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Three Edmonton entrepreneurs go head-to-head against Subway

Taking a bite out of the biggest franchise in the world

May 11, 2012
by Max Fawcett

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Accountants are prudent, rational thinkers with a low tolerance for risk, right? So why did two young chartered accountants – both children of chartered accountants, no less – quit their jobs and open up a sandwich shop in downtown Edmonton, a neighbourhood with more than its share of Subway sandwich shops?



Press'd for Success: (L-R) Grant Fedorak, Scott Gordon and Gavin Fedorak
Photograph Jason Everitt

Scott Gordon, the 28-year-old co-founder of Press'd Sandwiches, sometimes wonders that himself. He always wanted to own a business, he says, but he never thought it would be in the food service industry. "It's such a competitive industry – there are not a lot of barriers to entry – and you're competing against the largest franchise in the world," he says. "I mean, what are your chances?"

Gordon and his 29-year-old friend Gavin Fedorak, who first met at the University of Alberta and played basketball together before sharing an apartment during Fedorak's last year in school, knew their chances weren't great. But those chances weren't as bad as some people might have thought, either. "There's nobody in the Canadian market, and particularly in the Edmonton market, that's really competing with [Subway]," Gordon says. "There's Quiznos, but beyond that it's just one-off places. Nobody with a really strong brand is competing on the same level."

Other than the odd summer spent washing dishes and making salads at Boston Pizza, neither Gordon nor Fedorak (nor his younger brother Grant, who has a bachelor of commerce degree in management from Simon Fraser University and joined the two in November 2010) had any experience in the food service industry. Still, after a few years spent working downtown and having Subway for lunch almost every day, they decided they could do better. "When you're going into a market that's as cutthroat as

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the quick-serve market," Gordon says, "how naive are you to think you can actually be successful? But we were so confident in Dilly's food – that's what it came down to."

Dilly's Deli is a chain of four sandwich shops in Arizona that Gordon and Fedorak ran into while playing college basketball in the state. They were so impressed with the food and the approach behind it – fresh ingredients, bread baked daily in-store and a commitment to quality – that they decided to bring it north. But they weren't interested in partnering with Dilly's Deli, and they didn't want to become a franchisee. Instead, they just asked if they could replicate the concept. "Nobody really had any idea of how it was going to work," Fedorak says, "but we sat down with them and they were a couple of great guys – really nice guys, and they really know what they're doing. We hammered out a contract that says they're going to be on for three years as consultants."

All three partners went down to Dilly's for training sessions that showed them how to operate their own business, right down to how to make the sandwiches themselves. They opened their first location in Edmonton's City Centre mall in 2010 and their second store a few blocks west on Jasper Avenue in 2011. And while they're first-time entrepreneurs, Fedorak thinks their background in accounting gives them an advantage over other startups in the food-service industry. "From day one, we knew what our costs were and what we needed to sell stuff for, and we're pretty detail-oriented about keeping track of things," he says. "We still think we kind of fly by the seat of our pants, but when you compare it to most people, we probably do go above and beyond in a lot of areas." "They're still accountants," his brother Grant says.

As a result, they're still learning what works when it comes to the food side of their business. "We have to come up with a feature sandwich or put a new salad together and it takes us a long time," Gavin Fedorak says. "There's still a ton of learning on the food side every day." But while their academic backgrounds might not help them in the kitchen, they are definitely helping when it comes to the figures on their spreadsheets. That ability to keep a close eye on the money flow is coming in handy for the trio, particularly given the advantages of scale that their primary competitor enjoys. "There's definitely no way you can compete with Subway's supply chain," Fedorak says. "Our sandwiches cost more to make. Our prices are the same – as a customer, you're not paying much more. But we don't have the margins they have – yet."

Their catering operations, on the other hand, have much bigger margins, and they've been surprised by the volume of business they've generated. On some days, their catering orders can amount to as much as 50 per cent of their overall revenues. "It's been a huge upside," Fedorak says, "and there's a ton more potential."

They also intend to grow their margins by franchising their business. "That's our big push as a company right now," Fedorak says. "We have two new sites that we're going to be taking possession of in the next two months, and we're planning to make those franchises. But it comes back to competing with Subway and Quiznos – we have to find franchisees, so we have to get our brand out there and offer a good business for someone."

They just

recently completed the prospectus for potential investor-owners, but they're not interested in

creating a turnkey operation. Instead, they'll be hands-on in the early days in order to help their franchisee partners get the most out of their operations.

"They're going to get a ton of support," Fedorak says. "We're going to be in there all the time helping them out and making sure they kick off the franchise properly." They don't intend to start handing out franchises to anyone willing to cut a large enough cheque, either. "With our backgrounds, we're really tied into the unit level on how a store's going to do," Fedorak says. "Each store has to make money before we grow it [the business] too much."

In the three years since they first started seriously considering getting into the business of selling sandwiches, they've raised their game considerably by refining their menu, shaving down their costs and improving the operational efficiency of their store layout. While their first store was essentially a carbon copy of a Dilly's location, their second makes better use of the available space both behind the counter and in the seating area. "There's been a very steep learning curve since we opened the first store," Gordon says. "But that's just the way business goes – you learn as you go."



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How big can their business get? Gavin Fedorak hesitates for a moment before answering, as though he's fighting through the instinct to be cautious before coming out with the number: between 50 and 75 stores in Western Canada open or under development by 2017. In 2013, they plan to open more stores in the Edmonton area, along with exploring locations in Red Deer and Calgary. Beyond that, they have their eyes on Saskatoon and Regina to the east and Kelowna and Vancouver to the west.

It's an ambitious plan but then so, too, was their initial foray into a market that many people probably thought was overcrowded as it was. Gordon still remembers the questions he was asked when he told people he was leaving behind a comfortable career in his field after he finished his CA certification to open a restaurant. "People around me were like, 'Are you guys nuts? You guys have all this education – why would you go in this direction?' But it just made sense."



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