

Sandwich industry set to boom in Quebec

Little guy says competition helps. 'Any time a major chain is advertising a sub sandwich, it's an advertisement for us'

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Spiro Krallis's sandwich store on Sources Blvd. is surrounded by competitors.

There's a Subway franchise nearby. A Quiznos Sub is located just five doors down, in the same shopping centre.

But Krallis, founder of the Montreal-based chain Dagwood Sandwiches and Salads Inc., isn't worried. July sales at the Sources location have grown

20 per cent, compared with the year-ago period.

"In the last few years, all these other guys have come in and our sales are up," Krallis said.

"Demand for sandwiches just keeps on rising."

Subs - toasted buns, or not - are becoming increasingly popular in Canada, with even fast-food chains like McDonalds Restaurants of Canada and Tim Hortons Inc. offering a sandwich line. According to figures by NPD Group Canada, cited by Marketing magazine in 2005, the fast-food sandwich industry is worth about \$1.3 billion and is growing by about five per cent a year.

In Quebec, chains like Dagwoods and Bridgeport, Colo.-based Quiznos are expanding.

This week, Quiznos said it aims to grow from 32 stores to 107 by the end of 2007. A Quiznos official said sales per square foot have been higher in Quebec than in the rest of Canada.

Tom O'Neill, Quiznos's vice-president of development for Quebec, attributed the higher sales to Quebecers' appreciation for the company's use of ethnic flavours like tzatziki and teriyaki sauces in its subs.

"The reaction in Quebec ... has been exceptionally positive," O'Neil said. "The Quebec palate is perhaps more sophisticated and they've more readily accepted our product."

Average sales for each of the last 15 Quiznos stores opened in Quebec are projected at \$700,000, O'Neil said. Average annual sales for the sub industry range from \$400,000 to \$500,000.



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From left: Synden Hope-Johnston, Julia Boggia, Marissa Joffre and Justin Bourke work the sandwich production line at Dagwoods on Sherbrooke St. in Westmount yesterday.

Sandwich chains like Quiznos, Dagwoods, Subway and Quebec newcomer Toasty Sub are all private companies that don't reveal specific sales figures.

The arrival of big U.S. chains like Quiznos - which entered the Quebec market two years ago - has been a boon for local players, Krallis said. With their hefty advertising budgets, big companies are creating greater demand overall for sandwiches.

"The majors have come in and really promoted sandwiches. And they've converted the pizza eater, the hot dog and french fry eater to sandwiches," Krallis said. "Any time a major chain is advertising a sub sandwich, it's an advertisement for us."

Dagwoods, which has 10 corporate stores and five franchises, intends to expand in Quebec by five stores a year, Krallis said.

Both Krallis and O'Neil denied the spectre of a sub war, arguing that increasing consumer demand for sandwiches - at the expense of hamburgers and hot dogs - has created a market for the additional stores.

"The traditional fast food sector is losing out because people are not only after variety, they're very health-conscious," O'Neil said. "The sandwich is a format that allows a franchise to offer a wide variety of tastes, flavours and product, whereas the traditional fast-food offering tends to be limited to a one-product format: hamburger, fried chicken."

O'Neil dismissed the notion of the market being too saturated to accommodate new restaurants as a myth.

"The poorer performers of the chains will disappear as the competition increases," he said.

"The trick is to be good enough to survive at the top."

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