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O n a recent football Saturday in downtown Ann Arbor, there's a line of more than 50 people waiting for sandwiches. A Zingerman's employee is at the door handing out menus and free samples of potato salad and other sides to whet the appetites of waiting customers. The small building holds a massive cheese and meat counter, and an impressive selection of foods from around the world: olive oils and balsamic vinegars; jams, honeys, and mustards from Germany and France; pasta from Italy; and chocolate from just about everywhere.

From a modest start in 1982 in an old red brick grocery store in Ann Arbor's historic Kerrytown neighborhood, the company founded by Ari Weinzweig and Paul Saginaw —

thanks to a \$20,000 second mortgage on Saginaw's house and a \$2,000 loan from Weinzweig's grandmother — now has more than 500 employees in seven separate businesses, dubbed the Zingerman's Community of Businesses.

But unlike at most companies, everyone at Zingerman's is familiar with the business operations. Weinzweig emphasizes "open-book finances"; not only does every employee have access to the company's P&L statement, but each of them understands the basics of business management. They embrace the philosophy in Jack Stack and Bo Burlingham's book *The Great Game of Business*, which encourages employees to think and act like owners through a "culture of ownership."

# The Zingern

HOW A SMALL ANN ARBOR DELICATESSEN GREW INTO A \$35-MILLION POWERHOUSE



Zingerman's is "not a spectator sport," Weinzwieg says. His employees are "on the court," responsible for the company's numbers. "They own numbers," he says. "They report numbers. They manage the numbers. [They] have to deliver. It's not just like [they're] sitting in the stands critiquing [Detroit Pistons General Manager] Joe Dumars: 'You should've done this; you should've done that.'"

The privately held company shares its results with just about anyone. When a reporter asks, Weinzwieg pulls out the company's results for the last several years on a spreadsheet. "We kind of know what we're doing and it's really hard to get to happen, so I don't know what anyone would do with our

[financial results]," he says. "Everybody in the restaurant business' food costs goes too high. Everybody's trying to cut his or her labor. Everybody's trying to be more profitable."

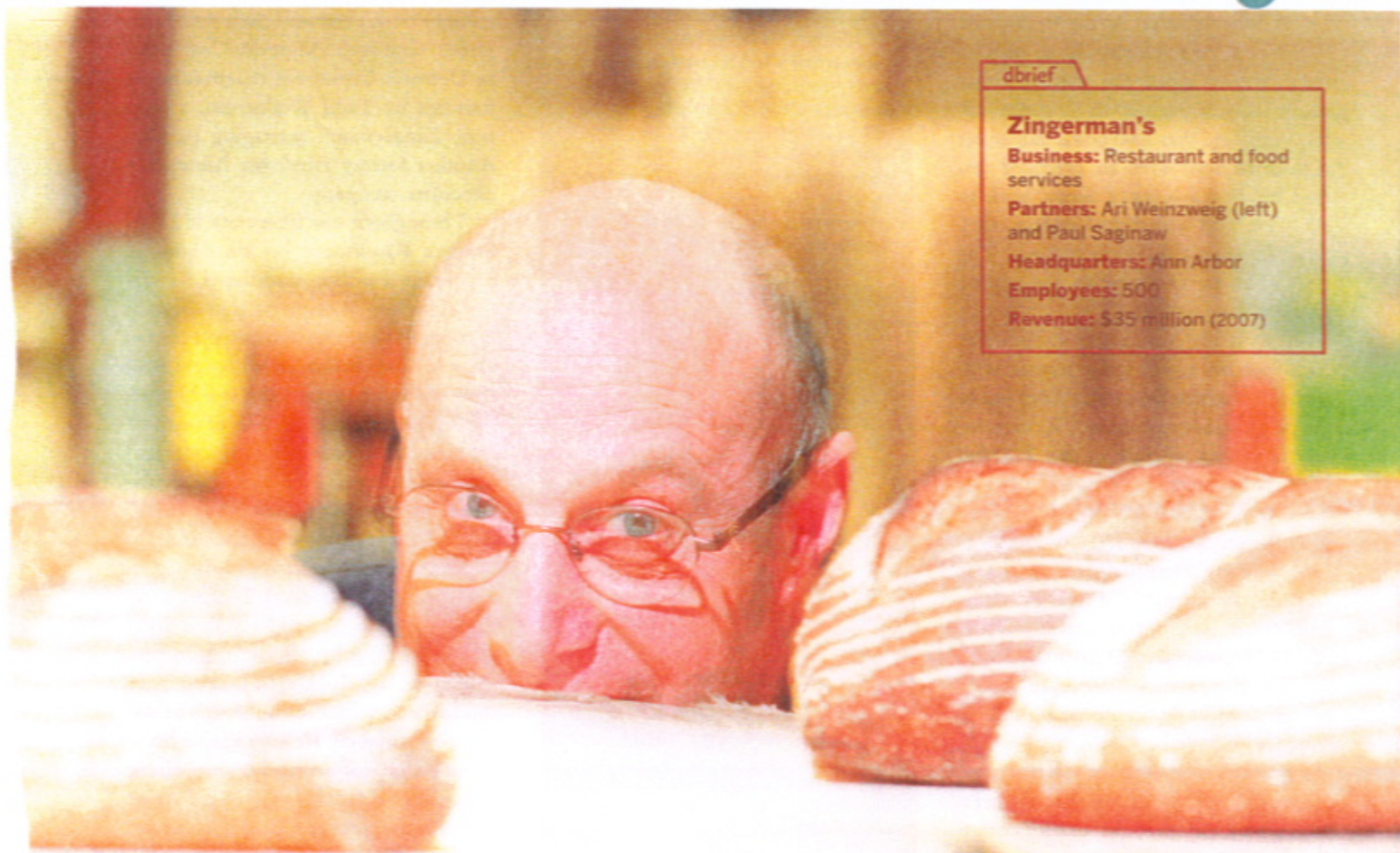
Employees appreciate the openness, saying it builds trust and responsibility. "I understand what kind of money is coming in, seeing what we're building," says Zingerman's Roadhouse server Shay Cook. "There are open lines of communication. You can fix [things] easier."

Amos Arinda, 21, a server and manager who lives in Ann Arbor, says the fiscal openness is important. "To see those people who say, 'Oh, I don't know why our business is failing. It's like a huge surprise to everybody,' whereas here

# an's Way

PHOTOS BY BRAD ZIEGLER

BY TEACHING ITS EMPLOYEES TO COMPREHEND A P&L STATEMENT BY DAVID SHEPARDSON



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## Zingerman's

**Business:** Restaurant and food services

**Partners:** Ari Weinzwieg (left) and Paul Saginaw

**Headquarters:** Ann Arbor

**Employees:** 500

**Revenue:** \$35 million (2007)

## The Zingerman's Way

we have a direct connection with the numbers. You know what's going on. If we're failing in a certain area, you know you're failing."

Zingerman's employees rattle off terms like "net operating profit." "How many people who own restaurants don't even know what the term is?" Weinzwieg asks. "I'm not joking. I train people who own businesses, and I'd put half of [my employees] up against [those] people."

A big part of the program is training. Zingerman's employees have to take classes and pass tests, and they can't get benefits until they complete a lengthy orientation — typically in 60 days. "Some people do it in 30 days," Weinzwieg says. "Some people take three years." They get awards for passing classes, as well. And the company looks to use anyone's talents. A deli retail manager recently sent out an e-mail to workers congratulating a 16-year-old employee for being so talented that she's training people. "She's training people who are in their 20s, 30s, 40s," Cook says.

The company also rewards its employees in different ways. At the Roadhouse — because the restaurant did so well — management upped the employee discount last year from 20 to 30 percent. A few years ago, after Bakehouse employees performed well over an extended period and beat a series of annual goals to cut waste and accumulate savings, they received some \$35,000 in bonuses. The employees are also eligible for regular profit-sharing, as well.

A key to the company's success is that each unit has a managing partner who owns part of that business. "They make the push to go for greatness," Weinzwieg says, and they operate as one business with "semiautonomous units." One of those partners is Allen Leibowitz, who runs Zingerman's Coffee Co. On a recent Saturday afternoon, Leibowitz was working the crowd at Whole Foods in Ann Arbor, offering customers samples of fresh-brewed java. Across the store, another Zingerman's employee handed out samples of the company's three handmade candy bars.

Leibowitz used to work in computer security in Ann Arbor and traveled a lot, getting exposed to specialty coffee

### Retail Outlets Served (approx.)

Bakehouse: 140  
Coffee: 100+  
Creamery: 50  
Total: 290

### Loafing Around

Average loaves of bread sold  
3,500 to 10,000 a day  
50,000 a week  
2.6 million a year

### Turn Up the Volume

Annual units  
100,000 lbs. of corned beef  
30,000 corned-beef reubens  
500,000 pickles  
10,000 pounds of potato salad  
100,000 loaves of Jewish rye  
1,000,000 slices of hand-sliced bread

### Sweet Teeth

Annual units  
1998: 5,000 coffeecakes  
2008: 50,000 coffeecakes

### Caught in the Web

In the last 10 years, *zingermans.com* sales to businesses have grown 20-fold.

### All Aboard the 'ZingTrain'

Zingerman's has 22 training seminars scheduled this year and averages about 23 people in each. That number represents only the people who come to Ann Arbor for the scheduled seminars. ZingTrain reaches much more than that with consultations and custom seminars across the country.



on a business trip to Palo Alto, Calif. His budding interest in coffee soon led to an obsession. "I became an amateur in the French sense of the word," he says. "[Zingerman's] only really cares about quality."

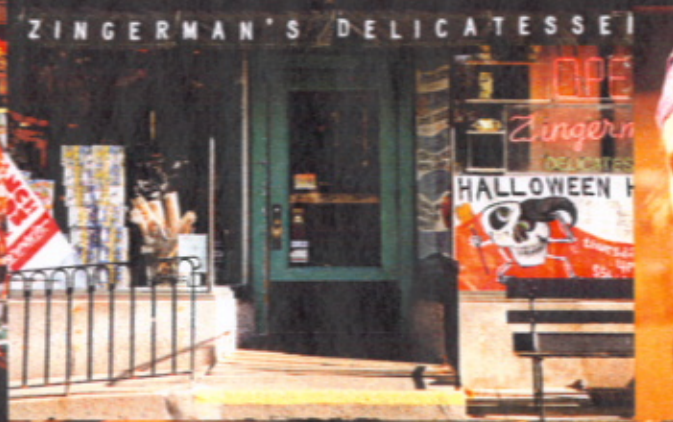
Zingerman's is renowned for its superior products, but they're not exactly competing on price. "You can buy a cheaper mustard somewhere [else]," Leibowitz says. "We're selling things that, fundamentally, nobody needs. Let's face it: At the end of the day, you don't need a \$30 pound of farmhouse cheddar. You're not going to wake up and go, 'Oh my God, I'm going to kill myself if I don't get that cheddar!'"

Leibowitz travels the world looking for top-quality coffees and carries some rare brews that start with a "pure food cost of \$6 or \$7 a pound." Quality simply trumps corner-cutting. Five years after starting the coffee company, they're on target for a \$900,000 business, while roasting 100,000 pounds of coffee annually. (They even have a live Web cam where customers can watch the coffee being roasted.)

Zingerman's alumni have gone on to write books and start their own businesses, such as the Mercury Coffee Bar in Detroit's Corktown neighborhood, founded by Todd Wickstrom, a one-time Zingerman's managing partner. Another former employee launched a chocolate company.

Throughout our interview at Zingerman's Roadhouse — his high-end restaurant featuring traditional American classics — Weinzwieg is in constant motion. "I have enormous appreciation for what the thousands of people who have worked here over the last 27 years have done and the thousands of customers who have patiently supported us," Weinzwieg says. And he's always focused on improving. "It's never done," he says. "Everything could be better."

He enters the restaurant dressed in a Zingerman's olive-oil T-shirt, carting a pile of books and a yellow legal pad with a lengthy, almost indecipherable to-do list. Tucked in the pages are spreadsheets with the company's financial performance. He's writing a book about bacon, following his best-selling *Zingerman's Guide to Good Eating*, which was preceded by *Zingerman's*





“...at the end of the day, you don't need a \$30 pound of farmhouse cheddar. You're not going to

*Guide to Giving Great Service.* Another book on business vision is up next. His advice to aspiring entrepreneurs: “Figure out a vision for your business — not a strategic plan,” he says. “It's painting a picture of what success looks like.”

“I work a lot, but I work by choice,” he says. When he goes on a food expedition abroad — or around the United States tracking down new olive oils and obscure cheeses — he still can't get away from work. “People overestimate that. They think that's the job,” Weinzwieg says. “[But] while you're doing that, you still have to do all the other work.”

Zingerman's isn't shy about what may be its only drawback: its prices. It does charge \$9.50 for 12 ounces of gelato, \$24.95 for a large coffeecake, and some deli sandwiches top \$13 — and, yep, all you get with it is a pickle.

One reason customers keep coming back is that Zingerman's is upfront about price fluctuations. When grain prices recently surged, the company tacked up empty sacks of flour with the rising prices and dates to highlight their increased costs. When pecans spiked in price, they posted letters explaining the price increase — and vowing to lower them when commodity prices declined.

In a note to customers titled “How can you have macaroni and cheese that costs \$14?” — a popular dish at the Roadhouse — Weinzwieg explains the philosophy: “When people think ‘macaroni and cheese,’ they think ‘low-end,’” noting that other restaurants charge similar amounts for dishes called pasta. He ticked off the mac and cheese's expensive ingredients: imported Martelli Maccheroni, two-year-old raw milk cheddar from Vermont, real cream, Dijon mustard, and fresh garlic. “So, yeah, our macaroni and cheese is \$14,” he writes. “While it's still got all the comfort-food appeal of the stuff you get out of a box, it also stands toe to toe with any ‘pasta’ dish you can find.”

During our interview, Weinzwieg never sits — dashing off on occasion to consult with a chef, greet a customer, or sample a dish. And he's relieved he's being recorded. It's

impossible, he says, to take notes as fast as he talks.

Zingerman's Roadhouse features barbecued pork made from local hogs, chicken-fried steak, Southern-fried catfish, and American wines, bourbons, and microbrews. I ask the lanky Weinzwieg the question so many have wondered: Surrounded by so much good food, how does he stay thin? “I taste everything,” he says, before cooking a big dinner at home every night. “I do [exactly] what you're not supposed to do — have a very large dinner and then go to sleep. I don't really eat meals during the day. It slows me down.”

The company is also keen on promotions and public relations. *Inc.* magazine has called Zingerman's “the coolest small company in America.” Zagat's 2006 survey called Zingerman's “the best deli in America.” The late R.W. Apple Jr., who was a top food writer at *The New York Times*, once wrote, “Zingerman's, the deli of my dreams, is unmatched outside New York.” NPR has called the company “an empire.” The company aims to become the best-known deli in the United States — and it seems like it's well on its way.

The University of Michigan Health System cites Zingerman's numerous honors in wooing job candidates. Well-known chef Mario Batali is a big fan who has often dropped in to shop and eat, lavishing praise during his TV show. In May, Zingerman's brought 400 hand-pulled, barbecued beef-brisket sandwiches for Oprah Winfrey and her studio audience to eat. “On a scale of 1 to 5,” Winfrey said, “11.” Why? “Because you can taste the molasses, and then there's a twang.” That sent sales of the BBQ sandwich (No. 97) through the roof.

Despite Michigan's rocky economy, the privately held company recorded revenue of \$35 million last year, up from \$31 million the year before. Zingerman's projects growth at 5 to 10 percent annually. Weinzwieg says that they're on pace to post \$38 million in revenue for its fiscal year, ending July 30, 2009.

The deli once known only around southeast Michigan for its heaping corned-beef sandwiches was quick to take on



wake up and go, 'Oh my God, I'm going to kill myself if I don't get that cheddar!'" —Allen Leibowitz

its suppliers. The second business it opened was a bakery, built in a business park near the Ann Arbor Airport in 1992 after the partners learned about the trade from New York baker Michael London. Today, the company sells a staggering 50,000 loaves a week, or about 2.6 million loaves a year, shipping thousands to customers around the country and selling bread to 140 grocery stores and other retail outlets.

And quite a few sandwiches — 100,000 pounds of corned beef annually, and 500,000 pickles. The sandwiches are so popular, you can order four Reuben sandwiches via mail order for \$120 (which includes overnight shipping, all the fixings, brownies — and pickles). Its mail-order business accounts for roughly 27 percent of the business (\$10 million), and the company hires about 300 seasonal workers around Christmas to handle the holiday rush.

The company's reach is impressive — it has ventured into parts of the business it once outsourced to suppliers (bread, bagels, coffee, among others). Now it even offers classes for aspiring bakers ([bakewithzing.com](http://bakewithzing.com)). Beyond baked goods such as croissants, muffins, and scones, seemingly no product is too difficult or too esoteric for Zingerman's to make. The list includes wedding cakes, marshmallows, graham crackers, candy bars, and even hummus. It even has a Zingerman's Creamery to make numerous types of cheese and gelato — and, of course, it uses local cows to provide the milk. It has a large catering business and also operates a small take-out place for coffee and pastries out of a 1952 Royal Spartanette aluminum trailer outside the Roadhouse.

But Zingerman's wasn't always on track to get so big. Wayne Baker, a University of Michigan business school professor, noted in a 2005 case study on Zingerman's that after a decade of life, the company had begun to see its growth slow. At that point, Weinzwieg and Saginaw decided to write a business plan, dubbed "Zingerman's 2009: A Food Odyssey."

The vision statement has since been updated for 2020.

The company now envisions between 12 and 18 businesses in the Ann Arbor area by 2020 and has considered myriad options, including a Spanish restaurant, a small hotel, micro-brewery, and publishing firm, Weinzwieg says. But despite the wild success of the deli and the other outlets, Zingerman's doesn't want to emulate once-small companies such as Borders (also from Ann Arbor), Starbucks, and McDonald's, all of which grew into international behemoths.

"There's nothing wrong with it," Weinzwieg says of franchising opportunities. "It's just not what we want to do. We only do one, once. So no replicating, no franchising, no duplication. The whole thing of vision is to start with what you want, not just to respond to what the opportunities are." Weinzwieg aimed to create something special, and he certainly has. But he doesn't want a leviathan. "I'm sure there's opportunity to make more money," he says, "but it's not appealing."

Zingerman's is rooted in the community, he says, and its employees get to know its regular customers — something that would be lost if the company opened delis and other businesses across the country. The company is committed to its hometown, although it nearly branched out to the next county. Before 2001, it considered an offer to open a location at Metro Airport. "We spent a lot of time agonizing over whether that fit the vision," Weinzwieg says. But ultimately, the deal was scrapped. Zingerman's even declined another recent offer to open at the airport.

The newest business in the works is Cornman Farms. The company, launched in 2005 by Roadhouse chef Alex Young, began as a garden behind his Dexter house. At the outset, he grew tomatoes and a few other vegetables for the restaurant. Now it's blossomed into a three-acre farm that harvested about 30,000 pounds of tomatoes (40 different varieties) and 10,000 pounds of peppers this summer as part of a "Dirt to Plate philosophy," quickly getting food from farm to restaurant. Cornman also planted basil, garlic, squash (nine different kinds),



Patrick Scanlon spent years as a brewer, but now he's managing partner of the Royal Oak Brewery, which he co-owns with Drew Ciora. The brew pub offers six to eight beers on any given day, such as Northern Light and Fourth Street Wheat. The brewery opened in 1995 and has grown every year since, with \$2.3 million in revenue last year. Their most popular beer is Royal Oak Red, a malty, full-bodied ale. Popular store-brand beers often contain more than 100 ingredients, Scanlon says. But the Royal Oak Brewery uses only four: malt, water, yeast, and hops.

## The Zingerman's Way

heirloom potatoes, cucumbers, onions, beets, radishes, turnips, salad greens, and beans. Chef Young is even raising chickens.

"We just harvested 900 pounds of tomatoes on Monday, and a 300-pound batch of tomato sauce is simmering in the big kettle in the back of the Roadhouse as I write," said a recent employee update by Mark Baerwolf, who started out at Zingerman's as a line cook and who now works full-time on the farm. "I'll be hopping over to the restaurant to check on it after I'm done with this update."

Zingerman's success can be traced to a few guiding principles. "We opened up in 1982, and interest rates were 18 percent," Weinzwieg recalls. "We never take a customer for granted. We always know we need to be better. We always need to be careful with our money." Like any good budget manager, Weinzwieg knows, too, that you aren't supposed to spend more than you have. "I've never taken anything for granted," he says. "I always assume if we don't get better, we're going to be out of business, so I don't really know what you do differently when the economy's bad."

Zingerman's works with customers — and their budgets, no matter the economic times. "We'll sell one slice of bread," Weinzwieg says. "We'll give you a taste of anything free. We'll make you a quarter-order of pasta." He says he can't understand why some companies have thousands of employees on payroll that aren't needed or aren't working, like in the automotive industry. He also questions what he sees as peculiar big-business practices. "I don't really understand giving big bonuses to lose a lot of money," he says. "If you're not making something exceptionally amazing, then no one's going to want it."

What's more, Zingerman's has a management-training company, Zing-Train., that's been teaching companies about Zingerman's management philosophy since 1996: "Every walk of life" — which includes academics, dentists, booksellers, and doctors. Portions of one popular seminar, "The Art of Giving Great Service," are available on DVD. The seminars embody the company's philosophy: "Fun, Flavorful Finance: Why Our Dishwashers Know Our Net Operating Profit." **db**

# Liquid Revenue

**SALES OF MICHIGAN-PRODUCED SPIRITS ARE SURGING, DESPITE RIGOROUS DISTRIBUTION LAWS AND A SLUGGISH STATE ECONOMY BY DAVID SHEPARDSON**

Michigan's wineries and breweries are enjoying double-digit annual growth as demand rises for locally produced goods. Not far behind: a new local industry distilling brandy, gin, rum, and whiskey.

Michigan's 70 microbrewers and brewpubs saw state sales jump 18 percent last year to 108,080 barrels, up from 981,807 in 2006 (one barrel equals 31 gallons of beer). During the same period, overall beer sales dropped by 0.6 percent to 6.6 million barrels. Michigan-brewed beer still accounts for just 1.6 percent of all beer sold in Michigan, but home-brew sales have more than doubled since 2003.

A 1991 law that opened the way for new microbreweries has fueled Michigan's beer resurgence. By the late 1980s, the industry had all but disappeared from a hardy beginning. In the mid-1800s, there were about 40 breweries in Detroit, many founded by German immigrants. One of those immigrants was Bernhard Stroh, who founded Stroh's Brewing Co. in 1850 in Detroit, which grew to be one of the largest U.S. brewers before being sold a few years back.

By comparison, Michigan's 40-year-old wine industry is

further along and has a larger following. State-produced wine sales jumped 14 percent in 2007, while total wine sales in Michigan were up just 3 percent. Last year, per-capita wine consumption in Michigan hit its highest level since 1988, according to the Michigan Liquor Control Commission, averaging 1.87 liters per person (or about 2.5 bottles).

Michigan wine accounted for 6 percent of all sales in the state in 2007 — about 4.1 million liters — or about 5.5 million bottles. Michigan's wine industry now generates about \$300 million annually, and the number of wineries has doubled in the last 10 years. What's more, the state's 56 wineries won 800 medals in various competitions in 2007. *USA Today* recently noted that Michigan "wineries are positioning themselves as small, but key players in the Riesling renaissance that is taking hold across the country."

"People are embracing eating and drinking locally," says Karel Bush of the Michigan Grape and Wine Industry Council. She says that people are concerned "about how much fuel it takes to get a bottle of wine to your shelf" from France or Italy. "People have really

gotten to know the quality of Michigan wine."

Rex Halfpenny, publisher of the *Michigan Beer Guide*, says the growth of Michigan breweries of late is impressive, but Michigan's liquor-control laws are a stumbling block to growth. For instance, brewpubs can't sell beer at locations outside their bar. "A brewpub that sells 1,000 barrels at \$3, \$4, \$5 a glass is doing well," Halfpenny says, "but it's harder for small brewers."

On the wine front, business is booming. In 2006, Chris Baldyga and Cornel Olivier bought an old 58-acre winery in Traverse City on the Old Mission Peninsula and rechristened it 2 Lads Winery. Last fall, they produced 240 cases of 2 Lads Rosé — the largest production to date.

But wineries aren't standing pat. Spirits consumption rose to 1.52 liters per person in 2007, the highest level since 1990. That growth is due, in part, to wineries such as Black Star Farms on the Leelanau Peninsula, which recently began producing its own spirits, including 80-proof pear brandy, apple brandy, and grappa. They also operate the Leelanau Cheese Co. **db**