

MAY 2005

Product Trends
Shortening Supply

Donut Dollars
Rolling Dough

Team USA
World Champs

Power Plug
Howdy Neighbor

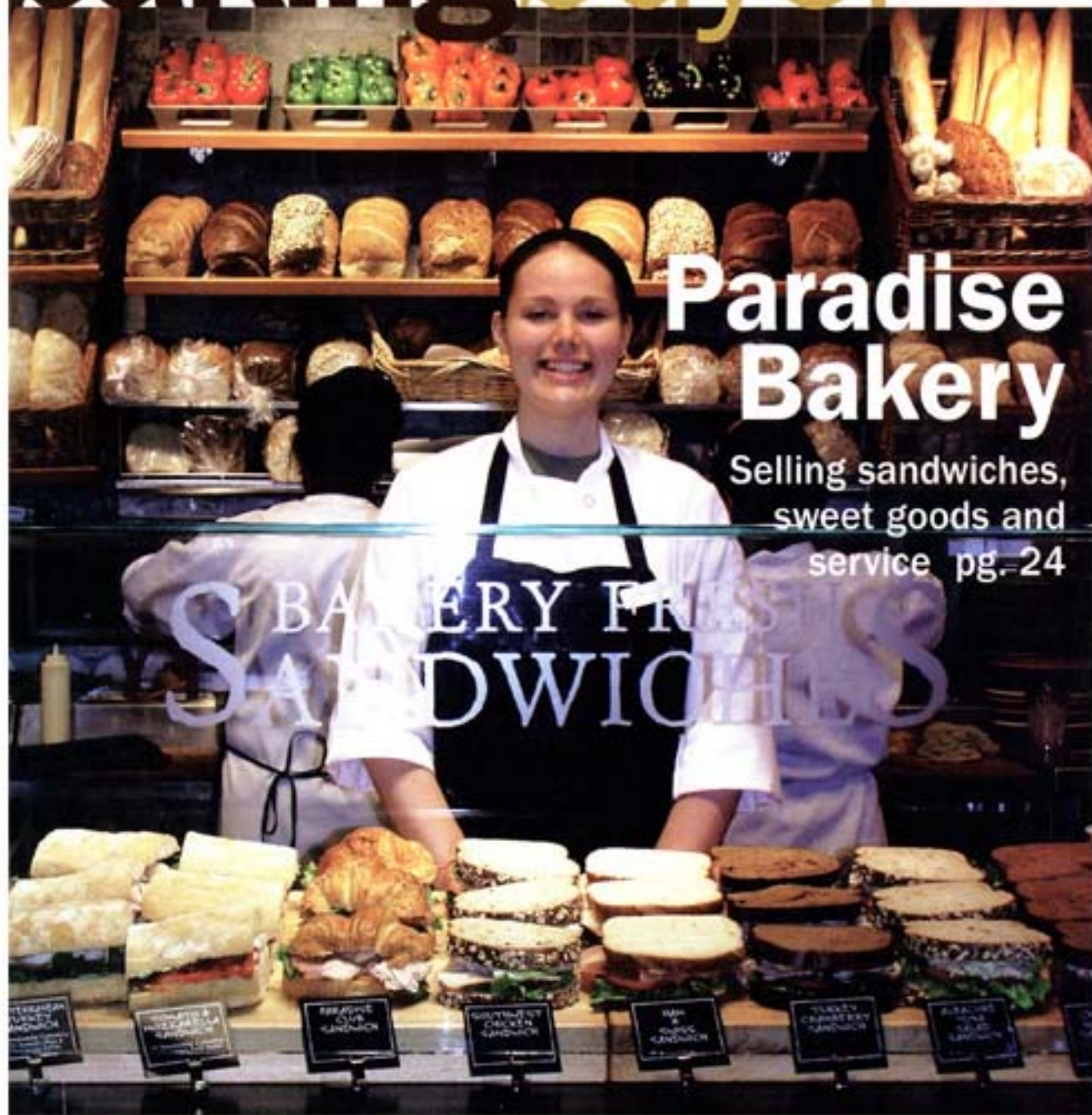
THE BAKER'S MAGAZINE

bakingbuyer

Paradise Bakery

Selling sandwiches,
sweet goods and
service pg. 24

BAKERY FRIES
SANDWICHES



Sandwiches, Sweet Goods and Service

Paradise Bakery and Café has the perfect plan for growth, production and marketing.

by Tarr Beach

In addition to the tempting products and exceptional employee performance, there are a few more Ss that could be used to describe Paradise Bakery and Café. These are the things the customer doesn't see: space, savings and sales. COO David Brizon adds one more S word: Success. The 38-store chain with headquarters and the bulk of its stores in Phoenix, AZ, has been around since 1976 and keeps growing. Just last month Paradise opened its newest store at 67th Avenue and Loop 101 in Glendale, AZ. That store is expected to earn over \$3 million this year, making it one of Paradise's top-performing locations. Already it's right on target.

Part of what makes Paradise Bakery strategy so solid, Brizon says, is that it doesn't require new stores in new markets at the usual break-neck speed some quick-casual foodservice operators have

instituted. Instead the close-knit, almost family-like executive board has followed a realistic growth plan that supports slow growth one store at a time. Brizon says a more organic approach to growth allows the company to satisfy its franchisee's needs better. Being privately owned, the \$52 million company doesn't make decisions based on Wall Street, but rather on what's good for the company, the product and the people.

"Our priorities are our people and our culture, and never putting profit ahead of people and really doing something different. We've watched so many companies that have gone public and fizzled out as quickly as they've come into the market. What we like best about our plan is that we are not forced to grow. Every store has to stand on its own. Every store has to have that same level of excellence. If that

means we are going to add four stores in a year then that means we have just added four great stores," Brizon says.

That being said, Paradise hopes to open nine new stores this year - one of their more ambitious store opening goals. The average growth is about six to ten stores a year.

BUY THE BRAND

Currently, Paradise owns 23 company-owned stores and has 15 franchisees. There are franchised stores in Indianapolis, Boston, Orlando, Omaha, Colorado and Texas, but Brizon admits the brand is just getting started in those locations.

"We are the top competitor in Phoenix and those franchises [outside of Arizona] will continue to grow, but it's not really until you get to that 12-plus store status that people begin to recognize your name in a market." According to Brizon, the company



Paradise's executive board is close-knit. (Left to Right) Dan Patterson, CEO; Mark Patterson, executive VP; Laurie Danks, CFO; David Brizon, COO and Carter Holmes, VP of development enjoy a moment together at a company Christmas party.

has a nationwide presence, but it is prepared to work longer before it is a readily recognized brand. Apparently Paradise is patient. "When people hear the name Porche they think 'Ooo sleek, smooth, fast.' When they hear Paradise Bakery it should be fresh and great and fun. 'Great ambiance, that's where I want to have lunch today.' Great brands take time to build."

Today's most recognizable bakery café brands are Panera and Corner Bakery. Panera just announced that it signed a 15-store deal to come to Phoenix. Brizon is resolute: "That just means we still need to be the best. We are not going to change the way we operate. People ultimately go where they get the best food."

At the end of the day, Brizon believes the quality of the food is what will win the race. "The example I use is that we've all gone out to a place that had phenomenal food that we love and maybe had mediocre service. We go there because we want the food. But none of us go to eat at a restaurant that has lousy food and great service because we want the service. I mean it is all about the food."

Believing customers buy with their tastebuds, Brizon extols the virtues of Paradise Bakery's spotlight products. There's Paradise's Chipper cookie, a bite-sized oatmeal and chocolate chip cookie. Of course the Cheesecake Brownie is rich and decadent with its thick layer of cheesecake filling baked in the

middle. The Turkey Cranberry sandwich with Paradise Bread (molasses dark bread) is a real crowd-pleaser, as is the Paradise Club made on a butter croissant.

MARKETING MAGIC

Besides its products, what sets Paradise apart from its competition is its retail design. A honey atmosphere is not hard to find in the bakery-café business, especially if your business is about 80% female, as Brizon puts his clientele at. What's unique to Paradise is that most products are baked up front and a modified cafeteria-style service area is used to serve customers. Also actual photos of the food are up on the menu



Honey displays and lots of free samples are always available at Paradise. Homemade dips accompany Paradise sourdough.

Whole Lotta Dough

For the 15 company-owned stores in the Phoenix area, Paradise's new commissary is doing a whole lot of work. If you can imagine that the company's scooping and scaling costs \$160,000 a year, think of all the cookies it produces.

3,000 pounds of cookie dough a day; 1.2 million pounds a year. That's 21,000 cookies per day.

1,400 pounds of muffin batter a day; half a million pounds a year. That's 3,000 muffins per day.

2,100 pounds of bread dough a day; That's about 800,000 pounds a year. That's 2.1 million sandwiches a year.

All numbers are for the Phoenix area only.



The unique blend of a cafeteria-style line, photo menu boards and lots of food on display gives Paradise a great marketing strategy. Individual stations for bakery, soup, salad and sandwiches keep things moving smoothly.

board for added visual appeal. Brizon explains that the idea behind the photo display menu was based on experience. "People eat with their eyes. It's no different than when you go to a full-service restaurant. You'll see a waiter going by and you'll go 'what was that? What's that person having?' This is just another way to bring that kind of experience to the customer. They can see it being made, they can see it at the sandwich board or they can see it on the menu. We just want them to see food everywhere they look. It's all about putting food in their face."

The sandwich board, a fairly new production station for Paradise street units, puts freshly made, unwrapped sandwiches on a large wooden workbench, where customers can simply point at a sandwich and have

an employee wrap it up or serve it up fast. Brizon says the sandwich board has helped cut down a customer's time in line by 25%.

Front of house preparers wear chef smocks to demonstrate to customers that food is fresh, made by skilled hands and of the highest quality. This has the added benefit of giving employees pride in their work, Brizon says.

Positioning itself as a restaurant, Paradise also has a host/hostess welcome customers and hand them a menu. Samples of bread and dip or cookies and muffins are always available at the door.

Helpful, friendly employees are part of Paradise's ambiance. Robin Raymond starts a batch of Chippers, bite-sized oatmeal chocolate chip cookies, with a smile.

SUPERSERVICE

Besides great product, David Brizon, COO, says he wants people to equate Paradise Bakery with great ambiance. It's clear that even though the light is nice, the leather armchairs are pretty fancy too, the ambiance at Paradise really comes from its employees. From the busboy to the cashier, all the employees are helpful and friendly. On a busy Tuesday afternoon, an elderly couple move slowly through the line. Robin Raymond helps them find what they want and even stakes out a claim for them at a quiet seat for two. She personally delivers their snacks, although Paradise does not have a full-service system, and patiently listens to the woman's request for more cream in her coffee. When she leaves the couple dig in and the woman can be overheard saying, "What a nice get, I like it here."



All together these key marketing points has helped Paradise get a higher average ticket than most bakery cafes. When customers are encouraged to look at lots of choices they often get more food. Most customers will buy a sandwich and one add-on item based on this kind of marketing. All sandwiches, which come with a freshly baked cookie sell for \$6.50. Paradise's average is slightly higher and hovers around \$7.50.

SPACE IS THE PLACE

Paradise had three concepts: mall, street, kiosk. Street locations are usually 4,500 square feet and average \$2.5 million in sales. The newest store at 67th Avenue and Loop 101 is a street location in an affluent area of town with a good mix of businesses and homes. More than two-thirds of its space is dedicated to retail-dining. The postage-sized kitchen, where all salads are prepared, bread sliced, dishes washed and packaging stored proves again that Paradise wants to put as much of the production up front where customers can see and smell it. The company's Sky Harbor



Nora Hurley and Elizabeth Cortez slice fresh bread minutes before sandwiches are made. Fresh bread is delivered throughout the day to all Phoenix-area bakeries from one commissary.

Airport location is less than half the size of a street location and it does \$4 million in sales. For that reason and others, Brizon says the airport store will undergo some remodeling soon.

Bakeries bake all product on site. Until just six months ago, that is. The Phoenix area, which is made up of 15 company-owned stores, recently opened a commissary where bread is baked and delivered unsliced daily. Cookie, muffin and brownie dough also is portioned here.

"We've always baked in the tightest of spaces. Opening the commissary has saved us about \$200,000 in labor alone," Brizon says.

PRODUCTION SAVINGS

The company has big plans for its new Phoenix commissary. It will be getting a depositor soon, which Brizon says will save the company approximately \$100,000 a year. Current figures indicate the company spends about \$160,000 a year on scooping and scaling cookies, muffins and brownies. Even after the initial cost of the depositor is factored in,

Brizon puts the company's first year savings at \$20,000.

By the end of the year, the company will also be producing its own bagels in an effort to reduce costs and increasing consistency. Paradise buys its bagels from a local wholesaler right now, but Brizon says making their own 80-100 dozen bagels will probably offer the company a considerable savings. The airport location uses about 40 dozen alone.

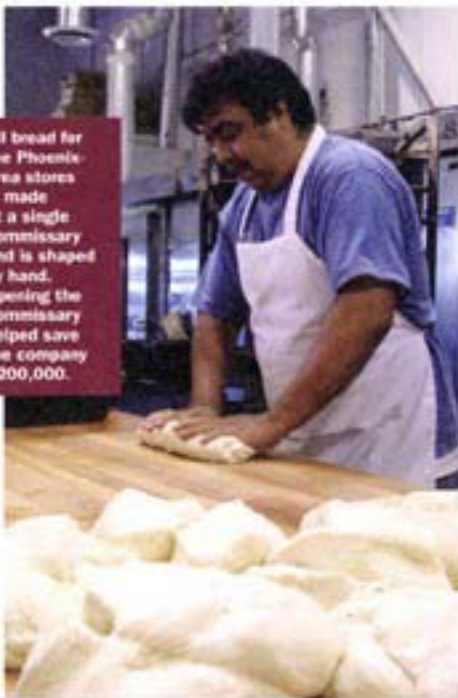
Next on the list are croissants. The company believes it will save money by making its own sandwich croissants and plans are in the works for croissant production in 2006.

Right now there is only a handful of bakers aided by experienced bakery workers in the commissary, but with the new production lines more may be added. All bakery workers, which number about six or seven per shift, are under the expert guidance of Charles Weible, the commissary manager. He says the bakers and bakery workers were all hand-picked from area stores, so the opening went very smoothly.

Today the bakers are making braided Challah, a labor intensive dough, that Brizon says is the company's best-selling retail loaf. Each hand-shaped loaf looks shiny and symmetrical, proving Brizon's point that the commissary has not only cut labor costs, but helped add consistency to the product line.

Certainly the fact that products are all scratch-made and

baked onsite puts Paradise on par with independent bakeries, but only 2% of its business is retail bread sales. Brizon says Paradise's main business is foodservice. Open from 6 a.m. to 9 p.m., Paradise does about 50-55% lunch, 20% breakfast and a little dinner. Brizon says that mix will probably stay the same. "We've watched all of our competitors and we've done it ourselves — poured tons of money into this dinner segment — and what we've found when we went through the experiment ourselves was that people coming to us for our soups, salads, muffins and cookies even at night. And I just think that there's only one restaurant business in the world that does all three dayparts and that's McDonald's. So maybe a breakfast and lunch concept doing dinner is somewhat the same as PF Chang's (a Chinese QC restaurant) doing breakfast. You don't go there for breakfast. We're happy sticking with what we do best." ■



All bread for the Phoenix-area stores is made at a single commissary and is shaped by hand. Opening the commissary helped save the company \$200,000.