



Debi Scroggins at the original Bearclaw Coffee Co. location. ROBERT RAMEY

Drive-thru coffee company brews up plans for expansion

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A Chelsea-based coffee company is taking flight with five new locations set to open before the end of the year.

Bearclaw Coffee Co. has seen sales double every year since its first store – a tiny drive-thru hut on the corner of N. Territorial and Dexter-Pinckney Road in Dexter – opened in June 2002.

Since then, the company – founded by former Northwest

Airlines employees Debi and Doug Scroggins – has launched a second corporate-owned store and three franchised locations. Almost every store has a drive-thru window, a convenience factor

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the Scroggins felt would help their business stand out.

New stores are slated this year for Chelsea and Ann Arbor, as well as Canton, downtown Detroit, and Brooklyn, said Debi Scroggins.

The company-owned Chelsea location is expected to open in October as a drive-thru location in a strip mall on the corner of old U.S. 12 and Freer Road.

The Ann Arbor store, a franchise, is slated for the former Tuomy Hills gas station, currently a University Bank drive-thru, where Washtenaw Ave. and Stadium Blvd. intersect. That location will also be drive-thru and is expected to open Nov. 1.

As Northwest employees, the Scroggins had traveled throughout Alaska and the West Coast, where they happened upon drive-thru espresso bars on practically every corner. But when they returned return to Michigan, Scroggins said, they noted the lack of such coffee bars in the area.

'I don't require a huge franchise fee. It just makes it more affordable for everybody to start up.'

Doug Scroggins

Co-owner, Bearclaw Coffee Co.

That gave them an idea – and a niche to fill.

They were living in Pinckney, where a tiny old coffee hut with limited hours stood close to their home. “We went in and made him an offer, and we just couldn't believe it – he said, ‘sure.’”

They purchased the store for \$27,000, leased the land, and opened for business in June 2002 as first-time business owners, putting their 401(k) retirement funds and home equity on the line.

They also spent \$40,000 renovating the tiny structure, turning it into a log cabin and giving it a campy feel.

“My youngest had just left for college, so we knew we could live in a car if we lost it all,” said Debi. “When you have little ones at home, you can't do that.”

The other risk was putting a full-blown espresso menu in a location that was selling 75 cent cups of coffee primarily to farmers, but that turned out to be a non-issue.

“We still offer something for a farmer that perhaps only wants the dollar cup of coffee, but also for the yuppie that may want the full-blown cup,” said Scroggins.

They also extended the store's hours, staying open from 4a.m. until 5:30p.m. on the weekdays and 6a.m. to 5:30p.m. on the weekends.

The original location registers about \$300,000 a year in gross sales, and some of its best customers are weekend mountain bikers headed for the Potawatomi Trail.

Before the Scroggins opened for business, they made sure

everything was in line for future growth. They hired attorneys and set up a structure that would allow them to franchise, and they spent time creating a logo, a website, and operations manuals.

“We went into it with the idea that we wanted to do everything right and have that in place, in case we did decide to franchise,” said Debi.

It turns out they did – and fast. Before long, customers at the drive-thru were inquiring about franchises, and in 2004 the first franchised location opened in Irish Hills.

Since then, franchises have popped up in Ypsilanti and downtown Dexter, which opened in last month and already is the company's top-selling location, projecting gross sales of about \$400,000 by the year's end.

The Scroggins also opened a second company-owned location in South Haven in 2003.

The initial franchise fee for Bearclaw is \$10,000, and the royalty fee is 4 percent of the store's monthly gross sales.

“We've based those fees on the fact that we're a start-up company,” said Scroggins. “We're learning and we're growing with our franchisees.

“We know in the future it will go up, but right now our infrastructure is low enough that I don't require a huge franchise fee. It just makes it more affordable for everybody to start up.”

Franchisees are asked to keep with the campy feel of the store's original design, and a drive-thru location is encouraged if possible.

Bearclaw's coffee and syrups are supplied by Perk & Brew Corp. of Ann Arbor.

Its corporate office is located in the couple's Chelsea home, and they lease a storage warehouse for the merchandise. The corporate office employs two full timers in addition to the Scroggins.

Projected revenue for 2005 is just over \$1 million, Scroggins said.

■ *Jennifer Daniel Szymanski covers retail for Business Review.*