

SHOPPING CENTERS

By Jack Intrator, CPM, RAM, ARM, Zommick McMahon NY Bagel Café, Inc., thriving in a volatile market

What makes NY Bagel Café Inc. (NYBC) a continued success in comparison to other national restaurant retail operators?



Jack Intrator

While brands like Dunkin' Donuts are either downsizing, closing franchisee-owned locations or devaluing their core products NYBC is thriving due to its unique operating concept. Even within the corporate structure larger national restaurant retail operations are often locked into expansion not by choice of the operator or even their own specific market conditions, but instead to maintain market share or market position as dictated by Wall Street. Some franchisees are prodded to expand so the Franchisor may attain loans that often are counterproductive to its core growth and long-term viability.

Consider the following excerpt from a recent New York Post article:

"Four Dunkin' Donuts franchise operators have filed for bankruptcy since June. Kainos Partners Holding Co., which runs 56 stores in New York, Nevada and South Carolina, filed for Chapter 11, joining three other franchise operators in Tennessee and Florida.

Aside from the economic downturn, banks have clamped down on financing, making it hard for franchisees to open new stores.

What's more, the precarious situation facing CIT -- a long-time commercial lender to many Dunkin' Donuts franchisees -- has only complicated matters.

In May, the Zale family, which owns the Zales jewelry-store chain and is one of the lead players in Dunkin' Donuts' expansion into Texas, abandoned plans to open 70 stores."

Recipe for success

As the Master Broker for New York Bagel Café Inc., and as an experienced restaurant professional, I have worked with and have seen a lot of concepts come and go. New York Bagel Café's concept

was developed by Joseph Smith, the founder and CEO, who continues its franchise expansion throughout the Northeast. In comparison to the larger operations, NYBC clearly demonstrates its success in their deliberate and calculated business model and support programs for the start-up entrepreneur.

Currently, NYBC's core stores are located in upstate New York. It has been expanding franchise locations with the newest store opening in Parsippany, NJ, with two others on the way in Westfield, Lodi and central New Jersey as well as two new franchise operations in Delaware, scheduled to open in the fall of 2009 and January 2010. Each franchisee has the right to open up to three locations and several new franchise operators have committed to new locations within each region.

While other larger franchise operations have several layers of management and varied support within their structure, NYBC provides accessibility to all levels of the business model that includes training, marketing, and advertising to promote brand awareness.

Owner Joe Smith points out that, "New York Bagel Café & Deli is an easy, workable system that's simple to learn and train for. Because the bagels are delivered to the store par-baked, preparing the bagels is, pardon the expression -- 'a piece of cake.' As a New York Bagel Café & Deli franchisee, you'll receive complete training and counsel every step of the way. Everything from recommendations with site selection and lease negotiations to help with staff selection and marketing development built into your support," said Joe.

What does this mean for the new franchisee? Most importantly the typical layers of corporate support are consolidated within a small group and the accessibility to the CEO and training provides for the expansion of the concept. Consider the layers and the business dynamic for a new operator.

Opening a New York Bagel Café

There are two franchisee business brokers who are tasked with marketing, pre-qualifying, and signing new

franchise operators.

Once the prospective franchisee has been selected the task of site selection is passed to the next level of the support chain. I first speak with and interview the prospective partner broker. Most retail brokers are accustomed to dealing with the Dunkin' Donuts or Subway Operators where there is corporate site selection, construction, and development teams and business development managers. The retail brokers are also accustomed to dealing with the big box corporate tenants as well and they are often focused only on introducing a prospect to a site and once the lease is signed they simply walk away. Their focus is more on preparing a "tour book" rather than listening to both the franchisee and franchisor.

That is not how I operate; I take the relationship to the next level with both NYBC franchisor and franchisee. The new franchisee learns very quickly that they are not alone. If they need referrals for contractors, help in negotiations even providing the right connection for supplies we are there with them and are members of the same team every step of the process. A big part is networking. I participate in national networking conferences, which is instrumental in providing the professional contacts throughout the United States.

I think more of the operators will come to use the networking and affiliate connections within the Pennsylvania Restaurant Association (PRA). The support for the new franchisee doesn't stop at site selection. When working with and making a commitment to a NY Bagel Franchisee, it goes beyond this to managing expectations and negotiations and even speaking with and assisting, and helping the franchisee attain the necessary financing to enable them to fit-out there locations.

I can't tell you how many times Joe and I have calls with lenders, loan officers, construction managers, and general contractors. When we select a real estate professional as a partner we do so by geographic region. By assigning a certain market to the real estate broker they become vested in the process and

committed to the client. We rely on their business contacts throughout the process.

Above and beyond

An example of going above and beyond what a typical retail broker does was demonstrated recently by Joel Dicker and his partner at Sperry Van Ness Britney Danahy. A franchisee signed a lease and, as typical putting together their architect with a general contractor. The bids submitted were abnormally high considering the limited scope of work. I immediately reached out to Joel Dicker and his partner Brittany. She was so enthusiastic in her response and within 24 hours she provided the contact information for an architect and a contractor licensed to perform the required fit out work.

What did I learn? Local market knowledge is vital for continued expansion and franchise development. When working with a franchise like NY Bagel café the level of service goes above and beyond any of the competition.

Recently in the months of June, July and August, while other national branded franchisees have closed stores, have lost potential new candidates, NY Bagel Café, Inc. has been expanding its operation and its presence within New Jersey basically expanding overall market share in the northeast.

The Goldstein Group, with a team of very qualified brokers headed by CJ Huter has been instrumental in this expansion. Several new Franchisees have signed up and three new locations are under agreement including Parsippany, Lodi and Westfield with several more under consideration.

Other brokers within my referral network include Joel A. Dicker of Sperry Van Ness in Delaware, Robert Frischman, JDF Associates in NYC and Shalom Zuckerbrat in Long Island, New York. The most recent addition to the team of real estate professionals that are servicing NY Bagel Café is Michael Alberico of Paramount Partners who is assigned with site selection within the New England States.

"NY Bagel was founded in 1995 by Joe Smith with one store in upstate N.Y. and began Franchising in 2007 from 1995 to 2007 Joe has

opened and sold 2 dozen locations before deciding to get involved in franchising. Joe's business acumen and extensive construction background has been vital to NY Bagel Café's continued growth. He knows what areas that we are able to save money on for the fit-out of each BYBC franchise."

According to Joe, especially in these rough economic times, you need to keep your costs down and keep the quality of your product and presentation to the highest level possible. "It is very important to keep you customers happy and keep them coming back. N.Y Bagel keeps continuing to grow in these times by keeping the franchisees costs down. An average fit-out for a N.Y. Bagel is between \$125k to \$175k compared, to a Manhattan bagel or an Einstein bagel is between \$300k to \$600k," Joe said.

Joe emphasized that when you consider the costs in comparison, for every competitor's new location, a NY Bagel Café can open two to four new operations, depending on size and location: "It all comes down to the costs. It is much easier to get involved in a franchise that has a lower start up cost. The lower start-up costs directly relates to the pro-forma factors that include obtaining financing to projecting a breakeven point and we are even offering a 2 for 1 franchise fee opportunity, that means pay one franchise fee and you have the right to open a second location. New York Bagel Café offers a great opportunity. Like we say Great Bagel. Great Place," said Joe.

Jack Intrator is a CPM, RAM, ARM and restaurant leasing specialist, Zommick McMahon Commercial Real Estate Inc. a Commercial Real Estate firm located PA. Jack is a board member of the PA Restaurant Association, DE Valley and a member of Brandywine Chapters, which is an affiliate of the National Restaurant Association. He is also a member of International Council of Shopping Centers, Institute of Real Estate Management, Tri-state Association of Realtors and National association of Home Builders. ■