

KING-CASEY *Insights & Trends in Restaurant Merchandising & Design*

REPORT



Dairy Queen's Menu Optimization Reveals a \$15-Million Opportunity

OBJECTIVES: THE PROCESS & RESULTS

BACKGROUND AND OBJECTIVES

Dairy Queen does a significant percentage of its business at the drive-thru. They came to King-Casey's menu optimization strategists to objectively review, access and improve DQ's menu and drive-thru menu communications. The overall objective was to achieve the following business objectives:

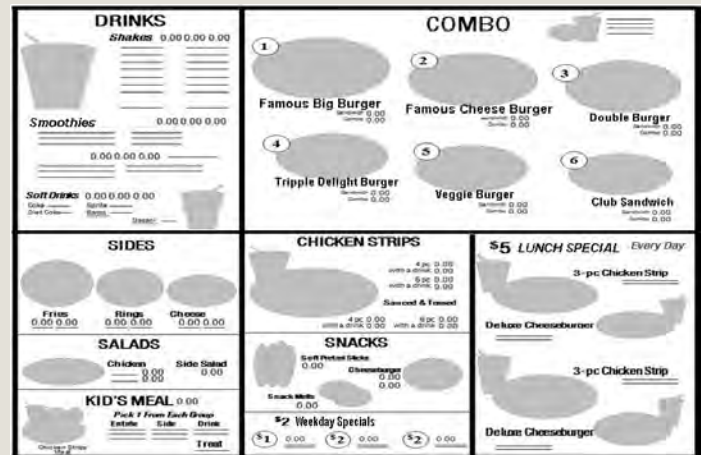
- Grow food sales with priorities on two key platforms (hamburgers and chicken)
- Achieve a net neutral to positive shift in drive-thru margin contribution
- Improve consumer perceptions of variety and value versus key competitors
- Reduce drive-thru service time and increase peak hour throughput and transactions

1) MENU PERFORMANCE ANALYSIS

You can only improve what you can measure. Our data-driven menu performance analysis allowed us to study key performance metrics, both financial and operational, and objectively identify which menu items lend themselves to promotion, deletion, or product re-engineering. We learned which categories and menu items presented the greatest opportunity for growing sales and increasing profitability performance. By basing recommendations on transactional data, we took subjectivity out of the equation, allowing for the unbiased identification of those items with the greatest potential.

2) MENU STRATEGY REFINEMENT

Developing a Menu Strategy is similar to strategic business planning...setting goals; prioritizing



Creating schematic layouts of the new menu communications illustrates the optimum placement and space allocation of menu categories and items. Color illustrated versions of the schematics came next.

goals; and translating the plan into specific actions. Creating and agreeing on a Menu Strategy is a critical step in how optimized menu communications are developed. For this project, the brand's existing menu strategy was reviewed, and each menu category and item were prioritized based on our menu performance analysis. The refined Menu Strategy documented specific tactics that would result in the realization of desired business objectives.

3) MENU COMMUNICATIONS

Guided by the analysis and menu strategy, a range of alternative layouts were developed illustrating the strategic organization, layout, product placement, space allocation and key communication elements of the optimized drive-thru menuboard communications (see above illustration). Approved strategies were then developed into color renderings illustrating what the new Menu Communications would look like.

4) CONSUMER INSIGHTS VALIDATION

By conducting a quantitative evaluation survey, we were able to identify which of the various menu communications strategies would yield the most rewarding results. New strategies were compared to current. From these consumer insights, the most promising strategy was refined and developed into production artwork, for Store Test Marketing.



5) STORE TEST MARKETING

The most promising menu optimization strategy was tested at 25 drive-thru locations over an 18 week period. In addition, the current menu communications served as a control and was monitored at 25 other IDQ locations. The analysis clearly showed that the new strategy outperformed the control on a number of key business objectives.

| Test vs. Control | | | |
|----------------------------------|---------|------|------|
| Drive Thru - Overall | | | |
| | Control | Test | Diff |
| Top Line | | | |
| Net Sales | -0.2 | 1.0 | 1.2 |
| Net AggCM | 0.0 | 1.2 | 1.2 |
| PLU Qty | -0.5 | 0.6 | 1.1 |
| Transactions | -0.3 | 0.4 | 0.7 |
| Per Transaction Metrics | | | |
| Sales per Transaction (Net SPT) | 0.1 | 0.4 | 0.3 |
| Profit per Transaction (Net PPT) | 0.7 | 0.8 | 0.1 |
| Quantity per Transaction (QPT) | 0.0 | 0.1 | 0.1 |
| Item Averages | | | |
| Net Avg. Price | 0.3 | 0.3 | 0.0 |
| Net Item CM | 0.4 | 0.8 | 0.4 |

The new strategies outperformed the current, resulting in a 1.2% increase in net sales. For a brand like DQ with thousands of locations, this represents a \$15 million sales improvement opportunity across the system.

TEST MARKET RESULTS

The performance of the new menu communications outperformed the current on the following key business objectives:

- Increased net sales
- Increased number of transactions
- Increased profit per check
- Higher incidence of trade-up to premium sides
- Desserts experienced a favorable shift to higher margin items

THE BOTTOM LINE

When extrapolating the net sales increase to all stores within DQ's system, these improvements represent a **\$15 million increase in sales.**

KING-CASEY IS THE FIRM THAT THE WORLD'S LEADING RESTAURANT AND FOODSERVICE BRANDS COME TO WHEN THEY WANT RESULTS

King-Casey, founded in 1953, provides practical, data-driven insights and research-validated solutions for restaurant and foodservice brands. We are renowned as the leader in providing comprehensive, turn-key Menu Optimization Services that increase sales and profitability.

Our team of industry professionals provides a suite of totally integrated menu optimization services. Collectively, our services provide advanced solutions that enable our clients to unlock the full potential of their menu communications, and achieve significant, measurable business results.

No other firm provides such comprehensive menu optimization solutions. Our suite of services include:

- Consumer insights
- Transactional analysis
- Demand-based pricing
- TURF analysis
- Menu reengineering
- Menu strategy
- Menu communications
- Path-to-purchase zone communications

The Benefits Are Immediate and Meaningful

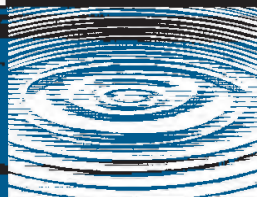
- Increased sales and profitability
- Totally integrated solutions
- No loss or dilution of insights and data due to their transfer from one consulting resource to the next
- Cost and timing savings resulting from combining the full suite of services under one umbrella

Want to Know More?

Please call Tom Cook, Principal, King-Casey at (203) 571-1776. Or email Tom at: tcook@king-casey.com. Take the first step in optimizing your menu and increasing your business performance.



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25 Sylvan Road South, Suite H, Westport,
CT 06880, USA Tel: +1 (203) 571-1776