

Big Deal

Here's what some of our local restaurateurs have to say about growing a concept smartly



**Dennis
Monroe**

MOST RESTAURATEURS' DREAM is to create a concept with the potential to grow into a large regional or national brand. The restaurant industry is full of these kinds of concepts and Minnesota is home to a variety of restaurants that have grown locally, regionally and nationally. Just to name a few: Fridays, Bucca di Beppo, Oceanaire, Redstone, Chi Chi's, Champpps, Granite City, Famous Dave's and Dairy Queen.

The question then becomes: What are the attributes of a concept that can help it grow? For the answer, I turned to three experienced concept-growers: Phil Roberts, who is responsible for a number of concepts but in particular Bucca di Beppo, Oceanaire and Pittsburgh Blue; Christopher O'Donnell, the long-time CEO of Famous Dave's during its growth period (he now works with the Bartmann Group); and Paul Smith, CFO of D'Amico & Partners, who is the creator of numerous concepts, among others, D'Amico & Sons and Campiello.

First, however, let's start with some ideas I've gleaned from being an observer of growing concepts and then get to the specifics. Here are six attributes to growth:

- **Immediate appeal to the consumer:** This is something the consumer doesn't have to discover; rather, they get it right away. The

concept readily attracts consumers. The obvious example is Shake Shack. People get this concept because they like and understand fast casual, quality burgers and shakes.

- **Sustainable consumer need:** It has to be a concept consumers will like in the long term. Sam Fox's True Foods is the best example I've seen in a long time of a concept that fulfills a need because it offers tasty, health-oriented food.

- **Unit economics:** I divide the economics into three specific areas. 1. Sales-to-investment. I like to see three times or more sales-to-investment; so for a million-dollar investment, you want to have \$3 million dollars in sales. 2. Store-operating profits, which should be 15-20 percent on a unit basis, ideally closer to 20 percent. 3. Labor cost. Keeping it at 30 percent of sales or less is really key. And the labor costs need to be low enough so there's enough available labor.

- **Availability of similar locations:** If you have a unique concept that requires 10,000 square feet or large sites, growing the number of stores can be difficult. You need a concept that can fit into available sites, like end caps on strip centers or remodeled spaces of previous restaurants.

- **Geographical diversity:** All good growth concepts have shown they can make it in varied geographical locations and perhaps even somewhat diverse demographics. They have "legs" and should be equally successful in Minneapolis, Denver or Indianapolis. Obviously, not every concept is universally suitable for every site all over the country; there are many great

regional concepts with more limited geographic scope. But they still have ability to spread beyond their place of origin.

- **Overall branding:** Concepts that grow have sustainable branding. Great examples are True Foods and Bucca di Beppo—both have brand uniqueness combined with consumer understanding.

Now for comments from the restaurateurs in the trenches:

Phil Roberts of Parasole has always looked for niches and holes in the market that need filling. For example, what spurred him to create Bucca was the realization that all the beloved red-sauce joints that the Italian immigrants had started after WWII were closing. Mom and Pop were getting old and their kids didn't want to be restaurateurs—they wanted to get into the dot.com world. The new Italian restaurants were trying to be slick and chic, catering to the Armani crowd, he said. So he took advantage of that empty space in the market with the added twist of introducing family-style dining.

Beyond that, he looks at trends on both coasts as well as Europe and Asia, where "stuff" happens before it happens in the Midwest. After discovering calamari on a New York trip, he introduced it to the Twin Cities in 1985, and by the time his restaurant Figlio had ramped up, they were selling 300 orders of calamari a day.

What's also needed is simplicity and scalability, Roberts said, both of which are related. He'd ask his team: "What kind of talent does it take to pull this concept off in Des Moines? Can we do it

with kitchen managers instead of chefs? We hope so.”

He also advised that you need to surround yourself with a team of proven professionals. Those in charge of branding have to ensure it’s distinctive, memorable and eye-catching. And this industry experience goes beyond branding. Real estate agents have to be hard-wired to the market, and lawyers, architects, accountants and operators need to be at home in the restaurant business.

Next up: Christopher O’Donnell, CFO of The Bartmann Group.

O’Donnell believes concept expansion is customer-driven. The customer will dictate what is an expandable concept. He saw this in the changes Famous Dave’s made over the years.

Another key is that it needs to be a definable concept, but it still has to be what O’Donnell calls a “style choice”—a broad enough menu and appeal to attract lots of customers. That means having choices for meat eaters, vegetarians and vegans, while staying true to the concept.

The economics have to work, he said. Look at all the components of the P&L; everything from labor costs to food costs to rent to overhead. Those are all important,

and successful concepts keep those at appropriate levels dictated by both the unit volume and general restaurant standards.

Understand that growth can sometimes beat up on quality, and quality must be maintained, he added.

Paul Smith, the CFO of D’Amico & Partners, had an interesting view. D’Amico has been involved with everything from fine dining to fast casual to all kinds of different venues here and in Florida.

Smith’s first point was that simplicity is key, both in concept and operations. It should be the kind of food that consumers crave. He used the example of Chipotle—simple but craveable

Can the concept achieve critical volume through effective, fast table turns? One of the most effective ways to achieve critical volume is to have reasonable table turns and efficient space and manner of delivery. Can you get diners in and out in a decent amount of time?

Have good food costs, but also good quality. D’Amico has focused on Italian and its large catering business has to deal with food costs.

Keep your skilled labor down and the less skilled workers at as low a number as possible to provide the appropriate service.

So the key is having minimal amount of skilled labor who can perform at a high level, and the rest you can fill in. That keeps your labor costs down substantially, which is important in this market.

Lastly, Smith stressed that you have to have good people who know how to grow a concept. That means real estate systems and financing.

It became clear from the conversations that growing a concept is more of an art than science. It must have: solid consumer acceptance; be opportunistic; depend on strong unit economics; and cannot happen without good opportunities for real estate.

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Dennis L. Monroe is a shareholder and chairman of Monroe Moxness Berg PA, a law firm specializing in multi-unit franchise finance, mergers and acquisitions and taxation in the restaurant industry. You can contact him at (952) 885-5999 or dmonroe@mmlawfirm.com. For more information, please refer to www.MMBLawFirm.com.