

Why is Fast Casual Winning?

Summary

Fast casual segment is rapidly expanding in spite of the competition from casual dining and quick-service sectors. The segment has a strong and competitive position in the market and the prospects for the fast casual segment are promising. In other words, the segment "hits the sweet spot" right now (Tice, 2012). To answer why the segment is so successful, the case study looked at the development of the fast casual segment and its top five chain restaurants. Subsequently, the case study introduced the marketing concept of 4 P's and discussion questions to aid the analysis of the segment and the leading fast casual chains.

Teaching Objectives

The information presented in the study can supplement the teaching material that introduces students to different types and characteristics of restaurants. Particularly, the case study will assist in presenting limited-service concept of fast casual restaurants and their special characteristics such as the use of fresh and high-quality ingredients, offering of made-to-order menu items, healthier menus, carry-out options, atmosphere and format (Walker, 2011).

The case study can also complement the presentation of the study material related to different restaurant concepts, locations, and designs (e.g., Mexican, bakery/café, etc.). Further, the examples of the top five fast casual chains could be used to demonstrate the marketing concept of 4 P's. According to Walker (2011), restaurant concepts (product) should be identifiable and distinguishable from the competition, and the restaurants need to promote actively their theme, character and purpose (promotion). The fit between location and the concept (place) is also critical for the future success of the restaurants (Walker, 2011). The right price for the product (price) will be another major factor contributing to the competitiveness of the restaurants. Lastly, the concepts also should be developed ahead of current times and stay on-trends in the food service industry to position strongly in the market.

Accordingly, this case study will:

- Facilitate an in-depth understanding of fast casual segment through the review of its history and development
- Facilitate learning about characteristics specific to the fast casual segment using actual industry examples
- Provide opportunities for the active learning through the analysis of the top five fast casual restaurants chains and their strategies
- Aid in understanding of the marketing concept of 4 P's
- Assist in identifying past and future trends within fast casual segment

Additional materials will assist in:

- Addressing the discussion questions (e.g., videos should be introduced prior to discussion to facilitate a more detailed understanding of the marketing concept of 4Ps and specific strategies used by the top five chains)
- Identifying future trends in the food service industry in general and fast casual segment in particular (The Wall Street Journal, 2014; Restaurant Hospitality, 2014; National Restaurant Association, 2013; QSR Magazine, 2013)
- An analysis of additional factors behind the success of the fast casual segment (Restaurant Hospitality, 2014; QSR Magazine, 2013)

Target Audience

The case study could be informative for both graduate and undergraduate level courses in restaurant and foodservice operations. For example, the case study could be integrated into undergraduate capstone classes. In this case, the instructor might focus on the questions provided in the discussion section of the case study and/or specific exercises recommended in the following teaching approach section. The graduate level courses could additionally involve a more in-depth analysis of the fast casual segment as well as the top five chain restaurants based on the recommended readings.

Recommended Teaching Approach

There are several assignments that could accompany this case study. First, the instructor may ask students to look at the companies' webpages and posted photos to examine the ambience and layouts of the restaurants as a homework assignment. This exercise should contribute to an overall understanding of the fast casual concepts. The time required to complete this assignment will be around 20-30 minutes.

The second activity focuses on the analysis of the successful strategies of the fast casual segment restaurants. In order to segregate successful strategies of the top five fast casual restaurants, students could examine another fast casual restaurant concept and compare this concept to the strategies implemented by the best-performing concepts. This assignment could include two separate parts:

First, students will need to choose another fast casual concept and review its history and current practices. This could be completed by the students prior to the discussion of the case study in the classroom. The completion of this part of the assignment will require 45 to 60 minutes.

Second part will involve student familiarization with the top five fast casual restaurant chains and their concepts, and the comparison of their practices with the fast casual restaurant selected previously using marketing concept of 4 P's. The second part of the assignment

could be completed in the classroom. The students should be assigned to work in the groups. The time needed for this assignment would be 1.5 to 2 class periods.

Another exercise may involve students' familiarization with the concept adaptation to the new market trends based on the review of the top five restaurant concepts. To complete this activity, the students should be assigned to work in small groups of 3 to 4 people. The exercise will take around 20 minutes. After completing the assignment, students could be asked to present it to the class.

Review of the Discussion Questions

Discussion question 1: What factors contributed to the higher growth of fast casual segment compared to quick-service segments?

The segment is on the top of the current trends in the restaurant industry (i.e., high customization of the products, healthy food choices, locally sourced ingredients, etc.).

Additionally, the fast casual segment is less saturated than other quick-service segments. (The Wall Street Journal, 2014; Stassen and Grünhagen, 2011). Therefore, the fast casual segment has more opportunities for growth.

Discussion question 2: What makes the fast casual segment so successful?

The fast casual segment was able to meet the needs of time-pressed, busy and health-conscious customers (Tillotson, 2003). The simplicity of their food offerings that do not include artificial ingredients and/or preservatives and their sustainable cooking practices were highly appealing to the customers (Green, 2011).

Further, the segment enjoyed the success because it was able to meet growing and more demanding customers' needs for better physical eating conditions, higher value and superior services (Ryu, Han, and Kim, 2008).

Discussion question 3: Why fast casual segment continued to growth during the most recent economic downturn, while other restaurants segments struggled?

The fast casual segment continued to growth even during worsening economic conditions because there still was a high demand for quality products and experience (QSR Magazine, 2011).

The resistance of this segment could be also attributed to the speed of their services and prices. The fast casual restaurants served meals faster than higher-end table-service restaurants; while prices were much lower (Green, 2011). Ryu, Han, and Jang (2010) found that the perceived value of products/services (e.g., price compared to quality and/or potential benefits) had a positive impact on behavioral intentions (i.e., intentions to revisit and to recommend the restaurant). Thus, it seems that the fast casual restaurants were able to find the best fit between value and price.

Discussion question 4: What strategies have led to the success of the top

five chains and allowed these companies to retain their leading positions from 2011 to 2013?

For example, Panera Bread used the product differentiation strategy (Campbell, 2013). Specifically, Panera Bread added the word "premium" to the menu (e.g., "Premium Signature" sandwiches) to differentiate from competitors. By using the word "premium", the company also promoted the quality of their ingredients (i.e., antibiotic-free chicken, roasted turkey, reduced-fat olive oil, mayo, etc.).

Additional Materials: Readings

- (2014). Fast casual industry analysis 2014 - cost & trends. The Wall Street Journal. <https://www.franchisehelp.com/industry-reports/fast-casual-industry-report/> [Accessed the 7th of April 2014, 10:00]
- (2014). What Millennials crave from restaurants: The latest word. Restaurant Hospitality. <http://restaurant-hospitality.com/consumer-trends/what-millennials-crave-restaurants-latest-word> [Accessed the 25th of March 2014, 15:00]
- (2014). What women want. QSR Magazine. <http://www.qsrmagazine.com/> [Accessed the 1st of April 2014, 12:30]
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- National Restaurant Association. (2013). What's hot in 2014 culinary forecast confirms sourcing, nutrition trends. <http://www.restaurant.org/News-Research/News/What-s-Hot-in-2014-culinary-forecast-confirms-sour> [Accessed the 19th of February 2014, 14:00].
- Tillotson, J. E. (2003). Fast-casual dining: Our next eating passion? Nutrition today, 38(3): 91-94.

Additional Materials: Videos

- Chipotle (2011, August 24). Chipotle story – How it all started. <http://www.youtube.com/watch?v=wmH73Diqf5Q> [Accessed the 10th of June 2014, 15:00].
- Forbes (2012, August 14). 5 questions for Five Guys. <http://www.youtube.com/watch?v=a5wRfU1isw> [Accessed the 10th of June 2014, 15:15].
- MindTools.com (2012, April 19). The 4Ps marketing mix: How to position your market offering. <http://www.youtube.com/watch?v=CiLTrVuN8mk> [Accessed the 10th of June 2014, 15:30].
- Panda Express (2013, November 1). Panda Express – Celebrating 30 years. <http://www.youtube.com/watch?v=pThwqCNWNUg> [Accessed the 10th of June 2014, 15:45].
- Panera Bread (2014, June 3). Positive impact. <http://www.youtube.com/watch?v=wYi9NgPYubM&list=UUIAeHT9HosrAVMTwCdqBUDw&index=2> [Accessed the 10th of June 2014, 16:00].
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- Zaxby's (2013, October 9). Zaxbys - Company History (Portion). <http://www.youtube.com/watch?v=WO0rvFNNQfs> [Accessed the 10th of June 2014, 16:30].

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