

CAPITAL BUSINESS

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Fast-food eateries eye D.C. area for expansion

RESTAURANTS

Einstein Bros. Bagels, Little Caesars, Dunkin' Donuts offer franchise opportunities

By DANIELLE DOUGLAS

Several fast-casual restaurants are eyeing the Washington area for the expansion of their franchising business. The growth strategy has become more popular in the wake of the recession, as companies look to cut costs associated with corporate operation.

Little Caesars Pizza, Dunkin' Donuts and Red Mango are just a few of the companies offering more franchise opportunities in the region. Just last week, Einstein Noah Restaurant Group extended an invitation for local entrepreneurs to run their own Einstein Bros. Bagels outlet or Manhattan Bagel store. The company is ramping up its advertising, seminars and webinars to attract franchisees.

"We have had a lot of success in the Greater Washington [area] and are looking to continue to grow with restaurateurs that are as excited about our brand as we are," said James O'Reilly, the Lakewood, Colo., company's chief concept officer. Einstein, which already has 24 corporate-owned locations in the area, would like to launch 10 to 15 more over the next three years.

During an earnings call last month, the company's president and chief executive, Jeff O'Neill, discussed plans to continue a healthy pace of corporate-owned store openings in major markets, including the Washington area, but with the hope that those stores would be eclipsed by a portfolio of franchises and license restaurants. Franchise and license-related revenue contributed \$2 million to the company's second-quarter earnings, a 17 percent increase from the same period a year earlier.

Einstein has joined the ranks of Margaritas Mexican Restaurant of Portsmouth, N.H., which in July expressed a desire to increase its inventory of eateries in the Washington region through franchising. At the time, the company's president and chief operating officer, Bob Hoffmeister, said the current economic climate should make it easier for franchisees to find more favorable leasing terms.

The recession has also widened the pool of potential franchisees, as long bouts of unemployment compel more people to consider trading in the label of worker for owner. "Even in this economic environ-

ment, the franchising industry is projected to post 36,000 new jobs in 2010," said Stephen J. Caldeira, president and chief executive of the International Franchise Association.

Start-up costs for fast-casual eateries are often much lower than for casual dining concepts because of the smaller size of the eateries and limited products. Customer turnover also tends to be higher, as does revenue. According to research firm Technomic, sales at the top 100 fast-casual chains topped \$17.5 billion in 2009, a 4.5 percent increase over 2008.

Still, obtaining seed money in this lending environment can be an obstacle for new franchisees. A few franchisors, however, are willing to float some funding or reduce initial franchise fees. Einstein assists its operators in sourcing funding from lenders with which the company has established relationships.

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