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'Big in a Small Town': How Fast Food and QSRs are Transforming Small Town Dining

Article By:		
Warren Seay, Jr.		
Rachel E. Collins		

When longtime resident Alma Joyce Jones heard that a national dollar store brand was coming near the Village of Bonita, Louisiana (population 164), she borrowed the words of Grammy-nominated country singer Jimmie Allen, "It's the little things that are big in a small town!" If legends are made in small towns, then so too are the pillars of the fast food and retail industries, which have found sustenance and growth in these tight-knit communities.

The pandemic sparked a <u>new wave of American migration</u> — more individuals and families have moved from larger cities to rural and small towns. With <u>more Americans preferring to live in these areas</u>, fast-food and other quick-service restaurants (QSRs) are starting to acknowledge this evolving consumer sentiment and have begun expanding their businesses into newer, <u>previously unexplored markets</u>. <u>Major coffee brands</u> and other <u>well-known QSRs</u> have recently emphasized rural and small towns in the United States in their respective growth plans. Business leaders insist that these areas have plenty of other benefits, such as <u>cheaper rent and reduced labor costs</u>.

In addition to <u>retrofitting existing structures on main streets</u>, rural and small-town areas offer the opportunity to build new restaurant locations that <u>complement post-pandemic consumer behavior</u>. Notably, more American fast-food consumers are <u>spending less time in-store</u> and are instead <u>choosing restaurants with drive-thru options</u>. Research into consumer dining behavior also suggests that <u>when choosing between two locations of the same business</u>, consumers prefer the location that offers a drive-thru. Data also shows that consumers not only prefer drive-thru locations but also those with <u>sufficient drive-thru capacity</u>.

Here are three key considerations when contemplating a shift toward the modern drive-thru.

1. Existing community infrastructure and zoning regulations may limit options.

Given the recent influx of Americans into small towns, existing roads and traffic patterns may be

strained beyond their original design. A restaurant relying on an established drive-thru in these areas could exacerbate these issues, leading to <u>congested intersections</u> and <u>blocked sidewalks and bike paths</u>.

In some areas, <u>municipal leaders have attempted to limit or even ban drive-thru locations</u>. However, these attempts could potentially be preempted by collaborating with community leaders to <u>develop new traffic patterns</u>, improve pedestrian access, and strategize ways to reduce traffic congestion. If <u>existing zoning regulations may limit</u> fast-food restaurant expansion, then QSRs will need to collaborate with local leaders to revise or repeal these regulations. Additionally, increased traffic in areas shared by pedestrians and other road users could <u>increase the risk of accidents</u>. Therefore, preplanning will be important to minimize driver-pedestrian accidents in drive-thru areas.

2. Modern drive-thrus require a larger vicinity.

Gone are the days of the single drive-thru lane with the single point of sale. Instead, <u>consumers are</u> <u>seeking options that maximize convenience and efficiency</u>, including double or triple drive-thrus (i.e., drive-thrus with two or three lanes) and <u>dedicated mobile ordering queues</u>. <u>Experts don't expect</u> this trend to end anytime soon.

Given this, fast-food restaurants and other QSRs will need to purchase or rent parcels that offer sufficient space for new establishments that offer expanded drive-thru options. Several leading <u>chicken</u> and <u>burger</u> brands have introduced store concepts and prototypes that <u>maximize consumer car access</u> while minimizing dine-in footprints.

3. Rural locations may pose supply chain challenges.

The fast-food industry is already familiar with <u>supply chain constraints</u>. Operating in rural locations, which can be <u>difficult for suppliers to access easily and quickly</u>, can prove tricky, especially when the industry grapples with global shortages. Overcoming these challenges will require creative thinking, contingency planning, and strategic partnering.

Restaurants expanding into rural and small-town markets have relied on data systems to <u>track local consumer purchasing behavior</u>, allowing them to better plan when supplies may be limited or exhausted. Additionally, industry experts recommend that restaurants <u>identify alternative suppliers</u> when possible. However, given the inherent constraints for rural and small-town markets, experts suggest that alternative suppliers should serve as a contingency plan rather than a core supply chain strategy.

Lastly, fast-food restaurants in rural and small towns could consider how best to partner with the communities in which they operate. Local farming industries often provide economic support to rural towns, and restaurants could leverage these local producers as suppliers. A <u>major salad QSR</u> has already seen success in building a network of local suppliers for its menu options.

Key Takeaways

Although urban centers were once key for successful restaurant expansion, shifts in American consumer behavior suggest that small towns and rural areas are the (re)new(ed) frontier for fast-food and QSRs. More Americans are moving to these areas and preferring dining options that offer them maximized convenience. Restaurants can leverage this cultural shift by exploring expansion

strategies that emphasize small town and rural markets. Industry leaders recommend retrofitting existing locations or converting vacant storefronts and constructing new locations with expanded drive-thrus and mobile order pick-up. Successful expansion strategies should adapt to specific and unique community needs. Restaurants can work closely with local leaders to ensure seamless integration.

Additional research and writing from Sean Worley, a 2024 summer associate in ArentFox Schiff's Washington, DC office and a law student at Georgetown University Law Center.

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