

FAST CASUAL | October 2017 | By Daniel P. Smith

Inside the Micro-Chain Movement

Smaller chains reap the same rewards as both indies and big brands, but how do they protect those benefits amid future growth?



Josh and Zach Weprin, along with friend Stephan Harman (left to right), are taking advantage of Fusian's nimble size while planning for the future. FUSIAN

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Seven years ago, Zach Weprin, his brother Josh, and longtime pal Stephan Harman—a trio with no restaurant experience—made the daring decision to open a fast-casual sushi restaurant in downtown Cincinnati, Ohio.

“We always joke that we were the only ones crazy enough to start a fast-casual sushi experience in the middle of the country,” Zach Weprin says.

Today, the trio's ambitious experiment doesn't seem so crazy, as their bootstrapped restaurant business, Fusian, has grown to a dozen locations across four Ohio markets: Cincinnati, Columbus, Toledo, and Dayton.

“Sushi wasn't accessible as a uniquely branded experience, so our goal was to create an experience we wanted but couldn't find,” Weprin says.

Fusian's evolution speaks to a growing trend across the restaurant industry: the emergence of micro-chains, or one-time single-unit concepts that blossomed into more robust regional players with a growing unit count, geographical footprint, and customer base.

The micro-chain defined

The NPD Group, a global information company, defines micro-chains as 3–19-unit concepts. While not a new phenomenon—there have, after all, always been smaller chains peppering the foodservice landscape—micro-chains' growing prevalence has captured industry attention.

Although total independent restaurant unit counts declined by 4 percent from one year ago, according to NPD data, micro-chain units are increasing in major U.S. cities as a number of independent concepts (1–2-unit operations) find stable footing, open new units, and graduate into the micro-chain category. In Dallas-Fort Worth, for instance, micro-chain unit counts jumped 5 percent from a year ago, while micro-chain unit tallies also increased in Orlando, Atlanta, Houston, Los Angeles, San Francisco, Chicago, and Washington, D.C.

Even more, micro-chains have increased their total spend with broadline distributors by 5 percent in the first quarter of 2017 compared with one year ago, NPD's SupplyTrack reported.

"From market to market, we're seeing micro-chains grow in unit count and size—not staying at 1–2 units, but expanding and ordering more," NPD SupplyTrack vice president Annie Roberts says.

To Roberts, the growth isn't surprising, as many of these locally based restaurant brands reflect contemporary foodservice trends. Most specialize in doing one or two things really well, she says. They also have a corresponding focus on quality—often local—ingredients, a vibrant dining atmosphere, an elevated customer experience, and authenticity.

"Many of these chains are pushing the right buttons for today's restaurant customers with a new attitude and fresh perspective," Roberts says.

The perks of being a micro-chain

To hear it from Weprin and Fusian's micro-chain brethren, there are significant advantages to being a micro-chain, not the least of which is the independent, homegrown vibe a smaller chain can leverage in the local marketplace.

"Getting up to the large chain level, so many things are impacted by every decision you make and [that can] oftentimes give off a feeling of not being authentic," says Adam Rosenbaum, CEO of The Meatball Shop, a New York City–based concept that has grown to seven units since its 2010 debut. "At the size of a micro-chain, you get a larger sense of buy-in from the guests and consumers because you're not just opening a box on another corner."

Among micro-chain leaders, "nimbleness" is universally heralded as another significant perk. Quicker than limited-service giants and more impactful than their independent peers, micro-chain operations can alter their menus, leverage trends, improve their supply chain, evolve processes, and adapt to consumer feedback.

"I can sit down with my GMs, play with recipes, and roll out a new seasonal menu item days later," says Donna Lee, who founded the soon-to-be-four-unit, Chicago-based Brown Bag Seafood in May 2014. "That nimbleness then trickles to areas throughout the business, where staff and customers are both motivated when they see us responding to things they care about."

Similarly, Weprin savors the flexibility of being a micro-chain, saying Fusian's 12-unit size provides leadership the ability to act on promising ideas capable of improving culture or advancing the concept. Last February, for instance, Fusian unveiled one of its biggest operational changes when it added bowls to its menu. That one addition required changes to the entire operations line and retrofitting existing stores, something Weprin says Fusian would have struggled with if the chain was well beyond its current size.

While Joe Buonavolanto, partner of Chicago's Buona restaurant chain, prizes nimbleness and a certain lack of red tape, he also appreciates the fact that his family-owned chain now has enough backbone with 19 units to invest in initiatives like a mobile app, online ordering, and a loyalty program. Buona also carries enough weight with its key vendors to negotiate favorable terms or strike quickly with new menu items.

Brown Bag Seafood's Lee adds that the purchasing power and direct personal relationships she has gained by opening additional restaurants has undoubtedly played a role in Brown Bag's success, as vendors now take greater care with her account.

With an increasing unit count, micro-chain leaders also enjoy the benefit of multiunit synergies, specifically the ability to leverage other stores' product or people on an as-needed basis. Store development also helps an upstart chain build its human capital. The Meatball Shop, for instance, shares its training and talent selection between locations, while expansion at Buona and Brown Bag has allowed leadership to track talent and provide advancement opportunities.

"So many people working for large chains feel they hit a ceiling, but they see the growth opportunity with us is real," Lee says. "They feel [they're] part of figuring things out and building something."

To that point, Weprin describes Fusian's success as a self-fulfilling prophecy, with the company's growth spurring talent acquisition efforts and generating widespread excitement.

"The success we're having gives our entire team confidence that we can exist elsewhere, and that our potential is really limitless," Weprin says.

Maintaining a micro mindset

For many micro-chains, further growth will only magnify existing benefits. But there is a big, looming question: How can these concepts maintain their cool, independent, and relevant vibe amid rising store counts and perceived "corporatization"?

"The bigger a chain gets, the more it starts becoming a big business," NPD's Roberts says. "As leaders are managing profit-and-loss statements, overseeing big-picture plans, and dealing with corporate issues over interacting with customers, a chain can lose its passion."

With four additional units on the horizon, including its first outside of the Chicago area, Buona will soon exit the micro-chain category—but don't expect it to become a corporate monolith, Buonavolanto says. The company will honor its original Italian beef recipe, staff every restaurant opening with Buona family members, and execute a carefully crafted training program.

While Lee acknowledges that any brand of size must choose its template to deliver a consistent experience, she plans to grant autonomy to future Brown Bag stores. It's a process she's already activated with her first non-downtown unit. The location offers modified table service and a full bar.

As The Meatball Shop eyes growth beyond New York City, Rosenbaum says, the chain will enter each new market with the spirit of a first-timer rather than looking to produce a carbon-copy reproduction.

"There's no sense in planting a flag in another city and saying, 'The NYC Meatball Shop has arrived!'" Rosenbaum says. "We want these other markets to feel as if they're getting the best of what we have to offer and that we're celebrating the individuality of each respective city."

For Fusian, which has its long-term sights on Chicago and the Northeast, Weprin says the company's mission to connect people through collaboration, culture, and cuisine will guide every move.

"Those are our values, and if we focus on our mission, we believe we can continue to build intimacy even as we grow bigger," Weprin says.