

## Renovation nation

Restaurant revamps speed up as operators compete for customer interest

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was for what they were," Occhio-grosso said. "But today it's no longer a novelty to go to a QSR. It's part of their lifestyle. They expect so much more than I and other baby boomers used to."

John Miologos, executive vice president of architecture and engineering at WD Partners in Dublin, Ohio, said he's seen some companies reimagining every three to five years to maximize existing investments with same-store sales lifts.

"In the past you grew top-line dollars by opening new locations," Miologos said. "But today the best way to do that is by boosting comps in existing locations. Making positive, relevant changes gives your regular customers reasons to come back and spend more money."

Kelly Hasty, spokeswoman for Liberty Restaurant Group, a 23-unit St. Louis-based Burger King franchisee, said its store remodels occur every three to five years and that short-term comps can soar as high as 25 percent.

"I know that sounds like an aggressive number, but we know that such sales are driven by our habitual customers who may come two to three times a week," Hasty said. "They're watching you put in new seating and adding TVs. So as soon as that's completed, they're back because they want to be part of the excitement."

### Dynamic is the goal

While Jerry Couvaris, chief executive of 80-unit Atlanta Bread Co., agreed that major remodeling happens more frequently today than in the past, he said minor updates to store decor and certain fixtures are ongoing.

That means Atlanta Bread Co. restaurants are Wi-Fi-enabled, have semi-private meeting space for larger groups and contain more lounge chairs for patrons who linger.

"I think the facility has to be continuously dynamic," he said. "We're really trying to be that third space outside of work or home where people gather."

Industry giant McDonald's also is busy making store upgrades. In October, chief executive Jim Skinner told Nation's Restaurant News the chain remodeled about 15 percent of its 33,000 total stores between 2007 and 2009, and in 2010 it hoped to reimage another 2,000 systemwide. That number included about 400 U.S. stores that en-



Industry experts say store remodels for larger chains like Burger King, left, and Atlanta Bread Co., above, typically occur in three- to five-year cycles.

not worn down," said Kelley, managing partner at Concept Branding Group in San Diego. "But the change has to be much more than new carpet and changing out booths. People will respond only if it's more than a dust-off of an old brand."

### Beauty is not cheap

While makeovers are proven to deliver sales increases, the flipside is that they're costly. For significant upgrades, "you can't touch anything for less than \$125 a square foot these days," said Lu Schildmeyer, principal at Design Associates in Kent, Wash.

In the Northwestern United States, he said the update cycle runs from three to five years in urban markets and six to eight years in rural markets.

"What's good is independents are now thinking more like chains when it comes to these remodels," he said. "They know they've got to do it right."

Anticipating a tight lending

market, Schildmeyer said some of his independent clients saved diligently to amass cash for total concept overhauls. Similarly, in his days as an executive with McDonald's, Miologos advised franchisees to save 3 percent to 4 percent of sales each month for future reimagining. And when it came time to spend the money, a significant overhaul often ran as high as 11 percent to 12 percent of gross sales.

"Historically, I've seen the best return on that investment when all three touchpoints [decor, trade dress and menu] are addressed in the reimagining," he said.

Miologos also recommended an entire market's stores be changed simultaneously.

"The better restaurateurs understand that increasing awareness by hyping it through a grand reopening and getting some media attention helps that overall investment."

Venture capital groups understand this, Miologos said, which partly explains their growing interest in restaurant companies.

"They understand that buying something that's distressed and turning it around with a very cost-conscious, ROI-driven remodel adds value," he said.

Since the recession tempered 250-unit Beef 'O' Brady's plans for rolling out its Beef's 2.0 store upgrade plan, chief development officer James Walker said

the chain modified that option to "Beef's 1.5." It reduced 2.0's lengthy list of modifications to an impactful few that include plasma-screen TVs, expanded draught beer lists, new paint colors and counter finishes.

"We want this minor reimage to be as efficient as possible and drive guest awareness, but be as cost effective as possible for our operators." ■

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