

# Famous Dave Is Cookin'

Restaurant chain plans major national expansion after successful IPO.

By Beth Mattson

**F**amous Dave's of America Inc. is planning to take its growing Twin Cities reputation for great BBQ to the national market in giant proportions.

Plymouth-based Famous Dave's has been greeted with overwhelming success since it launched its first restaurant in 1994. A recent initial public offering pulled in \$15 million, and Famous Dave's is on the brink of a major national expansion that could produce 500 stores within the next five years. "Our potential for this is phenomenal," says founder and majority shareholder Dave Anderson.

Famous Dave's BBQ has built its acclaim and a growing customer base on atmosphere and great food. The menu is a mix of "American backyard" cuisine, Anderson says. Famous Dave's serves up delicious menu selections from its hickory smoked St. Louis-style spareribs, Texas beef brisket and herb-roasted chicken to side dishes such as honey-buttered cornbread, slaw and homemade desserts.

The quality of the food is passing both customer and critic taste tests with flying colors. Famous Dave's won first place in the mild tomato category at the American Royal Barbeque Contest in Kansas City in 1995. Locally, awards are piling up for Best New Restaurant, Best Bar-B-Que Joint, Best Ribs and Best Barbeque Beef Brisket. BBQ lovers can sample Famous Dave's award winning BBQ sauce in one of three Twin Cities restaurants or purchase it from the supermarket shelf.

Anderson is quick to dispel any misperceptions that Famous Dave's is just another rib joint. The restaurant chain's popularity stems from its total concept package. "It's not just the barbecue, it's the whole dining experience," Anderson says. Famous Dave's has developed three restaurant concepts including a BBQ shack, a BBQ and Blues Club and a North Woods lodge. All of the restaurants feature the same great food, blues music and a nostalgic roadhouse-style decor.

"There's nothing that compares to what we have. We really have a niche," Anderson says. There may be other places that serve ribs, but there are no other places that have the food, the music and the atmosphere, he says. "We're a fun place," he adds.

## YEARS IN THE MAKING

Despite many successful business ventures to his credit, Anderson is passionate about Famous Dave's. As a hands-on CEO, Anderson has done everything from create the theme and ambiance of the restaurants to develop the recipes. Anderson is modest about his stint at the Culinary Institute and prefers to call himself "just a cook", but his culinary training is apparent in everything from the menu items that he has perfected to his immaculate restaurant kitchens.

Anderson's love for barbecue dates back to his childhood. It all started when Anderson's dad was working construction



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## Restaurateur

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In 1989, Anderson, along with Stan Taube and Lyle Berman, formed Grand Casinos Inc. He served as director and executive vice president until resigning earlier this year to pursue his new business interest. Anderson also helped to found, and continues to serve on the board of another local restaurant that is seeing significant national success, the Rainforest Cafe.

### COMPANY SUCCESS

With that track record, it's not wonder that Famous Dave's is off to such a strong start after less than three years in business. Anderson opened the first Famous Dave's BBQ Shack in Hayward, Wis. in 1994 to an overwhelming response. The restaurant was seeing 500 to 600 customers during the week and another 1,000 on weekends. "It was all word of mouth," Anderson says.

It was after that initial success that Anderson knew he had something special. Customers kept asking if they could invest, and asking when a Famous Dave's was going to open in their town, Anderson says. That's when he started looking at bringing the concept to the Twin Cities.

Famous Dave's of America was incorporated in March 1994. The Hayward restaurant is wholly owned by Anderson and not part of Famous Dave's of America. As a corporation, Famous Dave's opened the Linden Hills BBQ Shack in June 1995, and followed with a BBQ Shack in Roseville the following June. The flagship restaurant, Famous Dave's BBQ

& Blues Club in Uptown opened in September. Famous Dave's plans to open three additional Twin Cities restaurants in the first half of 1997, including locations in St. Paul, Minnetonka and Maple Grove.

in Chicago, and co-workers introduced him to the city's west side rib joints. Young Anderson used to look forward to the taste treats that would be leftover in his dad's lunch box at the end of the day.

Since his first bite of ribs, Anderson has spent decades haunting rib places. "It was like religion for me," Anderson says. Business trips often provided the perfect opportunity to discover new BBQ joints all over the country — including the BBQ meccas of Memphis and Kansas City.

"While everyone else was sitting in the Holiday Inn eating Holiday Inn food, I was out visiting five to 10 rib joints," Anderson says. He was sampling ribs, collecting sauces and stealing menus. All the time he was making mental notes about what he liked, what he didn't like and how he could do it better.

Anderson has an impressive list of stepping stones that lead to the creation of Famous Dave's. Early highlights include a position as a leading sales person at a Fortune 500 firm and a handful of special business task forces.

As a member of the Choctaw/Chippewa Indian tribes, and an enrolled member of the Lac Courte Oreilles Lake Superior Band of Ojibwa, Anderson participated in President Carter's Task Force to study "The Problems of Minorities in Small Business". He also helped put together a team to turn losing businesses into profitable and stable businesses for the Lac Courte Oreilles Chippewa Reservation. Under his leadership, gross revenues increased from \$3.9 million to \$8 million.

Anderson served on the National Task Force on Reservation Gaming. He was recognized for outstanding achievement by

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the Bush Foundation, St. Paul. As a Bush Leadership Fellow, Anderson completed a Masters Degree in Public Administration from the John F. Kennedy School of Government at Harvard University.

Despite strong sales, rapid expansion has slowed profits, and Famous Dave's reported a third quarter loss of \$54,000 compared to sales of \$1.7 million. However, Famous Dave's is optimistic that its successful IPO will provide the necessary capital to take the restaurant national on a grand scale.

Initially priced at \$6.50, Famous Dave's of America Inc. closed at \$11.25 in its first day of trading on Oct. 21. "We've had a very successful first offering," Anderson says. Famous Dave's has pulled in \$15 million on stock sales, and expects to see another \$22 million from warrants. The warrant entitles the holder to purchase at any time in the next four years one share of common stock for \$8.50.

Anderson attributes the strong success of the IPO to several factors. The interest was made up almost entirely of local investors. Anderson's own track record gave the stock a big boost. Because of the locale, many investors had first hand experience either as a customer or had heard of Famous Dave's rave reviews, award-winning menu selections and three-hour waits to be seated, Anderson says.

#### NATIONAL EXPANSION

The successful public offering has only served to fuel the company's expansion

plans. "Financially, we're strong to grow for the next two years," Anderson says. Famous Dave's first phase expansion involves a Midwest strategy. The company is eyeing expansion into Chicago, and by the end of 1997 Famous Dave's expects to have a total of 10 Midwest restaurants. "We have more aggressive growth planned. Once you get to that threshold, then you start exponential growth," Anderson says.

Expansion plans are closely tied to Famous Dave's three different restaurant concepts. The main concept is the small roadhouse BBQ Shacks such as the existing Linden Hills and Roseville restaurants. The second concept is the larger BBQ and Blues flagship restaurant, which made its debut in Calhoun Square. A third concept, a deluxe North Woods lodge concept, is proposed for its Minnetonka restaurant.

**B**reaking into new markets will start with the flagship BBQ & Blues restaurants. This larger restaurant is Famous Dave's icon. The BBQ & Blues Clubs will be similar to the existing Calhoun Square establishment with about 10,500 square feet and seating for about 250 people.

Once the flagship is in place, Famous Dave's will be able to blanket new markets

with the smaller BBQ Shacks. The shacks range in size from about 3,000 to 5,000 square feet, and seat between 50 and 100. The Linden Hills BBQ Shack, for example, is 2,800 square feet, seats 50 and sees \$2 million in revenues per year.

The shack is the foundation for the entire expansion strategy. While the flagship restaurants take more time and considerably more money to construct, the satellite shack locations can be constructed quickly and with far less capital. "The size and cost of the smaller shack makes it a flexible concept that can easily penetrate virtually any market," Anderson says.

Famous Dave's is contemplating franchising its concept through area development agreements. Although the company has not solicited any franchise bids, Famous Dave's is currently sifting through several interested inquiries.

Because of the strong interest, Anderson expects the first development agreements to be formulated in 1997. However, the territories for those agreements have not been decided. Franchise territories are expected to be created in major metropolitan areas outside the Midwest, because Famous Dave's has targeted the Midwest for corporate growth. "We really see the Midwest as our own backyard," Anderson says. **MB&O**

