



Market Brief

Tracking and interpreting restaurant trends

INSIDE MARKETBRIEF

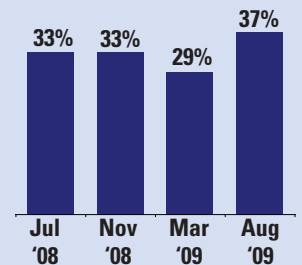
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DIET TREND BAROMETER

The percentage of consumers who are not on a diet and “eat whatever they want, whenever they want,” grew by eight percentage points, to 37% of the population, between March and August. Although March’s results might have been low due to the advent of the springtime diet season, 37% is still well above the 33% levels seen previously.

This increase suggests that as times continue to be tough and money continues to be tight, many consumers may be less able, or less motivated, to follow a diet regimen of any sort.

% Of Consumers Who Eat “Whatever They Want”



Editor's note: Look for several up-to-date metrics that shed light on key industry trends presented in this space in each month's MarketBrief. For comparison, you can find past Trend Barometer metrics online at: www.technomic.com/amex

Nutrition Disclosure on Restaurant Menus: A Plus or Minus for Diners?

Menu-labeling laws are cropping up more and more frequently in cities around the nation, and this past March, representatives in the Senate introduced the LEAN Act of 2009, which would require chains with 20 or more units to post standardized, detailed nutrition information on menus/menu boards. While restaurateurs' opinions vary about mandated menu labeling, one of the main concerns common to all operators is how business could be affected by making public nutritional information.

NUTRITION DISCLOSURE LIKELY TO CAUSE CHANGES

In an August 2009 survey of 500 consumers, nearly half (48%) report that they have visited restaurants (limited- or full-service) with calorie counts or other nutritional information posted on menus/menu boards. Of those consumers, exactly half (50%) indicate that seeing the nutritional data has had either a “great impact” or “somewhat of an impact” on what they order. About one-third of consumers (34%) indicate that it has had a similar level of impact on where they dine.

The Effect Of Restaurant-Provided Nutrition Information On...

Top two box responses*

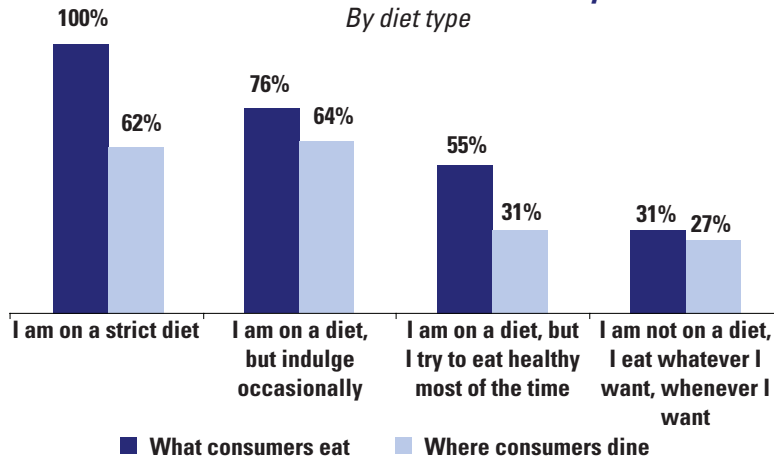


Base = consumers who have visited restaurants that post nutrition information on menus/menu boards
*“a great impact” or “somewhat of an impact”

Per the chart on the next page, those consumers who are on a diet of some sort report they are much more likely to be impacted by seeing nutritional data posted in restaurants than those who are not on any set diet plan. In fact, 100% of self-described “strict” dieters indicate that such information influences what they order, and more than three of five (62%), where they dine. Approximately three-fourths (76%) of self-described dieters who “indulge occasionally” indicate their ordering decisions are influenced by seeing posted nutritional information, and 64% report it affects their decisions on where to dine.

Still, even for many non-dieters who simply try to “eat healthy most of the time,” seeing nutritional data posted in restaurants has a notable impact on what they order (55%) and where they dine (31%). And, nearly a third (31%) of those consumers who are “not on a diet” at all report that seeing the nutritional information influences what they order, and over a quarter (27%), where they dine.

The Effect Of Restaurant-Provided Nutrition Information On What Consumers Order & Where They Dine



Base = consumers who have visited restaurants that post nutrition information on menus/menu boards
 *"a great impact" or "somewhat of an impact"

HOW ORDERS AND/OR RESTAURANTS ARE CHANGED ...OR NOT

A majority of consumers report they are ordering lower-calorie options as a result of nutrition disclosure at restaurants. Specifically, three-fifths of consumers (61%) who indicate that they order differently from restaurants as a result of seeing nutrition information on menus/menu boards do so by seeking out lower-calorie alternatives. Fewer consumers report that they seek out smaller portions (36%), no longer order certain items (35%) or order fewer foods and beverages from restaurants in general (33%).

How Consumers Order Differently

As a result of seeing nutritional information on menus/menu boards

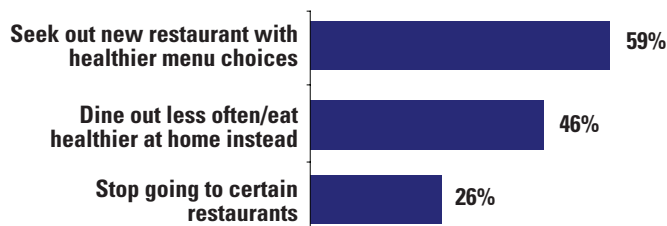


Base = consumers who reported that menus/menu board nutritional information had a "great impact" or "somewhat of an impact" on their ordering in restaurants or where they dine out

Some consumers also indicate they are likely to switch restaurants to find healthier fare. For nearly three of five consumers (59%) whose viewing of nutritional information at restaurants impacts where they visit, seeking out new restaurants with healthier menu choices is the top-reported course of action. Also, 46% of these consumers dine out less often, and 26% stop going to certain restaurants altogether.

How Consumers Alter Dining-Out Habits

As a result of seeing nutritional information on menus/menu boards



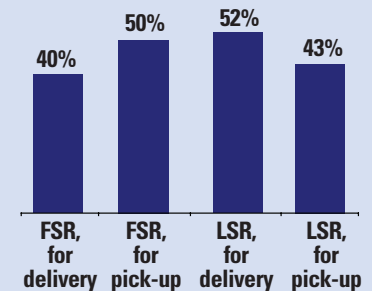
Base = consumers who reported that menus/menu board nutritional information had a "great impact" or "somewhat of an impact" on their ordering in restaurants or where they dine out

CELL/SMART PHONE ORDER TREND BAROMETER

Ordering by text/short message service (SMS) or using an Internet-enabled smart phone to reach a restaurant's website/ utilize a downloaded ordering application is becoming increasingly popular (see story #2 for more details). More than half of consumers (52%) who have ordered food via one of these routes indicate they have done so from an LSR, for delivery. This may stem from many pizza chains' aggressive deployment of cell/smart phone ordering programs targeted to a young male audience.

Nearly as many consumers (50%) report they've used this newer technology to order food for pick-up from an FSR, and somewhat fewer, from an LSR for pick-up (43%) and an FSR for delivery (40%).

% of Consumers who have Ordered from Each Restaurant Type By cell/smart phone*



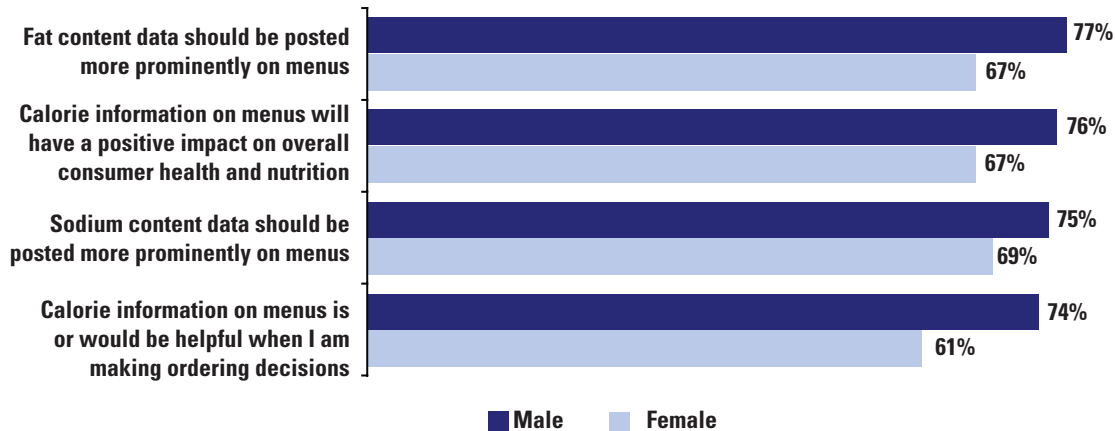
Base = consumers who have ordered online or from a cell/smart phone
 *Text/SMS or Internet application

WOMEN MORE LIKELY TO APPRECIATE THE EXTRA INFO THAN MEN

More women than men agree that nutritional data should be disclosed by restaurants. More women were also in agreement regarding the positive impact such information will have going forward. When it comes to the ultimate impact of having calorie information posted on menus/menu boards, 76% of women agree it will be positive for overall consumer health, compared to just 67% of men. And in a related vein, 74% of women agree that calorie information on menus/menu boards can be helpful in making decisions about ordering, whereas only 61% of men indicate the same. In particular, slightly more than three-fourths of women agree that fat and sodium content data should be posted more prominently on menus (77% for fat and 75% for sodium); corresponding numbers for men are 67% and 69%.

Consumer Sentiment About Nutrition Disclosure On Menus

Top two box responses*, by gender



*"Completely agree" or "Somewhat agree"

Bottom Line: Having nutritional data on chain restaurant menus will likely change ordering patterns for a sizeable portion of your customers. As consumers learn more about what goes into certain dishes, they will become more discerning customers. If they can find healthier items on your menu that suit their needs, they are likely to remain your customers.

BUSINESS-BUILDING IMPLICATIONS:

- Don't wait for passage of the LEAN Act to get your restaurant's act together; make sure you have plenty of choices to offer diners who are seeking food with a more robust nutritional profile. Some fast-food chains are already moving in this direction. For example, Kentucky Fried Chicken now offers grilled chicken, and Taco Bell features a Fresco menu.
- Keep in mind that not every customer wants to see, or will abide by, posted nutritional data. Therefore, while you want to have lighter choices on your menu, you should not get rid of heavier dishes altogether. Do recognize, though, that if nutritional information is posted at your operation, orders for some of the heavier dishes may decrease.
- Making lower-calorie options available to your diners need not be difficult. Focus on using whole grains, broth-based soups, lean proteins and seasonal fruits and vegetables. Keep preparations simple, and sauces light. Additionally, to prepare for nutrition disclosure regulations, consider creating core dishes that do not feature dressings, sauces or condiments, all of which can be left to the customer's discretion.

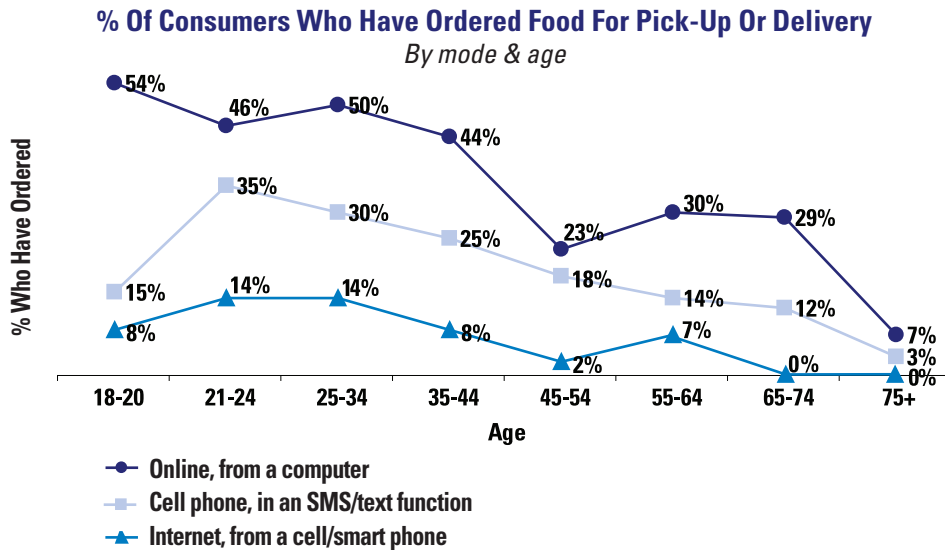
The Order of the Future is Now

Not long ago, ordering food for pick-up or delivery meant calling the restaurant and actually speaking with an employee. Nowadays, options have expanded to include: online ordering from a computer, text/SMS-based ordering from a cell phone, and using a smart phone to access the Internet or a downloaded application. Operators who miss out on the latest trends in ordering technology may miss out on potential business.

Consumers of all ages have already embraced these technologies. As the following chart shows, online ordering from a computer has become quite popular in the past several years, and a significant share of consumers from age 18 (54%) to 75+ (7%) report that they do it. Nearly a third

of consumers in the 55-64 (30%) and 65-74 (29%) age ranges use their computers to place food orders, and as younger, technologically savvy consumers age into these older brackets, those numbers will only increase.

As one might expect, fewer, if any, members of the oldest age groups indicate they've ordered food via text/SMS from a cell phone or used a smart phone to order via the Internet/a downloaded application. These ordering technologies are becoming more commonplace with younger user groups, however, reaching highs of 35% for text orders (21-24 age range) and 14% for smart phone orders (21-24 and 25-34 age ranges). As these modes of ordering food gain in popularity, and as younger users age, usage will likely increase. And, even now, the data clearly show that these newfangled methods are not only for the youngest folks.

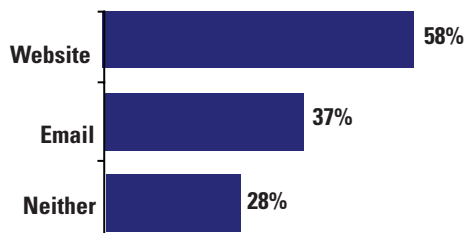


SPECIAL OFFERS EFFECTIVE IN GROWING SALES

Discounts, rewards, etc. are effective in luring customers to online ordering. Nearly three-fifths of consumers (58%) who have ordered food online note they have done so in response to an offer they saw on a website, while nearly two-fifths (37%) have been influenced by an offer received in an email. Fewer than one-third of consumers (28%) who place online orders indicate they have not taken advantage of either type of promotional placement.

Promotional offers on a restaurant's website have been the source of offers for seven of 10 consumers (70%) who have taken advantage of such deals; an email message from a restaurant is another popular source for more than three of five (63%) such customers. Only a quarter of these consumers (25%) have used promotional offers via banner ads not on a restaurant's own website.

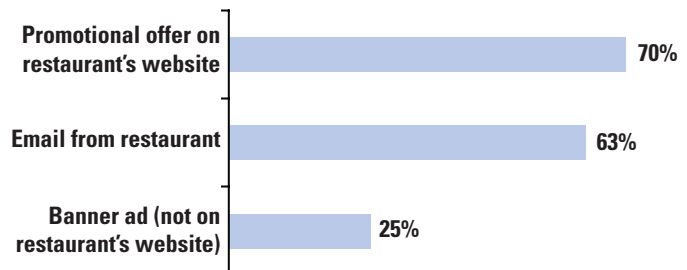
% Of Consumers Who Have Placed An Online Order In Direct Response To An Offer Via:



Base = consumers who have placed an online food order

Main Sources for Offers

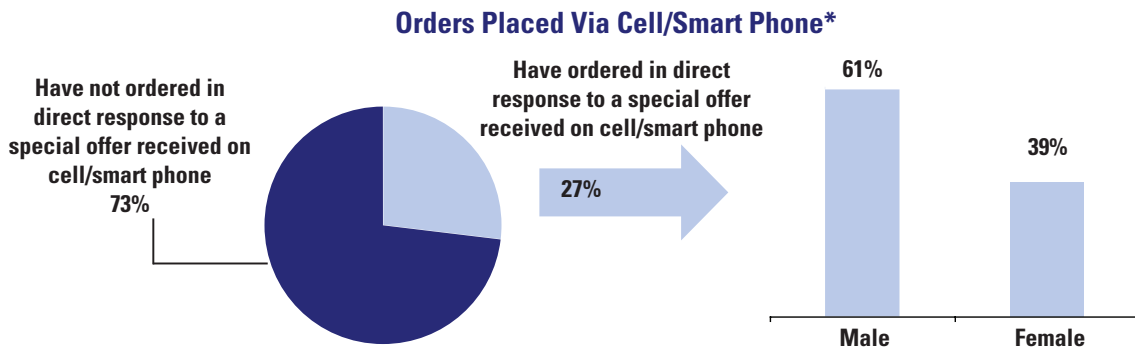
% of consumers who have used



Base = consumers who have placed an online food order in direct response to an online promotional offer

The use of special offers has not penetrated as deeply into the ranks of those who order food via their cell/smart phones. Only about a quarter of consumers (27%) who have ordered food through a text/SMS message or Internet/downloaded application on a cell or smart phone report that they've done so in direct response to a special offer they received on their phone. This could be due to the fact that consumers usually have to opt-in to receive such offers on their phone, whereas online, they can be grabbed from a website or received via email.

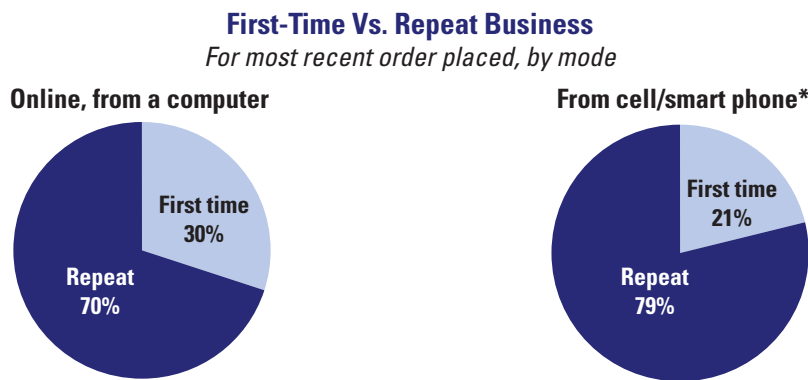
More males (61%) than females (39%) indicate that they've ordered via their cell/smart phones in response to a special offer received on such devices. This gender disparity could reflect that the types of food most frequently ordered through a cell/smart phone are slightly more appealing to men than to women. It could also reflect the fact that more men overall have embraced this ordering technology than have women.



*Text/SMS or internet/downloaded application

REPEAT BUSINESS IS STRONG

Consumers' repeat rates for online and cell/smart phone ordering suggest that they like this ordering process. For those who have ordered online from a computer, seven of 10 (70%) report that their most recent order placed was a repeat order; only 30% reported it was their first time doing so. Repeat rates are even higher for those who order via cell/smart phone; nearly eight of 10 consumers (79%) indicate their last order was a repeat order, and only 21% note that it was their first.



*Text/SMS or internet/downloaded application

Bottom Line: Many consumers have already embraced alternative methods of ordering food for pick-up and delivery, so if the telephone is your only mode for receiving such orders, you're well behind the times. If you've not done so already, be sure to look into making your restaurant online- and mobile-order capable, and beyond that, be sure to look into ways to build your business through well-placed incentives.

BUSINESS BUILDING IMPLICATIONS:

- For online and cell/smart phone orders, consider creating a bonus or points program of some sort, whereby users receive a credit every time they place an order and ultimately get a free lunch, so to speak. Pockets, a Chicago chain, gives away “Pockets Points” for each order to incentivize additional business.
- It is imperative that your online and cell/smart phone ordering system(s) be technologically secure. If customers have reason to fear for their financial security by giving their credit card number to you, they might go somewhere else.
- Make sure you have someone on staff at all times who is dedicated to handling questions from customers about how to use your online/text/smart phone ordering system. Monitor your email and voicemail for questions that potential users of these ordering systems could have. This newer technology should ultimately cut labor costs, but only if you make it a priority and give it the attention it requires.

College & University Foodservice

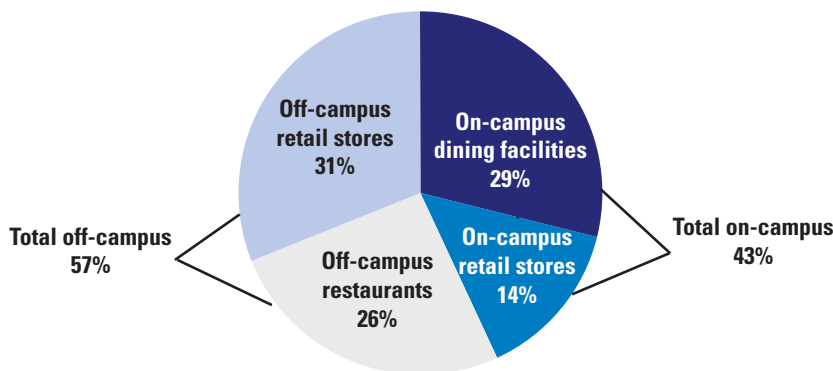
With nearly \$240 billion in spending power, college students are an important cohort for any industry to market to, and may be especially important when it comes to foodservice. In order to understand the dining behavior, attitudes and preferences of college students, Technomic Information Services conducted a May 2009 online survey of more than 1,500 full-time U.S. college students.

A MAJORITY OF STUDENTS GET FOOD OFF-CAMPUS

Students indicate that the foods and beverages they consume are sourced off-campus most of the time (57%). The majority of these meals—and about 31% of all food and beverages they consume—are purchased at off-campus retail or grocery stores. The remaining 26% are typically ordered at off-campus restaurants.

Food and beverages purchased on campus account for 43% of an average student’s meals. In contrast to off-campus foodservice use, students indicate that food and beverages sourced on campus are predominately purchased from dining facilities (29%) rather than retail establishments (14%).

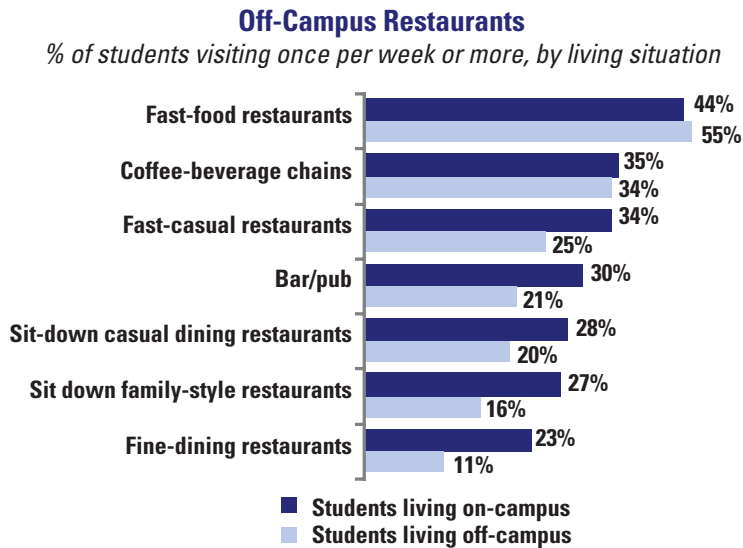
Where College Students Purchase Their Meals And Snacks



Source: Technomic, College & University Consumer Trend Report

WHERE COLLEGE STUDENTS GET THEIR OFF-CAMPUS GRUB

Although in general, students visit on-campus dining facilities more often than off-campus restaurants, most students still purchase food from off-campus restaurants quite often. Nearly half of students polled report they visit some type of fast-food restaurant at least once a week. About a third also patronize some type of coffee shop (35%) or fast-casual restaurant (30%) each week. The fact that these limited-service options are visited more frequently than any other type of restaurants reiterates students' need for convenience, portable options, value and quick service.



Source: Technomic, College & University Consumer Trend Report

Bottom Line: For many students, required meal plans encompass the majority of their options when it comes to sourcing a meal or snack on campus. A significant portion of students, however, regularly dine off-campus, and thus it is crucial to stay on top of the factors shaping their expectations and purchasing decisions.

BUSINESS-BUILDING IMPLICATIONS:

- Most students are already visiting coffee chains to study. If you are trying to reach a student population, consider creating a similar atmosphere, with quiet music, WiFi access and a relaxing ambiance, to help drive traffic.
- Variety is a strong driver for students when deciding where to purchase food and beverages. Sampling is a great way to wet their appetites as well. Make sure to regularly rotate your menu and provide seasonal limited-time offers, mix-and-match and à la carte items if you want to underscore variety and keep student customers content.
- These days, more students may be just scraping by, financially. Focus on strengthening your value proposition—whether it be through lowering absolute costs, improving variety and quality, creating bundling strategies, etc.—to hit upon what resonates most with student customers who are counting every penny.

Editor's note: Except where otherwise noted, source of data is a periodic overnight survey of 500 consumers representative of the U.S. population, conducted via the Internet by Technomic, Inc. in August 2009. Margin of error ± 3.4%. "The College & University Consumer Trend Report" is based on an online survey of 1,500 U.S. consumers conducted in May 2009. Margin of error ± 2.5%.

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