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Chain Offers Slice

DINING: PizzaRev in growth mode with experienced franchisees.
By **CHAMPAIGN WILLIAMS**

Monday, December 14, 2015

When PizzaRev co-founder Nicholas Eckerman and his three business partners interview potential franchise operators, they want one defining characteristic – previous restaurant experience.

“To have operations that can support growth, we believe our franchisees should open multiple units,” Eckerman said. “The infrastructure calls for them to build more than one PizzaRev and we don’t have any franchisees committed to less than three locations. It’s absolutely important that our operators already have experience.”

The franchisee interview has become a corporate ritual at PizzaRev. Only three years since its inception in 2012, the Westlake Village company has 28 locations – 18 corporate restaurants and 10 franchises – the majority of which are in Southern California. It will open its 29th restaurant, in Glendale, before the end of the year.

Now, the management team is eyeing the potential growth of the franchise model. The fast-casual pizza chain has 150 franchises under development and will further expand its national presence into Washington, D.C., and across 16 states including Arizona, Georgia and Nevada starting next year.

PizzaRev and its competitors have reinvented Chipotle Mexican Grill Inc.’s assembly line for customizing personal size pizzas. The 11-inch pizzas are cooked at 900 degrees in a stone-bed oven for three minutes. Customers can choose from an assortment of 30 toppings, sauces and cheeses for a flat price of \$8.25.

With national expansion in mind, the company plans to open 30 to 35 locations next year, including the chain’s first entrance into New York, Massachusetts, Ohio and Tennessee. The rapid expansion comes with strategic support and backing from Minneapolis-based Buffalo Wild Wings, a minority equity investor.

“We consider them a strategic partner and they are assisting us in our growth and guiding us as a partner,” Eckerman said.

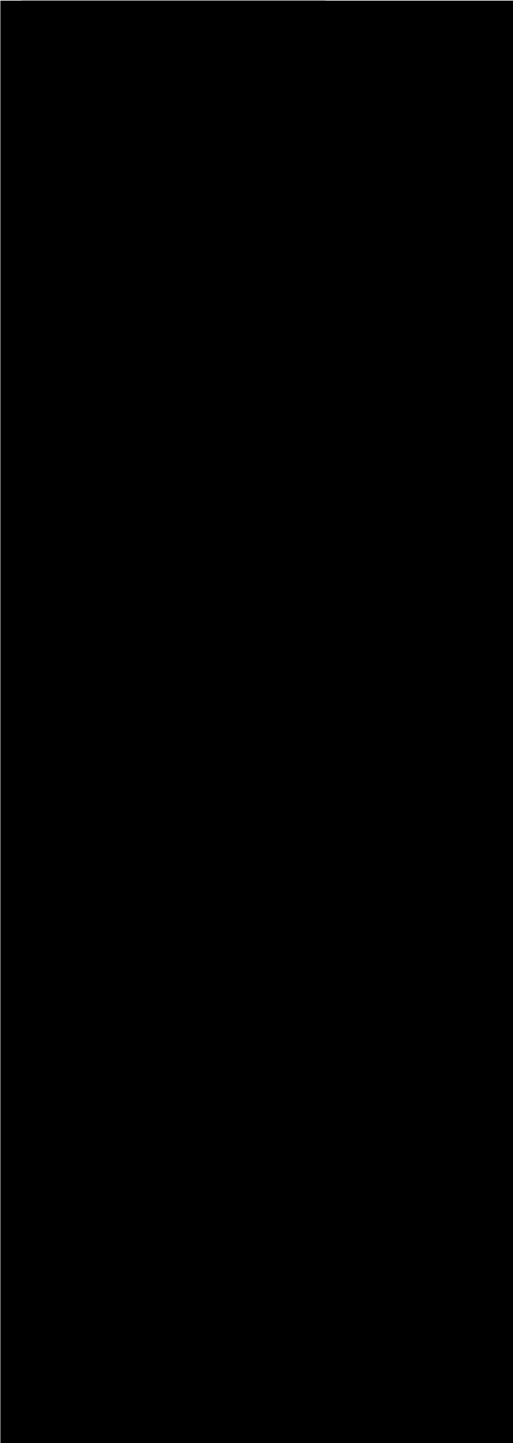
Still, a fast build-out can be tricky. Though the pizza chain already has 10 franchises in California, Colorado, Minnesota, South Dakota and Utah, its aggressive expansion plans come with the challenge of launching the brand into new markets.

David Gurnick, franchise attorney at Encino law firm Lewitt Hackman, said it’s important for a franchiser to develop critical mass in a particular market before expanding into neighboring regions.

“They’re based in California. It’s going to be a challenge to watch over New York, Ohio, Texas, and to have uniformity and a good supply chain while remaining thoughtful about the needs of their franchisees,” Gurnick said. “My recommendation is that you grow market by market at least until you have infrastructure.”

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International pizza

PizzaRev was co-founded by Irv Zuckerman, Rodney Eckerman and their sons Nicholas Eckerman and Jeff Zuckerman. The foursome opened their first location in Northridge, and when the concept proved a success the co-owners opened a second restaurant in Studio City within the year.

By 2013, PizzaRev had gained the attention of Buffalo Wild Wings. Founded in 1982, the public company is traded on Nasdaq and has more than 1,100 domestic and international locations in Mexico, Canada, Saudi Arabia and the Philippines.

“Buffalo Wild Wings announced years ago that they were going to invest in emerging brands and they really believe PizzaRev is in the sweet spot of the restaurant industry,” Nicholas Eckerman explained.

With the larger chain’s financial and operational support, PizzaRev started franchising and expanding into Colorado, South Dakota and Utah in 2013 and 2014.

Company revenue for this year will be more than \$25 million, according to Eckerman, and next year will mark the chain’s first step into international markets. PizzaRev will open a restaurant in Mexico by the first quarter of next year, though the specific location was not disclosed.

The franchise deal was signed in August with restaurant operator Grupo Galeria in Monterrey, Nuevo Leon, which owns an extensive restaurant portfolio in Mexico – including 42 Carl’s Jr. locations, five IHOPs and four Buffalo Wild Wings.

The franchise agreement calls for 20 PizzaRev restaurants to be developed in Mexico City and the states of Mexico, Nuevo Leon and Coahuila.

Eckerman said PizzaRev has a deal in place with a second franchise group to bring a total of 40 locations to Mexico.

“Our business plan focuses on an important tenet – we will open restaurants that are best to market, not first to market,” he said. “Growth in terms of sheer number of units is not our priority.”

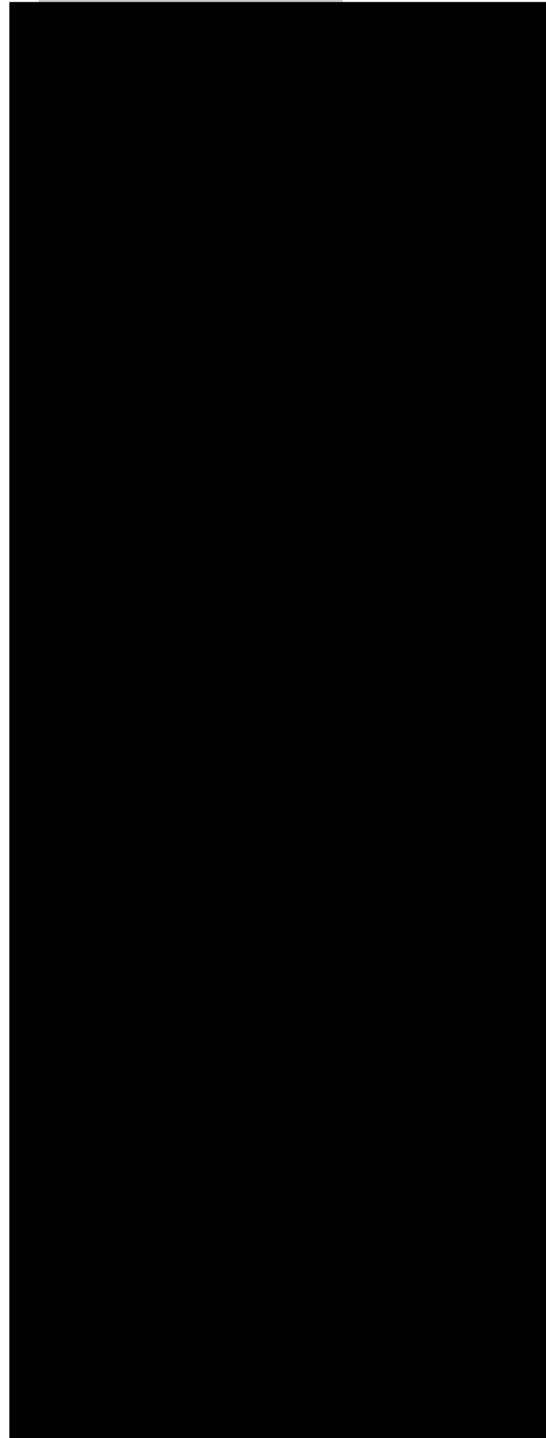
Multiple-unit franchisees

PizzaRev franchisees must open a minimum of three locations and pay a franchisee fee of \$30,000 for the first location and \$25,000 each for the subsequent ones.

Also, they must bring restaurant experience to the table. For example, Southern Restaurant Holdings in Atlanta, a new franchisee that signed an agreement in October to develop 16 PizzaRevs across Tennessee and northern Georgia, is also an operator of eight Steak n’ Shake restaurants. Another franchisee is Phoenix’s Fire Em Up, which operates more than 60 Dunkin’ Donuts locations across four states. Fire Em Up signed an agreement with PizzaRev in November to develop restaurants in Arizona.

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Altogether, PizzaRev said it has signed agreements with 18 major restaurant operators to spread the brand across the country

“We considered getting into the pizza business for quite some time, but it was not until we discovered PizzaRev, and its revolutionary take on pizza, that we were inspired to finally take the leap,” said Bert Hayenga, a principal of Fire Em Up, in a statement. “It’s the right time, we have the best team in place and PizzaRev is the perfect brand to help us introduce a new pizza experience to Arizona.”

Andre Vener, co-owner of gourmet hot dog restaurant Dog Haus, said franchising is a good way to grow rapidly into new markets without taking on debt from bank loans or losing equity by taking on investors.

Like PizzaRev, Pasadena’s Dog Haus is looking to expand nationally using the franchise model next year. The eatery has 18 stores in eight states and 125 franchises in the works.

“We figured we could grow quicker and wider across the nation if we went the franchise route. We wanted to grow our business as quick as possible and it’s a way to partner with people without actually having a bunch of investors or shareholders,” Vener said. “Now is the time to move. We definitely want to be the Chipotle or PizzaRev of the hot dog gourmet sausage.”

Growing pains

PizzaRev has thrived in a niche industry with ample competition in Southern California alone. Some competing fast-casual pizza concepts include Blaze Pizza in Pasadena, 800 Degrees in Los Angeles and Pieology in Rancho Santa Margarita. It also competes against traditional pizza-delivery chains such as Domino’s Pizza Inc., Pizza Hut and Papa John’s.

Despite the established business model, the leap into mass franchising carries risk. Lewitt’s Gurnick believes developing a solid distribution, marketing and operational infrastructure is key to sustaining growth.

“The risk in growing too fast is a franchiser can get more franchisees than they are able to watch over, and won’t be able to deliver the service that’s needed,” he said. “There are unique circumstances in each market – leasing, zoning and customer preference – and you’ll have better odds if you develop a critical mass (in each market).”

For a fairly new franchiser such as PizzaRev, protecting the integrity of the brand is imperative.

“Putting the right people and systems in place to meet our growth demands is the key to avoiding growing pains,” Eckerman said. “From the time our franchisees sign their franchise agreements until they open their doors, they engage weekly with our franchise department.”

PizzaRev plans to continue to develop its corporate footprint in addition to franchising, and has two corporate-owned locations slated to open next year in Westlake Village and Thousand Oaks. Eckerman said that continuing to open corporate locations will further support the company’s franchisees.

“We have the breadth of first-hand experience to guide franchisees through building and growing successful PizzaRev restaurants,” he said.

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