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Revised kitchens, focus on indulgence revives Checkers

By Richard Mullins



TAMPA

Pat White came with her whole extended family, and a few others, to Checkers Drive-In for lunch on a sunny Wednesday afternoon.

"Oh, you have to have the Big Buford burger," she said, lighting up an after-lunch cigarette and laughing from inside her minivan. "And the fully-loaded fries with all the chili, and all the cheese, and the apple pies – oh, I'm giving myself a hot flash."

But it's Pat's sister Karen who's the Checkers fanatic, pointing out the coupons on the bag for next time while their mother, Bobbie, brings out a cinnamon apple pie to prove their point.

"Just look at that," Bobbie said, "That's full. We got \$8 of food in the front seat and \$18 in the back, and it was fast!"

Loyal customers are one reason Checkers has found some new life.

After several years of privately revamping the nuts and bolts of operations, Tampa-based Checkers could open more than 200 locations in the next few years – a sharp turnaround from a few years ago when the company had to close that many places to survive.

"We've made many important changes in operations, and that's giving us the resources to grow now," said President and Chief Executive Enrique "Rick" Silva, who was brought in to help revive the chain's fortunes.

For a time in the 1980s and '90s, Checkers represented a true success story for Tampa in the way it found a niche appeal with a double drive-through format accommodating two streams of vehicles.

Checkers so thoroughly refined the concept of expansion that it manufactured new restaurants in a North Carolina factory and shipped them whole on trucks for unfolding on site.

Checkers merged with archrival Rally's in 1999, creating the nation's largest double drive-through chain, peaking at more than 1,100 locations.

Then in the early 2000s, Checkers' suffered from overexpansion and contracted to less than 800 locations. Company stock stagnated, prompting a sale in June 2006 to private equity giant Wellspring Capital Management for a reported \$188 million in cash and assumed debt.

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To overhaul operations, Wellspring in 2007 brought in Silva, who was the Burger King operations chief. Checkers executives dissected, discarded or upgraded nearly every part of operations.

Locations often had three employees on site when customer traffic warranted only two, so Checkers bought a new scheduling system that focused work shifts down to 15-minute increments. Kitchen space was reorganized so workers could take fewer steps to prepare food.

That new system also now handles inventory and time management and tracks customer purchases down to individual orders so data analysts can dissect patterns and determine which product was a best seller at specific times of day.

With the menu, Checkers tweaked a few items, but generally re-embraced a core identity of unabashed indulgence.

The "Big Buford" double-cheeseburger remains at the top the menu as the No. 1 value meal option, weighing in at 320 calories and 34 grams of fat, followed by five more double-cheeseburgers, including the "Baconzilla," and the half-pound Double Champ with cheese at 490 calories and 54 grams of fat.

For a full day, the Food and Drug Administration recommends adults limit themselves to less than 2,000 calories and 65 grams of fat.

There is one grilled chicken sandwich on the menu and four ice cream shakes, along with chili dogs, double-fish sandwiches and four french fry toppings, including chili cheese, bacon cheddar and bacon ranch.

If there's one area of recent menu expansion, it's chicken wings.

While nothing is off the table, Checkers executives say, they likely won't be launching a line of low-calorie salads.

"They may experiment with a few more healthy choices," said Leslie Kerr, president of the restaurant market researcher Intelliprice. "But it's never going to be a majority of the sales mix. It's smart that Checkers is sticking with what they do well."

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All the changes put together helped Checkers pay for a new round of expansion with the largely the same distinctive design.

Some new Checkers locations will be based on an upgraded double drive-through prototype that uses a "zipper" format – two vehicle lanes in back for placing orders funneling into a single pickup window.

The architecture is upgraded to a more modern look, and one wing of the restaurant can now be converted to a seating portico with a decorative fence between diners and traffic. In addition, customers will be able to eat later than ever.

"This is indulgence food that people crave at 2 in the morning," said Jennifer Durham, promoted recently from vice president of finance to also handle development plans.

More locations will be open almost until dawn on weekends, or even 24 hours a day. Over the past three or four years, the portion of overall business after 10 p.m. grew from 10 percent to 20 percent.

"What's exciting about this is that all the changes we've made have led to strong sales, and we can grow and be competitive again," Durham said.

Checkers thus matches drive-through changes made in recent years at other fast-food giants, where locations often see 60 percent of their total traffic in the drive-through lane.

McDonald's nationwide is adding double drive-through zipper lanes, following an innovation that began at its Tampa locations.

Chick-fil-A is also testing double drive-throughs where cars follow parallel tracks and food arrives via conveyor belts.

Checkers officials say they have reason for optimism. For one, they're attracting a different crowd.

At the new Mobile, Ala., prototype, "I've seen Jaguars, Mercedes and BMWs drive through," said Steve Cable, Checkers' director of construction.

Privately owned, Checkers does not disclose detailed financial results.

But Silva said sales at existing locations last year grew in the "high single digits," helping the company post \$650 million in sales in 2011. And sales at the new prototype locations, he said, are 20 percent higher than old models.

Checkers, by the numbers

Founded: Checkers 1986, Rally's 1985.

Locations: 779 in 30 states plus the District of Columbia

Employees: More than 7,000 in company-owned restaurants, not counting franchisees.

Newest item: Fish Bites, started in January.

2011 revenue: \$284 million for company restaurant sales, franchise royalties and fees. System-wide revenue, \$669 million.