

## Carl's Jr. Looks To Add Restaurants In Canada

(Thursday, December 29, 2011) - When it comes to the fast-food restaurant sector, hamburgers reign supreme and that highly competitive business is getting a little more crowded in Canada. California-based Carl's Jr. is expanding north, with its first location open in Kelowna, B.C., and up to 450 more locations planned across Canada.

"We're very active now in our entry plans," says Ned Lyerly, a spokesman for Carl's, the iconic hamburger chain founded by Carl Karcher and his wife, Margaret, in 1941. Operated by CKE Restaurants, which also owns Hardee's, Carl's Jr. began as a lone hotdog cart in Los Angeles in 1941 and operates in 23 countries.

"It's a green light for us all the way and we think we're going to do quite well."

Lining up against many large, well-established burger brands in Canada, Carl's had tried before to make its foray into this market. "We were left at the altar a couple of times before – but now we have the right franchise developer," Mr. Lyerly says, referring to John Dowling, who opened his first location in Kelowna in June and plans another one in Vernon, B.C.

Mr. Dowling is the first franchisee in Canada, and he has plans to roll out four locations in the Okanagan in the next few years. The multi-unit franchise arrangement is a framework the company intends to replicate when it adds 25 locations in the Greater Vancouver area, where another franchisee has been signed. And the company is negotiating a Toronto entry.

Mr. Dowling, a real estate developer, had purchased a run-down burger joint and wanted to redevelop it. His entrepreneurial daughter, Alisha Dowling, landed on the Carl's brand to get into the franchise market.

"I think the biggest challenge is that we want to find premium sites," Mr. Dowling says.

"We had been looking at doing franchising for awhile and it's been quite popular. Everybody sees it's a new [chain] and wants to try it," Alisha said.

The company contends Canadians have a strong appetite for burgers and appear to be willing to pay to satisfy it. "In general, they generate more revenue and more profit [in Canada]," Mr. Lyerly says, in comparing the Canadian and U.S. fast-food markets.

Carl's Jr. plans to leverage the power of its 3,200-location chain as it rolls out Canadian locations – an initial 250 within the first 10 years. Many Canadians are already familiar with the chain from seeing ads on U.S. television stations or from trips south of the border.

There are skeptics – after all, this is one of the most crowded and competitive industries in the franchising world – but Mr. Lyerly is confident the chain will be a success in Canada.

He says Carl's differentiates itself with its "premium" burger made from 100% Black Angus beef, hand-scooped, hand-spun milkshakes made with real ice cream and good service. Other menu items include chicken, salads, breakfasts and desserts.

"I think there are some pockets of weakness with those other brands in Canada – and we believe we compete favourably," he says. "With regard to emerging players in the premium burger category, none have our pipeline of products."

Typically, the company is looking for franchise developers who can open five to 25 locations.

Carl's Jr. has been ranked among the top three hamburger brands in the United States by Entrepreneur magazine and one of the top 10 best franchise deals of 2011 by QSR Magazine, published for the quick service restaurant industry.

One of the core focuses on its corporate strategy is being highly "franchisee-centric." Mr. Lyerly says there are two franchisees on its board of directors and it has well-established "franchise councils" to support the owners. "We're very happy with the support we get from the franchisor," Mr. Dowling says.

While Alisha Dowling handles the day-to-day operation of the restaurant, Mr. Dowling hunts for the next prime spot for their Vernon location. His real estate background has been crucial to the success of the Kelowna location, he says.

CKE partnered with Network Franchising International, a full-service franchise sales and marketing company, to expand its brand presence across Canada. "Brand recognition is important and I think there's tremendous recognition with Carl's," Mr. Lyerly says.

He says the speed with which Carl's will roll out locations across Canada, will depend on finding the right partners for the expansion. There's plenty of competition for franchisees from other burger brands, but that doesn't appear to deter Carl's.

The company has more than 1,200 restaurants outside the United States, whether or not the model works in Canada has yet to be proven on a large scale, but Mr. Lyerly is eager to get started.

"It's a very competitive sector as a whole," he says. "There are entrenched competitors – but we think our brand competes with all those concepts. We think Canada is a fabulous quick-service restaurant and burger market."