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Quiznos hires former Burger King CEO Brenneman

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By Bruce Horovitz, USA TODAY

Quiznos, one of fast food's fastest-growing but most internally troubled chains, has tapped the guy who put the sizzle back into Burger King (BKC) to be its next CEO.

Greg Brenneman, 45, the turnaround specialist who was Burger King's CEO until April, was named Quiznos' chief executive on Monday. Rick Schaden, 42, who has been CEO and chairman, remains chairman.

While privately held Quiznos has built a loyal following with its toasted subs and often off-the-wall ads, in the industry it has become known as a company beset by franchisee unrest.

The company is the target of at least three class-action lawsuits involving franchisees. In November, Bob Baber, a distraught franchisee in Long Beach, Calif., committed suicide and left behind a note with a damning condemnation of Quiznos management. One group of angry franchisees posted the note on its website.

"The loudest message from the franchisees is that the company doesn't really care about them," says Sherri Daye Scott, editor of *QSR Magazine*, an industry trade publication.

Enter Brenneman. His job at Burger King was to make peace with franchisees and improve profits, while methodically preparing the company for a public offering. That's widely viewed as his role at Quiznos, as well.

"This is about taking Quiznos to the next level," says Brenneman, in a phone interview. "It's a company that's much bigger than its brand."

Brenneman says he wants to:

- Improve restaurant profitability.
- Focus growth on smaller towns, "where unit economics are better."
- Look at international growth.
- Develop more hit products.

Brenneman, who previously helped turn around Continental Airlines (CAL) and who founded the turnaround specialty company TurnWorks, also has purchased a "significant" but undisclosed stake in Quiznos.

He has lots of work ahead of him, industry watchers say.

"How many sub shops can we have in the USA?" asks Ron Paul, president of Technomic, a consulting firm. With even Starbucks now selling sandwiches, Paul asks, "At what point is the whole sandwich category saturated?"

The 25-year-old Denver-based chain, which had about 18 units in 1991, has more than 5,000 worldwide today.

Brenneman, however, insists that Quiznos can continue to grow — just more carefully. He points out that Quiznos is still about one-third the size of industry giant Subway.

Schaden, in a phone interview, insists the sandwich category has far more growth potential than burgers or pizza. "We finished the year by exceeding market expectations," he says.

Franchisees aren't overly hopeful. While Brenneman turned around Burger King, "Quiznos is a beast of a different nature," says Justin Klein, an attorney for the Toasted Subs Franchisee Association, a franchisee group.

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