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July/August 2009

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TRENDS-FORWARD INSIGHTS TO BUILD BRANDS

Backyard furniture outfits a new concept. PAGE 22

Hotel technology can also aid restaurant chains. PAGE 26

Borrowing beverage ideas from **c-stores**. PAGE 32

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NEW SOURCES OF Inspiration

Matt Matros turned consumer-products ideas and experience into budding chain Protein Bar. PAGE 32

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Service and SATISFACTION

Restaurant chains fare well against other industries when it comes to customer satisfaction.

Over the past four years, McDonald's has improved customer satisfaction more than any other fast-food brand and at a rate more than four times the industry average.

The American Customer Service Index reported its second quarterly improvement in May, after a period of decline. For the first quarter, the index rose to 76 on a scale of 100.

The index, produced by the University of Michigan's Ross School of Business in partnership with the American Society for Quality and CFI Group, measures customer satisfaction of companies.

Research analyst Claes Fornell, director of the National Quality Research Center at the Ross School, reports that rising ACSI scores are often a precursor to growth in consumer demand.

"There is a relationship between ACSI growth in one quarter and consumer-spending growth in the following quarter," he writes. "Analysis of ACSI data, household income and changes in household-debt ratios suggest that a consumer spending increase of 1.5 percent would be a reasonable expectation for the second quarter of 2009."

ACSI evaluates different industries in different quarters. The first quarter looked at the quality of products and services in utilities, transportation and warehousing, information, health care and social assistance, and accommodation and foodservice.

AMERICAN CUSTOMER SATISFACTION INDEX

	2009 score	% change from 2008
Full-Service Restaurants		
Olive Garden	81	(1.2)
Red Lobster	80	1.3
Outback Steakhouse	77	1.3
Chili's Grill & Bar	74	1.4
All others	85	6.3
Limited-Service Restaurants		
Domino's Pizza	77	2.7
Starbucks	76	(1.3)
Wendy's	76	4.1
Little Caesars	75	0.0
Papa John's	75	(1.3)
Pizza Hut	74	(2.6)
Taco Bell	73	4.3
McDonald's	70	1.4
KFC	69	(1.4)
Burger King	69	(2.8)
All others	83	3.8

RESTAURANT TAB

Fast food scored 78, the same as last year and its highest score ever. In fact, the ACSI score for fast food has improved by 13 percent since 1997. The category is led by "all others," which aggregates smaller chains and improved 4 percent to a score of 83, its highest level.

Of specific chains, Domino's is on top at 77. Wendy's and Taco Bell saw the biggest gains—4 percent—to 76 and 73 respectively. McDonald's is up 1 percent to an all-time high of 70. Over the past four years, McDonald's has improved customer satisfaction more than any other fast-food brand and at a rate more than four times the industry average.

Full-service restaurants improved 5 percent to 84, led by a 6 percent increase in "all others." Though down 1 percent to a score of 81, Olive Garden leads the segment.

AMONG OTHER INDUSTRIES

- Airlines improved for the first time since 2003, up 3 percent to a score of 75.
- Hotels held steady at 75.
- Utilities are unchanged at 74.
- Traditional local and long distance is down 1 percent to 72, while wireless telephone services reached an all-time high of 69.
- The cable and satellite TV category fell 2 percent to 63.

Segments evaluated in fourth-quarter 2008 include gas stations (up 5.7 percent to 74), banks (down 3.8 percent to 75) and supermarkets (unchanged at 76). ■

ON THE WEB: For more information on the research, visit www.theacsi.org.

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NORTH AMERICA

1 Source: Beverage Marketing study, 2009
2 Includes estimated distributor mark-up. Estimated price as of April 2009. Prices subject to change at any time.
3 30% less plastic than the average half-liter beverage bottle, based on a 2008 audit of bottles in the water, soda, juice and tea categories.

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ISSUE THEME

Ideas from Other Industries

This issue looks at stealable ideas from other industries, such as hotel technology worth checking out and convenience-store beverage ideas to “pour” over. Our cover features a good example: Former consumer-health-products manager Matt Matros has borrowed some insight from past jobs and created budding chain Protein Bar.

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Small chains are attracting landlords like never before. But before jumping at the next great site, they might want to borrow ideas from the big boys. **By David Farkas**

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Stealing Home

Real outdoor furniture and accessories help Punk’s Backyard Grill recreate the family cookout—without smoke or mosquitoes. **By Lisa Bertagnoli**

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Personal Appeal

Chains can adopt hotel-like technology, like online reservations, that streamlines operations without sacrificing service. **By Lisa Bertagnoli**

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Beyond Back-of-the-House

As the bipartisan Food Safety Enhancement Act of 2009 works its way through Congress, we look at lessons from outside our usual sources. **By Mary Boltz Chapman**

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C-Stores’ Beverage Edge

Restaurant chains might take a cue from convenience stores that cater to guest desires for custom self-serve drinks, value and private-label options. **By Monica Rogers**

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Pro on Protein

Meal-replacement shakes are the mainstay of Protein Bar, a new quick-service concept from former packaged-food-industry manager Matt Matros. **By Monica Rogers**

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Slumping sales force human resources executives to focus on their own problems despite good ideas from outside the industry. **By David Farkas**

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NEW: ON THE SPOT

Television commercials have long been a way to build brands, promote specials and introduce new products. On the Spot looks at the latest commercials, classics and other videos. Join the conversation.

FEATURED PODCAST

Roark Capital Group brought together leaders from its 14 franchise companies to share best practices. Managing Director Steve Romaniello discusses the details.

BLOG BYTES

- Lane Cardwell bids a fond farewell as he takes a real job: CEO of Boston Market.
- David Farkas is still moderating a conversation about Quiznos' provocative ads.
- Welcome branding and marketing expert Karen Brennan to the blogosphere.

OPERATOR POLL

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Steal This Magazine

Well, I don't actually want you to steal the magazine. I'm sure the person who owns it wouldn't be happy, and I can't support making our subscribers cranky. I do want you to steal the ideas in it.

NOT THE USUAL SUSPECTS

When we began planning this issue, we had a hard time getting our heads around the idea of assembling stories and topics that don't necessarily rely on restaurant-chain operators. So we suspect some of our readers might have the same trouble.

> If chains don't bring fresh ideas and perspectives from outside the industry, they will suffer from interbreeding maladies.

Sometimes restaurant concepts (and magazines, too, frankly) get into a rut of stealing good ideas only from their direct competition, and perhaps restaurants in other segments. (The same is true with stealing employees, which is another bad habit that will have to be addressed another day.)

BRAND-EXPANDING INSPIRATION

Chain Leader has tried to avoid the same kinds of ruts, especially with our electronic products. The new "On the Spot" feature on chainleader.com was inspired by Rate My Space on HGTV. Our version lets visitors discuss television commercials and other chain videos, rather than dining rooms and bedrooms. We had to borrow another idea to make it happen: We copied the setup from our sister publication, *Design News*, which runs a similar function on new gadgets.

When our former publisher, Ray Herrmann, had the idea for *Chain Leader LIVE*, he was at the supermarket checkout. He had recently seen a production of "The Lion King" and was impressed by how the cartoon movie was interpreted by live performers. Waiting with his groceries, he saw Oprah Winfrey's magazine, which was new at the time. He thought, if they can bring a cartoon to life, and Oprah can turn a TV show into a magazine, why can't we turn our magazine into a show, and bring it to life?

ROBBERY VICTIMS

This issue looks at a lot of stealable ideas from other industries, such as hotel technology worth checking out, convenience-store beverage ideas to "pour" over and consumer-goods trends to consider repackaging. In some instances, we let the experts from outside the restaurant industry do the talking. In other stories, we highlight restaurant chains that are inspired by some of these ideas.

Our cover is a good example: Former consumer-health-products manager Matt Matros has borrowed some insight from his past experience and created budding chain Protein Bar.

You know how the interbreeding of animals makes them susceptible to certain illnesses? If restaurant chains don't bring fresh ideas and perspectives from outside, they will suffer from their own unhealthy symptoms. ■

BIG ideas

"Imitation is the sincerest form of flattery."
—*Charles Caleb Colton*

"Don't worry about people stealing your ideas. If your ideas are any good, you'll have to ram them down people's throats."
—*Howard Aiken*

"Nature is my manifestation of God. I go to nature every day for inspiration in the day's work. I follow in building the principles which nature has used in its domain."
—*Frank Lloyd Wright*

"In science the credit goes to the man who convinces the world, not to the man to whom the idea first occurs."
—*William Osler*

"The best ideas are common property."
—*Seneca*

Mary

Mary Boltz Chapman
Editor-in-Chief

I WELCOME YOUR FEEDBACK. Contact me at (630) 288-8250 or mchapman@reedbusiness.com.

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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

CHIEF EXECUTIVE OFFICER: Tad Smith
CHIEF FINANCIAL OFFICER: John Poulin
CHIEF INTERNET OFFICER & PRESIDENT, BUSINESS MEDIA DIVISION: Jeff DeBalko
VICE PRESIDENT/GENERAL MANAGER, FOODSERVICE & HOSPITALITY GROUP: Steven Rourke
FOODSERVICE & HOSPITALITY GROUP PUBLISHER: Dan Hogan
CONTENT DIRECTOR: Joseph M. Carbonara

REGIONAL ADVERTISING SALES MANAGERS

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Floyd Stoner (630) 288-8208

NORTHEAST/MID-ATLANTIC
Rich Zelvin (630) 288-8226

INSIDE SALES/CLASSIFIED
Jim McMurray (630) 288-8467

PUBLISHER'S ASSISTANT: Nancy Brogato (630) 288-8281

DIRECTOR OF EVENTS: Mary Miller
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
DIRECTOR OF EMEDIA SOLUTIONS: Darrell Dal Pozzo

HOW TO REACH *CHAIN LEADER*

PHONE: (630) 288-8201 **FAX:** (630) 288-8215
E-MAIL: ChainLeader@reedbusiness.com
INTERNET: www.chainleader.com
LINKEDIN: Friends of Chain Leader
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8878 S. Barrons Blvd., Highlands Ranch, CO 80129-2345

FOR ARTICLE REPRINTS OR ELECTRONIC USE

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

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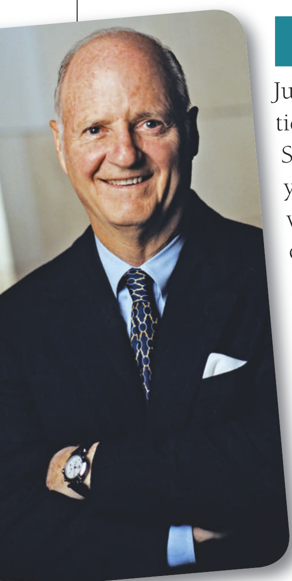
IN MEMORIUM

Industry Icon **Norman Brinker** Mourned and Celebrated



Norman Brinker passed away June 9 while on vacation in Colorado Springs, Colo., at 78 years old. Brinker was the founder and chairman emeritus of Brinker International, parent company of Chili's Grill & Bar, Maggiano's Little Italy and On the Border.

Lane Cardwell, CEO of Boston Market and former *Chain Leader* blogger, who worked for Brinker, wrote a few blog entries that express Brinker's business acumen and influence. Cardwell said Brinker is "responsible for a lot of what we take for granted today across the casual-dining category."

Brinker grew up in New Mexico and graduated from high school in Roswell. He paid his own way to the New Mexico Military Institute and, after joining the Navy, he won a berth on the 1952 U.S. Olympic Equestrian Team and competed in the 1954 Modern Pentathlon World Championships. After his military service, Brinker enrolled in San Diego State University. He was elected the first non-fraternity student body president and graduated with honors in 1957.

RESTAURANT VETERAN

Brinker joined Jack in the Box when it had only five restaurants. He quickly rose through the ranks and became a partner in the eventual rise of the brand.

In 1965, Brinker noticed a vacant niche between fast-food restaurants and fine-dining establishments. He founded Steak & Ale, which introduced quality dining at affordable prices. Steak & Ale grew rapidly and became a publicly held company with 28 restaurants in 1971. Five years later, with 109 restaurants, including Bennigan's, it merged with the Pillsbury Company, and Brinker was named executive vice president. In 1982, he became president of The Pillsbury Restaurant Group, the second largest restaurant operation in the world.

RAISING CHILI'S

In 1983, Brinker became chairman and CEO of Chili's Inc. At the time, there were 28 restaurants. In 1991, Chili's was renamed Brinker International. Brinker retired from the company in 2000, but served as chairman emeritus until his death.

Brinker is the recipient of many business and restaurant industry awards, including *Chain Leader*'s 2004 Legend Award.

How to Prepare for the **Turnaround**

Let's say you're consulting a casual-dining chain. How do you tell its management team to think about price, value and positioning if, in fact, they believe a year-end rebound is coming?

We recently posed that question to Friends of *Chain Leader*, the LinkedIn group Senior Editor David Farkas manages. Restaurant consultants jumped all over that one. Their advice offers helpful insight into one of restaurants' most pressing problems: how to prepare for the inevitable turnaround.

BILL CROSS, vice president, Broad Street Food Licensing
I think the only sensible strategy is to focus on your business' strengths, expand your marketing (social media is hot, fun, perhaps fleeting and definitely time-consuming, but you can't ignore it), and look for ways to expand your reach as Burger King, Friday's, Boston Market and others have done.

MICHAEL VEACH, Restaurant Service Solutions
Smack them alongside the head and tell them to wake up and get into the game. Friday's and Ruby Tuesday have aggressively managed the downturn. When the rebound comes, those are the companies that will be driving to the hoop, leaving the rest of the pack wondering why they weren't more proactive.

JEFFREY SUMMERS, president, Restaurant Coaching Solutions
Stop the spiraling toward commoditization. There are many fewer seats in many more markets now. Start to differentiate yourselves or you will fall into a second stage of category commoditization and there will be even fewer seats in even more markets.

Continue the aggressive marketing posture the recession has forced you to engage in. But do so in terms of adding value to the overall guest experience more than addressing price.

Stop paying lip service to service. Start training your managers and staff now to deliver a better guest experience.

Beverage lobbyists warn that social drinking will dry up if all cars are equipped with ignition-lock technology.

LEGISLATION

Should Restaurants Be Wary of **Anti-DUI Technology?**

A beverage lobbyist is criticizing U.S. automakers for attempting to prevent the responsible consumption of alcoholic beverages.

The American Beverage Institute, which advocates for bars and restaurants, says it doesn't makes sense for car companies to accept government bailouts while spending time on a campaign to eliminate social drinking. "It's a matter of priorities," declares ABI Managing Director Sarah Longwell. "You have these car companies closing plants and cutting jobs; you have to wonder whether it's worthwhile for them to put money and lobbying efforts into activist groups like MADD [Mothers Against Drunk Driving]."

MADD MONEY

What sparked ABI's ire was Congressional testimony in May from Robert Strassburger, vice president of vehicle safety and harmonization at the Alliance of Automobile Manufacturers, a trade association that promotes motor vehicle innovation.

Strassburger encouraged the Sub-Committee on Commerce, Trade and Consumer Protection to approve MADD's request for $30 million to support "advanced technology research" into the area of ignition interlocks. The funds would be included in the Surface Transportation Reauthorization bill.

The trade group, whose members include Detroit's Big Three automakers, already supports MADD's Campaign to End Drunk Driving, which urges states to adopt laws that mandate the installation of alcohol ignition interlocks, or breathalyzers, on vehicles driven by convicted drunk drivers. Drivers must blow into it to start the vehicle. The devices, which record a driver's blood-alcohol concentration, will prevent the engine from starting if the BAC registers greater than .025.

ANTI-DUI TECHNOLOGY

Strassburger mentioned that his group is part of a $10 million cooperative agreement to research in-vehicle alcohol-detection technologies aimed at reducing drunk-driving-related fatalities and injuries. The research is sponsored in part by the National Highway Traffic Safety Administration.

Strassburger also told the sub-committee that alcohol-detection technology "holds promise for keeping alcohol-impaired drivers off the road by preventing drivers with a blood-alcohol concentration at or above the legal limit of .08 from operating a vehicle."

To Longwell, that's code for eventually putting ignition interlocks into every car, which she claims is MADD's goal for such technology.

"We're telling legislators there is a proper application, and that is for hard-core drinkers on their first offense," she says. "But that these devices should be put in all cars—that's going too far."

Fast Casual for Families

In its July issue, *Parents* magazine ranked the top fast-casual restaurant chains—those that are a notch above fast food and not quite full service. The magazine looked at the nutritional makeup of the menu, eliminating chains that wouldn't provide it; and family-friendly conveniences like changing tables in the restrooms, booster seats and at-the-table distractions.

THE TOP 10 ARE:

1. Cosi
2. Jason's Deli
3. Noodles & Company
4. Fazoli's
5. Panera Bread
6. ZPizza
7. Atlanta Bread
8. Corner Bakery Cafe
9. Taco Del Mar
10. McAlister's Deli

ON THE MONEY

Combo DEALS

"The impetus to move ahead on a true merger must come from the board."

—*David Epstein*

With liquidity crises now threatening the survival of many restaurant chains, radical measures are called for, argues investment banker David Epstein of J.H. Chapman & Co. True merger, anyone?

What do you mean by a "true" merger?
A true merger is where two companies join together and their ownership stays the same. Unlike an acquisition, where one company buys another using cash or stock and the owners of the target company go away, in a true merger ownership doesn't walk away with cash or notes.

What happens to the CEOs?
There is always the issue of what happens to them. Who's going to manage the merged company going forward? We believe that decision should be put in the hands of the board of directors.

Why is the timing right for true mergers between chains?
Because many are doing whatever they can to retain profits and cash flow. Many are cutting overhead, G&A expenses and renegotiating with landlords. They are doing everything they can to preserve cash.

And there's not much left to do, right?
Many companies have done all they can. Lenders in many cases are not willing to do enough that will help the company survive. By the way, I'm focusing on second-tier and regional chains that have used debt to finance growth.

By survive, do you mean avoiding bankruptcy?
Or any type of liquidation. Boards that once thought in terms of growth now think in terms of survival. They have to be thinking about radical things they may not have considered in the past. The first thing they ought to investigate is not to sell themselves but to merge, wherein you maintain ownership, though maybe now a smaller amount.

Have we seen anything like this recently?
There is a hybrid example: Triarc's merger with Wendy's. Although a clear takeover by Triarc, it's a similar type of [merger] situation, though not the way we'd expect to see it in a true merger.

What would you expect to see, at least in theory?
The easiest example would be franchisees of the same concept, say, Applebee's, in New York and New Jersey. They're fairly close and have the same synergies. In a true merger, the synergies, whether food costs, site selection or administration, are shared by both owners. You end up with more buying power and maybe more clout with the franchisor because you are larger.

Any others?
Franchisors that have similar concepts but do not own many stores. Say, two small coffee chains. You could take advantage of purchasing cups as well as administration. That would be advantageous from a value standpoint to both. Or consider Big Apple Bagel and Cousins Subs. Both are in the sandwich segment, but BAB sells sweet goods through My Favorite Muffin. Those could be sold in Cousins.

How do companies figure out who would be a good match?
If you were to ask CEOs of small or medium-sized companies who they'd acquire if money were no object, they'd have a short list of two or three chains. That list may make very good merger partners as well. CEOs know who they are already. I don't believe it takes a lot of science to determine that.

IN THE WORKS: Epstein says in this economy the coming trend is boards focusing on shareholder value instead of CEO ego.

Buffalo Wild Wings' **Sally Smith** Wins Gold Plate

Despite the severity of the recession, Buffalo Wild Wings has managed to post impressive results under the leadership of CEO Sally Smith, winner in the Chain Full Service category of the International Foodservice Manufacturers Association's 2009 Silver Plate Awards. Smith also won the organization's coveted Gold Plate. Each year, the Gold Plate winner is chosen by secret ballot from among the nine IFMA Silver Plate winners.

Smith joined Minneapolis-based Buffalo Wild Wings in 1994. Two years later she was appointed president and CEO, when the company had less than 75 restaurants. Smith put systems and controls in place, evolving the chain from a regional college sports bar into a national fast-casual concept.

Today she oversees some 540 company and franchised restaurants.

FRANCHISING

BRAND Ambassadors

Burger King Corp. recently invited 13 people with ties to the fast-food restaurant chain to Miami headquarters to share company strategy during a daylong session. Franchise top brass laid out company growth plans, new products and marketing to the group, which included attorneys and business leaders with relationships to existing franchisees and minority communities.

COME TOGETHER

It was the first time the group had been formally brought together. "This was a group of folks who'd been influential in our system for some time, and we took this opportunity to formalize our communication with them," says Burger King host Steve Rafferty, vice president of franchising and business development, who dubbed the meeting the Brand Ambassadors Summit.

Its purpose was to help Burger King maintain and grow the franchise base. The company says 1,200 franchisees comprise 90 percent of the system—or roughly 10,000 units—in 74 countries.

HELP, WE NEED SOMEBODY

One of Rafferty's jobs is finding buyers for the 200 franchised units that come up for sale annually. He says his staff handles much of that, but "our thought process was to augment and expand our efforts."

It's not surprising he's looking for help. Given the credit crunch, existing and potential franchisees are finding it difficult to finance franchise deals.

Franchise consultant and former Stevi B's CEO Jordon Krolick thinks it's crucial for franchisors to reach out to business leaders outside the company. "Maybe it will work, maybe it won't," he says. "What's exciting is that Burger King is trying a new idea."

HOOKING UP

Relationships play a key role in recruiting franchisees. "They invited me because of my relationship with franchisees," says former Burger King attorney and franchise expert Barry Blum, now with Minneapolis-based law firm Krass Monroe.

"If a businessperson in the Asian community is familiar with someone who's looking for an opportunity like ours, that person can make a clear connection. Burger King and the franchisee benefit," Rafferty maintains.

Burger King spokeswoman Denise Wilson won't disclose how many minority franchisees already operate Burger Kings or the number the chain intends to franchise to minorities, including women.

Blum recalls that the meeting wasn't focused solely on diversity recruitment. "Burger King wanted to make sure they're communicating their message, and that they are top of mind should someone reach out to us," he says.

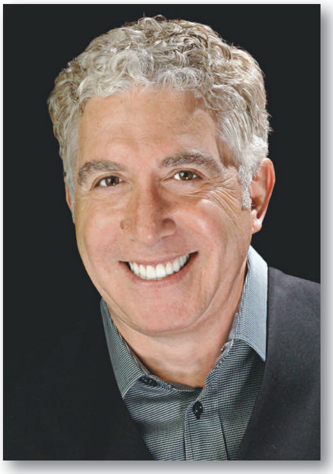
Says Rafferty: "Frankly, we don't control the flow of transactions. But we want to be ready with qualified franchisees."

TURNAROUND ARTIST

Start with the **BASICS**

Though Sam Borgese was named president and CEO of CB Holding company in April, he was no newcomer. Principal shareholder Trimarin Capital Partners brought him on in October to examine the strategies, operations and potential of the parent company of Charlie Brown's Steakhouse, Bugaboo Creek Steak House, The Office Beer Bar & Grill and The Jolly Trolley Bar & Grill.

Borgese spoke with *Chain Leader* about his priorities for Mountainside, N.J.-based CB Holding and its brands.



What have been your priorities at the company?
The first priority was to put in policies and processes that I thought were either absent or not up to date; and to then form a senior team around a single strategy for the brands; and to look forward to what housekeeping needs to be done between now and the remainder of this year, and how is the company poised for 2010 and beyond that.

On the policies and procedures, was there an area that stands out as a real opportunity?
I think when you look at efficiencies, a holding company has to have a very efficient organization to efficiently use the capital that's provided by the restaurants. And so you look across the entire enterprise and say, are we functioning efficiently and expeditiously in each area of service to the restaurants.

For example, refocusing the holding company into being a service organization, renaming it the support center rather than

IN THE WORKS: Borgese will not open new restaurants in the next year, instead determining "what a successful new unit looks like."

the corporate office. Things that start to change the mindset and behavior into much more of a service to the restaurants rather than a corporate office that kind of dictates down. I'm a person who likes to bring things up from the restaurants to the support centers. So I elicit a lot of input from everyone from dish washers up, but mostly from our management team to the restaurant level.

How do you make that shift?

Well, you demonstrate by doing. You demonstrate by taking their ideas and acting on them. It can't just be a great speech or a great presentation or well-meaning words. It has to be delivered upon from Day One every day.

And are you finding that that cultural shift is happening?

Oh, I think so. I think it's actually happened very, very quickly. When you look at heritage brands, usually you have a number of people who have been here for a long time at the restaurant level and within the support center. And they're probably the most difficult people to convince that you are sincere, because they've seen a number of leaders, or a number of different strategies or plans.

VIDEO | TALKBACK | PODCAST

Why Southern California Is a Fast-Food Mecca

Orange County, Calif., is the heart of the country's fast-food culture. Its residents, who have grown up with Carl's Jr., In-N-Out Burger and Del Taco, are choosy about what they eat.

In this chainleader.com video, reporter Nancy Luna, who blogs as Fast Food Maven for the *Orange County Register*, tells us Southern Californians are now increasingly picky about who they do business with, demanding discount coupons and freebies, like the ones produced during the recent grilled-chicken battle between El Pollo Loco and KFC.

Uplifting Service

Sexy servers in mini-kilts rev up sales at sports-themed Tilted Kilt Pub & Eatery.

Good-looking servers in mini-kilts and starched camp shirts account for much of Tilted Kilt's popularity.

A 6,400-square-foot prototype Tilted Kilt rings up about $2.2 million annually, almost half of it from alcoholic beverage sales.

Waitresses who wear skimpy uniforms have earned their employers the moniker "breast-aurants," a term that saddens Tilted Kilt Pub & Eatery CEO Ron Lynch. "That's really kind of upsetting," he laments. "Everyone wants to compare us to Hooters."

Well, no surprise. The 20-unit chain's employees don tight-fitting tops and tartan plaid mini-kilts, revealing cleavage and flat tummies. Like Hooters' orange and white outfits, meant to suggest athleticism, the Tilted Kilt's skimpy costume invokes its faux-Scottish origins.

The first unit opened in Las Vegas, the brainchild of restaurateur Mark DiMartino, who debuted the sports-themed pub in 2003 in the Rio Hotel & Casino. Two years later, Lynch spotted a licensed version in Tempe, Ariz., and he was hooked.

"I was looking for a concept that would kind of separate us," says franchise veteran Lynch, a former Schlotzsky's Deli area developer who was also impressed with the technology. Games are broadcast on 24 wide-screen TVs.

Lynch, DiMartino and two other partners struck a deal; Lynch ended up with a controlling interest in the new company, now headquartered in Tempe.

He is expanding Tilted Kilt with 18 area developers. Lynch expects 20 franchised pubs to open this year, half of them in the Southeast. Franchisees could open more, he maintains, if credit terms weren't so onerous.

MENU IMPROVEMENTS

Meanwhile, Lynch has been upgrading the menu to transcend the typical sports bar. Early this year, for instance, consulting chefs came up with 11 new dishes, including the entrees Sausage Artichoke Fettuccine ($9.99), Gaelic Chicken ($11.99) and Buttermilk Ranch Chicken Salad ($9.99). The check average is $13.30.

"We want to be in the category of a Yard House," he says, referring to the trendy casual-dining chain whose menu boasts Pan-Seared Ahi Tuna and Spicy Thai Chicken Pizza.

Such aspirations give Charlotte, N.C.-based restaurant consultant Fred LeFranc pause. "I think [the Tilted Kilt] can pull off having acceptable food, but to be on the cutting edge is a different issue," says the former casual-dining CEO, who's familiar with the concept. "It will be a challenge to overcome the obvious."

The "obvious," of course, are the servers in sexy duds, who cater to a mostly male clientele (average age: 37.6). Their ability to keep customers happy is the key to Tilted Kilt's $48,000 weekly sales in the one company-owned unit. The franchisor doesn't track weekly sales in the 19 franchised restaurants.

SEX SELLS

"Customers see our girls in sexy little outfits, and they may have a preconceived notion that service might not be good," Lynch explains. "But we far exceed everyone's idea." That's accomplished with a home-grown training program, in which new hires "audition" for their part in a variety of role plays.

The company's franchise disclosure document doesn't include average volume, but Lynch says it's about $2.2 million in a 6,400-square-foot prototype. Cost-to-build now $350,000 to $1.3 million per unit. Lynch says that's because so many restaurants have closed, leaving kitchens and bathrooms intact. ■

SNAPSHOT

Concept
Tilted Kilt Pub & Eatery
Parent Company
Tilted Kilt Franchise Operating LLC, Tempe, Ariz.
2009 Systemwide Sales $65 million (company estimate)
Units 20 (1 company; 19 franchised)
Average Unit Volume
$2.2 million (company estimate)
Average Check $13.30
Expansion Plans
20 in 2009

ON THE WEB: For news for and about growing concepts, visit the Emerging Chains section on www.chainleader.com.

For your next
restaurant promotion,
we'll make sure "out of stock"

IS OUT OF THE QUESTION.

At McLane, we know that inventory shortages or unexpected shutdowns can be your worst nightmare. That's why we created a range of world-class solutions to help keep your restaurants running smoothly. From promotion management and rapid response to inbound freight logistics and technology tools, these solutions help our customers to manage inventory, lower costs and minimize errors.

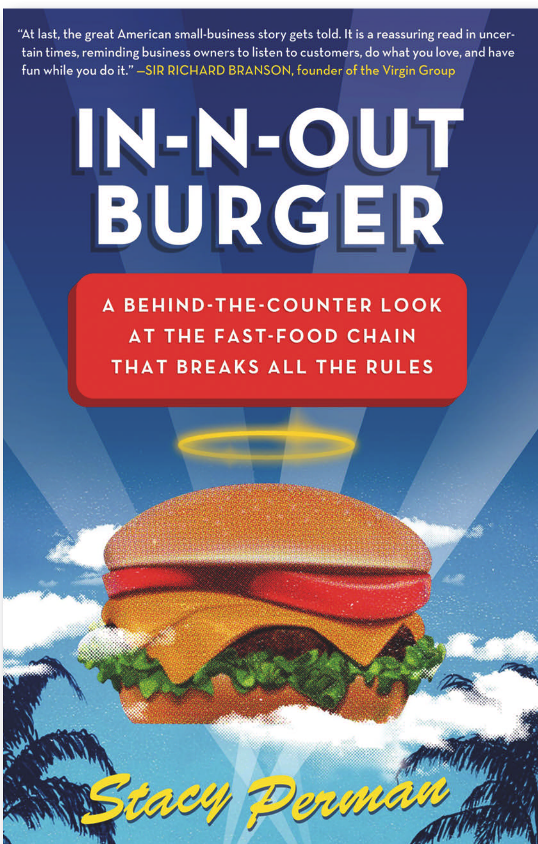
Find out how McLane can be your supply chain advantage at www.mclaneco.com/goto/fs15

McLANE®

Required READING

Restaurant executives recommend books they say will help young chains grow.

When it comes to growth, restaurants need help now more than ever. Maybe that's why operators are keen to share their favorite books and offer reasons why small chains should read them, too.



In-N-Out Burger is proof that a counterintuitive approach to business can turn a chain into a cultural institution.

Vaughan Lazar, president, Pizza Fusion
RECOMMENDS ***Stirring It Up: How to Make Money and Save the World* by Gary Hirshberg**
Hirshberg, the CEO of Stonyfield Farm, wrote a book I personally felt connected to. Being in a socially responsible business and living in whole green world, we believe in same core values. It's an inspiring, feel-good book that shows a values-based business can survive in today's economy.

Charlie Morrison, president and CEO, Pizza Inn
RECOMMENDS ***In-N-Out Burger: A Behind-the-Counter Look at the Fast-Food Chain That Breaks All the Rules* by Stacy Perman**
In-N-Out Burger is a chain everyone wants to be like. It is very straightforward. If someone is trying to build a concept to 100 units, the key, Harry Snyder, the founder, says, is keep it simple. There's good background on how a family business stayed true to their focus. Harry was thrilled to death to open his seventh restaurant. His comment was, "They're all paid for."

Nick Vojnovic, president, Beef 'O' Brady's
RECOMMENDS ***Now, Discover Your Strengths* by Marcus Buckingham and Donald O. Clifton**
This book turns the performance review process on its head. For example, before I read this book I based performance reviews on my perspective. I'd say, "Why aren't you more social? Why don't you do more public speaking?" I learned instead to focus on a person's strengths and then put them where they can play to those strengths.

Phil Friedman, president and CEO, McAlister's Deli
RECOMMENDS ***Corporate Lifecycles: How and Why Corporations Grow and Die and What to Do About It* by Ichak Adizes**
Corporate Lifecycles offers insight into a classic organizational problem: how to recognize and deal with the sequences of a company's growth, no matter where you are in the growth cycle. The book is a great diagnostic exercise for the type of transitions you should be making, whether in a small or large company.

Kerry Kramp, CEO, Sizzler USA
RECOMMENDS ***The Entrepreneur: Twenty-Five Golden Rules for the Global Business Manager* by William Heinecke**
It's a pretty quick read, and it's very good. It's about how the world has changed dramatically. I am rethinking about our business on a more global basis, both because we are an international business and the melting-pot society here in Los Angeles. It is helping me get a better perspective of cultural differences and how they impact on operating a restaurant company.

Ken Cole, CEO, Quaker Steak & Lube
RECOMMENDS ***Good to Great: Why Some Companies Make the Leap...and Others Don't* by Jim Collins**

ON THE WEB: For more growth guidance, visit the Emerging Chains section on www.chainleader.com.

BIG idea Since reading *Topgrading*, Roy's Mark Running has been inspired to hire only A-level people at the small, fine-dining chain.

I'm a big book guy, and this is the best book I've ever read in my career. I reread it once a year. We use it to remind ourselves to always ask, "What can we really be good at?" We are great at wings and cold beer. Those should be the items that drive our economic engine.

Steve Overholt, president, Cheeseburger in Paradise
RECOMMENDS ***It's Not About the Coffee: Lessons on Putting People First from a Life at Starbucks* by Howard Behar and Janet Goldstein**
This is an easy and fast read. I tend to gravitate to books about building culture. It includes 10 leadership principles anyone can embrace. This book could be useful at work, with family and friends. It's one you can pass down throughout your organization.

Mark Running, president, Roy's
RECOMMENDS ***Topgrading: How Leading Companies Win by Hiring, Coaching, and Keeping the Best People* by Bradford D. Smart, Ph.D.**
I've had success with this book because it shows how to surround yourself with the best people. This book walks you through the steps of retaining talent. If you can upgrade your organization with A-level people, everyone's job gets better.

Carl T. Howard, president and CEO, Fazoli's
RECOMMENDS ***The First 90 Days: Critical Success Strategies for New Leaders at All Levels* by Michael Watkins**
I've read a few business books recently, but the one I suggest most often is *The First 90 Days.* Although not particularly motivational, it gives the reader a great road when embarking on a new career or promotion. I recently gave the book to a director who was promoted to vice president and our new vice president of supply chain. ■

HOW TO GROW TO 100 UNITS®

small is the new BIG

Small chains are attracting landlords like never before. But before jumping at the next great site, they might want to **BORROW IDEAS FROM THE BIG BOYS.**

With the economy in tatters, large, highly leveraged chains are in a cash-flow pinch that's putting their ability to service debt in serious doubt. If they can't catch a break by renegotiating rents, closing restaurants may be the only way to avoid bankruptcy.

Their pain could mean a big gain for smaller chains with strong concepts, little or no debt, and an urge to grab market share. "This is the best time for small, regional companies to grow," says restaurant consultant Fred LeFranc, a former CEO of two regional chains. "Landlords who once ignored their phone calls are now begging to have them in their space."

Yet how can small chains ensure they're getting the best deal possible, or at least avoiding money-losing sites, unfavorable leases and high rents? According to consultants and operators, you should adapt the bold tactics large chains employ while sticking to your game plan.

BE AGGRESSIVE

Former Brinker International CFO Jim Parish suggests that operators of local or regional chains think big when they begin their due diligence on a site. "The big difference between, say, a Darden or a Brinker, and the small chain is [the big chains] give landlords a lease form, which makes things much easier," explains the president of consultancy Parish Partners.

Small chains are more likely to get a lease form from the landlord, he adds.

Before negotiations begin, make a list of everything you want: extra signage, a break on common-area maintenance fees, parking spaces, etc. "It'll be helpful if the items don't cost the landlord too much money," Parish says.

If you think you need more ammunition, find out what's included in the lease package of a national chain in the same shopping center. "Spend a half-hour with the GM at the unit. Managers usually see every bill that comes in," says Parish, who also suggests inviting the manager for a meal at one of your restaurants. "Don't forget, this is a very collegial environment. There are lots of reasons to become familiar with each other's restaurant."

NEGOTIATE LIKE A BIG(GER) PLAYER

Make sure you're "equipped" when you enter negotiations with landlords, recommends consultant Rod Guinn, a former Wells Fargo investment banker who specializes in restaurants.

- Have demographic data for existing restau-

(From l.) Fast-growing Smashburger, only 15 units strong, hired a veteran real-estate executive last year to help the chain avoid picking bad sites.

Until recently, six-unit Laughing Planet Café expanded opportunistically. Recalls founder Richard Satnick: "We were looking for neighborhood locations, off the beaten track."

Four-unit Burger Lounge is preparing to expand into franchising, and CEO Dean Loring frets site selection could suffer as a result.

rants in hand. "Tell the landlord, 'Here's where your site matches my best stores, and here's where it doesn't. If I move in, I want consideration for the fact the site is not ideal.' You want to negotiate from a position of strength on that point," Guinn explains.

• Make sure your equity partners or lenders are in agreement with you about opening a new restaurant. "If they are, the operator can tell landlord during negotiations, 'Look, I have capital ready to start spending on this tomorrow,'" he says.

PREPARE FOR SCRUTINY

"Yes, it's a great tenant market, but there's still a lot of scrutiny," warns real-estate consultant Daniel Lacouture, a former director of development for Portland, Ore.-based McCormick and Schmick's and currently president of real-estate consultancy Park Seven.

Landlords won't be the only ones prying into your financials; their lenders are also interested. "In this environment, banks are just as involved," he says. "You've got individuals who don't know a whole lot about brands or restaurants or shopping centers making decisions."

Withstanding inspection is a "fairly simple" procedure, Lacouture maintains. Two items matter most: a proven concept with good store-level economics throughout the existing portfolio and a capital base that demonstrates plenty of liquidity or strong ties to credit financing.

KNOW THY CUSTOMER

"I'm an anthropologist by training," explains Richard Satnick, founder and chief burrito officer of six-unit Laughing Planet Café in Portland, Ore. "My customers are my informants. They tell me what works and what doesn't. We've had this kind of a conversation over years, particularly in [the first unit]. I lived upstairs."

The bike-friendly chain, which features low-fat, healthful dishes, caters to young, environmentally conscious urbanites.

Satnick says landlords are now bringing him "some pretty sweet deals." The most recent he made was in the Jean Vollum Natural Capital Center, known as the Ecotrust building because it's the headquarters of a bank that funds environmental programs. A Laughing Planet opened in the rehabbed warehouse in January.

Because the building also houses other eco-friendly businesses, Satnick figured employees were already his customers. "A lot of these folks were familiar with us, but it's not convenient for them to come [at lunch]," he explains.

Ecotrust workers were not the only draw to the building. It is in the Pearl District,

Avoiding Death by Clause

Declares franchise consultant Ryan Cunningham: "Leases can kill businesses." Need an example? Say the anchor in your shopping center goes dark and you've signed a 10-year lease. "You are stuck," says the former tenant representative for Jones Lang LaSalle and currently president of Javelin Solutions. That is, unless you can get rid of damaging clauses or water them down. Cunningham offers the following examples:

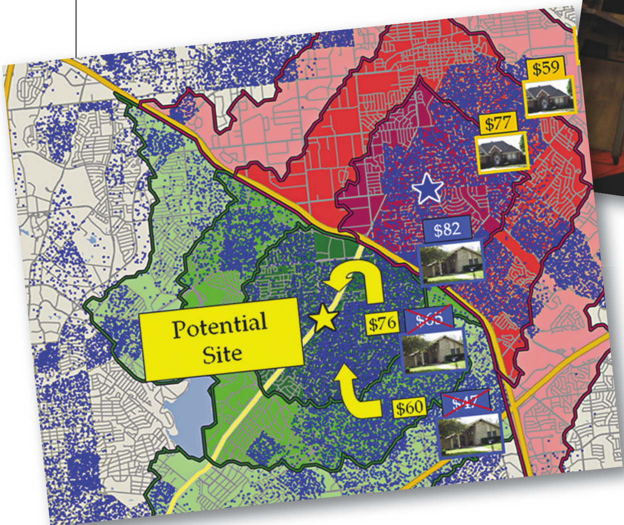
Walk-away clause If the tenant doesn't receive funding, use variance or permit, the lease is null and void.

Performance clause If the tenant doesn't achieve a stated gross revenue by a certain date, the lease can be terminated with minimal penalty (for example, three or six months' rent or unamortized tenant improvement).

Vacancy clause If the property loses an anchor or a tenant, or falls below X-percentage occupancy, the tenant's rent drops by X-percent. If the anchor is not replaced in a fixed period, the tenant can cancel the lease.

Signage Top-of-monument signage is no longer reserved for the tenant who occupies the most space.

Rent vs. tenant improvement tradeoff Landlords short of cash should be willing to disproportionally reduce rent if the tenant is willing to fund a larger amount of tenant improvements.



> "Grow now, because you will never see a better tenant market in the next three to six years."
> ***—real-estate consultant Daniel Lacouture***

Consultant Frank Steed recommends hiring a real-estate firm, which will have site-modeling tools like this map showing the dollar amount households represent to units within a three-minute drive. Image courtesy Buxton.

Despite volatility in the real estate market, most restaurant experts agree small chains with strong concepts and low debt like Laughing Planet Café (r.) should be aggressively looking for sites.

one of the city's most vibrant areas. Adds Satnick: "It's become much more residential with lots of lofts. It's one of the most interesting transformations in Portland."

TRUST YOUR GUT

Dean Loring is discovering his two-year-old concept, Burger Lounge, is generating substantial interest but not many good deals. Despite the "tremendous number" of sites that brokers bring him, the veteran operator gripes that they are the "same old crap they show everyone else."

Sales at the chain's four units, all in San Diego, average $1,400 per square foot, claims Loring, who adds his site-picking skills so far have relied on personal taste. "I hate to de-sophisticate this article, but we pick neighborhoods we'd like to live in," he says.

So far his tastes have run to neighborhoods with household incomes of $65,000-plus. "We like areas that have character and are architecturally interesting," he notes. He's found such sites by approaching foundering businesses and asking to assume their lease, an effective but not scalable tactic, he concedes.

To grow outside of San Diego, Loring has turned to a real-estate broker for data he hopes will keep him from picking a bad site. "I share information and ask his opinion, and he gets demographic information for me," he explains.

Loring is also planning to franchise Burger Lounge, a prospect that worries him. "This is one of the challenges. How well we can continue [site selection] outside of our own base is something we don't have our hands around," he says.

HIRE EXPERTISE

Growing chains can do what 15-unit Smashburger did in November: Hire a veteran real-estate executive to mitigate risk. The fast-casual burger concept and its franchisees expect to open 35 more units in 2009.

"For us, it's very important to go into a great trade area but not pay up for a brand new building and instead go across the street and around the corner," explains CFO Ryan McMonagle.

Enter Vice President of Real Estate Max Sheets, whose resume includes Ted's Montana Grill, Del Frisco's Double Eagle Steak House, Lone Star Steakhouse and Sullivan's Steakhouse. Sheets has helped identify sites in the chain's five markets: Minneapolis, Colorado Springs, Colo., Wichita, Kan., Houston and Denver.

"[Sheets is] as good as they get in understanding growth," McMonagle contends. "We have made an investment."

USE SCIENCE

Former Roma Corp. CEO Frank Steed has lately been fielding phone calls from operators of small chains wanting advice on growing units given the availability of inventory.

"When someone calls me and says, 'I want to franchise my business. How many units can I have?' I tell them I have no clue. Then I ask: 'Who are your customers, how many are out there, and where are they?' That's when you get a long silence at end of line," says the president of the Steed Consultancy.

It's a tall order and likely to cost several thousand dollars to find the answers. But retaining a site-selection firm, argues Steed, can save time and the cost of a bad site. "You are looking at the same data that T.G.I. Friday's is. It puts you on total parity with the big guys," he says. ■

BIG idea Smashburger hired a former Leeann Chin Restaurant president to open its Minneapolis units. The city indexed well for burgers and the executive understood the market.

SNAPSHOT

Concept Punk's Backyard Grill
Location Annapolis, Md.
Ownership PBG Development Company LLC, Washington, D.C.
Designer Kathy Diamond Design Associates, Scottsdale, Ariz.
Opening Day Feb. 1, 2009
Area 3,094 square feet
Seats 88 inside, 40 patio
Check Average $12
Unit Volume $1 million*
Expansion Plans None currently; eventually to the greater Washington, DC area

OUTDOOR FURNITURE AND ACCESSORIES help Punk's Backyard Grill recreate the family cookout—without smoke or mosquitoes.

Stealing HOME

Punk's Backyard Grill looks just like the setting for a cozy, casual family cookout—if the family happened to belong to Martha Stewart.

No slouchy, aluminum-frame lawn chairs or tippy tables here: Patrons enjoy their burgers, potato salad and coleslaw while lounging in wicker-and-chrome chairs or on sleek teak benches. There isn't a polystyrene cooler in sight. Instead, beverages nestle on ice beds in copper washtubs. No Coleman lanterns or citronella candles: Elegant Prairie-style pendant lights hover above tables. Bumpy, buggy grass? Not in Punk's backyard. Smooth pavers and poured concrete cover the floor.

* *Chain Leader* estimate

This idyllic version of the classic cookout comes from the minds of cofounders Jeffrey Sloan, Sheila Laderberg and David McCabe, who met while studying at Cornell University's School of Hotel Administration. The school holds an annual restaurant-concept contest; the three, yearning to relive childhood backyard memories, created Punk's.

"We won in an overwhelming way," says Sloan, now chairman of PGB Development Company LLC, Washington, D.C. "We had investors slipping cards into our pockets."

Punk's the concept was born in 2005; Punk's the restaurant opened in February at the Westfield Annapolis Mall in Annapolis, Md. The design, Sloan says, captures the magic of backyard cookouts without venturing into "cheesy, kitschy" territory. He adds that it also underscores the quality of the concept's menu: from-scratch everything, from burgers to Red Bliss potato salad to barbecue sauce to simple syrup.

NOT YOUR PARENTS' COOKOUT

On the advice of their facilities designer, the founding trio hired Kathy Diamond-Ulepic, principal of Kathy Diamond Design Associates, Scottsdale, Ariz., to design the interior. Their design mandate: Backyardy and outdoorsy, but contemporary and grownup as well.

Diamond-Ulepic produced three preliminary designs. One, which she nicknamed "King of Queens," after the television show, was an eclectic look of gingham, picnic tables and mismatched furniture. Another was an ornate look, featuring wrought iron furniture and a gazebo.

Punk's management chose the design that Diamond-Ulepic dubbed "Smith & Hawken," after the upscale outdoor furniture company.

"It was different than anything we had ever done," says Diamond-Ulepic, pointing to the teak and wicker furniture and use of building materials such as siding and brick. "Everything, minus the flooring, is something you'd use outside," she says.

In addition to the furnishings—all contract and all designed for outdoor use—design details help evoke a house-like feel. Floor-to-ceiling brickwork makes the dining room look as if it's outside. White siding and casement windows, which line the corridor that leads to the restrooms, do the same. A white picket fence set with window boxes separates the ordering queue from the dining room.

1. A large, showy grill lets Punk's customers interact with the grillmaster as they wait for their orders.

2. Punk's unusual shape allowed the creation of expensive but effective floor-to-ceiling windows.

An exterior flower mural, a landlord demand, is unique to the original location.

Photography by Ian Pitts

3. Real potted plants and ficas trees in the dining room bring the outdoors in.

4. "Kathy did a great job of building a house," says Punk's cofounder Jeffrey Sloan, referring to the white picket fence, brickwork and other residential touches.

(Far r.) To avoid congestion, future Punk's will have more room and display space at the ordering counter.

5. All the interior elements at Punk's were designed for outdoor use.

6. An open ceiling painted sky-blue evokes the great outdoors—but makes for a noisy restaurant during rush periods.

Punk's glass-enclosed, stainless-steel grill provides the focal point for the restaurant.

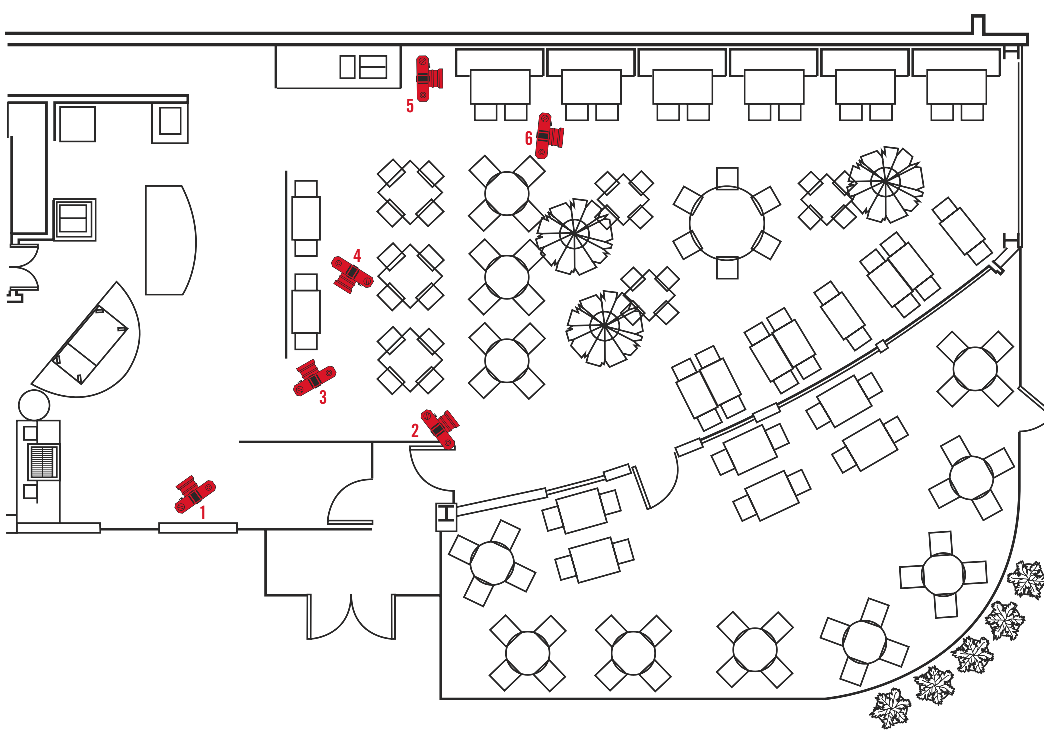
GROWING PAINS

Punk's opened in February, and so far business has been slower than expected, due to the economy and a rough winter, Sloan says. However, "each month is better than the next," he adds.

The restaurant is drawing affluent and sophisticated families, singles and older couples from the Annapolis area. "We think this is a perfect market for this concept," he says. The business model, he adds, predicts unit volume between $1.5 million and $2.5 million.

Sloan wants Punk's to be open a full year before deciding on expansion plans. "Our No. 1 focus now is nailing down operations and the customer experience," he says.

In the meantime, the design needs some fine-tuning. Because of all the hard surfaces, Punk's is loud. "Customers complain about the noise,"



KEY
Direction of shot
1 — Shot No.
Position of camera

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

Sloan says. Ceiling baffles or under-table dampers will help cut noise.

The area around the POS systems also needs modification. Too little space and a dearth of display room for desserts, beverages and other add-ons make it tough for customers to made decisions, Sloan says. "We need more time and space to convey to them what we're doing, what we're offering," he says.

Sloan will not disclose buildout costs but says the building cost more than expected due in part to the space's unusual half-circle shape. Contractors had to break through a concrete wall to install the walk-in cooler, and oddly spaced beams made window construction more expensive. Sloan says those costs will disappear when Punk's is built in a more regular space.

Some design features will be toned down to save money. The floor-to-ceiling brickwork is one example: It adds a residential feeling, "but I don't think we need 30 feet of brick," Sloan says. Future versions will feature eight to 10 feet of brick, topped by painted drywall.

In addition, future Punk's restaurants most likely will not have costly 3-inch-thick redwood veneer in the vestibule. "We could probably live with less-thick redwood," Sloan says.

And the Martha Stewart-worthy furniture? It's expensive, but it's not going anywhere. "We get a lot of compliments on it," Sloan says. ■

Future Punk's will feature residential details such as brick and redwood, but in smaller doses.

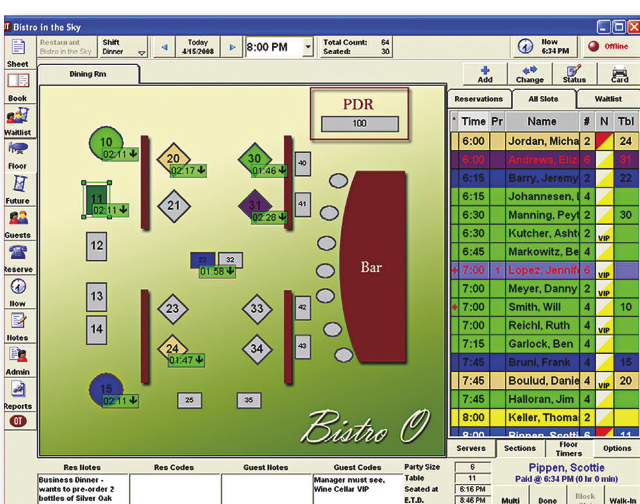
Morton's online reservation system lets guests reserve 24-7, and indeed, some do during the wee hours.

Younger patrons are more likely to use Cameron Mitchell Restaurants' online reservation system.

OpenTable, the online reservation system, rolled out new software in May that provides restaurants more real-time reports and stocks more guest information.

Personal APPEAL

Chains adopt **HOTEL-LIKE TECHNOLOGY** that streamlines operations without sacrificing service.



It's possible to navigate an entire hotel stay without a single involved interaction with an employee. Online reservations, check-in kiosks and automatic checkout systems make such a stay possible, as do television-powered requests for room service and amenities.

Is this the future for chain restaurants? Perhaps.

Restaurants already are experimenting with some hotel-like technology: In November, Ann Arbor, Mich.-based Domino's Pizza began offering TiVo's broadband customers TV-screen ordering. The order is routed to a nearby Domino's of the customer's choosing, and orders (not to exceed $100) are promised within a half-hour. Rather than pay ahead via credit card, custom-

ers pay cash for their pizza. Domino's did not respond to requests for more information.

Denver-based Einstein Noah Restaurant Group is testing a self-ordering kiosk at a single college campus location, says Paul Carolan, senior vice president of franchising and licensing. (He would not disclose the college's name or location.)

He predicts that preorder kiosks could work well at campus locations, where multiple foodservice operations share a central register system and where speed of service is crucial. But Carolan doesn't think self-ordering makes sense for the bagel chain's street locations.

"Our stores are 2,500 square feet, so by the time you get the kiosk in, you're 2 feet from the register," Carolan points out. Plus, "our hospitality is pretty important to us," he adds. "There is a downside if we go completely to no interface."

SLOW GOING

Indeed, restaurant chains that have adopted customer-facing technology are finding that it's slow to catch on.

For example, Morton's The Steakhouse uses OpenTable.com for online reservations. Still, most patrons prefer to phone in reservations, says Patty Pleuss, vice president of marketing and sales for the 81-unit, Chicago-based chain. "There are guests who still want that personal interaction," she says.

Morton's enters all guest information, no matter how they reserve, into OpenTable's guest database, its main benefit to the chain. The database captures and stores guest information. In May, the San Francisco-based software com-

Speed Plus Service

Einstein Noah Restaurant Group is introducing technology that saves customers time and stress without sacrificing service.

During lunch rushes, the restaurants send employees to the back half of the queue with a "line buster," a remote, hand-held ordering device. The device, which runs off the restaurant's WiFi system, routes orders directly to the kitchen; orders are ready by the time patrons reach the cashier. An order-first, pay-last approach gives customers a final chance to add on a drink or dessert.

Einstein's "line buster" remote order-taking device speeds service without sacrificing customer-staff interaction.

The line busters speed service and take pressure off of customers, who might feel harried with a dozen or so other customers waiting behind them, says Paul Carolan, senior vice president of franchising and licensing for the bagel chain, composed of 80 Noah's and 330 Einstein Bros. locations.

"There's a little bit of order pressure," Carolan says. "We felt if we can get into the line, we can help customers make the right decisions." The system, he adds, is a good alternative to having three order stations, which might be at full use only a couple of days a week.

The main benefits to the line busters are speed of service, order accuracy and customer retention: Those last in line don't get frustrated and leave, Carolan says. "It says to the customer, 'You're important to us,' and they really appreciate that." The only drawback? "The battery runs out," Carolan jokes.

The devices can be tricky technologically—they have to be set at the right bandwidth and not on the same channel as customer-used WiFi. Carolan says the overall investment is "minimal" compared to a full-blown POS station. "You don't have to do an ROI to figure it out," he says.

TECHNOLOGY

Morton's customers can reserve online; most, however, prefer to call the restaurant.

pany announced an upgrade that will include more real-time reports and a greater depth of customer information.

BETTER SERVICE

A minority of Cameron Mitchell Restaurants' customers reserve tables using OpenTable.com. Reservations for the chain's nine full-service restaurants are available online two ways: via cameronmitchell.com, which links them to the OpenTable site, or directly from OpenTable.com.

About 30 percent of reservations come from OpenTable's Web site, and 50 percent come from Cameron Mitchell's, says Bret Danner, operating partner at the Columbus, Ohio-based company. The online crowd is different: younger (50 or under) and less likely to no-show than patrons who reserve via a phone call to the restaurant, Danner says.

Its relative underusage is OK, because the system's real benefit is the guest database, Danner says.

"I see it more as a system to capture information to give better service," he says. "I know you have an allergy before you come in. I can hand you a gluten-free menu before you

Steal These ideas

Restaurants can adopt lots of hotel technology without sacrificing hospitality, says Robert Grimes, chairman of Accuvia Consulting, a Potomac, Md.-based hospitality and retail technology-consulting firm. Here are the technologies Grimes considers worth stealing from hotels:

•**Tableside touch screens.** "They can serve all kinds of informational purposes, not just ordering and printing out your check," Grimes says. Nutritional information and comment cards are two examples. "The ROI might come from better communication," Grimes says.

•**On-demand movies.** "If a restaurant wants you to stay awhile, they should let you download a movie," Grimes says.

•**Room inspection services.** Hotel floor managers use hand-held devices to inspect room cleanliness and grade maids. Restaurant mystery shoppers could also use hand-held devices, Grimes suggests.

•**Electronic device hubs.** Hotel rooms have hubs where patrons can recharge cell phones, MP3 players and other personal devices. "That hub technology will end up in restaurants," Grimes predicts.

Hungry Howie's online ordering system lets patrons customize pizza and order a week in advance.

Some Hungry Howie's franchisees balk at the cost and technological aspects of adding online ordering.

ask for it." About 25 percent of the company's customers make a specific request on the reservation form, Danner says.

FRANCHISEE BUY-IN

Online ordering has been slow to catch on at Hungry Howie's Pizza, a Madison Heights, Mich.-based chain of 575 pizza parlors. The chain began offering online ordering a year ago via two third-party providers: Onosys and Hunger Rush.

Even though Hungry Howie's markets the service aggressively with store banners, window clings, coupons, receipt tags and fliers affixed to pizza boxes, online orders account for only 6 percent to 7 percent of total orders.

The reason? Only 40 percent of franchisees offer online ordering, and the chain cannot effectively market online ordering until all locations are on board, says Al Newman, director of training.

Newman thinks he understands the reluctance of the other 60 percent. Franchisees are responsible for arranging setup, and fees run \$50 to \$60 a month. Online ordering is also complicated if the restaurant doesn't have Hungry Howie's current POS system.

Hungry Howie's frustration lies in communicating the advantages to franchisees: 20 percent higher average tickets with online orders, higher order accuracy and labor savings. "The order just appears," Newman says. "I didn't have to pay an employee to take the order."

Despite the slow start, he is hopeful. The number of online orders is "ever increasing," Newman says. "100 percent would be the perfect world." ■

on the web: Franchisors explain how to get franchisees enthused about new efforts. Visit ***www.chainleader.com.***

BEYOND Back-of-

As the bipartisan Food Safety Enhancement Act of 2009 works its way through Congress, we look at lessons **OUTSIDE OUR USUAL SOURCES.**

GOVERNMENT

Food Safety Transparency, Dot Gov

The White House Food Safety Working Group has launched a Web site, www.foodsafety-workinggroup.com, to inform Americans of its progress, as well as serve as a warehouse for consumer food-safety information and guidelines.

According to Tom Vilsack, secretary of agriculture and co-leader of the group: "The Working Group will be an important tool for gathering ideas as to how we can strengthen the food-safety system to be more accountable and accessible to the public it protects, flexible enough to quickly resolve new safety challenges that emerge, and able to meet the robust needs of our rapidly changing world."

CATERING

Good Practices to Go

Catering operations can clearly mean big bucks for restaurants, but off-site events also pose some unique food-safety challenges. Transporting all manner of cold and hot items from the kitchen to the venue requires careful planning, timing and handling: Making sure that food arrives at the proper temperature is one thing; seeing that it stays outside the danger zone of 40F to 140F throughout service is another.

Berwyn, Ill.-based Buona Restaurants, with 11 locations in the Chicago suburbs, offers catering service for personal and private events of anywhere from 10 to 100-plus guests. Executive Chef Tony Scheri says that restaurant operators' first step in managing food safety within a catering business should be to realistically evaluate the type of events and menus they can and can't handle.

"We take our delivery and preparation procedures into consideration for every menu item we look to add," he says.

Buona relies on refrigerated trucks and vans to help keep salads and partially cooked items cool. "We use insulated bags for certain hot-menu items, which allows us to begin the cooking process in our commissary and complete it on site," Scheri says.

Staff training is crucial, too. In a casual, party atmosphere, and especially at outdoor events, it can be easy for workers to become lax about keeping hands, utensils and serving surfaces clean. Emphasizing that the event site needs to be treated as a kitchen with respect to food-safety management can help servers avoid cross-contamination. It can also be helpful to assign one employee the tasks of monitoring food temperatures frequently and keeping items covered.

By Christine LaFave, associate editor of Chain Leader *sister publication* Restaurants & Institutions

the-House

HOTELS

Dolce Hotels and Resorts Tackles H1N1 Flu Risk

Montvale, N.J.-based Dolce Hotels and Resorts, which operates 24 upscale hotels, resorts and conference centers, underwent a three-phase program to help protect its guests and employees from the H1N1 flu virus.

1. The company conducted refresher training for each of its 4,000-plus employees in sanitation, hygiene and food safety. Managers reminded staff members to monitor their personal health and seek medical attention if they have any flu symptoms.

2. Guest-room telephones, keyboards, remote controls, AV equipment, appliance handles, door knobs, light switches and other surfaces that are touched frequently were sanitized.

3. Dolce properties distributed personal-size bottles of hand-sanitizer lotion at check-in with a card detailing the initiatives and reassuring guests. Hand sanitizer was also available in conference areas and meeting rooms.

SUPERMARKETS

Consumers Trust Grocery Store Food, but Percentage Is Slipping

Although the majority of Americans feel that foods in supermarkets are safe, the percentage who feel this way has decreased over the last five years, according to market research firm The NPD Group. Its *NPD Food Safety Monitor* indicates that in 2007 and 2008, 63 percent agreed with the statement that foods sold in supermarkets are safe, vs. 68 percent who agreed with the statement in 2004.

According to NPD, the percentage of consumers who feel that foods served at restaurants are safe has remained, on average, between 48 and 49 percent since 2004. ■

Percent of individuals who agree or disagree with the statement: **"Overall, I feel that foods sold in supermarkets are safe."**

	2004	2005	2006	2007	2008
Agree	68	67	66	63	63
Neither agree nor disagree	29	31	32	34	34
Disagree	2	3	3	3	3

Percent of individuals who agree or disagree with the statement: **"Overall, I feel that foods served in restaurants are safe to eat."**

	2004	2005	2006	2007	2008
Agree	49	48	49	49	48
Neither agree nor disagree	46	47	46	47	48
Disagree	4	5	5	5	5

Source: The NPD Group/Food Safety Monitor

Convenience Stores' BEVERAGE EDGE

Take a cue from c-stores that **CATER TO GUEST DESIRES** for custom self-serve drinks, value and private-label options.

America's cusp-of-recovery status puts convenience-store beverage marketers in an interesting place, juggling value with the need for quality and new news.

"The market has shifted in the beverage category more in the last two years than in 20," says Paul Pierce, senior director of merchandising for Dallas-based 7-Eleven, which operates 36,100 stores worldwide. "The desire for customizability with drinks is still huge. But [guest

On the Cover: Pro on Protein

Though he's only 29, Matt Matros has been about healthful food and drink for some time now. As a brand manager for a consumer-goods manufacturer, he managed health-skewed product lines. At the same time, Matros' personal fitness quest resulted in his 60-pound weight loss with the help of a largely beverage-centered high-protein diet. Putting personal and professional moxie together, Matros just opened his first unit of Protein Bar, a quick-service concept in downtown Chicago.

Patterned to look like a stylish hotel bar with bright orange accents, cool-glowing self-serve bottled-beverage displays and counter service for food and drink, Protein Bar is open 7 a.m. to 7 p.m.

The menu includes breakfast bowls, soups, wraps, salads and other high-protein items. "But the main focus is meal-replacement shakes," Matros says.

Nine signature high-

Photo by Peter Thompson Getty Images

7-Eleven plans sassy ads that skew to the younger, female audience it expects will be the main buyers of its new iced coffee beverages.

Beverage customizability is a huge perceived benefit at convenience stores like QuikTrip. Guests like to mix ingredients from carbonated-frozen-beverage, fountain and coffee-island machines.

7-Eleven continues to evolve its Slurpee beverages and is testing a line of "real fruit" smoothies.

desire for] value hurt energy drinks somewhat, and has sent some guests back to basic fountain drinks. Guests are also interested in new private-label bottled drinks that cost 10 to 20 percent less than branded items."

At the same time they want value, customers are not willing to sacrifice quality. "Places like Starbucks really upped the ante on what guests expect from their beverage experience," says Pierce.

PRIVATE-LABEL BLITZ

Delivering on guest desires, c-store leaders are enhancing their private-label offerings. 7-Eleven launched its own Seven Select brand water and snack products in 2008. "The Seven Select products are just flying off he shelves," says Pierce. The chain expanded the line this year to include fruit and vegetable juice drinks and sees a lot of potential for enhanced waters, sodas and isotonic beverages.

Tulsa, Okla.-based QuikTrip, which operates 525 stores in nine states, has done well with its private-label energy drinks, available from the fountains and in bottles. "Energy drinks are still our hottest beverage category," says Mike Thornbrugh, manager of public and government relations. "Sales

protein drinks include the best-selling Michigan Ave-alanche, with vanilla protein, choice of milk, choice of yogurt, banana, granola and almonds. And the Wrigley Peeled has chocolate protein, choice of milk, all-natural peanut butter and banana. Each is priced at $5.15. Guests can choose between whey, egg or soy protein, can customize drinks with mix-ins or natural sweeteners such as honey or agave nectar, or go for the Build a Drink, completely custom option.

Until now, meal-replacement shakes have been limited largely to cafes at fitness venues. Matros says his ingredient mix is a point of difference from competitors. Unlike other smoothie or juice bars, juice is not used. Instead, shakes are made with all-natural proteins, milks and fruits.

"Smoothie bars largely rely on high-refined-sugar-content concentrates to make their drinks, which are loaded with empty calories and carbs." he says. "Our shakes are made with fresh fruit that we freeze. No sugar." Matros adds that other venues that serve protein shakes limit the portion to 6 or 7 grams of protein per drink. Protein Bar shakes have a minimum of 22 grams of protein per serving, which Matros says promotes a feeling of fullness for a longer period.

Matros is banking on the loyalty of clientele who want low-fat, high-protein meals several times a day. "Customizing what we have to meet the needs of the guest and to cultivate regulars—that's important," Matros says. "Today I had someone interested in coconut water and hemp protein. So I'll be testing those."

Matros plans to expand the concept in Chicago and, if it succeeds, take it elsewhere.

Meal-replacement shakes are the mainstay at Protein Bar, a stylish new quick-service concept in Chicago from former packaged-food industry manager Matt Matros.

What's Fresh Is Frozen

Although restaurant chains are not yet attempting self-serve carbonated frozen beverages a la convenience store, frozen drinks are still universally popular. Among the more recent introductions:

Dublin, Ohio-based **Wendy's** is stoked about its two coffee-flavored Frosties: the Frostycino and the Coffee Toffee Twisted Frosty. Added to core menus in May at Wendy's 6,600 units, the Frostycino is Wendy's newest shake flavor. Thinner than original Frosty formulations, Frosty shakes can be sipped through a straw. The thicker Coffee Toffee treat is Wendy's newest add-on to its Twisted line of mix-in Frosty desserts, says spokesman Denny Lynch.

Miami, Fla.-based **Lime Fresh Mexican Grill** has had great success with an expanded line of frozen alcoholic beverages made with agave-wine-based mix. "This new product tastes like it's got tequila, but agave wine is not a full-fledged spirit," says John Kunkel, founder and CEO of the six-unit chain.

Lime Fresh installed frozen-drink machines in each unit in April, dispensing frozen Cosmopolitans, Lime Island Iced Tea and Lime Margaritas. "Normally alcoholic beverages are 10 to 15 percent of gross sales," Kunkel says. "But doing year-over-year comparison, we've been 2 percent better than that since we added the machines."

The Tangerine Cream Smoothie, a blend of vanilla cream with tangerine and mandarin-orange fruit concentrates, is Miami-based **Pollo Tropical's** newest addition to its Tropichiller line of frozen beverage treats. The limited-time offer sells for $2.99 and will be available through the summer. The 91-unit chain created the Tropichiller in 1996 as an iced treat and added cream-smoothie variations in 2007. Mango is the most popular flavor.

have been consistently strong, steady and solid."

Private label has long been a focus at Wawa, Pa.-based Wawa, which operates 570 stores in five states. "Our heritage is with dairy, which we've done since 1902, but in recent years, Wawa juices and teas have become very popular with our guests," says Lori Bruce, public relations director. Wawa's private-label beverage line includes enhanced waters, iced teas, enhanced teas, fruit drinks, juices, energy drinks, sodas and cappuccinos.

HOT ON COLD

For some convenience-store operators, McDonald's specialty coffee has dampened sales of hot coffee drinks. QuikTrip has felt the pinch, as has Beaverton, Ore.-based Plaid Pantry. "McDonald's has made a hell of a charge," says Butch Fulton, Plaid Pantry merchandising manager. But the regional chain's tea business is up 50 percent over last year. "Tea is our fastest growing segment," Fulton says.

7-Eleven sees potential for iced coffee. The chain's new iced-coffee program launches next month, featuring two flavors: mocha and French vanilla. Because 7-Eleven thinks the iced-coffee drinks will trend younger and female, the supporting advertising campaign will be "very sassy," says Pierce.

And building on the strength of its Slurpee carbonated frozen beverages, which Pierce says really took off this year, 7-Eleven is also in test with a new machine that will dispense "real fruit" smoothies. While the test is new and limited to 100 stores, sales of the fruit smoothies are exceeding expectations. "We think many of our guests will look to the real-fruit smoothies as a way to graduate from Slurpees to frozen, noncarbonated drinks," Pierce says.

Altoona, Pa.-based Sheetz also added new

BIG idea Culver's has been testing a branded energy drink for six months in 25 units. "It's selling 50 percent more than the beverage it replaced," says Jim Doak, director of research and menu development and executive chef.

options to the frozen-specialty lineup at its 350-plus stores. Froozies, veggie-fruit smoothies, are now available in Grape Escape, Tangerine Tango and Apricot Infusion flavors. And Nutrition Shakes, positioned as meal replacements, are now offered in fruit, java and mocha flavors.

CUSTOM AND QUICK

Beyond product discussions, convenience stores say customizable speed of service is a huge beverage decision driver. "We ask our guests about the drive-thru option, and they don't want it," says Pierce. "They want to handle the product and want control. They tell us that drive-thru doesn't seem as fast to them as the ability to just walk in and make the drink they want without dealing with a server."

"Mix and match is huge," says Thornbrugh. "We encourage it." QuikTrip's Web site gives recipes that pull ingredients from all over the self-service beverage station. Mix-it-Up Drink Recipes include the Chocolate Covered Cherry, combining a Black Cherry Smoothie from the freezer with four shots of chocolate and four shots of vanilla syrup from the Flavor Center machine in the coffee bar.

But what about those who abuse the system? "We don't get bent out of shape about how or what they mix," Thornbrugh says. "Everybody's got their own way of wanting to mix things up, and in our mind, it's more important to encourage that than to police it." ■

by margaret littman

OUTSIDE Looking In

Restaurant marketers can take tips from the methods other industries use to **ATTRACT AND RETAIN CUSTOMERS.**

When folks with Bluetooth-enabled telephones stroll New York's Coney Island boardwalk, they have the option of getting more than just a hands-free phone call. Signage in parades, at concerts and on the T-shirts of roaming staffers entice people with promotional offers if they agree to receive an ad on the portable device in their hands.

When they opt in, they get a full-fledged ad, not just a text message, through the Proximity Mobile Marketing network with a coupon or other offer from a business on or near the boardwalk.

"Consumers like to get media on their phones and show it to others," says Alex Teplish, president of Proximity Blue, a mobile technology marketing firm. "This is not like a traditional coupon that gets lost. Once it is on your phone, you have it, and it does not take up [physical] space."

Proximity Blue has worked with FX Networks to promote its *Nip/Tuck* TV series as well as businesses in other industries, and Teplish sees many ways chain restaurants can use the technology to increase both initial customer counts and ongoing dining frequency.

During the recent economic downtown some industries have been doing worse (like banking) than others (wanna go to the movies?). Regardless of where on the spectrum the restaurant industry sits, companies like Proximity Blue show that chains can learn from the ways other industries market their products. Whether it is fashion, pet retailing or hotels, much of what is being done to build ongoing loyalty is the type that will last, which is useful in any economy.

ATTRACT, SELL, REPEAT

"The mistake a lot of restaurants make is that they seem to feel, 'Once we have them in the door, we do not have to market to them anymore,'" Teplish says.

Vanessa Horwell, chief visibility officer at ThinkInk, a Miami marketing and public relations firm, agrees. "You do not want to focus all your spending on people who will never come in the door. The idea is not to focus only on finding new customers, but keeping those who are already in your restaurant. Do more than present the bill, swipe the card and say 'good-bye.'"

BIG idea Many restaurants have hostesses call customers to confirm reservations. But, "When do they ever call to say, 'Hi, we've missed you?'" asks marketing guru Vanessa Horwell.

Horwell believes the restaurant industry has been too focused on price. She cites car-maker Acura, which created a network on the social-networking site Facebook for its TSX Connect. The effort helped build the TSX's image and identity, and prospective customers got to interact with those who shared common interests. In a year where car companies are struggling, Acura created buzz without emphasizing low prices.

"I do not think it always needs to be about discounts," Horwell says. "You do not want to give away your margin because once you get to a certain price point, it is hard to go back up."

MONEY IS NOT THE OBJECT

Horwell suggests restaurants think about ways to reward customers with something special that does not already have a specific price attached to it. One example would be an exclusive specialty cocktail, without a regular price tag. "That would incentivize people to come in without discounting the menu or brand value," she adds. An e-mail or text message to customers when a limited-time menu item is about to be removed from the menu would be another possibility, she suggests.

Steve Pike, chief of Orlando, Fla.-based Pike Marketing, worked for Holiday Inn, one of the pioneers of loyalty-club marketing. He agrees that restaurants don't make their rewards as enticing as other industries do. Instead of simply offering the tenth sandwich free after the purchase of nine, Pike suggests restaurant marketers think more broadly. A seafood chain, for example, could partner with an outdoor equipment supplier to offer fishing gear as a reward for repeat business.

Vicki Lynne Morgan, president of New Jersey-based Russmor Marketing Group, says the pet retailing industry has been particularly savvy at this kind of marketing with complementary businesses, such as pet food companies teaming up with a dog toy manufacturer.

THE INTERACTIVE EYE

Many savvy companies are using technology as a tool to help them identify prospective customers and give them what they want. For these firms, Twitter, Facebook and mobile technologies are not the "it" strategies, but merely tools that allow companies to implement new tactics.

What consumers were doing five years ago on their computers they now do on the smart phones, Horwell says. In another five years, it will be another device, which is why marketing must be based in strategy, not media.

In addition to mobile devices, another of-the-moment medium is the electronic billboard. Casinos and amusement parks have used electronic billboards to help alert customers to long lines at specific attractions, says Andrea Waldin, vice president of marketing of Scala, which makes software for interactive digital signage.

A SMARTER MENU BOARD

Waldin says chains can use the technology in industry-specific ways. The software can be programmed to make menu recommendations based on kitchen inventory. If a location is about to run out of french fries, for example, the digital signage can start promoting tater tots.

Chattanooga, Tenn.-based quick-service chain Krystal uses digital signage to maintain the '50s style for which the brand is known, as well as market specific menu items to specific customers, Waldin says. Late night customers, for example, might see pictures of snack items, while lunch customers would get offers on combo meals.

Waldin believes the technology will only become more sophisticated. Customers may be able to give a billboard demographic details or a wish list, and in return get targeted marketing messages. She adds: "I think you are going to see a lot more interactivity in ads." ■

This isn't "Mission Impossible" anymore: Mobile technologies, like the Bluetooth-powered Proximity Blue, can send consumers promotional messages right where they're most likely to use them, such as the food court of a shopping mall right before lunch.

Quick-service burger chain Krystal uses digital signage to tailor its menu messages.

by david farkas

Looking Within

Slumping sales force human-resources execs to **FOCUS ON THEIR OWN PROBLEMS** despite good ideas from outside the industry.

Here's a big idea from outside the restaurant industry: Pay new hires $2,000 after four weeks of training to go away. That's right, out you go. Zappos.com does, without hesitation.

"And we wish them well," declares Director of Human Resources Rebecca Ratner, adding it's the Las Vegas-based online retailer's way of making sure only truly motivated people stick around. (By the way, if you take the dough, you can't apply to Zappos.com again.)

Here's another idea. Absorb the cost of medical insurance for every full-time employee. Zappos.com does. "The company pays 100 percent of co-pays and deductibles," Ratner says. Turnover is very low.

Today, such ideas are patently foreign to restaurant chains. They've been busy trimming the cost of benefits, reducing contributions and removing perks as sales tumble. Who could possibly afford to give someone two grand *not* to work, particularly with so many job seekers? And given thin margins and skyrocketing medical costs, how could any restaurant company give away health insurance?

Ruby Tuesday (below) now bases employees' 401(k) matching funds on comp sales. Morton's rarely relocates managers and won't cover dry-cleaning bills.

FEWER FUTURE WORKERS

Restaurants nonetheless must find ways to attract talent, particularly entry-level managers, if they hope to fully staff their restaurants when the recession ends, argues Joni Doolin, founder and CEO of People Report, a Dallas-based workforce consultancy. She warns that the pool of workers under 25 years old—nearly half of all foodservice employees—is shrinking.

"Sixty-seven percent of this age group was in work force in the '90s. That figure has now dropped to 57 percent," says Doolin, who recommends customizing benefits packages as one way of attracting employees.

Customizing benefits isn't exactly a new concept. Kate Shehan, vice president of human resources for Chicago-based Morton's The Steakhouse and president-elect of the Council of Hotel and Restaurant Trainers, recalls that customized benefits at the 84-unit chain once determined whether a candidate accepted an offer. "There was competition for additional perks like dry cleaning. People didn't hesitate to ask for something as simple as that," she says.

Today, few job applicants demand companies pay for removing grease stains. In fact, Shehan has discovered that benefits, wages and perks are of relatively small concern these days. "It's really a different market right now," she says. "People are grateful to have the basics."

When Shehan looks ahead at how benefits might change post-recession, present difficulties impinge on the future. "One thing is the whole financial-planning piece," she says. "People have been hit so hard. They have been laid off and unemployed for a long time or lost money in 401(k). An added benefit is financial advice. That is something we're considering."

Loan Retainers

Here's a way to make sure employees don't leave you: Make like a payday lender.

Steve Jackson is thinking about introducing a micro-loan program at the Bailey Co. The 40-year-old Golden, Colo., business, which franchises 58 Arby's restaurants, has a history of showing concern for employees. There's an annual scholarship fund for employees and their dependents, meal discounts and paid time off. Both hourlies and managers qualify.

Yet Jackson, a district leader, believes there's a need to offer workers \$200 to \$500 loan. He got the idea from reading Steve Bigari's book, *The Box You Got*.

A former McDonald's franchisee in Colorado Springs, Bigari came up with the McFamily Benefits package, an innovative offering that gave employees access to transportation, child care, health care and other benefits.

Bigari now runs America's Family, an employee-benefits consultancy, and owns several family entertainment venues in Colorado.

Jackson doesn't want employees, especially hourlies, borrowing money from payday lenders, whose annual percentage rates on small loans can run from 390 percent to 780 percent. He estimates company interest rates will be considerably lower, from 10 to 20 percent.

The company will automatically deduct payments from borrowers' paychecks. Fees from interest rates will help fund other employee programs, Jackson says.

Jackson isn't sure whether the company will administer a loan program internally or externally. Because no one at the Bailey Co. has ever managed one, he may end up partnering with America's Family.

"If someone had to use it a time or two, it would be a large benefit, a much better one than getting raked over the coals by these payday lenders," Jackson declares.

BACK TO BASICS

Yet even the basics are getting more basic. Beleaguered Ruby Tuesday, which plans to close 70 company restaurants this year and next, recently began basing 401(k) matching funds on quarterly same-store-sales performance instead of time in grade, according to Vice President of Human Resources Belinda Kitts.

She maintains that matching funds will reach from 30 percent to 75 percent of an employee's contribution. That's roughly 35 percent more than the previous automatic contribution. Unfortunately, officials predict same-store sales will dip by 8 percent to 9 percent in the current fiscal year, which ends in June.

When Kitts imagines future benefits packages, she doesn't see them getting larger at the 902-unit company headquartered in Maryville, Tenn. "As we move forward, what we've learned from this recession is that we have to be careful of what we offer because it is painful to take things ways. Once we come through this recession, companies will be more hesitant to give as much as quickly," she adds.

Among the belt-tightening lessons Morton's

Zappos.com weeds out less-than-passionate trainees by offering them $2,000 to leave the company.

Casual, relaxed and playful, employees at Zappos.com are encouraged to be "a little weird" at work, after being offered $2,000 to take a hike.

has learned: Don't be too hasty to hire someone who has to relocate. "We have not eliminated relocation expenses, but do we really need to hire someone in California who needs to move to Boston? Recruitment is much quieter now."

Maybe too quiet, argues recruiter Amanda Hite, founder and CEO of Talent Revolution. She recently posted a video on YouTube in which she claims she receives "hundreds of e-mails" from job seekers saying chains are blowing them off after one interview. Bad idea.

Hite maintains these people are now likely to "opt out of our industry" at a time when restaurants should be creating relationships. She suggests chains should stay in touch by inviting promising applicants and their families to their restaurants. "Let them know you're not hiring, but 'We still want to get to know you,'" she offers.

BIG idea Potential hires at Zappos.com meet one-on-one with an interviewer in a "culture fit" session that lasts an hour-and-a-half.

SOCIAL-MEDIA RECRUITS

Hite also suggests chains with hiring freezes remain in touch by taking a page from giant accounting firm Ernst & Young—a Facebook page. "They've got 30,000 fans on their page," she marvels. "They are engaging conversation and giving [fans] job resources and tips. They are a great example."

"Ernst & Young Careers" serves as a good model for how to connect to potential employees without having to interview them. Career counselors, respond to all job-related posts, like one from Rafique, in Edmonton, Canada, who wondered if a recruiter was nearby. The counselor's response: "Hi Rafique, I look after Edmonton recruiting and am located in the Calgary office. Please feel free to Facebook me and let me know how I can help. I can let you know the key dates of events later this summer."

Zappos.com's Facebook fan page has merely 789 fans. Ratner explains this is because the page is under marketing's control, though she's hopeful human resources can help grow the number. Social media, particularly Twitter, nonetheless plays a significant role in recruiting.

People who tweet are more likely than not a good fit into Zappos.com's corporate culture, she says. How does the company know this? "We measure and keep track of the results," Ratner says. Much of the information about a person's social media habits is revealed in a one-on-one interview lasting an hour-and-a-half. Every job candidate must submit to it. "There are specific questions we ask," she says.

Ratner is quick to point out that the 10-year-old company also recruits via the usual online job-posting boards. Employee participation on MySpace, Twitter, Facebook and LinkedIn, on the other hand, helps show that its work force is well-connected (400 on Twitter alone), a plus for a company that hires young, tech-savvy workers.

WORKING OUT THE BUGS

By any social media measure, however, Ruby Tuesday and Morton's remain old school. True, both chains have Web sites that detail career and benefits information. Morton's features a polished recruitment video (Zappos.com, by the way, has a very unpolished one on its MySpace page). The company has a Twitter account. Still, Shehan admits she doesn't have a recruitment strategy that employs social media. "We have dabbled on Facebook and used some other Internet sites. It wasn't a great result for us," she says.

Shehan isn't alone. Ruby Tuesday has yet to embrace social connectivity when it comes to employee recruiting. "We are trying to dabble in that area," Kitts says. "We have done stuff with Craigslist for hourlies. We have used some Internet, like Monster.com. I can see us moving in that direction. We are trying to get all the bugs worked out of it internally first."

In the meantime, Kitts adds, the chain will recruit in a time-honored fashion. "We really encourage our district and area managers to get to the individuals in their areas and learn who is doing a good job," she explains. ■

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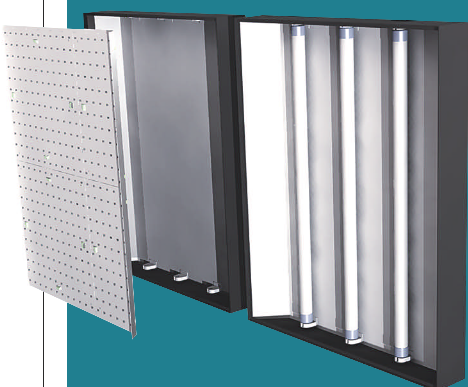

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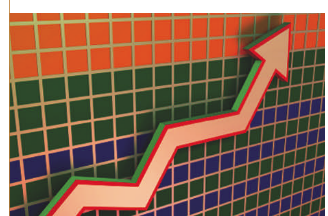
Franchise Expansion in a Weak Economy

Today's business climate has created many expansion challenges, but Mark Siebert, CEO of Homewood, Ill.-based consultancy The iFranchise Group, says the market is ripe for growth and that he's expecting a substantial resurgence in franchising later this year. "The people who will look back as the fattest and the happiest are the ones who move now," he says.

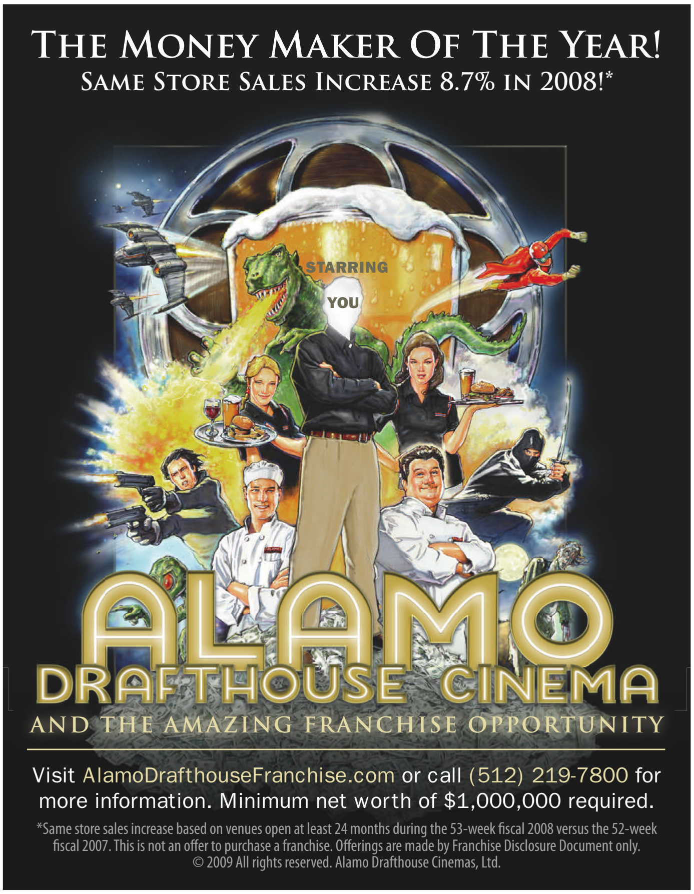


Q: How can franchisors best promote growth in this economy?
A: They need to value-engineer the concept as much as they can to get franchisees into business as inexpensively as possible. Ask yourself how you can cut back: Can I do this in a smaller footprint? Can I utilize less expensive equipment packages and still maintain the brand experience? Is my décor package too expensive?

Q: How are financing changes affecting expansion goals?
A: Businesses need to reset their expectations downward in terms of what they can afford, because they need more equity in the deal to get it done. Two years ago franchisees were completing deals with 610 FICO scores and 20 percent down; today you need higher scores with 30 percent or more down.

Q: How does that affect multi-unit deals?
A: Aggressive development schedules are over. If you're selling a franchise and you want somebody to open 10 units with one opening every six months, you're not going to get financing for that deal anymore. Today, you have to get units seasoned for 12 or 18 months each before a bank will be willing to put in the second-project capital.

Q: So why not wait until restrictions ease up?
A: Now is the time to act. As long as your business model works, this financial market is not going to last forever, and if you wait for the economy to recover you'll pay a price because the good sites and aggressive landlords may be gone. Despite economic fears in the downturn of 2001, we had a client that decided to go forward. They sold 190 franchises in 18 months, and sold the company last year for nine figures. It's hard to pull the trigger when things are weak, but that's when the opportunities are the best.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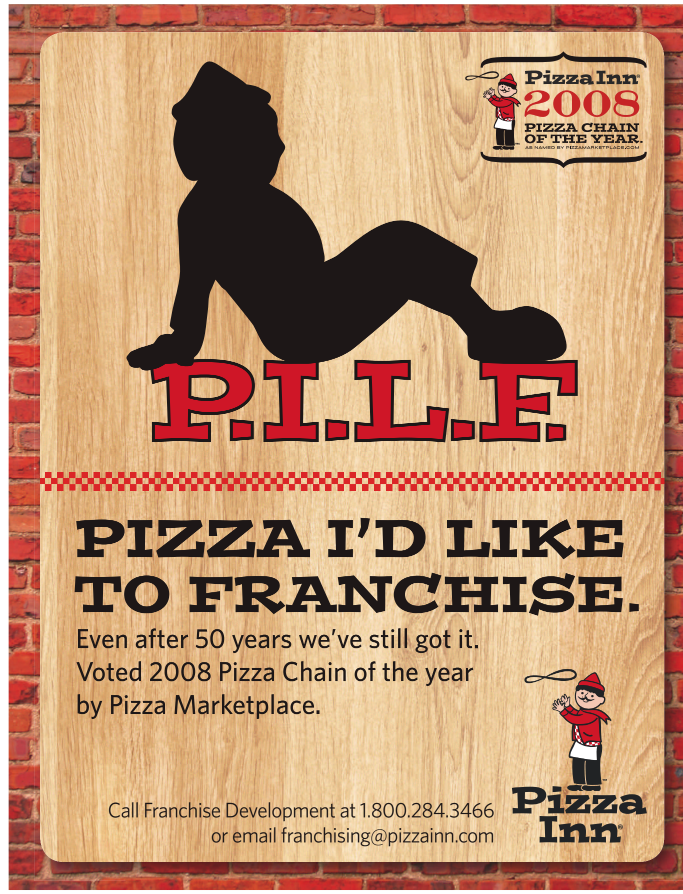
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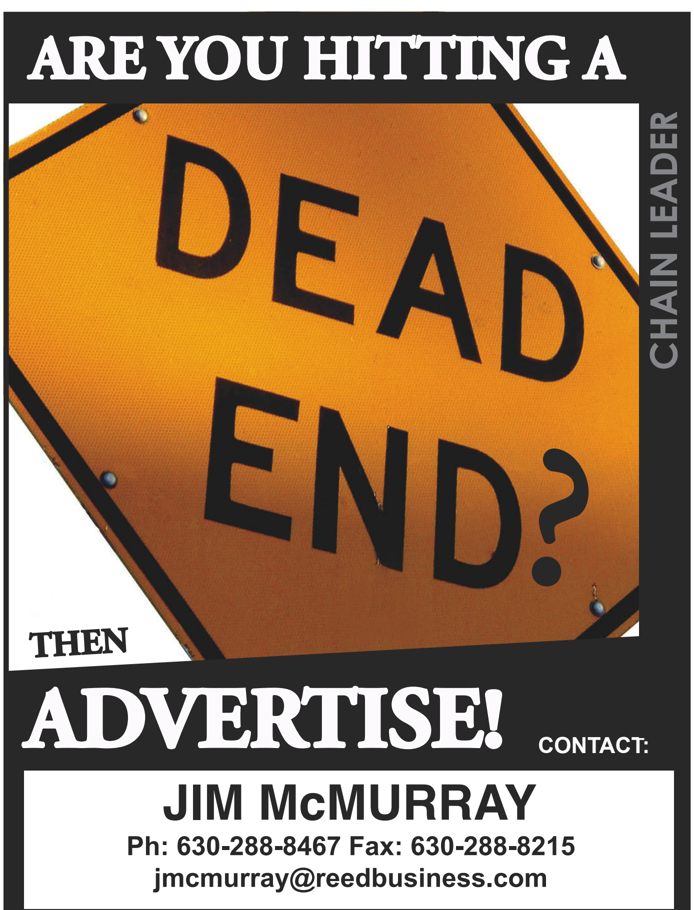
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/by mary boltz chapman

Steve Romaniello, managing director of Roark Capital Group, brought together chain leaders from the private-equity firm's 14 franchise brands.

Swapping Stories

Roark Capital Group brought together leaders from its 14 franchise companies to share best practices.

Steve Romaniello knows that different industries have a lot to learn from each other. The managing director of Atlanta-based private-equity firm Roark Capital Group saw it himself when Roark brought together executives from its 14 franchise companies. The summit, with the theme Leading in Challenging Times, featured expert speakers and leadership content, but also time for functional groups to share best practices.

Tell me about how you brought the group together.

We brought all of the CEOs together and brainstormed: What are the common issues that your companies are facing that would be beneficial to discuss. We identified a number of disciplines more so than issues.

What we ended up doing was bringing together all of the vice presidents, directors and brand presidents.

In which disciplines?

Areas like human resources, leadership development, real estate, information technology, franchise development, marketing and a few others. There were about 90 of us here in Atlanta. We broke up into different functional groups and let them come up with the common issues they wanted to discuss across the portfolio.

For example, even though we have Money Mailer, which is a direct-mail company, Batteries Plus, a specialty retailer, and McAlister's Deli, a restaurant concept, all of those groups have a franchise operations group dedicated to training their franchisees.

Can you cite specific examples of what they shared?

It was really a fascinating experience seeing companies like Focus Brands taking the new-store-opening process from Fast Signs and seeing elements that would improve their process.

Real-estate modeling, franchise sales, staffing and compensation policies, management protocols—all those types of things were discussed.

Marketing was fascinating. Each of the companies has dabbled in or dived into social-media marketing. And listening to their different experiences so far with Twitter and Facebook and how they were using those tools—they all came out of there with so much to talk about that they set up an ongoing group with regular meetings.

Were there any fears that this was an effort to combine silos and rejigger some staffing?

It was never our intention. And based on the free flow of information and sharing, I would doubt that was a fear.

Is it an ongoing initiative?

That was a learning from last year. We had this great meeting and there wasn't a lot of follow-up. When you're bringing 90 people together across all of our companies, it's a considerable amount of expense, so we wanted to make sure it's worthwhile and takes on a life of its own.

What will you do different next year.

We did a survey, and they want to spend more time in their groups, and they want to extend the duration of the conference. And we also want to expand the disciplines that are included. Finance and accounting will have a more prominent role. And hopefully we'll build on the continuity that's happening. ■

ON THE WEB: Listen to a downloadable extended interview with Steve Romaniello at www.chainleader.com.

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