



Market Briefing

Tracking and interpreting restaurant trends



INSIDE MARKETBRIEFING

The Food Truck Phenomenon..... p. 4

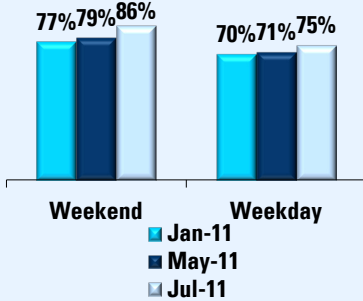
DINING DEAL TREND BAROMETER

On weekends and weekdays, consumers appear to be more likely than they were earlier in the year to dine in restaurants for dinner without the added incentive of a deal. Overall, weekends are times when fewer consumers look to use deals, with more than four out of five consumers (86%) likely to dine out deal-free. On weekdays, some three-fourths of consumers (75%) are likely to dine out deal-free.

Some of this weekend/weekday differential can be attributed to a more relaxed attitude and willingness to spend money on weekends. Some may also be attributable to weekend blackout dates on many restaurant special offers and social-media-based deals.

Likelihood that Consumers will Dine at a Restaurant for Dinner if no Deals are Offered

% of Consumers Responding "Very" or "Somewhat" Likely



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

The Keys to Customization

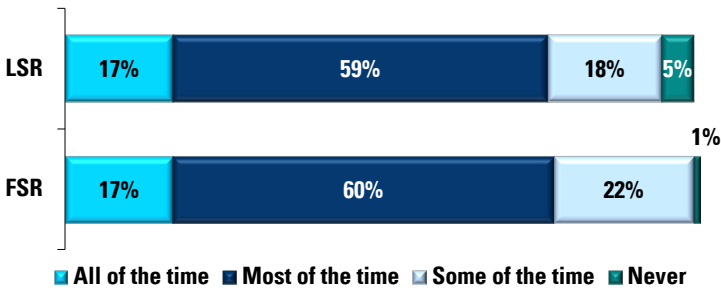
Given the current condition of our economy, consumers are more mindful than ever of the value equation when dining out. For many, it seems only logical that they should be able to get precisely the meal they want when they are paying a restaurant to provide it. To some extent, this helps explain the growth of the fast-casual sector over the past several years, as consumers have gravitated towards those eateries that offer customizable dishes at not-quite-full-service prices.

Of course, customization can play into any type of restaurant's menu plans, to varying degrees. But where do consumers most appreciate the ability to customize their meals, and what aspects of customization are most appealing? Are consumers willing to pay extra for the chance to control the composition of their orders? We shed some light on these questions below.

MOST CONSUMERS DON'T ASK FOR SPECIAL ORDERS

Based on a July 2011 online survey of 500 consumers, more than three-fourths indicate that they order an item exactly as it is described on the menu all or most of the time at limited-service restaurants, which includes quick-service and fast-casual, (76%), and full-service restaurants (77%). About one-fifth order an item exactly as it appears on an LSR or FSR menu some of the time (18% and 22%, respectively), and very few never do so (5% at LSRs, 1% at FSRs).

At an LSR/FSR, I order the item exactly as it is described on the menu...



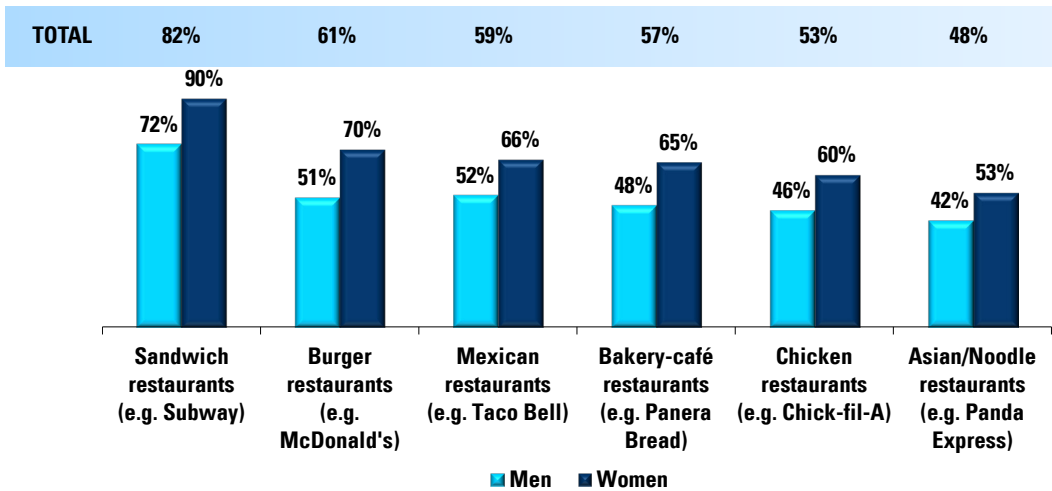
OPTIONS TO CUSTOMIZE ARE POPULAR

Customization—defined here as choosing such elements as toppings, sauces and accompaniments for one's meal—is different, from the consumer's perspective, than making a special request to alter a standard menu item. Although three-quarters of consumers tend to order items off of a menu without making any adjustments, many of these same consumers feel it is important to be able to customize their meals.

In fact, as shown on the next page, more than four out of five consumers (82%) report that it is somewhat or extremely important that they be able to customize their meals at sandwich-specific LSRs. Chains such as Subway have built their reputation on allowing customers to more or less create their own sandwiches, so it's logical that customization would be deemed most important in such restaurants. Roughly three-fifths of consumers indicate that customization is important to them at burger (61%), Mexican (59%) and bakery-café (57%) LSRs, and about half note the same for chicken (53%) and Asian/noodle (48%) LSRs. In all cases, women are much more likely than men to consider the opportunity for customization an important attribute.

How important is it for you to be able to customize your meal at the following types of LSRs?

% of consumers selecting top two box responses (somewhat or extremely important)

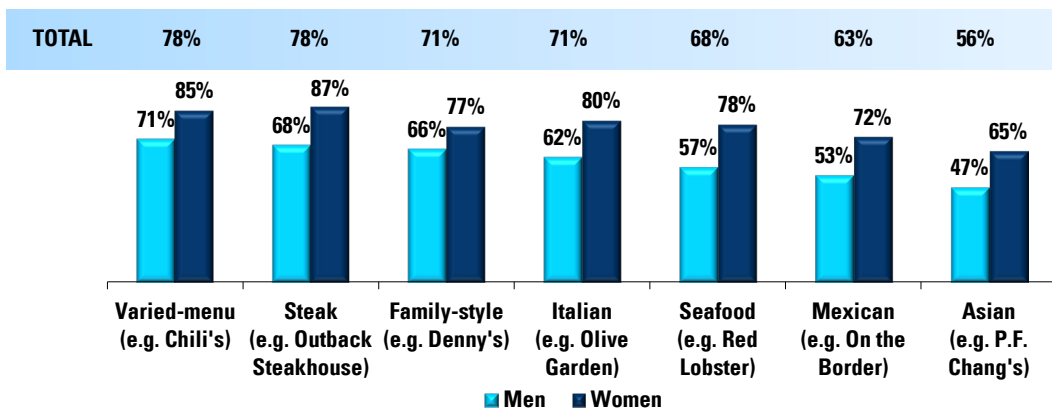


Note: Scale is five-point, where 1 = not important at all and 5 = extremely important

Consumers place more importance on the ability to customize at FSRs than at LSRs (though the sandwich LSR segment is an exception). Nearly four-fifths of those polled say that customization opportunities are somewhat or very important at varied-menu or steak FSRs (78% for both), and about seven out of 10 indicate the same for family-style, Italian and seafood FSRs (71% for family-style and Italian; 68% for seafood). Customization at Mexican (63%) and Asian (56%) FSRs is slightly less important to consumers. At FSRs, as at LSRs, more women than men indicate that customization is somewhat or very important to them.

How important is it for you to be able to customize your meal at the following types of FSRs?

% of consumers selecting top two box responses (somewhat or extremely important)



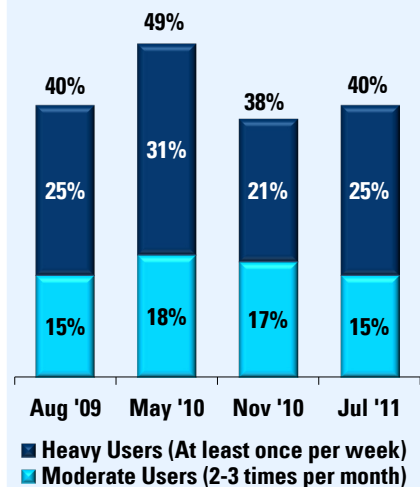
Note: Scale is five-point, where 1 = not important at all and 5 = extremely important

LATE-NIGHT DINING TREND BAROMETER

In the past two years, the proportion of consumers who purchase late-night snacks at restaurants 2-3 times per month ("moderate users") has remained relatively stable, ranging from 15%–18%. In the same time period, the proportion of consumers who purchase late-night snacks at least once per week ("heavy users") has also remained fairly stable, ranging from one-fifth to one-quarter of those polled (with the exception of a spike in May 2010). For the most part, it seems, the business of late-night snacking has a modest but steady clientele.

Late-Night Dining at Restaurants (Heavy and Moderate users, Takeout & Dine-In)

% moderate or heavy users

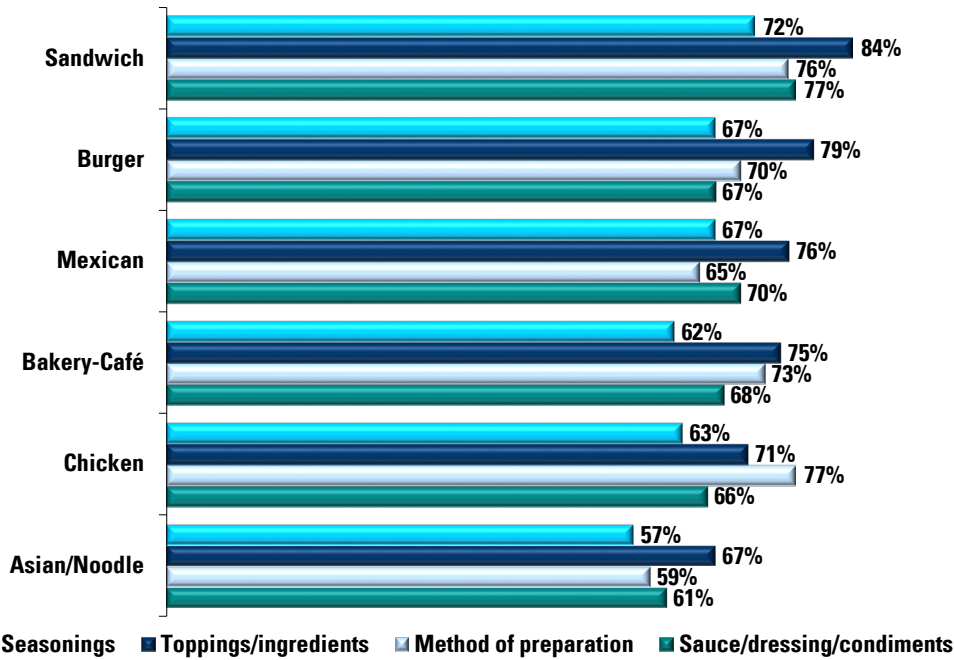


CUSTOMIZABLE TOPPINGS/INGREDIENTS MATTER MOST IN LIMITED SERVICE

In almost all LSR segments tracked, toppings/ingredients are the part of their order that consumers most want to be able to customize. Per the chart on the following page, anywhere from 67%–84% of consumers surveyed feel this way. However, for chicken-specific LSRs, methods of preparation rate as more important to consumers than toppings/ingredients. This reflects the fried vs. grilled decision as well as the fact that with chicken, there really is only one ingredient to consider and not many possible toppings or ingredients.

Beyond toppings/ingredients, customization options for method of preparation and sauce/dressing/condiments are most important to consumers at LSRs. The ability to customize seasonings is not as essential, but is still fairly significant.

How important is it to be able to customize and/or chose from a variety of the following at a limited-service _____ restaurant? % of consumers selecting top two box responses (somewhat or extremely important)

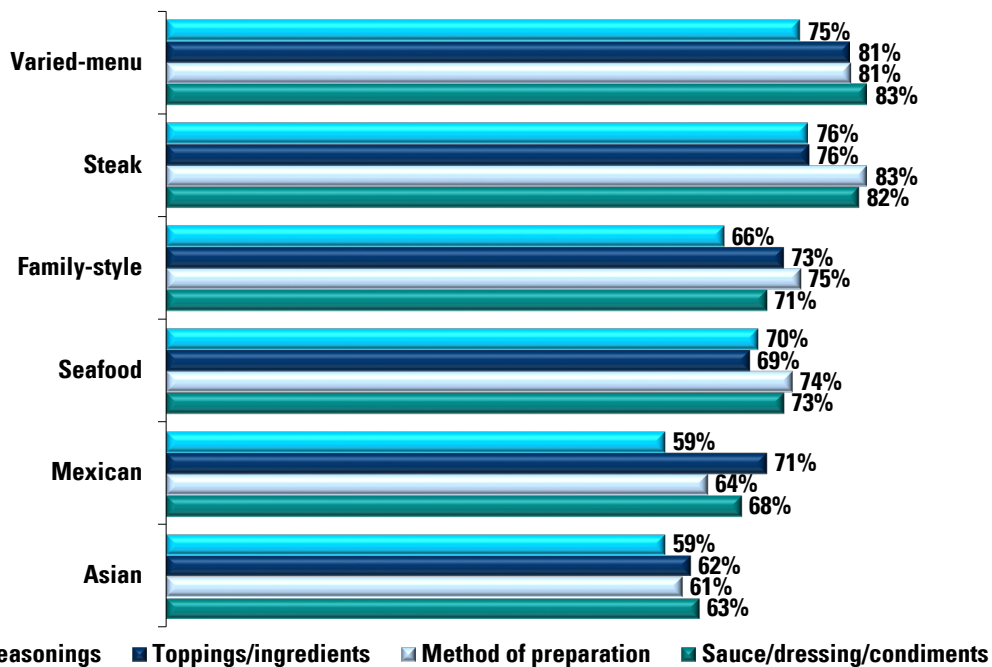


Note: Scale is five-point, where 1 = not important at all and 5 = extremely important

CUSTOMIZATION TRENDS A BIT MORE DIVERSE AT FSRS

For FSR segments like steak and seafood, where the menu is focused primarily on one type of protein, method of preparation and sauces/dressings/condiments matter most to consumers for customization (83% preparation and 82% sauce, for steak; 74% and 73%, respectively, for seafood). At varied-menu, family-style, Mexican and Asian restaurants, where the menu is more diverse, there are no real patterns to consumers' preferences for customization. For the ethnic cuisines (Mexican and Asian), insistence on customization options is lower overall than for non-ethnic cuisines, perhaps because customers are not as knowledgeable about the various ingredients and options.

How important is it to be able to customize and/or chose from a variety of the following at a full-service _____ restaurant? % of consumers selecting top two box responses (somewhat or extremely important)

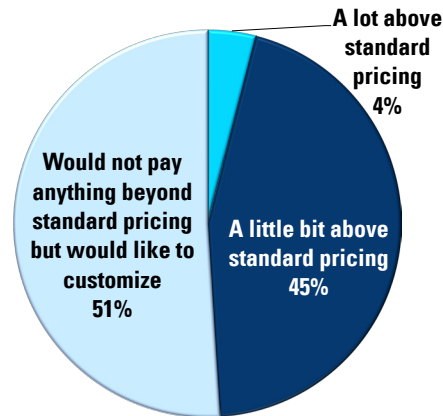


Note: Scale is five-point, where 1 = not important at all and 5 = extremely important

PUTTING A MONETARY VALUE ON CUSTOMIZATION

Depending upon the restaurant, it's quite possible that customization options can lead to higher operational costs. Will consumers pay the price? Of those who are interested in customizing their meals, slightly below half (49%) report that they would pay a lot or a little above standard pricing to be able to do so. The other half (51%) indicate that while they are interested in customization, they would not pay anything beyond standard menu prices for such options.

How much consumers are willing to pay for customization



Base: 481 consumers who are interested in customization

Bottom Line: In almost all types of restaurants and for most meal segments, a majority of consumers are interested in customization. Giving consumers a chance to provide input about creating all or part of their meal can lend a sense of value and fun to the dining experience—crucial lures during these tough times.

BUSINESS-BUILDING IMPLICATIONS:

- Across the board, women are more interested in customization than are men. Operators who are new to the idea of customization should consider starting with dishes that women are more likely to order than men. For example, offer a choice of lighter proteins that can be included in salads, such as chicken, calamari, tuna steak or portobello mushrooms, and allow your customers to mix and match various dressings and preparation methods.
- Although offering customizable meal options may cost operators a bit more, fast-casual chains such as Chipotle Mexican Grill and Roti Mediterranean Grill have proven that this model can be profitable. So long as prices remain competitive, customization will draw consumers.
- Customization need not be limited to the fast-casual realm. Buffalo Wild Wings' new "Customize Your Grub" menu section encourages guests to customize any menu item by adding or substituting any sauce or seasoning. This approach demonstrates one way for the casual-dining segment to remain competitive.

The Food Truck Phenomenon

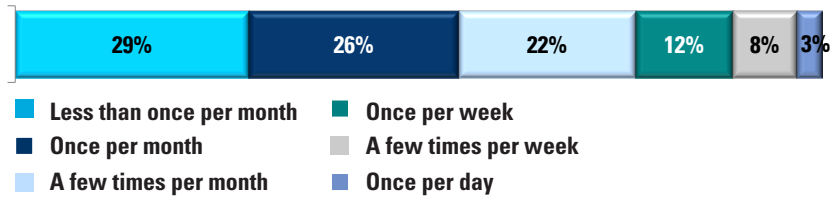
Based on all the buzz that mobile food vendors have received of late, it's hard to argue with the proposition that food trucks are the hottest foodservice trend of the year. Still, food trucks, carts, trailers and the like are not yet as widespread as the hype about them would make one believe. They remain largely concentrated in urban areas and college towns, so their reach is limited. Only about a quarter of consumers polled (27%) report that they've visited a food truck or mobile restaurant concept in the past three months.

Why are mobile food vendors such a hot trend, at least in urban areas and college towns? Why are consumers frequenting them? Are there keys to the food trucks' success that traditional restaurant operators can tailor to their businesses to boost their bottom lines?

HOW OFTEN DO CONSUMERS PATRONIZE A MOBILE VENDOR?

Most of those who buy meals and snacks from mobile vendors seem to patronize them only occasionally. Of those consumers who have visited a mobile food vendor in the past three months, fewer than one-fourth (23%) indicate that they visit once per week or more often. About the same proportion (22%) visit a few times per month. The bulk of those who have patronized food trucks frequent them once per month (26%) or less often (29%).

How often consumers purchase food from a mobile food vendor



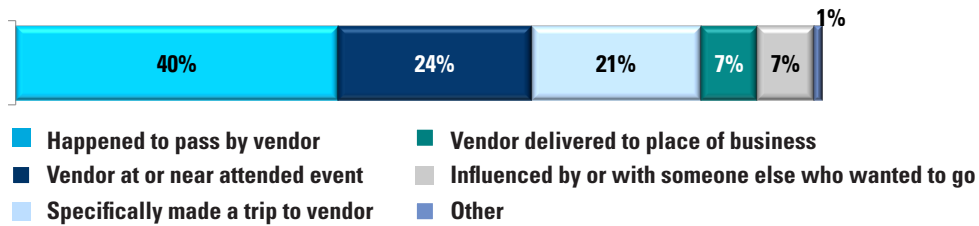
Base: 136 consumers who have visited a mobile food vendor in the past three months

PURCHASE DRIVERS

Modern technology has given mobile vendors the ability to alert their fans to their whereabouts via Twitter, email or the web, yet most purchases seem to be spur-of-the-moment decisions. Two-fifths of consumers (40%) made their most recent purchase from a mobile food vendor simply because they happened to pass by and noticed the vehicle. Similarly, about one-quarter (24%) made a purchase because the vendor was at or near some event they attended. Clearly, location is crucial when it comes to food trucks.

For many, a vendor is worth seeking out—one-fifth of consumers (21%) made a specific trip to a mobile food vendor for their most recent purchase. For others, convenience is a leading factor—roughly one in 15 consumers (7%) took advantage of delivery services to their office. Finally, being with somebody else who wants to visit a particular vehicle can persuade consumers to make their own purchases as well (7%).

Why consumers made their most recent purchase food from a mobile food vendor



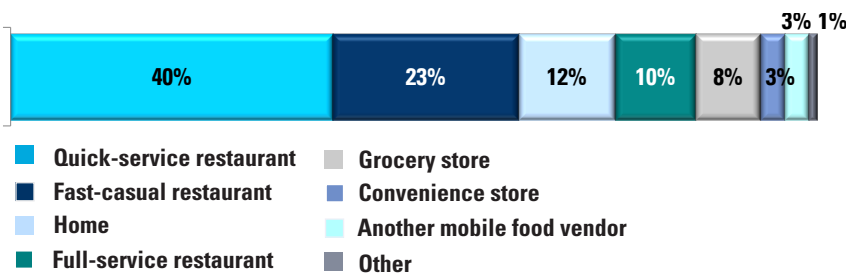
Base: 136 consumers who have visited a mobile food vendor in the past three months

WHAT MOBILE MEALS REPLACE

Nearly three-fourths of consumers visited a mobile food vendor on their most recent purchase occasion instead of visiting a brick-and-mortar restaurant. A plurality of consumers (40%) opted to bypass a quick-service restaurant, approximately one-fourth (23%) a fast-casual restaurant, and another one in 10 (10%) a full-service restaurant, deciding instead to dine from a food truck or mobile vendor.

One in eight consumers (12%) reported that their last visit to a mobile food vendor replaced a meal that otherwise would have been sourced from home. Fewer consumers chose a food-truck purchase over one from a grocery store (8%), convenience store (3%) or another mobile food vendor (3%).

Where food would have been sourced if not from mobile food vendor, on most recent visit

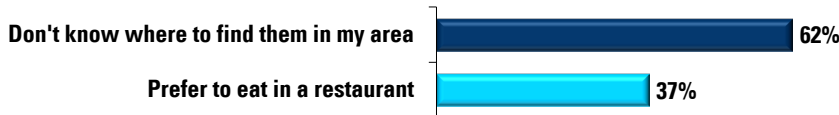


Base: 136 consumers who have visited a mobile food vendor in the past three months

NON-USERS: WHY NOT BUY FROM A MOBILE FOOD VENDOR?

As we noted above, only 27% of consumers polled reported having visited a food truck in the past three months. Among the three-quarters of consumers who have not patronized a food truck recently, six out of 10 (62%) indicate that it's mainly because they do not know where to find one in their area. Four out of 10 (37%) say they prefer to dine in a restaurant.

Where food would have been sourced if not from mobile food vendor, on most recent visit
 % of consumers selecting

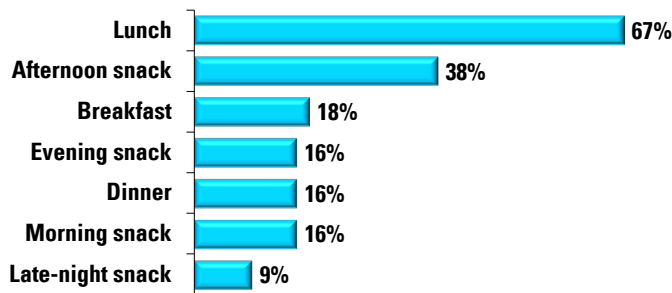


Base: 364 consumers who have not visited a mobile food vendor in the past three months
 Note: Multiple responses allowed

LUNCH LEADS THE WAY

Lunch is far and away the meal consumers are most interested in sourcing from a mobile food vendor; two-thirds of all consumers surveyed (67%) said they'd be interested in buying lunch from a food truck. Afternoon snacks are of interest to about two in five consumers (38%). But fewer than one in five would be interested in purchasing breakfast (18%), a morning snack (16%), dinner (16%), an evening snack (16%) or a late-night snack (9%) from a food truck or cart.

Meal parts that consumers would most like to purchase from mobile food vendors
 % of consumers selecting



Note: Respondents selected up to three responses

CLEANLINESS AND SAFETY COME FIRST

Consumers may have lingering qualms about safety and sanitation of mobile food operations. By a huge margin, consumers see cleanliness and food safety as the most crucial attributes that a food vendor ought to possess; more than seven out of 10 consumers (72%) rank these attributes as most important. Only one out of 10 consumers (10%) rates quality of food and/or beverage as the most significant attribute, and surprisingly, even fewer rate the price (8%) as tops in importance. Flavor of food and/or beverages (5%) and location (2%) are most important to relatively few consumers. Friendly service, speed of service and location (1% for all three attributes) are less pivotal than might be expected, especially given that part of a food truck's charm is the heightened level of personal interaction.

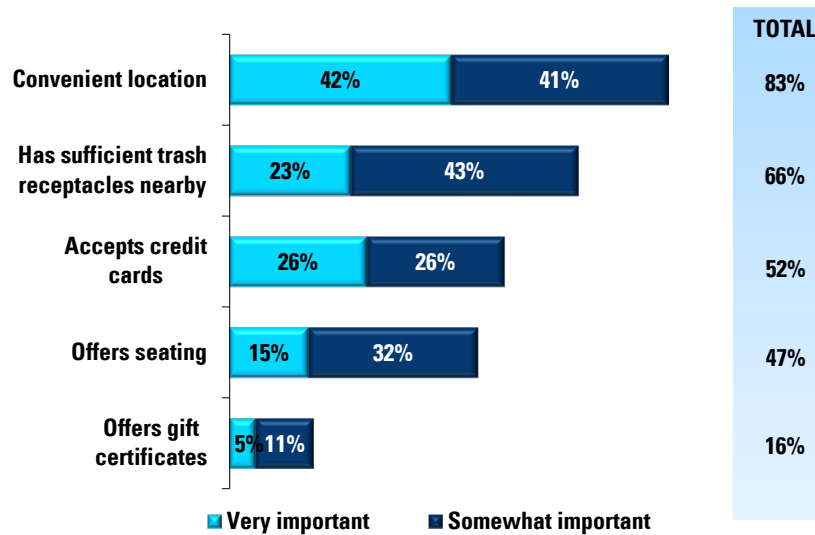
Most Important Attributes for a Mobile Food Vendor	
Attribute	% of Consumers Rating Most Important
Cleanliness/food safety	72%
Quality of food and/or beverage	10
Price	8
Flavor of food and/or beverage	5
Location	2
Speed of service	1
Friendly service	1
Times of day available	1
Total	100%

Note: Scale was 1-8 where 1 = most important attribute and 8 = least important attribute

Location is of the utmost importance when it comes to mobile food vendors. More than four-fifths of consumers surveyed (83%) indicate that a convenient location is a very or somewhat important factor in their decision to visit a mobile food vendor. Amenities matter, too. About two-thirds (66%) feel that it's highly important for the vendor to have sufficient trash receptacles available. Slightly more than half of consumers (52%) report that it is important that a mobile food vendor accept credit cards. Almost half (47%) like the idea of having a place to sit while dining on a food truck's offerings. Gift certificates (16%) are less of a concern.

How important are the following factors in your visit to a mobile food vendor?

% of consumers selecting top two box responses (somewhat and very important)



Note: Scale was 1–5 where 1 = completely unimportant and 5 = very important

Bottom Line: *Despite the frenzy that surrounds mobile food vendors, their reach is so far largely contained to urban areas and college towns. Many consumers see trucks, carts and kiosks as just another option for sourcing lunch. These vehicles can offer spirited competition to brick-and-mortar restaurants, but with only limited amenities available, they cannot replace them.*

BUSINESS-BUILDING IMPLICATIONS:

- Many consumers deliberately bypass mobile food vendors because they appreciate a real restaurant experience. If trucks have intensified the competition for customers in your town, double down on your attention to ambiance and service—attributes that “restaurants on the run” can’t match.
- If you’re thinking of launching a mobile food vehicle to complement your current brick-and-mortar restaurant, keep in mind that consumers rank food safety and sanitation as extremely important. It is vital for mobile foodservice operators to signal to customers that their practices are impeccable. Make sure customers can see that staff always uses gloves; that the person who handles food doesn’t handle money (at least not without changing gloves); and that all ingredients are refrigerated. Keep trash receptacles emptied and tidy, and find a way to keep bugs away.
- Launching mobile operations in suburban or rural areas is a great way to build excitement. Because mobile foodservice operations on public streets may not yet be legal in these new areas, consider partnering with a private business—from a supermarket to a nightclub to a street carnival—to set up operations on private property. A partnership with a city, county or state park might also be something to explore.

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 July 2011. Margin of error ± 4.4%.*

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