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Checkers restaurant franchiser says growth follows people's hunger for value-priced fast food



Checkers Drive-In Restaurant features many two for \$3 or \$4 on Tuesday, Oct. 8, 2013 in Kalamazoo. Checkers will be opening a new location in Battle Creek Oct. 15.

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KALAMAZOO, MI -- “Value” has been a big winner in the fast-food industry since the economic recession started in 2008. Who doesn't like dollar menus?

From the cost-conscious customer's point of view, it means good food at low prices -- a filling lunch for less than \$5.

From the opportunity-minded restaurateur's side of things, it means high-traffic locations that generate high-volume sales. The combination of the two means IB Corp. is building.

"We're a value concept, so we sell food at very cheap prices," said Alan Balen, owner of IB Corp., the Freeland-based company that owns and operates the two Checkers Drive-in Restaurants in Kalamazoo, and one soon to open in Battle Creek.

Business has been good enough in Kalamazoo and West Michigan in general that Checkers Drive-in Restaurants and its twin-sister brand, Rally's Hamburgers, are looking for more growth opportunities here, Balen said.

IB will open a location at 1600 W. Columbia Avenue in Battle Creek on Oct. 15 and is looking for a good location in Portage, perhaps along busy South Westnedge Avenue, to establish a third Kalamazoo-area location. It hopes to have one up and going sometime in 2014.

IB Corp.'s established locations here are at 575 E. Kalamazoo Ave. and 1560 S. Drake Road.

Although area McDonald's and Taco Bell restaurants have updated and remodeled over the last few years, Checkers is the only national fast-food franchise putting up new locations in the Kalamazoo area.

Why?

"I think there's a couple of things," Balen said. "Because of the woes of the economy, land and the cost-to-build have been fairly reasonable. And I think there's opportunity out there if you're willing to take the risk."

Another thing, he said is, "We see the economy getting a little stronger. ... We're seeing it in our sales and our restaurants. They're busier and we think everything is on the rebound."

Tampa, Fla.-based Checkers Drive-In Restaurants Inc. plans to open 30 to 40 locations nationwide during the next year, said Steve Heuerman, operations director and operating partner for IB Corp.

"We're part of that growth in the brand," said Heuerman, who worked for Checkers corporation for nine years and helped Balen open the Kalamazoo stores several years ago before joining IB last year as an operating partner.

The impetus for the growth is sales, he said. Heuerman (pronounced Higher-man) said that although Checkers Drive-In Restaurants is nowhere near the size of McDonald's or Burger King, the downtown Kalamazoo Checkers drive-thru, which is considered to be a medium-traffic location, did about \$1 million in sales last year and its growth continues.

On an annualized basis, sales at the Checkers location on Drake Road rivals that level when Western Michigan University and other schools are in session. A typical McDonald's location does about \$1.7 million in annual sales, he said.

Profit margins in the fast food industry remain slim, however, with the cost of key commodities like beef now fluctuating between \$1.80 and \$2 per lb., Balen said. It was about \$1.40 to \$1.50 per lb. eight years ago before Balen opened the Kalamazoo Avenue restaurant in Kalamazoo. It was opened about seven years ago. The location on Drake Road opened less than a year after that.

Balen said hamburger meat was selling for about \$1 per lb. when he opened his first Checkers restaurant in the Bay City/Saginaw area 22 years ago.

“If we get a 10-cent increase in beef prices, we can’t just go out and raise our prices accordingly,” Balen said. He said retail prices do rise, but the restaurant group can’t routinely follow them up and down. So he said volume is everything.

Checkers Drive-In Restaurants is the parent company for both the Checkers and Rally’s restaurant brands, which had been separate businesses until 1999, with Checkers restaurants generally in the southeast U.S. and Rally’s generally in the Midwest.

Heuerman said Checkers was known for its Bacon Choice Champs burger and Rally’s was known for its Big Buford but the menus of both are now nearly identical, serving chicken sandwiches, wings, fish, hot dogs and drinks as well as hamburgers and fries.

Heuerman said Checkers differentiates itself from other burger sellers by the tastes and make-up of its food.

"I think that we're a full-flavor company," he said. "We have a more robust flavor. We have bold flavors, with fully dressed sandwiches that are a really good value and we're also known for our two-fers (two for ones)."

The latter includes two burgers for \$3 or \$4. Checkers' target customer is anywhere from 20 to 36 year old.

IB Corp. started with Checkers restaurants in Bay City, Saginaw and Midland, then expanded to the Flint, Kalamazoo and Muskegon markets. After opening in Battle Creek, Balen said, IB hopes to open a second location there next year as well as the third location in Kalamazoo. It is also looking at opening a store in the Plainwell area.

Including the Battle Creek location, IB has 13 Checkers and Rally's restaurants in Michigan and three in Florida. It hopes to add three or four more in Florida.

Linda Schultz, a Kalamazooan who helped open the downtown Kalamazoo Checkers, is now IB Corp.'s operating partner in Florida and will oversee the build-out there.

In total, Balen said he hopes to have 20 to 25 restaurants.

The "IB" stands for International Burger Corporation with the original hope of emulating the success of IBM Corp.

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Jelessa Williams poses with an order of French fries on Tuesday, Oct. 8, 2013 at Checkers Drive-In Restaurant in Kalamazoo. Checkers will be opening a new location in Battle Creek Oct. 15.



Nickole Ort takes an order on Tuesday, Oct. 8, 2013 at Checkers Drive-In Restaurant in Kalamazoo. Checkers will be opening a new location in Battle Creek Oct. 15.



Stephon Pawlowski hands an order to a customer on Tuesday, Oct. 8, 2013 at Checkers Drive-In Restaurant in Kalamazoo. Checkers will be opening a new location in Battle Creek Oct. 15.



Nickole Ort cleans a stove on Tuesday, Oct. 8, 2013 at Checkers Drive-In Restaurant in Kalamazoo. Checkers will be opening a new location in Battle Creek Oct. 15.



A customer drinks a soda while waiting for his order on Tuesday, Oct. 8, 2013 at Checkers Drive-In Restaurant in Kalamazoo. Checkers will be opening a new location in Battle Creek Oct. 15.



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