SAMPLE REPORT

Emerging & Growth Chain Reports, Operator Connections And Live Regional Roundtables.

Emergence

Tim Hand
tim@kinetic12.com  617.857.8330

Bruce Reinstein
bruce@kinetic12.com  617.455.9396

Kim Letizia
kim@kinetic12.com  630.542.2097
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SAMPLE REPORT
WHY EMERGENCE IS DIFFERENT

RELEVANT OPERATORS: The Emergence Operator Group consists of more than 130 relevant, Emerging & Growth chains 20 - 500 units in size.

FRESH INSIGHT: Reports based on current and timely insights and business implications directly from senior-level operators through interviews and surveys.

COLLABORATION OPPORTUNITIES: Provides opportunities for suppliers to connect and collaborate with operators.

WELCOME TO EMERGENCE

This report provides crucial insights on how to tailor your go-to-market approach, innovation, and insight investments, and where you can make the most significant impact to accelerate growth and partner with operators.
This group consists of senior level managers, each who have committed to provide data and insight to Kinetic12, through interviews and surveys.
Emerging & Growth Chains are essential to this industry because they have created something special that consumers want.

They are unique!

As a result, they are having a disproportionate influence on the industry.

AND everyone else wants to know the secret to their success.

THEIR ADVANTAGES

• ENTREPRENEURIAL MINDSET – their standards are personal
• GROWING FASTER than large chains
• NIMBLE – easier to implement innovation and adjust
• EASIER TO GATHER DATA – management is closer to the team
• LEADERSHIP spends more time in the restaurant locations
• STRONGER RELATIONSHIPS WITH SUPPLIERS in core markets
• GREATER EMPLOYEE LOYALTY – a more engaged culture
• STRONGER RELATIONSHIPS WITH FRANCHISEES

THEIR DISADVANTAGES

• Small changes are less impactful to the P&L
• Less data
• Supply-chain efficiency is difficult in growing markets – treated like an independent in new regions
• Less established relationships with suppliers in non-core markets
• Less infrastructure – smaller head office
**METHODODOLOGY**

This report was written by Kinetic12® and published in March 2023.

It is based on a survey of 107 Emerging and Growth Chains from the Emergence® Chain Group conducted in January 2023. Additionally, more than 20 one-on-one interviews were conducted with senior managers of emerging chains in January-February 2023.

**HOW TO USE THIS REPORT**

**STAY INFORMED** – Build a deeper understanding of current Emerging & Growth Chain needs, issues & strategies.

**SOLVE BETTER** – More effectively tailor your solutions to these chains.

**INNOVATE FASTER** – More accurately inform your innovation pipeline.

**COMMUNICATE MORE EFFECTIVELY** – Leverage content with your customers to initiate discussions on where their opportunities & needs intersect with your capabilities.
**Cautious Optimism is the Theme for Q1’23** Operators are optimistic about softening pressures in 2023, but this is tempered by the fact that there is still work to be done - costs continue to be an issue, and customer counts are down.

**Profitability is Now Job #1** Operators are no longer focused on putting out fires and have turned their attention to profitability. Input cost increases have outpaced their ability to take price on the menu. Improving profitability by streamlining operations, improving efficiency, and cutting waste is crucial to building a healthy P&L and a sustainable business.

**Strategic Innovation is the New Mindset** After years of menu expansion, operators have learned they can do more with less and are revamping the innovation process and parameters to create smarter, more impactful menu additions.

**There’s a Heavy Focus on Fundamentals** Operations continues to be a priority due to its linkage in driving customer loyalty. Operators are streamlining, doubling down on training, and incorporating automation to drive a more consistent and high-quality guest experience.
FROM THE MIND OF THE EMERGING & GROWTH CHAIN OPERATOR

“We are optimistic for 2023, but also realistic that there are many roadblocks ahead. We now have a better idea of what will stick, and we must react accordingly.”
HERE’S HOW OPERATORS DESCRIBE WHAT’S NEXT!

“We are ramping up our focus on business fundamentals to ensure we are set up better for growth.”

“We are starting to add a few menu items back, but first are testing them for an extended period as an LTO, to be sure.”

“Despite sales being up, profitability is down. We are continuing to focus on driving additional sales and working diligently on cost reduction.”

“Off-premise business continues to be strong. In fact, we can’t keep up with the volume at dinner and must stop taking orders. Our new prototype kitchen solves this problem.”

“Labor cost is up 20% and is here to stay, but labor supply is stabilizing. Most of the people who have left the industry will not be coming back.”

“Those that looked at COVID as an opportunity and not a problem are succeeding. QSR is more recession proof and COVID was an opportunity.”

LOOKING FORWARD
We are now in the 5th phase of our journey to the new future: Business Model Optimization. The focus is now on making the business model profitable and building value to drive traffic and loyalty.
PART 1

Survey Results

THE BIG PICTURE
Q. What are the 5 greatest over-arching business issues you are facing today?

62% OF OPERATORS SAID PROFITABILITY IS A TOP 5 ISSUE

Key Issue: Creating a sustainable, profitable business model that balances driving traffic, customer needs around value, and operational stability with reliable labor, is now the primary focus for operators.

Profitability and covering rising costs
- Labor - hiring quality staff
- Driving traffic & customer loyalty
- Customers value focus at the time as costs rising
- Building and opening new stores on time
- Labor - retaining staff
- Customer counts are decreasing
- Supply chain disruptions – fill rate issues
- Staff shortages affecting service level standards
- Lack of consistent menu execution
- Managing franchisee relationships
- Tech upgrades – prioritizing where to allocate funds
- Customer satisfaction – managing patron expectations
- Inadequate communication from suppliers on supply chain issues
- Off-premise optimization – digital ordering, delivery costs, packaging, menu
- Challenge of making my brand different & compelling
- Availability of packaging

62%
PART 1 THE BIG PICTURE

TAKEAWAYS

• Supply chain & labor issues will continue to ease.

• Operator focus has pivoted to profitability, building traffic, unit expansion, & innovation now that the foundation of the business is on more stable ground.

• Execution continues as a “work in progress” with a focus on operational simplification & training for consistent guest experiences.

FOR SUPPLIERS
Now is the time to start talking to your customers about innovation, ways to help streamline operations, and ideas to help build traffic.

FOR OPERATORS
Leverage your supplier partners for ideas, as they can help inspire and guide you to ideas that have worked for other operators and how those learnings can apply to your business.
PART 3

Survey Results
Q. What tactics are successfully driving customer loyalty?

**DIRECT CUSTOMER COMMUNICATION & PROMOTIONS** is the top tactic being used to drive customer loyalty.

Operators are leveraging the whole communication package, both direct and through social media, to build consumer connections.

This increased communication is mainly driven by tech, but operators are also focusing on the basics and providing a consistent experience, whether ordered in-house or off-premise.

**Loyalty program communication/incentives**  63%

- Social media marketing  52%
- Investing in our App to improve order/pay  44%
- Focusing on consistency, in-house/off-premise  39%
- Increasing communication with our guests  35%
- Local community engagement  34%
- Keeping the menu fresh & relevant  33%
- Event promotion to drive customers in  32%
- Promotion/innovation on popular items  25%
- Communicating our differentiation  24%
- Providing more off-premise options  8%
- Getting customers involved in menu ideation  7%

**Operators** are leveraging the whole communication package, both direct and through social media, to build consumer connections. This increased communication is mainly driven by tech, but operators are also focusing on the basics and providing a consistent experience, whether ordered in-house or off-premise.

Leverage your marketing team to bring ideas to the table that use technology to entice and engage loyal guests. Innovation isn’t always about the food, so think out of the box with marketing ideas as well.
PART 3  GROWTH

TAKEAWAYS

FOR SUPPLIERS
Plan ahead - and get into a rhythm of having strategic business updates with your top operators throughout the year to stay ahead of new store opening plans. Also, offer marketing support and ideas to help drive customer loyalty. The more cross-functional relationships you can develop, the better positioned you’ll be as a go-to strategic partner.

FOR OPERATORS
Communication and good planning are critical. Bring your supplier partners in early and often to try and avoid potential supply chain issues. And don’t be afraid to “crowd-source” some good customer loyalty promotion and attraction tactics from your supplier partners to keep the ideas fresh.

• Two-thirds of operators stated that failing to stay on schedule is their biggest frustration with new store openings.

• Still, there is a sense of perseverance in the air as operators navigate the choppy waters. As we forge ahead, the focus is clear that developing meaningful relationships with loyal guests is key, and operators are doubling down on investments to build those customer connections.
PART 4

Survey Results

LABOR & MANAGEMENT
Q. What adjustments have you made to reduce labor turnover and keep staff motivated?

LISTEN & ENGAGE
Manager soft skills are a must-have for reducing labor turnover – at both the store level and at the head office.

Over half of operators identified “listening to staff” as a top 3 tactic they are using to help reduce turnover.

Lifestyle and quality of life are also important – 4 in 10 operators are focusing on flexible scheduling and creating career opportunities to help reduce turnover, which subsequently leads to more cross-training.

Listen/engage with staff
- 51% Listen/engage with staff
- 37% Flexibility for work-life balance
- 37% Focus on staff career opportunities
- 36% Cross training
- 27% Automated training tools
- 22% Making work fun despite working hard
- 17% Promoted a “team mindset”
- 14% Add town halls to hear from leadership
- 12% New staff app for scheduling/notices
- 11% Eliminated monotonous prep steps
- 6% Team building exercises
- 6% Eliminated management fire-fighting

SUPPLIER INSIGHT
Think about ways you can help streamline your operator customer’s training and support with compelling training materials when introducing a new product. This will help lessen the load and give them a jump start with new menu changes.

(Choose your top 5, n = 107)
PART 4 LABOR & MANAGEMENT

TAKEAWAYS

• Labor sourcing has been a continual issue over the past two years and has now shown slight improvement over the last two quarters.

• Recruiting managers is still a significant challenge, a symptom of the churn of labor at the ground level and the negative impact that has had on store managers’ stress levels and work-life balance.

• Operators are focused on engaging staff to help mitigate turnover and are promoting from within. Ultimately, the labor market is demanding better quality of life, better growth opportunities, and better alignment with their values (especially for Millennials and Gen Z).

FOR SUPPLIERS
Recognize that solving for operator’s labor issues may involve re-assessing your products and packaging, and understanding how you can reduce prep and simplify the BOH operation. Stay ahead of the curve by proactively offering labor reduction ideas.

FOR OPERATORS
Savvy operators understand that addressing staffing issues requires a multifaceted approach that touches the top areas identified in this survey -- how you execute training, provide your staff with greater clarity about your company values, create a vision of where you are going, and streamline the recruitment and hiring process to be more candidate-friendly -- will all impact your labor and talent quality and retention.
THANK YOU

CONTACTS

Bruce Reinstein
bruce@kinetic12.com
617-455-9396

Tim Hand
tim@kinetic12.com
847-857-8330

Kim Letizia
kim@kinetic12.com
630-542-2097