



LIMITED SERVICE

LSR/Burger, LSR/Sandwich, LSR/Mexican

BY MERCEDES CARDONA

A combination of aggressive movers and turnaround stories helped shuffle the deck somewhat among the Second 100 Limited-Service chains, which were led in systemwide sales growth by the LSR/Burger subsegment.

Freddy's Frozen Custard & Steakburgers, a small player in both sales and unit count, is also one of the Limited-Service segment's fastest-growing chains, coming in at No. 1 in Latest-Year systemwide sales growth and No. 2 in unit growth. During the past two completed fiscal years, Freddy's more than doubled its systemwide sales to \$144.9 million and grew its domestic unit count from 58 to 104. The 12-year-old chain also saw an aggressive 10.5-percent increase in estimated sales per unit, or ESPU, in the Latest Year to \$1.5 million.

The Latest-Year sales increase set a new precedent for the Wichita, Kan.-based chain, according to chief financial officer Randy Simon.

"We certainly want to further build this momentum," he said. "We continue to see our stores, new and mature, set records."

LSR/Sandwich player Potbelly Sandwich Works also saw aggressive growth in the Latest Year, expanding from 269 to 306 units and growing U.S. systemwide sales by 9.5 percent to \$304.5 million — on top of 16.1-percent growth in the Preceding Year. The Chicago-based company went public in October and has plans to expand its base by 10 percent annually through company-owned units and limited franchising.

There is a two-tier environment developing in the Limited-Service segment, with some fast-casual brands creating more attractive offers using local, artisanal ingredients and better-quality menu items, said Darren Tristano, executive vice president at Technomic Inc.

"What we're seeing now is more craftsmanship, more artisan flavors, more local sourcing," he said.

Smashburger — which has gotten a lot

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of press for the quality of its food from outlets as varied as TripAdvisor and Consumer Reports — saw systemwide sales grow 32.6 percent in the Latest Year, the second-fastest sales growth in the segment behind

Freddy's. The Denver-based burger chain showed modest Latest-Year ESPU growth of 2.1 percent, but its unit growth was the highest in the segment, at 29 percent.

Fuddruckers, the systemwide sales leader among LSR/Burger chains, showed a healthy 6-percent ESPU growth in the Latest Year, turning around a Preceding-Year decline. That helped systemwide sales rise to

\$265 million, up from \$253 million in the Preceding Year despite the loss of a net five units.

Peter Tripoli, chief operating officer of Fuddruckers parent Luby's Inc., told Na-

tion's Restaurant News that the Houston-based company has been remodeling and improving the brand in an effort to speed service and expand the menu.

The LSR/Burger subsegment, as a whole, is getting a boost from tweaking menus to include crafty toppings and unusual buns, such as gluten-free or pretzel rolls, sometimes sold as an extra, Technomic's Tristano said.

"The emphasis has been on toppings, buns and sauces — anything but the burger," he said.

While the LSR/Burger and LSR/Sandwich subsegments had a solid Latest Year overall, the LSR/Mexican subsegment fared less well. Average systemwide sales growth and unit growth were both negative, and

average ESPU growth was up only 1.7 percent. That rate was due in large part to Taco Cabana's respectable 3.5-percent Latest-Year ESPU increase, but the chain's best-in-segment \$1.8 million ESPU represented a growth cooldown from its 6.9-percent increase in the Preceding Year.

Despite the troubles besetting the subsegment, LSR/Mexican chain Taco John's was able to snag the No. 1 U.S. systemwide sales rank among all Limited-Service chains with its \$330.7 million in Latest-Year sales. Potbelly's solid sales and unit growth helped it edge out Taco Cabana for the No. 2 spot in the segment, with \$304.5 million. Taco Cabana's \$301 million in systemwide sales earned it third place in the Limited-Service overall sales rankings. ■

BY THE NUMBERS *Limited-Service segment highlights*

TOTAL U.S. SALES OF SECOND 100 LIMITED-SERVICE CHAINS:

\$3.7 billion

UP
4.5%

FROM
\$3.6 billion
A YEAR AGO

LARGEST SALES INCREASE:
46.5%
FREDDY'S FROZEN CUSTARD & STEAKBURGERS

CHAINS' AVERAGE SALES GROWTH RATE:
6.4%

LARGEST SALES DECREASE:
11.3%
BAJA FRESH MEXICAN GRILL

SEGMENT SALES LEADER:

TACO JOHN'S
\$330.7 million

SEGMENT SHARE OF SECOND 100 SALES:



ESTIMATED SALES PER UNIT:

LOWEST:
\$270,300
A&W ALL-AMERICAN FOOD

AVERAGE:
\$991,800

HIGHEST:
\$1.8 million
TACO CABANA

TOTAL UNITS:

4,435 UP
0.6%

FROM
4,408
A YEAR AGO

3 LSR/Burger subsegment systemwide sales growth rank of Fuddruckers, which rose from a No.-7 showing in the Preceding Year on the strength of 4.7-percent growth.