

THOUGHT LEADERSHIP FOR 25 YEARS

# QSR

AUGUST 2022 | NO. 294

# 50

**SPECIAL  
ANNUAL  
ISSUE**



## THE INDUSTRY'S LEADING REPORT

In the first full year following the onset of COVID-19, the nation's top-earning restaurant chains battled for market share once again.



**YEAR 1 OF COVID-19 WAS DEFINED BY DIVERGENT REALITIES.** Quick-service outlets fared far better than competitors. Once the initial wave of uncertainty passed (was it even safe to get food at the drive-thru?), the sector's long-standing strength outside its four walls crystalized. Not only that, however, but the agility and innovation that's always defined the category.

And now? You could argue quick service, especially drive-thru, has become the hottest retail ticket in town. As this year's QSR 50 shows, many concepts aren't recalibrating in the wake of the pandemic; they're rocketing upward. Major growth prospects—at times in the four-digit realm—are on the table for fast casuals and fast-food icons alike.

But the coast isn't free of obstacles. This past year provided frequent hurdles, from Omicron to a continued labor battle that's stretching well past the crisis. Buzzing topics like robotics, AI, automation, and integration, have popped up in response and handed operators more threads to connect with guests than ever. And in the end, we might just be headed for a golden era of quick-service growth unlike anything we've seen in decades. ➔

/ BY DANNY KLEIN  
& BEN COLEY



## 1 McDonald's

The top-earner in fast food rewrote its own record book in 2021. McDonald's system-wide sales bumped 21 percent to more than \$112 billion—a new high mark in company history. Domestically, McDonald's same-store sales climbed 13.8 percent against a 0.4 percent lap in 2020. This, too, raised the bar; it signaled the highest-recorded comps performance since McDonald's began reporting the metric in 1993 (and the seventh consecutive calendar of positive U.S. same-store sales).

Naturally, the top-line burst worked through the franchise system, which comprises roughly 95 percent of McDonald's domestic base. Operators posted record-snapping cash flow, with average growth of \$125,000 per restaurant. The end result: North of \$500,000, or a 50 percent increase over the past three years. Additionally, McDonald's posted unprecedented operating income of more than \$10 billion.

How McDonald's got there was a familiar tale for restaurants a year removed from COVID's initial assault on routines. The chain's same-store sales benefited largely from average check growth as pricing rose about 6 percent (this number was 8 percent



MCDONALD'S, STARBUCKS/MATT GLAC

higher in Q1 2022 versus the prior year). Traffic remained on pace with 2019, for the most part, with monthly dining visits rising 2.1, 3.8, and 1.1 percent in August, October, and December, respectively, according to mobile location analytics platform Placer.ai.

While in-store guest counts continue to adjust, McDonald's digital sales surpassed \$18 billion—also a record—and mixed more than 35 percent of its top six markets. In some, digital accounts for more than 50 percent of sales, like China and France. The single-biggest driver of digital adoption was MyMcDonald's Rewards, which launched nationally in July. It lifted to more than 30 million loyalty members by year's end, including 21 million active users. To date, the program has boosted frequency among members by more than 10 percent.

DINE-IN RETURNED TO MCDONALD'S, BUT ITS DIGITAL SALES ARE REWRITING THE RECORD BOOKS, UP TO \$18 BILLION IN 2021.

To start fiscal 2022, in those six markets, digital sales (mobile app, kiosks, delivery) accounted for more than 30 percent of systemwide sales. That equates to nearly 60 percent year-over expansion. In the U.S., McDonald's generated over \$2 billion in digital sales in just Q1 2022.

Delivery also ballooned to more than 33,000 restaurants in 100 countries. CEO Chris Kempczinski said in April McDelivery is now the largest quick-service delivery program in the world. Direct delivery is coming to the brand's U.S. app later in the year.

McDonald's, which in 2022 held its first worldwide convention in four years, ended 2021 with 13,443 domestic locations, a net decline of 239 stores. Globally, there were a tick more than 40,000 following net growth of 838 (China expanded by 608 units, the most of any country).

To sum up an eventful calendar, Kempczinski noted, "It's clear there has never been a better time to be a part of brand McDonald's than right now."

## 2 Starbucks



Speaking of jam-packed years, few chains in quick service are undergoing as many changes as the java giant. It's a conversation that starts at the top. In March 2022, Starbucks announced president and CEO Kevin Johnson's plans to retire. Stepping into the interim role was none other than founder Howard Schultz, who previously served as CEO from 2008–2017 and 1985–2000 and as president from 2008–2015 and 1985–1994. In that wide stretch, Starbucks scaled from an 11-store brand with 100 employees to more than 28,000 locations in 77 countries.

And Schultz had no shortage of tasks ahead. He took a base salary of \$1 and began tackling a topic Starbucks hadn't quite faced before. The brand suddenly had more demand on its hands than it could serve to standard, which, from a certain angle, is a decent problem to have. But nonetheless, a rather expensive one to fix. As Schultz put it in May: "Simply said, we do not, today, have the adequate capacity to meet the growing demand for Starbucks coffees."

Schultz credited COVID and the brand's diverted focus to navigating the crisis. In turn, disruptions interfered with Starbucks' ability to anticipate and invest ahead of the market. It didn't adjust store designs, operations, infrastructure, or tech to service that "relentless demand."

Perhaps the most publicized corner of this concerns

ADOBEE STOCK/INOLTERRE



labor and an ongoing union conflict. Organizing had spread to at least 150 locations by mid-summer.

In Q2 2022, Starbucks announced it would spend more than \$200 incremental this year to investments already committed at domestic corporate stores. The total yearly bill: about \$1 billion, with much of it going toward training, wage, and equipment updates intended to improve the company's proposition, make jobs easier and more enjoyable, and yes, more lucrative.

Starbucks moved all U.S. employees to a \$15 per hour floor on August 1. It then layered in incremental increases for domestic store workers. Average hourly pay at Starbucks hit nearly \$17 per hour nationally, with every employee hired on or before May 2 getting either a 3 percent raise or \$15 per hour (whichever was higher). Employees with two to five years of tenure got a 5 percent bump and those with five-plus years received a 7 percent hike. Starbucks doubled investments in store manager, assistant store manager, and shift manager pay for leaders hired on or before May 2.

Training for baristas jumped from 23 to 40 hours and Starbucks redesigned its "First Sip" training program alongside a fresh shift supervisor program as well. Training is no small point for Starbucks, as 70 percent of hourly employees were new to the brand last year.

Also notable: this suite of updates did not extend to stores mired in union activity.

Back on demand, Schultz wasn't overstating. Starbucks' mobile order and pay, a more than \$4 billion business, is up 400 percent over five years (20 percent above 2021) and now mixes 70-plus percent of the chain's U.S. store volume. The company's \$500 million delivery segment hiked 30 percent, year-over-year. Starbucks' Card program, which boasts usage of about 120 million people, is alone larger than the entire gift card category. Starbucks' consumers prepaid for \$11 billion worth of purchases last year. Today, there's north of \$1 billion loaded on Starbucks Cards that hasn't been redeemed. And the company's rewards base in the U.S. last quarter lifted 17 percent over Q2 2021 to 27 million members. Rewards members delivered 54 percent of revenue—the highest level of engagement on record for Starbucks, and 2 percentage points up from last year. Handcrafted cold beverages now comprise roughly 80 percent of sales.

Going forward, Starbucks said 90 percent of new store growth will feature drive-thrus. And this coming fleet will integrate fresh store designs and technology, including more handheld devices and equipment improvements to boost throughput. Essentially, the line-busting tablets you see at an increasing number of brands coming out of COVID.

Drive-thru, mobile order and pay, and delivery col-



STARBUCKS PLANS TO SPEND UPWARD OF \$1 BILLION THIS YEAR TO BOOST TRAINING, TECH, AND THE EMPLOYEE PROPOSITION.

CHICK-FIL-A'S PACKED DRIVE-THRU WERE ANYTHING BUT A MIRAGE IN 2021: AUVs TOPPED \$8M AT FREESTANDING LOCATIONS.

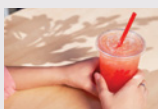
lectively totaled 75 percent of U.S. company-operated sales in Q2.

Across 2021, Starbucks' Q4 global revenue reached \$8.1 billion—22 percent higher than last year. The quarterly record closed out a fiscal-year best \$29.1 billion.

"What we have to do is harness the issues that we have to deal with in terms of capacity, exceeding the expectations of our people," Schultz said in May. "I've been here long enough to understand what the challenges are and long enough to understand the extraordinary opportunity Starbucks has in the marketplace domestically and around the world."

### 3 Chick-fil-A

Anecdotes of packed Chick-fil-A drive-thrus (yet still efficient) were easy to find throughout the pandemic. So telling somebody the brand surged out of lockdowns doesn't feel like some grand news leak. But just how high Chick-fil-A reached was eye-opening. Diving deeper into Chick-fil-A's financials, of the brand's 1,836 U.S. free-standing restaurants outside of malls (those open and operated for at least a full calendar year, from a total of 2,023), average annual sales volumes clocked in at \$8.142 million last year, with 849 of those, or 46 percent, producing figures at or above. One operator pushed \$17.16 million. Roughly 35 percent of the pool generated annual sales volumes under \$7.2 million; 34 percent between \$7.2 and \$9 million; and 31 percent above \$9 million.



Chick-fil-A's AUV was also nearly 15 percent better than its 2020 result. So the brand's upward mobility is clearly a long-term trend, not one born from the drive-thru, COVID era.

Even mall stores (no drive-thru) generated AUVs of \$3.2 million last year, nearly that of McDonald's (\$3.42M).

The numbers don't trail off. Chick-fil-A grew by 155 locations stateside in 2021. Revenue climbed to \$5.8 billion, well ahead of the \$4.3 billion it appreciated in 2020 and \$3.8 billion the year prior. Comprehensive earnings of \$1.198 billion sailed \$715.9 million (\$647 million in 2019). Systemwide sales over the past three years lifted from \$12.2 to \$13.7 to \$16.7 billion.

Amid this boom, Chick-fil-A also underwent a change of leadership. Chick-fil-A executive Dan T. Cathy stepped down in November after an eight-year run. Andrew T. Cathy, Dan Cathy's son, took over, while Dan Cathy remained chairman of Chick-fil-A.

Andrew Cathy, only the chain's third CEO, began his Chick-fil-A career in 2005, working two years as operator of a store in St. Petersburg, Florida.

He's now holding the reins of arguably the fastest-growing (from a financial perspective) brand in fast food. In the future, this could include further international expansion into Toronto as well as continued growth in Puerto Rico, where the first Chick-fil-A opened in March 2022.

All told, Chick-fil-A is fronting a chicken category that shows no signs of slowing.

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## Taco Bell

This past year saw Taco Bell lean further into what's historically set it apart—distinctive products, value, and an operational backbone that supports it all. The Yum! Brands chain's 2021 system sales grew 13 percent, driven by 11 percent same-store sales growth and 5 percent unit expansion. In the U.S., Taco Bell finished with more than 7,000 locations and "ample whitespace for future developments," CFO Chris Turner said in Yum!'s year-end review. Also, Spain became the first international market to surpass 100 units in the quarter.

Taco Bell's overseas conversation is one worth tracking. It added more than 160 net new units on a base of just 600 coming into the year, or 26 percent growth. CEO David Gibbs called Taco Bell's international runway "probably one of the most exciting stories we have right now."

The aim for Taco Bell is to reach scale in a few key markets and drive brand awareness, ultimately improving new unit returns to support accelerated growth.

In 2022, Turner said Taco Bell is on track for another record development year with next-gen assets in the U.S. and additional markets outside the country. One recent announcement being Yum! China's commitment to expand the brand, which will give Yum! three markets above the 100-unit lever by the end of 2022 (Spain, U.S., China).

It was a banner calendar, development wise, across all of Yum! in 2021. The company debuted a net of 1,259 restaurants in Q4, pushing the year-end total to 3,057 net new openings. The previous record was 2,040 in 2019.



TACO BELL CARRIED AMPLIFIED MOMENTUM INTO ITS 60<sup>TH</sup> ANNIVERSARY AFTER ANOTHER STELLAR YEAR.

Overall, Yum! added 4,180 gross units, putting an exclamation mark on what Gibbs called "the strongest growth year in our history and setting an industry record for unit development."

For perspective, the company opened a new restaurant on average every two hours. Taco Bell represented 12 percent of those net new openings with 364.

Returning to the ops angle, Taco Bell's drive-thru times last year were 2 seconds faster, year-over-year, with Q4 marking the eight consecutive period of average sub-4 minute times. That became nine straight in Q1 2022. "This is truly an impressive performance considering labor availability challenges," Turner added.

Taco Bell's domestic digital sales rose nearly 20 percent as Yum! collectively pushed a record \$22 billion. Following KFC's lead, Taco Bell is currently in the process of rolling pickup shelves into stores. Thus far, early tests are freeing up drive-thru capacity. Yum! is also installing a new kitchen display system and smart hub, and leveraging its cloud-based point-of-sale in Taco Bell stores with the hope of modernizing the employee experience. The systems separate delivery orders from standard drive-thru ones.

This year marks Taco Bell's 60<sup>th</sup> anniversary. Gibbs noted in May the chain would continue to stay relevant by championing customer value, including the introduction of \$2 burritos on Taco Bell's new Cravings Value Menu, which joined the chain's existing \$1 offering.

And on the marketing side, Taco Bell had plenty to talk about, as usual, with crispy chicken wings hitting stores for a limited time, as well as Nacho Fries. It then mic dropped the buzzy return of Mexican Pizza, cut in 2020 for simplification and sustainability reasons, with artist Doja Cat at Coachella (a musical featuring Dolly Parton premiered on TikTok in late May as well).

Taco Bell's Q1 2022 system sales hiked 8 percent on 5 percent unit growth and 5 percent same-store sales expansion. Domestic comps increased 5 percent. All were among the top tier of quick-service results industry-wide to start the year.





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## Wendy's

Wendy's labeled 2021 a "breakthrough year" as it notched its 11th consecutive run of global same-store sales growth. In Q4 specifically, Wendy's U.S. comps accelerated to 11.6 percent on a two-year basis. The chain's breakfast sales—a daypart that launched on the doorstep of COVID in March 2020—expanded roughly 25 percent across the year (breakfast recently launched in Canada on May 2, 2022 as well).

Wendy's digital business reached 10 percent of sales globally in Q4, with its loyalty program upping total membership by about 75 percent and monthly active users 25 percent throughout the course of the year.

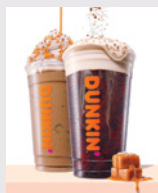
With expansion itself, Wendy's delivered 121 net new restaurants—it sixth straight year of net new restaurant growth and its highest figure in nearly two decades. This included the opening of Wendy's first U.K. restaurants and its 1,000th international store. Also, the debut of 30 Wendy's delivery kitchens with REEF across the U.S., Canada, and the U.K.

Worth noting, too, roughly 50 percent of Wendy's growth came via nontraditional means (REEF included). On the latter topic, REEF's units boast average-unit volumes in the \$500,000–\$1 million range, with Wendy's collecting about a 6 percent royalty rate income compared to its typical collection of 4 percent. So the higher number turns in similar economics, despite lower AUVs. But the REEF path, as much as the dollar figures, will help Wendy's narrow what's historically been a significant gap relative to peers—an underpenetrated footprint in urban markets.



WENDY'S HAS TURNED IN SIX STRAIGHT YEARS OF NET NEW GROWTH.

DUNKIN' SAW ITS SAME-STORE SALES POP 15.5 PERCENT IN 2021.



In 2022, Wendy's expects to debut 150–200 REEF kitchens globally—about 65 percent in the U.S.; 10 percent in Canada; and 25 percent in the U.K. And non-traditional, broadly, will continue to mix 40–50 percent of the brand's path.

As significant a growth stretch as 2021 was for Wendy's, it still came in at about 2 percent. That's about to step up to as high as 6 percent in 2022. Already this year, Wendy's kicked off Q1 by opening a net of 67 locations (45 domestic). That was a meaningful bump from Q1 2021 when Wendy's expanded by a net of 10 stores and "one of our best quarters in in our history for unit growth," CEO Todd Penegor said at the time.

And despite inflationary challenges and other external hurdles, Wendy's stretched its streak of growing or maintaining category burger dollar share to 11 quarters.

Elaborating on breakfast, the daypart represented about 7 percent of sales in Q1, which was down from 7.8 percent a quarter earlier due to Omicron and weather setbacks. But the brand feels confident in its plan to reach \$3,000–\$3,500 in average weekly sales per store (it was about \$2,500 in Q1) and grow the business by 10–20 percent for the full year. A reason for optimism—legacy stores that offered breakfast pre-2020 launch are pushing \$4,000–\$4,500 per unit.

As Wendy's tacks on new units, it's also reimaged about 75 percent of its 7,000 locations globally. Revenues in Q1 climbed 6.2 percent to \$488.6 million.

Domestic same-store sales gained 1.1 percent to begin 2022 against a prior-year lap of 13.5 percent. Globally, the brand achieved its second consecutive period of double-digit two-year comps at 15.4 percent. Internationally, Wendy's same-store sales gained 14.1 percent, which helped elevate the systemwide figure to 2.4 percent.

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## Dunkin'

The first change in this year's QSR 50 comes at No. 6, with Dunkin' moving up a slot. The brand spent most of 2020 sprucing up its footprint, including the exiting of 450 Speedway stores along the East Coast, which represented less than 0.5 percent of U.S. sales. Overall, Dunkin' closed a net 547 units that year; these were stores that had low average weekly sales, couldn't support beverage innovation or a NextGen remodel, or were based in areas where traffic shifted and they couldn't relocate or add drive-thru. Former Dunkin' CEO Scott Hoffman called it a "good scrubbing of the portfolio."

But 2021 told a different story. Under new owner Inspire Brands—which spend \$11.3 billion to acquire the chain at the end of 2020—Dunkin' debuted a net of 161 outlets last year. Same-store sales rose 15.5 percent in 2021 year-over-year and increased 10.4 percent on a two-year basis.

The beverage and doughnut chain continued its momentum in February, opening its first co-branded

location with Jimmy John's inside the main lobby of Inspire's Global Support Center in Atlanta. The kiosk is digital only, meaning all orders are placed ahead of time through either the Dunkin' or Jimmy John's app.

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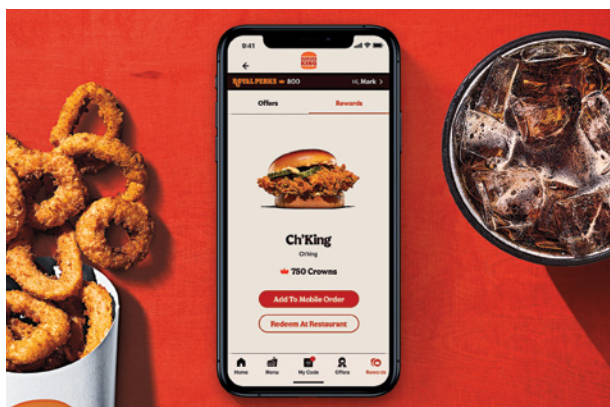
## Burger King

Throughout 2021, RBI CEO Jose Cil and his executive team acknowledged Burger King wasn't performing up to expectations. To close last year, the brand's U.S. same-store increased 1.8 percent year-over-year, but slid 1.1 percent on a two-year basis. In Q1, comps declined 0.5 percent compared to the year-ago period.

But the quick-service giant put a turnaround strategy in place, starting with promoting previous COO Tom Curtis to president of U.S. and Canada. The industry veteran, who previously spent multiple decades at Domino's, was charged with leading a comprehensive agenda spanning multiple areas, including operations, digital enhancements, menu innovation, and refresh branding.

Two of the biggest accomplishments in 2021 were the nationwide launch of the Ch'King Sandwich and the unveiling of Royal Perks, the company's new rewards-based loyalty platform. The brand also looked to elevate multiple metrics, including hours of operation, staffing, speed of service, and average complaint ratios.

More progress was made through the first part of 2022. Burger King not only hired a new creative agency of record—a company that's also worked with the likes of Chili's, Nike, Taco Bell, Pizza Hut—to improve effectiveness of its messaging, it also put more focus on premiumizing the Whopper. The brand removed the burger from core discounting and rolled out the Whop-



per Melt, which proved to be incremental to the burger platform and showed strong messaging with high-quality ads. The product was teased as the first of more Whopper-centric innovation to come.

The efforts haven't been in vain either. In early May, Cil said Burger King narrowed the gap between its peers by a few hundred basis points in Q1 and that guest satisfaction has elevated sequentially over the past three quarters.



## 8 Subway

SUBWAY'S EAT FRESH REFRESH CAMPAIGN HELPED LIFT AUVs TO LEVELS NOT SEEN IN SEVEN YEARS.

For Subway, 2021 was one of the most impactful years in recent memory. The chain said it beat sales projections by almost \$1.4 billion and reached its highest annual AUV in seven years. More than 16,000 locations, or about 75 percent of the U.S. system, experienced a 7.5 percent increase in same-store sales versus 2019. Domestic comps rose sequentially throughout 2021 and were positive from Q2 to Q4. In the final month of the year, same-store sales lifted 8.7 percent compared to 2019.

The sandwich chain owed its success to "Eat Fresh Refresh," the biggest menu update in the brand's 56-year history. The launch involved 11 new ingredients, six new or returning sandwiches, and four revamped signature products. Paul Fabre, senior vice president of culinary and innovation, said Subway spent 18–24 months enhancing the bread alongside a panel of bakers, including Nancy Silverton, who won the James Beard Foundation's Outstanding Chef Award in 2014.

In addition to the menu innovation, the fast-food chain debuted an updated mobile app with a new dashboard and less friction and partnered with DoorDash to roll out direct delivery through its website and app. Subway's digital sales surpassed \$1.3 billion in 2021, which is three times as much as 2019.

In terms of U.S. development, the brand is continuing to clean its portfolio. Subway shed a net of 1,043 restaurants in 2021, after cutting a net of roughly 1,600 in 2020.

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## Domino's

Last year was a mixture of positive and not-so-positive news for Domino's.

From the optimistic perspective, unit economics remained best in class, with U.S. stores earning \$1.3 million in AUV and more than \$170,000 in store-level EBITDA. Full-year same-store sales rose 3.5 percent—14.7



percent on a two-year basis—marking the 13th consecutive year of positive growth. Additionally, CEO Russell Weiner said no one in the pizza category has opened as many U.S. restaurants as Domino's in the past few years. The brand, which already earns more U.S. sales than any other pizza chain, surpassed Pizza Hut as the biggest when it comes to domestic footprint, with 6,560 stores.

However, in the background of all those successes has been an ongoing labor shortage that's carried over into 2022. After 41 straight quarters of positive U.S. comps, Domino's saw decreases of 1.9 percent in Q3 2021 and 3.6 percent in Q1 2022, driven by shorter operating hours, disruption in customer service, and lapping federal stimulus. In the first quarter, the number of combined lost operating hours equated to the entire U.S. system being closed for six days. To mitigate increased labor and commodity costs, Domino's switched its \$7.99 carryout deal to only online, a more profitable sales channel for the brand. And for its \$5.99 Mix and Match deal, it increased the price by \$1 for delivery orders.

Prior to the macroeconomic issues, no company rejected third-party delivery companies more than Domino's, however, Weiner noted in late April that "nothing is off the table" when asked about future potential partnerships.

Weiner took over as CEO in May for the retiring Rich Allison, who joined the company in 2011.

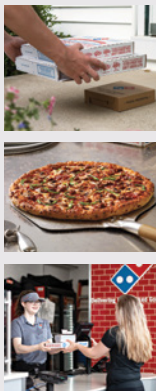
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## Chipotle

Count Chipotle among the quick-serves rocketing growth out of the pandemic. The brand announced in Q4 it was tacking on 1,000 North America locations to its previous long-view goal, meaning there could be at least 7,000 stores in time. What's giving Chipotle confidence is a multifold story. For starters, you can look at the stock market to get a sense of how far it's come since ex-Taco Bell leader Brian Niccol grabbed the CEO reins in winter 2018. When he did, Chipotle traded for \$314.72 on February 1, 2018. As the fast casual reviewed Q4 earnings with investors this past year, the figure was north of \$1,560 per share.

Along the way, Chipotle accelerated several pillars of its business while shoring up operations. It's simply figured out a way to get food out quicker. The most talked-about element of this has been digital, where the chain's full-year sales hit \$3.4 billion last year. For reference, the figure is nearly three-and-half times what Chipotle reported pre-COVID in 2019. And that despite the fact two-thirds of guests still use in-restaurant as their exclusive channel, Niccol said in February.

In other terms, there are still occasions to chase. The consumer base deploying both digital and in-store remains relatively small. Chipotle expanded from 8.5 million rewards loyalty members in February 2020 to north of 26 million by year-end 2021.



DOMINO'S IS FACING LABOR CHALLENGES BUT REMAINS AT THE TOP OF THE PIZZA PYRAMID.

What's more, though, is how Chipotle continues to integrate channels with asset development, which really began with second-make lines for digital orders. Of late, it's taken on more visible, guest-facing forms. Chipotle opened 215 new restaurants last year, including 78 in Q4 alone. Of those, 174, or 81 percent, included the brand's order-ahead pickup "Chipotlanes." As 2022 arrived, Chipotle had 355 of them. Still, while growing and spreading quickly, Chipotlanes represent a fraction of Chipotle's 2,966-unit system.

But going forward, Chipotlanes are going to take on a larger role. The brand plans to open 235–250 stores in 2022, and north of 80 percent will be equipped with the feature.

Chipotle's broader growth appears to have crossed an inflection point that it's not turning back from. It opened just 40 locations in the three-month period that ended December 31, 2018, or Q4 of that year. The same timeframes ending March 31, June 30, and September 30 (all in 2019) saw openings of 15, 20, and 25 locations, respectively. In June 2018, Chipotle announced a revamp that included closing 55–60 stores. The chain had 2,408 restaurants on December 31, 2017 and 2,491 a year later. More than half of Chipotle's stores have built in the past decade.

So this growth journey evolved quickly. Chipotle arguably saved its biggest innovation for last with the opening of its first Chipotlane Digital Kitchen in Cuyahoga Falls, Ohio. In addition to the mobile order drive-thru lane, the location includes a walk-up win-



CHIPOTLE'S GROWTH PROSPECTS ARE PICKING UP, AND SWITCHING GEARS, WITH 80 PERCENT OF NEW DEVELOPMENT INCLUDING PICKUP LANES.

dow, but no dining room or frontline. It's smaller than a traditional Chipotle store and features a make-line dedicated to fulfilling digital orders from the website/app and third-party delivery partners.

The Chipotlanes, in particular, fit into the brand's directive to open in more "small towns" across the country as well. We're talking towns with 40,000-plus people, which isn't tiny, but is "small" by the brand's historic

standards. These stores, the company said, deliver unit economics at or better than traditional locations. Chipotlanes, in general, do that, too; they produce higher volume, skew toward digital (namely higher-margin takeout), and generate cash-on-cash returns in the 65–70 percent range within a couple of years.

Chipotle's financials support the expansion. Total revenue in 2021 rose 26.1 percent to \$7.5 billion, year-over-year. Same-store sales climbed 19.3 percent and digital sales upped 24.7 percent (45.6 percent of the business).

In Q4, revenue rose 22 percent, year-over-year, to \$2 billion, and comps hiked 15.2 percent. Digital sales, even against 2021's skyrocket from COVID conditions, ticked up 3.8 percent to 41.6 percent of sales (\$811 million, with delivery mixing about 20 percent). Average-unit volumes also reached \$2.641 million from \$2.223 million two years ago.

A key for Chipotle amid growth will be staffing, where turnover at the hourly level reached 194 percent last year—well ahead of 141 percent the year prior. While a kickback of external realities (Omicron-triggered turnover exclusions among them), it's something Chipotle plans to address throughout. In May, the chain footed the bill of higher wages, making the call to boost average rates to \$15 per hour by the end of June. The upgraded scale resulted in hourly employees earning day one pay of \$11–\$18. Additionally, Chipotle outlined a path to “Restauranteur,” a six-figure GM position hourly workers can reach within three-and-half years. Chipotle then rolled a \$200 employee referral bonus for crew members and a \$750 one for apprentices and GMs.

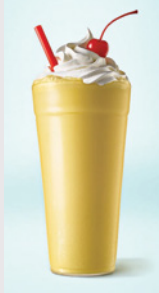
In 2021, alongside the lofty turnover rates, 90 percent of restaurant management roles at Chipotle came from internal promotions. On average, six employees were promoted per restaurant for a total of nearly 19,000. The company's internal promotion rate was 77 percent for apprentice and GM roles in 2021.

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## Sonic Drive-In

Sonic parent company Inspire Brands opened more than 1,400 units in 2021, including over 500 U.S. franchise-led stores. The group, founded February 2018 following Arby's Restaurant Group's \$2.9 billion purchase of Buffalo Wild Wings (the portfolio now includes Baskin-Robbins, Dunkin', Rusty Taco, Jimmy John's, and Sonic as well), generated domestic digital sales growth north of 35 percent, year-over-year, to \$6 billion-plus—good for more than 20 percent of U.S. system sales. Inspire also surpassed \$1 billion in sales via third-party marketplace. Overall, digital moved north of \$7 billion for Inspire.

Regarding Sonic, the chain turned in the best two-year same-store sales performance of the fleet at 25.8 percent (Baskin at 13.6 percent; Jimmy John's 11.8 percent; Arby's 11.7 percent; Dunkin' 10.4 percent; Buffalo Wild Wings 1.2 percent followed).



SONIC'S MODEL WAS BUILT FOR COVID CONDITIONS. NOW, IT'S EVOLVING FOR WHAT COMES NEXT.

It's no great secret what fueled Sonic's performance—its carhop-style, car-picnic ready setup was ideally matched for a COVID climate. Put differently, the brand's pull-up design and throwback DNA became the leading “old-is-new” outlet of a pandemic.

But Sonic didn't sit back on those laurels. Its digital infrastructure, known fittingly as ICE (integrated customer engagement), was built to secure a leadership role in quick-service personalization. And that only picked up in 2021. Sonic's mobile-order ahead technology works as part of an overall environment in ways other chains

can't replicate via drive-thru or dine-in service alone. Guests scroll through menu options, place an order, customize it, and then drive up to a pad full of pull-in stalls. They upload the number of their stall, get a personalized greeting on a digital menu screen, and sit back and wait.

The end solution is something drive-thru brands could only hope for as capacity stuffed last year—the ability for guests to be first in line every time. So as queues in the sector crowded across the year, Sonic didn't miss a beat. The next choice Sonic made was to allow customers to tip carhops via its app. By October, the chain had brought in nearly \$12 million in tips, which helped it compete on the labor front.

The capability also followed Sonic's development of a web-based ordering platform. Doing so opened the funnel for a wave of new customers, CMO Lori Abou Habib said in March: people who might have been quite ready to download Sonic's app, yet wanted to try out its digital ordering capability. Guests access rewards as well promotions through web ordering, which enables Sonic to incentivize visits for medium to light users.

During COVID, Sonic witnessed an influx of first-time consumers using its app in addition to core users simply accessing it more often. The brand deployed a cross-functional acquisition strategy between its text program and the app, trying to get one guest to try the other. Sonic also did a TV spot talking about the ability to leverage contactless order and payment. Outside of that, though, Sonic just stayed the course. “A lot of that just seemed to happen organically,” Abou Habib said.



This includes the continued development of a “Delight” prototype that’s initial build featured 18 docks, a drive-thru, and a covered outdoor patio where guests could dine under string lights and enjoy lawn games.



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## Panera Bread

The digital revolution didn’t sneak up on Panera. Well before 2020, the chain’s off-premises business eclipsed 50 percent of sales. Yet there was room to innovate around a growing wave, especially within stores themselves.

In the winter of 2020, just weeks ahead of COVID, Panera started conceptualizing a fresh layout that would eventually be labeled Panera’s “NextGen” model. It debuted in November 2021 as a 3,500-square-foot venue in Ballwin, Missouri, 7.6 miles from the company’s first restaurant. Built in tandem with ChangeUp, the same agency that worked with Taco Bell, Jimmy John’s, and Panda Express, it features a double drive-thru, with one lane dedicated to mobile orders (called “Rapid Pick-Up”). Panera equipped digital menuboards to ease friction and tapped geo-fencing technology to pinpoint MyPanera loyalty members when they arrive at the cafe. Once identified, the customer is greeted by name.

Inside, guests can wait in line, use a digital kiosk, pick up their takeout meal, or go straight to a table and use Panera’s app to order a contactless dine-in meal. Consumers also have the option of pulling up curbside and waiting for an employee to run out. “Panera’s NextGen cafes signal our company’s vision for the future of fast-casual dining—a frictionless, tech-powered yet warm and personalized dining experience,” CEO Niren Chaudhary said earlier in the year. “It’s fully focused on taking pride in baking, our strong commitment to our food values, and continuing our leadership in technology.”

The store also boasted a refreshed “Mother Bread” logo that nods to Panera’s bakery legacy and its more



PANERA IS HEADED INTO THE FUTURE WITH A NEXTGEN RESTAURANT THAT’S BUILT FOR AN OMNICHANNEL WORLD.

PIZZA HUT’S TURNAROUND BEGAN WITH A TOUCH OF NOSTALGIA.



than 30-year-old sourdough starter. Inside, wayfinding spotlights Panera’s omnichannel movement. The restaurant includes a pickup area near the door so to-go guests can enter/exit seamlessly without moving farther into the cafe and creating additional congestion. Additionally, an overhanging mirror reflects a multitude of treats, and bakery ovens and tables are in full view.

The DNA of the design will be represented in all Panera restaurants going forward, except for a handful of units that were conceptualized prior to the fast casual landing on its prototype.

The NextGen store in Missouri is about 20 percent smaller than Panera’s most recent standard prototype as well. Previously, locations required a \$1.5 million investment to build, but the latest design is closer to \$1.3 million. Over the past couple of years, Panera’s pivot to more off-premises and digital orders was fueled by deals like its MyPanera+ Coffee subscription program, which offers unlimited iced and hot coffee and hot tea for \$8.99 per month—any size, any flavor, and redeemable every two hours. The company also debuted Flatbread Pizza, a portable food segment that saw record-breaking sales when dining rooms were restricted.

In April, Panera launched a subscription program for all of its self-service beverages and other drinks called the “Unlimited Sip Club.” For \$10.99 per month, MyPanera loyalty customers can sign up for the Unlimited Sip Club and have access to 26 drinks, including hot and iced coffee, hot and iced teas, Agave Lemonade, Pepsi products, and new beverage platform, Charged Lemonades. According to Apptopia, the deal drove more new installs than the original coffee subscription launch and surged engagement. The Panera app, as of May, hit new records for daily active users almost every day since the launch of Unlimited Sip Club.

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## Pizza Hut

Of all Yum!’s brands, Pizza Hut experienced the biggest turnaround. In 2020, it closed a net of 1,063 stores globally as it continued a years-long shift to adjust assets more toward a carryout, delivery friendly fleet. Last year, however, Pizza Hut opened a net of 742 locations, or 24 percent of Yum!’s total net unit expansion. Pizza Hut’s international markets debuted a net of 755 units, while the U.S. declined by a net of 13 stores. Although the company dropped in domestic unit count, it’s still much better than 2020, when U.S. markets closed a net of 745 restaurants.

On the top line, U.S. comps grew 10 percent on a two-year basis in Q4, and 9 percent for 2021. Internationally, same-store sales declined 3 percent in Q4 and dropped 5 percent in 2021. Pizza Hut ended 2021 with 18,381 stores, including 11,833 internationally and 6,548 in the U.S.

Pizza Hut’s comeback has myriad layers. But it began with a look back.



KFC's former U.S. president Kevin Hochman (he headed over to Brinker International in May to succeed retiring Wyman Roberts as CEO), along with current Pizza Hut U.S. president David Graves, spearheaded the chain's repositioning. It started by asking, "when we were at our best, why was this brand so special?" And the result, in addition to moving away from a heavy dine-in footprint, was to launch a "Newstalgia" campaign focused on recognizable and differentiated products, as well as messaging and branding relevant and memorable across generations (think Pac-Man augmented reality).

Also, the introduction of pickup windows in "Hut Lane" models—late March—that essentially sprung up in 1,500 locations overnight. The reason this was feasible now compared to pre-COVID, was the fact stores were digitally enabled so customers could simply access the feature through the ease of their preferred devices. Pizza Hut had, in fact, drive-thru windows scattered throughout the system. They didn't do much business, though, since guests weren't digitally connected. Contactless curbside—which Pizza Hut raced ahead of the pack on in mid-April 2020—uncovered the opportunity and introduced guests to new channels. Pizza Hut expects close to all of its new non-inline builds to include Hut Lanes.

On the culinary side, hallmark innovations became the staple. Detroit Style Pizza, an early 2021 LTO, sold out in a couple of weeks. In May, the company entered the Metaverse. During ComplexLand in late May (a virtual curated shopping experience), Pizza Hut met pizza lovers with custom designed delivery vehicles and drivers, nine NFTs, and the chance to win free pizza for a year.

Labor challenges have surged of late, however, which is not unique to Pizza Hut but a challenge facing the category as a whole in regard to delivery drivers. The chain's U.S. same-store sales declined 6 percent in Q1 2022 with flat unit growth. CEO Gibbs said consumer demand was strong, but the brand experienced softness through the delivery channel, where capacity constraints limited ability to meet orders.

In response, Pizza Hut completed integration of deliv-

PIZZA HUT GUESTS ARE EMBRACING ITS OLD-IS-NEW APPROACH.

KFC'S CRYSTAL BUCKET STORE IN PAINTED POST, NEW YORK, IS ONE OF ITS MOST STUNNING.



ery as a service into its point-of-sale—a change that led to accelerated system adoption, Gibbs added, and Pizza Hut's ability to leverage third-party aggregators to augment its own delivery fleet. The chain noted third-party drivers during peak periods would help Pizza Hut address challenges. Also, "it's part of our strategy for wanting to be ubiquitous, be everywhere that our customers want to do business with us," CFO Turner said.

One franchisee who moved to aggregator platforms, the company said, was running about 4 points ahead of the system on the top line, mainly driven by incremental customers the operator found through those marketplaces.

Pizza Hut is also piloting its Dragontail platform in more than 100 U.S. stores. The end-to-end AI-based solution automates kitchen flow combined with the process of dispatching drivers.

## 14 KFC

KFC's international strength is well-documented—22,981 of its 26,934 restaurants are outside the U.S. But 2021 marked a domestic turning point. KFC achieved its first net new unit positive run in 17 years, and chief development officer Brian Cahoe expects the chain to do it again this year.

As sizable as KFC is, especially from a brand equity standpoint, it actually possesses a long runway for growth. Back in 2000, there were 5,364 KFCs in the U.S. The figure started to fall from 2010–2011, when KFC's system retracted by 388 locations. It would drop by at least 100 units for the next six years, going from 4,780 to 4,109. And then, a comeback plan centered on the "Re-Colonization" of the brand, flipped on. Closures slowed to 58, 35, and nine, before 122 in COVID's first year. As noted, the number jumped into the green for 2021.

So just getting back to where it was would signal major expansion in the coming years. In domestic markets, KFC's same-store sales grew 12 percent in Q4 and 13 percent for 2021, both on a two-year basis. Sales were driven by group occasions, digital growth, and the brand's rising chicken sandwich. The menu innovation mixed 9 percent in Q4, up from 1 percent last year. Meanwhile, comps at international markets lifted 3 percent in



the quarter, but dropped 1 percent for the full year.

Innovation keyed progress. KFC U.S.' digital sales soared 70 percent year-over-year in 2021, fueled by delivery and an e-commerce platform that launched nationwide early last year. In Q4, the brand rolled out Quick Pick-Up, in which customers can skip the drive-thru and grab mobile orders out of cubbies inside the restaurant.

Most vividly, though, KFC hit a prior goal in 2021 when it converted 70 percent of its system to the "American Showman" design, recognizable by bright red-and-white stripes (like a chicken bucket), bucket chandeliers, and graphics that serve as an allusion to the Colonel's hard-working background. That's stepping back now, however, in favor of KFC's Next-Gen model, which arrived in Berea, Kentucky, in Q4 2021. It boasts a digital-forward and contactless experience, including the company's first double drive-thru lane. Models range anywhere from 1,300 square feet to 2,200, with the lower end being an off-premises-centric unit without a dine-in element. There's a lobby for customers, or couriers, to walk in and grab their food.

As of February, about 25 percent of KFC's pipeline were Next-Gen builds. That's going to pick up as the chain cycles through previous commitments. In time, all new builds and formats, in the suburbs or cities, will be Next-Gen assets.

A lead part of KFC's go-forward strategy will also take shape across urban inline expansion. KFC's Next-Gen design and features are flooding this arena, where the chain has aggressive plans for New York and St. Louis, and other city centers. Cahoe said this is one U.S. area where KFC is underpenetrated versus its national footprint. The company opened its first Next-Gen urban inline in 2021, and more are coming down the pipe

15

## Popeyes

The story for Popeyes, roughly two years removed from its category-busting chicken sandwich launch, is growth. Since the product's August 2019 introduction, Popeyes has pushed banner results across a three-year stretch. Average-unit volumes rose some \$400,000 to \$1.8 million and menu launches, like nuggets, mac and cheese, and a collaboration with Megan Thee Stallion, continue to produce new news for a chain that's unit count is starting to reflect its buzz.

In 2021, Popeyes opened 208 stores in the U.S. and Canada, which brought its total above 3,000 restaurants. It exited fiscal 2021 with 2,754 U.S. locations and 3,705 globally as last year marked the highest figure of openings (net of 254, or unit growth of 7.4 percent) since Burger King, Tim Hortons, and Firehouse Subs parent RBI acquired Popeyes in March 2017 for \$1.8 billion.

In April, Popeyes said it planned to eclipse the 200 bar again this year, but by an even greater distance. And



POPEYES IS BUILDING ON ITS FAMED CHICKEN SANDWICH WITH MAJOR GROWTH PLANS.

while this occurs, Popeyes will bring modernized store designs to market. "Several" of its 2022 openings will be in New York City, including a fresh flagship in Times Square. That restaurant, at 1530 Broadway, featured Popeyes' updated design that pays homage to its Cajun roots and Louisiana brand heritage, yet layers tech into

the experience. It includes self-order kiosks, a two-story food transporter for upstairs dining, digital order-ready boards, and a merchandising store inside.

The design mirrors the one Popeyes unveiled in March when it re-opened the company's New Orleans landmark on Canal Street. The 200-year-old building represented the domestic introduction of the "NOLA Eclectic" image Popeyes is opening in the Big Apple, which first launched in Shanghai.

In addition, Popeyes' more traditional, freestanding footprint will lean heavily on double drive-thrus this coming calendar. More than 50 percent of stores in its 2022 pipeline currently feature the build—a move designed to serve increased traffic, improve speed of service, and, ultimately, "further enhance the guest experience."

Popeyes is also working to reconfigure and launch back-of-the-house solutions for new kitchen designs. Popeyes' updated model developed kitchens and systems from the ground up to be more efficient and capable, and also a better place to work. Other continued evolutions on deck include mobile order and pay, curbside pickup, digital order pickup shelves, self-order kiosks, and Popeyes Rewards available on the Popeyes App. This year, the program will feature exclusive benefits centered on value and frictionless ordering, the company said.

But pulling Popeyes' story out to a higher level, the chain, in February, told investors it had "signed more development agreements around the world than ever before. That includes India, the U.K., Saudi Arabia, Romania, and France, as well as further expansion in Mexico, the U.S., and Canada. In 2022, Popeyes continued its momentum with an agreement in South Korea,

which RBI CEO Cil called one of the largest quick-service chicken markets in the world.

Popeyes also expects to expand further in China, Spain, Brazil, Philippines, Mexico, Vietnam, Switzerland, and Sri Lanka. The China note, without much debate, could be the biggest as Popeyes has only “a couple of hundred restaurants” in Asia today, brand president Sami Siddiqui said earlier in the year. KFC appreciates 26 percent of its total system sales from China alone.

16

## Dairy Queen

The cult-favorite ice cream chain kicked off the spring with the rollout of its new Signature Stackburgers menu—the chain’s most significant product rollout in the past two decades. The lineup comes in five varieties, including FlameThrower, Loaded A.I., Bacon Two Cheese Deluxe, Two Cheese Deluxe, and Original Cheeseburger.



Dairy Queen finished 2021 with 4,339 restaurants nationwide, all but two of them being franchised-operated units. It was a net decline of 22 locations compared to 2020.

17

## Arby's

Arby's found opportunity to launch multiple pieces of menu innovation throughout 2021. Known for its curly French fries, the chain decided to add crinkle fries as a permanent item in March of that year. The brand followed by launching a new kid's meal with all-white meat chicken nuggets and rolling out buffalo wings for a limited time with Classic Buffalo Sauce and Hot Honey Sauce.

The roast beef chain stepped up innovation even further in 2022 by releasing the Wagyu Steakhouse Burger, the first of its kind in the company's 58-year-history. The 6.4-ounce burger—cooked using sous vide style—was 50 percent larger than McDonald's Quarter Pounder, Arby's claimed, and used a blend of 52 percent American Wagyu and 48 percent ground beef.

Arby's U.S. same-store sales increased 5.2 percent in 2021 compared to 2020, and lifted 11.7 percent versus 2019. The brand opened a net of 40 restaurants last year, after debuting a net of 10 stores in 2020.

ARBY'S EVEN GOT INTO THE BURGER GAME RECENTLY WITH ITS WAGYU STEAKHOUSE LAUNCH.



18

## Panda Express

PANDA EXPRESS CONTINUES TO PUT MENU INNOVATION FRONT-AND-CENTER IN ITS EXPANSION.

Panda Express, the largest Asian dining concept in the U.S., brought back plant-based Beyond The Original Orange Chicken for a limited time in November 2021. After a successful launch in New York City and Southern California the previous summer, the fast casual expanded the experiment to 70 locations across California, New York, Georgia, Illinois, Texas, Florida, Washington, Pennsylvania, Maryland, and Virginia.

Following the introduction of the meatless orange chicken, Panda Express doubled down on its partnership with Beyond Meat by launching Mapo Tofu with Beyond Beef and String Beans with Beyond Beef. The dishes cater to flexitarians, who eat both plant-based proteins and traditional meat.

19

## Little Caesars

Little Caesars spent much of its time bolstering its development pipeline in 2021 after closing a net of 125 restaurants from 2018–2020. The pizza chain announced several benchmarks throughout the year, including 50 more venues in New England, 35 in St. Louis, at least 15 in Denver, 25 in Charlotte, up to 10 in New Orleans, more than 50 in the Pacific Northwest, at least a dozen in New York, and 30 in Tampa Bay.

The strategy is backed by industry veterans with years of experience. Craig Sherwood, who joined in September 2020 as vice president of U.S. development, previously worked for Yum! Brands, Fazoli's, and Sonic Drive-In, and Jeremy Vitaro, who was announced as the new chief development officer in spring 2021, previously worked as vice president of domestic development for Dunkin' Brands.





Sherwood said the pipeline is “stronger than we’ve had in a number of years,” and will soon skew toward new franchisees in the next two years. A high level of expansion is expected in 2022 and even more robust development is projected for 2023.

Like most restaurants, Little Caesars has been marred by inflation. At the start of this year, the chain’s signature \$5 Hot-N-Ready pizza was bumped to \$5.55, the brand’s first price increase in almost 25 years. The company described it as a “new and improved” pizza with 33 percent more pepperoni.

20

## Jack in the Box

Jack in the Box made a major splash in the M&A market in 2021 when it announced an agreement to acquire the 600-unit Del Taco. The \$585 million deal was completed in March. Jack hasn’t operated another brand since 2017, when it sold QDOBA to Apollo Global Management Group for \$305 million. The company said there aren’t any plans to create a multi-brand platform like Yum! or RBI, but it will remain opportunistic when it comes to potential acquisitions. CEO Darin Harris said together, both brands will benefit from a stronger financial model, gain greater scale to invest in digital and technology, and better unit growth opportunities.

The chain’s organic growth is experiencing just as much momentum. Since launching a franchise-led expansion strategy in mid-2021, the burger brand has sealed 50 agreements consisting of more than 200 restaurants—the most commitments in Jack’s 71-year history.

The company experienced wage inflation of 10.9 percent in its second quarter, but Jack has an answer for the inflationary pressure. The chain started testing Miso Robotics’ fry-cooking robot Flippy 2, which can

**LITTLE CAESARS EXPECTS TO RAMP UP DEVELOPMENT IN THE COMING YEAR.**

**FRESH OFF BUYING DEL TACO, JACK IN THE BOX IS TURNING ITS SIGHTS TO ORGANIC GROWTH.**



increase throughput by 30 percent, and Sippy, a POS-integrated robot that automatically dispenses beverages and seals cups.

21

## Papa Johns

CEO Rob Lynch and Papa Johns have pieced together a multi-year run that’s now materializing into something long-term. And the best way to illustrate that is to examine where the brand was a few years ago. In 2019, Papa Johns opened 79 North America locations and closed 128. The following calendar, it debuted 64 and shuttered 63. In 2021, Papa Johns opened 85 against 35 closures. The growth path, in turn, has progressed from negative 49 to positive one to net unit expansion of 50 over a three-year stretch. Looking ahead, it’s single-digit openings to a guide of 300 in just 24 months.

Papa Johns was also the lone large-scale public pizza brand to post positive same-store sales to start 2022. Its 1.9 percent gain lapped 26.2 percent from the prior year. Continued top-line growth has resulted in a flurry of franchise activity, Lynch said. Operators are signing on for more stores and new, major groups are racing to get in. The brand outperformed the pizza industry for 10 consecutive quarters.

It’s why, in May, the company raised guidance for 2022 net expansion to 280–320 locations from 260–300.



Additionally, Papa Johns provided a fresh multi-year target of 6–8 percent annual net unit growth worldwide for fiscal 2023–2025. That equates to 1,400–1,800 net new Papa Johns by year-end 2025, “with vast development whitespace still remaining,” Lynch said.

In Q1 2022, Papa Johns struck a deal with FountainVest Partners to open more than 1,350 locations in China by 2040. It also announced the strategic refinancing of its majority interest in a 90-restaurant joint venture, recording all related assets and liabilities as held for sale as of quarter’s close, to existing franchisee Sun Holdings. The transactions, Papa Johns said, “provide significant operational scale to help accelerate Sun’s current 100-unit development agreement.” That original deal, revealed in late **I CONTINUED ON PAGE 17 ➔**

# QSR 50

RANK	COMPANY	2021 U.S. SYSTEMWIDE SALES (MILLIONS)	2021 AVERAGE SALES PER UNIT (THOUSANDS)	2021 FRANCHISE/LICENSE UNITS	2021 COMPANY UNITS	2021 TOTAL UNITS	TOTAL CHANGE IN UNITS FROM 2020
1	McDONALD'S	\$45,960	\$3,420	12,775	663	13,438	-244
2	STARBUCKS*	\$24,300	\$1,200	6,497	8,953	15,450	113
3	CHICK-FIL-A*	\$16,700	\$6,100	2,650	82	2,732	155
4	TACO BELL	\$12,600	\$1,823	6,540	462	7,002	203
5	WENDY'S	\$11,111	\$1,895	5,535	403	5,938	57
6	DUNKIN'	\$10,416	\$1,127	9,244	0	9,244	161
7	BURGER KING	\$10,033	\$1,470	7,054	51	7,105	24
8	SUBWAY*	\$9,350	\$438	21,147	0	21,147	-1,043
9	DOMINO'S	\$8,641	\$1,317	6,185	375	6,560	205
10	CHIPOTLE	\$7,547	\$2,641	0	2,966	2,966	198
11	SONIC DRIVE-IN	\$5,835	\$1,643	3,232	320	3,552	26
12	PANERA BREAD*	\$5,650	\$2,700	1,130	950	2,080	-25
13	PIZZA HUT	\$5,500	\$1,022	6,526	22	6,548	-13
14	KFC	\$5,100	\$1,408	3,906	47	3,953	10
15	POPEYES LOUISIANA KITCHEN	\$4,775	\$1,867	2,716	41	2,754	146
16	DAIRY QUEEN	\$4,494	\$1,036	4,337	2	4,339	-22
17	ARBY'S	\$4,462	\$1,309	2,293	1,116	3,409	40
18	PANDA EXPRESS	\$4,452	\$2,173	147	2,187	2,334	150
19	LITTLE CAESARS*	\$4,185	\$1,000	3,601	580	4,181	-28
20	JACK IN THE BOX	\$4,077	\$1,843	2,055	163	2,218	-23
21	PAPA JOHNS	\$3,486	\$1,147	2,564	600	3,164	30
22	WHATABURGER	\$3,089	\$3,640	131	742	873	29
23	CULVER'S	\$2,489	\$3,099	831	6	837	55
24	RAISING CANE'S	\$2,377	\$4,893	23	544	567	58
25	JIMMY JOHN'S	\$2,301	\$866	2,616	41	2,657	48

RANK	COMPANY	2021 U.S. SYSTEMWIDE SALES (MILLIONS)	2021 AVERAGE SALES PER UNIT (THOUSANDS)	2021 FRANCHISE/LICENSE UNITS	2021 COMPANY UNITS	2021 TOTAL UNITS	TOTAL CHANGE IN UNITS FROM 2020
26	WINGSTOP*	\$2,278	\$1,592	1,498	36	1,534	175
27	ZAXBY'S	\$2,233	\$2,484	761	147	908	3
28	JERSEY MIKE'S	\$2,203	\$1,145	2,087	13	2,100	246
29	HARDEE'S*	\$2,100	\$1,117	1,536	198	1,734	-32
30	FIVE GUYS	\$2,093	\$3,172	911	479	1,390	8
31	CARL'S JR.*	\$1,560	\$1,400	1,011	47	1,058	-21
32	BOJANGLES	\$1,485	\$1,924	496	277	773	15
33	IN-N-OUT BURGER*	\$1,175	\$3,200	0	370	370	5*
34	FIREHOUSE SUBS	\$1,044	\$909	1,101	39	1,140	9
35	KRISPY KREME*	\$996	\$4,000	51	307	358	6
36	EL POLLO LOCO	\$973	\$2,000	292	189	481	1
37	TROPICAL SMOOTHIE CAFÉ	\$948	\$1,009	1,038	2	1,039	125
38	DEL TACO	\$931	\$1,551	306	294	600	4
39	CHECKERS/RALLY'S	\$931	\$1,145	568	266	834	-13
40	MARCO'S PIZZA	\$899	\$934	957	45	1,002	48
41	McALISTER'S DELI	\$869	\$1,866	472	33	505	24
42	QDOBA*	\$835	\$1,006	406	333	739	-2
43	PAPA MURPHY'S	\$809	\$643	1,213	27	1,240	-53
44	SHAKE SHACK*	\$777	\$3,679	25	218	243	38
45	CHURCH'S CHICKEN	\$776	\$870	731	161	892	-13
46	FREDDY'S FROZEN CUSTARD & STEAKBURGERS	\$759	\$1,842	391	29	420	32
47	TIM HORTONS	\$687	\$1,200	637	0	637	4
48	BASKIN-ROBBINS	\$686	\$296	2,317	0	2,317	102
49	MOE'S	\$661	\$1,073	658	1	659	-22
50	WHITE CASTLE	\$615	\$1,749	0	349	349	-6

\* INCLUDES FIGURES ESTIMATED BY QSR

**ABOUT THE QSR 50:**  
The QSR 50 is an annual ranking of limited-service restaurant companies by U.S. system-wide sales. QSR magazine collected information directly from restaurant companies from March to May 2022, and also partnered with FoodserviceResults, a research and consulting firm specializing in consumer research, data analysis, and insights to the foodservice industry. FoodserviceResults and QSR requested confirmation of U.S. sales, units, and average-unit volume from all leading chain restaurant corporate headquarters. Filings from the Securities and Exchange Commission (SEC), Franchise

RANK	QSR 50 RANK	COMPANY	2021 U.S. SYSTEMWIDE SALES (MILLIONS)	2021 AVERAGE SALES PER UNIT (THOUSANDS)	2021 FRANCHISE/LICENSE UNITS	2021 COMPANY UNITS	2021 TOTAL UNITS	TOTAL CHANGE IN UNITS FROM 2020
<b>BURGER SEGEMENT</b>								
1	1	McDONALD'S	\$45,960	\$3,420	12,775	663	13,438	-244
2	5	WENDY'S	\$11,111	\$1,895	5,535	403	5,938	57
3	7	BURGER KING	\$10,033	\$1,470	7,054	51	7,105	24
4	11	SONIC DRIVE-IN	\$5,835	\$1,643	3,232	320	3,552	26
5	20	JACK IN THE BOX	\$4,077	\$1,843	2,055	163	2,218	-23
6	22	WHATABURGER	\$3,089	\$3,640	131	742	873	29
7	23	CULVER'S	\$2,489	\$3,099	831	6	837	55
8	29	HARDEE'S*	\$2,100	\$1,117	1,536	198	1,734	-32
9	30	FIVE GUYS	\$2,093	\$3,172	911	479	1,390	8
10	31	CARL'S JR.*	\$1,560	\$1,400	1,011	47	1,058	-21
11	33	IN-N-OUT BURGER*	\$1,175	\$3,200	0	370	370	5
12	39	CHECKERS/RALLY'S	\$931	\$1,145	568	266	834	-13
13	45	SHAKE SHACK*	\$775	\$3,679	25	218	243	38
14	46	FREDDY'S FROZEN CUSTARD & STEAKBURGER	\$759	\$1,842	391	29	420	32
15	50	WHITE CASTLE	\$615	\$1,749	0	349	349	-6
<b>SNACK SEGEMENT</b>								
1	2	STARBUCKS*	\$24,300	\$1,200	6,497	8,953	15,450	113
2	6	DUNKIN'	\$10,416	\$1,127	9,244	0	9,244	161
3	16	DAIRY QUEEN	\$4,494	\$1,036	4,337	2	4,339	-22
4	35	KRISPY KREME*	\$996	\$4,000	51	307	358	6
5	37	TROPICAL SMOOTHIE CAFÉ	\$948	\$1,009	1,038	2	1,039	125
6	47	TIM HORTONS	\$687	\$1,200	637	0	637	4
7	48	BASKIN-ROBBINS	\$686	\$296	2,317	0	2,317	102
<b>CHICKEN SEGEMENT</b>								
1	3	CHICK-FIL-A*	\$16,700	\$6,100	2,650	82	2,732	155
2	14	KFC	\$5,100	\$1,408	3,906	47	3,953	10
3	15	POPEYES LOUISIANA KITCHEN	\$4,775	\$1,867	2,716	41	2,754	146
4	24	RAISING CANE'S	\$2,377	\$4,893	23	544	567	58
5	26	WINGSTOP*	\$2,278	\$1,592	1,498	36	1,534	175
6	27	ZAXBY'S	\$2,233	\$2,484	761	147	908	3
7	32	BOJANGLES	\$1,485	\$1,924	496	277	773	15
8	36	EL POLLO LOCO	\$973	\$2,000	292	189	481	1
9	44	CHURCH'S CHICKEN	\$776	\$870	731	161	892	-13
<b>GLOBAL SEGEMENT</b>								
1	4	TACO BELL	\$12,600	\$1,823	6,540	462	7,002	203
2	10	CHIPOTLE	\$7,547	\$2,641	0	2,966	2,966	198
3	18	PANDA EXPRESS	\$4,452	\$2,173	147	2,187	2,334	150
4	38	DEL TACO	\$931	\$1,551	306	294	600	4
5	42	QDOBA*	\$835	\$1,006	406	333	739	-2
6	49	MOE'S	\$661	\$1,073	658	1	659	-22
<b>SANDWICH SEGEMENT</b>								
1	8	SUBWAY*	\$9,350	\$438	21,147	0	21,147	-1,043
2	12	PANERA BREAD*	\$5,650	\$2,700	1,130	950	2,080	-25
3	17	ARBY'S	\$4,462	\$1,309	2,293	1,116	3,409	40
4	25	JIMMY JOHN'S	\$2,301	\$866	2,616	41	2,657	48
5	28	JERSEY MIKE'S	\$2,203	\$1,145	2,087	13	2,100	246
6	34	FIREHOUSE SUBS	\$1,044	\$909	1,101	39	1,140	9
7	41	McALISTER'S DELI	\$869	\$1,866	472	33	505	24
<b>PIZZA SEGEMENT</b>								
1	9	DOMINO'S	\$8,641	\$1,317	6,185	375	6,560	205
2	13	PIZZA HUT	\$5,500	\$1,022	6,526	22	6,548	-13
3	19	LITTLE CAESARS*	\$4,185	\$1,000	3,601	580	4,181	-28
4	21	PAPA JOHNS	\$3,486	\$1,147	2,564	600	3,164	30
5	40	MARCO'S PIZZA	\$899	\$934	957	45	1,002	48
6	43	PAPA MURPHY'S	\$809	\$643	1,213	27	1,240	-53

\* INCLUDES FIGURES ESTIMATED BY QSR

Disclosure Documents (FDD), transactional data, and statistics from other sources were amalgamated, reviewed, and analyzed to yield domestic sales, unit count, and average-unit volume. When necessary, estimates were made in order to more accurately report on restaurant industry leaders. All information reflects 2021 fiscal performance. Founded by industry veteran Darren Tristano, FoodserviceResults specializes in consumer research, data analysis, and insights to the foodservice industry.



September, represented the largest domestic development agreement in Papa John's history, and with a group that doesn't wildly toss projections about.

Sun Holdings, founded by Guillermo Perales in 1997, operates more than 1,000 locations in 12 states, including Taco Bueno, Burger King, Arby's, McAlister's, IHOP, Popeyes, T-Mobile, GNC, and a number of airport restaurant locations.

The idea Papa John's has growth potential is something Lynch touted since arriving from Arby's in August 2019. As 2020 loomed, Papa John's had about half as many restaurants as Domino's and Pizza Hut domestically, and roughly a third internationally.

As of December 2021, the chain operated in 50 countries and had 3,164 U.S. units. Domino's boasted 6,560 and Pizza Hut 6,548.

Much of Papa John's surge ties to menu innovation. Lynch put the plan ahead of value when he took over as CEO and introduced six new products in 2020 alone. Lately, Epic Stuffed Crust (a pepperoni-filled version, too) helped drive new transactions and repeat visits. But notably, it's also shielded Papa John's from some of the inflationary challenges pressing competitors. Lynch's decision to lean into premium positioning made taking price a shorter leap than value-driven brands, he said. Customers were already paying more for a product rather than a discount. And the other kicker was third-party delivery, which Papa John's made the call to activate about three years ago. It spent close to nine months building out integrated systems to connect its POS system to aggregators' ordering systems "so that we could leverage their drivers and service capabilities," Lynch said. While that road hasn't always been smooth, it gave Papa John's a headstart in what's fast become a convoluted labor dynamic for delivery drivers.

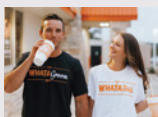
The chain's "PapaCall" initiative, where it brought AI into its call center, aided execution and freed up labor hours in-store as well.

22

## Whataburger

In its 71st year, Whataburger expanded by 29 locations and kept building for the future. The brand, which employs more than 51,000 workers, hired Peggy Rubenzer as SVP and chief people officer in April. Rubenzer previously held the same title at True Food Kitchen and has also clocked time at Shake Shack, P.F. Chang's, and Southwest Airlines.

The employee proposition proved a recurring theme throughout the calendar. In March, Whataburger announced a plan to promote all of its GMs and push their salaries to at least \$100,000. The position changed to "operating partner," and came with a bonus of up to 150 percent of their target incentive. CEO Ed Nelson, who was promoted to the position in August 2020, described operating partners as the "heart and soul" of Whata-



WHATABURGER SAYS IT'S ON THE CUSP OF ITS LARGEST GROWTH PHASE IN OVER 70 YEARS.

burger. He also referred to them as "business leaders who run multimillion-dollar restaurants, take care of their teams, and serve as the face of Whataburger in their communities."

The San Antonio-based chain gave staff more than \$90 million in bonuses during COVID (as of March) and extreme weather events. In 2020, workers also received "Extra Mile" bonuses, emergency pay, and a doubling of their 401(k) matching.

A few weeks after the GM reveal, Whataburger unveiled a free virtual leadership conference featuring NBA legend David Robinson. Called "Pivot You," it was part of the chain's larger year-long campaign to hire more than 50,000 employees as it grew across 14 markets, including new stops in Kansas City, Nashville, and Colorado Springs.

Broadly, Whataburger claimed it was entering "the largest growth phase in its 70-plus year history," which has been building since May 2019, when it sold a majority interest to Chicago-based BDT Capital Partners (the Dobson family, which founded the chain in 1950, maintained minority ownership).

23

## Culver's

Since its founding in 1984, there has been one thing missing from Culver's 850-unit fleet: a food truck. That changed in May as the legacy brand took to the road for a 17-city tour featuring the first mobile Culver's. Alongside the multi-stop event, Culver's launched a "Welcome to Delicious" campaign to showcase its Wisconsin roots and commitment to family values. The debut ad, "From Wisconsin With Love," featured Dairyland staples and hospitality with scenes of farm fields, guests coming together over made-to-order items, and employees greeting customers. Co-founder Craig Culver narrated the commercial and briefly scooped fresh frozen custard in archival footage from 1984.

The aim for the brand, Culver explained, was "to

CULVER'S RECENTLY INTRODUCED ITS FIRST FOOD TRUCK AS PART OF AN OUTREACH CAMPAIGN.



take a bit of Wisconsin to the rest of the space that we do business in." But also, to energize customers and employees alike. And the campaign came at a surging time in Culver's history. In 2020, the brand's same-store sales climbed about 6 percent over 2019, as drive-thrus helped Culver's weather COVID drops. The following year, comps rose roughly 19 percent.

In each of those years, Culver's opened 50 locations. The chain's systemwide U.S. sales were \$1.73 billion at the end of 2019. That number lifted to \$1.986 billion in 2020 and \$2.489 billion this past year.

Going forward, Culver's has plenty of reason to be optimistic. In addition to its strong performance across the past couple of calendars, it added tech upgrades (namely, mobile ordering) and continues to open double drive-thru lanes, as well as retrofit old ones to add a lane, in an effort to free up capacity. Pre-virus, drive-thru mixed about 55 percent of sales for Culver's. It rocketed to 90 percent during the depths of 2020 and is now settling "around 60 percent," Culver said.

And as Culver's builds off back-to-back record runs, the chain will lean into its hospitality and made-from-scratch DNA that's always defined it. "We want both," Culver said of in-store and drive-thru growth. "We want everything. We want it all."

24

## Raising Cane's

To kick off 2021, Raising Cane's announced its 600th opening. The store hardly represented an end-point, though—it was the start of the biggest growth year yet for the chicken finger chain. Raising Cane's grew by a net of 58 stores last year. This current calendar, it plans to tack on 100 stores across 10 new markets. Along the way, Raising Cane's said it would hire more than 15,000 people. Team building has been a crucial part of Raising Cane's methodical expansion strategy throughout its recent surge.

Much of the success ties to a Restaurant Partner Program that launched around the start of the pandemic, which helps store managers become operators of company-owned restaurants. Partners receive expertise in marketing, training, facilities, recruiting, and operations, health and financial planning support, and more than \$100,000 in annual compensation, including salary, bonuses, and performance-based incentives. Raising Cane's claims operators in the program have the chance to become millionaires in as quickly as 12 years.

Raising Cane's has made headlines on this front since the outset of COVID. The company refused to furlough or lay off any of its 23,000 workers. A couple of

months after March 2020, Raising Cane's doubled down on its "No Crew Left Behind" mentality by distributing \$2 million in bonuses to account for hours some employees gave up so everyone could remain employed. Neither AJ Kumaran nor founder Todd Graves (they serve as co-CEOs) took a salary at the time.

Then in August, the fast casual bolstered retention efforts by expanding its educational benefits, including



RAISING CANE'S  
NEARLY \$5M AUVs IN  
2021 TRAILED ONLY  
CHICK-FIL-A.

access to college-level courses, reimbursed class costs to complete a high school diploma, and up to \$5,250 per year in tuition reimbursement.

During later labor shortages, Raising Cane's corporate staff—50 percent of them—entered restaurants across the country. In the fall, leaders were performing day-to-day tasks and helping lift Raising Cane's from 40,000 to 53,000 employees within 48 days.

The brand's March 2022 campaign, one of the biggest creatives in brand history, centered on crew appreciation.

Raising Cane's nearly \$5 million AUV last year was second only to Chick-fil-A among the QSR 50 brands. And the brand is coming on quickly. It boasts a pipeline of more than 300 restaurants (most of which are free-standing drive-thru locations). And north of 80 percent are company-owned, which Raising Cane's expects to remain the primary growth vehicle.

25

## Jimmy John's

Inspire's sandwich fast casual saw same-store sales jump 21.3 percent (11.8 percent on a two-year view) as it rode a wave of digital growth. The chain expanded by 48 stores a year after contracting by 82. Inspire's integration of Jimmy John's, which it acquired in late 2019 in an equity-swap transaction, is becoming increasingly visible of late from a front-facing standpoint. In February, Inspire cut the ribbon on its first Jimmy John's-Dunkin'



co-brand. It also debuted the “Alliance Kitchen” in Atlanta, the first ghost kitchen owned and operated by a multi-brand company.

Jimmy John’s then opened a drive-thru-only prototype in Bartow, Florida. It included dual lanes and windows, with one side dedicated to mobile orders (guests also have the option to pick up at carryout lockers).

The asset updates arrived after Jimmy John’s rolled a new visual identity last year with agency ChangeUp. The brand began the calendar by launching a national Super Bowl ad, “Meet the King,” for the first time in brand history. It focused on Jimmy John’s differentiators in the sandwich category: speed and freshness, but with a comical vibe. The comprehensive visual identity launch included a contemporized logo, new in-store signage, merchandise, and digital footprint.

ChangeUp started by identifying the heart of the company’s identity. It looked at Jimmy John’s initials, its medallion, and iconic super seal. How could it simplify and codify the existing 40-plus logo variations used since 1983?

The solution was a cohesive collection with custom-crafted initials, wordmark, and medallion. The new packaging was an amplified version of Jimmy John’s black, white, and red brand colors. Messaging and patterning was bold and playful. The illustrations quirky, as ChangeUp unified the brand’s hand-draw linework’s imperfection across the system of icons. The Flying Sandwich suddenly looked meatier. The Super Seal “sealier.”

With a new brand image at the ready, Jimmy John’s introduced its first franchise incentive program in November intended to accelerate 2022 growth. Through the program, all or most of the initial franchise fee was waived for qualifying deals, in addition to royalty discounts for the first 36 months.

In May, Jimmy John’s also entered the Metaverse by letting users navigate a virtual store where they could

build a custom sandwich and submit it for a chance to become the first official “Metasandwich,” which would join Jimmy John’s real-life menu.

26

## Wingstop



During COVID, Wingstop has experienced its best years as a public company. In 2021, the fast casual’s U.S. same-store sales increased 8 percent year-over-year and 29.4 percent on a two-year basis. AUV rose to \$1.6 million, digital beyond 60 percent, and the brand opened a record-breaking 193 net new stores worldwide, including 171 domestically. The chain raised its 2022 target to more than 220 net new restaurants and pushed its long-term addressable market to 4,000 restaurants nationwide, up from 3,000.

While sales rose, the chain faced a volatile bone-in chicken wing market. In Q3, prices rose to an unprecedented \$3.22 per pound, an 84 percent increase year-over-year. But since then, matters have cooled, with chicken wing prices lowering to \$1.64 per pound by early May.

Going forward, the fast casual will pull multiple levers to create more predictable food costs for operators and take more control of its supply chain. Thus far, Wingstop has implemented price mitigation strategies with its largest poultry suppliers and made efforts to use more parts of the bird, including the use of thighs with virtual brand Thighstop, and the use of breasts with an experimental chicken sandwich that comes in 11 flavors. The next step is either coinvesting in, acquiring, or building a poultry production facility.

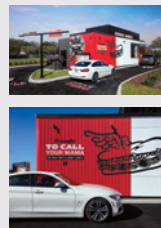
Wingstop also experienced a major change in leadership. Former CEO Charlie Morrison resigned in March to become leader of Salad and Go, a drive-thru chain in Arizona and Texas. He was replaced by Michael Skipworth, who previously served as president and COO, and executive vice president and CFO before that. The industry veteran played a key role in the chains IPO in 2015.

27

## Zaxby’s

Zaxby’s underwent a historic leadership change last year. Zach McLeroy, who founded the chain with childhood friend Tony Towley in 1990, stepped down as CEO and transitioned to chairman after leading the brand for more than three decades. As a result, Bernard Acoca, the

COUNT JIMMY JOHN’S AMONG THE CHAINS OPENING BOLD, NEW PROTOTYPES, INCLUDING STORES WITHOUT DINING ROOMS.





former leader of El Pollo Loco, became the second CEO in the company's history. He came into Zaxby's with more than 20 years of experience as marketer and restaurant executive. He helped El Pollo grow digital sales, streamline operations, and launch a contemporary prototype.

But the chain wasn't done building its C-suite. In April, Zaxby's announced the hiring of COO Sharlene Smith, who previously served as vice president of operations for Papa John's North America sector. A month later, the fast casual promoted Michelle Morgan to its first chief people officer.

Zaxby's concluded 2021 with 908 U.S. stores, a net gain of three. AUV rose to almost \$2.5 million, up from \$2.2 million in 2020.

28

## Jersey Mike's

Jersey Mike's crossed the 2,000-unit threshold in August and went on to open a net of nearly 250 restaurants in 2021. CEO Pete Cancro believes an annual pace of 300 stores is within reach, which would put the sandwich chain on pace to break 3,000 in the next three years. In

ZAXBY'S HAS NEW LEADERSHIP AND GOALS TO SHAKE UP THE CHICKEN CATEGORY.

JERSEY MIKE'S IS FAST-TRACKING ITS WAY TO 3,000-PLUS LOCATIONS.



September 2021, Cancro said roughly 1,200 stores were in development.

In the meantime, Jersey Mike's is leaning into the future of off-premises. In May, the fast casual announced a partnership with Flytrex, a company facilitating food delivery via drone. Orders are placed using the Flytrex app, which updates customers along the route, until the drone lowers safely into their backyard.

29

## Hardee's

In May, Hardee's parent CKE Restaurants announced a \$500 million project to transform restaurants over the next four to six years, including more than 500 units across 20 markets by the end of 2022. The changes will focus on renovations, technology advancements, and streamlined operations. When the announcement was made, 95 percent of all restaurants had already committed to the transition.

Customers and employees should expect new signage, brand statement elements, freshly installed interior and exterior digital menuboards, to upgraded lighting, bathrooms, and subway tiling. The reimagining



launched in Columbia, South Carolina, two years ago at a restaurant that was being outperformed by the system. After changes were put in place, the store consistently beat system averages.

30

## Five Guys

Five Guys had 1,390 restaurants at the end of 2021, a net gain of eight restaurants. Systemwide sales rose from \$1.7 billion to nearly \$2.1 billion, and AUV increased from \$2.6 million to \$3.1 million.

31

## Carl's Jr.

Like sister brand Hardee's, Carl's Jr. is in the early stages of a broad refresh centered on omnichannel integration. In addition to the exterior revamps, CKE debuted in March "My Rewards," a program in which customers receive 10 stars for every dollar spent. Guests can unlock rewards at the 150, 300, and 500-star thresholds. The company spent the past two or so years rebuilding its technology infrastructure overall—something that



accelerated in 2021. Effectively, chief brand officer Chad Crawford said, CKE integrated and brought to life point of sale, with Olo and Punchh enabling the consumer side of it. "I think the most important thing is to be able to have a more direct communication and relationship with the guests, to have them access and appeal and interact with and build the relationship that they've already started, but deeper with both the Carl's Jr. and Hardee's brands," Crawford said.

More recently, CKE teamed with Universal Pictures for an activation around the release of Jurassic World Dominion. This included a new "Primal Menu" and the transformation of two Carl's Jr. and Hardee's locations into "dinosaur bite magnets."



CKE IS SPENDING \$500 MILLION TO REVITALIZE CARL'S JR. AND HARDEE'S, ESPECIALLY AT THE DRIVE-THRU.

Costa said in July 80 percent of his time would revolve around domestic growth. But as the brand headed into the second half of 2022, the other 20 percent would increase on the international front. "We will be crossing the 1,000 mark in the next three years approximately," he said. "We want to be a national brand. That's what we're building toward, and the team we put in place, everyone we've hired—our dreams are big."

Bojangles is taking \$1.9 million AUVs through one of quick-service's fastest-growing segments in chicken (chicken entrees at U.S. restaurants increased 4 percent in the year ending April 2021, according to The NPD Group). And doing so with a chain that's continued to stress operations, speed of service, product quality, and other back-end

support pillars to fuel smart development. Costa said the first two years under new leadership were spent working on foundational fixes, while also modernizing the brand. Year 3 was where pipeline building took hold, especially after the installation of the company's first franchise sales team. The new group covered regions. In the past, everyone was responsible for the entire country.

The first big franchising deal of 2021 came when Bojangles signed a development deal with longtime franchisee Jeff Rigsby to open 45 stores in the next seven years. A couple of months later, Bojangles announced a "40 and 40" deal with Chaac Foods to open 40 new stores and acquire

40 corporate locations. In June, Bojangles signed franchise agreements with Sajib Singha and Asish Baidya of SAT Restaurant Group and Khalid Siddiqui of LASH Foods to open three stores each in the Dallas and Houston markets, respectively, as well as 15 company-run units. Less than seven months later, the brand said it had signed a total of five multi-unit agreements and planned to build 30 corporate-owned stores, to bring about 50 new restaurants to the greater Austin, DFW, Houston, and San Antonio markets in the coming years. In all, Bojangles said there was potential to hit 100-plus locations in Texas over the next seven to 10 years.

Across 2021, Bojangles signed development agreements to open over 100 stores in key markets. In Q1 2022, the brand inked deals for 46 new venues, including Virginia Beach; Northern New Jersey; Northeast Ohio; Baltimore, Maryland; and Washington, D.C.

It's been a busy stretch. Costa said he expects future development to be split 50/50 between new and existing franchisees.

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## Bojangles

It's been nearly four years since Bojangles was sold for \$593.7 million to Durational Capital Management and The Jordan Company. Before, it spent roughly three years as a publicly traded company and was working to reroute sales at the tail-end. At the time of the deal, same-store sales declined 0.2 percent. Bojangles' turnaround began with a portfolio optimization to close underperforming units and rebrand others. The growth arrow has flipped since. In 2019, the brand retracted by 10 locations. The next year, it expanded by 12. And in 2021, Bojangles added a net of 15 stores. But more vitally, the framework continues to be laid for larger targets. Today, despite its more than 770-unit footprint, the brand primarily remains a Southeast, regional concept with strongholds in the Carolinas, Virginia, and Georgia. Yet leadership wants to change that scope—with a goal to open 100 restaurants per year and target contiguous development in areas like Dallas, Houston, Orlando, Pennsylvania, New Jersey, and New York. Also, to broaden reach overseas. Chief growth officer Jose



AFTER A MULTI-YEAR TRANSFORMATIONAL JOURNEY, BOJANGLES APPEARS POISED FOR BIG-TIME EXPANSION.



# Why 2021 Was a Mixed Blessing for QSR 50 Brands

BY ADAM LEFF



Let's step away from the sales and into the consumer response. What did this past year tell us? Many quick-service restaurant brands benefited from being well-positioned to support off-premises dining during COVID waves. Already serving a high percentage of sales through drive-thrus, they were set up to do more of the same. Or were they? Looking at satisfaction ratings for the QSR 50 brands, it appears their guests did not always feel the same. Guest satisfaction declined a quarter of a star from January to December 2021. While the entire restaurant industry also experienced a drop, it was less severe. So, what caused the downward shift, what impact did it have on sales, and what does this mean for the future?

## The Why Behind the Movement

It seems QSR 50 chains were perhaps not as prepared as may have been concluded, at least from the perspective of consumers response. Review velocity increased dramatically from March through August of 2021. This likely indicates

there was a similar increase in demand. Pent-up demand drove impressive sales comps, not only over 2020, but in some cases over 2019, as drive-thru and carryout became the go-to for COVID-conscious diners. However, the decline in satisfaction—especially the greater fall for the top quick-service chains in America—indicates fast food was generally not prepared to serve diners with the same level of guest experience as they were known for in the past (labor shortages could be a culprit). Diners more frequently cited the quality of food declined, as did staff demeanor.

We can dig deeper into the feedback that makes up overall guest satisfaction to see why guests were less satisfied over time. Using Merchant Centric's proprietary Artificial Intelligence, we count the number of positive and negative mentions within review feedback on key themes such as Food, Staff Demeanor, Staff Dedication, Timeliness, Service Accuracy, Price/Value, Loyalty & Referral and 100-plus additional themes. We then use Theme Performance Scores (TPS), the ratio of positive mentions for a theme relative to the

ADOBEE STOCK / BALANCEFORMCREATIVE

## THEME PERFORMANCE SCORES\* (TPS)

GUEST SATISFACTION RANK	COMPANY	FOOD	DEDICATION	LOYALTY & REFERRAL
<b>LEADERS: 3.89+ STARS (OUT OF FIVE STARS)</b>				
1	CHICK-FIL-A	5.65	2.37	1.40
2	CULVER'S	6.47	3.41	2.09
3	RAISING CANE'S	5.71	2.22	1.94
4	IN-N-OUT BURGER	5.88	6.75	2.60
5	PAPA MURPHY'S	7.70	2.53	1.54
6	FREDDY'S FROZEN CUSTARD	5.36	2.95	2.20
7	FIVE GUYS	5.16	1.87	1.48
8	STARBUCKS	NA	NA	NA
9	KRISPY KREME	6.50	3.00	0.75
10	FIREHOUSE SUBS	5.50	1.57	1.37
11	McALISTER'S DELI	5.08	1.73	1.51
12	JERSEY MIKE'S	5.23	1.72	1.37
13	SHAKE SHACK	3.00	1.78	1.54
14	DAIRY QUEEN	3.68	1.55	0.92
15	MARCO'S PIZZA	4.79	4.21	1.46
16	ARBY'S	3.77	1.70	1.06
17	WHATABURGER	2.46	1.25	0.73
<b>STRADDLERS: 3.61-3.88 STARS</b>				
18	WHITE CASTLE	2.75	1.60	0.89
19	MOE'S	2.99	1.37	0.95
20	SUBWAY	3.29	1.31	0.81
21	ZAXBY'S	2.80	0.91	0.86
22	QDOBA	2.98	1.39	1.09
23	TROPICAL SMOOTHIE CAFÉ	2.68	1.11	0.90
24	PIZZA HUT	2.26	1.09	0.87
25	DEL TACO	2.66	1.06	0.87
26	CARL'S JR	2.29	1.20	0.75
27	PANERA BREAD	3.09	1.23	0.90
28	SONIC DRIVE-IN	2.28	0.92	0.77
29	BASKIN-ROBBINS	NA	NA	NA
30	HARDEE'S	2.60	1.37	0.74
31	DUNKIN'	1.91	1.18	0.63
32	BOJANGLES	2.83	1.04	0.76
33	TIM HORTONS	1.80	1.24	0.69
34	LITTLE CAESARS	2.50	0.69	0.70
35	CHECKERS/RALLY'S	2.62	0.83	0.70
<b>CHASERS: 3.60 AND BELOW</b>				
36	EL POLLO LOCO	2.20	0.90	0.79
37	JACK IN THE BOX	2.02	0.82	0.71
38	WENDY'S	2.10	0.80	0.68
39	TACO BELL	2.25	1.08	0.74
40	PANDA EXPRESS	2.09	0.97	0.73
41	CHURCH'S CHICKEN	2.39	0.88	0.65
42	JIMMY JOHN'S	3.64	0.90	0.77
43	WINGSTOP	2.05	1.02	0.91
44	MCDONALD'S	1.27	0.84	0.61
45	DOMINO'S	1.77	0.52	0.66
46	PAPA JOHNS	1.99	0.62	0.63
47	BURGER KING	1.43	0.84	0.56
48	POPEYES LOUISIANA KITCHEN	2.26	0.69	0.58
49	KFC	1.67	0.75	0.55
50	CHIPOTLE	1.51	0.73	0.57

\*THEME PERFORMANCE SCORES (TPS) is the ratio of positive mentions for a theme relative to the percentage of negative mentions for the same theme in all reviews collected for the brand. A TPS score of 1.0 would indicate that guests mention that theme at the same rate positively and negatively. The higher the score, the better, as it indicates a higher ratio of positive mentions to negative mentions.

percentage of negative mentions for the same theme. A TPS score of 1.0 indicates that guests mention that theme at the same rate positively and negatively. The higher the score, the better, as it indicates a higher ratio of positive mentions to negative mentions. The table below shows the TPS of key themes for the QSR 50 in 2021.

KEY THEMES	JANUARY 2021 TPS	JUNE 2021 TPS	DECEMBER 2021 TPS	CHANGE BY END OF 2021
<b>Food</b>	3.77	3.20	2.55	-32%
<b>Demeanor</b>	3.05	2.74	2.25	-26%
<b>Dedication</b>	1.36	1.39	0.70	-49%
<b>Timeliness</b>	1.01	0.84	0.69	-32%
<b>Order Accuracy</b>	0.64	0.66	0.61	-4%
<b>Price/Value</b>	1.39	1.24	1.07	-23%
<b>Loyalty/Referral</b>	1.14	0.96	0.89	-22%

Praise for Food and Staff Demeanor have the highest mention rates in review feedback and, as seen in the table, also have the highest TPS scores. This indicates they are key themes guests focus on when determining their rating. The table shows that both declined over time, with Food declining 32 percent by end of year and Demeanor declining 26 percent. This indicates guest satisfaction with Food quality and staff Demeanor deteriorated significantly over 2021.

Timeliness, another key theme for quick-service brands, had a similar decline as Food, although less frequently mentioned. Staff Dedication boasted the largest decline, occurring largely in the second half of the year, and appears to indicate restaurants are still struggling to hire, train, and retain staff with the same efficiency as pre-COVID. Ironically, Order Accuracy—another highly important theme for the sector—was not as negatively recognized over time.

The decline in guest experience among the QSR 50 concepts resulted in declines in perception of Price/Value, ultimately challenging the all-important decision as to whether guests will remain loyal, return or refer others. We see respective declines for Price/Value and Loyalty/Referral at 23 and 22 percent, respectively.

So, what does this mean for the remainder of 2022 and beyond? Guests will show loyalty to brands that delight them with a well-rounded and high-quality experience, no longer simply because they are open and convenient. Quick-serves looking to understand why their comp sales in 2022 are down should explore what guests are saying online and via internal feedback forms. Ensuring your restaurant meets all the tenants of your brand promise will be key to winning in 2022, as the landscape is ripe with opportunity to capture loyal guests from competitors. Guests are starved for quality taste options served by gracious staff, which generally presents an opportunity for emerging chains. Just look at Chick-fil-A—which sits atop our guest satisfaction table (left)—and see brands that deliver on what they are known for will succeed.

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SPECIAL NOTE: All data and analytics presented in this article are based upon Merchant Centric's findings and, like all data sets, are inherently limited in scope and nature. Data presented herein may not be comprehensive and may exclude certain brands or brand locations. Data is provided without guarantee as to its accuracy, completeness, or currency, and Merchant Centric expressly disclaims any and all liability resulting from reliance on information or opinions included herein. Brands selected are for illustrative purposes only and data should not be relied on as reflective of or attributable to all brands within a segment or cuisine. Please note that certain brands included herein are clients of Merchant Centric.



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## In-N-Out Burger

The 1948-founded classic has remained steady across the COVID era, which is no great surprise given its drive-thru base (History.com credits Harry Snyder's 100-square foot store as the first iteration of the modern setup, with an intercom and pickup window). In-N-Out added 11 stores from 2019–2022 before tacking on five this past year. The brand remains content to scale regionally and feed one of the sector's true cult followings. The brand made headlines in fall 2021 for refusing to check the vaccine status of dine-in guests. In-N-Out sent ABC7 News a statement in October saying, in part, they "refuse to become the vaccination police for any government." A San Francisco location was ordered to briefly shut down by the Department for Public Health. It reopened the next day for takeout only.



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## Firehouse Subs

Without much debate, 2021 will go down as a pivotal point in Firehouse's history. Founded in 1994 by brothers and former firefighters Chris and Robin Sorensen, the chain was a privately held company since store one in Jacksonville, Florida, to the 1,200th. That changed in November when Burger King parent RBI scooped up Firehouse for \$1 billion in an all-cash transaction. On the surface, the deal was a seismic one since it gave the Popeyes and Tim Hortons owner a growing concept in America's \$30 billion quick-service sandwich category. Firehouse stepped in having tripled its unit count since 2010 and secured \$1.1 billion in systemwide sales this



past year, which signaled a quadruple of performance over that stretch. For perspective, Firehouse posted \$870 million in 2020. The big kicker—more than 27 percent of 2021's sales came through digital channels.



FIREHOUSE SUBS IS NOW PART OF THE RESTAURANT BRANDS INTERNATIONAL FAMILY.

If that's not enough, however, RBI's motivation crystallized in February when Firehouse reported its first sales report as a public brand. Domestic same-store sales were up 15.2 percent, year-over-year, in Q4, and 23.4 percent on a two-year stack. For all of 2021, U.S. comps soared 21 percent (20.6 percent across two years). Also, Firehouse's AUVs of \$900,000 were a record.

With RBI's infrastructure and support in tow, Firehouse's future now turns to unit growth. Company CEO Cil (long-time executive Don Fox is still helping Firehouse's operations) said in Q4 RBI was eager to shift Firehouse's expansion into "high gear in the coming years," similar to what it's done with Popeyes. This is especially true overseas. When the deal was struck, Firehouse operated in just three countries and territories. Burger King was in more than 120, Tim Hortons north of 10, and Popeyes over 30. "To really start to bust it out and increase development, it takes a well-resourced partner with not just a matter of capital resources, but expertise, talent, and scale," Fox said.

Furthermore, Firehouse added a new member to its C-suite for the first time in 11 years in February. Mike Hancock, an RBI vet who spent nearly nine years with the company, including most recently as chief operating officer at Tim Hortons, joined as Firehouse's COO. The move will help accelerate the brand's North America development.

35

## Krispy Kreme

Like Firehouse, Krispy Kreme headed to the public sector in 2021. The doughnut chain's second stint on the stock market came on the heels of a five-year brand



transformation. And it's a story of accessibility and a "hub-and-spoke" model that's connecting all of it. For the year, net revenue grew 23.4 percent to \$1.38 billion, while organic revenue lifted 12.5 percent to \$1.24 billion. In Q4, adjusted EBITDA increased 14.4 percent to \$47.7 million, fueled by a 290-basis-point improvement in U.S. and Canada margins.

But again, logistics are what's fueling optimism. The hub-and-spoke concept allows production facilities (hubs) to deliver fresh doughnuts daily to numerous points of access (spokes), including retail shops, convenience stores, food carts, and more. Previously, Krispy Kreme leveraged a wholesale business that distributed older, discounted products. Since doughnuts are now fresher, the chain has more room to price, meaning higher profit, executives said. U.S. cities that have fully implemented the change from the legacy wholesale business are seeing 300–400 basis points of benefit to margins. And it's only growing. Krispy Kreme finished 2021 with 10,427 points of access around the world, a 25 percent increase, year-over-year. The company expects to reach 50,000 in the coming calendars through at least 10 percent annual growth. That includes another 10,000 in the U.S. and 30,000 between international markets and the market development segment (stores in Japan and the franchise business).

The growth will come primarily through delivered fresh daily doors (i.e. grocery, convenience stores) that cost only \$2,000–\$10,000 per outlet and enable the company to drive economies of scale from its 411 production hubs globally.

Currently, Krispy Kreme operates in more than 30 countries, and going forward, it plans to debut in at least three new countries each year. In 2022, hubs will open in Switzerland and Chile, and more entries will be announced in the coming months.

**KRISPY KREME IS PUBLIC AGAIN, AND TAKING AIM AT EXPANDING POINTS OF ACCESS ACROSS THE GLOBE.**

**EL POLLO LOCO STRUCK IT BIG WITH A BEEF BIRRIA LTO.**



In addition, 17 percent of retail sales in 2021 came from e-commerce, an increase from less than 10 percent before COVID. The long-term goal is to achieve more than a 25 percent mix. Krispy Kreme earned \$134 million in e-commerce revenue in 2021, growth of 15 percent compared to 2020.

**36**

## El Pollo Loco

Under new CEO Larry Roberts, El Pollo Loco is moving forward with aggressive franchise growth in new markets. But the executive noted in March the pace of development isn't quite where he'd like it to be. In response to the underperformance, the fast casual added a senior vice president of franchising and director of franchise sales who is solely focused on recruiting new operators. The brand also formulated a fresh franchising website featuring print and video marketing materials.

El Pollo is widening its efforts to include larger, multi-concept franchisees, in addition to mid-scale operators. Also, senior management will be involved earlier in the recruiting process, like attendance at various conventions.

In terms of menu innovation, the fast casual known for chicken meals turned to Shredded Beef Birria, an LTO that drove new company, franchise, and system sales records three weeks in a row during March and April. Additionally, the Shredded Beef Birria Burrito was promoted on National Burrito Day, resulting in a record sales day. The menu innovation worked so well that El Pollo is exploring the use of barrio in future LTOs.

Roberts, who previously served as CFO, took over the CEO position from Acoca, who is now the leader of Zaxby's.





37

## Tropical Smoothie Cafe

The better-for-you fast casual opened its 1,000th location systemwide in 2021—just one of many milestones it accomplished that year. Tropical Smoothie Cafe signed 332 franchise agreements last year, the most in brand history. It also saw same-store sales rise 22 percent compared to 2020 and 29.4 percent against 2019, pushing its positive comps streak to 10 years in a row.

Digital sales mixed 76 percent, fueled by customizable online and mobile ordering. Also, Tropical Smoothie's Cajun Shrimp Wrap and Cajun Shrimp Salad became the most popular LTO in company history and the Mango Berry Cosmo Smoothie became the best-selling LTO smoothie of all time.

The accomplishments continued through the first part of 2022. The first quarter was one of Tropical Smoothie's best-performing periods in company history. The chain signed 56 franchise agreements, including the brand's first airport location. More than 70 percent of those deals were with current operators.

Tropical Smoothie finished 2021 with roughly 1,040 units and an AUV of \$948,000. The long-term goal is to reach 1,500 outlets by 2024, with a \$1.2 million AUV and franchisee profitability well above 20 percent.

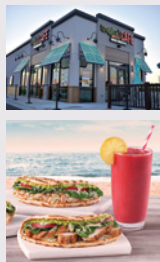
Early in 2022, Bloomberg reported Tropical Smoothie was considering going public. The media outlet said the fast casual could be valued at at least \$1 billion.

38

## Del Taco

Del Taco is boosting growth through its new Fresh Flex prototype, which features two drive-thrus—one for online orders—and a pickup locker at the front entrance. The drive-thru leverages digital menuboards, which improve accuracy and help customers in new markets better understand the brand.

The name of the model has a specific purpose. The "Fresh" portion is displayed through light green col-



TROPICAL SMOOTHIE CAFE'S SAME-STORE SALES CLIMBED MORE THAN 20 PERCENT LAST YEAR.

DEL TACO HAS A NEW OWNER, AND STORE MODEL, TO OFFER GROWTH-MINDED OPERATORS.



oring and animations of the sun against contrasting gray and white walls. The "Flex" showcases the prototype's ability to fit on multiple pieces of real estate, from a 1,150-square-foot drive-thru-only design to a 2,300-square-foot building with a full dining room. Previously a Del Taco restaurant needed about 25,000 square feet of land, but the Fresh Flex can be placed in space as small as 13,000 square feet.

The model was unveiled in January 2021, and provided a lift to franchise growth. The fast casual signed nine deals last year for 68 restaurants in 10 states. All of those will debut in 2022 and 2023.

In March, Jack in the Box completed its \$585 million acquisition of the taco chain. The move created a multi-brand platform with more than 2,800 restaurants in 25 states.

39

## Checkers/Rally's



Checkers is making history in 2022. The classic fast-food chain partnered with Presto to become the first restaurant to nationally roll out automated voice-ordering technology, doing so at roughly 250 company-run stores by the end of the year. The innovation, which recognizes accents and colloquialisms, has 98 percent order accuracy and higher—well beyond the original goal of 95 percent.

At the same time, Checkers is continuing to roll out its Fit Kitchen, a new format removing a mile and a half of unnecessary walking per hour collectively, replacing flattops with clamshell grills to boost quality and consistency, and leveraging holding equipment that keeps products hotter for longer, uses fry stations and grill positions with better capacity, and removes final cooking processes from most fried products. The new format was installed at 80 company-run restaurants in 2021.

Last year, the chain sealed 90 new franchise commitments, including 39 for existing franchisees and 51 for new operators. The plan is to open more than 60 restaurants in 2022. Expansion will be geared toward

California, Texas, Arizona, Massachusetts, Connecticut, and North and South Carolina.

Checkers ended 2021 with 834 restaurants, a net loss of 13 stores. Of that total, approximately 570 units are operated by franchisees.

40

## Marco's Pizza



Marco's Pizza is the sixth-largest pizza chain in the country in terms of footprint, but the fast-food chain is looking to change that in the coming years. More than 200 restaurants are in development, and the goal is to eclipse 1,500 by 2023 and 2,000 by 2026. In March, the company revealed a 46-unit agreement to grow in the Phoenix area over the next six years. Those units will be opened by area representative and franchisee Robert Pina, who joined the Marco's system 11 years ago.

To further simplify the expansion process for franchisees, the pizza chain announced in April that it implemented enhancements to its financing, growth incentives, real estate, design, and construction support systems.

The brand earned \$899 million in systemwide sales in 2021, but this year, the chain is projected to surpass \$1 billion and open more than 150 restaurants alongside multi-unit operators.

From a consumer perspective, Marco's is working through a pilot of voice-to-text ordering, with hopes of launching the technology systemwide by the end of 2022. The speech-enabled application uses conversational artificial intelligence (AI), which yielded 100 percent order accuracy in initial beta testing as well as increased employee and customer satisfaction.



McALISTER'S IS NOW OFFICIALLY A MEMBER OF THE 500-UNIT CLUB.

41

## McAlister's

McAlister's, which saw \$869 million in systemwide sales in 2021, believes it's capable of reaching \$1 billion by 2024. If the fast casual accomplishes this feat, it would become the first restaurant under the Focus Brands umbrella, which includes Auntie Anne's, Carvel, Cinnabon, Jamba, Moe's Southwest Grill, and Schlotzsky's to do so. The brand crossed 500 domestic units last year. The pivotal 500th store was opened by McAlister's largest franchisee, David Blackburn of Southern Rock Restaurants. In October, the fast casual said it had a pipeline of more than 300 stores. The Saxton Group, a franchisee overseeing roughly 80 locations in the Midwest, signed a 32-unit deal. Sun Holdings, another major operator, expects to debut 51 outlets in the next six years.

To make ordering easier for guests, McAlister's launched tableside ordering in early 2021. The technology, active in more than 300 restaurants by October, allows guests to skip the line and order at their seat via the app.

42

## QDOBA

The Mexican fast casual is firmly in growth mode—a reality supported by its June announcement Jim Sullivan was joining as chief development officer. Sullivan previously held the role at CKE and clocked more than two decades in real estate, franchise development, and site acquisition management. By February, QDOBA announced a multi-unit deal to bring 30 locations to Florida's North Dade, Broward, and Palm Beach Counties over the next decade. It marked the largest franchise agreement in brand history. QDOBA has its sights on 2,000 stores and inked 60 franchise commitments in 2021. Sullivan said QDOBA plans to open more

QDOBA RECENTLY STRUCK ITS LARGEST FRANCHISE DEAL IN BRAND HISTORY.





than 60 in 2022 before ramping up to 100–120 stores per year. There's plenty of franchise whitespace ahead (of QDOBA's roughly 750 stores, about 40 percent are corporate owned).



43

## Papa Murphy's

Over the summer, Papa Murphy's lifted the lid on its first new store design since 2014. It back-ended what's been a four-year modernization project. In March of that year, Papa Murphy's fully rolled its online ordering partnership with Olo. Six months later, the chain launched a new mobile app that "seamlessly integrated" into the brand's POS and proved to be "a great facilitator of driving convenience." Next, Papa Murphy's worked to strengthen the relationship with franchisees. In April 2019, foodservice conglomerate MTY Food Group purchased the brand for \$190 million. The first year under MTY was rocky (COVID), but the rebranding mission never wavered. It took on a physical form in late June with Papa Murphy's first logo update in more than a decade alongside the store update. The new primary logo is Papa Murphy's red, with alternate black and white options.

Most vividly, the model itself leans into the company's take-and-bake identity and serves as an extension of home kitchens. Called "Kitchen Delite," it gives off a lighter and fresh feel, features an open kitchen, a faux white brick wall, bright coloring, and a layout that simplifies online ordering pickup and third-party delivery. Also, the menuboard uses dynamic digital photography to better highlight Papa Murphy's products. With the new design, Papa Murphy's wants to show guests

PAPA MURPHY'S UNVEILED ITS FIRST LOGO UPDATE IN MORE THAN A DECADE.

SHAKE SHACK'S SUSTAINABILITY EFFORTS ARE EVOLVING ALONGSIDE ITS GROWTH GOALS.



that it's locally owned and operated, so there are elements in the store that specifically showcase the local community, executives said. Victoria Tullett, senior vice president of development and general counsel, said she was hopeful at least 500 stores would be completed before 2023, with a larger goal to reach 1,000.

44

## Shake Shack

The burger fast casual dealt with its share of COVID hurdles in 2021, including an Omicron-triggered stretch that, plus weather, drove 87 full days of Shake Shack closures and a high single-digit reduction in operating hours. However, the brand's trajectory keeps pointing up. Its overall fiscal 2021 systemwide sales of \$1.1 billion marked the highest figure in company history. One of the reasons Shake Shack was able to recapture sales so quickly and counter yet another wave was the fact it's progressed well past the "pivot" era of its digital transformation.

As of Q4's close, the company had added 3.5 million new app and web purchases since March 2020. In the period, it grew its first-time web and app customer base by nearly 10 percent quarter-over-year and by more than 80 percent for the full year 2021. And Shake Shack continues to lean into more personalized and digital marketing, as well as key limited-time offers.

Come December, Shake Shack retained nearly 80 percent of the digital business it generated in January, even as in-store sales nearly doubled. Digital mix was 42 percent of sales in Q4 and nearly 60 percent when considering kiosks and the brand's native digital channels combined.

This digital backbone is paving plenty of runway. Shake Shack opened 36 domestic company-owned units in 2021 at an AUV of \$3.9 million. The long-term aim remains 450 domestic stores. Globally, Shake Shack had 386 locations as of May.

But the headliner might just be the stores themselves. The class of 2022 features a large commitment



to new formats like drive-thru, with 25 percent of the fleet boasting a “Shake Track” walk-up or drive-up window. In December 2021, Shake Shack opened its first two drive-thrus—in Maple Grove, Minnesota, and Lee’s Summit, Missouri. That number is expected to reach double-digits before 2023 arrives. “Unlocking this potential can have a tremendous impact on our long-term addressable market, and we’re focused on deepening our investments, resources, and learning about this critical new addition to the Shack family of experiences,” CEO Randy Garutti said in February.

45

## Church’s Chicken

Church’s was one of the industry’s M&A targets in 2021. FFL Partners agreed to sell the chicken chain to Quiznos parent High Bluff Capital Partners last August for an undisclosed amount. It came in with some momentum, too. At the end of June, the brand reported comps were increasing 15 percent systemwide, year-over-year, and average check was up more than 30 percent. The chain was also ahead of where it was in 2019 when it surpassed a 10-year company record for systemwide sales. The company said it expected to open nearly 100 restaurants worldwide in 2021, up from 79 new openings last year.

Church’s sales growth accelerated due to the launch of long-planned advancements in digital marketing, order head, and delivery. Order ahead and takeout orders increased 540 percent in 2020, along with a 77 percent lift in third-party delivery. A new website, channel strategy, and mobile welcomer (location finder) were rolled out to help guests go from first impression to desired action within three clicks.

More recently, Church’s tapped industry vet Frank Costello as VP of U.S. franchise development. The former TBC Corp exec plans to develop an aggressive strategy of new restaurant development, recruitment, and selection of new U.S. franchisees, the company said. Additionally, he will oversee the implementation of Church’s “Blaze” image and reimage initiative.

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## Freddy’s Frozen Custard & Steakburgers

Freddy’s posted another stellar run in 2021, notching a 17.8 percent increase in systemwide sales, year-over-year. It also opened 32 new restaurants, including debut units in New Jersey and Wisconsin. Meanwhile, Freddy’s signed 17 multi-unit deals with new and existing franchisees to add 102 locations to a stuffing pipeline. This should carry the chain into fresh markets such as the Dakotas alongside further development into New



FREDDY’S YEAR BEGAN WITH AN EQUITY DEAL, AND FOLLOWED WITH PLENTY OF GROWTH.

Jersey, Texas, Indiana, and Chicago, over the next several years.

Freddy’s 2021 started with a March deal that saw the nearly 20-year-old brand acquired by private equity firm Thompson Street Capital Partners. CEO Chris Dull called 2021, “one of the most transformative and noteworthy years in our company’s history.” Franchisees reported AUV growth of 13.7 percent and began 2022 with plans to open 15 or so stores across the first 75 days of the calendar. Looking forward, it figures 40 total venues for 2022, with hopes to double its footprint within the next four years, bringing the total unit count to 800 by 2026. In Q1 2022, Freddy’s signed six new multi-unit agreements (for 64 stores) and opened 11 locations.

Earlier in April, Freddy’s also announced the opening of its first airport location in the Will Rogers World Airport in Oklahoma City.

47

## Tim Hortons

Out of Restaurant Brands International’s portfolio (Burger King, Tim Hortons, Firehouse Subs, and Pop-eyes), Tim Hortons continues to showcase the heaviest digital business, with the web/app channels mixing more than 36 percent in the first quarter, and more than 40 percent in March alone.

The chain’s back-to-basics strategy has paid dividends and strengthened its positioning and market share in the flagship categories of breakfast foods and coffee, CEO Cil said. Tim Hortons’ freshly cracked eggs platform helped drive breakfast food market share to its highest level in more than five years. In Q1, all product segments and dayparts contributed to positive sales performance and increased throughout the quarter, with lunch, foods, and baked goods standing out on the product side and morning and lunch excelling for the daypart side.

TIM HORTONS’ DIGITAL GAINS ARE PAVING THE WAY FOR U.S. EXPANSION.





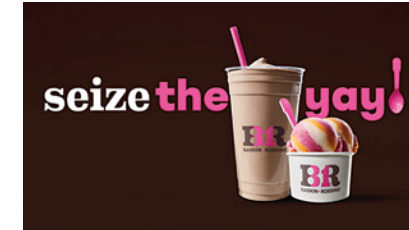
# The Contenders

From legacy chains to rising upstarts, here's a look at 50 brands ready to break through in the coming years. All information in this chart, except for where \* is indicated, was submitted directly to QSR magazine. The list is ranked by total systemwide sales from the pool of submissions.

RANK	COMPANY	SEGMENT	2021 U.S. SYSTEMWIDE SALES (MILLIONS)	2021 AVERAGE SALES PER UNIT (THOUSANDS)	2021 FRANCHISE/ LICENSE UNITS	2021 COMPANY UNITS	2021 TOTAL UNITS	TOTAL CHANGE IN UNITS FROM 2020
1	SMOOTHIE KING	SNACK	\$602	\$609	1,302	56	1,360	55
2	HABIT BURGER	BURGER	\$600	\$2,030	31	276	307	29
3	AUNTIE ANNE'S	SNACK	\$576	\$637	1,126	12	1,138	-14
4	CAPTAIN D'S	SEAFOOD	\$567	\$1,094	294	242	531	2
5	STEAK 'N' SHAKE	BURGER	\$539	\$1,764	337	199	536	-20
6	PORTILLO'S*	SNACK	\$526	\$7,900	0	69	69	5
7	JAMBA	SNACK	\$505	\$754	747	3	750	-17
8	SCHLOTZSKY'S	SANDWICH	\$332	\$1,090	300	24	324	-9
9	KRYSTAL	BURGER	\$323	\$1,126	105	182	287	3
10	FAZOLI'S	GLOBAL	\$298	\$1,454	156	57	213	3
11	PIZZA RANCH	PIZZA	\$279	\$1,312	207	6	213	2
12	SCOOTER'S COFFEE	SNACK	\$263	\$801	379	21	400	92
13	PENN STATION	SANDWICH	\$258	\$820	311	1	312	2
14	CHICKEN SALAD CHICK	CHICKEN	\$255	\$1,293	150	55	205	29
15	MOUNTAIN MIKE'S	PIZZA	\$254	\$1,083	246	0	246	18
16	SMASHBURGER	BURGER	\$253	\$3,331	128	117	245	9
17	CINNABON	SNACK	\$224	\$637	938	1	939	2
18	WETZEL'S	SNACK	\$219	\$702	300	34	351	7
19	DONATOS	PIZZA	\$211	\$1,249	117	52	169	1
20	NEWK'S	SANDWICH	\$208	\$2,056	87	18	105	5
21	BONCHON	CHICKEN	\$173	\$1,594	111	4	115	8
22	WABA GRILL	GLOBAL	\$170	\$900	184	5	189	0
23	THE HUMAN BEAN	SNACK	\$109	\$916	116	13	129	16
24	CAPRIOTTI'S	SANDWICH	\$108	\$933	155	13	169	55
25	GREAT HARVEST BREAD COMPANY	SANDWICH	\$108	\$634	169	1	170	-3

RANK	COMPANY	SEGMENT	2021 U.S. SYSTEMWIDE SALES (MILLIONS)	2021 AVERAGE SALES PER UNIT (THOUSANDS)	2021 FRANCHISE/ LICENSE UNITS	2021 COMPANY UNITS	2021 TOTAL UNITS	TOTAL CHANGE IN UNITS FROM 2020
26	TERIYAKI MADNESS	GLOBAL	\$90	\$1,161	100	1	101	17
27	ROY ROGERS	BURGER	\$82	\$1,813	25	17	42	-7
28	PIZZA GUYS	PIZZA	\$79	\$1,102	68	7	75	5
29	MOOYAH	BURGER	\$71	\$866	88	1	89	5
30	SALSARITA'S	GLOBAL	\$68	\$1,219	47	9	56	6
31	DOG HAUS	SNACK	\$67	\$1,653	49	2	51	13
32	GOLD STAR	BURGER	\$61	\$958	60	7	67	-5
33	HAWAIIAN BROS	GLOBAL	\$55	\$4,400	0	26	26	17
34	HONEYGROW	GLOBAL	\$55	\$2,300	0	25	25	1
35	ROBEKS	SNACK	\$50	\$1,093	85	1	86	3
36	PJ'S COFFEE OF NEW ORLEANS	SNACK	\$46	\$454	130	11	141	17
37	KOLACHE FACTORY	SNACK	\$46	\$774	30	29	59	2
38	JUICE IT UP!	SNACK	\$43	\$575	78	1	79	0
39	HAPPY JOE'S	PIZZA	\$38	\$985	36	9	45	1
40	RUSTY TACO	GLOBAL	\$35	\$988	37	0	37	6
41	WING ZONE	CHICKEN	\$34	\$1,001	34	0	34	4
42	SWIG	SNACK	\$29	\$989	0	38	38	8
43	PICKLEMAN'S	SANDWICH	\$29	\$1,271	24	0	24	1
44	KILLER BURGER	BURGER	\$17	\$1,400	4	12	16	3
45	WING SNOB	CHICKEN	\$15	\$1,051	18	0	18	6
46	SOBOL	GLOBAL	\$13	\$216	55	3	58	8
47	BAD ASS COFFEE OF HAWAII	SNACK	\$12	\$720	20	0	20	0
48	ASIAN BOX	GLOBAL	\$11	\$1,500	0	8	8	-2
49	SAUCE ON THE SIDE	GLOBAL	\$9	\$1,053	6	3	9	1
50	MICI ITALIAN	GLOBAL	\$7	\$1,204	0	7	7	2

## 48 Baskin-Robbins



In the spring, the classic ice cream chain announced a refreshed brand image, including an update to the logo, packaging, and employee uniforms. The movement came with a new tagline that encourages customers to "Seize the Yay." To celebrate the rebrand, Baskin-Robbins launched branded merchandise for the first time in its 77-year-old history and developed three new ice cream flavors, including Non-Dairy Mint Chocochunk, Ube Coconut Swirl, and Totally Unwrapped (peanut butter and chocolate packed with fudge-covered pretzels).

Baskin's same-store sales grew 9.9 percent year-over-year and lifted 13.6 percent on a two-year basis. The chain opened a net of 102 stores in 2021, pushing it to more than 2,300 units in the U.S.

## 49 Moe's Southwest Grill

Moe's spent the first half of 2022 improving its leadership team. In March, Tory Bartlett was named chief brand officer after leading Schlotzsky's to a record growth year in 2021. A month later, the fast casual revealed the hiring of Annica Conrad as vice president of marketing and Mike Smith as vice president of operations.

Conrad joined Moe's from FAT Brands, where she served as CMO of the quick-ser-



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vice division. Meanwhile Smith previously worked as COO of Taziki's, overseeing in-restaurant technology, training, supply chain and purchasing and store support teams.

The chain finished 2021 with 659 restaurants, down 22 units from the year before. It earned \$1.07 million in AUV and \$661 million in U.S. systemwide sales.

## 50 White Castle

The legacy chain honored its 100th birthday in May last year with the opening of its largest location—4,567 square feet—in Orlando. It was the first time White Castle has been in Florida since 1968. In 12 months since that debut, the restaurant



became the top-performer among the brand's more than 350 restaurants and sold 5 million sliders.

In 2022, White Castle had even more reasons to celebrate. In late April, the company announced The Original Slider and Cheese Slider surpassed \$28 billion in sales. That includes 22 billion sliders sold in restaurants and another 6 billion sold through the company's retail division.

Additionally, the brand rolled out its first menu innovation in years with the 1921 Slider, which includes a 100 percent beef patty topped with cheddar cheese, grilled caramelized onions, a slice of Roma tomato, lettuce, and pickles. The product is inspired by White Castle's first slider when it opened more than 100 years ago.

More recently, White Castle began to lean back into its late-night prowess with a merchandise and packaging lineup.

\* INCLUDES FIGURES ESTIMATED BY QSR

BASKIN-ROBBINS; MOE'S SOUTHWEST GRILL; WHITE CASTLE