

# How Emerging & Growth Chains are Redefining the Restaurant of the Future

Coronavirus Impact on the Foodservice Industry:  
A continued look at restaurants of the future



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Emerging & growth chains are shaping the future of Foodservice - Emerging & growth chains with 20 to 400 units are not only surviving COVID, but thriving in the “new normal” through menu and store innovations, and defining the future of Foodservice.

One of the great virtues of these brands is that they recognize the need to be open-minded, listen, connect, and collaborate with other growth chains and their supply-chain partners. What makes these brands so influential is their unique business models, which are comprised of compelling menus and service formats that leverage their entrepreneurial culture. They also are nimble and responsive, allowing them to test new ideas and adjust their brand faster than larger chains.

This success has made larger chains stand up and take notice. Restaurant starts-ups are an incubator for new ideas. The ones that grow to 40+ units are the ones that have demonstrated something different and relevant. Larger chains—and starts-ups, if they are smart—will study these success stories and adopt elements of that success into their own models.

We must all think like these emerging chains – Those that wait for the “old normal” to return will likely be looking at the “new normal” from the outside.

So, why are emerging & growth chains of 20-400 units changing the Foodservice landscape?

## They are Unique

Successful emerging and growth chains have introduced, tested, and proven out creative and unique **concepts**. Of the 1000's of restaurant start-ups, the ones that get to this level of 20-400 units are the winners. Why? They have introduced new menus, creative and compelling foods, and unique store designs that have proven to be successful with consumers. Being better is no longer good enough. To win, you must be different. (Shake Shack image)

Many operators typically choose to play in one segment, such as QSR, Fast Casual, Family Casual or Fine Dining. **Emerging and growth chains don't play by those rules, and aren't constrained by pre-set definitions of what a restaurant should look like.** Once they launch their concept, they are quick to modify, adapt, and course correct as they learn and test. In a new era of dynamic customer preferences, this mindset of flexible adaptation is what serves to set businesses up for long lasting success.

If we had to segment these influential chains, most would fall into the Fast Casual space. They have a distinctive position in the market, offering a unique higher quality meal, served in an atmosphere with a smaller footprint and limited table service. As a result of the business pressures over the past year we see many emerging and growth chains adding drive-throughs, curbside service, and expanding their delivery capabilities by adopting an omnichannel take-out strategy via partnerships with third-party applications. A strong off-premise business model is now a must-have for restaurants to succeed. Emerging & growth chains will likely lead the industry in investing to optimize the four crucial off-premise service formats: drive-through, take-out, curbside and delivery.

## They have an Entrepreneurial Culture

Restaurant brands that manage with a mindset that they need to continuously get better, will get better. Dynamic brands of 20-400 have the ability to attract quality team members who are committed to servicing their guests in a way that exceeds expectations. This comes from a culture of service which is driven by entrepreneurial leadership. Employees like to see leaders in their restaurants, not only eating there, but working side by side with them. Great culture starts with leaders who are approachable and engaged listeners.

These 2 characteristics—being unique and having an entrepreneurial culture—are why emerging & growth chains are so influential. For other chains and suppliers, understanding the special nature and "change-agent" impact of this group of restaurants can help to inform their own strategies, investments, and go-to-market models.

What the data shows

According to the Kinetic12 Q1 2021 Emergence Report, which tracks survey results from surveys and interviews with more than 75 emerging and growth chains, there are three areas of focus coming out of COVID-19: menu re-engineering, improving labor productivity and efficiency, and optimizing the store footprint. These lead to a common goal of improved profitability and a better customer experience.



### Menu Re-Engineering

Despite being successful from the start with a simple and focused menu, emerging and growth chains, like many restaurants, have expanded menus over time in an effort to broaden their appeal.

COVID was a “menu wake up call” and menu simplification became a logical place to focus as sales dropped and businesses were forced to cut costs. The goal of “menu re-engineering” was multi-fold and includes cutting skus to reduce inventory and waste, optimizing menus for off-premise, and streamlining and simplifying the prep process to speed up service, decrease mistakes and allow the kitchen to be run by fewer staff. Additionally, menu re-engineering was about coming back to the restaurant's roots and refocusing on those best sellers that each concept is truly known for.

### Labor Productivity and Efficiency

As menus became larger and more complex, restaurant chains needed more skilled and specialized labor. In some cases, additional scratch preparation was added, leading to higher food costs and greater labor costs that chains were not getting credit for from the consumer. When COVID forced chains to reduce costs, labor was an obvious place to review. Cutting labor didn't come without an impact however, and so operators simplified menus, cut back on complex scratch prep recipes, cross-trained staff to take on more responsibility, and better prepared employees to shift into off-premise as customers moved to online ordering.

These chains were able to improve labor productivity without sacrificing their brand standards due to their flexibility and entrepreneurial culture.

### Optimizing the Store Footprint

Most of the emerging and growth brands of 20-400 units had developed prototype footprints for their concepts pre-COVID, and also had dipped their toes into smaller footprint formats based on opportunities for non-traditional location expansion. This included smaller footprints designed to open in airports, office buildings and other high density locations.

The dramatic impact of COVID on top line sales combined with the forced optimization of off-premise caused many chains to rethink their own “restaurant of the future.” These brands have now

developed, or are in the process of developing, new footprints that are smaller and more efficient, and provide greater flexibility for the consumer to dine-in or use a number of off-premise options.

Additionally, many chains have found creative ways to provide a high level guest experience by incorporating flexible outdoor seasonal seating. Kitchens are being adapted to provide greater efficiency and an overall layout that flows better and reduces unnecessary space.

Looking forward, emerging and growth chains will likely leverage their innovative culture and flexibility to be leaders in new store footprints and designs.

## How Suppliers Can Help

Strategic supplier relationships have never been more important to operators to help them address these three areas, according to the Q1 2021 Emergence Survey data.

Emerging and growth chains have eliminated infrastructure over the last year and are turning to suppliers to fill the gap. They are looking to partner more effectively with strategic suppliers who have the capabilities and differentiators to support their changing needs. With footprints getting smaller—including kitchen space—and menus being simplified with fewer single-use ingredients, operators are looking to their suppliers to support innovation, trends, and ideas. Having the right strategic partners to support their needs is an efficient and logical way to achieve this.

Emerging and growth chains are shaping the future of foodservice. What makes these brands so influential is they have built unique business models with compelling menus and service formats while leveraging their entrepreneurial culture. As we emerge from COVID, chains that have pivoted and adopted the aforementioned strategies are likely to continue to lead the industry with innovative foods, formats and services.

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*Contact us to talk or learn more about how we can help your organization understand the Restaurant of the Future and how Emerging & Growth Chains will define the future of Foodservice. [Kinetic12.com](http://Kinetic12.com)*

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