

Jamba Juice guides guests into superfoods with functional beverages.

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Exclusive research: how chains drive traffic.

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Cheap THRILLS
CiCi's Pizza's challenge: to keep
prices low and service levels high.

Craig Moore, president and CEO, CiCi's Pizza Buffet Inc.

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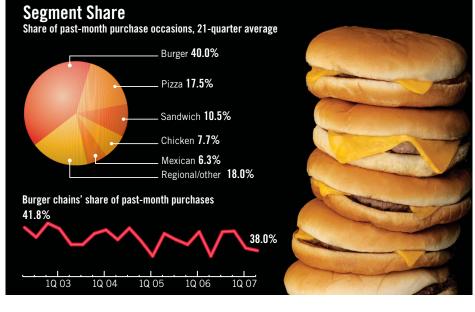
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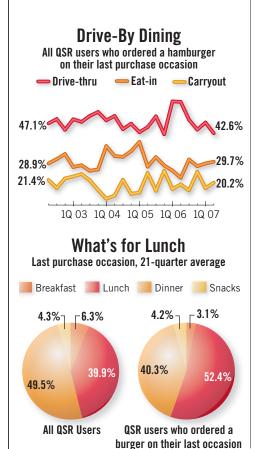
traffic trends

National burger chains still receive the most traffic, but their share continues to shrink.

By Mary Boltz Chapman



How Burgers STACK UP



- amburger chains comprise 40.0 percent of all quick-service restaurant users' past-month purchase occasions, a 21-quarter average shows. But their share continues to shrink. It sank to the lowest point (37.1 percent) in 2005's first quarter and again in the second quarter of 2006, according to the quarterly Quick-Track survey by Sandelman & Associates, a San Clemente, Calif.-based research firm.
- When Sandelman began National Quick-Track in 1995, burgers boasted 50.7 percent of past month purchases, and 35.0 percent of fast-food customers ordered a burger on their last purchase occasion.
- In second-quarter 2007, 23.7 percent of all QSR users had a burger on their most recent occasion.
- But don't count burger chains out. They garnered 65.3 percent of pastmonth breakfast occasions, 42.6 percent of lunch occasions, and 53.9 percent of snack occasions. They received only 28.9 percent of pastmonth dinner occasions.
- 52.4 percent of QSR users who ordered a hamburger on their last visit did so at lunch, according to a 21-quarter average; 39.9 percent of

- all users' most recent occasions were at lunch. 40.3 percent of respondents who had a burger did so at dinner; the evening meal comprised 49.5 percent of all users' last occasions.
- Of those who bought a burger on their last occasion, 70.3 percent also had fries. 85.4 percent of them had a beverage.
- 48.0 percent of fast-food customers who bought a burger on their last occasion used the drive-thru, 29.8 percent ate in the restaurant, and 19.5 percent used carryout, according to a 21-quarter average. Of all users' most recent occasions, 29.9 percent were drive-thru, 27.6 percent were eat-in, and 31.5 percent were carryout.
- The average amount spent per person was smaller for those having burgers on their last QSR visit: \$4.36 vs. \$4.97 for all occasions.
- Only 12.0 percent of fast-food customers having a hamburger on their most recent occasion used a special deal or promotion; 20.4 percent of all users did.
- Those having hamburgers were more likely than all fast-food users to dine alone (32.9 percent vs. 26.9 percent) and less apt to dine with their spouse (23.7 percent vs. 29.9 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 burger users" as those who have purchased a burger from a quick-service restaurant at least twice in the past month. Most-recent purchase data is based on all QSR users who purchased a burger on their last QSR occasion.



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Chain Leader

Vol. 12. No. 10/October 2007



cover storyCheap Thrills 82

CiCi's Pizza Buffet must increase sales in order to preserve its low price points and high service levels. To do so, CEO Craig Moore and his management team have developed a smaller To Go concept, launched the chain's first national ad campaign and went on a motivational tour to energize the troops in 11 markets.

storyboard

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King's Family Restaurants is using the Frownie Sundae in its latest TV campaign to solidify its brand proposition. Featuring a mean Frownie character, each ad promotes a different limited-time offer.

By Margaret Littman

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While the Zen Palate restaurants in New York City are elegant temples to Asian vegetarian cuisine, the Princeton, N.J., location is spare and minimal. The unit features small, dark chairs with austere slats, walls painted in watery shades and blue-gray slate tiles to convey tranquility.

By Lisa Bertagnoli

menu strategy

Rolling in the Fast Lane 53

To cater to a crowd that is as interested in food and people-watching as it is in bowling, Corporate Chef Bill Starbuck has shaped a whimsical, retro-Americana menu for Lucky Strike Lanes with more than 30 finger foods.

By Monica Rogers





By Lisa Bertagnoli



■liquid measure

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Jamba Juice has launched a line of Functional Smoothies and breakfast parfaits with superfood mix-ins that capitalize on functional foods making their way into the mainstream.

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By David Farkas

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Chain Leader (ISSN 1528-4999) (GST #123397457) is published monthly by Reed Business Information, 8878 S. Barrons Blvd., Highlands Ranch, CO 80129-2345. Reed Business Information, a division of Reed Elsevier, Inc., is located at 360 Park Avenue South, New York, NY 10010. Tad Smith, CEO; Jeff Greisch, President, Chicago Division. Chain Leader[®] is a registered trademark of Reed Elsevier Properties, Inc. used under license. Circulation records are maintained at Reed Business Information, 8878 S. Barrons Blvd., Highlands Ranch, CO 80129-2345. Phone: (303) 470-4445. Periodicals Postage paid at Littleton, CO 80163 and at additional mailing offices. POSTMASTER. Send address changes to Chain Leader, P.O. Box 7500, Highlands Ranch, CO 80163-7500. Publications Mail Agreement No. 40685520. Return undeliverable Canadian addresses to: RCS International, Box 697 STN A, Windsor, Ontario N9A 6N4. E-mail: subsmail@reedbusiness.com. Chain Leader Copyright 2007 by Reed Elsevier, Inc. Address subscription mail to Chain Leader, 8878 S. Barrons Blvd., Highlands Ranch, CO 80129-2345. All Rights Reserved. PRINTED IN THE USA. Reed Business Information does not assume and hereby disclaims any liability to any person for any loss or damage caused by errors or omissions in material contained herein, regardless of whether such errors result from negligence, accident or any cause whatsoever.

ON THE WEB

Web Exclusives

- CiCi's Pizza Buffet shares more about its To Go concept, the chain's new growth vehicle
- CEO Martin Sprock talks about what's next for Raving Brands since selling Moe's Southwest Grill
- T.G.I. Friday's overhauls its menu
- Beef 'O' Brady's Chuck Winship discusses the chain's recapitalization
- Baja Fresh looks for a comeback
- Buffets Inc. CEO Mike Andrews examines takeout
- Mall of America: Major player or minor figure in Minneapolis' dining scene?
- The Palm forgoes outside investors

Cover Society Podcasts

- CEO Julia Stewart works to keep IHOP's turnaround spirit alive
- Rubicon Enterprises CEO Dick Rivera gives his views on immigration reform
- Frank Day discusses challenges for Rock Bottom and its segment

How to Grow to 100 Units

- Financial adviser Mark Saltzgaber offers small chains a primer on raising capital
- Veteran franchisor Tom Wilscam explains how to develop credibility to sell your franchise
- How to determine if you're ready for franchising

Plus

- Senior Editor David Farkas muses about the restaurant industry in his blog, Dave's Dispatch
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the word of mouth generated by simply executing well.

You can't measure the word of mouth Something to **TALK ABOUT**



Mary Boltz Chapman Editor-In-Chief

t a recent family party, my cousin told us about an experience she had at Wildfire. The server noticed that she wasn't eating her bread and asked my cousin if she wanted it taken away. My cousin told her she's allergic. "Celiac?" the waitress asked. She then brought my cousin a gluten-free roll, freshly toasted. Who knows if that server is a celiac herself or if she remembered the terminology and actions she learned in training. It doesn't matter. My cousin was delighted and will go back to that restaurant and bring her friends.

My sister then told the story of her Muslim friend's efforts to order a pizza from a local chain. He asked that a clean pan be used to prevent the meat products that he avoids from coming into contact with his food. The order-taker was dumb-founded, and even the

manager couldn't quite get what he wanted. He didn't get his pizza.

Driving Traffic the Organic Way

Our Driving Traffic study talks about the many methods that chain operators use to bring more customers into their restaurants and keep them coming. What it doesn't do is discuss the quiet and, well, ordinary methods that operators use to great success, like good word of mouth. My cousin will tell everyone about her great experience at Wildfire. My sister's friend will tell his fellow Muslims not to even try to order pizza from that chain. Difficult to quantify, but it's powerful.

A few chain operators we surveyed mentioned word of mouth when we asked what they do to drive traffic. Others said things like serve a consistent product, offer value, ensure a positive experience and train servers on knowledge of the menu.

It's easier to quantify the success of a new menu item or a newspaper insert. We know

that—it's that type of measure you'll find in our Driving Traffic report on Page 89. But we can't deny the influence that simple execution, done consistently and in a caring way, has on sales and traffic.

Beyond the Research Report

But the study has value beyond revealing which methods of driving customer visits are successful and for whom. It asks about what chains want from their suppliers to assist in driving traffic; those who pay attention will be better partners and make more sales themselves, leading to more services for their chain customers, driving even more traffic, and so on in a happy spiral of growth.

And input like those open responses gives us editors at Chain Leader food for thought and fodder for a year's worth of future magazine articles, online content and topics for Chain Leader LIVE.

Gratuitous plug: There's still time to sign up for our Chain Leader LIVE conference Oct. 24 to 26 in Newport Beach, Calif. The agenda, registration information, comments from past attendees and more are on our Web site, www.chainleader.com. If you've been there before, tell a friend—we wouldn't mind a little word-of-mouth advertising of our own.

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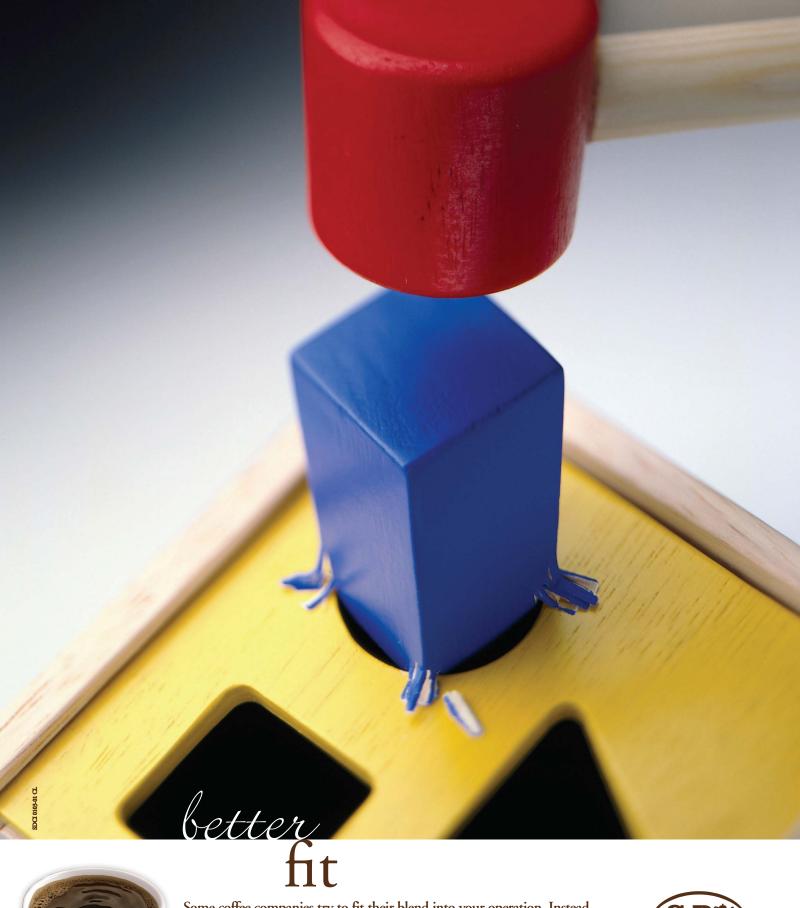
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CHAIN LEADER is published monthly for executives of multiunit restaurant companies by Reed Business Information, a division of Reed Elsevier Inc. Subscriptions are \$109 per year in the United States, \$131 per year outside the United States.

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Crunch TIME



Special Situations Analyst William Hamilton

Analyst William Hamilton counts the ways the credit squeeze could affect restaurants. By David Farkas

ust how much of an impact the current credit crunch will have on public restaurant companies remains unclear, though it's certain to affect companies that borrow to purchase their own shares or make tender offers. To learn more, we recently asked William Hamilton, a Houstonbased special situations analyst for Sanders Morris Harris, to peer into his crystal ball.

Will debt-funded share repurchases dry up?

You will see less of that, including tender offers. You won't see many of

those going forward. Companies will have to use cash from operations to fund buy-backs.

How will the rising cost of capital affect unit growth?

You might see some operators slowing unit growth, especially smaller ones and franchisees rather than the larger players who have access to capital. But companies that rely on franchisees who require bank loans to expand will see some slowing.

Which stocks can weather the current credit situation?

Overall, we recommend investors focus on well-capitalized niche players with attractive valuations. These are companies with solid balance sheets that differentiate themselves in a unique way.

Why are they less risky?

They don't need to go to credit markets mainly to fund growth strategy and can capitalize on any attractive opportunities that may arise.

"You might see **some operators slowing unit growth,** especially smaller ones and franchisees rather than the larger players who have access to capital."

For example?

Like the ones IHOP and Darden took by acquiring Applebee's and RARE, respectively. I don't cover these companies, but that's an example of what happens with fewer private-equity players now in the space because of lack of funding available to them to acquire. With less competition, companies are finding it easier to make strategic acquisitions.

Will the term "strategic acquisition" be heard more and more?

These acquisitions will be limited to companies able to execute on the strategy. That is, they have access to capital and good management teams.

What multiples do you expect well-capitalized strategic buyers to pay?

IHOP and Darden paid about 9 times EBITDA. I think you'll see more deals at that valuation compared to the 10 to 12 times EBITDA private equity was paying.

Will we also see a slowdown in private-equity deals?

Private-equity firms have been one answer to the calls of activist stockholders: Restructure the company or sell it. Without private equity to buy companies, there are fewer options for activists. As a result, you might not see much of a bounce when an activist announces his position. And you might see multiples come down as a result.

With managements under less pressure from activists, will they tend to maintain the status quo?

Without them, you could lose some pressure on managers to operate in the most efficient way possible to generate the highest return on capital. McDonald's shareholders probably benefited by the initiatives management took after [activist shareholder William A.] Ackman's suggestions.



recent independent study confirms that - overwhelmingly - restaurant patrons want dining area tables to be *clean* and sanitary. But what cleaning method do customers prefer? Three to one, respondents felt disposable, pre-moistened table cleaning wipes were a better means for cleaning tables than multi-use cotton towels - which were perceived as ineffective and possibly even spreading germs from one table to the next. In fact, more than half of those surveyed indicated they would choose to eat at a restaurant that used disposable table cleaning wipes over one that did not.

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Respondents feel that it's important for restaurant table tops to be **spotless**.

Respondents view disposable table cleaning wipes as being more effective than multi-use cotton towels.

Patrons would be **more likely** to choose to eat at a restaurant that used disposable table cleaning wipes.





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Sweet LEGACY

Paciugo plays up gelato's Italian heritage and artisan techniques. By Maya Norris

The art of making gelato is so revered in Italy that it is passed on from generation to generation. Ugo and Cristiana Ginatta are keeping that tradition alive with Paciugo, an expanding gelato chain that features the artisan techniques and authentic recipes that the husband and wife team learned while they lived in Italy.

Born and raised in Italy, the Ginattas opened Paciugo in September 2000 in Dallas. But before they immigrated to Texas, they sold their information-technology business and apprenticed at a four-generation gelateria. While making gelato was new to Ugo Ginatta, Cristiana Ginatta had worked in both of her grandfathers' gelaterias.

Italian Tradition

Paciugo showcases what they learned. The gelato is made fresh daily in the stores in small batches with whole milk and no preservatives, using all-natural ingredients such as black cherries from Italy and chocolate from Belgium. Because the gelato is made from whole milk instead of butterfat, it has 70 percent less fat than ice cream.

"What you try and do is make the ice crystals as small as possible," says Founding Partner Vincent Ginatta, Ugo's son. "That's how you get a very smooth, almost creamy texture without having all the fat and egg you would have in traditional ice cream."

The units feature 32 to 40 flavors daily, out of the 200 recipes Cristiana Ginatta has created. The best-selling flavors include Amarena Black Cherry Swirl, Chocolate Chip and Mango. However, Paciugo also serves unusual flavors such as Black Pepper Olive

Oil and Mediterranean Sea Salt Caramel. Costs range from \$2.99 for a Piccolo Cup for three flavors to \$5.58 for a large waffle cone.

Stretching Out

To expand Paciugo's appeal across dayparts, it also serves blended espresso drinks and shakes made with gelato, coffee and espresso, and gelato cakes. It is considering pastries, too.

Paciugo is also tweaking its units to make it feel like a "third place," where people can linger without feeling pressured to order. So it is enhancing its modern decor with sofas, banquette seating and Italian music.

"We would like Paciugo to be another third place. We have another famous one in America, and we all like it, but it doesn't have to be the only one," says Ugo Ginatta, referring to Starbucks.

In the meantime, Paciugo is expanding via franchising. With 22 units in Texas, Florida, Colorado, Wisconsin, Montana and Mexico, franchisees will open three units by the end of the year in San Antonio, Austin and North Plano, Texas. They will open 10 stores in 2008 in Texas, California, Arizona, Colorado, Wisconsin, Florida and Mexico.

For its long-term expansion, Paciugo is trying to recruit area developers who have up to 1,500 units of a center-of-the-plate concept. According to Ugo Ginatta, these developers already have the infrastructure in place to expand Paciugo rapidly. "If they put a Paciugo in their territories, they can better cultivate their territories while not cannibalizing their food because it's very complementary," he explains.

SNAPSHOT

Concept Paciugo
Headquarters Dallas
Units 22
2006 Systemwide Sal

upstarts =

2006 Systemwide Sales \$4.06 million

2007 Systemwide Sales \$5.5 million (company estimate)

Average Unit Volume \$305,000 to \$450,000 Average Transaction \$7.80 Expansion Plans 3 by year-end, 10 in 2008

Gelatos are made fresh daily in the stores.

Paciugo units cost \$180,000 to \$350,000 and range from 800 square feet to 1,200 square feet. They are located in lifestyle centers, mixeduse developments with an entertainment component, and upscale shopping malls. Its customer base skews female and college educated.

Pacingo offers 32 to 40 flavors daily ranging from Pistachio to more unusual flavors like Sweet Corn Thorntree Honey.

Saladworks uses its corporate core values to guide real-estate decisions.



By Mary Boltz Chapman

aul Steck says Saladworks' real-estate strategy is simple: It follows the company's core values.

For example, one of the 86-unit, fresh-tossed salad concept's values is to achieve strong unit economics. So real-estate decisions keep that in mind. Saladworks looks for spaces that were former restaurants to reduce the build-out costs for its franchisees, enabling them to borrow less money.

Space Saving

"Re-using real estate of some of these struggling concepts is driven by, I want my operators to make money, that strong-uniteconomics thing," says Steck, who has been with Saladworks for six years and became president in June. "We will not allow ourselves or our franchise operators to go into a location that they're going to lose money in."

Commercial real-estate rents are high, thanks to fast-casual and other restaurant concepts, as well as high-end coffee sellers, cell-phone retailers and others searching for the same locations among the same demographics. To help keep occupancy costs low, Saladworks has developed a 2,000-square-foot restaurant, rather than its former 2,500-square-foot space, with a smaller kitchen and a few less seats.



With 75 seats instead of 80 or 85, the units make up the difference in volume in takeout, which makes up 35 percent of sales systemwide, and catering, which comprises about 10 percent. "But so far we have not seen degradation of dine-in sales at all," Steck says. Average unit volume runs about \$850,000.

No I in Team

Another core value that drives real-estate strategy is a team approach and culture of open communication.

Typically, a restaurant chain will have real-estate managers responsible for different territories, and sometimes competition will develop. Saladworks has three field-based people, but they aren't assigned territories. The same site is examined by multiple people. "We think that the team-based approach gives us a leg up. They can see more, get different views at different times of the day," Steck explains. "We have to communicate, bring these people in, get their opinions. And we have to have a culture of being able to freely state opinions."

The company's values also include doing the right thing, which means avoiding possible cannibalization among stores. According to Steck, Saladworks executives put themselves in franchisees' shoes, asking, if I were the operator, how would I feel if they built a unit a mile away?

"My direct customer is my franchisee," Steck says. "If you don't take care of your customers, you have a problem." The 100 percent franchised chain seeks ways to get feedback from operators, even hosting frequent dinners. "It's hokey I guess, but we call it effective communications," he adds.

Saladworks plans to continue growing about 30 percent year over year for the next five years. It will expand concentrically from existing markets and target areas like Charlotte, N.C., and Miami that are beyond those circles, where the company can gain competitive advantage by being the first in the market.

Because Saladworks seeks competitive A locations, it developed a smaller footprint to save on occupancy costs.

SNAPSHOT

Concept Saladworks
Headquarters
Conshohocken, Pa.
Units 86
2007 Systemwide Sales
\$68 million*
Average Unit Volume
\$850,000
Average Check \$8.65

30 percent growth each year for the next five years

*Chain Leader estimate

Expansion Plans





A one-on-one interview with Brian Sill, President and Co-founder of Deterministics

Turning foodservice potential into

performance

The international chain restaurant consulting firm Deterministics has pioneered the application of quantitative techniques for improving unit-level productivity and performance since 1985. Their operations engineering, facility design and labor management services have improved the performance of more than 100 restaurant companies around the world. This interview with Deterministics President and Co-founder Brian Sill will provide you with some insights as to how their *deterministic* approach has helped companies reach their full potential over the past twenty years.

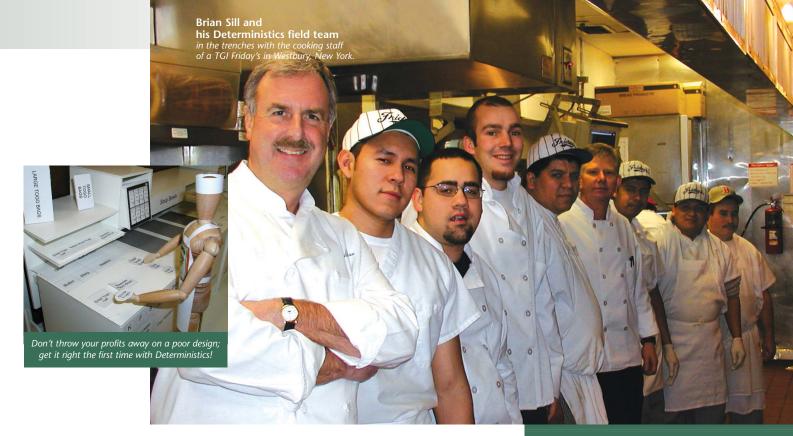
Q: You developed a continuous improvement approach that applies capacity measurement to restaurants. How does this work?

Sill: Our philosophy is that every work position, process, equipment piece and facility in a restaurant has a capacity that can be measured, and therefore, managed. We say that if you can't measure it, you can't manage it! The beauty of this is, if you measure your operations in capacity terms you truly understand the throughput potential of your brand. At the same time, you learn your physical limitations, so you do not overpromise and underdeliver. Marketing can get customers to your door, but how you manage your throughput determines how many you serve and how many will return. That's why we call this approach Throughput Capacity Management (TCM).



Deterministics
10
Commandments
of Service Design

- 1 Configuration of service steps determines optimum delivery system.
- **2 Coordination** of service timing determines quest service quality.
- **3 Control** of service steps—by the guest and by the server benefits each.
- 4 Choice in menu and service deliverables is key to guest feeling in control.
- 5 Continuity of coverage by single server consolidates the guest-server relationship.
- 6 Capacity
 measurements of service
 steps assure you don't overpromise and under-deliver.
- 7 Consistency of roles and methods builds service staff confidence.
- 8 Communication
 builds guest-staff
 relationship.
- 9 Compensation and reward propel the success of service delivery.
- 10 Celebration and recognition inspire continuous team excellence.



Q: What are the benefits of TCM?

Sill: Working side by side with service staff in the dining room and cooks in the kitchen, Deterministics develop Labor Recipes[™] for each work position. We measure "everything that moves" in the operation to get an inside-out look from the frontline worker perspective. Our dine-along service studies provide a view from the customer perspective and putting it all together gives us five determinates of operations excellence: 1) variability in work processes, 2) capacities of each work position, 3) removal of workflow bottlenecks to create the most efficient facility design, 4) throughput modeling of menus and recipes and 5) recipe-based labor standards for accurate labor management and maximum management buy-in.

Q: Your firm as performed hundreds of service studies. What would you say is the most important in defining service quality?

Sill: Restaurants are a web of time and motion where service quality is determined by the time and timing of service steps – too slow and the experience breaks down, too fast and it flies apart. Since the inhibitors of perfect timing are variability and an ineffective service structure, we measure staff time and timing in step with guest demands, and evaluate these with the company's throughput and table turn goals. The root causes of variability are problem-solved and, when applied with the correct staffing configuration, the guest receives a more consistent and rewarding experience. We see throughput and table turn gains of 10% – 30% with improved service quality and greater tips.

Q: How do restaurant companies design a consistent experience?

Sill: Today it's no longer enough to simply establish timing standards for service and production. It is essential that you continually measure and correct inconsistencies in your delivery system to protect your guests from service failure, and to protect your staff from fatigue and stress, which leads to higher turnover. Once you have researched all avenues for removing service variability, you must design in protective "service buffers" to shield the guest from remaining inconsistencies. Service buffers take the form of safety labor, safety stock and a fast expedition system. Diligent application of our TCM methods combined with our Ten Commandments of Service Design will guide you in setting up a delivery system that wins the guest over every time.

Recipient of the T.G.I. Friday's 2004 Operations Supplier of the Year Award



KING'S FAMILY RESTAURANTS uses

Reverse its Frownie Sundae to strengthen its brand position. PSYCHOLOGY

By Margaret Littman

look at the menu for North Versailles, Pa.-based King's Family Restaurants doesn't reveal anything particularly unusual: pancakes, turkey sandwiches and chicken tenders. But under desserts is an unassuming little item that management is using to solidify its brand proposition.

Since the 35-unit regional chain stopped advertising on television in 1995, it had become "a tired brand," says Cliff Rankin, account manager at Pittsburgh's Smith Brothers Advertising LP, King's ad agency for the last five years. "Sales had been trending down in what was a five-year trend. There was a real need to shake things up."

Focus groups in January determined what form that shake-up should take. The ad agency and the chain brought diners together to find out why some consumers had lapsed in their patronage of King's, as well as what other infrequent diners thought about the 40-year-old chain. In reviewing past King's billboards—the chain traditionally has relied heavily on outdoor advertising—customers only easily remembered one, says Chris Whalen, King's vice president of finance.

That lone billboard featured the Frownie Sundae. King's developed the memorable brownie and ice cream dessert to go head-to-head with the Smiley Cookie, the iconic dessert from Pennsylvania competitor Eat'n Park. It also built on King's reputation of having the "meanest" desserts in town.

At first the chain hesitated emphasizing a product that could be construed as a negative in its advertising.

"It does the opposite of what you would think," says Whalen. "We thought it was mean, but Frownie makes people chuckle. Even though it is negative, it is perceived positive."

Royal Treatment

After the January focus groups, Smith Brothers began working on a campaign involving Frownie that would bring King's back to television. By April it had created five TV flights, one of which has not yet aired but will see airtime before the end of the year.

The ads feature a life-sized Frownie character doing decidedly mean things such as not holding an elevator door open and shredding a needed sales report. Each ad promotes a different limited-time offer such as ciabbata sandwiches or stacks of fruity pancakes, while identifying King's as "the home of the Frownie." The limited-time offer is followed by a tagline uttered by one

"Triple Parked" Length: 30 seconds



1. [Frownie speeds into a parking lot, radio blaring, and parks diagonally.



3



5. Fluffy hotcakes, creamy custard and tasty toppings.



7. Home of the Frownie.



2. He takes up several handicapped spots, while an older woman looks on.]



4. Voice-over: Breakfast just got bolder with King's new Stackjacks.



6. New Stackjacks are just one more way we're redefining comfort food at King's.



8. Woman: That's one mean dessert.

of the people who was wronged by Frownie: "That is one mean dessert." The chain offers nine to 12 limited-time offers throughout the year.

Until this point, King's had been advertising based on its royal-themed name, with taglines such as "At King's, desserts rule" and "At King's, seniors rule." Other ads played up the chain's value component.

In addition, Smith Brothers developed a loyal rewards program, called "Royal Rewards" for frequent diners. The program partners with a local grocery store/gas station chain; diners can earn a \$5 gas card with every \$50 purchase at King's, a promotion that appeals to the value-conscious King's customer.

Historically, King's has had a very loyal customer who frequents the restaurant four or five times a week, but that customer is 55 years old or older. The new campaign was designed to increase frequency among diners 35 years old and older with families without alienating the older, loyal customers.

The Youth Brigade

It is always difficult to measure the direct impact of an ad campaign. King's has an average check of \$7.30 per person, a figure that is up 7.5 percent over 2006. However, Whalen attributes some of that boost to increased prices (in part in response to a minimum-wage increase in Pennsylvania).

More telling, Whalen says, is that unit managers—all of the restaurants are company owned—are seeing customers who they do not recognize in their stores, meaning that the customer mix has successfully been changed. Because the demographic of the new customers is so different from the previous loyal customers, it is relatively easy for managers to notice the change. Sales reports suggest customer counts have increased 5 percent to 7 percent since the new ad campaign began.

While the campaign has been successful, the chain plans to tweak its advertising strategy in the coming year. King's plans to add radio back into its ad mix in 2008. In 2007 the chain had a \$2.1 million ad budget, which was not a large increase over previous years. To add television without increasing the budget dramatically, King's slashed its radio advertising, a move Whalen says was a miscalculation.

Frownie will continue to make appearances in ads and inperson promotions such as Thanksgiving parades and high school football games.

While Frownie may get a bigger role in 2008, the chain's unit count will not increase. The new year does not have expansion plans in store for King's. Instead the company will focus on remodeling its dated stores. The chain hired Lewis & Partners, the San Francisco-based firm that helped IHOP overhaul its restaurants, to work on the King's remodel.

The current remodel of the ad effort will remain in place next year. As much as Frownie appears, the character will promote other menu items. Adds Rankin: "King's was known back in the day as the place to go for dessert. They leaned away from that and focused less on food over the years. We have forced them to get back and do what really all restaurants should be doing: focusing on food."

SNAPSHOT

Concept

King's Family Restaurants

Headquarters

North Versailles, Pa.

Units 35

2007 Systemwide Sales

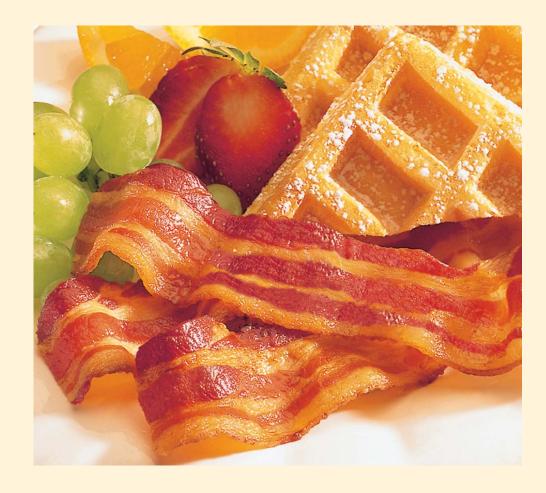
\$62 million (company estimate)

Average Check \$7.30

Ad Agency Smith Brothers Advertising LP, Pittsburgh

Ad Budget \$2.1 million Expansion Plans

1 in 2008



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By Lisa Bertagnoli

ith their upscale finishes and furnishings, the three Zen Palate restaurants in New York City are elegant temples to Asian vegetarian cuisine.

The first Zen Palate outside New York, in Princeton, N.J., resembles its urban cousins, but only to a point. The overall mood is still serene, with natural finishes including a slate floor and dark-wood furnishings. But where the city Zen Palates are luxuriously appointed, the Princeton restaurant is spare. Small, dark-wood chairs with austere slat backs sit at Formica-topped tables. Blue-gray slate tiles cover the floor. The walls are painted peaceful watery shades; wallpaper on a far wall starts dark gray at the floor, then fades to a soft aqua. The small collection of decorative items includes an elaborate twistedcopper sculpture, a gold stencil of a lotus flower and amber pendant lights hanging from the ceiling.

The design is meant to transmit a feeling of "tranquility, optimism and serenity," says James Tu, president of HOV Group, Zen Palate's New York-based parent company.

Focused Wellness

The firm enlisted WD Partners, a Columbus, Ohio-based design firm, to modernize and de-formalize the Zen Palate concept, plus make the design economically efficient enough to expand across the country.

"Part was value engineering and part was freshening the brand," says Bob Welty, director of integrated prototype solutions at WD Partners.

The firm also created a new "brand soul" for Zen Palate; Welty calls it "focused wellness." That means that the restaurant's mission—to introduce fresh, well-made Asian vegetarian to the American masses—is con-

veyed not by glamour photos of fresh produce or trays of wheat grass, but by a simple, natural design. "You don't feel it's overly Asian," or, for that matter, blatantly vegetarian, Tu explains.

Welty used a palette of natural colors and materials to decorate the space, formerly another vegetarian restaurant in a circa 1950s outdoor

SNAPSHOT

Concept Zen Palate
Location Princeton, N.J.
Ownership
HOV Group, New York
Opening Day
April 26, 2007
Area 2,500 square feet
Seats 67
Average Check \$16
Unit Volume \$1.5 million
Expansion Plans
2 to 4 a year

- 1. A bar, however small, is a fixture at all Zen Palates.
- 2. A twisting metal sculpture, dotted with spotlights, plays on the idea of energy flow.

A Buddha behind the hostess stand is one of the few overtly Asian touches.







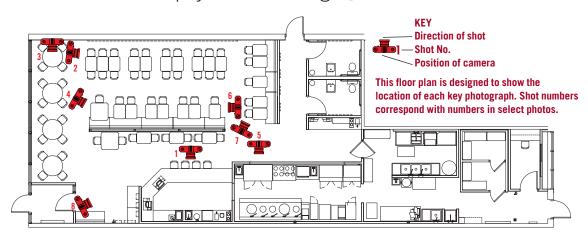
3. Small, dark chairs with austere slat backs and formica-topped tables help create Zen Palate's spare, minimalist look.

- 4. A shoulder-height dividing wall between the bar and dining room gives the long, narrow room some definition.
- 5. The kitchen at Zen Palate isn't exactly on display, but its activity is visible from the dining room.

Zen Palate's design is meant to evoke mental as well as physical well-being. mall. Cool aqua glass tiles line the wall behind the hostess stand, which also features a statue of Buddha, the only overtly Asian element in the design. The color shading on the far wall, from dark gray to light blue, reflects the mood of an ocean and also mirrors the concept's signature tonics. "They have a beautiful color fade to them," says Welty of the drinks.

The amber pendants, gold orchid painting and copper sculpture add a jolt of life to the surroundings. The sculpture "is a play on the idea of energy flow," Welty says. "It starts out as a yin-yang pattern and moves into a long, flowing sculpture." Halos of light from strategically placed spots play up the sculpture.

According to Welty, Tu insisted on using eco-friendly materials whenever possible; hence the slate floor, caramel-







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MENU SAMPLER

STARTER

Green Tea Vegetable Dumplings, steamed or pan-fried, \$5.25

SANDWICH

Zen Burger and Yam Fries: vegetable burger served on a whole-wheat bun with lettuce, tomato, alfalfa sprouts and garbanzo-bean spread, served with yam fries, \$8.50

ENTREE

Mango Halo: mangoes, cherry tomatoes, gingko nuts, snow peas and soy nuggets in sweet kung pao sauce, served with taro spring rolls and brown and red rice, \$10.95

Eggplant Zentastic: eggplant and Shanghai bok choy in garlic sauce, served with taro spring rolls and brown and red rice. \$9.50









Amber lights add a bit of sparkle to Zen Palate's sedate interior.

ized bamboo accents (the door of a storage cabinet and the menu board behind the bar), and a bar top of Caesarstone, a hard, quartzbased material.

Substitutions, Please

Because of cost constraints, not all of Welty's suggestions were put to use. The original tabletop, a stenciled, silk-screen pattern on top of recycled wood and covered with clearcoat, proved too expensive, so Tu substituted plain Formica. The original chairs had a solid back; the new chairs are ladder-backed. The original ceiling was

drywall; the Princeton location has an acoustical ceiling.

Even so, costs came in about \$100,000 higher than Tu expected, mostly due to permits and delays. He expects future restaurants the size of the Princeton location, which is 2,500 square feet, to cost around \$500,000 and generate \$1.5 million in sales.

While the new design is more casual than the Zen Palates in New York, Tu doesn't feel that the decor compromises either the food or the cuisine. "It's modern, with an Asian feel," he says. "Like our food."

- 6. Undressed plateglass windows let in plenty of daylight. Materials such as slate floors and wood finishes communicate a calm, natural feeling.
- 7. The Princeton location's motif, a gold orchid flower, was painted by hand.
- 8. Amber pendants, a gold orchid and the copper sculpture add sparkle to Zen Palate's dining room.



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Rolling in the with fun, easy-to-eat finger foods. FAST LANE

elevates America's bowling experience

Lucky Strike Lanes

By Monica Rogers

🔁 lending Sinatra-era swank with new millennia chic, Hollywood, Calif.based Lucky Strike Lanes has been revolutionizing bowling one alley—and one fun finger food—at a time. Catering to a contemporary crowd that is as interested in food and people-watching as it is in bowling, owners Steven and Gillian Foster have infused all 14 locations with plenty of Hollywood flash and dazzle, from the neon-lit bowling lanes backed with giant high-res video screens to the high-style cocktail and dining lounge with DJ-spun dance records.

Fitting the food to the concept, Corporate Chef Bill Starbuck has shaped a whimsical, retro-Americana menu that bolsters expected burgers and pizza with more than 30 finger foods. "They're portable, sharable, and add fun and interest to the experience," he says.

Idea Exchange

Inspiration for some of the finger foods comes from Starbuck's other role: that of vice president of famed Along Came Mary, a Hollywood-based caterer for the Emmys, The Grammys and many celebrity private events. "Stuff goes back and forth," says Starbuck. For example, he originally developed Lucky Strike's signature Tomato and Cheese S'mores, \$7, grilled bite-size sandwiches of

Thinking retro-Americana. Chef Bill Starbuck toyed with the idea of s'mores to create Lucky Strike's signature Tomato and Cheese S'mores with roasted tomato, fresh basil and melted mozzarella.

Best-selling Chicken Bites are easier to eat than wings and combine two sauces-one to coat and one to dunk.





SNAPSHOT

Concept Lucky Strike Lanes

Parent Company Lucky Strike Entertainment, Hollywood, Calif.

Units 14

2007 Systemwide Food and Beverage Sales \$42 million*

Average Unit Volume F&B \$3 million*

Average F&B Check \$20*

Expansion Plans

2 by year-end, 4 to 8 in 2008

*Chain Leader estimate



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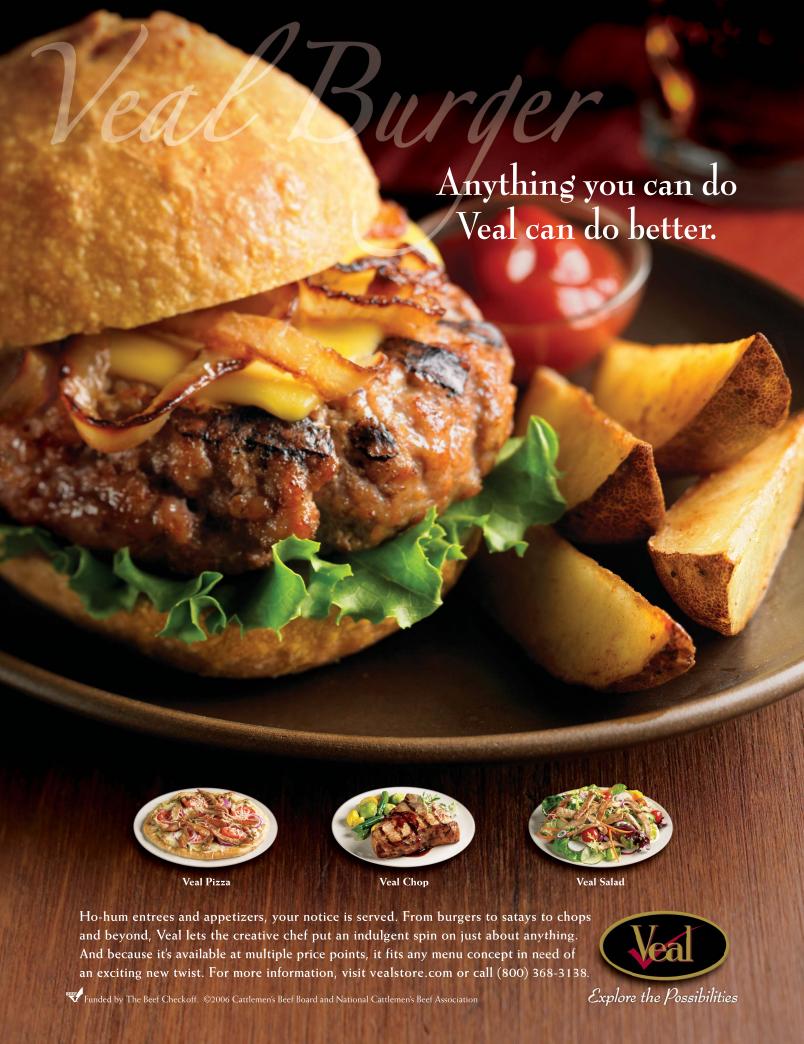




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menu strategy

roasted tomatoes, basil and melted mozzarella, for Along Came Mary. Likewise, Lucky Strike's Bite Size Mac & Cheese Balls, \$7.50, crisp fried and served with warm tomato sauce, are now also menued at Along Came Mary.

There are parallels between the two crowds, too, says Starbuck. "In both situations [high-profile events and Lucky Strike Bowling], there's the entertainment and people-watching thing going on, plus a lot of moving around, so you want the food to be easy to eat, not too filling, but flavorful and interesting." Food at Lucky Strike is served in the lounge and dining room as well as at the bowling lanes.

Signature small plates include the new Crunchy Buffalo Chicken Crisps, \$7.50, diced chicken meat with

blue cheese in a crispy wrapper, drizzled with spicy Buffalo sauce and served with celery and chives.

Like a loaded baked potato but easier to eat, Lucky Strike's Crunchy Mashed Potato Rolls are seasoned with cheddar cheese, bacon and chives.

MENU SAMPLER

SPARE SNACKS

Blue Cheese Chips: russet potato chips fried and topped with crumbled blue cheese, served warm, \$7

Cheeseburger Fries, topped with cheese and seasoned ground beef, \$7.50

SMALL PLATES

Tuna Lollipops: seared tuna bites sauteed with sweet chili sauce, served with napa slaw, \$9

Bite Sized Mac & Cheese Balls, served with tomato pizza sauce, \$7.50

SKEWERS

Key West Chicken, dusted with citrus-herb spice and served with sweet chili sauce, \$9

Asian Chicken, glazed with hoisin marinade and served with peanut-coconut sauce, \$9

SALADS

Spicy Fried Chicken Chopped Salad, with hot sauce,



romaine and iceberg lettuce, bacon, corn, tomato, cheddar, avocado and ranch dressing, \$9.50

TOASTED SANDWICHES

Turkey and Brie, with apple butter, \$9

BURGERS

Turkey Burger, with buffalo mozzarella and sauteed mushrooms on a whole-wheat bun, \$8.50





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Product. Packaging. Innovation:



menu strategy

Portable, easy-to-eat items work well at celebrity events and in boutique bowling lounges.



Chicken Skewers, shown here on a sampler plate, are seasoned with citrus-herb spice, chipotle-chili rub and hoisin marinade, and served with sweet chili, barbecue and peanut-coconut dipping sauces.

sticks and blue-cheese dipping sauce. And the best-selling Chicken Bites, \$9.50, features boneless, white-meat chicken bits, deep-fried, tossed in choice of one of five sauces, and served with a dipping sauce.

"I always liked the taste of Buffalo wings but thought they were too messy," says Starbuck. "And I'm a big sauce person, so I thought, why not get rid of the bones and come up with a more creative saucing concept?" Starbuck's combinations include sweet chili-sauced chicken with peanut dipping sauce and spicy Buffalo-sauced chicken with blue-cheese dipping sauce.

Between the Extremes

Getting the menu to its current iteration took some evolution. When the first Lucky Strike location opened in Hollywood in 2003, the menu featured a gourmet approach with dishes like smoked salmon pinwheels with bagel crisps and scallop skewers with orange wedges and orange sauce. Those items proved to be too chi-chi even for the celebrity bowlers that frequented the Hollywood location.

"So then we swung to the other extreme with simple burgers and fries," says Starbuck. This turned out to be too much in keeping with limited menus at typical bowling alleys that Lucky Strike had intentionally stayed away from.

The O-Zen



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Think outside the tortilla."

menu strategy

Tightening its menu down to three pages, Lucky Strike eliminated slow sellers and labor-intensive items.



Lucky Strike trimmed its dessert section this fall but kept the best-selling Chocolate Insanity, a warm, rich pudding infused with chunks of brownies and topped with whipped cream. The new menu, which was streamlined in September to fit three pages, down from four, treads lightly between extremes of high- and low-end dining. Retrostyled comforts such as the Bacon Cheddar Burger, \$9.50, still

share space with Chicken Pillows, \$8, pan-seared golden dumplings with sweet chili sauce. But Starbuck revamped presentations, garnishes and some of the ingredients. "I've tried to freshen things and add more of a wow factor to the plates," he says, using vegetables, fruits and sauce accents.

The Chicken Pillows, for example, now come on a sauteed warm salad of carrot and cabbage, drizzled with soy-mirin glaze and accented with a lime fan. Meanwhile, burgers are served on toasted buns brushed with garlic butter. And the beef patties have a new blend of spices in the mix and are hand-formed, rather than machine-pressed. Lucky Strike is also using new rectangular plates, "so everything's not always going out on a round plate," says Starbuck.

Severals items came off the menu. The Breakfast All Day category didn't sell well. Starbuck also removed repetitive items such as the Ancho Citrus Chicken Skewers, which were too similar to the Chipotle Chicken Skewers. And he got rid of labor-intensive dishes such as the Birds in a Nest, housemade tarts filled with herbed goat cheese and oven-roasted mushrooms, topped with

The Jan Bling, Bag



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menu strategy

Using retro-style whimsy, Lucky Strike's small plates include upscale bites and accessible comforts.





Beef burgers do well at Lucky Strike, but the turkey burger is the signature. Topped with buffalo mozzarella and sauteed mushrooms, it's served on a whole-wheat bun.

a sliver of roasted tomato and then baked. "This item drew from three different stations and was very time consuming," Starbuck explains. "We're trying to be cost-effective with what we stock, as well as eliminating difficult-to-prepare dishes."

Small Plate Expansion

Beyond best-selling traditional standbys including the cheeseburger and pepperoni pizza, Starbuck says the entire small-plate section does well with guests. "We expect to continue adding fun, new American small plates," he says.

The newest little addition? Launched with the September revamp, Lincoln Logs are made with toasted ciabatta sticks, stacked log-house style and served with blue-cheese and nacho sauces and a drizzle of brown-sugar syrup.

Also in the works, Lucky Strike is gearing up to open a rooftop lounge at its Philadelphia location in summer 2008. If it tests well, the chain may add more to other locations. Small and contemporary-upscale, with a living room-vignette feel, the area will be more quiet and intimate than the lane-side lounge downstairs. It will also feature mini menu items that are a bit more luxe such as roasted tomato soup with mini truffled grilled cheese sandwiches and baby lamb chops with smashed crispy potatoes.

"I'm not returning to those scallop skewers with orange sauce I started with," Starbuck laughs. "But the small plate is definitely the way to go."

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Winning Operator-Supplier Partnerships

From the Publisher

Leaders' Edge



Relationships between suppliers and customers often are complicated, one-sided and competitive, distinguished as much by score-keeping and scrappy "us" and "them" mentalities as they are by stances that build strength. Two sides take their place on either side of an imaginary line and stare down the opposition, posing, posturing, dealing and ultimately holding firm to the terms that declare them victorious. The transaction thusly done, each side hastily retreats to their bunkers until the next battleground face-off.

Archaic and sadly out of tune with the needs of forward-thinking companies, such vendor practices continue to exist in many industries—within foodservice and far beyond. At the same time, this industry also can lay proud claim to another, far-more-successful business model, one that is solidly based on the theory of partnerships—the long-term alliances between suppliers and operators that evolve and grow together, strengthening and becoming richer and deeper over time.

In the age of instant gratification and the omnipresent desire to cash in with a fast payoff, such partnerships can seem like an anomaly, an elusive although highly desirable goal. Likewise, as companies rigorously guard their assets, it can be quite unexpected to find two parties willing to open up and share talent, ideas, resources and even their trade secrets. Yet despite barriers that so often seem impenetrable, they do exist and for those companies—both the chain restaurants and their vendor partners—that choose to be partners instead of adversaries, no other business strategy makes sense.

Supply Chain Leaders recognizes and celebrates those companies that build, nurture and most importantly benefit from such partnerships. The stories that follow on these pages champion and highlight them—the partnering, visioning and collaborative efforts that vendors and their operator partners have built. They're smart, dynamic and the foundation of innovation and growth—the leading edge of supplychain success.

Kindest regards,

Patricia B. Dailey

Latricia (Oa)

Publisher



Building Supplier Success

What makes a good supplier? Operator and experts describe what they value most.



onsistency and quality, communication and fair costs are key to building strong supplier-operator relationships. Here's how the best suppliers build successful partnerships.

- High-quality product. It goes without saying that consistently top-quality products are critical to the success of an operation and to keeping customers satisfied. "We have 125 suppliers in the food category," says John Burns, vice president of purchasing, Sizzler USA, Inc., headquartered in Culver City, Calif. "We yearly bid out to authorized suppliers our cut meat and chicken requirements. If there are any quality issues, the suppliers can change."
- Level costs. Operators appreciate a supplier's

efforts to keep costs consistent, which in turn helps them manage the cost of operating the chain's units. In the face of rising costs in the oil and dairy markets, Burns tries to price protect and negotiate. The idea is to always try to do better than the prior year, he says.

- Top-notch service. "The less our phone rings, the better job our suppliers are doing. No news is good news," says Andrew Howard, executive vice president of Wingstop, a Richardson, Texas-based business with 550 units open or under construction in 27 states.
- On-time deliveries. "Deliveries on time at the price promised and in the quantity promised shows the relationship is valued," says Gary Karp, executive vice president of Technomic, a Chicago-based foodservice research firm. "If an order is due to be delivered at 1 p.m. tomorrow, the operator wants it on time."
- Quick remedies. If issues arise that cause a supplier to have problems meeting the contract agreement, the supplier's ability to resolve the issue quickly is key. Regardless of whose mistake it is, enough product must be delivered to get the unit through until the next scheduled delivery. Heroic recovery is an important aspect of a successful partner relationship, says Karp.
- Resolve issues locally. Burns favors distributors who can resolve issues locally with the Sizzler units they service. This initiative builds successful relationships with the company, he says.

Successful supplier partnerships fuel profitability for both suppliers and operators. Wingstop's sales, for instance, are up for 16 quarters in a row, which Howard attributes to its successful relationships with suppliers. "Open communication and asking our suppliers for their help on certain issues and taking our partnerships very seriously has led to this success," he says.

DayMark and Applebee's Find Labeling Solutions



f there's one thing guests expect when they come to the Applebee's Neighborhood Grill & Bar® in downtown Nashville, it's freshness. The appeal of a new luncheon soup promotion and a six-page menu built around hot-off-the-grill entrées and inventive appetizers, sandwiches, salads, pasta and desserts generates an average of 4,000 covers per week and annual sales of more than \$2.5 million. "About 75 percent of our menu is fresh because that's what our customers want. So food safety is a key issue for us every minute, every day," says Jeffrey Allen, the restaurant's kitchen manager.

Fresh Thinking

Tracking freshness dates on the hundreds of products used in the menu items posed a major challenge. "The only tool we had for labeling was masking tape. That raised a lot of issues," Allen says. Workers had to try to remember all of the information that needed to be on each container. Trying to scrub off the masking tape was time-consuming and frequently left an adhesive residue. Staff sometimes forgot

to make new labels when transferring food from one pan to the next. The result was that the kitchen staff was spending up to a minute per label—or a total of several hours each day—writing out, removing and replacing the masking tape labels.

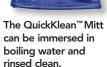
Allen outlined the problems to his DayMark Safety Systems' representative. Working collaboratively, they developed a labeling system that has reduced labor, increased efficiency and made food safety simpler. The new program is built around products that deliver multiple benefits:

- Labels that take out the guesswork. Instead of trying to memorize the pertinent tracking information, staff members fill in the lines that indicate the product name, date and time it was made, name of the person who prepped the product, expiration date and product temperature requirements. "This was really a value add for our safety program. Anyone on staff can do it, even the newest staff member," says Allen.
- Repositionable labels. DayMark's ReMark® repositionable labels work equally well on plastic, polymer and stainless containers. "The ability to reposition the label without scrubbing means a lot less work, especially for our night crew," Allen says. "Since we peel off the labels before

washing the pans and reposition them onto the new container, we can ensure that every container will be labeled clearly with all the information we need."

• Label guns. With click-and-stick functionality, these guns dispense color-coded labels coordinating with the days of the week.

Employees can see at a glance which products need to be rotated or pulled. That's a particular plus for pre-portioned containers that hold cheese and other items with short shelf lives. Jeff Palmer, DayMark's president, says that better product rotation can save 2 percent to 3 percent in food costs for a typical restaurant.



"DayMark doesn't just sell products; it offers us a consultative relationship,"

says Allen. "The representatives ask questions. They listen. They make suggestions. They're willing to look at any problem. For example, we needed to find a way to get bags of soup prepared by the sous-vide method out of boiling water.

Tongs didn't work. Fingers certainly didn't. My DayMark rep showed me the QuickKlean™ Mitt that can be immersed in boiling water and just rinsed clean. DayMark is interested in what I need to succeed."



Applebee's in Nashville worked with DayMark Safety Systems to track freshness dates on stored foods.



Leggett & Platt and Taco Bell

Customized Storage Keeps Back-of-House Space Organized

ith nearly 6,000 restaurants in the United States and around the world, Taco Bell needed a partner to manage its back-of-the-house storage space. They found that partner when Leggett & Platt's Storage Products Group (International Storage Solutions) stepped in to design customized shelving and work stations. This 15-year business partnership is so successful that in 2001 Taco Bell named Leggett & Platt its Top Equipment Supplier of the Year, and since 1999, the company has been the key supplier for Taco Bell/Pizza Hut Express expansions. Leggett & Platt also provides value-engineering services throughout Yum! Brands Inc. and works on projects for KFC, Long John Silver's and A&W Restaurants as well.

A Strong Partnership

"Partnering with Leggett & Platt provides numerous benefits," says Rick Winfree, senior director of engineering, Taco Bell Corp. "Our partner is always aware of our current and future needs."

Leggett & Platt has outfitted new buildings and retrofitted older buildings for the chain. Taco Bell has eight to 10 different restaurant designs, so it requires the same number of back-of-the-house storage designs as well.

Winfree's goal is to have all the products come in the kitchen and move seamlessly toward customers in the front. It's important to streamline that flow so food preparation can be organized into logical work areas. He also wants enough storage flexibility for menu changes.

In 2001, the chain had a major rollout introducing a Big

Work centers and condiment towers are options for customized storage.

Bell Value Menu with multiple products at all its locations. Engineers from Leggett & Platt's Storage Products Group developed work stations with custom tops to organize fry baskets, tongs and timers.



Leggett & Platt designed storage solutions for Taco Bell's different restaurant designs.

Currently, Leggett & Platt is working on drive-thru Speed of Service Kits, developing a product line that enables Taco Bell to improve organization at the drive-thru window so it can process orders faster and service more customers in a shorter period of time.

How a Good Partnership Works

"We provide customized solutions to meet our partners' individual needs. We do so by offering an endless supply of integrated ideas and solutions to help improve storage optimization backed by our diversified product lines and unmatched experience," says Ron Murray, senior vice president of Global Business Development, Leggett & Platt's Storage Products Group.

To customize a designated space, Taco Bell provides a list of every individual package it uses and determines where these packages need to be placed to enhance speed and employee convenience. Then Leggett & Platt figures in inventory, delivery frequency and projected sales volume to customize and manufacture the storage units.

As an ideal partner, Leggett & Platt supports Taco Bell's goals by having a sales representative work directly with the company. The representative is supported by project managers and engineers, resulting in an integrated approach

incorporating the strengths of multiple disciplines within the company. Leggett & Platt's can create wire shelving and work stations that optimize space. The project manager has the capabilities to develop products or system ideas and put them into a CAD format. Application-based engineers at the factory are supported by field project managers.

"One of the most important advantages to a partnership with Leggett & Platt's Storage Products Group is there is one source of contact for these products so we can get

something changed or tested quicker to meet our new menu needs," says Winfree.

Tackling Temperature-Control Issues

Cooper-Atkins' next-generation time, temperature and humidity instruments optimize food quality and safety while reducing labor costs.

oodservice operators want to be alerted as soon as the freezer's temperature starts to rise rather than dealing with spoiled inventory after a meltdown. They need to know when product stabilizes at a given temperature, not just what the temperature is at various points during the heating process. They require automation that enables chefs to spend more time cooking and managing than taking product temperatures and logging them on a clipboard.

Operators want customizable solutions to their toughest temperature-control problems, and they are turning to Middlefield, Conn.-based Cooper-Atkins to deliver.

"Improving food safety and quality while driving down labor and energy costs are issues that come up in nearly all of our client meetings," says Carol P. Wallace, Cooper-Atkins' president and CEO. "That's what drives our research and development."

Reduce Labor and Waste

First introduced in 1998, Cooper-Atkins' Intelli-Ware™ suite of products has evolved into a complete wireless enterprise solution for remotely monitoring temperatures, humidity and status, plus a host of other applications. Designed for fixed equipment, Temp Trak® can be preprogrammed with rules that define when action is needed. As soon as temperature violations occur, alerts are sent to key staff members via voicemail, e-mail, pop-ups or other messaging systems. Corrective action is required before the alert is cleared, ensuring that proper reporting will be available for health and safety audits.

"It's all about prevention," says Jack Kennamer, Cooper-Atkins' vice president of marketing. "Taking action before even one cooler of inventory is lost could pay for the system."

Mobile Monitoring

Intelli-PDATM answers chains' demand for mobile-monitoring technology. These hand-held units can be used not only for line checks on food temperatures, but also to monitor recovery tempera-

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tures and stabilization. "Operators want to be more proactive," says Wallace. "It's not enough to collect temperature information at various data points while the product temperature is rising. That won't protect product from

going past its optimum temperature and being ruined." The changeover from data-point reporting to continuous monitoring helped one major restaurant chain meets its goal of reducing food waste by 5 percent, she adds.

Since Intelli-PDA units automatically store and download files, they eliminate the need for manual inputting and ensure that temperature reports are complete and accurate. Reduc-

tion in labor costs and extensive, expensive paper trails is saving some stores as much as \$7,000 per year, estimates Wallace. Innovations such as these are among the reasons Cooper-Atkins was honored with the 2007 NSF Food Safety Leadership Award for Product Development.

More Information, Better Management

Intelli-Ware's interface capabilities open the way for a fully networked kitchen. Operators can set defrost cycles to begin at 2 a.m. so that food is ready for peak demand. They can preset the "cut in/cut out" times for heating and air-conditioning systems. Using tracking information on temperature and energy usage, they can compare two pieces of equipment side by side to determine just how long

before opening

they need to be turned on.

Because all of the software is NAFEM Data Protocol-ready, it integrates seamlessly with most equipment. "From a temperature-monitoring standpoint, our clients are shifting away from low-tech solutions," says Wallace. "The goal is to have the manager walk into the store, turn on the computer and see whether anything is out of spec and deal with that before it becomes a problem."





Looking Torward the Kitchen of the Future

Carol P. Wallace, Cooper-Atkins' president and CEO and president of the North American Association of Food Manufacturers, looks at what's next in food safety and high-tech kitchens.

Q: What's next in terms of proactive temperature and quality controls?

A: We want to deliver a hardware/software platform that will monitor all aspects of kitchen-equipment operations. That would include continuous reporting on cycle times; how the equipment is functioning; whether there is enough coolant; when the defrost cycle should start to best control product flow and energy costs; and whether the door to the freezer has been left open. The goal is to give operators the data they need to prevent problems, plus the information and tools to be proactive managers.

Q: How are new menus changing your product line?

A: Menus are expanding. Chicken chains serve burgers. Burger chains serve chicken. That makes it harder to predict what

the turn will be on frozen items. So it's more important than ever to know at what temperature each frozen product has to be held and to make sure it is rotated efficiently. Consumer demand for fresher product is also having an impact. Some chains are doing sousvide or cook-chill. To ensure fresh taste and safe product, food has to be brought to the right temperature. We now have a line of waterproof thermocouple instruments. More and more, temperature-, humidity- and quality-measure instruments will help operators standardize the cooking process.

Q: What will be in the kitchen of the future?

A: Interfacing is the way into the future. Monitoring systems will be linked to point-of-sales system. When an order is

placed, a signal can go to the back of the house. The software will instruct the fryer to drop a basket of fries into the fryer or tell another unit to flip a burger onto the grill and start the cooking process. The restaurant manager will flip on the computer and check anything that is out of the standardized range, from temperature to energy output.

Q: How are food-safety concerns impacting product development and functionality?

A: Health departments are becoming much more sensitive. That's why automated temperature-monitoring systems are gaining popularity. The operators that can demonstrate that food products were stored, prepared and held at the required temperatures will have an advantage.

Evolving Design Solutions

Steven Darnell, unit president, Leggett & Platt Storage Products Group, discusses creative options in custom storage.

Q: What unique benefits does your company provide for foodservice?

A: From an operational perspective, we help our customers reach their goals whether they are purchasing a product at a particular price point; increasing their speed of service; offering custom storage choices in stainless steel, aluminum- and epoxy-coated wire products; or providing a combination of materials for their back-of-the-house storage needs. Rarely can a provider supply all these solutions for the food-prep and storage areas.

Q: How does your company remain flexible and current in the face of constantly changing menu applications?

A: Fast food casual dining is focusing on healthier food selections. As a result, restaurants are using fresher products

and need shelf space for them, and they need to efficiently move products from the freezer to the thawing area to the food-prep area. We work with their engineers to provide the right solutions for what they are trying to accomplish.

Q: How quickly can your company customize storage systems for customers?

A: Besides providing products for the foodservice industry, we are a provider of storage systems for our industrial supply base. When a customer defines its parameters, our engineering staff and space planners can provide the product within 30 days.

Q: What new foodservice trends do you see in the coming years?

A: Foodservice operators are considering cordless, portable appliances.

We are trying to determine where this electrical appliance can be placed in the food prep and serving areas, and plan to work with electronics companies to try and make this feasible.

Q: What does the future hold?

A: Our objective is to create new products for our customers whose footprints are becoming smaller. For example, our FreeStyle System is a versatile upright structure that offers multiple sizes and components to accommodate a variety of applications in a work area. The FreeStyle System can be configured for drive-thru, prep stations or basic storage.

Besides developing creative products, we see exciting opportunities in the foodservice industry in Western Pacific and European markets.





Future Vision On Food Safety

DayMark Safety Systems' President Jeff Palmer talks about solutions that will help operators address their toughest food-safety challenges.

Q: Foodborne illness has become a major issue for the foodservice industry. What's being done?

A: We've been working with the restaurant industry and farmers on labeling that traces each product from farm to fork. When the restaurant receives the product, the crate or container should have a label showing what field it came from, the date it was picked, who harvested it and the expiration date. If restaurateurs had that information during the E-coli outbreak from spinach, they wouldn't have had to pull all of the spinach, and they wouldn't have had to share in a \$140 million loss.

This autumn, all imported produce will have to carry labels with this information. California, Florida and Texas have been proactive in adopting it. Growers are going to have to comply because

their customers demand it. Large chains such as Applebee's and The Cheesecake Factory are saying they want traceability on produce.

Q: What's next-generation food safety at the unit level?

A: More and more restaurants are offering to-go items. They need to think about labeling each item with instructions on how to store and reheat that item. This kind of thoroughness reflects restaurateurs' concern for protecting the consumer, and that will play a role in maintaining consumer confidence.

Training is also part of it. At least one person per shift should be certified in food safety training.

Q: What are the next hot products?

A: At the recent seminars I've attended, "green" came up in every conversation.

We already have biodegradable labels. There's no reason we can't have biodegradable packaging. Sous-vide has raised some interesting challenges, so we're seeing new adhesives that withstand temperatures from freezing to boiling.

We're also expanding our line of gloves. Certain states prohibit bartenders from hand-squeezing fruit into drinks. So we developed a glove with a magnet that can be anchored to a docking station on the bar. The bartender just slips in his/her hand, squeezes the fruit and swings the glove back to the docking station. We're also seeing more disposable gloves being used in bakeries. That's a lot better than having the employee take out the items you want with a tissue and then put the tissue in the bag with your cookies.

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Where Form Meets **FUNCTION**

Jamba Juice guides guests deeper into superfood familiarity with new functional smoothies, breakfast treats and boosts.

By Monica Rogers

SNAPSHOT

estimate)

Concept Jamba Juice Headquarters Emeryville, Calif. Units 659

2007 Systemwide Sales \$300 million (company

Average Check \$5.50 Expansion Plans 120 in 2007, 450 in the next 3 to 5 years

ust when you figured out how to say acai (ah-say-ee) and understood that a goji berry wouldn't choke you if you met one on the street, your perky Jamba Juice smoothie-maker ups the ante. Noticing you look workout-weary, she offers to enhance your beverage with Jamba's Whey Protein Super Boost, a fix of superfoods designed to build, repair and maintain muscles after a workout.

It's official: Functional foods have reached the U.S. restaurant industry mainstream.

Translating growing guest desires for specific health properties and benefits into tasty recipes and the menus that market them, 659-unit Jamba Juice is "trying to do functional in a way that's not preachy, prescriptive or medicinal," says Senior Vice President of Marketing and Brand Development Paul Coletta. Hence Jamba's new line of Functional Smoothies and breakfast parfaits with superfood mix-ins.

Defined as food or beverage ingredients that provide extra benefits beyond basic nutrition, functional foods have blossomed in grocery stores, from calcium-enhanced orange juice to yogurts full of probiotics. Although most fruits and vegetables technically fit the definition, in the restaurant industry, functional foods have made the biggest promotional inroads in beverages, with trendy energy drinks at the top of the list.

Operators fall into two categories: those who promote sugary, caffeinated energy drinks and those who focus on more healthful fruit-based drinks that use nutrition to boost energy sustainably.

Among these, Jamba Juice is a healthful-drink leader. It's a stance praised by Pete Maletto, functional foods consultant and president of Long Branch, N.J.-based PTM Food Consulting, who says "cutting excessive sugars will help functional foods' credibility for the long term."

Straddling two booming industries, Emeryville, Calif.-based Jamba Juice stands in a powerful place. Smoothie industry sales are expected to total \$2.5 billion in

Jamba Juice launched several new superfood drinks that join its long list of smoothies and freshsqueezed fruit juices.

Breakfast blender parfaits bulked up with fruit, granola and peanut butter are more filling than smoothies and juices.



■liquid measure

Bulking up breakfast offerings, Jamba Juice's chunkier smoothies and blender parfaits are meant to be eaten with a spoon.



Guests told Jamba Juice they would increase store visits based on the efficacy of the products and health claims.

Jamba Juice's Acai Super-Antioxidant functional smoothie blends acai berries and other fruits to "neutralize free radicals," says the company. 2007, up from \$340 million in 1997, says Chino Hills, Calif.-based juice consulting firm Juice Gallery Multimedia. And functional foods—including any product that makes a distinct, written health claim—are among the leading U.S. food industry trends, reaching \$15.4 billion in 2006, says David Lockwood, research director for Chicago-based Mintel International Group.

But figuring out how to embrace mainstream smoothie drinkers and hard-core functional food users at the same time takes some careful stepping.

Benefits in Good Taste

That's where Jamba Juice Vice President of Product Innovation Brian Lee and marketing guru Coletta come in. "Fruit is at the core of everything we do," says Coletta. "But no matter what we do, it has to taste good."

Working together, the two have shaped new menus that cover both taste and function. Jamba Juice launched several new superfood drinks in August that join its long list of smoothies and fresh-squeezed fruit juices. The two Matcha Green Tea Shots, \$1.80, come with either orange juice or soy. The five new Func-

tional Smoothies include the Heart Defender, \$4.60, which "promotes heart health with plant sterols and pomegranates," and the Acai Super-Antioxidant, \$4.60, which blends acai berries and other fruits to "help neutralize free radicals and maintain healthy cells."

Lee also added new and reformulated boost and superboost mix-ins to improve flavor and add functionality to any drink.

Bulking Up

And with the launch of its breakfast menu on Sept. 6 in Los Angeles, New York and Hawaii, Jamba has moved superfruits into the main course. Acai berries, plant sterols, soy and whey protein are all in breakfast parfait-style Chunky Smoothies and Granola Toppers, designed to be eaten with a spoon.

"We believe there's a huge opportunity for Jamba by offering healthy options to the breakfast daypart," says Coletta, who adds that Jamba Juice already does 19 percent of its business at breakfast.

Bulking up blender drinks with chunky bits of fruit, granola and peanut butter addresses two criticisms often launched at liquid-food purveyors: satiety and portion size. Critics have long suggested that even though there are four to six servings of fruit in a 24-ounce Jamba drink, liquid food doesn't fill a person like solid food, which can encourage overeating. Jamba's new items, available in 12- or 16-ounce cups, are designed to give diners a feeling of fullness, "even in a smaller size," says Lee.

Credibility is crucial. Guests told

Jamba Juice they would increase store visits based on the efficacy of the products and health claims, according to the company. This is not surprising.

Because claims made by the U.S. functional food industry are largely unregulated, there's a lot of confusion and doubt about truth in marketing. "We've found that sticking with proven science and clinical trials goes a long way toward building consumer confidence in Jamba," Coletta says.

For example, the U.S. Department of Agriculture's Oxygen Radical Absorbance





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■liquid measure

Jamba Juice's nutrient-enhanced drinks don't rely on sugar and caffeine to offer benefits beyond basic nutrition.



Capacity measurement has quantified foods such as green tea, acai berry, blueberry and raspberry as having the most free-radical-fighting phytochemicals. So featuring these foods and their benefits on menus lends credibility.

It's too soon to say whether Jamba Juice's improved boosts and new functional smoothies are driving customer frequency, but three weeks after launch, the new products were slightly above target for sales mix and were scoring well for taste and intent to repurchase.

While the functional smoothies are more expensive to make than other smoothies, Jamba says the line has not increased food costs. The chain adjusted all menu prices (some went up; some went down) in August.

The new Match Green Tea Shots come with either orange juice or soy milk.



Honing product marketing messages down to one superfood benefit rather than many is also crucial, says Coletta. Low-sugar and calorie count, for example, are biggies with some female guests, which explains the success of the Jamba Light product line launched in 2005. But Jamba found that the low-calorie message was more effective in reaching this group than the sugar-free

message. "The female light user just wants to hear that the product is under 200 calories," Coletta says.

Shaping new menu items, Lee is in the lab every day analyzing both common fruits and vegetables and as many as six to 10 exotic fruits every six months. "We may look at 10 or more different versions, varietals, etc. for each," he explains.

Lee expects to use more superfruits such as goji berry and mangosteen as well as fruit and vegetable combinations. He says carrot is the easiest to blend with fruit, which is why it was the first veggie-fruit blend to be featured on the new breakfast menu. Called Sweet Sunshine, \$3 for 16 ounces, the drink mixes fresh-squeezed orange and carrot juices with apple and strawberry juices.

Organics are another product area Jamba wants to play more aggressively with. "Although this is not as easy as you may think," Coletta says. Beyond the new organic granola, he says organics may soon include products on the fresh-squeezed roster (carrots, orange juice, wheat grass and lemons) as well as baked goods.

Adding lots of possibility to the Jamba Juice menu, the company is adding fast-cook ovens to its lineup. Currently in test to heat whole-wheat hot pocket sandwiches in three flavors, the ovens may expand opportunities for more hot products over time. Liquid possibilities include soups, hot teas and coffees.

"Again, no matter what we do, it has to taste good," Lee concludes. ■

Q: How can you reduce training costs?



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By Lisa Bertagnoli

ots of executives at CiCi's Pizza Buffet like to tell the story about their first time.

For Tom Koenigsberg, it was back in 1992 when he was working in marketing at now-defunct Tia's Tex-Mex in Dallas. He, his wife and their two young children went to a CiCi's in Plano, Texas, for dinner. The dinner, he recalls, cost \$13.77.

He remembers the service even more vividly. Skeptical of the low prices and looking for a catch, or what CiCi's calls a "gotcha," Koenigsberg decided to make CiCi's deliver on its promise to prepare a special-order pizza for guests. He ordered a triple-meat pie, and six minutes later, the manager brought it to his table.

Pleased but puzzled, Koenigsberg asked the manager why he would go to such trouble for a first-time guest. "Because," the manager replied, "I want you to be my customer for life."

Koenigsberg, who joined CiCi's as chief marketing executive three years ago, now fully understands why the manager was so intent on making that pizza for him. "Without service," Koenigsberg says, "we're just another pizza place."

Mass Plus Class

It's this mass-class combination of Costcotype prices—lots of food, not a lot of money—and Nordstrom-style service that CiCi's must maintain as it expands throughout the United States. Now at 660 units in 30 states, CiCi's plans steady growth of 75 to 100 units a year; past years have seen unit growth ranging from 50 to 80 units.

"This concept is hard to operate," says Craig Moore, president and CEO of Coppell, Texas-based CiCi's. Not product-wise, due to

its limited menu of pizza, salad, dessert and soft drinks, but from that service point of view. Customers, at first skeptical of the low prices, look for the "gotcha," so all stores must be on their game, all the time.

Staffers must deliver a threefold service formula: Be glad to see guests, take care of them during their visit, then bid them thank you and goodbye. Kitchens must always be fully stocked so as not to disappoint guests in the mood for, say, a pineapple-and-anchovy pizza. "There's no such thing as being out of product," says Bob Kulick, president of IMC Restaurant Distribution, a separate company that all CiCi's franchisees use for product and equipment, even though they don't have to.

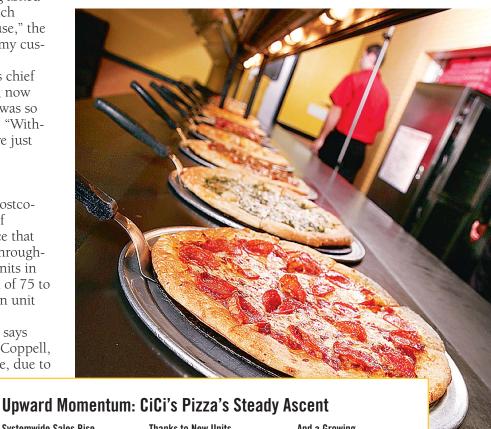
The Cost Crunch

CiCi's competes in the rock-bottom price category, catering to the "need" guest, young families with children ages 2 to 13. "We compete with the \$6 meal," Moore says.

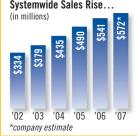
Given that positioning, CiCi's must maintain its low price point—no small feat, according to Moore.

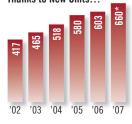
(Opposite) CiCi's CEO and **President Craig Moore joined** the chain as a district manager in 1993. Franchisees give Moore and his team credit for raising CiCi's profile.

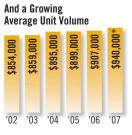
The buffet offers 12 pizzas, from a lineup of 16, at any given time. CiCi's will also custom-make pizzas for guests.



Systemwide Sales Rise.. Thanks to New Units...







cover story

Senior management at CiCi's includes Vice President/Corporate Controller Tim Alba. **President and CEO Craig** Moore, President of JMC Distribution Bob Kulick. Vice President of Franchising Jim Sheahan, Chief **Financial Officer Forbes Anderson and Chief Marketing Officer Tom** Koenigsberg. Not pictured: **Vice President of Real Estate Bob Parent, Vice President of Operations Kyle Smith, Vice President** of Training Steve Hawter and Vice President of **Construction Mark Kiefer.**



CiCi's used to sell single-store franchises; the real "sweet spot" is five to seven stores, says CEO Craig Moore.

Wages and insurance have "gone through the roof," he says. Rents in most CiCi's markets, once around \$13 per square foot, now hover at \$20. To offset rising rents, the chain is experimenting with a 3,500-square-foot building, compared to its current 4,200-square-foot model. CiCi's also has developed To Go, a 1,000-square-foot concept that offers only takeout and catering. CiCi's began franchising the concept, now at eight units, a year ago; the company is still fine-tuning operations and devising a marketing strategy for the To Go concept.

In addition, cheese prices are at a four-

year high. As a result, food costs are 30 percent when they should be 27 percent, Moore says. A nine-month cheese contract has helped with pricing.

Still, CiCi's is taking a dollar price hike, measured over the course of a year. Last April, the buffet price increased to \$4.49 from \$3.99.

This September, the price jumped to \$4.99, but not everywhere: Markets are tiered according to the area's cost of doing business. First-tier markets can charge up to \$4.99; second-tier, \$5.49; and third-tier, up to \$5.99 for the buffet.

Even though CiCi's may dominate the low-price, dine-in pizza market, it still faces plenty of competition, according to Darren Tristano, executive vice president at Technomic Inc., a Chicago-based restaurant research firm. "Pizza is a very popular menu item," he says.

Chains such as Papa John's are carving out a quality niche. And "delivery and takeout is still very popular," Tristano says. A flurry of fast-casual chains, among them Go Roma Italian Kitchen and RedBrick Pizza, serve pizza in a fetching atmosphere. CiCi's bare-bones decor is not unpleasant, but it's not exactly fetching, either. Quick-service sandwich chains, including Subway and Potbelly Sandwich Works, serve pizza-like sandwiches. Noble Roman's sells pizza at convenience stores. As if that's not enough, grocery stores, both upscale and midscale, and warehouse clubs are peddling take-and-bake pizza.

"The increased competition could be a hindrance" to CiCi's growth, Tristano says. So could a substantial price hike: "If they have to raise the price to \$5.99, \$6.99, that could be an issue," he says.

MENU SAMPLER

BUFFET OF 10-ITEM SALAD BAR, PIZZA AND DESSERTS (brownies, cinnamon rolls, dessert pizza): All you can eat, \$4.49 for adults, \$2.69 (includes ice cream) for kids ages 4-10, 99 cents (includes drink and ice cream) for kids 3 and under.

PIZZA BUFFET Twelve pies (out of a lineup of 16) available at any given time. Selection of nine Specialty Pies includes "zesty" vegetables (spiked with ranchdressing seasoning), BBQ, mac-and-cheese, Alfredo, and spinach Alfredo. Res-

taurants will also make special pizzas to order.

TO-GO MENU

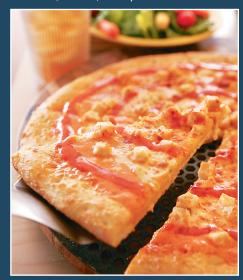
One-topping pizza, 4.99 for 12-inch, \$5.99 for 15-inch, extra toppings \$1 each.

Specialty Pizza, \$4.99 for 12-inch, \$5.99 for 15-inch

Garlic Bread, \$2.99 for 12 pieces, \$3.99 for 24 pieces

Cinnamon Rolls, \$3.99 for 12 pieces

Drinks, 32-ounce cup, \$2.19







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cover story

CiCi's To Go concept, now at eight units, serves as a fill-in for saturated markets.

A Higher Profile

One way to preserve that price point is to increase sales. To do so, this past spring the chain launched its first national ad campaign, which boosted sales and interest from potential franchisees. This summer, CiCi's brought "Guest First Fever," an energize-the-troops road show, to 11 markets, with positive results. It's also testing items such as tossed salads, Buffalo wings, and beer and wine in select markets.

Credit for these innovations belongs to CiCi's management team, which bought the concept in 2003 from founder Joe Croce. Croce, who's no longer involved in the company, opened the first CiCi's in 1985 in Plano, Texas, an upscale Dallas suburb then known for its high teen-suicide rate. Now it's

CiCi's is testing replacing its 10-ingredient salad bar with three tossed salads to provide a "craveable" menu item, plus speed up service on the buffet line.



known for its ethnically diverse population.

Croce's ownership style? "Under the radar screen," says Moore, whom Croce hired as a district manager in 1993.

Here's Moore's first-time story: He ate at a CiCi's to prepare for his job interview with Croce. "It was like the staff knew I was interviewing," Moore says. "They kept checking on me." The service level, according to Moore, is so compelling that 90 percent of franchisees first come to CiCi's as customers, and 40 percent of franchisees were once CiCi's general managers.

The ownership team is composed of 11 CiCi's executives, among them Moore, Kulick, Chief Financial Officer Forbes Anderson and Director of Real Estate Bob Parent. Oncap L.P., a Toronto-based private-equity firm, is also a partner in the company. CiCi's will neither divulge exact ownership stakes nor release financial data other than annual sales.

Management does its part to keep overhead low and generate new revenue. "We're in the pennies business," says Anderson, who joined the company in 1997. One example: JMC offers backhauling services to other companies; this year, backhauling revenue will account for 5 percent of JMC's \$150 million in sales.

Another example: The five executives on the 22-day Guest First Fever tour this spring spent \$16,000; that works out to a per-diem of \$145 a day, airfare included. The crew stayed at \$50-a-night hotel rooms, rented only one car per city, and ate most meals at CiCis. The program itself, a video presentation and in-store materials, cost about \$50,000. (continued on page 95)



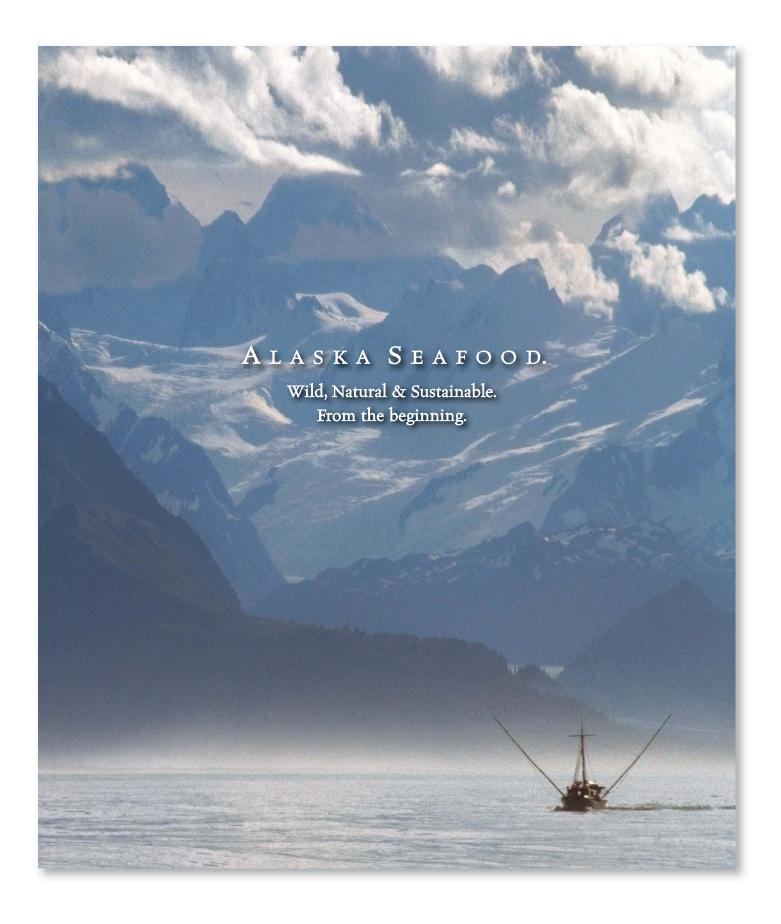


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Giving the GREEN LIGHT

Through exclusive *Chain Leader* research, chain-restaurant operators tell how they keep customer traffic flowing. By Mary Boltz Chapman

estaurant chains work a variety of angles to get more customers in the door, from sponsoring a Little League team to creating sophisticated TV advertising campaigns.

To find out which methods operators use—and which are successful—*Chain Leader* surveyed 100 chain-restaurant companies; 33 percent are quick-service operators, 28 percent are fast casual, and 39 percent are full service.

The vast majority of operators surveyed, 91 percent, use some form of community involvement to drive traffic. Of those who do, 96.7 percent support charitable organizations, and 92.3 percent are involved with community groups like the chamber of commerce or children's sports teams.

The lion's share of fullservice operators, 97.4 percent, say they train servers to invite customers back.

But many of the methods are more traditional marketing tactics. Asked about marketing expenditures, 44 percent of respondents say the costs comprise 1 percent to 2 percent of sales; 12 percent say 3 percent to 4 percent; and 36 percent report 5 percent or more. But 51.5 percent of QSR respondents say their marketing expenditures equal 5 percent of sales or more.

Get the Word Out

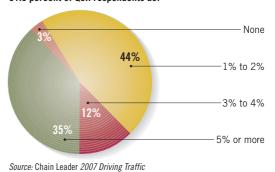
Fully 88 percent of respondents say they use some form of advertising to drive traffic. Among quick-service concepts, that figure is 90.9 percent; fast casual, 89.3 percent; and full service, 84.6 percent.

While 83.0 percent of respondents display signs in or on the restaurant, 92.0 percent of fast-casual operators do. Fast-casual respondents are also more likely than other operators to use newspaper advertising: 88.0 percent, vs. 70.0 percent of QSR and 75.8 percent of full-service chains.

More quick-service operators say they use TV advertising (83.3 percent vs. 52.0 percent of fast-casual and 51.5 percent of full-service respondents) and outdoor/billboard advertising (70.0 percent vs. 48.0 percent of fast-casual and 63.6 percent of full-service operators).

Pay for Performance

While a little more than one-third of respondents put 5 percent of sales or more into their marketing budget, 51.5 percent of QSR respondents do.



Full-service operators are the most likely to use Internet or e-mail advertising: 84.8 percent, vs. 76.7 percent of QSRs and 72.0 percent of quick-casual operators.

Half the operators name some form of advertising as their most effective method of driving traffic; 31 percent say television advertising specifically. Of QSR operators, 60.6 percent say their most effective way to increase customer counts is advertising, and 51.5 percent name TV advertising.

Electronic marketing is on the rise: 78.4 percent of respondents use Internet or



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e-mail advertising. Also, 82.1 percent of full-service, 78.6 percent of fast-casual and 54.5 percent of quick-service operators use promotions via their company's Web site. In the 2006 Driving Traffic study, 70.0 percent of full-service, 41.7 percent of fast-casual and 52.8 percent of quick-service operators did. In 2006, 47.0 percent of respondents used links to their Web sites from other sites to drive traffic. This year, 58.0 percent report using links from other sites.

Product and Pricing

In Chain Leader's 2006 Driving Traffic study, 82 percent of operators said they adjusted the menu to increase traffic. This year, that figure is down: 61 percent. The number is higher for full-service operators: 79.5 percent.

All of the operators using

the menu to drive traffic say they are adding new menu items, and 91.8 percent are using limited-time menu items.

Of all respondents, 56 percent say they use price promotions to help increase customer visits. Of chains comprised of more than 100 units, 73.7 percent say they use price promotions.

Fully 80.4 percent of all operators using promotions do so via direct-mail fliers or coupons. However, 95.0 percent of fast-food operators using price promotions use direct mail.

Of full-service operators using price promotions, 66.7 percent have beverage or alcohol promotions.

Target Marketing

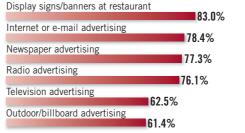
The survey asked the chainrestaurant operators what the goals were of their most

Count the Ways

Most restaurant-chain operators responding, 91 percent, use some form of community involvement to drive traffic. Of those who do, these are the methods they cite:



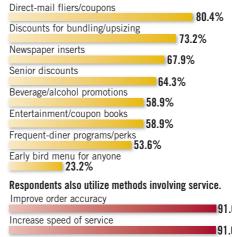
88 percent use some form of advertising to drive traffic. Of those who do, these are the methods:



61 percent adjust their menu. Those who do cite these methods:



56 percent use price promotions. Those who do use these ways:



91.0% 91.0% Train servers to invite customers back 88.0% Add table service

Some use other methods.

opdate design/look of unit		
		92.09
Promotions via Web site		
	72.0%	
Links to Web site from other sites		

58.0%

Gifts or toys with purchase 33.0%

Source: Chain Leader 2007 Driving Traffic

What's Working Asked to name which traffic-driving method has been most effective for them, half of the respondents named some kind of advertising, but many operators find the most success using other means. Advertising (net) 50% TV advertising 31% Print (newspaper ads and inserts) Community involvement (net) 16% Neighborhood marketing 10% Service methods (net) 11% Internet communications (net) Promotions via company Web site **1**% Menu changes (net) 17% Source: Chain Leader 2007 Driving Traffic

successful method of driving traffic. Fully 70 percent say they want to increase visits by frequent diners; 41 percent say they want to attract more of their current target demographic; 38 percent aim to attract a new demographic; and 25 percent want to increase traffic during a particular daypart. Of those, 52 percent say breakfast; 72 percent, lunch; 76 percent, dinner; and 52 percent, snacks.

Full-service operators are more likely to want to increase visits by current customers (76.9 percent). Quick-service operators are more apt than other respondents to try to attract more of their current demographic (54.5 percent) and attract a new demographic (51.5 percent).

Did their efforts work? Yes, say 76 percent of respondents. Sixteen percent of operators say their most successful method did not increase traffic, but it stayed the same. And 8 percent do not know.

Help Wanted

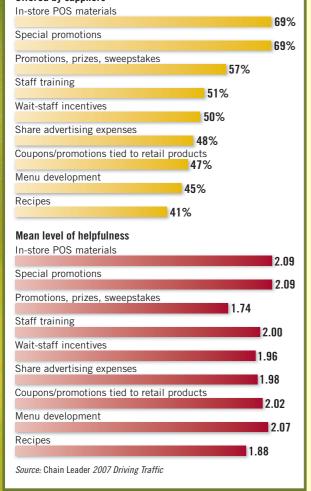
Many suppliers offer their chain customers help in driving traffic. The survey found 69 percent of operators say suppliers had offered them special promotions; 69 percent say they have been offered in-store POS materials; 57 percent, promotions or sweepstakes; 51 percent, staff training; and 50 percent, wait-staff incentives.

When asked if these supplier aids were extremely helpful, 26 percent of operators say in-store POS materials were; 18 percent say special promotions; 16 percent, menu development; 16 percent, coupons or promotions tied to retail products; and 15 percent, staff training. Just over 20 percent of full-service operators say wait-staff incentives from suppliers are extremely helpful.

Suppliers and Demand

Many suppliers offer operators help to drive traffic. This chart shows the percentage of respondents who have been offered the service and mean of responses (in which 3 is "extremely helpful," 2 is "somewhat helpful," and 1 is "not very helpful") of those operators who have been offered that service by suppliers.

Offered by suppliers



Great Expectations Depending on which segment they operate in, chains tend to have different goals in their efforts to increase customer counts. The survey asked respondents what the goal was of using their most successful method. Increase visits by frequent diners Attract more of a current demographic Attract a new demographic Increase traffic during a specific daypart All respondents 71.0% 41.0% 38.0% 25.0% Quick service 72.7% 54.5% 51.5% 33.3% Fast casual 51.1% 39.3% 35.7% 21.4% **Full service** 76.9% 30.8% 28.2%

20.5%

Source: Chain Leader 2007 Driving Traffic



Due to high cheese prices, CiCi's food costs are 3 points higher than usual.

Marketing Magic

According to one franchisee, the management team's signature to date hasn't been cost-cutting; it's been adding marketing sparkle to a company formerly operations-driven. "When I joined the company, sales were, like, a negative 7 percent," says Pat Williamson, co-chair of PALS Pizza, a Dallas-based company with six Denver-area CiCi's. "They never talked about sales. They talked about operations."

Williamson, former Pizza Hut chief oper-

ating officer, didn't need to visit CiCi's before becoming a franchisee in 2001—a peek at another franchisee's P&L sheet did the trick. "If you can generate a million dollars with this concept, you can make a lot of money," he says, adding that all his stores are at that sales mark.

Guest First Fever, a four-hour motivational conference offering presentations by CiCi's top management, lifted secret-shopper scores to 91.5 percent from 89 percent, where they had languished for years.

The chain's first big national ad push, featuring a TV commercial called "Delicate Flower," also struck gold: Sales in April jumped 18 percent. "Phenomenal," Williamson says of its effect on his stores. During the campaign, CiCi's Web site, accustomed to 200 hits per day, crashed as hits soared to

CiCi's competes in the low-cost meal category, appealing to "need" customers, mostly young families with children ages 2 to 13.

Dessert cinnamon rolls are served on the pizza line along with a dessert pizza and brownies.



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cover story

CiCi's first national ad campaign generated so much interest that the chain's Web site crashed.



Rents in key CiCi's markets are up to around \$20 from \$13 per square foot. The company is experimenting with a store model that's 3,500 square feet, compared to the current 4,200 square feet.

5,000 per minute when the ads aired. The overflow, and continuing strong Web site traffic, forced CiCi's to outsource its server.

Yet another marketing change: moving from "soft" openings to festive grand openings for new stores. The change has boosted unit volumes to nearly \$1 million from \$800,000, Moore says.

Easy Does It

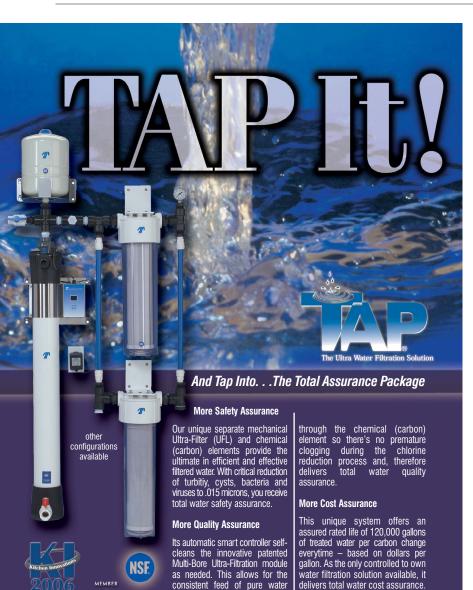
Williamson, who signed a 47-store franchisee agreement, is confident that CiCi's will be able to maintain both its service niche and price point. Still, as he prepares to open two more stores this year and four next year, he wishes the concept would grow more aggressively. "There should be 2,000 CiCi's, not 600," he says.

Moore's response? "We won't get to 2,000 stores in three or four years," he says. CiCi's plans to stick to 75 to 100 new retaurants a year, focusing on franchisees with a handful of stores, not mega-franchisees like Williamson.

In addition to boosting sales, the national ad campaign sent the franchisee phone line a-ringing; the chain expects 10,000 inquiries this year, up from about 7,500 last year. Of those 10,000, about 40 will end up with stores; the tryout includes working in a store for several days so CiCi's executives can see prospective franchisees handle staff and guests.

"Can we grow faster if we weren't as strict? We could, but those are the kind of things that catch up with you," Moore says. "We all make mistakes, but you make fewer if you do the work on the front end."

on the web: For more on CiCi's new To Go concept, visit www.chainleader.com.



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SNAPSHOT

Concept Abuelo's Mexican Food Embassy

Parent Company

Food Concepts

Headquarters

Lubbock, Texas

Units 38

2007 Revenues

\$120 million (company estimate)

Average Unit Volume

\$3.5 million

Average Check \$14

Expansion Plans 2 to 4 by the end of 2008



Abuelo's Mexican Food Embassy tests a **HAND-HELD DEVICE** to gauge customer satisfaction.

Asking for HANDOUTS

By David Farkas

ew would argue that getting lots of customers to share their last experience at your restaurant greatly improves your company's ability to address issues and solve problems. But getting people to tell you those sorts of things, particularly soon after their visit, has been limited by the methods traditionally used to elicit them.

Paper comment cards have been the most dominant way to gauge guest satisfaction, but they have low return rates, hindering the speed at which a company can rectify blunders. Telephone numbers and Web sites speed up feedback but rely on motivated customers, who don't always represent the average patron.

"People who respond by phone tend to be either overtly happy [with their experience] or extremely pissed off," says former Taco Bell Director of Research Ed Deferrante, now a principal in Reynolds Design Group, a marketing research consultancy in Newport Beach, Calif.

Today, thanks to personal digital assistant technology, restaurant companies have the chance to collect opinions from a variety of customers while they are still in the restaurant. The opportunity presents itself when a server drops the check.

Random Selection

In the case of Abuelo's Mexican Food Embassy, servers randomly select tables, inviting customers to rate food and service at the Lubbock, Texas-based casual-dining chain. The first question asks if they want to take the survey.

Those who comply answer questions that pop up on a PDA-like tool developed by Dallas-based Long Range Systems. "It was easy to talk to the guests about [the tool]," recalls Wichita, Kan., server Lana Wahl. "A lot of people had never seen one."

CEO Bob Lin chose units in Wichita in 2005 to gauge customer satisfaction. He wanted to learn why customers chose Abuelo's over its competition and glean some demographic information in the process.

He discovered hand-held technology at an industry gathering in Phoenix. A speaker named Ken Todd, a former restaurant manager, talked about a device he designed that resembled a check tray. Later Todd passed several "trays" around the room, asking attendees to rate the meeting.

"I said, 'Wow, this is pretty cool,'" says Lin, who joined parent Food Concepts in 2002 after a career in investment banking.

Lin remembered Todd's presentation and how quick the feedback was from a captive audience. He leased the hand-held devices, which came 10 to a stack, from Long Range, budgeting approximately \$2,000 to run two tests, each about a month long. The lease deal also included reports that Long Range's computers generated within 24 hours after unit managers uploaded the data via telephone lines.

Lin and an ad agency whipped up 21 questions, including which Mexican restaurants were topmost in his customers' minds, whether they thought Abuelo's was unique, how often they visited and what made them want to come back.

Todd, who works for Long Range, came up with the idea for the tool after a bad experience in a Dallas restaurant. He didn't complain but never returned. What if restaurants could get information about such

Abuelo's servers surveyed customers randomly using hand-held devices. The PDA-like tool, which resembles a check tray, was introduced at the end of the meal.

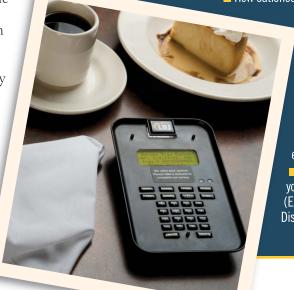
Ask and You Shall Receive

Writing guest-satisfaction questions for a hand-held device is challenging given a small screen and the limited amount of time customers care to spend answering them. Carrie Reynolds, a principal of Newport Beach, Calif.-based Reynolds Design Group, developed the sample list below for fast-casual concepts that use hand-held survey tools:

- Was the time you waited to place your order acceptable to you?
- Did the cashier greet you with a smile?
- Please score your satisfaction in the time it took to order your food and have it delivered to you (Extremely Satisfied=10, Dissatisfied=0)
- Was your order accurate?
 - Was your food that should have been hot delivered to you hot?
 - How satisfied overall were you with your meal?

(Extremely Satisfied=10,

- Dissatisfied=0)
- Was the outside well lit/made you feel comfortable and safe?
- Were there no more than two un-bussed tables in the dining area?
- Was the restroom floor clean from trash, debris, odors or excessive wetness?
- How satisfied overall were you with your experience? (Extremely Satisfied=10, Dissatisfied=0)



technology

"What's good about [hand-helds] is you get a lot of data points and a high response rate."

-Abuelo's CEO Bob Lin



Security is an issue with hand-helds because customers and staff alike may be tempted to pocket them as they leave the restaurants.

situations in real time, he wondered. He designed a PDA-like device that could be left with the check and took his rendering to an engineering firm. It debuted four years ago.

Now They Know

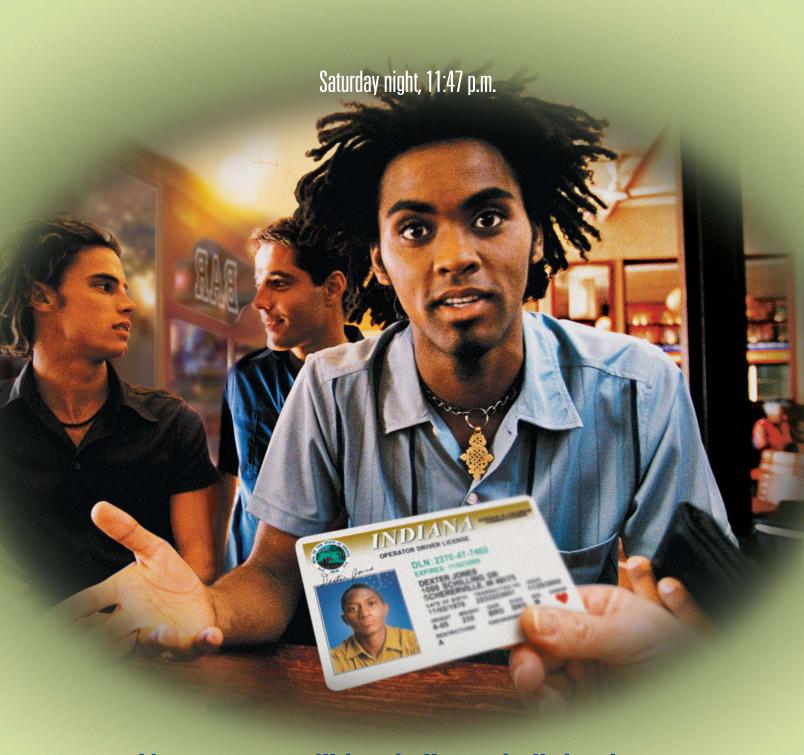
"It's a guest-feedback tool that gives you instant feedback," Todd claims. Although customer data are uploaded to Long Range's computers, the hand-held device also features an instant-alert function that immediately beeps a manager's pager when a customer answers a question in the negative. This allows managers to address a serious concern before the party leaves.

Wichita General Manager Chuck Oullette doesn't recall getting many negative comments. "The beeper did go off a couple of times. Kids were responsible. Their parents gave [the tool] to them," he says.

It doesn't surprise Deferrante, who warns companies that the feedback from hand-helds often comes from the party, and not always the person picking up the check. "Typically you are getting a group opinion," he explains. "That's not necessarily a bad thing, but it is something to take into consideration. If you are tracking feedback over time, that is your error to account for."

Lin says the customer response rate was approximately 70 percent, good by most accounts. Yet a second guest satisfaction survey a year later using the same hand-held tool produced a 90 percent response rate. According to Lin, the first survey had too many questions, testing customers' patience. The second survey had only 15 questions. (See the sidebar, "Ask and You Shall Receive," on Page 101 for a list of suggested questions.)





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technology

Hand-held devices that limit survey questions to between 10 and 15 appear to increase feedback.



www.wal-martrealty.com



Abuelo's CEO Bob Lin claims 70 percent of customers responded to a guest-satisfaction survey when servers invited patrons to rate their experience using a hand-held tool brought to the table.

Taking Precautions

In addition to providing the hand-helds, Long Range also trained Abuelo's general managers about security, maintenance and uploading data in a two-hour conference call. For example, it's important to make sure the table is clear of liquids, if possible, to avoid spills onto the device. Security is also an issue because customers and employees may be tempted to steal them, Lin says.

That wasn't the case with Long Range's hand-held, because it's large and cannot fit easily into a pocket. Plus, it is programmed only to process guest-satisfaction feedback; users cannot load software onto it as they can with generic PDAs.

Lin nonetheless likes the idea of using generic PDAs, which can be loaded with custom software and feature a larger LCD screen. To prevent theft, he would put the PDAs in a frame, making it difficult to slip the device into a pocket or purse. "If we go with a PDA, the idea is to build it into a check-presenter-type tray," he says.

Lin is "90 percent sure" his company will be using a hand-held device to solicit guest-satisfaction feedback regularly sometime in 2008. He'll also poll hourly workers about their supervisors. The scores will help determine managerial bonuses.

The payoff, Lin adds, is when he can compare the measurable results of two units: "We will be measuring where we need to make adjustments in the stores."

Franchise Developer

Getting Franchise Buy-in

nnovation is a major ingredient in the success of 100-unit Newport Beach, Calif.-based zpizza. Its health-conscious menus are freshened regularly to keep pace with customers' fast-changing preferences. That's great news for consumers who want organic tomato sauce or Thai pizza, but what about the franchisees who have to invest in the new products, training time and menus that enable zpizza to give customers what they want?

"Franchisors need to vet changes early," says Chris Bright, president of zpizza and a founding member of Fransmart, the



franchise development company that helps zpizza and 10 other chains sell and market franchises. To establish a dialogue with its franchisees, zpizza is launching monthly conference calls that invite franchisees to discuss policy changes. "It will

be an opportunity for us to get franchisees with best practices for new items or other operational initiatives to share their ideas on a peer-to-peer basis," says Bright.

Feedback from Franchises

Rather than handing down mandates, zpizza accompanies policy changes with a "Leaders Guide." Area developers can leverage these detailed tips on how to prepare new menu items, how to train staff and how to incorporate the new items across their portfolio. They also have the opportunity to influence corporate changes—whether providing feedback on pilot programs for new items or pushing back in response to customer needs.

"We got a lot of push back on our decision to drop the ZBQ Salad [with mixed greens and barbecued chicken]. It wasn't a top seller, but the overwhelming response from our franchisees was in favor of keeping it on the menu. So we added it back," Bright says.

Zpizza is adding another tool to help smooth transitions and involve franchisees in decision making. New committees addressing advertising and culinary programs will give franchisees a voice in how advertising dollars are spent and what direction new menu items will take.

Area developers facing franchisors' requirements to update equipment or interiors may need more substantive help. Mark Siebert, chief executive officer of iFranchise Group, a Homewood, Ill.-based consultancy, says franchisors may extend help ranging from forgiving royalties during the upgrade to helping franchisees find attractive terms with third-party lenders. Typically, franchisees will have as much as a year to complete major refurbishments or equipment purchases.





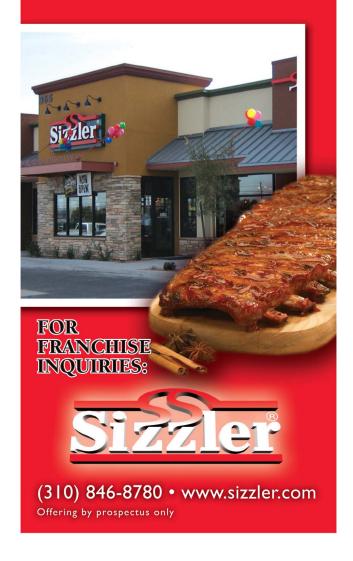


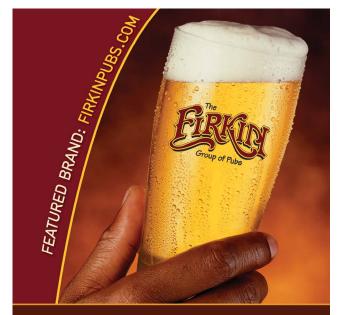


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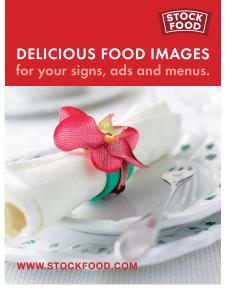
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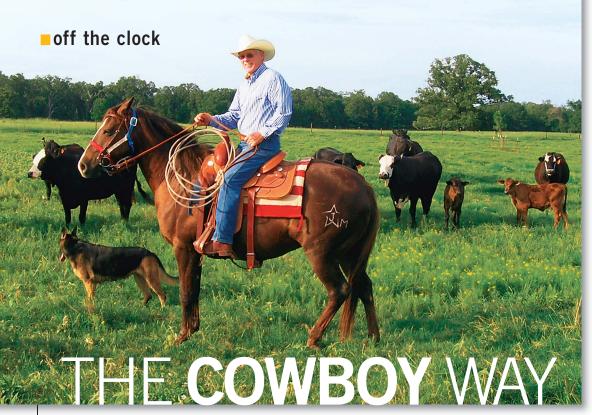
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STOCK IMAGES







Baker Bros.'
Ken Reimer
trades the hustle
and bustle of the
city for a cowboy
hat and cattle.

By Maya Norris

hen Ken Reimer isn't working on expanding 12-unit Baker Bros., he is living out his "cowboy dream," he says. The chairman and CEO of the Dallas-based sandwich chain runs a cattle ranch, where he is not afraid to get his hands dirty tending to cows and more than 600 acres of land.

"For a South Bend, Ind., city boy, it's one heck of a world of difference from where we started," Reimer says. "It strikes us as very peculiar because I don't know how much farther away one gets from growing up in South Bend, Ind."

Do It Yourself

Three times a month, Reimer and his family go to their ranch in Paris, Texas, about two hours outside Dallas. The Reimer Red River Ranch is a working cattle ranch with about 50 head of Black Angus cattle. The cow-calf operation features one bull and 26 cows that breed calves to sell at auction.

The ranch doesn't have a ranch manager because Reimer enjoys taking care of the cattle. He and his ranch hand round up the ones that escape, feed them, rotate the cattle among the five pastures, and administer the shots for vaccinations, deworming or other medical conditions.

In addition, Reimer constantly maintains and improves the property, which includes 500 acres of forest, 125 acres of pastures and two lakes. He usually mends fences, cuts and bundles hay, fertilizes the pastures, repairs the ponds and roads that have been eroded,

and plants trees. His wife, Mary Kay, takes care of landscaping the garden and picking the pears, plums, apples and peaches from the orchard.

Learning a Trade

The acreage didn't start out as a working cattle ranch. Reimer bought it 30 years ago as place to spend time with his wife and four kids. But about eight years ago, he decided to buy cattle to help keep the pastures from getting

overgrown. "We have these pretty pastures that I had planted. They're beautiful," he says. "So you have to cut them or they get weeds and they look nasty. My wife said maybe if we had some cows, they'd eat the hay."

So Reimer bought a dozen cows and a bull. Unlike most ranchers, who grew up in the business or earned degrees in agriculture, Reimer learned about cattle ranching from his neighbors, who have large cattle operations. Now he finally feels comfortable calling himself a cattle rancher.

"Underlying anyone's vocation is a lot of thought, learning, commitment, desire—all of the above. And learning to do it technically perfectly well is difficult in any industry," Reimer says. "And ranching's like that, too. On the surface, it feels easier, looks easier than it probably is. But to learn to do something professionally well is a joy. And we do it. That's why our little calves are in demand."

Family Time

But the ranch is not all about cattle. The Reimers still spend time with their children and 11 grandchildren there. They often ride horses, bikes and ATVs; swim in the lakes; fish; hunt deer; and trap wild hogs, foxes and raccoons.

"They see a part of life that is so different from city life," Reimer says. "And that's also what refreshes the human soul and keeps us intellectually interested in things." ■

Ken Reimer, chairman and CEO of Baker Bros., runs a working cattle ranch with about 50 head of Black Angus cattle in Paris, Texas.

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