

NATION'S Restaurant News[®]

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

Vol. 40, No. 18

PUBLISHED EACH MONDAY • A LEBHAR-FRIEDMAN[®] PUBLICATION • WWW.NRN.COM

MAY 1, 2006

Dollar for dollar, Pizza Inn CEO sees efforts start to pay off in sales gain

By Ron Ruggless

THE COLONY, TEXAS — Pizza Inn Inc., the 48-year-old company whose namesake chain had more than 700 units before the franchisor declared bankruptcy in the early 1990s, is logging improved same-store sales since shedding more than 20 ill-performing franchised units.

Operating under new leadership for the past year, Pizza Inn also has launched a wholly revamped prototype restaurant with a reconfigured buffet that heightens labor efficiency.

"This is a brand that is three generations old," said Tim Taft, who was named chief executive in March 2005 and elected to take a \$1 first-year salary. "We're trying to get the franchise community to engage and believe and trust once again."

For the third quarter ended March 26, Pizza Inn reported a 1.1-percent increase in same-store sales at its buffet units, which make up about 80 percent of the system's 378 restaurants. That was the first positive same-store result after seven consecutive quarters of declining sales, the company said.

Taft, who had been president and chief executive of Whataburger Inc. of Corpus Christi, Texas, before taking the helm at Pizza Inn, said he has reorganized much of the pizza chain's corporate staff and restructured the company's Norco supply division.

The chain's Franchise Advisory Council had made many complaints about the quality of products from Norco, Taft explained.

"There was much suspicion about Norco not adhering to product specifications yet charging for that spec and [giving franchisees] substandard quality," he said. "In the last 10 months, we've turned over 29 percent of our suppliers. The first thing we needed to fix was the quality issue."

Larry Rust, president of Pizza Inn's franchisee association and 14-year owner of a unit in Paducah, Ky., said a five-member product committee has helped improve the quality of the products. In addition, he said, "We're really trying to market the brand." Pizza Inn's marketing strategy has shifted from expensive media to what he called a "hands-on approach." Rust said smaller franchisees are benefiting from such tactics as coupons on pizza boxes, window clings, banners and promotions that "don't generate a lot of costs but have a lot of return."

Former chief executive Jeff Rogers, who brought the chain out of bankruptcy in 1991, resigned in 2002 to be replaced by Ron Parker. Newcastle



A revamped Pizza Inn prototype, which features a back-fed buffet to improve efficiency, is one of the changes initiated by chief executive Tim Taft, who chose to take a \$1 first-year salary when he was hired last March.

Partners, an investment firm in Dallas that already had a stake in Pizza Inn, bought Rogers' shares. A dispute over compensation to Parker, who was let go in December 2004, and three other executives is in arbitration.

Taft said, "The relationship with the franchisees in the past was very one-sided with very little collaboration," but those dealings are improving. "By [my] coming in and working for a dollar the first year, many of the franchisees said maybe something would be different," Taft said. "I have a salary and bonus structure that totals \$500,000. We're not done, so I've delayed taking a paycheck for another six months. I want this thing done, and there are more changes coming."

Taft said he is working toward chainwide consistency. In the past, he said, "You had 200 variations of a Pizza Inn product."

The company has taken over two stores in the Houston market from franchisees. "Others have pulled out, some closed and some we just didn't renew franchise agreements with," Taft said. "We also bought two restaurants in Houston, which was once a strong market for Pizza Inn, and are rehabbing them."

Building-upgrade ideas are coming from the new 3,200-square-foot Pizza Inn prototype unit opened last October in a former Atlanta Bread Co.

location in Plano, Texas, three miles from Pizza Inn's headquarters in the Dallas suburb The Colony. "We are just doing to-go and dine-in, no delivery," Taft said. "We want to make sure we get the flow right and market it right."

The company is targeting \$412,000 as the cost for a typical remodeling with new equipment, with that cost expected to be recouped in part from reduced labor costs. The new design eliminates the traditional center-island buffet. "Typically, the [employees] trying to service the buffet were competing with guests, so we've taken that out and replaced it with a back-fed buffet," Taft said.

"I feel more confident about the leadership in the company than at any time in the past," Rust said.

Taft said franchisees' confidence has grown since Pizza Inn Inc. acquired restaurants and became an operator. "The biggest challenge was when you have, for all intents and purposes, a 100-percent franchised chain. There was no relationship, no trust with the franchisees." He added, "Franchisees were sitting on their wallets, asking why they should reinvest in their restaurants and their training of staff." ■

rruggless@nrn.com

Pizza Inn, Inc. • 3551 Plano Parkway • The Colony, TX • 75056 • 800-880-9955

Reprinted with permission from Nation's Restaurant News. Copyrighted © 2006 by Lebar-Friedman, Inc., 425 Park Avenue, New York, NY 10022.
#1-16624969 Reprinted by Reprint Management Services, 717.399.1900. To request a quote online, visit www.reprintbuyer.com.