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Reed Business
Information.

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TREND-FORWARD INSIGHTS TO BUILD BRANDS

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Know Your AUDIENCE

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and its CEO Antonio Swad
epitomize diversity efforts.

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A Narrow RACIAL Divide

Consumer research looks at some of the differences—and similarities—among people of different races.

By many measures, black, white, Asian and Hispanic diners are pretty similar. For example, all have reduced their restaurant visits in the economic downturn. But there are differences, according to *Restaurants & Institutions'* 2009 New American Diner Study.

For example, when asked how many times a week they typically purchase a meal away from home, 12.5 percent of black respondents said zero, while 8.7 percent of white, 4.3 percent of Hispanic and 3.8 percent of Asian customers said zero. The mean number of visits in a typical week was 3.51 for black, 2.79 for white, 4.03 for Hispanic and 4.25 for Asian respondents.

SEGMENT SLICES

The type of restaurant preferred also varies. More than four in five white consumers (85.6 percent) had gone to a casual-dining restaurant

in the past year; 80.5 percent of Asian, 77.5 percent of Hispanic and 72.0 percent of black consumers said the same. And although 75.9 percent of Hispanic respondents visited a family-dining chain, the figure was 72.8 percent for Asian, 71.7 percent for white and 62.4 percent for black respondents.

The difference in the percentages of those using fast-food restaurants in the past year was statistically insignificant: 90.2 percent of Asian, 88.9 percent of black, 88.5 percent of white and 88.4 percent of Hispanic respondents did so.

ECONOMIC IMPACT

While Hispanics were more likely to say they were affected by the economic downturn (only 13.9 percent said it had no impact, vs. 22.1 percent of Asian, 22.5 percent of white and 23.4 percent of black consumers), they were more likely to cut back on entertainment (66.7 percent did vs. the overall average of 59.7 percent) than reduce dining away from home (59.9 percent did vs. 58.7 percent overall).

Asian customers were most likely to increase their use of restaurants offering special deals (55.5 percent did vs. 45.2 percent of all respondents) and increase their use of coupons (42.8 percent vs. 34.3 percent of all).

DINING CHOICES

Almost three-quarters of black consumers (73.5 percent) agree with the statement, "I'd rather choose my own sauce, dressing or topping than have choices predetermined on the menu." The overall average agreeing was 67.8 percent.

White customers tend to prefer individual servings over family-style meals: 74.0 percent, vs. 56.1 percent of black, 55.8 percent of Hispanic and 48.8 percent of Asian respondents. ■

ETHNIC INFLUENCE

In its 2009 New American Diner research, *Restaurants & Institutions* asked what types of cuisines consumers would like to see more of on menus. Here are the Top 10 responses.

1. Mexican	43.5%
2. Chinese	39.4
3. Barbecue	38.4
4. Southern	30.3
5. Japanese	26.9
6. Greek	22.9
7. Spanish	22.8
8. Thai	22.3
9. Mediterranean	20.7
10. Caribbean	19.2

Source: *Restaurants & Institutions'* 2009 New American Diner Study



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ISSUE THEME

Diversity of Thought

Don't just think in black and white. This issue looks at diversity from several perspectives, including locating in underserved areas, marketing to a new psychographic, avoiding coworker age stereotypes and appealing to ethnic audiences. Epitomizing diversity efforts, Antonio Swad, CEO of Pizza Patron, is laser-focused on the Hispanic market.



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Serving the Underserved

Minority populations are growing, and forward-thinking operators are seeing who their future customers and franchisees will be. Franchisors like Pizza Pan and NexGen Brands explain how ethnic and urban markets suit their expansion plans.

By David Farkas

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Know Your Audience

Pizza Patron serves Mexican customers and the communities they live in. CEO Antonio Swad explains how the tight focus has broadened the fast-food pizza chain's appeal.

By David Farkas

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Smokey Bones' redesign, with elements of the lodge look removed, makes the former barbecue hub a hot spot for a new audience for the chain: "social starters."

By Lisa Bertagnoli



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That Personal Touch

Using translation software for marketing pieces and training manuals is helpful, but it has its limitations. Here's what works and what needs a human touch.

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Quick-service restaurant chains search for the menu sweet spot: items and ingredients that appeal to ethnic palates and mass markets alike.

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A Latin Twist

Restaurant brands of all stripes have taken Latin cocktails as their own, leading to new blends and authentic innovation.

By Mary Boltz Chapman

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Many Cooks in the Kitchen

El Pollo Loco has long courted a Spanish-speaking clientele. Its newest campaign elevates the chain's cooks to masters, giving them personality through use of different Hispanic music types.

By Margaret Littman



NEW

- Join Friends of Chain Leader LinkedIn group for early news and conversation

WEB EXCLUSIVES

- Get tax breaks for locating in underserved markets
- Smokey Bones taps social networking
- Obama plans to support small business
- Chain menus celebrate spring
- “Pay what you want” scheme succeeds
- Video: Growing chain Winking Lizard’s lessons on conversions
- How a Wendy’s franchisee measures and controls energy use in the units
- Cold Stone Creamery and Tim Hortons cobrand
- Auntie Anne’s uses twisted logic to reposition

PODCASTS

- The Melting Pot’s Shane Schaibly adds flavor to the fondue
- Larry Flax on the menu at LA Food Show
- Surviving the Downturn: A series of panel discussions with industry leaders on the economy, menu prices, marketing and more

HOW TO GROW TO 100 UNITS

- George McKerrow outlines five first steps toward green
- Judy Hollis of Fazoli’s offers purchasing strategies
- Restaurant consultant Kevin Moll on what to outsource

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- Industry blogs from chain veteran Lane Cardwell and Senior Editor David Farkas
- Daily news
- Franchise opportunities
- Topic-specific pages on marketing, expansion, operations and more

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Talkin’ ‘bout Your Generations

Four generations working together in one busy restaurant is a volatile mix. Fighting stereotypes of the young and old can prevent disruptions.

By David Farkas

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Empowerment CHALLENGE

I know what you're thinking: The theme of this issue is diversity and they still put a white guy on the cover. What gives?

We couldn't find a better example of a growing chain that serves an underserved market with such a high level of focus and depth than Pizza Patron, and CEO Antonio Swad is very

close friend, a middle-age white man, is in a diversity class that has him learning things about working with other races, ages, genders, gender preferences, socioeconomic levels, etc., that he never learned in business school. Though he's a fairly liberal and generous guy, there are perspectives and experiences that he never dreamed of.

The power that he unknowingly

wielded as a middle-class white man has him humbled. I don't think that's the reaction he should focus on; I think he should use that

White men: It might be slowly changing, but you're still in charge. But with that power comes the responsibility to use it for good.

much the face and day-to-day leader of the brand. We weren't going to *not* use him just because he's a white guy.

LEARN FROM EXPERIENCE

Those of us who are not white men still need their support. If you look at the Women's Foodservice Forum, for example, you'll find a far greater percentage of men serving on the board than men as a percentage of the whole membership. If that sounds unbalanced, maybe it is for now. But the organization needs and wants to take advantage of all the knowledge and executive experience it can get out of volunteers, so it would be foolish not to accept the help.

There is a lot to learn both ways. In his graduate social-work program, a

power for good. Now he's learning to ask questions or delve a little deeper to try to understand clients better, even at the risk of offending them.

WHAT ARE YOU MISSING?

If you relate that to a business situation, you might see that you're operating just fine, relatively speaking. The way you've always done things is the way you do things. But perhaps there are whole groups of customers that you're not even aware you're not serving. Maybe your franchise marketing doesn't reach large numbers of businesspeople eager to invest in something with bricks and mortar and measurable results.

Embracing diversity isn't just the right thing to do. In this operating environment, you need all the varied input you can get to attract all those potential franchisees and customers.

Take a lesson from my friend. Start investigating what you don't know; ask the hard questions in a sincere way; and then use your power for good. ■

BIG ideas

"It were not best that we should all think alike; it is difference of opinion that makes horse races."

—Mark Twain

"Differences challenge assumptions."

—Anne Wilson Schaef

"We have become not a melting pot but a beautiful mosaic. Different people, different beliefs, different yearnings, different hopes, different dreams."

—Jimmy Carter

"One man's religion is another man's belly laugh."

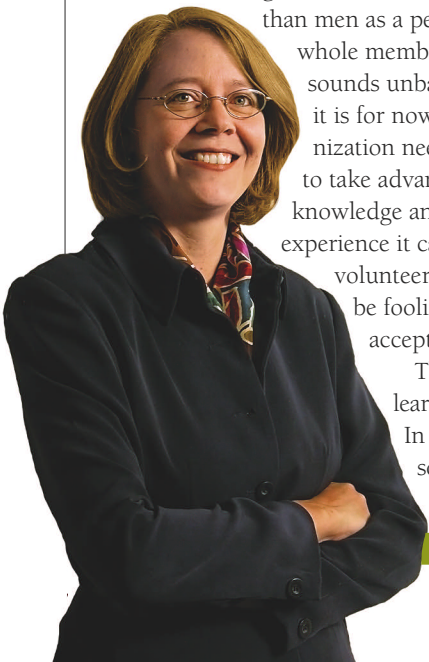
—Robert Heinlein

"We all live with the objective of being happy; our lives are all different and yet the same."

—Anne Frank

Mary

Mary Boltz Chapman
Editor-in-Chief



chain leader®

PUBLISHER: Patricia B. Dailey

EDITOR-IN-CHIEF: Mary Boltz Chapman

SENIOR EDITOR: David Farkas

PRODUCTS EDITOR: Gretchen Drummond

SENIOR ART DIRECTOR: Ala Ennes

PRODUCTION ARTIST: Krystina S. Kliman

CONTRIBUTING EDITORS: Lisa Bertagnoli, Margaret Littman, Monica Rogers

ALSO CONTRIBUTING TO THIS ISSUE: Christine LaFave, Allison Perlik

CHIEF EXECUTIVE OFFICER: Tad Smith

CHIEF FINANCIAL OFFICER: John Poulin

CHIEF INTERNET OFFICER &

PRESIDENT, BUSINESS MEDIA DIVISION: Jeff DeBalko

VICE PRESIDENT/PUBLISHING DIRECTOR,

FOODSERVICE & HOSPITALITY GROUP: Steven Rourke

HOW TO REACH **CHAIN LEADER**

PHONE: (630) 288-8201 **FAX:** (630) 288-8215

E-MAIL: ChainLeader@reedbusiness.com **INTERNET:** www.chainleader.com

WRITE: Chain Leader, 2000 Clearwater Drive, Oak Brook, IL 60523

TO SUBSCRIBE OR CHANGE ADDRESS

PHONE: (800) 446-6551 or (303) 470-4445 **FAX:** (303) 470-4280

E-MAIL: subsmail@reedbusiness.com

INTERNET: www.getfreemag.com/ChainLeader

WRITE: Chain Leader, Reed Business Information

8878 S. Barrons Blvd., Highlands Ranch, CO 80129-2345

FOR ARTICLE REPRINTS OR ELECTRONIC USE

PHONE: (717) 666-3052 **E-MAIL:** chainleader@theygsgroup.com

REGIONAL ADVERTISING SALES MANAGERS

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Carolyn Funk (630) 288-8224

EAST NORTH CENTRAL/OKLAHOMA/TEXAS

Floyd Stoner (630) 288-8208

DIRECTOR OF MARKETING AND

CUSTOM PUBLISHING:

Rebecca Oistad

MANAGER, INTEGRATED COMMUNICATIONS:

Vicki Staffeldt

DIRECT MARKETING SERVICES:

Nichole Stoner

RESEARCH DIRECTOR:

Terri Solomon

DIRECTOR OF AUDIENCE MARKETING:

Kati Tucker

PRODUCTION MANAGER:

Victoria Jones

CUSTOMER CONTRACT COORDINATOR:

Joanne Westphal

INTERACTIVE PROGRAM MANAGER:

Patrick Mardian

DIRECTOR OF E-MEDIA SOLUTIONS:

Darrell Dal Pozzo

INTERACTIVE MEDIA PRODUCER:

Gregory Sokolowski

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Franchisee Fan Favorites

If it's true that the recession's depth depends on consumer confidence, then perhaps a restaurant brand's health depends on franchisee confidence.

Franchise Business Review, a market research firm based in Kittery, Maine, has announced the winners of its annual Franchisee Satisfaction Awards. The research identifies 115 companies, several of which are restaurant concepts, that have very strong franchisee satisfaction.

More than 300 franchise brands registered to participate; those brands represent 65,000 franchisees in North America. Franchise Business Review surveys the franchisees on topics such as training and support, system quality issues, the franchisor relationship, financial opportunity and overall experience. It then ranks companies based on a formula includ-



ing satisfaction score, system size and rate of franchisee participation.

The winner among large systems of more than 200 units is Heaven's Best, a Rexburg, Idaho-based carpet and upholstery cleaning service. The mid-size (50 to 200 units) winner is Truly Nolen of America, Tucson, Ariz.-based pest control service. Personal Training Institute, a fitness training service operating in New York and Pennsylvania, is the top franchisor under 50 units.

Restaurant concepts, with FSA rank, among the top large systems (more than 200 units):

- 4. AUNTIE ANNE'S**
- 14. NATHAN'S FAMOUS**
- 21. EL POLLO LOCO**
- 22. BRUEGGER'S**
- 23. CHURCH'S CHICKEN**
- 35. PERKINS**
- 40. SIMPLE SIMON'S PIZZA**
- 42. EINSTEIN NOAH**

Top midsize systems (50 to 200 units):

- 19. MARCO'S PIZZA**
- 21. SALAD CREATIONS**
- 23. GREAT WRAPS**
- 31. SUBMARINA SANDWICHES**

Under 50 units:

- 6. WINGS OVER**
- 17. HUHOT MONGOLIAN GRILL**
- 24. PAUL REVERE'S PIZZA**

ON THE MENU

Rites of Spring

Spring means baseball, red-breasted robins and fresh asparagus. At many restaurant chains, spring brings a chance to shake up the menu.

Hooters' spring menu aims to please basketball fans with appetizers big enough

to share—like potato chips covered in blue cheese, bacon, diced tomatoes and green onions—and seafood items such as a Blackened Mahi Sandwich and bite-size grouper with cornflake breading for customers who observe Lent. The Atlanta-based chain has 450 units.

Houston-based **Joe's Crab Shack** has added a line of sharable Steampots in its 120-plus locations. Options include the Orleans, with crawfish, shrimp, andouille sausage, corn and potatoes; and Joe's Steampot with Dunge-

ness crab, snow crab, boiled shrimp, smoked sausage, new potatoes and corn.

Tampa, Fla.-based, 142-unit **The Melting Pot** features Tuscany in its latest Big Night Out four-course fondue menu. The cheese course, Quattro Formaggio, blends fontina, Gruyère, Gran Queso and fresh mozzarella with roasted garlic, basil and tomato pesto. After caprese salad, the main course features meats with Florentine flavors. For dessert: Milk Chocolate Tiramisu Fondue.

Seattle-based, 550-unit **Seattle's Best Coffee** launched a seasonal latte, the Blackberry Creme Latte. Featuring espresso with blackberry flavors and "a hint of floral notes," it's topped with steamed milk,

a sprinkle of citrus-berry-infused sugar and white-chocolate sauce.

Schlotzsky's, the 365-unit, Austin, Texas-based sandwich chain, is promoting a trio of baseball-themed Big League Clubz: the Ham 'n Turkey Club (pictured), Chick 'n Turkey Club and Beef 'n Bacon Club sandwiches. Customers can collect baseball cards for a chance to win prizes, and online, they can sign up to win a trip to the All-Star game.

Dallas-based salad-bar concept **Souper Salad** is promoting a "Seaside Getaway" in its 82 units. Fish tacos, seafood bisques and chowders, and salads with a variety of seafood toppings are included in the price of the salad bar. ■





INTERNATIONAL

Franchisors Remain Upbeat About Dubai

For months there had been speculation that Dubai's real-estate bubble was ready to burst. It did in January, tanking real-estate prices by 30 percent and putting the kibosh on the large construction projects that turned the city into one of the Middle East's—and certainly the United Arab Emirates'—most glamorous (and safest) playgrounds.

Predictably, the downturn has led to an exodus of foreigners, who comprised most of the city's population. The government is reported to be canceling residency visas at the rate of 1,700 a day, almost three times as many as a year ago.

As grim as things appear, the situation hasn't significantly dimmed the hopes of two Atlanta-based restaurant franchisors with units in Dubai.

IT'S HELPING, NOT HINDERING

"The downturn is actually going to help us," declares Zack Kollias, senior vice president, international operations, for

Church's Chicken, which does business as Texas Chicken in the Middle East. "We will not have trouble finding construction people, who before didn't want to work on small projects like a restaurant."

Church's Middle East franchisee, Saudi Arabia-based The Olayan Group, recently opened a restaurant in Dubai and has plans to open two or three more

Despite the collapse of the real-estate market, Dubai remains a viable market for American restaurant brands, franchisors claim.

in 2009, says Kollias.

He isn't worried about the sudden absence of deep-pocketed foreigners, either. Customers at the month-old restaurant were locals with deep pockets. He describes them as "middle-to upper-class" people who haven't been affected by the slump.

NO LAYOFFS

Many foreigners on their way out have been sacked by their employers. Not so at Cravia Inc., the Dubai-based franchisee of Cinnabon and Seattle's Best Coffee. "We haven't laid off anyone or cut down salaries," says Cravia CEO Walid Hajj.

"We're OK," he adds. "I look at reports every day expecting something to happen. We have not witnessed it yet." Still, Hajj expects to open nine units this year, compared with 16 in 2008.

"We were comping 15 percent to 20 percent last year; now it's 5 percent to 6 percent," he explains. "We have put a hold on new expansion." Hajj believes the per-person ticket average of \$5.50 to \$10 keeps his franchised concepts affordable. —**David Farkas**

BLOGS

TALKBACK

PODCAST

Diving for Dollars

Open a new concept in this economy? You'd have to be crazy. *Chain Leader* blogger Lane Cardwell found two crazy restaurateurs, both of whom debuted restaurants in Dallas in the past month.

Following the trends of comfort food and affordable prices, Chef Kent Rathbun has opened Rathbun's Blue Plate Kitchen. Though his concepts Abacus and Jasper's receive a high per-person check (\$100 and \$50,

respectively), Blue Plate Kitchen's tab is about \$30. The menu includes Niman Ranch Beef Rib Pot Roast and Heirloom Corn-Chipotle Spoonbread.

Similarly, Phil Romano and partner Joe Palladino have opened Nick & Sam's Grill, an offshoot of the \$70-a-person Nick & Sam's Steakhouse. The menu also features traditional comfort food, such as Grown Up Grilled Cheese and Homestyle Meatloaf,

and most entrees range from \$7 to \$12.

"For watching trends, there is nothing more revealing than to watch what a new concept opens with in food and look," Cardwell writes. "Existing restaurants and chains have to evolve with new trends and designs; they don't have the luxury of just starting over every three to five years."

Check out Cardwell's blog, "The Next Big Thing," at www.chainleader.com.

ON THE MONEY

Slow Growth?

WORK the Positives



Nicole Miller Regan, senior research analyst at Piper Jaffray in Minneapolis, says the best-run chains clean up balance sheets and promote senior execs when growth isn't in sight.

Let's begin by talking about the best management teams in your group.

I always go back to [CEO] Jerry Deitchle at BJ's Restaurants. He's been able to take in the economic pressures and then funnel them down to his concept with a balanced approach. I would also credit P.F. Chang's with staying true to its core message and brand and quickly cleaning up the balance sheet. Finally, Panera has been extremely transparent, which has given them a lot of credibility.

What do you make of the promotion of Bert Vivian to co-CEO at P.F. Chang's?

Bert is a critical part of the puzzle. He has always been [CEO Rick Federico's] right-hand man, and the promotion is a testament to [Bert's] success. [Rick] may be grooming him for bigger and better things to come.

Chipotle elevated President Monty Moran to co-CEO at the same time.

Monty's promotion was clearly more operational in nature. Because he has been successful operating and managing the store-level process, I think [Chipotle] is saying, "Now we'd like to use [Moran] as a strategic tool."

Do these promotions help the stock price?

I don't know if it moves the stocks in the short term. Long-term investors take these changes seriously. The promotions were perceived positively by the Street.

Where are these companies positioned in terms of balance sheets?

Chipotle and Panera have pristine balance sheets. Both carry a nice cash balance and generate a whole lot of free cash flow. P.F. Chang's balance is going to rebound. Their cash-flow yield is going from 5 percent to 15 percent. Debt is minimal and will be completely extinguished by year end.

Will anything produce a near-term rebound for these companies?

It's all macro today. Look at industry-specific factors driving the group. Take commodities, for example. Costs are very benign, and the group is down and not up. The stocks are not trading on company-specific fundamentals or industry factors that today are probably more positive than negative. Instead, they are trading on consumer confidence, the personal savings rate and gas prices.

I guess asking if stocks are fairly valued on fundamentals seems ridiculous.

[Laughter.] We've tried to slice and dice past recessions to compare the situation today, keeping in mind it's not apples to apples. Our research shows that what had been a historic [P/E] low of 15 times in the past now bottoms out at 9 times. That figure has tended to set off a little recovery rally that so far has been short-lived.

Yet that could be an incredible buying opportunity.

If you look out over time, this group trades at 1 to 2 times a PEG [P/E to growth ratio]. But now there's no growth. Still, if you believe the economy recovers and these companies grow again, they are trading a massive discount to that 1 to 2 PEG. To anyone operating under the belief that recovery will happen, it's a great buying opportunity. —D.F.

"CPK is my dark-horse stock because it's not getting any credit for its [licensed frozen-food] business, which has nothing to do with same-store sales, the four walls or the recession."

—Nicole Miller Regan

IN THE WORKS: Miller Regan believes the QSR sector will retain today's dominant market share after the recovery.

Follow the Green Jobs

Look at it from the prospective employee's point of view. So-called "green-collar" jobs are hot, and employees with an interest in sustainability are applying. *Fast Company* outlined methods to break into the green biz. Reverse-engineer these tips to recruit your own green-minded team.

- Remember that no one is an expert, and it's OK to start at the bottom and hope to rise quickly.
- Get ready to learn, learn a lot and continue learning.
- Opt for nimble over name-recognition: There are better odds of having an impact more quickly in a smaller organization.
- Take the green temperature at the top. If the executive team isn't committed to green, it isn't going to happen.

BIG idea

Build your company's green reputation by getting quoted in the media and specifically outlining environmental efforts on the company Web site, including on help-wanted pages. However, as in consumer marketing, avoid "greenwashing."

ECONOMY

LIGHT at the End of the TUNNEL

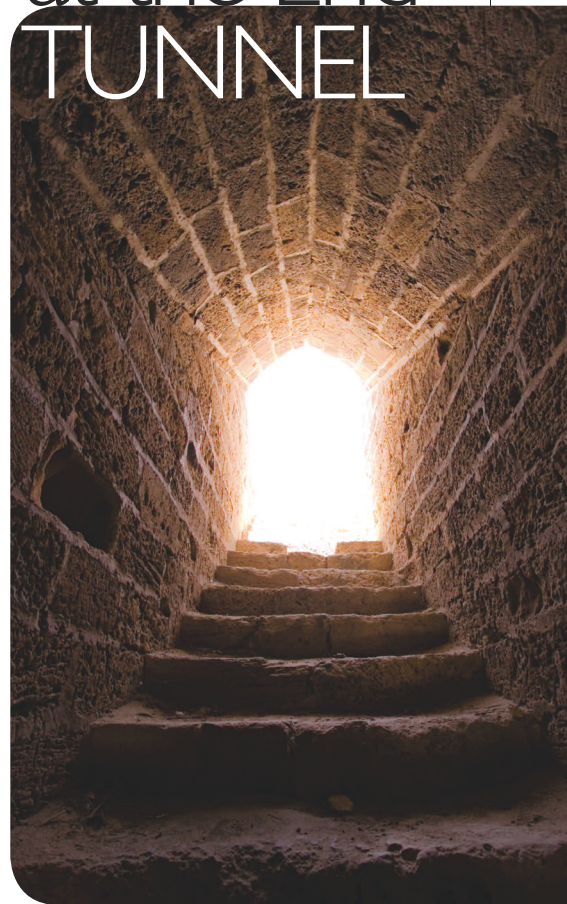
Four out of five middle-market executives believe that the financial crisis will bottom out this year. A study of C-level and senior executives at middle-market companies (those with annual revenues between \$24 million and \$1 billion), reveals 28 percent predict it will happen within six months, and 52 percent say it will happen in six to 12 months.

Financial-services firm CIT Group Inc. released the report, "U.S. Middle Market Outlook 2009: Navigating the Credit Crunch," in March. The study is based on 150 surveys of executives responsible for finance, strategy and business development, or general management at companies in many industries, including energy, health care, retail, manufacturing and consumer goods.

"In the face of one of the most challenging financial crises in generations, middle-market executives remain cautiously optimistic about the market's recovery as well as their own prospects over the next 12 months," says Jim Hudak, co-head of corporate finance at New York-based CIT.

THE STUDY ALSO FOUND:

- A majority of middle-market executives expect their revenues to be stable (23 percent) or to grow (41 percent). Thirty-six percent said their revenues would decline.
- Of those who expect their revenues to grow, 73 percent said they would achieve this growth by improving their operating efficiencies as they manage their cash flow and spending more effectively.



- Thirty one percent of respondents said they would use financing toward working capital needs and put off investments such as equipment (21 percent) and new technology (16 percent).
- About one-third of executives plan to cut capital expenditures, and another third plan to keep them at the same level.
- To cut costs, more than half expect to reduce staff levels, and 38 percent plan to cut back on research and development.
- Fully 40 percent said that changes in the availability of financing would have a negative impact on their business. ■

TECHNOLOGY

BJ's Employees Just **Phone It In**

Restaurant managers are used to getting calls and notes from employees about work schedules, but it's a royal pain because attention to these matters wastes time.

"There's no other industry I know of where employees call to see if they're coming to work next week," says Christopher Muller, a restaurant management professor at University of Central Florida's Rosen College of Hospitality Management. "Dealing with it takes enormous amount of time."

Not at BJ's Pizzeria & Brewery, declares Nanette McWhertor, vice president of operations support and restaurant openings at the Huntington Beach, Calif.-based casual-dining chain. Its employees send text messages from Web-enabled phones to a labor-

management system when they want to swap shifts or request time off, she says. The announcement is then dispatched to the unit's employees.

To check a work schedule employees access a Web site. "It's the most dynamic tool we have—there is no one who can't go into it," she says, adding that managers now have more time for on-duty hourlies.

A SIMPLE YES OR NO

Managers simply respond to pending text messages and either approve or don't approve the swap. "If the manager declines it, the message goes back to original team member," McWhertor explains. "If he accepts it, the other team member gets notified that they have the shift."

BJ's Restaurants employees can swap shifts or ask for time off simply by texting.



New Perfect Answers™ Chicken Breast Slider



Managers aren't likely to approve swaps unless they are between similarly skilled workers. A cocktail waitress, for instance, isn't likely to win approval if a new employee tries to pick up her hours. Nonetheless, the system saves employees time. "You don't have to ask or call 20 people," McWhertor says.

TOTAL APPROVAL

The labor-management technology, rolled out companywide in 2006, got no pushback from staff. "They were thrilled to have access to work," McWhertor says. Most BJ's employees are 18 to 24 years old and regularly send and receive text messages, she adds.

Besides generating "a fascinating number of reports," McWhertor says BJ's uses the tool to notify employees of special events. "Right now we have a big [sales] contest," she says. "The first three times they access their schedules, they get a blast saying, 'Hey, make sure you are competing in this contest.'" —D.F.

America's TOP 10 Healthiest Fast-Food Restaurants

In its March issue, *Health* magazine named the Top 10 Healthiest Fast-Food Restaurants. It looked at the 100 largest chains based on number of locations and scored each on factors such as use of healthy fats, sodium counts, availability of nutrition information and use of organic products.

1. Panera Bread
2. Jason's Deli
3. Au Bon Pain
4. Noodles & Company
5. Corner Bakery Cafe
6. Chipotle
7. Atlanta Bread
8. McDonald's
9. Einstein Bros. Bagels
10. Taco Del Mar



Although it offers plenty of choices that wouldn't be labeled "healthy," Panera Bread was praised for having a wide variety of healthful items.

Our new chicken sliders put big value in a little bun.



The "mini" trend is huge. And when it comes to value, so are our new breast fillet sliders... whole muscle breast meat, surrounded by our Southern Select™ coating. They'll please your customers – and your profitability – in a big way.

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Brakebush

Second WIND

Funky Tex-Mex concept Chuy's is doubling its size as it grows in and outside of Texas.



Most new Chuy's were once another concept. CEO Steve Hislop says it's less expensive to remodel an existing restaurant than build a prototype.

SNAPSHOT

Concept Chuy's
Headquarters
 Austin, Texas
Units 12
2008 Systemwide Sales
 \$43 million
2009 Systemwide Sales
 \$72 million
 (company estimate)
Average Unit Volume
 \$5.2 million
Check Average \$12.70
Expansion Plans
 5 or 6 in 2009

Chuy's CEO Steve Hislop likes to do conversions. So much so that three of the five or six new restaurants Chuy's will open in 2009 will have once housed another concept.

Five or six? This year? In this economy?

"Chuy's was capitalized with the intent to fund growth," says former investment banker Rod Guinn, who has advised Goode Partners LLC, the full-service chain's owner since 2006.

Joe Ferreira, a partner in the New York private equity firm, says the company's debt, which he would not disclose, shouldn't interfere with expansion plans: "Chuy's has acceptable financing for the foreseeable future."

In any case, conversions are less expensive than ground-ups. The total cost for a conversion ranges from \$800,000 to \$1 million. Chuy's 6,500-square-foot prototype is about \$200,000 more. So far, the company has remodeled several bar-becue restaurants, including a Smokey Bones. "I'm looking to convert anything from 5,000 to 9,000 square feet," Hislop says.

PICKING UP THE PACE

Although Chuy's was created 25 years ago by Austin restaurateurs Mike Young and John Zapp, who have left the company, rapid growth wasn't on the agenda. Only eight of the funky Tex-Mex joints sprang up during their tenure.

Hislop, former chief operating officer for

Nashville, Tenn.-based O'Charley's, says that was chiefly because Young and Zapp concentrated on building a close-knit culture that made staff members stick around despite a lack of steady advancement.

"Mike and John opened a Chuy's only when they had someone ready to become a general manager," Hislop explains.

Hislop has markedly stepped up growth since joining Chuy's in 2007, opening four units in 2008 and hiring 42 outside managers. This year, he expects to open at least five more, ending '09 with 17 restaurants. As he did last year, Hislop will open restaurants in existing markets: Austin, San Antonio, Houston and Dallas.

For good reason: New units don't cannibalize older ones given that there are currently so few; and the brand is still popular in spite of its age. Chuy's, for instance, earns mostly 4- and 5-star ratings in each market on Yelp.com. The units rang up an average of \$5.2 million in sales last year.

The concept's popularity may be attributed to its kitschy, offbeat decor, featuring hubcap-lined ceilings and shrines to Elvis. "Our motto has always been, 'If you've seen one Chuy's ... you've seen one Chuy's,'" Hislop says, referring to the layout, which is designed to look as if dining rooms have been added over time.

FIESTA FARE

Made-from-scratch dishes have also contributed to Chuy's success, says Hislop, who describes the food as "the old style of cooking." The menu features tacos, burritos, fajitas and enchiladas. Beverages, mainly margaritas and beer, account for 20 percent of sales.

Hislop believes such positioning will produce similar topline results in Nashville; Birmingham, Ala.; Memphis, Tenn.; and Louisville, Ky., Chuy's target markets in 2010. "We will connect the dots going down I-65, right through Alabama and over to I-10, which swings back to Houston," he says. ■

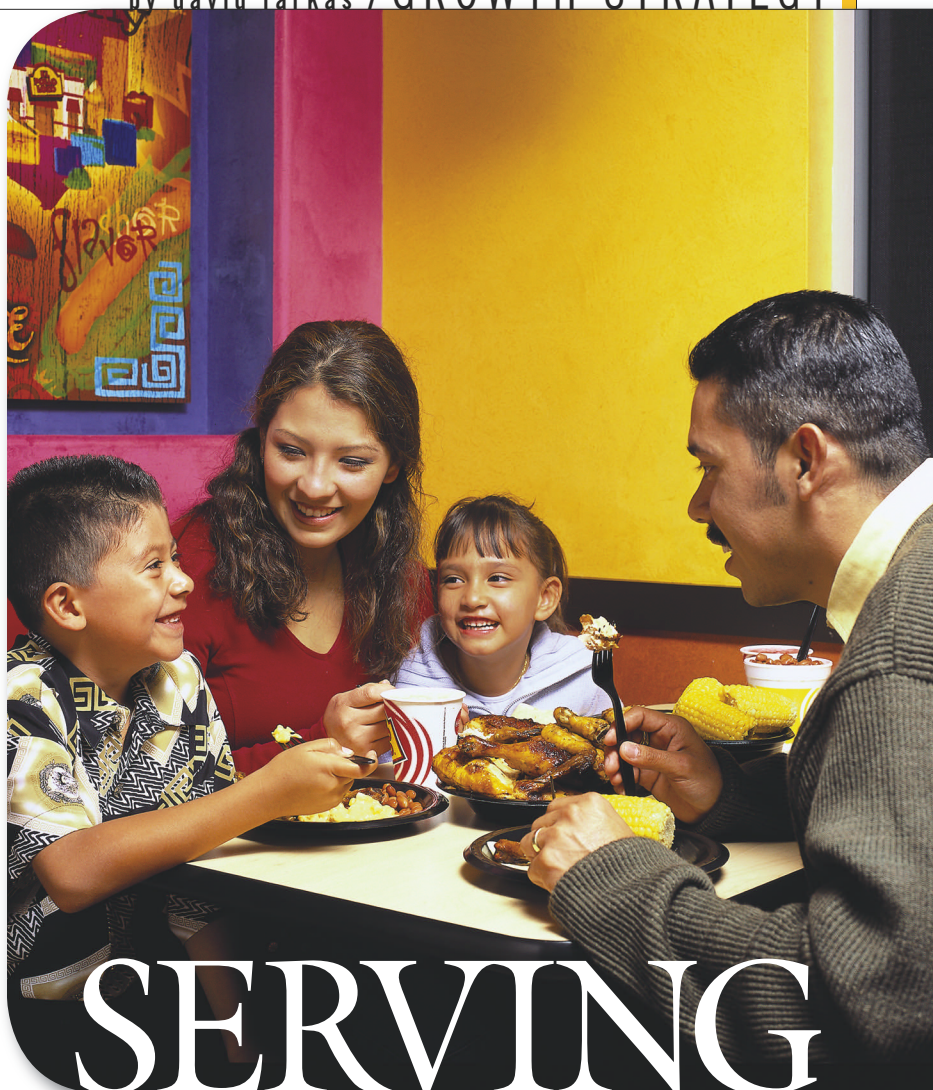
IN THE WORKS: To build awareness in new markets, Hislop will drive a 1933 delivery truck bearing the Chuy's logo.

The future will be a rainbow. The Census Bureau expects minorities, now roughly one-third of the U.S. population, to grow in number to more than half of the population by 2042. Since the start of the century, Hispanics alone have accounted for 50.5 percent of overall population growth, according to the Pew Hispanic Center.

True, many of you won't be here then. And your businesses won't, either—unless you're setting an agenda for the inevitable shift in customers.

"If you are planning five to 10 years ahead, you have to be thinking: Where are franchisees coming from? Where will they

Franchisors discover that **ETHNIC AND LOW-INCOME MARKETS** suit their expansion plans.



SERVING the underserved

be located? Does my franchise development team reflect the changing demographics? Does my company focus on diversity, and is it inclusive?" says Miriam Brewer, director of diversity and education for the Washington, D.C.-based International Franchise Association. About half of IFA's members are foodservice franchisors.

To gear up, IFA has been running one-day diversity seminars across the country since April 2007, attracting aspiring franchisees, forward-looking executives from growth-oriented restaurant companies and local officials. Says Brewer, who organizes these events: "We like to partner with mayors and community organizations to bring all stakeholders together."

A TAILORED FIT

"[Ethnic markets are] an extremely large focus for us," says Pam Price, vice president of domestic development for NexCen, a two-year-old company that franchises Great American Cookies, Marble Slab Creamery, Maggie Moo's Ice Cream and PretzelMaker, and that plans to introduce its brands to underserved markets in 2009. Price recently attended an IFA meeting in San Diego, where she met with mayors of several cities. "What I am learning is that [the mayors] want us to go into areas that are economically challenged or that have more diversity," she explains.

Yet she first has to decide if a tiny layout she designed for nontraditional sites such as hospi-

El Pollo Loco, the 416-unit quick-service chain known for its marinated, grilled chicken, has been attracting a Hispanic audience for 29 years.

“We try to serve the community, not just sell to it.”

—Antonio Swad, CEO, *Pizza Patron*

tals and airports will work in inner-city locations, which may involve conversion of existing space. As it stands, her 300-square-foot to 500-square-foot co-branded layout, which will sell cookies, ice cream and pretzels, requires off-site storage.

Price is eager to test the model. “I would absolutely go into inner cities and downtown areas if we can make the numbers work,” she declares.

Making the numbers work is something Brewer is used to hearing when she alerts franchisors to a seminar in a specific city. “My first discussion is all about dollars and cents,” she says. After that, she talks about diversity and inclusion. “The only way to accomplish that is having individuals at headquarters that mirror the changing demographics,” she adds.

COMMITMENT TO COMMUNITY

At 84-unit *Pizza Patron*, these individuals are also in the stores, because the franchisor requires franchisees to hire Hispanic store managers who live in the neighborhood. “If the manager doesn’t live there, he needs to move there,” CEO Antonio Swad explains. “That is in the franchise agreement. We recruit and hire people in the community who live within walking distance of the store.”

Franchisees are not required to live in the area or be Hispanic, though Swad claims about half are. Living outside the neighborhoods they serve, however, often makes it tough for franchisees to boost sales by engaging in events outside the restaurant—a tactic that’s likely to win appreciation.

“We try to get [franchisees] to understand the work to build their business doesn’t just take place within the four walls or by being a check-book diplomat or buying direct-mail pieces. It is community service. If you don’t have that in mind, particularly in the Hispanic community,



Aspiring franchisees, many of them racial and ethnic minorities, attend an all-day seminar organized by the International Franchise Association.

ON THE COVER: Know Your Audience

Not long ago, *Pizza Patron* founder and CEO Antonio Swad was in Miami to seal a franchise agreement. The south Florida store, whose owner is a Colombian, would be the first unit in the Sunshine State. Swad was eager to see how people would react to the new brand.

“It’s a great opportunity to prove our brand doesn’t just appeal to Mexicans,” he says. About two-thirds of Miami’s population is of Hispanic descent; most are either Cuban or Colombian, according to the U.S. Census Bureau.

Swad was startled to discover that people already knew the brand. While wearing a *Pizza Patron* jacket, he was stopped several times by people who asked if he was opening a store. “By airport workers and people in a shopping center,” he recalls. “I don’t know if it was the peso campaign or





what. We seem to connect to people.”

The reference is to a controversy Swad stirred two years ago after announcing Pizza Patrón units were accepting Mexican currency. Big signs bearing the Mexican flag announced inside each unit, “*Acceptamos pesos*” (We accept pesos). It made sense. The 84-unit chain, headquartered in Dallas, sells pizza chiefly in Latino neighborhoods in Texas and California, where residents regularly travel to and from Mexico. Many return with pesos.

Anti-immigration forces, including radio

talk-show host Rush Limbaugh, reacted immediately, flooding his company (and news organizations) with hate mail and death threats. Swad told reporters, who covered the issue extensively: “We have carved this niche in the pizza industry to compete and serve an underserved market, the Latino customer, not to make any political statement.”

Meanwhile, sales rose, though Swad attributed only a small portion of the increase to pesos. Today, Mexican currency remains an acceptable form of payment at all Pizza Patrons.

An important strategy of Pizza Patrón, which targets Latino neighborhoods for expansion, is keeping close ties to the communities it serves.

CEO and founder Antonio Swad has had success expanding a franchise system devoted to Latino neighborhoods throughout the Southwest. This year the brand debuts in Miami, where Swad will discover whether Pizza Patrón appeals to a Latino market composed mainly of Cubans and Colombians.

Dollars or pesos: It doesn't matter which form of currency Pizza Patrón customers use to purchase menu items.



GROWTH STRATEGY



"We are trying to develop a model that can go into a variety of socioeconomic situations."

—Pam Price, vice president of domestic development, NexCen

you are not for us," he explains.

Swad offers an example: "Say there are 200 people in a church lot. It could be a health screening prior to school starting. The church will do a lot of work getting kids ready for school, physicals and things like that, that you do not see in other communities."

The closest Pizza Patron to the church would arrange to supply pizzas to the volunteers and help create a festive atmosphere by giving away balloons and playing games. "It's where we do business. There is nothing too small for us,"

Swad insists.

Swad and his franchisees were in a festive mood themselves in early March, having posted a 7.9 percent same-store-sales gain through February. (The sales figure cannot be checked independently because Pizza Patron is a private company.) "At a time when zero is the new plus sign, we are happy with our spot right now," Swad says.

He attributes strong sales to the value-oriented menu. "I've been waiting to get the full value of the business model," Swad explains. "We've always said the concept is positioned to be pretty good, with quality food but sold at an unbelievable value. But now, finding the lowest price has become a necessity."

OLD SCHOOL

On the other hand, another value player, North Ridgeville, Ohio-based Pizza Pan, isn't having the greatest of years. Founder and CEO Fred Peters claims this is the first year franchisees, most of which are in blue-collar areas of northeast Ohio, have closed stores because of the economy.

"We're down, no doubt, like the rest of the country," he says. "If you were doing \$7,000 to \$8,000 a week and it drops to \$4,000 to \$5,000, you're just getting by."

But the entrepreneur's expansion strategy could keep the remaining franchisees afloat. Peters, like Swad, opens units mainly in minority markets, where people who are rarely in hock to credit-card companies or banks live. Pizza Pan's offer is also compelling: three pizzas or slabs of ribs for one price if the order is picked up; delivery is a two-for-one deal.

"I like areas where you have people coming and going, owners and renters, a high density of every kind of life," he says. He adds that the outlet in an area of Cleveland known as Slavic Village, which was settled in the early 1900s, is among the 65-unit chain's busiest. "I like older areas in many ways," Peters adds.

Pizza Pan CEO Fred Peters says this franchised unit, in Cleveland's Slavic Village, is among the chain's best performers. He credits the surrounding blue-collar neighborhood.





NexCen development executive Pam Price is hoping that a three-brands-in-one model can produce a return on investment that's attractive to minority franchisees.

The suburbs, where franchisees have opened several units, hold little promise for Pizza Pan. "The houses are far apart; couples both work and go to bed at 9 p.m.; and pizza is a Friday-night-only treat," he says.

LOOKING FOR OPPORTUNITY

Pizza Pan has ventured outside its region to Colorado, Michigan and Pennsylvania, though without much luck so far. Peters is taking another stab at expansion outside Ohio, hiring an area developer in Florida to introduce the concept there. In February, a Pizza Pan opened in densely populated Alexandria, Va., a Washington, D.C., suburb with roughly 128,000 people of various income levels.

"The economy is not bad, and there's a ton of traffic," he says. "Lunch is doing better than nighttime business."

Peters likes the Washington, D.C., area, which includes parts of Maryland in addition to northern Virginia. Many of the neighborhoods are demographically similar to those Pizza Pan does business in now. "I can open 60 to 70 stores there in a heartbeat," he boasts.

Maybe so, but he should keep in mind the diversity of customers and franchisees if he's building a business to last, advises Brewer: "Franchisors need to be looking at who will be supporting their businesses." ■

on the web: Are you taking advantage of the tax benefits of operating in underserved markets? Visit www.chainleader.com.

A Guide to Ethnic Sites

We asked El Pollo Loco CEO Steve Carley for pointers on identifying a site in an ethnic market—something he knows a lot about given that the 416-unit chain has been attracting a chiefly Latino audience for 29 years. Here's his list of dos and don'ts.

DO:

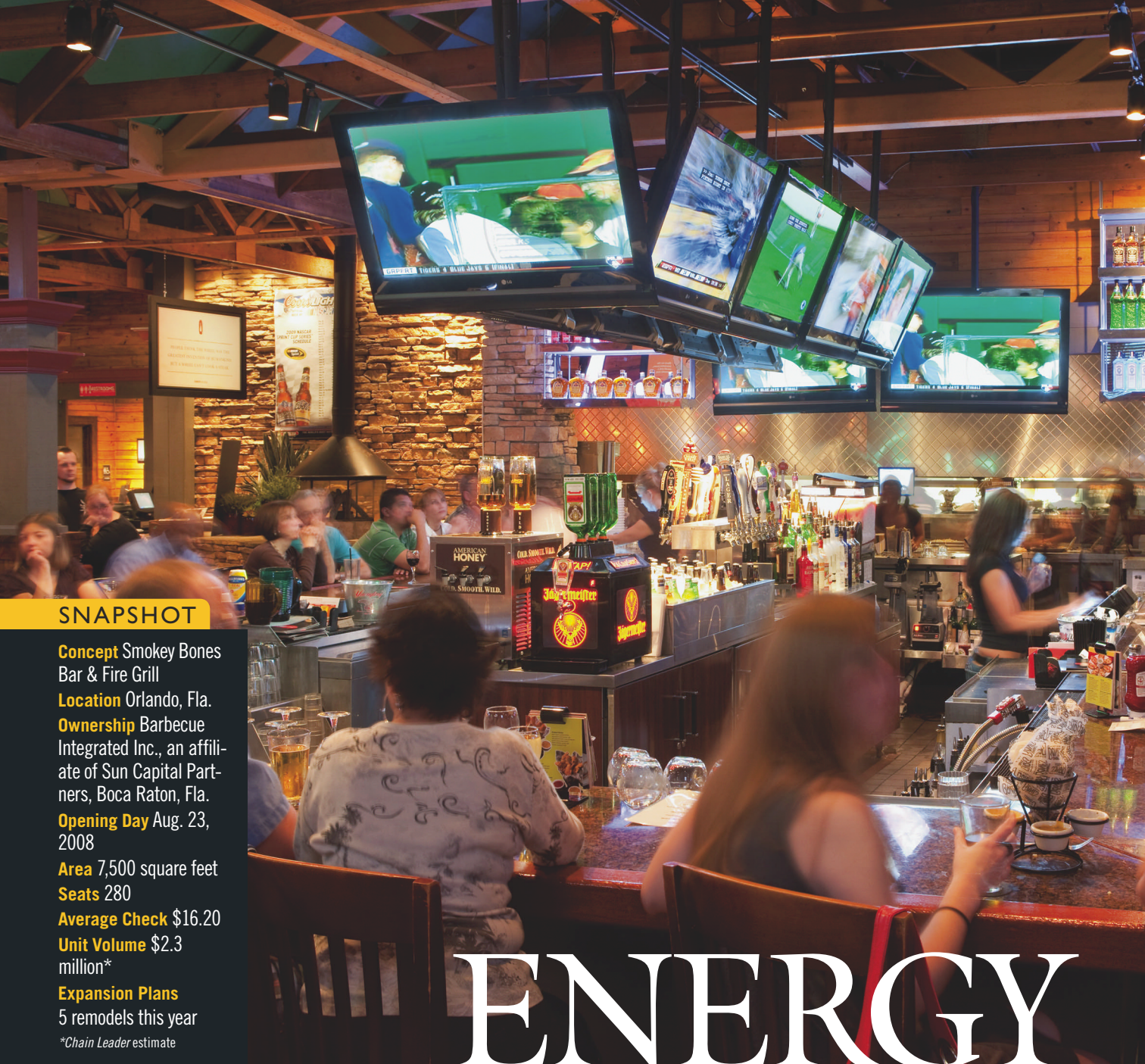
- focus on convenience. Look at sites from the perspective of how well the location fits consumers' daily routines.
- have adequate daytime and residential population density. Look for a good mix of rooftops and employment to spur lunch and dinner.
- have adequate parking and access. Easy parking means more frequency.
- have enough room on the potential site for drive-thru stacking.
- have retail synergy. "Daily needs" retail creates another reason for people to visit you.

DON'T:

- fall in love. Look at sites objectively to identify all of the advantages and disadvantages before moving forward.
- overpay. Occupancy costs are a major and controllable part of business profitability. Keep them as low as possible.
- assume you can get everything. Research potential sites extensively to ensure they have the image, parking and drive-thru configuration you prefer.
- underestimate convenience. Overlooking what seems like a few small factors—traffic flow, u-turns, ease of access—will impact frequency.
- assume customers will find you. Work hard to find locations visible to potential guests.
- forget area competition. Research their performance and the quality of their locations.

El Pollo Loco chooses locations with daytime and residential populations.





SNAPSHOT

Concept Smokey Bones Bar & Fire Grill

Location Orlando, Fla.

Ownership Barbecue Integrated Inc., an affiliate of Sun Capital Partners, Boca Raton, Fla.

Opening Day Aug. 23, 2008

Area 7,500 square feet

Seats 280

Average Check \$16.20

Unit Volume \$2.3 million*

Expansion Plans 5 remodels this year

*Chain Leader estimate

ENERGY

Smokey Bones' redesign captures **A NEW CUSTOMER BASE:** diverse "social starters."

These days, there's a different feel to Smokey Bones Bar & Fire Grill—or so the Orlando, Fla.-based chain's new owners hope.

The heavy wooden timbers and four-color photos of babbling mountain brooks and snowcapped peaks, which lent the interior a lodge look, are gone. The caramel-colored wood paneling on the walls remains, but now it's covered with cheeky black-and-white photographs. Red and gray paint trims the

once-plain windows; green vines hang from windowsills; and tall vases of birch branches dot the dining room.

Televisions—a hallmark of Smokey Bones' previous look—still crowd the house, but there are fewer in the dining room and more in the bar. The bar is also festooned with wry sayings (Boneisms) suspended from banners, and lighting is brighter and more flattering.

Overall, it's a more "kinetic" look, says architect Del McMillan of McMillan Design, based in Ontario, Canada.



BAR



TARGETING A MINDSET

The design changes—indeed, a total brand repositioning—are meant to appeal to a psychographic of “social starters,” a group of fun-loving Type-A personalities who like to try new things and bring their friends along for the ride. They’re also meant to give diners a reason other than barbecue to go to Smokey Bones.

“Barbecue is very limiting,” says Ian Baines, president and CEO of Smokey Bones and a mastermind of the chain’s 2008 purchase from Orlando-based Darden Restaurants Inc. “People crave it, but not often enough.” Plus, Baines says, he saw opportunity in the bars that are a large, and permanent, footprint at the 68 Smokey Bones.



1. More televisions, louder music and provocative pronouncements the chain calls “Boneisms” are meant to make Smokey Bones’ bar a destination for party-loving people.

2. Smokey Bones added softer, warmer lighting and plants to the dining room to make it feel different but not totally separate from the bar.

Smokey Bones’ new owners changed the concept’s name and the exterior logo to reflect the chain’s turn away from barbecue.



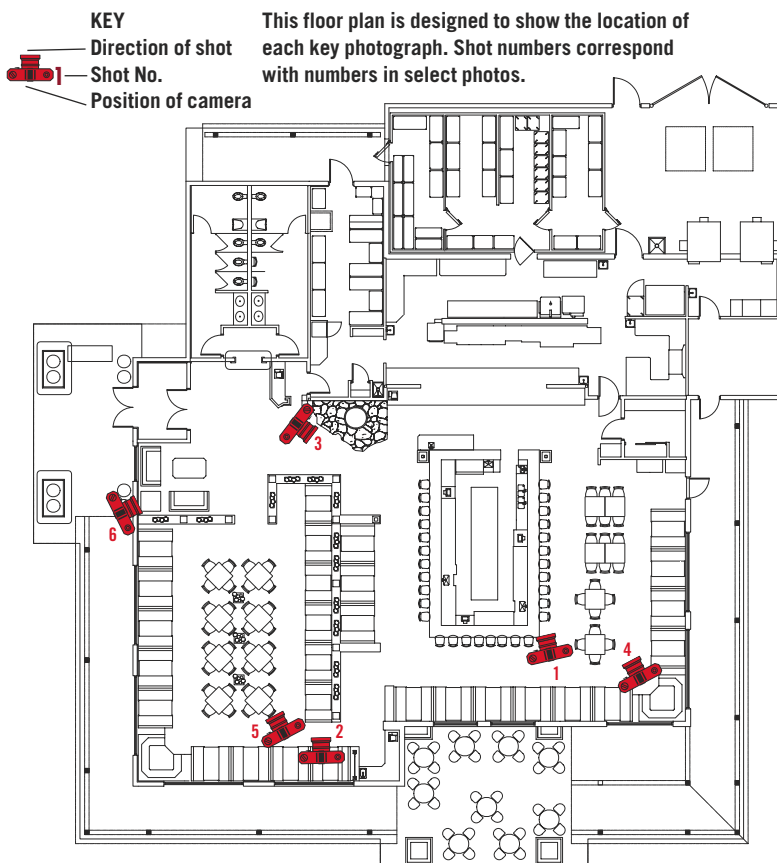


3. Removing the heavy timbers that were a signature of the previous design helped lighten the new Smokey Bones interior.

4. Because higher tables make for easier socializing, the designers added bar-height tables and elevated the booths in the bar.

5. Twig-filled planters add visual interest to the space; red and gray trim around previously unadorned windows is meant to evoke fire and smoke.

6. In the waiting area, designers removed a giant canoe to get rid of the previous design's mountain-lodge feeling.



Smokey Bones assembled a team, including McMillan and Push, an Orlando-based marketing and advertising firm, to get the repositioning started. The mandate: to play down the family aspect of the concept and play up the energy level, thus appealing to the social-starter psychographic, rather than a traditional demographic of income, age and education level.

"We want to pigeonhole people a little too tightly, putting them into an economic or age bracket," Baines says. The social-starter psychographic "is the bull's eye," he adds. "They get it. They're the ones making it happen."

LOSING THE LODGE

The biggest design change involved removing the large timbers that were the signature of the old Smokey Bones' interior. The logs gave the restaurants a "big, heavy feeling; not as open and inviting," says Pete Bell, Smokey Bones vice president of marketing.

The logs and mountain photos also lent a themed look to the restaurant—a look new management wanted to dispel quickly. "There was a definite desire to move away from the log cabin," says John Ludwig, Push partner and chief executive officer. "They needed a clean separation after the purchase from Darden."

To de-lodge the look, McMillan replaced harsh light fixtures with glowing orange pendants and highlighted the photo displays with cans and spotlights.

He outfitted the bar with more high-top



Color matters: Smokey Bones trimmed windows with gray to signify smoke and red to evoke fire.

tables and barstools, going so far as to elevate booths on the periphery as well.

That was key to setting the tone in the bar, Bell says. "People want to get up and move around and visit at different tables," he explains. "If there are low tables and booths, you feel you're interrupting a guest's meal."

To rev up the energy, McMillan festooned the walls with a collection of 225 black-and-white photos, each with a wry twist (the Statue of Liberty holds an ice-cream cone, not a torch). The photos, along with the Boneism posters (examples include "Pulled pork never gets old" and "A good dry rub enhances our meat. Stop laughing."), add what McMillan calls "eye candy" to the interior.

Redistributing televisions also helped ramp up the energy level. Because women indicated they'd rather not watch their husbands watch TV during dinner, Smokey Bones took televisions out of the dining room but added them to the bar and also turned down the music volume in the dining room. The effect is a dining room that feels separate but not divorced from the bar.

BEYOND BARBECUE

The first redesigned Smokey Bones opened in Orlando in August; a second opened in

Plantation, Fla., last fall. Although Baines won't be specific, he says the redesign cost in the six figures and has resulted in positive sales results at each restaurant, helping to reverse a negative sales trend.

Smokey Bones has yet to survey customers, but anecdotal evidence indicates that customers are using the restaurant for more than barbecue. An extensive menu redesign that focuses less on barbecue and more on grilled meats and seafood helps "people view us as more than just a barbecue joint," Baines says.

On a busy night, a look at the dining room reveals the "social starter" set in action. "We're seeing bigger groups come in, people meeting after work, some of the adult social or sports clubs," Baines says. As a result, alcohol sales at the Orlando store have increased to as much as 36 percent of sales on weekend nights.

Because social starters are by definition always looking for the next big thing, Smokey Bones added live or DJ music on Friday nights and devised Thursday-night food specials to keep them coming back. ■



Fanning the 'Firestarters'

It takes a social starter to cater to one: That's why Smokey Bones Bar & Fire Grill has called on social-starting staffers for help during the repositioning process.

"A big part of what we've done is on the cultural side of things," says Ian Baines, president and CEO of Orlando, Fla.-based Smokey Bones. "We had become a bit robotic as a brand."


Managers asked the crew to identify eight or 10 fellow employees whom they felt were "life of the party" people. These employees, a group of about 500 from the chain's 68 restaurants, were dubbed Firestarters.

Executives from both Smokey Bones and Push, its advertising and marketing agency, presented the repositioning to these Firestarters at a daylong training session.

"We connected with them, talked to them about what the brand is about and gave them responsibility to spread the culture of what we were trying to do," Baines says. As a result, "we have 500 disciples out there to tap into, to move the revitalization of the brand along."

on the web: Smokey Bones promotes each unit separately via its Web site, forcing managers to go digital. Visit www.chainleader.com.

That Personal



Shakey's hired a service to translate some employee materials into Spanish after bilingual members of the human-resources staff were unable to agree on a translation.

When David Litchman has to translate a weekly employee e-mail update to Spanish from English, he uses Google's translation application. The program gets the job done quickly, if not perfectly.

"Things are lost in translation, so to speak," says Litchman, president of Pockets, a Chicago-based chain of 14 fast-casual sandwich restaurants. "Employees laugh at me when the translations don't come through."

Litchman says he will use another approach, the paid services of a bilingual employee, when he translates Pockets' employee training manual into Spanish, a crucial move because about 70 of his 100 employees are native Spanish speakers.

"Translating programs are fine but not perfect," Litchman says. "When it comes to an operations manual we will send to franchisees, I want to make sure it's perfect."

Language experts say he is right to use a real brain, rather than a virtual one, to translate the manual. Even though translation software, which produces what linguists call "machine" translations, was first developed six decades ago, it still does not measure up to a human brain's abilities.

Translation "is not a technology-driven thing," says Donald DePalma, chief research officer at Common Sense Advisory, a Lowell, Mass.-based international research and consulting firm. "Human translation is, in every way, the way a chain should go." Even translations done by a sophisticated program such as Language Weaver, developed at the University of Southern California, do not compare with translations generated by a bilingual person, says DePalma, who holds a doctorate in linguistics.

TOUCH

New technology helps, but the best **LANGUAGE-TRANSLATION SOFTWARE** is a bilingual human brain.

Online translation software, he says, will produce a “close enough” version for small communications, but 100 percent accuracy is desirable for material longer than a sentence or two. “Pay to have a company translate materials,” he recommends, adding that the cost is about 25 cents per word.

A TECHNOLOGICAL ASSIST

While relying on their own bilingual abilities, translators do get some help from technology.

At MultiLing, a Provo, Utah-based translation service, translators are professionals who translate from English into their native language, says Marketing Director Emmanuel Margetic.

A new project starts with a by-hand translation, conducted while the original document is fed into proprietary software. As the translator works, the software creates a translation memory base that catches repeated phrases and automatically translates them. The memory saves the translator the work of retranslating oft-used phrases and also ensures consistency throughout the document.

The database also lets revisions of documents—say, an updated employee manual—progress more quickly, as well as stay true to the original version.

Nevertheless, the translated document is checked multiple times for accuracy.

WHICH SPANISH?

Tampa, Fla.-based The Melting Pot hired MultiLing about a year and a half ago to translate its English training manual into Spanish, says Laura Lachapelle, the 140-unit fondue chain's director of training and education.

“When I got here, everything was in English,” says Lachapelle. “The feedback from franchisees was that they needed Spanish, because a lot of the heart-of-the-house staff spoke Spanish.”

Lachapelle chose MultiLing based on pric-



ing and the company's ability to translate into several languages and produce videos in other languages.

After handing over the English version of the manual, the translators at MultiLing had a question for Lachapelle: Which Spanish? Spanish, like American English, boasts different dialects, from Castilian, which is spoken in Spain, to Puerto Rican and Cuban-modulated versions. MultiLing had to know which version would be appropriate for Melting Pot employees.

Lachapelle says the answer was “soap opera” Spanish, a version that American Hispanics would be likely to hear on Telemundo or another Spanish-language network.

The finished product, for which Lachapelle says the chain paid a “reasonable” sum, has helped employees who may speak English but be more comfortable with Spanish feel more at home at work.

“If someone's not there to translate, they can read [materials] on their own,” she says. “They feel more part of the restaurant environment.”

Melting Pot's next translation adventure will

Chicago-based Pockets uses Google Translator for weekly e-mail updates, but founder David Litchman has hired a bilingual employee to translate the 14-unit chain's training manual into Spanish.

TECHNOLOGY

Shakey's English-language training has helped several employees rise to management.



Shakey's uses the (Thirst for Knowledge) training program in English only; since its launch in 2005, it has helped 88 Spanish-speaking employees become proficient in English.

be in French to accommodate employees at planned restaurants in western Canada.

THE WRONG MUSHROOM

Shakey's, the Alhambra, Calif.-based chain of 55 pizza restaurants, also used a service to translate some materials, including the employee handbook, to Spanish from English.

Human resources, which includes several bilingual employees, tried unsuccessfully to do

the job itself: "The six of us got together and could not agree on verbiage," says Becky Black, vice president of operations, franchise support and new store openings at Shakey's. "One word can mean multiple things...we agreed that this was not the best use of our time."

Black chose Los Angeles-based American Language Services to translate employee policy changes and other important documents for Shakey's. Black lauds the company's accuracy: "It's very frustrating to have a communication go out and have team members pick it apart because it's not accurate," she says. She recalls "horror stories" from a previous job, including confusion that resulted over the use of the wrong Spanish word for "mushroom."

Surprisingly enough, the company does not translate training materials into Spanish. Instead, Shakey's uses Sed de Saber (Thirst for Knowledge), an in-English training program geared to making Spanish-speaking employees proficient in English. Since its launch in 2005, 88 Shakey's employees have graduated from Sed de Saber, and several have been promoted to management, Black says. ■

Gained in Translation

Why bother with translation, especially if a staff seems to be conversational, if not entirely fluent, in English? Gaëlle Callnin, marketing director at Virtual Words Translation, a Denver-based translation service, offers three reasons:

1. COMFORT LEVEL. Although native Spanish speakers may be conversant in English, they're usually far more comfortable reading important documents, such as benefits or legal information, in Spanish.

2. LEGAL REASONS. If an employee claims problems with, say, a contract, and the information was given to him in his own language, the employee cannot claim that he was failed due diligence, Callnin explains.

3. IT'S A GOOD BUSINESS PRACTICE. Employees who can read materials in their own language tend to train better, and better-trained workers stick around longer, Callnin says.

BIG idea A bilingual employee reviews Shakey's paid-for translations, just to double-check accuracy.

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savvy SPICE

Quick-service restaurant chains search for menu items that **APPEAL TO ETHNIC PALATES** and mass markets alike.

Because guests have such varied expectations for what mole should taste like, Qdoba Mexican Grill transformed its mole into a barbecue sauce, which sells double what the original mole did.

Standing in the Mexican convent kitchen where legend has it that mole was first created, Ted Stoner had a flash of inspiration. “Suddenly, I just knew how to make mole work on our menu,” says Stoner, director of strategic product development for Wheat Ridge, Colo.-based Qdoba Mexican Grill. “I leaned over to the guy standing next to me and said, ‘Barbecue sauce.’”



Back from the culinary training tour, Stoner put the idea to work, blending the ingredients that had already been used in Qdoba's mole (toasted squash seeds, chocolate, chiles) and adding some new ones to make ancho chile barbecue sauce.

Launched in 2007, the sauce has been a big hit at 476-unit fast-casual burrito chain Qdoba. It's featured on the Ancho Chile BBQ Burrito, \$6.49, and as an add-on for 49 cents. "It sells double what we did with the mole," says Stoner.

Hitting that sweet spot—the area of overlap where dishes appeal to the palates of a specific ethnic demographic and to the mass market—is the ultimate aim for quick-service menu makers.

ETHNIC SPECIFIC, MASS APPEAL

Take KoGi Korean BBQ-To-Go, a fledgling chain that sells "Koreanized tacos" through two mobile trucks and a taco stand in a Los Angeles bar, and which an eye on Chicago and San Francisco.

KoGi's core recipe—short ribs marinated in ginger, garlic, green onion, spices and sesame oil—is very traditional Korean. But putting the grilled, chopped meat on a gridled corn tortilla and serving it from a fleet of roving taco trucks publicized on Twitter is not. The concept has mass-market appeal, says Communications Director Alice Shin, adding that some of KoGi's most loyal fans are second- and third-generation Korean-Americans.

The same is true at Rasoe, the Toronto-based, quick-service East Indian chain that is scheduled to open in America this summer and has up to 40 stores planned for Chicago. "The children of families who immigrated to North America from East India are very cosmopolitan and love our

concept," says Mike Craig, president and CEO of the three-unit chain. "While their parents may cluster around an ethnic neighborhood and frequent independent East Indian restaurants, their children are more likely to live, eat and shop in the neighborhoods we plan to bring these restaurants."

The recipes for Rasoe's dishes are authentically East Indian, but the spice level is milder to appeal to a broader audience. Rasoe adds spice to order if a guest wants to kick up the heat.

LATINO LEANINGS

Likewise, concepts designed to draw a Latino demographic, such as Pizza Patron and El Pollo Loco, say their menus include flavors that appeal to recent immigrants as well as Latino-Americans who were born here or have

(Above) Rasoe, the Toronto-based quick-service East Indian chain slated to arrive in Chicago this summer, lets guests dial up heat levels for the food to order.

Chicken Carnitas are the most successful nongrilled LTO in El Pollo Loco's history.



NEW PRODUCT PIPELINE

BIG idea Qdoba gets input from its Hispanic employees. They serve not only as a resource for authentic dishes, but if they like the dish, they get behind it and sell it.

Lime and Pepper Wings, a Latino-targeted spin on lemon-pepper chicken, are Pizza Patron's most popular wing variety.

lived here a long time. "We're always looking for products that have universal appeal that we can turn the knobs on to make more authentic Mexican," says Jon Miller, director of research and development for Costa Mesa, Calif.-based El Pollo Loco.

Crunchy Tacos, \$1.79, illustrate Miller's point. "Hard-shell tacos are everywhere but are very Americanized," he says. Going one better in authenticity, Miller added a piece of equipment to El Pollo Loco's line that crimps thick corn tortillas filled with citrus-marinated chicken into the classic taco shape while they are deep-fried. The result, launched a year ago, is very much like a taco Dorado bought from a street vendor in Mexico.

More recently, taking an authentic Mexican marinade and applying it in a new way was a move well-received by El Pollo Loco's guests. Chicken Carnitas, which are

marinated in citrus and garlic before being baked and then deep-fried to order, launched in January and have become the most successful nongrilled LTO in the 400-unit chain's history.

Before developing the dish, Miller carefully surveyed Hispanic guests, who make up 50 percent of El Pollo Loco's customers, "to make sure they didn't think it was a crazy idea," he adds. "Carnitas are normally fish or pork, so this was a little bit outside the box."

The Chicken Carnitas are available on a taco or burrito, in a bowl or as an entree plate. Prices range from \$1.79 for the taco to \$5.99 for the entree.

Andy Gamm, director of brand development for 85-unit Pizza Patron, says spicy and citrus flavors are very popular with the chain's Hispanic clientele. "We sell more jalapeños here than anybody," he jokes. La Mexicana, a \$6 12-inch pizza topped with chorizo, ground beef, onions, bell pep-

Revamped Rice

The new Mexican Rice that Costa Mesa, Calif.-based El Pollo Loco will roll this fall is the culmination of three years of work. Because the Spanish rice it replaces is already the top-selling side dish, "we had to be very careful that the new rice would exceed guest expectations," says Jon Miller, director of research and development for the 400-unit quick-service chain.

Why tweak it at all? "Surveys showed us that a more authentic Mexican rice recipe would be appreciated by our guests," explains Miller.

Right now, El Pollo Loco's Spanish Rice is made with cumin, tomato and garlic. A more authentic Mexican rice would have more prominent tomato and chicken flavors. Tapping into recipes from central and northern Mexico, Miller has dialed up those flavors and dialed down the cumin.

In addition, because Mexican rice will often include peas, corn or carrots, El Pollo Loco's version will have carrots in it.

Guests have given the thumbs-up in taste tests. El Pollo Loco's operations staff is also

pleased. "The new rice is actually simpler to prepare than the former one," says Miller. Rice is prepared in rice cookers at the unit level, and a seasoning packet is mixed in at the beginning of the cooking cycle.





per and jalapeños, is the chain's third-best-selling entree. The company's Lime and Pepper Wings, \$5 for eight pieces, a Latino spin on lemon-pepper poultry, is the most popular of three wing varieties. And the jalapeño-spiced ranch dipping sauce for the Queso Sticks (breaded mozzarella fingers), \$3 for five pieces, is a top choice.

Pizza Patron also does limited-time offers that are culturally based. Because the concept's guests are largely Catholic, it offers multi-cheese or even fish-topped pizza specials during Lent.

Seasonal pizza promos also give the chain the chance to experiment. Last summer's La Barbacoa, \$8.99, topped with slow-cooked, spiced and shredded beef and fresh tomatoes, was the most successful LTO yet. Coming up, "Adobo is a possibility we've been looking at," says Gamm. "And we may also do a pizza with refried beans spread on the crust instead of sauce."

WHAT THE BIG BOYS DO

Unlike niche concepts, huge QSRs like McDonald's prefer the continuity that comes from selling one menu nationwide. Nonetheless, they do pay attention to ethnic demographics and sometimes offer regional dishes designed to appeal to a specific palate.

Keeping its finger on the pulse of big groups such as the African-American and Hispanic markets, McDonald's has dedicated teams within management that specialize in understanding and marketing to the tastes of both. Comments from these teams prompted development of a 2007 addition, the Southwest Salad, \$4.73, and 2008's Southern Style Chicken Biscuit, \$2.10, and sandwich, \$2.96.

"The chicken sandwich resonated very strongly with our African-American demographic and in the South," says Dan Coudreaut, executive director of culinary innovations, McDonald's USA. "But we were delighted to find

Pepitas are popular with Latinos but didn't have the mass appeal to make it onto McDonald's Southwest Salad.



that that chicken at breakfast not only has breadth and depth with this audience but with the mass market."

Still, Coudreaut says ingredients that appeal to a target demographic sometimes don't work for the mass market. Pepitas, toasted pumpkin seeds, were originally intended as a topping for the Southwest Salad, "because they're very relevant with the Hispanic market," Coudreaut says. "But the general audience was put off by those." McDonald's went with tortilla strips instead.

But while mass appeal is important, McDonald's does offer regional choices. The Spicy McChicken sandwich is a special item sold only at 2,000 restaurants in the Southwest. ■

Pizza Patron uses limited-time offers to feature Hispanic favorites. La Barbacoa, topped with slow-cooked, spiced shredded beef, was the chain's most successful yet.

Toasted pumpkin seeds, very popular with Hispanic guests, were originally planned as a topping for McDonald's Southwest Salad. The tortilla strips that replaced them are still relevant with that demographic but have mass appeal.



Chile FACTOR

Qdoba Mexican Grill's
NEW CHILE VERDE STEW
is patterned after hearty,
south-of-the-border recipes.

A blend of roasted Anaheim, poblano and jalapeño chiles with onion, garlic, tomatillos and tomatoes, Qdoba's Chile Verde is its spiciest dish yet.



In Western states where the green chile is greatly revered, it's cooked into a mild chile verde sauce and served over burritos, beans and rice. But in his travels throughout Mexico, Ted Stoner, director of strategic product development for Wheat Ridge, Colo.-based Qdoba Mexican Grill, sampled heartier renditions of chile verde that blended a variety of roasted green chiles with tomatillos, onion, garlic and herbs to make a stand-alone soup or stew.

"South of the border, chile verde is an earthy, warming stew with a lot of flavor, which I thought would be a great cool-weather LTO for Qdoba," Stoner says.

He roasted Anaheim, poblano and jalapeño chiles and combined them with sautéed onion and garlic, made a roux, and added stock, tomatillos and roasted tomatoes. He added chipotle chili powder and green chili powder for extra kick and chunky green peppers for texture.

The Chile Verde, which went into test at 100 of Qdoba's 475 units in March, is doing well. A week after introduction, 95 percent of guests surveyed gave it a "good" or "great" rating for flavor; 93.5 percent said they would buy it again; and 20 percent said they would visit more frequently for the dish.

TASTES LIKE HOME

Qdoba is testing the dish in Boston, western Michigan, the Seattle area and Colorado. Stoner says, "I knew we had a winner when a gentleman from Hidalgo, Mexico, tasted it and broke out in a big smile, saying, 'Tastes just like something from home.'"

Although chile verde recipes often include pork, Qdoba chose to keep its version vegetarian. "We have had good feedback on our bean and grilled vegetable recipes, which are meatless, so it was a natural to keep this recipe vegetarian, too," says Stoner.

Guests can order a cup of Chile Verde ladled over rice and black or pinto beans for \$3.29 or add grilled vegetables for an entree at \$5.79. Topping entree-sized bowls of Chile Verde with shredded pork, adobo-marinated chicken, beef or steak costs \$6.69. Both the cup and entree portions can be dressed up with a choice of five salsas, tortilla strips, cheese and sour cream.

BY THE BOWLFUL

Stoner says he had a hunch that offering another "bowl" entree would do well for Qdoba. Thirty percent of guests already order their burritos "naked," in a bowl.

He had experimented in the kitchen with a chile verde sauce that could be added to burritos. "But we would have had to make it too incendiary to have enough flavor and flow-through with all of

the other ingredients in a burrito," he says.

If Chile Verde finishes out the 2009 test well, Qdoba plans to offer the stew for two to four months each year as a cold-weather alternative to tortilla soup. ■

SNAPSHOT

Concept

Qdoba Mexican Grill

Headquarters

Wheat Ridge, Colo.

2008 Systemwide Sales

\$450 million* (fiscal year ended Oct. 2008)

Units

476

Expansion Plans

70 in 2009

*Chain Leader estimate

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Restaurant chains of all stripes have taken Latin cocktails as their own, **LEADING TO NEW BLENDS** and authentic innovation.

A

Latin

twist

The margarita has become ubiquitous. Orlando, Fla.-based The Olive Garden offers an Italian Margarita, adding amaretto to the standard blend of tequila and orange-flavored liqueur. Ninety-Nine Restaurants, a 117-unit casual chain based in Woburn, Mass., offers a margarita with tangerine and grapefruit juices. And P.F. Chang's China Bistro mixes up the Organic Agave Margarita with agave nectar, lime juice and tequila.

Other Latin cocktails are following in the margarita's footsteps. Scottsdale, Ariz.-based P.F. Chang's has also taken on the mojito, the Cuban cocktail of rum, lime juice, soda and muddled mint, with its Asian Pear Mojito, adding "a hint of pear." Japanese teppanyaki chain Benihana and its sister concept RA Sushi also menu a version of the mojito. And Ninety-Nine offers a Blueberry Mojito.

Sangria, the Spanish drink of red wine, fruit juices, soda water, fruit and sometimes





Sangria (opposite) has been altered to include wines of all types, including sake.

Mojitos—muddled mint in lime juice and soda—also have many new iterations.

Rice-water-based horchatas have not yet caught on, but they could be an opportunity.



brandy, has also been the victim of modification. Miami-based Benihana and RA Sushi serve Sake Sangria made with plum wine and sake. Tampa, Fla.-based Italian chain Carrabba's mixes up Italian Sangria with its Italian house wines, both red and white, while its sister concept, Outback Steakhouse, offers New South Wales Sangria with Australian cabernet, brandy, apples, and pineapple, mango and orange juices.

RAISING THE BAR

To differentiate its Mexican menu, Consolidated Restaurant Operations' upscale-casual concept Cantina Laredo allows customers to choose the tequila used from a menu of about 40 premium varieties for a \$2 up-charge on the \$8 Casa Rita.

The premium tequila menu is arranged by type: Superior, ranging from \$22 to \$35 a glass, have been aged in oak barrels for more than three years; Añejo, or "aged," priced \$8 to \$14, have been aged in oak barrels for more than a year; Reposado, or "rested," \$8 to \$11, aged in white oak barrels for at least two months; and Plata, or "silver," tequilas are fresh from the still and range from \$7 to \$10.

The 22-unit, Dallas-based chain also offers a tequila flight: the customer's choice of three premium tequilas, except those from the Superior menu, for \$20.

FUTURE TREND?

Nonalcoholic Latin beverages have not caught on in mainstream restaurant chains, but they may offer an opportunity.

Concepts that offer unique sodas or juices can take a cue from Pollo Campero. The Guatemalan quick-service chain serves *aguas frescas*, fruit-infused purified waters in flavors such as tamarind, mango, hibiscus and passion-fruit-guava in its 48 units in the United States.

King Taco, with 19 restaurants in the Los Angeles area, also serves a variety of *aguas frescas*, as well as *horchata*, a sweetened rice flour beverage, and *atole*, a thick Mexican drink with masa, water or milk, and fruit or sugar. The chain's *atole* flavors include vanilla, strawberry, coconut, walnut and cinnamon.

Taco Diner, Irving, Texas-based M Crowd Restaurant Group's five-unit, fast-casual Mexican concept, serves Mexican *te dulce*, tea heavy with tea and sweeteners. Operators could position *te dulce* as a Latin twist on chai. ■

Spice Up Drink Menus

Now that Americans are accustomed to sipping mojitos and caipirinhas, the next wave of Latin drink exports is ready to wash up on mainstream beverage menus. Cool, fruity recipes such as *batidas*, *horchatas* and *aguas frescas* offer distinctive options either in nonalcoholic forms or in fun variations spiked with spirits. Meanwhile, *Micheladas* open the door for all kinds of zesty beer-based refreshments.

BATIDA: Like the better-known caipirinha, these fruity, milkshake-like drinks also star *cachaça* (the Brazilian spirit distilled from sugar cane), blended with fresh fruit juice (or fruit purée) and ice. Common additions include sugar, sweetened condensed milk and/or coconut milk.

HORCHATA: These creamy, milky-looking drinks, which originally hail from Spain but are popular throughout Latin American, actually don't traditionally contain milk at all. Instead, they're made by steeping nuts, grains (such as rice) and *chufa* ("nuts" that are actually the tiny roots of an African plant) in water. Typically served cold or at room temperature, they are sweetened with sugar and often spiced with cinnamon.

MICHELADA: These Mexican beer "cocktails" often pack a little heat. They feature a changing lineup of ingredients but always begin with beer, lime and salt and often are spiked with hot sauce, Worcestershire, Maggi seasoning and/or soy sauce. In some variations, tomato juice and clam juice are mixed in as well.

AGUA FRESCA: The lightest and perhaps most-refreshing of these Latin imports, *aguas frescas* typically contain just water mixed with puréed (or simply mashed) fresh fruit and a little sugar. Herbs or flowers sometimes are stirred in as well. Unlike smoothies, ice is not a standard component, nor are the water and fruit typically blended together.

By Allison Perlik, senior editor of Chain Leader sister publication Restaurants & Institutions



Maestro Chente sings with all his might about tasty chicken while violins, guitars and Mexican trumpets play.



Synthesizer and organ music lets Fidel show off his attention to detail behind the grill.



many cooks in the KITCHEN

El Pollo Loco uses music, language and personality to speak to its **CORE HISPANIC CUSTOMERS.**

SNAPSHOT

Concept El Pollo Loco
Headquarters Costa Mesa, Calif.
Units 167 company-owned, 249 franchised
2008 Systemwide Sales \$558 million
Average Unit Volume \$1.7 million
Average Check \$9.31
Ad Budget \$4 million for Hispanic campaign
Ad Agency Cruz/kravetz:IDEAS, Burbank, Calif.
Expansion Plans 20 in 2009

Meet Chente, Fidel, Paco and Rigo. These are four fictitious cooks who man the grill at El Pollo Loco. Each has a different personality and musical soundtrack. The very social Paco, for example, plays merengue pop, while uber-control freak Chente gets down with a genre called “Mexican regional.”

The quartet is at the center of a Spanish-language ad campaign launching this spring for Costa Mesa, Calif.-based El Pollo Loco, a quick-service chain known for flame-grilled chicken.

“The cooks are the heart of it,” says Maite Quílez-D’Amico of both the ad campaign and the 416-unit chain. Quílez-D’Amico is president and chief creative officer of Cruz/kravetz:IDEAS, El Pollo Loco’s Burbank, Calif.-based ad agency. “They really do have cooks in the restaurant. It is a true property of El Pollo Loco.”

The 34-year-old chain has long courted a Spanish-speaking clientele, and it also has

emphasized its flaming grill in its marketing. In fact, the brand began in Mexico and was brought to the United States in 1980.

But this campaign takes it up a notch. “We are elevating what they do to the level of master,” adds Quílez-D’Amico, noting that each of the four cooks is called “maestro.”

The campaign, which highlights the chain’s behind-the-grill cooks, is more than simply a translation of general market spots to Spanish. While there is consistency with the overall brand message, the Spanish-language campaign is its own creative and concept, filmed in Mexico City, and was developed to speak to employees and customers in a language they’d understand. An estimated 99 percent of cooks behind the grill at El Pollo Loco are Hispanic, says Mark Hardison, vice president of marketing for El Pollo Loco, so the spots are designed both to reflect them and to speak to them.

FISCALLY RESPONSIBLE

Thanks to the uncertainty of the U.S. economy, El Pollo Loco is trying to be more fluid with its ad spending in 2009 than in previous years.



The super-social cook Paco befriends the grill, as well as trumpets, bongos and timbales.

Hardison says: “We are not abandoning our broadcast effort in this economy.”

Instead of planning the whole year in advance, the chain is planning quarter by quarter. El Pollo Loco has worked with Cruz/kravetz:IDEAS for its Hispanic advertising for a decade, which should make it easier for the team to make changes throughout the year.

The team shot enough film for 11 different spots, so it will have flexibility as needed. The commercials will air on Univision, Telemundo, TeleFutura and other Spanish-language broadcast outlets, and they may serve to introduce new menu items throughout the year in addition to being used for straight brand building.

MUSIC MAKER

What is certain is that the spots, when they air, will have a unique sound. The team created a soundtrack using music that is popular with a cross-section of Hispanics, not just Mexicans, Hardison adds.

“Music is the spark in these spots. We built the spots to the music rather than put the music to the spots,” he says. The music was written specifically for El Pollo Loco, and the lyrics echo the brand message. In fact, the music was so catchy that Hardison was asked to burn a CD for his kids.

“Music is such an integral part of Hispanic culture,” Quílez-D’Amico says. “I was watching the Latin Grammy Awards and saw that [the different types of music] cross over very much. So we thought it was a great way to choreograph the message.”

A DIVERSE AUDIENCE

El Pollo Loco will spend \$4 million on its Hispanic advertising efforts, as compared with \$10 million for its general market campaign. But the Hispanic business does not play second fiddle to the English-language campaign, which will be created later this year.

“We are consistent in the messaging we use—the message is the food,” Hardison says. “We use the same food photography. The focus is on the grill, which is the first thing guests see when they walk in the restaurant. They show the passion we have for grilling chicken.”

The Spanish-language spots have a tagline, “Que rico pollo,” which roughly translates to “tasty chicken,” a common phrase that makes sense for the brand mission in both languages.

In addition to the four chefs, the campaign will feature ads with four different El Pollo Loco customers—a housewife, a male worker, a woman at an outdoor party and a kid in an urban environment—each savoring the brand’s core product.

Adds Hardison: “We recognize that these spots are a morale-booster for employees. But first, they are for our customers.” ■

on the web: View the El Pollo Loco commercials at www.chainleader.com.



Latin jazz lets maestro Rigo get creative.

Talkin' 'bout your

FIGHTING STEREOTYPES of the young and old can avoid disruptions to the workplace.



Back then, the big age difference was between the general manager and the rest of the staff.

That's history in most markets. A sinking economy, stagnant wages, healthier lifestyles and an aging population have been contributing to an age-diverse workplace in which 17-year-olds work alongside senior citizens. Clashes are bound to occur.

"Absolutely there's conflict, and in many forms," says Cheryl Fowlkes, director of work force diversity for Orlando, Fla.-based Darden Restaurants.

Fowlkes cites a typical problem that arises between semi-retired employees and young people, who may be working their way through college. "The Veteran thinks the Gen Xer is not mature enough, and the Gen Xer may think the Veteran is too old, too serious or too formal. That can affect the ability to build teams within restaurants," she says.

"Veterans," otherwise known as Traditionalists and senior citizens, are swelling in number. The Bureau of Labor Statistics reports that their presence in the work force has been climbing, to about 4 percent in 2008. Already, people 55 and older make up 6.5 percent of workers in "foodservice and drinking places." The bureau expects that trend to continue.

Put four generations in a busy restaurant and you've got a volatile mix—one that could undermine the teamwork crucial to the smooth flow of service.

For many years, operators scarcely worried about their staff's ages. That's because their employees were mostly young and enthusiastic about working alongside their peers. Moreover, what other age groups would work for such meager wages? Or would want to be on their feet all day or all night in such a fast-paced environment?

At Which Wich's franchise meeting in January, Gen Y expert Eric Chester explained how to motivate and manage the people who make up the bulk of the sandwich chain's work force.

Statistics show that 43 percent of the industry's employees are 24 or younger, and 20 percent are 45 and older.

Generations at Work

Age	% working in foodservice and drinking places	% working in all industries
16-19	21.1%	4.3%
20-24	22.1	9.6
25-34	22.7	21.5
35-44	15.8	23.9
45-54	11.9	23.6
55-64	4.7	13.4
65 and older	1.8	3.7

Source: 2006 Bureau of Labor Statistics data



GENERATIONS

ECONOMIC REALITIES

That is, if they can find jobs. In today's sputtering economy, they face stiff competition from the many young people looking for work. The unemployment rate for teenagers, for example, was 21.6 percent in February, according to the bureau, a year-to-date increase of 4 percent. Twenty percent of all restaurant employees are between 16 and 19 years old—about 5 times the proportion in all industries.

Dallas-based consultancy People Report, which tracks industry hiring and turnover rates, says 40 percent of the chains that share hiring data with it expect to trim their hourly work force. "It's a talent buyers' market," declares Louisville, Ky.-based hospitality recruiter Amanda Hite, CEO of Talent Revolution and a former restaurant trainer for Applebee's franchisee Thomas & King.

That helps explain why some operators'

enthusiasm for keeping peace among generations is waning. Asked if teaching managers about such issues is a less important today, Golden Corral Vice President of Human Resources Judy Irwin says: "People seem to be happier with their jobs, maybe because they hear about others who don't have them. The amount of employee issues surrounding this subject is less."

Yet she concedes the subject came up during a recent management trainee meeting at headquarters in Raleigh, N.C., in January. "It's not that these issues don't arise or are not happening. But people on the whole are better managing them," she says.

DEFEATING STEREOTYPES

Maybe that's because for several years 483-unit Golden Corral has hired generational consultants to address general managers at conventions. One of them is Bruce Tulgan, author of *Not Everyone Gets a Trophy: How to Manage Generation Y*, who says the Gen Y employees likely to be the best managers are those who get along with fellow workers.

"Don't look for [employees] who slap people on the back or are more confident than anyone else," advises Tulgan, cautioning that boomer managers are attracted to these types. "It's not who you want. What you want are the people who practice the basics. They are patient about teaching others and are able to exercise authority with a smile because they are committed to the mission of the business."

Darden also addresses stereotypes at manager meetings. For the past 10 years, the company has been working to dispel assumptions about workers, Fowlkes says. Part of Darden's overall diversity initiative, a three-day course for managers includes a module on dealing with generational issues. This is necessary, she adds, because the ages of employees—hourlies and managers—span all four generations.

"We start with the basics of what the multi-generational issues are," Fowlkes explains. That usually means instructors first delve into what

Coming of Age

TRADITIONALISTS

(a.k.a. Veterans, Seniors) Oldest came of age during WWII; experienced Great Depression. Followed clear-cut career trajectories, often within same company. Work ethic on steroids. Ages: 64+.

BABY BOOMERS

Majority of work force. Typically hardworking and competitive. Believe younger workers must put time in like they did before promotion. Ages: 45 to 63.

GEN X Not particularly committed to a career (hence the term "slacker"). Skeptical of corporate and political systems given scandals of '80s and '90s. Divorce rate tripled during their childhood; notions of family often unconventional. Ages: 33 to 44.

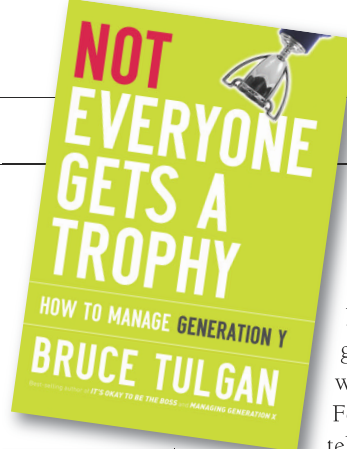
GEN Y (a.k.a. Millennials) Raised by working moms and dads; doted on and idealized, leading to sense of entitlement. Social conscience extends to "green" movement, politics, vegetarianism. Typically technology-savvy. Ages: 18 to 32.



HUMAN ASSETS

“Managers should never offer praise [to Gen Y] for performance that’s not praiseworthy.”

—Bruce Tulgan, author and generational expert



managers think they know about other age groups. From there, they whittle down stereotypes. Fowlkes, for example, will tell a manager to describe

his thought process when a Gen Y employee calls off just before dinner service and when a senior does the same.

“Inevitably, managers conclude the Gen Y employee wants to party, not work, and the Veteran is calling off because he must be really sick,” she says. “In reality, I tell them it may well be the opposite.”

“Boomers mistake [Gen Y’s] high self-esteem for entitlement,” offers Hite. “They think they’re not interested in paying their dues.”

One way to disabuse such notions, she suggests, is to implement a mentoring program. “Pairing up people from different generations is mutually beneficial for both of them. Every boomer

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Enabling the Disabled

Ruby Tuesday General Manager Mark Briccetti recalls that training Tanya Byrd was par for the course.

“Same as any other employee,” he says. “She followed another person for a certain number of shifts until she felt she got it.” Byrd, who is developmentally disabled, was hired nine years ago at the Chesapeake, Va., unit. Currently a dishwasher, she has worked in several positions during her tenure.

“Tanya takes a bus to work and uses her paycheck to pay for rent, food and clothing. She loves to go to work,” says Terri Arnold, director of public relations for Chesapeake Service Systems, the vocational rehabilitation agency in Chesapeake, Va., where Byrd received training.

Briccetti, who has hired other developmentally disabled workers, says

should have a 16-year-old mentor," she declares.

STAYING CURRENT

Dallas-based Which Wich, a sandwich chain with 75 units, doesn't offer a formal mentoring program. But that doesn't mean CEO and Gen Xer Jeff Sinelli hasn't learned a thing or two from his Gen Y employees. "It's a more colorful generation, from jewelry to clothing to body art," he says. "I try to resonate with them by wearing the same things they do: jeans and Which Wich shirts and our yellow and black tennis shoes."

Sinelli recently formalized communication channels. To speak with franchisees, vendors or his management team, executives use mainstream channels such as phone or e-mail. For employees, they communicate through a company blog (blogspot.superiorsandwiches.com), which features announcements of new store openings and company events.

Still, Sinelli isn't taking chances when comes to understanding employees. In January, he hired Gen Y expert

Eric Chester, a Denver-based human-resources consultant, to address corporate employees, franchisees and vendors at its annual franchise meeting. "The reason for bringing him in," Sinelli

explains, "was to let us know how to communicate with them."

What did Sinelli, who's 40, learn? "It gave me an appreciation for this segment, Gen Y." ■

employees such as Byrd are welcome in his restaurant. "They are dependable and grateful to have a job, and they usually do their best," he adds.

Asked what advice he'd give to restaurant managers who wanted to hire the developmentally disabled, Briccetti says, "I would tell them if the job is very easy, then they should be OK with hiring them."



Tanya Byrd, who is developmentally disabled, stocks the salad bar and washes dishes at Ruby Tuesday. "She's a reliable and dedicated worker," says General Manager Mark Briccetti.

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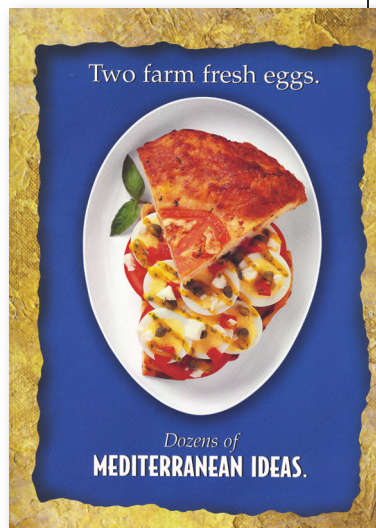
55.9%

Percentage of diners who say they're more likely to try something new if it is served as an appetizer instead of a main course, according to *Restaurants & Institutions'* 2009 New American Diner research.

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The American Egg Board's Mediterranean merchandising guide contains four chef-developed egg recipes as well as merchandising and promotional ideas. Offer patrons variety at breakfast with Mediterranean options while increasing the bottom line. For a free copy, call (847) 296-7043 or visit www.aeb.org/foodservice.

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Steve Phillips World Cuisines from Phillips Foods are authentic, on-trend finishing sauces designed to create products with ethnic appeal. The launch begins with eight sauces featuring the flavors of Thailand and India; later full dishes combining protein and sauce will be available. Phillips Seafood Restaurants use Steve Phillips World Cuisines Green Curry Sauce for Mahi Mahi, Thai Curry and Coconut Rice (shown).

For more information, visit www.phillipsfoodservice.com. **Phillips Foods, Inc.**



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White Wings Flour Tortilla Mixes and Conestoga Frozen Flour Tortilla Doughs from C.H. Guenther & Son allow operators to quickly expand menus to include Mexican and Southwestern specialties.

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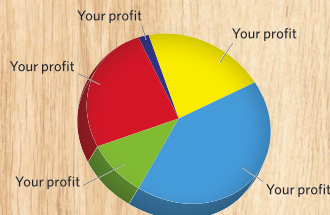


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Franchise Developer

Profiles in Growth: Jersey Mike's Subs

Some see hardship in a turbulent economy, but others see opportunity. Bill Mapes is the latter. He has opened four Jersey Mike's Subs shops in the Phoenix area in the last year, with a fifth unit opening this month. Mapes has no qualms about aggressive expansion in today's economy: "I think it's an opportunity to go after market share," he says.

Q: How is this economy conducive to expansion?

A: I saw the slowdown as an opportunity to secure better leases and to have a better selection of employees. We negotiated our leases up front with very aggressive terms. We're also able to be very selective about hiring employees; for our first three stores we took in almost 350 applications from Craigslist alone.

Q: What about financing such rapid growth?

A: On my leases, I was able to get quite a bit of tenant improvement money back from the landlord. Instead of spending that money, I rolled it over into my next store. We've used that money to pay for almost all of our equipment, so our only out-of-pocket expense has been the tenant improvement. And because of the economic climate, we've been able to get very good pricing from contractors.



Q: Have you changed your pricing to reflect the economy?

A: We always try to keep our regular subs under \$7, a price we think is comfortable for the customer. We feel that if we keep our prices below a certain point, we'll build repeat customers, which is important for growth. We also build value into every customer visit, focusing on their experience and quality of product. It's paid off. Our first three stores are typically in the top 20 in sales companywide almost every week.

Q: How do you compete for dwindling consumer dollars?

A: Especially in an economic downturn, customers buy from who they know. We're very active in the community with fundraisers and donations. Besides helping the community, it gets our name out there in a positive light. It's paid huge dividends with customers trying our product, and when the economy gets good again, people will remember us first.



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Toque Radio /by monica rogers

Executive Chef Shane Schaibly puts more exotic ingredients into the fondue pot at The Melting Pot.



ADDING to the Pot

From classic French to Caribbean themes, The Melting Pot's evolving recipes for fondue give guests something new to dip into.

A comfort food with a worldly pedigree, fondue keeps menus interesting at Tampa, Fla.-based The Melting Pot. *Chain Leader* talked with Executive Chef Shane Schaibly about guest interest in more-robust, pungent cheeses, internationally themed specials and a new bar menu at the 140-unit chain.

Everybody's interested in cheese these days. What are you doing to keep it that way?

Every March and September, we offer a new version of the Big Night Out, a limited-time-offer, fixed-price, four-course menu. Each is loosely themed around a different region of the world, and they are very popular. Sixty to 65 percent of our guests opt for the Big Night Out.

Tell us about the one that launched in March.

It's a journey through Tuscany with a lot of traditional Italian flavors. The cheese fondue is a Quattro Formaggio, with fontina, Gruyère, Gran Queso and a little bit of fresh mozzarella perlini—little, almost pencil-eraser-sized pieces.

Are your guests interested in more fully flavored cheeses?

Absolutely. Our cheese partner participates in our menu planning, giving us the chance to pull out cheeses that most Americans wouldn't go for if they were at a store or even from an a la carte menu. With fondue, you can blend [an unusual cheese] with cheeses they're used to and get them out there trying new things.

In March 2008 we did a Caribbean-themed fondue with Gouda and Gran Queso, which is a local cheese that mimics the style of Spanish manchego cheese. It has a little more earthiness, a little more of a bite to it than mainstream American cheeses. That fondue also included sweet Pepadew peppers from South Africa, which was an unusual ingredient.

Did guests like it?

Absolutely. And so did our servers. They make the fondue tableside, and it's an 8- to 12-minute process. So including a more exotic cheese gives the server a more interesting story to share.

Your entrees are made in the fondue pot, too.

Any changes here?

There are four different cooking styles: bourguignon, which is cooking in oil, or [cooking in] one of three bouillons: coq au vin, mojo or court-bouillon. We don't change these, but the entree ingredients change. For example, the entree course of the Tuscan Big Night Out features a Florentine marinade: fresh garlic, rubbed sage, lemon zest, salt and pepper.

And you're trying out a new bar-food program?

We have eight or nine restaurants in the program right now. It's for guests who don't want the two-and-a-half-hour experience. Menu items include seared tuna, lobster quesadillas, crab cakes, Kobe beef sliders, Tuscan flatbreads and a cheese plate.

What else is new?

We've responded to guest requests for smaller meals. We have a few restaurants out there offering three courses. Some offer a shortened menu altogether. And I continue to try to bring in new flavors. ■

ON THE WEB: Listen to or download an extended audio interview with Shane Schaibly at www.chainleader.com.

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