

# Smashburger hungry to grow

## Chain plans 20 locations by end of this year, eyes 500 nationwide

By Joyzelle Davis, Rocky Mountain News (Contact)

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After growing Quiznos from a regional Colorado toasted sub shop to the nation's second-biggest sandwich restaurant chain, Rick Schaden and his team are focusing on the next food frontier: burgers.

Smashburger, which Schaden's Consumer Capital Partners launched with a single store on Colorado Boulevard less than a year ago, plans to grow to 20 locations by the end of this year and eventually expand to 500 across the country.

While burgers have been a staple of the fast-food industry for about 60 years, Smashburger's founders are betting that consumers are hungry for a twist. The chain features Angus beef burgers smashed on a flat-top grill, served on a toasted and buttered bun in a space-age diner environment that offers tap beer alongside Haagen-Daz milkshakes.

"We talked to a lot of consumers, and it became very apparent that there was a big niche in the marketplace," said Tom Ryan, managing partner and chief concept officer at Consumer Capital. "There are a lot of people looking for that perfect balance of great food, everyday affordability and the ability to get in and get out of a nice place."



Diners have lunch at Smashburger in Greenwood Village, one of four locations in the Denver area.



Brian Sandoval smashes a burger onto the grill at the Smashburger in Greenwood Village. To make one of its burgers, the restaurant uses Angus ground beef formed into balls that are flattened when placed on the hot grill, which sears the meat and seals in the juices as it cooks.

Smashburger, which has four locations in the Denver area, plans to expand through a combination of company-owned stores and franchise agreements. Smashburger hopes to sidestep the franchising troubles that plagued Quiznos, which is facing lawsuits from franchisees complaining about high food costs and operating requirements.

Smashburger's already open restaurants and planned Front Range locations will all be company-owned. Outside Colorado, the company plans to partner with a handful of large, existing franchise operators - who perhaps are already running multiple pizza or full-service restaurants and want to get into the burger business.

"They could help us open 50 or 100 restaurants in a part of the country where they have expertise," said David Prokupek, managing partner and chief investment officer at Consumer Capital. "We're not looking to do one-off,

mom-and-pop kind of" expansion.

Investors purchased Icon Burger as a launch pad, but it was rebranded and updated by the new investors and turned into Smashburger.

Rick Schaden and his dad, Dick, owned three Quiznos restaurants when they purchased the entire 18-store chain for an undisclosed sum in 1991. They quickly grew Quiznos into 5,000 locations worldwide, primarily owned by franchisees. Quiznos makes its money by selling franchise rights, collecting franchise fees and selling food to those locations.

Schaden last year stepped aside as Quiznos CEO, handing it over to former Burger King CEO and turnaround expert Greg Brenneman. Schaden remains chairman of the privately held Quiznos.

Smashburger isn't the only fast-casual restaurant chain to pick up on the build-your-own premium burger trend. Virginia-based Five Guys Burgers and Fries plans to open four stores along the Front Range this year.

Santa Monica, Calif.-based The Counter, which claims to offer about 312,000 possible burger combinations, is on a nationwide expansion tear as well. The Counter plans to open its first Colorado location in August at Park Meadows mall's new outdoor plaza.

At the same time, burger stalwarts McDonald's, Wendy's and Burger King are stepping up their ingredients to counter their upstart competitors, said Darren Tristano, executive vice president of Technomic, a food industry consulting firm.

"With burgers, you can have 100 different varieties - you can change the protein, the bun or the toppings and it's a different product every time," Tristano said. "We're also really starting to see a move to premium meat, which is leaner and healthier."

Smashburger, which offers chicken in addition to its one-third and half-pound burger lineup, has an average check of \$8.50. The Counter offers a wider range of gourmet ingredients, including apricot sauce, caramelized onion marmalade and Gruyere cheese, with a higher average check of \$12.50.

Smashburger's backers think the restaurant's lower price point gives it an advantage, particularly at a time when consumers' budgets are pinched.

"Basically, we have a \$5 hamburger," Prokupek said. "Even in tough times, there are plenty of people who will enjoy a \$5 hamburger, even as a trade down from an \$8 hamburger."