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strategic partners.  
PAGE 16

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**locally sourced**.  
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Controlling **energy  
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PAGE 36

# All for ONE



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# Consumers Are Still CUTTING BACK

Many Americans are still seeking small ways to save money, including buying lunch out less often.



**T**he economy is turning around, according to what one hears from economists and the White House. But according to recent research from The Harris

Poll, most Americans aren't behaving as if they believe things are getting better. For example, almost two-thirds of Americans have bought generic brands in the past six months, and another 12 percent have considered it.

Late in January, Harris Interactive surveyed 2,576 adults to ask them what they are doing or considering doing to save money. Forty-five percent said they are brown-bagging lunch instead of purchasing it, and another 8 percent have considered that option. Similarly, 21 percent

have stopped purchasing their morning coffee, and 6 percent more have considered that.

Other methods of cutting costs include going to the hairdresser less often (39 percent of respondents have done that), switching to refillable water bottles instead of purchasing bottled water (34 percent), and cancelling magazine subscriptions (33 percent).

The report notes some generational differences in spending and saving. For instance, Gen Xers (those ages 34 to 45) are more likely to pack their own lunch (56 percent). They are also more apt to cut back on hair styling (43 percent). Matures (those 65 and older) are more likely to cancel a magazine subscription (45 percent), and echo boomers (ages 18 to 33) are more likely than other groups to cancel their landline service and only use their cell phone. ■

## SMALL THINGS ADD UP

Harris Interactive asked, "Have you done or considered doing any of the following over the past six months in order to save money?" Percent of all adults saying "have done," by age.

	Total	18 to 33	34 to 45	46 to 64	65+
Purchasing more generic brands	63%	60%	66%	63%	61%
Brown-bagging lunch instead of purchasing it	45	51	56	46	20
Going to the hairdresser/barber/stylist less often	39	39	43	38	35
Switched to refillable water bottle	34	40	37	31	28
Cancelled one or more magazine subscriptions	33	24	31	36	45
Cut down on dry cleaning	22	18	24	21	27
Cancelled or cut back cable television service	22	24	26	22	14
Stopped purchasing coffee in the morning	21	25	27	19	14
Cancelled a newspaper subscription	19	16	20	20	20
Changed or cancelled cell-phone service	17	19	20	17	11
Cancelled landline phone service, only using cell phone	15	20	16	15	6
Begun carpooling or using mass transit	14	26	16	7	4

Source: The Harris Poll

**ON THE WEB:** For more information about The Harris Poll, visit [www.harrisinteractive.com](http://www.harrisinteractive.com).





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## ON THE COVER

### All for One

How do restaurant-chain operators build teams and, importantly, retain them? Executives use preshift meetings, problem-solving exercises, social events and more. Corner Bakery Café, for one, has found that teamwork grows around goodwill.



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By David Farkas

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By Margaret Littman

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Team-building is a critical part of a restaurant's—and thus a chain's—success.

By David Farkas

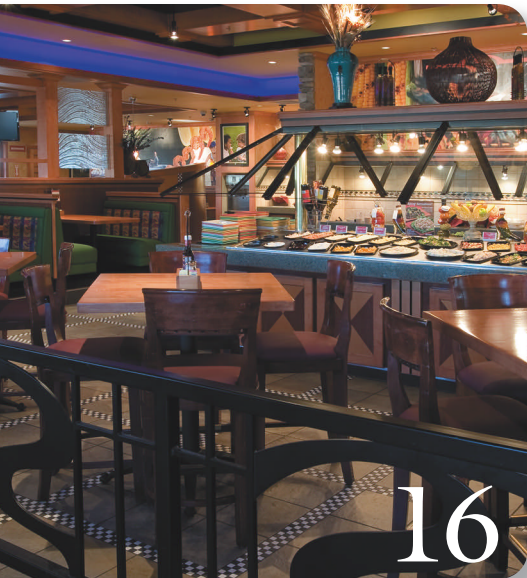
### Cause Plus

At Corner Bakery Café, doing the right thing is not only a goodwill-marketing effort but an employee-retention tool.

By Mary Boltz Chapman







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Tension often rules franchisor-franchisee relationships. Attorney J. Michael Dady complains that restaurant-chain discounting ruins franchisees' profits and insists more disclosure would keep franchisors honest.



## FEATURED PODCAST

Seasons 52 President Stephen Judge discusses some of the operational practices of the concept and the ways it gets support from its parent company, Darden Restaurants.

## BLOG BYTES

- David Farkas shares a report showing restaurant sales may be on the rebound
- Marketing veteran Karen Brennan's cabin fever is due to winter and recession
- On the Spot checks out new television advertising

## OPERATOR POLL

Two-thirds of chainleader.com visitors said that from their perspective, business in 2010 is looking good. About 19 percent expect more of the same. Next up: Which is the better brand strategy: focusing on the core or brand extensions?

## PLUS

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# Working Undercover

**I**wish more of the solutions the executives on “Undercover Boss” came up with were going to help their whole company. It’s awesome that Hooters President Coby Brooks gave a stressed-out general manager a free vacation. But what about all the other stressed-out general managers? White Castle’s Dave Rife brought a supervisor and employee together to work out their differences, but how does that impact other manager-staff relationships?

**We all can learn from a different perspective, honest feedback and reminders of what life was like in previous positions.**

## EDUCATIONAL TELEVISION

If you haven’t seen “Undercover Boss,” it’s a CBS program where company executives work several, mostly lower-level, positions in their organization. At the end, they reveal their secret identities, share what they’ve learned, and reward or admonish the people they worked with.

I’ve been enjoying the show, even though I suspect that some of the scenarios are staged. Nevermind that, because the execs seem sincere in wanting to help the employees and their business.

You really have to give them props for rec-

ognizing that the exercise would benefit them. And even if some of their televised solutions won’t be helpful companywide, they will use those experiences to inform future solutions.

You, too, can go undercover, and you don’t have to wait for CBS. I know a lot of chain leaders who work periodically in units anyway. In fact, some require it of all their direct reports. Just do it as a different person to get a different perspective and some honest feedback.

## BEEN THERE, DONE THAT

I know some of you are saying, “I grew up in the industry. I know what it’s like in the trenches. I don’t need to do that.” I have a little story for you. I interviewed the president of a chain in one of his units. He boasted that he worked his way up and still was an operator at heart. His résumé bore that out, and I even saw him discreetly pick up some trash from the dining-room floor. But when I walked into the cluttered ladies room, I knew that he hadn’t communicated his attention to detail to his entry-level employees.

There are others who are in their restaurants so often that you would be recognized no matter how were disguised. Good for you! Then you should recruit someone you trust—your brother-in-law, the director of accounts receivable, the kid who lives next door—to go undercover for you.

We all can learn from a different perspective, honest feedback and real-life reminders of what life was like in previous positions. And I’ll bet you’d find ways to help the individuals you are touched by and the company as a whole. ■

# BIG ideas

**“Some of the bravest and the best men of all the world, certainly in law enforcement, have made their contributions while they were undercover.”**

—Thomas Foran, prosecutor in Chicago Seven trial

**“The best executive is one who has sense enough to pick good people to do what he wants them to do, and self-restraint enough to keep from meddling with them while they do it.”**

—Theodore Roosevelt

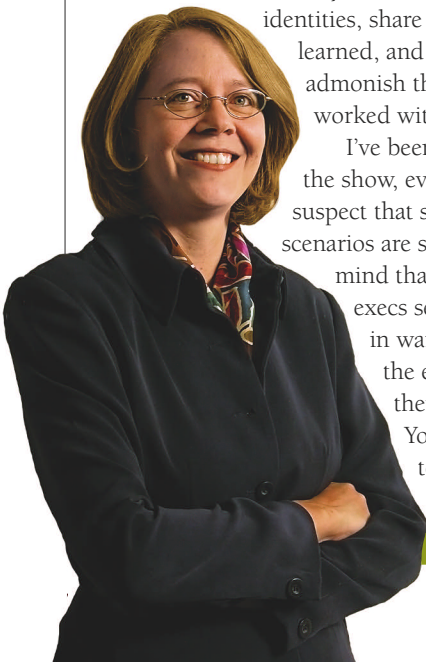
**“The man who knows how will always have a job. The man who also knows why will always be his boss.”**

—Ralph Waldo Emerson

**“The employer generally gets the employees he deserves.”**

—Walter Raleigh

*Mary*  
Mary Boltz Chapman  
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## Fast Food Gets its Props

A majority of fast-food chains have improved consumer ratings in 2009 over 2008. According to research firm Sandelman & Associates, 69 percent of the 140 chains monitored had a higher overall “excellent” rating in 2009 than in 2008.

Regional brands continue to get the highest customer-satisfaction ratings. For example, West Coast cult favorite In-N-Out Burger, based in Irvine, Calif., received the top spot; 62 percent of customers rated their last visit “excellent” overall. Las Vegas-based sandwich chain Capriotti’s scored an extremely close second.

The Top 10 chains rated “excellent” overall in Sandelman & Associates’ Quick-Track study are:

Chain	% “excellent” overall rating for last occasion
1. In-N-Out Burger, Irvine, Calif.	<b>62%</b>
2. Capriotti’s, Las Vegas	<b>62</b>
3. Chick-fil-A, Atlanta	<b>59</b>
4. Raising Cane’s, Plano, Texas	<b>57</b>
5. Panera Bread, St. Louis	<b>57</b>
6. Pei Wei, Scottsdale, Ariz.	<b>56</b>
7. Giordano’s Pizza, Chicago	<b>55</b>
8. Cafe Rio, Salt Lake City	<b>55</b>
9. Idaho Pizza Company, Boise, Idaho	<b>54</b>
10. Penn Station, Cincinnati	<b>53</b>

“Fast-food chains are better at meeting consumers’ wants and needs in these trying times,” says Bob Sandelman, CEO and founder of San Clemente, Calif.-based Sandelman & Associates. “The chains have focused on improving both quality and value.”

The ratings are based on the firm’s quarterly syndicated Quick-Track research, which tracks attitudes, awareness and usage for the restaurant industry. Quick-Track surveyed more than 90,900 quick-service restaurant users in 78 U.S. markets during 2009.



From left, David McCabe, Cornell University Senior Lecturer Stephani Robson, Sheila Laderberg, and Jeffrey Sloan.

## EMERGING CHAIN

# Punk's First Year

**H**ow important are school projects? Ask Jeffrey Sloan, Sheila Laderberg or David McCabe, who together developed a restaurant concept for a graduate-level class at Cornell University. Today, they are partners in Punk's Backyard Grill, a fast-casual concept the trio introduced to classmates in 2005.

With a year of business behind them, the trio is now seeking a second site. It will likely be outside of Annapolis, Md., where the first restaurant opened in February 2009. *Chain Leader* Senior Editor David Farkas recently grilled General Manager Laderberg, 29, who like her partners earned a master's degree in hospitality management, about Punk's Backyard Grill's first 12 months.

### Why did you settle on this particular format?

We wanted a fast-casual concept because we saw it was a growing segment of the industry. Our research supported that. We chose the backyard-cooking concept because we couldn't find that anywhere else. When we were coming up with ideas, we asked ourselves: “What are the dining experiences people know and love but can't really find in the industry?” There's nothing more representative of

what people actually do in their backyards than cooking out.

### What were your biggest operational issues this past year?

We didn't have many, because we had so much time to plan everything. We worked with Cini-Little on kitchen design and chose pieces of equipment based on the actual *mise en place*. Same goes for the labor model. We made only small changes and nothing major.

### What marketing efforts did you make in the first year to get the word out about the concept?

As a brand-new concept, our biggest challenge was getting awareness. We focused mostly on PR. We work with a public relations firm to generate marketing ideas. We pushed hard to get as much press as we could and were fortunate to get some prior to opening and to be reviewed early and favorably.

### What are your expansion plans for this year?

We are looking to expand into the D.C. area. We're working with brokers yet haven't aggressively pursued anything. One consideration is how the model would have to adapt to a different location. If you have a great spot in D.C., for example, you won't have parking. ■

## UNDER NEW OWNERSHIP

# Pasta Pomodoro Returns to the Core

**P**asta Pomodoro CEO Matthew Janopaul won't describe the December 30 deal that landed him and his partner, CFO Girish Satya, the San Francisco-based restaurant chain. But he'll happily share details about what attracted him to the 34-unit casual-dining concept, which had once been 45 restaurants strong.

### ON THE PLUS SIDE

Janopaul says that what attracted the pair to the concept was its endurance. "The fact that this company has had 15 years of longevity in one of the most demanding markets from a consumer-food standpoint said there was something here," he says.

Three things about Pasta Pomodoro set it apart. "One, it offers great value to customers," Janopaul says. "Number two, there's a high degree of authen-

ticity in the culinary offering. And its demographics are clearly focused on families and empty nesters."

In due diligence, the investors looked at week-over-week, month-over-month and year-over-year comps, which made them believe at the end of 2009 that the economic cycle had bottomed out. They determined that chains focused on value in casual dining were faring much better than broader-based casual-dining concepts.

### REAL-ESTATE REVIEW

While the terms of the deal were not disclosed, Janopaul says Pasta Pomodoro was fairly valued. "We valued the company based on its real-estate value," he says. "The concept and its potential for growth in the Bay Area and outside of the Bay



Area—if we franchise in other areas—was all upside for us. I'm talking now more in a figurative sense here. The company's core real-estate portfolio had some amazing locations."

After examining all of the restaurants' leases, the company may not renew all of them. It intends to spend this year refining the brand, "so by the end of the year we can start looking at expansion real estate," Janopaul says. ■

**Pasta Pomodoro's new owners, CFO Girish Satya and CEO Matthew Janopaul, expect to begin expanding the concept in 2011.**

## BLOGS

## TALKBACK

## WEBCAST

## Resourceful Thinking

One of the corporate values Wendy's/Arby's Group sees as the foundation of its success is a responsibility to make the world better. Director of Energy Walt Taylor explains in a recent webcast that energy management is one way to live that value. Here are some of the steps the company has taken:

- Installing energy manage-

ment systems that allow the chain to monitor and control systems and lighting at the restaurants, reducing electricity and gas use.

- Providing operators with quarterly energy-use reports that compare units by region, pointing out anomalies and best practices.

- Working with the design and engineering team to

spec high-efficiency HVAC systems, pre-programmed thermostats, automatic lighting controls and other energy savers for new restaurants.

- Striving for and achieving silver certification in Leadership in Energy and Environmental Design from the U.S. Green Building Council.

- Communicating with

company management, store operators and employees to show the need to conserve and how their efforts help.

The full "Sustainability: Best Practices in Energy & Water Management" webcast, where Taylor explains Wendy's/Arby's efforts in detail, is available on demand online at [www.chainleader.com](http://www.chainleader.com).



## ON THE MONEY

# Strong Regional Chains Have the **Upper Hand**



**“Yes, the sky is falling. But there will be companies that distinguish themselves and emerge with major victories in this market.”**

**—Craig Weichmann**

**S**trategic consultant Craig Weichmann of Brazos River Advisors in Dallas believes this year is pivotal for restaurant chains. The former Wall Street analyst says strong regional players will thrive while debt-burdened national chains risk trouble that may lead to a bottom-feeding frenzy. He spoke to *Chain Leader* Senior Editor David Farkas about opportunities for chains and their financiers.

## Has the weak economy dampened the enthusiasm of smaller restaurant chains?

What I'm finding is that the movers and shakers who are developing new regional brands will find this market setback a significant opportunity to differentiate themselves. The market cycle is hard on all operators, but the brands at the top will surface as winners at the end of the cycle.

## What types of opportunities are you talking about?

A [regional restaurant chain] I know of was trying to develop properties in the Dallas-Fort Worth market. They'd meticulously drawn circles around different areas and said, "We want to put a unit here." But when they arrived, they couldn't find a conversion. Then they did a novel thing and asked a third-party to approach open restaurants. The third-party did and negotiated a deal. It's an example of a strong regional brand using an unconventional approach to go the next level.

## What is the expansion outlook for these regionals?

The constraining factor is the financial resources they can bring to the table. The desire to expand may be there, but if they are not internally developing funds, where will the capital come from? We have a shortfall in capital availability.

## But aren't some funding sources loosening up?

There are a few banks coming back. For example, AIG called me recently saying, "We have funds to invest." They mentioned they can do loans of \$2 million to \$10 million.

## On the flip side, what will it take in terms of restaurant closings to spur growth?

To hasten health back into the system, the quicker we can purge, the better it will be for everyone. But the process has been very slow so far, and not much has been scraped off yet. Ideally, if we saw something over a 5 percent absolute decline, the universe of survivors would get very healthy again.

## Is it realistic to expect such a decline?

The bank lenders and the General Electrics of the world would have to take a tough stance on loans that are way out of covenant. And that may yet happen. They have to get their portfolios healthy.

## What would be the implication for buyers of restaurant companies?

Right now, there are a large number of bottom-feeders. If cash was king, cash is now emperor. Capital is in short supply, and these buyers believe they are emperors and can dictate terms. I want to buy a deal at 3.5 times and 4 times [ebitda]. The problem is when deals are priced that way, ebitda is dropping like a stone and you don't know where the bottom is.

## Yet isn't there talk about companies going out at high multiples?

Some deals at the moment are breaking the norm. My understanding is that Papa Murphy's is a niner [selling at 9 times ebitda]. How does that happen? Well, that's the price, and we will see anomalies like that. ■

**IN THE WORKS:** Weichmann says private equity will be restrained after paying high multiples for restaurants.



## TWITTER'S GROWTH Nothing to Tweet At

A recent survey of Fortune 500 companies shows their use of blogs, online video and podcasts continues to increase, but Twitter was the social-media channel of choice in 2009.

"The Fortune 500 and Social Media: A Longitudinal Study of Blogging and Twitter Usage by America's Largest Companies," conducted by the Society for New Communications Research, Center for Marketing Research at the University of Massachusetts Dartmouth and Financial Insite Inc., a Seattle-based research firm, found that 35 percent of the Fortune 500 have active Twitter accounts (a post within the past 30 days); and nearly 50 percent of the top 100 companies have a Twitter account.

Four of the top five corporations, Wal-Mart, Chevron, ConocoPhillips and General Electric, consistently post on their Twitter accounts. The top-ranked company, Exxon Mobil, does not have a Twitter account.

The study examined the 2009 Fortune 500 to try to quantify their adoption of social-media tools and technologies. The 2009 study's key findings include: 22 percent of the corporations listed in the 2009 Fortune 500 have a public-facing corporate blog, a 6 percent increase over 2008. Of those blogs, 86 percent link directly to a corporate Twitter account.

The report notes that the 173 companies with Twitter accounts come from a cross-section of industries. Insurance boasts 13 companies with Twitter accounts, "food production, services, drug stores and consumer products" has 11.

McDonald's, number 107 on the 2009 Fortune 500, is listed as having a corporate blog and a Twitter account. Yum Brands (ranked 239) and Starbucks (ranked 261) also have company Twitter accounts, according to the study.

## FIRST LOOK

# Carhop Culture

**R**uby's Diner has unveiled a prototype of a new concept, Ruby's Five Points Drive-In, set to open at the end of March or beginning of April in Anaheim, Calif.

The restaurant will hold a Ruby's Diner, but the design also includes an old-fashioned carhop complete with roller-skating servers bringing a selection of Ruby's menu items to 12 drive-in spaces. The restaurant will run film clips and movies from the 1940s.

Because the Five Points building is a historic site, designers are working with the Anaheim Historical Society and the Anaheim Museum to use iconic photographs, paintings and art objects to decorate. The 4,100-square-foot restaurant features retro mahogany woods, leatherette booths and '40s-style fixtures. The architecture was built to be historically accurate as were the signage, canopies and outdoor dining area.

Doug Cavanaugh, co-founder, CEO and chairman of Ruby's Diner, says, "We're honored to take part in preserving this historically significant corner of Anaheim, especially since we have been based in Southern California for over 27 years." ■

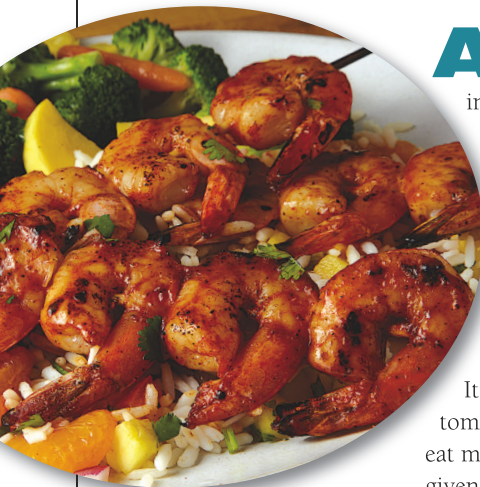


Ruby's Diner's architects built the Five Points Drive-In to look historically accurate.



## MENU STRATEGY

# Low-Cal Menu Not Meant for Dieters



**Grilled Shrimp and Island Rice is one of Applebee's five new entrees that weigh in at 550 or fewer calories.**

**A**pplebee's new low-calorie meals—including Grilled Shrimp and Island Rice, Asian Crunch Salad, and Asiago Peppercorn Steak—each weigh in at 550 calories or less. But don't get the idea the grub was formulated for dieters.

It's aimed instead at customers who simply want to eat more healthfully on any given day, insists President Mike Archer.

"It comes down to differentiation and the ability to respond to your guests regardless of competitive positioning," Archer says. "It's about what your guests are

asking of you."

Restaurant-chain veteran Archer, a former president of T.G.I. Friday's and Morton's The Steakhouse, is hoping the better-for-you positioning leads to incremental sales, though he admits the campaign isn't likely to spark a rush.

In terms of menu mix, the chain is expecting the dishes to comprise 5 to 10 percent. "The goal here is to attract a new consumer," he adds. "We realize this isn't broadly appealing. This isn't the same thing as putting out our 2 for \$20 or our Real Burger. It's for the guest who switches between concepts."

With nearly 2,000 restaura-

rants, Applebee's is expecting some variance in how the dishes are prepared. Therefore, it determined which ingredients can cause the nutritionals change and spent a lot of time training and setting up processes.

"We know there is room for variability, and we try to build that [into the dishes], and that's why we say they are under 550 calories," Archer explains. "It's also why we are not making specific nutritional claims. In every dish there is one or two ingredients, or a process, that if you get that right you are going to deliver—and that is what we focus our training on." ■

## MULTIMEDIA

## Red Robin Spreads the Yummm

**G**reenwood Village, Colo.-based Red Robin Gourmet Burgers has launched a new ad campaign, taking advantage of online, television and radio.

Meant to grow awareness and drive traffic, the multimedia campaign is built off the 430-unit chain's "Red Robin...Yummm" tagline. Chief Marketing Officer Susan Lintonsmith claimed in a release that the tagline "could function as a modern-day Pavlovian bell, which, when sounded, would cause people to immediately think of



our craveable gourmet burgers."

The ads, created by Minneapolis-based agency Periscope, will run in

about 30 markets and feature tongue-in-cheek scenarios, starring unlikely heroes like a baby and a Yeti, where "Yummm" is the solution. The commercials will run on cable networks such as USA Network, TBC, TLC, Comedy Central and Food Network, as well as local stations.

Online, Red Robin will run similar but shorter ads and parody spots. It also developed a downloadable "Yummm" ringtone and game where the player must build a burger before everyday kitchen items like utensils "eat" the player. ■

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# HIGH Energy

Health-oriented Energy Kitchen plans to grow outside New York via franchising.

**G**o healthy.” That’s the slogan at Energy Kitchen, a local chain with eight outlets in Manhattan and one in Hoboken, N.J. Everything on the 55-item menu is low-calorie and low-fat. Detailed nutritional information is available in each restaurant and on the Web site.

“We want to appeal to the masses,” declares founder, President and CEO Anthony Leone, who turned a smoothie shop near Wall Street into a fast-casual concept that doesn’t cook with butter or oil. “We are a healthy alternative. This is not a fad like a diet.”

Energy Kitchen is a tasty alternative, too, according to a review in *The New York Times*. “At Energy Kitchen in Hoboken, no dish contains more than 500 calories and every item is grilled, steamed or baked. But flavor is not sacrificed in the burgers, wraps and muffins,” a reviewer wrote in May.

## CHANGE OF PLANS

In 2002, with smoothie sales slumping due to the attack on the World Trade Center, Leone retooled the menu and moved his Liquid Lab concept to Manhattan’s Chelsea district, changing its name to Energy Kitchen. “I brought food to the forefront instead of smoothies,” he says. The offerings include a 294-calorie Bison Burger (\$6.99) on a wheat kaiser roll.

Since then, the former district manager for Boston Market and Ranch \*1 Chicken has opened four more restaurants with help from partners and signed up two franchisees who today operate three units. One of them agreed to open five Energy Kitchens in Boston, the first possibly this year. Leone says he may open a company store in Beantown as well.

Leone expects new franchisees to open 25 Energy Kitchens this year and thinks opening 1,000 Energy Kitchens is possible over the next 10 years. Sounds too ambitious? Leone believes his new partner, Mike Repole, who co-founded



and sold Glaceau (think: Vitaminwater) to Coca-Cola, can help him accomplish that goal.

“I was a customer before I became an investor,” says Repole. “I am confident that we will become the next billion-dollar franchise.”

## GROWTH STRATEGY

Leone wants to use his real estate, operations and marketing expertise to help franchisees expand outside the five boroughs. As early as this year, he envisions seeding an East Coast city (Boston, Philadelphia or Washington, D.C.) with a company-owned Energy Kitchen before franchising the surrounding territory.

Meanwhile, Leone lowered prices in January to boost customer counts. All breakfast dishes, including the popular Bison Egg Wrap, fell to \$2.99 from \$4.59. Sandwich prices dropped by a dollar to \$6.99, while side dishes tumbled from \$4.29 to \$2.99. Traffic grew systemwide by 20 percent as a result, he claims.

What about margins? Volume is making up for any shortfalls, insists Leone, who estimates he increased marketing spend last year by about 50 percent. “We are now looking at things from a different angle,” he says. “We’re getting people used to the brand, and doing that by advertising, marketing and lowering prices.”

Leone says same-store sales rose by 35 percent in 2009. ■

**No item on Energy Kitchen’s menu, including the Thai Chicken Wrap, contains more than 500 calories, a total that founder and CEO Anthony Leone believes will attract “the masses.”**

**Picture 1,000 of these units in which menu items are baked, grilled and steamed, keeping calories to a healthful minimum.**

## SNAPSHOT

**Concept** Energy Kitchen  
**Headquarters** New York  
**Units** 9 (3 franchised)  
**2009 Systemwide Sales** \$7 million\*  
**Average Check** \$13  
**Expansion Plans** 25 in 2010

\*Chain Leader estimate

**IN THE WORKS:** Leone says the “lines and excitement” of Energy Kitchen will attract landlords.





# Strategic PARTNERS

Restaurant chains find **FRANCHISEES** can play more than a tactical role, if you let them.

**S**ome years ago, a Maggie Moo's franchisee in Columbus, Ohio, wanted to make a few bucks peddling coffee in the morning. Seemed like a good idea; he didn't sell his first ice-cream cone until 11 a.m. yet paid rent for the entire day. He bought point-of-purchase displays and equipment, got franchisor approval and fired up his pots.

"I don't think it worked, as I recall, and I probably could have told him that," remembers

then-CEO Richard Sharoff, now a franchise consultant in Annapolis, Md. "But if a guy has passion for something, why not let him try it? It sends a good message to the franchise system."

Under current economic circumstances, sending an all-ideas-are-welcome message might seem like a good idea. Franchisees are a chain's boots on the ground and therefore a likely source for operations best practices. But are they also a strategic resource?



## STRATEGIC ERROR

Right off the bat Sharoff can think of plenty of reasons why franchisees should not be a part of the strategic process. “Generally speaking, a franchisee is focused on what’s happening within the four walls of a store and not looking at the big picture,” he says, citing a recent KFC lawsuit as “a perfect example.”

In January, KFC franchisees asked a judge to rule that the franchisee-controlled advertising council have final say in directing ad spending. They claim franchisor Yum Brands promotes grilled chicken at the expense of better-selling fried chicken. (The franchisor dubbed the lawsuit “baseless.”)

“When a franchisor tries talking about changing the menu for the long-term benefit of the system, the franchisee is thinking, ‘What’s it going to cost me today in the store?’” Sharoff explains. “That makes it difficult to seek strategic input because the franchisee is thinking about how much his revenue is going to be today or tomorrow.”

Then again, not all franchisees are created equal. Just ask John C. Metz, who franchises 33 Denny’s; he is also a franchisee of Dairy Queen and Marriott. Last year, Metz became the franchisor of 30-unit Hurricane Grill & Wings. “I’m unique insofar as I bridge the gap better between corporate and the franchisee than other franchisees,” says the veteran operator, citing his M.B.A. from Cornell University’s Johnson School.

Metz, founder and president of RREMC Restaurants in West Palm Beach, Fla., believes he should have been elected to Denny’s board of directors last year, largely because he’s done “a variety of innovative things” and because current management isn’t entrepreneurial enough to

solve the chain’s looming problems. “McDonald’s has taken big chunk out of breakfast business, and Starbucks out of coffee,” Metz declares. “And a lot of chains have taken it out of the late-night business.”

Tim Flemming, Denny’s general counsel, says there were too many potential conflicts of interest to make a franchisee a director. One is whether Metz would be an independent or an inside director. Public companies are required to have a specified number of independent board members. Metz believes he is one; management disagrees.

“I think franchisors that don’t consult or don’t listen to franchisees, and especially large successful franchisees, are making a grave mistake,” says Metz, who is testing Denny’s Fresh Express concept in one of his restaurants. The concept,

**Gary Myers, Sizzler’s largest franchisee, has remodeled several aging units in the last four years, initially without the blessing of the franchisor. The new design (seen here in a Hesperia, Calif., unit) now serves as the prototype for the entire system.**

**A remodeled company-owned Sizzler unit in Inglewood, Calif. The franchisor says it “value-engineered” Myers’ remodeled restaurant, significantly reducing the cost to franchisees.**

## Adding Value, Together

**G**ary Myers, chief executive of 24-unit BMW Management, Sizzler USA’s largest franchisee, offers tips on developing a strategic role for yourself as a franchisee.

**TALK:** “A franchisee should always take a proactive role in communicating with the franchisor. Many times the franchisee waits for the franchisor to acknowledge or implement best practices when it’s the franchisee who may recognize them more quickly due to their hands-on approach in daily operations.”

**GET ALONG:** “A great relationship builder is, when an issue arises, first develop a solution that has a positive outcome for both franchisee and franchisor before presenting your complaints.”

**Share ideas:** “It’s important for franchisor and franchisee leaders to share books, articles and any motivation tools to keep us sharp and well versed on trends, guest desires, etc. The most recent book [Sizzler CEO] Kerry Kramp suggested was *Make it Glow* by Tom Decotis.”

**MAKE IT FORMAL:** “Have an elected board of franchisees whose mission is to build strong relationships with fellow franchisees and the franchisor. This provides a plumb line by which to measure operations, standards and guest desires to better the brand.”





“When a franchisor has gotten away from its entrepreneurial roots, it is imperative to have a franchisee on the board.”

—John C. Metz, Denny's franchisee



**Do franchisees belong on their franchisors' boards? John C. Metz, a Denny's franchisee with 33 restaurants, sought a spot last year but was rebuffed by management. Metz claims he could add value to the brand. The company sees conflicts of interest.**

**Sizzler USA CEO Kerry Kramp is also a franchisee of Raising Cane's, an experience that makes him sensitive to Sizzler franchisees whenever he asks them to spend money, he claims.**

which debuted at California State University, San Bernardino, features Denny's menu and espresso beverages in a quick-casual format.

## WORKING TOGETHER

It's certainly one mistake Bob Hoffmeister intends to avoid. That's because the president and COO of Portsmouth, N.H.-based Margaritas Mexican Restaurant was tutored by Applebee's former CEO and Chairman Abe Gustin during a stint as vice president of franchise operations.

“Under Abe, Applebee's was very a franchisee-centric organization. I have never seen anything like it,” he marvels. Gustin reportedly told Applebee's franchisees to fire him if they thought he'd overstayed his welcome (they never did). Hoffmeister recalls that executives used to joke about the “red phone” on everybody's desk. “If a franchisee called, you dove for it,” he says.

Today, Hoffmeister is launching his own franchise program at the 19-unit, casual-dining chain and “stealing like a bandit” from his former employer, he adds. He is looking for experienced operators with an independent streak. “I

want people who will come up with ideas and who know they will be taken seriously, people who don't follow the rules but who follow the brand instead,” he says.

That description could fit Gary Myers, a thoughtful operator and CEO of Temecula, Calif.-based BMW Management, Sizzler's largest franchisee. His remodeled design now serves as the prototype for the entire system. “Pretty much everyone who has seen it is thrilled by the look and feel,” boasts Myers, adding the seven rehabbed units among his 24 Sizzlers ring up \$60,000 to \$80,000 a week, well above the system's average. Sizzler USA, a private company, does not share weekly revenues.

Myers launched the initiative three years ago in Banning, Calif., after hearing customers gripe that Sizzler restaurants looked mundane. He began the \$1.2 million project without the franchisor's blessing, sprucing up the dining room with more color and lighter woods, enhancing ceiling treatments and changing the work flow, among other things.

## CEO SUPPORT

Myers admits secrecy doesn't make for a good relationship and doesn't recommend it. “But it helps steer [the franchisor] once they see the results,” he says. By the time Sizzler USA CEO Kerry Kramp arrived in 2008, Myers had rehabbed two restaurants. Sales were booming in each, the franchisee claims.

“I really liked the look,” Kramp says. “Gary had started to capture elements of a look and feel that we felt was very relevant going forward.”

Last year Sizzler opened its first Myers-designed prototype, in an existing restaurant in Englewood, Calif., for about \$500,000. Myers, in fact, helped “value-engineer” the 6,000-square-foot redesign, making it affordable to franchisees. (Franchisees can spend





from \$150,000 to \$500,000 to add the remodel elements.) In the process, Myers adds, he wound up saving \$8,000 in wood costs in the next unit he remodeled.

Kramp, incidentally, is also a franchisee. He owns two Raising Cane's Chicken Fingers restaurants, in Apple Valley and Bloomington, Minn. He's also an informal advisor to and close friend of Raising Cane's founder and CEO Todd Graves. The experience has helped evolve his thinking. "What's absolutely crucial is understanding that not all franchisees have the capability to be able to come up with innovative ideas, but that doesn't mean that they shouldn't be heard," Kramp says.

#### ON THE SAME TEAM

Management is listening to franchisees at 1,600-unit Church's Chicken, insists Vice President of Franchise Operations Mike Kuzminsky. "We've structured [corporate] teams to work with franchisees to create and implement initiatives," he explains.

Recently, for example, the Atlanta-based chain was looking for ways to improve labor scheduling. Kuzminsky's team discovered that several large franchisees used more efficient labor-scheduling programs than company stores. "We benchmarked off those franchisees and developed a better system. Not only could we roll them to company units but to all the franchisees," says Kuzminsky, who oversees a 10-member staff who audit performance and help larger franchisees implement their own strategic plans.

"We'd been championing the [scheduling] system for a while," says Tony Lutfi, who operates a 46-unit franchise based in Sacramento, Calif., and is president of Church's Independent Franchisee Association, which elects its own members.

The group is comprised of several committees including product development, marketing



and operations. Both franchisees and company employees make up the committees. During the last five years, Lutfi says, CIFA has had a big impact on the company's strategic decisions. "Depending on the initiative in question, typically we've been able to add weight and influence the outcome," he says.

"Going from ideation to consumer, there are a lot of steps in between, and franchisees help allow to us think through potential obstacles and solutions," Kuzminsky explains.

Lutfi says corporate and franchisees recently worked together on a brand inspection form, which measures performance standards. Several franchisees used one they had developed; company stores used another. "Together, we came up with one that improved on both," he recalls.

CIFA's product development committee will soon make recommendations on new menu items that Lutfi won't disclose for proprietary reasons. "There are four franchisees on the committee, and they're very influential as to which products move forward and how fast in the system," he says.

The most likely scenario: testing the product in a franchise market. "We provide the company feedback, and they develop an initiative or program and introduce it to the entire system," Lutfi explains.

Says Kuzminsky: "It's important to create an environment where you are constantly asking for input." ■

**Church's franchisees, who control the chain's largest markets, play a significant role in product development and testing. The franchisor also helps large franchisees with their own strategic plans.**

**Margaritas President and COO Bob Hoffmeister is borrowing best practices from Applebee's, where he was once a franchise executive, to help the Mexican casual-dining chain manage its nascent franchise system.**

"The moment the franchisee signs on bottom line, he has more skin in the game than you do."

—Bob Hoffmeister, president and COO, Margaritas





# LOCAL MOTION

At any given time, up to 25 percent of Pizza Fusion's inventory is **LOCALLY SOURCED**. Here's how.

**A**shley Rathgeber has a message for national restaurant chains trying to source food locally: "It does get easier."

Rathgeber, manager of procurement, research and development for Fort Lauderdale, Fla.-based Pizza Fusion, knows. She's spent the last three years honing a process that doesn't follow the typical sourcing rulebook but gets local goods into the full-service chain's 20 units year-round. "We're about nationalizing local and localizing national," Rathgeber says. "We try to locally source things that are available nationally but can be bought closer to home, and at

the same time, we try to help small, local vendors grow to be able to supply on a national level."

The result: At any given time, up to 25 percent of Pizza Fusion's inventory is locally sourced. Rathgeber estimates produce supplies for East Coast restaurants are "fairly local" for six months of the year, and Western and Southern stores' produce supplies are "mostly local" for eight months. And in Central region units, supply is "mostly local" for four months. On a national basis throughout the year, that means much of the arugula, basil, toma-

atoes, red onions, garlic, bell peppers, zucchini, eggplant, spinach and specialty cheese that go into making the chain's core menu of two appetizers, five salads, four sandwiches, 14 pizzas and two desserts is locally sourced.

Soon that will list will include ingredients for Pizza Fusion's first-ever limited-time offers, which will be developed to feature regional and seasonal items. First up will be a summer salad with some combination of dried fruit (raisins, dates or cranberries) and grapes.

## SNAPSHOT

**Concept** Pizza Fusion

**Headquarters**

Fort Lauderdale, Fla.

**Units** 20

**2009 Systemwide Sales**

\$12 million

**Average Unit Volume**

\$750,000

**Average Transaction**

\$27.50

**Expansion Plans**

35 in 2010, 50 in 2011

\*Chain Leader estimate



## Local News

**M**any restaurant chains are doing what they can to increase use of local foods. McCormick & Schmick's, for example, has always featured regional fish specials, but in the last year, it has increased efforts to bring in more local produce seasonally in each region. Here are a few recent examples of locally sourced menu items from chains.



### BURGERVILLE,

39 units in two states

- The Yukon & White Bean Basil Burger, a patty made from locally grown great Northern beans, mushrooms and Yukon Gold potatoes, served on a nine-grain bun with basil aioli, lettuce and tomato, \$4.79. Launched in February.
- Roasted Portobello Focaccia Sandwich, a garlic-and-olive-oil-roasted portobello mushroom cap with provolone cheese, caramelized red onions, spring greens and garlic aioli on parsley and honey focaccia bread with sun-dried tomato spread, \$4.79. Launched in January.

### MCCORMICK & SCHMICK'S,

35 units in nine states

- Sea scallops on a bed of wilted spinach with carrot reduction and fried leeks,

\$25. A February feature in several Oregon and Washington units.

- Pan-seared grouper with sweet-corn polenta custard, braised rainbow chard, romesco sauce and micro green salad, \$24. A summer feature in Rhode Island units.

### BIG BOWL,

Eight units in three states

- BBQ Pork Fried Rice (\$12.95), with naturally raised heirloom pork glazed with hoisin barbecue sauce. On the core menu.
- Chicken with Asparagus (\$11.95), with locally grown asparagus and ginger-garlic sauce with white wine. Spring special.



### PIATTI RISTORANTE AND BAR,

12 units in four states

- Asparagi Pizza, with grilled asparagus and onion, lemon ricotta and basil pesto, \$13.



But why source locally? In addition to fitting Pizza Fusion's eco-friendly mission, sourcing locally saves the chain money. "On average, the savings are 10 to 15 percent, but I have seen savings of up to 20 percent by purchasing locally sourced produce," Rathgeber says. Altruistically, Pizza Fusion's commitment also opens up organic and local supplies to others in the industry.

### LEARNING CURVE

Getting to this point has been a process of painstaking persistence. "It's been a slow and steady learning curve for us," she admits.

In 2006, when Pizza Fusion had only one unit, "We were using 17 different distributors and making 17 phone calls a week in order to source organic and local goods," Rathgeber recalls. But once the concept had grown to four units, it caught the eye of the American Distribu-

tion Alliance, a cooperative of private regional distribution houses. ADA now guarantees broad-line distribution wherever Pizza Fusion opens, ensuring consistency for the organic items the chain relies on: pizza flour, cheese, tomato sauce and meats.

Today, each Pizza Fusion orders from five to eight different distributors each week, depending on region. Collectively, the chain draws from a pool of five national broadline distributors; a distributors for specialty items, beverages, beer and wine; and 12 produce distributors.

Because about 90 percent of the produce Pizza Fusion serves is certified organic, the company had to do some extra work to get supply lines flowing. Three of the states Pizza Fusion does business in—Texas, Kansas and Virginia—didn't have an organic distributor. "So we basically went in and worked with distributors to

**Pizza Fusion's Roasted Beet and Feta Salad (opposite) tops locally sourced arugula and beets with candied walnuts and roasted red onions.**

**(Above) Local asparagus and basil figure in the new Asparagi Pizza from Piatti Ristorante & Bar.**

**Burgerville's Yukon & White Bean Basil Burger is made with locally grown great Northern beans, mushrooms and Yukon Gold potatoes.**

**Big Bowl's BBQ Pork Fried Rice is topped with locally sourced, naturally raised heirloom pork.**

Photo (r) by Tyllie Barbosa



## NEW PRODUCT PIPELINE

Sandwiches such as the Roasted Turkey Club are served on fresh-baked foccacia bread with a side of arugula salad.

The Signature Caesar & Roasted Chicken Salad at Pizza Fusion includes locally sourced lettuce when available.

Roasted artichoke hearts, red onion, zucchini and portobello mushroom top Pizza Fusion's Farmer's Market Pizza (opposite).



Pizza Fusion has seen savings of up to 20 percent on locally sourced produce.

open up an organic line,” Rathgeber says.

Amenable distributors had to set up warehousing and handling procedures required by the USDA, which sets laws concerning food-handling procedures, and had to work with new organic vendors. But Rathgeber says it wasn't difficult to get distributors going in this direction. “I helped hold their hand along the way,” she laughs.

“But it wasn't hard to convince anybody. It's been low risk for them because they know we're going to buy the product. Plus, once they've got the organic line open, they are able to get extra business beyond us.”

That, in turn, has helped lower prices for Pizza Fusion via volume discounts.

It's also made it easier to source local goods.

### FUELING THE FRANCHISE

Every time Pizza Fusion opens in a new market, it evaluates which produce vendors have best practices, good reputations and a commitment to local sourcing. Keeping local

supply flowing, each week Pizza Fusion gets a price list from each produce supplier detailing where goods are going to come from and which local farms are harvesting what. When franchisees call in their orders, “they just let the vendor know they want the produce coming in from, say, Georgia, rather than the Dominican Republic,” Rathgeber explains.

Getting franchisees, who operate 18 of Pizza Fusion's restaurants, on board has been easy, she says. The local produce is usually priced lower due to lower freight costs, and owners take pride in sourcing locally. Some franchisees, in fact, have been working out some of their own local-sourcing arrangements, with Rathgeber's oversight.

Before his franchise even opened, Tom Katsenos, owner of the Pizza Fusion in Naperville, Ill., spoke with Steve Tiwald, executive director of Naperville's Green Earth Institute, a CSA (Community Sourced Agriculture) farm, about providing produce. “We said sure,” says Tiwald. “As long as they were willing to pick up.” Since then, GEI has provided much of Pizza Fusion's summer zucchini, basil, green and red peppers, and cucumbers. Rathgeber investigated the farm to ensure it was certified organic. To regulate



supply, Katsenos adjusts summer produce orders according to poundage he can get from GEL.

In Temecula, Calif., franchise owner Nima Noorzad has been able to keep local produce in his Pizza Fusion every day. Some farms have a set delivery with the store; others e-mail an availability list weekly. When guests hear that the basil is from nearby Fallbrook or avocados are from Temecula, “they have a certain glow in their face,” Noorzad says. “Knowing that when possible we purchase crops from farms which are only 30 miles away really matters to them.”

#### GETTING THE WORD OUT

Because customers care where the ingredients come from, Pizza Fusion isn't shy about marketing it. The chain mentions local sourcing on menus in some regions, and franchisees do a lot of marketing around the theme on a local-store basis. As in Noorzad's store, much of that is by word of mouth. But signage can also help. At Katsenos' restaurant, for example, seasonal signs and banners promote the fact that the produce comes from the Green Earth Institute.

Given the progress that Pizza Fusion has made with local sourcing, the company gets calls from others in the industry asking for advice. “Other chains ask, ‘Is there one person who has to call all of the produce houses every week?’” says Rathgeber. “I tell them, ‘In the beginning, yes. But you can automate some of this.’” Produce and pricing availability reports are sent to Rathgeber via e-mail. And the company has set up an online portal that shows what's in stock, who is ordering and how much.

Rathgeber admits there have been some kinks along the way, but nothing out of the realm of “normal” in the purchasing arena. “There are always little distribution hiccups that come up that must be dealt with in real time,” she says.

She has had to terminate at least one contract. “The vendor was not committed to our requirements,” she explains. “They were constantly subbing conventional pro-

duce, so we just had to find someone else in that market more committed to providing what we needed.”

Having all of its local-supply ducks in a row is important as Pizza Fusion is positioned for rapid growth. The chain plans to open 35 restaurants this year, including two new states: North Carolina and Colorado. Pizza Fusion plans

50 more units next year and 250 over the next five years.

“This has been a big job, but we've incorporated systems to make it work,” Rathgeber concludes. “I count us lucky: We started from the beginning without any preconceptions or bad habits. It's much more difficult to turn the wheel on this if you start after you're huge.” ■



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# Keeping WATCH

**A** year and a half ago, Ron Stokes realized his restaurants had temperature issues.

"You'd walk into some stores and it felt like a sauna, or it felt way too cold," says Stokes, whose Roaring Fork Restaurant Group operates 30 Qdoba Mexican Grills in the Milwaukee area.

He also noticed that some restaurants set the thermostats high, even when they were closed for the entire day, for example Thanksgiving and Christmas. But persuading managers to keep thermostats at reasonable levels proved fruitless and frustrating.

Stokes did some digging and found Westford, Mass.-based



Qdoba's thermostats have settings for when the stores are open, closed, and open with employees but not customers.

Qdoba franchisee Ron Stokes found a variety of temperatures in stores; an Internet-controlled thermostat evens out the temps and saves money.





## Turning off lights and equipment when not in use yields substantial savings at Au Bon Pain.

Proliphix, a company that makes energy-management software. The software runs energy audits and offers tools that help operators remotely keep tabs on key energy users such as HVAC systems and walk-ins.

An initial audit confirmed what Stokes knew: that managers were setting thermostats at whatever level they pleased. Stokes used data from an initial energy audit to arrive at a range of acceptable temperatures for when stores are open (around 68F) and closed (around 55F). Thermostats for all 30 restaurants are now controlled remotely, via the Internet, and Stokes says he receives far fewer complaints from guests about restaurants being too cold or too warm.

Monitoring and controlling temperatures has saved Stokes 15 percent on his energy bills. "The math behind it makes sense," he says. "If you change your behavior around certain temperatures, your energy costs will go down."

### SAVING MONEY, SAVING THE PLANET

Stokes' main concern was saving money, "but

there's a green component that plays out as well," he says.

Conserving energy and saving money go hand in hand, agrees Janine Oberstadt, principal at Foodprint, a Grand Rapids, Mich.-based sustainability consulting firm. When Oberstadt counsels restaurants about saving both the environment and money, "energy monitoring is at the top of the list," she says.

Energy monitoring, however, is not yet standard business practice in the restaurant world. "Operators are fanatical about calculating food and labor costs and have only recently gotten into the mode of calculating energy costs," Oberstadt says. "These are not fixed costs; they are variable costs and can be managed just like food and labor."



## Save First, Open Later



**C**apriotti's, a 60-unit sandwich chain based in Las Vegas, runs energy audits before a new restaurant even opens.

Capriotti's, whose restaurants average 1,500 to 1,700 square feet with 30 to 50 seats, uses a Las Vegas-based consultancy, Energy Elements, to audit new-store spaces, suggest energy-efficient building methods, and procure rebates for utilities and equipment, says Ashley Morris, Capriotti's CEO. The company has audited three stores so far;

**Pre-buildout energy audits help Las Vegas-based Capriotti's save energy and money before a restaurant is even open for business.**

based on the results, Morris will have audits conducted in all 25 new locations he expects to open this year.





## REMOTE CONTROL

Stokes tested the Proliphix system in three Qdoba restaurants for four months to work out kinks and to get staff used to the system. Aside from initial staff grumbling about the stores

The savings “will amount to many, many thousands of dollars,” Morris says. Rebates from utility companies, he adds, help defray the cost of energy-efficient building materials, some of which cost substantially more than their traditional counterparts.

One example is insulation sprayed in above the drop ceiling. “It’s unbelievably efficient,” Morris says. Another example: LED lighting instead of fluorescent, which emits less heat and consumes less energy.

Morris says the audits benefit the chain three ways: by saving money, helping franchisees control energy costs, and finally, “it’s the right thing to do for the environment and people,” he says.

being too hot or cold, the system “was a very easy process to transition into,” Stokes says.

The system is wireless; existing thermostats are replaced with thermostats that connect to an internal data network the same way POS systems connect—via Ethernet or WiFi. Operators then control the thermostats (there’s a lighting element, too) via a hosted Internet site. The system also fool-proofs the thermostats: Employees cannot turn it above or below the pre-set levels.

Audits before the system is installed can reveal problems. A common one is “competing thermostats,” where a thermostat in the kitchen is cooling the air and one on the dining room is heating the air. Another common problem: HVACs programmed so fans are on even when the store is closed.

**An energy audit sparked a systemwide energy campaign, called A Better Planet, at Au Bon Pain’s 178 bakery-cafes.**

**BIG idea** Classroom instruction coupled with a kitchen walk-through shows employees how they’re wasting energy and how they can stop.



Qdobas in the Milwaukee area have tamper-proof thermostats: Staff can't set them too high or too low.



The system also can monitor HVAC units via sensors attached to each unit. The sensors also alert operators to potentially dangerous situations—temperatures or humidity levels too high or low—and even send reminders that filters need changing. Proliphix says that the average restaurant can save 17 percent on energy costs.

## THE BIG TURN-OFF

Au Bon Pain, the Boston-based chain of 178 bakery-cafes, used EnerCop, a software program

offered by Lexington, Mass.-based Kilojolts, to audit and thus control energy costs.

EnerCop uses information from 12 to 18 months worth of utility bills—both charges and the amount of energy used (BTUs, kilowatts)—and breaks out each type of unit: mall, freestanding, kiosk and so forth. The program uses sales per year, transactions or covers to determine energy costs per sales. That is the true indicator of energy use, says a Kilojolts spokesman.

The audit helped Au Bon Pain find a few energy wasters—coffee pots steaming next to ice machines, to name one—and then compile a list of 75 energy best practices. “The big concept is ‘turn it off,’” says Wade Winters, vice president of purchasing for parent company ABP Corp. “Turn of lights, equipment if you could. The theory was just ‘turn it off.’”

Other best practices include regular maintenance of equipment (clean equipment performs more efficiently), preparing food to minimize waste, and maximizing oven use. “We really wanted to focus on things people could remember, that had the greatest impact,” Winters says.

Kilojolts helped Au Bon Pain develop a slogan, A Better Planet, and designed stickers and posters (in English and Spanish) to remind employees to adhere to energy-saving practices. The company also sends a best-practice reminder to managers every month.

According to Winters, several Boston-area restaurants using the system have reduced energy costs by 20 percent. Au Bon Pain introduced the program to operators at its 2009 fall convention, and when it is rolled systemwide—Winters does not have a time frame—the chain expects to cut energy costs by 10 percent to 20 percent per store.

That’s one benefit, and there’s another. “If at the end of the day we’re doing something to improve the environment,” Winters says, “that counts as well.” ■

## Waste Not, Want Not

**L**ighting, heat-producing cooking equipment, HVAC/exhaust systems and refrigeration are a restaurant’s big energy-eaters, says Janine Oberstadt, principal at Foodprint, a Grand Rapids, Mich.-based energy consulting firm.

So are employees. Bad habits like leaving doors open and forgetting to put product in the cooler to thaw waste energy. It’s not on purpose, Oberstadt adds: “They’re just doing their jobs.”

### Here are the top five energy-wasting misdemeanors:

- Turning on lights, HVAC and cooking equipment before needed, and not turning it off when no longer needed (wastes gas, electricity, generates GHG emissions)
- Running partially filled racks through dish machines (wastes water, energy and chemicals)
- Leaving doors open: dock doors, refrigeration doors, oven doors
- Thawing frozen product under running water
- Not reporting leaks and needed equipment repairs to management

To form energy-conserving habits, “training in awareness is key,” Oberstadt says. She suggests classroom instruction along with a detailed kitchen tour that points out where and how energy is wasted. Posters and visual tools (such as stickers showing when to remove product from the freezer to the cooler) can help, as can engaged store-level managers.

“Engagement at all levels is how to turn a wasteful environment into an efficient environment of conservation,” Oberstadt says.

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Chain food safety executives and other experts share what they see as the restaurant industry's **BIGGEST CHALLENGES.**

# EXECUTION



**A** March report by the Produce Safety Project, a team of food-safety experts and advocates advising Congress, notes that 76 million Americans become sick each year from contaminated food and 5,000 die. The cost: \$152 billion. The group is calling for reform in the national food-safety system.

Chain executives and other experts see that the restaurant industry has its own work to do, both in their operations and in advocating for change.

**JUELENE BECK**, principal, Juelene Beck & Associates, a restaurant-chain consultancy

There's work that can be done by the quality-assurance folks, like more testing. But the biggest issue is still around basic training and more of an understanding by the operations people. Having the servers and the people behind them understand better what the food-safety issues are is where the biggest positive steps can be made in food safety.

I work mostly in QSR, and I run across some newer assistant managers who haven't taken the ServSafe training. Or even chef supervisors. I find that appalling. I personally think that everybody that's behind the counter should have ServSafe training.

I have a problem with the business model that says we can't afford to train people because of high turnover. It's so easy to mishandle food. They need to train everybody who handles food. Period.

# and Advocacy

**PATRICK STERLING**, director of risk and administration, Texas Roadhouse

There are things that are tough for us to control, but as a voice we should certainly promote and support the issues the National Restaurant Association is driving. The food supply is definitely one issue. It's critical that we protect the public confidence in our industry. So we need to support improving food-safety initiatives from farm to table. The key things we're concerned about are produce safety and the safety of imported foods. Any initiatives should take a risk-based approach.

When it comes to the other things, the things you can control, I don't know that a whole lot has changed with food safety at the restaurant. It's hot food hot, cold food cold. Fanatical focus on food handling. Creating recipes with critical control points. Not letting sick employees work. It's a continuing focus on the basics, driving the culture so food safety is a priority.

In today's world, where news is so fast and furious, it's a big deal. What has changed is that food safety is more of a hot-button issue.

**ROBERT DOYLE**, vice president of product development and quality assurance, Cracker Barrel Old Country Store

I think that consistency and high quality standards—in product specs, food preparation and service—are extremely important for making the food we serve as safe as possible. Cracker Barrel has systems and processes in place to ensure that all quality standards are met. Food safety is one critical component of those standards.

Cracker Barrel's internal standards, which store managers and employees must meet, are very rigorous because there is so much variation in standards within the different local communi-



ties in which we are located. Having our own rigorous internal standards provides consistency across our system, so when managers move to new units, they are already experienced in the food safety procedures and expectations.

In addition, Cracker Barrel uses a thorough supplier approval and maintenance process to produce consistency across the system. We use a clearly defined HACCP program throughout our system, and the health department inspection results of all units are monitored and analyzed at the home office.

**HAL KING**, senior manager, food and product safety, Chick-fil-A

One of the things I'm hearing from my colleagues is a continual frustration with a lack of uniformity in the food code from state to state.

**Food safety experts are concerned about produce distribution as well as how product is handled in the restaurants.**



A uniform national food code reinforced at the state level would bring consistency to food-safety efforts, making them easier to execute and enforce.

Chains like Chick-fil-A are in compliance to the most current FDA food code. We'll do everything to make sure that all of our procedures and how we produce the food, serve the food, clean the restaurant, what chemicals we use, is at the latest level of the FDA food code. We're updating all our training programs and all of our ServSafe online programs that we developed with the NRA.

The problem with that is, when you look around the nation, only a few states even do that. And then we're trying to tell our operators and our team members, "These are the standards." But the state's coming in and telling them that's not their standard. The FDA has the data to show that this is the best way to reduce foodborne-illness risk, but when you get to the state level, they're not supporting it. That causes a huge gap in credibility.

At the corporate level, we need to continue to reinforce with the FDA and attend regional FDA meetings with the states. Many of us attend those meetings to voice our need for a national program. FDA even has a program where they will help states adopt the national code. It would be best for the whole nation.

**DENIS STEARNS**, partner, Marler Clark, a law firm with food-safety specialty

I have long been a strong proponent of something that would be truly innovative—even revolutionary—if it was to be adopted by the restaurant industry. It is something that would achieve significant and measurable improvements in food safety, especially as it relates to the thousands upon millions of non-outbreak, or sporadic, illnesses caused by contaminated restaurant food each year.

And what would this revolutionary innovation be? Affordable health insurance and paid sick days for all foodservice employees.

First, many servers and food workers are responsible for covering their own shifts, which, in these times of lean staffing, can be next to impossible. Second, if they stay home, they make no money.

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## 'Something I Ate'

Over the past two years, 42 percent of Americans say they have become sick from something they ate, according to The Harris Poll. In fact, 69 percent of those who attribute an illness to a food item think they know what made them sick. That doesn't necessarily mean they are correct. But perception is reality. And potentially damaging to those who sell those food items.

As a result, 26 percent of those who indicate they became sick from something they ate have eliminated that food from their diet entirely. And 15 percent say they advised others not to eat that food item. Only 9 percent said they notified the manufacturer or restaurant about their illness.

"Over the past two years, have you ever become ill/felt sick from what you attributed (at least in part), to something you ate?"

Yes.....**42%**      No.....**48%**      Not sure.....**10%**

"Since that illness, please indicate which of the following apply to you. If you became ill/felt sick more than once from something you ate, please think about the most recent occasion. Please select all that apply." (Base: those who became sick from food in the past two years)

I continue to eat that food .....	<b>9%</b>
I have not eaten that food since, but will in the future .....	<b>10%</b>
I have eliminated that food from my diet entirely .....	<b>6%</b>
I advised family, friends and colleagues not to eat that food .....	<b>15%</b>
I notified the manufacturer, store or restaurant about my illness .....	<b>9%</b>
Other.....	<b>5%</b>
I am not sure which food made me sick .....	<b>31%</b>

Source: The Harris Poll

Third, if they appear to "flake out" by not coming to work, they may lose premium shifts. They might even lose their jobs.

And so the food-safety precaution that the restaurant industry relies on to protect customers from much of foodborne illness is the expectation that these employees will decide on their own to stay home. ■

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# the power of MUSIC

Live music helps individual restaurants implement **LOCAL STORE PROMOTIONS** while staying on the national chain's message.

The Bethlehem, Pa., Rock 'n' Joe location shows off the concept's music-meets-coffee aesthetic.

**W**hen a franchisee opens a new store, there's a desire to build a bond with the community, and often that translates into hyper-local store efforts such as sponsoring the local Little League team. Not that there's anything wrong with that; Little League is as America and apple pie as it gets. But that kind of marketing doesn't always reinforce the corporate message or educate new customers about a brand, particularly one in a new geographic market.

Two concepts that have music as part of their brand identity have found ways to use live events to drive traffic on the local level and build aware-

ness chainwide. Cranford, N.J.-based Rock 'n' Joe Lounge and Denver-based Smashburger encourage promotions that bring live music—along with local fans—to local restaurants. In both cases, executives say the efforts help build business as well as the brand. “Music brings people together,” says Smashburger founder Tom Ryan.

## LOCAL FOLLOWING

Smashburger's Rock Your City program solicits bands to play at its grand opening events (in exchange for burgers) through local radio advertising, on its Web site and through public relations efforts with local media and bloggers. Bands upload an audition video via a YouTube link, which is also linked to the Smashburger Web site. Then their friends, family and fans, as well as Smashburger fans, can vote online for the band they want to play at the opening. The winning act gets a one-hour gig, airtime on a local radio station during a live remote and plenty of free food.

Because of the burgers-only pay scale, Smashburger tends to get high school and college students aspiring to break into the music scene, Ryan says. That also means “the quality of the music is a mixed bag,” he adds. But the bands tend to have friends and family who come to see them perform. Once in the store, Ryan says, the Smashburger menu, which includes beer, wine and milkshakes, helps turn them into repeat customers.

“We do a significant amount of social media and PR, although the live music is the capstone of it all,” Ryan says of the Smashburger grand-opening media blitz. “We do not believe that just one



## SNAPSHOT

**Concept** Rock 'n' Joe Coffee Lounge

**Headquarters** Cranford, N.J.

**Units** 9

**2009 Systemwide Sales** \$3 million\*

**Average Check** \$6.70

**Expansion Plans** 10 in 2010

\*Chain Leader estimate





## SNAPSHOT

**Concept** Smashburger  
**Headquarters** Denver  
**Units** 50

**2009 Systemwide Sales** \$45 million\*

**Average Check** \$8

**Expansion Plans**  
60 in 2010

\*Chain Leader estimate

[type of promotion] is all anyone should do. It is all part of the plan to introduce Smashburger." The Rock Your City program is typically used for store openings in new geographic markets.

While each grand opening act has similarities (i.e. limited experience), each city also puts its "thumbprint on the music and vibe," he says, meaning the bands bring a local sound to the gigs.

Smashburger wants an edgy, modern feel to its restaurants and plays music inside that reflects that. Having local live music reinforces the image of Smashburger as being cutting-edge, management believes. New stores are scheduled to open later this year in Fort Worth, Texas, and Las Vegas, with 60 new units planned for 2010.

### A DIFFERENT DRUMMER

No one makes a living playing Rock 'n' Joe gigs, but musicians who go on stage there run the gamut from open-mic hopefuls to past "American Idol" contestants (at one Rock 'n' Joe location). Just one of Rock 'n' Joe's nine locations is company-owned, so franchisees make the calls about if they book live music, and if so, who, how often and at what price.

One New Jersey location drew concert-goers from as far as North Carolina when it booked a French band with a cult-like following and a limited U.S. tour schedule. (Those travelers will soon be able to experience Rock 'n' Joe at home, as the chain is adding a North Carolina franchise later this year.) But more often, the franchisees book local acts with a local following who hear about the gig through newspapers, fliers, e-mail mailing lists and tie-in promotions with area radio stations.

Dan Sgarlato, owner of Rock 'n' Joe's Caldwell, N.J., location, says he initially stayed away from booking live music because he thought it would consume too much time, physical space and men-

tal energy. He began experimenting a year ago and now books music on most Friday and Saturday nights, screening performers with demo recordings or online clips on MySpace and YouTube. Most of these bands have their own mailing lists, so Sgarlato can promote the events to both his existing customers and to the band's fans.

These local promotions suit the overall vibe of the coffee shops, CEO Kevin Brennan says, which feature music memorabilia on the walls. However, the music is played at a decibel level at which customers are still able to have a conversation.

For Rock 'n' Joe, the local store events appeal to the chain's target demographic, those 25 to 55 years old, who are serious about music, if not 100 percent up to date on music trends. Booking jazz and country acts in addition to rock 'n' roll helps expand the reach, Brennan says.

Rock 'n' Joe recently overhauled its concept in an effort to lower prices (from an \$8.50 average check to \$6.70) and focus on higher-foot-traffic locations. Live music also helps bring more customers in.

Sgarlato and others admit it is hard to quantify the success of these promotions, but his coffee shop is typically crowded on Friday and Saturday nights, sometimes even with folks sitting in laps and sharing seats. "I take notice of the people in the crowd," he says. "I know who has been here before, and I take notice of who is new."

Because of the way the events are scheduled—primarily on weekend nights and not so often that they upset the routine of regulars—Sgarlato says regular customers see the live music as an added value. But the real appeal is in bringing in music fans who come for the band, thanks to the local marketing and PR, but then come back for the coffee.

Adds Brennan: "The good thing is, you are getting your name out to people who have never heard it before." ■

**The band Fireblanket (l.) plays for burgers at a Smashburger New Jersey Rock Your City grand opening event.**

**Bands that want to play at one of Smashburger's live events submit videos via YouTube and the company's Web site.**





# All for ONE,

**TEAM-BUILDING** is a critical part of a restaurant's—and thus a chain's—success.

**R**emember all that hackneyed advice Dan, the hapless manager at Shenanigan's, spouts in the hilarious movie, *Waiting*? Well, one piece rings bracingly true. "All right. I really only have one thing I wanna talk about, and that's teamwork," he announces during a preshift meeting. "When the dinner rush hits and things start to get hectic, you all have a tendency to start yelling and

screaming at one another. That's just dumb and senseless, 'cause you're only gonna be hurting yourselves."

Or, as the slightly more formidable Ben Franklin put it at the signing of the Declaration of Independence, "We must all hang together, or assuredly we shall all hang separately."

And Steve Hislop, chief executive officer at Austin, Texas-based Chuy's, a casual-dining chain with 17 units, says, "When a person feels they are part of team, they feel they are surrounded by people who are committed to their success professionally."



**LongHorn Steakhouse** managers built bikes as a team-building exercise at annual meeting.

**Chuy's Restaurants** employees work as a team outside of work, most notably at a November Christmas parade that raises money for toys.

# One for ALL

## THE RIGHT PEOPLE

But how do restaurant operators build teams and, importantly, retain them? The process begins at hiring.

Denver-based consultant Tim Kirkland, a former bar owner and restaurant manager and author of *The Renegade Server*, suggests you refrain from indiscriminately offering cash rewards for staff referrals. "Only take referrals from those [employees] who do a job you like," he says.

Then ask open-ended questions, advises Todd Burrowes, executive vice president of operations for Orlando-based LongHorn Steakhouse, a 326-unit division of Darden Restaurants. "During the interview process, we ask applicants to cite specific examples of their contributions to a team. 'Tell me about a time that you went above and beyond to help out a member of the team,'" he explains.

Ditto for Hislop. "All our questions involve, 'How did you perform in team environment? How did co-workers help you? How did you help them?' You find out real quick if the person is a team player or an independent contractor," he says.

"Independent contractor" is Hislop's term for servers who look out only for themselves. "What they find out quickly is that you can't do it by yourself, and if you try to, the people around you will not let you play," he says. He says general managers explain that as a team everyone can make a lot of money.

Not everyone is keen on that approach. "My style was to make servers more mercenary," Kirkland recalls. During preshift meetings, for instance, he would focus on one goal: "I'd say, 'We are going to sell 30 percent more draft beer. How can we make this happen?'"



Teamwork starts at hiring, says Chuy's CEO Steve Hislop. "Our interview questions are all about how you performed in a team environment."



Chuy's employees volunteer to help at the company's annual Christmas Parade.

Ideally, servers would throw out ideas, motivating them to sell more suds. Kirkland usually offered a cash incentive, though he set the sales bar relatively low so everyone had a chance to win. "Participation in pre-shift meetings should be 80 percent them and 20 percent me guiding participation," he says.

## USE PRESHIFT MEETINGS

Encouraging servers to come up with a sales strategy enables teamwork in and of itself. After all, Kirkland's staff was engaging in problem solving, process improvement and goal-setting together. At the end of shift, they knew whether their strategy worked and, presumably, would share it with others at the next preshift meeting.

Indeed, preshift meetings are a good time to emphasize working as a team. Mike O'Leary, senior vice president of operations for five-unit casual-dining chain Redstone American Grill, based in Wayzata, Minn., uses pop quizzes to get servers engaged before work. "I've got one right here for the Olympics," he says. "What year did it start?" [The quiz] is something to get them involved and lighten the mood."

Chuy's managers ask, "What will it take to put on a good show today?" says Hislop. They also recognize employees who "put on a good show yesterday," he adds. "We talk about the successes we had and who had a role in it. [The meeting] is a like a head coach's pregame meeting with his football team, a rah-rah session to get us rolling."

But what about quick-service restaurants, which don't typically have sales contests and preshift meetings? Ernest Milian, director of operations for a Gainesville, Fla.-based franchise that operates four local Moe's Southwest Grills, a Planet Smoothie and a Flying Burrito, starts team-building with cross-training.

"So employees understand each other's positions, we stress that no one's job is more important than anyone else's in all our concepts," he explains.

Milian insists that all crew members clean the restaurant at closing with no one leaving before anyone else. "We try to say we are a team and everyone will get done early [because] no one wants to hold up the group. And everyone walks out at the same time," notes Milian, adding the process works as a security measure, too.

## KEEPING WORKERS INVOLVED

Many executives say that employees stick around longer when managers appeal to a higher calling: *the team*.

O'Leary, who boasts that Redstone's newest unit, in Plymouth Meeting, Pa., has retained 40 percent of its original staff after 20 months, declares, "We don't treat them like a number. We care they are part of our family."

Hislop, who came aboard Chuy's as CEO two years ago, agrees. "When a person is part of a team, it becomes their family, and they feel a deep sense of belonging," he says. "We care more for [employees] outside of work than we do at work."

Employees are fixtures at November's Chuy's Christmas Parade in Austin, an event that raises money for toys for kids. "We get 300 to 400 volunteers for it," he claims. "We also have bowling teams. We really encourage that. We want to do

**BIG idea** Franchisee Ernest Milian encourages team-building at four Moe's Southwest Grills with an employee-of-the-month contest in which votes from employees and managers are weighted equally.

a lot of stuff together, more so out of work than at work. That is this company's culture."

Milian encourages teamwork and friendship through annual picnics. "[The managers] cooked for employees, who went tubing and kayaking," he recalls, adding that employees get together for bowling and softball games.

Beyond camaraderie, Milian says employees get to know one another. That's a big help when managers pull a worker from one restaurant to cover a shift at another. "Employees know other people at that store because we've had those events," he says. "They are not so afraid to go."

#### TRAINING FOR TEAM-BUILDERS

Chains often supply unit-level managers with team-building tactics. "We have more than doubled the size of the company in the last 20 months," says Hislop. "We have to retrain new managers into our way of thinking. We spend an enormous amount of time talking about team-building."

Burrowes won't share specifics, but says the company schedules activities at off-site gatherings to reinforce the importance of teamwork. "At our most recent managing partner conference, we kicked off the event with a team-building exercise where our teams built over 60 bicycles and then presented them to underprivileged children," he says.

Milian usually addresses the subject in weekly meetings with managers. "I have a checklist of 50 different items I like to go over with them," he explains. "Right now, we are going over Gen Y, how to understand and motivate them. It's harder to team-build with them because they are always looking for a new challenge. They tend to think, 'What's in it for me?'"

The answer to that question, as good managers will explain, is support, friendship and money. ■



The bikes that LongHorn managers built as a team-building exercise went to underprivileged children.

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# Cause PLUS

At Corner Bakery, doing the right thing is not only a goodwill-marketing effort but an **EMPLOYEE-RETENTION TOOL**.

**C**hain Leader's Driving Traffic research in November showed that 73 percent of chains support charitable organizations to increase customer counts. Corner Bakery Café is one of those. But it finds that philanthropic efforts also help the 115-unit Dallas-based restaurant chain engage and retain employees.

Take, for example, its participation in Share Our Strength's Great American Dine Out. In 2009, guests contributed \$23,000; the company matched their donation, rounded up and gave \$50,000. "This was double what we raised the prior year," says Senior Vice President of Marketing Diana Hovey, "and it's largely due to the tremendous passion of our team."

Hovey says Corner Bakery surveys its 3,500 employees, or "bread heads," about once a year. They revealed that workers wanted to do more for their communities and be part of something

bigger than themselves. "Any type of cause effort we do on the marketing end, they have just grabbed it and run with it," she says.

## THE COOL FACTOR

So when the chain began its involvement with the Great American Dine Out in 2008, the team was enthusiastic. "We got such great feedback from employees," Hovey says. "And when we surveyed them again, there was a heightened sense of pride, a lot of write-in comments saying, 'This is very cool.'"

That year, Corner Bakery gave a percentage of sales the week of the event. In 2009, it upped the ante. Customers who contributed a dollar or two received a two-part certificate. Half was posted in the restaurant; the other half held a bounce-back coupon for a free Whoopie Pie or other dessert. It required the staff to be more involved, telling customers about the program and sharing the effort. Two weeks before the September event, Hovey said there already were donation cards lining the walls at many units. The company had to print more certificates before the week-long event even started.





To help staff efforts to communicate the Great American Dine Out promotion, Corner Bakery Café sent an e-mail to its mailing list, created a Facebook page and used in-store materials.

Corner Bakery Café staff get to know their regular customers and are happy to have a cause to share with them.

Hovey credits staff pride. “Our bread heads know a lot of the guests by name,” she says. “They want to share it with the guests. It’s another way to engage them, something to start a conversation. It’s exciting to see how fired up they are.”

#### ACT LOCALLY

Employees also contribute time and effort to local events. Last spring, the Corner Bakery ran a chainwide “Catering to Our Community” promotion that allowed online nominations for local charity groups to receive a full catered meal. Volunteer managers and servers brought free meals to 100 groups.

Hovey says she was surprised at the number of thank you notes the company received from the employees who participated. “They were excited to see firsthand their efforts to give back.”

#### MEASURING SUCCESS

While she says the efforts contribute to staff loyalty and retention, Hovey says it’s difficult to quantify cause marketing’s return on investment. But she argues that’s true with any marketing.

“Anytime we do a promotional effort, we look at what did it do to traffic counts, what did it do to sales of promoted items, the typical measures,” she explains. “But you also have to look at, what was the operators’ feedback? Did they enjoy the promotion? Did it work well? What were some of the other benefits?”

“And I think that the things we hear from this, from the comments and notes from employees, is they love being part of it. You’ve got to look at what it really does to tie the loyalty of your team to the brand, what it does to reinforce that relationship that the employee has with their guest.”

Hovey says Corner Bakery is definitely going to participate in the Great American Dine Out again this year. ■

**BIG idea** “It’s important that brands show they know and care about what’s going on out there in their own neighborhoods,” Hovey says.



### WELL, OILED

Frymax Sun Supreme frying oil gives superior performance with a light, clean flavor. The non-GMO, 100% high oleic sunflower oil provides exceptional fry life with zero grams trans fat per serving. Product needs fewer oil changes so daily oil costs are lowered. For more information, visit [www.stratasfoods.com](http://www.stratasfoods.com).

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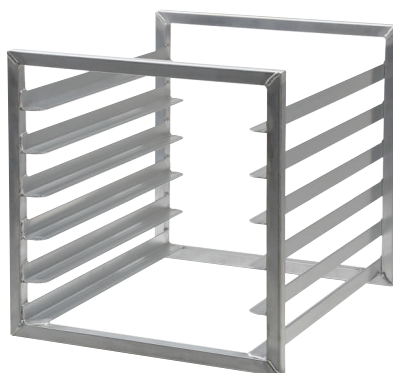
### SEEING GREEN

# 40%

Percent of consumers who say they are likely to choose restaurants based on their conservation practices, according to the National Restaurant Association.

### FIT FOR THE JOB

Cambro's new Tray Slide Rack holds six 18- by 26-in. sheet pans. Aluminum unit is safe for use in coolers and freezers. Tray rack features 3-in. spacing and rubber feet for secure



positioning on the shelf. Rack fits all Camshelving units 24 in. wide and at least 24 in. long. For more information, call (800) 854-7631 or visit [www.cambro.com](http://www.cambro.com). **Cambro Manufacturing**

### FACE IT

Kraft Foodservice's (KFS) Facebook Fan Page encourages dialogue between the KFS culinary team and chefs who use Kraft products. Operators can learn about Kraft recipe development, plus-one embellishment ideas, new recipes, product ideas and much more. Kraft also uses its Fan Page to promote product rebates and rewards, brand initiatives and its free membership program, Kraft Works. Visit [www.kraftfoodservice.com/facebook](http://www.kraftfoodservice.com/facebook). **Kraft Foodservice**

### MORE THAN GRATE

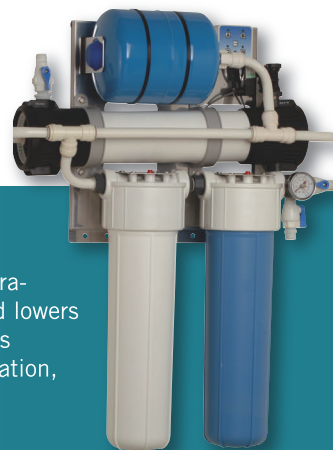
Robot Coupe's R301 Ultra Series D combination food processor can prepare 600-800 servings in just 2½ hours. Processor comes with 3½-qt. stainless-steel bowl and stainless "S" blade. The two-hopper, continuous-feed vegetable prep attachment will slice, shred, grate and julienne in many sizes; 21 different discs are available. For more information, call (800) 824-1646 or visit [www.robotcoupeusa.com](http://www.robotcoupeusa.com). **Robot Coupe USA**



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### TRAFFIC ISLAND

Structural Concepts' Oasis Multi-Temperature Island Grab & Go Refrigerated Display holds cold salads and sandwiches alongside hot soups and quick meals. Island ends feature a heated deck with two heated shelves and two 7-qt. kettles, plus refrigerated grab-and-go.

Its EnergyWise refrigeration system reduces energy consumption by 60%. For more information, call (800) 433-9489 or visit [www.structuralconcepts.com](http://www.structuralconcepts.com). **Structural Concepts**



### FRY SOME SAVINGS

Henny Penny has added a gas version to its line of Evolution Elite reduced-oil-capacity fryers. Now the cost savings and environmental benefits of the Evolution Elite are enhanced with the available heating format of natural gas or liquefied petroleum gas. For more information, call (800) 417-8417 or visit [www.hennypenny.com](http://www.hennypenny.com). **Henny Penny Corporation**



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# Franchise Developer

## Profiles in Growth: Papa Murphy's

While 2009 was rough on many businesses, Papa Murphy's Take 'N' Bake Pizza enjoyed strong growth. The Vancouver, Wash.-based company operates nearly 1,200 locations in 34 states and Canada, with a long-term plan to grow that number to at least 3,000 over the next five years. "The potential for growth is huge," says Franchise Director Jim Werling.

### Q: What are the keys to your growth?

A: First, we have one of the lowest initial investments in the quick-service restaurant industry—the average store last year cost about \$238,000—so it doesn't take a lot of capital to get in. And we've held up well in this struggling economy in part because more people are staying home and going out less, and our



product really lends itself to that. Also, we're considered a grocery item, so we can take Electronic Benefits Transfer cards and foods stamps. That has helped us as well.

### Q: Where will expansion occur?

A: We started in the Northwest and have worked our way across the plains and the Midwest, so we're just now getting into the most populous part of the country. We opened up the Southeast last year, and the stores there are opening strong, so we're paying a lot of attention to that area.

### Q: How will you find those franchisees?

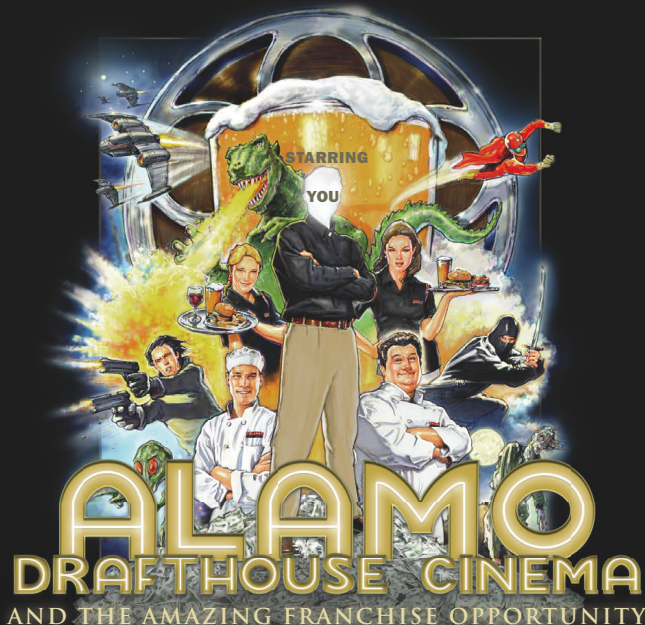
A: Most of them come to us from our Web site, and we also do franchise sales seminars and webinars, along with sales expos and franchise shows. We do a lot of portals and concentrate on some of the search engines so our name is at the top of the list when people do a search. Right now we're focusing on getting franchise information in the stores themselves; people in there obviously like the pizza, so it's a good place to target potential franchise buyers.

### Q: What about current operators?

A: Our existing franchisees are stepping up for additional stores. A lot of them are in areas that are sold out, so they're looking to partner with people in the Southeast now. That itself speaks very highly of the brand: that existing franchisees are so excited about it that they want to continue to grow with us, too.

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• Thick and bulky hand feel  
• Soft and adhesive are water based  
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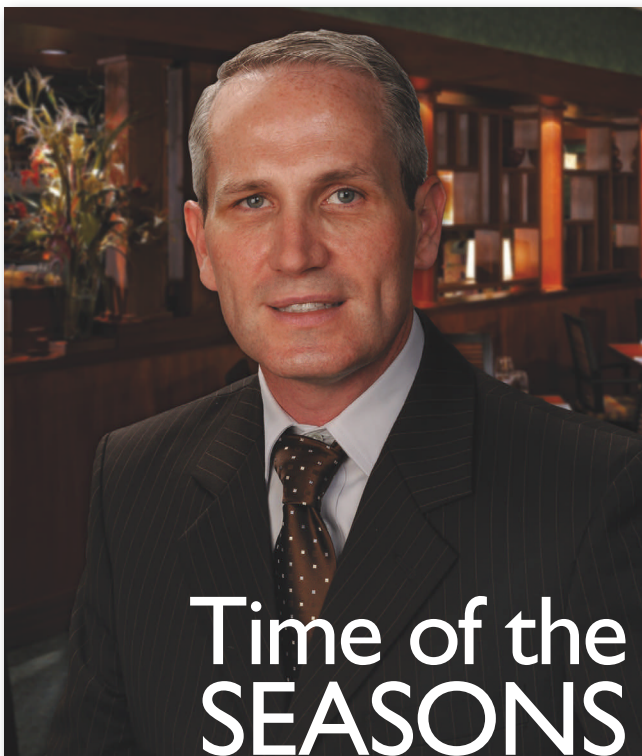
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President Stephen Judge explains how Seasons 52 succeeds with a flexible menu and a stable parent.

**S**easons 52 calls itself a “change” restaurant as opposed to a chain restaurant. The nine-unit concept boasts a better-for-you menu that changes locally and with the seasons. President Stephen Judge discusses some of the operational practices of the concept and the ways it gets support from its Orlando, Fla.-based parent company, Darden Restaurants, which also operates Red Lobster, Olive Garden and LongHorn Steakhouse.

#### **Do in-store chefs have to have any special training to implement an ever-changing menu?**

Absolutely. We look for chefs who have a proven background in the culinary arts, creativity, CIA graduates, with some detailed and extensive experience. Our executive chefs are called executive chef partners. They're actually a part owner in the business. They're completely passionate about what they do, and they're committed to the concept.

**Stephen Judge, who has been president at Seasons 52 for three years, says the concept is all about “celebrating change.”**

#### **Are servers trained to tell that “fresh and seasonal and good-for-you” story?**

The servers and the bartenders are really the face of the brand and what we're all about. We consider training to be an everyday occurrence at Seasons 52. If you want to create an award-winning team—you don't see great

teams practicing once a week or once a month. It's about getting the message into the hearts and minds of employees. We're also fortunate that we can leverage some of the best resources of Darden in terms of the most effective training techniques.

#### **Is there a certain person who makes a great server?**

We look for the right attitude and the right level of experience, people who are used to serving a more discerning clientele. But ultimately, we like people who embrace the concept of living well, who are more food- and wine-forward.

#### **How much product is sourced locally?**

[Culinary Director] Cliff Pleau forages for product in new markets. And we look towards our executive chef partners. There's nothing better than local customers coming in and seeing local products on the menu.

#### **How do supply chains get developed?**

We can take advantage of Darden's logistics and distribution channels. We can find items like our local strawberries in Tampa and put them into our distribution network.

#### **It's strange that Darden, whose chains Red Lobster and Olive Garden's success has been based in part on their consistency, operates Seasons 52.**

But the systems, the structure, the purchasing power that we have is just incredible. It has some of the best brand marketing and consumer-insights research in the business.

#### **What are your expansion plans?**

We just opened Tampa, and the response has been phenomenal. We're going to be opening in King of Prussia, Pa., around the end of March, and we're going to be opening in Schaumburg, Ill., in May. Then sometime around August, we're going to be opening in South Coast Plaza, in Costa Mesa, Calif.

#### **That's a lot of expansion for a small chain in this climate.**

We call it disciplined growth. The amount of due diligence and research we've got in checking out our future locations is second to none. ■

**ON THE WEB:** Listen to a downloadable extended interview with Stephen Judge at [www.chainleader.com](http://www.chainleader.com).

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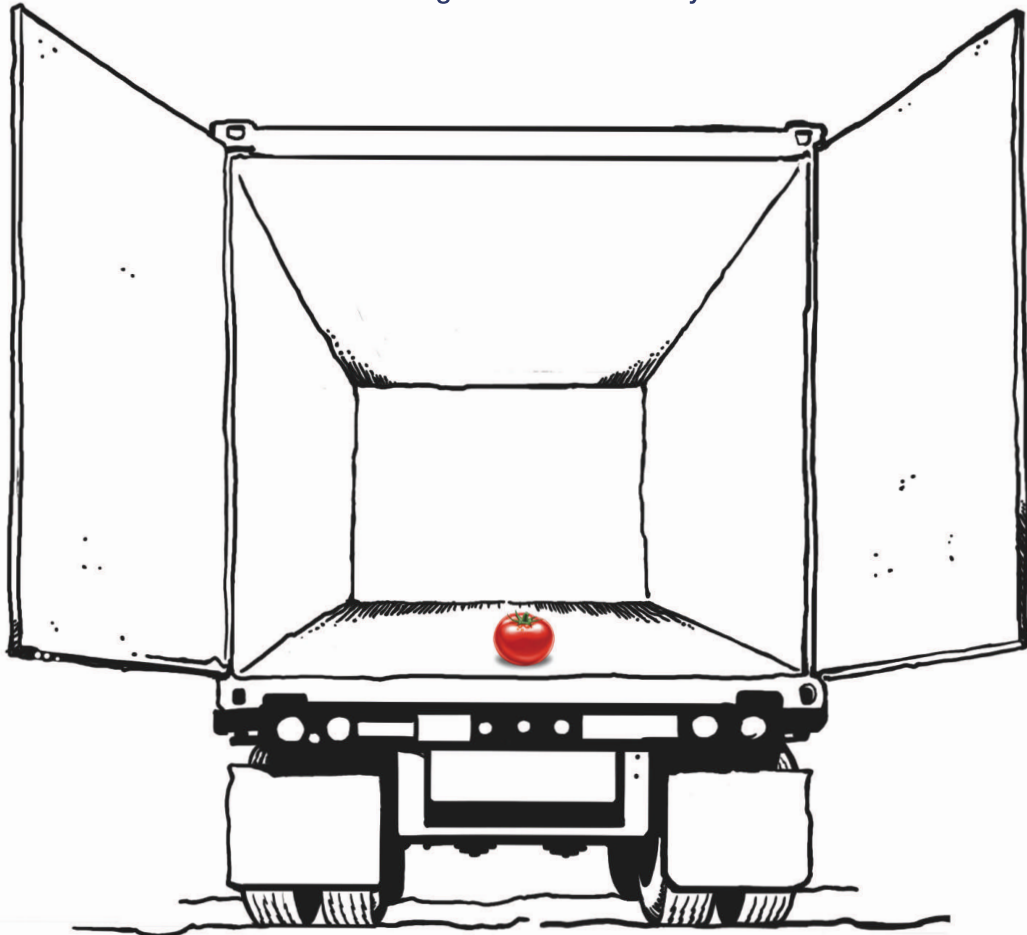


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