



Market Brief

Tracking and interpreting restaurant trends



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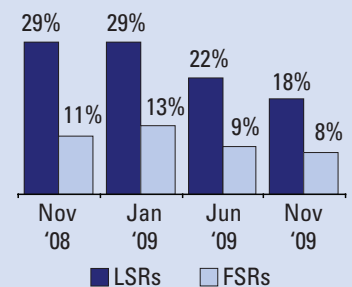
HEAVY RESTAURANT USAGE TREND BAROMETER

In the past year, the percentage of consumers who dine at limited-service restaurants two times a week or more has dropped by 11 percentage points, going from 29% in November 2008 to 18% in November 2009. For a while, 29% was considered the “new low” for LSRs (down from highs in the 40-44% range in summer 2007), but recent readings have proven this theory wrong.

At full-service restaurants, the drop in heavy usage has not been as deep over the past year, but the 8% reading is the lowest on record since tracking began in May, 2007.

Heavy Restaurant Usage

Two times a week or more



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

Social Media: What's It Good For?

Social media, a term used to define online platforms where users can exchange news, ideas, music, video, etc., is no longer a novel concept. Scores of web users go to Facebook, LinkedIn, YouTube, etc. each day, hour and sometimes minute to interact with friends, family, colleagues, friends of friends, and more.

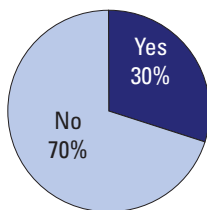
When it comes to restaurants, social media has been heralded as an inexpensive marketing tool especially valuable to smaller companies that can reach massive audiences without incurring massive bills. Beyond marketing, however, there are manifold ways in which online users can relate to the restaurant industry; below, we examine a few and find out why they are popular.

FOLLOWING RESTAURANTS CAN LEAD TO BENEFITS

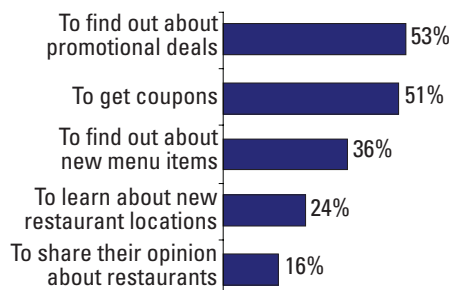
Approximately three-quarters (73%) of consumers indicate they used social media in the previous 30 days, per a November 2009 online survey of 500 consumers. Of those consumers who used it, 30% report that they use social media websites to find, “friend” or follow restaurants.

Why do consumers follow restaurants on social media sites? Primarily to find out about promotional deals (53%) and to get coupons (51%). More than a third of consumers indicate they follow restaurants to find out about new menu items (36%), and another quarter do so to learn about new restaurant locations (24%).

Do You Ever Use Social Media Websites to Find, “Friend” or Follow Restaurants?



Why These Consumers Follow Restaurants on Social Media Sites

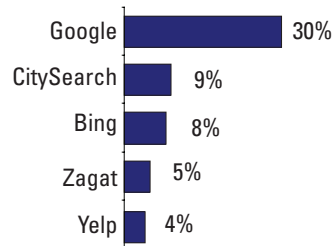


ONLINE REVIEWS ARE A POPULAR TOOL

Overall, nearly two of five consumers (39%) indicate they go online to get restaurant reviews. Per the chart on the next page, the top websites they report visiting for such information include Google (30%), Citysearch (9%), Bing (8%), Zagat (5%) and Yelp (4%). Of the sites just mentioned, only Zagat requires a paid subscription to read full reviews. Also noteworthy is that neither Google nor Bing are sites dedicated to either restaurants or reviews, yet they rank at the top of consumers' consideration sets for accessing restaurant reviews. This implies that most people are not yet familiar enough with restaurant review sites to go there directly.

Top Websites Used to Look Up Restaurant Reviews

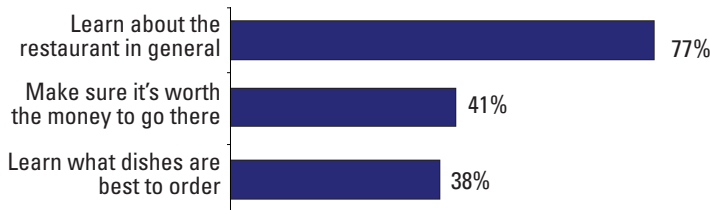
% of consumers who use each website



Base = Consumers who use online reviews

Consumers indicate that their main reason for reading online reviews is to learn about the restaurant in general (77%). Approximately two of five are making sure it's worth the money to go to the restaurant (41%) and learning what dishes are best to order (38%).

Top Reasons Why Consumers Read Online Restaurant Reviews



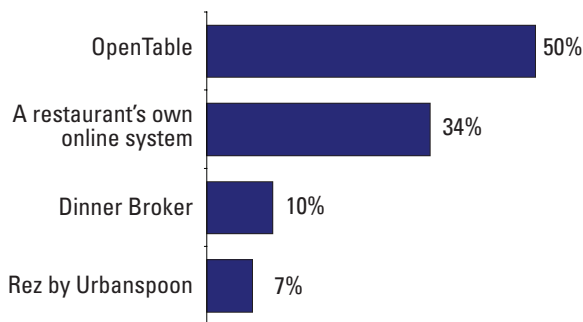
RESERVING ONLINE IS STILL CATCHING ON

Relatively few consumers (14%) indicate they have made restaurant reservations online. Still, as used on a directional basis, the resulting data is insightful. Of those who have booked online, half (50%) report they've used OpenTable. About one-third of consumers (34%) indicate they've used a restaurant's own, proprietary online reservation system, while one of ten (10%) has used DinnerBroker and even fewer (7%) the new Rez service by Urbanspoon.

When asked about the primary advantage of using an online tool to make a restaurant reservation, 44% of consumers report that they chiefly like the ability to make the reservation when it is most convenient for them to do so (which is not always during business hours). Not having to speak with anybody (16%), never being put on "hold" (12%), getting an instant confirmation (12%), having all of the data entered correctly for the reservation (6%) and earning points toward future dining (6%) are other reasons why consumers indicate they like to make reservations online.

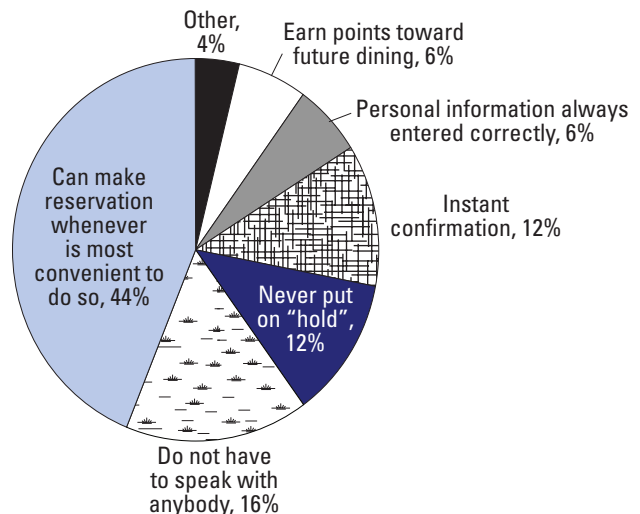
Top Restaurant Reservation Sites

% of consumers who have used



Base = Consumers who have made online reservations

Perceived Advantages of Making Reservations Online



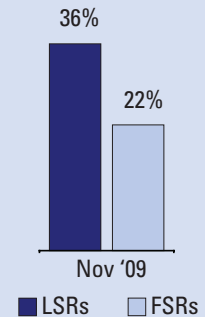
INTENDED HEAVY RESTAURANT USAGE TREND BAROMETER NEW!

When asked about their dining-out intentions for the week ahead, 36% of consumers indicated that they intended to dine out at least two times at an LSR, and 22% of consumers indicated the same regarding an FSR. While the gap between FSR and LSR intentions (14 percentage points here) is similar to what we see for reported usage (see the Trend Barometer on page 1), the gap between consumer intentions for the week to come and reported behavior from the week prior is quite large (36% vs. 18% for LSRs and 22% vs. 8% for FSRs).

As this trend barometer develops over time, it remains to be seen whether intentions are always far greater than actual outcomes, or whether current economic conditions make this gap wider than it otherwise might be.

Intended Heavy Restaurant Usage

Dining-out intention, for coming week, two times a week or more



Bottom Line: *Those consumers who use social media to follow restaurants primarily do so to learn about special deals. As this platform gains prominence, however, it is expected to play an increasingly important role in other areas as well, such as restaurant reviews and reservations. By all counts, it is time for operators who have not already done so to start embracing social media and discovering how it can help to develop relationships and build business.*

BUSINESS-BUILDING IMPLICATIONS:

- If you are unsure of how to use Facebook or Twitter as a marketing tool, consider “friending” independent restaurants or bakeries on Facebook, or following the tweets of chefs, food vendors and restaurants. In this way you’ll get a sense of how they keep their audiences hooked, and pick up examples you can use when you get your own social media efforts going.
- Are you aware of what’s being written about your establishment on restaurant review sites? If so, have you taken note of the comments and made efforts to address negative feedback from your customers? While not every issue raised is valid, if you note a trend in what you’re reading about your place, it may be a cue for you to make some changes and address customers’ concerns.
- Online reservation systems are likely to grow in the near future as they offer time-strapped users convenience. For a small fee, your restaurant can join an online reservation system and garner additional exposure, thereby bringing in additional customers and revenue. If you’re not already offering online reservations, it’s an idea well worth looking into.

FSR Touchpoints

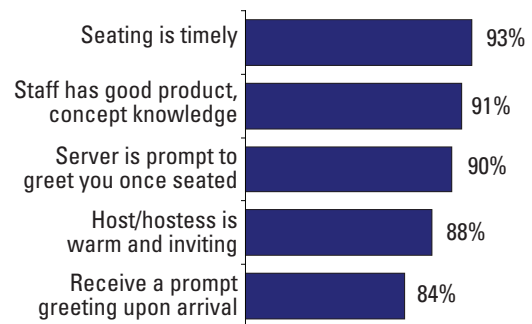
The concept of value is never far from most consumers’ minds these days, especially when it comes to dining out. How value is defined varies from person to person, but on today’s dining scene, 85% of consumers agree that “good service and a pleasant restaurant environment are part of what value means to me,” while only about half that number (44%) agree that “value means lots of food for a low price.” If service and restaurant environment are so essential to consumers’ idea of value in the dining sphere, then it is worth exploring what particular aspects of each resonate most strongly with them. Evaluating touchpoints, or key contact areas between the restaurant concept and the customer, is one method by which to gather such information.

PRE-MEAL REQUISITES

At full-service restaurants, where service is a major part of the dining experience, there are many touchpoints hit upon even before orders are taken. Of primary significance to diners is seating, and how timely it is; 93% of consumers indicate it is very important or important that their reservation be honored on time or that wait times given by hosts/hostesses be accurate. Nine of 10 diners also report that staff with good product and concept knowledge, as well as servers that greet guests promptly upon being seated, are vital (91% and 90%, respectively). Other elements that factor strongly in the pre-meal equation include a host/hostess who is warm and inviting (88%) and receiving a prompt greeting upon arrival at the restaurant (84%).

What Matters Most to FSR Diners: Arrival and Ordering

*Top two box responses = “very important” or “important”**



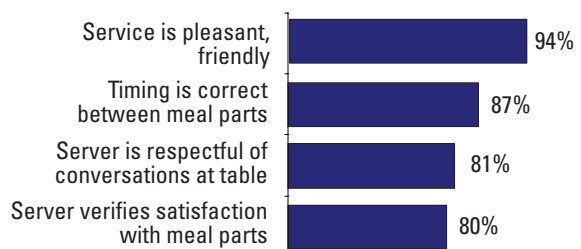
**Scale of 1-6 where 6 = very important*

DURING THE DINING HOUR

When it comes to the actual mealtime, good service really does set the tone. Consumers overwhelmingly indicate that pleasant, friendly service is important to them (94%). Beyond that, consumers report that timing should be correct between meal parts (87%), the server should be respectful of conversations going on at the table and not interrupt them (81%) and the server should stop by to verify during each course that diners are happy with their selections (80%).

What Matters Most to FSR Diners: Meal Service

*Top two box responses = “very important” or “important”**



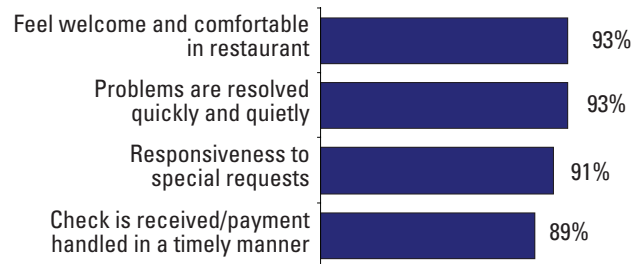
**Scale of 1-6 where 6 = very important*

THE OVERALL EXPERIENCE

Of course, the dining experience consists of more than just the meal. Ambiance is a large part of dining out as well, and encompasses many different facets. To that point, more than nine of 10 consumers (93%) indicate that feeling welcome and comfortable in a restaurant is important to them; part of that sentiment can be derived from knowing that problems, if they do arise, will be resolved quickly and quietly (93%). Responsiveness to special requests, be they about the meal, seating arrangements or anything else, are deemed important by 91% of consumers, and almost as many indicate the same when it comes to handling check/payment matters in a timely manner (89%).

What Matters Most to FSR Diners: Ambiance and Details

Top two box responses = "very important" or "important"*



*Scale of 1-6 where 6 = very important

CONSUMERS ARE CLEAR ON WHAT MATTERS MOST

Based on the three previous charts, it may seem that virtually every aspect of service and ambiance is of high importance to diners. In many ways, this is true. Nevertheless, there is a pecking order as to which things matter most. When asked what three factors would most likely cause them to not return to a restaurant, consumers indicated that unfriendly and unpleasant service (53%), not being made to feel welcome and comfortable (35%) and poorly handled problem resolution (28%) topped their lists. While avoiding those three pitfalls doesn't for certain imply that customers will return, running into just one or all of them does equate to a decent chance that they won't.

Top Factors that Would Cause Diners Not to Return to FSR



Bottom Line: Most diners at FSRs feel that value stems from a combination of attentive service and good, plentiful food. It's imperative that restaurants shine on both fronts, because if the FOH (service, ambiance) portion is not smooth, customers won't return to experience how good the BOH (food) part is.

BUSINESS-BUILDING IMPLICATIONS:

- No matter how hard everybody tries, mistakes will undoubtedly happen. Empower your staff to make amends on behalf of the restaurant (e.g. a free dessert if the wait is longer than promised or no charge for a side dish that arrived well after the entrees) to engender a sense of goodwill among your customers.
- If your establishment handles a large volume of customers, consider investing in tableside credit card machines, which also accept PIN-based debit cards. With this service, customers get more payment choices, higher security and faster checkout, and waitstaff can serve more people quickly, while making fewer trips to payment terminals.
- Providing the right service and ambiance derives in large part from having well-trained, knowledgeable employees. Show interest in your staff and train them on everything from service to technical aspects. The more you invest in them, the brighter they, and your operation, will shine.

The Breakfast Boost

In the past few years, breakfast has become a hotbed of activity for restaurants, retailers and manufacturers striving to increase revenue and better establish themselves in the market. In today's increasingly competitive foodservice environment it is vital for operators and suppliers to stay on top of drivers of change in the breakfast segment, in order to more effectively identify opportunities for growth in this important daypart.

To assist foodservice executives in better understanding consumer preferences, needstates and attitudes associated with the morning meal, Technomic commissioned an online survey of 1,500 consumers in September 2009 to gauge their breakfast preferences, attitudes and purchasing behavior.

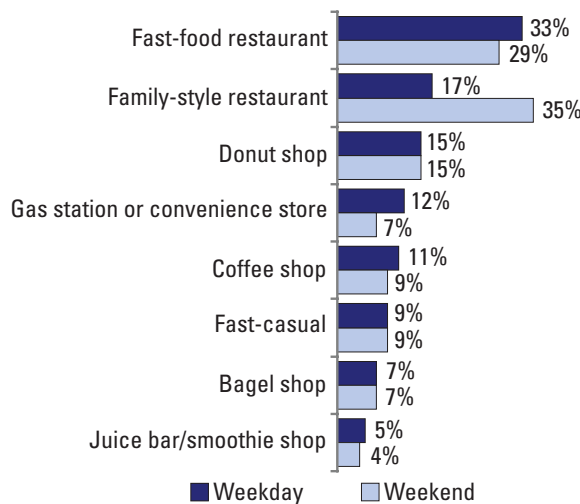
FAST SERVICE & FAMILY MATTER MOST FOR BREAKFAST LOCATIONS

Consumers indicate that during the week, they visit fast-food restaurants more for breakfast than they do any other type of restaurant. While a third of consumers (33%) patronize these locations for weekday breakfast, the fact that nearly as many consumers (29%) visit these locations on the weekend speaks to the importance consumers place on fast service and portability at breakfast, regardless of the week part.

On the weekend, consumers prefer family-style restaurants above all other types of concepts; 35% of consumers report that they purchase breakfast at these locations. Family-style restaurants are also fairly popular for breakfast during the week, with almost a fifth of consumers (17%) saying they patronize these locations at least occasionally.

Despite the wide range of breakfast options available at fast-casual restaurants, just 9% of consumers indicate they visit these locations on an occasional basis (weekday or weekend). This is probably related to the fact that fast-casual concepts do not offer as many locations or may not keep hours as early as other types of restaurants do. On the flip side, it suggests that the fast-casual subsegment has ample room for growth in the breakfast daypart.

From Which of the Following Locations do you Purchase Breakfast at Least Occasionally (every 90 days) During the Week (Monday–Friday) and on the Weekend (Saturday & Sunday)?

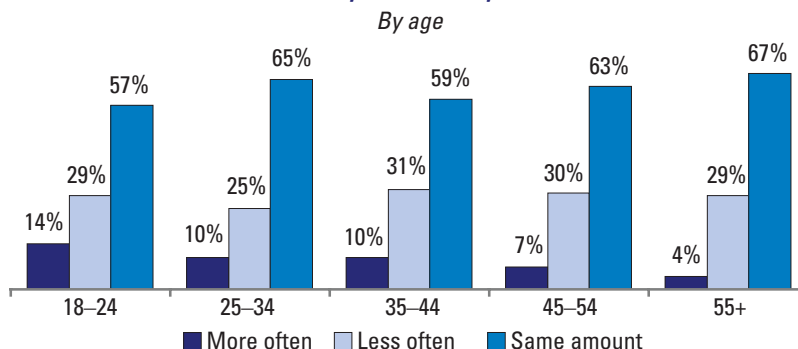


BREAKFAST BUSINESS EXPECTED TO REMAIN STEADY

When asked about their away-from-home breakfast purchasing behavior in the coming year, the majority of consumers indicate they don't expect too many changes. Overall, more than three of five consumers (63%) report that they expect to make the same amount of breakfast purchases from restaurants and other foodservice locations in the coming year, while 29% indicate that they will purchase breakfast away-from-home less often and 10% more often.

Although few consumers say they intend to purchase breakfast away from home more frequently in the coming year, such responses skew toward younger consumers. Fourteen percent of those aged 18–24 report that they will probably be sourcing breakfast from restaurants and other foodservice locations more often in the coming year, compared to just 4% of those over the age of 55. Consumers who indicate they will be purchasing breakfast away from home less often in the coming year are most plentiful in the 35–44 age range (31%) and least plentiful in the 25–35 age range (25%).

In the Coming Year, Do You Think You Will be Purchasing Breakfast from Restaurants and Other Foodservice Locations More Often, Less Often, or the Same Amount as You Are Now?



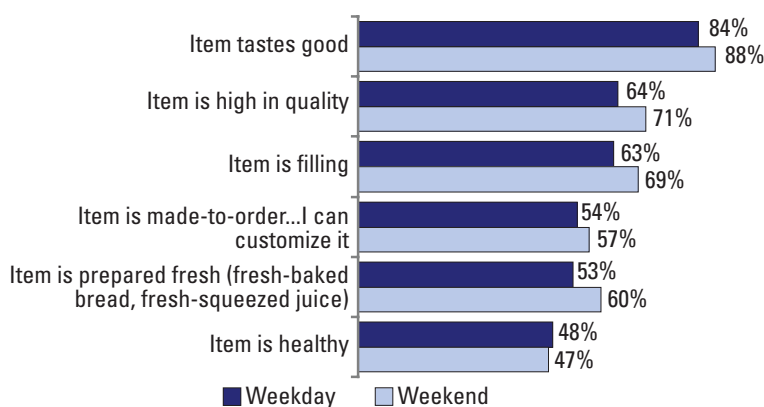
GOOD TASTE IS PARAMOUNT IN PURCHASE DECISION

Regardless of the day of the week, consumers say that an appealing flavor is crucial to their decision of what to purchase for breakfast. An item's taste was far and away the most important food attribute for consumers both during weekday (84%) and weekend (88%) occasions. That said, consumers seem to expect a lot more than just good taste when dining away from home for breakfast. More than three of five consumers indicate that it is important for breakfast items to be high in quality (64% weekday, 71% weekend) and filling (63% weekday, 69% weekend). Consumers also place a high importance on customization during weekday (54%) and weekend (57%) occasions.

It is interesting to note that, with one slight exception (the "item is healthy" attribute), consumers consider most food attributes at restaurants and other foodservice locations more important for weekend breakfast occasions than for those that take place during the week. These results suggest that on weekdays, consumers may be willing to give up some level of quality, freshness or customization as long as the item still tastes good. During the weekend, however, consumers may be willing to spend more money and therefore choose to visit full-service restaurants for higher-quality, made-to-order breakfast items.

Importance of Particular Food Attributes When Purchasing a Breakfast Item During the Week and Weekend

Top two box responses = "important" or "extremely important"



Bottom Line: Much of the restaurant breakfast business hinges on small details, including when the purchase occasion occurs (weekday vs. weekend) and who is doing the purchasing (age group). The more that operators can understand about their customer base, the better they will be able to anticipate their needs and exceed their expectations.

BUSINESS-BUILDING IMPLICATIONS:

- If you're a full-service, family-style restaurant operator, consider building breakfast traffic during the week by taking cues from the quick-service segment: offer more options that are affordable, portable and served up fast. IHOP is doing this with its prototype Café and Express units, which are more like Starbucks than traditional IHOPs. Don't forget to leverage the FSR advantages of taste and quality, though, which should be consistent even with a speedier service model.
- Keep in mind that beyond maintaining your current customer base, you might also strategize about how to obtain new breakfast business from consumers who are cutting back at particular types of restaurants. For example, many of the consumers who say they will visit fast-casual or full-service concepts less often may be trading down to fast food or retail products. If your operation can provide a service or product to meet the needs of those who are trading down, such as premium coffee without a premium price, you might be able to pick up a new customer base.
- Both operators and manufacturers may want to develop products and marketing messages that resonate with young consumers, since this demographic is most likely to increase its away-from-home breakfast purchase frequency in the next year. Offering vegetarian, vegan or locally sourced food options are all good ways to attract that group. Operators can also think about making breakfast options more available to this young demographic by adding units on or near college campuses.

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 November 2009. Margin of error $\pm 3.4\%$. "The Breakfast Consumer Trend Report" is based on an online survey of 1,500 consumers in the U.S. conducted in September 2009. Margin of error $\pm 2.5\%$.

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