

Eatery CEOs Talk Range of Important Ingredients

CONFERENCE: Serving up branded products for online, retail sales among pursuits.

THE challenges of labor costs and shifting customer tastes are forcing the restaurant industry to find new strategies, from licensing brands for products found on big-box store shelves to using creative ways to cut overhead.

This shift was portrayed as a life-and-death struggle at the UCLA Extension restaurant industry conference last week, “The Fight of Your Life: The Fate of Hospitality Right Here, Right Now.”

Delivery and labor were two of the hot topics at the event, now in its 21st year, which was attended by members from all corners of the industry, including **DineEquity Inc.** That company’s beleaguered Applebee’s Neighborhood Grill & Bar was the subject of some unfavorable comparisons by several presenters – an added insult because the Glendale corporation was one of the conference’s sponsors.

The rise of the minimum wage, the Affordable Care Act, frivolous lawsuits, and ingredient price increases have pushed chef **Suzanne Goin** and business partner **Carolyn Styne** to look for out-of-the-box opportunities, said Goin, who has founded restaurants including **Larder**, which has several L.A. locations, and Hollywood’s **Hungry Cat**.

The duo’s **Lucques Group** in West Hollywood will debut three concepts this summer that the company has developed as part of its 10-year food and beverage contract at the **Hollywood Bowl**.

“We avoid liability and financial responsibility completely, and we come up with the restaurant concept,” Goin said. “It allows us the



Diverse Menu: Suzanne Goin will unveil several concepts at her restaurants.

magic of cooking at the Hollywood Bowl without the potential liability.”

Also thinking outside the box was **Raul Porto**, president and owner of **Porto’s Bakery and Café**. He said the company would begin selling frozen versions of its treats online to reach out-of-state customers.

The Cuban bakery has three L.A.-area stores and just opened an outpost in Buena Park this year. Although it has been around since 1960, when Porto’s parents started selling cakes in their house after moving the family from Cuba to Los Angeles, most of the growth for the busi-

ness happened in the past 15 years, he said.

Porto’s Bakery annually sells 25 million pieces of its most popular item, a cheese roll priced at 80 cents, he said, adding that the chain has 200 items.

“I wish I could tell you we planned it all along,” Porto said. “It happened organically. Much as I’d love you to know what the secret is, I don’t know it. Hard work, taking care of the customer, things you all do.”

The family’s authenticity as Cubans and the internet also helped, he said, noting that Porto’s earned the No. 1 spot on **Yelp’s** Top 100 Places to Eat in the United States last year. Over 40 years, the business had only one “down year,” he noted.

Sales through retail partners have helped Beverly Hills’ **Fatburger Inc.**, said Chief Executive **Andy Wiederhorn**. While the chain’s 100 locations sold 10 million hamburgers last year, it sold 8 million frozen patties courtesy of a deal with **Wal-Mart Stores Inc.**

The burger chain’s success is part of a trend of restaurants licensing their brands for products, according to **Jeff Lotman**, chief executive of Santa Monica brand licensing agency **Global Icons**.

“Historically, restaurants feared going in the space because they thought it would damage their brand or cannibalize sales,” Lotman said.

He said studies have shown that restaurants that license their brand actually get a lift in sales.

Retail sales of restaurant-branded products generated \$4.4 billion in 2015, according to **Terry Italia**, president of **Greystar Products Inc.**, which has helped companies such as Rosemead’s **Panda Restaurant Group** get their products on grocery store shelves.

About 90 percent of the restaurants doing branded products began in the last five years, Italia said.

RESTAURANTS

CAROLINE ANDERSON



Mining Data

Culver City data tracking company **Sense360**, which made a name for itself gathering restaurant customer data, raised \$7 million last month in a Series A round with investors including **Upfront Ventures**, **Qualcomm Ventures**, and **Firstmark Capital**.

The company, whose clients include **Chipotle**, said it will use the money to hire more engineers and to expand to other industries, including hospitality and auto sales, said co-founder and Chief Executive **Eli Portnoy**, who expects to double staff size to 24 employees.

Portnoy declined to share revenue or say if the company, founded in 2014, was profitable.

Sense360 uses anonymous data from smartphones to help businesses figure out who their customers are and why they come. The company initially focused on the restaurant industry because of its number of locations, the frequency of its transactions, and the competition.

Portnoy said the information will ultimately help investors make decisions in evaluating a business.

“Investors have more confidence in an acquisition if they can better understand the levers and opportunities of acquiring,” he said.

The latest round added to \$2.75 million the company had raised from Firstmark and others.

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Investors Still Have Hunger for Meal Replacement

FOOD: Parent company of Soylent piles up \$50 million in Series B funding round.

MEAL-replacement drink manufacturer **Rosa Foods Inc.**, maker of the Soylent food alternative, has raised a \$50 million Series B round led by **GV** (formerly Google Ventures) with participation from **Tao Capital Partners** as well as prior investors **Lerer Hippeau Ventures** and **Andreessen Horowitz**.

The money will be used to fuel expansion, **Rob Rhinehart**, chief executive of the downtown company, said in an email.

“This funding will enable us to expand our current product offerings, support our expansion efforts into traditional retail and international territories, and further our goal of bringing Soylent products to people around the world,” he wrote.

Soylent is a grey-brown dissolvable powder that claims to be packed with all the essential nutrients a person needs to survive. Its focus on scientifically formulated food has created a

‘Our products should be as easy to buy as a cup of coffee.’

ROB RHINEHART,
Rosa Foods Inc.

passionate customer base within the tech community. Time-pressed engineers are especially fond of the drink, preferring to guzzle their food as a liquid instead of dealing with the hassles of



Bon Appetit: Soylent has added several flavors since its unveiling in 2013.

traditional eating. Consequently, the company is also backed by a cohort of tech investors.

The company has had its fair share of hiccups lately, including two product recalls within the last year, one of which came as a result of some customers falling ill. Still, product recalls don’t appear to concern recent investors or to have slowed the company’s ambitions.

The startup’s product line has expanded since launching in 2013 to include bottled Soylent in a fruity flavor, chocolate flavor, and coffee mix as well as a protein bar.

The firm’s products are only sold through the company’s website and Amazon.com, though it plans to expand to brick-and-mortar retail stores, Rhinehart said.

“We have a series of partnerships in the works, from convenience stores to large distri-

bution outfits, but ultimately we want Soylent in the hands of as many people as possible,” he wrote. “Our products should be as easy to buy as a cup of coffee.”

Andy Wheeler, GV’s general partner, has joined Soylent’s board as part of the Series B round. Rosa Foods has received a total of \$74.5 million in funding to date.

Expense It

Filing expense reports is the bane of employees and employers alike, but it’s a good business for **Chrome River Technologies Inc.** of Miracle Mile.

The software developer runs an online expense report management system for large corporations and has been quickly growing its sales, according to **Alan Rich**, its chief executive. The company’s revenue neared \$30 million in 2016 year, and has grown annually by 30 percent to 40 percent over the last several years, he said.

“The fascinating part of our market is that expense reporting is a business-critical application and, remarkably, the majority of large companies in the world are still using manual processes, either paper or Excel spreadsheets,” Rich said. “I think in a few years it will be unheard of that people are doing it the way they are doing it today.”

Chrome River focuses on selling its software-as-a-service expense reporting program to large corporations, including **Toyota Motor North America Inc.**, **Cargill Inc.**, and Switzerland’s Coca-Cola distributor. The company claims to have more than 600 customers and 1 million users.

“Travel and entertainment are close to the second or third controllable expense in most companies,” Rich said. “Our ability to give management insight into spending on travel

SILICON BEACH REPORT

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and entertainment effectively is critical to (controlling costs).”

Chrome River, founded in 2007, has raised more than \$120 million from investors since 2012 including Boston’s **Great Hill Partners** and **Bain Capital Ventures** of Palo Alto.

Day Labor

Blue-collar job marketplace **Work Today** raised a \$1.1 million seed round from Santa Monica’s **Mucker Capital** and other investors.

The Santa Monica startup has developed an online marketplace for companies to hire, insure, and pay hourly, independently contracted workers to do manual labor. Companies post on Work Today for free and registered workers are notified by text message of jobs based on their skills. The worker can accept or reject jobs by texting back “yes” or “no.”

Though a text-based system might seem outdated, it is the best method to engage workers and business, said **Joe Nigro**, the company’s founder and chief executive.

“A lot of these workers don’t want to have to download another native OS app. They are not early adopters of technology,” he said.

More than 60,000 workers are registered on the platform, Nigro said.

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