Restaurant Research®

Concept Analysis & Benchmark Report

Carl's Jr. 2024

Executive Summary

Carl's Jr. is a QSR burger chain with a significant regional West Coast orientation spanning from Colorado to California. Brand attributes include: charbroiling for burgers (including its double patty & premium Thickburger Angus platforms) & certain chicken sandwiches; hand-breaded chicken sandwiches & tenders; biscuit breakfast sandwiches; and milkshakes made with hand-scooped ice cream. The brand's new marketing strategy is to bring the story back to the experience, making flavor the star as accentuated by its Happy Star logo (feed your happy). Ads feature close-ups of mouth-watering food and use of a fire grill to emphasize its charbroiling positioning, reinforced by its "you know who made charbroiled flavor famous" tagline. A spicy flavor profile appeals to core Hispanic demo and recent TV ads promoted the Big Char Chile Burger (with a whole charred Anaheim Chile) and the El Diablo Burger "from the fiery depths of hell's kitchen". Significant menu innovation is designed to drive trial/brand reach and attractive every-day value pricing includes: $3.29 Charbroiled Double Deals (California, Jalapeno & regular); $2.99 spicy chicken sandwich; and $3.89 Big Hamburger. Digital progress is helped by a new loyalty program and operational complexity benefits from a significant reduction in menu size. All-the-same, historical sales underperformance reflects: impact of high-end positioning during an extended period of consumer weakness & competitive discounting; disproportionately high unemployment rate among those "young hungry males" targeted by Carl's; smaller system scale which translates into less media share of voice; lack of digital access; and a lack of breakfast all-day availability. Notably, the brand does not make a practice of discounting core products to drive the top-line and has not pushed for extended late-night hours or expanded breakfast hours because of existing operational complexities. All this translates into unit-level profitability challenges which are likely to be aggravated by California's plan to hike the minimum wage to $20/hr. for restaurant operators in 2024. In conclusion, while Carl's Jr. remains challenged to meet the growing demand for value in a tough economic environment given elevated operating costs associated with its West Coast orientation, we must wait to see what changes and renewed energy will be driven by CKE's new management team.

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Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt/ EBITDA	EV/ EBITDA	Stock Performance		
					2022	TTM	Dec-23
CKE Restaurants Holdings, Inc.	Private	Not Rated	N/a	N/a	N/a	N/a	
$1B+ Chains			5.55	14.16	-18.7%	23.1%	

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