Schlotzsky's Deli has taken an unlikely pairing of sandwiches and free Internet access and turned it into a goldmine. Consider some of the numbers at Schlotzsky's, which has offered customers Internet connectivity in some stores for the past year: Six percent of customers surveyed by the chain rate the availability of computers as "critical" to their decision to choose Schlotzsky's. Figuring that the chain serves 250,000 people a year, the computers drive about 15,000 customers to the sandwich shop. And at a $6 average check, Schlotzsky's credits the computers for about $90,000 in food sales.

"There is a clear correlation between sales and our technology investment," says John Wooley, president and CEO of Schlotzsky's. And his company is not alone. Starbucks and McDonald's are other big-name chains offering Internet access as part of their customer-service strategies.

The draw for these companies is making it easy for customers to read the paper, get games for their children, surf the Internet or catch up on e-mail while dining out. Today's consumer is tech savvy, and Wooley says offering them Internet access as a side order can be a winning proposition. Schlotzsky's even took its Internet project a step further by rolling out wireless connectivity in test stores last October.

**Station Creation**
Schlotzsky's has developed Cool Deli Stations, special areas where computers are located, in its stores in Atlanta, Miami, and Austin, College Station and Houston, Texas. These stations feature wireless connectivity, which means customers aren't tethered to the wall by phone lines. They are free to roam the restaurant. They can even get access to the wireless network in the restaurant parking lot.
The wireless technology is based on the 802.11b, or WiFi, standard. Customers with compatible network cards in their PCs can pick up the Schlotzsky's signal in "hot spots" that radiate hundreds of feet.

There are six to eight Cool Deli Stations in each store, depending on unit size. Schlotzsky's investment has been about $6,000 per store for the computers, Cool Cloud captive portal, bandwidth, security software and applications like blocking undesirable sites. Cool Cloud is the name of the Internet service Schlotzsky's is providing. The Cool Cloud captive portal is the first page that "captures" users, explains the service and asks them to log on. The wireless signal is fed through this page.

Wooley says the company has saved money by having the Internet stations developed in house. "The IT staff is very interested in wireless technology as a hobby, in many cases," he notes. "Having the in-house capability is much cheaper than if we used an outside, for-profit provider." If a vendor was involved, Schlotzsky's would have to charge for the access, he says, and it would be much less appealing. "Our fun is free."

Schlotzsky's Unplugged

The company's first experiment two years ago with Internet connectivity was offering Mac computers wired with fast T1 lines. Wooley says they were constantly in use. Last October Schlotzsky's moved to the wireless hot spots, which cost about the same as the T1 lines, he says. Wireless is the next generation of connectivity, and the chain wanted to keep its reputation of being on the cutting edge.

Ted Rappaport, professor and director of the wireless networking and communications group at the University of Texas, Austin, says Schlotzsky's has an "exciting business model." "They were a leader in terms of being the first to offer free Internet access in their stores. I'm not surprised they are a leader in wireless too.

"Without a doubt, wireless data is the hottest consumer product of this decade," he adds. "Schlotzsky's is a key innovator."

Rappaport thinks it is completely natural to pair technology and hospitality. "It's great to let customers catch up on their e-mail while they eat in leisure," he says.

Franchisees Take Notice

This combination has enticed franchisee Gerry Reynolds to look into offering Cool Deli Stations in his two Reno, Nev., stores. "I've seen what it has done in those corporate stores in Texas in terms of usage and the types of people it brings in," he says. "I feel it would be positive for myself and my community."

Reynolds explains that the Reno market is similar in that there are plenty of
professionals, families and college students. “I think it would bring in more people and differentiate my stores,” he says “I’ve sat in the [Texas] stores myself and have been amazed at the usage.”

Reynolds would like to add Cool Deli Stations to his restaurants this year, but he is facing one obstacle: price. “I’m looking about $6,000 to $7,000 per store. I’m just a franchisee with a couple stores.” But he adds that he can probably justify the cost in terms of increasing his customer base.

Corporate is helping franchisees by doing the network testing, getting the overall price down, designing the captive portal and producing marketing materials.

To make things easier, Rappaport and the University of Texas are conducting a survey of wireless users to offer franchisees like Reynolds a cookie-cutter approach to implementing the technology. The chain is cooperating with the study, allowing Rappaport’s graduate students to observe the Schlotzsky’s environment.

“This is a big effort to nail down the guidelines for deployment,” says Rappaport. “This will allow people to roll out the technology rapidly with a fundamental understanding of how to use and adapt it.

“The whole world of wireless data is pretty new. If you can understand how to reliably provision and manage the connections, you’re ahead of the game,” he adds.

Publicity Parade
Rappaport says the beauty of wireless is that Schlotzsky’s is not limited in where it provides service. “Customers can be in the store, in the parking lot or across the street,” he says.

“You can be over at Starbucks and pick up our signal,” Wooley says.

There is a home page that users first access, regardless of their location. The page reminds users that the wireless service is “courtesy of Schlotzsky’s.” “It’s a great way to advertise outside of our stores. It’s invaluable marketing,” says Wooley.

The signal reaches far into the neighborhoods of many stores, often hitting buildings miles away. In one case, the wireless signal bounced off a building across the street from a unit and beamed Schlotzsky’s message into a local hotel. “We got an e-mail response from someone sitting in the hotel bar. It was really funny,” says Wooley. “What a way to create a buzz.”

Another side benefit the chain enjoys is that local television stations want to use Schlotzsky’s as a backdrop anytime they do stories about the Internet. “It’s a perfect place to demonstrate free public Internet access,” says Wooley.
And the public does go into Schlotzsky’s, in all shapes and sizes. “You’ll see a mom and dad and three boys come in. The boys will get online right away, and the parents can actually have a conversation,” he says.

In another case, Wooley witnessed a computer crowded by five kids in Little League uniforms. “I don’t need a survey to see that value. Those boys probably wouldn’t have suggested Schlotzsky’s before the Internet access was available,” he says.

He has also seen customers using the wireless access for business videoconferencing.

Extending ‘Prime Time’
Overall, the Cool Deli Stations have had the biggest impact on Schlotzsky’s late-afternoon business. “Three o’clock is not prime time in the sandwich business, yet that’s the highest use time for our computers. It may be an after-school thing,” Wooley explains.

Also, the wireless offering brings in a demographic not previously known to Schlotzsky’s: 38-year-old males. “It’s a subset of the population we were not used to,” he says.

Wooley says colleagues often ask him whether customers come in for the Internet access but not the food. “I tell them it’s just not happening that way. I see beverages and food on the tables.” He says that Schlotzsky’s has not studied whether food sales have increased as a direct result of the computer installations.

He says simply, “I’m from the school of, ‘if you get customers to spend more time in your store, they are going to spend more money.’”

Many of the rewards, he says, are intangible. “I’ve talked with customers, and they just love us for doing this.”

He notes that the age groups that are high on technology are thought-influencers with money to spend. “And people lugging around laptops with wireless cards can usually afford a sandwich,” he adds.

Learning Curve
Employees are trained to help customers. It’s clear that a franchisee can’t just equip a store with newly emerging technology and expect the staff to “get it.”

But Wooley claims that employees catch on quickly to wireless technology. He says it is even a draw for new employees and a tool for retention.
“Wireless makes the job interesting to employees. They want to know about the technology,” he explains. “We get a lot of single parents who appreciate the opportunity to learn about computers and better themselves.”

Another factor with the Internet stations is that employees have yet another
area to bus. Says Wooley, “They have to keep the stations clean, because kids are going to spill soda, they are going to get greasy fingerprints on the screens.”