



Rightsizing In real estate sometimes small is better

By Beth Mattson-Teig

Real estate may consist of bricks and mortar, but store prototypes are by no means set in stone. Many brands are finding that now is an opportune time to “rightsizing” their real estate footprint as a means to slash costs and boost profits.

Clearly, there is no “one size fits all” solution. Store prototypes need to be constantly evaluated and tweaked to reflect industry trends, as well as changing demands from both consumers and franchisees. The challenging economic climate is once again forcing many franchisors to take a closer look at store size. Franchisors are shrinking, expanding and adding additional prototype options as they continue to search for ways to grow their brands more efficiently.

Quaker Steak & Lube is one restaurant chain that is launching a new smaller footprint in 2011. The franchisor has trimmed its 9,000 square foot restaurant down to 7,700 square feet. “The reason for that change in a lot of respects was to make it more marketable,” says David Miller, vice president of facilities and development at Sharon, Pennsylvania-based Quaker Steak & Lube.

A 9,000- to 10,000- square-foot building can be a tough sell to potential franchisees. The smaller prototype allows Quaker Steak & Lube to reduce both its building and land costs as it reduces the building site requirement from 2.5- to 3- acres down to 2 acres. “Obviously that helps the total cost of the project, brings your return on investment

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down, and hopefully will make it more profitable in the long run,” Miller adds.

In order to squeeze more efficiency out of its prototype, Quaker Steak & Lube focused mainly on cutting out kitchen space, while saving as many seats or tables as they could to maximize revenues. Ultimately, the company did eliminate 46 seats, which brings the total seat count to 356. “The whole idea was to economize and make it more efficient, yet try to maximize the seating, which helps to maximize the revenues,” Miller says. Despite the smaller size, Quaker Steak & Lube hopes that its res-

swimming pool, kid’s club and extra group fitness areas.

Gold’s Gym franchisees have experimented with different smaller footprints over the years. However, the company has worked hard over the past year to develop the Gold’s Gym Express model, including testing the concept with two franchisee-owned and operated Express Gyms that opened in 2010. “They are performing at a very high level, which makes us feel very good about how the strength of the Gold’s Gym brand performs with this lower priced club,” says Jim Snow, president of Dallas-based Gold’s Gym International.

The company is now rolling out the Gold’s Gym Express model throughout its franchise system. Between its corporate and franchise units, Gold’s Gym expects to open between 20 and 30 Gold’s Gym Express locations in 2011.

Upsizing opportunities

New York-based TruFoods is expanding the footprint of its Pudgie’s Famous Chicken brand as part of its rebranding efforts. TruFoods, which purchased the brand in 2007, has initiated a major upgrade that includes a completely new look for the restaurant from its 3-D menu boards to the addition of in-store seating. “What we wanted to do is address the image so that it not only looks fresh and modern and more in tune with what’s going on today, but also create a facility that allows our franchisees to make more money,” says Gary Occhiogrosso, chief development officer at TruFoods.

TruFoods is working to transform the take-out and delivery business to more of a typical QSR restaurant. The footprint of the Pudgie’s stores has expanded from 800 to 1,000 square feet to range from between 1,000 a d 2,000

restaurants will continue to be able to drive about \$4 million in annual sales revenues.

The first 7,700 square foot Quaker Steak & Lube is being built in Springfield, Illinois, and is expected to open by September. The firm plans to open two or three corporate restaurants this year, and another 14 franchise operated restaurants are in the pipeline.

Another advantage of the smaller footprint is that it should give franchisees more flexibility in finding real estate. “Usually there are more of those smaller pieces of property available,” Miller says. There are not as many places that you can put a 10,000 square foot building. Quaker Steak & Lube also is testing a 5,500

square foot “Mini-Lube” restaurant with a more limited menu that would give franchisees additional real estate options for smaller markets.

Shrinking square footage

Gold’s Gym International is another brand that hopes to boost franchise sales by introducing a new smaller footprint. The prototype for the new Gold’s Gym Express is about half the size of a traditional, full-size gym with an average size between 15,000 and 20,000 square feet. The Express model offers many of the same services and amenities as a full-service gym, without space-gobbling extras such as a

Subway upscales

Subway Cafe is a fairly new concept where patrons can have a Starbucks experience, with subs to boot.

The franchisor of more than 34,000 locations worldwide rolled out the upscale concept in August 2008, and has since expanded to 13 locations—mainly in office buildings and medical centers—from Washington D.C. to Colorado.

The concept is essentially an experiment in decor, says spokesman Les Winograd. It features stylized signage outside, and flat screen TVs, black leather chairs and dark woods inside. An expanded menu, Seattle’s Best coffees and gelato blends with the larger, upscale layout.

Subways are designed to fit any



The smallest Subway on Earth stands in Leipzig, Germany.

space, which is what Winograd calls “the beauty of the concept.”

The smallest location? A less than 100-square-foot stand in a Leipzig, Germany train station. The largest? A 5,000-square-footlong Subway in a shopping center in Llanelli, Wales.

square feet depending on the individual location.

TruFoods also expanded the menu to include chicken sandwiches as a means to attract more lunch customers. The brand expects to grow its lunch or afternoon business to represent about 30 to 35 percent of total sales compared to afternoon sales that have typically represented less than 10 to 15 percent of the overall business.

Even though the footprint is bigger, TruFoods has been able to value-engineer its build-outs so that the cost of entry for franchisees remains low. The company has been able to put together cost-effective equipment packages and take advantage of energy efficient building materials and systems. Pudgie’s currently has six existing franchisee-owned restaurants with another 19 that are in development. 