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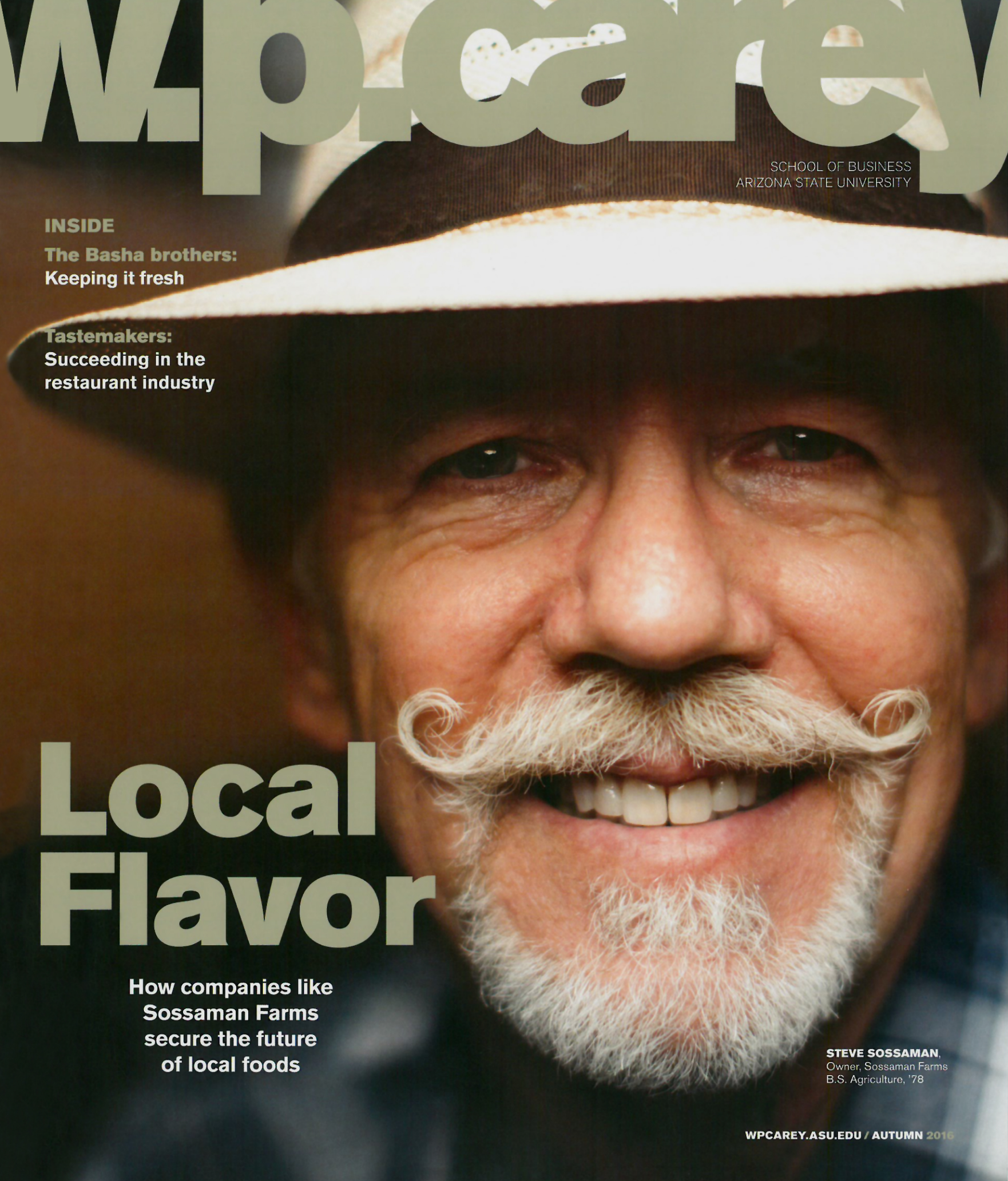

STEVE SOSSAMAN,
Owner, Sossaman Farms
B.S. Agriculture, '78

DAVID WETTA *(B.S. Business, '80)* **stands outside Postino Annex near Sun Devil Stadium. His development company renovated the historic building, now a popular destination.**

A diverse palate

Succeeding in the restaurant industry

By Teresa Esquivel

The more than one million restaurants in the United States generate a total of almost $800 billion in sales each year, according to the National Restaurant Association. It's big business, and it's an industry that has to adapt quickly to ever-changing consumer preferences. To get a closer look at current trends and what it takes to flourish, we caught up with several W. P. Carey School of Business alumni who understand that there is more on the menu than kitchens and behind-the-scenes details at thriving restaurants across the country.

Playing it cool

In any conversation about trends, one word is sure to pop up: millennials. Millennials, 75.4 million of them

between the ages of 18 to 34, are impacting nearly every industry, including restaurants.

Experts say that these young adults saw the impact the recession had on everyone around them, and now that they've come into their own, are doing things a little differently than their parents and grandparents. Experiences, for example, hold more value to them than material goods. The quest to socialize and gather experiences, coupled with the ability to communicate on multiple platforms from their phones, has made sharing a visit to a "cool" place a form of social capital.

"Cool places that are interesting, engaging, desirable and well-designed are sought after," says Mark Stapp, director of the Master of Real Estate Development program at the W. P. Carey School of Business. "Restaurants have become a nexus for social interaction and gathering. And the space and the food are not mutually exclusive. Restaurants have to curate an experience. We use the words 'authentic', 'contextual, 'quality' and 'local' to define interesting places."

A prime example of this is Taco Guild in Phoenix. While the margaritas and guacamole served there are tasty, it's the building – a former Methodist church built in 1948 – that makes it a special gathering spot for diners of all ages.

"It's very satisfying to watch the look on people's faces when they walk in for the first time," says David Wetta (B.S. Business '80), founder of Wetta Ventures. "Their eyes get big and their heads roll from one end of the building to the other. The space leaves you moved in a special way."

Wetta, a real estate developer specializing in small-scale and in-fill sites, purchased the acre-and-a-half parcel of land and completed the infrastructure work on the church and one of the remaining school buildings in preparation for tenants who would complete the build-out and interior design.

"When we first put the church on the market for lease, there wasn't a lot of interest. The mid-town submarket and an old church building left most local operators, let's just say unmoved." Wetta says. "It hadn't been done before and they didn't know what to make of it. Then the Taco Guild guys walked in and said, 'This is it, this is what we've been looking for.' Now everybody wants one. But the beauty of it is there's only one in the Phoenix metro."

But that doesn't mean it's the end of the world. As Wetta points out, adaptive reuse or renovation of old buildings is not the only way to create a sense of place. On the same property, there's a Starbucks housed in what looks like a drive-through bank built in the middle of the last century. But it only looks that way; it was constructed in 2013.

BURT RAPOPORT *(B.A. Marketing, '71),* **president of Rapoport's Restaurant Group, plans to open his fifth concept this fall.**

"You can create a special sense of place and create an experience for people by simply executing thoughtful design and development," Wetta says. "It's more expensive and takes more time, and requires a lot of patience, but as a restaurant developer you need to provide something more than a building, a patio and parking spaces. My role is to find the locations and buildings, renovations or new construction that provide the opportunity for restaurant operators to express their creativity in special ways for the benefit of their customer and employees."

Seasoned veteran

Even established restaurants evolve to suit the current climate. Consider Macayo's Mexican Kitchen, which celebrates its 70th anniversary this fall.

"My dad started the restaurant in 1946, then I ran it for about 40 years," says Steve Johnson (B.A. Business, '72), who opened the family's first Scottsdale location while still a student at ASU. "We've served a lot of meals over the years and we're proud of it. We have a lot of people who have eaten at our restaurants for years and if you change their food they get very upset. It's a very fine line when you're trying to update your menu and not disappoint the customers who have been coming for a long time. But it can be done."

Over the years, the traditional Mexican menu has been tweaked to include heart-healthy items and, more recently, dishes with a spicy kick to meet changing consumer tastes. Also new is a test kitchen for developing new recipes and a tequila program at the Shea and Mesa locations.

Some of the biggest changes involve the restaurants themselves. There are now a total of 12 in Arizona, as well as two in Nevada, but beyond expanding the brand, the family has had to continually update the dining spaces.

"You have to bring a restaurant to life every seven to eight years to be able to keep it going. You just have to keep pumping blood into it," Johnson says. Bit by bit, the restaurants are changing, from the interior design to the employee uniforms to the background music.

"We found that 80 percent of the people order 20 percent of the items. So those 80 percent, that's our core group, and those 20 percent of items will never change."

Perhaps the biggest change is that the trademark Aztec-inspired building on Central Avenue in Phoenix is being torn down. Multi-family housing will go up in its place, and the restaurant will move just to the south, transforming a former garage into an energetic space inspired by Woody Johnson's original 1946 restaurant.

"It was a tough decision because we've been in that building for so long," says Sharisse Johnson, Steve's sister and CEO of Macayo's. "But we decided to take a look at what it's going to take to be around for the next 70 years and continue to be like the company my dad started."

Mixed plate

Burt Rapoport (B.A. Marketing, '71) also juggles multiple locations as president of Rapoport's Restaurant Group in Boca Raton, Florida. He currently operates four restaurants – Deck 84, Burt & Max's, Bogart's Bar & Grille and Henry's – with a fifth, Rappy's Deli, opening this fall.

After a long day of managing employees, revenue, expenses, sales, purchasing and other administrative issues, Rapoport and his wife visit two of the group's restaurants at least five nights a week, "sometimes six, sometimes seven," he says.

But this is nothing new for someone who lived above and worked at the Manhattan restaurant his grandfather opened in 1923. He's a lifer, and he knows what it takes to make it in an often fickle industry.

"I've found over time that the most successful restaurants are those that appeal to the broadest base," he says. "Restaurants don't necessarily have to fit into trends, but most restaurants have to evolve to stay alive."

For this company, that has meant buying a truck for home and office delivery, and adding gluten-free and vegan items to the menus.

"We found out that 80 percent of the people order 20 percent of the items," he says. "So those 80 percent, that's our core group, and those 20 percent of items will never change. They'll stay on the menu indefinitely. But the other parts of the menu are where we experiment with things and move things in and out and see what hits and what doesn't hit."

Although Rapoport sees local sourcing and sustainability as the top trend in the industry, for his group of restaurants it is more of a standard than a novelty. The group helped the Florida Department of Agriculture and Consumer Services roll out its "Fresh From Florida" restaurant program, which supports the use of local produce and seafood on menus, and it's a program it is committed to for the long haul.

He is, however, making changes to attract what he calls the No. 1 target diner: millennials.

"They are the largest group that eats out right now," notes Rapoport. "The trend toward small plates with big flavors is driven by millennials, and there's a huge push toward craft beers and craft cocktails. We're doing some of this in some of the restaurants to help bring in a younger demographic."

Large party

Acting on trends can be a good way to bring in more diners, but sometimes a restaurant simply can't make many changes. For Boccaccio's Restaurant in Westlake Village, California, for example, sweeping adjustments to the menu are just not possible.

"The restaurant originally only sat about 65 people, and now we seat about 250 people, but the kitchen has not changed in size," says Joseph Ieraci (B.S. Finance, '90), part owner of the restaurant. "Our menu has to be something that we can create out of a small kitchen for a large number of people, so we're limited in how much we can offer, and the menu changes very little. We focus on quality and good service to keep people coming back."

And come back they do, as much for the continental cuisine as for the restaurant's location on the edge of a picturesque manmade lake – and even to see Ieraci himself.

"This is a hands-on operation that requires a lot of time," he says. "It's something I grew up doing at my family's Italian restaurants, so for me it's not out of the norm. But it's a dying breed, something like this. Most places have multiple managers. My partner and I run the place ourselves with another part-time manager, because of the rising costs in California. We grew up in this community and support the local schools and some local charities, so even though the food doesn't change, people just like to see us here."

Despite all that, the restaurant struggled when the economy turned in 2007-2008. To stay afloat, the partners refocused their efforts on drawing in large groups of 100 to 150 people, rather than parties of two and four. Corporate events, rehearsal dinners, baby showers, bridal showers and even an annual Sun Devil Send-Off for incoming ASU students helped them through the rough years.

"It's a lot easier to get a group of 100 than to get 50 tables of two inside your restaurant," Ieraci says. "We took that direction many years ago when the economy went south, and we just stayed on that path. We're staying the course. We've found the formula that works."