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Profit Centers Rule

How local restaurants are making money off their name and branded products



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MY MANTRA OVER THE YEARS has always been: Successful restaurant companies have multiple profit centers. The most common profit centers include private dining, catering, off-premise sales, unique bar programs and the in-store sale of branded items, like mugs or T-shirts. But an often overlooked one is packaging and selling your most popular food items (be it peanut butter or frozen pizza) in the retail space.

We have some great local examples. Two that come to mind immediately are New Bohemia, which has a line of its sausages in grocery stores, and Green Mill Restaurant and Bar, which, for many years has had a robust brand extension program with its frozen pizzas and sauces. Another example is a national franchise company founded in our area—Famous Dave's—which sells a line of branded products, including barbecue spices and rubs. Two recent entries into the space are Tim Niver's Mucci's Italian, which has started selling its frozen pizzas, and Butcher and the Boar, which sells its unique blends of sausages.

Coffee has traditionally been a great brand extension. Starbucks is the master at it, but we also have great examples in this town—both Caribou Coffee and Dunn Brothers Coffee have active retail sales in-store and through product distribution.

First up is Green Mill, a company that's been doing brand extension for several years, according to its CEO Paul Dzubnar. What started as Green Mill Pizza now has a number of different companies, including a number of retail distributions, plus two catering companies and other branded items.

Green Mill products are being distributed into stores where their restaurants are located (Minnesota, North Dakota, western Wisconsin and Iowa). Items include pasta sauce, pizza sauce and frozen entrées (breadsticks and pizzas).

They did something clever, which I think shows what happens once you have had success in the retail side of it: They developed another brand called Wicked Foods, which has four different kinds of pizzas, plus pizza and pasta sauce. What's smart about this approach is that the Wicked brand covers markets where the Green Mill name is not known. And Dzubnar stressed that the most important things in retail brand extension are the packaging and how you position yourself.

He said products have to be eye-catching and sell themselves, particularly in the frozen foods section of a grocery store where there can be up to 21 doors dedicated just to pizza. Therefore the packaging has to stress "natural" and non-GMO. It has to have cutting-edge ingredients and design should be light and bright to stand out. Or in the case of Mucci's, black boxes set it apart.

Another brand extension was to develop three different types of catering levels at different price points,



starting with a selection of pizzas up to a gourmet spread.

One of the most striking examples of brand extension I've seen is New Bohemia, a fast-casual chain with seven restaurants. The two principals are Bob Sabes and Brian Ingram, who created a line of sausages so popular in their restaurants, they decided to start pursuing retail sales. Ingram said US Foods approached them initially and was able to get them into Lunds & Byerlys stores. It took Ingram about six months to get going on this project, and although they have only been in stores about a year-and-a-half, they are going to do about 20,000 to 30,000 pounds per month in just one grocery chain.

What's impressive here is that most people who do specialty retail and brand extension can't keep up with the demand. New Bohemia has been able to accomplish this because retail demand mirrors the restaurant demand. Plus, it's not a one-off product, but rather a core item. Because of this they benefit from economies of scale from their manufacturer. What's unique about their sausages is that they are all-natural, locally sourced and creative. Their No. 1 seller is the

Surly brat, which uses a whole keg of beer to soak the meat in. The other best seller is a macaroni-and-cheese brat, which I think is genius. They have just expanded to a new “juicy Lucy” brat, which they were able to trademark. Others favorites are a chili brat, a Thai lemongrass brat, a kimchi brat and the Surly hellfire. They also have traditional Italian sausages.

After launching in Lunds & Byerlys, New Bohemia expanded to Kowalski’s and Coburns, with an eye on being in Hy-Vee stores soon. They’ve resisted expanding into the more what we’ll call “mass, discount grocers” to be in line with their quality price point.

Because of their early success outside their own restaurants, they decided to enter the foodservice world. They’re products are on the menu in six golf courses and are starting to sell to other restaurants (the New Bohemia brand has to be specified on their menus).

The company is at the turning point as to whether to become a national chain. Other regions of the country are

interested, and Ingram is spending a good share of his time focusing on restaurants.


These deals meet something that I always preach—minimal capital investment. The only real investment they’ve had to do, since broadline distributors like US Foods inventory the product, is pay slotting fees at Lunds. So maybe total investment has been about \$60,000. Talk about a return on investment.

When I asked Ingram why other well-known brands haven’t done this, he made an interesting comment. He said most people trying to launch this type of product into retail can’t keep up with the demand and that’s what the grocery stores have complained about.

A key component has been Ingram and his partner, Bob Sabes, getting national press. They have consumer awareness outside the diners in the restaurants, they were on four food channel shows and three travel channel shows touting their sausages. Secondly, they’ve been able to provide appropriate supply and third,

they’ve been able to continue to attract consumers through new products. By the way, they are looking at brand extension in mustards and pretzel buns, and will keep developing new sausages.

Note that for product extension to be successful it has to:

1. Be compatible with what you’re doing;
2. Be synergistic with your brand and your restaurants;
3. Be able to stand on its own in terms of profitability and consumer following;
4. The quality has to be superb. You just can’t rely on your name. 

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