

# The Chelsea Standard

## Bearclaw continues to grow and grow and grow

By Terry Jacoby  
, Heritage Newspapers

It's too simplistic, too formulated and too cliché to call this story, "from tragedy to triumph." Because Debi Scroggins' enthusiasm - no, make that her passion - for life didn't come from a tragedy and it's far reaching aftermath.

This kind of zest for jumping out of bed and leaping with both feet into life's biggest challenges starts at an early age. It's something that's always there. She talks fast. And with an exclamation point after every sentence. Her voice bounces off the wood walls and around the corner. And it's infectious. Boy, is it ever infectious.

Still, the eyes turn red and fill with tears. How can they not. It's almost 10 years to the day when the ultimate heartbreak stopped Debi on her joyful ride through life. It was a sucker punch that she admits knocked her on her butt and dared her to get up again.

You see, when Debi loves you. She loves you for life. And to take away something she loves is devastating - especially when it's your son.

Debi is the energetic, go-get 'em owner of Bearclaw Coffee, a company her and her husband, Doug, started in 2002 in a cornfield in Dexter.

"Our first store in the cornfield supported our family and grew through this franchise brand," says Debi. "After a year and a half of very hard work we were able to support our family and grew this franchise from sales at our stores. We've never had investors."

And they've never looked back.

Today, Bearclaw includes 27 locations and another seven in development. Franchise applicants continue to lineup at their door and the business continues to make (bear) tracks even in this difficult economy.

"This is crazy," Debi says, leaning forward and putting her elbows on the table as if she is going to pray that this never stops. "This is fun. This is insane. We are looking at a 20-store development for Korea right now. From a cornfield in a shack to 20 stores in Korea."

Humble beginnings

Bearclaw Coffee Co. served its first cup of coffee in June 2002, from a little log cabin beside a cornfield on a quiet corner in Dexter Township. It was here, by the Potawatomi Trail, where Debi and Doug Scroggins made espresso and specialty coffee drinks from morning 'til night for the customers of their drive-through gourmet coffee shop.

Doug and Debi first met while employed by Northwest Airlines. Debi was a customer service supervisor and Doug was an equipment service chief.

"Doug and I never thought we would be entrepreneurs," Debi said. "We both worked for Northwest and had great lives. But what really started the whole thing was that he had a lot of family in Alaska. And we went back and forth to Alaska all the time and saw a plethora of double-drive through espresso bars. They were everywhere. We would come home to Michigan and there was nothing."

Self-acclaimed coffee junkies, the couple became hooked on the convenient and unique concept.

"In 2000, while we were living out in Dexter, Doug saw this little shack in a cornfield," Debi said. "He went in there and asked if they had ever thought about selling. Doug offered \$30,000 and the owner agreed. So he comes home and tells me he just bought an espresso bar in a shack in a cornfield at the corner of Dexter-Pinckney and North Territorial."

Doug and Debi, who had worked for Northwest for a combined 35 years, decided to accept early retirement packages and make a mid-career change.

"We don't know anything about coffee and we don't have any money," Debi says.

But armed with great credit and a detailed business plan drawn up by Doug, the couple approached the banks looking for a loan to help get their business up and running. They were excited and energized by the opportunity to bring the drive-thru specialty coffee concept to Michigan.

"We were turned down," Debi says. "Somehow, we need to come up with \$30,000, do a logo development, we need to source coffee. So \$120,000 later we had a shack in a cornfield that was a fabulous espresso bar."

The first day they opened, they had about five customers.

"But worked hard and stuck with it and we kept our day jobs," Debi says. "And after that first year we started to turn a profit."

The couple believed that doing things right from the beginning would pay off in the end.

In preparation for future growth, they worked with coffee consultants, selected vendors carefully and focused on the creation of a comprehensive business plan. The couple spent their money wisely on the design of a full-scale employee training program and operations manual, and focused on

details such as trademark rights and menu design.

As for the cool Bearclaw name and logo, these grew out of a family joke. Despite his numerous trips to Alaska, Doug, an avid outdoorsman, was the only family member who had yet to see a bear.

Prior to opening their first Bearclaw store, some folks expressed concern that farmers wouldn't buy lattes and cappuccinos. But, Doug and Debi made sure to offer a menu with a wide variety, so, the concern was a non-issue. The appetite for specialty coffee helped business to flourish.

"We were pretty serious about that little shack in the cornfield," Debi says. "We thought that if we did well, we could have two or three or four locations down the road."

### Local help

"You always here today that you can't get loans from banks," Debi says. "When we started out, we went to all the big banks. Name the top five banks at the time and we were there and they didn't want anything to do with us. We were a young, growing company and we were too risky to them."

So on a whim, Debi and Doug walked into their small town bank on the corner. Turns out the little bank has a big vision and even bigger confidence in good ideas and smart people.

"We went to Chelsea State Bank and because we were local and knew our story, they believed in us," Debi says. "That bank has done more for us than any other investor you could possibly imagine. They have backed us and stood by us and it's all part of being a Chelsea-community based business. They really put themselves out there for us."

Debi admits that when she walked through the doors of the Chelsea State Bank she thought walking out of there with any money was a long shot at best.

"That first year when we got turned down we went to 401K, home equity, credit cards and a couple tiny loans because we couldn't get funding from a bank," she said. "We put ourselves out there and worked very, very hard. In that first year, when we started to turn a profit, that's when we wanted to open stores two and three and approached Chelsea State Bank.

"They saw that we had done the right things, they saw the nice hockey stick that showed we had good growth and they said we will work with you for that second store. Then they worked with us for the third store and then they worked with us to help grow our franchise brand."

Debi doesn't believe Bearclaw could have grown like it has without the help of John Mann and Mary Lee Penney at Chelsea State Bank.

"And when other banks were turning down potential franchises, since Chelsea State Bank knew us and believed in us, they even backed them," Scroggins said. "And because of this support, we are very loyal to those who believed in

us in the beginning. We never forget who believed in us in the beginning."

And there were doubters in the beginning. Friends and family who thought they wouldn't make it. Whispers that Scroggins was crazy to quit her great job and open a coffee shop.

"Some people even thought I had gone nuts because of what happened to my son," she says. "They thought I had lost my mind and was freaking out by quitting my job. Even some close family members thought we were nuts."

Spreading their wings

Their first location did so well, that Doug and Debi decided to open a second store in beautiful South Haven, Michigan, where they enjoyed summer vacations.

"A Chelsea couple who owned the Old Harbor Inn in South Haven approached us about opening an espresso bar in the hotel," Debi says.

After a great three-year run, the Bearclaw espresso bar moved out of South Haven. But others were quickly popping up all over the state. The line to own a Bearclaw location was starting to grow.

"We had a lot of customers and friends coming up to us, saying that this was a real cool business and asking us how they could open one," Debi says.

The couple's phenomenal attention to detail had laid the groundwork and created a perfect operating model for a Bearclaw Coffee Co. franchise. The franchising idea grew out of satisfied customers' repeatedly expressing the desire to open their own Bearclaw stores.

The first Bearclaw franchise opened in 2003.

"We didn't know anything about franchising when we decided to start franchising," Debi says. "Our first three franchise deals consisted of a handshake and a two-page deal. We learned later that a franchise document is 150 pages and we didn't know this until we had gotten to our fourth franchise.

"To this day, we have three franchise owners out there that are on a two-page agreement and a handshake that pay no royalties. We still honor the commitment we made with them."

These three deals don't pay Debi anything. "They are great people and wonderful franchise owners that work very hard and give the Bearclaw name a great reputation. They validate the name. So we do get that from them."

Doug and Debi provide franchisees with help on a variety of issues, including site selection, logistics, marketing and training. In return, franchisees are asked to keep the campy feel of the original store design, and drive-through locations are encouraged, where possible. In addition to drive-through stores, the growing network also boasts a number of sit-down and hybrid stores.

Heartbreak

Debi's son Brett was a junior at Detroit Catholic Central when he was killed Feb. 19, 1999 in an automobile accident right in front of Hudson-Mills Metropark. He was 17 years old.

"It looked as if he veered off the road trying to avoid a deer," Debi says. "He hit a tree and broke his neck."

"I really believe it's part of the reason for our success in business," Debi says. "When you've been through something that's so life changing and painful and off the charts, that you don't let the little things worry you. You just take care of them."

"I understand the things that matter and the things that don't. I'm much more balanced on a whole. We wanted to set an example for ourselves and our son that there is still life out there."

The wings in the Bearclaw logo represent Brett's spirit.

"The wings in the logo mean that the angels are watching over us," she says. "He had studied in London, Sweden, Paris ... he was an old soul. He was a heck of a kid. He loved to travel and see the world."

Despite such a devastating loss, Debi knew that her family had to keep living.

"We were very restless for a couple years after that happened and looking for direction" she says. "This was something we threw ourselves into very positively."

"You only get two choices after something like this. You go through the grieving stage, but when you have another son, he doesn't deserve to lose a mother, too. We expected him to go to school and continue on with his life and he needed to see us doing the same thing."

Their other son, David Poupard, graduated from Chelsea High School in 2001 and the University of Michigan and currently lives in Chicago. Poupard was the captain of the Chelsea varsity hockey team during his years as a Bulldog.

"He's a great kid and a ton of fun," Debi says.

The future

The franchise fee for Bearclaw in 2009 is now \$24,500 and royalties are 6 percent. The fee includes training and the rights to the logo. Their latest franchise was just purchased by the Hilton Corporation for a location in the downtown Detroit Doubletree Guest Suites.

"That has been a huge location for us," Debi says. "It opened in December and is part of the historic Fort Shelby renovation in Detroit."

When perspective franchise owners come to Scroggins and talk about Bearclaw and possible locations, she wants to know where they are from and what they do in their community. It all comes back to that first store "in the

corn field."

"Open a store where you live, work and do business," she says. "You are then working with your local bank and you know them and they know you and you have a relationship and they trust you. I always encourage them to stay local."

Scroggins said she is constantly seeing great locations for possible stores.

"We don't have a life anymore," she says. "Every time we go anywhere we see places we think would make great locations. And now, since we've been so successful, people are bringing locations to us. I get at least three or four calls every day from people with hot locations. And there are some hot locations out there."

And while the economy isn't exactly hot, Scroggins says now is a good time to do business.

"We are negotiating some amazing leases right now and we also are negotiating rent reductions right now," she said. "So it's a great time to be in business because of the great leases. There are leases out there right now that I would have paid three times for a few years ago."

A hot location, the right personality and the required capital is only the beginning of the franchise process. Scroggins has a name and reputation to protect.

"We can't set you up to fail, we have to set you up to be successful," she said. "We haven't always been perfect, but we have been working very hard to get better at it. We don't always make the right decisions. But, on the other hand, you're in business for yourself, but not by yourself. A franchise owner determines their success."

The best bit of advice Debi ever received, and she's had quite a few mentors over the years, was from the farmer who they leased their first property from.

"He said to always honor your posted hours," she says. "This means to honor your brand promise. It means honoring your customers that come in every day. If they come in at 5 in the morning, they expect you to be there. And if you're not, then you lose their trust. And you won't get it back."

About a year and a half after opening the shack in the cornfield and just after opening their second location, Debi and Doug started to see that they were really on to something that could really take off. And while all this success is wonderful, Debi admits she's not surprised it has worked out this way.

"No was never an option for us and failure is not in my vocabulary," Debi says. "If I'm failing it's because I'm not working hard enough. It's that simple. I never thought we weren't going to make it."

"But I can never rest on my laurels. You have to fight for every bit of success and especially in this economy and especially in this state. We work very hard every day because there are always competitors clipping at my heels ready to take over. They are always out there."

To start in 2002 and have 27 locations in 2009 is impressive, but not remarkable. It's not a franchise record by any means. And that's been by design.

"We have been very cautious when it comes to growing," Debi says. "And we are starting to say no to people a lot more often. When we first started, it was 'come on in.' But now we look at a lot of different things before we approve a franchise."

And how many more do they see themselves approving before they pour their last cup?

"I'm sure there is an exit strategy down the road for us at some point," Debi says. "And we've had some discussions about merging with another coffee chain. Or merging with a company such as a quick-serve sandwich chain. Or do we want to merge with a chocolate company. Seventy percent of our business is before 11 in the morning. So we are here, how can we best utilize the space and make the most out of the rest of the day?"

Debi says that "founders" can only take the company so far.

"A time will come when we have to start looking at different opportunities," Debi says. "And that time might come when we reach 50 locations."

From a shack in a cornfield to 50 locations. All from hard work, smart decisions and community support. And, of course, a little help from the angel looking over them.

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