

## **BUSINESS**

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Higher-grade beef, fresher or more creative toppings and better buns are luring customers at Five Guys and other hamburger restaurants. (Paul J. Richards / Getty Images)

## **Sales sizzling for 'better burgers'**



Five Guys has set up shop in Greektown and has six other locations in Metro Detroit. The chain was the fastest growing in the country last year. (Brandy Baker / The Detroit News)

Restaurant chains spring up touting bigger, fresher, quality concoctions  
***Detroit News staff and wire services***

With a drive-through seemingly on every corner, you might think the market for burgers long ago reached saturation. But the fastest-growing restaurant chain in America last

year was Five Guys, which specializes in double-pattied behemoths the size of a softball and has seven locations in Metro Detroit.



Shake Shack is one of the popular "better burger" restaurants looking to expand. This one is in Flushing, N.Y. (Ezra Shaw / Getty Images)

And that's just the tip of the iceberg. "Better burger" joints are one of the fastest-growing parts of the restaurant industry. Celebrity chef Bobby Flay launched Bobby's Burger Palace in the Northeast. Elevation Burger is expanding into Kuwait. Mooyah Burgers & Fries, Meatheads and the Shake Shack are looking to expand.

Higher-grade beef, fresher or more creative toppings and better buns are bringing customers in the door.

It's a market that has room to grow. Such chains represent about 2 percent of the \$65 billion burger market, said Darren Tristano, executive vice president of Chicago-based restaurant consultant Technomic.

"The traditional players -- McDonald's, Burger King and Wendy's -- have really shifted their focus away from burgers to breakfast, chicken and beverages," said Tristano. He predicts better burger chains will continue to have double-digit sales growth for the next few years.

Farmington Hills retail analyst Ken Dalto agreed. Nostalgia and a tough economy are helping drive the trend, he said.

Americans' love for good, old-fashioned hamburgers was quashed in the 1990s when eating meat became politically incorrect and new fad diets continually were introduced, he said.

But now that baby boomers, who grew up on burgers, are older and less concerned about their weight and being fashionable, their craving for burgers is back with a vengeance, he said.

Hamburgers are considered a comfort food for many consumers, Dalto noted. When faced with economic and personal difficulties, consumers tend to eat foods they ate in their childhood. Plus, many families can't afford to go to an upscale restaurant anymore, but they can afford a fancy hamburger, he said.

"Upscale restaurants have a much harder time staying in business," Dalto said. "They are closing or changing their menus" to include more affordable food.

The founder of Denver-based Smashburger, fast-food industry veteran Tom Ryan, was keenly aware that Americans were hungry for higher quality fast-food burgers. The company did extensive research with fast-food customers who reported that the burgers

they ate were mostly a matter of convenience. Smashburger has expanded to 70 stores in 15 states in just three years.

Customers are willing to pay to ease their craving for better burgers. A Five Guys burger runs anywhere from \$4 to \$6, and others charge more.

Still, even gourmet burgers are more economical than most other high-end foods, said Andy Deloney, spokesman for the Michigan Restaurant Association. Consumers are looking for value-focused menu items that are also convenient and taste good, he said. The restaurant association isn't aware of much growth in chain gourmet burger joints in Michigan. A Five Guys outlet is scheduled to open in Livonia. But Deloney said there has been a boom in independent burger restaurants here.

"People have an ongoing love affair with burgers, and there's no sign of it going away," Deloney said.

Five Guys, like others, sells the fact that its burgers are never frozen -- the stores don't even have freezers, only coolers. Elevation Burger uses organic grass-fed beef and sells fries cooked in olive oil. BGR uses a mix of dry-aged beef.

Despite recent success of better burgers, one of the oldest names in the business has fallen on hard times. Fuddrucker's, which had locations in Detroit, Royal Oak, Bloomfield Township and Sterling Heights, filed for bankruptcy protection in April. Tristano said he thinks Fuddrucker's problems resulted from large restaurants with high real estate costs.

By contrast, most of the successful better-burger operators locate in low-cost strip malls. It can cost less than \$500,000 to open most better-burger franchises, a third of a McDonald's or Burger King.

Mark Bucher, the founder and vice chairman of BGR The Burger Joint, said he sees room to expand slowly. He plans to keep BGR in the mid-Atlantic region for now. Bucher said he's been through this before, as a major player in the bagel boom of the '90s, which eventually lost steam.

"The gourmet burger industry will be survival of the fittest," Bucher said. "Those companies that are getting into the business now are five years too late." Five Guys' sizzling expansion had a long prep time.

"It isn't anything we wanted to do. We just kind of got pulled that way" after would-be franchisees continually pitched the concept, founder Jerry Murrell said. He opened his first store in 1986 and, through 2001, the company expanded to just five locations -- one for each of Murrell's five sons.

Murrell didn't think Five Guys' cooking lent itself to easy replication. The potatoes were flown in fresh but often had slightly different starch contents that required tweaks in cooking times. Burger patties are always hand-formed.

After expanding regionally for a few years, the company began a national expansion two years ago. In 2009, sales jumped 50 percent to \$453 million, making it the fastest-growing restaurant with sales over \$200 million, according to Technomic.

Murrell relishes the competition.

"If I were to choose between opening in a town with 100 burger places and one with none, I'd go to the place with 100 burger places. People eat burgers in that town," Murrell said. "I like being next to McDonald's."

## **More information**

### **New burger chains**

A glance at a few of the burger chains across the nation that have expanded in recent years, and their plans for future expansion:

#### **Elevation Burger**

First location opened in 2005 in Falls Church strip mall. Opened eight locations recently. Expects to have 15 to 20 locations open by the end of the year, with up to 100 in the next few years. Also opening five stores in Kuwait.

#### **Five Guys**

Opened first store in Arlington in 1986. Operated five northern Virginia locations through 2001. Expanded with franchise agreements through Mid-Atlantic region beginning in 2002. Expanded on a national scale beginning in 2008 and now has more than 600 locations.

#### **Smashburger**

Opened first store in 2007 in Colorado and expanded quickly, with 70 locations. Expects to have 100 by the end of 2010, and add 100 to 150 stores annually for the next two or three years.

#### **BGR -- The Burger Joint**

Opened first store in Bethesda, Md., in 2008. Now has four locations in the metro D.C. area. Founder Mark Bucher has plans to expand slowly in the D.C. region.

#### **Mooyah**

Opened first location in Plano, Texas, in 2007. Now has more than a dozen locations in Texas. Company is expecting to double number of stores in 2010 and has plans to expand outside the state.

#### **Meatheads Burgers and Fries**

Opened first store in Bloomington, Ill., in 2007. Now has four locations in Illinois. Plans to expand to roughly 25 locations in the Chicago area in the next two to three years.

#### **Shake Shack**

Began in 2002 as a New York City hot dog cart and opened its first burger restaurant in 2004. Now has four locations in New York City and Miami Beach and expects to have seven by the end of the year.

#### **Bobby's Burger Palace**

Opened first restaurant in 2008 on Long Island. Five locations in New Jersey, Pennsylvania, Connecticut and New York. Recently announced plans to expand into the Washington, D.C. market.