

2009

## Restaurant Business

STREET SMARTS FOR THE ENTREPRENEUR

### [TRENDS]

# Got my mind on my money...

...and my money on my mind. Five trends that will define consumer and operator behavior in '09.

#### SMALLER TRADE AREA

Gas prices may be coming down, but that doesn't mean consumers are back to their free-spending ways at the pump.

With an economic decline, budget-conscious drivers are sticking close to home. "Drive time is actually shrinking these days," says Charles Wetzel, chief operations officer at Buxton, a Fort Worth, Texas, firm that provides consumer analysis for retail firms nationwide. "If a restaurant historically has had a trade area of 10 minutes, that's down by one or two minutes—which could drastically affect the number of customers coming through the doors."

If you've noticed this phenomenon, it's time to revamp your marketing efforts. Take a closer look at your new, smaller trade area—consider customer demographics, as well as



operations should focus on loyalty programs to lure customers out of their geographic comfort zones.

#### FAST CASUAL VERSION 2.0

When the fast-casual revolution occurred, it

changed the unit economic model with smaller buildings, fewer employees and lower costs overall. Perhaps unsurprisingly, fast-casual continues to grow at a faster pace than the industry in general. According to Karon Allen of Quantified Marketing Group, a Florida-based restaurant marketing and design firm, the segment will continue to spur change. Next on the horizon? The kiosk restaurant.

Burger King is leading the charge on this front with the Whopper Bar, a condensed version of the standard Burger King outlet that will include an open kitchen, circular chrome countertops and plasma TVs—as well as a shorter menu that focuses on special versions of the Whopper. The first Whopper Bar is scheduled to open in spring 2009 at Universal CityWalk in Orlando.

But Allen says the next frontier is the kitchenless restaurant, with food prepared at a central commissary and sent out to kiosks located in malls and office complexes. This approach further reduces labor and building costs—and lowers the barrier to entry for new franchisees. "There are only so many end-caps in shopping centers," says Allen. "Building a big box is cost-prohibitive, so the industry is going to have to find non-traditional real estate strategies."

#### ON-THE-GO ADVERTISING

GPS-enabled smartphones and WiFi hotspots can let chains reach hungry customers who are near a particular unit. Increasing numbers of consumers are carrying broadband-enabled phones like iPhones, BlackBerries and even the standard



your competition. Develop offers to get more bodies through the door, and then win them over with great service and food.

Wetzel sees these tactics as particularly appropriate for fast-casual and quick-service chains. He notes that more upscale



equipment issued by their mobile carrier. And they're using them to find places to eat exactly when and where they want to.

"Location-based services are really appealing for everybody involved in the transaction," says Shawn DuBravac, an economist with the Consumer Electronics Association, a national trade group based in Arlington, Virginia.

As DuBravac sees it, advertisers—including restaurants—are increasingly open to location-based services, since they provide access to a more targeted group of customers than any mass-media approach. The question, however, is whether diners will see value in location-based advertising on their mobile phone or laptop browser. A recent unscientific poll on Lifehacker.com, a site for tech-savvy workers, asked readers if they find location awareness "cool or creepy." Of the nearly 7,000 respondents, 53 percent chose creepy.

Consumers' mixed emotions aren't stopping providers of mobile-based services from moving ahead with their plans. Last spring, for example, business-review site Yelp announced plans to launch an application for the iPhone that allows users to search for businesses—and reviews—close to their geographic coordinates. As usage grows, operators will have to stay on top of their online profile, recognizing that it goes far beyond what they say on their own Web pages.

**BRAND TURMOIL** It's no surprise that consumers are on the lookout for ways to stretch their dollar. And while restaurants benefit, relatively speaking, from their status as an affordable luxury, diners may be willing to sacrifice favorite brands as they look for value. "On even the smallest financial decisions, people are thinking, 'Can I do better?'" says Arjun Sen, president of Centennial, Colorado-based Restaurant Marketing Group.

Earlier this year, a Nielsen consumer spending report indicated that diners are sticking with their favorite establishments, but trading down to less expensive items. However, Aaron Allen of Quantified Marketing

Group posits that diners are switching brands—but that just as often they're looking for opportunities to trade up as they are to trade down. "Instead of spending \$17 at T.G.I. Friday's, they'll spend \$9 at Chipotle," he says. "And then with the money they save, they'll go to a P.F. Chang's for dinner, rather than a fast-casual spot."

Regardless of the direction in which consumers are trading—if, in fact, they're trading at all—the fact that they're thinking more about their options means they're going to be open to new brands, according to Sen. "The moment people start getting into the decision-making process, even loyal

users are going to start looking at other options," he says. "This means there are opportunities for chains that can provide a better value or a differentiated experience to attract and retain customers."

#### VALUE PRICING

One of those opportunities lies in creating—and promoting—value-priced menu options. Some higher-end

restaurants, for example, are running BYOB or other special wine promotions, according to Denise Lee Yohn of Brand as Business, a San Diego-based consulting firm. What's more, she says, "unlimited or all-you-can-eat specials have popped up at some unlikely places in order to cater to families and groups looking for more options."

The growing snack trend fits in here, too, as diners look for healthful options that won't break the bank. Snack-sized options also encourage diners to try new items, as the lower price reduces the risk of going beyond the

tried and true. In fact, Yohn says national fast food chains are seeing some customers create a meal out of multiple orders of a single snack item. "Whether consumers are getting more food for their buck may be debated, but psychologically the practice seems to offer a greater value because of the lower individual item price," she says.

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