

FAST FOOD

KANTAR BRANDZ

FAST FOOD TOP 10:



DEFINITION:
The fast food category includes quick service restaurants (QSR) and casual dining brands, which vary in customer and menu focus, but mostly compete for the same dayparts.

QUICK AND MOBILE/ FAST FOOD'S DIGITAL REVOLUTION

Category Brand Value
Year-on-Year Change

+18%

Fast Food Top 10
Total Brand Value

\$ 354,177 m

FAST FOOD

As a category, the world's top fast food brands grew a combined 18%, with nine out of 10 brands posting year-on-year growth in the 2022 BrandZ rankings. This is no small feat after a pandemic that forced these brands to operate well outside business as usual: less in-store dining, less workday lunch demand, less high street walk-in business.

In response to these challenges, top fast food brands have accelerated their pivots toward delivery, takeout, and online ordering. And these pivots have *worked*. Today, for instance, more than a quarter of McDonald's sales revenue in its top six markets worldwide come through digital channels.

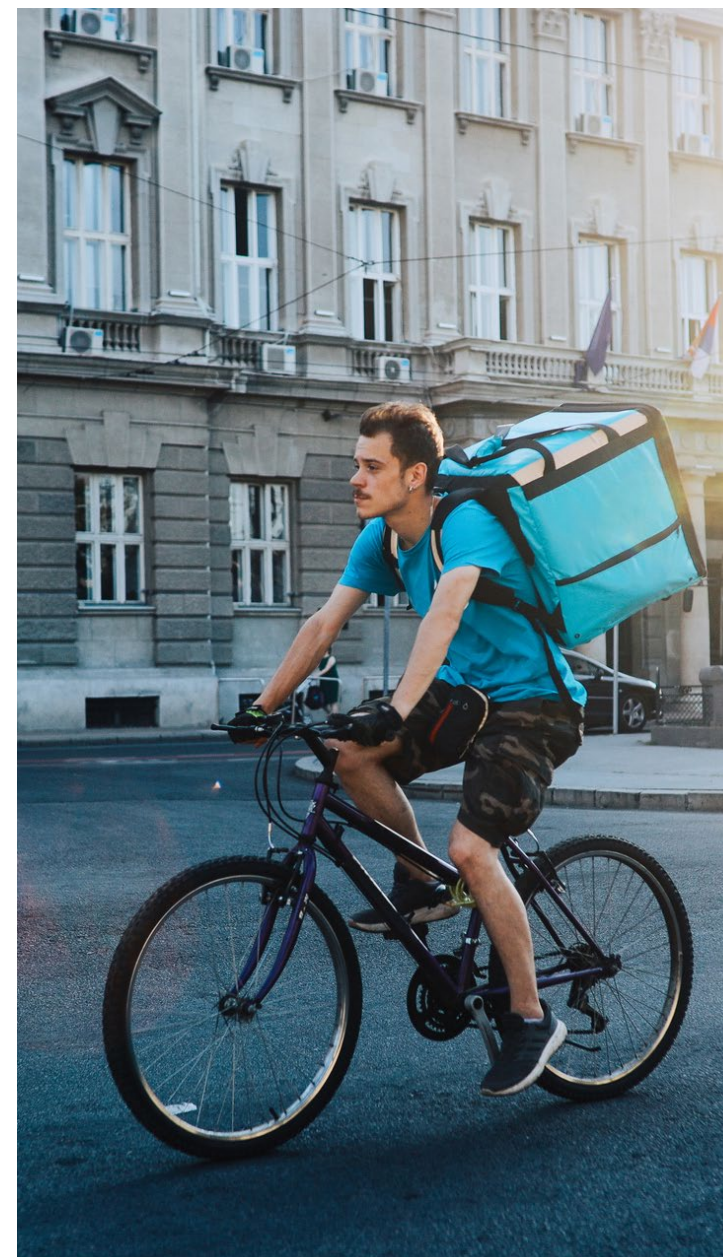
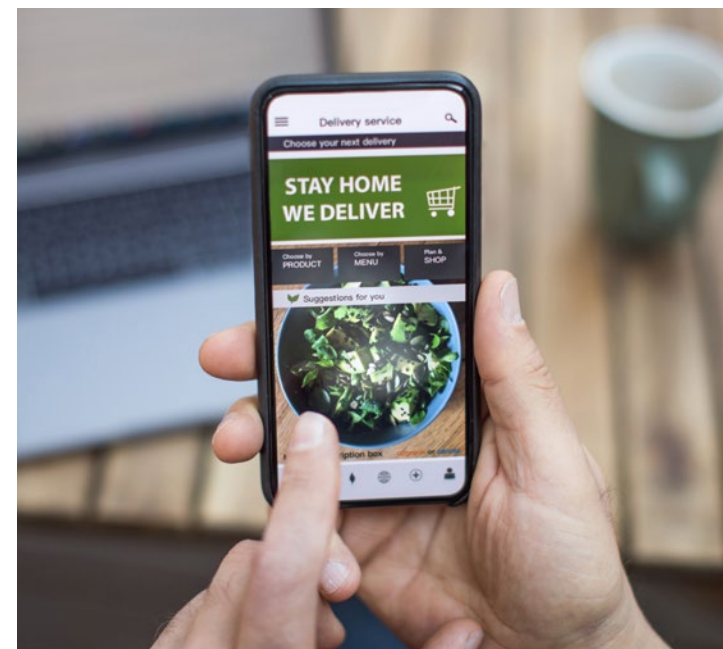
Revamped apps, extra drive-through lanes, personalized digital value bundles: innovations like these have made the transition to out-of-store dining as smooth and enticing as possible. But just as importantly, consumer demand for fast food has proved remarkably resilient over the past two years. At a time when so many other avenues for pleasure were canceled or compromised by COVID-19 protocols, people were eager to treat themselves in smaller, everyday ways. In this context, fast food's reputation for strict standardization is a bonus, not a bore. Even as so much has changed, a Big Mac still tastes exactly the same.

Fast food brands' continued financial success has given them welcome breathing room, as they assess their future and begin to fully reopen their dining rooms. Going forward, the task at hand is to determine what exactly the "next level" transformations should be, across all levels.

Real estate is one big decision area. Should fast food brands go all-in on designing concepts for additional drive-through lanes? And if so, should those lanes be optimised for ordering ahead, in the way that Chipotle has designed its "Chipotlanes" around app order pickup?

Relatedly, now that delivery and takeout are ascendant, should brands move away from the "cafe-style" restaurant concepts of the 2010s, and develop more limited-seating kiosk formats? Or should they go farther, and emulate the US burger chain Wendy's, which has announced plans to open up hundreds of delivery-optimized "ghost kitchens" around America?

Conversely, is there still room to double down on in-store experience, and turn certain restaurant outposts into even more inviting, joyful, design-forward spaces? More maximalist designs would certainly fit in with GenZ's screen-first visual aesthetic. On TikTok, for instance, video tours of pastel-hued, unrenovated 90-s era Taco Bells can rack up millions of views.



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Logistics is another area where the need for ongoing transformation is clear - but the road ahead has many forks. Recently, for instance, McDonald's has renewed deals with brands like Doordash, Uber Eats, Grab (Southeast Asia), and Swiggy (India) to keep its food on their delivery platforms. But McDonald's has also built out new ways for people order delivery within the McDonald's App itself. These app orders can then be fulfilled either by third-party platforms, or sometimes by McDonald's own, in-house delivery fleets (which it currently operates some Asian markets).

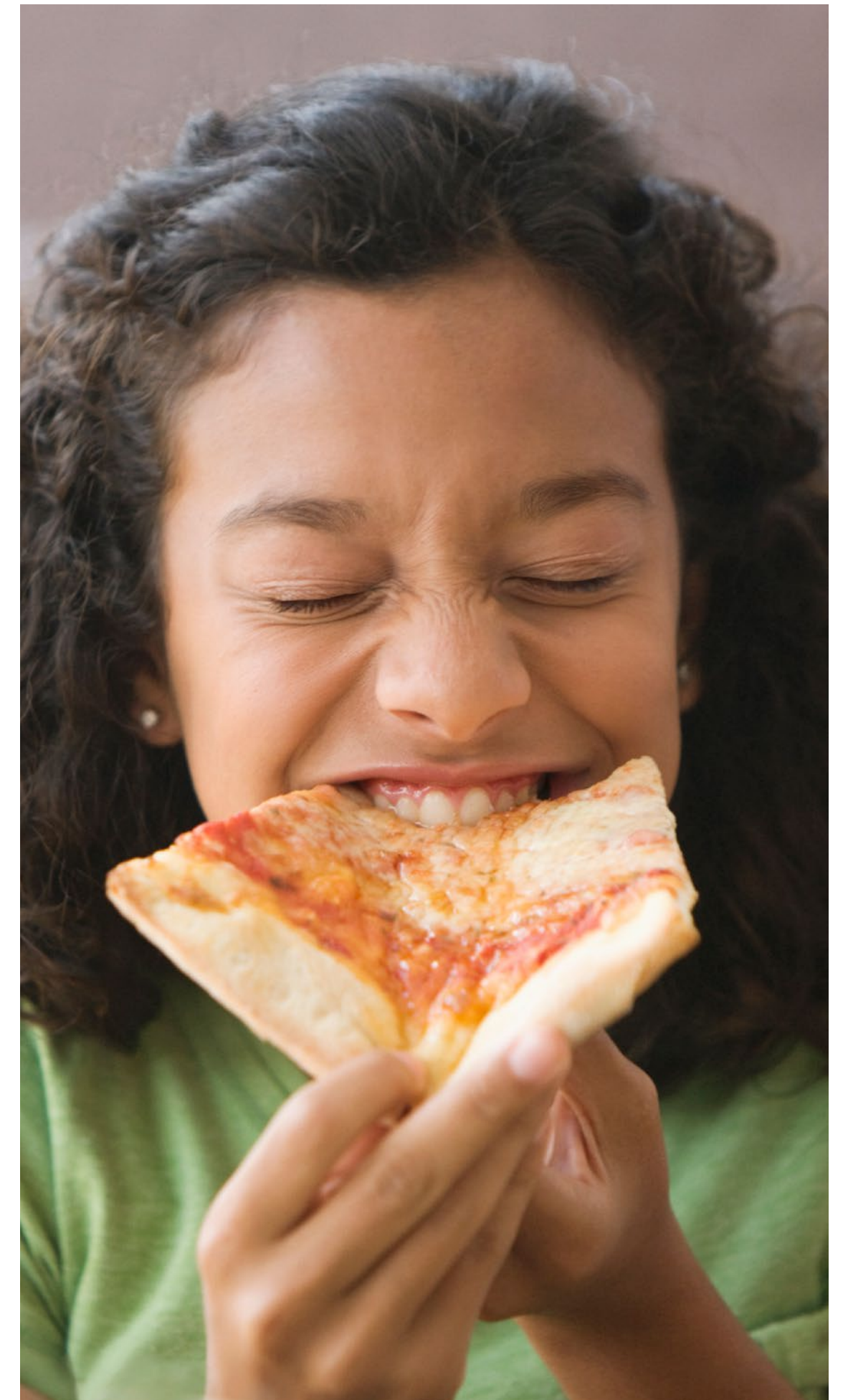
"White labeled" third-party delivery is fast becoming a new industry standard; Subway's in-app delivery debut, for instance, is powered by Doordash. Pizza brands like Domino's, however, still mostly to rely on their own apps and drivers. This controlled approach helps them to deploy proprietary technology that keeps their pies hot and intact over longer distances. (In the delivery realm, nothing is more hazardous to brand reputation than cold or damaged food).

In the digital era, the risks of moving onto the third-party apps are clear: suddenly, fast food brands' menu items represent just one option among a near-infinite scroll of delicacies: Mexican, Thai, Indian, Italian, and more... The benefit of going third-party is that customers *like* having all these options - which means they're more likely to start their meal search on an aggregator like Zomato than on an individual brand's app.

Going forward, too, there's an open question around just how much fast food brands are willing to commit to running in-house tech incubators. Domino's decision to go all-in on online ordering in the early 2010s made it an expert on "last mile delivery" long before that term became a cross-category buzzword. Today, it is adapting the digital playbook it ran last decade in markets like the US and India, into new markets like Nigeria, where app-based delivery is still in its infancy.

Meanwhile, in 2021 Yum! Brands completed its acquisition of AI-based automation firm Dragontail, and is now integrating it into operations at brands like Pizza Hut and KFC. The goal of Dragontail's technology is to discover new efficiencies around kitchen flow and delivery routing, while also providing customers with richer order tracking information. Yum! has also acquired Kvantum, which uses AI and machine learning to power order recommendations and marketing insight. And it continues to refine HutBot, an app that provides digital coaching and restaurant management tools.

In contrast, McDonald's recently decided to spin off two of its highest-profile tech bets. One acquisition, which uses AI to process voice-based orders, has now been sold onward to IBM. The other, Dynamic Yield, uses data insights to integrate personalized deals into kiosks and apps; it has now been acquired by Mastercard. McDonald's has said it will continue to use both technologies in partnership with their new owners.



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As fast food brands continue to chart their technological futures, they are also contending with the here-and-now challenge of inflation. This challenge is dual-pronged. The cost of many food ingredients has gone up in ways that brands cannot absorb, without adjusting menu prices slightly upward (or adjusting portion sizes slightly downward - say, 8 chicken wings instead of 10). At the same time, higher prices in other consumer sectors (such as gas) have squeezed household budgets.

The result is a new focus on value. Value doesn't have to mean rock-bottom prices. Indeed, the days of fast food brands competing to have the cheapest "budget menu" are long gone. Quite the opposite: Especially in the context of delivery (and delivery fees), for many customers, it's no longer the case that large fast food brands represent the absolute cheapest option for any given meal - or the quickest, for that matter. In some markets, the cost of fast food delivery may even be approaching that of restaurant takeout. But all the same, and even as family's budgets are becoming squeezed by inflation as well, fast food revenues have thus far held up - because their products are still *valued*. That is, they are still seen as providing a Meaningfully Different dining experience.

Even in the "infinite scroll" that is today's dining landscape, nobody but Starbucks can make a Frappuccino. Nobody but Burger King has the Whopper. Technology matters, then, but so does product - especially if that product can be embedded in marketing moments that enhance a product's intrinsic meaning. For this reason, fast food brands have started taking themselves seriously as purveyors of more than just food - but also of experiences, and culture.

The importance of experiences, sociality, and ritual to fast food brands can be seen in the rise of customizable, in-app "party bundles." It's present, as well, in the way that young people boast on dating apps of being just as happy throwing back cheeseburgers in a park, as they are sipping champagne on a rooftop bar: fast food has become a symbol of unpretentious "realness," and uncomplicated joy.

Sociality is an animating force, too, behind the rollout of products like Domino's melted dips, which encourages customers to gather, fondue-style, around a shared molten pot. (That product is shared, but also "shareable," in the sense that the "cheese pulls" it yields are perfect visual fodder for TikTok.)

Culture, meanwhile, is the crux of the ongoing "celebrity collaboration" menu trend. In 2021, McDonald's launched its first-ever international celebrity tie-in, with the Korean boyband BTS. It also rebranded its annual, app-based "December Deals" promotion to include content from the "Queen of Christmas" herself, Mariah Carey. Subway, for its part, has paired its menu revamp (fresh mozzarella, crispier bread) with a range of athlete-endorsed sandwich deals that are only available in-app.

The thrill of participating in a cultural moment is also the motivating factor behind fast food menu items going viral on TikTok, whether that's Popeye's chicken sandwich in the US, or the Chicken Big Mac in the UK. (Both items had to be temporarily removed from menus, while the brands responsible caught up with surging demand). It's hard to predict, at present, which new items will "hit" in this way. But the very fact that there are "viral fast food trends" at all, speaks to the category's enduring cultural potency.



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BRAND SPOTLIGHT



McDonald's has further strengthened its brand with a focus on digital ordering and delivery channels. After a successful launch in the US, McDonald's is expanding its loyalty and rewards app to global audience, with the goal of holding on to customers who tried online ordering for the first-time during pandemic – while driving more of these customers to order in-house rather than through third-party platforms.

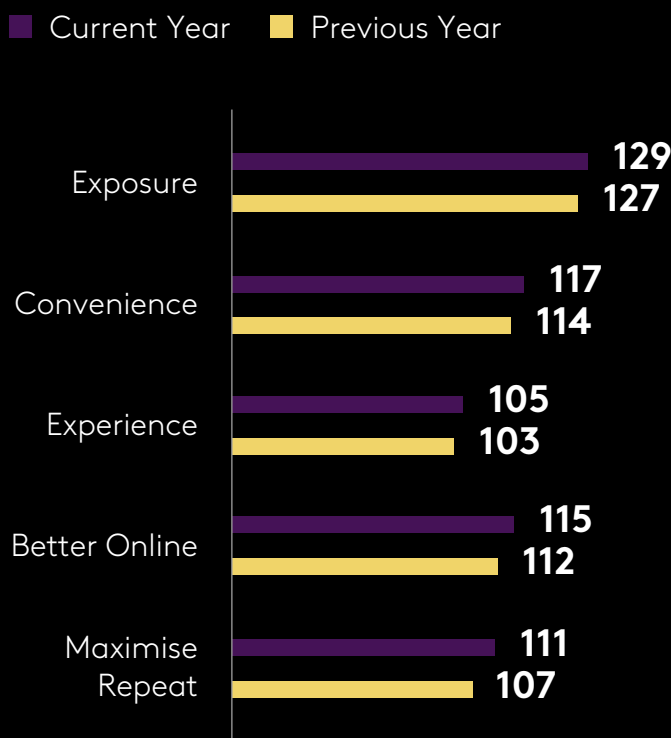
2022 BRAND VALUE

\$196,526M

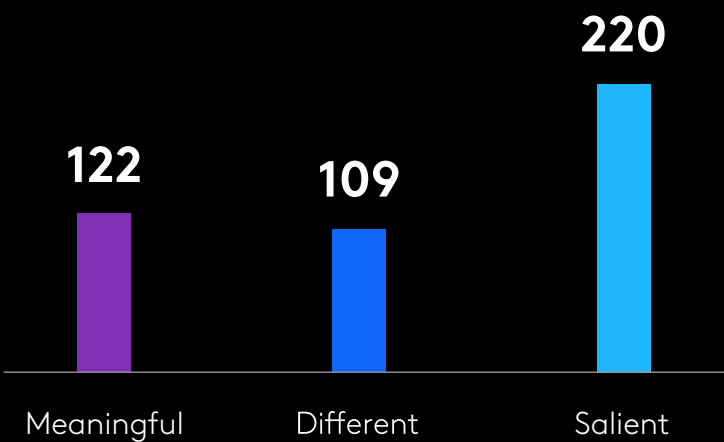
2021 Brand value \$154,921m

+27% year on year

Strong marketing plus enhanced digital experience lifts brand



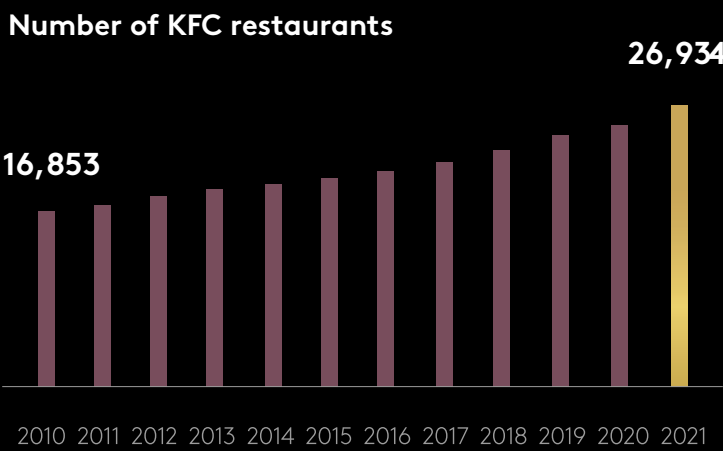
Digital drives business success



This year, KFC re-enters the Global Top 100 on a wave of brand value growth. While KFC has long been one of the best-known and most distinctive Fast Food brands globally, in the US the brand has had to fend off strong domestic challenges from the likes of Chick-fil-A and Popeyes for share of the US fried chicken market. In 2021, the brand went on the offensive: unveiling a new app (digital orders rose 70% year on year); redesigning stores to optimize pickup and drive-thru lanes; and expanding its store footprint in the US for the first time in more than a decade.

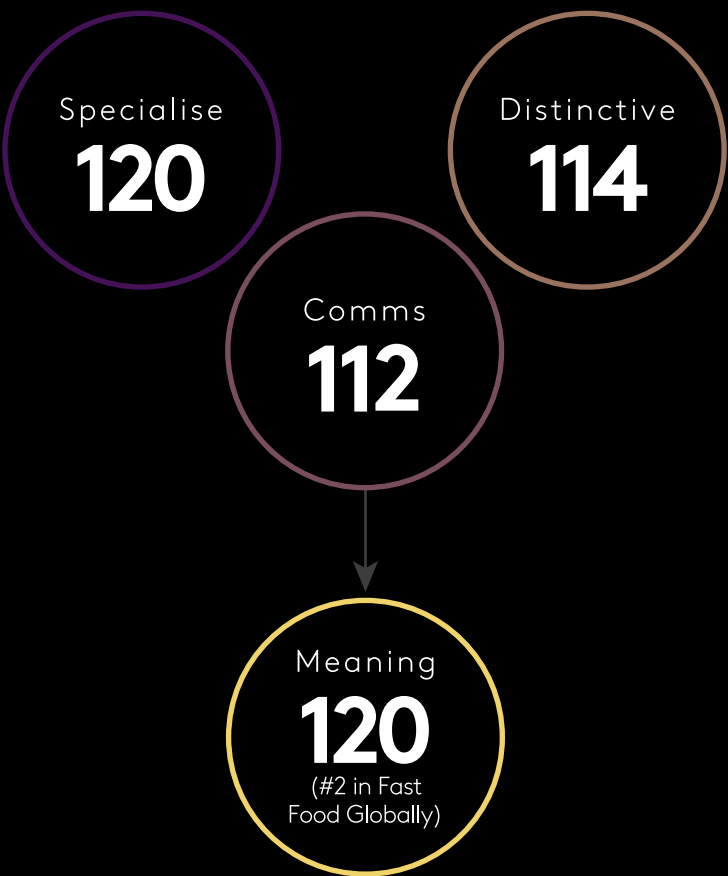
Record global retail space and a return to US expansion

Global restaurants 2010-2021 (including the first net positive growth in the US in more than a decade)



Strong content, specialism and distinctiveness all deliver clear meaning for consumers

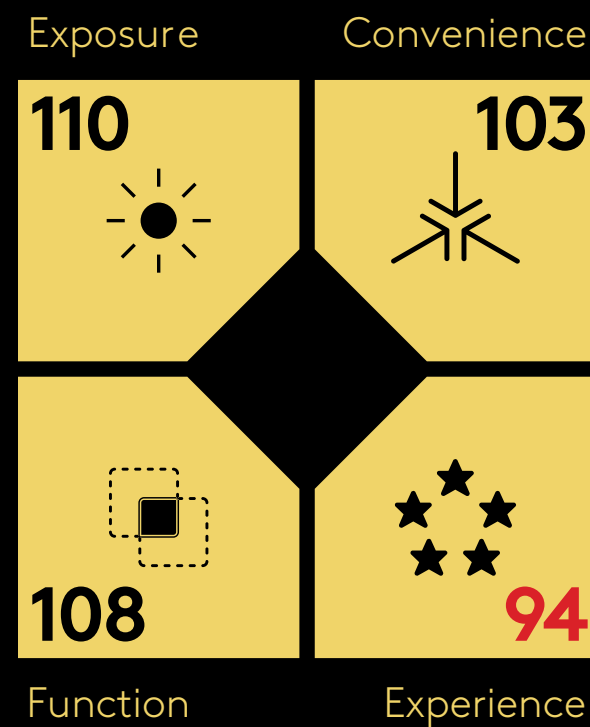
*these elements define KFC relative to brand size



CATEGORY ANALYSIS

A do-over on Experience

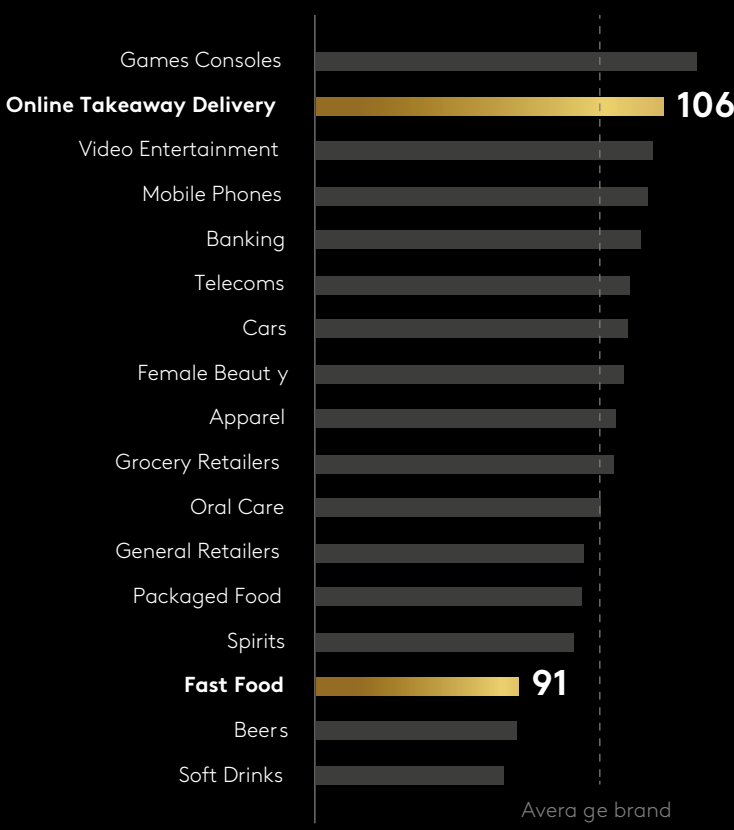
As they continue to re-envision their offerings and touchpoints as part of an industrywide pivot toward digital delivery, global Fast Food brands have another challenge to get it right on Experience. Customer Experience is one of the four fundamentals of brand building – and currently, it's the area where leading Fast Food brands are most lacking globally.



Notably, Fast Food brands' Experience scores in the US lag far behind those enjoyed by their new competitors in the digital meal ordering space: Online Takeaway / Delivery brands. If Fast Food brands can close the gap, they will not only boost their digital sales; they'll also become more well-rounded as brands.

Experience Index

USA Category comparison



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ACTION POINTS/ BRAND BUILDING

1

RETHINK WELLNESS

For the past two decades, fast food brands have approached the topic of wellness in a defensive crouch. But today, perceptions around health are changing, as activists start to question the wisdom of talking about foods as “good” or “bad”. Even in the cultural mainstream, there’s a growing awareness that, for instance, “a calorie is a calorie, no matter where it comes from” – and that a single indulgent meal simply does not have the power to change anyone’s body composition.

Going forward, there may be room to talk about the positive functional benefits of certain fast food menu items, especially around protein intake. And there’s room to decouple the sustainability and lifestyle benefits of meatless dining, from their calorie counts: there’s room for more indulgent plant-based fast food.

2

FOCUS ON FAMILY

The time for fast food brands to revisit their family dining strategies is now. COVID-19 protocols have hastened the decline of restaurant play areas; toy trends are shifting toward more educational content; and, as noted above, there is now more nuance around nutrition, food, and various models of health. At the very least, there is an urgent need to understand how the dining attitudes of Generations Alpha and Z differ from their predecessors – the former as “backseat decision makers” in the drive-through lane, and the latter as an emerging generation of parents (the oldest Gen Z’ers are now 25!).

3

PEOPLE MANAGEMENT

The pandemic exacerbated the labor supply issues that many employers are currently experiencing in mature markets. Hiring and retention remain some of franchisee’s top operational concerns. And while automation can go some way to easing these strains, we’re a long way off from “robot kitchens” (nor is it at all clear that customers would desire a completely impersonal experience). In this climate, internal corporate communications – not to mention talent retention policies – have become just as crucial to fast food brands’ success as external marketing. Reputationally, it’s still important, of course, to be a fast food brand that people want to eat at – but it’s also vital to be a brand that people are willing to work for.