



# Grand Lux Cafe

Guests lap up luxury at The Cheesecake Factory's upscale sister brand

By Amy Spector

**M**any restaurateurs have tried to duplicate The Cheesecake Factory, the big-box paragon of high-volume casual dining, but to date only Grand Lux Cafe has mastered Cheesecake's complex menu and finely tuned operation.

To paraphrase celebrity chef Emeril Lagasse, "Bam!" Calabasas Hills, Calif.-based The Cheesecake Factory, which owns three-unit Grand Lux Cafe, has kicked their core concept up a notch.

Born out of necessity in 1999 after The Cheesecake Factory landed an irresistible piece of real estate too close to one of its namesake restaurants, Grand Lux Cafe has resolved the company's quest for a potent second brand. That initial unit in The Venetian resort in Las Vegas, has sprouted two branches, Los Angeles in 2001 and then Chicago in 2002, each growing more lavish than the last, executives say.

But compared with the company's flagship operation, high-volume Grand Lux Cafe requires more complicated cooking procedures, larger site requirements, made-to-order desserts, few cheesecakes and a longer time frame to recoup development costs. What is The Cheesecake Factory thinking?

"We put everything we learned at The Cheesecake Factory into Grand Lux. We want Grand Lux to be different than Cheesecake. We are just honing our operations and building our own distinctive management team," chairman and chief executive David Overton explains.

He continues, "The check average is \$1 or \$2 more. We use larger shrimp. We use Angus beef instead of Choice. You're getting your value for extra money."

Howard Gordon, company senior vice president, asserts: "At Grand Lux, we've taken upscale casual to its highest level before you hit white tablecloth. It's been getting its own clientele."

As casual dining has grown in popularity, The Cheesecake Factory, with 64 full-service restaurants, has become a heavyweight contender in the upscale segment, along with competitors like 100-unit P.F. Chang's China Bistro and 49-unit Houstons. Despite a languishing economy, those titans of casual dining continue to improve their bottom lines and stick to their store-opening schedules.

Now with Grand Lux Cafe, the eye-popping brand patterned after historic European



Grand Lux Cafe is patterned after European cafes. More complicated cooking procedures, larger site requirements, made-to-order desserts and few cheesecake offerings set Grand Lux Cafe apart from The Cheesecake Factory.

cafes, The Cheesecake Factory has a sobering one-two punch for all adversaries in the real-estate battle.

Three years ago, Overton staked the company's five-year plan to reach 100 restaurants and \$1 billion in sales. By the end of 2003, The Cheesecake Factory should have 75 restaurants operating, of which Grand Lux Cafe will contribute approximately \$40 million in revenues. Given plans to open a dozen or more restaurants annually, the company is right on track to hit Overton's goal.

"They've never had a clinker," marvels US Bancorp Piper Jaffray analyst Allan Hickok. "It's one of the most amazing stories in the industry. Beverly Hills [the original Cheesecake Factory restaurant] has been on a wait since it opened 25 years ago."

Rob Goldstein, president of The Venetian and the company's Las Vegas landlord, claims: "Having The Cheesecake Factory launch a new brand in the form of the Grand Lux Cafe allowed The Venetian to align itself with one of the world's top restaurants. Their

success has been phenomenal, and we feel fortunate our hotel and their 24-hour approach match each other perfectly with this market."

One need only take a few steps inside the elaborately crafted Grand Lux, with its custom light fixtures, ornate Old-World ceilings, bustling exhibition kitchen and spacious lounge, to realize where the sibling differs from the original brand. Think of The Cheesecake Factory as a larger-than-life American uncle, exuberant and generous, and Grand Lux Cafe as the worldly, wise aunt, more sophisticated and better dressed but still entertaining and familiar.

There are common characteristics though. The Grand Lux menu, which did not grow from a desire to sell cheesecakes like its sister brand, still lists six to eight flavors of the specialty dessert. Several appetizers and entrées have a familiar ring to those on The Cheesecake Factory menu. Portions are large and the menu prices are reasonable.

And like The Cheesecake Factory, the sales volumes per square foot are high. The original unit in Las Vegas is beating the company unit sales average of \$1,000 per square foot, according to securities filings. That 19,500-square-foot unit has the advantage, however, of serving 24 hours a day, versus the lunch-and-dinner schedule at all other company sites.

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## GRAND LUX CAFE

**Owner:** The Cheesecake Factory  
**Headquarters:** Calabasas Hills, Calif.  
**No. of units:** 3  
**Annual sales per unit:** \$8 million, Los Angeles; \$20 million, Las Vegas; N/A, Chicago  
**States where located:** California, Illinois, Nevada  
**Type of concept:** upscale casual dining  
**Average check:** \$17.50

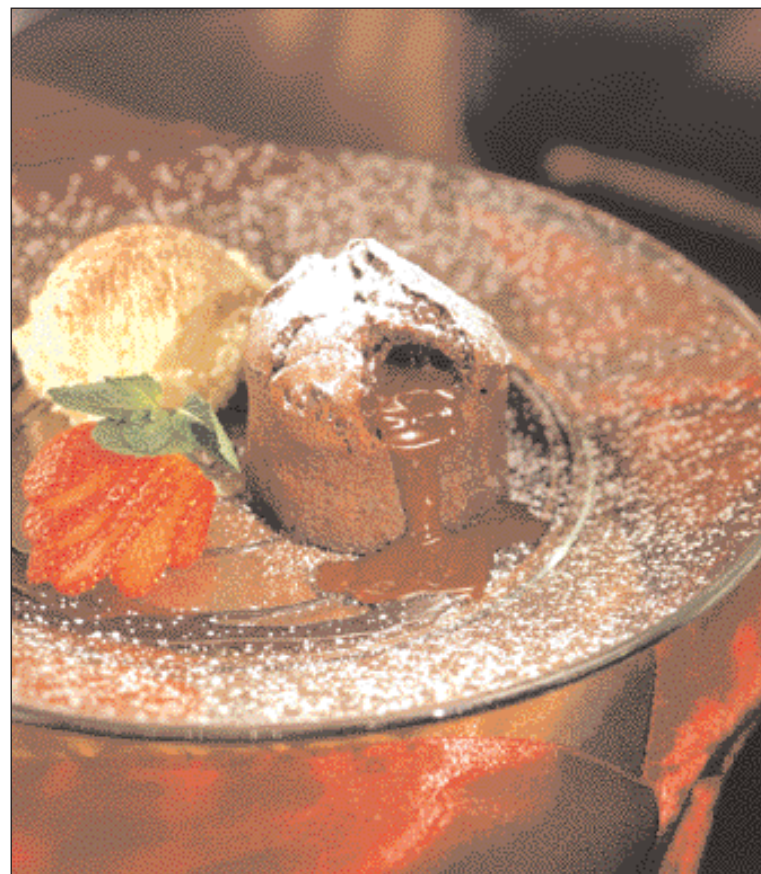


## Grand Lux Cafe



Right: Servers suggest customers follow the meal with a made-to-order dessert, such as this molten chocolate cake

Left: The Jamaican Pork Tenderloin entrée features a spicy black pepper sauce



Although Grand Lux Cafe's menu is about half the size of The Cheesecake Factory's — 110 items versus 200 — the selections are equally diverse. Appetizers range from B.B.Q. Duck Potstickers for \$7.95 to a Stacked Chicken Quesadilla for \$8.95 and Fresh Louisiana Crabcakes for \$10.95. Entrées include Braised Yankee Pot Roast and Jamaican Pork Tender-

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Peter D'Amelio, a 14-year veteran of The Cheesecake Factory who was named president and chief operating officer of Grand Lux Cafe last October, says: "I feel like I've inherited a Super Bowl team and just have to tweak it. We're trying to set ourselves apart, to honor our heritage but blaze our own path."

Asked about the similarities of the two concepts, longtime Cheesecake cheerleader Hickok says, "That's a strength, not a weakness. What do they have in common? A beautiful building, extensive menu, high-quality food, great execution. Plus, it's all about money. The Cheesecake Factory has a great top line and makes a lot of money. Those are all things that are worth copying."

Cheesecake's Gordon says that "about five or six years ago, we were designated to be an anchor in malls. Developers will build to our specs, so there are a lot more opportunities with Grand Lux Cafe because of The Cheesecake Factory."

According to industry observers, The Cheesecake Factory and Grand Lux, by association, can flex their bargaining muscle with developers, who have been said to dangle site concessions into the seven-figure range to lure the volume-churning restaurants.

Overton says that different cooking methods, such as oven-finished and broiled entrées and four made-on-demand desserts, "will always force us to keep Grand Lux very distinctive."

And, as D'Amelio observes, "We can cook anything. We just added sushi." He refers to the Spicy Ahi Tuna "Sushi" appetizer that sells for \$10.95

loin with a spicy Jamaican black-pepper sauce, both for \$15.95, as well as Indochine Shrimp and Chicken for \$16.95 and Miso Glazed Salmon for \$17.95.

One potential risk for Grand Lux, which does not bear the word "Cheesecake" in its name, is a loss of dessert sales after a massively portioned entrée. To override a veto on dessert, which Gordon says makes up about 7 percent of sales at Grand Lux, servers suggest four desserts — beignets, molten chocolate cake, chocolate chip cookies and warm apple pie — at the outset of the meal, explaining they require a 30-minute baking time. Fifteen other options are available, as

well as the aforementioned cheesecakes.

Earlier this year, the company also boosted its confectionary expertise by hiring Gordon's wife, former pastry chef Susan Gordon, to consult on new dessert options, such as the recently introduced Praline Pecan Tart for \$6.95. For the main menu, corporate executive chef Robert Okura works with menu impresario Overton to keep the listings appealing.

The company intentionally puts their Grand Lux sites near their namesake units, Overton says, to prove Grand Lux won't cannibalize the established brand.

"In Chicago, the Grand Lux is six blocks away from our No. 1-in-sales Cheesecake Factory, and it hasn't affected business at all," Gordon states.

Rick Federico, president and chief executive of P.F. Chang's, which operates two Hot Concept! winners, full-service P.F. Chang's China Bistro, 1996, and quick-casual Pei Wei Asian Diner, 2003, is an enthusiastic fan of both The Cheesecake Factory and Grand Lux Cafe. "Our clientele is very complimentary," he says. "When David [Overton] and I have a chance to talk to developers, we ask them to talk to Cheesecake Factory, and I believe Cheesecake Factory does the same for us."

Gordon confirms Federico's thesis, explaining that the two brands bring a similar demographic to retail centers.

So far, the company plans to build Grand Lux units only in existing Cheesecake Factory markets. Overton says there may come a day when Grand Lux will develop a geographic region on its own, but for the near term, the namesake brand will be the market maker. "Why open Grand Lux Cafe rather than The Cheesecake Factory? Once we know a city, once we understand it, then we come in and look for Grand Lux Cafe locations," he says.

And where is Grand Lux headed next? The company plans to have its fourth unit up and running in 2004. Although secretive about that location, Gordon suggests that bettors place their odds on "a warm location climate."



The three-unit concept features custom light fixtures, ornate Old-World ceilings, an exhibition kitchen and a spacious lounge.