

MANAGEMENT

Slice A Piece Of The Pie

By Cord Cooper

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Attorneys Rick Rosenfield and Larry Flax started **California Pizza Kitchen** (CPKI) in 1985 with one 70-seat restaurant in Beverly Hills, Calif. The firm is now international, spanning more than 250 sites. How Flax and Rosenfield did it offers lessons in starting and expanding a business.

Among them:

- **Tell how you're different.** "Our business plan defined our venture from the start," Rosenfield told IBD. "It described a restaurant chain that would introduce a third type of pizza to the U.S. There was Chicago pizza and New York pizza. We were part of the infancy of California-style pizza, and we carved out that niche."

- **Lay it out.** The firm's name is a self-contained ad that always generated buzz, says Rosenfield. Another key: CPK's initial product — barbecue chicken pizza. "That was our Big Mac," he said. The company's moniker and trendy menu have "produced strong word of mouth that's carried us through the years."

- **Nab the advantage.** Flax and Rosenfield have leveraged those strengths, hiring public-relations pros who've gotten the firm tons of free publicity.

- **Learn lessons.** In 1992, **PepsiCo** (PEP) bought two-thirds of the firm and pushed for quick expansion. With targets of up to 30 new restaurants a year, "we were opening sites before we could get the word out," Rosenfield said.

Result? Underperforming stores. PepsiCo reversed course, drastically cut development — and Rosenfield and Flax agreed.

- **Survive transitions.** In the late '90s, PepsiCo sold its shares to a New York private equity group, which appointed its own CEO. Flax and Rosenfield remained as co-chairmen and were involved in running the firm. CPK went public in 2000, and three years later the

board asked Rosenfield and Flax to return as co-chief execs.

- **Stick with what works.** The pair "sent in SWOT (strengths, weaknesses, opportunities, threats) teams to examine underperforming stores," said Rosenfield. "We closed a couple of sites, but in most cases we got back to basics and rebuilt stores using the business plan that first made us successful."

- **Grow smart.** Rosenfield and Flax launched new sites with strong publicity and solid planning. They also rolled out a new restaurant concept, the L.A. Food Show, which offers an eclectic menu that complements the pizza chain.

Another move; a frozen-pizza line in partnership with Kraft. That alone brings in more than \$200 million a year, says Flax.

- **Get deals.** "Because of the economic downturn, we're opening new restaurants at a lower cost than previous years due to depressed real estate," Rosenfield said.

- **Adapt.** In a tough economy, Rosenfield and Flax are managing costs in areas ranging from energy to store maintenance, says Susan Collins, chief operating officer.

- **Bring 'em back.** To boost return visits, CPK rolled out its limited-time Thank You Card program, offering customers sealed envelopes containing a range of prizes. The envelopes are opened on subsequent visits. Prizes range from discounted meals to \$50,000.

What consistently fills the bill, said Flax, is CPK's innovative menu, "which we're always adding to. The menu makes customers our best salespeople."

- **Stay on the edge.** "Most restaurants don't think in terms of innovation," said Rosenfield. "We do."