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## ARTHUR TREACHER'S

# Chain hopes to set sail on new course

BY DAN EATON | BUSINESS FIRST

**I**t isn't Judy Callahan's fault that her Arthur Treacher's Fish & Chips franchise in Lancaster no longer serves fried bologna. She wanted to keep the indulgent meal, long a favorite of her customers, but franchisor TruFoods LLC asked her to pull it from the menu.

But that was a good thing for more than the heart health of her customers. After decades of deterioration, the fast-food fish-and-chips brand that got its start in Columbus has an owner interested in expanding the chain again. That means a uniform menu for its remaining 27 restaurants, which Callahan said is a small trade-off to get an overseer committed to improving and developing the 41-year-old business.

"This is the first time in many years that the franchisees can be confident we can grow the brand," said TruFoods Chief Development Officer Gary Occhio-grosso.

Callahan said it may be the first time in decades, after a run of ever-changing owners left franchisees to fend for themselves and short of marketing and product development help. The chain has shriveled from an estimated 800 restaurants at its late-1970s peak.

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**Bryan and Judy Callahan have stuck with Arthur Treacher's through some rough seas over the years, but feel the chain's prospects are as bright as ever. Their Lancaster restaurant is the chain's only remaining location in Central Ohio – something the company hopes to change.**

# Fish story

Arthur Treacher's traces its U.S. history to Columbus, where the latest franchisors of the chain hope to spark a revival:



**D. Thomas:** Cut his teeth on fish.



**R. Davis:** Early proponent of chain.

1983: Lumara files for Chapter 11 bankruptcy protection.



1998: Begins co-branding restaurants with Miami Subs, Nathan's Famous Hot Dogs and Pudge's Famous Chicken.

1999: Company's stock is delisted from Nasdaq market.

2006: Arthur Treacher's intellectual property, including logo and recipes, bought by Nathan's Famous Inc. hot dog chain.



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**1865:** Malin's of Bow begins selling deep-fried fish wrapped in newspaper in London, England.

**1969:** Arthur Treacher's Inc. acquires Malin's of Bow, opens eponymous restaurant in Columbus.

**1969:** Company begins franchising with National Fast Food Corp., whose investors include S. Robert Davis and Dave Thomas, who left the business to start Wendy's the same year.

**1970s:** Davis' Orange-co. Inc. takes over the chain, expanding it to 780 outlets.

**1979:** Frozen fish purveyor Mrs. Paul's Inc. acquires the chain.

**1982:** Franchisee Lumara Foods of America Inc. acquires the business, moves headquarters to Youngstown.

**1984:** A newly formed Arthur Treacher's Inc. group acquires the 200-shop chain, goes public and later moves home office to Jacksonville, Fla.

**1996:** Another investor group acquires the chain.

**1997:** Chain shrinks to 117 restaurants.

**2000:** Company starts a software subsidiary and renames the business Digital Creative Development Corp.

**2002:** Restaurant operations sold to PAT Services Inc., a subsidiary of TruFoods Systems Inc.

**2007:** New York-based investor group, led by Andy Unanue, former chief operating officer of Goya Foods Inc., buys TruFoods Systems, renames the company TruFoods LLC and secures franchisor rights to Arthur Treacher's from Nathan's Famous.

**2010:** Chain stands at 27 restaurants.



# FISH: Fast-seafood chains adrift in doldrums

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## WHO'S THE BOSS?

Occhiogrosso thinks it is time to turn that trend around. The business is targeting Columbus and other Ohio areas as the home of four to six restaurants it hopes to open in the next year.

The state remains the epicenter of the Arthur Treacher's name, where 23 of its restaurants operate, mostly in northeast Ohio. The only one in Central Ohio is Callahan's in Lancaster; a Brice Road store closed last fall.

Occhiogrosso said TruFoods wants to more than double the chain in the next five years, adding 25 to 40 restaurants in Columbus, Cleveland, Youngstown, Dayton and Sandusky, plus Pittsburgh and Indianapolis. "It could be a strong regional brand," he said.

Arthur Treacher's Inc., named for a British actor best known as the Constable in *Mary Poppins*, opened stateside under that name in 1969. It was a good year for fast-food fish — competitors Long John Silver's and Captain D's also debuted that year.

The chain's original franchisor was Columbus-based National Fast Food Corp., whose investors included Wendy's founder Dave Thomas and S. Robert Davis, an area real estate investor and former president of Media Source Inc.

Ownership shifted to Davis' Orange-co. Inc., then to frozen fish business Mrs. Paul's Inc. After that it went through a series of investor groups until the brand's logos and recipes landed in 2006 with Nathan's Famous Inc. as the 234-shop chain expanded its menu beyond hot dogs. Nathan's then turned to TruFoods — a franchisor of Wall Street Deli, Ritter's Frozen Custard and Pudge's Famous Chicken — to lead franchising efforts.

"Nathan's isn't interested in growing it as a branded concept," Occhiogrosso said. "They look at it as a branded product."

So, while Arthur Treacher's meals are on the menu at about 100 Nathan's shops, TruFoods, which had \$40 million in 2009 sales from its more than 100 restaurants, will be finding franchisees and building restaurants under the fish eatery's nameplate.

## CHOPPY SEAS

James Cataland is a former owner of the chain who bought it out of Chapter 11 bankruptcy in 1984 and ran it until 1996, when he sold control. The one-time franchisee watched the chain deteriorate during the end of Orange-co's ownership and the brief period under Mrs. Paul's. Cataland said there were legal battles between franchisees and owners, first with franchisees arguing Orange-co. was too focused on its orange-growing and related businesses and not investing in the fast-food chain.

The disputes then shifted to product and operational changes requested by Mrs. Paul's but resist-



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**Former Arthur Treacher's are easy to spot, such as this converted fish-and-chips restaurant on West Fifth Avenue.**

## ARTHUR TREACHER'S FISH & CHIPS

**Description:** Fast-food fish and chips restaurant chain

**Owner:** Nathan's Famous Inc.

**Franchisor:** TruFoods LLC

**Based:** New York

**Founded:** 1969

**Restaurants:** 27

**Area restaurants:** 1

**Web site:** pudgies.com

ed by franchisees.

By the time Cataland acquired the business, many franchisees had fled, buildings were outdated, financial support was scarce and costs were on the rise with fishing quotas nearly tripling cod prices to \$3.25 a pound, he said.

"It took a lot of capital," Cataland said, "and it was tough to come by coming out of Chapter 11."

Cataland's team added baked and broiled fish to the menu, which caught on in bigger markets such as Cleveland but struggled elsewhere.

He took the brand to 90 retail mall food courts, but the early-1990s recession undid the chain's brief successes with more than half the shopping center outlets closing.

When Cataland sold the business in 1996, he was planning to spruce up the restaurants and increase prices. The next owners picked up on those plans and renamed the chain Arthur Treacher's Seafood Grill, but it didn't catch.

## STEADY IN LANCASTER

The Lancaster Arthur Treacher's was one of the chain's first, opening in 1969, and Callahan has seen many of the changes firsthand, having worked at the restaurant from 1981 until 1999, when she and her husband, Bryan, bought it.

"The 1980s, in particular, were pretty rough," she said. "We felt like everyone was out on their own."

Callahan declined to detail annual sales at her restaurant but said business has remained steady over the years despite the hands-off approach of previous owners. Operating in a small community has helped, she said.

"People know we have a good product at a good price point," she said.

TruFoods hopes the work it has done in the past two years through improved marketing, product development and franchise relations will lead to a resurgence. Callahan acknowledged the communication is better than ever.

"They're doing what they've talked about," she said. "Things are getting done quicker. This is the best I've seen in 30 years."

Occhiogrosso thinks the Columbus area could support 12 to 20 restaurants. The real estate market remains in favor of tenants and the Arthur Treacher's approach gives franchisees flexibility for locations, he said.

"They will also have the ability to co-brand with Pudge's Famous Chicken. The company can afford to be patient, he said.

"We're fully capitalized," he said. "We don't have to sell franchises to keep the lights on."

Average unit sales range from \$300,000 to \$700,000 a year.

"Going forward, we'd like to be consistent with other fast-food chains, around the \$750,000 to \$800,000 range," he said.

## OTHER FISH IN THE SEA

The years have been kinder to the competition. Long John Silver's, owned by Louisville, Ky.-based Yum Brands Inc., the operator of KFC, Pizza Hut and Taco Bell, is the niche's dominant player with more than 1,200 restaurants.

Captain D's Seafood Kitchen, owned by Nashville, Tenn.-based Sagittarius Brands Inc., has nearly 600 outlets.

Darren Tristano, executive vice president at the Chicago consultant Technomic Inc., said sales remain flat in the fish segment and there are opportunities for the competition.

"Long John Silver's is almost the forgotten brand at Yum," he said. "The market has improved, but no one is having great success in the category."

Tristano said Arthur Treacher's can take cues from the competition, which also happen to be rooted in the chain's past. Long John Silver's has focused on adding healthier options to a predominately fried menu and selling value offerings like \$1 fish tacos. Captain D's is gravitating toward a fast-casual model, with higher prices but healthier, higher-quality dishes.

For now, Arthur Treacher's menu centers around the fryer and that isn't going away, Occhiogrosso said, though TruFoods is working to develop other products.

Tristano said Arthur Treacher's could make headway by becoming more of a fast-casual-style eatery and by targeting challenged markets, of which there are plenty in the Midwest.

"There is demand for quality," he said.