

Up Front



You don't need a card at some Valley ATMs.
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News & Analysis



Delivery vans get green treatment in Lancaster.
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CEOs and top executives, ranked by compensation.
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Valley Style



XO Bloom gives clients a flowery first impression.
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Mural Makers: Jon Barach of Vista Investment and Edward Ring of New Standard Equities at The Studio in NoHo.

WALL ART

Investors find creativity pays on remodel projects

By **CAROL LAWRENCE** Staff Reporter

Solid beige and boring, the back wall of the former NoHo Lofts apartments in North Hollywood certainly didn't symbolize its artsy residents. Nor did it reflect the Arts District location to the pedestrians and riders on the popular Chandler Bike Path behind the building.

But now a giant, multi-colored mural dazzles cyclists on the path, the result of a creative and

cost-conservative renovation by **Edward Ring** and his Encino real estate investment firm **New Standard Equities Inc.**

Ring, a former comedy writer with an eye for architecture, takes on big apartment renovations that need more than just new paint and tile to stand out from the background. The rebranding and repositioning projects Ring does for investors usually look more expensive than they cost and deliver better-than-expected financial results.

"We like to be creative in those renovations where our creativity can help identify a property and set us aside from the competition," Ring said. "We're not afraid to make bold statements."

Rebranded as The Studio, the NoHo apartment's eye-catching mural by local artist **DJ Neff** cost New Standard around \$15,000 in 2014, far less than the \$50,000 or so a new stucco job would

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Applebee's Tab Tops \$75 Million

RESTAURANTS: Brand revamp largest in the chain's history.

By **CHAMPAIGN WILLIAMS** Staff Reporter

As consumer preferences continue to swing in favor of fast-casual restaurants, **Applebee's Neighborhood Grill & Bar** and other casual-dining chains are losing market share.

In an effort to regain those customers, the eatery has launched the largest rebranding campaign of its history.

Much of the strategy behind the multi-million dollar effort, deployed by Applebee's parent company **DineEquity Inc.** in Glendale, will consist of a revamped menu and new appliances.

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Defense Firm Pivots to Biotech

MEDICAL DEVICES: AdaFlow addresses circulatory conditions.

By **STEPHANIE HENKEL** Staff Reporter

Department of Defense research firm **Magzor Corp.** has diversified into the medical device sector — only to discover it's a minefield of funding options, regulatory obstacles and marketing challenges.

To combat these issues, Magzor has launched an Indiegogo campaign, started working toward clinical trials for Food and Drug Administration (FDA) approval and begun researching a target market.

But is that enough?

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Holograms Light Marketing Way

By **MARK R. MADLER** Staff Reporter

In the back room at Van Nuys tech firm **Vntana**, Chief Executive **Ashley Crowder** demonstrates a 3-D, spinning Pepsi logo — a holographic image that reacts to her movements.

Swiping her hand, Crowder makes the logo spin inside a display. Dancing a disco step, a holographic disco ball appears.

If Crowder were interacting with the holograms at an event — sponsored by Pepsi, for example — she would get an image file of her performance that she could share online through Facebook or other social websites.

And that consumer engagement is where the true value of Vntana holograms lies for its big-name brand clients like Purchase, N.Y.'s **PepsiCo**

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Well Done: DineEquity's rethinking of the Applebee's brand includes new menu items such as hand-cut steaks and new wood-burning grills at 2,000 U.S. locations.

Restaurants: Television Ads Announce Rebranding

Continued from page 1

American-made wood-fired grills have replaced gas-powered grills in the chain's kitchens, while hand-cut steaks, hand-cut pork chops and grilled chicken breasts – all with the USDA stamp – are now available at its 2,000 U.S. locations.

"We are in the midst of a transformation at Applebee's, and we are recommitting ourselves to every aspect of the guest experience," said DineEquity's Chief Executive **Julia Stewart** in a statement. "This goes beyond a few new menu items or a limited-time offer. This is the biggest investment in culinary excellence in the company's history."

The cost of the revamp was absorbed by Applebee's franchisees and represented an investment of more than \$75 million – including purchase and installation of the grills, a combined 60,000 hours of training for 6,000 meat cutters and the marketing campaign.

But will the new platform be enough? Analyst **Michael Gallo** with **CL King & Associates** in New York said it's too soon to tell.

"It's a large change and that change brings some additional complexities," said Gallo, who follows DineEquity. "The (new platform) is going to change the flavor and taste of 40 percent of the menu items. ... It may be successful but they'll have to track whether customers like it, whether customers are repeating and whether they're losing existing customers."

Struggling segment

Same-store sales for Applebee's have been either flat or declining over the past several quarters, according to DineEquity.

In the most recent quarter, Applebee's suffered a 3.7 percent drop in comparable store

sales while sales increased 1.5 percent for IHOP, the company's other major restaurant chain.

This marked the 12th consecutive quarter of positive comparable sales for the IHOP brand, according to filings. Stewart said IHOP has been performing well since it underwent its menu redesign in 2013 – and has been working to increase traffic beyond breakfast hours.

Overall, DineEquity reported first-quarter adjusted net income of \$25.2 million (\$1.37 a share) on revenue of \$163 million. That fell short of analysts' expectations of adjusted net income of \$1.69 a share on revenue of \$166 million.

DineEquity did not respond to requests for an interview.

"Clearly, the results were not where we want them to be and reflect the challenges we are seeing in casual dining and issues specific to Applebee's," Stewart said during DineEquity's first-quarter conference call. "I've mentioned this a couple of times, but I do believe there is a bit – from the consumer's perspective – there is a perception of a sea of sameness in casual dining. And that's the work that we are really doing, is to change that perception."

Casual dining restaurants – think TGI Friday's or Outhouse Steakback – typically have wait staff, whereas fast-casual eateries like Chipotle and PizzaRev do not. Both segments are generally less expensive than upscale full-service restaurants. Applebee's, which pioneered the "2 for \$20," still averages a price point of \$15 to \$20 for a meal and a drink.

But lately, Applebee's and other brands in the casual-dining segment have struggled to keep customers amidst competitors. Chains such as Chili's and Olive Garden, which have faced slow declines of their same-store sales

over recent years, have responded by shrinking the size of their restaurants.

According to **NPD Group Inc.**, a market research firm in Port Washington, N.Y., fast-casual concepts now dominate the restaurant industry.

While consumers are back to eating at restaurants again at nearly pre-recession levels, according to NPD's 2015 data, the casual-dining segment, which accounts for about 21 percent of all restaurant visits, saw a decline.

Cal Marsh, the director of national restaurant accounts at **Falcon Realty Advisors** in Dallas, said the added pressure of rising labor costs is also negatively affecting the segment.

"Labor continues to put pressure on not only operating a restaurant but compressing profit margins. Labor remains the biggest issue facing casual dining today. That will likely only get worse in 2017 and 2018," he said. "(In addition), the majority of the consumer market is looking for more up-to-date and relevant concepts that are more in tune with healthier, sustainable menu items. Casual dining has been the slowest to respond to this trend, improving but generally overshadowed by fast-casual concepts."

New trajectory

Besides the new grills and menus, Applebee's is pursuing three key objectives to breathe life back into its brand. Tactics include optimizing guests' experience through technology, improving operations by retraining staff at the front and back of the house and remodeling restaurants.

The remodeling package, which is being finalized, will redevelop the restaurant exteriors to make them more contemporary, Stewart said during the first-quarter conference call.

The chain also launched its new mobile

app in April, allowing guests to now order and make reservations days in advance. Applebee's big tech initiation was in 2013 when it brought tablets to its establishments to modernize its image and make the customer visit more efficient.

Tables at Applebee's feature "tablets on the table" for guests to place orders and pay quicker, with the aim of turning tables faster and raising sales revenue.

Firing up

So far, Applebee's has installed the new wood-fired grills and the first items on them include top sirloin steaks and bone-in pork chops. To compliment the new items, staff have been trained to hand-cut the meat in-house before it hits the grills.

"Our franchisees' team members have undergone significant training in the front and back of the house to provide enhanced guest service and to support the new platform launch," Stewart said during the conference call. "The new platform not only represents a major vote of confidence by our franchisees, but also a major investment. And most importantly, we believe it will significantly change the perception of Applebee's."

Still, Gallo the analyst said there are a handful of challenges when making a change like this on a national scale. Changing the grill will affect a good portion of the restaurant's menu, but it's unclear (yet) if customers will respond well to the changes, he said.

"There's always an unknown element when you do something on a national scale," he said. "(Applebee's) is in a competitive category and it also remains to be seen how others in the category will respond if it does succeed. Other bars and grills have been seeing a small same-store decline for a decade now."

Advertising Feature

People on the Move

Hirings, Awards, Promotions and Special Accomplishments in local business

INSURANCE



Haering

Richard A. Haering has joined the sales team at LBW Insurance and Financial Services in Valencia. Richard is a specialist in commercial real estate and course of construction risks. He is also a graduate of the Le Cordon Bleu program at the School of Culinary Arts and brings that passion and specialized expertise to clients in the restaurant industry.

FINANCE



Mayo

City National Bank has hired **Zach Mayo** as senior vice president and commercial banking manager in New York. Based out of City National's Park Avenue office, Mayo will lead a team of commercial bankers, delivering City National's customized financial solutions to mid-sized businesses in the New York region. For more information go to www.cnb.com.

EDUCATION



Viviano

Loyola Marymount University's Board of Trustees named **Paul S. Viviano** as board chair, succeeding Kathleen Hannon Aikenhead, who held the position for five years. Viviano's term began June 1.

Viviano, who serves as president and chief executive officer of Children's Hospital Los Angeles, has been a member of LMU's Board of Trustees since 2010. He also served on the university's Board of Regents from 2007-2010.

"Paul Viviano is an inspiring leader who devotes his experience and passion to advancing LMU's mission and goals. In his new capacity as board chair, Mr. Viviano brings an extraordinary record of success and accomplishment, which will continue to benefit our university," said LMU President Timothy Law Snyder, Ph.D.

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