



Limited-Service, Unlimited Possibilities

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[Home](#) > Yes Ron, There is a Fast Casual

Yes Ron, There is a Fast Casual

Former Panera CEO says the segment isn't real, but *QSR's* columnist disagrees.

Last October, I attended an industry conference and saw Panera's founder Ron Shaich moderate a panel of great industry leaders. Those of you who follow me on Twitter know I also had the chance to ask Ron a question about the development and future of the fast-casual industry. Ron answered by noting that there was no such thing as fast casual and that no consumer says, "I am going to go to a fast-casual restaurant." Needless to say, this caused quite a buzz amongst those of us in the segment, and there has been a bit of a debate going on since then.

Early this month, NBC will premiere a new reality show called "America's Next Great Restaurant." Although I will admit that I have shown people clips from "Hell's Kitchen" to demonstrate how to not treat your employees and coworkers, I generally stay away from reality TV. However, this new show has a panel of judges including Bobby Flay and Steve Eells, founder of Chipotle, who will actually invest in a chain based on the winner's concept. According to reports Eells made some interesting comments on the fast-casual segment at a January press event for NBC:

"There's a food revolution going on in this country," Eells told press at the Television Critics Association press tour. "People are really concerned about what they're eating. This notion of a fast-casual restaurant is different from fast food. ... Fast casual brings real food and real cooking and adds convenience."

Consumers may not know the name of the segment, but they are choosing what it offers.

With more than 1,000 locations each, Panera and Chipotle are without a doubt the titans of the segment and two of the hottest publicly owned companies in the restaurant industry, but Eells and Shaich's quotes seem to be at odds. While I represent a company tiny in comparison, I have no problem refereeing this exchange of opinions between the two great innovators.

To be blunt, both Eells and Shaich are correct, although Eells hits on what makes his concept and fast casuals in general special. Along with many of my colleagues, I believe that segment categories really just have meaning to those of us in the industry. Consumers only really use these terms when referring to the top and the bottom of the segment pyramid. They may choose fine dining to refer to something special or quick service to refer to something quick and inexpensive, but I doubt any diners use the segment titles for any other segment. As a result, Shaich scores some points.

When given the chance to group restaurants using phrases like "similar to restaurant X or restaurant Y," however, consumers clearly understand what the categories are. All the data and surveys I have seen show this is especially true in fast casual. Fast casual has

survived and thrived during the recession. Chipotle's tagline "food with integrity" sums up the best fast-casual operator's mindset and the passion many people increasingly have for their restaurants.

Consumers love the thought and effort that chains like Chipotle put into both their food and the way they do things. They also appreciate the simplicity of the food and the absence of artificial ingredients and preservatives. Basically, segment leaders in fast casual don't serve @#\$%. You only need water, salt, flour, and yeast to make great bread and just a few spices to cook a great turkey or roast beef.

I decided to test out what I have read in previous surveys in the real world. Panera and Chipotle made this easy for me since they have locations next door to each other in Nashville. I put on my reporter's cap and asked people at each location (and at Bread & Company) why they decided to eat at that location. Every one of the approximately 30 people I asked mentioned the quality of the food or the overall experience compared to where they might have gone otherwise.

Some also mentioned the speed and expense compared to higher-end table-service restaurants they might have gone to. A number of the Chipotle customers also mentioned the company's commitment to sustainability in terms of food and the environment. Of course, my methods were far from scientific, but the results demonstrate that the offerings of fast casuals do resonate with consumers.

In conclusion, yes, Ron (Shaich), there is a fast casual. Consumers may not know the name of the segment, but they are choosing what it offers. Furthermore, they are doing it at not just the 2,000-plus Panera and Chipotle locations, but at hundreds or thousands of other fast-casual restaurants.

Ron and Steve, if you want to chat more about this, shoot me an e-mail or give me a call. Better yet, join me at an educational session at the upcoming NRA show.

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