Master of Business Administration students Anne Rosenberg and Morgan Zehner prepared this case under the guidance of the CHANCE Neighborhood Business Fellows program at the Carlson School of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
A Note for Readers
The four cases in this booklet were written and developed solely by MBA students at the University of Minnesota’s Carlson School of Management, through the CHANCE Neighborhood Business Fellows program. This program was developed to strengthen the relationship between business students at the Carlson School and local business owners, many of whom are immigrants. Mentoring and assistance were provided by University faculty and staff.

Funding for this collaborative program was provided by a seed grant from the University’s Office for Public Engagement. It was administered through CHANCE and implemented and directed by students in the Carlson chapter of Net Impact.

Net Impact was originally founded as Students for Responsible Business in 1993. Today, this international mission-driven network of over 5,000 leaders helps members broaden their business education, refine their leadership skills, and pursue meaningful professional goals. To strengthen this leadership network locally, the University of Minnesota Carlson School chapter has created ties among MBA students, faculty, mentors, and business leaders in our community. For more information, please visit http://www.csom.umn.edu/Page4968.aspx.

CHANCE (Cedar-Humphrey Action for Neighborhood Collaborative Engagement) is a student-led initiative to strengthen the relationship between the University of Minnesota West Bank campus (which includes the Carlson School of Management and the Humphrey Institute for Public Affairs) and the Cedar-Riverside neighborhood. This relationship is reliant on partnerships within the communities and organizations of the Cedar-Riverside neighborhood and the University of Minnesota. For more information, please visit the CHANCE website at http://www.hhh.umn.edu/projects/chance. The CHANCE program is a distinctive example of integrative leadership housed within the University’s Center for Integrative Leadership.

The Center for Integrative Leadership (CIL) supports multidisciplinary leadership research, formal classroom instruction, public education, and leadership development within the University and the community. The center is unique—the only one in the world dedicated to the study, teaching, and deployment of integrative leadership. The Neighborhood Business Fellows program is just one of many examples of integrative leadership supported by CIL within the University of Minnesota.

The profiled businesses are located in a neighborhood that is going through a re-branding initiative, and may be referred to throughout these cases as the “University West Bank,” “Cedar-Riverside,” or simply “West Bank” neighborhood.

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Special thanks to the following University of Minnesota Faculty and Staff:

**Merrie Benasutti**  
**CHANCE Coordinator of Community Partnerships**  
Merrie Benasutti has been working in the Center for Integrative Leadership as CHANCE Program Director for one year, and was responsible for the administration of this grant program. Merrie has over ten years experience working within the Cedar Riverside community and is currently serving on the Boards of the Cedar Riverside Community School, Family Opportunities for Living Collaborative (FOLC) and the Somali American Education Program. Last academic year, under Merrie’s direction, CHANCE received an Outstanding Partner in Engagement Award as part of the University of Minnesota’s Public Engagement Day.

**Anna Lloyd**  
**Executive Director of the Center for Integrative Leadership (CIL)**  
Anna Lloyd facilitates and manages all of CIL’s activities and supports the efforts of the center’s academic steering committee members from throughout the University of Minnesota. In collaboration with university leadership, Anna designs and directs the Center’s external advisory board and seeks opportunities to further research, training, and the practice of integrative leadership. The oversight of this University-wide initiative is shared by the Carlson School of Management and the Hubert H. Humphrey Institute of Public Affairs.

**Harry Sapienza**  
**Curtis L. Carlson Chair in Entrepreneurial Studies**  
In his current position, Harry Sapienza researches strategic decision-making, venture capital, and international entrepreneurship. In addition, Harry is an academic advisor for the Carlson Ventures Enterprise and is the former academic director of the Gary S. Holmes Center for Entrepreneurship. His career covers more than a decade of research on inter-organizational relationships, venture capital, technology-based start-ups, strategic decision making, international entrepreneurship, and the creation of value in entrepreneurial ventures. He has published extensively in academic journals, and his work on venture capital has appeared for the last ten years in the well-known practitioner resource, *Pratt’s Guide to Venture Capital Sources*.

**Seth Werner**  
**Lecturer, Marketing and Logistics Management**  
Throughout the Neighborhood Business Fellows program, Seth Werner shared his expertise to guide the data collection process and offer advice to the student Fellows. In addition to providing this support, he also had numerous insights to offer regarding cross-cultural work and structuring the written cases. Seth has stepped up to become the necessary faculty linkage for the program, something that is critical to its stability and future success. Seth also has experience in cross-cultural teaching, having led several study abroad programs for both undergraduate and graduate students.
FOUR CASES ON WEST BANK NEIGHBORHOOD BUSINESSES

Prepared by the Neighborhood Business Fellows

Written for Classroom Discussion

DECEMBER 2008

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The Red Sea

The Red Sea is a prominent restaurant and nightlife establishment located on Cedar Avenue in the West Bank Commercial District, directly adjacent to the Carlson School of Management at the University of Minnesota, Twin Cities campus. It is named after the body of water which stretches along the shoreline of the East African nation of Eritrea. For over 17 years, The Red Sea has provided traditional Ethiopian and Eritrean cuisine for lunch and dinner patrons, as well as served as a live venue for promising young musical acts in the Twin Cities Metropolitan region.

Even though the business is financially successful, the ownership group led by Russom Solomon is seeking ways to better take advantage of the business’s best untapped asset.

*The greatest strength of The Red Sea is its proximity to some of the Minneapolis Region’s most important institutions. The University of Minnesota, Augsburg College and Fairview Medical Center are all located less than half a mile from our restaurant. Sadly, we do not feel that we receive enough business from the students, facility and visitors at these major employers.*

Russom Solomon

History of The Red Sea

The Red Sea is the self-acclaimed “First Ethiopian Restaurant in the Twin Cities.” The establishment opened in 1991, has always been located on the West Bank, and has never changed its basic food or service offerings. The West Bank made an ideal home for the region’s first Ethiopian restaurant due to its long-time reputation as a culturally progressive neighborhood. This is due to its proximity to the University of Minnesota and other cultural institutions including the Cedar Cultural Center, a performance venue, and the North Country Co-op, one of the first co-operative grocery stores in the United States. In the 1980s, the area began to serve as a gateway for immigrants arriving in the Twin Cities, including a large number of Ethiopians and Eritreans displaced by the Eritrean struggle for independence. It is from the West Bank’s growing East African community that The Red Sea was born.

Mr. Solomon and his business partner, Yohannes Zemedhin, are the second owners of the Red Sea, having purchased the business in 2002 from a businessman also of Eritrean descent. Mr. Solomon and his partner were already small business owners before deciding to purchase The Red Sea. Both previously worked in the taxi cab industry. Mr. Solomon owned taxis cabs and licenses, leasing them out to individual cab drivers. Mr. Zemedhin owned and operated an auto mechanic shop located on University Avenue in St. Paul that specifically serviced taxi cabs. Mr. Solomon and his partner considered acquiring other businesses before deciding to purchase The Red Sea. Nevertheless, due to The Red Sea’s physical location at the heart of the African immigrant gateway to the Twin Cities, proximity to the University of Minnesota, and
track record of financial success, Mr. Solomon and his partner decided to acquire the business.

Both Mr. Solomon and his business partner work exclusively at The Red Sea. Mr. Solomon handles more of the generic business duties with regards to licensing, accounting, staffing and community relations while Mr. Zemedhin is more familiar with the necessities of the bar industry. Even though Mr. Solomon and Mr. Zemedhin are both of East African decent and personally knew the previous owner of The Red Sea, the buying of the business was not a personal transaction and the sale took place with the assistance of a broker. At a later date, Mr. Solomon and Mr. Zemedhin were able to purchase the building that The Red Sea is located in from different people. The Red Sea is one of very few fortunate small businesses that possess the security and equity building ability provided by owning its commercial property.

**Mr. Solomon’s Personal Life and Background**

Russom Solomon was born in Eritrea but moved with his family when he was 15 years old due to the hardship of Civil War. He attended high school in Kenya and received his undergraduate university education in The Philippines. In 1991, interestingly the same year that The Red Sea opened, Mr. Solomon moved to Minneapolis to pursue a second major in engineering from the University of Minnesota. His parents were already living in the Twin Cities.

Even though Mr. Solomon has graduate training in engineering, it was never his long term goal work at a large engineering firm. He knew from a very young age that he wanted to work for himself. He used the taxi cab business to launch his entrepreneurial career. In addition to taxi cab leasing, he also dabbled in stock market day trading. Even though Mr. Solomon believes that he has lost over $10,000 from various business ventures, he is committed to continually seeking entrepreneurial opportunities. He imagines that the Red Sea will not be the final small businesses he will own in his professional career.

Mr. Solomon lives in the Minneapolis suburb of Eagan with his wife and two sons. His wife works full time as a dental assistant. Mr. Solomon values the freedom that being a small business owner affords him as he is able to spend more time with his young sons. During the weekdays, Mr. Solomon is the primary caretaker for his children, which includes taking his children to and from their respective schools and extracurricular programs.

**Basic Business Operations**

The Red Sea’s operations encompass three commercial buildings on the 300 block of Cedar Avenue South (Exhibit 1). The restaurant, located at 320 Cedar Avenue, opens every day at 11 a.m. to serve lunch (Exhibits 3 & 4). The Red Sea has one set menu for the entire day, regardless if a patron is eating lunch or dinner (Exhibit 2). To compliment the East African cuisine, American standards, such as hamburgers, and children’s favorites are also offered. The kitchen remains open until 1 a.m. as late night nibblers continue to roll through the restaurant. The restaurant averages about 45 customers per day and the average customer spends approximately $10. Lunch, as described by Mr. Solomon, is the major weakness of the restaurant’s business.
At 4:30 p.m., the bar door at 316 Cedar Avenue opens for business (Exhibit 5). The Red Sea offers an excellent Happy Hour special from 4:30 p.m. to 9 p.m. All imported and domestic beers, as well as cocktails from under the top shelf, are $2.50 each. Besides the inexpensive drink prices, The Red Sea offers billiards and games for patrons to play, and food can be ordered from the restaurant (Exhibit 6).

Roughly every Tuesday, Thursday, Friday and Saturday night, live music or DJs play in the nightclub (Exhibit 7). The nightclub bookings have been organized by Eric Bare of ESound Management since before Mr. Solomon and his partner purchased The Red Sea. Eric lives in an apartment above the club and was formerly a manager for The Commodores, a band made famous because of its early inclusion of the singer Lionel Richie. The individual bands that perform at The Red Sea largely promote themselves. The Red Sea places a weekly advertisement with its calendar in the free weekly *The City Pages*. The calendar on The Red Sea’s website links directly to the site of ESound Management. All door proceeds go to the performers, and The Red Sea’s only revenue source from entertainment events is alcohol sales.

**Red Sea Financial Information**

**Red Sea Sales**

Annual Sales: $250,000  
Monthly Sales: $20,000  
Weekly Sales: $5,000

Since The Red Sea is the owner of its commercial property, Mr. Solomon and his partner also benefit from income generated by leasing space at the property. They have set up a separate LLC for the commercial property; however, their ability to gain financial security though property ownership is an important part of their business.

**Monthly Revenue Generated by Property Ownership**

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Monthly Rental Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Red Sea</td>
<td>$5,000</td>
</tr>
<tr>
<td>Kilimanjaro Café</td>
<td>$3,300</td>
</tr>
<tr>
<td>4 Residential Studio Apartments</td>
<td>$2,200</td>
</tr>
<tr>
<td>2 Recording Studios</td>
<td>$1,000</td>
</tr>
<tr>
<td>1 Loft Apartment</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Total Rental Income</strong></td>
<td><strong>$13,500</strong></td>
</tr>
<tr>
<td><strong>Monthly Debt Service Payment</strong></td>
<td><strong>$9,000</strong></td>
</tr>
</tbody>
</table>
**Consumer Segments and Diversification**

The Red Sea serves four distinct segments that are aligned with its business operations: lunch, dinner, happy hour and live music/entertainment customers.

**Lunch** is made up primarily of repeat customers that have a positive appreciation for the food and service. Many of these customers do not live in the greater West Bank neighborhood but are instead travelling through the area during the course of their business day and do not have very much time to eat. Very few lunch time diners consume alcoholic beverages. The lunch price and menu are the same as dinner and parties typically consist of two or three people.

**Dinner** has a markedly different crowd. The West Bank area is home to a number of theatre venues; individuals coming to neighborhood for a show will stop in and have dinner at The Red Sea. Many of the dinner patrons are also of Ethiopian and Eritrean decent. Several of these African customers have a long term relationship with The Red Sea and have been coming for years; however the African population has spread out in the Twin Cities region and many now need to make a special trip to visit the restaurant. Customers are more relaxed and have more time to enjoy their meals and have a drink with dinner. The typical party size is slightly larger than the two or three at lunch. The most popular dishes at both lunch and dinner are the vegetarian combo, lamb and beef dishes and the Ethiopian bread, injera. Later in the evening, there is also a DJ in the dining room playing melodic, living room style African music. Customers linger for dinner and the space begins to function more like a lounge than a restaurant.

**Happy Hour** consists of mostly middle aged Eritrean, Ethiopian, Somali and sometimes West African men from the neighborhood. There is a core group of roughly thirty-five to forty patrons that come to The Red Sea to cool off after work. They play pool and billiards and take advantage of the $2.50 drink special. There are many televisions located in the bar that mainly show CNN news programming. Mr. Solomon feels they have not done a good job promoting happy hour. He believes that customers come to The Red Sea because they feel comfortable and are used to the place; it is their *Cheers*-like hangout. During the week there are approximately 20 to 30 customers at happy hour, with a few more on weekends. The happy hour crowd sometimes carries over to the restaurant and food is served in the bar area.

**Live Music** and entertainment of great stylistic variety are hosted by The Red Sea. The establishment serves as a venue for rock, heavy metal bands, ska musicians and DJ’s spinning world music tracks. The club, however, does best with hip hop and reggae. The most popular event is the reggae night on Saturdays. The Music crowd comes only to experience a particular act and occasionally the club will book two acts in one night. An Ethiopian themed night is hosted once a month.
Market Place
The West Bank Commercial District has a diversified offering of restaurant and nightlife establishments, some of which are more oriented toward the University community than others (Exhibit 8). Many of the businesses that have been successful at integrating University facility, students and staff into their business models are located along Riverside Avenue, east of Cedar. These businesses include a coffee shop, a restaurant which serves over 20 draft beers and Chinese buffet restaurants. To the north of The Red Sea there is a relatively new mixed use development called Seven Corners. The business tenets in this development include Chipotle and Noodles & Company, two fast food establishments that are popular with University students. Located near the Seven Corners development at the intersection of Cedar and Washington Avenues is a cluster of bar/restaurant establishments that are popular with university students and staff. All have large, bright spaces and one even brews its own beer.

There are two restaurants on Cedar Avenue that have been able to create a respectable lunch business. A Thai restaurant that is located next to the Cedar Cultural Center, that is also very popular at dinner, and a Chinese bakery that serves quick dishes for eat-in or carryout. The success of these businesses is evidence of their respective cuisine’s ability to integrate well with American eating habits. Thai cuisine is loved for its colorful presentation while Chinese is seen as a quick alternative for local business workers and students to making lunch or preparing a meal at home.

There is a small cluster of four to five African restaurants in the area which includes The Red Sea and its neighbor, Kilimanjaro Café. Many of the nightlife establishments in the business district are destination-oriented and The Red Sea has a specific niche as the only venue that caters predominantly to African, West African and urban music styles.

Current Business Challenges
Current issues facing the West Bank Business District are a perceived lack of safety and the fact that many university students and facility members will not cross Cedar Avenue to consume basic services. The West Bank Business Association is addressing this concern by implementing safety patrols on Tuesday and Fridays nights, one of which is led by Mr. Solomon, as well as working with the CHANCE community relations program at the University of Minnesota’s Humphrey Institute for Public Affairs.

For The Red Sea, offering quality and reasonably priced food, drinks and entertainment that appeals to a variety of customer groups has not sufficiently bridged what Mr. Solomon refers to as the “invisible wall” between the university and his business. Mr. Solomon hopes to both overcome perceived safety issues and identify strategies to more effectively capitalize on the advantages of The Red Sea’s adjacency to a large population of university students, employees and notable cultural institutions.
All of the buildings located on the west side of the 300 block of Cedar Avenue South are owned by The Red Sea Nightclub, Bar and Restaurant. From North to South (Right to Left in the Photograph) the first building is the entry for the bar and nightclub with the second building used primarily for nightclub activities. The smaller building is home to the restaurant operation and the furthest storefront to the south (left) is leased to another East African Restaurant, Kilimanjaro Café.
Exhibit 2 – The Red Sea Menu

**APPETIZERS & BREAKFAST**

1. **SAMBUSA WITH VEGGIE**
   - Patty shell filled with whole wheat, onions and jalapeno pepper...........$5.99

2. **SAMBUSA WITH MEAT**
   - Patty shell filled with ground beef, onions and jalapeno pepper...........$5.99

3. **BUFFALO WINGS**
   - Breaded with mixed cheese dusting...........................................$3.99

4. **CHICKEN STRIPS**
   - Breaded strips of chicken covered in BBQ sauce.........................$4.95

5. **FISH AND FRIES**
   - Cod filets served with tartar sauce...........................................$6.99

6. **FRENCH FRIES**
   - One full pound (1 lb) of French Fries........................................$3.95

7. **EGG ROLL**
   - Grounded eggs, tomatoes, onions and jalapenos served with rice or bread...........................................$5.99

8. **YESHAYA BRING**
   - Shredded beef and fufu cooked in red sauce.................................$10.99

9. **KITTAT FEDINA**
   - Crispy pan fried in seasoned butter and red pepper.....................$5.95

10. **RULE**
    - Pan-fried bananas topped with Ethiopian spices and served with bread...........................................$4.95

11. **KACHISO**
    - Crispy wheat balls in sauce with butter..................................$4.95

12. **SEMO OR MERMA**
    - Semolina with mixed vegetables, garlic, ginger mixed with yam...........................................$9.95

**HAMBURGER & SANDWICHES**

13. **HAMBURGER**
    - Grilled beef with Mayonnaise, lettuce, tomatoes, onion, mustard..........................$5.95

14. **BOBBI ROAST SANDWICH**
    - Beef roast, lettuce, tomatoes, onion, cheese, mayonnaise..................$6.95

15. **TURKESI SANDWICH**
    - Turkey, lettuce, tomatoes, onion, cheese, mayonnaise..................$5.95

16. **NEGEB SANDWICH**
    - A mixture of beef, chicken and egg, served with flat bread or french bread..$6.95

17. **FISH SANDWICH**
    - Fish fillet, lettuce, tomatoes, onion, cheese, mayonnaise..................$5.95

18. **CHICKEN SANDWICH**
    - Chicken filet, lettuce, tomatoes, onion, cheese, mayonnaise..................$5.95

19. **KIROF SANDWICH**
    - Vegetarian beet, noon, crispy pate and macro served with flat bread or french bread..........................$6.95

**ENTREE**

20. **SOBAN TIB** (Beef Rice)
    - Beef rice sautéed in spiced butter seasoned with onion, black pepper, green peppers & rosemary...........................................$15.99

21. **KURT SEGA**
    - Beef stew served with onions and spices..................................$11.99

22. **KORE**
    - Fried meat, very thin beef mixed with spicy butter and onions. Served with Macro bread sauce..........................$10.99

23. **KIROF KEFTI**
    - Grilled chicken breast served with vegetables............................$10.99

24. **DINU DINE**
    - Carefully cooked lentil soup, liver mixed with lentil red mixed lentil rice, chicken, garlic, jalapenos and Ethiopian butter..........................$9.95

25. **TIBEB**
    - Carefully cooked lentil soup mixed with carrots, onion, garlic, jalapenos and Ethiopian butter..........................$10.99

26. **DINOB SOROR**
    - Carefully cooked lentil soups mixed with lentil red mixed lentil rice, chicken, garlic, jalapenos and Ethiopian butter..........................$9.95

27. **WINCHEF BEY**
    - Fritter crisp chicken breast served with spicy sauce..........................$19.99

28. **DINE DINE**
    - Carefully cooked lentil soup, liver mixed with lentil red mixed lentil rice, chicken, garlic, jalapenos and Ethiopian butter..........................$9.95

29. **YEBES ALICH**
    - Lightly cooked chicken breast mixed with vegetables..........................$10.99

30. **YEBES ALICH**
    - Lightly cooked chicken breast mixed with vegetables..........................$10.99

31. **YEBES AIKH**
    - Lightly cooked chicken breast mixed with vegetables..........................$10.99

32. **SOAM BALE**
    - Salad served with mixed vegetables.........................$10.99

33. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

34. **YEBES BALE**
    - Salad served with mixed vegetables.........................$10.99

35. **YEBES AIKH**
    - Salad served with mixed vegetables.........................$10.99

36. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

37. **YEBES AIKH**
    - Salad served with mixed vegetables.........................$10.99

38. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

39. **YEBES AIKH**
    - Salad served with mixed vegetables.........................$10.99

40. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

41. **YEBES AIKH**
    - Salad served with mixed vegetables.........................$10.99

42. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

43. **YEBES AIKH**
    - Salad served with mixed vegetables.........................$10.99

44. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

45. **YEBES AIKH**
    - Salad served with mixed vegetables.........................$10.99

46. **YEBES SORO**
    - Salad served with mixed vegetables.........................$10.99

**KIDS**

20. **CHICKEN**
    - $3.95

21. **CHICKEN**
    - $3.95

22. **CHICKEN**
    - $3.95

**SALAD**

23. **CHICKEN SALAD**
    - Skilled, tomatoes, grilled chicken breast on a bed of mixed lettuce, with sliced tomato and sliced onion..........................$7.99

24. **FISH SALAD**
    - Fish fillet with mixed lettuce, tomatoes, cucumbers.........................$7.95

25. **GREEK SALAD**
    - Lettuce, tomatoes, olives, jalapenos, cucumbers, feta cheese, pickles, pepper, olives, cucumbers, and feta cheese.........................$5.99

**PASTA**

26. **PASTA A LA BOLOGNA**
    - Spaghetti with meatballs, bell peppers, and meat sauce.........................$7.95

27. **PASTA ALFONDO**
    - Spaghetti or fettucini, oven baked in our special Italian sauce..........................$9.95

28. **LASAGNA**
    - Made with old Italian traditional recipe..........................$9.99

**COTELETTE**

29. **BEEF COTELETTE**
    - Beef steak marinated in special spices with bread..........................$10.99

30. **CHICKEN COTELETTE**
    - Chicken steak marinated in special spices with bread..........................$10.99

31. **FISH COTELETTE**
    - Fish fillet marinated in special spices with bread..........................$10.99

**CARRAYE**

32. **LAMB CURRY**
    - Marinated lamb breast, meat, cooked with jalapenos, onion, tomatoes, and served with your choice of rice or bread.........................$9.95

33. **CHICKEN CURRY**
    - Marinated Chicken breast, cooked with jalapenos, onion, tomatoes, and served with your choice of rice or bread.........................$9.95

If you have any questions, please don’t hesitate to ask your waitress!
Exhibit 3 – The Red Sea Restaurant Interior

The Dining Room has a predominant bar lined by white linen tables. The dining room can sit approximately 50 people. The majority of tables are located near the restaurant window.
Exhibit 4 – A Typical Dining Table

Exhibit 5 – The Red Sea Bar

At the bar is the only place to sit.
Exhibit 6 – Gaming Tables

The gaming tables are located in the rear of the bar.

Exhibit 7 – The Red Sea Night Club Space

Entry into the nightclub space is from the bar area. The space does not have its own exterior door.
The West Bank is currently undergoing a rebranding. This map was published using the previous business district name, Cedar-Riverside. The Red Sea is business number 6 in the upper left-hand (NW) corner of the map. The Seven Corners development is represented as number 5 just to the north of The Red Sea, and many of the University-oriented businesses are located on Riverside Avenue in the vicinity of numbers 2 and 3 to the southeast of The Red Sea. The Cedar Avenue Cultural Center is located between number 11 and number 12, just to the south of The Red Sea.
“I’ll be right back,” Ted said as we found a comfortable corner beside the large windows, from where we could see the Hard Times Café and K-Wok on one side of Riverside Avenue and Chai Thai restaurant on Cedar Avenue, the adjacent street. Ted had just come back after getting the groceries for the kitchen and was busy taking care of a few customers who had come in for lunch. “It’s much more crowded in the evening when we have a live band playing. But we would love to see more people during the lunch hour.”

Ted grabbed an Acadia Café menu, and pointed out the variety of options not just for dinner and lunch, but breakfast too. One of the few issues he and Jeff, Ted’s business partner, had been trying to overcome lately was figuring out how to make their lunch and breakfast hours more popular with the students and faculty members on West Bank of the University of Minnesota. The other high priority on Ted’s list is improving the profitability of live bands playing in Acadia. “If the [musicians] are good, people follow.”

Ted and Jeff

Ted Lowell and Jeff Radnich had been partner entrepreneurs since the late 1990s, doing business together as Espresso Monkeys Inc., an S corporation. The first business they entered into together was Caffe Tempo which they acquired in April of 1999. Jeff and Ted had both worked at Caffe Tempo for some time when the owners mentioned a desire to sell. After doing their own assessment of the value for the cafe, Jeff and Ted decided to take the business over. In January of 2002 they decided to purchase the Acadia Café, too. After a few years of operating both businesses, they made the decision to focus on Acadia. It appeared to be the more profitable business of the two, and they felt that Caffe Tempo required more direct attention than they had to give at the time. There was strong interest in Caffe Tempo; three different buyers came forward. After a series of negotiations, it was sold in April of 2005.

One of the jobs Jeff had in college, while he pursued a degree in physics in the medical device field, was at a place called Sweet Addition, a job he continued after college. The place was a confectionary with an attached café from which he served home-made sandwiches, salads, soups, desserts and specialty coffee drinks. Jeff moved to Minneapolis in 1999, still searching for the “real job” related to his physics degree. He started working at Caribou coffee and Caffe Tempo during his job search, and discovered that he enjoyed working in cafés. Shortly afterwards, when Ted bought Caffe Tempo, Jeff joined him as a partner.
After getting a bachelor’s degree in advertising from Texas at Austin, Ted worked in broad ranging jobs before settling in restaurant business. Ted worked in heavy machinery and construction operations and gained experience while cooking and serving in restaurants. He had also previously worked in many different office settings, has a database manager, graphic designer, benefits administrator, and medical claims adjustor. After the birth of their second child, Ted and his wife Juliana decided that Ted would leave work and be the primary caregiver at home. But, after awhile, Ted took a part time job in Caffe Tempo and met his future business partner, Jeff.

Acadia Café History
The Acadia was originally located at the corner of Nicollet and Franklin Avenue in South Minneapolis. The space had two main rooms. One was the café, and the other was a black box venue\(^4\) that was open all day but mainly used when shows or events were being held. The primary sources of business in this location were the nearby business people at lunch and after work and people drawn in for events in the theater. Ted and Jeff really liked the fact that events rarely disrupted the diners in the main Acadia bar, but would have preferred more coordination between the rooms.

Move to the West Bank
Why did the Acadia move? Ted and Jeff were paying about $14 per square foot under their initial lease for the Acadia. However, after a significant amount of mixed-use development in the area was completed, the landlord wanted to raise rental rates up to over $20/square foot. These rates were impossible for the restaurant to sustain. Ted and Jeff had owned the business for 6 years when the rent issue came up, and they were interested in selling the business at that point. Issues with the lease complicated their sale, and it fell through. Rather than close the doors, their next plan was to try finding a building to purchase – to avoid the lease challenge permanently – but no suitable locations were found.

Why the West Bank? Jeff and Ted worked with Jeff Hermann, a real estate representative, for the space on the corner of Cedar and Riverside. The atmosphere on the West Bank was particularly appealing to them – there were no chain restaurants, bars, or shops, and there were 6 music venues between the Acadia and the Bedlam to the Southwest. They agreed that it was a destination place for music. They also felt that the neighborhood was healthier than Nicollet and Franklin, and the proximity to the University of Minnesota was an attractive source of traffic for their business.

In addition, the West Bank CDC (Community Development Corporation) was an attractive landlord for a variety of reasons. Overall, Ted and Jeff saw that their relationship with the CDC would be more collaborative than adversarial, as it had been with previous leasing arrangements. The CDC’s goals were different than those of a for-profit landlord. There were some nice elements of the lease, including a right of first refusal should the CDC ever choose to sell the property. They learned from previous experience and secured a 10-5-5-5 assumable lease (10 year lease with three 5-year

\(^4\)“Black Box” describes a simple, bare-bones performance space, usually a large open room with a black interior and flat floor. This type of theater space is generally used for experimental theater.
extensions). This was important for them to create greater security for the business and make it more attractive in the event they considered selling again in the future.

**Acadia Today**

The Acadia opened on the West Bank in February of 2008.\(^5\) With the assistance of good partners along the way, they succeeded in only having about 1.5 months of downtime between locations. Help came from Jeff Alexander Design (a restaurant consultant), quality vendors like Mike Larson of Kinetic Orange design who made their beautiful “BEER rail,”\(^6\) Trenk Mechanical (plumbers), and local resources like the Reuse Center which supplied them with affordable materials for their build out. Input of lots of sweat equity and frugality was essential.

In an effort to be good neighbors and differentiate their business; Jeff and Ted chose not to compete with Mapps Coffee and Bruck’s, so they sold their large espresso machine and purchased a smaller one for the new location. Also, because there were six performance centers between their new location and Bedlam Theatre on West Bank, Ted and Jeff wanted theirs to be different. They wanted the Acadia to be something other than a typical performance bar, and they also did not want to be another West Bank “liquor bar.” As Ted described, he wanted Acadia to be a place where “kids run around as adults dance.” Ted added, “These types of bars don’t really exist in Minnesota – but in other parts of the world, the local pub is really a family gathering place. All generations are welcome.” In keeping with this, the menu offers Americana comfort food\(^7\) and they try to “keep it simple.” The beer, however, isn’t simple. They feature a great tap beer selection with 28 varieties – “no crap on tap” is their mantra.\(^8\) They also carry more than 40 other beers in bottles.\(^9\) Their music is only original, which saves costs by avoiding payment of royalties to ASCAP and BMI.\(^10\) Their approach also supports original composition musicians.

Currently, the Acadia has 18 staff members, most of whom are part-time employees. They generally have 10 shifts scheduled per day. Menu decisions are generally made by Ted, Juliana (his wife), and Jeff. However, Jeff and Ted want to have engaged employees, so they give their staff a lot of latitude and try to encourage them to make improvements to operations at Acadia. “Our staff loves working here in Acadia,” Ted told us while pointing out their very low turnover rate, a big challenge to overcome in this business. “One of interns has his 21\(^{st}\) birthday soon and we are planning a big event for him.”

The Acadia validates up to two hours of parking during the day, all evening after 6pm, and all day on weekends in the ImPark lot behind their building. Last summer, they also set up outdoor seating in the space to the East of the building.

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\(^5\) See Figures 3-5 for views of the interior of the Acadia Café.
\(^6\) Figure 6 shows the beer rail.
\(^7\) Figures 7-9 show Acadia’s menus.
\(^8\) Figure 10 shows the on-tap beer list.
\(^9\) Figure 11 shows their bottled beer list.
\(^10\) In a venue the size of Acadia royalties could cost upwards of $2,500 per year.
Challenges
Initially Ted and Jeff made the mistake of thinking that the Acadia in the West Bank neighborhood would just be a continuation of their business on Nicollet and Franklin. This simply has not been the case.

First, the space is very different. Instead of a café and black box theater, they have one large room. The logistics of music events is different, because the music affects the dinner and bar crowd directly; at their previous location, there was a separation. Now, they need to make sure that people who come for music order enough food. “One appetizer in a group of five doesn’t help.”

Second, the neighborhood is different. On Nicollet and Franklin, there was a large number of businesses nearby, so lunch rush was rather profitable. However, there were other challenges due to the local population, which sometimes made things demanding for the staff. In contrast, now the main traffic comes from the University and people coming in specifically for music events. The neighborhood doesn’t bring in the same business clientele, but the people in the neighborhood are much easier to live with.

Third, traffic flow during the day is uneven as well, and it has been particularly challenging to bring in a decent crowd for breakfast. “People don’t get up early in the West Bank,” mentioned Ted.

Finally, they feel undercapitalized. They borrowed only about 60% of what they would have liked to, and while that has forced them to be much more efficient with their resources, things could have been easier if more capital were available. Surprises come up often; for example, they spent $15,000 more than budgeted on plumbing issues in the new kitchen.

Current Issues
Jeff and Ted are primarily interested in finding ways to increase the profitability of Acadia. However, finding the time to do the necessary strategic work is challenging. One way to increase the return for the business is working harder. If Ted and Jeff pick up 15% of the schedule (8 shifts weekly) and work more hours themselves at the counter and in the kitchen, that significantly reduces staff labor, which is their highest expense. However, this same practice reduces the time they have available to work on innovations that may have a more significant impact on their bottom line. Sometimes strategic issues get ignored until they become bigger obstacles.

To drive more traffic in the evening, they try to bring good musicians and bands. Ted believes, “if the [musicians] are good, people follow.” Most of the music groups use mailing lists and social networks to update their fans about concert dates. Still, publicizing the music events remains a hurdle in attracting new customers to the Acadia. Acadia was one of the stops for this year’s “Zombie Crawl,” which had more than a thousand young adults dressed like zombies converging to Cedar-Riverside area. Ted and Jeff would love to see more events like that. “A music fest, something like a Cedar-fest should happen again,” Jeff and Ted agreed, as they talked about how to create a bigger base of regulars.
The great variety of local food options for lunch and breakfast is a hurdle in attracting new customers to the Acadia. Though the Acadia is known for a good lunch menu, it is still far from the busy lunch hours they had in their previous location. They are also struggling with how to get more people enjoying their breakfast menu. “We would like to see more people coming in,” mentions Ted, which could very easily be the wish of any small business.

**Sources:**
Interviews with Ted Lowell and Jeff Radnich, October and November 2008
Acadia Cafe Website: [http://acadiacafe.com/](http://acadiacafe.com/)
Appendices:

Figure 1:

Jeff Radnich and Ted Lowell

Figure 2:

The current Acadia Café located on the NE Corner of Cedar and Riverside Avenues.
Figure 3:

Figure 4:
Figure 5:
Stage where the musicians play, used for dining seating during the day

Figure 6:
Serving side of the beer rail

Figure 7:
Breakfast Menu
Figure 8: Lunch and Dinner menu

Figure 11: Tap Beer List

Figure 9: Lunch and Dinner menu

Figure 12: Bottled Beer list
Al Karama Mall: Mohamed Ahmed Keynan, Owner

“I will always be a businessman.” Mohamed Ahmed Keynan, owner of Al Karama Mall

It is another cold November morning in Minnesota as Mohamed Keynan walks down Cedar Avenue in Minneapolis greeting members of his tight-knit Somali community. While it seems like a normal day, Mohamed has one issue weighing heavily on his mind. Increasing competition and challenges with the location of his business have put the future of Al Karama Mall, the business he has worked so hard to build from nothing, in jeopardy.

Al Karama Mall was the first Somali-owned “Somali Mall” in Minnesota when Keynan opened it in November, 2000 near the corner of Cedar and Riverside Avenues in Minneapolis (see Exhibit 1). Occupying two adjacent hundred-year-old buildings, the mall consists of approximately 30 small store spaces on two floors, which are individually run by Somali shopkeepers. The mall caters to the large Minneapolis Somali immigrant community and includes a coffee shop, travel agency, mail center, cell phone dealer, money wiring services, and stores that sell international phone cards, clothing, and furniture. Stepping into the mall, the sight of brightly colored scarves and the smell of coffee and spices gives customers the feeling of being transported from Minnesota to a crowded market in Mogadishu. Mr. Keynan’s duties include attracting tenants, promoting the businesses, and maintaining the building, which he leases. Upon meeting Keynan and experiencing his outgoing, friendly, and generous personality, it is easy to see why people want to do business with him, and obvious that Al Karama Mall benefits from his energy and drive.

History

Mohamed Keynan grew up in Mogadishu, Somalia in a business-minded family. While he was growing up, his mother ran various businesses including a tailoring shop, a grocery kiosk, and later a clothing store, while his father worked in a bakery. In 1992, despite having no money, Keynan and his extended family relocated from a refugee camp in Kenya to San Diego, California. In 1996, finding that California was a difficult place to get a job, and wishing to keep their family together, the family had a meeting and decided to move to Minnesota because they had heard that the state offered a good opportunity for jobs and schooling. While Minnesota has a large Somali population today, it was just beginning to grow at the time. Keynan’s brother-in-law went ahead to get settled, and after six months, Keynan moved to Minneapolis with his wife, children, parents, brothers and sisters. Exemplifying Keynan’s positive spirit, he convinced the family to move in the middle of the winter, taking the view that they might as well get used to the cold, snowy weather when it was at its worst.
**Starting Out in Minnesota**
Arriving penniless in Minneapolis, the family initially depended on welfare money and the support of Keynan’s brother-in-law, who had secured a job and a house. The entire extended family moved into his half of a duplex. Because Keynan could speak both English and Somali, he soon found a job working as a receptionist in the local welfare office, first as a temporary employee, and then in the position of Office Specialist I. A year and a half later, in January of 1999, he earned a promotion to Office Specialist III, skipping past the Office Specialist II position. By this time, his immediate family was able to afford an apartment of their own. In the spring of 1997, Keynan’s parents and brother decided to open a family clothing store like the one his mother ran in Mogadishu. The store was located in south Minneapolis near Cedar Avenue and Lake Street, a neighborhood that has traditionally been home to new immigrants. The growing community of Somali immigrants had a need for a Somali clothing store because “The outfits at Target were not what Somalis wore. They didn’t sell traditional clothing,” Keynan said. By chance, while looking for a space for a community association office in June of 1997, Keynan found a new store location a couple miles north in the Cedar-Riverside neighborhood near the University of Minnesota. The owner of the space had a failing restaurant and agreed to rent half the space to Keynan’s family. The family moved the store to the new location because they felt that “the Lake Street location was too dangerous,” and because the Cedar/Riverside area had grown into the predominant neighborhood for Somali immigrants.

**Origins of Al Karama Mall**
In November 2000, Keynan noticed a “For Rent” sign in the window of a vacant building across the street from his parents’ store. He inquired and found that the landlord, who was an immigrant from the Middle East, was also offering to rent the building next door. Others had shown interest in renting, but nobody could afford both spaces. The buildings were too large for his family’s store, but the real estate broker who showed Keynan the buildings gave him an idea: he could rent the whole space and sublet it to the individual shopkeepers who were already interested in renting. Keynan was concerned that this would increase competition for his family’s store, but decided, “Everything is in God’s hands. Whatever we have, we share.” In November 2000, Keynan signed one lease to rent both buildings for two years with an option for a third year. His mom named the mall Al Karama, which means “dignity” in Arabic.

Unfortunately, the property was in disrepair, Keynan didn’t have enough money for renovations, and he had no credit history. Unlike most Americans, he said, “who reach first for their credit cards,” Somalis traditionally operate on a cash basis. In addition, according to his Muslim tradition, he was not allowed to take out a loan that charged interest. Keynan and his brothers, who were originally partners with him on the mall, negotiated a deal to hire the landlord’s brother-in-law to renovate the building. The work included basic structural repairs, as well as partitioning of the tenant spaces. The contractor agreed to accept a down payment followed by installment payments. Keynan describes the next few months as “the hardest time in my family’s history.” His entire extended family had to “work like mad,” he said, to get the mall up and running. They all worked two to three jobs to keep up with the payments. In the end, although he doesn’t
have exact records, Keynan estimates his family paid between $100,000 and $200,000 for the renovations.

**Attracting Mall Tenants**

Once the renovations were completed in June 2001, it took about a year to fill the tenant spaces. Keynan relied mostly on word-of-mouth advertising in the close-knit Somali community, but also put an ad on the local Somali TV station and posted a “For Rent” sign. Keynan described his philosophy for attracting tenants and helping them to get started in their businesses: “I’m friendly and I understand their situation. You need money to start a business, but I let them start with little or no money.” He gave some tenants a break on the first month’s rent and just let them move in. Most of the tenants started their stores with merchandise that was loaned from his family’s store. He said he empathizes with his tenants and their difficulties starting businesses in a new country. He said that after hearing their stories he had a hard time turning them down if they didn’t have money. “If you tell me [your story], I listen, I trust,” he said.

Keynan told about one old Somali man who wanted to rent a space. “He was alone and just wanted a place to sit,” Keynan said. He was always sick and in the hospital and felt lonely and useless. Keynan gave him a space with the first month’s rent free. The man didn’t have anything to sell, and only had $100, so Keynan took him to his family’s store across the street. “He took $200-300 of stuff for $100. I told him, ‘Just sell it,’” Keynan said. The man had some success, and later bought a sewing machine and began to fix clothing for customers. Today, according to Keynan, the man has $12,000 of inventory and always pays his rent on time. “He’s healthy and has a purpose,” Keynan said. “He can’t really speak English, but if you ask him how he’s doing, he’ll say, ‘I’m doing great, thanks to $100 and the help of Mohamed.’” Keynan said tenants are attracted to his mall because “No one else will do that.”

While working to help Somali businesspeople get started at his mall, Keynan also invested in his own development, earning a B.S. degree in Business Management from a local university. In the future, he plans to pursue an MBA degree.

**How the Mall Operates**

Unlike most malls in the United States, Keynan’s retailers allow you to bargain over prices, and many of the shops are only open in the afternoon and evening, when the mall is also a center of socialization for the Somali community.

Keynan explained that his tenants get their merchandise from several Middle Eastern and African wholesalers who send delivery trucks from Chicago, New York, and Los Angeles. They offer a wide assortment of items, and when they arrive at Al Karama Mall, they park in the street and in the back alley, and the shopkeepers come out and buy from them. He said all the wholesalers sell at the same prices, because they don’t want to undercut each other and cause prices to be lower for all of them. He said his tenants “don’t have money but need stuff,” so the wholesalers give them merchandise and take little or no payment upfront. They keep track of sales and when they return the next month they collect whatever the shopkeepers can afford. Keynan said the wholesalers do not charge interest, and sometimes the shopkeepers take up to a year to pay for the merchandise. The wholesalers can allow this, he said, because of the
large markups they charge: “For example”, he said, “if the wholesaler buys a hat for $.50 and sells it for $2, but only gets paid $1 [upfront], he's okay.”

Keynan manages the mall and collects rent of $300-500 per month from each of his tenants in return. He then pays his own building rent to the landlord, and in recent years also pays the building utilities. In order to keep from becoming disheartened by the difficult business challenges constantly faced by his mall and his tenants, Keynan likes to focus on mall operations, and lets his brother handle paying most of the bills. “I focus on people, management, renting, advertising. What I care about is getting tenants to fill the space – I’m the marketing guy,” he said. “I don’t want to know [all the details of the finances].”

To Keynan, part of being a good businessman is being accessible to his tenants. He says he is always at work, and always answers his phone, so tenants can talk to him about their problems and disputes. In addition, because he can speak their language, and understands their culture, he is able to provide valuable services to new shopkeepers. If they ask, he will advise them on “everything that is related to the business – how to register with the secretary of state, where to get a business plan and financial projection, grants and loans, how to work with wholesalers, and where they can get business services,” he said.

**Al Karama in 2008**

When Keynan originally opened Al Karama in 2000, he was in a prime location. The local Somali population was concentrated in the Cedar-Riverside neighborhood and the mall was located at the heart of this community. As indicated by Keynan, malls and public spaces have always been a place for Somalis to congregate, share news from home and spend time together, and Al Karama used to be this kind of space. Its coffee shop downstairs had always been a place for people to get together, watch a soccer game on the big screen television and socialize. This activity was good for the shop owners as it drove traffic through the mall. Since 2000, Minnesota’s Somali population has grown significantly and is beginning to spread throughout the metropolitan area (see Exhibit 2 for immigration statistics). According to Keynan, Somalis are now living over an hour away in St. Cloud and parts of western Wisconsin. This raises the question: As Somalis establish a broader and more integrated presence in the area, how is this likely to affect their patronage of local Somali businesses like Al Karama?

**Competition**

While Al Karama was one of the first Somali malls, and the only mall owned and operated by a Somali, a number of other Somali malls have opened in the metropolitan area since 2000 (see Exhibit 1). According to Keynan, Somali customers will go “wherever they can find the best deal” – even if that means no longer patronizing a family member’s business. He has seen a significant decrease in traffic to his mall as people are patronizing the competing malls and shopping at more non-Somali retailers than before. “The number one problem we are facing,” Keynan said, “is that customers are going to the American stores. My children, they love American style. When they go shopping, they go far away. [Somali] families used to come to us, now they are going somewhere else. We have old style stuff and the people, they change. The style we
Challenges
Parking is one main issue that Keynan faces in attracting customers to his mall. Street parking in this dense urban neighborhood is metered and quite limited. He cites the lack of parking and the likelihood of receiving a ticket as major deterrents for shoppers at Al Karama. “A customer who receives a ticket won’t come back again,” Keynan said. In response to this problem, a few years ago Keynan leased 20 spots at $50 each per month in a nearby parking lot so customers could park for 15-20 minutes and not receive a ticket. When word got out that there were free parking spaces behind the mall, residents in the neighborhood took advantage of it. Unfortunately, it wasn’t exactly what Keynan had in mind. Tenants, customers and people from the neighborhood would park in the spots for hours or even days at a time knowing that they would not get a ticket from the city. The cost of monitoring this parking space became more than Keynan could afford and eventually he canceled his lease. He now reimburses customers for the $2 cost of parking in the lot for an hour. Keynan has also struggled with the city of Minneapolis, which controls a lot at the end of his block that has been vacant as long as Al Karama has been there. Customers parked in this lot while patronizing Al Karama until the city received complaints and eventually it erected a fence to keep people from parking there. A number of neighborhood businesses have tried to convince the city to turn this into a municipal lot, but the city has resisted and the fence remains in place. The other malls in the area have ample free parking for their customers, which has become essential since most Somalis are now driving instead of walking to shopping locations.

As customers begin to patronize the other malls in the area, Keynan struggles with tenant attrition at Al Karama. He believes this is due, in part, to the lack of parking and slowdown in customer traffic at Al Karama, but he says tenants leave for a number of different reasons. Some are not able to pay rent any longer, and shut down their shops for good. Others are attracted to the newer spaces and the higher traffic at the other Somali malls and move their shops to these locations. Although Keynan requires each of his tenants to sign a yearly lease on their spaces, he is fairly lenient with his contracts. He lets tenants use their deposit as last month’s rent and does not challenge tenants when they want to break their contracts early. “Tenants always have a reason they need to leave, and I don’t see the benefit of suing them when they break their lease,” he said. Keynan has tried to work with his landlord to make improvements to the space to make it more attractive to tenants. The space is old and has many problems. The mall is on the first floor of a mixed use building with two floors of apartments above it. The building is in disrepair and tenants have had problems with leaks from the upstairs apartments ruining their merchandise. Newer malls in other locations are stand-alone buildings and tenants do not experience these problems. Keynan would like to improve the space, but does not have the money necessary for these kinds of improvements.

Another difficulty for Keynan is that he does not own the buildings. When Keynan first rented the space in 2000, the landlord mentioned that he had bought the buildings on a
contract for deed basis. Keynan was unfamiliar with this type of transaction, and his curiosity caused him to do some research. He found that it was an arrangement he could be interested in himself at some point. When he renegotiated his lease a few years later, Keynan offered to buy the buildings, but the landlord set the price at over $1 million, a price Keynan couldn’t afford. When the second lease expired, Keynan again offered to buy the building, but this time the landlord declined – the influx of Somali immigrants had revitalized the neighborhood, making the building more valuable to him. As a result, Keynan continues to rent the space, and has little control over price increases he faces every year. In addition to rising rent prices, the landlord has increased the items that Keynan is responsible for each year to include heat, electricity, garbage removal and a security system. With these expenses mounting, Keynan does not see a way to invest any more money in the space and is losing tenants to the newer malls that do not face such problems. Keynan has very little bargaining power with his landlord, as his landlord knows he could find another property manager to rent the space if Keynan threatened to leave. Keynan is also certain that if he tried to relocate Al Karama, his tenants would not follow him to a new location.

**Strategies for Change**

In light of the decline in customer traffic and his problems retaining tenants, Keynan has come to the difficult conclusion that he needs to make some changes to his business if he is going to survive in the competitive environment that has grown up around him. He has considered a few marketing strategies to try to attract students from the University of Minnesota’s West Bank campus, located right down the street, including a discount card for students and adding wireless internet in the café downstairs so students would come there to study. He would also like to see the façade of the building redone so it is more attractive to people passing by on foot. Keynan realizes the disadvantages of attracting only Somali customers and is considering ways to attract more non-Somali shop owners to the mall. He wonders how he can bridge the gap from being a Somali business to serving a broader audience. Marketing and redevelopment all require capital that Keynan does not have and the success of his efforts hinge on his ability to attract and retain both customers and tenants.

Keynan’s lease expires in November of 2009, one year from now. He wonders if he can make his space a premium destination again or if he is taking too big of a risk investing in a space in which he has no equity and no control. Is his best option to try to improve his current business or should he cut his losses and try his luck with a new business? How will he respond as Somali immigrants become more assimilated and less dependent on businesses that serve the “gateway” immigrant community?
Markers indicate the locations of Somali Malls in the Minneapolis area.

Number of Somali Refugee Arrivals to Minnesota

Source: Minnesota Department of Health
Tam Tam’s:  
A Brilliant Restaurant

Stephen Kaggwa takes a moment’s rest after a busy lunch rush on a snowy afternoon in Minneapolis to survey his restaurant. Happily, he appreciates that he has achieved his most recent 5-year personal goals by founding an African restaurant, Tam Tam’s, situated in the heart of Minneapolis’s Cedar-Riverside community. On this cold day, Stephen begins to ponder the goals for the next five years. He thinks about what he wants to achieve, and ponders how to find a way to offer his beloved authentic African cuisine while overcoming the “foreignness barrier.” Stephen realizes that sometimes, non-Africans bypass his restaurant in favor of other ethnic cuisines they are more familiar with, such as Indian or Mexican food. Stephen knows that if he can attract the less-adventurous restaurant-goers while remaining true to Tam Tam’s African theme, Tam Tam’s can grow to multiple locations.

A First Attempt at Entrepreneurialism
Like many small restaurants, Tam Tam’s began as a dream, or what Stephen likes to call his brilliant idea. A Ugandan immigrant who arrived in the US in 2002, Stephen is no stranger to starting and running a small business. After graduating with a B.S. of Finance from Makerere University in 1997, Stephen briefly thought of working for a bank. But while interviewing with one, he was asked, “Where do you want to be in 5 years?” In response, Stephen said that he planned to run his own business, and his investment banking career was thwarted.

Post graduation, Stephen found a job working as an accountant for a local entrepreneur, but according to Stephen, that was “not fun.” His dreams were bigger than working for someone else. To alleviate what he considered the “dullness” of working for someone else, Stephen formed the Society for Intellectual Development with three friends. On a weekly basis, the society met to discuss how to better themselves and form business ideas. They started by asking themselves what kind of business they could start, with only a small net working capital investment.

The society decided that consulting services fit the bill, and built a business to provide market research for companies. Stephen was named president. The group quickly learned that its best customers were graduate and PhD students who wanted help with their dissertations, papers, and research. After noticing this trend of customers seeking their services, Stephen switched the focus of his company from industry clients to students.

By closely monitoring costs, striking a deal with a local building owner for free rent, and sub-contracting work to undergrads, Stephen was able to establish a successful research company. Marketing relied on word of mouth and Stephen gave students discounts if they brought the business at least two new customers.
Despite being an unorthodox venture, Stephen was determined to manage the business carefully. He hired a cleaner to maintain the office and bring his staff tea. He ensured that all the partners were only paid once a week. Stephen collected revenues up-front, and always pulled out a certain portion to put in a growing reserve fund to pay emergency expenses. Only after expenses and the reserve fund were paid, did Stephen distribute the profits to his partners.

Unfortunately, after a couple years, Stephen’s partners became increasingly lackadaisical about business operations and profit margins began to slip. After returning from a 3-month trip when he left his partners in charge, Stephen was “devastated when [he] got back to Uganda” when he was greeted with a pile of unpaid bills. The reserve account had disappeared and money had been distributed to partners before expenses were paid. Stephen had to answer to angry clients and bill collectors. It “was a nightmare to try to restore confidence.” So in 1999, Stephen shuttered the business and decided to leave Uganda with the intention of going to graduate school in the United States.

**Relocation and the 2**\(^{nd}\) **Entrepreneurial Attempt**

It took Stephen a couple of years to fully move to the US, but in 2002 he relocated to Minneapolis, MN with plans to begin the MBA program at the University of Minnesota-Carlson School of Management. Unfortunately, graduate school was cost-prohibitive and Stephen decided to work instead. He found a job working in catering and food service at the Holiday Inn in St. Paul.

Consistent with his earlier entrepreneurial ambitions, Stephen quickly realized that he wanted to break out on his own and start an African food catering company. He knew there was a demand in the marketplace for African food, but he did not have the money to immediately quit his job and start catering.

With determination and tenacity, Stephen began telling others about his dream. Opportunities began to open up when he shared his vision. A friend who owned a gas station offered to let him run the deli. Stephen jumped at the opportunity, but after several months, he found that he needed to look for other alternatives because the gas station deli did not prove profitable enough. Stephen returned to work and planned for the next moment to make his move.

Although the gas station deli did not turn into a long-term business, it proved to be a valuable learning experience. Through this know-how, Stephen decided to focus on opening a restaurant instead of a catering company. Since restaurants require more money to start than catering companies, Stephen went to his local bank to seek a loan.

The bank was not able to help Stephen because he lacked a credit history and a written business plan. Fortunately, the bank referred Stephen to the African Development Center.

Stephen worked for nine months, attending weekly classes to develop a business plan. At the end of this experience, Stephen received $10,000 towards the $150,000 necessary to start his business. Initially, Stephen was disappointed that he received
less than 10% of the money he needed to open his restaurant, but he realized that this was a starting point for the loan and recognized that he learned a lot in the classes.

To reach the next $140,000, Stephen applied for a loan from the African Development Center, invested his own savings, and sought partners. The search for funding was exhausting, long, and fraught with disappointment, but by creating, developing, and sharing his plan, Stephen was able to secure the funding necessary to open Tam Tam’s.

**Operating Tam Tam’s**

Opening the restaurant was only the beginning of the hard work. As Stephen says, “Everybody wants to own a business, but nobody actually wants to run a business.” Stephen has to constantly work to keep his competition in check, partners invested in the business, customers happy, and profits growing. He understands that he is in a competitive industry, and that he must focus on the customer experience and promotions to make the restaurant successful.

Stephens’ selection of location and menu items reflects the African restaurant that Stephen wants to develop. He trains his employees well to ensure a great customer experience, thus Tam Tam’s has a high percentage of repeat customers. Stephen’s biggest growth opportunity is to attract the less-adventurous diner who does not have previous experience with African cuisine.

**Location**

Tam Tam’s current location creates a perfect environment to attract people who are familiar with African cuisine or are likely to try new foods. It is located in the eclectic Cedar-Riverside community, a Minneapolis neighborhood next to University of Minnesota, where there is a mix of inhabitants, including a large population of university students and African immigrants. As a diverse community, Cedar-Riverside offers a variety of dining places and ethnic food, including Indian, Chinese, Thai, and African.

Tam Tam’s is located on one of the main streets, Cedar Avenue South, making it highly visible. Close proximity to main highways 35W and 94 is an additional advantage, because it gives quick access for those clients who drive from different counties of Twin Cities (see Exhibit 1). Visibility and quick access to the freeway make it an excellent location for Stephen’s current target segment, but Tam Tam’s is not in a prominent place for people who are not familiar with African cuisine or are less adventurous.

**Industry**

Tam Tam’s is in a highly competitive and saturated industry. Stephen has to contend with competitors who open restaurants because they feel it is an easy business to start. Many novice restaurateurs cook well and think that is the only necessary ingredient for a successful restaurant. Although these competitors usually do not last long – with 30% going out of business in less than two years – they still have the potential to steal some of Stephen’s customers while in business.

There are about 500 inexpensive dining places in the Twin Cities, 240 of which are ethnic restaurants. The Cedar-Riverside neighborhood is the home to many of these
restaurants, widely dispersed throughout the neighborhood providing customers with a broad choice of cuisines and dining options. In addition to ethnic restaurants, there is a range of food chains, fast food drive-ups, and delivery services. American, Mexican and Asian food chains represent the mainstream of catering service. Customers are familiar with these cuisines; they know the tastes, dishes and cultural features. The limited awareness of African culture is the key challenge for further growth of African cuisine popularity among potential customers.

Due to the competitive environment, price competition is fierce. This forces most neighborhood restaurants, including Tam Tam’s, to keep costs and prices low. Exacerbating this pricing pressure is a state law requiring restaurants to buy ingredients only from certified suppliers. Stephen buys food for the menu in small quantities at wholesale prices, but there is only one supplier in the area that gives appropriate prices. Since he is not able to further reduce costs for inputs, he has cut labor costs instead. This means that Stephen works every day of the week.

**Tam Tam’s Product**

Tam Tam’s offers casual dining featuring lunch and dinner. It is open from 11:00 a.m. to 10:00 p.m., seven days a week. Stephen’s main priority is on creating a fantastic customer experience. He wants all customers, regardless of what they pay, to walk away happier than when they first came in. To do this, he maintains the highest efforts on hospitality and home-style relationships, and believes this will transform newcomers into regular customers. Every aspect of the way Stephen runs his restaurant supports this belief, from the way he trains his waitresses to be friendly to the customers to the warm invitation on the menu to “Dive in and indulge yourself in a glimpse of the delicious experience of African cuisine.”

Stephen’s philosophy appears to be successful, because in two years Stephen has created a clientele base of 400 customers, who have been in the restaurant at least once. Stephen keeps a database of their contacts. About 60% of visitors are people from outside the Cedar-Riverside neighborhood and 40% are citizens of the neighborhood.

Tam Tam’s has an average-sized restaurant space with eight tables of four seats and three tables of two seats. The most active traffic happens on Fridays and weekends.

The food at Tam Tam’s is primarily Ugandan, but Stephen is expanding the menu to include additional dishes from other African countries. Currently, the menu does not distinguish the precise region the food comes from, though it is categorized into “West Africa,” “Horn of Africa,” and “Eastern and Central” (see Exhibit 2 for the menus). All dishes have African names and use ingredients which are actively used in African cooking. He serves both vegetarian and non-vegetarian dishes. The menu also has separate sections for specialized platters and breads and sides. There are no American dishes. Tam Tam’s does not serve alcohol.

**Marketing**

Stephen uses several devices to emphasize that Tam Tam’s is an African restaurant. Stephen chose the name “Tam Tam’s” because he wanted a meaningful, easy-to-
remember name. It is inspired by the Swahili word “tamu tamu”, which means “sweet, delicious.” People from Africa instantly connect that Tam Tam’s offers delicious, African food just by reading the name.

For customers who are not of African descent, Stephen chose other devices to establish the connection that Tam Tam’s features African food. The entrance sign, with the large African map, is another tool to emphasize the theme of the restaurant (see inset of Exhibit 1).

To increase customers’ awareness about his restaurant, Stephen developed a web site (http://www.tamtamsrestaurant.com). It has information about services provided, menu, location, and working hours of restaurant. He plans to add more content with customer reviews, pictures of guests, and future events. Periodically Stephen places advertisements in local newspapers, but not on regular basis due to his limited budget. He has recently started a lunch buffet every week to present new tastes and give customers opportunities to try a wider variety of dishes.

**Management and HR factors**

**Managing the restaurant**
The responsibility of running the daily operations of the restaurant is solely Stephen’s. He single-handedly makes all major strategic decisions and takes care of daily problems. It was not always this way; Stephen opened the restaurant with two other partners. The officially-signed partnership agreement divided the responsibilities equally between the three of them, but as time passed his two partners became more passive. They financed the establishment of the new business, but now they have other interests and do not pay much attention to running Tam-Tam’s.

**Relationships with employees**
There are two people in the kitchen on two shifts base: from 10:00 a.m. to 4:00 p.m., and from 4:00 p.m. to 10:00 p.m. Stephen personally serves clients from 10:00 a.m. to 4:00 p.m. Monday through Friday. He treats the employees as one cohesive team, and tries to develop team-spirit and motivation by implementing a democratic style of day-to-day management. The employees are always free to approach him with new ideas or suggestions. He talks to them about their future plans and how he can help them. One of his employees treats him as her son.

**The Future**
Tam Tam’s and Stephen have proven resiliency. Stephen took on the daunting task to find $150,000 to start his business, and Tam Tam’s survived the notorious two year mark, within which most start-up restaurants fail. Although the current economic downturn is going to be tough for all restaurant owners, Stephen is closely monitoring costs and feels like he will be able to weather the storm.

To achieve the growth that Stephen feels in necessary, Stephen will have to focus on how to maintain the balance of authentic African cuisine while making the restaurant an approachable environment for those more skeptical about ethnic cuisine.
Exhibit 1 – Map with restaurant location and entrance sign

Tam Tam’s location
Exhibit 2 – Tam Tam’s Menus

TAM - TAM’S AFRICAN RESTAURANT

~ Treat yourself to some of the traditional treasures of Africa’s cuisines ~

APPETIZERS

Tambo Chicken Pie (1 pie)
Baked flaky pastry stuffed with mildly seasoned chicken and mixed vegetables. $2.50

Tambo Vegetable Pie (1 pie)
Baked flaky pastry stuffed with mildly seasoned mixed vegetables. $1.99

Beef Samosas (2 pieces)
Fried crispy pastry shells stuffed with mildly spiced ground beef. $2.99

Lentil Samosas (2 pieces)
Fried crispy pastry shells stuffed with perfectly spiced lentils. $2.60

Jaja’s Kababs (2 pieces)
Patties of ground beef delicately seasoned with Jaja’s herbs and spices, glazed with an egg batter and lightly fried. $2.99

TASTY DISHES FROM ACROSS AFRICA

Hunter’s Ribs “Nyama Choma” (24 oz.)
Grilled meaty beef ribs marinated in our tropical herbs and spices, served with Kacumbani (spicy mixture of tomatoes, onions and peppers). $11.99

WEST AFRICA

Palm Butter
A seasoned stew made from Ghanaian palm nut paste cooked together with your choice of one or two meats and served with rice and plantain. (chicken, beef, or goat). $11.99

Fu Fu with Soup
Pounded plantain flour cooked into a smooth dumpling served with our volcano spiced soup. (chicken, beef, or goat). $10.99

Menu items and prices are subject to change. Fish, goat and chicken are served with bones.
HORN OF AFRICA

Injera ‘n’ Wot
Traditional horn of Africa flat bread served with Berbere spiced chicken and your choice of two vegetable sides (lentils, salad, mixed vegetables or greens). 9.99

Vegetable Delight
A combination of freshly seasoned vegetables cooked with tropical spices and served with either injera or rice (lentils, mixed vegetables and greens). 8.99

EASTERN AND CENTRAL
Served with greens and your choice of either chapatti, ugali, rice, or steamed plantain.

Tam Tam’s Stew
A perfectly seasoned stew tenderly simmered with:
- Beef 10.99
- Chicken 9.99
- Goat 11.99

Sukuma Beans
Home-style cooked pinto beans seasoned with fresh garlic and onions. 8.99

Groundnut/Peanut Stew
A seasoned stew made from roasted groundnuts paste mixed with either greens, beef, or fish. 11.99

Tilapia Fish Delicacy
A whole tilapia (with bones) fish delicately seasoned and served with tropical gravy 12.99

SPECIALIZED PLATTERS
Served with your choice of rice, chapatti, ugali or injera.

THE LION’S FEAST (serves two)
- Beef Sambosas (2 pieces) 7.99
- Tambo chicken pies (2 pieces) 7.99
- Hunter’s Rib (24 oz) 7.99
- Tam Tam’s Stew 28.99

PHARAOH’S DELIGHT
- Lentil Sambosa (1 piece) 5.99
- Jaja’s kababs (1 piece) 5.99
- Tam Tam’s Stew 15.99

DINNER AT THE NILE
- Beef Sambosa (1 piece) 5.99
- Vegetable pies (1 piece) 5.99
- Grilled boneless Tilapia Fish 15.99

Menu items and prices are subject to change. Fish, goat and chicken are served with bones.
Chef de Cuisine Specials:
- Vegetarian Latarnia: 9.99
- African Omnivore: 11.99

Super weekenda ([Friday, Saturday and Sunday - (subject to availability)])
Choices of sweet potatoes, cassava, yams or maloke served with stew: 11.99

BREADS AND SIDES

Chapati
An enriched flour unleavened bread lightly fried to a golden brown: 1.99

Ugali or Fu Fu
Plantain flour or Corn meal cooked into a smooth dumpling: 2.50

Injera
Flat, spongy bread made of Teff, Ethiopian staple wheat and barley: 1.25

Rice Pilao
Rice cooked with pilao masala: 2.99

Bowl of fried rice: 1.99

Kacumbari
Spicy mixture of fresh tomatoes, onions and peppers: 1.25

Vegetarian Side
Greens, lentils, mixed vegetables: 1.99

DESSERTS

Tam-Tam’s Cake (1 slice)
Freshly baked cake made with natural ingredients and no preservatives: 3.50

Mango Ice Cream: 3.50

BEVERAGES

Ka-Chai: 1.99
Flavored milk tea

Coffee: 1.50

Flavored tea: 1.50

Tropical Juices: 1.95
Orange, Mango, Guava

Soda: 1.50
Cake, Diet Coke, Sprite, Orange, Lemonade

Menu items and prices are subject to change: Fish, Goat and Chicken are served with bones.