

Technomic Study Answers Why Most Casual Dining Chains Are Hurting

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A recent study by foodservice consultants Technomic sheds new light on the difficulties facing many casual dining chain restaurants and how they can improve results. The research found that these restaurants face subtle and complex challenges that extend beyond the current economic climate, which has cut into consumers' discretionary spending. In fact, it could be argued that casual dining chains have become victims of their own success.

'For one, many chains have overbuilt units, with expansion rates averaging five percent over the past four years even as sales growth was slowing,' said Ron Paul, president of Technomic. 'Restaurant supply now exceeds consumer demand. On top of that, many consumers tell us that traditional casual dining chains lack differentiation, that 'they all look alike.'

Consumers may be cutting back on spending-and visits to casual dining restaurants-but where are they eating instead? At dinner time, the most important daypart for casual dining chains, 85 percent of surveyed consumers agreed that they are eating at home more often, either cooking, or more likely, sourcing prepared meal solutions from various food retailers. But other options are also popular-independent and fast-food restaurants are being used as substitutes for casual dining by over one third of respondents.

In spite of the challenges facing the casual dining segment, some chains remain successful and outperform their competitors, largely through differentiation and better understanding of their core customers.

The Technomic survey found, for example, that the core market for casual dining consists of heavy patrons (who visit casual dining restaurants at least weekly) and moderate customers (who visit two or three times a month). Together, these core groups represent half of all visits. But these customers differ demographically from the general population: they are disproportionately male (55 percent), young (average age 43) and higher-income (averaging close to \$63,000/year). They also tend to live in the suburbs.

'They're not hard to find,' says Paul. 'But now more than ever, in order for a casual dining chain to succeed, they must know themselves, know their customers, and know how to convey what sets them apart in a crowded field.'

The Technomic study, *Casual Dining Outlook: A Consumer Assessment and Best Practices Analysis*, provides chain operators and suppliers to the industry with a better understanding of the current situation in casual dining, as well as insights on formulas for success. To learn more about the research, please contact Ron Paul at 312-876-0004, extension 3932.

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