

Beefsteak

Company Background Packet



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Company Profile

Company Name: Beefsteak LLC
Location: Washington, DC
Founded: March 2015
Website: Beefsteakveggies.com
Holding Type: Subsidiary of ThinkFoodGroup
Company Size: 5 Beefsteak locations
Estimated Valuation: N/A
Industry: Restaurant Industry, Fast-Casual Segment

Leadership Team

José Andrés

President, ThinkFoodGroup



Jim Biafore

Senior Director of Beefsteak



Kimberly Grant

CEO, ThinkFoodGroup



Michael Doneff

CMO, Beefsteak



About Chef José Andrés¹

Named to Time's "100" Most Influential list and awarded "Outstanding Chef" by the James Beard Foundation, José Andrés is an internationally-recognized culinary innovator, passionate advocate for food and hunger issues, author, educator, television personality and chef/owner of ThinkFoodGroup. José and his TFG team are renowned for a host of celebrated dining concepts in Washington, DC, Las Vegas, Los Angeles, Miami and Puerto Rico, including minibar by José Andrés, Jaleo, Oyamel, Zaytinya and the Bazaar by José Andrés at SLS Hotels in Beverly Hills, Las Vegas and South Beach.²

Having fed millions of people in his restaurants over the past 20 years, José and his team are always exploring the endless possibilities of what food — amazing, delicious, fresh food — can do for the world. Uniting that mission with his fervent passion for vegetables, José conceived of Beefsteak as a way to unleash their potential to feed many millions more.

About ThinkFoodGroup

ThinkFoodGroup (TFG) is the innovative company of more than 1000 diverse individuals behind José Andrés' restaurants, hotels, food products, media, educational initiatives and philanthropy. Together with partner Rob Wilder, he pursues the mission of changing the world through the power of food. Since 1993, TFG restaurants reflect the authentic roots of each concept, and showcase José's passion for telling the stories of a culture through food.

José Andrés is an internationally-recognized culinary innovator, author, educator, television personality, humanitarian and chef/owner of ThinkFoodGroup. A pioneer of Spanish tapas in the United States, he is also known for his groundbreaking avant-garde cuisine. Andrés' award-winning group of restaurants includes locations in Washington D.C., Miami, Puerto Rico, Las Vegas, and Los Angeles, as well as in Mexico City, his first location outside the United States. He is a committed advocate on food and hunger issues and is known for championing the role of chefs in the national debate on food policy.³ See a historical [timeline](#) of José's remarkable career with TFG.

About Beefsteak

When Chef José Andrés contracted Brosmind to sketch the thematic artwork⁴ to adorn the walls of Beefsteak, a new fast-casual concept featuring veggies, he clearly did not want to mention the obvious boring facts about vegetables, i.e., healthy, vegan and vegetarian, etc. As José takes a first peek at the art concept, he says in a [video](#)⁵, "I wanted to create a universe of vegetables where they were happy, misbehaving, some of them beautiful, some ugly; always having fun, loving each other at times, crying, laughing, attacking the meat world." He wanted to show that vegetables are sexy, even unbelievable, and we do not understand enough about them and our relationship with vegetables can be much more meaningful. Beefsteak has profound ambitions for José's first foray into what Americans call fast-casual. It seems José

¹ http://www.joseandres.com/en_us/bio Biography. About José Andrés

² See more about José and a chronology of his TFG restaurant launches: http://www.Joséandres.com/en_us/bio

³ http://www.joseandres.com/en_us/bio Biography. About José Andrés

⁴ See Exhibit 1.

⁵ See José's reaction to Brosmind's artistic depiction of the Beefsteak mission to rethink our relationship with vegetables

and the TFG team has managed to extend the brand to concepts running the gamut from fast-casual and even a Food Truck up to José's high-end establishments, such as the elite, luxurious fine dining experience of José's [minibar](#).⁶

Single Concepts:

- Oyamel (contemporary Mexican cuisine)
- Zaytinya (a mezze-inspired menu)
- Minibar by José Andrés (molecular gastronomy at its highest level)
- Barmini by José Andrés (a cutting-edge bar within minibar)
- Pepe, the Food Truck (featuring Spanish flauta sandwiches)
- Tres (bistro comfort food with a twist at the SLS Beverly Hills Hotel)
- Saam (a multicourse tasting menu)
- China Poblano (a blend of Chinese and Mexican in The Cosmopolitan of Las Vegas)
- e by José Andrés (Spanish avant-garde dishes at The Cosmopolitan of Las Vegas)
- Hyde Beach (a nightlife experience for the elite)
- Mi Casa (Spanish and island flavors at the Ritz-Carlton Reserve, Puerto Rico)
- America Eats Tavern (American classics in Tysons Corner, VA)

Multiple locations:

- Jaleo (the flavors of Spain in Washington, DC, Bethesda, MD, Crystal City, VA, Las Vegas)
- The Bazaar by José Andrés (reimagined Spanish cuisine at the SLS Hotel in Beverly Hills and Miami Beach)
- Beefsteak (Vegetables, unleashed. Launched at GWU in DC reaching a total of five locations in 2016 around DC and Philadelphia)

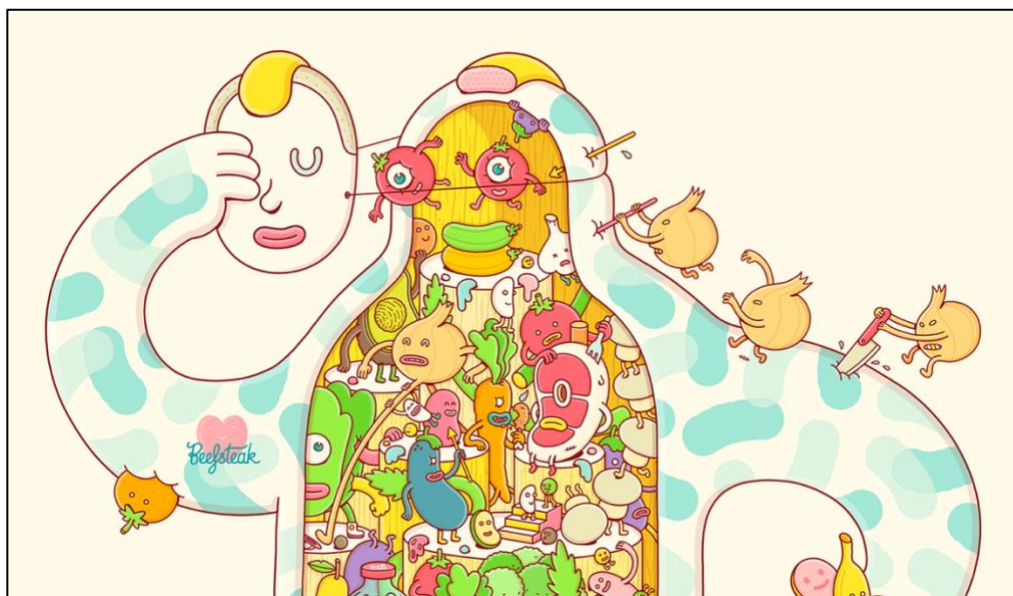


Exhibit 1: Beefsteak theme artwork, by Brosmind.

Source: <http://beefsteakveggies.com>

⁶ <https://www.youtube.com/watch?v=X0NOdsZIM1U>

A Bold New Concept from Chef José Andrés

Beefsteak is fast, crave-worthy food created by one of America's most respected chefs. The food brings the culinary craft into the everyday, lovingly cooked to order and tailor made for today's busy lifestyles. We're not vegetarian, but we put veggies center stage, showcasing their complexity, flavor, and natural, amazing deliciousness.



Exhibit 2: Customers ordering inside Beefsteak
Source: <http://beefsteakveggies.com/category/press/>

Fresh, Market-Drive Vegetables Take Center Stage

Beefsteak celebrates the incredible, unsung power of vegetables, showcasing the season's best and year-round favorites to create a hearty, oh-so-delicious meal you can feel good about. The name is a playful take on the power of vegetables — because a tomato, or any veggie, can be every bit as flavorful and robust as a cut of meat! Try them and see.



Exhibit 3: Jose's favorite: Beefsteak tomato sandwich.
Source: <http://www.wellandgood.com/good-food/who-will-be-the-next-sweetgreen/slide/3/>

The Bounty of America in a Bowl

Countless combinations of flash-prepared vegetables, hearty warm grains, freshly-made sauces, crisp and fresh toppings and (if you want) a bit of meat or protein. The result? A wildly flavorful, nourishing meal in a bowl – composed just the way you like it.



Exhibit 4: Beefsteak Bowls

Source: <http://goop.com/specialty/washington-dc/dupont-circle/beefsteak/>

Beefsteak is America's bounty in a bowl — offered in myriad combinations and cooked to perfection right in front of you. All brought to you by one of the country's leading chefs, José Andrés. Beefsteak is not vegetarian, though the food proudly celebrates the unsung power of vegetables — as farm-fresh as possible, whether year-round favorites or the best of each season. Deliciously matched with hearty grains, freshly-made sauces, crisp greens, and flavorful toppings. And while it is certainly no steakhouse either, if you want to add a bit of something meaty to top off your bowl, they offer some delicious choices. Vegetables are undeniably the star here, unleashed to showcase their full potential and create a wildly flavorful, nourishing meal — composed just the way you like it. Simple yet crave-worthy food that fits your lifestyle and your wallet. This is real food, real quick and really good — whether a quick, hearty meal on the go or a relaxing place to unwind when you're off the clock.⁷

⁷ <http://beefsteakveggies.com/who-we-are/>

The Menu⁸

Whether composing your own bowl or choosing from one of the chef-inspired combinations, you'll find a world of delicious possibilities at Beefsteak — all centered around the magic of vegetables, flash-prepared right in front of you. Start with a choice of grains, add a house-made sauce, then your freshly cooked vegetables. Next? Perhaps some meat! Then, a choice of fresh and crunchy — from crisp greens to sesame seeds to kimchi. And there you have it, the sunshine and bounty of America in a bowl. See menu [here](#).⁹



Exhibit 5: #howibeeefsteak Social Media Campaign

Source: <http://beefsteakveggies.com/>

Social Media

On September 2, 2015 the company announced a reward campaign for sharing #HOWIBEEFSTEAK on social media through October 15th 2015. The [official rules](#) were posted online as follows:

“With more than seven million combinations to create the perfect Beefsteak bowl, we want you to show us how YOU Beefsteak! Build your own custom creation and tweet or Instagram a photo of it using #howibeeefsteak and tagging our handles, @beefsteakveggies on Instagram or @beefsteak on Twitter, for chances to win!

⁸ There are more than seven million combinations to create a Beefsteak bowl.

⁹ <http://beefsteakveggies.com/menu/>

From now until October 15th, one winner each week will receive a \$25 gift card, and for the grand prize, one lucky fan will win a Beefsteak party for up to five friends. Now that's VEGGIE POWER to the people!

Need inspiration? We've invited some of our favorite DC Instagrammers to kick things off! Follow @Tallulahalexandra, @properkidprobs, @thisisjamesj, @raisaaaziz, and @pandaheadmorgan to check out their featured #howibeefsteak bowls."¹⁰¹¹



Exhibit 6: A Beefsteak meal & inside of a Beefsteak restaurant

Source: <http://beefsteakveggies.com/>

Critical Acclaim

Beefsteak was awarded the prize for the best veggie burger in DC, although many fans would claim it would hold its Beefsteak burger could hold its own against beef from cows any day. In fact, it made the top of this list of the best 21 burgers in DC, so it is officially true; a vegetable can be sexier than meat.

¹⁰ <http://beefsteakveggies.com/category/press/>

¹¹ See Beefsteak's [Facebook page](https://www.facebook.com/beefsteakveggies): www.facebook.com/beefsteakveggies



“Trust José Andrés to drastically rethink what a meat-free burger should be at his veg-obsessed fast-casual concept Beefsteak. Instead of making a patty out of produce, he simply uses a generous slice of beet marinated in red wine vinegar. (Tomato is subbed in when it’s in season.) The surprisingly substantial disc comes on a bouncy brioche bun with a generous swipe of slightly spicy vegan chipotle mayo, pickled red onions, and sprouts I could do without (add avocado instead). Though the flavors are drastically different, it feels like you’re chomping into a quarter pounder—minus the guilt.”

—Nevin Martell¹²

Exhibit 8: The award-winning Beefsteak veggie burger

Source: legacy.washingtoncitypaper.com/bestofdc/foodanddrink/2016/best-veggie-burger

Online Ordering and Loyalty App

The managers at Beefsteak are keen on utilizing technology in ways that enhance the customer experience. One way they offer greater convenience for guests is through online ordering and pre-payment to skip the line. Additionally, the loyalty app can be used to earn veggie rewards of \$9 back on \$99 spent. Management is keen to innovate on loyalty app ideas, and has not yet come to a determination of how a reimagined app should look.

History and Development

Beefsteak was launched in March 2015 in Washington, DC on the George Washington University campus, followed by locations in Dupont Circle, then Tenleytown and the campus of University of Pennsylvania in 2016. The seeds were sown in the mind of José years beforehand. José noticed that Americans have been demanding more and more vegetables,

¹² Best Veggie Burger. <http://legacy.washingtoncitypaper.com/bestofdc/foodanddrink/2016/best-veggie-burger>

and he had a vision that he could make people see the light; in a genius bit of foreshadowing in 2010, José tipped his hand in an interview with Anderson Cooper by telling him vegetables were “sexier than a piece of chicken.”¹³

In the development of Beefsteak, the José led the TFG creative team to engineer a custom designed steaming bath assembly line process to dunk and steam any assortment of veggies in 90 seconds. One trick of the trade the team developed is cutting each vegetable to a specific size and shape so that each item can cook through in proper alignment. Given TFG’s ambition to scale the chain, it is noteworthy that the physical storefront, kitchen and interior design can be constructed within 3 months of breaking ground.

Planning ahead for expansion, SEC filings document Chef José Andrés raised \$9.25 million in growth capital for Beefsteak LLC, which lists Andrés, CEO Kimberly Grant, and CFO Gary Evans as principals, according to the December 2015 Securities and Exchange Commission filing. In a tweet, Andrés said he is humbled by the opportunity the funding provides. “Success or failure, at least we tried to bring better food to the people of America,” he tweeted.¹⁴

To fully understand how Beefsteak fits into the broader story of ThinkFoodGroup, refer to the history of TFG [here](#) and about José’s restaurants [here](#), as well as the JoseAndres.com site’s [calendar](#) which, along with social and other media campaigns, keeps fans informed of upcoming events.

The Business Model

Beefsteak serves customers meals throughout the day from 10:30AM – 10PM, offering a differentiated product of quality ingredients with value pricing. Important metrics for any fast-casual restaurant to manage include daily guests, revenue per square foot, average order price, and gross margin. Qualitatively, José’s reimagining of vegetables may convert a surprising number of people to become veggie lovers, although significant segments of the market may be wary to try it, tempted by substitutes and competitive offerings, e.g., Chinese food (Panda Express in mall food courts) or Pizza (Domino’s) in particular on college campuses. The Beefsteak Brand Manager, Stephanie Salvador, thoughtfully considers customer selection strategy, and the feasibility of convincing otherwise non-veggie fans to give Beefsteak a try. Below sections on the restaurant industry and competitive analysis will help inform understanding of Beefsteak’s position.

¹³ Lavanya Ramanathan. The Washington Post. *With Beefsteak, Jose Andres embraces fast food – and the humble vegetable*. October 14, 2014. https://www.washingtonpost.com/news/going-out-guide/wp/2014/10/14/with-beefsteak-jose-andres-embraces-fast-food-and-the-humble-vegetable/?tid=a_inl

¹⁴ <http://www.bizjournals.com/washington/blog/top-shelf/2015/12/jos-andr-s-beefsteak-gets-a-big-cash-infusion.html>

The Restaurant Industry: Fast-Casual Segment

A hybrid of fast food and casual dining restaurants, fast-casual restaurants offer minimal table service, with generally limited menus and moderate prices. There are many public companies listed on the US stock market in this segment, including Chipotle Mexican Grill, Panera Bread, Shake Shack, Noodles & Co, and Potbelly. Many rapidly growing fast-casual restaurants are held by privately, including Cava Grill and Sweetgreen.

Fast-casual fits into the broader categorization in the restaurant industry of *limited service*, contributing 55% of the market share in the US,¹⁵ including fast-food restaurants such as McDonalds, Yum! Brands, and Burger King; cafe's such as Starbucks; Pizza chains Domino's and Papa John's; and fast-casual names like Chipotle and Panera, to name a few market value leaders from each segment.¹⁶

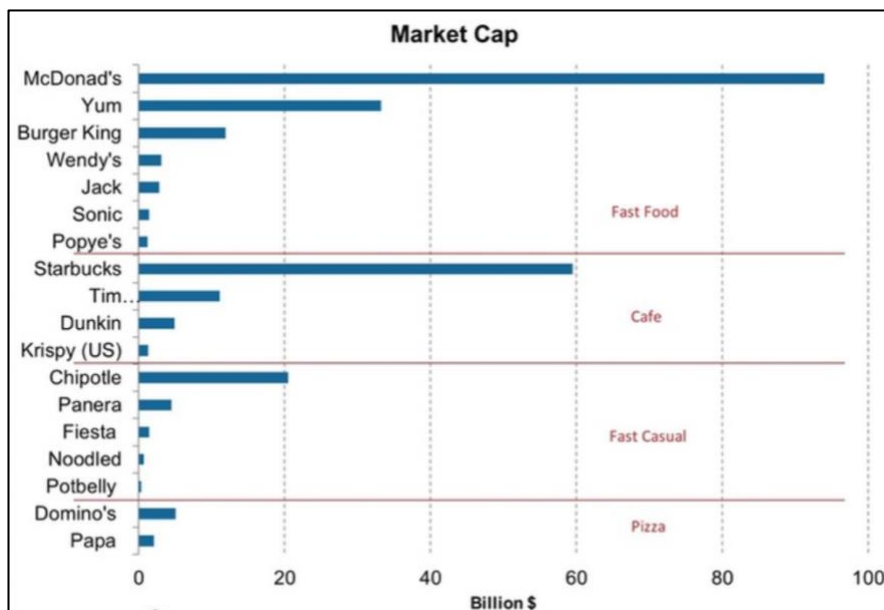


Exhibit 7: The Fast-Food Market

Source: <https://marketrealist.imgix.net/uploads/2014/11/1-Market-Cap-2014-11-21.jpg?w=660&fit=max&auto=format>

"Fast-Good"

Although he distinguishes the Beefsteak foray into the market as "Fast-Good," Andrés has finally joined the trend of famous fine-dining restaurateurs across the United States who have launched fast-casual restaurants, e.g., Danny Meyer's Shake Shack, Bobby Flay's Bobby's Burger Palace. While the market seems saturated with burrito's, pizza, burgers, sandwiches, salads, and wraps, restaurateurs are eagerly attempting to model the success of Chipotle or Five Guys in nailing a concept that can scale mainstream. One thing Andrés and TFG have in their favor in this crowded, highly competitive space is the focus on elevating the lowly vegetable into a crave-worthy entrée in and of itself – this is novel terrain.

Enter Beefsteak: Vegetables, unleashed. José is not the only chef to envision vegetables as the new bacon, although there is nothing quite like Beefsteak's mechanized process for freshly steaming each hot bowl, or the flagship Beefsteak Burger where a succulent, jumbo-thick tomato slice sits between sprouts, delectable mayo, and a masterpiece bun tastier than anything a beef patty could ever dream of. While fast-casual salad chains like Sweetgreen and CHOPT are delivering on traditional salads, Beefsteak elevates veggies to the next dimension in the way Chipotle changed the way America viewed the humble burrito.

¹⁵ <http://marketrealist.com/2014/12/limited-service-restaurant/>

¹⁶ *Ib.*

Industry Peers

The restaurant industry is characterized as competitive and fragmented (nearly 1 million restaurants in the U.S.). Although consumers have to eat, a plethora of substitutes exist to a fast-casual offering. Discovering best practices, trends, and other case study lessons on what works from industry leaders like Chipotle can inform strategy. Similarly, it is important to analyze a peer group of comparable firms to benchmark against. Beefsteak's peer group of young, growth stage fast-casual restaurants may include Cava Grill, Sweetgreen, and Shake Shack. However, note a key difference for these three peers is that they lack a celebrity Chef.

Chipotle¹⁷

Pioneering fast-casual through Mexican burritos and a simple assembly line, Chipotle (CMG) is a force to be reckoned with. In 2015, sales were \$4.5 billion and earnings were 476 million. Important management insight and industry information can be found in Chipotle's [annual report](#). As of Dec. 31, 2015, CMG operated 1,971 restaurants in the U.S., with 59,330 employees. It also operated 13 Shophouse Southeast Asian and 3 fast casual pizza concept restaurants. Founded by Steve Ells in Colorado in 1993, the company's growth trajectory must have shocked even its one-time partner, McDonalds. In August 2016, it has been a year since CMG suffered an E. coli outbreak resulting in many patrons becoming ill and sales declining; the recovery efforts are still struggling and the stock remains down 50%. The market capitalization of CMG stands at \$11.3 billion.¹⁸

Cava Grill

The D.C.-based Cava Group raised \$16 million in 2015 to expand its fast-casual spinoff, Cava Grill, launching next in L.A. In addition to more eateries featuring Mediterranean wraps, the funding will go towards expanding the Cava line of dips and spreads like fresh hummus, tzatziki, and harissa in Whole Foods and other markets. Currently the offerings are sold in 250 grocery stores, and just entered the Midwestern market.¹⁹

Sweetgreen

The group of young Georgetown grads who started Sweetgreen seem to have nailed the formula for eco-chic salad and grain bowls, sourcing local ingredients and promoting healthier, more sustainable choices. They've avoided the trap of too-grand ambitions and kept a narrow focus: quality salad bowls and low-calorie frozen yogurt that is not artificial. Their offbeat salads seem to resonate more strongly with consumers than competitors such as CHOPT or Just Salad. Sweetgreen raised \$18.5 million last year, attracting big-name supporters like Danny Meyer (Union Square Hospitality Group, Shake Shack) and Daniel Boulud. They also offer warm bowls, which resemble the steamed bowls from Beefsteak more so than anything else on the market in this segment.

¹⁷ [SEC Filings - Form 10-Q: Chipotle Mexican Grill Inc. 7/22/2016](#)

¹⁸ Amanda Schiavo. *Chipotle (CMG) Still Struggling After E. Coli Outbreak*, Bloomberg TV Reports. August 19, 2016. <https://www.thestreet.com/story/13680576/2/chipotle-cmg-still-struggling-after-e-coli-outbreak-bloomberg-tv-reports.html>

¹⁹ Anna Spiegel. *Cava Grill Receives \$16 Million in Funding, Expands to Los Angeles*. April 1, 2015. <https://www.washingtonian.com/2015/04/01/cava-grill-receives-16-million-in-funding-expands-to-los-angeles/>

Shake Shack²⁰²¹

The SEC Filing Form 10-k for Shake Shack Inc. provides the following business overview: “Shake Shack is a modern day “roadside” burger stand serving a classic American menu of premium burgers, hot dogs, crispy chicken, frozen custard, crinkle cut fries, shakes, beer, wine and more. Originally, founded by Danny Meyer’s Union Square Hospitality Group (“USHG”), which owns and operates some of New York City’s most acclaimed and popular restaurants—Union Square Cafe, Gramercy Tavern, Blue Smoke, The Modern at the Museum of Modern Art, Maialino, North End Grill, Untitled and Marta—Shake Shack originated as a hot dog cart in 2001 to support the rejuvenation of New York City’s Madison Square Park through its Conservancy’s first art installation, “I ♥ Taxi.” The hot dog cart was an instant success, with lines forming daily throughout the summer months for the next three years. In response, the city’s Department of Parks and Recreation awarded Shake Shack a contract to create a kiosk to help fund the park’s future. In 2004, Shake Shack officially opened and immediately became a community gathering place for New Yorkers and visitors from all over the world and has since become a beloved New York City institution, garnering significant media attention, critical acclaim and a passionately-devoted following. Since its inception, Shake Shack has grown rapidly— with 84 Shacks, as of December 30, 2015, in 10 countries and 45 cities—and we continue to expand outside our home market bringing our classic menu to new customers around the world. Shake Shack’s fine dining heritage and commitment to community building, hospitality and the sourcing of premium ingredients have helped us pioneer what we believe is a new “fine casual” restaurant category. Fine casual couples the ease, value and convenience of fast casual concepts with the high standards of excellence grounded in fine dining: thoughtful ingredient sourcing and preparation, hospitality and quality. As a pioneer in this new category, we strive to maintain the culinary traditions of the classic American burger stand, while providing our guests with a menu of inspired food and drinks, made with carefully sourced and quality ingredients.”²²

Danny Meyer’s Shake Shack is a fascinating case study of how to succeed with a “better burger.” The annual report contains a lot of valuable insights. Their strategic response to competition has parallels to Beefsteak:

“We specifically target guests that seek an engaging and differentiated guest experience that includes great food, unique and thoughtful integration with local communities and high standards of excellence and hospitality. We believe that we are well positioned to continue to grow our market position, as we believe consumers will continue to trade up to higher quality offerings given the increasing consumer focus on responsible sourcing, ingredients and preparation. Additionally, we believe that consumers will continue to move away from the added time commitment and cost of traditional casual dining. We believe that many consumers want to associate with brands whose ethos matches that of their own, and that Shake Shack, with our mission to Stand For Something Good and our culture of Enlightened Hospitality, is a distinct and differentiated global lifestyle brand.”²³

²⁰ investor.shakeshack.com

²¹ [Shake Shack Inc. Form 10-k. 3/30/2016.](http://investor.shakeshack.com)

²² [Shake Shack Inc. Form 10-k. 3/30/2016.](http://investor.shakeshack.com) Pg. 3.

²³ [Shake Shack Inc. Form 10-k. 3/30/2016.](http://investor.shakeshack.com) Pg. 11.

The Shake Shack annual report highlights growth strategies: capitalizing on outsized brand awareness, growing locations and same store sales, while opportunistically increasing licensed Shacks. A key theme is building a beloved lifestyle brand with passionate fans, where social media outlets have become vital to spread buzz. The annual report takes inventory of social media assets as follows: “166,000 Facebook fans, 231,000 Instagram followers, and 50,000 Twitter followers. We communicate with our fans in creative and organic ways that both strengthen our connection with them and increase brand awareness. In June 2015, we ranked #9 on Restaurant Social Media Index's top 250 restaurant brands, which is measured on influence, sentiment and engagement.”²⁴

²⁴ [Shake Shack Inc. Form 10-k. 3/30/2016](#). Pg. 9.