

# Hot Harry's moves to expand chain

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Hot Harry's Fresh Burritos is a small, Schenectady-based franchise expecting to add more than a handful of locations to its roster this year as the company's fresh food concept gains market share.

Even a fire at the company's flagship location, which caused significant water and smoke damage last fall, hasn't been able to stop the momentum building over the last seven years. Executives with the company say it's made the brand better.

"When I got there, it looked like a nightmare war scene, just water coming out of every socket," franchise founder and president Samir Abdallah recalled of the fire, during which thousands of gallons of water were pumped into his restaurant. Hot Harry's reopened the location in January, aiming to bounce back stronger than before with a renovated space. The Schenectady location originally opened in November 2008.

With two corporate locations in Schenectady and Pittsfield, Mass., and four franchise locations — one in Iowa, the rest in the Albany and Pittsfield areas — Abdallah said growth is in the forecast, even though the financing environment has been rough enough to make potential franchisees hesitant.

Clay Slaughter, director of franchise sales, expects 2010 to be a better year for franchising, but consumer confidence may lag.

"Stock markets are on the upswing, which is why banks are starting to lend again, but people are still hesitant. There needs to be a year or two of semi-prosperity before people are willing to dump their savings or take out a huge loan to invest in something," Slaughter said.

"People have the money but are afraid to pull the trigger because the climate is so unpredictable right now," Abdallah said. "Then you have the have-nots that want to do it but don't have the means to do it financially."

Hot Harry's locales have managed to buck the economic trends with \$5 value meals and the \$7 or less menu, and every store pulled ahead in sales in 2009 over 2008.

"We don't think we're a recession-proof business, but we're as close as you can get," Abdallah said.

With a \$25,000 franchise fee that covers things like training and legal work and a 5 percent royalty fee for ongoing support, the average cost of opening up a Hot Harry's is \$180,000, Slaughter said.

"You need market saturation to develop the brand loyalty," Slaughter said. "You need access to the

food."

The company is building itself to offer stronger leases as it grows, reducing risk and simplifying management for franchisees.

## FRESHNESS COUNTS

"The burrito concept is starting to grab market share from other concepts and we're starting to grab market share from the existing burrito concepts. So we're getting to grow in two directions," Slaughter said.

The company seeks to win over consumers by educating them; for many, their only experience with burritos has been Taco Bell, not Hot Harry's "fresh" concept. And to Slaughter and Abdallah, the more the merrier, as competitors like Bombers, Moe's and Chipotle help to educate and attract more customers to the taste.

"Fifteen years ago, you would have never seen a 45-year-old businessman eating a burrito," Slaughter said. But now, even tortilla wraps are popular as people seem to be expanding their palates.

"It's a fusion food," Slaughter said.

More than 80 percent of the food at Hot Harry's restaurants is made fresh daily.

Every morning, an employee chargrills meats after a 24-hour marinade. Salsas are prepared on the spot and red peppers are even roasted on the grill.

As a smaller franchise, Hot Harry's is able to offer fresh, from-scratch products, though it is experiencing pressure to do otherwise, thanks to its growth.

Hot Harry's said it takes high-end flavors and recipes and converts them to a four-ingredient process, simplifying gourmet recipes on the franchise level for on-the-line assembly by hourly employees.

"So you get the same flavor you would get if you went into a \$20-a-plate fusion cafe, but he's taken their recipes like that and boiled it down for four ingredients to where it makes it no different than putting together pre-mixes. It's all fresh food," Slaughter said.

Being efficient with fresh food to avoid spikes in supply costs means using the same ingredients in as many different ways as possible with monthly specials that infuse different flavors.

## BURRITO BOOM

The company recently gained the advantage of landing a national food account with its vendor, enabling it to keep its costs and distribution consistent for all franchisees, regardless of location.

"A part of our growth strategy was to be able to offer that," Slaughter said.

Franchisee Ed Kimball owns the Lee, Mass., Hot Harry's. He said he is satisfied with the return on his investment and wants to grow with the company.

"They created easy systems and recipes that the 'average Joe' can follow," Kimball said late last year. "There is virtually no waste

and there is not a slow-moving item on the menu. Almost every piece of inventory has multiple uses within the menu."

The first Hot Harry's opened in January 2004 in a 1,500-square-foot building on Tyler Street in Pittsfield, Mass., before expanding to a bigger property on North Street. The Tyler Street location remains open.

The opening of Beacon Cinemas next door on North Street is expected to boost business beyond weekday workers and fellow business owners. Abdallah has adjusted the location's hours and expanded the staff.

"I figure we are going to get the people leaving the first round of movies [of the night] and entering the second round of movies," Abdallah said. "The movies will begin between 9 p.m. and 9:30 p.m."

## SETTLING IN SCHENECTADY

Abdallah remembers a thriving Pittsfield in his childhood, one where General Electric employed more workers and KB Toys was anchored in the city that housed the company's headquarters. A different city exists today: KB Toys closed in 2008 and GE has long had only a shadow of its former presence. As the city makes strides to revamp its downtown traffic with the revival of its theater district, Abdallah banks on feeding more patrons through his restaurant.

The first Pittsfield location was built in 2004 and was intended to be the company's flagship store. But as the company found out its accessibility from interstate highways and airports was limited, it began to look elsewhere after noticing the difficulty in bringing in potential franchisees from far away areas in the country.

Compounding the difficulty, Abdallah said, were winter snowstorms and summer tourism season that limits the availability of affordable hotel rooms.

The nearby suburbs of Niskayuna and Rotterdam, businesses and major employers like General Electric and proximity to a major regional airport all lured Hot Harry's to make Schenectady its corporate headquarters in 2009.

Abdallah said it was good for the brand and good for Upper Union Street.

"I loved the mix of restaurants they had there. We didn't want to step on any toes but complement what was already there," Abdallah said.

Abdallah hopes to open five restaurants in 2010 and maintain high interaction with franchisees by letting them give input on things like its revamped catering menu and promotional items.

"Interest has been high but cautious," Slaughter said, including in areas like Hartford and Springfield. "The advantage of being a six-store chain is that we can roll out different programs at different stores but still tie them all together."

Slaughter is a veteran of the franchise business as a former mul-



Hot Harry's Fresh Burritos on Union Street in Schenectady is back in business after being damaged in a fire in October.

multiple-location franchisee of a major restaurant concept he would rather not publicly name. But he's seen the good and the bad enough to know how to make the franchise experience better for Hot Harry's.

"The one thing I hate is having ideas shoved down your throat with no input," he said. "Samir communicates with the franchisees."

Abdallah likes the feedback from franchisees for new recipes.

After testing a breakfast menu in Pittsfield for two years, a breakfast selection was added to the Schenectady location last summer. Since a core part of the customer base is vegetarian, Hot Harry's debuted vegetarian-friendly Spanish rice and other options.

The franchise also joined Facebook last year, at times giving away tickets to a Patriots game and offering other Web-only promotions.

Abdallah takes pride in the food and eats at his restaurants at least four times a week. He grew up in the restaurant business. His family is behind the Angelina's Sub Shops spread over Berkshire County, which his grandfather started in 1958. His uncle runs the family business currently.

Abdallah worked at Georgia Pacific in Atlanta, purchasing, selling and putting together national accounts for retailers like Home Depot and Lowe's for a greater portion of his career prior to returning to the area. At that time, his wife was working for the Ritz Carlton

corporation. He had been eating at smaller burrito restaurants in the Atlanta area and fell in love with the concept. He was making salsa for friends at football tailgating parties — the same salsa he serves in his restaurant today. He and his wife were making fajitas at least once a week.

But the couple came to the point they were ready to start a family and knew they would have to make a change. So they decided to fuse risk with passion and open Hot Harry's.

"There's never a good time to have a family," Abdallah joked.

Parental concerns have made an impression on the company's menu. Because he has younger children, Abdallah said he wanted a menu that wasn't heavy on sugar. Hot Harry's also offers milk and real juice as alternatives to soda and aims to help parents to keep their costs down with coupons.

As the company works to improve its catering selection, the next big step for Hot Harry's is going after corporate events with boxed lunches and catering for large groups.

"We need to brand ourselves," Abdallah said, "hammering away at the differences while celebrating the similarities."

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PETER R. BARBER/GAZETTE PHOTOGRAPHER

Hot Harry's manager Amanda Fitzgerald prepares a burrito.