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Ivar's down-to-earth CEO Bob Donegan can often be found helping out behind the counter at one of the company's many food booths.



REMAINING CLAM »

Ivar's CEO **BOB DONEGAN** finds inspiration from the quirky spirit of founder Ivar Haglund as he modernizes a local classic.

By Todd Matthews
Photos by Christopher Cumming

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LAM CHOWDER FOR BREAKFAST, ANYONE?

Seafood might not tempt your palate at 9 a.m., but it probably suited the man who created this particular recipe: Ivar Haglund, the late, droopy-eyed and whiskered Seattle icon and seafood restaurateur who urged locals to “Keep Clam.”

This Monday morning, chowder was certainly on the menu at the company’s Mukilteo production plant. A group of executives gathered to taste the lat-

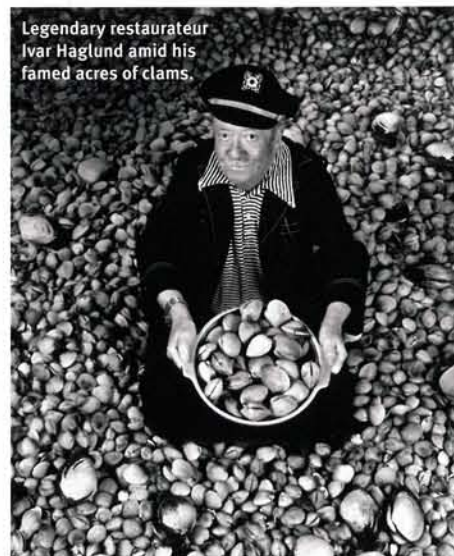
est all-natural version of its signature product. Yes, even the venerable Ivar’s is making small concessions to the new, healthier approach to eating.

“The challenge here is trying to improve a recipe that’s 70 years old,” explains Harry Roberts, general manager of the company’s chowder, soups and sauces, as he dips a plastic spoon into a small paper cup of classic white chowder. As executives scoop, slurp and offer their critiques, Ivar’s president and CEO Bob Donegan quietly looks on.

Donegan has a nerdy, boyish appearance—wire-rimmed glasses, tousled brown hair and a high voice that bursts with enthusiasm. He is probably the most unassuming chief executive you will ever meet. Laid back and approachable, Donegan, who lives in Richmond Beach with his wife, Lisa, and two teenage daughters, can often be found working behind a register or in a kitchen at one of the Ivar’s seafood bars at Safeco Field or Qwest Field.

It’s hard for Donegan to introduce an employee (whether a department director or restaurant cashier) without reciting some encyclopedic nugget of information about that person: tenure with the company, family members or outside interests.

After the Monday-morning chowder meeting, Donegan climbs into his old Volvo and heads south on I-5, toward the company’s corporate headquarters on Pier 54 in downtown Seattle. En route, Donegan is asked how he can expand and improve a company like Ivar’s, where Haglund’s eccentric aura still hovers over the operation and continues to represent the company so completely. “In some ways, it’s bad because the impression that lots of people have is that Ivar’s is about greasy fried food, which is what they knew growing up,” explains Donegan. “The good thing is that everybody who grew up locally knows the company. Ivar did such



Legendary restaurateur Ivar Haglund amid his famed acres of clams.

quirky stuff that anyone who has been here a while has seen the dancing clams, heard about his capers, stunts and antics. There’s great community goodwill for us because of that.”

THE HAGLUND HERITAGE

IF YOU THINK Haglund’s “cult of clam” is dead, you’re wrong.

It’s hard to tell Seattle’s story without mentioning Haglund, the native West Seattle resident, born to Swedish/Norwegian parents. He began to make his mark at the age of 33 when he opened the city’s first aquarium at Pier 54 in 1938. Hungry visitors gave Haglund the idea of opening a fish-and-chips stand next door.

The move launched Haglund’s seafood empire, generating a marketing blitz that was as much about selling seafood as it was about coating the city in a batter of Haglund’s unique personality—and bad puns. Besides the dancing clams frolicking on West Seattle beaches, there were salmon relays, octopus wrestling matches and a proposal in 1960 to create a postage stamp to honor the clam, proceeds of which would go toward a “guided mussel” program. And, of course, there was Haglund himself, who was known as the company’s “flounder.”

Dave Fechter, director of operations for Ivar’s seafood bars, has been with the company for 27 years and worked with Ivar for five years before Haglund passed away. “When we had manager meetings, Ivar would come walking up the stairs and saunter in,” Fechter recalls. “Of course, that was the end of our meeting. He would take over and tell fish stories for the next hour, which we enjoyed, but we never got anything done.”

MANAGEMENT SHAKEUP

WHEN Haglund died in January 1985, at the age of 80, he had no heirs.

In a nod toward both sides of the Husky-Cougar rivalry, he willed half of his estate to the University of Washington Business School (from which Haglund graduated in 1933), and the other half to the Hotel and Restaurant Management School at Washington State University. A provision of the will allowed the company’s five then-senior lieutenants to buy the business from the universities, which the group accomplished by year’s end. Eventually, three investors sold their assets and two new investors bought in. Today, the company is owned by two of the original investors, Frank Madigan and Jim Seaver. They have been joined by attorney Mark Demaray and Donegan, who arrived at Ivar’s through a very circuitous route.

Born in Pennsylvania, Donegan was raised in Milwaukee and graduated from the University of Wisconsin. He attended graduate school at Yale and moved to Seattle in 1984 with his wife. For nine years, he worked as a consultant to startup businesses, helping them with fundraising, hiring and developing business plans. In 1993, he joined Zev Siegl, Gordon Bowker and Jerry Baldwin—all original founders of Starbucks—to help



Donegan is known for continuing Ivar Haglund’s unique management style, including sponsoring the company’s annual “Fourth of Jul-Ivar’s” fireworks show.

start Quartermaine Coffee Roasters in Washington, D.C. Donegan relocated there with his family, where they lived until 1997. When Quartermaine merged with Berkeley, Calif.-based Peet’s Coffee, the Donegan clan returned to Seattle. In 1997, Donegan, familiar with the company’s Seattle history and intrigued by its quirky corporate culture, joined Ivar’s as the new CFO. One year later, he invested money into the business and became one of the four owners.

THE NEW IVAR’S

TRYING TO shake the image of Ivar’s being a fish-and-chip stand and to expand the company’s brand, Donegan and his partners repositioned the company in two key areas: chowder production and operations at sports venues. After decades of fielding requests from restaurants and grocery stores that wanted to sell Ivar’s clam chowder, the company opened a chowder plant in the South Lake Union area in the late-1970s. Subsequent development of this neighborhood in the 1990s put pressure on the company to consider relocating.

As fate would have it, says Donegan, the Ivar’s Mukilteo Landing

restaurant was destroyed in a storm in 2003, and the city of Mukilteo went out of its way to expedite permitting and facilitate reopening. That positive experience, coupled with the high cost of land on the Seattle waterfront, factored into the company’s decision to build a 16,000-square-foot, \$3.5 million chowder facility in 2005.

The Mukilteo plant now produces soups and sauces for sale in stores (Costco, Albertson’s, Safeway, Sam’s Club and QFC), corporate cafeterias (Microsoft and Boeing) and the Washington State Ferries. This year, chowder sales are expected to generate \$8 million in revenue, and produce enough of the famed soup to fill 14 Boeing 777 airplanes.

Its most aggressive and visible inroad, though, has been in local sports stadiums. Ivar’s and Kidd Valley (the hamburger franchise purchased by Ivar’s in 1989) occupy six stalls at Safeco Field, five at Husky Stadium, one at Everett Events Center and eight at Qwest Field. This year, those operations are expected to bring in \$7 million in revenue.

“We look at that as a marketing opportunity for people to sample our food in the stadiums and then find the similar places locally,” Donegan says. “Our market research indicates about 40 percent of the

“If you asked lots of companies what’s the most important thing they have, many will tell you [it’s] their customers. That’s not the case for us. The most important thing we have is our employees. We make it easy for our employees not to leave.”

Puget Sound area's current residents moved here during the last three years. They don't know the goofy old Ivar's stories; they don't know who we are. That's why we're in stadiums. When they go to see the Seahawks, it's likely they'll discover one of our booths and have grilled salmon or fish and chips and say, "This is surprisingly good. Let's find one in our neighborhood."

Among 68 food booths at Safeco Field, Ivar's and Kidd Valley rank in the top five in sales volume. It's a similar story at Qwest Field, where the company's six booths top a list of 47 vendors in volume.

The firm's three full-service restaurants—Acres of Clams on the Seattle waterfront, the Salmon House on Lake Union and Ivar's Mukilteo Landing—should generate a combined \$20 million in revenue this year. Also, 26 seafood bars throughout the Puget Sound region are expected to rake in \$22 million, while 10 free-standing Kidd Valley restaurants should make about \$7 million.

All told, the company is expected to post revenues of nearly \$60 million in 2007.

QUIRKY GROWTH PLAN

TRUE TO Haglund's spirit, though, Ivar's has grown at a pace and in a style that other big businesses might consider, well, counterproductive, to say the least.

For instance, it doesn't offer franchise licenses for its restaurants—a policy that has kept it out of many shopping malls, movie theaters and other retail spaces (although it does maintain a presence in 13 food courts around the region). For Donegan, the issue is quality control.

"We don't believe we can maintain quality if someone other than our

A master marketer and showman, Ivar Haglund became the king of the waterfront in the 1940s for his ability to draw customers to his restaurant.



employees is doing the work," he says, during a break between meetings in his cramped and cluttered office at Pier 54. "We would rather have long-time, committed people working for us who we know and we can trust."

Nor does Ivar's set aggressive quarterly benchmarks for opening new stores, a model that seems to define companies like Starbucks. When asked about the number of new locations that he's planning to open in the near future, Donegan is uncertain: Maybe one this year, two next year? A business model exists somewhere that calls for four new stores per year, after 2008, but Donegan isn't too concerned. "If we grow smaller, that's OK, because there are four people we have to satisfy, plus the bank. We're different. That's OK."

The company also tries to avoid passing the rising cost of fish on to its customers. This stance is risky in a business where the price of

cod, the staple ingredient in its fish and chips, fluctuates dramatically (the company typically purchases 1 million pounds of cod annually). Though the cost of cod has fluctuated between \$2 and \$2.50 per pound during the past six years, increased demand and a weak U.S. dollar has pushed the price of cod close to \$5 per pound today. That said, between 1998 and today, per-order prices for Ivar's fish have gone up only about 40 cents.

"It's a recipe for disaster," Donegan admits. "But since we're a little private company, we can afford to take decreased profits or increased losses when cod prices are out of line."

One strategy the company is using to get out from under unpredictable cod prices is to introduce healthier menu items like salads and entrees that can be grilled, such as sole, salmon and halibut. All of the company's seafood bars have been retrofitted with grills. According to Donegan, it's a move that has improved the company's image, especially in hyper-health-conscious Seattle.

GIVING BACK

STILL, THE BIGGEST corporate quirks at Ivar's are its charitable giving and employee compensation programs.

Last year, the company donated more than half of its pre-tax income to charities, largely through a handful of golf tournaments: one in July to benefit the Seattle Chapter of the Boy Scouts of America (where Donegan is a board member); the Boeing Greater Seattle Classic in August (Ivar's supplies and manages the food, with all proceeds donated to the Heart Institute at Virginia Mason); and a company tournament in the fall that benefits the Scott Kingdon Guild at Children's Hospital (Kingdon, who died of a heart attack on Sept. 11, 2001, was one of the five original owners who bought back Ivar's).

Company directors are also encouraged to take off one day per week, fully paid, during the winter season to volunteer for local nonprofits. One director builds cabinets and tackles maintenance issues for an organization that helps single mothers; another director, who lives on Bainbridge Island, volunteers at Kitsap Counseling Service.

The biggest community outreach comes in the annual "Fourth of Jul-Ivar's" fireworks show on the Seattle waterfront. Sure, it's a huge form of advertising, but the event has been entirely bankrolled by Ivar's since 1965, when Haglund took the cost of the show over from the City of Seattle, which could no longer afford to host the holiday festivities.

In an industry where turnover is typically 200 percent per year or more, Ivar's is beating the odds.

At the Salmon House on Lake Union, for example, there are more employees who have worked there for at least 20 years than there are employees who have worked there a year or less.

At Ivar's, perks for employees are unusually generous for the restaurant business. Employees receive full medical and dental benefits for themselves and their families for a minor monthly charge. Kitchen staff and servers receive a livable income well above minimum wage. And everyone has the opportunity to buy into a 50-percent matching 401(k) plan.

"Ivar established some rules that we still live by—namely, people matter a lot," Donegan says. "If you asked lots of companies what's the most important thing they have, many will tell you [it's] their customers. That's not the case for us. The most important thing we have is our employees. We make it easy for our employees not to leave." **SB**