



Managing Change

The key competitive advantage in the fast-food industry



CHANGE.

ARE YOU BUILT FOR IT ?

Managing Change

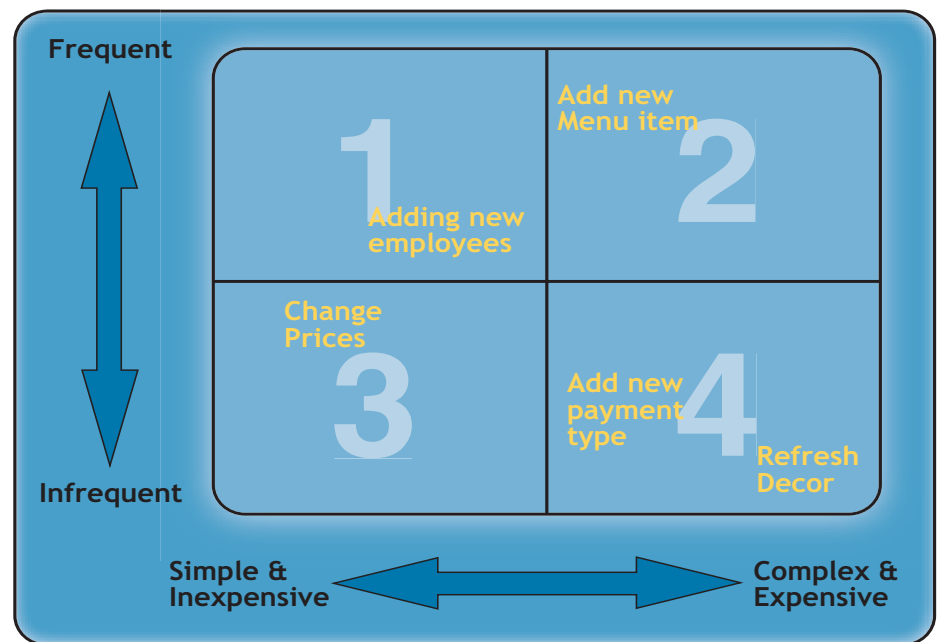
The key competitive advantage in the fast-food industry

Introduction

If you could compare this month's to-do lists for executives of major restaurant chains to their lists 2 or 3 years ago, the tasks have likely changed. But examine the tasks closer and, you'll see a common thread, which is "how do we, as an organization, respond to or initiate change?" Have the competition moved into your most profitable region? Have they morphed their menu to mimic yours? Have they acquired or disposed of new concepts or new technology? Have they debuted new interiors, added new customer services, or rolled out new franchisee programs? Is your organization planning to preemptively do any of the above? What will it cost to do it? What will it cost to not do it? What are your chances of success? The questions are many, the topic is the same: is your organization agile enough to respond to and initiate change?

Menu maintenance is a critical component of a chain's agility

Key changes that fast-food restaurants make, range from simple, frequent changes such as adding new employees to complex changes such as remodeling a store. Figure 1 shows a few popular changes categorized. Boxes 1 and 3 are changes that are simple and inexpensive. Box 4 shows complex and expensive undertakings that are done every few



years or so. Box 2 is key. In this box are changes that are complex, but occur fairly regularly. Managing these changes efficiently is the difference between an agile organization and a frustrated organization. Menu maintenance falls into this category. The rest of this whitepaper discusses this critical component of an organization's ability to adapt and win.

Menus are one of the primary sources of differentiation from competition

What do you offer? How much do you charge? The answers to these questions literally define how consumers identify fast-food chains. From Chick-fil-a's cows

exhorting consumers to "eat mor chikn" to Taco Bell's urging the market to "think outside the bun" to "fast casual" chains such as Baja Fresh offering more intricate and expensive meals, what you offer and what you charge defines who you are in the fast-food industry. Although these are the most fundamental factors of a chain's success, it is amazing how often they must be tinkered with to remain competitive. Promotions, regional pricing, and seasonal products complicate the ability to manage the chain across company-owned and franchised units, but the changes are necessary to compete. Market leaders have learned to manage these changes efficiently and effectively.

Rapid responses to market shifts involve menu changes

Most market shifts in the fast-food industry will involve POS software in some way. The most impacted component of that software being the ability to manage offerings, change prices, and conduct promotions. Supersizing has now given way to “premiumizing” as more and more fast-food chains add premium items to their menus. The traditional bundling of fries in a meal is expanding to include more choices of side items. The carb craze saw chains scrambling to create new offerings virtually overnight, and the wane of the carb craze may see them replaced just as quickly. Even adding bottled water or other scanned items to the menu present a challenge to fast-food chains. The fast-paced business of fast-food demands that chains turn-on-a-dime, and the industry’s winners have taken the challenge head-on.

Menu Maintenance determines a chain’s ability to implement changes

Often executives and managers create solid plans to advance their chains, but are hampered by the ability to execute their

vision reliably across the chain. There are complexities that exist in rolling out promotions, price changes, and menu changes even among corporate-owned stores. When these changes need to be implemented among tens to hundreds of owners with as many different technology infrastructures, the goal of reliable, ubiquitous implementation becomes even harder to attain.

Consider Yum! Brands, who has undertaken a strategy they dubbed “One Best Way.” With over 30,000 stores around the world and successful brands in their stable such as KFC, Pizza Hut, and Taco Bell, there’s no question that they could stand to benefit from some level of standardization. But, standardizing across concepts, across countries, and across franchisees and corporate-owned stores demands extremely flexible technology. Compris software helped Yum! and other chains reach new levels of standardization and centralization capability. The key to standardization was the “peacemaking” ability of Compris technology that takes multiple configurations and localized choices and makes them fit and communicate as a corporate whole.

Centralized decision-making and reliable execution are also important in the agile

chain. Improvements in centralization are accomplished through versatile menu maintenance engines such as those in Compris’ Multi-site Maintenance solution. First, it allows groups of stores to be created. Item changes, price changes or promotions can then be created and changed centrally. These changes are assigned to groups of stores, single stores or the whole chain. To further improve implementation, these changes can be assigned start and end dates so that stores stay in synch with the program. This capability frees up store personnel from much of the task of keeping pace with new initiatives and improves the reliability of implementation. The speed of response time is now determined by the creativity and execution at headquarters instead of hampered by the arduous task of rolling out the program.

Ability to manage future changes

Sometimes the changes to the fast-food industry are so radical that current operational practices and technology haven’t taken them into account. Adding self-service kiosks, offering 10-20 drive-ins instead of one drive-thru, or combining two restaurant concepts under the same

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roof are examples. Maverick executives see opportunities, but making that vision a reality requires work. This is where technology development organizations with reputations for enabling innovations are invaluable. These development organizations can be internal, but very often the capabilities are so radical that it isn't prudent for a restaurant chain to bear the investment and the risk of being in the technology business. Compris has established a reputation for bringing many of the technology innovations in fast-food operations to market. The risk, investment, and the rewards are shared across platform participants. This reputation as innovators is invaluable to a chain's ability to innovate and respond to or initiate change.

Summary

Speed, agility and execution are determined by menu maintenance. The most critical component of a fast-food chain's branding is its menu. It is also the most dynamic component. What is offered and how it is priced are constantly being altered throughout the year with new items, seasonal items, and promotions. The frequency and complexity of rolling-out these changes successfully requires agility. Centralized responses, reliable implementation and speed separate winners from losers. The choices made in menu maintenance technology and partnerships determine a firm's ability to respond to anticipated and unanticipated change.

About Compris

This whitepaper originates from Compris Technologies, a global leader in providing point-of-sale solutions and operational capabilities to the world's largest and most successful restaurant chains. Fast-food chains constantly rollout new menus, promotions, and concepts. And although it may sound counterintuitive, in the world of fast-food, standardization and innovation go hand-in-hand. Innovation originates at some point in the organization, and the business model relies on this innovation being replicated flawlessly and quickly throughout the chain or region. Compris makes the software that enables this to happen.

With over 8000 installations worldwide and leading the industry in powering innovations such as co-located locations (two separate concepts under one roof), Compris is in a unique position to meet requests for capabilities and functionality from the fast-food industry's leading chains. From implementing self-service to adding multi-drive-in bays to broadening acceptable payment types, Compris' customers have continued to rely on us to make their innovations a reality and drive the industry forward. And from our position as their technology partner, we've observed a clear theme: innovation and agility are competitive advantages. Moreover, we've seen organizations take tangible steps to develop this advantage. This whitepaper shares key insights on what's required to achieve this in today's restaurant environment.

- "Fast-food 'Premiumizing' attracting many consumers."
www.sandelman.com
- "Wendy's new combo-meal options invite attention of QSR rivals."
Amy Garber. Nations Restaurant News. December 20, 2004.
- "Think globally, secure support locally, Yum! team advises."
Ron Ruggless. Nations Restaurant News. November 15, 2004.
- "Four key strategies for lowering hardware costs and raising ROI."
World Data Products. March, 2004.

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