

## Margaritas Mix: Franchise Veterans get on Board for Franchise Launch



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The south-of-the-border spirit of great Mexican food and authentic art could soon spread throughout New England and beyond, thanks to a new franchising and area development agreement rolled out by Margaritas Mexican Restaurant.

The 24-year-old restaurant company currently has 19 locations open in Massachusetts, Maine, New Hampshire, and Connecticut. Now founder John Pelletier has teamed up with some franchise industry veterans to launch the franchising initiative.

Bob Hoffmeister, who helped grow brands like T.G.I. Friday's and Applebee's, is the president and COO of the Portsmouth, N.H.-based brand. Board advisors Larry Cates (a former Pepsi and Applebee's exec) and Tom Russo (former CEO of Howard Johnson's, Ponderosa Steak House, and American Hospitality Concepts) are heavy hitters who bring a wealth of franchise knowledge and experience to the table for this expansion.

Tom Radomski, vice president of franchise development, says the company decided to franchise now for two reasons. First, he says, customers are eager for brands that provide a unique experience and value for their dollar. "Second, we've spent the last two decades honing our concept, refining and documenting our systems, and improving our economic model to make it financially attractive to offer franchises."

The restaurants have put up good numbers that should be attractive to potential franchisees and investors. The company has maintained strong unit-level economics fueled by a \$2.3 million average unit sales volume, a beverage-to-food sales ratio of 45 percent, and a 21.6 percent EBITDAR.

Franchisee investment costs can range from \$1.18 million to \$1.45 million, including the franchise fee, says Radomski. "However, there are a number of variables that could sway that number in either direction. For instance, securing a pre-existing restaurant facility that is already in good shape for conversion to a Margaritas can greatly reduce the initial start-up costs."

Two new company restaurants are already under construction in Lexington and Medford, Mass., with more to come. Radomski says the team intends to carefully select franchisees and methodically sign area development agreements in the markets closest to their existing company restaurants, then slowly move down the Atlantic seaboard before moving westward. Near-term target markets for expansion are Vermont, Western Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Eastern Pennsylvania, Maryland, Washington, D.C., and Northern Virginia. He says they're looking for multi-unit operators with QSR experience.

"Using the area development model allows both the franchisor and franchisee to maximize the true opportunity within a given market," he says. The company is using site and customer analytics to help determine the optimum number of restaurants each area can hold.

"The number of area developers will largely depend upon the defined capacity of a given market and the growth objectives of the developer," he says. "Smaller markets may only have one developer, while larger markets may require multiple developers." Development schedules will most likely be based on five-year schedules.

One of the company's expansion strategies is converting existing restaurant facilities. Radomski says a flexible site model makes it relatively easy to adapt an existing facility to a Margaritas. (One restaurant, in downtown Concord, N.H., is in a converted jail in the heart of downtown, complete with the old prison bars on some booths.)

Radomski sees three other advantages conversions have over new construction: "lower initial investment, which means a faster return on investment; reduced construction time, which allows the operator to get open sooner; and ample inventory at reasonable rates." He says many good existing locations are available because the previous operators (of other brands, of course) were underperformers who didn't make it.

Margaritas Mexican Restaurants offer authentic, Mexican cuisine made from scratch, and each features a gallery of handcrafted Mexican artwork. Authenticity is a common theme for the concept. To ensure that each restaurant reflects both present-day culture and a respect for history, Pelletier and his brother and co-founder, Dave, have traveled more than 50 times to working artist and manufacturing towns in Mexico to select hundreds of paintings, handmade tiles, pottery, and carved tables and chairs for their restaurants.

John Pelletier says his restaurants have "developed a large cult-like following" in the Northeast, offering guests a fun dining adventure in a festive gallery of Mexican art. The restaurants have earned numerous awards and honors in their 24 years, including being named the best Mexican restaurant in both New Hampshire and Connecticut.

With solid operating numbers, a proven concept, and experienced franchise leadership behind it, Margaritas Mexican Restaurant appears poised for expansion.