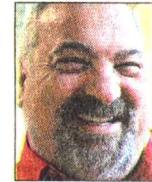


Austin American-Statesman

FINAL EDITION ■ SUNDAY, JANUARY 30, 2011 ■ \$2.00



Randy Murphy
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Patrick Terry
opened P. Terry's Burger Stand with wife Kathy in 2005. 'I don't know how we did it,' he says. 'It just all came together.'

Mama Fu's CEO credits the chain's growth — there are now nine corporate locations and four franchises — to a strong foundation and willingness to tweak the business model.

Ralph Barrera AMERICAN-STATESMAN

Chains find fortune during slump

In environment where focus is on survival, several Austin-based eateries growing

By Barry Harrell

AMERICAN-STATESMAN STAFF

In the past few years, the strategy for most regional restaurant chains has been: just survive.

In one of the toughest economic environments in decades, the industry norm has been cutting costs and, in many cases, closing stores. The United States saw a net loss of more than 5,500 restaurants last year, a 2 percent decline, according to industry research firm NPD Inc.

While the Austin market has fared better than the national average — the area's restaurant growth was up 1 percent in 2010, according to NPD — it still doesn't seem like an environment ripe for small businesses to expand. But a handful of Austin-based restaurant chains are bucking the national trend.

Chains such as Mama Fu's, Mandola's Italian Market and P. Terry's Burger Stand have found opportunity in the tough economy.

Combined, the three have created about 700 jobs in Central Texas in the past five years, and all are adding stores or franchises to their brands at a time when banks have been reluctant to lend

and consumers reluctant to spend.

Here's a look at how each one is making things work:

Mama Fu's

Mama Fu's might not have been born in Austin, but as President and CEO Randy Murphy likes to say, "We got a lot better here."

Much has changed for Mama Fu's since Murphy's holding company, Murphy Adams Restaurant Group, bought the chain in 2008 and moved its headquarters to Austin.

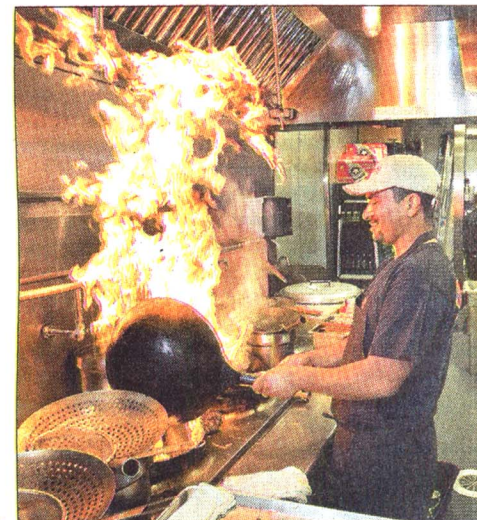
Murphy — along with business partner Mark Adams — owned three Austin Mama Fu's franchises but was frustrated with the Atlanta-based ownership.

"They just didn't know how to operate," Murphy said. "They took the dark road to franchising, which is just, 'Hey, sign them up and give me their money.'"

But Murphy believed in the product — "I saw what it could be," he said — so he rounded up some investors and bought the company.

While the long-term vision was to sell fran-

See **GROW**, E2



Ralph Barrera AMERICAN-STATESMAN

An assistant kitchen manager, Jorge Rodriguez is one of Mama Fu's 250 employees in Central Texas. The company aims to have as many as 150 stores in five years.

chises, Murphy said he knew Mama Fu's first needed a solid operating foundation. Plus, as the economy worsened in 2008 and 2009, potential franchisees were wary.

Murphy said he decided to "use this time and this runway to get the capital we need to expand from the corporate side. Let's make everything better along the way, and we're going to get to the other side of this thing."

From a starting point of five company-owned stores — the three original Austin stores and locations in Florida and Arkansas acquired in the sale — four more corporate-owned Mama Fu's stores have opened in the Austin area since 2008, the most recent this past December in Sunset Valley.

The company now has nine corporate locations and four franchises in operation, and it recently signed agreements for 11 new franchises, Murphy said. The company has about 325 employees — 250 of those in Central Texas — and Murphy said he expects to reach \$12 million in revenues this year.

The goal is to be at 30 to 35 stores by the end of 2012, with a five-year vision of reaching as many as 150 stores.

While focusing on the Austin market was key during the economic downturn, Murphy said, the growth has been a product of building a strong foundation and being willing to tweak the business model.

"Some people would have just sat on their hands and not done anything. We kept reinvesting it into ourselves, and we kept growing our brand," Murphy said. "We did the right thing."

Mandola's Italian Market

With the smell of fresh-baked bread and espresso and shelves filled with imported pastas and wines, walking into a Mandola's Italian Market feels a lot like walking into, well, an old-time Italian market.

That's just what founder Damian Mandola had in mind.

After selling his interest in the Carraba's restaurant chain — which he co-founded with nephew Johnny Carraba — and moving with his wife, Trina, to Driftwood eight years ago, Mandola planned to retire. But, then only 50 years old, he instead decided that "before I hang up the cleats, I want to do what I want to do."

That meant building the Mandola Estate Winery and a restaurant, Trattoria Lisina, in Driftwood — and it meant opening a restaurant and market that mirrored "the mom and pop delis, the little cafes" in New York's Little Italy neighborhood.

When Mandola's Italian Market opened in March 2006 at North Lamar Boulevard and Guadalupe, Mandola said, he expected it would be the only one.

In fact, with its simple premise — "We just do classic Italian food, what I call Italian comfort food," Mandola said — he says he was worried about fitting into the Austin vibe.

"But, you know what? Austinites are willing to experiment; they're willing to try things," Mandola said, and he soon realized the idea had legs.

"The concept really works," Mandola said. "Everything is top quality for a very reasonable price. There's no waiters, it's real casual, and I think that's the trend. Maybe I was a little ahead of the trend and didn't know it."

He opened a second location in Bee Cave in November 2009, and a third Mandola's Italian Market is scheduled to open next month at MoPac Boulevard (Loop 1) and William Cannon Drive.

The two newest stores are co-owned by Mandola's sons, Dominic Mandola and Damian Mandola Jr.

By the end of the year, Mandola projects his company will top \$15 million in revenues and have close to 300 employees.

Mandola said the markets are "a family venture," and he's not pointing toward

growing the enterprise into a wider brand. But he concedes with a laugh, "If we have 10 or 12 open producing \$30 million a year, and somebody wants to give us \$150 million for them, well, sure, I'd take a look at that."

P. Terry's Burger Stand

In the beginning, Patrick Terry freely admits, he had no idea if his ideas would work.

When Terry and his wife, Kathy, cleaned up an empty property at Barton Springs Road and South Lamar Boulevard and opened P. Terry's Burger Stand in 2005, he only knew they had a clear vision.

That vision: Commit to training and infrastructure and to paying employees more than the industry average. Stick to a slow, careful spending track. Use as many natural, organic and locally produced products as possible. And have what Terry sheepishly calls "an obsession" with the details.

For some reason, the drive-through burger joint clicked with Austinites.

"I don't know how we did it," Terry said. "It just all came together. They saw we were making an effort to do something different and to be true to that."

Riding its business formula and its connection to the community, P. Terry's has quickly become part of Austin's fabric. In 2009, the company opened location No. 2 on North Lamar Boulevard and No. 3 at MoPac Boulevard and William Cannon Drive.

Two more P. Terry's stores are scheduled to open this year — one at South Congress Avenue and Ben White Boulevard and another in Lakeway, near Lake Travis High School.

While Terry declined to release revenue figures, he said the company expects to have 160 employees by year-end.

The expansion wasn't part of the initial plan — "We never think that far ahead," Terry said — but sales have remained strong throughout the recession.

"We're at a point in our company where we're able to do it, we're able to handle it," Terry said. "We wouldn't do it without that."

The secret to the success, Terry said, may be his company's commitment to Austin.

"I know it's trite and been said a thousand times, ... but it's got to be for the long haul," he said. "If you're in it for the long haul and you're true about it, the odds improve. And you need a lot of luck. We'll take the luck that we got and be very grateful about it."

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