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EXPERIENCE COUNTS:

UNMASKING THE DRIVERS OF BRAND PREFERENCE IN QSR

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— Doug Molnar, VP, senior director of planning at Catapult

INTRODUCTION

Nearly two decades after authors Pine and Gilmore first introduced the term "Experience Economy," perfecting the customer experience remains a vital mission for marketers. In the restaurant industry, the notion of "experiences" is typically reserved for the high end — i.e., the fine-dining experience. Yet today's Experience Economy is an egalitarian one: Every consumer, no matter the class or age group, feels entitled to an experience and views almost every brand interaction through the lens of that experience. Across the eatery spectrum, there is an opportunity to dial up the experience quotient, increase ticket sales and build enthusiasm for brands.

These insights lie at the heart of our newest Catapult research study: ***Experience Counts: Unmasking the Drivers of Brand Preference in the Quick-Serve and Fast Casual Restaurant Category.*** Through a two-part survey that isolated the reported influences (stated intent) from the derived importance (actual drivers) of various chain attributes, we drew several important conclusions about what is really driving consumer preferences in the category. The key finding: The self-reported influencers — type of food, location, speed of service, and affordability — were superficially connected to brand choice; the true drivers of brand preferences are experiential.

"Our decisions about where to eat out are multifaceted and complex. They reveal important cultural truths about how we think about ourselves and our communities," says Doug Molnar, VP, senior director of planning at Catapult. "QSR and Fast Casual chains that offer an original and memorable dining experience — one that taps into the true drivers of brand choice — will generate incremental sales and accrue loyalty in this highly competitive category."

In this report, we have divided the results of the research into three sections:

1. *PEELING BACK THE ONION*
   Isolating the reported influences (stated intent) from the derived importance (actual drivers) of various chain attributes
2. *WHAT MILLENNIALS WANT NOW*
   Exploring food trends, health benefits and other ways to leverage brand drivers across the generational cohorts
3. *TAKEAWAYS AND ACTION STEPS*
   Highlighting key survey results and outlining marketing strategies that can create a compelling dining experience for all customers

PEELING BACK THE ONION

Numerous studies have shown the interplay between conscious and subconscious influences on decision making; and where to eat is just as impacted by that interplay. In other words, what consumers say they want from a restaurant meal is not necessarily what determines where they dine out. “The back and forth about ‘where to eat?’ isn’t a rational or functional conversation,” observes Molnar. “There are deeper emotional layers that drive brand selection.” This dynamic has significant implications for investments in product research, menu development and marketing for a QSR (and Fast Casual) industry that is expected to surpass $141 billion in global revenue by 2019[1].

To provide some guideposts for marketers, our research sought to shed more light on the actual drivers of QSR and Fast Casual brand preferences. In phase one — a Catapult ShopperLab™ panel of over 1,000 U.S. diners — respondents were asked how they made their decision of where to eat. An analysis of the rankings determined the reported influencers of brand choice:

WHAT DINERS SAY THEY CARE ABOUT

	Total (n = 1336)	18-24 years (n = 334)	25-35 years (n = 701)	36-45 years (n = 143)	45-54 years (n = 158)
Type of food (chicken, burger...)	78	75	80	80	73
Affordability	73	79	71	68	71
Style of food (American, Mexican, Thai...)	68	68	68	70	66
Location	64	67	66	58	59
Waiting time	59	54	59	64	68
Restaurant Name	45	41	47	56	36
Promotions	49	44	51	52	44
Ability to pre-order	32	30	34	43	20

Q: “Importance in choice of restaurant for lunch/dinner?”

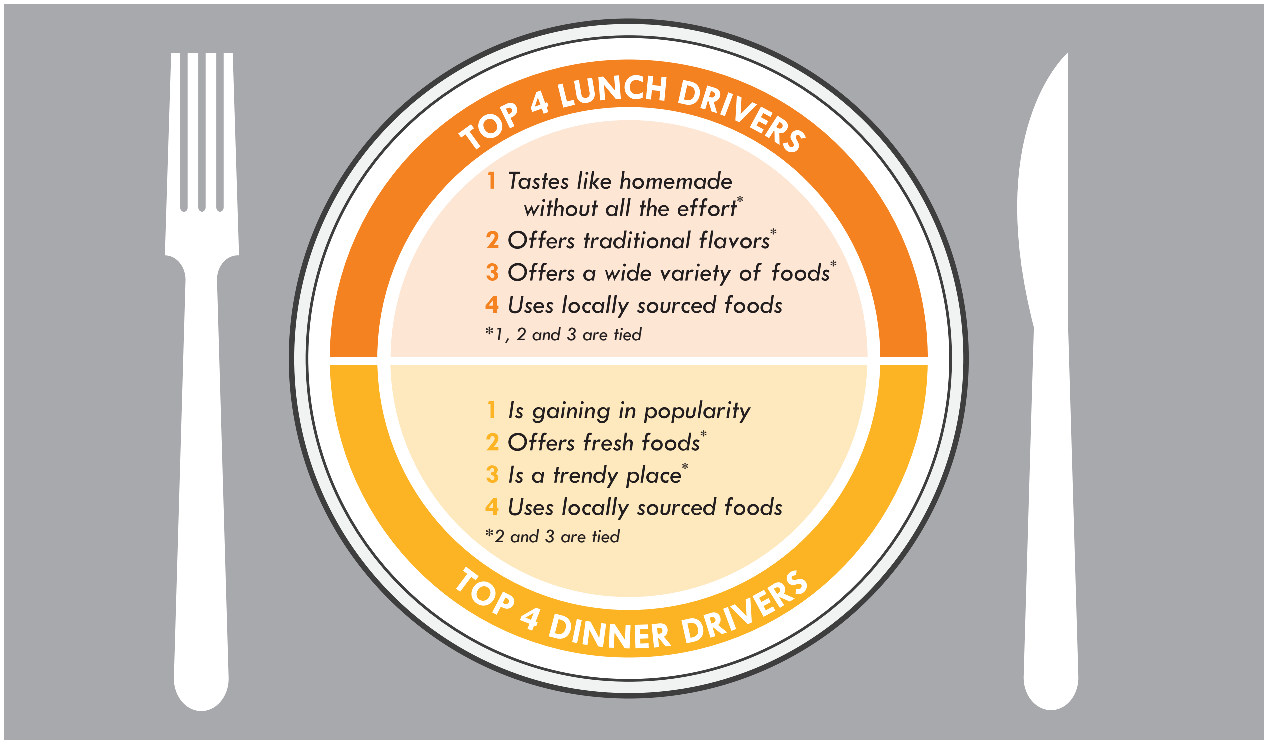
Catapult Shopper Lab, 2016

In phase two — a SolutionScan™ study with over 2,000 U.S. consumers — respondents were asked to list restaurant brands they considered and preferred. Next, they were asked to rank a list of attributes on a 9-point scale based on how important those attributes were to them. Finally: “Based on what you know, how well do you feel each brand fits with the attributes?” A regression model compared the attributes that differentiate the preferred brand from the remaining brands, allowing researchers to produce the derived importance of each brand attribute.

The results showed some stark differences from the earlier findings on stated importance — and from what people normally say they want from a restaurant meal — says Molnar. “Universally, people claim that the primary drivers of restaurant selection are affordability, great tasting food and a satisfying meal,” Molnar explains. “But when we determine what actually drives brand preference, those attributes are replaced by factors such as offering traditional flavors and a home-made taste (for lunch), and seeking new food options or a trendy place (for dinner).”

When we examined those drivers across lunch and dinner, a few patterns emerged. The choice of where to eat lunch was driven mainly by logical and emotional inclusivity concerns related to menu selection, familiarity and comfort (“tastes like homemade without the effort,” “offers traditional flavors,” “a wide variety of foods” were the top three attributes in derived importance), as well as by the desire for communal appeal (“fits well with more lively company and conversation” was tied for No. 4 with “offers high quality foods”). By contrast, dinner was seen more as an aspirational occasion and an opportunity to seek out new dining experiences. Rather than expressing a strong desire for quality or great-tasting foods, respondents rated attributes such as “gaining in popularity” and “is a trendy place” at the top of the list:

WHAT DINERS REALLY WANT



WHAT MILLENNIALS WANT NOW

Millennials are a primary consumer target for QSR and Fast Casual marketers, given their vast collective spending power and tendency to dine out more frequently than other age groups.[1] At the same time, Millennials also tend to be more costconscious than older consumers. Indeed, affordability ranked highest in reported influence among the 18-34 year-olds in our survey. When we dig deeper into what Millennials truly want from restaurant brands, however, the picture becomes more complicated.

Millennials like to try new things and often use social media to share food experiences with friends and family, and this may heavily influence their choice of restaurant. Seeking "a trendy place" topped the list of attributes in derived importance for both the younger (18-24) and older (25-34) sub-groups in the survey, while "introducing new food options" was shown to be slightly more important for the younger of those groups. On the other hand, attributes such as "wide variety", "great tasting foods" and "foods you crave" were not as influential.

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"Millennials came of age in an experienced-based culture, so their expectations with regard to customer experiences are much higher than those of other groups — and that is part of what's driving them to constantly try new things," observes Brian Cohen, EVP, senior group director and head of digital integration at Catapult.

Cohen contends that QSR chains need to think about ways to dial up the "experience and experiment" factor in order to win over today's younger consumers. That can be achieved through menu innovation — for example, by integrating new or unexpected ingredients, such as the quest for the new Sriracha (with Gochujang as the current front-runner) — or by making the order-ahead process more fun and expedient through an exciting new mobile program. QSR and Fast Casual chains can also look to the broader food industry for ideas — such as promoting healthier menu items — that will appeal to Millennial customers.

Previous CPG industry research has shown that the perceived importance of health benefits among different age groups depends on whether those benefits contribute to personal health or the longevity of the environment. For example, in Nielsen's most recent Global Health and Wellness Report (2015), 40% of Generation Z respondents said sustainably sourced ingredients are "very important" to them, followed by Millennials (38%) and Generation X (34%) respondents. Products that are GMO-free, have no artificial colors/flavors and are "all-natural" are also gaining favor with younger consumers. Conversely, 37% of Baby Boomers and 33% of Silent Generation (age 65+) respondents said that sugar-free or low-sugar products are very important, compared to 26% of Generation Z and 31% of Millennials.[2]

Such findings don't always translate to consumers' preferred choice of restaurant, however. For example, in our survey, "offers healthy foods" was determined to be a relatively low priority (for both lunch and dinner) within all age groups. By contrast, transparency in food practices is significant. For example, use of locally sourced foods and ethical treatment of animal-based ingredients (e.g., hormone free, antibiotic free, cage free) were both shown to be much more important drivers of brand preference across the board.

TAKEAWAYS AND ACTION STEPS

Once all of the survey results were in, we asked ourselves: "If marketers can improve on the most influential choice drivers, how much of an impact would it have on their performance?" For lunch, the answer was quite a lot. Through the regression model analysis of the derived importance rankings, we determined that each of the top three attributes — "traditional flavors", "homemade taste without the effort" and "offering a wide variety" — had the ability to increase preference for a QSR or Fast Casual brand by 9% with just a 1-point improvement in that brand's association with that attribute. For dinner, where there were a greater number of secondary drivers, the impact of the top four brand attributes was more diffuse: Each could increase preference for a brand by 2-7% with a 1-point improvement in their association with that attribute.

The takeaway for the QSR and Fast Casual category is, put simply, it's not just about the food. We live in an experience culture, and the dining out experience must live up to the standards that consumers have set in all aspects of their lives. With that in mind, here is a summary of the imperatives for marketers in the category:

- At a minimum, offer the type and quality of food that diners seek at a fair value. Stated importance of these factors is high, because they're the minimum requirements to get in the consideration set and become part of the conversation.
- To become a ***preferred*** brand, move beyond functionality and connect to the unique emotions of the dining out experience. For lunch, help consumers come together for a comforting/familiar and connected experience; for dinner, take them somewhere new for a transformative experience.
- Consider value-added content that speaks to a broader mindset than just food. For example, if it's a mom doing homework with her kids, use paper menus to print study guides with educational tips. Or, if it's a group of college kids headed out for Buffalo wings on a Sunday afternoon, look to strike deals with NFL or other sports leagues for live streaming entertainment.

  "QSR brands should take their cue from Starbucks: Keeping customers engaged is no longer about providing couches or Wi-Fi," says Cohen. "You've got to provide all the elements for a holistic customer experience."
- Menu innovation is critical, but don't stop there. Train staff to top-notch levels and consider how to differentiate with a unique employee brand personality. (Jet Blue has done that for airlines, and many rivals have since followed suit.)
- Consider enhancing subliminal behavioral cues. Atmosphere counts. Think about how music selection, lighting, décor, table layout, traffic patterns and menu design all influence menu choices and create a better customer experience.

FIVE *MUST-DO's* FOR QSR CHAINS:

1 Offer quality food at a fair value.

2 Move beyond functionality and connect to the unique emotions of the dining experience: It's not just about the food.

3 Introduce value-added content that enhances the overall customer experience.

4 Spread innovation from product development to menu design to staff training up and down the organization.

5 Add subliminal cues to nudge customers inside the restaurant: Atmosphere counts.

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1 Technomic data, https://www.fsrmagazine.com/restaurant-experience/what-millennials-want

2 Nielsen data, https://www.nielsen.com/content/dam/nielsenglobal/eu/nielsen-insights/pdfs/Nielsen%20Global%20Health%20and%20Wellness%20Report%20-%20January%202015.pdf