

The Record

TODAY 68°/52°
Clouds breaking for some sun
TOMORROW 72°/57°
An afternoon shower possible

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THE TRUSTED LOCAL SOURCE

Supersize that turnaround

Former Goya execs work on four tired fast-food chains

Trufoods franchise chain

Trufoods LLC was formed in 2007 after Goya Foods heir and former Goya executive Andy Unanue bought Trufoods Systems Inc., a New York City company that specialized in buying bankrupt franchise restaurants. Unanue changed the name to Trufoods LLC, hired an executive team with credentials from chains such as Ranch1, McDonald's, Dunkin' Donuts and Chili's. Trufoods owns the following brands:

Wall Street Deli — Designed to be located "off-street" in office buildings, airports and travel rest stops, the chain sells breakfast foods, and fresh-made sandwiches, salads and one or two hot dishes, primarily for takeout. There are 23 Wall Street Deli restaurants in 11 states and Washington, D.C. Trufoods opened a company-owned Wall Street Deli in Jersey City in February.

Ritter's Frozen Custard — Unanue and Trufoods LLC acquired this Midwestern-based ice cream chain in 2008. There are 32 Ritter's shops, primarily in Ohio, Michigan and Indiana. The first New Jersey Ritter's is within the Wall Street Deli in Jersey City.

Pudgie's Famous Chicken — Founded on Long Island in 1981, this chicken chain, known for skinless fried chicken and home delivery, had spread to 10 states before filing for bankruptcy in the late 1990s. It now has five restaurants on Long Island, and a Trufoods

corporate-owned Pudgie's is planned for North Arlington. Six potential franchisees are interested in opening Pudgie's in New Jersey.

Arthur Treacher's Fish & Chips — Trufoods Systems Inc., the predecessor of Trufoods LLC, owned Arthur Treacher's previously and sold Arthur Treacher's products in many Pudgie's locations. The new Trufoods management wants to continue that co-branding through an arrangement with the Nathan's chain, which owns the rights to Arthur Treacher's. That arrangement will allow Arthur Treacher's and Nathan's products to be sold in Pudgie's stores. Trufoods is the sub-franchiser in Ohio, Pennsylvania and Indiana, and has about 25 free-standing Arthur Treacher's restaurants.



Store manager David Pizzo tending to a customer at the Wall Street Deli on Washington Boulevard in Jersey City. The restaurant is among the fast-food brands being revived by Trufoods LLC.

By JOAN VERDON
STAFF WRITER

A company created by Goya Foods heir Andy Unanue plans to use New Jersey as the launching pad to give four fast-food chains a fresh start nationwide.

Unanue and his management team, made up of food-service and fast-food franchising veterans, are betting they can help Americans cultivate enough of a taste for the Wall Street Deli, Pudgie's Famous Chicken, Ritter's Frozen Custard and Arthur Treacher's Fish & Chips brands to have 250 to 300 restaurants nationwide within five years, up from 100 currently.

The company, Manhattan-based

Trufoods LLC, also is hoping to add other restaurant offerings to its business menu, such as a Mexican food group and a burger chain, through acquisitions.

"The Trufoods business model is to acquire brands that either have not lived up to their full potential," or brands that hit hard times and were forced to downsize, said Gary Occhiogrosso, chief development officer for Trufoods.

Occhiogrosso said the four fast-food chains already have loyal fans, and that with the right management and marketing support they can become fast-food success stories.

Trufoods executives believe they are tapping into food categories Americans are hungry for — afford-

able breakfast and lunch options for office workers and travelers, and takeout chicken and fish and chips that customers can have home-delivered. According to research firm The NPD Group, more than 12 billion morning meals are served annually in U.S. restaurants and morning traffic has increased 2 percent per year over the past five years. Lunch visits were flat over that period and dinner visits declined an average of 2 percent a year.

"People are just as busy now as they were before the recession, and their ability to make time to cook dinner is just as tight as it was a few years ago," Occhiogrosso said. "The difference is whether or not that

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Supersize: Revitalized fast-food formula

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family of three or four or five is going to be running to a casual sit-down restaurant to drop 60 bucks. I'm not sure they're doing that with any regularity these days."

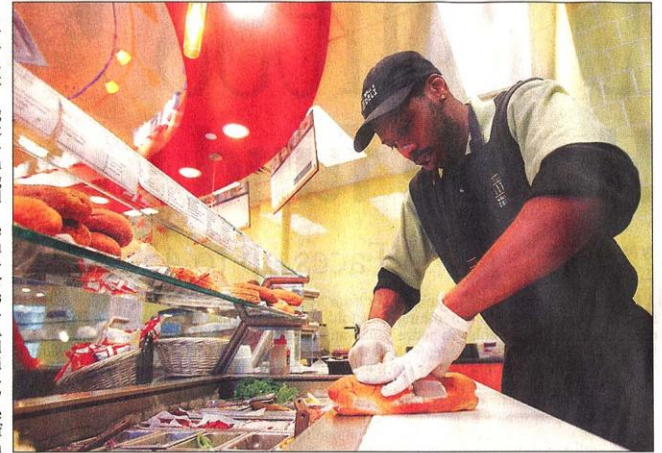
But Trufoods also is gambling on two brands that went bankrupt — Wall Street Deli and Pudgie's — and will find itself competing in an arena crowded with competing sandwich shops and fast-food chains.

"My concern for each of these brands is either their limited menu offering — fish for Arthur Treacher's and custard for Ritter's — or their ability to compete versus well-muscled competition — Pudgie's versus KFC, Chick-Fil-A and numerous chicken-focused brands and Wall Street Deli against the sandwich universe — from Subway, Quiznos to Panera," said restaurant and food service expert Stuart Morris, president of the QSR Consulting Group in Coronado, Calif., in an e-mail exchange.

Occhiogrosso said Wall Street Deli "will be positioned — in terms of price and quality — above a Subway or Quiznos." The average "ticket" — or meal cost — at those chains, he said, is about \$5. Wall Street Deli is "about a \$6.50 ticket, so we're above that, but we're not that \$8 or \$9 ticket you might find at a Panera. So we're in-between the sub shop and the more elaborate bakery café." In terms of quality, Wall Street Deli offers more variety than a sub shop, with a tossed-to-order salad bar and one or two hot dishes daily, he said.

Fast-food and takeout restaurants also are facing growing competition from supermarkets, according to The NPD Group. In a July report, NPD said consumers find supermarkets to be more convenient and more healthful than quick-service restaurants. Quick-service restaurants with delivery, however, win points with customers, NPD reported.

Trufoods, located in an office building across from Madison Square Garden, opened a company-owned, combined Wall Street Deli and Ritter's Frozen Custard store in Jersey City in February. It plans to open a company-owned Pudgie's in the North Arlington



KEVIN R. WEXLER/STAFF PHOTOGRAPHER

Crew member Edsel Myrie preparing a sandwich at the Wall Street Deli in Jersey City. The fast-food chain is positioning itself to compete with Subway and Quiznos.

area soon. Occhiogrosso said the company picks locations based on population density and demographics, and likes the North Arlington area because of the large number of young families that live in there. The company-owned stores will serve as flagship locations to show potential franchisees how the restaurants should be operated. Trufoods also has applications from six potential franchisees who want to open Pudgie's restaurants in New Jersey, and two potential Wall Street Deli franchisees, Occhiogrosso said.

The competition in the sandwich and takeout food category is visible in the Jersey City office building where the company-owned Wall Street Deli is located. On a recent weekday lunch hour, workers at the building on Washington Boulevard had a banquet of lunchtime options other than Wall Street Deli, including a Cusi sandwich shop and a large cafeteria-style restaurant featuring made-to-order stir-fry specialties.

Unanue acquired the Wall Street Deli and Pudgie's brands

when he bought their previous owner, Trufoods Systems Inc., in 2007. That company had picked up the two brands in bankruptcy auctions. The prior owner of Pudgie's had owned the Arthur Treacher's brand and installed that brand in many Pudgie's locations, before selling Arthur Treacher's. Trufoods plans to continue to combine Arthur Treacher's and Pudgie's, through a licensing agreement, even though Trufoods does not own the Arthur Treacher's brand.

All of the Trufoods franchises require a \$25,000 franchise fee. Occhiogrosso said the average cost, in addition to the franchise fee, to open a Pudgie's/Arthur Treacher's would be \$160,000 to \$200,000 and the average cost to open a Wall Street Deli would be \$225,000 to \$350,000.

The recession has made this a great time to find franchise locations, Occhiogrosso said. "Not only is the overall rental price down, but in this economy landlords are negotiating what are called 'TI' dollars — tenant improvement dollars," he said. "The

landlords are actually paying the tenants part of the cost to build the restaurant. And if they're not breaking loose with cash, they're doing it in the form of free rent."

Trufoods is planning to expand its franchise brands by opening new locations "in contiguous circles," Occhiogrosso said. "One of the mistakes of the past was our predecessors would award single units in markets that were disconnected," making it impossible to have an effective supply chain or share marketing. "Our goal is to go to markets where we already exist and grow the brands in contiguous circles around those markets," he said. And the first circle will be centered on New Jersey.

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