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PERIODICALS

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# Sodexo's wellness program scores with stealth and education

By Carolyn Walkup

Allegations that dozens of McDonald's restaurants in at least 14 states have employed registered sex offenders, including some previously convicted of at-restaurants offenses against minors, have brought to light widespread gaps in hiring practices and caught the attention of Congress.

And Nation's Restaurant News' inquiries into the prevalence of foodservice job seekers who have criminal records for sex crimes or other offenses revealed

an unexpectedly high rate that exceeds those for other industries, at least according to a background-check firm that works for one large Burger King franchisee.

But criminal-record checks that might detect a job applicant's record as a sexual predator appear to be the exception, not the rule, in a cost-averse industry that nonetheless caters to children and depends on young workers.

The issue of background checks that are not performed —

**McDonald's focus on child-oriented marketing has been cited in reports about the chain's job applicant screening policies and practices.**

and of sex crime convictions that are ignored by major restaurant chains — arose this month with a multipart series of evening-news reports by the Nashville, Tenn., CBS affiliate, WTVF. Its broadcasts cited multiple cases in which franchised and McDonald's

(See **HIRING**, page 6)



# Aramark's big deal not big enough, critics say

\$5.8B buyout offer by CEO-led group called 'inadequate' by shareholders

By Sarah E. Lockyer and Elissa Elan

PHILADELPHIA — The proposal by an investment group to purchase Aramark Corp. for \$5.8 billion — a figure that would qualify the deal, if consummated, as among the largest in foodservice history — may not be quite large enough, according to some investors and observers of



Joseph Neubauer

the managed services giant based here.

Securities analysts who cover the nearly \$11 billion-a-year company, and Aramark's second-largest outside stakeholder, have described the \$32 per-share buyout offer from a group led by Aramark

chairman and chief executive

Joseph Neubauer as "too low" and "inadequate."

A shareholder class-action complaint, filed in the Delaware Court of Chancery on the same day as the Neubauer group's May 1 offer, described it as "unfair." It alleged that Neubauer's "scheme and intent" was to take the company private "as cheaply as possible." The lawsuit was filed by shareholder Roberta

Schuman.

Yet other industry observers said Neubauer and his consortium of investment partners — GS Capital Partners, J.P. Morgan Partners, Thomas H. Lee Partners and Warburg Pincus LLC — are looking only to build shareholder value and develop a war chest of private-equity funding to finance future acquisitions.

(See **ANALYSTS**, page 9)

# U.S. brands confront turmoil in heavily developed U.K. market

By Ron Ruggless

U.S. restaurant concepts operating in the United Kingdom have encountered challenges lately, leading to questions about whether the two countries that share a common tongue may be separated more by taste.

Changes arising in the U.K. market have touched U.S.-based

quick-service and casual-dining players, which are known to have made Britain the largest outpost of American brands in all of Europe.

McDonald's Corp. in the first quarter took a \$40 million charge for the closure of 25 U.K. units amid plans to sell another 50 of its outlets to franchisees. The

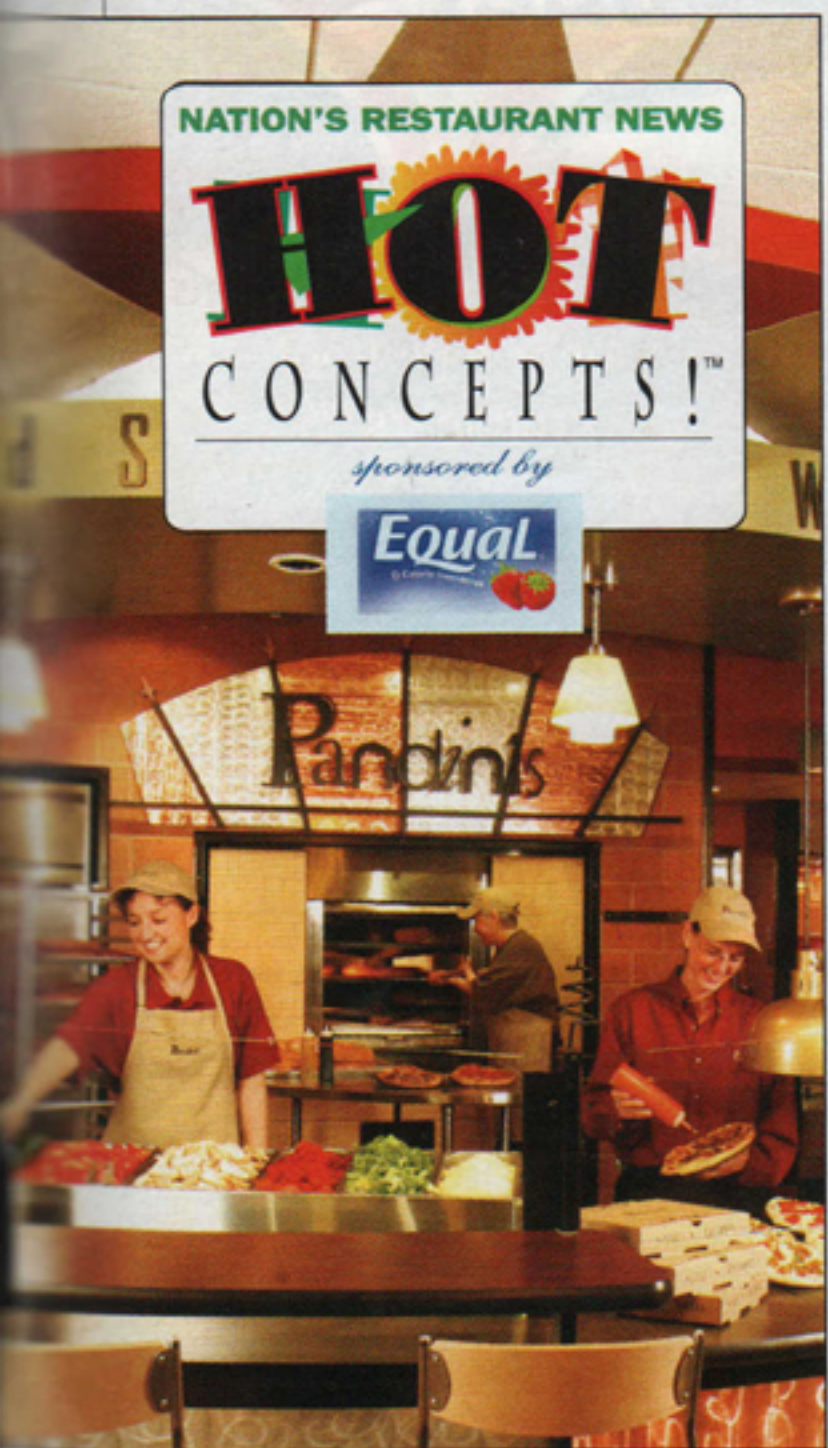
chain's biggest cutback in operations in its 31-year history in the British market came after McDonald's recorded a nationwide same-store sales decline for 2005 amid heightened competition from more contemporary sandwich chains. Though McDonald's still had 1,100 units in the

United Kingdom, analyst Jeffrey Bernstein of Lehman Brothers Holdings Inc. warned that the nation was "the area of greatest concern for management."

Whitbread PLC, the British brewing and hospitality company, said in April that it was

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## Hot Concepts! Awards honor cool brands

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# PANDINI'S

Fast-casual Italian brand offers on-site customers an Old-World slice of life in a modern setting

By Nora Caley

**P**andini's, a fast-casual Italian bistro owned by Allentown, Pa.-based Retail Brand Group, has been cultivated with one thought in mind: On-site dining does not have a captive audience.

Although the 16-unit concept, which specializes in gourmet pizzas and pastas, now is found mostly on college campuses, it is geared to compete with both on-site and commercial eateries in nontraditional and traditional locations. Eight more Pandini's are in development.

building. Pandini's is one of eight brands in the RBG portfolio, which also includes Mein Bowl, an Asian concept; Salsa Rico, a fresh Mexican eatery; Strutters, a chicken concept; Pete's Arena Pizza, which sells pizza by the slice; Sky Ranch Grill, which offers big burgers; Sub Connection, a sub sandwich shop; and Jazzman's Café, a coffeehouse that won a Hot Concepts! Award in 2004.

When the first Pandini's opened in 1999, the fast-casual segment was in its infancy, Kitabwalla notes. Students, office workers and other on-site populations were no longer willing to eat whatever they could pull onto their trays. Consumers were developing a taste for fresh ingredients, the ability to customize orders and the desire for more healthful, quick meals.

"The old days of cafeteria-style dining are a thing of the past," says Helen Zeigler, director of business at the University of South Carolina in Columbia. "Students do

expect to find on campus what they find in malls and in restaurant districts within the city."

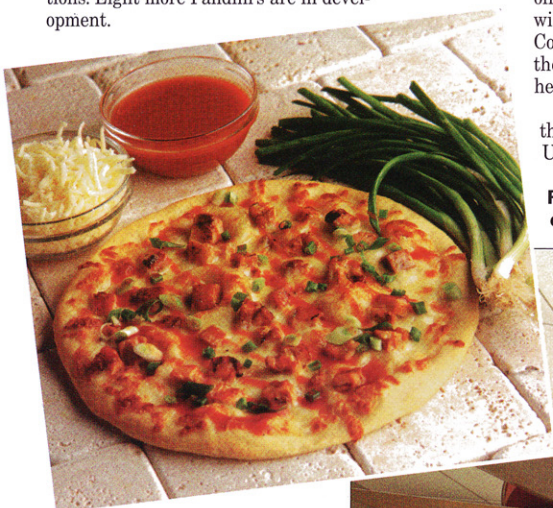
David Joseph, executive director of student auxiliary services at Lehigh University in Bethlehem, Pa., agrees.

"Students are out and about. They've eaten a lot of meals outside the house," he says. "When they're home, they joke, 'How do you know when it's time for dinner? When you hear the ignition start.'"

He adds that it's important to understand where students ate before they came to college and how that age group differs from office workers. Like working adults, 18- to 21-year-olds prefer fresh ingredients and enjoy watching their food being prepared. But the younger audience has a different schedule than the nine-to-five set.

"Students like to be up late at night, so they don't eat at traditional times," Joseph says. "They want continuous  
*(Continued on page 50)*

**Pandini's is found mostly on college campuses, where it serves students and faculty "artisan" pizzas, pastas, sandwiches, calzones and salads. The brand plans to expand with more corporate units and through franchising for noncampus spots.**



"People have choices," says Damon Liever, president of Retail Brand Group, or RBG, a division of Gaithersburg, Md.-based contract foodservice company Sodexo USA. "People can walk out of one of our locations to go to Wendy's or bring lunch from home."

Because of that fact, Pandini's was built with a sort of Main Street retail mentality, says Husein Kitabwalla, vice president of development for RBG. "The whole marketplace changed from a cafeteria mentality to wanting experiential dining. That's how we approach it."

Universities are like little villages, he explains. For example, the 40,000 students at Arizona State University can choose to purchase their food from Chick-fil-A, Starbucks, Einstein's, and other brands in addition to Pandini's. At the 15,000-student University of South Carolina, students can eat at Taco Bell, Burger King and various RBG brands, all within the same

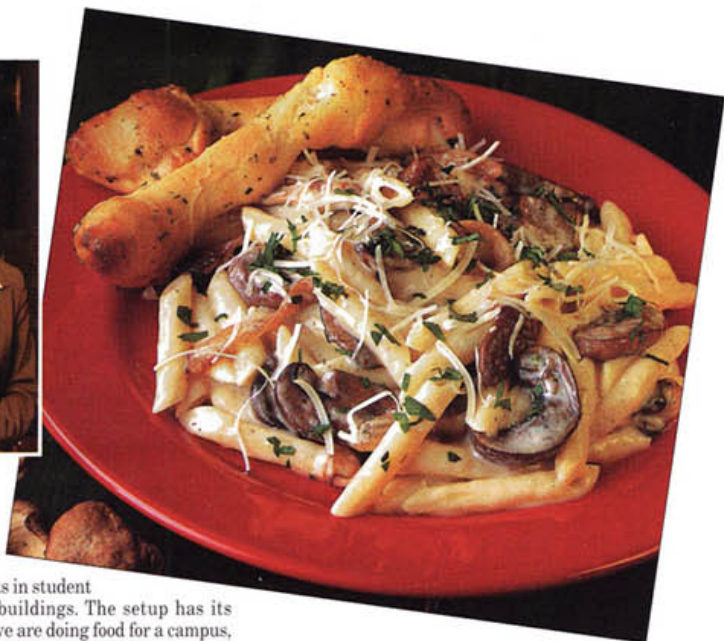




## PANDINI'S



The Retail Brand Group's executive team includes, from left: Holly Smith, director of marketing and promotions; Husein Kitabwalla, vice president of development; Damon Liever, president; and Erica Milios, senior brand manager. RBG, a Sodexo subsidiary, oversees Pandini's, whose menu offerings include pasta dishes, right.



(Continued from page 48)

hours of service so they can graze."

Pandini's, whose tagline is "Old World Style, New World Flavor," is eager to feed that young audience. Pizza is the best-seller, but it's not the simple, cardboard-crust pies that might have been a student staple years ago, officials say. Today, students want their 10-inch pies to be gourmet. Pandini's pizza choices include a three-cheese Margherita Pizza, a Roasted Garlic and Mushroom Pizza and a Buffalo Chicken Pizza.

"It's different from back when I went to school," Joseph says. "Times have changed considerably with people and their eating habits."

The concept's second most popular menu item is the Labretti, a word that, like Pandini's, was made up by company officials based on the results of branding research. The Labretti is a folded — but not sealed — variation of the 8-inch pizza. The dough is topped, folded, baked, then finished with more toppings. The idea, says Kitabwalla, was to make the meal portable.

Pandini's menu also includes pastas, such as pasta alfredo, and southwest chicken and broccoli; sandwiches, such as dijon chicken ciabatta and tuna focaccia; stromboli; calzones; and salads. The check average ranges from \$6.25 to \$7.50, depending on the location.

The restaurants, whose design is modern and artistic, feature fire deck ovens and brightly colored walls decorated with hanging artwork. The stores come in different sizes and formats, including a 30-foot inline version and a 2,000- to 2,500-square-foot freestanding restaurant. There also is a smaller, 20-foot inline footprint for Pandini's Express.

Although RBG executives refrain from discussing financials, Liever says one location generates revenues of about \$25,000 a week, but not during the summer months when most students have gone home. The stores had comparable-store sales growth of 11.7 percent for the first three quarters of fiscal 2005, he says.

"The performance of the brands has been good, ever since we initially opened the first one six years ago," he says.

The Pandini's concept was created by Wood Dining Services, an Allentown, Pa.-based regional contract company. In 2001 Sodexo bought Wood and kept several Wood executives on board. In 2005, Gaithersburg, Md.-based Sodexo made RBG a wholly owned subsidiary intended to open more branded concepts on the sites of Sodexo's food-service accounts and in new retail locations. RBG currently has 400 locations of its nine branded concepts and plans to open 150 more company-managed and franchised locations in the coming year.

RBG builds Pandini's units in student unions and other campus buildings. The setup has its advantages, Liever says. "If we are doing food for a campus, we have the agreement, so we're not dealing with landlords and traditional issues of getting real estate," he says.

There are also advertising opportunities that don't exist in the outside retail world. RBG can advertise Pandini's on campus with mailbox stuffers, fliers and print advertising in student newspapers.

Joseph says having Sodexo behind the brands gives Pandini's, and the university, certain advantages as well. Sodexo USA is a \$6.3 billion company that has 5,000 on-site foodservice accounts on college campuses and in office and government buildings, health care facilities and airports.

"We try to know our market as best we can, and we rely on the expertise of Sodexo. They are doing market research, and we are willing to listen to them," Joseph says. The company conducts focus groups, depending on the market it's trying to reach. For example, athletes were invited to participate in a focus group in April because their schedules and nutritional needs are different from other students.

On the other hand, Joseph says, there are still some challenges. "We struggle here to get students working in dining services," he says. "We get a handful, but it's Sodexo employees working at the restaurants."

Ziegler says Pandini's helps the University of South Carolina reach the school's goal of providing everything students need on campus.

### PANDINI'S

**Owner:** Retail Brand Group LLC, a subsidiary of Sodexo Inc.

**Headquarters:** Allentown, Pa.

**Number of units:** 16

**Average unit volume:** undisclosed

**States where located:** Arizona,

Connecticut, Georgia, Illinois, Massachusetts, New York, Pennsylvania, South Carolina, Texas, Virginia, West Virginia and Washington, D.C.

**Type of concept:** fast-casual Italian bistro

**Average check:** \$6.25 to \$7.50

"We are trying to keep our parking on the perimeter," she says. "We focus intently on making our campus a walking campus with a park feel to it. We want people to stay on campus." More walking means fewer cars, less pollution, and a quiet atmosphere, she adds.

RBG plans to expand Pandini's by adding corporate units and through franchising. That means would-be franchisees would have to deal with the real estate and marketing issues that campus locations don't. They also would have to negotiate for end-cap and other traditional restaurant sites, and they would likely look to billboards, radio, and other media for advertising, Liever notes.

"There are a lot of different aspects of the business we will have to address with franchisees," he says. "It's not totally new to us, but it is something different."

Pandini's franchisees would be required to offer a core group of products and have access to eight to 10 promotions a year for different menu items. Restaurant experience is not required for franchisees, and RBG will offer opening and ongoing operational support, including secret shopper reports twice a year. The franchise fee is \$17,500.

There's plenty of competition among franchise offerings — everything from pet daycare to other restaurant companies — but Kitabwalla points out that there aren't many upscale Italian fast-casual concepts.

"The appeal of Pandini's is the ability to deliver dishes like individual artisan pies and sautéed pastas to fast-casual customers," he says. "It offers customers options they would typically think of needing to sit down and order."

Pandini's locations are in 12 states — Arizona, Massachusetts, Virginia, Pennsylvania, Georgia, Washington, D.C., New York, Connecticut, Texas, South Carolina, West Virginia and Illinois — and the eight units in development will take the concept to North Carolina, Ohio, Rhode Island, Louisiana, Alabama, Nevada and Florida.

The varied concepts in RBG's portfolio should be attractive to potential franchisees and help future growth, Kitabwalla says.

"We have the broad portfolio of concepts in our offering — and now two Hot Concepts! winners — for someone looking to operate multi-concepts that allows a single point of contact for multiunits side by side, but more importantly it allows a lot of flexibility for sharing operating efficiencies," he says. ■