



Little Fish in a Big Pond

How an Independent Quick-Service Concept Can Compete With the Big Fish

BY JAY GOLDSTEIN

It may be helpful to think of competing with the national franchise chains as a bit like being a little fish in a big pond. If you do the proper research and know the waters, understand your strengths and weaknesses as well as theirs, know where you are going and have the vision and commitment to execute your plan you will significantly increase your chances of survival. This must all be done very carefully and deliberately.

There have been untold numbers of QSR (quick-service restaurant) concepts that went up against the national chains (in this article, we'll call them the "Big Fish") and lost. The landscape is littered with their remains. There is no need to name any of these concepts, but I'll bet that you are aware of them in your own marketplace. It is very interesting to review these failed concepts to see what we can find as common mistakes and learn what to avoid. Let's examine some failed attempts and see what we can take away from them.

Imitation is the Sincerest Form of Flattery, but Deadly for Independent QSRs

There are many unsuccessful QSR operators who thought they could do a better job at what the Big Fish were doing and be rewarded for doing so. Imitation is the most sincere form of flattery, but it is not a wise business strategy to follow in the QSR segment of the restaurant industry. In some cases, little fish actually could do a better job, but they found out that imitating the Big Fish did nothing for creating their own identity or building their brand and brand image. If they copied their products not only would they give up their own identity, but they may find themselves in an intellectual property rights legal battle with the Big Fish. They became just another "me too" and they weren't even a close number "too." There are so many units of the Big Fish and only one of them. How in the world did they think they could stand out and attract the consumer?

They thought they could do it cheaper. This is idiocy. The Big Fish have some of the best site search tools, market research, construction companies or contractors, and systems. Their purchasing departments are precisionlike machines and have negotiated some of the best pricing for raw materials, equipment, furniture, signage and supplies.

If you paid more for almost all of these aspects of the business, how can you beat them on price and be happy with the results?

They thought they could outmarket the Big Fish. Marketing like the Big Fish do is not typically within the financial reach of the independent operator. Imagine attempting to match media spending with the Big Fish, who spend hundreds of millions of dollars collectively. They make so much media "noise" that it would be almost impossible for you to be heard competing in that arena. Because of the Big Fish purchasing power they are able to run deep discounts or high-value coupons that would prove difficult for an independent to match. If you in fact copied them and attempted to beat them at their own game, eventually the Big Fish will wake up and smack you down. Most often they won't allow smaller players to steal their market share playing their own game. They can outspend you and outcoupon you until you stop or go away.

Little Fish Survival Strategies

With all of this in mind, let's now explore how you can succeed as an independent in the QSR segment. First and foremost, you have to take a strategic approach. As you develop your business plan or look to revamp your current business and plan, it is important to give due consideration to several key issues. Whether you sell sandwiches, hamburgers, chicken or pizza, these key issues will apply to you and your business.

Know who you are and who you are not. This sounds so simple, but without this information you will not be able to build the solid foundation required to compete. If you attempt to be all things to all people you are most certainly doomed for failure, or at best a mediocre existence. By spending the time to understand your concept, what it is and how it fits into the crowded marketplace, you will best be able to create focus for yourself, your employees and your customers. It will enable you to establish filters for decision making. Whether you are considering design elements, uniforms, menu items, pricing or any number of other components of your concept, it is absolutely critical that these things "fit" the concept and don't confuse your employees or

Case in Point:

The Independent QSR World According to Chris Irwin

Chris Irwin owns Boomer's Drive-in, an independent quick-service restaurant (QSR) in Bellingham, Washington. Boomer's has been in business for 19 years and Irwin has owned it for the last nine years. During that time he has almost quadrupled the restaurant's annual sales. Here is a summary of the philosophy he has put into action that has led to his success.

You need to be well-funded to make good decisions and be able to compete. Irwin says that a number of restaurateurs enter the business without proper funding and that it causes them to make short-term decisions as a matter of survival that don't always add up to creating a great business. The customer has a keen sense of awareness when it comes to a restaurant cutting corners to save money. With the right amount of money you can weather the early storms that may come your way and stay true to the concept.

You never get a second chance to make a good first impression. Your place has to look at least as good if not better than McDonald's®. He pays close attention to the details of his physical plant. He says there are a limited number of concepts that rely on the "funky," run-down look and that is definitely not what Boomer's is all about. One of the first things he did upon purchasing the land and building for Boomer's was to add 1.5 inches of asphalt to the parking lot, have it sealed and freshly striped.

Irwin says that a parking lot that is in a great state of repair is imperative. He has the lot sealed and restriped regularly to keep it as pristine as possible. Putting your best foot forward beginning with the ex-

terior also includes the signage and neon, the paint and the ordering station. He says you have to look nice to impress the "Big Fish" customers. It is important to invest in the business. A lot of owners don't budget for this or don't think it is important and that is a big mistake.

Differentiate your restaurant and clearly define your points of difference. You need to sell something better. It has to be better looking and better tasting. You can charge a bit more for something that's unique and great.

Irwin serves a variety of specialty burgers, waffle fries and "Honest to Goodness" real, hard ice cream milk shakes. Pricewise, Boomer's is well-positioned between Red Robin and McDonald's. His per-person check average is \$6.60 versus the \$10-plus for Red Robin. He has created a great perceived value for his customers. His style of service is also unique. His customers can drive up and get their own food or they are served by car hops. This keeps the concept fun and develops an element of service missing from many of the Big Fish.

Know your target audience and don't compete on price. Irwin is not going after the 99-cent menu crowd. They will come to him only for occasions. He knows that he cannot operate or compete on price and he doesn't even try. His customers are there for the quality of the food and service and for the total experience. His focus is operational excellence that consistently delivers the Boomer's experience to every customer.

Irwin puts his money into things that he believes drives the business and on what the customer notices. He says that you should save money where you can and where it makes sense so that you

customers. Define your concept to the point that making these decisions becomes easy. Until you do, the concept is too "fuzzy."

Don't try to be someone else. Be true to yourself and your concept. Whatever you do must be believable to the consumer. An example of a concept that went seriously off path was a local bagel and sandwich shop in suburban Dallas. When the initial concept wasn't working, rather than looking at what they could do to improve the quality of operations or the value for the customer they added tapas to their sign and the menu. When that didn't work they added Mediterranean to their sign and expanded their menu. When that didn't work they added hamburgers to their sign and the menu. When that didn't work they went out of business. All the while they were adding complexity to their operation and consistently confusing the customer.

Play to your strengths. Knowing your concept intimately will help you play to your strengths. Identify your points of differentiation. Know what makes you stand out or special and how you can make that sustainable. Know your competition and what they are doing. You must separate yourself through unique product quality, service or menu items.

If you can't win the war, change the rules. Rather than chasing the Big Fish marketing strategies, you should market differently. Your budget will probably call for anywhere from 2 percent to 6 percent of sales to be spent on marketing your concept and your brand. Effective marketing will drive foot traffic through your doors and it will drive customers to purchase certain items. Both will drive your sales and profitability. By driving customers to buy particular items you are able to feature signature items, bundled meals, new menu items or high-margin items. You can do all of this without necessarily discounting or sacrificing margin.

Understanding your target customer — who they are, where they live and work, and what they enjoy doing — will

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help you reach that customer. Typically the Big Fish are buying airtime on radio and TV, while also advertising on billboards, public transportation, in newspapers and magazines and many other ways. You will have to be more creative and specific with your advertising efforts to ensure that you reach your target audience. Again, knowing your concept and who it appeals to gives you great advantage.

Although the Big Fish participate heavily in community involvement, they usually do it at a broad level. They will support larger charities and organizations like the United Way and many others. You have an advantage in that you know the details of your market. Make geography work for you. Be the big fish in the small pond. You can connect with the customer at a very different level. You live here, work here, go to church here, participate in local government here, your kids go to school here and everyone knows you and your business. You are building relationships with schools, coaches, churches, camps, local clubs like Rotary, Lions, local fire departments, local police stations, ladies groups, day-care centers, private schools, bankers and real estate agents. You can support a local church, a family in need, or one particular fire department. You can put a name and a face on what you are doing in the community and that can all help to make you a local "hero." You are putting a personal effort into the community versus a corporate effort and that is valued by your customers. You have the distinct advantage of having "Everybody know your name." This is the television show "Cheers" idea in reverse. They know you and they talk about you. It not only is a marketing strategy, it is a commitment to the community and you will feel good about your contributions. All the while you will be building apostles for your business.

Develop and 'own' unique product offerings. You can have some fun here

and push the edge of the envelope in creating your signature item(s). You can use higher-quality products, unique combinations of product, or a unique twist on a recognized item. You need to talk about it, feature it, execute it and protect it if you can. This is a great opportunity to make your concept stand out in the mind of the customer.

There have been a number of smaller independent concepts that gained regional recognition for what they were doing. Schlotzsky's sandwiches out of Austin, Texas, In-N-Out Burger in Southern California and White Castle in Ohio all created a cultlike following of loyal customers by establishing their uniqueness. Schlotzsky's was a one-of-a-kind sandwich of specialty meats, cheeses and marinated black olives on a fresh-baked signature bun. In-N-Out Burger has a 50-year-old-plus menu of simply burgers, fries and drinks. Everything is made fresh to order, and there are no microwaves or freezers. The french fries are made from hand-diced, fresh, whole potatoes and milkshakes are made from real ice cream. White Castle claims to have jumpstarted the nation's first hamburger century. They "steam grill" their signature Slyders and have created legions of "Cravers" for the brand. They have even been able to capture the magic of their Slyders in a frozen product that is shipped around the nation to loyal customers who have moved out of their trade area and still need their Slyder "fix."

Little First Can Be More Nimble Than Big Fish

If you want to affect a change in your business you can do it immediately without having to go through mountains of red tape, multiple levels of decision making, and weeks or months of waiting for the official rollout package. Being close to the customer allows you to gain valuable insight to make changes ahead of the Big Fish. Use this to your advantage.

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can spend money where it will make that difference for the customer. One example he gives is the 15 cents per box it costs to box a burger to go. He prefers to wrap the burger tightly in paper and then place it in the bag. This not only saves money, but it also delivers a better product in that the burger is intact versus sliding around in a box, creating a mess.

Create an environment that makes the employees happy.

"Happy employees will make your business for you," Irwin says. He puts a lot of time and effort into making this a reality at Boomer's. He says that you don't see a lot of smiles and sincerity at McDonald's and that Boomer's separates itself by taking good care of the customers, delivering a cheerful smile and a great hamburger.

"Employees want good schedules, to be empowered to make decisions, to have equipment in good repair and to have the tools and supplies necessary to do their jobs well," he says. Even Irwin's employment ads speak to his employee-centric environment. His Web site says, "No polyester, no security cameras, and no yelling." It is his mission to create value in the environment for the staff.

"I trust my employees," Irwin says. "I hire the right people, teach them what to do, trust them to perform and talk to them about school, life, sports, and so on. I pick my battles carefully, and I'm quick to cut my employees some slack."

In Irwin's world, an independent QSR can't compete on price, but service and quality absolutely can put you over the top. "There is no rocket science here," he says. "The restaurant business is very simple and most people overcomplicate things."

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