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Butterburger Bonanza

Culver's Keeps Growing After Humble Start

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By Jeff Richgels The Capital Times

Craig and Lea Culver had a simple goal 20 years ago.

"We thought, Let's make a living at this," Craig Culver recalled. "With one store."

Emphasis on the "one."

"We couldn't dream of 256 restaurants," he continued. "It's a dream that came true but that wasn't our goal when we opened our first restaurant. It was to make a living, support our family and team members and live happily ever after in the town we both dearly love."

As recently as 1997, when there were 50 Culver's Frozen Custard and ButterBurgers restaurants, Craig said reaching 200 to 250 restaurants would mean "all my goals will be realized."

Reminded of that quote seven years later, Culver laughed heartily.

"We never imagined that we would have 256 stores," he reiterated, adding that the numbers aren't that important. "Our goal is to take care of every customer, day in and day out. That's a challenge. I haven't achieved all my goals and never will."

With sales projected to top \$425 million this year, up from \$280 million in 2002, Culver's is one of the top 10 fastest growing restaurant chains in the world, and the only one in the top 10 from the hamburger category.

But that success hasn't dulled memories of the early tough times after the first Culver's opened July 18, 1984 in Sauk City. In honor of its 20th birthday, Culver's will be selling ButterBurgers for 84 cents on July 17 at all of its restaurants. Culver's also will be giving away a Harley-Davidson motorcycle and a Trek bicycle this summer.

"I remember the first year when we lost a bunch of money," Culver said. "And I remember the second year when we just barely broke even. And then the third year we started to make a little bit. We were fortunate just to get to that third year."

And the start of its growth was tougher to manage than the rapid growth Culver's enjoys today.

"Opening our second restaurant was a 100 percent increase in the business and it was splitting ourselves up between the two restaurants," he said.

The company's first attempt at franchising failed, but brought with it valuable lessons. Then after growing from five to 17 restaurants in 1993, Culver's took a breather.

"That was challenging because we didn't necessarily have the people in place to grow our company like that," he said. "We added staff."

"And we concentrated on developing better training programs, and continuing education for young managers," Lea Culver added.

That includes a 16-week course for franchisees before they open their first store, training programs for beginning and veteran managers, equipment training and on-site training.

"We've got so much more in place than we did years ago," Culver said. "It's not easy but it's certainly smoother."

Susan Kezios, president of the American Franchisee Association, isn't familiar with Culver's but says training is an important component for franchising companies.

"The blue chip franchise food chains all have that kind of training," Kezios said.

Culver's requires prospective franchisees to have a minimum of \$250,000 to \$400,000 in liquid assets. The initial franchise fee is \$55,000 for the basic 15-year term. Franchisees pay 4 percent of gross sales to Culver's as the continuing service fee, must pay 2 percent to the company marketing fund and spend at least 1 percent on local advertising and promotional activities.

Culver's only sells single-unit franchises to start and, because it wants its franchisees to be owner/operators, limits how much authority its franchisees can delegate in the operation of stores.

Noting the conflicts many franchising companies have had with their franchisees in recent years, Kezios said Culver's sounds like the type of franchise a would-be franchisee should seek out.

"We tell prospective franchisees to look for a younger chain, one that's less well known, one where the founders are still at the helm and where they really respect and are grateful that there are other people who are going to invest money to grow their business," she said. "The other situation is far more prevalent. There's enough money for everyone to make but when greed enters the picture one party will suffer and it won't be the franchisees."

Like all successful business people, the Culvers say they keep a close eye on the bottom line. But they add that they have learned that focusing on people means the bottom line takes care of itself.

"I think that's what has made us what we are today," Culver said. "In our category I think some of the folks kind of forgot about that. I believe we attract the right people. They live our values. They have a passion for our business. And that's what it's about."

"Satisfying every single one of our guests is never going to be an easy thing. Challenges don't go away, but when you start surrounding yourself with wonderful people like we have at Culver's it certainly makes it a little bit easier."

One way the company has attracted and kept quality people is through its VIP Foundation, which started with a single \$500 scholarship in 1993 and last year awarded \$100,000 to its young employees to help them continue their education.

"It's amazing the quality of these young people," Lea Culver said. "It encourages them to stay with us through high school and more and more college students are staying with us. Some come back and make it a career."

"Being a good partner with education is just plain smart business," Craig Culver added. "Back when I thought it was all about the bottom line I felt education and business were at odds with one another. We've gotten a lot smarter."

Lea Culver said the company learned the importance of community support in those early years, from helping a local school get a new track, a community a swimming pool, or food pantries canned goods.

"If it wouldn't have been for our family and friends in the community when we started we never would have gotten through those first and second years," she said.

This year will be the fourth straight year Culver's has grown by about 40 restaurants, a pace they feel is about right.

"It's a concern to control our growth," Craig said. "But I don't want to be comfortable. You always want to be a little on the edge."

Geographically, the company is keeping its growth contiguous by slowly adding states to its Midwest base.

The first Culver's in Ohio just opened, with five more under construction in that state. The Colorado market is starting with a restaurant being built in the Denver area and more to come. And the first Wyoming Culver's is under construction in Cheyenne.

"Jumping (geographically) is a real tease because we have applications for Florida and Arizona like you can't believe," Culver said. "But right now we're saying no because we'd rather grow there than jump there."

"Jumping" makes it more difficult to service, supply and market the restaurants, he said, noting lessons learned from the company's initial jump into Texas seven years ago.

Terry Hill, spokesman for the International Franchise Association, said Culver's has been wise to hold the line on its growth to make sure its systems are perfected.

"When a company reaches the 20-year point it has obviously done a lot of things right, because in that time it obviously has gone through lot of economic cycles, faced competition, adapted and changed," Hill said. "It's a very stable, solid company that obviously has a firm grip on its market."

In addition to its 256 Culver's, six of which are corporate stores, the company also has the Blue Spoon Creamery Cafe in Sauk City.

The concept is designed to fit into smaller spaces typically found in many downtown areas. The specialized menu, which includes a variety of coffees, bakery products, deli-style sandwiches, soups, salads, Culver's Frozen Custard and desserts, requires fewer employees to operate the facility.

"I'd love to try another one in the Madison area to see what kind of legs it has," Culver said. "It's a wonderful little concept that's doing pretty well. Maybe in 2005."

With its wide-ranging menu, the low-carb craze that has hit some fast-food chains hasn't put a dent in Culver's sales.

"Just take the bun off any one of our burgers and you've got it," Craig said with a laugh. "And we have salads. Actually, we have so many different offerings our menu fits well into that craze, as well as the low-fat thing. We've made it difficult on ourselves from the get-go."

Some day, Culver's is likely to be everywhere in the lower 48 states.

"But I probably won't see that," said Culver, 54.

The Culvers have no interest in the one avenue that might bring that about while they remain in charge of the company: an initial public offering of stock.

"Not that public companies can't be wonderful companies, but that presents other challenges," Culver said of an IPO. "If we were a public company you can bet we'd be growing the company faster than we are -- we'd have to, to satisfy a lot of shareholders. I don't have that challenge. I don't have to take calls from Wall Street or shareholders or anyone like that. I hope we're a private company for a long, long time."

Culver already has identified his successor: President Phil Keiser, a food industry veteran who joined Culver's from Hardee's eight years ago.

"It's my job to think about that," said Craig, who has no plans to step down anytime soon. "You have to be visionary. I feel we have the right people in place and that we'd run very, very well."

\ E-mail: jrichgels@madison.com

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