



What Price Growth?

To one founder of the iconic Zingerman's Deli, opening a satellite store in the Detroit airport is a no-brainer. To the other, it's a threat to their business model. They've been debating this for decades.

BY BO BURLINGHAM

More than a quarter-century ago Zingerman's Delicatessen in Ann Arbor, Mich. was in the process of winning a cultlike following that had customers from all over the country lining up to order its sandwiches. People had also begun trying to persuade founders Paul Saginaw and Ari Weinzwieg to open delis in other college towns. Instead, Saginaw and Weinzwieg drew up a remarkable growth plan that has guided them ever since. At least until recently, when an opportunity arose that has challenged their vision.

At the core of the vision was a plan to build other food-related companies in the Ann Arbor area, creating what would be known as Zingerman's Community of Businesses. That community, which has annual revenue of \$57.9 million and a pretax profit margin of 3%, now includes a bakery, a creamery, a coffee company, a restaurant, a candy manufacturer, a mail-order company, a caterer, a working farm and a training

company. The deli, meanwhile, has more fans than ever. Celebrity chef and restaurateur Mario Batali has called it "a national treasure" and the center of his "gastro-deli universe." President Obama went out of his way to visit the deli on a trip to Ann Arbor in 2014—first, he said, because "the Reuben is killer" but also because of Zingerman's employee-friendly culture. Indeed, among those who know the company, it is almost as renowned for its business structure and management practices as for its food.

Its popularity is the main reason Detroit Metropolitan Airport has long been eager to have a Zingerman's. Today there is one—sort of. It takes the form of a concession in the McNamara Terminal, labeled "Plum Market featuring Zingerman's." Inside, you can find, among other things, Zingerman's coffee, chocolate bars, pastries and cheese and a case of sandwiches made with Zingerman's bread. You may even think it's a Zingerman's store—many people do—and that confusion hasn't hurt sales. Expected to do

Local heroes: Ari Weinzwieg (left) and Paul Saginaw have passed up opportunities to re-create their deli around the world.

BRANDON SCHULMAN FOR FORBES

\$4 million to \$5 million in sales a year, the airport Plum Market has done more than twice that.

Given Plum's success, you might ask why Zingerman's doesn't have its own store at Detroit Metro. It's the kind of question Saginaw has been asking for decades. The answer, at least in part, is his cofounder, Weinzwieg.

Their 35-year partnership is a noteworthy achievement considering their contrasting personalities, passions and priorities. It was Saginaw, for example, who approached Weinzwieg in 1992 and insisted they decide whether to take the deli national. "We might be stupid not to do it," he said.

Weinzwieg didn't disagree but wanted no part of it. "I didn't want to spend my time flying to Kansas City to see some mediocre Zingerman's," he says. "For me it was important to be part of something great and unique." For two years they worked on an alternative plan, ultimately producing a document called "Zingerman's 2009: A Food Odyssey" that detailed their vision of a community of food-related businesses, all in or near Ann Arbor.

The opportunity to open a Zingerman's at the airport challenged that vision. The offer came in 1999 from Compass Group, a food-service company that owned the right to develop retail space at the newly renovated and expanded McNamara Terminal. Saginaw was eager to accept. Weinzwieg and others had questions: Could Compass—the operator of the store and thus the actual employer—create a Zingerman's work environment? How would employees at the airport interact with those in Ann Arbor? And what about the principle of staying local?

"Paul and I spent hours with the managing partners," Weinzwieg says, "and we had open meetings with the staff to discuss whether we could do in that setting what we were doing in Ann Arbor. ... It was a matter of intense discussion and lots of disagreement before we decided to go forward with the plan." But the opportunity fell through in September 2001, when Compass abandoned the project.

The issue remained moot for more than ten

years. Then, in 2014, another airport concessionaire, Hojeij Branded Foods, approached Zingerman's. By then a number of the businesses were selling the products wholesale, enough to account for 20% of the company's revenue. Additional sales at the airport represented a huge opportunity to grow.

Again, Saginaw was eager to do a deal. Weinzwieg, however, was more opposed than ever. "I don't want to spend more time than I have to at the airport," he says. But there was an alternative. The company was already selling products wholesale to the Plum Market chain, based in Bloomfield Hills. Saginaw urged Hojeij to let Plum have the space and feature Zingerman's products. Hojeij, he suggested, could also set up a "grab-and-go" case stocked with sandwiches made with ingredients from the deli.

In the year or so since, airport sales of Zingerman's prod-

ucts have exceeded expectations, although the grab-and-go case (called Detroit Street Lunchbox) has garnered some negative Yelp reviews because the sandwiches aren't as fresh as those in the deli. "We're working on it," Saginaw says. "No one thought we'd sell so much food there."

And now there's an opportunity to open a Zingerman's-branded cafe in a prime airport location. To Saginaw it's a no-brainer. "Do you know how many customers you have to go out and find to get \$10 million in sales? Which I think we could easily do. And it would give us money to do a lot of other things—quickly raise our entry-level wage to \$15 an hour, donate more money to the nonprofit sector." He also sees it as a chance to prove that the Zingerman's way of business can work outside Ann Arbor—a thesis he's testing by investing his own money in food ventures in Detroit and Las Vegas.

But he has not been able to achieve consensus. Weinzwieg, who doubts it's possible to create a great and unique airport store, remains opposed, as do a few other partners. If consensus proves unattainable, Saginaw says, "I'm going to let this pass because the partnership and the friendship are more important." ❖



Is it possible to sell food that is "great and unique" in an airport?



MARGIN PROPHECY

WHAT CLAYTON CHRISTENSEN GOT WRONG

KNOWN FOR HIS 1997 BOOK, *THE INNOVATOR'S DILEMMA*, THE HARVARD BUSINESS SCHOOL PROF HAS A NEW TOME, *COMPETING AGAINST LUCK*—AND SOME UPDATED THOUGHTS ON INNOVATION.



You say entrepreneurs should focus more on context and specific jobs to be done. Explain.

Go to McDonald's at 11 a.m.: The people at the back tables are sales or service people who don't have offices. If an automaker were to design a car that could function as an office, a few million people a year would buy it.

What's an example of someone focusing on a specific job to be done?

Minute Clinic, now owned by CVS. The youngest child of one of the founders had an earache on a Friday. She called the pediatrician for a prescription, but the doctor said he had to see the child—could she come in on Saturday? The job to be done is to get a prescription for a sick child without spending half the day doing it.

Does this theory conflict with your disruptive-innovation theory?

My disruption theory is a theory of competitive response. It lets me predict whether a company will go after you or not. What the jobs-to-be-done theory adds is it helps me predict whether a company will succeed.

—Susan Adams

FINAL THOUGHT

❖ *"I cannot and will not cut my conscience to fit this year's fashions."* —LILLIAN HELLMAN