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Kahala-Cold Stone buys independent Blimpie franchisor

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\$318 million in 2006, which is down about 2.75 percent from \$327 million a year earlier. The number of company-owned and franchised units for both Blimpies also has declined, from 1,637 in 2005 to 1,583 in 2006. At one time the Blimpie system had more than 3,000 outlets. Many, however, were closed because of declining sales.

Before the Kahala purchase in 2006, Blimpie International had experienced internal problems when franchisees accused former officials of taking kickbacks, misusing marketing funds and withholding royalties from area developers. The situation eventually led to the resignation of chairman Jeffrey Endervelt, who also held

the titles of chief executive and president.

Roger Lipton, president of New York-based Lipton Financial Services Inc., a managed and investment partnership that specializes in restaurants and retailers, called Blimpie “a well-established brand that never developed into what it could have been.”

“Blimpie is an old-time concept that has been good, not so good, had its ups and downs, been private, been public,” Lipton said. “They’ve got a base, and if they can build on it with a quality image and service they can probably expand. But the sandwich segment is extremely competitive, and it’s not like anybody else is sitting around making room for them.”

“The Blimpie chain has gone through a lot,” Reagan said. “But we’ve been digesting it for 15 or 16 months, and we think we’re getting our arms around it. We understand the issues, and feel that every month we’re making strides. We’ll get the brand going in the right direction and make it more attractive for franchisees.”

While he said there would be a consolidation period for the new Kahala-Cold Stone company, he also acknowledged that the company expected to acquire new brands as a mid- to long-term goal.

Earlier this month, Cold Stone

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**— MICHAEL REAGAN
KAHALA-COLD STONE**

based parent of the Original Soupman concept made famous in the “Soup Nazi” episode of the

television show “Seinfeld.” Cold Stone said it would franchise two co-branded outlets. The company, however, declined to say whether it would attempt to acquire the expanding soup chain.

Kahala-Cold Stone, which operates and franchises more than 4,600 retail locations, also includes such brands as the 35-unit Ranch 1, 300-unit Taco Time, 200-unit Surf City, 40-unit Great Steak & Potato Co. and 80-unit Frullati Café & Bakery.

Last year, Kahala Corp.’s brands generated some \$650 million in sales, while Cold Stone’s sales for 2006 were about \$500 million. ■

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