

In a \$530 billion industry, plenty of room for others

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During the course of his decades-long career in the software industry, Richard Lilly has hit a few home runs. Back in 1975, for instance, the Massachusetts native and expert on software systems for manufacturers founded Software International, a company which, seven years later, caught the eye of General Electric, which bought it. Then, he started ProfitKey International Inc., which he sold in 1994, and which ended up posting tens of millions in revenues. In 1992, Lilly he started up Lilly Software Associates, which is now part of Infor Global Solutions Inc.

Now, Lilly, 73, is the chairman and one of the major players behind another tech startup, Hampton-based Lionwise LLC, a two-year-old software company which sells point-of-sale computer systems to restaurants. The systems handle front-office tasks such as entering orders and processing credit cards, as well as traditional back-office functions, such as tracking inventory and running financial reports.

The switch from the manufacturing sector to the restaurant industry might seem unexpected for Lilly, but he pointed out that both factory and restaurant workers need the same conditions for optimal success: the tools to make their jobs as easy as possible and to get their work done in the shortest amount of time. However, unlike manufacturing jobs, restaurant work can't generally be outsourced. "You're not going to lose the restaurant business because nobody wants to travel more than half an hour to eat. Restaurants will always be with us -- and as the population grows, restaurants will grow," Lilly said, adding, "What every restaurant needs to know is what the pattern is." Those patterns can be found in the data gleaned from Lionwise's POS systems -- for instance, if particular items on the menu are selling well. But the systems also make it possible for restaurant owners to review that data while out on the floor. That gives them the opportunity to make operational changes quickly if the need arises ... for example if the weather turns frosty and cold and a particularly tasty soup is selling well at 7 p.m., the kitchen can make another batch to avoid selling out by 8. Another benefit to the systems is that they make things much more efficient for workers. Servers can enter orders, divide checks or reorder a round of drinks in seconds. All in all, those efficiencies translate into more revenues for eateries.

As for the systems themselves, while Lionwise is at its heart a software firm, a lot goes into the complete package. Lionwise's per-terminal license fee is \$895, but that's only the starting point for a system. "We don't just sell software. We sell the hardware the software runs on. We sell all the infrastructure that ties the products together," said Scott Filiault, Lionwise's president. "The cost of a Lionwise system has a thousand variables."

A Lionwise system is in place at The Galley Hatch restaurant, in Hampton. Lionwise also offers service support, and training for the systems it sells. Other customers include The Barley House Restaurant and Tavern in Concord, and Cotton Restaurant in Manchester. The Galley Hatch -- a particularly large independent restaurant which also has a retail store -- has 14 Lionwise stations. While Lionwise is entering a crowded market -- its competitors include Georgia-based Radiant Systems, maker of the Aloha Point-of-Sale system, and Rhode Island-based POSitouch -- the company is undaunted. That's not merely because they have confidence in their own product, but also because the market is so huge. Nationwide, according to Filiault, the restaurant business is a \$530 billion industry, of which table-service restaurants make a big chunk. That leaves a lot of room out there for competition, even when one breaks down the market into smaller segments. "Right now, our target (market) is table-service and quick-service restaurants that are independently-owned and -operated," said Filiault. "The message we're bringing to these folks is we can enhance their profitability and enhance their efficiency. We can do that because of our expertise."

"A good POS system," Filiault added, "has a definite return-on-investment for a restaurant." That's a message Lionwise plans to spread far and wide in the coming year, as it embarks on an expansion plan throughout the Northeast. The firm, which now has 15 employees, is ramping up its sales operations. The privately-held company doesn't disclose its financial numbers, but Filiault said Lionwise was on track to be profitable this year. "The plans through 2007 are to expand probably through metro New York and eastern Pennsylvania. By the end of March, we'll probably cover the majority of New England," Filiault said. "We're adding one to two salespeople a month and obviously the operations staff to go with that," Filiault continued.

As for Lilly's long-term hopes for Lionwise, he said he would like it to work out like his previous companies did. He and his family own about a third of the company. "I would like to see (Lionwise) have a pattern similar to Lilly Software -- growing to \$10 million (in sales) in a few years, then \$50 million in a few more years, and then we'll see where it goes from there," Lilly said.

