



Market Brief

Tracking and interpreting restaurant trends

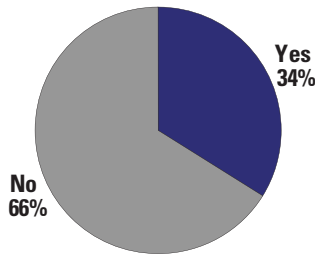


The Advent of Online and Text Ordering

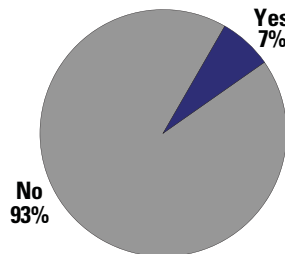
While consumers visit restaurants mainly for the fare they provide, research shows that service and convenience also strongly influence from where they ultimately choose to get their food. In the past few years, online ordering has evolved into a tool that allows operators to simplify the meal experience for busy, time-strapped customers while also providing an affordable and profitable sales channel.¹ Text ordering, the younger sibling of online ordering, is becoming increasingly common as well, and may be poised to follow in its older sibling's footsteps.

Per a January 2009 survey of 500 consumers, slightly more than one-third (34%) report that they have ordered food online from a restaurant at least once, while two-thirds of consumers (66%) have not ever done so. At the same time, only 7% of consumers indicate they have ordered food via text, leaving more than nine of 10 (93%) who have not.

Have you ever ordered food online from a restaurant?



Have you ever ordered food from a restaurant via text messaging?

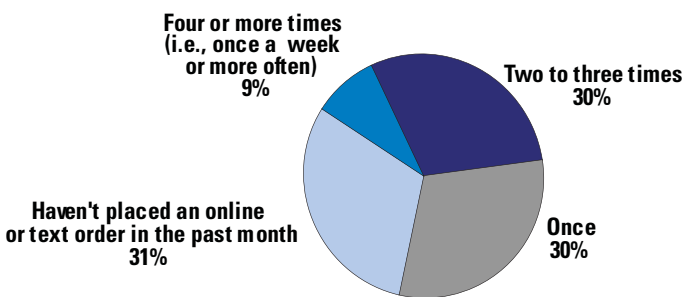


FREQUENCY AND REACH

Of those consumers who reported having ordered food online or via text at least once, nearly seven of 10 (69%) had done so in the 30 days prior to when the survey was fielded; 9% did so four or more times, 30% did so two to three times, and 30% did so once. A bit fewer than a third of consumers (31%) indicate they had not placed an online or text-based order for food in the preceding 30 days.

How often have you placed online or text orders?

In the past 30 days



Consumers who report that they use online and text ordering have done so chiefly at pizza chains. Companies such as Papa John's, Pizza Hut, Domino's and others have made strong pitches to encourage interactive business, and apparently these efforts have paid off, as there is a wide gulf that separates the

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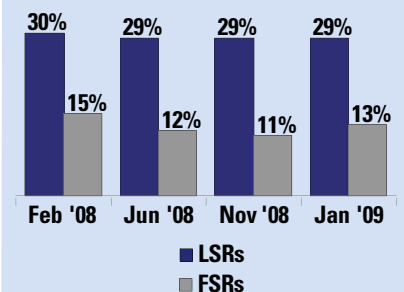
HEAVY RESTAURANT USAGE TREND BAROMETER

Over the course of the past year, the percentage of consumers who dine at LSRs twice a week or more often has remained steady, at approximately 29%, though numbers are down significantly from highs in the vicinity of 40–44% in 2007. The percentage of consumers who dine twice a week or more at FSRs declined steadily in 2008—and from 2007 highs in the range of 17%—but appears to be trading water at 12-13% now.

The fact that the heavy dining percentages reported in January have remained relatively the same for nearly a year could signify that they are the new reality, at least for the time being.

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

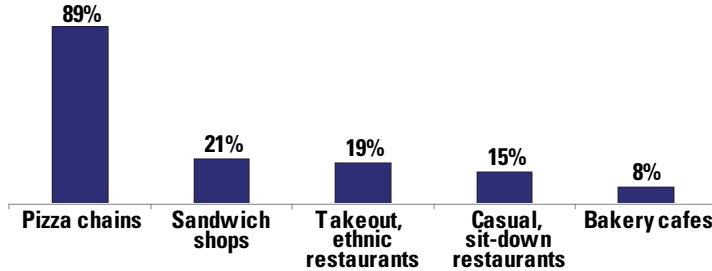
¹"Online Ordering Outlay Offers Potential Payoff," PizzaMarketplace.com, January 13, 2009

**RETAIL FOODSERVICE
TREND BAROMETER**

percentage of these consumers who have ordered interactively at pizza chains (89%) from those who have ordered similarly from any other venue.

Following pizza chains, sandwich shops garner the highest percentage of interactive orders; about one of five consumers (21%) who have placed orders online or via text indicate they have done so at sandwich shops, followed closely by orders for takeout food from ethnic restaurants (19%), casual, sit-down restaurants (15%) and bakery cafes (8%).

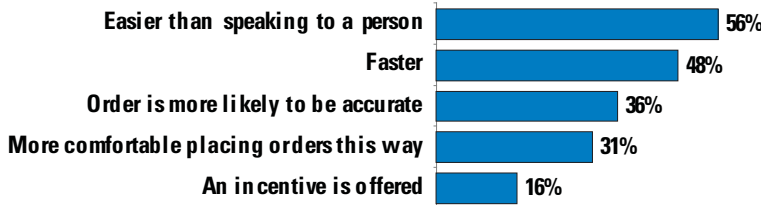
Types of Restaurants Where Consumers Have Placed Online/Text Orders



THE APPEAL OF PLACING INTERACTIVE ORDERS...

What is it about using a computer or cell phone to place an order that consumers like? For starters, more than half of those who have placed an order in such a fashion note that they prefer it because "it's easier than speaking to a person" (56%), and nearly half (48%) like it because it's "faster." More than one-third of consumers (36%) who have ordered interactively report that they prefer to do so because their order is "more likely to be accurate," while around a third (31%) are just "more comfortable" placing orders this way. Not to be missed are the 16% of consumers who prefer to place orders online or via text because "an incentive is offered."

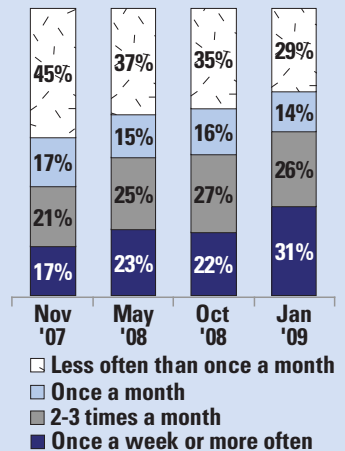
Why do some consumers prefer to place orders online or via text?



In January, there was a nine percentage-point increase over October in consumers who purchase prepared meals or meal components once a week or more often from supermarkets and other retail stores.

Although the second-largest change observed was for those consumers who buy prepared foods less often than once a month (a six percentage-point decrease), it is unlikely that consumers went directly from one purchase extreme to the other. Rather, within each classification, it is likely that consumers began to purchase prepared foods more frequently, creating a ripple effect that culminated in the large increase observed at the highest end.

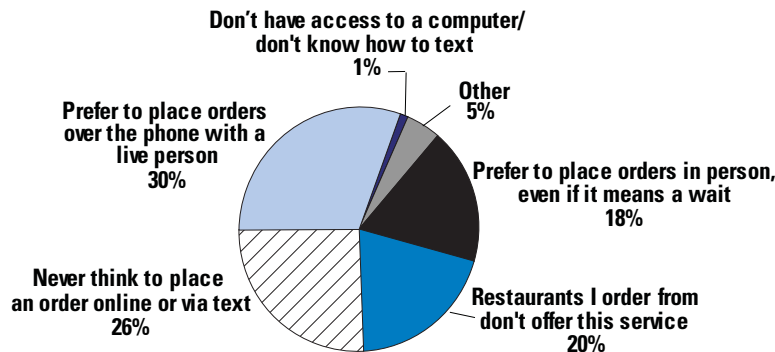
Frequency of Retail Foodservice Purchases



...AND WHY NOT ALL CONSUMERS CHOOSE TO DO SO

The primary reason consumers provide for not having placed an online or text order at a restaurant is that they "prefer to place orders over the phone with a live person" (30%). Next there are the more than one-quarter of consumers (26%) who indicate that they just "never think to place an order online or via text," as well as the one of five diners (20%) who frequent restaurants that "don't offer this service." Some consumers (18%) report that they simply "prefer to place orders in person, even if it means a wait" and another 5% note "other" (undefined) reasons for not ordering interactively. Somewhat surprisingly, given the range of ages and incomes covered in the survey, only 1% of consumers claim that the chief reason why they haven't ordered online or via text is that "don't have access to a computer/don't know how to text."

What is the primary reason why you have not placed an order online or via text?

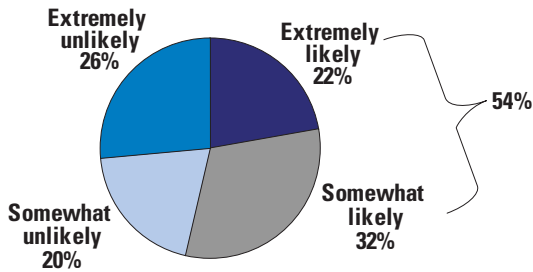


WHAT THE FUTURE MAY BRING

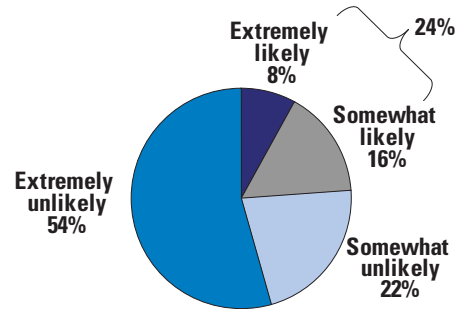
Consumers indicate that they are more likely to order online from a restaurant in the future than to order via text. For example, taken together, more than half of consumers (54%) report they are either “extremely likely” (22%) or “somewhat likely” (32%) to order online in the future. Exactly one of five consumers (20%) indicates they are “somewhat unlikely” and approximately one quarter (26%) report they are “extremely unlikely” to do so.

As for text-based ordering, fewer than a quarter of consumers (24%) combined agree that they are “extremely likely” (8%) or “somewhat likely” (16%) to try it in the future; more than one of five (22%) are “somewhat unlikely” to try it, and many (54%) report they are “extremely unlikely” to do so.

How likely are you to order online in the future?



How likely are you to order via text in the future?



Bottom Line: Ordering food online or even via text is no longer a novel concept, but there are still plenty of consumers who have not yet tried it. For restaurants that want to encourage online or text ordering, there are a number of ways—including investing in top technology and offering incentives—to do so.

BUSINESS-BUILDING IMPLICATIONS:

- According to Papa John’s, online check averages are 10 to 15 percent higher than those placed at the counter or over the phone. For its part, GoMobo, which just partnered with Subway to implement its Subway Now online and text ordering pilot in Manhattan, notes that Internet orders are on average 15 to 20 percent larger than phone orders. Given that “minimal capital outlay is needed to launch an online ordering system,” if you don’t already have one, what are you waiting for?²
- Keep in mind that consumers who are used to placing phone orders will not switch to Internet or text ordering unless it is more convenient for them. To that end, make sure your ordering system is as simple and clear-cut as possible, and also be sure to invest in technology that enables the system to send an order confirmation email or text message to the customer.
- Some consumers may be leery of placing online or text orders because they do not want to divulge personal financial information. At a minimum, all operators should have a secure system for collecting online orders and credit card information, but to calm the nerves of jittery customers, you may want to offer them the option to pay at the time of pickup, rather than only when they place their order.

Status Report: Casual-Dining Restaurants

For some time, the number of new casual-dining chains and locations outstripped consumer demand for them. With the slump in the U.S. economy factored in, casual-dining restaurants—many of which suffer from a lack of uniqueness, thereby making it more difficult to establish brand loyalty³—have been hit especially hard, as scores of consumers have changed their habits to eat at less expensive restaurants or prepare more of their own meals.

To contend with a slowdown in customer traffic and rising costs to run their business, casual-dining chains have raised menu prices, cut portion sizes and attempted to control raw material and labor costs more closely. Most casual-dining restaurants have introduced special dining deals to lure in diners, too.⁴

THE BASIC FACTS

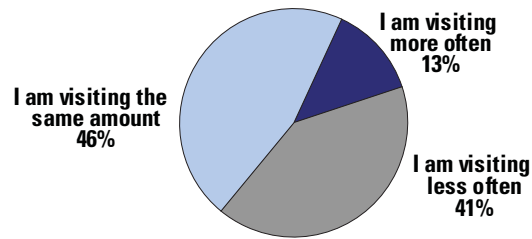
Overall, just about half of consumers (46%) report that they have been visiting casual-dining restaurants the same amount over the past year, signifying no change in behavior. Around two of five diners (41%), however, indicate they have been visiting less often in the past year; conversely, greater than one of ten (13%) have been frequenting casual-dining restaurants more.

²“Online Ordering Outlay Offers Potential Payoff,” PizzaMarketplace.com, January 13, 2009

³“Casual Dining Restaurants Suffer from Slackening Consumer Spending,” www.money Morning.com, July 30, 2008

⁴“Growth at U.S. Casual Dining Chains Hit by Credit Woes,” Reuters, October 3, 2008

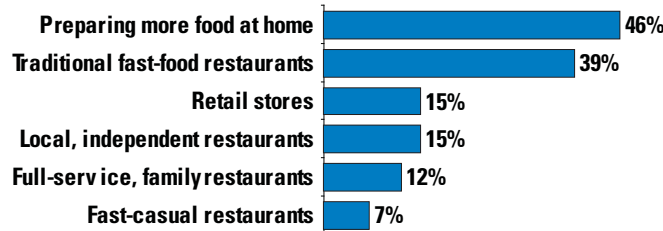
Has your overall usage of casual-dining restaurants changed in the past year?



EXPLORING THE OPTIONS

If not from casual-dining restaurants, then where are consumers getting meals? Of those who are visiting casual-dining restaurants less frequently this year than last, 46% report they are preparing meals at home instead. Close to two of five consumers (39%) indicate they are visiting more traditional fast-food restaurants while 15%, respectively, are buying prepared foods from retail stores or visiting local, independent restaurants. Full-service, family restaurants (12%) and fast-casual restaurants (7%) are also reportedly taking some of casual-dining's business.

If not using casual-dining restaurants, where are consumers getting meals?

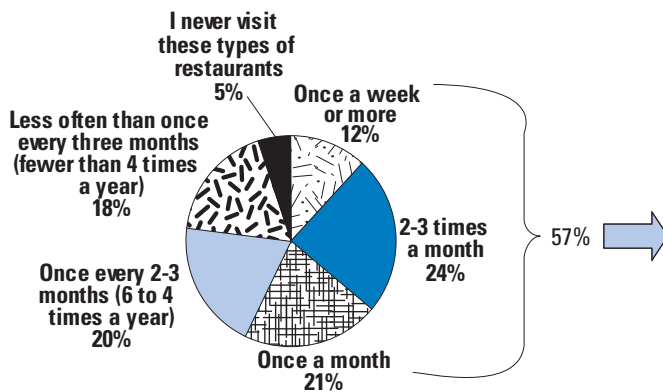


VISITOR STATS

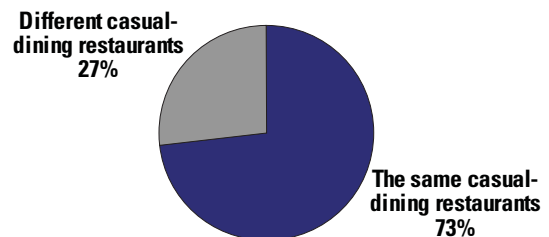
These days, over half of consumers (57%) report that they visit casual-dining restaurants at least once a month. More specifically, 12% visit at least once a week, almost a quarter (24%) visit 2-3 times a month and roughly one of five (21%) visits once a month. Beyond that, one of five consumers (20%) reports visiting a casual-dining restaurant once every 2-3 months, and nearly as many consumers (18%) claim to go less often than once every three months. Five percent of consumers note that they never visit casual-dining restaurants.

For those consumers who visit casual-dining restaurants at least once per month, somewhat more than one-quarter (27%) indicate they are visiting different casual-dining restaurants than they were a year ago. The bulk of consumers (73%), though, report that they are visiting the same casual-dining restaurants as before.

How often do you visit casual-dining restaurants?



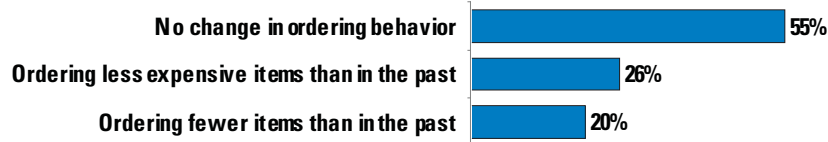
Compared to a year ago, would you say you are visiting...



WHAT'S BEING SERVED

When placing orders at casual-dining restaurants, the majority (55%) of those consumers who visit such locales at least once a month note that they have experienced "no change in ordering behavior" recently. That said, a sizeable percentage of consumers does report "ordering less expensive items than in the past" (26%) and "ordering fewer items than in the past" (20%) at casual-dining restaurants.

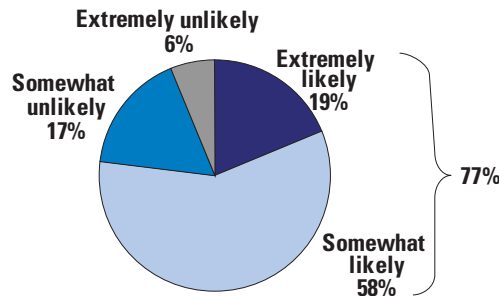
Changes in Casual-Dining Ordering Behavior



OUTLOOK

Returning to that group of consumers who indicate they are visiting casual-dining restaurants less frequently this year, more than three-fourths of them combined (77%) note that if economic conditions improve, they will be “extremely likely” (19%) or “somewhat likely” (58%) to visit more often once again. Far fewer consumers would be “somewhat unlikely” (17%) or “extremely unlikely” (6%) to do so.

Likelihood that consumers who are visiting casual-dining restaurants less often will visit more often if economic conditions improve



Bottom Line: The fact that fewer consumers are visiting casual-dining restaurants these days is not surprising. Now that the extent of the fall-off in business can be quantified and examined in an objective light, however, it may be possible to better address the situation.

BUSINESS-BUILDING IMPLICATIONS:

- In many cases, it can be less expensive for consumers to purchase food to go from casual-dining and other full-service restaurants than to cook at home. Be sure to advertise appealing, moderately priced to-go options that travel well and make pick-up easy and timely. Curbside carryout services with dedicated parking spaces, such as those found at Applebee’s and Outback Steakhouse, are a very appealing feature.
- Business may be slower but the time has never been better for getting involved in community and local-store marketing. By participating in local fundraisers and community-building efforts, your restaurant is earning respect—and future business—from grateful community members. Texas Roadhouse and Pizza Patrón are two examples of restaurants that take pride in working within their communities, as do many other, independent restaurants.
- To address the needs of those consumers who are ordering fewer items or looking for less expensive ones, now is the time to re-engineer your menu and possibly earn higher profit margins for your business at the same time. Make a list of daily specials and/or LTOs that you can offer at lower costs—taking advantage of lower-priced items in the market—to your customers but on which you can still make a nice profit margin. As a last step, inform your servers to promote these items when diners ask for advice on their orders.

Pizza’s Perpetual Popularity

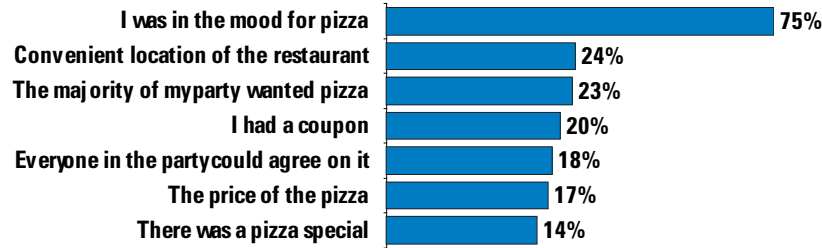
Pizza is one of America’s favorite foods. According to pizzaware.com, Americans eat approximately 100 acres of pizza each day, or about 350 slices per second. Popularity is clear in the number of chain and independent pizza operators throughout the U.S. According to Technomic figures, as of year-end 2007 (the most recent data available), there were 71,409 pizza units in operation, a 14% increase over 2006. As a whole, the pizza category made almost \$29 billion in annual sales in 2007.

WHY PIZZA

In a Technomic survey of 1,500 consumers conducted for the 2008 *Pizza Consumer Trend Report*, fully three-fourths of consumers (75%) reported that they chose pizza on their most recent occasion simply because they were in the mood for it. Many consumers also reported that they ordered pizza on this occasion because everyone in the dining party wanted it (23%) or because it was a meal that everyone could agree on (18%). The high percentages of these three responses indicate that consumers find pizza to be highly craveable food that also is likely to please most people in a group.

Location of the restaurant motivated 24% of consumers choosing pizza on this most recent occasion, and other frequent reasons were based on the cost and value of their meal: one of five consumers (20%) had a coupon, 17% chose pizza based on the price and 14% did so because there was a special offer. Consumers clearly are paying attention to opportunities to get more for their money when eating pizza, but these considerations take a backseat to satisfying their pizza craving.

Top Reasons Why Consumers Chose Pizza on Most Recent Occasion

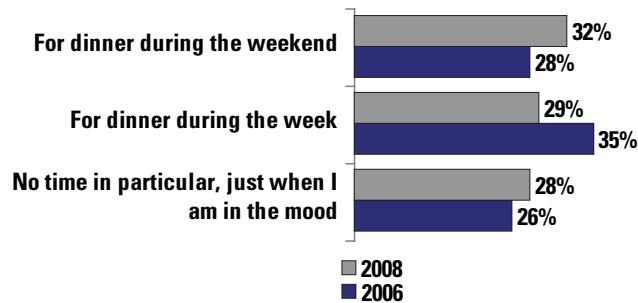


PIZZA OCCASIONS

In the older 2006 edition *Pizza Consumer Trend Report*, 35% of consumers indicated that they would primarily order pizza for dinner during the week, and just over a quarter (28%) typically ordered pizza for dinner during the weekend. Today's consumers, however, reported that they order pizza for dinner on the weekend (32%) slightly more often than they do during the week (29%). Still, a substantial portion of consumers (28%) simply eat pizza whenever they are in the mood.

This growing perception of pizza as appropriate for a weekend meal is likely due to more consumers choosing to celebrate family meals in a more economical manner. Instead of going out for a sit-down meal during the weekend and ordering pizza for dinner during the week, consumers may now be going out for an affordable pizza meal on the weekend and choosing to prepare and eat meals at home during the week, in efforts to scale back on dining out overall.

When do you typically order pizza?



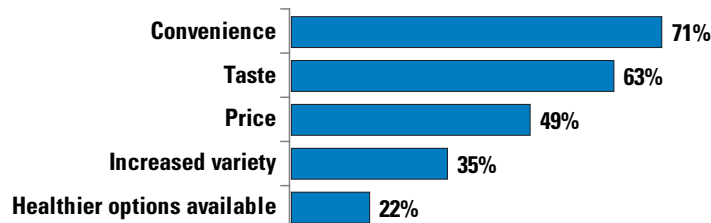
DRIVERS OF INCREASED PIZZA CONSUMPTION

Of those consumers (21% of total sample) who reported they ate more pizza in 2008 than in 2006, more than seven of 10 (71%) indicated that they did so because it is a convenient option. In terms of convenience, few cuisines can compete with pizza. Not only are pizza restaurants plentiful in most areas, but pizza is uniquely suitable for carryout, can be delivered to most locations and can serve as a meal for a group or a portable on-the-go snack if purchased by the slice.

Almost two-thirds of consumers (63%) said they were eating more pizza than they did two years ago because they enjoy the taste, a response that resonates on many levels, as discussed below. Meanwhile, pizza has long been an affordable way to feed a group of people, so it is not surprising that price drove almost half of consumers (49%) to eat it more often.

Related to enjoying the taste of pizza, over a third of consumers (35%) were motivated to eat more pizza by the increased variety available, and slightly more than one of five (22%) said that they are eating more pizza because there are more healthy options available. Trends toward premium ingredients and bolder flavor profiles have impacted the overall taste of pizza at many chains and have led to menu expansion. Even limited-service chains are now offering ingredients that were once considered premium, and many consumers likely have been swayed by healthier pizza offerings too, with an emphasis on organic, whole grain, premium and natural ingredients.

What motivates consumers to eat more pizza?



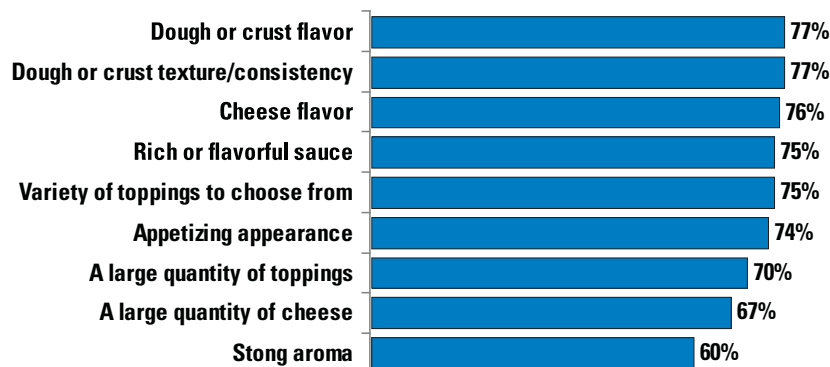
IMPORTANCE OF PIZZA ATTRIBUTES AND QUALITIES

Consumers' perception of a "good pizza" cannot focus on one or two elements at the expense of others; rather, many pizza attributes are extremely important in fitting the definition of a good pizza. Consumers placed the highest importance, however, on a pizza's crust: over three-fourths of consumers (77%) chose the top two box (5 or 6 rating) for both the dough or crust's flavor and the dough's consistency and texture.

Consumers also placed a high importance on the flavor of the cheese (76%) and sauce (75%) in making a good pizza, and three quarters of all consumers (75%) consider heavily the variety of toppings offered on it. Sensory qualities are associated with a good pizza as well; 74% of consumers focus on the appetizing appearance of the pizza and 60% of respondents indicated that a strong aroma is an important pizza quality. For many consumers, quantity is important as well; seven of 10 consumers (70%) indicated that they want a large quantity of toppings and nearly as many want a large quantity of cheese (67%). This data reveals that when it comes to pizza, consumer expectations are high. For a pizza to be considered "good," the pizza crust, sauce and cheese must all be high quality. In addition, consumers expect to be able to choose from a variety of ingredients and want the pizza to look and smell like it is fresh from the oven in order to complete the experience.

Key Factors in Creating a Good Pizza

Rated on a scale of 1-6 where 6 = very important and 1 = not important at all (Top two box = 5 and 6)



Bottom Line: Pizza is a perennial favorite whose popularity shows no signs of abating. If anything, the competition, which spans the horizon from traditional operators to store-bought frozen options, is heating up, as more players enter the market and the types and varieties of pizza offered increase.

BUSINESS-BUILDING IMPLICATIONS:

- From 2006 to 2008 there was a significant decline in the percentage of consumers who ordered pizza from a restaurant during the week. Offering weekday-only incentives, such as free soda with a large pizza or three toppings for the price of two, may help to swing some of the weekend business back into the weekday or, better yet, bring in additional business.
- Pizza has long been known as a favorite food among kids. Some full-service pizza chains such as Chuck E. Cheese and Mr. Gatti's market themselves as kid- and family-friendly, but many pizzerias specializing in carryout or delivery seem to leave children out of their marketing message. If possible, appeal to kids when promoting your pizza business, as it may be an effective way to influence where consumers with children decide to purchase their pizza.
- Do you offer healthier pizza options? Emphasizing fresh and natural ingredients and offering organic toppings and whole grain crusts will likely help consumers to perceive your pizza as healthy, which in turn will help to justify pizza consumption among consumers who are concerned about their weight and such. Why not try menuing some of your healthy pizzas, made with lowfat cheese and good-for-you toppings, as "signature pies," so that consumers can easily order them without having to sort through long lists of toppings?

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 January 2009. Margin of error \pm 4.5%.

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