

Vol. 14, No. 7
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Reed Business
Information

chain leader

**TREND-FORWARD
INSIGHTS TO
BUILD BRANDS**

Local menu events
drive traffic. **PAGE 28**

Marketing **service**
to build loyalty.
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Technology
that improves
the **customer
experience**. **PAGE 35**

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Research reveals
how chains keep
customers coming.

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Driving TRAFFIC

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SPLIT Decision

Many customers have strong feelings—some negative, some positive—about recession messages in advertising.

Should you discuss the recession in your ads? Depends on whom you ask.

According to a recent Adweek Media/Harris Poll, different groups have different opinions on marketing that mentions the economy. The results show men are more likely than women to say these ads make the brand seem more manipulative (29 percent vs. 25 percent), while women are more likely to say they make the brand more realistic (27 percent vs. 18 percent).

Respondents between 18 and 34 years old were more likely than those over 55 to lean toward “realistic” (27 percent vs. 18 percent).

Twelve percent of the survey respondents say ads that mention the recession or troubling economic times are depressing and make them less likely to purchase the brand. But 39 percent have no opinion about such messages.

The researchers point to other ways to emphasize current economic trends, such as promoting value and affordable luxuries. ■



Marketers who don't want to mention tough times can highlight “affordable luxuries” instead.

ZAGAT SURVEY Finds Hard Times for Restaurants Means Good Times for Diners

This year, the national percentage of meals eaten out or taken out declined from 50 percent to 48 percent, and the national average of restaurant meals per week dropped from 3.3 to 3.2, according to Zagat's 2010 America's Top Restaurants survey. The average meal cost \$34.62, up 1.2% from last year's \$34.21.

THE STUDY ALSO FOUND:

43 percent of consumers say they're eating out less, 41 percent are more price-sensitive, and 36 percent are eating in less pricey places.

7 percent are less likely to try new places.

22 percent are skipping appetizers and/or desserts, and 9 percent are cutting back on alcohol.

26 percent say the economy has had no affect on their dining habits.

54 percent say they are finding better deals at restaurants, 31% are finding it easier to get reservations, and 22% of surveyors feel that service has improved.

VOX OP: SELLING THE TIMES

“Many advertisements are mentioning the current recession and economic troubles. Which is closest to your opinion about these types of ads?”

Gender	Total	Male	Female
Have an opinion on these types of ads (net)	61%	59%	64%
They make the brand seem manipulative	27	29	25
They make the brand seem more realistic	23	18	27
They are depressing, make me less likely to purchase the brand	12	12	11
I don't have an opinion about these types of ads	39	41	36

Age	18-34	35-44	45-54	55+
Have an opinion on these types of ads (net)	65%	58%	62%	60%
They make the brand seem manipulative	27	27	25	29
They make the brand seem more realistic	27	22	27	18
They are depressing, make me less likely to purchase the brand	12	10	10	13
I don't have an opinion about these types of ads	35	42	38	40

Source: Adweek Media/Harris Poll; percentages may not add up to 100 percent due to rounding

ON THE WEB: For more information on the Adweek Media/Harris Poll, visit www.harrisinteractive.com.

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ISSUE THEME

Driving Traffic

If there is one lesson from *Chain Leader's* Driving Traffic research, it is that restaurant chains are willing to try any number of ways to increase customer counts in their restaurants, because there is no one-size-fits-all solution. Beyond the data, this issue offers menu, marketing and technology solutions that are working.



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Leading the Charge

Beyond economic factors, chain growth depends on leadership at corporate and at the restaurants. *Chain Leader* caught up with two CEOs, Apple-Metro's Zane Tankel and Wingstop's James Flynn, who put that lesson to work in their expansion plans.

By David Farkas

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Driving Traffic

Chain Leader's primary research asks restaurant chain operators which methods they use to keep customers coming and which methods really work.

By Mary Boltz Chapman

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Special menus and events foster creativity, create exclusivity and cater to regional tastes. Plus: California Tortilla believes local-store marketing gives owners the chance "to shake hands and kiss babies."

By Monica Rogers

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With a Side of Service

Many concepts count service as one of their hallmarks. And some concepts are going the extra step to market their service initiatives as a way to build customer loyalty and drive traffic.

By Margaret Littman

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Better Living Through Science

Customer surveys, smart-phone apps and swipe cards all help improve the customer experience. Plus: Wing Zone's new loyalty program keeps track of guest purchases and doles out rewards automatically.

By Lisa Bertagnoli





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Bar Louie's Blake Rohrabough on Beverage Trends

Chain Leader LIVE Recap

This year's *Chain Leader LIVE* featured operator panels on branding, technology, emerging chains and more; speakers such as cost-controller Steve Wagenheim, leadership-developer Richard Snead and Denver Mayor John Hickenlooper (pictured); and plenty of idea-sharing and networking.



FEATURED PODCAST

Bar Louie Beverage Director Blake Rohrabough talks about blunting the recession with promotions, getting help from vendors and winter drink trends.



BLOG BYTES

- David Farkas looks at the restaurant chains teens like.
- Karen Brennan believes intuition can trump intelligence.
- On The Spot checks out a Canadian ad starring Celine Dion.

OPERATOR POLL

The same percentage (27 percent) of chainleader.com visitors that say advertising is their best method for driving traffic say local-store marketing efforts are the way to go. Next up: Are winter-holiday specials helping drive business? Answer online.

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Someone to RELY on

I'm still riding high after a successful *Chain Leader LIVE* (our annual event that brings operators together to learn and share ideas at presentations, roundtables and networking events, which was held in Denver this year) and analyzing results from our latest Driving Traffic survey, and a common theme emerged.

If you know anything about the event or the research, you're expecting me to discuss focused branding, clever advertising or limited-time offers. All common threads.

But they also talked about how much they rely on their current suppliers to bring them new ideas and consumer insights. And their best manufacturer-partners are those who will work together with the chain to solve cost and distribution problems.

COME TOGETHER

As part of our Driving Traffic research, we also ask operators about how their suppliers help them. The many methods include offering menu development and recipes, but also server training and prizes, and even

promotions for customers.

I'll let you read all about it in the article on Page 23. But an interesting finding is that the methods that suppliers offer most often aren't necessarily

the methods that chain operators find most helpful.

A good portion of chains (31 percent) claim that their suppliers have not offered them any help in driving traffic. I'm sure that means manufacturers are focusing their best efforts on their best customers. But if you're not getting help, it sure wouldn't hurt to ask.

HELP THEM HELP YOU

It always feels a little share-and-share-alike to sit here and write about how working together will aid both parties, and a benefit to one is a benefit to both. Throw distributors into the mix, too, and we can have a love fest.

What it comes down to is chains need to be able to rely on their suppliers. To enable suppliers to be more reliable, operators need to share information about their business and give them the chance to help find solutions. ■

Manufacturers are focusing efforts on their best customers. But if you're not getting help, it wouldn't hurt to ask.

But what I find myself thinking about is the operator-supplier relationship.

LESS TIME, MORE NEED

At *Chain Leader LIVE*, the corporate chefs on the Menu Development panel were asked how their relationships with suppliers have changed, considering the need to reduce costs and innovate more-frequent menu specials. They shared that they frankly don't have time to see very many new suppliers, and those they do see must have a deep knowledge of their business to even get their foot in the door.



BIG ideas

"Teamwork is so important that it is virtually impossible for you to reach the heights of your capabilities or make the money that you want without becoming very good at it."

—Brian Tracy

"One man's transparency is another's humiliation."

—Gerry Adams

"Unity is strength... when there is teamwork and collaboration, wonderful things can be achieved."

—Mattie Stepanek

"I think there should be collaboration, but under my thumb."

—Elia Kazan

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Mary Boltz Chapman
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LTOs Face Limits



Recent supply-chain research reveals that while restaurant chains rely on limited-time menu offers, they often struggle with forecasting product needs.

According to "Supply Chain Insights Survey," conducted in August by ArrowStream, a provider of supply-chain solutions, 89 percent of operators say revenue and traffic growth is among their top three concerns.

Almost all of the respondents' companies (93 percent) have run limited-time offers in the past 12 months. And 27 percent of them have run more than 10 in the past year. The operators report a host of problems dealing with LTOs.

In the last 12 months, what supply-chain problems have your LTOs caused?

Forecasting	77%
Inventory obsolescence charges	65%
Supply continuity	63%
Inventory transfers	56%
Inventory shortages	51%
Participation capture	42%

The research report recommends that enhanced communication among the supply-chain team and the marketing department, as well as their trading partners, before, during and after promotions would be a first step toward improving the process.

SITE LINES

How a Burger Chain Picks a Site

Meet Meatheads Burgers & Fries, a two-year-old "better burger" concept founded by Tom Jednorowicz, former chief development officer for Potbelly Sandwich Works, and real-estate developer Doug Reichl. The partners opened their first unit in Bloomington, Ill., "before facing the bright lights of Chicagoland," says Jednorowicz. The restaurant was profitable, and shortly thereafter units opened in Chicago suburbs Naperville and Northbrook. Next up: the city itself. *Chain Leader* grilled Jednorowicz about the chain's site-selection process.

What are Meatheads' current expansion plans?

Our focus now is the metro Chicago area. We are looking at opening three to five units in the next year. We have an infrastructure in place that can handle that. I don't feel it would be judicious to press the accelerator any harder. You talk about where the wheels fall off the bus on these things. It is going too fast and not executing well within the restaurant.



Until recently growing fast was a big temptation.

I would tell you that, especially in this burger segment, because there are so many players, it is still there. You hear someone is doing a deal here or there, and you say, "I don't want to miss out on that." It's still very easy to fall into it.

What is your site-selection philosophy?

I believe that we are a use looking for a site. Most concepts gravitate to sites looking for uses. We have a market plan in Chicago, and I know precisely where I want to be, what trade areas and where within those trade areas.

So how does that approach make you different?

We are out there knocking on doors and trying to create availability as opposed to, "Hey, this space is vacant. What do you think about that?" Then you wind up in trade areas you don't belong in.

What are the challenges of finding your first city site?

You have urban residential, which is a tough lunch business because the residents are working. You have the central business district but only five dayparts there. Break it down further and you have 10 hours a week to make hay. If you are trying to ring up \$20,000 a week, that means you have to do \$4,000 a day and have systems in place to do \$2,000 an hour. That is an enormous barrier to entry. ■



Quiznos is tempting franchisees with a low-interest rate on small loans to be used for remodeling the restaurants.

FRANCHISE MANAGEMENT

Quiznos Offers Loans for Reimage

Quiznos recently announced a loan program that offers franchisees an interest rate below conventional lenders. Company officials say they are making loans of about \$3,750 to franchisees for the purchase of a new upgrade package and charging a fixed interest rate of 5.25 percent.

That works out to an interest cost of roughly \$197, or about \$100 less than a conventional commercial loan at 8 percent. A third party is underwriting and servicing the loans. The chain operates and franchises more than 4,000 restaurants.

"We want to see that money work in the marketplace," Quiznos CEO Rick Schaden said in a prepared

statement.

The company says it is also funding a "working capital loan" of up to \$14,000 at the same rate to shore up the cash flow of struggling franchisees.

WHAT THE MONEY BUYS

The smaller loan is to be used to purchase wallpaper and installation, a graphics package, menu boards, professional cleaning services, uniforms, the resurfacing of customer areas, and a DVD for training purposes.

Quiznos Senior Vice President of Corporate Communications Ellen Cramer says a new "customer focused" training program is being rolled out along with the reimage program, though she won't share details.

The upgraded decor and training are expected to be completed throughout the system in early 2010.

FRANCHISEE SUPPORT

Earlier this year the Denver-based chain made news by providing franchisees access to third-party lease negotiators to help trim rents. Schaden said the effort was prompted by the down economy, in which landlords were likely to negotiate lower rents.

Quiznos arch rival Subway, which does not have a loan program for franchisees, is wrapping up a reimage program begun a year-and-a-half ago, says Jeff Moody, CEO of Subway's Franchisee Advertising Fund Trust. Nearly all

franchisees have updated their stores. "We are not asking franchisees to spend more money in this environment," he adds.

DIFFICULT ENVIRONMENT

Neither Quiznos nor Subway will divulge comparable sales figures, but executives at both chains acknowledge the competitive environment is extremely difficult.

Competition aside, Quiznos' new loan program fails to impress veteran franchisee Kenny Faraj, who operates five units in Northeast Ohio. He complains the reimage program is not needed, particularly in newer stores, several of which he operates. "There's nothing wrong with the way the stores look," he says. ■

BLOGS

TALKBACK

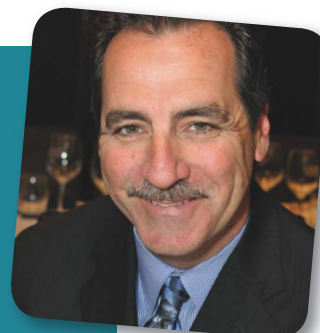
PODCAST

When Two Chains Become ONE

This summer two Chicago-based restaurant chains, full-service Stir Crazy Fresh Asian Grill and fast-casual FlatTop Grill, merged, becoming 28-unit Flat Out Crazy LLC.

"There's no downside to it," President and Chief Operating Officer Greg Carey tells *Chain Leader* Senior Editor David Farkas. The chains retain their separate identities, profitable unit economic models and expansion goals.

Listen in as Carey explains at www.chainleader.com.



ON THE MONEY

The Art of the (Small) DEAL

Growing chains in need of capital for additional units, G&A or partner buyouts, pay attention. FohBoh.com blogger and veteran restaurant advisor Rod Guinn, a former Wells Fargo Foothill investment banker, explains scenarios you'll likely face when seeking capital.

What pitfalls await even financially savvy operators who seek outside capital?

The first and negative piece of news I start with is, unfortunately, it is easier to raise \$100 million than it is to raise \$10 million from outside investors.

And that's because...

The main reason is that most institutional investors seek safety in numbers. As a result, over the years successful funds have gotten bigger and bigger, leaving a vacuum in their wake. Yes, there are small funds starting up. But at any given moment there are fewer of them, and they are more difficult to find.

How do you find them?

Quick and glib answer: It's worth talking to somebody who knows those funds, like myself. No one operator with, say, a 15-unit chain has the time to find them. If they are perchance lucky enough to find one...well, even in that situation they are not going to be well served unless they have [a deal] to compare it to.

Say the operator doesn't want to delegate everything to a financial advisor. Then what?

Operators shouldn't delegate everything, but they need an advisor to do some heavy lifting. Still, it's worth taking time to talk to other people who have been involved with a particu-

lar investor or fund—say, CEOs of other investments the fund has made. If you can get names, talk to CEOs who did not take the fund's money.

What might you learn?

If you want to take make money from an institutional investor—whether it's an equity investor or a lender—you will have live with them for a fairly long time. You'll want to know how they behave.

In a blog post, you mention “favorable modifications” investors make in a business. What can operators anticipate?

An investor might say, “We like what you are doing, but we have had investments in four other chains, and what seemed to work for three of them is, when they changed their utility purchase patterns from X to Y, they saved some money. When they changed insurance vendors, they were able to get better coverage and saved a few bucks.”

You've written about investors “digging into the future” of chains seeking growth funds. Explain what you mean.

Many operators, when asked what their business will look like in four or five years, say more of the same, except they will have more leverage with vendors, landlords, etc. However, investors who have already invested in a handful of growth companies have learned from watching. That investor may say, “One thing you should think about is that you may not want to replicate the units. As you look at different markets and different economic segments, you may want to do things differently. Some of your next stores may not be the same as your others.” ■



“Investors may show operators a better way to think about their future and have a more refined view of what that future can be.”

—Rod Guinn

IN THE WORKS: Guinn says the recession is narrowing the field of investors to those who have prior experience in the restaurant space.

NEW MANAGEMENT

Hamburger Chain Seeks **PARADISE**



“It’s a scary time to go out on your own right now,” says Cheeseburger in Paradise President Steve Overholt. But out he goes nonetheless, as the owner of the 34-unit restaurant chain, after leading an investor group that paid Tampa, Fla.-based OSI Restaurant Partners \$2 million in September.

President of Cheeseburger in Paradise before the sale, Overholt acknowledges the concept has had its share of ups and downs, particularly concerning an aggressive licensing agreement with Jimmy Buffett’s Margaritaville Holdings, which owns the “Cheeseburger in Paradise” trademark. Today, with a kinder (though unspecified) royalty deal in place, Overholt believes the “new company” is primed for profitable growth.

He says all but one of the regional and restaurant-level partners agreed to invest in the company, either with straight equity in their restaurant of 1 to 5 percent, a “phantom” equity pool or buy in at the capitalized rate of the entire company.

To gain an experienced executive team, Overholt hired leaders, such as development veteran Mark Wibel and financial executive Janette McDugald, who would take an equity stake. “We don’t have the capital to pay high salaries so what we are doing is offering equity stakes and sweat equity,” he says. “The only requirement for the senior team is to devote as much time as necessary to our business. At some point down the road, we will bring them into more full-time positions, or they can keep doing what they are doing.” ■



BIG idea Cheeseburger in Paradise is working on a fast-casual prototype. “Our name is right, the image is right, and we just have to tweak it,” Overholt says. “We believe there is a strong call for that.”

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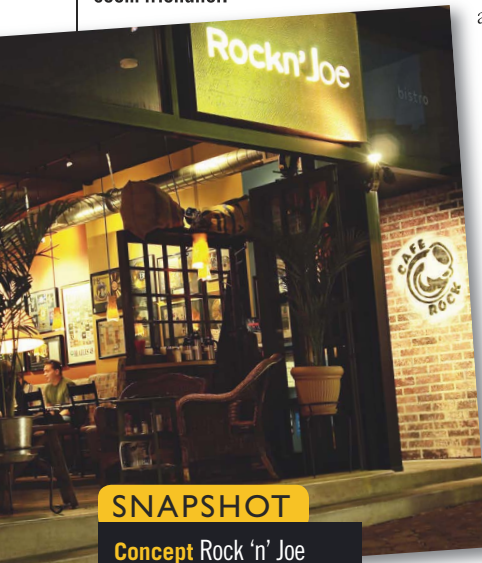
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Still Rock 'n' Roll to COFFEE LOVERS

As management prepares Rock 'n' Joe Coffee Lounge for expansion, the song won't remain the same inside the units.

Rockn' Joe Coffeehouse and Bistro is changing to Rock 'n' Joe Coffee Lounge with new graphics to make the units seem friendlier.



SNAPSHOT

Concept Rock 'n' Joe Coffee Lounge

Headquarters Cranford, N.J.

Units 7 (six franchised; one company)

2009 Systemwide Sales \$3 million*

Average Unit Volume \$523,000*

Average Check \$6.80

Expansion Plans 10 in 2010

*Chain Leader estimate

After Rock 'n' Joe Coffee Lounge CEO and founder Kevin Brennan, acting as a consultant, added \$63,000 to another coffeehouse's bottom line, he figured his own coffee concept wasn't a fluke. "I realized then that Rock 'n' Joe wasn't a one-trick pony," he recalls.

Thus, in 2001, the idea for a franchise system was born. Four years later, Brennan closed on his first deal, for one store, in nearby Westfield, N.J. He has signed five more franchise agreements over the last two years.

"Kevin sold those franchises without any help and in a difficult economic climate," marvels franchise consultant Richard Sharoff, former CEO of Atlanta-based Maggie Moo's, who has been retained to manage future franchise sales.

Brennan expects the rock 'n' roll-themed coffee chain, headquartered in Cranford, N.J., to add 10 franchised units, in New Jersey, Connecticut, Florida and New York in 2010.

To accomplish that, Brennan and Sharoff are preparing Rock 'n' Joe to attract multiunit franchisees.

So far, six franchisees each operate one store. Brennan owns the original location in Cranford, N.J., a suburb of New York City.

SALES UP

Brennan claims systemwide sales are up 20 percent this year, due largely to a new sales program rolled out in July: Baristas now practice latte art and talk about bean varietals. About 25 percent of a unit's total revenue comes from food, including breakfast items, sandwiches and desserts. The recently streamlined menu has helped boost the check average to \$6.80.

Brennan won't disclose weekly sales or average unit volumes, citing Rock 'n' Joe's Franchise

Disclosure Document, which makes no earnings claim. The FDD says the initial investment runs from \$241,000 to \$373,000.

Restaurant consultant Frank Steed, a former franchise executive, says multiunit franchisees typically expect a 2-to-1 sales-to-investment ratio, or annual sales of \$700,000-plus. "Everything you touch has gone up in price, squeezing margins," he notes.

"We're moving in that direction," Brennan says of the unit economics model. Getting there has required Brennan and Sharoff to refine the brand, making it more inviting to a wider range of customers. The first unit, a 700-square-foot space opened in 1993, was originally a full-service dessert-and-coffee concept. But informal research the two conducted early this year suggested they should create a more relaxed look.

BRAND-NEW BRANDING

The duo changed Rockn' Joe Coffeehouse and Bistro to Rock 'n' Joe Coffee Lounge. They commissioned new graphics to make the units seem friendlier. "We still need to please the upper-middle-class demographic where we were pulling from, but also bring in more blue-collar workers," Brennan explains.

The latest Rock 'n' Joe, which includes all the elements of the redesign, opened in October in Bethlehem, Pa.

Service was sped up, too. Out went the full-service model in favor of a quick-service format; customers now place orders for coffee and food at the counter. To make things faster, Sharoff trimmed the menu, eliminating more than a dozen sandwiches and many ingredients. The new three-panel menu board features 21 sandwiches, including seven breakfast sandwiches.

One thing that didn't change: the music, a blend of classic and new rock. "People who come in remember the rock 'n' roll," Brennan says. "It's a distinct identity." ■

IN THE WORKS: New units will try to attract blue-collar workers with a more relaxed look.

*35% of consumers
buy natural and
organic meats.*

Will They Be Dining With You?

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Beyond economic factors, **CHAIN GROWTH DEPENDS ON LEADERSHIP** at corporate and at the restaurants.

LEADING the Charge

The role of a restaurant leader has become even more critical amid an economy so uncertain that few chains are willing to expand in the coming year. Instead, seeking traffic, they prefer to discount meals, risking their brand image.

Chain Leader recently caught up with Applebee's franchisee Zane Tankel, whose company, Apple-Metro, continues to open restaurants

despite the downturn. And why not? His 32 Applebee's are posting nearly twice the average volume (\$2.4 million) of the rest of the casual-dining system. He plans to open five more next year.

A Wharton School of Business graduate, he opened his first Applebee's 16 years ago with partner Roy Raeburn. This year the company was named Franchisee of the Year by the franchisor.

Chain Leader invited Tankel to talk about how leadership at all levels is helping the New York-



In a Hurry but Not Hasty

Wingstop CEO James Flynn, who earned a B.S. in engineering from the U.S. Naval Academy, heads a 427-unit chain whose franchisees together have opened 60 or more locations annually for four years in a row. They intend to keep up that pace in 2010. Wingstop has also posted 25 consecutive quarters of same-store sales growth, boasts Flynn, who has been at the

helm since 2003.

Like Zane Tankel, industry veteran Flynn has provided a loftier title for the people Wingstop depends on for growth, dubbing franchisees "brand partners." He discusses their training and the vital role they play as the wing chain grows.

How do you account for 25 consecutive quarters of same-store sales growth, particularly in a dismal economy?

It is finding and training good owners. Advertising is good, but you have to pick good sites where you can grow the business.

How does Wingstop make sure franchisees are on board

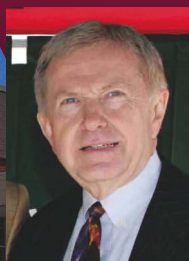
with your plans, which do not include discounting meals?

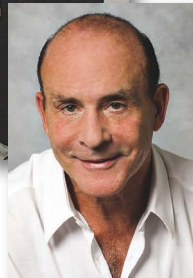
First, we have field marketing managers in different parts of the country. They are in the field with our brand partners all the time. Our local marketing people and corporate marketing people also work through advertising co-ops and work with the franchisees.

Why haven't you promoted on price?

We haven't gone that route because we do not want to be a discount operation. We don't have a gimmick to lower prices. We say, "Here is our product. It is a good product." And we price it accordingly. One reason we con-

James Flynn, CEO of Wingstop Restaurants, attributes Wingstop's rapid growth (about 60 units this year) to a four-week training program that allows a broad range of franchisees to "effectively run" a unit.





based franchise maintain its growth curve in a difficult operating environment.

Can we begin by talking about store managers and the leadership training they...

I don't mean to interrupt you, but I gave a short speech to some franchisees a week ago in Boca Raton. I said, "We have to stop using the word 'stores.'" A store to me is lights, shelving, four walls and sneakers. If you don't sell the sneak-

ers, you mark them down—again and again. On the other hand, restaurants have 1,000 moving parts, many of them perishable.

Point taken, Zane.

This is how we deploy troops. If you have great general managers, you don't need to have one area director with... In fact, we don't call them "directors" anymore. We call them "area leaders." Directing is monitoring, like a jail guard, making sure everyone is doing things right. We don't need area directors with five or six restaurants; our area leaders have seven or eight. If you have the right people at the restaurant, and you've trained them correctly, you don't need supervisory personnel. As Lee Iacocca said, "Lead, follow or get out of the way."

How does training apply to bringing an assistant general manager to the GM level?

He or she has a six-week training period moving into that position. AGMs should theoretically know what they should do, so we transition him into that position. He's following [the GM] around as his eyes and ears. We ask him or her to go to other restaurants with the area leader and look at best practices in terms of leadership.

SNAPSHOT

Company Apple-Metro Inc.
Headquarters New York
Concept Applebee's Grill & Bar
2009 Systemwide Sales \$150 million (company estimate)
Units 32
Highest Grossing Unit \$10 million (42nd St., in Manhattan)
Expansion Plans 5 in 2010

A restaurant opening at Fordham Plaza, in the Bronx. Rents are much more reasonable today, says Apple-Metro CEO Zane Tinkel (inset), who recalls a landlord once asking, "How much pain can you stand?"

tinue to do well is because people have traded down from casual dining into our system, where you don't have to leave a tip, you take it home, and you drink your beverage from your refrigerator. For \$13, \$14, which is our check average, you

SNAPSHOT

Company Wingstop Restaurants Inc.
Headquarters Dallas
2009 Systemwide Sales \$320 million (company estimate)
Units 427
Average Transaction \$13 to \$14
Expansion Plans 60 in 2010

can feed a family.

What has been the result of that strategy?

When we took over [the company] at the beginning of 2003, the average unit volume was around \$475,000. It is now up to \$760,000. That's due to reasonable average checks, right pricing and a great product. That is really the message we try to push out there, not the price at all.

Explain what's involved in leading franchisees.

We call franchisees "brand partners." We can bring someone in who wants to become a franchisee, train them in our concept in four

weeks, and they can run [a unit] pretty effectively. So we can have a broad range of potential franchisees.

You recently reorganized your franchise department. Why?

I just changed the organization little bit. I took our CFO [Wes Jablonsky], who has a lot of development experience, and made him chief development officer. He has responsibility for real estate, franchise sales and construction. One of the things we are talking about is how can we speed up the franchise sales side of the business and move into parts of country where we aren't.

Why the hurry?

We obviously want the company to grow. We've been building 60 stores a year ever since we've been here. Last year we opened 71. What we want to do is continue to grow the business at a rapid pace.

Wings, fries and beverages account for 92 percent of the Wingstop's sales.



GROWTH STRATEGY

“We are left-brain-driven in this industry. We have shut down the creative, right-brain side.”

—Zane Tankel, CEO, Apple-Metro

All Apple-Metro team members are potential leaders. But on their way to becoming one, they must ask supervisors to champion them for the promotion. Supervisors, in turn, look to champion team members.

Speaking of area leaders...

Let me just say we returned last week from an annual retreat with area leaders and department heads that was all about leadership. This year's theme was about total utilization of the brain. We are left-brain-driven in this industry. We have shut down the creative, right-brain side. Everything in our industry is metrics: guest counts, food, liquor, labor. It's left-brain driven. There's not much right-brain thinking. Yet the great thinkers, the great intellects are lateral thinkers, using both sides of their brains. Your best employees need leadership from both sides of the brain, not just do this, do that.

Why didn't you talk about leadership in a recession?

Because it takes a right-brain thinking to work through that. I call it option-solving vs. problem-solving. I can deal with the options and get the team to come up with the best ones. Two years ago we set out a strategy for this tsunami. We had no idea of the depth and breadth of it, but we knew the economy was tanking rapidly and the industry was undergoing tremendous shifts. It is exactly the same strategy we work on today, and that's being very aggressive when negotiating a site.

Explain that strategy.

In New York when it came to rent, the landlord's philosophy always was, “How much pain can you take?” They knew we had to open restaurants to have to upward mobility for our managers, who otherwise would leave. So they sat back, put their feet up, lit their cigars and waited. Now it's tuned upside down. I tell them, “The only difference between you and me is you have to rent that space. I don't. I do not have to build a restaurant. When you are ready to talk from that vantage point...”

Let's go back to restaurant-level managers. How can a GM become area leader?

Two years ago, I thought we had a real problem keeping GMs incentivized and working where they thought there was ongoing growth. So we came up with another category in addition to the area leaders called fast-trackers. Because we have area leaders with more restaurants than is standard, we think they could use some assistance. We'll have a fast-tracker for whom we don't have an area leader job, and we can say, “Misha has seven restaurants and we think she could use some help. You will go to two restaurants and act as an area leader under her auspices.” This permits us to pay them more money.

Fast-trackers still manage their own restaurant, right?

Yes. Let's say a good general manager is making \$75,000. That's top-of-the-line pay. Now, as a fast-tracker, I can pay him \$85,000 or \$90,000, and save another area leader's salary.

What is Misha's responsibility to him in terms of leadership?

He has to spend time with Misha. [The fast-track manager] is transitioning for those six weeks. And here we go to left-brain thinking: He is looking at the metrics of restaurants. He is entering the exclusive province of area leaders, who drive metrics all the time.

In your bio, you're described as a risk taker. To what extent to do you want your senior managers to take risks?

As far as they can go within certain parameters. I want them to fail. If you are not failing, you're probably not trying stuff. Candidly, as much as I voice that, it's hard to get people to do it. This isn't life and death. They should try some stuff. ■



BIG idea An Apple-Metro event dubbed Bartender Olympics awards prizes to bar employees who create new drinks suitable for Applebee's beverage menu.

ON A WING AND A PRAYER

At 35 Years, Quaker Steak & Lube® is Rocking Down the Highway

It was 1974. While listening to Bachman-Turner Overdrive sing about "Taking Care of Business," high school buddies and restaurateurs George "Jig" Warren III and Gary Meszaros pondered the same thing. Their restaurant that was set in an old railroad station in Sharon, Pa., while successful, didn't offer much potential for growth.

Warren and Meszaros noticed how the energy crisis was transforming America's love affair with the car. Motorists were angry over long lines and high gas prices. Powerful American-built cars were on the verge of extinction, and full-service filling stations on prime real estate were for sale everywhere.

As any good businessperson knows, with crisis comes opportunity. Warren and Meszaros saw theirs in a closed service station in Sharon. They wanted to preserve the culture of old gasoline stations and muscle cars. A motorsports-themed restaurant that surrounded guests with vintage cars, trucks and motorcycles would still allow Americans to feel like the "King of the Road."

Their new restaurant would be based on fun because fun never goes out of style, and given the political and economic climate at the time, it was in short supply. "What's

Ken Cole (left), Gary Meszaros (center) and George "Jig" Warren (right) have Quaker Steak & Lube's growth in overdrive.



Fill 'er up! This old gas station in Sharon, Pa., became the first Quaker Steak & Lube. It is still in use.

more fun than having fun?" asked a smiling Meszaros. "It would have a tongue-in-cheek culture and be a bit irreverent," added Warren.

Self-service gasoline was gaining acceptance, so the original concept was a cook-your-own steak restaurant that also served burgers, salads and baked potatoes. Taking a cue from the service station, Warren asked for and received permission from Quaker State Oil to name the restaurant Quaker Steak & Lube. It opened in 1974 with a 1936 Chevrolet perched on the original hydraulic grease rack.

Two years later, a visit to the Anchor Bar in Buffalo, N.Y., introduced the Lube's® founders to Buffalo-style wings. Eating chicken wings was fun. They decided their fun restaurant needed to serve chicken wings.

To introduce them, they served a free wing with every entrée. "I don't recall when wings were free from the processors, but I do remember them selling for 25 cents per pound," said Meszaros. The fresh wings with secret sauces caught on instantly and became the Lube's biggest attraction. Today, the chain—with 38 restaurants in the U.S. and Canada—sells more than six million wings a month.

THE CONCEPT: POWERING ENDURING SUCCESS

At a time when other chain restaurants are struggling, Quaker Steak & Lube is on a growth spurt, opening new company and franchised locations with

FAST FACTS

HEADQUARTERS: Sharon, Pa.

UNITS: 38 (*full-service and express*) in 13 states and Canada

GROWTH: 8 new units in 2009, 6–8 in 2010

SYSTEM SALES: Up 21% for CY 2009 to approximately \$103.5 million

AUV: \$4.1 million (*full-service*), \$651 thousand (*express*)

AVERAGE CHECK: \$16.59 (*full-service*), \$10.63 (*express*)

ALCOHOL SALES: Approximately 21%

FRANCHISE CONTACT: Jamie Cecil, (724) 704-7164, jcecil@thelube.com

WEB SITE: www.quakersteakandlube.com



its original concept that attracts an extremely wide demographic.

Fun family dining with shared center of table food: The décor encompasses some of the most unusual, museum-quality items in the restaurant industry. Shared items in buckets, baskets and even a baby moon hubcap with radio antennae keep the restaurant lively.

Great wings and sauces: 42 percent of Americans eat wings once or more a month. The Lube serves only fresh wings that are larger than many competitors.'

Outdoor events: The original Lube had an outdoor patio and pick-up win-

dow, a rarity in the 1970s. Meszaros and Warren used their large parking lot for cruise-ins and Bike Nites that to this day make The Lube a destination.

FRANCHISING: FUELING GROWTH

Warren and Meszaros loved the success they were having with Quaker Steak & Lube, but they had to ask themselves, "Who's going to want this place when we're gone?" Franchising the brand answered the question. "Waiting to franchise until 1997 was one of our biggest mistakes," recalled Meszaros. "We should have started in 1977."

Quaker Steak & Lube has one of the strongest exterior designs and branded images in the industry. "The huge buildings with highway colors and whimsical neon 'EAT' arrow have a curiosity factor perfected over 35 years," according to Chairman of the Board Mike Stack. "Potential Lube franchisees make a huge capital commitment because they have to be prepared for large crowds," said Stack. "Quaker Steak & Lube will never be gigantic in the industry based on number of units, but on unit volume and returns on cash, it's in the top 10."

With full-service and express concepts operating successfully, a variety of prototypes appropriate for different sites will help to further expand the brand.

The chain gets franchising inquiries from around the world, and Warren thinks growth into South America and China is a possibility. He also foresees further expansion in Canada as well as in the U.S.

"The Lube has a great executive team and support center to ensure the system's future," said Meszaros. Warren added, "We don't stop at a fun atmosphere. The food and the service have to be there all the time, and we never lose site of that."

At 35, Quaker Steak & Lube is clearly taking care of business and is well positioned for continued expansion. Or as another great 70s music group, The Doobie Brothers, would put it; The Lube is "Rockin' Down the Highway." Watch for one opening near you.



Ken Cole on Post-recession Franchising

Veteran restaurant executive Ken Cole joined The Lube as president and CEO in 2008. He talked about the future of franchising and how The Lube is being positioned for more growth.

Q: What will it take for chains to succeed as the nation emerges from recession?

COLE: First, value will continue to be huge. This recession touched virtually everyone, regardless of their financial situation, and people are not going to dramatically change their spending habits. Second, differentiation will be extremely important as consumers start to eat out more. Last, they will want an element of fun that gives them a sense of feeling liberated and that takes them away from day-to-day worries.

Q: But can full-service casual chains make money in a "value environment?"

COLE: Our experience says yes, if you do it right. The Lube



was very well positioned going into the recession. We already had a number of menu items under \$10. As we develop our next generation of menus, we will continue to focus on food that delivers value to our guests and solid margins for our franchisees.

Q: What will post-recession chain marketing look like?

COLE: Buying guests with heavy TV advertising doesn't work anymore, which makes local restaurant marketing (LRM) critical. The Lube has always had strong LRM programs, and we are making them stronger. We are re-energizing our Tuesday night all-you-can-eat wings promotions to attract a new generation of younger guests, while increasing frequency among current ones. We also are adding a second promotional night.

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Q: Many casual chains have significantly downsized. Do you see any room for growth?

COLE: There's huge growth opportunity—both in the U.S. and internationally—but you have to be flexible to take advantage of the real estate deals that are out there. The Lube offers three free-standing layouts, ranging from 6,000 to 8,600 square feet, plus an express concept. We're working on a fast-casual, in-line design. It's also important to have a concept with broad appeal—chicken is the number one universal meat; and the world is enamored with motorsports, making The Lube a perfect fit for many U.S. markets, as well as foreign countries.

PLAYING WITH FIRE

The 411 on 911 Flavors

Wilbur Scoville, the American chemist whose Scoville Heat Unit (SHU) measures the temperature of chili peppers, died three decades before Quaker Steak & Lube was founded. Too bad. He would have had a field day at The Lube.

Motorsports may provide the backdrop for The Lube, but spicy, flavorful food fuels the chain's success. "Our food has always been shareable and fun, but it's really the unique flavors that are at the core of our menu," said Kate Malan-
iak senior director of food and beverage. "And that is driven in large part by our wing sauces."



There are 21 sauces, ranging from a mere 90 SHU Ranch to the mega-hot, waiver-required 150,000 SHU Atomic. While nearly 80 million fresh wings every year are doused in one of the sauces, they also find

Sign here, please. The Lube requires a waiver to try its Atomic Wing Sauce.

ON THE MENU

- Munch Bucket of Bolts appetizer sampler
- Biker Chick and Biker Dude chopped salads
- Flat Tire Iron steak
- Fish Tailin' sandwich
- Licensed to Chill Margarita



their way into other dishes, including the boneless Chicken Fenders, salads, burgers, sandwiches, steaks, ribs and the Buffalo Chicken Pasta Bowl.

"Over the years, we have expanded the menu, especially the salad and appetizer categories, to better appeal to the entire family," Malaniak said. "And we really perfected the Grilled Boneless Wings, which have become a huge seller."

Menu development is driven by a committee that includes franchisees, but ideas from others are welcome too. "Years ago we made it a practice to listen to all ideas ... from a guest to a dishwasher to a franchise owner," she said. "We love it when people 'get' the Lube concept and offer opinions and suggestions." For example, a manager created Louisiana Lickers and a franchisee named the new menu for kids under 12 "Tweeners Meals."

Cars and motorcycles may only need



Pass the wings! Fun, shareable food keeps guests coming back to The Lube.

a tune-up now and then, but at The Lube, menu innovation is ongoing. "We are conscious of our guests' health concerns, so we have added many items to meet their needs," Malaniak said. "We're also creating greater value for our guests with new combo items and lower cost entrees."

For those with a hankering for heat,

get ready for The Lube's new Triple X Atomic sauce debuting system-wide in 2010. At a whopping 450,000 SHU, it is three times hotter than the regular Atomic. Malaniak described it as a little sweet with a hint of garlic. "It's a sneaky burn," she said smirking. "As you breathe, it gets hotter and the air fuels the fire." Someone call 911.



CONGRATULATIONS on 35 years of success!

Wishing you many more!

From your friends at...



PEPSICO



DRIVE TIME

Big Events, Cult Following Build Sales

At many casual dining restaurants, several thousand guests passing through the doors is considered a good week. At Quaker Steak & Lube, a few thousand stopping in for beer and wings is a typical night, at least when a special event is scheduled.

Since the first Lube opened, special events that bring together motorsports and car and motorcycle enthusiasts have been the engine driving the chain's marketing strategy. "We are a high volume restaurant, seating more than 350 people and open 365 days a year," said Bob Mentrek, senior vice president of marketing and promotions. "It's the special events that keep people coming back along with the great food and service. We boast that 'There is always something



going on at The Lube,' and we consider this one of our unique niches."

Signature Bike Nites and car cruise-ins draw the largest crowds. "Our events help people forget their day-to-day pressures and keep us a fun restaurant concept," Mentrek added. "For our operators and staff, events make coming to work that much more enjoyable—there is nothing better than sitting back and seeing people enjoy themselves while the cash register rings."

The Lube provides operators with a complete manual that includes ideas and plans. Many restaurants also hold "artie gras" artist bazaars, holiday buffets, all-you-can-eat wings, kids-eat-free, redneck games, charity fundraisers, and golf and ski shows.

While event marketing clearly pays off, it requires an investment. The Lube insists that each restaurant employ a marketing activities coordinator who devotes 20 to 40 hours a week planning and organizing The Lube's signature brand of fun.

Even after holding events for 35 years, the chain is always looking for fresh, creative ideas, with the most successful ones shared as examples of best practices.



KEN JAKUBEC

Master of Motorsports Memorabilia

As a U.S. Marine Corps technician, Ken Jakubec was responsible for making sure helicopters flew safely. And not just any helicopter. Jakubec was assigned to Marine One, the president's bird. In fact, he had the honor of flying several missions with President Lyndon Johnson. With that kind of pedigree, taking orders comes naturally. "Yes, sir!" "No problem, sir!"

That was until he was told to find a vintage Amphicar for a Lube on Lake Erie in Vermillion, Ohio. "Gary Mazeros said, 'I want one of those Amphicars up there' and I am scratching my head thinking, good Lord, where am I ever going to find one?"

For the non-motor head, Amphicars are very rare—part car, part boat—they generate stares and smiles, whether on land or in water. Built in the 1960s in Germany, there are only a few hundred left.

By day, Jakubec works as a manager of The Lube in Austintown, Ohio. But his real passion is finding the cars, motorcycles, artwork and other memorabilia that make The Lube as much a motorsports museum as a restaurant. "No two Lubes are alike, and that's what guests like about it," he said. "There may be some duplicate artwork, but that's it, and we are always changing the vehicles

we have on display."

Jakubec, founders Mazeros and Warren, and franchisees scour swap meets, flea markets, magazines and the Internet for a great find. Some items are purchased, like a Tony Stewart race car on display in Austintown and a Dale Earnhardt, Jr. car on exhibit in Wheeling. Surprisingly, much of it is loaned or donated. "People constantly ask us to put their cars and bikes on display," he said.

Each restaurant has a few thousand items, all tagged and inventoried. Some of the cars are worth more than \$100,000. His favorite? A small-scale, hand-built '57 fiberglass Corvette, one of a few made for dealer showrooms. And there's the Amphicar. "I just happened to stumble across one while visiting a car collector in Youngstown, Ohio," he recalled. "I got lucky. In exchange for displaying the car, we send the owner a few gift cards every month."

With more Lubes opening, he is out hunting for more motorsports memorabilia, with one particular car in his sights. Attention authentic Shelby Cobra owners: Ken Jakubec has some gift cards for you.

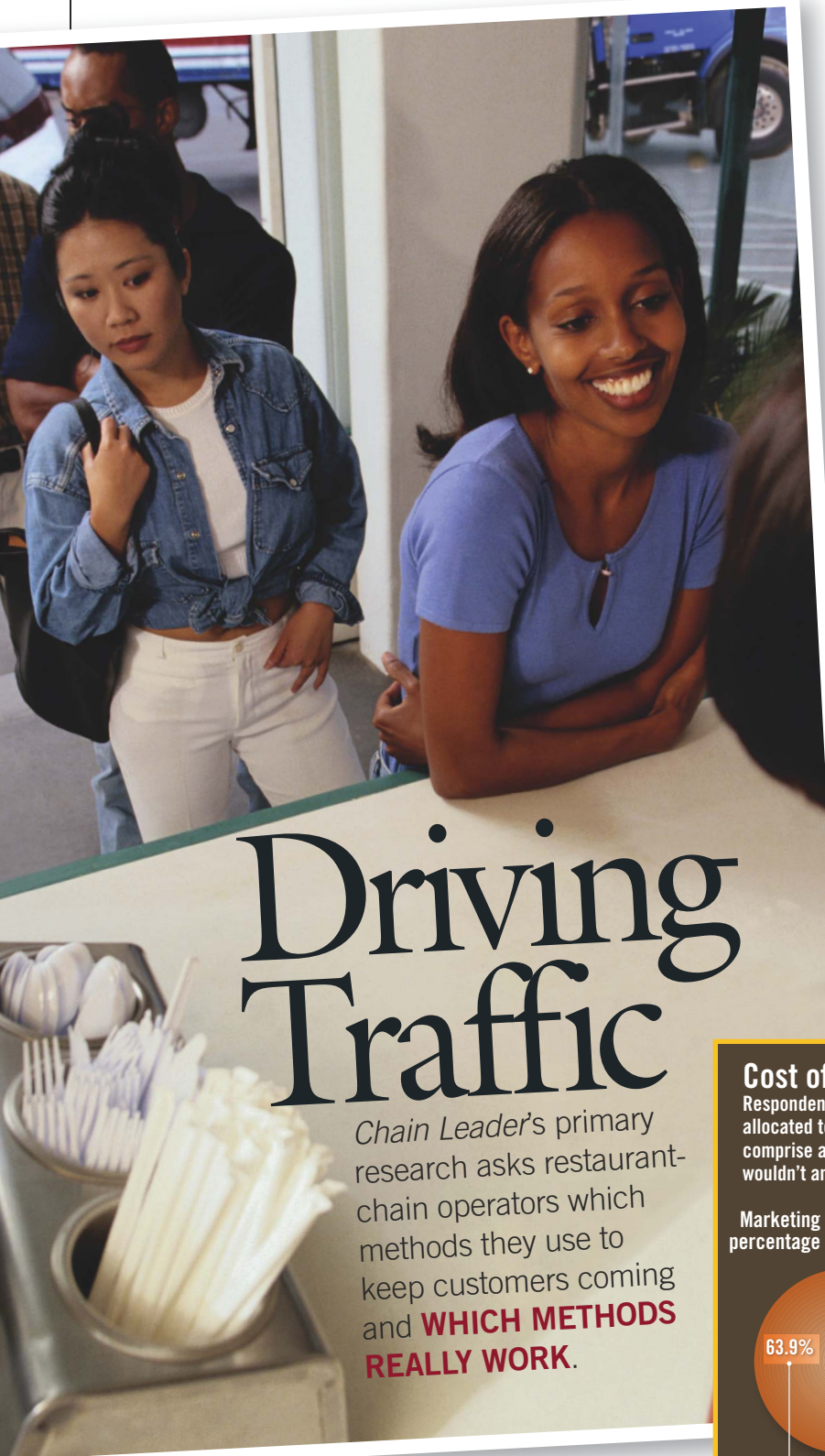
Easy does it! Ken Jakubec (inset) delivers a rare Amphicar to a Lube (above).

WING ONE FOR THE GIPPER

The Lube has won well over 100 awards for its wings, sauces and other menu items.



FIRST PLACE SAUCE – National Buffalo Wing Festival
BEST WINGS – USA National Competition
FIRST PLACE SAUCE – Fiery Food Challenge
BEST CREATIVE TOPPINGS – National Hamburger Festival



Driving Traffic

Chain Leader's primary research asks restaurant-chain operators which methods they use to keep customers coming and **WHICH METHODS REALLY WORK.**

If there is one lesson from *Chain Leader's Driving Traffic* research, it is that restaurant chains are willing to try any number of ways to increase customer counts in their restaurants, because there is no one-size-fits-all solution.

When operators were asked to name their most successful traffic driver, only one, TV advertising, rose to the top—if you can consider 24 percent of respondents the top. Effective methods range from national campaigns to welcoming a classful of students into a restaurant.

To find common themes, *Chain Leader* surveyed 72 restaurant executives with four or more units. Most of the respondents hold a director, vice president or senior executive title in marketing or operations. Of those giving a specific location count of their U.S. restaurants, 27.9 percent have four to 10; 39.3 percent, 11 to 100; and 32.8 percent, more than 100 locations. Forty percent represent full-service concepts; 35 percent, quick-service; and 25 percent, fast-casual.

HOW'S BUSINESS

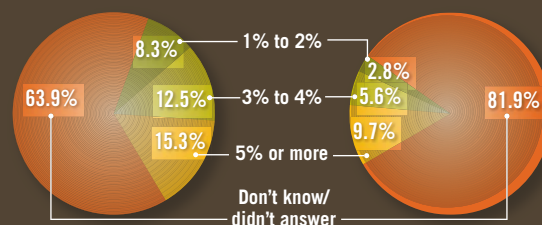
As a starting point to gauge how chains are faring compared to last year, *Chain Leader* asked about customer counts and other measures. Almost three in five, or 57 per-

Cost of Entry

Respondents were asked what portion of their operating budget is allocated toward marketing and what marketing expenditures comprise as a percent of sales. A majority of respondents couldn't or wouldn't answer either question.

Marketing expenditures as a percentage of operating budget

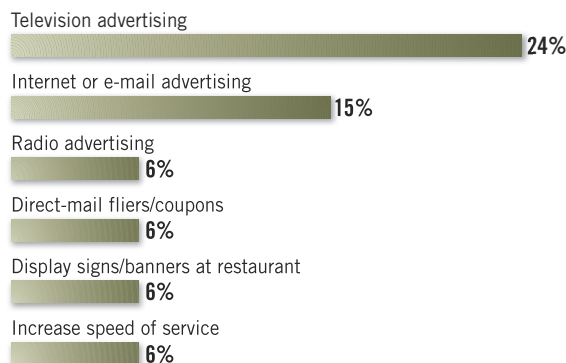
Marketing expenditures as a percentage of sales



Source: Chain Leader 2009 Driving Traffic

What's Working Now

Asked to name which is the most effective of the many methods they use to bring more traffic into their restaurants, more than half (55 percent) named some form of advertising.



Source: Chain Leader 2009 Driving Traffic

cent, report that their traffic counts are down from the prior year, but 22 percent say traffic is up.

While 43 percent of respondents say their per-person check average is down, 31 percent report a higher ticket. This is despite the fact that 42 percent have raised menu prices. Of those who did, the median increase was 3 percent. Forty-six percent of respondents' menu prices stayed the same.

Asked to name their three biggest concerns for this year, 64 percent pointed to increasing food costs, and 58 percent said increasing labor costs. Reduced customer traffic was the third most often cited (by 54 percent of respondents), followed by menu pricing (35 percent) and understanding consumer menu trends (35 percent).

ADVERTISING AGE

Almost all of the respondents (94 percent) use some form of advertising to drive traffic. In fact, when asked which of all the methods they use is

most successful, 55 percent name some sort of advertising (the top methods were TV advertisements, named by 24 percent, and Internet or e-mail advertising, cited by 15 percent as their most effective traffic-driver).

Sixty-two percent of respondents use signs in or on the restaurant to try to build guest counts; 51 percent use TV; 45 percent, radio; and 45 percent, newspapers.

But fully 69 percent of survey respondents use Internet or e-mail marketing. Though an apples-to-apples comparison is not accurate due to changes in methodology, it's worth noting that in the 2008 Driving Traffic research, 26.5 percent said they used Internet or e-mail advertising and 17.9 percent reported beginning to use it or using it more than they had in the prior year. This year, 56 percent of respondents said they started using it or had increased its use.

While 24 percent of respondents said they had increased or started use of

radio advertising, almost the same percentage, 22 percent, said they had reduced or ceased use of radio. Fifty-one percent said they decreased or stopped using newspaper advertising.

When asked what their primary advertising method was, 35 percent said TV and 24 percent said Internet/e-mail.

FOOD FIRST

The traffic-driving category with the highest usage rate is menu changes, with 97 percent using at least one menu method. About 85 percent of respondents update or add to the menu to keep customer counts up. Sixty-three percent feature menu promotions, and 43 percent have

added more-healthful items.

Half of those who use the menu to drive traffic say their primary method is through adding new items. Seventy percent report updating the menu more often than in the past, and 40 percent have begun or increased use of special menu promotions. And 38 percent say they have increased use of healthful menu items as a traffic driver.

PLAYING ON PRICE

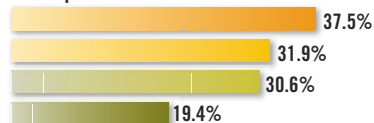
About 93 percent of operators use price promotions to drive traffic. Sixty-one percent report using special discounts for buying bundled or upsized meals; 58 percent say they use direct-mail fliers/coupons; and 34 percent use newspaper inserts (though

The Best Intentions

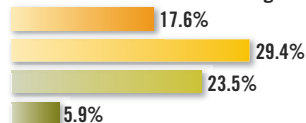
Chains often have different goals in mind when trying to drive traffic. Bases for specific methods are low, so the findings are directional only. Respondents were asked what the goals were of using their most successful method.



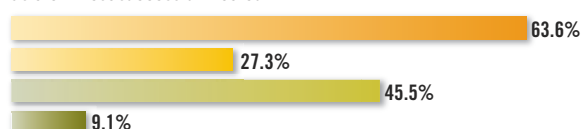
All respondents



Those who chose TV advertising as their most successful method



Those who chose Internet/e-mail marketing as their most successful method



Source: Chain Leader 2009 Driving Traffic

37 percent say they are using inserts less or have stopped using them).

Asked their primary method of price promotion, 27 percent said direct mail and 27 percent said discounts for bundling or upsizing. In addition, 52 percent said they have begun or increased use of bundled meals, and 38 percent have started or increased use of direct mail.

Only about 27 percent of operators say they use frequent-diner programs, but 21 percent say they have started using one or are using it more.

COMMUNITY RELATIONS

Most operators (93 percent) use community involvement to drive traffic: 73 percent support charitable organizations (and 44 percent say they are doing more of that); 56 percent participate in or sponsor local events or sports teams (and 31 have increased participation); and 48 percent support or sponsor school or student activities like field trips or reading programs (39 percent say they are doing this more often than in the past).

While 22 percent of respondents say they are having more special events such as cooking classes or parties in their restaurants, 23 percent say they are hosting such events less often.

SERVICE SELLS

Eighty-five percent of operators say they use service to improve traffic. For example, 68 percent report efforts to increase speed of service, and 44 percent say that is their primary service method.

Forty-eight percent of respondents are working to improve accuracy of orders.

KEYBOARD MARKETING

Seventy-seven percent use some form of electronic customer communication: 58 percent use promotions via their Web site; 46 percent use e-mail messages or newsletters; and 44 percent use social networking sites like Facebook, Twitter and MySpace. Fully 52 percent of respondents have started using or increased their use of social networking.

WHAT'S WORKING

The survey asked chain operators if their most effective method of driving traffic did indeed increase customer visits, and 77.5 percent said it had; 15.5 percent said it had not.

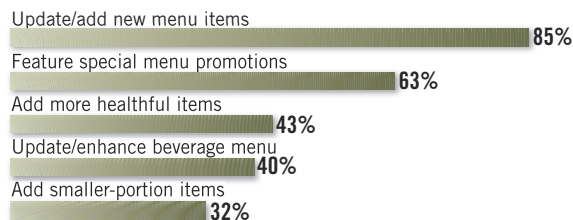
Operators have different goals when trying to drive traffic. For example, 37.5 percent said they were trying to increase visits by frequent diners. Meanwhile, 31.9 percent wanted to attract more of their current demographic; 30.6 percent were trying to increase traffic during a specific daypart; and 19.4 percent were aiming to attract a new demographic.

Different goals lead to different methods used. Of those who said that Internet/e-mail advertising was their most effective method of driving traffic, 63.6 percent were trying to increase visits by frequent diners. And of those who named TV advertising as their most effective method, only 17.6 percent were targeting their own frequent diners.

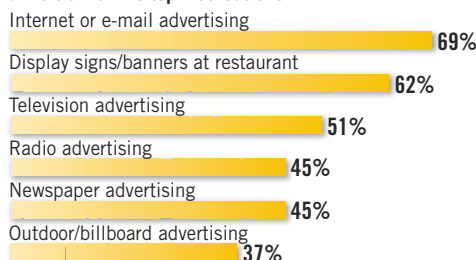
Count the Ways

Almost all, 97 percent, of the restaurant-chain operators responding adjust the menu to increase customer counts.

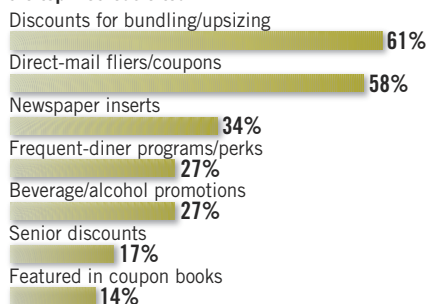
Operators noted these as the top ways:



All but 6 percent of the operators use some form of advertising to drive traffic. The top methods are:



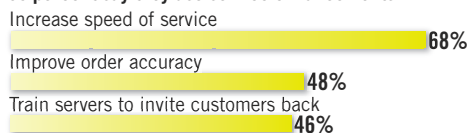
93 percent use price promotions. Of all respondents, these are the top methods cited:



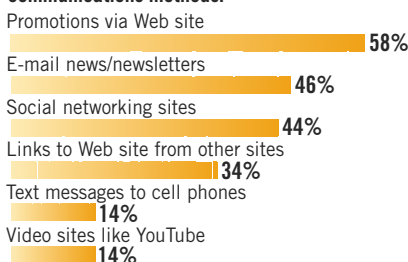
93 percent of respondents use community involvement to drive traffic:



85 percent say they use service enhancements:



77 percent of survey respondents use electronic communications methods:

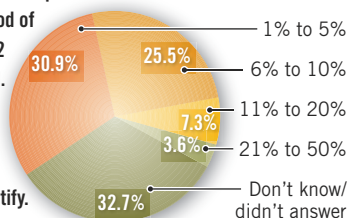


Source: Chain Leader 2009 Driving Traffic

Signs of Success

A majority of the respondents (77.5 percent)

say their most effective method of driving traffic over the past 12 months was indeed successful. 15.5 percent say their most effective method did not drive traffic. Those who saw increases were asked to quantify.

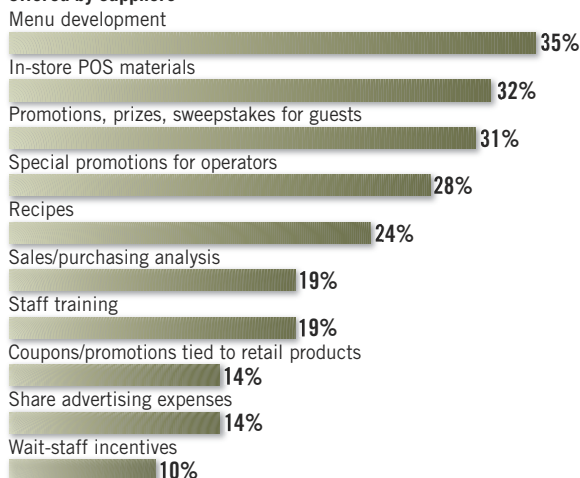


Source: Chain Leader 2009 Driving Traffic

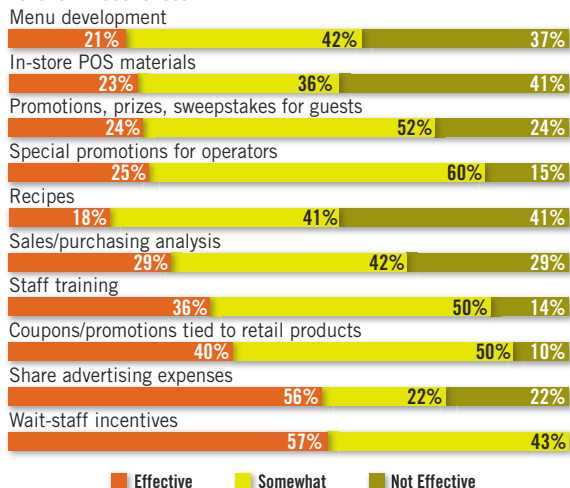
Help from Suppliers

Often, chain operators' supplier partners will offer help to drive customer traffic. The more commonly offered are not always the most effective, according to respondents. This chart shows the percentage of operators who have been offered the service and how effective operators who received each service felt they were.

Offered by Suppliers



Level of Effectiveness



Source: Chain Leader 2009 Driving Traffic

SUPPLY SIDE

Restaurant chains' suppliers often try to help their customers grow business. Asked which methods their supplier-partners had offered them, 35 percent said menu development; 32 percent, in-store point-of-sale materials; 31 percent, promotions, prizes or sweepstakes for restaurant customers; 28 percent, special promotions for the operator; and 24 percent, recipes.

Respondents were then asked how effective those methods have been. While 35 percent of operators have been offered menu development, only 21 percent felt it was effective for helping them to drive traffic, and 42 percent said it was somewhat effective.

On the other hand, 90 percent of those who had been offered coupons or promotions in conjunction with

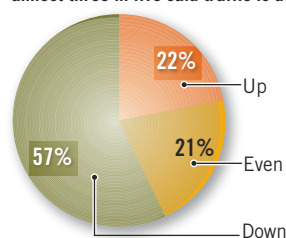
a supplier's retail brand found it at least somewhat effective, but only 14 percent of operators had been offered this method.

Thirty-one percent of respondents had been offered none of these supplier helps, nor could they answer if there were other methods offered by suppliers. Margin-strapped suppliers may be focusing their efforts on their best or highest-potential chain customers.

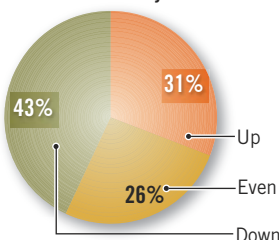
Finally, the survey asked operators to consider those suppliers who were supporting their efforts to drive traffic and note what they were doing better than other suppliers. Common answers included working with the chain operator on ideas, promotions and pricing; and simply consistently delivering what they say they will. ■

State of Business

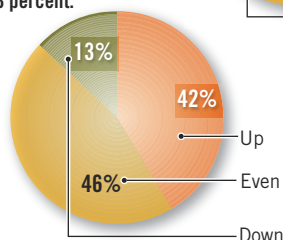
When asked if customer traffic was up or down compared to last year, almost three in five said traffic is down.



Similarly, the greatest percentage of respondents say per-person check average is lower than last year.



Almost half of the operators report that their menu prices hadn't changed. Of those who reported increases, the median change was 3 percent.



Source: Chain Leader 2009 Driving Traffic



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SPECIAL MENUS AND EVENTS

foster creativity, create exclusivity and cater to regional tastes.

Local FLAVOR

While most restaurant chains steer away from site-specific menus, preferring to keep food the same systemwide for consistency's sake, some do like to change things up a bit locally.

In high-end concepts, special menus give kitchen managers and unit-level chefs a chance to get creative. In quick-service operations, they allow for differences in regional tastes or can add a feeling of "only at this unit" exclusivity.

A happy hour menu featuring top selling appetizers like mini bison burgers is available at only a few Ted's Montana Grill locations.



IN ON THE GROUND FLOOR

For example, in August, Burgerville launched its new Tasting Tuesdays program. The promotion gives 150 of its Facebook fans each month the chance to taste-test new gourmet menu items, gratis. To qualify, fans must register to become Very Important Fans (VIFs). Only the first 150 fans to respond each month qualify. The company sends each VIF an e-mail, which the fan prints and brings to a participating Burgerville for a free sample.

October features included the Apple & Peppered Bacon Turkey Club Sandwich, \$4.99; Haute Dog with Apple Slaw, \$3.99; and an Apple Bacon Scone, \$1.89. In September, VIFs tried the Green Chili & Cheddar Egg Biscuit Sandwich, \$2.69, and the Poblano Chicken Wrap, \$4.59.

Burgerville's program is a way for the 39-unit



LOCAL-STORE MARKETING: Shaking Hands, Kissing Babies

In the chain restaurant industry, uniformity is mostly a good thing. But there are times when unit-specific is the way to go.

"It's akin to a political campaign," says Stacey Kane, director of marketing for Rockville, Md.-based California Tortilla. "Unit-specific events and promos give the owner the chance to shake hands and kiss babies."

Drilling down into the culture of specific neighborhoods by tailoring special events to fit each makes promotions better targeted to local clientele. It also alters the same-chain-gang perception by putting a

"face" on individual units, Kane says.

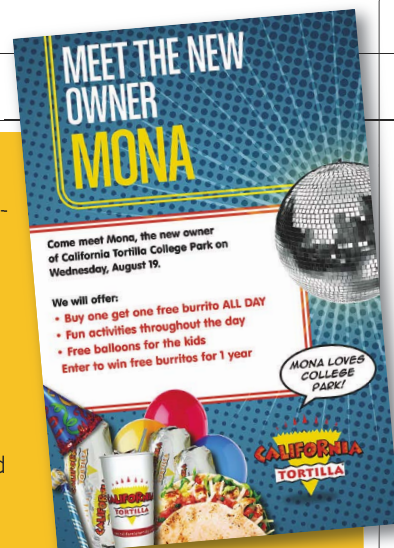
Take California Tortilla's Meet Mona event. The 39-unit chain's College Park store, near the University of Maryland, did a great job of reaching out to students but never got around to marketing to the vibrant local community. This posed a problem, Kane says, as the university is really only in full swing for seven months a year.

When the store recently changed hands, new owner Mona Shah decided to do something about it. Her August 19 Meet Mona event included buy-one-get-one-free burritos, on-site activities

such as a face painter, an appearance by U of M's college mascot, a prize wheel loaded with bounce-back coupons, and a grand-prize chance to win free burritos for a year.

To promote the event, California Tortilla sent messages on Facebook and Twitter and visited local businesses in a two-mile radius to circulate flyers and menus.

Total cost for the promo? Less than \$1,500. Results included net sales double those on the same day of the prior year at the unit, "lots" of new customers and over 200 people added to the store's individual data base.



The Meet Mona event at a California Tortilla unit introduced a new store owner to the chain's customers and brought in new guests as well.

on the web: For more local-store efforts, read "Unit-Level Marketing" at www.chainleader.com.

quick-service restaurant chain to both drive traffic and gain insights. "Tasting Tuesdays' guest feedback is very important to us as we are able to use this as a random sample to gauge our guests' reactions to our monthly gourmet menu offerings," says Burgerville Director of Marketing Cathy Miller. "We've also seen that many of our VIFs stay and purchase additional menu items when they come into the restaurant."

LIMITED ACCESS

Also departing from the systemwide norm, Atlanta-based Ted's Montana Grill put together a happy-

hour menu and program that's only available in a few of its 56 locations. New York has the most developed program.

Corporate Chef Chris Raucci assembled a menu of popular Ted's drinks and appetizers such as the \$7 Salt-n'-Pepper Onion Rings and \$10 Bar None Sliders, five mini bison burgers. He also created one item—Bison-Chili Topped Nachos, \$7—that is exclusive to happy hour. The menu is available to customers Monday through Friday from 3 to 8 p.m.

Piggybacking on happy hour, Ted's has been promoting the New York location as a place to do private after-work parties. The first two groups to sign up were Peter Shankman's Help a Reporter Out networking group and the New York Press Club. "We promoted the HARO event in July via Facebook, letting people know there were only 200 spots," says Gena Weaver, Ted's vice president of marketing. "All of the spots were taken in 10 minutes flat."

She adds that private happy-hour parties might not work well in the suburbs of Wichita, Kan., "but it certainly drove off-peak-hours traffic in New York."

Ted's is thinking about offering the Happy Hour menu at more units. "But right now we're just watching New York to see what unfolds," says Marketing Manager Lee Rankin.

Houlihan's is running its Bed Head Brunch in only eight of units not so much to be exclusive, but because the selected restaurants were best-suited to attract a brunch crowd.



NEW PRODUCT PIPELINE

At its New York restaurant, Ted's Montana Grill rolled a successful happy-hour program into an opportunity to attract after-work private parties.

Leawood, Kan.-based Houlihan's chose to launch brunch in only eight of its 99 units not so much to be exclusive, but because the selected restaurants were best-suited to attract a brunch crowd. Called the Bed Head Brunch, the 12-item menu includes best-selling dishes such as the Ham & Cheese Omelette, \$7.95, with brown sugar and honey-cured ham and sharp cheddar cheese; and the Sweet Potato Pancakes, \$10.95, rosemary potato griddle cakes topped with orange cream cheese, seasonal berries and maple syrup and served with bacon or chicken sausage. The three omelets offered account for about half of brunch sales.

Houlihan's promoted the launch by handing out plastic eggs holding brunch info to bar patrons in each area. It also sent e-mails to local clientele, used in-store signage and posted announcements on HQ, its social networking site with over 10,000 HouliFans. Thus far, Houlihan's says the newest locations—Park Ridge, Ill., Cranberry, Pa., and San Antonio, Texas—are doing the most brunch volume as a percentage of sales, though it won't be more specific.

Showing off some Hawaiian specials, Gordon Biersch ran an Aloha Fridays promotion in three Bay-area restaurants in March.

REGIONAL TASTES

Columbus, Ohio-based Charlie's Grilled Subs has had success with occasional sandwich specials skewed to local tastes. It sold a



Burgerville offers fans the chance to come in and try local-test items such as the Apple & Peppered Bacon Turkey Club Sandwich.

Pepper Steak sandwich in only three New York units for several weeks this summer. Its A1 Bacon Steak sandwich was available only in five St. Louis markets. And its Firecracker Chicken sandwich was designed for Texas and New Mexico.

"When we put out a new product like one of these, it's really to appeal to local tastes," says Betsy Wright, director of marketing for the 382-unit chain. The Pepper Steak sandwich garnered 7 to 8 percent of sales during its New York run.

Similarly, Gordon Biersch Corporate Chef Bill Heckler says customer tastes in three of the chain's 27 locations—Hawaii, New Orleans and Washington, D.C.—dictate some regional menu specifics. "Our crab cake in D.C., for example, has to be made with Maryland crab, even though we use non-Maryland-sourced crab in other units," he says. In New Orleans, desire for French/Creole dishes prompted inclusion of several dishes that are only offered at that location. Customers in Hawaii look for local fish and traditional flavors.

CROSSING REGIONS

To promote Hawaiian menu options, Chattanooga, Tenn.-based Gordon Biersch teamed up with the Hawaii Convention and Visitors Bureau for an "Aloha Fridays" promotion in March. Three Bay-area units participated in the promotion, which featured a Friday-night menu designed by Gordon Biersch's Honolulu-unit chef.

Dishes included appetizers such as Hawaiian Puluhu Beef Sliders (beef patties with caramelized Maui onions), \$9.95, and Hawaiian Poke, marinated fresh tuna with onion, pickled ginger and wasabi, \$10.95. Among the entrees were Guava Ribs with guava-mango chutney, garlic fries and Asian slaw, \$21.95; Five-Spice-Seasoned Pork Loin with black-bean sauce, Hawaiian purple sweet potatoes and garlic bok choy, \$15.95; and Peppered Beef Salad, grilled beef with mixed greens, cucumber, carrot, pineapple relish and Vietnamese citrus-soy dressing, \$11.95.

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KALUA PORK SPRING ROLLS
Crispy spring rolls with slow roasted Kalua style shredded pork and yammy vegetables. Served with sweet chili sauce. 6.95

MACADAMIA NUT CRUSTED MAHI MAHI BITES
Topped with Maui Gold pineapple relish. 7.95

GARLIC EDAMAME
Boiled green soy beans tossed with roasted garlic or traditional style with salt. 6.95

ENTREES

MISOYAKI MAHI MAHI
Grilled to perfection, served with sweet ginger rice and seasonal vegetables. 17.95

FIVE-SPICE SEASONED PORK LOIN
Topped with black bean sauce. Accompanied by Hawaiian Purple sweet potatoes and garlic Bok Choy. 15.95

GUAVA RIBS
Slow roasted ribs glazed with Guava Mango Chutney BBQ sauce. Served with Garlic Fries and Asian slaw. 21.95

PEPPERED BEEF SALAD
Grilled to your liking, served over mixed greens, cucumbers, carrots, and pineapple relish tossed in Vietnamese Citrus Soy. 11.95

DESSERT

BANANA BREAD PUDDING
With Kalua liqueur cream anglaise. 5.95

Guests also had a crack at winning six trips to Hawaii and enjoyed weekly live entertainment from Hawaiian musicians. The promotion was so successful, Gordon Biersch is considering doing it again as a national event.

TAPPING LOCAL SUPPLIES

Local seasonality plays into menu features hosted at New Canaan, Conn.-based Irish pub chain RiRa. David Kelly, owner of the 11-unit concept, says the annual Oyster Fest menu specific to Portsmouth and Portland, Maine, units is a traffic-driver during oyster season, September through October.

Beer and wine dinners are the local draw at Tampa, Fla.-based The Melting Pot. A recent beer dinner at a Columbus location featured brews

from Magic Hat Brewery of Burlington, Vt., and brought in 51 guests at \$45 per person, in addition to regular dining room guests. Similarly, a recent wine dinner at an Arlington, Va., Melting Pot attracted 40 guests at \$69 per person. In each case, Melting Pot Manager of Culinary Development Shane Shaibly worked with the unit kitchen manager and the franchise owner to tweak menus and plan pairings for each fondue course.

Such events give chains the chance to tap into regional suppliers that might be too small for using systemwide, as well as demonstrate local sourcing efforts. ■



A recent wine dinner at an Arlington, Va., Melting Pot attracted 40 guests at \$69 per person.

BIG idea Chicago-based Big Bowl uses social media to get events rolling quickly. “Instead of promoting what’s happening in a few weeks, we can have managers text local-store guests to let them know about an event that’s happening in a few hours,” says President Dan McGowan.

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with a side of SERVICE

More chains are **TOUTING THEIR CUSTOMER SERVICE CHOPS** in social media and other promotions as a way to drive traffic.



When First Watch, the Bradenton, Fla.-based chain of breakfast- and lunch-only spots, was founded, the idea was to bring to those dayparts the emphasis on service that many high-end dinner spots embody. Many of the staff, founders and trainers were hospitality professionals who had worked dinners for years and understood the importance of service but wanted their nights free, says Kevin Hall, the vice president of brand at First Watch. The next step was to figure out how to communicate that commitment to service to its customers.

Many concepts count service as one of their hallmarks—be it QSR or full-service or five-star luxury service. Without it, a restaurant can be seen as a commodity that is interchangeable in the consumer's mind. But some concepts are going the extra step to market their service initiatives as a way to build customer loyalty and drive traffic.

At First Watch, that extra step hangs as a poster framed in the doorway of each unit as well as listed on the back of every menu. These “Inalienable Rights” are a list of 10 promises the chain makes to its customers. Customers are “entitled” to such rights as courteous service, leisurely meals and the ability to share dishes without an extra charge. The poster is used to introduce new customers to the way of life at First Watch, but also to reinforce the elements of good customer service internally, Hall says. “We have this lead in this arena, and we need to always remind ourselves of it,” he adds.

NO FLUKE

Chris Tomasso, chief marketing officer at First Watch, says the in-store reinforcement is an important tool because customers who come in once and experience a heightened level of service think it is a fluke. They come back three or four times before they realize that attentive visits by the wait staff, no extra charges for egg white-only substitutions, and encouragement to stay and read the (free) paper and use the (free) WiFi are part of the package, he says.

“Service is a hard thing to communicate in black and white, unless you do things like put out clocks [to time delivery], and we do not

First Watch puts its “Inalienable Rights” of customer service on the menu for everyone who dines at the breakfast- and lunch-only restaurant to see.

SNAPSHOT

Concept First Watch
Headquarters
 Bradenton, Fla.
Units 81
2009 Systemwide Sales \$85 million*
Average Check \$8.40
Expansion Plans
 4 to 6 units in 2010

*Chain Leader estimate





GETTING OUT

Kunkel thinks in-house activity is the best way to demonstrate service, but the chain does have ways to generate buzz outside its walls. It displays a banner at the arena during Miami Heat basketball games with the chain's logo and Web site. The comprehensive Web site underscores the corporate culture of service, Kunkel says, as does sponsoring charity events and displaying similar signage.

"We don't try to flood people [with information] in an ad," he says. "We try to keep things very simple."

Some Lime Fresh restaurants saw growth of as much as 10 percent to 13 percent this year, and even slow-movers saw single-digit increases, so consumers are responding to the higher level of service. Kunkel believes that training staff to recognize and greet customers, and requiring franchisees to be the "face of their store" and work the front of the house engenders repeat business. Regular Lime customers dine there as often as three or four times per week. "Everybody wants to have the 'Cheers' mentality," he adds. ■

want to do that," Tomasso says.

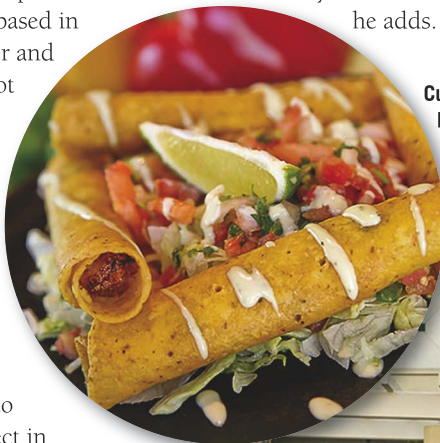
While the 81-unit chain does not advertise or market a lot outside of the four walls of the restaurant, it reinforces this messaging on its Web site and through social media such as Facebook and Twitter. Other efforts are typically grassroots campaigns focused in the two- to three-mile radius around each store.

SOUTHERN COMFORT

Lime Fresh Mexican Grill wasn't facing the day-part dilemma that First Watch faced, but it was in a similar situation with its emphasis on service. The five-unit chain is based in South Florida, a region founder and CEO John Kunkel says does not have a tradition of customer service (perhaps due in part to rapid turnover of staff).

"I joke that we have become superstars [in service] by grading on a scale down here," Kunkel quips.

While customers order and pay for their food at the counter, Lime Fresh has tried to raise the customer service aspect in the fast-casual environment. The restaurants typically have a decent-length line. So front-of-the-house wait staff carry remote registers. They can ask customers if they'd like another beer or dessert, and then ring it up at the table so the customer doesn't have to wait in line again. The chain's average check is \$17 per transaction, something Kunkel attributes in large part to this additional service amenity.



Customers who want seconds at Lime Fresh Mexican Grill don't have to wait in line to place another order. Wait staff with remote registers can handle the additional sales.

SNAPSHOT

Concept Lime Fresh Mexican Grill
Headquarters Miami
Units 5
2009 Systemwide Sales \$10 million (company estimate)
Average Check \$17
Expansion Plans 5 units in 2010



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Frozen dessert chain Tasti D-Lite has a menu of 100 flavors, but only four to six are served daily. Until last year, that meant customers had to call or drop by one of the 50 stores to see if their favorite flavor was on tap.

To make life, and frozen treats, easier for guests, Franklin, Tenn.-based Tasti D-Lite created a technology platform that lets guests sign up for e-mails or text messages describing the day's offerings at their favorite location.

About 2,000 guests use the alerts to keep track of what's being served. "They have fun with it, too," says BJ Emerson, director of information and social technologies for Tasti D-Lite. "People sometimes respond to e-mails and say, 'Woo hoo, Cake Batter is on the menu,'" he says. The technology investment companywide, he adds, ranged from \$5,000 to \$10,000.

Technology that spots gaps in service and then helps fill those gaps provides a crucial competitive edge. "Anything a retailer or restaurant can do to add some kind of convenience is essential," says Kate King, a lecturer in marketing at Butler University in Indianapolis. "Saving them time is important, making things simpler in terms of effort is important, saving them energy is important," adds King, whose research specialty is consumer behavior.

King cautions that technology can only be part of a service strategy. "The customer-facing moment is the moment of truth," she says. She cites her own use of technology: King is a fan of Chipotle's smart-phone ordering application, "but if I go into Chipotle and they treat me badly or my order's not ready, all the technology is for naught."

ALL TOGETHER NOW

The Melting Pot, a Tampa, Fla.-based chain of 145 full-service fondue restaurants, is stepping up its survey efforts to improve the customer experience.

In January, The Melting Pot will merge two sources of customer surveys—its Web site and a site operated by its survey provider—to more efficiently collect and process information.

Merging the sources "will incorporate all our guest feedback into one system," says Mike Lester, vice president of operations. One system will make less work for franchisees and also save the time it takes to compile data from two sources, he says.

The merge cost \$1,000, basically the cost of a new, shorter survey, Lester says. The new survey is based on one that The Melting Pot launched at the end of 2007, at the cost of about \$4,000 and a per-restaurant subscription fee of \$40 a month.

Both pose questions about food quality, service

Tasti D-Lite sends customers e-mail alerts when their favorite flavors are being served. The company has a menu of 100 flavors, only four to six of which are served daily.

Vapiano's zero-balance chip card enables customers to control their own experience—no need to wait for servers.



Survey data helped Melting Pot make a menu change that resulted in an 8 percent jump in service scores.

and whether the guest plans to return or recommend the restaurant, and asks guests to rate each aspect of service on a one-to-five scale. The Melting Pot received 76,000 completed surveys last year, most of which revealed that pace of service and taste and quality of food are most important to customers' dining experience.

"When guests rate both of those with the highest rating possible, they are 98 percent likely to recommend the restaurant and 96 percent likely to return," Lester says.

The Melting Pot has changed both service and the menu based on guest suggestions. For instance, guests complained that the menu, which formerly offered three fondue options, was difficult to navigate and that it took servers too long to explain. In a test in its four Tampa-area company restaurants, it removed one of the fondue options. As a result, the number of "5" scores on service pacing jumped by 8 percent.

The company also replaced a ravioli dish, which Tampa guests decidedly did not like, with another dish before rolling it nationwide, Lester

Melting Pot responded to customer surveys by streamlining its menu; customers responded with an 8 percent increase in top service scores.



says. "Our guests are logging in and telling us, 'We liked this; we didn't like this,'" Lester says. "It gives a gauge of what we need to do before we launch nationally."

ANOTHER OPTION

In May, fast-casual Mexican chain Costa Vida made it easier for customers to provide feedback by creating an iPhone application.

"iPhone is a platform that has people really excited about technology—there's novelty to it," says Nathan Gardner, CEO of the 22-unit chain based in Salt Lake City. "It's one more access point that the customer has to give us feedback."

The survey, hosted by a third party, asks guests to rate satisfaction and other generic items on a one-to-five scale. When customers rate an aspect of their experience lower than a "4," the survey asks for details.

Those details revealed an issue with service: Once customers ordered and paid for their meals, the service aspect stopped. To remedy this, each restaurant now has an employee patrol the dining room to get drink refills "and have more of an interaction with guests," Gardner says.

Survey data also prompted some retraining on the food makeup line. Employees now look up at guests when they're preparing food and are encouraged to communicate more, for instance asking which type of beans they'd like.

Gardner is so pleased with the iPhone results that he's applied for an iPhone application for online ordering. The application is awaiting approval; he expects it to be functional by the end of this year.

CUSTOMERS IN CONTROL

Vapiano, a European chain with six U.S. locations, uses chip-card technology to reinforce its service angle: control.

Hassle-Free Loyalty

Fans of Atlanta-based Wing Zone no longer have to worry about getting a card punched to redeem their frequent-diner points. The chain's POS system does the math for them.

The chain's new Loyalty Zone, launched earlier this year, keeps track of customer purchases. When they order five times, they automatically get \$5 off their order. "The receipt lets them know where they stand," says Adam Scott, chief financial officer at the 100-unit, quick-service chain. "They get to their reward pretty quickly."

Previously, customers had to order 10 times to get 10 free wings, purchases that were tracked via a punch card, Scott explains. Wing Zone's POS provider developed the program necessary to make the switch, and the change was communicated to customers via the Web site, point-of-purchase materials and an e-mail marketing campaign.

The club has 50,000 members nationwide; customers are enrolled automatically the first time they order, unless they don't want to reveal their phone numbers.

So far, reaction has been positive, Scott says. "They don't have to punch cards—we do everything for them."





"The customer controls the whole stay by himself," says Martin Luible, managing partner at Vapiano's Fort Myers, Fla., location. "That's the overall idea of a chip card."

The upscale, fast-casual concept features pasta, pizza, salad and dessert stations, which customers navigate on their own using a zero-balance chip card.

Employees at each station load the card with the dollar amount of the customer's purchase. At the end of the meal, the customer presents the card at a checkout counter, pays and leaves.

The chip card has been a Vapiano fixture since the first restaurant opened in Hamburg, Germany, in 2002. The card is part of the POS system; hardware and software together costs between \$60,000 and \$80,000 per store, Luible says. Vapiano is experimenting with the idea of offering a prepaid card to regular guests. If it pans out, the loaded cards will launch within the next 12 to 18 months, he says.

The only drawback? Hostesses must explain the chip card to new customers, Luible adds. However, "if you explain, they understand fast," he says. ■

Costa Vida customers can provide feedback on the food and experience via an iPhone app.

BIG idea Costa Vida's iPhone survey application is so successful that the chain has applied for an online ordering app.

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	Average No. Copies Each Issue During Preceding 12 Months	No. Copies of Single Issue Published Nearest to Filing Date
A. Total number of copies (net press run)	16,617	15,928
B. Legitimate paid and/or requested distribution		
1. Outside-county paid/requested subscriptions stated on PS form 3541	12,758	11,682
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3. Sales through dealers and carriers, street vendors, counter sales and other paid or requested distribution outside USPS	38	18
4. Requested copies distributed by other classes mailed through the USPS	0	0
C. Total paid and/or requested circulation	12,796	11,700
D. Nonrequested distribution		
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4. Nonrequested copies distributed outside the mail	192	200
E. Total nonrequested distribution	3,206	3,638
F. Total distribution	16,002	15,338
G. Copies not distributed	615	590
H. Total	16,617	15,928
I. Percent paid and/or requested circulation	79.97%	76.28%

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Expansion in an Improving Economy

The improving economy presents a mixed market for franchisors. Positives include readily available labor and real estate, but negatives range from a still-tight credit market to a diminished underlying asset base.

"Those things working against each other have created growth in businesses that have lower levels of investment," says Mark Siebert, CEO of Homewood, Ill.-based consulting firm iFranchise Group. "There are more prospective franchisees out there, but their access to capital remains limited."

Q: How does franchising affect today's economy?

A: After Sept. 11 and the Internet bubble burst, franchising essentially led the economy out of the recession. In terms of jobs, payroll, economic output and number of establishments, franchises outperformed the rest of the economy. The same thing is starting to happen now, because high unemployment actually helps drive franchise sales: Jobs are few and far between,

so many people are looking to franchising to go into business for themselves.

Q: What kind of financing makes that possible?

A: Local lending is taking on a more prominent role. It's still a

very tight credit market, so it's more difficult for franchisors to raise the debt capital for their franchisees. Their preferred-lender programs are not getting anywhere near the play they got two years ago, so they're turning to their own local lending institutions.

Q: How does that affect franchisors?

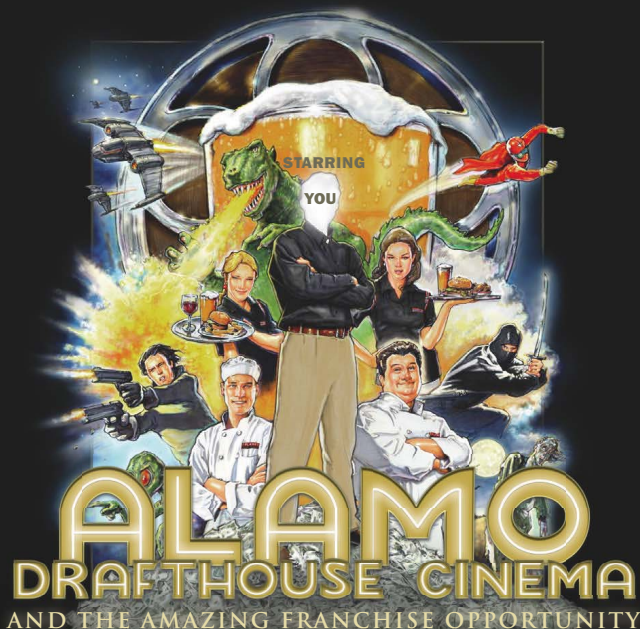
A: The market is trending toward lower-cost investments. Investments below \$500,000 are getting more play today; below \$300,000 is even better.

Q: So why not wait until restrictions ease up?

A: Revisit every component of your initial investment—from your equipment package to your décor and everything in between—and ask yourself whether it's cost-efficient. When credit is flowing easily, people don't pay as much attention to what's going into the unit-level investments, which often results in unnecessary fluff. A lot of that ends up getting cut in a tight environment like today.

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As the snow begins to fall, Beverage Director Blake Rohrabough is adding “darker flavor” cocktails to the drink menu at Bar Louie.



Bottoms UP

Bar Louie's Blake Rohrabough talks about the recession's effect on bar-beverage trends.

In 2003, when Beverage Director Blake Rohrabough joined Bar Louie, the Glenview, Ill.-based chain had just nine units. It has since added 43 and now totals 52 restaurants in 17 states. Rohrabough, who describes the concept as a “hip, laid-back neighborhood bar” with a 50-50 food and beverage sales mix, talks about blunting the recession with promotions, getting help from vendors and winter drink trends.

What effect is the recession having on bar-beverage consumption at Bar Louie?

We actually have seen an increase in liquor and beer sales. We don't do much in wine sales: only 3 to 5 percent. We've seen some trade-down from higher-end stuff to more value-priced stuff.

What kinds of deals or promotions have proven effective in maintaining sales?

A staple of ours for four or five years has been dollar-burger night on Tuesday nights, using our regular 8-ounce burger. In August and September we did \$1 beer promotions, including 7-ounce bottle nights on Friday and Saturday. We always try to have something for everyone.

Let's talk about beer for a moment. Are sub-premium beers now more popular than craft beers?

Yes and no. It depends on the area. We have three locations in Denver, and those people are not giving up their craft beers anytime soon. We have seen some trade-down or people buying less of these beers. Instead of drinking five craft beers, they have two or three.

As we move into colder weather, what kind of drinks will you promote?

We always do some seasonal drinks. We'll put additional cocktails out there for December and January that don't necessarily have a holiday theme but a winter theme. The winter always reminds me of drinking whiskey by the fire. So we will capitalize on that and use the darker flavors.

How do vendors help your staff understand beverage trends?

We always ask them, “What are your three hottest products?” They have the materials, and it's beneficial for them to get it into our hands. They also go into Bar Louie and do tastings. We work with wine and beer guys who do amazing things. They go in three or four times a month and educate them on every beer we have.

Describe your day-to-day responsibilities.

They sometimes change from day to day. The big thing I do is try to get consistency across the concept. I make sure that if you go to a Bar Louie in California you get the exact same dirty martini you're going to get in Florida. Also, I provide information and training.

What qualifies you to be Bar Louie's beverage director?

I have been behind the bar for the better part of 15 years, starting in college bars. I started with Bar Louie as a general manager and then became a district manager for three years. I did all the bar training. We never had a bar director position, and as we started expanding I flew right into the position. I have a good feel for the concept. ■

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

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