Taco Bell has rolled out its new breakfast program, FirstMeal™, in nearly 800 locations. Priced at 99 cents to $2.79, the new menu offers 11 items, which include a variety of breakfast burritos and wraps stuffed with eggs and choice of sausage, bacon, or steak. Hash browns, Cinnabon Delights, orange juice, and both hot and iced coffees round out the menu. The chain teamed up with Cinnabon, Johnsonville, Tropicana, and Seattle’s Best Coffee to create its breakfast menu.

Taco Bell currently offers breakfast in 11 western states, as well as select stores in Oklahoma, Texas, and Ohio. Locations in the eastern U.S. will be adding FirstMeal™ throughout 2013, with some stores sampling FirstMeal™ items during the FourthMeal™ late-night hours. Additional item testing will continue with more breakfast sandwiches and yogurt parfaits. The breakfast program is planned to be available at all 5,800 U.S. locations by the end of 2014.

Who Wants Breakfast?

Consumers are pro-breakfast, plain and simple.

- 57% of survey respondents believe that breakfast is more important than lunch or dinner, and the number is even higher for women, at 62%. (1)
- In 2011, all-day breakfast led the list of things consumers wanted to see more, with women at 41% and those aged 18-24 at 51%. (1)

But just adding a few “me-too’s” won’t suffice. Listen to what consumers want:

- 24% of consumers currently say they want to see more ethnic items and flavors offered at breakfast, up from 16% two years ago. (2)
- 58% of consumers would like to be able to customize their food orders when dining out. (3)

The message is clear: give ’em what they want, when they want it!

Raising The Bar

Although yet to be a major factor in the breakfast daypart, some Quick-Service Restaurants (QSRs) are using a “barbell” strategy for their menus. The approach balances value menus with premium items at prices that push QSR pricing norms and attracts fast-casual patrons. Top-tier thinking at key chains include:

- Burger King - Chef’s Choice burger line is priced at $4.99, made with upscale ingredients.
- Carl’s Jr./Hardee’s - Southwest Patty Melt pricing varies but centers on $4.89.
- Wendy’s - Black Label cheeseburgers in Spicy Santa Fe and Bacon Portabella versions are being tested at $4.49 to $4.69.
- Taco Bell - The premium Cantina line is in test with prices from $4.79 to $4.99.
- McDonald’s - Management is looking at foreign market premium sandwich successes for the U.S. market. Potential candidates include the 1955 Burger, English Pub Burger, and Chicken, Bacon & Onion Sandwich. (4)
Cross-Pollination

Just as QSRs are adding fast-casual-type menu items to entice fast-casual patrons, fast-casual chains are taking pages from both the QSR and Full Service Restaurant success playbooks.

QSR moves:
- Top QSR chains are adding and/or testing upscale sandwiches at $5 and over. (See “Raising the Bar”)
- McDonald’s is upgrading and modernizing interiors to compete with the fast-casual experience.

Fast-casual moves:
- Bruegger’s and Einstein Bros. Bagels promote all-day breakfast and have added hot breakfast sandwiches.
- Panera has drive-thrus in 119 locations and is planning 75 more in 2012. (NOTE: Panera’s hot breakfast sandwich sales increased 15% in 2011.)
- Panera offers table service in over 200 locations with plans for more.

With only 4% of visits to all restaurants, fast-casual traffic is dwarfed by QSR numbers, which account for around 61%. But while the number of QSR breakfast items increased 17.3% from Q3 2009-Q3 2011, those available at fast-casual rose 28.4%. The battle is on.

Chain Activities

McDonald’s
- Began testing a Jalapeño Salsa McMuffin (muffin or biscuit, egg, white Cheddar cheese, and bacon or sausage) in Houston.
- Added cheese Danish, muffins, banana bread, and scones to its New England breakfast menu. The items are available all day.

Burger King
- Offered two breakfast sandwiches (eggs with bacon, sausage, or ham on a croissant, biscuit, or muffin) for $3 during February.
- Added a Southwestern Burrito (egg, sausage, cheese, and hash browns); and a $1 Sausage Wrap in March.

Jack in the Box offered two Sourdough Breakfast Melts for $3.50 in a February LTO.

Dunkin’ Donuts has added an Angus Steak & Egg Bagel Sandwich.

Cosi’s new breakfast items are the Steak & Eggs (eggs, beef medallions, pesto, and Provolone); and the Costa Mesa (eggs, pico de gallo, guacamole, and Cheddar).

Panera’s new breakfast sandwich is the Mediterranean Egg White on Ciabatta, with basil pesto, roasted tomatoes, spinach, and Vermont Cheddar cheese.

Corner Bakery promoted Power Panini Thins (scrambled eggs, Parmesan and Cheddar cheese, with bacon, sausage, or avocado and spinach) by giving free sandwiches to the first 15,000 requesting them.

By the Numbers

- 48.3% of all QSR locations offered breakfast at the end of 2011.(7)
- Breakfast accounts for about 12% of total restaurant industry sales, generating about $42 billion annually.(8)
- Item counts on QSR breakfast menus grew 17.3% from Q3 2009-Q3 2011, increasing the total by 54 items.(6)
- 34% of those aged 18–24 say they would like to see more ethnic items on breakfast menus.(9)
- About 50% of Mexican restaurants feature breakfast items.(7)
- Mintel expects breakfast restaurant sales to increase 18% between 2011 and 2016 at current prices, or 8% after adjusting for inflation.(6)