

CRITTENDEN'S  
**Restaurant Insider**<sup>TM</sup>

Crittenden Research, Inc., P.O. Box 1150, Novato, CA 94948

Customer service (800) 421-3483

Vol. 4, No. 36

September 29, 2008

## Brands Pass On Savings To Franchisees

Concepts attract franchisees with low buildout costs, stronger supplier relationships and most importantly, great ROIs. A remanufactured equipment program helps **Church's Chicken** cut equipment costs in half for franchisees. The QSR chicken brand will open 25 to 30 more units this year with at least 55 to 60 envisioned for 2009. **Baja-Sol Restaurant Group** aims to cut costs with lower priced interiors and equipment. Watch for the Mexican concept to add four more units by year's end. **Fuzio Universal Bistro**'s new franchise program gives franchisees a total opening package that keeps buildout low. The Italian/Asian bistro will open three more units this year in Fremont, Stockton and Brentwood, Calif. Low initial investments and average checks bring in high traffic and profits for **Stevi B's Pizza** operators. The pizza chain aims to open eight more units this year and 15 to 20 next year. **Elevation Burger** plans to keep franchisees satisfied with low buildout and by redistributing rebates from suppliers back to franchisees. The company will take Elevation into Austin, Texas, Philadelphia and Baltimore.

Brand integrity and key personnel are important criteria when choosing a restaurant concept to franchise but at the end of the day all franchisees desire brands that will give them the best return on their investment. One of the easiest ways to provide good ROIs is by keeping buildout costs low and not making franchisees add unnecessary expensive décor strictly for looks. Church's development team constantly works toward a lower buildout. The brand saves on equipment costs by partnering with a company that can take equipment from closed down restaurants and refurbish it to nearly new condition for franchisees. Church's sales to investment returns of conversion units with land are 1.44:1 and conversions without land are a vast 1.93:1. Baja-Sol President **Bridget Sutton** follows a similar model and is very careful to keep buildout costs low. An average initial investment for a **Baja-Sol Tortilla Grill** runs \$400K. Returns come in at 2:1. A former Taco Bell franchisee of 38 years, **Allen Beebe**, picked up Fuzio from Chevy's ownership last year and is working to whittle down buildout costs below \$750K, which will then provide franchisees with a 2:1 ROI. Stevi B's President and CEO **Jordan Krolick** targets a 40% cash-on-cash (EBITDA/Total Investment) return. With investments that are 80% financed he targets a 200% return (EBITDA / Cash Investment) prior to debt paydown. Elevation franchisees are attracted to the low buildout costs starting at \$338K and like the brand's commitment to organic/natural meats and veggies. The brand doesn't want to make money on ingredients/products and strives to pass all savings back to franchisees.

Watch for Church's Chicken to target Los Angeles, Phoenix, Colorado, Georgia and Texas for much of its expansion this year. The company will finish 2008 with 55 to 60 new units and anticipates exceeding that next year. Church's is favorable to consumers because the brand is synonymous with value. This year marks the 1,600-unit company's fifth consecutive year of positive SSS. Earlier this year the company rolled out a modular unit that could be open for only \$250K all in and shrank its prototype down to 1,700 s.f. by streamlining the kitchen, while keeping the lobby consistent with 36 seats. Church's capitalizes on using conversions for around one-third of new units because buildout is as low as \$300K to \$400K including land. EVP and Chief Franchise Officer **Doug Pendergast** is flexible with conversion units and looks for any shell from 1,000 s.f. to 2,000 s.f. New builds cost \$500K to \$600K not including the land. Sales to investment returns on ground-up units average 1.36:1 not including land and 1.16:1 including land. Previous QSR experience with multiple brands and existing relationships with local banks is a plus. Church's works with **Irwin Franchise Finance** for lending needs. An average check is \$7 to \$8 varying by location.

Baja-Sol's next few units will open in Chicago and The Twin Cities, which brings the company's portfolio to 20. Look for the company to double in size next year with a mix of its fast-casual Baja-Sol Tortilla Grill and its full-service **Baja-Sol Cantina** in the multi-unit deals inked for SoCal including San Diego and Chicago.

*Continued on Next Page*

## Brands Pass On Savings To Franchisees...

*Continued from Page 1*

Baja-Sol President Sutton was once a franchisee of the brand and is careful to find deals on interior packages and décor. She likes to use color and textures to help create an ambiance and shies away from expensive materials like exotic woods and natural stone. Sutton believes that a great interior is possible using less expensive materials if colors are utilized correctly. Baja-Sol saves franchisees money by hiring an in-house architect that also helps keep designs consistent. The company looks for units around 2,000 s.f. to 2,500 s.f. End caps are preferred but inline units also work and lifestyle centers are ideal. The average size of a Cantina is 5,000 s.f. to 6,000 s.f. with 150 seats, and an average check is about \$12.50. Sutton will go up as high as 7,500 s.f. for Cantina units if it is a conversion. Cantina's returns run better than 1:1 but take a little longer to get off the ground due to the larger model and buildout of \$1.1M to \$1.2M. Baja-Sol works with **AnchorBank** and **Stearns Bank**.

Count on Fuzio to open three to four more corporate units next year. The 10-unit company aims to court franchisees and hopes to raise that number in 2009. President, CEO and Owner Beebe wants to provide franchisees with the total package from site selection to equipment and marketing. He is still working out the kinks and will roll out franchising this year. Beebe is careful to leave nothing to chance and already put a distribution company in place to handle all new and existing units. Ideal franchisees will open three to five units and come with industry experience. Fuzio likes franchisees that have another brand and relationships with banks already in place. The concept's core menu revolves around Italian and Asian menu items. An average check is about \$17 to \$18 at dinner, which delivers value to consumers due to its higher quality bistro-type entrées. Ideal units are 3,000-s.f. to 3,500-s.f. inline or end cap spots. Fuzio looks for mixed-use developments with nearby rooftops. New units are expected to gross \$1.5M and buildout is currently around \$750K but Beebe strives to bring this number down a little. CFO **Paul Draper** owns **Centerra Capital Inc.**, an investment banking/investment management firm specializing in mid-size companies that provides Fuzio with funding.

Watch for Stevi B's to stay in the Southeast for the time being with its next few units to open in South Florida. New owners **Argonne Capital Group LLC** picked up the brand early this year from its founders and plan to excel in franchising. The 31-unit pizza buffet concept seeks to ramp up expansion to open one to two units per month during 2009. Stevi B's aim to continue to grow at a rate of 15% corporate and 85% franchise locations. Franchisees are attracted to the concept due to its high sales and hefty returns. Consumers find value in the \$5 to \$7 average check. Krolick eyes a sweet spot of 3,600-s.f. inline and end cap units. The company is flexible to work in all types of retail centers but shies away from freedstanding spots. Expect Stevi B's to target area developers and multi-unit franchisees as the company leaves its home of Atlanta. An average initial investment to open one unit is targeted at \$500K under the new owners. The company works with institutional lenders like **Banco Popular** and **Cornerstone Bank**.

Elevation inks a few new deals that call for three units to North Austin, five units in a Philadelphia suburb and three units to Baltimore. Elevation Burger rapidly expands its Virginia-based organic burger concept with 24 locations in development across Pennsylvania, New Jersey, Maryland, Northern Virginia and Washington, D.C. It may be too soon to call ROIs as the brand only has its first unit open for business with three more in construction to open by year's end. Watch for another three in the first half of next year. Ideal units range 1,700 s.f. to 2,200 s.f. in power and grocery-anchored centers. Whole Foods, Chipotle and Starbucks are great neighbors. An average check is \$12.

## Pizza Bakes Up Positive Players

**Papa Murphy's Take 'N' Bake Pizza**, **Shakey's USA Inc.** and **Extreme Pizza** spin out sales increases and hefty pipelines. Boasting double digit comps, Papa Murphy's bets on 70 units to open by December and expects 160 to 170 stores next year throughout the Southeast. Shakey's will open five more units this year and plans at least eight during 2009 in California, Colorado and Georgia. The chain enjoys 38 months of positive sales. Extreme will open four more units this year and 12 to 15 next year in California, the Washington, D.C., MSA and Texas, while keeping sales flat or up at corporate stores.

One segment that seems to be doing all right in the current economy is pizza because you can feed many for a low average check. Shakey's SSS are positive and that helps boasts sales up 9.5% over 2007. President and CEO **Joe Remsa** feels the value proposition that Shakey's offers and a family friendly atmosphere is what drives his sales. Shakey's recently put money into remodeling the units by adding flat screen TVs and games to bring in families who can all eat for \$20.

*Continued on Next Page*

## Serving Up Sale-Leasebacks

### Concept: Ruth's Chris Steak House

### Buyer: Sovereign Investment Company

Ruth's Hospitality closes a sale-leaseback deal for five properties to Sovereign Investment Co. for \$17.6M. The five properties are located in Metairie, La., Columbus, Ohio, Palm Desert, Calif., and Palm Beach and Sarasota, Fla. Ruth's agreed to lease the properties back for initial terms of 12 to 20 years along with two five-year options. The company will use the influx to reduce the company's outstanding debt balance on its revolving credit facility. At the end of Q2 2008 the company's long-term debt was \$179.8M. Ruth's is also evaluating a sale-leaseback for the company's headquarters but do not have any plans committed at this time.

### Concept: Del Taco Corp.

### Buyer: Innovative Property Partners LLC

Del Taco Corp. sells 15 properties to Innovative Property Partners, an affiliate of Faris Lee Investments, for \$24M. The units were built between 1998 and 2002, and are located in Arizona, California and Nevada. Faris Lee Capital, the financing arm for Faris Lee, provided the financing for this transaction. Del Taco executed 20-year absolute triple net (NNN) leases and will continue to operate the properties. In 2007, Faris Lee completed more than \$1.8B in sales of more than 122 retail centers throughout the United States, and currently seeks other sale-leaseback opportunities to match buyer needs with niche opportunities.

## Pizza Bakes Up Positive Players...

*Continued from Page 2*

Papa Murphy's experiences double digit comps, which Director of Franchise Sales **Jim Werling** attributes to quality food, a lower average check and 30% more product than other QSR pizza chains. By offering the take-and-bake pizzas Papa Murphty's picks up customers that like to have the pizza ready on their time and not have to depend on a delivery guy. Werling views these positive sales as a reason for the company to stick to its formula and weather the economic storm. Extreme Pizza shows flat to slightly positive sales at corporate stores and the company looks toward delivery to boost sales. VP of Business Development **Jimmy Ryan** is spending a lot of money marketing and rewarding loyal customers to keep guests returning. Watch for some locations to stay open late to bring in the bar and college crowd.

Papa Murphy's will open 70 new units before year's end including locations in North Carolina and Memphis, adding to its 1,098-unit portfolio. Count on 160 to 170 units next year throughout the Southeast from Pennsylvania to Florida. Director of Franchise Sales Werling expects positive sales to continue and plans to enter new territories in 2009, while continuing to grow the brand to the tune of another 180 deals signed next year. The average unit is 1,200-s.f. inline or end cap where available. Werling likes grocery-anchored centers with a video or liquor store and good visibility. Papa Murphy's likes single- and multi-unit franchisees and 85% usually open more than one unit, although Werling has noticed that credit is becoming harder to get for new franchisees. Papa Murphy's works with **Irwin Financial Corp.**, **Wells Fargo** and **GE** on multi-unit deals for financing. Initial amount to open one unit is about \$225K to \$250K and the franchisee fee is \$25K for the first store and \$15K for additional units.

Look for new Shakey's corporate units in Palmdale, Calif., next month and Temecula, Calif., by end of the year. Watch for franchises to open in Auburn, Ga., Fontana and Canoga Park, Calif., by year's end. President and CEO Remsa bets on two corporate units and six franchised units for 2009 including Denver and Columbus, Ga. The 50-unit brand recently purchased four Big's Pizza units from a former franchisee in SoCal for \$2.2M. Three of the units have already been remodeled and reopened as Shakey's and have seen jumps in sales between 60% and 100%. AUVs are \$1.65M at legacy units and just over \$2M for new units. The company looks for 6,000-s.f. to 6,500-s.f. end cap units near daily need retailers. Remsa likes good visibility because the familiar building and signage is the best advertising. Initial opening costs run between \$1.3M and \$2.8M. Shakey's works with **GE Capital** or **Wells Fargo** for funding, and recently hired VP of Franchise **Rob Fix** — who brings Cosi and Red Robin experience — to help push franchising.

Extreme Pizza brings on four units in the next two months in Florida and California and plans 12 to 15 units next year. VP of Business Development Ryan also looks into international markets in Mexico, India and Ireland. He expects the concept to be at 100 units in a few years. An average check at the 38-unit chain is \$10 for dine in and \$27 for delivery. Look for two new dessert pizzas that are currently in the test phase. Ryan really wants to focus on delivery, which makes up 50% of sales. Units are 1,500 s.f. to 1,600 s.f. and can be inline in strip centers but depends on the market. The company just launched a new Web site with updated online ordering options including rewards for loyal customers and are testing possible a "buy your friend lunch" option at check out. Ryan likes to work with experienced franchisees. The amount to open the first unit ranges from \$202K to \$406K. Growth is funded through cash flow, franchise royalties and relationships with **Wells Fargo**, **PNC Financial Service** and **Comerica Bank**.

*Quotation not permitted. Material may not be reproduced in whole or in part in any form whatsoever. Copyright © 2008 Crittenden Research Inc.*

## Lower Checks=Higher Revenues

Consumers want to eat out even in slower economic times and will look to restaurants with lower price points for lunch and dinner. Concepts with average checks of \$8 or less can benefit and keep sales up with solid growth plans. **Huddle House Inc.** plans 12 units before year's end targeting the Midwest and Southwest. **Paciugo Gelato** will open two units before the end of the year and should bring on another 25 to 29 during 2009. **Freddy's Frozen Custard** adds nine more units this year in the Southwest and counts on at least another 25 next year. Smaller portion sizes create lower average checks allowing **BAB Inc.** to develop its brands, **Big Apple Bagels** and **My Favorite Muffin**, with four coming by year's end and six to eight planned for 2009. **Foster's Grille** bets on 10 units in the next nine months in New York, Virginia and Florida, and looks at menu options that could lower transactions and bring in traffic.

Trading down is the phrase on everyone's lips as fine- and casual-dining brands are losing sales to fast-casual and QSR concepts. From bagels and burgers to treats and frozen custard, four of these concepts boast average checks at \$8 or below. Both Freddy's and Paciugo pick up sales from people who are opting to get an affordable treat instead of eating a meal out. Huddle House Director of Franchise Development **Debra Webb** notices a decline in fine dining, especially for families going out. That is why the fast-casual concept strives to keep the average check at \$6 and offers "Big House Platters" for \$5.99. She points to Huddle House's ability to deliver an affordable alternative to fast food in a diner setting as the greatest strategy for keeping price points low and sales high. Webb also notices breakfast sales picking up since consumers often view this daypart as the most cost efficient meal, which has also helped sales at BAB. The bagel chain recently added a smaller portion sandwich line that also helps keep checks down. Fast-casual burger chain Foster's tests an a la carte menu that should lower the \$10 average check.

Odds are the 448-unit Huddle House will add 12 more units to its portfolio this year in Monahan, Texas, Mississippi, Tennessee, South Carolina and West Virginia. Huge portions and affordable prices should boost the portfolio by another 30 to 40 restaurants throughout the Midwest and Southwest through 2009 as the company strives to grow 10% to 12% per year. The 24-hour fast-casual concept's average check is \$6 and AUVs are \$210M systemwide. Breakfast counts for the largest percentage of sales and the company just launched a truck giveaway promo with Dodge to bring in new customers. Units are 2,000-s.f. freestanding in B and C markets near a Super Wal-Mart. Both single- and multi-unit franchisees are welcomed as long as they have a restaurant background and a net worth between \$150K and \$250K. Franchisee fees are \$25K, and the cost to open one unit is around \$500K. Huddle House works with **Direct Capital Corporation** and **Butler Capital Business Lending** for financing.

Paciugo will open two more units before the end of the year in Michigan and Florida. Anticipate the 37-unit company to open 25 to 29 locations next year in San Diego, Los Angeles, San Antonio, Atlanta, Charlotte, N.C., Chicago and throughout Florida and Colorado. The average check is \$4 in residential areas to \$8 near offices. There are three different prototypes: 800-s.f. to 1,200-s.f. street inline units, 400-s.f. to 600-s.f. mall inline spots and 250-s.f. kiosks. Paciugo focuses on locations in shopping malls or lifestyle centers that are over 400,000 s.f. and looks for sites near entertainment or big-box anchors. SVP **Vincent Ginatta** wants to be more franchise dependent for growth and franchise fees are \$30K with combined 7% royalties. Initial amount to open one unit runs \$200K to \$380K depending on the size. Paciugo funds growth through royalties and franchise fees, and works with **GE Commercial Finance** for SBA financing to get franchisees started.

Freddy's Frozen Custard will add another nine units to its 20-unit portfolio before the end of 2008 in Dallas, Oklahoma City, Manhattan and Salina, Kan., and Joplin, Mo. President **Bill Simon** expects a minimum of 25 stores for 2009 in Albuquerque, Phoenix, Denver, Omaha and Lincoln, Neb. He also hints at a fourth unit of his other brand **Timberline Steakhouse & Grill** in Salina through a Freddy's franchisee. With a concept bringing in lunch, dinner and treat sales, Freddy's boasts a low fast-casual check at \$6.80. AUVs are \$500K/weekly systemwide or \$25K/week per store. Drive thru makes up 30% of sales at most locations. Units are 2,700 s.f. to 3,500 s.f. and typically freestanding although Simon is working on an inline prototype for more expensive markets. Locations near schools, theatres and neighborhoods work well. Simon prefers to work with multi-unit franchisees, but he will work with both. The initial amount to open one unit, excluding real estate, is \$300K to \$500K. Freddy's works with local **INTRUST Bank**. Simon also franchises 28 Panera Breads in the Wichita, Kan., MSA.

*Continued on Next Page*

For use of original recipient only. It is illegal to forward or otherwise distribute without permission.

## Lower Checks=Higher Revenues...

*Continued from Page 4*

BAB's development plans this year call for new units in Texas and Atlanta, a **BAB Express** unit for a gas station in Sun Prairie, Wis., and a new hybrid **My Favorite Muffin All Day Bakery Café** to open in Littleton, Colo. The hybrid unit will be more like a café and focus less on the bagels. Bet on the 130-unit chain to add another six to eight units next year throughout California, Texas, Georgia and Arizona of both brands. An average check for either concept is \$5 to \$6 at breakfast and \$6 to \$7 at lunch. Breakfast is the busier daypart. Traditional units are 1,600-s.f. to 2,000-s.f. inlines and some have drive thrus. The new hybrid unit will be 1,600 s.f. while the express unit is 105 s.f. Director of Development **Tony Cervini** likes strip centers or grocery-anchored centers on the "going to work side" to pick up the morning traffic. BAB works with both single- and multi-unit franchisees and 25% open more than one store. The franchise fee is \$25K and the initial amount to open one unit is \$300K.

Count on 25-unit Foster's Grill to open one unit per month with 10 expected in the next nine months in New York, Virginia and Florida. VP of Franchise Development **Tom Palazzo** is starting to reach out to restaurant operators of other brands to franchise some Foster's units. He wants to work with people who understand the business and can accelerate Foster's growth. So far, he has contacted over 50 companies and two are in negotiations. The average check at the fast-casual burger chain is \$10 but it could go down if the company implements an a la carte menu. A lower average check should attract sales from people who just want a burger and want to save money on a drink or side. Foster's AUVs are between \$600K to \$700K. Dinner makes up 60% of sales, and 90% of the business is from dine-in customers. Units are 2,400 s.f. to 3,000 s.f. and Palazzo likes end caps in new shopping centers with big anchors like a Wal-Mart, Lowe's and The Home Depot. He is also starting to look for lifestyle center locations near a bookstore or movie theatre. Foster's has worked with developer **Rappaport Companies** on projects and local lenders in Virginia and Maryland but is in talks with **CIT Group** to help with funding. Single- and multi-unit franchisees are welcomed with a franchise fee of \$35K and 5% royalties. Initial cost to open one unit is around \$350K to \$450K depending on the size.

## Short Orders

☛ Keep an eye out for **Chima Brazilian Steakhouse** to bring a new unit to Charlotte, N.C., in November. Owner and Founder **Bruno Silva** looks for additional parcels in big cities like Boston, Detroit or Chicago. The company currently has five units and Silva wants to grow the brand 25% annually and hopes to have 10 units by 2011 and 60 units by 2020. He funds his growth through relationships from various lenders. All units are corporate owned but Silva does not rule out the idea of franchising in the future. Units range from a vast 10,000 s.f. to 12,000 s.f. and are either freestanding or end caps. Chima looks for spots with good lunch and dinner foot traffic in major cities and will only open a mall unit if it has direct street access. Lunch is the busiest daypart. An average check at the upscale brand is \$75 to \$80 during the busy season and \$60 to \$65 during the low season. Chima features all-you-can-eat Brazilian fare with over 17 meats served by Gauchos, as well as a 40-item salad bar.

☛ Look for two to three **Farmer Boys Food Inc.** units in Bakersfield and the Central Valley of California. The 60-unit fast-casual chain will expand its portfolio 10% per year, so count on five to seven new units during 2009. President and COO **Ken Clark** focuses on existing California markets for expansion, but plans to open a second Las Vegas unit next year. The average check is \$10 and AUVs are around \$1.3M. Clark stands firm that the brand will not change quality or portion size because of higher commodities, instead he looks toward new menu items such as iced lattes and LTOs like salad wraps to bring in sales. Units are 3,000 s.f. and are usually freestanding pads in big-box centers, but industrial and smaller retail developments work too.

Farmer Boys is a little different in that it is fast casual, but also has drive thrus making up 35% of sales. The company works with single- and multi-unit franchisees and the franchise fee is \$45K with 5% royalties. Clark sees plenty of opportunities for franchisees to get financing and they are encouraged to work with banks or lenders of their choosing. Farmer Boys has relationships with several large nationwide banks, as well as small local banks to fund growth.

## CONTACTS

- BAB Inc. (Big Apple Bagels): 500 Lake Cook Road, Suite 475, Deerfield, IL 60015. Tony Cervini, Director of Development, (800) 251-6101. [tcervini@babcorp.com](mailto:tcervini@babcorp.com)
- Baja-Sol Restaurant Group: 2922 Upper 55<sup>th</sup> St., Inver Grove Heights, MN 55076. Bridget Sutton, President, (651) 554-1111. [bsutton@Baja-Sol.com](mailto:bsutton@Baja-Sol.com)
- Chima Brazilian Steakhouse: 2400 E. Las Olas Blvd., Suite C, Fort Lauderdale, FL 33301. Bruno Silva, Owner/Founder, (954) 712-0593. [bruno@chima.cc](mailto:bruno@chima.cc) [www.chimasteakhouse.com](http://www.chimasteakhouse.com)
- Church's Chicken: 980 Hammond Drive N.E., Suite 1100, Atlanta, GA 30328. Doug Pendergast, EVP/Chief Franchise Officer, (770) 350-3800. [dpendergast@Churchs.com](mailto:dpendergast@Churchs.com)
- Elevation Burger: 2617 Columbia Pike, Arlington, VA 22204. Hans Hess, Founder, (702) 521-3333. [hans@Elevationburger.com](mailto:hans@Elevationburger.com)
- Extreme Pizza: 1062 Folsom St., San Francisco, CA 94103. Jimmy Ryan, VP of Business Development, (415) 703-8122. [jimmyryan@extremepizza.com](mailto:jimmyryan@extremepizza.com)
- Farmer Boys Food Inc.: 3452 University Ave., Riverside, CA 92501. Ken Clark, President/COO, (888) 930-3276. [kclark@farmerboys.com](mailto:kclark@farmerboys.com)
- Foster's Grille: 4432 Costello Way, Haymarket, VA 20169. Shawn Foster, President/CEO; Tom Palazzo, VP of Franchise Development, (703) 754-6220. [tpalazzo@fostersgrille.com](mailto:tpalazzo@fostersgrille.com)
- Freddy's Frozen Custard: 1455 N. Rock Road, Suite 210, Wichita, KS 67206. Bill Simon, President, (316) 260-8282. [billsimon7@aol.com](mailto:billsimon7@aol.com) [www.freddysfrozcustard.com](http://www.freddysfrozcustard.com)
- Fuzio Universal Bistro: 801 10<sup>th</sup> St., Fifth Floor, Suite 1, Modesto, CA 95354. Allen Beebe, President/CEO/Owner; Stacy Mald, Managing Partner, (209) 524-5510. [smald@ctytower.com](mailto:smald@ctytower.com)
- Huddle House Inc.: 5901 Peachtree Dunwoody Road N.E., Suite B450, Atlanta, GA 30328. Debra Webb, Franchise Development Director, (770) 325-1303, fax (770) 325-1309. [dwebb@huddlehouse.com](mailto:dwebb@huddlehouse.com)
- Mojo Yogurt: 620 Newport Center Drive, 14<sup>th</sup> Floor, Newport Beach, CA 92660. Hitesh Patel, VP of Operations, (949) 610-8057. [hiteshP@tarsadia.com](mailto:hiteshP@tarsadia.com)
- Paciugo Gelato: 1215 Viceroy Drive, Dallas, TX 75247. Vincent Ginatta, SVP, (214) 654-9501. [vincent@paciugo.com](mailto:vincent@paciugo.com)
- Papa Murphy's Take 'N' Bake Pizza: 5020 Vista Del Ore Point, Colorado Springs, CO 80919. Jim Werling, Director of Franchise Sales, (719) 265-6631. [jimw@papamurphys.com](mailto:jimw@papamurphys.com)
- Pinkberry Inc.: 2122 W. Washington Blvd., Los Angeles, CA 90018. Ron Graves, CEO, (323) 730-9889. [info@Pinkberry.com](mailto:info@Pinkberry.com)
- Ruth's Chris Steak House: 500 International Parkway, Suite 100, Heathrow, FL 32746. Robert Vincent, CFO/EVP, (407) 333-7440, fax (407) 333-3488. [www.ruthschris.com](http://www.ruthschris.com)
- Sagittarius Brands (Del Taco): 25521 Commercentre Drive, Lake Forest, CA 92630. Nick Shepherd, Chairmen/CEO, (800) 550-4877. [www.deltaco.com](http://www.deltaco.com)
- Salades de Provence: 1040 N. La Cienega Blvd., West Hollywood, CA 90069. Richard Makinadjian, Owner, (310) 657-9696. [richard@saladesdeprovence.com](mailto:richard@saladesdeprovence.com)
- Shakey's USA Inc.: 2200 W. Valley Blvd., Alhambra, CA 91803. Joe Remsa, President/CEO, (626) 576-0616. [jremsa@shakeys.com](mailto:jremsa@shakeys.com)
- Stevi B's Pizza: 1690 Roberts Blvd., Kennesaw, GA 30144. Jordan Krolick, President/CEO, Greg Bennett, VP of Franchising, (770) 514-7783. [gbennett@stevibs.com](mailto:gbennett@stevibs.com)
- Wokcano Café: 716 Monterey Pass Road, Monterey Park, CA 91754. Marcus & Michael Kwan, Co-Owners; Emanuela Cariolagian, Media Rep, (323) 644-2111. [empressbox@gmail.com](mailto:empressbox@gmail.com) [www.wokcanocafe.com](http://www.wokcanocafe.com)
- Yogurtland: 15320 Valley View Ave., Suite 5, La Mirada, CA 90638. Terrence Chan, VP of Franchise Development, (562) 944 5181. [terrence@yogurt-land.com](mailto:terrence@yogurt-land.com)
- Zislis Group (Rock'N Fish, MUCHA ULTIMA MEXICANA): 120 Manhattan Beach Blvd., Manhattan Beach, CA 90266. Michael Zislis, Owner, (310) 379-9900. [www.rocknfishmb.com](http://www.rocknfishmb.com)

## High Hopes In High Barrier Market

Do not underestimate upstart Southern California brands with big plans and experience in the competitive, high-barrier-to-entry Los Angeles market. **Wokcano Café** will open two units annually, including a new unit in Long Beach this year and possibly Orange County and San Diego locations.

A Beverly Hills, Calif., unit is on tap for **Salades de Provence** this month and the French café concept looks to spread to other major metropolitan cities once the brand is established. Keep an eye on **Zislis Group** to open its next **Rock'N Fish** in LA LIVE. Founder **Michael Zislis** plans to stretch the legs of its two one-unit concepts: Rock'N Fish and **MUCHO ULTIMA MEXICANA** throughout SoCal.

Los Angeles is a tough market to enter but once in, you're "in" and there isn't a better market to start in for upscale brands such as Wokcano, Salades de Provence and Rock'N Fish that want to set roots in SoCal. Sure rent is pricey, but high-profile real estate rents should hold steady as vacancy rates are expected to impact second- and third-tier retail developments before Class-A spots, which are these brands preferred real estate. Los Angeles' vacancy is at a comfortably rising 3% as of Q2 up only .5% from the same quarter last year, so no big market changes are expected while these brands set up a foundation for expansion. Experience in this market goes along way when taking expansion on the road. Once the concepts find rare A-plus real estate and are established in this market, it can be easier to enter other big cities.

Wokcano Café owners **Marcus** and **Michael Kwan** bring experience from being partial investors in the **Tatou Supper Club** in Los Angeles and decided to start a restaurant concept that combines a club with fine dining. Brothers **Richard Makinadjian** found success with his family-owned **Papagyo Aix-en-Provence** in the South of France and moved here to try his luck with the restaurant industry in America. Once his brand is established in L.A., he will use his experience there to expand out to other big cities. Rock'N Fish Founder Zislis knows the SoCal market and the people in it. He managed to raise the necessary funds from private individuals for his newest location in Downtown Los Angeles in only two weeks. Zislis works with private funding and is able to get it because he provides high ROIs that keep people wanting to invest in his concepts.

Count on two Wokcano restaurants per year throughout SoCal including Long Beach at the **Long Beach Promenade** coming in November. Look for the five-unit brand to head south from L.A., with Wokcanos in Newport Beach and San Diego. Owners Marcus and Michael Kwan plan to take the company public one day. Units range from 6,800 s.f. to 12,000 s.f. and are in a variety of retail types but are usually near upscale retail brands. The new units are slightly bigger to accommodate big parties. An average check at the upscale casual concept is \$13 to \$14 for lunch and \$25 to \$40 for dinner. The Kwans want to keep their pricing one notch below competitor and Los Angeles brand Sushi Roku but still have high quality. Asian fusion with Japanese, Chinese, Thai and Korean options help the menu accommodate everyone's tastes. There are also lunch specials that range from \$9.95 to \$11.95. Wokcano is open late and has two happy hours available seven days a week, including one from 10 p.m. to 1 a.m. The company also cashes in on club traffic with DJ's spinning music on the weekends. Funding is done through private investors and a combo of banks.

Salades de Provence will open its second unit in Beverly Hills on the famous Rodeo Drive and Owner Makinadjian is looking for a third location to either be in Santa Monica at the **Third Street Promenade** or Old Pasadena. After Makinadjian adds a couple more cafés to his Los Angeles portfolio he wants to expand the brand through franchising and looks for locations in other big cities like New York or Miami. Units are 1,200-s.f. to 2,000-s.f. inlines and the Beverly Hills one will be inside the Frederic Fekkai salon. An average check at the casual-dining restaurant is around \$18 to \$22 depending on the location. The menu features French fare with 15 varieties of salads, crepes and quiches. The busiest daypart is lunch during the week and all day during the weekend. Growth is funded through private investing.

Watch for Rock'N Fish's next location to open in Downtown Los Angeles this year. The three-unit boutique restaurant company is ready to grow its two main concepts. Zislis also runs a 38-room boutique hotel in Manhattan Beach. He believes the hotel is also ready for expansion. Expect the company to saturate SoCal with locations envisioned for affluent beach communities. An ideal Rock'N Fish runs 4,000 s.f. with seating for 100 to 125 but the LA LIVE unit will be larger to accommodate the high traffic of the center and will be 6,000 s.f.

## Fro-yo Concepts Pick Up Inline Vacancies

Healthy frozen yogurt concepts Yogurtland, Pinkberry and Mojo Yogurt scoop up smaller vacancies left behind from the soft economy helping each implement massive expansion plans. **Yogurtland's** pipeline contains more than 30 units in construction with many more leases in negotiation. Look for an entrance into NoCal with 10 stores in development starting in 2009. **Pinkberry's** plans call for another 10 or so units this year and odds are the company will ramp things up in 2009. Newcomer **Mojo Yogurt** enters the scene with 12 units under development. Watch for four more to open in the next 30 days in Arizona.

A craze among consumers, trendy and tart frozen yogurt brands capitalize on consumers choosing healthy snacks and meal replacements. SoCal is the battleground for the frozen yogurt wars and Yogurtland, Pinkberry and Mojo all started there first. These emerging brands are quick to grab great inline spots. Yogurtland and Pinkberry already proved to be real competition for the larger international companies that have entered the U.S. in the past couple years such as Red Mango and Yogen Früz. Yogurtland had a huge growth spurt this year and the company plans to grow by 150% next year. Pinkberry holds all the clout attracting celebrities, locals and tourists just trying to get a taste of the craze. The wave of popularity allows Pinkberry to target 20 openings in Q3 and Q4 alone. Mojo may be new but that doesn't mean it still can't succeed. Anyone in SoCal knows small one- or two-unit concepts literally pop up over night. It will be interesting to see what concepts can pull their weight and fill out their pipelines.

Expect Yogurtland to open another 17 units by the end of the year bringing its total to 40. Next year's plans call for another 60 units. Based in Orange County, Calif., the grew from five to 23 units already this year and will now target Los Angeles, San Diego and Arizona for expansion. An ideal unit ranges 1,200 s.f. to 1,600 s.f. and can be in a variety of large and small retail centers. The brand sees growth through an equal split of corporate and franchise units. Franchisees cash in on low buildout costs that range from \$350K to \$400K and a moderately priced product at \$.30/ounce. Yogurtland's concept revolves around 16 flavors of frozen yogurt that are self serve. An average check is \$3.

Watch for Pinkberry to target SoCal and NYC for the bulk of its immediate expansion. Pinkberry just brought on new CFO **Michael Dixon**, who joins with eight years of experience from Cheesecake Factory where he recently held SVP and CFO positions. This marks the 65-unit brand's fifth leadership promotion in the past few months including bringing on **Ron Graves** as CEO. Pinkberry looks for 1,000-s.f. to 1,500-s.f. units in lifestyle centers and strip centers and watch for a freestanding model to open later this year. A new liquid drink product called *Granita* was just launched at lower \$3 and \$3.50 price points.

Mojo's next few units will open in the Phoenix market. Also, watch for a Thousand Oaks, Calif., location late this year. The brand new one-unit concept will need to prove it can compete with the big boys if it wants to succeed in the competitive fro-yo race. An investment vehicle for California-based hotelier Tarsadia Hotels and some of its former execs, the brand most likely has the financial wherewithal and hospitality experience to at least make a run. Mojo follows Yogurtland's self-serve model but is nearly 50% more expensive with yogurt and toppings priced at \$.44/ounce. VP of Operations **Hitesh Patel** believes the superior product and imported chocolate toppings will help keep consumers coming back. Ideal units are 1,200 s.f. but can work as small as 800 s.f. or as large as 1,800 s.f. An average check is \$5.

### The Restaurant Insider Team

E-mail: [editor@crittendenrestaurants.com](mailto:editor@crittendenrestaurants.com)

Customer Service  
Tel: (800) 421-3483 Fax: (415) 475-1516  
Email: [market@crittendenonline.com](mailto:market@crittendenonline.com)



Newsroom Tel: (949) 900-3717  
Newsroom Fax: (949) 900-3760

*Restaurant Insider*™ is published by Crittenden Research, Inc., 45 Leveroni Court, Suite 204, Novato, CA 94949. Send address changes to Restaurant Insider™, P.O. Box 1150, Novato, CA 94948-1150. Contents Copyright © 2008 Crittenden Research, Inc. Sample newsletters may be viewed online at <http://www.crittendenonline.com>

Crittenden publishes *The Crittenden Report on Real Estate Financing*™, *Real Estate Buyers*™, *Retail Space News*™, *Restaurant Insider*™, *Hotel/Lodging News*™, *The Apartment Report*™, *BuildersReport*™, *Real Estate Developers*™, *Resort Report*™, *Golf Business & Real Estate*™ and *Pension Funds & Real Estate*™. For more information on our publications go to <http://www.crittendenonline.com>.

*Restaurant Insider*™ is protected by copyright. It is illegal under federal law to make and distribute copies of this newsletter in any form without permission, including without limitation, photocopies, faxes, e-mails, digital scans and postings to an intranet site. Violators risk criminal penalties and up to \$100,000 in damages per offense. Please contact our customer service department at (800) 421-3483 for information regarding site licenses, to request reprints of articles or to inquire about permission to make copies.

Crittenden makes every effort to ensure the accuracy of information in *Restaurant Insider*™. Crittenden uses only those sources it determines are accurate and reliable, but no guaranty or warranty with regard to the information is made or implied. Information in *Restaurant Insider*™ is subject to change. Crittenden does not accept fees, nor is it a business partner with any of the companies mentioned in this publication. The newsletter is an editorial service.