

September 2006

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Balancing eight
brands' menus with
economic synergies
at Raving Brands.

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Rock Bottom taps
customers for a
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CAST IN A NEW LIGHT

Ken Cole works
to ignite long-term
growth at Sizzler.

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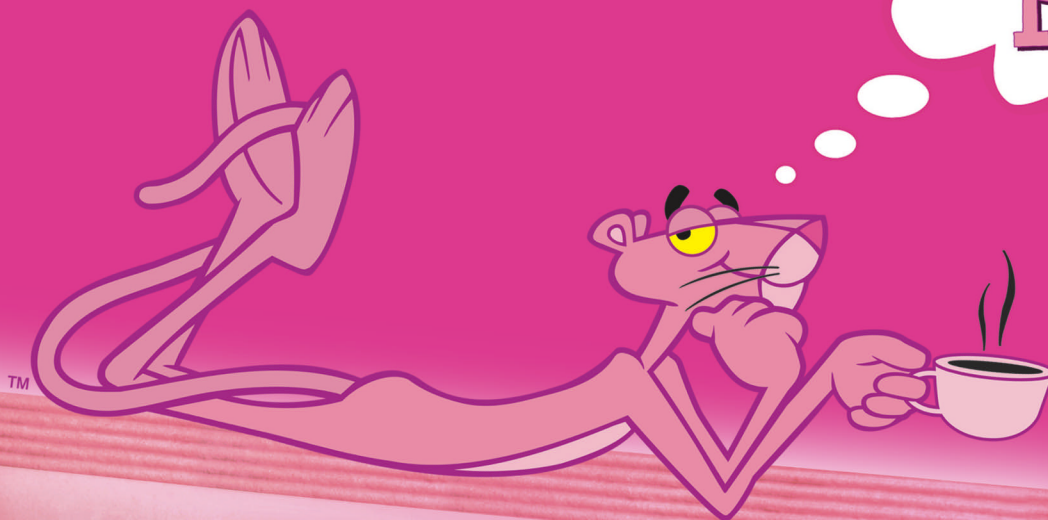
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ON THE DOCKET

Franchisee Sues Wine Bar Over More Than Grape Expectations

Tom See says he was duped. After his company, Accordant Group Inc., opened a unit of The Grape, a wine bar and retail shop, in November 2005, See claims he's learned that The Grape Franchise Group wasn't truthful in its Uniform Franchise Offering Circular. So he sued the Atlanta-based franchisor.

Happens all the time, right? What's unusual in this case is that, besides alleging that The Grape misrepresented the amount

The Grape's goal is to help customers demystify wine. One of its franchisees says the company tried to keep its founder's past a mystery.

of investment and the return a franchisee should expect, See claims founder Jack Mazur's less-than-litigation-free career was not revealed. The complaint indicates

that See would not have signed on with The Grape had he known Mazur had been disbarred in Missouri in 1990 and had been president and CEO at PHP Healthcare Corp. when it filed for bankruptcy in 1998 and subsequently fired from that company. See says these things and more should have been disclosed in the UFOC. He wants The Grape to buy back his unit for \$873,866, and is seeking punitive damages.

Mazur's attorneys deny all See's claims. In a statement to the *Atlanta Business Chronicle*, Marty Thallman, president of The Grape Franchise Company, wrote: "We have stressed from the outset to our franchisees, you will experience a return equivalent to the extent of your efforts and commitment. Mr. See's results are commensurate with his effort and commitment."

See will let the courts decide.

The Grape told *Chain Leader* ("Growing on the Vine," April 2005) that unit volumes averaged \$1.4 million in 2004, when it had three units. It currently has 24 locations in the Southeast. **CL**

ON THE MONEY

Things Are Looking Up

You know how restaurant stocks—particularly in casual dining—are taking a beating on account of slowing same-store sales? Well, maybe they're not. On Aug. 7, BB&T Capital Markets analyst Barry Stouffer reported that restaurant issues posted two positive weeks in a row.

Prices for the 41 restaurant stocks Stouffer follows climbed 2 percent in the first week of

August while both the Dow Jones Industrial Index and the Russell 2000 Index inched up 0.2 percent. The report also contained cautiously optimistic news on valuations, which averaged 19.1 times EPS estimates for the group (excluding the two highest and lowest valuations).

Not bad, really, considering restaurants' average valuations have swung from

11 times to 25 times earnings over the last 13 years, according to Stouffer.

It's a small comeback, however. Two weeks earlier, on July 24, Paul Westra of Cowen and Company reported that the stock prices of the 41 restaurant companies in the Cowen Restaurant Index had set a new 52-week low after tumbling 21 percent in July.

Chains posting second quarter comparable-store-sales gains include Ruth's Chris (6 percent at company-owned units), The Capital

Grille (6 percent), McDonald's (5.5 percent globally) and Chipotle (14.5 percent).

Meanwhile, the Federal Reserve left short-term interest rates unchanged at 5.25 percent on Aug. 8, suggesting that the Fed recognizes the U.S. economy has cooled. While some market watchers predict a positive impact on consumers, analyst Stouffer doesn't think restaurants will profit from the pause. "I don't see how it changes anything about the consumer's current pocketbook," he declares.

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Chain Leader

INSIGHT FOR RESTAURANT EXECUTIVES

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September 2006

STORYBOARD

16 Attitude Adjustment

Bennigan's Grill & Tavern has launched an edgy, food-focused campaign designed to make the 30-year-old concept top of mind with 21- to 34-year-old consumers. The latest commercials promote a new line of appetizers and entrees cooked with Irish favorite Guinness beer. Bennigan's hopes to stand out by strengthening the Irish and tavern qualities of the chain.

By Margaret Littman



RESTAURATOUR

20 A Fresh Start

Boudin SF's new prototype capitalizes on the brand's bread-baking heritage. Its display bakery is a spot of white in the warm, inviting space, where walnut-finish floors, tabletops and deep colors are meant to evoke a San Francisco of years past. The company plans to open 50 units in the next five years in Northern and Southern California and in a third undisclosed market.

By Lisa Bertagnoli

TOQUE OF THE TOWN

29 Balancing Act

Director of New Product Development Daniel Barash must walk a fine line between keeping each menu at Raving Brands' eight concepts distinct while taking advantage of synergies across the system. Barash cross-utilizes ingredients, collaborates with vendors to streamline production, and works closely with each concept's brand leader to develop new items and refine the menu.

By Monica Rogers



29



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COVER STORY

45 Cast in a New Light

President and CEO Ken Cole has spent the last five years reimagining Sizzler USA with a new menu and prototype in the hopes of bringing the beleaguered chain back to its former glory. The goal: hold onto core customers while making the brand relevant to lapsed users and young families. Since rolling out the changes in 2003, Sizzler has seen modest same-store-sales gains and is finally expanding again after more than a decade.

By Maya Norris



LIQUID MEASURE

37 Tapped In

Rock Bottom Restaurants developed a training DVD dubbed "Bar Camp" to teach servers how to sell more nonrefillable drinks, particularly its high-margin craft beer. Since March the company's system-wide per-person average for nonrefillable beverages has climbed 7 percent, and half of those drink orders are for beer.

By David Farkas

FOOD SAFETY

54 Second Generation

Sonic Drive-In's food-safety program continues to evolve to stress the importance of quality among its franchisees. Based on the Food and Drug Administration's food code and best-in-class restaurant practices, the Sonic Safe program exceeds the standards of local regulatory agencies and uses unannounced third-party audits.

By Mary Boltz Chapman

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Site Relaunch

- A more functional and user-friendly www.chainleader.com.

Web Exclusive

- Check out the latest concepts Rainforest Cafe creator Steven Schussler is brewing up in a tour of his idea lab.

Cover Society Podcasts

- David Goronkin says Famous Dave's has only just begun.
- Michael Kaufman on updating aging brands and developing new ones.

How to Grow to 100 Units

- Web-exclusive content and related articles on growing concepts.
- Video coverage of *Chain Leader's* "How to Grow to 100 Units" roundtable.
- California Tortilla's Pam Felix on the trials and joys of growing her spunky concept.

Plus

- Senior Editor David Farkas muses about the restaurant industry in his blog, *Dave's Dispatch*.
- Daily news.
- Franchise opportunities.
- Topic-specific pages on marketing, expansion, operations and more.

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Chicago Politics

In Chicago, a run to the border likely doesn't have anything to do with Taco Bell, probably not even immigration issues. Here, it might mean leaving the city for one of its upscale suburbs with a French restaurant for some foie gras, illegal in the city as of Aug. 22. It could one day mean going beyond the city limits to satisfy a fast-food fix, because some aldermen are trying to ban trans fats. Or it could mean crossing the street to a first-ring suburb to shop at Wal-Mart—or find an entry-level job there.



In its June issue, GQ called Chicago the best restaurant city in America. It may have spoken too soon.

MARY BOLTZ CHAPMAN,
EDITOR-IN-CHIEF

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What You Can and Cannot Eat

If you think the Chicago City Council's ban on foie gras affects only high-end restaurants and their snooty customers, you're wrong. It sets a bad precedent for many reasons. The ordinance was passed because of the way birds are fed to fatten their livers. This potentially opens the door to ban food based on how animals are treated or based on other ethical—not legal—decisions. Where is the line drawn? And who gets to draw it? Local office-holders? The court system? Certainly not the dining public.

An indication of how customers feel about the ordinance: Many restaurant operators are reporting that people were trying foie gras for the first time, perhaps just to thumb their noses at those who would try to regulate what they can and cannot eat.

Close to Home

In case you still don't think banning one admittedly esoteric ingredient is foreboding: Some city aldermen have proposed banning the sale of trans fats within the city limits. You certainly have those on your menu. Fortunately, in this case, Mayor Richard Daley responded, "Is the City Council going to plan our menus? How far should government go?" He suggested they focus on education about health and exercise rather than trying to regulate ingredients.

But who could blame them for trying? They succeeded before. And I'll bet they will try again.

Bad for Business

The latest bit of Chicago politics that I can only shrug at is a City Council ordinance requiring so-called "big box" stores to pay employees a \$10 minimum wage, plus \$3 more in benefits. "Big box" means stores that are 90,000 square feet or more and run by companies making \$1 billion or more in annual sales.

Wal-Mart, Target and other retailers have said they will not open new stores in the city. Which won't help the lower-income people the council was trying to help by providing a living wage, and will take away potential commercial development, income taxes, jobs and other economic impact.

Daley has argued against the regulation and has until Sept. 13 to veto it. The mayor is apparently keeping quiet until then, gathering support so his veto doesn't get overruled.

You might be thinking, this is retail, not restaurants. But if local government can make rules based on fine lines differentiating what kind of business you are, they can decide "chains" have to pay higher wages. Or that "big restaurant companies" have to keep trans fats off the menu or list ingredients on labels or offer health insurance to all employees.

And if all this can happen in a city known for being business-friendly and recently named the best restaurant city in America, it can happen anywhere. **CL**



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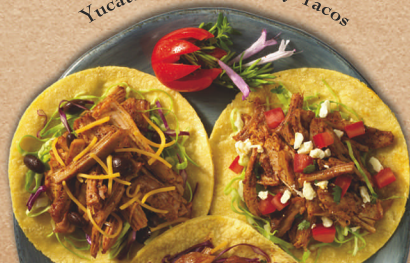
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Lavazza's Washington Street location is the largest of the three in downtown Chicago, at 2,094 square feet and 40 seats. The other two stores are each about 1,100 square feet with 20 seats.

Savory salads and sandwiches round out the menu, which is heavy on coffee drinks and sweets.

The interior features Italian marble, furniture and cherrywood finishes.

Easy Does It

Lavazza, the Italian coffee chain, takes a low-key approach with its first three U.S. locations. **BY LISA BERTAGNOLI**

With hundreds of cafes in Europe, Lavazza is familiar to both Europeans and frequent travelers to the Continent. But the Turin, Italy-based coffee roaster has taken a decaffeinated approach to expansion in the United States.

In 2005, Lavazza opened its first three U.S. locations in downtown Chicago with no fanfare, the plan being to test the market's waters before making a big splash. "Chicago is a great city, a crossroads geographically and demographically, and it's a splendid location to test a concept," says Joerg Oberschmied, vice president of operations for Arlington Heights, Ill.-based Premium Espresso, the U.S. arm of Lavazza.

Tourist Attraction

The menu offers cold and hot coffee drinks, breakfast pastries, desserts, gelato and light savory items such as salads and sandwiches in a limited-service setting. Gelato and desserts are made in Italy, flash-frozen and flown to the United States, while savory items are made on site.

The look is European, with marble floors and cherrywood chairs imported from Italy and sleek display cases holding desserts and packaged salads. Blow-ups of photographs from Lavazza's annual calendar are on the walls; the calendar "is a fairly big thing" in Italy, Oberschmied says. Fashion photographer Ellen von Unwerth shot the 2006 calendar.

Given the downtown locations, Lavazza's core clients are businesspeople, some of whom visit several times a day, Oberschmied says. Tourists, especially those

from Europe who recognize the blue Lavazza logo, are also fans: "A group at the Washington store applauded the staff when they had the coffee," Oberschmied says.

Regional Accents

During the stores' first year of operation, Lavazza took notes on the differences in the U.S. market. "This is definitely a drip market," while Lavazza's European cafes specialize in espresso, Oberschmied says. Upon seeing that the cafes are a favorite among women, the company added more salads and lighter sandwiches.

While the majority of menu items and coffee drinks were invented in Italy, the Chicago stores have created a few. One example is Blendissimo, a line of four blended coffee-and-gelato drinks. "When some corporate people came here, they took them back to the Italian market," Oberschmied says.

Current plans are to stay the low-key course. "Our focus is on the three stores we have, and we want to make them successful," says Oberschmied, who won't discuss financials. The company recently hired a public-relations firm to help get the word out but has no plans to advertise.

Lavazza's success with the restaurants may well depend on whether customers make the link between the restaurants and its wholesale coffee, which Premium sells to many Chicago restaurants and hotels. "It's a high-quality product and that will be their thing going against Starbucks," says Isidore Kharasch, president of Hospitality Works, a Deerfield, Ill.-based restaurant-consulting firm. **CL**

SNAPSHOT

CONCEPT

Lavazza

COMPANY

Premium Espresso, Arlington Heights, Ill.

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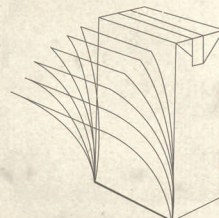
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Attitude ADJUSTMENT

Bennigan's goes after the younger crowd with an edgy, food-focused campaign.

What's a pub without people? Doesn't sound like much of a happenin' hang-out. But as 30-year-old Bennigan's Grill & Tavern developed its new advertising campaign designed to create a "rowdier, edgier" positioning for the chain, it eliminated the human element from its ads.

"We wanted to focus on the food and differentiate from our larger competitors," says Clay Dover, vice president of marketing for the Plano, Texas-based chain. "We wanted to have advertising that makes you pause, is a little bit irreverent. We feel we have that leeway with our guests. We are allowed to do that."

The chain's new advertising agency, St. Louis-based Propaganda Inc., created six TV spots—one for each limited-time offer the chain has in 2006—and radio spots that focus on Bennigan's food and edgier attitude. Examples include a commercial for a fajita burger that suggests tortillas are starting to panic and a wings ad that suggests diners "tell [their] mouth to quit being such a pansy." They currently air in Chicago, Houston, Iowa, Michigan, Florida, New Mexico, Pennsylvania and Delaware.

Propaganda began working with Bennigan's in late 2005, with a goal of having the campaign ready for the anniversary year, a process Flint Finlinson, a principal at the firm, likens to changing a flat tire while the car is barreling down the road at 60 mph. Dover worked with Propaganda when he was director of marketing at Houlihan's, and the agency welcomed the chance to bring Bennigan's to top of mind with 21- to 34-year-old users, says Finlinson.

Feeling Younger

"The younger demo is where we are finding a lot of our lapsed users. There are people who remember being in college, with their friends, going drinking at Bennigan's. There is a lot of nostalgia," Dover says. "But we want to maintain a fresh attitude. This is not the fern bar of 20 years ago. We want an edgier brand attitude. We want people to say, 'Did they just say that?'" He believes that once people grow up, they want to seem and act younger than they are, so the chain will get some 40-somethings interested in hanging out at Bennigan's if the 30-somethings think it is cool.

"Bennigan's Grill with Guinness Glaze"

Length: 30 seconds

WE DID WHAT ANY TRUE IRISHMAN WOULD DO WITH AMERICAN FOOD.

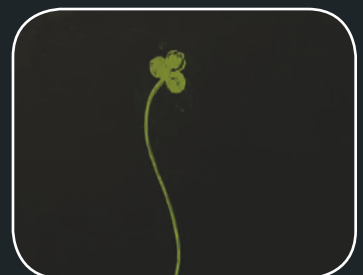
1. Voice-over: We did what any true Irishman would do with American food.



3. Bennigan's has given the distinctively brilliant taste of their exclusive Guinness Stout glaze to seven menu favorites.



5. Five undeniably delicious entrees.



7. Eat responsibly.

BY MARGARET
LITTMAN

**WE DID WHAT ANY TRUE
IRISHMAN WOULD DO WITH
AMERICAN FOOD.**

WE PUT BEER IN IT.

2. We put beer in it.



4. Two irresistible
appetizers.



6. Guinness Stout glaze gives
these American classics
a unique Irish flair.

BENNIGAN'S
GRILL & TAVERN

8. At Bennigan's.

"We're trying to return to cool in 2006, but what was cool 20 years ago is not cool now. That's why we are trying to differentiate ourselves by being tongue-in-cheek," Dover says.

When Bennigan's describes its positioning as "rowdier, edgier, cooler," Finlinson explains that it is relative. Bennigan's Bar & Tavern may be rowdier than it was a year or two ago, and rowdier than T.G.I. Friday's, but not as rowdy as the neighborhood rugby fan bar down the street.

"We never go out and claim we are cool or hip," Finlinson says. "It is all in the attitude of the creative."

Go with Guinness

The company and Propaganda combined that edgier attitude and Bennigan's Irish bar concept by developing and promoting appropriate new menu items. A cheeseburger salad dish achieves the "what?" factor Dover sought.

A line of new appetizers and entrees cooked with Irish favorite Guinness beer strengthen the Irish element and the tavern qualities of the chain, while making food and drink the star. Dover estimates that the chain tested hundreds of iterations of a Guinness glaze before settling on the one used on popcorn shrimp, baby back ribs, top sirloin and other dishes. He says Bennigan's is one of the largest Guinness beer outlets in the United States, which is why the brand partnered with Bennigan's to develop the recipes.

The Guinness items, like all the LTOs, were developed to make life as easy as possible for the staff. For example, the chain already served ribs, so adding Guinness-glazed ribs wasn't an operational complication for the kitchen.

Each limited-time menu item is available for nine weeks. Because the Guinness items have only been out for four weeks, Dover says it's too soon to say how well the dishes are selling. But he is "pleased with the results" so far.

Dover concedes that casual dining is a mature segment, and Bennigan's is a chain that has been around for three decades. While expansion plans call for as many as 30 new units in 2006, the chain still has less than half the number of units as Friday's and Applebee's.

"Our heritage is in the bar. We are a tavern and grill; our roots are from the bar. The restaurant is, literally, built around the bar. Along with the 30th anniversary this year, we wanted to reconnect the advertising with that strategy," Dover says. "That's one of the challenges of casual dining. We have to cling to what sets us apart."

Alcohol sales vary greatly among Bennigan's restaurants, Dover says. In some units just 10 percent of sales come from alcohol, in others it is as much as 50 percent.

While both Bennigan's and Propaganda will measure success of the campaign—which will cost less than \$10 million—by sales increases, Finlinson has an additional hope for the food-centric spots: "I hope they make somebody say, 'Wow. I'm suddenly hungry. Let's go.'" **CL**

SNAPSHOT

CONCEPT

Bennigan's Grill & Tavern

OWNERSHIP

Metromedia Restaurant Group, Plano, Texas

UNITS

321

2005

SYSTEMWIDE SALES

\$703 million

2006

SYSTEMWIDE SALES

\$710 million*

AVERAGE CHECK

\$12.75

2006 AD BUDGET

Less than \$10 million

AD AGENCY

Propaganda Inc., St. Louis

EXPANSION PLANS

30 in 2006

*Chain Leader estimate

**If you think
we're picky about our beans,**

wait 'til you taste our chili.



**New Bush's Best Homestyle Chili.
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SNAPSHOT

CONCEPT

Boudin SF Bakery
& Café

OWNERSHIP

GESD Capital
Partners,
San Francisco

LOCATION

Costa Mesa, Calif.

OPENING

July 6, 2006

AREA

3,500 square feet

SEATS

75 inside, 25 outside

AVERAGE CHECK

\$8

2006 UNIT VOLUME

\$900,000
(\$1.8 million
expected AUV)

EXPANSION PLANS

2 in 2006, 3 to 5
in 2007; a total of
50 within the next
five years

A Fresh Start

*Boudin Bakery's new design pairs a from-scratch
bakery with a warm, inviting dining room.*

BY LISA BERTAGNOLI

Customers entering the new Boudin SF bakery-restaurant in Costa Mesa, Calif., can't help but notice the abundant display of crusty, brown sourdough loaves and, off to the side, a gleaming white display bakery separated from the ordering area by a glass wall.

This is no bake-off bakery: It's the real deal, says Jeff Drake, chief operating officer at San Francisco-based Boudin Bakery & Café. "Flour, water and sourdough starter," Drake says, noting that fresh sourdough starter is shipped to Costa Mesa from San Francisco every three or four weeks.

The 500-square-foot bakery is a spot of white in the warm, inviting space, whose walnut-finish floors, tabletops and palette of deep red, gold and navy are meant to evoke a San Francisco of years past. Black-and-white penny tile covers the floor of the entryway and order area. Booths are upholstered in a deep-red fabric, and banquettes, with a thick gold, red and navy stripe. Walls are painted a buttery yellow called sourdough, topped with walnut-finished crown molding. Black-and-white photos of builders working on the Bay Bridge and Golden Gate Bridge decorate the walls. A dramatic portrait of the chain's master bakers dominates a back wall.

The bread bakery is one of the restaurant's three design mandates, according to Drake. Another is the bread rack and display of sweets at the counter. The third is the colors and finishes, which echo the look of Boudin's Fisherman's Wharf location in San Francisco, a 27,000-square-foot extravaganza that includes a bread shop, bread museum and full-service bistro.

Brand Evolution

Executives don't consider Boudin SF a prototype but rather the next step in a brand evolution. The first step was opening the Fisherman's Wharf unit in May 2005.

"We looked at this fantastic brand and company and wanted to start sharing it," Drake says of the concept and expansion plans, which call for 50 units to open in

the next five years in Northern and Southern California and in a third market, which he would not disclose. "We wanted to capture the essence of Boudin."

The prototype bespeaks other changes at 15-unit Boudin, which is owned by GESD Capital Partners, a San Francisco-based private-equity firm. GESD partner Louis Giraudo's family bought the concept from the Boudin family in 1941. In August 2004, GESD purchased Go Roma Italian Kitchen, a four-unit fast-casual chain, and merged it with Boudin under a parent com-

(Opposite) Boudin looked at 15 banquette coverings before deciding on a wide stripe that picks up the room's main colors.

(Clockwise from top) The cafe has two entrances: one from the outside and one from the mall's interior.

One of the restaurant's focal points is the display of bread and sweets at the counter.



pany called Forklift Brands.

Executives began working on the Boudin SF design in 2004 and located the Costa Mesa site, in the upscale South Coast Plaza mall, in January 2005. Aria Architects of Chicago completed the original plan, but before the Costa Mesa location opened, Boudin called in San Francisco-based Axis Architecture & Design to make some site-specific modifications.

Boudin makes all of its bread on site in a display bakery.

RESTAURATOUR

Vintage postcards of San Francisco inspired Boudin SF's color palette.



(Clockwise from top) The saturated tones of vintage postcards inspired the color palette.

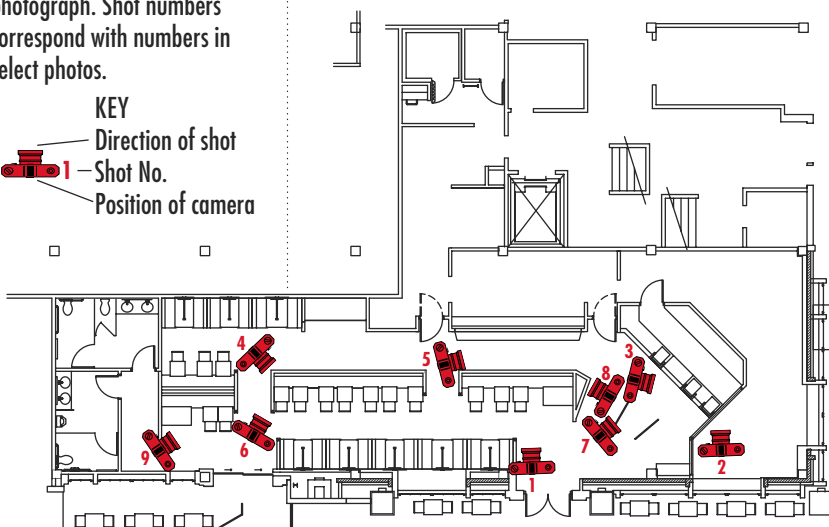
Marble and walnut finishes and penny-tile flooring evoke a vintage feeling.

In future Boudin SF stores, the aisle leading to the beverage station will be wider to ease traffic flow.



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

KEY
 Direction of shot
 Shot No.
 Position of camera



Axis created a 3-D model of the space, then used it as a study model, explains Terryl Lofrano, architect and Axis principal. "The location turned out very much like the model," Lofrano says.

The space, wedged between a Claim Jumper and Z'Tejas, had been vacant. In a

design surprise, it had no windows. Lofrano's challenges included adding two kinds of windows: those that allow views in and out of the restaurant, as well as shadow-box type windows that will serve as marketing and display cases. The windows are crisscrossed with black frames that evoke a Fisherman's Wharf warehouse.

Lofrano also expanded the storefront so it's more visible from the shopping center's parking lot. He also made the entry and order-taking space bigger.

Attention to Detail

While the space looks simple, details abound. Guests clip order numbers to small, matte-black wire stands on each table. The numbers are printed on round cardboard disks embellished with a bread-themed quotation. Wire-mesh partitions, reminiscent of a baker's rack, top the backs of banquettes.

Another important detail: a new menu. In addition to soups, sandwiches and



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RESTAURATOUR

Boudin SF's in-store bakery is visible from the outside of the restaurant.

MENU SAMPLER

SALAD

Cobb Chopped Salad: chicken, iceberg and romaine lettuce, tomatoes, peas, hard-boiled egg, blue cheese, bacon and vinaigrette, served with fresh-baked bread, \$6.99

SANDWICH

California Veggie: Havarti, pepper-Jack cheese, avocado, red peppers, cucumber, lettuce, sprouts, red onion, tomato and sun-dried-tomato spread on multi-grain bread, served with potato chips or organic greens, \$6.29

ENTREE

Crab Macaroni & Cheese (pictured): Dungeness crab, penne pasta, sharp cheddar



cheese and toasted bread crumbs, served with fresh-baked bread, \$9.99

PIZZA

Spinach & Mushroom Alfredo: Alfredo sauce, fresh spinach, sauteed mushrooms, garlic, mozzarella and Parmesan on a hand-stretched sourdough crust, \$7.99



(Clockwise from top) The restaurant offers limited-service; menu items including hot entrees take less than five minutes to prepare.

Both the booths and awnings are red, providing a visual connection between Boudin's interior and exterior.

Decorative touches including a portrait of Boudin's master bakers promote the brand.

salads, the menu features seven entrees, all made from scratch and engineered to be prepared in five minutes or less. The entrees have helped establish a strong dinner daypart: Dinner accounts for 30 percent of total sales, and the new entrees account for 30 percent of dinner orders, Drake says.

Tweaks already made and those in the works concern details as well. For instance, the company is not happy with the lighting of the bread display. "It's the wrong color," Drake says. "We're still working on it—we want to make it better." As for value engineering, "we'll do it both ways—add and subtract," says Drake, who will not release building costs.

In future stores, the aisle between the expeditor station and the row of banquettes

will be made wider for ease of negotiation, and the ceilings will be lowered to cut construction costs and give the space a cozier feeling, according to Lofrano. In addition, the company will dedicate one register to bread and call-ahead orders to streamline traffic flow at the counter.

Two weeks after opening, sales were somewhat ahead of plan, Drake says, but he won't release specific figures.

He says lots of traffic is coming from mall employees: "They will be our ambassadors." Initial marketing efforts included visiting nearby offices with samples of bread and holding a preopening party.

Grass-roots efforts, to be sure, but not unusual for a brand that, despite its history, considers itself young. "We're a 156-year-old startup," Drake says. **CL**

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*Man of many menus
Dan Barash keeps
Raving Brands' concepts
distinct but finds synergies
behind the scenes.*

Balancing ACT



You can't travel far in Atlanta without seeing a Raving Brands venue. Home base for the 575-unit company, Atlanta's got the most multiples of the company's eight concepts: There's liquid fuel at hip PJ's Coffee and Planet Smoothie, and breakfast all day at the Southern-artsy Flying Biscuit Cafe. Lunch and dinner are offered at "healthy as you want to be" Doc Green's Gourmet Salads, burrito-shack Moe's Southwest Grill, fast-casual Mama Fu's Asian House, island-feeling Boneheads Grilled Fish and Piri Piri Chicken, and Georgia-licious Shane's Rib Shack.

But given the company's fast growth through its franchisee-friendly plan, more towns will soon match Atlanta for sheer number of Raving restaurants. The company has signed leases for 200 more units by the end of 2006 and will have 1,200 to 1,500 total by year-end 2008.

Holding the menu reins behind such a broad group of concepts requires strong-handed steerage—and synergistic strategizing. Director of New Product Development Daniel Barash is the guy with those reins.

The upside to overseeing so many menus? "This is not a mundane job," says Barash. "With so many brands, there's unlimited potential for leveraging products and pricing and building great relationships with manufacturers." But on the downside: "It can get confusing. This job definitely stretches the limits of my organizational skills," he laughs.

Barash, who says he's never been a "sit-at-a-desk kind of guy," learned to cook from his mom, an accomplished baker. He entered the industry at 13, at a Dunkin' Donuts, followed by stints at various independent restaurants. Barash got his culinary arts degree from Johnson & Wales; served as partner and executive chef at Roy's, the Hawaiian-fusion concept, in Plano, Texas, where he developed the chef's training program still used today; and was an executive chef for Rare Hospitality's The Capital Grille. Barash joined Raving Brands in 2004 and was named director of new product development this year.

Much of that time, he's been sprinting. Most of Raving Brands' concepts are relatively new. The most mature is Moe's,

Director of New Product Development Daniel Barash is tasked with ensuring that menus at Raving Brands' eight concepts are distinct yet take advantage of synergies across the system.

**BY MONICA
ROGERS**

TOQUE OF THE TOWN



The panini press is a key piece of equipment at Doc Green's, used to heat sandwiches such as this limited-time barbecue chicken sandwich topped with cheddar cheese, spinach and tomatoes on flatbread with Shane's Rib Shack's original barbecue sauce.

Spicy General Fu, a signature item at Mama Fu's, is a medley of carrots, steamed broccoli and fresh scallions with a glaze of sweet garlic-chili sauce.

Sixty percent of Doc Green's guests order salad, 8 percent, entrees, and 10 to 15 percent, sandwiches.

launched in 2001. In 2003, Raving Brands debuted Mama Fu's and entered into a joint venture with Shane's Rib Shack. It developed Boneheads and Doc Green's in 2005 and acquired Flying Biscuit in 2006. Because each stresses made-to-order menus, simplicity is a cornerstone.

Keeping it Simple

"It's crucial that we make everything simple to reproduce, both for consistency and brand recognition's sake, and because everything needs to be executable by workers who have had little or no previous restaurant experience," says Barash.

Keeping concepts distinct while looking for synergies such as cross-utilizing ingredients between concepts and eliminating overlap is neverending.

For example, both Boneheads and Shane's offer whole and half chickens. But Boneheads injects a piri-iri-pepper marinade into its birds, while Shane's uses a simple saline. Preparation techniques differ as well: Shane's barbecue-smokes birds, while Boneheads char-grills them, resulting in a very different finished product.

Likewise, boneless chicken breasts figure on menus at Boneheads as a piri-iri-spiked entree and salad topper but are served grilled with basil-pesto aioli, mozzarella cheese, greens, tomatoes and roasted red onions as a flatbread sandwich at Doc Green's. Chicken wings appear on menus at Boneheads and Shane's, while chicken tenders are just about ubiquitous: on salads at Doc Green's and Shane's, a kid's item at Boneheads and Mama Fu's, and its own menu category at Shane's.

Supply-side synergy also includes steak, which is in burritos at Moe's and will launch as an entree at Boneheads, and ground beef, which will be used in burgers slated to launch in fall at Shane's and Boneheads, plus greens and salad dressings.

And Barash hasn't forgotten side dishes. Creamed spinach, for example, which Doc Green's is featuring as part of a fourth-quarter LTO, is something Barash wants to use in a spinach-artichoke or spinach-crab dip for Boneheads. Similarly, the grilled zucchini strips at Boneheads will roll out at Doc Green's this winter.

Help from His Friends

Raving Brands looks to its suppliers to find product fits across the spectrum. Vendors also prepare sauces and marinades and portion ingredients to streamline production. "We use their chefs and kitchens to help us with new-product development and with limited-time offers," Barash says.

MENU SAMPLER

BONEHEADS GRILLED FISH AND PIRI PIRI CHICKEN

Piri-Piri Chicken: ½ piri-iri-pepper-marinated flame-grilled chicken with seasoned rice and choice of grilled zucchini strips, Asian coleslaw, seasoned fries or chilled marinated broccoli, \$7.49

DOC GREEN'S GOURMET SALADS

Dr. Detroit, with baby spinach, roasted button mushrooms, bacon, sliced egg and chunky blue-cheese dressing, \$4.99

SHANE'S RIB SHACK

Full Rack of Baby Back Ribs, \$16.99
Collard Greens, \$1.35

MOE'S SOUTHWEST GRILL

Ugly Naked Guy Taco, with beans, cheese, salsa, lettuce, sour cream and guacamole, \$2.49

MAMA FU'S ASIAN HOUSE

Ahi Tuna Salad: sesame-crust ahi over spinach, sweet onions, crisp cucumbers and red peppers, in ginger-raspberry vinaigrette with ponzu dipping sauce, \$7.99

FLYING BISCUIT CAFE

The High Flyer: two large eggs served with free-range chicken breakfast sausage and organic oatmeal pancake topped with warm peach compote, \$7.95



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Burritos are king at Moe's, and new varieties are always in the pipeline.



SNAPSHOT

COMPANY

Raving Brands

HEADQUARTERS

Atlanta

CONCEPTS

325 Moe's Southwest Grill, 128 Planet Smoothie, 38 PJ's Coffee, 26 Shane's Rib Shack, 23 Mama Fu's Asian House, 13 Doc Green's Gourmet Salads, 6 Boneheads Grilled Fish and Piri Piri Chicken, 2 Flying Biscuit Cafe and 4 Monkey Joe's, an indoor kids' activity center

2005

SYSTEMWIDE SALES

\$258.4 million

2006

SYSTEMWIDE SALES

\$490.8 million
(company estimate)

AVERAGE CHECK

\$10 or less for each concept

EXPANSION PLANS

70 new units by year-end; up to 200 in 2007

Searching for synergies and outsourcing to vendors makes sense from a cost and consistency perspective, says restaurant consultant Mark Thomas, president of M.D.T. Ltd, an Atlanta-based restaurant and food consultancy that regularly advises fast-casual players. "But the risk is, you dull the cutting edge—the flavors that made you what you were in the beginning," says Thomas. "The last thing a growing chain wants to hear from a guest is, 'It's just not as good as when they were smaller.'"

Apart from vendors, Raving Brand's franchise advisory council contributes many helpful ideas. One example: The made-to-order Southwest slaw in Moe's fish tacos was time consuming for staff to make. Now the chain uses a premixed dressing with the cabbage to speed the product build and enhance the flavor.

Dividing Energies

Barash splits his own energies between shaping menus for new concepts, tweaking menus at maturing concepts and bringing menus from acquired concepts in line with the rest of the system.

For example, to shape launch menus for Boneheads in 2005, Barash worked with the concept's director of operations, Scott Vogel, a seafood chef by training. "There are few, if any, fast-casual seafood concepts out there," says Barash. "So shaping Bone-

Cutesy names from TV shows have been a fun menu accent at Moe's. Billy Barou's Nachos top beans, melted cheese, salsa, jalapeños and black olives with choice of protein.



Signature dishes at Boneheads are spiced with the South African piri-piri pepper. The Skewered Shrimp comes with pineapple salsa and Asian coleslaw.

heads, our aim was to offer plenty of fresh, grilled fish, depth of flavor throughout the menu, and affordable prices."

Entering Boneheads units, guests walk past an impressive stretch of grill stations, showcased behind glass and tile walls, to place their orders. "The emphasis is truly on the freshness and the made-to-order aspect," Barash says. Streamlining production, vendors portion proteins to reduce waste and shorten ticket times.

At Doc Green's, Barash worked closely with Carl Griffenkrantz, vice president and brand leader. "We wanted something that would appeal equally to men and women, and that would attract business at both lunch and dinner dayparts," Barash says. To deliver, he and Griffenkrantz balanced build-your-own-salad offerings with a variety of hot proteins from sirloin steak to grilled portobello mushrooms, comfortable sides like garlic mashed potatoes, hot flat-bread sandwiches, and soups.

With both menus up and running, Barash says the initial result has been good. "We're getting more female guests than male, and the split between dinner and lunch business is about 60-40," says Barash. At Boneheads, "seafood is the best seller, which was our aim. And about 65 percent of our business happens at lunch," he says.

Because not all guests want the three levels of heat that come with Boneheads' signature South African piri-piri-pepper sauce (lemon-herb, medium hot, extra hot), Barash is experimenting with a "piri-que" sauce—barbecue sauce spiked with the concept's piri-piri blend. He's also testing a grilled steak entree and a burger with piri-piri-marinated mushrooms.

And to keep interest high at Doc Green's, the brand launched an LTO strategy in '06 featuring bundles of three or four products



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Doc Green's popular Dr. Beeks salad mixes field greens with dried cranberries, feta cheese, candied walnuts and raspberry vinaigrette.

Raving Brands cross-utilizes products between concepts, improving costs and supplier relationships.

(some sides, some entrees) seasonally. "Build-your-own salad is becoming a very competitive category," says Griffenkrantz. "We knew it wouldn't take long for competitors to try to match our salad offerings, but with our LTOs, it's like we're saying, 'Oh, yeah? But can you do this?'"

Spring and summer LTOs included the BBQ Chicken Sandwich, \$6.78, panini pressed with spinach, roasted red peppers, barbecue chicken and cheddar cheese; the Wedge Salad, \$4.99, iceberg lettuce, bacon, tomatoes, blue-cheese crumbles and blue-cheese dressing; and Garden Vegetable Soup, \$1.99. Of these, the BBQ Chicken Sandwich did best, contributing to a 3 percent increase in overall sandwich sales.

Doc Green's fourth-quarter LTO will include French onion soup and turkey pot pie soup in sourdough bread bowls, plus French Dip Sliders, roasted onions and seasoned steak in a croissant with au jus dipping sauce.

Maturing Menus

Moving menus forward at now-mature Moe's, Barash rounded out offerings with the addition of Moe's Fish Taco, \$2.69, grilled whitefish in a soft corn tortilla with Southwestern slaw, pico de gallo and chipotle-ranch sauce, and switched to a new seasoned ground beef in February featured as a nacho topping and a protein option for burritos.

"But it's mostly about the burritos," says Barash. The second largest burrito chain, behind Chipotle Mexican Grill's \$627.7 million in 2005 sales and almost 500 units, Moe's would love to close the gap.

"We don't want to fix what's not broken," says Matt Andrew, senior vice president and brand leader for the concept. "But it's safe to say we will be trying all sorts of new burrito variations to get there." For example, Barash is testing Moe's Bacon Cheeseburger Burrito, \$5.49, with seasoned ground beef, bacon, cheddar and Jack

cheeses, ketchup, mustard and pickles.

Mama Fu's has been more difficult. Acknowledging some guest disconnect between the sophisticated, ethnically diverse menu and the casual service style, Raving Brands is testing table service during dinner and various specials. In spring, the company began testing Mama Fu's Steamed Bowls, for example, with fresh vegetables and choice of chicken, steak or grilled shrimp over rice or noodles. (Prices range from \$6.99 for chicken to \$9.99 for a combo.) During the first three months of testing, Steamed Bowls rated among the top three menu sellers, behind Pad Thai and Spicy General Fu.

At Shane's, which features family recipes from founder Shane Thompson, Raving Brands has been trying to match and modify its supply stream with Shane's specs. It is testing equipment like combi-therm smokers that may further enhance and streamline menu production, which now relies on traditional smokers, fryers and natural gas grills. Barash is also finalizing a new smoked barbecue beef brisket, which will be tested on sandwiches and as an entree, as well as chili three ways: in a bowl, on a chili cheeseburger and chili-cheese fries.

And as the new day dawns on the company's newest acquisition, the Flying Biscuit Cafe, Barash is still stepping lightly, figuring out how to keep the magic alive but make it reproducible. Items such as founder Delia Champion's "flying" biscuits will definitely be a mainstay as the concept grows. But will Raving Brands keep items like the Devil Burger, \$6.95, a veggie-grain patty with feta cheese, red onion spears and smoky jalapeño sauce, on the menu? "I'm not sure," Barash admits. "We're looking now at what we can do to leverage better pricing and cut costs for some of their products."

While he won't disclose what food and labor costs are overall, the bigger Raving Brands gets, "the more negotiating power we have," Barash says. **CL**

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TAPPED IN

Rock Bottom has come up with a program to sell a second drink.

BY DAVID FARKAS

In a warm evening in late July, a bar waitress in the Rock Bottom Restaurant & Brewery unit in Cleveland handles our party like a pro. She's genuinely engaging, knows her beers and smiles a ton. It's only at the end of service that she stumbles.

"Did everyone save room for dessert?" she inquires.

Whoops.

"That's the all-time worst thing to say," declares Tim Kirkland, manager of bar and beverage development for Rock Bottom Restaurants, the parent company of 30-unit Rock Bottom as well as 83-unit Old Chicago, four-unit ChopHouse and the Walnut Brewery. "You're asking for a 'no,' and you don't even get to describe dessert."

At the moment, Kirkland is appearing on a training video giving a group of bartenders, "cocktailers" and servers ideas for boosting tips. The former nightclub owner and senior managing partner of Sing-Sing, Rock Bottom's high-volume nightclub in Denver, warns against the usual customer

turnoffs: scripted service, blatant upselling and rushing patrons. But Kirkland's real purpose is to show the staff how to boost sales of nonrefillable beverages, i.e., everything other than iced tea, water and soda.

"My goal today is to show you how to turn one beer into two or one drink into two," he says at one point on the video.

Early last year, Kirkland calculated that the company was leaving about \$1.8 million of beverage sales annually "on the table." His math showed that if every server and bartender in the system sold just one more beer per shift, the company could recoup those sales. He presented a broad plan to President and CEO Ned Lidvall, who signed off on a training session, dubbed Bar Camp. As a result, Kirkland visited 24 Rock Bottoms from August to December, taping the final one in Denver. Today, the Bar Camp DVD is part of the company's week-long training program.

Says Lidvall, "We've known for a long time we wanted to develop sales and ser-

SNAPSHOT

COMPANY

Rock Bottom Restaurants

HEADQUARTERS

Louisville, Colo.

UNITS

83 Old Chicago, 30 Rock Bottom Restaurant & Brewery, 4 ChopHouse & Brewery, 1 Walnut Brewery

2006

SYSTEMWIDE SALES

\$300 million (company estimate)

AVERAGE

UNIT VOLUME

\$4 million (Rock Bottom and ChopHouse)

AVERAGE CHECK

\$16, Rock Bottom; \$30, ChopHouse; \$12.25, Old Chicago (includes beverages)

EXPANSION PLANS

3 Rock Bottoms, 1 ChopHouse, 6 Old Chicagos in 2006

Second helpings: Rock Bottom Brewery & Restaurant now rewards servers who sell one additional nonrefillable beverage like beer per shift.

“Our industry treats beverages as an ancillary part of the business.” —Tim Kirkland, manager of bar and beverage development



With beverage sales already at 35 percent of total sales, Rock Bottom management saw an opportunity to add another \$1.8 million annually to the top line by teaching bartenders better ways to focus customers' attention on alcoholic beverages.

vice training for the bar piece of our business. The time was right.”

“They are taking a more proactive approach to selling, which shows how important beverages are to the company,” says Denver-based marketing consultant Neil Culbertson, who has worked with Rock Bottom.

No Refills!

Kirkland blamed *refillable* beverages for the loss of revenue. Iced tea and soft drinks, which customers pay for only once, add little to the till and keep tips low. In addition, these beverages do nothing to boost brand identity, he argues. Rock Bottom's iced tea, for instance, is indistinguishable from competitors'. But Rock Bottom and ChopHouse brew their own signature suds, sometimes called “craft” beer. Typically styled after beers produced in England, Germany and Belgium, which use 100 percent malted barley, it became a popular beverage in the States during the 1990s'

microbrewery movement.

“[Bar Camp] was a way to make the front-line staff aware of the opportunity they were missing,” Kirkland says in an interview at the company's Louisville, Colo., headquarters.

Kirkland was also aware that craft-beer consumption slumped in 2003—the year low-carbohydrate diets took off—when the number of barrels produced grew by less than 1 percent. Trends have improved recently among the nation's 1,400 craft brewers, says the Boulder, Colo.-based Brewers Association. The latest figures available show barrel production swelling 9 percent last year with market share for craft beer climbing slightly, to 3.4 percent from 3.1 percent in '04.

“That was definitely part of [creating Bar Camp],” Kirkland remembers. “We were aware of the hit the craft-brewing industry had taken.”

Bar Camp's initial goal was to align server thinking with the company's: Both would reap rewards by peddling more non-refillable drinks, particularly high-margin craft beer. Servers, for instance, increased their tips. This year the company dangled a bigger carrot to spur sales by introducing performance-based scheduling, which allows productive servers to pick their shifts and stations.

Ultimately, Kirkland wanted to boost nonrefillable beverage PPAs (per-person averages) by 10 percent. But at first he couldn't measure them because the company didn't keep track of PPAs. Like other chains, it relied primarily on check averages to gauge sales productivity. It wasn't until last March that the company began calculating PPAs of nonrefillable drink sales as well as add-ons like dessert. That leveled the playing field for restaurant managers,



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It's the suds, stupid: Rock Bottom brews its own beers in a variety of European styles. Officials contend the product sets their concept apart from casual-dining rivals.

Since March, Rock Bottom's per-person average for nonrefillable beverages has increased 7 percent.

who Kirkland describes as "highly competitive" individuals.

The managers can check beverage PPAs—both corporate and individual store averages—daily by logging onto Rock Bottom's intranet. "At the end of the day, we are not measuring traffic or sales but the opportunity to sell a drink to a guest," Kirkland observes.

Measuring beverage PPAs is rare among chains the size of Rock Bottom. At Chattanooga, Tenn.-based Gordon Biersch Brewery Restaurant Group, for instance, Vice President of Marketing Mike Curtis says his company doesn't have the technology to reach that deep into sales.

"It's a topic of conversation among the

big guys," says Dallas-based beverage consultant David Commer, citing Olive Garden, Brinker International, T.G.I. Friday's and Outback. Rock Bottom, which expects to ring up \$300 million in sales this year, is a small player by contrast.

Seconds, Anyone?

Since March Rock Bottom's systemwide PPA for nonrefillable beverages has climbed 7 percent, to 1.4 from 1.3. Half of those drink orders are for beer. "That's huge," declares Diana Hovey, a Dallas-based marketing consultant and a former Brinker International executive. "It's a big challenge to get customers to buy another drink in this environment."



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Beer sales are particularly important to Rock Bottom because the margin is higher than other nonrefillable beverages.

According to Kirkland, beer sales are particularly important because the profit margin is higher than other nonrefillable beverages. He also says it's the single product separating the Rock Bottom and ChopHouse concepts from rivals, whose food offerings are similar. "We hang our hat on beer," Kirkland explains. "If someone comes into Rock Bottom and doesn't try the beer, they're not getting the Rock Bottom experience."

Bar Camp is designed to keep that from happening. On the video Kirkland spends considerable time explaining how to ask "real questions that lead to beer." He tells servers to ask guests if this is their first visit. If so, he adds, it gives them the chance to explain the beers. If it's not, servers should ask if they recall the beers they drank the last time.

Kirkland is adamant that servers avoid the question, "What can I bring you from

the bar?" because it leaves open the possibility that the customer will ask for iced tea, water or soda. None do anything to build brand identity or increase tips. "The idea is to break away from generic language," he says.

Kirkland also suggests tossing coasters and napkins nonchalantly in front of guests, because it signals drink orders and gives them something to hold while they wait for their first drink.

Getting an order for a second drink is problematic, Kirkland admits, but it can be done by paying attention to the table or bar customer. "Sell drinks, not rounds," Kirkland advises on the video. "And sell to the empty beer. It's better to make four trips with one beer on a tray than to shut down a check by asking the entire table for another round."

Or, for that matter, if they've saved room for dessert. **CL**

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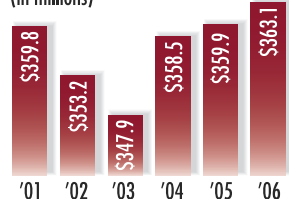


Ken Cole tries to ignite growth at Sizzler USA with a new menu and prototype.

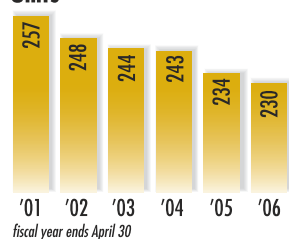
Cast in A NEW LIGHT

Sparks of a Comeback at Sizzler USA?

Systemwide Sales
(in millions)



Units



You can find Ken Cole these days dining at Sizzler at least five times a week. He's not there just to indulge in the ribs or the bacon cheeseburger—his favorite items—but he also wants to see firsthand whether his turnaround initiatives are working. The president and CEO of the Culver City, Calif.-based company has spent the last five years reimagining the beleaguered family-steakhouse chain with a new menu and prototype in hopes of bringing it back to its former glory.

He's seen some success. Although Sizzler USA has closed 28 company units over the last few years, it has seen modest gains since rolling the reimagining program in 2003. Systemwide sales have increased to \$363.1 million in 2006 from \$347.9 million in 2003. Same-store sales are on the rise as well: 0.1 percent in 2003, 3.7 percent in 2004, 2.6 percent in 2005 and 2.1 percent in 2006. And the company is finally expanding again after more than a decade.

Based on three years of guest-based research and focus groups, Cole's turnaround strategy centers on restoring Sizzler's quality and value—hallmarks of the chain during its heyday. The concept has returned to its grill roots, emphasizing its steaks, seafood and salad bar, while phasing out the all-you-can-eat buffet. The company has upgraded menu items and

BY MAYA
NORRIS

Rescue mission: President and CEO Ken Cole is trying to revitalize Sizzler with a new menu and prototype that emphasize quality and value.



“We’ll keep a strong base of company stores so that we still have skin in the game, but we really want to grow through franchising.” —President and CEO Ken Cole

SNAPSHOT

CONCEPT

Sizzler

HEADQUARTERS

Culver City, Calif.

OWNERSHIP

Sizzler USA, a subsidiary of Pacific Equity Partners, Collins Foods Group and Sizzler USA management

UNITS

42 company,
194 franchised

2006

SYSTEMWIDE SALES

\$363.1 million
(fiscal year ended
April 30)

AVERAGE

UNIT VOLUME

\$1.6 million

AVERAGE CHECK

\$11.23

EXPANSION PLANS

8 to 10 in fiscal
2007, 12 in 2008

ingredients and modernized the stores with a lighter, brighter decor.

“The way consumers today look for a quality product at a value price, we’re really positioned right in the sweet spot to take advantage of the future,” says Cole, who was president and CEO of Blue Chalk Cafe from 1999 to 2001 and Damon’s International from 1988 to 1999 before joining Sizzler in 2001.

The goal: Sizzler wants to hold onto core users, 45- to 65-year-olds with a household income of \$50,000 to \$75,000. But it also wants to make the brand relevant to lapsed users and the “skip generation,” a term Cole uses to define 25- to 40-year-olds with young children who came to Sizzler with their parents as children but avoided the chain as adults because they perceived it as lacking quality.

Quality Assurance

Vice President of Product Development Dudley McMahon began overhauling the menu in 2002, which rolled out with the reimaging program in 2003, updating or creating 44 of the 47 items on it. For example, in the best-selling Steak Combos category, the company upgraded to a USDA Choice steak from a frozen select product.

The company also revamped the salad bar, the second best-selling category on the menu, replacing canned fruits and vegetables with fresh and preparing salads and dressings in-house.

Although Sizzler is phasing out buffets, it has kept some hot items on the salad bar. Appetizers such as chicken wings remain. Clam chowder is a mainstay, but Sizzler rotates two other soups quarterly. For example, pumpkin and vegetable-beef

The prototype, which averages 5,800 square feet with 186 seats, costs about \$1.3 million to build from the ground up without land.

soups will replace the tomato-basil and chicken-tortilla soups in the fall.

This spring Sizzler rolled out a seasonal fish program complete with blackboard menu because “that’s how people perceive a fresh fish program,” Cole says. Three species are delivered to the restaurants four times a week. Offered as part of the

core menu, the Fresh Fish of the Day is priced in the \$10.95 range and makes up 3 percent of sales.

With an average check of \$11.23, up \$1 since 2003, the chain was careful to keep the price points low. “We’re below casual in our pricing and we’re just above family,” Cole explains. “And so we consider that the sweet spot.”

Taking on the Competition

Sizzler stores also got a makeover to better showcase its new dishes and to appeal to a variety of guests. While the old design conjured up images of a traditional steakhouse with dark green walls and dark woods, “The new design is meant to compete with anybody in the casual-dining genre,” says Lou Nonno, president of Bath, Ohio-based Louis & Partners, the firm that designed the Sizzler prototype. The interior includes a golden-yellow palette, an expanded entryway, display kitchen and ledge rock walls. Although the dining room features an open layout, it is divided into several intimate areas to accommodate various customers such as couples and parents with young children.

The prototype, which averages 5,800 square feet with 186 seats, costs approximately \$1.3 million to build from the ground up without land, according to Sizzler. So far three prototype restaurants have been built, while 95 percent of the stores have been remodeled. Franchisees chose to completely remodel for about \$250,000 or add branding elements for \$25,000, or somewhere in between.

Franchisee Junaid Sheikh, president of Las Vegas-based Witman Food LLC, doled out \$100,000 each to remodel two stores

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"You ask your guests what they want. They tell you. You do it. And they reward you. . . . Sometimes we overcomplicate it, but it's really as simple as that." —President and CEO Ken Cole

According to Cole, Sizzler's service model combines the best of fast casual and casual dining: Customers order and pay first at a counter and then receive full-service treatment once they are seated.

Sizzler's turnaround plan involves attracting the "skip generation," a term Cole uses to define 25- to 40-year-olds with young children who came to Sizzler with their parents as children.

in 2004 and \$1.5 million to open a prototype unit in January in Las Vegas. One remodeled store saw sales jump to \$26,000 a week from \$14,000 a week, while the other rang up \$35,000 weekly, up from \$19,000 a week. With the prototype restaurant posting \$40,000 in weekly sales, Sheikh expects it to generate \$2.5 million in sales a year. He plans to open another unit in October in Las Vegas.

Ron Higgins, chairman and CEO of Foothill Ranch, Calif.-based Forbco Management, has also reaped rewards. A Sizzler franchisee for 34 years, Higgins remodeled five of his 23 units in Southern California over the last two-and-a-half years at a cost of \$250,000 each. Those stores average \$1.8 million to \$2 million, while older restaurants track at \$1.4 million to \$1.6 million. "I thought it needed to be done," Higgins says. "It was long overdue." He plans to have his remaining stores remodeled by mid-2007.

While Sheikh and Higgins can't quantify an increase in traffic counts, they say they have seen more younger families and couples. "We're really family friendly," Higgins says. "Kids can walk around a little bit more than you can in more destination restaurants."

Back to the Basics

Sizzler's initial success comes as no surprise to analyst Kep Sweeney, president of Las Vegas-based Acceleron Group, hailing the chain's focus on the fundamentals. "Too often people believe the solution for the Sizzler turnaround is in a graph somewhere," says Sweeney, who provided consulting services to Cole while he was at Damon's. "And the solution is rolling up your sleeves, listening to your customers, understanding the competitive landscape, and giving really good food and service and good value."

"We've upgraded all the basics," says Kevin Perkins, CEO of Collins Foods Group, the Australia-based parent company of Sizzler USA. "The food's improved a lot. The facilities are in much better shape. [Cole has] upgraded the training.

So it's generally all the basic ingredients. All the things he has done the last couple of years have now started to come together for him."

However, Sizzler's early results aren't enough to impress some observers. "I've heard the turnaround at Sizzler going on for 10 years. And when you get in a 10-year turnaround and it hasn't worked very well, it takes longer to be sure that there is a turnaround in place," says Steve Pettise, founder and managing principal of Golden Spike Resources Group, a Westwood, Calif.-based restaurant-consulting firm.

"It appears that there is something happening that would indicate a turnaround is in place," adds Pettise, who owned several thousand shares in Sizzler before it was taken private last year. "For Sizzler to really be turned around, it's going to take at least five years of consecutive quarters of comp-store-sales increases for me to say that this is a viable brand again."

Learning from the Past

Founded in 1958, Sizzler had grown to 700 units with \$350 million in annual revenue by the 1980s. In the late '80s, when the casual-dining landscape became more competitive, Sizzler fought back with a



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Sizzler conducts testing, consumer research and focus groups quarterly to measure current and new initiatives.

Sizzler has improved its salad bar by replacing canned fruits and vegetables with more fresh-cut produce.

It also upgraded the steaks used in its combo platters with USDA Choice steaks after previously using a frozen select product.

hot buffet, generating record sales. But as guests stuffed themselves with the buffet, using it as their meal instead of as an add-on to entrees, the company slashed quality in other areas of the menu, Cole says.

Sizzler ended up filing Chapter 11 in 1996 and closed about 140 of 215 company stores. But the company emerged from bankruptcy in 1997 having paid its creditors in full.

Down but not out, Sizzler was ready to stage a come-

back. From 1997 to 2001, management took Sizzler back to its "American Grill" roots. It upgraded steaks and seafood but boosted prices as well—a tactic consumers rejected, according to Cole. "They had improved some of the quality but what got out of whack was the value equation," he explains. "They still weren't getting the core consumer of the brand back because they were trying to compete almost head on with an Outback."

Christopher Thomas, former president and CEO of Sizzler USA from 1997 to 1999, argues that he put a turnaround in place during his tenure. "When I took over Sizzler USA, it was a losing \$1 million a month, and it experienced its 21st consecutive quarter of same-store-sales decline," he says. "Within a quarter we had it at a break-even point. We had positive same-store sales within two or three quarters. And when I left, it was earning \$10 million a year."

Thomas is right. According to company reports from 1998 to 2001, Sizzler USA saw revenues jump to \$104.7 million in 2000 from \$97.1 million in 1998, while the average check climbed each year. But it didn't last. As revenues went up, customer counts dipped. By 2001, revenue remained flat at \$104.7 million and the company shuttered another 21 units.

Turning Up the Heat

Much has changed since 2001, especially now that Sizzler is growing again. In 2004, the company opened a prototype unit in Antioch, Calif., its first store in 12 years. Franchisees opened three units in Puerto Rico, California and Nevada in 2005. They are slated to open eight to 10 stores in fiscal 2007 and 12 in fiscal 2008.

Sizzler is counting on franchisees to fuel expansion, with the goal of doubling its franchised units over the next five years. Eight franchise groups have already signed on to open 30 stores in five years.

The company's first priority is to back-fill markets west of the Rockies, where the brand already has a strong presence, to take advantage of distribution and media efficiencies. Then it plans to move on to contiguous markets in the Southwest and areas where it has an isolated presence such as the Northeast.

Sizzler will be able to focus on its long-term growth now that it is no longer a public company, according to Cole. It went private in 2005, when Pacific Equity Partners, an Australia-based private-equity firm, bought Sizzler's parent company, Worldwide Restaurant Concepts, for \$210 million. Management from Collins Foods Group and Sizzler USA bought a 48 percent stake in the company.

"You're not worried about what Wall Street is going to do to your stock, so that's a huge burden lifted off your mind," Cole says.

No longer beholden to shareholders, Cole plans to further enhance the brand. Concerned that the average check is too high, he is considering adding items with lower price points like sandwiches and offering lunch portions of some dinner items. The company also plans to launch an "Express" offshoot with a limited menu, likely in 2007, in nontraditional venues such as airports and office complexes.

Balancing value with quality will drive all future decisions, Cole says. "If you look at the way we're positioned today and the way consumers tend to use concepts today," he says, "we really believe that Sizzler's best years are ahead of us, not behind us." **CL**

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Second Generation

Sonic's food-safety program has evolved since its inception, but it still focuses on the basics. BY MARY BOLTZ CHAPMAN

SNAPSHOT

CONCEPT

Sonic Drive-In

HEADQUARTERS

Oklahoma City

UNITS

3,150

2006 REVENUES

\$685 million*

EXPANSION PLANS

170 to 180 units in fiscal 2006

*Chain Leader estimate; fiscal year ended in August

Nelson Taylor measures time by audits. When asked how long it's been since Sonic Drive-In's comprehensive food-safety program debuted, the senior director of quality assurance and food safety says it's on its 11th audit round. That's about five-and-a-half years.

His job is to instill that same focus throughout the 3,150-unit, Oklahoma City-based quick-service chain.

It was difficult at first. It wasn't long before he joined Sonic from Metromedia Restaurant Group in September 2001 that food safety was just an ad-hoc function of operations and purchasing.

Allocating Resources

"Some key individuals realized that with the times we live in, food safety, just from the standpoint of the success of the brand long term, would need to be a strategy for growth and propelling the brand forward," Taylor says.

In June 2001, Sonic began its Sonic Safe program, which includes training, purchasing and all operations manuals and systems. It was based on the Food and Drug Administration's food code and systems such as the one at Jack in the Box. Sonic tried to exceed the standards of most local regulatory agencies so it

Sonic Drive-In carhops learn food safety when they join the company and whenever new menu items, promotions or operating procedures roll out.

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Franchisees who want to protect brand standards have helped Sonic roll out its food-safety program throughout the system.

To ensure the safety and quality of all its food, Sonic uses third-party auditors to inspect its restaurants and suppliers' facilities.



would not only be as safe as possible, but it wouldn't have to try to communicate different rules to operators in different markets.

Taylor says it was a huge change and transition for a lot of Sonic's franchisees, so most of all, it had to work within the chain's system. Many of the franchisees helped drive the initiative, which encouraged the others to buy in. "They were willing to do whatever they have to to protect the equity that they have, to protect their livelihood," he adds.

Outside Help

Key to the program is a schedule of third-party audits. Each unit is audited twice a year. At first, the company told operators what day and time to expect the auditor. Then they were told just what month. Now all audits are unannounced.

Using a third party ensures the inspection is objective, Taylor explains, but it also

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FOOD SAFETY

At Sonic, food-safety assurance is as key to the brand as its signage and service style.



“There is now a culture of food safety in the organization, in every new product that we do, in every operational procedure that we do.” —Nelson Taylor, senior director of food safety

gives Sonic a source to learn others’ best practices. “We’re not their only customer,” he says.

If a franchisee fails an audit, the field team follows up to help with not only food safety but brand elements such as service, design and operations. The worst-case scenario would be legal proceedings. “The few times it has happened, it shows the company is really serious about this,” Taylor explains. “It’s not a flavor-of-the-day program.”

Continuing Education


As the program has evolved, training has continually grown more thorough. Food safety and quality are addressed in every manual, in English and Spanish, and whenever there is a new menu item or promotion. In spring, for example, the focus was on the fountain and frozen category, which was gearing up for the warm weather. Sonic has rolled out Web-based training as an option for units that have Internet access.

All managers and assistant managers are required to be trained every three years in the National Restaurant Association’s ServSafe program as well. Taylor says many franchisees tie manager incentives to their food-safety audit scores.

One of the key benefits of the program, according to Taylor, is operators’ relationships with health departments. “Early on, when I would talk to franchisees, there was some apprehension about when the health inspector came in,” he says, adding that most operators are willing to contact the health department with questions.

Looking Ahead

For now, Taylor says his biggest challenges are keeping Sonic’s food-safety program consistent and ahead of changing municipal codes, and keeping training clear and simple for workers in such a high-turnover industry.

When he looks to the future, Taylor admits he doesn’t know what to expect: “Five years ago, if you would have told me that I would be worried about terrorism and avian influenza and a lot of the world events that ultimately impact quality and food safety, I don’t know that I would have agreed. There may be some issues that we will be dealing with, but a lot of it remains to be seen.” 

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Franchise Developer

Scouting Prime Locations

Franchise developers do not have to shop "off prime" locations to get "A" positioning. Some real estate markets have begun to soften, but overall, property remains a hot commodity. PricewaterhouseCoopers' Second Quarter 2006 Korpacz Real Estate Investor Survey sees investors' "infatuation" with U.S. commercial property markets continuing. While that bodes well for the future appreciation of the restaurant assets already in area developers' portfolios, it can make cost-effective growth a challenge.



Christine Marr

"The good news is the economy is healthy. The bad news is that there is a lot of competition for space," says Christine Marr, principal, North-Star Advisory Services, a real-estate consulting firm based in Newport Beach, Calif. But developers still have a full menu of options for getting solid deals done, she says. New, nontraditional



Lifestyle centers typically are a lower-cost alternative to strip malls or shopping centers anchored by a major discounter.

mixed-use developments represent a prime opportunity.

According to a report in *National Real Estate Investor*, a well-planned lifestyle center not only has boutique businesses—from specialty shops to yoga studios—that make it work in affluent neighborhoods, it also works for tenants. Typically, occupancy costs in lifestyle centers are far lower than they would be in a shopping center or strip mall anchored by a major discounter.

Marr advises developers to sit down with city planning department officials to find out what projects are coming on line. Getting involved in a development even before the landlord has municipal approvals provides developers with a variety of options that could

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Scouting Prime Locations (continued)



lead to better deal terms for the long run. "You can take advantage of the fact that you are getting in before the competition," adds Marr, who works closely with clients looking for restaurant locations. "You may be able to partner with the landlord and sign a lease early in the project-planning stages. At this stage the landlords are usually willing to give you more concessions. Pre-leasing the project will make it easier for them to finance the project."

Franchisees looking to open more than one restaurant in a mixed-use project bring more bargaining power. Terms to consider when negotiating the lease could include a request for higher improvement allowances, a capital allowance to build out the restaurant to the franchisor's standards or free rent for a specified period. "Area developers leasing multiple spaces have a lot more leverage," says Marr. "How much depends on your credit, how many units you have opened already and how they perform, and how long the lease is."

Marr recommends shopping for sites in smaller cities and suburbs, particularly at a time when some areas are seeing flight from cities into new master planned suburban neighborhoods. Developers looking to maximize their investments are gravitating toward new lifestyle centers. "Remember, if there is a huge Wal-Mart in the development, the rent usually goes up," says Marr.

She cautions against going too far afield. "I never recommend non-prime real estate. A 'B' location is a 'B' location," she adds. "If a property's pricing looks like 'a good deal,' it is 'a good deal' for a reason. Stay away."

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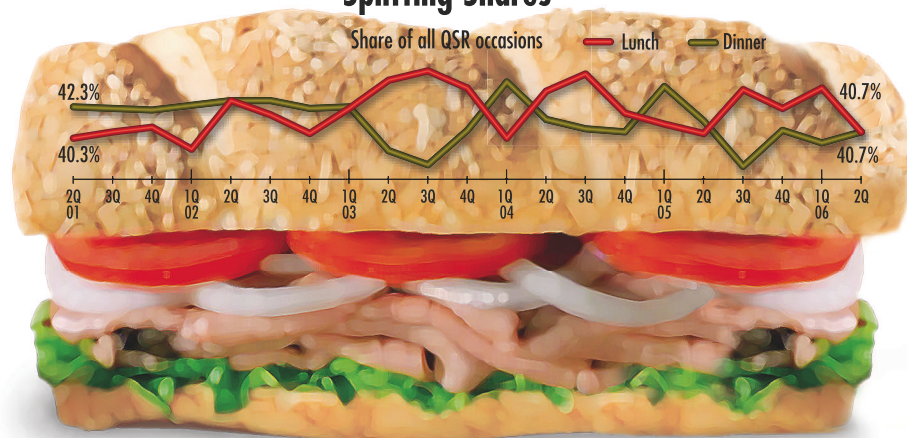
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Splitting Shares



HIGH NOON

Fast-food lunch customers are likely to eat in, but make sure you can accommodate a lot of singles.

BY MARY BOLTZ CHAPMAN

Quick-service customers are more apt to eat in at lunch than at other meals. Of all fast-food users having lunch on their last QSR occasion, 37.0 percent ate at the restaurant, while 30.0 percent of all users ate in, a 21-quarter average shows. According to Quick-Track, a quarterly survey by Villa Park, Calif.-based research firm Sandelman & Associates, 33.4 percent of those having lunch on their last visit used the drive-thru and 26.2 percent took their food to go. Of all QSR customers, 40.4 percent used the drive-thru; 23.1 percent, carryout.

• Fast-food users having lunch on their most recent visit were more likely than all users to be alone: 33.9 percent vs. 26.8 percent, according to a 21-quarter average.

• The midday meal comprises 42.0 percent of all fast-food occasions; dinner makes up 41.4 percent; breakfast, 11.0 percent; and snacks, 5.6 percent.

• Customers having lunch on their last occasion spent \$4.65 per person, a 21-quarter average reveals. All QSR users paid an average of \$4.81 per person.

• Sandwich chains garnered 13.3 percent of past-month lunch visits but only 9.7 percent of all past-month occasions. Pizza chains saw 10.0 percent of past-month lunch occasions but 17.6 percent of all occasions.

• 32.5 percent of QSR customers who had lunch on their most recent occasion ate a hamburger; 25.1 percent had a chicken, submarine or other sandwich; and 11.0 percent bought pizza.

Lunch Rush

Share of past-month purchase occasions by chain type, 21-quarter average

All QSR Occasions

40.5%	17.6%	9.7%	7.6%	6.4%	18.2%
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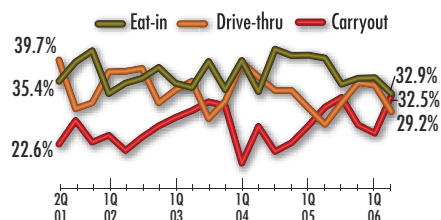
Lunch Occasions

43.2%	10.0%	13.3%	7.5%	7.1%	19.0%
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■ Burger ■ Pizza ■ Sandwich ■ Chicken ■ Mexican ■ Regional/other

Booth Visits

All QSR users whose last purchase occasion was at lunch



• 15.7 percent of quick-service customers having lunch on their most recent occasion used a special deal or promotion; 21.5 percent of all users did.

• While 45.6 percent of all customers bought food from fast-food restaurants on Friday, Saturday or Sunday, on their last occasion only 38.9 percent of lunch users did. The most popular day for lunch users to go to QSRs is in the middle of the week: According to a 21-quarter average, 17.5 percent of fast-food customers having lunch on their most recent occasion did so on Wednesday. **Q**

Methodology

Customer trend data is based on the quarterly Quick-Track survey by Sandelman & Associates, a Villa Park, Calif.-based research firm. Quick-Track queries a nationally representative sample of 600 fast-food customers on a host of demographic and usage questions. The firm defines "QSR lunch users" as those who have purchased lunch from one of the tracked QSR chains at least once in the past month. Most-recent purchase data is based on all QSR users whose last QSR purchase was at lunch.

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Surf Culture

Surfing challenges Wahoo's Wing Lam to just enjoy the ride.

BY MAYA NORRIS

Surfing is a way of life for Wing Lam. The co-founder and vice president of marketing for Wahoo's Fish Taco developed a love for the sport at age 14 after his family immigrated in 1975 to Newport Beach, Calif., from Brazil. Then, inspired by their surfing vacations in Mexico, Lam and his brothers, Ed and Mingo Lee, opened Wahoo's in 1988. Now the trio is busy growing their 43-unit chain, but it doesn't keep Lam from catching some waves.

Surf's Up

Lam surfs at least four or five times a week in the summer and two or three times weekly in the winter in Newport Beach, Calif., before heading to work at Wahoo's headquarters in Santa Ana, Calif. The 45-year-old executive is usually in the water by 6 a.m. in the summer and 7 a.m. in the winter, riding waves that are about 2 feet to 5 feet high. "That's a really fun wave," says Lam, who considers himself to be an above-average surfer. "It's got some power to it, but it's manageable."

Surfing also gives him a chance to start the day relaxed and calm. "It's very Zen-like to sit there," he adds. "You're in the water, and you see dolphins coming by. It's

just very peaceful. It's close to meditation because there's no motors; it's all self-propelled."

Hawaiian Getaway


Although Lam enjoys surfing in Newport Beach, his favorite waves are in Hawaii. He travels to Kauai and Oahu two or three times a year, where the waves reach anywhere from 6 feet to 10 feet high. Unlike the waves at Newport Beach, which produce a ride of only two to three seconds, he can ride the waves in Hawaii for at least 20 seconds.

Lam also likes surfing in Hawaii because the North Shore of Oahu challenges him. A destination for professional surfers, the North Shore has very powerful and unpredictable waves. "They call it a 'sneaky set,'" he says. "Waves aren't an exact science there. Sometimes the swell comes in and it's 6 [feet]. The next one may be 8. Then it may be 6 again. Sometimes it goes to 12. And then all of a sudden it's 'uh oh.'"

Lam plans to go surfing more often in Hawaii since Wahoo's opened its first franchised unit in Honolulu in January. "Now I have an even better reason to go island hopping," he laughs. "It's just part of the job. I'm trying to go again in the next couple of weeks to just check on the store."

Along for the Ride

Lam is also looking forward to more surfing vacations with his brothers and friends. They plan on surfing in Fiji next year. And his brothers just bought a house in Nicaragua so they can surf there and nearby Costa Rica.

While surfing has allowed Lam to bond with friends and ride with professional surfers, and even inspired him to develop a chain, he has also learned to just enjoy the sport. "I'm past the time of my life that I'm a competitor," he says. "So it's just learning to enjoy the moment of surfing. Don't take it too seriously. Just to relax and enjoy and be glad that you're able to do something that not many people get to do." 



Co-founder and Vice President of Marketing Wing Lam surfs at least four or five times a week in the summer and two or three times weekly in the winter in Newport Beach, Calif., before he heads to work at Wahoo's Fish Taco.



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