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Carl's Jr. big on Austin

Following Californians: 50 stores planned in next decade

Austin Business Journal - by [Kate Harrington](#) ABJ Staff

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This restaurant on Slaughter Lane is one of a handful recently built in Austin.

Carl's Jr., like many California natives before it, is following the eastward migration and putting down some roots in Texas.

The Carpinteria, Calif.-based burger chain, part of parent company CKE Restaurants Inc., has targeted Texas — and Austin — as a growth area over the next decade. The Austin area will see about 50 restaurants as part of that growth, said Andy Puzder, CEO of CKE Restaurants (NYSE: CKR).

CKE also announced in mid-February a franchise development deal with Star Foods Investors Group to open 72 Carl's Jr. restaurants in the Dallas and Houston markets over the next nine years. That announcement came on the heels of a 121-unit expansion agreement in Texas with RWJP Star Enterprises in January.

"We actually have Texas surrounded, in Oklahoma and New Mexico," said Puzder. "Mexico is also a strong market for us. ... And **California has become an undesirable place to do business. It's hard to grow.**"

Puzder said that while Carl's Jr. doesn't have plans to pull out of California — it has more than 700 restaurants there — that state is seeing a high number of people leave its borders, while Texas is one of the states people are flowing into at the fastest rate.

"It has what seems like the greatest opportunity for us," he said.

Richard Buxton, executive vice president of real estate for CKE, said Carl's Jr. started looking at sites in the Austin and San Antonio areas about 18 months ago, and built a few locations to see how the market responded.

Carl's Jr. has four restaurants in the Austin area now as part of that initial wave: one each in South Austin and the San Marcos area, one in Bastrop and one that a franchisee

runs in Cedar Park. Roughly half the 50 Carl's Jr.'s slated to open in Austin will be owned by franchisees, Buxton said.

With good results coming from the first Austin-area restaurants, Carl's Jr. is ready to build more, he said. The chain will likely start slowly, with about two more in 2009, and then ramp up the pace to complete about 50 during the next 10 years.

Buxton said Austin's large Hispanic community, which has been a solid customer base for Carl's Jr., is a draw for the chain. Locally, Carl's Jr. considers What-A-Burger its biggest competitor, as well as national competitor McDonald's.

"Austin is a fairly affluent community, with the government and university there," Buxton said. "Our brand tends to skew to higher incomes, which Austin would provide us. ... It's a big burger, and Texans like big stuff; it goes well with the culture. And having a star as your icon doesn't hurt in Texas, either."

Wendy Saari, director of communications for the Texas Restaurant Association, said the move by Carl's Jr. to grow in Texas indicates the company recognizes Texas' business growth. In 2008, the statewide restaurant industry did \$33 billion in sales, she said. In 2009, that number is expected to grow by 4 percent to \$35 billion, which would have Texas leading the country in restaurant sales.

"Despite economic challenges, Texas is doing well enough that people still eat out," she said.

Courtesy of JB Goodwin