The fast-casual pizza sector continues its rapid rise
By Beth Mattson-Teig

The field for pizza restaurants has become increasingly crowded over the past decade. The U.S. alone is home to roughly 80 national and regional chains that collectively have hundreds of shops still in the pipeline. Pizza concepts are expanding across all channels: takeout, delivery, fast-casual and casual dining. Pizza is considered the second-strongest food category after burgers, according to numerous observers, and consumption is on the upswing. Consumers were ordering up pizza about four times monthly last year, on average, up from 3.4 times monthly in 2014, according to Chicago-based Technomic.

Traditional pizza chains, such as Pizza Hut and Domino’s, continue to dominate the market in terms of overall store count. In North America alone, Pizza Hut has nearly 8,000 units in operation, and Domino’s has roughly 5,000, according to Cushman & Wakefield.

Yet there is a new growth surge coming from the quick-baked artisan segment of the industry — as represented by Blaze Pizza’s Fast-Fire’d approach — using high-heat ovens to cook pizzas to order within minutes. “There is a changing of the guard happening, and it gets back to the new concepts and their embracing of fresh foods that is the driving force here,” said Garrick Brown, vice president of retail research for the Americas at Cushman & Wakefield in San Francisco.

Among the new, fast-casual players leading the expansion, besides Blaze, are Mod Pizza, Pie Five, Pieology and others. Much of the unit growth is focused on the U.S. and Canada, but chains are recognizing opportunities outside North America. Mod Pizza opened five stores in the U.K. last year and has plans for further expansion there this year.

“So many players have entered this space in a short amount of time, and I believe that there will be a point of oversaturation of this product,” said Jennifer Watson, a Chicago-based senior managing director with Newmark Grubb Knight Frank. The fast-casual restaurants in particular are concentrating on the lunch crowd, and there are only so many prime real estate plays to cater to a captive, dense lunch crowd, she says. Some of these fast-casual groups may be forced to select ‘B’ real estate, which could dent their brand and revenue potential, she notes. This competition is likely to result in some shakeout among the weaker players and in some industry consolidation. And this has in fact already begun, according to Watson. Last summer California-based Pieology, which has a chain of approximately 100 shops, acquired the 20-unit Project Pie.

Room for growth remains, however. The quick-baked pizza trend is a step or two behind the better-burger craze that began about five or six years ago, according to Brown. Better burgers are probably in the ninth inning of the game, he says, while the quick-baked pizzas are only in their fourth inning. One challenge some of the new pizza chains will have to face is keeping their product quality high amid a growth pace that may involve adding anywhere from 50 to 100 new shops per year, Brown says. “The market is so competitive,” he said, “that these pizza concepts have to balance growth along with maintaining quality and consistency across new and existing stores.”

Mod Pizza is one of the fast-casual chains leading the pack of expanding pizzerias. The company opened its first U.K. stores last year and has plans for more overseas.