RESTAURANT BUSINESS

LEADERS

10 BUDGET-FRIENDLY RECOMMENDATIONS FOR STRENGTHENING A CHAIN

By Dawn Reiss, Managing Editor on May 17, 2015 **Email**

Among the pieces of free advice offered on the first official day of the NRA Show were recommendations from a panel of fast-casual chain executives on fostering leadership. Here are some of the inexpensive ways they suggested to improve a chain's consumer research, real estate prowess, financial performance and other functions.

Don't follow the leaders in raising wages

When asked about the high-profile decision of several major employers to arbitrarily raise their minimum wages, Carl Howard, CEO of Fazoli's, bristled a bit. He dismissed the announced increases from Starbucks, McDonald's and Walmart as publicity stunts. "It's a major PR move by those brands, and we're not rushing to do anything just yet," he said.

Reconsider your ingredients to avoid a GMO backlash

Also in the news has been the announcement by Chipotle Mexican Grill that it's removing all GMO elements form its menu. "This [GMO-free] movement, I wouldn't say it's a demand from the consumers, it's a declaration right now," commented Paul Damico, group president of Moe's Southwest Grill and Schlotzsky's parent Focus Brands. "It's going to cause everyone in the business to think abut how they might procure better foods for their consumers [but] I don't think anyone can go from their menu today to GMO-free. I don't think the industry is ready to accommodate that, so it's going to be a slow roll."

Instead he encouraged everyone to start to do a deeper dive into the supply chain and investigate the type of ingredients they were using and where they are sourced. "Have a better understanding than you do today about what your ingredients stand for," he said. " You'd be surprised."

Give your employees cool uniforms

Even if you have to spend $12 instead of $10, Damico said, there's a big benefit to finding a uniform that employees want to wear to work. "Give them a cool uniform, that makes them want to come to work," he said, adding that the strategy is why In-N-Out and Chick-fil-A have employees that who seem to like their jobs.

Build your infrastructure ahead of growth

Damico says franchisees of Focus' brands open a new restaurant every 46 hours and that means planning ahead to have the proper support team in place. "I'd suggest you invest slightly ahead of [the] growth curve," said Damico "If you're growing at 10 percent a year, I'd invest at [a 12-percent level.] It's a money issue, but as you have your sights set on 20 [percent] you're going to want to have that team in place. You're not going to want to be playing catch-up."

Get MBA students to do your consumer research

"I'm sure when you first hear consumer research, you think that's expensive, 'I can't do it,'" Damico said. But he encouraged operators to tap into their local universities for bargain-priced help. When Moe's first considered expanding into Russia, he approached the administrators of the MBA programs at Emory University in Focus' hometown of Atlanta. He was able to have students in the international studies MBA program do company research as thesis projects. "They studied it over a 90-day period, it was absolutely real data and we used that data, and they get graded as part of their thesis," he said.

Let your guard down to cricitism

David Jones, founder of the burger chain Blazing Onion, joked that he takes his leathers off after riding his motorcycle to be approachable. He advised taking the same approach to employee feedback and online reviews on sites like Yelp. While he said it's important to filter through the ridiculous statements, he said it's also important to take stock of how a new product on a menu "isn't quite as wonderful as you thought."

Use a broker to negotiate property, better landlords

No matter the popularity of brand, a landlord is always going to strive for "their number," Damico said. "We use a broker network, because they help navigate, not only the real estate, but the landlord's emotional state," Damico said. "That's important because you want to understand what you are getting yourself into."

If you're small company, act like a big chain with a potential landlord

Jones said he read Danny Meyers's book "Setting the Table: Transforming Power of Hospital into Business" about establishing relationships, which prompted him to meet with potential landlords years ahead of needing additional sites. "I tell them about us, what we are planning on doing and re-visit them every year," he said. "Then if something opens up, it helps to have a really healthy negotiation with them."

His caveat: "I never act like I own six restaurants," Jones said. "I act like I own 600. I never approach them humbly."

Consider a change in design if you want the right site

When a landlord was going to turn Jones away because they didn't have a whiskey bar, he responded by saying, "hey, I was just getting ready to do a whiskey bar" and quickly rushed home to design something. "I went home and got on the Internet, and put together a two-page brochure and sent it back to him three days later, and he accepted us," he said.

What should you pay in occupancy costs?

The right figure for Focus Brands is around 9 percent, Damico said. Jones said he strives for 8 percent, but sometimes the exposure is worth a little more. Carin Stutz, president of McAlister's Deli, said her chain's occupancy costs are closer to 7 percent, while Howard said Fazoli's target ranges from 7 percent to 10 percent."