



Market Briefing

Tracking and interpreting restaurant trends



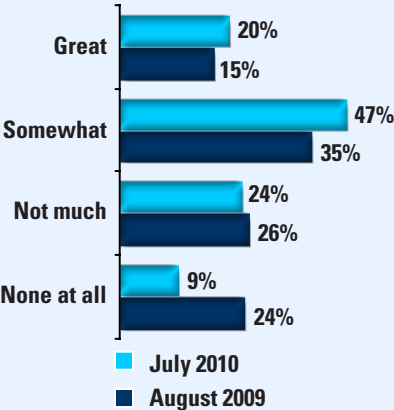
INSIDE MARKETBRIEFING

- Restaurants' Role in Social Responsibility* p. 4
- Generational Trends in Foodservice*..... p. 7

MENU NUTRITION DISCLOSURE TREND BAROMETER

In the past year, consumers' restaurant orders have increasingly been affected by nutritional data disclosed on menus or menu boards. Two-thirds of consumers report that nutritional disclosure either has a "great" impact (20%) or "somewhat" of an impact (47%) on their ordering decisions. A year ago, only half of consumers said the same.

Impact of calorie/nutrition disclosure on consumers' ordering decisions



Base: 317 (Jul 2010) and 241 (Aug 2009) consumers who have seen nutrition information on restaurant menus/menu boards

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.

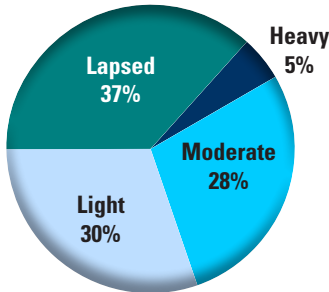
The Wide Appeal of Weekend Brunch

For most people, the weekend is a time to kick back, relax, and oftentimes, visit with family and friends. While plenty of consumers enjoy entertaining in their homes, many prefer to forego the hosting duties and dine out instead. Brunch, a meal that combines breakfast and lunch and seemingly should include some type of food to fit everybody's tastes, is a popular weekend dining occasion. Operators who get the basics right should be able to hit high marks with consumers as they seek out quality brunch destinations. In this issue of MarketBriefing, we explore the when, where and why of weekend brunch, to help you get the formula down pat.

MAJORITY OF CONSUMERS DO GO OUT FOR BRUNCH

Per a July 2010 online survey of 500 consumers, more than three-fifths (63%) report that they went to a restaurant for weekend brunch within the past three months. Heavy users (5% of the total) went nine or more times; moderate users (28%) went three to eight times; and light users (30%) went to brunch one or two times. In the prior three months, 37% of consumers did not dine out at all for brunch.

Weekend Brunch Activity
In the past 3 months

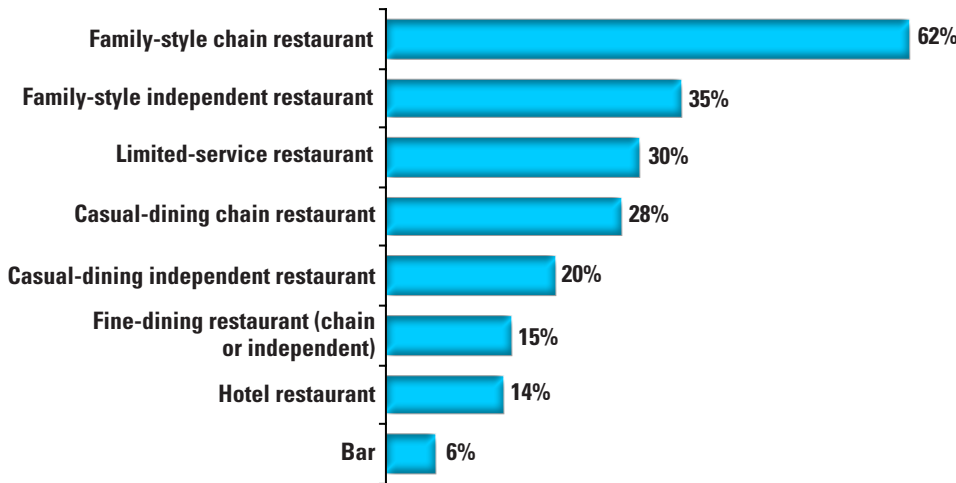


- Heavy Users (9+ times)
- Moderate Users (3-8 times)
- Light Users (1-2 times)
- Lapsed (0 times)

FAMILY-STYLE RESTAURANTS ARE TOP LOCATION

By far, consumers' favorite destination for weekend brunch is a family-style chain restaurant. Fully 62% of consumers indicate that they typically select such a location when they go out for brunch. As shown on the following page, independent family-style restaurants are also popular; more than one-third of consumers (35%) tend to go there for brunch. Limited-service restaurants and causal-dining chains, some of which are just introducing the brunch concept, are typically visited by 30% and 28% of consumers for weekend brunch, respectively.

Where consumers go for weekend brunch
% of consumers selecting



Base: 370 consumers who dine out for weekend brunch
Note: Multiple responses allowed

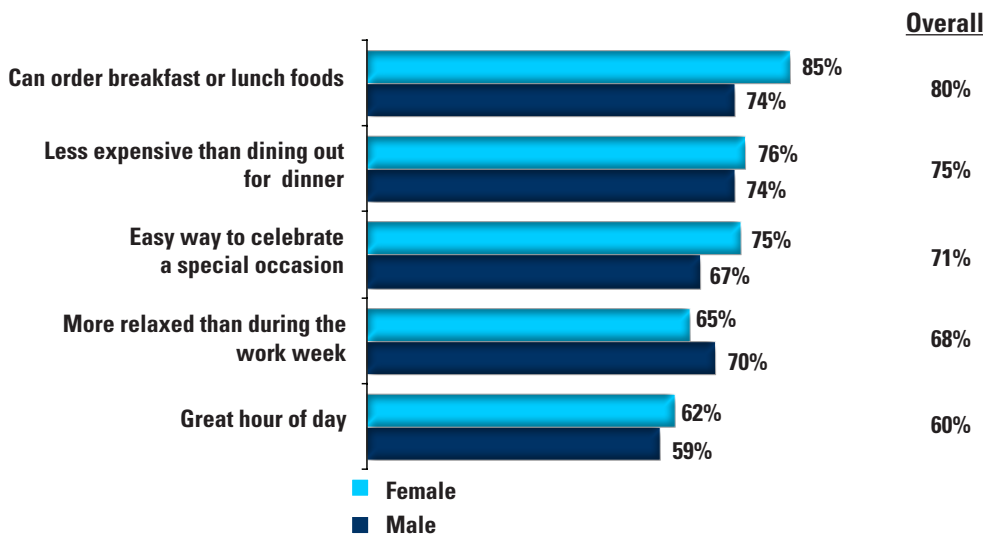
VARIED MENU AND LOWER COSTS OFFER APPEAL

Strong majorities of both women (85%) and men (74%) report that being able to order breakfast or lunch foods plays a key role in their decision to dine out for weekend brunch. Also of high importance is the fact that brunch tends to be less expensive than going out for dinner; about three-fourths of women (76%) and men (74%) cite this as a motivating factor in their brunch decision.

Women (75%), even more than men (67%), indicate that they go out for brunch because it is an easy way to celebrate a special occasion. But fewer women (65%), than men (70%), gravitate towards weekend brunch based on the premise that it is more relaxed than going out during the work week. Both genders agree that the hour of day at which brunch is served is quite appealing (women 62%, men 59%).

What Shapes Consumers' Decisions to Go Out for Brunch

% selecting top two box responses ("very important" or "somewhat important"), by gender



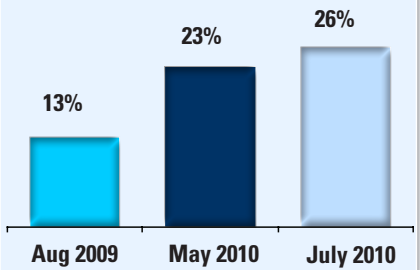
Base: 370 consumers who dine out for weekend brunch
Respondents indicated their opinion on a scale of 1-5 where 5 = very important and 1 = not important at all

MOBILE FOOD TRUCK TREND BARMETER

In August of 2009, approximately one of eight consumers (13%) reported having visited a mobile food truck in the preceding six months. Nearly a year later, slightly more than one of four consumers (26%) reports having visited a mobile food truck in the past six months.

As mobile food trucks gain access to additional urban and even suburban areas, it seems likely that they will become more of an alternative to restaurants or, in cases where such trucks are restaurant-owned, a complement to restaurants' "land-based" business.

Percentage of Consumers Who Have Visited a Mobile Food Truck in the Past Six Months*



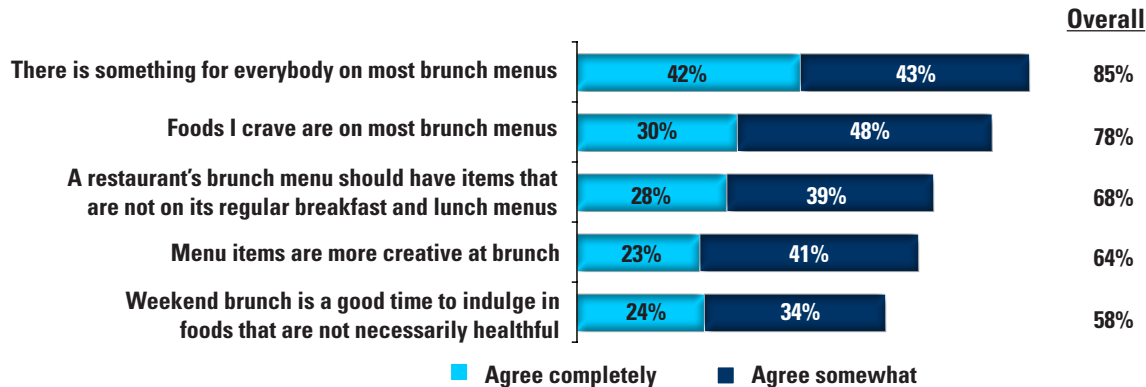
*A mobile food truck was described as a new way to sell specialty foods (such as tacos made with Korean barbecue meat or freshly baked Belgian waffles) via a truck that travels around city areas; not the same as sidewalk coffee carts or mobile kitchens at street fairs

SOMETHING FOR EVERYONE ON THE MENU

More than four of five consumers (85%) agree completely or somewhat that on most brunch menus, there is something to suit everybody's taste. Quite a few (78%) also agree that brunch menus include the foods they crave. Nearly seven of 10 consumers (68%) agree that a brunch menu should contain special items that are not on a restaurant's regular breakfast or lunch menu; slightly fewer agree (64%) that the dishes offered tend to be more creative than what is regularly served at breakfast and lunch. Healthful eating is, apparently, not a huge concern of brunchgoers; nearly three-fifths (58%) agree to some extent that weekend brunch is a good time to indulge.

Consumers' Perspective on Menu Offerings at Brunch

% selecting top two box responses ("agree completely" and "agree somewhat")

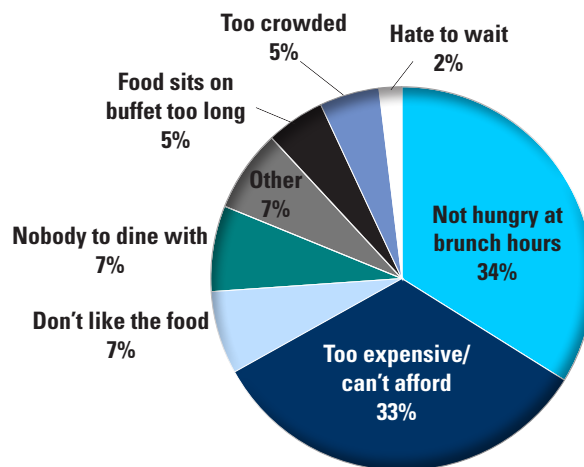


Base: 370 consumers who dine out for weekend brunch
 Respondents indicated their opinion on a scale of 1–5 where 5 = agree completely and 1 = do not agree at all

WHY NOT EVERYBODY DOES WEEKEND BRUNCH

Approximately one-third (34%) of those consumers who did not dine out for weekend brunch in the past three months cite as an explanation the mismatch between their hunger and the hours during which brunch is served. Another third (33%) chalk up their non-brunching behavior to financial issues. Lack of a dining partner keeps 7% of non-brunching consumers away from the table; another 7% are put off by a dislike for typical brunch foods. Other concerns of non-brunchgoers include crowds (5%), food that sits too long on a buffet (5%) and a potential wait to be seated (2%).

Why Some Do Not Dine Out for Brunch



Base: 130 consumers who do not dine out for weekend brunch

Bottom Line: Finding success with brunch service should be a fairly straightforward endeavor. Consumers are clear about what they prefer—a family-style environment, solid food that is not the same as what they get during the week, reasonable prices—but it's up to the operator to put these pieces together in a pleasing manner.

BUSINESS-BUILDING IMPLICATIONS:

- To draw in additional brunch business, consider offering an all-day Sunday brunch service. New York City restaurants Prune and Tartine are two great examples of how a strong brunch menu can keep your tables filled all day, much to your customers' delight.
- Although healthful foods are not at the top of many consumers' wish lists for brunch, be sure to offer some less-indulgent items for those diners who are minding their diets. With the pending nutrition disclosure legislation, your customers may start to order some of your lighter offerings once they see what's in some of the more indulgent ones.
- Family-style restaurants are consumers' number one choice for brunch because they are relatively inexpensive, provide many menu options and have a comfortable atmosphere. If you're looking to grow your brunch traffic, benchmark your establishment's brunch service against that of a family-style restaurant, and evaluate where you can make changes to boost your appeal.
- Theme brunches, such as the Chocolate Sunday Brunch at the Hotel Hershey or brunch with Disney characters at Goofy's Kitchen in Disneyland, are an excellent way to draw in customers. Hosting a magician to keep kids entertained, or inviting patrons to wear their pajamas, are all ways to add some fun and festiveness to brunch, and further set it apart from a weekday meal.

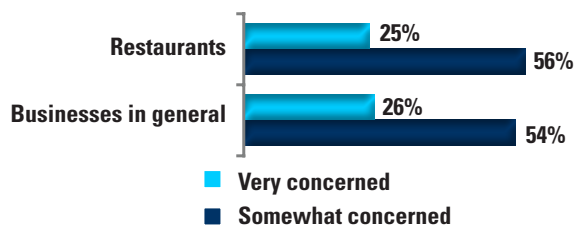
Restaurants' Role in Corporate Social Responsibility

In light of the recent Gulf oil spill, the idea of corporate social responsibility—a company's obligation to society at large—has gained more prominence. Already a hot-button issue among large corporations, the practice of social responsibility is now becoming a mandate for businesses of all shapes and sizes, independent restaurants included. Within the realm of corporate social responsibility, however, it can be difficult to discern which issues matter most to consumers, and therefore should be priorities for businesses that are looking to do the right thing. Another major question is whether consumers will pay more to visit a restaurant, or will visit it more often, if it engages in socially responsible practices. The information presented below sheds some light on these matters.

HIGH ON CONSUMERS' LISTS

Corporate social responsibility is clearly a significant topic these days. Whether the question is specific to restaurants or just about businesses in general, approximately one quarter of consumers report that they are very concerned and approximately one half report that they are somewhat concerned about companies' efforts to become more socially responsible.

How concerned are you about _____ becoming more socially responsible?
% of consumers

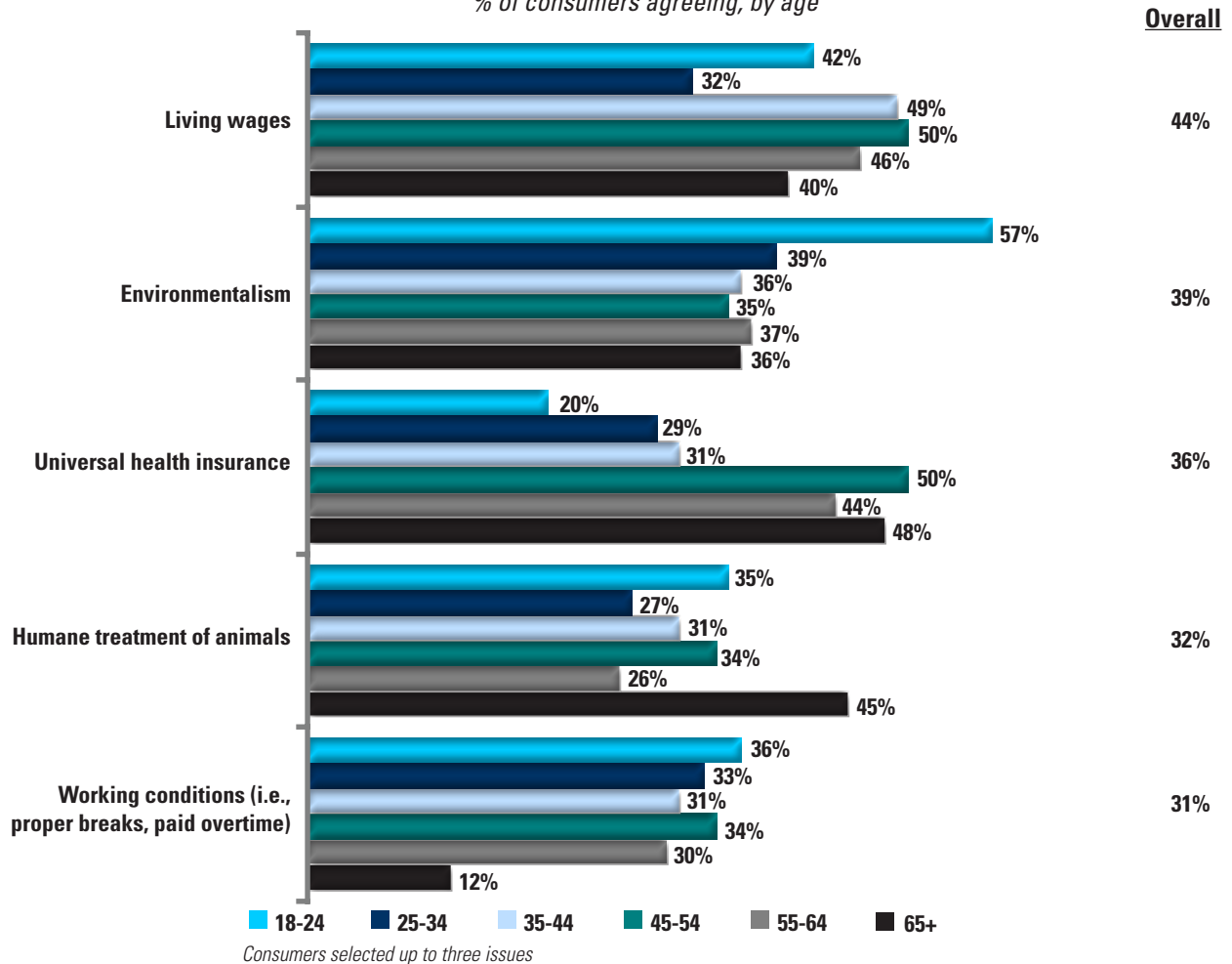


WHAT MATTERS MOST

When it comes to which corporate social responsibility issues are most important to consumers (non-specific to restaurants), there is considerable variation by age group. For example, as shown on the following page, while living wages are a top concern overall (44%), this subject is much more important to consumers aged 45-54 than it is to those aged 25-34 (50% compared to 32%).

By the same token, a company's efforts to be eco-friendly are important to 39% of consumers overall, but that is driven much more by those aged 18-24 (57%) than by those in any other age bracket. Health insurance coverage for all (36%), the humane treatment of animals (32%) and working conditions (31%) are other top corporate social responsibility issues for today's consumers.

Top Corporate Social Responsibility Issues Overall
% of consumers agreeing, by age



Regarding restaurants, the priorities are a bit different. When asked which one social issue they would most like to see restaurants address, about one-fifth of consumers (21%) select living wages. Nearly as many (19%) report that environmentalism tops their list, and about one of eight (13%) indicates that working conditions for restaurant employees are their primary concern. Local sourcing and the use of organic foods (7% for both) rate higher when consumers focus on restaurants than when they think about business in general.

I'd Like to See the Restaurant Industry Address this ONE Social Issue More	
Social Issue	% Agreeing
Living wages	21%
Environmentalism	19
Working conditions (i.e., proper breaks, paid overtime)	13
Local sourcing	11
Use of organics	7
Immigration reform	7
Universal health insurance	6
Community development	5
Humane treatment of animals	4
Corporate giving	2
Diversity in the workplace	2
Fair trade	2
Supporting minority-owned businesses	1
Total	100

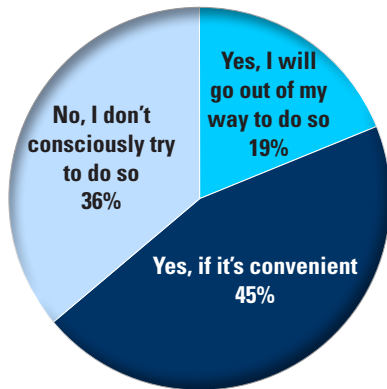
BENEFITS OF BEING SOCIALLY RESPONSIBLE

Besides the collective good that goes along with being socially responsible, restaurants can reap additional rewards, some of which could add to their bottom lines. In particular, about a fifth of consumers (19%) indicate that they will go out of their way to eat at restaurants that are socially responsible, and nearly half (45%) will do so if it's convenient.

Furthermore, almost two-thirds of consumers (64%) report that they would be willing to pay more for food at a socially responsible restaurant. Two-fifths (41%) would pay up to 5% more, while 17% would be willing to pay up to a 10% premium and 6% would pay a 10-20% premium.

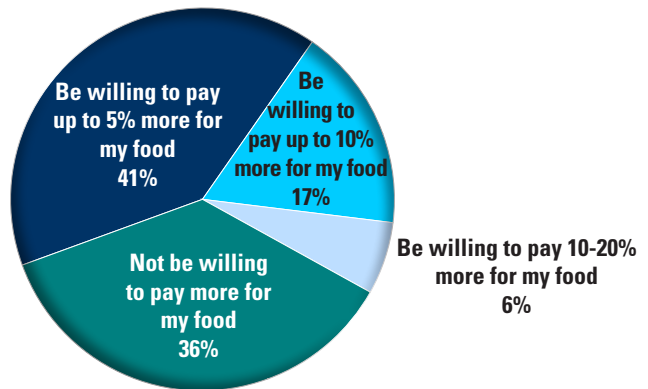
Socially Responsible Restaurants Are Attractive to Customers

Do you try to eat at restaurants that are socially responsible?



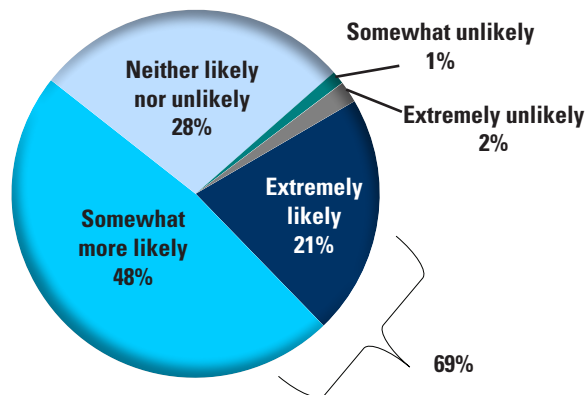
Most Would Pay More to Dine at a Socially Responsible Restaurant

At a socially responsible restaurant, I would...



Nearly seven of 10 consumers (69%) indicate they would be likely to visit a restaurant more often if it were socially responsible. One of five consumers (21%) would be extremely likely to visit more often, and slightly fewer than half (48%) would be somewhat more likely to visit more often.

If a restaurant were socially responsible, I would be _____ to visit more often:



Bottom Line: To many consumers, corporate social responsibility is more than just a set of buzz words. Paying living wages, looking out for workers' needs and making efforts to be "green" are among the issues that diners increasingly examine when choosing where to dine. To compete effectively for today's conscientious consumers, operators should strive to become socially responsible in as many ways as possible.

BUSINESS-BUILDING IMPLICATIONS:

- Corporate social responsibility is, at its core, intended to better the world in which we all live. However, nothing says that you can't get something out of it by publicizing your operation's efforts to be more socially responsible. In just one example of this, Burgerville has a link on its homepage to "sustainable business," which then provides information on the chain's policies of using local suppliers; sourcing humanely raised meat; using wind power credits; offering employees affordable health care, etc.
- For operators wondering where to start, a good place might be with understanding who your restaurant's core customers are, and what issue(s) matter most to them. Environmentalism is especially important to younger crowds, for instance, while the humane treatment of animals is more of a factor for those who are older.
- Donating a portion of receipts to charity is a great way to help out your community and gain credence among your customers as a socially responsible operation. Select a cause that matters to your patrons as well as to your employees, so that you can generate enthusiasm for your business' efforts. Local causes are usually popular options.

Generational Trends in Foodservice

In the U.S. today, three very different generations comprise the most economically significant segments of the population: the Baby Boom generation, born between 1946 and 1965; Generation X, born between 1966 and 1976; and the Millennial generation (also known as the Echo Boom or Generation Y), born between 1977 and 1992. Taken together, these three generations account for nearly two-thirds of the total U.S. population (19.3 million people in 2009).

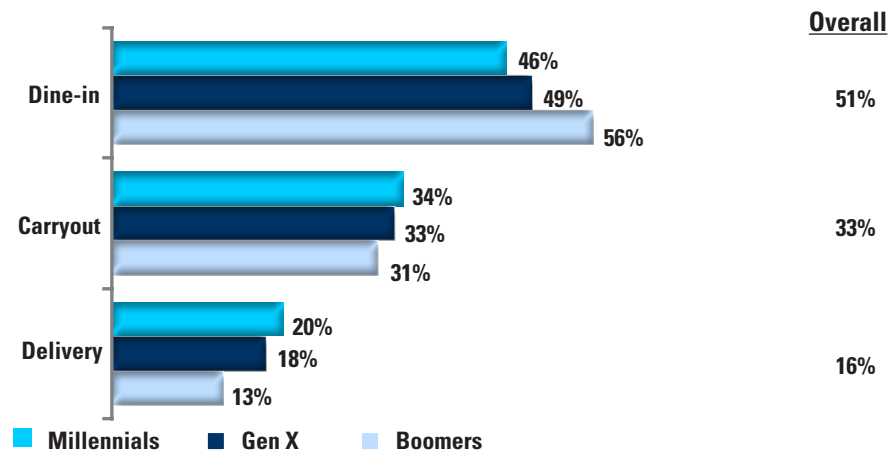
Technomic's 2010 Generational Consumer Trend Report provides an in-depth analysis of these three generations and of their impact on and importance to the foodservice industry. All findings are based on an exclusive May 2010 survey of 1,500 U.S. respondents to reveal foodservice patronage, attitudes and preferences for each generation.

PLACING THE ORDER

Consumers report that about half of all of the food they order at restaurants (51%) is ordered for dine-in purposes. The largest proportion of dine-in orders is placed by Baby Boomers; nearly three of five (56%) of Boomers' restaurant occasions include dine-in service. In comparison, fewer than half of all orders placed by Millennials (46%) and Gen Xers (49%) are for dine-in.

A third of all restaurant visits (33%) are for carryout, a percentage that does not vary significantly by generation. In general, Millennials and Generation X consumers are more time-starved than Boomers, which translates into a need for convenience that is likely driving a higher percentage of takeout and especially delivery orders. About a fifth of restaurant orders placed by Millennials (20%) and Generation X (18%) are for delivery, compared to just 13% of Boomers' orders.

Differences in Dining Preferences
Percentage of food ordered at restaurants that is for dine-in, carryout and delivery



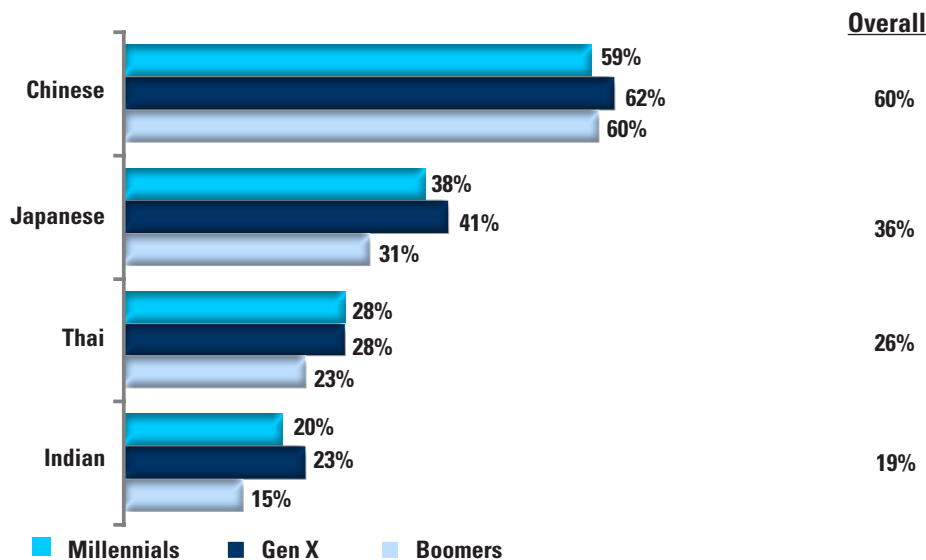
Base: 1,500 consumers aged 18-64

ETHNIC FOOD PREFERENCES: ASIAN CUISINES

Beyond the broad appeal of Chinese food, it is the younger consumers who tend to be more interested in other Asian cuisines. Chinese food is one of the most mainstream ethnic cuisines, so it is not surprising that about three of five Millennial (59%), Gen X (62%) and Baby Boomer (60%) consumers report that they would be highly likely to order a dish made with typical Chinese flavors and ingredients. Beyond Chinese food, Millennials and Gen Xers indicate that they are more interested in all other Asian cuisines measured, including Japanese, Thai and Indian. Generation X consumers seem to be especially interested in Japanese and Indian flavors and ingredients.

Likelihood that Consumers Would Order the Following Types of Ethnic Foods at a Restaurant or Other Foodservice Venue

% selecting top two box responses ("likely" and "extremely likely")



Base: 1,500 consumers aged 18-64

Respondents indicated their opinion on a scale of 1-6 where 6 is extremely likely and 1 = not likely at all

Bottom Line: Each of the three generations examined above has a distinct impact on, and importance to, the foodservice industry. Differences in the three generations' approaches to foodservice offer ample opportunities for operators to tailor their offerings to each generation and grow sales accordingly.

BUSINESS-BUILDING IMPLICATIONS:

- Carryout and delivery account for almost half of surveyed consumers' restaurant orders. You should assess on a regular basis whether your restaurant's takeout and delivery programs are making these transactions as fast and easy for customers as possible. Consider offering online ordering, apps for ordering, curbside service and dedicated entrances and checkouts for carryout orders.
- Think about expanding your operation's horizons by incorporating some elements of Asian cuisine. A restaurant need not be Asian-themed to do this successfully, as Noodles & Company—which covers Asian, Mediterranean and American cuisine—has shown. Adding touches of Japanese, Thai or Indian cooking to your menu can serve to enhance your business, especially from younger generations.

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 2010. Margin of error $\pm 2.0\%$. The 2010 Generational Consumer Trend Report is based on an online survey of 1,500 U.S. consumers conducted in May 2010. Margin of error $\pm 3.0\%$.

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