what fast-casual and quick service restaurants can learn from each other

SYNOPSIS

Fast-casual executives are currently enjoying great success, but will likely encounter scalability issues unless they are able to tighten operations while also preserving the elevated guest experience. And while QSR has mastered scalability, they need to learn about brand from fast-casual.

INTRODUCTION

Much is being written about “fast-casual”(FC) — the hybrid restaurants that merge quickservice operations with the more comfortable restaurant décor and menu selections of casual dining. FC restaurants, such as Panera Bread Company, draw rave reviews from experts and consumers alike.

Most of the discussion of this new segment has focused on how it differs from traditional quick-service restaurants (QSR), as it breaks the compromises consumers make between food freshness vs. speed of service, food variety and menu offer vs. value pricing, and unique, positive experience vs. utilitarian ubiquity.

Over the past 25 years, the larger QSR chains have evolved with a focus on fast, low-price point meal options. The Taco Bell change to low-price menu items in 1988 ushered in an era where building and menu items were cost-engineered to provide every savings that could be justified. In recent years, an increasing percentage of consumers wanted a more upscale experience, and were willing to allow more time and pay more for a more enjoyable meal.

The growth of the FC segment is slowing down somewhat after phenomenal increases in the first years of its existence. It is still expected to grow at least twice as fast as QSR over the next several years. Much of this growth will come from unit expansion.

> While consumers can be grateful to FC entrepreneurs for improving the quality of food and environment available in QSR, unless FC can refine its operations, it will never reach its potential.

While FC executives have been riding the wave of consumer popularity and media coverage focusing on innovations in décor and menu, FC operators will encounter significant scalability “speed bumps” as the brands approach and exceed more than 100 units. Many operators who are approaching this size are already struggling; they must address some core operations issues.

And while consumers can be grateful to FC entrepreneurs for improving the quality of food and environment available in quick-service, unless FC can refine its operations, it will never reach its potential.

However, operations improvements alone are not enough. FC executives are also challenged to protect their competitive advantages over QSR as they expand their signature flavors and innovative store designs. QSR powerhouses will devote considerable resources to adopt successful FC strategies and could reduce or eliminate the uniqueness of the FC offer. In fact, this process has already begun. QSR brands have added fresh menu items (e.g., Arby’s Market Fresh sandwiches) or reinvented their guest experience (e.g., Jack In The Box).

Because analysis of quick-service and FC operations has been scarce, WD Partners designed a national research study that investigated the environment, menu, and operations in a select set of FC and quick-service restaurants to identify the differences in operations and customer experience. Analysis has revealed the best practices that FC operators must adopt for longterm growth and success, as well as FC strategies that QSR would do well to adopt.

The following report outlines critical areas of focus for both FC and QSR operators. By investigating the operational efficiencies and brand strategies of these two restaurant types, it quickly becomes apparent that successful concepts require an approach that integrates brand strategy, operations, menu development, store design, and construction.

FAST-CASUAL SHOULD FOCUS ON:

Tighten operations: Unless FC players radically increase sales throughput and speed of service, profitable large-scale expansion will be nearly impossible.

Preserve the elevated experience: As operators expand, the customer experience is often compromised in favor of efficiency. The magic of FC can be found in the innovative menus and pleasing environments. FC operators must know how to make trade-offs in order to remain differentiated from QSR as they become more ubiquitous.

Design for rollout: Rolling out 200 instead of 20 units can present major challenges for even the most successful FC operators. Complexities of large-scale operations require designing FC concepts with the utmost simplicity at the unit level.

CONVERSELY, QSR SHOULD FOCUS ON:

Elevate the brand experience: As consumers are offered enhanced dining experiences (décor of dining areas, service levels, etc.), they will be less accepting of traditional QSR experiences.

Increase the food offer and presentation: QSR has already adopted a number of fast casual-like menu offers. However, more will be needed to re-capture the meal occasions lost to FC concepts. QSR also should enhance the presentation quality of its food, especially for dine-in customers.

Re-evaluate concept placement, costs and economic returns: While much of QSR is heavily reliant on drive-thru, the site requirements and unit development costs tax unit economics, especially compared to FC concepts that have adapted to end-cap and even in-line units. The unit economics for FC is attracting many franchisees that historically were the backbone of the QSR unit growth.

There is a "sweet spot" between FC and QSR — a little more standardized, a little less special. Using this report, FC and QSR operators can be guided to successful expansion that makes customers, owners, and analysts) happy.

ANALYSIS

BRAND

A restaurant's brand is so much more than a logo or an ad campaign. A brand is the sum of all of the experiences and impressions of the company as held in the minds of consumers. Therefore, "brand" includes business strategy, food variety and quality, modes and level of service, aesthetics, facilities, operations, and marketing. All of these areas influence the customer experience and impressions, thus the brand. It is *critical* to understand this as a concept grows.

A brand includes qualitative factors (such as an inviting, comfortable environment, and friendly and energetic staff), as well as those that are quantifiable (such as food being at the correct temperature, and guests being served in less than four minutes). Consistent reinforcement of positive messages and experiences increases the value of a brand. Inconsistent impressions and negative experiences reduce a brand's value. From our experience, brands with higher value in consumers' minds are selected more often, and are valued more highly by investors and analysts.

Brand strategy

Formalizing a brand strategy will ensure that the vision for the brand is documented by identifying essential and often signature elements of the concept, including quality standards. This brand strategy should not be compromised. This can limit particular operational or cost saving improvements, but the commitment will pay off over the long term by increasing customer loyalty.

As FC restaurant chains expand, executives are susceptible to making operations-based decisions that may not consider the full impact on guest experience, food quality, or overall brand esteem. A documented brand strategy shared by all decision makers within a restaurant company will facilitate better decision-making, especially when executives are presented with the opportunity to improve margins or reduce costs. For example, Panera's bread display may be wasteful from an operations perspective, but it sends a very important brand message for consumers.

In order to define a brand strategy, a company should first define its restaurant concept's "best-at," in terms of food offering. "Best-at" is the one thing a company provides better than any other competitor. When faced with a variety of quick-service options, clearly defined food offerings are more likely to be considered by time-pressed consumers. A brand's "best-at" should be easily recognized. For example, Chipotle's best-at is burritos; In-N-Out Burgers' "best-at" is burgers.

Then, additional brand elements are identified, or created, to support and differentiate the best-at. For example, Chipotle's best-at is burritos, as mentioned above, but their interactive burrito assembly, quick service, and hip interior differentiate them from other burrito providers such as Taco Bell and Baja Fresh.

The FC concepts have provided an enhanced customer experience that resonates with the consumer, and have focused on attributes that build brand value. This brand strategy can be seen in how the FC chains rank in consumer research. They outscore QSR chains, and sometimes even casual dining chains, in a number of important attributes.

In *Restaurants & Institutions*, 2004 Choice in Chains (September, 2004), Chipotle was rated highest in the Mexican category above both QSR and casual dining brands. Chipotle was rated best not only in the "Overall" ranking, but took top scores in: Food Quality, Service, and Cleanliness. It tied with Taco Bell for Value, in spite of its much higher price points.

The sandwich category was even more illustrative of the brand strength of the FC concept. Of the 12 concepts ranked by *Restaurants & Institutions* in this segment, all four fast-casual concepts outranked the QSR concepts. Panera Bread also led the segment in 5 different attributes: Food Quality, Service, Reputation, Atmosphere, and Cleanliness.

Consistency

Desired consistency is critical to the success of any chain restaurant. Consistency between units and between visits gives customers the reassurance that the food, service, and atmosphere will meet their expectations based on past experiences. Consistently positive experiences at a restaurant often lead to future visits and increase brand value. However, the reverse is also true — negative experiences are less likely to result in future visits and decrease brand value.

Emphasis on what is consistent with the vision (i.e., brand) can often trump choices that are cost-effective or easier to implement.

Decisions regarding what should be consistent and how consistency should be maintained are brand decisions, though many operators do not recognize them as such. These decisions are most often made at the corporate level and enforced at the unit level. Fast-casual restaurant concepts are still fairly young, and often the executives who created the original vision for the company make decisions regarding consistency. As a result, fast-casual concepts are both extremely consistent in, as well as tightly focused on, a set of desired impressions and experiences they wish to give consumers. Restated, younger companies have a defacto brand strategy imparted by the executives in early stages of expansion. Emphasis on what is consistent with the vision (i.e., brand) can often trump choices that are cost-effective or easier to implement.

In contrast, many QSR organizations have allowed their consistency decisions to drift into the jurisdiction of their operations executives who may not hold the same vision as the original founders. Naturally, choices that provide cost savings and simplified logistics are often irresistible due to their bottom-line impact. Menus are simplified and democratized, store designs rendered utilitarian and long-lasting, consumer perks such as condiments at the table are replaced with bulk product at a centralized condiment station.

Food Offer and Menu development

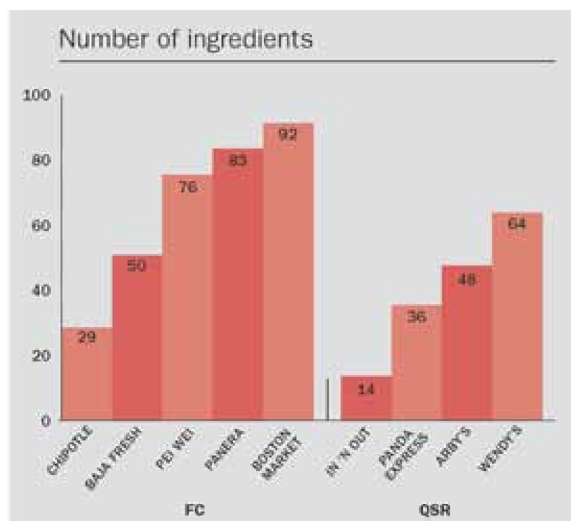
Fast-casual is known for its elevated food experience — fresher ingredients, tastier items, more choices, and unique ingredients. In fact, menu innovations are largely responsible for the success of fast-casual.

Fast-casual restaurants use a compelling variety of fresh, premium ingredients to create memorable menu items. Just a glance over the menus of fast-casual restaurants reveals ingredients such as vine-ripened tomatoes, Parmesan ranch spread, chili-seared soy sauce, and char-broiled mahi-mahi. Reviewing QSR menus isn't quite as titillating: ketchup, white rice, bacon, peanuts, mashed potatoes, and sesame seed buns. Several fast-casual restaurants in our study had more than 75 menu components (e.g., Panera, Pei Wei, Boston Market), whereas QSR concepts were more likely to have fewer than 50 (e.g., Arby's, KFC, Taco Bell).

However, this complexity has a downside. Increasing the number of food components can have a negative impact on sales throughput due to the increased complexities in preparation. Menu and process complexity also have the effect of adding complexity in the kitchen layout and assembly line. While improvements will be critical to successful expansion, fast-casual concepts risk losing their competitive advantage by diluting flavors or oversimplifying the menu.

It is critical to the long-term success of any restaurant concept that improvements in speed of service or other operational factors do not come at the expense of the product. In-N-Out Burger has been successful at improving operations while maintaining an almost fanatical devotion to the flavor and quality of the food. As fast-casual concepts expand, operators must determine what parts of the operation can be modified without compromising food quality. To continue the example, In-N-Out Burger still deep fries freshly cut potatoes, but their "handcutting" has seen some improvements over the years.

It is possible to increase the perception of menu variety by implementing menu



Note: No menus were available for analysis from Taco Bell, KFC, or McDonald's.

components in creative ways — pre-prep, repetition, application, etc., without damage to the speed of service, throughput, or bottom line.

One solution to improving food preparation times is to have a number of ingredients that are ready to assemble in their final state, whether hot or cold. Pre-cut meats and vegetables, pre-portioned ingredients, and frozen par-baked goods are examples of adding menu variety without compromising line speed or increasing the complexity of execution. Panera Bread, as noted earlier, significantly outscored other competitors in the Food Quality attribute of the 2004 Choice in Chains research, while utilizing a commissary system that reduces unit-level operational issues.

Another obvious solution is to optimize the food preparation process through kitchen layout and work station re-engineering. Any restaurant should complete a thorough analysis of proposed kitchen designs prior to a major expansion. Issues that may not be noticeable across 20 units can become apparent, and painful, at 200.

Finally, selection of suppliers can also have a tremendous impact on quality of food and ease of preparation. It is important to develop supply chain solutions with suppliers who use top end ingredients and the latest technology to ensure the highest-quality products.

Store design

There are clear differences between fast-casual and QSR store designs, particularly in the use of materials, lighting, furniture, and dining room layout. Overall, fast-casual chains appear to have a deep understanding of the impact of store design in attracting customers and maintaining higher price points.

Fast-casual uses a variety of elements to create a more upscale, “non-industrial,” more pleasant experience for guests, including more free-form table layouts (as opposed to a grid based layout) and more comfortable seating options.

The use of fluorescent lighting is nearly standard in QSR concepts, with 82 percent of concepts surveyed using cost-effective box fluorescents. In contrast, only 13 percent of fastcasual concepts choose fluorescents, opting instead for softer, more natural incandescent lighting in pendants and spotlights.

Factor	FC	QSR
Fluorescent lighting (2x2 or 2x4)	13%	82%
Wood table surface finish	52%	16%
Organic layout of seats and tables	47%	10%
Non-traditional seating	19%	0%
Discreet placement of trash cans	37%	6%

Wood appears frequently in fast-casual concepts in tables, flooring, and trim. QSR concepts often have wood trim as an interior detail (59 percent); however, only 16 percent have wood tables. QSR is more likely to use ceramic tile as a wall finish (25 percent), whereas only 9 percent of fast-casual operators consider tile a wall covering. Deciding what trim or table material to use may seem trivial, however, the sum of these aesthetic decisions can result in either a warm, inviting place to enjoy lunch or an industrial food factory.

Fast-casual has been successful to date in differentiating from QSR through store design and brand consistency. Faced with the prospect of rolling out 200 stores full of oak tables and chairs, an operator may begin to slowly chip away at their capital costs as well as their competitive advantage. The oak becomes plastic laminates and steel furniture, and what was a distinct part of the brand becomes bland and generic. This is the lesson to be learned by looking in the rear-view mirror of QSR.

It is true that, for a large-scale rollout, considerations must be made for longevity, cleanability, and durability, as well as purchase and installation costs. The architects and construction team, disconnected from the brand intent, often lose sight of the customer experience while trying to meet budgetary targets. Operators may stumble during the “value engineering” phase of the store rollout process, and compare brand attributes that generate topline sales.

A compromise between quality and affordability is not always required when the prototype team has clearly defined goals for the environment based on the brand strategy. Choices in materials can be found that give the appearance of more expensive, natural counterparts, but are more cost-effective.

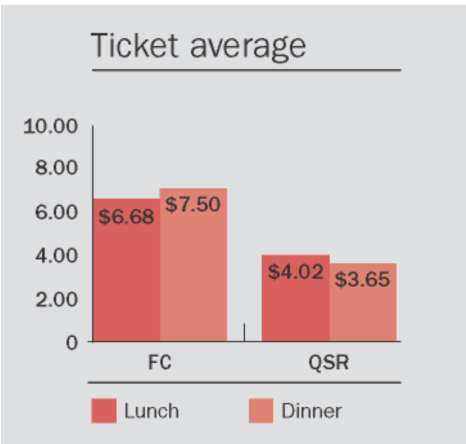
Designing a long-lasting and durable environment does not have to result in the use of industrial-looking materials. Starbucks is a wonderful example of a large system where the in-store experience is never compromised, even though the concept is rolled out to more than 7,000 locations.

QSR appears to be learning this lesson from fast-casual. A number of brands are experimenting with, or are already adopting, interiors that are much more like a fast-casual experience than their traditional models, as noted in the “before and after” dining room interior of this recently remodeled Wendy’s. These enhanced interiors can drive more dine-in traffic, including driving dinner daypart traffic.

Left: Existing Wendy’s interior. Right: Recently remodeled Wendy’s interior.

Pricing, promotions, and merchandising

Fast-casual ticket averages are significantly higher than QSR. In restaurants surveyed, the average lunch ticket for fast-casual was $6.68 compared to only $4.02 for the average QSR lunch ticket. As positive as this may appear, it is important to remember that fast-casual must get a higher ticket average to remain competitive because of QSR's higher throughput.



As fast-casual pursues a wider audience, competitive pressures may force a more affordable pricing level. After all, only a narrow segment of consumers can afford to pay fast-casual prices every day. To accomplish this, fast-casual will need to improve throughput and speed of service, control labor costs as proficiently as QSR, and identify purchasing opportunities to optimize the cost of ingredients. Fast-casual will also need to increase their customer base through promotion.

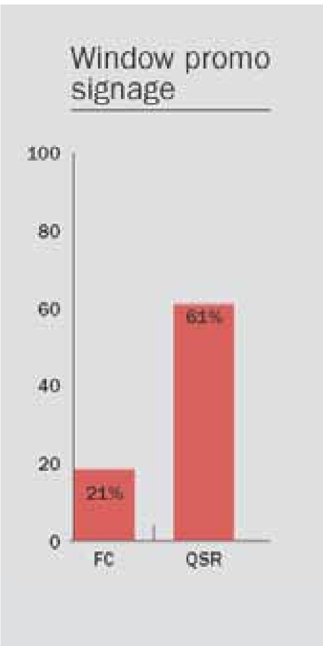
Discounts and other promotions can be an effective tool for increasing traffic as well as introducing new products. However, over promotion, or excessive price discounting can lead to a cluttered restaurant and potentially lower expectations for food quality.

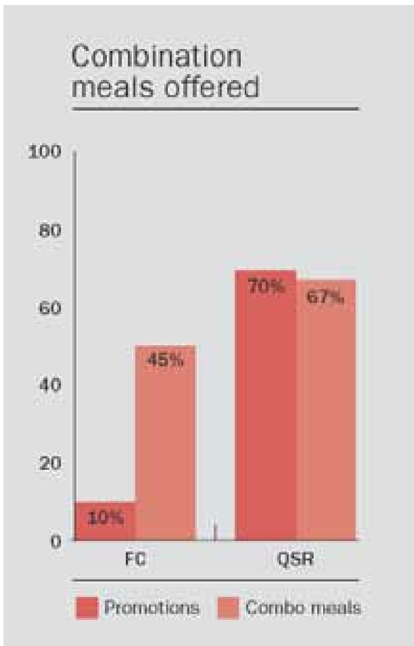
QSR promotes more heavily and has more in-store messages than fast-casual. (Several of the fast-casual concepts audited did not have any promotions in effect during the survey.) The average QSR restaurant prominently features price displays on the exterior of the building, usually in the form of window signage promoting a discount special. Fast-casual restaurants were much less likely to advertise price on the exterior and even more rarely in window signage. (See window promotional signage chart below.)

This suggests that fast-casual operators are underutilizing promotion as a marketing tool, while QSR may rely too heavily on promotion, especially discounting. Fast-casual concepts will need to find ways to attract additional customers through promotions as their traffic becomes more dependent on convenience seekers. To maintain the perception of higher-quality food, price discounts and other promotions will need to be subtler.

One solution would be to import successful merchandising and promotion strategies from retailers such as The Gap. For example, Panera appears to plan coordinated promotions within their in-store communications *system* of prominent food displays, window signage, banners, and tent cards that feature beautiful photography and emotional, versus price-driven appeals.

Another solution is to increase the use of combination meals. Nearly all QSRs offer combination meals compared to only 10 percent of the fast-casual chains surveyed, so there is clearly room to expand this practice. Combination-meal options make choosing a meal quicker and easier, while also combining higher-margin items such as soft drinks and sides with lower-margin items to increase sales and profitability. Formats for combination meals could still be consistent with the elevated food experience of fast-casual, such as a combination menu that might include soup and dessert. For example, Panera's “You PickTwo,” where you can pick two out of: (1) a bowl of soup, (2) any half sandwich, and (3) any half salad.





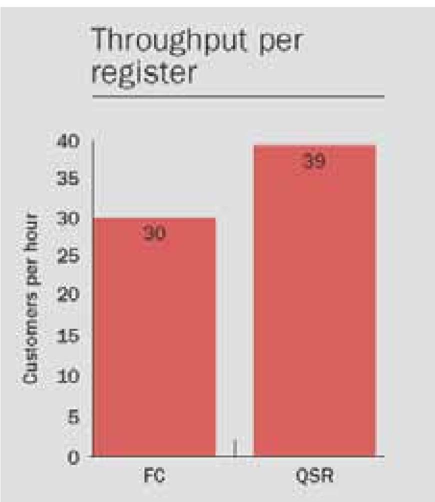
OPERATIONAL EFFICIENCY & EFFECTIVENESS

Foodservice operations is a broad term that encompasses menu, labor deployment, equipment and technology, real estate, and the physical "plant" as they relate to unit economics.

Certain aspects of operational efficiency, functionality, and menu complexity were analyzed for each of the concepts studied, including sales throughput, speed of service, queuing, modes of delivery, and labor deployment. Analysts use several of these quantitative measurements to assess the financial health of a foodservice business. Often these indicators are also used to predict future performance.

Sales throughput

Throughput is an important profitability indicator for any restaurant. Defined as the number of customers that can be served in an hour, it sets an upper limit for sales volume.



QSR is able to serve 12 more guests per hour than FC. This means that with one register open, a FC operator MUST get a ticket average of about 50% higher to merely match the throughput sales of QSR operators.

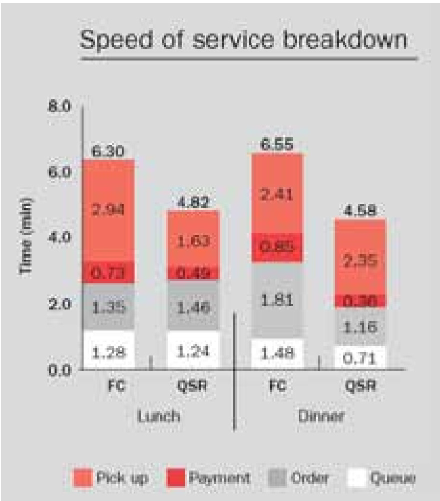
Throughput is influenced by menu complexity, deployment, layout and ergonomic workstations, equipment and technology, and queuing.

QSR has significantly higher (30%) throughput than fast-casual — able to serve, on average, 9 more guests per hour than their fast-casual counterparts. Over the course of 10 peak operating hours, this number builds to 90 additional transactions, which starts to become significant to the brand's unit economics. QSR concepts are able to process a greater number of transactions during peak hours, enhancing both unit economics and convenience for the customer. Fastcasual can learn from QSR in the area of throughput, however, it must be careful not to build throughput in a manner that negatively impacts the guest's perception of the brand, product, or quality.

There are many things that fast-casual operators can do to improve throughput, such as engineering their kitchen operations for productivity and streamlining their menu and food assembly processes. In addition, for fast-casual to improve sales through-put, operators must understand the importance of expediting the order and cashing time to reduce the amount of time a guest spends at the register.

Food assembly, order assembly, expediting, and the guest ordering process should be evaluated as distinct and separate processes to identity opportunities for improvement. The next step would then be to evaluate potential changes with consideration for how the change impacts the overall process, and guest experience. Fast-casual concepts can review these areas to improve throughput performance. As profitability in foodservice is determined by very slim margins, it is beneficial for fast-casual to "engineer" these operations.

Speed of service



Speed of service (SOS) is the total time of service — another factor critical to excellent financial performance. This metric can be further broken down into: queuing, ordering, payment, and pick-up. QSR shows a significantly better speed-of-service performance than FC. The sample shows QSR as 1.5 minutes faster for lunch and 2.0 minutes faster for dinner. For lunch, FC has an observed total time of 6.30 minutes vs. QSR 4.83 minutes. Dinner daypart total times were 6.55 minutes for FC vs. 4.59 for QSR. Overall, FC took 30% longer at lunch and 43% longer for the dinner daypart.

While order time is a factor, the main influencer of speed of service in FC restaurants is menu complexity and food assembly, which can also include a longer cooking process. Looking at the factors including SOS, the following table reveals the major components that impact customer wait times. These include:

- *Queue time* is the amount of time a customer spends in line prior to placing an order. Both QSR and FC have similar wait times with the exception of a very low wait time for QSR at dinner. This however, is more likely a reflection of QSR's traditional lack of volume for the dinner daypart than it is a reflection of the transaction process.

- *Order time* is the amount of time the customer spends actually ordering the food. FC is consistently higher than QSR, due in part, to the higher degree of customization in FC than in QSR. The order times for lunch are relatively close between QSR and FC (1.46 minutes vs. 1.35 minutes respectively). However, FC's dinner daypart order times increase to 1.81 minutes vs. 1.16 minutes for QSR. Again, this may be impacted by QSR's traditionally lower volume at dinner, and more simplified menus that have less focus on dinner daypart offerings.

- *Payment time* reflects the amount of time required to tender payment and receive change. Across the observations, payment times were somewhat longer for FC than QSR, due in part to FC's greater acceptance of non-cash payments (credit and debit cards) vs. QSR higher percentage of cash payments. (The economics of this time difference may be somewhat offset by data that suggests average spend by customer when they are not using cash is somewhat higher.)

- *Pick-up time* is the time the customer waits from the end of the payment process until they receive their order. It is both the largest factor in total service time, and has the greatest variation between QSR and FC.

Note the increase in the time a customer waits to pick up their food at QSR dinner over QSR lunch. At dinner, QSR times are similar to FC times. There are several factors influencing this increase, including:

- Lower staffing levels at dinner in QSR establishments, reflecting the historic weakness in the dinner daypart
- Shifts in the order size and composition during the dinner daypart.

However, the total customer service time for QSR dinner remains similar to that of lunch. This largely results from the lower customer demand for dinner, reducing times spent in queue, ordering and payment.

Speed of service also has significant impact on the guest experience. Less time spent standing in line is better for the customer. FC could further optimize speed of service by standardizing the queuing process. Making the ordering process clear to customers will help complete orders more quickly, and likely improve order accuracy.

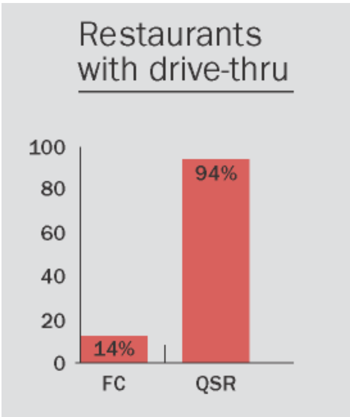
FC needs to embrace menu simplification, finding ways to shorten cooking times through equipment changes or innovations, or methods such as predictive cooking and holding.

Many QSR players have shown proficiency in speed of service, creating a perception with consumers that they will need to wait only a short amount of time to get their meal.

The comparatively limited geographic distribution of FC concepts and the current perception of uniqueness may increase consumers' willingness to wait for food. As FC expands and locations become more ubiquitous, this segment will need to capture more meal occasions to remain profitable. QSR will become a more important competitor, as will other also-expanding FC concepts. Improving speed of service will improve the chains' ability to attract customers seeking convenience meals.

Again, translated across many restaurants, even small improvements in speed of service can yield exponential improvements in revenues and margins by:

- Increasing the number of consumers that consider the restaurant a convenience option for any given meal occasion;
- Increasing the actual number of customers served in each unit, especially at peak times;
- Decreasing the number of potential customers who walk out due to perceived low speed of service (e.g., long lines, many waiting for orders, backed-up drive-thru, etc.).



Modes of delivery

Drive-thru is a very important mode of delivery for QSR, especially in the Hamburger, Chicken, and Mexican segments. Off-premise sales now accounts for more than 50 percent of unit revenue for most of the larger QSR chains. Of the QSR stores audited for this report, over 90% of the units had drivethru lanes. In contrast, QSR Sandwich (Subway, etc.) and Pizza chains have far fewer drive-thru lanes, due to either the complexity of order process and/or the length of service times.

QSR operators further reduced drive-thru ordering time by introducing menu preview boards so guests can begin their selection process earlier in the queue. Some are experimenting with outsourced and off-premise order taking to improve speed of service and lower costs.

FC has a low incidence of drive-thru, yet drive-thru remains a high convenience process for customers. FC coffee concepts, such as Starbucks, have demonstrated that drive-thru can work, even for FC concepts. Furthermore, some QSR concepts with long process times, like In-N-Out Burger, have a consistently strong drive-thru business. FC concepts may want to explore the cost/benefit of drive-thru, as well as other modes of delivery such as curbside service, and potential impact on unit economics.

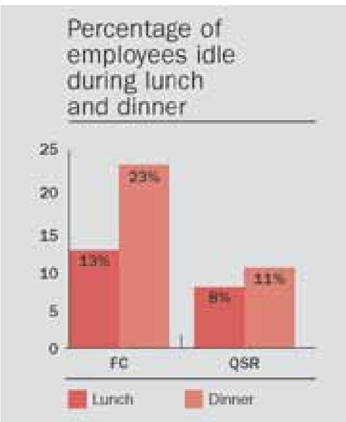
FC has a much stronger position over QSR with regard to catering. Many FC concepts promote catering to groups, offering catering menus, and delivery. Catering may make up 10% or more of unit volumes, with their production times typically in slower periods of operation (morning hours for lunch functions and early afternoon hours for dinner functions.) Clearly, the differences in menu and food offer allow the FC brands to promote catering, however, as QSR begins to close the menu offer gap, as it has already started to do, catering options may open up for some of the QSR brands.

Deployment

Deployment refers to the number of staff at key positions within the store, such as ordertaking, cashiering, and food handoff. While fast-casual uses similar deployment levels to QSR, fast-casual's deployment often supports better customer service such as cleaning tables or delivering food to tables. Overall, given fast-casual's lower throughput, their cost-per-transaction is higher.

Using labor to take orders to the tables typically increases labor costs by 1 percent of sales and may decrease profitability. That statistic alone indicates that sales and/or food costs margins have to increase for any concept that offers this service to remain competitive.

From the sample of stores visited, it also appears that FC does not enjoy the same staffing efficiencies as QSR. As noted in the following table, the average numbers of employees idle during lunch and dinner was higher in FC than in QSR. Tighter staffing models could reduce FC's labor costs, which could more than compensate for the 1% incremental labor costs to provide table delivery of the food.



Though one can argue that the cost of preparing more complex food warrants the additional labor cost, fast-casual should study QSR to better control labor costs. Improvements — such as designing tasks so that they are made easily repeatable, allowing for simple "slide deployment" between positions, and eliminating tasks that add no value for guests — can reduce overall deployment costs and improve margins.

In addition, a more thorough understanding of how the staff, including unit management, is actually utilized could increase productivity and service levels, as well as potentially reduce costs.

For example, McDonald's employees who take orders also fill orders for french fries, thereby "sliding" from ordering into assembly, improving SOS and productivity.

Food consistency

QSR clearly understands the importance of having the right tools and systems in place for successful rollout across multiple units. If FC operators seek growth, they'll need to adapt processes that yield consistency in the delivery of high-quality food, such as the use of timers for frying and baking activities.

Sometimes, lack of food consistency can be attributed to losing sight of a unique core strength in order to add dayparts and appeal to a wider audience.

FC players must design operating procedures and systems that are easily scaled. Too often in designing a new concept, a restaurant operator underestimates how difficult it is to achieve consistent execution by over reliance on the skill and commitment of the person hired to perform the job. For example, a vacuum tumbler could be an alternative to marinating. A marinade usually depends on more than one person because of its complexity. The tumbler reduces the overall process time, provides a more consistent product, and is easily executable by one person.

Controlling the processes through design will significantly increase food consistency. Operators can create clearly defined positions, design tasks that can be easily repeated, facilitate slide deployment, and eliminate tasks that don't add value. Emerging FC concepts also will need to invest in training systems as they grow. Companies should not only ensure that each new restaurant team is properly trained, they must also design and deliver training in a manner that is easily repeated as the team turns over.

CONCLUSION

Although fast-casual is a small percentage of the QSR segment, it has provided a needed “wake-up call” for QSR operators by addressing unmet market needs. Fast-casual has clearly excelled at the customer experience: a fresher, higher-quality product, and a more comfortable dining environment. For fast-casual, the opportunity is to expand while preserving the excitement and innovations of the menu and store design — yet, at the same time, tighten operations.

Successful expansion requires operators to know what is essential both to the elevated experience and for growth. Expansion to the size of even the smaller QSR players won’t be feasible without attending to throughput, speed of service, and other operational issues. Equally as important, those who expand rapidly without a clear brand strategy may compromise their current competitive advantages of higher food quality and store design. Fastcasual can learn from QSR successes and failures in both areas.

An approach to expanding fast-casual concepts that integrates operations, menu development, store design, and construction is necessary to avoid the pitfalls of rapid growth and protect current competitive advantages.

FC and QSR can learn from each other	
FC operators should focus on:	Conversely, QSR should focus on:
Tighten operations Unless FC players radically increase sales throughput and speed of service, profitable large-scale expansion will be difficult.	**Elevate the brand experience** Consumers will become less accepting of traditional QSR experiences.
Preserve the elevated experience FC operators must know how to make trade-offs in order to remain differentiated from QSR as they become more ubiquitous.	**Increase the food offer and presentation** QSR will need to adopt fast casual-like menu offers, and enhance its presentation qualities.
Design for rollout Complexities of large-scale operations require designing FC concepts with the utmost simplicity at the unit level.	**Re-evaluate concept placement, costs, and economic returns** FC’s attractive unit economics is attracting many franchisees that were the backbone of the QSR unit growth.

Methodology
Sixty-two total stores were audited in three markets: Irvine, California; Miami, Florida; and Columbus, Ohio.

Concepts that were audited included:
- Fast casual: Cosi, Baja Fresh, Boston Market, Chipotle, Panda Express, Panera, Pei Wei
- Quick-service: Arby's, In-N-Out Burger, KFC, Taco Bell, McDonald's, Wendy's

Each store was audited on an expansive list of characteristics, including exterior materials and design, interior materials and design, brand consistency, cleanliness, pricing, promotions, and in-store communications. In addition, operational metrics such as speed of service, throughput, deployment, etc. were also analyzed.

Finally, menu analysis was conducted to evaluate the number of components that are listed on menus for each concept (e.g., lettuce, smoky Chipotle sauce, chicken nuggets, etc.), as well as an evaluation of the number of unique components for each restaurant. Analysis was conducted to determine the operational and facility differences between fast-casual and QSR.

WD Partners is a multi-unit design and development company that provides expertise to assist foodservice operators by developing and implementing successful chain concepts.

Founded in 1968, the firm employs more than 500 associates with offices in Atlanta, Columbus, Kuala Lumpur, Los Angeles, Mumbai, Phoenix, San Francisco and Shenzhen. WD Partners is unique in offering integrated, inter-disciplinary restaurant expertise for multi-unit restaurants.

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