

Fish poised for growth

Seafood restaurant concepts buck the casual-dining downturn

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A number of the country's largest varied-menu casual-dining chains have been struggling, according to the 2007 Top 100 Emerging Chain Concept Report from Technomic Information Services of Chicago. Applebee's, for instance, was down 33 percent in net income for the third quarter of 2006, which ended Sept. 24, compared to the same period in 2005, possibly due to menu fatigue and a changing value perception on the part of their customer base, according to the report.

"Casual dining as a whole took a hit last year," says Eric Giandelone, editorial manager at Technomic. "It's not specific to one chain. Consumers were squeezed by credit card debt, high interest rates and gas increases, especially in the summer months."

But at the same time, there's a tide of emerging seafood chains that are thriving and appear poised for large-scale growth in the next few years.

The Oceanaire Seafood Room, Fish City Grill and Up The Creek Restaurants are similar only in their seafood menus and the growth each company is charting. Each offers a different concept, carefully positioning itself to occupy a niche in the marketplace.

Dallas-based Fish City Grill expanded from five restaurants in 2005 to 14 today, with between eight and 10 more stores opening this year.

"We're a casual neighborhood seafood joint with great quality, variety and value in a small, cozy, sanctuary-like store," says founder Bill Bayne. The restaurants are located in Texas, Louisiana, Arkansas, Oklahoma and Florida, typically in upscale neighborhoods.

The menus offer traditional and innovative preparations, from fried catfish and pot roast to Tabasco shrimp pasta and Oyster Nachos.

What sets them apart, says Bayne, is a propensity not to skimp on quality or choose ingredients based on price.

"Our chalkboard is truly unique and accounts for over 40 percent of our sales," he says. "We offer five to six different fish and shellfish items that change twice a day. This allows us to take advantage of seasonal seafood items and to prepare dishes that appeal to the taste of each particular store's clientele."

Fish City Grill is succeeding because of its combination of familiar and lesser-known menu items, says Robert Nyman, a restaurant consultant with The Nyman Group in Scottsdale, Ariz.

"As diners look for balance in their diet, they look for recognizable seafood items. At Fish City Grill, they enhance the seafood dining experience by portraying new, less familiar seafood in addition to the usual staples, and make their dishes more interesting through inventive glazes, sauces and accompaniments. This is a formula for success because guests find the approach and menu offerings appealing," says Nyman.

The five company-owned Fish City Grills have average annual sales of \$1.5 million. Growing through franchisees, Bayne hopes to have a total of 70 stores in the next five years, 20 of them company-owned.

At the other end of the design and service scale is The Oceanaire Seafood Room, an upscale dining concept with 12 units.

"They've taken a steak house formula and cleverly swapped meat for fish," says Michael Whiteman, a consultant with the Joseph Baum & Michael Whiteman Co. of Brooklyn, N.Y. "The result is a concept that people instantly understand."

The Oceanaire menu reflects an "innovative yet nostalgic" approach to seafood dining, with 60 percent core items and 40 percent created by the culinary team in each market, based on regionality, seasonality and freshness, says Wade Wiestling, VP of culinary development.

"What Oceanaire has done is take what's been a tried-and-true style and repackaged it to make it more hip," says Nyman. "In the process, they've hit a nerve with a different marketplace, moving away from the crusty seafood house of the past, and creating a seafood house for the 21st century. They've stayed within the urban-suburban major markets of the country, and as they get more acceptance, they will move to tertiary markets. The opportunity for them, depending on how they perform, is very strong."

Expansion is definitely on the to-do list at Oceanaire, a privately held company with more than 200 shareholders and average sales of \$5.5 million per unit. "It's easy to envision between 20 and 40 new restaurants in the next 10 years," Wiestling says. The company has restaurants in Dallas, Minneapolis, Washington, D.C., Seattle, San Diego, Atlanta, Baltimore, Charlotte, N.C., Philadelphia, Houston and Miami.

Applebee's founder Bill Palmer believed there was a void in the seafood dining category in the late 1990s. He went on to create Up The Creek Restaurants, a casual-dining seafood concept with a fun ambience, fast, friendly service and a variety of dishes with wide appeal.

Up The Creek has 13 locations, and has agreements with nine franchise groups that will grow the brand to 80 restaurants by 2012.

"We'll continue to grow through roughly 75 percent franchising and 25 percent company store

development," says Gary Cockerill, marketing director.

Up The Creek is distinguished by a wide array of seafood but also includes steaks, pasta and chicken. "This allows the guest greater choice, so they come back to us more often than they might frequent other restaurants that have a more tightly defined menu," says Cockerill.

It's particularly popular among parents with children. When they walk through the door, kids are greeted by a 400-gallon saltwater aquarium, and receive a free Up The Creek Frisbee with every meal. Adults enjoy the menu section titled "You're The Chef," where they can create their own entrée by choosing from a selection of fish, toppings and preparation style.

Five dinner entrées feature a sampling of menu offerings on one plate, and each restaurant offers regional menu items, such as walleye in North Dakota.

Marketing efforts at Up The Creek are focused on loyalty programs and local store marketing. But the restaurant's curb appeal alone generates a large number of first-time guests. "We often hear from our guests that the building has a very inviting look, and at night the lighting is rich, warm and different from other restaurants," Cockerill says.

As each restaurant maps its future growth, one feature they share is the tendency to introduce diners to new seafood items in a familiar format that encourages experimentation. Up The Creek allows diners to customize their plates, Fish City Grill offers a mixture of known and less familiar seafood on its menu and The Oceanaire presents its seafood in an inviting steak-house-style format. For each one, the recipe is working.