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Bagger Dave's plans franchises in 4 states

Southfield-based chain seeks up to 24 Midwest sites

By Karen Dybis, April 16, 2011

Metro Detroit has spawned its share of successful chain restaurants: Olga's Kitchen, Leo's Coney Island and Zoup! Fresh Soup Company.

If Brian Ansley and his team have done their due diligence, Bagger Dave's Legendary Burger Tavern will be the next name on the list.

Ansley's company, Southfield-based Diversified Restaurant Holdings Inc., recently received approval to take its four-store restaurant chain and franchise it in its home state, as well as Ohio, Indiana and Illinois.

Plans call for opening three Bagger Dave's locations this year — including in East Lansing and Grand Rapids — and up to 24 additional locations during the next five years.

The plan is to seek experienced restaurateurs, mentor them with Ansley's experienced team and get them properties in communities that love fresh food and craft beers in a family-friendly atmosphere, Ansley said.

"With the right concept and the right price points, it can work," Ansley said.

Restaurant and franchise experts say they like 40-year-old Ansley's moxie and business savvy.

While restaurants typically have profit margins as thin as model Kate Moss, there is room in the full-service food industry for Bagger Dave's, they say.

And Ansley's patience in finding the right people, food and locations may be his greatest asset.

Franchiser Richard Simtob, a principal in Zoup! and former senior vice president with Wireless Toyz, said the Bagger Dave's concept appears to have everything going for it.

He particularly praised the firm's decision to stay local and expand within the Midwest, which is similar to what Zoup! did in its early years.

"There's never been a better time to grow a business than right now," said Simtob, who is also CEO of Franchisesforsale.com, a division of Ultimate Franchise Co. LLC in Southfield that helps franchise applicants. "People with money are looking for unique concepts."

"There are spaces available that are not usually available. There's less competition because (many companies) are on their knees. ... I've been in franchising for 25 years (and) we're going to look back at this time and wish we had done more."

Bagger Dave's Legendary Burger Tavern opened in 2008 in Berkley as a bar and restaurant with premium beef-blend burgers and signature items like Dave's Sweet Potato Chips and Amazingly Delicious Turkey Black Bean Chili.

Since then, Diversified has opened locations in Ann Arbor, Novi and Brighton.

Guests can choose one of three buns and more than 30 toppings. Each item is made fresh.

Interiors are themed to each city where it is located with historical photos, plasma televisions and an electric train that runs above the bar and dining room.

On any weekday, the president and CEO of Diversified could be in Brighton or Bradington, Fla., or somewhere in between, checking on the public company's 14 Buffalo Wild Wings in Michigan and seven in Florida.

To diversify the \$45 million company, Ansley started thinking about burgers and saw an opportunity between fast-food joints and larger chains like Red Robin.

He targeted what he describes as the "better burger" segment, which represents 2 percent of the \$65 billion burger market, according to Technomic, a food industry consulting and research firm. This segment is expected to continue to have double-digit sales growth, Ansley said.

Bagger has performed well, and the latest opening in Brighton confirms things are on the right path, Ansley said. The average per-person bill is about \$10 to \$11. Families love the train for its ability to hold a child's attention; beer drinkers love the craft or local brews on tap, Ansley said.

Bagger Dave's expansion comes as full-service restaurants have seen profits rise slightly after several tough years, said Melinda Crump of Sageworks Inc., a financial analysis firm. The net profit margin at these eateries rose to 4.9 percent in 2010 from 3.2 percent in 2009.

An initial investment in a Bagger Dave's location ranges from \$700,000 to \$1 million, including a \$30,000 franchise fee, Ansley said. Royalties are 5 percent of gross sales paid weekly and a 1 percent contribution to a systemwide marketing fund.

"The return on investment has to be huge," Simtob said. "It takes years to get the economies of scale worked into a (franchise) program."

Ansley said Diversified will search for the right fit. But he believes the Bagger Dave concept — named Bagger because the burgers and fries are served in bags and Dave for the many Daves who work at the firm — will catch on.

For the full article featuring Sageworks private company data, please visit The Detroit News- [Bagger Dave's plans franchises in 4 states](#)