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Fast-Casual Phenomenom: A Multimethod Examination of an Emergent Restaurant Segment

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FAST-CASUAL PHENOMENOM: A MULTIMETHOD EXAMINATION OF AN
EMERGENT RESTAURANT SEGMENT

By

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ABSTRACT

Fast-casual restaurants have consistently and markedly outperformed all other foodservice industry segments since the turn of the millennium. However, the amount of academic research pertaining to this concept is limited to a handful of articles, likely due to its overall novelty. The purpose of this exploratory research was to use a multifaceted approach to expand fast-casual restaurant literature. This study used an inductive research method and examined the fast-casual segment using two approaches: economic and psychographic. First, the study compared financial performance of the foodservice industry to the quick-casual segment using time series analysis. Subsequently, real GDP and its relationship with foodservice industry and fast-casual revenue growth was assessed. Second, the study identified self-congruity theory as well as utilitarian and hedonic value two prevalent purchasing behavior theories and discussed them in the context of the paradigm shift in consumer preferences regarding restaurant choice. Altogether, this study adds to the current restaurant marketing literature by inaugurating the economic perspective of the fast-casual segment and introducing it as a viable method for conducting future research on the fast-casual concept (while discussing possible theoretical implications). The findings of the study illustrate the relationship between the foodservice industry sales growth and real GDP growth. Additionally, the findings suggest that the foodservice industry is cyclical and corresponds with the economic expansions, contractions, and recessions in the US. However, the results were inconclusive in determining a relationship between fast-casual sales and economic indicators. Subsequently, the cultural and sociological reasons behind a shift in consumer behavior are related to hedonic and utilitarian value and self-congruity theory and

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marketing strategies are introduced that utilize these perspectives to target the right

consumer. Overall, there are many shortcomings in the current study and some significant

reproducibility issues.

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INTRODUCTION

Fast-casual restaurants, a hybridization between the traditional fast food and casual

dining models, have consistently and markedly outperformed all other foodservice

industry segments for the past 20 years ("Fast Casual Industry", 2017; Freshii, Inc.,

2016). According to Technomic, an industry leader in market intelligence, from 1999 to

2015, fast-casual segment revenues grew at a compound annual growth rate (CAGR) of

about 16.4% ("Fast Casual Industry", 2017; Freshii, Inc., 2016; Hsu, 2011; Tanyeri,

2012).[1] Comparatively, the foodservice industry sales grew at a CAGR of approximately

4.6% over the same time period. Consumers have embraced this new restaurant paradigm

to such a degree that it disrupted the entire industry.

Currently, the fast-casual segment accounts for 7.7% of annual foodservice sales

("Fast Casual Industry", 2017). Considering the hyper-fragmentation of the foodservice

industry, this is a notable amount of market share to hold for the relatively brief period of

time the segment has operated. Due to the high fragmentation of the sector, restaurants

find it difficult to implement successful marketing strategies (Ha, & Jang, 2013). In spite

of this, successful differentiation and brand positioning are paramount to success. In

addition, as per Technomic, fast-casual segment revenues were approximately $43.2

billion in 2015 and are projected to reach $58.0 billion by 2018, implying a CAGR of

10.3% between 2015 and 2018 (Freshii Inc., 2016). Performance metrics like these

illustrate the concept's success in targeting consumers who are short on time but looking

for a decent meal. Not only did fast-casual restaurants create a market niche, but also a

global foodservice trend where consumers can conveniently access healthy, high quality,

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[1] The author calculated CAGR from an aggregation of Technomic's industry research data from multiple
sources.

flexible food options served in improved environments with exceptional customer service (Allen, Gupta, & Monnier, 2008; Fredman, 2015; Tillotson, 2003).

Before the fast-casual segment existed, no one challenged the assumption of an inverse relationship between efficient service and food quality: "the faster you got your food, the lower the quality had to be" (Barron, 2011 p. 15). The quick-casual concept's disruption of the foodservice industry started with providing limited table service to customers while promoting higher quality fare than traditional fast food operations. The fast food incumbents were complacent in their ways and underestimated the ability of the fast-casual concept to redefine the foodservice industry, until recently. A few industry leaders in the QSR segment took reactionary measures to defend their market share by implementing programs that mimic fast-casual attributes: enhancing and expanding menus, remodeling stores, and creating innovation hubs ("How The Fast Casual", 2014). Essentially, the quick-casual business model's success is placing downward pressure on rival foodservice segments' revenues, forcing established organizations to revise how they compete. Changes in consumer behavior, preferences, and lifestyle; coupled with insufficient differentiation among operations have led to a large decrease in foot traffic to full-service restaurants (Tanyeri, 2012). According to The NPD Group, a market research firm, as of September 2016, restaurant density in the US reached its lowest level since the Great Recession; however, the fast-casual segment posted a 7% gain in unit count over the same time period (McLynn, 2017). This reality is requiring casual dining establishments to increase their efficiency and takeout offerings while simultaneously compelling fast food restaurants to enhance their decor and menus (Gould, 2005;

Wilkinson, 2010). The effect of this concept on the mature hegemon known as the foodservice sector is evident.

The restaurant industry is the second largest private-sector employer in the United States with an estimated 14.7 million people by the end of 2017 (Collins, 2007; National Restaurant Association, 2017). In addition, there are 620,807 restaurants in the US as of September 2016, (McLynn, 2017). This means the livelihoods of a sizable proportion of US citizens rely on the success of the foodservice industry. According to its annual outlook, the National Restaurant Association (NRA) forecasts industry revenues to reach $798.7 billion in 2017, contributing approximately four percent to US GDP (National Restaurant Association, 2017). The foodservice industry's impact on the country's economy is a primary reason for further research to be conducted within the parts of the whole.

This study used an inductive research approach as a means to provide nomothetic explanations of the quick-casual segment's exponential growth within the foodservice industry. While a large body of literature is dedicated to a diverse range of topics relating to restaurants, only a handful focus on the fast-casual segment. A literature search in popular library databases (i.e. WorldCat, ABI/INFORMS, EBSCO, Google Scholar, etc.) with the keywords "fast casual," "fast-casual," "quick-casual," and "quick casual," returned between three and 15 peer-reviewed articles. These studies' general topics included consumer behavior theories, nutritional information, leadership, and case studies. Evidently, researchers have overlooked quick-casual restaurants in academia, despite the segment's impact on the foodservice industry (Allen, et al., 2008). Due to the conspicuous knowledge void, the current study's aim was to propose a foundation to

further a comprehensive understanding of several factors affecting quick-casual establishments.

Restaurants can fail for a multitude of internal and external reasons. Internal causes include a lack of marketing and management skill, while external explanations consist of competition, economic, and social factors (Parsa, Self, Njite, & King, 2005). Conversely, foodservice operators can thrive for the same reasons. This study suggested an essential starting point in understanding how and why the fast-casual segment is outperforming its industry peers. It is important to note that since the restaurant industry's recent stagnation, the fast-casual segment's revenue growth comes at the cost of the other segments' market share. As consumer demand for quick-casual rises relative to other foodservice segments, restaurants will modify their marketing, operations, and overall strategy to regain lost customers. This report's findings offer strategic insight to the discerning restaurateur. Understanding the dynamics behind the growth of this promising industry segment is essential to creating and implementing a successful restaurant operation.

The fast-casual industry has never been investigated through an economic perspective in the literature. This study aimed to fill this gap and help form a foundation for further research. However, the current discourse does examine the psychographic aspect of quick casual, specifically how consumer value relates to post-purchase behavior (Basaran, & Buyukyilmaz, 2015; Nejati, & Moghaddam, 2012; Ryu, & Han, 2009; Ryu, Han, & Jang, 2010; Ryu, Han, & Kim, 2008). For example, the Ryu, et al., (2008) study demonstrated a relationship between perceived value and behavioral intentions. Ryu & Han (2009) inspected restaurant attributes and found a relationship between them and

customer satisfaction. Basaran, & Buyukyilmaz (2015); Ryu et al., (2010); and Nejati, & Moghaddam (2012) studied hedonic and utilitarian values and how they affected consumer behavior, to varying degrees.

The current study used a multimethod research approach to examine the economic and psychographic factors attributing to the fast-casual segment's enviable growth rate. Expressly, the study's specific objectives were to use exploratory research to:

- determine if the foodservice industry and fast-casual segment display characteristics of a business cycle;

- investigate the relationships between economic indicators and sales growth amongst the restaurant industry and the fast-casual segment;

- analyze how various psychographic factors interact with the fast-casual industry's success and explore how two modern purchasing theories—namely hedonic and utilitarian value and self-congruity—can be applied as a basis to provide nomothetic explanations;

- examine the relationships between quick-casual restaurant locations and the contiguous communities' demographics amongst the five fast-casual industry leaders.

The subsequent section's literature review provides background information on the restaurant industry, fast-casual segment, and generalized topics from economic, marketing, psychological, and statistical research databases. Chapter 1 consists of the economic time series data description, how the experiments were designed and analyzed, each experiment's results and overall discussion. In Chapter 2, I conduct the psychographic analysis, starting with methodology. Subsequently, hedonic and utilitarian

value and self-congruity theory are applied to changes in consumer preferences over the past 20 years. Followed by a reflective discussion, limitations, and future research. Lastly, the closing section discusses limitations and summarizes the study's findings.

LITERATURE REVIEW

A literature search in prevalent databases (i.e. WorldCat, PsycINFO, ABI/INFORMS, EBSCO, Google Scholar, etc.) with the keywords "fast casual," "fast-casual," "quick-casual," and "quick casual, "self-congruity," "self congruity," "self-concept," and "self-congruence," "hedonic value," "hedonistic value," "hedonic and utilitarian value," and "hedonism," returned many peer-reviewed articles. Abstracts were examined to identify the most relevant studies with respect to the current research questions.

Definition of fast casual

The restaurant industry is comprised of two primary segments: limited-service restaurants (LSRs) and full-service restaurants (FSRs). On one hand, an LSR is characterized when patrons order at a cash register or select items from a food bar, then pay before they eat ("Definition", 2016). On the other hand, an FSR is exemplified by a waiter or waitress providing service to seated patrons, who then pay after eating ("Definition", 2016). The foodservice industry subsegments FSRs and LSRs into three and two distinct categories, respectively. FSRs are comprised of family style, casual dining, and fine dining restaurants while LSRs are made up of traditional fast food—also known as quick-serve restaurants (QSR)—and fast-casual restaurants. In 1996, renowned restaurant industry expert Paul Barron coined the term "fast casual" in an attempt to explain the revolutionary business model (Barron, 2011, p. 132). Typically, the primary means of differentiation between these subsegments is the level of perceived quality in product and

service, which is reflected in the average customer check. The subsegments are generalized with the following criteria:

- Family dining restaurants are informal establishments with a simple menu and service designed to appeal to families. The average check runs about $10 or less and alcoholic beverages usually unavailable.

- Casual dining restaurants are operations with a relaxed atmosphere. The average customer pays between $10–$25 and menus often contain signature food items, creative drinks, or enhanced wine service.

- Fine dining restaurants have upscale design elements and are known for expensive cuisine and professional, accommodating service. The average check runs at least $25 and customers generally dine on special occasions and business-related functions.

- Fast food (quick-serve) restaurants consist of establishments that offer a limited menu, emphasizing on takeout. Bulk amounts of food are cooked in advance with standardized cooking practices and kept hot, then finished and packaged to order. The typical customer check is between $3–$6.

- Fast-casual (quick-casual) restaurants are defined as attractive and comfortable establishments serving freshly prepared, wholesome quality, authentic foods in a reasonably fast service format. The average check size of $8–$15 is a widely-disputed characteristic of fast casual restaurants ("Definition", 2012; "Industry Statistics Portal", 2012; Walker, 2013).

While the Oxford Living Dictionary (2017) defines "fast-casual" as "denoting or relating to a type of high-quality self-service restaurant offering dishes that are prepared to order

and more expensive than those available in a typical fast-food restaurant," the concept still requires an industry-accepted, intensional definition. Unfortunately, experienced restauranteurs, management executives, industry experts, consultancy firms, and market intelligence agencies have not come to a consensus on how to classify the emergent restaurant segment (Davis, 2008; Ferdman, 2015; Killifer, 2010). Additionally, research-publishing entities do not share their data collection methodologies publicly. However, some existent fast-casual characteristics are agreed upon. Fast-casual business models are a fusion of conventional LSRs and FSRs, offering a higher quality product than fast food establishments and prompter service than casual dining restaurants. Additionally, typical fast-casual operations provide customizable, made-to-order dishes with more sophisticated flavor profiles than traditional fast food. Further, the restaurant provides counter service in an upscale, aesthetically-pleasing environment (Barron, 2012; Davis, 2008; Ferdman, 2015; Killifer, 2010). Even though quick casual does not possess an intensional definition, it does have an extensional one. Examples of fast-casual eateries include Chipotle Mexican Grill, Panera Bread, Jimmy John's Gourmet Sandwiches, Panda Express, and Zaxby's. Some of the defining characteristics of these leaders within the segment are two-way communication with customers; superior, efficient service; captivating restaurant design; and operational transparency, such as the dissemination of ingredient sourcing practices (Barron, 2011). This study assumes Technomic's definition of fast-casual for the economic analysis, but follows a more subjective, extensional definition for the psychographic segment of the study.

Economic factors affecting the restaurant industry

A country's overall economic health depends on the profitability of businesses operating within its borders. However, this relationship is a reciprocal in most cases as businesses rely on a strong economy to earn steady profits. Even though food is a necessity for life, the foodservice industry is not exempt. Foodservice is susceptible to macroeconomic fluctuations and political uncertainty (Enz, 2009; Neuman, 2009). Indeed, restaurant operation failure rates indicate that the challenges involved in running restaurants are far greater than many other businesses (Parsa, 2005). The Great Recession had a profound negative effect on the US restaurant industry (Lee, & Ha, 2012). A survey by the United States Department of Agriculture (USDA) Economic Research Service (ERS) determined that, from 2006 to 2011, the percentage of adults who patronized a restaurant fell from 20% to 17% (Hamrick, 2015). Therefore, the study's findings suggest that people are less likely to patronize restaurants during times of economic hardship and uncertainty.

The National Bureau of Economic Research (2010) does not consider a two-quarter decline in real GDP to constitute a recession. Instead, the federal agency takes a holistic approach by classifying a recession as a substantial decline in nationwide economic activity that continues longer than "a few months," and often negatively impacts economic indicators such as employment, GDP, and retail sales, among others ("US Business Cycle", 2010). According to the National Bureau of Economic Research, there were 11 economic recessions between the years of 1948 and 2015 ("US Business Cycle", 2010). Table 1 displays each recession's date along with any key events prompting it, the duration of the contractionary economy, and the length of following economic expansion. The mean length of a recession over this time period was just over

11 months. From 1948 to 2015, the U.S. experienced an economic recession about once every six years.

Table 1. List of economic recessions in the United States from 1948 – 2010

Recession peak	Recession trough	Length of contraction*	Length of subsequent expansion*	Significant events triggering recessions
Nov 1948	Oct 1949	11	37	Post-World War II and marked decline in fixed investments
Jul 1953	May 1954	10	45	Post-Korean War inflationary period and deliberate Federal Reserve policy
Aug 1957	Apr 1958	8	39	Downward pressure on production and employment
Apr 1960	Feb 1961	10	24	High inflation, high unemployment rates, and a bad gross national product rating
Dec 1969	Nov 1970	11	106	Inflation, increased budget deficits, and Vietnam War
Nov 1973	Mar 1975	16	36	Oil crisis and Middle East political instability
Jan 1980	Jul 1980	6	58	Stagflation and high unemployment rate
Jul 1981	Nov 1982	16	12	Deliberate Federal Reserve policy
Jul 1990	Mar 1991	8	92	The Gulf War and high gas price
Mar 2001	Nov 2001	8	120	Unstable stock market and high interest rate
Dec 2007	Jun 2009	18	73	Subprime mortgage led to housing bubble bursting

Source: Adopted from the National Bureau of Economic Research ("US Business Cycle", 2010).
*in months.

The income elasticity of demand for the foodservice and accommodation industry and the price elasticity of demand for restaurant meals are both known to be high (Lee, & Ha, 2012). Affluent households tend to spend more at QSRs and FSRs, but expenditures at full-service restaurants are the most reactive to fluctuations in household income (Byrne et al., 1998 as cited in Stewart, Blisard, Bhuyan, & Nayga, Jr., 2004). Correspondingly, FSRs are more severely impacted by recessions than other foodservice industry segments (Lee, & Ha, 2012). When countries suffer economic hardship, disposable income diminishes and consumers trade down from more luxurious goods and

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services. A Hiemstra & Kosiba (1994) study determined that disposable income

demonstrated a significant, positive relationship with restaurant sales. The findings

suggested that restaurant revenues would improve by approximately 5% if disposable

income increased by 1%. While extant literature has attempted to determine relationships

between economic variables and restaurant financial performance, the limited amount of

research focuses on the full-service restaurant segment (Hiemstra, & Kosiba, 1994; Lee,

& Ha, 2012; Parsa, 2005). That said, Technomic reported that the top 100 fast-casual

chains increased revenues by 6.0% in 2010 while the restaurant industry's sales

contracted by 0.6% (Hsu, 2011). This divergence in sales growth during the Great

Recession is an area of interest for the current study.

A study by Lee and Ha (2012) found there was a significant relationship between

restaurant sales and economic indicators; however, the study lacked a proper statistical

method in determining correlation. While Pearson's correlation coefficient (PCC) does

show a level of interdependence between two variables, using it to calculate relationships

between time series data can produce overstated r values. Time series data are inherently

correlated with each other as the measurements are taken at the same intervals over an

extended period. Put simply, both Y's are dependent on the same X. For example, if US

personal consumption expenditure and North Korea's divorce rate both grew over the

same period, using Pearson's r would suggest a "correlation" between the two exists. If

two unrelated time series display a strong upward trend, using PCC will result in an

overinflated r value due to spurious correlation. While the association amongst two time

series can be calculated by scaled correlation, which uses a modified Pearson's r, the

period needs to be partitioned according to the number of observations. There exists many suitable, robust replacements for identifying correlation between two time series.

Research Question 1.1 (RQ1.1): Are there any identifiable trends between real GDP growth and foodservice industry sales growth in respect to business cycles coinciding with economic recessions?

RQ1.2: Are there any identifiable trends between real GDP growth and fast-casual segment sales growth in respect to business cycles coinciding with economic recessions?

RQ1.3: What is the relationship between real GDP growth and foodservice industry sales growth?

RQ1.4: What is the relationship between real GDP growth and fast-casual segment sales growth?

Hedonic and utilitarian value

Definitions of value

The topic of consumer value is constantly revisited as researchers search for increasingly robust interpretations (Ryu, Han, & Jang, 2010). The concept of value is amorphous in the sense of it being a perpetual venture by philosophers and researchers from all walks of life (Babin, Darden, & Griffin, 1994; Zeithaml, 1988). Historically, value was regarded from a purely economic perspective, which Zeithaml (1988, p. 14) exemplified in his definition of value as "the overall assessment of the utility of a product based on the perceptions of what is received and what is given." This definition is rather myopic in that it centers on the tradeoff between the two parties, also known as perceived value. Oliver (1999) postulated that in the value-related concept, cost-based value is a basic level, quality-based value is an intermediate level, and extended value, including "quality

of life," is a higher level (as cited in Ha, & Jang, 2012). This definition accounts for more

purchase behavior than Zeithaml's, but still falls short. The "quality of life" level could

represent more than a monetarily-based purchase decision. Babin et al. (1994, p.645)

describe utilitarian value as "resulting from some type of conscious pursuit of an intended

consequence." Essentially, utilitarian products and services are typically purchased a

means to an end and are situational in nature. However, many researchers believe that the

entire consumption process cannot be delineated solely to pragmatism (Ryu, Han, &

Jang, 2010; Sheth, Newman, & Gross, 1991; Shin, Hancer, & Song, 2016).

Sheth et al. (1991) proposed the Consumption Values theory and identified five

values that were associated with consumer choice:

1. Functional value is defined as "the perceived utility acquired from an alternative's
   capacity for functional, utilitarian, or physical performance." Consumers gain
   functional value by purchasing goods and services with "salient functional,
   utilitarian, or physical attributes."

2. Social value is "the perceived utility acquired from an alternative's association
   with one or more specific social groups." Individuals acquire social value by
   associating with "positively or negatively stereotyped demographic,
   socioeconomic, and cultural-ethnic groups."

3. Emotional value is delineated as "the perceived utility acquired from an
   alternative's capacity to arouse feelings or affective states." People attain
   emotional value when the consumption process of result evokes "specific feelings
   or when precipitating or perpetuating those feelings."

4. Epistemic value is "the perceived utility acquired from an alternative's capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge." While the authors confined the acquisition of epistemic value to "questionnaire items referring to curiosity, novelty, and knowledge," the means and end of the consumption process can derive any combination of these results.

5. Conditional value is defined as "the perceived utility acquired by an alternative as the result of the specific situation or set of circumstances facing the choice maker." Conditional value is acquired through "the presence of antecedent physical or social contingencies that enhance its functional or social value."

   (Sheth et al., 1991)

This seminal research on value as a multidimensional aspect of consumer psychology laid the foundation for future work.

In recent times, academia has focused on understanding consumer value from multiple perspectives. Multidimensional approaches examine the practical *and* sentimental elements of consumer value. When considered in tandem, these aspects provide a holistic interpretation of the consumption action (Ryu et al., 2010). Woodruff (1997, p. 142) delineated consumer value as "a customer's perceived preference for an evaluation of … attributes, attribute performances, and consequences arising from [the use of a product or service] that facilitate achieving the customer's goals and purpose in use situations" (as cited in Ha, & Jang, 2013). In this sense, consumer value is the subjective preference for specific attributes of products or services. While identifying sought-after attributes may appear to be important for practical implications, I contend that determining *why* the customer prefers those attributes and their accompanied

consequences to be of greater significance. Assuming consumption activities are singularly measured on the advantages purchase and possession brings, the calculated value of the experience will not be accurate. Taking both the economic and psychological perspectives, Babin et al. (1994) suggested that consumption activities have the ability to produce both hedonic and utilitarian value.

Hedonic value

Holbrook & Hirschman (1982) suggested the psychological characteristic of consumer value signifies that one's emotions are incorporated into purchasing and consumption activities. Continuing, the authors described consumers dichotomously: as either pleasure-seekers who pursue "fun, fantasy, arousal, sensory stimulation, and enjoyment" or rational "problem solvers." Similarly, Babin et al. (1994, p. 646) defined hedonic value as "more subjective and personal than its utilitarian counterpart and resulting more from fun and playfulness than from task completion." A study by Chandon et al. (2000) found that the relative influence of hedonic and utilitarian value depends on the characteristics of the good or service in and of itself. This finding suggests that evaluation of hedonic and utilitarian value is contextual and subjective. I agree with this perspective because, in the context of food, the hedonic evaluation can fluctuate depending on numerous variables: current hunger, time pressure, food freshness and taste, and previous experience with the food in question (i.e. an unpleasant experience leading to an aversion), among others.

This finding was duplicated in a Dhar & Wertenbroch (2000) study that found "relative market shares for hedonic as compared with utilitarian products may depend on the frame of reference used to evaluate these products." In a restaurant example, consider

a consumer that just had the best dining experience of his or her life the night before at a particular full-service restaurant. The next day, the same consumer's friend asks him or her to go patronize a newly-opened QSR for the first time. The a priori uncertainty, combined with a large bias of the superlative hedonistic experience from the previous night, may make the consumer weight the utilitarian value proportionally less. There is little skepticism that patronizing a restaurant can produce both hedonic and utilitarian value, with some foodservice operators providing more satisfying dining experiences than others (Allen, et al., 2008).

Hedonic and utilitarian value relating to food, drink, and restaurants

Food and drinks are unique products in that the consumer ingests them. Consuming an item has the ability to change one's affective state through a physiological or psychological reaction to the ingested item. Further, one's previous experience with consuming the item may bias an objective opinion, for instance, an aversion. In this sense, hedonic value is inherent with food and beverage purchase and ingestion.

The primary consumption activity at a restaurant is dining. Unlike eating at home, consumers who dine out at restaurants "expect a certain level of food and service quality" (Ha, & Jang, 2012). Said another way, customers seek experiential value when they patronize a foodservice establishment (Ha, & Jang, 2012). Simply put, consumer value is what customers really want from a consumption experience (Ha, & Jang, 2012). In the context of a foodservice establishment, consumer value can be defined as the actual objectives a customer wishes to achieve through the dining experience (Ha, & Jang, 2012). Restaurant attributes are provided to every customer, regardless of viewpoint. These sought-after values are highly subjective as each person decides to dine out based

on a variety of reasons. Tasty food is fairly ubiquitous in restaurants today, so it makes sense that consumers want something beyond a satisfying meal. When consumers attend a full-service restaurant, food is no longer considered a fuel but an experience in itself. Conversely, people use drive-thru service at fast food establishments for convenience. Therefore, hedonic aspects can be attributed to FSRs, contrasted to the utilitarian aspects of QSRs.

Customers expect and assume convenience from fast food operations, so its presence is not weighted heavily. However, if a QSR was not convenient for any number of reasons, the customer would be dissatisfied. Therefore, quality is a differentiator between fast food restaurants. Ha and Jang's (2012) study also found that quality was the most important factor in casual dining, and emotional value was the most important for fine dining. This characterizes the type of service these restaurants strive to give. Fast food diners valued convenience/efficiency more significantly than other factors regarding behavioral intentions. This result suggests that if a fast food restaurant fails at this aspect, the guest will likely not return. Furthermore, many customers who patronize QSRs are under situational time constraints and hope to "achieve success as an end goal" by spending the extra time on productive activities (Ha, & Jang, 2013). McMahan, Hampl, & Chikamoto (2003) affirmed this when they found that college students spend a substantial proportion of money on convenience foods (as cited in Dahm, Shows, & Samonte, 2010). Additionally, Marquis (2005) found that convenience influenced students in their choice of food more than weight concern, price, pleasure, or health (as cited in Dahm et al., 2010). All three of the previous studies attest to the utilitarian dimension of convenience in QSRs. Altogether, the results suggest that as time

restrictions increase, the preference for hedonic value declines. Hedonic and utilitarian

value are not an end, but rather a foundation for other perspectives on value.

Self-congruity theory

Cultural symbols tend to be intangible and located on the product whole, like brand

names. Aaker (1997) defined brand personality as the ''set of human personality

characteristics associated with a brand.'' These personalities encourage self-

expressionism in consumers (Aaker, 1997). She established a theoretical framework for

brand personality by ascertaining its components and producing a measurement scale.

After completing the modelling process, she determined five unique personality

categories: sincerity, excitement, competence, sophistication, and ruggedness (Aaker,

1997). I agree with Aaker's conceptual framework but believe it is limiting in the sense

that some human personality characteristics cannot be translated to products, and vice

versa. Conversely, product symbolism is subjective in nature and has multifaceted

interpretations.

Introduction

A self-concept is "the totality of the individual's thoughts and feelings having reference

to himself as an object" (Rosenberg, 1979, p. 7; as cited in Shin, Hancer, & Song, 2016).

In Rokeach's (1973) study, findings suggested that human values are one's guiding

principles in life, embodied within the self-concept, and a foundation where less

meaningful beliefs are built upon (as cited in Allen, Gupta, & Monnier, 2008). The self-

concept is multidimensional and separated into four parts: self-image, ideal self-image,

social self-image, and ideal social self-image (Sirgy, 1982). Firstly, the self-image

describes how one sees the self and the ideal self-image represents the self one strives to

become. Secondly, the social self-image denotes the person one believes others perceive and the ideal social self-image refers to the person one wants others to perceive (Aguirre-Rodriguez, Bosnjak, & Sirgy, 2012; Sirgy, 1982). Essentially, self-image and ideal self-image are private constructs while social self-image and ideal social self-image are public constructs.

Self-congruity theory suggests that during a consumption activity, a consumer will select goods or services with symbolic meanings that are congruent with their self-concept (Sirgy, 1982). This claim has been supported many times throughout the literature (Aguirre-Rodriguez, Bosnjak, & Sirgy, 2012; Branaghan, & Hildebrand, 2011; Sirgy, 1985; Sirgy, Grewal, & Mangleburg, 2000). The theory stems from a category of cognitive-consistency theories that indicate people aim for consistency in their beliefs and behaviors because contradiction creates hostile feelings (Heider, 1946). Self-congruity theory possesses the assumption that consumption behavior for a particular good is a result from the self-concept, and not vice versa (Allen, Gupta, & Monnier, 2008). However, consumers who are unaware about their own particular social roles purchase goods to develop their self-concept while those with high levels of conscientiousness use products to convey their self-concept (Leigh and Gabel, 1992; as cited in Allen, Gupta, & Monnier, 2008). Contrasting to theories with utilitarian foundations, "self-congruity is based on symbolic or value-attributes" (Shin, Hancer, & Song, 2016). Taken in this light, self-congruity theory uses dispositional attribution, where utilitarian values use situational attribution. Self-congruity resembles an aspect of Sheth et al. (1991) Consumption Values theory, specifically social value in that people desire the feeling of belonging to particular social groups.

Self-congruity as it relates to food, drink, and restaurants

Humans can ascertain the association between a food and the outcome of its ingestion

(Allen et al., 2008). For example, if one is cognizant of his or her peanut allergy, they

know the consequences of consuming that item. Additionally, food and beverages are

experienced in a sociocultural context (Allen et al., 2008). Therefore, food and beverages

are symbolic objects, depending on cultural beliefs and contextual environment. Some

taste perceptions and assessments are seemingly intrinsic and involuntarily controlled.

However, Allen et al. (2008) found that a subjective part of taste evaluation does exist,

which suggests the contextual element of food consumption can modify a flavor profile.

Moreover, a Shin et al. (2016) study suggests self-congruity impacted consumers' local

food purchase both directly and indirectly. Additionally, as previously mentioned, food

and drink are unique products in that we ingest them. Since the body metabolizes the

good, people are ever-more vigilant in ensuring the foods they purchase possess product

symbolism that matches their own values. The consequence of eating or drinking

products that hold symbolic meanings incongruent with one's self-concept can be viewed

as contamination (Rozin, 1996). For example, if a vegetarian was to eat meat during a

meal, he or she would view themselves as corrupted.

Rozin (1996, p. 20) argued that eating "is the principal mode of material

transaction between the world and the person." This transfer of cultural meaning from

food and beverage to the consumer is powerful due to the product being ingested.

Various consumption modes may accomplish this transfer. In the Holt (1995) study,

typologies of consumption practices are identified. For example, the author portrays an

"appreciating" method where affective and visual frameworks are affixed to products and

actions. During the study, eating a hotdog at the baseball park is illustrated. He observed, "appreciating the hot dog is primarily driven by the consumption of its meanings based on the local framework of baseball. The sweaty, unadorned hot dog serves as a concrete symbol of professional baseball and baseball spectating, and these valued meanings have become imbued and naturalized to the extent that the hot dog actually tastes better" (Holt, 1995, p.6). Holt's example illustrates the primal importance of context in the food consumption activity, as environment can weigh heavily on the psyche.

In the Allen et al. (2008) study, the authors combined self-congruity theory with food and beverage consumption tests. They hypothesized that if there was congruence between the product's symbolic meaning and the individual's value priorities, they would experience a better taste, more favorable disposition, and positive behavioral intentions. Cultural activities affix symbolic meaning to foods and beverages, thereafter individuals within that culture infer and asses them (Allen et al., 2008). As eating and drinking occurs multiple times every day, the authors suggest that these consumption experiences shape, and are shaped by, one's identity. The Allen et al. (2008) findings suggest that value-symbol congruity leads to a more favorable taste assessment, overall disposition, and purchase intention. The main implication is that a brand's positioning in the consumer's mind "may influence marketing success as much as the product's objective taste" (Allen et al., 2008).

In the context of a restaurant, specifically fast casual, the importance of the holistic experience—acoustics, visual aesthetics, menu, social networking, sourcing of ingredients, green practices, and community involvement, among others—is imperative to making an identity-based connection with the consumer. Taste is not superlative. The

food, just like the design, must suit the consumer's self-image: "eco-conscious, ultra-fresh, hand-prepared, and uniquely seasoned" (Barron, 2011, p.152). A report by The Center for Food Integrity suggested that a company having shared values with its customers is 3-5 times more important for building trust than sharing facts or demonstrating technical skills or expertise (Arnot, 2016). Due to the internet forcing transparency in businesses' operations, senior management must ensure that internal processes align with their external counterparts. Davidson (2003) defines organizational culture as the "shared beliefs and values that are passed on to all within the organization." Today, organizational culture is no longer solely an internal dimension. Should a company's internal processes be incongruent with its external positioning, the firm will lose its customer base once the information is disseminated.

RQ2.1: If traditional economic variables are not related to the fast-casual industry, do hedonic and utilitarian value, self-congruity theory, or a combination thereof explain the success of the business model?

Social media and word of mouth

Marketing uncontrolled by a firm, such as word of mouth (WOM), is generally more credible and influential than marketer-controlled media sources such as paid advertising (Tiwari, & Richards, 2015). WOM advertising, whether good or bad, can become viral. "Social contagion, regardless of its source, implies a multiplier effect that would explain the observed bimodal nature of restaurant success" (Manski, 1993, 2000; as cited in Tiwari, & Richards, 2015). "Moreover, because one of the attractions of popular restaurants is the mere fact of their popularity, and the attraction of crowds,

positive WOM through peer networks has a self-perpetuating aspect that no amount of marketing expenditure can replace." (Tiwari, & Richards, 2015).

When consumers face a priori uncertainty on where to go eat dinner, they will resort to a recommendation system of some kind, whether verbally or digitally. Restaurant reviews, regardless if created by peers or anonymous reviewers, provide information that reduces some choice uncertainty, raising an individual's utility (Tiwari, & Richards, 2015). Peers are trusted because individuals have already formed a bond in one way or another. Tiwari & Richards (2015) findings suggest peer networks have a stronger influence on restaurant preference than its anonymous counterpart. Another key finding suggests that negative reviews have a far stronger effect on preference than positive ones. Dining experiences are typically evaluated holistically; however, a negative sentiment can linger on a customer's conscious long after he or she left. Mizerski's (1982) findings suggest that the effect of unfavorable product or service information has greater prepotence on attitude and purchase behavior than favorable information. This highlights the importance of restaurant operators ensuring their customers receive the value they, at the very least, expected when patronizing the establishment.

This study first investigated whether the restaurant industry and the fast-casual segment

operate on a business cycle related to economic recessions. Subsequently, the relationship

amongst leading economic indicators on revenues between the restaurant industry and the

fast-casual segment was examined.

Data and methodology

This study used multiple datasets from different sources. I accessed the Federal Reserve

Economic Data database and acquired annual time series data from 1947 to 2015 for the

following: real gross domestic product, real disposable income, real personal

consumption expenditures—food services, real gross private investment, unemployment

rate, and the 10-year Treasury rate. Originally expressed in billions of chained 2009

dollars, I converted all National Income and Product Accounts (NIPA) measurements to

year-over-year growth rates.

Subsequently, I obtained a Bureau of Economic Analysis dataset containing gross

output by industry from 1947 to 2015. I extracted the annual sales data using the sector

and summary NAICS code 722: Foodservice and Drinking Places. Aggregating data from

various credible sources, I determined the fast-casual restaurant segment's annual sales,

according to Technomic, from the year 1999 to 2015. In their original form, both time

series were in nominal terms. To improve comparability, I used the same process as with

the NIPA statistics: I converted the nominal figures to chained 2009 dollars, then annual

growth rates. Chain-type Fisher indices were used to convert the historical restaurant

industry and fast-casual segment sales data to chained 2009 dollars.

Chain Indices

The Fisher index, developed by American economist Irving Fisher, is the geometric mean of the Laspeyres and Paasche indices (Landefeld, & Parker, 1997):

$$P_F = \sqrt{P_L * P_P}$$

where P_L is the Laspeyres index and P_P is the Paasche index. Both of these indices are computed by dividing the expense of a specific basket of goods—the sum of $p * q$ for each good c considered—in time period n by the amount of the same basket in base period 0:

$$P_{L_{t_n}} = \frac{\Sigma(p_{c,t_n} * q_{c,t_0})}{\Sigma(p_{c,t_0} * q_{c,t_0})}$$

The difference between Laspeyres and Paasche indices is that the former uses the base period's quantity while the latter uses the target period's quantity:

$$P_{P_{t_n}} = \frac{\Sigma(p_{c,t_n} * q_{c,t_n})}{\Sigma(p_{c,t_0} * q_{c,t_n})}$$

Due to the base periods used by these indices, the Laspeyres tends to overstate inflation while the Paasche tends to understate it. Taking the geometric average of both indices results in a more accurate measure of price increases. However, the major limitation of using any of the three fixed indices is that they have an inherent substitution bias, which becomes particularly evident when prices of some goods or services change drastically in a short timeframe. To solve this limitation, a chain-type index is calculated.

    The chained Fisher index $P_{F_{t_n}}$ is computed with the weights of preceding or subsequent time periods, relative to the desired time period t_n and using a reference period t_0 that anchors the series' value:

$$P_{F_{t_n}} = \sqrt{P_{L_{t_1}} * P_{P_{t_1}}} * \sqrt{P_{L_{t_2}} * P_{P_{t_2}}} * \ldots * \sqrt{P_{L_{t_{n-1}}} * P_{P_{t_{n-1}}}}$$

Therefore, chain-type indices account for "the effects of changes in relative prices and in the composition of output over time" and have proven to be significantly more accurate than previous methods (Landefeld, & Parker, 1997). In order to determine the relationship between multiple time series, a unique regression model is used.

ARMAX model

The autoregressive-moving-average model with exogenous inputs (ARMAX) model is used in validating and forecasting time series data. The general ARMA model with input series, also called the ARMAX model, is denoted as:

$$Y_t = \mu + \frac{\omega_0 - \omega_1 B^1 - \cdots - \omega_s B^s}{1 - \delta_1 B^1 - \cdots \delta_r B^r} X_{t-b} + e_t$$

Where Y_t is the dependent variable at time t, μ is the constant, ω is the numerator coefficients, s is the number of numerator terms, δ is the denominator coefficients, r is the number of denominator terms, B is the backshift operator, X_{t-b} is the independent variable at time t minus backshift b, and e_t is the error term at time t. Simply, s shows when the effect occurs, r displays the decay pattern, and b indicates how much delay in taking effect.

The variables used in the ARMAX model must meet prerequisites for the data to be considered valid. The series must have uncorrelated residuals, no outliers, and if random shocks are present they are assumed to have a zero mean and constant variance. Most importantly, the time series must be stationary, which is equivalent to saying the series has a constant mean and variance over time and are normally distributed. However, methods exist to convert non-stationary data.

Co-integration

Cointegration is a property of two or more time-series variables that suggests a long-term connection between them. To test the hypothesis that a statistically significant relationship exists, a test for the presence of a cointegrated combination of the time series is conducted. Engle and Granger (1987) proposed a two-step method, which can be applied if the dependent and independent variables are non-stationary and cointegrated. If these two conditions are met, then a linear combination, typically conducted with least squares regression, of the variables must be stationary.

Data analysis

I aggregated the data into Microsoft Excel worksheets, then analyzed it with SPSS version 24 and JMP Pro version 12 using descriptive statistics, time series analysis, and regression analysis to answer the research questions.

Results

1.1: Business cycle analysis

Figure 1 displays the foodservice industry (FSI) sales and real gross domestic product (RGDP) growth rates between 1948 and 2015. In addition, recessionary indicators are displayed to illustrate how contractions in the economy affect FSI sales and GDP. The graphical representation of the time series data offers valuable insights. Intuitively, restaurant sales rose sharply in times of economic expansion and declined during recessionary economies. For instance, Figure 1 depicts the significant growth of restaurant sales during the economic boom in the 1950s and the sharp decline in restaurant sales during the Great Recession.
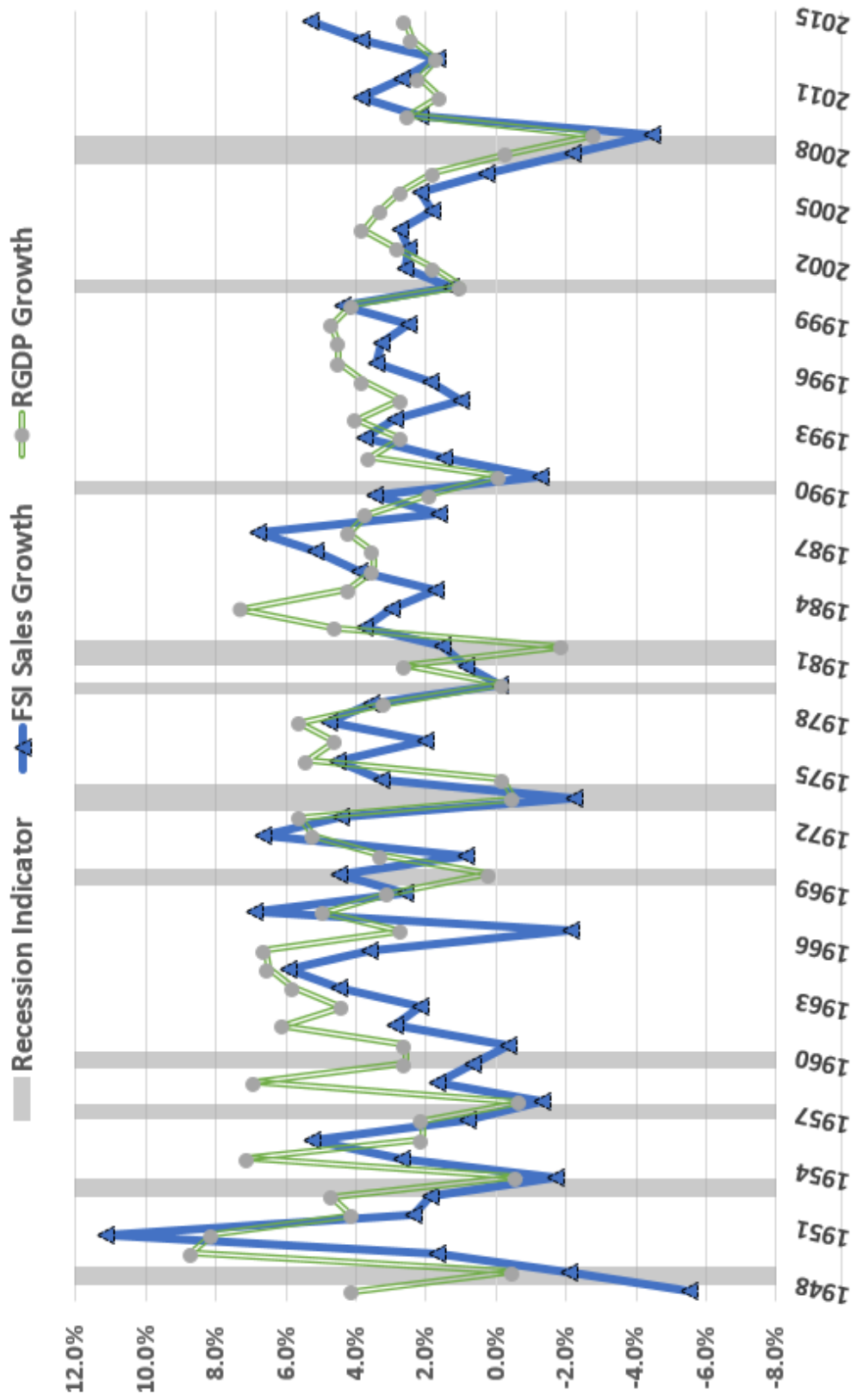
Figure 1. Annual growth rates: Foodservice industry sales versus US GDP from 1948 to 2015.

Comparatively, Figure 2 presents the FSI sales, fast-casual (FC) sales, and RGDP growth rates, along with the 10-year Treasury rate from 2000 to 2015. The contrast between the fiscal performance of the fast-casual segment and the overall industry over the same time period is evident. Unexpectedly, the FC sales growth during the short recession after the dotcom bubble is in stark contrast to the foodservice industry and economy as a whole. Further, while the quick-casual segment's sales did decline during the Great Recession, the growth still remained positive, unlike the FSI's. Surprisingly, of the six economic indicators examined in this study, FC sales most closely aligned with the 10-year Treasury rate. This study explored the potential reasons as to why the FC sales growth displayed this trend in Chapter two.
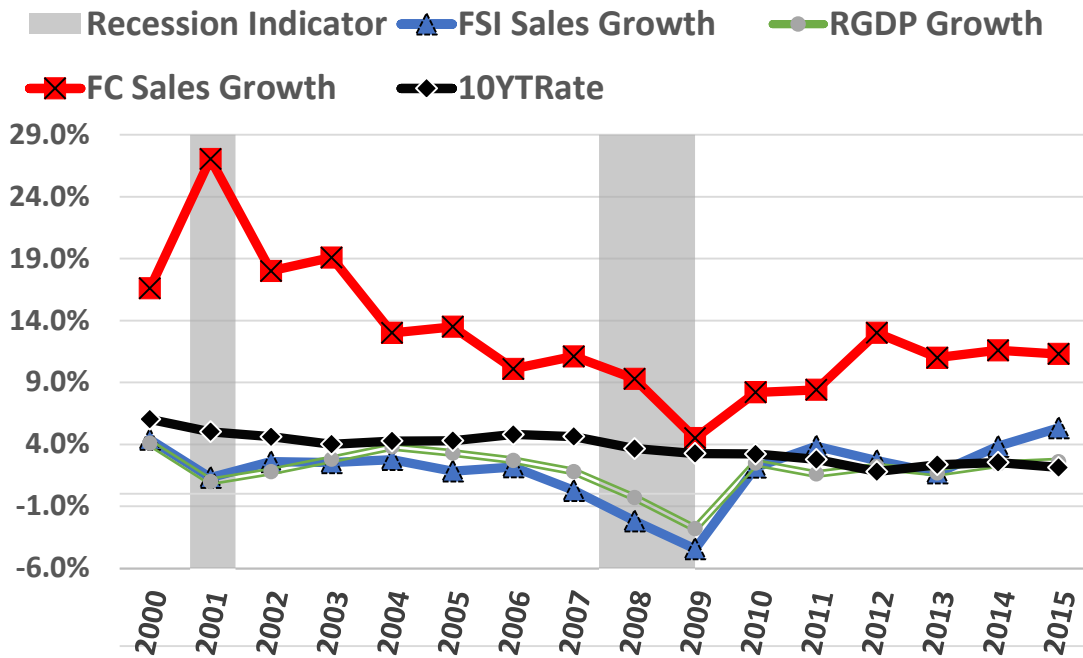

Figure 1. Comparison of foodservice industry and fast-casual segment's sales growth with economic indicators from 2000-2015.

1.2: Foodservice industry measurement model

The summary statistics of Study 2 and Study 3 are displayed in Table 2. Study 2's

variables foodservice industry (FSI) sales and the real gross domestic product (RGDP)

growth have an approximately normal distribution; however, Study 3's variables FC

Sales and RGDP are highly skewed.

Table 2. Descriptive statistics for Study 2 and Study 3.

	Study 2 (N=68)		Study 3 (N=17)		
	FSI Sales	RGDP	FC Sales	RGDP	10TRate
Mean	0.0232	0.0322	0.1272	0.0193	0.0360
Median	0.0252	0.033	0.113	0.022	0.0366
Minimum	-0.0553	-0.028	0.045	-0.028	0.018
Maximum	0.1117	0.087	0.271	0.041	0.0603
Std. Deviation	0.027	0.0237	0.0519	0.016	0.0124
Variance	0.0007	0.0006	0.0027	0.0003	0.0002
Skewness	-0.1519	-0.1672	1.3341	-1.6685	0.1246
Kurtosis	1.7908	0.0393	2.7557	4.1736	-0.8733

Note: variables' full name with abbreviations in parentheses: foodservice
industry sales (FSI Sales), real gross domestic product (RGDP), fast-casual sales
(FC Sales), and 10-year Treasury rate (10TRate).

First, I used the Augmented Dickey-Fuller (ADF) unit root test on both

foodservice industry sales and the real GDP. The tau values calculated for FSI and RGDP

suggest the absence of unit roots and the likely stationarity of both time series as these

values fell below the critical values (see Table 3) (Dickey, & Fuller, 1979).

Table 3. Study 2: Augmented Dickey-Fuller Test Results.

	FC Sales (N=68)	RGDP (N=68)
Zero Mean	-4.458	-3.459
Single Mean	-7.332	-6.927
Trend	-7.279	-7.433

Then, I used prewhitening to determine a baseline for an appropriate ARMAX model. Afterwards, I used the autocorrelation (ACF), partial autocorrelation (PACF), and cross correlation (CCF) functions to estimate a suitable ARMAX model for the function. The transfer function showed an ACF with non-zero values at the MA term 1 in the model, a PACF with non-zero values at the AR term 1, and significance at lag 0 in a CCF. As a result, I decided to start with an ARMAX (1,1,1) model and attempted multiple iterations with different polynomial values. After testing other models, I found the original ARMAX (1,1,1) to have the best fit determined by the Akaike's 'A' Information Criterion (AIC = -329.03) and Schwarz's Bayesian Criterion (SBC = -315.80) values combined with a post-hoc analysis on the residual values. The residuals appeared iid and the CCF displayed no significant values between the residuals and the original function (see Figure 3).
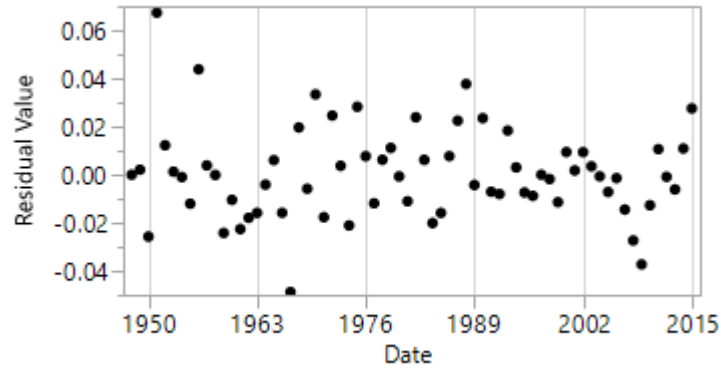
Figure 2. ARMAX model's residuals plot.

Consequently, I used an ARMAX (1,1,1) model and regressed foodservice industry sales on real gross domestic product. The model's formula is as follows:

$$FSI\ Sales_t = 0.0046 + \left(\frac{(0.6808 - 0.5883B)}{1 - 0.8655B}\right) * RGDP_t + \left(\frac{(1-B)}{1 - 0.8061B}\right) * e_t$$

Table 4. Summary of Transfer Function Analysis for Variables Predicting Foodservice Sales Growth (N = 538).

				Outcome Variables		
	Term	Factor	Lag	Estimate	SE	t Ratio
Real GDP	Num 0,0	0	0	0.68080398	0.1028518	6.62***
Real GDP	Num 1,1	1	1	0.58829919	0.1112298	5.29***
Real GDP	Den 1,1	1	1	0.86545298	0.0368039	23.52***
Foodservice Sales	AR 1,1	1	1	0.80609124	0.0808370	9.97***
Foodservice Sales	MA 1,1	1	1	0.99998694	0.0394435	25.35***
Intercept	--	0	0	0.00461952	0.0075022	0.62

Note: * p < 0.01; ** p < 0.001; *** p< 0.0001

A transfer function analysis was conducted to test if RGDP significantly predicted FSI sales growth. The results of the ARMAX model suggest that gross domestic product has

a statistically significant relationship with foodservice sales growth (p<0.001), confirming the visual representation from Figure 1.

1.3: Fast-casual sales measurement model

Identical to the Study 2, I used the ADF test to determine the stationarity of the time series fast-casual sales (FC Sales) and RGDP. As displayed by Table 5, the tau values of the FC Sales and RGDP indicate the presence of a unit root; therefore, both variables are non-stationary. As a result, I used the Engle and Granger (EG) (1987) two-step method to co-integrate the two time series. After running standard least squares with the regressand FC Sales and regressor RGDP, I ran a Durbin-Watson (DW) test on the residuals to detect the presence of autocorrelation in the error terms. While the test results ($d = 1.01$; $d_L = 0.87$; $d_U = 1.10$) suggested there is no statistical evidence that the error terms are negatively autocorrelated ($(4 - d) > d_U$ → 2.99 > 1.10), it was inconclusive in identifying positive autocorrelation ($d_U > d > d_L$ → 1.10 > 1.01 > 0.87). Therefore, I completed an ADF test on the residuals and, as Table 5 shows, the results suggested the presence of a unit root, indicating the time series was still non-stationary.

Reverting back to the original FC Sales and RGDP data, I detrended both time series and performed another ADF test. Illustrated by Table 5, the tau values of the detrended variables were significant, which suggested the existence of a unit root and a lack of stationarity. Again, I used the EG two-step framework and conducted standard least squares regression with the detrended FC Sales as the outcome variable and the detrended RGDP as the input variable. Subsequently, the DW test was performed and the results ($d = 1.43$; $d_L = 0.87$; $d_U = 1.10$) suggested there is no statistical evidence that the error terms show negative ($(4 - d) > d_U$ → 2.57 > 1.10) or positive autocorrelation (d

$> d_U \rightarrow$ 1.43 > 1.10). After, I performed the ADF test and, as Table 5 presents, the

statistically significant critical values indicated the presence of a root unit and non-

stationarity. Accordingly, I resorted to first differencing the original variables, then

performed the ADF test. The resulting tau values in Table 5 suggest that differencing the

variables made the time series stationary. I realized the two variables could not be

cointegrated and, with a lack of observations, an ARMAX model was ill-suited.

Table 5. Study 3: Augmented Dickey-Fuller Test Results.

	FC Sales (N=17)	RGDP (N=17)	Residuals: FC Sales x RGDP**
Original Variables			
Zero Mean	-0.9774*	-2.0275*	-2.2517*
Single Mean	-1.8340*	-3.0456*	-2.1727*
Trend	-2.3233*	-2.8878*	-3.0160*
Detrended Variables			
Zero Mean	-2.5104*	-3.0728*	-2.9392*
Single Mean	-2.4178*	-2.9775*	-2.8318*
Trend	-2.3233*	-2.8878*	-2.7394*
Differenced Variables			
Zero Mean	-8.1626	-5.1784	-
Single Mean	-8.7809	-4.9814	-
Trend	-10.8122	-4.6916	-

Note: * indicates significance at $p < 0.01$. **Used
 MacKinnon (1990) critical values.

Discussion

The results suggest a statistically significant relationship between foodservice industry

sales and GDP. Using the aggregate expenditure model, one may deduce that consumer

spending on restaurants is significantly related to disposable income. Since the frequency

and reliability of GDP forecasts has increased over time, it is critical to determine the extent of the relationship between restaurant industry sales and GDP. Therefore, foodservice operators must consistently monitor the changes in GDP and incorporate that information into the firm's strategic planning process (Enz, 2009; Lee, & Ha, 2012). This study visually presented the association between foodservice industry sales growth and real gross domestic product growth as it related to the US economic cycle. A study by Parsa et al. (2005) found that independent restaurants fail at a significantly higher rate than chain restaurants.

However, the fast-casual segment and GDP analysis was inconclusive. While a statistical relationship was indeterminable, the success of the quick-casual business model is evident with the abnormally high rate of sales growth relative to the overall industry. The analysis in Chapter Two takes a different approach since economics alone could not justify the reasoning as to why the fast-casual industry has been so lucrative.

Methodology

First, a discussion of various factors that have changed consumer behavior, followed by a

theoretical analysis of how self-congruity theory and utilitarian and hedonic value may

partially explain the growth of the fast-casual segment.

Changes in consumer behavior

Technology

First came the internet, followed by mobile technology, then social media. These three

revolutionary products have permanently changed the way businesses operate, and

restaurants are no exception. According to a study by Pew Research Center, nearly 90%

of Americans are online and 77% own a smartphone, with 92% of young adults owning

one (Smith, 2017). The internet exponentially increased consumer awareness levels to the

point where businesses today are mandated to be authentic and transparent, or otherwise

be exposed. In today's ever-growing digital world, there is a "near-constant flow of bits

describing bites" (Barron, p. 97).

In the world of broadcasting, time-shifting is "the practice of recording a program

to view it once at a later time" (*Sony v. Universal,* 1984). Advances in technology,

specifically the Betamax, provided consumers with the ability to forgo advertisements on

TV. Today, consumers are accustomed to time-shifting their consumption of media.

Consequently, broadband internet and mobile devices reduced the perception of how long

people should be willing to wait for something, transforming the Western world into a

time-shifting society. People inherently and continuously seek ways to improve

efficiency, and today, they expect instant gratification, which is attributable to

technology. Simply put, time's non-renewability makes it priceless, but the internet and mobile technology made it an even more valuable commodity. A combination of time-shifting and the internet contributed in forming the fast-casual segment. As technology improved, consumers became increasingly busy, which led to more Americans eating meals outside of the household.

Intuitively, the foodservice industry has grown as Americans increasingly decide to patronize restaurants instead of eating at home. Any food purchased for immediate consumption or made outside of the household constitutes as food away from home. Food away from home is a type of leisure activity where leisure is delineated as "time spent outside of both the labor force and household production" (Stewart et al., 2004). Growing household incomes, a greater number of women participating in the workforce, and the declining size of the American household all influenced the elevated consumption levels of food away from home (Lin, 2016). Figure 4 shows the proportionate consumption of food in the United States from 1935 to 2014.
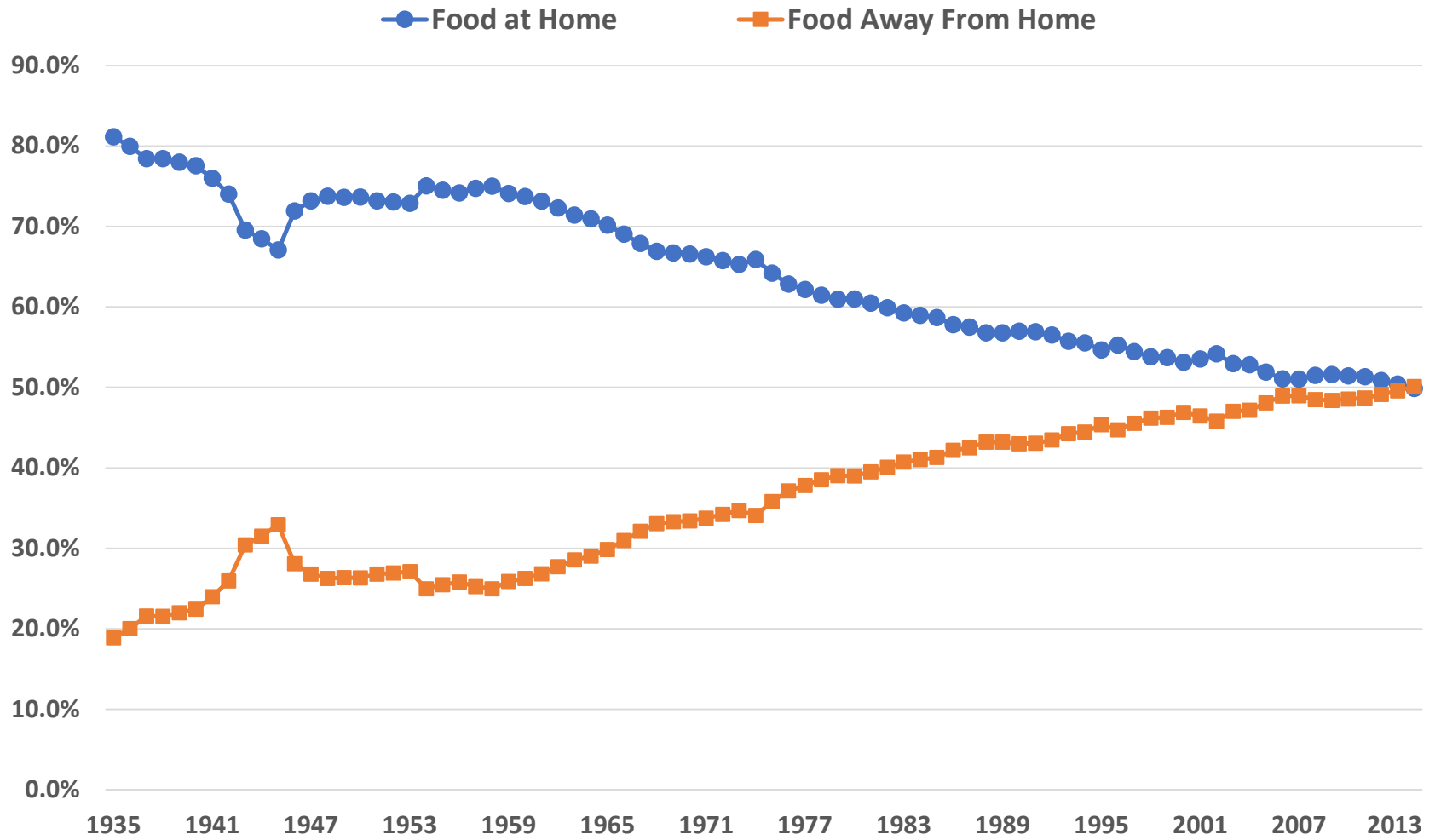
Figure 3. Food at home versus food away from home as a proportion of food purchases from 1935 to 2014 (Lin, 2016).

Figure 4 shows that today, more than 50% of American food dollars go towards eating

outside of the home. Researchers have found that consumers find it more difficult to

control portion sizes and make healthy food choices when eating outside of the household

(Dahm, Shows, & Samonte, 2010). Due to increasingly sedentary lifestyles, a lack of

nutritional awareness, and convenient, inexpensive restaurants serving meals with high

caloric values, the US has suffered a health epidemic in recent history. Since 1970,

obesity rates in America have more than tripled for adolescents and children, and nearly

tripled for adults (Fryar et al., 2016a; Fryar et al., 2016b).

However, Americans are becoming more aware of healthfulness, and how food

relates to their personal wellbeing. An International Food Information Council (2016)

study found that 64% of Americans consider healthfulness when making food purchases.

Further, a study by Bowman, Friday, Clemens, LaComb, & Moshfegh (2016) found that,

from 2003-2004 to 2011-2012, Americans consumed less added sugars and less solid

fats, while eating significantly more whole grains. This shows a trend towards healthier

diets among Americans; however, on average, Americans still fall below the USDA

Guidelines' recommended consumption for particular food groups (Bentley, 2017).

Consumers are becoming more conscientious about the foods and ingredients they

consume. Fast food and, to a lesser extent, casual dining are both becoming associated

with little to no nutritional value. Fast casual is well-positioned to take advantage of this

important trend.

Value dimensionalization

Many studies findings suggest that people deem taste as the superlative factor when

making food choices (Jun, Arendt, & Kang, 2016). However, consumers are beginning to

value food differently. The traditional, utilitarian definition of consumer value is becoming less relevant, particularly with foodservice establishments. Convenience, low price, and satisfactory quality are not the only aspects people consider when choosing a place to eat: there exists a myriad of other factors. A 2016 study by Deloitte found that health and wellness, safety, social impact and experience all were weighted heavily, with transparency being an "overarching driver" (Deloitte, 2016). Changes in consumer attitudes towards the environment, animal welfare, food quality, food safety, and personal health, among others, are altering the foodservice industry. A Ha & Jang (2012) study found that novel experiences in restaurants were a vital factor in a customer's decision to patronize one establishment over another. This suggests the epistemic value of the dining experience is not something to be overlooked by restauranteurs. Open kitchens provide a sense of authenticity, transparency, and entertainment due to customers' witnessing their food prepared while they order. Foodies are more likely to believe that trust is built through transparency (Arnot, 2016).

Historically, fast food was basically all the same quality, speed was the differentiator. Similarly, today, tasty food is almost taken for granted. "Food quality does not guarantee success; the concept must be defined beyond the type of food served" (Parsa et al., 2005). Therefore, restaurants need to find different methods to attract customers. The successful fast casual restaurants have met these consumer demands and the segment enjoys a perception of being high quality and high value simultaneously. Quick casual offers a comprehensive value proposition to consumers by promoting authenticity; natural, locally-sourced ingredients; flexibility and choice; personalized experiences made with impeccable customer service; appealing aesthetics; conscientious

and sustainable supply chain practices; visible nutritional information; and open kitchen designs where customers can watch food preparation.

"Local" ingredients have become such a commodity that the federal government created a definition of the term. The Food, Conservation, and Energy Act (2008) defines local as "the locality or region in which the final product is marketed, so that the total distance that the product is transported is less than 400 miles from the origin of the product." Sourcing local ingredients and marketing it has become a differentiation strategy used by many restaurants. DiPietro, Cao, & Partlow (2013) found that restaurants with a green image had a positive brand image, which provided the establishment with a competitive advantage.

Food as a lifestyle choice

Food has evolved from a mere staple to a lifestyle choice, heavily impacted by trends. According to a National Association for the Specialty Food Trade study, 70% consider themselves well-informed regarding food; 76% of adults enjoy food-related conversation; and 53% watch cooking shows regularly (NASFT, 2012). Restaurants play a pivotal role in both popular culture and consumers' lives. Food became popular culture due to The Food Network, cuisine-related websites, and blogs. The sophisticated palates of an informed generation, dubbed Foodie Nation, are a primary driver of the fast-casual segment's growth. Today, consumers demand fresh ingredients, healthy food options, contemporary flavor profiles, and customizable orders. The

Researchers have suggested that diners reported that food tasted better when evocative terms were used (Allen, Gupta, & Monnier, 2008). Using this style of language to describe food focuses the individual on the hedonic aspects of food.

The importance of aesthetics and ambiance cannot be underestimated. Paul Barron (2011, pg. 32) suggests that successful quick-casual restaurants have an atmosphere and design that are soothing, inviting, and "give permission to project himself or herself on the space." Starbucks and Panera Bread both are industry leaders in color schematics as the companies choose store colors that affect parts of the consumer's brain associated with pleasure and appetite. In addition, these two successful foodservice chains have created a gathering place for the community. This ethos, aptly named the "third place," is attributable to the success of both brands. Ray Oldenburg (1989) defines a third place as neutral grounds that "host the regular, voluntary, informal, and happily anticipated gatherings of individuals beyond the realms of home and work."

Although other variables contribute, the restaurant's design and overall atmosphere can be the tipping point in a consumer's choice to eat at a specific restaurant over alternatives (Auty, 1992). The customer inspects a restaurant's décor for tangible information to help inform them, thereby reducing uncertainty, and shape his or her expectations. Alonso & O'Neill (2010) mentioned that crowded restaurants positively affected consumers' perceived image of the establishment as they associated it with popularity, good reputation, superior food quality, and value.

Past research suggests that consumers evaluate an establishment's design holistically as opposed to independently (Alonso, & O'Neill, 2010). Restaurant meals are multi-attribute goods: eating food in itself is a multisensory, epicurean experience.

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Foodservice is unique in the sense that it provides a purchase experience with tangible and intangible services and products (Harrington, Ottenbacher, & Kendall, 2011; as cited in Dziadkowiec, & Rood, 2015). While some of these are mandatory and expected—such as dining environment, food, and service—others are not. The service, environment, and product are all evaluated before a customer decides on the overall experience. This validates the claim that restaurants cannot solely survive on superlative food alone, the entire package needs to be delivered to patrons.

Theoretical relationships

Due to the abstract nature of service quality, it is difficult to measure and analyze. Ryu, Han, and Kim (2008) found that, in restaurants, overall service quality precedes customer service, and customer service is a significant predictor of positive behavioral intentions. Previous studies found that hedonic and utilitarian value significantly affected behavioral intentions and customer satisfaction, and behavioral intentions was significantly influenced by customer satisfaction (Babin et al., 1994; Namkung and Jang, 2007; Ryu et al., 2010). More specifically, and by using structural equation modelling in a 2015 study, Basaran, & Buyukyilmaz suggested the effect of hedonic value on satisfaction and behavioral intentions is significantly higher in fast-casual restaurants compared to fast food establishments. Further, Babin et al. (1994) demonstrated that time pressure is inversely related to perceived shopping value. When consumers were confronted with greater time constraints, their lessened freedom resulted in reduced hedonic value (Ryu, Han, & Jang, 2010). This justifies the perspective that fast-food is more utilitarian in nature in that consumers patronize those establishments for low prices and convenience. Conversely, fast-casual restaurants focus on the hedonic aspects of the

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holistic dining experience. Therefore, it can be inferred that time constraints increase utilitarian value.

Discussion

Consumers do not have to like all of the goods and services they use, but patronizing a restaurant is an exception. Determining consumer value gives a restauranteur more actionable information about the reason for patronizing the business, which can assist in developing more effective marketing campaigns. The theoretical findings suggest restaurant operators can create hedonic value through providing and promoting epistemic, social, and emotional experiences for patrons (Kazakeviciute, & Banyte, 2012; Ha, & Jang, 2012). In addition, establishments with seamless, intelligent, and provocative design elements may create emotional resonance, or hedonic value, for consumers.

Restaurant operators need to understand who their target market is, what they value, and why it is important to them. Only then, will restauranteurs maximize customer satisfaction and perceived value. For example, healthy can be a subjective term. On one hand, a younger consumer may associate healthy with a product being organic or natural. On the other hand, a retiree may consider healthy to be low-cholesterol or low-sodium alternatives. The importance of understanding who your customer on an intimate level cannot be understated.

Taking the topic of incongruence to the restaurant industry, the fast food brands emulating fast casual is a dichotomy. The large QSR chains attempting to appeal to their lost consumer base will not be effective. The difference in philosophies is a matter of brand image and personality, the QSR chains are permanently positioned into the minds of consumers as fast food restaurants. For fast-casual operations targeting the Foodie

Nation, hedonic value can be derived from epistemic value and self-congruence when they purchase from restaurants that show food being made in front of them.

According to a study by Pew Research Center, in 2005, just 5% of American adults had a social media platform. Today, 69% of the country uses at least one form of social media (Smith, 2017). We have now entered the era of the two-way relationship between businesses and consumers. Restaurateurs cannot assume that the unilateral exchange of 'we make the food, you eat the food' will work anymore. Simply put, all industries are interactive now. In this light, social media gave people a voice to be heard. Therefore, customer service no longer stops when a consumer leaves the restaurant. Technology has provided businesses the opportunity to connect directly with their consumers, which gives them the power to control the message and its delivery. Productive firms will discover ways to connect with customers beyond the brick and mortar, such as leveraging innovative technologies to promote brand loyalty. The successful brands will assist customers in cutting through the abundance of information with simple, clear messages.

Every business requires a mobile and social media marketing strategy, where they respond to consumer reviews, produce multiple consumer connection points, and create convenience and transparency. Today, people expect to have meaningful, communicative relationships with brands. "Customers who are highly engaged on social platforms play an important role in activities such as cocreating customer experience and value as well as recommending products, services, or brands to others (Jaakkola & Alexander, 2014; as cited in Guo, Zhang, & Wang, 2016). Give consumers the opportunity to get involved with the brand and partake in discussions regarding products and services. The brands

that cocreate an experience with customers, if not at least turn feedback into policy, will be success stories. Two-way communication between brands and consumers via social networking facilitates a means for big business to feel more personalized (DiPietro, Crews, Gustafson, & Strick, 2012). Consumers will favor establishments that align with their values and also where they can engage in two-way communication and feel connected. Foodservice operations can use social media to their advantage by bringing together their customers, receiving feedback, and promoting word of mouth marketing. The Halo Group study also reported that Millennials prefer to eat in groups and share their experiences through social media on sites such as Instagram and Facebook (Gingerich, 2017). This suggests epistemic and social value are both found in the consumption of food. The sharing of food predates civilization, it is one thing every person has in common. In 2012, The NRA conducted its annual Restaurant Trends Survey with foodservice operators and found that the majority of their revenue came from repeat customers, regardless of segment ("Repeat customers", 2012). This shows the importance of retaining customers.

Kaplan (1991) found that a person's knowledge about an issue significantly influences one's decision making regarding that issue. In a foodservice context, Hu et al. (2010) found that consumers who use green practices personally are more likely to eat at restaurants who use environmentally-conscious business practices. The notion that a person's self-image is expressed through the businesses they choose has significant marketing potential for restaurants (DiPietro, Cao, & Partlow, 2013).

While this study's findings suggest the presence of some thought-provoking relationships, there exist limitations that cannot be overlooked., First, the study took a myopic approach on quick-casual restaurants. Even though there was a comparison between the fast-casual segment and the foodservice industry, the latter is comprised of multiple subsegments. A comparative study between the parts of the whole, whether the top performers within each segment or the segments themselves, using an economic lens may prove interesting. Further, comparing the economics between quick-casual and fast-food restaurants may provide an improved comparison due to the closer resemblance of business models. Another shortcoming is that, as with all business organizations, restaurants follow certain stages in a life cycle (Levitt, 1965). The fast-casual concept is in the growth stage and, according to Levitt, should be experiencing a greater growth rate, relative to its industry peers.

Another issue arises with the food services and drinking places data for the time series analysis. The author could not get detail level of NAICS codification, explicitly 722110 and 722211 full-service restaurants and limited-service restaurants, respectively. However, in 2016, drinking establishments held approximately 3.5% of the market; therefore, the results are not overly biased (National Restaurant Association, 2017).

The lack of a formal, concrete definition of the fast-casual concept is evident when acquiring quantitative data. This raises the issue of potentially nonreproducible data, poses a serious threat to the credibility of this study. The ambiguity and secrecy creates significant deviation between quantitative datasets. Once industry standards are agreed upon and all market research firms adopt them, the level of research within this segment

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will increase accordingly. Additionally, the relatively short timeframe of the fast-casual segment's performance data is a significant limitation. A longer period of financial performance will assist in creating more robust statistical analyses. Or, acquire monthly data to increase the amount of observations. Lastly, further research is needed to measure the impact of these psychographic assumptions.

CONCLUSION

The purpose of this study was to take an exploratory approach to the fast-casual segment's success within the broader restaurant industry. Firstly, research was conducted to identify a relationship between key economic indicators and restaurant industry and fast-casual segment sales growth. As anticipated, the results suggested a significant relationship between GDP and restaurant industry sales. However, the quick-casual segment's sales growth over the same period was uncharacteristic of the broader industry. The results suggested that there is not a statistically significant association between GDP and the segment's fiscal performance. Therefore, it was presumed that economics alone could not account for fast casual's success within the industry.

Subsequently, the study took a theoretical approach to identify potential explanations to why the fast-casual business model was lucrative during the recession. I postulate that the traditional definition of value no longer applies to food purchasing intentions as consumers consider a multitude of factors when making decisions on what and where to eat. I combined two consumer behavior theories, hedonic value and self-congruity, and designed a foundation for a future framework to be tested for validity.

The current study adds to the limited literature regarding the topic of fast-casual restaurants by taking original approaches to analysis. Future studies can identify the

relationship of a country's economic indicators and the segment as a whole. These results will be more reproducible and robust if academia and industry determine a fixed set of qualifications for a concept to be considered fast casual.

Evidently, the fast-casual segment caused a paradigm shift in the restaurant industry. Technology, lifestyle, and consumer awareness perfectly aligned for the creation of the fast-casual business model. The fast-casual concept is analogous to the evolution of *homo sapiens*: "there are a lot of key moments but no one origin point" (Barron, 2011, p.116). One thing is for certain: Efficient meals no longer have the opportunity costs of being unhealthy or choice-restrained. While some may think fast-casual is a trend that will disappear, consider this: higher quality food in a faster amount of time will never go out of style. Successful restaurant operators not only need to know *what* and *where* consumers eat, but the rationales behind the *why*. Fully comprehending consumer value is the means to that end.

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