



Market Brief

Tracking and interpreting restaurant trends



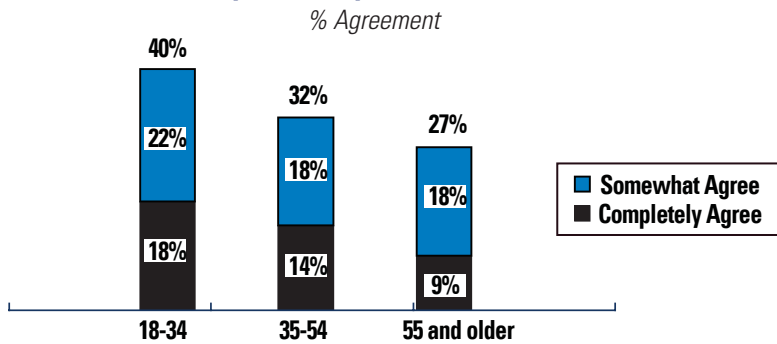
EVOLVING PALATES DEMAND MORE DIVERSE ETHNIC OFFERINGS

It used to be true that if you wanted an ethnic dining experience and you did not live in a large city, your only options were Chinese, Mexican and Italian. That's no longer the case. In smaller communities around the U.S., more and more diverse ethnic options are appearing on the dining scene. In this month's *MarketBrief* we investigate what has driven this change and which non-traditional ethnic foods consumers are seeking out on a regular basis.

MORE CONSUMERS EXPOSED TO ETHNIC FOODS AS KIDS

Younger consumers are more likely to report they were exposed to a variety of ethnic cuisines at a young age. Two of five consumers 18 to 34 years of age (40%) agree to some extent that they were exposed to a variety of ethnic cuisines beyond the more mainstream ethnic options of Chinese, Italian and Mexican, while growing up. Approximately a third of consumers 35 to 54 years of age (32%) and only slightly more than a quarter of consumers 55 and older (27%) agree with this statement.

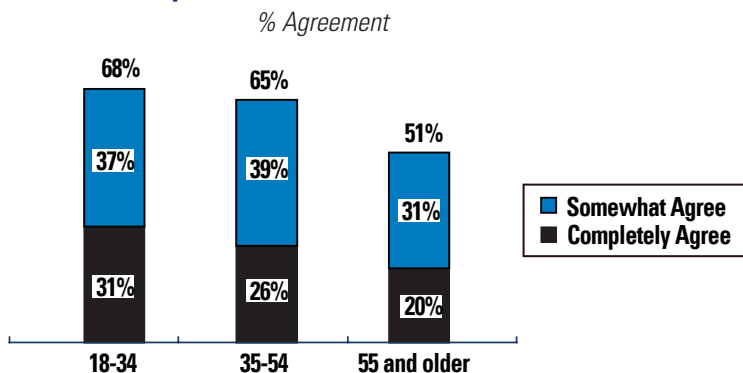
When I was growing up I was exposed to a variety of ethnic cuisines.



A WILLINGNESS TO TRY NEW CUISINES

Consumers today are more adventurous than in the past. Approximately two-thirds of consumers age 18 to 34 (68%) and 35 to 54 (65%) agree to some extent that they "like to try cuisines (they) have never tried before." Only half of consumers 55 and older (51%) agree with this statement.

I like to try cuisines I have never tried before.



INSIDE MARKETBRIEF

Knowing the Retail Meal Consumer p.3

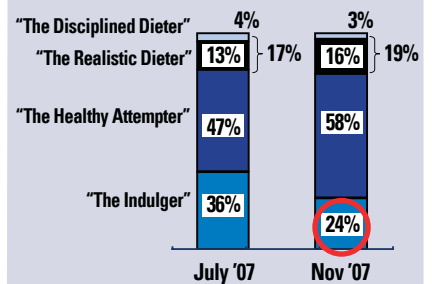
To Brand or Not to Brand? That is the Question p.6

DIET TREND BAROMETER

The holidays are a time to indulge...or are they? From July to November, the Indulger diet segment decreased from 36% to 24% while the number of Healthy Attempters increased from 47% to 58%.

However, the Disciplined Dieter and Realistic Dieter segments only experienced a slight increase, suggesting that while more consumers aren't dieting during the holidays, some Indulgers are likely worrying they might overeat.

Consumer Diet Segments



- "The Disciplined Dieter" - on a strict diet
- "The Realistic Dieter" - on a diet, but indulge occasionally
- "The Healthy Attempter" - try to eat healthy
- "The Indulger" - eat whatever, whenever

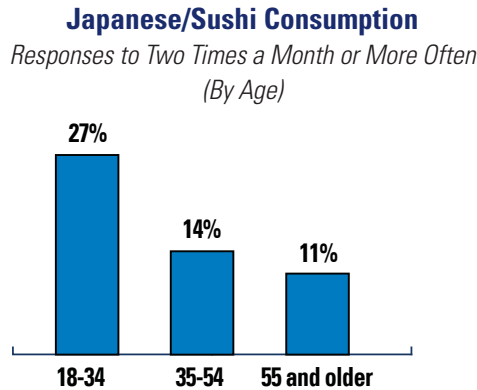
Editor's note: Look for several up-to-date metrics that shed light on key industry trends presented in this space in each month's *MarketBrief*. For comparison, you can find past *Trend Barometer* metrics online at: www.technomic.com/operator/amexmarketbriefs

IMPACT OF AGE ON ETHNIC FOOD CONSUMPTION

Consumers were asked how frequently they are consuming ethnic food beyond the big three ethnic cuisines—Chinese, Mexican and Italian. Consumers 18 to 34 years of age reported eating all types of ethnic food more often than older consumers.

Japanese/Sushi a Favorite with Youth

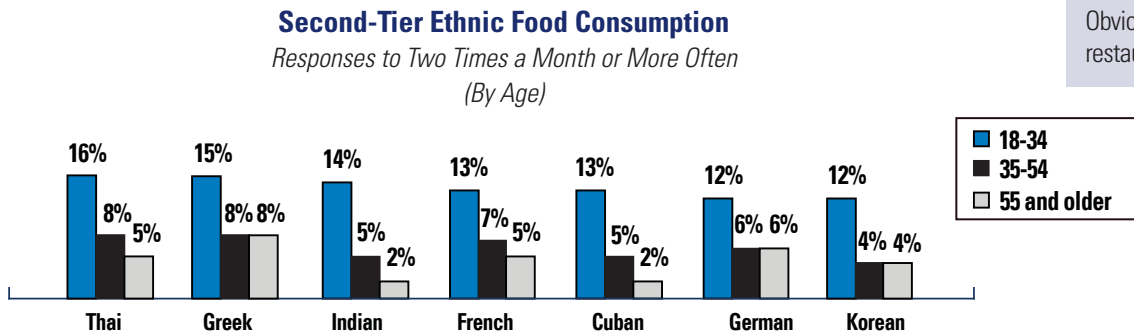
Which ethnic foods are they eating on a regular basis? Japanese, in particular sushi, is consumed most often by younger consumers. Over a quarter of consumers 18 to 34 years of age (27%) reported that they are eating Japanese/sushi two times a month or more often. This is approximately twice as many as consumers 35-54 (14%) and 55 and older (11%).



Second-Tier Favorites

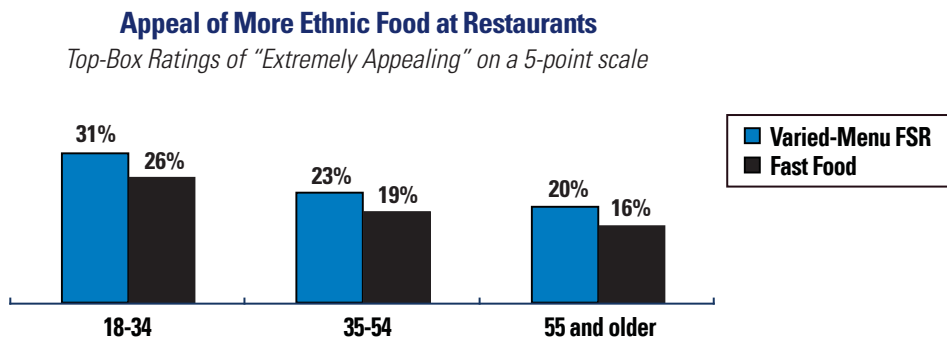
Beyond sushi, many of the more diverse ethnic cuisines are equally popular. Thai, Greek, Indian, French, Cuban, German, and Korean are all consumed on a regular basis by a proportion of the general population.

The declining pattern of consumption by age is the same as it is with Japanese/sushi. Consumers 18 to 34 years of age were two to three times more likely to consume these cuisines a couple a times a month or more often than their older counterparts.



ETHNIC OFFERINGS AT RESTAURANTS “EXTREMELY APPEALING” TO SOME

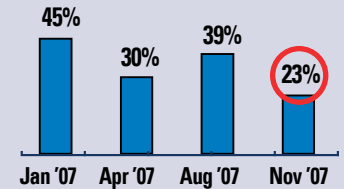
A significant number of consumers find the idea of restaurants offering more ethnic menu items appealing, especially at full-service, varied-menu restaurants. However, interest in these offerings declines with age at both FSRs (31% vs. 23% and 20%) and fast food restaurants (26% vs. 19% and 16%).



FOOD SAFETY TREND BAROMETER

Concern over food safety at restaurants was at an all-time low in November with only 23% of consumers reporting they are “extremely concerned” about restaurant food safety.

% of Consumers “Extremely Concerned” About Food Safety



In the past, a spike in concern over food safety has been correlated with a well-publicized tainted food outbreak at a restaurant.

While there hasn't been a reported outbreak at a restaurant recently, there has been a tainted beef recall that has been covered in the media.

In November, the majority of consumers (81%) reported that they were aware of the recent tainted beef recall. Obviously, a recall alone won't scare off restaurant patrons.

Bottom line: Consumers' palates are evolving as they are exposed at an earlier age to a variety of cuisines and ethnic ingredients. This is likely a result of living in a country that continues to become more and more diverse. According to U.S. Census data collected in 2003, 11.7% of the population is foreign born. Among them 53.3% were born in Latin America, 25.5% in Asia, 13.7% in Europe and 8% in other regions of the world. The U.S. ethnic foods market is already estimated to generate \$75 billion in annual sales this year and foodservice alone accounts for 65% of these sales.¹ Interest in diverse ethnic cuisines will likely continue to grow as the children of Baby Boomers raise their own children on a more ethnically-diverse diet.

BUSINESS-BUILDING IMPLICATIONS

- Varied-menu restaurants often offer a few items that are mainstream ethnic (i.e., Chinese, Mexican, and Italian), yet, few menus have integrated more diverse ethnic cuisines such as Japanese, Thai and Greek which many consumers report consuming on a regular basis. Consider menuing an item such as maki rolls, a curry-based dish, gyros or other diverse ethnic food options for consumers looking to try something different.
- Consider adding ethnic ingredients in traditional American recipes to create innovative menu items. Ingredients such as curry, green tea and wasabi are being used in traditional sauces, side dishes, entrees and even cocktails. Wasabi mashed potatoes is one example of an ethnic-based menu item with crossover appeal.
- If your menu needs rejuvenation, integrating more ethnic flavors is a great way to do it. These additions can give a menu more broad appeal and drive new business possibly attracting younger generations of consumers.

¹ Ethnic Foods Market Profile. Ag Marketing Resource Center. <http://www.agmrc.org/agmrc/markets/Food/ethnicfoodsmarket.htm>. Updated March 2007.

KNOWING THE RETAIL MEAL CONSUMER

In 2006, total food sales (foodservice and retail combined) was over a billion dollars in the U.S. Over the past few decades, foodservice sales have slowly gained a larger share of this total; and today 50% of consumer dollars spent on food is for foodservice.

Retailers seem intent on reversing this trend by creating and marketing offerings that will appeal to the foodservice customer. But what has been the impact of this change in business strategy thus far? Here we take a closer look at consumers' retail meal usage, their most frequent prepared food purchases from retail stores and the motivations behind making these purchases.

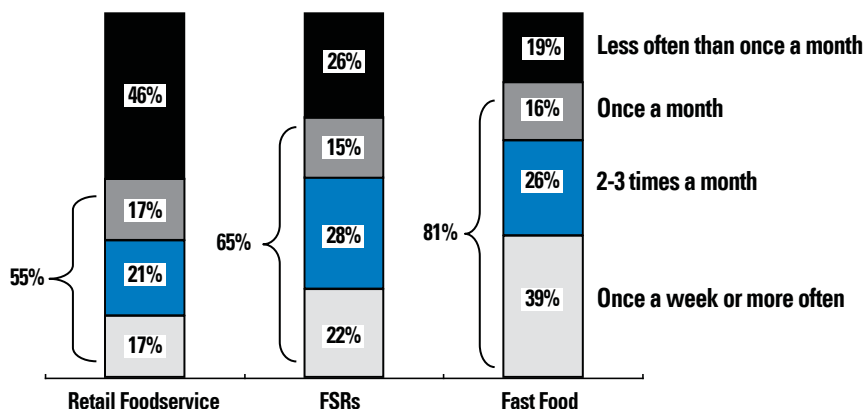
RETAIL MEALS HOT ON THE TAIL OF FOODSERVICE?

Consumers were asked how often they purchase prepared foods (e.g. ready-to-eat or ready-to-heat foods such as rotisserie chicken, pizza, sushi, soup, salads, etc.) at supermarkets or other retail stores. Retail meal usage was higher than what might be expected. More than half of consumers (55%) report they are purchasing retail meals at least once a month or more often. Approximately two-thirds (65%) order from full-service restaurants and four of five (81%) visit fast food restaurants once a month or more often.

Heavy usage of retail meals (once a week or more often) is not far behind full-service restaurant heavy usage (17% vs. 22%), but has a way to go to catch up with heavy fast food usage (39%). Considering that many retailers have just recently stepped up their efforts to better market and promote this part of their business, it will be interesting to watch how this changes over the next few years.

Frequency of Meal or Meal Component Purchases

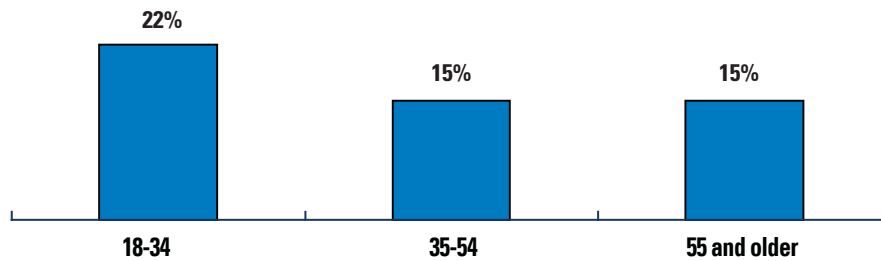
By Venue



YOUNGER GENERATIONS HEAVIEST USERS OF RETAIL MEALS

Young adults could be the driving force behind retail meal purchases. Younger consumers were more likely than older consumers to be heavy users of retail meals. One of five consumers 18 to 34 years of age (22%) reported purchasing prepared meals from retail stores once a week or more often. Only 15% of consumers 35 to 54 and 55 and older reported this same usage.

% Purchasing Retail Meals Once a Week or More Often
(By Age)

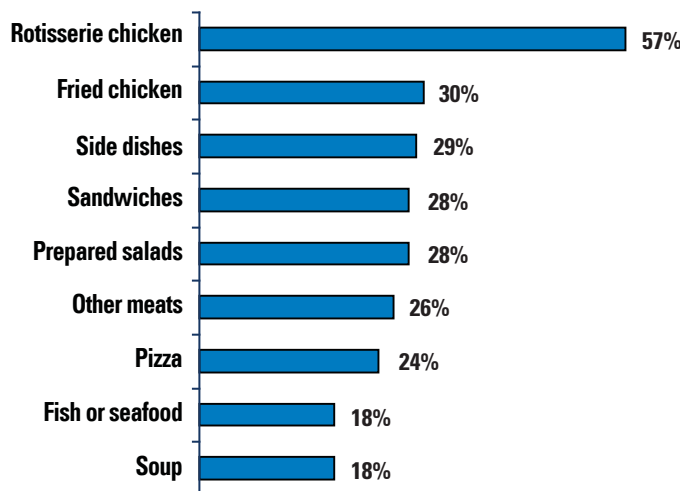


IT ALL STARTED WITH THE ROTISSERIE CHICKEN...

Rotisserie chicken is to retail meals what hamburgers are to fast food. By far, rotisserie chicken is the most purchased prepared food item at retail stores. Over half of consumers (57%) reported that they purchase rotisserie chicken on a "regular basis."

Approximately three of ten consumers reported that they purchase fried chicken (30%), side dishes (29%), sandwiches (28%) and prepared salads (28%) on a regular basis. A quarter of consumers report purchasing other prepared meat entrees (e.g., turkey, bbq, or roast beef) and pizza on a regular basis at retail stores (26% and 24%, respectively.) Fish/seafood and soup round out the Top 10 most popular prepared meal purchases at 18%. Knowing which prepared meals consumers are buying at retail locations can help foodservice operators recognize potential unmet foodservice needs.

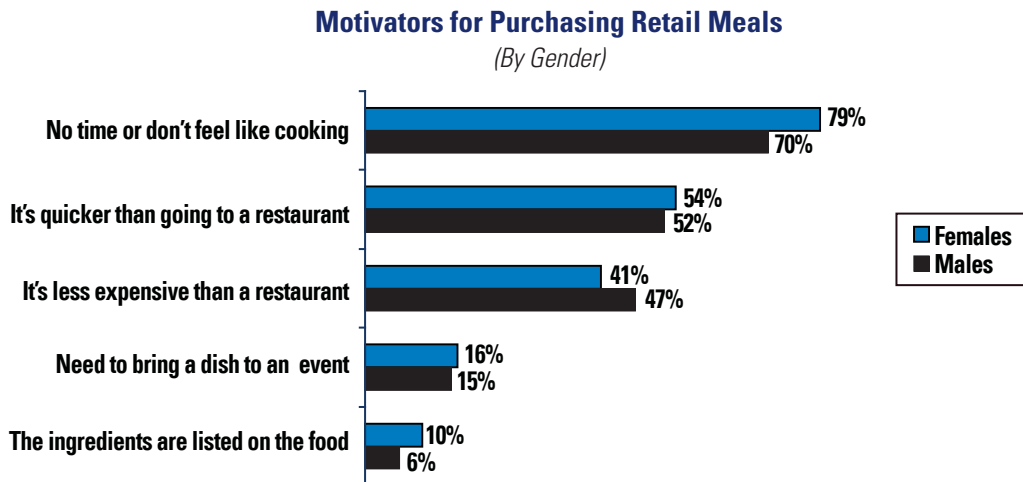
Top 10 Reported Prepared Foods Purchases from Retail Stores



CONVENIENCE AND PRICE MAKE RETAIL MEALS MORE APPEALING

Participants were asked to choose the top three reasons they purchase prepared meals at retail stores. The number one reason is the same as the number one reason they order food from a restaurant...they don't feel like cooking. Women were more likely than men to agree that not wanting to cook was a motivator for retail meal purchases (79% vs. 70%). The second most mentioned reason for purchasing retail meals is that it is quick and/or more convenient than going to a restaurant. Women and men agreed to virtually the same degree with this statement (54% vs. 52%).

Men appear to be more price-sensitive when it comes to purchasing food away from home. Men (47%) were more likely than women (41%) to report they purchase prepared meals from retail stores because they are less expensive than restaurants. Other less-frequently reported reasons for purchasing retail meals is needing to bring a dish to an event and being able to see the ingredients included.



Bottom line: Through implementing, or improving, their current foodservice program, retailers have found a way to drive more traffic and increase profits. Their efforts to promote and market these offerings are likely to continue. To remain competitive, restaurants and other foodservice venues need to continue to differentiate themselves from the competition, because odds are there are a few retail outlets that are in your competitive set.

BUSINESS-BUILDING IMPLICATIONS

- Chicken is the most frequently ordered prepared food item from retail. Part of the appeal of rotisserie chicken is that a variety of preparations are possible and its large size often means it can be used for more than one meal. If your establishment has a takeout program, you might consider offering a whole prepared chicken or other prepared premium meats that meet this need for versatility and at the same time offer value.
- Young adults appear to be the heaviest users of retail meals, and males are reporting they choose retail meals over restaurants because they are less expensive. Young males are a primary target market for many fast food concepts. To remain top-of-mind with this group whose attention spans can be quite short, fast food operators must continue to add new mouth-watering alternatives at reasonable prices. LTOs (Limited-Time Offers) on past popular items will likely catch this group's attention.
- Some food retailers, especially specialty or upscale gourmet stores, are even catering to the "special occasion." On holidays such as Thanksgiving Day they are offering deals on premium meats and prepared side dishes. What they can't provide, which full-service restaurants can, is attentive service and an atmosphere that can not be sufficiently duplicated in the home. Full-service restaurants should remind customers that when they are dining at their establishment for a special occasion they needn't worry about the stressful details like setting the oven or cleaning the kitchen.

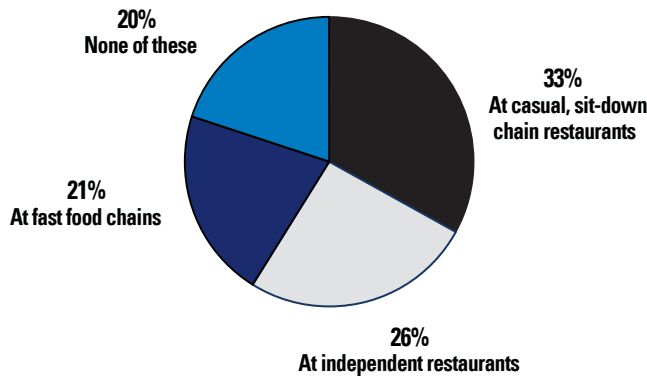
TO BRAND OR NOT TO BRAND? THAT IS THE QUESTION

It is likely that the manufacturers and suppliers you purchase from would like to see their brand displayed on your menu. You might have asked yourself in the past if this was in the best interest of your operation. The following findings from a national survey of over 1000 consumers will hopefully provide you with key insights you need for making these decisions in the future.

BRAND USAGE MOST APPEALING AT CASUAL-DINING CHAINS

There are some venues where consumers are more likely to want to see brand names on the menu. A third of consumers (33%) reported that they would most want to see brand names at casual, sit-down chain restaurants. Over a quarter of consumers (26%) indicated independent, locally-owned restaurants, while one of five consumers (21%) were most likely to want to see brand names at fast food chain restaurants. Only 20% of consumers reported not wanting to see brand names at any restaurants.

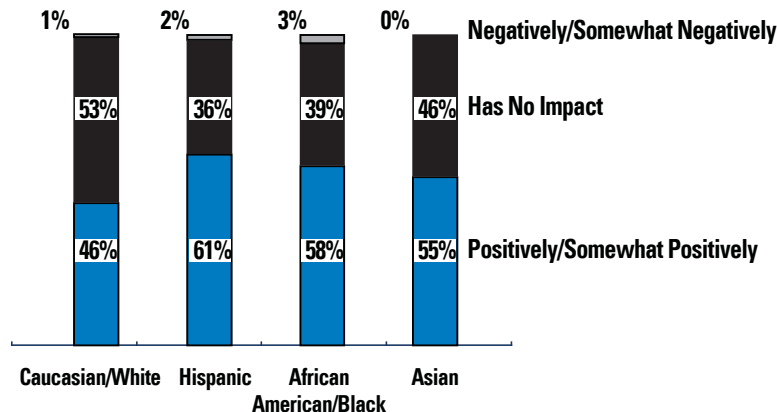
Where Consumers are Most Likely to Want to see Branded Menu Items



MINORITIES ARE MORE BRAND-ORIENTATED

In general, only a very small minority of consumers (3%) would have a negative perception of a restaurant using brand names they are familiar with. However, consumers' ethnicity can impact whether they view the usage of brand names positively or if it has no impact at all. The findings suggest that minorities are more interested in seeing brand names at restaurants. Hispanics (61%) and African Americans/Blacks (58%) and Asians (55%) were significantly more likely than Caucasians (44%) to view name brand usage at restaurants somewhat positively.

How does seeing name brands at restaurants that you are familiar with from the store impact your perception of those restaurants?



APPEAL OF BRANDING VARIES BY PRODUCT CATEGORIES

Consumers were asked to choose two product categories where they would most want to see familiar brand names on restaurant menus. Across ethnicities condiments and meats and other proteins were rated as the products consumers would most want to see branded at restaurants.

Interestingly, certain minority groups feel more strongly about seeing branding on certain categories of products. Caucasians and Asians were significantly more likely than African Americans/Blacks and Hispanics to want to see condiments branded at restaurants. Caucasians were significantly more likely than African Americans and Asians to want to see branded cheeses.

Hispanics and African Americans are more likely to want to know the brand of their fruit and vegetables. When it comes to desserts African Americans/Blacks and Asians want to know who is manufacturing them.

Appeal of Product Category Branding at Restaurants				
% Agreement by Ethnicity				
Product Category	Whites/ Caucasians	Hispanics	African Americans/Blacks	Asians
Condiments	56%	45%	45%	53%
Meats or other proteins	34%	36%	36%	37%
Cheese	25%	23%	16%	17%
Fruits and vegetables	18%	28%	33%	20%
Breads	20%	25%	23%	27%
Desserts	13%	17%	20%	24%

Bottom line: No two restaurant concepts are exactly alike and therefore neither should their approach to menu branding be identical. When deciding whether to brand and what to brand, consider your business philosophy, whether you personally have loyalty to a particular product and how your target market feels about these brands.

BUSINESS-BUILDING IMPLICATIONS

- Knowing your target market can help you decide which brand names to use on your menu. If your units are located in minority-dominated areas, you might consider adding brand names that members of this group are familiar with and loyal to. Keep in mind that many minorities are from countries out of the U.S. and might have a different perception of a particular brand than someone born and raised in the U.S.
- While there are no hard rules for what works best in terms of menu branding, knowing what has worked for other restaurant concepts can be helpful. In our menu research one section of the menu that often contains a variety of manufacturer brand names is the kid's menu. This makes sense because kids often recognize brand names and some parents feel more comfortable giving their kids a name they trust.
- If your restaurant is in an ethnically diverse area you might consider branding your meats or other proteins first and seeing what impact if any this has on sales. Examples of restaurants already doing this include Burger King's BK Veggie Burger which is menued as a Morningstar Farms Garden Veggie Burger, Panera Bread's Sausage & Roasted Peppers Crispani is made with All-natural Niman Ranch Sausage, and Perkin's menu's Butterball in all of their turkey sandwiches.

Editor's note: Except where otherwise noted, source of data is a periodic overnight survey of 1200 consumers representative of the U.S. population, conducted via the Internet by Technomic, Inc. in November 2007. Margin of error \pm 3.0%.

Correction: In the November 2007 issue of the *MarketBrief* there was a misprint on page one. The first chart's labels should have read: "25% Completely/Somewhat Agree" and "48% Completely/Somewhat Disagree" with the statement "I am interested in eating or trying alternative protein burgers such as those that feature meat from buffalo, ostrich and wild boar."

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