

Any Way You Slice It, Pizza Chain Is Ready for Extreme Makeover

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Shakey's Pizza – the seminal pizza parlor chain that has spent the last decade in the dumps – is trying to recapture its MoJo.

Alhambra-based Shakey's USA, owned by Jacmar Corp., has hired longtime Pizza Hut executive Tim Pulido, known for his marketing acumen, to work some magic. His charge is to put the chain back onto solid ground in the \$30 billion-a-year pizza industry.

The plan is to reinvent the restaurants as family-friendly, fast-casual "Shakey's Pizza & Grill," with a new look and vibe and fresh menu items – while staying true to its "pizza first" roots. The parent company is infusing capital and launching its flagship outlet in Covina this week. Other corporate and franchise stores – including its Burbank and Alhambra sites – are scheduled to remodel soon.

"We're not talking about dramatic re-positioning in the market, but we want to bring the brand with 52 years of heritage into the 21st Century," Pulido said. "It's going to be for today, not like something out of 1985, which is where many of our stores are now."

The question is, are the changes too late?

"I'll be the first to say this is not going to be easy," Pulido said. "It is tough being late; other guys are trying to upgrade too, and everyone has recognized the dine-in side of the pizza business is very tough and competitive. High-end casual has been shrinking for a number of years and you need to find a unique position in the marketplace. If you don't, you'll die."

The company was one of the first players in the pizza franchise game, but has withered from a high of nearly 500 locations to a mere 60 nationwide, most of which are in Southern California. Of the current locations, roughly 15 are corporate-owned and 45 are franchises.

Long known for their pizza and the "bunch of lunch" – an all-you-can-eat buffet of pizza, fried chicken and signature "MoJo potatoes" – Shakey's has seemed more appropriate for bachelors than the "wife-and-kids" crowd over the past several years.

Family-friendly

The establishment is going to remain a quick-service outfit – meaning no white linen tablecloths or waiters bringing food to the table – but is shifting to a more "family entertainment" motif. The newly-built sites will have a bright design, different staff uniforms, a retooled logo, slogan and a huge kids "entertainment zone," complete with interactive 3-D video games.

Menu boards will be on a brick wall, and the interior will have a more open feel than the dark Shakey's of old. Most importantly, according to Pulido, the menu will be upgraded, too.

Added offerings include six gourmet pizzas, three half-pound Angus beef hamburgers, five sandwiches and a variety of higher-end salads. The Covina restaurant also will have Firestone micro-brewed beer on tap. The price points will stay in the same range: entrees from \$5.99 to \$8.49 and pizzas between \$12 and \$17.

In trying to define its new niche, Shakey's is targeting more than the cuisine.

"The good thing for Shakey's is that it can only go up," said Steve Coomes, a senior editor at PizzaMarketplace.com, a Web site that chronicles the pizza industry. "Fast casual is a hot segment in the restaurant business right now."

Tumultuous times

The dated, often run-down appearance of many Shakey's sites can be attributed in part to the tumultuous state of the chain's affairs over the past 15 years.

"At one time we were the leader," Pulido said. "Other concepts and brands came up, and unfortunately Shakey's fell by the wayside."

It was a long road to ruin: The pizza parlor chain has changed hands multiple times since its founder and namesake, Sherwood "Shakey" Johnson, opened the first parlor in Sacramento in 1954.

Johnson eventually sold his half of the company to Colorado Milling and Elevator in 1967 for \$4 million, and the Colorado company acquired the other half of the chain the following year.

Shakey's was again sold to Hunt International Resources in 1974. A decade later, two franchisees bought the chain, and then sold out to Inno-Pacific Holdings of Singapore in 1989.

Most of Shakey's U.S. locations closed during the discordant Inno-Pacific ownership period, which saw multiple breach-of-contract lawsuits filed by franchisees over brand neglect, accusing Inno-Pacific of driving the chain into the ground.

The chain was rescued in late 2004 by Jacmar, the largest Shakey's franchisee with 19 locations at the time. Jacmar, which also holds a 20 percent stake in restaurant/brewery chain BJ's Restaurants Inc., spent \$4.5 million to acquire the pizza chain's assets and intellectual property rights from Inno-Pacific and formed a new group of companies called Shakey's USA.

Over the past two years, Jacmar has tried to revive the struggling chain, designating roughly \$50 million in capital to revitalize the brand and kick off the new initiative.

"The core group of franchisees that remain are a good, strong group and seem to like Pulido and the new management," Coomes said. "The test is whether the company can pull the new concept off operationally and keep costs in line."

Franchise-able model

The idea, Pulido said, is to build more "grill"-themed restaurants while simultaneously making revamps to existing Shakey's locations over the next five years.

The goal is to approximately triple the number of existing Shakey's locations in that time frame, with an approximate 80/20 ratio of franchises to corporate stores.

"It's a franchise-able model that's got legs beyond Southern California," Pulido said, declining to identify specific national markets the company was targeting. "That's a big leap. We understand that, but we're in a good position, because we have zero debt."

In order for the new concept to work, consumers will have to change, at least to a degree, their pizza-delivery habit. Pizza on wheels have become a standard in the industry, but delivery is sharply competitive. Pulido, however, is adamant that the brand will not fight the "delivery wars," and will stay truer to its parlor roots.

“Even if the menu stays the same, a change in interior look and feel can make a difference. Obviously, there’s some power and recognition in their brand name, since they’re staying with it.”

Pulling back from the all-you-can-eat buffet model that has been Shakey’s mainstay is also a bold experiment.

“It’s still going to be a lot to eat for very good price,” Pulido said. “There may well be resistance, but it’s part of a grand experiment, and we’ll learn things along the way.”

The idea is to see what works at the flagship store in Covina and the revamped property in Burbank and blend the ideas that work when the company remodels the Alhambra location (next on the list) and looks to continue the renovations.

“We really have a claim to a solid food foundation. We want to build off that but provide fun good experience for kids and families as well,” Pulido said. “There are very few concepts out there like that. Maybe there’s a reason. We’ll find out.”