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Customers find convenience in Jack in the Box's new setup

SAN DIEGO -- Since last fall, Jack in the Box Inc. has stepped up plans to open fast-food restaurants adjacent to the company's Quick Stuff convenience stores.

Quick Stuff stores cover about 2,000 sq. ft. of floor space and will be open 24 hours. They feature ATMs, gasoline pumps and pay-at-the-pump credit-card readers.

As reported previously in *CSP Daily News*, Jack in the Box has been testing its c-store/restaurant concept at 12 locations in California, Texas and Arizona, and is contracting with petroleum marketers, such as Chevron, Shell, Texaco, ARCO and CITGO, to supply fuel for the locations.

It's a twist on one-stop shopping that Jack in the Box says earns more than double the profit of a standalone restaurant, according to a report in the *Los Angeles Times*. Customers seem to like it, too, according to the report.

"I find this very convenient," Mike Beacon, a customer who stopped by the Anaheim Quick Stuff after buying tacos at the adjoining Jack in the Box, told the newspaper. "It's got pretty much everything--coffee, snacks, gas, food and, of course, Lotto tickets."

Cobranding has been around for years. Sharing the same space is a cost-effective way to increase traffic for retailers and fast-food outlets. But both are facing challenges. C-stores have been hurt by a decline in cigarette sales. Restaurants dependent on burgers and fries have seen diners switch to upscale sandwich and ethnic food shops. "Everyone's trying to maximize the value of a piece of real estate," said Larry Miller, a consultant who teams up retailers and restaurants. "Just having multiple draws to a location will add to the customer count."

Unlike other fast-food chains, Jack in the Box decided to launch a c-store line, Quick Stuff, to partner with its restaurants. The company plans to open eight combos this year, and to add as many as 150 more over the next five years.

“There is an advantage to having the two sites and sharing the cost of the real estate,” Lenny Comma, who heads the Quick Stuff project, told the paper. “It helps us make a better return, and it lets us into locations that we would not be able to afford for a standalone Jack in the Box.”

Much of the prime fast-food real estate in established communities has been snapped up, Philip Mangieri, a partner with Restaurant Research, said in the report. That makes acquiring new sites expensive, putting pressure on restaurants to maximize returns when they buy land.

Along with others in the struggling fast-food sector, Jack in the Box must watch every penny. The company posted 2002 revenue of nearly $2 billion, but saw net income in the fiscal quarter that ended Jan. 31 fall nearly 20% to $21 million, from the year-earlier period. In the second quarter, Jack in the Box anticipates a 4% drop in sales at restaurants open at least one year.

With the Quick Stuff combos--which were launched in 1998, but didn’t become a major corporate initiative until last fall--the company can improve its profit picture while appealing to consumers on the go.

With brightly lit gasoline pumps a short stride from the restaurant door, the Jack in the Box/Quick Stuff alliance in Anaheim has the appeal of a highway oasis, the report said. “I need fuel and I’m hungry, so I need fuel for my car and fuel for me,” said Oliver Ruffin, as he waited for his lunch order. “This works.”

The restaurant has a drive-through window, but customers can’t use it to order a gallon of milk or mouthwash to go with their Philly cheese steak sandwiches. Patrons enter the site via the restaurant or the c-store; the two are joined by a central area that includes a 50-seat dining room and restrooms.

“We’ve proven to ourselves that we can operate these facilities at a level that is telling us to build more and increase the pace of construction,” Comma told the *Times*. “We’re well ahead of our targets.”

The Jack in the Box venture is being watched by competitors, including some that have yet to embrace cobranding. “Seeing them does make us say, ‘Hmmm, let’s see how this works for them’,” said Renea Hutchings, executive vice president of development for Santa Barbara, Calif.-based CKE Restaurants Inc., which owns the Carl’s Jr. and Hardee’s chains. There are several CKE restaurants teamed with c-stores, but those were created by individual franchisees, not top management, according to the report.

In the mid-1990s, some c-store operators sought to boost profits by becoming Carl’s franchisees, and they struggled with the transition, Hutchings said. At a c-store, there typically are two people working, he added. But “you have 12 at least in a fast-food restaurant. It was hard for people used to managing just two or three people.”

Not for Gil Ficke and his partner, said the report. They tore down their Long Beach, Calif., c-store and in 1999 opened the Long Beach Travel Center, which has a Carl’s Jr. outlet, a Green Burrito restaurant, a c-store, a Baskin-Robbins concession and a utility bill payment center. “It made sense to do this,” said Ficke, who estimates that adding the restaurant helped boost c-store sales from about

$35,000 a month to nearly $150,000. “We’re both serving the same customer: people on the run.”

San Diego-based Jack in the Box operates and franchises two restaurant chains in 28 states--more than 1,880 Jack in the Box restaurants and 85 Qdoba Mexican Grill restaurants.