Quick Service Restaurant Trends

How are global quick service restaurant trends changing the Icelandic quick service restaurant industry?

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Abstract

It is relevant for quick service restaurant operations to have a clear understanding of their industries leading market trends. New brands are constantly entering the market with new concepts and trends. Most of these quick service restaurant trends originate from the US and then spread throughout the world's leading brands.

Iceland´s quick service restaurant industry was fairly undeveloped until an industry surge in the 1980´s. During this time, Iceland's restaurant scene has been greatly affected by changing global quick service restaurant trends. Iceland's process of adapting US quick service restaurant trends can be demonstrated by looking at the two nations' different stages of their quick service restaurant industry development.

The current leading global trends in the quick service restaurant industry are healthy food, fast casual, quality, simplicity, convenience, snacking, declining popularity of carbonated soft drinks, social media marketing, complex product development mechanisms, international human resource management strategies, internationalization and changing pricing strategies in response to the 2008 financial crisis.

Despite its history of being slow to adopt global trends, Iceland's quick service restaurant industry has become efficient in adopting modern trends. However, the Icelandic industry has yet to produce a brand that has achieved considerable success through international expansion.

The analysis of leading Icelandic and global quick service restaurant trends will be used to complete a business plan which will be provided for in the appendix section of this thesis. The goal of the thesis is to develop a modern quick service restaurant model that could be applicable in real life and be entered into business plan competitions.

Keywords

Quick Service Restaurant, Fast casual, Fast Food, Trends

Ágrip

Það er mikilvægt fyrir þá sem reka skyndibitastaði að hafa góðan skilning á helstu markaðsstefnum sem ráða ríkjum í þessu viðskiptaumhverfi. Nýjar keðjur skyndibitastaða og vörumerkjamerkja eru stöðugt að koma inn á þennan markað með nýjar hugmyndir og viðskiptamarkmið. Mest af þessu á upptök sín í Bandaríkjunum og breiðist þaðan út til alheimsins meðal þeirra alþjóðlegu keðja skyndibitastaða sem fyrir eru.

Á Íslandi var rekstur skyndibitastaða sem atvinnugrein fremur frumstæður þar til að hann tók skyndilega uppsveiflu eftir 1980. Á þessum tíma breyttist viðskiptaumhverfi skyndibitastaða á Íslandi verulega vegna alþjóðlegra áhrifa og nýrra markaðsviðhorfa. Viðskiptaferlið á Íslandi við að aðlaga helstu markaðsstefnur frá skyndibitakeðjum í Bandaríkjunum má útskýra með því að skoða helstu breytingar sem orðið hafa á þróun skyndibitastaða í þessum tveimur löndum.

Ráðandi alþjóðlegar markaðsstefnur í rekstri skyndibitastaða sem atvinnugreinar eru hollur matur, fljót og óformleg þjónusta, einfaldleiki, þægilegheit, minnkandi vinsældir gosdrykkja, auglýsingar á samskiptasíðum, flókið þróunarferli vörutegunda, alþjóðleg viðhorf til mannauðsstjórnunar og breytt verðlagning til að takast á við áhrif fjármálakreppunnar sem gekk yfir árið 2008.

Í sögulegu samhengi hefur tekið langan tíma að innleiða alþjóðlegar markaðsstefnur á Íslandi, en skyndibitastaðir sem atvinnugrein hafa náð góðum árangri í að aðlaga sig að alþjóðlegum aðstæðum. Þrátt fyrir það hefur þessi atvinnugrein á Íslandi ekki enn náð að þróa vörumerki sem hefur náð alþjóðlegri viðurkenningu á erlendum vettvangi.

Úttekt á helstu markaðsstefnum á Íslandi og erlendis verður notuð sem grundvöllur að viðskiptaáætlun sem finna má í viðaukahluta ritgerðarinnar. Markmiðið með ritgerðinni er að þróa nútímalegt viðskiptamódel sem er raunhæft og hægt er að tefla fram til sigurs í samkeppni viðskiptaáætlana.

Lykilorð

Skyndibitastaður, Fljótt og óformlegt, Skyndibiti, Stefnur

Declaration of Research Work Integrity

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU´s ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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Date and place	ID number	Signature

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1.0 Introduction

The origin of this thesis came when I and a good friend who is a professional chef were discussing future plans for a business that would utilize both our qualifications and at the same time meet a commercial demand in the food industry. The analysis in the thesis and the business plan in the appendix provide the answer to this challenge.

Key elements of entrepreneurial research are the discovery and development of opportunities through the processes of opportunity identification (Ardichvili, Cardozo, Ray, 2003). Identifying leading global quick service restaurant trends and analyzing how they have been adopted within the Icelandic quick service restaurant industry, is a process of identifying market opportunities from a large global perspective to a narrower domestic perspective.

The most important variable for launching a successful new business venture is the capacity to identify and select the right opportunities. Developed opportunities for value creation are more likely to develop into successful business concepts. The more precise and market tested an industry trend is, the easier it is to identify associated risks and opportunities (Ardichvili, Cardozo, Ray, 2003).

An opportunity comes in the form of an attribute that meets market needs, creative resource utilization, delivery of superior value, defining undiscovered market needs or fully utilizing capabilities. Opportunity recognition is commonly a process of adopting an already formed concept and introducing with altered circumstances or environment (Ardichvili, Cardozo, Ray, 2003). For example, taking successful global trends and introducing them into the Icelandic domestic market.

The current Icelandic quick service restaurant industry and its progression represents the “what is” in this market. To understand “what is possible” within the Icelandic quick service restaurant industry, it is essential to observe the global quick service industry and analyze how it has and will influence the Icelandic market. This approach creates opportunities for entrepreneurial discovery and future market development.

Identifying how leading global quick service restaurant trends are changing the Icelandic quick service restaurant industry constitutes a first evaluation of possible market opportunities. This stage of evaluation is meant to establish the existence of a business concept in a rudimentary form. The next development stage would be to incorporate the presented market opportunities in the format of a business plan to establish a more precise mechanism for utilizing these opportunities into a feasible business.

Quick service restaurants are constantly adapting to changing trends that have a significant impact on their financial performance, market share and competitive position. Consumer education, government regulation, socioeconomic and demographic changes all influence quick service restaurant trends. In order to be successful, quick service restaurant chains have to have a clear understanding of their environment and market trends (Kahn, Parsa, 1991). This thesis aims to explain how global quick service restaurant trends are changing the Icelandic quick service restaurant industry.

The thesis's analyses of leading global and domestic quick service restaurant trends will be applied to a business plan. The business plan will be accessible in the thesis's appendix section. This plan will be designed to exploit modern trends and format them in a structure that could become a successful business prospect. The business plan will also be designed with the intention of being successfully entered into business plan competitions.

2.0 The Icelandic Quick Service Restaurant Market

Bæjarins Beztu Pylsur is an Icelandic hot dog stand in downtown Reykjavik. It has been operating since 1937 and has become recognized as one of Iceland´s most visited culinary landmarks (Bæjarins beztu pylsur). Bæjarins Beztu Pylsur represents Iceland´s quick service restaurant heritage. Before the 1980´s, Iceland´s quick service restaurant industry consisted of corner stores and gas stations selling hot dogs and pastries.

Iceland´s quick service restaurant industry showed dramatic growth from the late 1980´s to the mid 1990´s. From 1986 to 1994 the Icelandic quick service restaurant industry opened approximately 100 restaurant outlets. In 1993, Domino´s and McDonalds opened outlets in Iceland (Friðriksen, 1994).

During the mid-1990´s, Iceland´s quick service restaurant market leaders included Pizzahúsið, Jón Bakan, Pizza 67 and Hrói Höttur. These brands had dozens of outlets domestically and globally (Friðriksen, 1994). In 2013, none of these brands, except for Hrói Höttur, have outlets in Reykjavik. The only remains of brands such as Pizza 67 and Pizzahúsið are outlets in small rural areas of Iceland and the Faroe Islands. In 2012, Lackland ehf., the company that owns Hrói Höttur was forced to reorganize its financial structure after declaring its inability to meet payments on its 223 million ISK debt (Jónsson, 2013).

The McDonalds brand left Iceland in 2009. Lyst ehf., the company that operated McDonalds in Iceland, stated that the post 2008 financial crisis in Iceland made it difficult for them to follow McDonald's operational protocols for importing foreign food products from the US. McDonald´s was replaced by another hamburger quick service brand called Metro (Vísir, 2009). In 2010, Lyst ehf. filed for bankruptcy and was purchased by a new owner (Ásgrímsson, 2013).

After Iceland's 2008 financial crisis, Pizza Hut closed all its outlets in Iceland except their most popular restaurant in Smáralind. Icelandic Pizza Hut manager Þórdís Lóa Þórhallsdóttir claims that Pizza Hut was not competitive in its pricing strategy after the Icelandic krona collapsed. This is due to Pizza Hut in Iceland having to purchase its supplies in US dollars (Reuters, 2010).

In 1980, KFC opened its first outlet in Iceland. In 1981, Tómas Tómasson opened Tomma Hamborgarar (Friðriksen, 1994). In 2013, KFC has 8 outlets in Iceland (KFC). Pizza themed quick service restaurants such as Eldsmiðjan and Jón Bakan opened in the late 1980´s.

Hamborgarabúlla Tómasar, also known as Búllan, was opened in 2004 at Geirsgata. Since then the brand has become the most established operating hamburger brand in Iceland and has expanded to five brick and mortar quick service hamburger restaurants (Hamborgara Búllan).

The owner of Búllan is Tómas A. Tómasson who ran a hamburger quick service restaurant called Tommi í Tommaborgurum from 1981 to 1983, is a pioneer in Iceland's hamburger quick service industry. Tómas A. Tómasson has also opened other failed restaurants such as Sprengisandur, Hard Rock Café in Kringlunni and Kaffibrennslan. Tómas A. Tómasson´s sons Ingvi Týr and Tómas Áki are also co-owners of Búllan (Hamborgara Búllan).

In 2012, Búllan announced their plans to expand their chain to London. The new outlet is located in Búllan´s real estate property in the vicinity of Oxford Street. Hall Dan Johansen and Valgarð Sörensen the owners of Laundromat Café and Úrilla Górillan have partnered with Búllan for their expansion to London (Hamborgara Búllan).

Nings was first opened in 1991 and named after its Filipino founder Mr. Ning. The current owner of Nings is Bjarni Óskarsson. Nings is a Chinese themed chain that has recently rebuilt its struggling brand with its new management focusing on marketing themselves as a healthy brand choice. Nings operates three outlets in Iceland (Nings). Nings products include noodles and Chinese style meat courses. Nings also sells Japanese style sushi (Nings).

Nonnabiti was established in 1993 by Jón Guðnason and Björk Þorleifsdóttir. It is a well-established sandwich quick service brand that operates two outlets in Iceland. Nonnabiti owns a successful brick and mortar quick service restaurant in down-town Reykjavik that is open during day and night (Nonnabiti). Vörulagerinn ehf. owns the notable sandwich themed brand Hlöllabátar. There are nine Hlöllabátar restaurants in Iceland (Hlöllabátar).

The international quick service restaurant brand Quiznos operates 11 outlets in Iceland and sells sandwiches (Quiznos). Quiznos has had difficulty operating in Iceland and they have had to close some outlets in Reykjavik. In response to early failures, Quiznos adopted a strategy in Reykjavik that involves selling their products over the counter in gas stations (Quiznos).

Fast casual restaurant concept Grillhúsið has been opened in downtown Reykjavik in Tryggvagata since 1994. Recently, Grillhúsið expanded to two new locations in Reykjavik, including one operation in Iceland´s most popular mall Kringlan (Grillhúsið). Grillhúsið offers hamburgers, fish, salads, sandwiches, desserts, lamb, steak, chicken, ribs and several appetizers (Grillhúsið).

Ruby Tuesday is a large American fast casual restaurant franchise that has been operating in Iceland since 1999. Ruby Tuesday operates two fast casual restaurants in Iceland (Ruby Tuesday). This brand offers a very large menu including 11 appetizers, 6 salads, soup, 16 types of burgers, nine steaks, twelve pastas, seven fish courses, seven types of ribs, four different fajitas, six quesadillas and eight desserts (Ruby Tuesday).

In 2013, Iceland´s quick service restaurant market leaders are FoodCo, Stjarnan ehf., Pizza Pizza ehf., KFC ehf., Vörulagerinn ehf., HBT ehf. and Serrano ehf. FoodCo owns quick service restaurant brands American Style, Saffran, Eldsmiðjann, Aktu-Taktu, Pítan and Greifinn. FoodCo is valued at 1.8 billion ISK (Vísir, 2012).

American Style is an American themed Icelandic hamburger fast casual restaurant chain. American Style operates five brick and mortar fast casual restaurants in Iceland (American Style).

American Style restaurants sell fast food quality food but their restaurants have a fast casual style interior with free soda refills and waiters who will bring the food to the customers' table. American Style is progressing past their fast food style hamburgers towards more premium menu items such as 2395 ISK steak and 2195 ISK chicken breast meals (American Style).

Saffran is a healthy Indian themed fast casual restaurant that was opened in 2009. Saffran currently runs four brick and mortar restaurants in Iceland and one in the US. Saffran has expended their operations abroad with a brick and mortar restaurant in Orlando. They intend to continue expanding their chain in North America, London and Ireland (Saffran).

Saffrans products include healthy pizzas, tandoori, salads, naanwiches and chicken burgers. Saffran has made a mark in the Icelandic fast casual industry by being health oriented and offering a healthy alternative to consumers (Saffran).

Eldsmiðjan opened 25 years ago in Iceland and was one of the country's first pizzerias. Eldsmiðjan has obtained strong brand recognition within Reykjavik through its restaurants in Bragagata and Freyjgöta. Eldsmiðjan is known for its traditional wood pizza oven baked pizzas and diverse topping options. Eldsmiðjan has home delivery that they charge an extra fee for (Eldsmiðjan).

Former pizzeria employee, Þorleifur Jónsson, also known as "Tolli", purchased Eldsmiðjan in the early 1990´s and later also purchased downtown pizzeria Reykjavik Pizza Company. Mr. Jónsson owned Eldsmiðjan for 13 years. During this time, Mr. Jónsson initiated no marketing strategy and offered no discount specials to customers. Mr. Jónsson sold Eldsmiðjan to FoodCo in 2010 (Vísir, 2012). Eldsmiðjan currently operates three restaurants in Reykjavik, including a restaurant on Laugavegur in downtown Reykjavik (Eldsmiðjan).

Aktu Taktu is a well-established quick service brand in Iceland that specializes in hamburger-themed drive-throughs. Aktu Taktu operates four brick and mortar establishments in Iceland (Aktu Taktu). Aktu Taktu has gained success by offering convenience with their drive-through's, putting paprika spice on their fries, low cost burgers and being open during the night (Vísir, 2010).

Pítan sells a variety of pitas and hamburgers. Pítan has only one outlet (Pítan). Greifinn is a fast casual restaurant in Akureyri that has been operating since 1990. Greifinn is a popular local restaurant that offers a large variety of menu options (Greifinn).

Stjarnan ehf. controls the rights to Subway in Iceland (Viðskiptablaðið, 2011). Subway is an international brand that has 22 Subway restaurants in Iceland and the 23rd is being opened in the heart of downtown Reykjavik on Laugavegur. The first Subway restaurant in Iceland was opened in 1994 by Skúli Gunnar Sigfússon. Subway has been very successful selling sandwiches in Iceland and expanded very aggressively (Subway).

Skúli Gunnar Sigfússon also owns 26.32% of Hamborgarafabrikkan through his company Nautafélaginu ehf. and he operates two Subways in Finland (Viðskiptablaðið, 2012). Stjarnan ehf, Mr. Sigfússon´s company that holds his Subway outlets, profited by 109 million ISK in 2009 when there were only 18 Subway outlets in Iceland (Viðskiptablaðið, 2011).

Hamborgarafabrikkan was created by Icelandic comedians and celebrities, Sigmar Vilhjálmsson and Jóhannes Ásbjörnsson. They opened this fast casual hamburger restaurant in 2010 along with Subway affiliate Skúli Gunnar Sigfússon (Hamborgarafabrikkan). A second outlet was opened in 2013.

The opening of Hamborgarafabrikkan was met with much media attention because of the celebrity status of its owners. The media hype of Hamborgarafabrikkan was supported by a strong brand association with Icelanders as Mr. Vilhjálmsson and Mr. Ásbjörnsson implemented an Icelandic theme involving menu items named after Icelandic celebrities, a board that monitors Iceland´s population, a music playlist with only Icelandic songs and pictures throughout the restaurant depicting well know events that have occurred in Iceland.

Within the first six months of its opening, Hamborgarafabrikkan sold 180 thousand hamburgers, which is approximately 1000 hamburgers a day (Vísir, 2010). Hamborgarafabrikkan currently operates two brick and mortar restaurants and launched a food truck in 2012. Their food truck focuses on Icelandic festivals in the countryside (Hamborgarafabrikkan). Hamborgarafabrikkan has recently made a deal with Icelandair to sell miniature versions of their hamburgers on Icelandair flights (Viðskiptablaðið, 2012).

Dominos is a large international franchise that opened its first Icelandic outlet on Grensásvegur in 1993 and has since expanded to 14 outlets in Iceland. Hráefnavinnslan ehf operates a Dominos customer service line and is open 24 hours a day (Domino's Pizza). Dominos has established a competitive advantage by being open all night and offering an efficient home delivery system. Dominos has a successful discount offer which includes a free large pizza if customers purchase a large pizza and pick it up at a Dominos outlet (Domino's Pizza).

Birgir Þór Bieltvedt opened the first Dominos restaurants in Iceland and Denmark. Birgir Þór Bieltvedt sold Dominos´s Icelandic outlets to Pizza-pizza ehf. in 2005 for 1100 million ISK. In 2011, Birgir Þór Bieltvedt purchased Dominos in Iceland back for 210 million ISK. The reacquisition of Dominos by Mr. Bieltvedt in Iceland was motivated by Pizza-pizza ehf. acquiring almost 2000 million ISK of debt (Landsbankinn, 2011). Over the next 10 years, Birgir Þór Bieltvedt, wants to open 500 Dominos outlets in Germany (Viðskiptablaðið, 2011).

KFC is a large international franchise that operates eight outlets in Iceland. KFC restaurants in Iceland are drive through operations that are open from 11:00 to 22:00. KFC sells deep fried chicken products (KFC). It has been reported that from 2008 to 2009 Icelanders spent 3.3 billion ISK at KFC outlets. This equals approximately 3 million KFC meals purchased in two years. KFC ehf. controls the KFC and Taco Bell brands in Iceland. (Ragnarsson, 2011).

Taco Bell came to Iceland in late 2006 and there are currently two Taco Bell outlets in Iceland. These are outlets in Hafnafjörður and Grafarholt that run alongside KFC outlets in the same locations. In 2008, Taco Bell opened an outlet in Ártunshöfði but that location was soon closed (Taco Bell).

Taco Bell is a large international franchise that sells a variety of fast food quality Mexican food. Their Icelandic outlets are open from 11:00 to 22:00. Their products include tacos, quesadillas, burritos and salads (Taco Bell).

In 2002, Einar Örn Einarsson and Emil Helgi Lárusson opened their first Mexican themed Serrano outlet in Kringlan. Today, Serrano operates six outlets in Iceland and four in Sweden. Serrano´s has publicly stated their intent to open another outlet in Iceland and Sweden in 2012 (Serrano). The founders of Serrano also own an Asian restaurant in Iceland called Nam (Vísir, 2011).

Einar Örn Einarsson and Emil Helgi Lárusson own 100% of Serrano Iceland and 60% of Serrano Nordics. After taxes and expenses, Serrano Iceland profited 4.8 million ISK in 2009 and 12.5 million ISK in 2010. Lind ehf. which is owned by Einar F. Kristinsson, is the primary financer of Serrano´s expansion in Sweden and owns 40% of Serrano Nordics, which did not do well until some progress was achieved in 2010. Serrano has accumulated 180 million ISK of debt for their Sweden expansion (Viðskiptablaðið, 2012).

In 2010, twins Ásgeir Ingi and Kristján Ingvi Einarssynir opened a yogurt and ice cream chain in Iceland called Yoyo. This concept operates three establishments in Iceland (Yoyo), two in Spain

(Vísir, 2012) and has teamed up with foreign investors who are planning to open fifteen outlets in Estonia, Latvia and Lithuania (Vísir, 2011).

Pizza themed quick service restaurant concept Rizzo Pizzeria operates four pizzerias in Iceland. Rizzo makes their products with a wood pizza oven and they have been operating for seven years (Rizzo). Wilson's Pizza has three pizza themed quick service restaurants in Iceland (Wilson's Pizza).

In Iceland there are 14 pizza themed quick service brands, including brands such as Dominos, Hrói Höttur, Wilsons Pizza, Eldsmiðjan and Rizzo Pizzeria. These operate 32 outlets throughout Iceland. Restaurants such as La Luna Pizzeria and Italia also sell pizzas. There are 13 hamburger themed brands in Iceland including well established brands such as Hamborgarafabrikkan and Hamborgarabúlla Tómasar. Night clubs, restaurants, video rentals and gas stations also sell quick service style hamburgers.

Subway and Hlöllabátar dominate the Icelandic sandwich quick service theme in Iceland. Together they operate 31 outlets. Quiznos is also a player in Iceland's sandwich market, and with its gas station outlets operates a total of 11 sandwich operations in Iceland. In Iceland there are also smaller sandwich themed quick service brands such as Super Sub. Ready to eat sandwiches are also sold in vending machines, stores, gas stations and video rentals.

There have been no significant recent developments in the chicken themed quick service market, KFC is and has been the dominant market leader. Healthier oriented chicken themed concept Kjúklingastaðurinn Suðurveri has not achieved any significant success.

Nings remains the market leader in Chinese themed quick service food. Ricky Chan has operated for years in Kringlan but has not managed to expand further. Sparro is an Italian themed quick service brand that has not managed to expand past its only outlet in Kringlan. Italian and Asian themed concepts in Iceland have been oriented more towards fine dining restaurant concepts such as Italia.

Suzusiii has not managed to expand out of its single outlet in Kringlan. Even though a newcomer Tokyo Sushi is showing some success, but declining sushi popularity in foreign markets indicates that it might be a temporary fad.

There are multiple noodle themed establishments in Iceland that are operated by Asian immigrants. Recent trends show more Icelandic imports in the Noodle theme market with brands such as Noodle Station. However, both Asian and Icelandic run noodle brands have yet to show significant potential for expansion.

There are five kebab themed quick service brands in Iceland. They have showed limited potential for growth. Icelandic themed food services have been more oriented towards fine dining establishments that attract tourists with menu options such as puffin and whale. However, there are some Icelandic themed quick service restaurants. One of these is Kjamminn, which sells traditional boiled Icelandic sheep heads.

In Iceland, hot dogs have been traditionally sold at gas stations, corner shops and video rentals. Bæjarins Bestu represents a very successful hot dog themed quick service brand but they have had limited success in expanding their 75 year old concept.

Taco Bell and Culican are two Mexican themed quick service brands that have had difficulties growing within the Icelandic market. However, Serrano has expanded from one outlet in Kringlan to ten outlets and now operates globally.

Large global brands such as Dominos, KFC and Subway have been successful in Iceland. Domestic brands such as Bæjarins Beztu Pylsur, Hamborgarabúlla Tómasar and Eldsmiðjan are concepts that have been known to the Icelandic consumer for 20 to 70 years. Successful brands in the Icelandic market have often gained popularity by becoming a part of the Icelandic culture through longevity or have been known as giant global brands before entering the Icelandic market.

The late 80’s in Iceland marked a change in consumer food spending. Early Icelandic quick service restaurant concepts entered the market with dramatic success. Most of these operations showed short term growth before descending into obscurity. Large global brands such as Pizza Hut and McDonalds failed to be successful in Iceland. However, brands such as Dominos and KFC have survived and thrived in the Icelandic market.

After the 2008 financial crisis, the quick service restaurant landscape in Iceland changed once again. New Icelandic concepts such as Saffran, Yoyo and Serrano’s began to expand and grow into some of the country's most popular brands. These brands represent new domestic concepts that have expanded quickly and revealed formulas for domestic and global success. These brands offer products that are healthy, simple, convenient and at low cost.

Yoyo entered the Icelandic market directly competing with established ice cream brands. With their frozen yogurt concept they have managed to quickly expand domestically and globally.

Saffran has successfully expanded their Indian themed fast casual brand domestically and globally. However, Indian themed fast casual brand Tandoori has not managed to match Saffran´s success.

Recent market trends show a demand for simple, fast, convenient and healthy food. An example of this trend is observable in the dramatic increase of popular sushi themed restaurants in Reykjavik.

Serrano also represents a quick service brand that is specialized in healthy, convenient, fast, simple and low cost food products. The Mexican quick service theme is not as saturated as the sushi theme and Serrano has demonstrated the high domestic and global potential for such brands.

Saffran successfully entered Iceland´s fast casual market by introducing a healthy concept to a market dominated by hamburger and pizza themes. Saffran differentiated itself from competitors such as Hamborgarafabrikkan and American Style by focusing on healthy high quality products.

Yoyo showed the Icelandic market demand for healthier desert and snack options. Desert and snack markets in Iceland have been focused on ice cream and bakery pastries. Yoyo has gained a lot of ground within this market by offering a similar but healthier alternative.

The Icelandic quick service restaurant industry is a competitive market with multiple competing brands. In order to stay competitive, Icelandic quick service restaurant brands are continuously adapting, changing and evolving to stay in line with leading market trends. Brands that fail to modernize and adapt are quickly replaced by new concepts that are inspired by leading global trends. Icelandic brands that understand and employ leading trends become popular and have the capacity to pursue domestic and global expansion.

3.0 The Global Quick Service Restaurant Market

In 2013, restaurant sales in the US are expected to reach $660 billion. $188.1 billion of that sum will come from the quick service restaurant industry (Avant, 2012). Since 2003, China's food service industry has seen double digit annual growth (Waldmeir, 2011). By 2015, leading quick service restaurant brand Yum! Brands Inc. is expected to receive over half its overall revenues from China (Mellor, 2011). Industry insiders predict that China's quick service market sales will soon exceed that of the US market (Waldmeir, 2011).

Quick service restaurant sales in the US have continued growing throughout the international financial crisis. In 2008, there was a 4.3% sales gain in the US quick service restaurant industry. In 2009, there was a 1.6% sales gain. Sales are expected to continue increasing and surpass $215 billion in 2016 (Mintel, 2011).

The US´s quick service market leaders are Yum! Brands, Inc., McDonald´s Corporation and Doctor´s Associates, Inc. Yum! Brands, Inc. owns Pizza Hut, Taco Bell, KFC, East Dawning and Little Sheep. It was created in 1997 with its original name Tricon Global Restaurants, Inc. after a spin-off from PepsiCo. In 2011, Yum! Brands, Inc. had sales of over $12 billion (Yum!). McDonald´s Corporation operates over 34,000 McDonald's restaurants worldwide (McDonald´s). McDonald´s Corporation has owned stakes in Piles Café, Pret a Manger, Chipotle Mexican Grill, Donatos Pizza, Boston Market, Redbox and Sun Capital Partners (Chicago Tribune, 2003). Doctor´s Associates, Inc. owns Subway, which operates approximately 38,000 restaurants (Subway). Franchise Brands LLC is a sister company of Doctor´s Associates, Inc. Franchise Brands LLC operates Mama DeLuca´s Pizza, Taco Del Mar, HomeVestors and Personal Training Institute (Franchise Brands, LLC).

The Chinese quick service restaurant market is also led by Yum! Restaurants China Co Ltd. which controls 38% of the markets value share. Yum! views China as the 21st century's biggest industry growth opportunity and is focusing much of its resources into this area. In 2011, KFC was the primary brand of Yum! in China. However, Yum! is developing Chinese oriented concept East Dawning to lead its growth in the region. McDonald's is also aggressively pursuing market share in the Chinese fast food market with price promotions and media campaigns (Euromonitor, 2012). McDonald's Restaurant HT Ltd. is the fast food market leader in Hong

Kong with 32% of value share. Brands such as Fairwood, Maxim's and Café de Coral have obtained market share Hong Kong by offering traditional Asian "comfort food" (Euromonitor, 2012).

Convenience store fast food is popular in Japan. The country's fast food market leader is 7-Eleven Japan Co Ltd. with 24% of value sales and 13,865 outlets in 2011. Japans fast food industry is growing compared to other consumer food services in the country. The catalyst for this growth is growing numbers of single person households and working female consumers (Euromonitor, 2012).

Paris Croissant Co is the largest fast food company in the South Korean market. Its leading brand is bakery concept Paris Baguette. The South Korean quick service restaurant industry is growing with its primary markets being office workers and students. Global chain operators are increasing their market shares in South Korea and smaller local brands have been reducing their outlets (Euromonitor, 2013).

The fast food industry in Indonesia is led by KFC, McDonald's and Indonesian concept Es Teler 77. These brands account for 54% of the market value share. Despite Indonesia's growing economy, quick services restaurant brands such as ToniJack, Popeye's Chicken & Seafood, Swensen and Daily Bread shut down their Indonesian outlets in 2011 because they were unprofitable (Euromonitor, 2012). McDonald's Restaurant Pte Ltd. is the market leader in Singapore with 38% of the value share in 2011 (Euromonitor, 2012).

The Indian quick service restaurant industry is fragmented. McDonald's is India's market leader with a value share under 2%. KFC, Taco Bell, Baskin Robbins and Swirls have also found some success in India. The fast food industry in India is still driven by Indian street foods and local vendors. Leading corporations such as McDonalds Corporation and Yum! Brands, Inc. are expected to invest significant resources into promoting their western brands in India. Such investments could lead to a surge in popularity of western fast food concepts in India's large consumer markets (Euromonitor, 2012).

With an 11% market value share, Kuwait Food Corporation is the United Arab Emirates quick service restaurant industry leader. The majority of its sales derive from its franchise of KFC. In the United Arab Emirates, Kuwait Food Corporation also operates Pizza Hut, Hardee's, TGI

Friday, Taco Bell, Signor Sassi, Krispy Kreme, Baskin Robbins, Costa Coffee, Chicken Tikka, Fish Market, Samadi, Maestro, Grand Café, Red Lobster and Fusion. Fast food markets have been growing in the United Arab Emirates because of increasing urbanization, globalization, congested cities and longer work hours. However, the market is becoming increasingly saturated and growth is expected to plateau in the near future (Euromonitor, 2012).

The European fast food movement began in the 1970's with the entrance of large US chains such as McDonalds, Burgar King and European GB Quick. The quick service restaurant market leader in Europe is McDonald's Corporation. Other large quick service restaurant operations in Europe are Yum! Brands, Inc., Burger King, Autogrill, Quick, Subway, Domino's, Starbucks, Greggs, Groupe Holder, Telepizza, Le Duff, Nordsee and The Eat Out Group (Foodservice-Index).

The US is the home of the world's largest quick service restaurant chains. The US quick service industry sets global trends and standards. US quick service brands dominate European markets and are becoming increasingly influential in Asia. Global quick service restaurant trends are heavily influenced by the US consumer market and quick service restaurant industry.

4.0 Quick Service Restaurant Trends in the US and Iceland from 1950 to 1990

Accounts of quick service restaurants can be traced all the way back to a Constantinopolitan coffee shop in 1500 A.D. However, since the early 1900's, the US quick service industry has been a global market leader and trend setter. In modern times, the evolution of the quick service restaurant industry has been dictated by changes in the US market environment and trends (Kahn, Parsa, 1991).

The US quick service restaurant industries progression can be divided into four stages. The "Pre-Introductory Stage" from before 1950, "Introductory Stage" from the 1950's to 1970's, "Late Growth Stage" from 1970's to 1980's and "Maturity Stage" from 1980's to 1990's (Kahn, Parsa, 1991).

4.1 Pre-Introductory Stage

The 1919 Prohibition Act in the US led bar owners to convert their establishments into restaurants serving soft drinks and food. This period was characterized by a young, fragmented and entrepreneurial US quick service restaurant industry (Kahn, Parsa, 1991).

The economic impact of the 1929 stock market crash slowed the US restaurant boom down. As fine dining restaurants began to suffer because of the US financial crisis, diners, snack shops, sandwich shops and coffee shops became trendier. The mid 1930's was the beginning of large scale multi-unit operations and standardization within the quick service restaurant industry (Kahn, Parsa, 1991).

In the mid 1930's the US government launched its "New Deal" policies that replaced the country's railways with highways. This development led to snack shops and deli's being replaced by carhops and drive-ins. By 1940, the US had 150,000 quick service restaurants including market leaders such as White Castle, Dairy Queen, A & W Root Beer and Hot Shoppes (Kahn, Parsa, 1991).

The Food and Container Institute of the Armed Forces released a survey during World War II revealing that US citizens found hamburgers to be their most recognized, most consumed and best liked food product. This research was used by the McDonald brothers when they launched their restaurant servicing hamburgers and French fries, with a custom built steel griddle that could cook 40 hamburgers at once in 110 seconds (Kahn, Parsa, 1991).

4.2 Introductory Stage

An increase in the US population, shorter work weeks, suburbanization and more travel led to a boom in the quick service restaurant industry during the late 1950's and early 1960's. The main market trends for this period where beef products, low prices, small portions, limited service, limited menus, standardization and core product specialization (Kahn, Parsa, 1991).

During this stage, restaurants such as McDonald's, Burger King and Kentucky Fried Chicken began to see dramatic growth. The "Introductory Stage" is one of the industry's greatest period for growth and the beginning of the US fast food industry's climb to greatness (Kahn, Parsa, 1991).

4.3 Late Growth Stage

For the quick service restaurant in the US, the 1970's was a decade of changing trends. There was a price increase in beef, an energy shortage, higher labor costs and the baby boom generation became the primary consumer market. With increasing production and operational costs accompanied by a new leading market demographic, consumer demand began to progress away from low price food items and moved towards better service, ethnic cuisine and more variety in menus (Kahn, Parsa, 1991).

With an increase in beef prices, chicken became a stable in most quick service restaurant chains. From 1975 to 1980, beef consumption per capital decreased from 87.9 pounds to 76.5 pounds and chicken consumption rose from 40.1 pounds to 50 pounds. Chicken became a popular trend for consumers and concepts such as Chik-Fil-A and Kentucky Fried Chicken benefited from this trend (Kahn, Parsa, 1991).

4.4 Maturity Stage

In the US, during the 1980's and late 1990's, the quick service restaurant industries growth rate declined and there were significant amounts of bankruptcies and industry failures. In the 1980's consumers preferences deviated away from the unhealthy options of traditional quick service restaurants and started moving towards healthier and fresher options.

Domino's Pizza achieved success in the 1980's by becoming the front runner in the home delivery trend. This new trend was caused by an increase in working women. During this period, ethnic food also continued its popularity with Chinese and Mexican foods becoming hot trends.

4.5 Icelandic Quick Service Restaurant Industry Development

Iceland's "Pre-Introductory Stage" was similar to that of the US. Snack shops and bakeries dominated the Icelandic quick service restaurant industry during its early years, with notable exceptions such as Bæjarins Beztu Pylsur opening in the late 1930's (Bæjarins beztu pylsur). However, unlike the US during the 1940's, Iceland did not see a dramatic growth in the quick service restaurant industry until the 1980's

30 years behind the US, Iceland reached its "Introductory Stage" during the 1980's and early 1990's with the opening of approximately 100 restaurant outlets. During this period Domino's, McDonalds, KFC and Subway came to Iceland. Unlike in the US, domestic market leaders in Iceland where generally pizza themed concepts, such as Pizzahúsið, Jón Bakan, Pizza 67 and Hrói Höttur (Friðriksen, 1994).

Because it took Iceland's quick service restaurant industry a longer time to reach its "Introductory Stage", many of the "Late Growth Stage" and "Maturity Stage" trends where introduced during Iceland's "Introductory Stage", such as higher prices, good service, home delivery and variety in menu options.

Iceland's quick service restaurant industry fully reached the "Maturity Stage" in the late 1990's and early 2000's with concepts such as Pizzahúsið, Jón Bakan, Pizza 67, Hrói Höttur and McDonald's leaving the market and healthier concepts such as Saffran, Yoyo and Serrano successfully entering the market.

With the effects of globalization, Iceland's market is becoming more efficient in adopting changing US quick service restaurant trends. It is becoming increasingly critical for Icelandic quick service restaurant brands to recognize and absorb modern quick service restaurant market trends.

5.0 Modern Quick Service Restaurant Market Trends

The international financial crisis has increased unemployment and reduced disposable incomes, causing a reduction of spending in food services (Mintel, 2011). This change in consumer behavior marks a change in how quick service restaurants need to service the market (Mintel, 2011).

41% of US adults say they are spending less this year on food services then they did last year. The spending on food services by young adults aged 18-24 is more promising with 26% stating that they would spend more next year (Mintel, 2011).

Consumer food service spending in Europe has also decreased due to lower disposable incomes (Euromonitor, 2012). Fast food has often been considered recession proof because it becomes a reasonable option when consumers need to cut spending. In periods of financial difficulties, fast food is pursued by customers who cannot afford to eat at more expensive restaurants (The Economist, 2010).

Fast food spending in Europe, US and Asia is increasing and is expected to continue growing (The Economist, 2010). However, fast food sales are expected to decline slightly as other types of food services adapt to the difficult financial situation by pursuing more relevant pricing and promotional strategies (Euromonitor, 2012).

Consumers' reliance on food away from home has steadily increased and cooking is becoming a less important skill. In 1980, Americans spent 39% of their food dollars on food prepared outside their homes. Today that number has increased to 48% (Mintel, 2011).

In a 2008 Restaurants & Institutions magazine study, 44% of adults strongly agreed that eating out is just as much about the experience as it is about the food. 61% of adults dine out because they don't feel like preparing a meal, 58% are looking to treat themselves, 49% use dining out as a mechanism for socializing, 14% wanted to have fun and 13% just wanted some food (Mintel, 2011).

In the US, the top ingredients in terms of popularity are smoked flavors, barbecued foods and spicy flavors. Sushi shows a 45% decline in menu appearances from 2007 to 2010. Men are most likely to order steak and women are most likely to order chicken or salads (Mintel, 2011).

A 1997 US survey on quick service restaurant diner's preferences, revealed quality, cleanliness and pricing to be the most considered attributes (Pettijohn & Pettijohn, 1997).

5.1 Healthy Food

The fast food industry is often criticized by health experts for being unhealthy and causing conditions such as obesity and diabetes. The association between fast food and negative health has led some governments into regulating the fast food industry. To respond to the negative health oriented focus on fast food, market leaders have responded by offering healthy options such as salads and low calorie sandwiches (The Economist, 2010).

Data from the US reveals that 43% of adults would eat out more given healthy food choices. Obesity is becoming a mainstream problem in countries like the US and in many parts of Europe. Two thirds of US consumers say they would prefer more healthy food options in quick service restaurants, one in four consumers visit restaurant websites for nutrition information and 36% say that they factor nutrition information into their ordering behavior (Mintel, 2011). Quick service consumer's trends in Europe and Asia are also moving towards healthier food options (Euromonitor, 2012).

67% of women and 56% of men say that they will eat healthier next year. This data reveals that women are more likely to be attracted by concepts focused on a healthy menu. Women are more enthusiastic then men about reducing their calorie intake, fruits, vegetables, smaller portions. Men are more focused on cutting back on fat and salt (Mintel, 2011).

Quick service restaurant chains are responding to negative feedback from adults and children in regards to unhealthy children's menu options. Innovative products such as dumplings, stir fry, hummus, yogurt and sweet potato fries are becoming healthier alternatives for menu options targeting children (Wolf, 2013).

The leading fast food brands in Scandinavia have seen an increase in consumer interests for healthy, organic and fair trade products (Euromonitor, 2013). Irish consumer tastes are moving away from fast food because it is perceived to be unhealthy. Latin American and Asian fast food restaurants are gaining the market shares lost by more traditional fast food chains in Ireland because consumers perceive them as offering healthier food (Euromonitor, 2012).

Consumers generally perceive healthy food to mean products with less fat, fewer calories, fruits, vegetables, lower sodium and smaller portions. Only 16% of US consumers are interested in consuming more organic foods (Euromonitor, 2012).

Successful newcomers in the Icelandic quick service restaurant market have proven the consumer demand for healthy quick service food options. Serrano, Saffran and Yoyo have been very successful in launching and expanding their health oriented concepts within the Icelandic market.

Older brands such as American Style have been adapting to this trend by offering special health menus that focus on healthy food options (American Style). When Bjarni Óskarsson relaunched the Nings brand, he focused on health. Bjarni Óskarsson rebuilt a successful brand by emphasizing Nings healthy menu options and sponsoring Icelandic athletes such as crossfit champion Annie Mist (Vísir, 2011).

5.2 Fast Casual

Fast casual restaurants have been increasing their market share in the economic downturn. These restaurants have a pricing strategy higher than fast food and lower than fine dining. They emphasize fresh, healthy, high quality foods in adult targeted surroundings (Mintel, 2011).

Successful fast casual restaurants such as Panera Bread and Smashburger have sophisticated interior design, high quality foods, healthy menu options, fresh choices, limited service and prices that fall between quick service and fine dining (Mintel, 2011).

Research shows that critical variables for the fast casual dining consumer base are quality of food, quality of physical environment and the quality of service. Customers perceive taste, nutrition, visual attractiveness and freshness as the primary indicators for quality of food. There is a correlation between the reasonability of price and customer satisfaction with food quality. Elements that effect customer's perception of quality of physical environment include the attractiveness of interior design, décor, music, color and lighting (Han & Ryu, 2010).

Fast casual consumers seek tangible cues associated with the physical environment of a restaurant when deciding which establishments to frequent. Customers of popular fast casual chain Panera Bread consider the brands best attributes to be its atmosphere, followed by quality of food and service. Providing a unique and aesthetically pleasing design is becoming increasingly relevant for being a competitive fast casual operation (Han & Ryu, 2010).

In the quick service restaurant industry it is becoming apparent that atmosphere has as much relevance in attracting and maintaining customers as the food itself. Interior designs, comfortable seats, furniture, appearance of employees, music, lighting, color, aroma, and seating arrangement are relevant mechanisms for a restaurant to attract customers (Han & Ryu, 2010).

Fast food chains have responded to the success of fast casual restaurants by offering consumers more premium quality and price products. The rise of fast casual burger establishments such as Smashburger prompted McDonald´s to create Angus Third Pounders and Burger King to offer BK Fire Grilled Ribs. These products match fast casual prices and put a greater emphasis on quality (Mintel, 2011).

By adding more premium priced products on their menu, fast food chains have adopted a pricing strategy that includes value price items for budget conscious customers alongside premium priced items for those with greater spending potential. This new pricing model was highlighted by Wendy´s strategy of releasing a higher priced cheeseburger called Dave´s Hot´n Juicy at the same time that they expanded its 99 cent Value Menu (Mintel, 2011).

Icelandic fast casual restaurants such as Hamborgarafabrikkan, American Style, Eldsmiðjan, Saffran and Nings have been successful by offering consumers a cheaper alternative to fine dining. Through these concepts, diners can partake in a comfortable dining environment without paying for the full premium of a more established restaurant concept. Fast casual quick service restaurants are not fast food outlets or fine dining restaurants, but they offer fast food quality products in a restaurant environment.

5.3 Quality

In the 1980's the slow food movement started in Italy. It emphasized local production, quality and traditional agricultural methods (Comfort, Hillier, Jones, Lowell & Shears, 2003). This movement became a leading fine dining culinary trend and is now spreading into the quick service restaurant industry (Lillegard, 2013).

For food services, quality is an important factor in consumer choice. Local and fresh are two terms considered by consumers when contemplating quality. 37% of diners are more inclined to pursue food establishments with locally purchased ingredients. Established food service operations have started using the brand names of their ingredient suppliers in their menu (Mintel, 2011).

Panera Bread boss Ron Shaich, has stated that his chain's recent success can be attributed to its focus on fresh ingredients, high quality food and lower prices than in fine dining restaurants (The Economist 2010).

According to the National Restaurant Association's annual culinary forecast, using local ingredients in menu options is a leading trend. The report states that the term local is associated with high quality, organic, healthy and fresh. Wendy's summer time Berry Almond Chicken Salad exemplifies how quick service restaurant chains are pursuing this trend (Wolf, 2013).

In 2010 there was a "better burger" trend in the US as large food chains invested in marketing campaigns claiming that they had improved the quality of their products. Denny´s announced its "Better Burger" offerings, Fuddruckers burger released its new 100% American beef "Fudds Prime", Applebee´s created a new "Real Burgers" line, Chili´s introduced "Big Mouth Burgers", Perkins Restaurant & Bakery added "No Better Burgers", Domino´s Pizza launched a television advertising program highlighting the Wisconsin dairy farms that supply their cheese and Wendy´s introduced "new and improved" French fries (Mintel, 2011).

Bæjarins Beztu Pylsur has established itself as one of Iceland´s largest quick service brands by taking a very simple concept, hotdogs, and established a reputation by providing fresh ingredients for 70 years. The fast food market in Iceland has seen hundreds of establishments selling hot dogs. Bæjarins Beztu Pylsur distinguished itself from these competitors by establishing a reputation for having better quality hotdogs and fresher ingredients (Bæjarins beztu pylsur).

Icelandic pizza themed quick service brand Eldsmiðjan has established itself in a market dominated by Domino's Pizza by offering higher quality products. Icelandic Indian themed concept Saffran is currently distinguishing itself as a leading brand by projecting a product and image of quality.

5.4 Simplicity and Convenience

Olson Communication´s "Culinary Visions Panel" described current menu development as "The New Simplicity". The magazine describes dining as being defined by quality, simple ingredients and authentic preparation methods. Executive chef of SugarToad Restaurant, Jimmy Sneed, says that he does not put anything on the menu that cannot be explained to his mother. French chef Alain Ducasse told Agence France-Presse that consumers want foods that are real and simply prepared (Mintel, 2011).

Consumer demand for simplicity in their food has led to the increasing popularity of street food. Food trucks are becoming a major force in the world's major cities in which their mobility allows them to offer fast food service in a non-fast food environment. The convenience and spontaneity of food trucks is appealing to young adults. Mobile food trucks and carts are estimated to account for 1 billion dollars in US sales (Mintel, 2011).

Petrol stations in Nordic countries such as Norway and Iceland often resemble small supermarkets that sell fast food products such as hot dogs and bakery snacks. Leading fast food operations in Norway are separating themselves from domestic gas station food services by increasing the quality and freshness of their products (Euromonitor, 2013).

Icelandic hot dog concept Bæjarins Beztu Pylsur emphasizes comfort by locating themselves next to the main parking space area in downtown Reykjavik. It is easy for consumers to purchase hot dogs on their way to the car or take with them where they are going. Bæjarins Beztu hotdogs are also quickly prepared and easy to carry.

Icelandic brand Aktu Taktu and the global chain KFC are known for their convenient drive-through services and Dominos has established itself as the market leader in Iceland's pizza market by offering the most convenient home delivery system. Icelandic hamburger concept Hamborgarafabrikkan is attracting Friday and Saturday night dinner crowds by offering customers a free ride downtown after eating or drinking at their establishment (Hamborgarafabrikkan).

Some of Iceland´s most successful quick service brands offer very simple concepts. Bæjarins Beztu Pylsur only sells hotdogs, Hlöllabátar and Subway sell simple sandwiches, Serrano sells burritos or quesadillas with three types of meat accompanied by simple ingredients such as beans or lettuce and Yoyo sells different flavors of frozen yogurt. Other established brands focus on hamburgers or pizzas.

5.5 Pricing

The success of value and bargain meals in the quick service restaurant industry is a leading trend that contradicts the growing health trend. In 2004, when the health trend was gripping the quick service restaurant industry, most chains were introducing healthy menu options. CKE Restaurants, parent company to Hardee's and Carl's Jr. introduced the 1,400 calorie 1-lb Double Six Dollar Burger for $5.49 (Gogoi, 2006).

CKE Restaurants strategy was to gain a competitive advantage through large and affordable bargain meals. With this strategy, Hardee's and Carl's Jr. chains increased their same store sales by 5% and CKE Restaurants shares increased by 20% from 2004 to 2006 (Gogoi, 2006).

The case of CKE Restaurants shows a customer demand for low cost meals that will leave them feeling full. During the 2006 FIFA World Cup, McDonalds launched the World Cup Burger which was 40% larger than the Big Mac and 1,227 calories (Gogoi, 2006).

The recession increased quick service restaurant traffic but has diminished consumer spending. In the US, lower prices are a motivator for 77% of fast food consumers. 31% of high income earners say they are more likely to order value menus (Mintel, 2011).

Lower prices are the primary competitive advantage for quick service restaurants. Fast casual chains are reducing this price gap by offering daily deal programs and coupons. This is forcing quick service restaurants to find ways to continuously reduce the cost of their products. Coupon distribution in the US has increased quarterly since 2008 and is currently at its highest recorded level (Mintel, 2011).

Strategies to offer lower prices also include offering smaller portions, which will appeal to both those intending to eat healthy and those intending to spend less. Food services also focus more on male demographics since women and households with children are more concerned with food prices (Mintel, 2011).

During periods of recession, fast food companies often set their prices low in an attempt to acquire a greater flow of customers who then purchase more expensive items. Such trends often lead to decreasing profits. Burger King faced unsustainable losses when they started selling double cheeseburgers for 10 cents less than the cost of production (The Economist, 2010).

Recent pricing strategies of market leaders have seen them moving away from low price specials. Yum!Brands, Burger King and McDonald's have all been moving their focus towards their more expensive meals (The Economist, 2010).

5.6 Snacking

In the US, the amount of menu items containing the terms snack, snackable or snacker have increased by 170% since 2007. This number reflects the increasing popularity of low price snack options (Mintel, 2011). Around the clock eating habits are eroding and consumers are demanding flexible and affordable snacking options. The quick service industry has been meeting this demand with small low price menu options (Wolf, 2013).

64% of snackers base their snack purchasing choices on available beverages and 61% of snackers want something that is portable 32% of snackers pursue healthy snack options, 52% choose indulgent snack options and 50% want something salty (Mintel, 2011).

McDonald´s has reacted to this trend by launching a snack menu that includes Snack Wraps, Angus Snack Wraps, Real Fruit Smoothies and Frappes (Mintel, 2011). KFC has launched their Chicken Little sandwiches and Sonic has added Cheesecake Bites to their menu (Wolf, 2013). The Einstein Bros chain has been successful in attracting between meal snackers by adding to their menu Cinnamon Twists, muffins, cold beverages and specialty coffee drinks (Mintel, 2011).

5.7 Drinks

Carbonated soft drinks lead in quick service restaurants menus and are the most purchased drinks. However, leading quick service brands have started to add a variety of hot and cold beverage options to their menu. Carbonated soft drinks have been slowly declining in popularity over the last two years (Mintel, 2011).

Tea and milkshakes have seen the most growth in popularity within the past two years. Coffee has received a great amount of attention from the food industry, but only 19% of Americans consider coffee quality when choosing a quick service restaurant (Mintel, 2011).

The popularity of fruit and vegetable juices is increasing because of popular health oriented trends. House made sodas, regional craft beer and micro distillery liquors are becoming a popular trend. Local and house made drinks are associated with high quality (Wolf, 2013).

Young adults in the US from the ages of 18-24 would like to see more smoothies and soda flavors. This age segment is also 10% more likely to order tea then those aged 65+. Ages 25-44 are most likely to consider the availability of quality alcoholic beverages when choosing dining destinations. Burger King is pursuing the 25-44 age segment group by selling alcoholic beverages through its BK Whopper Bars. McDonald´s offers its customers smoothies, frappes, lemonade, tea and iced tea (Mintel, 2011).

McDonald's McCafé concept is an answer to the success of Starbucks. The McCafé line accounts for 6% of McDonald´s total US sales. Burger King has purchased Starbucks Seattle´s Best coffee brand (The Economist, 2010).

5.8 Marketing

Quick service restaurant chains are top industry spenders in traditional media such as television. The annual advertising spending of the beverage, food and restaurant industry is estimated to be $33 billion. In 2004, $528.8 million was spent by McDonald´s in advertising. 40% of McDonald´s 2004 advertising budget was targeted at children (Ford & Schor, 2007).

Children have become a primary market demographic for advertisement campaigns of large fast food chains. Children are more influenced by advertisements than other demographics and they are primary influencers of the food spending behavior of their parents (Ford & Schor, 2007).

A 1999 study showed that children aged 2 to 13 watched over two hours of television daily, with a total daily media exposure time of 5.3 hours. A 2005 study revealed that children aged 8 to 18 years are exposed to media for 8.5 hours a day. Low income and ethnic minority children are more exposed to fast food marketing and are more likely to be heavy users of fast food products (Ford & Schor, 2007).

While small quick service restaurant brands such as Jack in the Box, Burger King and Carl’s Jr., have been cutting down on their advertising spending during the recession, large brands such as McDonald’s have increased their advertising spending by over 7% (The Economist, 2010).

Recent trends have shown a decreasing effectiveness in traditional media strategies and a greater reliance on social networking sites such as Facebook, Twitter, Myspace, Foursquare and YouTube. Social media is heaviest among young adult’s aged 18-24 and usage declines as age increases (Mintel, 2011).

In 2010, McDonald´s operates 13 websites and nine Facebook pages that have over 1 million fans. Starbucks Facebook pages have over 11.3 million fans. Burger King and McDonald´s operate several webpages designed to market their products to children. These websites include McWorld.com, HappyMeal.com, McDonaldsRonald.com and ClubBK.com (Brownell, Harris, Schwartz, 2010).

Burger King´s “Whopper Sacrifice” campaign in 2009 was one of the first promotions to reveal the potential of social networking sites in marketing fast food brands. If Facebook users unfriended 10 people from their Facebook page, Burger King would give them a free Whopper burger. In a short period of time over 232,000 friends were sacrificed and 82,000 Facebook users were offered a free Whopper. Eventually Facebook shut down Burger King’s application, but the effectiveness of marketing through social media was apparent (Mintel, 2011).

McDonald´s launched the successful “McCafé Scavenger Hunt” through twitter. McDonald´s twitter account would regularly reveal hints about the locations of hidden prizes. In 2009, Carl´s Jr used their Twitter account to link its fans to a video upload on YouTube of Kim Kardashian inviting viewers to take part in a live virtual lunch date. Customers who purchased one of four new entrée salads at Carl´s Jr received special codes to unlock the streaming video lunch date with Kim Kardashian on Carl’s Jr´s Facebook page. Viewers could speak to Kim Kardashian while they watched her eat one of the salads she endorsed. Carl’s Jr´s “Ultimate Salad Lunch Date” YouTube commercial was watched 1.8 million times online and was covered in the news and popular media. Traffic on carlsjr.com homepage reached record highs (Mintel, 2011).

In 2009, T.G.I. Friday´s created a Facebook character called “Woody” and offered a free “Jack Daniel´s Burger” to the first 500,000 people who became Woody´s Facebook friends and registered their e-mail address with T.G.I. Fridays. T.G.I. Friday´s got close to 1 million e-mail addresses and fans on Woody´s page. In 2010, Starbucks became the first brand to have 10 million friends. When Taco Bell announced that it was giving away free taco offers on Facebook, Taco Bell went from 500,000 to 6 million likes on their Facebook page (Mintel, 2011).

Social media has been widely used by fast food chains for coupon distribution. Coupons can be attached to emails, linked to Twitter tweets or given to Facebook friends. Digital coupon distribution has become an important tool for quick service restaurants in a struggling economy. Quick service restaurants can send interested consumers a cost saving coupon via e-mail with accompanying information regarding new product releases and links to its website, Twitter and Facebook (Mintel, 2011).

The newest trend in social media is downloadable smartphone applications. Starbucks is testing a mobile phone payment system that allows customers to pay for orders and manage personal Starbucks accounts. CKE Restaurants has created "Happy Star Rewards", a smartphone app that allows consumers to find the closest Carl´s Jr or Hardee´s restaurant and share their location via Twitter or Facebook. The Smarthphone app then awards points to customers for "checking in" that can be used to buy food and win prizes. Subway allows text message ordering and smartphone payment (Mintel, 2011).

5.9 Product Development

Developing a quick service restaurant product consists of more variables then the actual food product. McDonald´s co-founder Ray Kroc stated that the early success of his hamburger concept could be contributed to its adaptation of early menu, operational efficiency, a production process trends inspired by the assembly line production strategy, product consistency, restaurant cleanliness and product affordability. McDonalds is so concerned with the consistency of their products, that they have adapted a policy of measuring the temperature of their hamburger meat to guarantee a consistently cooked product (CNBC, 2010).

Quick service restaurant products are fast, affordable and consistent. When developing such a product, elements that must be considered include the production process, supply of raw materials, staff training, marketing potential, restaurant design and many more.

Global quick service restaurant chains KFC, Dominos and Subway became popular brands in Iceland after being introduced to the country by Icelandic franchisees. The Icelandic franchisees rely on their franchisors to develop their products and operational structure.

Large quick service restaurant chains develop their products through the process of vigorous consumer testing. McDonald´s has official test kitchens where a team of professional corporate chefs led by a director of culinary innovation, develop over 800 new menu ideas annually. These culinary innovations then go through an extensive testing period were they are critiqued by a panel that is designed to represent certain target consumer demographics that have been studied by McDonald´s market researchers. Only a few menu innovations will make it through the testing period and become a part of McDonald´s menu (CNBC, 2010).

Icelandic quick service restaurant company FoodCo developed concepts like American Style and Aktu Taktu, by introducing North American quick service restaurant hamburger trends to Icelandic consumers. They then developed their portfolio of quick service restaurant brands through costly acquisitions of Icelandic brands that have been tested and proven through years of successfully operating in Iceland. In 2011, FoodCo purchased popular quick service restaurant chain Saffran for a reported amount of approximately 300 million ISK (Vísir, 2012). Before their purchase of Saffran, FoodCo had spent hundreds of millions of ISK purchasing established brands such as Eldsmiðjan and Greifinn.

5.10 Human Resource Management Strategy

Quick service restaurant companies operate within a service based industry. Training and developing staff in order to properly service customers is a crucial variable in establishing a successful brand. Restaurant employees are responsible for interacting with customers, preparing the menu products and maintaining the restaurants.

Large restaurant chains such as McDonald´s are leaders in developing quick service restaurant human resource management trends. They understand the competitive advantage of being meticulous and detail oriented in day to day operational procedures. Tyron Davis, the operational manager for a successful McDonald´s franchisee, exemplifies this thinking. He claims that the most important element of any McDonald’s restaurant is having clean bathrooms. He states that a restaurant with a dirty bathroom cannot maintain its customers (CNBC, 2010).

Maintaining consistency and standardized practices throughout multiple geographical and social environments can become difficult for expanding quick service restaurant operations (Rosenzweig, 1998). When quick service restaurant chains expand their operations, they need to facilitate a human resource strategy that maintains a competent and consistent service in all of its outlets.

Failing to provide an effective HR structure for an expanding service based business, can lead to poor service and poor operational maintenance. A decline in procedural quality in a few outlets can cause significant damage to a quick service restaurant brand image (Intagliata, Kulick, & Crosby, 2006).

5.10.1 Decentralized/Centralized Approach

A growing trend for large global quick service restaurant organizations is global brand recognition and standardization of core business operational processes. McDonald’s strategy for maintaining a connection between their various restaurants and local communities is to employ locals. Local employees understand and represent their environment and culture within McDonald´s large global network of restaurant outlets (Intagliata, Kulick, & Crosby, 2006).

McDonald’s derives much of its success from developing and implementing an effective global human resource management structure that balances global and local approaches. McDonald’s operates with a global framework that coordinates core strategies. However, the primary driver of McDonald’s success is the ability of local staff to adopt the McDonald’s global structure to the local environment and culture (Intagliata, Kulick, & Crosby, 2006).

When adopting new human resource management strategies, McDonald’s often allows for a “freedom within the framework” which allows for local adaptation to different cultures and legal structures. This provision offers a degree of flexibility that is necessary for McDonald’s to operate a successful global operation (Intagliata, Kulick, & Crosby, 2006).

To successfully expand a quick service restaurant concept from one outlet to many, the brand needs to maintain the characteristics that made its original outlet successful. The process of maintaining the brands core characteristics while adapting to changes in new environments is difficult. In order to expand from one outlet to many, a quick service restaurant concept requires an HR strategy that implements a centralized structure with allowances for local adaptations.

5.10.2 Employee Development and Retention

Maintaining and developing employees is an important factor in producing a competent workforce. To maintain a successful business model in an expanding operation that is constantly dealing with new environments, it is important to implement effective policies for maintaining a satisfied and continuously improving workforce, which can develop in accordance with the organization’s needs and goals.

Retaining employees on a long term basis has been a difficult issue for large fast food chains. In the fast food industry, pressure to reduce labor costs has led to exploitative employment practices that drive away employees and possible candidates for employment (Royle & Urano, 2012).

There have been reports of global market leaders in the fast food industry paying minimum wage, forcing employees to work unpaid hours, store management removing minutes off electronic work records and rounding down employees working time. Such practices have led to well publicized lawsuits throughout the world (Royle & Urano, 2012).

To combat criticism of poor working conditions and high labor turnover, McDonalds has implemented a commitment survey. This survey is given to employees so that they can provide feedback on management behaviors. A manager’s score on the survey is an important factor for their potential advancement. The commitment survey is designed to show the work climate of its large global restaurant network (Intagliata, Kulick, & Crosby, 2006).

McDonald´s goal is to decrease labor turnover and encourage competent staff members to develop skills that allow them to pursue promotions within the company. According to McDonald’s, primary methods for achieving this goal are recognition, workload, skill utilization, training, empowerment, resource availability, quality of leadership and compensation (Intagliata, Kulick, & Crosby, 2006).

5.10.3 Talent Management

Efficient operations require an effective mechanism for filling managerial positions throughout an operational structure. Fast growing businesses are particularly reliant on the ability to fill their increasing managerial positions with competent individuals.

The difficulty inherent in fast food chains approaches to talent management is that their workforces are generally poorly educated, second income earners and students. The majority of this workforce is likely to be acquiescent and have short term interests. The potential for these operations to discover and progress talent within such a workforce is limited (Royle & Urano, 2012).

To prevent a talent shortage, McDonald’s human resource department maintains a list of qualified candidates that they have reviewed from all over the world. When a managerial position opens anywhere in the world, McDonald´s provides this list to the relevant party who can then choose a fitting candidate from the international list or pursue a local candidate.

McDonald’s system has increased the cross organizational movement within McDonald’s that resulted in more selection options for the different McDonald’s quick service. This strategy reduces the risk of unqualified employees being placed in managerial positions because of insufficient local talent outlets (Intagliata, Kulick, & Crosby, 2006).

5.10.4 Employee Evaluation Strategy

In order to evaluate the effectiveness of their human resource management strategies, quick service restaurant chains commonly rely on employee and management rating systems. These systems usually focus on key metrics such as customer service, experience levels, speed, quality, cleanliness and values (Intagliata, Kulick, & Crosby, 2006).

Inherent difficulties with poorly designed employee evaluation systems, often allocate high ratings and advancement recommendations to employees and management during times of poor performances. Ineffective employee evaluation systems make it difficult for senior management to fill key leadership positions because they feel that despite the high evaluation ratings, there was a lack of talented candidates (Intagliata, Kulick, & Crosby, 2006).

McDonald´s used to have a decentralized three point global employee performance evaluation rating system. With this model, most employees received a “significant contributor” rating because it was the mid-point of the scale and perceived to be an average score. Employee’s evaluation ratings also showed large differentiation between regions. Some cultures where intrinsically stricter in employee evaluation rating then others. McDonald´s eventually replaced the three point model with a centralized five point model (Intagliata, Kulick, & Crosby, 2006).

In the five point system, “significant contributor” was positioned above the mid-point, which resulted in fewer employees receiving this rating. This new system prevented the majority of managers from receiving exceptional ratings and more were being evaluated as needing improvement. The five point system also removed any features that required cultural considerations or regional differentiation (Intagliata, Kulick, & Crosby, 2006).

5.11 Franchising and Internationalization

Globalization is becoming an increasingly vital route to growth for quick service restaurant chains. Franchising and internationalization are the key trends to achieving global success. However, there are many difficulties and risks inherent in such a strategy.

In 2002, McDonalds suffered losses and decreasing stock value after sustaining a growth strategy of opening 2000 new outlets a year. In 4 years, they invested 4 billion dollars into their expansion with no incremental income growth (CNBC, 2010).

McDonalds failing franchising strategy was overly aggressive and franchisees were not provided with sufficient standardization policies. The McDonalds brand started losing value, their restaurants became dirty, their food was served cold and their staff was detached (CNBC, 2010).

After 2002, McDonalds launched a recovery strategy designed to strengthen their brand and establishing a structure for maintaining consistent quality throughout their outlets. McDonalds slowed down their expansion and turned their focus on improving existing outlets. They also reacted to changing consumer trends and expanded their coffee line, breakfast offers and healthy menu options. This strategy successfully refocused McDonalds and is the cornerstone to their current success (CNBC, 2010).

McDonalds has also experienced the difficult process of global expansion. Some of their primary hurdles for entering a new region include adapting their menus to local tastes while maintaining their global appeal and training local staff to practice the companies standardized operational procedures. For example, McDonalds had to implement a thorough development and indoctrination program to teach their Chinese employees to maintain the same food safety practices that are required in North America (CNBC, 2010).

The success of a franchise is dictated by the competence of its franchisees. It is crucial to implement a mechanism to train franchisees so that they can operate their outlets in accordance with the brands standards. For example, McDonalds operates the Hamburger University, which educates and indoctrinates potential franchisees (CNBC, 2010).

In order to maintain control over their franchisees, McDonalds is the landlord of all their franchisees. With this system, McDonald's charges its franchisees rent based on their outlet sales. According to McDonalds, this correlates the interests of the franchisee and franchisor (CNBC, 2010).

6.0 Results

Until the 1980´s, Iceland was slow to adapt leading US quick service restaurant trends. However, after it reached its "Introductory Stage", fast food gained popularity and the industry progressed quickly. In modern times, Iceland's quick service restaurant industry has been more efficient in keeping up with the newest global trends.

The financial crisis and a more educated consumer base have led to recent changes in quick service restaurant trends. The leading modern industry trends are fast casual dining, healthier food, food quality, simplicity, convenience, snacking, declining popularity of carbonated soft drinks, social media marketing, internationalization, balancing global and local approaches and costly product development procedures.

After the 2008 financial crisis, fast casual restaurants have been absorbing market share from fine dining restaurants by offering an environment and experience similar to that of a fine dining establishments at more affordable prices. Quick service restaurants are also competing for this consumer group by offering higher priced premium products on their menus.

Icelandic brands such as Hamborgarafabrikkan, American Style, Eldsmiðjan, Saffran and Nings have been competing for the fast casual consumer by offering a dining experience with sophisticated interior and affordable menus.

Quality is becoming an increasingly popular food trend. Hamborgarafabrikkan successfully entered the Icelandic market with a fast casual interior and a menu that emphasized local ingredients. Icelandic pizza concept Eldsmiðjan has been successful in the Icelandic market for many years by distinguishing itself with fresher ingredients.

US market research reveals that US consumers want more healthy food choices. Quick service restaurant chains are responding to this demand by adding healthier menu options. Young Icelandic brands such as Serrano, Saffran and Yoyo have gained domestic success with their health oriented menus. Older Icelandic brands such as American Style and Nings have increased their consumer base by introducing healthier options to their menus.

Convenience, simplicity and snacking are leading trends in the US market. Many Icelandic concepts are familiar with these trends and are adapting strategies such as home delivery services. Global quick service restaurant brands in Iceland such as KFC and Subway are adapting their menus to this trend. However, there are only a few Icelandic brands that focus on simplicity and snacking. Icelandic frozen yogurt concept Yoyo has gained success by adapting to these trends.

Over the last few years the US has seen a decline in the popularity of carbonated soft drinks. Juices, tea, coffee and milkshakes are replacing the traditional soda drink. Icelandic burger concepts Metro, Hamborgara Búllan and Hamborgarafarbikkan offer milkshakes with their meals. If Icelandic quick service restaurant trends follow leading global trends, then they will start moving away from carbonated soft drinks and towards other drink options.

Recent trends have shown a decreasing effectiveness in traditional media strategies and a greater reliance on social networking sites such as Facebook, Twitter, Myspace, Foursquare and Youtube. The use of social media has become an important part of most quick service concepts in Iceland. If Icelandic concepts follow global quick service restaurant trends, Icelandic brands will start focusing more on large social media marketing campaigns.

Globalization is becoming an increasingly vital route to growth for quick service restaurant chains. Franchising and internationalization are key trends for achieving global success. Global quick service restaurant market leaders are constantly developing methods for standardization and consistency with necessary local adaptations.

The first Icelandic brand to attempt growth through internationalization and franchising was Pizza 67. Their failures demonstrate the difficulties inherent in such a strategy. Saffran, Serrano and Yoyo are currently undergoing an internationalization process.

Key elements for the successful internationalization and franchising of leading global brands include sophisticated culinary innovation operational structures and human resource management strategies that adopt a centralized structure with necessary local adaptations.

7.0 Conclusion and Recommendations

The success of leading global quick service restaurant brands in Iceland demonstrates how global industry trends are affecting the Icelandic quick service restaurant industry. Dramatic industry growth in Iceland during the 1980’s was a period in which Icelandic brands where adopting global industry trends on a large scale.

The US quick service restaurant industry is the global trend setter. Iceland’s quick service restaurant industry is becoming increasingly efficient in adapting leading industry trends and introducing them to their domestic market.

With the small scale of Icelandic quick service restaurant industry, trends that are least ingrained into Icelandic operations are those focused on creating successful human resource management structures and culinary development procedures for internationalization and franchising. The next stage of development for the Icelandic quick service restaurant industry will be focused on adapting leading trends to an increasingly globalized environment.

Iceland’s quick service restaurant industries capacity to adapt to leading trends associated with globalization will dictate its capacity to survive and expand. Large global brands such as McDonalds have often faced a crisis while dealing with the difficulties inherent in internationalization and franchising. However, their size and financial capacities have allowed them to adopt new methods and trends to overcome these difficulties.

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Appendix

QSR Project

Business Plan

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1 Executive Summary

The QSR Project is an organization designed to develop and market test new quick service restaurant concepts in a profitable manner. The QSR Project will operate a food court referred to as the development center. This center will be used to create, develop and then launch new quick service restaurant brands.

Brands that are unpopular within the development center will be replaced by new concepts. Brands that are popular will remain at the development center until they are moved out of the center and into private facilities where they will be launched as independent brands.

Creating standardized production methods will be a primary goal for the development center. Concepts will not be seen as fit for independent launch unless the development center staff has created an assembly line production process, which is efficient and can be replicated outside the center with sufficient consistency.

Once a quick service restaurant concept has been launched from the development center as an independent brand and been successfully expanded within the domestic market, internationalization will be pursued. The final stage of a brand´s development is to achieve franchising on a global scale.

The QSR Project will require at least 30 to 50 million ISK to sustain its startup costs and early growth for the first three years of operations. After three years the QSR Project should become profitable. Internationalization of the QSR Project will require additional financing. The amount will be determined by the market demand and expansion strategy.

The QSR Project is designed to promote aggressive expansion and growth. With internationalization and franchising, the long term profit potential of the QSR Project is significant. However, the scale and cost of its early growth is difficult to predict and the QSR Project will need to be backed by reliable financers to avoid damaging cash flow shortages.

2 Business Description

The QSR Project is an organization designed to provide a profitable structure to develop and market test new quick service restaurant concepts in Reykjavik, Iceland. The QSR Project will create new quick service restaurant concepts and then launch them as independent brands into the domestic and global markets.

When developing a quick service restaurant brand, multiple food products must be created to produce a cohesive and competitive menu. Other elements such as restaurant design and brand image must also be developed when launching a new quick service restaurant concept.

Developing a successful quick service restaurant product is more complicated then creating a tasty food product. Other crucial variables for the products success include production efficiency, consistency, affordability and visual appearance.

Large quick service restaurant chains develop their products through a process of vigorous consumer testing. This process often involves extensive testing periods, professional food tasters and costly test kitchens led by trained culinary experts.

Acquisitions of market tested quick service restaurant operations are also common tactics used by leading quick service restaurant operations to expand their portfolio. Icelandic quick service restaurant company FoodCo exemplified this process with its 300 million ISK acquisition of Indian themed restaurant chain Saffran.

Instead of spending money on developing new products, acquiring established brands or launching an untested concept, the QSR Project will operate a development center. This operation will be a food court hosting three different quick service restaurant brands. Each of the brands will have their own menus, service areas, logo and theme.

Even though the restaurant concepts will be operated with independent service areas and features, all the brands will be attached to the same kitchen and their food will be prepared by the same chefs. This will create a mechanism for the QSR Project's development center to operate three competing brands within one food court while saving operation costs by providing only one kitchen.

The purpose of the QSR Project's development center is to provide a profitable mechanism to test new quick service restaurant brands within the Icelandic market and perfect their operational efficiency. Concepts that are unpopular will be quickly replaced and the development center will continue to be financed by its other more successful brands. Concepts that are popular will remain at the development center for up to a year, after which they will be moved out of the development center and into private facilities where they will be launched as independent brands.

The goal for all QSR Project's brands launched from the development center is to achieve domestic expansion, then global expansion and franchising. QSR Project's brands will be created and developed using knowledge of leading global trends.

The development center itself is meant to operate as a profitable business and provide an environment to market test new quick service restaurant brands. Customers of the development center will be offered a diverse and adventurous dining experience that is constantly changing and evolving.

3 Competitive Analyses

3.1 Industry Overview

In Iceland there are 14 pizza themed quick service brands, including brands such as Dominos, Hrói Höttur, Wilsons Pizza, Eldsmiðjan and Rizzo Pizzeria, which operate 32 outlets throughout Iceland. Restaurants such as La Luna Pizzeria and Italia also sell pizzas. There are 13 hamburger themed brands in Iceland including well established brands such as Hamborgarafabrikkan and Hamborgarabúlla Tómasar. Night clubs, restaurants, video rentals and gas stations also sell quick service style hamburgers.

Subway and Hlöllabátar dominate the Icelandic sandwich quick service market in Iceland. Together they operate 31 outlets. Quiznos is also a player in Iceland's sandwich market, and with its gas station outlets operates a total of 11 sandwich outlets in Iceland. In Iceland there are also smaller sandwich themed quick service brands such as Super Sub. Ready to eat sandwiches are also sold in vending machines, stores, gas stations and video rentals.

There have been no significant recent developments in the chicken themed quick service market, KFC is and has been the dominant market leader. Healthier oriented chicken themed concept Kjuklingastaðurinn Suðurveri has not achieved any significant success.

Nings remains the market leader in Chinese themed quick service food. Ricky Chan has operated for years in Kringlan but has not managed to expand further. Sparro is an Italian themed quick service brand that has not managed to expand past its only outlet in Kringlan. Italian and Asian themed concepts in Iceland have been oriented more towards fine dining restaurant concepts such as Italia.

Suzusiii has not managed to expand out of its single outlet in Kringlan. Even though a newcomer Tokyo Sushi is showing some success in Iceland, but declining sushi popularity in foreign markets indicates that it might be a temporary fad.

There are multiple noodle themed establishments in Iceland that are operated by Asian immigrants. Recent trends show more Icelandic imports in the noodle theme market with brands such as Noodle Station. However, both Asian and Icelandic run noodle brands have yet to show significant potential for expansion.

There are five kebab themed quick service brands in Iceland. They have showed limited potential for growth. Icelandic themed food services have been more oriented towards fine dining establishments that attract tourists with menu options such as puffin and whale. However, there are some Icelandic themed quick service restaurants. One of these is Kjamminn, which sells traditional boiled Icelandic sheep heads.

In Iceland, hot dogs have been traditionally sold at gas stations, corner shops and video rentals. Bæjarins Bestu represents a very successful hot dog themed quick service brand but they have had limited success in expanding their 75 year old concept.

Taco Bell and Culican are two Mexican themed quick service brands that have had difficulties growing within the Icelandic market. However, Serrano has expanded from one outlet in Kringlan to ten outlets and now operates globally.

Large global brands such as Dominos, KFC and Subway have been successful in Iceland. Domestic brands such as Bæjarins Beztu Pylsur, Hamborgarabúlla Tómasar and Eldsmiðjan are concepts that have been known to Icelandic consumers for 20 to 70 years. Successful brands in the Icelandic market have often gained popularity by becoming a part of the Icelandic culture through longevity or have been known as giant global brands before entering the Icelandic market.

The late 80's in Iceland marked a change in consumer food spending. Early Icelandic quick service restaurant concepts entered the market with great success. Most of these operations showed short term growth before descending into obscurity. Large global brands such as Pizza Hut and McDonalds failed to be successful in Iceland. However, brands such as Dominos and KFC have survived and thrived in the Icelandic market.

After the 2008 financial crisis, the quick service restaurant landscape in Iceland changed once again. New Icelandic concepts such as Saffran, Yoyo and Serrano's began to expand and grow into some of the country's most popular brands. These brands represent new domestic concepts that have expanded quickly and revealed formulas for domestic and global success. These brands offer products that are healthy, simple, convenient and at low cost.

Yoyo entered the Icelandic market directly competing with established ice cream brands. With their frozen yogurt concept they have managed to quickly expand domestically and globally.

Saffran has successfully expanded their Indian themed fast casual brand domestically and globally. However, Indian themed fast casual brand Tandoori has not managed to match Saffran´s success.

3.2 Popular Quick Service Brands in Reykjavik

3.2.1 Subway

Subway is an international brand that has 22 Subway restaurants in Iceland and the 23rd is being opened in the heart of downtown Reykjavik on Laugavegur. Subway operates a restaurant on the outskirts of downtown Reykjavik, at Ártúnshöfði, that is open 24 hours every day. The first Subway restaurant in Iceland was opened in 1994 by Skúli Gunnar Sigfússon. Subway has been very successful selling sandwiches in Iceland and expanded very aggressively. The prices of their sandwiches range from 500 ISK to 1400 ISK depending on their size and ingredients.

The owner of Subway, Skúli Gunnar Sigfússon, also owns 26.32% of Hamborgarafabrikkan through his company Nautafélaginu ehf and he operates two Subway outlets in Finland (Viðskiptablaðið, 2012). Stjarnan ehf, Mr. Sigfússon´s company that holds his Subway outlets, profited 109 million ISK in 2009 when there were only 18 Subway outlets in Iceland (Viðskiptablaðið, 2011).

3.2.2 Hlöllabátar

Hlöllabátar is a successful sandwich quick service brand in Iceland that operates nine outlets in Iceland. Hlöllabátar operates brick and mortar restaurants in Keflavík, Reykjavík, Kópavogur, Akureyri and Selfoss. The prices of Hlöllabátar´s sandwiches range from 790 ISK to 1690 ISK.

3.2.3 Hamborgarabúlla Tómasar

Hamborgarabúlla Tómasar, also known as Búllan, was opened in 2004 in Geirsgata. Since then the brand has become the most established operating hamburger brand in Iceland and has expanded to five brick and mortar quick service hamburger restaurants. Búllan closes at 21:00 every night.

The owner of Búllan Tómas A. Tómasson who ran a hamburger quick service restaurant called Tommi í Tommaborgurum from 1981 to 1983, is a pioneer in Iceland's hamburger quick service industry. Tómas A. Tómasson has also opened other failed restaurants such as Sprengisandur, Hard Rock Café in Kringlunni and Kaffibrennslan. Tómas A. Tómasson´s sons Ingvi Týr and Tómas Áki are also co-owners of Búllan.

In 2012, Búllan announced its plans to expand their chain to London. The new outlet is located in Búllan´s real estate property in the vicinity of Oxford Street. Hall Dan Johansen and Valgarð Sörensen the owners of Laundromat Café and Úrilla Górillan partnered with Búllan for their expansion to London.

3.2.4 Aktu Taktu

Aktu Taktu is a well-established quick service brand in Iceland that specializes in hamburger themed drive throughs. Aktu Taktu operates four brick and mortar establishments in Iceland and the prices of their burgers ranges from 749 ISK to 999 ISK. Aktu Taktu has gained success by offering convenience with their drive throughs, putting paprika spice on their fries, selling low cost burgers and being opened at nights.

3.2.5 American Style

American Style is an American themed Icelandic hamburger fast casual restaurant chain. American Style operates five brick and mortar fast casual restaurants in Iceland that are open from 11:00 to 23:00. The prices of American Style hamburgers range from 700 ISK to 1400 ISK.

American Style restaurants sells fast quality food and their restaurants also have a fast casual style interior with free soda refills and waiters who will bring the food to the customers table. American Style is progressing past their fast food style hamburgers towards more premium menu items such as 2395 ISK steak and 2195 ISK chicken breast meals.

3.2.6 Grillhúsið

Grillhúsið has been operating in downtown Reykjavik on Tryggvagata since 1994. Recently, Grillhúsið expanded to two new locations in Reykjavik, including one in Iceland´s most popular mall Kringlan.

Grillhúsið is a fast casual chain that offers hamburgers, fish, salads, sandwiches, desserts, lamb, steak, chicken, ribs and several appetizers. The prices of appetizers range from 370 ISK to 1450 ISK, hamburgers are from 1690 ISK to 2140 ISK, lamb costs 4290 ISK, steak 3590 ISK, chicken 2690 ISK, ribs 2390 ISK and deserts cost from 790 ISK to 950 ISK.

3.2.7 Hamborgarafabrikkan

Hamborgarafabrikkan was created by Icelandic comedians and celebrities, Sigmar Vilhjálmsson and Jóhannes Ásbjörnsson. They opened this fast casual hamburger restaurant in 2010 along with Subway affiliate Skúli Gunnar Sigfússon. A second outlet was opened in 2013. The opening of Hamborgarafabrikkan was met with much media attention because of the celebrity status of its owners. The media hype of Hamborgarafabrikkan was supported by a strong brand association with Icelanders as Mr. Vilhjálmsson and Mr. Ásbjörnsson implemented an Icelandic theme involving menu items named after Icelandic celebrities, a board that monitors Iceland´s population, a music playlist with only Icelandic songs and pictures thoughtout the restaurant depicting well know events that have occurred in Iceland.

Within the first 6 months of opening, Hamborgarafabrikkan sold 180 thousand hamburgers, which is approximately 1000 hamburgers a day. Hamborgarafabrikkan currently operates two brick and mortar restaurants and launched a food truck in 2012. Their food truck focuses on Icelandic festivals in the countryside. Hamborgarafabrikkan has recently made a deal with Icelandair to sell miniature versions of their hamburgers on Icelandair flights.

Hamborgarafabrikkan sells their hamburgers from 1500 ISK to 1900 ISK. They also sell Appetizers for 1500 ISK to 3000 ISK, chicken 3000 ISK, ribs 3000 ISK, lamb 4600 ISK, salads for 1800 ISK to 2000 ISK and deserts for 500 ISK to 1400 ISK.

3.2.8 Ruby Tuesday

Ruby Tuesday is a large American fast casual restaurant franchise that has been operating in Iceland since 1999. Ruby Tuesday operates two fast casual restaurants in Iceland. This brand offers a very large menu including 11 appetizers, 6 salads, soup, 16 types of burgers, 9 steaks, 12 pastas, 7 fish courses, 7 types of ribs, 4 different fajitas, 6 quesadillas and 8 desserts.

3.2.9 KFC

KFC is a large international franchise that operates eight outlets in Iceland. KFC restaurants in Iceland are drive through operations that are open from 11:00 to 22:00. KFC sells deep fried chicken products. The prices of their deep fried chicken ranges from 300 ISK to 1000 ISK, the prices of KFC´s chicken burgers range from 700 ISK to 800 ISK. It has been reported that from 2008 to 2009 Icelanders spent 3.3 billion ISK at KFC. This equals approximately 3 million KFC meals purchased in 2 years.

3.2.10 Dominos

Dominos is a large international franchise that opened its first Icelandic outlet on Grensásvegur in 1993 and has since expanded to 14 outlets in Iceland. Hráefnavinnslan ehf. operates as Dominos customer service line and is open 24 hours a day. Dominos pizzas are of lower quality than many of their competitors, but Dominos has established a competitive advantage by being open all night and offering an efficient home delivery system. Dominos pizzas are priced from 999 ISK to 3000 ISK depending on size and toppings. Dominos has a successful discount offer which includes a free large pizza if customers purchase a large pizza and pick it up at a Dominos outlet.

Birgir Þór Bieltvedt opened the first Dominos restaurants in Iceland and Denmark. Birgir Þór Bieltvedt sold Dominos´s Icelandic outlets to Pizza-pizza ehf in 2005 for 1100 million ISK. In 2011, Birgir Þór Bieltvedt purchased Dominos in Iceland back for 210 million ISK. The reacquisition of Dominos by Mr. Bieltvedt in Iceland was motivated by Pizza-pizza ehf acquiring almost 2000 million ISK of debt. Over the next 10 years, Birgir Þór Bieltvedt, wants to open 500 Dominos outlets in Germany.

3.2.11 Eldsmiðjan

Eldsmiðjan opened 25 years ago in Iceland and was one of the country’s first pizzerias. Eldsmiðjan has obtained strong brand recognition within Reykjavik through its restaurants in Bragagata and Freyjugata. Eldsmiðjan is known for its traditional wood pizza oven baked pizzas and diverse topping options. The prices of their pizzas range from 1295 ISK to 3000 ISK and the restaurants are open from 11:00 to 23:00. Eldsmiðjan has home delivery but they charge 650 ISK for each delivery.

Former pizzeria employee, Þorleifur Jónsson, also known as "Tolli", purchased Eldsmiðjan in the early 1990´s and later also purchased the downtown pizzeria Reykjavik Pizza Company. Mr. Jónsson owned Eldsmiðjan for 13 years. During this time, Mr. Jónsson initiated no marketing strategy and offered no discount specials to customers. Mr. Jónsson sold Eldsmiðjan to FoodCo, who also own Aktu-Taktu, American Style and Greifinn. Eldsmiðjan currently operates three restaurants in Reykjavik.

3.2.12 Rizzo Pizzeria

Rizzo Pizzeria operates four pizzerias in Iceland. Rizzo makes their products with a wood pizza oven and they have been operating for seven years. Their pizzas are priced from 990 ISK to 2290. Rizzo charges 950 ISK for home delivery.

3.2.13 Serrano

In 2002, founders Einar Örn Einarsson and Emil Helgi Lárusson opened their first Serrano outlet in Kringlan. Today, Serrano operates seven outlets in Iceland and five in Sweden. The founders of Serrano also own an Asian restaurant in Iceland called Nam.

Einar Örn Einarsson and Emil Helgi Lárusson own 100% of Serrano Iceland and 60% of Serrano Nordics. After taxes and expenses, Serrano Iceland profited 4.8 million ISK in 2009 and 12.5 million ISK in 2010. Lind ehf, which is owned by Einar F. Kristinsson, is the primary financer of Serrano´s expansion in Sweden and owns 40% of Serrano Nordics, which did not do well until some progress was achieved in 2010. Serrano has accumulated 180 million ISK of debt during their Sweden expansion.

Serrano is a healthy Mexican themed quick service chain that sells burritos, salads and quesadillas. Serrano in Kringlan is open in accordance with the opening hours of the shopping mall. The prices of their products range from 1089 ISK to 1389 ISK.

3.2.14 Saffran

Saffran is a healthy Indian themed fast casual restaurant that was opened in 2009. Saffran currently runs four brick and mortar restaurants in Iceland and one in the US. Saffran has expended their operations abroad with a brick and mortar restaurant in Orlando. They intend to continue expanding their chain in North America, London and Ireland.

Saffran products include healthy pizzas, tandoori, salads, naanwiches and chicken burgers. Their prices range from 1000 ISK to 2000 ISK. Saffran has made a mark in the Icelandic fast casual industry by being health oriented and offering a healthy alternative to consumers at competitive prices.

3.2.15 Nings

Nings was first opened in 1991 and named after its Pilipino founder Mr. Ning. The current owner of Nings is Bjarni Óskarsson. Nings is a Chinese themed chain that has recently rebuilt its struggling brand with its new management focusing on marketing themselves as a healthy brand choice. Nings operates three outlets in Iceland. Nings products include noodles and Chinese style meat courses, prices range from 1000 ISK to 2000 ISK. Nings also sells Japanese style sushi that is priced from 1000 ISK to 7200 ISK.

3.2.16 Yoyo

In 2010, twins Ásgeir Ingi and Kristján Ingvi Einarssynir opened a yogurt and ice cream chain in Iceland called Yoyo. This concept operates three establishments in Iceland, two in Spain and has teamed up with foreign investors who are planning to open 15 outlets in Estonia, Latvia and Lithuania.

3.3 Other Notable Quick Service Restaurant Brands in Reykjavik

3.3.1 Devitos Pizza

Devito’s Pizza is a well-established pizza brand in Iceland that has been operating in Reykjavík for many years. Devito’s started as a small street vendor located next to Hlemmur. Eventually Devito’s expanded to a larger brick and mortar location in the same area. Devito’s Pizza only operates one brick and mortar restaurant.

Devito’s Pizza is open at nights on weekends and their products are priced from 500 ISK for a slice to around 3000 ISK for a large pizza with 4 toppings. Devito’s Pizza is one of Iceland’s most recognized pizza themed brands. If Devito’s domestic brand popularity were to be augmented with a marketing and expansion strategy, they could become a large domestic quick service restaurant operation.

3.3.2 Pizza Hut

After Iceland’s 2008 financial crisis, Pizza Hut closed all its outlets in Iceland except their most popular restaurant in Smáralind. Icelandic Pizza Hut manager Þordís Lóa Þórhallsdóttir claims that Pizza Hut was not competitive in its pricing strategy after the Icelandic krona collapsed. This is due to Pizza Hut in Iceland having to purchase its supplies in US dollars. Pizza Hut prices range from 1330 ISK to 2600 ISK.

Pizza Hut operates one brick and mortar restaurant in Iceland with no home delivery service. It sells fast food quality pizzas within a restaurant with a fast casual themed interior. They also sell salads, desserts, appetizers, pasta and quesadillas. Pizza Hut in Iceland offers a 30% discount on all their products for customers that order take away and a free large pizza for customers that purchase a large pizza, 2 liters of soda and a large order of bread sticks.

3.3.3 Hrói Höttur

Hrói Höttur operates seven pizza themed quick service restaurants in Iceland. Their pizzas cost from 743 ISK to 3335 ISK and they charge extra for home delivery. Hrói Höttur was owned by Lackland ehf, which was reported to have financial problems in 2012 with 223 million ISK of debt. The owners of Lackland ehf managed to move the Hrói Höttur brand over to another social security number to maintain ownership of the Hrói Höttur chain despite their financial difficulties.

3.3.4 Wilson´s Pizza

Wilson’s Pizza has three pizza themed quick service restaurants in Iceland. Their pizzas cost 990 ISK to 2790 ISK. Wilsons offers home delivery.

3.3.5 Metro

In 2009, the world's most successful fast food franchise, MacDonald's, left Iceland because of a the national financial crisis. Lyst ehf. a company that owned the license rights to MacDonald´s brand in Iceland, stated that running MacDonald´s in Iceland was not practical because of having to purchase products from abroad, which was difficult after the Icelandic Krona collapsed during Iceland's banking crisis.

The former owner of MacDonald´s in Iceland, Jón Garðar Ögmundsson, replaced the branding on MacDonald´s former drive through outlets with Metro brands and launched his own hamburger fast food chain which copies MacDonald´s menu with a few alterations. In 2010, Lyst ehf. filed for bankruptcy and was purchased by a new owner. Metro currently operates two drive through quick service restaurants and their hamburgers are priced from 349 ISK to 1049 ISK.

3.3.6 Quiznos

Quiznos is an international brand that operates 11 outlets in Iceland and sells sandwiches with prices ranging from 720 ISK to 1199 ISK. Quiznos has had difficulty operating in Iceland and they have had to close some outlets in Reykjavik. In response to early failures, Quiznos adopted a strategy in Reykjavik that involves selling their products over the counter in gas stations.

3.3.7 Nonnabiti

Nonnabiti was established in 1993 by Jón Guðnason and Björk Þorleifsdóttir. It is a well-established sandwich quick service brand in Iceland that operates two outlets in Iceland. Nonnabiti owns a successful brick and mortar quick service restaurant in down town Reykjavik that is open day and night. The prices of Nonnabiti´s sandwiches range from 1100 ISK to 1650 ISK.

3.3.8 Taco Bell

Taco Bell came to Iceland in late 2006 and there are currently two Taco Bell outlets in Iceland. There are outlets in Hafnafjörður and Grafarholt that operate alongside KFC outlets in the same locations. In 2008, Taco Bell opened an outlet in Ártunshöfði but that location was soon closed.

Taco Bell is a large international franchise that sells a variety of fast food quality Mexican food. Their products include tacos, quesadillas, burritos and salads. Their products are priced from 229 ISK to 1000 ISK.

3.3.9 Bæjarins Beztu Pylsur

Bæjarins Beztu Pylsur is a hot dog stand that has been operating in Reykjavik for 74 years. In 2006, The Guardian selected Bæjarins Beztu Pylsur as the best hot dog stand in Europe. Bæjarins Beztu Pylsur only sell hot dogs. This brand personifies the potential of selling a simple low cost quality product.

This brand runs three small booths inside different shopping areas, but the downtown hot dog stand is the primary profit earner for the company. The downtown stand is open all days and also at nights on weekends.

4 Strategy

The QSR Project will open a food hall referred to as the development center. This facility will host three quick service restaurant brands that share the same kitchen. The development center´s kitchen will be run by a professional chef that will be referred to as the QSR Projects head of culinary development.

The development center will be a continuously evolving process with its brands being regularly replaced by new concepts. Successful concepts will be launched outside the development center as independent brands and unsuccessful concepts will be terminated.

Primary trends that will guide the development centers projects will be healthy food, fast casual, quality, simplicity, convenience, snacking and the declining popularity of carbonated soft drinks.

The first three concepts that will be launched within the development center will be concepts specializing in Korean barbecue tacos, premium burgers and chicken salads. Each of these concepts will be given their own menus and independent service areas. This concept will be similar to that of food courts in large shopping centers. However, this operation will exist within a fast casual dining restaurant environment and share the same kitchen.

The Korean barbecue taco concept will focus on convenience, snacking and health. The chicken salad concept will provide consumers with a high quality healthy food option and the premium burger concept will provide fast casual style food. These concepts will also experiment with alternative drink options such as ice tea and milk shakes.

The development center will focus on primary menu options and the centers concepts will have no more than three menu options. Once a concept proves to be popular and is launched as a private brand, considerations will be made for expanding its menu.

Creating standardized production methods will be a primary goal for the development center. Concepts will not be seen as fit for independent launch unless the development center staff has created an assembly line production process, which is efficient and can be replicated outside the center with sufficient consistency.

Once a brand has successfully been expanded within the Icelandic market, the QSR Project will complete an internationalization plan that will highlight the most feasible expansion options and analyze the necessary degree of centralization and localization.

The final stage of a brands development is to start franchising. When franchising, the QSR Project will provide a franchisee with a restaurant and all the required facilities to operate a QSR Project brand. The franchisee will pay a starting fee and then monthly fees to be able to operate the restaurant. Franchisees will be trained in the protocols and standardized practices associated with their brand. The QSR Project will monitor the performance of its franchisees and insure that they maintain quality standards.

From the beginning of the QSR Project´s existence, its human resource management strategy will be designed to be sufficient for managing global expansion. The plan will be designed to sustain a large, fast expanding and global organization.

The competitive advantage of the QSR Project is that it offers an alternative to costly product development processes and company acquisitions. The development center will provide the QSR Project a profitable mechanism for market testing quick service restaurant concepts. The development center will also allow the QSR Project to acquire multiple quick service restaurant brands that have a domestic customer base and are ready for expansion.

5 Market Analysis

5.1 The Overall Market

Bæjarins Beztu Pylsur is an Icelandic hot dog stand in downtown Reykjavik. It has been operating since 1937 and has become recognized as one of Iceland´s most visited culinary landmarks. Bæjarins Beztu Pylsur represents Iceland´s quick service restaurant heritage. Before the 1980´s, Iceland´s quick service restaurant industry consisted of corner stores and gas stations selling hot dogs and pastries.

Iceland´s quick service restaurant industry showed dramatic growth from the late 1980´s to the mid 1990´s. From 1986 to 1994 the Icelandic quick service restaurant industry opened approximately 100 restaurant outlets. In 1980, KFC opened its first outlet in Iceland. In 1981, Tómas Tómasson opened Tomma Hamborgarar. Pizza themed quick service restaurants such as Eldsmiðjan and Jón Bakan opened in the late 1980´s. Popular Icelandic Chinese concept Nings opened in 1991. In 1993, Domino´s and McDonalds opened outlets in Iceland.

During the mid-1990´s, Iceland´s quick service restaurant market leaders included Pizzahúsið, Jón Bakan, Pizza 67 and Hrói Höttur. These brands had dozens of outlets domestically and globally. In 2013, none of these brands, except for Hrói Höttur, have outlets in Reykjavik. The only remains of brands such as Pizza 67 and Pizzahúsið are outlets in small rural areas of Iceland and the Faroe Islands. In 2012, Lackland ehf. the company that owns Hrói Höttur, was forced to reorganize its financial structure after declaring its inability to meet payments on its 223 million ISK debt. The McDonalds brand left Iceland in 2009. After Iceland’s 2008 financial crisis, Pizza Hut closed all its outlets in Iceland except their most popular restaurant in Smáralind.

In 2013, Iceland´s quick service restaurant market leaders are FoodCo, Stjarnan ehf., Pizza Pizza ehf., KFC ehf., Vörulagerinn ehf., HBT ehf. and Serrano ehf. FoodCo owns quick service restaurant brands American Style, Saffran, Eldsmiðjann, Aktu-Taktu, Pítan and Greifan. FoodCo is valued at 1.8 billion ISK.

5.2 Changes in the Market

The international financial crisis has increased unemployment and reduced disposable incomes, causing a reduction of spending in food services. This change in consumer behavior marks a change in how quick service restaurants need to service the market throughout the world.

Fast food has often been considered recession proof because it becomes a reasonable option when consumers need to cut spending. In periods of financial difficulties, fast food is pursued by customers who cannot afford to eat in more expensive restaurants. From 2008 to 2012, the total amount of restaurants in Reykjavik increased from 700 to 750.

Fast food spending in Europe, US and Asia is increasing and is expected to continue growing. However, fast food sales are expected to decline slightly as other types of food services adapt to the difficult financial situation by pursuing more relevant pricing and promotional strategies.

Until the 1980´s, Iceland was slow to adapt leading US quick service restaurant trends. However, after it reached its "Introductory Stage", fast food gained popularity and the industry progressed quickly. In modern times, Iceland's quick service restaurant industry has been more efficient in keeping up with the newest global trends.

The success of leading global quick service restaurant brands in Iceland demonstrates how global industry trends are affecting the Icelandic quick service restaurant industry. Dramatic industry growth in Iceland during the 1980's was a period in which Icelandic brands started adopting global industry trends on a large scale.

The financial crisis and a more educated consumer base have led to recent changes in the global quick service restaurant trends. The leading modern industry trends are fast casual dining, healthier food, food quality, simplicity, convenience, snacking, declining popularity of carbonated soft drinks, social media marketing, internationalization, balancing global and local human resource management approaches and sophisticated product development procedures.

Since the 1980's the Icelandic quick service restaurant industry has progressed in line with leading global trends. These trends primarily originate from the US quick service restaurant industry. Familiarization with these leading global trends is an indicator of future developments within the Icelandic quick service restaurant industry.

5.3 Demographics

Total population in Reykjavik	119.764
Total population of Women in Reykjavik	60.413
Total population of Men in Reykjavik	59.351
Total Reykjavik Population of People Aged 2 to 10	13.979
Total Reykjavik Population of People Aged 11 to 17	9.800
Total Reykjavik Population of People Aged 18 to 25	14.729
Total Reykjavik Population of People Aged 26 to 32	13.830
Total Reykjavik Population of People Aged 33 to 40	13.538
Total Reykjavik Population of People Aged 41 to 49	13.688
Total Reykjavik Population of People Aged 50 to 60	16.293
Total Reykjavik Population of People Aged Over 60	20.445

5.3.1 Young Kids

Young children are most likely to eat at quick service restaurant establishments with their parents. Dinner is the meal most likely to be eaten with young children at fast food restaurants. In western countries, chicken fingers, hot dogs and grilled cheese sandwiches have become more popular kids' food items in quick service restaurants. In order to counter the negative press fast food chains have received for marketing unhealthy food products for children, there have been developments towards having more healthy kids' menus such as introducing apple slices, but toy premiums also remain an important tool for attracting young children to fast food restaurants.

5.3.2 Teenagers

Within this age group, girls are more likely than boys to be heavy users of fast food. In Western countries, teenagers are more likely to consume fast food snacks with their friends and have breakfast, lunch or dinner with their parents.

According to research conducted in the US market, teenagers are very critical of fast food even though they also tend to be heavy users of fast food. This applies specially to teen girls, of which 44% believe fast food is junk food. The study shows that about 45% of teen girls say they felt guilty about eating fast food.

5.3.3 Adults

According to research data from Ireland, the biggest consumer group for fast food products is 18-34 year old males. However, this consumer group was most affected by the international financial crisis in terms of unemployment and reduced disposable incomes.

In Western countries, cheeseburgers are primarily purchased by 25-54 year olds and 18-24 year olds. However, 18-24 year olds are most likely to order chicken sandwiches.

Females are more health conscious consumers then males and more likely to order healthy food options such as salads. Females in the US are 16% more likely to try new food products and their consumption choices are affected more by coupons and discount offers.

5.4 Customer Characteristics

Consumer's reliance on food away from home has steadily increased and cooking is becoming a less important skill. In 1980, Americans spend 39% of their food dollars on food prepared outside their homes. In 2011 that number increased to 48%.

In a 2008 Restaurants & Institutions magazine study, 44% of adults strongly agreed that eating out is just as much about the experience as it is about the food. 61% of adults dine out because they don’t feel like preparing a meal, 58% are looking to treat themselves, 49% use dining out as a mechanism for socializing, 14% wanted to have fun and 13% just wanted some food.

B. Joseph Pine II and James H. Gilmore argue in their book, “The Experience Economy: Work is Theatre & Every Business a Stage”, that food culture has shifted from providing services to providing experiences. Research shows that adults value experience over service.

6 Marketing

Quick service restaurant chains are top industry spenders in traditional media such as television. Research shows that this method of marketing is effective for children and the elderly. Social media has become a more effective marketing tool among young adult's aged 18 to 24.

QSR Project will focus its marketing on social media campaigns that target the 18 to 24 demographic. QSR Project's campaigns will emulate successful social media campaigns conducted abroad by industry leading brands.

Burger King´s "Whopper Sacrifice" campaign in 2009 offered a free Whopper burger for Facebook users that unfriended 10 people from their Facebook page. The "McCafé Scavenger Hunt" was launched by McDonald's. Their twitter account would regularly reveal hints about the locations of hidden prizes.

Carl´s Jr used their Twitter account to link its customers who purchased their entrée salads to a video upload on Youtube of celebrities inviting viewers to take part in a live virtual lunch date. T.G.I. Friday´s created a facebook character called "Woody" and offered a free "Jack Daniel´s Burger" to the first 500,000 people who became Woody´s facebook friends and registered their e-mail address with T.G.I. Fridays. Taco gave free taco offers to their Facebook friends.

Starbucks has a mobile phone payment system that allows customers to pay for orders and manage personal Starbucks accounts. CKE Restaurants has created "Happy Star Rewards", a smartphone app that awards points to customers for "checking in" to one of their restaurants. These points can be used to buy food and win prizes.

By following leading social media marketing strategies, the QSR Project can promote their brands with limited cost and maximum customer participation. The QSR Project will use social media as an effective tool for targeting the young adult age demographic.

7 Operations

7.1 Product Development

QSR Project will utilize its development center as a mechanism for developing and testing new products through a profitable operation. The development center will operate three service windows with one kitchen. Each of the development center's service windows will represent a separate brand with an independent menu.

The development centers kitchen will oversee the food production for all three brands. The kitchen will be managed by a professional chef who will assist with the development of three separate menus for the three different brands. The restaurant will have a cohesive interior design with seating arrangement. However, the three service windows will have their independent visual design and branding.

The development center will be used to simultaneously test three different brand concepts with three different menus but with only one kitchen. The market's reaction to these brands will determine the longevity of the various concepts. Unpopular concepts will be replaced and popular concepts will remain up to a year within the QSR Project's development center.

Once a concept has been market tested and proven to be popular for a sufficient time, the concept will be replaced within the development center and launched outside the center as an independent brand.

The QSR Project will focus on consistency and standardization of production procedures. A product will not be launched outside of the development center until there are established procedural stages that can be standardized in order to guarantee product consistency. Such processes will include elements such as measuring meat temperature and recording the amount of raw materials used through each procedural stage of a products creation.

7.2 Facilities

During the first phase of QSR Project's development, the development center will be the operations only facility. This facility will require sufficient space for seating. There will be three separate service windows inside the facility that represent three different restaurant concepts. Each window will require one employee to take orders.

The service windows will all be connected to one kitchen. This kitchen will be run by a professional chef and two assistants. The amount of employees will increase in response to increasing demand.

Concepts that have received sufficient consumer demand within the development center will then be launched outside the development center as independent brands. During this phase of development each brand will require independent facilities, kitchens and staff. Independent brands will then be expended to multiple outlets in accordance with consumer demand.

The third stage of development is the internationalization of successful concepts. Once a brand shows sufficient profits within the domestic market, they will be launched in foreign markets.

The final stage of a brands development is franchising. In this stage, brands will have achieved enough global recognition to attract franchisees that will become the chains primary mechanism for expansion. During this stage, the QSR Project will provide franchisees with access to real estate and facilities for operating restaurant outlets.

7.3 Operational Procedures

Meticulous attention to cleanliness and service will be demonstrated by all employees. Before servicing customers, employees must be aware of these expectations, understand them and be able to fulfill them. The QSR Project will focus on the experience of eating out. Cleanliness and good service are the primary ingredients for customers to enjoy a positive experience.

A key variable for an expansionistic quick service restaurant chain is standardization. Product and service need to be consistent throughout the chain’s various outlets. To achieve a standardized production process, QSR Project will focus on operational procedures similar to assembly line structures in which employees will have a station in which they operate a certain stage of a products development. Once the product has gone through the different operational stations it will be ready for consumption.

When the QSR Project begins franchising its brands it will provide franchisees with access to real estate and a restaurant with the required facilities. Franchisees will pay the QSR Project a flat starting fee and then subsequent monthly fees for the right to operate a QSR Project brand.

7.4 Human Resource Management Strategy

Quick service restaurant operations maintain profit margins by reducing labor costs. To compensate employees for their low paying work, QSR Project will focus on recognizing above average work contributions, training, empowerment, promotional compensation and providing quality leadership.

Managers will rate employees on a five point system. This rating system will focus on key metrics such as customer service, cleanliness, speed, quality and personal values. Global human resource management trends show that the majority of employees receive “significant contributor” when it is in the middle of a three point scale. A five point scale with “significant contributor” positioned above the mid-point will make it a rarer rating for employees and become a more significant measure of promotional potential.

Employees will rate their managers with a commitment survey. A manager’s survey score will be analyzed by senior management when reviewing a managers potential for advancement. The commitment survey will also be a tool for showing the work climate of QPR Project outlets once the organization has grown.

Quick service restaurant outlets are generally staffed by poorly educated, second income earners and students. Within this environment it can be difficult to find internal talent for promotion to management and senior management. To avoid unqualified management or a reliance on external hire for managerial positions, QSR Project will maintain a list of qualified candidates that they have reviewed. The employee five point system and management commitment survey will be the primary mechanisms for reviewing candidates for the management talent list.

The management candidate list will review employees from all of QSR Project’s outlets. This list will allow talented employees to be provided with promotional opportunities throughout the organization. As the organization grows it will require more managers and with more outlets the management candidates list will be provided with more candidates from the growing employee pool. The management candidate list will also be used when selecting employees for management training and development programs.

When the QSR Project achieves global expansion, standardization and centralization of operational structures will be a critical factor in achieving success. However, local adaptation will be implemented alongside the centralized structure. Local staff will be trained in relevant global procedures with consideration for relevant features of the local culture and environment.

8 Financials

The financial results of the QSR Project will be different in accordance with the changing and launching of different brands with various profit margins and operational costs. The profitability of the QSR Project will increase with the expansion of its multiple brands. The long term goal of the QSR Project is to achieve internationalization and franchising. Achieving these long term goals would dramatically increase the organizations profitability.

Due to the expansive nature of the QSR Project there will be a need for access to refinancing. The QSR Project requires access to financers that can prevent cash flow difficulties during early phases of expansion.

8.1 Four Year Financial Forecast

First Year Financial Forecast	
Annual Rent Cost for Development Center	2.000.000 kr.
Set up Cost for Development Center	2.000.000 kr.
Annual Cost of Salaries for 6 Employees	12.000.000 kr.
Annual Supply Cost	2.000.000 kr.
Annual Cost of Marketing	4.000.000 kr.
Annual Profit from Sales	18.000.000 kr.
Total Annual Profit	-4.000.000 kr.

During the QSR Project, the development center will be launched. This will require cash for startup costs, marketing and sustaining first year losses. The QSR Project will require a minimum of 10.000.000 ISK to begin operations. This startup cost will cover expenses associated with providing for adequate facilities, marketing, salaries, and supply costs to sustain possible first year losses.

The forecasted cost of rent is from 165.000 to 170.000 ISK a month. The startup cost includes cost of purchasing equipment and interior furniture. The forecasted annual salary expenditure is calculated with each employee receiving a monthly salary of 167.000 ISK a month, which is 2.000.000 ISK a year. The annual supply costs forecasts the annual expense of raw materials. Forecasts for supply costs and sale profits assume 50 meals being sold daily every day of the year for all three windows, for an estimated profit of 1.000 ISK per meal.

Marketing expenses are calculated at around 22% of annual sales. The marketing expenses will be invested in increasing brand awareness through social media marketing campaigns.

Second Year Financial Forecast	
Annual Rent Cost for Development Center	2.000.000 kr.
Annual Rent of 2 New Independent Brands	4.000.000 kr.
Set up Cost for New Operations	4.000.000 kr.
Annual Cost of Salaries for 14 Employees	28.000.000 kr.
Annual Supply Cost	6.000.000 kr.
Annual Cost of Marketing	10.000.000 kr.
Annual Profit from Sales	55.000.000 kr.
Total Annual Profit	1.000.000 kr.

The QSR Project´s second year of operations will see concepts launching from the development center as independent brands. This expansion will require financing of at least 15.000.000 million ISK. The financing will cover the startup cost for launching two new brands outside the development center, setting up new concepts within the development center, marketing expenses, supply costs and rent costs.

The second year financial forecast's predicts increasing expenses from launching new brands and expanding the organization. This expansion will lead to increased profits. This forecast show profit projections that assume each outlet selling 50 meals daily.

Third Year Financial Forecast	
Annual Rent Cost for Development Center and 3 Independent Brands	8.000.000 kr.
Set up Cost For New Operations	2.000.000 kr.
Annual Cost of Salaries for 18 Employees	36.000.000 kr.
Annual Supply Cost	8.000.000 kr.
Annual Cost of Marketing	15.000.000 kr.
Annual Profit from Sales	75.000.000 kr.
Total Annual Profit	6.000.000 kr.

The third year of operations will again have the QSR Project launching new brands from the development center. This will require financing of around 10.000.000 ISK for expansion and to avoid cash flow shortages. By this time, the QSR Project will most likely have some capacity to partially finance its own expansion.

The third year financial forecast predicts the release of one new brand. The required financing for new brand releases will alter depending on the viability of development center concepts. The QSR Project will require more financing the more development center brands it decides to launch as independent brands.

The third year forecast predicts the launching of another independent brand. This will require further investment but leads to higher sales profits assuming that the new outlet sells at least 50 meals a day.

Fourth Year Financial Forecast	
Annual Rent Cost for Development Center and 5 Independent Brands with 2 outlets each	20.000.000 kr.
Set up Cost For New Operations	10.000.000 kr.
Annual Cost of Salaries for 45 Employees	90.000.000 kr.
Annual Supply Cost	22.000.000 kr.
Annual Cost of Marketing	50.000.000 kr.
Annual Profit from Sales	350.000.000 kr.
Total Annual Profit	158.000.000 kr.

The fourth year financial forecast shows the potential profit once the QSR Project begins to expand its independent brands while continuously launching new ones from the development center. The expansion of the QSR Project's multiple brands and launching of new ones might require additional financing to avoid cash flow problems.

The key objective for the QSR Project's operations is that they become successful, expand aggressively and increase their sales to around 70 to 100 menu sales a day per outlet due to adaptation of modern trends and increased marketing. If this objective is achieved then the potential annual profits are assessed to be in the range of 150.000.000 to 200.000.000 million ISK in its first fourth year of operation.

The fourth year financial forecast shows the potential profit increase when the QSR Project begins to expand its previously launched brands. At this point the QSR Project will be mature enough to start considering internationalization strategies for entering larger markets outside of Iceland.