

March, 2004

## Ready For The Gold Rush: San Francisco Oven

### Fired-up San Francisco Oven primes for red-hot growth.

As most great ideas do, it started with pizza. Eddie Cerino and his business partner, childhood buddy Matt Harper, noticed that more of the regular customers at their casual full-service restaurant, Eddie's Creekside Restaurant & Bar, were coming in several times each week for dinner. Cerino and Harper sensed a market opportunity at hand, and set out to drive it.

The vehicle: pizza. Cerino, whose parents ran one of Cleveland's most enduring Italian restaurants, had a passion for hearth-baked pizza, and Harper had the savvy and drive to take the venture national. All they needed was a truly new approach, so they took to the road.

"We got to San Francisco and were taken aback," recalls Harper. "The culinary influences were phenomenal: Chinatown, Fisherman's Wharf, Nob Hill. We were sitting in a North Beach café and we looked at each other and said, 'This is it! We need to pull San Francisco into the concept.' I came up with the name San Francisco Oven right there."

They returned to Cleveland with the concept, a casual-restaurant offering San Francisco-influenced cuisine and featuring hearth-baked pizza, sourdough bread, California wines, with fast service. There was just one obstacle. "We knew that we knew how to do one unit. We had done it with Eddie's Creekside. We didn't know how to take it to the next level," San Francisco Oven president and c.e.o. Harper says.

"Then we went to RESTAURANT HOSPITALITY'S Concepts of Tomorrow (COT) Conference. As we listened to the speakers, we were looking at each other and saying, 'Yeah, we can do this ....' We left with a clear vision of what we needed to do and we executed that vision."

Cerino, a graduate of the Culinary Institute of America, developed the menu and tested the recipes as Eddie's Creekside specials. Harper, whose marketing degree was seasoned by years in sales with Airborne Express and Federal Express, got to work on business plan and copyrighting the name.

While most people develop the concept, then create the brand, Harper and Cerino created brand and concept together. Harper laughs ruefully about the wisdom of doing so. "Ultimately, the customer tells you what you are and what you will become. We sort of threw the brand out there and said, 'We haven't tested this by opening the doors yet, but this is who we are and what we are and we hope you're going to like it!'," he says. "When we opened the doors to the first unit, people thought we were a franchise in a national chain! I think it worked because we did so much work on the front end, as well as several years of research and testing."

COT again delivered the goods. "One of the speakers was from SS&G Financial Services, Brad Saltz (a CPA and director of SS&G's hospitality

#### SAN FRANCISCO OVEN

**CONCEPT:** Sophisticated fast casual lunch and dinner service featuring a Bay area flavor palate with California wines and beer.

**OWNERSHIP:** Partnership of Matt Harper, president and c.e.o. and Eddie Cerino, vice president. Development through franchising.

**LOCATIONS:** 2 units in Ohio, with units opening in Ohio, Iowa and Florida by summer 2004.

**FUTURE GROWTH:** 8 to 11 units planned in 2004; 70 franchises sold in 2003 and 150 franchises in 2004. **AVERAGE SIZE:** 2,500 to 3,200 sq. ft.

**AVERAGE CHECK:** \$7 at lunch; \$10 at dinner.

#### ON THE MENU

##### Pizza Napoletana

Hearth-baked pizza with a thin, soft crust topped with homemade San Marzano red sauce, Sonoma Valley white sauce or basil pesto sauce and a choice of 17 toppings.

7" Signature pizza **\$4.95**

14" Pizza **\$11.50**

**50¢/\$1.50** per topping

##### Gold Rush Onion Soup

Red, Spanish and green onions and shallots in a rich broth with provolone cheese and sourdough croutons

Bowl **\$2.95/bread bowl \$4.95**

##### Monterey Bay Salad

Fresh greens, spinach, tomatoes, baked pineapple and mandarin orange slices garnished with cinnamon crisp wedges and citrus poppyseed dressing. **\$6.25**

##### Alcatraz Roast Beef Sandwich

Lean roast beef, smoked Gouda cheese, red onion, field greens and roasted garlic horseradish mayonnaise on sliced

services practice)," says Harper. "He said, 'Find the best people you can to surround yourself with and, if you have to, give them a piece of the company to do it.'"

They took the concept to Louis & Partners/Design, a nationally recognized graphics house in Bath, Ohio with several restaurant chain clients. After the meeting, the firm's president, Lou Nonno, was so impressed that he invested in the company. Harper notes proudly, "He said, 'You guys have nailed it.'"

"From day one, we knew we were going to take this national, so every decision was based on more than one location," Harper explains. "Packaging, bags, napkins and cups all had the logo. It was expensive, but we knew that if we wanted to go national, we had to invest the money to do the branding."

Seed money from the sale of stock in the parent company to Nonno, family and friends financed the Willoughby, Ohio initial unit and development costs. To grow, the partners chose franchising. Harper explains: "For us to open 20 company-owned stores would take a long time because banks don't like restaurants. They want a track record from the first unit before they loan money past that." Historically, franchised units thrive better than company stores because the franchisee has an investment to protect. SFO also seeks franchisees who embrace the concept unreservedly: Harper wryly calls it "drinking the SFO Kool-Aid."

### **Growing Pains**

An Internet search turned up Alexandria, Va.-based Fransmart, which evaluates and readies restaurant concepts for marketability and expansion, then sets up national accounts with suppliers; creates training and human resource manuals; screens prospective franchisees; evaluates costs and advises on ways to enhance the cost-value equation.

By outsourcing accounting, finance, legal, graphics, marketing, advertising and sales activities, SFO maximizes funds available for growth. Training and operations will remain in-house and will be staffed as needed. Harper observes: "If we took the time to manage every aspect of things, we wouldn't have time to look at this business from the top down and ask the hard questions. This has worked out tremendously."

Judicious investment in technology helps SFO run lean. Its Aloha POS system constantly updates sales, labor and product mix for every unit, enabling proactive management. Franchisees communicate with headquarters through an intranet system. Recipe costing and inventory is managed with the ChefTech program that allows franchisees to view new products, access ingredients and preparation, and perform related tasks.

Assisted by Fransmart, San Francisco Oven sold franchise rights for 70 units in Florida in December 2003, and at press time, has added 11 franchise units in northwestern Ohio and southern Michigan, three in northern Virginia, three around Dallas, and three in the Akron-Canton, Ohio area. Harper also is negotiating a multiple-unit deal near Nashville. Even without a track record, Harper has received calls from upscale developers whose demographic profile matches SFO's: ages 25 to 45, educated, females and double-income families, people who appreciate fast casual.

SFO offers franchisees two huge advantages: It has continually decreased operating costs and it's Small Business Administration approved, which facilitates the financing process. "Our ultimate goal is to make this a 3-to-1 investment ratio: They'll do 3 times in sales what they invest in us," says Harper. "Our cost of opening a franchise is less than half the cost of opening a fast food store, with potentially comparable sales."

Owners of fast-food franchises seeking a fresh concept have barraged Harper with inquiries, and SFO's Columbus unit is operated by a retired 30-year McDonald's franchisee, Bob Brody, whose expertise Harper and Cerino regard with awe.

### **Not Just Grab-and-Go**

Growth depends as much on product as on real estate. "What works in San Francisco may not work in the Midwest, but we get a lot of good ideas. For example, we really liked a turkey and avocado sandwich, but people didn't like it here.

sourdough bread **\$6.75**

### **Will It Fly?**

Technomic president Ron Paul's says of San Francisco Oven: "I like concepts that differentiate themselves by a tie to a locality or a favorite food. San Francisco's one of America's best loved cities and pizza's one of our best loved foods. This concept offers a nice variety of food items and I like the theme."

### **Strategies**

- Sophisticated fast casual operation
- Surround yourself with experts
- San Francisco-influenced menu
- Find franchisees who embrace the concept
- Invest in, and build on, your brand

Changing it to a guacamole spread worked." Cerino constantly wrestles with delivering quality while keeping costs within SFO's price point. Recipes have to meet Cerino's criteria to earn menu space. He reviews the menu regularly and consults with master chefs.

Being fast casual meant delivering pizzas to order in five to seven minutes, and Cerino's traditional method — no oil on the bottom of the dough, set directly on the hearth — makes that possible, as the crust begins baking immediately. Complex recipes are sent to a contractor, who duplicates them, freezes them, and ships them through a distributor when needed. Simpler dishes are made from scratch on premises. SFO also offers Take-and-Bake: Dinner entrées are pre-cooked for microwave reheating; pizzas are prepped for baking at home. Seventy-five percent of the Columbus unit's sales are at lunch; it's just 55 percent of Willoughby's business. Currently, alcohol comprises 2.5 percent of sales, but Harper has no plans to scotch it. "It's part of our demographic," he says. In fact, Columbus' happy hour has been so successful that Harper wants to offer wine events at other units.

SFO is experimenting with table service at dinner, although the concept was built around fast casual to insure great service in the tight labor market of the 1990s. Employees are cross-trained so all tasks are completed during slow periods. New hires observe tasks, progress to shadowing, then are supervised in their new position. "We look for personality, for people who take responsibility for their actions, who are professional, mature, and who have common sense," says Harper. "If we can hire that, we can train for any skill we need."

West Coast ambiance comes from warm oak finishes, gold, olive and purple walls, gleaming hardware and tile floors, accented by murals of the Golden Gate bridge, and other Bay area attractions. New units will be configured with an L-shaped line (unlike Willoughby) to expedite service and feature the signature oven.

Franchisees and managers build rapport by greeting customers, clearing plates and chatting with guests. The corporate culture is built around community involvement, from donating food to charities to buying space in yearbooks. SFO rarely advertises, preferring direct mail communications to companies in its trade area, offering incentives for distributing coupons to employees. Customers signing up at the Oven Bites section of [www. sanfranciscooven.com](http://www.sanfranciscooven.com) receive coupons and can air opinions and ask questions.

### ***Poised to Fly***

San Francisco Oven's on the brink of a strong takeoff. Harper recalls a meeting with a prosperous franchise candidate who repeatedly demanded, "Do you have any idea of what you have here?"

Harper and Cerino know exactly what they've got, and they're not afraid to dream big. "Five years from now, we want national presence in every major market, with our franchisees making a lot of money and us having the opportunity to keep the concept, sell it, or take it public. Having the option is where we want to be — but, right now, we're having a blast!"

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