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Tricon says Taco Bell not out of doghouse yet, but 4th-quarter same-store sales show improvement

By James Peters

LOUISVILLE, KY. — Taco Bell, the weak third leg in Tricon Global Restaurants Inc.'s performance for more than two years, is showing signs of improvement, officials indicated.

Tricon primarily has relied on its two other brands, Pizza Hut and KFC, to lead the company into top- and bottom-line growth, while its Mexican-style quick-serve chain has undergone much-needed repair.

According to Tricon chief financial officer David Deno, that repair job is far from finished. Deno stated that the company's performance, especially at Taco Bell, is "not where we want it to be."

Taco Bell's same-store sales for the last nine months were down 3 percent, but began to grow in the early weeks of the fourth quarter, Tricon said.

"Taco Bell has weighed down the consolidated results for the last 10 quarters, and it is possible

*(See **TRICON**, page 123)*

Aggressive action needed to counter terrorist attacks, boost economy

Coverage begins on page 45

Wall St. rewards gains made in slump

9-mo. share price tally has high end at low ebb

By Richard L. Papiernik

NEW YORK — While serving up a mixed bag of eateries at the top of its restaurant investment menu, Wall Street is doling out share-price rewards for niche dominance and growth in the face of a deteriorating economy and terrorist attacks.

Stocks of high-end concepts, meanwhile, fell the farthest in the first nine months of the year.

Riding the high tide in investment portfolios through that period were such hot growth companies as Famous Dave's of America, Panera Bread Co. and Krispy Kreme Doughnuts Inc. Casual-dining operator Applebee's International Inc. also continued a buoyant ride by rolling out another year of 100-plus-unit growth along with improved earnings. And IHOP Inc. showed that pancake sales still can rise.

Sonic Corp., Ryan's Family

*(See **WALL STREET**, page 123)*

McD restructures to beef up performance

Eyes better ops through nat'l. evaluations

By Amy Zuber

OAK BROOK, ILL. —McDonald's Corp., burdened by four straight quarters of decreased earnings, plans to ascend from its slump with a major restructuring of its U.S. business designed to improve restaurant operations nationwide.

The fast-food giant said that in the days ahead it would elevate customer service and overall quality by re-establishing a national program for evaluating restaurant operations, which is a practice the chain ceased in the mid-1990s, according to company officials.

The effort is expected to kick off in January as McDonald's begins to scrutinize restaurant operations through more frequent inspections and the use of mystery shoppers. The chain also will provide customers with a toll-free telephone number for comments and complaints, while also tracking employee satisfaction through surveys.

News of the changes comes just months after McDonald's officials were said to have issued a memo noting that 11 percent of the chain's customers are dissatisfied with their experiences and complain about them. Given that many people do not complain when displeased, the company estimated that dissatisfaction could cost each U.S. McDonald's an average of $60,000 in sales annually, resulting in millions of dollars lost chainwide.

In addition, earlier this year a University of Michigan study on customer satisfaction rated McDonald's among the poorest-performing retailers.

More than one restaurant analyst voiced surprise that McDonald's didn't already have in place consistent national standards for measuring restaurant performance. Observers, including analysts and McDonald's franchisees, seemed ambivalent about whether the new strategy could boost sales and profits. While

*(See **MCDONALD'S**, page 6)*

Displaced employees looking for windows of opportunity

By Dina Berta

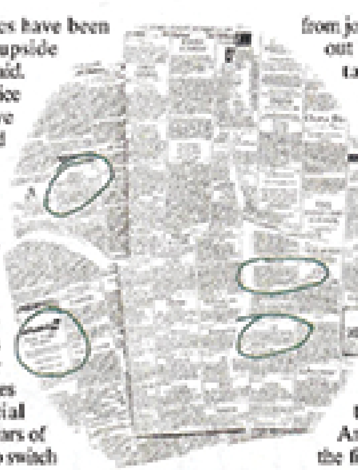
Asmat Ali has to look for work actively as part of the requirement to collect unemployment benefits, and he does — combing the classifieds, knocking on doors.

The trouble is there isn't much work out there for Ali, a former captain in the main dining room of the famed Windows on the World restaurant. Job opportunities are few and far between for Ali and the more than 300 other employees left jobless when Windows vanished in the collapse of the World Trade Center towers after the Sept. 11 terrorist attack.

Hundreds more lost jobs when other restaurants in the towers and the immediate vicinity were destroyed. And many others, not just in New York, but around the United States, have been laid off or had their hours cut back as restaurants and hotels reel from the blow tourism and travel have taken since the attacks. Foodservice also is bracing itself for an economic recession.

The National Restaurant Association estimates the industry has lost at least 103,000 jobs since September. The Hotel Employees and Restaurant Employees International Union estimates from one-third to half of its 265,000 members have been laid off or had their hours reduced since Sept. 11. And that does not include nonunion hotel and foodservice workers who have lost jobs.

"Our lives have been turned upside down," Ali said.



Foodservice workers have flooded unemployment offices nationwide and swamped relief centers run by unions and community groups that offer care packages and financial aid. After years of being able to switch from job to job without worry, hospitality and foodservice workers today are in a fight for survival.

At least 1,000 workers visited union-sponsored relief centers in Los Angeles during the first four days, said Maria Elena Durazo, president of Local 11 of the Washington, D.C.-based HERE union. Most were union members although the centers were open to any unemployed hotel or restaurant worker. At the L.A. centers were representatives of the state employment office, social services and other agencies that provide job training or referrals. The union also teamed with a United Way food bank to dispense groceries, which were rapidly exhausted.

Durazo is worried that many hospitality workers will end up homeless if the economy does not rebound and hotels do not start rehiring again soon.

*(See **DISPLACED**, page 16)*