

THE WENDY'S CASE

A DEMONSTRATION HOW MARKETING RESEARCH AND ANALYSIS CAN
HELP RESOLVING A MANAGEMENT DECISION PROBLEM

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Introduction

Wendy's is a restaurant chain that is immersed in the Fast Food Restaurant Industry where we can find companies that compete in different segments, being Burger, Sandwich, Snacks/Beverages, Chicken and Pizza the most important. Each restaurant is in competition with other food service operations within some geographical area. These quick service restaurants are highly competitive and include well established competitors. Quality, variety, convenience, price and value perception of food products offered, locations, quality and speed of service are the competitive key advantages (10-K Annual Report, 2010).

By system wide sales, Wendy's Company is the number 4 in the US; behind McDonalds, Subway and Burger King (see table B.1 and chart B.1, Appendix B). For the year 2010, it has almost 6.000 restaurants (owns or franchises) and approximately \$ 8,3 billion in sales.

Wendy's is recognized as a traditional brand with quality food and service, great taste, with focus on fresh never frozen ground beefs that offers burgers and fries as well as alternative items such as baked potatoes, chili and salad, they have a standard menu featuring hamburgers and chicken breast sandwiches (Malhotra, 2010).

1. - Problem Definition

a. - Background to the problem

Analyzing the information from the last 5 years we can conclude that **Wendy's is losing Market Share in the US Fast Food Restaurant Industry** (charts B.2 and B.3, Appendix B).

The reasons are related with internal and external problems. Since his founder Dave Thomas died on 2002, the company continued to perform well for the next 3 years. But on the following ones had problems of branding the company without Mr. Thomas, management distractions from the merge with the company Arby's, a lack of

creating new innovative menus and not meeting entirely the slogan of the freshness of their products (Wong, 2009).

Now they are facing the activity of competitor's product innovation. "Rivals have caught up to the menu innovations of Wendy's" (Malhotra, 2010).

By the other hand, the market has grown more than Wendy's (Table B.3, Appendix B), and mainly because of the develop of chains related with more healthy menus (Subway), snacks and beverage (Dunkin' Donuts, Starbucks) and product innovation, service improvement and convenient prices (McDonalds).

b. - Statement to the problem

Management Decision Problem (MDP)

Should Wendy's introduce a new Healthy Menu line to increase their sales?

Marketing Research Problem (MRP)

Determine the consumers' preferences and purchase intentions for a new Healthy Menu line to be introduced in Wendy's restaurants.

Specific Components of the Marketing Research Problem

1. - What is the market share of the Fast Food Restaurant Industry?
2. - Is the restaurant consumers' visits movement in the last year (more or less often) related with health concerns?
3. - What are the consumers' characteristics and their relation with healthy food concerns?
4. - What is the consumers' perception of the restaurant chains, in relation to healthy food products?
5. - Do the customers' healthy food concerns impact in the fast food restaurant industry?

2. - Approach to the Problem

Objective Evidence

When analyzing the Fast Food Industry market we can conclude that in the last years it has grown more than 3 percent per year. In this period the restaurant chains that have grown more are related with the development of fresh less-fat menus, snack and beverages and product innovation. Other important issue is the need for the US consumers to eat healthy. According to the National Center for Health Statistics, 66.5 percent of adults are overweight or obese.

Taking all this information in consideration, we think that creating a healthy menu will be plus in the fast food restaurant industry.

Verbal Model

The potential consumer has the necessity of alimentation and looks for the available alternatives, becomes aware of the fast food restaurants. The subject evaluates the different restaurant alternatives in terms of the variables: quality, price, speed, variety, location, etc. of the products and services offered and compare them with his punctual needs. Based on this evaluation and depending on the importance of this critical decision variables will form a degree of preference for the restaurant. If this preference is strong enough, the customer will eat at that restaurant.

Research Questions

Component 1

Is the established market share in this study related with the determined in the exploratory secondary data research?

What variables impact significantly the market share of the restaurants?

Explore the potential of the market and with what variables could be related.

Component 2

With what could be this market frequency of use movement related?

What variables impact the restaurant's frequency of use of the restaurants?

Has any relationship with healthy food consumption concerns?

Explore the consumers that show indecision, with what is related?

Component 3

Is there any significant difference between the demographic and psychographic characteristics of the consumers and the restaurant chain they use frequently?

What is the difference between the regular customer of Wendy's, the one from the competitors and the one that's have concern about consumption of healthy food.

Has any impact on the frequency of use?

Component 4

Do perceptions vary depending on other variables that healthy concern?

Component 5

Do the healthy food concerns impact in the marker share?

Does the quality evaluation of the restaurant be related with healthy food concerns?

Do the healthy food concerns impact and the restaurant's growth/shrink?

Hypothesis

Component 1

The market share of the fast food restaurant industry is very similar of the one obtained from the exploratory secondary data study. The relative positions in the ranking are similar.

Component 2

The more often/less often frequency of patronage is related with the perception of variety of the menus, product innovation, healthy concerns and quality.

Component 3

The consumers' characteristics that tend to have concerns about more healthy foods should differ from the one how not, especially in order to age, income, education, employment and family group.

Component 4

Consumers differentiate the restaurant chains in relation to quality of the brand and the healthy variable could be significant for the election of the restaurant and could cause a change of brand.

Component 5

Although the impact of eating healthy food is a crescent issue, at this moment the impact should be bounded to a specific targeted customers.

Specification of information needed

Component 1

This is the market share according to the perception of the customers; therefore we need preferences of eaten food from a list of the most important fast food restaurants within grades of usage. As secondary data we need the ranking of fast food restaurants.

Component 2

We need to know with this same list of restaurants to ask the change in the frequency of use in a period of time.

Component 3

The consumers’ psychographic and demographic profiles and their healthy food concerns.

Component 4

The consumers’ perceptions related with different variables of decision for choosing a restaurant in particular and the concerns in the consumption of healthy food.

Component 5

Know healthy food concerns of the customers, estimation of the market share, frequency of use/consumption, evaluation of quality, estimation of grow/shrink of each restaurant.

3. - Research Design

a. - Information needs

There has to be collection of specific information for studying customer demographics and awareness of different competing fast-food chains including Wendy’s; the satisfaction responses of consumers in terms of

family orientation, perceived quality, healthy foods concerns and the patronage preferences of customers in terms of amount and frequency of visits.

b. - Data Collection of Primary Sources

The primary source to gather the information has to be a descriptive survey method with written structured direct questionnaire with fixed-alternative questions that will require the respondent to select from a predetermined set of responses. The survey will be administered with personal in-home interviews that will allow flexibility in the design and diversity of questions. There won't be monetary stimuli.

c. - Measurement and scaling techniques

To develop the survey there will be a noncomparative scaling technique with itemized rating scale with Likert scales and semantic differential scales with some reverse score questions. The construction of the scales will be structured with different number of scale categories, with balanced scales for the favorable and unfavorable categories, odd number of categories, in some cases will use nonforced answers like “prefer not to answer” or “n/a”, for the nature and degree of verbal description the survey will use of verbal and numerical scale categories, finally the physical form will be with horizontal, categories with boxes and units with positive numerical values. When asking preference statements multi-item scales will be used. For some question we will use ordinal scales for measuring demographic questions for example.

d. - Questionnaire develop and pretesting

The questionnaire will gather all the information needed defined in the Approach to the Problem. The interviewed method will be made in person, which means face to face with the respondents. A professional external firm will do the fieldwork. The amount of questions will be no more than 25 questions to be answered in no more than one hour. The questions will be structured, with multiple-choice, dichotomous and scales options.

For pretesting, the questionnaire will be tested with employees of Wendy’s and a test sample of potential consumers.

e. - Sampling techniques

The elements of the Target Population are adult males of females as Elements, the Sampling units are households, the extent is the US continental territory and the time is the year 2008. As it is important to have the information of the households with a large territory, area cluster sampling technique with a two-stage sampling will be used. The sample size will be in the typical ranges between 1.000 and 2.500. For this case we will point a size of 1.500. An alternative technique is to use only cluster sampling also with two-stage sampling.

f. - Data plan analysis

For analyzing the results, a data preparation process will be used. That includes the questionnaire checking, editing and reviewing the questionnaire, coding the responses, transcribing the data obtained, data cleaning for the consistency checks and treatment of missing responses, statistically adjustment of data and selecting the data analysis strategy. For this last stage we will use a wide range of statistical techniques as: Frequency Distribution, Cross Tabulation, Hypothesis Testing, One-way Anova and Correlation and Regression. The election will be related with the variables involved, and if we are looking for percentages or mean or statistical relevance or high level of correlation between variables.

4. - Data Analysis

The data that we are going for the statistical analysis comes from the survey conducted by Wendy's (Malhotra, 2010, p. 814-820). We are going to use several statistical techniques for the approaches and the use of the IMB SPSS software to make the analysis.

a. - Methodology

Through every of the 5 Marketing Research Problem Components we will try to prove or reject their related Hypothesis. The statistical techniques that we are going to use are Frequency Distribution to analyze percentages and relative rankings and positions, Cross Tabulations when we need to study relation between variables, amounts, percentages and significance of the relations, One-way Anova when we are looking for

statistical significance of the influence of the independent in the dependent ones, Regression to evaluate if there is a significant statistical correlation between those variables, to find which of the several independent variables can explain variations in the dependent variables and, finally Hypothesis Testing to prove our hypothesis.

b. - Plan of Data Analysis

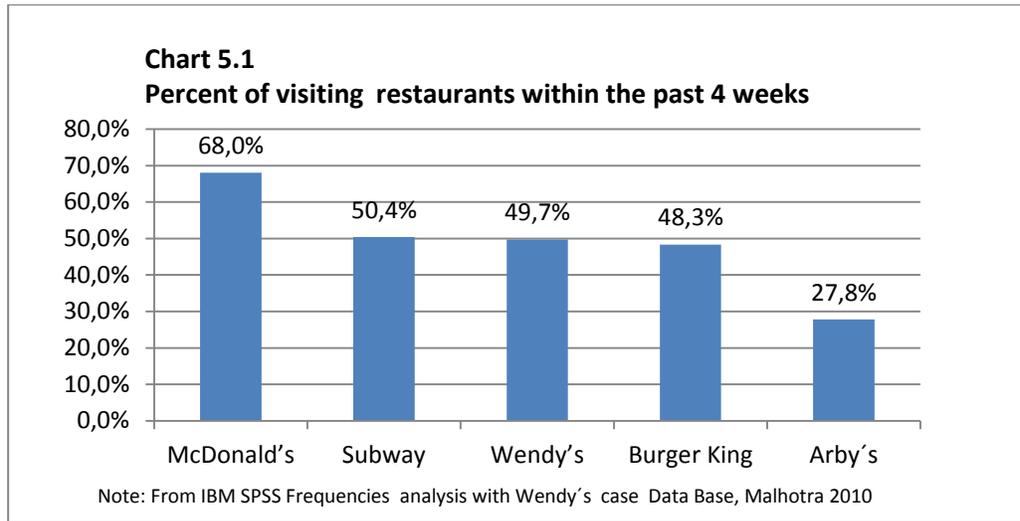
As we mention in the methodology, the plan is to analyze the 5 Components of the Marketing Research Problem and test their related Hypothesis with different statistical technique; we will record the results in several schematics sheets (see appendix C) each of the applied statics including: number of the marketing research problem component, method of the selected technique, assumptions, input parameters, sequence of commands, produce outputs, summary of the results, change or the adjustments needed and comments.

5. – Results from the Data Analysis

Remember that we are resolving the MRP: “Determine the consumers’ preferences and purchase intentions for a new Healthy Menu line to be introduced in Wendy’s restaurants”. For that we have defined 5 components of this MRP.

Component 1: What is the market share of the Fast Food Restaurant Industry?

The Hypothesis is that the market share determined with the analysis is similar of the one obtained in the exploratory secondary data study. For this we are going to use Frequency Distribution analysis to tabulate the variable 3a “when the last time that the customers went to each restaurant was” considering only the customers within the past 4 week of less, the other ones seem to be too far (more than 4 week to 3 months or more than 3 months ago).



If we see Chart 5.1 and compare this results with the estimated market share (see Appendix B), we find that the results are very close. The only one that is changed is the relative position of Wendy's and Burger King, but it is not significant because they are very close in the market share analysis occupying practically both of them the third place.

Then we can say that the Hypothesis is correct; the relative position in system wide sales of the restaurants is very close to the frequency of use from the customers.

Component 2: Are the restaurant consumers' visits movement in the last year (more or less often) related with health concerns?

The hypothesis here is that health concerns are affecting the variation of the visits to the restaurants, and then will use Hypothesis Testing, with the null hypothesis that health concerns don't affect the variability of the visits to the restaurants in the last year.

To analyze this hypothesis we will use first the Cross Tabulation technique. The independent variables will be health concerns (q14_1, q14_2, q14_3, q14_4, q14_5, q14_6 and q14_7) and the dependent ones will be the more or less often customers visit the restaurants (q8_1, q8_7, q8_26, q8_36 and q8_39).

As can see in Table 5.1, in the case of Arby’s and Wendy’s there is no relation between the more or less often customers visit their restaurants and the 7 Health considerations. In the case of Burger King there is a strong relation of the customers that disagree with health preoccupations and visiting less their restaurant.

McDonald’s has 2 components that are related with fewer visits, this is very conclusive with point 7: “Eating less in FFR because of the fat of the food”. The case of Subway goes in the opposite way, the people that care about health and nutrition information and are considering the fat of the food are visiting more often that restaurant.

Table 5.1
Cross Tabulation Analysis with changes in visits to FFR vs Health concerns of customers

| Company | Arby’s | Burger King | McDonald’s | Subway | Wendy’s |
|---|--------|-------------|------------|------------|---------|
| Current of health and nutritional info. | X | X | X | more often | X |
| Read nutritional labels | X | less often | X | X | X |
| Find nutritional content of food (FFR) | X | X | X | X | X |
| Consider fat of food (FFR) | X | less often | X | more often | X |
| Consider fat of food of kids (FFR) | X | less often | X | X | X |
| Look FF with better nutritional value | X | less often | less often | X | X |
| Eating less in FFR because of fat | X | less often | less often | X | X |

Note: From IBM SPSS cross tabulation analysis with Wendy’s case Data Base, Malhotra 2010

To make another approach and investigate more, we will run a One-way Anova analysis between the same variables.

Table 5.2
One-Way Anova Analysis with changes in visits to FFR vs Health concerns of customers

| Company | Arby’s | Burger King | Level of Significance | | Wendy’s |
|---|--------|-------------|-----------------------|--------|---------|
| | | | McDonald’s | Subway | |
| Current of health and nutritional info. | X | X | X | 0.043 | X |
| Read nutritional labels | X | 0.032 | X | X | X |
| Find nutritional content of food (FFR) | X | X | 0.005 | 0.047 | X |
| Consider fat of food (FFR) | X | X | 0.037 | X | X |
| Consider fat of food of kids (FFR) | X | X | X | X | X |
| Look FF with better nutritional value | X | 0.002 | 0.009 | 0.031 | X |
| Eating less in FFR because of fat | X | 0.000 | 0.000 | X | 0.025 |

 : Negative correlation, less often visits to FFR

 : Positive correlation, more often visits to FFR

Note: From IBM SPSS One-Way Anova analysis with Wendy’s case Data Base, Malhotra 2010

We can see from Table 5.2 that with a statistical significance, the customers of Burger King, McDonald’s and Wendy’s that agree with some of a health concern are less visiting the restaurants and the customers that have increased their visits are the ones that don’t care about healthy food. In the Subway’s case, similar to the cross tabulation analysis conclusion, the higher frequencies of visits are related with more concerns about healthy food (see Appendix D for some chart examples).

In conclusion, the Null Hypothesis is rejected; there is an influence in the frequency of visits to the restaurants and some health concerns. In the only case that we did not find significant evidence was for Arby’s.

Component 3: What are the consumers’ characteristics and their relation with healthy food concerns?

Our hypothesis is that consumers’ characteristics differ depending if they have some concerns with healthy food. For that we will propose the Null Hypothesis that consumers are all equal in their characteristic of age, gender, marital status, income, employment and level of education. We will run a One-way anova analysis with the different demographic independent variables and the health concerns.

Table 5.3
One-Way Anova Analysis for customers’ characteristics vs Health concerns

| Demographics | Age | Gender | Level of Significance | | | |
|---|-------|--------|-----------------------|--------|------------|-----------|
| | | | Marital S. | Income | Employment | Education |
| Current of health and nutritional info. | 0.029 | 0.000 | X | 0.000 | X | 0.000 |
| Read nutritional labels | 0.019 | 0.000 | 0.008 | 0.000 | X | 0.000 |
| Find nutritional content of food (FFR) | 0.002 | 0.000 | 0.003 | 0.004 | X | 0.000 |
| Consider fat of food (FFR) | X | 0.000 | 0.013 | 0.000 | 0.046 | 0.000 |
| Consider fat of food of kids (FFR) | 0.000 | 0.120 | 0.000 | 0.000 | 0.001 | 0.000 |
| Look FF with better nutritional value | X | 0.000 | 0.001 | 0.000 | X | 0.000 |
| Eating less in FFR because of fat | X | 0.000 | 0.023 | 0.000 | X | 0.000 |

Note: From SPSS One-Way Anova analysis with Wendy’s case Data Base, Malhotra 2010

As we can see from Table 5.3, there is a significant statistical correlation between the customers’ demographics characteristics and some food health concerns. Then we can reject the null hypothesis, and say that customers’ that have concerns about healthy food differ from the one who don’t.

Investigating the plots of the one-way anova tests, we find that the average profile is: Females with at least 30-34 years old, married with high level of income and education. About family organization, with this test we did not find significant relation between the members and healthy food issues.

Component 4: What is the consumers' perception of the restaurant chains, in relation to healthy food products?

The hypothesis here is that consumers difference each restaurant depending on the perceived quality and food health concerns.

For quality we are going to use a Regression Test because we want to find if there is correlation (R Square) between the variables and a One-way Anova Test to ratify if there is any statistical significance relationship. We will run the test with the question q9 that measures de perceived quality of the restaurants (terrible to perfect) and the variable S3a that are the amount of visits if the last 4 weeks.

We find that the relation between perceived quality and visits to the restaurant has a very poor correlation, with an R2 of 0.017, which mean no correction at all. When we run the One-way Anova Test we find significance relation with quality with the visits to McDonald's and Wendy's, buy when we see the plots the correlation does not have meaning at all (see Appendix E).

In relation to the healthy concerns and the amount a visits, we will use a One-way Anova crossing the variables of health concerns (q14_1, q14_2, q14_3, q14_4, q14_5, q14_6, q14_7) and the last time visit each restaurant (q3_1, q3_7, q3_26, q3_36 and q3_39).

Table 5.4
One-Way Anova Analysis with visits to FFR vs Health concerns of customers

| Company | Level of Significance | | | | |
|---|-----------------------|-------------|------------|--------|---------|
| | Arby’s | Burger King | McDonald’s | Subway | Wendy’s |
| Current of health and nutritional info. | X | 0.026 | 0.000 | 0.029 | 0.016 |
| Read nutritional labels | 0.016 | 0.02 | 0.000 | X | 0.006 |
| Find nutritional content of food (FFR) | X | X | 0.000 | 0.043 | X |
| Consider fat of food (FFR) | X | X | 0.020 | 0.021 | 0.015 |
| Consider fat of food of kids (FFR) | X | X | 0.040 | 0.015 | X |
| Look FF with better nutritional value | X | X | 0.000 | 0.020 | X |
| Eating less in FFR because of fat | 0.012 | 0.009 | 0.000 | X | 0.045 |

 : Negative correlation, less Concerns with Healthy food of FFR

 : Positive correlation, more Concerns with Healthy food of FFR

Note: From SPSS One-Way Anova analysis with Wendy’s case Data Base, Malhotra 2010

In this case we found a significant relationship between the visits to the restaurants and the concerns with healthy food. For Arby’s, Burger King, MacDonal’d’s and Wendy’s there is significant negative relationship that tell us that people that go to does restaurants don’t have concerns about healthy food in the fast food restaurants. The opposite case is Subway that has a positive relationship; customers that go there have significant concerns about healthy food.

In conclusion, we cannot specify is there is a significant correlation between the perceived quality of the restaurants and the election of what restaurant use. And customers that visit each restaurant have a negative correlation with health concerns, they don’t care with the exception of Subway that has a positive relation, McDonald’s has the 7 points in disagree with health considerations.

Component 5: Do the customers’ healthy food concerns impact in the fast food restaurant industry?

The hypothesis here is that there is a potential market for customers that have concerns about healthy food.

The null hypothesis is that there is no difference in the health concerns and the type of customers that visit the restaurants. To test this we will use Cross tabulations with the variables health concerns (q14_1 to q14_7) and the amount of visits to fast food restaurants (S3A).

Table 5.5
Cross Tabulation Analysis: Users of FFR vs Health concerns of customers

| Company | Light Users | Heavy Users |
|---|-------------|-------------|
| Current of health and nutritional info. | X | X |
| Read nutritional labels | Agree | Disagree |
| Find nutritional content of food (FFR) | Agree | Disagree |
| Consider fat of food (FFR) | Agree | X |
| Consider fat of food of kids (FFR) | X | X |
| Look FF with better nutritional value | Agree | X |
| Eating less in FFR because of fat | Agree | Disagree |

Note: From SPSS cross tabulation analysis with Wendy’s case Data Base, Malhotra 2010

If we see Table 5.5 we find that light users differ of the heavy users of the restaurants in 5 of the 7 health concerns, thus we reject the null hypothesis and have a significant market for the healthy food, the light users of the fast food restaurants.

Table 5.6
Light and Medium Users of FFR with agreement in Health concerns (*)

| Company | Percentage | |
|---|-------------|------------------|
| | Light Users | Light and Medium |
| Current of health and nutritional info. | 20.7 | 36.2 |
| Read nutritional labels | 22.5 | 38.2 |
| Find nutritional content of food (FFR) | 19.1 | 33.1 |
| Consider fat of food (FFR) | 20.9 | 34.5 |
| Consider fat of food of kids (FFR) | 14.6 | 30.2 |
| Look FF with better nutritional value | 23.0 | 39.2 |
| Eating less in FFR because of fat | 20.7 | 34.0 |

(*): Somewhat or completely agreement

Note: From SPSS cross tabulation analysis with Wendy’s case Data Base, Malhotra 2010

If we see Table 5.6 we can find that in average 1 of 3 the customers are light and medium users of the restaurants and in the case of light users they have relevant concerns in 5 of the 7 topics about healthy food.

6. - Limitation and Risks

Although this study has kept all the procedures and process of an optimal marketing research project there are some limitations that can come from potential sources of error like random sampling errors, that occurs because the particular sample is an imperfect representation of the population of interest, and nonsampling errors that can be attributed to sources other than sampling (random or nonrandom), like errors in the problem definition, approach, scales, questionnaire design, interviewing methods, and data preparation and analysis (Malhotra, 2010).

In this particular case, the survey was designed and developed for investigating a wide range of concerns that Wendy’s has about their competitors, customers patronage preferences, customers demographic profiles but not precisely and specifically answer the marketing research problem defined in this study. That’s why the conclusions have that limitation; however they continue to be statistically valid.

7. - Conclusions and Recommendations

a. - Conclusions

Of the analysis made with the different statistical techniques to the survey conducted by Wendy’s (Malhotra, 2010, p.814-820) we can conclude that:

- Visits to fast food restaurants within the last 4 weeks match very closely with the estimations of market share of the System Wide Sales of the Fast Food Industry (see Appendix B).
- The customers of Burger King, McDonald’s and Wendy’s that have significant concerns about healthy food tend to go less often to the restaurants. In the case of Subway it is the opposite, customers that have rising health concerns are going more often. For Arby’s we did not find correlations.

- With statistical significance, the average profile of the healthy concerned consumers' is: Female, middle aged, married with high level of income and education.
- We didn't find significant relationship between the amount of visits and the perceived quality.
- The visitors of the restaurants don't care about health topics, with the exception of Subway.
- Light users of the fast food restaurants have strong healthy food habits concerns and they represent almost the 20 percent of all the customers, if we add the medium users we have 1/3 of the customers.

b. – Recommendations for the Management Decision Problem

We recommend generating the healthy light menu line to attract the light and medium users of the fast food restaurants because they represent 1/3 of all the visitors and they agree with the concerns about health care and can increase their visits to the restaurant. Subway Company is an example of growing sales and gain of market share with a statistical significance for health concerns of their customers.

We don't recommend changing other menus because consumers don't relate in a significant way Wendy's with health topics. According to the targeted customers, at the beginning this menu must be offered in the middle upper class restaurants for middle aged customers, preferably trying to attract female customers.

c. - Recommendation for future studies

For future marketing research design we propose to improve these topics:

- Use exploratory research in the way of survey of experts and focus groups to identify broad range of MRP to solve the principal MDP, identify alternative courses of action and develop new hypothesis.
- Use causal research to conduct several experiments to test new menus or beverages, and gather information about the reception of them.
- Concerning to the survey, they can include question related to sensibility of price and brand changes possibility, what customers like and want to eat and the disposition of brand change, ask for quality of the food, service, cleanliness, why they choose different restaurants.

Appendix A - Market Analysis

In the past 5 years, the Fast Food Restaurant industry has grown more than 3.2 percent average per year (Table 3, Appendix A). The Companies that had the higher rates of growth were **Dunkin’ Donuts** with a 7.8 percent, **Subway** with a 7.5 percent, **Starbucks** with a 7.5 percent and **McDonalds** with a 3.9 percent. Except McDonalds, the other companies are related with Sandwiches, Snacks and Beverages.

The chain **Subway** has focused in the niche of fast food in a healthy way; they become the default for healthy and fast meal. Health information is listed on their packing and marketing material (Whitford, 2010). There are over 2 million combinations that customers can create, differentiation is the most for the customers, and they can choose to be entirely healthy (Alarcon, 2009).

Although **Dunkin’ Donuts** and **Starbucks** are in the fast food industry, they are not directly competing in the lunch or dinner segment, they are in the beverage and snack segment, but still can be considered. For example Dunkin’ Donuts has lunch main dishes (Fast Food Facts, 2009) and both of them compete directly in the breakfast or in-between meals opportunities. This two companies are far by not been considered as “junk food” suppliers.

Finally **McDonalds** is the largest fast food restaurant chain in the US, with the 23 percent of the market share. They have grown almost 4 percent per year the last 5 years, and their main strategy is focused on reinvent product innovation, like real fruit smoothies or Angus snack raps, new drinks and beverages, etc. (Oches, 2011). Since 2003 the company has not hesitated to move into market segments of competitors like Starbucks, Wendy’s and Blockbuster with experiments in consumer favorites (Forbes, 2010). According to the analyst R.J. Hottovy from the Morning Star, the success in McDonald’s sales is related in creating a more attractive menu and environment in its stores and consumers seeking less expensive food options (Forbes 2010).

By the other hand, we have the other group of 6 restaurant chains that have grown less that the average (Table B.3, Appendix B). We can count in this group of worst ones the chains **KFC**, **Burger King** and **Pizza Hut**. A special case is KFC that has lost sales in this period (2.3 percent average per year). All these brands are related with the

traditional fast food industry: burgers, fries, chicken and pizzas. More or less they have had administration and management problems, low product innovation and away from healthy food menu's.

This brings us an important consideration, the need for the US consumers to eat healthy: According to the National Center for Health Statistics, 66.5 percent of adults are overweight or obese; 32 percent of adults obese. Just as alarming if not more so, childhood obesity is escalating; tripling since the 1970's. 17 percent of adolescents and 19 percent of children are overweight (Schaefer, 2010).

Appendix B – Market Information

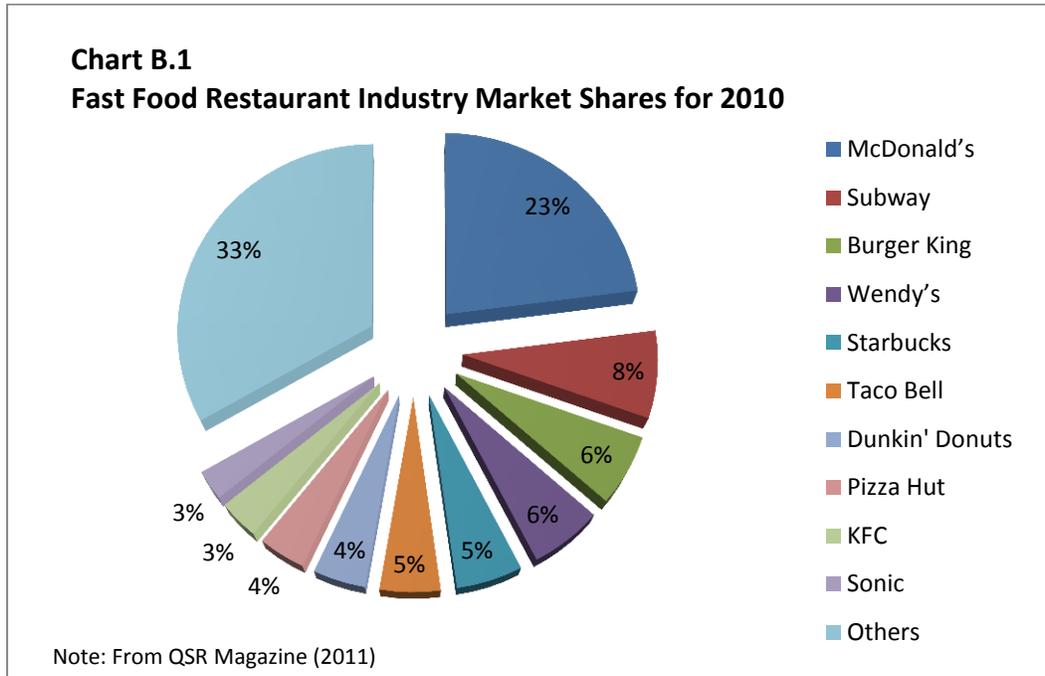


Table B.1
2010 US Fast Food Restaurants Industry (50 major)

| Rank | Company | Segment | System wide Sales (millions) | Average Sales per Unit (thousands) | Total Units |
|------|-----------------------|-------------|------------------------------|------------------------------------|---------------|
| 1 | McDonald's | burger | 32.395 | 2.400 | 14.027 |
| 2 | Subway* | sandwich | 10.600 | 452 | 23.850 |
| 3 | Burger King* | burger | 8.600 | 1.230 | 7.253 |
| 4 | Wendy's* | burger | 8.340 | 1.418 | 6.576 |
| 5 | Starbucks* | snack | 7.560 | 1.060 | 11.131 |
| 6 | Taco Bell | Mexican | 6.900 | 1.288 | 5.634 |
| 7 | Dunkin' Donuts* | snack | 6.000 | 839 | 6.772 |
| 8 | Pizza Hut | pizza/pasta | 5.400 | 855 | 7.542 |
| 9 | KFC | chicken | 4.700 | 933 | 5.055 |
| 10 | Sonic | burger | 3.620 | 1.023 | 3.572 |
| | Others (11-50) | | 47.066 | 894 | 52.635 |

*Includes figures estimated by Technomic, Inc.

Note: From QSR Magazine, 2011

Table B.2
Fast Food Restaurants Industry System wide Sales 2006 - 2010 (50 major)

| Company | US\$ millions | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2.006 | 2.007 | 2.008 | 2.009 | 2.010 |
| McDonald's | 27.111 | 28.666 | 30.025 | 31.000 | 32.395 |
| Subway | 7.710 | 8.200 | 9.600 | 10.000 | 10.600 |
| Burger King | 8.515 | 8.781 | 9.348 | 9.000 | 8.600 |
| Wendy's | 7.800 | 7.956 | 8.013 | 8.388 | 8.340 |
| Starbucks | 5.495 | 6.561 | 8.750 | 8.347 | 7.560 |
| Taco Bell | 6.300 | 6.100 | 6.700 | 6.800 | 6.900 |
| Dunkin' Donuts | 4.314 | 4.792 | 5.500 | 5.700 | 6.000 |
| Pizza Hut | 5.200 | 5.400 | 5.500 | 5.000 | 5.400 |
| KFC | 5.300 | 5.300 | 5.200 | 4.900 | 4.700 |
| Sonic | 3.321 | 3.609 | 3.811 | 3.837 | 3.620 |
| Others (11-50) | 40.595 | 43.348 | 44.964 | 45.576 | 47.066 |
| Total | 121.661 | 128.713 | 137.411 | 138.548 | 141.181 |

Note: From QSR Magazine, 2011-2006

Table B.3
Fast Food Restaurants Industry System (50 major)

| Company | Average Sales growth |
|----------------|----------------------|
| | 2006-2010 |
| McDonald's | 3,9% |
| Subway | 7,5% |
| Burger King | 0,2% |
| Wendy's | 1,4% |
| Starbucks | 7,5% |
| Taco Bell | 1,9% |
| Dunkin' Donuts | 7,8% |
| Pizza Hut | 0,8% |
| KFC | -2,3% |
| Sonic | 1,8% |
| Others (11-50) | 3,2% |
| Total | 3,2% |

Note: From QSR Magazine, 2011-2006

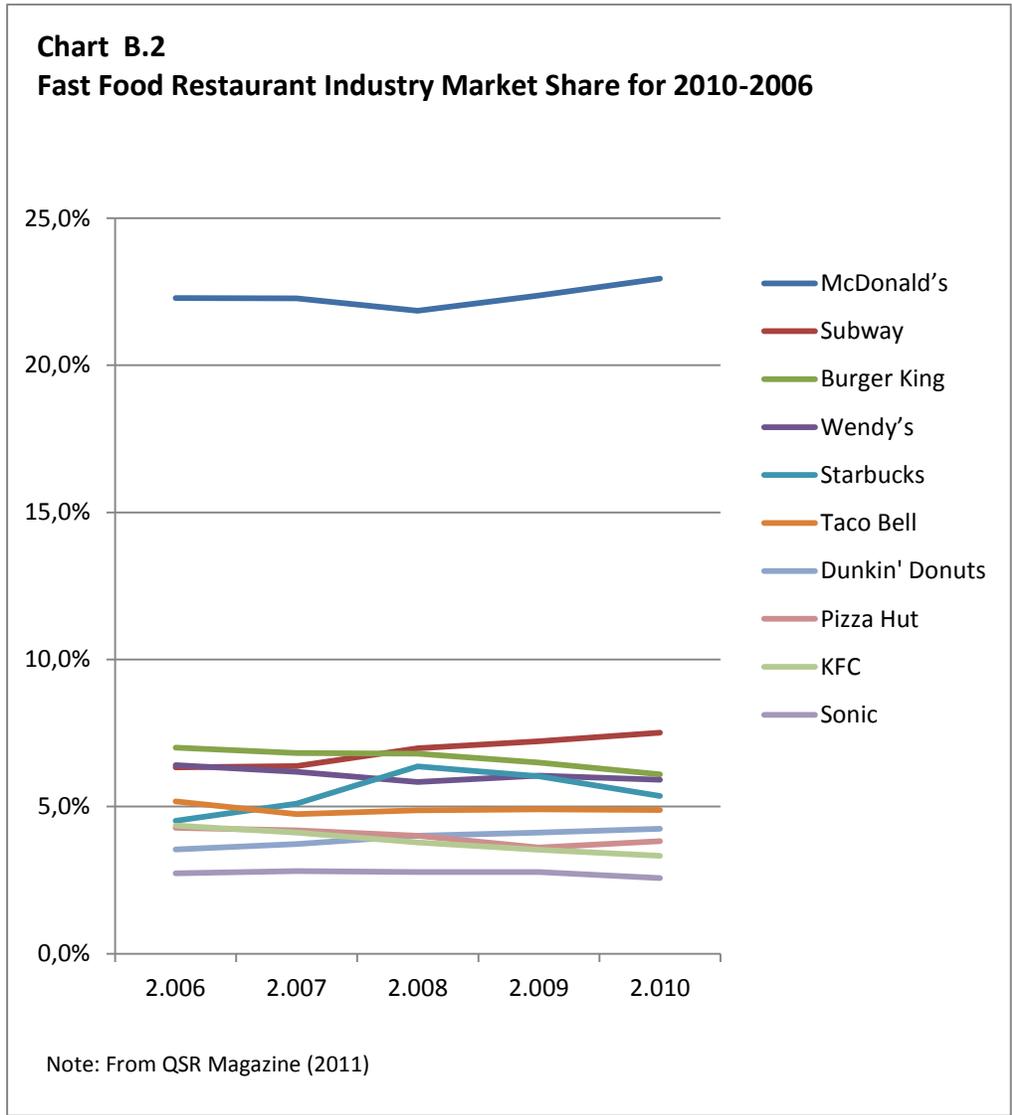
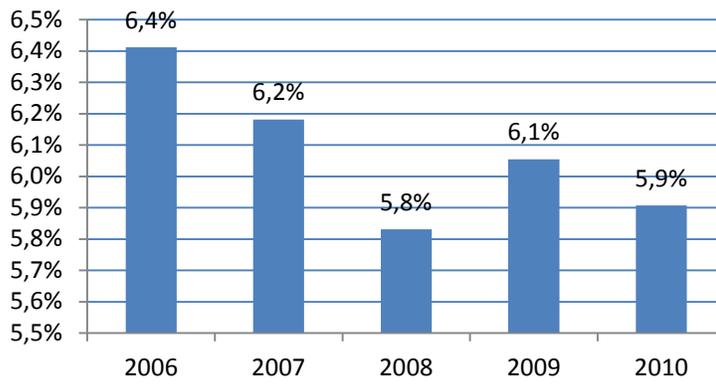


Chart B.3
Wendy's Market Share evolution in
US Fast Food Restaurant Industry



System wide sales

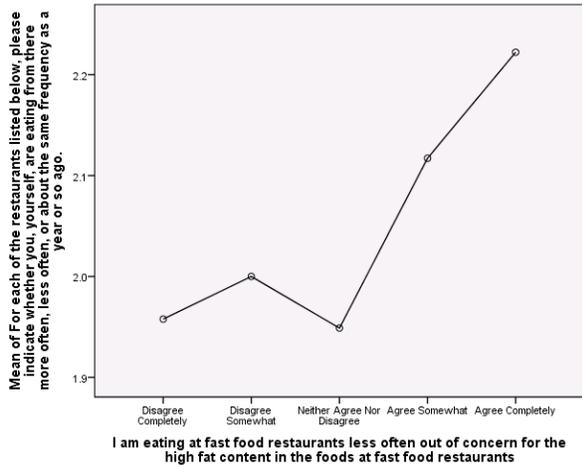
Note: From QSR (2011, 2008)

Appendix C – Schematic for Recording the Results

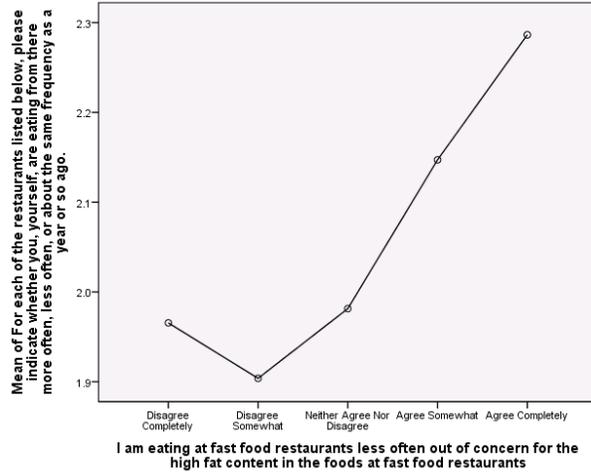
| | CYCLE #1 | CYCLE #2 | CYCLE #3 | CYCLE #4 | CYCLE #5 | CYCLE #6 | CYCLE #7 |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| RESEARCH PROBLEM | | | | | | | |
| METHOD | | | | | | | |
| ASSUMPTIONS | | | | | | | |
| INPUT PARAMETERS | | | | | | | |
| SEQUENCES OF COMMANDS | | | | | | | |
| PRODUCE OUTPUTS | | | | | | | |
| ANALYZE THE OUTPUTS | | | | | | | |
| CHANGES/ADJUSTMENTS NEEDED? | | | | | | | |
| COMMENTS | | | | | | | |

Appendix D – Plots with relation of the Frequency of Visits and Health Concerns

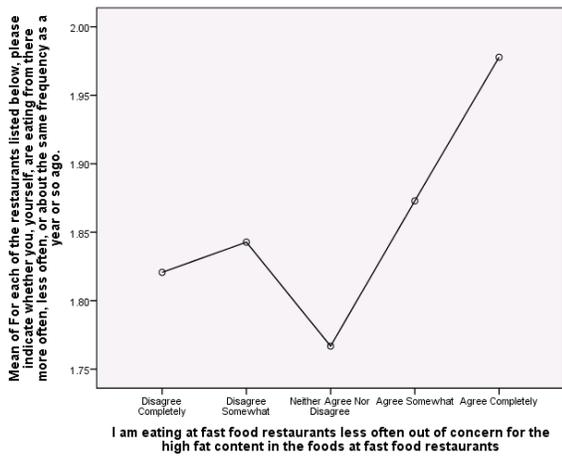
Burger King – Health concern 7



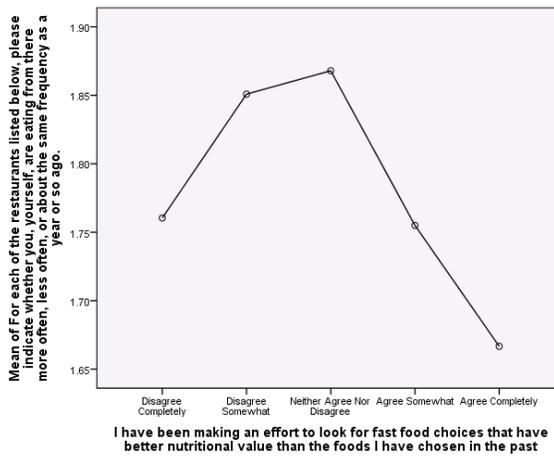
McDonald’s – Health concern 7



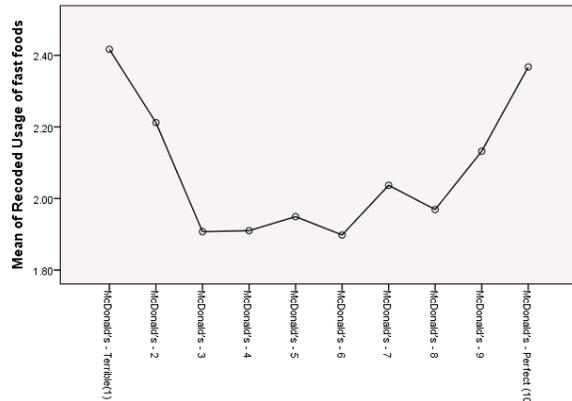
Wendy’s – Health concern 7



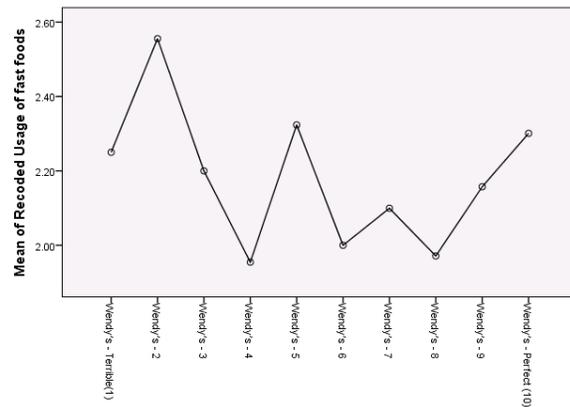
Subway – Health concern 6



Appendix E – Plot with relation between Quality and Visits to the Restaurants



I'd like you to rate the restaurants you, yourself, have eaten from in the past three months using a 10-point scale, where "10" means you think it is perfect, and "1" means you think it is terrible.



I'd like you to rate the restaurants you, yourself, have eaten from in the past three months using a 10-point scale, where "10" means you think it is perfect, and "1" means you think it is terrible.

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