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The 403-store Bojangles' chain plans to expand to 450 locations this year.

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Bojangles' no chicken when it comes to new competition

Bojangles' Restaurants Inc. isn't worried about competition from McDonald's Corp.'s new Southern-style chicken biscuits and sandwiches.

In fact, the Charlotte-based quick-service chicken chain says McDonald's foray into its territory may actually help. "We're watching with interest," says Eric Newman, Bojangles' vice president and general counsel. "We don't see it as a challenge. It's teaching people to eat a style of food they've never had before."

Last month, McDonald's launched its Southern-style chicken sandwiches and biscuits nationwide. As part of a promotion, McDonald's offered free chicken biscuits and sandwiches on May 15. The Oak Brook, Ill.-based company expected to give away more than 1 million chicken biscuits and 5 million chicken sandwiches that day. For May, McDonald's same-store sales in the United States rose 4.3%, due in part to new menu items, including the Southern-style offerings.

Newman says Bojangles' sales increased May 15, and he doesn't expect McDonald's new product to slow Bojangles' sales.

"We sold more chicken sandwiches and biscuits when they were giving them away for free," Newman says. "The evidence is fairly clear that the Bojangles' customers weren't testing the new product. Our customers know where they can get the best chicken biscuit."

McDonald's launch of Southern-style offerings may help people around the country learn about a different type of food, Newman adds. "It creates market awareness," he says.

Bojangles' also hopes its recently opened location in Charlotte/Douglas International Airport will boost awareness around the country.

"There are literally millions of people from around the country and the world who have never eaten Bojangles' before — who have never even seen a Bojangles' before — that travel through that airport," Newman says. "It's an excellent opportunity to reach new people."

Local private-equity firm Falfurrias Capital Partners bought a 60% interest in Bojangles' last fall. It has an aggressive growth strategy. It plans to more than double the size and revenue of the chain in the next 10 years, despite the slowing economy. The plans call for saturating the Southeast. The company, now with about 403 stores, intends to have nearly 450 by the end of this year. Newman expects Bojangles' to have more than 1,000 stores in about 10 years.

Sales have grown from \$449 million in 2005 to a projected \$675 million this year. Newman thinks sales will reach \$1 billion in a few years. McDonald's, the world's largest hamburger chain, had more than 31,000 stores around the world at the end of 2007.



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