



December 17, 2011

### **Wendy's to Surpass Burger King as No. 2 Burger Chain**

Wendy's could soon surpass Burger King as the nation's second-largest fast-food burger chain under a strategy that focuses on premium foods and restaurant makeovers, according to an analyst report released recently. "We expect Wendy's to overtake privately-held Burger King for the number-two market-share position within the limited-service hamburger sector, perhaps as soon as this year," wrote Mark Kalinowski, an analyst with Janney Capital Markets, which has a buy rating on Wendy's. The debut of contemporary prototype restaurants along with a continued focus on food quality are giving Wendy's the edge it needs to bump Burger King from its No. 2 spot, Kalinowski said during a phone interview. In 2010, Burger King's market share in the limited-service burger segment was 13.3 percent, while Wendy's share was 12.8 percent. McDonald's dominates the segment with a 49.5 percent share, according to the latest figures by Technomic, a market research firm in Chicago. In terms of market-share, Wendy's and Burger King have always enjoyed a good rivalry. But, in the coming months, the two chains might finally flip-flop as Wendy's positions itself as a "cut above" rivals, rather than a "McDonald's clone," Kalinowski said. "We've never really seen Wendy's surpass Burger King before," Kalinowski said. "I think it will happen." In his report, Kalinowski said he expects Wendy's to increase sales if it continues to revamp stores with modern fixtures, fireplaces and flat-screen TVs. Roughly 20 restaurant makeovers across the country have already occurred, he said. It is unclear if restaurants in Orange County will be remodeled. The chain's focus on food quality, including the recent introduction of Dave's Hot 'N Juicy Cheeseburgers, have also positively impacted sales, he said. "There's more to come," Kalinowski said of food innovations at Wendy's. Early next year, Wendy's is expected to debut a revamped chicken sandwich. Prototype stores, which resemble fast-casual chains like Panera Bread, are also testing new items including specialty coffee beverages and baked goods. – Source: The Orange County Register.

### **Brinker President Chosen as New Cosi CEO**

Fast-casual sandwich concept Cosi, Inc. hired Carin L. Stutz as the company's new CEO and president beginning January 1. She also will join the Cosi Board of Directors. "Carin is a proven leader with deep operational, marketing and business development experience," says Michael O'Donnell, CEO of Ruth's Hospitality Group and a member of the Cosi board and search committee. "She is a respected leader with a track record of innovative strategic brand building, and an impressive record of accomplishment, having held leadership positions at several of our industry's leading companies. Her energetic leadership and broad perspective will drive our company forward." Stutz, 55, joins Cosi from full-service restaurant leader Brinker International where she was president of global business development, leading all aspects of franchise development and operations for 240 Chili's and Maggiano's restaurants around the globe. Before joining Brinker, Stutz was executive vice president of operations for Applebee's International Inc. She oversaw more than 1,900 company-owned and franchise restaurants in 49 states. Before Applebee's, she held vice president positions with Wendy's, Sodexo, and NutriSystem. She is the chair of the Women's Foodservice Forum, a leading organization in the food service industry dedicated to developing gender-diverse leadership talent. "I am thrilled at the opportunity to lead this talented management team and help build a great future for the Cosi brand, our employees, franchise owners, and all who invest in our success," Stutz says. "My mission is to energize the Cosi brand and the guest experience." In conjunction with the appointment of the new CEO, the company announced that Board of Directors member Stephen F. Edwards assumes the role of executive

chair on January 1. Edwards will work with the company's management team to refine the long-term strategic plan, explore opportunities to raise capital and communicate with various external constituencies, and will serve as a liaison between management and the board. "On behalf of the board, I would like to thank Mark Demilio for his leadership as interim CEO through this transition and look forward to continuing to work with him as a member of the Board of Directors," Edwards says. – Source: QSR.

### **Woody's Making Switch from Casual to Fast Casual**

Florida-based casual barbecue chain Woody's Bar-B-Q is overhauling its operations and planning for future growth with two fast-casual prototypes. The veteran chain is now offering a 2,500–3,000-square-foot fast-casual model and 1,000–1,500-square-foot fast-casual express model to franchisees instead of the larger casual diners it previously offered. "It gives us a greater opportunity to attract [franchisees] who we couldn't attract if we were going into 5,000- or 6,000-square-foot restaurants like we've done in the past," says Woody Mills, cofounder of Woody's Bar-B-Q. "Now with the smaller footprint, I think we can find some good folks who can afford to get into this concept." Start-up costs for the new fast-casual prototype will be around \$284,000 for an existing location and around \$640,000 for new construction. For the express prototype, start-up costs will be around \$227,000 for existing locations and \$397,000 for new construction. Troy Taylor, director of franchise development for Woody's, says the new prototypes are a "game changer" for the company and will be easier for franchisees to operate. "When you're bringing on franchisees, not every person you're going to sell to is bringing six to 10 years of restaurant experience to the table," Taylor says. "Many of these people are coming from all walks of life. So when you're going for these large restaurants, you're talking more start-up costs, you're talking more staff; it's a lot harder to manage and operate a very large restaurant." On top of lower start-up and build-out costs, the new prototypes will feature tighter operations and fewer employees. Leaders say the new prototypes will help the company focus more on catering and takeout, which have become increasingly popular. Taylor says the new prototypes will also help the company enter new markets, and that the smaller footprints will make site selection much easier. He says franchisees have already expressed interest in opening a mix of the two new prototypes as a way to better saturate markets. "Simply due to costs, over time, I think as you look over the next five years, you're going to see a lot more of the express models," he says. – Source: QSR.

### **Yum Shakes Up International Division**

Yum! Brands Inc. announced it has reorganized its Yum! Restaurants International division (YRI) to continue to drive aggressive international expansion and build strong brands globally. The company also announced that Micky Pant was promoted to chief executive officer of YRI, replacing Graham Allan who is retiring from the company early in 2012. Pant most recently served as president of YRI and Global Branding. He now will report to David C. Novak, chairman and chief executive officer of Yum! Brands, Inc. At the same time, Yum! announced it will separate its India business from YRI, creating a standalone reporting division called Yum! Restaurants India. Niren Chaudhary was promoted to president of this division, reporting directly to Novak. "The growth at Yum! Restaurants International during the past eight years under Graham Allan's leadership has been stellar," Novak says. "YRI is a global powerhouse, having opened more than 7,500 new restaurants and grown its system-wide sales from \$8.4 billion to more than \$15 billion during Graham's tenure as CEO. Graham Allan has established the strategies, structure, and people capability that have proven so successful to our international expansion. Over his 20-year career with YRI, he has made an outstanding and lasting impact on our company. While we certainly respect his personal decision to retire from YRI and return to the U.K. to be closer to his family, we thank him for his many significant contributions to setting our company up for continued future growth." "At the same time, I'm very pleased Micky Pant has been promoted to CEO of YRI, ensuring a seamless transition in leadership. Micky is an exceptional strategic and conceptual thought leader, who has tremendous passion, energy, and commitment to building our business and satisfying our customers. He has also forged outstanding relationships with our franchisees and is a culture champion who has mentored and developed outstanding leaders across our company." Pant joined the company in 2005 as chief marketing officer, following senior-level marketing positions at Unilever plc, PepsiCo, and Reebok. He quickly rose through the YRI system following a series of successes, including the development of strategic global brand plans for KFC and Pizza Hut, the launch of KFC's global "so good" campaign, and the introduction of international sales layers like Krushers and KFC A.M. At Pizza Hut International, he provided a strategic framework for separating the dine-in and delivery businesses, including the introduction of PHD (Pizza Hut Delivery). Further, he has led the ongoing expansion of Taco Bell International while successfully overseeing seven international business units. The leaders of each of the company's international business units, along with all YRI

executive staff functions will now report directly to him, effective the beginning of December. “We have separated our India business from YRI to create a standalone reporting division to underscore the potential scale of this exciting emerging market for Yum! Brands,” Novak says. “There is clear evidence that we are at the same stage of development as we were in China at a similar juncture in its life cycle, and I’m confident we will turn India into a major growth engine for Yum! under Niren Chaudhary’s inspiring leadership.” Chaudhary joined the company in 1994, overseeing KFC in the Netherlands and Germany. He took over the company’s India operations in 2007, following a successful track record. Since that time, he and his team have dramatically grown the business, with system sales up 42 percent year-to-date. He has adopted best operating and development processes from the company’s China division and applied those to India. In 2010, the India business surpassed its 100<sup>th</sup> KFC, with strong unit growth and excellent unit margins. Pizza Hut in India is in 34 cities with 175 restaurants. Chaudhary and his team have established a highly successful business model to accelerate aggressive future growth. “These changes to our YRI organizational structure will make us an even stronger company. We are still clearly on the ground floor of global growth, and I am confident we are putting our best leaders in place to deliver superior results,” Novak says. – Source: QSR.



### **Ecolab, Nalco Shareholders Approve Merger**

Shareholders from both Ecolab Inc. and Nalco Holding Company overwhelmingly approved the merger of the two companies today. The merger will create the global leader in water, hygiene and energy technologies and services, offering premier product solutions, the industry’s largest and best-trained sales and service force, coverage in more than 160 countries, and combined 2011 annualized sales of more than \$11 billion. “We are extremely pleased by the shareholder approval of this merger with Nalco and are excited by the terrific opportunities it brings to our customers, shareholders and employees,” said Douglas M. Baker, Jr., Ecolab chairman and chief executive officer. “As one company, we will strengthen our opportunities and capabilities to provide customers with the most innovative, integrated and cost-effective solutions. “Our combined company will bring the best-in-class water and hygiene technology, enabling us to uniquely meet the growing global needs around food safety, infection prevention, water management and energy availability. Meeting these needs is fundamental for successful societies and provides an excellent platform for us to both deliver meaningful value for our customers and provide excellent growth opportunities for our associates and shareholders. “Nalco brings a strong management team and organization with leadership positions in the critical water and energy markets, where expanding global demand creates significant growth opportunities. Nalco is the global leader in these industries, with products and services providing the most effective and efficient solutions for customers. These will combine with Ecolab’s leadership positions in the food safety and healthcare markets, where increasing global demand for improved sanitation and sustainable solutions creates strong long-term needs that we are uniquely positioned to meet for our customers.” More than 99% of the shares voted by Ecolab’s shareholders at Ecolab’s special meeting were cast in favor of Ecolab’s issuance of shares of its common stock to Nalco’s shareholders under the terms of the merger agreement, which was announced on July 20, 2011. In addition, shareholders also overwhelmingly approved the proposal to amend the company’s restated certificate of incorporation in order to increase to 800 million the number of authorized shares of common stock available for issuance. Based on Ecolab’s recent share price, the total transaction value will be approximately \$8.3 billion, including a fully-diluted offer value of \$5.6 billion for Nalco’s equity and \$2.7 billion on the assumption of Nalco’s net debt. Closing will be completed upon receipt of final regulatory clearances and the fulfillment of other customary closing conditions. All regulatory clearances required to complete the merger have been received except with respect to China antitrust. We expect the merger to close prior to the end of 2011. Under the terms of the transaction, Nalco shareholders have the option to receive either 0.7005 shares of Ecolab common stock or \$38.80 per Nalco share in cash, without interest, subject to proration such that approximately 70%

of Nalco's outstanding shares will be converted into the right to receive shares of Ecolab common stock and 30% of Nalco's outstanding shares will be converted into the right to receive cash. In aggregate, Ecolab will issue approximately 68.3 million shares of Ecolab stock and pay approximately \$1.6 billion in cash to Nalco shareholders. Ecolab previously announced that it intends to undertake a \$1 billion share repurchase following the closing of the transaction. The repurchase program is expected to be completed by year-end 2012. Upon completion of the merger, Erik Fyrwald, the chairman and chief executive officer of Nalco, will be named president of Ecolab, reporting to Baker. Other key Nalco executives expected to join the Ecolab leadership team are David Flitman, executive vice president and president, Global Water and Process Services; and Steve Taylor, executive vice president and president, Global Energy Services. Upon completion of the merger, Ecolab's global headquarters will remain in St. Paul, and the company will continue to have a significant presence in Naperville, Ill. – Source: Ecolab Inc.

### **Check Out Burger King's Incredibly Fancy New 'Garden Grill' Concept Store**

Burger King recently opened a new concept store in Singapore with an intriguingly upscale look and feel. It's called the Burger King Garden Grill, and it boasts big comfy sofas, framed posters, soft colors and lots of decorative foliage. Not anything like you'd find at a regular BK, but don't worry, the menu's still exactly the same. So, what's with the fancy design? BK is trying to attract more families with children, along with the teenage demographic, according to Frearson. It's supposed to "stand out but at the same time be accessible for the man on the street." Makes sense, but there will likely be some level of apprehension among devoted eaters who are used to the normal BK cafeteria style. It's always risky The food may not match the surroundings, creating discomfort. And apparently, Americans aren't ready to eat their Whoppers in a stylish dining room yet. BK says it has no immediate plans to bring it to the US, but it's putting up a few more of these stores in both Singapore and Japan. – Source: Business Insider.

### **Starbucks Enters Five New Cities Across Mainland China**

Riding on the momentum from the opening of its 500<sup>th</sup> store in Mainland China in October, Starbucks Coffee Company entered another five new Chinese cities: Langfang (Hebei Province), Zhengzhou (provincial capital of Henan Province), Harbin (provincial capital of Heilongjiang Province), Xiangtan (Hunan Province) and Zhoushan (Zhejiang Province). In the past year, Starbucks has successfully entered 13 new cities in Mainland China and the stores in these communities have been popular and well-accepted by local customers. "Entering five new Chinese cities this month demonstrates our strong commitment to China, our second home market outside of the United States," said John Culver, president, Starbucks China and Asia Pacific. "Starbucks has never been better positioned for sustained profitable growth than we are today and we aim to accelerate this momentum in 2012. We look forward to opening more stores and entering more new cities to reach Chinese consumers." As previously announced, approximately half of the 300 Starbucks China and Asia Pacific new store openings, in fiscal 2012, will be in China. "At Starbucks China, we want to grow in a way that is unique to the brand – not only ensuring positive store sales, but also deepening our coffee authority, elevating the customer experience and contributing to the thriving communities in which we operate," added Belinda Wong, president, Starbucks China. "We know each Starbucks store is unique to our partners (employees), customers and the community. As such, we are not just aiming to open another 1,000 stores over the next four years; we are going to open one store 1,000 times because each store is important." On December 1, Starbucks served its first cup of Starbucks® coffee in Harbin in Northeast China, which marks the global coffee company's northernmost store in Asia. Despite the cold temperature, long queues formed outside the new store with local customers eager to be amongst the first in their city to engage in the authentic *Starbucks Experience*. Starbucks first store in Harbin is located in the city's most popular cultural and heritage district. On December 2, Starbucks opened its first store in the city of Xiangtan. The store is prominently located at the city's largest Bubugao Shopping Mall. Since its entry into China in 1999, Starbucks has not only been a symbol of China's rapid urban development, but also for its customer: the authentic coffee culture, genuine moments of connection between its partners and customers, and unique *Starbucks Experience* have come to embody a new modern lifestyle pursuit and aspiration. Starbucks today operates more than 500 stores, across 44 Chinese cities. – Source: Starbucks Coffee Company.

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### **More Big Macs Are Coming to the Big Apple**

After several years of stagnant growth in New York City, McDonald's plans to add at least 10 burger joints to Manhattan within the next three to five years, The Post has learned. That would represent a growth spurt of at least 14 percent above the current tally of 73 Manhattan locations — despite a lackluster outlook for the fast-food industry overall, which is facing flat sales during the next few years, analysts said. As the burger behemoth scouts for high-traffic locations throughout the island, it's looking to take advantage of slumping retail rents, says New York real-estate broker Harold Sherr. "In the current economy, landlords want safe tenants — they don't want to be chasing mom-and-pops for rent," said Sherr, who is spearheading the Manhattan expansion. "This is not necessarily a real-estate play," added Cheryl Forsatz, McDonald's director of communications for the New York area. "There's growth in customer demand for McDonald's in the city." Indeed, analysts say the chain's locations in Manhattan — many of which are mobbed daily by tourists in search of familiar eats — are among the company's most profitable. Sources said McDonald's is likewise poised to build more stores throughout the five boroughs and the tri-state area, where it operates about 250 and 620 restaurants, respectively. Meanwhile, McDonald's has remodeled about a dozen Manhattan locations during the past 18 months as part of a pilot for a program that will revamp as many as 800 of its 14,000 US restaurants next year. "New York is the first market that's getting the new look," Forsatz said. The new designs — which partly mimic McDonald's locations in London and Paris — have introduced swiveling barstools, added electrical outlets for laptops and widened the color palette beyond red and yellow to include earth tones. — Source: The New York Post.

### **Celebrity Chef Jacques Pepin to Open Another Eatery at Sea**

Celebrity chef Jacques Pepin is getting a second restaurant at sea. Oceania Cruises this week announced the well-known TV cooking show host and author of more than 20 cookbooks will oversee a bistro called Jacques on the line's next ship, the 1,250-passenger Riviera. The restaurant will be similar to one of the same name already found on Oceania's 1,250-passenger Marina, which debuted earlier this year. A sister ship to the Marina, the Riviera is scheduled to debut in April 2012 in the Mediterranean. It's currently under construction at a shipyard near Genoa, Italy. Pepin has had a hand in the cuisine found on Oceania ships for several years as the Executive Culinary Director for the line, but the new eateries on Marina and Riviera mark the first time he's had his own restaurant on a ship. As with the Jacques bistro on the Marina, Pepin's new eatery on Riviera will serve simple, freshly prepared French dishes that draw inspiration from bistros in his hometown of Lyon and the fabled bistros of Paris, the line says. Menu highlights at the Jacques on Marina have included an appetizer of homemade Pumpkin Soup a l'Anglaise served in a pumpkin shell and fresh Mussels Mariniere. The eatery also serves "specialties de la maison" that are hand-selected each day in local markets the ship visits. As with the Jacques on Marina, there will be no extra charge for dining at Pepin's eatery on Riviera, although passengers will need to make reservations in advance. — Source: USA Today Travel.

### **Pizza Hut Acquires Nearly 50 Southwest Ohio Restaurants**

Pizza Hut Inc. has acquired nearly 50 of its restaurants from a local franchisee. The Dallas-based pizza chain on Monday took over ownership of 46 stores in the Dayton and Cincinnati area from a single franchisee. "Our plan is to revitalize the stores and build new stores in underserved areas," said Chris Fuller, spokesperson for Pizza Hut. Fuller said the acquisition is limited to the southwest Ohio area and isn't part of a larger corporate acquisition plan for franchise locations.

There are no opportunities for new franchisees for the area at this time, Fuller said. Pizza Hut is a subsidiary of Louisville-based Yum Brands Inc. and operates nearly 10,000 restaurants in more than 90 countries, including dozens of Dayton-area restaurants. – Source: Dayton Business Journal.

### **Miami Food Truck and Restaurant Team Up**

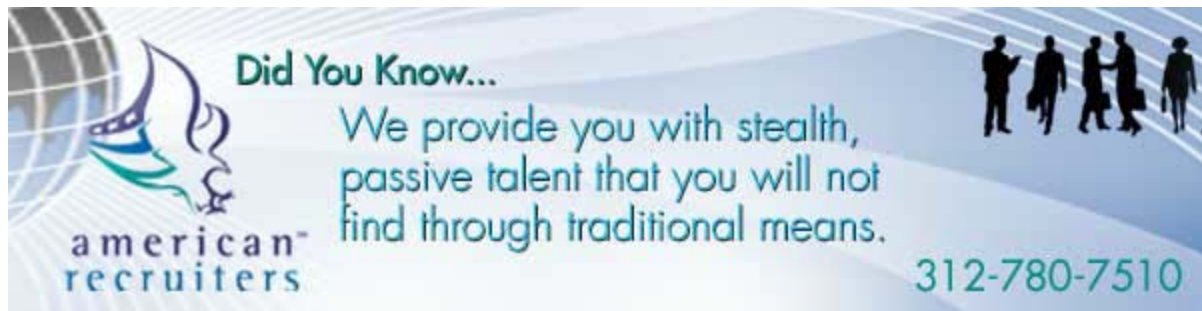
The latest twist in the food truck phenomenon has taken an unexpected turn, in the opposite way. Most look at the ‘slow food’ trucks as either a restaurant that took to the streets, or a startup that opted to avoid the hassles of traditional brick & mortar businesses. But just as Colonel Sanders did in the 1950’s, the burger that made a name for itself sold out of a truck, has now been adapted to be served by the first bar & restaurant to ever open in Miami, Tobacco Road at 626 S. Miami Avenue in Brickell. Patrick Gleber co-owner of the legendary Tobacco Road announced that they have inked a partnership with Jim Heins of Latin Burger & Taco, one of the first food trucks to hit Miami. Tobacco Road, known for their own selection of award winning burgers, has now begun to serve the same Latin Burger that foodies have been chasing around Miami to enjoy truckside. Featuring the identical signature combination of meats, unique toppings; all the way down to the half-wrapped paper food truck style presentation, the Latin Burger of Tobacco Road will be the very same as those found on 4 wheels. “We know a good thing when we see it; we’re thrilled to add the Latin Burger to our menu of famed burgers,” says Gleber. “Since Jim’s trucks are always on the move, we’re pretty confident the dining public will appreciate knowing a place where they can go from Noon – 1:30am and get the same amazing burger.” “We’re honored that Miami’s oldest bar & restaurant is such a fan of our burger that they’ve agreed to add it to their menu!” said Heins. “We never planned to take the Latin Burger off the truck, but this might just be the next movement – into more restaurants, and who knows, maybe the Latin Burger will soon be on the shelf of your grocers freezer!” Considered Miami’s Oldest Bar, opened in 1912, and while ownership has changed, the primary purpose of the establishment – a neighborhood watering hole – has always been the same. Tobacco Road features an amazing menu of house-smoked specialties, award-winning burgers and cuisine that goes way beyond bar food. The tobacco Road kitchen is open daily from Noon to 1:30am. – Source: QSR.

### **Ken May named president of Krispy Kreme**

Kenneth A. May has joined Krispy Kreme Doughnuts, Inc. as president and chief operating officer. Mr. May will report to James H. Morgan, chief executive officer, and will be responsible for all of the company’s operating segments. Mr. May has more than 25 years of operational, retail, supply chain and brand experience, and most recently was president of ES3, L.L.C., a logistics company. Earlier, he spent many years at FedEx, including as senior vice-president of U.S. operations for FedEx Express, and president and c.e.o. of FedEx Kinko’s Office and Print Centers. He is a former board member of P.F. Chang’s China Bistro, Inc. and was national chairman of the board of trustees for the March of Dimes in 2010. “Krispy Kreme is a special place to work, and we could not be more excited about having an experienced and natural corporate leader like Ken May join our team,” Mr. Morgan said. “There was considerable interest in this opportunity, and it was critical that we seek out someone with a unique combination of big brand experience, retail customer engagement, proficiency in delivering quality products and services, an understanding of complex logistical operations, and familiarity with both domestic and international operations.” – Source: FoodBusinessNews.net.

### **Kettleman Bagel Co. Sold to Einstein Noah**

Portland-based Kettleman Bagel Co. has been sold to a much larger competitor. The Einstein Noah Restaurant Group Inc. of Lakewood, Colo., announced that it bought Kettleman. Terms were not disclosed. The \$414 million Einstein company operates under the names Einstein Bros. Bagels, Noah’s New York Bagels, and Manhattan Bagel brands. It operates more than 750 restaurants in 39 states. Kettleman, which culled a reputation as a scrappy small business that found success after its owners experienced tough times, operates five Portland-area stores. The locations will be rebranded as Einstein or Noah’s stores. Jeffrey Wang, Kettleman’s president and CEO, wasn’t immediately available for comment. He did say in a statement that he’s confident that the Einstein team will serve his company well. “The company’s proven success and personable culture made becoming part of Einstein Noah an attractive and easy decision,” said Wang in the statement. “Now I can retire knowing my company is in good hands.” Jeff O’Neill, Einstein Noah’s president and CEO, called the purchase part of the company’s “aggressive growth strategy.” – Source: Portland Business Journal.



### **Starbucks to Add 5,000 Jobs in the U.K.**

Starbucks Coffee U.K. said it plans to create 5,000 jobs in the United Kingdom over the next five years as part of a stepped-up effort to increase the number of drive-thru outlets. Starbucks, which said it has seen strong customer response to the convenience of its coffee on-the-go over the past three years, will increase its number of U.K. drive-thru outlets over the next five years to 200, up from 9 currently. "Customers told us that they now expect the best possible coffee wherever they are, and the success of our first drive-thru stores shows that this is a huge opportunity," said Kris Engskov, managing director of Starbucks U.K. and Ireland. "It also means that we are able to create quality jobs at a time when they are most needed and because half of our baristas are under 24 years old, this will particularly benefit young job-seekers at a time of record youth unemployment." – Source: FoodBusinessNews.net

### **Round Table Pizza to Open 20 Restaurants in Vietnam**

Round Table Pizza, an American pizza restaurant chain, has signed an exclusive agreement with the Mesa Group to open 20 restaurants in Vietnam. Under the agreement, Mesa Group will have the exclusive rights to open Round Table Pizza restaurants throughout Vietnam. The first Round Table restaurant will open in Ho Chi Minh City in March 2012. This agreement brings the total number of international Round Table Pizza restaurants operating or slated for development to 37. Mesa Group, founded in 1991 as a distribution company in Vietnam, has since expanded into food and beverage, media, and real estate development. It also is the exclusive developer of Carl's Jr. in Vietnam. Mesa Group CEO Luu Tuyet Mai said the company is excited to bring the great taste of Round Table Pizza to Vietnam. "Round Table Pizza is known for its quality ingredients and superior tasting pizza, which make it a great match for Vietnamese consumers," Mai added. -- Source: Food Business Review.

### **Chicken to Rule Burgers Worldwide**

Seasoned French fries, premium gourmet burgers, more chicken sandwiches and creative condiments like aioli-style mayonnaise are forecast to be the next big trends in burgers next year, predicts an authoritative burger blog. According to the predictions of BurgerBusiness.com, the rising price of beef and the falling prices of chicken breast will have a major impact on the fast food market, with a renewed focus on chicken sandwiches and chicken items appearing on menus across the board. A quick scan of major fast food chains seems to suggest the burger blog isn't far off the mark. Wendy's for instance, has launched what it is calling Project Gold Chicken, a complete overhaul of its chicken menu that will debut a range of new poultry products next year. In January, McDonald's is set to launch Chicken McBites, a box of shrunken chicken McNuggets akin to KFC's Popcorn Chicken, and earlier this year, Burger King reformulated its Chicken Tenders. Mainstream fast food chains will finally catch on to the appetite for premium, gourmet burgers that swept the independent burger market over the last few years, and launch sandwiches that cross the \$5 threshold, predicts Burger Business, with combo meals pushing the \$8 mark. On the last point, however, not all trendspotters agree. New York-based consultancy firm Baum + Whiteman, for instance, predicts that the appetite for gourmet burgers may start to wane in 2012 given how new burger chains seem to be opening every few weeks, jostling for customers. Their burger prediction? The burger bubble is set to pop next year. Meanwhile, in order to win customer loyalty, joints will be jazzing up everything from fries to toppings to condiments next year, says Burger Business. For example, watch for McDonald's to import its Hot & Spicy Shaker Fries from Singapore, fries that come with a packet of seasoning to sprinkle over the fries, Burger Business predicts. Or fries could come with flavor-packed mayo aiolis, like sun-dried tomato mayo, Pico de Gallo (Mexican salsa) Sriracha mayo, or house-made barbecue sauces. And a major push towards healthy eating will also see more fresh

vegetables top burger patties, like fresh spinach and grilled red onions Burger Business predicts - perhaps to lessen the guilt. – Source: HT Media Limited.

### **Sbarro Bankruptcy Proceedings Over As Pizza Chain Exits Chapter 11 with Less Debt**

Sbarro will live to fight another day. The Melville, N.Y.-based pizza and pasta chain, exited bankruptcy status, according to *Nation's Restaurant News*. Sbarro first files for Chapter 11 protection in April, citing high ingredient costs and shrinking sales. Reports from earlier this fall, though, indicated that the company planned to end its proceedings before the new year.

The chain won court approval for its bankruptcy plan on November 17th, indicating that the end of its struggles was at a close, at least for now. Nicholas McGrane, Sbarro's interim president, told *NRN*, "Our reorganization plan eliminates more than 70 percent of our debt, and provides access to \$35 million in fresh capital from our new ownership group." The company was bought by private equity firm MidOcean Partners in 2007. Sbarro's departure from bankruptcy bodes well for the future of the 1000-strong global chain, but it did not emerge unscathed from the proceedings. Twenty-five of its company-owned -- as opposed to franchised -- locations have closed since April. – Source: TheHuffingtonPost.com, Inc.

### **Krispy Kreme to Open 19 Stores in Japan**

Krispy Kreme Doughnut, a US-based retailer of sweet treats, has signed development agreement with its Japanese franchisee, Krispy Kreme Doughnut Japan. Under the agreement, the franchisee will open 19 stores over the next five years in Japan. The stores will be located in the Kyushu and Chugoku regions of Japan. In August, the company announced the signing of development agreements with its Japanese franchisee to build 73 new outlets in the Kanto, Kansai and Chubu regions of Japan over the next five years. Krispy Kreme International president Jeff Welch said the company is excited about the possibilities the region holds for Krispy Kreme. Krispy Kreme Doughnut, headquartered in Winston-Salem, North Carolina, operates nearly 675 stores in 21 countries. It offers quality sweet treats and complementary products, including its signature Original Glazed doughnut. – Source: Food Business Review.

### **Restaurant Chain Franchising on a Slow but Steady Rise**

Franchisers have stepped up incentive programs to help entice would-be entrepreneurs. But longtime franchisees caution that success, if it comes, will take time. Fast-food chain Popeyes Louisiana Kitchen has 75 restaurants in Los Angeles, Orange and Riverside counties, and it plans to open 24 more despite the lagging economy. Chicken-centric Popeyes, however, doesn't plan on launching the new outlets on its own dime. It's seeking franchisees — would-be entrepreneurs willing to take on the expense and risk of opening their own businesses. "We just don't have the resources to build everywhere ourselves," said Greg Vojnovic, vice president of development of Popeyes, owned by AFC Enterprises Inc. Restaurant chain franchising is on a slow but steady increase, and not just at Popeyes. Yum Brands Inc. this year planned to turn about 400 of its company-owned restaurants into franchises, most of them KFCs. And in September the company agreed to sell two of its chains — Long John Silver's and A&W — to firms that specialize in franchising. Glendale-based DineEquity Inc. recently agreed to sell 17 of its company-owned Applebee's to a franchisee, which the company said will help it save \$11.3 million a year in lease obligations. Jeff Press, 42, has heard the call to open his own business. He is preparing to roll over his entire 401(k) to open a Firehouse Subs eatery in the San Fernando Valley. "I'm not naive to the fact that any business venture is a gamble," Press said. "But I'm investing in myself, in something I can pass on to my kids. I can't do that in corporate America." The chains have stepped up incentive programs to help lure franchisees. Popeyes offered a deal to waive its \$30,000 franchise fee for new owners and dropped the first year's royalty fees from 5% of revenue to 2%. It's not a business for the faint of heart. More than half of franchise restaurants fail within three years, according to H.G. Parsa, a professor of Hospitality Management at the University of Central Florida. Still, the would-be owners keep coming. "We get many more franchising inquiries now than before," said Greg Delks, director of franchise development for Firehouse Subs. "Most are investing many times their net worth, but they're not skittish. They're higher risk takers and want to be in control." Longtime franchisees caution that success, if it comes, will take time. Developing a site once required less than a year but now takes up to two, said Aziz Hashim, who owns 10 Rally's burger outlets in Los Angeles and is considering launching Popeyes franchises too. "In the past, you almost could do no wrong," he said. "But the environment now is much more unforgiving to errors. We cannot absorb mistakes because the economy won't allow us to." Entrepreneurs who want to start out with just one restaurant might find it tough to get a loan, said

Rahul Aggarwal, managing director at Brentwood Associates. The Los Angeles private equity fund's portfolio includes companies that own numerous Taco Bell and Pizza Hut franchises. "More companies, particularly those who want to grow aggressively, are wanting to get in bed with experienced developers who have a lot of cash," Aggarwal said, "and can open multiple restaurants as opposed to one-off deals." Jeff Baker, who helps his parents operate 33 KFC locations in Orange County and San Diego, said that competition is fierce among fast-food outlets that offer coupons and other discounts to attract customers who might be watching every penny. "Every day, you see people with less and less money," Baker said. "With the competition out there, you can almost find a free meal every day of the week." Some owners, even if they own multiple franchises, lose out. Pollo West Corp. and Mi Pollo Inc., owners of 13 El Pollo Loco restaurants in Southern California, filed for bankruptcy and this month auctioned off several stores. "They were definitely impacted in the economic downturn," said Monsi Morales, an attorney with Peitzman, Weg & Kempinsky, the law firm working with the companies. "The whole fast-food industry suffered losses and is continuing to be stressed." For existing franchises, the push to open new ones could also mean more competition. But Roni Rovner, who owns two Popeyes outlets, is optimistic. Her Canoga Park location is doing well, thanks in part to its location on a busy street corner. But her Oxnard branch, hidden in a lonely shopping center that features an empty former Mervyn's, is "dying," she said. More outlets, she hoped, would mean more advertising and awareness of the brand. "A hundred more franchisees in L.A. would mean we'd be on TV every month," she said. "More people would be aware of us, like they are McDonald's because everywhere you turn there's one of those." – Source: Los Angeles Times.



### **Red Mango, Cinemex to Open Stores in Mexico**

Red Mango, the US-based frozen yogurt and smoothie chain, has announced its first international franchise agreement with Cinemex, the leading national chain with 184 movie theaters operating across Mexico. Under the agreement, Cinemex will own and operate the Red Mango franchise. The company plans to introduce Red Mango kiosks immediately into movie theaters in addition to developing an undisclosed number of free-standing stores. Red mango chief executive officer Barry M Barron said that Cinemex brings resources which makes them an experienced partner for rapid and high-quality development in Mexico. "It is a perfect way to launch our efforts to expand the brand internationally," Barron added. The first Red Mango location is expected to open in Mexico City in 2012. Red Mango has more than 140 stores across the US. The company recently expanded its menu to include satisfying meal options such as its all-natural made-to-order fruit and yogurt parfaits and fresh fruit smoothies. – Source: Food Business Review.

### **Boloco Hires New VP of People Development**

Boloco has announced that Christine San Juan will join its team as vice president of people development. At Boloco, she will lead the development and training of its 286 employees. San Juan comes to the chain from Bertucci's Italian Restaurant, where she held the title of vice president of training and operations support. Prior to those positions, she worked for Chili's and On the Border as a new restaurant opening trainer and restaurant manager. San Juan earned her Bachelor of Arts degree from Rhode Island College and is certified in Situational Leadership Instruction, as a DiSC Instructor, and as a Serve-Safe Alcohol Instructor. She is also a member of the American Society for Training and Development (ASTD) and its local chapters, including Central Massachusetts and Bay State Colonies and the Council of Hotel and Restaurant Trainers, CHART. – Source: FastCasual.com.

## US Burger Chain in NZ Franchise Deal

Restaurant Brands New Zealand will roll out a chain of Carl's Jr Restaurants after striking a franchise deal with US owner CKE Restaurants, adding to its existing KFC, Pizza Hut and Starbucks Coffee brands. Restaurant Brands will be the second franchisee for Carl's Jr, which operates two of the restaurants in Auckland. Carl's Jr is strong in the western and south-western states of the US, offering a combination of burgers, burrito-style wraps, and KFC-like chicken options. It focuses on "partial table service, a 'made-to-order' menu, all-you-can-drink beverage bars, and a strong breakfast offering," the company said in a statement recently. No financial details of the agreement with CKE were given in the statement and company executives weren't immediately available to comment. Restaurant Brands expects to open the first restaurant by the middle of 2012. The deal adds a third such franchise agreement for the New Zealand company, which operates KFC and Pizza Hut outlets under licence from Yum! Restaurants International and its coffee chain courtesy of Starbucks Coffee International. – Source: nzherald.co.nz.

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