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LEADERSHIP & BUSINESS PODCAST

EPISODE 229: MICHAEL HEALY – THE CASUAL DINING LANDSCAPE

Michael Healy

All restaurant companies are trying to work through those years of inflation and probably great value. But great value is what I pay for what I get, and it always starts with a great experience. And so I'm very proud of our teams, how we focus on that execution and treating each guest like they're special.

Female Voice

From William & Mary in Williamsburg, Virginia. This is Leadership & Business, produced by the William & Mary School of Business and its MBA program. Offered in four formats: the full-time, the part-time, the online, and the executive MBA. For more information, visit wm.edu.

Ken White

Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. Sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. Well, chances are you've dined at one or more of Bloomin' Brands' restaurants. Their brands include Outback Steakhouse, Carrabba's, Bonefish Grill, and Fleming's Prime Steakhouse. Casual dining was hit especially hard during the global pandemic, but thanks to innovative thinking, leadership, and loyal customers, Bloomin' Brands continues to grow in the US and abroad. Michael Healey is CFO and head of global business development for Bloomin' Brands. He's held a number of leadership positions there, including CFO of Outback, President of Bonefish Grill, along with roles in supply chain, brand, and strategy. A William & Mary graduate, he visited campus recently and joined us to talk about casual dining, the importance of brand, and the elements customers seek in their favorite restaurants. Here's our conversation with Michael Healey.

Ken White

Well, Michael, thanks so very much for joining us here on the podcast. Welcome to the School of Business. I know you've been interacting with students already. How was that for you?

Michael Healy

No, it was great. I had one session with the MBA leadership team, and so it's just good to ask open questions. A little bit more time later this afternoon to put together a few slides on just some fun things that I've learned. I do talk a little bit about some supply chain components there because I ran a supply chain for a couple of years, and that's the track that I'll be chatting with. But it's fun. I haven't come back formally to speak with students, and so I'm pretty excited to be here.

Ken White

Great. Well, thanks for doing it. Yeah, you are. You're headed to the supply chain class right after this, and I know they're excited to hear from you. Bloomin' Brands. Man, the word brand needs to be in there because what about some great brands in this? How important is the concept of brand to the organization?

Michael Healy

Yeah, it's very important. We say that we're founder-inspired brands. And so all of our brands started with that entrepreneurial spark, something special within each of those brands. Obviously, Outback is the largest, the multinational brand, but it started with four people who had worked in a restaurant business and had a dream about a restaurant in Tampa. They joked that they had to get their friends to sit at the bar the first couple of months just to try to get some people into the restaurant. But it became, obviously, an institution. Now, obviously, we have Outback's all over the world. But when they were thinking about additional brands for their portfolio, they looked for other brands that had that same founder inspiration. Carrabba's out of Houston, Bonefish came out of St. Pete, and Fleming's is out of California, but all with those founder-inspired components, which means the DNA is really strong, the culture is really strong. Now, over time, obviously, they've grown together a little bit. We've got a lot of commonality between the brands and the culture, but there are definitely some pretty unique ways that they stay separate. But it's great. We have great brands. I was joking with the students before earlier because I think one asked, which my favorite brand is. I'm sort of spoiled to have these types of brands. But I'm excited. But the brand is important, like what the brand stands for. Obviously, it's very food-focused, so the pride and intention that the teams do to not only innovate eating around the food, but also executing the food is very important. And the people aspect, we have our principles and beliefs. We have how we think about the business, how we think about treating our people. And those are all front and center. You talk to a manager, a managing partner. A managing partner is a proprietor. We think of them as owners of the restaurant. They get a percentage of the cash flow, so that's the lens they have. And so those cultural components are what we think differentiate us, certainly from an operations perspective.

Ken White

To your guests, those who come to eat, how important is brand?

Michael Healy

Brand is important. I think for us, you think about Outback. A lot of times in our best restaurant, the proprietor's name is above the door. There's a personal relationship with the guests. But they know for each of our brands, whether it's Outback, Carrabba's, Bonefish, or Fleming's, when they go in there, you're going to get attention to detail, you're going to get a great experience, you're going to get people that care that you're there and want to treat you special. That's a commonality that runs through the DNA of all of our brands. But you also know you're going to get a great meal. Obviously, right now, all of casual dining is working on how do we balance great experience with great value. We've all had a number of years of inflation, and so all restaurant companies are trying to work through those years of inflation and provide great value. But great value is what I pay for what I get, and it always starts with a great experience. I'm very proud of our teams, how we focus on that execution and treating each guest like they're special.

Ken White

We talk brand, you mentioned value. Some of the other things that customers and diners and guests look at, rather, location.

Michael Healy

Location is important. We want to be convenient. I think we've got some opportunities in some of our locations. We've actually relocated a number of Outback's over the years, and when we do, we get 30 to 40% sales lift, which just shows the vitality of the brand. If we can put our brands in the right spot, because when you have a 25, 30-year-old restaurant company, trade areas shift, and so you have to do some things. But location is key, not only, obviously, physically, where it's located, is it convenient, is it around other demand drivers, those types of things. But we have to remodel, we have to make them contemporary. Obviously, we have to keep them clean and those things. But those basics are pretty easy, but for us as a company, we have to have that commitment to capital to reinvest in our restaurants just to continue to make them relevant. When you go into a highly well-run restaurant, a lot of times, guests can't articulate exactly what made it great. They'll be like, oh, the experience is great, or the ambiance is great. And you drew down further, not really talking about ambiance as in the decor. It's this overall experience, but the physical plan is important. And so as we think about what we need to reinvest in our restaurants, obviously, we're opening some new restaurants, but also making sure we're remodeling back in those restaurants.

Ken White

Now, some of the restaurants are owned by Bloomin' Brands, but some are franchised.

Michael Healy

Yeah, we have roughly, I would say somewhere between 15 to 20% are franchised in the US, primarily on the West Coast. We do have a franchisee in the Tennessee area, but the majority of them there are company-owned. Our franchises are long-term franchises. We have been around for a long time, so the heritage and the culture of the brand is just and alive and is well in their businesses as it is in our company-owned businesses. But internationally, we have a large franchise business in Korea. We call it 80-90 restaurants. We have a large equity business in Brazil, which is a fantastic business, and then franchise throughout the Middle East and other parts of Asia. So definitely a global brand. I think close to 1,400, 1,500 restaurants for the total company.

Ken White

You mentioned a little bit about inflation. Obviously, you're spending time on that. Are there any key initiatives other than that that you're focused on at this point?

Michael Healy

Yeah, I think for us, our business is simple to conceptualize but difficult to execute. It's like because people want a great experience, they want a good value, good ambiance. For us, again, after the two or three years post-COVID, the inflation everybody's been dealing with, having value is important. And value isn't like the ultra-low price point, because our guests certainly continue to want the quality and the execution. But there are ways that we can engineer things, engineer menu items, so we can provide a bit more value and complement the other aspects of our menu. There are a lot of guests who come to our restaurants for special occasions, and they certainly want to indulge on some of our more premium offerings. But there's also Tuesday. Do you want to grab a quick bite? And so we want to make sure they were accessible for them as well. A lot of the teams are working on whether they're on menu value components or limited-time offerings. But you see broadly within casual dining. It's a competitive landscape, and so we're staying focused on things that we can deliver of value, but still also meet our guests' expectations on quality and experience.

Ken White

We'll continue our discussion with Michael Healey in just a minute. Our podcast is brought to you by the William & Mary School of Business. The Financial Times, Bloomberg Business Week, Princeton Review, and US News & World Report have all named the William & Mary MBA program one of the best in the US and the world. If you're thinking about pursuing an MBA, consider one that has world-class faculty, unparalleled student support, and a brand that's highly respected, the William & Mary MBA. Reach out to our admissions team to learn which of our four MBA programs best fits you: the full-time, the part-time, the online, and the executive MBA. Check out the MBA program at William &

Mary at wm.edu. Now, back to our conversation with Michael Healey, CFO and head of global business development at Bloomin' Brands.

Ken White

What's the culture like?

Michael Healy

I mean, the culture is great. Again, I think rooted in an operations lens, I think everything starts with us, with the managing partner who runs each restaurant. Again, we look at them in the lens of a proprietor as they own the restaurant. They're responsible for building their teams and delivering. The Outback, Carrabba's, Bonefish, Fleming's experience in their communities. They're the most important person certainly in every restaurant. That culture continues from the first Outback through all the restaurants we have today. Again, we have our principles and beliefs, which is the commitments we have to our people. It's a book that we hand out, field guide, Bonefish Way. It varies a little bit across the different brands, but it's our commitment to our people. It's a commitment to our suppliers. It's a commitment to our communities. We think our experience is going to be a function of how good of experience is to work in our restaurants. We look at it in that lens, and people really gravitate to that cultural heritage. We were talking a little bit on there, just how this is one of the few businesses where you can really change the trajectory of your family by working hard and getting to be a managing partner or getting to be a multi-unit or joint venture partner is. What we call them, and really change the financial trajectory of your business. That's not lost on us as far as what we can do to people's lives. What we get is we get a lot of people. I'd go and you travel around to restaurants, and there's one restaurant in Houston, you go back, and the kitchen manager is like, oh, how are you doing? Or chat, and he's like, I've been here 25 years, those types of things. And he's like, oh, this is my brother. He's been here 24 years. I think that culture, people stay for that culture. People work for other people. And so the fact that that culture is so strong, come from our hourly all the way up through our brand presidents and our executive team.

Ken White

It seems to me, though, you have a bit of a leg up being founder-inspired. There's something to really hang your hat on.

Michael Healy

No. And it's founder-inspired inspired, so they know that it started with the ethos of taking care of our guests. I mean, obviously, we're still in a business. We're still to make money. The way that we reward our people is, as your restaurant makes more money, you make more money. Our goals and our objectives are intertwined. But that founder-inspired is meaningful as well, because I think there's still good participation with a number of our founders still in the brands. That's important. They still get to see and touch them. It's

great for us, it's always this. The business has evolved, so you take all the goodness of the founder, how they thought about the brand, what was important, the hospitality components, and it evolves a bit. But you also want to anchor back on what was most meaningful to brands when we started out.

Ken White

COVID, what lasting impact did that have? It's been a while, but I think it probably still affected the sector, right?

Michael Healy

Oh, yeah. I mean, COVID was huge. I was actually in supply chain when we were going through COVID. And so you talk about just a really unique time to be running any business. Now, fortunately for us, Outback had created carryout like 25 years ago, right? And so, and Carrabba's was well positioned there. I actually had rolled out delivery at Outback, right? So, I had an operations team reporting to me when I was CFO of Outback because I wanted to move a little bit more to operations. And so we actually had a pretty good muscle on how to do off-premises dining. Really, we were able to quickly pivot into focusing just on that business. Carrabba's, Bonefish, didn't really have that, so they had to build it on the fly. Fleming's being fine dining, we did what we could, but it's a little bit of a unique space. But in those first days, the entire organization just anchored around food and people. How do we take care of our people? I think we paid everybody through the entirety of COVID. We didn't furlough anybody. Even when restaurants were closed, we continued to pay people. I think that was culturally very important for us. We focused on food, focused on supply chain. How do we support the restaurants? We had to get all crazy things. You had to go get, obviously, all the packaging supplies you could possibly, but masks and sanitation and partitions. As a supply chain team, we were really working to support the restaurants. But you also had to manage through all the core. We have fresh proteins, right? Managing that big of a disruption in fresh proteins, we had to get really creative and try to move some of those things sideways. But as the person who runs supply chain now, she reminds me that first year was the easy part because then the next year, there was a global shortage of something every other week. So had to be real nimble. I think it certainly helped validate the strength of our supply chain and our ability to predict. To me, to think about menus changed all the time. Open rates changed all the time. There was a very hyperdynamic environment as far as to support the business. But everybody was vested. It helped us boil down why we're there. We're an operations-based business. We're there to support our people. We're there to support our guests and make our guests because when they were coming out, it had to be even more special in that era. It's always important for us. Like I said, I think it stress-tests a lot of our systems I think we're very confident with our ability to support the business now. It helped us refocus on people in operations. Then you got the inflationary gifts for years post. We know we have to continue to be meaningful to our guests and provide the right balance of execution,

and experience, and value. We're still dealing with the remnants of the disruption. But the business is getting closer back to what it was. We know how to operate in that environment as well. We're obviously certainly glad we're through it all, but we're starting to see inflation start to moderate. We know that that's good for people's wallets as they think about where and when they want to spend those dollars. That's a good sign for us.

Ken White

Yeah. So feeling pretty positive about the future.

Michael Healy

Yeah. No, I mean, again, we have great brands. Again, I think that's the most exciting thing. Whenever we do consumer work and we look at the strength of our brands from an affinity standpoint, our brands are always a very the top of the heap as far as how much customers love our brands. Our job is to own all of that, to continue to reinforce that. Then where we can, can we expand occasions? We have a great off-premises business we built, and we've held on to post-COVID. All of our brands have held on to that. Bonefish, it was zero. It continues to be a good part of their business. Carrabba's is a third of their business is coming off-premises. We've learned that customers want our food. And post-COVID, that whole off-premises business has continued to maintain. It's been really sticky. We'll continue to enjoy the fruit of that business as well.

Ken White

That's our conversation with Michael Healey, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program offered in four formats: the full-time, the part-time, the online, and the executive MBA. Check out the William & Mary MBA program at wm.edu. Thanks to our guest, Michael Healey, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

Female Voice

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