

QSR Operators Discover Faster Cash Flow with Modular Construction

Fast food, ice cream and beverage kiosks and quick serve restaurant (QSR) markets have known for years modular construction can mean generating revenue quicker. With the growth of American's appetite for coffee, there is a proliferation of new walk-up and drive thru coffee kiosks. Even grocers have discovered adding a drive thru to a deli department increases deli sales volume substantially driven by 'home replacement' meal purchases by working couples.

The market rationale favoring modular construction versus conventional site built construction is significant considering the many variables. One of the more experienced makers of QSR type modular structures is American Modular Technologies (AMT) near Greensboro, North Carolina. AMT was previously the Beaman Corporation founded in 1952. Beaman manufactured thousands of fuel buildings and modular Hardees Restaurants 35 years ago from five plants located across the US and Canada.

Many of AMT's QSR modular buildings are noncombustible as they are manufactured with steel frame and studs combined with non-flammable interior components. While steel frame, cement floor modular structures are more expensive than wood frame construction, AMT buildings are in high demand from fuel, drive thru kiosk and QSR customers.

MBI asked AMT General Manager Joe Langworthy about features modular customers seek from steel frame modular construction. He explained the more important factors AMT's QSR and double drive thru kiosk customers seek.

State Approval: When a state approves a modular building for construction, a customer can build several modular buildings slated for that particular state even before an installation site is approved by zoning. Beginning construction long before an installation site is prepared allows for much faster building installation and commencement of retail operations compared to site-built construction.

Faster Installation: State approved modular buildings can be delivered and installed as soon as a site is prepared by a general contractor. In some cases, this allows a QSR restaurant to open 60 - 90 days sooner.

Easier Construction Management of Multiple Sites: A growth oriented franchisor's construction manager can often oversee installation of three times as many sites in one year without having to oversee the construction process of every site-built structure.

Relocatable Offers Insurance: A steel frame modular structure can be relocated for about 25% the cost of a new modular building. Many coffee and ice cream type franchisors find this feature "good insurance" in the event a site does not perform financially or the real estate value appreciates significantly. While wood frame modular structures often arrive at an installation site on wheels, steel frame structures require a crane to lift and place the modular building on footers.

Quality Control: The same components, workmanship and quality for all buildings.



MBI asked Joe Langworthy if the cost for a steel frame modular building was less expensive than site-built construction. "A single drive thru restaurant may not be much less than site-built unless the geographical location is in a high labor rate urban area." But he added, "Our customer who orders multiple restaurants or kiosks saves money as our manufacturing expenses go down with repetitious, more efficient construction."

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Quicker ROI: Once a franchise is procured, a new QSR franchisee can be in business as soon as a site is secured and permits obtained from local zoning. For both corporate and franchisee facilities, once capital is committed to a project the quicker the retail operation reaches “cash flow” or “breakeven” the better the return-on-investment. Modular construction has proven that grand opening timelines can be significantly shortened by good coordination between a local GC preparing the modular building installation site and the modular manufacturer.

Non-Combustible means Lower Insurance Premiums in the case of non-combustible modular structures.

Accelerated Depreciation: Wood and steel modular structures qualify for faster depreciation schedules.

Re-Image or Damage Repair: A modular building’s precise engineering drawings make possible faster fabrication of close-tolerance replacement parts including exterior re-image materials. This capability made quick repairs possible for AMT’s QSR, convenience store and canopy customers in the aftermath of Katrina.

Mr. Langworthy mentioned some QSR operators calculate daily gross profit of \$2,500 or more. By opening 60 days earlier utilizing modular construction, these operators can significantly improve their cash flow. Calculations of gross profit gets people’s attention he noted.

AMT manufactures commercial steel frame, cement floor, non-combustible buildings for the QSR market with a 50 year lifecycle. Several AMT buildings made it through the pounding waters of Katrina in the New Orleans area. MBI asked Joe Langworthy if the cost for a steel frame modular building was less expensive than site-built construction. “A single drive thru restaurant may not be much less than site-built unless the geographical location is in a high labor rate urban area.” But he added, “Our customer who orders multiple restaurants or kiosks saves money as our manufacturing expenses go down with repetitious, more efficient construction.”

Joe reiterated that considering the modular benefits noted above many customers of steel frame modular building manufacturers look “beyond price” though price is certainly a factor. He also pointed out one Fortune 500 company discussed a desire to increase sales over the next five years by 400% with an additional 2,000 drive thru kiosks. “It would seem to be a logistical challenge for this Fortune 500 Company to hire enough company construction managers who then in turn would attempt to engage hundreds of local general contractors for this type of rapid expansion.” Two or three steel frame modular manufacturers like American Modular Technologies could handle most of the building construction for a project of this nature for the US and Canada over 5 years.



A constraint for smaller, developing companies seeking to expand operations rapidly is wrestling with having a six figure investment sitting idle for weeks on American Modular Technologies 30 acre facility, waiting for a site to be prepared to receive a steel frame modular building. In the major oil company boom days of the 80s & 90s, AMT had as many as 40 convenience stores with accompanying canopies and car washes stowed awaiting delivery instructions. Today, AMT has 14 completed modular structures for fuel and QSR customers finished and waiting for the customer to request delivery and installation. “Our customers are smart business people. Their financial guru’s have calculated the cost / benefit ratio of having a substantive investment in real property manufactured in advance and sitting idle for a few weeks” Joe Langworthy added, “The speed and faster grand opening timelines have intrinsic value to our steel frame modular customers.” He also mentioned some franchisors use the faster opening aspect when signing-up to franchisees.