

Do Reps Make Good Managers? ■ Growing Global Sales

Sales & Marketing MANAGEMENT

August 1998

\$4.95
CANADA \$6.49

Wolfgang Puck

How Hollywood's hottest chef
cooked up a \$130 million empire

WP

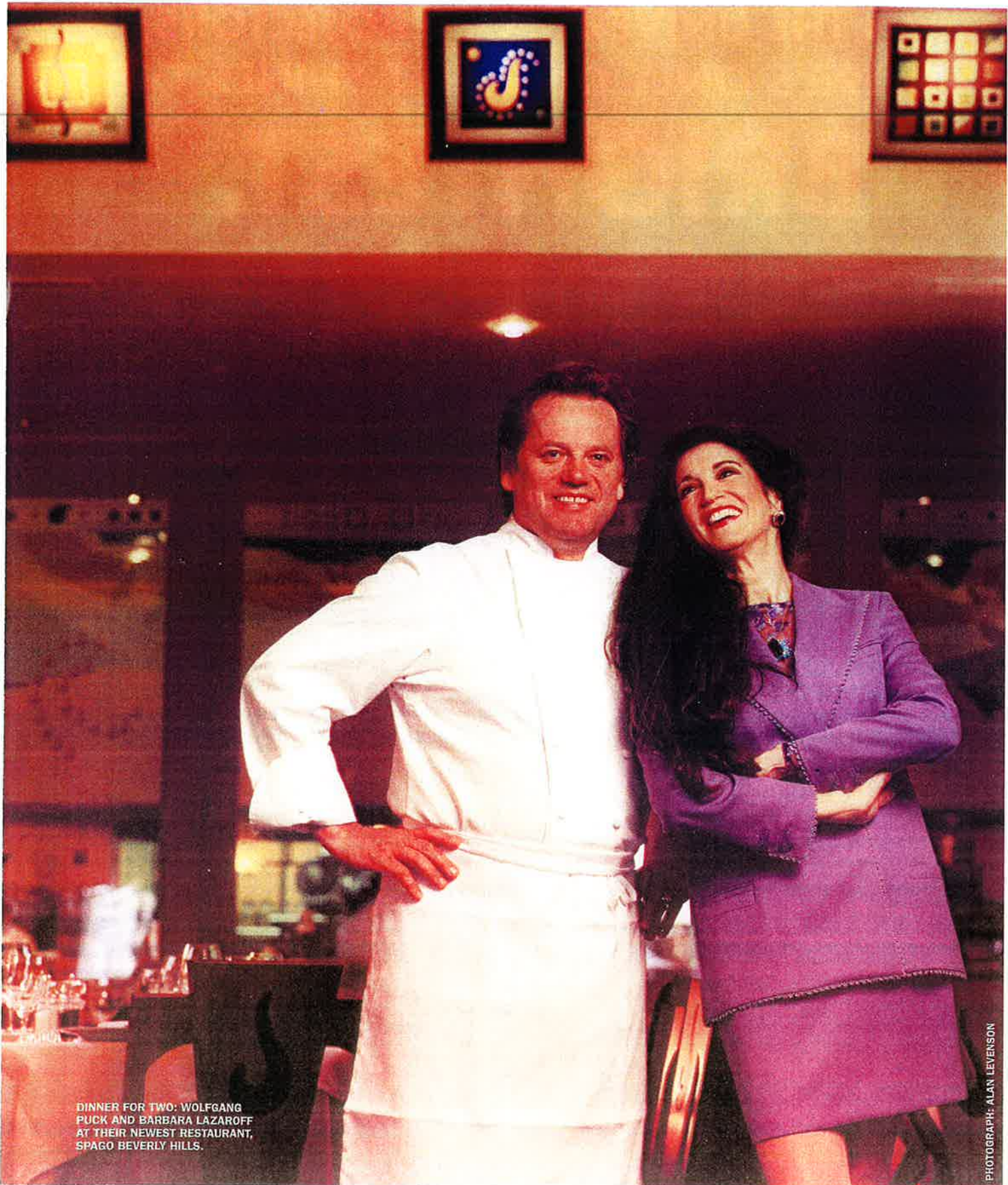
**Launching a Product?
Five CEOs Tell How**

**The Ultimate Guide
To Sales Meetings**

**Money-Making Secrets
Of a Manic Salesman**

A BILL PUBLICATION





DINNER FOR TWO: WOLFGANG PUCK AND BARBARA LAZAROFF AT THEIR NEWEST RESTAURANT, SPAGO BEVERLY HILLS.

PHOTOGRAPH: ALAN LEVENSON



Recipe

for

Wolfgang Puck prepares the meals Hollywood movie stars and moguls love to eat. Now, with his business-savvy wife, this happy-go-lucky chef is building a multiproduct line for the masses to enjoy

Success

By Charles Butler

T

HE QUESTION SEEMED STUPID. No, inane—especially when you consider who it was intended for.

Have you ever read a marketing book?

Now come on. What kind of klutzy reporter would ask this of a man who has built a \$130 million business? He's probably read tons of them. How else do you begin to explain why his company's products appear in twice as many markets as they did two years ago. Or how he's managed to take something so California-cool and make it popular in places like Minneapolis and Dubuque. Or been so successful that even the folks at Disney World want a piece of his magic.

Have you ever read a marketing book?

Geez, who's the amateur "probing" one of the most influential business executives in all of Hollywood? *Read* a business book; he could *write* one. It would tell the story of how a poor kid from Austria moves to America with some knowledge that his mom, a hotel cook, gave him. With a chipper smile and a hard-charging wife, he then parlays that wisdom into an international machine that has made him a much-sought-after guest on such media

outlets as *Good Morning America*, *The Late Show with David Letterman*, and CNN.

Have you ever read a marketing book?

Damn. Get with it, buddy. This CEO has defined the art of brand extensions. Walk around Los Angeles and you'll see his name more often than Spielberg's, Leonardo's, and Demi's combined. You'll see it on kiosks in LAX, on store fronts in Santa Monica's Third Street Promenade, in grocery stores from Venice Beach to Ventura.

But, as long as the question is out on the table...

"Wolfgang Puck, *have you ever read a marketing book?*"

Without any hesitation, and with his strong Bavarian accent, Puck adamantly replies, "No."

Say what? No? Nein? Nei? America's best-known chef—who's now taking the choicest meals from his hip Hollywood restaurants, Spago and Chinois on Main, and bringing them to a fast-food outlet or frozen-food section near you—has never, *ever* read a marketing book?

You want to say, Wolfie baby, you been sipping the cooking sherry? But before you do, someone

seated nearby butts in.

"That's not true, Wolf. That's not true." That's Barbara Lazaroff correcting her husband of 14 years. "Yes you have. *You have*. There are books people have given you that you said you've read. They sit to the right of my bedstand."

The chef sheepishly amends his answer. In an accent that makes him sound like Arnold Schwarzenegger's baby brother, he says, "Yeah, yeah. I read my books on how people got to where they did. Like Sam Walton. I was interested in how he started out because he started out in a very small town in Arkansas. And how he got to run a zillion-dollar company."

SO WOLFGANG PUCK doesn't remember every book he's read. Details, details. What chef worth his white smock measures each ingredient with a teaspoon? And if he's latched on to the philosophies of Sam Walton, whose autobiography was titled *Made in America* and outlined his devotion to employees and customers, then he's picked a good role model. According to colleagues, the plucky Puck, bestowed as *the* connoisseur of California cuisine, is already quite good at emulating Mr. Sam. He's described as being funny and friendly and focused on making the dining experiences of his customers, and the working environment of his employees, enjoyable and memorable. In the process, he and his wife, who doubles as his business partner, are enjoying the fruits, desserts, and after-dinner drinks of their hard work: Attending the Academy Awards, owning a home in Beverly Hills, and vacationing with the rich and famous.

Obviously, if and when he ever decides to write his own marketing book, Wolfgang Puck has a ready-made title: *Sautéed in America*.

In building their food business, though, the Puck-Lazaroff team has encountered both the highs and lows of entrepreneurialism and brand extension. Today, the robust-sounding "Wolfgang Puck" may be as familiar a brand as Chef Boyardee, but that's only after correcting a number of management and marketing miscalculations and replacing a clumsy growth strategy with a firm one. The payoff is quite remarkable: If you are a fan of Wolfgang Puck restaurant cooking (the pizzas of Spago or the Pan-Asian selections of Chinois) with its

high quality ingredients at high-minded prices, then you now can enjoy it for \$2.99 in a ready-to-microwave box.

This evolution all began when Puck, 50, and Lazaroff, 44, opened their first Los Angeles restaurant in 1982. Spago quickly became the restaurant for Hollywood glitterati to be seen in. Everything did not glitter, however. Barbara, the design and marketing guru of the pair whose long-flowing dark hair and forceful, nasally voice could make her a stand-in for Fran Drescher, remembers that Spago debuted with a second-hand sound system and a kitchen that needed more elbow room. Still, from there her husband managed to conceive the dishes—especially his eclectic pizza concoctions topped with the likes of salmon and duck—that would elevate him to stardom in the cooking world.

That original Spago, while still open, has relinquished the title of L.A.'s trendiest restaurant to the 18-month old Spago Beverly Hills. And on a perfect Los Angeles morning, Puck and Lazaroff sit in the open-air portion of the 11,350-square-foot hot spot located just a few blocks from Rodeo Drive. Hugh Grant, Robert De Niro, Candice Bergen, and

Food For Thought

THE VARIOUS HOLDINGS of Wolfgang Puck and Barbara Lazaroff:

FINE DINING RESTAURANTS

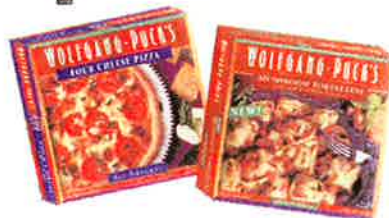
Spago West Hollywood, Spago Beverly Hills, Spago Las Vegas, Spago Chicago, Spago Palo Alto, Postrio (San Francisco), Granita (Malibu, California), Chinois on Main (Santa Monica).

REVENUE: \$60 MILLION

WOLFGANG PUCK FOOD COMPANY

12 Wolfgang Puck Cafes; 1 Wolfgang Puck Grand Cafe; 3 ObaChines; 5 Wolfgang Puck Expresses; 43-product frozen food entrée line.

REVENUE: \$80 MILLION



Jeffrey Katzenberg, among other celebrities, have their own tables. Outside, the paparazzi stand guard nightly.

Before the lunchtime crowd arrives, the couple tell how, as two kids from nothing, they came to run a two-prong conglomerate: one prong featuring their seven fine-dining restaurants, of which they are majority owners (and which gross about \$60 million in revenues); the other featuring the Wolfgang Puck Food Company (1998 anticipated revenues: \$80 million), of which they are 30 percent owners and which includes 21 cafe-style, casual-dining restaurants, the frozen-food division, and offshoots still in the formative stage (such as catering services for events like the Governor's Ball at the Academy Awards).

Lazaroff, who grew up in a tough part of The Bronx and who is easily the more boisterous of the two, says, "You get there by the way you live life: day by day, piece by piece, moment by moment." She's wearing a dress splashed with orange and red and black; nearby her husband sits in a simple white chef's jacket. "You get there with planning as well," she says. "Some of the planning has been

very calculated. Some very haphazard—meaning things happen, opportunities arise. And you either take advantage of the opportunities or you don't."

In the past two years the Wolfgang Puck Food Company has been very opportunistic. The reason: A couple of entrepreneurs, who for too long worked with a ragged sketch, finally realized the need for some strategic, long-term management. The result: Wolfgang Puck, a national brand in waiting, has become a reality. The proof: Earlier this year Puck's frozen pizzas, with their oddball toppings, went on sale for the first time in New York City, home to America's most finicky pizza aficionados.

Further evidence can be seen in these numbers: Twenty months ago the Food Company had 23 items in its product line; today there are 43. Besides New York, they are projected to be carried in 25 markets by the end of this year, nearly double from the start of 1998. On the restaurant front, the company's three distinct franchises—the casual-dining Wolfgang Puck Cafes and Oba-Chine, catering to customers looking for the fare of Spago or Chinois at more reasonable prices; and

FOOD CHAIN: THE PUCK PRODUCT LINE INCLUDES (CLOCKWISE) PAN-ASIAN DINING AT CHINOIS, CASUAL DINING AT THE CAFES, CELEBRITY SIGHTINGS AT SPAGO BEVERLY HILLS, AND FROZEN-FOOD, TAKE-HOME ENTRÉES.





FOOD KING: FRANK GUIDARA HAS BROUGHT A NO-NONSENSE APPROACH TO THE WOLFGANG PUCK FOOD COMPANY.

Wolfgang Puck Express, a quick-service outlet—has expanded from 13 to 21 units. One of those is the first Grand Cafe, which opened in late 1997 at Disney World, a concept that allows for both casual dining and quick service, and is expected to generate upwards of \$10 million in revenues this year.

The Food Company's sudden growth starkly contrasts with its first dozen years of operation. While Lazaroff and Puck concentrated most of their efforts on running their fine-

dining restaurants, the Food Company—started when the chef and a friend decided to package Spago-style desserts for grocery chains—plodded along, held back by management and marketing miscues. Revenues rose like a soufflé missing egg whites. What changed? Two years ago Puck and Lazaroff, those purveyors of fine-dining, tapped as their new president and CEO Frank Guidara, a one-time inventory checker at Kentucky Fried Chicken. Now the trio of Puck-Lazaroff-Guidara—all imports to La-La-Land—are bringing California cuisine and the Wolfgang brand to the masses.

WHEN I FIRST opened Spago I had some Japanese guys working for me, and I tried to explain to them how I wanted something made," Puck recalls. "But they didn't understand me quite right. After they made [the dish], I said, 'Shoot, I wish I had thought about doing it that way.' From that point on I always said [of my work versus others'], 'It's not better, it's different.'"

For Puck, that's just one example of a management lesson he learned not from a book but in the kitchen: to delegate. And both he and Lazaroff knew that if their Food Company would ever match its potential, they needed someone in whom to show similar faith. They came upon an obvious choice. "I was uniquely qualified for this job," Frank Guidara, 51, says in a voice laced with a strong New England accent. He'd sound pompous if it weren't true. Guidara has spent most of his life around restaurants. He worked in his family's five Kentucky Fried Chicken franchises sprinkled around New England, and then, after a tour in Vietnam and a flirtation with studying medicine, he took up restaurant management at the University of Massachusetts. Over the next 25 years he spent time managing airline hospitality operations, casual-dining restaurants (such as the chains Steak and Ale and Ground Round), and elegant-dining restaurants. (Before joining Puck, Guidara was president of the restaurant division of Restaurant Associates Corporation, which operates such spots as Tropica and The Sea Grill in New York.)

The Food Company had lacked such a combination of operational experience before Guidara's arrival in the fall of 1996. Selwyn Joffe, its previous CEO, knew finances but not the finery of food—of getting to know customers' likes and dislikes, of tweaking menus, of training wait staffs. As a result the way the casual-dining restaurants and frozen-food lines were run seemed uninspired compared to Puck and Lazaroff's fine-dining spots.

"At the Food Company we didn't have the right people in place to do what we expected them to do," Puck says. "What we needed was someone who was strong in operations who could run it in the same way we would run it."

Guidara, who describes himself as "a shirt-sleeve type of guy who doesn't take excuses well," speaks in short, clipped sentences. He frequently says that he wants people working for him who know "how to spell the word commitment." To ensure he had that type of crew working for him at the Food Company, he replaced most of the senior managers, bringing in new heads of finance, marketing, human resources, and training. And then he put a growth strategy in place. He says the company he took over had the right ingredients but was "confused" in how to mix them. "I think the company was at a point," Guidara contends, "where it needed to get blocking and tackling, and a picture of consistency."

Rob Kautz had kept tabs on the Food Company well before he joined it earlier this year as CFO and head of international operations. He had worked for a merchant bank in the early 1990s that considered investing in the company, and then as president of the U.S. division of quick-service chain Koo Koo Roo. That experience helped him detect the Food Company's weak spot: when and where the Cafes and Express units were to open, as well as their projected revenues, didn't jibe with the costs of marketing, hiring, and training. For instance, a Cafe in El Segunda, California, saw its revenues fall behind projections because a movie theater complex—expected to draw customers—did not open as scheduled.

"If you looked at the plans before Frank got here, there were plans to open a significant number of units. Sometimes it would happen in some quarters and in other quarters it didn't," says Kautz, 40, sporting dark blue suspenders and slicked back hair *a la* Pat Riley. "You can't hire and rehire people at whim."

Guidara's game plan now calls for the Food Company to seek out real-estate alliances that can guarantee considerable traffic. For instance, the company is developing a Grand Cafe for Auburn

Hills, Michigan, that will be part of a development that includes upscale shopping and movie theaters. In total 12 to 15 new Wolfgang Puck units are scheduled to open by the end of 1999, which could add another \$40 million to the company's bottom line. The company also will look to further its international expansion; it already has entered into licensing agreements with operators in Australia and Kuwait.

To date, Guidara's one main divergence from his plan came when the company's first Grand Cafe opened at Disney World in 1997. "It was premature in our life line," he says, noting that the company did not expect to reach the East Coast until 1999. But having a unit in Disney World offered too much upside potential not to push the timetable—and with \$10 million in projected revenues, the aggressive move is paying off.

With the frozen-food division, there has been little hesitation to spread east, or anywhere in between. The past 18 months have brought Wolfgang Puck frozen foods to markets in Chicago, Dallas, Minneapolis, Des Moines, and New York and into such major retailers as Grand Union, Byerly's, and Ralph's. Guidara, admittedly a novice about consumer goods packaging when he took the job, is quick to pass the credit for this expansion to a 25-year veteran of the retail business, who inherited a food label laden with troubles.

When Tom Warner took the job as senior vice president and general manager of packaged goods, he quickly realized where work was required: cut the costs of production and distribution while increasing the line's presence in the frozen-food section. Calling on skills acquired after years at Procter & Gamble and RJR/Delmonte, Warner cut several hundreds of thousands of dollars in costs by negotiating better slotting arrangements with retailers. Growing a stronger presence would be more challenging.

Originally, Puck's frozen foods were intended to bring the quality of Spago to a supermarket cate-

gory better known for freezer burn. Such quality comes at a cost that can discourage even the best Baby Boomer shopper. Warner says that when he arrived, "the price-value relation was out of whack" for the Food Company's offerings. "I didn't want our products to be the same retail price as the competition," Warner says, "because we do use better ingredients and they do cost more. So I have to have a premium price. But I needed a closer relationship to [the competition]. We achieved a \$2.99 retail price, which is about 50 cents over the comparable line from Stouffer's."

Warner also increased the Puck line from 23

Barbara Lazaroff: Designing Woman



WOLFGANG PUCK GREW UP IN an Austrian farm town with more cows than people. His dad was a coal miner, while his mom worked summers as a cook in a hotel. From her the young Puck got his first taste of the life in the kitchen, which would lead him to serve as an apprentice at several French restaurants. He says he always had ambitions of being a chef, but they were tempered ones. When he originally came to the United States in 1973, he just wanted to make enough money to "do something back home."

Those plans changed, starting shortly after he met Barbara Lazaroff on the dance floor of a Los Angeles club. The daughter of a supermarket manager, she had grown up "urban poor...in a lousy part of the Bronx." But unlike the man she was to marry, Lazaroff says she always

"dreamed big instead of small." She studied biochemistry and psychology before opening her own interior design company. And she provided the push Puck needed to move from being the chef at *Ma Mignon* in Los Angeles to being his own boss.

Lazaroff, the chief designer of the couple's fine-dining restaurants and the Wolfgang Puck Cafes, has been as much a part of the branding of Wolfgang Puck as her husband. And yet the credit and the publicity have not evened out. "Most articles written are primarily about Wolfgang and I'm this satellite flying around," says Lazaroff, who is also the mother of the couple's two children (ages nine and two). "But I don't see myself that way. That's the way the public sees me because that's the way the media propagates the image. What I see myself as is a creative person and marketer."

That creative side is evident at Spago Beverly Hills, the couple's newest restaurant. It includes fountains, sliding glass doors etched with poetry, and exotic floral arrangements. And, as in most of Puck's restaurants, there's an exhibition kitchen that Lazaroff originally conceived for the first Spago.

Lazaroff tries to not sound bitter about her lagging fame. She has received numerous hospitality design awards and is a frequent speaker at industry events. Still, she does admit that the hours she's devoted to making the Wolfgang Puck Food Company thrive have been costly. "I knew it was going to be hard work, but not this much work," says Lazaroff, who spent several weeks last year preparing for the opening of a Wolfgang Puck Cafe in Disney World. Earlier this year she traveled to Kuwait to open a cafe there. Such a schedule, she confides, will change as other responsibilities take on greater importance. "For a year in advance I have blocked every spring break and winter break for my kids," she says. "They are growing too fast. I have put everyone on notice I will be with my kids."

—C.B.

items to 43, with new dishes such as penne and chicken, lasagna in a bolognese sauce, and meat loaf in a port wine sauce with garlic mashed potatoes. The dishes come from the menus of either the fine-dining restaurants or the Cafes, and must be approved by Puck before going into production. Once in the channels, they are supported by an increased marketing budget that now includes radio advertising and free-standing inserts.

These offerings are just the beginning, says Warner, who foresees playing off the Puck name with salad dressings and pasta sauces. "It's a great brand, but it had been in the desert," the marketer says, his desk cluttered with Puck frozen-food containers. "It needed hard work and direction."

F

OR SOMEONE WITH only a faint memory of reading marketing books, Wolfgang Puck can speak like a business school professor about branding and customer loyalty and other choice topics. In fact, he gets agitated when it's suggested that he is himself a brand. "There is no value with just one restaurant or with one person. The brand has to be bigger than the person," he says as the tables at Spago start to fill around him. "I think all marketing is the same way as the car companies do it. You have the com-

pany, like General Motors. It has the most expensive car—the Corvette or the Cadillac or whatever it is—and then it has the less expensive one. All of the cars have to be good, if not it will hurt the whole company. So we are marketing from the top line, like Chinois or Spago, then we are marketing the middle-range like the casual dining, and then we are marketing the convenience food in the super-market. Whatever we set out to do, in whatever price range, we try to be on the top of the field."

As often happens when talking with Wolfgang Puck, Barbara Lazaroff cuts in. She's not actually interrupting as much as she's interpreting. "Anybody who knows Wolf knows that he is a real person who stands for quality and consistency. But a brand is an organization. The sum of the parts, along with the magic. What makes a brand excel beyond people's expectation is that special thing. You have to know what your market is, and what you are going to capture with that magic."

What's Puck's magic? Maybe it's his odd name. Or the way he's made a mundane dish like pizza seem unusual. Or the eclectic designs and colors used to decorate his restaurants. Or just the quality of his food. But whatever Wolfgang Puck had going for him in 1982 when he opened Spago and the celebs came to see, he's ready to give it to the everyday John and Jane in 1998. A recent study conducted by McKinsey & Company entitled Food Service 2005 looked at the changing style of American eating habits. The study found that Baby Boomers, with their considerable disposable income, want to eat foods that are easy to prepare but are high in quality. They also like to go out for dinner, but not just for food; they want to be entertained.

So, in the late 20th century, America's fascination with celebrities and its need for instant gratification collide—in the frozen-food section of your local supermarket. "The funniest thing I've heard Wolfgang say," Frank Guidara says, "was when we were meeting with an investment banker. The guy said, 'Wolfgang, what will happen to the company when you are no longer around?' And Wolfgang looked at him and said, 'You put me in the freezer, stand me up, and no one will notice a thing.'"

Fact is, Wolfgang, you're already in the freezer—and people are noticing. □

Wolfgang Puck's Pick For Business Dining



WOLFGANG PUCK HAS a suggestion for those business executives entertaining clients: Don't take them to one of his restaurants.

That may sound crazy, especially considering that his various fine-dining restaurants, including Spago, Chinois on Main, and Postrio, are annually ranked among the country's best by reviewers. And yet, unless you're a regular at one of his places (or you're appearing in the next Hollywood blockbuster), the chef advises that you make a different dining choice.

"I really believe the best restaurant is the one where you're best known," says Puck, who often can be seen cooking meals at Spago Beverly Hills. "If I

were to go out for dinner, I would go to one or two restaurants and be well-known. That way, when you walk in, the manager or the maître d' or the chef knows you because you go there often...and you give them a good tip."

Puck says that too often gung-ho business executives try to impress clients by bringing them to the "in" restaurant in New York or Los Angeles or Chicago. Such dinners, he predicts, rarely reap rewards. "You might be the most successful guy in business, but the kid meeting you at the door and wearing hip clothes won't be that impressed because he won't know you. To him you are a geek in a suit."

"At the end of the day," Puck advises, "go somewhere that people know you. Then your business associates will be impressed because they'll think you're important."

—C.B.