



A Q&A With Paco Underhill of EnviroSell and Tom Cook of King-Casey

How important is the customer experience?

Tom Cook :

Traffic to me is the #1 problem. Declining traffic is due to a variety of reasons: low grocery prices, making it more affordable to eat at home; meal kits; and new competitors.

Paco Underhill:

QSR competes with not just other QSRs, but other industries. If we had asked this questions 25 years ago we would have said channel competition. The food service industry is competing across the spectrum for the customer's willingness to spend experiential dollars. It isn't just for food, it's movies, Netflix, saving for a vacation. The food service industry is struggling with trying to figure out their place in the 21st century consumer's life.

How can EnviroSell and King-Casey help?

Tom:

The customer experience is critical. There are so many options in food service and all these other channels; it's more important than ever to deliver a better customer experience. QSRs today all look the same. The food itself; the service, the people, the environment; it all has to work together and it has to be distinctive. We need to deliver on the highest level; if the customer has one bad experience, whether the food isn't hot, there's a rude server, or too-loud music, they're not coming back. EnviroSell and King Casey can help QSRs map out a flawless execution.

Paco:

How do you balance concept development, operational tools and merchandising? Our research and consulting offering is cognizant of all those disparate pieces and can help the client figure out the implications. What are the operating protocols? What are the day-part issues, and what should the menu board say when it's 11am, versus 12:30, 4:30, 7:30? The menu board is an important part of it, but the restaurant overall is changing faster than it ever has. It's an exciting period in QSRs and restaurants but they need help in this new landscape.

What can your firms together offer the industry that has not been available before?

Tom:

King-Casey and Envirosell bring the design element paired with the human element. We help brands optimize menu boards. We take a two-pronged approach: Envirosell utilizes a variety of research tools: eye tracking, ethnography and observing behavior which provides a richness for a strategy that can be implemented. King-Casey has a long history in menu board design and optimization.

Paco:

Both King-Casey and Envirosell have a long history in the broader restaurant industry. Envirosell did its first QSR work in 1982; since that time we have worked globally with many major brands. We come with an understanding of the evolution of the industry, and the tools needed to measure guest experiences.

How can King-Casey and Envirosell help QSRs?

Tom:

Our key area of expertise is menu board optimization. We use consumer insights to develop a strategy and ultimately an execution of an optimized menu board. We test it and find the design that works best. The real deliverable is an improved bottom line: increased check; increased sale of desirable items; increased ordering; more customers served per hour. There are many business benefits to an optimized menu board.

Paco:

The menu board and queuing systems must work together, whether this means making large changes or just fine-tuning. A small amount of effort

can mean the difference between failure and success. One of the great things about QSR is that getting it wrong, getting it right or getting it really right, it's evident quickly.

What are some examples of success?

Tom:

Envirosell and King-Casey worked on Subway while they were going through their "Eat Fresh" repositioning. Envirosell conducted an in-depth study of Subway and helped identify the key zones in a Subway restaurant to develop a communications strategy that capitalized on the key zones, and the attitude and behavior of customers in those zones. That work was successful for Subway; previously, they had one of the lowest incidences of combo meals in the industry, which after, grew in popularity. We helped them do it through understanding guest behavior and seeding in-restaurant messages in the correct order.

Paco:

We were hired to study a QSR's menuboard in Chicago in December. During the research dates, we had terrible weather: snow, sleet and freezing rain, causing major difficulty. But we went with it: we studied the QSR drive-through and in-restaurant guest, their needs and how they ordered during inclement weather, a study that had never been done before but very relevant. We learned the ways snow, rain and sleet affect how someone interacts with a menu board, resulting in a series of tactical victories that helped the operator during bad weather, adjust both in-house and in the drive through, and how to make the drive through experience work. Through the US, 15 percent of all drive-through purchases happen under less-than-optimal weather conditions.

How have you helped QSR Menuboards?

Tom:

We worked with Burger King to pioneer the pre-sell merchandising in the drive-through, which communicates menu options prior to the main menu board. This came out of a customer insight where there is something called "order anxiety". Starbucks' drive-throughs were well below best practices in the industry and since then we've worked with them to be a leader in that area, now there's a major push to have most Starbucks' locations to have a drive-through. Our menuboard optimization work with Del Taco- known for their "buck and under' menu- helped them make a shift to a more premium

menu where they have had success.

Paco:

The QSR customer is different than they were 10, 20 years ago. Our goal is having happy clients and cost-effective solutions. We have QSR firms we've interacted with for more than 20 years; that's testament to the trust we've built in helping them.

What are some of the most important QSR trends?

Tom:

Drive through has always been very important and will continue to be. That's going to still grow. Dine-in we're seeing on the decline; with all the other factors like ease of delivery. Mobile ordering is on the rise; it's been hugely successful for Starbucks, Domino's, Taco Bell; these trends all have important implications for how stores are designed.

Paco:

Operating protocols are changing. The idea of the cashier, the nature of how we order, will all change in the next ten years. Whether it means a kiosk accepting payment, we are rethinking the relationship of food to people to communications. We've seen in QSR, the meeting of cars, food and phones in the past: the customer bought their burger, drives off somewhere else, our expectations of the consumer are no longer as predictable. QSRs need to figure out how dining and social platforms interact. The larger industry is trying to see how the customer fits into the design. The single table; the common table, the kind of chair an older or younger generation can easily sit at.

Another trend is the social media aspect. We need to think how we bring people together in a physical place; how social media can play a role, whether it's finding your friends for lunch at Del Taco or I have kids small children I would like to get together with other families and the adults eating and children playing. Now, the QSR transforms beyond a meal into a viable social experience. It's what Chuck-E-Cheese did for parties.

What is changing in the physical restaurant design?

Tom:

The QSR restaurant of tomorrow will be set up differently. There's a change going toward more self-service: ordering via mobile and kiosks, then come

in to get your order. All these spaces will need new zones for these pickups. Industry-wide, 50-70% of all QSR customers go through the drive-through so getting that element right is critical. Only 20% of Starbucks customers eat or drink at the café.

Paco:

If you ask people how many meals they eat sitting at a table, it's declining; they're eating on their lunch break, while in the car or running errands, or at home in bed or sprawling on the couch. All of us are focused on multi-tasking. Whether it's Seattle's Best and banking, or the flower store and a healthy QSR chain, we are looking at the combination of influences to form a successful destination. We know from the shopping mall industry that 10% of tenants were food service, now across the world food service offerings make up 15-20% of the tenant mix. The old table and chair, counter and stool, will not be as strong an element in the future physical restaurant design.

What are the differences among customers by region?

Tom:

There are differences between urban and suburban customers. There was an urban chain trying to enter the suburbs. They didn't recognize the urban customer was on-the-go and much more time pressed. The suburban women they were designing for had children, multiple orders of food, resulting in a totally different physical restaurant setup. You have to understand who your customer is and their needs and design the experience around that. The power of the Envirosell-King-Casey relationship is to understand this customer behavior and tailor the experience accordingly.

Paco:

Retail trends follow housing trends. We are watching cities getting repopulated; New York, Detroit, both of which at one point were deeply troubled and less so now. Tech hubs SF and San Jose and others where there's a different kind of customer and tech literacy, it's important to keep in mind who you're designing and building restaurants for. In mainstream America, the average family income is under 60k. We can do things in cities, we can't do in small town America. QSR has to focus on our core: a middle-class family, for which the experience of going out is something special. That experience, whether in the suburbs or an urban location, must be rewarding.

What are the most successful food concepts right now?

Tom:

I see growth in c-store and grocery. You're seeing a tremendous effort to improve that. The profit margins are much higher in a c-store, where margins are 50%. The QSR industry is going to grow as well: historically it has a great value proposition, as an affordable luxury. The Casual Dining, or chain sit-down restaurant, industry is in trouble, because of that exact issue: the value is not there. Right now the Casual Dining industry is trying to figure out who they are. Prices are two to three times as much, but is the customer experience that much better? If you can go out to dinner for \$60 or \$70 at Applebee's, is it really that much better than fast food?

Paco:

The differences between QSRs, c-stores and food service retail is getting fuzzier. I can go into a Whole Foods and have a dining experience, and that experience is increasingly perfectly acceptable to a broad assortment of customers. The idea of combining where I buy the ingredient, and where I consume the ingredients, is something we're watching all over the world. I think of a mushroom farm store in a Chinese shopping mall, you pick it out from the store full of mushrooms, and you can take it home or they cook it for you on the spot. Part of what we have to focus on is that everybody eats, three times a day and sometimes more often. The experience of dining is still rooted in some form of social experience. What makes it special is when we're dining with someone else. Both social needs and understanding the average American's wallets is seminal to QSR survival.

What is the future of QSR?

Tom:

QSR is an important part of American retail. Amazon's acquisition of Whole Foods is creating a sea change in grocery; a significant amount of Whole Food's sales are prepared foods. QSR needs to pay attention to the new consumer. Envirosell and King-Casey have a 30-year history providing actionable insights that a client can use. Most QSRs conduct research and there are piles of data and no one knows what to do with it. King-Casey and Envirosell take the data, synthesize it and turn it into action. QSRs need business results; we are consultants and designers, but our key focus is always how can you make a clients' business forward in terms of sales and profits?

Paco:

There will always be a place for high-quality food on-the-go. How can QSRs understand the new consumer and design for them, to maximize their sales and grow their brands? We have a deep understanding of how art and science meet. We can help solve QSR's problems and get to a prosperous solution.

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