

Hot Concept for 2009: The Hermit Crab

In the midst of doom and gloom, innovative companies emerge to take advantage of the chaos. Hermit Crab concepts are one example of one such strategy. No, not restaurants that serve hermit crabs on the menu; rather, brands that crawl into the shells of their former occupants, make themselves at home, and thrive.

What Defines a Hermit Crab?

Hermit Crab concepts are typically driven by one of the following factors – culinary, cultural, or value. The Culinary Driven concepts are those that depend on amazing culinary programs but place less emphasis on the service and ambiance. Cultural Club concepts are those with a strong following due to the owners and the crowd that frequents their brand's restaurants. The Value Players are those businesses that have very low overhead and are tooled to deliver a superior experience for less than their competitors.

Finding the Right Fit

The Hermit Crab has to find a shell that fits. It is important to note that these brands each have a unique location strategy of their own. A successful Hermit Crab must be able to leverage the existing shell of the former tenant, so it is important to identify your target shell. Is there a failing restaurant brand or segment that you can reinvent? Some of Hermit Crab concepts may not require a proprietary look and feel to succeed as they may rely more on their culinary program to attract guests. Still others will develop a cost effective remodel strategy to take over a struggling chain and convert the properties to their new signature that leverages the attributes of their predecessor's facilities. Location must be viable for your brand or don't touch it at any price.

Factors Fueling the Hermit Crab Opportunity

The emergence of the Hermit Crab concept is being fueled by three factors – first, landlords are ending up with fully equipped turn-key restaurants in need of a tenant that can reinvent them; second, consumers are seeking superior value; and third, few restaurants can successfully reposition themselves and they need to be reinvented with another concept in order to succeed.



Requirements for Success

To succeed the restaurateurs must be able to negotiate superior lease terms while managing the capital investment at 20% to 40% of what a “new shell” would cost to build. This lower cost overhead allows Hermit Crabs to get started with limited capital investment (often provided by a landlord seeking to attract a viable operator and brand). Since their overhead and investment are modest, they can price their product more aggressively, offer a better return on investment, as well as invest in marketing the property instead of building out a new kitchen. Successful Hermit Crab concepts are well positioned to offer consumers what they want (superior value) and landlords what they need (guest traffic and rental income).

How to Develop Your Own

So what does this all mean for you? Here are some ideas. If your brand is known for luxury products then your new concept might be a casual version of your high priced sister venue. For example, if you are a steakhouse you might offer a bar with steak sandwiches. If you have a quick serve restaurant known for your amazing food, you might step up to a casual dining concept by taking over a more upscale facility and keeping your prices low. This tactic leverages your following and reputation for quality yet offers patrons a differentiated concept that takes advantage of repositioning opportunity. If you have a brand that is vibrant in this economy, identify the metrics for ideal locations and approach land lords when you see a good fit.

Insulate Your Deal

One word of caution, make sure you structure the deal so your Hermit Crab can crawl back out of the shell if it doesn't work. Taking over failed locations is full of opportunity as well as risk. When fixing someone else's problem don't make it your own, structure the lease deal or management contract so you can get out without getting crushed.

Ultimately, ask yourself how you will leverage the strengths of your brand and your organization in this economic environment. In what ways is your brand Culinary Driven, a Cultural Club or a Value Player? If your brand isn't already positioned for expansion in this market, how can you build on your strengths and develop a winning Hermit Crab play of your own?

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