Technomic

Are Menus Still Shrinking?

By Lizzy Freier, *Managing Editor*

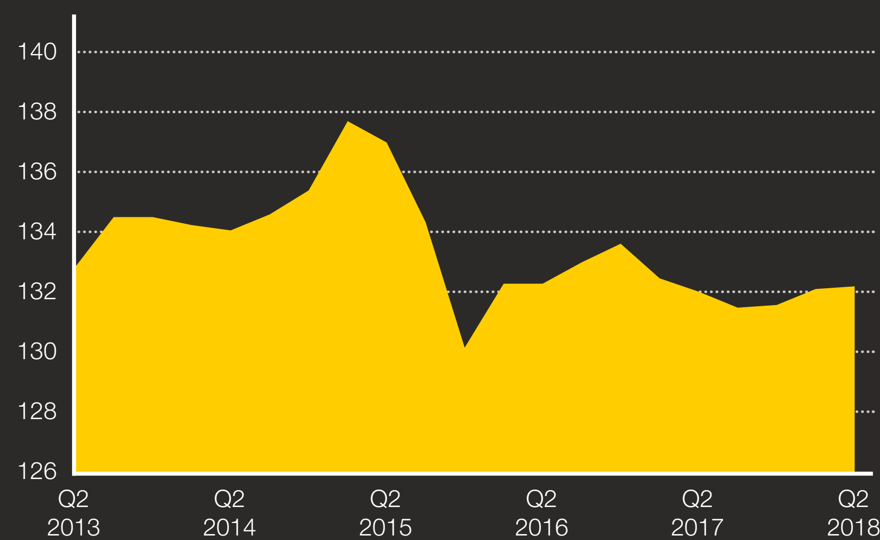
In 2015, Technomic spotlighted a phenomenon it dubbed "the incredible shrinking menu." For years, operators steadily expanded their menus to keep up with trends, consumers' ever-evolving foodservice demands and innovative up-and-coming concepts. But extensive menus increasingly overwhelmed both guests and staff alike, while the blockbuster fast-casual format featuring pared-down menus and build-your-own operating styles led to other segments trying to replicate that success.

Thus, menus started dwindling after years of growth. In Q1 2015, the average number of menu items at a Top 500 chain reached a peak of 137.7. But by Q4 of that same year, menus hit a two-year low of 130.4 items, a 5.3% drop. Have we continued to see a plunge since 2015?

Menus by the Numbers

Over the past three years, menus have relatively leveled out between the Q1 crest and Q4 valley of 2015. The highest average number of items since 2015 was recorded in Q4 2016 at 133.6, while Q2 2017 saw the lowest average number of items at 131.5. With only about two menu items difference since 2015, it's safe to say operators have found a sweet spot in average menu items for the time being.

AVERAGE NUMBER OF ITEMS ON RESTAURANT MENUS



Base: 6,803 U.S. operators in Q2 2013 to Q2 2018
Source: Technomic, Menu – powered by Ignite

5-YEAR ITEM COUNT CHANGE

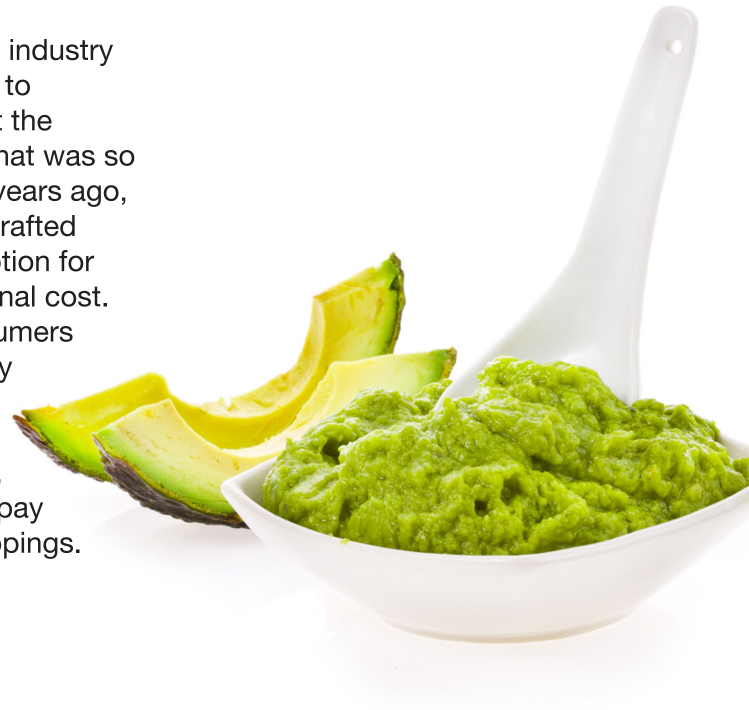
- Entree: -2.8%
- Appetizer: -1.6%
- Side: +5.4%
- Dessert: +1.5%
- Add-On: +38.2%
- Nonalcohol Beverage: +4.3%
- Adult Beverage: +12.1%
- Kids Menu: +16.9%

- Senior Menu: -14.6%
- Overall: -0.3%

If Q1 2015 set in motion the realization that too many items cause disarray, Q4 2015 was the counterpart: menus shrunk too drastically, thereby not giving enough options to consumers. Though we've stabilized overall, breaking down the five-year change by mealpart shows a much more scattered story.

Entrees and appetizers, the two largest mealparts by menu item count, are seeing declines (along with senior menu items), while every other category is inclining. The greatest uptick by far is add-ons at a 38.2% increase from 2013, the only mealpart (along with kids menu) that did not dip during the incredible shrinking menu year of 2015. Topping add-ons are especially on the rise, namely egg toppings (+86.0%), burger/sandwich toppings (+68.6%) and avocado/guacamole (+63.6%).

This speaks largely to industry trends: We're starting to see a bucking against the customization trend that was so prominent just a few years ago, in favor of signature crafted items, but with the option for add-ons at an additional cost. This is because consumers are often willing to pay more for specialty or premium items than build-your-own items, and they're willing to pay extra for specialty toppings.



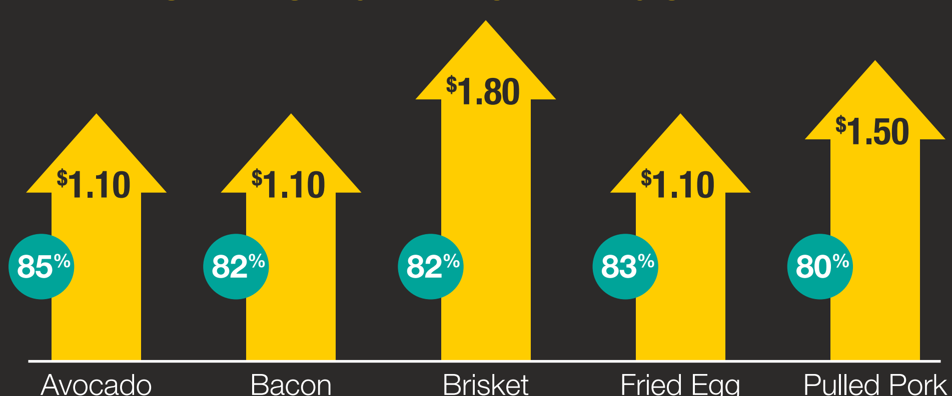
BURGER PRICE THRESHOLDS

(MEANS SHOWN)

	BUILD YOUR OWN	SPECIALTY/PREMIUM
QSR	$4.40	$4.40
Fast Casual	$5.90	$6.10
FSR	$6.60	$6.80

WILLINGNESS TO PAY FOR PREMIUM BURGER TOPPINGS

Willing to Pay More | Price Willing to Pay

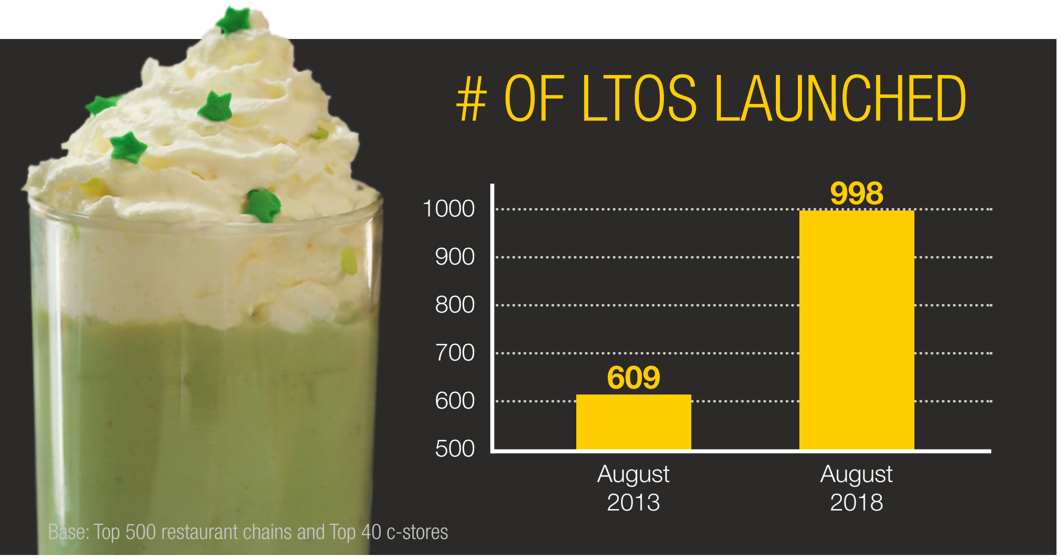


Base: 486 per segment; approximately 461 who would order these toppings
Source: 2017 Burger Consumer Trend Report

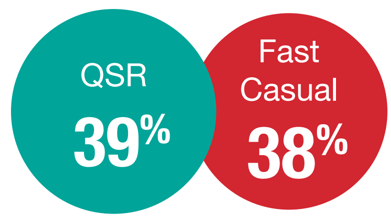
Using burgers as an example, we can see that consumers are willing to pay more for specialty burgers than for build-your-own burgers in most segments. But to boost spend, the best way is to stress **specialty add-ons**, as 33% of consumers (and 47% of younger consumers) are willing to pay more to add extra toppings to their burgers.

What About LTOs?

Although the average number of menu items are fairly flat comparing Q2 2013 to Q2 2018 (down 0.3%), operators have upped their game when it comes to limited-time offers. Comparing August 2013 to August 2018, the number of LTOs that Top 500 chain restaurants and convenience stores launched increased a whopping 63.9%. Operators are recognizing that premium-positioned LTOs are a great way to lure consumers away from value menus and increase their spending. Plus, purchasing unique or premium ingredients for LTOs for only a short time requires less cost on the operator part, and puts them in the position to source seasonal fare when it's less expensive.



Percentage of younger consumers who say they'd visit a ________ that they typically don't visit if it offers a **unique LTO**



Base: 551 (fast food) & 542 (fast casual)
Source: 2018 Future of LSR Consumer Trend Report

What Does the Future Hold?

Despite a relative leveling out of items, reports for menu slashing by top chains continue. Dunkin' Donuts cut 10% of its menu items in January of this year, Chili's dropped 40% of its menu items in September 2017, and Sonic Drive-In and Dave & Buster's both announced in early 2018 that they plan to simplify their menus. We'll continue to see operators testing how far they can go with menu shrinkage, while maintaining a solid flow of traffic. That balance will also depend on the health of the foodservice industry as a whole. With slower restaurant traffic due to increased competition from new industry disruptors, operators will need to manage their menus more closely than ever in the coming years.

In the next five years, we will likely continue to see the graph moving in the same direction as it has the past two years, though it may drop a bit in the near future due to the labor shortage. Restaurants short on skilled workers are paring down the menu to ease operations, while instead boosting their LTO introductions (including super limited-run offers) to keep customers interested. Depending on multiple other factors impacting the food industry (e.g., a possible impending recession, changing consumer demands, kitchen automation, etc.), we'll have to wait to see where menus go in the years to come.