

Something for everyone: Concepts continue to merge as operators reach out to new markets, new...

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(Something for everyone: Concepts continue to merge as operators reach out to new markets, new consumers)Author: Michael Schaefer - Date published: 14 Feb 2008

Fast-food outlets with built-in coffee shops. Casual dining chains with fast casual and take-out areas. Outdoor sushi kiosks. Multibranded outlets. These are just a few examples of the way foodservice operators are reinventing themselves, drawing from the best aspects of the fastest-growing concepts in an effort to grow their consumer base.

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In developed markets, much of this is driven by saturation—amid tens of thousands of competing outlets, effective product differentiation is both absolutely vital and incredibly difficult. Likewise, as consumer spending in many markets slows, providing compelling value to increasingly cash-strapped consumers has become crucial. Even in fast-growing developing markets, greater flexibility in outlets and concepts is key to building sales among what is often an incredibly diverse consumer base. Growing same-store sales as consumers cut back

Foodservice operators face a tall order in many of their largest markets. For the biggest players, meaningful unit expansion is difficult in the most saturated markets, while in markets such as the US consumer spending has slowed, with less eating-out and smaller average checks. Consequently, chains such as McDonald's, Starbucks, TGI Friday's and others are faced with seeking sales growth through expansion of existing store sales in a climate of falling total demand.

To achieve this, chains are broadening their offerings, in an attempt to be all things for all consumers—McDonald's continues to roll out McCafes, specialist coffee shops within existing McDonald's outlets, while Outback Steakhouse has expanded its drive-through service in an attempt to drive lunchtime business. One of the most intriguing new casual-dining concepts in the US market, Bengal Coast, offers both fusion cuisine (a mix of Indian, Thai, Malaysian, and Indonesian influences) and a fusion of concepts, with both a full-service, casual dining area and a quick-service, fast-casual area in the same restaurant. Not just a developed market trend

A similar process can be seen in many developing markets, though the reasons driving it are quite different. Chains such as McDonald's have long used smaller, kiosk-style outlets as a means of driving sales among lower-income consumers unable to afford a full meal. Likewise, Nando's, a popular fast-casual chain in the UK and Australia, takes a much different approach in its native South Africa, using a broad array of menu options to appeal to both low-income and affluent consumers alike.

In many of the fastest-growing economies of the world, development remains uneven—while incomes and living standards may be rising across all groups, some have benefited far more than others. While many global chains have focused their efforts on the most affluent urban classes, considerable purchasing power exists among poorer consumers, particularly for those chains willing to experiment with outlet design and menu selection. Constant reinvention ahead

The rise of fast-casual and casual dining restaurants has been a hugely disruptive force in the global restaurant industry—some of the world's fastest growing new chains have been those that straddle the line between fast food and full-service dining, offering new combinations of quality, fast service, and value pricing. Consumers in many markets have responded enthusiastically, demanding both superior quality and optimal service.

Going forward, more chains can be expected to embrace this trend—indeed, greater adaptability and flexibility is expected to become more and more of a necessity. As developed country consumers continue to age, fast-food chains can no longer focus solely on young people—to maintain growth, menus must offer something for every consumer, at every time of the day. Likewise, operators looking for growth in developing markets must take care not to overlook poorer, less urban consumers—while spending less individually, in the aggregate they represent a vast (and growing) pool of disposable income.

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