

Chili's Benchmark Report

Executive Summary

Chili's efforts to improve its relevancy and distinction in the competitive casual dining space include tech initiatives that are designed to improve access, a bar upgrade and a recent marketing repositioning around a "Hippie Vibe" that is reminiscent of Panera's successful granola appeal. With regard to the tech initiatives, Chili's seeks to follow in the footsteps of the national pizza chains that were able to take share from the independents by leveraging their scale to improve access with their digital platforms. The brand believes there is room to grow its To Go mix closer to some of its peers with the use of mobile apps and online ordering and we note that Chili's carryout business is important not just because it evens the field with fast casual speed at lunch, but because it provides consumers with a way to visit without paying the increasingly unpopular service tip. The chain is making some fixes to better address the opportunity to add high margin bar sales which also help provide an important distinction with both fast casual and QSR players that do not offer adult beverages. While we are not sure that Chili's new "Hippie Vibe" will drive sales, we at least suggest that the brand may need to match this effort with Panera's progress in clean foods to pull it off. In any case, the chain is keeping in the game with attractive value offers for the time being although the brand's value scores could be better even though they are improving. Also, Chili's continues its progress on improving service quality (which is critical to a sit-down experience) although more work remains. Hopefully, its rewards partnership with Plenti will extend the brand's reach and provide sufficient consumer insight to move the needle. In conclusion, while the brand's improvements have yet to manifest in the form of long-term traffic/comp growth, it remains our opinion that the brand's fundamentals are moving in the right direction.

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