

## Retailing Today: Shake Shack takes on the world

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By **Jesse Serwer**

Shake Shack was supposed to be only a seasonal amenity for New York City's Madison Square Park when it opened in the summer of 2004. But that burger, hot-dog and ice-cream stand grew wildly popular — so popular that, in 2007, parent Union Square Hospitality Group decided to turn it into a year-round concern. The queues had grown so famously long that the company mounted a Web cam so that anyone pondering a visit could catch an online glimpse of the wait that awaited.

Now the concept has expanded to five restaurants in New York City and will go further. The company opened shops last year in Miami and in Saratoga Springs, N.Y., and still others are slated for this year in the District of Columbia and in Westport, Conn., as well as in Kuwait and Dubai, plus two more in New York City.

Maybe all these openings will help relieve some of that long-lines problem. In any case, this urbanized version of the classic hamburger roadhouse, as some describe it, seems readily adaptable to sites considerably larger than its initial outdoors format. The ideal spaces would measure about 3,500 square feet and offer outdoor seating, and the neighboring vendors could derive from a diverse range of possibilities, says CEO David Swinghamer.

"We've grown our business in Manhattan, and there's every kind of neighbor imaginable next to you," Swinghamer said. "In the theater district, we've inserted a Shack inside the Intercontinental Hotel, which is a very modern, brand-new, glass hotel building right in the middle of some of the leftover seediness of Eighth Avenue."

Indeed, the chain seems to thrive on diversity of environment. "We feel comfortable adapting it to whatever is surrounding it," said Swinghamer. "Each location is different. We don't think we should have one type of design."

The Dubai and Kuwait restaurants will operate inside malls. The Westport unit, just off Interstate 95, is the chain's first suburban, stand-alone restaurant. Its concession stands at the Citi Field baseball park, in Flushing, N.Y., and the Saratoga Race Track, in Saratoga Springs, N.Y., have become attractions in their own right — complete with lines that rival those of the Madison Square Park unit.

The single unifying feature seems to be that diners are encouraged to linger. "We want people to gather and hang out," Swinghamer said. "That is something you don't see in quick-service restaurants. Usually, the idea is get everybody in and out as quickly as possible."

Unlike the typical quick-service burger chain, Shake Shack serves alcohol: It has its own house wines as well as Shackmeister Ale, made exclusively for the chain by Brooklyn Brewery.

Ample outdoor seating is a preferred feature, but not a must. "We did not envision being in malls, but in the Middle East, malls have atriums, and it is like their park," Swinghamer said. "They will drive to that property and spend their whole day there, walking around." In the U.S. Shake Shack does not anticipate any openings inside malls.

"We feel very comfortable being right in the middle of the most densely populated area, because, obviously, we're in Manhattan doing that," Swinghamer said. "But we're also very confident Shake Shack can do well in the suburbs."

The chain, which cites the Angus beef Shack Burger as its No. 1 seller, joins a crowded field of premium hamburger chains currently expanding in the U.S., including Five Guys and Smashburger. But Union Square Hospitality — and Shake Shack — founder Danny Meyer is one of New York City's best-known restaurateurs, famous for such fine-dining establishments as Eleven Madison Park, Union Square Cafe and the Michelin Guide-rated Modern.

This fine-dining pedigree gives Shake Shack an edge, says Arlene Spiegel, who heads her own restaurant and hospitality consulting firm in New York City. "[With] a well-seasoned, celebrity chef slinging burgers, the public is able to enjoy their cuisine in a more affordable venue," Spiegel said. "Whether it's shakes, the flavor profile of the burgers, the communal experience, or the price point, Shake Shack's culture of transparency and hospitality will be a differentiator."

The company will focus near-term growth on the East Coast, says Swinghamer. "Over the years that will change, and we will be growing in other areas of the country, hopefully," he said.

That is probably a good plan, says Spiegel. "The most natural expansion for Shake Shack is to stay close to home and the original unit," she said. "Outside of the Greater New York area, the brand will not have the same recognition."

But the franchisee operating the Shake Shack units in the Middle East has plans to open more of them in that region, Swinghamer says, though the company has no franchise plans now for the U.S.

For the time being, careful growth seems to be the company's watchword. "We'd rather err more on the side of making sure that, as we grow, every Shake Shack we open keeps getting better," Swinghamer said. "The world probably doesn't need another burger place. However, we believe it has plenty of room for more Shake Shacks."



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