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Rainforest Cafe founder
Steve Schussler

WILL RAINFOREST REIGN?

DESPITE RAPID GROWTH PLANS,
ONE OF THE HOTTEST STOCKS
AROUND JUST MIGHT FLOURISH



Will Rainforest Reign?

As if on cue, a simulated thunderstorm at the Rainforest Cafe at the Mall of America begins to rage just as Steve Schussler enters.

That Schussler should find himself in the middle of a sudden downpour seems appropriate, given that he is the man who started it all. Schussler's entrepreneurial dream come true has been causing quite a storm all over the country, especially for investors who have seen their investment grow tenfold in just two years.

Amid the restaurant's squawking exotic birds, simulated dancing gorillas, and talking trees, Schussler talks about the ever-growing competition among theme restaurants, which seem to be cropping up everywhere these days. Instead of thunderstorms and wildlife, some restaurants offer movie stars, race cars, and fashion models.

Rainforest Cafe, which has been one of the hottest stocks around, is poised for aggressive expansion. While some question whether this theme restaurant isn't just another craze, others, including founder Steve Schussler, swear the concept really does hold water.

**By
Dave
Elmstrom**

Schussler guides a visitor to the mall's fourth floor on an impromptu, unannounced tour of Planet Hollywood to show how its clientele differs from that of his restaurant. Planet Hollywood, he says, is an "OTO"—a restaurant that draws people "one time only"—and says its customers are typically young, urban, and single. Rainforest, on the other hand, draws people of all ages who will come back again and again if the restaurant can provide great food, he says. "People come once for the 'wow,' and they come back for the food," he says.

For investors, of course, that is a key question. Will those people keep coming back for more? Or in the end, will Schussler's restaurant chain—like the real-life rain forest—be threatened with extinction?



Rainforest Cafe founder
Steve Schussler

Strong legs

No one disputes that Rainforest Cafe has been raining money for the past three years. The Mall of America restaurant, which opened in 1994, still has long lines at most times of the day. And nearby Bloomingdale's acknowledges that the restaurant has boosted its sales.

A Rainforest Cafe at Disney World in Orlando grosses a whopping \$33 million annually, putting it on par with some of the nation's busiest restaurants.

Adding to the restaurant's profitability is the sale of souvenirs, such as rain forest-theme shirts, hats, and stuffed animals. Such sales account for about one-fourth of Rainforest's revenues and carry higher profit margins than the food.

Through the first three quarters of 1997, the company posted revenues of \$73.5 million and net income of \$8.3 million. The company's stock reflects the success: a \$100,000 investment in 1995's initial public offering would be worth a cool \$1.1 million today.

The 42-year-old Schussler—a short, stocky man who has never been shy about being in the spotlight—is now the company's senior vice president of development and marketing, conceding that it's better to have corporate types running the operation.

Schussler's office sits right next to the CEO's office in the company's Hopkins headquarters. His walls are covered with press clippings and pictures of Schussler hobnobbing with President Clinton, Ted Kennedy, and Donald Trump. In one corner of the office is one of Schussler's pet exotic birds. One wall—his "wall of shame"—includes framed articles from his days running the now-defunct Juke-Box Saturday Night, a downtown Minneapolis restaurant that experimented with nude dancing in its final days. Schussler's wall collection includes a 1995 article from the former *Twin Cities Reader's* "Get Out of Town" issue, urging Schussler to take his shtick elsewhere.

That's not something Schussler intends to do. He expects to continue with the company as its top marketing person for as long as it pleases him, although he hints that he probably has another entrepreneurial venture or two left in him. "I didn't spend 17 years of my life to develop something, see it become a success, and then leave it," Schussler says.

He also doesn't intend to develop another wall of shame around Rainforest Cafe because, he says, it's not just another trendy concept.

"Rainforest Cafe has legs," he says.

When the Chips Are Down

Jules Schussler was milling around the Horseshoe Club in Las Vegas five years ago, watching the annual World Series of Poker with keen interest.

The retired textiles salesman was estranged from his family, then living in New York, and had been spending the past three decades living in Las Vegas. He was never close to his three children and had difficulty making child-support payments when they were growing

Rainforest Cafe might never have taken root if it weren't for Steve Schussler's estranged father.

up. He was aware, however, that his son Steve was cooking up some sort of business venture in his Minnesota home, and he wanted to help him out.

Schussler noticed that one of the poker players at the tournament was a high-rolling Twin Cities businessman named Lyle Berman. When the Grand Casinos CEO

left the poker table to go to the restroom, the elder Schussler decided to take a gamble of his own. He sat down in Berman's chair, right in front of his stack of chips in a room teeming with security guards. When Berman returned to the table, Schussler handed him a \$100 bill and a slip of paper. "Here's my son's phone number," he said. "Buy him a cup of coffee on me. He's got something to show you."

Berman didn't take the \$100, or Steve Schussler's phone number, but he did give Jules Schussler his phone number and said his son could give him a call.

Schussler returned home at 3 a.m. to his Las Vegas apartment and called his son, waking him with the news. "Get a pen," Jules said. Steve jotted down the number of the person who would—after

many months of coaxing—help him turn his dream into a reality called Rainforest Cafe.

The younger Schussler is a born storyteller and often launches into long, animated stories about his past. But when telling this one, even he pauses to relish the irony of it all: that his absentee father helped introduce him to the guy who would become the father of his entrepreneurial business.

"I owe my father, not necessarily because I've loved him or respected him my whole life," Schussler says. "But he introduced me to Lyle Berman."



Steve Schussler presented his father, Jules, with a statuette of Walt Disney and Mickey Mouse at the grand opening of the the Disney World Rainforest Cafe.

Schussler says the most rewarding part of his success is what it enabled him to do for his father recently. He learned that his father was watching television on a small black-and-white set, so he called a Las Vegas limousine company and asked that a driver pick up Jules Schussler but not tell him where he was being taken. The elder Schussler says he thought he was being taken to a local brothel. At the same time, Steve

called the manager of the Las Vegas Sam's Club and asked him to set his father up with the best color television in the store. He ended up taking home the cheapest color television in the store, mostly because his one-bedroom apartment wasn't big enough for a 32-inch TV.

"To be able to do that—to pay for a limo, to talk to the general manager at Sam's Club and talk him into accepting my credit," Steve Schussler says. "I really got off on doing that."

In the end, Steve says, the introduction to Lyle Berman was his father's way of showing his love for his son. "It was his crazy way of somehow being a part of my life," Schussler says of his father. "The fact that he introduced me to the man who is the savior of this company is without question fate. In a way it's a mitzvah—a blessing."

—D.E.

The growing forest

Some analysts worry, however, that customers go to a theme restaurant once for the entertainment or ambiance but then rarely, if ever, return. In addition, the theme restaurant cate-

gory—a concept often called "entertainment"—is becoming a crowded field. These days, the theme restaurant segment includes such stalwarts as Planet Hollywood and Hard Rock Cafe, as well as upstarts Fashion Cafe, All-Star Cafe, an auto-racing-theme NASCAR

restaurant, and a Harley-Davidson restaurant. Another local upstart, Hotel Discovery, is planning an adventure-theme restaurant at the Mall of America.

Allan Hickok, a senior analyst with Piper Jaffray, gives Rainforest's stock a "buy" rating but says he is keeping an eye on the long-term performance of the company's restaurants. "How will a Rainforest Cafe behave in its third or fourth year?" Hickok asks. "I don't know. There hasn't been a Rainforest Cafe that's been open three or four years."

Even Rainforest's own stock registration from 1995 pointed out such a concern to potential investors: "Frequently, restaurants, particularly theme-oriented restaurants, experience a decline of revenue growth or of actual revenues as the restaurant's 'initial honeymoon' expires and consumers tire of the related theme."

Schussler claims the restaurant's food—mostly American dishes with clever names—will bring customers back for more. But critics have given the food mixed reviews, often focusing more on the restaurant's ambiance.

But it's not food critics who will keep the cash registers ringing. In Rainforest's customer surveys, 60 percent of the respondents have been to the restaurant before and 90 percent say they will come again. Those people aren't coming in every week, though: the surveys also show that an average diner makes only about three visits per year.

That's why many of the company's restaurants are located in or near tourist meccas—the Mall of America, Disney World, and downtown Chicago—where people are more likely to eat at a special-event restaurant like Rainforest. New Rainforest Cafe locations will open this year at the MGM Grand in Las Vegas and in Times Square in New York, and Disney World will get its second Rainforest Cafe.

But while the Mall of America store has been regularly posting sales increases, the company's second-oldest restaurant hasn't been faring quite as well. Rainforest's Woodfield Mall store outside of Chicago opened in late 1995 and by the first quarter of 1997 posted a 15 percent decline in sales. During the third quarter of 1997, sales at the Woodfield Mall location had stabilized a bit but were still down 3 percent from the previous year.

Even so, Rainforest's CFO Mark Robinow says the restaurant continues to pull in sales of \$12 million a year and is still one of the top grossing restaurants in Illinois. "Most restaurants would kill to have that kind of volume."

The Woodfield and Mall of America locations are the only two of Rainforest's 16 restaurants that can be measured by same-store sales. The two have combined to post a 0.4 percent rise in same-store sales so far this year. But company officials note that their restaurants typically open to capacity crowds; it's inevitable, they say, for sales to decline somewhat in certain locations.

One analyst, Craig Bibb of Paine Webber in New York, isn't too worried about same-store sales. Rainforest, he says, has several more years of strong expansion ahead of it before he'll be concerned about the long-term stability of the franchise. That's why Rainforest is one of Bibb's top stock picks.

The company expects to have a maximum of about 75 Rainforest locations and is also working on a "B" concept for smaller cities that could eventually add a couple hundred more restaurants to the chain. It's all part of a strategy the company hopes will create a long-lasting restaurant concept, proving that the Rainforest is not just a fad.

"I think Rainforest Cafe will be here 100 years from now," Schussler says.

More than a restaurant

People weren't saying such things when Schussler came up with the Rainforest idea more than a decade ago. He was running JukeBox Saturday Night, the once-popular nightclub that eventually filed bankruptcy, at the time.

That restaurant had been lauded nationally for its oldies music and '57 Chevy sticking out from the building above the entrance. But when the oldies-but-goodies theme became a bit too old, the restaurant struggled and Schussler turned to a sure-fire money maker: naked women.

He says he reluctantly brought in nude dancing in 1991 to try to resuscitate the business. The resulting uproar, however, made Schussler—the former head of the Greater Minneapolis-Hospitality Council—persona non grata among many downtown politicians and business leaders.

Schussler then set his sights in a decidedly different restaurant direction: family dining. He'd had exotic birds as pets ever since he was a teenager and focused on a concept that would create a restaurant out of the birds' habitat.

"I started with the dream, and dreaming is a big part of my life and career," Schussler says. "Pretty soon the dream turned into an obses-

sion. Once you decide to do something like that, there's no going back."

That obsession led him to convert his entire home into a mock rain forest, although to this day he has never visited a real rain forest. He knocked out one wall of the house to add a greenhouse. He housed 40 tropical birds, tortoises, and, at one time, a baboon. On the outside, neighbors saw waterfalls, artificially produced fog, and neon lights and weren't happy about it. Schussler claims to have had the largest residential utility bill in the state at one point, and federal Drug Enforcement Agency officials once visited his home suspecting him of nefarious activities.

Schussler wasn't up to anything illegal, but his indoor rain forest was tapping him dry. He was nearly broke, and his utilities providers often turned off his gas and electricity because he couldn't pay the bills. "Everyone said, 'Wow, what a great dream,'" Schussler says. "Not a great business venture, but a great dream."

Schussler pitched his idea and showed his home to dozens of prospective investors. Grand Casinos Chairman and CEO Lyle Berman visited Schussler's home several times. Berman would always hear Schussler out on these visits but would never commit to financing the venture. "He'd tell me, 'Stop spending money,'" Schussler says.

Schussler didn't heed the advice. He borrowed \$6,000 from his friend and weightlifting partner Steve Farkas, a truck driver who was making just \$10 an hour at the time. Schussler borrowed another \$6,000 from his grandfather to install greenery on his ceilings.

Berman eventually hired Schussler to help set up a more conventional restaurant at Grand Casino Hinckley. It was there that Schussler met the man who would be one of Rainforest Cafe's first private placement investors: "Famous" Dave Anderson, who has since launched his own restaurant chain.

After Schussler negotiated a favorable lease deal with the Mall of America, Berman signed on. The mall put up \$500,000 for development of the restaurant in exchange for 5 percent of the restaurant's revenues, according to Rainforest officials.

The first Rainforest Cafe opened to standing-room-only crowds in October 1994 and has expanded its seating area three times since to accommodate the crowds.

"Very quickly we realized that we didn't just have a restaurant, we had a business," says Berman, who owns 5 percent of the company and is its largest shareholder.

Living the dream

It's a business that promotes a "rescue the rain forest" commitment to the environment, contributing money to environmental causes and sending its bird curators to local schools to educate kids about the endangered rain forests. In addition, the restaurant markets itself as "an environmentally conscious family adventure," proclaiming that it doesn't use beef from countries that deforest land to raise cattle.

Schussler often sounds like an environmental activist, and says he sees a day when "recycling police" ticket people for not recycling.

On the other hand, company Chairman and CEO Lyle Berman says he's not an environmentalist. Rainforest restaurants "are a very entertaining, whimsical facsimile of the rain forest," Berman says. "Where it's appropriate, we do some environmental things. But that's not our cause célèbre."

Berman and Schussler both say they have become friends in their business venture, but Schussler, the dreamer, and Berman, the experienced corporate boss, have had their run-ins. For instance, Schussler fought hard to put live birds at all Rainforest locations, including a newly opened downtown Chicago restaurant. The birds are the reason he came up with the concept in the first place, he argued. But the Chicago restaurant is not in a mall, meaning the birds would lose the drawing power they have in the front windows of the mall hallways. Berman says the birds were an unnecessary expense—\$150,000 per restaurant annually—at a freestanding location. The Chicago store opened in October without live birds.

Schussler, however, designed the restaurant's trade-

mark bar, set underneath a huge, brightly painted mushroom. Berman, he says, objected to the *Alice in Wonderland*-like setting, but Schussler proceeded with his plans anyway. Now, the so-called "magic mushroom bar" is a major focal point of all Rainforest Cafes.

Berman says Schussler is more suited to a creative, marketing role with the company. The company, he says, needs a leader who is ultimately responsible for the company's profitability—a person who can see the rain forest for the trees. "Steve has fantastic entrepreneurial aspects," Berman says. "But he has never managed a half-billion dollar business."

Schussler may not be top dog at the company he founded, but he has, by anyone's measure, "made it." Schussler—the guy whose electric power was shut off because he couldn't pay his bills—is now a multimillionaire. He owns 4 percent of the company, and his net worth in Rainforest stock was approximately \$24 million in November.

But the guy who says he's been a dreamer all his life is showing no signs of slowing down. Schussler's marriage proposal to Heather Searle in November is a perfect example. Schussler rented Disney World's Magic Kingdom after hours and orchestrated an elaborate Cinderella theme to surprise Searle.

Schussler dressed as a knight and rode down the streets of Disney World on a white horse to present Searle with a glass slipper and to pop the question. She accepted his proposal, which set off 10 minutes of fireworks.

Schussler expects the spectacular beginning of his marriage to be, like his Rainforest Cafe, a lifelong affair. ■

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