



## Food chain serves up quick-built eateries

### Checkers & Rally's promotes modular construction as solution to franchising costs, skilled labor shortages.

By Rachel Watson | Nov. 30, 2018



When people hear “modular,” the next word that often springs to mind is “homes” — not “restaurants.” A fast-food chain aims to change that as part of its “aggressive” expansion plan targeting West Michigan.

As the Business Journal reported last month, Tampa, Florida-based Checkers & Rally's is planning to add about 319 restaurants to its nationwide portfolio by 2020, including up to 10 Checkers locations in West Michigan. The chain currently has nine West Michigan locations.

So far, two franchisees have signed on and scouted possible sites in Grand Haven and Lowell, with others interested in building in Muskegon and Grand Rapids.

The company has said the rapid expansion from 881 to 1,200 restaurants largely would be made possible by a fair chunk of the franchisees opting to use its “Modular 4.0” construction design rather than a traditional stick build.

Checkers & Rally's has contracts with Ormond Beach, Florida-based Valiant Modular and Chicago-based Zekelman Industries — parent of Z Modular — to manufacture and fully assemble its modular restaurants in warehouses with controlled environments to eliminate weather delays, then deliver them via flat-bed truck to the site where the restaurant will operate.

Bruce Kim, director of franchise development with Checkers & Rally's, said the restaurant chain has been offering modular builds for several years now, but the new 4.0 design — said to be more “streamlined” and cost-effective — was just rolled out this year.

“It’s the building format of our future,” he said. “It’s like putting together a Lego set.”

Bret Cunningham, director of construction and design for Checkers & Rally’s, said modular construction saves about \$100,000 per build and takes about six to eight weeks, shaving about two months off the construction time of a regular stick-built structure. But the cost savings don’t equate to lower quality, he said.

“The quality is typically much better. It’s built inside, out of the elements, and we use a lot of processes you can’t do on-site. It’s higher quality, faster construction, it shortens the schedule by a couple of months from a traditional stick-build schedule, and you won’t have things like random water bottles sealed inside the wall, mistakes that can happen on-site,” he said.

Cunningham said modular buildings are on an accelerated seven-year depreciation schedule, compared to a 33-year depreciation schedule for traditional stick-built structures, offering franchisees more immediate tax benefits.

Kim said there are not many downsides to modular construction.

“When most people hear ‘modular,’ they think trailer homes,” he said. “This is different. It’s a commercial-grade solid building. Other than (the fact) a foundation has to be laid for it, and you need a special crew, it’s not much different.”

The restaurants are built to local codes in the warehouse, and the structures are certified by state inspectors before they are shipped, reducing the need for lengthy site inspections after installation.

Kim said 99 percent of the labor is done locally — such as the excavation, laying the foundations and landscaping — but the skilled work by electricians, plumbers and builders is done by the manufacturer.

This approach is one solution for the ongoing construction labor shortage, Cunningham said.

“Even hotel chains such as Marriott are starting to go to modular where skilled labor is harder to get,” he said. “The modular building brings skilled labor into a warehouse where they stay, instead of having them move from job to job. The shift has made it a better financial environment.”

Marriott signed about 50 hotel deals in 2017 that included modular elements such as prefabricated guestrooms or bathrooms — which represents more than 10 percent of the company’s Select brand signings for that year, according to a May 2017 post by Hotelier TV + Radio. Select brands include Courtyard by Marriott, Four Points, Springhill Suites, Protea Hotels and Fairfield by Marriott.

Cunningham and Kim said they know of very few, if any, other quick-service restaurant chains employing modular construction for new builds. Kim said this could be for a simple reason.

“We can do it because we don’t offer indoor seating,” he said. “We have outdoor seating, but most of our business is drive-thru. Other fast-food companies — McDonald’s, Wendy’s, Burger King — have indoor seating, and it’s hard to build the modular buildings that large.”

Kim said franchisees signing on to operate Checkers locations in West Michigan will have the option to choose a modular construction.

“It’s not mandatory,” he said. “(They have) to weigh the costs. But it’s a very viable option.”