

Is Casual Dining Dying?

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Summary

- Casual dining chains, including Applebee's and Olive Garden, continue to decline due to strong competition from fast- and polished-casual.
- Buffalo Wild Wings and Chili's Grill & Bar (owned by Brinker International) are bright spots in the segment.
- Emphasis on the dining experience and use of technology are among the critical ingredients to casual dining survival.

The casual dining segment of the restaurant industry - including DineEquity (NYSE: [DIN](#)), the parent of Applebee's and IHOP, and Darden Restaurants (NYSE: [DRI](#)), the parent of Olive Garden and LongHorn Steakhouse - is in trouble, but all hope is not lost.

The segment has been suffering for quite some time now. Traffic and same-store sales at many stalwarts like Olive Garden, Applebee's and Red Lobster have been flat or negative, and the number of units decreased 2% in 2013, according to the research firm NPD.

The pressure comes from all directions. From the low end, fast casual concepts led by Chipotle Mexican Grill (NYSE: [CMG](#)) continue to challenge casual dining by offering quality products at a price point that is more affordable and with a service model that is more convenient - fast casual units were up 6% in 2013. The higher-end polished-casual segment, including concepts such as Del Frisco's Grille, Seasons 52, and Brio Tuscan Grille, which offer menus and environments more conducive to a special night out, have also been growing. Although NPD doesn't break out numbers for polished-casual, it's likely the segment is growing at a pace on par with upscale dining (up 6%.) Plus, independents and regional groups, with more personalized, localized offerings, proliferate.

But those who would declare the death of casual dining must acknowledge that a couple of bright spots in the category - Buffalo Wild Wings (NASDAQ: [BWLD](#)) and Chili's Grill & Bar (owned by Brinker International (NYSE: [EAT](#))) - prove it is still possible to survive, if not thrive. Same-store sales at Buffalo Wild Wings rose an impressive 7.7% year-over-year during the 2014 second quarter and analysts predict continued strong earnings with today's report. Chili's posted encouraging fiscal first-quarter results last week, continuing an upward trend from the last couple of quarters.