

FMCG Team

Chinese chains in the U.S.

28 Nov 2022

Outline

P.F. CHANG'S

- Intro
- Statistics (each)
- Comparison
- Conclusion/Advice



PEI WEI
ASIAN KITCHEN™

SWOT analysis



Strength:

Has targeted niche, growing asian population in metro areas



Weakness:

Lots of existing competitors, hard to stand out with standard menu



Opportunity:

Has the potential to break into untapped markets in Midwest and Southern United States.

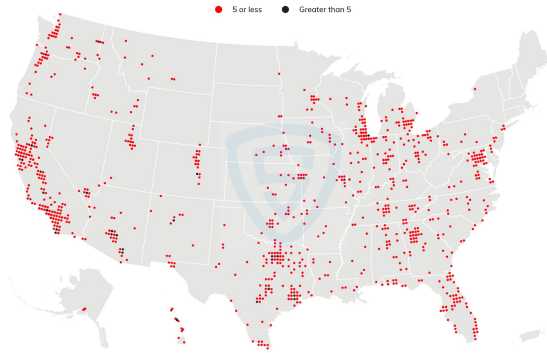


Threats:

Economic decline can lead to lower restaurant spending, or shift in consumer demands.

Location distribution

Panda Express



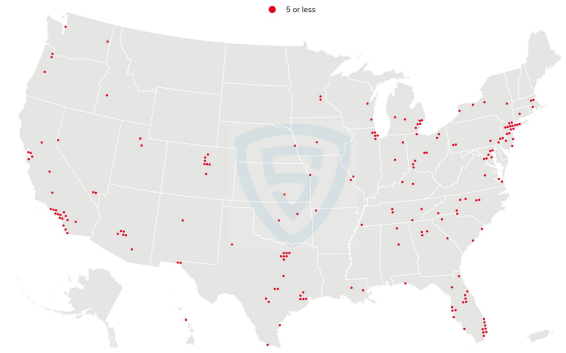
Panda Express store locations in the USA
Each grid point covers 10-mile radius with at least one location
Source: ScrapetHero.com



Pei Wei



Pf Chang



P. F. Chang's China Bistro store locations in the USA
Each grid point covers 10-mile radius with at least one location
Source: ScrapetHero.com



Insights:

- 1) Panda Express has by far the most locations, almost 10 times Pei Wei + Pf Chang
- 2) There is untapped market locations in the midwest, and southern US


Panda Express





Price Point- Panda Express in Different Locations

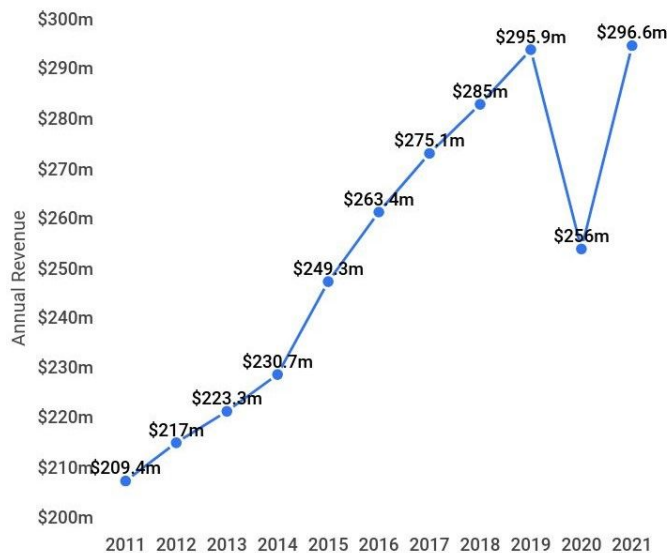
	Irvine	San Bernardino	LA	NYC
Bowl	8.20	8.00	8.00	9.90
Plate	9.70	9.50	9.50	11.40
Bigger Plate	11.20	11.00	11.00	12.90
2 veggie spring rolls	2.00	2.00	2.00	2.00
Medium Coca Cola	2.40	2.40	2.40	2.80
Average of Entrees	9.70	9.50	9.50	11.40
Average of all segments	6.7	6.58	6.58	7.8

 **Insights:**
The overall price point suggests Panda Express focuses more on affordable fast food. The price point is low, which attracts consumers. The pricing is uniform across the United States, however there can be high prices in areas with high living costs.



Growth Rate Comparison

US FAST FOOD INDUSTRY REVENUE OVER TIME



GDP growth in the U.S.: **3.14 percent** from 1948 until 2022. Over the last 10 years, it has averaged 2.05 percent.

Chain fast food restaurants have outpaced US GDP Growth in the last 10 years, averaging **3.5 percent** growth per year.

Panda Express has outpaced both, growing **4.9 percent** in units in 2019, and **12 percent** in sales. During the 2020 pandemic, the industry declined 13.5 percent in sales, while Panda Express only declined 3.3 percent.



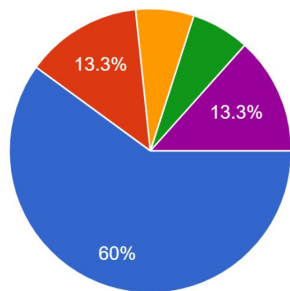
Insights: market power driving Panda Express to take market share, and there's still a demand to be filled.



Consumer Analysis – Survey

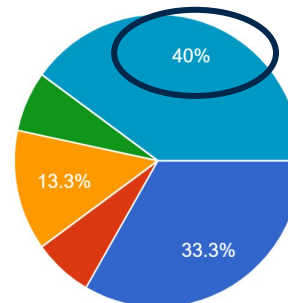
How many times did you eat at Panda Express in the past month?

15 responses



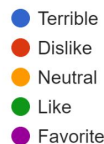
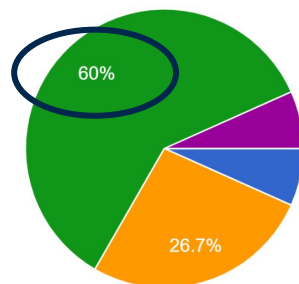
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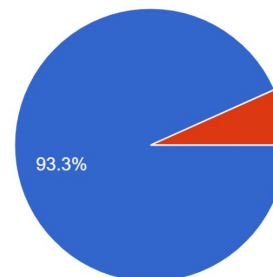
What is your general opinion on Panda Express

15 responses



Have you had more authentic Chinese food other than Panda Express?

15 responses





Consumer Analysis - Flow

Amount of Consumers in line + dine in

	Weekday	Weekend
4:00 pm	12	14
6:00 pm	23	31

Remark: Average time for each order check out is around 45 seconds.



Pf Chang

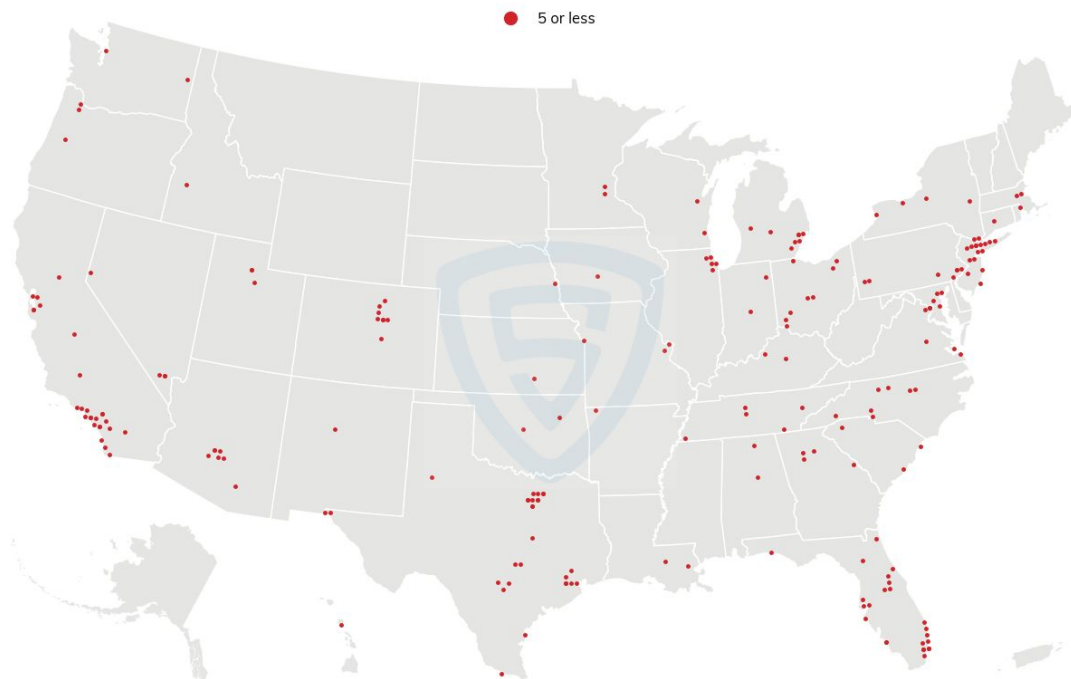


- market situation and consumer sentiment concerning fast service Chinese chains in America
- 

Background information

- PF Chang's was founded in 1993 by co-founders Paul Fleming and Philip Chiang
- Over 300 locations in over 22 countries
- Over 214 locations in the US
- “A full-service bar offering an extensive selection of wines, specialty drinks, Asian beers, sake, cappuccino, and espresso complements the menu at each of our restaurants.”
- Focus on Asian Fusion cuisine (Lettuce Wraps, Chang's Spicy Chicken, Peking duck, various types of sushi”)

Location & Distribution

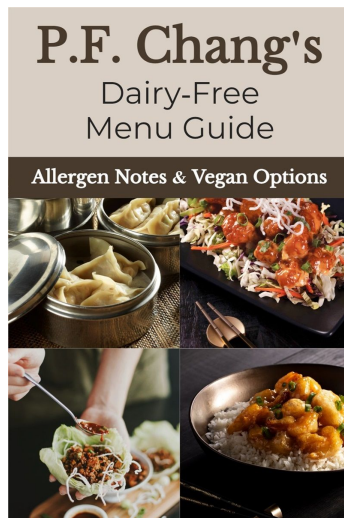


Centered around the Northeast, California,
Florida, Texas



normal menu	Quantity
apps	11
dim sum	8
sushi	5
salad	3
soup	6
main entrees	28
noodles & rice	22
lunch specials	10
sides	5
desserts	5

Menu



normal menu	Quantity
gf apps	11
gf lunch	4
gf soup	2
gf entrees	5
gf noodles	10
gf sides	1
gf desserts	1

- **Some trends we can identify in the menu:**
 - Enormous variety of entrees, catering to as many different tastes as possible
 - Sushi, dimsum, apps, sides, and desserts total 34 different dishes; this points to restaurant emphasis on add-on dishes that also cater to different tastes
 - The 10 lunch specials are mainly rice bowls → this type of quick, easy, and cheap casual dining makes these meal options very enticing for Americans

Financial Analysis

Annual revenue ~ \$1.0 b - \$1.2 b (2021)

Average annual growth rate ~ 1.4 %

Lower than annual growth for chain fast food restaurants ~ 3.5 %

Biggest competitors:

- Cheesecake Factory
- California Pizza Kitchen
- Applebees
- Olive garden
- Red lobster
- Maggianos

Pei Wei



- Founded in 2000 in Scottsdale, Arizona as Pei Wei Asian Diner by P.F. Chang's China Bistro compete in the fast casual restaurant segment with a Pan Asian menu and quick, made-to-order service model
- Headquarter: Irving, TX

Location & Distribution



United States:

167 locations in the U.S.

1st U.S. location in Scottsdale, AZ

1st U.S. location outside AZ in Dallas, TX in December 2001

1st U.S. location in California: Irvine in June 2002

By 2010, Pei Wei had 168 locations primarily in California, Texas, Arizona, and Florida.

International:

In 2012, Pei Wei opened the 1st Mexico location.

By the end of 2014, all three Mexico City locations were closed.

In August 2012, Pei Wei opened the 1st Kuwait location, operated by M.H.

Alshaya Co.

In April 2013, Pei Wei opened the first U.A.E location in Dubai. (Same franchisee)

By the end of 2014, Pei Wei had 5 international locations: 2 in Kuwait, 3 in U.A.E.

In September 2016, Pei Wei opened its 1st East Asian location in South Korea through a partnership with ELX Food & Beverage.

Trends



- **Sales fell 10.5% in 2018**
- The chain has also closed numerous units.
 - Peaked at 213 locations in 2016.
 - The chain is now down to 167.
- On May 13, 2019, Pei Wei was acquired by financier Lorne Goldberg (who also owns Pick Up Stix, Leeann Chin and Mandarin Express)
- Pei Wei Asian Kitchen is getting on the digital bandwagon by revamping its menu with Food Network star Jet Tila.
 - Created several menu items for the brand, including Thai Coconut Curry, Spicy Korean BBQ Steak and Thai Basil Cashew Chicken.
 - Tila's menu has led to an economic turnaround with digital sales of 55%.

Price point

	Phoenix, AZ	Tustin, CA	Miami, FL	Dallas, TX
Kung Pao Chicken (Classic Entree)	10.69	10.69	10.69	10.69
Chicken Fried Rice (Rice & Noddle Entree)	10.69	10.69	10.69	10.69
Asian Chopped Chicken Salad (Salad Bowl)	9.79	9.79	9.79	9.79
Pork Egg Roll (Shareable)	5.39	5.39	5.39	5.39
Kid's Orange Chicken (Kid's WEI)	5.99	5.99	5.99	5.99
Side of White Rice (Small Side)	0.99	0.99	0.99	0.99
Regular Fountain Drink (Dessert & Beverage)	2.59	2.59	2.59	2.59
Family Bundle	33.99	33.99	33.99	33.99

Prices are the same in all locations in the United States.

Entree dishes are around \$10.

price point - 2

Category	# of items	Chicken	Beef	Shrimp	Pork	Tofu	Veggie	Crab	Rice	Noodle
Entrees	15	7	2	2		4				
Classic Entrees	9	6	1	0		2				
Rice & Noodle Entrees	5	5							1	4
Salad Bowls	1	1								
Shareables	10	4		1	1		3	1		
Kids Wei	5	5								
Family Bundle	1									
Desserts	2									

A majority number of dishes are cooked with chicken

Conclusion + Investing Recommendation

- High Market Concentration
- Panda Express is growing while both Pei Wei and PF Chang are stalling
- High percentage of non-asian consumers actually like styles such as panda express
- High percentage of non-asian consumers have had more authentic chinese cuisine before
- There is low market concentration in authentic chinese food space

Based on our findings, we would actually like to suggest an alternative to investing into Americanized Chinese food (ACF).

Although the ACF space is highly concentrated and being dominated by Panda Express, there is almost no real chain competitors in Authentic Chinese Food.

However these chains are highly popular in China. We would recommend starting a recognizable authentic Chinese chain that capitalizes on a lack of competitors.

Especially with growing acceptance of foreign food in large metropolitan areas and college towns.