



# Market Brief

Tracking and interpreting restaurant trends



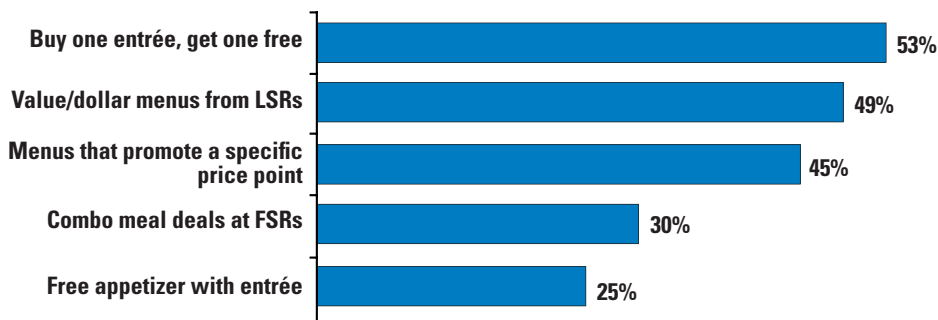
## Deals that Pay: What Draws Diners In Nowadays

It's no secret these days that there are some great deals to be had at restaurants. Consumers hurt by the recession are eating out less, so restaurants are fighting one another for that shrinking pool of diners, using deep discounts to attract them. But, which of these deals have actually drawn consumers to restaurants and which ones would consumers like to see more of? Also, at the end of the day, are these restaurants hurting their long-term prospects by training customers to eat out only when they are offered a bargain?<sup>1</sup>

### MOTIVATING FACTORS

In a June 2009 online survey of 500 consumers, more than half (53%) report that a "Buy One Entree, Get One Free" offer influenced their decision to dine out at least once in the past three months. Nearly as many consumers indicate they were persuaded to dine away-from-home because of the lure of a value/dollar menu from an LSR (49%) or menus that promote a specific price point, such as a \$5 sandwich (45%). At FSRs, combo meal deals and the offer of a "free appetizer with entrée" were cited by 30% and 25% of consumers, respectively, as contributing to their decisions to dine out.

#### Top Offers that Have Influenced Consumers' Dining Out Decisions Over the Past Three Months



Source: Technomic American Express Consumer Overnight Study

### DEAL APPEAL

Operators also want to make sure that they're offering the right mix of deals to entice potential diners going forward. To that end, more than nine of 10 consumers (92%) note that a "Buy One Entrée, Get One Free" promotion is "extremely appealing" or "somewhat appealing" to them, and more than eight of 10 (82%) feel the same about specific set price points (i.e. the \$5 sandwich). Over three-fourths of consumers (77%) report that a combo meal for a set price holds appeal; adding a side item for \$1 (71%), getting a free appetizer or dessert with an entrée (66%) and free food or beverage giveaways (64%) round out the list of top incentives that customers report will draw them into restaurants.

<sup>1</sup> "Discounts Have Restaurants Eating Own Lunch," *The New York Times*, June 24, 2009

### INSIDE MARKETBRIEF

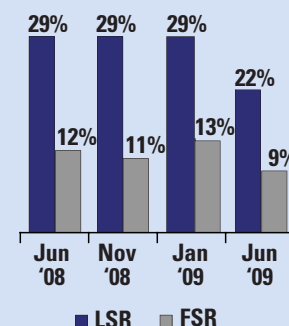
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### HEAVY RESTAURANT USAGE TREND BAROMETER

For the first time in more than a year, the percentage of diners who dine more than twice a week at LSRs has dropped. After holding steady at 29% since June of 2008, this figure now stands at 22%. These numbers are down from highs in the 40-44% range in 2007. The percentage of consumers who dine more than twice a week at FSRs has dropped notably below its range of the past year as well, to 9%.

Combined, these sets of numbers suggest that for many consumers, trading down has given way to trading out of the dining out scene altogether.

#### Heavy Restaurant Usage Two Times a Week or More

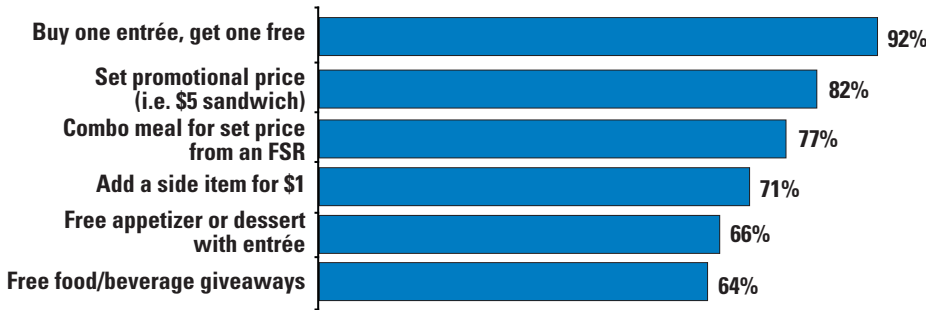


Source: Technomic American Express Consumer Overnight Study

**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: <http://m2.tm00.com/Technomic/newsletters/signup.asp>

### How Appealing are Each of the Following Restaurant Promotions?

Top Two Box Responses\*

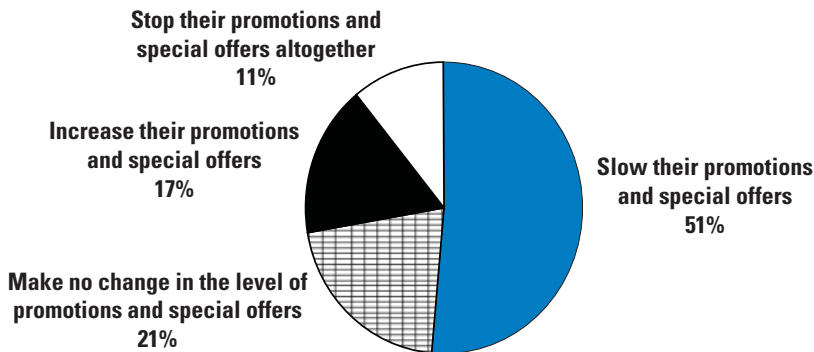


\*"Extremely Appealing" or "Somewhat Appealing"  
Source: Technomic American Express Consumer Overnight Study

### DEMAND FOR MONEY-SAVING OFFERS LIKELY LONG-TERM

Once the economy recovers, the majority of consumers (51%) indicate that they expect restaurants to slow – but not stop – their promotions and special offers. Meanwhile, more than one of five consumers (21%) report that they expect no change whatsoever in the level of restaurant promotions and special offers when the economy improves, while 17% actually expect such deals to increase. Only one of 10 consumers (11%) expects restaurants to stop their promotions and special offers completely when happier economic times arrive.

#### Once the Economy Recovers, Consumers Expect Restaurants to...



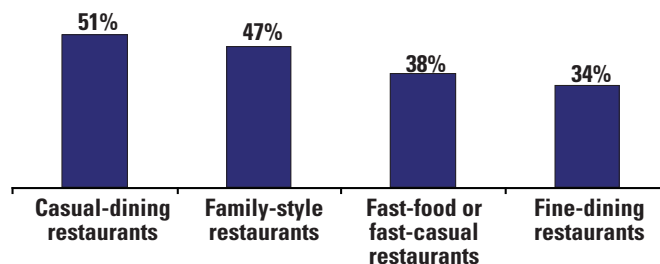
Source: Technomic American Express Consumer Overnight Study

### AN INCREASE IN RESTAURANT DINING ON THE HORIZON

With or without money-saving offers, a fair number of consumers indicate that their usage of restaurants is likely to increase when economic conditions improve. In fact, more than half (51%) report they will eat more frequently at casual-dining restaurants, and nearly as many note the same for family-style restaurants (47%). With regard to fast-food or fast-casual restaurants, slightly fewer than two of five consumers (38%) indicate they will dine there more frequently if brighter times arrive in the next year, while about one-third (34%) report they will do so at fine-dining restaurants.

#### If Economic Conditions Improve Over the Next Year, Consumers Plan to Eat More Frequently at...

Top Two Box Responses\*



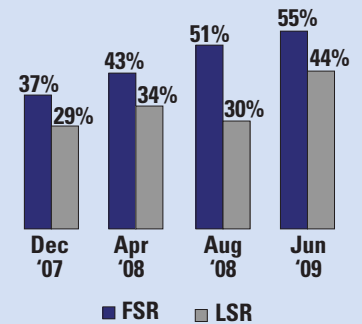
\*"Agree Completely" or "Agree Somewhat"  
Source: Technomic American Express Consumer Overnight Study

### GAS PRICE TREND BAROMETER

More than half of consumers (55%) report cutting back on spending at FSRs due to higher gasoline prices, while close to half (44%) report doing so at LSRs for the same reason. The increase in the rate of spending cutbacks at FSRs is consistent with the pattern observed over the past year. The rise in cutbacks at LSRs, however, is steeper in pace than ever before.

With the economy still struggling along, many consumers who previously traded down from FSRs to LSRs may be dining out less often altogether, if at all.

#### % of Consumers Cutting Back on Spending at FSRs and LSRs due to Higher Gas Prices



Source: Technomic American Express Consumer Overnight Study

**Bottom Line:** Many consumers have become accustomed to using promotions and special offers when dining out over the past year or so. While this has helped to fill restaurants, it may have set unrealistic expectations for when the economy recovers. Be sure to think strategically about promotions that can reward and satisfy your loyal customers but which can help build better margins for your business too, so that once the good times return, you'll already be well-positioned to profit.

## BUSINESS-BUILDING IMPLICATIONS:

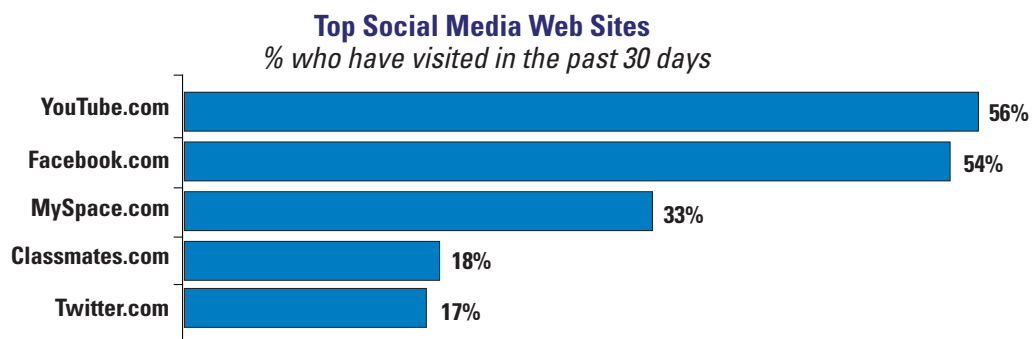
- If your establishment serves wine, consider doing a food and wine pairing dinner, but offering less well-known wines that might cost you less to provide. For example, if you do an Australian-themed evening that features lamb and Australian wine pairings, you can charge a bit less to your customers than you might if you were to serve French wines, but still leave yourself a wide enough margin to earn a nice return.
- Offer half-portions or smaller serving sizes on your menu. Half-portions are never just half the price; if you offer the full size for \$5, why not offer a half-portion for three-fourths of that price, or \$3.75? This works out to smart math for your bottom line.
- Alter your product mix to build a better profit margin. Have you considered offering two three-ounce medallions of beef instead of an eight-ounce filet, for example? Or, what about different cuts of meat that require more time-intensive cooking (e.g. braising instead of grilling), but which will cost you much less to procure? These are all ways in which you can cover a plate creatively, for a bit less.

## The Brave New World of Social Media

Social media are relatively inexpensive and easily accessible platforms that encourage online sharing of information. As such, they can be used to communicate, collaborate, provide entertainment, and offer reviews and opinions; they have also become a great way to exchange news and opinions about restaurants. According to recent statistics, the largest social media Web site, Facebook, has over 15,000,000 users who update their status daily, and 24,000,000 pieces of content (e.g. photos) are shared on the site each month.<sup>2</sup> With such widespread visibility, social media present an unheralded opportunity to disseminate information, but as with any new venture, there are also risks inherent in using it.

### WHERE THE ACTION IS

With new sites springing up every day, there are more social media channels than one person could ever attempt to count. When consumers were provided a list of the 26 most popular social media Web sites and asked which ones they had visited in the last 30 days, certain sites stood out. Over half of consumers (56%) report that they visited YouTube.com, and only slightly fewer (54%), Facebook.com. Exactly one-third of consumers (33%) indicate that they had been on MySpace's Web site, and a smaller amount on Classmates.com (18%) and Twitter.com (17%). Of those surveyed, 19% report that they had not been on any social networking Web sites in the last 30 days.



Source: Technomic American Express Consumer Overnight Study

<sup>2</sup> Facebook: CNN.com, February 11, 2009

## HOW YOUR CUSTOMERS USE SOCIAL MEDIA

Consumers who connect to a chain restaurant brand via social media believe there are multiple benefits to doing so. Topping the list are access to coupons (78%), awareness of regional promotions (76%), awareness of general promotions (73%) and access to special "members only" deals (61%). This suggests that tech-savvy consumers are willing to connect to restaurants' social media campaigns and sites in order to get deals on menu items; it also suggests they plan to visit the restaurants and/or are looking for encouragement to do so from such sites.

Well over half of these consumers indicate that they connect to chain restaurant brands via social media to be the first to know about new menu items (55%) or to get news about the restaurant (53%). A fairly high percentage of users also note that they connect for the purpose of showing others that they are a "fan" of the brand (46%).

**Benefits Derived from "Connecting" to a Chain Restaurant Brand via Social Media**  
*Top Two Box Responses\**



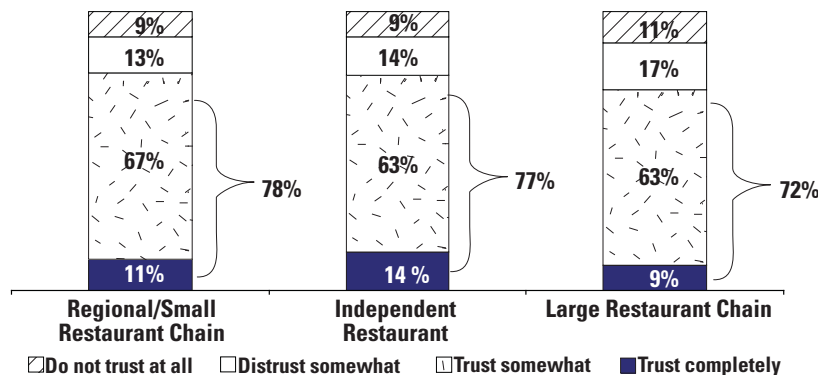
\*"Extremely Useful" or "Somewhat Useful"  
 Source: Technomic American Express Consumer Overnight Study

## CONSUMERS APT TO TRUST THESE SOURCES

Consumers rely on social media to learn about restaurants, and often times this information comes from sources not sponsored by the restaurants themselves. With regard to online, non-professional restaurant reviews, consumers trust those about regional/small chain restaurants the most: a combined 78% of consumers report that they trust them "completely" (11%) or "somewhat" (67%). Online, non-professional reviews of independent restaurants are trusted almost just as much: a combined 77% of consumers indicate they trust "completely" or "somewhat" these types of reviews. Where large restaurant chains are concerned, consumers are a bit more cautious about what they read online: a combined 72% percent of them trust "completely" (9%) or "somewhat" (63%) the non-professional reviews.

It appears that to a large extent, consumers believe what they read in online, non-professional restaurant reviews for dining destinations of all sorts. This includes negative assessments, which could impact traffic.

**Consumers' View of Online, Non-Professional Restaurant Reviews**  
*Extent of Trust, by Restaurant Type*



Source: Technomic American Express Consumer Overnight Study

Keeping the above in mind, it's interesting to see where online, non-professional reviews fall in the hierarchy of factors that influence consumers to try new restaurants. Indeed, such reviews rank far below time honored classic pulls such as a promotion/discounted price deal (87%), a recommendation from a family member (87%) or a recommendation from a friend (85%). Eight of 10 (80%) consumers report that they're tempted to try new restaurants by a new menu item, and three-quarters (75%) by a recommendation from a co-worker.

A restaurant's level of social responsibility (65%), humorous or intriguing advertisement (59%) and undertaking of green initiatives (46%) all rate as more influential in pushing consumers to try a new eatery than do positive reviews from other consumers on an Internet site (45%). At 45%, however, positive online reviews from other consumers still carry a lot of weight.

### Top Factors that Influence Consumers' Decision to Try New Restaurants Top Two Box Responses\*



\*"Very Influential" or "Somewhat Influential"  
Source: Technomic American Express Consumer Overnight Study

**Bottom Line: Social media is already a force to be reckoned with. Whether or not your operation establishes its own presence in this space, it will be commented on by others, most likely by non-professionals. Jumping into the game requires an investment of time and effort, but could pay off if you are able to transfer an online audience into paying, in-store customers.**

## BUSINESS BUILDING IMPLICATIONS:

- Keep in mind the mantra "walk before you run" as you explore ways of connecting with customers (and potential customers) online through social media. The platform is a potentially powerful marketing tool, but it is also a very public one. Working with social media requires both experimentation and strategic thinking to net the best results.
- Accuracy and relevance are of the utmost importance in creating useful and popular social media content. Online consumers tend to gravitate toward new and exciting information, so make sure that you've got the manpower to manage your social media efforts well before they get underway. For example, the chain Smokey Bones has a designated employee (usually a tech-savvy server or manager) who is paid to post pictures, details of upcoming events and other content on sites like Facebook and MySpace.
- Be prepared to evolve and adapt as new social media platforms emerge. Internet users have migrated from MySpace to Facebook, to Twitter over the last several years. This "platform migration" will likely continue and operators should be prepared to keep pace with these changes in order to stay relevant to their audience.

## Salads for All Occasions

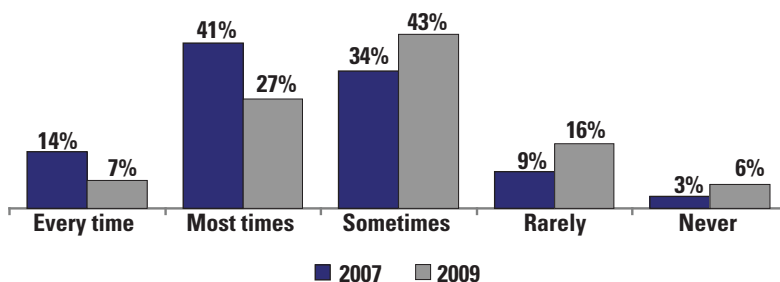
Salads are among the most popular menu offerings industry-wide, and Technomic turned its attention to them in a recent report. To better understand consumer behavior, attitudes and preferences toward salads, Technomic conducted an online survey of a nationally representative sample of more than 1,500 American consumers. Where appropriate, results were compared to a similar study done in 2007.

## SALAD CONSUMPTION FREQUENCY AT RESTAURANTS

Consumers report a significant decrease in salad purchase frequency compared to 2007. Two years ago, a combined 89% of consumers said they ordered salads as an appetizer or entrée sometimes or more often when visiting restaurants. The majority of consumers purchased salad most (41%) or all (14%) of the time; about one-third purchased it sometimes (34%). Among those polled in 2009, a total of just over three-quarters (77%) indicate that they order salads sometimes or more often. This percentage includes 43% who order salad sometimes, 27% who order salad most of the time and 7% who have a salad with or as their meal each time they eat out at a restaurant.

In light of today's troubled economy, many diners are trending from FSRs to LSRs to save money, or not dining out at all. As such, they may be going to restaurants that do not offer salads as part of a meal or they may be opting to save money by not purchasing appetizer salads. Alternatively, the "newness" of premium salads may be wearing off.

**How Often Consumers Order Salads When Dining Out**  
*Appetizer or Entrée Salads*



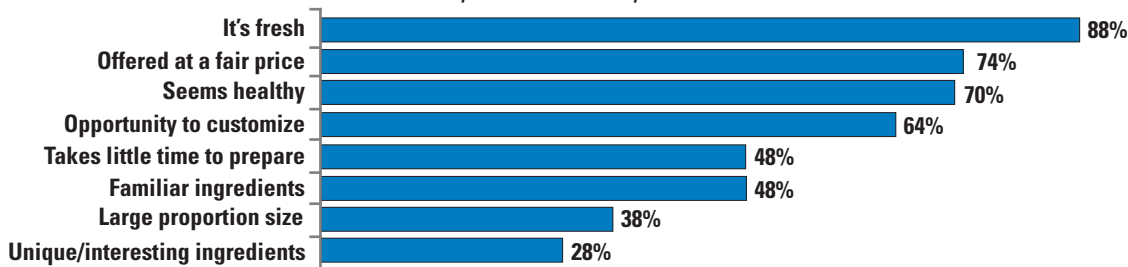
Source: Technomic, *The Salad Consumer Trend Report*

## CHOOSING A SALAD: TOP ATTRIBUTES

When selecting a salad, consumers report that freshness (88%) is the most important attribute they consider. Freshness even trumps price (74%) as a consideration, a fact that serves to highlight how important it is that salad components be crisp and at their peak. Nevertheless, fair price points are also very important to consumers, though it should be noted that a fair price does not always mean a lower price. What consumers determine to be a fair price will depend on several factors, including restaurant segment and, of course, the quality and freshness of the salad.

Other key attributes that play into consumers' salad decisions are whether the salad seems healthy (70%) and allows for customization (64%). A bit fewer than half of consumers (48%) indicate that the time it takes to prepare a salad factors into their decision about ordering it, and just as many are looking for familiar ingredients. Approximately two of five consumers (38%) cite large portion sizes as key determinant of their salad order, while fewer than one-third (28%) are interested in unique ingredients.

**Top Attributes when Choosing a Salad for an Appetizer or Entrée**  
*Top Two Box Responses\**



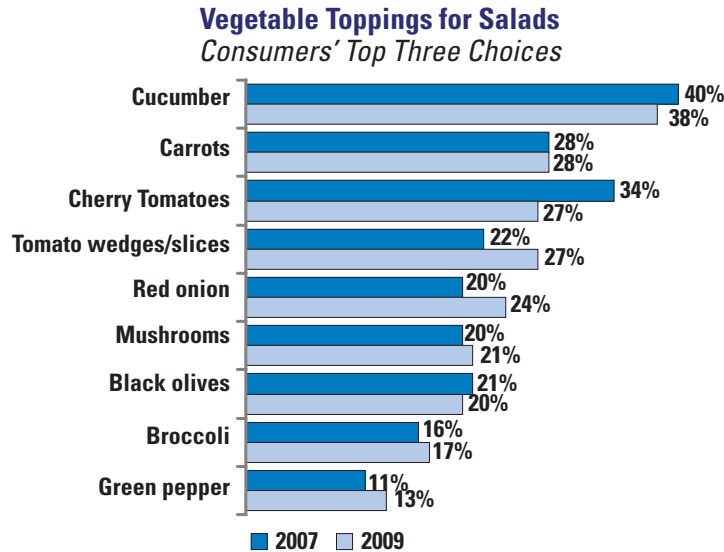
\*"Extremely Important" or "Important"  
Source: Technomic, *The Salad Consumer Trend Report*

## VEGETABLE TOPPINGS

Consumers report few differences over the past two years in the type of vegetable toppings they prefer on salads. In both years, those surveyed ranked cucumbers, carrots and tomatoes as top choices. Almost two of five consumers surveyed in 2009 (38%) chose cucumbers as one of

their top three favorite vegetable ingredients and more than a quarter of consumers also say that carrots (28%), cherry tomatoes (27%) and tomato wedges or slices (27%) are preferred ingredients.

There does seem to be a small shift in consumer interest regarding tomato preferences. In 2007, cherry tomatoes were preferred over tomato wedges or slices, while those surveyed in 2009 favor the latter. This may be related to consumer demand for more premium tomato varieties, like Roma or heirloom tomatoes. With the exception of red onion, which consumers indicate more of a preference for in 2009 (24%) than 2007 (20%), most other popular salad toppings retained their standings, more or less, with consumers between the two years.



**Bottom Line:** A large segment of consumers order salads, so it's important that restaurants offer a wide variety of ingredients and combinations to appeal to as many diners during as many meal parts as possible.

**BUSINESS BUILDING IMPLICATIONS:**

- Tableside salad preparation is a way to convey salad freshness, while also appealing to consumers who might want to customize their salad. This old-fashioned presentation, if done right, is a real crowd pleaser. Lawry's The Prime Rib, based in Pasadena, CA, offers their Original Spinning Bowl Salad—crisp romaine and iceberg lettuce, baby spinach, shredded beets, chopped egg and croutons, tossed tableside with an exclusive signature dressing.
- Since a basic salad is relatively easy to prepare at home, offer diners vegetable toppings that are hard to find at the grocery store or would be difficult or time-consuming to prepare at home. One example of this is the FAB salad at French American Brasserie in Atlanta, which includes a bright mix of veggies such as asparagus, radishes, tomatoes, saffron-spiced boiled potatoes, and haricot verts with field greens, shaved fennel, and herb vinaigrette, plated with crispy olive tapenade croutons.
- Incorporating ingredients used in other menu items into entrée salads can help boost sales. For example, Chili's offers a fajita salad; Morton's The Steakhouse menus a Pan-Seared Salmon Salad and a Warm Steak Salad; and McCormick and Schmick's offers entrée salads made with shrimp, calamari, scallops and crab. This allows operators to make the most of their resources while offering diners a salad that is unique to the restaurant.

**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 June 2009. Margin of error ± 3.4%. "The Salad Consumer Trend Report" is based on an online survey of 1,500 U.S. consumers conducted in February 2009. Margin of error ± 2.5%.

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