

CHAIN REACTION

BY DEBORAH L. COHEN

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This is chicken-finger country. Land of the baby backs. Home of the free drink refills. What you've long suspected is true: Indy has more chain restaurants per person than almost any city in the U.S. And while that might make some independents hotter than a plate of jalapeño poppers, chains thrive here because we Hoosiers like what they serve—spectacular consistency. So, turning a haughty back to haute cuisine, we present an investigation into the local franchise phenomenon, along with some tasty sides: our own Dream Sampler of appetizers, a Hall of Fame celebrating the best versions of the chain staples, and a handy chart to keep the franchise juggernaut straight.

By Deborah L. Cohen, Photography By Tony Valainis

Hall of Fame:

- 1) Alcatraz Brewing Co.
- 2) Ruby Tuesday
- 3) Cheeseburger in Paradise

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It is 7 p.m. on a Tuesday night, and customers are spilling out the front door of Chili's Grill & Bar on East 82nd Street. Inside, surrounded by a seemingly random assortment of knickknacks on the walls, diners flip eagerly through the 11-page menu stacked with burgers, ribs, and chicken. The demographic here is almost as middle-America as the food itself—families of four, mostly white, middle-class but practical about spending. Almost every one of the 48 tables is occupied.

Nothing distinguishes this particular evening, or this particular restaurant. Traveling east from Keystone Avenue to Knue Road—a distance of less than four miles—a hungry family would have a choice of nearly two dozen casual dining chains, including Applebee's, T.G.I. Friday's, Olive Garden, Red Lobster, Don Pablo's, and The Cheesecake Factory. Even on this unremarkable night in the middle of the week, many of them have a wait. Although this corridor between the Fashion Mall and Castleton remains one of the busiest chain-dining sectors in the city, similar scenes can be found on Shadeland Avenue on the east side, U.S. Highway 31 on the south side, and 38th Street on the west side. Indianapolis, as you may have noticed, has become chain heaven.

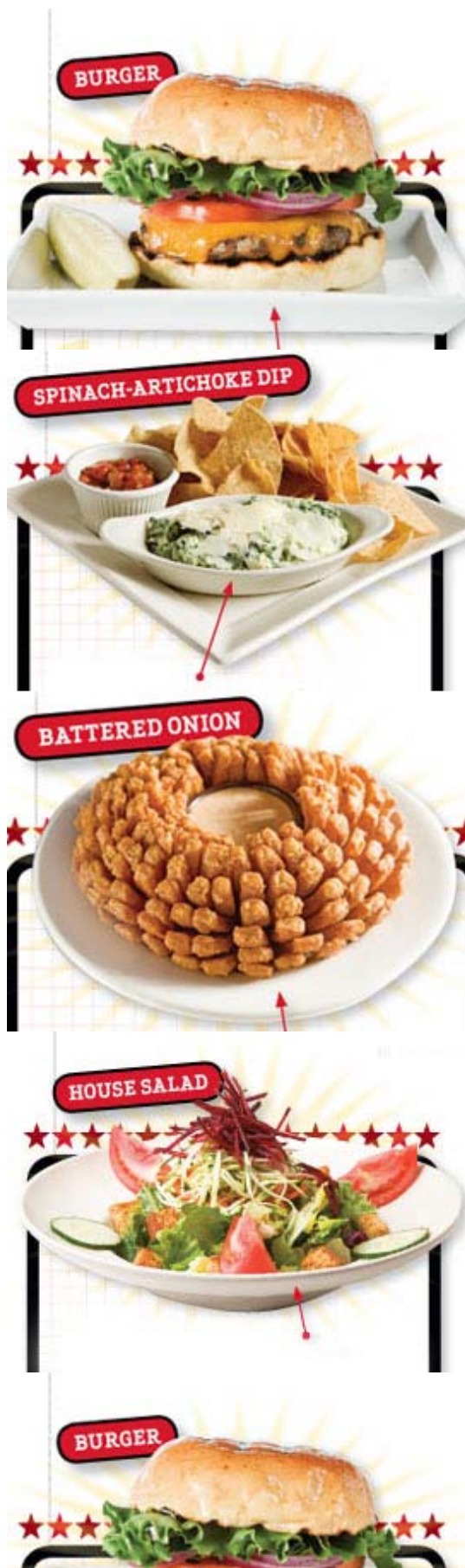
Long characterized as a quintessentially American town, the Circle City is a magnet for casual dining restaurants such as these, as well as for an abundance of other chains at both ends of the dining spectrum. They come here because they are welcomed by a community that values predictable fare, a family-friendly atmosphere, and affordable pricing. They come here in response to the city's rapid suburban growth. They come here because of low taxes, low wages, and a fairly homo-genuous population. Several of the chains, including O'Charley's and Rock Bottom Brewery, count some of their highest performing locations in Indy.

Much to the continuing chagrin of the city's independent eateries, a snowball effect has taken place. The highly competitive restaurant sector has always been a copycat business. Big restaurant chains, many of them public companies, are hard-pressed to satisfy shareholders with steady earnings growth, so word of a stable market spreads quickly—call it a chain reaction.

"We were one of the first casual dining chains on this street in 1993," says Christian Hershik, a manager at the 82nd Street Chili's. "Now there are so many that no one can even hope to stand out. All you can do is push for better service, because new chains will move in and fill every gap."

Today, the greater Indianapolis metropolitan area has one of the highest concentrations of chain restaurants per capita of any market in the U.S., according to data from Asterop Inc., a San Francisco-based provider of research for the retail and restaurant industries. In comparing similar markets, the firm determined that geographic coverage by chain restaurants here was 44 percent higher than the national average.

Asterop counted some 1,160 chain restaurants in greater Indianapolis, including 270 full-service restaurants like



Applebee's, 722 fast-food joints, and 168 so-called fast-casual eateries like Qdoba, those that dish up made-to-order food quickly. Of the area's total population (1.7 million), this translates to a ratio of one chain restaurant for every 1,459 people, the highest of any metro area observed in the study. Indy's propensity for chains runs ahead of even Columbus, Ohio, another capital city considered perfect for the eateries because of its Midwestern sensibility. With a slightly larger population of 1.75 million, the market has some 1,560 diners for each chain restaurant. Residents of Chicago, the third-largest U.S. city, can hardly find an appetizer sampler platter anywhere—at about 2,630 people for every one of its chains, it has barely half our density.

"Chains that execute well and do it consistently are very successful in Indianapolis," says Guy Stanke, vice president of operations for Tennessee-based O'Charley's, which has 13 locations in the Indianapolis area, including three of its 10 best performers. "The economy for restaurants there has been almost bulletproof."

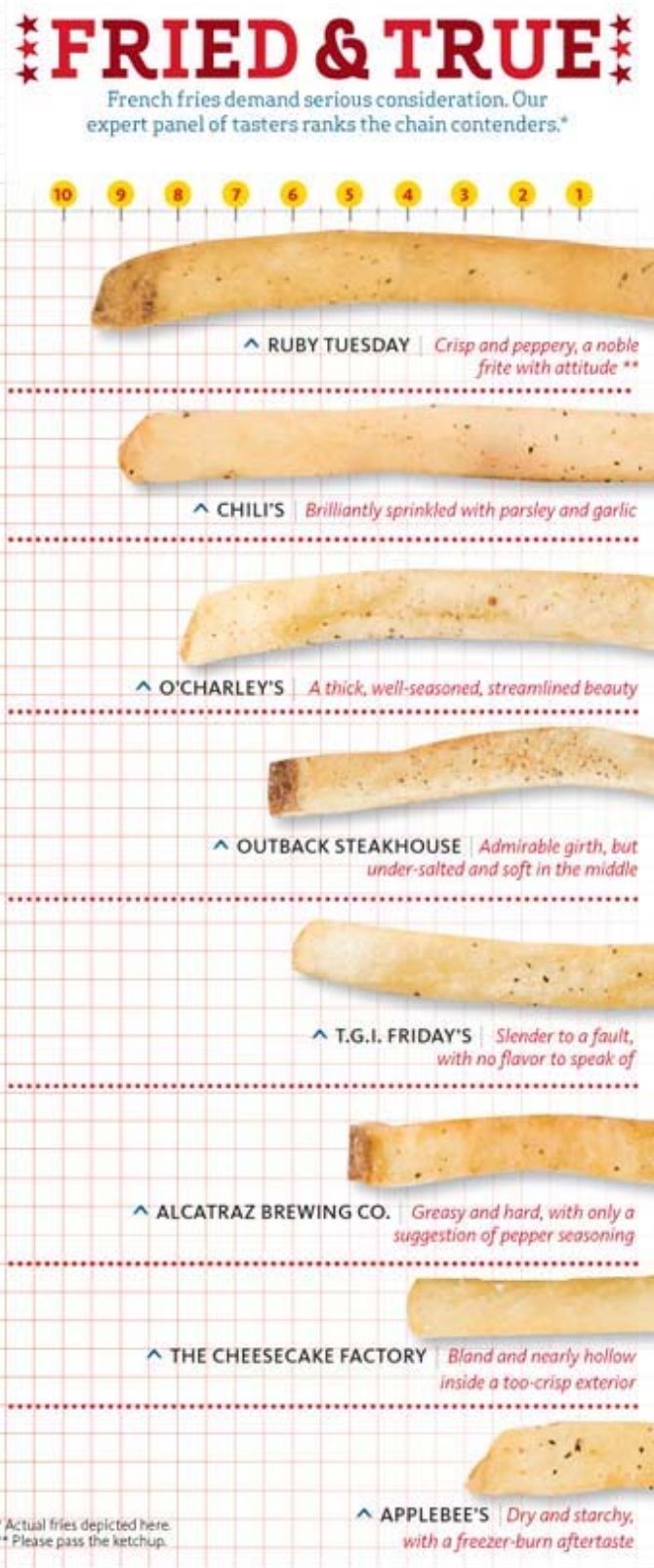


While everyone agrees that the casual dining chains flock here in staggering numbers, industry experts provide a variety of reasons why. One thing that can be said for sure is that it all starts with money and growth. Since 1990, the population of the Indy metro area has increased 31 percent, growing at nearly twice the rate of Chicago and well ahead of Columbus. According to the Indiana Research Center, part of Indiana University's Kelley School of Business, the city will grow another 23 percent by 2015. The city's median household income of \$50,841 places us slightly above the national average, but not so far up as to require an influx of pricey bistros.

"Indianapolis can be seen as a middle city in many ways: middle of the state, middle of the country, middle income, perhaps even a tad more middle-aged than some others," says Carol O. Rogers, deputy director of the center. "Market researchers and retailers love us folks who are in the middle—we might be seen as 'everyone' in terms of tastes and lifestyle."

In addition to that "middle" reputation, suburban sprawl has contributed to the city's chain concentration. With miles of flat prairie land, the greater Indianapolis metropolitan area, encompassing some 3,860 square miles, has been an easy target for suburban malls and strip malls dating back several decades. It doesn't hurt that Simon Property Group, the world's largest builder of shopping malls, is headquartered here. Chains, which are well-capitalized and can meet the building requirements of malls that frequently call for restaurants with several hundred seats, are typically given preferential treatment. Eateries such as The Cheesecake Factory at the Fashion Mall sometimes even fill the role of anchor—once exclusively reserved for department stores. "They have a big balance sheet behind them, and they can stand behind the lease in good times and bad," says Steve Delaney, a real-estate broker based in Indy who has helped scout locations for Olive Garden and Red Lobster. "A developer likes to see the budget of national restaurant chains. That enhances the entire project."

What's more, the city's restaurant economy seems somewhat immune to the slowdown that has plagued other Midwest cities such as Detroit. Although real-estate sources at several chains say sales in Indy have softened somewhat along with the broader industry, unlike in some other markets, there have been few closings here. "We're the shiny buckle in the Rust Belt," says Roland Dorson, president of the Greater Indianapolis Chamber of Commerce. "We've grown in population while other communities in the Midwest are shrinking. You're talking about a more-prosperous city than some of our counterpart cities. As goes population growth, so go retailers."



There are more subtle factors working in favor of the chains as well. Central Indiana has a long history as an experimental market for corporate businesses of every stripe, serving as a litmus test for everything from new store formats for Sears to McDonald's prototype McCafe restaurant. "We're a good test market to see if something is going to work across the country," says John Livengood, president of the Indiana Restaurant Association. "We're very affordable, and we have a propensity to eat out quite a bit. We're an especially good place to do that."

Taxes and wages also play a part in the success of chain restaurants. The state has managed to keep its minimum wage close to the \$5.85-an-hour threshold set by the federal government, which attracts dining establishments that might balk at setting up shop in California, where it's \$8. Indiana also has a tip credit, allowing restaurants to pay waitstaff and others earning gratuities a rate of \$2.13 an hour, letting their tips make up the balance of the hourly minimum. And so far, our city has declined to levy a high restaurant tax as some others have.

Then there's a more delicate factor to consider, one that addresses the development of our rather bland palate. While Indy has a growing immigrant population, on the whole the community remains somewhat homogenous, with people of German and Irish descent still making up the bulk of Marion County's residents. That sameness may account for a lack of well-defined ethnic neighborhoods akin to Chicago's Greektown or New York's Little Italy, communities that bred long-standing independent mom-and-pop restaurants with fiercely loyal clientele. Which, in turn, may account for the almost embarrassing number of chains here.

Says Livengood: "It's just a very Wasp-ish, typically American, white middle-class town."



