

HURRICANE
GRILL & WINGS

THE TOP 10 FRANCHISE DEALS

A SPECIAL REPORT FROM RESTAURANT MANAGEMENT

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ILLUMINATING YOUR
RESTAURANT

Introduction to the Top 10 Franchise Deals

The aim of *Restaurant Management* is to bring our readers competitive intelligence, news, features and information that can be used in their businesses.

Starting with this piece on the **Ten Best Deals in Full-Service Restaurant Franchising**, *Rmgt* is launching a monthly feature that will present in-depth special reports on a myriad of topics. The goal is to provide “news to use,” that can support busy restaurateurs in their daily operations.

For our first subject we chose to zero in on a behind the scenes look at opportunities in the franchise arena. To be sure “deal” is a subjective term, but we are offering up the numbers behind these franchises in an effort to provide as much evidence as possible.

For many restaurateurs, who are already franchisees, these “Ten Best Franchise Deals,” could provide a good starting point to examine second or third expansion vehicles.

Danny Smith, the editor who reported and wrote this in-depth piece, also reached out to industry experts **Dennis Lombardi**, executive vice president of foodservice strategies at Ohio-based WD Partners and global restaurant consultant Aaron Allen, for another perspective on each of the ten brands.

The list, which includes a high-end steakhouse, two Asian concepts, a bear-themed restaurant, a New Orleans-inspired restaurant, and a “breastaurant,” is geographically diverse and representative of a wide-range of dining experiences. We tried to include restaurant concepts that were well known, and several that might not yet be on the industry’s radar.

Historically franchises have been a way for would-be entrepreneurs to start out on their path to independence and fiscal security. It’s a way for battle-weary corporate executives to start a new chapter and be their own boss.

In the coming months *Restaurant Management* will tackle a variety of topics in this recurring, special feature including the **Do’s and Don’ts of Purchasing**, and the **Ten Best States for Growth Opportunities**. So stay tuned because we have plenty of “news to use,” coming your way.

Ellen



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10 Best Deals in Restaurant Franchising



LING & LOUIE'S

Ling & Louie's

RMGT PRESENTS THE BEST VALUES IN FULL-SERVICE RESTAURANT FRANCHISES. BY DANIEL P. SMITH

In today's world, value is not the consumers' pursuit alone.

Much as customers hunt for a bang-for-the-buck deal when they dine out, entrepreneurs in the restaurant game chase a "good deal" themselves.

And a "good deal" can be hard to find.

Yet, *Restaurant Management* is taking a stab at the tall task by spotlighting 2012's "10 Best Deals" in full-service restaurant franchising.

Though a top-10 list of any kind provokes dialogue and debate and "deal" is most certainly a subjective term, our search was a coast-to-coast expedition to find the most compelling mix of initial and ongoing investment measured against a concept's return on investment and growth potential, sustainability and management, sales, and traffic momentum.



BUFFALO WILD WINGS

Buffalo Wild Wings

While dozens of brands crafted a spirited case, these 10 stood out from the pack:

Buffalo Wild Wings

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 811
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 496
- ▶ **U.S. SYSTEMWIDE SALES (2010):** \$1.7 billion
- ▶ **AVERAGE UNIT VOLUME (2010):** \$2.59 million in franchised stores
- ▶ **FRANCHISE FEE:** \$42,500 for the first unit and \$30,000 for each additional unit
- ▶ **TOTAL STARTUP COSTS:** \$1.7 million–\$3.1 million for a freestanding location (not including land); \$1.4 million–\$2.5 million for a non-freestanding location
- ▶ **ROYALTY:** 5 percent of net sales
- ▶ **RENEWAL FEE:** \$20,000
- ▶ **MARKETING FEE:** 3 percent of net sales

Few restaurant brands claim the momentum of Buffalo Wild Wings, where aggressive expansion continues alongside double-digit sales growth. Though 2011 numbers were not available at press time, Buffalo Wild Wings saw a nearly 14 percent sales gain at its outlets in 2010.

While Buffalo Wild Wings CEO Sally Smith acknowledges that the brand consistently adapts to its guests' needs, she says the unrelenting focus remains on staying true to the proven formula that has produced successful franchisees and a strong track record of growth, namely: "Great wings spun in our 18 signature sauces and seasonings, affordable pricing, and a lively atmosphere that has earned us the honor of being the place for sports viewing."

Indeed, the Minneapolis-based chain has become synonymous with three items that remain American staples — wings, beer, and sports — while its guest-centric mission includes wall-to-wall HD televisions and big screens, Buzztime Trivia, and a full bar.

With about one-third of all Buffalo Wild Wings outlets

being company-owned stores, the corporate office displays a strong commitment to having a successful system that's focused on the dine-in business as well as a strong carryout component to further boost revenue.

ANOTHER PERSPECTIVE: "If there were a 'Wings and Sports' segment, they'd dominate it," says Dennis Lombardi, executive vice president of foodservice strategies at Ohio-based WD Partners. "Buffalo Wild Wings has a powerful lineup: developing units, increasing average unit volumes, prime cost at, or below, 60 percent, and great marketing. What's not to like?"

The Greene Turtle Sports Bar & Grille

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 29
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 15
- ▶ **U.S. SYSTEMWIDE SALES (2010):** \$75 million
- ▶ **AVERAGE UNIT VOLUME (2010):** undisclosed
- ▶ **FRANCHISE FEE:** \$45,000
- ▶ **TOTAL STARTUP COSTS:** \$1.175 million–1.6 million
- ▶ **ROYALTY:** 4 percent of gross sales
- ▶ **RENEWAL FEE:** None
- ▶ **MARKETING FEE:** Advertising fund contribution up to 1.5 percent of gross sales; local advertising 2.5 percent of gross sales

Headquartered in Edgewater, Maryland, The Greene Turtle Sports Bar & Grille balances its 35-year track record with a spirited, high-potential present and future.

In 2011, The Greene Turtle not only found itself moving up the ranks of *Entrepreneur Magazine's* annual Franchise 500 list, but also inhabiting the sports bar and grill category's top spot. The Greene Turtle plans to open nearly a dozen locations in 2012 and to sign franchise agreements representing 25 more.

Greene Turtle CEO J. Michael Sanford says every facet of the operation has been designed to maximize customer appeal and profit potential. From the flexibility to occupy vacant properties, minimizing the initial investments of time and expense, to the popular Greene Turtle Mug Club loyalty program and the eatery's high-margin beverages, the company stands focused on delivering an engaging guest experience alongside value to its franchisees.

And though a franchised operation, each location roots itself in the community with an important neighborhood feel, particularly capitalizing on high-visibility tie-ins with professional team affiliations and youth team sponsorships.

ANOTHER PERSPECTIVE: Global restaurant consultant Aaron Allen calls the Greene Turtle's unit fundamentals very strong and its local community focus "a smart marketing move for a budding system." For franchisees with a long-term view, he says, the brand makes a smart play with its high marketing commitments earmarked for brand growth as well as local-level attention.

Another Broken Egg Cafe

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 18
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 18
- ▶ **2011 U.S. SYSTEMWIDE SALES:** \$24 million
- ▶ **2011 AVERAGE UNIT VOLUME:** \$1.35 million
- ▶ **TOTAL STARTUP COSTS:** \$450,000–\$750,000
- ▶ **FRANCHISE FEE:** \$50,000
- ▶ **ROYALTY:** 5 percent
- ▶ **RENEWAL FEE:** \$10,000
- ▶ **MARKETING FEE:** 1 percent

Though open since 1996, Another Broken Egg Café has adopted a methodical approach to franchising, a long-term philosophy rooted in building a sustainable brand.

Now with 18 restaurants across seven states, burgeoning interest from consumers and prospective franchisees, and an average sales-to-investment ratio near 2:1, Another Broken Egg looks to heighten its expansion efforts and double its unit count over the next two years.

Nick Binnings, who heads brand development for the New Orleans-inspired but Florida-based breakfast, brunch, and lunch hot spot, says the corporate office monitors its food quality, customer service, and restaurant build-out, all of which promote healthy high-volume operations. He adds that high-caliber franchise partners and top-rate real estate drives the brand's growth strategy.

"Our goal is not to be a large franchise system, but ... to be the best franchise system in our category," Binnings says.

As an added benefit to potential franchisees, the concept's absence of dinner hours provides operators a "normal" routine rare to the restaurant industry.

ANOTHER PERSPECTIVE: Lombardi says Another Broken Egg Café is a great example of the growing segment of breakfast, brunch, and lunch concepts and cites the concept's favorable sales-to-investment ratio.

Brixx Wood Fired Pizza

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 21
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 10
- ▶ **2011 U.S. SYSTEMWIDE SALES:** \$29.85 million (for the 18 locations open all 12 months)
- ▶ **2011 AVERAGE UNIT VOLUME:** \$1.66 million (for the 18 locations open all 12 months)
- ▶ **TOTAL STARTUP COSTS:** \$750,000 average
- ▶ **FRANCHISE FEE:** \$40,000
- ▶ **ROYALTY:** 5 percent of gross sales
- ▶ **RENEWAL FEE:** \$6,000
- ▶ **MARKETING FEE:** 0.4 percent of gross sales

With its wood-burning oven as the centerpiece of its operations, Charlotte, North Carolina-based Brixx has created a warm, inviting atmosphere earning guests' attention. In 2011, AUV topped \$1.6 million, sparking a 2:1 sales-to-investment ratio.

Neil Newcomb, president of Brixx Franchise Systems, cites several key ingredients to brand's success, including: strong involvement from the founding owners; low turnover and in-house development of a core management group; a top-down commitment to customer service, the guest experience, and food quality; and tight inventory management controls.

The 14-year-old concept, which has been franchising in earnest since 2007, features a diverse menu headed by its wood-fired pies, yet rounded out with vegan, vegetarian, and gluten-free items to address the "veto vote." Each store also creates its own custom menu of import and craft beers as well as at least 14 wines to keep pace with consumer tastes.

ANOTHER PERSPECTIVE: Lombardi says Brixx impresses with a combination of craft and microbrew beers alongside nonpizza food items that broaden its appeal. "The investment ratio of about 2:1 offers both customers and owner-operators an attractive package," he says.

Brixx Wood
Fired Pizza



BRIXX WOOD FIRED PIZZA



SHULA'S STEAKHOUSE

Shula's Steakhouse

Shula's Steakhouses LLLP

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 34 (all five Shula's concepts)
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 32
- ▶ **U.S. SYSTEMWIDE SALES (2010):** \$119.7 million*
- ▶ **AVERAGE UNIT VOLUME (2011):** unavailable
- ▶ **FRANCHISE FEE:** \$150,000–\$175,000†
- ▶ **TOTAL STARTUP COSTS:** \$1,126,600–\$3,037,500†
- ▶ **ROYALTY:** 8-12 percent of monthly gross†
- ▶ **RENEWAL FEE:** unavailable
- ▶ **MARKETING FEE:** unavailable

* Technomic estimate

† from 2008 Franchise Disclosure Document (as a private company, Shula's would not provide its 2010 or 2011 numbers; 2008 is the most-current credible information publicly available)

A well-established brand across 16 states, Shula's Steakhouses LLLP franchises five diverse full-service concepts, led by its signature fine-dining offering, Shula's Steak House. Though demanding a hefty initial investment and a liquid net worth of \$1 million, Shula's signature steakhouse eatery remains one of fine dining's few franchise players, thereby elevating its attractiveness to veteran restaurateurs.

While the private Florida-based company holds its numbers tight, estimates for 2010 had the brand's AUV nearing \$3.9 million. Overall sales numbers, meanwhile, were estimated to approach \$120 million, a 12.4 percent jump over 2009. Shula's vice president of business development Bill Herman credits the increase to Shula's long-held innovative spirit, characterized by specialty menus, dinner-for-two specials, and a reinvigorated bar menu.

All but two of Shula's Steak House restaurants use their hotel-based locations to produce powerful return on investment. By tapping into the hotel's guest base as well as

infrastructure, including the marketing, concierge, and guest relations departments, Shula's franchisees claim ready partners to help boost their operations' bottom lines.

ANOTHER PERSPECTIVE: "One of the longest-lasting and largest 'celebrity'-named restaurant chains, Shula's has established a location niche with many of its units in high-end hotels," Lombardi says. "Combine the aura of Coach Shula, great steaks, and the 48oz. Club challenge, and Shula's should be around for a long time to come."

Mama Fu's Asian House

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 13
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 4
- ▶ **2010 U.S. SYSTEMWIDE SALES:** \$15 million
- ▶ **2010 AVERAGE UNIT VOLUME:** \$1.15 million
- ▶ **TOTAL STARTUP COSTS:** \$600,000 average
- ▶ **FRANCHISE FEE:** \$28,000/store, minimum three-store area
- ▶ **ROYALTY:** 5 percent
- ▶ **RENEWAL FEE:** \$2,000
- ▶ **MARKETING FEE:** 2 percent

Capitalizing on surging interest and largely unmet demand in the Asian restaurant segment, Austin, Texas-based Mama Fu's Asian House injects its bold flavor profiles into fresh, made-to-order Asian food.

At an average startup cost of \$600,000, which covers the franchise fee and working capital but not tenant improvement, Mama Fu's enters 2012 with 28 units under development. Once a promising concept under the Raving Brands' banner — the Murphy Adams Restaurant Group purchased the brand in 2008 — Mama Fu's has re-established itself as an appealing concept to multi-unit operators seeking to add a differentiated brand to an existing portfolio.

Perhaps most invigorating about Mama Fu's is its Flex Casual dine-in service: fast casual during the day and full service at night, versatility that delivers the convenience that lunch diners demand and the comforts that nighttime diners enjoy.

Mama Fu's outlets also take advantage of additional revenue opportunities, including take-out, delivery, and catering, all of which can be ordered online.

"Off-premise sales represent 40 percent of our revenue and [combined] with our unique dine-in model contribute to a higher-than-average ticket for our market segment," CEO Randy Murphy says.

ANOTHER PERSPECTIVE: Back when Mama Fu's was a part of the Raving Brands' portfolio, Allen says, it seemed destined to be a segment leader. Though things may have cooled, he sees plenty of reasons to remain bullish on the Texas-based brand. "There is no doubt Mama Fu's still has national clout, name recognition, and tremendous potential as a brand," Allen says.

Black Bear Diner

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 51
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 37
- ▶ **2011 U.S. SYSTEMWIDE SALES:** \$100 million
- ▶ **2011 AVERAGE UNIT VOLUME:** \$2 million
- ▶ **TOTAL STARTUP COSTS:** \$542,000–\$1,351,700
- ▶ **FRANCHISE FEE:** \$40,000
- ▶ **ROYALTY:** 4.5 percent
- ▶ **RENEWAL FEE:** None
- ▶ **MARKETING FEE:** 0.75 percent, but can go to 2 percent

To drive the growth and ROI potential of Black Bear Diner, leaders of the Redding, California-based chain exercise flexibility to capitalize upon one of the greatest opportunities of the nation's economic fallout: a favorable commercial real estate market.

By converting shuttered restaurant locations into Black Bear Diners or negotiating better lease and construction terms as one of its core business principles, the family-friendly diner fosters considerable savings to its franchisees' initial investment.

"When compared to the expense of ground-up construction, converting an existing location allows our franchise owners the ability to see a quicker return on their investment," Black Bear Diner co-founder Bruce Dean says, adding that the concept also has no renewal fee.

The bear-themed concept, meanwhile, offers compelling dining variety with over 175 menu items of homemade all-American comfort served in "bear-sized" and "little-less" portions.

ANOTHER PERSPECTIVE: Lombardi calls Black Bear Diner a winning concept that "provides a combination of a comfort-food-focused menu, large portions, [and] good tasting food at reasonable prices."

"It is all wrapped up in a mountain cabin — and Black Bear — theme that creates another point of difference from the rest of the family dining segment," he adds.

Black Bear Diner



Twin Peaks Restaurants

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 19
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 12
- ▶ **2011 U.S. SYSTEMWIDE SALES:** \$50 million
- ▶ **2011 AVERAGE UNIT VOLUME:** \$3.4 million
- ▶ **TOTAL STARTUP COSTS:** \$588,000–\$1.9 million
- ▶ **FRANCHISE FEE:** \$50,000
- ▶ **ROYALTY:** 5 percent of gross sales
- ▶ **RENEWAL FEE:** One-half of the then-current initial franchise fee
- ▶ **MARKETING FEE:** 2.5 percent of gross sales to national ad fund; 0.5 percent to local market

A sleek menu of hearty, home-style favorites (rib-eye pot roast, grilled meatloaf, and butter-brushed flat iron steak) and an extensive array of draft beers served at 29 degrees by hospitable Twin Peaks' girls has driven this 7-year-old Texas-based concept to early success.

Often lumped into the "Breasteraunts" category alongside other men-targeting outlets such as Hooters and The Tilted Kilt, Twin Peaks and its mountain sports lodge theme has carved a niche all its own, particularly with franchisees — one of whom is the former Hooters of America CEO.

The company's AUV of \$3.4 million at its stores open a full year and its proven ability to convert closed casual-dining locations into successful Twin Peaks restaurants underscores the concept's ringing appeal with guests and its ROI potential with entrepreneurs in tune with strong unit-level economics.

"The limited menu, high bar sales, and carefully managed

labor cost controls provide one of the lowest base costs in the industry,” Twin Peaks’ director of franchise development Shannon Glaser says. “Meanwhile, high gross margins and low development costs create exceptional returns on investment.”

ANOTHER PERSPECTIVE: Though competing in a lively segment with established rivals, Allen says Twin Peaks high AUV is a definite plus, while the inking of the former Hooters CEO adds “star power.”



HURRICANE GRILL & WINGS

Hurricane Grill & Wings

Hurricane Grill & Wings

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 45
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 43
- ▶ **2011 U.S. SYSTEMWIDE SALES:** \$47 million
- ▶ **2011 AVERAGE UNIT VOLUME:** \$1.46 million for stores at 150 seats or more
- ▶ **TOTAL STARTUP COSTS:** \$297,500–\$847,000
- ▶ **FRANCHISE FEE:** \$30,000
- ▶ **ROYALTY:** 5 percent
- ▶ **RENEWAL FEE:** Half of the then-current franchise fee
- ▶ **MARKETING FEE:** 3 percent

Hurricane Grill & Wings vice president of franchise development Daniel Collins says his 15-year-old concept headquartered in West Palm Beach, Florida, stands on three pillars: ROI, simplicity, and support, which spurs profitable and pleased franchisees.

From the get-go, Hurricane’s corporate team is hands-on. A thorough site analysis helps operators find the best available spot for their store, while flexible floor plans ranging in size from 2,500–4,500 square feet offer new franchise partners the ability to transition any shuttered high-profile retail or restaurant space into a Hurricane outlet.

Four-week franchisee training, meanwhile, is focused on controlling food and labor costs using the brand’s well-tested systems. In store, operations require only three major pieces of kitchen equipment, which reduces both the initial investment and ongoing operational costs.

A menu of jumbo wings and 30 sauce flavors resonates with diners wanting variety, while 100 percent Certified Angus Burgers appease hearty appetites and fresh produce for salads and sides hit on lighter notes.

ANOTHER PERSPECTIVE: Lombardi calls Hurricane Grill & Wings “a lot more than the normal wing spot” and says it creates its point of differentiation with a large selection of beers and menu items that make it a choice for both wings and traditional meals while watching the game.

Furthermore, Lombardi adds, “The ability to do in-line locations can keep capital costs in line, improving the potential for good unit economics.”

Ling & Louie’s Asian Bar & Grill

- ▶ **TOTAL UNITS IN U.S. (END OF 2011):** 5
- ▶ **TOTAL FRANCHISED UNITS IN U.S. (END OF 2011):** 4
- ▶ **2011 US SYSTEMWIDE SALES:** \$9.18 million
- ▶ **2011 AVERAGE UNIT VOLUME:** \$1.53 million
- ▶ **FRANCHISE FEE:** \$50,000
- ▶ **TOTAL STARTUP COSTS:** \$887,000–\$1,417,000
- ▶ **ROYALTY:** 5 percent of gross sales
- ▶ **RENEWAL FEE:** \$20,000
- ▶ **MARKETING FEE:** 1 percent of gross sales

Scottsdale, Arizona-based Desert Island Restaurants, the founding force behind Ling & Louie’s Asian Bar & Grill, brings a unique background to the franchising table. As both the franchisor of Ling & Louie’s as well as franchisees themselves (five Ruth’s Chris Steak Houses and two Romano’s Macaroni Grills among their operations), Desert Island claims direct insight into what franchisees need and want from their franchise system, principally strong ROI.

“We use this combined expertise to develop an attractive restaurant that minimizes its footprint while maximizing revenue per square foot,” Desert Island CEO Randy Schoch says, adding that the efficient design fits into virtually any market.

The contemporary Asian-inspired restaurant injects Far Eastern flair into American comfort food with a menu featuring meatloaf and sliders alongside lo mein and pad Thai — not to mention gluten-free options as well. A comprehensive beverage program, highlighting high-margin craft beers, wines, sake, and signature cocktails, as well as take-out and catering options, further benefits the bottom line.

ANOTHER PERSPECTIVE: Like Mama Fu’s Asian House, Allen says Ling & Louie’s can capitalize on one of the day’s hottest trends to spur its success. “Asian is hot and only getting hotter,” he says.



SIZZLER

▲ Sizzler's resurgence over the last three years leans heavily on a litany of financial best practices.

Bottomline Boosters

BEST FINANCIAL PRACTICES FOR A CHALLENGING RESTAURANT CLIMATE. BY DANIEL P. SMITH

At its height in the 1980s, Sizzler was a \$1 billion powerhouse with more than 600 units nationwide. ¶ As the millennium neared, however, the family steakhouse chain encountered hard times, including a 1996 bankruptcy. The company shuttered stores and downsized operations to about 15 percent of its height. ¶ In 2005, Pacific Equity Partners purchased the concept. Within two years, Pacific was seeking a credible buyer for the fledgling concept. Overvalued and in a downward trending economy, buyers stayed away. ¶ By the time Kerry Kramp became Sizzler USA's CEO in 2008, the company had endured years of financial losses and sagging consumer interest. The future seemed bleak, but Kramp stood determined to spark a turnaround. ¶ Slowly, the new CEO began carrying out the brand's rebirth. He spearheaded the redesign of stores, introduced new menu and operational features, and, perhaps most critical, instituted a number of best practices to push Sizzler toward more stable financial footing. ¶ "It took two years to clean up the balance sheet, but we got it done," Kramp says.

California-based Sizzler now has cash in the bank and momentum behind it, characterized by double-digit sales gains since 2008.

For Kramp and so many restaurant leaders, seeking smarter ways to manage costs, save money, boost on-hand cash, and access capital is imperative for a healthy restaurant. It's true in any climate, but particularly the present, wherein rising expenses and stagnant traffic threaten to derail those who ignore finances.

"We can never stop talking about ways to improve our model and make it a more financially sound business," says Chris Elliott, the CEO of Tampa-based Beef 'O' Brady's, a family sports restaurant with 215 outlets spread across 22 states.

Indeed, wise leaders across the restaurant spectrum adopt Elliott's mantra, making a mix of store-level tactical decisions as well as macro-view financial determinations to ensure a healthy bottom line.

As a cash flow-based business, so many restaurants operate hand-to-mouth. Taxed with any number of daily tasks and extinguishing fires big and small, it can be challenging for restaurant operators to dig into the financials and assess money's entrance and exit from the restaurant's books. Yet, many argue, this is the essential financial move for independents as well as chains.

James McGehee, a former CFO at three restaurant groups, says smart restaurateurs carefully track key metrics, such as food and labor costs, particularly as a percentage of sales, as well as occupancy charges and operating expenses. The ideal store-level cash flow sits around 20 percent.

McGehee says understanding these key numbers can help operators better grasp an eatery's productivity. He advises: Read the numbers and pivot as necessary.

"The people who do well adjust quickly, changing staffing or purchasing habits constantly to account for the current data they're reviewing," says McGehee, who now heads the financial practice at Results thru Strategy, a restaurant consultancy group based in Charlotte, North Carolina.

When Elliott took the reins of Beef 'O' Brady's in mid-2010, one of his first decisions was to install a back-of-the-house management system in restaurants. Now present in over half of Beef 'O' Brady's 215 outlets, operators access data detailing food and labor costs and spotlighting strengths as well as flaws.

BIG AND SMALL: 10 FINANCIAL AND MONEY-MANAGEMENT BEST PRACTICES

1. Install fiscal responsibility from day one. From negotiating the lease to working with a credible contractor who understands the budget, operators can save thousands by being attentive to start-up costs and injecting fiscal discipline into the restaurant's culture from the start.

"If you overspend, the chance of failure only rises," Beef 'O' Brady's CEO Chris Elliott notes.

2. Embrace patience and a long-term outlook.

Since opening Another Broken Egg Café in 1996, founder Ron Green has received regular calls about expanding the concept. He long resisted the temptation to "sell, sell, sell" and only added what his system could handle. As a result, Green never assumed more financial risk than necessary and never spread his corporate staff so thin they couldn't execute.

"So many concepts seek growth before they have their feet under them, which can create lower revenues and greater expenses," Green says.

3. Screen partners. From investors to prospective franchisees, Green has made it a practice to exhaustively screen all prospective partners. With franchisees, he assesses their ability to run an efficient, effective, and profitable establishment, while he examines if investors can stomach his patient approach.

"If you're not doing your due diligence up front and have someone pull out down the line, you can be left with some costly troubles," Green says.

4. Step back. Operations expert Anna Eddy suggests all in-house leaders occasionally step away for one shift to observe gaps in service and inefficiencies, such as seating new guests, delivering drinks, or producing all dish components in the kitchen at the same time.

"Close these gaps and you'll have better service, more fluid shifts, improved revenue, and reduced costs," she says.

5. Train and train well. Before opening a new Another Broken Egg Café, franchisees receive six weeks of training at the company's headquarters in addition to another 3-4 weeks at the new store. Green knows installing comprehensive and thorough training for operators as well as frontline staff is critical to the company's sustainability.

"The restaurants that fail are those that aren't managed or trained properly," Green says. "

Beef 'O' Brady's CEO Chris Elliott says, "We can never stop talking about ways to improve our model and to make it a more financially sound business."



BEEF 'O' BRADY'S

“With thorough data, you can go from running your business out of a checkbook to fine-tuning every line of the profit-and-loss statement to maximize profit,” Elliott says. “If you don’t do this, I’m afraid you’re leaving money on the table.”

In adjusting to the numbers and looking to dispense capital more effectively, many operators turn to a leaner workforce, which includes cross-training staff members.

At Grub, an independent eatery in Hollywood, California, co-owners Denise DeCarlo and Betty Fraser trained one of the restaurant’s part-time, lower-skilled employees in food preparation as a back-up measure. During busy times, the restaurant saves in overtime costs that would otherwise be devoted to one of the higher-paid kitchen workers.

“This not only helps with payroll, but provides one of our employees with a new skill,” Fraser says.

The cross-training concept can just as easily be applied to management.

At Beef ‘O’ Brady’s 27-person corporate office, most employees wear multiple hats. The chief development officer, a trained chef with an MBA from Duke University, runs the company’s product development as well as its purchasing. The chief operating officer is both the company’s point-of-sale expert as well as its information technology guru.

“This provides such efficiencies in overhead and gives us the ability to put our money elsewhere,” Elliott says.

To empower and involve staff, says Anna Eddy, an operations expert with Results thru Strategy, operators should provide staff a glimpse of the financial numbers and the restaurant’s goals. By then connecting the restaurant’s profitability to staff members’ lives, operators can gain valuable insight into cost-saving measures and efficiencies.

In one such instance Eddy encountered, an operator asked his kitchen staff about potential improvements. One staff member mentioned wasted bread, as it was the vendor who was controlling the product’s rotation and often disposing of bread well before necessary. By bringing that effort in-house, the operator saved money without sacrificing quality.

“It’s unbelievable what some of the staff will come up with,” Eddy says.

As another money-saving measure, many operators adopt a simple idea: ask.

From garbage collection to food costs, Kramp believes in asking questions about expenses, albeit in a way that creates collaboration rather than defensiveness.

As surging food costs remain a significant source of frustration and expense for restaurant operators, many start there. Fortunately, manufacturers and distributors have largely responded to the operators’ plight with increasingly collaborative efforts.

Ask vendors how they can help reduce costs, streamline delivery, or create new menu opportunities, perhaps those with more favorable commodity costs. Ask if rebate programs are available.

Don’t ask, don’t get, says Ron Green, founder of Another Broken Egg Café, a growing Louisiana-based chain with 18 restaurants across seven states. Green’s tactful questioning has lowered Another Broken Egg’s expenses with key vendor partners, including Sysco and Coca-Cola, as well as the company’s produce providers.

“It’s important to let your partners know where you’re at and what you need to be productive,” Green says, noting that his coffee vendor of 15 years has responded to his diplomatic and sensible requests time and again.

The inquiry should just as often be self-directed, particularly when it comes to return on investment. Sizzler’s Kramp believes wise operators prioritize

6. Rightsize the operation. Upon his arrival as CEO, Kerry Kramp pushed leaders throughout the Sizzler system to examine spending and efficiency. His team analyzed guest traffic rates to better manage production, purchasing, inventory levels, and staffing. They investigated areas where technology might offset manpower and analyzed the elements that might be outsourced as well as what could or should be accomplished in-house.

“If you’re not digging down deep into these performance metrics and getting everything in line, then you can do some serious damage to the business,” Kramp says.

7. Bring back barter. A centuries-old practice, barter has been reborn in the recession era as restaurants look to keep cash on hand and attract new customers.

Barter exchanges, both local and national (the publicly traded International Monetary Systems, for instance, is the nation’s largest), allow restaurants to accept “barter dollars” from registered barter partners on the full cost of meals. Earned on the restaurant’s wholesale dollar, that barter currency can later be redeemed for any number of products and services from advertising to plumbing.

8. Spend money, make money. At Grub, co-owners Denise DeCarlo and Betty Fraser take advantage of credit card companies’ cash-back and incentive programs, returning thousands of dollars to the business each year. In many cases, points can be multiplied on select purchases.

9. Make repairs in-house. Whenever possible, DeCarlo and Fraser have employees make repairs to their operation’s early 20th Century bungalow, a measure to offset hefty contractor fees. In fact, the co-owners have even adopted a regular practice of hiring people with “handyman” skills in addition to restaurant experience.

“We’ve had a couple of waiters who could have walked out of Grub right on to the site of Extreme Home Makeover,” Fraser says.

10. Have an energy audit. Many operations are turning to energy audits. Courtesy of business assistance from Urban Solutions, a nonprofit economic development agency, Miss Saigon Restaurant received an environmental audit and consulting. As a result of the audit and implementation, the San Francisco restaurant is reaping annual savings of \$5,000 on energy, more than \$6,000 in water, and another \$6,000 in waste pickup.



▲
At Hollywood, California's Grub, co-owners Denise DeCarlo and Betty Fraser reduce costs by cross training staff, utilizing credit card cash-back programs, and handling repairs in-house.

projects and critically analyze the checks they're writing.

"Always run through the ROI and take every dollar to be precious," Kramp says. "Ask yourself: If I'm going to spend this dollar, am I getting the appropriate payback?"

As an added cost-savings measure, operators should look at real estate. Given the tumult in commercial real estate, many landlords are eager to keep tenants and more open than ever to renegotiating leases. For an operator in a shopping center or multi-tenant property, operators can highlight the traffic they bring to the center, which offers negotiating leverage or provokes deals, such as a landlord assist on a remodel.

"But you can't bluff it because a savvy landlord may ask for your financials," says Ed Levine, CEO of California-based Vine Solutions, which provides financial advisory services to restaurants. "If you can make the argument that more balanced real estate can put you in the black, then you have a solid argument."

In many leases, Levine adds, a tenant can request a financial audit of the landlord's insurance, tax, and common area maintenance fees. As property values have declined in spots across the country, urging landlords to challenge property taxes can produce cost savings.

"You certainly have the right to examine if the landlord is using money wisely," Levine says, adding that a cost-scrutinizing tenant helps to breed a more transparent landlord.

Additionally for renters, Levine says now might also be a good time to investigate purchasing the building. With real estate costs down in most spots and the Small Business Administration offering a number of attractive financing options for property purchases, restaurants can make a long-term play to diversify their income and eliminate the controlling thumb of a landlord.

"Buying the property won't offer any short-term help to your cash flow, but it's a smart long-term play," Levine says.

Of course, a property purchase will generally demand excess capital and, in many instances, a loan.

In any economic climate, banks view restaurants as risky

ventures. On the heels of a recession, traditional banks' trepidation has only escalated. Yet banks remain the most commonly targeted source of capital for many loan-seeking operators — and the most finicky partners for even the most qualified candidates.

In seeking loans — whether to buy property, renovate, add new equipment, or gather working capital — financially savvy operators adopt two key principles: turning to alternative lending sources and opening as many financing doors as possible.

Microlenders, or community development financial institutions (CDFIs), are gaining attention from many operators needing up to \$250,000. Many of these nonprofit entities, often well linked to a region's Small Business Development Center (SBDC), are filling the role that banks historically played.

Claudia Viek, CEO of the California Association for Micro Enterprise Opportunity, says traditional banks have all but stopped lending amounts under \$250,000 to small businesses regardless of their credentials.

"So if a restaurant needs \$100,000 for a remodel or to buy new equipment, they should consider the nonprofit lenders in their community," Viek says. "CDFIs usually have more flexibility with their collateral requirements and offer reasonable terms, [though] businesses still need to show positive cash flows."

As an added benefit, many of the CDFIs also provide small-business coaching and other professional resources—legal, accounting, and marketing among others—to further spur economic development in a given community. From this, operators can gain additional cost savings.

As Dane Boryta and his wife, Liz Ferro, worked to open their San Francisco eatery, Bottle Cap, last summer, the couple's own personal savings and contributions from family were enough to purchase the property and outfit the space. Still, the couple needed an additional \$100,000 in start-up funds for operating, inventory, and equipment.

After being turned down by a traditional bank, Boryta began looking for funding in a variety of corners. He first began working with Safe-Bidco, a California-based small business assistance fund. Simultaneously, he turned to his local SBDC, which quickly led him to Valley Economic Development Center, a nearby CDFI.

Boryta counts his decision to pursue multiple lenders as one of his wisest moves.

"If you only rely on one source and it doesn't come through, then you're jeopardizing the whole operation and your dream," Boryta says.

As each lender has unique stipulations, terms, interest rates, and timelines, Boryta believes opening up multiple financing doors allowed him to pick the lender best suited for his needs and vision.

"If these lenders don't act within your time frame, then it just ends up costing you more money," he says. "

Where McCormick & Schmick's Went Wrong

A BEHIND THE SCENES LOOK AT THE STRATEGIES AND OPERATIONS THAT LED TO THE BUYOUT. BY SONYA CHUDGAR

Landry's, Inc. reeled in seafood chain McCormick & Schmick's in a buyout on Jan. 3, six months after the floundering chain was put on the market. The move signifies an end—and a new beginning—to the brand that touted its old-fashioned ways and hung onto them until they killed it. ¶ “They were proud of an old-fashioned kind of position, and no one wants old-fashioned anymore,” says Cliff Courtney, executive vice president and chief strategy officer of Zimmerman Advertising. “They want something new.” ¶ The first McCormick & Schmick's opened its doors in Portland, Oregon, in 1976. It grew to 87 restaurants in the past 35 years. Landry's has already closed a handful of locations since the buy-out.



default position in seafood, but there's nothing 'fresh' about the fresh position,” Courtney says.

“The existing management team back then said they had this famous plan they were going to implement,” Kelley says. “It really just goes to a larger point of some of the great crumbling brands that have been around for a while, relying on these management teams that have just become so insular and so unresponsive to outside opinion or outside counsel to help them turn around.”

Courtney says McCormick refused to recognize the changing pattern of American eating by sitting in a category without scale.

“People already eat less seafood than other proteins,” he explains. “So you're dealing with a smaller pond, as it were. Secondly, compression in restaurants, i.e. fast casual ... things that are less expensive and new are winning in restaurants, as opposed to slow and expensive.”

▲ McCormick & Schmick's menu is tailored to the local area it serves.

FAIL-SAFE?

“They have an original brand promise and mission that was actually very worthy, and for a long time, served them well,” says Tom Kelley, managing partner of Concept Branding Group.

But the fall was foreseeable. Courtney delineated a number of weaknesses of the company when he spoke with *Rmgt* in June: the brand is seemingly identical to when it first launched; its huge menus overwhelm guests; the brand itself feels stale; and the meals are crafted to take a long time to eat.

Both Kelley and Courtney agree that McCormick & Schmick's collapse was mainly due to its stubborn resolve to not evolve.

“Their whole position was pushing fresh, which I get is the

FAULTY MATH

The numbers support Courtney's claim. According to McCormick & Schmick's most recent quarterly report, filed Sept. 28, 2011, the brand's net income for the first 39 weeks of 2011 was a loss of more than \$6 million.

In comparison, a year prior at the end of September 2010, the brand's net income had been nearly \$2 million.

Kelley indicates McCormick's management team of the past decade has had more success twiddling their thumbs than running a national restaurant chain.

“They just, most recently in the past 10 years or so, have suffered terrible management and terrible execution,” he says. “I think the [new] management team will be like night and day between the former management team at

McCormick & Schmick's."

One thing Kelley calls "troubling," however, is the style in which the former management team was terminated.

"I read it this morning [that] the supposed-turn around team that was running McCormick & Schmick's for the past four or five years received \$6 million in payouts as part of the takeover," he says, "which really is just a shame, because the way they led that company down the road and let it fail was just astonishing.

PUBLIC ENEMY

Courtney points to the company going public in 2004 as another tumble in its downward slide.

"Once you're trying to please shareholders, you get a bad case of white line fever. You're staying in the middle of the road ... you play it too safe," he says.

He says privatization gives management the confidence it needs to trim fat without being judged or questioned.

Upon the buyout, Landry's immediately announced McCormick & Schmick's would no longer be a publicly traded company, retreating once more into the private sector.

A FRESH START

Both Kelley and Courtney view the buyout as a win for McCormick & Schmick's, mostly due to Landry's

successful record.

"Landry's has a history—a pretty impressive, billion-dollar history—of resurrecting brands and making them relevant again, especially in seafood," Courtney says. "I'm a big fan of Landry's, because, for starters, they're bold, and I think fortune favors the bold."

Whereas McCormick sat in a category without scale, "Landry's, on the other hand, they have scaled systems," Courtney explains. "So their economic efficiencies for running seafood are pretty big. I guarantee they're working up the numbers on how to buy fish more effectively, put in those restaurants, how to take the best practices and make them work."

A fat trimming, meanwhile—closings and potential reallocation of McCormick's restaurants to other Landry's concepts—is to be expected, says Kelley.

It also helps that Landry's is a marketing-centric organization, Courtney says, because "brands are driven by great marketing, not just great merchandising."

They agree there is a chance that Landry's will take the drowning seafood chain and resuscitate it to the life once enjoyed.

"[Landry's] have not shown yet that they can make this brand exceed," Courtney says, "[but] listen, nobody likes to see brands go down. We're in the business of seeing America prosper."

Analysts say the Landry's buyout is good for McCormick & Schmick's. ▼



McCORMICK & SCHMICK'S

2012 Consumers Are at Stand Still

CUSTOMERS WANT QUALITY FOOD, SERVICE, AND ENVIRONMENT FOR REASONABLE PRICE. BY DANIEL P. SMITH

Martin O'Dowd runs Hurricane Grill & Wings, an emerging casual-dining brand of 47 stores across eight states. Since early 2009, O'Dowd's witnessed consumers increasingly let loose. In that time, Hurricane has embraced a 40 percent jump in revenue, much of it driven by a surge in 2011 business. ¶ "Americans aren't good about being depressed. They want to go out and pamper themselves, and that includes dining out," says O'Dowd, an industry veteran who's held executive positions for a half-dozen restaurant brands. ¶ For 2012, however, O'Dowd foresees consumers putting on the brakes and a slowdown from 2011's rising tide. ¶ "Unfortunately, I think people will get conservative again. There's so much economic turmoil around and so much we don't understand," he says. ¶ O'Dowd is no pessimist; his grounded outlook for the coming year is shared by many restaurant industry operators and analysts.

A STILL-SLUGGISH ECONOMY BREEDS A STAGNANT CONSUMER

In 2009 and 2010, restaurants experienced eight consecutive quarters of declining traffic, a trend unseen in a generation. While the numbers turned positive in early 2011, few industry veterans foresee a 2012 rush.

Chicago-based research firm Technomic, in its latest industry forecast for full-service restaurants, predicts 2.5 percent nominal growth and zero real growth in 2012. The NPD Group shares a similarly brooding forecast: Restaurant industry traffic will be positive, but still weak. NPD puts 2012 check growth at 1.4 percent and traffic growth at 0.7 percent.

Many point to the nation's lingering 9 percent unemployment rate and the election as two primary reasons restaurant numbers will remain flat. Few see unemployment rates

declining or U.S. legislators enacting a major fiscal stimulus to jumpstart growth.

With continued residential real estate woes, high oil prices, and a volatile stock market added in, consumer confidence is expected to remain stagnant throughout 2012. Furthermore, many analysts expect GDP growth in 2012 to hover near 2–3 percent. The modest gains, though perhaps enough to ward off another recessionary dip, aren't expected to turn the nation's economic tide or inspire consumer confidence in 2012.

"There's a close relationship between consumer confidence and restaurant traffic. Until we see that confidence improve, we're not going to see much of anything change," NPD Group restaurant analyst Bonnie Riggs says, adding that her agency holds a tempered outlook for the next decade, given restaurant traffic's struggles to keep pace with population growth.

Though consumer behavior is wildly difficult to forecast, industry analysts and restaurant leaders look into their crystal balls and reveal these consumer predictions for the coming year:

FOOD, SERVICE, AND ENVIRONMENT

Call it the Holy Trinity: quality food, service, and environment for a reasonable price is the unwavering standard in the restaurant world, the driving consumer sentiment operators must respect.

"It's not that consumers will stop dining out; it's just that you better deliver," Riggs tells operators.

As an increasingly educated consumer base becomes more quality-conscious and food-savvy, consumers want premium products—Angus beef rather than ground chuck—and words like fresh and homegrown prominent on the menu.

Hurricane Grill & Wings has witnessed a 40 percent rise in revenues since early 2009, including a strong sales surge in 2011.



HURRICANE GRILL & WINGS



CRACKER BARREL

▲ Cracker Barrel president and CEO Sandy Cochran says her company's eateries will do everything they can to deliver on consumers' unflinching desire for quality food, service, and atmosphere.

"Restaurants can no longer push whatever they want out of the kitchen," O'Dowd says. "The consumer simply doesn't allow it."

With consumers also toughening their stance on better service for their hard-earned dollars, operators will be forced to respond. Hurricane, for instance, has retooled its management program and increased the number of people who must pass through the training.

On the atmosphere side, many restaurants are taking aim at modernized, comfortable, and lively quarters. Hooters is remodeling about 20 percent of its original Hooters locations and adding outlets in new spots, including Times Square in Manhattan.

"We're an escape from the rigors of everyday life, and we try to position ourselves as such, but we need to make sure we're executing on all fronts," Hooters COO Sal Melilli says.

For those who can meet consumers' strict demands on all three fronts, success can be had in 2012 and beyond.

"People want escapism, more so in this economic climate than we've seen in a while, and if you can bring quality to all levels of the restaurant, you're putting yourself in a spot to succeed," Rainforest Café founder and restaurant consultant Steve Schussler says.

MORE PRICE-BASED DECISIONS, LESS RISK

Cracker Barrel president and CEO Sandy Cochran calls the pressures on consumers "enormous." Given labor uncertainty and tightening household incomes, she believes consumers will be even more focused on value and price in 2012.

"Consumers only have so much money in absolute dollars for discretionary spending. And, relatively speaking ... it's likely that value perceptions have been altered," Cochran says.

In the NPD Group's recent "Changing Consumer Mindset" report, 76 percent of restaurant patrons fell into the "controlled spenders" category.

"So when they open their wallet, we better meet their value

expectations," Riggs says.

To many, the value expectation concerns the food-service-atmosphere triumvirate. However, some see consumers curtailing the "value proposition" mindset and adopting strict price-based decisions. Technomic's director of product innovation Mary Chapman expects a rise in consumers looking for discounts, buying less expensive items, and using coupons.

"If a concept doesn't have a compelling differentiating factor," she says, "consumers will tend to base the decision on price."

And as the consumers continue pinching pennies and sacrificing, many predict they will limit restaurant spending to the eateries that inspire confidence.

"Since people are eating out less, they want to be confident in the restaurant they choose. They're not going to take chances 3-4 times each week, and they're going to go to the places they trust," says Kevin Goldfein, operator of Rosti Tuscan Kitchen, a casual-dining chain with three locations in southern California.

CONTINUED TRADING DOWN

Unfortunately for full-service restaurants, consumers are expected to continue trading down to quick-service operations and, in particular, fast-casual outlets, the recession-era darlings that have witnessed year-over-year sales and traffic gains.

"For the full-service operator whose menu is at the lower end of the scale, the consumers see fast-casual options as just as good, if not better, and without the taxes of time and tip," Chapman says.

Fast casuals, which blend quick-service convenience with the food expectations of casual dining, continue to be a favorite of Gen Y, many of whom are entering their prime dining-out years. With their strong value component and quality perception, Riggs says, fast casuals hit on the demographic's quest for convenience and value.

"This is a group looking well beyond the food and, as they move into their heavy-use era, operators will have to pay attention to what this group wants from their dining experiences," Riggs says.

To respond to the trading-down wave and fast casual's market-stealing ways, Chapman says full-service operators must differentiate themselves and cater to the lifestyles of discerning customers. For some full-service operations, that could mean delivering on convenience, largely in the form of carryout.

Given the on-the-go nature of American life, particularly for families, carryout operations offer consumers the food they want sans drinks and, in most cases, gratuity. To prepare for expected increases in its take-away business, Hooters will continue to tinker with its to-go packaging and test online as well as text ordering throughout 2012.

"If the consumer wants convenience and value, then we want to make it as easy as possible for that consumer to make a decision and purchase," Melilli says.

AN EVOLVING PALATE

According to Technomic's research, consumers are increasingly driven to try new flavors. In a 2011 Technomic survey, 42 percent of diners said they were more likely to try new flavors today than they were a year ago. Yet more, 52 percent, express a preference for restaurants that offer unique and original flavors; in contrast, only 42 percent checked that box one year ago.

The more daring, adventurous consumer palate is expected to roll into 2012 with a preference at full-service eateries for garlic accents and spicy flavors as well as a growing affinity for regional Mexican dishes, Latin American food, and barbecue sauces with a twist.

"As it is with fashion, it is with food: Tastes are always developing and changing," O'Dowd says, adding that Hurricane is looking to expand its sauce line beyond its current 32 flavors.

Driving the momentum, Chapman says, is a more culinary-educated clientele, one spurred by mass media and younger consumers who show a more risk-taking culinary spirit. She calls it "The Food Network Effect."

"There's more information available and more media time devoted to food and flavor than ever before," Chapman says, adding that increased global travel also helps explain the more sophisticated palate and calls for more complex flavors.

Still, restaurants shouldn't get too daring. Consumers are likely to remain loyal to the tried and true, particularly as they adopt less risk with their discretionary dollars. Operators who can find the balance between staple menu items while simultaneously staying on top of flavor trends to reinvigorate classic dishes might be best positioned to connect with consumers.

THE ABILITY TO CUSTOMIZE

Chapman says Technomic has witnessed a steady climb in the number of consumers desiring customization at full-service outlets. Whether offering different spreads, condiments, and sauces or allowing customers to mix and match or define preparation style, customization rushes into 2012 demanding operators keep pace.

Certainly nothing new to the restaurant arena (consider Burger King's "Have It Your Way" campaign or Subway's made-to-order sandwiches), the increased restaurant menu flexibility rejects the assembly-line feel and prepackaged perception that one-size-fits-all meals often trigger.

As he has done at Rosti since 2008, Goldfein will continue making customization a part of his restaurant's work to create loyal customers. All over the Rosti menu, Goldfein notes that customers can select their sauce and request substitutions. He also provides vegetarian, vegan, and gluten-free options.

"If I have the wherewithal to meet a customer's request, there's no doubt in my mind I'm doing it," he says. "The ability to please, especially in this climate, is absolutely critical. I want to offer more things to more people."



Rosti Tuscan Kitchen operator Kevin Goldfein believes consumers will be less likely to take dining risks in 2012.

ROSTI/TUSCAN KITCHEN

HEALTHY IN NAME IF NOT NUMBERS

While consumers have long called on restaurants to offer healthier options, the reality persists that restaurant-goers are only slowly changing their habits.

Technomic in 2011 reported a telling find: 47 percent of Americans said they wanted restaurants to offer healthier items, but only 23 percent reported actually ordering them.

"More are interested in 'health' terms like 'natural' and 'organic,'" Chapman says. "Even with menu labeling, expect to see this be a slow progression."

Indeed, a growing number of consumers are interested in food sources and ingredient lists. Into 2012, transparency is more necessity than option.

"Some think this is a fad, but I don't think so," Goldfein says of customers' sourcing questions. "It demands that everyone in the restaurant is knowledgeable and trained to answers questions or, at the minimum, knows where to get the answers."

In addition, many view healthy in terms of leaner proteins, such as buffalo and white meat turkey, and not simply in terms of fruits and veggies.

"That's something to keep an eye on," Schussler says. "The chefs are experimenting because they're getting a better sense of what consumers want."

INCREASED INFLUENCE OF SOCIAL MEDIA

Consumers are expected to continue embracing social media as a platform for sharing their restaurant experiences and attitudes with friends, colleagues, and virtually anyone who will listen. Social networks, such as Facebook and Twitter, as well as online review sites, such as Yelp and Urbanspoon, continue to build a brand's story and influence consumer choices.

"Consumers are tending to put increased trust in their networks more than traditional marketing—and that's for the good as much as the bad," Chapman says.

In addition, diners want an avenue to connect with their favorite restaurants. As operators continue to embrace social media as a cost-effective tool in the marketing arsenal, it's expected to become even more critical that restaurants are not merely visible, but active participants in the media landscape. After all, that's what the consumer wants.

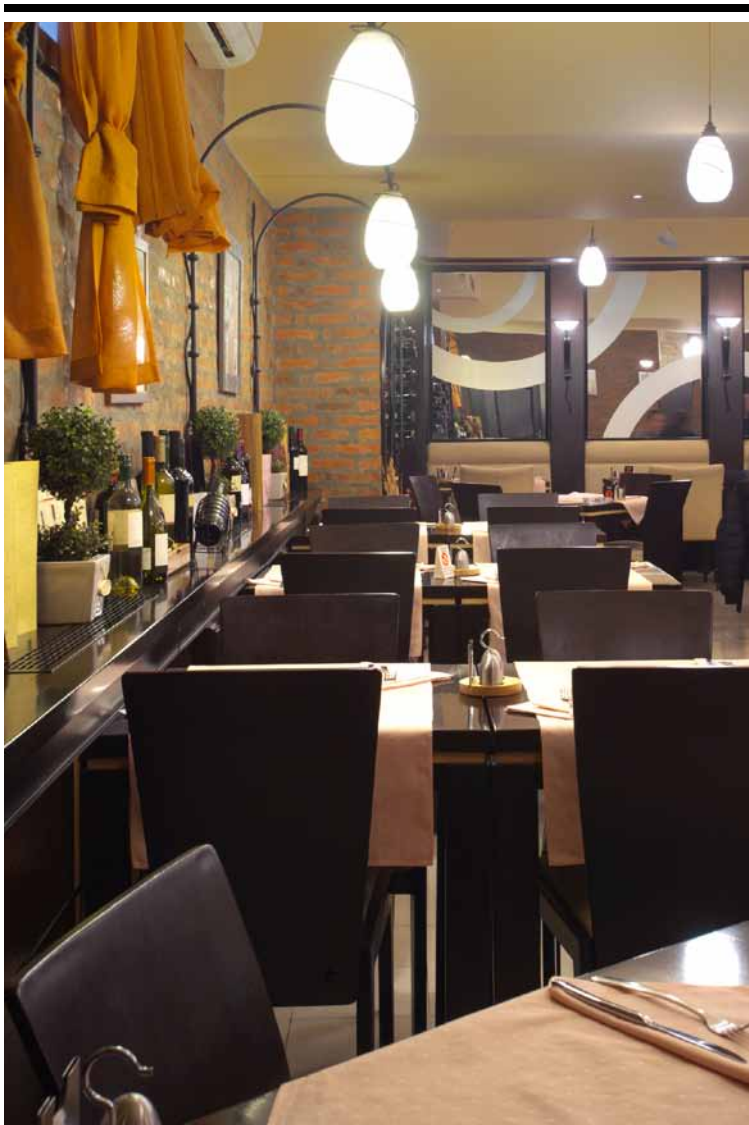
Illuminating Your Restaurant

LIGHTING IS THE SECRET WEAPON FOR MAKING AN INTERIOR MEMORABLE. BY GREGG HACKETT

"In architectural lighting design, the luminous environment evolves out of the character and the intent of the space ... and the needs, desires and expectations of the people for whom the space is created" — CAROL CHAFFEE ASSOCIATES

The right lighting highlights design and builds positive impressions.

Lighting is an important tool for the restaurant architect and designer. Appropriate lighting design completes the thought that starts with the design of the physical space and the furniture and objects within that space. Unfortunately, the value of well-designed lighting is often overlooked. We work with lighting designers on most of the restaurants we do. Carol Chaffee Associates of Minneapolis has been involved in many of these projects and has collaborated on this article with me. ¶ A feast for all senses — taste, aroma, sound and music, form, surface finishes, color, art, light, and people — is our expectation when selecting a restaurant for a dining experience.



When a restaurant is thoughtfully designed, many impressions unite to invite us to return.

Illumination, the ephemeral partner of architecture, completes and reinforces the restaurant design theme and contributes to the positive impression.

The lighting designer addresses:

- Visibility: perception of form and space.
- Image to be conveyed.
- Uses of the space.
- Color.
- Surface finishes.
- Atmosphere.

There are many ways to approach lighting design for restaurants depending on the type of venue and desired atmosphere. Is the theme dramatic, comfortable and casual or maybe family-friendly? The lighting designer uses varied lighting methods and patterns to evoke impressions of privacy or intimacy, relaxation, spaciousness or pleasantness. The designer's selection of which room surfaces will receive light, overhead versus peripheral lighting emphasis, uniform versus nonuniform lighting, and bright versus dim choices, creates these impressions.

Once the atmosphere to be created is understood, the lighting designer starts with a lighting layout and fixture selection. The design process will always consider a layered lighting approach, light-level variation and lighting control.

Great lighting is often not immediately describable or recognized. You may not realize why a room looks and feels so great. Is it the architecture, the materials and colors? Is it the lighting that accents the walls?

Lighting done well for restaurants is layered by providing ambient illumination, accent lighting and decorative lighting elements. In restaurant design, it is important to use a mix of light fixtures designed to produce specific effects.

Ambient illumination provides the uniform base level of

light throughout the space.

Ambient or general illumination can be achieved in various ways: recessed lighting; track lighting; indirect illumination of ceiling and wall surfaces, where the light fixture is hidden and the surface becomes the light source; or a combination of these methods.

Adding focused accent lighting or highlighting of architectural features, sculptural elements and art creates interesting dynamics. Accent lighting is generally brighter than the ambient level, depending on the overall reflectance value of the surfaces to be illuminated.

Decorative or feature lighting elements such as chandeliers and wall sconces reinforce the spatial and visual hierarchies. When using a mix of fixtures, try to minimize the number of lamp (bulb) types used for ambient and accent lighting for ease in maintenance.

Light levels should vary from space to space, depending on each area's use. Entry spaces, dining rooms, bars and display kitchens all demand their own requirements for light. Light levels should be appropriate to use of the space, whether perusing a menu at the table or enjoying a late-night cocktail in the bar. Varying the light levels can subtly change the mood and energy levels as one moves through the public spaces.

Lighting control is key.

Lighting control through dimming is key to modulating the intended atmosphere. An automated control system allows for changes for the time of day and the time of the year with programmable lighting "scenes," astronomical clocks, gentle fade timing between scenes (i.e., lunch to dinner to late night), light-level control for the restaurant's various zones and energy conservation.

Energy conservation standards must be met

Working with and meeting current stricter state codes for energy conservation is necessary during design development. Awareness and technical knowledge of current light sources are critical in this phase. The designer has many types of light sources available to consider. Line- and low-voltage options include halogen, LED, and the various types of fluorescents. However, the designer's choices need to consider color compatibility between lamps, color rendering capability and dimming capability in order to create a cohesive and understandable visual environment. It is important to see and compare actual lamp samples when combining sources on projects. Decisions on where and how to manipulate and "spend" the allowable watts-per-square foot in each restaurant space can be a challenging task but a critical step in the design process.

The goal of any well-designed casual or fine-dining restaurant is to provide a welcoming, relaxed environment in which guests can enjoy the food and leave with all senses satisfied. Lighting is an important component of the restaurant's overall design aesthetic and an important tool in reaching that goal.

Light is a form of communication evoking a perceptual response. The manner in which spaces and objects are illuminated will form the way we sense and respond to them.

HELPFUL LINKS:

Restaurant Management

RmgtMagazine.com

Franchise Expo

www.qsr magazine.com/resources/franchise-expo/

Restaurant Franchising Opportunities

www.QSRmagazine.com/resoures/onesource/categories/franchise_opportunities

FRANCHISING LINKS FOR TOP RESTAURANT DEALS

Another Broken Egg Café

http://www.anotherbrokenegg.com/franchising

Black Bear Diner

http://www.blackbeardiner.com/franchiseinfo.aspx

Brixx

http://brixxfranchise.com/

Buffalo Wild Wings

http://franchiseinfo.buffalowildwings.com

Hurricane Grill & Wings

http://www.hurricanefranchising.com/

Ling & Louie Asian Bar & Grill

http://www.lingandlouies.com/franchise/

Mama Fu's

http://www.mamafus.com/franchise

Shula's

http://www.donshula.com/franchise.php

The Green Turtle

http://thegreenturtle.com/franchise.php

Twin Peaks

http://www.twinpeaksrestaurant.com/franchise