

CANADA'S BEST-MANAGED COMPANIES

Millennial burger

A&W has an audacious plan to triple its locations in big cities over the next few years. Its strategy? Selling healthier meat to a discerning generation.



BY MURAD HEMMADI · Colossal mugs of root beer loom on a table at the recently-opened A&W restaurant on Toronto's Ossington Street where two Millennials take a break from shopping.

Reid's hand, the one that's not occupied by his frosty tankard, is wrapped around a Teen Burger. He glances up at the restaurant's earth-tone decor. "The orange is like Marty's jacket in *Back to the Future*," he observes. The character's puffy vest is actually a shade or two duller than the wall. He can be forgiven the mistake—the first movie in the Michael J. Fox-starring trilogy came out in 1985, long before Reid was born.

When the film debuted, A&W Food Services of Canada was a burger chain, largely operating in Western Canada with a string of suburban drive-thrus and food court locations. But if Marty McFly drove his time machine to A&W today, about the only things he'd recognize would be the orange and brown brand colours, and those mugs.

Rather than go stale, A&W has in recent years targeted Millennial consumers instead of its traditional Baby Boomer crowd, undertaken an ambitious urban expansion and noisily advertised its efforts to improve food quality. "If your business is going well, that's the time you've got to reinvent it," says A&W CEO Paul Hollands, a 36-year company veteran. "If you wait for the business to slow down or get in trouble, it's too late." The changes, and the culture of regular reinvention that enabled them, earned platinum status in Deloitte's Canada's Best-Managed Companies program, a recognition given to firms with seven or more years on the list.

Every few years, A&W undertakes a process of "strategic renewal." Senior manage-

ment assembles for 12 days to reflect on what is and isn't working internally, study economic and market research for upcoming trends and changes, and get feedback from franchisees. From this mass of information, they put together a list of three or four opportunities and the same number of threats, then create strategies to address them. Discernment is key. "Lots of organizations have death by opportunity—they try to take advantage of too many," Hollands often says.

The 2008 review resulted in A&W shifting its focus from the boondocks to downtown. For the preceding four decades, Canada's population growth took place in the suburbs, and the chain had followed suit. "We were in every one of those shopping centres in the suburbs and we had lots of freestanding restaurants that had half an acre of land and a drive-thru," says Hollands. But looking forward, A&W saw that people would increasingly be living and working in dense city cores. So it created a new restaurant concept to serve the particular needs of urban customers. The design called for glass facades rather than the brick exteriors of suburban drive-thrus, allowing potential

customers passing on foot to see the interior. Inside, the orange and brown are in heavy use, but they're set off by light wood and bright lights. There's a high communal table, and wall- or window-facing counters with bar stools and electrical outlets for guests

using laptops or charging their phones. With more guests stopping in on their lunch hours or en route to movies and sports games, takeout became more important. So the company redesigned its packaging, introducing a paper sleeve that allows eaters to hold their burgers in one hand, mess-free. And A&W was likely the first quick-service restaurant brand in Canada to introduce self-

serve kiosks. (It did so to little fanfare; when McDonald's followed in 2015, it was a major news story). Company president and COO Susan Senecal says the touchscreens, usually off to the side of the main counter, fulfill a number of different uses. New guests can familiarize themselves with the menu and check prices without holding up the line, while regulars can order while on the phone

PHOTOGRAPH BY JAMIE HOOGE



or in a rush. But some touches harken backward rather than forward. In part to reduce packaging waste, A&W started serving breakfast on real plates with metal cutlery a few years ago. The fries come in long-handled metal baskets, giving the table what Reid calls "that classic fast-food look."

The first urban concept location opened in Toronto in 2010, and the company now

has 35 with a plan to triple that number over the next few years. Some of those will be in traditional strongholds like Vancouver, but A&W is targeting Ontario and Quebec.

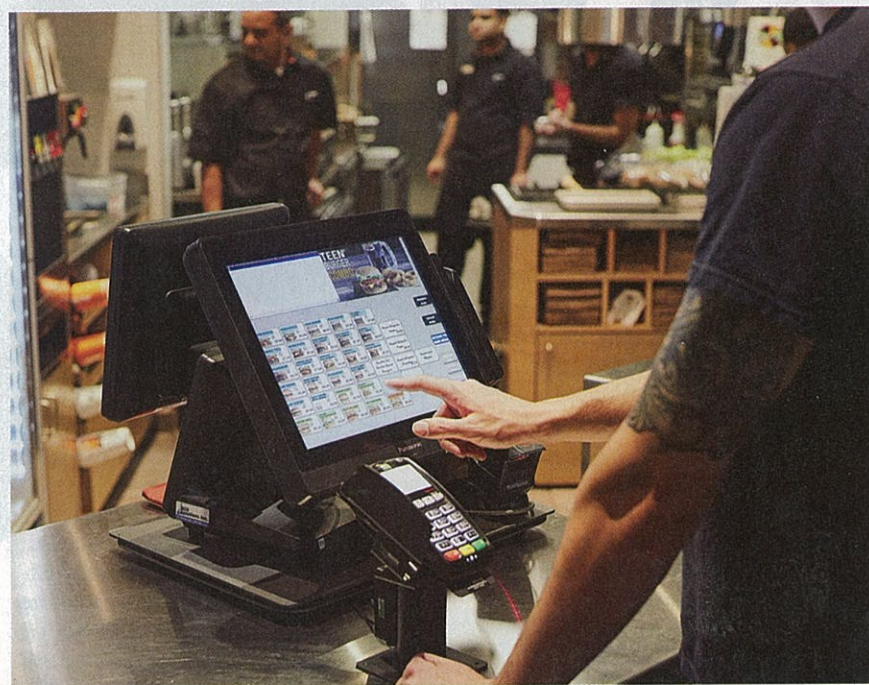
The urban shift was accompanied by a change in the core demographic the company was targeting. "A&W and the Baby Boomer generation were born together and grew up together," notes Senecal. But the company

Millennials generate 28 per cent of restaurant traffic; they're the target of A&W's expansion

saw a different crowd walking through its doors in the cities. "As we looked at who was moving downtown and into the condos, we saw puppies, baby carriages and younger consumers," says Senecal. Canada's restaurant industry has been flat for the past half-



A&W has 35 urban locations and plans to triple that number soon, specifically in Ontario and Quebec; (below) the company introduced touchscreen ordering a year before McDonald's did



decade, says Robert Carter, executive director for food, fashion and beauty at research firm the NPD Group. Families, Gen Xers and Boomers are not going out to eat more or even as much as they did in the past. There's one exception. "If you want to succeed in today's market, you need to really cater to the Millennials," notes Carter, who says the generation accounts for 28 per cent of restaurant traffic. "And they have a higher per-capita consumption than the average consumer, so it's worthwhile." He says Millennials have been the primary driver of growth for A&W, the No. 5 player by market share in Canadian fast food.

Discounts and deals—the traditional cur-

rency of fast food marketing—simply don't work as well on this demographic. To reach Millennials, sustainability and quality are key. In a recent report, Nielsen found that Millennials were 13 percentage points more willing than other consumers to pay a premium for products from an environmentally friendly company and 12 points more likely to buy a product that was fresh, natural, or organic. As A&W studied how to attract Millennial eaters, food quality stood out. "What they're looking for is food that, in their words, feels more natural," Senecal says she learned. In September 2013, A&W implemented a major menu overhaul. The burger names on the boards—the family-themed Mama, Papa, Uncle, Grandpa

and Teen—stayed the same, but what was in them had changed; the patties were now being made with beef raised without the use of hormones or steroids. Since then, the company has rolled out eggs from hens fed exclusively vegetarian diets, chicken and pork raised without antibiotics, and organic and fair trade coffee. A&W's advertising and signage now blare the message of its "sustainable and ethical practices."

The moves have not been without controversy. Cattle ranchers took issue with the company for "misleading" consumers about the scope and effects of hormone use in traditional animal farming, while in a recent tweet Saskatchewan Premier Brad Wall critiqued A&W for "promoting non-Canadian beef" and suggested supporting chains that source domestically, like McDonald's. A&W has declined to lay out just how much of its beef it buys here and abroad. But chief commercial officer Trish Sahlstrom insists that the company consulted and supported its vendors through the process. "The reality is many Canadian ranchers have been raising their beef exactly this way," says Sahlstrom, who grew up on a cattle ranch. A&W has also helped expand the market for meat produced with these practices, Hollands claims, using pigs raised without antibiotics as an example. "[Suppliers were] moving in that direction already, but the demand for it was still unclear, so when a big customer like us comes to the market, it helps," he says.

After A&W began the raised-without-antibiotics-messaging, both customer traffic and burger sales jumped by double digits, according to Carter. It helped achieve every restaurateur's biggest goal: to attract first-time customers. "It really gave people a reason to go to A&W," he says. Customer satisfaction metrics like freshness perception and food taste also spiked. "Now A&W is perceived to have [some of] the highest food quality within the quick-service restaurant segment."

A&W's operating company has been owned by current and former management since 1995, when they bought out global consumer goods giant Unilever. The structure means A&W can make big moves and wait for them to pay off. "Today, we're investing in things that will benefit the business years from now," says Hollands, noting that the urban concept took two years from first idea to first restaurant, and the returns on the investment could take three or four times that long to be realized. "Our desire has always been to build a really sustainable business long-term." ♣

For more on Canada's Best Managed Companies, visit CanadianBusiness.com/BestManaged

PHOTOGRAPHS BY JAMIE HOGGE

MACLEAN'S EDUCATION

Your Quest Begins Here!

Search the 2017 University Rankings plus more than 90 colleges in seconds!

Simple to Use:

BROWSE

By university or college.

SEARCH

By location, class size, tuition costs, the *Maclean's* rankings and more!

EXPLORE

The schools that match your search!



Start Your Journey:
macleans.ca/education



Canoe Canada's Arctic



Fly-in canoe trips on the mainland tundra of Canada's Northwest Territories. Paddle the most remote wild rivers left in the world, hundreds of miles from the nearest road or community. Caribou, muskoxen, white wolves, moose, grizzlies and rich birdlife. Warm, arid summers. Virgin fishing.

All trips guided by Alex Hall, wildlife biologist & the Canadian Arctic's first & most experienced canoeing guide. We can accommodate all levels of canoeing experience.

CANOE ARCTIC INC.
P.O. Box 130, Fort Smith, NT
X0E 0P0, Canada Tel: (867) 872-2308
www.canoeartctic.com

Costa Rica

8-Day Tour \$1195 + tax, fees
Includes All Hotels, Meals, Activities.
Fully Guided from Start to Finish.

The #1 In Value FREE Info Guide
(800) CARAVAN
caravan.com

caravan
Guided Tours Since 1952

Maclean's Subscriber Mail Preferences Online

Visit us online to customize your Maclean's mail preferences, including:

- Opt out of receiving advertisers' scent strip samples in your issue of Maclean's
- Opt out of receiving personalized ads in your issue (from time to time, we may print your subscriber name on an ad in your copy of Maclean's).
- Read our Privacy policy
- Change mailing address

ONLINE: macleans.ca/service
EMAIL: service@macleans.ca

MACLEAN'S

TO LEARN ABOUT ADVERTISING OPPORTUNITIES PLEASE CONTACT
416-764-1300 OR ADSALLES@MACLEANS.CA