Food Trends
& What To Do About Them

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Basic American Foods

The Forecast 2006 - Overview

- Industry sales expected to exceed $500B in 2006 – 2.5% real gain over 2005, with purchases at $183B
- We represent 4% of GDP, 8% of the workforce, and larges private-sector employer
- 2006 marks 15th consecutive year of real sales growth for our industry

Source: National Restaurant Association

The Forecast 2006 - Overview

- The market has averaged $15B annual growth over the last 20 years
- Consider: 1% growth = $5B in incremental sales
- Restaurant industry provides career opportunities for one of every 10 working Americans
- The restaurant industry rings up just over $1.4B in sales every day

Source: National Restaurant Association

The Forecast 2006 – Economic Outlook

- GDP expected to grow 3.7% (.1% up)
- DPI expected to grow 3.0% (1.4% up)
- Employment – 1.9% increase in jobs (.3% up)
- **Cautions:**
  - Consumer confidence roller coaster
  - Energy costs
  - Food prices
  - Healthcare/benefits burden
  - Recruitment/retention issues

Source: National Restaurant Association

The Forecast 2006 - Overview

- Commercial Restaurants & Bars
  - $360B F&B sales +2.5% real growth
- Onsite/Noncommercial Restaurants
  - $76B F&B sales + 3.8% real growth
- Lodging
  - $24B F&B sales + 2.7% real growth

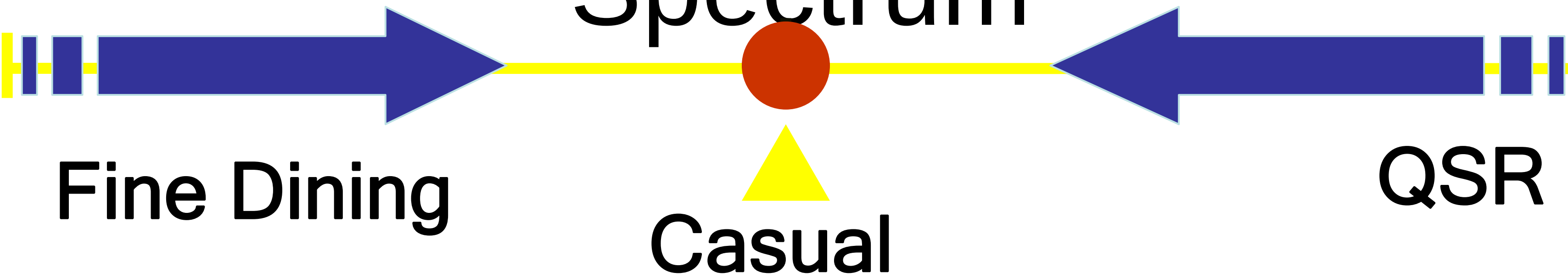
Source: NRA 2006 Forecast, January 2006

The Forecast 2006 - Overview

- Full-Service and QSR
  - Drive commercial growth with $316B
  - Retail host growth emerging
- Onsite/Noncommercial Restaurants
  - Education segments growing (especially contractor-managed) with E&S contractor growing most (11.4%)

Source: NRA 2006 Forecast, January 2006

Foodservice Casualization Spectrum



- Fine dining moves right
- QSR moves left
- Spurring a more casual approach to foodservice offerings in the middle

Source: R&I

Consumer Demos - Generation Y

Do You Know Y?

Generation	Born	Numbers (000)
Baby Boomers	1946-1964	80,649*
Generation X	1965-1976	37,990**
Generation Y	1977-1994	77,334***

** Now known as Gen XXL*

*** Also known as Baby Bust*

**** Also known as Baby Boomlet or Echo Boom*

Source: R&I

Cooking – The Generational View

GEN Y	***"What's cooking?"***
GEN X	***"What, me cook?"***
BOOMERS	***"Wish I had time to cook."***
SENIORS	***"Glad I don't have to cook anymore!"***

Source: Technomic, Inc.

Consumer Demos Who's Going Where?

- Seniors – casual/theme stalwarts, but occasional fine dining and midscale, too (often at 4:30pm)
- Boomers – moving into retirement age, so will frequent upscale casual, quick casual, fine dining and neighborhood independents
- Generation X – has love affair for quick casual
- Generation Y – still frequenting QSR and LSR, but moving up to quick casual
- Generation Next – Starbucks!

Source: R&I

Consumer Trends & Attitudes

Shifts Happen

- Population Aging
- Growth in GDP & DPI
- Ethnic Ubiquity
- Consumer Desires

Taste
Price
Convenience
Indulgence
Fuel Stop
Social

Cook? *I Can't, I Don't, I Won't*

Source: The Hale Group; Technomic, Inc.

Consumer Trends & Attitudes

- Population is getting older – more DPI but aging tends to decrease eating out occasions
- 35-54 year-olds spend most $ on FAFH
- More apt to cook at home, but still prefer dining out

Source: NRA 2006 Forecast, January 2006

Consumer Trends & Attitudes

- Gen X and Gen Y eat out more often
- Spend higher % of income on FAFH
- Flavor fast/casual and QSRs
- More prone to “take it with them”
- Restaurants are their kitchens, dens, family rooms, arcades

Source: NRA 2006 Forecast, January 2006

Experienced Consumers

- It's that simple! There are few differences between Boomers and Gen Y when comparing occasions

✓ Eat out a little more	✓ Focus more on health
✓ Cook a little less	✓ Have families to feed
✓ Less driven by families	✓ Spend more money

Source: The Hale Group

Consumer Trends & Attitudes

- Two-thirds say that going to a restaurant with friends or family is a better use of their leisure time than cooking for those same people
- 43% agree that in general, eating out is now just as cost-effective as cooking at home and cleaning up
- Restaurant gift certificates or gift cards got higher marks than clothing, books, CDs, DVDs, flowers, perfume or cologne, sports equipment and candy when consumers were asked to rate their level of interest in receiving certain gifts

Source: National Restaurant Association

Consumer Trends & Attitudes

- Technology
  - Facilitates dining experiences
  - Helps training/labor issues
  - Marketing programs on web sites
  - Hot spots everywhere
- Convenience
  - Drive through
  - Delivery/take out
  - Curbside

Source: R&I

Consumer Trends & Attitudes

- The average US consumer will spend **575** minutes per day using media in 2006

TV 256
Radio 160
Internet 31
Newspapers 29
Recorded music 29
Magazines 20
Books 17
VCR/DVD 14
Video Games 14
Wireless content 3
Movie theaters 2

Good News:

All these activities can and usually do include food!

Source: American Demographics: Times are rounded to include multi-tasking

Consumer Trends & Attitudes

- Meals prepared at home continue to decline
- Typical evening dinner: 26% at home, 17% from restaurant/supermarket takeout, and 23% eaten in restaurant
- Now more likely to take out than eat on premise in restaurant
- Last year we consumed 80 meals per person in restaurants, and took home 57 meals per person (in 1985 it was 93/33)
- We carried 27 restaurant menus to work last year (vs 23 in 1985)

Source: Food Technology State of the Industry Report, January 2006; NPD; Technomic, Inc.

Consumer Trends & Attitudes

- One of every 5 restaurant meals is purchased from a car, and 32 restaurant meals per person are consumed in the car, the highest number ever reported by NPD
- 86% of all takeout comes from QSRs, 6% from casual dining chains, 8% from mid-scale/family restaurants
- Applebee's, Outback reporting 10%+ total sales through curbside programs – Romano's and Ruby Tuesday's also picking up on this trend
- Takeout big with all generations, with Gen Y leading users at 61% FSR takeout per week average

Source: Food Technology State of the Industry Report, January 2006; NPD; Technomic, Inc.

Consumer Trends & Attitudes

- Chef Allen Susser at 2005 SFM Conference on growth of ethnicity on restaurant Menus:

"Pan ethnic cuisine today means fusion in motion. Cuban is in Miami, Indian is in London, Moroccan is in Paris, Indonesian is in the Netherlands. The world is flat, there are no borders."

Source: SFM National Conference 2005

Consumer Trends & Attitudes

- Well traveled
- Food focused, fresh, demanding
- Food Network influenced
- Make it for me
- Sometimes seeking adventure on the palate, other times seeking fuel and convenience… at times it's hard to make sense of it. Restauranteurs have to figure it out – all day, every day.

Source: R&I

Consumer Trends & Attitudes

- So here’s the good news: Consumer spending in restaurants now nearly equals that of retail and eventually will overtake them
- In general, we prefer to have someone else prepare our meals for us, and that’s good news for restauranteurs!
- BUT, we want it all, on our terms, at the time and place we specify, and at a price that is a value

“I want vegetarian today, meat tomorrow. Sorry but you figure it all out.” - The Antipodal Consumer

Source: R&I

Menu/Culinary Trends

- Innovation leading the way…
  - Artisnal, organic, healthful, authentic, “glocal”
  - Territorial, ethnic quisines, including regional American
  - Food plated so it’s homey and approachable, not towering, less fusion confusion – simple
  - Entrée salads, especially at QSRs
  - Beyond soda: bottled water, flavored drinks, teas and cocoa (fair traded)

Source: R&I editorial research

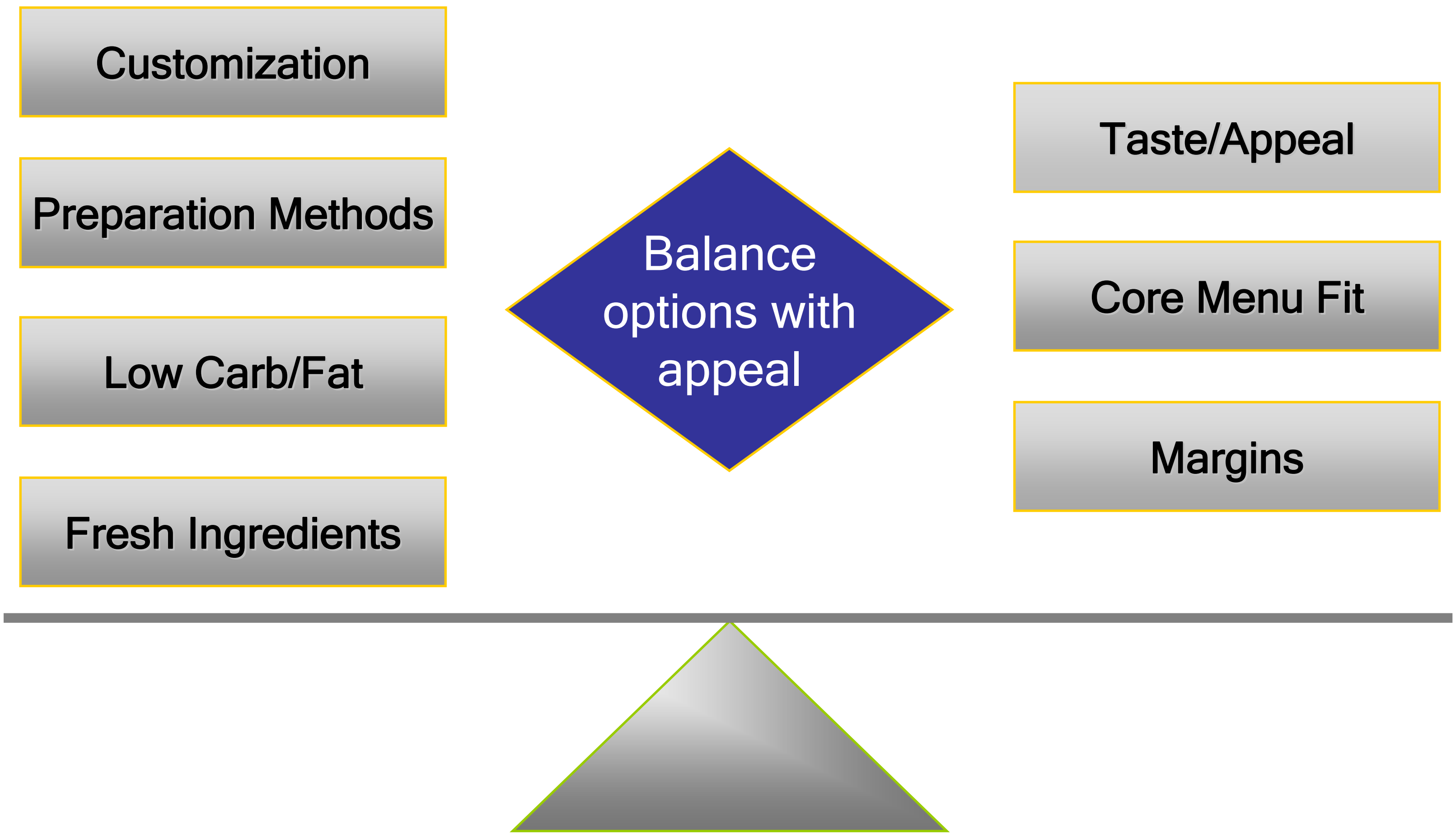
Snapshot of the Marketplace

- Consumers drive change…

Who they are…		What they eat.
What they have…	Defines	When they eat.
What they want …		Where they eat.

Source: Technomic, Inc.

Challenges



Source: Technomic, Inc.

Consumer Contrasts

- Hot with sweet
- Homey or haute
- Health-minded or not
- Global reach or close to home

Source: R&I

Small is Big

- Small plates
- Mini burgers
- Teeny little desserts
- Snacks as menu category

Source: R&I

Molecular Gastronomy

… kinda like "playing with your food"

- Sous vide use
- Cabbage gazpacho and mustard ice cream with a shot of olive oil
- New food frontiers

Source: R&I

Splurges and Splurges

- In the land of $300 blue jeans
- Chef’s tables
- $107 caviar omelet
- In pursuit of the best
- Masa’s prix fixe menu starts at $350

Source: R&I

Flavor From Every Corner

- Asia all over; India busts a move
- Heat and spice
- McDonald's Spicy Chicken
- Condiments, relishes, sambals, sauces
- Greece, Lebanon, Turkey

Source: R&I

Menu/Culinary Trends

- QSRs upgrading quality, options and pricing
- Casual dining emphasizing takeout
- Faster menu development for casual/family
- Social responsibility and pedigree: contractors and C&S markets pioneer “sustainable” cuisine; organic, locally-sourced
- Health & wellness, perception of “better for me”
- Onsiters go for the restaurant experience, from “gruel to gastronomy”
- Independents continue to set the bar

Source: R&I

What We Know for Sure

- The economy – “Sweet Spot”
- Plenty of room for unit and profit growth
- Competition is fierce among and within segments
- Operators must pay attention to their changing customers… *individuality!*
- Continue to innovate their food and beverage menus
- Take care of their employees
- And keep a step ahead of their competition

Source: R&I

Consumer Trends & Attitudes

- American Regional Fare
  - **TGI Friday's** *Jack Daniel's® Pulled Pork Sandwich*
  - **Hardee's** *Hand-Dipped Ice Cream Shakes and Malts*
  - Upscale retro comfort foods to apeal to the Boomers and Seniors
  - Upscale ingredients and premium items
  - Gourmet and exotic fuel adventuresome diners

Source: Food Technology State of the Industry Report, January 2006; NPD; Technomic, Inc.

"The farther backward you look, the further forward you can see."

- Sir Winston Churchill

"In spite of food fads, fitness programs, and health concerns, we must never lose sight of a beautifully-conceived meal."

- Julia Child

What’s it all mean for us?

- Constantly changing consumer demands
- Continue to identify and satisfy
  - Restaurant operator needs
  - Consumer needs
- Consumers will always demand
  - Good tasting, high quality food that is safe to eat
  - High quality service

Sources and References

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THANK YOU