

Taco Bueno gearing up to add 60 restaurants

By Bill Hethcock
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After putting the brakes on development for the past couple of years due to the recession, Farmers Branch-based Taco Bueno is shifting back into drive. The Tex-Mex fast food chain and has hired Fort Worth customer analytics firm Buxton to help decide when and where to add more restaurants.

It plans to add about 60 eateries during the next four years, said John Miller, president and CEO. About half of those will be franchises and the other half will be company stores.

Taco Bueno now has 161 company stores and 24 franchise locations in nine states, including 76 restaurants in the Dallas-Fort Worth area. The 41-year-old chain closed seven locations over the last two years as the recession took a bite out of sales at some locations, and it sought to shed unprofitable stores, Miller said.

Most of Taco Bueno's restaurants are in the Dallas-Fort Worth, Tulsa, Oklahoma City, Abilene and Kansas City metro areas. The chain was founded in Abilene in 1967. Growth areas are likely to include central and south Texas, Arkansas, New Mexico, Louisiana, Nebraska, and possibly Kentucky and Tennessee, Miller said.

Buxton will help Taco Bueno decide where to expand within existing markets, which new markets to enter, and what neighborhoods to occupy within those new markets, Miller said.

The objective of partnering with Buxton is to avoid real estate mistakes, he said.

"We've been in North Texas and Oklahoma for so long now that we know what neighborhoods typically work for us and what locations don't," Miller said. "But when you go tackle a new city, oftentimes you'll make mistakes."

Taco Bueno prefers to purchase and own its real estate when possible, Miller said. But it also will do sale-leaseback arrangements or do build-to-suit deals with landlords.

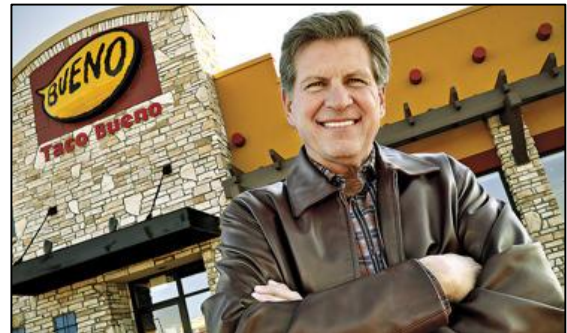
Buxton will start by evaluating successful Taco Bueno restaurants, then hone in on locations across the nation in which demographics and customers' lifestyles match up, said Bill Stinneford senior vice president of Buxton's Customer ID division. The analysis focuses heavily on both demographics and psychographics, which analyze how customers live their lives and spend their money, among other factors, he said.

"We'll look at what components make a truly successful location," Stinneford said. "Who are their best customers? What real estate performance variables correlate with successful locations? Once that engine is in place, we're able to look at any spot in the country and understand how well they would do there."

Buxton's analysis will take about two months. Ultimately, Buxton's study will allow Taco Bueno to project revenue at potential restaurant locations across the country, Stinneford said.

"It really helps them find home run locations and helps them avoid opening underperforming locations — which is the most expensive thing any restaurant or retailer can do," he said.

Financing challenges Consultant Anne Barr of Dallas-based Franchise Opportunity Specialists said she's seeing an increasing appetite for expansion by quick-service restaurants. However, credit remains tight, making it difficult for franchisees and corporations to get the capital they need for growth.



John Miller, CEO of Taco Bueno, stands outside one of the company's stores in Roanoke.

"We don't see it loosening up just yet, but we think it will," Barr said. "It's still going to be tight through the middle of 2010. We're hoping by the middle of 2010 things will begin to loosen up a little."

Miller says financing is indeed a challenge, and is one reason the stores will be phased in at accelerating numbers during the next four years. He tentatively expects to add about four restaurants this year, 10 in 2011, about 20 in 2012, and about 25 in 2013 and beyond. Those numbers will be reviewed based on Buxton's input, he said.