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Smashburger Is Well-Rounded

Smashburger banks on its burger-focused menu, seasoned executives and private-equity capital to expand outside Denver.

By Maya Norris, Managing Editor -- Chain Leader, 9/1/2008



Smashburger has jumped into the better-burger category with its updated spin on the iconic burger. With a focused menu, a team of restaurant veterans and \$15 million in capital, the five-unit chain says it is poised for expansion and to become a leader in the segment.

Building a Better Burger

Consumer Capital Partners, a Denver-based private-equity firm founded by former **Quiznos** CEO Rick Schaden, created Smashburger in 2007 to offer guests a premium burger with both mainstream and specialty toppings.

“Burgers are back, but they have to be defined a new way,” says Chief Concept Officer Tom Ryan, former executive vice president and chief concept officer at **McDonald's** and

former executive vice president of branding at Quiznos. “We traded a broad array of goat cheese and cranberries and those kinds of options for more of a basic burger lover's approach, although we've got some interesting things.”

The fast-casual concept features a streamlined menu of grilled burgers made of fresh Angus beef on toasted and buttered artisan buns. Of the four burgers on the menu, the best seller is the Classic Smashburger, \$4.99 for one-third pound and \$5.99 for a half pound burger, with American cheese, lettuce, tomato, ketchup, onion, pickle and Smash Sauce (a blend of mayonnaise, yellow mustard, pickled relish and lemon juice) on an egg bun.

Customers can also create their own burgers. They choose from a small selection of meats including a one-third pound patty and chicken breast; buns such as multigrain; cheeses including sharp cheddar and blue cheese; sauces like spicy chipotle; and toppings such as jalapeños and fried egg.

Sides include Veggie Frites, \$3.99, flash-fried asparagus, carrot sticks and green beans; and Haystack Onions, \$2.99, thinly sliced fried onions. Salads, kids items, milk shakes, malts, beer and wine round out the menu.

The units feature a red color palette, mosaic tile, upholstered banquettes and stainless steel accents to create a lounge-like feel.

With an average unit volume of \$1.2 million, Smashburger generates about \$683 per square foot. According to *Restaurants & Institutions' Top 400 ranking*, competitor **Fuddrucker's** is generating an estimated \$1.5 million per store, and **Five Guys Burgers and Fries** has an estimated average unit volume of \$1 million.

Room for Improvement

Profitability has been top of mind for Smashburger over the past year. The concept has evolved to reduce costs, improve execution and enhance customer service. For example, it eliminated breakfast, slow-moving toppings such as French onion sauce and the create-your-own salad option in favor of four recipe salads.

President Scott Crane installed a kitchen-display system in March that shows the orders on a screen, replacing the paper-ticket system.



In addition, if employees meet targeted ticket times and mystery-shopper scores during their shifts, they receive 25 cents to 50 cents more an hour for that shift. The initiatives have helped reduce ticket times to five minutes from six or seven minutes, says Crane, former executive vice president of Fugate Enterprises, a franchisee of **Taco Bell**, **Pizza Hut** and **Blockbuster**.

Expansion is also on the agenda. Consumer Capital Partners has raised \$15 million to fuel growth.

Smashburger launched its franchising and joint-venture programs in May. The company says it is in talks with potential franchisees and joint-venture partners, but has not signed any deals yet.

In the meantime Smashburger will open nine company stores in Colorado, Texas, Kansas and Minnesota by year-end. In 2009, it expects 20 to 30 company stores as well as 20 to 30 franchised units to open in its current markets and in two or three new markets in the Midwest.



It costs about \$400,000 to open a Smashburger unit, which is about 1,600 to 2,000 square feet.

Snapshot

Concept Smashburger

Parent Company Consumer Capital Partners, Denver

Units 5

2007 Systemwide Sales \$2.1 million*

2008 Systemwide Sales \$6.4 million*

Average Unit Volume \$1.2 million

Average Check \$8.30

Expansion Plans 9 by year-end

**Chain Leader estimate*

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