

CHAPTER 2

Kinds and Characteristics of Restaurants and Their Owners

LEARNING OBJECTIVES

After reading and studying this chapter, you should be able to:

- List and describe the various kinds and characteristics of restaurants.
- Compare and contrast chain, franchised, and independent restaurant operations.
- Describe the advantages and disadvantages of chef-owned restaurants.
- Identify several well-known celebrity chefs.
- Define what a centralized home delivery restaurant is and what it offers.



Kinds and Characteristics of Restaurants

Broadly speaking, restaurants can be segmented into a number of categories:

- *Chain or independent (indy) and franchise restaurants:* McDonald’s, Union Square Cafe, or KFC
- *Quick service (QSR), sandwich:* Burgers, chicken, and so on; convenience store; pasta; pizza
- *Fast casual:* Panera Bread, Atlanta Bread Company, Au Bon Pain, and so on
- *Family:* Bob Evans, Perkins, Friendly’s, Steak ’n Shake, Waffle House
- *Casual:* Applebee’s, Hard Rock Cafe, Chili’s, T.G.I. Friday’s
- *Fine dining:* Charlie Trotter’s, Morton’s The Steakhouse, Fleming’s, The Palm, Four Seasons
- *Other:* Steakhouses, seafood, ethnic, dinner houses, celebrity, and so on

Of course, some restaurants fall into more than one category. For example, an Italian restaurant could be casual and ethnic. Leading restaurant concepts in terms of sales have been tracked for years by the magazine *Restaurants & Institutions*. Their survey of the top 400 restaurants in sales is summarized in Figure 2.1.¹

CHAIN OR INDEPENDENT

The impression that a few huge quick-service chains completely dominate the restaurant business is misleading. *Chain restaurants* have some advantages and some disadvantages over independent restaurants. The advantages include:

- Recognition in the marketplace
- Greater advertising clout
- Sophisticated systems development
- Discounted purchasing

Ranking	Concept	Sales
1	Burgers	\$102,132,100,000
2	Casual Dining	\$27,152,900,000
3	Sandwiches/Bakery-Café	\$25,053,200,000
4	Coffee/Tea/Donuts	\$19,835,600,000
5	Family Dining	\$14,797,200,000
6	Mexican: Limited service	\$10,512,100
7	Seafood: Full service	\$6,080,600,000
8	Mexican: Full service	\$1,706,200,000

FIGURE 2.1: Top 400 segment ratings

When franchising, various kinds of assistance are available, which is discussed later in the chapter.

Independent restaurants are relatively easy to open. All you need is a few thousand dollars, a knowledge of restaurant operations, and a strong desire to succeed. The advantage for independent restaurateurs is that they can “do their own thing” in terms of concept development, menus, decor, and so on. Unless our habits and taste change drastically, there is plenty of room for independent restaurants in certain locations.

Restaurants come and go. Some independent restaurants will grow into small chains, and larger companies will buy out small chains. Once small chains display growth and popularity, they are likely to be bought out by a larger company or will be able to acquire financing for expansion.

A temptation for the beginning restaurateur is to observe large restaurants in big cities and to believe that their success can be duplicated in secondary cities. Reading the restaurant reviews in New York City, Las Vegas, Los Angeles, Chicago, Washington, D.C., or San Francisco may give the impression that unusual restaurants can be replicated in Des Moines, Kansas City, or Main Town, USA. Because of demographics, these high-style or ethnic restaurants will not click in small cities and towns.

FRANCHISED RESTAURANTS

Franchising is a possible option for those who lack extensive restaurant experience and yet want to open up a restaurant with fewer risks than starting up their own restaurant from scratch. Or, if you’re a go-getter, you can open up your own restaurant, then another, and begin franchising. Remember that franchisors (the company franchising the rights to you and others) want to be sure that you have what it takes to succeed. They will need to know if you:

- Share the values, mission, and ways of doing business of the franchisor
- Have been successful in any other business
- Possess the motivation to succeed
- Have enough money not only to purchase the rights but also to set up and operate the business
- Have the ability to spend lots of time on your franchise
- Will go for training from the bottom up and cover all areas of the restaurant’s operation

Franchising involves the least financial risk in that the restaurant format, including building design, menu, and marketing plans, already have been tested in the marketplace.

Franchise restaurants are less likely to go belly-up than independent restaurants. The reason is that the concept is proven and the operating procedures are established with all (or most) of the kinks worked out. Training is provided, and marketing and management support are available. The increased likelihood of success does not come cheap, however. There is a franchising fee, a royalty fee, advertising royalty, and requirements of substantial personal net worth.

For those lacking substantial restaurant experience, franchising may be a way to get into the restaurant business—providing they are prepared to start at the bottom and take a crash training course. Restaurant franchisees are entrepreneurs who prefer to own, operate, develop, and extend an existing business concept through a form of contractual business arrangement called franchising.² Several franchisees have ended up with multiple stores and made the big time. Naturally, most aspiring restaurateurs want to do their own thing—they have a concept in mind and can't wait to go for it.

Here are samples of the costs involved in franchising:

- A Miami Subs traditional restaurant for a single unit has a \$30,000 fee, a royalty of 6 percent of monthly gross sales, a payment of 3 percent of monthly gross sales to the advertising fund, and a net worth of at least \$350,000 with \$150,000 of this minimum net worth in liquid assets.³
- Chili's requires a monthly fee based on the restaurant's sales performance (currently a service fee of 4 percent of monthly sales) plus the greater of (a) monthly base rent or (b) percentage rent that is at least 8.5 percent of monthly sales.⁴
- McDonald's requires \$300,000 in cash or liquid assets, a \$45,000 initial fee, plus a monthly service fee based on the restaurant's sales performance (about 4 percent) and rent, which is a monthly base rent or a percentage of monthly sales. Equipment and preopening costs range from \$905,200 to \$1,746,000.⁵



100th anniversary photo,
Columbia Restaurant, Tampa,
Florida

Courtesy of Columbia Restaurant

- Pizza Factory Express units (200 to 999 square feet) require a \$7,500 franchise fee, a royalty of 5 percent, and an advertising fee of 2 percent. Equipment costs range from \$25,000 to \$90,000, with miscellaneous costs of \$3,200 to \$3,900 and opening inventory of \$6,000.⁶
- Earl of Sandwich has options for one unit with a net worth requirement of \$750,000 and liquidity of \$300,000; for five units, a net worth of \$1 million and liquidity of \$500,000 is required; for 10 units, net worth of \$2 million and liquidity of \$800,000. The franchise fee is \$25,000 per location, and the royalty is 6 percent.⁷

What do you get for all this money? Franchisors will provide:

- Help with site selection and a review of any proposed sites
- Assistance with the design and building preparation
- Help with preparation for opening
- Training of managers and staff
- Planning and implementation of preopening marketing strategies
- Unit visits and ongoing operating advice

There are hundreds of restaurant franchise concepts, and they are not without risks. The restaurant owned or leased by a franchisee may fail even though it is part of a well-known chain that is highly successful. Franchisors also fail. A case in point is the highly touted Boston Market, which was based in Golden, Colorado. In 1993, when the company's stock was first offered to the public at \$20 per share, it was eagerly bought, increasing the price to a high of \$50 a share. In 1999, after the company declared bankruptcy, the share price sank to 75 cents. The contents of many of its stores were auctioned off at a fraction of their actual cost. At one point in time McDonald's purchased Boston Market, only to sell it months later to Sun Capital Partners.⁸ Fortunes were made and lost. One group that did not lose was the investment bankers who put together and sold the stock offering and received a sizable fee for services. The offering group also did well; they were able to sell their shares while the stocks were high.

Quick-service food chains as well-known as Hardee's and Carl's Jr. have also gone through periods of red ink. Both companies, now under one owner called CKE, experienced periods as long as four years when real earnings, as a company, were negative.⁹ the company is surviving despite the bad economy. "Despite a tough economy, Carl's Jr. is setting sales records in new markets, continuing to grow its unit count and giving customers what they want—premium quality burgers at fair prices," said Andy Puzder, chief executive officer of CKE Restaurants, Inc., parent company of Carl's Jr. and Hardee's chains. "Posting back-to-back sales records in less than two months is remarkable. Wall Street seems to need a few success stories to shake it out of the doldrums, and we're thrilled to be able to provide some."¹⁰

However, there is no assurance that a franchised chain will prosper. At one time in the mid-1970s, A&W Restaurants, Inc., of Farmington Hills, Michigan,

had 2,400 units. In 1995, the chain numbered a few more than 600. After a buyout that year, the chain expanded by 400 stores. Some of the expansions took place in nontraditional locations, such as kiosks, truck stops, colleges, and convenience stores, where the full-service restaurant experience is not important. In 2000, Yorkshire Global Restaurants, Inc., became the parent company for A&W and Long John Silver's. In 2002 Yorkshire Global Restaurants, Inc., was acquired by Tricon Global Restaurants, Inc. To reflect the acquisition the company was renamed Yum! Brands, Inc.¹¹

A restaurant concept may do well in one region but not in another. The style of operation may be highly compatible with the personality of one operator and not another. Most franchised operations call for a lot of hard work and long hours, which many people perceive as drudgery. If the franchisee lacks sufficient capital and leases a building or land, there is the risk of paying more for the lease than the business can support.

Relations between franchisers and the franchisees are often strained, even in the largest companies. The goals of each usually differ; franchisers want maximum fees, while franchisees want maximum support in marketing and franchised service such as employee training. At times, franchise chains get involved in litigation with their franchisees.

As franchise companies have set up hundreds of franchises across America, some regions are saturated: More franchised units were built than the area can support. Current franchise holders complain that adding more franchises serves only to reduce sales of existing stores. Pizza Hut, for example, stopped selling franchises except to well-heeled buyers who can take on a number of units.

Overseas markets constitute a large source of the income of several quick-service chains. As might be expected, McDonald's has been the leader in overseas expansions, with units in 119 countries. With its roughly 31,500 restaurants serving some 50 million customers daily, 17,000 locations are outside the United States, accounting for about half of the company's profits.

A number of other quick-service chains also have large numbers of franchised units abroad. While the beginning restaurateur quite rightly concentrates on being successful here and now, many bright, ambitious, and energetic restaurateurs think of future possibilities abroad.

Once a concept is established, the entrepreneur may sell out to a franchiser or, with a lot of guidance, take the format overseas via the franchise. (It is folly to build or buy in a foreign country without a partner who is financially secure and well versed in the local laws and culture.)

The McDonald's success story in the United States and abroad illustrates the importance of adaptability to local conditions. The company opens units in unlikely locations and closes those that do not do well. Abroad, menus are tailored to fit local customs. In the Indonesia crisis, for example, french fries that had to be imported were taken off the menu, and rice was substituted.

Reading the life stories of big franchise winners may suggest that once a franchise is well established, the way is clear sailing. Thomas Monaghan, founder of Domino's Pizza, tells a different story. At one time, the chain had accumulated

a debt of \$500 million. Monaghan, a devout Catholic, said that he changed his life by renouncing his greatest sin, pride, and rededicating his life to “God, family, and pizza.” A meeting with Pope John Paul II had changed his life and his feeling about good and evil as “personal and abiding.” Fortunately, in Mr. Monaghan’s case, the rededication worked well. There are more than 8,000 Domino’s Pizza stores worldwide, with sales of about \$3 billion a year in the United States.¹² Monaghan sold most of his interest in the company for a reported \$1 billion and announced that he would use his fortune to further Catholic church causes.

In the recent past, most foodservice millionaires have been franchisers, yet a large number of would-be restaurateurs, especially those enrolled in university degree courses in hotel and restaurant management, are not very excited about being a quick-service franchisee. They prefer owning or managing a full-service restaurant. Prospective franchisees should review their food experience and their access to money and decide which franchise would be appropriate for them. If they have little or no food experience, they can consider starting their restaurant career with a less expensive franchise, one that provides start-up training. For those with some experience who want a proven concept, the Friendly’s chain, which began franchising in 1999, may be a good choice. The first Friendly’s Ice Cream shop opened in Springfield, Massachusetts, in 1935. Today, the chain has more than 700 units.¹³ The restaurants are considered family dining and feature ice cream specialties, sandwiches, soups, and quick-service meals.

Let’s emphasize this point again: Work in a restaurant you enjoy and perhaps would like to emulate in your own restaurant. If you have enough experience and money, you can strike out on your own. Better yet, work in a successful restaurant where a partnership or proprietorship might be possible or where the owner is thinking about retiring and, for tax or other reasons, may be willing to take payments over time.

Franchisees are, in effect, entrepreneurs, many of whom create chains within chains. McDonald’s had the highest system-wide sales of a quick-service chain, followed by Burger King. Wendy’s, Taco Bell, Pizza Hut, and KFC came next. Subway, as one among hundreds of franchisers, has 32,831 restaurants in 91 countries¹ There is no doubt that 10 years from now, a listing of the companies with the highest sales will be different. Some of the current leaders will experience sales declines, and some will merge with or be bought out by other companies—some of which may be financial giants not previously engaged in the restaurant business.

Sandwich Shops

Sandwich and sub shops are comparatively simple to open and operate compared to a full-service restaurant. The menu consists of various kinds of hot and cold sandwiches made with a selection of bread/buns and toppings or fillings of different meats and vegetables/salad and pickle items. Little or no cooking is required. Hot and cold soups and pastries may also be offered along with a selection of hot and cold beverages.

A good example of a sandwich shop is Jimmy John's gourmet sandwich shop, which now franchises over 600 stores. Founded in 1983, with an investment of only \$25,000 by then 19-year-old Jimmy John Liautaud, Jimmy John's sandwich shops have enjoyed impressive growth. Part of the success is due to the irreverent attitude expressed by signs in the window that advertise "free smells" and "freakishly fast service," and employees are hired for their ability to "be real." The company is focused on fresh gourmet sandwiches—for example, turkey sandwiches are made with boneless turkey breasts, not pressed turkey, and name-brand ingredients are used.

Another interesting example is The Sandwich Shop in San Francisco which offers the East Coast piled high with the California freshness. Guests rave about the place and even say that if you're not into a "sammy" they have an incredible homemade teriyaki or Korean barbecue beef with kimchi. In Seattle, the Baguette Box serves "multi-culti" subs like crispy drunken chicken, lemongrass steak, and grilled chorizo.

Sandwich shops require limited kitchen equipment and a much lower investment than a conventional restaurant. All that is required are a couple of stainless steel tables, service counters, a slicer, a can opener, and a few hotel pans to hold the sandwich ingredients. Add a few tables, chairs, and decor of choice and you're in business.

THE SUBWAY® STORY

One major franchise that requires a low investment and offers a range of possible locations to franchisees is Subway, owned by Doctor's Associates, a corporation with headquarters in Milford, Connecticut. Subway first opened in 1965. Today, they have 32,831 units in 91 countries and annual sales exceeding \$9.05 billion worldwide.¹⁴ Franchisee responsibilities include:¹⁵

- Paying a franchise fee
- Finding locations
- Improving the leasehold
- Leasing or purchasing equipment
- Hiring employees and operating the store
- Paying 8 percent royalty to company (weekly)
- Paying 3.5 percent advertising fee (weekly), 4.5 percent in the United States

In return, the company promises to provide these benefits:

- Access to product formulas and operational systems
- Location assistance
- Equipment ordering guidance
- Training program
- Operations manual
- Representative on-site during opening



One of the many Subway restaurant franchises
Courtesy of Subway

- Periodic evaluations and ongoing support
- Informative publications

Subway publishes a franchise-offering circular for prospective franchisers that includes the names, addresses, and phone numbers of active franchise holders, listed by state. Subway encourages the prospective franchise buyer to visit and observe the restaurant in which they are training.

The initial fee is \$15,000 for first-time franchise buyers. This fee is reduced to \$4,000 for qualified owners purchasing additional franchises. Total initial investment by the franchisee ranges from \$94,300 to \$222,800, depending on location and equipment needs. Figure 2.2 shows the capital requirements for traditional locations. Nontraditional locations may require considerably less capital.

Subway units are located in a wide range of sites that include schools, colleges, offices, hospitals, airports, military bases, grocery stores, and truck stops—even casinos. Depending on company approval, the location, hours of operation, and additional food items offered are flexible. The standard Subway menu, however, cannot be omitted.

No one should purchase a Subway franchise—or any other restaurant—without backup learning and experience. Subway franchise buyers attend the Franchise Training Program at headquarters at their own expense. Some 2,000 franchisees each year attend the two-week course covering management, accounting and bookkeeping, personnel management, and marketing.

General Breakdowns	Lower-Cost Store	Moderate-Cost Store	Higher-Cost Store	When Due
Initial Franchise Fee	\$15,000	\$15,000	\$15,000	upon signing franchise agreement
Real Property	2,000	5,000	12,000	upon signing intent to sublease
Leasehold Improvements	40,000	75,000	100,000	paid pro rata during construction
Equipment Lease Security Deposit	3,000	5,000	7,500	before equipment is ordered
Security System (not including monitoring costs)	1,000	2,500	6,000	before order is placed
Freight Charges (varies by location)	2,000	3,750	4,000	on delivery
Outside Signage	2,000	4,000	8,000	before order is placed
Opening Inventory	4,000	4,750	5,500	within 1 week of opening
Insurance	800	1,500	2,500	before opening
Supplies	500	900	1,300	before opening
Training Expenses (including travel and lodging)	1,500	2,500	3,500	during training
Legal and Accounting	500	2,000	3,500	before opening
Opening Advertising	2,500	3,250	4,000	around opening
Miscellaneous Expenses (business licenses, utility deposits, small equipment, and surplus capital)	4,000	6,000	8,000	as required
Additional Funds — 3 months	12,000	26,000	41,000	as required
Total Investment	\$92,050	\$157,650	\$222,800	N/A

FIGURE 2.2: Subway® franchise capital requirements

Source: www.subway.com

On-the-job training in nearby Subway restaurants is scheduled as well, totaling 34 in-store hours. Three to four trainees are assigned to a training restaurant.

The buyer pays a weekly royalty fee of 8 percent and a 3.5 percent advertising fee based on sales. The buyer has the option of life insurance; health insurance is another purchase option. Each franchise buyer gets a copy of a confidential operations manual containing about 580 pages.

Menu Selection Subway's flexibility in offering service in various types of locations is also seen in the kinds of food offered: submarine sandwiches, salads, cookies, a low-fat menu featuring sandwiches with less than 6 grams of fat, and a low-carb option featuring wraps.

Subway features bread items that are prepared from frozen dough and served fresh from the oven. The frozen dough is thawed in a retarder unit in a refrigerator. The bread rises in a proofer and is then baked in a convection oven, in which a fan speeds the baking process. Bread formulas are specified at company headquarters and uniformly followed worldwide. Fresh-baked goods include white and wheat scored bread, deli-style rolls, wraps, breakfast selections (at some stores), cookies, and specialty items such as apple pie.

Subway History The Subway story began when Fred DeLuca, its cofounder, was 17 years old. He and a family friend, Dr. Peter Buck, worked together on a business plan for a submarine sandwich shop. It took them four hours to produce and was implemented with a loan of \$1,000 from Dr. Buck.

The first restaurant was opened in Bridgeport, Connecticut, in 1965. It did well in its first summer with the help of advertising slogans like “Put a foot in your mouth,” emphasizing the foot-long sandwich, and “When you’re hungry, make tracks for Subway.” When summer ended, so did most of its sales. Dr. Buck suggested opening a second restaurant. “That way people will see us expanding and think that we’re successful.” It was not until they had five stores and better locations that the stores began making money.

DeLuca has changed the company’s system of franchise development several times over the years and has kept the concept simple and relatively inexpensive for franchise buyers.

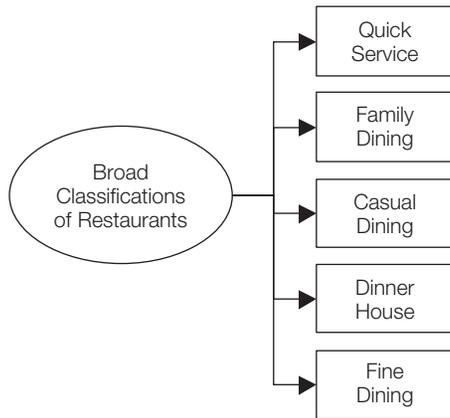


FIGURE 2.3: Broad classifications of restaurants

Quick-Service Restaurants

Americans in a hurry have often opted for *quick-service* food. The first known quick-service restaurant (QSR) dates back to the 1870s, when a New York City foodservice establishment called the Plate House served a quick lunch in about 10 minutes. Patrons then gave up their seats to those waiting. Today, many quick-service restaurants precook or partially cook food so that it can be finished off quickly.

Seconds count in quick-service establishments. The challenge for the quick-service operator is to have the staff and product ready to serve the maximum number of customers in the least amount of time.

The QSR segment drives the industry and includes all restaurants where the food is paid for before service. QSRs offer limited menus featuring burgers, chicken in many forms, tacos, burritos, hot dogs, fries, gyros, teriyaki bowls, and so on. Guests order at a brightly lighted counter over which are color photographs of menu items and prices. Guests may serve themselves drinks and seasonings from a nearby counter, then pick up their own food on trays.

(In order to cut costs, some QSRs now serve the sodas and hand out a couple of ketchup packets—when requested—along with napkins for each order.) QSRs are popular because they are conveniently located and offer good price and value.



THE NORMAN BRINKER STORY

Norman Brinker, former chief executive officer (CEO) of Brinker International, climbed the corporate ladder with ambition and ability. President of the then-fledgling Jack in the Box burger chain, he started his own company, Steak and Ale, which was bought out by Pillsbury. Brinker became the largest stockholder of that company as well as executive vice president and board member. He went on to become CEO of Chili's and, finally, head of Brinker International, which now numbers more than 1,000 restaurants worldwide.

Brinker is credited with leading much of the growth of the casual dining sector of the restaurant business, including Steak and Ale, Bennigan's, Romano's Macaroni Grill, and Chili's. Similar casual dining restaurants opened in the 1980s, characterized by table service often provided by college students, bright cheerful decor, and moderate prices—a step above

the fast-food level. Often there is something new in style. Bennigan's, for example, became known for the plants arranged around its bar. Brinker believed restaurants have a seven-year life cycle, after which they need a major change. The original concept, he says, gets tired. Upgrading, however, must be ongoing.

Brinker's type of casual dining restaurants lend themselves to rapid expansion via franchise, joint venture with financial partners, or issuing new public stock with which to buy other restaurants.

Brinker, who was very athletic and an avid horseman, suffered a devastating polo accident in 1993. He was in a coma for two and a half weeks and suffered partial paralysis. With physical therapy and prodigious determination, he recovered completely.

Brinker's enduring advice was making life an adventure. Take risks, he said. "If you have fun at

what you do, you'll never work a day in your life. Make work like play—and play like hell!"



Chili's is one of the successful concepts developed by Norman Brinker

Courtesy of Chili's Grill and Bar

Quick Casual Restaurants

Filling a niche between quick service and casual dining, the defining traits of quick casual restaurants are: the use of high-quality ingredients, fresh made-to-order menu items, healthful options, limited or self-serving formats, upscale decor, and carry-out meals. Fast casual restaurants are on the increase with new concepts continuously opening up. For instance, in the fresh Mex segment, there are a number of established chains and independents, like Chipotle, Rubio's Fresh Mexican

Grill, Chevy's Fresh Mex, and La Salsa and relative newcomers like Pei Wei, and Texas-based Freebirds World Burrito. Brands like Panera, Raving Brands, which has several concepts, such as Moe's Southwest, Doc Green's Gourmet Salads, Shane's Rib Shack, and Boneheads Seafood. Many more concepts continue to thrive and are increasing sales, mostly via take-out. Other established leaders in this segment are Atlanta Bread Company and Au Bon Pain, both bakery-cafés.

When does a bakery become a café? The thin dividing line is blurred when coffee, sandwiches, salads, and soups are on the bill of fare. The smell of fresh-baked bread and cookies triggers memories of home cooking. Many independent *bakery-cafés* and chains are expanding. Some are mainly take-out; others are sizable restaurants. The small ones are quick-service establishments distinguished by skilled bakers who start their work at 3:00 A.M. Many bakery-cafés mislead customers; they do not bake from scratch but bake goods prepared elsewhere, a practice that drastically reduces the need for highly skilled personnel on the premises. An in-between approach has the basic product being produced centrally, then delivered to the bakery-cafés where final proofing and bake-off is done.

Panera Bread Company and Au Bon Pain, the largest of the chain bakery-cafés, bake some breads throughout the day, and the company conducts training for bakers. Unit employees learn about breads and are able to suggest to customers which breads go best with which sandwiches. Other large bakery-café chains also use the central commissary system. For example, Corner Bakery, which is Chicago based, has a central commissary where bakers turn out 150 products from scratch.

Bakery-cafés offer a variety of settings and products. The La Madeleine chain, based in Dallas, Texas, presents a leisurely French country ambience, with wood-beam dining rooms and authentic French antiques. Some units have libraries; others, a wine cellar. The luncheon menu has, in addition to soups and sandwiches, such items as chicken *friand*, made with mushrooms and béchamel sauce placed between layers of pastry crust. A patisserie carries such items as chocolate éclairs, crème brûlée, and napoleons. The dinner menu features beef bourguignonne and salmon in dill sauce. Between 4,500 and 5,000 square feet in size, each La Madeleine unit seats from 120 to 140 guests.

Carberry's, an independent restaurant in Boston, has 72 seats and does sales of \$2 million. Its owner, Matthew Carberry, says he offers an aromatic experience that customers can taste with their noses. His shop produces 40 types of bread, including unusual sourdoughs such as sour cherry walnut and one with raisins, dates, figs, apricots, and sour cherries. Salads, sandwiches, and focaccias are offered. All baking is done from scratch.

Bakery-cafés can start small, but the owners should expect long hours of work and a slow buildup of customers. As with most restaurants, the best way to start is to learn the ropes as an employee working for a successful operator and then, with a knowledge base and capital, try for a high-volume location or become a franchisee of a chain with a proven track record.

Family Restaurants

Family restaurants grew out of the coffee shop–style restaurant. In this segment there are prominent chains like Bob Evans, Perkins, Marie Callender’s, Cracker Barrel, Friendly’s, Steak and Ale, and Waffle House, just to name a few. There are an even greater number of independent family-operated restaurants in this segment. Often they are located in or within easy reach of the suburbs and are informal with a simple menu and service designed to appeal to families. Some offer wine and beer but most do not serve alcoholic beverages.

Casual Restaurants

Casual dining is popular because it fits the societal trend of a more relaxed lifestyle.

Defining factors include signature food items, creative bar menus or enhanced wine service, and comfortable, homey decor. Among the recognizable chain operators in the casual segment are Applebee’s, Outback, Chili’s, T.G.I. Friday’s, Hard Rock Cafe, and Ruby Tuesday.

OUTBACK STEAKHOUSE

One of the most successful concepts of all time is Outback Steakhouse. Who would have guessed that Outback founders Chris Sullivan and Robert Basham



CHIPOTLE MEXICAN GRILL

Few restaurants move quickly into the success column. In 1993, Stephen Ells, a 32-year-old with a degree in art history from the University of Colorado, Boulder, and a degree from the Culinary Institute of America, opened a quick-service restaurant just off the campus of the University of Denver, called the Chipotle Mexican Grill. The restaurant, which has only 800 square feet of space, features burritos made with fresh lime juice and cilantro wrapped

in a big flour tortilla. One of the salsa accompaniments is roasted chile and corn. The traditional guacamole and beans contain the best ingredients Ells can buy. A meal with a drink averages about \$6 per person.

Blending and cooking the chicken, pork, or beef, grilled peppers, and onions draws on his food training skills and sense of flavor. His goal, Ells says, was to create a gourmet experience that could be enjoyed in 15 minutes — a big

hand-held burrito. The concept is not new; however, the way Mr. Ells does it and the setting for his restaurants make the difference. His first store does \$1 million a year in sales — and now there are 950 locations in 35 statesⁱⁱ The restaurant design fits the concept: stained floors, corrugated metal barn siding, steel pipe for table bases and foot rails. Plywood is used for the building’s trim, part of a package that fits together.

and Senior Vice President Tim Gannon's philosophy of "No rules, just right" would become so successful? When it opened in 1988, beef was not everyone's favorite dish. Now there are more than 880 Outbacks. Chris Sullivan says, "Our restaurants serve the freshest food possible, using our imported Parmesan cheese, grated fresh daily, and our imported virgin olive oil. Our fresh Midwestern grain-fed beef is the highest-quality choice beef available, and we serve only fresh, never frozen, chicken and fish. Almost everything is made fresh daily. We like to describe our menu as 'full flavored.'"

In 1993, the Outback concept was growing so well that they decided to diversify into Italian food and purchased a 50 percent interest in Carrabba's Italian Grill. In 1995, Outback purchased the sole rights to develop the Carrabba's concept, which features a casual dinner in a warm festive atmosphere with a variety of fresh handmade Italian dishes cooked to order in the exhibition kitchen. Continued growth of all concepts came, in large part, from Outback's mission statement:

We believe that if we take care of Our People, then the institution of Outback will take care of itself. We believe that people are driven to be a part of something they can be proud of, is fun, values them, and that they can call their own. We believe in the sanctity of the individual, the value of diversity, and in treating people with kindness, respect, and understanding. We believe that caring for people individually results in their emotional involvement in Outback. We believe in working as a team: having shared goals and a common purpose, serving one another, and supporting their Outbackers. We believe the most important function of the organization is to enable Partners and Managers to effectively run their restaurants and to support their Outbackers.

Our purpose is to prepare Outbackers to exercise good judgment and live our principles and beliefs. This preparation will result in a company of restaurants that endures, prospers, and increases shareholder's value.

Outback has five principles for success: hospitality, sharing, quality, fun, and courage. Hospitality is defined as giving for the sake of giving, rather than for the sake of gaining. Given these ingredients, it is not surprising that Outback continues to grow and acquire other concepts. In 1999, it purchased Fleming's Prime Steakhouse, an upscale contemporary steakhouse concept designed to be an ongoing celebration of the best in food, wine, and the company of friends and family. In addition to the finest prime beef and steaks, it sells more than 100 wines by the glass. In 2000, Outback opened the first Lee Roy Selmon's restaurant, featuring soul-satisfying Southern comfort cooking. The next year it acquired Bonefish Grill, a very popular fresh seafood concept with a stylish decor and great ambience. Ever on a roll, Outback has opened several Cheeseburger in Paradise restaurants inspired by the Jimmy Buffett song. What next? you ask. How about Paul Lee's Chinese Kitchen? Outback has amassed an awesome collection of great restaurant concepts, and it all started with a "G'day mates, and have a Bonzer day!" approach to the business.

Fine-Dining Restaurants

Fine dining refers to the cuisine and service provided in restaurants where food, drink, and service are expensive and usually leisurely. Turnover per table may be less than one an evening. Many of the customers are there for a special occasion, such as a wedding or birthday. Many customers bring business guests and write off the meal cost as a business expense. The guests are often invited because they can influence business and other decisions favorable to the host. Fine dining is usually found in enclaves of wealth and where business is conducted—cities such as New York, San Francisco, and Palm Beach. Las Vegas has several fine-dining restaurants catering to tourists and high-stakes gamblers. The restaurants are small, with fewer than 100 seats, and proprietor- or partner-owned.

The economics of fine dining differ from those of the average restaurant. Meal prices, especially for wine, are high. The average check runs \$60 or more. Rents can be quite high. Large budgets for public relations are common. Because of the expertise and time required for many dishes and because highly trained chefs are well paid, labor costs can be high. Much of the profit comes from wine sales. Flair and panache in service are part of the dining experience. Tables, china, glassware, silverware, and naperies are usually expensive, and the appointments can be costly, often including paintings and interesting architectural features.



Daniel is an example of a fine-dining restaurant showcasing elegance in its cuisine, service, and ambience

Courtesy of Daniel

The menus usually include expensive, imported items such as foie gras, caviar, and truffles. Only the most tender vegetables are served. Colorful garnishment is part of the presentation. Delectable and interesting flavors are incorporated into the food, and the entire dining event is calculated to titillate the guests' visual, auditory, and psychological experience. Expensive wines are always on hand, offered on an extensive wine list.

Food fashions change, and the high-style restaurant operators must keep abreast of the changes. Heavy sauces have given way to light ones, large portions to small. The restaurant must be kept in the public eye without seeming to be so.

If given a choice, the restaurant operator selects only those guests who will probably be welcomed by the other guests. Doing this helps to create an air of exclusivity—one way to do this is to park the most expensive autos near the entrance for all to see (Rolls-Royces do well). It also helps to have celebrities at prominent table locations. Very expensive restaurants turn off many well-to-do guests and make others uncomfortable when they feel they don't fit in or dislike the implied snobbery of the guests or staff.

Luxury hotels, such as the Four Seasons and the Ritz-Carlton chains, can be counted on to have restaurants boasting a highly paid chef who understands French, Asian, and American food, who likely attended an American culinary school or trained at a prestige restaurant, and who has mastered French cuisine. Would-be restaurant operators should dine at a few of these restaurants, even though they are expensive, to learn the current meaning of elegance in decor, table setting, service, and food. (To avoid paying the highest prices, go for lunch and do not order wine.) Better yet, anyone planning a restaurant career should take a job in a luxury restaurant, at least for a while, to get the flavor of upscale food service—even if you have no desire to emulate what you see.

Steakhouses

Entry into the *steakhouse* category of restaurants is appealing to people who may wish to be part of a business that is simplified by a limited menu and that caters to a well-identified market: steak eaters. A number of steakhouse franchisers are looking for franchisees. All steakhouse concepts feature steak, but the range in service offered is wide—from walk-up to high-end service. The size of the steak served varies from a few ounces of a less expensive cut of beef to a 24-ounce porterhouse served on formal china on a white tablecloth.

Steakhouses present the operator with food and labor cost combinations that are found in few restaurants. It is common for food costs to be as high as 50 percent of gross sales, whereas the labor cost may be as low as 12 percent; compare this to full-service restaurants, with about 34 percent food cost and 24 to 28 percent labor costs. Another difference: A high percentage of steakhouse customers are men. They enjoy aged beef, in which the enzymes have broken down much of the connective tissue, yielding a distinctive flavor and tenderness.

The prototypical steak eater likes his steak slapped on a very hot grill or griddle so that the surface is seared and the next layer yields a cross-section of flavors.

Meat that has been wrapped in Cryovac, sealed, and refrigerated for several days is called wet aged. The meat is not dried out. Dry aging takes place under controlled temperature, humidity, and air flow, a process that causes weight loss of 15 percent or more. The two processes result in different flavors.

LORE OF STEAK

Steak lovers rhapsodize about their favorite form of steak and its preparation. Tenderloin steak is the most tender, cut from the strip of meat that runs along the animal's backbone and gets the least exercise. T-bone steaks are cut from the small end of the loin and contain a T-shaped bone. Porterhouse steaks, taken from the thick end of the short loin, have a T-bone and a sizable piece of tenderloin. (The Peter Luger Steakhouse in Brooklyn, New York, is known for serving a single steak dish—porterhouse, cut thick to serve two, three, or four people.) Most steakhouses promote their rib-eye steak, top sirloin, tenderloin, and roasted prime rib.

The New York strip steak, served in hundreds of steakhouses around the country, is a compact, dense, boneless cut of meat. A Delmonico steak (or club steak) is a small, often boned steak taken from the front section of the short loin. Sirloin steaks come from just in front of the round, between the rump and the shank. The age of the meat and its treatment affect flavor, but the amount of marbling created by fat between the meat fibers affects flavor even more.

High-end operations feel that about a million people are needed as a customer base. They require considerable investment in building, fixtures, and equipment.



The decor and ambiance of a restaurant should contribute to the dining experience

Courtesy of Sysco

They may not be in competition with the Outback, Lone Star, Steak and Ale, or other steakhouses at the low end or middle of the market. Midprice steakhouses like Stuart Anderson's Black Angus chain compete in another price bracket. Forty percent or more of the high-end operations serve well-aged beef and may have sales of more than \$5 million a year. Low-end operations may do well with sales of \$500,000 a year. High-end steakhouses expect to have a high percentage of wine and hard liquor sales. Low-end steakhouses may stick with beer and moderately priced wine. The high end may stock Kobe beef, imported from Japan, which may sell for \$100 a pound.

In the year 2004, steakhouses were thriving and expanding. The medical community generally has argued that red meat, particularly highly marbled red meat, is good for neither the waistline nor the vascular system. However, the popularity of low-carb diets (e.g., the Atkins diet) had many consumers trading their pasta bowls for porterhouses—and loving it. Steak connoisseurs say that the taste is exquisite.

Seafood Restaurants

In Colonial America, seafood, plentiful along the East Coast, was a staple food in taverns. Oysters and other seafood were cheap and plentiful. In New England, cod was king, a basis for the trade among Boston, the Caribbean islands, and



A Red Lobster restaurant. The largest seafood chain, it does about \$2.8 billion worth of sales annually

Courtesy of Red Lobster

England. Dried cod was shipped to the Caribbean islands as a principal protein for the islanders. Sugar and rum made by the islanders were shipped to England, where manufactured goods were made and sold to the American colonies.

Seafood restaurants present another choice of operation for would-be restaurant operators, a choice that continues to gain in consumer favor with several thousand restaurants.

Many seafood restaurants are owned and operated by independent restaurant owners. Red Lobster, with 682 restaurants, is the largest chain, with \$2.58 billion in annual sales and average sales per restaurant of almost \$3.8 million. Red Lobster serves almost 3 million guests a week, 145 million a year. In a good economy, customers do not hesitate to spend as much as \$30 for a seafood meal.¹⁹

At the low end of the menu price range is a chain like Captain D's, with an average check of \$5.50. Seventy percent of sales are batter-dipped items, which reduces portion costs. (Batter is inexpensive compared to the fish itself.) Captain D's franchises its concept.

Farm-bred fish is changing the cost and kind of fish that are readily available. French-farmed salmon, grown in pens, outnumber wild salmon from the ocean by 50 to 1. Aquaculture has turned some marine biologists and many farmers into marine farmers, who are concerned with water temperature and fish breeding. Tilapia, grown in ponds in Mississippi and other Southern states, is relatively inexpensive. Pollack, used widely in fish fingers, is also less expensive for the restaurant market. Other kinds of seafood, such as stingray and squid, are growing in popularity.

Seafood prices continue to rise but are in competition with shrimp grown in Mexico, India, and Bangladesh. Aquaculture is predicted to grow and may bring the price of seafood down dramatically.

Ethnic Restaurants

MEXICAN RESTAURANTS

The food of Mexico covers a wide range of choices, much greater than that found in the usual Mexican restaurant in the United States. The menu is built around tortillas, ground beef, cilantro, chiles, rice, and beans. In the past, the food was commonly fried in lard, a practice almost guaranteed to add to the waistline and frowned on by the American Heart Association. Today, some Mexican restaurants use vegetable oil in their recipes. Generally, Mexican-style food is relatively inexpensive because of the small percentage of meat used, which results in a food cost of less than 28 percent of sales. Labor costs are also low because many of the employees are first-generation Americans or recent immigrants willing to work at minimum wage.

Menus, decor, and music in Mexican restaurants are often colorful and exciting. Menus may include tasty seafood items and spicy sauces. Burritos—tasty ingredients wrapped in a flour tortilla—can be handheld meals in themselves.

Before the day of the big chain Mexican restaurants, there were mom-and-pop places, typically owned and operated by a Mexican family. These still abound in the Southwest and California.

ITALIAN RESTAURANTS

Of the hundreds of types of ethnic restaurants in the United States, Italian restaurants, including pizza chains, boast the largest number. They also offer an array of opportunities for would-be franchisees and entrepreneurs and the possibility of coming up with a concept modification.

Italian restaurants owe their origins largely to poor immigrants from southern Italy, entrepreneurs who started small grocery stores, bars, and restaurants in Italian neighborhoods in the Northeast. The restaurants began serving their ethnic neighbors robustly flavored, familiar foods in large portions at low prices. The foods were based on home cooking, including pasta, a paste or dough item made of wheat flour and water (plus eggs in northern Italy). Spaghetti, from the word *spago*, meaning “string,” is a typical pasta. Macaroni, another pasta, is tubular in form. In the north of Italy, ravioli pasta is stuffed with cheese or meat; in the south, it may be served in a tomato sauce without meat. Pastas take various shapes, each with its own name.

Pizza is native to Naples, and it was there that many American soldiers, during World War II, learned to enjoy it. Pizza eventually made John Schnatter a millionaire; his Papa John’s chain has made hundreds of small businesspeople wealthy.

Although independent Italian restaurant owners typify the Italian restaurant business, chain operators are spreading the pasta concept nationwide and selling franchises to those qualified by experience and credit rating. The range of Italian-style restaurants available for franchise is wide, from stand-in-line food service to high-style restaurants where the guest is greeted by a maitre d’hotel, seated in a plush chair, and served with polished silver. A Romano’s Macaroni Grill costs upward of \$3.5 million to build, equip, and open. As is true in upscale Roman restaurants, guests get to review fresh seafood, produce, and other menu items as they enter the restaurant. An extensive menu lists more than 30 items, including breads and pizza baked in a wood-burning oven.

The Olive Garden chain, with more than 670 units, 80,000 employees, and \$3.1 billion in annual sales, is by far the largest of the Italian restaurant chains.

As might be guessed, many Italian-style restaurants feature pizza and might be properly called stepped-up pizzerias. Pasta House Co. sells a trademarked pizza called Pizza Luna in the shape of a half moon. An appetizer labeled Portobello Frito features mushrooms, as does the portobello fettuccine. Spaghetti Warehouses are located in rehabilitated downtown warehouses and, more recently, in city suburbs.

Paul and Bill’s (neither owner is Italian) sells antipasto, salads, and sandwiches for lunch, then changes the menu for dinner. The sandwiches are replaced



Romano's Macaroni Grill is an Italian-themed restaurant with plenty of atmosphere, moderately priced good food, and service

Courtesy of Romano's Macaroni Grill

by such items as veal scaloppini with artichokes and mushrooms in a Madeira sauce. Osso buco (veal shank) is another choice. Potato chips are homemade, and a wood-fired oven adds glamour to the baked breads and pizza.

Fazoli's, a Lexington, Kentucky, chain, describes itself as fast casual dining. Guests place their orders at a counter, then seat themselves. A restaurant hostess strolls about offering unlimited complimentary bread sticks that have just been baked. The menu lists spaghetti and meatballs, lasagna, chicken Parmesan, shrimp and scallop fettuccini, and baked ziti (a medium-size tubular pasta). The sandwiches, called Submarinos, come in seven varieties. Thirty percent of sales come via a drive-through window. The chain franchise has some 280 units and is growing.

Italian restaurants based on northern Italian food are likely to offer green spinach noodles served with butter and grated Parmesan cheese. Gnocchi are dumplings made of semolina flour (a coarser grain of wheat). Saltimbocca ("jumps in the mouth") is made of thin slices of veal rolled with ham and fontina cheese and cooked in butter and Marsala wine. Mozzarella cheese is made from the milk of water buffalo. Risotto, which makes use of the rice grown around Milan, is cooked in butter and chicken stock and flavored with Parmesan cheese and saffron.

CHINESE RESTAURANTS

Though they represent a small percentage of all restaurants, Chinese restaurants find a home in most corners of North America, becoming part of the community and, in many towns and cities, staying for many years. Historically, they are owned by hardworking ethnic Chinese families who offer plentiful portions at reasonable prices.

The cooking revolves around the wok, a large metal pan with a rounded bottom. The shape concentrates the heat at the bottom. Gas-fired woks are capable of reaching the high temperatures required for quick cooking. Small pieces of food are cut into uniform, bite-size pieces and quickly cooked. Bamboo containers, perforated on the bottom and fitted with domed covers, are stacked in the wok to quickly steam some dishes.

China is divided into three culinary districts: Szechuan, Hunan, and Cantonese and northern style centered on Beijing. Cantonese food is best known in the United States and Canada for its dim sum (small bites), steamed or fried dumplings stuffed with meat or seafood. Szechuan food is distinguished by the use of hot peppers.

Chinese cooking styles reflect the places in China from which the chefs came. In the early 1850s, many Chinese joined the gold rush and opened restaurants in Western states.

These cooking styles have been blended in many Chinese restaurants. The typical Chinese dinner was an extended affair, with each guest choosing an entrée and passing it around to share with the others. New Chinese chain restaurants are appearing, some financed by public stock offerings.



Panda Express is on a roll and looks to grow

Courtesy of Sysco

P. F. Chang's China Bistro came on the culinary scene as Chinese chic. It has 160 restaurants and is opening more. The average check is about \$28 per person, including entrée, appetizer, and beverage.

China Bistro departs from the often dimly lit restaurant operated by a Chinese family and offers, instead, an exhibition kitchen. Guests can see the woks as they flame and sputter. A sister restaurant called Pei Wei Asian Diner offers a more casual dining experience with counter or take-out service at about 160 restaurants, where the entire menu offerings are under \$10.

Panda Express has more than 1,100 units. Located mostly in malls and a few supermarkets, Panda Express is headed by an immigrant husband-wife team, the Cherngs. All entrées are prepared on-site using the freshest ingredients and recipes from Master Chef Ming-Tsai. The Panda Restaurant group now includes Hibachi-San and Panda Inn concepts.

Theme Restaurants

Theme restaurants are built around an idea, usually emphasizing fun and fantasy, glamorizing or romanticizing an activity such as sports, travel, an era in time (the good old days), the Hollywood of yesterday—almost anything. Celebrities are central to many theme restaurants. Some celebrities are part owners and show up from time to time. Michael Caine, the British movie star, for example, owns, with partners, six restaurants. George Hamilton operates several restaurants in hotels. A number of football stars have participated in restaurants as partners. (Over time, many of these restaurants have stopped operations.)

As early as 1937, a Trader Vic's restaurant in California became popular with its South Sea Island theme, which was licensed for operation in a few hotel dining rooms over the next several years. Jack Dempsey, world heavyweight boxing champion in the 1920s, was associated with a New York City restaurant called Jack Dempsey's.

Joseph Baum created several theme restaurants in New York City beginning in the 1950s. He was well-known for La Fonda del Sol (Inn of the Sun), a theme restaurant that featured foods from Latin America. Another of his early restaurants, The Forum of the Twelve Caesars, was built on a Roman theme; the food servers dressed in modified togas. Roman helmets were used as wine coolers.

Theme restaurants like Planet Hollywood, which for a time experienced huge popularity, have a comparatively short life cycle. They do well located just outside major tourist attractions. Local residents, however, soon tire of the hype and, as is often the case, the poor food. Much or most of the profit in many theme restaurants comes from the sale of high-priced merchandise.

Large theme restaurants involve large investments and employ consultants, such as architects, colorists, lighting, and sound experts. Color, fabrics, wall and floor treatments, furniture, and fixtures are blended to create excitement and drama. Theme restaurants of the kind found in Las Vegas and in large cities

require large budgets and often fail because the food and food service are lost in the drama and high theater. Novelty wears thin after a time, and customers seek a more relaxing meal. In many theme restaurants, food is incidental to the razzmatazz.

The cost of most of the large theme restaurants is high, both in capital costs and in operations. The Rainforest Cafés, for example, spend large amounts on creating and operating the illusion that guests are in a rain forest. In addition to a regular full-time staff, each restaurant has a full-time curator with a staff of four: an aquatic engineer with an assistant and four bird handlers. The decor includes electronic animals (a 9-foot crocodile, live sharks, tropical fish, and butterflies). The concept, says its creator, Steven Schussler, won't work unless the restaurant has at least 200 seats.

Martin M. Pegler, a noted writer on retail and restaurant design, describes 60 successful theme restaurants in Europe and America in his book *Theme Restaurant Design*. He divides theme restaurants into six categories:

- Hollywood and the movies
- Sports and sporting events
- Time—the good old days
- Records, radio, and TV
- Travel—trains, planes, and steamships
- Ecology and the world around us²⁰

Some theme restaurants appeal to an older generation and present a time for reflection and nostalgia. Flat Pennies in Denver supports a railroad theme. Steel railroad tracks hold up the bar canopies and are used as foot rails. Lampposts suggest telegraph poles that once bordered railroad tracks. A huge Santa Fe train front, a mural, seems to be heading directly into the restaurant.

Motown Café, New York City, was designed to reflect elements of music and American musical history. Nostalgia for the 1950s and the 1960s is part of the theme. A two-story merchandise shop accounts for much of the revenue. As in most high-style theme restaurants, vibrant primary colors are widely used.

The restaurant Dive in Las Vegas creates the illusion of eating in a submarine. A team of architects, designers, and consultants using color, sound, and imagination assembled the place at considerable expense. The restaurant is so costly and unusual that it could be successful in only a few places where large numbers of people congregate for pleasure. Dive, like most unlikely theme restaurants, does not depend on repeat customers for profit. The featured food is a submarine sandwich, and prices are high enough to cover the large cost of planning and construction. Like so many theme restaurants, Dive is more about entertainment than food. Much of the income comes from merchandise, which yields higher profits than food does.

Would-be restaurant owners can visit one of the Irish pubs of Fadó, the casual chain that offers a composite view of pubs in various stages of Irish history. Nearly all of the decor items are made in Ireland. They are clustered together into five

sections within *Fadó*, each forming a little piece of Irish history with artifacts. The word *fadó* means “long ago” in Gaelic. Informality begins at the pub entrance with a sign reading “please seat yourself.” As in Ireland, patrons are expected to become part of the atmosphere. Plenty of named draft brews—like Guinness Stout, Harp Lager, Bass Ale—stimulate the merriment, and alcohol accounts for about 70 percent of the revenue. Food and beverage servers are trained in the Irish serving tradition, which prizes individuality. Each *Fadó* pub has one or more Irish citizens on hand to impart the authentic accent and philosophy. Managers come either from Ireland or from the city where the pub is located.

Music is part of the entertainment mix and includes traditional jigs and live musicians for special occasions. Background music is played during lunch and dinner; after midnight, it is moved to the foreground. The music changes with the age of the customer—from mellow for older customers in the early evening, to more lively for a 23-to-40-year-old group as the evening goes on.

Both Irish mainstays and contemporary dishes are served. A potato pancake stuffed with fillings like corned beef and cabbage or salmon is popular. Cottage pie, which has chunks of chicken breast, mushrooms, carrots, and onions, is another favorite. According to the owners, “In the tradition of Pubs today and long ago, it’s the Irish spirit that makes a *Fadó*.” Currently, there are 14 *Fadó* locations in the United States.²¹

There is almost no end to what can be done with themes, some expensive, others much less so. As with any restaurant, there needs to be a market of people who will patronize the place, preferably as repeat customers. Would-be restaurant operators who have the time—and they should take time—can visit these restaurants to get ideas to use or adapt for their own plans.

The *Benihana* chain of Japanese-style restaurants can be considered theme restaurants. The razzle-dazzle of the highly skilled knife work of the chefs chopping and dicing at the separate table grills is memorable theater. Examples of other ethnic restaurants that border on being theme restaurants follow:

- The *Evvia Estiatorio* in Palo Alto, California, suggests a Greek tavern with a California aesthetic.
- *Tapas Barcelona* in Chicago features regional Spanish tapas (hors d’oeuvres) and *mariscos* (seafood).
- *Cucina Paradiso* in Oak Park, Illinois, features northern Italian cuisine. Vivid murals, exposed brickwork, and a stainless-steel pasta sculpture add to the atmosphere.

It can be argued that every ethnic restaurant that is well designed is a theme restaurant emblematic of the cookery, food, and decor of a national culture. The restaurant can be Mexican, Moroccan, Chinese, Korean, and so on, or a combination of cuisines—Thai-French, Italian–Middle Eastern, or Japanese-Chinese, for example. If the restaurant is exciting because it presents an exotic cuisine and features serving personnel in national costumes and furnishings using traditional ethnic colors and artifacts, it is a theme restaurant.



Charlie Trotter's in Chicago has established itself as one of the finest restaurants in the world. Chef Trotter stresses the use of pristine seasonal and naturally raised foodstuffs

Courtesy of Charlie Trotter

Coffee Shops

Coffeehouses or coffee shops have long been a part of our culture and history and can be an entrée into the restaurant business for those who may not want to mess with a full-service restaurant. Coffeehouses originally were created based on the model of Italian bars, which reflected the deeply rooted espresso tradition in Italy. Much of the same concept was re-created in North America, where this was a niche in the beverage industry that was yet to be acknowledged and filled. The original concept was modified, however, to include a much wider variety of beverages and styles of coffee to meet the tastes of consumers, who have a tendency to prefer a greater selection of products. Consequently, the typical espresso/cappuccino offered by Italian bars has been expanded in North America

to include items such as a variety of teas, iced mocha, iced cappuccino, and light food items such as soups and sandwiches.²²

Nearly all communities have a coffee shop, be it a chain or independent. Surprisingly, chains like Starbucks only began to spread after being sold to Howard Schultz in 1987, although the original store does date back to 1971. Starbucks now serves about 7 million people a day, now that's some brew ha ha!²³

All one needs to open a coffee shop is a good name and location, permits (more about that in chapter 3), a coffee machine and an espresso machine, limited kitchen equipment, a few tables and chairs, some decorations, and voilà! You're in business.

Chef-Owned Restaurants

Chefs who own restaurants have the advantage of having an experienced, highly motivated person in charge, often helped by a spouse or partner equally interested in the restaurant's success. However, hundreds of chefs are less knowledgeable about costs, marketing, and "the numbers" that are requisite for a restaurant's success. Many chef-owners learn the hard way that location and other factors are just as important for success as food preparation and presentation. Working in a name restaurant as an employee may bring a chef \$100,000 or more a year in income, while owning and operating a restaurant entails considerable risks. Gaining acclaim as a chef-owner has made a few quite rich and has made others poor.

Chef-owners are part of the American tradition of family restaurants in which papa is the chef and mama is the hostess who watches over the operation from her post at the cash register. The family's children start work young and fill in where needed. Ethnic restaurants—Chinese, Greek, German, Mexican, and others—have flourished in this category since the days of the Colonial taverns.

Chef-owners seeking fame and fortune can consider contracting with publicists to get the restaurant's name in the press a certain number of times over an agreed-on period. The effective publicist knows a lot about restaurants as well as whom to court and how to devise interesting stories about the restaurant and the chef. Promotion-minded chef-owners and other restaurant owners are adept at gaining public attention by appearing on TV programs, doing charity work, and making sure that the press knows that a film or sport star who is an investor in the restaurant appears in person occasionally.

The first thing a chef-owner should do is get a good backup person to share in management, food preparation, and, it is hoped, marketing. This move anticipates periods of illness, family emergencies, and vacations, ensuring that an experienced hand remains at the wheel.

Consider the possibility of marital or partner dispute. Much of successful restaurant keeping is stressful—meeting meal hour deadlines and coping with delivery delays, plumbing breakdowns, and other unpredictable events. Co-owned restaurants can be beset by disagreements. Husband-and-wife teams are subject to divorce, often resulting in ugly litigation that is costly and stressful.

One of the best-known former husband-and-wife culinary teams was Wolfgang Puck and Barbara Lazaroff. Puck, a native of Austria, gained some prominence as the chef-partner at Ma Maison restaurant in Los Angeles (later closed), and then he and his former wife became well known for their restaurant Spago, also in Los Angeles. His open and friendly personality and his passion for restaurants are part of the reason for his success. Also responsible is his ability to work 16 hours a day in the kitchen when necessary. For example, his workday at Spago started at 8:00 A.M. and lasted until 1:00 A.M. the next morning. Puck's wife handled the marketing and much of the planning for new restaurants.

While at Spago, Puck went to the fish market in downtown Los Angeles five times a week because, he said, it is important to touch and feel the food you are about to cook.

Starting Spago in 1982 with his then new wife was a real trial for Puck. The couple had only \$3,500 and could not have opened without a friend who cosigned a \$60,000 loan. Later, they had to spend \$800,000 to purchase land for more parking. Two other partners invested \$30,000 each and \$15,000 more was raised, and, finally, the remainder was raised from more than 20 other investors. Within a few years, Puck and Lazaroff were said to be worth more than \$10 million. They are now divorced.

Puck's career speaks of the ups and downs of restaurant keeping and what can be achieved with determination, perseverance, a high energy level, good health, and goodwill. In partnership with his wife, who designs the properties, Puck enjoys widespread recognition as a chef-entrepreneur.



Spago Beverly Hills, one of Wolfgang Puck and Barbara Lazaroff's creations
Courtesy of The Beckwith Company

His cooking style has been imitated from Tokyo to Paris, and his Wolfgang Puck Food Company, which markets a line of frozen gourmet pizzas nationwide, is carried by a number of grocery chains. Puck and Lazaroff were known for their interest in and support of several charities and social issues.

Puck's advice to the new restaurateur: Work hard and be patient. Each of his restaurants, he says, has been a struggle. Success does not come easily. His history bears him out. He started as an apprentice at age 14 and worked for several years in France. In 1974, he became a partner at Ma Maison restaurant with Patrick Terrail, and also conducted the Ma Maison cooking school.

Since beginning Spago, they have gone on to open a number of restaurants. The Puck-Lazaroff partnership has done what few others have: designing and managing a number of different styles of restaurant. Each restaurant is headed by an executive chef and a sous chef. Each chef, said Barbara Lazaroff, adds his or her own accents and personality, and each is a star in his or her own right.²⁴

The skills, talents, and perseverance required to become a chef are told in detail in *Becoming a Chef* by Andrew Dornenburg and Karen Page. The book is valuable reading for anyone wishing to know about the skills, the temperament, and the time required to undertake a chef training course.²⁵

WOMEN CHEFS AS RESTAURANT OWNERS

There are numerous examples of women chefs who are partners and do well as restaurateurs. Susan Feniger and Mary Sue Milliken, co-owners of the award-winning Border Grill in Santa Monica, California, illustrate what can be done when trained chefs with food knowledge and a flair for showmanship become partners. It is often said that restaurants are at least 50 percent theater. In many restaurants, including the Border Grill, that's true.

Trained at American culinary schools, the partners met in 1978 while working at Le Perroquet in Chicago. Later they both made the food pilgrimage to France often made by Americans who want hands-on experience in French cuisine. Feniger worked at Oasis on the Riviera, Milliken at Restaurant d'Olympe. Upon returning to the United States, they became partners and opened the tiny City Café in Los Angeles.

Before opening the Border Grill in Santa Monica, they traveled extensively and added the City Restaurant in La Brea, California, to their responsibilities. Ebullient and fun loving, and with seemingly unlimited energy, the partners have become food and restaurant celebrities and written five cookbooks. They also have a TV series called *Too Hot Tamales*. Feniger and Milliken bring a casual yet highly informed knowledge of food to the television screen and to the radio. Both enjoy teaching classes and mingling with customers.

In 1999, they opened a sister Border Grill in Las Vegas, offering appetizers such as green corn tamales and seviche (raw fish and seafood marinated in lime juice with tomatoes, onions, and cilantro) and luncheon items such as turkey tostada and a variety of tacos, including those made with fish, lamb, and *carnitas* (small pieces of cooked meat). A full bar offers more than 20 premium tequilas.

At the entrance to the restaurant, they placed the Taqueria, where a variety of tacos are served (thin disks of unleavened bread made from cornmeal or wheat flour rolled around beans, ground meat, or cheese). More about this restaurant can be seen at the Web site www.bordergrill.com. The color, vivacity, and menu of their latest restaurant, Ciudad, can be seen at www.ciudad-la.com.

Of course, few restaurant owners or franchisees have the zest or special talents of Feniger and Milliken. Be sure to get people like them on the staff—people who enjoy fun and are full of life lift the spirits of both employees and patrons. Professional public relations people can also put a fun spin on a restaurant's image. The restaurant business is democratic; its practitioners come from a variety of social, educational, and ethnic backgrounds. A number of women have made it big in the restaurant business as heads of chains. For example, Ruth Fertel, founder of Ruth's Chris Steak House, led the nation's largest upscale restaurant chain.

Auntie Anne's Anne Beiler introduced her rolled soft pretzels in 1988 at an Amish farmers' market in Gap, Pennsylvania. The pretzels were hand-rolled in front of the customers and served fresh from the oven. Today sales from 890 stores are \$250 million a year. Beiler had the marketing smarts to come up with pretzel glazes like whole wheat, jalapeño, and raisin. The pretzel lover also has a choice of dips like chocolate, cream cheese, caramel, and marinara.²⁶

Julia Stewart, president of IHOP, has scaled the corporate restaurant ladder and now leads IHOP's 1,206 owned and franchised restaurants, which have annual sales of \$1.9 billion.

Some African Americans have made it big as franchisees of large fast-food companies working in inner-city locations. Valerie Daniels-Carter is one example. As president and CEO of V & J Holdings, she is the largest minority owner of Burger King and Pizza Hut franchises in the United States. Daniels, who is in business with her brother, is a self-described workaholic—as, she says, was her father. In 1984, she bought her first franchise; by 1999, she had 98 stores in Wisconsin, Michigan, and New York. Many of the company's units are in poor inner-city locations. As for her view of employee relations: "When I hire people, I look for a moral stance, work experience, drive, and initiative." When buying an additional unit, she says, "It must make economic sense for everyone and, most importantly, offer opportunity for all of us, whether it's the manager or the dishwasher." Reflecting her concern for employees, she negotiated with Burger King to allow some stores to schedule shorter evening working hours so that workers and employees would feel safer.

Is it possible that the typical restaurant manager of the future will be a woman? Yes! Even though women with families sacrifice some of their personal life and time to managing a restaurant, those with stamina and ambition may be better suited for management than are men with similar backgrounds. Women, it is agreed, are more concerned with details, sanitation, and appearance. Plus, they are likely to be more sensitive to and empathetic with customers than are men. Two national organizations—Les Dames d'Escoffier and the Round Table for Women in Foodservice—are both excellent networks for female professionals in the restaurant industry.

Celebrity Chefs

Celebrity chefs are bigger today than ever before in history. Long ago are the days of Julia Child, when she was the only celebrity chef one could think of. Even Emeril Lagasse is surprised at the extent to which things have changed for celebrity chefs over the past 10 years. Lagasse said, “Chefs weren’t really respected other than being in the kitchen . . . You rarely saw them in the dining room interacting with people . . . Now all of a sudden, people have started looking at chefs and saying, ‘Wow! That person really is a craftsman, is really a business person, they can do publicity.’”²⁷ Not only are the celebrity chefs becoming a household name, so are their brands! From Emerilware (Emeril cookware) to Rachael Ray’s “EVOO” (extra virgin olive oil), celebrity chefs are creating their very own empires. Not to mention the cookbooks, television shows, and restaurants! In the next sections we will discuss just a few of the top celebrity chefs. Daniel Boulud is featured in a profile at the opening of Part Two.

SUZANNE GOIN

Chef Suzanne Goin, a graduate of Brown University, was born and raised in Los Angeles, California. Throughout her career, Goin has worked in several successful restaurants including Alice Waters’s Chez Panisse, Ma Maison in Los Angeles, and Paris’s acclaimed restaurants Pain and L’Arpège. Today she is the owner of the following restaurants:

- Lucques, located on Melrose Avenue in Los Angeles, California (co-owner and chef)
- A.O.C., located in Los Angeles, California
- The Hungry Cat, located in both Los Angeles and Santa Barbara

Goin also has an impressive list of awards including:

- Six James Beard Award nominations
- James Beard Award for “Best Chef: California”
- Three stars in *The New York Times* for her restaurant Lucques
- *Food & Wine* magazine’s “Best New Chefs of 1999”
- Three stars in *The New York Times* for her restaurant A.O.C.
- James Beard Foundation’s Award for “Best Cookbook from a Professional Viewpoint” for her cookbook *Sunday Suppers at Lucque’s*

In addition, her restaurants have been praised by *Gourmet* magazine, *Bon Appétit* magazine, *Los Angeles Times Magazine*, and *Food & Wine* magazine. On a more personal note, Alice Waters, godmother of the good-food, good-earth connection, rates Goin is one of the most eco-conscious chefs in the country.²⁸ She uses organic ingredients for about 80 percent of her dishes and is a regular at the local farmers’ market.²⁹ Goin also has her own cookbook, *Sunday Suppers at Lucques: Seasonal Recipes from Market to Table*.



ALICE WATERS, THE IDEALIST IN THE KITCHEN—CHEZ PANISSE

Outspoken, yet speaking softly, Alice Waters has a mission: to awaken our thinking about food selection and its relationship to the planet. She might be called a kitchen philosopher whose writing reemphasizes the importance of using only the freshest locally grown organic and seasonal produce and animals that have been raised in a humane, wholesome manner.

Her degree from the University of California, Berkeley, was in French cultural studies. Waters says that the goal of education is not the mastery of a discipline but the mastery of the self and responsibility to the planet.

Waters had financial problems upon her entry into the restaurant business. Her father mortgaged his house to help get her started. In 1971, when *Chez Panisse* opened, it was overstaffed; she had 50 employees who received \$5 an hour. It took little time before the restaurant was \$40,000 in debt. A woman who ran a cookware shop loved the restaurant so much that she picked up all the charges and paid the bills, but she soon became disenchanted with Alice's lack of monetary motivation. Other

business partners bought out the *Good Samaritan*, but it was eight years before the restaurant showed a profit.

Waters never gave up her requirements for “the perfect little lettuces and the most exquisite goat cheese.” The restaurant now operates on a budget and some of the staff own stock in the restaurant—and the place is a moneymaker. To ensure that the “best and freshest” foods are selected, Waters employs a “forager” to search out and get the best from about 60 farmers and ranches in the area.

Both her restaurants and her publications have brought Waters national attention and won her numerous honors. Not only do steady patrons come to her two restaurants, *Chez Panisse Café* and *Chez Panisse Restaurant*, but chefs, food writers, and others come great distances to eat there. *Chez Panisse* prints its menu seven days in advance; its diversity proclaims the place's virtuosity. The café menu changes twice daily, at lunch and at dinner.

To spread the gospel of ecology and the need to eat only fresh, organic food, Waters has

fostered the *Edible Schoolyard* project, in which gardens are part of children's school curriculum. She is also involved as an advisor to the horticultural project in the San Francisco County Jail and its related *Garden Project*. In 1997, she was named *Humanitarian of the Year* by the *James Beard Foundation*.



Alice Waters, a pioneer of California cuisine

Courtesy of Alice Waters

MARC VETRI

Trained in Bergamo, Italy, by some of the region's most noted chefs, Marc Vetri brings a bold, contemporary sensibility to classic Italian cooking.³⁰ Throughout his career Vetri has worked in several restaurants including Wolfgang Puck's

Granita, Coco Pazzo, and Bella Blu. Today, Vetri is the chef and owner of two award winning restaurants:

- Vetri Ristorante, located in the heart of Center City Philadelphia, Pennsylvania
- Osteria, also located in Philadelphia on Broad Street (co-owner and chef)

Vetri himself, Vetri Ristorante, and Osteria have won the praise of *Gourmet* magazine, *Wine Spectator*, *Restaurant Hospitality*, *Food & Wine* magazine, *The New York Times*, *Philadelphia Inquirer*, *Philadelphia* magazine, *Bon Appétit*, and *Philadelphia Weekly*. Vetri's impressive portfolio includes the following awards:

- *Food & Wine's* "Ten New Best Chefs"
- James Beard Award for "Best Chef Mid-Atlantic"
- *Philadelphia Inquirer's* highest restaurant ranking
- *Philadelphia Magazine's* "50 Best Restaurants" for Osteria
- Referred to as a "culinary genius" by the Zagat Survey
- Under his direction as executive chef, Bella Blu was named "Best New Restaurant" by *New York* magazine

Vetri takes pride in his ownership of both restaurants. According to *The New York Times*, he spends half of every night at Vetri, half at Osteria, because he can't just let either of them be! In addition to his restaurants, he also has his own cookbook, *Il Viaggio Di Vetri: A Culinary Journey*.

BARBARA LYNCH³¹

James Beard Award-winner Barbara Lynch is regarded as one of Boston's, and the country's, leading chefs and restaurateurs. While growing up in South Boston, Barbara, at the age of 13, got her first kitchen job cooking at a local rectory. It was in high school, however, that an influential home economics teacher and a job working with Chef Mario Binello at Boston's esteemed St. Botolph Club piqued her interest in one day becoming a professional chef. During her early 20s, Barbara worked under some of Boston's greatest culinary talents including Chef Todd English, first at Michaela's then at Olives and later Figs. After working with Todd for several years, Barbara traveled to Italy where she learned about Italian cuisine firsthand from local women. She returned to Boston and became the executive chef at Galleria Italiana, bringing national acclaim to the tiny trattoria when she captured *Food & Wine's* "Ten Best New Chefs in America" award.

In 1998, Barbara opened a restaurant of her own, No. 9 Park, in Boston's Beacon Hill neighborhood. The restaurant immediately received rave reviews from publications around the country and was named one of the "Top 25 New Restaurants in America" by *Bon Appétit* and "Best New Restaurant" by *Food & Wine*.

Barbara expanded her presence in Boston by opening two restaurants in the South End in 2003: B&G Oysters, serving exquisitely fresh seafood, and The Butcher Shop, a wine bar and full-service butcher shop. In 2005, Barbara ventured into the catering world with the opening of Niche Catour. Barbara opened Plum

Produce in September 2006, and next door, in August 2007, Stir, a demonstration kitchen and cookbook store.

In fall 2008 Barbara launched two concepts in Boston's Fort Point neighborhood. Drink, which opened in September, is a bar dedicated to the craft of the cocktail. In November, Sportello (Italian for counter), Barbara's modern interpretation of a diner, opened. Her catering company, 9 at Home (formerly Niche Catour), relocated to Fort Point in 2008 as well.

Barbara's talents have continued to garner numerous accolades over the years, both locally and nationally. In 2003, the James Beard Foundation named her "Best Chef Northeast" and *Travel & Leisure* proclaimed No. 9 Park one of the "Top 50 Restaurants in America." For two consecutive years, No. 9 Park was named "Best Restaurant, General Excellence" by *Boston* magazine, and *Gourmet* included it as one of "America's Top 50 Restaurants" in 2006. In 2007, *Boston Magazine* named Barbara "Best Chef."

Barbara and her recipes have been featured in many publications including *Savueur*, *Boston Common*, *Bon Appétit*, *The New York Times*, and *Inc.* magazine. She was one of a handful of Bostonians to be profiled in the ABC-TV documentary series *Boston 24/7* and is the subject of a documentary film entitled *Amuse Bouche—A Chef's Tale*. In 2009, Barbara was honored to receive the Crittenton Women's Union's Amelia Earhart Award. Past recipients include Doris Kearns Goodwin and Julia Child.

In fall 2009, Barbara opened her third concept, a fine-dining restaurant, in Boston's Fort Point neighborhood. Concurrently, Barbara's first cookbook was published by Houghton Mifflin.

Centralized Home Delivery Restaurants

Meals are being ordered and delivered via the Internet in the same way as fresh flowers. Existing food courts lend themselves to being changed into order and preparation centers where four or five popular food items, such as pizza and Mexican, Italian, and Chinese foods, can be prepared and delivered within a local area by car, motorcycle, or bicycle. The center can be where a bank of phone operators and clerks take orders via the Internet or by telephone. The home delivery centers verify and process credit card information and use computers to perform the accounting.

Home delivery has been well established by individual pizza parlors and pizza chains. Much of the delivery cost is shifted from the pizza producer to the delivery person, whose income comes partly from customer tips.

Centralization reduces the costs of order taking, food preparation, and accounting; marketing costs, however, may not decrease. Competition will continue to force most players to advertise heavily. Economies of scale (efficiency resulting from high volume, automation, staffing efficiency, buying power, and specialized equipment) can reduce food, labor, and overhead costs.

In theory, the order taking and accounting can be done at any location connected to the Internet, locally or internationally. The system does not even require

that operators know what the customer has ordered; they simply transmit the order to a delivery person.

An order for pizza, theoretically, can be processed in China and prepared and delivered in California or New York. The Internet is inexpensive to use, faceless, formless, and global. The real question is whether the food can be delivered hot, tasty, and ready to eat.

Home delivery is being offered for upscale dining as well. Steak-Out Franchising, an Atlanta company, offers steak dinners for home delivery. Its home-delivered steak dinner comes with baked potato, tossed salad, dinner roll, beverage, and dessert for about \$14.

To promote home delivery in affluent communities, meals are delivered in special boxes or baskets. For example, a Japanese meal may be packed in a partitioned lacquered box called a bento box.

A variation on the home delivery theme is found in Chicago, where some hotels distribute the menus from 12 selected restaurants to their patrons for room service. The guest can call room service, which faxes or e-mails the order to the restaurant of choice. The hotel picks up the meal in 25 or 30 minutes and adds on charges of \$6 to \$8 for delivery.

Several chains are contemplating home delivery for more complicated, more expensive meals. The concept has worked for years via Meals on Wheels, a service provided for people who have difficulty getting out of their apartments or homes. The meals are nutritionally balanced and are delivered mostly by volunteers. An entrepreneur could learn home delivery by participating in the program.

Take-out meals have been available for many years. The old corned beef and cabbage meal available in several Northeastern cities was essentially take-out. In cities, take-out meals are delivered to the address in minimal time. In cases where customers do their own pickup, requests for meals can be phoned in or faxed to restaurants, cutting wait time at the restaurant.

Summary

This chapter describes the kinds and characteristics of restaurants and their owners. Restaurant categories have not been universally agreed on and, from time to time, new segments are conceived in the literature. A comparison of corporate-owned, independent, and franchised restaurants is made. Chef-owner restaurateurs, notable female restaurateurs, celebrity chefs, and centralized home delivery restaurants are also discussed.

Key Terms and Concepts

Bakery-café	Chef-owned restaurant
Casual restaurant	Ethnic restaurant
Centralization	Family restaurant
Chain restaurant	Fine-dining restaurant

Independent restaurant
 Quick casual restaurant
 Quick-service restaurant

Steakhouse restaurant
 Theme restaurant

Review Questions

1. Briefly describe the kinds and characteristics of restaurants.
2. What kind of restaurant would you be most interested to work in? Why?
3. What kind of restaurant would you most like to own? Why?
4. What are the responsibilities of the franchisee under Subway's franchise agreement? What does the company promise?
5. What are the highlights of Mexican restaurant menus?
6. Name elements that make for "fine dining."
7. Name three women chefs who are restaurant partners and describe their activities.

Internet Exercises

1. Explore the Internet and look for restaurants for sale—particularly some in your area. Share your results with your class.
2. Using a search engine, look for some interesting restaurants, both chain and independent. Are there any noticeable differences between them?

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