

# chain leader<sup>®</sup>

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# BAR Business

Despite a tough economy, Americans are still buying plenty of adult beverages.



Research shows that the tough economy hasn't adversely affected alcohol consumption.

**S**teele Platt, founder and CEO of Yard House, once told *Chain Leader* that his bar-heavy concept was prepared for economic flux: In happy times, he said, people eat. In hard times, they drink.

Nielsen Company data seem to agree. In June the research company reported that nearly half of consumers surveyed said the economy has had no impact on the amount they spend on beer, wine

or spirits; less than 20 percent say there has been a significant impact. More than 80 percent of respondents say they are spending the same on alcoholic beverages as they did a year prior.

## MORE ALCOHOLIC BEVERAGE TRENDS

- Gallup's annual Consumption Habits survey, conducted in July, shows that 42 percent of U.S. drinkers said beer is their top alcoholic beverage choice, wine is the favorite of 31 percent, and 23 percent choose spirits. In last year's poll, 40 percent cited beer; 34 percent, wine; and 22 percent, spirits. The study reveals the decrease in wine occurred mostly among 30- to 49-year-old drinkers.

- Long-term data show beer consumption on a

slow decline. According to U.S. Department of Agriculture, Economic Research Service data, U.S. per-capita consumption of beer was 21.3 gallons in 2005, 21.8 in 1995, and 23.8 in 1985. Per-capita consumption of wine was 2.4 gallons in 2005, 1.7 in 1995, and 2.4 in 1985. And Americans consumed approximately 1.4 gallons of spirits in 2005, 1.2 in 1995 and 1.8 in 1985.

- Looking within restaurants and bars, Technomic Inc. reports that spirits comprise 43 percent of all away-from-home drinking occasions; beer represents just over half.

- According to The NPD Group data for the 12 months ending April 2008, 33 percent of casual-dining and fine-dining meals on the weekend, Friday thru Sunday, included an alcoholic beverage, while 27 percent of weekday meals did. In 2006, 37 percent of adults reported having drinks with weekend dinners and 34 percent did on weekdays.

- Birthdays are the top occasions for drinks, according to the idrinkwell.com 2008 National Survey of American Cocktail Culture, Attitudes and Trends, released in June. The next two most popular occasions were vacations and job promotions.

- The report also shows that 94 percent of people choose a drink based on their mood, 84 percent on what they are eating, 83 percent on who they are with, and 75 percent on the price. ■

## DRINKS WITH DINNER—AND LUNCH

The days of the three-martini lunch may be over, but plenty of consumers still have drinks with the midday meal. Even more drink with dinner, according to *Restaurants & Institutions' 2008 New American Diner Study*.

	All	Female	Male
<b>Respondents' last lunch in a restaurant</b>			
Had beer	6.6%	4.7%	8.6%
Had cocktails	4.9%	5.4%	4.3%
Had wine	4.4%	3.4%	4.5%
<b>Respondents' last dinner in a restaurant</b>			
Had beer	14.2%	9.3%	19.4%
Had cocktails	11.5%	12.5%	10.5%
Had wine	12.4%	12.2%	19.4%

Source: *Restaurants & Institutions' 2008 New American Diner Study*

**BIG idea** Adjust your volume. Research shows that louder music can make customers drink more. In a French study, changing the Top 40 music from a normal 72 decibels to 88 decibels caused 18- to 25-year-old men to drink more beer (from 2.6 glasses to 3.4) and drink it faster (from 14.51 minutes each to 11.45 minutes). The results will be published in the October issue of *Alcoholism: Clinical & Environmental Research*.

**ON THE WEB:** For additional New American Diner Study data, visit [www.rimag.com/article/CA6553984.html](http://www.rimag.com/article/CA6553984.html).





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### New Parameters for Payday

Wage and hiring trends remain a subject of abiding concern among restaurant executives, who are adjusting their companies' compensation practices for hourly, managers and executives to absorb the impact of the economic slowdown.

By David Farkas



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Cinnabon's role in Mike Myers' movie "The Love Guru" gave the QSR the chance to build brand awareness and better reach its target customer: the teenage male. The company took advantage of the movie tie-in by developing the L.O.V.E. Chillatta and boosted beverage sales.

By Margaret Littman

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### Kid Tested, Kid Approved

Sushi Samba, the nighttime hot spot known for its creative cocktails and fusion fare, has developed a kids menu that is just as sophisticated and healthful as its adult offerings. Also, a wrap-up of kid favorites at other chains.

By Monica Rogers

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### Portfolio Manager

Askar Brands, parent of quick-service chains Papa Romano's, Mr. Pita and Stucchi's, is preparing to compete on a global level in the next five years. The company has brought in big-gun executives, refined the concepts, created co-branding options and recruited area developers.

By Mary Boltz Chapman

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Cozymel's new pay-at-table system is reaping benefits above and beyond customers appreciative of the credit-card security it offers. The tabletop device has sped service, increased sales and cut labor costs—and without too much angst from customers or servers.

By Lisa Bertagnoli

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Darden's employee networks help the casual-dining giant identify and nurture promising employees, while helping the company better understand its minority employees and customers.

By Lisa Bertagnoli







“The biggest trend this decade has been the greater focus on cash compensation and bonus vs. equity, especially in private companies.”

—strategic adviser Mark Saltzgaber

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- Jim Parish of Parish Partners on preparing a concept for sale
- Harry Bond of Monical's Pizza offers tips for retaining managers
- Veteran operator Fred LeFranc's dos and don'ts for riding out an economic storm

## PLUS

- Industry blogs from chain veteran Lane Cardwell, upstart Vaughan Lazar and Senior Editor David Farkas
- Daily news
- Franchise opportunities
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# Executive Shuffle

**T**his past spring, Fresh City Chief Operating Officer Bruce Reinstein told me that many of the real-estate deals the chain was working on four to six months earlier had fallen apart. He wasn't worried, though, because the company was picking up similar sites from other retailers' deals that had fallen through at the same time. And presumably those other retailers were picking up on the sites Fresh City lost. So it was essentially a trade.

**Some leaders would likely thrive in a different seat or on a different bus, and could use a shakeup to get there.**

We have a similar situation with our industry's executive management. Mergers and acquisitions, changing priorities and dashed expectations have a number of top industry leaders pursuing other opportunities. I could start a list here, but it would be out of date by the time you read this. In some cases, those executives will simply play a giant game of musical chairs and settle into other recently vacated seats.

In some cases, these revolving doors and the same leaders in different positions are bad for the industry. We all know people who keep landing on their feet, getting a terrific new gig when they don't deserve it. And we need to recruit new blood from other industries and groom a diverse group of leaders who can move up into those top positions.

## TURN, TURN, TURN

But everything about the executive shake-up is not bad. Maybe it's just the season for turnover.

There are good reasons for an executive to leave a position—or be asked to. One might have been hired because he knows how to take a concept, whip it into shape and aggressively expand it. Then along comes a challenging operating environment with high gas prices, increasing commodities costs and decreasing consumer sentiment. Suddenly expansion is not an option. Or a whiz at accounting is brought on only to learn that the company's best chance at competing is with its extraordinary service methods, and it needs a people person at the top. Those leaders would likely thrive in a different seat or on a different bus.

Actually, I don't think it's really about the tough economy at all. The reasons are the same as always, perhaps more acute or accelerated.

## TIMES ARE A'CHANGIN'

What's different now beyond economics is greater transparency into organizations, active shareholders in both public and private companies, and members of the board increasingly held responsible and therefore holding executives more accountable.

What hasn't changed is the need to hold leaders accountable for work based on corporate goals. But give them the tools and the time to succeed, and reward the top achievers. Recognize that they have a life outside of work. And if they don't, maybe you can help give them one by offering mentoring opportunities, volunteer groups or affinity networks.

The tide will turn again. It won't be long before macro conditions make it easier to occupy an executive office. Long-term planners are making sure their leaders can adjust to whatever conditions come along and that they want to continue working there. ■

# BIG ideas

**"The only thing that's changed is the competitiveness of the series. It's only become harder to win in our series as the years have gone by. Competition breeds good things, and that's what's happened here."**

—Al Unser

**"Outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish."**

—Sam Walton

**"Most success springs from an obstacle or failure. I became a cartoonist largely because I failed in my goal of becoming a successful executive."**

—Scott Adams

**"Most people work just hard enough not to get fired and get paid just enough money not to quit."**

—George Carlin

*Mary*  
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Former restaurant lender Rod Guinn offers advice to and about management.

# ENDURING Truth

**A**fter 20 years of underwriting restaurant deals, Rod Guinn has left the business to “embark on new adventures.” Before going, the veteran financier, most recently head of Wells Fargo Foothill’s Restaurant and Hospitality business, shared a few of the timeless lessons he learned about the importance of strong management.

## What was your first important lesson?

The single biggest one was that no matter how good your due diligence was or your plan, it all came down to the management.

## How did that lesson come about?

About 20 years ago, Tennessee Restaurant Co. bought Friendly’s Ice Cream. It was then the biggest restaurant deal in the private-equity world. They bought Friendly’s because—and see if this sounds familiar—in addition to other attributes, it owned a tremendous amount of real estate. The plan over the next 18 months was to recapitalize the chain on back of that real estate.

## But things went haywire, as I recall.

Six months later the capital markets turned almost upside down. The owners were intending to take advantage of one type of financial engineering and suddenly they can’t. And they can’t get rid of debt because they can’t refinance the real estate. Plus, operations were slipping, and the country was heading into a recession.

## Where does management come in?

Despite all of that, 10 years later Friendly’s went public, raising enough capital to pay out its balance-sheet debt whole. And the reason for that was a management team came in and knuckled down. They took it

upon themselves to make things work, to stay up late and work weekends.

## Just like that?

It’s not a home-run story. But management demonstrated they could survive amid adversity. Don’t forget, it took 10 years to get to the IPO.

## How do you identify such a management team?

Past experience is important. But I have seen the flip side, too: management teams that do a turnaround and then can’t do another one. Past experience isn’t a 100 percent predictor, but it sure is better than nothing.

## Given what you’ve learned, how would you advise management of a young, fast-growing concept?

There should be flexibility. If I were on the board of a fast-growing, young concept, I wouldn’t think about a permanent capital structure right now. I’d think about how it’s better to use a little extra equity to lock up growth without putting undue pressure on operators. When the capital markets come back to whatever normal is, then put a capital structure on it.

## But if management intends on growing through franchising, what then?

If you are a brand that has decided that’s the way to grow, realize the franchisee faces a higher capital cost for every new store and the expected return will be lower because operating costs are higher. So the franchisee needs a better deal to get the same return as they would have 18 to 20 months ago. Or he or she needs to be in a stronger position to cope with a smaller return and still make money. ■



“Lending is back to those who know the industry and have a long-term desire to play in it. That’s a good thing.”

—Rod Guinn



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# Well-Rounded

Smashburger banks on its burger-focused menu, seasoned executives and private-equity capital to expand outside Denver.

**S**mashburger has jumped into the better-burger category with its updated spin on the iconic burger. With a focused menu, a team of restaurant veterans and \$15 million in capital, the five-unit chain says it is poised for expansion and to become a leader in the segment.

## BUILDING A BETTER BURGER

Consumer Capital Partners, a Denver-based private-equity firm founded by former Quiznos CEO Rick Schaden, created Smashburger in 2007 to offer guests a premium burger with both mainstream and specialty toppings.

"Burgers are back, but they have to be defined a new way," says Chief Concept Officer Tom Ryan, former executive vice president and chief concept officer at McDonald's and former executive vice president of branding at Quiznos. "We traded a broad array of goat cheese and cranberries and those kinds of options for more of a basic burger lover's approach, although we've got some interesting things."

The fast-casual concept features a streamlined menu of grilled burgers made of fresh Angus beef on toasted and buttered artisan buns. Of the four burgers on the menu, the best seller is the Classic Smashburger, \$4.99 for one-third pound and \$5.99 for a half pound burger, with American cheese, lettuce, tomato, ketchup, onion, pickle and Smash Sauce (a blend of mayonnaise, yellow mustard, pickled relish and lemon juice) on an egg bun.

Customers can also create their own burgers. They choose from a small selection of meats including a one-third pound patty and chicken breast; buns such as multigrain; cheeses including sharp cheddar and blue cheese; sauces like spicy chipotle; and toppings such as jalapeños and fried egg.

Sides include Veggie Frites, \$3.99, flash-fried asparagus, carrot sticks and green beans; and Hay-stack Onions, \$2.99, thinly sliced fried onions. Salads, kids items, milk shakes, malts, beer and wine round out the menu.

The units feature a red color palette, mosaic tile, upholstered banquettes and stainless steel accents to create a lounge-like feel.

With an average unit volume of \$1.2 million, Smashburger generates about \$683 per square foot. According to *Restaurants & Institutions'* Top 400 ranking, competitor Fuddruckers is generating an estimated \$1.5 million per store, and Five Guys Burgers and Fries has an estimated average unit volume of \$1 million.

## ROOM FOR IMPROVEMENT

Profitability has been top of mind for Smashburger over the past year. The concept has evolved to reduce costs, improve execution and enhance customer service. For example, it eliminated breakfast, slow-moving toppings such as French onion sauce and the create-your-own salad option in favor of four recipe salads.

President Scott Crane installed a kitchen-display system in March that shows the orders on a screen, replacing the paper-ticket system.

In addition, if employees meet targeted ticket times and mystery-shopper scores during their shifts, they receive 25 cents to 50 cents more an hour for that shift. The initiatives have helped reduce ticket times to five minutes from six or seven minutes, says Crane, former executive vice president of Fugate Enterprises, a franchisee of Taco Bell, Pizza Hut and Blockbuster.

Expansion is also on the agenda. Consumer Capital Partners has raised \$15 million to fuel growth.

Smashburger launched its franchising and joint-venture programs in May. The company says it is in talks with potential franchisees and joint-venture partners, but has not signed any deals yet.

In the meantime Smashburger will open nine company stores in Colorado, Texas, Kansas and Minnesota by year-end. In 2009, it expects 20 to 30 company stores as well as 20 to 30 franchised units to open in its current markets and in two or three new markets in the Midwest. ■

## SNAPSHOT

**Concept** Smashburger

**Parent Company** Consumer Capital Partners, Denver

**Units** 5

**2007 Systemwide Sales** \$2.1 million\*

**2008 Systemwide Sales** \$6.4 million\*

**Average Unit Volume** \$1.2 million

**Average Check** \$8.30

**Expansion Plans** 9 by year-end

\*Chain Leader estimate

It costs about \$400,000 to open a Smashburger unit, which is about 1,600 to 2,000 square feet.

Smashburger looks for endcaps in strip centers in areas with a household income of at least \$50,000 and a daytime population of at least 75,000.



**IN THE WORKS:** To build takeout business, Smashburger will test online ordering in some of the stores it will open this year.



# Going to MARKET

Operators discuss the best ways to prepare a small but growing concept for sale.

**N**o matter how sound and profitable a small, growing restaurant chain is, sometimes it just doesn't have the resources to move to the next level. One option is to sell to a larger company that has more capital and expertise. *Chain Leader* spoke with operators who have sold their restaurant concepts about the best ways to prepare for the sale before and during the transaction.

## **Steele Platt, CEO, Yard House, Irvine, Calif.**

Make sure you're picking the right person to buy your company. A lot of buyers have different objectives. So you have to make sure that your new partner matches philosophically and morally and thinks in a similar way that you do and the seller doesn't do it just for the money.

I could have chosen from three or four different people that wanted to purchase Yard House. One of them was in the restaurant business. And I didn't want that one because I felt it would affect the integrity of our concept based on old business methods in the restaurant business.

One reason I chose TSG [Consumer Partners LLC, a San Francisco-based private-equity firm] was they've never been in the restaurant business. So they have to rely on us to make sure that the concept retains its original architecture. And what they provide to us is what we needed, and that's that higher intellect, different level of thinking and structure and things like that.

## **Daryl Dollinger, president, Raving Brands, Atlanta**

The buyer has got to be comfortable that the financials of the company are strong and that you're profitable. Just like with any other business, no one's going to come in and pay you top dollar or any dollar for your company unless you can show financial strength and growth over the years.

It's a matter of tightening it up and make sure that

you have an audit done throughout every accounting year. You have to have good financials and [they have to be] transparent—it's very easy to understand them so there's not a lot of confusion from the buyer and their accounting people as to what's this and what's that and why did you pay this. Simple accounting is really the answer to that.

## **Cameron Mitchell, founder and president, Cameron Mitchell Restaurants, Columbus, Ohio**

Focus on running a great business and running your business no differently than what you would do if you weren't going to sell it. No one wants to hear or think you've done this, this and this to get the business ready to sell. That sounds artificial. You just want to run that business as well as you can and

hopefully get it running on all eight cylinders. And when the time is right for you to sell, based on all sorts of factors that are important to you, then go out and sell that business.

And if you're not ready to sell today but you think you might sell in the future, make sure you're focused on running a great operation. So when the time does come to sell, you don't have negative same-store sales or declining profits or

anything else.

## **Alan Hixon, president and chief operating officer, Freebirds World Burrito, College Station, Texas**

We put a very detailed strategic plan in place that, if we accomplished it, would provide a certain level of compensation. There were financial goals involved. And in doing so, we just backed into the numbers. We needed to get X number of stores on the ground. They needed to produce specific revenues and incomes. And it needed to cost us a specific amount to build them. We defined our model in order to reach a point where we felt we would be able to enter into a transaction.



**BIG idea** Cameron Mitchell of Cameron Mitchell Restaurants recommends talking to an investment banker if considering a sale. “Get some advice on what are the key metrics that some of these buyers are going to be looking for and what should [the company] be focused on,” he says.





We kept the model in tact. We were able to get to the goal line without having any cleanup to explain. We had positive same-store-sales growth. We had good margins. We had opened in multiple markets and proven that the concept had legs. We had not entered into franchising. So we had a very clean deal. We were very careful to make sure we had that.

**Kristi Nyhof, president,  
Bugaboo Creek Steak House, Atlanta**

The sale process can be an enormous distraction and very time consuming. It is very pertinent and important to make sure [the organization] is structured in a way where focus will not be taken away from the business. Most specifically I would say in operations. Prior to the announcement of the sale, I

promoted [a regional director to vice president] to make sure I had someone solely focused on operations [because] I might be distracted with management presentations for the sale.

Once the announcement's been made, routine communication is absolutely essential. Nothing can be more distracting to a business than speculation and worries and rumors. And to avoid those, I simply scheduled biweekly conference calls and I sent out Friday sales updates [to unit managers]. I called them every single week. And even if the news on the update was "there's no new news since the last time I updated you," having routine communication and an opportunity for questions to be asked and concerns to be addressed really helped our process along. ■

**ON THE WEB:** Jim Parish of Parish Partners offers tips for preparing a restaurant concept for a successful sale. Visit [www.chainleader.com](http://www.chainleader.com).



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# cameo ROLL

Cinnabon found a good match for its brand with Mike Myers' **"THE LOVE GURU."**



**L.O.V.E.  
chillattas**



**THE  
LOVE  
GURU  
IN THEATERS  
JUNE 20**

**CINNABON**  
WORLD FAMOUS CINNABON ROLLS

**W**hen comedian Mike Myers unveiled plans for his first live-action movie in five years, everyone knew there would be buzz surrounding it. But few expected that buzz to extend to a cinnamon roll.

Late last year Paramount Pictures, makers of "The Love Guru," Myers' newest cinematic feat, asked Cinnabon to construct a unit in a Toronto airport specifically for the movie's airport scene. Myers, it turns out, is a fan of the brand and had written the yummy rolls into the script.

The QSR jumped at the chance, happy to hear that it had a celebrity fan and an opportunity to spread the word about the concept to its target market. The audience for "The Love Guru" tied in nicely with Cinnabon's target customer: the teenage male.

That demographic has a wide cross-section of opportunities where they may encounter a Cinnabon. The concept has 65 units in airports and others in malls, universities, casinos, amusement parks, military bases, train stations and travel plazas. The chain says 89 percent of its units are in airports, malls and travel plazas, with the remaining 11 percent on military bases, academic campuses and similar nontraditional sites.

"People do not go to an airport to go to Cinnabon. It is an impulse item," explains Jason Simons, director of marketing for Cinnabon. "With the movie, we suddenly have the opportunity to get outside the four walls of the bakery."

## BEYOND THE SCREEN

Product placement, such as a branded bakery in a movie, is not a new tool for brands that are looking to build awareness outside of traditional marketing and advertising methods. But in recent years it has become more widespread, and more complex, and, as a result, more attractive to brands like Cinnabon.

"We can take an impulse product and convert that into a purchase," Simons says.

Product placement is no longer limited to a character drinking a soda in a movie or TV show. Brand names appear in song titles, video games and more. During the first half of 2007,

## SNAPSHOT

**Concept** Cinnabon  
**Ownership** Focus Brands Inc., Atlanta  
**Units** 738 worldwide (428 U.S.)  
**2007 Systemwide Sales** \$257 million  
**Ad Agency** HL2, Orange County, Calif.  
**Average Check** \$5  
**Expansion Plans** 40 to 60 in 2008

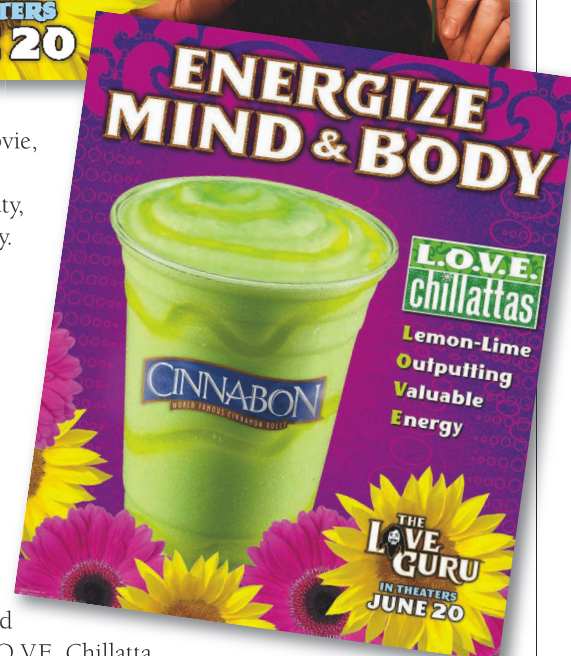


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**S**pirit

—Guru Pitka

THE  
**LOVE GURU**  
IN THEATERS  
**JUNE 20**



there were 25,497 consumer-packaged-goods product placements on the prime-time entertainment programs tracked by the Nielsen Product Placement Service. In a 2007 report, Stamford, Conn.-based PQ Media estimated that global paid product placement grew 37 percent to \$3.36 billion in 2006 and another 30 percent to \$4.38 billion in 2007. The United States remains the largest global market for product placement, with projected spending of \$3.79 billion and growth of 31 percent in 2007, according to PQ Media.

## CHILLING OUT

The types of tie-ins are becoming more elaborate, as well as more commonplace. In addition to building the Toronto airport unit, which was used for the movie only and is not an operational new location, Cinnabon created T-shirts for employees, specialty cups, posters and other in-store materials that repli-

cated the look and feel of the movie, says Melissa Smith, director of account services at Orange County, Calif.'s HL2, the chain's ad agency.

Having a mindset toward expanding its reach is part of the concept's history. The Cinnabon chain was founded in Seattle in 1985 selling only classic cinnamon rolls. Now it is part of the Atlanta-based Focus Brands portfolio and has a bigger menu, with beverages it hopes will become a larger part of its sales.

The chain, the only QSR to partner with the film, launched a limited-time drink offer, the L.O.V.E. Chillatta, to boost those beverage sales and take advantage of the movie tie-in. The drink was named for an acronym, "Lemon-Lime Outputting Valuable Energy," which is the way the Guru Pitka character talked in the film. It is a blended energy drink with vitamins, botanicals and herbs, so it fits with the New Age feel of the movie, as well as with the summer-style promotion Cinnabon intended.

"That was one of the creative paths we took, to use those movie acronyms in

Cinnabon introduced its L.O.V.E. Chillatta, with ginseng and taurine, as part of its Love Guru promotion.

Comedian Mike Myers' latest box-office take wasn't huge, but a tie-in with his movie did have a positive sales impact for Cinnabon.

One scene in "The Love Guru" features fans wear T-shirts during a Toronto Maple Leafs hockey game. Cinnabon created similar shirts for its crew to wear during the promotion.





## BRAND TACTICS

Cinnabon servers wore T-shirts similar to those used in “The Love Guru” to reinforce the movie promotion.

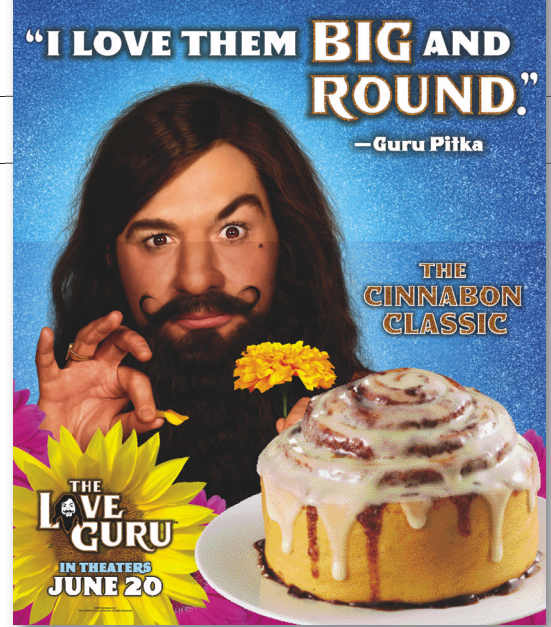


**Bryan Berkhausen**  
Vice President - Development  
El Pollo Loco

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our efforts,” Simons says. The ideas were created by HL2 and Cinnabon, but had to be approved by Paramount Pictures.

### NEVERMIND THE BOX OFFICE

Some Hindu leaders objected to the portrayal of their religion in the film, and the movie did not perform as well as previous Myers movies, such as the Austin Powers series. Of course, the Cinnabon team would have loved to have been tied-in with a mega-hit, but, in this case, the success of the promotion did not necessarily hinge on the success of the movie, Smith says.

“We were top of mind because of this. Whatever Paramount was doing to promote the movie helped us with our new product. We could piggyback on their marketing,” Simons adds.

The bulk of that advance work came before the movie opened June 20. During its opening weekend, the movie ranked No. 4 in the box-office race, taking in \$14 million that first critical weekend, according to Media By Numbers LLC. Those numbers—and the pre-opening buzz, both good and bad—helped raise awareness of Cinnabon among tweens and teens, Simons says.

The chain has been happy with the results. Beverage sales, including those for the L.O.V.E. Chillatta, increased as a result of the promotion, although Cinnabon will not disclose sales figures. The brand decided to extend the L.O.V.E. Chillatta promotion through September because of its success. “This helped us extend the success of our specialty beverage line,” Simons says.

While Cinnabon has had other TV and movie product promotion experience—including bon mots from Jerry Seinfeld to references on “The Office” and “Live with Regis and Kelly”—“The Love Guru” was the largest to date. “As a result of this, our phones have been ringing from different movie production houses about other future movie deals,” adds Simons. ■





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With purple potatoes, sushi balls and skewers, Sushi Samba takes an artful, adventuresome approach to **KIDS MEALS**.

# kid tested,

## SNAPSHOT

**Concept** Sushi Samba  
**Headquarters** New York  
**Units** 6  
**2008 Systemwide Sales**  
 \$45 million\*  
**Average Check** \$55  
**Expansion Plans**  
 1 in 2009

\*Chain Leader estimate

Baby Bentos include grilled organic chicken, steak or salmon, served with purple Peruvian mashed potatoes, nori-wrapped rice-and-veggie rolls and seasonal fruit skewers.

Skewered foods look nice and make kids meals easy to handle.





# kid APPROVED

**T**he pint-sized guests Sushi Samba entertained at a recent Chicago tasting of its new Samba Kids menu enjoyed their food and drink with enthusiasm. They giggled. They nibbled. They slurped. And there wasn't a chicken nugget or hot dog in sight.

Instead, children chowed on choices such as the Baby Bento, grilled organic chicken, steak or salmon served with purple Peruvian mashed potatoes, nori-wrapped rice-and-veggie rolls and seasonal fruit skewers. They noshed on Anticuchos—Brazilian-style seasoned organic chicken, beef, shrimp or vegetable skewers—served with “jumbo” corn on the cob (kidspeak for large-kernel Peruvian corn cobs) and more seasonal fruit. And they washed it all down with kiddie cocktails full of fruit and juices.

The parents that came along were impressed that their kids liked the healthful dishes and that a place as adult-oriented as New York-based Sushi Samba would make the effort to create family-friendly offerings.

Six-unit Sushi Samba has carved a niche for itself as both a quality fusion-food purveyor of Japanese, Peruvian and Brazilian dishes, and a nighttime hot spot for creative cocktails and dancing. So serving kid food is an unusual move. But Sushi Samba co-owner Danielle Billera, who has two young children of her own, says the idea makes sense. “During the day, we felt offering options that appealed to families would bring in a group that is underserved,” Billera says. “There are so few places to go that appeal to adults at the same time they offer healthful alternatives for children.”

Sushi Samba launched the kids menu in April at its Dallas unit and in July at its New York, Chicago and Miami stores. While it's too soon to give definitive traffic reports, Public Relations Director Joanna Cisowska says anecdotally that the kids menu has increased the number of families that are dining at lunch. “And we are already getting some repeat customers, purely because of the kids menu,” she says. So far, the Chicago and Miami restaurants are seeing the most family business.



## KIDS MENU SAMPLER

### ENTREES

**Sushi Bites:** four bite-sized rice balls topped with tuna, yellowtail, salmon and cucumber, served with a nori-wrapped rice-and-veggie roll and seasonal fruit, **\$12** with dessert

**Anticuchos:** grilled organic chicken, beef, shrimp or vegetable skewers served with jumbo corn on the cob and seasonal fruit, **\$12** with dessert

### DESSERT

**Samba Sundae:** chocolate brownies with housemade vanilla ice cream, chocolate dipping sauce and mini strawberry shake

### KIDDIE COCKTAILS

**Berry Fizz:** raspberry, blackberry, lime juice and splash of soda, **\$5**



Sushi Samba research showed parents look for ambience and healthful choices when dining with their kids.

For kids who aren't excited by sushi, the Samba Sliders come with sweet potato fries and fruit.

The Samba Sundae (opposite) is the best-selling dessert.



## *Tuscan-Style Breast Strips*





## ADVENTURES IN DINING

The menu lets kids choose one of five entrees and one of two desserts for \$12. In addition to the Baby Bento and the Anticuchos, other adventurous dishes include buckwheat udon noodles with cherry tomatoes and grilled organic chicken, and Sushi Bites—rice balls topped with sushi-grade tuna, yellowtail, salmon and cucumber, and served with a nori-wrapped rice-and-vegetable roll and fruit. Samba Slider mini burgers come with sweet potato fries and fruit. “Each Samba Kids meal was designed to be fun, tasty and healthy,” says Cisowska.

Of the desserts, the Mochi Bon-Bons, traditional Japanese ice cream balls topped with candy confetti, have been well received. But the Samba Sundae, a platter of diminutive treats, is the best seller. Served on a porcelain oblong plate, the sundae is composed of three tiny brownie squares topped with a scoop of vanilla mochi ice cream and accompanied by a dish of chocolate dipping sauce. A mini strawberry shake served in a shooter glass with a short straw rounds out the presentation.

Five-dollar kiddie cocktails include the best-

Using ingredients already in Sushi Samba’s adult-food inventory cut the cost of adding kids meals.



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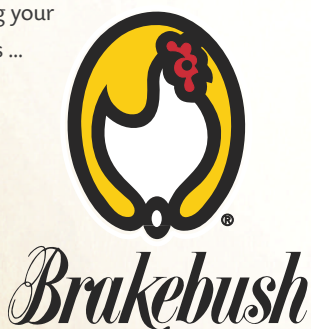


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## NEW PRODUCT PIPELINE

Serving kids meals in cool packaging and in a stylish setting appeals to kids and their parents.

Kid-smart cocktails with fresh muddled fruits and juices have all the panache of adult versions, sans spirits.



selling Watermelon Mojo with watermelon, lime and guava juice. Coco Leite mixes coconut milk, pineapple juice and mango juice. There's also the Blueberry Splash, muddled blueberries, guava and lime juice, and the Berry Fizz, muddled raspberries and blackberries, lime juice and soda. Although these may seem like pricey options, Cisowska estimates that about half of the kids ordering Samba Kids meals also order a kiddie cocktail.

### FUN AND BALANCE

Creating the dishes, Corporate Chef Michael Cressotti and Corporate Sushi Chef Koji Kagawa worked with what they already had on the adult menu, a decision that reduced the cost of doing a kids menu. "We worked with ingredients we already had in our inventory and just modified recipes for spice, composition and presentation," says Cressotti.

While adult plates might not have all food groups represented, kids meals do. "Protein, vegetable, fruit, starch...the trick was making each Samba Kid meal healthy, tasty and something that children would enjoy," he says.

Making each dish easy to handle was also key.

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Putting the meat and fruit on skewers, for example, makes for a pretty and finger-friendly presentation. Nori-wrapped rice-and-veggie rolls, sliders and sweet potato fries are also finger foods.

Management tested the menu at Sushi Samba's 7th Avenue New York location in March with the local soccer team it sponsors. Soccer team members and their siblings, all West Village kids between the ages of 5 and 10, gave feedback on presentation, taste and originality, using a five-star rating system. Of the entrees, kids gave most stars to the Baby Bentos and Sliders, but they also liked the Anticuchos and Sushi Bites. "Kids' feedback showed that some of the dishes had too much flavor or spice, so we toned that down," Cressotti says. One of the drinks, a blueberry concoction, didn't score well, so it was reformulated to become the Blueberry Splash.

#### PARENTAL PERSPECTIVES

Sushi Samba asked parents for their perspective on the new dishes, quizzed them on allergy concerns and asked what dishes kids liked most at home.

The company also asked parents to share their top three deciding factors when choosing a restaurant with their children, as well as their three favorite restaurants for dining with children. Ambience and availability of healthful choices were high on parents' lists. "Parents we polled were really pleasantly surprised that we offer such a healthy alternative, presented in a way that really appeals to the kids," says Cisowska.

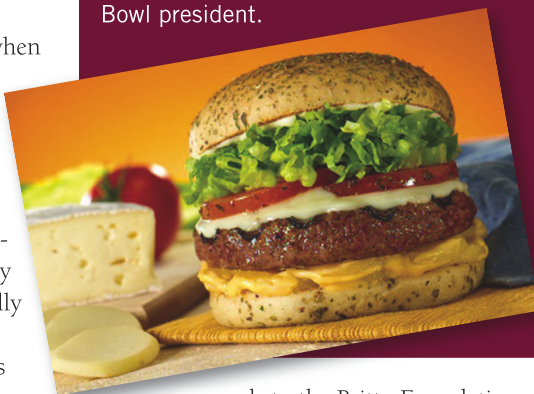
Adding marketing moxie to the kids menu move, Sushi Samba has also been working with Miami-based Brazilian pop artist Romero Britto to produce brightly decorated Britto Bento boxes, placemats and kids chopsticks that will be available with the kids meals starting in December. (Guests will be able to purchase the boxes separately from the kids meals, as well. No price has yet been set for the boxes.) For each Britto Bento box sold, Sushi Samba will donate 5 percent of the

### In Their Best Interest

**K**ids are getting more attention from restaurant chains than ever before. Many chains have developed menu items and events to keep their youngest guests healthy and happy.

At Boston-based **Uno Chicago Grill's** 200-plus units, grilled chicken with mixed fruit, a kid-sized chicken Caesar salad and multigrain penne pasta with marinara are among the newest kids-meal offerings.

Parents who want to give their kids ultra "clean" food can get it at Chicago-based **Big Bowl**, a Thai and Chinese concept with nine units. Featuring sustainable, local, organic and natural ingredients, Big Bowl's kids menu includes dishes such as Beef and Broccoli Stir Fry, with vegetarian-fed beef, broccoli, mushrooms and jasmine rice; and BBQ Pork Chow Fun, with noodles, veggies and naturally raised pork. Kids get free refills on milk, juice, housemade lemonade and ginger ale, but fountain drinks are regular price. That's to discourage kids from drinking soda, says Dan McGowan, Big Bowl president.



proceeds to the Britto Foundation, which funds art, cultural and literacy programs for underprivileged youth in Brazil.

Initially, there were a lot of skeptics within Sushi Samba's hierarchy about launching a kids menu at all. "We're so much about flash and volume and sex appeal, some of the management just thought it wouldn't work," Cisowska says. "Now managers are saying, 'Hey, this was a great idea.'" ■

### Good for the Wait

Offering free starter plates for tots makes waits more tolerable. **Mimis Cafe** puts out free "appetizer" medleys of cereal, crackers and orange sections for tables with toddlers. "It keeps the children busy while adults study the menu," says Jeanne Turner, director of community and public relations for the Tustin, Calif.-based chain.

Irvine, Calif.-based **Claim Jumper** calms the under-2 set with free plates of turkey, cheese, applesauce and Mandarin-orange sections.

At **Yankee Pier**, a four-unit Bay Area seafood concept, kids get an "amuse bouche" of carrots and celery with house-made ranch dressing.

And Big Bowl offers complimentary bowls of jasmine rice to quiet wiggly kids.

### The Next Generation

Encouraging kids to cook, Greenwood, Colo.-based **Red Robin** holds an annual Next Gourmet Burger Kids Recipe contest. The winner is featured systemwide from July through August each summer, and 49 runners-up are also highlighted in a cookbook sold online for \$5. Proceeds benefit the National Center for Missing and Exploited Children. In restaurants this summer, and pictured on this page, 2008's winner, Au Brie Burger a la Francais, was developed by 12-year-old Joey Yarwick of San Diego.

**BIG idea** Sushi Samba tested its kids menu on the local soccer team it sponsors. The team members and their siblings, all between 5 and 10, rated taste and presentation on a five-star scale.



This year California Pizza Kitchen scrapped incentives for quality control and guest satisfaction, instead rewarding restaurant managers for growing comparable sales and managing costs.

**T**his may seem an unlikely time to be talking about compensation trends. Overall U.S. unemployment, 5.7 percent in July, is at a four-year high, and job losses are steadily mounting. The news is only slightly better among restaurants, which have added jobs at a rate of 1.6 percent year to date, according to the National Restaurant Association.

That figure translated to a paltry 3,200 jobs in July. "That's quite low," concedes B. Hudson Riehle, NRA senior vice president of research and information. "The rate of [job] growth has declined overall."

Has it ever. Research from Dallas-based People Report, which monitors restaurant employment trends, shows that just 30 percent of 125 companies expected to boost the number of hourly employees on their payrolls in the third quarter. "This is the lowest reading since the [survey] was created in 2006," says Compensation Specialist Victor Fernandez.

Nonetheless, wage and hiring trends remain

Many restaurant chains are shifting **COMPENSATION** plans as the economy slows.

# new parameters for PAYDAY







a subject of abiding concern among restaurant executives, who are adjusting their companies' compensation practices to absorb the impact of the slowdown.

## LOOKING FOR WORK

Betsy Mercado, vice president of human resources for Washington, D.C.-based Palm Restaurants, is witnessing unemployment woes firsthand. "From where I sit, there has been an increase in the number of people losing their jobs. I've noticed a significant number of people looking for work and available," she says.

The sackings have made recruiting managers easier and deflated pressure to bulk up compensation packages for competitive reasons. "You don't worry about paying over market to attract someone," says Steve Fricker, president of Daphne's Greek Cafe, an 80-unit fast-casual chain headquartered in San Diego.

McAlister's Deli CEO Phil Friedman, who is currently pondering changes to his company's compensation program, describes recent job candidates as "someone in a large chain who is happy with their career progress and is suddenly on the market, and they wouldn't have been a year ago."

## BY THE HOUR

There isn't much a company can do about hourly wages, other than watch as they climb to a federally mandated \$7.25 on July 24, 2009. "It is a fundamental cost of doing business," shrugs Senior Vice President Rick Johnson at Maryville, Tenn.-based Ruby Tuesday. "They just have to be accommodated in the business model."

Although state and federal laws require that restaurants pay both front- and back-of-the-house employees at least the minimum wage when there isn't a tip credit, restaurants often pay significantly more to attract workers. According to figures from People Report and the Bureau of Labor Statistics,

## Chipotle Looks Within

Chipotle Mexican Grill has always separated itself from the pack. It outfits restaurants with unfinished wood and corrugated metal. It rarely introduces new products. It encourages customers to customize their tacos and burritos, which is about all there is on the fast-casual chain's slim menu.

The Denver-based chain's two-year-old Restaurateur program is yet another innovative example of not fitting in, in this case into the traditional compensation mode. The result has been keeping turnover low, reportedly below 30 percent, among unit GMs. The company estimates that 60 percent of salaried management slots are filled from within.

The program currently has 93 Restaurateurs, store managers who have reached "elite" status through their performance. The company pays Restaurateurs a salary and awards them a bonus based on their individual performance against their goals.

Should, for example, a Restaurateur managing a restaurant with a sales target of \$1.7 million—roughly the chain's average unit volume—ring up \$2 million in sales, the company gives 10 percent of the difference, or \$30,000 in additional incentive compensation.

They also have significant incentives for developing crew into man-

agers. A Restaurateur who recruits a crew member from within his or her own unit is eligible for a \$10,000 bonus should that individual become a store manager.

The program also helps the company avoid replacing a manager with someone from outside the company—an often costly situation given training.

An added benefit is keeping an elite cadre of management talent at the store level instead of moving



it away from customers to district level, though Restaurateurs are able to move up in the company.

"Through this program, we are really creating meaningful career opportunities for our people," spokesman Chris Arnold boasts. "And if they excel as a manager, they could be on their way to being a Restaurateur with six-figure earning potential."

nontipped workers now earn from an average \$7.60 per hour to \$12.71 per hour—roughly from \$1 to \$6 above the federal minimum, which climbed to \$6.55 an hour in July.

Twenty-four states mandate higher minimum wages. "Pennsylvania and Ohio, where we do business, are already way above [\$6.55]," declares Karen Bolden, chief people officer for Pittsburgh-based Eat'n Park, citing the \$7.15 and \$7 minimum

**At California Pizza Kitchen, employee goals are now aligned with shareholder goals.**



“It is better to give restricted stock options than to have stock options banging the P&L.”

—Jim Parish, Parish Partners

hourly rates of those states. “The increase didn’t affect us.”

Although Los Angeles-based California Pizza Kitchen operates many restaurants in California, where the minimum wage is a whopping \$8 an hour, co-CEO Larry Flax isn’t fretting. “People ask me, ‘Why would you build a restaurant now in Southern California?’ But labor is just one of the things you look at. You’ve got to look at every single factor that determines a successful store,” he insists.

#### IMPORTANCE OF THE GM

Restaurant executives realize that one of the crucial factors is the management team, in particular the general manager. Chains typically have base incentive programs for these employees on performance standards that take into account metrics like food and labor costs, sales, traffic, service standards and cleanliness.

Yet given deteriorating trends throughout the industry, manager compensation programs in the form of incentives or bonuses are shifting, sometimes radically.

This year, for instance, the 80-year-old Palm steakhouse chain added a diversity component to its management-incentive program. Ten percent of a restaurant’s total bonus is awarded partly on the

### Salary Snapshot: RESTAURANT MANAGEMENT

	Annual Salary	Average Bonus
General manager	\$57,937	\$11,172
Assistant general manager	\$47,786	\$4,027
Kitchen manager/chef	\$42,721*	\$5,474
Assistant manager	\$39,248	N/A

Sources: The People Report; HVS Executive Search, “2006 HCE Chain Restaurant Compensation Report” (for kitchen manager/chef); \*salary is the 50th percentile

basis of increasing minority and female customers and trimming staff complaints relating to racial, ethnic or gender issues.

The plan seems overdue at red-meat emporiums like The Palm, where for years customers have been mostly male and mostly pale. With the shifts in demographics—the U.S. Census Bureau estimates the “white alone” population will grow a mere 32.4 percent between 2000 and 2050, while Hispanics jump 188 percent—it behooves these restaurants to attract people of color.

“We are an old company that has served a narrow niche in the market,” acknowledges Palm COO Walter McClure. “If we are going to be successful in the long term, we have to expand our reach [among customers].”

That makes perfect sense to former Brinker CFO Jim Parish of Parish Partners, who has helped chains design incentive programs. He believes these days managers need to actively market their restaurants in their local communities.

“If I were running a restaurant company,” offers the Vancouver, Wash.-based consultant, “I’d want that manager out in local areas doing everything he can to get guests to come back, and I’d build an incentive plan around that.”

Since the beginning of this year, CPK officials no longer bonus general managers on guest satisfaction and quality-assurance scores, arguing these are simply part of the job. Today, after re-budgeting, the incentive program is evenly divided between comparable sales and controllable profits and aligned with shareholder goals.

“Where [managers] can really show their mettle is being clever with how they run their restaurants and get customers in the door. It’s about marketing and getting involved in community activities,” says Flax, who describes the new plan as having “attainable goals that are still stretch targets.”

### Salary Snapshot: HOURLY POSITIONS

	Average Hourly Wage
Shift leader, casual dining	\$12.41
Shift leader, quick service	\$9.60
Cook, full service	\$10.58
Cook, quick service	\$7.85
Dishwasher	\$8.54
Hostess*	\$8.44
Crew member, quick service	\$7.60
Bartender**	\$5.26
Waitstaff**	\$4.22

Sources: The People Report, Bureau of Labor Statistics (for cook, quick service);

\*nontipped; \*\*tipped



## REACHING THE GOAL

Attainable is the key for pay packages. Stretching to reach bonusable targets had long been a sore point until Tampa, Fla.-based Outback Steakhouse arrived on the scene in the late 1980s. Companies, often reluctant to share the wealth, tended to budget on the high side. That effectively kept bonuses low and management turnover high, particularly when there were long periods between new budgets.

Outback founders Chris Sullivan and Bob Basham devised a generous cash-flow-based compensation plan that motivated managers to operate their restaurants as if they owned them. "Chris and Bob were big believers in sharing the wealth," recalls Daphne's Frick, a former Outback vice president and later franchisee. "Our [managers] were making six figures running a single unit and staying put for five years. We were hiring multiunit guys to run one store."

Frick changed his managers' bonus program, which was outdated, upon joining Daphne's in June. "The old bonus plan was based on actual vs. budget," he explains, noting that budgets were not modified. "If we made a mistake on a budget, the poor manager had to live with that."

Base pay for Daphne's managers is about \$42,000. The new bonus program, which now includes mystery shops (15 percent of bonus) and

## How to Attract the Best Executive

**R**egardless of the economy, these are still very challenging times for attracting top talent," declares CEO Alice Elliot of Tarrytown, N.Y.-based the Elliot Group, an executive search firm specializing in restaurants and retail. She explains what it takes to bring the best on board.

### What are today's challenges?

Relocation. Couple that with today's real-estate valuations, and it definitely becomes harder. Because of dual-income families, spouses may not be able to pick up and move. Offers have to be compelling to get people to go.

### Define compelling.

There should be a demonstrable opportunity to create wealth. [New hires] have to know there will be wealth generation and opportunities for advancement. They also have to feel they can make a genuine leadership contribution.

### What kinds of wealth are we talking about?

It's all about valuations. At the CEO level, there's some expectation it would be a multimillion-dollar opportunity.

### What kinds of equity percentages are you seeing?

We did an assignment for a 20-unit chain, and that individual got 15 percent of the company. We did another for a 96-unit chain, and he got 4 percent of the company. In a climate like this, companies are much more willing to set aside part ownership.

### Are we talking over the long term or short term?

There's usually every expectation they will be there for some time. It is no longer, "I'll go for two years and then re-assess."

### Who holds power today, the talent or the companies that hire them?

No question that the executives have it. They are sophisticated and cognizant of compensation trends. They want what is right for them.

**BIG idea** Because Daphne's wants general managers to understand the cash-flow parameters of their units, the chain is offering classes on understanding the P&L.



Once a bastion of maleness, The Palm now gives bonuses to managers who hire women and people of color. But it's not just a numbers game. The bonus depends on trimming gender and race-related complaints.



## COVER STORY

As some chains shutter restaurants and throw managers out of work, others stand to gain. Officials at McAlister's Deli, a fast-casual sandwich operator, are actively recruiting unit-level management and expect to get more for their money as experienced, well-trained restaurant managers hit the job market.



food-safety audits (10 percent), can add \$12,000 to base pay annually. Assistant managers can earn up to \$7,000 in bonuses.

"We can't take focus off of the financial side completely," says Frick, adding that sales account for 35 percent and cash flow, 40 percent. The new program measures current sales vs. prior year, using a sliding scale. He is hopeful his management team can teach managers enough about cash flow and EBITDA to model Daphne's compensation program on Outback's.

### SKILLS DEVELOPMENT

"A lot of concepts don't share enough information with GMs in terms of what the business is really producing. They stop communicating at the controllable line. We're trying to get [managers] to under-

stand the full P&L," Frick says. "We just want to get their heads into the business. It's the best way to get them motivated."

Compensation rewards could change soon at Jackson, Miss.-based McAlister's Deli. The driving force is not the economy, however, but swelling unit volumes, the result of a computer-based site-modeling program that's been in use for several years.

But before anything changes, Friedman intends to determine which new skills, if any, are necessary to operate the fast-casual sandwich chain. "We are trying to do more with the concept, its products and presentation, and trying to look deeper into the job descriptions," he says. "Out of that, there may be some differences in compensation-level incentives."

May be? "We are benefiting from a number of casual-dining chains shrinking. There are a lot of people in the market," explains Friedman, who says the out-of-work managers have more experience than others. "Not that we pay less. We will get more talent for what we have been paying. And we do not have to move our compensation much."

**BIG idea** Palm Restaurants bases part of a manager's bonus on employees' answers to five questions about working conditions at the restaurant.

### Salary Snapshot: MULTIUNIT MANAGEMENT

	Annual Salary*	Average Bonus
Senior vice president, operations	\$183,890	\$74,802
Regional director, operations	\$103,000	\$24,402
Area manager	\$76,817	\$22,920

Source: HVS Executive Search, "2006 HCE Chain Restaurant Compensation Report," a national survey of 116 private and public restaurant companies; \*salaries are the 50th percentile



Friedman says these people have “more experience and more future potential,” meaning they may eventually join senior ranks.

## EXECUTIVE PAYROLLS

That, of course, is where real money is to be made. According to a 2006 HVS Executive Search survey, C-level titles rake in, on average, more than \$500,000 a year, including bonus. Of course, context is everything. McDonald's Corp.'s top five executives each earned an average \$5.3 million in 2007.

Compensation programs at these airy levels change relatively slowly; such features as stock ownership (restricted or otherwise) and equity positions, in both public and private companies, remain attractive draws, though changes in reporting options and tax concerns over the last several years have caused public companies to favor granting restricted stock.

“Generally speaking, most companies have come to the conclusion, even given the intricacies, it is better to have restricted stock options than to have stock options out there that are continuously banging the P&L,” explains Parish, referring to the rules that require public companies to charge options against earnings for their incentive value.

Private companies recruiting executive talent escape such worries. “I think the biggest trend this decade has been the greater focus on cash compensation and bonus vs. equity, especially in private companies,” says Mark Saltzgaber, a San Francisco-based investor and strategic adviser to restaurant companies. He believes this trend has been occasioned by two important factors:

- The lackluster performance of restaurant stocks compared to the 1990s. “The bar is higher to go public, and people realize that the equity pot of gold is harder to realize,” he says.
- Economic ups and downs, 9/11, market uncertainties. “A lot of people are looking for safety and security and are not willing to uproot their families for the potential upside of illiquid, high-beta equity,” he adds.

“The private company market has become more attractive than ever before,” offers Alice Elliot of the Elliot Group, a veteran executive recruiter based in Tarrytown, N.Y. Still, she adds, alluding to the miserable economy, “many [executives] have done quite well in different economic times.” ■

**on the web:** Read more about the new diversity metrics The Palm incorporated into its manager bonus program at [www.chainleader.com](http://www.chainleader.com).

“Where [managers] can really show their mettle is being clever with how they run their restaurants and get customers in the door.”

—Larry Flax, co-CEO, California Pizza Kitchen

## Salary Snapshot: CORPORATE MANAGEMENT

	Annual Salary*	Average Bonus
General counsel	\$201,993	\$123,847
Vice president, real estate	\$175,048	\$50,413
Vice president, marketing	\$169,064	\$53,819
Vice president, research & development	\$166,094	\$52,045
Vice president, human resources	\$165,000	\$40,579
Vice president, franchising	\$153,004	\$48,250
Vice president, design & construction	\$144,200	\$28,853
Vice president, finance	\$142,052	\$20,455
Vice president, purchasing/distribution	\$136,500	\$44,585
Corporate executive chef	\$115,000	\$12,090
Corporate controller	\$110,000	\$16,715
Director, human resources	\$99,348	\$12,884
Director, training	\$85,696	\$11,364
Director, recruiting	\$78,000	\$9,279

Source: HVS Executive Search, “2006 HCE Chain Restaurant Compensation Report,” a national survey of 116 private and public restaurant companies; \*salaries are the 50th percentile

## Salary Snapshot: TOP MANAGEMENT

	Annual Salary*	Average Bonus
Chairman	\$297,500	\$275,748
Chief executive officer	\$396,435	\$282,863
Chief operating officer/president	\$285,000	\$207,796
Chief financial officer	\$218,860	\$101,387
Chief information officer	\$169,157	\$42,749

Source: HVS Executive Search, “2006 HCE Chain Restaurant Compensation Report,” a national survey of 116 private and public restaurant companies; \*salaries are the 50th percentile





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# portfolio manager

Growing Detroit multiconcept operator Askar Brands **MIXES AND MATCHES CHAINS** to suit the market, real estate and franchisee.



**C**asey Askar is predicting big things for his Detroit-area company. The chairman and CEO of Askar Brands, operator of a growing portfolio of local chains, expects to be competing on a global level in the next five years.

Askar has a long way to go. The Commerce Township, Mich.-based company owns local quick-service chains Papa Romano's, Mr. Pita and Stucchi's, as well as a one-off casual-dining concept, CJ's Brewing Company. Together, they total less than 100 stores, almost all of them in Southeast Michigan.

But Askar, whose multiunit experience includes stints at Jet's Pizza, Speedway and Powerhouse Gym, has been taking some serious steps toward his goal, bringing in big-gun executives at head-



quarters, refining the concepts and their operations, offering co-branding options, and recruiting large area franchise developers.

## TEAMING UP

The portfolio play began last August, when takeout and delivery pizza chain Papa Romano's, which Askar had been managing since March 2006, acquired Mr. Pita. Askar had been familiar with the sandwich concept and its founder, Frank Lombardo, and was looking for a co-branding opportunity.

The bulk of Papa Romano's business comes in the evening and weekends, while Mr. Pita sees more traffic at lunch and on weekdays. "It's like a dream come true [for a franchisee]," Askar says. The two concepts can share the lobby and kitchen, plus many overhead costs. "There's minimum investment," he adds. "They're buying another business for practically nothing."

Askar admits it's not as easy as throwing complementary concepts together. Papa Romano's menu is complex because it offers subs, salads and entrees, makes its dough and sauces in house, and does a lot of catering. Franchisees get retrained on new systems such as more efficient prep methods, and may even need to upgrade equipment and decor as their contracts come up for renewal. Mr. Pita, however, is simple to operate, but the menu needs editing when the two are together.

Both concepts have sandwiches, salads and pizza.

Askar Brands decided that the subs on Papa Romano's menu would stay, but the pita pizzas at Mr. Pita were redundant. The company continues to simplify menu operations by purchasing the same dressings, lettuce blends, cheeses and other ingredients.

"You have to make sure franchisees are set up for success and that they can handle the rush," Askar says. "The simpler you can keep the menu, the easier it is."

Three co-branded locations are open today.

## GROWING FAMILY

Askar next went looking for a dessert concept for the portfolio. He spoke with a few ice cream concepts, including Carvel. He found another hometown favorite, Stucchi's, which David and Chris Fischera founded in 1986 in Ann Arbor. "It's almost weird the kind of following that brand has," Askar says, especially among University of Michigan alumni.

Stucchi's produces its super-premium ice cream, frozen yogurt and sorbets in a commissary and ships tubs to the licensees, which makes it easier to add to or open a unit than concepts that make their treats in house. The 12 stores are operated by licensees, but Askar expects many of them to convert to franchisees for the extra support and opportunities.

He imagines strip centers where a co-branded Papa Romano's and Mr. Pita might sit next to a Stucchi's. "I love the whole co-branding and co-tenanting concept," Askar says. "You need every competitive edge you can get."

## SNAPSHOT

**Company** Askar Brands  
**Headquarters** Commerce Township, Mich.

**Concepts** Papa Romano's, Mr. Pita, Stucchi's, CJ's Brewing Co.

**2007 Systemwide Sales** \$40 million

**2008 Systemwide Sales** \$44 million (company estimate)

**Units** 49 Papa Romano's, 36 Mr. Pitas, 12 Stucchi's, 1 CJ's

**Average Check** \$17 Papa Romano's, \$8 Mr. Pita, \$7 Stucchi's, \$28 CJ's

**Expansion Plans** 60 in next 2 years



Papa Romano's tends to support evenings and weekends in co-branded locations (above l.), and Mr. Pita sells more at lunch and on weekdays.

To make pizzas consistent, Papa Romano's bakes in conveyor ovens. Older franchised stores must convert as their contracts come up.

Stucchi's stores are operated by licensees, but the company expects to convert many to franchisees.



## GROWTH STRATEGY

Askar Brands plans to aggressively pursue its goal of being a global competitor in the next five years.

A CJ's Brewery Company, which is Askar Brands' one-off casual-dining concept, could also be part of the arrangement. Askar says CJ's achieved record sales for the first half of the year thanks to its microbrewed beers, which comprise about 25 percent of the restaurant's sales.

### READY TO ROLL

Askar Brands was prepared for the challenges of combining and expanding the brands, having bulked up at headquarters. Askar doubled the corporate staff and brought in a high-caliber team of experienced operators. Lombardo, now president of the company, was a longtime Little Caesar franchisee before founding Mr. Pita in 1993. Chief Operating Officer Gary McCausland had worked for Domino's as corporate controller and then president of international. The company added in-house accountants, attorneys and franchising staff.

"We're probably overqualified for where we are today," Askar



Mr. Pita offers a menu of hot and cold pita sandwiches and wraps, and is easy to execute, according to Askar Brands executives.

laughs. But he believes that while the in-house team costs more, it's more efficient long term. And it gives the company the ammunition to accomplish its aggressive goals.

Askar plans to expand the company three ways. The first is organically, store by store.

The second is via area developer agreements. A few contracts have been signed and are under way already, including a 100-store deal in Denver for singles and co-branded stores, a similar agreement for 120 stores in Houston, and a 30-unit Mr. Pita franchise in Charlotte, N.C. Each should have restaurants open by the end of the year.

The third way the company will grow is by more acquisitions. Askar is considering other regional pizza chains that could be rebranded to Papa Romano's. He also expects to add new complementary concepts to the portfolio, possibly a chicken chain. "Be watching for acquisitions," Askar says, "because that's one thing I've been doing, with Mr. Pita and with Stucchi's, and there are more to come." ■

**BIG idea** When chains find an A-location pad that's too expensive for a restaurant to support, Chairman and CEO Casey Askar of Askar Brands recommends portioning off a section or adding on to accept a tenant—another restaurant, retailer or even office space—to subsidize the cost.

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# Table SERVICE

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sales and lower  
labor costs.

## SNAPSHOT

**Concept** Cozymel's Mexican Grill  
**Headquarters** Dallas  
**Units** 9  
**2007 Systemwide Sales** \$20 million\*  
**2008 Systemwide Sales** \$26 million\*  
**Average Check** \$17  
**Average Unit Volume** \$3 million  
**Expansion Plans** None

\*Chain Leader estimate

**W**hen Mary Russo, president of Dallas-based Cozymel's Mexican Grill, decided to test a pay-at-table system, she had one thought in mind: security. "A lot of people are not liking to hand their credit cards to servers," Russo says.

Considering that the Federal Trade Commission estimates credit-card fraud costs consumers about \$2 billion a year, her concern is a valid one. Pay-at-table systems can help cut fraud because credit cards never leave their owners' possession.

Russo reports that guests do, indeed, welcome





the security of the device, now offered in a single Cozymel's store in Grapevine, Texas. Nine-unit Cozymel's, however, is reaping benefits from the device above and beyond appreciative customers.

The tabletop device has sped service times, increased sales and cut labor costs—and without too much angst from customers or servers. The test has been so successful that Cozymel's is rolling out the device to its locations in Manhattan Beach, Calif., and Las Vegas later this year.

Russo has high hopes as the device is introduced systemwide. "I think it can help drive sales, definitely, and it can help with turnover in the front of the house," she says.



### A THOROUGH TEST

The manufacturer of the pay-at-table device, which shares an investor, Dallas-based 2M Companies, with Cozymel's, contacted Russo about a two-part beta test last September. The first part of the test would determine whether customers and servers would cotton to the pay-at-table system. The second part would test the device's ability to market the menu.

Russo welcomed the leisurely testing process. "We wanted to take our time with it," she says. "We wanted to make sure we were comfortable and that servers were comfortable."

The manufacturer paid for the pay-at-table equipment, which includes the tabletop devices and a server, as well as monthly service fees. The equipment costs approximately \$4,500, and fees run about \$8 to \$10 per seat, per restaurant, depending on how extensively a restaurant uses the device, according to Shawn Gentry, president of the company that manufactures the equipment. He adds that the server is equipped with WPA-2, or the second-generation Wi-Fi Protection Access, a (to date) hacker-proof security system. "It's what the State Department uses," Gentry says.

Before launching the test, Cozymel's conducted 500 customer surveys to determine what features the tabletop device would offer. Three hundred of the surveys were on paper; the remaining 200 were personal interviews, during which the interviewer offered customers a free dessert in return for telling the interviewer what features they'd like on the device. Cozymel's also conducted professional focus groups to determine how customers wanted to use the device. Gentry says that pay-at-table was the most-requested feature, followed by the option to split the check, look up movie show times, view movie trailers and content for children, purchase movie tickets, and page the waiter.

At Cozymel's, the first stage of the test revealed several server concerns, among them receipts. Servers were afraid of losing track of a transaction, Russo



**Cozymel's new pay-at-table system (l.) lets customers watch movie trailers and buy movie tickets as well as swipe their own credit cards.**

**The tabletop ordering device (above) lets customers order extra items when they're ready, not when the server happens to drop by.**





says. The system was revised to include a receipt printer in the kitchen for servers to keep track of receipts and tips.

The manufacturer initially managed content for Cozymel's and will continue to do so, Gentry says. The \$8- to \$10-per-seat service charge covers content management, and Gentry says the restaurant will recoup that amount in extra sales and labor savings. "We really focus on three pillars: increase revenue, decrease cost and increase guest satisfaction," he says.

### **SURPRISE, SURPRISE**

The device has yielded one surprise after another. To start, it cut table times by six minutes, bringing them to about 35 minutes per table at dinner. Service is faster at lunch, too, by seven minutes. The "why" is easy, Russo explains: Guests don't have to wait for the server to drop the check or pick it up. They simply pay with a credit, debit or gift card, or cash, when they're ready. A red light on the device alerts servers to a cash payment.

Another surprise: By showing photos of promotional menu items, the device encourages customers to increase their own check averages. Russo says

that Cozymel's first tested margaritas, beer, appetizers, quesadillas and a dessert. "Whatever we put in front of someone, they ordered more of," Russo says, though she won't share specifics. The device now displays a video of Cozymel's tableside guacamole presentation.

Along similar lines, customer participation in surveys is higher as well. Fully 92 percent of customers agree to answer one question ("How would you rate your dining experience?") when prompted by the tabletop device. "That's a much higher rate than comment cards," Russo says.

The third unexpected yet welcome benefit: lower labor costs. Because they no longer spend time dropping and fetching checks, servers are now able to take on another table per shift. That means that the store was able to cut a full-time server position, resulting in a 20 percent savings on labor costs. And that means good news for servers, too, in the form of more tips because they can take care of more customers more quickly.

Higher tips will help Cozymel's cut turnover rates for hourly employees, Russo predicts. "The more money someone makes, the longer they'll work for you," she says.

Menu items pictured on the tabletop device, from margaritas to guacamole, see a spike in sales, says Cozymel's President Mary Russo, who adds that the tabletop device supplements, but does not replace, suggestive selling by servers.

(Opposite) An unexpected benefit of the tabletop system: Cozymel's has seen table times quicken by seven minutes at lunch and six minutes at dinner.

**BIG idea** Cozymel's six-month test enabled servers, managers and guests to get accustomed to the pay-at-table device.



## TIME FOR CUSTOMERS

However, when servers no longer drop or pick up checks, that means less interaction time with customers. It's a valid concern, says Darren Tristano, executive vice president at Technomic Inc., the Chicago-based restaurant consulting and research firm. "There's not as much flexibility" for guests to quiz servers about preparation methods or make special requests, he says.

Still, "a lot of people would rather interact with a POS system than a server," Tristano adds. Overall, he views pay-at-table options as more positive than negative, both for patrons and operators. The option lets customers order when they're ready, not when the server is ready, and can trim front-of-the-house labor costs.

Mike McPhail, general manager of the 350-seat Grapevine Cozymel's, also views pay-at-table as being more positive than negative. The devices speed service during unexpected lunch or dinner rushes. "Servers aren't as stressed out during those crazy little rushes," he says. "They have more confidence with tables, and they're a bit calmer."

Customer reaction, across generations, has been positive, McPhail adds. "They like that they don't have to give up their credit cards, that they don't have to wait for anyone," he says.

And they appreciate the movie-ticket option, too. "Last week we had a group that wanted to see 'The Dark Knight,'" McPhail says. "They bought the tickets at the table and picked them up at the box office." The line to buy tickets at the theater, McPhail adds, stretched around the block. ■



**on the web:** Better service doesn't always mean faster service. That's what Captain D's learned with its new pager system. For details, visit [www.chainleader.com](http://www.chainleader.com).

Responses from customer surveys prompted Cozymel's to add movie trailers, show times and ticket-buying capabilities to the tabletop device.

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# Group DYNAMICS

Darden's **EMPLOYEE NETWORKS** offer members mentors, while helping the company better understand its minority employees and customers.

**T**hirteen years ago, Orlando, Fla.-based Darden Restaurants Inc. launched its first employee network. It was set up to provide support for headquarters employees with families, and was therefore dubbed the Family Network.

That network now has 89 employees. And Darden, owner of Red Lobster, Olive Garden, Seasons

52, Bahama Breeze, LongHorn Steakhouse and The Capital Grille, has since formed four additional employee networks. The Women's Network has 303 members; the Asian-American Network, 55; the African-American Network, 98; and the Hispanic Network, 68 members.

While there's always been a social component to the networks, they exist for business reasons. Executives say the networks allow Darden to understand the intricacies of different minority populations, thus allowing the company's restaurants to better





serve those customers. They also help executives identify and nurture promising employees.

The networks underscore the company's belief in the importance of diversity to business success, says Dan Lyons, senior vice president of human resources. "Understanding the differences and diverse needs of our guests is fundamental to what we do," he says.

### BEYOND FUN AND GAMES

For that reason, Darden is trying to involve the networks even more in the company's business goals. Two years ago, Darden required each network to write a three-year business plan, describing how the network would help the company meet its growth goals.

"We want to make sure we meet the needs of the network, but link the needs of the network to growth goals," Lyons says. He adds that Darden's financial team assisted with writing the plans, the goals of which are reviewed regularly.

The business plans have included events that both entertain and educate. The Family Network, for example, hosted a Take Your Child to Work Day last year. The day gave Darden executives some important insight into the needs of children from different age groups, Lyons says. Via informal focus groups, the company gained new insights into children's menus, not just food choices but the games and activities offered on the menus.

The African-American Network has held a celebration of Black History Month, set up mentoring partnerships with African-American employees and key Darden executives, and helped the company's recruiters identify candidate sources such as the National Black MBA Association.

Cognizant of the time employees spend on network activities, Darden is launching a program to compensate each network's leaders. "We will allocate more hours for paid time invested in the network," Lyons says, though he won't give more details. "We think it's a signal to employees about meeting growth goals and talent management objectives."

### HELP FROM THE TOP

Darden executives say that network members benefit from access to top-level executives, who serve as advisers. For example, Kim Lopdrup, president of Red Lobster, John Caron, executive vice president of marketing for Olive Garden, and Jill Golder, senior



vice president of finance for the company's specialty restaurant group, are involved with the Women's Network. Executive involvement is voluntary, not mandatory, and works on a two-year rotation.

Kay Francis, who has been active in the African-American Network, was recently promoted to director of distribution, reporting to the vice president of supply management. "She's darned good at what she does," Lyons says. "But her African-American Network involvement was a meaningful part" of her promotion.

Network members agree with Lyons' assessment. Stephanie Gutierrez, brand marketing manager for Olive Garden and co-chair of Darden's Hispanic Network, joined the network two months after starting as an information analyst at Darden six years ago. Gutierrez spends about three to five hours per week on network-related activities; a current project includes updating the network's pages on Darden's intranet site. The intranet site is open not only to Hispanic Network members, but to all employees interested in Hispanic culture, she says.

Gutierrez has held four different titles at the company and credits her career moves to her involvement with the Hispanic Network. "It's given me a great opportunity from an exposure standpoint," she says. Salli Setta, executive vice president of marketing at Red Lobster, and Valerie Insignares, executive vice president of operations at Olive Garden, are both executive advisers to the Hispanic Network, she notes.

Gutierrez says that one-on-one time with senior leadership honed her collaboration and consensus-building skills, thus helping her build her career. And in her view, the networks help the company, too. In June, the network brought in an expert who talked to hiring managers about "what it's like to be a Hispanic," she says. Each October the network

Events such as the annual Asian-American Heritage Celebration, hosted by the Asian-American Network, give Darden headquarters employees a taste of a different culture.

Informal focus groups with children of the Family Network members (opposite) helped Darden gain new insights into both food offerings and games and puzzles on children's menus.

### SNAPSHOT

**Company**  
Darden Restaurants Inc.

**Headquarters**  
Orlando, Fla.

**Concepts** Red Lobster, Olive Garden, LongHorn Steakhouse, The Capital Grille, Bahama Breeze, Seasons 52

**Units** 1,702

**2008 Systemwide Sales**  
\$6.6 billion (fiscal year ended May 25)

**2009 Systemwide Sales**  
\$7.5 billion (company estimate)

**Expansion Plans** 75 to 80 in fiscal 2009



A Family Network event helped Darden executives acquire insight into dealing with kids of different age groups.



Top-level executives are involved in the networks: Here, Darden Restaurants Chairman and CEO Clarence Otis addresses the offspring of Darden employees on a Family Network-sponsored Bring Your Child To Work Day.

hosts a lunch at which Latino food is served and Latino music is played. "It helps how we design our advertising and how we treat our Hispanic guests," she says. The Hispanic network is also developing contacts at business schools where Darden recruits and with organizations such as the National Society of Hispanic MBAs.

## RESULTS NOT GUARANTEED

Lyons is certain that the networks are also helping Darden reach a more diverse customer base. But the

**BIG idea** Darden has required each of its five employee networks to write a business plan, thus ensuring that the networks' goals promote the company's business strategy.

evidence is purely anecdotal. "It's hard to say we have specific measurements in place," he says.

Employee involvement has increased. About 40 percent of Darden's 1,200 headquarters employees are involved in a network, according to the company. Darden officials add that the networks are open to all employees, even if they don't belong to the network's specific demographic group. For that reason, the company has received no negative feedback from unmarried white male employees, the sole demographic group without a designated network.

Thanks to the networks, the staff at headquarters is more diverse, "but it's hard to say cause and effect," Lyons says. He says the same is true for the networks' effect on guests.

One thing might help: The company is currently developing plans to provide for network involvement at the units. "It's an inherently tricky thing to do because of geographical disbursement," Lyons says.

Store-level participation is crucial, says Jennifer Schade, principal of JRS Consulting Inc., a human-resources consultancy in Wilmette, Ill. "I am struck by the wealth of information that exists at the employee level that can be overlooked by corporate," she says. "This concept could be executed at the restaurant level."

Meanwhile, Schade applauds Darden's efforts at headquarters, especially the network business plans. "In order for these groups to be legitimate," she says, "they have to deliver on the organization's goals and deliver value."

Schade predicts that more companies will begin to add employee networks. "It's not only the right thing to do, it's the smart thing to do," she says. "There is a huge need to engage employees, and this is one way to get employees involved." ■

**on the web:** Find out how The Palm is using its manager bonus program to improve diversity among its employees and customers. Visit [www.chainleader.com](http://www.chainleader.com).



# Franchise Developer

## Profiles in Growth: Bojangles'

**A**fter a career in the textiles industry led him to move five times in nine years, Michael White had had enough. In 1982, he went into business for himself as a franchisee for a major burger concept. In 1997, he got an offer to take over a faltering unit of Bojangles' Famous Chicken 'n Biscuits, a regional fried-chicken concept.

The unit was in a great location in Jefferson, N.C. White installed a new management team, and sales shot up. "It was just getting a manager in there that really cared about giving service to the customers; that's what it boiled down to," he says.

Based in Statesville, N.C., White and his operating partner Gary Huffman now have six Bojangles' units in three states (one in Virginia, two in Tennessee, and three in North Carolina), and have signed a contract for a seventh in Knoxville.



**Despite rising development costs, franchisee Michael White plans to open more Bojangles' units.**

attention to them so they'll succeed in their jobs. Gary [Huffman] manages the operations side, and he expects the best out of everybody we work with. Our philosophy is to share a piece of the pie, and let people know that we appreciate what they've done to help that pie go together.

### Q: What's the biggest challenge you face?

**A:** The cost of development. The cost of real estate is through the roof; the cost of putting a building on that piece of real estate is through the roof. You have to project more sales in order to expand, and that makes it more risky to move along.

### Q: What are your goals for the future?

**A:** We intend to build more units. It makes it more economical to run your business if you continue to grow. You need a base of restaurants to continue your training programs and in-house maintenance. Training is the lifeblood of any organization, and another critical part of this business is the way you maintain the equipment in the facilities you have.

### Q: How will you expand?

**A:** Very carefully. You've got to find the right sites. If an opportunity presents itself, then we will try our best to pursue that site and be there. We opened up two last year, although typically we'd like to do one at a time.

### Q: How do you plan to improve?

**A:** Basically, we pursue trying to have the best motivated management team that we can get, and we do that by paying



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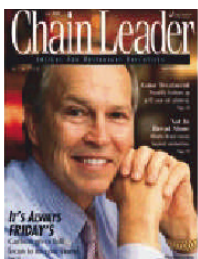
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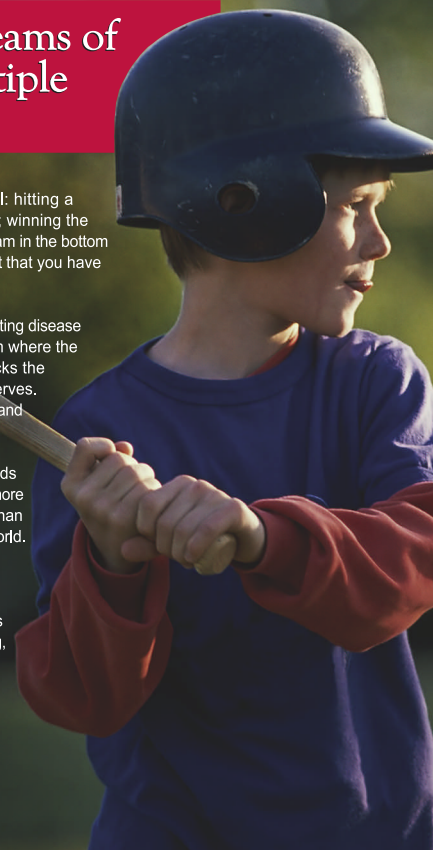
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## Flying Lessons

James Flynn tells why high prices and low consumer sentiment aren't bringing Wingstop down.

**I**n July Wingstop celebrated its 20th consecutive quarter of comparable-store-sales increases—not a common feat in ordinary times. *Chain Leader* asked James Flynn, president and CEO of the 400-unit, Dallas-based chicken-wing concept, to share what keeps Wingstop growing.

**I'm hoping that you can tell us about how you're growing comps continuously.**

Well, it really I think is a lot of hitting singles. We've really put emphasis in every area of the company. We do better screening now and I think get in better qualified candidates. We have a better training program than we did before to make people more competent out there. We have better real-estate selection. Our field operations people are clearly better than what we had early on, and they're trained better and have a better background. We've set up

**President and CEO James Flynn has helped Wingstop increase comps for 20 consecutive quarters.**

advertising co-ops in a lot of the cities, and we just do a better job of marketing overall.

**And you've been growing all this time, too, right?**

When we got here [in January 2003], there were about 88 stores and the annual systemwide sales was \$35 million. We'll finish this year at about \$280 million with a little over 400 stores open. But I think, importantly, we've sold enough development agreements moving forward that we're currently at about 620 stores.

**Tell me more about your field training. What elements have gone into that?**

For example, we do background checks now when we do reference checks. We bring in any potential candidate and have them spend a full day where we go through every function of the company. And then not only do they decide if they'd like to be a franchisee of ours, but we also decide if we want them to be a franchisee of ours.

**Are you doing anything special or different to maintain that relationship?**

The founder of this concept, Antonio Swad, the person that our investors bought it from, came up with the term "brand partner" as opposed to franchisee. We have quarterly telephone conferences where brand partners call in and our senior management talks about where we are with the company, what we're doing and then answers any questions. We've also recently started face-to-face meetings with brand partners.

**Your menu is very tight. Have you been tempted to expand it?**

When we bought the concept, it was a wing concept. That's what attracted everybody to it. But we have added to it. We added boneless wings probably about two or three years ago, and boneless wings now contribute about 15 percent of the sales. So we have expanded the product line, but that's about the only major expansion of the product line that we've had.

**I was reading about how you can order online and then pick it up. Has there been good progress in that area?**

No question about it. The online ordering has really continued to expand for us. And the interesting thing is, the average volume of an order online is about twice our normal order.

**If you look back at the end of the year, what's going to tell you that it's been a successful year for you?**

If comps continue to increase and improve the way that they have, I think that's important. The number of development agreements that we sell for the future is important. And right now we're ahead of budget. And then, again, the profitability of our brand partners, their ability to succeed. ■



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