

## **Jay Gould & New York Fries: Reinventing the French Fry**

By David Gargaro

French fries must suffer from dual personality disorder. Everybody enjoys eating them, but they are often labelled as “unhealthy” or “bad for you.” Most quick service restaurants serve French fries, but they often treat them as a side or throw-in with the main dish. French fries are the most ordered food item outside of the home, and yet little attention is paid to product quality. (Can you say “frozen French fries” three times fast?)

And then along came Jay Gould and New York Fries, which is celebrating its 25th anniversary. Gould changed the public’s perception of French fries by turning them into a premium fast food item. He did it by focusing on a singular item, and made it better (and fresher) than the average offering. He managed to succeed when critics scoffed at the idea of selling the same item already found in every mall’s food court. He did more than defy the trends—he set the trends and turned the critics into believers. Jay’s vision and entrepreneurial nature have enabled him to establish New York Fries as one of the most successful businesses in the Canadian fast food industry.

Warren Price, Executive Vice President of New York Fries, has been with the company since 1987 when it was still small and the success of the business was not yet assured. It was Jay’s conviction that convinced him that there was something special there. Warren said, “We’ve always known that the core product is French fries and that it had to be better than everyone else’s. That’s been something that Jay has absolutely convinced all of us. If it could cost us a bit more money to make a better French fry because we could buy better potatoes or buy better oil, then we have to make that choice.”

### **Before the fries**

Jay was 21 years old when he first began setting trends in the foodservice industry. In 1977, he and his brother Hal launched Cultures Fresh Food Restaurants (aka Cultures) in London, Ontario. It was clearly a novel concept, as it focused on healthy lunch alternatives—such as salads, soups, frozen yogurt and fruits—long before health and fitness were mainstream issues.

“It was an oddball concept at the time. There were a number of people who thought we were either ahead of our time or out of our minds...maybe both,” said Jay. “We were trying to build a menu around what was a new product at the time called soft frozen yogurt, which was just starting to get traction in places like New York. We had to convince a dairy here to make it for us. That was the pioneering side of it, because we started to sell things that were not typically part of the fast food business.”

Besides the fact that they had no significant retail or foodservice experience, the Goulds had to deal with many other challenges. They included negotiating lease space with sceptical landlords, projecting the cost of goods (which varied according to the availability of fresh ingredients), and finding suitable containers for packaging.

Jay explained, “Just as an example, there were all manner of paper containers, plastic containers, or sandwich containers for burgers, hot dogs, fries... but there was nothing around to measure visually a salad portion. It could be small or large, and the variance could be huge if you didn’t have any way of trying to measure that. Even trying to put it on a scale didn’t work because if you had a couple of cherry tomatoes in there it was going to weigh the thing down. So we had to develop all of that stuff.”

Despite these obstacles, their vision paid off. Customers became enamoured with the Cultures concept of healthy lunches. The Goulds later moved their operation to Toronto, growing the Cultures chain to 57 stores, and eventually sold the company in 1987.

### **Enter the fry**

Jay grew up in Brantford, where he claims that they had two of the best-known chip trucks in Canada. On his trips back and forth from Toronto to London, he would often stop in Market Square and pick up these fries. Was this the foundation of an idea? Said Jay, “Having spent now half a dozen years in the food business, it didn’t actually strike me as an odd idea that French fries as a concept would work on its own. French fries are by far the most purchased food item outside the house in North America.”

New York would prove to be the inspiration for Gould’s next business venture. In 1983, Hal told his brother Jay about New York Fries, a small French fry stand located on the third floor of Manhattan’s South Street Seaport. The store was doing such great business, and the quality of the French fries impressed him so much, that Jay approached the owner about the business and eventually bought the Canadian rights. In 1984, he opened his first New York Fries location in Scarborough Town Centre.

Again, Jay had to face the critics, naysayers and doubting landlords who asked, “You just sell French fries? How does that make sense?” Fortunately, his previous experience in running the successful Cultures chain managed to convince the landlords that he had a viable business, which would do well in high traffic food courts. He also had his perseverance and belief in the simplicity of the New York Fries concept—customers will pay for a premium product.

“While it might not seem as odd now, 25 years ago most people thought that a store in a food court that cost \$150,000 in the mid 80s selling just fries and pop when everybody beside us sold fries and pop looked like a pretty stupid idea,” said Jay. “To this day, there are people who probably wonder why we are still in business, perhaps for different reasons. I would compare it at the time to something like a Baskin Robbins or some other sort of specialty spot that could exist on its own if it were better than the average offer.”

Over the next two years, Jay resisted the pressure to franchise and financed the stores to ensure that the operation was ready to proceed. To ensure that potential franchisees would not question the targeted concept, he demonstrated that the business would be profitable when done properly—with focus and without distraction. By 1987, New York Fries had grown to 25 stores, and Jay purchased the American company (which had gone

out of business), as well as the worldwide rights. When he started franchising, the first 100 stores sold without placing an advertisement. There are now more than 190 New York Fries locations in five countries, with sales in excess of \$60 million.

### **Making better fries**

One of the keys to selling a premium product is to ensure that it is the best in its category. And if you're going to sell one premium product, then it has to be much better than what the competition is selling. Given that everyone sold French fries, Jay knew that New York Fries' success depended upon having a sustainable point of difference. That difference involved creating and serving a premium quality French fry. The basic concept involves selecting premium potatoes, cutting them (with the skin on) fresh daily in each store, and cooking to order using a unique three-stage process in high quality oil.

Declared Jay, "It's fresh, and as good as can be. Our ingredients are oil and potatoes. They're not processed in Des Moines. In addition to tasting better than the average guy, it's always been a better product."

Of course, it all begins with the potato—specifically, Russet Burbank potatoes, as they have low sugar content. "Potatoes with high sugar content, when fried, turn dark. Jay wants light coloured potatoes, so that's why we use Russet potatoes," explained Dave Carrick of Mackay & Hughes (New York Fries' supplier of raw potatoes). "We source the best potatoes from coast to coast, and test them when they're being packed and at the distribution centre to make sure they fit within a specific range in temperature and sugar reading."

The freshness of the French fries has become the company's calling card and point of differentiation from its competitors. Much of the promotion—from storefront branding to advertising campaigns—has focused on this fact, and with good reason "In very few cases do our competitors' fries arrive at the store in the form of potatoes," said Andy Macaulay, President of zig (New York Fries' advertising firm). "In most cases, they're frozen, sometimes they're battered. Ours actually arrive at the store as real potatoes that are then hand cut and cooked on the spot..."

Jay was not satisfied with serving better tasting fries. He determined that they could also be healthier. In 2004, New York Fries was the first company in Canada to switch to trans fat free oil. This occurred before customers truly understood the health concerns surrounding hydrogenation. Even though the oil cost significantly more, they determined it was the healthier choice for their customers.

Later that same year, New York Fries also reduced its portion sizes and prices. The goal was to reduce the sizes of offerings that most customers would purchase. It first involved renaming the cups—kids' size became small, and small became regular. "About 60% of our purchases moved into these two smaller cups," stated Warren. "The nomenclature made it easier for anyone to come along and buy a smaller size." What resulted was an increase in visits and purchases by new customers.

Added Jay, “We reduced our portion sizes a couple of times... on the basis of if we don’t overstuff our customers and maybe leave them wanting a little, they might come back more often to order a smaller portion. We’ve dropped our prices and our portion sizes, all of which flies in the face of conventional wisdom.”

### **Growing the fry business**

As part of Jay’s growth strategy (and indicative of his loyalty), he has maintained long-term business relationships with established suppliers. These partners—including Maple Leaf Foods and Pepsi—have returned Jay’s loyalty by accommodating New York Fries’ specific needs.

“Jay has made the relationship with Maple Leaf open and collaborative over the years by allowing us as a vendor to have a clear vision to his business objectives,” stated Tim Eaton, National Account Manager, Maple Leaf Foodservices. “This has allowed us to be the best business partner we could possibly be.”

“New York Fries has a unique concept, products, and marketing,” added Lee Hargreaves, National Account Sales Manager, Pepsi Company Food Service Canada. “We believe in this case Pepsi’s flexibility and willingness to try and match our customer’s entrepreneurial style has helped grow and maintain our relationship. A typical New York Fries outlet does not have the space that most other QSRs have to offer. We have customized equipment and other merchandising offerings so that both parties win.”

Real estate (specifically, where a store is located) is one of the focal points of Jay’s business plan. He believed that positive growth depended upon finding the right location. “Real estate is obviously critical, even in a shopping centre,” explained Jay. “You have to be visible, and you have to be in the right spot. You could be around the corner and doing \$100,000 less. I don’t typically go looking for the cheapest space, I go looking for the best space and try to make as good a deal on it as I can.”

With New York Fries’ focus on visibility in mall food courts, much effort has been spent on ensuring that they attract attention. Most in-store marketing is geared toward making it attractive, inviting, and consistent in message. It also emphasizes the quality of the product. Said Andy, “Given that New York Fries operates for the most part in food courts, we wanted to make the product a hero, to make it look terrific and really make the New York Fries counter stand out... There’s all that traffic in the mall food court. We want to capture the attention of those people first.”

Jay also values the people responsible for the company’s growth. He has surrounded himself with people he trusts. That trust is mutual, as many have been with the company for more than 12 years. Stated Warren, “Jay has a clear vision of what he thinks the business should be doing and how it should be run... He’s quite willing to hear what the rest of us around the table think and have to say. That goes all the way down to the store level, and he’s quite happy to hear anyone’s ideas.”

When reviewing franchisee candidates, Jay would look at factors such as strength of character and an understanding of the brand. The average franchisee operates three stores, and most of them have been with the company from the start. It is their trust in Jay's business strategy that has helped to grow the New York Fries brand. "I got franchisees to reduce their portion sizes and pay an extra 30 percent for the sunflower oil when we switched to the trans-fat-free oil," stated Jay. "They do that because they actually have some faith in the way we treat them. We live the life in the store ourselves. What we do in the field to them affects them as well."

### **Branching out into burgers**

Jay determined that the opportunities to expand New York Fries were becoming limited. There are only so many good locations to open a store, and it did not seem to work as a street-level operation. He also saw that the market was maturing and becoming increasingly selective. In July 2005, he developed South St. Burger Co. as a "best-in-category" concept in the crowded burger segment. It has since expanded to eight locations, with the ninth store and first franchise arriving shortly.

Stated Jay, "We have a very capable group of people in this office, and more than one of them have suggested that we get into the premium burger business. We decided to do some research on it. It took us about a year and half. We checked out a number of burger places, and then tried to develop a menu that was simple because we were used to that and was based on the same philosophy as New York Fries. The goal was to be the best in category. We went to find the best hamburger, the best bun, the best milkshake. We make our own onion rings, same as we do with the fries."

### **Giving back to the community**

As an active philanthropist, Jay encourages employees to be community focused and environmentally responsible. In 2000, he started the New York Fries Kids Fund through the Toronto Community Foundation. New York Fries donates to the fund annually, and contributes to a number of children's charities each year. As Jay explained, "While there are a million rides and walks for different types of cancer, there are very few that are targeted for oncology units for kids. We've adopted that from the beginning. We see ourselves as a fun product and perhaps directed at the younger generation. If that's not good enough, I feel, as does everyone here, that kids are deserving of our support."

Annually, the company gives more than \$70,000 to several different food, child and cancer-related charities and fundraisers. All corporate stores have also adopted a child through World Vision. Warren added, "Jay and his wife set up the New York Fries Kids Fund.... That existed at least a year before any of the rest of us knew that donations were being made because it's done without the purpose of aggrandizement. It's done just because they felt that's the right way to do things."