Wendys makes the right price for the right size

NEW YORK - Wendy's no longer thinks a hamburger has to be 99 cents to be a deal.

The fast-food company known for its Frosty shakes and square burgers has replaced its 99-cent value menu with a beefed up array of options called "Right Price Right Size," with items ranging from 99 cents to $1.99. At a time when costs for meat, cheese and other ingredients are rising, the revamped menu is intended to give budget-minded diners more options, while giving Wendy's more flexibility on pricing.

The switch to the "Right Price Right Size" value menu reflects the cost pressures facing fast-food chains. Burger King and McDonald's have already moved past the $1 price point, offering tiered value menus that go up to around $2.

When it was introduced a decade ago, for example, McDonald's Dollar Menu included the Big `N Tasty burger made with a quarter-pound beef patty. But the Dollar Menu has gradually gotten skimpier, with small fries being taken off the roster last year.

To ensure the profitability of its new value menu, Wendy's tinkered with the lineup and in some cases raised prices. The Junior Cheeseburger Deluxe now costs $1.19, instead of 99 cents. And for 99 cents, customers now get four chicken nuggets, instead of five. The plain Junior Cheeseburger, which had been taken off the menu, is back at 99 cents.

In all, there are now seven items that cost 99 cents on the new value menu, down from nine.

Although items on value menus tend to be less profitable, they play an important role in attracting customers who often end up spending more on other items. In testing over the past year, the "Right Price Right Size" menu not only boosted customer traffic, but also increased the average check size, said Craig Bahner, chief marketing officer at The Wendy's Co.

"It grew because those customers tend to buy multiple products," Bahner said, noting that the "vast majority" of customers who ordered off the value menu bought items from the regular menu as well.

Wendy's isn't the only chain to tinker with its value offerings. McDonald's last year introduced its "Extra Value Menu," which offers items closer to the $2 price range. But after sales flagged, the company quickly went back to touting the Dollar Menu in advertising, noting that customers are focused on value in the uncertain economy.

Howard Penney, a restaurant analyst for Hedgeye Risk Management, said McDonald's return to the Dollar Menu "doesn't make sense" in terms of profitability at a time when beef prices continue to climb. But he noted that Wendy's needs to emphasize value to stay competitive.

"They have to respond. They can't just ignore it," Penney said.

Wendy's revamped approach also reflects the twin challenges facing traditional fast-food

chains, which are scrambling to improve the reputation of their food even as they cater to budget-minded diners. As the popularity of chains such as Panera Bread Co. and Chipotle Mexican Grill Inc. have raised expectations for food quality, traditional fast-food chains have stepped up their offerings.

Burger King made its French fries thicker and uses a different kind of bacon on its burgers. Taco Bell -- known for its cheap eats -- introduced a line of Cantina Bell bowls last year intended to appeal to a slightly more upscale crowd.

Wendy's, which is based in Dublin, Ohio, has in recent years introduced natural-cut French fries and premium offerings such as Dave's Hot `N Juicy burger. Even as it touts its new value menu, Bahner says Wendy's won't let up on that premium front. For example, executives have said the chain will introduce new breads for its sandwiches intended to improve perceptions about its food in the year ahead.

Still, Bahner notes that value menus have long been an important staple in the fast-food industry. And given ongoing macroeconomic trends, he said that emphasis on value will remain critical for years to come.

"RIGHT PRICE RIGHT SIZE"
Items priced at 99 cents
--Jr Cheeseburger
--Crispy Chicken Sandwich
--4-piece Regular Chicken Nuggets
--4-piece Spicy Chicken Nuggets
--Small Frosty
--Value French Fries
--Value Soft Drink
Items priced at between $1.19 and $1.99
--Jr Bacon Cheeseburger

--Double Stack
--Jr Cheeseburger Deluxe
--Crispy Chicken Caesar Wrap
--Spicy Chicken Go Wrap
--Grilled Chicken Go Wrap
--Small Chili
--6-piece regular Chicken Nuggets
--6-piece Spicy Chicken Nuggets
--Caesar Side Salad
--Garden Side Salad
"MY 99 CENTS EVERYDAY VALUE MENU"
--Cheesy Cheddarburger (coming off RPRS)
--Monterey Ranch Crispy Chicken sandwich (coming off RPRS)
--Jr Cheeseburger Deluxe
--Crispy Chicken sandwich
--Crispy Chicken Caesar Wrap
--5-piece Spicy Nuggets
--Value French Fries
--Small Frosty
--Value Soft Drink