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Bob Phillips, president of California Tortilla Group, chats with regulars Socorro Rojas, left, and Briana Tavernier, at the Arlington franchise.

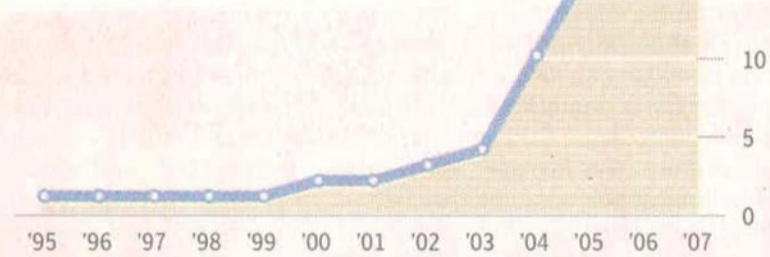
Tortilla Franchise Growing Up

Quirky Cal-Tort Expands Quickly but With Caution

A Big Appetite

California Tortilla has expanded rapidly since 2003, when Bob Phillips and Keith Goldman bought the restaurant's franchising, menu and trademark rights.

Stores open at the end of each year



SOURCE: California Tortilla

By THOMAS HEATH
Washington Post Staff Writer

Bob Phillips, president of Rockville-based food chain California Tortilla Group, breezes into his third restaurant of the day to ensure the goofy, fun-loving "Cal-Tort" culture is in full blossom. Dressed in an official Cal-Tort shirt, Phillips jokes with a half-dozen workers — each identified by nametag as a "spunky employee" — to make sure they are in maximum extrovert mode. He adjusts the "Wall of Flame," which holds dozens of hot-sauce bottles with names like "Maui Meltdown" and "Colon Cleaner." He looks to make sure that the store, like its 30 fellow franchises, has a megaphone and bell so customers can ask for attention.

The Palm, this ain't. California Tortilla Group is in the middle of a major expansion, growing in four years from two restaurants in Montgomery County to a business that is battling Chipotle, Baja Fresh and other restaurants for regional dominance in the fast-casual Mexican food category. The company opened its 31st store last weekend near Palm Beach, Fla.

"Franchising is in my blood," Phillips says. But the secret of successful franchising is a delicate balancing act, and that is Phillips's constant challenge as his chain grows. It

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Quirky Franchise Aims For Delicate Balance

FRANCHISE, From D1

requires discipline to find qualified buyers and enforce quality control over food, service and atmosphere. Perhaps most importantly, it demands creativity in finding the best locations for new stores. Cal-Tort, as it is known by its employees and customers, could become the next hot food franchise like the fast-growing and locally owned Five Guys hamburger chain. Or it could end up as the next Boston Market, which overexpanded in the 1990s and filed for bankruptcy protection.

"It's like the guy who is balancing several spinning plates on sticks all at once," said Dennis Lombardi, executive vice president for food-service strategies at WD Partners, a design and development firm for retail and food chains. "If you don't keep them going, they all crash."

Cal-Tort says the vast majority of its stores are performing well, with each location averaging about \$1 million in annual sales. Lombardi and other experts said \$1 million is the threshold for a successful fast-food restaurant. But Cal-Tort has stumbled a couple of times. One store in the region — which the company declined to identify publicly — lacks proper access to a highway and is suffering. Another newly opened restaurant in Reston needs more word of mouth to boost traffic. And last week, the company broke a franchising commitment when it opened the Florida store, far from its base in Washington.

"If this guy is in the D.C. area, going up and down the seaboard is the right strategy," Lombardi said. "But the next stop should not be in Maine. You need to develop contiguous markets and build brand identity."

Phillips said he made an exception in Florida because the franchise will be owned and run by the stepson of the company's co-founder.

"We are being very disciplined and careful about expansion," Phillips said. "I want to build a great chain of restaurants and have something of real value. I am a restaurant guy. This is not a quick way to expand and then sell it for a fortune."

Phillips charges each franchisee a \$25,000 fee to use the company trademarks and operating system. The company also collects 5 percent of the gross sales of each restaurant franchise. Four restaurants are owned by insiders, including Phillips. The biggest-grossing restaurant is at Dulles International Airport, where it has a captive au-

dience in the United Airlines concourse, he said.

Expansion brings bigger profits through economies of scale. More stores allow cheaper, bulk purchasing for everything from cheese to pre-made salads to radio advertising. The pre-made salads alone save three hours of work every morning at each store, Phillips said. Pre-mixed sauces ensure that the Spicy Sunset Salsa Chicken burrito tastes the same whether it's served at a Cal-Tort in West Virginia or Wellington, Fla.

Phillips said his goal of 45 stores by next year is ambitious but achievable. He has set up companywide standards such as tests for would-be franchisees on English and math abilities, and their people skills. Cal-Tort has 13 employees at its "world HQ" in Rockville, and it has real estate experts and fast-food consultants on contract to help pick locations and franchisees.

"We look to be near a Starbucks and a national ice cream franchise because we look for a place where families can have an entire experience," Phillips said.

Cal-Tort was founded in Bethesda in August 1995 by Pam Felix and Alan Cohen. Felix was an entrepreneur who had invested in comedy clubs, and Cohen had run small kitchens. They started with an inexpensive lease in what was then "the dead part of Bethesda," Felix said, because the location near the National Institutes of Health was across from the high-rise where Cohen lived.

They invested \$200,000 and "we were sure we were going out of business," Felix said. The company's quirky approach began initially as a survival strategy. Customers were so rare in the beginning that Felix installed a speaker outside their first restaurant and would yell for passersby to "get in here right now." She even phoned customers. "I would call people the next day and say, 'Where are you?' They would laugh and bring their friends," Felix said. "As soon as you make somebody laugh, you've got them on your side."

When an advertisement for cashiers earned a lame response, Felix changed the ad to "spunky cashiers." The response was huge. Employee nametags now read "spunky employee." Cal-Tort folklore says the restaurant took off after Felix showed up unannounced at a live radio program with bags of food. The host immediately put her on the air, and when she returned to the restaurant a few hours later, there was a line out the door.

Felix now commands the funky



Bob Phillips, right, and partner Keith Goldman inspect the chicken breast setup at California Tortilla's Arlington franchise, where high volume is a priority.

marketing from the world HQ, where she writes and distributes a "Taco Talk" newsletter sent free to 60,000 customers. She frequently updates the Monday Night Mystery Prize Burrito Wheel, which customers can spin for free or discounted food.

The goofiness is part of the allure.

"I like Taco Talk," said customer Karen Ross, 36, of Alexandria, who got hooked on Cal-Tort when she worked at the National Institutes of Health.

Each restaurant has developed its own clientele. The funkiness and cheery atmosphere draw vari-

ous mixes of customers. The California Tortilla in Courthouse Square in Arlington is heavily dependent on a lunch crowd and gears up to sell lots of meals in a short amount of time. The Cabin John Mall store has a customer base, made up largely of families, that is staggered throughout the day.

Phillips is an accountant by training and graduated from the Wharton School at the University of Pennsylvania. He had successfully run several franchises, including Everything Yogurt, Broadway Pizza and Ranch 1 chicken restaurants. He still owns a Broadway

Pizza in Cabin John and a Ranch 1 at National Airport. He became hooked after he opened the Cabin John Cal-Tort franchise in 2002 and its business surpassed expectations.

"I'm like the guy from Remington razors," Phillips said. "I liked it so much I bought the company."

Phillips and his business partner, Keith Goldman, bought the franchising, trademark and menu rights from Felix and Cohen for about \$200,000 in 2003. Phillips and Goldman own 30 percent each. Felix and Cohen own 20 percent and investors own the rest. Phillips said investors have received "a

healthy return on their investment."

"Those returns could get much bigger as the company expands, but that ambition doesn't come without the risks of alienating a loyal customer base."

"I eat there once a week. My kids love it," said Rob Clement, a customer who lives in Bethesda and loves the Alligator Sauce on the Wall of Flame. "I like that it started as locally owned restaurants. If it expands, fine. I only care if it drops in quality or if it's not the value it is today. So many restaurants and things have gotten too big for their britches and grew too fast."