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# Dunkin' Donuts leads local retail expansion

**Surprise: Donut chain is city's No. 1 growing business. Why? Java.**

By **Adrienne Pasquarelli**

Drumroll, please. The brand growth story during a recession that bankrupted businesses nationwide belongs to Dunkin' Donuts, the chain whose calorie-crusted baked goods have been a favorite of working-class Americans since 1950 and that still serves coffee in dowdy orange and pink cups.

Dunkin' may not be the newest, coolest or sexiest name in retail, but it ranks No. 1 in local expansion and has extended that lead dramatically. Since 2008, the Canton, Mass.-based company has increased the number of its franchise stores in the Big Apple by 37%, to 466, according to research released in December by the Center for an Urban Future. Dunkin' has topped the list in each of the three years the local think tank has conducted the study.

"Dunkin' Donuts is on top in a world unto itself," said Jonathan Bowles, the center's director. "It really is the major chain in New York. There's no one even close."

Success breeds success, of course: 90% of its growth comes from existing franchisees that could expand during the downturn because Dunkin' was a reliable bet for landlords and banks. Some chains, most notably Starbucks, pulled back in the soft economy, but even growing competition couldn't slow Dunkin's advance.

"It has been a very opportune time for us to grow new locations," said Chief Development Officer John Dawson. "[Dunkin' is] taking advantage of the reduction of rents."

## Unusual strategy

Does Dunkin' have a secret recipe? Unlike most big-name retailers, which make their way into the boroughs after planting a flag in Manhattan, Dunkin' focused on establishing itself in middle-class neighborhoods in the Bronx and Queens. It started enlarging its Manhattan footprint four years ago, opening stores in clusters and scooping up white-collar customers from pricier spots.

The chain added 25 Brooklyn shops in the past year, bringing the total to 126. Manhattan got another 10, for a total of 115. The Bronx and Staten Island also had a bump in store counts.

"They truly are a five-borough retailer, and that's what sets them apart," Mr. Bowles said. "They established themselves and their brand in the boroughs first."

It costs about \$500,000 to open a Dunkin'. That's relatively hefty sum, but the chain's recognizable name, stability and strict vetting of franchisees have made lenders and landlords eager for the business.

Rich Greenstein, a former purveyor of frozen foods, is one of the Dunkin's rapidly growing franchisees. The Brookville, L.I., resident opened his first Dunkin' in Manhattan five years ago and now owns 14, including one he recently acquired in Whitestone, Queens. His stores come in all shapes and sizes, from a three-story stand-alone shop to a kiosk in a gas station.

Mr. Greenstein noted that banks—including TD Bank, where he is a customer—have been open to making loans to Dunkin' franchisees. Most locations generate sales of \$500,000 to

about \$1 million annually, according to the company.

## Plenty of space for growth

The owner isn't ruling out more launches. "I'd love to have another four restaurants in Manhattan alone in 2011," as well as a greater presence in the boroughs, Mr. Greenstein remarked.

The depressed retail real estate market means finding space should not be a problem. Many property owners welcome a well-known brand with a sizable portfolio of stores.

"Dunkin' Donuts is still a very clean operation and landlords are more apt to take them," said Ariel Schuster, executive vice president at Robert K. Futterman & Associates.

There are other reasons for the ascent. With a medium-sized coffee priced at about \$2—almost half of what Starbucks charges—Dunkin' broadcasts value. Additionally, a fresh advertising campaign and menu updates like egg-white bagel sandwiches are boosting its hipness quotient.

*"Dunkin' Donuts was an old brand and not cool for a long time," but that has changed, said restaurant consultant Arlene Spiegel.*