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Culver's cultivates hot fast-food niche

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By [Kate MacArthur](#)

As fast-food behemoths McDonald's Corp. and Burger King Corp. continue to reshuffle their menus and brand identities, one Midwestern burger chain is quietly adding stores and market share just by being its old-fashioned self.

Culver's Franchising System could be viewed as a contrarian model to typical burger chains. What began 16 years ago as a single converted drive-in restaurant in Sauk City, Wis., will open its 100th store in June, giving the chain a presence in seven Midwestern states, with five more on the drawing board.

Its main strength comes from Culver's unique menu. The chain seems to represent a diet backlash, especially in its two signature items: freshly made Butter Burgers and frozen custard. Such menu offerings are not exactly the stuff of which Jenny Craig or Dr. Atkins would approve, but they are drawing in hordes of flavor- and time-starved families.

FAMILY BUSINESS

The Culver family--chain CEO Craig Culver, 49, and his parents, George and Ruth--have been in the restaurant business for three decades, including running Wisconsin supper clubs famous for their Friday fish fries. After graduating from college, the younger Culver worked as a manager trainee for four years at McDonald's Corp. Then in the mid-July heat of 1984, Mr. Culver joined forces with his parents and his wife, Lea, to begin a frozen custard and burger shop. The move let younger Culver combine the restaurant systems knowledge he gained at Big Mac with the food-quality expertise his family gained in the supper club business.

The Culvers wanted to make hamburgers using fresh meat, fish filets using tartar sauce from the old supper club and bring malts back. At the time, shakes dominated in the fast-food business. "You had strawberry, vanilla and chocolate," Mr. Culver said. "We thought we had something different."

And using a recipe that includes cream and eggs, the chain also began selling custard made fresh daily.

Culver's, however, isn't strictly in the burger business. From the beginning, the menu has included a range of items from turkey and fish to salads and soup. Such diversity stems from the family's old restaurant days.

But burgers and fries still make up a quarter of all sales for each unit, which average \$1.42 million each year. That exceeds the industry average for quick service burger chains, at \$1.15 million, and rates much higher than ice cream chains such as Dairy Queen, which come in with \$550,000, according to restaurant consultant Technomic.

Technomic estimated Culver's 1998 sales at \$82 million. All but three of the privately held company's stores are owned by franchisees, and the chain is an amalgam of quick-service and dine-in service.

NO ONE CAME

"When we opened, hardly anybody came," Mr. Culver said, adding that the four sat around a lot while a Hardee's across the street buzzed with traffic--at the apex of that chain's heyday. "If I were a smarter businessman, I'd have gotten out of it," Mr. Culver said.

By the second year, word spread about the Butter Burger--a seared patty of fresh chuck topped off with a buttered bun for extra flavor. By the second year, sales doubled; year No. 3 saw another \$150,000 in sales. The restaurant began to outgrow its 70-seat capacity.

The company eventually traded the carport for a drive-through and then began expanding in 1987. Today, Culver's shops dot the landscape from Wisconsin down to Austin, Texas. Mr. Culver plans to expand concentrically through the South and North to between 500 and 600 units. "We'll hit 200 in three years," Mr. Culver said.

That's still small, but Bob Goldin, exec VP at Technomic--which ranked Culver's No. 175 among the top 200 restaurant chains--said it's coming on strong.

"If they reach 1,000 stores, and maybe even before that, they'll wake the sleeping giants," he said. "They're not quite yet a Krispy Kreme," but they are fast reaching cult status based on their unique menu and rapid growth, he said.

ADVERTISING GROWTH

The company's ad budget also has grown considerably. When Madison, Wis.-based shop Zillman Associates began working with the chain eight years ago, Culver's had a budget of \$70,000. The agency works with about \$4 million today, but the ad philosophy is the same as it was back then: Focus on the food.

"We started out investing mostly in point-of-purchase materials," said Richard Zillman, president and creative director of the agency. "We couldn't afford much else."

When the company reached critical mass in 1997, it began its foray into TV and radio advertising. About half the current budget is spent on core menu items, from cheeseburgers to custard, according to Mr. Zillman. The remaining half is spent on items such as salad and Norwegian cod dinners, not typically seen in quick-service ads.

The agency is currently in production for a split 30-second spot promoting a new super-thick custard item called Concrete and a new lemon ice for summer. Using tags "Eat Concrete" and "Lemonade with a spoon," the ads will break this summer on spot TV and cable programming targeted to women ages 25 to 54 with families. Culver's also will run ads loosely tied to the Summer Olympics, featuring its crew as champions in Games-like competitions.

Most promotion is done locally. In 1998, Culver's created a program to support Wisconsin farmers. Pork producers were getting killed on low prices, so the chain put together a campaign to encourage pork sandwiches. The chain's pork sales went up about 300% after that campaign, a spokeswoman said.

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