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## Parents sue McD, claim its menu marketing fuels juvenile obesity

By Bonnie Brewer Cavanagh

NEW YORK — McDonald's Corp., already defending itself against charges that its food is unhealthy, has been served with a class-action lawsuit alleging that its menu marketing tactics unfairly target juveniles and contribute to childhood obesity.

A lawsuit against the Oak Brook, Ill.-based company, filed Sept. 4 in the Bronx Supreme Court of New York, was brought on behalf of the parents of three teenagers, each of whom weighs 200 pounds or more.



The suit was filed by New York attorney Samuel Hirsch, who in July sued McDonald's, Burger King, Wendy's and KFC on behalf of 272-pound Caesar Barber, 56, who blamed his obesity and related health problems

on a fast-food habit. That suit alleged that the chains deceptively market high-fat foods to create addictions in consumers, including children and the poor.

Hirsch, who decried "fat bombs" and kids-meal enticements in an interview about his latest filing, could not be reached subsequently to confirm reports that the much-ridiculed Barber suit had been dropped.

While many operators voiced disgust with both lawsuits, they (See PARENTS, page 6)



Jack in the Box recently launched taquitos, which are snack-sized corn tortillas filled with seasoned beef and deep-fried.

## Jack in the Box eyes profit drop

Calif. OT settlement, closures hit 4Q net

By Amy Zuber

SAN DIEGO — Joining a growing group of major fast-food chains to be hit by slowed sales, Jack in the Box, while also facing \$15.6 million in charges for restaurant closures and a pending settlement of back-overtime litigation by California managers, has slashed its fourth-quarter earnings forecast nearly in half.

The 1,840-unit burger chain tentatively settled the lawsuit filed last year by the managers, who claimed they were not always properly paid for overtime. The settlement, pending court approval, would cost the San Diego-based company about \$9.5 million, including

legal fees. "While the company denies all liability, it agreed to this settlement in order to resolve all the claims without engaging in protracted litigation," Jack in the Box said in a statement.

Wall Street was quick to take note of the burger chain's legal setback, which was the latest in a series of multimillion-dollar settlements by restaurant companies that were accused of improperly withholding overtime pay from workers by wrongly classifying them as overtime-exempt managers under California law.

(See JACK, page 11)

## Pollo Campero takes wing in United States

By Paul Frumkin

LOS ANGELES — As American restaurant brands strive to plant their banners around the globe, Pollo Campero, a 170-unit chicken chain based in Guatemala, has turned the tables and established a strong U.S. beachhead here.

Propelled by sales that reached \$1 million in the first seven weeks at its initial Los Angeles unit, Pollo Campero has opened two more counter-service branches in the area since April through an area franchisee, Adir Restaurants Corp., the local operator, plans to add a fourth local outlet by year-end.

Immigrants from the eight Central American countries where Pollo Campero units (See POLLO, page 67)



Guatemala-based Pollo Campero reached \$1 million in sales in seven weeks at its initial Los Angeles location, helping to spark pending deals to expand the chain nationwide.

## Village Inn operators find it takes a new prototype to surpass sales records

By Lori Lohmeyer

DENVER — As Village Inn operators continue to open branches using a new building format designed to siphon off customers from casual-dining rivals, franchisees of the family-dining chain report initial sales that are surpassing the brand's old records.

The earliest version of the prototype, which focused on enhancing operational efficiencies,

debuted in Laramie, Wyo., in 1996 as part of a collaboration between several Village Inn franchisees and the chain's Denver-based parent company, Vicorp Restaurants Inc.

Privately held Vicorp, which operates about 109 Village Inns and franchises 115 other locations, also franchises the 133-unit Bakers Square family concept.

To enhance Village Inn's curb appeal, the breakfast-specialty chain four years ago implemented a new exterior design featuring a roof line accented by tiered awnings and a softer color scheme and lighting package. At least 30 units now feature that new prototype, and franchise agreements are in place for additional units in Alaska, Colorado,

Florida and Kansas.

"The exterior aesthetics of the building are far superior to the old prototype," said Tom Porth, an eight-unit Village Inn franchisee based in Waterloo, Iowa. "It's less expensive to build because it's less square feet."

Spending \$1.1 million on the turnkey development, Porth on March 11 opened his first Village

Inn unit using the new prototype design.

Village Inn indicated that Porth's new unit, in Wichita, Kan., "surpassed sales performance expectations for its first four weeks of operations and found itself among the top five all-time Village Inn openings."

The restaurant still averages (See VILLAGE, page 6)

# Pollo Campero chain takes wing in United States

(Continued from page 1)

enjoy strong customer loyalty have been credited with the unusually robust initial sales in Los Angeles following the concept's debut there. The first L.A. location, near downtown, was going through 17.5 tons of chicken a week and cutting off block-long lines of customers at 6 p.m. in order to close by midnight, a spokesman for Adir indicated.

The chain, which specializes in fried and rotisserie-cooked marinated chicken, anticipates opening a store in Houston in November and is on the verge of signing a franchise deal for Washington, D.C.; Maryland; and Virginia. Plans also call for the opening of franchised outlets in Atlanta, Chicago, Miami and New York.

In a phone interview from the chain's headquarters in Guatemala City, Pollo Campero vice president Roberto Denegri said: "Within the next five years, we hope to have close to 200 units in the U.S. We have had all kinds of proposals from people who want to franchise. But we want to go carefully — we want to manage the growth."

Denegri said Pollo Campero's primary target is the Central American community living in the U.S., followed by the more general Hispanic population and then all consumers. "The Latino population in the U.S. is growing fast," Denegri said. "There's been an explosion of Latino culture there — movies, music, writers."

In fact, Hispanic consumers in the United States will spend about \$580 billion in 2002, according to a study by the University of Georgia's Selig Center for Economic Growth. The report forecasts that the figure will rise to \$926 billion by 2007. Hispanics today account for 9.4 percent of the total U.S. buying power, an increase from 5.2 percent in 1990.

Furthermore, the Hispanic population appears to be growing at a faster rate than the general population. The number of Hispanics



living in the United States increased by 58 percent between 1990 and 2000, compared with an overall 13-percent growth rate, according to the annual National Health Interview Survey.

The early success of the inaugural Pollo Campero outlet in La Curacao department store in the Pico-Union district of Los Angeles surprised even company officials. Members of the city's Latino immigrant community began lining up outside the restaurant as early as 6 a.m. Since the initial \$1 million-in-seven-weeks pace was set, sales have leveled off, and each of the three existing L.A. stores is doing about \$500,000 per month. Denegri said he anticipates that monthly sales finally would settle at about \$450,000 each.

"Sales were well above expectations," he explained. "They were huge numbers."

He said the long lines in the initial weeks were a result of pent-up customer demand for the product, which over the years has achieved something of a cult status in cities with large Latino populations. U.S. residents from Central America often carry Pollo Campero chicken

back to the United States when they return from visits to their homelands.

"You would get on a plane from Guatemala City to Los Angeles, and the whole plane would smell like Campero," Denegri said.

To help meet that demand, the company opened branches at the Aurora International Airport in Guatemala City and at San Salvador International Airport in El Salvador. Those two locations alone sell more than 3 million to-go orders annually and generate sales of \$4 million at each outlet, according to Denegri.

Jerry Azarkman, who co-owns Adir Restaurants and four La Curacao department stores with his brother Ron, said he couldn't believe the response to Pollo Campero. "People waited in line for nine and a half hours," he said.

Los Angeles' Central American residents "had pride that [a restaurant chain] from their country broke the barriers and came to the United States," Azarkman added. "They saw McDonald's and KFC open in Central America. Now they're seeing someone from their country coming here."

Adir Restaurants, under the only master franchise pact expected to be awarded, plans to open 50 Pollo Campero outlets over the next five years on the West Coast, including some subfranchised units.

Azarkman currently is looking for freestanding sites in the Los Angeles area. He also said that he is in the process of building a management infrastructure to run the restaurants. "We're looking for a president right now," he said.

Pollo Campero is not the first Latin American chicken concept to try to crack the U.S. marketplace. El Pollo Loco, the grilled chicken chain founded in Mexico whose international rights outside its home country were purchased by Denny's Inc. in 1983, has established a sizable presence in the Southwest and on the West Coast.

El Pollo Loco, whose U.S. debut also was made in Los Angeles and was embraced by Latino and Anglo consumers, now operates and franchises more than 300 units in the United States. It generates annual sales of about \$340 million, and it is owned by American Securities Capital Partners.

Randall Hiatt, president of

Adir Restaurants, under the only master franchise pact expected to be awarded, plans to open 50 Pollo Campero outlets over the next five years on the West Coast.

Fessel International, a restaurant consulting firm based in Costa Mesa, Calif., acknowledged that there is "room for growth in the chicken market in Southern California." However, "it won't be easy to hit 200 units just by targeting the Central American population," he added. "The narrower you try to be, the harder the time you have."

Moving an imported concept into the commercial mainstream could be difficult as well. "I've seen [Pollo Campero units] in Latin America," Hiatt said. "The product was good, but operations were not as sharp as they are here. They need to take a step up."

Pollo Campero was founded in 1971 in Guatemala City. Soon afterward its founders exported the concept to El Salvador, where it also flourished. Company executives opened branches in those two countries exclusively until 1991, when the concept debuted in Honduras. In 1994 a decision was made to franchise the chain, and three years later the first licensed unit opened in Panama. Over time franchises opened in Ecuador, Costa Rica, Nicaragua and Mexico.

Today the chain generates sales of about \$300 million annually with its three basic types of chicken — original fried recipe, extra crispy and rotisserie-cooked — all flavored with a spice-herb blend. Other lunch and dinner selections include chicken nuggets and strips, chicken burgers and sandwiches, and sides of french fries, mashed potatoes, fresh and prepared salads, and desserts.

Unlike the U.S. stores, Pollo Camperos in Latin America are open for breakfast, lunch and dinner and feature a full-service format.

## NRN recognizes employers' excellence in industry with PAPA Awards

(Continued from page 4)

allocating stock based on salary and company profitability to those with at least three years of service.

Sodexo USA, a \$4.8 billion food and facilities management company, will receive a PAPA Award in the recognition category. With 130,000 employees in the United States, the company offers several recognition programs. These include "CHIPP," the Cash Hourly

Incentive Program, which honors overall performance with semiannual cash bonuses; "Catch a Sodexo Star," which recognizes front-line employees whose behavior supports the company's mission and values; "Spirit of Sodexo," an annual award for top performers at divisional, regional and companywide levels; and "Expressions," a new gift program that rewards individuals for jobs well done.

During MUFISO representatives from the winning PAPA Award companies will form a panel discussing ways of "Easing Labor Pains."

During MUFISO, representatives from the winning companies will form a panel discussing ways of "Easing Labor Pains." Moderating that panel on Oct. 1 will be noted performance consultant Jim Sullivan, chief executive of Sullivision and columnist for Nation's Restaurant News. He will be joined by Lori Fleurant, senior project manager of human resources for Sodexo USA; Heidi Martin Gilanfar, vice

president of recruiting for The Cheesecake Factory; and Scott Vasko, vice president of human resources for Palm Management Corp.

PAPA Award winners were selected by the editorial board of Nation's Restaurant News along with the PAPA Advisory Board. To obtain further information about MUFISO 2002 and to register, please call (212) 756-5201 or visit [www.nrn.com](http://www.nrn.com) and click on "MUFISO."