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RETAIL

Checkers and Rally's looks to add dozens of stores in Philadelphia

by [Ellie Silverman](#), Updated: January 10, 2019- 5:13 AM



CHECKERS

[Checkers](#) & Rally's Restaurants Inc., the Tampa, Fla.-based fast-food drive-through chain, plans to expand in the Philadelphia region as part of its national growth plan.

The fries-and-burgers chain has about 900 locations in 32 states, said Bruce Kim, director of franchise development. The company's goal is to open about 40 stores in the Philadelphia area in the next five to 10 years, up from the current 16, though there are no locations booked or opening dates set, Kim said.

Each store would have 25 to 30 full- and part-time positions, and wages would vary by the competitiveness of each market, Kim said.

“We love Philadelphia,” Kim said. “That’s our customer base: the middle- to working-class folks that want a delicious meal at a low price.”

New York-based Oak Hill Capital Partners bought the chain in 2017 for \$525 million from another private equity firm. Despite a tough year in 2018, the company plans to open 70 to 100 new stores a year over the next five to 10 years. Philadelphia is one of more than 10 cities the company has identified for more franchise locations, along with Atlanta, New York, Nashville, Chicago, and Houston, Kim said.

“We are not anywhere near saturation or capacity in those markets,” Kim said.

Along with continuing to operate the 16 stores in the area, the company hopes to open five to 10 stores in the next year or two, Kim said, adding that he was more interested in maintaining quality than in meeting a time-frame benchmark.

“All those numbers are capacity numbers. No, we don’t have 3,000 more stores ready to go on the ground,” Kim said. “Rather than quantity, we’re looking more at quality.”

The fast food industry brought in \$255.6 billion last year, and had 3.8 percent annual growth from 2013 to 2018, according to IBISWorld, a market research firm. The industry is expected to remain relatively stagnant from 2018 to 2023 with 1.2 percent annual growth, IBISWorld estimates.

IBISWorld calls McDonald’s “the world’s biggest fast-food operator,” noting that it earned \$22.8 billion globally in 2017. McDonald’s Corp. franchised and operated more than 37,000 restaurants in 120 countries as of 2017, according to its latest annual report. Still, McDonald’s only has 3.5 percent of the market share of this large and fragmented industry, according to IBISWorld.

Kim said Checkers & Rally’s differentiates itself by operating mostly as a drive-through, and forgoing the breakfast category to focus on lunch, dinner, and late-night food.

“We’re not trying to be McDonald’s,” Kim said. “We’re not the biggest. We’re not the smallest. But what we do is, we offer great value.... For \$5 you can’t get any better-tasting or valuable food than with us.”

Same-store sales fell more than 5 percent in the third quarter of 2018, according to two sources [cited by Restaurant Business Online](#). Though Kim said he could not share exact percentages on same-store sales, he said the decline was not as severe as that report.

“After seven years of straight growth, we had a tough year,” Kim said, attributing some of the decline to industry trends. The company’s expansion is not dependent solely on same-store sales growth, Kim said. “One off year doesn’t have that much overall of an impact on our performance.”

