March 2010

Market Brief

Tracking and interpreting restaurant trends

INSIDE MARKETBRIEF

Artificial Sweeteners in Restaurant Food

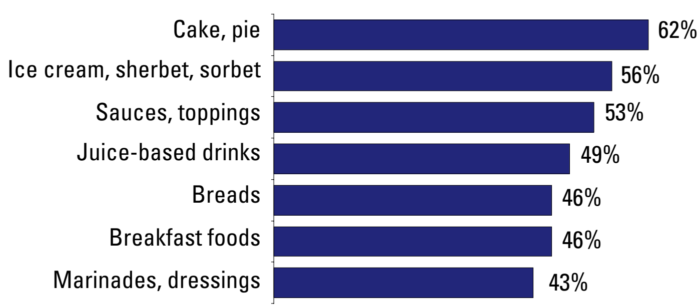
The use of artificial sweeteners is a common yet still somewhat controversial practice. While lower-calorie foods and beverages made with artificial sweeteners are a boon for dieters, diabetics and those who just want to keep their weight in check, many consumers are concerned about the long-term effects of such products on their health. Artificial sweeteners are frequently added to beverages, either by manufacturers (diet soda, etc.) or consumers (coffee, etc.), but there may be a largely untapped opportunity for operators to incorporate them into restaurant food as well.

MANY CONSUMERS ARE SWEET ON THE IDEA…

Per a February 2010 online survey of 502 consumers, about half (48%) indicate that they would be interested in restaurant foods that contains artificial sweeteners. (This excludes diet soft drinks, which most restaurants sell already.)

Of those consumers interested in foods made with artificial sweeteners, desserts top the list of those items they'd most like to see, namely cakes or pies (62%) and ice cream, sherbet or sorbet (56%). Slightly more than half of consumers (53%) would like lower-calorie sauces and toppings (e.g. syrup, strawberry jam), while just under half (49%) would like to see non-alcoholic juice-based drinks (e.g. lemonade, apple juice) made with artificial sweeteners. Breads, such as cornbread or whole wheat, and breakfast foods, such as pancakes or waffles, made with artificial sweeteners would appeal to 46% of consumers, and marinades or dressings, such as barbecue sauce or cole slaw dressing, would appeal to 43%.

Lower-Calorie Restaurant Foods Consumers Would Most Like to See Made Using Artificial Sweeteners*



**Multiple responses allowed*
Base = Consumers who would be interested in restaurant foods made with an artificial sweetener

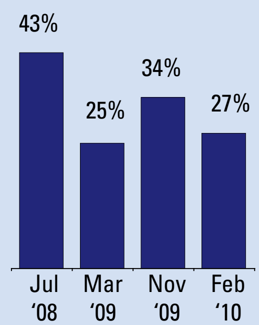
…BUT ARTIFICIAL SWEETENERS DO NOT APPEAL TO OTHERS

A slim majority of consumers (52%) are not in favor of using artificial sweeteners in restaurant foods. Of those not in favor, three of five (60%) report that it's because they "don't like the taste of artificial sweeteners." Meanwhile, two of five consumers "don't think artificial sweeteners are good for my body" (41%) or are "not looking to cut calories when dining out" (40%).

FOOD SAFETY TREND BAROMETER

In the absence of a food safety scare, about one-fourth of consumers typically describe themselves as "extremely concerned" about food safety at restaurants. In July of 2008, levels of concern were elevated (43%) due to the jalapeño peppers/salmonella scare, and in November of 2009, they were up once again (34%)—though not as high— due to a ground beef/E. coli scare.

% of Consumers "Extremely Concerned" About Food Safety in Restaurants



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/americanexpress

MarketBrief is produced by Technomic, Inc., the leading provider of consulting and consumer research to the restaurant industry.

Top Reasons why Consumers are Not Interested in Restaurant Foods Made With Artificial Sweeteners*

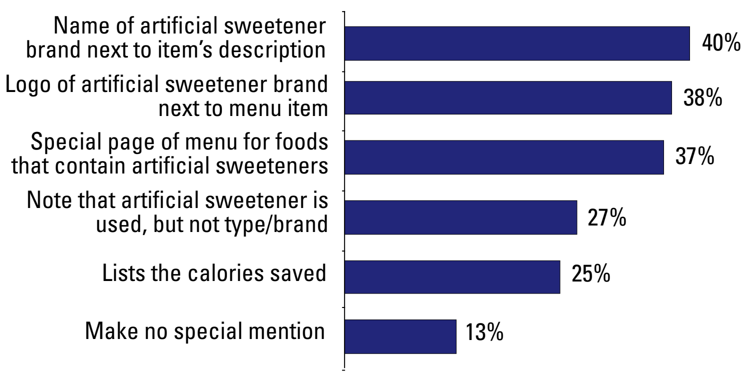
**Multiple responses allowed*
Base = Consumers who are not interested in artificially sweetened foods at restaurants

ENABLING AN INFORMED DECISION

If foods made with artificial sweeteners were to be served in restaurants, most consumers would want to know about it in one fashion or another. Approximately two-fifths of consumers indicate that they would prefer to see the "name of the artificial sweetener brand next to the item's description" (40%), a "logo of the artificial sweetener brand next to the menu item" (38%) and/or a "special page of the menu devoted to foods that contain artificial sweeteners" (37%). Around one-quarter of consumers report that they'd like the menu to "note that an artificial sweetener is used, but not the type or brand" (27%). A quarter (25%) would like to see a "list of the calories saved." Only 13% of consumers said they would be fine if the menu were to "make no special mention" of the fact that certain foods contain artificial sweeteners.

How Foods Containing Artificial Sweeteners Should Be Listed on a Restaurant Menu?*

% of consumers preferring

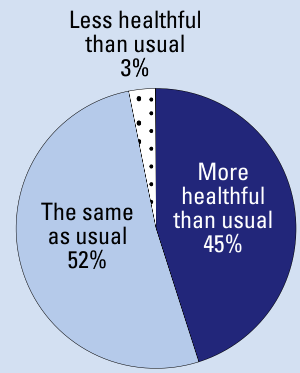


**Multiple responses allowed*

HEALTHY EATING TREND BAROMETER NEW!

In February, more than two of five consumers (45%) described their eating habits as "more healthful than usual." It's likely that this number is higher than normal due to when the question was asked (i.e. close to the start of the new year, when resolutions are still being acted upon). The majority of consumers (52%) said they were eating "the same as usual," while only 3% reported "worse than usual" eating behavior.

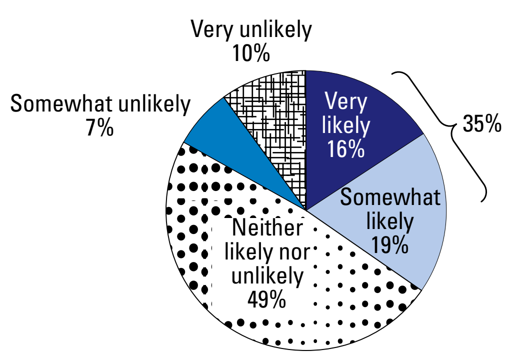
% of Consumers Describing Their Eating Habits as:



IF YOU OFFER IT, WILL THEY COME?

At the end of the day, more than a third of consumers (35%), taken together, report that they would be "very" (16%) or "somewhat" likely (19%) to visit their regular set of restaurants more often if the restaurants were to offer food or beverages made with artificial sweeteners. Half of consumers (49%) would be "neither likely nor unlikely" to visit more frequently, leaving fewer than one of five consumers (17%) "somewhat" or "very" unlikely to visit more often.

How Likely Consumers Would be to Visit Regular Set of Restaurants More Frequently if They Were to Offer Foods/Beverages Made With Artificial Sweeteners



***Bottom Line:** The verdict is mixed on whether to offer food products made with artificial sweeteners, but operators who know their clientele well and judge they would be receptive to seeing such items on the menu could see a boost in their business.*

BUSINESS-BUILDING IMPLICATIONS:

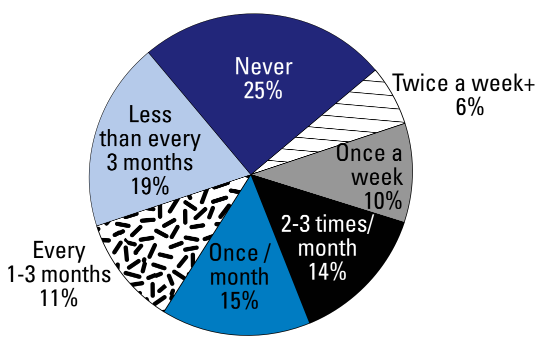
- If you plan to introduce food or beverages made with an artificial sweetener, start small—with perhaps one or two dessert or drink items—and see how your customers react before making a full-fledged investment in new ingredients and reformulated recipes. The Cheesecake Factory's Low Carb Cheesecake offering, made with Splenda, is a good example of this approach.
- To make a low-calorie version of one of your establishment's dishes, you'll need to spend some time on the new recipe to make sure you don't sacrifice much in the way of taste or texture when getting to that lower-calorie goal. Consumers are willing to accept that a dish made with an artificial sweetener will taste different, but they won't accept an inferior product.
- Be sure to clearly point out any dishes you offer that are made with, or can be made with, an artificial sweetener. Both Tropical Smoothie Café and Jamba Juice disclose on their websites and in-store menu boards which of their smoothie products include artificial sweeteners, so that the final decision rests with the customer.

The Draw of Delivery

In tougher economic times, consumers' away-from-home foodservice expenditures tend to drop. Restaurants' delivery business, however, can sometimes benefit from hard times and make up for some of the lost dollars as dine-in orders are switched out for delivery. Understanding what consumers like and dislike about delivery to their homes and when they're most apt to use it is key to creating a delivery program that operates efficiently and profitably.

More than half of consumers (56%) indicate that they order food for delivery to their home once every three months or more often. While 30% of consumers report that they order delivery 2-3 times per month or more often, only 25% report that they never order.

How often do you order food for delivery to your home?

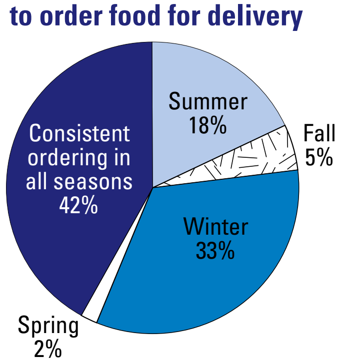


SEASON NOT AS IMPORTANT AS DAY

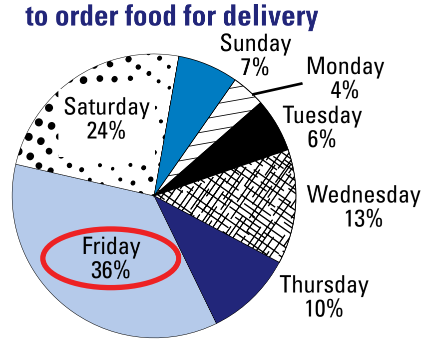
About two-fifths of consumers (42%) who order for delivery at least once every three months note that they order consistently throughout the year. Winter is the biggest season: one-third of consumers (33%) indicate that they are most likely to order during that time, probably to avoid having to leave the house when it's cold or unpleasant outside. Summer (18%), fall (5%) and spring (2%) are much less likely to be preferred ordering seasons for delivery.

Consumers exhibit strong habits when it comes to days on which they tend to order food for delivery at home. By far, weekends are most popular, with Friday (36%) beating out Saturday (24%) as days when consumers report that they are most likely to order. Taken together, three of five consumers (60%) indicate that they order food for delivery on a Friday or Saturday night. Meanwhile, some consumers note that they prefer to use delivery to get through the middle of the week (Wednesday, 13%) or to glide into the weekend (Thursday, 10%). Sunday (7%), Monday (4%) and Tuesday (6%) are not as likely to be favored days for delivery orders.

Season when consumers are most likely to order food for delivery



Day when consumers are most likely to order food for delivery



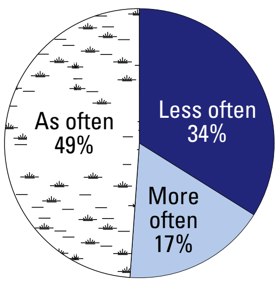
Base = Consumers who order food for delivery to their homes at least once every three months

WHY SOME ARE ORDERING LESS OFTEN NOW

Compared to a year ago, most consumers report that they are ordering food for delivery to their homes just as often (49%) or even more often (17%). About one of three consumers (34%) indicates that he/she is ordering less often.

Of those who are ordering food less often for delivery, nearly seven of 10 (68%) indicate that they are doing so to save money. Other reasons why some consumers are ordering delivery less often include a fee that they consider too high (36%), a desire to avoid restaurant food in order to lose weight (28%) and the idea that it's easier to pick up an order than to wait for delivery (18%).

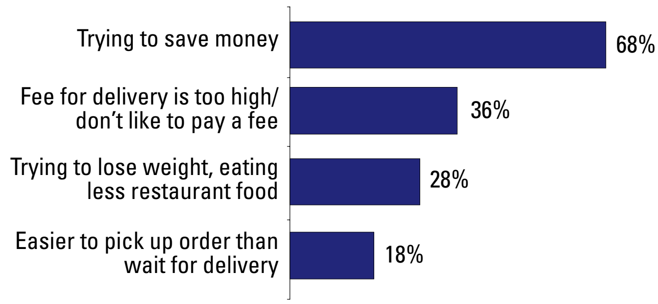
Compared to last year, how often are you ordering food for delivery to your home?



Base = Consumers who order food for delivery to their homes at least once every three months

Why are you ordering food for delivery less often now?*

% of consumers responding



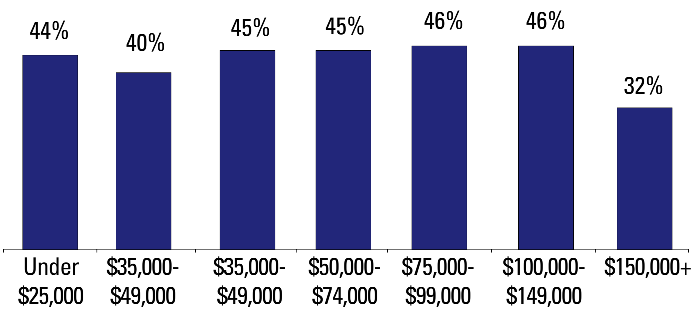
**Multiple responses allowed*
Base = Consumers who are ordering less often than a year ago

WHY SOME DON'T ORDER MUCH AT ALL

For those who order food for delivery to their homes less often than once every three months, it is not purely economics that governs this choice, since these consumers are not particularly concentrated in lower income brackets. Rather, these consumers say that they don't order food for delivery very often primarily because they "prefer to dine in a restaurant" (38%). If they're paying for the food, it seems they'd like to get service as well. Additionally, more than one-third of these consumers (36%) feel that the delivery fee is too high, and three of ten also report that restaurants I like don't deliver (31%). Slightly more than one of five consumers does not like to wait (22%) for delivery and one of ten (10%) indicates that he/she can't afford restaurant food.

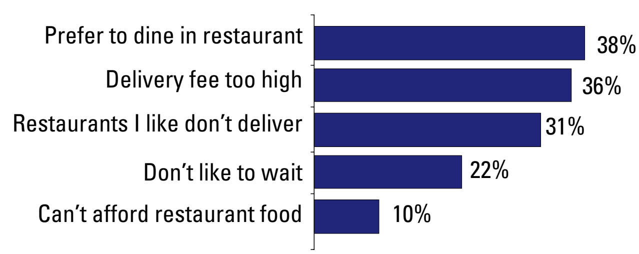
Percentage of Consumers Who Order Delivery Less Often Than Once Per Month

By annual HH income



Why do you Tend Not to Order Food for Delivery?*

% of consumers responding



**Multiple responses allowed*

TIPS COVER A WIDE RANGE

Average tips for food delivery run the gamut from very generous to nothing at all: the majority of consumers who order at least once every three months indicate that they tip in the 10-19% range, and 84% of consumers tip below 20% on delivery (including 4% who report that they do not tip at all). This is probably a bit below what the range is for dining in a full-service restaurant, but in the case of delivery, there are fewer attributes upon which to base the tip, so consumers may feel that they do not need to give as much.

Typical Percentage of Total Bill that is Offered as Tip to Delivery Person

% of Total Bill as Tip	% of Consumers Who Tip This Amount
<5%	9%
5-9	15
10-14	34
15-19	22
20-24	11
25-29	2
>30	2
Do not tip	4

Base = Consumers who order food for delivery to their homes at least once every three months

***Bottom Line:* A core set of consumers order food for home delivery and continue to do so despite economic conditions that might keep them from dining in-house. Lapsed delivery customers, however, might order more regularly if food options were healthier, delivery fees were lower or nonexistent, and more restaurants offered delivery service.**

BUSINESS-BUILDING IMPLICATIONS:

- Consumers indicate that a delivery fee is one major deterrent against ordering food for home delivery. Make sure that your fee is not so high—or your cut-off for free delivery so high—that you're losing more business to it than you would gain by offering free delivery. A trial run of a free delivery offer could help you to gauge the situation.
- In order to enlarge your delivery zone and target more business, look into using a third-party food-delivery company. This could free you to focus on making sure your customers get the freshest food and the most accurate service possible, while allowing somebody else to worry about getting the food to its destination.
- Invest in high-quality disposable packaging that will get your restaurant's food where it needs to be in tip-top condition. At the same time, don't attempt to deliver foods, such as ice cream, that don't travel well. Stick to a delivery menu of dishes that you're confident will represent the finest your operation has to offer wherever and whenever they're consumed.

The Status and Future of Fast Foods

As a result of contraction in the foodservice market, many fast-food chains have grown due to "trading down" activity. In November 2009, Technomic conducted an online consumer survey with a nationally representative sample of 2,000 American consumers. The goal of the survey was to evaluate consumer perceptions, attitudes and usage of fast foods. Nearly a quarter of consumers polled (24%) say they have increased their patronage of fast-food restaurants in the past year. In comparison, just 11% of consumers say they have been visiting full-service restaurants more often. Additionally, fast-food patronage is very high; nearly half (49%) of more than 2,100 consumers surveyed say they visit fast-food restaurants at least once a week.

At the same time, consumers are increasingly seeking faster, more convenient service from all foodservice locations. As they do, the line between fast food and "food fast" is beginning to blur. More than two-fifths of consumers polled say they have recently expanded their definition of fast food to include more types of food (48%) and are now considering a wider range of restaurant locations to be fast-food sources (41%). This new definition of fast food, or "food fast," often includes food that is purchased from fast-casual restaurants, takeout from full-service restaurants and prepared meals offered at retail stores.

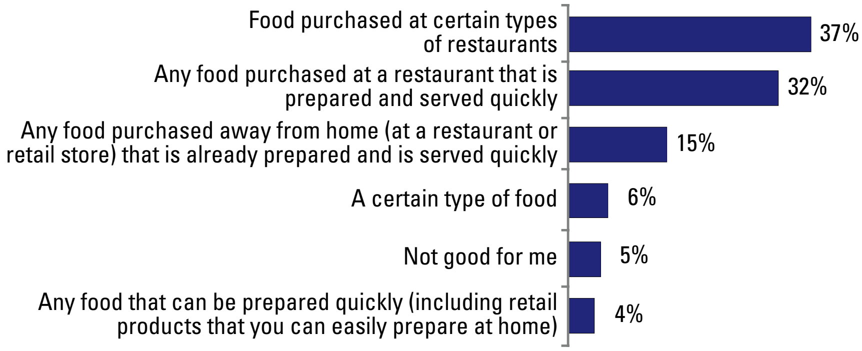
CONSUMER PERCEPTIONS OF FAST FOOD

Consumers' definition of fast food seems to be strongly dependent on where the meal is sourced. Nearly four of 10 consumers (37%) polled said that fast food is "food that is purchased at certain types of restaurants." A third of consumers (33%) define fast food as food that is "prepared and served quickly" at restaurants, signaling that many consumers do not limit their idea of fast food to specific restaurants. Fast-casual concepts, takeout options at full-service restaurants and food trucks could possibly fit into this functional definition.

It is also significant that 15% of consumers define fast food as any food that is served quickly and is purchased away from home, at either a restaurant or a retail store. For these consumers, speed of service and preparation, rather than the source of the food, is key.

Which of the following do you think best categorizes the term "fast food"?

(Select one) Fast-food is ...



Base = 2,000 consumers aged 18+

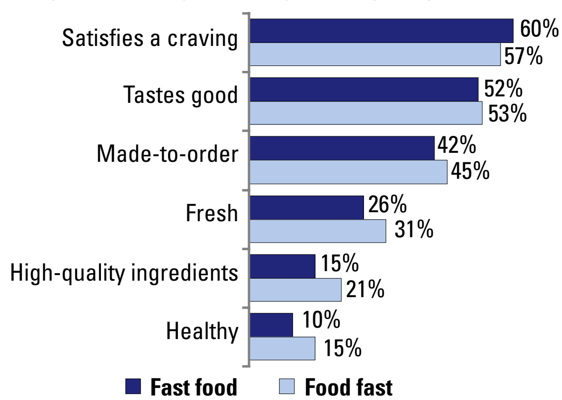
FAST FOOD VS. FOOD FAST: FOOD ATTRIBUTE ASSOCIATIONS

More than half of consumers polled said that both fast food and food fast can be described as food that satisfies a craving (60% and 57%, respectively) and tastes good (52% and 53%, respectively). Although the differences are slight, it is interesting to see that slightly more consumers associate "fast food" with craveability, while more link "food fast" to good taste.

The remaining attributes—made-to-order, fresh, high-quality and healthy—are all perceived to describe food fast more closely that fast food. These attributes are often challenging for traditional quick-service restaurants. However, these characteristics are all closely associated with fast-casual restaurant options, suggesting that some consumers may be considering fast-casual menu items in their definition of food fast, but not in their definition of fast food.

Please indicate how much you agree or disagree that the following attributes can be used to describe "fast food" and "food fast"

(Top two box = agree and agree completely)



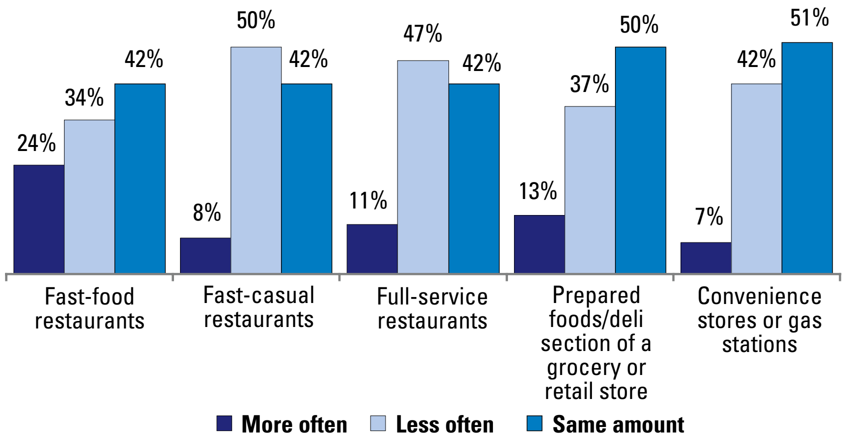
Base = 2,000 consumers aged 18+
Respondents indicated their opinion on a scale of 1–6 where 6 = agree completely and 1 = disagree completely

RECENT CHANGES IN FOODSERVICE USAGE

Most consumers are either cutting back on away-from-home foodservice visits or visiting these locations at the same rate as they were one year ago. About half of consumers polled indicated that they have been cutting back on visits to restaurants that typically carry higher check averages, such as fast-casual (50%) and full-service (47%) eateries. While many consumers are also cutting back on purchases of prepared foods (37%) and on foodservice items offered at convenience stores (42%), the bulk of consumers report that they have not changed the rate at which they visit these last two locations (50% and 51%, respectively).

On the other hand, one of four consumers (24%) reports having increased patronage at fast-food restaurants, much higher than the percentage doing so at each other type of location measured. A third of consumers say they have cut back on their visits to fast-food outlets (34%), while 42% report they are visiting at the same rate. It appears that fast-food restaurants continue to offer the right mix of affordability, convenience and speed of service to meet the needs of many of today's consumers.

In the past year, have you been visiting the following types of restaurants or retail locations more often, less often, or the same amount?



Base = 2,000 consumers aged 18+

Although not shown on the chart above, nearly half of consumers aged 18–24 (47%) report they have been patronizing fast-food concepts more often in the past year, compared to 24% of all consumers. More of those aged 18–24 also report purchasing prepared foods (21%) and convenience store foodservice options (16%) more often in the past year, compared to 13% and 7% of the full sample.

Bottom Line:* *The blending of fast food and food fast implies that fast-food operators need to offer innovative options to satisfy the growing consumer demand for aspects beyond just the typical speed of service, convenience and value. Those involved other segments of the foodservice industry are hot on their tail and have opportunities to enhance their "food fast" offerings.

BUSINESS-BUILDING IMPLICATIONS:

- Consumers indicate that "fast food" should be served even more quickly than "food fast." This suggests that consumers are willing to wait a bit longer for fast-casual offerings and for full-service takeout orders than for options offered at fast-food concepts. To justify their longer wait time, fast-casual or full-service operators need to deliver other attributes that go along with consumer perceptions of food fast, such as fresh, made-to-order preparations and high-quality ingredients.
- Operators that recognize that if you can deliver on promises of healthy, fresher, higher-quality food, likely can charge more for it without encountering much customer grumbling. Panera is one example of a fast-casual restaurant that offers an expansive menu of food-fast options, charges more than the QSR price point, and has maintained solid profits and margins even throughout the recession.
- Play to consumers in the 18-24 age range, for whom time is of the essence, by emphasizing drive-thru and grab 'n go offerings. The easier you make it for this age group to get in, get what they want, and get out, the more likely they will be to return.

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 February 2010. Margin of error ± 3.4%. "The Status and Future of Fast Food Consumer Trend Report" is based on an online survey of 2,000 consumers in the U.S. conducted in November 2009. Margin of error ± 2.0%.*