



12/29/2011

**A Happy, Safe, and Prosperous New Year to all of our friends!**

### **U.S. Franchises Anticipating Growth in 2012**

American franchises are primed for growth next year, potentially ending a three-year streak of decline, according to a new report. But that growth is expected to be modest at best, leaving the sector well shy of pre-recession numbers due to persistent concerns surrounding credit access, health care costs and political gridlock in Washington. The number of franchise establishments is expected to increase 1.9 percent next year, from just over 735,000 in 2011 to just under 750,000 in 2012, according to the International Franchise Association, which recently released its 2012 Economic Outlook. That would mark the first increase since 2008, after which the number of establishments dropped steadily for three straight years in conjunction with the overall recession. "Franchising remains a bright light in a still very challenging economic recovery, outpacing projected growth of overall U.S. economic output," IFA's chief executive Steve Caldeira said in an interview. He noted that a majority of IFA members are S-corporations and LLCs, though the group also represents large corporations like McDonald's and Dunkin' Donuts. Employment among franchise establishments should also accelerate next year, according to the report, which forecasts a 2.1 percent increase in employment in 2012 following a 1.9 percent increase over the past year. In fact, every segment of the franchise market is projected to bring on more workers, with business services franchises leading the way with a 3.6 percent increase in employment.

However, those numbers reflect only minimal growth compared to pre-recession employment levels, and the number of establishments still lags far behind the more than 770,000 up and running in 2007. Caldeira said a "whole host of issues" are handicapping projected growth next year, chief among them, limited credit access, costs associated with implementing new health care laws, and uncertainty surrounding tax reform. "The least optimistic outlooks come from small franchise owners who are frustrated with the pace of the economic recovery and the lack of leadership in Washington, DC, which is making things worse not better," Caldeira said. "They're frustrated with the lack of support for pro-growth small business policies and the uncertainty created by negative rhetoric, partisan rancor and gridlock coming out of Washington, and I think that's probably true through all industries right now." – Source: The Washington Post.

### **The Middleby Corporation Announces Acquisition of Armor Inox**

The Middleby Corporation announced that it has acquired Armor Inox. Armor Inox is a leading manufacturer of thermal processing systems for the food processing industry with approximate annual revenues of \$25 million. The addition of this brand complements and further enhances Middleby's food processing equipment platform. Armor Inox is recognized by the leading global food processors for its unique cooking process. The Armor Inox Thermix cooking system utilizes water to provide for a highly efficient transfer of heat, rapid cook times, and the highest cooking yields. The Thermix cooking system ensures precise control of the cooking cycle resulting in superior product quality and consistency. "In the last eighteen months, Middleby has significantly expanded its food processing equipment platform completing the acquisitions of Armor Inox, Auto-Bake, Cozzini, Danfotech, Drake, and Maurer-Atmos, which adds to the existing portfolio of brands including Alkar, MP Equipment and RapidPak. We have assembled a very strong lineup of globally recognized brands and a portfolio of complementary industry

leading technologies. These highly synergistic acquisitions will allow us to provide our customers a uniquely integrated and efficient equipment solution, providing for reduced operating costs and the highest standards of quality. As we complete the integration of these newly acquired brands, we also see significant opportunity to realize operational efficiencies amongst our expanded Food Processing Equipment Group," commented Selim A. Bassoul, Chairman and CEO. – Source: The Middleby Corporation.

### **Yum! Brands' KFC, Pizza Hut outline India expansion plans**

Shortly after announcing the creation of a separate India division for its international business, Yum! Brands has outlined major expansion plans in that country for KFC and Pizza Hut. According to the India Times, the KFC unit count is expected to grow to 500 in India by 2015. The brand has adjusted its menu for local tastes, including grilled chicken and vegetarian dishes. An estimated 30 percent of consumers in India are vegetarian. Currently, KFC has 150 restaurants in 30 cities in India. The expansion strategy focuses on tier-two (smaller) towns, as well as within larger metropolitan areas. Pizza Hut also growing India presence. There are currently 131 Pizza Hut locations in 34 cities in India. The brand is expecting to operate 250 units there by 2015. According to the Business Standard, Pizza Hut is eyeing tier II and tier III markets. The casual dining chain has had a presence in India for 15 years. Its product offerings will be expanded as it grows throughout the country, and a nationwide marketing and advertising campaign will launch soon. Also, to commemorate its 15th anniversary in the country, Pizza Hut will introduce a new range of 15 different pizzas inspired by regional cuisines. – Source: PizzaMarketPlace.com.

### **Denny's Launches \$100 Million Loan Program to Spur Domestic Growth**

Denny's Corp. unveiled a new set of incentives for franchisees to spur its domestic growth. The casual-dining chain picked Pinnacle Commercial Capital to manage the program, along with bank cooperative BancAlliance and other lenders, to provide up to \$100 million to new and existing franchisees that open new restaurants in underpenetrated U.S. markets. The expansion effort comes as other U.S. dining chains retrench their domestic operations in response to tepid consumer demand and challenging commodity prices. Other restaurants have devoted more resources to expansion abroad. Denny's new and emerging market incentive program will instead seek to accelerate expansion in some U.S. cities by cutting fees for franchisees that develop four stores over a reasonable period of time. "We are positioned to accelerate our domestic development and seize valuable market share for Denny's at a time when other brands are scaling back on their growth plans," said Stephen Dunn, Denny's senior vice president of global development. The initiative comes after Denny's earlier this year picked John C. Miller as its new chief executive following a proxy fight that sought to oust the previous CEO. – Source: Dow Jones Newswires.

### **Papa Murphy's purchases 20 franchised locations**

Papa Murphy's International announced that its Company Stores Division — Papa Murphy's Company Stores Inc. — has acquired 20 Papa Murphy's Take 'N' Bake Pizza stores. The transaction was completed on Dec. 19 between PMI and McKinleyville, Calif.-based L&K Hodge LLC and its assorted partnerships. The acquired stores are located in the Minneapolis, Denver and Colorado Springs, Colo., markets and increase the company-owned store count to 52. Papa Murphy's Chairman and CEO John Barr said the move will strengthen the pizza chain's penetration in the three markets. "The acquisition complements our current base of stores and fits with our strategy to broaden the Company Stores Division where we have the highest consumer awareness," he said. "The addition will also amplify our ability to test new products as well as train franchise owners entering the system." Larry Hodge, president of L&K Hodge, along with his wife Kathy, are two of Papa Murphy's first franchise owners among the 500-plus today. After 23 years with the brand, the Hodges are taking steps to reduce their company's footprint and tighten operations. "It's simply time to narrow our focus as we set up our sons to take on more responsibility. We've been fortunate to experience firsthand the growth and success of this company and we're all excited for this next phase," Hodge said. L&K Hodge will continue to operate 40 stores across 12 markets. – Source: PizzaMarketPlace.com.



**Iconic A&W Restaurants, Inc. Acquired by A Great American Brand, LLC from YUM! Brands, Inc.; Growth Potential Seen for 92-Year Old Chain**

A&W Restaurants Inc., founded in 1919 making it the oldest fast food company in the world, has been acquired by A Great American Brand, LLC, a partnership of domestic and international A&W Restaurant franchisees, from YUM! Brands, Inc., the Louisville based chain of fast food brand names. Kevin Bazner, A&W chief executive officer, who was A&W® Restaurants president from 1999 to 2003, announced the transaction from the new A&W headquarters in Lexington, KY. Terms were not disclosed. “Our new owners, our franchisees, truly believe that A&W can profitably grow sales by focusing our unique positioning in the QSR (Quick Service Restaurant) industry based on our heritage, service, and product quality,” Bazner said. “We know we can effectively compete in QSR with our relevant line of burgers, sandwiches, desserts, and of course our unique signature made-fresh A&W® Draft Root Beer.” According to Bazner, many A&W Restaurant key support staff were retained under the new ownership, to help insure a smooth transition. “We have a team of owners and support staff who share a common goal of growing this famous brand,” he said. Bazner said that they would continue to support all A&W® single and multibrand locations. There are currently 1,200 restaurants including 350 international stores in 15 countries and territories. A&W was founded as a Root Beer stand by Roy Allen, who used a formula purchased from an Arizona pharmacist, which consisted of a unique blend of juices from 16 herbs, spices, barks, and berries. Allen sold the cold, creamy root beer for a nickel a mug on a downtown corner in Lodi, CA. The venue proved so popular that the company expanded to four sites and the concession evolved into a “drive-in.” Allen approached employee Frank Wright and the two formed a partnership which became A&W®. The brand endured over the years and it was acquired by its outgoing owners in 2003. – Source: A&W Restaurants Inc.

**Darden Plans to Freshen Olive Garden for New Growth**

Darden Is Weighed Down by Olive Garden Darden Restaurants Inc. posted a 28% drop in quarterly earnings on continued woes at the casual-dining company's Olive Garden restaurant chain. Over the past year, Darden, which also owns Red Lobster and Longhorn Steakhouse, has struggled with Olive Garden, its largest chain, chalking up the sales and traffic declines to promotional misfires and increased competition. "In retrospect, the improvements we are making at Olive Garden were not bold enough in light of the scale and scope of the changes taking place at other brands...and in consumer circumstances and consumer expectations," said Chairman and Chief Executive Clarence Otis on a conference call. He said Olive Garden will see "much more meaningful change," like its new promotional strategy in January and a new core menu coming out next fiscal year. Despite the struggle, Darden said Olive Garden still boasts \$4.7 million in average sales per store, which is at the high end of casual-dining chains. Chief Operating Officer Drew Madsen said Olive Garden held on to households with incomes below \$50,000 during the recession better than the industry. But as economic pressures have persisted and as competitors made bolder moves to improve affordability, Olive Garden has seen some erosion in this guest segment. "In hindsight, we did not evolve our guest experience and communication fast enough during the last couple of years to stay fresh and relevant in the eyes of consumers and superior to improving competitive set," Mr. Madsen said. "We also did not recognize fast enough a structural industry change coming out of the financial crisis related to guest need for increased affordability." For the company's fiscal second quarter ended Nov. 27, Olive Garden's U.S. same-restaurant sales—or sales at restaurants opened at least 16 months—declined 2.5%, which Darden warned of last week. In contrast, Red Lobster's same-store sales were up 6.8% and Longhorn Steakhouse's rose 6%. Darden reported a profit of \$53.7 million, or 40 cents a share, down from \$74.5 million, or 53 cents a share, a year earlier. Discontinued operations

reduced earnings by a penny in both periods. Last week, Darden forecast earnings from continuing operations of 41 cents a share, below analyst estimates at the time. Sanford Bernstein analyst Sara Senatore said "the turnaround at Olive Garden may be more drawn out than previously anticipated," even with its heightened focus around price and value. Olive Garden's struggles are a part of the oversaturated casual-dining market. The pressure to stay attractive on price in order to win customers comes as the restaurants are dealing with higher food prices and a static pool of diners. Food cost inflation in the first quarter of the fiscal year, including a sharp rise in seafood prices, caused Darden's gross margin to drop to 25.4% from 28.7% in the second quarter. For the second half of the fiscal year, Darden expects inflation to moderate to equal its menu price increases. In the first half it didn't raise menu prices to the level of commodity inflation because it didn't want to further hurt its guest traffic. To make up the difference, Darden is working on several cost-cutting initiatives which will save the company \$65 million to \$75 million in fiscal 2012 through supply chain automation, facilities maintenance centralization and labor optimization. Darden said it will discuss its outlook and plans for the year in more detail at its investor conference Feb. 24. – Source: The Wall Street Journal.

### **Granite City Food & Brewery Acquires Assets of Cadillac Ranch Restaurant in Miami, Florida for \$1.4 Million**

Granite City Food & Brewery Ltd. announced that it has completed the purchase of the assets of an additional Cadillac Ranch All American Bar & Grill restaurant in Miami, Florida. Previously, the Company had announced the purchase of the Cadillac Ranch restaurant assets at the Mall of America in Bloomington, Minnesota. The master asset purchase agreement among the parties contemplates the purchase of the assets of up to five additional Cadillac Ranch restaurants.

The assets acquired in Miami are located in the Palms Town & Country Mall. The aggregate purchase price for the Cadillac Ranch restaurant assets Granite City has acquired to date totals \$2.8 million, including the \$1.4 million paid in November 2011 for the assets at the Mall of America. Since CDP's May 2011 equity investment and the Company's May 2011 receipt of debt financing from Fifth Third Bank, Granite City has been developing plans to enhance revenue at existing stores and develop new stores, such as the recently announced Troy, Michigan location, scheduled to open in early 2012. – Source: Granite City Food & Brewery Ltd.

### **Hotel Development Continues in London Ahead of Olympics**

London's hotel sector is to continue to see a boost next year as hotel chains scramble to open hotels before the Olympics start in July. Travelodge has announced it has added another 146 locations to its target list, with the capital a priority with 65 hotels planned. The budget chain's extensive growth in the last few years has seen it open 38 new hotels and exchange 44 contracts this year, with on-going plans to develop its sites with other companies and its 'Metrolodge' strategy. Of the new locations, central areas of London such as Liverpool Street, Covent Garden and Old Street have been added, as well as areas including Hornchurch and Ruislip on the outskirts. Towns in the Lake District and coastal destinations have also been included. Speaking of the expansion, Guy Parsons, CEO of Travelodge said the company's ability to raise finance has helped it move quickly while others remain 'strangled by red tape'. "This, coupled with our ability to be flexible and innovative in terms of the development schemes we can undertake, ensures we are in a very strong position. The expansion of our target list reflects the confidence I have in the ability of our property team to move quickly and secure the best sites," he added. Meanwhile, the Apex Hotels chain has announced it will open its third London property on 1 April next year. The four-star hotel at Temple Court off Fleet Street is a conversion worth more than £60m and will have 184 rooms. – Source: [traveldaily.co.uk](http://traveldaily.co.uk)

### **Captain D's Buys Grandy's Restaurant Chain**

Nashville-based Captain D's has announced the purchase of Dallas-based Grandy's, a 65-unit breakfast, lunch and dinner chain. The following are excerpts from a press release: "Our heightened execution throughout 2011 has enabled us to significantly invest in the future of our D's business," said Captain D's CEO Phil Greifeld. "Our company-wide operating diligence during the past year has also provided us with the financial flexibility to purchase the Grandy's chain." Grandy's Country Cookin' is a homestyle and comfort food restaurant chain known for its freshly prepared meals. Grandy's specializes a hearty country breakfast, while its lunch and dinner meals features

hand-battered fried chicken, country fried steaks, catfish and homestyle vegetables complimented with fresh-baked biscuits, dinner rolls, and their much heralded Sinnamon rolls. Grandy's has both a dine-in and drive-thru business format. Grandy's will be operated as a separate subsidiary of Captain D's and the Grandy's executive team will continue in their respective roles. Greifeld will assume the CEO role of Grandy's while also maintaining his CEO position for Captain D's. – Source: Nashville Business Journal.

### **Subway Names New Directors of Training, Operations**

The Subway submarine sandwich and salad chain announced that Joe Chaves will head up operations for the 35,500-plus-unit restaurant chain as director of operations, while Rebecca Audet has been named the brand's director of worldwide training. Chaves, who has been with the Subway restaurant chain for five years, has 28 years experience in the quick-serve industry, including time as a Dunkin' Donuts/Baskin-Robbins franchisee. Audet is a Subway franchisee, owning two locations in Vermont, while also overseeing 1,000-plus restaurants as the manager of U.S. and International company-run (or held) territories. Audet will continue this field work in addition to training. "Training is the cornerstone of any organization, especially in franchising where we need to teach people how our system works and how to achieve the highest level of efficiency. As the largest [quick serve] in the world, I know I have been entrusted with a critical responsibility," says Audet, a graduate of Columbia University who lists one of her favorite sandwiches as the egg white on flatbread with spinach, green peppers, onions, tomatoes, chipotle sauce, and salt and pepper. "Subway is doing extremely well, especially considering the current global economy," says Chaves, a devout fan of the Italian BMT sub. "It continues to be a remarkably good investment for our existing and future franchisees. I am looking forward to supporting all of our partners by building on the brand's great track record." A Connecticut native, Audet moved to Vermont after attending college in New York City. During her senior year at Columbia University, Audet purchased her first franchise, skipping her graduation rehearsal to attend a zoning meeting on the location. As director of training, Audet will oversee the brand's entire training program, which includes 13 global training centers, an e-learning program, as well as the education and training of Sandwich Artists, managers, franchisees, field consultants, and Development Agents. "I am excited to welcome new franchisees joining the Subway team so they feel part of the family and excited about their investment and new endeavor," she says. A Rhode Island native who has also spent time in Florida, Chaves joined the Subway chain five years ago and immediately made an impact working on several projects, such as expanding catering capabilities and improving the customer service experience. He also led the company territory teams to improve operations and profitability. "This will be a challenging and exciting opportunity, and a privilege to serve this great brand and the thousands of franchisees, development agents, and staff," Chaves says. – Source: QSR



### **White Castle to Offer Alcohol? Fast Food Hamburger Joint Serving up Beer & Wine at Indiana Location**

Experiment could spread if the sliders and brews prove to be successful. White Castle, the slider shack where drunks go to soak up their suds, now offers beer on its menu. At a Lafayette, Ind., greasy spoon, where a traditional White Castle is fused with a BBQ joint called Blaze Modern BBQ, beer and wine are served with the belly bombers, Jamie Richardson told the Daily News.

White Castle isn't rolling out barrels of booze at all its locations just yet, the company says. "For now, this is a one-restaurant test," Richardson told the Daily News. "Our thought is to learn as much as we can from customers and our team members to see if this is something that might have merit for other locations." The fusion restaurant is part of a broader experiment from the company, where White Castles merge with other eateries to form one restaurant. In Springfield, Ohio, there's an Asian food brand called Laughing Noodle offered at White Castle. At another location

in Lebanon, Tenn., triple-decker sandwiches from Deckers are on the menu. The company would face challenges implementing a menu including alcohol at all of its restaurants, according to David Henkes, a vice president at Technomic, a food research firm based in Chicago. "Typically a lot of the employees are under 21, so you get into some service issues," Henkes told the Associated Press. – Source: The New York Daily News/The Associated Press.

### **Cracker Barrel Shareholders Shoot Down Biglari's Board Bid**

Sardar Biglari's bid for a seat on the board of Cracker Barrel Old Country Store was shot down at the company's annual shareholder meeting in Lebanon. Instead of calling for a moratorium on new stores or an aggressive stock buyout strategy, perhaps the Texas investor's campaign should have focused on the menu. During the brief Q&A session with Cracker Barrel CEO Sandy Cochran, some shareholders sounded more like hungry diners than investors. "I sure miss those breakfast skilletts," said a shareholder who identified himself as Carl. "Any chance to bring that back?" An elderly woman named Shirley asked about the possibility of offering discounts for senior citizens. "All the food is reasonable, but for seniors it would help," Shirley said. Another shareholder suggested the ribs become a permanent fixture on the menu and recommended a change to the St. Patrick's Day dinner special. "I know it's probably sold by weight, but they only give you three pieces of meat and they are really thick," said the shareholder. "Could they slice them a little bit thinner so it looks like you have six rather than three pieces of meat on your plate?" Cochran wouldn't commit to any menu changes, but promised to consider the suggestions and thanked shareholders for their "thought-provoking questions." Biglari heads Texas-based Biglari Holdings, Cracker Barrel's largest shareholder, and had sought a seat on the board. His company has applied for regulatory permission to buy up to 49.9 percent of the restaurant chain's stock. Biglari used a similar strategy in his takeover of Steak 'n Shake, which Cracker Barrel considers a competitor. – Source: Nashville Business Journal.

### **Popeyes CMO Lynch Promoted to Chief Global Brand Officer**

Convinced that great tasting food requires slow, careful preparation, in 2008 Popeyes Louisiana Kitchen, a division of AFC Enterprises Inc., embarked on a comprehensive brand transformation that emphasized its almost four decades of Louisiana-inspired home cooking. The initiative included a more contemporary logo, new brand advertising and tagline, distinctive new products, and a powerful messaging platform. The new positioning, messaging, culinary innovation, and Bonafide chicken promotions are clearly resonating with guests. The brand recently announced third-quarter results that reflected a gain in global same-store sales of 1.7 percent, which outpaced the chicken quick-serve category for the 14th consecutive quarter. Through Q3, the company's two-year comps were positive 6.9 percent. The brand is ready to extend the power of Popeyes "Louisiana" positioning globally and announced that Richard H. Lynch, currently chief marketing officer, has been named chief global brand officer. "Dick led our brand transformation and now we're asking him to take on the task of embedding our story into our guest experience and corporate culture," says Cheryl Bachelder, AFC Enterprises CEO. "He is an experienced and passionate brand leader who is ideally suited to harness the power of our brand messaging. Effective immediately he is responsible for global marketing and all internal and external communications." "I am thrilled to have this opportunity to leverage the incredible assets and talent in our organization to strengthen the Brand's messaging to enhance engagement with our key constituents," Lynch says. "In this role and with this new alignment, we will be able to connect with our franchisees, employees, guests, and investors in even more compelling and relevant ways." Lynch has served as CMO for Popeyes since 2008. Prior to joining the brand, he served as principal of GO LLC, a marketing consulting firm specializing in restaurant and food retail, where he developed brand strategy and innovation plans for concepts including Burger King, Ruby Tuesday, and Buffalo Wild Wings. Lynch has also held senior strategic positions with Campbell Mithun Advertising, Tracy-Locke Advertising in Dallas, and Ketchum Communications in San Francisco. – Source: QSR.

### **Wendy's, Subway Slash Prices**

Recent efforts by the two brands show quick serves are trying to fill a pricing void.

On December 1, Subway rattled the quick-service world when it announced its latest promotional offer: \$2 six-inch subs. As a "Customer Appreciation Month" promotion, the \$2 December-only deal may be Subway's boldest play yet in the pricing wars to compete with other chains' value menus. "[Subway is] clearly trying to take the focus off

of what people can get for \$1,” says pricing consultant Leslie Kerr, founder of Boston-based Intellaprice. While Subway’s popular \$5 footlong program already hits on value messaging, it still features items that are five times the cost of dollar-menu entrees, such as McDonald’s McDouble and Burger King’s Junior Whopper. “For Subway, who can’t get into the 99-cent battle, this is the next best thing. The \$2 price point is definitely a way to get to the other end of that barbell,” Kerr says, referring to pricing strategy that has premium-priced products on one side of the menu and price-conscious offerings on the other. Concocting the right price mix is becoming increasingly critical to attract diners in today’s economic climate. Already in the popular \$1 space with its My 99¢ Everyday Value Menu, Wendy’s introduced its Dave’s Hot ‘N Juicy premium hamburger lineup in September, a line that initially featured three burgers in the \$4–\$5 range. But last month, the new W hamburger, featuring a pair of 2.25-ounce patties, two slices of cheese, a signature sauce, onions, lettuce, and crinkle-cut pickles, made its debut. At \$2.99, the W fits a price niche between the premium Hot ‘N Juicy line and the 99-cent deals. The hope, a company representative says, is that customers see value in the W and step up the pricing ladder. “When you can cover all price points, there are simply more opportunities and choices for value to the consumer,” says Wendy’s spokesman Denny Lynch. Although Lynch acknowledges that it’s too early to determine the W’s success, he says other brands need to take advantage of the new mid-tier-pricing strategy. “We can’t all live at 99 cents, especially considering where food costs are going,” Lynch says. “We have to be able to present a strategic menu that offers value and does so beyond the 99-cent price point.” Subway chief marketing officer Tony Pace says consumers will see the \$2 offering for what it is: a show of gratitude during the holiday season. “At the end of the day, we know it’s a compelling price point,” Pace says of the offer, which is only available with the Meatball Marinara and Cold Cut Combo sandwiches. “To be able to say to customers ‘we’re on your side’ is important to us.” Pace says company leaders view the December deal as a goodwill builder and traffic driver during a traditionally challenging month. The company’s \$2 deal is similar to its famous \$5 footlong, which also began as a limited-time offer. While the \$5 footlongs have grown into a \$4 billion brand, Pace says, the company intends to respect the \$2 deal’s month-long shelf life. “We will stop this deal at the end of December, though we will come back to the customer-appreciation theme again,” Pace says. Ultimately, Kerr says, the value for both Subway and Wendy’s extends beyond offering price variety to consumers and strengthening the barbell. “I look at all of these as marketing plays,” she says. “The \$2 deal, the W burger—these are new news and give people something to talk about. Regardless of what people buy, these offerings can get people in the door, and that’s effective, too.” – Source: QSR.

### **Applebee's Taps Steven Layt for SVP, Operations**

Applebee’s parent company Applebee’s Services Inc., a division of DineEquity Inc., said it named Steven Layt its new senior vice president of operations. Layt will begin his new position immediately, replacing former senior vice president of operations Sam Rothschild, who left Applebee’s in September. Layt will provide strategic direction and focus on day-to-day management of domestic operations for Applebee’s Neighborhood Grill & Bar restaurants, and will report directly to Applebee’s president, Mike Archer, the company said. “Steve will bring a tremendous blend of experience and fresh thinking to our brand,” Archer said in a statement. “Applebee’s is in the midst of a system-wide revitalization initiative, updating everything from our menu to our buildings. Steve’s leadership will help guide the brand during a critical time in our growth.” Layt, a 23-year foodservice industry veteran, most recently served as chief operating officer and executive vice president of Buffet Holdings Inc. Prior to that he was head coach for Yum! Brands’ Pizza Hut division in the eastern United States. – Source: NRN.

### **Marriott CEO JW Marriott Jr. to Step Down**

J.W. Marriott Jr., who built the company his parents started as a District root beer stand into a global lodging giant, is stepping down as chief executive, ending a storied 39-year run that ushered in a new standard of dependable, middle-class hospitality for travelers around the region, the country and then the world. The word "Marriott," in red letters on buildings from Bethesda to China, came to signify home for weary families making their way to Disney World, for traveling salesmen careening around the Midwest and lately for weary road jockeys keeping pace with globalization. In the process of building the 3,600-hotel empire, Marriott's family became one of the richest and best-known in the region. The family and the firm donate millions every year to philanthropic efforts, particularly for people with disabilities. The company employs 15,000 people locally, but its influence stretches beyond its hotels and its Bethesda headquarters. Many in the industry say Marriott was critical to seeding the region's strength in hospitality. A host of former Marriott executives have run some of the largest hotel companies, including Hilton

Worldwide, RLJ Lodging Trust, Choice Hotels and Host Hotels & Resorts - all of which are based in the area. Throughout the growth of his family's company and the industry, there was Mr. Marriott, as his devoutly loyal employees call him, espousing his family's simple maxim that if you take care of your employees, your employees will take care of your customers, and your customers will come back. That philosophy still permeates the company - which is now worth nearly \$10 billion and employs 129,000 people - after countless nights of putting heads in beds. Arne Sorenson, a trusted Marriott lieutenant for more than a decade, will become chief executive in March, the first non-Marriott to run the company. J.W. Marriott, known as Bill, will become executive chairman. "Bill Marriott is more than the grandfather of our industry," said Fred Malek, the company's former hotels president and co-founder of an Annapolis hotel investment company. "He's been the pacesetter we've all wanted to measure up to. Nobody will ever replace Bill Marriott as the maestro of this industry." Before Christopher Nassetta took the reins at Hilton as chief executive, he came up through the ranks at Marriott spinoff Host Hotels & Resorts in Bethesda. He served as president and chief executive of Host. Source: washingtonpost.com.



### **Starbucks Appoints Clara Shih to Board of Directors**

CEO of Hearsay Social Adds Depth to Board's Digital Strategy and Social Media Expertise

Starbucks Corporation announced that Clara Shih, Chief Executive Officer of Hearsay Social, provider of one of the leading enterprise social media platforms, was elected to the Starbucks Board of Directors on December 14. Shih will serve on the Board's Nominating and Corporate Governance committee. "Clara is a true technology leader and will bring fresh insight to our strong and forward-thinking Board," said Howard Schultz, chairman, president and ceo of Starbucks. "We could not be more thrilled about the social-media expertise and ideas Clara will bring to our business as we continue to amplify the online experience and interactions Starbucks has with our customers, partners and communities." Shih, 29, is a pioneer in the technology industry, as an engineer, celebrated author, thought leader and successful technology entrepreneur. Shih has been named one of FORTUNE's Most Powerful Women Entrepreneurs of 2011, one of *Fast Company's* Most Influential People in Technology, and one of *Businessweek's* Top Young Entrepreneurs. She brings a wealth of experience from previous technology, product, and marketing positions at Google, Microsoft, and Salesforce.com. In 2007, Shih developed the first business application on Facebook called Faceconnector, and subsequently authored *The New York Times* bestseller, *The Facebook Era: Tapping Social Networks to Market, Sell, and Innovate*, which is used as a marketing textbook at Harvard Business School. "I am humbled and excited to be joining the Board of Directors of one of the most admired and respected companies in the world," said Shih. "I couldn't imagine a more innovative, relevant and engaged organization to be a part of and I look forward to contributing to the next phase of the company's growth." Additionally, Sheryl Sandberg, a member of the Starbucks board since 2009, notified the company of her intention not to stand for re-election at the 2012 Annual Meeting of Shareholders. Her extensive business strategy and operational execution experience will be missed and Starbucks thanks her for her contributions over the past two years. – Source: Starbucks Corporation.

### **Domino's Pizza Plans Major Expansion in Germany**

Domino's Pizza UK & IRL Plc could grow its fledgling German business to be twice the size of its British operation, Lance Batchelor, who will become chief executive of the company after Christmas, told Reuters in an interview. Domino's, which operates the British and Irish franchises of the global delivery brand and opened its first stores in Germany this year, believes the German market has the potential to support between 2,000 and 3,000 shops. "If it (Germany) is not bigger than the UK we've failed. We're absolutely confident that we have got a winner there, that's

going to be national and going to be big," Batchelor said in an interview at Domino's factory in Milton Keynes, north of London. Domino's, which has 4 shops in Germany so far with another 2 due to open by the end of the year, said the German market will provide an opportunity for the company to keep growing once the British market has reached its peak. "The best case is that we've got a market there that could be twice the size of the UK for us and provides a runway long after we run out of properties in the UK," Batchelor said. Batchelor also said that Domino's was continuing to ramp up expansion in Britain, where it sees opportunities to exceed its long-term target of 1,200 shops. Domino's, which has over 700 shops in Britain and Ireland, has performed strongly through the economic downturn, benefiting from cash-strapped customers staying in and ordering takeaways rather than going out to eat. – Source: Thomson Reuters.

### **Big Al's Steaks Becomes the First Zagat Rated Philly Cheesesteak Restaurant in Florida**

Big Al's Steaks, South Florida's only authentic Philly Cheesesteak chain, has earned the distinction of becoming the first Philly Cheesesteak restaurant to be Zagat rated in the State of Florida. "We have worked diligently to bring a True Philly Cheesesteak Experience to South Florida," says Co-Founder and CEO, Dr. Alan (Big Al) Costilo. "The Zagat rating demonstrates that our efforts are being recognized and we have earned a place in the culinary community." Brad Costilo, Marketing Manager, adds, "After winning countless 'Best Of...' awards for our Cheesesteaks, culminating in the 'Best Cheesesteak in Palm Beach and Broward Counties 2011,' being rated by Zagat adds legitimacy to our Franchise concept and will help fuel our franchise expansion across the country." Big Al's Steaks is a Philadelphia Cheesesteak Sandwich restaurant that prides itself on providing Authentic Philly Cheesesteak Sandwiches. This means that they only use thinly sliced Rib-Eye steak (that's never Chopped) and authentic Italian Steak Rolls which are brought in directly from Philadelphia. By offering Cheesesteak Sandwiches along with other items you would expect to find in a neighborhood Steak Sandwich Shop in Philadelphia, Big Al's Steaks has found a way to bring the Philadelphia Dining Experience to South Florida; and is looking forward to bringing that experience to your neighborhood too. – Source: PR.com

### **Sysco Gets \$26M Military Food Contract**

Sysco Eastern Maryland LLC was awarded a military contract worth up to \$26.2 million to provide food and beverage support for the Department of Defense and non-defense customers in North Carolina. Food services will be provided to the Army, Navy, Air Force, Marine Corps and Coast Guard under the contract, which was announced recently. Sysco Eastern Maryland is based in Pocomoke City, Md. It is a subsidiary of Sysco Corp., which is based in Houston. Contract completion is expected by July 28, 2012. The contracting agency is the Defense Logistics Agency Troop Support in Philadelphia, Pa. – Source: CBS Money Watch.

### **Brooklyn Water Taps Former Manhattan Bagel Exec as COO**

Brooklyn Water Enterprises Inc., the company that creates "Brooklynized" water for use in all its restaurants' food, beverage, and bakery products, announced that Jack Grumet, former chairman and CEO of the Manhattan Bagel Company Inc. and founder, former chairman, and CEO of Jo-Ann's Nut House, has joined The Original Brooklyn Water Bagel Co. as its chief operating officer and as an advisory board member. "Jack brings tremendous franchise planning experience and knowledge to The Original Brooklyn Water Bagel Co.," says Steven M. Fassberg, founder, chairman, and CEO of Brooklyn Water Enterprises. "His business acumen and experience of overseeing close to 1,000 franchisees will help shape the company as we continue to grow." Prior to joining the Brooklyn Water Bagel Co., Grumet led Manhattan Bagel for seven years where he was responsible for more than 650 bagel shops in 19 states. With more than 40 years of experience, Grumet has founded and served as chairman and chief executive for a number of companies in the financial, technology and food service industries. "The Original Brooklyn Water Bagel Co. is a fast-growing, one-of-a-kind concept in the bakery café market. With quality food products, quick service and the diverse experience of its executives, the company is positioned to grow quickly," Grumet says. "I look forward to rejoining the bagel industry and bringing my experience and background in franchise management to help the company reach its outstanding potential." – Source: QSR.



### **McDonald's Delivery Service Drives Growth in Foreign Markets**

When Americans are too busy or lazy to cook, they often place an order with their favorite Chinese restaurant. So who do people in China call when they want food delivered? Increasingly, McDonald's and KFC. Delivery is becoming an important part of the growth strategy at McDonald's Corp. and Yum Brands Inc.'s KFC chain in parts of the world where cities are too crowded and real estate costs too high to justify building drive-throughs. In cities like Beijing, Seoul and Cairo, armies of motorbike delivery drivers outfitted in colorful uniforms and bearing food in specially designed boxes strapped to their backs make their way through bustling traffic to deliver Big Macs and buckets of chicken wings. McDonald's Asia/Pacific, Middle East and Africa division, which accounts for more than a fifth of the company's revenue and showed same-store sales growth of 8.1 percent in November, is planning to add delivery service to many of the new restaurants it builds. Already, 1,500 restaurants out of the division's 8,800 in 15 countries offer delivery, and it plans to build more than 650 new restaurants next year, with up to 250 of those in China alone. Yum Brands, which says its Pizza Hut unit was the first Western chain to offer delivery in China, decided in 2008 to test whether chicken would prove as popular a delivery item. Now, KFC offers delivery in more than half its 3,500 restaurants in China, and Yum Chief Financial Officer Rick Carucci estimates delivery will be available in more than 2,000 new KFC restaurants in China over the next decade. The chicken chain also offers delivery in other Asian countries, the Middle East, Central America and Mexico. As the largest fast-food chain in China, KFC is relying on delivery to help broaden the reach of its brand even more. KFC is opening about 450 new restaurants in China per year, half of which Carucci says will offer delivery. At McDonald's, "we've used the slogan, 'If you can't come to us, we'll come to you,'" says Tim Fenton, president for the chain's Asia/Pacific, Middle East and Africa division. – Source: The Wall Street Journal.

### **Faruqi & Faruqi, LLP Announces Investigation of Morton's Restaurants Group Inc.**

Faruqi & Faruqi, LLP, a leading national securities firm headquartered in New York City, is investigating the Board of Directors of Morton's Restaurants Group Inc. for potential breaches of fiduciary duties in connection with their conduct related to the sale of the Company to Tilman J. Fertitta's wholly-owned company, Fertitta's Morton's Restaurants, Inc., in an all-cash deal valued at about \$116 million. Under the terms of the proposed transaction, Morton's stockholders will receive \$6.90 in cash for each share of Morton's common stock they own, while according to Yahoo! Finance, at least one financial analyst has set a price target of \$9.00 for Morton's. Whether Morton's Board of Directors breached their fiduciary duties to the Company's stockholders by failing to conduct an adequate and fair sales process prior to agreeing to this proposed transaction, whether the proposed transaction undervalues Morton's shares and by how much this proposed transaction undervalues the Company to the detriment of Morton's shareholders are the key focus of this investigation. Faruqi & Faruqi, LLP is a national law firm which represents investors and individuals in class action litigation. The firm is focused on providing exemplary legal services in complex litigation in the areas of securities, shareholder, antitrust and consumer litigation, throughout all phases of litigation. The firm has an experienced trial team which has achieved significant victories on behalf of the firm's clients. – Source: Faruqi & Faruqi, LLP

## Business Travel Will Rise in 2012

Business travel, which has been driving a recovery in the hotel business, should take off next year, according to a new Deloitte survey. Part of the surge is due to Millennials and Generation X professionals who expect to hit the road more next year. Eighty-five percent of business travelers surveyed expect to take more or the same number of trips next year, with 27 percent of 18- to 44-year-olds expecting to take more trips in 2012, while only 16 percent of business travelers 45 years old and above are planning to take more trips next year. Eighty-one percent expect to take more or the same number of business trips than they did in 2010. Of the 19 percent of business travelers who expect less travel in 2011, more than six of 10 (64 percent) cited the recession as the primary reason, and 14 percent cited a job change. The majority of business travelers surveyed feel experiences at hotels operating under the same brand name differ depending on location, with six in 10 (60 percent) noting that facilities and service quality vary widely. However, when looking at perceptions around hotel consistency among different age groups, 49 percent of respondents aged 30 and older believe hotel brands are inconsistent whereas only 39 percent of those ages 18 to 29 indicate the same. When considering loyalty, nearly half (46 percent) of the 18- 29-year-olds say they prefer to stay at their favorite hotel brand even if it is not conveniently located, whereas 37 percent of those 30 and older do the same. Source: [travelpulse.com](http://travelpulse.com).

If you would like to have news about your company in our newsletter, please send all editorial contributions to Mario Schacher: [marioschacher@yahoo.com](mailto:marioschacher@yahoo.com)



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