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WRD 110-038

2014-11-12

## Big Boys and Little Joys: Regional Business Survival in Today's Economic Climate

Little more than a cursory drive through any area, be it a Spartan road, cosmopolitan city or Anytown USA will likely give one the impression there are only two types of restaurants to be found. The first are massive chains spanning states and often countries. Certain of these franchises have become so ubiquitous they are now something of a municipal measure. Burger King, KFC, Wendy's, and of course when was the last time you noticed any town of one thousand or more that didn't sport a local McDonald's?

At the other end of the spectrum are what we often colloquially and sometimes lovingly refer to as Mom and Pops. Tiny street corner or roadside establishments with local favor and flavor in spades. Through good taste, loyalty, word of mouth and sometimes even novelty these one off havens can manage to carve out their own niche. A lucky few might even evolve into something of a local institution standing tall against their deep pocketed corporate brethren. But where then is the in between? How is it possible that a singular establishment may thrive for perhaps dozens of years yet never grow beyond its humble origins, while unabashedly generic McDonald's replicates itself roughly every eight hours (Answers.com 2009)? Is there no room to grow unless you're already the nine hundred pound gorilla? And if this is true, how is it that a tiny establishment is able to not merely stay afloat, but cultivate a lasting adoration in the local psyche and sometimes beyond?

Perhaps all of the above speculation is merely the product of observational blindness. It is certainly possible there is in fact a middle ground being utilized and fought for even as we speak of bookends being the only occupied areas. To find out, let us distill a singular question: Can a regional restaurant franchise survive in today's economic climate?

Personal observation alone would offer a succinct and definitive "NO". However, one person's outside observation of a microeconomic conundrum is akin to a politician's poll sample – tiny, biased and suffering from a profound metaphorical Coriolis Effect. Let us instead rely on the case study of a once successful franchise that has seen all stages of development and decline.

Our subject of choice shall be Druther's Systems; once a thriving entity and force to be reckoned with in the states of Kentucky, Indiana and Tennessee (3), now reduced to its last singularity. If the question were one of remnants or solo establishments surviving, the current Druther's would leave no doubt – it is here to stay until the current owner, one Mr. Stephen McCarty chooses to move on.

Merely stepping inside there is at once the impression of a family oriented but youthful atmosphere – the perfect blend for attracting local college students and established families alike. In the quaint college town of Campbellsville, this is a sound strategy. Floors are swept clean, tables worn and showing age but still polished to a mirror shine. Nothing that could not be found in any well run business. It is at that point things begin to diverge. Not content with comforting pastels of a psychologically strategic franchise or the darkened tones of local dives, the walls of Druther's are emblazed with contiguous murals of Campbellsville itself, transposed to the 70's. It is a standout touch that says without speaking: You're home.

The counter has a few surprises in store as well. It isn't often one finds an integrated heated and fully stocked salad bar in a fast food restaurant, yet Druther's makes this an integral feature. The building itself was initially constructed to accommodate wall space for just such a thing. No pull cart afterthoughts to be found here. Yet not a few feet away, the menus hang loosely with hasty and poorly aligned lettering, almost as a reminder you are still in the company of fast food fare.

Perhaps the most quaint and fitting touch though is the music. Emanating from drop ceiling mounted speakers is the product of a local radio station. Nothing really outstanding. It's the typical satellite fed adult contemporary with an extra dose of Nashville. Typical of the region. Until the station identifies itself (WVLC-FM). It is at this point you might find yourself looking about to discern why that seems so familiar, and you will find that directly across the street sits the station in question. Studio, transmission tower, all there. Including an outdoor speaker that is clearly audible from anywhere on the Druther's property. There's a certain verisimilitude from having your music piped out of a studio visible from the front windows that somehow adds yet another touch to the easy going yet "with it" hometown appeal Mr. McCarty strives for.

If all this atmosphere sounds intriguing, the food might be less so, but still stands on its own. According to Stephen McCarty, (Owner Campbellsville Druther's, 2014-11-02), there's no specialty at Druther's, which is fact why they initially switched names from "Burger Queen". Chicken, burgers, fish, salads and various sides are all on the menu that is physically cramped but hardly scant. The production is perhaps not superlative, but certainly quality, and has proven capable of bringing patrons back for the better part of forty years.

Yet, for all of this, the things described here are and above – are all contained within a single establishment that was once one of dozens. Are there other forces at work beyond simple quality and demand? To find out, we are going to have to look into the recent history of Druther's Systems.

Mr. McCarty explains that Druther's Systems began as Burger Queen, constructed 1973 in Middletown, KY. Relying on a large variety of fast food items, the chain quickly expanded into nearby local markets. In 1977 the franchise was renamed to Druther's as a word play on "I'd rather". The renaming was primarily to avoid consumer typecasting of Druther's as a "burger joint" when in fact many different types of food were offered.

Despite storefront success, Druther's Systems began to exhibit financial difficulty in 1988 and in a bid to increase revenue a conversion to Dairy Queen was initiated. Druther's Systems retained ownership, but was itself eventually sold to Dairy Queen corporate in 1996. During the conversion, Druther's stores already nearby or adjacent to an existing Dairy Queen were simply left to their own devices.

"There was no lawsuit, there was no buy outs. Because we had an independently owned Dairy Queen nearby, they said you're on your own and that was that."

Mr. McCarty goes on further to explain that individual owners eventually retired, and as Dairy Queen International now owns the name Druther's, he cannot expand, nor is it possible for other Druther's franchises to reopen.

If this sounds vaguely familiar, it probably should. It is a common theme that as any type of business reaches regional saturation, the tendency to implode or be absorbed by superior entities increases dramatically. In fact, many small business owners work exclusively for this apex – their goal is literally nothing more than to attract the notice of a large corporation or investor, sell out and move on.

So looking back at our question, what of the small but growing operator who wishes to grow on their own merits? It may be technically possible, but is it really feasible? As an author, I find my own experiences also coming to the fore as I too was raised in two thriving family businesses. Were you to pass through the Morehead Kentucky area and ask where to acquire Jewelry or Sporting goods, it's a fair bet Caskey's would be the first name uttered. Should you need automotive parts, Morehead Auto Parts would have been another quick reference. But these two businesses both have something in common – they ultimately outgrew the families that built them. Morehead Auto Parts now exists on paper only. It was sold in 2004 as Mr. Thomas Moore simply could not operate the business with his declining health.

Caskey's Inc. lives on, to this day a multifaceted household name in the Ohio, West Virginia and Kentucky Tri State area. What began as a simple salvage yard eventually evolved into automotive sales, tractor sales, recycling, jewelry, pawn, sporting and even rental property services. A cursory search will quickly locate us as a recommended point of contact even at the national level (Caskey's Inc. Cheaper Than Dirt). But even including myself we are limited in human resources, notable by reputation but not exactly numerous. I can proudly say that my formative years were marked with witnessing head to head competition against nationwide conglomerates Le-Roy Jeweler's, Kay, C&H Rough, and even the almighty Walmart. In all cases save

Walmart, the interlopers were quite literally run out of town. Even Walmart effectively conceded. To this day you will find the Morehead Walmart Supercenter, just happens to sport only two show cases in its jewelry department. This is despite its 205,000 square feet (Walmart Superstore Final Plans Approved, Morehead News 2006-07-06) easily eclipsing contemporaries in much larger cities such as Lexington and Louisville. Not unlike the local mom and pop restaurant holding its own against a McDonalds yes? Of course, just as the mom and pop could never hope to go against McDonalds on a large scale, we too are confined by limited material and personal resources. No doubt our expansion into other cities and delivering a second or third bloody nose to big-brother would incur his full wrath, a liability no business not already operating on a similar scale could afford to face for long. Even were that not the case, the additional manpower and delegation would mean giving up full control of the corporation. To wit, the family business no longer be a family business, but a mindless self-perpetuating entity. A place of employment rather than a thing to build and take joy in beyond the paycheck.

I'm no expert on food or restaurants, and scant research is available on Druther's beyond first-hand accounts, but it is clear to me Mr. McCarty faces a similar issue, yet even more so. Caskey's Inc. may hold much sway as a branding icon, but at least we own it. Mr. McCarty faces all of our problems, and does not even own the name that helps attract customers to his business. In effect, his larger corporate brothers do not even have to compete with him as Wal-Mart would us. On a whim they can simply turn the key and Druther's is no more.

Given my interviews with Mr. McCarty, my own family experience and the realities of today's business, I must personally conclude that in today's market it is nearly infeasible for a regional level business to survive. There will of course be exceptions, and the

news isn't all bad. The little guy may stay little, but that doesn't mean he can't pack a punch. While it may not be a smart idea to try for twenty stores, Mr. McCarty or the Caskey family can attest, you can still make yourself a fine living in small business America. You might even eke out a little spot in history while you're at it.

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## Interview Transcript

1. Open ended; what is your story with Druther's.
  - a. My parents grew up really poor. My dad was a farmer in Carlisle Kentucky. My mom grew up in Lexington, my dad started working for Jerry's, worked at Jerry's for about twenty years. Folks from Burger Queen at the time came to him and asked if he would be interested in being partners and opening up a Burger Queen in Campbellsville. He started in Lexington, my parents met at a Jerry's, my mom worked with my dad. He was an assistant manager.

At the time he had transferred to Louisville. So, he agreed to it I was eight years old. That was late sixty nine or seventy. Came down here, at first he had a couple of partners and he ended up buying them out. At first we didn't own the property, but we ended up buying the property. We opened September 4<sup>th</sup>, 1970.

In January of 1977 I turned 15 years old and came to work here, and I've been working here ever since.

2. Can you tell me about the transition from Burger Queen to Druthers, how that came about?

- a. The Burger Queen name was pretty limited, it was basically just burgers fries and shakes. Then they started adding on to the menu, they added the fried chicken, they added the batter dipped fish, they added the buffet. The wanted to get Burger out of the title. That was my understanding, I don't know who came up with the name Druther's. There really was no change as far as menu, there were a few slight changes but basically it was just a name change.
3. The seemingly overnight conversion of Druther's Restaurant's to Dairy Queen; talk about the why and how.
- a. I'm not exactly sure how many Druther's there were, I think it was over 200. Partly company owned, partly independently owned. It is my understanding, in fact there is an article on my facebook page that talks about this. I was told that corporate Druther's was in financial difficulty. Some stores were doing well, some weren't, but as a company they weren't doing well. If there's any truth to that I don't know. But that's what I was told at the time, is the reason they were going to switch to Dairy Queen.

The majority of the stores were able to switch to Dairy Queen, corporate and independent. There was about 10-15 independently owned Druther's who were in town with independently owned Dairy Queens, us being one of them. In most of the towns the Dairy Queens were smaller, older. They shut the Dairy Queens down and converted the Druther's to Dairy Queen. But in the towns that independently owned of both, you know, they basically came to us and said "we're out". You can leave the name Druther's you can change your name, you're on your own.

<So they just handed you the keys and the franchise name?>

Pretty much, there was no law suit, there was no buy out. There was an independently owned Dairy Queen, so they just said you're on your own and that was it. That was it.

4. How would you describe Druther's to a potential customer?
- a. I only know my Druther's. I would just describe it as hometown restaurant, serves good food at good prices. Get any meal, any time of the day. You know, were just here to please our customers. We try to serve good food at a fair price. That would basically be my description.
5. This Druther's operates on a very limited set of hours compared to many similar establishments. Can you explain that? Is it a business decision, a personal decision?
- a. Both. At the time, we weren't doing anything after five, six o'clock. We weren't making any money staying open five to eight. When we first opened we stay open five till midnight, but we didn't have all this competition. Number 1, I'm 52 and I'm tired of working night and day. Number 2 I would take a good employee and I would make them a night manager and it would go to their head, and I would basically lose a good employee because they wouldn't know how to manage people.

That was the main reason, and our business is as good as it's ever been. We've breaking records top and bottom line, and I really need to stay open till 8 at least. We actually open at 2:30. One reason, there's a lot of the early morning people, there's an Amazon facility. They get off and this place will be full at 3 o'clock in the morning. So they're not really limited (hours), they're just different from everybody else

6. How would you describe the niche of Druther's vs. a large corporate entity like McDonald's vs. even small mom and pop style establishments?



- a. That's a tough question, that's a good question. One difference is, people from far ends of the state know us compared to say, a mom and pop in Morehead.
7. <explains purpose of interview, and experience of own family business. Too large to operate as a mom and pop family unit, too small/lack of resources to expand>... outside looking in, I feel like you are perhaps in a similar situation. You are doing well, but it's not like you can suddenly open stores all over the country.
  - a. I can't, I can't. Because Dairy Queen actually owns the name. People ask me all the time, come to Princeton, come to Columbia, come to Lebanon. It's just not mine, it'll never happen. When we close for the last time it's over. Hopefully the lord will let us go as long as possible. Nothing lasts forever. As far as the difference, there is a difference but it's kind of hard to explain because we kind of have a chain background. It's kind of a one of a kind unique place.
8. What would you consider the most difficult challenge of a small business?
  - a. Finding the right mix between mix between price and... that sweet spot between price and volume. A challenge small business faces is finding and keeping the right employees. They are the face of Druthers.
9. Would you like to see the Druther's Franchise re-expand?
  - a. This is all I can do. I'm not interested in expanding on my behalf.
10. What do you believe are advantages and detriments to being the last remaining Druther's restaurant.
  - a. I don't think there are any detriments. I think it's because of me. Age and experience vs younger managers.
11. What are the advantages and detriments to your current location?
  - a. Campbellsville University has grown tremendously. Our downtown is starting to revitalize. I think it's a good location. People are going to come to me. We may not be on the main drag, but we're not far from it.
12. What are general plans for the future?
  - a. Same as always. Try to keep this store clean as possible. Try to offer the best food at the best price with the best service as possible, and just try to make money.