

I Am Voting for Polished Casual Being the Real Success Sector

By Dennis Monroe

Restaurateurs like Danny Meyer, Cameron Mitchell, Richard Melman, Phil Roberts and Scott Harris have one thing in common: They've all done a great job of creating concepts. Their concepts have been in multiple sectors, but the place they really shine is in polished casual, with check averages of \$40, to fine-dining check averages which can start at a \$100. The defining characteristic is the lines between QSR, fast-casual and casual dining have blurred.

You have Applebee's competing directly with Smash Burger, and Chick-fil-A competing with everyone. It is hard to make any distinction between what used to be fairly definable sectors of the multi-unit restaurant world. And if you're looking for quality and pricing, any of those groups can fulfill your needs. In the suburban and some family-dining areas specifically, we have a step-up to a proliferation of polished casual concepts.

An industry veteran who has handled transactions for all sectors, Wallace Hite, founder and managing partner of Reconstruction Partners, has some of the best insights into this sector I've heard. He has represented numerous restaurant concepts, but is especially talented at representing this polished casual segment.

He contends the first difference between QSR, LSR and casual-dining concepts is small from price point, food quality, service and atmosphere. In order to grow to thousands of restaurants, the dynamics of consistency must be so simplified it eliminates executing at a higher level. And with price points being so similar, the differentiation is minuscule. They are stuck in churn and burn. And those that sell liquor, beer and wine can fare better, but their margins and percentage of sales are relatively low. Fine dining is expensive and very few can dine at that level with any frequency. The check averages are easily \$100 to \$150 per person.

Polished casual is in a strong position against all the above. First the QSR, LSR and casual customer longs for a great meal with great service as a getaway. The trade up to polished casual is happening with some

consistency and the fine-dining crowd is trading down. The economic advantage of adult beverages, which is usually in the 25%+ of sales, is a big economic advantage. The margins on liquor, beer and wine are substantial and along with the ability to excel in food quality and service is extremely strong, Hite said.

There are a lot of upsides to polished casual, and some concepts only go into closed restaurant sites. In many cities, you can take a closed Friday's or Applebee's and convert it into something a little more upscale. They normally have pretty good sites, and the buildings are large enough to accommodate the number of seats necessary to make a profit.

One of the signs the industry has blurred segments was pointed out by Allan Hickok, a longtime analyst at Piper Sandler and currently a senior advisor at Boston Consulting Group. Hickok said casual dining was never a defined sector in terms of food. It was a series of names that became fairly ubiquitous and defined basically by what we thought was casual-family dining—names like Applebee's, Fridays, Bennigan's, Ruby Tuesday.

Another unique aspect of polished casual is that much of it is localized. Franchise businesses have stumbled by not being localized enough. They focus on national advertising when the real key is the local market. Aziz Hashim, who has created many successful concepts, contends the key is the two-mile radius around the restaurant. The problem with many of the QSR, LSR and traditional casual-dining franchises is they have a lack of localized advertising and have not allowed variances in their food products.

Also, while some concepts shy away from being chef-driven, there is young culinary talent who can be tapped into for the right format of polished casual for special product creation. This can bring families back into polished-casual concepts. Additionally, as Hite pointed out, the adult beverage market creates a margin that needs to be taken advantage of. Two areas that polished casual shines in are private dining and catering because

the food lends itself to that kind of universal appeal.

The industry needs to take a new look at polished casual. Some impressive examples that come to mind are Texas Roadhouse, Houston's, J. Alexander's, Charleston's, Pittsburgh Blue and True Food Kitchen. The people behind these concepts are some of the real industry veterans. Also important to note is many polished-casual concepts are local or regional and do not franchise. A lot of them have added an entertainment piece and focused more on take-out and delivery. So it's key is to localize the concept by adding elements that are unique to the area.

For instance, if you're in a working-class neighborhood versus an upscale or high-priced housing neighborhood, you will feature different menu items.

While it's nice to see all of this flux and compression of concepts, the bottom line is about the hospitality and consumer experience.

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