

# NATION'S Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

134 • January 31, 2005

## THE LOOP PIZZA GRILL — THE NRN 50 —

With 21 units running and 85 more in the works, this chain aims to run circles around its competition

By Teresa Gubbins

**T**he Loop Pizza Grill stands at an exciting juncture, poised to climb from the mom-and-pop world into the realm of big business through multiunit franchises.

What started 24 years ago as a single burger-and-pizza joint in Jacksonville, Fla., has evolved into a growing fast-casual chain that offers an eclectic mix of wrap sandwiches, entrée salads, burgers and gourmet pizzas with either thick or thin crusts.

Today, The Loop Pizza Grill has 21 restaurants in Florida, Georgia and North Carolina and another 85 under construction or contract across the Southeast, officials say. Many of the restaurants are franchised largely by single-unit operators who have taken their cues from the husband-and-wife team that founded The Loop, Mike and Terry Schneider.

The couple built the business through trial and error. The Schneiders had limited restaurant experience when they formed their company in 1981, after another failed foodservice venture had nearly forced them into bankruptcy. Their perseverance, advice from consultants and trust in their own instincts, however, helped them turn The Loop into a \$28 million company.

"We were not businesspeople; we stumbled into this," Mike Schneider says.

The concept's growth paralleled the rise of fast-casual dining; the Schneiders say they almost feel like they pioneered it.

"There was no fast casual when we started out," he says. "We had young children, and we had grown up in the fast-food generation. But we felt like we had grown away from the fast-food market. So we closed our eyes and said, 'These are the foods we like, this is the type of experience we would like to have.' We assumed as we looked in the mirror that there were other people like us."

What they decided they would like was the quick, no-fuss setup of a fast-food restaurant with a nicer atmosphere, including flatware — not plastic forks — and the deep-dish Chicago-style pizza

Terry had enjoyed when she was growing up in that city. For that reason, they named the restaurant after Chicago's downtown financial district. Creating a concept that eventually could be franchised was the last thing on their minds.

"The driving force was survival," Mike Schneider says. "We were facing bankruptcy. My cousin was the bankruptcy judge in the area, and I didn't want to embarrass my family. We pulled together the things we liked and the type of service we wanted. It was never about creating a restaurant concept, it was Survival 101."

One thing that Mike Schneider says he feels gave them an edge was their background in the tavern industry. Prior to The Loop, the couple owned a restaurant-pub called Applejack's. Though adding a second Applejack's almost led to their financial ruin, it also taught them about the importance of understanding their guests.



The chain offers an eclectic mix of wrap sandwiches, entrée salads, burgers and gourmet pizzas with either thick or thin crusts.

"Our mindset was different from the usual restaurant owner," he says. "It was about engaging the guests, being a neighborhood meeting and eating place. We promoted a sense of community. We knew all our guests, where they worked, what they liked."

With its broad, slightly quirky menu The Loop shows its roots as a restaurant that started out as a one-shot deal, rather than a concept centered on a single item, such as burritos or noodles. Guests can order such diverse items as a sausage-and-goat-cheese pizza with pesto, Roma tomatoes, sun-dried tomatoes and fresh cheese; a grilled ahi tuna sandwich with lemon-dill mayonnaise, lettuce, tomato and onion; or a Cajun chicken salad with spicy chicken, Roma tomatoes, red onions and greens tossed with honey-mustard dressing and croutons. The check average is \$8.

"The combination of burgers and sandwiches and entrée salads along with the pizza — you don't see that very often," says Mike Starbuck, vice president of operations. "Having menu items that appeal to both lunch and dinner customers helps our revenues."

While a chain with lots of choices can potentially appeal to more customers, communicating the concept of variety isn't necessarily an easy sell, says Ron Santibanez, of Qualified Solutions, a restaurant consulting company in Southern California.

"I've seen a lot of concepts enter the fast-casual market with the hope of offering a higher-perceived quality of food," he says. "Sometimes it works, if you can persuade people that your food is special. But there have been instances where people are more confused."

"Obviously, if you're a Chili's, the perception is there and so are the advertising dollars," he continues. "The benefit of a fast-casual place like [The] Loop comes if it can convince people that they can get in and out of there quickly."

The company has a few locations pulling in \$1.5 million in sales per year, with the overall average volume exceeding \$1 million.

Finding the right location is key, Schneider says, although there's no easy formula. The first restaurant was located in a worker-centric downtown area. When it came time to expand, the concept followed its customers from where they worked to where they lived.

"We started putting one unit a year in the suburbs," he says. "We started in the hub and spoke out. Now we have locations in urban areas, bedroom communities and on college campuses."

One of the key steps in The Loop's growth was the addition of salads to the menu, he notes.

"When my wife and I were eating 24 years ago in our favorite white-tablecloth restaurant, we'd always order Caesar salad for two, made tableside," Mike Schneider says. "We decided to do that at The Loop. It not only changed our business, but I think it sped up the introduction of entrée salads. It evolved into a wide variety of interesting, creative entrée salads. They're our biggest sellers; we sell more of them, percentage-wise, than anything else."

Customer interest in salads encouraged the duo to add other more healthful items, such as chicken and fish.

Their other major initiative was the retention of Tom Feltenstein, a Florida-based marketing and franchise development consultant and author, Mike Schneider says.

"His information and networking and resources were all top drawer," he says. "We spent a lot of money and a couple of years to develop our infrastructure, for him to teach and mentor me."

The company's biggest challenge through the years has been labor, Schneider says. The broad menu and use of fresh ingredients requires qualified kitchen personnel.

"Our food cost has remained consistent over 24 years, but we've been unable to maintain the labor," he says. "Our concept is very labor intensive. Our restaurants are manufacturing facilities. Food is taken from a raw state and prepared when ordered, as opposed to other concepts that simply serve, rather than prepare. What we do takes a little skill. It takes time to work with produce and fresh herbs."

To tackle that problem the company revamped its internal structure about five years ago, making support staff more specialized, Starbuck says.

"We changed our staffing setup from having a typical general manager and assistant managers to having a general manager with a kitchen manager and a service manager," he says. "That let us put people who enjoy interacting with customers up front and foodies in the kitchen."

But if one change is likely to affect the company's culture more than any other it's the revised approach being taken toward recruiting franchisees, as it turns away from the old Mike-and-Terry model and towards investor types. "We've started to attract a little stronger players," Starbuck says. "Originally, we had focused on mom-and-pop people. One location, the owners put their life savings into it. Now we're starting to attract people who have a real interest in the professional experience, to be able to put together a financial deal to do better locations. It's more efficient for us." Typical of the new guard is Ken Caplan, a certified public accountant



**With 21 units running and 85 more in the works, this chain aims to run circles around its competition**

By Teresa Gubbins

based in North Carolina who belongs to a partnership that owns two franchises, one in Cary, N.C., and another in Julington Creek, Fla., south of Jacksonville. The group also has two more The Loop restaurants in the works.

Caplan had no restaurant experience, but he'd seen the investment opportunity after representing a client who owned a The Loop franchise. Though no mom-and-pop operation, he and his partners are learning the nuances of the fast-casual world as they go, exploring issues such as demographics and location.

"When we're scouting locations, we look for factors like exposure, adequate parking and demographics," Caplan says. "We held off on the Julington Creek location for a year because we didn't feel like the lunch business would be adequate. For The Loop you need a solid lunch and a strong dinner. You can't depend on

stay-at-home moms or dads to get lunch every day. You've got to have enough business in the area to support that residential population."

His franchise team is in the process of evaluating and expanding some of the conventions of the fast-casual approach, especially in the area of service. They have, for instance, introduced curbside pickup and "table running."

"We've instituted table running, which was outside the normal The Loop concept," Caplan says. "Normally, you place your order, are given a number and find a seat. Then they page you, and you pick up your food. But we felt it was important to give a little more service by bringing the food to the table. A lot more of The Loops are starting to go with that.

"The other concept we've initiated is curbside pickup, as Outback has done," he continues. "The two new

sites we're building with that in mind."

Outback is cited by customers as one of The Loop's main competitors, as is Chili's, even though both of those chains offer traditional casual-dining service.

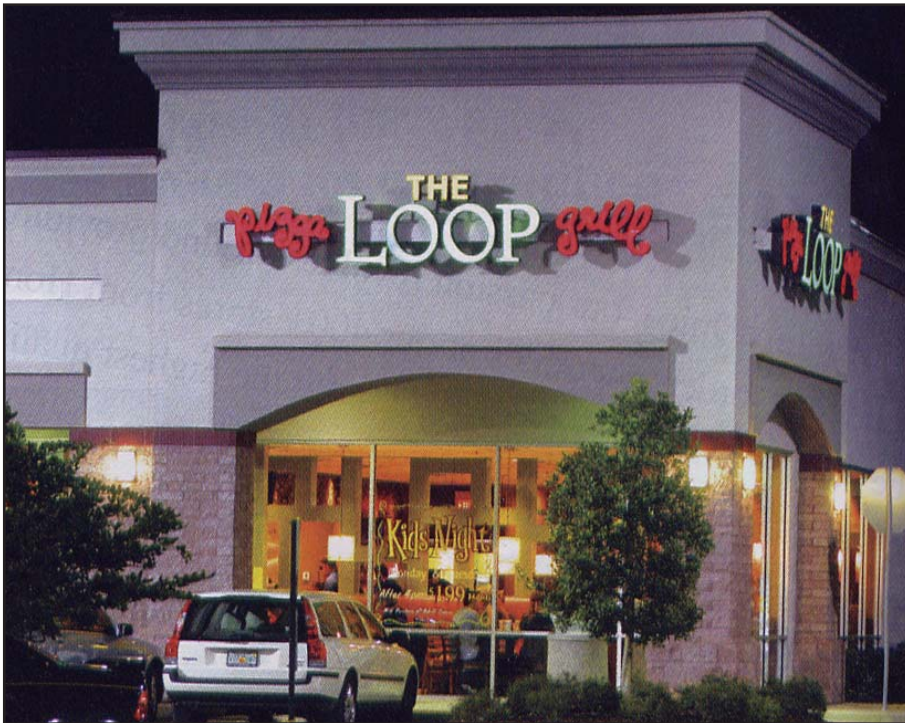
But features such as curbside pickup and table running invoke that old Achilles' heel: Both of those services call for extra labor.

With labor such a pressing issue, Caplan and his partners offer individual store managers an ownership stake in the business.

"We feel like they'll be more in tune with making sure the restaurant is successful if they have a vested interest," he says.

On the brink of change, The Loop has come full circle. It is drawing on its service-oriented background as it journeys through the brave new world of fast casual.

"I think the marketplace has kind of moved to where we were," Mike Schneider says.



The Loop's executives say some of the units earn \$1.5 million in sales a year with the overall average volume exceeding \$1 million.

## AT A GLANCE

**CONCEPT:** The Loop Pizza Grill

**OWNER:** The Loop Restaurant Group Inc.

**HEADQUARTERS:** Jacksonville, Fla.

**YEAR FOUNDED:** 1981

**NUMBER OF UNITS:** 21

**CHAIN'S ANNUAL SALES:** \$28 million

**AVERAGE ANNUAL SALES PER UNIT:** \$1.3 million

**PER-PERSON CHECK AVERAGE:** \$8

**TARGET DEMOGRAPHICS:** Families with children, professionals and students

**WHERE IT TRADES:** Florida, Georgia, North Carolina

**NEW MARKET TARGETS:** Alabama, Central Florida, Louisiana and South Carolina

**TOP EXECUTIVES:** Mike Schneider, founder and chief executive; David Harrington, chief operating officer; Mark Starbuck, vice president of operations; Eric Streets, corporate chef

# THE LOOP

*pizza grill*®



Restaurant consultant Ron Santibanez says one of the key steps in The Loop's growth was the addition of salads.