

Italian brands' growing pains

Ft. Lauderdale, Fla.-based Pizza Fusion's founder Mike Gordon, second from right, is shown with local children during the chain's "Organics for Kids" classes. Fast-casual pizza chains have generally been more successful than those with broader Italian concepts.



Operators remain optimistic about the potential of the Italian niche, even as they curb growth amid operational and competitive challenges

By **CAROLYN WALKUP**

Although Americans crave penne, bruschetta and cannoli as well as convenient and quick culinary options, operators seeking to marry the two desires into expandable Italian fast-casual concepts are feeling some indigestion.

While operators still view the niche for Italian-inspired food in a fast-casual format as underserved and new such concepts continue to debut, growth among many players — with the exception of those whose menus focus on pizza — has been stymied by operational, competitive and cultural hurdles.

"They all have trouble growing to more than a couple dozen units," says Dennis Lombardi, a restaurant industry consultant with WD Partners in Columbus, Ohio.

In comparison, some Mexican fast-casual concepts have exploded. Denver-based Chipotle Mexican Grill Inc. has blossomed to 670 units. Atlanta-based Moe's Southwest Grill has grown to 370 units, and Thousand Oaks, Calif.-based Baja Fresh, even after

(Continued on page 42)

Italian brands' growing pains

(Continued from page 41)

encountering its own stumbling blocks, has about 290 units.

Among the challenges facing Italian fast-casual concepts are the needs to build business during the dinner daypart, increase convenience at lunchtime and better take advantage of authentic menu additions, such as espresso drinks and gelato, Lombardi says.

But the biggest barrier to success is that most Italian staples are not a good fit for lunch, which is the fast-casual segment's strongest daypart, Lombardi says. Generally, Italian foods are heavier than those most Americans prefer to eat for lunch, he says. In addition, Italian meals don't tend to transport well, and few items are hand-held or easily portable for eating on the go.

For those concepts that have captured lunch business, location is key, Lombardi says.

"[Italian fast-casual concepts] work well in urban areas, where weekday lunch is the primary daypart," Lombardi says. "Sopraffina in Chicago is the model of where that works well. It works less well in the suburbs because they don't have the downtown density for lunch."

Nonetheless, several fast-casual Ital-

Buona, a fast-casual concept based in suburban Chicago that specializes in Italian beef sandwiches, has broadened its menu to include salads, pizzas, soups and other Italian-influenced dishes.



try's largest Italian casual-dining chain with 628 units. Olive Garden, which is owned by Orlando, Fla.-based Darden Restaurants Inc., boasts annual sales of \$2.8 billion.

Although capitalizing on Italian fare to such a degree in a more convenience-driven format has been difficult for some players, there are success stories.

Fazoli's, with 313 units, is the nation's largest quick-service Italian chain. While the concept is not considered fast casual given its lower

price points — many menu items sell for less than \$6 — its offerings and decor have undergone enhancements over the years, pushing it closer to a fast-casual image.

The Lexington, Ky.-based chain, which has downsized since hitting a peak of more than 400 restaurants six years ago, was acquired by private-equity firm Sun Capital in 2006. The concept currently is undergoing further decor and menu upgrades as it readies for future growth.

Meanwhile, fast-casual pizza specialists are generally growing faster than companies that feature broader Italian menus. Among that group are 72-unit RedBrick Pizza of Palmdale, Calif., and 70-unit zpizza International of Newport Beach, Calif. Pizza Fusion, a four-unit start-up from Ft. Lauderdale, Fla., has said it plans to switch to a full-service format next year to facilitate growth.

In addition to the operational obstacles facing Italian fast-casual chains, competition from full-service Italian restaurants also poses a threat, says Darren Tristano of Technomic Inc., a consulting firm in Chicago. Fast-casual concepts "will have to focus on quality and speed to differentiate themselves from full service," he says.

Tristano warns that competition also is

ian concepts remain committed to overcoming these obstacles and growing their reach, including Sauce Pizza & Wine, owned by Fox Restaurants in Scottsdale, Ariz.; Nothing but Noodles, also of Scottsdale; Go Roma of San Francisco; Sopraffina of Chicago; Buona Cos. of Berwyn, Ill.; Prego Express Italian in Dallas; Pronto Cucinino of Houston; and Pazzini of Carol Stream, Ill.

Helping these concepts with their mission is Americans' love for Italian food. Judging by the number of Italian menu items on U.S. restaurants of all types last year, Italian food ranks as America's favorite ethnic cuisine, according to statistics compiled by Mintel Menu Insights of Chicago. The survey tallied more than 10,000 Italian or Mediterranean menu items, compared with nearly 36,000 American items and 6,000 Mexican ones, the next largest ethnic category.

Italian immigrants can be thanked for the popularity of Italian food. They brought the tastes of their homeland to this country many decades ago and shared them through the mom-and-pop eateries they opened to survive. Independent Italian restaurants continue to thrive and influence such full-service chains as Olive Garden, the coun-

(Continued on page 44)

Italian brands' growing pains



Scottsdale, Ariz.-based Nothing but Noodles, whose diverse menu is about one-third Italian, recently added Italian dishes like spaghetti and meatballs and shrimp scampi.



(Continued from page 42)

increasing from some traditional quick-service chains, such as Dunkin' Donuts of Canton, Mass., which is rolling out oven-toasted flat-bread pizzas and sandwiches heated in convection ovens, in an effort to build its lunch and dinner business. The chain has about 5,500 U.S. outlets.

At the same time, bakery-cafe leader Panera Bread, based in Richmond Heights, Mo., has gotten out of the pizza business with the suspension of its Crispani flat-bread pizza experiment, which failed to boost dinner business at the 1,170-unit chain as planned.

Still, fast-casual Italian brands are committed to staking a claim in a segment they

see as lucrative.

Dan Rosenthal, chief executive of Sopraffina, which will soon open its sixth unit in downtown Chicago, says Sopraffina's growth is measured because the concept is more complex to execute than the sandwich chains that dominate the fast-casual category.

"We have a multitude of areas — salads, pastas, panini — that require individual preparations and are made from scratch," he says.

By sticking to his formula of concentrating locations in the central business dis-

trict of Chicago, which provides a dense lunch population, Rosenthal has made his business work.

"I don't see expanding to the suburbs at this point," he says.

Sopraffina's average check is \$7.60 at lunch and \$3 at breakfast.

"We're looking to increase same-store sales by focusing on catering, which we launched two years ago," Rosenthal says. "That has been very successful."

smoothly. The primary menu items are thin-crust pizzas, panini, chopped salads and, since late 2006, pastas.

The Sauce concept is the brainchild of parent company Fox Restaurants, an established restaurant operator with 15 varied full-service locations, primarily in the Phoenix and Tucson, Ariz., markets.

Go Roma grew to nine units with the help of its parent company, San Francisco-based Forklift Brands, which also owns Boudin Bakery. But the chain, which closed one unit last year, has postponed further

expansion to undergo a re-branding, says Dave Wolfgram, Go Roma president. The first step was to change the name from Go Roma Italian Kitchen to Go Roma Real Easy Italian.

"The new name clearly says fast casual," Wolfgram says. "People previously thought it was full service. We will catch our breath and get ready to expand next year. I think there will be opportunities in real estate later this year."

Wolfgram says the company encountered a great deal of competition last year for good sites.

"This year we are studying our existing real estate," he says. "Daily-use centers that people use several times a week work best."

Wolfgram says in spite of rising commodity prices, Go Roma has been able to maintain costs, but that achievement takes constant attention. The company has reworked the menu to try to drive sales to lower-food-cost items. Checks average \$8 for lunch and \$9 for dinner.

Go Roma's first California restaurant opened in January in Tustin. The other seven restaurants are in Chicago and several of that city's suburbs.

Nothing But Noodles has downsized
(Continued on page 46)

Go Roma Real Easy Italian has suspended plans to grow its nine-unit system in order to complete a rebranding program, which included changing the concept's name from Go Roma Italian Kitchen.



A relatively simple menu is part of the growth formula for eight-unit Sauce Pizza & Wine. Officials say they expect to add four or five new restaurants this year. Same-store sales have grown in the double digits every year since the first Sauce opened in 2003, according to Mike Geavarus, vice president of operations for the chain.

"This is a great growth vehicle for us," Geavarus says, crediting the "relatively simple menu" for making the concept work