

High-tech Traditional

Fazoli's relies on customer feedback and technology to be successful

by LEN LEWIS

There's an old Italian saying: "Mangia che ti passa!"

Loosely translated, it means: "Eat and you'll feel better!"

Italians tend to have a lot of sayings that revolve around food and dining. But this philosophy has clearly been at the heart of Fazoli's success in the hyper-competitive restaurant business where making patrons feel good about the food — as well as their surroundings — is crucial.

The customer-centric view has become even more important as the chain continues an aggressive remodeling and expansion program and rolls out a recently completed menu initiative that removed all artificial ingredients, colors and preservatives from its dishes.

"You always have to evolve the brand or you'll be left behind," says Carl

Howard, president and CEO of the fast-casual chain, which opened in Lexington, Ky., in 1988. "That's why our restaurants are being completely redesigned and remodeled and look nothing like the older Fazoli's."

Noting that the company's restaurants seat 3,000 or more people every week, "after four or five years they look used," Howard says. "You can just update the old look with new carpet and booths. But we decided it was time to take things a step further with a fresher, more modern, look. Last year's remodels look great, but the interiors were the same as they were before."

CONSUMER RESEARCH

It's a big job for the 216-unit chain, which includes six restaurants under construction and 92 franchised locations.

"Whether you're a large or small chain, you have to invest capital to keep things fresh and relevant or you'll lose business. People don't want to sit in an old, outdated restaurant where the paint is chipped and the booths are worn," he says. "Most of our capital expenditures are going into remodels as well as developing the franchise business."

The company is also continuing to open company-owned locations, including several in Missouri by 2018.

"Ideally we'd like to grow in contiguous markets," Howard says. The majority of the company's locations are in Kentucky, Indiana, Missouri and Tennessee. "But we're seeing a lot of interesting growth in Georgia and Texas, the latter of which is being explored for future locations."

The rebranding is being phased in over time in order to gauge customer attitudes and avoid costly mistakes. Fazoli's conducted successful "alpha tests" at three remodeled locations last year and is planning "beta tests" in more locations, Howard says.

"We proved it in three and now we'll prove the new restaurant design in nine or 10 more locations," he says. "We might continue to find things we want to change in a faster and less expensive way. Right now, we have five locations under some sort of remodel program."

Consumer research is an essential part of the process. "We found out what people liked and didn't like in the first two remodels and applied what we learned in the next group of remodels," Howard says. The chain averages between 400 and 500 surveys per location prior to a remodel, and about the same after it's completed.

"We want to know how we compare to our competitors and how the Fazoli's experience has improved because of the changes we've made," he says. "We never stop focusing on the consumer experience. They are the true North Star."



ENABLE AND ENHANCE

The company digs deep into data to study why customers come back or choose to go somewhere else; Howard says it's currently working on the consumer experience as it relates to technology.

"Fazoli's 3.0 involved a new menu without artificial ingredients and adding more ways for consumers to use technology to place their orders. But there's many more channels to explore," he says.

The next iteration — Fazoli's 4.0 — consists of a fully encompassed technology platform for customers, Howard says. "We want to make sure we service the consumer the way they want to be serviced — the way they order and where they want to get the product," he says.

"The old value equation of product, service and environment over price doesn't work today. There are so many more elements to running a business, and technology is going to be a major factor."

Recognizing that customers are looking for a personal experience, Howard says Fazoli's is using technology to enable and enhance it. "If you come into the dining room you will get a better experience in terms of service, food quality and design. The basic blocking and tackling of running the restaurant is getting better."

Fazoli's provides service after the point of sale: Basically, customers place their order at the counter, and the restaurant does everything else.

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— Carl Howard, Fazoli's

"We bring bread sticks, drink refills and freshly grated Parmesan cheese to the tables. At our price point no one does what we do, and that's one of the reasons

we're successful. We're a premium QSR brand and that's based on the five key consumer groups that make up over 85 percent of our guests," Howard says.

"These five consumer groups use us for different reasons. But generally they come to Fazoli's for a better than average fast-food experience with food quality right on par with casual dining competitors like Olive Garden, but \$5 per head cheaper."

STAYING COMPETITIVE

Fazoli's is also paying attention to supermarkets' expansion into prepared foods.

"Chains like Sheetz, Wawa, Wegmans and Whole Foods have been doing this for decades," Howard says, but adds that it's not the main challenge for the restaurant industry right now.

"It's more the fact that we had a very strong U.S. dollar, good crops and an



excellent growing season. Supermarkets got very aggressive with price. Every time you're in a cycle where supermarkets are dropping their baseline costs 10 percent and sometimes 20 percent below a year ago, supermarkets take business from restaurants. Right now we're still at 50/50, with consumers spending half their dollars at grocery and half in some type of restaurant," he says.

"Then you see the major restaurant chains getting really aggressive with new offers. The last time we experienced this was when restaurants created the 'dollar menu.' Now we're seeing the value bundles, and that's to make sure they don't lose too much share to supermarkets."

The process of removing artificial ingredients has been an ongoing process. As part of its "Naturally Italian" initiative, Fazoli's worked with about 50 suppliers to guarantee that 81 artificial ingredients, colors and preservatives were eliminated from its food menu. Howard says the company plans to promote the initiative through social media.

"We've been doing it for 14 months and we finally removed everything from our supply chain," he says. "This has had no negative impact on our menu development and creativity. Our suppliers know what we need as we create new dishes, and not using artificial ingredients has become part of our DNA." **STORES**

Len Lewis is a veteran journalist and author covering the retail industry in the U.S., Canada, Europe and South America.

