

# chain leader

by david farkas / UPSTARTS



## HIGH Energy

Health-oriented Energy Kitchen plans to grow outside New York via franchising.

**G**o healthy." That's the slogan at Energy Kitchen, a local chain with eight outlets in Manhattan and one in Hoboken, N.J. Everything on the 55-item menu is low-calorie and low-fat. Detailed nutritional information is available in each restaurant and on the Web site.

"We want to appeal to the masses," declares founder, President and CEO Anthony Leone, who turned a smoothie shop near Wall Street into a fast-casual concept that doesn't cook with butter or oil. "We are a healthy alternative. This is not a fad like a diet."

Energy Kitchen is a tasty alternative, too, according to a review in *The New York Times*. "At Energy Kitchen in Hoboken, no dish contains more than 500 calories and every item is grilled, steamed or baked. But flavor is not sacrificed in the burgers, wraps and muffins," a reviewer wrote in May.

### CHANGE OF PLANS

In 2002, with smoothie sales slumping due to the attack on the World Trade Center, Leone retooled the menu and moved his Liquid Lab concept to Manhattan's Chelsea district, changing its name to Energy Kitchen. "I brought food to the forefront instead of smoothies," he says. The offerings include a 294-calorie Bison Burger (\$6.99) on a wheat kaiser roll.

Since then, the former district manager for Boston Market and Ranch \*1 Chicken has opened four more restaurants with help from partners and signed up two franchisees who today operate three units. One of them agreed to open five Energy Kitchens in Boston, the first possibly this year. Leone says he may open a company store in Beantown as well.

Leone expects new franchisees to open 25 Energy Kitchens this year and thinks opening 1,000 Energy Kitchens is possible over the next 10 years. Sounds too ambitious? Leone believes his new partner, Mike Repole, who co-founded



and sold Glaceau (think: Vitaminwater) to Coca-Cola, can help him accomplish that goal.

"I was a customer before I became an investor," says Repole. "I am confident that we will become the next billion-dollar franchise."

### GROWTH STRATEGY

Leone wants to use his real estate, operations and marketing expertise to help franchisees expand outside the five boroughs. As early as this year, he envisions seeding an East Coast city (Boston, Philadelphia or Washington, D.C.) with a company-owned Energy Kitchen before franchising the surrounding territory.

Meanwhile, Leone lowered prices in January to boost customer counts. All breakfast dishes, including the popular Bison Egg Wrap, fell to \$2.99 from \$4.59. Sandwich prices dropped by a dollar to \$6.99, while side dishes tumbled from \$4.29 to \$2.99. Traffic grew systemwide by 20 percent as a result, he claims.

What about margins? Volume is making up for any shortfalls, insists Leone, who estimates he increased marketing spend last year by about 50 percent. "We are now looking at things from a different angle," he says. "We're getting people used to the brand, and doing that by advertising, marketing and lowering prices."

Leone says same-store sales rose by 35 percent in 2009. ■

No item on Energy Kitchen's menu, including the Thai Chicken Wrap, contains more than 500 calories, a total that founder and CEO Anthony Leone believes will attract "the masses."

Picture 1,000 of these units in which menu items are baked, grilled and steamed, keeping calories to a healthful minimum.

### SNAPSHOT

Concept Energy Kitchen  
Headquarters New York  
Units 9 (3 franchised)  
2009 Systemwide  
Sales \$7 million\*  
Average Check \$13  
Expansion Plans  
25 in 2010

\*Chain Leader estimate

**IN THE WORKS:** Leone says the "lines and excitement" of Energy Kitchen will attract landlords.