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The new QSR battleground: \$5 meal deals

Chains look to wean customers off of margin-hurting \$4 offers

Nancy Luna | Oct 19, 2018

Facing margin pressure amid the on-going value wars, many brands are tweaking their \$4 bundled meal programs, creating an onslaught of promotions that are \$1 more.

Among quick-service chains, \$4 has been the go-to price point for individual value meals — a promotion first launched by Wendy’s three years ago this month. Burger King, Carl’s Jr. and Jack in the Box followed with their own combo meals. Taco Bell, Del Taco, Dunkin’ and McDonald’s have also focused on dollar menus items over the past year as the industry looks to reverse slumping foot traffic.

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But now chains are looking to wean off customers from margin-hurting \$4 meals. Chains pushing \$5 promotions this month include Taco Bell, Rubio’s, Carl’s Jr., Del Taco and Pizza Hut.



Pizza Hut’s new \$5 lineup debuted this week, a value price point that hasn’t been around for two years, the chain said. The menu, valid when ordering two or more items, includes a one-topping medium pizza.

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“Pizza Hut knows value is extremely important to customers. The \$5

Lineup offers quality and value customers can count on,” the Plano, Texas-based chain told Nation’s Restaurant News in a statement.

Blayne Howser, a restaurant analyst at Sandelman & Associates, said value deals must be part of the equation to lure consumers in a tough economic environment where foot traffic is dwindling. Group visits are also down, a factor that could be attributed to delivery.

But the “dollar and 4 for \$4” deals are not “huge moneymakers,” she said.

Also, consumers have likely grown bored with the \$4 meals, so the \$5 promotions are simply another way of enticing guests, Howser added. The \$4 deals have become like old “wallpaper” that need some repackaging, she said.

And as soon as one fast-food brand comes out with a \$5 campaign, everyone else must follow suit, she added.

“No one wants to be left out,” she said. “At the very least, you will want to compete.”

And the competition is fierce. Restaurants are losing ground when it comes to consumer spending.

Spending at restaurants and bars dropped 1.8 percent in September, marking the worst decline in nearly two years, according to U.S. Census Bureau numbers released this week.

Here's a look at noteworthy \$5 deals NRN has spotted in recent days:

Pizza Hut: Pizza Hut is promoting its \$5 lineup as a shareable menu “the whole group can rally around.”

Deals like this could resolve a slowdown in group ordering, said Howser, whose San Clemente-based firm conducts extensive market research in the limited-service industry.

Pizza Hut hopes so, too.

“In a sea of restaurant companies that are offering food at this price point, we're excited that our shareable menu items can feed your friends and your family, not just yourself,” chief brand officer Marianne Radley said in a statement.

The \$5 menu, valid when you buy two or more items, includes a medium, one-topping pizza; eight bone-out Wingstreet wings, stuffed garlic knots, Tuscani Pasta, a double order of breadsticks, a Hershey's Cookie (the 6-inch diameter cookies cut into 8 pieces), a four-pack of 20 oz. beverages and the new Cinnabon Mini Rolls.

Taco Bell: The Irvine, Calif.-based chain has been going full-court press for months on its \$5 box deals.

This week, the chain is enticing its gaming fans with a chance to win an Xbox One X Platinum Limited Edition Bundle each time they buy a \$5 Chalupa

box. Each box comes with a code to text for a possible chance at winning the limited-edition console. Taco Bell said it expects to give one away every 10 minutes. The bundle box features the famed Taco Bell “ring” when powered on. The \$5 box is served with choice of a double chalupa or spicy double chalupa, a crunchy taco, cinnamon twists and a medium drink.

Carl’s Jr. and Hardee’s: The parent company of Carl’s Jr., CKE Restaurants, has been pushing its All-Star Meals during the National League baseball playoffs. The \$5 meals first launched last year at Carl’s Jr. and sister brand Hardee’s. The Carl’s Jr. meal deal includes a charbroiled double cheeseburger, a spicy chicken sandwich, fries, a beverage and a cookie. Hardee’s has the same deal, but it also offers an All-Star box that includes two hot ham and cheese sandwiches, fries, a beverage and a cookie.

Rubio’s: The Southern California-based fresh-Mex chain revamped its Taco Tuesday this week to include a new \$5 deal. The meal includes its signature fish taco with any beer.



Del Taco: This summer, Del Taco's new \$1 Chicken Quesadilla Snacker broke records for the brand. That was the good news. The bad news: the product didn't act as a catalyst to spur other sales, hurting overall check averages. The Lake Forest, Calif.-based quick-service chain made a quick pivot help margins. In late August, they introduced the 2 for \$5 Mix and Match Classic Burrito special, which allows customers to choose two of the chain's five classic burritos for \$5. The deal was supposed to be available through Sept. 26.

However, Del Taco told NRN on Friday that the deal has been extended and remains an "evergreen" item on the menu. During the chain's third-quarter earnings call, CEO John D. Cappasola Jr. said Del Taco will continue to pivot its marketing to premium tier menu items to boost sales.

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