

Wendy's accelerates store reimagining, undergoes employee 'reboot'

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The Wendy's Company has announced plans to build 20 and remodel 50 company-operated restaurants in the U.S. and Canada in 2012 with **new contemporary designs** meant to enhance the customer experience.

The announcement, made during an Investory Day event, follows the opening of 10 "Image Activation" restaurants in 2011. The company is evaluating four total designs and plans to test them with select franchisees this year.

The store designs were created by Tesser, a branding company based in San Francisco. The companies' extensive collaborative research included customer insight, internal management, leadership and operations, resulting in the four designs – contemporary, traditional, ultra modern and urban.

"These restaurants allow us to compile vast amounts of research," said Tré Musco, president and chief creative officer of Tesser. "With four dynamic designs, it's four times the learning.

All of the designs are tied together with Wendy's brand personality and pay homage to the late Dave Thomas, the company's founder, with large-scale quotes such as, "All of Wendy's spins off one word – FRESH." The dining rooms include a fireplace, large-scale windows, café-style booths, comfortable seating, free Wi-Fi and computer plug-ins. The mission is to deliver full innovative designs that completely transform the Wendy's image.

The company said that, prior to this redesign, Wendy's restaurants lacked a "wow" factor, adding that changes were needed to compete with the increasingly crowded "better burger" segment from the likes of Five Guys, Smashburger and other emerging brands.

"As part of our remodel effort -- which we call Image Activation -- we are working to enhance the entire customer experience, including the restaurant design, inside environment, elevated food preparation standards and higher customer service standards," said Emil Brolick, Wendy's president and CEO.

More than just a restaurant design, the Image Activation mission also includes a "people reboot" in which the company re-interviews entire staffs – initially at eight locations – keeping only the "5 star" employees. Wendy's also is replacing underperforming general

and district managers as needed. Since the implementation, the test stores' service scores have increased dramatically, as have dine-in tickets.

Wendy's also announced plans to expand its breakfast line in 2012, and revitalize its late-night operations.

Four designs

- **Contemporary:** The contemporary restaurants are in Pittsburgh and have crisp, straight angles on the exterior. Inside features include blonde wood finishes, soft-hued brick fireplaces and red comfortable seating.
- **Traditional:** In Virginia Beach, Va., the traditional concept touts a brick facade in earthy tones with warm brick and wood finishes and deep burgundy furnishings on the interior. "It has a very 'East Coast café feel,' Musco said.
- **Ultra modern:** The ultra modern locations in Columbus, Ohio, and Toronto are filled with light from the 14-foot glass windows. The buildings are sleek and angular with clean lines.
- **Urban:** Unlike the other three concepts, the urban concept mixes rounded lines with clean edges both inside and out. Built in Phoenix, Ariz., the Urban Wendy's incorporates stainless steel and pewter into the color palette to give it a modern, polished look.

Unaudited Q4 and full-year 2011 results

The Wendy's Company also reported preliminary, unaudited results for the fourth quarter and full year ended Jan. 1, 2012. The company plans to release its audited 2011 results on March 1. Highlights include:

- Consolidated revenues were \$615.0 million in the fourth quarter of 2011, an increase of 5.6 percent compared to \$582.6 million in Q4 of 2010.
- Adjusted EBITDA was \$80.9 million in the fourth quarter of 2011, an increase of 10.5 percent compared to Q4 2010 Adjusted EBITDA of \$73.2 million.
- Fourth-quarter 2011 income from continuing operations was \$4.3 million. This compares to Q4 2010 income from continuing operations of \$6.1 million.
- Adjusted Earnings Per Share was \$0.04 in the fourth quarter of fiscal 2011 compared to Q4 2010 Adjusted Earnings Per Share of \$0.03. Earnings per share was \$0.01 in Q4 fiscal 2011 and in Q4 2010.
- Wendy's North America systemwide same-store sales increased 4.4 percent. Wendy's North America company-operated restaurants same-store sales increased 5.1 percent, resulting from increases in average check and transactions. Wendy's North America franchise same-store sales increased 4.2 percent.

According Brolick, the fourth quarter yielded the company's strongest same-store sales growth since the second quarter of 2004, primarily due to the introduction of Dave's Hot 'N Juicy cheeseburger line.

Preliminary 2011 summary

- Consolidated revenues were \$2.431 billion in fiscal 2011, a 2.4 percent increase compared to \$2.375 billion in fiscal 2010.
- Adjusted EBITDA was \$331.1 million in fiscal 2011 compared to 2010 Adjusted EBITDA of \$341.9 million.

- Fiscal 2011 income from continuing operations was \$17.9 million. This compares to 2010 income from continuing operations of \$18.1 million. These results were affected by the **sale of Arby's** in the summer.
- Adjusted Earnings Per Share was \$0.15 in fiscal 2011 compared to 2010 Adjusted Earnings Per Share of \$0.17. Earnings per share was \$0.04 in fiscal 2011 and fiscal 2010.
- Wendy's North America company-operated restaurants same-store sales increased 2.0 percent, resulting from increases in average check and transactions. For 2011, Wendy's generated positive transactions for the first year since 2002.

Wendy's expects a positive 2012, with same-store sales growth in the 2 to 3 percent range, and an adjusted EBITDA of \$335 million to \$345 million.

Read more about restaurant **design and layout**.