

The restaurant industry veterans had a rough idea of their customer base from anecdotal evidence. An opportunity presented itself to gather survey data to confirm their hypotheses. Would the demographic and psychographic assumptions they had gathered from talking to people in stores align with the survey answers? And what would the data tell them about where to locate new stores and about which marketing channels and messages to use to promote them?

The Sticks Story

While working at Hamiltons' at First and Main, a fine dining restaurant in Charlottesville, Virginia, Dubois and Austin realized they lacked a place to grab a good bite to eat before going into work for the night shift. When Bill Hamilton, who owned the restaurant with his wife, approached the pair about going into business together, they decided to pursue a concept that could deliver a good meal without much fuss. "We went out for some beers and decided we were going to do it," DuBois said. "We had not settled on a concept for the restaurant at the time."

The team finally settled on kebobs after kicking around ideas ranging from barbecue to curry. In 2001, the idea of the fast-casual restaurant—essentially the QSR segment minus traditional fast food—was still in its infancy. For example, Chipotle had just begun to expand outside its home state of Colorado. The idea was to offer high-quality, healthy food in a "less stuffy environment" and to deliver it quickly. As the Sticks website said, the founders wanted to "create a safe haven for fellow foodies, busy families, and health-conscious diners." It was a niche the team thought Charlottesville lacked and one they decided they could satisfy effectively.

The Sticks chain had learned a lot about its customer base over the years (for example, the executives had increased their focus on the healthy food angle). But Sticks also made sure that its cuisine remained accessible to a broader audience. Sticks didn't claim to be authentic Middle Eastern food. For example, instead of using the original term *baba ganouj* for one of its menu items, it used *roasted eggplant salad*. (See Exhibit 4-1 for a sample menu.)

Planning for Expansion

According to DuBois, Sticks's long-term expansion plan was focused on the I-64 corridor that ran across Virginia. Richmond was the primary immediate target, since

the brand had already been established there, and a second store would lend efficiencies in marketing, labor, and so on. Beyond that, the company planned to look at Newport News, Hampton Roads, Virginia Beach, Norfolk, Harrisonburg, Lynchburg, and Fredericksburg. The eventual goal was to grow from four stores to eight between 2014 and 2020, at which point the company would reassess and look at moving into Northern Virginia and the Washington, DC, area, which would require a multiple-store launch.

In addition to adding restaurants, Sticks expected to expand in two other ways. It was in the process of launching a packaged version of its signature hummus for sale in retail outlets, and it was planning to purchase a food trailer to increase its offsite vending, including at an outdoor concert series in Richmond.

The Sticks growth plan had been tempered slightly in the past several years: the Richmond location was growing more slowly than the company would have liked. The restaurant had opened right on the cusp of the 2008 recession and had improved sales by about 10% every year, but the baseline had been lower than expected. See Table 4-1 for a list of Sticks locations in 2014.

Table 4-1 Sticks Locations, 2014

Store Name	Address
Preston Avenue, Charlottesville	917 Preston Avenue Charlottesville, VA 22903
Pantops, Charlottesville	1820 Abbey Road Charlottesville, VA 22911
Willow Lawn, Richmond	1700 Willow Lawn Dr., Willow Lawn Plaza Richmond, VA 23221
Courthouse Commons, Williamsburg	5223 Monticello Avenue Williamsburg, VA 23188

Source: Created by case writer.

The customer survey was an opportunity to ensure that the next store was a strong fit with its market. DuBois said its goal was to gather data that could help identify real estate options, improve the team's knowledge of customer demographics and psychographics, and provide insights as to how customers perceived Sticks in terms of value for the money and other attributes.

DuBois and Austin described typical Sticks customers—based on knowledge gained while working as managers in the two Charlottesville stores—as people “in their 30s who have a smartphone and want food that’s both healthful and satisfying.”

The base skewed more toward women making dining decisions for their families, but it also did well with single people ranging from their mid-20s to mid-40s and professionals on their lunch break. More recently, Sticks had identified growing interest in its Mediterranean-inspired menu from an older demographic that emphasized an active lifestyle and healthy eating.

“It may sound like a cliché, but a lot of our customers are soccer moms,” DuBois said. “Soccer is a big thing in the area. We have proven to be a good fit for people who are involved in sports—either for themselves or for their kids.”

The Sticks team knew that offering a quick, healthy meal option would be a big part of the restaurant’s appeal when it opened in 2001, but management debated about how heavily to market that attribute; the team did not want Sticks’s cuisine to be thought of as health food because most people thought of that (especially at the time) as “unsatisfying.” The team also wanted to combat the idea that the restaurant was exotic and unfamiliar so it would appeal to customers who generally selected more familiar options, such as Applebee’s, Arby’s, or Ruby Tuesday.

DuBois and Austin said they consistently heard from customers who said that they appreciated the variety of the Sticks menu, its filling but nutritious food, its good prices, and its fast delivery. The restaurant tended to attract most customers on weekday afternoons. The volume of visits during nights and weekends were generally lower.

“The challenge is not expecting people to behave in a way you want them to, but instead letting them do more of what they already want to do themselves,” Austin said. “We have to remind ourselves to work from and gradually expand people’s given behaviors. We try to keep hurdles low for new customers yet offer enough options for novelty for existing customers.”

The Fast-Food Industry

Fast casual QSRs were typically restaurants that aimed to deliver food fast but looked to operate outside the traditional fast-food market, offering carefully selected ingredients and healthier options overall. For Sticks, that also meant avoiding being pigeonholed as a health food restaurant and striving to become a national brand, as opposed to being known as a college-town niche store. Sticks wanted its customers to leave the restaurant feeling full, satisfied, and as though they had made a smart dining choice.

The fast-casual industry was one of the fastest-growing segments of the restaurant business, according to *QSR* magazine, and Panera was the clear leader (Table 4-2).

According to food industry analyst Technomic, several other fast casuals were among the fastest-growing QSRs in the country (Table 4-3).

Table 4-2 Top-10 Fast Casual Restaurants

Fast Casual Rank	Chain	2012 Sales (Millions)	Total Units in 2012	Change in Units from 2011
1	Panera	\$3,861.0	1,652	111
2	Chipotle	\$2,731.2	1,410	180
3	Jimmy John's	\$1,262.8	1,560	229
4	Zaxby's	\$979.3	565	25
5	Steak 'N Shake	\$857.5	501	10
6	Qdoba	\$583.2	627	44
7	Jason's Deli	\$578.9	245	10
8	El Pollo Loco	\$563.0	397	3
9	Boston Market	\$559.0	469	-12
10	Moe's	\$452.0	482	43

Table 4-3 Fastest-Growing QSR Chains (More Than \$200 Million in Annual Sales)

Rank	Chain	2011 U.S. Sales (Thousands)	2010 U.S. Sales (Thousands)	% Change	\$ Change (Thousands)
1	Five Guys	950,630	716,105	32.8	234,525
2	Chipotle	2,260,548	1,831,922	23.4	428,626
3	Jimmy John's	895,000*	735,000*	21.8	160,000
4	Firehouse Subs	284,581	235,000	21.1	49,581
5	Raising Cane's	206,301	174,608	18.2	31,693
6	Little Caesars	1,480,000*	1,253,000*	18.1	227,000
7	Noodles & Company	300,000	261,000	14.9	39,000
8	Wingstop	381,660	332,612	14.7	49,048
9	Chick-fil-A	4,050,992	3,583,000	13.1	467,992
10	Qdoba	531,000*	475,000*	11.8	56,000

*Technomic estimate

Sticks also fell into another fast-growing segment of restaurants: ethnic food. Although the Mexican segment was the clear ethnic food leader, DuBois said Mediterranean restaurants were also growing quickly. They were part of a group (specialty fast casuals) that made up 9% of all fast-casual restaurants (Table 4-4).

Table 4-4 Menu Composition Within Fast Casual Segment

Rank	Category	Market Share
1	Mexican	20%
2	Bakery/Café Bagel	18%
3	Other Sandwich	16%
4	Hamburger	11%
5	Chicken	9%
6	Specialty*	9%
7	Pizza	7%
8	Asian	6%

* Barbecue, healthy, Italian, other ethnic (including Mediterranean) and soup

Sticks was somewhat unique, however, in that it marketed itself without referring to the ethnicity of its offerings. The goal of the restaurant’s owners was to make the food as accessible as possible and to not intimidate customers. Sticks did not expect to attract the adventurous diner who sought out authentic ethnic food; it tried to position itself alongside Panera and Chipotle, rather than local Middle Eastern restaurants.

Still, Austin and DuBois said they watched the growth of other Mediterranean restaurants closely. For example, a larger chain from Alabama called Zoë’s Kitchen had recently moved into Charlottesville and Richmond, and Taziki’s (also a growing chain from the South) operated a similar concept in Richmond. In addition to those, Austin said Roti out of Chicago and Garbanzo out of Denver were other Mediterranean QSR brands worth following—both chains had high-quality management and were well funded. Despite others entering Sticks’s local markets, the team didn’t see competition as all bad.

“Most importantly, these larger chains help validate the concept for us,” DuBois said. “They also help generate new interest in our category, which is a net benefit. But at the same time, we have to be dynamic and keep creating and emphasizing our unique points of differentiation. We are well aware of direct competition but don’t want that to distract us from succeeding on our own terms.”

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Sticks's Existing Marketing Initiatives

Since it launched in 2001, Sticks had made a concerted effort to better understand its customer base. Over the years, the team had changed its message in subtle ways in response to what it had learned: switching from Styrofoam containers to all reusable plates and silverware and honing its marketing message.

Sticks had used simple, brand recognition–focused advertising campaigns in the Charlottesville area to reinforce its existing reputation. In its other markets, it had focused on more extensive campaigns and making product samples available to introduce its offerings to new audiences. Its most extensive television campaign had featured animated spots. The advertisements had not shown the restaurant's food; they were more geared toward general brand recognition, DuBois said. The spots had been used extensively on Charlottesville broadcast stations, where brand recognition was most powerful for Sticks; however, the team had also used the campaign in Richmond and reported some success.

Sticks had used television to try to expand its existing customer base as well. The company had televised an announcement of a weekend discount on its popular chicken platter and saw a spike in traffic for what was otherwise a slower time of the week.

The team had used print advertisements primarily in the Richmond market, where it was looking to expand. In that city, the team determined that customers enjoyed reading the alternative newspaper *Style Weekly*, which proved to be an inexpensive way to reach the desired audience. Sticks had regularly enlisted local marketing experts to fine-tune decisions about how to reach the Richmond audience.

Sticks had found partnerships to be particularly beneficial in Charlottesville, whether in a community-service capacity or in an ongoing advertising campaign with the University of Virginia (U.Va.) sports properties. In 2013, the brand was in its second year working with U.Va. and expanded its campaign on the strength of the first year, which featured coupons in the men's basketball, baseball, and soccer team game programs. Austin and DuBois said they had counted the coupons a success, particularly the one used during the men's basketball team's ACC home games. Also in 2013, Sticks had added several U.Va. women's sports to the campaign.

The impetus behind the partnership with U.Va. was due largely to the university's own demographic and psychographic breakdown of its audience. Case writers estimated that U.Va.'s sports fans were active particularly in tennis and golf, dined in various fast-casual restaurants, enjoyed artisanal beverages, and skewed toward higher household incomes. In addition to offering it the chance to stay in view of a crowd of people similar to those Sticks believed to be its customers, the U.Va. partnership had allowed Sticks to build its brand among students.

“The gravy is to attract students as well,” DuBois said. “But our main focus is the family and the long-term local resident, rather than the mostly transient students. We looked at that, and it seems to match up with who we already feel are our loyal core customers, so it lets us serve them better.”

DuBois and Austin also said Sticks had considered its two alternative growth strategies—retail sales and offsite vending—to be promising marketing avenues. Finally, Sticks had offered a mobile smartphone application that enabled advance ordering and faster pickup in the store in an effort to align it with its technologically savvy base.

Decisions

Sticks was relatively certain it had a good handle on its customer base—active people making choices for their families and working professionals looking for a quick, healthy lunch—but the team wanted to confirm that hypothesis. So management worked with an outside consultant to prepare and distribute a survey of both customers and noncustomers as follows:

1. Create a small but in-depth survey of five to ten existing customers to better inform suggestions for the questionnaires and desired outputs from the study.
2. Prepare the customer and noncustomer surveys for distribution.
3. Sample 200 existing customers, primarily from the Richmond market, using Surveymonkey.com.
4. Utilize a third-party vendor to sample 200 noncustomers online.

A quick review of the survey (Exhibit 4-2) indicated that many of the hypotheses made by the Sticks team were upheld. DuBois and Austin next wanted to identify segments among Sticks’s customer base and target the unique preferences of each group. They wanted to use the segmentation information to drive their search for real estate in Richmond and determine how they should tweak their existing marketing strategy.

Exhibits

Start Here

- Sandwich**
 - Choice of Kebob
 - Choice of Homemade Sauce
 - Wrapped in Grilled Flatbread
 - Fresh Lettuce and Tomato
- Salad**
 - Choice of Kebob
 - Crisp Romaine Lettuce with Cucumber, Tomato and Carrot
 - Grilled Onion and Pita Crostons
 - Sesame-Lemon Vinaigrette
- Platter**
 - Choice of Kebob
 - Choice of Homemade Sauce
 - Choice of Homemade Side Dish
 - Herbed Basmati Rice and Grilled Flatbread
- Side Sampler \$6.99**
 - Choice of 4 Homemade Sides
 - Grilled Flatbread
- Soup • Salad Platter \$4.99**
 - Soup of the Day
 - Half House Salad
 - Grilled Flatbread
- Kids' Meal \$4.99**
 - Grilled Chicken Kebob
 - Choice of Rice or Fries
 - Carrot Sticks
 - Small Drink, Juice or Milk

Pick-A-Stick

Sandwich*	Salad*	Platter*
Chicken Breast with Fresh Herbs \$6.49	\$7.25	\$7.99
Grilled Spiced Beef Sirloin* \$6.49	\$7.25	\$7.99
Lemon-Garlic Shrimp \$7.49	\$8.25	\$8.99
Rosemary-Rubbed Leg of Lamb* \$8.49	\$9.25	\$9.99
Pork Loin with African Spices \$6.49	\$7.25	\$7.99
Sticks Rosemary Kibbeh \$6.49	\$7.25	\$7.99
Mixed Garden Vegetables with Basil Oil \$5.99	\$6.75	\$7.49
Palatiel \$5.99	\$6.75	\$7.49

*Combining one or underlined items means any increase per side of \$0.50/portion. All items.

Pick-A-Side

	Small	Large
Hummus Deli-cious puree of chick peas, olive oil, lemon, garlic and sesame	\$1.99	\$3.69
Roasted Eggplant Salad Made with onions, lemon and fresh mint	\$1.99	\$3.69
Sesame Beans Green beans with toasted sesame seeds, lemon, garlic and spices	\$1.99	\$3.69
Cucumber, Tomato & Red Onion Salad With olive oil, red wine vinegar and oregano	\$1.79	\$3.49
Marinated Grilled Veggies Squashes, peppers, onions, and eggplant grilled with olive oil and fresh basil	\$1.79	\$3.49
Tabbouleh Cracked wheat, parsley and cucumber salad	\$1.79	\$3.49
French Fries	\$1.99	\$2.49
Onion Rings	\$2.49	\$1.00
Pita Chips or Grilled Flatbread	\$1.99	\$1.00
Fresh Squeezed Limeade	\$1.95	\$1.95
Mango Lemonade	\$1.95	\$1.95



STICKS
KEBOB SHOP

Preston Ave 434-795-5262
Fax: 434-295-9377

Panthers 434-795-5212
Fax: 434-295-3464

Richmond 804-282-7010
Fax: 804-282-7035

Williamsburg 757-603-2675
Fax: 757-603-2676

434-795-5262
434-295-9377
434-795-5212
434-295-3464
804-282-7010
804-282-7035
757-603-2675
757-603-2676

Exhibit 4-1 Sample Sticks menu

Exhibit 4-2 Sticks Customer Survey Questions

1. How many times in the last week did you do the following:
 - a. Make and eat lunch at home
 - b. Bring your own lunch to work
 - c. Buy lunch at workplace (such as a cafeteria)
 - d. Buy lunch at a restaurant/food court/food truck
 - e. Skip lunch and ate small snack item
 - f. Other
2. Please specify the top five restaurants you have visited in the last six months in order of visit frequency.
3. Have you ever visited Sticks Kebob Shop?
 - a. Yes
 - b. No
4. How did you first find out about Sticks?
 - a. Friend or colleague
 - b. Media (print or online—FB, blog, review)
 - c. Direct marketing (such as Valpak or Groupon)
 - d. Driving or walking by store
 - e. Catering at work (such as a menu stack)
 - f. Outdoor event/food festival
 - g. Other
5. Have you eaten at Sticks in the past three months?
 - a. Yes
 - b. No
6. In the last month, how often have you visited Sticks for the following occasions?
 - a. Weekday lunch
 - b. Weekday dinner
 - c. Weekend lunch
 - d. Weekend dinner
 - e. Sticks event (catering at work, food festival)
 - f. After-school snack or after sports practice
 - g. Other
7. Please indicate how important the following factors are when you visit a restaurant:
 - a. Convenient place to eat
 - b. Variety of menu options
 - c. Good value for money
 - d. Healthy menu options
 - e. Food taste and satisfaction
 - f. Friendly staff
 - g. Pleasant ambiance
 - h. Consistency/reliability
 - i. Part of community
 - j. Other

8. Please indicate how you rate Sticks in comparison to similar restaurants that you visit regularly on the following:
 - a. Convenient place to eat
 - b. Variety of menu options
 - c. Good value for money
 - d. Healthy menu options
 - e. Food taste and satisfaction
 - f. Friendly staff
 - g. Pleasant ambiance
 - h. Consistency/reliability
 - i. Part of community
 - j. Other
9. What is your gender?
10. What is your age?
11. What is your approximate average annual household income?
12. How would you best describe your household type?
13. How many children, by age, currently live in your household?
14. In what ZIP Code is your home located?
15. In what ZIP Code is your work located?
16. Please indicate your best answers to the following:
 - a. I tend to plan things very carefully.
 - b. I sometimes have trouble controlling my spending.
 - c. I think it is important to purchase products that are made locally.
 - d. I carefully consider the health benefits of what I eat.
17. What is your profession?
18. If you have children living at home, in what activities do they participate?
19. In what activities or hobbies do you participate yourself?
20. In the last month, how many times have you used coupons when you visited a restaurant?
21. How do you find restaurant coupons?

Assignment Questions

1. How do people choose the fast-food restaurant to visit?
 - a. What is important: location, price, assortment, or cuisine?
2. Who do you think are Sticks's customers and what are their motivations for visiting Sticks?