Fast Casuals Make Inroads

Slow and steady wins the race! That’s the race that Fast Casual restaurants are running. They have made inroads into the giant traditional QSR business. Perhaps these upmarket, upstart QSRs have finally reached a tipping point. Using our definition of Fast Casual restaurants, this group now accounts for 7 percent of total major QSR units. To put this density into perspective, McDonald’s units are 6 percent of major QSR chains.

More QSR customers are experiencing what Fast Casuals offer. With every new Fast Casual customer, the competitive comparison deepens. In 2013, 34 percent of QSR users went to traditional QSRs and Fast Casuals, up 7 points from three years ago. There is even a small group that reports going only to Fast Casual chains.

In three years, Fast Casual restaurants have made substantial inroads; now 34% of QSR buyers are visiting Fast Casuals
Are customers trading traditional QSR visits for Fast Casual visits?

Yes . . . to a degree. There are more Fast Casual buyers, and they are making more visits (nearly an additional half-visit per month) to Fast Casual chains today than they did in 2010.

The percentage of the population going to Fast Casuas increased to 29 percent in 2013, up nearly 6 points from 2010. The penetration for the traditional QSR posted a decline during the same time period.

As penetration grew, the importance of Fast Casuals to traffic also improved. Fast Casual chains were 5 percent of visits in 2010; and in 2013, they accounted for nearly 8 percent of past four week visits (share of major chains). Fast Casual buyers, at the same time, have concentrated more of their visits to Fast Casual outlets. They were allocating 14 percent of their visits to Fast Casuas in 2010. In 2013, they allocated 16 percent. Not a huge shift in three years, but a steady change.

Fast Casual buyers are heavy QSR buyers. The average QSR buyer reports purchasing 12 times in a four-week period. Fast Casual buyers reported nearly 17 purchases in a four-week period (year ending December 2013).

**Fast Casual chains have gained in penetration during the past four years, as traditional QSRs declined**
Traditional QSR buyers allocate 8% of their visits to Fast Casual; Fast Casual buyers use Fast Casual restaurants for nearly one-fifth of their visits.

Customers demand more

The greatest success story of the Fast Casual group is how they have built customers’ endorsement. Word-of-mouth is a full 14 points higher for Fast Casuals than for traditional QSRs. Underneath that impressive number are some striking achievements. Raising Cane’s, Burgerville, Five Guys, and Portillo’s each receive top box scores over 40 percent. Think about the communication value of having more than 40 percent of your customers enthusiastically recommending your chain.

Fast Casuals receive greater word of mouth
Customer satisfaction ratings tell a story of changing expectations. Fast Casuals are rated substantially higher on the in-store experience, food, and healthy options. These chains are getting high marks on ratings that encourage word-of-mouth support. Fast Casuals are more expensive. For that, they face criticism on affordability and value for the money.

Let’s look a little closer at affordability for the Fast Casual chains. On average, the eater check at Fast Casuals can be as much as 33 percent higher at lunch/supper than the average traditional QSR. Even with this large average check gap, affordability is rated only 11 points lower! Clearly, many customers are telling us the Fast Casual visit is worth the money.

Fast Casuals win on attractiveness, enjoyed time there, healthy options, quality, freshness and valued customer experience

The slow and steady Fast Casual growth continues. These chains are not changing their pace; more locations are popping up every day. They have raised the bar for QSRs.
One of Fast Casuals’ big advantages may be that they appeal to all generations. Members of each generation tell us they are definitely more likely to visit Fast Casuals again.

<table>
<thead>
<tr>
<th>Definitely Will Visit Again</th>
<th>Mature Traditionalists</th>
<th>Older Baby Boomers</th>
<th>Younger Baby Boomers</th>
<th>Gen X</th>
<th>Gen y/ Millennials</th>
<th>Gen Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast Casual Top Box Revisit Intent Index to Traditional CSRs</td>
<td>113</td>
<td>110</td>
<td>112</td>
<td>110</td>
<td>105</td>
<td>109</td>
</tr>
</tbody>
</table>

It appears that across the board, consumers feel that eating out should be about the experience — meaning the food, the ambience, and being treated well.

To learn more about The NPD Group’s solutions for the foodservice market, complete the form above, call us at 866-444-1411, or email contactnpd@npd.com.