

Diners Lose Taste for Pricy Burgers

As meals climb to \$13, some customers rethink appetite for fanciest toppings

BY JULIE JARGON

Anatomy of a Classic

Burgers at restaurants are sold on average at a price nearly 400% higher than the cost of ingredients.



Total burger cost = **\$1.86**

Average restaurant cost = **\$9.00**

Source: Plate IQ

THE WALL STREET JOURNAL.

The once-humble hamburger has become too fancy for its own good.

As the number of outlets serving “better” burgers—featuring nontraditional toppings and artisan buns—has skyrocketed over the past decade, so has the average burger tab, turning some customers off.

Brian Cockerline, a 20-year-old Rutgers University student, used to go to Five Guys for a burger once a week in South Plainfield, N.J. With fries and a drink, his tab was about \$13.

Now, he is cooking burgers at home instead.

“I like Five Guys, but I can buy ground beef and one onion and get pretty close to the same burger for half the cost,” said Mr. Cockerline, who rarely goes to Five Guys anymore. “A hamburger, to me, is not a luxury,” he said.

Five Guys declined to

comment.

Lunch traffic to quick-serve hamburger restaurants fell 5% last year—the biggest year-to-year decline that market-research firm NPD Group Inc. has recorded.

“It’s not sustainable for them to expect people to show up and spend \$13 on a burger on a consistent basis,” said Kurt Kane, chief concept and marketing officer at **Wendy’s Co.**, which is among the fast-food burger chains engaged in a price war to attract and keep their core, budget-conscious customers. Wendy’s has a deal of four items for \$4.

Mr. Cockerline now mostly goes to Wendy’s when he is too busy to cook—because he can’t make a meal for any cheaper than \$4, he said.

The average lunch burger check—including fries and a beverage—has risen 22% since the financial crisis to \$5.83, with a 4% increase last year alone, NPD says.

Choices used to be limited to fast-food chains such as **McDonald’s Corp.** and **Res-**

taurant Brands International Inc.’s Burger King, diners, or sit-down chains that served a range of other menu items.

In the 2000s, quick-serve restaurants such as **Shake Shack Inc.**, **Smashburger Master LLC** and **BurgerFi International LLC**, specializing in making bigger burgers with fresh ingredients, began popping up.

The number of such outlets has nearly quadrupled in the U.S. since 2005 to more than 2,700, according to restaurant consultancy Technomic Inc.

Today, the fast-food and fast-casual burger business is estimated at \$82 billion in sales, says Technomic.

With so much competition and only so many ways to differentiate a burger, upstarts have been coming out with evermore gourmet ingredients, such as Wagyu beef, roasted garlic aioli and truffled arugula, which have raised the bar for burgers overall—and their price tag.

All restaurant tabs have
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BURGER

Continued from the prior page climbed in recent years as labor costs have risen largely because of state and local minimum-wage increases. The cost of eating out—especially when cooking at home has become cheaper—is a significant reason hamburger chains are seeing less foot traffic, NPD restaurant analyst Bonnie Riggs said.

Many burger places also have been placing a premium on their food. Those places have found they can beef up profits by charging extra for additional toppings.

“We’ve had a good 10% increase in average check over the last couple of years,” said Andrew Wiederhorn, chief executive of **Fatburger North America Inc.** “Menu price increases are a piece of that, but 60% of it is from premium offerings we’ve added to the menu, like fried egg or guacamole.”

A basic hamburger at the Los Angeles-based chain starts at \$5.94, but after adding bacon and chili, it is \$8.14. With fries and a drink, the combo totals \$13.37.

The Habit Restaurants Inc. has raised overall prices in response to rising labor costs and has added higher-priced items such as a Portabella

Charburger, which at \$4.75 costs \$1.40 more than the original Charburger. With fries and a medium drink, it comes to \$8.75.

Some traditional fast-food chains have struggled to attract customers who have migrated to places serving more gourmet food. McDonald’s recently adopted a back-to-basics approach after years of chasing health-minded customers with products such as salads and fruit smoothies. It had neglected its burgers and recently found that only one in five millennials had ever tried its signature Big Mac.

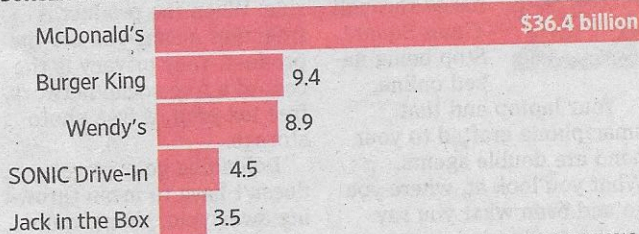
The burger giant has been trying to improve its burgers by adjusting temperatures and cook times to deliver hotter, fresher burgers. Next year, it plans to make its Quarter Pounders with fresh, instead of frozen, beef. It is also rolling out customizable burgers from a “Signature Crafted” menu to compete with the “better” burger places, but at a lower price.

Burger King’s deals include two cheeseburgers, a small order of fries and a small drink for \$3.29 at participating restaurants. McDonald’s has experimented with value meals, such as two items for \$5. Wendy’s created its four-for-\$4 menu because it found that, on average, people only have \$4 to \$6 to spend on lunch each day.

Top of the Bun

The smaller burger chains have been growing fast, but the major fast-food burger chains still boast the most sales.

BURGER CHAIN U.S. RESTAURANT SALES (2016)



Source: Technomic

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