



# Real estate in real time

HOW TO WIN WITH ONE OF THE MOST IMPORTANT BUSINESS DECISIONS YOU'LL EVER MAKE

Each year, thousands of budding entrepreneurs make the leap into business ownership, many sinking their life savings into the dream of business success. For many of those new business owners, a restaurant is their chosen path to success.

By Richard Slawsky

Unfortunately, according to the Small Business Administration, about 30 percent of those dreams turn into the nightmare of failure. Although a commonly held myth says that about 90 percent of new restaurant ventures end in failure, according to the trade journal "Restaurant Startup & Growth," the true number is closer to 23 percent, making a restaurant one of the safer bets for a successful business.

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Business owners can increase those odds by choosing a franchise as their vehicle to success. According to the Department of Consumer Affairs, only about 5 percent of new franchise businesses end in failure.

The advantages of franchising are numerous. The franchisee has the benefit of an established brand with an established following. The franchisee can also benefit from training provided by the franchisor, as well as the opportunity for economies of scale in purchasing and advertising.

Other operators have managed to develop a successful concept from the ground up. Rather than expand through franchising, some chose to keep the growth in-house and grow via company-owned locations.

Either way, the process often involves opening new locations in unfamiliar locations. Real estate professionals, using newly developed technological tools to analyze current demographics and emerging trends, can help operators make the best possible prediction for the chance of success at a particular location.

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**REAL ESTATE PROFESSIONALS, USING NEWLY DEVELOPED TECHNOLOGICAL TOOLS, CAN HELP OPERATORS MAKE THE BEST POSSIBLE PREDICTION FOR THE CHANCE OF SUCCESS AT A PARTICULAR LOCATION.**

type of site you select can be the difference between success and fail-ure,” said Brian Curin, managing partner for Atlanta-based The Windsor Realty Group. “In today’s competitive market, this decision has to be made based on fact, not opinion, and has to be made quickly without wasted time.”

Curin speaks from experience when talking about the restaurant industry. He formerly served as head of marketing for Cold Stone Creamery, working with the company as it grew from 75 stores to more than 1,000. He went on to become an area developer and multi-unit franchisee with the premium ice-cream company.

Curin later ran franchise development as a partner with Lubbock, Texas-based shaved-ice concept Bahama Buck’s and most recently worked for Atlanta-based Raving Brands Inc. as head of marketing for that company’s concepts.

“Site selection is the largest investment that a franchisee or an operator is going to make in their entire business,” Curin said, “and should be treated as such by real-estate professionals.”

### THE LOWDOWN ON SITE SELECTION

For operators seeking to site a new restaurant location, the goal is to choose an area where the operation’s primary customers live and work.

That often means tapping into demographic information about a region’s average income, population trends and the dining and shopping habits of residents. Operators normally create a model of the ideal customer base to help narrow the areas where they look for potential sites.

“From a site-selection standpoint, a lot of the work emanates from the demographics of the area,” said Houston Jones, president of the Louisville, Ky.-based restaurant and design firm The Houston Group.

Jones subscribes to a service offered by the Certified Commercial Investment Member Institute, which provides demographic information for particular neighborhoods around the country.

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“Say I’m looking for steakhouses,” Jones said. “I can filter my demographic information down to find out how many times people in that neighborhood went out to eat at a steakhouse in the past six months.”

For Destin, Fla.-based Tropical Smoothie Café, the main customers are people 18-54, generally women, according to Chief Operating Officer Jim Valentino, although the chain’s menu of smoothies, salads, sandwiches and soup has an extremely wide appeal.

Ralph Kinder, director of franchise development for Dallas-based Baker Bros. American Deli, said that company looks for upscale neighborhoods with a minimum household income of \$50,000.

“We pull people from all demographics but more white-collar than blue, and typically our customers have a four-year college degree,” Kinder said in a May 2007 interview with FastCasual.com.

Once it has been established that a specific, desirable demographic is present in an area, the restaurant chain looks for “drivers,” or particular types of businesses that attract traffic.

For Baker Bros., which depends heavily on lunchtime service, daytime drivers such as universities, hospitals and large office buildings are essential.

“Power centers like upscale grocery stores such as Whole Foods drive traffic to us,” Kinder told FastCasual.com. “Restaurants tend to cluster around these businesses because if someone doesn’t have a specific destination in mind they’ll say, for example, ‘let’s just go to the Galleria area and see what’s there.’”

Co-tenants also can prove to be useful drivers, said Vas Lahanas, director of real estate for Salsarita’s Fresh Cantina.

“We always look for other national brands that do a good job on build-out,” he said. “Panera Bread is a good co-tenant and Starbucks is, as well. We’ve done 10 deals with Starbucks and they always generate a lot of traffic.”

Tropical Smoothie Café doesn’t look for a particular driver, Valentino said. Instead, the chain looks at the overall customer traffic in a center and what the center offers in terms of visibility from the street.

## REAL ESTATE IN REAL TIME

“We have been very successful without having to be near a Starbucks or a Cold Stone Creamery,” Valentino said. “I think from our standpoint, we want to look at what the center has to offer in terms of the people coming there.”

Finally, the operator needs to choose whether to move into an existing space or whether to build an entirely new outlet.

“Many chains will go in an end cap versus building their own building, because it is so much cheaper,” Jones said.

“You are going to knock off \$500,000 to \$700,000 if you don’t have to construct your own building, so you can go in and open your restaurant for a whole lot less money,” he said. “There are others who have to have an acre-and-a-half or two acres to build a freestanding building.”

## HOW IT’S BEEN DONE

Some restaurant operators attempt to handle site-selection chores on their own, maintaining an in-house real-estate department.

However, operators can sometimes get bogged down trying to handle real estate duties themselves. As a result, they can fall short of expansion goals, said Jeremy Behar, chief executive officer of Toronto, Ontario-based Cirrus Tenant Lease Services.

“We have a client with five people in-house who were supposed to put 25 new stores on the map every year,” Behar said. “Instead, they only made it to seven or eight because they got bogged down in getting these 150-page leases and deals done.”

Many operators hand off the process of choosing a site to independent brokers who present the franchisor with a variety of options. After the location has been picked, the broker will often negotiate terms of the lease.

According to Jones, operators have several advantages when choosing an independent broker to handle the site-selection process.

“The company doesn’t have to keep someone on the payroll,” Jones said. “We do all their buying and selling for them. We know the market; we know what the demographics are and what to look for.”

## REAL ESTATE IN REAL TIME

The 235-unit Tropical Smoothie Café partnered with The Windsor Realty Group to handle its site-selection needs.

With Windsor, the franchisee has a professional real-estate person working on his behalf and Tropical Smoothie Café's behalf, Valentino said, looking at the market as a neutral observer versus a broker who may have other underlying interests.

"When you talk to other people Windsor deals with in the industry, you realize they have a great reputation," Valentino said. "I like the processes they use."

"Windsor Realty Group has developed a comprehensive site-selection and real-estate approach tailored specifically to the needs of the Tropical Smoothie Café area developer and franchisee systems," said Dan Wirtz, founder and president of The Windsor Realty Group. "The process is designed to help Tropical Smoothie Café drive revenue, minimize risk, out-position the competition and provide predictive outcomes."

"The leadership at Tropical Smoothie Café appreciates the importance of target market-driven real estate, flawless execution and a comprehensive package that allows area developers and franchisees to make objective decisions about the most vital and costly decision — the real estate," Wirtz said. "We work with them directly to help them make the best decisions, so they are part of the process."

## TOOLS OF THE FUTURE

Windsor has developed a comprehensive approach to site selection and real estate in what has always been an archaic industry, Curin said.

Prior to Windsor's approach, there had been no dramatic changes in the process of choosing real estate, or even how the process is managed, he said.

"Typically, you've got real-estate people looking randomly for locations, with no real strategy. The searches are based on site criteria that are real-estate driven only," Curin said. "Then there are marketing people who really know who the consumers are, yet they are not communicating with each other. Through our comprehensive approach, we are



*Dan Wirtz, founder and president, The Windsor Realty Group*

able to close the loop between real estate and marketing and provide a targeted approach and a system that delivers.”

Windsor has termed its strategy MMDR, meaning management, marketing and demographics, then real estate. The company’s belief is that to have great locations, you first have to have the right person running the location. Then you need to know who your consumers are and where to find them, then develop the right site criteria to find the best real estate.

Windsor’s strategy is centered on finding who the consumer is through real-time market intelligence, developing site criteria based on real-world variables and then putting those together to develop focused search areas to find the right real estate.

“The MMDR approach allows for companies to set up each and every location for success,” Curin said. “You’ve got to have the right person in that location first, whether it is a franchisee or a company-operated location.”

Windsor has developed a franchisee and management profiling tool to help accomplish the task of matching people and locations. The profiling tool consists of a survey and psychological evaluation that can determine a potential franchisee’s characteristics and personality traits, as well as give an indication of how well that individual will perform in the field.

The second aspect is marketing and demographics. Typically, real-estate people are looking for locations and marketing people are looking for consumers, yet they are not talking to each other, he said.

“We’re saying, ‘Hold on, let’s practice target-market real estate, which first identifies the consumer, then determines site criteria.’ Put that data together to ensure you are in the right market before you make that major investment in the real estate,” he said.

## A BETTER WAY

To further aid its strategy, Windsor has developed proprietary technology to provide clients with real-estate solutions in real time, Curin said.

Windsor's process integrates a global-positioning system, mapping technology and digital photography with the Windows Mobile 5 operating system. Using a Treo mobile phone, Windsor Realty professionals in the field will visit each target market with the franchisee, upload pictures of property, update property details and capture and edit mapping coordinates in real time.

Once all the information is collected within each specific market, the handheld device may be synched with Windsor's Web application. From there, a Real Time Target Market Survey can be generated for the client's review.

This survey will indicate the target area and all the available options within that area, as well as all the unavailable options and the reasons they are not available. Each available option is studied in depth and compared with the client's specific needs, including site plans, floor plans, up to 12 pictures of the property, a map of the property and aerial photograph of the location.



*Windsor Realty professionals collect information on properties in each target market using a Treo mobile phone.*

By utilizing this technology, Windsor can complete an initial market tour and site search anywhere in North America and deliver a comprehensive package to its clients in less than a week, much more quickly than the average of four weeks it takes many brokers. All of this collected information is stored electronically in Windsor's Web application and can be accessed at a moment's notice.

This is especially important during the lease process, Curin said.

With this information, Windsor's clients can immediately understand the market in real time, evaluate all the available options and make a real-time real-estate decision whether to move forward on a potential location or move forward on another target market area, he said.

Using the company's proprietary technology, Windsor professionals can immediately send out customized requests for proposals to landlords, analyze landlord responses and set up customized scoring systems to compare the different options. Once a building is selected, a letter of intent is generated and Windsor begins the negotiating process.

"Our technology, processes and tools have been developed to service clients with the most accurate and factual information so they can make site-selection and real-estate decisions with the utmost confidence," Wirtz said. "We have the ability to gather all the vital facts in an efficient manner, faster than any other company does, which allows our clients peace of mind when selecting the right real estate in the right market in real time."



### ABOUT THE SPONSOR

*The Windsor Realty Group, established in 1996, is a leader in providing commercial site-selection and real-estate solutions through target market-driven real estate. The company has successfully completed assignments in office, retail and industrial markets in more than 350 cities across the country for some of North America's best-known brands. Windsor succeeds in its pursuit of real-time real estate by harnessing the power of process and technology to give clients accurate information, allowing them to make decisions that drive revenue, out-position the competition and minimize risk through predictive outcomes.*