

The Evolution of Fast Casual

Fast casual concepts continue to be the star of the restaurant industry, but operators will need to adapt their business model for that growth to continue.

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By Richard Slawsky | FastCasual.com



Fast casual restaurants, with their upscale ambiance and promises of higher quality food, continue to be the driver of restaurant industry growth.

According to the Chicago-based research firm Technomic, fast-casual brands increased their collective annual sales by 12.8 percent to \$30 billion in 2014. That growth was nearly twice that of any other restaurant segment.

“Whether they offer the customization of a build-your-own format or just their made-to-order signature dishes, fast-casual chains clearly hit the sweet spot with consumers,” said Darren Tristano, executive vice president of Technomic.

“The winning formula of high-quality menu items in upscale settings, with high-touch service at prices between fast food and casual dining, can be applied to any kind of food and is powering growth in segments from burgers and barbecue to sushi and pizza,” Tristano said. “We’ll continue to see fast casual drive much of the sales growth in the restaurant industry for years to come.”

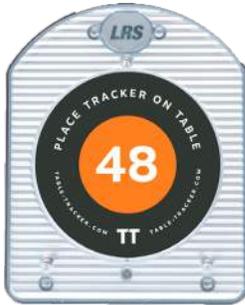
But as more and more brands enter the segment, the stars of the fast casual segment will have to modify their model to continue that impressive growth by incorporating new technologies, expanding their menus and stepping up the service they offer their customers.

And in response, QSRs and casual dining restaurants are incorporating many of the features of the fast casual segment in an effort to keep up.

Sales for restaurant categories in 2014

Category	Sales	YOY growth
Full service restaurants	\$74 billion	3.6%
Limited service restaurants	\$200 billion	4.2%

Source: Technomic



Continuing the evolution

Although definitions vary, fast casual operations are typically ones that operated under a limited-service or self-service format, with customers placing their order at the counter and picking up their food when it is ready. Ticket prices general average between \$8-15 per person, with made-to-order offerings boasting more complex flavors than fast-food operations. In addition, fast casuals typically feature a more upscale décor than fast food restaurants.

Four of the five fastest-growing brands of the past year were fast casual operations, according to Technomic's rankings, with several of those racking up triple-digit growth. Build-your-own pizza chain Pieology increased its annual sales 230 percent from a year earlier, to \$44.6 million in 2014, and tripled its unit count 42 locations.

Fast casual chicken-finger chain PDQ is second on the list of top-growing chains with a 119 percent increase, followed by Florida-based "better burger" chain BurgerFi at 111 percent. Even the relatively mature brand Chipotle Mexican Grill continues to make its mark, increasing its annual sales 28 percent year-over-year to \$4.05 billion.

Despite the impressive growth, most brands are seeking ways to differentiate themselves not only from the competition within the fast casual segment, but from their limited- and full-service rivals as well.

Pieology, for example, offers unlimited toppings on its pizzas for one set price, while PDQ touts the absence of freezers and microwaves in its stores. BurgerFi highlights its concern for the environment, incorporating eco-friendly materials into its dining room fixtures and restaurant design.

Others are borrowing lessons from other segments in an effort to top the competition. Panera Bread Co. is deploying "Panera 2.0" technology upgrades in more than 100 units so far in 2015 in an effort to improve the guest experience.

"We are focused on becoming a better competitor alternative and building capabilities for expanding growth," said CEO Ron Shaich during an April 29 conference call with investors, "We believe the best way to do that, is to improve the guest experience through Panera 2.0, which is inclusive of both digital access and improved operational capabilities."

The upgrades include technological changes such as mobile ordering and payments as well as operational changes and additional staffing to enable it to handle increased volume. The company expects to have 400 company cafes, about half of its company-owned stores, upgraded by the end of 2015.

In addition to those changes, Panera is remodeling stores to include drive-thru windows and is testing delivery service in two markets. Delivery offers the potential to increase per-café revenue and become a long-term driver of sales, Shaich said.

And several operators are incorporating features of full-service restaurants, delivering food to the table instead of requiring the guest to pick up their order.

Many operators have taken to giving guests a number when they place their order. The guest places that number on a tabletop stand, with staff then delivering the orders by scanning the dining room for those numbers.

Others are incorporating technology as a way to smooth the task of delivering the guest's order.

One national fast casual burger concept, for example, wanted to incorporate table delivery into his operation as a way to better connect with his customers, but was looking for a way to manage the process.

“Rather than the old fashion way of yelling out customer names or putting a number on a table, we needed something more seamless and technology driven,” the franchise owner said.

After researching a number of solutions he installed Table Tracker, a food delivery and order tracking system from Addison, Texas-based LRS. In addition to simplifying the process of locating and delivering food to waiting guests, the franchise owner also uses the system to monitor the volume of orders going into the kitchen and manage potential backups.

When a guest places an order, the cashier gives him or her a Table Tracker, a device about the size of a traditional pager, and a timer is started for that order. Tables in the dining room are outfitted with RFID tags that identify the location of the table. When the guest places the Table Tracker on the chosen table, the device reads the location and sends that information to a touchscreen display in the expeditor area.

Table Tracker has a color-coded system that changes colors as orders near time limits, alerting managers and cashiers of a backup and allowing them to take steps to manage order flow and avoid prolonged delivery times.

The system improves the guest experience by enabling customers to wait at their table for their food to arrive instead of having to stand by the counter. In addition, when food is delivered, staff has the opportunity to provide additional service, fix any issues and build a stronger connection with guests.





Restaurant trends for 2015

- Roughly one-quarter of consumers say technology options are important features that factor into their decision to choose a restaurant (up from the nearly one-fifth that said the same the year prior).
- While restaurants are more rapidly starting to adopt various forms of consumer-facing technology, a gap remains between what consumers want and what restaurants currently offer. That gap is beginning to narrow and will further close over the next several years as restaurant technology evolves and more options enter the marketplace.
- Despite increased consumer use of technology options, personal service will continue to be the hallmark of dining out. Consumers still want people as part of their restaurant experience, yet look to technology to increase service speed and convenience.
- 8 in 10 of consumers say restaurants offer more healthful menu options now compared to two years ago, and 76 percent say they are more likely to visit a restaurant that offers healthful options. In addition, 67 percent of consumers say they also order more healthful options in restaurants than they did two years ago.
- Consumers are showing increased interest in local sourcing and more restaurants are taking notice, with 8 in 10 table service operators saying their guests are more interested in locally sourced items this year, compared with 7 in 10 that said the same a year earlier.

Source: National Restaurant Association

“By having staff deliver food, they have more touch points with the customer,” the franchise owner said. “It enhances the customer experience and makes us a better restaurant.”

At the end of each day, the franchise owner pulls reports from Table Tracker to analyze delivery times and see how many delayed orders occurred, allowing him to take steps to solve the issues that may be creating the problem.

“It’s a tool to look into the day’s activities and see the correlation between great sales and great customer service” the owner said. “Without that insight, our great sales days would dwindle because we wouldn’t be able to quantify and consistently deliver the great customer service.”

Learning the lessons

As fast casual continues to expand, restaurants in other segments are taking notice and are incorporating some of the same features that made fast casual a success into their own operations.

Burger chain Wendy’s, for example, has spent more than \$150 million over the past three years on remodeling their stores in an effort to appeal to more mature customers. The effort seems to be paying off, with stores that have undergone a remodel seeing sales increases of between 10 and 15 percent. Restaurants that have been rebuilt from the ground up are seeing sales increases of as much as 30 percent.

On the other side, casual dining chains are either incorporating fast casual concepts into their existing operations, or opening fast casual versions of their concepts. Applebee’s Express Lunch, for example, tested a system in some restaurants that offered customers the ability to order and pay for their lunch at a counter and have that food delivered to their table.

Another casual dining chain, Boston-based Uno Restaurant Holdings, is planning to open additional locations of Uno Due Go, a fast version of its Uno Chicago Grill restaurants. In May, the company said it would add one or two Uno Due Go locations every 12 to 18 months for the next three to five years mainly in the northeast. There are already four locations in operation.

And as digital technology increasingly becomes a part of our everyday lives, fast casual operators are leveraging that technology to control costs, improve service and better serve their customers.

Oak Brook, Ill.-based Labriola Ristorante, for example, is a unique concept known for its delicious breads. The concept transformed from a baking company to a restaurant, bar and cafe when they opened their second



About the sponsor:

Long Range Systems (LRS) is a leading global provider of on-site paging, guest management, business intelligence and market research tools. The company's hardware and software solutions are used in a variety of settings, including the hospitality, medical, retail and automotive industries. Specifically for fast casual restaurateurs, LRS developed Table Tracker: the fast casual food-delivery system that streamlines operations and improves customer satisfaction. Table Tracker helps food runners deliver food faster, instead of wandering around the restaurant looking for guests. It's proven to turn tables faster, improve guest satisfaction and streamline operations through knowledge and insights provided with order-tracking data.

location in Chicago in January 2015. The new restaurant offers guests multiple experiences under one roof: a full-service Italian restaurant and bar on one side and a fast-casual cafe and bakery on the other.

With the introduction of this fresh and new concept, operations manager Edwin Arreola wanted to take a different approach to food delivery than the usual table numbers that had been used in the Oakbrook location. The restaurant was averaging 150-200 guests during the breakfast and lunch rush, and Arreola wanted to find a way to manage the rush and ensure food delivery and operations would run smoothly.

To accomplish this, Arreola implemented LRS' Table Tracker into the Chicago location. Initially, he installed Table Tracker only on the cafe side, but eventually expanded that to the entire restaurant.

Lunch delivery goals are between 10-12 minutes and dinner goals are between 15-18 minutes. With Table Tracker, Arreola is able to see how well his staff is meeting that goal on a daily basis. The discreet installation and system gave him the insight he needed to run his restaurant efficiently and seamlessly and he is very pleased with the results.

"It's good to know what our numbers are doing on a daily basis, how we are doing on the weekdays versus weekends, breakfast compared to lunch, etc.," Arreola said. "It also helps us staff properly. I'd definitely recommend Table Tracker, whether it's for a fine dining setting or casual or fast food places."