Vol. 13, No. 6
June 2008

chain leader®

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TREND-FORWARD INSIGHTS TO BUILD BRANDS

Cinnabon steps up **expansion in Dubai**. PAGE 36

Leadership training keeps Panda Express managers in place. PAGE 40

Putting **the crab** back in Joe's Crab Shack. PAGE 48

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To gain efficiencies, Fazoli's examines the supply chain from manufacturing to the back of the house.

In This TOGETHER

Purchasing executives work with suppliers to cope with the downturn. PAGE 30

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*Nielsen Data, Total U.S. Baked Beans

Delivery Data

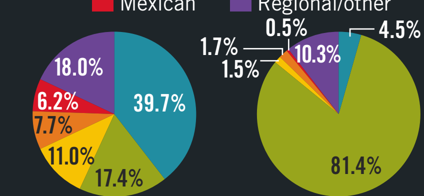
Share of all QSR occasions, by dining type

Pizza dominates delivery, which is often weekend dinners at a discount.

Deals on WHEELS

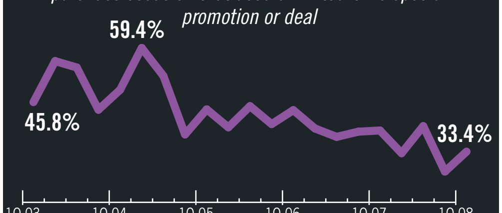
Piece of the Pie

Share of all QSR users' past-month purchase occasions, 21-quarter average



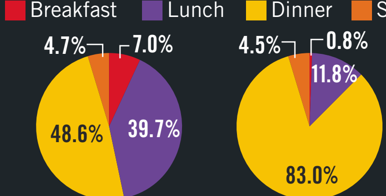
Clipping Coupons

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



Dinner Business

Share of all QSR users' last purchase occasions, 21-quarter average



Delivered meals very likely include pizza, according to Quick-Track, a quarterly survey by San Clemente, Calif.-based Sandelman & Associates. A 21-quarter average shows pizza chains garnering 81.4 percent of past-month delivery occasions, while they get 17.4 percent of all past-month occasions. And 79.3 percent of respondents using delivery on their last purchase ordered pizza. So it's no surprise that delivery trends follow pizza trends.

- Fully 83.0 percent of QSR users having their food delivered on their last occasion did so at dinner, a 21-quarter average shows, while 48.6 percent of all users had dinner on their last occasion.
- Consumers using delivery on their last occasion were more likely than all QSR customers to use a limited-time special deal: 42.8 percent vs. 19.4 percent. Of delivery users taking advantage of a promotion, 43.1 percent learned about it through direct mail, and 24.6 percent, through the newspaper. The chart "Clipping Coupons" illustrates that the incidence of using a special deal on delivered meals has been trending down.
- 30.2 percent of respondents using delivery on their last occasion did so on Friday and 16.6 percent did on Saturday, according to 21-quarter averages. Of all users' most recent occasions, 22.2 percent were on Friday, and 14.2 percent were on Saturday.
- Only 8.7 percent of QSR customers who had their meals delivered were alone. 43.1 percent were with their spouse; 38.0 percent, their children; and 20.9 percent, friends.
- There was an average of 2.7 people per party for all QSR users' most recent occasions; that figure is 4.0 for those who used delivery on their last occasion.
- The average check per person was also higher for respondents using delivery: $5.58 vs. $5.09.
- Delivery makes up 5.9 percent of all fast-food occasions, according to a 21-quarter average. Drive-thru is 40.6 percent; eat-in, 30.2 percent; and carryout, 23.3 percent. ■

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

ON THE WEB: For Traffic Trends data on other delivery methods, visit www.chainleader.com.

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BASIC AMERICAN FOODS

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june

30 COVER STORY

In This Together

Of all the tasks purchasing departments are typically assigned, trimming costs is the one most on the minds of purchasing executives today. *Chain Leader* spoke with industry veterans from Fazoli's, CiCi's Pizza and Austin Grill about how they are working with their suppliers to cope with rising prices and the economic downturn.

By David Farkas

18 BRAND TACTICS

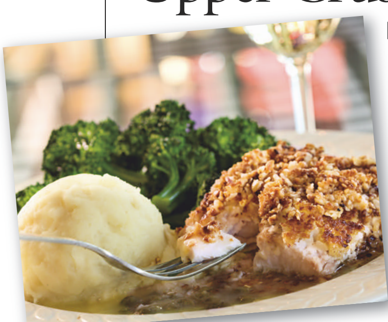
Space Saver

Strategic Hotels and Resort developed ENO, a high-end, low-fuss wine bar, to replace an old cafe in the corner of the InterContinental Chicago's hotel lobby. Now, instead of being a one-off, stand-alone location, ENO is a brand poised for expansion.

By Margaret Littman

22 IDEA TO ROLLOUT

Upper Crust



Macadamia-nut crusted fish dishes have become a big hit with seafood lovers at Tustin, Calif.-based Mimis Cafe. So big that the 132-unit chain has kept the crust offering on every seasonal menu since it launched last year.

By Monica Rogers

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Powering Down

To lower energy costs, Boston-based Au Bon Pain worked with an energy-procurement consultant to get the best prices on electricity and gas, audit past utility bills and find ways to reduce consumption.

By Mary Boltz Chapman

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High-Touch Tech

Carvel Ice Cream combines its intranet site and exhaustive in-store training to make communication and training practically foolproof.

By Lisa Bertagnoli

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Middle East Accords

Cravia Inc., a Cinnabon franchisee, is stepping up expansion in Dubai, United Arab Emirates, one of the wealthiest regions in the Middle East. It has proven a lucrative and safe market for American brands.

By David Farkas

40 HUMAN ASSETS

Leading Role

Panda Express has reduced management turnover with training programs that emphasize leadership skills as well as operational standards.
By Maya Norris

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on the WEB

WEB EXCLUSIVES

- How distributors work with operators to save commodity costs
- Industry leaders talk about fielding a multicultural work force
- Rick DiRienzo rebrands Rockin' Baja Coastal Cantina to emphasize value
- uWink's interactive technology platform drives the entire operation
- CEO George Katakalidis 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

PODCASTS

- Matthew Dunn puts crab back in the spotlight at Joe's Crab Shack
- 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

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
- Daily news
- Franchise opportunities
- Topic-specific pages on marketing, expansion, operations and more

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Support System

When times are tough, you really learn who you can rely on. Successful companies are those that continue to be reliable, even during hard times.

Your customers understand that your expenses are up, and they continue to visit restaurants that offer them fair price/value. Employees, too, read the papers, and rely on their supervisors and corporate leadership to instill confidence. Likewise, other stakeholders like franchisees and financiers need to be assured of the state of business and the steps you're taking.

Just as you're working to maintain relationships with customers, employees and franchisees, enhance relationships with key suppliers with the goal of improving together.

RELATIONSHIP COUNSELING

Geoffrey Colvin, senior editor-at-large at *Fortune* magazine and a longtime observer of and commentator on leadership and business, spoke at the Elliot Conference last month. Part of his presentation focused on what the best companies do in times like these. He said they don't stop building the brand or its people. They communicate more, and more intensively, even though their instinct might tell them to hunker down and wait until there is something definite to say, because everybody wants to hear from them. They evaluate their customers to determine who they make money on and who they lose money on, and figure out how to convert the latter into profitable customers. And if they have to cut resources, they don't cut "fairly," but they reward the best people even more.

I'd like to add one practice that successful companies use in good times and bad: They maintain real partnerships within the supply chain. It was at work at the Elliot event: Industry leaders from restaurants, manufacturers, service providers, associations and more all had the common goal of leading their companies and the industry through this downturn.

What drew us to Fazoli's, CiCi's Pizza and Austin Grill, featured in our Cover Story, "In This Together," on Page 30, was their willingness to work with their distributors and manufacturers. They share proprietary information with their suppliers, who share theirs as well, to creatively find solutions to be more efficient, save money and ultimately meet the customers' needs.

BUILDING TRUST

It takes trust to work together instead of stealing margin points from one another. To do so requires sharing knowledge throughout the procurement process. Even if the suppliers are already doing a good job, providing the right product delivered on time and properly handled, it is a leap of faith to share costs and profits, consumer information and competitive secrets. Will the information they return be fair and accurate? Will their consumer research be skewed toward their own product? Will they keep the information you share confidential or sneak it to their other customers?

And trust takes time and small steps. Start small and keep things simple. There will be mistakes along the way. Work from the top of the company down, because no matter how great the relationship is between the distributor rep and a purchasing manager, they can't pull this off without corporate leadership.

Start with those suppliers who provide the most and most critical items, those that affect how the customer views the brand. Then your customers will continue to find you reliable, too. ■

BIG ideas

"The most important single central fact about a free market is that no exchange takes place unless both parties benefit."
—Milton Friedman

"If we are together nothing is impossible. If we are divided all will fail.
—Winston Churchill

"Trust is the essence of leadership."
—Colin Powell

"You may be deceived if you trust too much, but you will live in torment if you do not trust enough."
—Dr. Frank Crane, minister and author of Everyday Wisdom

Mary Boltz Chapman
Editor-in-Chief

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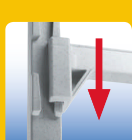
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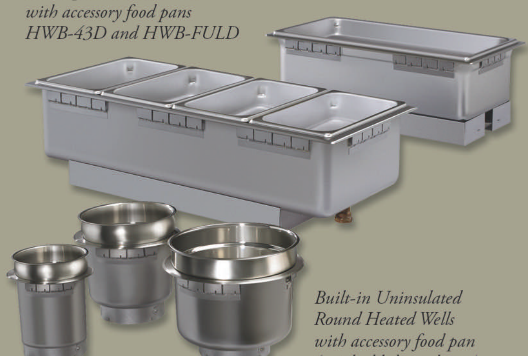

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Debt-burdened chains confront the harsh reality of tighter credit terms.

FACING the Fallout

Financial adviser Tom Mullaney of Huntley, Mullaney, Spargo & Sullivan, Roseville, Calif.-based work-out specialists, has bad news for debt-ridden chains: Credit terms continue to shrink. Nonetheless, he adds, there's hope, because managements have finally sobered up to a new reality.

First, how did all this turmoil come about?
Corporations and the government have been gorging on debt for the past decade, and when you combine that with the slowdown in consumer spending, you've got flat revenues, increasing costs and a merciless squeeze on profit margins. If there is one common denominator in all this, it is that these are companies that have really loaded up on debt.

Where in the industry is it hurting the most?
Casual dining is getting hammered, on both the top line and dealing with profitability.

How do these problems compare with those of a few years ago?
Let's just go back three or four years ago when the economy was strong and access to both debt and equity capital was easy. We found our clients tended not to confront underperforming locations. Business was so good, they swept those problems under the rug.

But then last year happened?
Around August we noticed a sea change in the industry, when all of a sudden our phone began to ring off the hook. Folks would say, "We have a series of stores that aren't making it, and we have to deal with this problem now."

It's a particularly painful situation for debt-ridden companies.
It goes back to those two problems I just mentioned: lots of debt and all of a sudden the top line is softening. Now the microscope comes out to try to get profitability back in line. That is the biggest change we have seen since '05.

The new reality?
We recently reviewed 900 locations of a multi-billion-dollar restaurant company that's traded on the New York Stock Exchange. We identified 110 locations that needed to be closed. That's 12 percent of operating capacity. There's a company saying it's not business as usual anymore.

Any others?
A large franchisee with over 100 casual-dining locations contacted me recently to say his lenders were getting a little restless. What, if anything, did they need to do to deal with the potential tightening of their credit line?

What did you say?
I can't comment on the specific advice I gave him, but I can say managements need to take these steps: First, be as absolutely open with your lenders as possible. Second, do a zero-based budget—a cash-flow forecast of the business. Third, identify the opportunities to improve the profits and then implement them ruthlessly. Sacred cows must be dealt with.

Even when they may be at the heart of the brand?
Even when they go to the essence of the company. I hear managements say, "We are really successful at operating multiple brands." When you peel them away, one great brand is generating all the cash flow that's being siphoned into mediocre concepts. You have to tell them, you've gotten off base and you need to go back to your core.

Are managements still too optimistic about the future even today?
Managements are now taking a real sober look at the battlefield and realizing it's a pretty ugly fight out there. ■

"Trace back all of the recent blow-ups, and these are companies that got involved with the fast-money, private-equity crowd on Wall Street."

—Tom Mullaney

IN THE WORKS: Mullaney predicts an "unbelievable" number of restaurant closings this year.

JOIN THE CONVERSATION AND...

blog

THE NEXT BIG THING <<

An astute trend-spotter, Lane Cardwell has 30 years of restaurant-chain experience. Plus, he eats in about 600 restaurants each year. Lane brings keen insights, a unique point of view and a sense of humor to his quest for The Next Big Thing.

DAVE'S DISPATCH <<

Chain Leader Senior Editor David Farkas continues the dialog he began in January 2006, providing not only plump bits of industry gossip, but news and analysis found nowhere else. And watch for the occasional quiz on current events.

ORGANIC GROWTH <<

Pizza Fusion is out to prove that eco-friendly business practices and profitability go hand in hand. Vaughan Lazar, co-founder and CEO, chronicles the trials of the fast-casual pizza chain's expansion as it tries to stay true to its green ideals.

HEAR WHAT INDUSTRY LEADERS HAVE TO SAY

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HEALTHY Choice

Boston Chicken founder George Naddaff revamps UFood Grill to capture a mainstream audience.

UFood Grill is no stranger to change. The fast-casual concept has evolved over the last nine years, trying to find the best way to bring healthful fare to the masses. The Newton, Mass.-based company says its latest incarnation will broaden its appeal to a larger audience as it forges ahead with expansion.

Former bodybuilders Tim Kurtz and Chris Pappas started the concept as Lo Fat No Fat in 1999 in Watertown, Mass. It featured low-fat, high-protein fare and a retail store that sold supplements. It caught the attention of Boston Chicken founder George Naddaff in 2004, when he saw a line out the door that included not only athletes but also young professionals. He bought the concept in 2005.

UFood Grill's new look features soft greens and yellows and natural materials such as bamboo.

Ten UFood Grills will open this year, with build-out costs ranging from $300,000 to $700,000 per unit.

SNAPSHOT

Concept UFood Grill
Headquarters Newton, Mass.
Units 8
2007 Systemwide Sales $6.7 million*
Average Unit Volume $1.1 million*
Average Check $8.50
Expansion Plans 10 in 2008

**Chain Leader* estimate

HEALTHY TRANSITION

Over the last three years, Naddaff has tweaked the brand to dispel the notion that healthful fare lacks flavor and is only for fitness buffs. His adjustments included changing the name to Lo Fat Know Fat and then KnowFat Lifestyle Grill. After working with a consultancy in 2007, Naddaff settled on UFood Grill, changing the logo, prototype and menu. "We scream taste and whisper health," he says.

Vice President of Product Development and Corporate Executive Chef Efrem Cutler, former executive chef at The Ritz-Carlton in Atlanta, overhauled the menu by boosting flavor profiles while still keeping nutrition in mind. "I really tried to give this menu a healthy, delicious and global aspect to it so I can appeal to many, many palates," he says.

Because the previous menu was geared toward building muscle, it contained a lot of bland meat items. So Cutler recreated dishes such as Fire Grilled Sirloin Tips. The steak was originally marinated in a vinaigrette that pulled moisture out of the meat. It is now marinated in a red-wine blend that creates a moist, flavorful and tender product, he says.

Cutler added sandwiches and salads to lighten and diversify the menu. He upgraded ingredients with all-natural, hormone-free beef; some organic ingredients such as field greens and tofu; artisan breads; and whole-grain brown rice and tortilla. And he created new dressings, sauces and a seasoning mix for all grilled items.

UFood Grill's look got a makeover, too. To convey an organic, light feel, the prototype uses soft greens and yellows, and natural materials such as bamboo. The previous look featured a palette of bright orange, red, yellow and black with images of athletes in action.

GROWTH SPURT

The company developed three prototypes: a 1,000-square-foot model for nontraditional locations like airports; a 2,000-square-foot restaurant; and a 2,500-square-foot unit that has a restaurant and supplement retail store, which can make up 20 percent of sales. Build-out costs range from $300,000 to $700,000.

Three UFood units opened last year in Boston, Roseville, Calif., and Naples, Fla. One company store will open in Boston, and nine franchised units will open in California, Florida, Illinois, New York, Utah, Pennsylvania and Texas. The company plans to convert the five KnowFat Lifestyle Grills into UFood Grills by the end of June.

UFood Grill has signed area development agreements with eight groups to open 74 units over the next five years in California, Colorado, Illinois, Florida, Utah, Montana, Idaho and Texas. ■

IN THE WORKS: To build incremental sales, UFood Grill will roll out a catering program and new line of tart yogurts and smoothies by year-end.

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COLLEGE Bound

Einstein Bros. heads off to college to build brand awareness with existing and new customers.

Because Einstein Bros. Bagels' college units are much smaller than traditional stores, they offer a limited menu of the brand's best-selling bagels, sandwiches and salads. To prevent menu fatigue, it sells seasonal limited-time offers.

College isn't for everybody. But Einstein Bros. Bagels seems to be reaping the benefits of the academic environment. The company is ramping up growth on colleges, where it gains access to one of its prime demographics while building brand awareness with those unfamiliar with its bakery-cafe concept.

COLLEGE ENROLLMENT

Of the 35 licensed units slated to open this year, more than half will be on college campuses nationwide. Since 2001, Einstein has worked with concessionaires including Sodexho and Aramark to open 80 licensed units on colleges. The company decided to pick up the pace following a turnaround it began in 2003, which it deems responsible for 14 consecutive quarters of positive comps and an IPO last June. It opened 23 college units in 2007.

College locations work well for Einstein because it targets well-educated, on-the-go consumers. The fast-casual concept offers healthful, made-to-order items such as sandwiches, salads and coffee drinks. "It's all one stop and it's portable," says Paul Carolan, senior vice president of franchising and licensing for parent Einstein Noah Restaurant Group. "So it meets what the kids are looking for these days. They're really focused on speed, convenience, freshness."

By having units on colleges, Einstein seeks to strengthen its connection with customers familiar with the concept, which has 465 units across 36 states. Yet it allows the company to introduce the brand to new consumers and cultivate their loyalty over four years.

"When you're able to get into a nontraditional location such as college campuses, you have a great way to share your brand—the essence of the brand—with up-and-coming consumers and consumers you may not reach until you get to their neighborhood," Carolan says of college students.

PASSING THE TEST

Because colleges have the demographics that Einstein looks for, the brand can fit in almost any college, Carolan says. That's why it has units in diverse locations ranging from inner-city colleges to affluent private colleges in the suburbs to state schools in urban, cosmopolitan cities.

Carolan says logistics usually determine whether Einstein opens in a particular college. The unit must be within Einstein's distribution network and have kitchen facilities, storage and back-of-the-house support nearby. In addition, Einstein prefers to be located at the end of a dining facility so it does not get lost among the other concepts in the area. It also helps create a cafe feel, where students can meet and study.

Einstein developed three prototypes with a barista station for its college and other nontraditional locations: 260-, 200- and 160-square-foot units. The company won't say how much it costs to open a college unit, but it is much less than the build-out costs of a traditional unit, which averages 2,700 to 3,000 square feet and costs $490,000 to $800,000 to open. According to Carolan, sales at college units vary from $8,000 to $20,000 a week depending on where it is located on the campus.

"We have a small enough footprint that the capital costs aren't too high that you're not going to be able to get the proper ROI," Carolan says. "This is not a loss leader. It's a profitable venture for us." ■

SNAPSHOT

Concept Einstein Bros. Bagels
Parent Company Einstein Noah Restaurant Group, Lakewood, Colo.
Units 464
2007 Systemwide Sales $380 million*
Average Unit Volume $919,000 (company stores)
Average Check $7.50*
Expansion Plans At least 17 company, 31 licensed and 4 franchised units in 2008

**Chain Leader* estimate

IN THE WORKS: Einstein executives will go on a road show this summer to develop marketing programs for the college locations.

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SNAPSHOT

Concept ENO
Ownership Strategic Hotels and Resorts, Chicago
Units 5
2007 Systemwide Sales $3 million
2008 Systemwide Sales $7 million to $10 million (company estimate)
Average Check $38
Expansion Plans 10 by year-end; 6 or 7 new units annually

SPACE SAVER

How one hotel turned dead square footage into a **PROFITABLE WINE BAR** with the potential to become a national brand.

Laurence Geller is a happy man. When the president and CEO of Chicago-based Strategic Hotels and Resorts reviews the results from his wine bar at the InterContinental Chicago, that happiness is justified. The old cafe that was in the corner of the hotel's lobby before 2006 brought in $400,000 annually. ENO, the wine bar Geller developed with San Francisco-based Puccini Group, now brings in nearly $1.5 million annually.

"That's a $1 million turnaround," Geller points out.

That's serious money for a project that essentially began as an experiment. But instead of being a one-off, stand-alone location, ENO is now a brand poised for expansion.

In 2005 Strategic Hotels approached the Puccini Group to help it develop a wine bar that would not compete with the regular hotel bar, but would make "underutilized space" in its hotels profitable.

"We were doing market research and trying to build hotels that worked for meeting planners," Geller says. "We had these hotels that were built on what baby boomers wanted, when it was the Gen Xers who are now planning meetings."

WOMEN AND WINE

The Puccini Group most often consults with restaurants—as many as 50 annually—on the operations side. Founder Bob Puccini came from the Kimpton hotel chain, where he helped changed the thinking about hotel bars and restaurants, showing that they did not need to be loss leaders and that they could attract locals as well as guests.

The Puccini Group developed ENO, a high-end, low-fuss wine, chocolate and cheese bar that "takes the pretense out" of wine, explains Brian Reed, a former chef and vice president of operations for the Puccini Group.

"Not everybody wants to be a wine aficionado. We did not want a guest who does not know a lot to be intimidated," Reed says.

Approximately 60 percent of ENO customers are women, which Reed says is evidence that the locations are more inviting and approachable than a traditional hotel bar.

After the 2006 success of ENO (the name is a play on the word "oenephile"), Geller and the Puccini Group started looking at expansion within other Strategic Hotels. Second was the Ritz-Carlton in Laguna Niguel, Calif. Now there are five ENOs, with a second in Chicago and one in Washington, D.C., scheduled to open at press time. By year-end, there will be 10 ENOs open.

(Opposite) The philosophy at ENO is to bring a Napa Valley tasting room to other parts of the country.

ENO is designed to appeal both to locals and to hotel guests. The ENO wine bar at the InterContinental Chicago attracts 60 percent of its customers from outside the hotel.

Emphasis is on the finer things in life—cheese, chocolate and wine—at ENO.

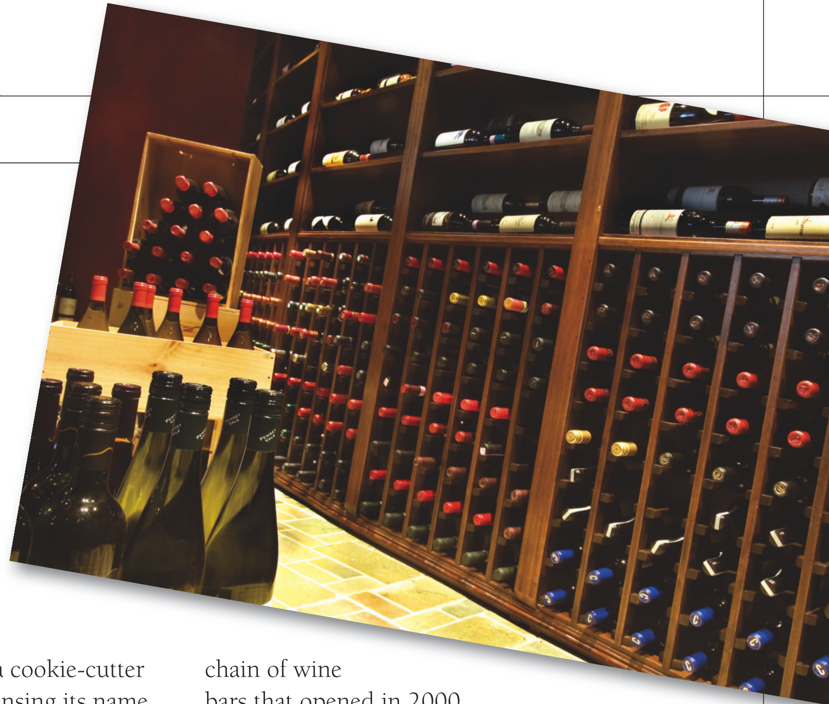
EAT, DRINK AND BE MERRY

Some of the new ENO units will be considerably smaller than the InterContinental location, which is approximately 1,300 square feet with communal wood tables and cheese lockers (the original plan was for cheese rooms, but cheese lockers had fewer approval glitches with health departments). Some will be as small as 600 square feet, depending on the available space. But even if the spaces are smaller, expanded menus will make sure the spots are not overlooked. On the menu is more charcuterie, olives and, in some locations, savory panini sandwiches and sweet chocolate brioche.

David Henkis, vice president at Chicago consultancy Technomic Inc., thinks the panini addition is a smart decision as ENO expands. "Wine customers have a high propensity to order food," he says.

Even with the menu expansion, the menus do not necessitate chefs or a full kitchen. The units will need just 100 square feet of back-of-the-house space: enough room for a dishwasher.

Currently ENO stocks 35 to 50 cheeses, five to 10 meats, a chocolate case and wines as selected by the wine director. Many wines, as well as associated merchandise like corkscrews and wine notebooks, are sold as retail offerings in addition to the menu items. Currently sales are 75 percent wine and 25 percent food, but Reed says that may shift as the menu changes.



BIG idea The wine director shapes each Eno location. For example, the Mexico City unit in development will stock Mexican wines, while Chicago is heavy on New World wines and D.C. favors Old World wines.

INDIVIDUAL ATTENTION

Expansion will not take place with a cookie-cutter approach, even as ENO looks at licensing its name and concept. The wine director shapes each location. For example, the Mexico City unit in development will stock Mexican wines, while Chicago is heavy on New World wines and D.C. favors Old World wines. In California, a beach-side ENO has outdoor tables with fire pits.

Geller says the first non-hotel ENO may open in Texas. If successful, that may lead to other licensed or franchised locations, with a goal of six or seven new units annually and 25 to 30 units open within the next three to five years. Such growth would put ENO on pace to rival The Grape, an Atlanta-based chain of wine bars that opened in 2000. Today The Grape has $45 million in sales and 21 units, according to Technomic.

Each ENO restaurant averages six employees, including a sommelier or wine director, and four or five wine attendants, keeping labor costs low. That, combined with the low costs associated with a no-kitchen restaurant, makes ENO attractive to prospective franchisees.

Currently wine makes up 75 percent of sales at ENO, but that may change as the menu expands.

EXPANDING HORIZONS

As ENO's expansion plans grow organically, so, too, should the concept's marketing and branding efforts, Reed says. The concept does not use much traditional advertising, and Reed doesn't see more in the future. Instead, the team has built brand awareness through local public relations in each market. Popular is ENO-versity, the concept's wine-appreciation classes that work with the core mission that wine does not have to be intimidating.

Jeff Siegel, a Dallas-based wine educator who conducts at-home wine tastings, is impressed by ENO's wine lists, noting that some of the offerings are rare enough to draw experienced foodies who want to try something they haven't had before.

The development of its own ENO cuvee branded bottles of wine have also captured people's attention, Geller says, and an ENO wine club may be in the future. Technomic's Henkis says such moves help link away-from-home behavior to at-home behavior, which is "important in driving interest as a category."

Even if each new ENO location doesn't see the gains the InterContinental Chicago did, Geller will still be happy.

"This is an interesting experiment. Even if [new ENOs] just serve hotel clientele, they will be a success. They are profitable very quickly and make their returns in less than a year," Geller says. "We do research every six months so we can change it or remove it if trends change, but I do not think that will happen with ENO." ■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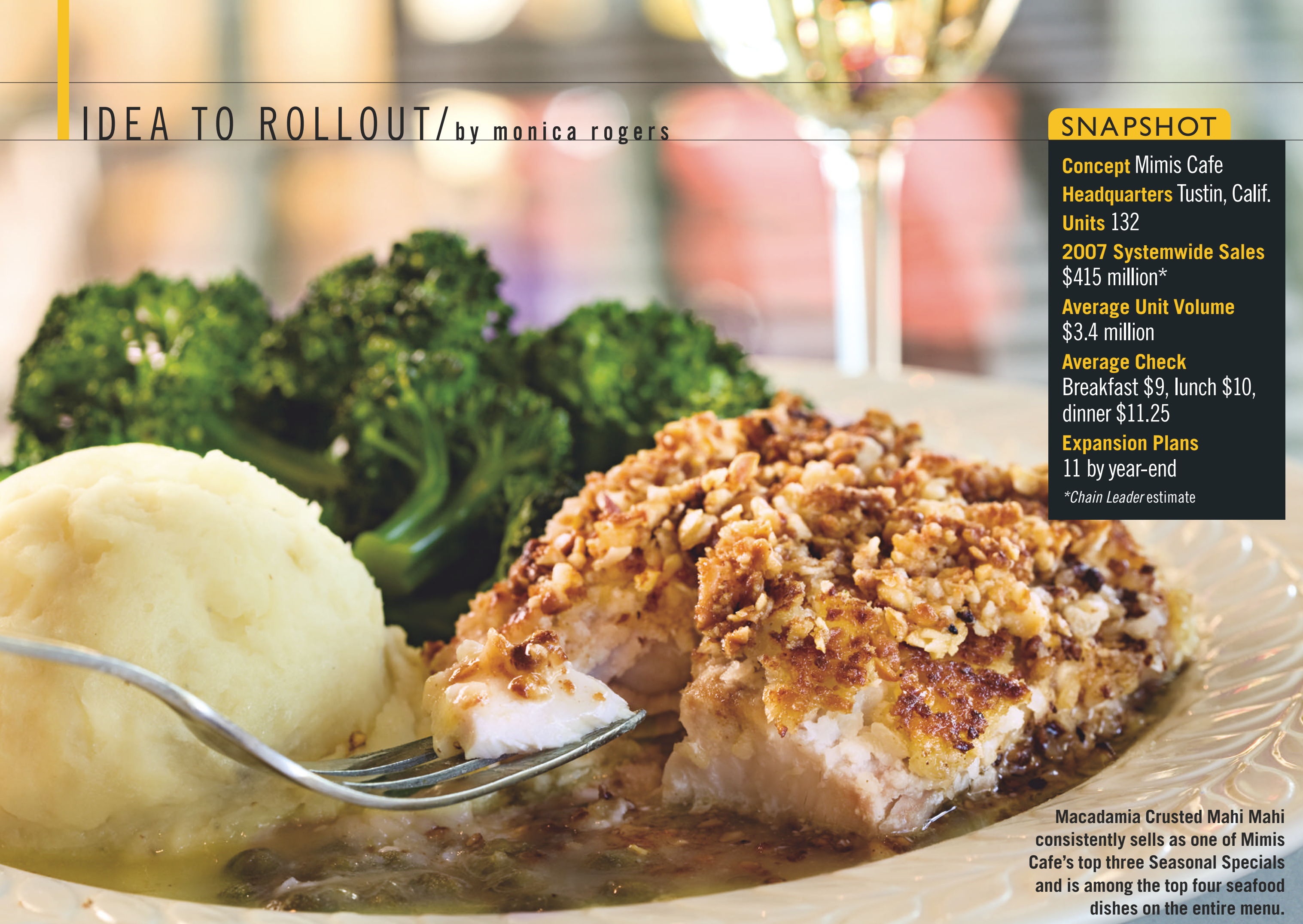

SNAPSHOT

Concept Mimis Cafe
Headquarters Tustin, Calif.
Units 132
2007 Systemwide Sales $415 million*
Average Unit Volume $3.4 million
Average Check Breakfast $9, lunch $10, dinner $11.25
Expansion Plans 11 by year-end

Macadamia Crusted Mahi Mahi consistently sells as one of Mimis Cafe's top three Seasonal Specials and is among the top four seafood dishes on the entire menu.

Chain Leader estimate

UPPER CRUST

Macadamia nut-crusted fish dishes **INCREASE SEAFOOD SALES** at Mimis Cafe.

Adding richness, crunch and a significant boost to Mimis Cafe's seafood sales, macadamia-nut crusts are a big hit with seafood lovers at the Tustin, Calif.-based chain. So big that the 132-unit chain has kept the crust offering on every seasonal menu since it launched last year.

In the company's first-ever segmentation study completed in 2007, more than half of the 15,000 guests surveyed said they wanted more seafood. Mimis responded with more than a dozen new items, most in the Seasonal Specials section.

Among these dishes, The Macadamia Crusted Mahi Mahi, $14.99, was a surprise hit. Prepared by coating a marinated fish filet in freshly ground macadamia nuts and then searing it on a griddle, the fish is accompanied by a seasonal sauce, vegetables and guest's choice of potatoes. "Unit sales of the mahi mahi doubled with the introduction of the macadamia-nut crust," says Vice President of Food and Beverage Adam Baird.

UPSCALE TEXTURE

Mimis had been offering mahi mahi pan-griddled or blackened with Cajun spices for six months before it launched the nut-crust option in July 2007. "Guests saw added value with the addition of the nut crust, which has an upscale appeal," Baird says.

The crust brings textural contrast, and the flavor is versatile, pairing well with a variety of sauces. Changing seasonally since February 2007, sauces have included orange-parsley butter (February 2007), lemon-caper butter (September 2007 and February 2008), citrus-artichoke-crab sauce (December 2007), and avocado-artichoke salsa made with lightly pickled red onion, lemon juice, artichoke heart, tomato, parsley and avocado (May 2008). Half of the guests who order mahi mahi get it with the nut crust, and 40 percent of these guests also get the sauce. Lemon caper has been most popular so far.

Banking on the success of the crust, Mimis is now offering it with orange roughy, added to menus in May. Baird is also experimenting with hazelnut, pecan, pistachio and cashew crusts. "The nice thing about these is that a small amount of nuts goes a long way, which helps with the food cost," says Baird. ■

Photo by Kingmond Young

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Au Bon Pain's **ENERGY-PURCHASING TACTICS** include negotiating price, auditing past utility bills and sharing consumption best practices.

Powering DOWN

Au Bon Pain worked with an energy-procurement consultant to find the best utility prices and ways to reduce energy consumption in the stores.

At a time when every bit of margin matters, purchasing executives are struggling to balance costs with customer expectations. One area guests won't see cutting is in energy use.

Wade Winters, vice president of purchasing for Boston-based Au Bon Pain, wonders why a focus on utility costs isn't more prevalent. "We should have been pursuing it years and years ago. Why does it take the worst of times to understand that this is an opportunity?" he asks.

Opportunity it is, if the bakery-cafe's experience is any indication.

WORKING THE INSIDE

Winters hired Gary Markowitz of Lexington, Mass.-based Kilojolts to identify energy-saving opportunities for Au Bon Pain's 122 domestic company-owned restaurants. The energy-procurement consultant works with utility brokers to get the best prices on electricity and gas. "Because we don't purchase energy, it's kind of a new concept," Winters explains. "We don't necessarily have the insight or expertise to know the ins and outs of that particular category."

"This is a well-spent consulting fee," Winters says without specifics, adding that over the past 12 months, the savings has been worth it. Though he's been

SNAPSHOT

Concept Au Bon Pain
Headquarters Boston
Units 122 company, 60 franchise in U.S.
2007 Systemwide Sales $300 million
Average Check $4.71
Expansion Plans 12 to 15 in 2008, including 6 in Dubai and Kuwait

warned that not even brokers will be able to help reduce costs for the next six to 12 months.

Fortunately for Au Bon Pain, the consulting goes beyond finding the best prices. Kilojolts is also auditing past utility use. Winters explains that usually bills come in from the utility companies, and the company simply pays them. The audit will examine previous invoices to check for mistakes. "They know what to look for," he says of the consulting firm.

In cases where utilities are billed through the landlord, the consultant will research comparable rates in the market to determine if the fees are fair. If something seems off, Au Bon Pain will ask for documentation from the landlord.

"We're confident that landlords will cooperate," Winters says. "If it's a mistake, I can't see why they wouldn't make good on it." He points out that the landlords themselves may have been overcharged, and "maybe we're doing them a favor by recognizing it."

Still, the company is examining lease terms going forward to ensure the company is able to audit utility costs.

LOWERING DEMAND

Au Bon Pain is also working to lower its energy costs by reducing its consumption. Kilojolts is helping identify best practices in not only the restaurants but the support center and manufacturing facility as well.

For example, some stores leave the conveyor toaster on all day, but they would save energy by using a four-slot toaster during slow times. Winters points to the habit of some managers to turn everything on when they walk in the door in the morning; they could save energy by turning lights and equipment on only when necessary.

While the consultant will help point out such areas, Au Bon Pain will follow up and roll out new operating procedures or training. Winters would like to see reduced energy costs tied to manager bonuses. "Reward drives compliance," he says.

Au Bon Pain also shares best practices with its franchisees, which operate 60 units, and will incorporate them into new restaurants.

"The way market conditions are, with commodity costs, there are very little directions to turn to become more efficient and create cost savings," Winters says, adding that he would rather save a few cents by using less energy than by using lower-quality ingredients.

"There's something to be said for when times are tough," he says. "It makes you more efficient than you ever would be." ■

One Answer Is Blowing in the Wind

Vancouver, Wash.-based Burgerville, a quick-service chain famous for using locally sourced ingredients, has been purchasing wind-energy credits since summer 2005. Jack Graves, chief cultural officer for parent The Holland Inc., which operates 39 restaurants in Washington and Oregon, explains that it began as part of the company's mission to impact communities in a positive way.

"People in the Northwest are very concerned about the environment," he says. "We knew that would add value to our product."

The company pays a premium for the credits, but Graves says Burgerville is seeing two to three times the sales increases its competitors are and has had two-and-a-half years of double-digit increases, "and we believe another year this year."

Willing to share the wealth, The Holland has been asking the companies it does business with to follow its lead. Graves says about half-dozen now purchase wind-energy credits, thanks to The Holland's influence, and that the company has also helped enroll at least 2,000 consumers in Portland.

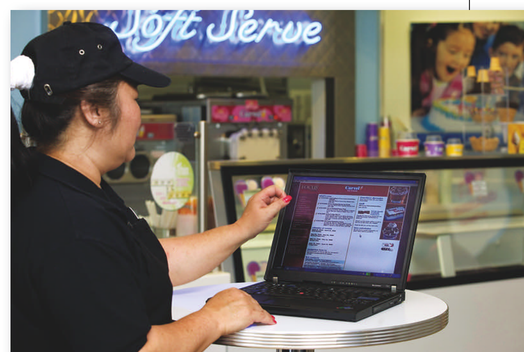
Looking ahead, Graves says Burgerville is trying to design a building that would have no energy draw at all. Meanwhile the two units expected to open this year will follow the company's best conservation practices so far.

SNAPSHOT

Concept Carvel Ice Cream
Ownership
Focus Brands, Atlanta
Units 541
2007 Systemwide Sales
$170 million*
Average Unit Volume
$375,000*
Average Check $4.50*
Expansion Plans
30 in 2008

**Chain Leader* estimate

High-Touch TECH



Carvel combines **IN-STORE VISITS** and an **INTRANET SITE** to make communication and training practically foolproof.

There are two options for handling training for a new-product launch. One is store-based, in-person training of franchisees and their staffs. Another way is to post the training manual, complete with recipes and instructions, online, thus enabling franchisees to train themselves and staff on their own.

Carvel Ice Cream has decided that neither approach is enough. So the Atlanta-based chain of 541 ice-cream stores has combined training via EZLink, its intranet site, with an exhaustive in-store training schedule that has field consultants and executives spending four or more hours in every single store for every new major product launch.

The whole package is called Refresh Our Image, or ROI. Since it debuted in 2003, biennial ROIs have helped Carvel maintain flat or positive same-store sales, no small matter in what President Gary Bales calls "a very tough category."

The intranet and in-person support are indispensable to each other, Bales says. "Face-to-face time is the cornerstone for us building the brand," he says. At the same time, "the EZLink is the support function to keep an open line of communication."

Portraits by Lance Davies

REINFORCING SUPPORT

EZLink, launched in spring 2005, is now in the midst of a major overhaul, important as it becomes a more crucial component of Carvel's franchisee communication strategy.

The new site, which was to launch in late May, includes a comprehensive calendar of product tests, promotions and rollouts. A new section shows renderings of new prototypes to help franchisees who are building new stores. EZLink's section for the Carvel Franchisee Advisory Council will contain meeting notes available to all franchisees.

"Every department, from marketing to operations to purchasing, has a page on that site," says Jim Salerno, vice president of operations for Carvel. "Franchisees can find everything they need."

Features that will remain include an online chat room for idea sharing, a benefit that franchisee Irene Macones finds invaluable. "I wouldn't be willing to give it up," Macones says. She's not alone: Carvel executives say 60 percent to 70 percent of franchisees visit the site at least once a week.

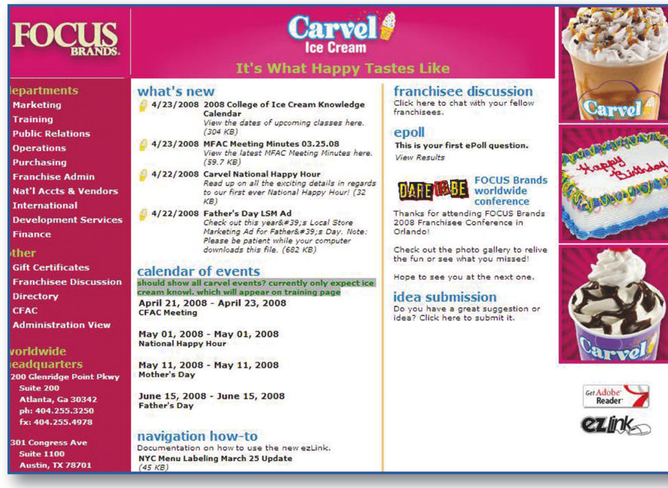
Macones, a longtime franchisee who owns a 1,400-square-foot test store in West Paterson, N.J., visits the site once a day. She regularly visits the

(Opposite) As part of Carvel's Refresh Our Image strategy, franchise consultants and key executives visit every store to train staff and managers to make and market new menu items.

All in-store training materials are available on EZLink, Carvel's intranet site.

This year's ROI involves Carvel's new line of blended coffee and ice-cream drinks, which were introduced this spring.

Younger Carvel franchisees are leading the charge to make the company intranet, EZLink, a hot communications tool.



Carvel's revamped EZLink site offers new information including an entire section on restaurant design and a calendar of promotions, tests and rollouts.

training section to download and print materials for her staff to review. Her favorite part of the site, though, is the chat room. Macones says she missed her cyber-visits with other franchisees when EZLink was under reconstruction.

The idea sharing, she says, can be ingenious. Her favorite example comes from an operator who suggested re-decorating rabbit-shaped Easter cakes to turn them into Mother's Day cakes. "I inverted the rabbit and filled in the ears, and it looked like a vase of flowers," Macones says. "Stuff like that…we teach each other how to save pennies on things."

Macones is also a big fan of intracompany e-mail. She doesn't remember the last time she telephoned Bill Purcell, the Carvel franchisee consultant in her area. "He and I e-mail constantly," she says. Macones is unusual in that she's a more seasoned operator who makes good use of EZLink.

Younger franchisees are more apt to use the site, Salerno says. "Newer franchisees are leading the charge with using EZLink and making it a very good communication tool," he says.

A PERSONAL TOUCH

Salerno points out that when it comes to training, EZLink supports Carvel's key tool: in-store training sessions for major product launches.

This past spring teams composed of one of Carvel's eight field consultants, plus at least one corporate executive, traveled to all 541 stores to coach staff in preparing, sampling and marketing Arctic Blenders, a new line of frozen drinks, and several new blended coffee drinks.

The team needs about 90 days to visit every store in the system. Bales estimates that each ROI round costs Carvel "in the six figures" in traveling expenses.

Intensive in-person and online training to accompany new product launches have helped keep Carvel's comp-store sales flat or positive, no small feat in what President Gary Bales calls "a very tough category."

The in-store training program has evolved over the years. For instance, Carvel executives now announce the new ROI schedule at the franchisees' winter convention and then make appointments to visit each store. That scheduling is key, Salerno says. Before, "we were showing up at a store and franchisees didn't know what was going on," he says. Now franchisees can prepare for the visit, even holding it during store hours so staffers and executives get a chance to interact with customers.

Macones credits her store sales, up 6 percent in the first quarter of 2008, to the in-store training, calling it a "mini pep rally" for new product introductions. "The kids get all excited about it. They get pumped up," she says.

A CRUCIAL COMBINATION

The tech-touch combination is key to both successful product launches and communication between the corporate office and franchisees.

"I always prefer face to face as a rule," Salerno says. "But it's wonderful to have [EZLink] for other purposes," such as updating a recipe or quickly changing marketing materials. And it is invaluable in backing up training. "The thing about training is that not everything 'sticks,'" Salerno adds.

Carvel's tech-touch approach is "forward-thinking, very forward-thinking," says Steve Carvell, associate dean for academic affairs at Cornell University's School of Hotel Administration, in Ithaca, N.Y. (Carvell's grandfather was a cousin of Carvel founder Tom Carvel.)

Combining in-person with online training "certainly wasn't a no-brainer," Carvell says. While Carvell says there is no substitute for "synchronous," or real-time, in-person training, the intranet component both reinforces training and sends franchisees the message that the chain values open lines of communication.

"I think any company that doesn't start moving into an online platform for interaction with its community is missing a great opportunity," Carvell concludes. ■

Purchasing executives are **TURNING TO SUPPLIERS** to cope with the downturn.

In This TOGETHER

SNAPSHOT

Concept Fazoli's System Management
Units 300
Projected Size of Purchases Managed, 2008 $100 million
Number of SKUs 150
Distributor The Sygma Network
Top Product Categories Pasta, bread, cheese
Procurement Goal for 2008 Enlist supplier support to keep impact of raw product price increases on food cost to 1 percent or less

Of the tasks purchasing departments are typically assigned—sourcing, logistics, contracts, cost savings, food safety, product specs—guess which one is now center stage.

Trimming costs is so much on the minds of purchasing executives that it is hard to have a conversation with one of them without the subject dominating it. After all, they haven't seen anything like this economy.

"No one in the business today has gone through a period quite as unique," offers Bob Kulick, president of JMC Restaurant Distribution, a division of and exclusive distributor to CiCi's Pizza.

To find out how "unique" and how they are dealing with rising prices, we spoke with three industry veterans: Kulick; Judy Hollis, vice president of supply chain, R&D and quality assurance for Lexington, Ky.-based Fazoli's; and Chris Patterson, president of Austin Grill in Alexandria, Va.

FEELING THE PRESSURE

Hollis is no stranger to working under intense pressure. During eight years as senior vice president for

Amid a difficult economy that is battering their sales and profits, purchasing executive at three chains—Fazoli's (opposite), Austin Grill (top) and CiCi's Pizza—are discovering new ways to work with vendors to help blunt rising commodity costs.

Fazoli's insists that suppliers visit units, talk to managers and watch kitchens produce food so vendors bring in products that fit the concept's menu positioning.

supply chain at Wendy's International, she remembers institutional investors leaning on the burger giant to boost margins, which were not comparable to competitors.

"We had to do the same things: very detailed and very careful work on costs," recalls Hollis, vice president of supply chain for Lexington, Ky.-based Fazoli's System Management, where she's trimming about $2 million from the cost of sales.

At Wendy's, the problem was beef. Today, it's the high cost of commodities in general. "With the commodities market so difficult, profit is even more of a priority," she says.

Sales and profits were slumping at the 300-unit, fast-casual chain when Sun Capital Partners acquired it for an undisclosed sum in October 2006. CEO Robert Weissmueller hired the veteran purchasing executive a few months later to improve both.

Good relationships with suppliers are crucial for the development of new products like sauces and pastas. Vice President of Supply Chain Judy Hollis says that effort involves making sure vendors "get in the restaurants and understand them."

Fazoli's purchasing department had already been wringing out costs by the time Hollis arrived. "It's not that when I came in we had lots of low-hanging fruit," she explains. "We had to take $2 million out by being much more creative and looking all through the supply chain."

Hollis began by vetting suppliers. Two criteria were especially important: low overhead and access to resources like market research that Fazoli's that didn't have.

"I reached out to key manufacturers and asked them to share consumer research with me in depth to help develop a menu strategy," she says.

One manufacturer offered Fazoli's its test kitchen after Hollis promised to keep the company informed of the chain's initiatives. "I said, 'I will give you opportunities at projects as we develop our strategy and tactics.' So we did just that," she recalls.

Hollis visited the supplier's test kitchen and, with the help of its culinary staff, developed an Italian beef sandwich that tested well with consumers but exceeded the chain's tight cost standards. The product was changed and eventually rolled out, profitably, last summer. "We always want to be involved in the process," Hollis says of the time she spent in the test kitchen and with focus groups.

THE RIGHT STUFF

Involvement saves more than money. Early in her career, Hollis saw vendors bringing products that didn't fit a chain's menu positioning. "It was wasted time and effort," she says. To avoid such missteps, Hollis insists suppliers visit Fazoli's units, talk to managers and watch kitchens produce food.

Hollis isn't entirely unsympathetic to suppliers' problems. "If you are going to weather times like this, you can't turn a cold shoulder to their pressures and refuse reasonable price increases. You have to be

BIG idea Fazoli's Judy Hollis looks for places like packaging to take costs out of the manufacturing process.

BIG idea Bob Kulick invites manufacturers to CiCi's annual convention and lets them remain in the room when company officials talk about strategy.

in it together," she explains. "Not that you don't challenge them."

LEVERAGING RELATIONSHIPS

CiCi's Pizza's Bob Kulick knows that drill only too well. "We really battle to make sure prices are the best they can be," he says of his relationship with suppliers, with whom he keeps close ties.

Kulick wears two hats: buyer and seller. He operates JMC Restaurant Distribution, which sells supplies to CiCi's Pizza, a one-price buffet chain. He is also purchasing $150 million worth of supplies each year for manufacturers.

The costs of cheese, flour and sauce—the buffet chain's top three product categories—have climbed steeply since the first of the year, and Kulick, who once operated restaurants, understands how dangerous that is. "Costs are escalating much faster than franchisees can raise their prices. There's going to be a disconnect for a period of time," he says.

Meanwhile, Kulick depends on manufacturers to help him trim costs by value-engineering certain products.

GETTING PERSONAL

According to Kulick, his social science background (his major in college) has come in handy, helping him to convince manufacturers to go the extra mile. "We sometimes surprise our vendors by asking them how we can be better customers," he says. One took him up, inviting JMC to place orders later in the week.

Kulick also mentions a time when, lamenting that CiCi's popular Classic Chicken Pizza could only ever be an LTO because of protein costs, a supplier insisted otherwise. "He said, 'I will make my life's work putting this product on your buffet,'" he recalls.

CiCi's is now putting those relationships and attendant contracts to work. The company is encouraging manufacturers to look for ways to take costs out of products or make them more efficient to work with. For example, a change in brownie-mix packaging made it more efficient to handle. Flour is now bagged in sacks that match batch sizes for pizza dough. So far, one of two sauce manufacturers lowered Kulick's annual cost for a sauce product by about 10 percent after coming up with a concentrate.

Given fluctuating prices, CiCi's is doing supplier reviews more frequently.

Given fluctuating prices, Kulick is doing supplier reviews more frequently. "Let's look at things now and then again in two months instead of six months," he explains. "Help us get through these incredibly difficult times."

Kulick is reluctant to ask vendors to lower raw material costs, conceding they know more about the manufacturing process than he does. Still, he adds, his relationship with suppliers is such that they will call his company to make cost-saving suggestions. "They do come to us on a regular basis and say, 'What do you think of this?'" he says.

SNAPSHOT

Concept CiCi's Pizza
Units 633
Projected Size of Purchases Managed, 2008 $150 million-plus
Number of SKUs About 300
Distributor JMC Restaurant Distribution
Top Product Categories Cheese, flour and sauces
Procurement Goal for 2008 Protect the CiCi's system from this year's unprecedented rising costs

CiCi's Bob Kulick, president of the chain's distribution arm, likes to contract ingredient prices for as long as possible. "We have a saying here: 'If the price works for us today, it will work for us tomorrow and the next day,'" he says.

SNAPSHOT

Concept Austin Grill
Units 8
Projected Size of Purchases Managed, 2008 $2.2 million
Number of SKUs 455 (estimate)
Distributor Sysco
Top Product Categories Cheese, canned tomatoes, chicken breast
Procurement Goal for 2008 Manage cost of goods to avoid raising menu prices

OUTSIDE HELP

Austin Grill maintains a cost lid on products like glasses by negotiating directly with the wholesaler instead of a broadliner.

Austin Grill also maintains close ties to suppliers but uses an intermediary to stay in touch, says Chris Patterson, who until he left Austin Grill in May was president of the eight-unit chain. While examining purchasing practices "from all angles," he retained a retired purchasing executive named Jim Husk to help trim the cost of goods. Austin Grill pays Husk a monthly fee; no commissions are involved.

"Jim allows us to go directly to the manufacturer to negotiate deals," Patterson explains. "He will source chicken breast and cut a deal with a supplier. Then, we go to our primary distributor and pay a landed price and a mark-up we've already agreed to."

The Atlanta-based consultant, who worked for Popeye's Chicken & Biscuits in the 1980s, also buys the Southwest-themed chain's skirt steak, rice, beans, paper products and chemicals. "I told him I'd do everything except heavy equipment, construction and liquor," Husk says.

Patterson, who declines to reveal how much Husk has saved the chain, launched the cost-saving process early this year by giving Husk the company's supplier list.

"We started at the top and went to the bottom, trying to see which products we could put on national contracts," Patterson recalls.

Seeking Common Ground with Suppliers

It's tough for operators to get along with suppliers when costs are rising. But doing so may lead to greater efficiencies, contends Lauren Cahill-LeFranc, a purchasing consultant with Charlotte, N.C.-based Results Thru Strategy. Here's how:

- Avoid price shock on primary commodities by approving secondary product specifications as a default when raw commodity costs on key items reach a predetermined threshold.
- Consider face-to-face conferences to get the support of key suppliers and generate ideas to reduce costs.
- Every quarter conduct an offsite meeting at the distributor's test kitchen with both its purchasing and account-management executives.
- Evaluate line-item costs of high-volume and proprietary manufactured products for alternate methods of manufacturing, labor, storage, packaging and raw-ingredient specifications.
- Create cross-functional, intercompany teams including product development, operations, finance and marketing. This involves the purchasing departments early on in sourcing.
- Drill down into the master distributor agreement to evaluate actual costs and potential for cost inflation associated with split-case fees, small deliveries and fuel surcharges.

BIG idea To cut utility costs, Austin Grill's kitchens turn half its equipment off as soon as lunch ends.

Today the company has leverage on some 20 items, which has helped lower Austin Grill's food cost by a quarter point year to date, Patterson claims. "We've been able to lower the cost on chicken and skirt steak," he adds.

CHECK THIS OUT

Managers and staff have also been enlisted in the cost-savings effort. They weigh each box that comes in the back door, particularly if it contains proteins. "We have found on more than one occasion a box of chicken breast or skirt steak 3 or 4 pounds off, and we go right back and ask for a credit," explains Patterson.

Austin Grill can also count on Thompson Hospitality, the Herndon, Va.-based contract-foodservice company that acquired the chain two years ago, to help trim costs. Patterson cut a deal with the concessionaire's smallwares supplier, saving money.

The proximity of the eight units—all are in the Washington, D.C., area—has kept delivery cost low because one truck can make the rounds. Patterson also reduced the number of weekly drops from three to two per restaurant.

"Any time you go through challenges like these you become a better operator," he maintains. "You have to get more creative and wiser." ■

on the web: Read about the distributors' point of view of building alliances to save commodity costs. Visit ***www.chainleader.com.***

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A Cinnabon franchisee steps up **EXPANSION IN DUBAI** to cater to tourists and a wealthy and diverse local population.

Middle East ACCORDS

You don't want to know how much Walid Hajj is paying to rent space for two tiny Cinnabon units at the Dubai Mall, scheduled to open in August in Dubai, the booming city some are calling "the pearl of the United Arab Emirates."

Really, you don't. Nobody ponies up that kind of dough for a spot in a food court.

Even if you did, Hajj wouldn't tell you. He'll just say that until he inked the confidential lease, his highest food-court rent, in the palatial Mall of the Emirates, was half as much as the new one.

What is he supposed to do? His company, Cravia Inc., is headquartered in Dubai and already operates a dozen franchised Cinnabons there. The Dubai Mall will be the largest shopping center on the planet. Hajj *has* to be there.

You may want to be, too. Dubai, among the fastest-growing markets in the Middle East, has a multinational population of 1.5 million and attracts 28 million visitors a year. Over the last several years, numerous American restaurant companies have struck franchise deals in the city and elsewhere in the United Arab Emirates.

"We fought for as many locations as we could get," Hajj offers, adding there were 750 applicants for 300 spaces. Hajj ended up with five of them: two for Cinnabon and three for the two other concepts—Zaatar w Zeit (two spots) and Roadster Diner—he franchises.

The food courts, Hajj boasts, are not your garden variety, with flimsy metal tables and chairs. "They're high end, with water features," he says, alluding to the mall's highly anticipated aquarium (also said to be the world's largest) and sprawling ice rink.

DISCIPLINED EXPANSION

Hajj, a Cinnabon franchisee since 2000, wins praise from Mike Shattuck, vice president of international operations for Atlanta-based Focus Brands, which owns the Cinnabon brand. "Walid has a disciplined approach to development. He wanted to build Dubai out first before moving to Abu Dhabi," Shattuck says, referring to the UAE's capital, where Hajj has opened a Cinnabon.

Hajj, who describes himself as a "territory developer," is in his third six-store agreement with Focus Brands, having opened 20 Cinnabons, the bulk in Dubai. He also operates Seattle's Best Coffee, a concept Focus Brands franchises only internationally. After opening just three of each in the UAE last year, Hajj is stepping up expansion.

"This is a very aggressive year," Hajj declares, alluding to the 10 Cinnabons and six Seattle's Best Coffees that he'll open by the end of this year. He thinks Dubai is becoming a "hub" city like New York, Paris and Singapore. "There isn't a single hub in the Middle East to serve the 100 million people who live here and their vast wealth, except Dubai," he says.

Hajj has opened nine SBCs so far, all inside Cinnabon units. A handful of the Cinnabons are in Egypt, where he has a joint-venture deal involving 22 outlets, including Carvel Ice Cream, another Focus Brands concept, and Oakville, Ontario, Canada-based Teriyaki Experience. Earlier this year Hajj signed on as a minority partner in a Ruby Tuesday franchise in Cairo.

Since 2005, he's been expanding Zaatar w Zeit, a full-service, 24-hour Lebanese concept; he has opened five so far in the UAE. The Roadster Diner, a

(Opposite) Last June, Focus Brands' Dubai franchisee, Cravia Inc., invited children at the Deira City Center to whip up sweet cinnamon rolls during the mall's Summer Surprise promotion.

Cravia CEO Walid Hajj has been a Cinnabon and Seattle's Best Coffee franchisee in the United Arab Emirates since 2000. The 39-year-old Harvard MBA is opening 10 Cinnabons and six SBC units in 2008. About Cravia's aggressive expansion, he declares, "It's about time we keep petrodollars in [the Middle East] and develop our own countries."

Middle East: Great for Business, Not for Litigation

By Joycia Young and Philip Zeidman

The Middle East remains one of the few regions of the world without franchise legislation. That could change, of course. In Dubai, the Department of Economic Development has produced a draft franchise law of more than 50 pages, which appears to be modeled on Australian franchising legislation. Yet government officials haven't implemented any of its measures.

But concerns do not end there. The Commercial Agency laws, in Dubai as elsewhere in the region, can provide significant statutory protection to franchisees. One must examine the whole range of laws affecting contractual relationships, including labor laws and company laws, which usually impose local ownership requirements, to assess their impact on a franchise.

The regulatory climate is relatively benign: no exchange controls, no quotas, no trade barriers. Nor are there corporate profit or personal income taxes. And the UAE is perhaps the only country in the world where foreigners dominate the private sector.

But keep in mind that the Gulf Cooperation Council states are Islamic nations. Many of the principles of Shari'a law—the widely practiced Islamic system of laws, customs and norms governing most aspects of Muslims' life—apply to commercial transactions.

English, moreover, is considered a foreign language and the enforcement of legal rights is often difficult because Middle Eastern courts don't recognize legal precedent and have limited ability to obtain injunctions.

Therefore it is absolutely crucial for franchisors to conduct legal and commercial due diligence on prospective franchisees and ensure that the franchise agreements have been reviewed by lawyers familiar with the laws of the relevant jurisdictions.

DLA Piper attorneys Young and Zeidman are international law specialists in Dubai and Washington, D.C., respectively.

“When there are problems elsewhere in the Middle East, people come to Dubai and Dubai prospers.”
—CEO Walid Hajj, Cravia Inc.

Dubai is one of the wealthiest regions in the Middle East. It has proven a lucrative and safe market for American brands like Cinnabon.

casual-dining concept with a comfort-food menu, in the Dubai Mall will be his first. Hajj expects systemwide revenues this year to reach 100 million dirham (about $30 million).

Hajj, 39, is no stranger to the restaurant business. His Palestinian father founded a restaurant distribution company (now called United Group) in the 1970s in Saudi Arabia. By the late ’90s, the company was the Kingdom’s exclusive supplier to McDonald’s.

Hajj earned an MBA from Harvard University in ’95 and afterwards joined the Saudi branch of Procter & Gamble. In 2000 he signed an agreement with then-Cinnabon and SBC franchisor AFC Enterprises and began developing restaurants in the UAE and Egypt. Today Cravia has more than 800 employees.

LAND OF OPPORTUNITY

The UAE, a member of the Gulf Cooperation Council, is one of the wealthiest regions in the Middle East. It has proven a lucrative and safe market for American brands like Cinnabon. Even periodic Pan-Arab boycotts, usually stemming from U.S. support of Israel, haven’t affected business, Hajj claims.

“Dubai and the UAE have been in a sort of isolation,” Hajj says, referring to the relatively small native-born population and the growing numbers of non-Arab immigrants, now estimated to be nearly 70 percent of the UAE’s 4.2 million people; Emirati make up about 20 percent.

The influx of non-Arabs and well-heeled tourists has spawned a race for restaurant space in Dubai, where an estimated 1.5 million live. “Not only is real estate extremely expensive, even if you can pay, it’s tough to get your hands on it,” Hajj laments. Apartment rents climbed 30 percent in 2006, according to GlobalPropertyGuide.com, which notes skyrocketing prices have been driven by Dubai’s swelling population.

His mostly mall-based Cinnabon-SBC system ranges from tiny kiosks to 3,000-square-foot bakery-cafes. He likes “streetside” locations for Zaatar w Zeit, which is popular with late-night revelers.

James Walker, chief development officer for Thousand Oaks, Calif.-based Baja Fresh and also a Cinnabon franchisee, toured the UAE in April and counted 328 restaurants among 14 U.S.-based concepts, not including Cinnabon or Seattle’s Best Coffee. “We’re seeing very large deals for the UAE, both in Abu Dhabi and Dubai, because of the growth and affinity for American brands,” he says.

This year Ruth’s Chris Steak House, Ruby Tuesday and California Pizza Kitchen announced UAE franchise deals. Franchising upscale restaurants is a recent trend. “Things are moving toward a higher level of dining,” Shattuck says.

MARKET CONDITIONS

Filling slots in his growing empire hasn’t been a problem for Hajj. The government recently mandated that business fill positions with native-born Emirati, but the ruling hasn’t been strictly enforced, he says: “You’d rarely see one working as a waiter.”

Most of his 850 employees are Filipinos, who he praises for their loyalty and skill, especially with their hands. “They are extremely efficient and stay for a long time,” Hajj says.

He pays them the equivalent of $1,300 a month before deductions for housing. (Hajj rents the apartments many workers live in.) Store managers are transplanted Arabs, who make about $3,000 a month. If those salaries seem small, consider there is no income or sales tax. Employers are not required to pay a minimum wage, despite government efforts last year to enforce the one already in place since 1980, according to Human Rights Watch’s “World Report, 2008.”

There is, however, inflation. Ingredient costs have climbed 30 percent so far this year. Hajj hiked menu prices 15 percent as a result and has yet to see a drop in traffic. “Keep in mind our products are generally cheap. When you increase something by one dirham [about 30 cents], people aren’t going to notice,” he says. “Everything here is going up, including rents, and people expect to pay more.”

Inflation has yet to discourage visitors. Last year the UAE was among countries recording the strongest incremental growth in passengers, reports Airports Council International, a London-based association of airport operators. In 2006, 28 million people passed through Dubai International Airport, the world’s 10th busiest, the group says.

Hajj is hopeful those numbers keep growing. “My [Dubai Mall] rent should be compensated by higher sales,” he says. ■

SNAPSHOT

Company Cravia Inc.
Concepts Cinnabon, Seattle’s Best Coffee, Carvel, Zaatar w Zeit, Roadster Diner, Teriyaki Experience, Ruby Tuesday
Headquarters Dubai, United Arab Emirates
Units 47
2008 Revenues $30 million (company estimate)
Average Check $5.50 (Cinnabon)
Expansion Plans 10 Cinnabons, 6 Seattle’s Best Coffee in 2008

SNAPSHOT

Concept Panda Express
Parent Company Panda Restaurant Group, Rosemead, Calif.
Units 1,071
2007 Systemwide Sales $1.06 billion
2008 Systemwide Sales $1.2 billion (company estimate)
Average Unit Volume $1.1 million
Average Check $9.23
Expansion Plans 160 annually

Panda Express offers **LEADERSHIP TRAINING** to help keep its managers around.

Leading ROLE

Panda Restaurant Group's management training program emphasizes leadership skills as well as operational standards.

Christopher Briggs is not the kind of general manager that merely sits in the back office analyzing profit and loss statements, inventory and budgets. You'll often find him working alongside his hourly employees, pitching in where he can at the Panda Express he runs in Torrance, Calif.

"I help my associates complete tasks and do anything. If I have to wash the dishes, if I have to sweep the floor, I will do it because those are the kinds of things I feel develops trust among people and really developing relationships with them," he says. "Every leader needs to develop a high level of trust first."

That's just one of the lessons Briggs has learned since he arrived at Panda Express two-and-a-half years ago. As he moved up from assistant manager to general manager and training leader, in which he trains other general managers, the Rosemead, Calif.-based company has taught him not only how to run a Panda Express but also how to be an effective leader.

"Panda teaches us and develops us into leaders, not just managers," Briggs says.

LEADERS IN THE MAKING

Parent Panda Restaurant Group has spent the last two years reworking its manager training programs to emphasize leadership skills as well operational standards. By doing so, the company hopes to retain managers and have a pipeline of them ready as Panda Express opens 160 fast-casual Chinese restaurants a year.

"We can teach any tactical skill. That is not hard. What is hard to teach are leadership behaviors. That's why we focus so strongly on that," says Linda Brandt, chief people officer of Panda Restaurant Group, which also owns six-unit Panda Inn and 28-unit Hibachi-San. "We believe that how our leaders behave is a lot about how we retain people. How we inspire them, how I treat my people is what makes them want to stay. You know the research—people do not quit companies, they quit their bosses."

Panda's new courses are based on *The 7 Habits of Highly Effective People* by Stephen R. Covey. According to the book, people develop leadership skills from the inside out. They must first learn to be independent leaders comfortable with making decisions for themselves. Then they can learn to be interdependent leaders who can cooperate with others.

The courses focus on developing the 10 traits Panda believes produce high-performing leaders. Five of the traits are based on Panda's values: being proactive, respect and win-win (solutions that benefit both employee and manager), growth, great operations, and giving. The other five center on hiring, leading and developing a team, problem solving and decision making, hard work, business knowledge, and integrity. "So wrapped inside that, we are looking for people who are humble, they're open to learning and they're good communicators," Brandt says.

BUILDING A FOUNDATION

General managers are required to take three foundational courses. The first is a seven-week training program at a unit. It focuses on tactical skills such as preparing food and labor scheduling. But GMs are also introduced to a simplified version of *The 7 Habits of Highly Effective People* called 7 Habits in a Box, which includes a journal and 97-page workbook.

Once general managers complete the seven-week training, they must read and pass a test on *The 7 Habits of Highly Effective People*. Then they take Great Operations 101: Running a Successful Restaurant at corporate headquarters.

The 101 course still covers mostly task-based skills such as P&L statements. The GMs practice what they've learned running a Panda Express unit in the corporate support center. The class concludes with a discussion of *The 7 Habits*.

General managers must also take Great Operations 202: Developing Others to Succeed. They learn about time management and Panda's coaching model, which identifies different types of learners and the best ways to coach them. For example, a GM would provide more hands-on coaching to someone who has learned the skills for a position but lacks confidence.

LEARN BY DOING

GMs who want to become an area coach, Panda's term for district manager, can take Great Operations 303: Inspiring Others Through Self-Discovery. To qualify, managers must work with their supervisors to outline career goals and create a development plan to meet them. In addition, they need a positive performance review and must meet certain customer service and financial metrics for their units.

The interactive training sessions are designed to help managers develop traits such as being proactive and respectful—characteristics Panda believes produces high-performing leaders.

BIG idea Panda Express recognizes high-performing general managers and others above the store level with an all-expenses-paid trip to its biannual Leaders Conference. During the three-day meeting, attendees spend one day on leadership training and the rest of the time sightseeing or doing other fun activities like shopping or surfing.

Great Operations 303 (top) teaches team building and servant leadership through sharing and experiential activities.

About 70 percent of Panda's general managers are promoted internally.

The 303 course teaches general managers about team building and servant leadership through sharing and experiential activities. For example, one activity focuses on communication. Working in pairs, one GM is blindfolded inside a large circle with a bar that goes from one end of the circle to the other and objects on the floor. The other GM must direct the blindfolded person to walk through the circle without stepping on the bar and other objects. "If you do not communicate very clearly to the individual who's blindfolded, they are not able to do the task," Brandt explains. "So it's about communication. As leaders, how do we set expectations clearly and how do we help people achieve the goals that have been established."

According to Brandt, one reason the classes are successful is because of interactive activities like this. "We have learning programs for our general managers that are very experiential, that help people become vulnerable and humble, which we believe is the basis for increased personal self-awareness as well as strong leaders," she says.

GROWING INSIDE OUT

Since Panda began the courses last year, management turnover is 23 percent, compared to 33 percent five years ago. The industry average for management turnover in 2007 was 32 percent, according to the 2008 Survey of Unit Level Employment Practices from People Report, the Dallas-based human-resources benchmarking firm. About 70 percent of Panda's general managers are promoted internally, with an average tenure of four years. In 2003 the vacancy rate for general managers was 23 percent; now it's 2 percent.

Panda's good retention numbers aren't a surprise to Teresa Siriani, president of People Report, which awarded Panda one of its 2007 Best People Practices Awards. "We certainly see that the best-practice companies do more development of their people because most studies talk about how that is definitely something that the worker today is craving," she says.

"They are committed to growing their brand through their people, not in spite of their people," Siriani adds.

Panda's commitment extends to ongoing development of its managers, too. The company currently offers a few advanced and mastery courses. For example, it developed an Executive Management Program a few years ago in conjunction with Claremont College's Drucker School of Management. The two-and-a-half day session is held annually for high-performing area coaches and covers subjects such as marketing, finance, human resources and project management.

"It's like a mini MBA program," Brandt says. Panda plans to launch several more advanced and mastery courses this year.

While these programs are meant to aid retention, they are also designed to maintain Panda's culture. The company prefers to hire from within to keep its culture intact. "Now it doesn't mean you never hire externally because you need to do some of that, too. It needs to be balanced," Brandt explains "But if a company like Panda has to hire too many people externally, it will dilute the culture and the company will change. And that's what we're trying to avoid by having strong programs internally to develop and retain our people." ■

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Employee SEARCH

Shallow labor pools won't be the problem in the future, though attracting workers to restaurants will be.

Filling hourly and managerial unit slots is a constant duty in a difficult labor market. Yet given the growing demands for workers from other industries, particularly health care, which will need twice as many workers as restaurants by 2016, employment experts warn that restaurant executives must grasp the necessity of a *long-term* view toward identifying tomorrow's employees and planning strategies to attract them.

The battle for workers is already on. "Applebee's casts a wide net when it comes to searching existing labor pools in order to find the type of top-line people we want to serve our guests," says Vice President of Human Resources John Prutsman. "The fact there isn't one 'magic' pool or source to rely on is our biggest challenge."

So where will restaurant employees come from?

1 GENERATION Y

Many operators are counting on Millennials, the 11- to 29-year-olds who make up about 23 percent of the population. "This is the largest and most ethnically diverse generation in U.S. history," marvels Red Lobster President Kim Lopdrup, citing parent Darden Restaurants research that shows the group will make up the bulk of restaurant employees in the coming years.

Other industries intend to grab these workers, too. "A migration of talent from foodservice to retail, grocery, banking and health care is occurring as those industries actively recruit our best and brightest," warns The People Report, a Dallas-based consultancy specializing in human resources, in its "2006 Workforce Report." In its current Workforce Index, a quarterly comparison of leading employment measures, no restaurant company reported an increase in the ability to recruit hourly employees and only a handful acknowledged finding more candidates to fill managerial slots.

2 STAY-AT-HOME MOMS

Stay-at-home moms are a group worth watching because their numbers may be growing. The Bureau of Labor Statistics show the number of women entering the work force dipped about 1 percent in 2003 and has yet to rise.

Last year a Pew Research Center study showed mothers working full time gave themselves slightly lower ratings as parents, on average, than did at-home mothers or mothers employed part time. When Pew researchers asked mothers with children under 18 what working situation would be ideal for them, six out of 10 said part-time work; just one in five said full-time.

Chris Muller, director of the Center for Multi-Unit Restaurant Management at the University of Central Florida, encourages operators to recruit such women because they are likely to be well-educated and already your customer, especially in the bakery-cafe segment. He advises posting ads in school newsletters and using social-networking sites like Facebook and MySpace to attract them. "Tell them they can write their own schedules, work three days a week and still see all their friends," Muller says.

3 BABY BOOMERS

Retiring baby boomers have attracted recent attention as a promising labor source. Their numbers are huge. The U.S. Census Bureau predicts that by 2010, people aged 55 or older will make up approximately 25 percent of the U.S. population, and by 2050, their portion will grow to 32 percent.

Their attraction is obvious: Many baby boomers have supervisory and financial skills and may want to delay collecting their Social Security payments given increased longevity. Yet experts caution that managers could find it difficult to cope with such experienced workers at the restaurant level and above.

4 SPECIAL NEEDS

After President George H.W. Bush signed the Americans with Disabilities Act in 1990, many chains—especially fast-feeders—began hiring mentally and physically disabled workers to fill the labor gap left by baby boomers. Since then, the disabled population, now estimated to number some 50 million people, has become an important pool for restaurants to draw from.

Experts predict the disabled population

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THE PEOPLE REPORT conducts research into recruitment and retention issues. Also available: The Workforce Report, a summary of best practices. *www.peoplereport.com*

COUNCIL OF HOTEL & RESTAURANT TRAINERS offers Webinar series on multicultural hiring practices and conferences for human-resource professionals. *www.chart.org*

PEW RESEARCH CENTER conducts polls, surveys and research into current issues including immigration and population. *www.people-press.org*

SLOAN WORK AND FAMILY RESEARCH NETWORK is a portal teeming with articles, statistics and research about today's work force. *www.wfnetwork.bc.edu*

MULTICULTURAL FOODSERVICE & HOSPITALITY ALLIANCE provides diversity solutions through seminars, conferences, products and career exploration. *www.mfha.net*

NATIONAL RESTAURANT ASSOCIATION publishes the 2008 Restaurant Industry Forecast, which includes a jobs projection and current information on immigration reform. *www.restaurant.org*

BUREAU OF LABOR STATISTICS is the government's principal outlet for employment data by industry. *www.bls.gov*

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION is the government agency that enforces the federal employment discrimination laws. *www.eeoc.gov/facts/restaurant_guide.html*

GENERATIONWHY.COM is consultant Eric West's Web site exploring workplace issues relating to Millennials. *www.generationwhy.com*

will double by 2030, good news for labor-strapped operators who can comply with the ADA rules. Yet challenges remain, including greater enforcement of the aforementioned rules.

5 EX-CONS

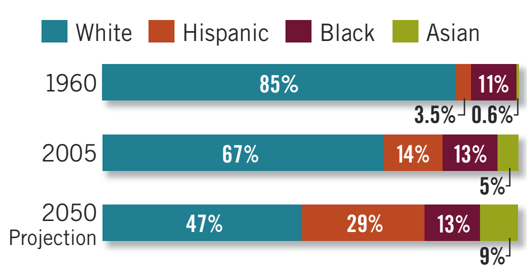
Another group is coming to the fore: ex-offenders. Some 2.3 million criminals are now behind bars in the United States, the most of any country, according to the International Center for Prison Studies at King's College in London. Many are nonviolent substance abusers locked up because of strict federal and state drug laws. According to Multicultural Foodservice & Hospitality Alliance President Gerry Fernandez, ex-offenders are a viable labor pool for restaurants, if a controversial one. "I'm aware of several [chains] that have programs to hire ex-offenders, though they do not want publicity," he claims. "Who do you think works third shift, where they don't come in contact with customers?"

6 IMMIGRANTS

Immigration reform could also ease future hiring shortages. So far Congress hasn't agreed on solutions to this complicated and controversial issue. Nonetheless, immigrants—documented or otherwise—remain a fertile source for restaurants. Au Bon Pain, for example, employs 24 nationalities. Says Vice President of Human Resources Susie Gorsline: "We expect that will continue." ■

Changing Population

Share of total U.S. population, by racial and ethnic groups



Source: Pew Research Center

Franchise Developer

Profiles in Growth: Huddle House

Brent Dixon's venture into multiunit franchising began with a television commercial. Last year, his father saw an ad for Huddle House, a 24-hour Southeastern concept serving cooked-to-order comfort food. It struck a chord.

"Huddle House is what we need in this area," says Dixon, who is based in Collinwood, Tenn. "You can get anything from steak to eggs, the food quality is upper grade, and it's open 24 hours. Most other places here close at midnight."

With a third partner, Dixon and his father signed a market-development agreement with Huddle House in April 2007, using their 18 years of experience running two independent steakhouses to leverage a loan to launch the new venture. Here are his thoughts on development.

Q: How will you expand?
A: Our area is from Manchester, Tenn., all the way through the southern part into Jackson, Tenn. We have two units currently, in Lewisburg and Manchester, and are about to start construction on a third in Savannah. We signed a deal to build nine units in five years.

Q: How have you adjusted your approach for Huddle House vs. your steakhouses?
A: Huddle House has an open kitchen and smaller seats, and you're dealing with fewer guests, so you need to operate it more on a personal level. The stores that do well in the system have managers who develop one-on-one relationships with their customers, on a first-name basis. It takes time, and the right manager.

Q: How do you plan to improve?
A: Keep looking for that quality management as we build our management team. We have a district manager who has worked for us for eight years, and we're going out and really recruiting now for the Manchester store that we're fixing to open in two weeks.

Q: What are your goals?
A: Honestly, to us, it's an investment. What we want to do is develop a 12- to 14-unit chain, run it and sell it in 10 years or so.

Q: How do you see the landscape for area development?
A: It's tightening up somewhat. That's another thing we looked at—what we could do multiple units of in our part of the world here. All other franchises that are doable in our market are pretty much there. Most of our markets wouldn't support a specialty brand like a Starbucks or Baskin-Robbins.

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Director of Culinary and Executive Chef Matthew Dunn is offering guests at Joe's Crab Shack more crab dishes, zesty new flavors and value.

CRAB Is Joe's Middle Name

Chef Matthew Dunn puts crab back in the spotlight and creates zesty new shareables at Joe's Crab Shack.

Joe's Crab Shack launched an auspicious new menu in May. It's the first since Landry's sold Joe's to New York-based private-equity firm J.H. Whitney last year. It's also the first time customers will get to taste the talents of Matthew Dunn, who joined Joe's as director of culinary and executive chef in January. Dunn spoke to *Chain Leader* about his efforts to put crab back at the center of the plate and offer zesty new tastes and values.

A big push with the new menu has been to put the emphasis back on crab. Can you talk a bit about this?

The brand hadn't really paid its due to crab. One of the things we did was to put crab right in the centerfold [of the physical menu].

We've also brought on a spicy crab flavor, which pays homage to our Southern roots. We basically took the flavors used in a Southern crawfish boil and are using those to season our crab.

We've also got a crab steam pot for two, so people can really dig into a giant, generous bucket of crab with sausage and potatoes and corn and some nice drawn butter to dip their crab in.

You've also increased your shareable starter options with new dishes such as the Crab Nachos, Craveable Crab Cakes, Seafood Fun-due and Mussels Marinara. Can you tell the story behind the creation of a couple of these fun dishes?

The Mussels Marinara is a new twist on a surprisingly successful Garlicky Mussels dish. Initially we thought mussels might be too narrow in scope of appeal for the normal Joe's eater, but people have really taken to them. Putting marinara sauce with them is something we hope will play a bit stronger up in our Northeastern Joe's units, as the dish has more of an Italian flavor to it.

Our Seafood Fun-due is a nice, thick and rich seafood and spinach dip with crawfish tails and shrimp and lots and lots of Monterey Jack cheese with a little baked topping of mushrooms and garlic bread crumbs. It comes out nice and brown and bubbly and toasty with some garlic bread to dip in it. We have a couple of other dips, but I wanted to have something that had more of a chunky seafood aspect to it.

You're a third-generation New Orleans native. How does that background figure in your approach to seafood?

If you grow up in New Orleans, you learn a lot about seafood. It really made it an easy transition for me to what Joe's is looking for.

You spent years as an executive chef for Texas cooking great Stephan Pyles and are a Southwestern taste leader in your own right. I wonder how that figures in your approach at Joe's?

I was just really enamored with the types of flavors he was able to get out of just keeping simple things in mind. Knowing that a nice smoky flavor always goes well with a little bit of citrus, for example, and that a little bit of lemon always goes well with a little bit of cream. It isn't rocket science, but not everybody knows how to make that work, and that's something Joe's has an edge on now.

With the uncertain economy, restaurant chains are more carefully balancing food cost with the need to give guests that quality experience. What's that mean for you now as you're shaping the new menu?

There are always things we're going to have to rework on the execution side of it. But we're really focusing on bringing what we consider to be the best quality we can offer at our price point. I don't want to be remembered as the chain who decided to take things off of people's plates in order to make it more affordable for us. ■

ON THE WEB: Read or listen to a downloadable extended interview with Matthew Dunn at ***www.chainleader.com.***

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