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Woks Get Hotter

The fast-casual and QSR Asian segment heats up as contenders old and new expand. **Yoshinoya** aims to open another 13 by year's end and 15 to 20 annually after that. With more 1,300-units worldwide, Yoshinoya will make a push into the U.S. while ramping up its franchising program introduced last year. **Samurai Sam's** new fast casual spin-off **Samurai Sam's Asian Fusion** is open in Los Angeles and another is in the works for Phoenix this year. Parent company **Kahala** carefully tweaks the concept to be more versatile for expansion. The leader of the U.S. fast-Asian segment **Panda Restaurant Group Inc.** is on track to open 160 **Panda Express** units this year, so expect another 90 or before 2009. SoCal Brand **City Wok** will open two units by year's end in the Denver market.

Yoshinoya, Samurai Sam's, Panda and City Wok all target similar inline and end cap real estate with low square footage. Increasing vacancies create a plethora of opportunities for these brands as retail developers report a vacancy rates climbing toward 8% nationwide. Yoshinoya is in R&D for a slimmer prototype to shave a little square footage off its standard 1,800 s.f. to 2,200 s.f. model that would allow it to fit into those vacancies. However, the company is cautious to keep 30 to 40 seats. Samurai Sam's Brand President **Sean Wieting** believes the prototype could be shaved down as low as 1,200 s.f. to pass savings onto franchisees. The smaller units' look and ambiance could be altered slightly as the brand hones in on a perfect ambiance to investment ratio. City Wok's franchisees hope to cash in on the vacancies and will move with haste to close deals. The other aspect that makes these brands appealing is that they provide variety and international flare. Asian concepts are a welcomed change from typical fast casual and QSR burger, pizza, sandwich and Mexican concepts because they offer international flavors and more variety than the usual American standards.

Yoshinoya plans to end 2008 with 93 units in the U.S., mainly in the Southwest and SoCal. Watch for six stores in Las Vegas, three for Arizona, two in NoCal and a couple more in Los Angeles. The company is in talks with several area develops for Hawaii and other California markets. Yoshinoya makes the claim of being the first to introduce the beef bowl to Japan in the late 1800s. Since then, the company built its menu around that signature item but expanded the menu to include chicken, shrimp and salads. Yoshinoya is careful to keep food natural and not use process meats to maintain healthier products. The company targets inline, end cap and freestanding units and likes strip centers in a sea of rooftops. Ideal real estate includes mixed-use, power and grocery-anchored centers. VP of Franchise Development and Sales **Scot Hobert** prefers multi-unit franchisees with retail or restaurant experience. Yoshinoya requires franchisees to sign on for a minimum of three units. An average initial investment to open one unit ranges $700K to $1.4M, which includes three months of working capital. Franchisees often work with **Nara Bank** and SBA loans for financing needs. An average check is $7.75.

Samurai Sam's targets the Southeast for growth with its new Asian Fusion concept. The company looks for area developers to help speed up growth in its new region, which includes Florida, The Carolinas and Georgia. Samurai Sam's also directs expansion to existing markets in the West including California, Arizona, Utah and Colorado. An ideal unit would work well in newer strip centers and lifestyle centers alike. End caps with patios and great visibility are preferred. Samurai Sam's aims to raise AUVs from $300K to $550K, which will also increase its sales-to-investment ratio to 2-to- 1. With buildout already very low at only $175K to $200K, the company needs to increase guest counts. The Asian Fusion Grill will feature a Pan-Asian menu to include Japanese, Chinese, Thai, Vietnamese and Korean cuisine — compared to the QSR units that only offer Japanese. An average check is intended to be about a dollar more than the $8.25 check of the QSR model.

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Roly Poly units are usually 1,000-s.f. to 1,600-s.f. inlines in upscale markets and coffee or yogurt chains make good neighbors. There is also a smaller 500-s.f. DTO unit in some markets. Founder and President Wolf only looks for owner/operators who are required to work in the store and understand their respective markets. She sees this as a family friendly concept because the store closes at 6 p.m. and franchisees can have a life outside the store. The franchisee fee is $25K including training and amount to open one unit ranges from $80K to $135K, there is no advertising fee. Franchisee can work with any bank and must be able to finance half of the investment.

Thundercloud Subs will add a new store this month is Pflugerville, Texas, and a couple more stores next year including Cedar Park, Texas. The 27-unit company is staying close to its Austin, Texas, home base for now and will not franchise the concept for the time being. The company is getting its feet wet with catering programs and recently added online ordering options, with 10% to 20% of sales are from takeout. The average check is $6.50 and 65% of the business is done from 11 a.m. to 1:30 p.m. Units average at 1,200 s.f. and Director of Franchise Sales Cohen likes end caps in strip centers and generally does not do freestanding units. The company works with **Blue & Associates** general contractor in Austin. He likes to be near retailers that are busy during all dayparts like a dry cleaner that brings in both morning and evening traffic and Starbucks, yogurt or ice cream concepts work well too. The company does all funding internally.

Diners Provide Timeless Sales

They are not exactly "greasy spoons," but family-style diner concepts **Ruby's Diner** and **Black Bear Diners Inc.** are tackling customers' desire for good, affordable comfort food at a time when value and consistency is a priority. Both plan new units and have strategies to drive sales. Ruby's will add four units this year in California and New Jersey and bets on takeout and non-traditional units to keep sales up. Black Bear has two locations planned for Nevada and Washington, while looking toward Colorado and Central California for future sites. The diner counts on loyal customers staying close to home to push sales.

Casual-dining chains have the opportunity to pick up extra sales during a slower economy — they just need to know where to look for them. Instead of freaking out about high gas prices some chains can capitalize on it like Black Bear, which is keeping sales and traffic counts up with loyal locals who visit the diner more frequently as they cut back on travel plans because of high gas prices. Black Bear Franchise Administrator **Pam Riggings** also bets on large portions and reasonable prices to keep people coming back for more. Takeout is another option for extra sales and Ruby's Founder and CEO **Doug Cavanaugh** has seen to-go sales climb as much as 25% at some locations recently. The increase could be due to people wanting to take food home with them to save on drinks and tip. Cavanaugh will also bet on some non-traditional locations like an airport unit at the Newark, N.J., and a drive-in unit complete with waitresses on roller skates in Anaheim, Calif.

Look for four new Ruby's Diners on the Malibu Pier, the **Irvine Spectrum** in Irvine, Calif., **Garden Walk** in Anaheim, Calif., and the Newark, N.J., airport coming before the end of the year. Founder and CEO Cavanaugh is cautious with expansion plans for 2009 and is focusing on the getting the locations in development off the ground before adding to the pipeline, but a unit is planned for San Clemente, Calif., as part of the **Marble Head** development. The 51-unit casual dining chain's menu is mostly burgers, shakes, salads and sandwiches and the average check is $11.50. AUVs are just north of $2.5M. The units average 4,500 s.f. and freestanding is preferred in lifestyle centers near entertainment components or other restaurants that breed strong traffic. Cavanaugh is working with real estate developers **The Irvine Co.**, **Westfield LLC** and **Excel Realty Holdings** on projects. Expansion is funded through commercial lenders, investors and landlord funding. Single- and multi-unit franchisees are welcomed and any location outside California is done by a franchisee. Franchise fees are $45K and initial amount to open one unit is around $1.5M.

Watch out for new Black Bears in Friendly, Nev., in the fall and Sequim, Wash., next year. Franchise Administrator Riggings is also looking in Rifle, Colo., and Central California for future units. The menu is typical diner fare but it constantly changes as the company tests new items. An average check at the 38-unit chain is $8 to $12/lunch and $14 to $28/dinner for two. AUVs range from $20K/week to $65K/week. The restaurant is open during all three dayparts, with breakfast being the busiest. Units are around 5,000 s.f. and are usually freestanding right off the freeway. The company is SBA approved and will work with both single- and multi-unit franchisees. The franchisee fee is $40K and the amount to open one unit is a wide range of $350K to $1M depending on location.