



# Wendy's Benchmark Report

## Executive Summary

Wendy's is well situated as the 4th largest QSR sandwich player (by domestic system-wide sales), leveraging its "Quality is our Recipe" brand positioning which stresses a commitment to fresh, never frozen, North American beef. Wendy's marketing claim is that its fresh beef, cooked-to-order burgers are juicier (better burgers) and aggressive marketing tactics have attempted to secure credit for its use of costly fresh beef (Wendy's is recognized by consumers as best-in-class vs. the top 5 hamburger chains for high-quality food, fresh food and food that tastes better). The brand's sensible menu strategy is to: reinforce its hamburger quality leadership; raise consumer expectations for how good chicken can be (with launch of new Chicken Tenders); drive unique visits through salads & beverages; innovate with on-trend flavors (like Bacon Queso); and continue helping customers with a multi-faceted approach to price/value. While the 4 for \$4 promotional emphasis has helped support the brand's sales and traffic, Wendy's current challenge is to boost store-level profits by increasing its sales mix of higher margin menu items (in return for its premium positioning) while continuing to improve labor efficiencies. In any case, while it is notable that the brand's relatively low average check is inconsistent with its quality positioning (which could be partially compromised by its 4 for \$4 promotional emphasis) and lack of low priced breakfast options (which also keeps it from addressing a key QSR daypart), the chain's system-high store level AUV exceeds the segment average. Further, the system's going forward AUV should benefit from remodels, store relocations, closures of underperforming stores and relatively high new build AUV levels. Also, traction with apps, kiosks and delivery should contribute to top-line growth. In conclusion, while Wendy's has progressed in its efforts to compete around value, the brand's ongoing challenge is to maintain traffic while layering in margin expansion by fully cashing-in on its fresh beef, high quality QSR+ halo (while it lasts).

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