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# White Castle expands niche

By Louise Okrusky  
staff writer

In an industry that started with a 5-cent hamburger and ended up serving croissant breakfast sandwiches, White Castle occupies its own niche.

Never mind that the niche is modeled after the Chicago Water Tower. Never mind that the buildings are so well lit at night they're virtually giant signs frustrating local ordinances. Those buildings make up White Castle's highest corporate profile.

Leave it to other fast food owners to acquire sports teams and glossy television advertising. In the high profile world of fast food, White Castle is an unassuming pioneer. From one tiny stand set up by company founder Edgar Waldo "Bill" Ingram in 1921 in Wichita, Kan., White Castle has branched out to 218 units spread from New York to Minneapolis-St. Paul. Six years ago there were 160 Castles.

In its own quiet way, White Castle is undergoing corporate expansion. Each new unit is paid for before it opens. Construction is financed from current operating revenue. The family-owned firm keeps its cost and profit figures within the family circle. Unlike other chains, White Castle restaurants aren't franchises. The corporation owns each unit.

"We're in the midst of the most aggressive growth pattern in our 65 years of history. We're putting in 30 units a year nationwide," said Gail Turley, White Castle spokesman.

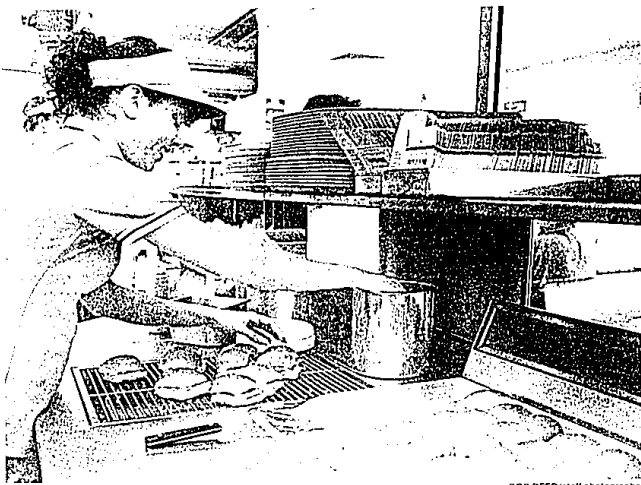
UNDER the direction of third generation owner E.W. "Bill" Ingram III, the firm boasts more retail facilities than at any other time in its history. The expansion follows a decade of building warehouses, bakeries and meat processing plants ordered by Ingram's father and retired chairman of the board Edgar W. Ingram Jr.

These recent acquisitions include a revamped Dawn Doughnuts shop on Nine Mile at Telegraph, Southfield. That site has the distinction of being one of the few revamped buildings owned by the firm.

Last fall, the firm destroyed and replaced its original Detroit White Castle on Woodward in Ferndale. The building had been at the location since March 1923.

Generally, White Castle builds its own units. For suburban sites, however, there are restaurants in Redford, Livonia, Troy and Canton Township.

"We're always looking for additional property. We have others planned," said Frank Silva, Detroit area manager for White Castle. Silva



Alveda Aryan minds the grill. The hamburgers with five holes cook quickly without turning. Each griddle holds exactly 30 patties, and

grill operators flip off about 600 sandwiches per hour.

works out of the Farmington Hills office/warehouse which includes two 30-by-60-foot freezers to hold frozen buns and burgers before shipping to local Castles. Along with an ad campaign that promotes its product as a cult experience, it might look like the fast food granddaddy is positioning itself to go mano-a-mano with Ronald McDonald. But the company with the burger referred to as "sliders" and "whitey one bites" remains realistic in its self-assessment.

"We're not competing. We're never going to go head on with those people. It's a different world completely. We're a specialty item," Turley said.

THAT DOESN'T mean they don't care how they size up to the big boys. In average annual sales per unit for 1983-82, McDonald's beat White Castle by \$100,000. In 1983-84, White Castle reported average annual sales per unit \$100,000 over that of McDonald's. Last year, White Castle reported about \$1.3 million in sales per store.

White Castle individual sales come in different sized chunks than its larger competitors. Those sliders in the sack are priced at 30 cents apiece. Last year, 1,030 employees in its 26 Detroit-area restaurants sold 44 million White Castle hamburgers.

Before drive-in windows made all Castles more or less equal, the most popular in the area was at Eight Mile at Gratiot, East Detroit, according to Silva.

The hamburgers with five holes cook quickly without turning. Each griddle holds exactly 30 patties and grill operators flip off about 600 sandwiches per hour.

While its competitors hire John Houseman to speak of the glories of its burgers in his stately cadence, White Castle's ads tell homey little tales about its fans. Instead of going to Madison Avenue, White Castle hired Simpson Marketing Communications in its own home town, Columbus, Ohio.

INSTEAD OF touchy-feely image ads, White Castle goes in for stories about people who have gone to some

effort to have the product shipped across the country. "All the TV spots are based on true stories," Turley said. Until 15 years ago the company's ad bucks were spent on cut-out coupons in newspapers. White Turley won't divulge the exact amount the firm spends on advertising. It remains far off the amount spent by McDonald's, Wendy's and Burger King.

Locally, to celebrate the firm's 65th anniversary in September, the firm will run coupons entitling the holder to buy five sliders at the original price of five cents each, according to Silva.

Marketing efforts, too, are modest by comparison. Castle fans won't be assailed with such choices as fancy baked potatoes, croissants or salad bars. "I doubt it very much if you'll ever find a salad bar in a White Castle. We don't have much of a place to put it," Turley said. Salad bars also increase the amount of waste accumulated in each restaurant.

"We do one thing, and we do it rather well. We don't want to divert our energy," he said.



*'One night in a downtown area White Castle, I saw a stretch limo in the lot. A uniformed chauffeur got in line for his boss. Behind him was a cat in an orange tux. They both fit into the ambience of White Castle.'*

— Gail Turley  
White Castle spokesman

But frozen White Castles are being test marketed in supermarkets in Denver, Colo. and Indianapolis, Ind. White Indianapolis has 17 White Castles, there aren't any in Denver. These test markets are expected to indicate if there is sufficient demand for even more burgers in areas where White Castle is established as well as checking to see if a frozen product affords a way to break into a new area without the risk and expense of building new restaurants.

On the regional level, managers do adapt to local tastes. In St. Louis, Mo., and Chicago, Ill., consumers can buy cheese fries, melted cheese on an order of french fried potatoes. In Detroit, customers like Louisiana style hot sauce mixed with tartar sauce on fish sandwiches. "We go through it by the gallons," Silva said.

And in every Castle, there's a hamburger sauce called Everything, a combination of mustard and catsup. "The combination of the words catsup and mustard gets you in trouble," Turley said.

And Castles still offer the best floor show around town. The grills stay hot 24 hours a day, 364 days a year. Castles are closed on Christmas.

"WE ATTRACT the most broad scope of human society I've ever seen," Turley said. "One night in a downtown area White Castle, I saw a

stretch limo in the lot. A uniformed chauffeur got in line for his boss. Behind him was a cat in an orange tux. They both fit into the ambience of White Castle," Turley said.

For the most part, White Castle's demographics are unassuming. The bulk of its clients are middle- and lower-income families. "We're one of the few places they can afford to eat out," he said.

On the other side of the cash register, employees stay with the company for a longer period than those of other fast food chains. In a business known for high employee turnover, 12 percent of White Castle's approximately 8,500 employees have logged between 10-45 years with the company. Silva's a 39-year veteran. Turley's been with the system for 36 years.

"They have the most broad benefit program in the fast food industry," Turley said. That includes cash bonuses, profit sharing and a medical expense account in addition to conventional major medical coverage. Each employee has a \$750 account to use each year for dental and optical expenses. White Castle promotes its managers from within. "In one sense, each employee we hire is a management trainee," he said.

When employees hit their 25th anniversary with the company, they're flown to Columbus for three days of wining and dining.

# Scherer survives capsule scare

By Kevin Brown  
staff writer

While some areas of the country have reported deaths following reported cases of drug tampering, the Detroit area has so far escaped such a tragedy.

Still, repercussions of the drug tampering scare have reached one Detroit-area company, R.P. Scherer of Troy. The company manufactures soft-shell gelatin capsules and, until last year, made hard-shell capsules for U.S. sale.

"We got out of the business (hard-shell capsule manufacturing) last spring because of the Tylenol scare," said Doug White, a company spokesman. R.P. Scherer, founded in Detroit in 1932, suffered a \$10.6 million loss in 1985 — the firm's second-largest yearly loss ever — when reduced demand forced the closing of plants in Springfield, Utah, and Somerset, N.J., White said.

The series of events that forced those closings began in 1982. Seven people in the Chicago area died between Sept. 29 and Oct. 1 of that year after taking cyanide-laced capsules of Extra-Strength Tylenol. While drug companies scrambled to make packaging more tamper-resistant, the government also responded, issuing new protective packaging regulations.

STILL, COPYCAT crimes followed. The latest was reported in June, when two Auburn, Wash., residents died after taking Extra-Strength Excedrin capsules laced with cyanide. And a random check of capsules produced in Washington turned up cyanide-laced capsules of Anacin-3.

Closing those plants, White explained, "was a decision we didn't



enter into very lightly." But when Johnson & Johnson decided to stop using the empty, two-piece capsules made by Scherer, the company halted production.

"We couldn't make our plants profitable when we lost our major client," White said.

But the company survived the loss, considering it is the world's largest manufacturer of soft-gel capsules, used as containers for vitamins and several medications, he said. Scherer has 19 plants making soft-shell capsules both domestically and overseas, White said. The company still turns out hard-shell capsules at one overseas factory for foreign markets.

Soft-shell capsules have not been a target for tampering, White said.

"If you puncture that, you've got a mess on your hands" due to leakage that would result. The company talked with Johnson & Johnson about using soft-shell capsules in place of the hard-shell variety, he said.

"They decided not to do it, but it is technically feasible to do that."

NOTING THAT hard-shell capsules are still manufactured domestically by two major manufacturers, White said, "I don't think the two-piece hard-shell capsule is dead at all." Some companies have adopted a triple seal, others are using a Scherer-developed method of sonically

sealing capsules, which causes them to break if someone tries to separate the capsule's two halves. White said the company developed that process in response to the original tampering scare in 1982.

R.P. Scherer has traditionally made soft-gel capsules, but it's unlikely the company will return to hard-shell capsule production, White said. But he maintains the public has not lost confidence in hard-shell capsules and suggests that companies not abandon them.

To eliminate those capsules totally "says to the tamperer, 'You've won.' He'll go on to the other product line . . . There's nothing that's tamper-proof."



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