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Lessons from the Past

By Ron Paul

Looking back often provides valuable lessons about how consumers and the industry have evolved. This becomes especially evident when you analyze how the landscape for major chains has changed. I thought it would be interesting to take a look at the leading players from 1990 and see how those concepts compare to the current industry heavyweights.

OUT WITH THE OLD

Some concepts that were major businesses that year have since been eclipsed by other concepts and fallen by the wayside. The most significant example is **Chi-Chi's**, which was the 28th largest chain in the U.S. in 1990. Twelve other once-hot chains also faded from view, replaced by more successful growth chains.

Hot in 1990 but Gone in 2007

Chain	1990 Ranking	Segment
Chi-Chi's	28	FSR/Mexican
Western Steer	75	LSR/Family Steak
Garcia's Mexican Restaurant	93	FSR/Mexican
The Original Cookie Co.	122	LSR/Snacks
Hot Sam	133	LSR/Snacks
Everything Yogurt & Salad Cafe	143	LSR/Frozen Desserts
Tippin's Restaurant and Pie Pantry	156	FSR/Family Style
Cooker Bar & Grill	165	FSR/Varied Menu
Grady's American Grill	168	FSR/Varied Menu
Trader Vic's	175	FSR/Asian
Luther's Barbecue	195	FSR/BBQ
KarmelKorn	196	LSR/Specialty
Casa Bonita	200	FSR/Mexican

FSR = Full-Service Restaurant; LSR = Limited-Service Restaurant

"…the over-riding theme is diminished concept relevance, though the reasons are varied."

Looking at this list, the over-riding theme is diminished concept relevance, though the reasons are varied. Generally speaking, they fall into three major areas:

- **Narrow Focus** - For single-item specialists like **The Original Cookie Co.** and **Hot Sam**, a focus on cookies and pretzels, respectively, ultimately proved too limited. When major competitive concepts add similar items to their menus, the lure is suddenly gone.
- **Lackluster Niches** – The rest of the chains on this list operated in segments that have fallen victim to changing consumer preferences and new and improved interpretations in other segments. For example full-service Mexican (the realm of **Casa Bonita** and **Garcia's Mexican Restaurants**) remains largely uninspired in the chain market, while independents and quick-casual concepts like **Chipotle** are highlighting more authentic and fresh approaches with far superior results.

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Ron Paul founded Technomic more than 40 years ago. As President and CEO, he directs the firm and all aspects of its research and consulting engagements, covering almost every aspect of the foodservice business. Ron has written extensively about management and marketing topics, as well as a broad range of food and foodservice issues. He is a frequent industry speaker and is often quoted in trade, news and business media, including the New York Times, Wall Street Journal, USA Today, BusinessWeek, Newsweek, CNN-TV and CNBC-TV. *He can be contacted at (312) 876-0004, or at rpaul@technomic.com.*

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- **Limited Differentiation** – There are also many midscale/family-dining operators on this list. Generally speaking, consumers have turned away from the all-things-to-all-people approach in favor of concepts that offer more excitement and specialization on their menus. (This is a trend that should now be of particular concern to some traditional casual-dining chains experiencing weaker performance.)

IN WITH THE NEW

This sort of concept analysis also brings to light examples of sustained solid performance and impressive breakthroughs. **McDonald's, Burger King, Wendy's, Taco Bell, KFC** and **Pizza Hut** have maintained positions in the top 10 and, as noted earlier, new concepts not even on the Top 200 radar in 1990 are now industry leaders. Besides **Starbucks** and **Panera,** eight other chains that either did not exist in 1990 or fell short of sales needed to be included in the top 200 then are now among the 50 largest U.S. chains.

New On the Scene Since 1990

Chain	2007 Ranking	Segment
Starbucks	3	LSR/Beverage
Panera	23	LSR/Bakery Cafe
Papa John's	25	LSR/Pizza
Quiznos	26	LSR/Other Sandwich
Chipotle	35	LSR/Mexican
Texas Roadhouse	36	FSR/Steak
Panda Express	37	LSR/Asian Noodles
Buffalo Wild Wings Grill & Bar	38	FSR/Varied Menu
P.F. Chang's	44	FSR/Asian
Carrabba's Italian Grill	50	FSR/Italian

WINNING FORMULAS

The reasons behind these chains' ascensions are numerous and varied. While space does not permit exploring each concept here, let's look at **Panera**, **Starbucks** and **Olive Garden** as examples of successful strategies. **Panera** has emerged as an industry darling thanks to its unique menu, satisfying consumer interest in variety. **Starbucks** has carved a niche around small indulgences. Environment is also a core part of the appeal for both chains. Comfortable seating, wireless Internet service and more upscale décor helped both become defining examples of the notion of restaurants as a "third place" beyond the home or office.

Olive Garden is noteworthy for its ability to sustain stellar same-store sales quarter after quarter. Part of its appeal is a strong perception of value and service. Complimentary soup, salad and breadsticks deliver a powerful sense of "more for the money" and also play into its emphasis on hospitality and the tagline "when you're here, you're family."

IMPLICATIONS

I chose 1990 as a point of comparison because it represents a climate very similar to the current one. As we all know, consumers are becoming increasingly cost-conscious, bringing with that higher expectations for a solid return on their dollar when it comes to foodservice spending. Also, importantly, in the last 17-plus years, the bar has been raised on expectations for quality but also convenience and, increasingly, value.

Thus, similar to the early 1990s, it is likely we can expect some similar "shakeouts" over time for concepts that are not forward-thinking and agile enough to respond to changing dynamics or that lack sound financial footing. Operators will increasingly rely on their suppliers to help them successfully navigate current and looming challenges to ensure that they are not left behind as market conditions change. Tracking shifts in concept development, consumer dynamics and behavior, and culinary trends will vital to customer-support efforts.

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