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El Pollo Loco Holdings, Inc. (NASDAQ:[LOCO](#)) Q1 2025 Earnings Conference Call May 1, 2025 4:30 PM ET

Company Participants

Ira Fils - Chief Financial Officer

Liz Williams - Chief Executive Officer

Conference Call Participants

Jeremy Hamblin - Craig Hallum Capital Group

Jake Bartlett - Truist Securities

Andy Barish - Jefferies

Operator

Good day, ladies and gentlemen. And thank you for standing by. Welcome to the El Pollo Loco First Quarter 2025 Earnings Conference Call. At this time, all participants have been placed in a listen-only mode and the lines will be open for your questions following the presentation. Please note that this conference is being recorded today, May 1, 2025. And now, I would like to turn the conference over to Ira Fils, the company's Chief Financial Officer.

Ira Fils

Thank you, operator, and good afternoon. By now everyone should have access to our first quarter 2025 earnings release. If not, it can be found at www.elpolloloco.com in the Investor Relations section.

Before we begin our formal remarks, I need to remind everyone that our discussions today will include forward-looking statements including statements related to our growth opportunities, strategic and operational initiatives, expectations regarding sales and margins, potential changes to our product platforms, capital expenditure plans, expectations regarding kiosk rollouts, the ability of our franchisees to drive growth, expectations regarding commodity and wage inflation, remodel plans, and our 2025 guidance among others.

These forward-looking statements are not guarantees of future performance and therefore you should not put undue reliance on them. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from what we currently expect. We refer you to our recent SEC filings, including our Form 10-K for the year ended 2024 previously filed as well as our Form 10-Q for the first quarter to be filed for a more detailed discussion of the risks that can impact our future operating results and financial conditions. We expect to file our 10-Q for the first quarter of 2025 tomorrow and would encourage you to review that document at your earliest convenience.

During today's call, we will discuss non-GAAP measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP and reconciliations to comparable GAAP measures are available in our earnings release, which is available in the Investor Relations section of our website.

With respect to the restaurant contribution margin outlook, we will be providing on today's call, please note that we have not provided a reconciliation to the most directly comparable forward-looking GAAP financial measure because without unreasonable efforts, we are unable to predict with reasonable certainty the amount of or timing of non-GAAP adjustments that are used to calculate income from operations and company operated restaurant revenue on a forward-looking basis. Now, I would like to turn it over to our CEO, Liz Williams.

Liz Williams

Thank you, Ira, and good afternoon, everyone. As we enter the second year of our brand turnaround, I am proud of what we have accomplished thus far and remain excited by the future of El Pollo Loco. As you know, a brand turnaround is never easy, even in the best of environments, and the dynamic and challenging consumer environment we are facing to start the year is only adding another layer of complexity. Progress takes time, and to ensure we achieve our ambitions of long-term, sustainable growth, we are committed to taking no shortcuts.

While we acknowledge our first quarter results were underwhelming, we remain confident in the steps we are taking and are excited about the initiatives we have planned for the remainder of the year, including our upcoming brand relaunch and our menu innovation pipeline, both of which I will speak to in a moment. While the restaurant industry may be choppy in the near term, we continue to believe we are positioning El Pollo Loco to drive substantial long-term shareholder value.

During the first quarter, we delivered proof points that reinforce our conviction in the brand's long-term opportunities, including proving that menu innovation can drive trial to the brand through the launch of Mango Habanero, identifying opportunities to further improve our operations and provide an even better customer experience through the investments we made last year, and opening two new restaurants in Q1 while firming up our path to at least 10 openings in 2025 and a further acceleration in 2026.

As we look forward, let me start by touching on what will drive growth in both the short and the long term. Our signature fire-grilled citrus-marinated chicken continues to be the core strength of El Pollo Loco. It's the foundation of our brand that wins pillar. From our chicken family meals to our more handheld items like tacos, burritos, and our delicious tostadas and salads, we need to remind both new and last consumers that El Pollo Loco stands for quality and flavorful food that is quick, convenient, and offers value for the money. To that end, we started the year by showcasing our first chicken innovation in many years, Mango Habanero fire-grilled chicken. Our guests love it.

Mango Habanero has delivered on taste and drove trial for new guests, giving us a proof point on the opportunity we have with flavor innovation and menu innovation more broadly. This gets us excited about our next several flavorful, affordable, and quality products in the pipeline. In a few weeks, we will launch our new fresco wraps and salads, followed later by our quesadillas at the end of June. Our new quesadilla combo, which features all-white meat chicken, shredded jack cheese with a choice of our signature avocado salsa or creamy chipotle sauce, includes guacamole for dipping paired with chips and a drink. All of that targeted at a combo price point of \$9.99, a tremendous value while delivering on quality and flavor. Combined with an a la carte pricing in the mid-\$7 range, these price points offer a solution to the number one consumer opportunity that we see, price and affordability.

The quesadilla is also a product that fits very well with a younger consumer due to its portability and convenience factors. The feedback from our test has exceeded our expectations, not just from consumers, but also from our team members due to operational simplicity. We believe so much in this new quesadilla that we proactively accelerated the rollout to early summer to get this amazing product in the hands of our consumers even faster. While our culinary team has done a nice job rebuilding the innovation pipeline, we have also been laying the groundwork for our brand transformation. Over the last few months, we have conducted third party research which confirms the equity we have with consumers centering around quality, fresh ingredients and cooking in our restaurant. This work also reemphasizes that we have an opportunity to offer even more affordable chicken options like quesadillas, wraps, strips, sandwiches, all to meet that on the go lifestyle of so many consumers.

Fortunately, our product pipeline is geared to meet these consumer needs. We see an opportunity that few QSRs can address with quality. We are well positioned in this growing chicken category with our unique twist of Mexican flavors, and we are looking forward to unveiling the first part of our new brand campaign later this month as we evolve our brand to be more modern with an updated brand aesthetic as well as a new approach to marketing and brand positioning.

Ultimately, this effort will allow us to show our passion for chicken, our fresh ingredients and our quality food. We know it takes some time for all of the brand touch points to ripple throughout the system, and we are excited as we take the first step, which we know will have a positive and elevating impact. This brings me next to our hospitality mindset pillar.

Improving our four-wall operations remains our top priority in transformation, and we can accomplish this by building upon standards and accountability. We have a clear goal and set of actions to get our consistency and quality of service to match that of our food quality. As we mentioned on our last call, we implemented a new customer feedback system with a best-in-class partner, Service Management Group, or SMG, to enable us to improve our closed loop customer feedback system, provide better customer service, and more clearly benchmark customer feedback with other leaders in the restaurant industry.

This initial feedback we have received thus far has highlighted an opportunity we have to better serve our customers, particularly through order accuracy and hospitality. We know that when we are properly staffed with the right people in the right places at the right time, we provide our guests with excellent experiences. We are focused on driving consistency across the system, both company and franchise, to ensure that our customers are getting the correct order every time. We truly believe that customer service drives transactions, and customer loyalty only grows with better service. We are optimistic that improvement will positively impact sales and transactions as we move forward.

Shifting to winning economics, we continue to focus on substantially improving our unit economics through methodical cost savings and asset modernization initiatives. Despite the headwinds of the first quarter, we remain confident in our ability to drive strong restaurant level contribution margins for the full year in the range of 17.25% to 17.75% percent as our teams continue to identify additional opportunities on an ongoing basis. One example I want to highlight that illustrates how we continue to improve our margins and our operations to strengthen our business model and to also drive new unit development is our recent distribution transition. After many years with the same distribution partner, we seamlessly shifted to PFG at the beginning of the year.

Not only does this transition support our improving business model, but this partnership and enhanced distribution footprint sets us up for future growth outside of the seven states we operate in today. In addition to our improved restaurant level margin, we are also making progress on our first new build with a targeted cost below \$2 million. This prototype, which we are calling Iconic, not only showcases an enduring yet modern and efficient design that is uniquely El Pollo Loco, but it also helps us achieve our goal to reduce build costs and drive improved cash on cash returns as we grow our footprint across the country.

We now have this prototype available in a remodeled format and will be under construction this summer on this new build. Speaking further on our unit development effort, we remain confident in our plan to open at least 10 new restaurants in 2025, including two restaurants that have already been opened. This would represent the largest system-wide unit growth since 2022. And as a reminder, the majority of these new openings will be outside of California. They will be spread across our emerging markets with restaurants that are under development today in Arizona, Colorado, Idaho, New Mexico, Texas, and Washington. Notably, our next opening will be our 500th restaurant, and it will be outside California. It will either be in Arizona or Colorado Springs. We'll know in just a couple weeks. It will be a fitting tribute to what is yet to come as El Pollo Loco celebrates our 50th year this year.

As you know, there have been a lot of conversations recently about the impact of tariffs on build costs and how it will impact our industry as a whole. We continue to monitor the situation. More broadly speaking, we are fortunate to have a flexible restaurant format which allows our company development and our franchise partners the ability to take advantage of restaurant closures that are out there in the industry and convert them to El Pollo Locos.

This helps us achieve a reduced build cost and deliver outsized returns relative to a new ground-up build. And it does help to mitigate some of that potential cost inflation. Despite the current macro uncertainty, the momentum we are seeing in our development pipeline gives us increased confidence in further acceleration of our openings into 2026. Remodeling is also an important part of our development strategy and our brand transformation as we modernize the El Pollo Loco brand. To that end, we continue to utilize a two-tiered approach on remodeling. This includes a low-cost five-year refresh investment and a more extensive 10-year remodel investment.

Our goal is to touch roughly half of our total system over the next four years in partnership with our franchise partners. For the year, we are now expecting to remodel between 60 to 70 system-wide restaurants, eight of which have already been completed to date. We are pleased with the early sales and the economic returns on these remodels, and we look forward to sharing more exciting updates on our development as the year progresses.

In closing, I remain excited for what we have in store for 2025. We are starting to see many green shoots from our efforts to revitalize our brand. While we recognize we are operating in a challenging economic climate, our focus remains squarely on growth and what we can control, offering the highest quality chicken with the best customer service. We have an amazing team, and we are ready to capture the opportunities ahead and make El Pollo Loco the nation's favorite fire-grilled chicken restaurant. With that, let me turn the call back over to Ira for a more detailed discussion of our first quarter financial results.

Ira Fils

Thank you, Liz, and good afternoon, everyone. For the first quarter ended March 26, 2025, total revenue was \$119.2 million, compared to \$116.2 million for the first quarter of 2024. Company-operated restaurant revenue increased 1.2% to \$98.4 million from \$97.2 million in the same period last year. The \$1.2 million increase in company-operated restaurant sales was primarily driven by a 0.6% increase in company-operated comparable restaurant sales, as well as additional sales from the opening of two restaurants during or subsequent to the first quarter of 2024. The increase in comparable restaurant sales included a 4.6% increase in average check size and an approximate 3.8% decrease in transactions.

During the first quarter, our effective price increase versus 2024 was about 4.4%. Franchise revenue increased 16.2% to \$13.2 million during the first quarter, driven by a \$1.8 million in IT pass-through revenue related to the franchisee rollout of our new point-of-sale system, which is offset by a corresponding expense in franchise expenses. In addition, the increase in franchise revenue was due to the four day franchise-operated restaurant openings during or subsequent to the first quarter of 2024.

The increase in franchise revenue was partially offset by a comparable restaurant sales decrease of 1.3%.

Looking ahead, second quarter to date through April 23rd, 2025, system-wide comparable store sales decreased 1.2%, consisting of a 0.1% decrease in company-operated restaurants and a 1.8% decrease in franchise restaurants. As we look to the remainder of the year, we currently expect a sequential quarterly acceleration in our comp trends in the third and fourth quarter, driven by our brand relaunch in mid-May and the launch of quesadillas this summer, combined with easing prior year quarterly compares as we move through the year. We remain excited about the long-term potential of the brand and believe our brand relaunch and menu innovations, like the launch of quesadillas, will serve as important foundations for growth over time, supported by additional initiatives currently under development.

Turning to expenses, food and paper costs as a percentage of company restaurant sales decreased 120 basis points year-over-year to 25.2% due to higher menu pricing partially offset by commodity inflation of approximately 0.4% during the first quarter. We expect commodity inflation to be in the 1% to 2% range for the full year. As a reminder, our commodity basket is largely domestic, with chicken being the largest component. Internationally, our largest exposures include avocados, tomatoes, various other produce items, and packaging. Labor related expenses as a percentage of company restaurant sales increased about 120 basis points year-over-year to 32.7%. The increase in wages was partially offset by menu pricing and better operating efficiencies, primarily driven through improvements in labor deployment. Wage inflation during the first quarter was approximately 12% for all our company-owned locations.

For the full year 2025, we expect wage inflation of between 4% to 5% for all our company-owned locations. Occupancy and other operating expenses as a percentage of company restaurant sales increased 150 basis points year-over-year to 26.1%, primarily due to higher rent in CAM, along with higher third-party delivery, related expenses, utilities, and higher other operating expenses. Our restaurant contribution margin for the first quarter was 16%, compared to 17.6% in the year-ago period. The decrease was largely driven by a mismatch of pricing and labor inflation due to the April 2024 California minimum wage increase to \$20 per hour. More specifically, rather than implementing a single large price increase, we chose to take multiple smaller price increases over time in advance of the wage increase. This pricing increase, without the associated wage inflation, provided an outside benefit to our first quarter 2024 restaurant contribution.

Other contributors to the decrease included sales deleverage, along with higher occupancy and other operating costs I just mentioned. As Liz mentioned, for the full year 2025, we continue to expect our restaurant contribution margin to be in the 17.25% to 17.75% range, as the lower than expected first quarter margin is offset by incremental margin enhancing opportunities already identified by our team. In addition, I want to remind you that our restaurant contribution margin already contemplates the impact from tariffs, which we anticipate will be relatively minimal, as our largest commodity cost chicken is domestically sourced and we have limited international exposure in the remainder of our commodity basket.

General and administrative expenses decreased 80 basis points year-over-year to 9.5% of total revenue. The decrease for the quarter was primarily due to \$1.2 million in restructuring and executive transition costs in the prior year, combined with \$600,000 received from a legal settlement in the current year. These decreases were partially offset by \$600,000 in special legal and professional fees related to shareholder activism, as well as a \$500,000 increase in other general administrative expenses to drive our strategic initiatives.

During the first quarter, we recorded a provision for income taxes of \$2.3 million for an effective tax rate of 29.7%. This compares to a provision for income taxes of \$2.2 million and an effective tax rate of 27.1% in the prior year period. We reported GAAP net income of \$5.5 million or \$0.19 per diluted share in the first quarter compared to GAAP net income of \$5.9 million or \$0.19 per diluted share in the prior year period. Adjusted net income for the quarter was \$5.5 million or \$0.19 per diluted share compared to adjusted net income of \$6.8 million or \$0.22 per diluted share in the first quarter of last year.

Please refer to our earnings release for a reconciliation of non-GAAP measures. In regards to the new unit development, we opened two franchise stores in California during the first quarter. Regarding our remodeling effort, during the first quarter, we completed four franchised restaurant remodels. In addition, in April, we completed one company and three franchise remodels, bringing our total completed remodels to eight through the end of April. In terms of liquidity, as of March 26, 2025, we had \$73 million of debt outstanding and \$4.3 million in cash and cash equivalents. Additionally, during the first quarter, we repurchased approximately 160,000 shares of stock for approximately \$1.8 million.

And finally, based on our results to date, we would like to provide you with the following guidance for 2025. The opening of 10 to 11 system-wide restaurants, including 9 to 10 franchise restaurants and up to one company-owned restaurant. Capital spending of \$30 million to \$34 million. G&A expenses of \$48 million to \$51 million, including approximately \$5.5 million in stock compensation expense. And an estimated effective income tax rate of 29% to 29.5% before discrete items. This concludes our prepared remarks. We'd like to thank you again for joining us on the call today. And we are now happy to answer any questions that you may have. Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions]

The first question is from Jeremy Hamblin from Craig-Hallum Capital Group.

Jeremy Hamblin

Great. Thanks for taking our questions here. So you noted on the call that you were expecting sequential improvements in Q3, Q4. I wanted to get an understanding of what your expectations might be looking like on Q2, same-store sales given the environment that we're in. Do you expect comps to be kind of similar to Q1 or maybe a little softer? Any color you might be able to share would be great.

Liz Williams

Sure. Thanks for the question. So as we've seen in the business and we've all heard from others this week or in the last couple weeks that have reported, the consumer pullback is real. And at this point, we see these headwinds continuing as we go through Q2. That being said, we're focused on what we can control. As an example, our brand relaunch couldn't come at a better time. We're really excited for that. And as I mentioned, we're moving up value and innovation with the quesadilla, along with finding ways to feature more value across our menu, whether it's in our digital channels or just bringing it to the forefront for consumers so they can see it more clearly. And we're going to do this while we reinforce our quality. We really think that distinguishes us. So you'll see that amping up even more so as we go through Q2 and then Q3 and Q4. Our lap also does get easier as we go into the back half of the year as well, particularly in Q3 and Q4.

Jeremy Hamblin

Sure. And as a follow-up to that, so it sounds like you had some initial success with mango habanero in the launch in February. I don't know how long that may have lasted and if that's kind of continuing in terms of how it mixed. But I think you have the fresco wraps and salads coming here in May and then quesadilla launch in June. In terms of thinking about how those products might impact comp trends, like how soon do you think, will you know whether or not those have been really effective new introductions?

Liz Williams

Yes. So mango habanero, you're right, it drove a trial by many and it just showed us innovation. This consumer wants innovation. They want a reason to come in, whether they're a new or a last user. Our next launch is our fresco salads and wraps. That will be launching here in about two weeks. We're really excited about those products. They're portable. They're delicious. They're -- they feature everything that's great about El Pollo Loco with our more of a leafy green product, whether it's in a salad or a wrap. And then the quesadilla will be the end of June. The quesadilla is more of that portable eat and is priced at a more value price point. So we think the combination of both fresco wraps and quesadilla will offer it's likely two different consumers, some crossover, but it'll give options for both of those. So in the upcoming weeks, you'll start to see those products.

Jeremy Hamblin

Got it. Thanks for the color. And then just one more for me. I know you've made some investments in kitchen equipment this year. I wanted to get an understanding of kind of the timing of when you would see that roll out potentially impacting your labor costs as we move throughout the year. And then as a related question, if you're kind of expecting 4% to 5% for the year and you're 12% in Q1, does that mean you're kind of looking at maybe 2% to 2.5% year-over-year inflation the rest of the year?

Liz Williams

So I'll start and then I'll hand it back part over to Ira. In terms of equipment, we've been rolling out equipment since last year and then into this year. So last year, items like our salsa, the equipment that helped us simplify how we make salsa in the back of our restaurants or our kiosks. Most recently, we've just finished in our company restaurants rolling out holding cabinets, which not only improve the quality of the chicken, but they also allow us at closing time, as an example, to shut down the grills a little bit earlier, which you can imagine save some time in terms of labor. So all of that equipment, most of that is in our company restaurants. We're also always looking for what's the next productivity idea? But in terms of those items, those are in. And then I'll pass it to Ira for the second part.

Ira Fils

Yes. And Jeremy, you were right. So if you think about the back part of the year, you really Q2 to through four. We are looking at about a 2% to 2.5% increase from wages because and really, as we sit here today, we're fortunate that California has not mandated an increase. They can take it up to 3.5%. But as we sit here today, and as I think that as we look really at the economic climate has shifted, I think, some of the thinking in regards to from a legislation standpoint, what's needed from a minimum wage increase. Well, so while we haven't heard anything yet I think we're optimistic that we should see some pretty moderate labor inflation in the back part of the year.

Operator

The next question is from Jake Bartlett from Truist Securities.

Jake Bartlett

Great. Thanks for taking the questions. My first one was on your consumer and what you're seeing. And I'm wondering whether you can comment on some regional differences that you're seeing across your stores and maybe more specifically other brands have talked about the Hispanic consumer being under particular pressure in the near term. I wanted to just to see whether you're seeing the same thing and whether you're thinking or whether you're seeing any trajectory of that impact, whether it's at all getting better or worse or what have you and just trying to get an idea as how that might unfold for the rest of the year.

Liz Williams

Yes, thanks for that, Jake. As far as across our markets in different states, it's pretty similar what we're seeing in terms of the consumer pulling back. And then when you look across also income bands, you're seeing it throughout. In terms of the Hispanic consumer, they have -- there have been other factors that have put that consumer under even more pressure. And we do see some of that in the business as well. But just broadly speaking, I would say whereas it used to just be the low-end consumer, it's the consumer throughout as we're looking at all of the data.

Jake Bartlett

Okay, great. That's helpful. And just a quick question as well on menu price. It seems like you're letting that roll off pretty quickly. What do you expect for menu price for the year as a whole?

Ira Fils

So for the year as a whole, we should be right around 3%. And if you think how it's going to play out for the quarters, we should, we'll be about 3% in Q2 and about 2% in Qs 3 and 4.

Jake Bartlett

Got it. Okay. And just as we, if we look at the restaurant, thanks for giving, again, the guidance for restaurant-level margins. But within that, I want to make sure that there's not some new pieces that I'm misunderstanding. I want to make sure what you're expecting for COGS, for instance. Do you expect some pretty, is it just the simple math of your guided pricing and your commodity inflation? Are there any other moving pieces in there that we should think about? And then I have one more follow-up.

Ira Fils

Yes, there is. We do have a project underway internally. We call it Project FIRE. But it's really all around optimizing what we're purchasing in our supply chain and what we're using in the restaurants. And there is some efficiency savings in the supply chain that we do have built in.

Liz Williams

And I would just add to that, in addition to the supply chain and cost of goods, I talked about the distribution in terms of making that transition. And then where we started the questions with some of the labor productivity, whether it's the equipment, even though it was put in end of last year, beginning of this year, really now changing success routines in the restaurant so that our labor can be even more efficient. And we're looking at everything. In addition to equipment, we're also looking at how do we open a restaurant? How do we close a restaurant? And how do we make sure we have the service at the peak times where it matters most for consumers and really take out any excess that is there? So, fresh thinking and just new approach, new sets of eyes on this to get productivity overall.

Jake Bartlett

Great. And then the last question, you mentioned in the prepared remarks around momentum in developing the pipeline or the development pipeline. Can you comment further? Is there anything you can share in terms of how much momentum, maybe how much the development pipeline might be building at this point? Sounds like you're speaking fairly optimistically about it. You raised your guidance a little bit. All seem like positive signs. So, I'm wondering if there's any kind of numbers that we can talk about.

Liz Williams

Yes, I am really encouraged with this part of the business. And when we say green shoot, this is a great example. In addition to the 10 units that we feel confident will open this year, the pipeline is coming together really nicely for next year. And as we all know now getting things built takes usually 18 months plus. And so seeing those registrations and those LOIs and then leases being signed for projects for next year gives us even more confidence in being able to accelerate far beyond the 10 that we have this year. We're not giving a firm number yet for next year. Hope to do that in the upcoming months, but can safely say it'll, you'll see some nice growth off of the 10.

Operator

The next question is from Andy Barish from Jefferies.

Andy Barish

Hey, good afternoon, guys. Anything other than just the backdrop that you described? I mean, March seemed to fall off, was it just Mango Habanero kind of ran its course or anything you can point to on the month of March that you didn't address in your prepared remarks?

Liz Williams

Yes, so one additional would be the weather. And I always hate to bring up Mother Nature, but given the prominence of Southern California, usually I know weather isn't a big thing in California. But in March, we had actually about three weeks of rain. And you always see an impact, particularly on our lunch business when it's raining, a little bit on our dinner business, but it's pronounced. And so that would be the other piece that was a true headwind in March. In addition to just all of the macro, just the uncertainty, you could just see the consumer reacting to that. And also, I guess the other point would be we launched Mango Habanero in January so we got that nice pop and trial in January, February.

And although we got great customer reactions, some of the repeat could have been stronger as we were running it out into the third month of a product. And just some of our operational execution, if I'm being really honest, I think could have been better in terms of just having that repeat even stronger. So coupled with the weather and the consumer malaise, it just meant for a softer March than we had seen in January and February.

Andy Barish

Got it. And then, yes, can we drill down a little bit operationally? I mean, it seems to be something you're picking up with the consumer feedback with SMG, that there's some gaps. Is that something where it's labor hours or an investment that's needed at this point? Or is it kind of like we can look at kiosk and that reallocation can kind of occur? And as obviously inflation sort of moderates maybe that frees up some opportunity to address some of the gaps?

Liz Williams

Yes, I see this as I think SMG was a nice awareness for us that some of the gaps in our operations are really things that we can fix and are in our control. So things like accuracy, as an example, making sure our team members are doing a triple check when consumers are in a drive-through, just simple things like hospitality, making sure our service is even more friendly and hospitable. And when there is a problem, addressing it with a customer recovery. So we're putting, it's kind of a back-to-basics program where we're putting those back-to-basics in place. And then the other piece is this brand has been such a great brand with high quality food. Having that consistency in the quality of service is something that I, because I've been out in restaurants, I've seen as a huge opportunity. We have some restaurants that operate really, really well.

Maybe there's a general manager that's been there for years and they just, they run a great restaurant. And then there's some on the other end. And raising those on the other end, we've never had, or I shouldn't say never, in the last couple of years, we haven't had as clear of a standards program and a standard third party audit. So just putting back in place some of those fundamentals that every restaurant company I've been with has in place in terms of driving operations. I think those, there's some real low-hanging fruit that can get us back some transactions fairly quickly. So it's a, like I said, a back-to-basics. And our operators have taken this on with vigor. Our franchise partners are leading some of the efforts as well. It is a true team effort.

Andy Barish

Got it. And then finally, just on the kiosk update, kind of where is that in terms of the rollout through the system more broadly? And what are you seeing from that? Is it giving you some benefit? Is it kind of more still in need of more updates from the consumer? How are you kind of looking at kiosks these days?

Ira Fils

Yes, it's in most of our company restaurants. We still have a handful, 20 or so, that we need to get it in as we're kind of remodeling for the balance of the year. Some of the more difficult configurations that require a little more work. And we'll be trying to do those through the balance of the year. There's a fair amount of franchise uptake as well. But I think where the opportunities lie is really how we take the next step with the kiosk and use it as a merchandising tool to really help us drive check and a little more guest engagement than just really kind of order taking right now.

Operator

Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn the call back over to Liz Williams for closing remarks.

Liz Williams

Thanks again, everyone, for your interest today in El Pollo Loco. We look forward to talking with you again next quarter. Have a wonderful evening.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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