

Blue Moon Adopts New Growth Strategy



He took some college business courses, but Felixbrod couldn't keep out of the kitchen. [Steven J. Dundas]

People love Mexican food; now they'll have more places to buy it

NJBIZ Staff, Joao-Pierre Ruth

6/25/2007

BIZ SPOTLIGHT - Franchising

Howie Felixbrod, CEO of the Blue Moon Mexican Café chain, entered into an arrangement early this year he sees as the means to make his eateries more widely known and available to customers. He sold the first franchise in the Wyckoff-based company's 20-year history.

While the new location is expected to open this summer, the franchisee has yet to choose a site. When it opens, the chain will have six locations. "We'd like to grow concentrically from Bergen County," says Felixbrod. "We're looking in New Jersey, New York, Pennsylvania, Maryland and Delaware."

Felixbrod, who sold the first franchise in February to Jorge Vidal from Englewood, plans to sell seven to 10 more within the next year through Blue Moon Franchises LLC to build his company's presence in the Northeast. "We thought this was the best way to grow," he says. "Owners of the stores will do better than managers because they are vested. It is a more efficient way to expand."

Felixbrod says the numbers support the idea of taking the Blue Moon brand to the next level. The chain generated \$7 million in revenue for 2006, he says, with sales in 2006 at each of the five existing locations ranging between \$1.1 million to \$2.54 million. The company, with outlets in Englewood, Woodcliff Lake, Wyckoff, Old Tappan and Bronxville, N.Y., is profitable, he says.

The restaurants average about 2,350 square feet. The menu features freshly made items such as guacamole for \$8.95; burritos for \$8.95; and giant burritos such as the Shrimp & Scallop Moon stuffed with scallops, shrimp, mango salsa, black beans, rice and cheese for \$15.95.

"A little over a year ago we realized our business worked in many different locations," Felixbrod says.

Turning a successful business into a franchise can be daunting for the business founder and the new franchisee: Both are venturing into new territory. Felixbrod sought outside help with the expansion, signing an agreement in May with consulting firm Franchise Development Network Inc. in New City, N.Y.

Other consulting firms serving the franchise market are also finding work helping such businesses grow. "We sold a business to an individual who perfected it, opened another one and comes back to us saying 'I want to franchise this,'" says Sharad Mehta, broker of record with business broker Tannenbaum & Aalok in Cherry Hill. Mehta's firm collaborates with Franchise Growth Systems, a franchise-development and sales firm in Mesa, Ariz., to sell and market franchises. "A good franchise company will hold [a newcomer's] hand and take care of establishing and marketing the business," says Mehta. "That makes the margin of failure much less. There are always first-time buyers who don't have much experience."

Blue Moon's franchise fee for is \$40,000 with a 5 percent royalty on sales. For that, "We will supply them with ad material for their own advertising and supply them with recipes," Felixbrod says. They also "get full training for eight to 10 weeks. We will be on-site with them for two weeks after they open."

The company will not control its franchisees' inventories, but will use its connections with suppliers to obtain lower prices through bulk purchasing. "They won't be buying the food from us," says Felixbrod. "But we have excellent relationships with companies such as AFI and Sysco. The franchisees will get the advantages of our buying power."

Felixbrod founded Blue Moon in 1987 after learning the ways of the restaurant world through his family. "I grew up in the restaurant business," he says. "My father opened a Mexican restaurant on Columbus Avenue in New York City called the Rocking Horse. I took some college business courses, but this was in my blood," he says. "This is what I know."

He held a variety of positions with his father's restaurant and others across Manhattan. "I started as a busboy, moved on to dishwasher and cook," he says. "I created a lot of the recipes we have now. I've done everything in the restaurant business except work as a bartender, though I have bartended at our own places." Felixbrod and his brother opened their first restaurant in Chelsea in 1987 and a second eatery on the Upper East Side. "Both those restaurants still exist," he says. "My brother, Gary, is still at the original Blue Moon restaurant. The Upper East Side

location I sold to a partner in 2000.” Felixbrod then moved to the suburbs and opened up a restaurant in Englewood. “We very happy doing the same business as the city and paying half the rent,” he says.

Felixbrod opened the Wyckoff location in 2000, Woodcliff Lake in 2002, Bronxville in 2004, and Old Tappan in 2005. Now they await the first Blue Moon Café under franchisee ownership and a new way of doing business. “Our franchisee’s doing a location search,” Felixbrod says. “He is looking in New Jersey and Westchester.”

E-mail to jpruth@njbiz.com