

MARKET INTELLIGENCE ON WINE, SPIRITS AND BEER

MARCH 2013

# MARKET WATCH

**ON-PREMISE PLAYER OF THE YEAR**

**RICHARD SANDOVAL**

Elevating Latin Cuisine

**PLUS**

MIXOLOGY: RYE WHISKEY

CITY SCOPE: PITTSBURGH

SUPERMARKET LIQUOR SALES



## Latin Sizzle

Since launching his first restaurant, Maya, in New York City in 1997, Richard Sandoval has been a pioneer. Not many venues served upscale Mexican food in white tablecloth settings when he started. The concept went against the grain, but it was brilliant. Today, Richard Sandoval Restaurants brings in total annual revenues of \$150 million, powered by a portfolio of 18 company-owned units and another 17 under license. Headquartered in New York City, Sandoval's far-flung empire extends to markets including Washington, D.C., Denver, Miami and Mexico City. He's our MARKET WATCH On-Premise Player of the Year.



In addition to great food and upscale Latin ambience, Sandoval has brought something else to the table: a successful merging of food and spirits cultures. While wine has long been inseparable from white tablecloth venues, the same hasn't always been true of spirits. The worlds of fine dining and distilled spirits more often took separate paths to success.

Sandoval's restaurants have ignored that dichotomy—to great success. Today, his company's ratio of food to beverage alcohol sales is a remarkable 55 percent to 45 percent, which means the alcohol side accounts for around \$67 million a year. In some of Sandoval's restaurants, the ratio is 60 percent alcohol to 40 percent food.

Spirits tend to rule at Sandoval's venues, with roughly 80 percent of his beverage alcohol sales coming from spirits and cocktails. Latin spirits are clearly stars of his drinks menus. In fact, one could argue that no restaurateur has done more for Tequila and other Latin spirits than Richard Sandoval. For instance, Maya offers 100 sipping Tequilas, while La Biblioteca de Tequila, also in Manhattan, stocks a whopping 400 labels.

Wine is definitely not forgotten at Sandoval's restaurants. At Pampano in New York City, a 90-bottle wine list focuses firmly on the Latin American winemaking countries of Chile and Argentina, as well as Spain. Wine plays an even bigger role at other Sandoval restaurants, such as his Asian-influenced venues and, of course, his wine bar, Al Lado.

It's all quite a remarkable marriage of fine drinking and fine dining, in a journey that's been fraught with accomplishment.

Enjoy the issue,

A handwritten signature in black ink, appearing to read "Marvin R. Shanken". The signature is fluid and cursive.

Marvin R. Shanken

# Master of MODERN MEXICAN

*Richard Sandoval has been elevating the perception of Latin cuisine for 15 years, and he's just getting started*

BY LAURA PELNER

Richard Sandoval isn't called the father of modern Mexican cuisine for no reason. The chef and restaurateur has built an on-premise empire around the idea that Mexican and Latin fare don't have to be on the lower-end of the dining spectrum in quality or public perception. His 30-plus restaurants around the globe showcase the spirit of Mexico in myriad ways, and while they're all approachable and upbeat, none of them is lowbrow.

Sandoval started his journey in the restaurant world 15 years ago with the opening of Maya in New York City. At the time, the venue was among the first in the country to serve upscale Mexican food on white tablecloths with a professionally trained waitstaff. People thought Sandoval was crazy, but he persisted and has reaped the rewards ever since.

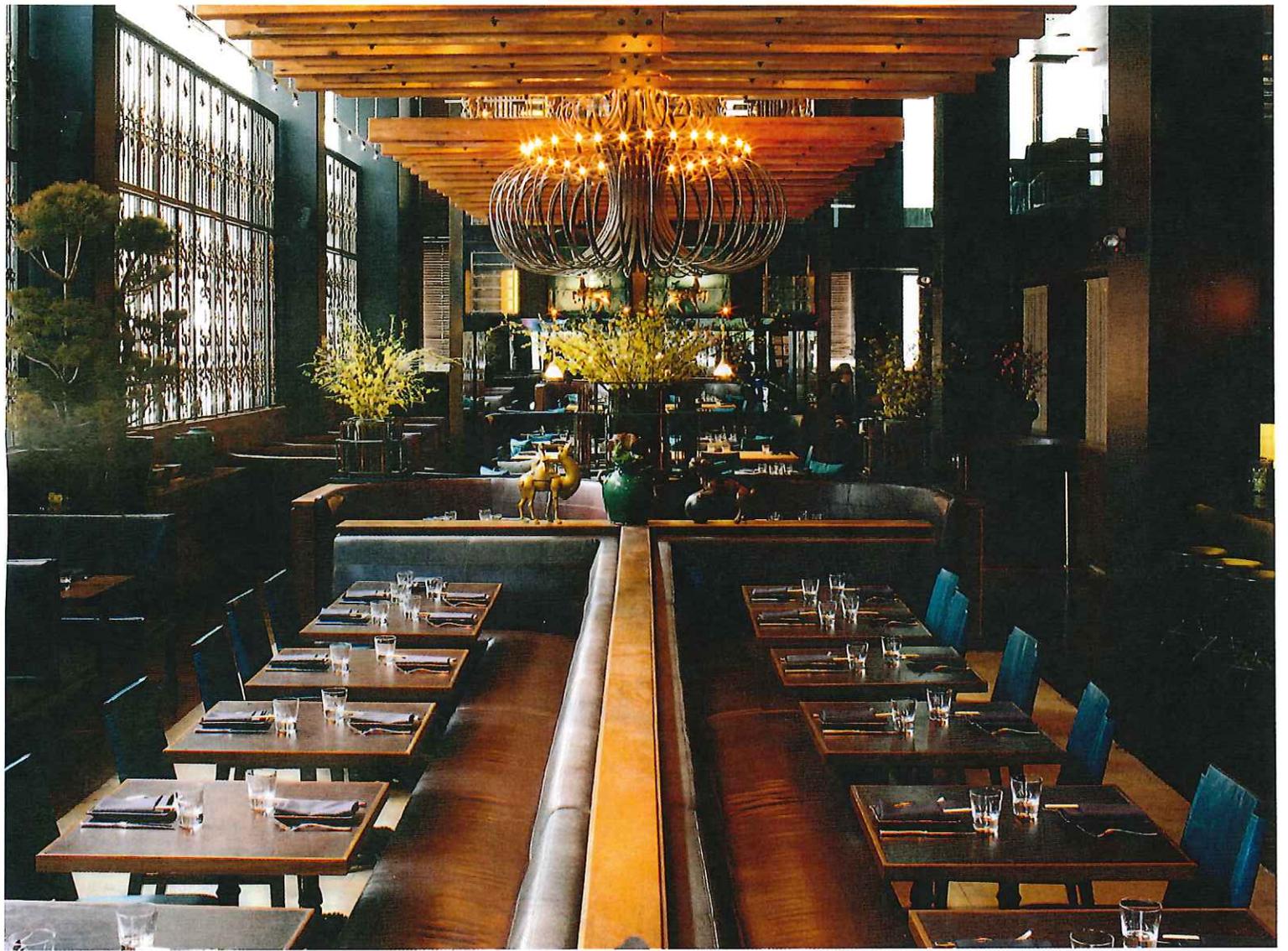
"When I first opened Maya it was challenging to do high-end Mexican food because everyone thought the category was lower-end," Sandoval says. "I took recipes I grew up eating in Mexico and modernized them. I also modernized how they are presented. We challenged people and used our waiters to explain the food. Fifteen years ago it was really difficult, but I think people get it now."

Indeed people do get it today, and they appreciate Sandoval's efforts. The chef was opportunistic during the recession, expanding his on-premise holdings from six restaurants in 2008 to more than 30 this year. Richard Sandoval Restaurants owns and operates 18 units, with revenues equaling roughly \$70 million annually, and has licensing agreements and

Richard Sandoval (bottom right) opened his first upscale Mexican restaurant in New York City in 1997 and has since expanded to 35 venues worldwide, including Zengo (pictured at right) and La Biblioteca de Tequila (the Hoisin Arepas are bottom center) in Manhattan and La Hacienda (the house Margarita is below) in Scottsdale, Arizona.



PHOTOS COURTESY OF RICHARD SANDOVAL RESTAURANTS. PORTRAIT BY NOAH FEIGIS





Each of Richard Sandoval's concepts has a Latin twist, such as the Peruvian-influenced Raymi in New York City's Flatiron District (the Chicken Aji de Gallina is pictured at left) and modern Mexican eatery Pampano in Midtown Manhattan (the Lobster Salad is shown at right).

partnerships for 17 additional venues that total more than \$80 million in revenues. All told, the company has revenues in excess of \$150 million a year, with restaurants in seven states and Washington, D.C., plus units in Mexico, Dubai and Qatar. Beverage alcohol is an increasingly large part of the bottom line, making up more than half of total sales at some restaurants.

"I moved to New York to do one restaurant, and the domino effect took over," Sandoval explains. "I'm doing what I love to do. The great thing about my company is that it has everything from high-end, modern restaurants to casual and fast casual venues. We're in all realms of Mexican food. We create trends instead of follow trends and we're always ahead of the game."

## Upscale Approachability

To remain at the forefront of the restaurant world and appeal to modern diners, Sandoval recently commissioned a major overhaul of his flagship Maya restaurant. The project included a removal of the white tablecloth and a switch to slightly less formal service. It's a model the company hopes to bring to other units this year. "We want Maya to be more casual, but still have that high-end dining element," says Dustin Lombard, COO and chief financial officer of Richard Sandoval Restaurants. "This upscale-but-approachable image allows guests to start at happy hour and then move to a table for dinner. The idea is to introduce a more fun, casual atmosphere."

Maya's menu includes tacos and enchiladas (\$12 to \$24) alongside chef specialties (\$21 to \$32) like tamarind-braised lamb shank and roasted striped bass. Latin spirits reign at Maya and throughout the Richard Sandoval Restaurants portfolio, and the New York City venue offers several Margaritas and specialty drinks (\$11 to \$13), including the Smoked Pear Martini, comprising Fidencio Classico mezcal, pear purée,

burnt honey and lime. Maya also highlights Tequila flights (\$25 to \$35 for three ¾-ounce pours), such as the Barrel Aging Horizontal Flight that comprises añejo expressions from Don Julio, Casa Noble and Riazul, and lists roughly 100 Tequilas for sipping (\$10 to \$55 a 1½-ounce pour).

New York City's Pampano restaurant is also a modern Mexican haven. The venue houses a dining room, a bar and an underground taqueria. Inspired by coastal Mexico, seafood is emphasized in ceviches, small plates and larger dishes (entrées are \$24 to \$32), and a five-course chef's tasting menu can be paired with wine or Tequila (\$50 alone; \$75 with pairings). Pampano's 90-bottle wine list reads like a guide of Latin American wine-producing countries, highlighting Chile and Argentina (wines are \$11 to \$18 a glass; \$44 to \$200 a 750-ml. bottle).

"From a food perspective, we take a lot of classic ingredients and recipes and add a modern twist," Lombard explains. "Most of the time when you take a bite of our food, there's a 'wow' element. That's what separates our restaurants from other Latin competitors."

Richard Sandoval Restaurants' other popular concepts include the casual Mexican venue La Sandia Cantina & Tequila Bar, which has four locations nationwide, and the Latin-Asian fusion eatery Zengo, which also has four locations, with a fifth in the works for 2013. Opened last year, Denver's Al Lado is a neighborhood tavern concept and Sandoval's first wine-focused venture, while Toro Toro is a pan-Latin steak house and spirits lounge with locations in Miami and Dubai and plans to enter Washington, D.C., in June.

"To say Mexican food has changed in the last 15 years is an enormous understatement," says Greg Howe, Richard Sandoval Restaurants' corporate chef. "The perception of the food is very different, and what people consider to be

## RICHARD SANDOVAL RESTAURANTS

A pioneer in Latin cuisine, Richard Sandoval operates 35 venues around the world under more than 20 brand names. The restaurants highlight wine and spirits from Mexico, South America and Spain, as well as Latin and local craft beers.

<b>Al Lado</b>	Denver	<b>Maya Modern Mexican Kitchen &amp; Tequileria</b>	New York City; Dubai
<b>Ambar</b>	Washington, D.C.	<b>Méridien Beach Resort &amp; Spa</b>	Dubai
<b>Bahia</b>	Punta Mita, Mexico	<b>Pampano</b>	New York City; Qatar
<b>Brasserie La Moderna</b>	Mexico City	<b>Raya</b>	Laguna Niguel, California
<b>Cima</b>	Beaver Creek, Colorado	<b>Raymi</b>	New York City
<b>El Centro D.F.</b>	Washington, D.C.	<b>Tamayo</b>	Denver
<b>Four at Yotel</b>	New York City	<b>Tequileria Maya</b>	New York City
<b>Ketsi</b>	Punta Mita, Mexico	<b>Toro Toro</b>	Miami; Washington, D.C.; Dubai
<b>Kokoriko Natural Rotisserie</b>	Miami	<b>T&amp;T</b>	Las Vegas
<b>La Biblioteca De Tequila</b>	New York City	<b>Venga Venga</b>	Snowmass Village, Colorado
<b>La Hacienda</b>	Scottsdale, Arizona	<b>Zengo</b>	Santa Monica, California; Denver; New York City; Washington, D.C.; Dubai
<b>La Sandia Cantina &amp; Tequila Bar</b>	Denver; Lone Tree, Colorado; McLean, Virginia; Santa Monica, California		
<b>Masa 14</b>	Washington, D.C.		

an upscale restaurant has changed dramatically as well. We try to keep our food as upscale as possible, even in a relaxed setting.”

### Tequila, Please

Sandoval’s work in modernizing Mexican culture doesn’t stop at food—he’s also been a dedicated supporter of Tequila and other Latin spirits. The beverage alcohol component is a huge part of the experience at Sandoval’s restaurants. Drinks make up roughly 45 percent of Richard Sandoval Restaurants’ \$150 million in annual sales, equal to about \$67 million a year. In some individual restaurants, the numbers skew as high as 60-percent alcohol to 40-percent food. Spirits and cocktails comprise the majority of drinks sales at 80 percent, with beer and wine splitting the remainder. However, wine often plays a heavier role in the Asian-influenced venues and at the wine bar Al Lado.

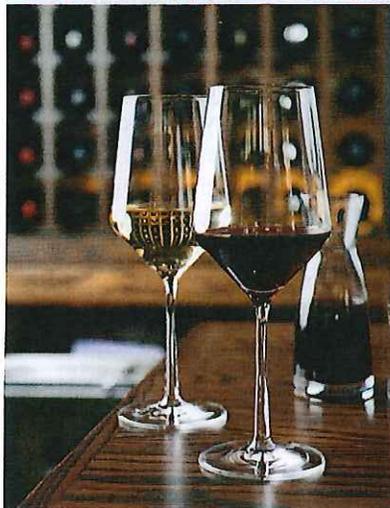
“Beverage alcohol is an enormous part of our program these days,” Lombard explains, adding that the company is looking to hire a corporate beverage manager. “We move a lot of Latin spirits, and our primary focus is on original cocktails made with fresh ingredients.”

Lombard cites Washington, D.C., and Aspen, Colorado, as major markets for drinks. Richard Sandoval Restaurants operates three restaurants in the nation’s capital—Masa 14, El Centro D.F. and the new Balkan concept Ambar—and plans to open outposts of Toro Toro and Zengo in the city this year. “We’ve focused on

the nightlife element in Masa 14 and El Centro, and it really works,” Lombard says. “It goes back to the see-and-be-seen aspect of dining that people expect today.”

Along with El Centro D.F.’s dining room and taqueria, the restaurant incorporates a rooftop space that houses two open-air bars and an underground Tequileria that boasts more than 150 Tequilas and mezcals. The intimate subterranean space offers horizontal and vertical Tequila flights, as well as tastings of small-batch labels and premium selections (\$18 to \$75 for three ¾-ounce pours). The spirits menu includes tasting notes for each offering and the restaurant’s staff is trained to help guests make selections (Tequilas range from \$8 to \$150 a 1½-ounce pour).

Tequila shines at most Sandoval restaurants, but nowhere is it more important than at La Biblioteca de Tequila, a Manhattan spirits den with a limited food menu of tacos and appetizers (\$10 to \$18). The space employs a Tequila sommelier to demystify the experience. There are 12 different flights (\$14 to \$22 for three ¾-ounce pours), such as the Traditional Distillery Tasting, comprising reposado expressions from El Tesoro, Don Julio and Patrón, and the Modern Distillery Tasting, a set of reposados from Cazadores, Corzo and Campo Azul. In addition, La Biblioteca lists some 400 labels available by the snifter or bottle (\$8 to \$185 for 1½ ounces; \$70 to \$2,650 a 750-ml. bottle, with the Jose Cuervo 250 Aniversario at the high end). For regulars, La Biblioteca has bottle storage lockers.



CLOCKWISE FROM TOP: *La Sandia Cantina & Tequila Bar (the Santa Monica, California, location is pictured) offers an extensive selection of beer, wine and Tequila. The pan-Latin steak house and lounge Toro Toro, with venues in Miami and Dubai, highlights shared plates, while Denver wine bar Al Lado focuses on Pacific Northwest labels.*

“To stay relevant, you have to create a great beverage program that’s well balanced and creative,” Sandoval says. “Today, people are looking for drinks, music and design, along with food. Dining out is a much bigger experience than it’s been before and beverages are very important. Mixology is almost as critical as cuisine nowadays.”

Sandoval’s team revisits drinks and food menus quarterly to keep them fresh, generally adding a couple cocktails with each revision. The changes are prompted by seasonal ingredients and individual locations have the ability to react to local trends. “We cater to each market. We’re not a cookie cutter company,” Sandoval explains.

## Suds And Sips

Beer and wine, though not major players in the beverage component of Sandoval’s business, are more than just afterthoughts. Mexican beers are highlighted at several concepts. La Sandia

Cantina & Tequila Bar serves many popular labels, including Corona and Corona Light, Tecate, Pacifico, Dos Equis lager and Ambar, Negra Modelo, Modelo Especial and Victoria (each \$4 a bottle). La Sandia, with locations in Colorado, Virginia and California, also pours a handful of wines, such as Little Black Dress Chardonnay and Pinot Noir and Trivento Reserve Malbec (wines are \$7 to \$8 a glass; \$27 to \$30 a 750-ml. bottle).

Localization is evident in the beer program. At Al Lado in Denver, the beers include the aforementioned imports alongside local crafts like Twisted Pine Hoppy Boy IPA and Deschutes’ Chainbreaker White IPA (\$5 a bottle). Al Lado’s wine menu also features Pacific Northwest labels, such as the 2009 Penner-Ash Willamette Valley Pinot Noir from Oregon (\$94 a 750-ml. bottle) and the 2011 Infinite Monkey Theorem Syrah from Colorado (\$66). “It’s very impactful to have local brews on tap in Denver, as well as in Washington, D.C.,” Lombard notes.



At Maya in New York City, cocktails like the Margarita Maya (left) are top-sellers. The venue's interior (right) was recently renovated to have a more casual feel while remaining upscale.

## RICHARD SANDOVAL RESTAURANTS AT A GLANCE

<b>Founded</b>	1997 in New York City with the opening of Maya, Sandoval's flagship restaurant
<b>Key Executives</b>	Richard Sandoval, founder, chef and CEO; Dustin Lombard, COO and chief financial officer; Greg Howe, corporate chef
<b>Headquarters</b>	New York City
<b>Number of Units</b>	35 around the world; 18 of them are company owned and operated, and the remainder are managed through licensing agreements and partnerships.
<b>Annual Revenues</b>	More than \$150 million in 2012 for all concepts, including the company-owned venues and licensed restaurants and partnerships; \$70 million just for company-owned venues.
<b>Sales Breakdown</b>	Roughly 55-percent food to 45-percent beverage alcohol. Some individual venues skew as high as 60-percent beverage alcohol to 40-percent food. In general, 80 percent of beverage alcohol sales come from spirits and cocktails, with beer and wine each comprising 10 percent of sales, though some of the Latin-Asian fusion units do closer to 60-percent spirits and cocktails, 30-percent wine and 10-percent beer.
<b>Website</b>	Richardsandoval.com
<b>Future Plans</b>	The company is scheduled to open several new units in 2013, including the Serbian restaurant Ambar in Washington, D.C., and outposts of El Centro D.F. and Toro Toro in the nation's capital.

Masa 14 in Washington, D.C., lists myriad craft brews on its menu, including the milk stout from North Carolina's The Duck-Rabbit Craft Brewery to the Oberon ale from Michigan's Bell's Brewery (\$7 to \$8 on draft). The Latin-Asian restaurant also pours a varied selection of sakes and wines (\$8 to \$18 a glass; \$16 to \$275 a bottle).

### Getting Focused

In the wake of such rapid growth from 2008 to 2012, the management at Richard Sandoval Restaurants is looking to refocus its efforts on quality and consistency this year. "Our sales growth has been tremendous," Lombard says. "Now, we're going back and filtering through the regions where we have restaurants to create more structure."

The company has a handful of openings planned for this year—Ambar opened in Washington, D.C., in January, and a second El Centro D.F., as well as a Toro Toro, will debut in the nation's capital this spring, along with a Zengo in Dubai. Moving forward, Lombard says the goal is to focus on more license agreements and partnerships. As always, high-quality food and drinks remain paramount, as does maintaining an upscale image to further elevate the perception of Mexico and Latin America.

"Our business model as we've moved forward has stayed food-driven and hospitality- and service-driven," Lombard says. Howe adds that the company's mission to change the perception of Mexican food is ongoing. "By definition, a lot of Richard Sandoval Restaurants concepts are upscale, whether or not the venue has white tablecloths," he says. "We certainly have a unique perspective on cuisine. It's important for us to be constantly innovating."

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PHOTOS BY NOAH FECKS