
Blue Moon has appetite for expansion

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The Wyckoff-based Blue Moon Mexican Cafe restaurant chain Wednesday announced plans to sell franchises, a move the company hopes will grow the chain to dozens of locations in the Northeast from five eateries as it addresses Americans' appetite for Mexican cuisine.

Franchisees will pay an initial fee of \$40,000 for the right to open a Blue Moon restaurant, and a royalty fee of 5 percent of sales. Blue Moon estimates the start-up costs for opening a restaurant at between \$370,000 and \$482,000, and is looking for investors with a minimum net worth of \$600,000.

Blue Moon is looking to expand as competition heats up in the \$11 billion Mexican-food restaurant sector. Chipotle Mexican Grill Inc., the food chain McDonald's Corp. sold to the public last year, has grown to nearly 600 restaurants nationwide. Restaurant rivals including Salsarita, Qdoba and Baja Fresh are battling for suburban locations.

Blue Moon has formed Blue Moon Franchises LLC to oversee the franchise operation and hopes to award seven to 10 franchise locations within a year.

Howie Felixbrod, founder and chief executive officer of the chain, said he is confident the company will be able to help franchisees replicate the techniques that have made his restaurants successful for the past twenty years. The Blue Moon concept of mid-priced sit-down Mexican restaurants "seems to have worked wherever we went," Felixbrod said in a telephone interview. "It's just something that works in every neighborhood."

The five restaurants in the chain each rang up between \$1.1 million and \$2.5 million in meal receipts in 2006. The eateries had median sales per square foot of \$668, double the overall industry average, according to the National Restaurant Association. Food and liquor costs as a percentage of sales average 25 percent at Blue Moon restaurants, below industry averages, according to the company.

Felixbrod said franchisees will get eight to 10 weeks of training in a Blue Moon company store, and a detailed manual with information about recipes and operating procedures, in order to ensure that the new franchise locations will be as successful as the company stores.

"We spend a lot of time training people and spec-ing things out," Felixbrod said. "I'm a real stickler for consistency in all the restaurants. I go around and I try the beans, and the guacamole, and the salsa."

Blue Moon expects franchisees to have restaurant management experience, according to a fact sheet prepared for potential investors.

The first Blue Moon restaurant opened in the Chelsea neighborhood of New York City in 1987, operated by Felixbrod. He later sold that restaurant, and a second location in Manhattan, to concentrate on the company's suburban locations. The first suburban Blue Moon, in Englewood, opened in 1995, and remains the company's top-volume location, with over \$2 million in sales. The company also operates restaurants in Wyckoff, Old Tappan, Woodcliff Lake and Bronxville, N.Y.

Felixbrod isn't worried that a "fresh Mex" invasion could eat into his sales. Chain such as Qdoba and Baja Fresh occupy the fast-food niche, while his restaurants are for customers seeking a more relaxed sit-down experience.

"That's what differentiates us from a lot of these places," he said. "Our focus is to become the neighborhood Mexican restaurant. But not so much the cantina, the little mom and pop store. We want to be more mid-scale. We don't want to be the big-box places on the highway -- the Chili's and On the Border. And we're not looking to be the fast casual."

Blue Moon restaurants are located in neighborhood downtowns, and as a result their prime competition comes from other neighborhood sit-down restaurants in their same price range, with entrees priced at \$15 and under.

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