Channel Blurring: Challenging Quick Service Restaurants

New competition — not just another ‘fast food’ option

As traditional convenience store (c-store) products slip in demand, c-store operators must place a stronger emphasis on prepared foods to improve profits. A lot of c-store chains have succeeded in providing top quality, quick food, supported by appealing, food-forward marketing. C-stores are now head-to-head competitors with quick service restaurants (QSRs).

Grocery stores are also focusing on prepared foods, aiming to take visits from QSRs. Grocery retailers were once very different from restaurants, serving customers’ need for in-home meal preparation. But today, prepared, ready-to-eat meals and snacks are readily available. Grocery stores’ prepared meals offer quality and are growing in variety. These historically different concepts now compete in the same space for the same customer and the same occasion.

The majority of QSR customers visit these alternative channels for their fast food needs

Less than one-quarter of QSR customers are going only to a QSR. Consumers are using all available channels to meet their meal requirements.

How do QSR customers use QSRs, c-stores, and grocery for their fast food?

Most customers are using multiple channels. Fewer than one in four U.S.

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Past 4-week recall

Source: The NPD Group/QSR Plus Retail Market Monitor, March through June 2015
consumers are exclusive QSR users in a four-week period. Those who are exclusive QSR customers are just as likely to dine in or take away as other QSR users. This shows that the competitive threat is even more pervasive.

QSR operators need to broaden their perspective of their competition. Not only must they monitor and win against direct competitors for visits, they also must be aware of efforts being made by retailers and, especially, food-forward c-stores.

Grow share in an expanding marketplace

Quick and convenient food from c-stores and grocery has incrementally added customers to the fast food/foodservice market. Further, the number of fast food purchases made per customer has increased by over six visits. How might QSRs gain share from this larger pie?

Compared to QSR, these other outlets add two points of penetration and an incremental 6.4 visits (average 4-week period). Nearly half of the population visits a c-store or grocery for a meal.

\[ % \text{ Penetration and Purchase Frequency} \]

\[ \begin{align*}
\% \text{ Penetration} & \quad \% \text{ Visit Frequency} \\
\text{All Outlets} & \quad 20.8 & \quad 14.4 \\
\text{QSR} & \quad 14.4 & \quad 7.2 \\
\text{C-Stores} & \quad 7.2 & \quad 5.2 \\
\text{Grocery} & \quad 5.2 & \quad \\
\end{align*} \]

% penetration = % of the population purchasing at least once in the past four weeks

Source: The NPD Group/QSR Plus Retail Market Monitor, March through June 2015

Past 4-week recall

C-store and grocery threat worsens at specific dayparts

QSRs offering morning meals are the most likely to feel the impact of c-stores on their customer base. Between-meal purchases/snacks are another vulnerable time of day.

C-stores hold their highest shares of these product categories: coffee, snacks, breakfast foods, soft drinks, and Mexican foods. Product offerings vary, with some c-store chains emphasizing prepared foods more than others. Clearly, for QSRs the morning daypart is the most vulnerable. These occasions are likely in-and-out, grab-and-go visits where convenience and fast service trump chain preference.

Grocery stores hold a high share of purchases of chicken, side dishes, and salads. They are providing a ready-to-consume meal for the family – easy, convenient, a decision made to meet the needs of multiple family members.

QSRs dominate most categories, except coffee, dessert, soft drinks, chicken, and breakfast foods. In these categories, c-stores have a greater importance than grocery, except in chicken.

Food Category Purchase by Channel
Food-forward c-store chain WaWa takes share away from top QSR chains

The competitive strength that can be achieved by food-forward c-stores was obvious when we used our QSR Plus Retail Market Monitor to look at the Philadelphia market. The distribution of visits showed the most popular place to purchase food/beverages in this market is WaWa. This c-store is a clear favorite among consumers.

WaWa’s share is nearly twice that of Dunkin’ Donuts and McDonald’s. Taco Bell and Subway are not in the top 10.

WaWa competes — especially in the morning — and leads with coffee

WaWa accounts for nearly twice as many coffee purchases as Dunkin’ Donuts in Philadelphia. WaWa is also a significant competitor in breakfast foods. Although the chain is well known for its hoagies and sandwiches, WaWa is overshadowed on the sandwich/burger/wrap front by McDonald’s in this market. WaWa may not be a destination for lunch, but this could...
What types of foods are people buying at WaWa, Dunkin' Donuts, and McDonald's in Philly? (Reported for Last Visit)

Source: The NPD Group/QSR Plus Retail Market Monitor, March through June 2015

Including retail in the QSR arena delivers new and very different insights about the structure of a market. Life is now more complicated for QSR operators. Channels have blurred. The growth of alternatives to QSRs will continue. The challenge for QSRs is to stand out given all the competition in the larger arena.

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.