

As Seen in  
July 2003  
**Chain Leader**  
INSIGHT FOR RESTAURANT EXECUTIVES

A man with dark hair and a goatee, wearing a light blue button-down shirt, is leaning against a dark brown, tufted leather wall. He is looking towards the camera with a slight smile. The background is a blurred restaurant interior with warm lighting and other patrons.

# SEA CHANGE

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BY DEBORAH SILVER

**K**ing's Fish House and King Crab Lounge is a seafood lover's paradise. Customers can choose from some 20 appetizers, 14 charbroiled entrees, 11 regional dishes, eight seafood-and-pasta plates, as many as eight varieties of oysters, seven fried entrees, five brochettes, four soups and numerous other hot and cold seafood offerings. And that's not counting seasonal specials.

Of course, nonfish eaters who dine at the Southern California chain also have menu choices such as hamburgers, chicken and steak. But, says Sam King, CEO of Long Beach, Calif.-based King's Seafood Co., which owns and operates the concept, "Think of the Fish House and Crab Lounge as all seafood, all the time."

#### Change of Strategy

Seafood did not always rule at King's. The company started out 50 years ago as a small coffee shop, King's Restaurant, run by King's father and uncle, Mickey and Lou, who came to Los Angeles from Minnesota after World War II. That operation quickly grew into a six-unit chain. After it was sold in 1982, King and his partner and cousin, Jeff King (Lou's son), took over the family business. They formed a new company called University Restaurant Group and opened a steakhouse in Long Beach.

Soon after, a developer approached them with a prime spot for a restaurant in downtown Santa Monica. "We looked around the area and were surprised by how few seafood restaurants there were for a city by the ocean," says Sam King. "We decided that was a niche that needed to be filled."

Ocean Ave. Seafood debuted in 1987



CEO Sam King is steering King's Fish House and King Crab Lounge toward regional chaindom.





King's Fish House and Crab Lounge has a more casual menu and decor than the company's other concepts. It will expand slowly so it won't outgrow its seafood supplier.

#### SNAPSHOT

##### CONCEPT

King's Fish House and King Crab Lounge

##### OWNERSHIP

King's Seafood Co.

##### HEADQUARTERS

Long Beach, Calif.

##### 2002

##### SYSTEMWIDE SALES

\$23 million

##### 2003

##### SYSTEMWIDE SALES

\$25 million

(company estimate)

##### UNITS

5

##### AVERAGE

##### UNIT VOLUME

\$4.7 million

##### AVERAGE CHECK

\$16 lunch,

\$23 dinner

##### EXPANSION PLANS

1 by mid-July;

8 by early 2005

and was soon followed by other King's Seafood restaurants, all fine-dining concepts: Pine Ave. Fish House, i.Cucini, Water Grill, Clearwater Seafood, 555 East and Lou & Mickey's.

In 1995, a property adjacent to Pine Ave. Fish House became available, offering an additional 1,500 square feet and an opportunity for the King cousins to try something different. "We'd been wanting to open a midpriced restaurant because that was where our roots were, with the coffee shop," says King.

Instead of expanding Pine Ave., the partners chose to return to the family name and retool the entire operation. The main dining room was redesigned into King's Fish House, which features what King calls a "classic, American neighborhood atmosphere." And on the recently purchased property, an addition was built, the King Crab Lounge, patterned after a typical Louisiana crab shack.

The results exceeded expectations. Sales for the dual-concept venture were immediately double that of the Pine Ave. Fish House. The new Fish House and the adjoining Crab Lounge were packed every night. "Not to sound too California, but there was some kind of harmonic conversation going on," King says. "As downtown

*King's partnered with a local supplier to ensure quality and consistency.*

Santa Monica was expanding, we opened a never-before-seen concept that was just what consumers wanted."

The next Fish House and Crab Lounge opened two years later in Laguna Hills, Calif. Built for \$2.5 million, the 8,500-square-foot facility had the distinctive look of a brick warehouse that had been standing for decades. In the main dining room, weathered-looking logos were painted on the walls. Solid timber door treatments, wood-paneled walls and Frank Sinatra music added to the look and feel of an earlier era. Through the doors to the Crab Lounge, a colorful, honky-tonk mood prevailed, aided by signage, fishing paraphernalia and zydeco music.

By 2000, the King cousins had changed the privately held company's name to King's Seafood to reflect its newfound commitment. Five Fish House and Crab Lounge units were in operation in Southern California, each financed through a limited partnership with Sam and Jeff King operating as both general and major limited partners. Number six is slated to open this year, in Carlsbad.

##### Strategic Alliance

As the Fish House and Crab Lounge has grown, the company's main concern has been how to maintain the quality of its seafood products. Toward that end, King's Seafood took an unprecedented step five years ago and formed a strategic partnership and exclusive supplier agreement with Santa Monica Seafood Co.

King's Seafood occupies a 2,000-square-foot production space within one of Santa Monica Seafood's distribution facilities, where several full-time King's employees select products for the Fish House and Crab Lounge as they are delivered. They cut them and pack them in containers that





*The first Fish House and Crab Lounge will open outside of Southern California by early 2005.*

will fit into the kitchens' reach-in refrigerators. In addition, Santa Monica Seafood has dedicated a delivery truck to King's Seafood, as well as on-site phone and fax lines.

The agreement between the company and Santa Monica Seafood has a number of advantages. The Fish House and Crab Lounge are able to operate at lower food and labor costs and higher kitchen efficiency. "King's can use the money to build units rather than obtain supply," says Michael Cigliano, senior account executive for Santa Monica Seafood Co.

In addition, quality is virtually guaranteed, according to King, since the arrangement has the added benefit of temperature control in the distributor's cool prep area and in its direct delivery of

fish from a HACCP-approved prep area to a refrigerated truck to kitchen coolers to a cooking line with no handling in between. The alliance also ensures that King's has priority when supplies are scarce.

While the benefits of the company's close ties to its seafood supplier are significant, the arrangement has its restrictions. "It won't be as easy for King's to go to other markets and maintain their extremely high standards," says Randall Hiatt, president of Costa Mesa, Calif.-based Fessell International.

But King's is not looking to venture that far afield of Santa Monica Seafood. "We've already targeted growth markets for the concept where distribution won't be a problem," says King. "We'll only open up restaurants in places where we're certain quality won't be jeopardized."

The first Fish House and Crab Lounge units outside the concept's Southern California home base will open in Northern California or the suburbs of Las Vegas by

early 2005. "We're ready to ramp up growth selectively and slowly," King says.

Sales at the Fish House and Crab Lounge remained steady at \$23 million in 2002, a far cry from the whopping 6 percent annual gains of the late 1990s, but industry analysts are optimistic about the concept's future. According to Hiatt, "The concept has carved out a unique niche for itself, and that will allow it to enjoy comfortable gains in the upper-end casual segment."

### **Good Catch**

To ensure future gains, King's will stick with its game plan of focusing on high-quality seafood. Although seafood consumption in the United States still amounts to only about 20 percent of total protein consumption annually, or some 16 pounds per person, according to the United States National Marine Fisheries Institute, King believes that number will rise. "In the big restaurant ocean, seafood is still only a pebble, but it's a bigger pebble than it used to be," he says. "The baby boomers are very health conscious, and fish is perceived as healthy and good for you. Plus, consumers are drawn to the bolder flavors used to cook fish and the variety of cooking techniques that lend themselves to fish."

Seafood also has the advantage of changing seasons. "Seasonality is a major part of our marketing strategy," says King. "Hawaiian fish in late winter, salmon and soft-shell crabs in the spring, spiny lobsters and swordfish in late summer and early fall. It's always changing."

The company is also committed to staying on top of seafood trends. For example, the Fish House and Crab Lounge is rolling out sushi within the year. Raw or partly raw dishes such as seared ahi tuna are already big sellers in the concept's main dining rooms. Its units already have oysters bars, so putting sushi on the menu is a logical way to sell more raw product without capital expenditures.

"Sushi is a mainstay in Southern California," King says. "Our guests are interested in it, our menu should include it." **□**