



POUITINE



WAR

CHEESE CURDS AND GRAVY HAVE GONE MASS MARKET.
WHO WILL BE KING OF THIS UNIQUELY CANADIAN COMBO?

BY **PETER NOWAK**
Photographs by **Jeremy Lewis**



It's 3 a.m. on a Saturday night and the lineup at Smoke's Poutinerie snakes out the door. The downtown Toronto restaurant only seats about 20, and the clubs have just let out, so the place is awash in high heels, short skirts and cologne that almost masks the greasy smell of French fries cooking. The steps out front are lined with patrons wolfing down gooey poutine from cardboard boxes as the sounds of 1980s rock anthems—Mötley Crüe, Cinderella, Whitesnake—spill out into the street.

It's louder inside, the revelry punctuated by laughing and shameless tales of dance-floor conquests. One couple argues over whether they're going to share a large poutine or get two small orders—they can't seem to agree on the gravy: regular or vegetarian?—while others drunkenly doodle on the large chalkboard next to the lineup, taking time to proclaim their love ("I like poutine!") or insult their friends ("Mike is a whore!"). Fittingly, Poison's *Nothin' But a Good Time* comes on the stereo. It might as well be the restaurant's theme song.

The idea of a "poutinerie" began at Smoke's. The restaurant offers more than 20 different kinds of the French-Canadian classic, which starts with fries smothered in tangy gravy and squeaky cheese curds. Smoke's, however, has almost Americanized the idea by piling on copious amounts of other toppings, from pulled pork and peppercorn chicken to chili and even, for a limited time, perogies. The result: tasty, if artery-clogging, goodness.

Since it opened in Toronto's club district in 2008, Smoke's has been a runaway success with the late-night crowd. In the three years since, the scene has been replicated across the country: There are now more than 23 outlets from St. John's to Vancouver, with a plan to have 40 by the end of 2012.

The man behind this carnival is Ryan Smolkin, a 38-year-old former graphic designer. Indeed, in talking with him, you get the sense that he wouldn't be out of place running an actual circus sideshow.

Ask him about the logo—the smiling, bespectacled face that's plastered all over the black-and-red checkerboard decor of his restaurants, not to mention Smolkin's T-shirt—and he'll tell you the man's name is "Smoke," and Smoke only speaks through him. (Smoke is the restaurant's biggest shareholder, he says; the chain is privately held.)

Smolkin clearly enjoys messing with people, and he grins when pressed for details. Whether "Smoke" is somebody's dad or simply a generic photo from some old Sears catalogue, selected to convey the retro Canuck vibe of the franchise, is Smolkin's secret to keep.

Smolkin isn't so coy about his ambitions for the brand: The way he sees it, he's taking a run at Canada's French-fry throne. And if he succeeds, there's a much bigger potato to peel. He flashes the horned-hand-of-the-devil sign: "World domination, baby!"

Jay Gould, for his part, is the antithesis of Ryan Smolkin. He chooses his words carefully and speaks in measured tones. He wears plaid button-down shirts and khakis and certainly doesn't use heavy-metal hand signs to accentuate his points. At 57, he's Canada's reigning king of French fries. While megachains such as McDonald's and Burger King sell more of the stuff overall, fries are just one item on their ever-expanding menus. At Gould's New York Fries, they're pretty much the only thing.

We first met over lunch a little over a year ago, at a South St. Burger Co. restaurant in midtown Toronto, where we both ordered a burger and fries. South St., a sister franchise that is up to 18 restaurants since its 2005 launch, is one of Gould's efforts to diversify beyond just fries. Like New York Fries—and very much unlike Smoke's—the operation follows traditional restaurant serving patterns in that it's busy at lunch and dinner and closed in the late hours. Customers at both of Gould's chains are there for a quick bite, not to party.

In between bites of his burger, Gould described another, more ambitious expansion effort he had planned for New York Fries: a full-scale move into poutine. Each of his 120 Canadian locations would be remodelled to add poutinerie stations. In addition to the gravy-and-curd variety, two new kinds of poutine—one topped with braised beef and another with butter chicken—would be sold, with additional flavours to come. He wasn't at all shy about discussing his motivation: The move was a direct response to both poutine's increasing popularity and the explosive growth of one franchise in particular—Smoke's.

When we speak again a year later, Gould is ecstatic about how it has gone. Almost all of his outlets have made the switch and the numbers are edifying—poutine items now make up more than 60% of New York Fries' menu, contributing to a 15% increase in same-store sales, year over year. "I don't think there's anyone in the business that can boast those sales," he says. "I think our franchisees would say in unison that it's been worth it."

The full-scale move into poutine marks one of the biggest transformations in the history of the chain, which Gould and his brother Hal founded almost 30 years ago. Their story, by now, is enshrined in the Canadian small business hall of fame. The Brantford, Ontario-bred duo had, by the early 1980s, already built a health-conscious fast-food operation called Cultures into a national chain. Following a trip to New York to try some much-talked-about French fries near Manhattan's South Street Seaport, they ended up buying the Canadian franchise rights to New York Fries. When the U.S. parent folded in 1987, they acquired the name outright. Since then, New York Fries has become a fixture in just about every major mall food court in Canada, with an additional 26 international franchises in the United Arab Emirates, South Korea, Hong Kong, Macau, Bahrain and Kurdistan.

The brothers eventually sold the Cultures chain, and Hal took a position with Wendy's, leaving Jay to foray into the world of poutine. New York Fries first added the traditional version to the menu in 1989 as an experiment by an Ottawa franchisee. It sold so well that Gould decided to take it nationwide over the next few years. By 2008, poutine accounted for more than half of the chain's revenue. McDonald's had experimented with poutine in the early 2000s, but now sells the product mostly in Quebec. Burger King, A&W and Harvey's all joined in, and continue to sell poutine in English Canada. (In fact, Burger King is the market leader in the category, accounting for about 10% of national poutine sales, according to figures from trend watchers at the NPD Group.) "There are many other purveyors of the product," says Gould, "but this is what we specialize in, and we've been at it for more than 20 years."

Smolkin's tale is one of similar serial entrepreneurship. He's from the Ottawa Valley, where he grew up listening to the same hair metal he now plays in his restaurants. He also ate a lot of poutine—"It's just so damn good," he says—but his friends always thought he was weird because he would cut up other foods, such as hot dogs, and pile them on. Years later, his unusual habit would become a cornerstone of his menu.

Smolkin started his first business while attending Wilfrid Laurier University in Waterloo, Ontario. While in his third year of business school, he bought a house and rented it out to his friends, becoming

Smoke's Poutinerie



"IF PEOPLE WANT A CANADIAN CLASSIC THAT'S CALLED 'NEW YORK,' THAT'S UP TO THEM"



The young and the restless: Ryan Smolkin (left) has lit a fire under New York Fries' Jay Gould





Look, Mom: all three food groups



what he jokingly refers to as “a slum lord.” (At his peak, he owned 13 properties, selling the last in 2004.) After graduating in 1995, he started Amoeba Corp., a graphic design firm that eventually landed high-profile clients such as Maple Leaf Sports + Entertainment, Nike and Corus Entertainment. In 2006, after running the company for 11 years, he sold Amoeba to Toronto’s John St. ad agency for an undisclosed amount and ventured off in search of his next project.

Smolkin thought back to his high school diet. While poutine was starting to have some resonance outside of Quebec, no one—including New York Fries—was doing it properly, he thought. In 2008, he chose a location on Adelaide Street in the heart of Toronto’s club district. Where he was from, poutine was an exceptionally popular snack for drunken club-goers, making this the perfect location.

Smoke’s was an instant success—people lined up for an hour just to try the poutine, leading to a French-fry shortage in its first week. The story has since been duplicated with every other outlet: The tiny Winnipeg location served 5,000 people and 7,000 pounds of potatoes in its first five days when it opened in May, 2010. On a typical Saturday, a Smoke’s location will serve between 500 and 600 people a day.

Jay Gould was not willing to watch idly. “Smoke’s is a major competitor for us, not just for consumers but for space, potentially. We take that seriously,” he says. “We’ve been around a long time, and not by staying asleep.”

The rivalry between Smoke’s Pouterie and New York Fries is not without antecedents. The origins of poutine itself are often disputed. Until he died in 2004, Fernand Lachance, a restaurateur in Warwick, a small town about two hours’ drive east of Montreal, maintained that the dish was invented in his shop. He claimed that one of his customers had effectively created poutine in 1957 by adding cheese curds, a popular snack in the Eastern Townships, to a bag of fries. The restaurant owner added the gravy, later, himself.

Jean-Paul Roy, owner of Le Roy Jucep restaurant in Drummondville—between Montreal and Warwick—also credited the idea to a customer, who asked for curds with his fries and gravy in 1956. (Roy died in 2007, but his restaurant, a colourful diner with a large orange slice on its façade, displays a registered trademark certificate on its website for the invention of poutine.)

For decades, poutine remained a cheap and unhealthy snack sold mainly from chip wagons, but its popularity gradually spread throughout Quebec and into border towns of neighbouring provinces. The legitimization of poutine as a food category of its own—and its inevitable move upmarket—happened only recently. Celebrity chef Martin Picard attracted international media attention in 2003 for the *foie gras* poutine he served at his Montreal restaurant, Au Pied de Cochon; then, in March, 2011, Quebec chef Chuck Hughes won the *Iron Chef America* TV competition by topping a plate of poutine with lobster (another food that was once, coincidentally, considered low-brow).

Both chefs contributed to the growing notion that poutine could be more than a late-night snack for drunken revellers. Smolkin, who had been preaching that philosophy since his teenage years, originally thought about 80% of his business would happen after midnight, but despite the late-night party scenes common at his restaurants, he says it has turned out to be closer to half.

Food industry analysts attribute poutine’s popularity to the public’s changing tastes. In its annual survey of chefs across the country, the Canadian Restaurant and Foodservices Association found that although people say they want to eat organic and locally produced goods, they’re increasingly hankering for simple comfort foods. They’re also getting more interested in establishments that

are doing something new, which bodes well for the likes of Smoke’s and New York Fries. “They’re diversifying and spicing up poutine in ways we never dreamed of 10 years ago,” says CRFA president Garth Whyte. “The restaurants that are innovating and creating new ideas are really attracting Canadians.”

The idea that fried potatoes, gravy and cheese curds could be a full-fledged part of our Canadian identity seems reasonable enough. Jay Gould recalls the 2010 Vancouver Winter Olympics on TV. When international commentators asked athletes about their favourite Canadian foods, many cited poutine. “That was a smack on the head for me,” he says. “If this is a Canadian food, this is a space we should own.”

Smolkin, who is also upbeat about poutine’s emergent image, can’t resist the obvious swipe at his rival. “If people want a Canadian classic that’s called ‘New York,’ that’s up to them,” he says, smiling wryly. (Gould isn’t shy about trading barbs either: “How fussy are you at 3 in the morning when you’ve had about 78 beers?” he says of Smokin’s clubland business model.)

Despite the friendly—for now—rivalry, the battle for poutine dominance may come down to execution and momentum. Both chains have the same franchise terms: A licence for either costs \$30,000 plus 6% royalties on sales. Smoke’s requires its franchisees to have \$300,000 in working capital, which covers construction, while New York Fries requires its franchisees to have around \$165,000 to pay for start-up costs.

In the end, Gould and Smolkin may end up sharing the poutine throne. In absolute numbers, Canadians ate about 78.4 million servings of poutine in 2010, according to NPD Group. That’s a far cry from fries overall, which saw more than a billion servings, but there is lots of room for growth, says Robert Carter, an executive director at NPD. “Canadians seem to love poutine,” he says, laughing at the understatement. “It’s still a very niche item, but I do see it cropping up on menus. There’s an opportunity there.”

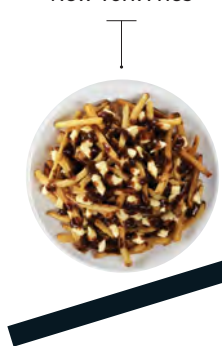
Food industry analysts like Carter suggest the trend may just be catching fire, with lots of room for expansion—and not just in Canada.

In fact, Gould admits his chain has hit a growth wall in Canada, with only a handful of additional franchises available in new malls and highway rest stops. He sees growing interest in the Middle East and Asia. Strangely, perhaps, he hasn’t ventured into the United States, a market seemingly perfect for a food as, er, rich as poutine. The reason is logical, but surprising. New York Fries outlets are tailored for shopping mall food courts; as it happens, the foot traffic in U.S. shopping malls is much lower than in Canada. Indeed, Canadian malls average close to \$700 in sales per square foot, compared to around \$400 for their American counterparts, simply because Canada has fewer of them per capita. (Gould’s South St. Burger offshoots, which are not in food courts and which serve New York Fries products, are part of his plan to find fresh growth avenues for the brand.)

Space isn’t a problem for Smoke’s, which so far has concentrated on securing downtown locations with plenty of walk-in business. Smolkin says he’s close to signing deals for franchises in several border states, as well as locations in California. While poutine has become a cultural touchstone for Canadians, he believes it’s also a no-brainer for Americans, already known for their large appetites and openness to innovation in the field of fatty foods.

“Can you see a guy at a Chicago Cubs game with his triple pulled pork, double smoke bacon and Italian sausage poutine in a large box?” he asks rhetorically. “You’re telling me he’s not going to be loving it and coming back?”

New York Fries



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