

COMMERCIAL REAL ESTATE

# REVVING UP FOR GROWTH

Checkers and Rally's is set to add units, revamp stores as it thrives in the wake of the pandemic

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[Frances Allen](#) is feeling good.

Allen is just shy of her one-year anniversary as the CEO of Tampa-based fast food chain Checkers and Rally's Inc.; she took the helm Feb. 18, roughly three weeks before the novel coronavirus arrived on U.S. shores and effectively shut down the global economy.

But Checkers has been able to capitalize on what Allen, a restaurant industry veteran, calls “pandemic tailwinds.” The restaurant chain is fortuitously built to survive — and, it seems, thrive — in a pandemic world. Covid-19 has shuttered dining rooms across the U.S., but Checkers' business model is built around off-premise dining. The vast majority of its stores have no dining room and serve food only via drive-thru and walk-up windows.

Checkers' same-store sales — a key financial metric, as it excludes sales growth from new locations — declined in the first quarter of 2020 by just under 4 percent. But then came the pandemic, and the chain's same-store sales went up in the subsequent three quarters, increasing 8.9 percent, 13.9 percent and 11.3 percent, respectively.

Its success is meaningful in its hometown of Tampa, where its employment count totaled 1,500 as of September 2020. The growth also sets up development opportunities at a time when retail real estate has been challenged by the pandemic, as more customers shift their spending online. By ramping up online ordering and dedicating drive-thru lanes to picking up those orders, Checkers has nailed the omnichannel sales model that's critical to succeeding in an increasingly online world.

Later this year, Checkers will debut its new prototype in Lakeland — one that streamlines its kitchen for speed and efficiency and maximizes and modernizes the exterior.

“We had an extremely good year,” Allen says during a phone interview from a family home in the Blue Ridge Mountains. “I’m very confident about ’21, and we’ll begin to set up for the long term.”

Allen was brought on to spearhead a turnaround, and the outlook wasn’t always so rosy. In June, the Wall Street Journal reported that the company, saddled with \$300 million in debt, was facing a potential restructuring. But fast-forward seven months, and Checkers seems to be hitting its stride.

Oak Hill Capital Partners, the private equity firm that owns the restaurant chain, announced on Jan. 11 that it was planning to invest \$20 million in Checkers and Rally’s growth plans. Allen said the chain has over 800 stores and sees room for up to 2,000 in the next five years. In 2020, Checkers approved 40 new franchisees and has 72 new locations in the development pipeline. (By comparison, Subway, the fast food chain with the most U.S. locations, has more than 23,000 stores; Starbucks, the second largest, has over 15,000. Cracking 2,000 units would not even land Checkers in the top 10 ranking of chains with the most locations.)

“Checkers has demonstrated strong performance period after period despite the significant challenges brought by the events of 2020,” [Peter Armstrong](#), principal of Oak Hill, said in a statement.

Here’s a look at how the pandemic has affected Checkers, from its corporate headquarters in Tampa to store-level operations and future development plans.

### **Revamping a winning model**

The prototype, Allen said, is based on operational efficiencies Checkers realized during the pandemic. Allen said that in aggregate, a Checkers kitchen crew walks 1.5 miles in an hour, and the overhauled kitchen will reduce that.

“That’s a lot of wear and tear, it takes time, and it’s just awkward for the employees,” she said. “We’re upgrading six pieces of equipment that will make the product better, hold the temperature longer and be more efficient for the crew, and all of that is having a fantastic impact on speed and the quality of the product.”

For now, robotics are not part of Checkers' strategic plan, even with its executive team focused on speed and efficiency.

"I know some of our competitors are testing that, but really, it's about meeting the consumer expectation for those frictionless experiences and it's about encouraging people to actually leverage the technology in any way that they want," Allen said. "They can order any which way they want — the walk-up window, online or the drive-thru, and we're delighted and waiting to serve them."

In about two-thirds of Checkers locations, one of its two drive-thru lanes has been converted solely to the pickup of online orders. And while its menus have long been known for value-priced items, it added its most expensive sandwich in 2020: The Smoky BBQ Bacon Buford, which clocks in at \$5.99. (The Big Buford, a double cheeseburger, is \$4.79.)

Combo meals, which have a higher profit margin, now make up a third of sales; at the beginning of 2020, they accounted for a quarter of sales.

"We did a whole menu refresh that shifted the focus of the menu away from the really low value items to more premium quality items," Allen said. "It's a balance. The brand had very much played in the low price, value space, and we just need to balance that more."

### **Pandemic productivity**

Allen had little time to get acquainted with her executive team before the pandemic took hold, but in working through the last year, she said she's impressed.

"We like to think of ourselves as having a can-do spirit — that's one of our values, and it's never been more on show than over this last year," she said. "We have a little bit of that underdog mentality; we try harder, and we get a lot of satisfaction from it."

Employees in the corporate office and restaurant support center are still working from home. Allen said she recognizes that working from home has been a struggle for some employees; in September, she surveyed the staff about returning to the office before the widespread distribution of a Covid-19 vaccine.

She expected 30 percent of her staff to want to return and 70 percent to want to stay home; in reality, only 5 percent wanted to return to the office before a vaccine is widely

available. (For those 5 percent who wanted to return, Checkers has opened the office on a limited basis, with plexiglass barriers and other safety protocols in place.)

“I said at the beginning to everyone, as long as when I ask the COO if the crew and restaurants are getting the support they need from headquarters, I don’t care where they work from,” she said. “He continues to tell me they’re more responsive than ever. I think people are working more efficiently; the productivity is enormous.”

At Checkers, the shift to remote work is one that will continue, at least in part, once the pandemic is in the past.

“We’ll be making some decisions about which roles can be remote and which shouldn’t be,” Allen said, “and we’ve even made some of those decisions during the pandemic. We’ve actually hired new people — I’ve got a couple of examples of new hires in Colorado who don’t want to move to Tampa, and in some roles, that’s fine.”

Checkers’ success at both the store and corporate levels, Allen said, can be boiled down to clarity and communication. That’s meant daily calls for the executive team and an increased effort to engage the rank and file — including daily and now weekly bulletins that address not only internal matters, but also current events that the executive team understands could be affecting individual employees.

“There is nothing more important in an organization than clarity, in terms of what we’re doing and what their role is, absent of politics,” she said. “That’s been a big part of our efforts as an executive team, to create that clarity and lack of confusion and inspiration.”