



Ideas & Trends for the Quick-Service Restaurant



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## \$2 price point could be game changing, at least for Taco Bell

by [Christa Hoyland](#) \* • 21 May 2010

In less than a week, the quick-service industry has experienced two dramatic price-point shifts at both end of the spectrum. First Taco Bell introduced the \$2 combo meal — a entrée plus a bog of Doritos and medium soft drink. Now, Burger King has bone-in ribs topping out around \$9 for an eight-piece combo meal.

Of the two strategies, restaurant industry consultants with Westport, Conn.-based New England Consulting Group say Taco Bell's may be the bolder move.

"Taco Bell's \$2 value meal is potentially game changing," said Gary Stibel, founder and CEO of New England Consulting Group.

Stibel is one of three New England Consulting Group partners who worked with Taco Bell in the late 1980s to create the original version of the modern day value meal. Since then, value meals have become a mainstay of the industry, particularly during the recession.

"Many restaurants are hooked on discount 'heroin' that is teaching guests very bad habits and restricting profits, particularly as the recession wanes," he said.

The NPD Group reported this week that restaurants are moving away from discounting and moving toward offering more bundle deals and combo meals to wean customers off the drastic specials needed to drive traffic in the recession.

Stibel said Taco Bell's \$2 meal deal "could be a transitional game changer," especially as \$1 value offerings not only drastically limit the quantity a restaurant can offer but also often leave consumers wanting.

"This is strategic to Taco Bell because the bulls-eye of their target audience is the young male who doesn't eat restaurant food, he 'hoovers' it," he said, noting that Subway's \$5 footlong promotion is a good example of creative marketing at a very profitable price point that provides real value to the consumer.

And offering real value is key to the success of such a promotion.

"Price is not a number, it's an equation," Stibel said. "Whether or not consumers could buy the contents of a value meal for the same amount of money has little relevance. What is relevant is the fact that consumers derive great value from being able to go in, order a 'bundle' of products and services quickly and easily, and be satisfied with what they receive for what they pay."

## Burger King ribs' higher price point a risk

For Burger King Corp., its innovative new flexible batch broiler is a key component to its barbell pricing strategy. The company said in its recent earnings call that the new products should help mitigate the lower average check that resulted from its increasing the value portion of its [sales mix](#).

Those new products lineup kicked off this week with the limited-time only BK Fire-Grilled Ribs. But its pricing strategy will likely not have the same resonance as Taco Bell's \$2 combo meal, New England Consulting Group warns.

The smokey-flavored mini-ribs are served with a barbecue dipping sauce and are available in three serving sizes designed to fitting snacking, add-on or indulgent meal occasions. The three-piece serving is available as an add-on to a BK Value Meal for the suggested retail price of \$1.99. Three-, six- and eight-piece ala carte serving sizes are available at the suggested retail price of \$2.99, \$5.69 and \$7.19, respectively. But some markets have them priced higher. For example, in the San Diego market, an eight-piece pack sells for \$7.99 and a combo meal for \$9.49.

Dave Stone, managing partner of Westport, Conn.-based New England Consulting Group, warns that the price point seems risky, especially in light of the crowded marketplace.

"While Burger King's strategy of offering 'man size' value food portions has proven successful, the pricing of ribs works against the price/value imagery of the brand," he said.

The company touts the new product as authentic, juicy, bone-in pork ribs, the first for a national quick-service hamburger restaurant. While that may be true, the ribs are only about three inches long, and the amount of meat on each bone varies widely, according to sampling by [QSRweb.com](#).

At that size and consistency level, consumers may balk at the \$9-plus price point for an eight-piece combo meal — no doubt latching on to the products "when pigs fly" marketing angle. (Marketing support includes a 30-second commercial featuring a "pig" with wings convincing a skeptical guest that Burger King restaurants are now home to deliciously authentic ribs.)

John Schaufelberger, senior vice president, global product marketing and innovation, Burger King Corp., said in a news release that customers' response to the product have exceeded expectations, "further validating the Burger King system's investment in our new game-changing broiler."

Despite those claims, Gary Stibel, founder and CEO of New England Consulting Group, points out that the field has been littered with products that have moved away from mainstream offerings and popular price points, rarely resulting in sales levels of 2 percent to 3 percent of mix.

Still, the new offering is likely to get attention.

"While a new ribs product will most likely not make a significant impact on top line sales or traffic, they can provide menu variety," Stibel said. "The question, of course, is Burger King's objective, and it may well be to increase sales at dinner."

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