# HOW A RESTAURANT CHAIN LEARNED NOT TO WORRY ABOUT COMPETITORS' NEW PRICING

**Checkout Tracking**SM

A SERVICE OF **THE NPD GROUP**

## THE BUSINESS CHALLENGE

The restaurant business is prone to "me-too" behavior. If one chain starts selling pumpkin-infused anything at the start of autumn, all its competitors are likely to do the same long before the first snowfall. In the food industry, the unusual becomes the commonplace just as surely as the fall follows summer.

But cloning a competitor's offerings isn't always the best move.

Recently a major restaurant chain came to us after seeing that a number of their rivals had all adopted a new, lower price "value meal" approach to menu pricing. The chain was inclined to follow suit, but first wanted to know if the data indicated the new approach was actually working for their competitors, and whether the absence of such an approach was hurting them.

> Cloning a competitor's offerings isn't always the best move.

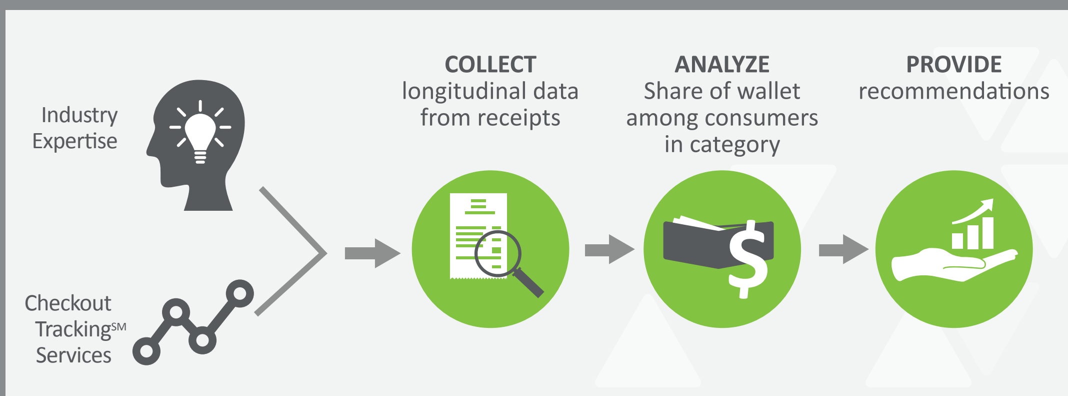
**Are new menu pricing approaches really working for competitors?**

## HOW WE HELPED

We used our Checkout TrackingSM services to see exactly what was happening at the client and its competitors – mining longitudinal data from receipts from actual consumers to see if the competition was winning new customers with the new approach, or simply cannibalizing existing customers. More importantly, we looked to see if our client was losing any share of wallet among consumers who frequented the restaurant category.

*This is an illustrative case study, inspired by our actual work with clients, but fictionalized to protect client confidentiality.*

### HOW IT WORKS



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## WHAT WE FOUND

A key discovery was that our client's customers were attracted to the new pricing – and that it was the *second* competitor to change its pricing, not the first, who posed the biggest threat. Half of our client's customers had visited that competitor and purchased from the new menu. (Less than 20 percent of our client's customers had purchased from the other competitors.)

However, the numbers were not significant. There had been a very slight increase in share of wallet for the *second* competitor to try the new pricing approach. But the chain that started the trend, and the other competitors who followed suit, hadn't gained any wallet share at the expense of our client.

More interestingly, when we looked at the data over a three-month period, we saw evidence that even the gain experienced by the second competitor was short-lived. Consumers were attracted by advertising related to the new menu pricing, and visited more often during the month it debuted, but by the second month, patterns had returned to normal.

## WHAT WE RECOMMENDED

Our client was pleasantly surprised to see that its competitors weren't gaining traction with the new approach.

We urged them to hold course, keep their menu pricing as it was, and let the storm pass.

We also urged our client to continue to track competitors' menu items and pricing over time. Because more change is coming, as surely as the seasons turn.