THE GREAT CHICKEN CONUNDRUM OF 2023

OVERCOMING SUPPLY CHAIN AND LABOR CHALLENGES FOR QSRS FACING OFF IN THE BATTLE OF THE CHICKEN SANDWICHES

HOW LEADING CHICKEN CHAINS USE INTELLIGENT EVENT DATA, AI-BASED SUPPLY CHAIN MANAGEMENT, AND MORE TO OPTIMIZE THEIR OPERATIONS

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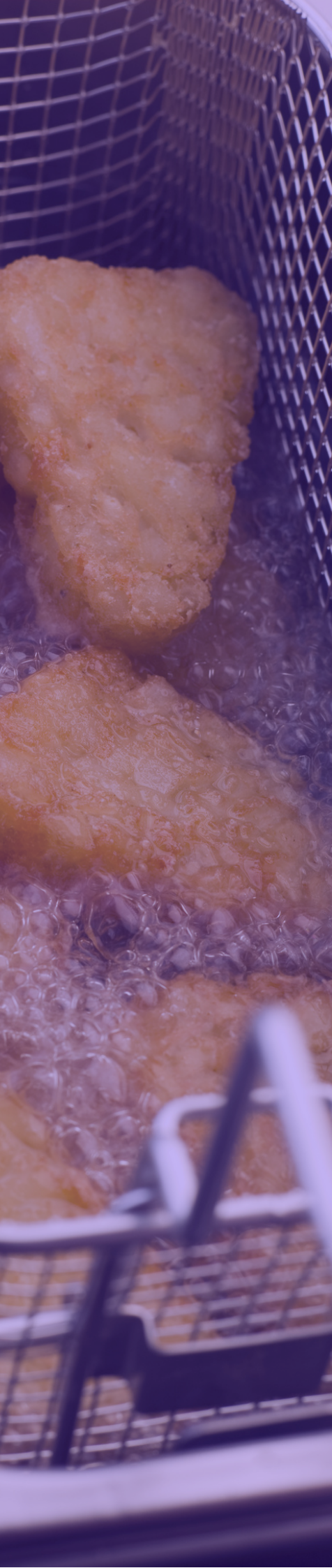
THE POULTRY SUPPLY CHAIN IS UNDER ONGOING PRESSURE – AND SO IS LABOR DEMAND

Fast casual chicken restaurants across the US are facing several challenges due to lingering supply chain disruptions and labor shortages, and an increasing demand for those delicious fried chicken sandwiches. While conditions are improving and the industry's revenue is **expected to grow** in the coming years due to the increased domestic and international demand, it requires innovative strategies to maintain profitability in the current market landscape.

To combat these challenges, the industry is adopting technologies such as automation and AI-based supply chain management – which rely on various data sets including historical sales data, supply chain data, customer data, and third-party data to power efficient decision-making. For example:

- **Wingstop is taking control of its poultry supply chain** by partnering with suppliers and using predictive analytics to ensure they have enough inventory to meet demand. They use third-party data from various sources, including weather forecasts and social media trends, to predict demand and optimize their inventory levels to ensure a steady supply of quality chicken. They also use data from their loyalty program to personalize promotions and improve customer experience.

- **KFC** is rolling out self-service kiosks **internationally,** allowing customers to order and pay for their meals without the need for a cashier. They also have an AI-powered demand planning system that uses real-time sales forecasting data to predict demand and optimize inventory levels.

- **Popeyes Louisiana Kitchen** is using conversational voice AI technology to enhance the drive-thru experience. The technology uses natural language processing and machine learning to understand and respond to customer requests, reducing errors and wait times for a more seamless experience. This allows Popeyes to provide faster and more efficient service, resulting in higher customer satisfaction and sales.

In this report, we will explore the current state of the chicken QSR industry, the challenges it is facing, and how to overcome these challenges with the use of third party data.

THE STRAIN ON FOODSERVICE SUPPLY CHAINS IS EASING — BUT FOR CHICKEN QSRS, THE PRESSURE IS STILL ON

While the supply chain overall seems to be approaching near-normal conditions, the rising costs of chicken feed, labor shortages, and increased consumer demand are some of the key factors that have impacted the supply and availability of chicken products for restaurants. These challenges have resulted in supply chain issues for chicken QSRs that directly impact their customers, such as higher prices, more limited menu offerings, and even temporary restaurant closures.

THE FOODSERVICE INDUSTRY IS FORECASTED TO REACH $997B IN SALES IN 2023, DUE IN PART TO HIGHER MENU PRICES. PLUS — CHICKEN SANDWICHES ARE PREDICTED TO DOMINATE MENUS IN 2023.

According to a **report** by the National Restaurant Association, chicken sandwiches took the top spot overall in the lunch category, and runner up for overall trend of 2023. The **battle of the chicken sandwiches** between Chick-fil-A, KFC, Popeye's, and more has only boosted popularity and consumer demand for chicken – adding to the strain on the poultry supply chain, leading to increased prices and longer lead times. As the demand for fast-food chicken sandwiches continues to soar, two main issues have stood out as mission-critical for the success of these restaurants:

1. MAINTAINING A CONSISTENT AND RELIABLE SUPPLY OF HIGH-QUALITY POULTRY
To maintain their operations through ongoing disruptions, many chicken fast food restaurants have been forced to adjust supply chains and find alternative sources of ingredients. Leaders in the industry have prioritized building resilient supply chains and developing contingency plans to mitigate the impacts of global supply chain disruptions.

2. FORECASTING AND MANAGING DEMAND FOR CHICKEN AND WINGS
Demand hypersensitivity brought on by current market conditions makes it difficult for QSRs to accurately forecast just how much poultry they'll need to align with customer demand – let alone at the restaurant level. The unpredictable nature of consumer demand leads to costly over and under stocking.

To overcome the unpredictability of consumer demand and to improve profitability despite ongoing disruptions, leading chicken restaurants are taking control of their poultry supply chains by integrating third-party data into their inventory and supply chain management systems – powering their ability to optimize tracking and management of their poultry supply.

For example, by using data on events such as holidays, sporting events, and weather patterns, QSRs can anticipate changes in demand caused by events to unlock more accurate demand forecasting and data-driven business decisions – such as adjusting their inventory for their various restaurant locations.

NEXT: ENHANCED SUPPLY CHAIN AND INVENTORY MANAGEMENT

HOW TO FIND THE RIGHT BALANCE IN A HYPERSENSITIVE MARKET

The current economic climate is marked by a high level of demand hypersensitivity, where real-world events have an outsized impact on consumer behavior. This has significant implications for chicken restaurants, where too much inventory leads to waste and increased costs, while too little inventory leads to stockouts, lost sales, and unhappy customers.

Without visibility into demand-driving events within proximity of your restaurant locations, including unpredictable events such as severe weather, it can be difficult to accurately forecast when you will need more chicken and when you will have too much. This is why major players in the chicken sandwich wars are leveraging event data in the following ways to better manage their chicken supply chain and inventory levels.

MAKE YOUR SUPPLY CHAIN FORECASTS EVENT-AWARE

By integrating intelligent event data into your forecasting and planning, you can gain a better understanding of how events such as holidays, concerts, sports events, etc impact demand for your business at the restaurant level, allowing you to make more accurate forecasts and avoid over- or under-stocking at scale.

IDENTIFY POTENTIAL SUPPLY CHAIN DISRUPTIONS

With instant notifications for breaking events such as severe weather, health warnings, and disasters, companies can identify potential disruptions to their supply chain and proactively take steps to mitigate their impact. For example, if a hurricane is expected to hit a region where your poultry suppliers are located, you may choose to place additional orders in advance to ensure you have enough inventory to meet demand.

OPTIMIZE TRANSPORTATION ROUTES

Use event data to ensure products are delivered to their destination as efficiently as possible. For instance, if there is a major event happening in a city, such as a sporting event or concert, traffic congestion may be higher than normal. By taking this into account, companies can reroute suppliers to avoid delays and ensure timely delivery.

Leaders in the QSR and fast casual space use PredictHQ to track events that are likely to drive up demand for their chicken wings, such as:

- **Sporting events**
- **Conferences**
- **Festivals**
- **Public holidays**

By having insight into these events in advance to be able to adjust their supply chain and inventory accordingly, these companies are successfully reducing waste and increasing profits. And this is just one benefit. Operators in the fast casual space have also been struggling to attract and retain workers, resulting in a tightening labor market and increased competition for talent, which more insight into demand from events can help with.

NEXT: MORE ON THE ONGOING LABOR SHORTAGE

THE FOODSERVICE INDUSTRY HAS BEEN FACING SIGNIFICANT LABOR SHORTAGES IN RECENT YEARS

As a result of a historically low unemployment rate in the U.S. and a strong economy leading up to the pandemic, labor shortages have been an ongoing issue for several years, particularly in the fast-food and quick-service restaurant sectors.

Despite being three years now since its onset, the COVID-19 pandemic has continued to exacerbate these challenges, leading to reduced hours and increased absenteeism among workers. The aftermath of the pandemic continues to impact the labor and logistics sectors, leaving many businesses in flux as they attempt to navigate a new normal.

ACCORDING TO THE NATIONAL RESTAURANT ASSOCIATION, 62% OF RESTAURANTS REPORTED BEING UNDERSTAFFED DURING MUCH OF 2022.

While it's good news that freight rates, which reached record highs due to COVID-19, are beginning to stabilize, labor shortages continue to persist across all industries, including food processors and manufacturers. The current labor situation has seen hiring rates exceed quit rates since November 2020, with quit rates being the highest among food service workers.

While experts don't foresee the labor situation significantly improving in 2023, the foodservice industry workforce is still projected to grow by **500,000 jobs** for total industry employment of 15.5M by the end of 2023, surpassing pre-pandemic levels.

To counteract these shortages, many employers in the space have resorted to **increasing wages,** which in turn contributes to rising inflation. In an effort to control inflation, the Federal Reserve has raised interest rates, prompting concerns of a potential recession – which could drive consumer demand down.

To stay competitive in the face of current market conditions, QSRs need to become more proactive in growing, retaining, and managing their workforce. By making use of third-party data such as intelligent event data, these companies can better predict staffing needs to avoid overwhelming their employees, to improve employee satisfaction, and to put a dent in high turnover rates.

CURRENT RESTAURANT EMPLOYMENT STATUS

Average tenure: **110 days**
Average turnover rate: **144%**
Job openings: **8.4%**

RESTAURANT WORKFORCE SIZE IN RECENT YEARS

2021: **11.4 million workers**
2022: **12.1 million workers**
2023: **12.4 million workers**

NEXT: MORE ON WORKFORCE OPTIMIZATION

USE DEMAND INTELLIGENCE TO BETTER MANAGE YOUR WORKFORCE

With insight into verified, enriched data about events driving demand at their store locations, chicken restaurant operators are accurately predicting the precise timing of busy periods and adjusting their staffing levels to match. This not only helps to increase sales, but also minimizes wait times and keeps operations running smoothly – which improves both customer and employee satisfaction.

By integrating demand intelligence into your workforce management systems, you can better anticipate staffing needs, adjust schedules to accommodate higher and lower levels of foot traffic, and use the data in creative ways to boost employee morale. This can help to reduce labor costs by improving employee satisfaction and reducing turnover rates.

MONITOR LOCAL EVENTS IMPACTING YOUR BUSINESS

Use intelligent event data to monitor local events such as concerts, sports games, spring breaks, and more to pinpoint when to expect increased demand, and adjust scheduling to prepare. You can also stay prepared by cross-training employees across different positions, so you can quickly adjust staffing needs in response to changing demand. For example, during a rush of customers, managers can quickly shift employees from the kitchen to the front counter as needed to help with orders.

SAVE ON LABOR COSTS WITH MORE EFFICIENT STAFF SCHEDULES

Workforce optimization is key to driving down overhead costs and creating efficiencies in your day-to-day operations. Create more efficient staffing schedules directly aligned with predicted demand to deliver an ideal customer experience without overspending on labor. This can help to avoid overwhelming employees during busy periods, improve customer service, and reduce stress levels.
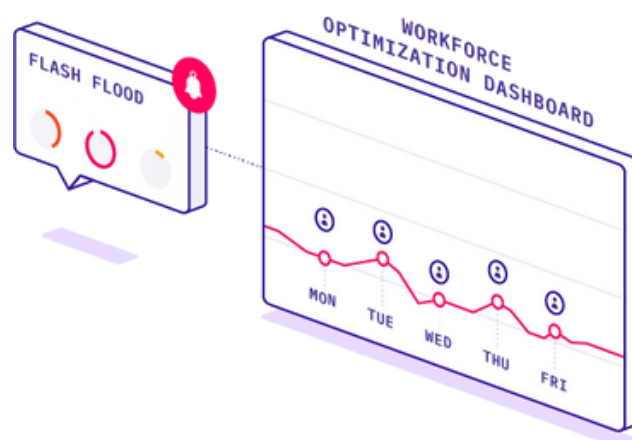
By scheduling staff based on predicted demand, QSRs can reduce the risk of understaffing during busy periods and overstaffing during slower periods.

INCENTIVIZE EMPLOYEES TO WORK DURING PEAK HOURS

QSRs can also use demand intelligence to identify peak hours and offer incentives such as bonuses or extra pay for employees who work during these times. One way to inspire hard work is via gamification, by tracking sales data in real-time and rewarding employees who meet or exceed their sales targets. With programs like these, QSRs can motivate their workforce to perform at their best, improve employee satisfaction, and reduce turnover rates.

Currently up against unprecedented levels of demand, it has become more important than ever for chicken-based QSRs to better manage their workforce. By incorporating intelligent event data into their plans, these companies can anticipate how local events drive demand for their business locations, and better meet the needs of their employees.

NEXT: INTEGRATING EVENT DATA

USE EVENT DATA TO BETTER FORECAST AND MANAGE DEMAND FOR CHICKEN AND WINGS

The food industry is a complex and ever-changing landscape for QSRs serving up chicken and wings. However, by leveraging third party data such as events that are likely to impact demand for specific locations, leaders in the space are making data-driven decisions about their supply chain, inventory, and staffing levels to stay competitive.

Don't let unpredictable demand take you by surprise – use intelligent event data to stay prepared for demand fluctuations at each of your restaurant locations. Sign up for PredictHQ today to start improving your demand and supply chain forecasts, and reducing your operating costs.

1. Visibility: Empower your end users such as store or operations managers to have insight into upcoming impactful events so they can decide what action to take in advance, or to better trust and respond to directions from head office.

2. Integration: Factor events into existing business intelligence platforms and processes to make your planning or forecasting real-world aware. This is a low-code solution that ensures you are tapping into more of the impact of events.

3. Machine-learning forecasting: Ingest demand intelligence directly into your relevant machine learning models for better informed and more accurate forecasting at scale.

DISCOVER EVENTS IMPACTING YOUR SPECIFIC BUSINESS LOCATIONS

WORLD #1 DEMAND INTELLIGENCE PLATFORM USED BY

ACCOR HOTELS   Domino's   SPOT HERO   Walgreens   amazon alexa

Uber   ZARTICO   OTA INSIGHT   LEGION

PredictHQ