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Colorado's Cheba Hut rolling out massive 6-year growth plan



By Ed Sealover | Feb. 18, 2019

At a time when the marijuana industry is on an incredible growth spurt, the Colorado fast-casual restaurant that has most closely linked itself to that gradually legalizing drug is about to launch into an expansion phase that would make most dispensary owners green with envy.

Fort Collins-based Cheba Hut just opened its 25th store in its 21-year history in Las Vegas — the first location of what it expects to be four to six new restaurants this year, which would be a record growth year. But over the next six years, majority

owner Scott Jennings said he plans to double the number of sub-sandwich stores every two years, leaving him with some 200 locations by the end of 2025.

Cheba Hut is doing this without any outside funding. Jennings has said he's received interest from private-equity firms but tries to steer clear of offers such as those.

And Jennings is making these big investments in creating gathering spaces to eat — Cheba Huts have full bars and offer music at night sometimes to attract crowds — at a time when many fast-casual competitors are shifting their focus toward [meeting customers' demands to get more food to go or have it delivered](#) right to their homes. He believes his locations can continue to buck that trend if they offer experiences, rather than just food, that are laden with a mellow vibe and wall paintings chock full of the adult humor that's always defined a chain that was associated with cannabis before the product had a lot of support in wider society.

“When we started this 21 years ago, people told me ‘You’re nuts, you’re crazy, you can’t do this.’ They definitely thought I was selling weed out the back, and I wasn’t,” Jennings recalled. “There’s a definite green wave that’s happening. But we’ve been paddling hard for 21 years.”

In addition to being filled with puns and names of offerings that mirror strains of cannabis, Cheba Hut's menu is strewn with a variety of toasted subs, a helping of side dishes from meatballs to nachos and a larger-than-average selection of vegetarian offerings.

The chain, which is split nearly evenly between company-owned stores and franchised locations at the moment, does an average unit volume of \$1.4 million, a high number for its sector. Same-store sales grew by percentages in the “healthy, healthy double digits” in 2018, such that the growth is being covered by in-house revenues, chief relationship officer [Seth Larsen](#) said.

Rather than seeking outside funding, Jennings said he hopes to lower the cost of his commodities by seeking lower prices from suppliers as Cheba Hut purchases greater volumes of goods. He also is looking into a succession plan that would convert the company into one that's owned by its employees.

But he is concentrated for now in continuing to attract groups of customers, rather than individuals, in order to make the lunchtime or dinner experience a longer-lasting one. And he will continue to focus on the 18- to 40-year-old demographic, believing it will be “crucial” to maintaining Cheba Hut's success.

“This is more about the overall experience,” he said. “I’ve tried to make it a place that is cool to work. Our employees like being there.”