

Published monthly, the **Restaurant Finance Monitor** provides its readers with valuable sources of restaurant financing information and offers complete analysis of the multi-unit restaurant business.



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Stock Monitor

A snapshot of 80 of the top restaurant industry stocks:

Recent Gainers:

O'Charleys (CHUX)
+16.97% Last: 7.65

Benihana (BNHN)
+3.12% Last: 9.25

Peet's Coffee & Tea (PEET)
+3.02% Last: 48.50

Flanigan's Enterprises (BDL)
+2.20% Last: 7.90

Recent Losers:

BAB, Inc. (BABB.OB)
-13.89% Last: 0.62

Good Times Restaurants (GTMD)
-11.76% Last: 2.93

Ark Restaurants (ARKR)
-5.48% Last: 16.18

Luby's, Inc. (LUB)
-3.08% Last: 5.03

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Is Pollo Campero Having Some Problems?

By **Jonathan Maze**, April 26, 2011

Guatemala-based Pollo Campero, the largest chicken chain in Latin America, opened in the U.S. to great fanfare nine years ago, with stories of lines out the door as Hispanic consumers sought a taste of home—the first L.A. location hit \$1 million in 22 days, according to reports. Those days, allegedly, are over.

According to a lawsuit filed last week by a Pollo developer in Phoenix, Arizona, revenues for 15 stores belonging to Adir Corporation, which is also the master franchisee for the western U.S., have plunged since those halcyon days of yore. Average unit volumes, according to the lawsuit, have fallen from \$2.5 million to \$1.2 million.

The lawsuit alleges that Pollo Campero has an unusual problem: it does well only when located in markets populated by people from the Central American countries where the chain is most popular: Guatemala, Honduras and El Salvador. Stores in markets without a heavy concentration of consumers from those countries—known as “cross-over” stores—have struggled, the lawsuit says.

“Campero has been unable to develop a viable Pollo Campero business model for the operation of a Pollo Campero restaurant in ‘cross-over’ locations because the Pollo Campero concept is heavily dependent on the Central American population,” said the lawsuit, filed by the powerhouse Miami firm of Zarco Einhorn Salkowski & Brito.

The plaintiff, Emerging Restaurants Group, bought the rights to the Phoenix market in 2008 and claims that Adir concealed the difference in market performance as well as the performance of its own stores. Emerging isn't the only operator having problems—Campero USA, the domestic franchisor, sued its New York developer over unfulfilled development agreements.

We're still working to get comments from Pollo or Adir. If true, that's a pretty limited market base and is a reminder of the diversity of the Hispanic market, which is hardly as homogeneous as people think. It would also be a real problem for Pollo, which has 52 restaurants in the U.S. but wants to grow 10-fold here. Still, \$1.2 million is hardly out of line for a chicken QSR average unit volume, especially these days. And restaurants that start out with huge enthusiasm and pent-up demand (like Sonic and Krispy Kreme) almost always lose business in subsequent years as that demand gets filled, making the latter number more normal.

That said, chicken chains aren't exactly flourishing right now, and international chains that try to break into the U.S. frequently have problems here, given the market's saturation.

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