

Moe's has a new owner with new ideas about how to grow the system. Here's how they're tackling the king of problems—real estate.

A bigger burrito

New owners plan expansion for Moe's

By Beth Mattson-Teig

Less than a year after acquiring Moe's Southwest Grill, Atlanta-based Focus Brands Inc. is embarking on a real estate expansion that will grow the chain at a rate of 20 to 25 percent per year.

Focus Brands acquired Moe's in August 2007. The asset-based purchase landed the company 350 domestic locations, the majority of which are located in the northeast, Mid-Atlantic and southeast. Focus Brands also operates brands such as Cinnabon, Carvel Ice Cream, Schlotzsky's Deli and Seattle's Best.

The immediate plan is to grow the chain by 75 to 100 stores per year for the next four to five years, says Mark Whittle, vice president of real estate for Focus Brands.

A key part of that expansion strategy has involved using technology to prioritize its expansion markets. "One of the first things we did was to contract with Forum Analytics to do a site modeling, sales forecasting and national optimization study," Whittle says. Focus Brands received the results of that study in March, and has since used that data to help establish its strategic growth plan.

Prioritizing target markets

Moe's growth strategy follows a basic premise—to maximize growth potential in existing markets. However, the fact that Moe's is currently in 103 markets gave Focus Brands a broad starting point. The company was able to use data to further define those target areas into what it refers to as Tier 1 and Tier 2 markets.

The Tier 1 markets represent the main focus for growth. These 11 DMAs are largely

concentrated in the northeast with cities such as New York, Boston, Washington, D.C., Philadelphia and Baltimore. Moe's had entered the northeast about three years ago, but does not have a large concentration of stores in the region as of yet. "They have had some good performance there, and we wanted to continue to tap into it," Whittle says.



Expect to see more of these, because Focus Brands has plans to grow the Moe's chain by 20 to 25 percent a year.

Other Tier 1 markets include Chicago and South Florida. For example, Moe's has established a good presence in Orlando and Tampa, but expects to add another 20 more stores in areas such as Ft. Lauderdale, Miami, West Palm Beach and Ft. Myers-Naples.

Tier 2 includes the remaining 92 markets where Moe's already has a significant number of existing stores. The key is to fill in around those existing stores and maximize the potential for stores in those markets—without cannibalizing on existing store sales. Tier 3 or new market expansion is on hold until the Tier 1 and Tier 2 strategy is complete, or unless there is a unique opportunity to partner with a strong restaurant operator in

a new market.

Focus Brands expects that growth to come from both existing and new franchisees. “The advantage we have with Moe’s is that they had a fairly robust pipeline of signed deals they had signed with franchisees,” Whittle says. “They are very excited with what they have seen under our ownership in the first nine months, and they are committing to grow.”

More than half of the growth—50 to 60 percent or more—is coming from existing franchisees such as Scott Portis, a Moe’s franchisee in Nashville. Portis opened his first Moe’s location in 2004. He currently has three stores open with a fourth under construction and a fifth location that is in the process of being finalized. Portis finds the new ownership “refreshing” and likes the fact that Focus Brands has brought more real estate resources to the table in terms of both the technology and personnel.

Data helps narrow choices

The technology played an important roll in establishing Moe’s new expansion strategy. “It allows us to speed up the strategic development plan process versus putting boots on the ground and having

someone go out to a market like Portland and drive the market and tell us how many stores we can have,” Whittle says.

Essentially, Focus Brands was able to use the data to help develop a national level strategic plan for growth within a four-month period. Now as Focus Brands moves to specific site procurement, the company is using that modeling to help evaluate individual locations. The goal is to use all of the tools out there to make good decisions and build strong performing stores, Whittle says. “Even if we eliminate two to three dog stores a year by using the modeling and saying no, it is absolutely worth it,” he adds.

The sales modeling and market analysis combined literally thousands of bits of different information ranging from Moe’s own internal store data to external market factors from extensive data bases on demographics, consumer expenditures and lifestyle behavior. The end result is a sales potential modeling capability. “We are able to look at site A and site B, and objectively determine which has the highest potential,” says Paul Sill, president of Forum Analytics. The Chicago-based firm is a leader in the use of customer and market data for real estate, marketing,

and strategic decision making.

The value of the data is that it can be used to help design a strategic plan for growth at the national level, as well as compare locations at the local level. Being able to use the data at both the national and local level really gives Moe’s the biggest bang for the buck, because the real value of analytics is in maximizing a company’s resource allocation, Sill adds.

Moe’s is focused primarily on end cap locations or highly visible inline locations near a cluster of other fast casual and family restaurants. The target prototype is 2,400 to 2,500 square feet, although Moe’s has stores as small as 2,200 and as large as 2,800 square feet.

Focus Brands also plans to leverage its experience in non-traditional venues to open Moe’s locations in locations such as college campuses and airports. “We really think the brand has a lot of potential to be built and grow in these non-traditional captive audience types venues,” Whittle says. Although Focus Brand’s does not have major plans to revamp the Moe’s brand, it does hope to introduce a fresh prototype for new construction by early 2009. [FT](#)

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