

Estimating the Value of Enhanced Merchandising

Well-engineered merchandising enhancement strategies generate solid returns on investment (ROI). Chains routinely see sales increases of 5-10% or more as the result of implementing an enhanced merchandising and menuboard strategy.*

In an interview, the Chairman of a 400 unit QSR chain said, *“Merchandising and menuboard enhancement is one of the best investments my company can make. In fact the return on investment far exceeds almost any other strategy I could pursue to increase profits.” ***

*King-Casey Research, 2008

**King-Casey Interview, 2005

Investment Required

Merchandising enhancement can be accomplished for less than it costs to produce one television commercial. There is typically a three-phase investment:

1. Assessment

Thoughtfully assess your current zone merchandising to discover opportunities for improvement. This toolkit leads you through the assessment process on a zone-by-zone basis.

2. Redesign/Design

Invest in developing an enhanced merchandising & menuboard design. New designs need not require new menuboard hardware. Redesign to cost-effectively solve problems and drive sales.

3. Implementation

You may need to invest in the production and installation of new materials for your restaurant locations.

ROI: Menuboard Enhancement

ROI Example*

Based on 200-unit chain with \$160 Million Annual Sales

| Investment/Return | Per Store | Total Chain |
|--|------------|-----------------|
| Professional menuboard research, analysis and redesign (if applicable) | | (\$100,000) |
| Printing, distribution and installation of new menuboard design (assumes existing hardware used) | (\$2000) | (\$400,000) |
| Total Menuboard Redesign | (\$2500) | (\$500,000) |
| Sales increase of 5%-10% | \$40-\$80M | \$8MM-\$16MM |
| Profit increase @ 20% profit margin | \$8M-\$16M | \$1.6MM-\$3.2MM |
| ROI in Year One | | \$1.1MM-\$2.7MM |

*King-Casey Estimates

Case Examples

The following case studies provide examples of investments and results experienced by operators across different restaurant categories.

FSR Burger

Objectives

- Increase sales and profits
- Speed thru-put

Strategies and Tactics

- Introduced “bundled” meals
- Used new merchandising strategy and menuboard communications to introduce “bundled” meals
- Staged merchandising to promote salad sales
- Added pre-sell menuboard to drive-thru

Results

- Increased total restaurant sales by 14%
- Salad sales increased by 127%
- Increased thru-put (validated by client research)
- Improved consumer satisfaction (validated by client research)
- Pre-sell at drive-thru increased average ticket by 40 cents

FSR Sandwich

Objectives

- Increase consumer awareness of key merchandising
- Increase sales
- Improve thru-put

Strategies and Tactics

- Staged merchandising
- Used new menuboard strategy and design
- Reorganized and simplified menuboard

Results

- Increased consumer awareness of merchandising by 41%
- Increased combo sales by double-digits and increased overall sales by 5%
- Thru-put improved significantly (validated by client research)

Fast Casual Sports Bar

Objectives

- Increase sales and profits
- Improve consumer satisfaction
- Drive trial

Strategies and Tactics

- Enhanced branding and store design
- Improved zone merchandising and communications

Results

- Improved consumer flow, increased consumer satisfaction and increased trial (validated by client research)
- Net income increased by 21.5%

FSR Family Dining

Objectives

- Increase sales
- Improve consumer satisfaction

Strategies and Tactics

- Developed new menu concept to simplify the order process
- Introduced staged messaging

Results

- Sales improved by 22%
- Consumer satisfaction increased (validated by client research)

FSR Steak

Objectives

- Increase sales

Strategies and Tactics

- Introduced zone merchandising
- Enhanced menus, utilizing more images than text

Results

- Increased restaurant sales by 30%