



Market Brief

Tracking and interpreting restaurant trends



INSIDE MARKETBRIEF

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RETAIL FOODSERVICE TREND BARMETER

Between January and November, the percentage of consumers who purchase prepared foods "once a week or more often" from retail outlets dropped from 31% to 15%, while the percentage purchasing prepared foods less often than once a month grew from 29% to 40%.

Current levels of retail foodservice purchase frequency are not far from ranges seen in October and May of 2008. It's possible that January's readings hit an all-time high, and now fewer consumers can afford retail foodservice.

The Holiday Meal at Home, In Leaner Times

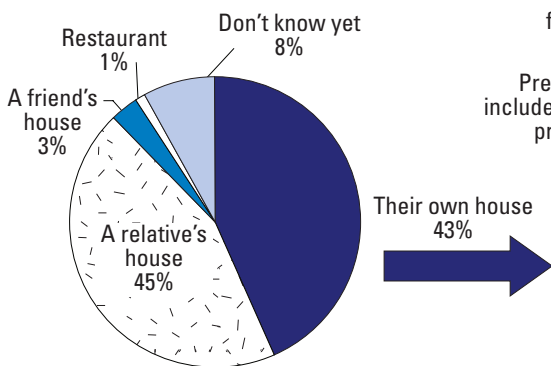
The winter celebrations of Christmas, Hanukah and Kwanzaa will soon be upon us, and with them come celebratory meals typically shared among family and friends. With the economy still struggling and unemployment at a high point, it's likely that some holiday hosts may modify their plans for the main celebratory meal, with the aim of making fewer dollars stretch further. This, in turn, could affect the ways in which restaurants' or caterers' services are used by hosts to complete or cater a meal as well.

LOGISTICS

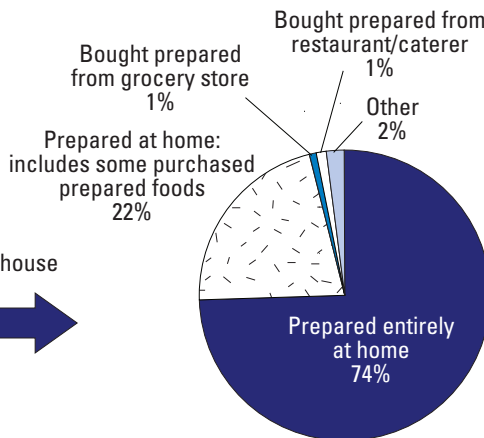
This holiday season, of the 500 consumers surveyed in November, nearly as many indicate they will eat their main holiday meal at their own house (43%) as at a relative's house (45%). Very few report they will dine at a friend's house (3%) or restaurant (1%), though there are still some folks who have not yet made their plans (8%).

Of those who intend to host a holiday feast, the majority (74%) indicate they will prepare the entire meal at home, from scratch. A sizable segment (22%) report that they will prepare the meal at home but supplement their cooking with prepared foods. Very few hosts intend to buy the entire meal prepared from a grocery store or restaurant/caterer (1% in both cases).

Where Consumers Plan to Eat Their Main Winter Holiday Meal this Year*



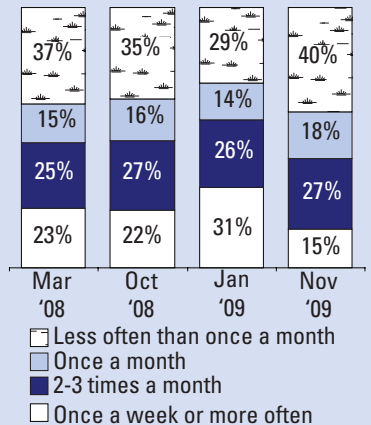
Source of Holiday Meal Served at Consumers' Own Homes



* Christmas, Hanukah or Kwanzaa only; does not include Thanksgiving

Putting an entire holiday meal together is hard work. For those who opt to outsource some of the effort to a retail food store or restaurant, there is a hierarchy in terms of which elements they prefer to hand off. More than half of holiday hosts (54%) indicate that dessert is one item they're happy to have made elsewhere, and two-fifths (41%) feel that way about bread/biscuits. One of three indicates that appetizers

Frequency of Retail Foodservice Purchases

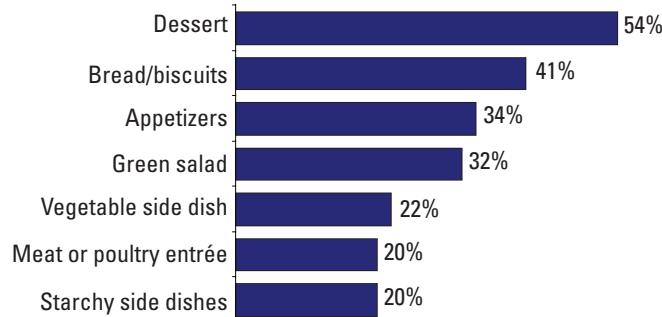


Editor's note: Look for several up-to-date metrics that shed light on key industry trends presented in this space in each month's MarketBrief. For comparison, you can find past Trend Barometer metrics online at: www.technomic.com/amex

and a green salad are nice to not have to make (34% and 32%, respectively), and about one of five agrees with that sentiment when it comes to a vegetable side dish (22%), meat or poultry entrée (20%) or starchy side dish (20%).

Where Holiday Hosts Most Need Help

% of hosts likely to order from store/restaurant, by meal part*



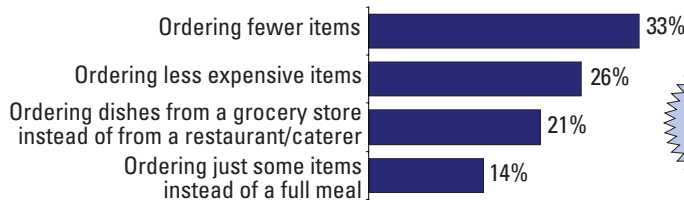
* Base = hosts who use prepared foods for some/all of meal

LINE ITEMS

Prepared foods are a huge help when preparing a large meal, but such convenience comes with a price tag. This coming season, some hosts who plan to incorporate prepared foods into their celebratory meals indicate they will order fewer items (33%) or order less expensive items (26%) than in the past to help minimize costs. Other tricks for keeping outlays in check include ordering dishes from a grocery store instead of a restaurant/caterer (21%) or ordering just some items instead of a full meal (14%). Nevertheless, 35% of hosts report they will not make any changes in their inclusion of prepared foods at the holiday meal.

How Plans to Use Prepared Foods in Holiday Meals Have Changed

% of hosts who are making particular changes compared to previous years*



65% of hosts are making changes

* Base = hosts who use prepared foods for some/all of meal

For many hosts this year, the economy has forced changes in how they will plan and serve their big meal, regardless of whether prepared foods are involved. Compared to previous years, more than one-third of consumers (36%) indicate they will be making more of their own dishes, from scratch, and one of five (20%) will be asking guests to bring more of the side dishes/desserts/etc. Spending less on alcoholic beverages (either by offering fewer or less expensive varieties) and spending less on table decorations are what 15% of hosts report they will do to curtail their expenditures. Refreshingly, almost two of five consumers (39%) indicate the current state of the economy has not affected their plans to host a holiday meal.

How the Economy Has Affected Plans to Host a Holiday Meal

% of hosts changing particular behaviors, compared to previous years



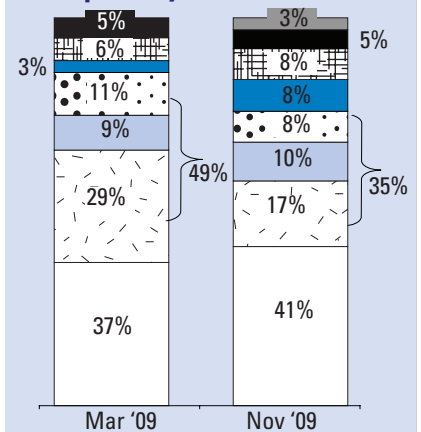
61% of hosts are making changes

RETAIL COFFEE TREND BAROMETER

In the span of eight months (March–November), the percentage of consumers who primarily make their coffee/specialty coffee drinks at home grew by four percentage points, from 37% to 41%. At the same time, the percentage of consumers who frequent chains such as Starbucks, McDonald's and Dunkin' Donuts for their coffee dropped by a combined 14 percentage points, from 49% to 35%.

Convenience stores/gas stations have become more popular destinations for coffee, gaining five percentage points over the period (from 3% to 8%), while non-chain coffee shops also grew their share of business by two percentage points. Despite growth in the unemployment rate, a consistent 5% of consumers report they get their coffee mainly at work.

Where Consumers Most Often Get Their Coffee/Specialty Coffee Drinks



Legend:
 ■ Other
 ■ At office
 ■ Other coffee shop
 ■ C-store/gas station
 ■ Dunkin' Donuts
 ■ McDonald's
 ■ Starbucks
 ■ At home

Bottom Line: More so than in recent years, holiday hosts will be cooking their own dishes and relying less on prepared foods from restaurants and other sources. That said, many hosts will be counting on guests to show up with a dish or two. Restaurants should be prepared to help guests with any additional sides, desserts, etc. they might need.

BUSINESS-BUILDING IMPLICATIONS:

- Have you considered featuring some of your establishment’s products at a local grocery store? Many hosts or guests will go to the store looking for ingredients; if they see your restaurant’s special dressing or sauce, for example, they may opt to use your “secret recipe” to make their own food at home.
- Is your restaurant known for its fresh-baked bread or succulent side dishes? What about that famous apple pie that diners swoon over? These are items you should start promoting now for the holidays, in family friendly sizes with convenient, to-go packaging. Use tabletop marketing pieces, your website/Facebook page or Twitter stream, an email campaign and of course, your staff to play up what a great contribution your restaurant’s specialties will be to the meal. Doing a “pre-order” campaign can also heighten excitement and build sales.
- Some hosts might prefer to dine out for their main holiday meal, but feel it’s less expensive to celebrate at home. If your operation has a reasonably priced holiday meal offering, use that as a focal point in your advertising, as it may surprise some consumers to find out that it would be more cost effective to dine out rather than in this holiday season.

Are Restaurants Meeting Diners’ Needs?

In an attempt to bring in more business or just to simply survive the current economic slump, many operators recently have opted to make changes to their menu, staff levels, type of ingredients purchased, etc. Such changes can affect the level of service provided to customers as well as impact customers’ perception of value as it relates to the food and price combinations they’re offered. For these reasons and many more, it is imperative to assess what changes in restaurants consumers are noticing of late and how these factors are influencing their dining-out experiences.

CHANGES ARE AFOOT AT LSRS...

In the past six months, nearly half of consumers indicate they’ve noticed greater menu variety (45%) and the availability of more healthy items (44%) at limited-service restaurants; slightly fewer have noticed greater value for the money (37%). Additionally, approximately one-fifth of consumers report noticing increased freshness of food (21%) and better-tasting food (19%).

Thus, while it might be tempting to save money by changing to a less expensive, less labor-intensive or less fresh product/ingredient, doing so may prove perilous to business if the changes in quality are perceptible and customers are dissatisfied. Meanwhile, these same consumers indicate that when dining out, what matters most to them is the taste (54%) and freshness (48%) of the food. Value for the money rates fairly high as well (46%). The availability of more healthy items and greater menu variety are of lesser importance (18% and 16%, respectively) to consumers at LSRS. In effect, LSRS may be implementing changes that don’t hit home as highly with consumers as others might.

Recent Improvements Noted in LSRS vs. What Matters Most to Consumers		
	Have noticed an improvement in past 6 months	Most important when dining out
Menu variety	45%	16%
More healthy items	44	18
Value for the money	37	46
Freshness of food	21	48
Taste of food	19	54

...AND FSRs

At full-service restaurants, the story is somewhat the same. That is, despite what diners may have noticed, the changes that are most likely to drive return visits are the greater availability of fresh food that tastes good and which is offered at a fair price. Two-fifths of consumers (40%) report they've noticed more menu variety in the last six months, and slightly fewer than one-third indicate they've noticed more healthy items (31%) and greater value for the money (30%). About a quarter of consumers report they've noted better-tasting food (24%), while one of five (19%) has noted fresher food.

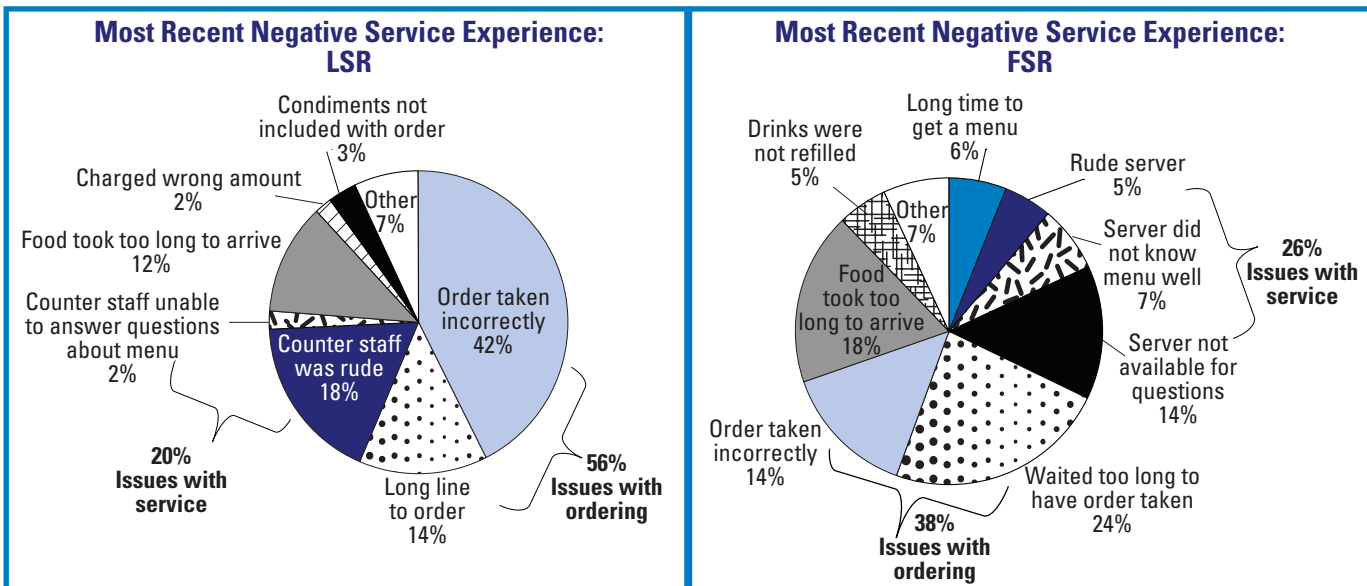
Still, more than half of consumers (52%) report that at FSRs, taste of food is most important to them, followed by freshness of food (41%) and value for the money (35%). These numbers don't match up well to the changes consumers are observing most frequently within FSRs.

Recent Improvements Noted in FSRs vs. What Matters Most to Consumers		
	Have noticed an improvement in past 6 months	Most important when dining out
Menu variety	40%	19%
More healthy items	31	14
Value for the money	30	35
Taste of food	24	52
Freshness of food	19	41

CUSTOMER SERVICE NOT UNDULY IMPACTED

So far, the changes operators have made have not disproportionately impacted customer service. In the past six months, 36% of consumers report they've received poor service at an LSR and 26% report the same regarding FSRs. These numbers are not particularly high by historical standards, nor are the complaints anything new. Of those diners who have experienced poor service in the past six months, unsatisfactory ordering experiences are the biggest culprit. Close to three-fifths of consumers at LSRs (56%) and two-fifths of consumers at FSRs (38%) indicate that their most recent negative customer service experience stemmed from orders that were taken incorrectly as well as waiting too long for orders to be taken.

Rude, uninformed, or unavailable service was the source of one-fifth of recent complaints at LSRs (20%) and one-quarter at FSRs (26%). That food took too long to arrive spoiled a recent experience for one of eight diners at an LSR (12%) and nearly one of five at an FSR (18%). Rounding out the picture at LSRs is not receiving condiments with an order (3%) and being charged the wrong amount for an order (2%). At FSRs, the list is completed by too lengthy a wait to get a menu (6%) and drinks that were not refilled (5%).



Bottom Line: *Diners definitely are noticing the changes that are being made. Value is still top of mind for most customers, so make sure that however you tweak your formula, good service, good food and good prices are still part of the winning equation.*

BUSINESS-BUILDING IMPLICATIONS:

- If you've made improvements to your establishment in areas that don't rate highly with consumers right now, try to combine them with other changes you can make that will be more popular. A recently enhanced selection of healthier foods can be the focus of a "freshness" campaign, or expanded menu variety can be tied into a meal deal that pushes customers to try new dishes. On the flip side, if you've not yet embarked on major changes to your restaurant, survey your customers first, to find out what improvements they'd most like to see made.
- One way to remedy complaints of poor customer service is to hire better staff. Make sure your hiring methods are intense, for all levels of employees. In-N-Out Burger, for example, asks open-ended, situational questions of all applicants, to gauge how they will handle various potential scenarios. The more time and effort you put into hiring, the better the results will be.
- Excellent service is now more of an imperative than ever. Dining out has become a luxury for many consumers, and if your operation does not have service that is up to snuff, diners will quickly remove your establishment from their consideration set. Keep your staff sharp through regular training, even for seasoned servers.

Tapping Into Flavor Trends

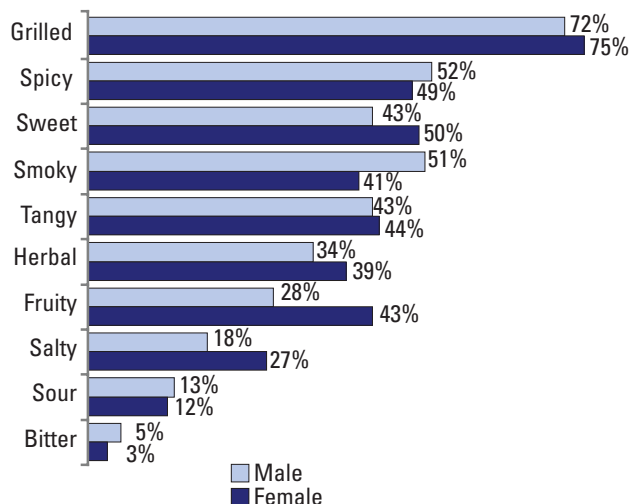
Tapping into flavor trends to offer a range of exciting, diverse and innovative menu items gives operators a competitive advantage that is likely to drive traffic, boost sales, and help build a repeat, loyal customer base. Today's consumers indicate that they increasingly are interested in expanding their palates and trying new flavors, and they respond very positively to several ethnic and regional cuisines. At the same time, consumers still enjoy many traditional, well-established flavors. Thus, it is important for operators and suppliers to stay on top of flavor trends to see where opportunities exist.

GETTING DOWN TO BASICS

In order to better understand consumer behavior, attitudes and preferences toward flavor, Technomic conducted an August 2009 online survey of a nationally representative sample of 1,500 American consumers. A key learning of this research was that when it comes to basic flavors, women and men have divergent views of what is most appealing, as the next chart illustrates. Females indicate a substantially greater preference for sweet, fruity and salty flavors than males. Men, on the other hand, are more likely to crave spicy and smoky foods.

Overall, grilled flavor profiles are highly appealing, perhaps based on consumer interest in light and healthy options and comfort foods. Nearly three quarters of consumers (74%) indicate that they particularly enjoy flavor derived by grilling food, a preparation style that consumers often associate with health. Grilled foods not only describe the flavor of food, but hint at senses beyond taste, such as smell and texture. It is likely that consumers consider these sensory attributes when determining the appeal of this flavor. Spicy, sweet, smoky and tangy flavors round out the top five preferred basic flavor notes.

Thinking about all of the Types of Food You Eat, How Appealing Are the Following Basic Flavors?
By gender, % selecting "appealing" and "extremely appealing"



INFLUENCE OF UNIQUE FLAVORS IN THE ORDERING DECISION

Consumers report that trying and liking a new flavor at a restaurant can persuade them to return to the same restaurant to order the same dish or try other unique flavors there. A full two-thirds of consumers (66%) indicate they would return to the same restaurant and reorder a dish with a novel flavor profile that they had previously enjoyed.

Furthermore, about half of consumers indicate they would be inclined to try other unique flavors (55%) or menu items (49%) at the same restaurant. These results suggest that delivering a positive dining experience with a new flavor can build chef credibility and drive future purchasing decisions and repeat business. Then again, nearly half of consumers (47%) report that once they discover a menu item with a new or novel flavor profile, they might look to other restaurants as well to get the same dish.

If You Try and Like a New Flavor on a Menu Item at a Restaurant, How Likely Will You Be To...

% selecting "likely" and "extremely likely"



Bottom Line: Restaurants that take more risks with flavors and are not scared of creating novel combinations can have a significant effect on consumers' purchasing decisions and future visits. When done well, new and exciting flavor profiles smoky can leave a lasting impression that can turn a one time visitor into a loyal customer.

BUSINESS-BUILDING IMPLICATIONS:

- Beyond basic flavor trends, you should also consider how flavors can be used together to create more complex flavor profiles. Since savory flavors (grilled, smoky, salty) are highly appealing, pairing them with sweet or spicy notes may also resonate with consumers. One example of this is Claim Jumper's Whiskey Chicken, which is served with a sweet apple whiskey sauce.
- Research shows that on average, 42% of consumers are in strong agreement that they'd be more likely to dine at a restaurant that offers new flavors. In order to explore this potential traffic-driver, you may want to introduce some new or unusual flavor combinations in a way that fits with your current concept. Evos, a healthful-minded fast-food restaurant, offers four distinctly flavored ketchups at a "ketchup karma" counter, for instance, which fits well with the restaurant's theme and clientele.
- Pre-marinades and sauces, which are offered by many suppliers, are a fantastic way to expand menu offerings without expanding BOH prep time. Work with your suppliers to find out how you can jazz up your menu with new meat, poultry and fish pre-marinades and sauces.

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

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