

A rollercoaster

Robin Rowland



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The story of YO! Sushi, the Japanese-inspired conveyor belt restaurant, is in many ways one of the classic entrepreneurial business - one of an innovative business that was launched into the market to huge acclaim, to suffer growing pains, to come through with a view of a golden horizon lying beyond.

It was a great idea that was launched at the right time - a time when the customer was becoming interested in Asian cuisine. It was also a concept that had not been witnessed ever before and one that many cynics had believed would not work - yet work it did, very effectively. Once this point was proven, few doubted that it would move on to greater successes. A recent article in The Times noted that YO! Sushi had "arguably done the most to convert the British to a Japanese diet".

Yet, successful businesses need more than just a good idea and an interested customer to succeed - good management, good people, and good locations - and it has taken time to get the blend and infrastructure right.

What is particularly interesting is how the YO! Sushi senior management team have been together for the past five years, and have seemingly never lost faith in

what the business could achieve. Often management teams change as a business goes through its stages, as different skill sets are required but in this case, the management team has bonded as one and grown together. In 2006 the business has a projected group turnover of over £20m, delivering circa £3m EBITDA. Currently, they have 20 UK sites with 4 more opening by May 2006 and a view to double the number of UK units by 2010. They also have franchise partners in France and in the Gulf. More dramatically, they are looking at real expansion within the US market - which for many years has been a "bridge too far for UK businesses". They have a big vision of a US business with up to 200 sites. There have been many that tried to conquer the US but have struggled. However, in recent times, there have been signs that this is changing as UK companies have begun to successfully expand into this market. Wagamama and La Tasca are recent examples of two restaurant groups that are planning US expansion.

Why the change?

There is a whole range of reasons and perhaps it is of little coincidence that the businesses that are able to do well in the US, are those that offer an internationally orientated product and this bodes well for YO! Sushi.

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market to enter as almost half of every dollar that Americans spend on food is spent within restaurants. In 2006, restaurant sales in the US are expected to pass \$500 billion but competition is fierce with over 900,000 food outlets. YO! Sushi's aim is to open with partners 200 restaurants in the US, which is a large forward step from the stable business base that they have built over the past eight years in the UK.

"We see ourselves as an international business," commented Robin Rowland, the restaurant business's Chief Executive. "Most of the senior team have either worked or lived abroad and we have an international outlook, which is important as we try to embrace and work in different business cultures. This fast casual concept will work superbly in the US market. Time will

clearly tell if we are successful but all the signs are very good. We just believe in what we are doing."

And the facts do support Robin's statement as they have brought the business a long way since Simon Woodroffe originally founded it in 1997. The early days were very encouraging as their first four restaurants performed successfully which encouraged Simon Woodroffe to go for further growth, including launching YO! Below bars. However, progress did not remain as smooth. YO! Sushi opened units in poor locations, they grew too fast. Robin Rowland took over management control as CEO in late 2000 and recognised the need to retrench before expansion again. Some of the 2nd phase sites were not as successful as had been hoped - and cash flow was tight. In 2002, the

collapse of Fish stopped investment in the restaurant sector and these were dark days. However, the management team did not lose faith and pushed on opening 2 sites per year including Paddington Station and in August 2003, the tide began to turn. Primary Capital backed a MBO and acquired 60% stake from Simon Woodroffe and gave the business some real financial backing that allowed the management team to start focusing on building the growth that is in place today. The management team currently have a 17% stakeholding.

Taking hold...

"I have tremendous respect for Simon, as he handed over control of "his baby" and trusted me to get on with the job. He created the concept when many said that it would not work and he needed someone with experience to take it to another level," noted Robin.

"The situation today is very good," he continued. "2005 has really been a strong year and we now have a strong pipeline of prospects for new locations. 2006 looks like another good year with solid like for likes and 4-6 new openings, plus 10 overseas previously with our partners."

Robin joined the business in 1999, working with Whitbread, Grand Met and Scottish & Newcastle and City Centre Restaurants. It was his time

with the last two businesses that arguably gave him the confidence to take the YO! Sushi brand from where it stood in 1999 to today's promising position.

"I had some great early mentoring whilst at Whitbread and Grand Met" noted Robin as we discussed his early influences, "but Old Orleans from 1988 really allowed me the chance to learn as I was given great freedom to run the business. During my 4 year tenure, we took it from 5 to 20 restaurants and I was generally just left alone to get on with the business.

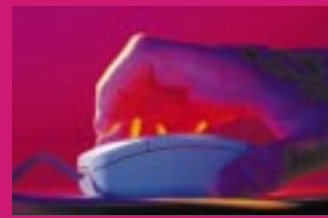
I was given the same level of freedom by Andrew Guy at City Centre Restaurants in the mid 90s. He has a superb management style that gave me the confidence that I could really deliver as a business manager. After an initial operational role turning around Nachos, the board gave me a role looking for global franchisees for the company's 6 restaurant brands, which allowed me the opportunity to travel for 12 months meeting some of the best restaurant businesses around. I travelled to the US, South Africa, Hong Kong and Asia. It was a great education."

Temptation...

So what tempted Robin to join Simon Woodroffe at YO! Sushi?

"I was attracted by the brand and

continued...



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its potential. This was a fabulous concept that could really be taken forward. But we had some challenges and we had to overcome some tough obstacles to make sure that we had the basis of a sound organisation that could be developed forward. When I joined, YO! Sushi had already made some classic mistakes of growing too fast and this placed great pressure on the business. I think that the real unsung heroes for us during this time was Bob Silk, our bank manager at Barclays Bank who really did believe in us and what we could achieve.

It is strange as there were some really quite hard times and yet we did seem to always retain our belief in the business. I remember in the middle of the financial "workout" taking a huge risk in buying a large house, which meant that I had no choice but to succeed. I think that, plus 3 children at the time under the ages of 3 1/2, ensured that I had the extra motivation to succeed."

YO! Sushi was a radical concept that was launched onto the market at exactly the right moment. What, I asked, would make it stand the test of time and grow?

"We have a number of guiding principles by which we live and work. The first one is that we must constantly innovate and create. We must never stand still. There is no sacred cow in our business. Everything can be questioned and developed further. We also focus the key basics of what the business needs for sustained success - People, product, property and promotion.

We have a strong relationship with our customer. I receive on average 10 unsolicited e-mails every day with constructive feedback. I would say that 70% are compliments and 30% are complaints but delivered in a manner that appears like they want to work with us. It is as though they want to help us succeed. I will always try and reply to each one within 24 hours. I believe that we enjoy a strong bond with our customer, which is built upon trust. We have a transparent product and there is nowhere for us to hide. I think that the customer respects this point.

Thumbs up...

In January, we did a promotional offer of 50% off the price of food. We had 10,000 vouchers downloaded from the website within 24 hours and 50% of these used within the first four days of the offer. This is a great sign that the business has built a strong relationship with the customer.

We have also learnt to use our own skills as effectively. I believe in good third party relationships and



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“ WE MUST CONSTANTLY INNOVATE AND CREATE, WE MUST NEVER STAND STILL ”

goodwill, so we will approach everything that we do in an honest, straightforward, decent way. We are loyal to those partners that work with us and we are prompt payers.

I was once told about the 7-meeting rule, which I have used and really works. Just as you can't fold a piece of paper 7 times, you find that as long as you are friendly and positive, you will often get a great deal in a negotiation on the seventh meeting. I don't know why but seven meetings probably wears down the negotiator but also shows our serious intent as we have invested so much time into the process. The result is that it has really helped the business as we have achieved great deals and working relationships."

I noted that I was intrigued as to why he had never recruited an HR manager to work within the business, given the focus upon people.

"I am reluctant to assign the recruitment of our team to anyone outside of operations. I believe that "people work for people" and the best businesses have enthusiastic teams. For this to happen, managers need to recruit teams with the same values and drive and I didn't want line managers being influenced by a

perspective outside of operations. It gives us the fluidity of moving quickly when it comes to recruitment.

The same applies to training. The two trainers that we employ within the business are responsible to Operations Director. 1.5% of turnover is reinvested into the budget for the Operations Director to use for training. We want to up the ante on our investment in people. At present, our turnover for permanent monthly paid team members is around 30% and 90% for hourly team members and I want to bring this down.

Prepared for the future...

Now on saying all this, I accept that there is a breakpoint where this might all change, needing more structure, but we are not at that point as we stand."

And how does he view the future?

"I think that the company has moved through three stages. It's founding and initial growth, its stabilisation and then the MBO, growth and expansion. Now is a very exciting time and it is just great to see both how far we have all come over the past 5 years and how far we could all go in the next 5."