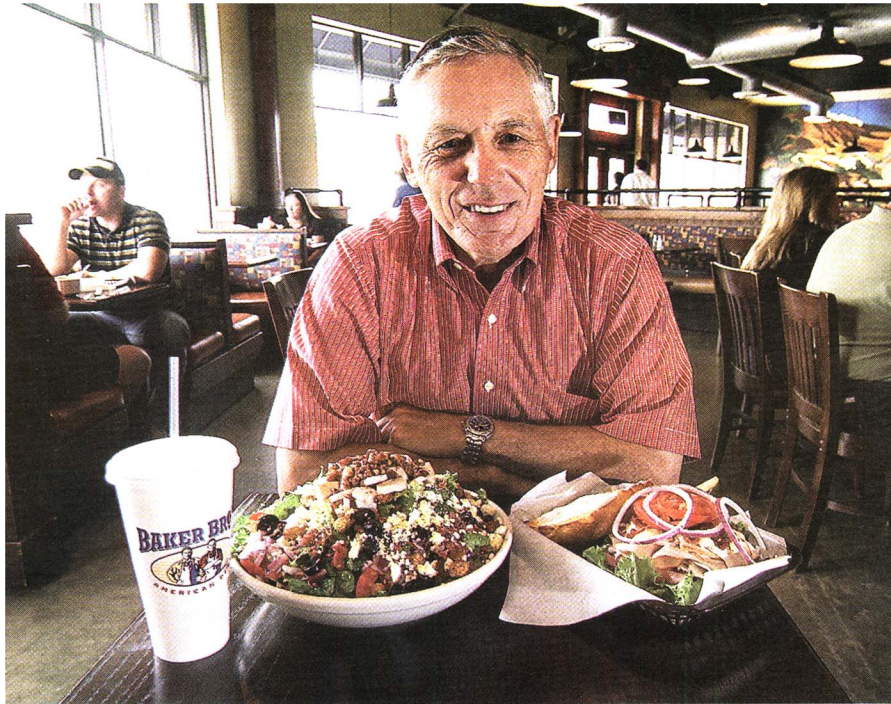


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FOOD FOR THOUGHT: Ken Reimer, chairman and CEO of Baker Bros, used his background as a turnaround expert to grow his chain of delicatessens.

IDEAS IN ACTION

Craving growth

BAKER BROS' RECIPE FOR SUCCESS CALLS FOR EQUAL PARTS DIFFERENTIATION, COST CONTROL AND HEALTHY, QUALITY FARE

KAREN NIELSEN | CORRESPONDENT

BIGGEST PROBLEM

When the economic slump began impacting sales at quick-casual restaurants, Baker Bros CEO Ken Reimer relied on a focused, surefire menu, cost control and his business acumen as a turnaround expert to buck the trend. As a result, the chain's company-owned restaurants have seen 36% revenue growth over the past four years.

The track record for startup restaurants isn't encouraging, considering that nearly three-quarters fail within the first 18 months.

That's why restaurant turnaround veteran Ken Reimer built several years of development time into his Baker Bros business plan, allowing his four company-owned restaurants to flourish before growing the fast-casual concept into a nationwide franchise.

"I felt we needed to get this five or six years under our belt to have a believable end product," said Reimer, chairman and CEO. He co-founded the neighborhood-style American deli with restaurant veteran Tom

Dahl in 1999.

"I wanted an operating history and to garner some cash flow," he says. "We needed to prove it first."

A solid track record, willingness to open the books to potential franchisees and an easy-to-execute business model all have helped Baker Bros grow to 16 restaurants in Texas, Arkansas and South Carolina.

During the past four years, Baker Bros company-store sales have increased by 36% — nothing to sneeze at in the current economy.

But the real growth just starting to happen now. Reimer plans to have 25 locations up and running by the end of 2009, and 45 deals signed within the same time period.

"Our growth plan is pretty aggressive from this point on," he said.

From the get-go, Reimer and Dahl, who worked together on the revival of Tony Roma's in the late 1980s and early '90s, designed the concept with franchising in mind, using sophisticated systems "that allow us to replicate high-quality product 100% of the time."

The concept requires relatively low equipment overhead — about \$70,000, compared to the \$110,000 required by other fast-casual chains. Reimer says that's because Baker Bros stores don't need walk-in freezers or require equipment for frying or broiling. All of the food is baked and made fresh to order.

MADE TO ORDER

NAME: Baker Bros

BUSINESS: Fast-casual restaurant chain

HEADQUARTERS: 5500 Greenville Ave.,
Ste. 1102, Dallas 75206

OWNERSHIP: Private

TOP EXECUTIVE: Ken Reimer, chairman and
CEO

EMPLOYEES: 165 (local), 200 (total)

ANNUAL REVENUE: \$5.3 million (corporate,
2007), \$10 million (franchise, 2007) \$15 mil-
lion (total, systemwide sales, 2007)

PHONE: 214-696-8780

WEB: www.bakerbroswdeli.com

DELI: *Right mix works*

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Labor requirements also are simplified as the restaurants don't need an on-site chef — just food assemblers and a handful of cashiers. Most of the food sales are at lunch, but the restaurants stay open to 9 p.m. or 10 p.m., depending on location, and don't require managers to work 70-hour weeks.

"We pay great attention to the investment side and we are committed to keeping (costs) down for franchisees," he said. "Franchisees appreciate that approach; it's good business."

It takes discipline to refrain from revamping a menu or changing a company's direction when the economy starts to turn south. As disposable income levels drop, diners are more likely to "trade down," replacing fast-casual with less expensive fast food, Reimer said.

"Quick casual is having a hard time right now, and fast food has had a slight bump," he said. "We're in an industry where people will always want what we do, but there are many alternatives. We think we're going to be in a beneficial position for years to come."

Disciplined approach

Consumers will continue to crave healthy options, and Baker Bros has plenty to offer — from award-winning salads to stuffed baked potatoes and oven-baked sandwiches on specialty breads — for a couple dollars more than a fast-food meal.

"We do what we do extraordinarily well," Reimer said. "We've had a lot of discipline in not doing crazy menu expansions that people normally do when they're in a panic or to please Wall Street."

Tom Patrick, who owns Summit Partners Inc., a Maine-based executive search consultant firm targeting the restaurant industry, said Reimer's experience as both a certified public accountant and turnaround expert are key to his success.

He combines analytical and strategic thinking skills with an openness to new business processes, but always has his eye on employees and serving his customers. Reimer and Dahl, who is an "operator's operator," make a "nice team," he said.

"Reimer is so available and smart and insightful and lacking in arrogance," Patrick said. "Here's a guy from Texas with an accountancy heritage who's really become an integral part of the restaurant industry."

NIELSEN is a Plano-based writer.