

Chain Leader[®]

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February 2007

INSIGHT FOR RESTAURANT EXECUTIVES

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Repeat Business

Lettuce Entertain You's
Kevin Brown values
duplication and creation.

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O'Charley's designs
points of difference.

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How Noodles & Company's
new menu aids guests,
operations and sales.

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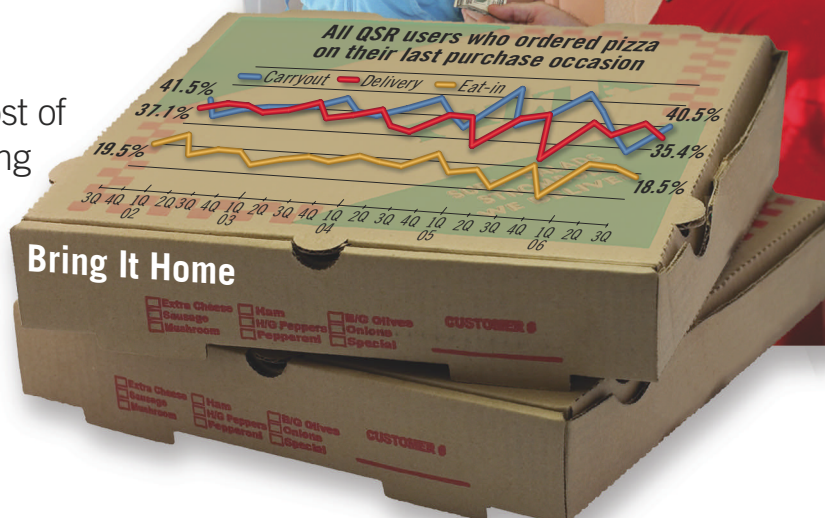
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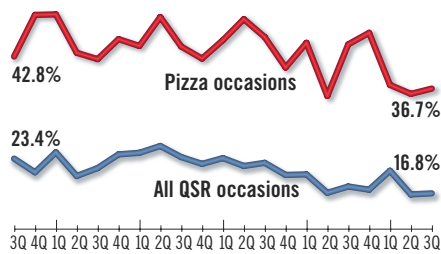
Pizza chains build most of their pies in the evening and on the weekend.

By Mary Boltz Chapman



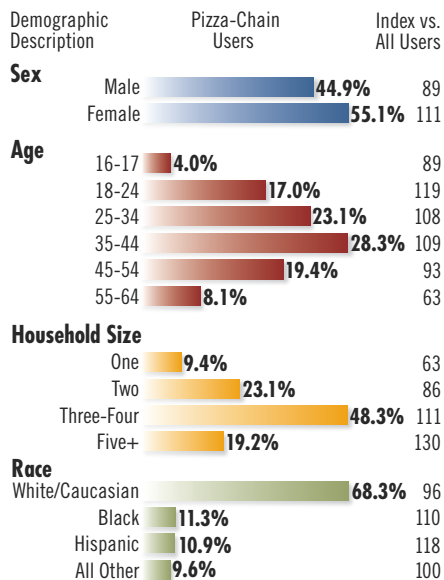
Special Offers

Percentage of QSR customers who used a limited-time promotion or special deal on their last purchase occasion



Pizza Customer Profile

(third quarter 2006)



National pizza chains receive 17.5 percent of all QSR occasions, according to Quick-Track, a quarterly survey by San Clemente, Calif.-based research firm Sandelman & Associates. But 21-quarter averages show they garner 29.3 percent of dinner occasions, 28.4 percent of carryout occasions and 83.9 percent of delivery occasions.

• 41.1 percent of fast-food customers ordering pizza on their last occasion used carryout; 37.2 percent, delivery; and 18.1 percent, eat-in. Of all users' last occasions, 31.2 percent were carryout; 11.4 percent, delivery; and 27.5 percent, eat-in.

• Fully 44.0 percent of those who had pizza used a special deal (vs. 21.3 percent of all users), according to a 21-quarter average. Of those, 38.2 percent learned about the deal from direct-mail fliers, 25.4 percent from newspapers, 16.8 percent from signs at the restaurant, and 11.6 percent from television.

• QSR customers having pizza on their last occasion were most likely to do so at dinner: 79.4 percent did. In comparison, a 21-quarter average shows that 49.5 percent of QSR users' last occasions were dinner.

• 55.1 percent of fast-food users who ordered pizza on their last occasion did so on Friday, Saturday or Sunday; 45.7 percent of all users' last occasions was on the weekend.

• The average amount spent per person is larger for fast-food users having pizza on their most recent occasion: \$5.36 vs. \$4.82 for all users' last occasions. The average check per party is also higher (\$20.44 vs. \$13.36), as is the number of diners per party (3.8 vs. 2.8).

• While 26.9 percent of all users were alone on their most recent occasion, only 9.5 percent of those who ordered pizza were, as they were more likely to be with their spouse (46.2 percent), kids (38.1 percent) or friends (21.4 percent). ■

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 pizza-chain users" as those who have purchased food from any of the tracked pizza chains at least once in the past month. Most-recent purchase data is based on all QSR users who ordered pizza on their last occasion.

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Vol. 12, No. 2/February 2007



■ thought leader

Repeat Business 40

Lettuce Entertain You Enterprises is known for founder Rich Melman's reluctance to repeat a concept and inclination to stick to Chicago. But CEO Kevin Brown is opening several restaurants a year outside Chicago while still creating concepts.

By David Farkas

■ storyboard

By the People, For the People 26

Moe's Southwest Grill launched an online promotion to solicit customer-made advertising under the theme, "A Moe's Burrito in Every Hand," to increase awareness among its young demographic.

By Margaret Littman

■ restauratour

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O'Charley's created a prototype to better reflect its niche and set it apart from its casual-dining competitors. The look features wood finishes, a palette of reds and golds, and tall dividers topped with glass panels.

By Lisa Bertagnoli

■ menu strategy

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Noodles & Company has streamlined and reorganized its menu and enhanced employee training to make it easier for guests to order their food as well as try something new from the menu.

By Monica Rogers





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■ liquid measure

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Table cubes and freestanding menus have helped Red Robin raise awareness of its broad beverage programs, and the company has seen an increase in people ordering the drinks pictured on them.

By Monica Rogers

■ world partners

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CEO Chin-Koo Chung is preparing CJ Foodville to expand Cold Stone Creamery in Seoul, South Korea, creating brand awareness among young people, opening in high-profile sites and using online advertising.

By David Farkas

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ON THE NET

Web Exclusives

- CEO Kevin Brown explains what it takes to succeed at Lettuce Entertain You
- *Chain Leader LIVE* pictures, highlights and recipes you won't see in the magazine

Cover Society Podcast

- Roosters President Shannon Foust shares his big plans for the upstart chain

How to Grow to 100 Units

- Web-exclusive content and related articles on growing concepts
- Video coverage of *Chain Leader's* "How to Grow to 100 Units" roundtable
- 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

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Pizza Patrón accepting pesos
is not an act for illegal
immigration but for capitalism.

The AMERICAN WAY



Mary Boltz Chapman,
Editor-In-Chief

When I received the press release announcing that Pizza Patrón was going to allow customers to pay for their food with Mexican pesos at its 59 restaurants, I thought it was a clever idea. After all, the Dallas-based chain targets a primarily Latino audience. Its pizzas are not topped with cumin and jalapeños, but its menus and employees are bilingual. Accepting pesos would be a good way to reinforce that Pizza Patrón is focused on its core customer demographic, building loyalty and ultimately sales.

Currency Exchange

The chain began accepting pesos systemwide on Jan. 8, a promotion meant to last through this month. Signs in the stores tell customers and cashiers that 12 pesos equal a dollar; it's slightly more than today's rate of about 10 pesos

to the dollar, but the company uses the additional amount to pay for conversion.

Pizza Patrón calls the scheme a service to its customers, knowing that many of its guests return from Mexico with a pocketful of pesos. Plus the chain wants those pesos spent in its restaurants. Of course, those people could just keep their pesos for their next visit south of the border. But the effort tells Pizza Patrón's audience that it's a Latino chain. Customer service or marketing ploy, it's effective.

I wasn't surprised that there was some backlash, and the folks at Pizza Patrón expected it as well. But the level of support from some and death threats from others, and international media coverage that followed, have been over the top.

War of the Words

Negative responses have suggested the chain is pandering to illegal immigrants and that patriotic Americans should boycott the business. Funny. These hateful, anti-immigrant people wouldn't have purchased pies at Pizza Patrón in the first place. Their boycott would

be about as effective at hurting business as me boycotting Bass Pro Shops.

I've read ridiculous comments posted on blogs and in news articles stating Pizza Patrón is discriminatory because its stores don't accept euros. Are they also racist because the employees don't speak French, only English and Spanish?

It's not at all unusual for a company in one country to accept the currency of another, not even in the United States. A lot of companies take Canadian dollars, and nobody screams about losing our national identity or being colonized or the downfall of society.

Free Publicity

Despite the harsh words and death threats, the situation is a boon for Pizza Patrón. Immigration proponents will buy pizzas just to spite the opponents. And founder and President Antonio Swad has been able to discuss his concept on national television and radio outlets, building awareness with potential customers, franchisees and markets. That kind of publicity is priceless.

Swad told *ABC News*, "This program has everything to do with selling pizzas and putting ourselves in a more competitive position with the major chains out there that we compete with."

An example of good ol' American capitalism at its best. ■

I welcome your feedback. Contact me at
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Commitment ISSUES

Variables in the first half of the year keep an analyst on the fence. **By David Farkas**



Nicole Miller Regan, senior research analyst at Piper Jaffray in Minneapolis, can't say how well or how badly the 14 restaurant stocks she covers will perform this year. After all, consumer spending and commodity prices are anyone's guess.

What's the outlook for restaurant stocks in 2007?

As much as we hate it, we're on the fence. We'd much rather be one way or the other.

Why the reluctance to commit?

We look at five indexes. Same-store sales, which are still negative. Supply and demand, which is becoming more favorable. As for margins, we don't expect them to expand or contract; we're looking for sort of flat. Market sentiment is improving. And, finally, the economy remains a question mark as to when consumers will loosen their purse strings.

How long do you expect to fence-sit?

We'll be on the fence until the end of the first quarter. However, gift-card redemption will be the upside of January. The downside is comparisons in terms of same-store sales. These don't get easier until the second half of the year.

As far as restaurants are concerned, who has had the upper hand—the bears or bulls?

Bears certainly had the upper hand as we glided into the back end of last year. The biggest question is, with gas prices down, why aren't sales up? The group wasn't rebounding as quickly as we expected.

Do investors believe restaurants are valued fairly on fundamentals?

The group is generally fairly valued. There are pockets of stocks that are undervalued where we expect outperformance. Undervalued,

that is, because they are higher growth opportunities in comparison. These are relevant concepts with positive same-store sales and that are able to support their growth through cash flow.

Our top picks this year are California Pizza Kitchen, Chipotle and Starbucks.

What could threaten valuations this year?

The wild card is commodities. They have been very favorable the past few years and no worse than flat, in general. Commodity prices, however, tend to go in cycles. As these go on, there's more risk that commodities can be out of whack. That's a pressure that's not anticipated or modeled into projections.

Which commodities in particular?

Cheese, beef and corn. Corn, because there's more demand for ethanol and an increase in feed prices.

Which managements impressed you in '06?

Starbucks continues to impress me with the way they evolve their concept. They took a premium coffeehouse experience and brought it to the masses. Now they are embarking on global expansion, which we believe will be critical to their future. Investors really don't give credit to this management team for what it continues to show in terms of results.

Will those results lead the group?

In terms of earnings, we're looking for 89 cents per share in 2007. That's almost 20 percent earnings growth and at the higher end of returns for the group. ■

"The economy remains a **question mark** as to when consumers will loosen their purse strings."



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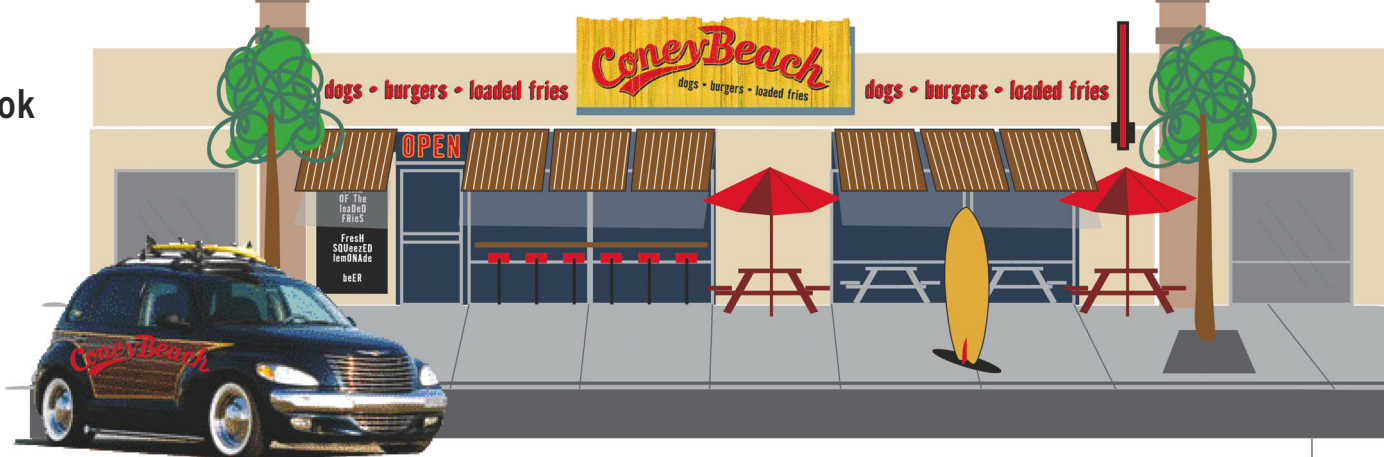
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The Good Ol' DAYS

Coney Beach trades on nostalgia as guests build their own hot dogs and burgers. **By Maya Norris**

Coney Beach has developed five prototypes so it can fit into a variety of endcap and inline locations.

David and Camille Rutkauskas have already made a name for themselves with Camille's Sidewalk Cafe, a California-influenced sandwich concept. The fast-casual chain they founded 10 years ago has grown to 106 units in 36 states. Now the husband-and-wife team plans to expand their portfolio with Coney Beach, a fast-casual hot-dog and hamburger concept inspired by the beach hot-dog stands of the 1970s.

"Every town has fast-food places that serve hot dogs and hamburgers, but we think there's a real service gap existing in quality burgers and quality hot dogs," says David Rutkauskas, founder and CEO of parent Beautiful Brands International. "I didn't personally see anything out there that was fun food in a really hip, slick environment that was truly fast casual."

Made in America

Coney Beach centers on guests customizing all-beef hot dogs, Black Angus burgers and crinkle-cut fries from among 50 ingredients. Toppings include standard condiments like spicy mustard and onions (free), cheeses like pepper Jack (50 cents), "Cold Stuff" including corn relish and habaneros (30 cents), and "Hearty Stuff" such as corned beef and chili con carne (80 cents). Guests can also use sides such as carrot salad and hummus as toppings for \$1.

The retro beach-shack decor is meant to convey a homey, nostalgic feeling. Distressed wood, cork floors, chalkboards, corrugated tin and screen doors provide the backdrop for an old-fashioned jukebox and photo booth, pin-ball machines, beer buckets and surfboards.

"This will be a make-yourself-at-home kind of place," Rutkauskas says. "Trick your own dog. You can play a game of pinball. You can relax with friends and have a cold beer and a dog on the patio. I mean, how American can you get?"

Mass Appeal

The fun atmosphere and versatile menu means Coney Beach will appeal to a wide range of customers from teenagers to families to blue-collar workers to professionals, Rutkauskas says. So the company is looking for endcap or inline locations in business districts, residential areas, retail communities and college campuses. It will cost about \$140,000 to \$388,000 to open a unit, which averages 1,500 square feet to 2,500 square feet with 60 to 90 seats.

According to Rutkauskas, the average unit volume should be about \$900,000 to \$1 million with an average check of \$9 because he expects sales to be strong not only at lunch but at dinner and for catering as well.

Coney Beach expects 12 to 15 units to open in 2007 and 25 in 2008 in Oklahoma, Texas, Kansas, Missouri, Arkansas, Mississippi and Louisiana. Although the company's first unit isn't slated to open until April in Tulsa, Okla., Coney Beach has already signed deals with two franchise groups to open four units in Tulsa and two in Jackson, Miss., this year. "People normally don't buy franchises of a brand that doesn't have a unit open yet, but I think that there's some buzz about what we're doing," Rutkauskas says.

Coney Beach expects franchisees to open 50 units in 2009 and 100 in 2010. ■

SNAPSHOT

Concept Coney Beach
Parent Company
 Beautiful Brands International, Tulsa, Okla.
Opening
 April 2007, Tulsa, Okla.
2007 Systemwide Sales
 \$10 million
 (company estimate)
Average Unit Volume
 \$900,000 to \$1 million
 (company estimate)
Average Check
 \$9 (company estimate)
Expansion Plans
 12 to 15 in 2007,
 25 in 2008

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those who prepare it, or those who eat it.



Jim Perdue

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Perdue® Chicken Tenders

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Tenders



From Left to Right: *Perdue®* RTC 1-Crumbly Chicken Tenderloins #07369, *Perdue®* FC Chargilled Formed Tenderloins #80540, *Perdue®* FC Homestyle Chicken Strip Fritters #80136



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Wing City



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Swingin' HASH

Hash House a Go Go fuses Midwest food with Los Angeles style to create avant-garde farm fare. **By Monica Rogers**

The best-selling Sage Fried Chicken creates monumental impact when shored up against a hardwood-smoked bacon waffle tower with hot maple caramel and fried leeks.

Energetically masculine interiors have a postmodern aesthetic: stuccoed walls, metal-sheeting and rivets.

Midwest comforts such as pork tenderloin take a whimsical turn at Hash House a Go Go. The hand-hammered, panko- and Parmesan-crust 18-ounce patty stars on a sandwich and as part of a mammoth eggs Benedict.

SNAPSHOT

Concept

Hash House a Go Go

Parent Company

HH Farmworks Inc.,
San Diego

Units 2

2006 Systemwide Sales

\$6 million

Average Unit Volume

\$3 million

Average Check

\$12 breakfast, \$14 lunch,
\$25 dinner

Expansion Plans

1 in 2007, 4 more by 2010

The mission statement calls it “twisted farm food,” linking “fun food” verbiage with phrases like “farm fresh fare” and “old recipes.” But that still doesn’t prepare customers for their first glimpse of Hash House a Go Go signature creations. Servers at the two-unit concept are used to eye-popping reactions to the ample portions they deliver for breakfast, lunch and dinner on oversized oblong plates. And the company expects that to be the norm as it opens in Kansas City, Mo., this April and grows to seven units in the next three years.

Chef Craig “Andy” Beardslee’s menu includes Sage Fried Chicken, \$16.95 lunch, shored up against a hardwood-smoked bacon waffle tower with hot maple caramel and fried leeks for monumental impact. The Eggs Benedict, \$15.95, is served on a split biscuit with an 18-ounce, crisp, hand-hammered pork tenderloin that is more than 6 inches long, as well as tomato, spinach, griddled smoked mozzarella and barbecue cream.

But “we never want the ‘big’ in Hash House a Go Go to overshadow Andy’s taste profiles and sauces,” says co-founder and President Johnny Rivera.

Hash House will continue to accent “generous farm abundance,” but equal emphasis will go to the quality, never-processed message and cultivating a culture that’s big on avant-garde and fun. “After all, after seven or eight visits, guests are not just coming in for the meatloaf anymore,” Rivera says.

L.A./Midwest Mix

The ambience at Hash House is energetically masculine with a postmodern aesthetic: stuc-

coed walls, lots of metal-sheeting accents, rivets and cables. Tables and chairs are sturdy, brushed aluminum, with broad cushioned booths, and black-and-white photos of farm machinery adorn the walls.

Menu-wise, finding the right mix of Los Angeles-style and Midwest-morphic food came easily to Rivera and Beardslee. “We just said, ‘Let’s create what makes sense to us,’” Rivera recalls. For Beardslee, who came out of his childhood in Milford, Ind., with a sense of whimsy and appreciation for heartland food, that’s meant everything from “glamorized hashes” to Strawberry Frosted Flake Flapjacks, \$7.95, buttermilk batter griddled with strawberries and cereal. For Rivera, a Los Angeles native and former rock ‘n’ roll musician and wine marketer, that’s meant running the front of house and concocting specialty cocktails such as the Hash House Bloody Mary, \$6.95, vodka (or soju) with Worcestershire, hot sauce, Bloody Mary mix and horseradish garnished with crisp green beans, jalapeño-stuffed olives, lemon wedge and ground pepper.

Taking it Back East

The combination attracted the attention of investors within two years of launching the concept in San Diego in July 2000. After some negotiation, a group out of Las Vegas—former Hard Rock Cafe exec Jim Reese; Jim Nyberg, former vice president of finance for Heartland Food Systems; and venture capitalist Bill Underhill—got together in October 2004 as Run Restaurants LLC to open and operate Hash House a Go Go across the country in partnership with Beardslee and Rivera’s HH Farmworks Inc.

The first Run Restaurants unit opened in September 2005 in Las Vegas. A second will open in April in Kansas City. Four more are scheduled to follow by 2010, with a total of 60 to 75 units envisioned. ■



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Urban RENEWAL

Wing Zone targets inner-city locations to find its fans and build loyalty. **By Mary Boltz Chapman**

Wing Zone didn't begin locating in inner cities for the applause, good will or some higher karmic purpose. Not that it's unhappy with those outcomes. But it did it because those neighborhoods are rich with customers and employees.

The 90-unit takeout and delivery concept was founded by Matt Friedman and Adam Scott, who had cooked and sold wings out of their fraternity house at the University of Florida. The first unit opened near the school in 1993. Several units and years later, Wing Zone opened in Atlanta near Georgia Tech, in what was, in 1998, a "turning area."

"There was risk involved, but what we saw was a daytime population, a nighttime population and a severe lack of restaurants," says Friedman, president and CEO of the Atlanta-based chain. "Combine that with our product mix lending itself to ethnicity, and it wasn't a total risk, it was a strategic decision."

Risky Business

Friedman admits there are challenges to locating in urban markets. Profits are not immediate, especially if the area is being revitalized. But he points out that the cost of getting into the business is reduced, thanks to government incentives and lower rents and construction costs. And the labor pool is substantial because there is a lack of other businesses, and stores are within walking distance or a short bus ride from where people live.

Because there is risk involved, Wing Zone does not encourage first-time franchisees to

open in urban markets. "If someone does it as their first store and they're not successful, the chances of opening more stores is very slim," Friedman says. Wing Zone's inner-city franchisees usually were raised in or live in the areas in which they operate.

The chain doesn't actively solicit minority franchisees, but it seems to attract them. Friedman says that perhaps 25 percent of its franchisees were minorities, but about 50 percent of new franchisees are. He credits the fact that a large portion of Wing Zone's customer base are minorities and live in urban areas. "What makes us unique is that we know how to open up in inner-city markets," he says.

Friedman also points to Wing Zone's simple menu and operations, and low cost of entry. The average cost of opening an outlet is \$220,000; average unit volume is just under \$550,000, he says.

Seeking City Scapes

Wing Zone plans to fill in current markets along the East Coast with 30 to 35 new units in 2007, its most aggressive expansion yet. While about 15 percent of its units are in urban areas, Friedman expects about 30 percent of new units to open in inner cities.

"There's a lot of people that talk about doing inner-city and minority development, and others that do stuff with it," Friedman says. "I think Wing Zone is a company that's actually doing stuff with it, and we think it's a good fit for us."

And potentially a gold mine: In that transitional Georgia Tech neighborhood, properties that were going for \$100,000 in 1998 are now selling for up to \$1 million. ■

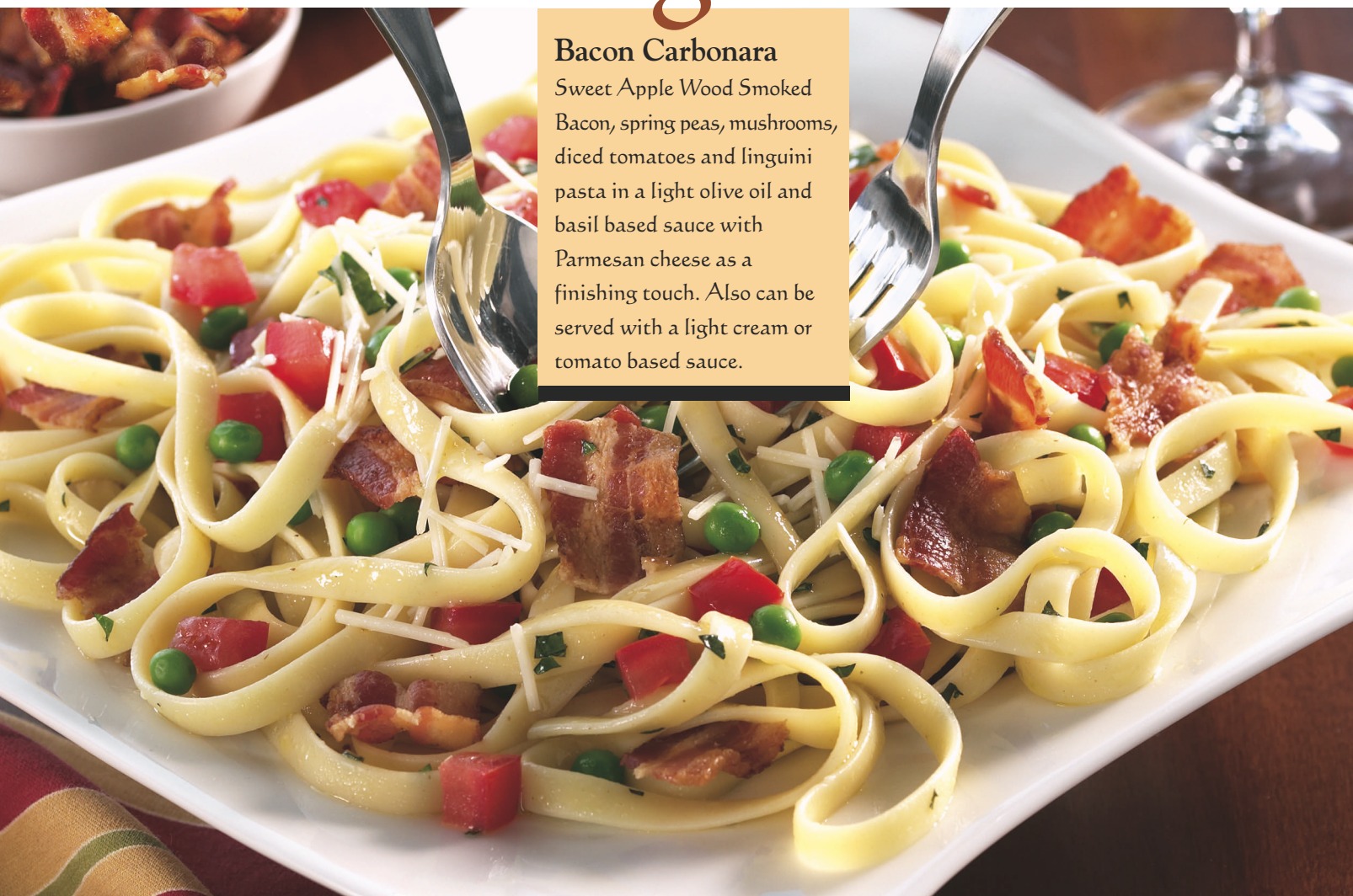
Wing Zone is building relationships with urban developers, hoping to step up its strategy of locating within urban markets.

Founders Adam Scott (l.) and Matt Friedman say the concept's 25 wing sauces are attractive to inner-city dwellers.

SNAPSHOT

Concept Wing Zone
Headquarters Atlanta
Units 90
2006 Systemwide Sales
\$40 million
Average Unit Volume
\$550,000
Average Check
\$15 per party
Expansion Plans
30 to 35 in 2007

Who would have thought?



Bacon Carbonara

Sweet Apple Wood Smoked Bacon, spring peas, mushrooms, diced tomatoes and linguini pasta in a light olive oil and basil based sauce with Parmesan cheese as a finishing touch. Also can be served with a light cream or tomato based sauce.

Sweet Apple Wood Smoked Bacon

from the Innovation Specialists

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By the People, FOR THE PEOPLE

Moe's latest promotion showcases ads **CREATED BY ITS CUSTOMERS.**

By Margaret Littman

Many chains operate on the “give the people what they want” principle. But at Moe’s South-west Grill, it is the people who have been doing the giving: giving the burrito chain ideas for its newest ad effort.

In June, the Atlanta-based chain launched an online promotion to solicit customer-made advertising videos under the theme, “A Moe’s Burrito in Every Hand.” The grand prize winner, to be selected this month, will be awarded Moe’s burritos for life (in the form of vouchers equal to one burrito per week for 55 years).

Moe’s has not yet determined whether the winning commercial will be shown on TV, but the company may use still shots from

the video for print ads, banner ads and other promotional efforts. But more than getting a top-notch creative work over the transom, the online campaign was designed to increase awareness of the brand among its young demographic.

Looking Younger

Founded in 2000, Moe’s is the 330-unit flagship concept of Atlanta-based Raving Brands, with growth plans for 100 new units in 2007. But it likes to think of itself as a small, grass-roots concept. “Moe’s is a young brand. I think that lines up with the online atmosphere,” explains Sara Riggsby, director of marketing for Moe’s.

The online ad contest targeted the 18- to 34-year-old demographic Moe’s is courting, with an emphasis on 18- to 24-year-olds. The chain reached out to college public-relations societies and other on-campus groups to “connect with a population that is more Web savvy,” Riggsby says.

To make its customer-driven campaign possible, Moe’s partnered with Atlanta-based ViTrue Inc. and ViTrue’s YouTube-like Web site, Sharkle.com. Motivated customers (and aspiring videographers) used tools—including logos, backgrounds, sound effects and music—on Sharkle.com provided by Moe’s to create ads according to contest specifications.

Moe’s has received 42 commercials so far. Fans voted online for their favorites. At press time a panel of judges was evaluating the top 20 customer picks to find a grand prize winner. Submissions that didn’t meet

“Moe’s vs. the Flying Saucers”

Length: 1 minute, 37 seconds



UPLOADED: October

SYNOPSIS: Aliens threaten the people of Earth. The nutritional value of Moe’s burritos neutralize the alien toxin.

"In Every Hand" *Length: 30 seconds*



UPLOADED: August

SYNOPSIS: A burping cartoon character adds limbs in order to catch the many Moe's burritos falling from the sky.

standards—such as those with obscene language—were not posted on the site.

"Moe's vs. the Flying Saucers," created in October, was among the most popular, determined by the frequency of online viewings and votes. In the spot, a burrito in every hand fends off a Martian attack. Other spots feature a music video by a fictitious rap group, Notorious M.O.E., and a faux political ad from a candidate promising to end hunger with Moe's.

Thanks to the Information Superhighway

Because customers were required to register online before participating, Moe's obtained the e-mail addresses of interested customers. "This is a great way for us to get information on loyal Moe's fans," Riggsby says. "We are really trying to grow in the e-mail arena, and this allows us to do that." Final numbers for the Web site viewing were not yet calculated, but Riggsby estimated that the site had about 24,000 unique visitors by press time.

While Moe's has not analyzed from where, geographically, the customer-submitted ads are coming, the omnipresence of the Internet is helping get the word about Moe's burritos to customers outside its Southeast stronghold. That will be crucial as the chain expands in the Northeast and Midwest.

Riggsby will not divulge Moe's ad budget, but says that the Sharkle.com effort was approximately one-third the cost of a traditional advertising effort. "The only advertising we are paying for is banner ads," she says. TNS Media Intelligence reported that Moe's spent \$976,000 on media buys in the first

nine months of 2006, a 23 percent increase over the same period in 2005.

"If Moe's were to create the 'Moe's vs. the Flying Saucers' ad, which has amazing production values, it would have cost hundreds of thousands of dollars and taken a lot longer," says Josh Hilby, marketing managing for ViTrue. "Plus, Sharkle is a lot more engaging platform. There's a real level of stickiness."

Moe's is the first restaurant chain to work with ViTrue, but other chains such as Chipotle Mexican Grill have experimented with other outlets to encourage their diners to create their own ads. "We were ViTrue's first [and so far] only restaurant partner, and we liked that idea," adds Riggsby. ViTrue has also worked with the Cincinnati Bengals, the TBS cable network and Lance Inc., the cracker company.

Measuring success will be a little difficult, as the standard advertising campaign metrics don't translate, Riggsby concedes. "We'll have to look at the exposure value," she says.

"A restaurant is more than just somewhere to eat," Hilby adds. "We're bringing people into a community around the brand. That's pretty exciting." ■

on the web: To check out some of the commercials that Moe's customers created for the contest, go to moes.sharkle.com/index.html.

"The Wrong Hands" *Length: 36 seconds*



UPLOADED: July

SYNOPSIS: Hands posing as newscasters talk about efforts to put a burrito in every (other) hand.

SNAPSHOT

Concept

Moe's Southwest Grill

Ownership

Raving Brands, Atlanta

Units 1 corporate, 329 franchised

2006 Systemwide Sales \$250 million*

Average Unit Volume \$900,000

Average Check \$8.50

Ad Budget \$6 million*

Expansion Plans

100 units in 2007

*Chain Leader estimate

GRANT MACPHERSON
EXECUTIVE CHEF

WYNN CASINO
LAS VEGAS, NEVADA



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— Grant MacPherson
Executive Chef



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O'CHARLEY'S prototype reflects its niche to help set it apart from the casual-dining pack.

POINT OF Difference



By Lisa Bertagnoli

Its name sounds like an Irish pub. Its brick and dark-green exterior, complete with a Gaelic-like mosaic, looks like an Irish pub. However, O'Charley's is not an Irish pub. And that was a problem, as O'Charley's executives found when they explored expansion into new markets. Customers were getting the wrong idea, not just about the restaurant's menu, but about its entire market niche.

"Some people thought we were more upscale," says Dawn Boulanger, vice president of marketing for Nashville, Tenn.-based O'Charley's, which has 232 casual-dining restaurants in the Midwest. "Then, when they came in, they said it wasn't what they thought it was going to be."

In late 2004, the building became the focal point for an entire O'Charley's branding initiative, which includes the menu, uniforms and even service style. The building, once a casual-dining look-alike with lots of brick and dark colors, now features a dramatic tower outside and a colorful, location-specific mural inside. Servers wear burgundy shirts instead of polos, and they're encouraged to form a "deep personal relationship" with guests, says Jeff Warne, O'Charley's concept president.

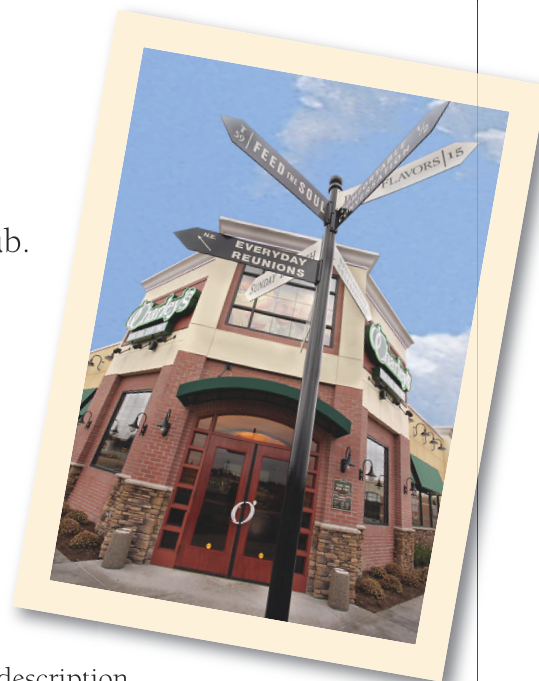
Favorite Local Place

O'Charley's enlisted Dayton, Ohio-based Design Forum, a firm that handles both restaurant and retail spaces, to design the prototype. The mandate: to have the building

communicate O'Charley's niche to guests more quickly, says Scott Jeffrey, executive creative director at Design Forum. The Design Forum team used the phrase "favorite local place" as a filter: If a color, finish or decorative touch did not fit that description, it wasn't used.

The team started by making the building smaller. Older O'Charley's were as big as 6,900 square feet with 271 seats; the prototype averages 5,400 square feet with 183 seats. Based on research that revealed the average party has 2.3 guests, O'Charley's also reconfigured seating to add more two-tops. In addition, O'Charley's called on Strategic Restaurant Engineering, a Miami-based restaurant-consulting firm, to make the smaller kitchen more efficient.

The design team ditched an overabundance of brick and forest green in favor of wood finishes and a palette of vegetal reds and golds. Tables and booths are a red-toned, wood-looking laminate; tall dividers



1. O'Charley's tables and booths are made of durable laminate that looks like wood.

2. In its new center location, the bar projects energy and improves traffic flow.

The designers specified white stucco and plain green awnings to set O'Charley's apart from other casual-dining chains.



SNAPSHOT

Concept O'Charley's
Location Mt. Juliet, Tenn.
Designer Design Forum, Dayton, Ohio
Opening Day Nov. 1, 2006
Area 5,400 square feet
Seats 184
Average Check \$12.65
Unit Volume \$3.25 million
Expansion Plans 4 to 6 in 2007



3. Different colored panels in the room dividers lend a warehouse-like feeling to O'Charley's dining room.



4. Ceiling-height dividers outfitted with windowpanes help break up the space.

5. The designers rearranged the lighting scheme to make the ceiling brighter.



O'Charley's efficient layout keeps sales volume high despite fewer seats.

topped with glass panels separate the room into different dining areas. Overall, the look is more sophisticated, says Betty Kirk, general manager of the O'Charley's location in Mt. Juliet, Tenn.

One of O'Charley's design goals was to differentiate the interior from its casual-dining competitors. To do so, the design firm fes-

tooned the walls with sayings such as, "Come Back for Good Times," from founder Charley Watkins, who opened the first O'Charley's in Nashville in 1971. "There's a bit of mythology around the brand," Jeffrey explains.

Jeffrey also edited the historic photos that traditionally adorn each restaurant. Previously, photos had included events such as major fires or natural disasters; the edited group of photos depicts happier scenes such as heroic firefighters.

The one design element Jeffrey did not change is the large mural above the bar and visible from the foyer. The hand-painted mural includes the name of the community and its ZIP code, plus local cues such as sports teams and landmarks. To further personalize each restaurant, the name of the general manager is etched in one of the entryway's interior windows.

MENU SAMPLER

APPETIZER

Southwestern Chicken Quesadilla: Cajun chicken, roasted onions, peppers and jalapeños with mixed cheeses in a toasted tortilla, served with lettuce, sour cream and salsa, **\$7.99**

SALAD

California Chicken Salad (pictured): grilled chicken, strawberries, Mandarin oranges, candied pecans, dried cranberries and blue-cheese crumbles served atop spring mix and romaine lettuce, with balsamic vinaigrette, **\$8.99**



SEAFOOD

Whiskey Creek Salmon: 10-ounce Atlantic salmon fillet, grilled with Whiskey Creek sauce, served with choice of side item, salad and freshly baked rolls, **\$13.99**

DESSERT

Ooey Goey Caramel Pie: graham-cracker crust filled with creamy caramel and topped with whipped topping, chocolate chips and pecans, **\$3.99**

A Warm Welcome

The first prototype opened in Niles, Ohio, last October. Two more units opened rapidly, the second in November in Mt. Juliet, Tenn., and the third in Grand Chute, Wis., in mid-December. A fourth is scheduled to open in Atlanta in February. All new O'Charley's will feature the new design; a remodel package for existing restaurants includes signage, decorative items, and new



uniforms and tableware.

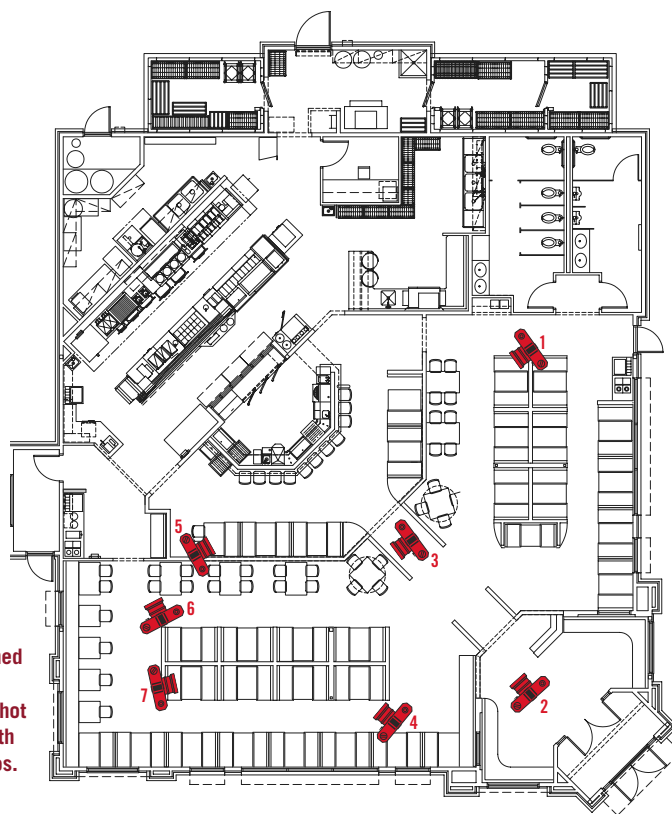
Because the new locations opened quickly, O'Charley's did not have time to do much in the way of tweaking or value engineering, Warne says. One future change: expanding the kitchen, which is "a little small" to handle existing volume.

But Warne isn't complaining. While he won't release the cost of the building or sales compared to older units, he says that the three new units "have met or greatly exceeded expectations," and that unit volume is "significantly higher" than older locations.

"Typically when you go to a new market, we have lower sales expectations," he says. "But the inverse has been true." ■

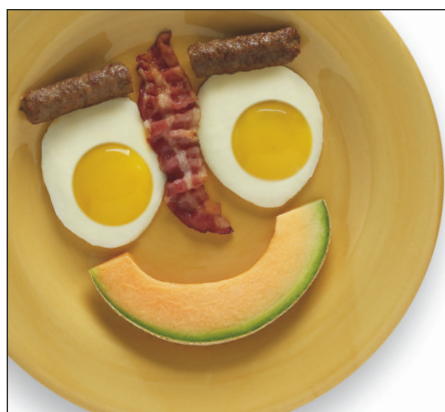
KEY
 Direction of shot
 Shot No.
 Position of camera

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



6. A separate curbside-delivery counter accounts for 6 percent to 8 percent of sales in the prototype.

7. The designers kept some elements of the previous design like the murals, which display the name of the town and local points of interest.



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Slimming DOWN

Noodles & Company pares down the menu to enhance the guest experience, operations and sales. **By Monica Rogers**

A customer at the local Noodles & Company studies new menu board options. The youthful order taker is eager to help. “May I help you, sir?” she asks. “Well...” the customer deliberates. “I want the Japanese Pan Noodles, but I’m thinking about a protein.” “Oh I can help you with that,” the server jumps in, delighted to have answers ready. “The traditional way this dish is served in Japan is with beef, so I’d recommend the sauteed beef. It’s really good that way.” Her confidence is convincing, and the customer responds accordingly: “I’ll have that then.”

The scene is the new norm at Noodles’ 136 units. Streamlined menus, which spread systemwide in January, make it easy as 1-2-3 to pick a portion size (small, regular or trio), food style (Asian, Mediterranean or American) and entree style (noodles, soup or salad). Proteins are listed at the top of the menu, making it more natural for guests to include them when ordering. And enhanced employee training—which includes monthly tasting and teaching on which protein goes best with each dish—means workers are much freer with helpful protein suggestions.

Setting Records

Initial results to the simpler menu are impressive for the Boulder, Colo.-based chain. “We are seeing an increase in average check of 1.5 percent, are seeing higher sales in all of our

markets and are seeing guest counts outpace sales by 2 percentage points,” says Vice President of Marketing Dwayne Chambers.

Executive Chef Ross Kamens says the trim new 18-item menu comes out of a 15-month optimization process. The company scrutinized every item and ingredient on the menu to improve appearance, flavor and quality—both for the guest and operationally. “This wasn’t about downsizing the menu so much as it was optimizing—making every item the best that it could be and removing anything that didn’t measure up,” he says.

Less Is More

Research in hand, Kamens switched to a better-quality shrimp, replaced strip steak with slow-braised beef and sauteed beef, and added Parmesan-crusted chicken. Kamens also worked with employees systemwide on cooking tofu to achieve better flavor, texture and quality.

The menu-optimization process also included evaluating the physical menu. “We knew we needed to eliminate the Noodleless category, for example, because guests found the concept confusing,” says Kamens. Toward that end, he cut entrees including the Mediterranean Mixed Grill, Shrimp Curry Saute, Sweet Chili Chicken and Chicken Rustica from the menu.

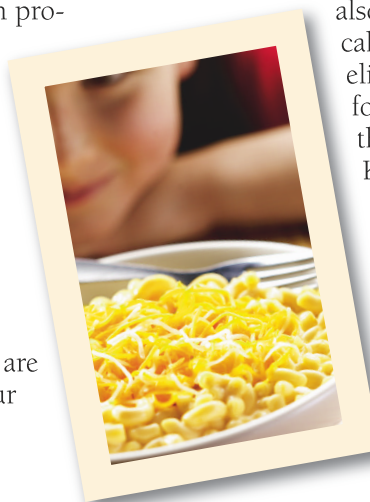
Guests also wanted the menu to be more symmetrical

To complement its Mediterranean menu options, Noodles & Company added Tomato Basil Bisque and Parmesan Crusted Chicken Breast, which scores higher than any other protein for guest-repurchase intent.

Wisconsin Mac and Cheese with cream, elbow macaroni and cheddar-Jack cheese is Noodles’ most popular comfort-food option.

Menu optimization led Noodles to replace steak with two new beef options: seared beef strips and braised beef pieces. The latter is guests’ favorite protein match for Mushroom Stroganoff (above r.).

Sixty percent of guests ordering the new Trio option (opposite), which features a soup or noodle entree, protein and a side salad in a meal bundle, say they choose something from the menu that they haven’t tried before.



and easier to navigate. “They really needed balance on the menu,” Chambers explains. “They wanted to have an equal number of noodle dishes, soup and salad under each category, so we gave them that using existing items newly organized.” All that was missing was a soup for the Mediterranean section, so Kamens developed Tomato Basil Bisque to fill the gap.

Noodles’ also moved mention of protein options (chicken, beef, shrimp or tofu, \$6.95 regular; \$5.65 small) to the front of the menu, which resonated with guests. “They felt that doing it this way made including protein in the dish a front-end decision, rather than an afterthought,” he says.

Small Experiments

Picturing three plate sizes at the front of the menu was also new. Unlike the previous menu, the new menu offers a small portion for all items.

And the new \$6.95 Trio option—a small serving of any noodle or soup entree, choice of protein and choice of tossed green or Caesar side salad—has encouraged experimentation. “A large percentage of our guests order the same thing from visit to visit,” says Chambers. “But 60 percent of guests who order the Trio option say they are including something new to them on the plate. The small portion seems to lessen the risk.”

Chambers also says that rather than order a vegetarian option of a regular-sized bowl for \$5.25, more guests are ordering a small-sized bowl and upgrading to include a protein for \$5.65, or they are ordering a Trio option, which includes a protein. Resulting sales of small-portioned entrees are up 30 percent and protein upgrades have increased 10 percent.

Supporting all of the changes, Kamens and Chambers say Noodles’ “Food Focus” employee training program has been crucial. Each period, rather than feature a limited-time offer, units use signage to promote an item from the regular menu. Team members are familiarized with that item by cooking it, tasting it and learning which flavors it works best with. “The whole idea is to help team members get to know the food so well that they can then comfortably recommend good matches to the guest,” says Chambers.



Encouraging enthusiasm in the ranks, local managers may add their own incentives. “You know, offering a goofy little prize to whomever can describe an item best or something,” says Jason Snipes, assistant manager of the Evanston, Ill., store.

With Noodles’ menu so lean, Kamens says the challenge moving forward will be keeping it that way. “We’ll want to add new news,” he says. “But to do that, we’ll also have to make the hard decision what should come off.” ■

SNAPSHOT

Concept

Noodles & Company

Headquarters

Boulder, Colo.

Units

136

2006 Systemwide Sales

\$125 million*

Average Unit Volume

\$1 million*

Average Check

\$9*

*Chain Leader estimate

MENU SAMPLER

ASIAN

Japanese Pan Noodles: udon noodles pan-fried in sweet soy sauce with broccoli, carrots and shiitake mushrooms, garnished with Asian sprouts, black sesame and cilantro, **\$5.25 regular, \$3.95 small**

Thai Curry Soup: yellow coconut curry broth with spinach, cabbage, mushrooms, tomato, red onion and rice noodles, **\$5.25 regular, \$3.95 small**

MEDITERRANEAN

Pasta Fresca: penne pasta sauteed with balsamic vinegar, white wine, roasted garlic, spinach, tomato and red onion, topped with parsley and Parmesan or feta, with sauteed chicken breast, **\$6.95 regular, \$5.65 small**

The Med Salad: romaine lettuce and spring greens, tomato, cucumbers, red onion, kalamata olives and cavatappi tossed with creamy garlic dressing, topped with feta, **\$5.25 regular, \$3.95 small**

AMERICAN

Mushroom Stroganoff: sherry-cream sauce simmered with fresh herbs and cracked pepper, served over sauteed mushrooms and egg noodles, topped with slow-cooked braised beef and Parmesan cheese, **\$6.95 regular, \$5.65 small**

THE TRIO

Buttered Noodles with Parmesan Crusted Chicken Breast and Tossed Green Side Salad, **\$6.95**



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Red Robin increases **SPECIALTY-BEVERAGE SALES** with a freestanding menu and table cubes. **By Monica Rogers**

Table TALK



Red Robin guests just couldn't keep their hands off the Disgruntled Elf—or at least the table cube picturing the drink—which led to increased beverage trials, says Vice President of Marketing Kim McBee. Putting photos of Red Robin's 2006 holiday drinks, the Disgruntled Elf and the Gingerbread Shake, on the cube was the newest bit in the Greenwood Village, Colo.-based company's strategy to better market beverages via tabletop elements.

"We knew we had a lot of great beverages but felt there was more we could do on the table to highlight them," says McBee.

Table cubes—six-sided paper boxes printed with colorful photography—have been attention-getters at the 345-unit chain for the last two years, promoting awareness and trial of new food items. "People just love to pick the cubes up and play with them," says McBee. "But this was the first time we decided to put a drink promotion on the cube."

Beyond bottomless lemonade, ice tea, coffee and soft drinks, Red Robin's beverage program includes a dozen malts and milkshakes, a half-dozen specialty cocktails and smoothies, plus specialty lemonade, limeade, margaritas, beer and wine. "We felt there was more we could do to promote not just new

beverages but some of our unsung heroes—longstanding, old favorites," McBee says.

In 2005, Red Robin began printing freestanding beverage menus in conjunction with spring and summer promotions, rather than just list the drinks on the back of the food menu. It had been several years since Red Robin printed a separate beverage menu. The menus featured a mix of seasonal specials on the cover.

Measuring Results

The new beverage menu debuted in spring 2005, featuring existing menu items, not new drinks. Red Robin saw an increase in people ordering the drinks pictured in it. "About 70 percent of our guests order beverages with their meals, usually soft drinks," McBee says. "With the launch of the new menu, about 2 percent shifted up to the pictured items."

The spring 2006 beverage menu included a mix of new and old items. Best-selling new introductions included the nonalcoholic Hawaiian Heart Throb smoothie, \$3.99, a blend of strawberries, bananas, grenadine, coconut cream and pineapple juice. And the strongest selling old

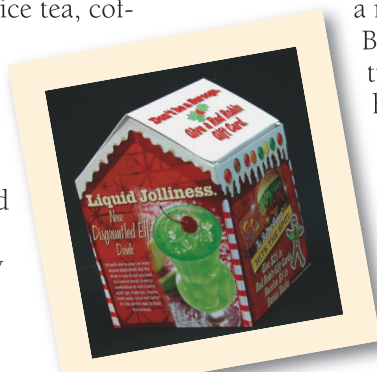
Smoothies such as the Hawaiian Heart Throb starred on the cover of Red Robin's spring 2006 beverage menu.

Paper table cubes have been used to draw attention to food items at Red Robin for two years. Drinks were promoted on the cube for the first time during the 2006 holidays.

SNAPSHOT

Concept Red Robin
Headquarters
 Greenwood Village, Colo.
Units 345
2006 Revenues
 \$486 million*
Average Unit Volume
 \$3.2 million*
Average Check \$10.67

*Chain Leader estimate



liquid measure

Two percent of guests who order beverages choose an upgrade from Red Robin's tabletop menu.



Prominently featuring beverages on tabletop ephemera takes sales pressure off Red Robin staff.

favorite pictured was Freckled Lemonade, \$3.99, a blend of strawberries and lemonade.

But McBee says summer 2006's promotional drink lineup was especially strong. The menu cover featured alcoholic beverages such as the Purple Craze Agua Fresca, \$6.79, blueberries, vodka, blue curacao, pomegranate syrup and fresh lime wedge, selling to .5 percent of all guests. The Mango Bango Limeade \$3.99—mango and passion-fruit syrups, lemon-lime soda and orange juice—and the Blueberry Pomegranate Limeade, \$3.99—

blueberries, pomegranate and lime syrups, and lemon-lime soda—both sold to about 1 percent of guests.

"With specialty drinks, selling to .5 percent or above is considered very strong performance for an alcoholic beverage, and selling above .8 percent is considered very strong performance for a nonalcoholic beverage," McBee explains.

She says it's too soon to give exact numbers on sales increases prompted by the cubes during the '06 winter holidays but says early results are positive.

Fresh to the Core

"We definitely look at what we can do to keep guest experiences fresh and interesting with new beverage options, trying to see what we can do to put a Red Robin spin on new trends," McBee says.

For '06 that meant adding creative flavors to its best-selling limeades, lemonades and milkshakes. Last summer, Red Robin had good success adding vodka to its signature Freckled Lemonade, but it won't quantify how well the drink sold.

This summer, Red Robin will do the same with smoothies, launching alcoholic and nonalcoholic versions of the Mayan Mango Smoothie, \$3.99 (nonalcoholic) and \$6.79 (alcoholic), a blend of coconut, mango, pineapple and vanilla creme, which will be prominently featured on the beverage menu cover along with the new Mandarin Mayhem Limeade, \$3.99, Mandarin-orange syrup, lime juice and lemon-lime soda. "Limeades have become really popular for us. They offer profit margins for us that are similar to alcoholic beverages. We're also testing sangrias," McBee says.

Expanding use of in-store printed promotional materials, McBee says Red Robin is creating new banners and posters for walls and soffits, and will add creative diecuts to the popular table cube to create whimsical shapes. "We're working on one now that will be shaped like a truck," she concludes. ■

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Repeat BUSINESS

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By David Farkas

For most of its 35 years, Lettuce Entertain You Enterprises has enjoyed a reputation for good food and attentive service at its collection of innovative eateries. Yet two things always stood out more than LEYE's vaunted hospitality: founder and Chairman Richard Melman's inclination to keep his stable of restaurants in Chicago, where the company is headquartered, and his reluctance to repeat a concept.

"What he did made such a difference," says retired *Chicago Tribune* food and wine columnist William Rice. "Instead of cloning, he kept innovating."

Melman still wouldn't repeat himself, acknowledges CEO Kevin Brown, a 30-year Lettuce veteran. But Melman isn't insisting Brown or Lettuce's 37 other managing partners follow suit. Since the mid-'90s, the privately held company has been evolving into a multiunit company capable of opening several restaurants a year outside Chicago.

Today, with partnerships in some 73 restaurants, Lettuce is breaking new ground in Atlanta, where it operates one Wildfire, and opening outposts in three lucrative cities: Mon Ami Gabi in Minneapolis, Wildfire in Washington, D.C., and Strip Burger in Las Vegas.

At home in Chicago, Brown is carefully watching two quick-service restaurants: Wow Bao and Magic Pan Crepe Stand. Both may prove ideal for airports and other small-space sites. Seven new restaurants are scheduled for this year. Brown is also keeping his eye on 2-year-old Osteria via Stato, a Tuscan-style eatery he believes is the next iteration of casual Italian.

Chain Leader recently grilled the 51-year-old executive in ever-popular Shaw's Crab House, a Chicago restaurant Brown helped create in 1984. Although he declined to share any financials beyond last year's systemwide sales ("roughly \$325 million"), Brown eagerly talked about what's in store for Lettuce in the days ahead.

Lettuce is well-known for its partnership program. Briefly describe it.

We provide an infrastructure for partners to grow their businesses. We want them to make decisions. They are intimately involved in design decisions and real estate. They know all their cash flow and staffing needs. They own equity in this company. It's a growing equity, by the way. We don't say you'll have it for four or five years and we then start over. We have successful concepts that are 10 to 15 years old showing nice sales growth.

Those would be...

Mon Ami Gabi, Wildfire and Big Bowl. We had company growth and same-store-sales growth in 2006. I'm confident we can continue to drive sales and revenues because the

SNAPSHOT

Company

Lettuce Entertain You Enterprises

Headquarters Chicago

Units 73

2006 Revenues

\$325 million

Expansion Plans

7 in 2007



battle is always on the cost side. I can't control construction costs, real estate or minimum wage. But we can make our restaurants better.

To some extent you can control real estate by where you put the restaurants.

And we are not forced to take locations. That is an advantage.

Not being driven by a private-equity firm saying...

Get out there and grow!

On that subject, can you talk about how you work with developers?

We have a good reputation with developers. I don't think we are the fastest. But I think they know when we put restaurants in, they are good and they stay good.

Do you have a strategy when it comes to lifestyle centers?

We are more sophisticated today. We have good modeling tools and research tools that we look at. We look at each site specific for the concept because we are growing different brands. We don't have one pat answer.

Let's take one of the more interesting concepts, Mon Ami Gabi, which has a relatively complicated menu.

It's very food driven.

And thematically driven. What have you learned so far about the best fit for a Mon Ami Gabi?

The interesting thing is we thought maybe—when we called it Un Grande Café—it wasn't going to stay

“Can you enhance the quality of this organization?’ **IS MY NO. 1 QUESTION** for potential partners.”

around. Here we take a restaurant that was doing OK and re-concept it. We did it ourselves in three or four weeks. And, boom, we have a nice business.

But what have you learned?

That it's a sophisticated concept. It's not a casual concept. It's definitely a polished-casual concept. You want to be in markets where people get a European-style concept. That's not every market. We have another site for it in D.C., and we are very interested in one in Minneapolis, though I'm not certain about it.

You have said you like Minneapolis, Washington, D.C., and Chicago. Why's that?

We want to stay market-centric. We get to take advantage of our frequent-dining programs and gift-card programs. And frankly it's nice to go someplace and see multiple restaurants. There's usually someone out there sticking a flag in the ground. [Managing Partner] Howard Katz is doing that with Wildfire, and so we are looking at what else will work in Atlanta.

What's keeping these growth concepts competitive?

The leadership has to keep them competitive. We continue to go in and start with food. We watch and monitor what's selling and what isn't. We continue to upgrade menu and service training.

How many Big Bowls, say, can you do per year?

We can do one to two. It's really up to the team. It's funny. You probably interview a lot of people who say they are opening 10 or 20 or 40 restaurants this year.

It seems the people I've been interviewing are looking for franchisees. Even Wally Doolin has said he wants to franchise Buca di Beppo.

That's interesting. We love to own and work with our restaurants. It would be hard for



us to franchise. It's not in our mind-set.

What about Wow Bao and Magic Pan?

We will have two Wow Baos in the Loop [Chicago's financial district] soon. If there's ever a concept that had that kind of potential [for franchising]—and I'm not saying

we will do it—it's that concept. And Magic Pan is another one.

Because each is simple to operate?

Yes, due to their simplicity. At Wow Bao we partner with a bakery that makes the bao, so the product comes in ready to go. There aren't a lot of knives. '07 will be the year we learn more about Wow Bao.

Can you picture them in airports?

Both of them. Wow Bao would be perfect, in fact. We see it competing in the quick-service area. It's almost a sandwich substitute—a Chinese slider.

The second Wow Bao, in the Loop, will have 75 seats versus none at Water Tower Place, an upscale shopping mall. Are you tempted to turn Wow Bao into a fast-casual restaurant?

We liked the location because it was a restaurant. But it's more square footage than we wanted.

But you guys are restaurant operators.

Yeah, but we're not that calculating. When you are going into the second restaurant, you're not thinking, "Let's roll this out." We don't lock in on formula. We lock in on discipline on how we want to operate. That's more of our nature than not. If Rich had his druthers, he wouldn't duplicate a single restaurant. He would change Mon Ami Gabi. We battle back and forth on this point. I'm somewhere in the middle of it all. I like the structure and the growth, and at the same time, I want to create new concepts.

An insider at Lettuce described the company to me as a cult, with Rich as the high priest.

Oh, there is no question.

BIOGRAPHY

Full Name: Kevin J. Brown

Hometown: Pittsburgh

Education: Michigan State University, B.S., 1977, School of Hotel and Restaurant Management

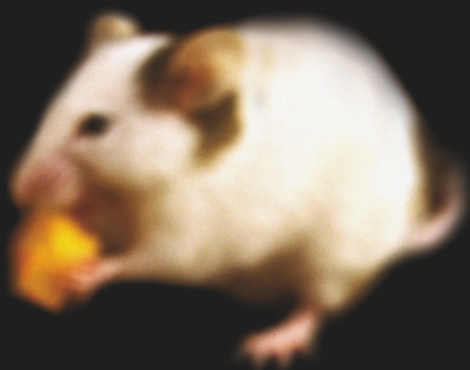
Ladder Climbing: Joined Lettuce Entertain You Enterprises in 1977 as a manager for R.J. Grunts. Manager of the Pump Room in 1978. Manager of Jonathan's in 1979. Assisted in the opening of Un Grande Café and voted LEYE partner in 1981. Became managing partner at Shaw's Crab House in Chicago in 1984. Created Big Bowl in 1992, Mity Nice Grill in 1993, and oversaw addition of a suburban Shaw's location in 2000. Negotiated sale of Big Bowl to Brinker International and named president in 2001. Named CEO in 2003. Negotiated re-purchase of eight Big Bowls in 2005.

On His Nightstand: *Let My People Go Surfing*, Yvon Chouinard

Hobbies: cycling, tennis, golf, travel, dining

Personal: married 25 years to Kristi, four children

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“When we got into field and **SOMETHING HAS TO BE FIXED**, we don’t call the guy with green eyeshades.”

And that Rich takes care of Kevin and Kevin in turn takes care of everyone else.

I’ve said this many times: I view [our growth] as the opportunity to become sort of like Disney. Rich is like Walt Disney in this business. My goal is continue to grow Lettuce Entertain You and build its reputation along with the Melman name. Who wouldn’t want Rich Melman working side by side with him? People all over the world want him to give them an hour of his time. Does it add a certain amount of craziness? Yes, but every business has its craziness.

I was reading the book you say is on your nightstand, *Let My People Go Surfing*.

It’s a great book! I love [Patagonia] and its clothing.

Yvon Chouinard describes himself as a reluctant businessman and says that he’s never respected business. Do you identify with him?

He’s more radical. But he’s not unlike what a true founder of an organization is like. And they think differently. I’m part of the next generation coming in. I have that balance between left brain and right brain. I’m not afraid to think creatively. Yet we have to build a structure to grow this business to provide opportunities.

That brings up an interesting point. One can say there’ll never be another Rich Melman. But, on the other hand, aren’t you looking for that kind of creative potential in partners?

If I were to describe our growth, I’d tell you there’s no steadfast number [of restaurants], but we will be strategic and opportunistic. Strategic with concepts we know work well. We have seven or eight of those. At the same time, 25 to 30 percent of our growth is going to be new concepts. That won’t be one person, though Rich likes to drive it. But we have other partners with

ideas. We’re doing a new burger concept on the side of Cafe Ba-Ba-Reeba in Las Vegas.

Do you have a name for it?

Strip Burger. It’s going to be right on the Strip.

What separates your burger joint from anyone else’s?

Hopefully, the quality of the food. And fun. There will be a bar component.

Is it QSR?

No. You can sit down. There’ll be waiters.

Is it tough for you to step outside the box of full service?

Our history certainly is full service. What gives us strength is that we are so diversified. If we are in one category and it slips, we don’t have to retool the whole company. And we will continue to re-concept certain locations.

Is that currently the case with Scoozi, a smash hit in its day?

We are thinking about that.

What do you have in mind?

I can’t tell you, but we are toying with ideas.

Are there other assets in the stable you’ll re-concept?

Osteria via Stato is a great example. Papagus [which formerly occupied Osteria’s space] was a very good store for us, and although it had not finished its run, it wasn’t con-

"Our greatest discipline is **NOT SAVING MONEY** when we build a new restaurant."

tinuing to be driven the way it could have gone. We'd had partner leadership in there of Greek heritage, and he really drove the concept. Then he went to [Brinker-owned] Maggiano's. It's sometimes hard to put a person in charge that doesn't have the passion for Greek even if they execute well.



Back to quick service vs. full service. Is it that Lettuce has yet to learn how to operate them profitably?

I think we will learn it. We have one Wow Bao at Water Tower. We are very successful with it. We don't really have a fast-casual component the way you see it today. But we might be changing that.

With Wow Bao?

No, we have a concept coming that could be a blend. We are working on that as we speak.

Should Chipotle CEO Steve Ells be worried?

No [laughing]. Chipotle is such a great concept. It's so simple. If you read [Chouinard's] book, what does he always talk about?

Keeping it simple.

And that's my mind-set. As crazy as this company looks, we think simple. And we focus on details right in front of us. We're not foolish. We have a plan. We have these ideas about where we want to go. But we don't spend a lot of time in a room wondering about how big we are.

Would you say that's an advantage over competitors?

Let me tell you what gives us an advantage: We don't have to be bigger. I don't wake up in the morning saying, "I need 15 percent growth." ■

on the web: For Kevin Brown's discussion on what it takes to succeed at Lettuce, visit www.chainleader.com.

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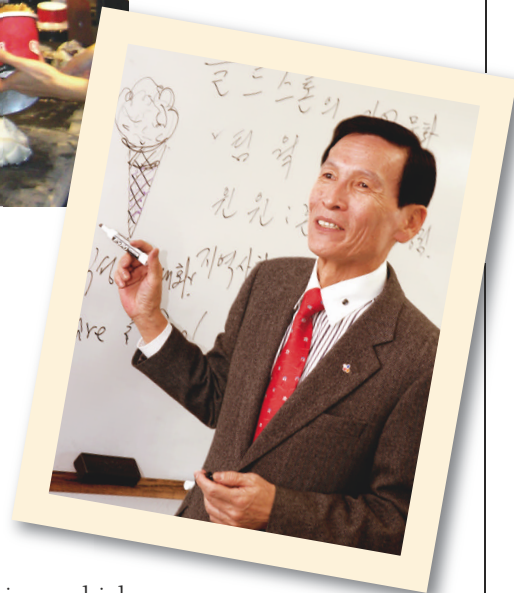
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Cold FRONT

A seasoned executive leads Cold Stone's charge into South Korea. **By David Farkas**



Met Chin-Koo Chung. Since 1985, the 61-year-old executive has opened hundreds of Baskin-Robbins, Popeyes and Starbucks in South Korea. Today, as chief executive of CJ Foodville, a Seoul-based restaurant company he joined in 2004, Chung is introducing young Koreans to superpremium ice cream.

In 2006 CJ Foodville became the country's master licensee for Cold Stone Creamery, a growing Scottsdale, Ariz.-based chain of ice-cream parlors that make the dessert daily in the stores and offer a range of mix-in candies and fruit. There's also shtick: Cold Stone Creamery employees burst into song and clap upon receiving tips.

Chung believes the unique service format will lure enough franchisees who can open one or two units to reach 180 Cold Stone stores by 2011. "The stores and the crew members are entirely different from other ice-cream shops," says Chung, who learned English while managing 7-Elevens during a 10-year stint in the United States. So far, CJ Foodville has opened four company units in Seoul, a city of roughly 10 million people. It expects to have another five of its own up and running this year.

Chung is counting on his former connection to Baskin-Robbins, where he worked for nine years, to spark some of that growth. He maintains franchisees are unhappy with

the Canton, Mass.-based franchisor, which has opened more than 700 units in Korea. "[Baskin-Robbins] doesn't have the mind-set of the franchisee," he says, adding expansion has cannibalized sales. Margery Myers, senior vice president of communications for Baskin-Robbins parent Dunkin' Brands, says the company is happy with sales in Korea. "We are renovating and transforming our units with a new logo and a new look," she adds.

Despite the many calls he claims to have received from disgruntled Baskin-Robbins franchisees, Chung has yet to sign one up because he is training staff. "We have a couple dozen full-time partners working in the [company] stores," he says. "They have to learn how to support franchisees. We're not ready to issue agreements." Franchisees could open a dozen stores this year, he says.

New Blood

Chung isn't recruiting Cold Stone's middle managers from CJ Foodville's vast employee base, which comprises 890 restaurants and 14 different brands. "I'm hiring people fresh out of college, people with no experience. They will be the future store managers and franchise field team," he says. Meanwhile Chung's three-person senior staff is boning up on franchise law. "They will do all of the interviews [of franchise applicants]," he says.

The Korean government's new franchise

CJ Foodville is opening its first 10 company stores in glitzy locations, like this one, which opened in July in the fashionable Jong-ro district.

Just desserts: Veteran restaurant executive Chin-Koo Chung plans to open 180 Cold Stone Creamery stores in South Korea by 2011.

SNAPSHOT

Company CJ Foodville
Headquarters

Seoul, South Korea

Units

890, including four Cold Stone Creamery units

2006 Revenues

395 billion won (\$420 million)

Expansion Plans

12 to 15 new Cold Stone Creamery units in 2007; 180 by 2011



"Korea was so poor until the late 1980s that people of my generation couldn't afford ice cream."

—Chin-Koo Chung,
CEO, CJ Foodville

Employees singing and clapping animate the ice-cream experience at Cold Stone, a competitive point that separates the concept from other dessert shops.

CJ Foodville, which acquired the master licensing rights for Cold Stone Creamery in early 2006, expects franchisees to open 180 of the dessert shops in Greater Seoul by 2011.

law went into effect in 2002. More complicated than earlier guidelines, it requires franchisors to provide, among other things, the company's financial details, start-up costs for a franchised business, franchisee training and education requirements.

Although complicated, the new laws, which U.S.-based franchisors must also abide, are not overly burdensome, according to attorney Philip F. Zeidman of Washington, D.C.-based DLA Piper, an expert on international franchising and licensing. "The requirements are much more detailed than in other countries, but companies that have done franchising in the U.S. should be accustomed to them," he says.

That would appear to apply to Cold Stone Creamery, which has inked dozens of agreements since launching a franchise program in 1995, seven years after Donald and Susan Sutherland founded the concept in Tempe, Ariz. Since then, the chain has grown to 1,400 units, nearly all by franchisees.

The privately held company's first unit outside the United States opened in 2001, in St. Thomas, in the Virgin Islands. In 2005, a Cold Stone opened in Tokyo's posh Roppongi Hills shopping center, the first unit in a joint-venture deal in which former Starbucks COO Lawrence Maltz (now a venture capitalist) is a partner. Today, the partnership operates eight of a planned 20 to 30 stores in Japan. Plans also call for 105 stores in China and 60 in Taiwan through a joint-venture deal with President's Chain Store Corp., a large convenience-store operator.

Cold Stone Creamery President of International and New Business Development Lee Knowlton says entering Korea was a no-brainer. "As I did my research, no one had a bad thing to say about Jim [a name Chung also goes by]. He is really one of the true restaurateurs in Korea," says Knowlton, who lived in Korea for a year while opening T.G.I. Friday's in the early 1990s.

That may help explain why Cold Stone retained the right to purchase 34 percent of the master license deal after two years. The license is good for 10 years, Knowlton says.

Trendy Desserts

That should be ample time to carve out a lucrative niche for the semi-soft ice cream, viewed as a trendy treat in Japan and now Korea. Scores of fashionable young people lined up at the opening of the first unit in Jong-ro (nicknamed "Piano Street"), a district crowded with boutiques and nightclubs.

Chung is putting the first 10 company Cold Stones in high-profile sites to help create brand awareness among young people lured in by made-daily desserts and the entertaining atmosphere. "They want a good product along with fun," he declares.

CJ Foodville pays a premium for the sites. Chung says one location cost \$2 million for a five-year lease. "We at least get five years. Most leases are one to two years," he offers.

Given a young customer base, Chung is convinced online advertising is the only effective means of reaching it. To that end, he's enlisted some 2,000 CJ Foodville employees to provide a link to Cold Stone's Web site on their blogs. Television and print are "a waste," he contends, because "this young generation doesn't watch TV and they don't read newspapers—only textbooks."

He's ignoring the middle-aged and seniors. "Korea was so poor until the late 1980s that people of my generation couldn't afford ice cream," recalls Chung.

The economy has improved considerably since then. South Korea's GDP has been growing by 4 percent to 5 percent annually for most of this decade, faster than France and Germany's. This year, it's expected to climb 4.5 percent.

Still, the country's high oil prices, an uncertain exchange rate and rising unemployment could stifle sales in 2007. Frets Chung: "I don't worry about my business, because it's long term. What I worry about is the global economic situation." ■

Franchise Developer

Tapping Hispanic Markets

By 2007, Hispanics will become the most powerful minority consumers in America, spending an estimated \$863.1 billion annually on goods and services, according to the University of Georgia Selig Center for Economic Growth.

"It's paramount to reach out to those communities in your market and to understand their buying power," says Mauricio Velásquez, president and chief executive officer of Herndon, Va.-based Diversity Training Group and Spanish Translation Services, a diversity consulting and training firm. Here are his tips on how area developers and multiunit franchisees can reach out to Hispanic consumers, managers and sub-franchisees.

● **Seek out community groups and leaders.** Talk to groups that represent Hispanic ethnicities in your community, suggests Velásquez. Look to local churches and politicians, Hispanic chambers of commerce, and groups such as the National Council



Subway gives its franchisees the flexibility to cater to local Hispanic markets with regional items such as Carne Asada subs and Cuban sandwiches.

of La Raza and League of United Latin American Citizens. Then join those groups. Go to the meetings. Ask the leaders for their advice on the lay of the land, such as where to put a new unit, how to find local employees and where to advertise.

● **Target your advertising.** "Spanish radio and Spanish newspapers are a critical component to getting the word out," says Velásquez. "And by the way, Spanish radio is a very inexpensive place to advertise."

● **Understand the diverse cultures.** The Hispanic umbrella includes people from dozens of different countries and cultures. "You've got Mexicans, Cubans, Columbians, Puerto Ricans, all with their own unique cultures," says Velásquez. Be aware of these differences and try to hire from the group or groups that live in your local community, he suggests. Within each community are also varying levels of acculturation, as the American-born generations assimilate. "The first-generation people are great to hire to work up front, because they understand both cultures," says Velásquez. "And bilingual staff helps attract lots more customers."

● **Make it a team effort.** Rather than creating a "director of diversity marketing" or "director of community outreach," make all employees part of your effort to respect and embrace the diversity of your community. "When you dedicate one person to be the guru, the savior, that's a tremendous expectation to put on someone," says Velásquez. "I'm of the school of thought that it's everybody's responsibility."

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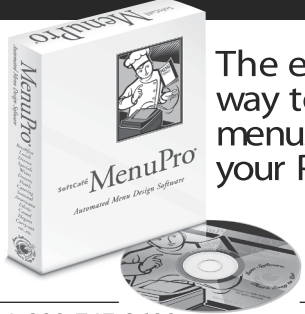
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Fight CLUB

Pyrogrill's Michael Curcio resorts to kicking and punching to stay fit. **By Maya Norris**

For Michael Curcio, hitting the treadmill and lifting weights just won't cut it. The founder and CEO of North Palm Beach, Fla.-based Pyrogrill prefers something more challenging and exciting to stay in shape. Curcio is a student of mixed martial arts.

He took up the sport after graduating in December 1999 with a bachelor's degree in marketing and finance from the University of Miami, where he played on the basketball team. "I was just really burnt out on basketball but wanted some way to stay in shape and be competitive," says Curcio, 29. That's when a friend who practiced mixed martial arts suggested he try the sport, which blends techniques used in various martial arts including karate, Brazilian jujitsu and kickboxing.

Survival of the Fittest

Curcio began studying mixed martial arts in 2000. At the same time, he was also developing Pyrogrill, a fast-casual concept in which grilled chicken, steak and pork are served with signature sauces on greens or rice or in a tortilla. Because the restaurant was taking longer to open than he had anticipated,

Michael Curcio, founder and CEO of Pyrogrill, practices mixed martial arts two or three days a week with his coach, Matt Barrow.

Curcio had a lot of free time on his hands. So he embarked on an intense training program to earn a black belt in mixed martial arts.

"I had a lot of time to let out my pent-up aggression or competitive nature that I needed to get out," Curcio explains. "The restaurant was taking a while to get open so I was able to let my frustrations out in a positive venue."

Curcio trained five or six days a week for three hours a day. His regimen consisted of drills to learn techniques such as punching, kicking and takedowns; punching-bag work to develop strength, speed and hand-eye coordination; and sparring. He sustained a few injuries in the process: a broken rib and nose. "But it was all in good fun," he says.

The pain and injuries were well worth it, Curcio says. In 11 months, he not only lost 20 pounds but earned his black belt, a feat that takes most people about five to six years.

Diverse Interests

Curcio continues to practice mixed martial arts because he finds it less rigid and more practical than other types of martial arts. "With mixed martial arts, you're taking the good parts and the interesting parts from each method," he says. "You can see what works and what doesn't and adapt that to your mixed martial arts style."

However, since Pyrogrill opened in 2001 and is preparing to franchise this year, Curcio doesn't devote as much time to training. He practices two or three days a week for about an hour a day.

Other activities also cut into his training time. He plays basketball on a men's league and golfs once a week.

So which activity is his favorite? "It's like picking kids," Curcio says. "Golf is certainly the easiest on my body and the most relaxing. Basketball is something that I've done for more than half my life, so it's something that I'm comfortable with....And mixed martial arts would probably be the most exciting because you never know who's standing in front of you." ■

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A kitchen scene featuring a white bowl of risotto topped with a piece of grilled chicken, red and yellow bell peppers, and fresh herbs. In the background, a round clock on a white tiled wall shows the time as approximately 1:50, with a large kitchen knife stuck into the clock face at the 1 o'clock position. To the left, a metal kitchen rack is partially visible.

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