

Arahova lands national deal

BY ALLISON LAMPERT, SPECIAL TO THE GAZETTE JUNE 18, 2014



George Kalogrias, vice-president at Arahova, puts tzatziki sauce in large vat during packaging of their star products at their Laval plant on Tuesday June 17, 2014.

Photograph by: Pierre Obendrauf, The Gazette

MONTREAL — Arahova Souvlaki, the Greek restaurant chain that opened in 1971 with a three-item menu, two tables and nine chairs on St. Viateur St., is now expanding nationally.

But unlike other Quebec restaurant chains that have grown by opening a slew of franchised restaurants in other provinces, Arahova's tzatziki, spinach dip and gyros will first hit Canadian grocery shelves this summer.

Arahova Production, the chain's retailing arm, reached an agreement on June 11 with Loblaw Cos. Ltd. to launch six of its product lines at 140 Loblaw stores across the country, said division vice-president George Kalogrias, 38.

Kalogrias expects the agreement will boost the company's retail sales by a third and lead to the opening of an Arahova franchise in Calgary and two more in Vancouver in 2015. He declined to disclose Arahova's total revenues.

"It's going to help us grow our brand," he said. "Then we can start our restaurant expansion. It's hard otherwise to negotiate a new lease. You have no clout."

Arahova's strategy reflects a broader industry trend as chains turn to retail licensing to build their brands in new markets and diversify their revenue streams in the competitive restaurant sector. On the flip side, supermarkets have also opened in-store eateries dubbed "grocerants."

In 2013, fast-growing MTY Food Group Inc. reached a deal with 295 Quebec-based grocers to carry its Thai Express meals in frozen food aisles. And Investcor Restaurant Group Inc., which operates Pizza Delight, Mikes, Scores and Bâton Rouge, grew revenues 13 per cent year-to-date, on an annual basis, due mostly to higher manufacturing sales and retail royalties from its ribs and sauces, the company said this month.

"These brands provide credibility in terms of quality, and consumers are willing to pay more for brands they trust," explained Darren Tristano, executive vice-president of Technomic Inc., a Chicago-based research and consulting firm servicing the food and food service industry.

"Customers who enjoy the products will look to dine out at the restaurants if they are located near them."

Arahova Production already sells its dips and Greek yogurt cheesecake at most Quebec supermarkets and at Costco Wholesale Corp. stores in four U.S. states. Retail sales now generate more than half of the family-owned chain's total revenues.

But in the restaurant industry, the strategy of growing sales through retail licensing also carries risks, notes Tristano.

Retail purchases, especially of frozen, prepared meals could cannibalize occasions for customers to eat out at restaurants. And there's the chance that the taste of a product doesn't translate well from the restaurant table to the grocery shelf, he said.

"Products that aren't considered as good from retail may give customers a negative reaction ... and thus avoid dining at the restaurant," he said.

Kalogrias said Arahova has kept the same family recipe used over the last 43 years for the 10 tonnes of tzatziki a week sold to customers in restaurants and in retail stores.

The Arahova Souvlaki brand is owned by two related families of Greek heritage, which each operate separate companies. Together, they run two corporate and eight franchised Arahova restaurants in the Greater Montreal Area. Kalogrias's family started Arahova Production and it is the only one to sell retail products.

The first Arahova restaurant, a 400-square-foot eatery in Mile End, was owned by George Kalogrias's father, Christos, and his uncle Nick Koutroumanis. It was named after Arahova, a village in Greece.

Kalogrias first experimented with retail in 1995, when local grocers approached the family with requests to stock Arahova's tzatziki on their store shelves. One of those customers was the St. Viateur bagel factory, Kalogrias said.

“At 4 a.m., all those people were coming in for tzatziki and bagels,” he recalled.

The family started small, with Kalogrias driving orders to clients in his car.

“I started delivering it myself in those green picnic coolers,” he said. “Then one cooler became two coolers.”

Arahova Production now manufactures and distributes most of its retail items from two separate centres in Laval. The division’s Greek yogurt cheesecakes are made at a separate facility in Toronto. With the agreement with Loblaw’s and the new franchises, Arahova may soon outgrow those locations.

“This is going to mean a lot for our name,” Kalogrias said. “We want to become a household brand across Canada.”

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