

## Finding Revenue Under the Rocks

By Dennis L. Monroe

My last few columns have dealt with non-traditional restaurant venues. What is significant about them is they create more revenue sources. It is not that people, if they had their druthers, wouldn't prefer traditional stand-alone sites; it's just that these sites are in short supply. So given the demand for higher revenue, non-traditional sites such as airports, colleges, food courts, and retail store clusters all present unique and viable options.

That's the macro side of increasing revenue. Let's get down to the micro side. What can an individual restaurant brand do to increase revenue? I believe there are four different approaches. I'll give examples in each group, and then I hope you can use these examples to create a game plan to increase revenue.

**1. Brand Extension:** With this approach, you use your brand to develop products and other sources of revenue.

We have a lot of wonderful examples of brand extension, particularly from some of the great concepts that have created their own product lines both in grocery stores, specialty retail, online and mass media revenue sources. All these extensions create, in essence, a new business. One restaurant company that is really successful at this—with the brand extension probably more successful than the restaurant concept itself—is Famous Dave's. The brand has a line of barbecue sauces, spices, pickles and a number of other items that have taken advantage of the Famous Dave's name and continue to be in demand. Many of the major chains develop products for the broader retail market. Some even put their products in their own stores. Additionally, besides the brand extension through food products, the business can expand through other products such as kitchen tools and accessories as Emeril, Wolfgang Puck and other famous restaurateurs have done.

**2. Brand Diversification:** This is where you take the concept and diversify into other concepts. It may or may not be food-related. The D'Amico Company in Minneapolis has specialized in contemporary fine dining and developed a strong brand. Their existing restaurants are related, but have unique names and concepts. As a result of this long-term success, years ago they developed a fast-casual concept using the name D'Amico and adding "Sons" to achieve true brand diversification. They have now gone one step further and developed a fast casual concept for select Target stores. And the approach doesn't stop with the restaurant; the food section of Target carries D'Amico products in the gourmet deli section. Except in Minnesota, Target shoppers are generally

not familiar with the D'Amico name, but the casual dining in store locations and the quality of their food allows for product sales.

One classic example of a company diversifying their brand is Union Square Hospitality. Its reputation for fine dining and intense consumer loyalty led them to diversify their brand into Shake Shack. The idea is to leverage existing brands to create new ones. In the past, brands were reluctant to diversify, fearing a loss of focus. Times have changed and so has the consumer.

**3. Customer Convenience:** This approach depends on incorporating various forms of delivery, take out, home delivery or catering—any way to expand the customer's ability to use the restaurant or concept.

Every day, it seems, restaurants devise new ways to get the customer their food and food experience. There are obviously many delivery services, so the key is to select the right one that fits the style of restaurant. Appropriate menus need to be developed to preserve the concept while making it user-friendly for delivery. Some restaurants are delivering their food through kiosks, state fair locations, sports facilities and food trucks. The goal is to create an incentive for the customer to get the food in a different, but convenient, way.

One of the more interesting approaches I've seen is the one taken by a St. Paul, Minn.-based concept called Muccis. Muccis has four different revenue sources. And talk about using customer loyalty: They have a wonderful neighborhood, boutique Italian restaurant, and a large take-out concept focusing on a unique deep-fried pizza product, but also offering a lot from the main menu. Additionally, Muccis has two other product lines: a broad frozen food line sold out of the restaurant and, on Saturday and Sunday mornings, an Italian donut shop. All four lines reinforce consumer and neighborhood loyalty.

Another interesting phenomenon I've recently come across is a combination of a bike shop and a café/coffee shop. There are now approximately 100 such establishments across the country. It's a great way to expand the use of the shop in that it allows the customers to spend time experiencing the bike shop while eating and drinking instead of simply walking around and looking at bikes.

Restaurant observer icon Dennis Lombardi once said he is waiting to see a place that would be a clothing store during the day and a restaurant at night. I think this may happen soon.

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**4. Leverage Customer Loyalty:** Over the years, successful restaurant brands develop a valuable customer following. This loyalty needs to be leveraged.

Some techniques I have seen include tastings, special 12-course meals or such bold moves as travel trips and opportunities to buy tickets to events or luxury products. With these incentives, the restaurant owner is trying to create greater customer use and more profits. Traditional loyalty programs where points are awarded for dollars spent are losing favor. Restaurants provide experiences, not points. Loyal customers will still frequent the restaurant without points; but to encourage higher spending, the restaurant might arrange a ride in a food truck for them or bring the head chef to their house to cook a meal. These are just a few examples of ways to reward the customer loyalty and thus increase revenue.

Today's restaurant customers are now looking to buy and use a restaurant's products in a broader way. Those restaurants that embrace a holistic approach—offering unique products, expanding or diversifying the brand and adopting innovative ways to deliver their products—will be in a position to strengthen customer loyalty and uncover new revenue sources.

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