

Traditional Food Courts to be Traditional No More

By Dennis Monroe

Editor's note: This is the second in a series of articles by the author addressing the business and economic reasons behind the new proliferation of nontraditional restaurant sites.

Probably the best known nontraditional restaurant sites—and maybe, in some ways, they are traditional—are food courts. In my quest to get a handle on them, I have come to the conclusion I'm not sure what the definition is. The traditional food court had a dozen or so restaurants, usually QSR, in a line with a common seating area. This is probably a thing of the past (think your father's Oldsmobile). Today, eating and shopping are an integral part of almost every retail endeavor. Consequently, the old habit of people shopping and then stopping to eat at the food court is dying. Maybe it's better to look at old food courts by contrasting them with a new development in malls, namely what I call "retail-related restaurants." Let's dial down and understand how to make money and be on the leading edge with consumers of this evolved area.

In trying to develop a perspective, I spoke to Dennis Lombardi, a long-time industry veteran, observer, consultant and president of Restaurant Advisory Services; Darrell Johnson, president of FRANdata; and Mike Dimond, president of Cardinal Development Corporation to discern the economics and feasibility of food courts. Let's look at some key attributes of what I call retail related restaurants.

1. Location—As we discussed in last month's column concerning airports, the location needs to have high traffic. More than that, it's important to look back at the economics of the retail establishments with which you are associating. What are the customer counts and what are the big draws? What is the commitment by the retail owner or center to upgrade and bring in new and vital retailers? In general, it truly is location, location, location.

The Mall of America (MOA), probably one of the most formidable retail establishments, has two concentrated dining areas along with food throughout the entire complex—about 40 million people go through this mall every year. In a recent tour of MOA, I was struck by the fairly dark, enclosed food court. MOA's food areas have many of the major brands as well as a number of local Twin Cities concepts. MOA now has a new food area called "Culinary North," which is anchored by Shake Shack on one side and Piatta on the other. People funnel through this space and dine in the middle seating area. It's the modern, updated version of a food court and is

more of a tourist experience than just an eating area, which is consistent with MOA's approach.

2. Fitting In—What retail concepts fit the restaurant concept's strategy? Dimond discussed the new food area at the International Plaza in Tampa, saying its key feature is an open outside area that has anchor restaurants and opens to a food court. With the demise of food courts, this may be a unique way to attract consumers: get them outside to prolong their experience. Johnson also emphasized retail areas are more diverse and restaurants must recognize this issue. This is particularly true in the urban areas. Restaurants are not dependent upon the retail businesses but are instead looking for a symbiotic relationship to serve similar customers. For instance, in high-end malls like the "Gallerias" nationwide, you would not expect to see a sports bar or wing concept. On the other hand, one of the burger concepts may be a perfect fit for a strip center with substantial retail, if it is not on a pad site. Again, restaurants are matching retail.

3. When Are They Eating—Lombardi reminds us to ensure the restaurant fits the day part of shopping. If you only have one or two day parts, you have to make sure that concept fits. He also said that perhaps 10 years from now we will see a retail brand that is a clothing concept by day and a wine bar by night. This is also the case when the mall or retail center adds a movie complex, as these additions appeal to a nighttime restaurant.

4. Economic Flexibility—Economic flexibility means the concept can compete in different retail environments. It may be a casual dining concept that can be adapted to a fast casual. It may be a larger fast casual that can decrease its normal size to fit in next to retail. It may be a concept that has snacks and other dinner parts but is paired down to just a snack concept. Lombardi said these concentrated retail and food areas are not a strategy as much as an opportunistic approach. But to be opportunistic, restaurant concepts need to be nimble.

5. Retailer in Charge—International food and restaurant consultants Baum & Whiteman released a report this year that discussed what major retail establishments—such as Saks Fifth Avenue, Bass Pro Shop, Whole Foods, and even the Lexus dealer in Tokyo—are doing to create compatible restaurant experiences with the retail. They concluded that for concepts to work, they really need to add to the retailer's business and image.

6. Lease Terms—Negotiating the right lease terms, lease termination rights, along with landlord’s capital investments, are key. This is because the retail establishment may change, and if you have no out, you may be harmed. Negotiating rent more on the profitability side with percentage rent provisions vs. fixed escalating rent is important. Conditions of turnover and leasehold allowances must be carefully understood because many of the walls and the other services are shared.

7. Marketing—Be assured the retail establishment is committed to marketing events and spending money to attract retail customers. This is true for a Saks Fifth Avenue or an Our Own Hardware with a tavern next to it. Marketing needs to include the restaurant.

Food courts are not what they once were. We still have food courts that do well throughout the country, but they are few and far between. The new approach is innovation with related restaurants that fit into a variety of different retail centers. For example, Mall of America’s Culinary North looks more like the food market at Grand Central Station than it does like a mall “food court” location.

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