Same Size, Less Money

The first prototypes to open were renovations of restaurants in Short Hills, N.J., and Cleveland; the Miramar location is the first ground-up prototype.

Schwartz is happy with the prototypes' performance so far. Older buildings cost \$4 million to build; ground-up prototypes average \$3.2 million to \$3.4 million, and renovations average \$2 million. The old and new restaurants are both approximately 7,500 square feet. Renovations are extensive and take between six and eight months to complete.

The prototypes need little tweaking. Benihana deleted several expensive touches from the design before construction. For

(Clockwise from top l.) The array of 18 teppanyaki tables includes two large, semiprivate booths.

The red of the right-side dining room signifies "spirit" factors such as the heart and healing.

Benihana's black-paned windows, covered by scrims during the day, are inspired by traditional Japanese architecture.

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 Have you eaten at our other locations, if so where? _____

Who was your server? _____

How would you rate the following: (circle one)

	EXCELLENT	GOOD	AVERAGE	FAIR	POOR
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Service	5	4	3	2	1
Cleanliness	5	4	3	2	1
Menu Variety	5	4	3	2	1

Overall Comments: _____

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The Miramar, Fla., Benihana is the first ground-up prototype, costing \$3.2 million to \$3.4 million to build.



(Clockwise from top l.) Hood ornaments in the “earthen” room depict power and energy.

Bamboo screens help break up the 7,500-square-foot space into several dining areas.

The 20-foot-high blacked-out ceiling, jutting wood beams and stained concrete floor recalls a stage.



instance, the wishing-well table in the sushi bar was meant to be lighted from below. However, the lighting proved an “operational nightmare,” Peterson says. Similarly, the video projection of bamboo stalks and leaves above the sushi bar was originally supposed to show the four seasons changing within a 45-minute time frame; that feature is still under discussion, Schwartz says.

Future changes will take place mostly in the kitchen. For instance Benihana plans to add more freezer and storage space, Schwartz says.

Changes won't, however, affect what guests see, because so far, guests like the new Benihana experience. Sales at the Short Hills location are up 30 percent on average; one week that figure soared to 50 percent, according to Schwartz.

And Father's Day at Miramar broke a sales record for the chain. The only customers who grumble, says Regional Manager Shuntaro Morishita, “are the ones we can't accommodate.” **CL**



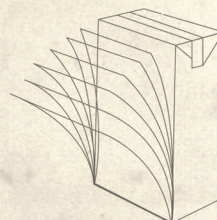
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- Dessert servings grew over 4% last year- That's over 248 million desserts.¹
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¹ The NPD Group/NPD Foodworld Crest, Nov. '04-Nov. '05

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

³ Restaurant Hospitality, Full Service Restaurant Study, 2005



*Now in attack position,
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Squaring OFF

BY MONICA ROGERS

At a time when much at Wendy's International is in flux, one thing is sure: The company's new product plan is showing success. For the first month in a year and a half, same-store sales were positive, up .6 percent, in June, an accomplishment the Dublin, Ohio-based hamburger chain largely attributes to new food initiatives.

After a year of intense restructuring, strategy scrutinizing and new-product-pipeline filling, Wendy's launched several new items in the first half of 2006 to regain points lost to competitors on quality and freshness. Trans fats got the boot in June, while yogurt, granola and hand-cut spinach stepped over the welcome mat. Wendy's launched a new line of Frescata deli sandwiches in April, featuring premium meats, cheese and lettuce on in-house-baked artisan bread. March brought three new salads, with ingredients hand-chopped in-house. And the pure-as-the-driven-snow-looking vanilla Frosty debuts in August.

But shaping products that are as fresh and healthy as the freckled face on Wendy's logo is just part of the company's new plan. The bigger aim is to create "better-tasting food," with a "real food made by real people" spin, says Senior Vice President of Research and Development Lori Estrada. That explains the new double-melt burgers, bacon-loaded breakfast sandwiches, and afternoon snacks she is tweaking

Packaging that sells: Milk sales increased 15-fold after Wendy's nixed cartons in favor of cute little jugs. The company says guests love the Frescata sandwich bakery bag as well, and more fun packaging is on the way. "Our packaging is up for a complete review this year," says Lori Estrada, senior vice president of research and development.

SNAPSHOT

CONCEPT

Wendy's International

HEADQUARTERS

Dublin, Ohio

UNITS

6,746

2005

SYSTEMWIDE SALES

\$8.8 billion

AVERAGE

UNIT VOLUME

\$1.3 million

AVERAGE CHECK

\$5.50

EXPANSION PLANS

120 to 145 in 2006





Underscoring its campaign to boost healthful offerings, Wendy's started offering Mandarin orange cups as a side-dish option for kids' meals last year.

Wendy's switch to non-hydrogenated oil reduces trans fat in french fries and breaded chicken products by 95 percent.



MENU SAMPLER

FRESCATA SANDWICHES

Frescata Club: slices of Black Forest ham and roasted turkey, bacon, mayonnaise, tomatoes and romaine lettuce, on artisan bread, \$3.49

WENDY'S OLD FASHIONED HAMBURGERS

Big Bacon Classic: beef patty, American cheese, three strips of hickory-smoked bacon and choice of toppings, \$2.89

Classic Single (pictured): quarter-pound beef patty and choice of toppings, \$2.29

GARDEN SENSATIONS SALADS

Southwest Taco Salad: mixed greens, chili, shredded cheddar

cheese, diced tomatoes, seasoned tortilla strips, ancho-chipotle-ranch dressing and sour cream, \$4.19

HOT STUFFED BAKED POTATOES

Broccoli Cheese Potato with cheddar cheese sauce and fresh broccoli pieces, \$2.09

SIDE DISHES

Yogurt with granola: low-fat strawberry yogurt cup with granola sprinkles, 99 cents

FROSTY AND BEVERAGES

Fix 'n Mix Frosty: chocolate ice cream and milk mix layered with choice of Oreo cookie crumbs, M&M candies, or Butterfinger candy bits, \$1.29

for launch or test during the back half of '06 and into '07.

"Taste is more important to our target 18- to 34-year-old guests than nutrition," explains Estrada. Millennials may like the artisan bread, roasted red-pepper strips and basil pesto included with the Frescata sandwiches, but they also crave high-end versions of sinful indulgences, too, according to Estrada. Playing to both appetites, Wendy's hopes that more than a few '06 products will hit the mark, pushing same-store sales, which finally crept positive this quarter, even higher.

Powering Change

But it's a complicated game. Recognizing that three straight years of transaction losses combined with improved performance of its QSR peers calls for dramatic action, Wendy's is weaving improved-food efforts with efforts to improve operations, value and branding.

"They have to," says David Palmer, senior restaurant analyst with New York-based UBS Investment Research. "Quality and freshness have always been Wendy's strong suit, and Frescata was a great way to jump-start renewed interest. But what's the tie-breaker going to be? Convenience? Speed of service? Kid-friendliness? In order for their recovery to be sustainable, they need to drive improvements not just with the food, but with operations and how they communicate brand essence," he says.

Towards this end, Wendy's hired new corporate leaders. Chief Operations Officer David Near will work to upgrade Wendy's look and operations. On the food and marketing side, Executive Vice President and Chief Marketing Officer Ian Rowden has been leading the charge to increase brand relevance and regain leadership in new-product development.

Combining marketing and research and development into one department, Rowden

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The convection ovens used for Wendy's baked potatoes now bake artisan bread and breakfast treats, too.

has already led Estrada and team through rigorous cross-functional reviews and has packed loads of consumer research power behind the new-product punch. "Historically, Wendy's led the QSR segment with new-product development centered on unique items that the market responded to," Rowden explains. "Now we've flipped that, putting a lot more emphasis on studying our guest to determine what he will buy and then shaping product to fit that profile."

"We're basically spending more time on the front end, in order to move more quickly on the back end," Estrada adds.

Choice and More Choice

Some of the plan builds on what Wendy's has already done right. Choice is a biggie. Guests have always been able to choose

toppings such as fresh cut onion, lettuce and tomato for their burgers, an important differentiator from some competition. In December 2004, Wendy's began offering guests the choice between french fries and four other side items with combo meals. It added two more in June. Embracing the new choices, 21 percent of June guests opted to match their sandwich with something other than fries.

Offering choice in the kids'-meal category, Wendy's added Mandarin oranges as an alternative to fries in July 2005. With the launch of the Frescata sandwich line on the adult menu in April, Wendy's expanded kids' meals to include two cold-cut sandwich options, as well as a low-fat, strawberry-flavored yogurt and granola cup as a side item. While Wendy's won't say how much kids'-meal sales have increased, it will say that since changing milk packaging to a kid-friendly plastic bottle in July 2005, milk sales alone jumped to 750,000 units a week from 54,000.

Wendy's also launched tiered, combo-meal size upgrades in April with good initial response: During the first three weeks of the program, 40 percent of the guests ordering combo meals opted to upsize.

And then there's the vanilla Frosty. Now 36 years since Wendy's founder Dave Thomas created the original chocolate Frosty as one of five products on Wendy's original menu, the new Frosty offers the same texture with a subtler flavor. Tested in Pennsylvania, Texas and Ohio, the vanilla version did "especially well" as the choice with Wendy's Fix 'n Mix, a treat Wendy's introduced in June 2005 that features candy or cookie pieces mixed into the ice cream, Estrada says.

Choice also continues in Wendy's salad category. First launched in 2002, Wendy's Garden Sensations Salad line initially included five options. "We found that our guests who order salads like to have a lot of options, because they cycle through the choices throughout the week," Estrada says. Freshening the line, Wendy's dropped the Homestyle Chicken Strips and Spring Mix salads, replaced Taco Supremo with the Southwest Taco Salad, and added the

Wendy's Mandarin Chicken Salad with toasted almonds and chow-mein noodles is one of four core Garden Sensations Salads.

Emphasizing choice, Wendy's is offering more side items including the Sour Cream and Chives Potato.





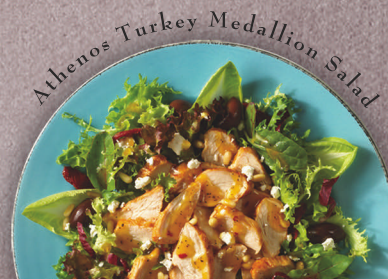
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Teriyaki Turkey Satay





Adding new choices to kids' meals, Wendy's now offers two cold-cut sandwiches including the Ham & Cheese Sandwich, plus side items such as yogurt with granola.

After 36 years selling only chocolate Frostys, Wendy's added a vanilla version in August.

Chicken Caesar and Spinach Chicken Salads, all \$4.19.

To make those changes, Estrada and team researched a full range of flavors and ingredients that guests said they wanted. The

Southwest Taco, for example, includes ancho chipotle-ranch

dressing and seasoned tortilla strips, "which were very popular in test markets," Estrada says.

Four salads now form Wendy's core salad section, with one seasonal option. Designed as a limited-time offer, the Spinach Chicken Salad—romaine lettuce, baby spinach, marinated grilled chicken, chopped egg and grape tomatoes with sweet-and-sour bacon dressing and garlic croutons—will be replaced with a different seasonal salad in coming months.

Dusk and Dawn

Beyond choice, other key product initiatives are also clearly aimed at reclaiming ground lost to competitors. Skipping breakfast in favor of catering to the late-

night crowd was a strategy that worked for Wendy's through the '90s. But 21st century late-night customers now drive a large chunk of competing QSR business. In response, Wendy's plans to launch breakfast and to better leverage existing products for the late-night slot.

While the late-night push won't involve many new products, breakfast will. Now in operations test in seven stores, the breakfast menu includes both familiar comforts such as warm cinnamon twists and blueberry muffins, as well as more unique items such as breakfast sandwiches built on sour-dough biscuits and Western omelet bites, fried egg puffs with cheese and sweet pepper bits. "Our intent with breakfast is to be familiar, yet differentiated in this daypart," Estrada explains. "It's a time of day when predictability is important, but we need a breakthrough."

Fending off encroaching competition from coffeehouses, Wendy's is testing a branded coffee program featuring different strengths and varieties of coffees.

Still Squarely Grounded

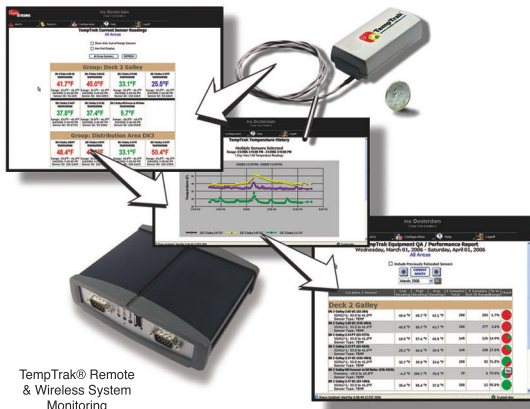
But as important as breakfast may prove to be, staying strong at its core sandwich business is crucial, says Estrada. Her resulting three-pronged sandwich effort encompasses the Frescata deli sandwich launch and line extension in the fall, creation of a better extra-value chicken sandwich, and new news on the square-burger front.

Shaped at Wendy's innovation center in the home office, work on Frescata started in '05. "The two big differentiation drivers were high-quality meats and cheeses in a fresh-cut, deli-style and in-house-baked bread that was crisp on the outside and chewy on the inside," Estrada recalls. Starting with two-dozen builds, Wendy's narrowed possibilities down to four sandwiches that needed only eight new ingredients: Black Forest Ham & Swiss, Roasted Turkey with Basil Pesto, Roasted Turkey & Swiss, and the Frescata Club with Black Forest ham, roasted turkey and bacon,



Chili has long been one of Wendy's best-selling side items, featured on its own and, in some regions, served over taco chips with cheese sauce.

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New items like side salads and deli sandwiches have helped push Wendy's same-store sales up for the first time in 18 months.



The December 2004 decision to let guests match combo meals with something other than fries has met with success. Caesar salad is one of six combo-side options.

Wendy's sold more than 20 million Frescata sandwiches within 19 days of their launch, one of the company's strongest introductions of the last five years.

\$3.49 a la carte, \$4.99 in a combo.

Selecting the meats and cheeses was simple, but baking the bread took some operational tweaking. Wendy's already had convection ovens. But baking par-baked bread meant the ovens had to be modified slightly to allow for new settings and timing procedures. Other operational issues centered on where to cool the bread and how to apply sauce, prep meats and add greens to the build.

Next up, Estrada and team will launch a new Frescata sandwich this fall. The Italiano will feature genoa salami, roasted red peppers and sun-dried-tomato vinaigrette. They are also working on hot options for the Frescata line.

Wendy's introduced its first 99-cent chicken sandwich in March. According to Estrada, quality was key: "We didn't want this to be just a value—it had to be quality at a value." Once it found the right 100 percent breast-meat patty, "development and launch went very fast," she says.

Authentic Draws

But for Estrada, balancing out a year's worth of exciting news with creation of a

new line of "stuffed" burgers was especially satisfying. "I've always been interested in authenticity and simplicity in cooking," says Estrada, who directed strategic menu development at Burger King, Taco Bell and Jack in the Box before joining Wendy's in June 2001. "The Double-Melts are just that sort of item." Estrada patterned the Double-Melts after "homemade hamburgers you can stuff with cheese, veggies and other ingredients." To get that effect, Estrada layers the flavors between two beef patties. The first two Double-Melts to hit the market will be a half-pound jalapeño-cheddar version and a half-pound bacon-cheddar version.

Beyond the new burgers, Estrada has a whole spate of additional breakfast items, Frescata sandwich possibilities and foods that can work both as breakfast treats or afternoon snacks in the works. A new salad will be launched as a limited-time offer each season, too.

Getting items ready for test is always a balancing process, says Estrada. "There's so much give and take," she muses. "On the one hand, there's culinary nirvana, on the other, there's what the guest wants and what operations can handle. In the end, it has to be something the guest will purchase that works consistently on a day-to-day basis. That's the nirvana we're after." **CL**



Milk: Convenient and Cool

BURGER KING® Restaurant Launches Hershey's Milk in Resealable Bottles



In 2005, milk was among the top three foods experiencing the most growth in food-service according to an NPD Foodworld study.¹ Now, it's getting an exciting new look in quick-service restaurants that's spurring sales.

BURGER KING® is the latest top quick-service restaurant chain to feature and promote plastic resealable bottles of milk on its menu. In June, the chain launched a new beverage offering nationwide: Hershey's white and chocolate 1% milk in single-serve 8-ounce plastic bottles.

"After looking at the competitive retail trends and research, we realized we needed to offer what was relevant and interesting to today's child," says John Schaufelberger, vice president of product marketing for Burger King Corporation.

Plastic Appeal

Nearly 85% of kids prefer plastic milk bottles to paperboard cartons, according to a 2005 GfK Custom Research study.² "That packaging has become really cool for children, and is something that kids have come to expect," says Schaufelberger.

Research confirms that kids have indeed taken a liking to the plastic resealable packaging. In fact, 84% of kids said they definitely or probably would order it, and 58% said the same for white milk in a resealable bottle.

Moms prefer the packaging because it's resealable, Schaufelberger adds: "That makes the milk much more car-friendly. A significant portion of our business goes through the drive-through."

Milk: Convenient and Cool

New alternate milk packaging helps promote drink options with both kids and adults. The lowfat 1% milk is available as part of kids meals with no additional charge and can also be purchased as a stand-alone item. "We're providing choices for parents and kids who want another flavorful drink option," says Schaufelberger.

A 2006 American Academy of Pediatrics report titled *Optimizing Bone Health and Calcium Intakes of Infants, Children, and Adolescents* recommends three servings of low-fat or fat-free dairy foods—milk, flavored milk, yogurt or cheese—each day to help children get the calcium they need to build strong bones, which will benefit them throughout life. In addition, a recent report released in June by the Food and Drug Administration calls for restaurants to provide more lower-calorie, nutrient-rich food and beverage choices on menus—including lowfat and fat-free milk and milk products. With seven out of ten teen boys and nine out of ten teen girls not getting the calcium they need, offering milk at BURGER KING can help close the gap on meeting recommendations for three servings of dairy a day.

Adults want dairy, too. Among QSR visitors, one in five adults and one in six teens ordered milk for themselves in the past three months.³ "There's a lot of interest in milk as a source of calcium and potassium for adults," says Schaufelberger.

Brand Advantage

The new BURGER KING milk offering entices customers not only with its health benefits, but also with branding. After careful market research, Burger King Corporation



Plastic milk bottles are a hit with kids: Research shows that 85% prefer plastic milk bottles to paperboard cartons.

made an exclusive deal with Hershey's. "Several brands rose to the top when we talked to moms and kids," says Schaufelberger. "Hershey's was both recognizable and reliable, and really delivered the expectation of great taste."

No other national fast food hamburger restaurant chain offers a branded milk product, Schaufelberger adds. "Milk in plastic packaging is not a new concept, but offering Hershey's branded milk is a significant differentiator from our competitors."

Burger King Corporation has great expectations for its new offering. "We think it's going to be very positively received," says Schaufelberger. "Ideally, with our branded milk, we hope to make news in the category."

Brought to you by America's Dairy Farmers. For more information on the benefits of dairy, visit www.3aday.org

¹ "What's Hot? Foodservice Top Growing Foods" report from The NPD Group/NPD Foodworld/CREST.

² October 2005 "Kids Milk Tracking Study," conducted for DMI by GfK Custom Research Inc.

³ NPD Milk at QSR Fast Follow Up, December 2004.

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Then & Now

It's Chain Leader's 10-year anniversary.

To celebrate the milestone, we've compiled a gallery of *Chain Leader's* covers, from our first issue in August 1996 to our most recent, July 2006. It's a who's who of industry leaders, some still at the vanguard, others not so much.

More than that, it's a look at where many of these executives and the companies they represent are today. *Chain Leader's* debut issue, for example, featured Lone Star Steakhouse & Saloon's Jamie Coulter, who had three months earlier debuted Sullivan's Steakhouse. Standing behind Coulter is Mike Archer, who had been hired away from Morton's to head the concept. Coulter is still CEO, though no longer chair, and Archer is running the store at T.G.I. Friday's USA.

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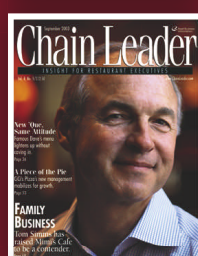
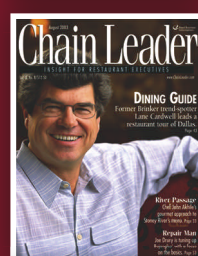
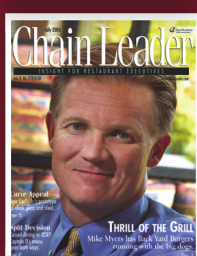
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10 years of Chain Leader



Famous for starting price wars in his Taco Bell days, John Martin was running Diedrich Coffee when this picture was taken for the May 2000 issue. Far from QSRs, he's now chairman of Culinary Adventures Inc., which operates upscale-casual restaurants in Southern California.

Chain Leader called Wolfgang Puck "a brand to reckon with" in November 1996, when he had a handful of concepts. Today, Wolfgang Puck Worldwide has 16 Gourmet Express units, three Cafes, four Spagos and 10 other fine-dining restaurants, and sells cookbooks, cookware and packaged food.

Jack Schuessler, seen here in April 2002, retired Wendy's CEO position in 2006, after six quarters of a sales increase. The company is now directly above Schuessler's Paul House, which is still part of Tim Horton's, which plans to spin off this food



here
from
in April
rs without
cover
ler's is
l president
Wendy's
ill.

Julia Stewart, president of Applebee's in April 1999, has turned around IHOP as its CEO and continues to set the bar higher for family-dining restaurants.

In January 2001, Dick Rivera was bringing life back to an aging Red Lobster. Today, he's working through the growing pains with a younger chain, Doc Chey's Asian Kitchen, an eight-unit, fast-casual concept.

One of the few to have graced Chain Leader's cover twice, when he was at Carlson in March 1998 and again soon after he joined la Madeleine in February 2003, Wally Doolin might have his toughest job yet: recharging Buca Inc. while downplaying its uncomfortable past.



Back in January 2003, under CEO Ron Shaich's leadership, Panera Bread had 434 units and was just testing free WiFi. Today there are just under 900 of the bakery cafes, and more than 700 of them have WiFi; 150 to 160 more should open this year.

CEO David Brandon, on the cover in November 2004, announced that 2005 was Domino's 12th consecutive year without negative comps. First quarter 2006 saw same-store sales decrease 3.8 percent at domestic units. Brandon points to tough comps (11 percent).

The Cheesecake Factory CEO David Overton was on the cover in March 2000 when the chain had a mere 35 units. Today it's a billion-dollar brand with 105 restaurants and a new concept to come.



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

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California Tortilla co-founder Pam Felix reveals the challenges of too many chiefs.

Senior Editor David Farkas discovers firsthand that not-so-fresh food still exists.

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SNAPSHOT

CONCEPT

Bennigan's Grill & Tavern

HEADQUARTERS

Dublin, Ireland

2006 REVENUES

€4.6 million
(\$5.8 million)
(company estimate)

UNITS

2

AVERAGE
UNIT VOLUME

€2.3 million
(\$2.9 million)

AVERAGE CHECK

€14 (\$17.83)

EXPANSION PLANS

4 to 6 over five years

Lost in TRANSLATION

Bennigan's Grill & Tavern has gotten off to a shaky start in Ireland. BY DAVID FARKAS

When customers failed to show up in the numbers the developers promised, franchise owner Tom Coleman cut a deal with a nearby cinema to offer a €20 dinner-and-movie-ticket promotion to boost sales and traffic.

Cajun Salmon is an "Americanized" version of one of Ireland's most popular fish dishes.

At first blush, opening a faux-Irish tavern in Ireland seems about as shrewd as bringing pizza to Italy. There's no harm in trying, of course, but an authentic and arguably better product already exists. It's certainly the case on the Emerald Isle, in which thousands of friendly taverns—called public houses or pubs—make the country a drinker's paradise. Yet that's not how Dallas-based Bennigan's Grill & Tavern sees it. "We're an Irish concept, and we are going everywhere *but* Ireland. That's crazy," declares President of Worldwide Franchising Vince Runco.

Two years ago, Runco signed Tom Coleman and Michael Ryder, former McDonald's franchisees

and business partners, to a master franchise agreement for the Irish Republic and Northern Ireland. The Irishmen met Bennigan's officials at an International Franchise Association meeting in New Orleans in 2002 and later traveled to Dallas headquarters. Their deal calls for four to six new restaurants within five years. (Ryder, by the way, is no longer a partner.)

The 33-year-old chain hadn't exactly ignored the Republic of Ireland. It first registered its trademark with the Irish Patents Office in 1996. Officials nonetheless occupied themselves signing up franchisees in Korea, India, Bahrain, Cyprus, Greece, El Salvador and Mexico before taking the concept to the land of its putative roots. (History tells us the chain was named after Bertha Bennigan, the American-born grandmother of Bennigan's co-founder and industry veteran Lou Neeb.)

One can only speculate as to why it took





Bennigan's franchisee Tom Coleman believes Ireland can accommodate up to 15 units.

"We said we'd only do a Bennigan's if we could take the Irish logos off the windows and make it a classier type of restaurant," franchise owner Tom Coleman says.

Coleman got rid of several deep-fried items, but decided to keep fried potatoes, wings and cheese appetizers—expected in American-style eateries.

so long. Consider, though, that the island is sparsely populated. Fewer than 6 million people live on it—some 3 million fewer than in California's Bay Area. What's more, the restaurant scene is mostly comprised of independent operators and a handful of global and local fast-food brands. In short, finding a well-capitalized, highly sophisticated native wise in the ways of restaurant real estate and eager to franchise is difficult to say the least.

That's where Coleman fits in. He believes the island can accommodate up to 15 units. "There are only 4 million people [in the Republic]. That's like a big American city with 10 Bennigan's," he says. Interestingly, there are 22 branches in Greater Dallas alone. Population: 2.3 million.

The restaurants don't go the faux-Irish pub route. Coleman, 42, claims he'd be laughed out of business were he to plaster his restaurant with shillelaghs and shamrocks. Instead, photos of Chicago buildings line the walls in his first unit, in a shopping mall in the city of Cork. The walls in the second restaurant, opened last October in an upscale Dublin suburb, Dundrum,

display backlit photos of New York City skyscrapers. Both restaurants are sleek, contemporary-looking establishments.

Erin Go Bust?

So far, neither restaurant has opened with the bang Coleman and Runco expected, which point to the difficulties of American casual dining in a small country loyal to pubs and independent restaurants.

"A lot of people going out for a night will go for an indigenous local restaurant," says Sean McGarry of Franchisedirect.com, a Dublin-based franchise directory. "[American] restaurants have the perception of having deep-fried food." Seven of 10 appetizers on Coleman's menu are deep-fried, though most of the entrees are not.

Coleman isn't blaming his menu for the poor start of his first restaurant, which opened in February 2005. He faults the shopping center's developers. "When we were pitched the site, we were told there'd be foot traffic of 150,000 people a week," he says. "But we started with 75,000, and now it's 100,000 and growing."

Confusing access to the mall from city streets kept people away, he says. Worse, retail shops closed at 6 p.m., leaving little reason to visit the center after dark. "People don't come to the center just to eat," he says. "They come to shop and then decide to eat here."

Sales remained lackluster for months, providing an insufficient return on his €1.9 million (about \$2.4 million) investment in the 6,200-square-foot, 275-seat eatery. "I just barely lasted," Coleman says. Sales have climbed from €18,000 to €48,000 in April, he claims, spurred largely by a €20 dinner-and-movie promotion he runs Monday through Thursday. The movie deal—a ticket delivered to the table along with one of eight main dishes from a special menu—has been drawing 1,500 people a month to the two restaurants, comprising 25 to 30 percent of business.

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Bennigan's in Ireland avoids the faux-Irish pub look with a sleek, modern decor that includes photos of American cities like Chicago.

Coleman says that people typically stop by his restaurants as a result of a shopping excursion: "They're not just coming to eat at Bennigan's."

something to get them in. If you don't go out and put your name out there, just because you sell good food, people won't come in. You buy a sale," Coleman says, adding he spent €20,000 in the first six months of this year buying radio spots.

He's also scouring the phone book for

local businesses that might want to hold meetings outside their office or reward employees with an after-work party. Delivering food to offices is rare in Ireland.

"Most business, because of the economy, now take out employees every so often for a meal or a few beers," he explains.

McGarry agrees: "He's right. That's the market."

Model Economy

The Irish economy, the so-called Celtic Tiger, has been off and running for 10 years, growing an average 7 percent annually since 1995. Last year, the country's per capita GDP, \$34,100, outpaced that of England, France, Germany and Italy. The upswing in fortunes sparked inflation, making Ireland one of the most expensive countries in Europe.

The prosperity has nonetheless helped restaurants and bars, which number roughly 11,000, according to government figures. In a 2004 survey of its members by the Dublin-based Restaurants Association

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of Ireland, a substantial majority of respondents claimed increased confidence in their businesses.

A Euromonitor International study shows sales at Ireland's 500-plus casual-dining eateries jumped 17 percent on a compounded basis from '99 to '04, outpacing all other full-service categories. Together, they rang up €164.4 million in '05 and are expected to swell 20 percent by '09.

Coleman also sounds confident, particularly about changes he's made to the menu. While such changes have put him at risk of noncompliance with the franchisor, he believes he's improved the offerings. "Our food here will be better than Bennigan's food in America," Coleman boasts. "I have no doubt about it."

He has removed a core item or two and reformulated others to make them more palatable to Irish customers. "We tend to

FIXING TO FRANCHISE IN IRELAND?

The demand for franchise businesses, including full- and quick-service restaurants, is increasing in Ireland, says Finola Cunningham, a commercial specialist at the U.S. Commercial Service, an arm of the American Embassy in Dublin. For franchisors looking for franchisees, she offers the following tips:

- To impress potential franchisees, franchisors should have a proven track record in the United States and be able to demonstrate an international strategy.
- Conduct market research.
- Determine if your restaurant has global legs. Be prepared to adapt aspects of the concept including decor and food.
- Have a well-defined master licensee or area-developer profile.
- Visit Ireland and develop contacts with the local franchise association, business community and real-estate players.
- Invite prospects to your restaurants in the United States to get a first-hand look at the concept and talk with franchisees.
- Expect a realistic development schedule. Don't be surprised if franchisees insist on establishing a pilot restaurant for a period of 12 months or more.

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Coleman's second Bennigan's is on the second floor of a mall in Dundrum, a Dublin suburb, above a McDonald's.

make our salads different," he explains. "What Bennigan's was doing was pouring all this stuff on top, and people were saying, 'No, we don't want that.'" The Irish prefer that salad ingredients are mixed together, according to Coleman.



Same with pastas. Cooks mix grilled chicken strips into the pasta instead of laying them on top. Coleman also introduced new items. "We invented Smothered Chicken," he says of a dish that features chicken breast under a blanket of white-wine sauce, onions, mushrooms and cheddar cheese.

Bennigan's franchise policy permits changing 20 percent of the menu, though not core items. "His menu is not a Bennigan's menu," Runco complains.

He also worries that Coleman's prices are too high compared to American standards. An 8-ounce cheeseburger costs €11.95, or \$15.20. Yet at TGI Friday's in Blanchardstown, near Dublin, the same size burger with cheese is €13.85, or \$17.64.

"[Runco] doesn't have to pay the same labor cost we do," retorts Coleman, referring to the 27 percent rate, which does not include a manager's salary. The going rate for front- and back-of-house employees is €10 to €12 an hour (about \$12.80 to \$15.35). There is no tip credit in Ireland.

Many Irish restaurants, like their American counterparts, are staffed by foreign workers willing to do menial jobs. Coleman hires plenty of them. He cannot get away with paying less than the federal minimum because the workers, mainly from other European Union countries, are there legally. "They have to be paid the same rate [as the Irish], and all of them know their rights," he says.

The booming economy has also driven up the wholesale cost of food, liquor and building materials, a fact that Runco is aware of. "Prices are higher there," he acknowledges.

"These guys have a model that works in America," Coleman says of Bennigan's. "But it doesn't work here." **CL**

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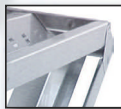
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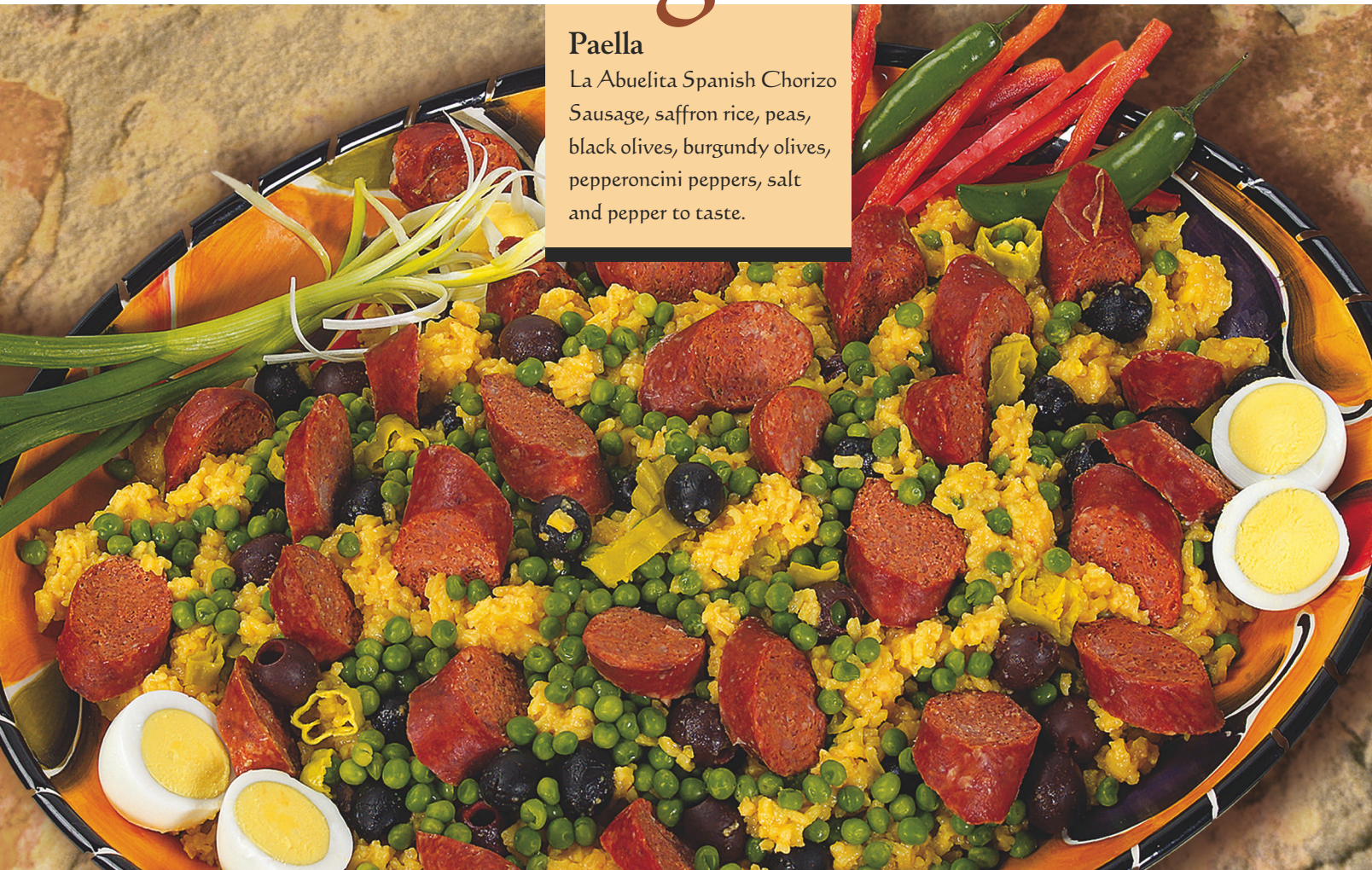
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BY DAVID FARKAS

A bulging war chest and some top-ranked talent puts Potbelly Sandwich Works on the map.

The Next BIG THING?

You've probably never heard of Bryant Keil, but one day he might deserve a place alongside Ray Kroc, Dave Thomas, Fred DeLuca and Howard Schultz. The 42-year-old Chicagoan has raised \$86 million since 2000, attracted a high-falutin' board of directors and hired the executives responsible for Starbucks explosive growth in the 1990s. His vehicle to fame: Potbelly Sandwich Works.

"We are focused on building a world-class company," insists Keil, chief executive, seated in Potbelly's board room on the 23rd floor of Chicago's Merchandise Mart. "I want people to look back and say, 'That was the best company I ever worked for.' That would be a great honor."

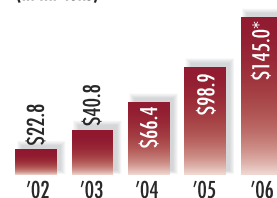
To be sure, the virtually unknown but fast-growing concept has a ways to go before it's added to the list of marquee chains. The company is in the midst of reorganizing senior management and working out how to double in size by 2008.

Today, there are about 125 Potbellies. Most have opened since 2002—a year after Starbucks Chairman Schultz bestowed nearly \$11 million on the then eight-unit chain through Maveron, his Seattle-based venture-capital fund. Keil had bought the business—a busy 20-year-old sandwich shop on Lincoln Avenue in

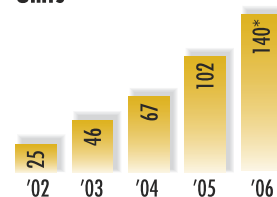
To double Potbelly in size by 2008, CEO Bryant Keil has raised \$86 million and attracted a notable board of directors and executive team.

POTBELLY: GROWING FATTER

Systemwide Sales (in millions)



Units



*company estimate



Company officials boast that their research shows customers think Potbelly has the friendliest employees among sandwich chains.

“When you get into a Potbelly line, there’s activity and a sense of urgency.” —CEO Bryant Keil

SNAPSHOT

CONCEPT

Potbelly Sandwich Works

HEADQUARTERS

Chicago

2006 REVENUE

\$145 million
(company estimate)

UNITS

125 (all company owned)

AVERAGE CHECK

\$6.50

AVERAGE UNIT VOLUME

\$1.2 million

EXPANSION PLANS

38 to 40 in '06,
40 to 50 in '07

Chicago—for \$1.7 million just four years earlier using his own money. Meanwhile, he was entertaining thoughts of an empire as he “changed everything,” he says. At the time, Keil owned Room Service, an outfit that delivered meals from restaurants to homes—his only foodservice experience.

Says Keil: “I wanted to figure out what made Potbelly tick. I wanted to build a scalable business.”

Starbucks Clone?

Maveron partner Dan Levitan described its investment in a *Business 2.0* interview in 2004: “[Potbelly] has many of the same characteristics that Starbucks had in the early days. There is this intensity and passion among people that it is *their* Potbelly.” Both Schultz and Levitan are Potbelly board members.

Comments like that help to explain why Keil has been able to amass a sizeable war chest over four more rounds of financing. The commitments have been notable. Venture capitalist firms Oak Investment Partners and Benchmark Capital have a stake. Chairman Ned Jannotta of William Blair & Co. and Whole Foods Market Co-President Walter Robb have seats on the board.

The most recent round, in February, brought on former El Pollo Loco owner

American Securities Capital Partners, which ponied up \$30 million for a 10 percent stake and board seat.

Thirty million? “On the surface, that’s a healthy price,” offers financial adviser Mark Saltzgeber, a former investment banker who unsuccessfully attempted to invest in Potbelly several years ago. But he estimates the company is worth about \$300 million. Based on a revenue run-rate of \$146 million, investors are currently paying from 1.5 to 2.0 times annual revenue—a rich valuation for a relatively small company, he says.

Well-Traveled

Small, yes, but not untested. The chain is now in eight states, and performance is consistent. “It’s how consistent Potbelly is market by market that impresses me,” says Oak General Partner Jerry Gallagher. Sales and unit growth, compounded annually, have shot up 60 percent or more over five years—rates comparable to hot-shot players like Chipotle and Panera Bread Co. Systemwide sales in 2007 are expected to exceed \$200 million.

Same-store sales remain “very positive,” says CFO Bill Moreton, though he concedes trends have softened “slightly” due to high energy prices and climbing interest rates. He won’t say how much or disclose which markets have experienced the steepest declines. In fact, the privately held company says little about how Potbelly units perform.



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"I can build a Potbelly for \$250,000 using linoleum and plastic. That's not what I want for this brand." —CEO Bryant Keil

Potbelly Sandwich Works features 11 sandwiches, including turkey breast, and hand-dipped shakes.

Food of love: A musician entertains customers during lunch. "We pay them more than scale, give them their breaks and feed them," says CEO Bryant Keil.



Declares Keil, "The business model and our execution of the business warranted [the \$30 million]."

Managing Director Glenn B. Kaufman of American Securities Capital Partners agrees. "It is clearly a valuation reflective of a business performing exceptionally well. It's been growing 30 to 40 percent year over year with a distinguishing set of characteristics that make [Potbelly] special," he explains.

What's so special about a sub chain that toasts sandwiches? For one thing, the sandwiches are priced at a competitive \$3.89 each (check average: \$6.50). For another, they arrive quickly, roughly two minutes from order to pickup. Long lunch lines don't seem to matter, either. Customer throughput averages six minutes. And there's live music—usually a guitar or piano player—in each unit, a refreshing change from rivals' piped-in pop. The unique amenity costs the company about \$1 million a year.

The payoff has been music to investors' ears. It doesn't take a genius, for example, to surmise that on a \$575,000 per-store investment and \$1.2 million in average unit sales, there's strong cash flow, perhaps 20 percent or more, according to observers. Declares Gallagher, an early investor: "We didn't have to retool the profit formula."

Gallagher, who has also backed Jamba Juice and P.F. Chang's, foresees an IPO in Potbelly's future. "If you don't aim for that, then you depend on a strategic buyer," he says. Strategic buyers have been all but absent from recent restaurant transactions given the sometimes towering valuations financial buyers have been willing to pay.

To prepare for fast growth and, perhaps, the eventual scrutiny of the Street, Keil has been retool-



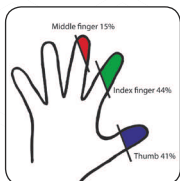


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Potbelly averages \$1.2 million per store, roughly three times the volume of most rival sandwich shops.



Kit parts: Wood floors, tin ceilings, antique lighting and fancy molding are a few of Potbelly's brand elements. They help create what CEO Bryant Keil dubs "psychic happiness."

ing management. John Bettin, the former Morton's The Steakhouse president who joined Potbelly a year ago as senior vice president and COO, resigned in June. Keil will only say that Bettin, who oversaw all store operations, is "very bright." Bettin, who is not being replaced, declines to comment.

Chief Development Officer Tom Jednorowicz and Chief Marketing Officer David Selby have also left. Dan Fogerty, who oversaw brand development for Chipotle, replaced Selby late last year. Jednorowicz, according to Keil, wanted to buy a restaurant chain. "Who knows? I might invest with him," says Keil, who dropped out of American University to start a flower-delivery business.

Still, he concedes, "Different stages in a company require different things. I tried to get Arthur from Day One."

"Arthur" is Arthur Rubinfeld, the former Starbucks executive who's credited with swelling the coffee chain from 100 to 3,800 units. Schultz introduced Keil to Rubinfeld in 2000, and Keil immediately hired him as a consultant after he left Starbucks in 2002. Rubinfeld, a real-estate expert and co-author of a brand-building manual called *Built for Growth* (Wharton School Publishing, 2005), says he convinced Keil to put real estate, construction and property management in one department to facilitate rapid expansion.

Mastering the Brand

He also helped Potbelly develop a "kit of parts," or key brand elements that can be shaped and reshaped to fit a particular store site. They include wood paneling, wooden floors, pew-like booths, bookcases and old-fashioned light fixtures. The first Potbelly, which opened in 1977, was originally an antique store.

"It is a family of materials, colors and equipment," explains Chief Development Officer Rubinfeld, who brought former Starbucks development executives Jayson Tipp, vice president of store development and analytics, and Bill Sleeth, vice president of store design, on board. The three were also partners in Airvision, the San Mateo, Calif.-based retail consultancy Rubinfeld formed after leaving the coffee chain in '02.

Today, Rubinfeld's job is to grow Potbelly "at a highly doable pace," declining to offer specifics other than to predict there will be "thousands" of units. "That was the idea of bringing aboard our team," he says.

The trio is currently studying the results of a site-analysis model that Tipp, a statistician, developed, and recruiting staff. Says Rubinfeld: "We are looking to hire designers and construction managers. Those who love the thrill of growth."



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“Ultimately, Potbelly is a very big opportunity in different representations.”

—Chief Development Officer Arthur Rubinfeld on site flexibility

Potbelly grew by 50 percent, to 102 restaurants, in '05, making it the fastest-growing sandwich concept among the 40 on Technomic Inc.'s “Top 500 Chain Restaurant Report.” With \$38 million in cash to help fund growth, the debt-free company is adding 37 units this year (a dozen have opened so far) and 40 to 50 in '07. Most will open in existing markets, though the chain will likely enter a new, as-yet-undisclosed market next year. All Potbelly restaurants are company owned.

Downtown Legacy

The strategy has been to open the first outpost in an urban center with plenty of foot traffic and nearby office buildings. Keil proved in Chicago that downtown workers flock to the concept after opening his second Potbelly in the late '90s. Later, the company looks for high-traffic suburban sites, usually in strip malls. It counts on buzz from the downtown locations to attract customers.

Keil has so far opened 54 units in and around Chicago, the largest market, and he thinks there is room for more. The second largest is Washington, D.C., with 22 units.

An employee on the make line inquires about an order. Potbelly workers, who always face customers, are eager to communicate.

Potbelly's fourth restaurant, a former repair shop on Chicago's Near North Side. The company reports that units ring up an average \$23,000 a week—a number far higher than rival sub chains.



The remainder is spread among Minneapolis; Milwaukee; Detroit; Ann Arbor, Mich.; Columbus, Ohio; Cincinnati; Houston; and Dallas/Fort Worth.

Exactly how well this strategy is working is anyone's guess. Neither management nor the investors interviewed for this article will disclose the range of volumes, crucial to gaining an accurate picture of where the Potbelly model works best. Despite the range in the size of units—from 675 square feet to 4,000 square feet—the company maintains the stores average \$1.2 million; that's roughly three times the volume of most rival sandwich shops.

Keil says remaining site-flexible is key to maintaining volumes. “Yesterday we were talking about doing a 3,000-square-foot store,” he recalls. “The question was raised, ‘Do we really need it?’ I said, ‘The extra square footage will really help our operators and customers. Over time, maybe not today, we will earn a return worthy of our effort.’ That's not a blindly naïve approach.” Keil, whose wife is pregnant with their fourth child, says parents with strollers need more room.

Rubinfeld shares a similar philosophy, as long as the 3,000-square-foot unit is an A location. “I'm a believer that if a Main Street and Main location is available, you have got to find a way to take it,” he says. “You then figure out how to make it work, perhaps leasing a portion or making it a regional office.”

The tack worked for Starbucks, which rushed to lease stores in highly visible sites as it stampeded across the country gobbling up market share.

Will the same approach work for a more complicated and less retail-oriented system? Keil seems willing to find out. “One thing we've been talking about lately is that it's OK not to know everything,” he says. “Someone can come in with a different background and teach us something new.”

Something, perhaps, that could make him famous. **CL**



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a decade of CHAIN BUSINESS

1996

Cantina del Rio, Bob Evans' Mexican casual-dining chain, closes. The company claims distraction from its core concept.

U.S. minimum wage rises to \$5.15.

President Bill Clinton is re-elected.

1996 chain sales: \$164.4 billion*



1997

Carl's Jr. parent company CKE Restaurants Inc. acquires about 3,000 Hardee's stores.

McDonald's promotes—and runs out of—Beanie Babies.

KFC brings the Colonel back with a new logo.

PepsiCo spins off Tricon Global Restaurants: KFC, Pizza Hut and Taco Bell.

Wendy's discontinues self-serve salad bars.

1997 chain sales: \$174.5 billion*



1998

McDonald's invests in 14-unit Chipotle Mexican Grill.

T.G.I. Friday's parent company, Carlson Restaurants

Worldwide, acquires Stephan Pyles'

Star Canyon and AquaKnox restaurants.

Saint Louis Bread Co. (now Panera Bread Co.) divests Au Bon Pain.

Tricon Global Restaurants opens its first three-in-one restaurant.

Boston Chicken Inc. files for Chapter 11 bankruptcy.

P.F. Chang's China Bistro Inc. issues IPO.

1998 chain sales: \$181.6 billion*



1999

A&W Restaurants buys Long John Silver's.

McDonald's acquires Donatos Pizza Inc.

Carlson Restaurants Worldwide files IPO of \$145 million.

Planet Hollywood files for Chapter 11.

Restaurant Associates acquires Joachim Splichal's Patina Group.

1999 chain sales: \$181.0 billion*



2000

AmeriServe Food Distribution files for Chapter 11 bankruptcy.

McDonald's acquires Boston Market out of Boston Chicken Inc.'s bankruptcy.

California Pizza Kitchen offers IPO.

P.F. Chang's launches fast-casual Pei Wei Asian Diner.

Krispy Kreme Doughnuts Inc.'s IPO raises \$63 million.

2000 chain sales: \$190.0 billion*

2001

President George W. Bush takes office.

AFC Enterprises Inc. issues IPO.

McDonald's apologizes about beef extract in its french fries.

Sept. 11 terrorist attacks on the World Trade Center and Pentagon.

2001 chain sales: \$196.6 billion*



Both Democrats and Republicans have ruled the White House. America has suffered wildfires, blackouts, terrorism and hurricanes. Chains have seen booming growth and retrenchment, acquisitions and sell-offs, praise from the

Street and stock slumps, influxes of capital and dry spells. Price has ruled over quality, and quality has ruled over price.

In the 10 short years since *Chain Leader's* debut, we've learned that the more things change, the more they stay the same. For

evidence, take a look back at some of the milestones in the chain-restaurant industry, from August 1996 until today.

*Total global sales, Restaurants & Institutions Top 400 Restaurant Concepts

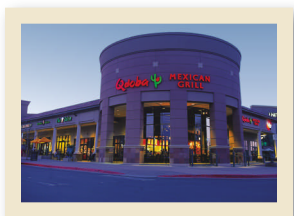
CRYSTAL BALL: Predictions for the Next 10 Years

- ◆ Facing slowing sales growth, McDonald's will move the concept "back to basics," winning applause from franchisees and Wall Street.
- ◆ The National Restaurant Association show will continue to take place at Chicago's McCormick Place.
- ◆ At least one family-dining chain will face a race-, gender- or sexual-orientation-discrimination lawsuit.
- ◆ Gas prices will normalize, then spike, then normalize again.
- ◆ A restaurant chain will win customers by promoting the fact that its food isn't healthy, it's full of fat, salt, calories and taste.



2002

Carlson announces its emerging brands are on the block.
Wendy's buys stake in Cafe Express.
Tricon buys A&W and Long John Silver's concepts and changes its name to Yum! Brands Inc.
Wendy's acquires Baja Fresh Mexican Grill.
Red Robin issues IPO.>
Sarbanes-Oxley provisions become effective.
McDonald's is sued for allegedly causing obesity in teens with misleading marketing.
2002 chain sales: \$207.6 billion*



2003

Jack in the Box Inc. takes in
.....< Qdoba Mexican Grill.
The war in Iraq begins.
North America sees its first incidence of mad cow disease.
AFC Enterprises Inc. announces it will restate earnings for 2000, 2001 and part of 2002.
Applebee's debuts Weight Watchers dishes.
Chi-Chi's suffers a hepatitis A outbreak, traced to green onions.>
Buffalo Wild Wings Inc. files IPO.
2003 chain sales: \$218.1 billion*



2004

Ground Round tells stores to close immediately and send home customers and employees. Its franchisees later acquire a majority of the chain.
McDonald's phases out Super Size fries and drinks.
Domino's, McCormick & Schmick's and Texas Roadhouse go public.
President George W. Bush is re-elected.
Wendy's allows customers to order four side choices with combos.
2004 chain sales: \$237.4 billion*

2005

Bobby Cox Cos. Inc. buys Schlotzsky's Inc. out of bankruptcy.
Anna Ayala is arrested for claiming she bit into a finger from her Wendy's chili.>
McDonald's celebrates its 50th anniversary.
Hurricane Katrina strikes the Southeast, devastating the coast.
.....< Ruth's Chris Steak House issues IPO.
2005 chain sales: \$259.5 billion*



2006

U.S. House passes bill that would increase punishment for hiring or helping illegal immigrants.
Chipotle issues IPO.
Tim Horton's issues IPO.
Immigrants and supporters hold rallies in cities nationwide.
KFC adds "food safety assurance" seals to packaging, without mentioning avian flu.
Senate passes immigration bill that includes guest-worker program.
.....< Burger King issues IPO.
Joe Micatrotto and other former Buca Inc. executives plead guilty to fraud charges.

*Total global sales, Restaurants & Institutions Top 400 Restaurant Concepts

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TESTIMONIALS



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Rick Federico
CEO
P.F. Chang's China Bistro



"At Chain Leader LIVE you hear from and interact with the top leaders of the industry. You see how they run their companies and the innovative thinking they use to make their companies successful."

Donette Beattie
VP Purchasing and Product Development
Country Kitchen International

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Making House Calls

Customers use delivery most for pizza, on the weekend and in the evening.

By MARY BOLTZ CHAPMAN

Delivered meals are most likely to include pizza, according to Quick-Track, a quarterly survey by San Clemente, Calif.-based Sandelman & Associates. National pizza chains receive 84.8 percent of prior-month delivery occasions, a 21-quarter average reveals. They get 17.6 percent of all past-month occasions. So delivery trends tend to mirror the pizza category.

- According to a 21-quarter average, 84.0 percent of those getting their

meals delivered on their last occasion did so at dinner. 41.4 percent of all QSR occasions were dinner.

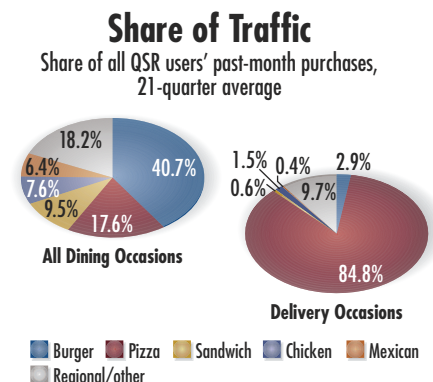
- Only 9.0 percent of those having their most recent meal delivered were alone. 40.9 percent were with their spouse, 37.2 percent were with their kids, and 21.4 percent were with friends.

- The mean number of people in a party ordering for delivery is 4.1; the mean for all QSR users is 2.8.

- Those using delivery on their last purchase occasion spent an average of \$21.38 per party or \$5.24 per person. The average check for all fast-food occasions is \$13.23 per party, \$4.77 per person.

- Delivery makes up only 6.6 percent of all QSR occasions, according to a 21-quarter average.

- First-quarter 2006 data show that the older customers are, the



less likely they use delivery. While 16- to 24-year-olds comprise 18.9 percent of all users, they account for 31.4 percent of delivery users. Customers 45 to 64 make up 33.9 percent of all QSR users but only 21.3 percent of delivery users.

- Families also tend to use delivery more. Households with children under 18 comprise 46.5 percent of the all-QSR-user pool and 57.8 percent of delivery users, according to first-quarter data.

- A 21-quarter average shows that of all fast-food patrons who used delivery on their last occasion, 45.6 percent did so on Friday or Saturday. Of all users last purchases, 35.3 percent were on Friday or Saturday.

- 47.4 percent of customers using delivery on their last occasion took advantage of a special deal or promotion vs. 21.8 percent of all fast-food users. **CL**

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 delivery users" as those who have purchased delivered food from a QSR chain at least once in the past month. Most-recent purchase data is based on all QSR users whose dining type was delivery on their last QSR occasion.





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DAVID GORONKIN

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- Conceptually — New Smokehouse prototype enhances the chain's image and sales
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AUGUST 2006

THE HEAT IS ON COLD-CHAIN MANAGEMENT



FRONTLINE

- Safe poultry, safe produce

OUTBREAK

- Salmonella litigation growing

EQUIPMENT

- Don't let your dishwasher shut you down

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FoodSafety INSIGHTS

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A LETTER FROM NSF

Dear Colleague,

At FoodSafety INSIGHTS (FSI), our goal is to provide news that you can use in your daily operations. That's why this issue examines some useful information that provides perspective on the news stories you may have seen recently. We highlight how major operator chains are responding to avian flu concerns by generating proactive customer campaigns designed to counter many myths. In an article entitled "The Big Chill," FSI explores operational practices at every step of the distribution chain—from grower to prep cook. This article takes a closer look at controlling temperature with the ultimate goal of preventing foodborne illnesses.



Foodborne illness is a public health and economic challenge affecting both general and at-risk populations. Therefore, NSF International continues to make prevention a key focal point for all our stakeholders. We are hosting the **2006 Food Safety Education Conference** in conjunction with the United States Department of Agriculture's Food Safety and Inspection Service. This conference will bring together international, federal, state, and local experts who will present cutting-edge food safety information on at-risk and other populations. The conference is being held in Denver September 25-29, 2006. For more information, you can visit the NSF Website at www.nsf.org.

We hope you enjoy this issue, and we welcome your perspectives on how to build on our continuing theme of providing solutions *before* problems arise in your business.

—Kevan P. Lawlor, President and CEO,
NSF International

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FoodSafety INSIGHTS
FOODSERVICE NEWS & RESOURCES

August 2006 **S-3**

FRONTLINE

News and Commentary

By STEPHANIE SALKIN

SAFE POULTRY: SUPPLY CHAIN STAYS ON MESSAGE

Weekly tracking surveys by Tyson Foods, Inc., Springdale, Ark, the world's largest meat producer, indicate that consumer poultry purchases remain constant, despite ongoing news about avian flu. Nevertheless, major operator chains are developing pre-emptive strategies to retain customer confidence in their poultry menu items:

- ◆ **McDonald's Corp.**, Oakbrook, Ill, has prepared an ad campaign to assure customers that its chicken is safe should there be an avian-flu outbreak in the U.S. Print and TV ads are ready, should bird flu become a problem in any country where the chain operates.
- ◆ **Louisville, KY-based KFC** announced proactive ad plans several months ago. The chain has now created stickers to adhere to the lids of every bucket of chicken sold in the U.S. The stickers assure customers that KFC's chicken is "rigorously inspected, thoroughly cooked, quality assured."
- ◆ **Popeyes Chicken & Biscuits**, Atlanta, is ready with an ad campaign, to allay consumer fears. This chain is preparing as-needed cable TV spots to address the issue. Popeyes already has aired reassuring

messages in Jordan and Indonesia, where human cases of the virus have occurred. The customer message in these markets assures both consumers and employees that properly cooked chicken is safe to eat.

Operators also are depending on their suppliers to be proactive. McDonald's, for instance, has imposed standards on European suppliers of what had been free-range chicken. The new rule: Bring the chickens indoors. This new requirement is two-fold: for birds producing eggs used by McDonald's as well as for poultry served to customers.

U.S. poultry farms, too, are taking measures to guard against contamination of flocks. Biosecurity has been tightened and new Geographic Information System (GIS) technology is enabling poultry experts to pinpoint the location of commercial poultry flocks, feed mills and processing plants. This facilitates the creation of buffer zones around any flock infected with the deadly Asian H5N1 strain. In addition, experts have been "Googling" poultry through Google Earth, which combines satellite imagery, maps and a search engine to span the globe for

FSIS SETS SAFE COOKED POULTRY TEMPERATURE

USDA's Food Safety and Inspection Service (FSIS) has announced its first-ever minimum internal temperature designated specifically for poultry food safety, based on the recommendation of the National Advisory Committee on Microbiological Foods (NACMCF). The minimum internal temperature at which cooked poultry of all types is considered safe from pathogens is 165° F. "The recommendation is based on the best scientific data available and will serve as a foundation for our programs designed to reduce foodborne illness and protect public health," comments Dr. Richard Raymond, USDA Under Secretary for Food Safety. For further information, call USDA's toll-free Meat and Poultry Hotline at (888) 674-6854.



information such as location of buildings, schools and roads near large poultry farms and processing facilities.

Meanwhile, the USDA says that a new test will enable the government to test poultry meat for the H5N1 strain. The government says it is prepared to eradicate any suspect flock promptly. At the same time, the USDA stresses that the possibility of bird flu showing up in commercial flocks designated for consumption is extremely small and that, in any event, cooking poultry to 165° F will eliminate any pathogens. (See sidebar, above.)

TABLE CLEANING METHODS CAN CAUSE PROBLEMS

Many restaurants use standard-issue cotton towels to clean tables, creating an unsanitary condition, according to an undercover investigation by a Texas TV station, NBC 5. These towels are a "breeding ground" for bacteria, putting patrons at risk, the station claimed. Nationally known food

safety consultant Dee Clingman told NBC 5 that cotton towels actually soak most sanitizer out of solutions: "In effect, in a very short period of time, less than an hour, there is no active ingredient left in the solution," he said. The station alerted the Dallas County Health Dept. to its findings.

"We've said for years that the multi-use rag actually contributes to bacteria on dining tables rather than removes it," comments John Luposello, CFM, NP Commercial Division, Marketing Department, Nice-Pak Products, Inc., Orangeburg, N.Y. (producer of Sani-Surface Disposables). "But the issue is not so much the sanitizer strength being diminished, but the multiple use of a cotton cloth that is not adequately cleaned between uses."

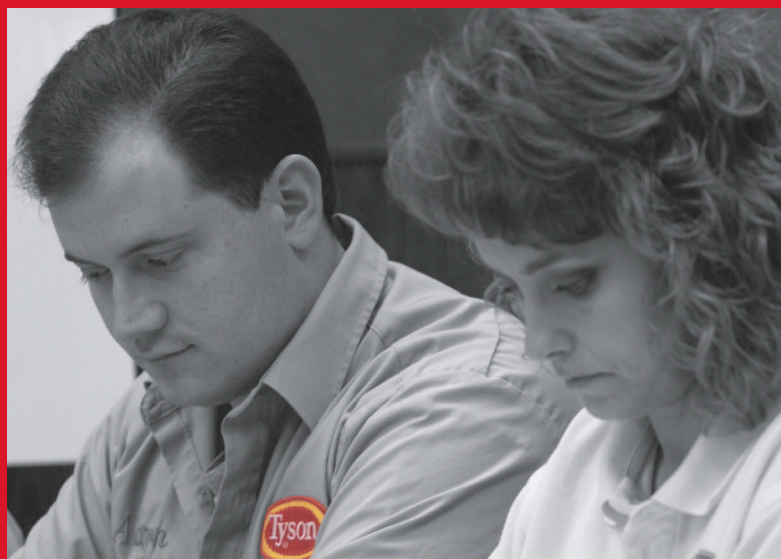
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FRONTLINE

News and Commentary

BAGGED PRODUCE SAFE, SAYS PMA

Bagged, pre-cut produce and whole produce are very safe, despite a recent Dateline telecast targeting “unseen E. coli danger in bagged salads,” according to the Produce Marketing Association (PMA), Newark, Del.

PMA does not recommend washing bagged salads if the bag says the product is ready to eat, washed, or triple-washed. In fact, taking washed produce out of a bag and rewashing it increases chances for cross-contamination, notes Kathy Means, PMA vice president. Bagged salads have the advantage of reducing the chance of cross-contamination, she adds. (Note: FDA’s Center for Food Safety and Applied Nutrition advises that pre-washed bagged produce, if already opened for a prior use, should be washed again.)

Produce labels that do not indicate that contents are ready to eat should be washed by the operator. PMA feels that water is just fine. If a foodservice operator also wants to use an antimicrobial wash, PMA sees no problem with that, providing, again, that the product is handled carefully to prevent cross-contamination, and antimicrobial instructions are followed.

In fact, some processors and foodservice operators are using antimicrobial rinses.

For example, St. Paul-based Ecolab, Inc. has announced a new Tsunami 100, an EPA-registered antimicrobial rinse that reduces pathogens in water used to clean fruits and vegetables. While aimed for use at the processor level, the product, if adopted by suppliers, can help foodservice operators feel more assured that the product they serve their customers is safe. Ecolab offers a similar product for use by operators.

Consumer confidence in produce remains high, despite the Dateline telecast, according to a PMA survey. Nevertheless, the outbreak described on Dateline, while unusual, was not an isolated incident. The Food and Drug Administration links at least 19 foodborne illnesses to leafy greens, including raw spinach, since 1995. Furthermore, illnesses linked to fresh produce of all types, including pre-cut, have doubled since the early 1990s. (See sidebar below).



To assure the safety of leafy greens, PMA and several other produce organizations have released *Commodity Specific Food Safety Guidelines for the Lettuce and Leafy Greens Supply Chain*. Other sponsors include the International Fresh-Cut Produce Association, the United Fresh Fruit & Vegetable Association and Western Growers. The guidance targets handling by the entire supply chain, including operators. It stresses sanitation, employee training and hygiene, water quality and avoidance of cross-contamination. It is available at sponsor organization Websites: www.fresh-cuts.org, www.pma.com, www.uffva.org and www.wga.com.

CORRECTION

In the May 2006 issue of FoodSafety INSIGHTS, the number of people employed by Sodexo in the U.S., Canada and Mexico was incorrectly cited as 12,000 (page S-11, 20/20 Foresight). Sodexo employees actually number 120,000.

CONFERENCE CALENDAR

September 27–29

NSF International/USDA, Food Safety Education Conference, Adams Mark Hotel, Denver, Colo. For more information, visit www.fsis.usda.gov/Denver2006

October 9–11

Safe Quality Food Institute Conference, Hyatt Hotel, Crystal City, Va. For more information, visit www.fmi.org

October 13–15

National Restaurant Association/National Restaurant Association Educational Foundation/Food Marketing Institute Food Safety Supply Chain Conference. Grand Hyatt Hotel, Washington D.C. For more information, visit www.foodsafetychainconference.com.

PRODUCE ILLNESSES HAVE DOUBLED, SAYS FDA

Since the early 1990s, the number of foodborne illnesses associated with fresh fruits and vegetables has doubled in the U.S., according to FDA’s Center for Food Safety and Applied Nutrition (CFSAN), in new guidance issued March 1, 2006 (www.cfsan.fda.gov/guidance.html). Of these outbreaks, 25% implicated fresh-cut produce. Processing fresh produce into fresh-cut increases the risk of bacterial contamination and growth by breaking the natural exterior barrier of the produce, says FDA/CFSAN. It is therefore critical that processors use proper sanitation procedures. In addition, the potential for pathogens to survive or grow in fresh-cut products is increased by the high moisture and nutrient content, the absence of a lethal process during production to eliminate pathogens, and the potential for temperature abuse during processing, storage and transport. FDA/CFSAN advises that users store fresh produce at 40° F or below.

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OUTBREAK **Salmonella kills 1,000 per year**

By **STEPHANIE SALKIN**

Operators at significant risk of litigation

Salmonella is currently the most prevalent cause of food infection in the U.S., according to the Centers for Disease Control (CDC). In 2005, there were 6,471 laboratory-confirmed cases of Salmonellosis, the illness caused by the bacteria. Every year, the CDC receives reports of 40,000 cases in the U.S. A vast majority goes unreported. In fact, the agency estimates that 1.4 million people in this country are infected and that 1,000 people die each year from the disease.

Some gains have been made in the fight against this pathogen: Salmonella contamination of ground beef has declined since 1998. However, the USDA's Food Safety and Inspection Service (FSIS) has seen a sustained increase in Salmonella-positive samples in broiler chickens, from 2002-2005. The increase has spurred the FSIS to announce a new, comprehensive initiative to reduce the presence of the pathogen in raw meat and poultry. The FSIS says it will now provide results of its Salmonella testing to processors as soon as they become available, on a sample-by-sample basis. The prompt reporting of results will enable faster response to contaminated products entering the market and investigation of illness outbreaks, in coordination with federal, state and local public health agencies.

Salmonella in fresh produce, too, has been on the rise. One of the most notorious outbreaks involved raw sprouts in the late 1990s, and again in 2003, prompting the FDA to issue an advisory—still current—that sprouts not be served raw.

SYMPTOMS. Symptoms of Salmonellosis usually begin from 12 hours to three days after infection. They include diarrhea, fever, abdominal cramps and headache. The illness usually lasts four to seven days. In severe cases, the infection can cause death if left untreated. In addition, Salmonellosis can become a chronic infection in which some people may not have symptoms. Notably, these symp-

tom-free individuals can place others at risk if they are food handlers who don't wash their hands. Symptoms are most severe in the elderly, infants, and people with chronic conditions. People with AIDS are at particular risk of suffering from recurring episodes.

MODES OF TRANSMISSION. Salmonella-contaminated foods often are of animal origin, such as meat, milk or eggs, but the bacteria can show up in all foods. Unwashed hands of infected food handlers and cross-contamination are major factors, as is failure to thoroughly rinse raw produce that has not been pre-washed by suppliers.

PREVENTION GUIDELINES. The Website of the Partnership for Food Safety Education (PFSE) offers these "Fight Bac!" guidelines to prevent Salmonella transmission:

- ◆ Wash hands, utensils and surfaces often with hot soapy water.
- ◆ Avoid cross-contamination. For example, never store protein products above fresh produce or in any way allow their juices to come into contact with other foods.
- ◆ Cook to proper internal temperatures (see below).
- ◆ Refrigerate promptly and slack out properly—never defrost at room temperature.

Operators should think beyond their own operational practices and investigate suppliers' food safety systems. More information on Salmonella and/or Salmonellosis prevention can be found at the following Websites:

www.foodsafetyinsights.com/article_archives.htm
www.about-salmonella.com
www.salmonellalitigation.com
www.cdc.gov/foodnet
www.foodsafety.gov
www.cfsan.fda.gov/list.html
www.fightbac.org



CURRENT SALMONELLA LITIGATION

Many illnesses attributed to Salmonella have been traced back to dining establishments, triggering costly lawsuits and generating disastrous publicity for those operators. The following cases are being handled by Marler Clark, a Seattle-based specialist in this legal arena. See www.salmonellalitigation.com.

- | | |
|-------------------------------------------|-----------------------------------------|
| ◆ Café Barquette, Minneapolis | ◆ Adrift, Anacortes, Wash. |
| ◆ Old South Restaurant, Camden, S.C. | ◆ Beaches Sandy Bay, Negril, Jamaica |
| ◆ Corky & Lenny's, Woodmere, Ohio | ◆ Sheetz/Coronet Foods, Pittsburgh, Pa. |
| ◆ Fern Golf Club, Macomb, Mich. | ◆ Sushi King, Bentonville, Ark. |
| ◆ C. L. Swanson Cafeteria, Rochelle, Ill. | |

PROPER COOKING KILLS BACTERIA

Cooking meats to safe internal temperatures ensures that Salmonella and E. coli bacteria are destroyed. Here's what the USDA's Food Safety and Inspection Service recommends:

- ◆ 145° F for beef, veal, and lamb steaks, roasts, and chops
- ◆ 160° F for all cuts of pork
- ◆ 160° F for ground beef, veal and lamb
- ◆ 165° F for all poultry.



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COVER STORY

THE HEAT IS ON COLD-CHAIN MANAGEMENT



TEMPERATURE ABUSE IS UNDER THE MICROSCOPE

By DANA TANYERI

The heat is on when it comes to ensuring food safety. This means operational practices at every step in the distribution chain are under the proverbial microscope—from grower or producer to pantry clerk and

prep cook. When temperatures are abused anywhere along the supply chain, that microscope can reveal rapid bacterial growth that not only affects product quality but also increases the risk of foodborne illness.

Controlling temperature is critical to protecting product quality and preventing such illness, but maintaining proper temps can be a challenge. One of the biggest issues is that, no matter how hard your own staff works to ensure proper cold storage, your efforts can be fruitless if temperature has been compromised further back in the supply chain. In other words, if your distributor and his or her suppliers don't have fool-proof systems in place, you have a problem coming in the door.

"If you look at the nature of the distribution challenges at each link in the cold chain, it's like a tree that branches out," says Jim Bail, assistant director of food processor safety programs at NSF International. "From the manufacturing plant, through the distribution pipeline to one or several distribution centers and ultimately to restaurants, there are many opportunities for temperature abuse along the way. A misstep in any part of the chain jeopardizes product quality and safety."

A growing number of restaurant companies have become proactive about temperature checks and maintenance within their own four walls. "They're checking and documenting the temperature of products at receiving and they do a good job of monitoring both ambient storage temperatures and core product temperatures throughout the day," says Bail.

Operators are also increasing their surveillance back up the channel and insisting on proof that product temperatures were maintained well before delivery. "Many customers are asking for more information and documentation about our food safety programs," confirms Jorge Hernandez, vice president of food safety and quality control

NO MATTER HOW HARD YOUR OWN STAFF WORKS TO ENSURE PROPER COLD STORAGE, YOUR EFFORTS CAN BE FRUITLESS IF TEMPERATURE HAS BEEN COMPROMISED FURTHER BACK IN THE SUPPLY CHAIN

for Columbia, MD-based U.S. Foodservice (USF). "We welcome that and we now reach out to them, asking about their food safety programs and working together to bring about improvements. It's still a relatively small handful of proactive chains doing the asking," he adds, "but the improvements being made as a result benefit everyone."

Hernandez joined USF just over a year ago, leaving his previous post as vice president of food safety and risk management at the National Restaurant Association Education Foundation. Over the past year, he's instituted a comprehensive new food safety program that makes cold-chain control a top priority.



U.S. Foodservice has undertaken a series of studies to measure and track cold-chain maintenance.

"We have specifications for refrigerated and frozen products. Products coming into our distribution centers have to be certified as meeting those temperature specifications—10° F for frozen and 41° F for refrigerated products—before we take control of the products. Once we do take control, products are unloaded onto refrigerated docks. We prioritize items for put-away so they stay within acceptable time and temperature specifications. We also make sure our outbound trucks are loaded accordingly—with refrigerated and frozen items added last so they can quickly be put away properly at the operator's end."

Hernandez notes that USF has undertaken a series of cold-chain studies to measure and track temperature maintenance both from its suppliers to its distribution centers and from its warehouses to its customers. "We want to better understand what the fluctuations are by season, for example, and what we can do as a company to improve cold-chain maintenance. We're also looking at new technologies, such as 'smart labels' that track temperatures from the time products are packed. Ultimately, we're looking for full traceability. Technology will help us get there. Everyone will benefit."

COVER STORY

Cold-Chain Management

BIG BROTHER IS WATCHING

Steve Grover, vice president of food safety, quality assurance and regulatory compliance at Burger King, agrees. He's stepping up efforts to work with his chain's manufacturers and distributors and is tapping state-of-the-art technologies to make key changes.

"To maintain quality and safety, you have to have good cold-chain management," says Grover, who launched a new cold-chain management initiative at BK just over a year ago. The first step in the program was to study the chain's current system and monitor temperatures from producer to restaurant. "We found several spots along the way where we weren't where we wanted to be," Grover says. "Mainly, we lost a bit in distribution to the restaurants, and a bit more in the restaurants. There clearly were opportunities for better temperature management."

Burger King has since adopted a HACCP-based system that relies on electronic temperature monitoring at both the distribution center and restaurant levels. Currently in test, the monitors are operating in eight of the 27 distribution centers servicing Burger King and in 27 restaurants. Grover hopes to include all distribution centers by this fall and will then line up all company restaurants.

"We know our products are safer and we've seen major quality improvements," he says. "In some cases, we've discovered problems with over-chilling not just under-chilling. With our burgers, that affects cooking performance and that's critical for us."

The system reads and tracks temperatures 24/7 in each location. "We get the data real-time, at the same time the distribution center managers get it. If there's a problem, alerts go out. What we look for is a reduction of overall alerts, on

aggregate, and how long it takes for alerts to be attended to. You don't panic every time there's an alert, but you look at the process and at how long temperatures stay up."

Grover says the readings feed directly into his computer, from which he can cut weekly, monthly and yearly reports. "We're testing at the supplier level, as well. Two of our manufacturers have agreed to install electronic monitoring through which we can track temperatures all the way from the manufacturer to the store," he says. "So we're using technology to get a handle on a very big system."

Technology providers are aware of the fact that demand for more comprehensive, less costly cold-chain control systems is rising fast. At the restaurant level, this means a bigger and more affordable selection of 'intelligent' hand-held temperature recording devices, such as temperature probes for every application; infrared thermometers; programmable time/temperature recorders; and remote reading panel thermometers that allow operators to document cooler temps without opening doors. Also, there are full remote, wireless refrigeration system monitors that send alerts when storage areas go out of acceptable temperature ranges.

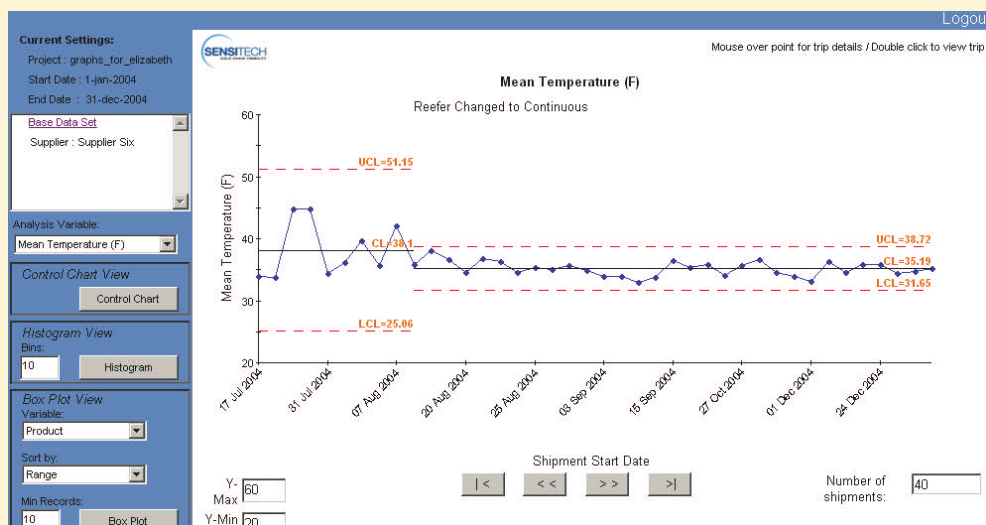
At the distributor and supplier levels, there are

products such as next-generation RFID (radio-frequency identification) sensor tags; wireless remote temperature tracking systems; and so-called 'smart labels' that give immediate visual indication if product temperatures have been abused. Better temperature-sensitive dock, warehouse and transportation practices are becoming more common.

Battery-powered data loggers are among the most widely used product locator devices and they're becoming integral to cold-chain management, as well. "They've been around for a long time, but they're becoming more sophisticated," notes Bail. "Older versions had limited memory and battery life, but with the new RFID technology you can have hibernating data loggers triggered to automatically start tracking at a set time or location. You can program in acceptable temperature and humidity ranges for specific products."

MAKING TEMPERATURE TRANSPARENT

Sensitech, a leading U.S. manufacturer of cold-chain management technology solutions in Beverly, MA, notes in a white paper that technological evolution, particularly with regard to RFID-enabled data loggers, has led to a new hybrid solution it calls



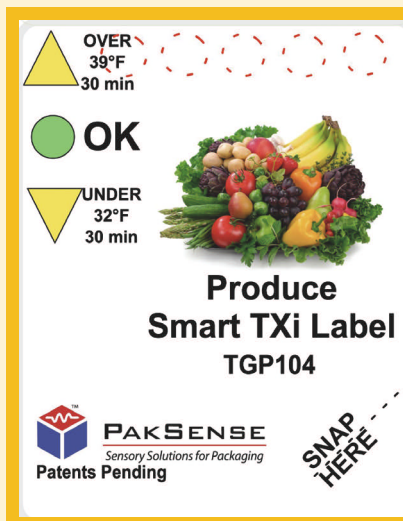
“full cold chain visibility.” This is the ability to “see” what is happening to perishables as they travel throughout the supply chain. However, the company points out that the solution isn’t as easy as just plugging in the newest technology. Rather, it takes a shift in mindset on the part of those responsible. It encourages elevating the status of cold-chain management to that of a proactive business unit vs. simply a reactive one (i.e., rejecting vendors and/or shipments at the back door) to improve overall safety, quality and profitability.

Savi Technologies, a global wireless cargo tracking technology company in Sunnyvale, Calif., just introduced RFID sensor tags for use on any type of food container or case. With up to 128 KB of memory, the tags can be set to monitor acceptable temperature and humidity ranges for specific food items. If the collected data falls outside the acceptable range, the tag sends a real-time alarm to a fixed or mobile RF reader and then to designated managers via Internet, cell phone or e-mail, allowing the problem to be addressed before product integrity is compromised.

The complete environmental event logs can be uploaded to hand-held readers or to fixed readers at distributor warehouses or restaurant receiving areas, letting receivers identify the time the product went out of acceptable range or to confirm that acceptable ranges, and therefore shipment quality, were maintained.

“Within the next five years, having access to these types of systems will be a standard requirement for any manufacturer or distributor to play in the game,” notes Pat Pimentel, general manager of retail and foodservice programs for NSF.

New RFID technology enables companies to “see” what is happening to perishables as they travel from producer to operator and to manage temperatures proactively. This report from Sensitech shows how an operational change made on August 7 positively impacted the consistency of temperatures in transit following that change.



SMART LABELS, SMART IDEA

Smart labels are another cold-chain management solution picking up steam. Less complex in terms of application than full-blown RFID systems, they offer an easy-to-use, low-tech, economical way for distributors and operators alike to see at a glance if products in transit have strayed out of acceptable, custom-programmed environmental ranges.

“Everyone knows there’s a temperature abuse problem. But how can we alert people to that and give an indication of the extent to which it happened?” say David Baldwin, vice president of sales and marketing for PakSense, a Boise, ID-based smart label manufacturer. The labels carry a visual image of the type of product being tracked, such as fresh produce, fish, poultry, and dairy. They’re activated simply by snapping one corner, are attached to individual cases or pallets and are completely disposable.

“There’s no technological infrastructure required on the part of the customer, just

Disposable smart labels affixed directly to cases give simple visual cues as to whether acceptable temperatures have been maintained. Computer chips embedded in the labels are custom programmed to track the temperature and humidity requirements for specific product groups.

the software and a hand-held reader,” Baldwin adds. “The labels are useable by anyone. If the arrow on it shows green, acceptable product temperatures have been maintained. If it shows red, there’s been abuse somewhere along the way.”

While those simple visual cues give immediate data for

use by dock and restaurant personnel, the hand-held, portable reader also scans and downloads the data collected in the embedded computer chips. The data can be downloaded onto the distributor’s or operator’s PC in Excel spreadsheet form for tracking and analysis.

PakSense is currently testing its smart labels with Sysco Foodservices of Idaho in Boise on a variety of fresh produce items, as well as with a number of restaurant and retail customers.

FOR MORE INFO

Check out the following resources for more information on cold chain management:

www.foodsafety.gov

www.fightbac.org, Partnership for Food Safety Education

www.nsf.org, National Sanitation Foundation

www.cdc.gov/foodsafety, Centers for Disease Control and Prevention

www.fsis.usda.gov, Food Safety Information Service

www.sensitech.com, Sensitech

www.savi.com, Savi Technologies

www.paksense.com, PakSense

FEATURE THE LATEST DISH ON WAREWASHING

New Developments Enhance Food Safety

By DANA TANYERI

The dish washer position is often the lowest on the totem pole in the back of the house. It can be a tough one to fill. The “warm body” and “revolving door” syndromes are common. But, from a food safety standpoint, the people running the dish machines are among the most powerful in the back of the house. Dishes not properly cleaned and sanitized can be major contributors to foodborne illness. These critical violations can be grounds for shutting a foodservice operation down.

An incident at a Chili's Bar & Grill unit in Vernon Hills, Ill., in 2003 provides a high-profile example: Serious dishwashing-related negligence was directly linked to sickening more than 300 people. The massive outbreak temporarily shut the restaurant down and resulted in what was reported to be among the highest settlements ever won against a foodservice operation.

FROM A FOOD SAFETY STANDPOINT, THE PEOPLE RUNNING THE DISH MACHINES ARE AMONG THE MOST POWERFUL IN THE BACK OF THE HOUSE.

While extreme cases like the Vernon Hills Chili's are rare, warewashing infractions are disturbingly common. The U.S. Food and Drug Administration (FDA) found that, in 2004, one-third of operations were out of compliance when audited for sanitizer solutions at proper concentration and temperature and dishwashing machine final

rinse at proper temperatures. That infraction level, while high, had actually trended down from prior years, indicating that this has been a prevalent, ongoing industry problem. So much so, in fact, that the FDA issued a new Food Code requirement, which went into effect in 2005, stating that any new equipment must “automatically dispense detergents and sanitizers, and must incorporate a visual means to verify that detergents and sanitizers are delivered, or a visual or audible alarm to signal if the detergents and sanitizers are not delivered to the respective washing and sanitizing cycles.”

Fortunately for operators (and their customers), changes being made by manufacturers to meet the updated Food Code requirements are lightening the load in this important operational area.





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FEATURE

Warewashing

Just as with other equipment categories, new technologies that make warewashers faster, better, quieter, more energy-efficient and easier to operate are also making them more effective from a food safety standpoint. Sophisticated new features remove guesswork and judgment calls on the part of the employee and also let inspectors know quickly and easily if machines are being operated within accepted food safety parameters. In addition to the alarms mentioned above, other safety-enhancing systems that are now common in new machines are:

- ◆ Automatic delayed start devices if heat is below required sanitizing temperature of 180° F. The units will automatically delay after the wash cycle until the built-in booster heater attains the proper temperature.
- ◆ NAFEM protocol monitoring and control systems.

SANITIZATION IS THE KEY

Commercial dishwashers fall into two basic categories: hot water sanitizing, commonly known as “high temp,” and chemical sanitizing, known as “low temp.” Regardless of which type is used, “the most important thing about dishwashers is sanitization,” advises Marco Parisi, a product manager with Electrolux Professional U.S.

High-temp machines rely on heat to achieve proper sanitization. Specifically, the final rinse temperature must be at least 180° F to effectively kill any micro-organisms remaining after the wash cycle. The FDA Food Code calls for 180° F because it is hot enough to sanitize in the relatively brief time the dishes are under the spray. Lower temps leave open the possibility of bacterial contamination, and higher temps—above 195° F—cause the rinse water to vaporize before sanitizing and may bake soil onto the dishes. Test strips and temperature gauges visible from the outside of the machine must be used to confirm that

HIGH-TEMP MINIMUMS

High-temp dish machines operate on the simple, well-tested premise that hot water kills germs. In order to properly sanitize, these machines must meet the following minimums:

- ◆ Incoming water during the rinse cycle of at least 180° F
- ◆ Water pressure at 20 psi, plus or minus 5
- ◆ Ware surfaces held at 160° F or higher for approximately 11 seconds to meet the requirement of allowing dishes to absorb at least 3,600 HUEs (Heat Unit Equivalents). (Note: It is also possible for dish temp to be slightly lower but maintained for a longer time to achieve the 3,600 HUE value.)

the required temperature has been reached. Typically, booster heaters are needed to ensure that a sufficient supply of properly heated water is ready for the all-important final rinse cycle.

“A regular water supply should heat up to 140° F. But if the voltage coming into the restaurant is weak or fluctuating, which is common, it’s likely that the water coming into the machine is cooler than it’s supposed to be,” says Phil Ratermann, general manager, warewashing division, at Hobart Corp, Troy, Ohio. “We’ve now built sensors into the booster heaters in our machines that compensate for that. It’s called Sens-a-temp, and it guarantees that rinse water reaches 180° F before the start of the rinse cycle. A digital display lets the operator know at a glance that each cycle is operating at the proper temperature.”

Low-temp machines rely on chemicals to do the sanitizing and require more vigilance on the part of the operator to monitor chemical levels and concentrations. Approved chemicals include chlorine, iodine and quaternary ammonium compounds, commonly called

quats. While the chemicals compensate for lower water temperature on these machines, temperature is still important. Manufacturers recommend water temps of 120° F and rinse temperatures of between 75° F and 120° F for the sanitizer to work most effectively. Care must also be taken to follow manufacturer directions when using the designated chemicals. Too much of a detergent or sanitizer, for instance, can leave a residue on dishes, affecting the flavor and potentially the safety of the food. Too little, and the dishes won’t be clean or sanitary.

Using simple test strips provided by chemical suppliers will let you know if you’re on target with chemical concentrations. Train your staff to use them and record the results on a regular basis.

The new FDA Food Code requirements are particularly helpful for low-temp warewashing machines, Ratermann says. “They require that there be some visual and/or audio cue when chemicals run out or the automatic dispensing pumps aren’t functioning properly. We’ve installed a sensor inside the tubing through which the chemicals pass. It’s motion-triggered. If fluid isn’t moving through the tube when it’s supposed to, an alarm goes off to let the employee know that it needs attention.”

LOW-TEMP MACHINES RELY ON CHEMICALS TO DO THE SANITIZING AND REQUIRE MORE VIGILANCE ON THE PART OF THE OPERATOR TO MONITOR CHEMICAL LEVELS AND CONCENTRATIONS.

The alarm requirement related to low-temp dishwashing machines applies not just to the machine manufacturers, but also to the chemicals suppliers who sometimes provide the dispensing systems. Either way, that base should now be covered. The onus is on the operator to properly maintain the system, to monitor its performance and to diligently train employees on the food safety side of warewashing.

INNOVATIONS RAISE THE BAR

Manufacturers have introduced other innovations beyond the alarms and automated chemical dispensing systems that help operators comply with warewashing-related food safety mandates. These products make the dishes and other tableware coming out of new-age machines cleaner—and safer—than ever. Among them:

◆ Meiko last year introduced Mike 2, which functions like a PDA for your warewasher. The system uses a computerized controller to manage every step of the warewashing process, from start-up to wash cycles, detergent dispensing and shutdown. It allows control of the internal booster heater to ensure constant 150° F wash and 180° F rinse water temperatures, regardless of incoming water temperatures. What's more, it enables instantaneous electronic communications between kitchen, service agency and factory for programming updates and problem solving.

◆ Jackson debuted a new nozzle design in its AJ-44 series dishwashers that reduces water usage from one gallon per rack to 0.7 gallon per rack. The new nozzles provide better coverage with less water, clean better and transfer more heat to the

dishes, the company says. Because less heat is needed to hit the 180° F mark, hot-water sanitation is achieved with lower utility costs.

◆ Hobart's Opti-Rinse rinse arm nozzles are designed to spray larger drops of water onto dishes during the rinse cycle more uniformly and with greater force while achieving needed temperatures with less water. Fan spray nozzles, long common in the industry, cause water to lose heat faster because the water droplets are smaller. The system also features Auto-Position rinse arms that eliminate any manual adjustment by the operator when taking the arms out for cleaning. The nozzles can only be mounted one way in the rinse arms, ensuring the proper spray positioning at all times.



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FEATURE**Warewashing****WAREWASHER FEATURES**

Manufacturer/ Model	Wash Tank Capacity (in gal.)	Cycle Time for Total Wash/Drain/Rinse	Built-in Heat Booster	Booster Waiting Device*	Built-in Rinse Booster Pump**
HOBART					
High Temperature Under-counter LXi	3	120 sec.	Yes	Yes	No
High Temperature Door-style AM 15	14	57 sec.	Yes	Yes	No
JACKSON					
Under-counter JPX-300H	1.07	2 min.	Yes	Yes	No
Door-type Conservor XL	1.5	90 sec.	No	No	Wash pump is rinse pump
ELECTROLUX					
High Temperature Under-counter WT30	6	3 cycles (2, 3, 4 min.)	Yes	Yes	Yes
High Temperature Hood Type WT65	11	4 cycles (60, 60, 60 sec. and infinite)	Yes	Yes	Yes
MEIKO					
FV 40.2 Under-counter	3.48	3 cycles (105, 150, 210 sec.)	Yes	Yes	Yes
DV 80.2 Door-type	5.81	3 cycles (66, 90, 120 sec.)	Yes	Yes	Yes

*Machine will not rinse until booster temp is 180° F

**Machine independent from network water pressure

WAREWASHER EQUIPMENT



HOBART
High Temperature
Door-style AM 15



HOBART
High Temperature
Under-counter LXi



JACKSON
Under-counter JPX-300H



JACKSON
Door-type Consaver XL



ELECTROLUX
High Temperature
Under-counter WT30



ELECTROLUX
High Temperature Hood Type WT65



MEIKO
DV 80.2 Door-type



MEIKO
FV 40.2 Under-counter



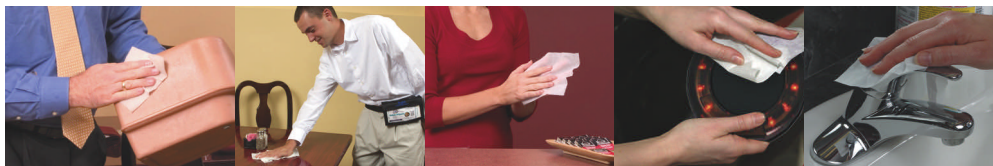
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How meaningful the numbers are depends on how well the franchisor knows your market, says David Hood, president of The iFranchise Group, a Homewood, Ill.-based franchise consultancy.



Established franchisors benchmark construction costs for each location as it opens.

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Developers also can look to the design team to assess construction costs and create strategies that will generate savings throughout the building process—particularly in cases in which developers can leverage efficiencies over several units. Some franchisors require the use of a designated architect. In those instances, Hood recommends that developers ask for a firm from their home state or at least the same region.

Developing multiple units simultaneously has synergistic advantages that extend beyond the building process. For example, one manager often can be shared among brands, reducing the area developer's overall management costs. That compounds the upside of buying in volume and coordinating the construction process to minimize down-time for the work crews.

However experienced a developer is, working closely with the franchisor can help minimize the time between ground-breaking and profitability. "A good franchisor will have an in-house development team that can advise the area developer on best practices for issues such as contractor bidding and best practices in construction that have been adopted by other area developers in the system," says Hood.

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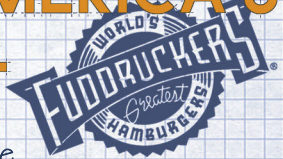


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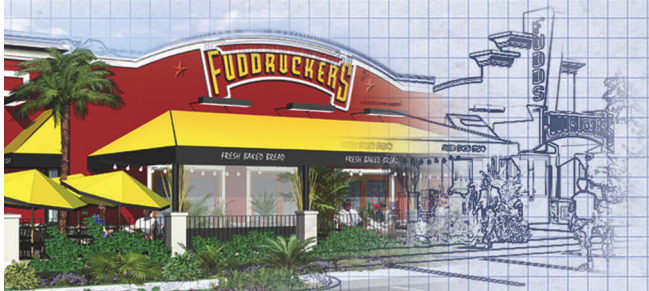
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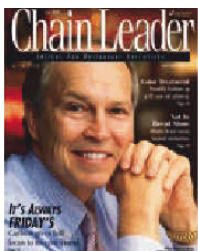
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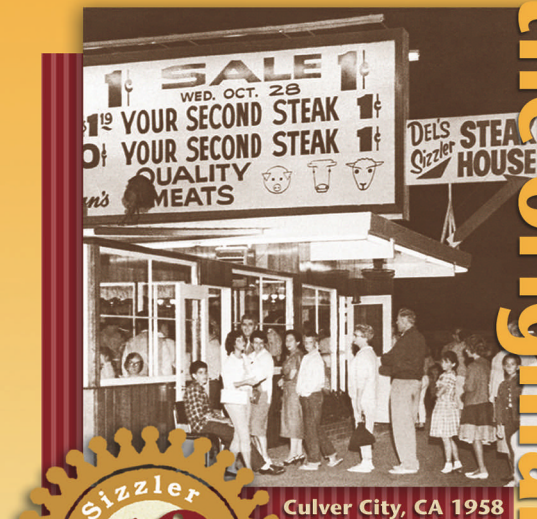


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Artuzzi's Jeffrey Newsham navigates the ups and downs of off-roading.

BY MAYA NORRIS

Off the Beaten TRACK

Co-founder and Vice President of Construction and Development Jeffrey Newsham likes to hit the road when he has a break from growing four-unit Artuzzi's Italian Kitchen, a fast-casual chain based in Atlanta. This Land Rover enthusiast revels in the camaraderie and challenges of off-roading, where he maneuvers his SUV along rugged trails filled with obstacles such as mud holes.

The Road Less Taken

Newsham goes off-roading at least once a month on sanctioned mountain and park trails in Alabama, Georgia and North Carolina. He and other members of the Southern Land Rover Society drive six to eight hours a day on easy to moderate trails with ditches, rough dirt roads, water crossings and rock formations; the difficult trails include those obstacles as well as rock ledges at least 4 feet high.

"Intermediate trails are kind of what I like because they're not too tough where I'm just not going to make it through, but they're challenging enough to have fun all day," Newsham says.

Newsham and the other club members then camp overnight. There they repair and modify their Land Rovers, sharing tips with each other. "You meet people from all walks of life who love to talk about their vehicles," he says. "Most of the members are true enthusiasts. They can sit and talk about a vehicle and be just as happy as actually using it."

Thanks to their advice and help, Newsham has altered his 1995 Land Rover Discovery I to better handle the rough terrain. He installed new springs and shocks as well as bigger tires to gain 3 inches of ground clearance. He also trimmed the rear wheel well to keep the bigger tires from catching on it, installed a steering guard to protect the steering wheel components, and replaced plastic sills with metal ones so rocks don't damage the doors. Newsham's next project: He plans to attach a front bumper with a winch for towing trucks.

Safety First

Newsham is pleased with his modifications, but he is also proud that he has never been in an off-roading accident. Because the goal of the sport is to navigate the obstacles without injuring the driver, passengers or the vehicle, most responsible drivers never top 10 miles per hour, driving slower when traversing more difficult obstacles like large rocks. They stick to designated trails and drive in groups of five or six trucks in case one breaks down or gets stuck.

"There is always risk of injury when dealing with a motorized vehicle, but if you take your time and have the right equipment, the risk can be minimized," Newsham says. "Personal injury usually comes from improper equipment or lack of patience. If you get in a hurry, you are more likely to make a mistake."

Newsham plans to continue honing his off-roading and repair skills, but expanding Artuzzi's into a national chain remains the 33-year-old executive's main focus. "I love the outdoors, and this is a way to enjoy both the outdoors and a fantastic hobby," he says. "Sometimes a break from the busy day to day of running an emerging company helps me gather my thoughts and focus on growing the Artuzzi's brand." **CL**



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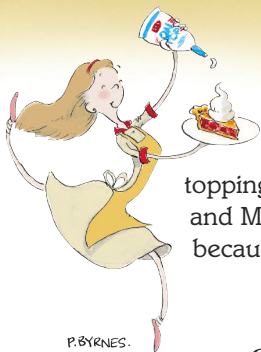
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