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Market cashes in on upscale appetites

San Francisco's DeLessio dishes prepared goods

BY LEENA RAO
San Francisco Business Times

DeLessio Market & Bakery strives to make five-star food to go. The upscale market with two San Francisco locations has capitalized on busy professionals' seemingly bottomless hunger for delicious prepared foods and baked goods.

DeLessio has seen 75 percent growth in revenue over the past three years, with this year's revenue expected to be \$4.2 million. Founded in 2001, the owners operate a store in Falletti's grocery store in the Panhandle and another on Market Street in the Castro, with a staff of 68. The market is about to sign a lease for a third location, about 10,000 square feet, in SoMa.

With healthy growth under their belts, co-owners James Faber and Patrick DeLessio are taking the business in yet another direction: going fully organic. The two raised prices by at least 25 percent in August to offset the skyrocketing cost of foods and the slowing economy, and wanted to add value as well.

"We were frightened by the risk, but we knew we were doing the right thing for our business," Faber said. "Going 100 percent organic was a leap, but we were hoping to satisfy our core cus-

tomers while also attracting new ones."

For DeLessio, the transition to a menu using only sustainable, natural farming and certified organic foods was tough. Sustainable, natural farming refers to the ability of a farm to produce food without causing damage to the ecosystem, and certified organic means the food has been produced without using pesticides, fertilizers, hormones or antibiotics. The company purchases only produce that meets the practices used by the Ferry Building's farmer's market certification process. To switch to this kind of food, Faber had to develop new relationships with local organic farmers and other food sources. He and his staff had to re-develop their menus and recipes to fit the new approach.

"I need to be engaged with farmers on a daily basis to plan what we are going to serve next week. ... The markets tell us what to make," Faber said.

Perhaps one of the greatest challenges the market faced was how to convince customers that a 25 percent to 30 percent increase in price was worth it. DeLessio made the switch to a 100 percent organic and sustainable menu in October, and so far, has been pleased with the response, both in revenue and from customers.

"The response has been remarkable from our customers. People in San Francisco not only appreciated commitment to the green cause but truly value organic foods," said Faber.

Faber's move to 100 percent locally grown, organic food may be forward-thinking.

"Local sourcing is the way of the future,"

said Temra Costa of the Community Alliance with Family Farmers, who works with DeLessio through the alliance's Buy Fresh Buy Local program. "They are really ahead of the game."

While organic products cost at least 40 percent more to source than regular foods, Faber said that he is able to manage this increase in cost by raising prices and by getting more use of the product because its organic.

For example, DeLessio can use an entire head and stem of organically grown broccoli, versus only being able to use the head of a conventionally-grown broccoli. Faber said the stem of a non-organic broccoli tended to be bitter tasting and useless in his previous menus.

Faber, a former restaurant consultant, met DeLessio in the mid-'90s and quickly realized they both had a passion for providing gourmet, high-quality food to the masses. They opened the Market Street location in 2001 and the Panhandle location in 2006.

So what's the market's secret to success? A flexible business plan that is revisited from time to time, Faber said. With the change to organic products, he took time to re-examine production and increased efficiency by 25 percent in the past few months by amping up production of food while maintaining the same labor costs.

Another element to success is that the market sells upscale dishes, but remains accessible.

"People can get the same food they eat at a five-star restaurant for much less here," he said.

SNAPSHOT:

DeLessio Market And Bakery

Location: San Francisco.

Co-founders: James Faber and Patrick DeLessio.

2008 revenue (expected): \$4.2 million.

2007 revenue: \$4 million.

2006 revenue: \$2.4 million.

Three-year revenue growth: 75 percent.

Founded: 2001.

Employees: 68.

Web site: delessiomarket.com

Element of success: Willingness to adopt change.

Smartest move: Teaming up with Patrick DeLessio.

Biggest risk: Going to the fully organic format.

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