http://nrn.com/article/checkers-ceo-rick-silva-driving-top-line

Nation's Restaurant News

Checkers CEO Rick Silva on driving the top line

June 19, 2012 | By Mark Brandau

A new Checkers prototype in Mobile, Ala. reduced opening costs by 20 percent.

Quick-service customers have changed their behaviors since the Great Recession, but evolving menus, marketing, operations and facilities has helped Checkers Drive-In Restaurants grow traffic and sales in a difficult environment, chief executive Rick Silva tells Nation's Restaurant News.

Year-to-date, company-owned Checkers and Rally's locations have recorded a 7-percent increase in same-store sales, lapping a 7-percent gain for 2011, he said. Franchised units' same-store sales rose 5 percent year-to-date, over a slightly positive result for 2011.

The recent success comes not from being all things to all people, but by being all things to the drive-in chains' core customer and meeting their needs for convenience and value, Silva said.

"Flavor, value and drive-thru convenience — those are the occasions we want, and we spend all our innovation and marketing money against those occasions," he said. "When we are, that's when we're rewarded with more visits. We don't need all occasions, because the category is so big, but we need [to own] the best occasions we can be best at."

Silva spoke with Nation's Restaurant News about how Checkers' recent sales and traffic growth will allow for accelerated expansion in the near term.

Where has Checkers' same-store sales growth come from? Has it been increased traffic, average check, or both?

It's coming from a lot of places. Our chicken wings are doing well for us and so is the product we launched last year, Cold Creations [frozen treat line]. We expanded our Chicken Bites to have Spicy Bites and Fish Bites during Lent.

We've worked a lot on value and taste, and the comp growth is predominantly traffic, which is what excites us so much. We're trying to give our customer more reasons to visit us. I would say 90 percent of the comp is coming from traffic. We're delivering the best value scores in the category … and that keeps guests coming back.

The other way we're increasing traffic is through operations, and our speed of service is as fast as it's ever been.

If your success has been primarily due to traffic, has that come mostly from Checkers' and Rally's value proposition?

We have permanent value all over the menu, especially for under $5. You can get two items for $4 and some premium products for two for $5. All across our menu people can find different ways to eat.

We focus on the core QSR user who visits the category between 20 and 25 times per month. We stay very close to this customer and understand what they want. To the extent that we had products like wings or Cold Creations, we do so because that's what the consumers indicate they have needs for that we can fulfill.

The other way for us to grow revenue is staying focused on late night. We see ourselves as specialists in that daypart. We stay open late with our walkup windows, and that helps us stay relevant. They're all reasons to come visit us more.

How has the marketing changed?

Over the past five years our consumer has changed. Our users are using the category more at late night than they ever have. The economy has had a profound impact on how often they can visit restaurants and how much they can spend. So if you've only got $3, we want to be your best choice. We've evolved our marketing based on strong segmentation work like that. It's all focused against the core category users, and now that we're laser-focused on them we adjust based on what they tell us is important to them. So we have late-night taglines on all our commercials, and we're talking up the Cold Creations, from a $1.99 waffle cone to a full sundae.

What kind of growth are you targeting with this kind of traffic momentum?

We'll open almost 30 restaurants this year and expect another 55 next year. With 800 restaurants in 30 states, we could triple our size without going into new markets. But we're being careful to only open with the best operators out there.

Growth will involve new kinds of prototypes and equipment packages, correct?

Given the sales and traffic increases I've talked about, we've increased revenues by about $100,000, bringing average unit volumes to a little under $1 million. Because of the back-of-the-house technology we've brought in we're lowering expenses around the supply chain and distribution. Food costs still are a huge opportunity for us on an actual-to-ideal basis.

New Checkers and Rally's units cost about half of what it costs to build a traditional [quick service] restaurant because they don't have dining rooms. But we also developed alternatives to our freestanding restaurants. We've added in-line and end-cap models that allow us to go into new territories but also are less expensive to build. Our new-building design, which we opened last year in Mobile, Ala., reduced opening costs by 20 percent. You can see all the unit economics lining up, and it's really driving our inquiries.

Contact Mark Brandau at mark.brandau@penton.com.
Follow him on Twitter: @Mark_from_NRN