

# chain leader<sup>®</sup>

## TREND-FORWARD INSIGHTS TO BUILD BRANDS

**Limited-time offers**  
celebrate the  
seasons. PAGE 22

Pitfire Pizza keeps  
**the eyes on the pies.**  
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**Franchise agreements**  
come under  
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## Ahead of the **CURVE**

Innovation is key to staying  
unique in a me-too market.

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# Paying Through the PAIN

Some consumers find it hard to spend their money, but you can make it easier on them.



**S**ure tightwads spend less money. The question is why, and what to do with that knowledge. A recent academic article examines how the pain of paying drives them to spend conservatively, even more than they would ideally like to.

Published in the April issue of *Journal of Consumer Research*, "Tightwads and Spendthrifts" uses a spendthrift-tightwad scale to measure individual differences in the tendency to experience a pain of paying.

## TO PAY OR NOT TO PAY

Tightwads are those whose pain of paying might deter spending more than their rational minds would. The survey explains to respondents: "[Some] people have trouble spending money. Perhaps because spending money makes them anxious, they often don't spend money on things they should spend it on." Don't confuse tightwads with those that are highly frugal. The report notes they may look similar in terms of spending, but those who are frugal spend less because they enjoy saving, not because the idea of spending is painful.

Spendthrifts' failure to feel that pain may lead them to spend more than they would prefer. The survey says: "Some people have trouble limiting their spending. They often spend money—for example on clothes, meals, vacations, phone calls—when they would do better not to."

The difference between tightwads and spendthrifts is the greatest in situations that amplify the pain of paying and smallest in situations that diminish the pain of paying.

For example, some of the respondents were asked if they would pay a "\$5 fee" for overnight delivery of a free set of videos as a thank you for completing a fictional survey. Others were asked if they would pay a "small \$5 fee." While spendthrifts were significantly more likely to say they would pay the fee (38 per-

cent vs. 19 percent), the difference was much smaller for those who pay the "small" fee (37 percent vs. 28 percent). Calling the fee "small" helped mitigate the pain of paying for it.

The report says many retailers provide increasingly painless ways to pay, such as with a credit card. It suggests that finding ways to ease the pain of spending will cause those tightwads to spend more.

## CHARACTER SET

According to the research, tightwads outnumber spendthrifts 3-to-2. Males were two-and-a-half times more likely to be tightwads than spendthrifts. Age also made a difference: Tightwads outnumber spendthrifts 49-to-9 among the respondents 71 and older. The report points out that the data may point to the effects of growing up in different generations rather than people get more tightwaddish as they grow older.

The research found that among credit-card users, spendthrifts are three times more likely than tightwads to carry debt, and they tend to carry more debt. In addition, they tend to keep less money in savings. The research found little correlation with income levels. ■

## PRICE AND PERCEPTION

In a recent Technomic survey, more than half of consumers have noticed that full-service restaurants have raised prices. The Chicago-based foodservice consultancy notes that those consumers believe prices have gone up more than they actually have. Consumer perceptions of average checks are 10 to 15 percent higher, by brand, than actual average checks by brand.

The survey also found:

- A majority of respondents expect menu prices to go up more than 10 percent over the next three to six months.
- 65 percent anticipate the highest increases will be in large, national chains.
- 59 percent say they will reduce the number of visits to full-service restaurants as prices rise.

For more information on Technomic's "Consumer Price Sensitivity" survey, visit [www.technomic.com](http://www.technomic.com).

**BIG idea** Provide painless ways to pay such as with a credit card or gift card to make it easy for tightwads to spend more.

**ON THE WEB:** For the complete "Tightwads and Spendthrifts" report, visit [www.journals.uchicago.edu/toc/jcrl/2008/34/6](http://www.journals.uchicago.edu/toc/jcrl/2008/34/6).



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## 40 COVER STORY

### Ahead of the Curve

Whether they're new menu items, service enhancements or online offerings, all innovations serve the same purpose: to bond customers closer to the brand. *Chain Leader* has found several chain-restaurant innovations that let customers have a say in how they're marketed to, what they buy and how they experience a brand.

By Lisa Bertagnoli



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### Roll Model

O'Charley's has built its latest branding campaign around its signature rolls to energize both employees and customers about the brand. The marketing efforts include humorous TV commercials and a dedicated Web site.

By Margaret Littman



## 22 NEW PRODUCT PIPELINE

### Seasons Eatings

Houlihan's limited-time offers feature seasonal ingredients and show off its epicurean side. The seasonal LTOs have boosted the casual-dining chain's food and wine sales and check averages.

By Monica Rogers

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### Getting Oriented

In June P.F. Chang's will roll out its updated beverage program of classic cocktails with an Asian spin, user-friendly wine menus, expanded non-alcoholic specialty drinks and ramped-up training.

By Monica Rogers

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### Eyes on the Pies

Pitfire Pizza's new look matches the concept's "convenient casual" positioning: reasonable price points and quick, but not hurried, service. The design includes a wood-burning pizza oven surrounded by a marble countertop and Italian glass tile.

By Lisa Bertagnoli

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### Credit Limits

Franchisees and franchisors are worried that the downturn in the economy and tightening credit standards will hamper franchise development in the months ahead.

By David Farkas

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- George Katakalis launches Daphne's Greek Cafe's franchising program
- Ivette Diaz talks about her role as Burger King's director of corporate social responsibility
- How Sizzler markets its wares during the economic downturn
- The Olympics doesn't always translate into big business for restaurateurs
- Former Famous Dave's CEO David Goronkin shares his plans for Redstone American Grill
- How chains are going green at headquarters
- The average restaurant uses 300,000 gallons of water, but there are ways to conserve

## PODCASTS

- Adriano Paganini talks about the branding changes at Pomodoro
- Scott Randolph adapts winning recipes from the "Ultimate Recipe Showdown" for T.G.I. Friday's
- Austin Grill CEO Chris Patterson takes advantage of the economic slowdown

## HOW TO GROW TO 100 UNITS

- Veteran operator Fred LeFranc's dos and don'ts for riding out an economic storm
- Aaron Allen of Quantified Marketing Group shares tips for marketing on a small budget
- Kelly Harris of Times Grill pinpoints areas small chains need to invest in as they expand

## PLUS

- Industry blogs from chain veteran Lane Cardwell, upstart Vaughan Lazar and Senior Editor David Farkas
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### Showing Off

Fresh City employees prepare food in full view of customers. So they not only have to practice sound food-safety habits, unit workers have the added pressure of doing so in front of an audience.

By Mary Boltz Chapman

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# Gaining Perspective

**I**ndustry veteran and Brinker alum Lane Cardwell, who maintains a blog on [chainleader.com](http://chainleader.com), wrote recently about his “fork fetish.” When he visits a new restaurant, he hefts the fork, checking the weight and how it feels in his hand. A good fork, he suggests, is a sign that the restaurant values the customer experience enough to fight the purchasing department over the cost.

## SUBSTANCE OVER STYLE

He reminded me of my own fork experience. I was dining with a group at a trendy new restaurant in Atlanta. The menu was diverse and interesting. Our server was knowledgeable and accommodating. The dining room was minimalist and arty. The flatware was heavy and had beautiful curves that made it practically rise above the table. And those beautiful curves were weighted just right to spin the fork sideways when

sandwiches, salads and stir-fry to order in front of the customer, says managers send line workers around to the other side of the display counter to see what guests see. They want to remind the team that they are on display, too.

## IN THEIR SHOES

Many experienced operators will tell you that you have to sit down, look around, put yourself in the guests’ shoes. Some will expand the idea to the drive-thru and the parking lot, where a lot of people eat. Try arriving at a restaurant during lunch or dinner rush and try to park.

Try to put yourself in shoes that don’t quite fit, or enlist your parents, kids and friends to help. An older person might be more aware of lighting that’s too low, music that’s too loud, or type size on the menu that’s too small. A parent of small children might have an opinion on what’s under the table or in the ball pit. A friend in a wheelchair can tell if a restaurant is easy to maneuver or just “accessible.”

Even somebody of a different sex has a different perspective. Once when I

interviewed a president of a chain in one of the units, he bragged that his rise from bus-boy gave him perspective other executives don’t have. When he sees something on the floor, he naturally cleans it up, even if it’s in the restroom. My visit to the ladies room revealed that his cleanliness priority didn’t translate to everyone on his team.

Of course, there are mystery-shopping services and consultants. Those are valuable tools and can quantify visits and help identify trends. Another good resource is Paco Underhill’s *Why We Buy: The Science of Shopping*, a classic published in 1999, which discusses watching customers and interviewing them as an anthropologist might.

But to really know what it’s like to be a customer, walk a mile in their moccasins. Repeat as necessary. ■

**Many operators will tell you that you have to put yourself in the guests’ shoes. Try shoes that don’t quite fit, like your parents’ or your kids’.**

moving from plate to mouth, spilling its contents. Picture a dozen businesswomen grasping their forks like toddlers.

At another dinner, a banquet hall filled with industry leaders was served mashed potatoes in martini glasses. Sure, it looked interesting, but not only did they get cold very quickly, the glass was top-heavy and needed two hands to eat.

Putting yourself in your customers’ place can go a long way toward making their experience better, whether it’s a good fork or a clean display kitchen. Bruce Reinstein, chief operating officer for Fresh City, a fast-casual concept that prepares

# BIG ideas

**“Winners have the ability to step back from the canvas of their lives like an artist gaining perspective. They make their lives a work of art, an individual masterpiece.”**

—*Denis Waitley,*  
motivational speaker

**“If there is any one secret of success, it lies in the ability to get the other person’s point of view and see things from that person’s angle as well as from your own.”**

—*Henry Ford*

**“You cannot know a man until you walk a mile in his moccasins.”**

—*Native American saying*

**“There are things I can’t force. I must adjust. There are times when the greatest change needed is a change of my viewpoint.”**

—*Denis Diderot,*  
French philosopher

*Mary*  
Mary Boltz Chapman  
Editor-in-Chief



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*Explore the Possibilities*



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Trimming costs at Church's Chicken depends on workers halfway around the world.

## FOREIGN Policy

**O**utsourcing payroll, tax compliance, sales taxes, property taxes, utility payments, long-distance phone-line management and waste collection would suffice for most restaurant companies. But not for Atlanta-based Church's Chicken. CFO Dusty Profumo is also handing all financial and technology chores to accountants and computer geeks in India, slashing costs in the process.

### How extensive is your outsourcing program?

I actually have more people reporting up to me in India than I do here in the United States. We outsource the full accounting function, and, as a result, we have only two people here dealing with general ledger accounting. All the other people are outsourced through [a company] based in Mumbai. There are 25 people on that team.

### How does that compare with outsourcing efforts among your competitors?

I'm not aware of any competitors that use outsourcing to the extent we do. Most of the accounting and high transaction counts, if you think about it, are related to our company stores, because you have to produce P&Ls on all the stores by market and by region, and that's where all the work is.

### You have an IT component, too.

Yes, we outsource our IT infrastructure to another Indian company. We outsource the help desk, network management and application development. The total number of personnel involved in that is in the 25- to 30-person range. We also have four [of those] employees in our corporate office.

### The purpose of which is what?

They coordinate all desktop support for people in the corporate office and remote users. When any equipment breaks down in the restaurants, they essentially will take a computer that needs

to be fixed and ship another one out. They are responsible for all the desktop support in the U.S.

### Is it a revolving crew?

Yes. They are typically here for about two years. It's an interesting assignment for them. They bring their families. About every six months or so someone leaves and another person replaces them. It works very well.

### Why does so much outsourcing make business sense?

Accounting and IT are the largest by dollar volume. We cut costs by 50 percent offshoring them to India. Outsourcing is also consistent with our overall positioning as a value brand. We provide a high-quality product but at a lower price than the competition. That doesn't just mean we run restaurants efficiently, but we try to run everything as efficiently as possible.

### Did outsourcing begin with the arrival of Indian-born CEO Harsha Agadi?

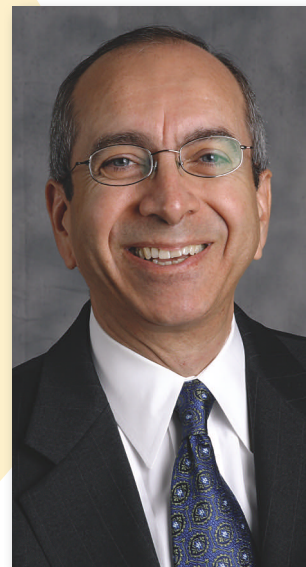
The offshoring certainly did, but [former corporate parent] AFC used outsourcing significantly. Honestly, though, the three largest contracts we inherited from AFC were all changed, and we saved about \$3 million. That sum is roughly 50 percent of the total cost of what we inherited.

### What's been Harsha's contribution?

He's certainly very supportive of outsourcing and familiar with Indian culture. He was able to help make high-level introductions for me at the outsource firms because of his reputation and knowledge of the country.

### Any quick advice on how to hire an outsourcing firm?

The biggest issue always comes down to people. You ask about the outsource firm's personnel policies and ability and track record of holding onto good people. That's the No. 1 thing. ■



**"We cut our costs by 50 percent by outsourcing and offshoring [these jobs] to India."**

*—Dusty Profumo*

**IN THE WORKS:** Church's eventually wants to align its data-processing times with the day shift in India, a difference of nine hours.



# Happier Returns

*Thanks to QSR's ConnectSmart Kitchen system, Jack Astor's has increased its table turns, reduced slow-food promos and bolstered employee satisfaction, all the while enhancing guest delight.*



**S**ay you're a multiunit operator of around 50 restaurants and you discover a technology solution that enables you to turn tables faster, reduce food comps and significantly improve employee satisfaction. Would you adopt that solution?

Living up to its name, Service Inspired Restaurants (SIR Corp.) is doing just that, starting with its Toronto-based Jack Astor's Bar and Grill brand, a full-service concept known for its great combination of classic comfort food with a twist, as well as a high-energy bar business. SIR Corp. had been using kitchen printers since its inception in 1990.

When SIR Corp. implemented the ConnectSmart Kitchen (CSK) software and hardware kitchen solution by QSR Automations in its first unit, results — better-quality food, happier employees and faster turns — were so immediate and impressive that the company decided to continue its rollout of the CSK to more Jack Astor's restaurants as well as other concepts it operates, such as Canyon Creek.

"CSK shortened our table turns two to four minutes, greatly improved

food quality, and made our restaurant less stressful to work in — all of which translates to higher guest delight," says Stephen Seymour, SIR Corp.'s director of information technology. Noting that comps relating to slow food or food timing shrank by 50% and line staff turnover seems to have slowed since implementing CSK in that restaurant, Seymour adds, "CSK makes our people's jobs

easier, and as a result of being less stressed, there's increased intent to stay — subsequently reducing recruiting and training costs."

## A Perfect Fit

Thanks to the CSK's powerful features and extensive POS interfaces, SIR Corp. is able to gain these benefits while leveraging its existing technologies in its high-volume restaurants. The CSK routes items to the appropriate prep stations based on item cook times, while displaying speed of service information — such as average cook times at prep stations and average order times at expeditor stations.

"Configuring the CSK to do something automatically that was previously managed through employees with extensive training is a fantastic way to improve operations," Seymour says. "Making a difficult and demanding job easier so that a less-experienced person can do it just as well has great value to us. Plus, we don't have to burn out our best people by constantly having them work our busiest times."

While maintaining employee satisfaction can yield huge dividends

in executing quality service, Seymour says, food quality is just as critical to encouraging return guest visits.

"With the help of CSK, our guests get their food together and at the right time on a more consistent basis. In a busy kitchen, it's difficult to time everything precisely — if you let the system do it for you, you can see a significant reduction in slow-food comps and discard less food that wilted in the window. And by executing good food faster, you shorten table times, for another improvement to the bottom line."

Further enhancing accuracy and efficiency, SIR Corp.

capitalizes on the CSK's intuitive graphical kitchen views, which allow user-defined colors, fonts and font formatting, as well as the ability to dynamically display menu cards for any food item at any time. The CSK also captures and displays transaction-level item and order data. Relying on the CSK, the restaurant manager can track the successful execution and delivery of food orders at all times.

"The visibility is one of the main things I like about the solution," Seymour says. "For instance, a manager can look at the expo-station monitor and know the condition of the kitchen via the color coding and average times. So the manager can gauge the health of the kitchen at any time with a simple glance — keeping him on the floor with employees and guests."

**"CSK shortened our table turns two to four minutes, greatly improved food quality, and made our restaurant less stressful to work in—all of which translates to higher guest delight."**





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# SURVIVAL Kit

Operators share advice and experience for small chains on taking on the sluggish economy head-on.

**W**hether you call it a recession or merely an economic slowdown, the operating environment has taken its toll on restaurant chains. Soaring energy costs, increasing commodity prices and tighter credit markets are eating into sales and margins. *Chain Leader* spoke to some operators about growing in the midst of an economic downturn, including areas they are cutting back in and what they are still investing in.

**Kenneth Pendery, CEO, First Watch, Bradenton, Fla.**

We've made a concerted effort to control our corporate G&A expenses. We always watch it very closely, but we're obviously watching our pennies this year.

And we're going to build less restaurants this year because we just don't want to spend the money after a couple of years of very high occupancy costs and very high construction costs and going into what is perceived to be a tough economic climate. We didn't want to be out there opening as many new restaurants as we had done in '06 and '07, which was 25 new restaurants. So we're probably going to open anywhere between five and seven new restaurants this year. We probably won't get any franchised restaurants open. We'll get some franchised territories sold this year. We'd like to get anywhere between two and five territories sold this year.

**Larry Whitty, president, Happy Joe's Pizza & Ice Cream, Bettendorf, Iowa**

The efficiency side of people is what we're trying to pursue. We're actually paying people more. We're paying a better rate for more efficient-working and good-work-ethic people, and it's paying off. The sales have maintained or slightly increased. They're not negative,

which is good chainwide. And we're finding that we're using less man-hours to get the job done.

**Jeff Harvey, president and CEO, Burgerville, Vancouver, Wash.**

We're still investing in our strategy to grow this company. Our intention is to accelerate that growth. So we, in the last year, have invested in a prototype process to design new restaurants—a new restaurant concept—so that we can roll them out on a very efficient basis. We're now moving from that design phase into the implementation with the intention to add some restaurants this year.

**Barry Gutin, CEO, Cuba Libre, Philadelphia**

We focused on reducing on our food costs through better utilization and reducing waste, better menuing. An example is we have a new arepa slider appetizer, which has several different types of meats, which are byproducts of other recipes that go in corn arepas.

We're also reviewing our decision-making when it comes to menuing and pricing and promotions. Very often you get excited by promotional vehicles and don't make a decision with the short- and long-term profit motive clearly in mind.

We're not cutting back on our marketing. I can't say that we're increasing it. As other people cut back their marketing, we get a larger share of voice, so our marketing becomes more effective. We're trying to keep top-of-mind awareness and build our profile in the national press, and often this is very important to us as we're an expanding concept.



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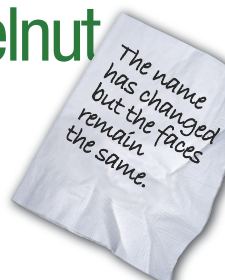


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## BIG idea

Bd's Mongolian Barbeque is investing in a new prototype that is more efficient and provides better return on investment for franchise operators.

We're trying to cut costs by reducing turnover, but you have to invest to do that. So we've been investing in people and training and training tools, new manuals and doing things to make the job experience better. Invest in the people who are doing the work out in the field in the restaurants touching the customers.

**Gary Beisler, president and CEO, Qdoba Mexican Grill, Denver**

These are the times people will react in one way: by raising prices or cutting portions or doing something to make their economic model look better. This is the time to deliver the most you can to the consumer on price value, atmosphere and service. It's counterintuitive to me as an operator to say, well let's cut labor because things are bad. The last thing you want to do is give poor service. Good operators stay the course.

They have to weather the storm and not try to take it out on the consumer. The consumer is getting beat up on every front. If we give them another reason not to come because we're raising the prices on them, too, you may lose that guest not for the next couple of months, you may lose them as a guest forever. And our key would be, give them what we can give

them at a fair price, high quality, great price value and keep them coming through the bad times, and they'll remember you when the good times are back.

**Billy Downs, founder, bd's Mongolian Barbeque, Ferndale, Mich.**

We're designing a new prototype; we're just trying to reduce our overall investment cost so that our return on investment is higher. And then with that new prototype, we're trying to look for efficiencies in labor, where we can offer the same things to the guests with less man-hours in the future.

But have we designed a new program? No. We're trying to utilize the program that we already have in place, which is making sure that every guest makes a terrific bowl of stir fry and that they have a great experience. So it's just managing and intensifying the system that we have in place.

My one piece of advice would be to stay focused. Figure out what works for your brand and your business, or if you're a smaller operator, just what is it that works for you, and stay focused on that because a lack of focus means you could spend a lot of money now, and that could hurt you. ■

**ON THE WEB:** Check out veteran operator Fred LeFranc's dos and don'ts for riding out an economic storm at [www.chainleader.com](http://www.chainleader.com).

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# Roll MODEL

O'Charley's builds its  
**LATEST BRANDING  
CAMPAIGN** around  
its signature rolls.

**W**hen concepts decide to make the switch from limited-time offers to all-encompassing branding initiatives, the scope of their coverage typically gets wider, not narrower.

But when Nashville, Tenn.-based O'Charley's started evaluating what made it stand out from the better-known national brands like Ruby Tuesday and Applebee's, it found that everything started with its signature dinner rolls, literally and figuratively. With its longtime ad agency, Nashville-based The Buntin Group, the casual-dining chain used this information to launch its newest branding campaign, designed to energize both employees and customers about the brand.

"There was this sea of sameness in casual-dining ads," says Dawn Boulanger, vice president of marketing for the chain, which has 240 units throughout the South and Midwest. "There was not a lot of differentiation with these ads. They all ended with a

[food as] hero shot. We needed to be creative."

The creativity also had to take place on the business end of the project to make the most of O'Charley's marketing budget, which, at an estimated \$10 million, is smaller than its national competitors.

## JUST THE FIRST COURSE

O'Charley's used much of the second half of last year to research possible hooks for the new campaign, which launched in January. "We had focus groups, and it was amazing to hear people talk about the rolls," Boulanger says. "They had an emotional connection to the rolls."

Employees as well as customers had this kind of reaction to the rolls, which the company describes as "unsliceably soft." The rolls are a crucial part of the O'Charley's experience: Last year the chain served more than 129 million rolls, going through 3,000 pounds of butter a day to do so.

"If the rolls are great, it sets the stage for the rest of the meal," Boulanger explains. "People crave

## "The Rolls" Length: 30 seconds



1. [Woman's dress gets caught in escalator and tears off.]



2. Woman: Is it cold in here, or is it just me?



3. Couple: Ha, ha, ha.



4. Voice-over: It all starts with the rolls, and it only gets better from there with O'Charley's Good for the Soul Menu.



them and they want to go eat them. There is crave-ability there.”

Working off of that, O’Charley’s and The Buntin Group created three initial television spots, which Boulanger says are “humorous, but do not take us off path. Everything we are trying do in stimulating traffic and building awareness is based on our great quality food.”

The spots feature people in embarrassing or awkward fictional situations, with the O’Charley’s rolls providing levity and distraction. The ads have aired on a cross-section of programming and dayparts, ranging from prime-time cable to local news, geared toward a demographic between 25 and 54 years old.

To confirm and reinforce that the rolls were the right approach, management went on an eight-city tour before the ads hit the airwaves, showing the spots to employees and franchisees and reviewing the rules for serving rolls, such as how many to serve per guest and when to refill bread baskets.

O’Charley’s had ambitious goals for the campaign. While it did not want to reposition the chain, it did want to build brand awareness for the concept, increase trial and frequency in a tough economy, and, of course, increase same-store sales, Boulanger says.

#### IN THEIR SITES

While O’Charley’s did not include radio and other traditional media with this branding effort, it did not stick exclusively to television. The company also created a dedicated microsite, [www.therolls.com](http://www.therolls.com). The site provides lore about the rolls, internal training videos for restaurant servers, quizzes, customer contests and links to the newly redesigned O’Charley’s Web site.

The microsite includes an “Only Getting Better” theme. “The rolls signify the beginning of a great experience. Only goodness will follow,” says Jeffrey Buntin Jr., president and CEO of the Buntin Group, which has been O’Charley’s ad agency for more than a decade. “People said, ‘If my rolls are this good, the rest of the meal will be good.’”

“We are late to the game on some of these things. But we wanted to do something cool and different and drive people to the [main] Web site and ultimately into the restaurant,” Boulanger says.

“Every client and agency is trying to figure out what new media they should do,” adds Buntin. “But there is a difference between what you can do and what you should do.”

The microsite was clearly something O’Charley’s was supposed to do as part of the campaign. Web traffic has increased from 200 hits per day to 12,000 when the ads are on the air, Boulanger reports.

#### ON A ROLL

O’Charley’s plans to film two more 30-second spots this year (with edited 10-second versions to be used as needed) and expects that the campaign will be a two-year effort. Buntin thinks the rolls have continued potential because, “they are handed from a real person to a real person. That helps with the emotional commitment.”

However, the rolls will not become a character: Employees will not dress in roll costumes. The company wants to have fun but also wants to focus on the real menu item.

“We are in a state today where we want to be a little bit more dynamic and a bit more fun,” Buntin says looking toward the rolls’ future. “We do not always have to take ourselves so seriously.” ■

#### SNAPSHOT

**Concept** O’Charley’s  
**Headquarters** Nashville, Tenn.  
**Units** 240  
**2007 Systemwide Sales** \$618 million  
**Average Check** \$12.50  
**Ad Agency** The Buntin Group, Nashville  
**Ad Budget** \$10 million\*  
**Expansion Plans** Limited new units in the next two years

\*Chain Leader estimate



**5.** Lift your spirits with our sure-to-please Chicken Parmesan Sandwich, just \$8.99.



**6.** O’Charley’s Bistro Burgundy Steak or mouth-watering Bayou Salmon.



**7.** Now, but not for long, at O’Charley’s.



**8.** Good food, good times. It all starts with the rolls.



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# Seasons EATINGS

Houlihan's Chef's Specials menu for spring starts with Warm Almond-Crusted Brie (opposite), with grapes, strawberries, fig-balsamic glaze, walnut-raisin crisps and baby greens spritzed with fresh lemon juice.

A spin on classic niçoise, the new Seared Halibut dish has a base of red potatoes, French green beans and grape tomatoes tossed with mustard vinaigrette. The fish goes on top with Mediterranean olives and baby arugula.

**S**easons come and seasons go. And with them, a fresh slate of Chef's Specials appetizers, entrees, desserts and wines are featured at Houlihan's 30 company-owned stores. The seasonal limited-time offers take an upscale approach that has boosted the casual-dining chain's food and wine sales and check averages.

This month Leawood, Kan.-based Houlihan's launches its fourth seasonal-specific LTO, complet-

**LIMITED-TIME OFFERS** celebrate the seasons and show off Houlihan's epicurean side.

ing its first full-year, seasonal menu cycle. Shaped for spring, the fresh and lively lineup includes an appetizer of Warm Almond-Crusted Brie, \$9.95, with fruit, fig-balsamic glaze, walnut-raisin crisps and fresh baby greens spritzed with fresh lemon juice. There's an entree of Seared Halibut Niçoise, \$15.95, with red potato salad, haricot verts, tomatoes, Mediterranean olives, toasted mustard-seed vinaigrette and baby arugula with lemon. And Lemon Meringue Pie, \$2.49, in a butter crust, rounds out the menu.

Since last summer, LTOs have included dishes Vice President of Culinary Dan Admire shaped to fit the seasons. Summer 2007 brought French Fried Asparagus, \$7.95, coated with Provencal bread crumbs and served with lemon-horseradish crème. Fall meant Prime Top Sirloin, \$18.50, with lobster macaroni and cheese, sage demi-glace and roasted vegetables, and a suggested wine pairing of an \$8.99 Chilean merlot. Winter warmed with Hot Chocolate Cake, \$2.49, oozing a truffle center and frothed with orange-flavored-liqueur cream.

## HOST OF BENEFITS

Besides offering guests new tastes, the seasonal menus have produced numerous measurable benefits. 2007 specials nudged guest check averages up an average of 37 cents. During each three-month run, seasonal entrees accounted for 6.5 percent of sales with the summer menu, 9 percent with the menu in the fall, and 18 percent in the winter. Dessert sales have increased 10 percent to 15 percent overall since the switch to a seasonal-menu approach. And average wine sales per check increased 14 percent, thanks to printing a suggested wine pairing with each entree.

Guest perceptions have improved as well, according to Vice President of Marketing Jenifer Gulvik. "There's more understanding among guests that Houlihan's is serious about food," she says. "The menus have caused guests to view us as more innovative and fresh. And research shows that if the per-





ception of freshness is there, customers think the quality of the restaurant is higher."

Despite the epicurean feel of the specials, the price points are in line with core menu items. The LTOs range in price from \$7.95 to \$9.95 for appetizers to between \$13.50 and \$23.50 for entrees.

### SEASONAL SAVVY

Houlihan's took the seasonal-specials approach to its menu to offer fresh, interesting flavors in the simplest possible format. "You can't add seven new items to your core menu—there's just not enough space on the menu or on the cooking line to handle that," says Gulvik. As well, frequent additions to the core means deletions would have to happen just as frequently. "And deletions are very difficult for guests to handle," she says.

With a seasonal limited-time offer on the other hand, "guests get that this is not a permanent thing, so you have the fresh new-news benefits without the

painful deletion piece," Gulvik says.

Still, introducing a new LTO menu every three months has necessitated some operational changes. Houlihan's deleted several items from its core menu such as Mandarin chicken salad, Thai barbecue shrimp and potato skins appetizers, berry cobbler and cheesecake. Guests haven't missed the items, Gulvik says.

For the first time, Houlihan's also went to separate lunch and dinner menus. While all of the menu

### SNAPSHOT

**Concept** Houlihan's  
**Headquarters**  
Leawood, Kan.

**Units** 92

**2007 Systemwide Sales**  
\$262 million  
(fiscal year ended Sept. 30)

**Average Unit Volume**  
\$2.9 million

**Average Check** \$18

**Expansion Plans**  
15 in 2008

## Roll Call: Limited Edition

Limited-time offers are a proven method for chain restaurants to add fresh interest to their menus. Here are a few chains making the most out of LTOs:

Jack Chicken, \$8.99, grilled chicken tenderloins with green chiles, Monterey Jack cheese, salsa, veggies and choice of biscuit or cornbread, is being featured as a national LTO from March 31 to May 18.

"This is the first time for us that a regional item has been rolled out as an LTO for the whole system," Turner says.

**El Pollo Loco's** \$4.99 Queso Crunch Burrito layers citrus-marinated, grilled chicken breast, Jack cheese and poblano queso, refried beans,

sour cream, pico de gallo, crispy tortilla strips, optional jalapeño slices, melted Jack and cheddar cheeses, in a grilled flour burrito. Featured Feb. 25 to April 20, the burrito received the highest initial customer trial during its first week in stores of any LTO since 2003. "Customers really enjoy the combination of soft and crunchy textures that the new Queso Crunch Burrito delivers," says Julie Weeks, vice president of communication. Guests also like the burrito's portability, she says.

**Noodles & Company's** Linguine with Asparagus, \$4.50 small, \$5.75 regular, \$7.50 trio (includes choice of protein and soup or salad), comes with roma tomatoes in an olive oil, butter, lemon balsamic and fresh herb sauce. It is the



first new dish the Denver-based company has introduced in three years. Featured until June 17, the spring LTO gives the chain "an excuse to talk about asparagus and the other 20 fresh vegetables we already offer," says Dwayne Chambers, director of marketing. Artwork depicting a svelte asparagus stalk as a "diva" shows other vegetables looking jealous at all the attention asparagus is getting. During the LTO, guests can enjoy asparagus in the feature entree or as a \$1 add-on to other dishes.



**Cracker Barrel** wanted to feature grilled chicken with bold flavors in the spring. Since Chile Jack Chicken was already a proven winner in its Texas stores, it seemed likely the dish would offer widespread appeal, says Chief Marketing Officer Simon Turner. Chile





## NEW PRODUCT PIPELINE

Despite the epicurean feel of Houlihan's seasonal specials, pricing is the same as the core menu.

**Desserts for the Chef's** Specials menus are made from scratch at the unit. The spring feature is individually portioned **Lemon Meringue Pie**, with a butter crust, lemon curd and toasted meringue.

items offered at lunch are also available at dinner, the lunch menu has half the total menu items. Admire explains that abbreviating the offerings makes setup for lunch easier, freeing up time to prep seasonal menu items prior to dinner.

To help train restaurant chefs, Houlihan's shoots

detailed videos on each recipe method in the test kitchen.

"This has worked really well for us because every regional director, chef and cook in the company has an opportunity to view the preparations," Admire says. Of all the seasonal dishes, he says desserts present the biggest training challenge, "because baking's an art as well as a science."



### MENU SAMPLER

#### Spring Seasonal Menu

##### STARTER

**Warm Almond-Crusted Brie**, with grapes, strawberries, fig-balsamic glaze, walnut-raisin crisps and baby greens spritzed with lemon juice, **\$9.95**

##### ENTREE

**Cavatappi Carbonara**, spring peas, bacon, double cream, fontina, provolone and Parmesan cheeses, caramelized onions, tomatoes, basil and Parmesan-garlic toast, **\$13.50**

##### DESSERT

**Lemon Meringue Pie**: lemon curd and toasted meringue in a butter crust, **\$2.49**

### APPROACHABLE EPICUREAN

Shaping the program, Houlihan's took its cue from upscale independent restaurants. "We're constantly talking about where America's palate is going," says Gulvik. Admire develops about 20 trial dishes for every item that makes the specials menu.

As indicated by entree sales, Houlihan's menu team has "gotten savvier with each subsequent menu, delivering fare that's interesting and epicurean, but not to the point of scaring people off," says Gulvik, explaining that some of the dishes from the

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## NEW PRODUCT PIPELINE

Each seasonal Chef's Specials menu features one or two starters, four entrees and one or two desserts.



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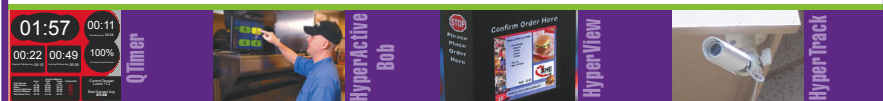
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first menu like cold soba noodles and whole bone-in catfish were just a little bit too "out there."

The company has had better success with filleted fish dishes such as last summer's Almond-Crusted Tilapia, \$17.95, with amaretto beurre blanc, fresh seasonal berries and grilled asparagus. It is the top-selling seasonal entree to date.

Fueling the program's success, servers are trained to use the seasonal menus as a talking point to drive repeat visits, especially as each menu nears the end of its run. "A server might say, 'If you love that dessert, make sure you come back before April 23,'" Gulvik explains.

Also beneficial, each unit prints the name of the unit chef on the menu, just as a fine-dining establishment might do. "It really gives the chef pride of place and a sense of ownership in the execution of these dishes," says Gulvik.

Currently seasonal menus are only available at Houlihan's company stores and a half-dozen franchises. While feedback has been good, the company is not requiring franchisees to jump on board just yet. It wants to get a few more of the seasonal menus under its belt before re-evaluating its stance on franchise participation.

"Reducing the core menu, going to separate lunch and dinner menus, and committing to a new menu every three months is a pretty significant step," Gulvik says. "We're eager to see how the spring menu performs and are already shaping the summer menu to launch in July." ■

**BIG idea** To make room for new seasonal menus every three months, Houlihan's trimmed five items from its core dinner menu and cut its lunch menu in half, also allowing more prep time for the specials.

**Spring's Grilled Salmon entree comes with lemon-asparagus risotto, arugula, basil-infused olive oil and a balsamic reduction.**



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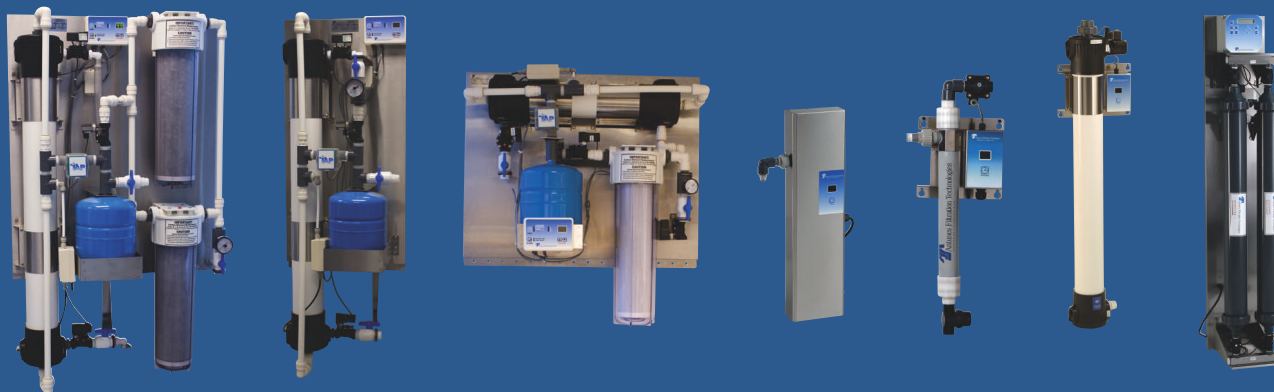
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Success with the non-alcoholic Lemongrass Non-tini has prompted P.F. Chang's to plan new versions of the drink.

The Organic Agave Margarita, Plum Collins and Chinese 88 are three of 12 new cocktails P.F. Chang's will launch in June.



# Getting ORIENTED

P.F. Chang's updates its beverage program with user-friendly wine menus and **CLASSIC COCKTAILS WITH AN ASIAN SPIN.**

**Y**ou can get a classic Tom Collins at any quality bar. But for a Plum Collins—plum vodka, plum wine and fresh lemon juice, with a splash of cranberry juice and soda—you'll have to find the nearest P.F. Chang's China Bistro. Same goes for the Yuzu Old Fashioned and the Chinese 88, P.F. Chang's spin on the classic French 75.

Come June, 12 new Asian riffs on classic cocktails will roll throughout P.F. Chang's 178-unit system. They're all part of a new beverage push that includes revamped wine menus, expanded non-alcoholic specialty drinks and ramped-up training.

Mary Melton, beverage director for the Scottsdale, Ariz.-based, casual-dining chain, says this is the biggest beverage redo the company has undertaken since its first-ever signature cocktail launch and recipe standardization in 2004. "As you move

forward, you just discern new attitudes, interests, approaches to beverages," she says. "Much of what we're doing is just to keep up with the times."

## GROUP DYNAMICS

The wine revamp, which has been phased in at various units since April, meant moving to a menu that lists wines according to mouthfeel and flavor—a practice that some wine retail shops now use—rather than listing by varietal. Red wines on P.F. Chang's menus are now categorized as "Lush & Easy," "Soft & Tangy," "Rich & Spicy" or simply "Powerful." White wines are "Fruity," "Floral," "Tangy" and "Creamy." And inciting the olfactory imagination, subheads matched with each heading suggest that wines may be like "Honeysuckle & Rose," "Peaches & Melons" or "Cherries & Currants."

During the wine program's test phase from November to March, less-familiar wines such as Spanish wines and new imports sold better, thanks to new groupings.

## SNAPSHOT

**Concept** P.F. Chang's China Bistro  
**Headquarters** Scottsdale, Ariz.  
**Units** 178  
**2007 Systemwide Sales** \$850 million  
**Average Unit Volume** \$5.3 million  
**Average Check** \$19  
**Expansion Plans** 11 by year-end

\*Chain Leader estimate





## LIQUID MEASURE

Easy-to-understand wine menus have increased sales of lesser-known varietals at P.F. Chang's.

Giving classics an Asian slant adds fresh fun to P.F. Chang's specialty cocktails such as the Asian Persuasion, green-tea vodka with fresh-brewed green tea, simple syrup and lemon slice.



### COCKTAIL MENU SAMPLER

Drinks priced from **\$7 to \$10**, depending on market

**Rising Sun:** vodka, orange liqueur, fresh lemon juice and apple juice shaken cold

**Tangier:** orange vodka, tangerine liqueur and fresh citrus juices shaken and poured over ice

**Ginger Chu Hi:** ginger and fresh citrus muddled with shochu, a Japanese distilled spirit similar to vodka that is made from rice, potato, wheat, barley or sweet potato

**Blood Orange Martini:** orange vodka, Campari and fresh juices, chilled and shaken

**Frozen SoHo:** mango-flavored rum, lychee liqueur and piña-colada mix, with a float of mango liqueur

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"If you normally order a pinot grigio, you go to where that's listed. Then you notice that a gruner veltliner is listed in the same grouping. So you figure, why not try something new that this list says is in the same flavor category with what I like?" explains Melton. Although she can't say exactly how much, the program prompted a lift in sales of wines including gruner veltliner and rioja in test.

Beyond guest-friendly wine headings, the fact that all but eight of P.F. Chang's 50 wines can be ordered by the glass encourages trial. Also, a build-your-own-flight option lets guest choose three, 2.5 ounce pours from the list for \$10. "It's a very low-risk way to try a wine you haven't tried before," Melton says.

### ASIAN SLANT

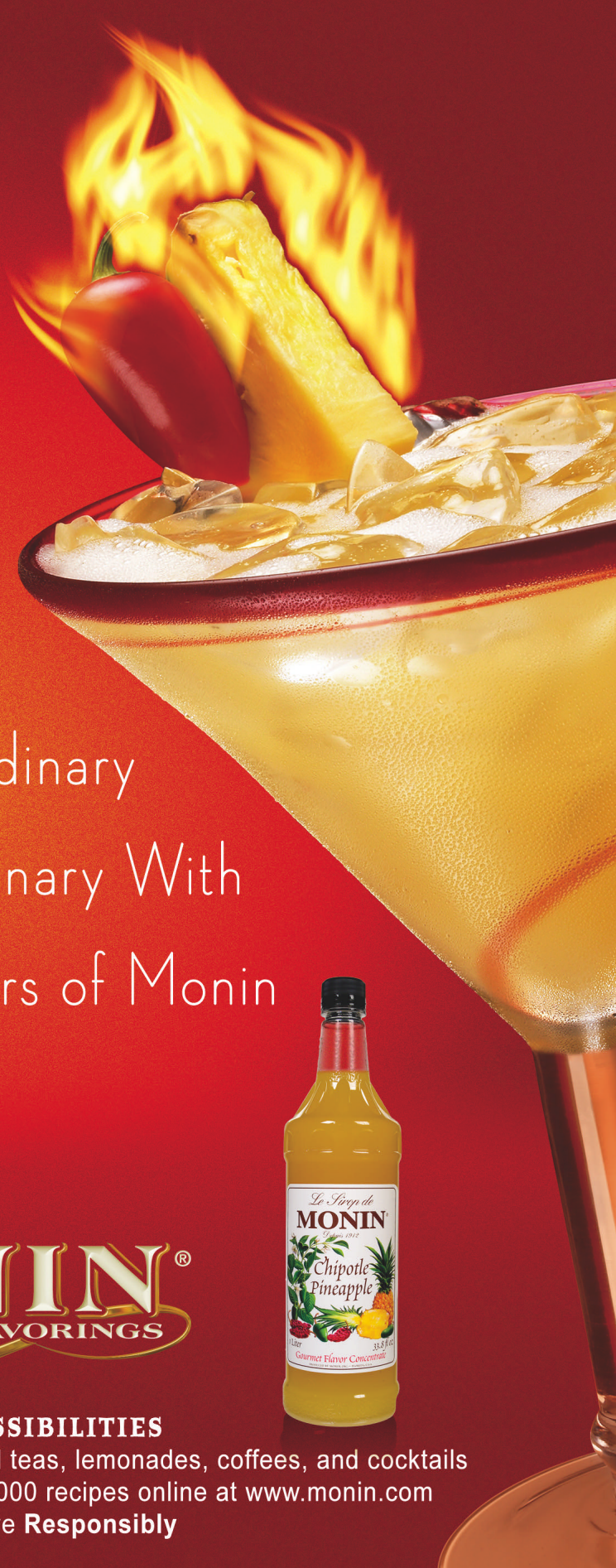
In tandem with the new wine approach, P.F. Chang's hopes to fuel interest in specialty cocktails with 12 re-created classics that have an Asian slant and premium ingredients. Examples include the Chinese 88, \$8.50, which features dry gin shaken with lemon juice and finished with sparkling wine in a sugar-rimmed glass. Another is the Yuzu Old Fashioned, \$8.50, which mixes bourbon, yuzu citrus juice, soda, plus a cherry and an orange slice that have been muddled in orange bitters.

"Our aim is to revitalize some of our drinks," says Melton. "Today people want that premium edge with spirits. And they like things that are light and fresh."

Once the new wine and cocktail programs are



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## LIQUID MEASURE

**BIG idea** P.F. Chang's encourages trial by offering a build-your-own flight option that lets guests choose three, 2.5 ounce pours from its wine list for \$10.

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User-friendly listings, grouped by flavor profile, prompted a lift in sales of some less-familiar varietals.

established, P.F. Chang's also plans to build on the success of its nonalcoholic specialty drink, the Lemongrass Non-tini, \$4.50, made with fresh orange, lemon and lime juices shaken with lemon-grass syrup. Launched a year ago, the Lemongrass Non-tini is now one of the top 25 sellers on the entire menu. P.F. Chang's hopes to add two or three varieties of the Non-tini, each with a seasonal accent.

### HIGHER EDUCATION

To support the new beverage program, P.F. Chang's launched more in-depth training in April. Basic training, which is required for all servers, managers and bartenders, includes thorough explanations of bartending tools, techniques, a tutorial on classic cocktails, familiarization with P.F. Chang's specialty drinks, wine and sake training, and garnishing information. Managers and bartenders must also complete advanced training, which moves employees through six educational modules. Six to 10 bartenders at each of the 178 restaurants will go through the training by June.

"We've always offered bartender training, but we didn't include any of the history or lore behind bartending or some of the more advanced skills," says Melton.

Her hope in adding these elements is that the training will produce bartenders who "not only know enough about classic cocktails to understand what it means to put a spin on those classics, but who also are able to engage the guest more with knowledgeable beverage suggestions." ■





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# Eyes on the PIES

Pitfire Pizza's design draws attention to its **WOOD-BURNING OVEN**—and the pizzas that bake in it.

**T**he Pitfire Pizza on Westwood Boulevard in Los Angeles has more than a touch of California cool. Sunshine streams through the windows that cover two entire walls. The surfaces—a Carrara-marble bar top, poured-concrete floor, French ash-laminate tabletops—are serene but not severe. Rich orange and a soft leaf green are the predominant colors. Three whimsical vegetable paintings, the room's sole decorative touch, march across a back wall.

In the front of the restaurant, immediately visible from both the front and side entrances, is a wood-burning pizza oven. The Italian-made oven's half-circle opening is surrounded by rustic red brick and

white subway tile. Above it, a gleaming stainless-steel stack disappears into a white overhang. The curving marble bar, set with backless aluminum bar stools and faced with orange-glass tile, encircles the oven.

It's not flashy, but the oven is the focal point of the room. "It really harks back to that whole idea of the hearth," says designer Ralph Gentile of RGA Studios in Los Angeles, who created the design package for all three Pitfire locations. The oven's prominence "adds to the notion that the pizza is a handmade thing, prepared for you," Gentile says.

## A PIZZA DINER

Handmade pizza is the point of Pitfire. Business partners Paul Hibler and David Sanfield, who also own Deluxe Motion Picture Catering, opened the first Pitfire in 1998 in North Hollywood. The second opened in downtown Los Angeles in 2005.





## SNAPSHOT

**Concept** Pitfire Pizza  
**Location** Los Angeles  
**Opening Day**  
 Aug. 22, 2007  
**Area** 3,000 square feet  
**Seats** 120  
**Average Check** \$12.50  
**Unit Volume** \$1.7 million  
**Expansion Plans**  
 2 in 2008



Pitfire's pizza crust is made from four flours, including the fabled 00.

1. The marble counter looks diner-esque, but the imported marble was the most expensive design element in the room.

2. Pitfire Pizza's communal tables are popular among convivial Angelenos. Designer Ralph Gentile created the acrylic light fixture that hangs above the table. The fixture glows orange at night.

3. The wood-burning pizza oven is visible from both the sidewalk and patio seating.

Their goal in opening Pitfire was to offer high-quality pizza in a setting Hibler calls "convenient casual," with reasonable price points and quick, but not hurried, service. Diners order at the counter, and food is then delivered to their tables.

Hibler, a self-taught chef, says he and Sanfield spent 10 years perfecting Pitfire's crust, which is made from four flours, including the fabled 00, and cold-proofed before baking. "That's why we call it 'the crust you can trust,'" he says.

The design matches the food and service. Elements that Hibler calls "diner-esque" include the subway tile behind the oven, an abundance of booths and ample counter seating.

Pitfire departs from diner design, though, in the choice of materials. Nearly everything, from the marble countertop to the wood laminates to the Italian glass tile under the counter, is natural, "not fake," Hibler says. Even the specials chalkboard is real slate.







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# RESTAURATOUR

The ideal Pitfire Pizza is 3,000 square feet, with about 120 seats and a patio.




4. Three custom-made paintings provide one of the few decorative touches at the Westwood location.

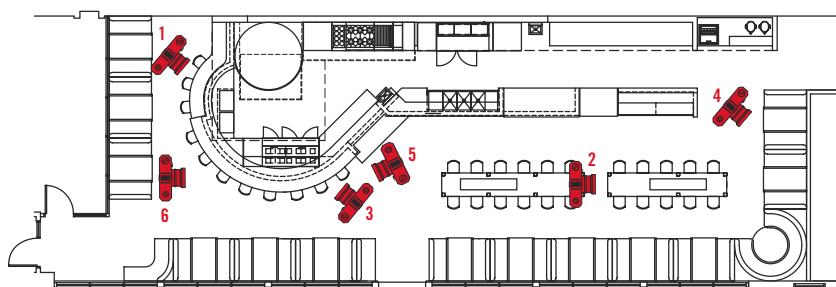


5. Booth seating gives the restaurant a diner-like vibe and stresses the quick, but not hurried, service style.

6. Pitfire Pizza's design is heavy on natural finishes: marble, brick, steel and stone.

**KEY**  
 Direction of shot  
 Shot No.  
 Position of camera

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



## NOT FROM SCRATCH

Located in what formerly was a French restaurant, the Westwood Pitfire is the first built in a remodeled space. For that reason, the building cost was about \$350,000, compared to \$700,000 to \$800,000 for a from-scratch location.

The location was not ideal, Hibler says. To start, the rectangular room only has one usable corner, and corners are prime space for desirable booths. Too, the space is "a little linear" for Hibler's taste.

And the buildout was not seamless. The designers took time to choose an orange hue, but after it went on the walls, "we didn't like it," Hibler says. The substitute? The orange found in Hermes scarves, he says. The designers also used a solid wood for the facing at the ordering counter. "It got

destroyed," he says. The replacement is a "bullet-proof" laminate made from French ash.

## SLOW TO GROW

The Westwood location will gross about \$1.7 million a year, due to its college-campus location. "In the right spot, it could do \$2.5 million," Hibler says, referring to areas with more business-lunch and evening-residential traffic. Expansion plans call for two more Pitfires this year, both in Los Angeles.

Hibler and Sanfield are talking to a partner about possibly opening Pitfires in Korea, and they're also looking for a partner to help expand stateside.

But it can't be just a financial partner. "We want someone to bring more than money to the table," Hibler says. "We would want them to protect the integrity of Pitfire." ■

**BIG idea** The focal point of Pitfire's new design is the wood-burning pizza oven, which conveys the notion that the pizzas are homemade.





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(Clockwise from top l.) Tropical Smoothie's Supercharged smoothies, made with nutrient-laden "superfruits," account for 25 percent of sales—50 percent in some stores.

CiCi's "wow bell" alerts staff to the presence of a first-time customer. The chain has incorporated "wow" into its training materials and the Wowapalooza, a road show designed to rev up managers.

Stir Crazy began offering Cook Like a Wok Star classes at all 12 locations in March. Students learn to cook Stir Crazy favorites—but they don't have to eat their creations.

Au Bon Pain's Portions menu creates more variety at a lower price point.

Shakey's electronic table locator helps servers find guests' tables faster. That means the pizza arrives hotter, and there's more time for guest-server interaction.

Extreme Pita's receipts show calorie, fat and carb content of the meals. The receipts, scheduled to roll out systemwide this year, "reaffirm our position as a healthy QSR," says Alex Rechichi, co-founder and president.

Quiznos' Sammies, priced at \$2, enable customers to work the menu their way. "We're definitely seeing that midafternoon snack occasion," says Zach Calkins, vice president of culinary development.



How? The copycat factor. All four innovations, rolled in the last two years or so, are on the brink of being commonplace in the industry.

As will, we predict, the innovations we've gathered for this story. Whether they're new menu items, service enhancements or online offerings, all innovations serve the same purpose: to bond customers closer to the brand. That bonding is essential not only in this slack economy, but to keep a brand a growing concern.

"Every brand has to keep ahead of the competition by continually recreating those points of difference," says Frank Steed, president and chief executive officer of The Steed Consultancy, a chain-restaurant consulting firm based in Kerens, Texas. "With the wealth of talent and the speed of the Internet, everybody's ability to copy is split second."

The best innovations, he says, occur on multiple levels: One example is T.G.I. Friday's "Ultimate Recipe Showdown," a Food Network series in which avid home cooks compete for a \$25,000 prize and a chance for their recipe to be featured on Friday's menu. "They've done something innovative

that has lots of angles," Steed says. "The jury is out on whether it will drive business, but it's impressive to me."

#### A NEW SPIN

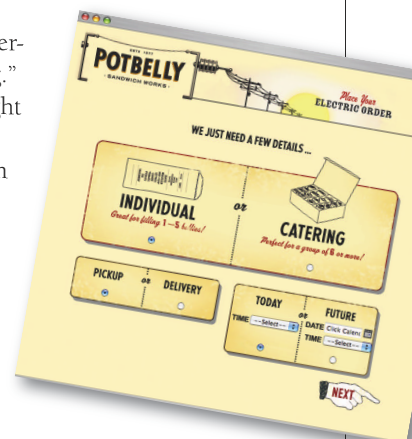
While inevitable, the copycat factor does raise the innovation bar, says Craig Moore, president and CEO of Coppell, Texas-based CiCi's Pizza. "Things are changing so fast that if you're not on the cutting edge of dining out, you'll be an also-ran pretty quickly," Moore says.

But, he adds, innovation doesn't necessarily mean change. "We're still training people, just training them a different way," he says, referring to CiCi's use of videos and its executive road show, dubbed Wowapalooza. "That's just a different way of doing the same thing."

That, essentially, is the thought behind uWink, a soon-to-be three-unit casual-dining chain in Los Angeles. The brains behind uWink is Nolan Bushnell, founder of Atari and Chuck E. Cheese.

The innovation at the 150-seat restaurant is the

As they eat and drink, uWink customers can play games with their tablemates, people sitting across the restaurant or, as the chain expands, guests in another city.



**BIG idea** Chicago-based Potbelly Sandwich Works launched online ordering in late March. Checks are 6 percent higher than in-store orders, and online orders have hiked traffic counts by 4 to 5 percent, says Bryant Keil, chairman and CEO of the 185-unit chain. Keil says the chain chose to run its own online service. "We want to have the data as ours and interact with customers directly," he says.



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technology platform driving the entire operation. Customers order food and pay for it via tabletop computers. Servers act as “entertainment concierges,” key because as they dine, customers are likely using tabletop computers to play games with dinner companions, customers at a table across the room or, as more uWinks open, customers in other cities.

The technology allows the manager to change uWink's environment as the demographic changes: softer music and more light for family time, louder music and racier games for later in the evening.

“We spent years building the platform,” says Chief Technology Officer Brent Bushnell, who is Nolan Bushnell's son. He is so confident that uWink occupies a unique niche that he plans to sell the technology to other restaurant concepts.

As for the name? “We wanted a word that was short and fun and flirty,” Brent Bushnell says. “The ‘u’ stands for putting you in control, and the wink is a fun social gesture.”

### CUSTOMERS IN CONTROL

Indeed, customer control is the theme of recent menu innovations—the easiest way to show customers that the idea machine is running.

One example: Boston-based Au Bon Pain's Portions line of 14 dishes, all with 200 or fewer calories. Portions, which accounted for as much as 5 percent of sales in test, was introduced to all 200 bakery-cafes by the end of March. Portions are priced at \$2.99 for meatless dishes like chickpea-tomato salad and \$3.49 for meat dishes such as Mediterranean tuna salad.

The Portions are not smaller versions of current menu items. “To give variety and change to the guest was essential,” says President Sue Morelli. The items were created from existing ingredients to make them economically feasible.

“A lot of people are having fun with them,” Morelli says. Customers mix and match Portions for lunch, buy one to augment a sandwich or salad, or buy several to eat as a midafternoon snack.

### SMALL PACKAGE, BIG FLAVORS

Denver-based Quiznos is also reaching customers with a smaller product and new flavor profile. Sammies, a line of four flatbread sandwiches priced at \$2 each, rolled nationwide in November. During the high point of the promotion, they accounted for 26 percent of sales and have settled in at a healthy 16 percent, says Zach Calkins, vice president of culinary development for the 4,500-unit chain.

Calkins has noticed that the sandwiches are

**BIG idea** Memphis, Tenn.-based Lenny's, a chain of 162 sandwich shops, lets customers relax while staff buses tables. Reason one: A cleaner restaurant. Reason two: The dining room's ambience isn't marred by trash cans. Reason three: Busing tables “gives us one more reason to interact with guests,” says President Brent Alvord.

attracting new and core customers, and opening up a new daypart for the chain, but he can't quantify it. “We're definitely seeing that midafternoon snack occasion,” he says.

Calkins says the timing of the low-priced sandwiches was prescient. “Going into it, we got a feeling...everybody knew the economy was going south,” he says.

The chain is preparing to introduce more Sammies, including a balsamic beef, chicken with honey-bourbon sauce, and a steak with habanero- and chipotle-spiked sauce in May. “These aren't common flavors,” Calkins says. “They're bold.”



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Bold works for drinks, too. Tropical Smoothie Café, a Destin, Fla.-based chain of 270 smoothie stores, launched a line of six Supercharged smoothies in February. They now account for 25 percent of sales systemwide.

The Supercharged smoothies feature pomegranate, acai berries and goji, so-called “superfruits” because they contain an intense concentration of antioxidants and vitamins. Customers like the drinks because the nutrients are already there; no need to pick and choose from a mind-boggling array of supplements, says Barbara Valentino, director of marketing and communications for the chain.

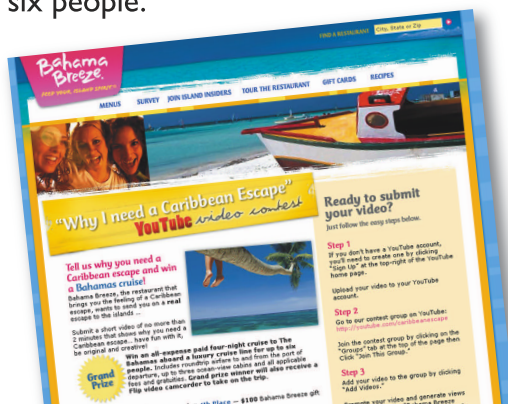
A 7-foot store banner touting the smoothies aids the choice process even more. “Customers point to it and say, ‘I want one of those,’” Valentino says.

#### A RINGING ENDORSEMENT

That’s one hallmark of innovation: making life easier for customers. And that’s the idea behind the innovations at 640-unit CiCi’s Pizza. The innovations include a special-request pizza: Staff will make whatever pizza guests ask for, even if it’s not on the buffet line.

CiCi’s newest innovation is the “wow bell.” When guests come in, servers ask if it’s their first time at the chain. If the answer is yes, they ring a small bell.

**BIG idea** Bahama Breeze’s YouTube vacation contest “is a fun way for consumers to engage with the brand,” says Chip Brown, senior vice president of brand marketing for the Orlando, Fla.-based chain of 23 full-service restaurant-bars. Customers submit a two-minute video showing why they need a Caribbean vacation. The grand prize winner will receive a four-night luxury cruise to the Bahamas for six people.



**BIG idea** Breakfast, offered since Bojangles debuted 30 years ago, accounts for 41 percent of total sales before 11 a.m., “just when the traditional chicken chain is gearing up for lunch,” says Eric Newman, executive vice president of the 400-unit chain. Other chains are following suit: McDonald’s and Hardee’s recently announced their rollouts of chicken breakfast sandwiches.

“It’s not to make a scene, but to tell employees we have someone who’s never been here before,” says Moore of the wow bell. “We want all the employees’ heads to jerk—this person needs to be treated specially.”

Company executives introduced the wow bell to restaurant employees with a video clip, a humorous takeoff of the “Saturday Night Live” classic cowbell sketch. “Instead of cowbell, it’s wow bell,” Moore explains.

Service innovations are crucial as the chain tries to hold on to its budget position, no small matter as commodity prices skyrocket.



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### NO MORE HIDING

Alhambra, Calif.-based Shakey's isn't a buffet; customers order pizza, then sit down to wait for it. The chain is experimenting with an electronic table locator to help staff land hot pizza on tables more quickly.

The chain's manual system—customers put a number in a holder on their table—sometimes didn't work, says Rebecca Black, senior director of operations for the 50-unit chain. The confusion “hurt service time,” she says.

The electronic system requires guests to put a small key into a device on the table; the device tells the expeditor where the guest is sitting. The device also helps the chain keep track of ticket times and improve them if need be. The locator system was tested in a franchise location in Auburn, Ala., and will be included in all new stores, Black says.

The cost, between \$7,000 for smaller stores and \$10,000 for bigger locations, is worth it, Black adds. “You know how long every single order takes,” she says. Plus, with the economy slumping, “if you can do fast casual and also have speed of service, there's a win-win situation,” she says.

### RESULTS NOT NECESSARY

Sometimes innovating means working in the dark, with no clear results in mind. That's the situation at Extreme Pita, the Ontario, Canada-based chain of 230 sandwich shops. Whether or not customers ask for it, receipts in the chain's Arizona locations show the fat, calorie and carb content of their orders, plus a fun nutritional fact about Extreme Pita's menu.

The receipt is more a marketing gambit than an educational one. “What we're really looking for is to make that connection with customers,” say Alex Rechichi, co-founder and president of the quick-service chain. As a chain that touts a healthful, fresh menu, “it's important for us to provide [nutritional] information and not hide anything from customers,” he says.

The software costs about \$1,500 to install and bears a monthly service charge of about \$200. Is it worth it? Rechichi has no idea—at least not yet. When the software rolls out systemwide next year, Extreme Pita will offer a coupon on each receipt, and then measure the return. In test, such coupons yielded an 8 percent to 12 percent return rate, Rechichi says.

Like Extreme Pita, Chicago-based Stir Crazy is rolling an innovation without being sure of the results. In March, the chain began offering Cook Like a Wok Star classes at all 12 locations.

**BIG idea** Easy but innovative: Communal tables at the three Vapiano units in the Washington, D.C. area are popular with guests. More important, they add the energetic buzz the fast-casual Italian chain's becoming known for.

The \$40, two-and-a-half-hour classes include instructions on how to prepare three dishes, a dinner of those three dishes (prepared by staff, not students) and two glasses of wine.

The classes are selling out, says President and Chief Operating Officer Greg Carey, and are probably creating repeat customers. “Once you've created a food and wine link to a guest, I can't imagine them not wanting to come in and share the whole offering,” he says.



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**BIG idea** Morton's The Steakhouse's Bar 12-21, which offers a small-plates menu, is drawing a younger crowd to the steakhouse, says Tom Baldwin, CEO of the Chicago-based chain. The bar is in place in more than 30 of the chain's 79 restaurants. Morton's is also considering "options" for the brand, Baldwin says. "We're absolutely pleased with the results," he says.



#### AS SEEN ON THE INTERNET

The next best thing to being there isn't the telephone; it's the Internet. No serious restaurant company is without a Web site these days, and the more serious ones are branching into sites that allow customers to virtually interact with each other.

Krystal, the Chattanooga, Tenn.-based burger chain, morphed its popular Krystal Lovers Lounge, an interactive part of its [krystal.com](http://krystal.com) Web site, into a younger-skewed, YouTube-like Web presence. Called [bigredcouch.com](http://bigredcouch.com), the site invites viewers to share personal videos.

"One thing we wanted to do: It didn't have to be about Krystal," says Brad Wahl, vice president of marketing for the 400-unit quick-service concept.

Wahl says it's difficult to tie [bigredcouch.com](http://bigredcouch.com) to any sales increases. Still, he believes that Krystal's Internet marketing efforts are partly responsible for the chain's record-breaking sales in 2007; Krystal does not release sales figures.

It's also responsible for gathering customer feedback that has spurred menu innovations. One example: Krystal stopped serving a milk shake about 10 years ago, but brought it back, in the form of a Milk-Quake, last May. Billed as The Milkshake That Rocks, the drink "is quirky-corny marketing stuff, but it's what customers want," Wahl says.

Krystal spends less than 10 percent of its marketing budget on Internet efforts. "TV is still king in

driving short-term results," Wahl says. "Online is a commitment to an ongoing conversation with the customer." Wahl calls the Web a two-way street compared to traditional media, "where we market to the consumer, and it's a one-way street."

And that, in a nutshell, is the future of innovation: letting customers have a say in how they're marketed to, what they buy, and how they experience a brand and its menu.

"Innovating is not an option," Wahl says. "If we're going to survive, we need to be innovative. If we're not thinking of the next thing, we won't be that unique brand." ■

**on the web:** For a full profile of the innovative and interactive uWink concept, visit [www.chainleader.com](http://www.chainleader.com).

Based on customer feedback from [bigredcouch.com](http://bigredcouch.com), its interactive Web site, Krystal re-introduced a milk shake last year. The product helped make 2007 a record-breaking sales year.



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# Credit LIMITS

Franchise development agreements are coming under pressure from **TOUGHER LENDING TERMS**.

**A**re you wondering whether the downturn in the economy and tightening credit standards will hamper franchise development in the months ahead? Some industry experts, including franchisees and franchisors, fret that scenario is a keen possibility if not an inevitability.

"I don't think there's any question about it. Things have gotten more difficult," declares financial consultant Jim Parish of Parish Partners, in Vancouver, Wash. "Terms are tightening, or for some, vanishing altogether."

"Credit markets unable to provide terms acceptable to franchisees are probably the biggest concern we have about our development," worries Dusty Profumo, chief financial officer for Atlanta-based Church's Chicken. "We think it's something that will surface later this year."

"If you are building a brand new store, you need more equity than in the past," warns longtime franchisee Roland Sponberg, who operates 52 El Pollo Locos and four Denny's in California and Arizona. He recently agreed to open 15 Corner Bakery Cafes over the next seven years.

So far Sponberg, who plans to open eight restaurants this year, isn't worried about raising the capital he needs to grow. "I've grown by making money restaurant by restaurant," he says. "I take that money and re-invest it, and it has worked great."

Still, he doesn't seem as eager to put his capital at risk next year. "We've started the

process of slowing down in '09. A pipeline doesn't run off and on as quickly as you'd like," Sponberg says.

## PROBLEMS TO COME

Although the current downturn has hurt sales and guest counts, it has yet to seriously disrupt franchise growth at most chains. "Unless things get worse for a lot longer, I don't know that you'll see anyone changing [franchise] fees or royalties," offers Kerens, Texas-based consultant and former Ponderosa President Frank Steed.

But he can imagine a scenario today in which a franchisee calls a franchisor to say, "I don't want to open those four stores in this economic climate. I'm only going to open two stores until we come out the other side of this."

Renegotiating agreements can get sticky, often taking the focus off operations. "It's a brain drain on the company," Steed adds.

Even though such conversations aren't currently the rule, roiling credit markets have put franchisors in the uncomfortable position of wondering whether qualified franchisees will find appropriate financing.

"The credit standards

**Officials at Buffalo Wild Wings insist roiling credit markets have yet to impact development goals.**

**Go easy on franchisees, advises Greg Dollarhyde, who praises his franchisor, Yum Brands, for giving him time to refurbish some of the 88 Taco Bells and Pizza Huts he operates on Hawaii.**

**Disciplined growth has helped Panera Bread franchisees weather difficult operating conditions.**

**Chief Development Officer James Walker, who dubs Baja Fresh a "premium concept," insists new franchisees are not having problems raising capital.**

**Bruegger's executives anticipate the volatile credit market will affect franchisees' development targets.**





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## Guidelines for Getting a Loan

**T**here are always sources of capital available to operators who demonstrate solid plans for growth, positive cash flow and operational expertise, says Trey Brown, senior managing director at GE Capital Solutions, Franchise Finance. Just be prepared to make a great case for your business. Here are Brown's tips.

- **Highlight past successes.** Lenders like to see a record of achievement, not one of setbacks or disappointment.
- **Be flexible.** Cookie-cutter financing options don't work for many businesses. Work with your lender to craft the exact financing you need to execute your plan.
- **Be transparent.** Granting access to knowledge about your business, operations, bookkeeping, growth plan, etc., puts your lender at ease.
- **Treat your lender like a board member.** Providing regular access and updates on business decisions helps your lender make quicker decisions when you need capital.
- **Don't think small.** Solid middle-market companies that operate well, show good vision and possess the right metrics can be competitive even in uncertain times.

"I haven't talked to anyone recently who says, 'I'm just ducky.' The downturn has broad impact across all segments."

—Frank Steed, franchise consultant

banks are using are changing, and they are changing quickly and day to day," says Darryl Johnson, president of Frandata, a franchise information database headquartered in Arlington, Va.

Such volatility is forcing some franchisors into an unfamiliar role. Take Chris Cheek, vice president of franchise development for 277-unit Bruegger's Enterprises, a chain of sandwich shops based in Burlington, Vt. "Do I anticipate the credit crunch impacting some existing franchisees' development schedule? I think it will," he says.

So since last August he has been promoting the concept to lenders as well as

to potential franchisees. Talking points include the franchisor's experience, unit economics and the stringent application process.

Not that his efforts have always helped. "Some lenders have gotten even more risk adverse since last August," Cheek says. "Your credit didn't have to be stellar. Now that's become top of mind for some."

### TOUGH TERMS

Parish says it's not uncommon for franchisees to discover lenders demanding two or three times as much equity as they would have required 12 to 15 months ago—

though small franchisees that open one or two locations still have recourse to government-backed programs like the Small Business Administration.

It's a far cry from two or three years ago. Then, the widespread availability of credit made it easy to sign up franchisees. Easily franchisable categories like bakery-cafes, sandwich and Mexican grew wildly, eventually battling each other for market share. Those with disciplined franchisors, like Panera Bread, thrived; others, like Baja Fresh, lacking a sound game plan, ended up in tatters.

"We went through many changes in the concept which were not positive for top-line sales," says franchisee Steve Pettise, who recently sold an underperform-



El Pollo Loco franchisee Roland Sponberg warns that new franchisees will likely need to come up with more equity.





**Church's Chicken franchisees could have trouble later this year accessing credit terms that allow them to open more stores.**

**Ruby Tuesday executives hope to benefit from other concepts' closings.**

the \$274 million Wendy's paid to acquire it in 2002. Today Chief Development Officer James Walker maintains current Baja Fresh franchisees and applicants are not having problems accessing capital or meeting development goals because "it's a premium concept."

#### DIFFERENT ATTITUDES

Some see a silver lining in current conditions. In early March, Ruby Tuesday founder and CEO Sandy Beall told a group of investors that restaurant closings are a good thing in an oversaturated market. "You already see it. We hear about it in the industry. And that's going to be great for the industry," he declared.

It is apparently great already for Buffalo Wild Wings. Franchise royalties and fees at the Minneapolis-based sports-bar chain swelled by 19 percent last year, to \$37 million. "Today our franchisees are

ing Baja Fresh unit in Chico, Calif.

Wendy's unloaded Baja Fresh in fall 2007 after a four-year effort to revive same-store sales faltered. An investment group led by West Coast operator David Kim bought the fast-casual concept for \$31 million, far below

"Probably the biggest concern we have is, credit markets may not be able to provide terms acceptable to franchisees."

— **Dusty Profumo, CFO,**  
**Church's Chicken**

already capitalizing on this downturn," says Mo Sawda, vice president of development. "They have more choices where they want to develop because maybe of slow or stopped development elsewhere."

That's not how other franchisors see it when it comes to their own franchise systems. Profumo, for example, says if push came to shove, Church's may reduce franchise fees, trim the store opening costs or ask lenders to soften terms on a case-by-case basis. "We haven't done any of that yet, but we might," he says.

A benevolent approach to development works best, agrees former Baja Fresh CEO and current Yum Brands franchisee Greg Dollarhyde, who operates 88 Taco Bells and Pizza Huts on Hawaii and Guam. "You have to be very careful if you go to franchisees and push. All the others see it and will be very gun shy," he warns.

Dollarhyde cites upscale Ruth's Chris Steak House, where comparable sales and guest traffic counts have remained negative since last year. "If I were advising [CEO] Craig Miller on whether to take away someone's development agreement because he didn't want to open store No. 3, I'd say give him some slack, give him time," he says.

Adds Parish: "There are a lot of terms underlying [development] agreements, so there's room to maneuver, if the intent of both parties is to maneuver." ■

**BIG idea** Bruegger's Vice President of Development Chris Cheek regularly meets with franchise lenders to explain company particulars such as how carefully he vets franchise applicants.



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## SNAPSHOT

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**Ownership** Fresh Food Concepts  
**Headquarters** Needham, Mass.  
**Units** 23  
**2007 Systemwide Sales** \$28 million  
**Average Check** \$8.50 to \$9 lunch, \$10 to \$11 dinner  
**Expansion Plans** 5 in 2008



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Fresh City's ingredients are prepped at the units, adding complexity to food-safety training.

**A**t Fresh City, food preparation is on full display. Workers at the 23-unit, Needham, Mass.-based chain prepare sandwiches, salads and stir-fry dishes while customers move along the production line. Customers can also create their own meal at an extensive salad bar. Not only do employees need to practice sound food-safety habits, they need to do so in front of an audience.



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## FOOD SAFETY

While Fresh City employees can earn more money by earning certifications in different tasks, all workers must be certified in food safety.

Training begins at orientation. New employees review the chain's food-safety and sanitation manual, which incorporates foodborne illness, hand-washing, using gloves properly, how to take and record temperatures, etc. "We get into the whole process of how everything really affects food safety, from personal hygiene to making sure you're rotating product," says Fresh City Chief Operating Officer Bruce Rein-stein. "We go over the whole gamut."



**Customer education is part of Fresh City's food-safety effort as well, because they serve themselves from an extensive salad bar.**

At first employees work in a classroom-type setting and take a written test. On-the-job training teaches more practical aspects such as cleaning and sanitizing different stations, checking temperatures and turning over product. Workers learn that they have to constantly check and rotate food in the steam tables and on the salad bar, whether the store is busy or not.

### SAFETY CERTIFICATION

As employees advance from orientation throughout their jobs, they face ongoing testing that is updated periodically. If they pass certain milestones, they are certified and earn higher wages. Employees can be certified in areas such as guest service, different line stations and catering, but all must be certified in food safety and sanitation.

Reinstein says that even though unit workers are trained and tested at the outset and on an ongoing basis, they have to constantly be reminded because food safety can be the first thing that's forgotten about. "They might be more worried about making a salad or a sandwich as quickly as they can," he says, adding that it's the responsibility of managers and line supervisors to stay on top of it.

Because customers can see how their food is prepared, don't workers have pride in keeping their own station clean? "You would hope so," says Reinstein. "And I think to most of them there is. Most of them like the attention of being on display, and



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## FOOD SAFETY

Fresh City workers practice answering questions about food safety and allergens that might come from customers.



As it expands, Fresh City will continue to emphasize culture to enhance all its training efforts.

they work hard. But there is a tendency to forget that you're being watched sometimes." Fresh City supervisors encourage workers to walk around the counter to look at their station from the guest perspective to remind them.

But Reinstein admits that some workers, particularly in today's labor market, just don't care. "Our job is to make them great, or get somebody else who wants to be great," he says. To try to get staff to care, Fresh City executives visit units often to spread and maintain the chain's culture. The company feels promoting food safety and sanitation has a large role in its position of serving a wide variety of only fresh food.

### TOUGH AUDIENCE

That variety and choice only makes the workers' job more difficult, according to Reinstein. He says customers know more than ever, and think they know even more, so staffers need to be prepared to answer questions about where the food came from and what's in it, including allergens. To support the employees, units also have a Know Your Food kiosk, which holds information on ingredients, nutrition, food safety and allergies.

Food safety will continue to be a priority for Fresh City as it expands. The chain, which debuted in 1998, expects to open five units this year, including its first in the Washington, D.C.-Virginia market. Plans call for accelerated growth the following year, and possibly university locations. ■

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# Franchise Developer

## Profiles in Growth: Old Chicago

**T**hree years ago, area developer Whitney VinZant was sifting through Technomic data on hundreds of franchise brands, trying to choose a restaurant concept to invest in. Old Chicago—a primarily Midwestern concept with a menu featuring pizza, pasta and 110 international beers—caught his eye.

“Old Chicago has a great risk/return model, and presented excellent opportunity for growth and profitability,” he says. With two partners, VinZant formed Oklahoma City-based Chicago Central LLC and acquired exclusive franchise rights for Old Chicago restaurants in Oklahoma, southwest Missouri, northwest Arkansas, parts of Ohio and most of West Virginia. Here are VinZant’s thoughts on expansion:

**Q: What are your plans for expansion?**

**A:** Presently we have two stores open just outside of Oklahoma City. We’re currently building a third, which will open April 21,

and expect to convert three more this year in Oklahoma and Missouri. Our development agreement calls for 34 restaurants over a 10-year duration.

**Q: What development strategies will you use?**

**A:** Old Chicago lends itself to flexible development. As a franchisee, we have the opportunity to convert existing properties, which typically requires much less investment than building a prototype from the ground up. We also look for strong tenant improvement when going into end-cap locations, where the landlord subsidizes the initial build-out to be recouped in future rent payments. That can offer an attractive manner to construct a restaurant with relatively less capital out of pocket.



**Q: What’s the biggest challenge you face?**

**A:** Producing efficient operations. The actual construction and development of restaurants is much easier than building operational infrastructure and company culture. It takes many employees all having a uniform vision to make each restaurant operate as efficiently as possible.

**Q: How do you see the landscape for area development?**

**A:** The softening of the economy has provided some opportunity in the Midwest, as certain big-box anchors and restaurant groups have slowed and even stopped development. But we still see a very competitive environment. Also, the inflation in the cost of construction material really underlies the importance of developing creatively, such as utilizing conversion and end-cap locations.

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## A NEW Direction

Pomodoro holds off on expansion to refresh its concept.

Since Pasta Pomodoro opened in 1994 in San Francisco, the Italian casual-dining chain has grown steadily to 43 restaurants throughout California and Arizona mainly through cash flow and capital from investors including Wendy's, which owns a 30 percent stake. This year the San Francisco-based company is slamming the brakes on expansion to refresh the brand, now called Pomodoro. Founder, chef and CEO Adriano Paganini spoke to *Chain Leader* about the changes.

### Why did you decide to revamp the Pasta Pomodoro brand?

I decided to take the "Pasta" off the name because our menu has been offering more than pasta for over five years. But I still encounter people that may or may not come because they think we only have pasta. We have a wide selection of salads and paninis and entrees and proteins and chicken and salmon.

**Founder, chef and CEO Adriano Paganini says Pomodoro's updated menu and decor better reflect the concept's high-quality yet approachable style.**

### How has the menu changed?

We have upgraded basically all of our ingredients. Just to give you an example, we went from regular chicken to local Fulton Valley free-range chicken.

Then we added a few dishes. One I wanted to add for a long time was the risotto. Since I am from Milan, the risotto is a very traditional dish in Milan. And I was kind of staying away from the dish because it is a little bit difficult to execute, but I was finally able to get it down to be executable for 43 locations.

### I heard you were also testing half portions as well.

The menu has got half portions, too, for most of the pasta. And I think it is a new trend and I think it is an important trend, at least in urban areas, where our guest doesn't seem necessarily excited about getting a huge plate of food and then eating half of it and then throwing away the rest or taking it home and then throwing it away at home. People seem to prefer to order what they're going to eat instead of too much.

The additional flexibility is in the fact that you may try something that you never tried before if you don't have to commit to a full entree portion.

### How does the new wine program complement the new menu?

We are serving now mostly wine from Italy. They're mostly from very small or smaller, medium—but not large—but very reputable wineries that are not quite as well-known here. You're not going to find it everywhere. So it's a little bit more exciting for the guest to be able to choose and find something that is not quite as common.

### What about the new decor?

We have done a little bit of a refresher. We have added some additional graphics and additional new branding elements. We have changed our uniform [to be more casual]. It's not a complete change.

### What results have you seen so far with this new menu and decor?

Overall we have seen better sales in the [13] units [where] we have done the changes than in the others.

### Did you want to bring in new customers?

It's a combination: to bring in new customers just as much as to bring in the customers that are coming in more often or get them to spend a little bit more money if it's at all possible. But my choice is to bring them in more often than to get them to spend more money. ■



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