



SANDELMAN

Restaurant Market Intelligence

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Casual Dining intrudes on the Quick Service value game

SAN CLEMENTE, CALIF. - Price is just one component of perceived value. The value equation is complicated, and restaurant operators have several different variables to maneuver as they try to maximize value. The lowest priced offers, which are usually from fast-food restaurants, don't always have the strongest resonance on value perception.

More and more casual-dining offers, like Olive Garden's Soup, Salad and Breadsticks (\$7.99) and Chili's 3 for \$10 to name a couple, are highly competitive with common QSR offerings on value perception.

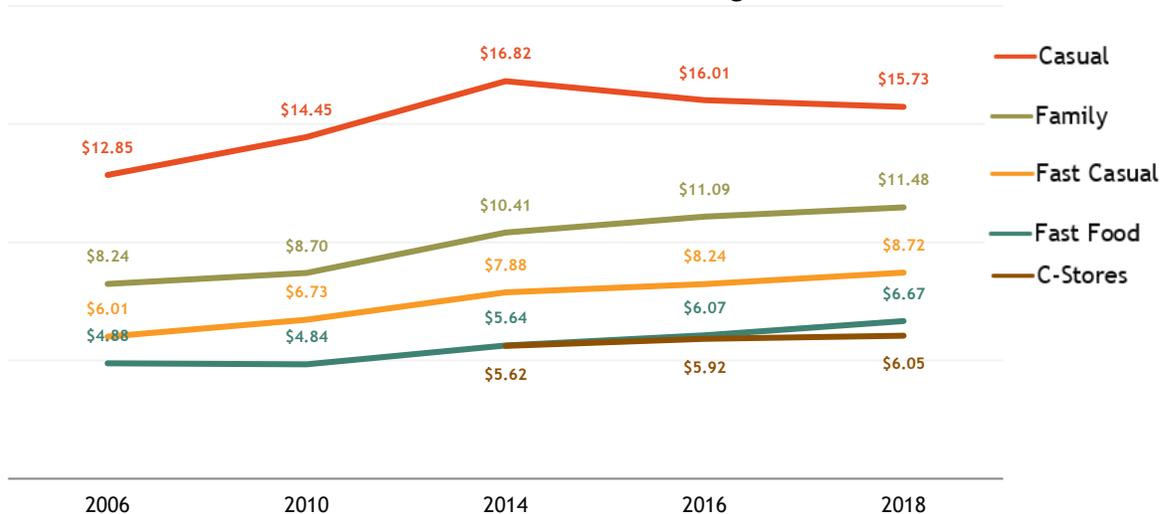
These fixed price casual-dining offers provide the same quality expected from casual-dining restaurants at a price point that is comparable to meal options at various fast-food or fast-casual restaurants.

Beyond price and quality of the food, the casual-dining value offers often benefit from higher marks on quantity, craving and staying power versus Quick Service players.

Casual-dining restaurants not already offering a fixed price, "2-for", or other similar value offerings have a real opportunity to appeal to consumers who typically look to a QSR for great value. On the other side of the coin, for QSR chains, the best defense is likely exceeding consumer expectations on speed and service, while continuing to serve up affordable, tasty food.

The gaps between perceived spending at various types of restaurants have changed over time.

Last Purchase Occasion - Spending per Person Select markets and chains/chain segments



From 2006 to 2014, all restaurant segments increased spending per person. However, it is evident that the trend of fixed price and “2-for” casual-dining offerings has impacted overall spending for the segment over the last few years. Other segments continued to increase pricing in attempt to maintain or increase same store sales under difficult traffic trends. The gap between fast-food and casual-dining spending per person has diminished by more than \$2 since 2014.

C-stores are also changing the game. While C-stores used to suggest only treats like candy bars, chips and Slurpees, many feel a whole lot more like a restaurant now and a more affordable and convenient option to some. This blurring of lines combined with consumers’ perception of fewer meals eaten in general is hindering QSR category growth.

These value findings, plus many more in the full report, are from Sandelman’s Quick-Track study, which monitors over 200 quick service restaurants at the local market level on awareness, usage and satisfaction on 20 aspects for food, service, value, facilities, and affinity.

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