Restaurant Industry 2010: Vision for a New Decade

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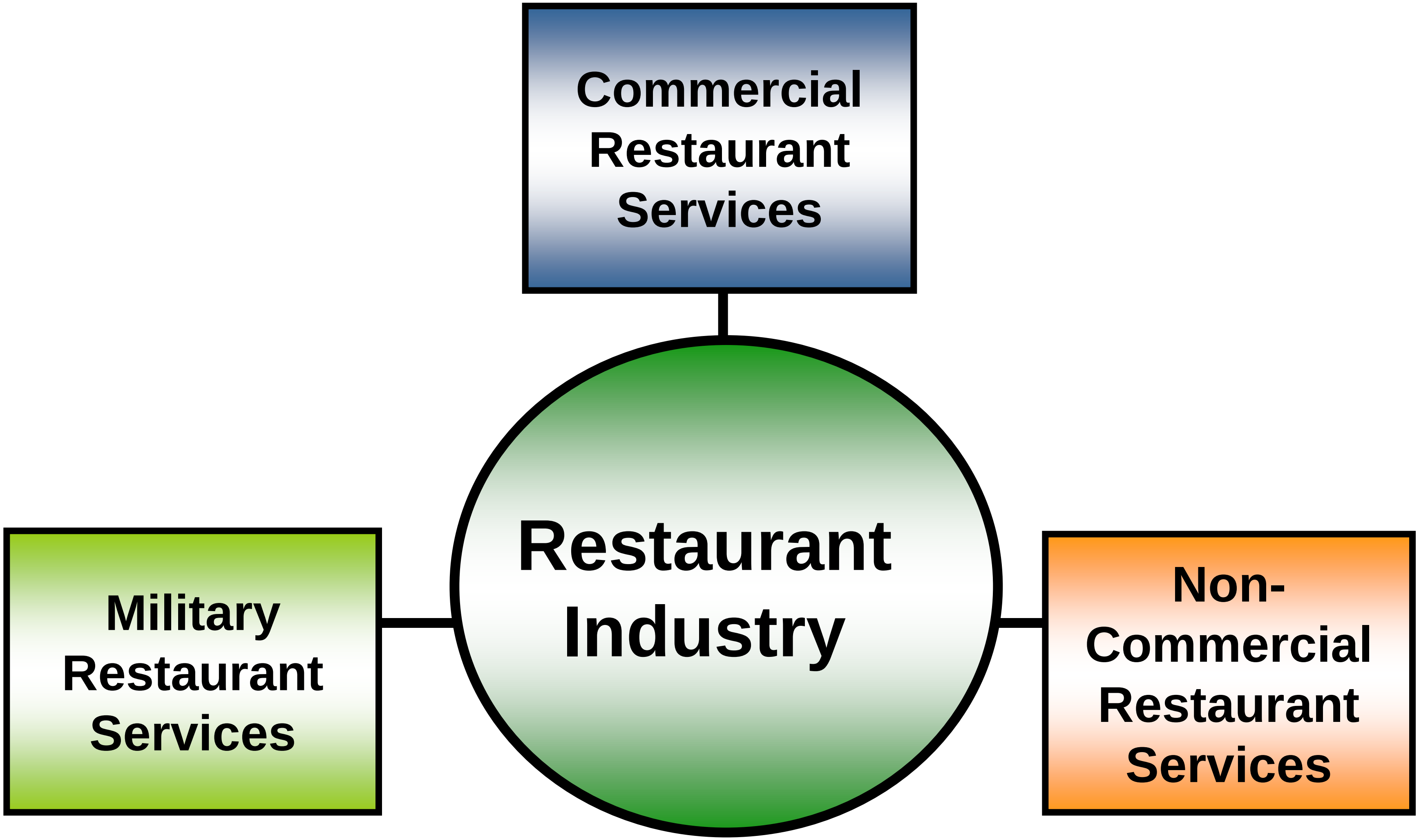
Agenda

- Overview
- Economic Backdrop
- Industry Segments
- Industry Imperatives
  - Jobs and Careers
  - Food and Healthy Living
  - Sustainability and Social Responsibility
  - Profitability and Entrepreneurship
- Regional Outlook
- Wrap-Up

DEFINITION:

“Restaurant Industry”

All meals/snacks prepared away from home, including all takeout meals and beverages

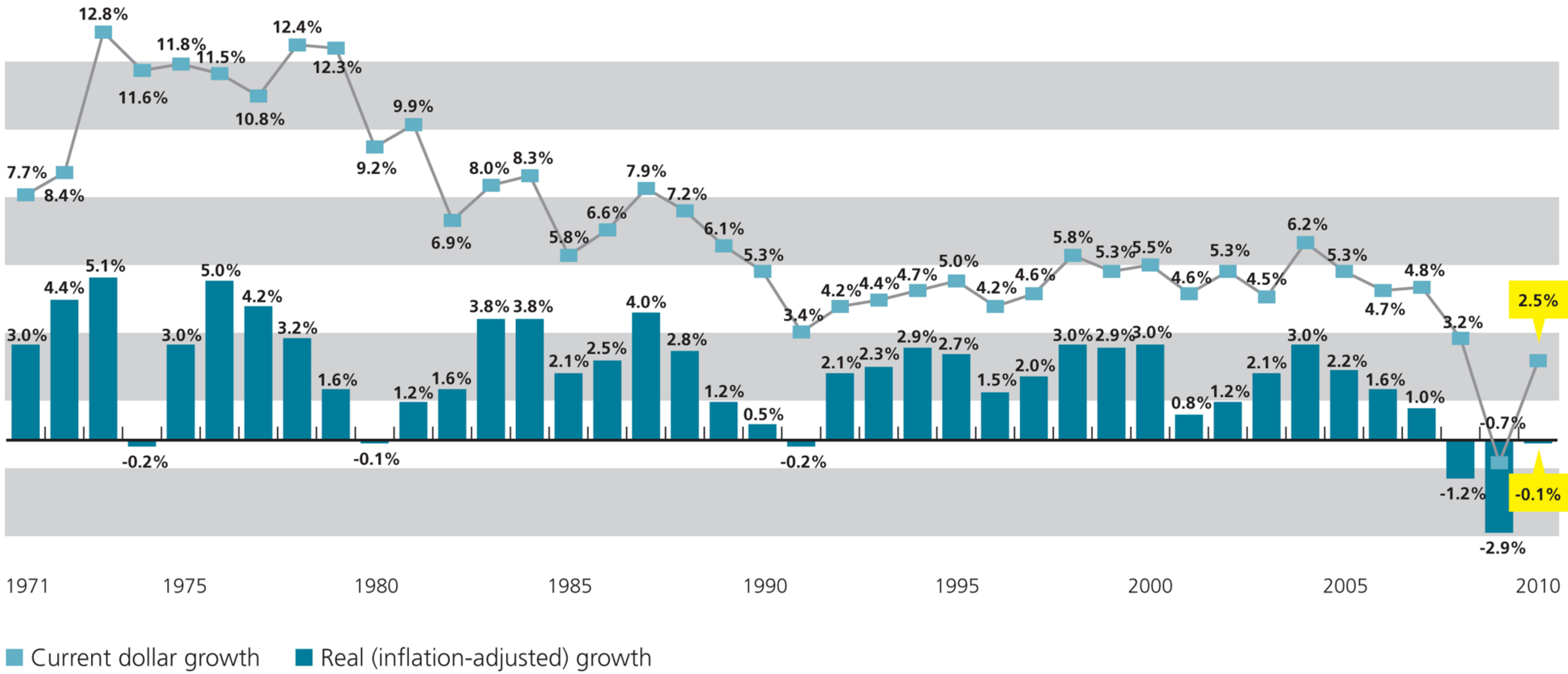

Commercial Restaurant Services
Restaurant Industry
Military Restaurant Services
Non-Commercial Restaurant Services

Overview

The Industry in 2010

Annual Sales: **$580 billion**

40 Years of Restaurant-Industry Sales

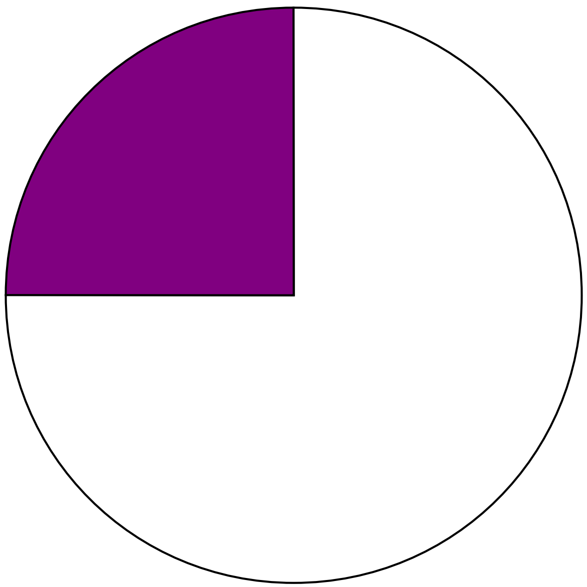


Source: National Restaurant Association

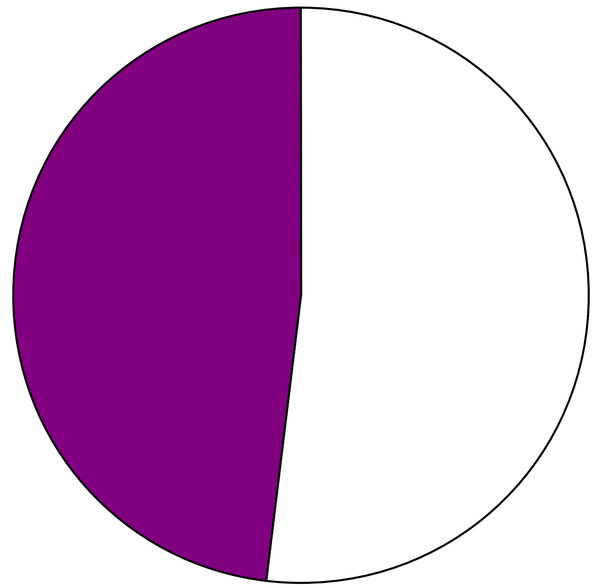
Employees: **13 million**

Locations: 945,000

Restaurant Industry’s Share of the Food Dollar



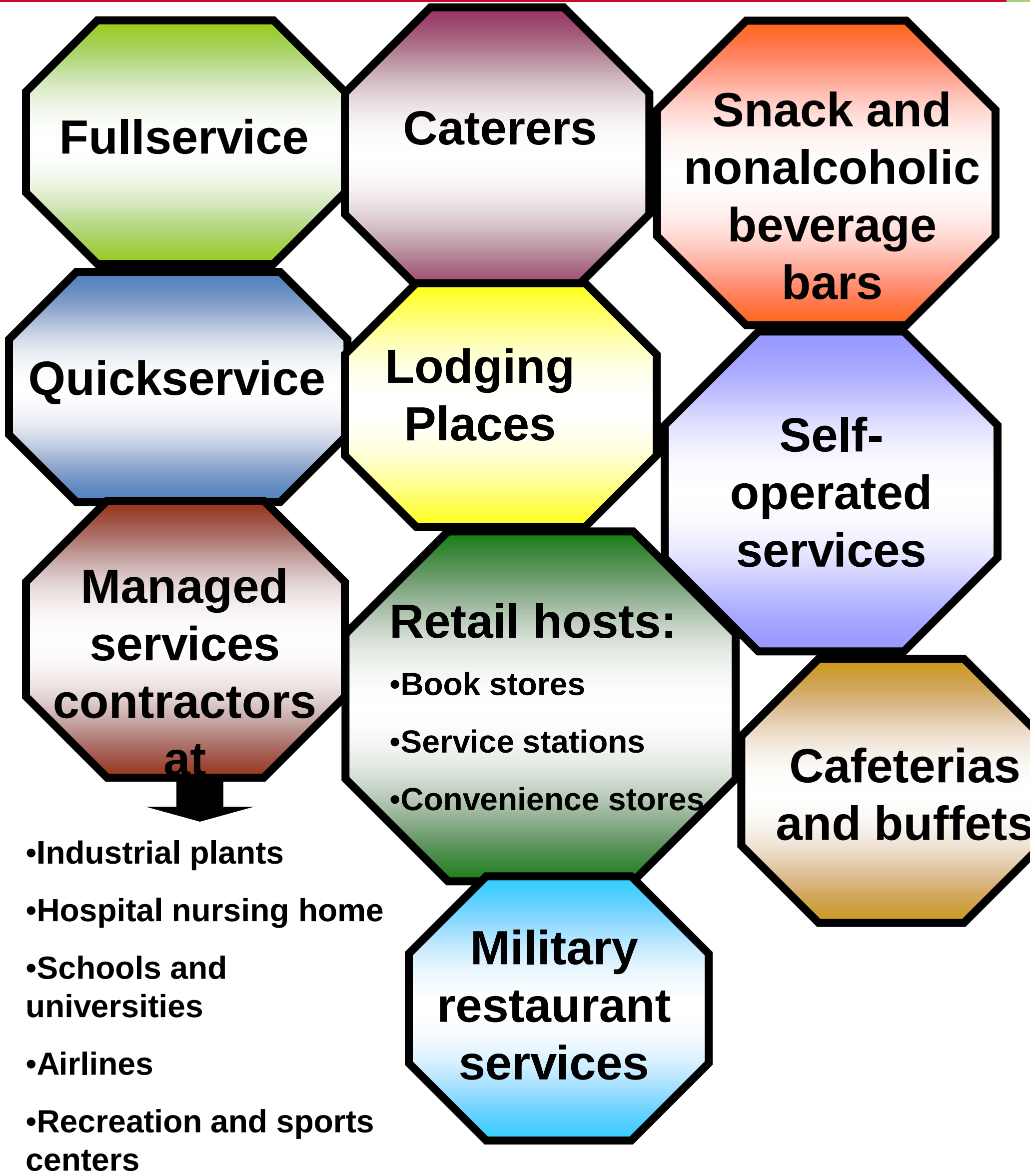
1955: **25%**



Present: **49%**

Source: National Restaurant Association

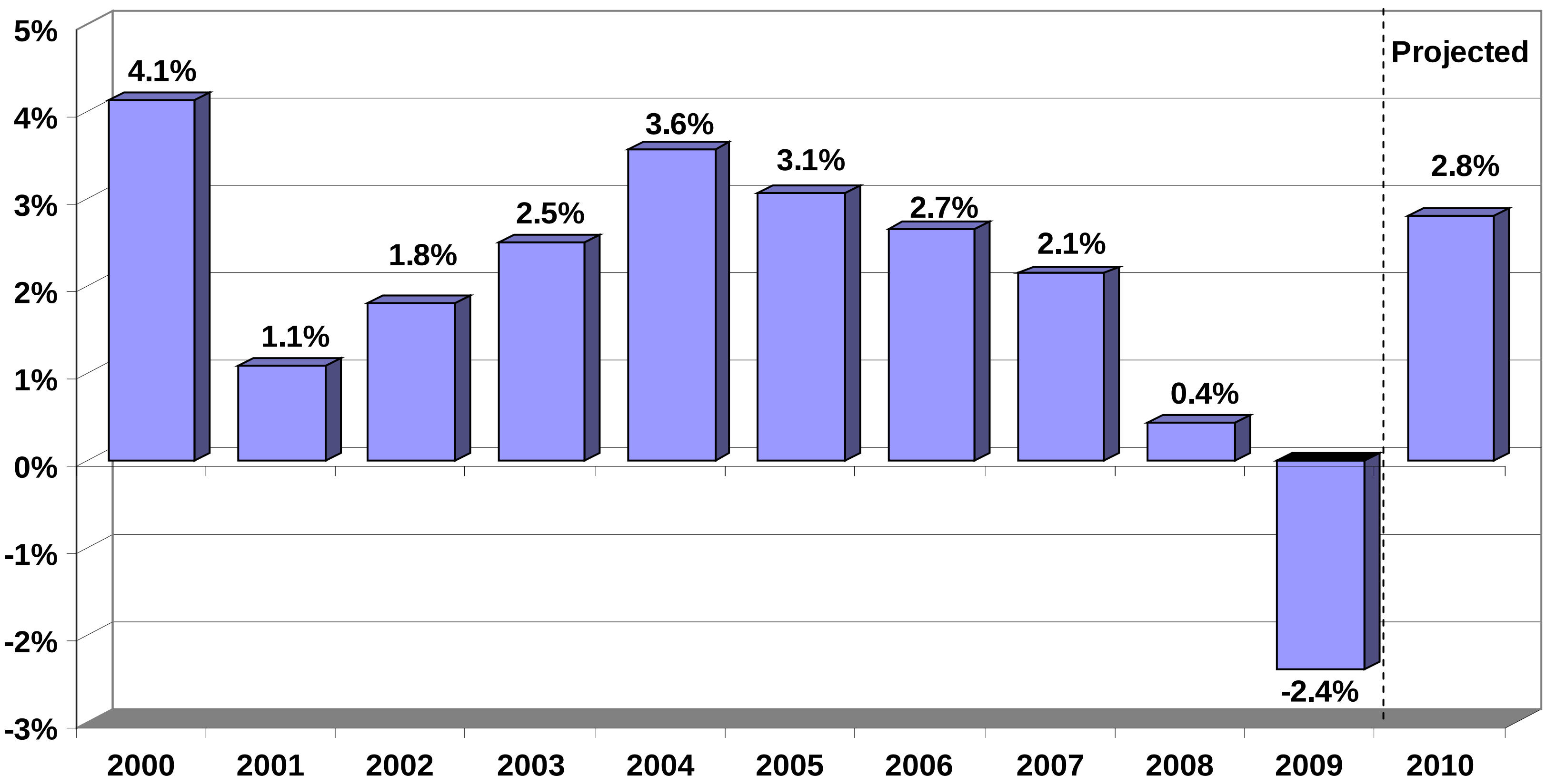
The Industry Mosaic



Economic Backdrop

National Economy Expected to Improve in 2010

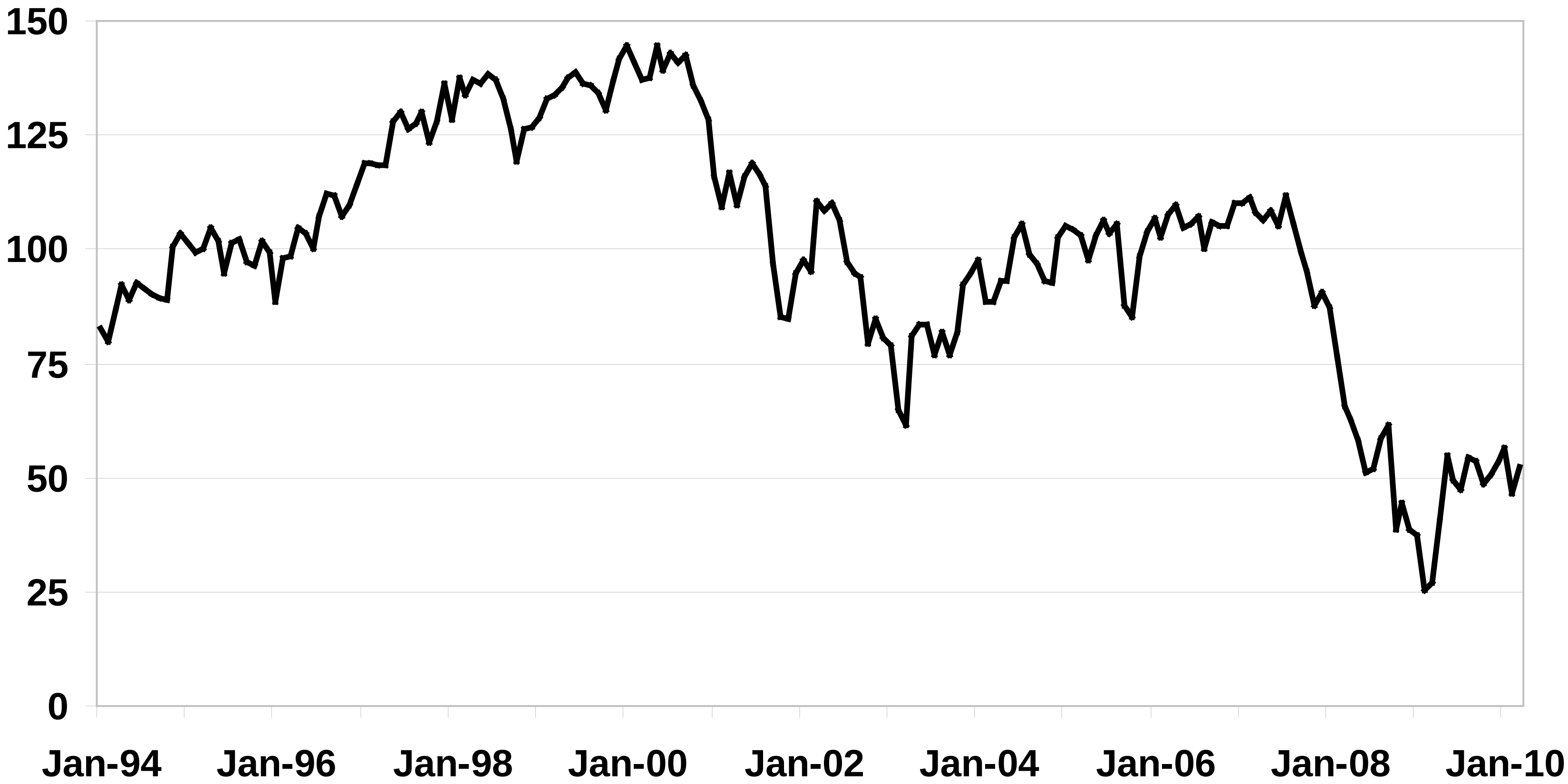
U.S. Real Gross Domestic Product – Historical and Projected Growth Rates



Source: Bureau of Economic Analysis; National Restaurant Association

Consumer Confidence Remains Sluggish

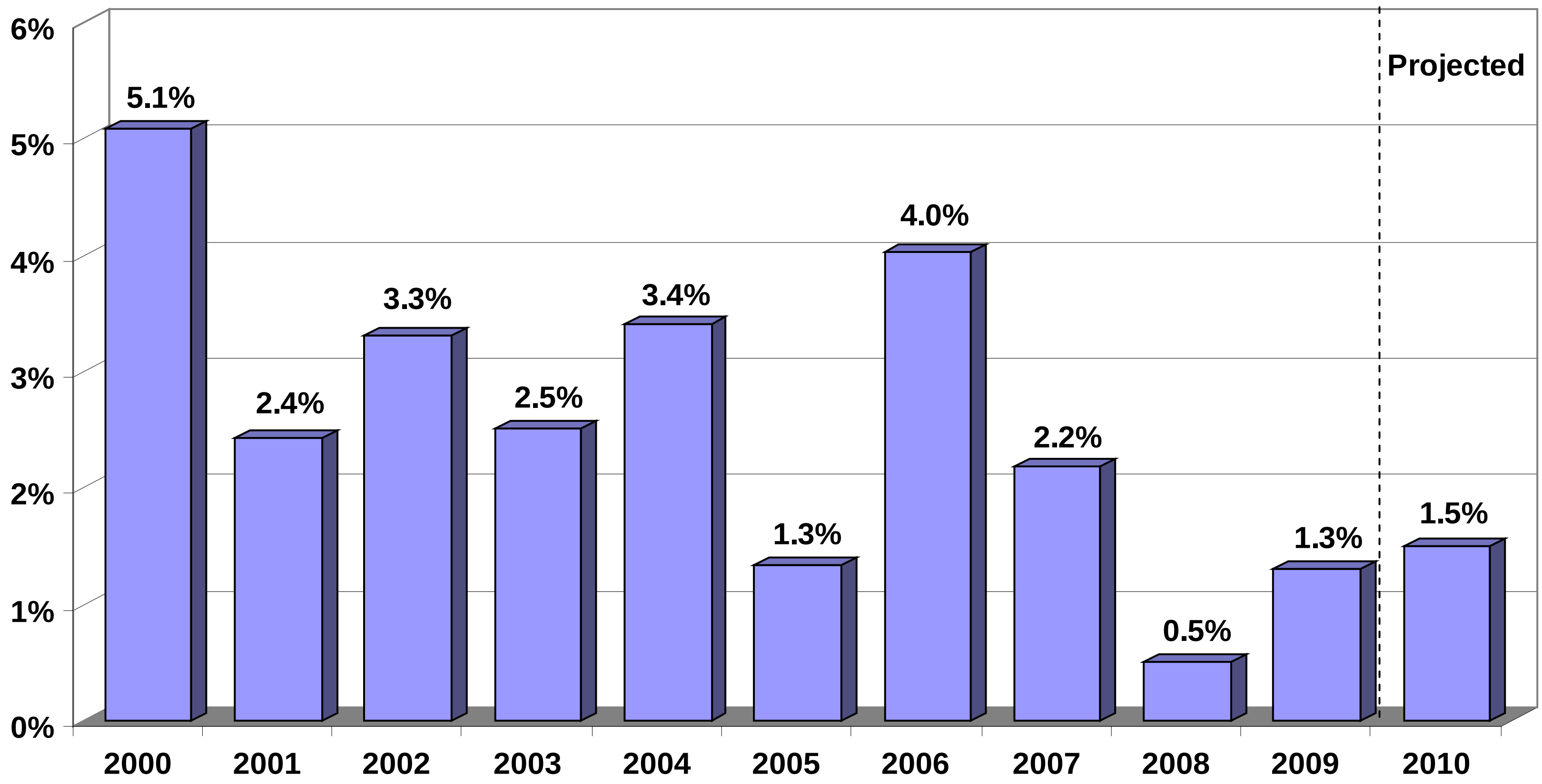
U.S. Consumer Confidence Index



Source: The Conference Board

Income Growth Expected to Remain Modest in 2010

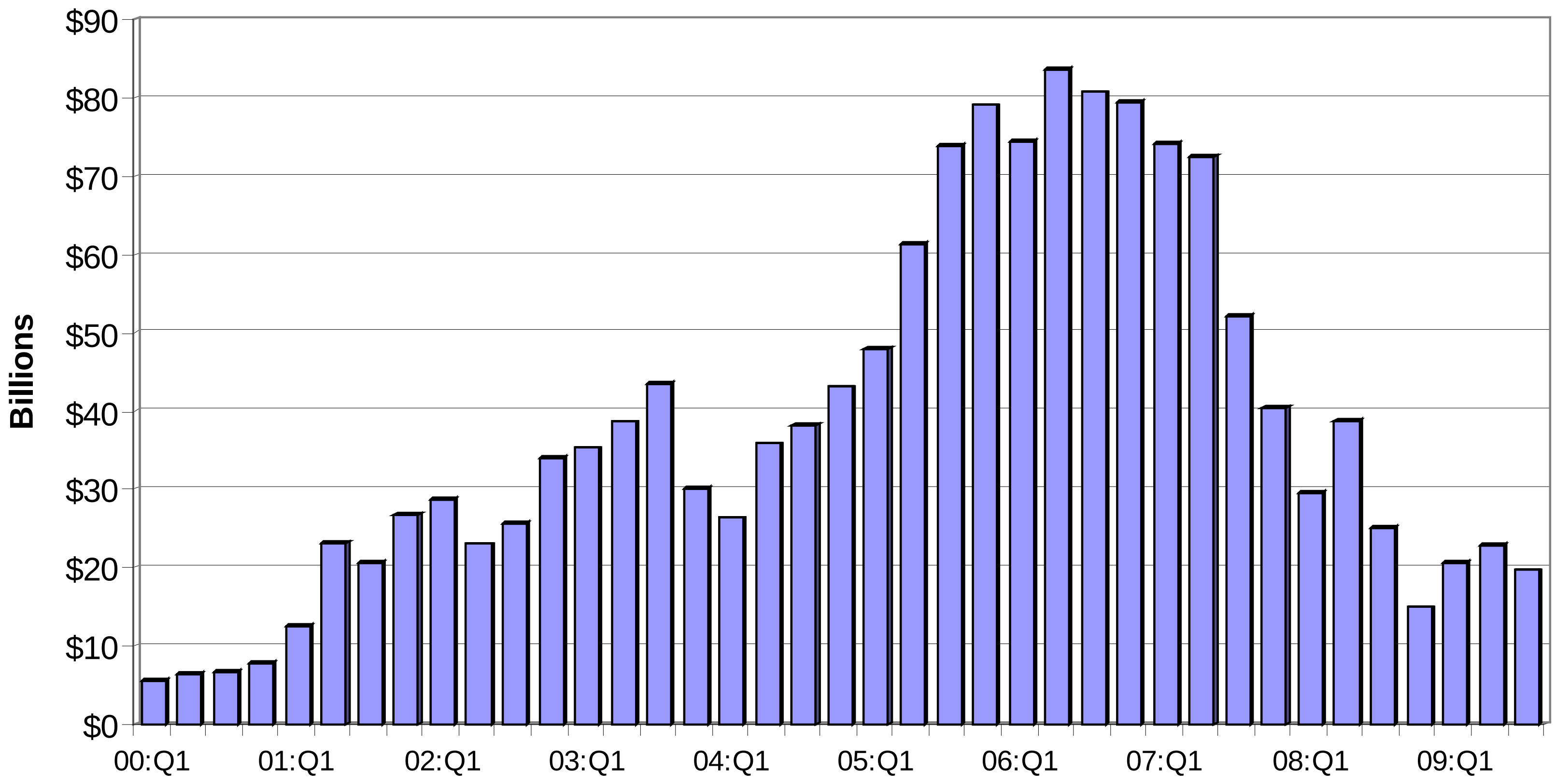
Real Disposable Personal Income – Historical and Projected Growth Rates



Source: Bureau of Economic Analysis; National Restaurant Association

Home Equity Cashed Out Through Refinancing Each Quarter

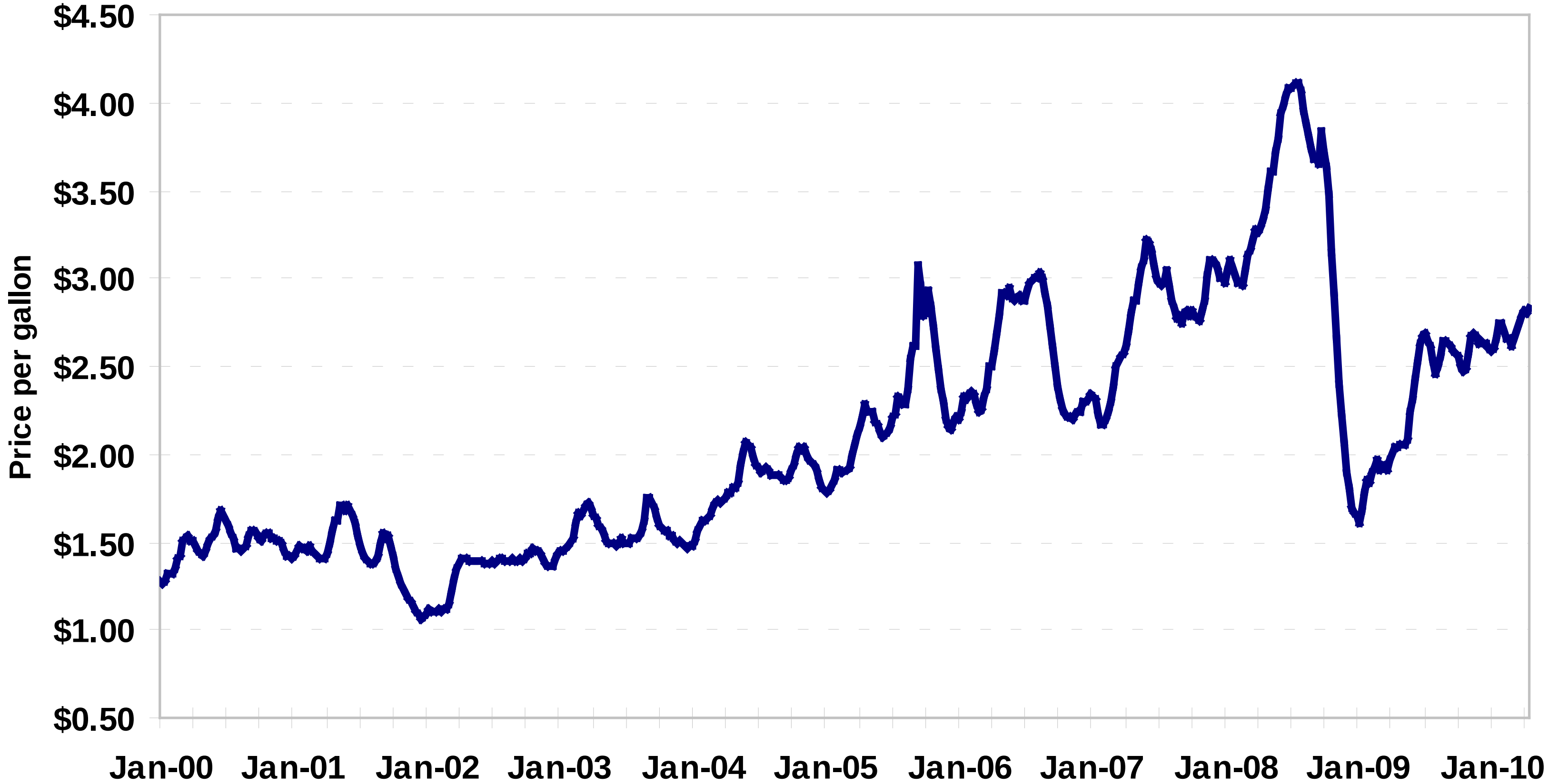
Includes refinancing of prime, first-lien conventional mortgages



Source: Freddie Mac

Gas Prices Trending Higher

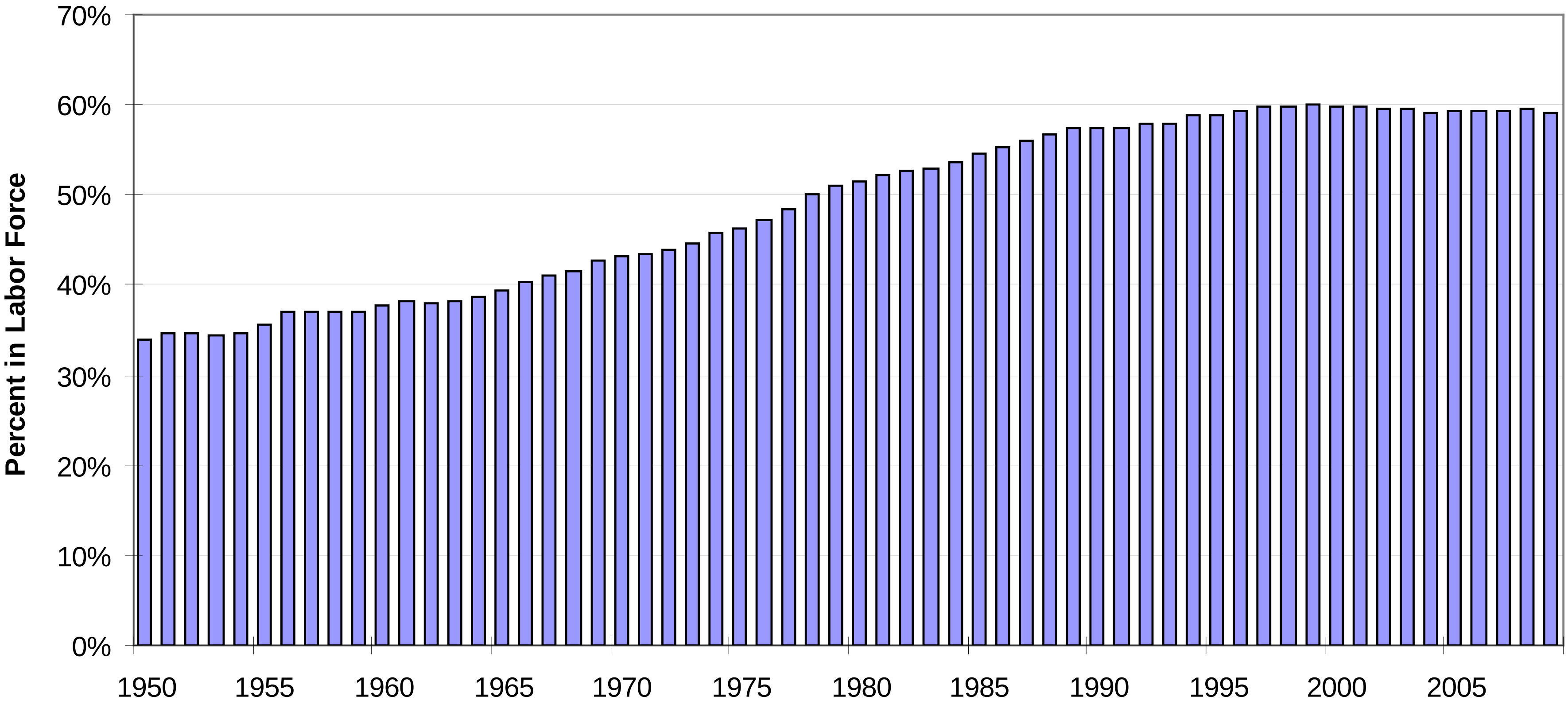
Average price per gallon for regular gasoline



Source: U.S. Department of Energy, Energy Information Administration

Female Labor Force Participation Rate

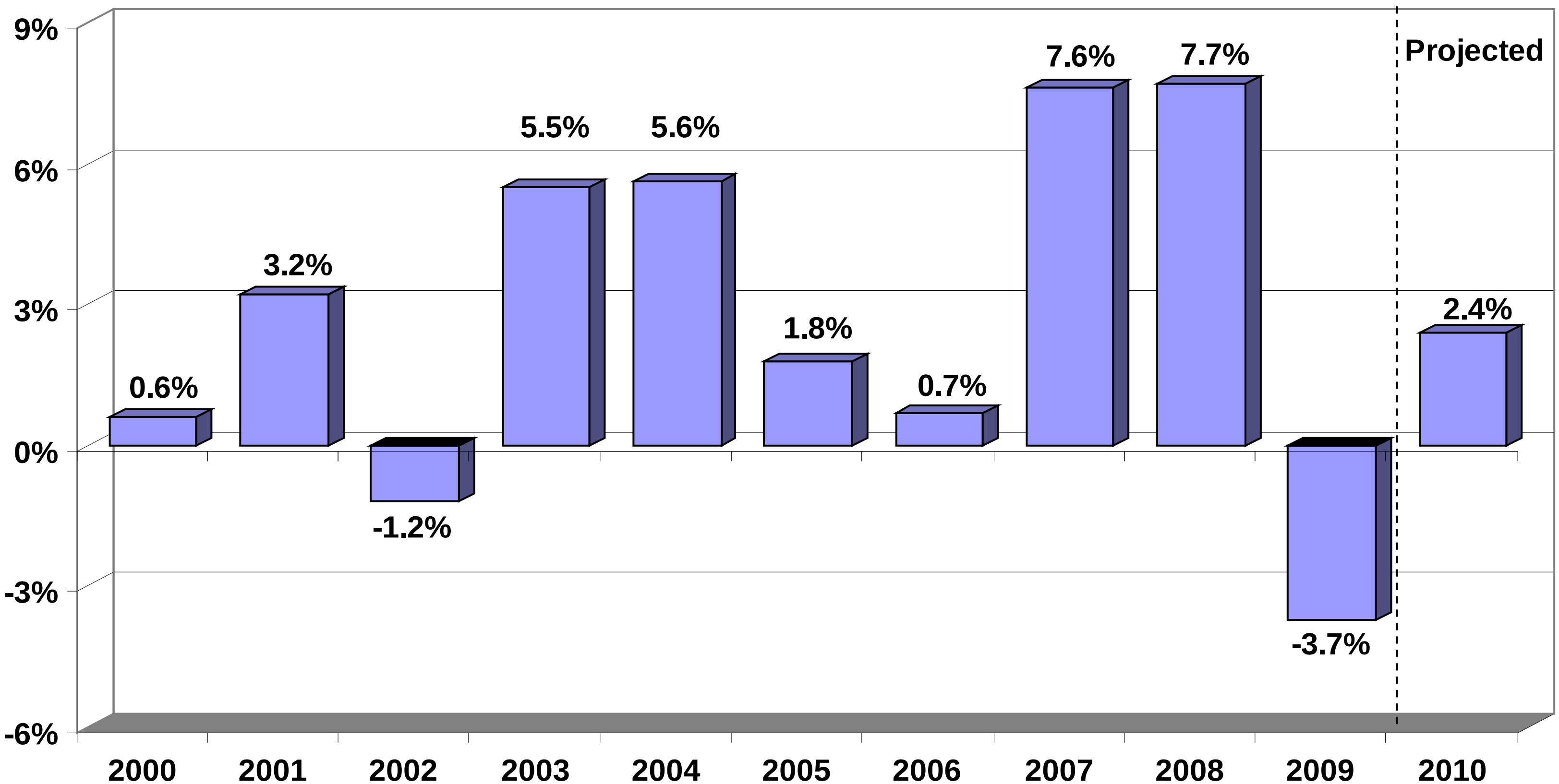
1950 to 2009



Source: Bureau of Labor Statistics

Wholesale Food Prices to Rebound in 2010 After Near Record Decline in 2009

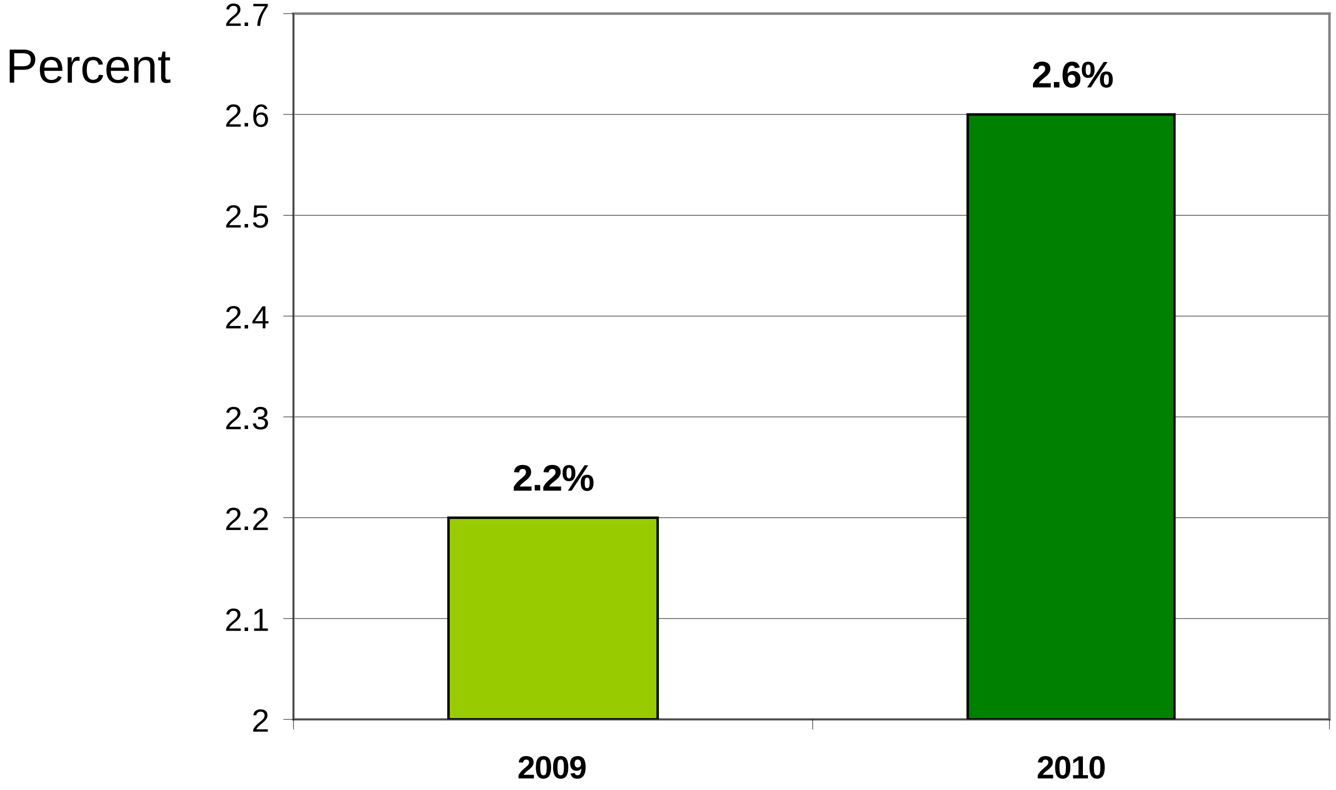
Wholesale Food Prices – Historical and Projected Growth Rates



Source: Bureau of Labor Statistics; National Restaurant Association

Menu Prices Expected to Advance in 2010

Menu Prices – Historical and Projected Growth Rate

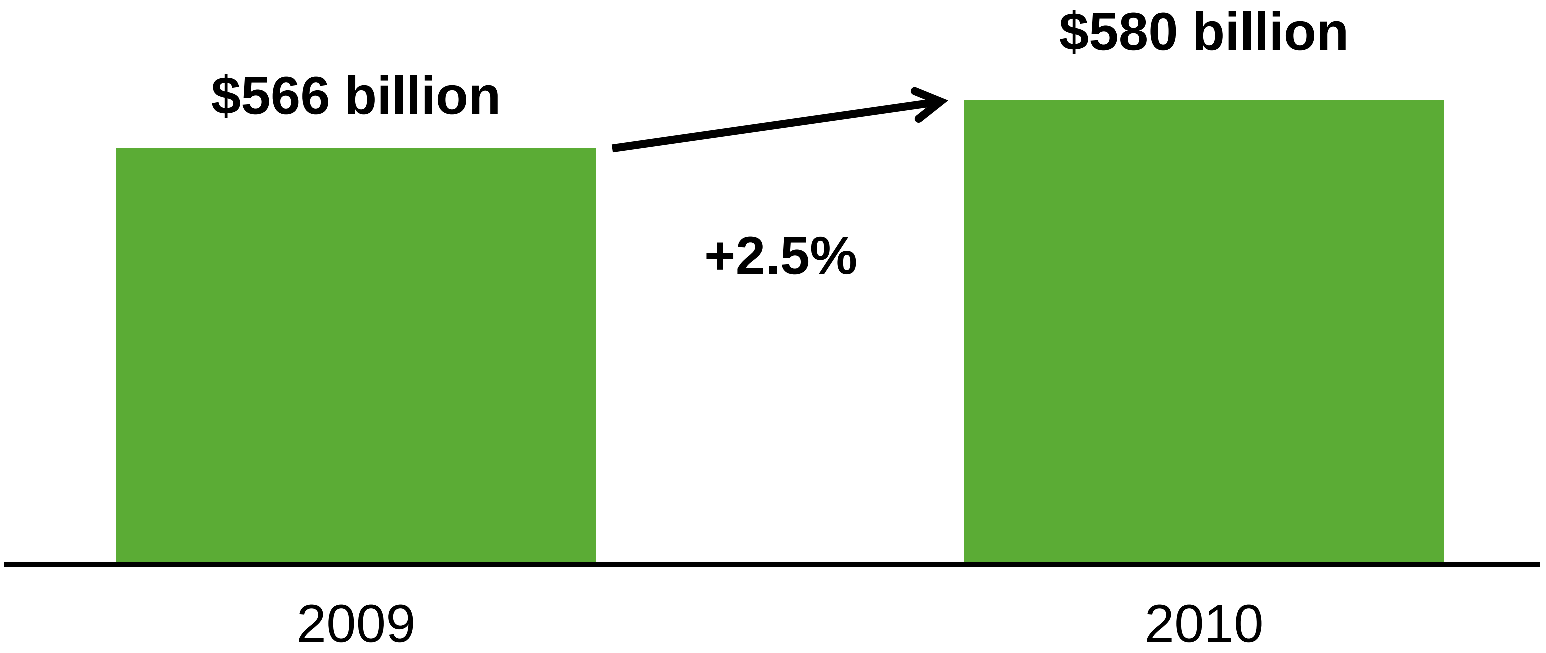


Source: National Restaurant Association

Industry Segments

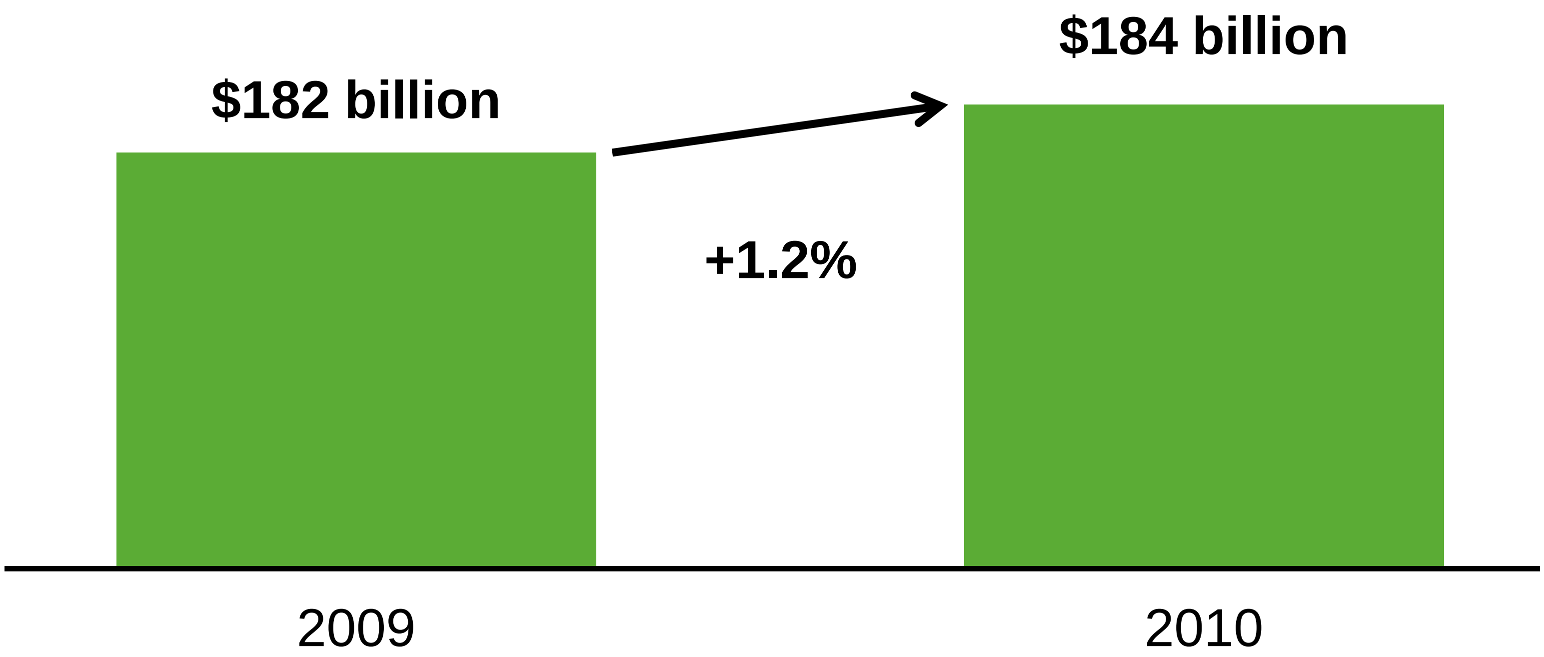
Total Restaurant Industry Sales

2010 Forecast



Source: National Restaurant Association

Fullservice Restaurant Sales



Source: National Restaurant Association

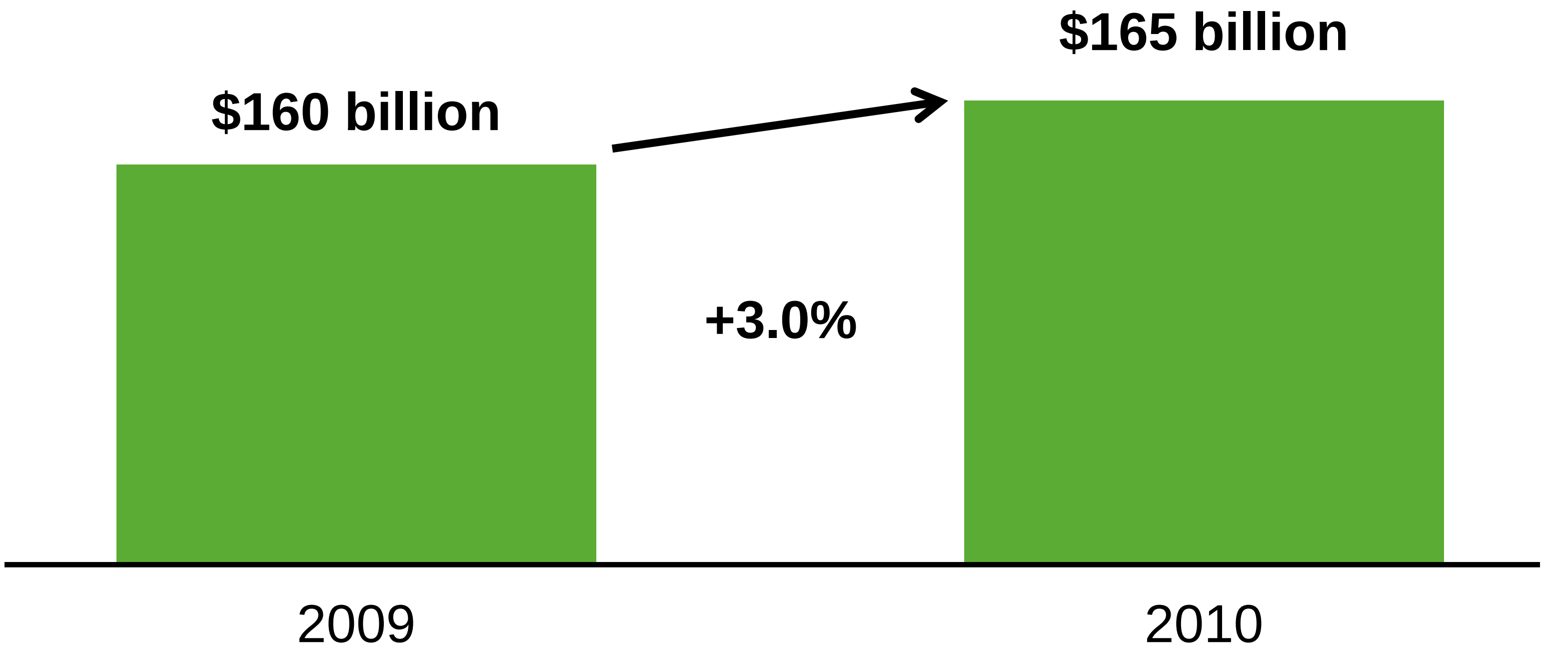
Pent-Up Demand for Restaurants Remains High

Percent of adults NOT eating on-premises at restaurants as often as they would like

	October 2007	November 2009	Percentage Point Change
All Adults	31%	35%	+4
Household Income:			
$50,000 - $74,999	23%	36%	+13
$75,000 or more	17%	29%	+12

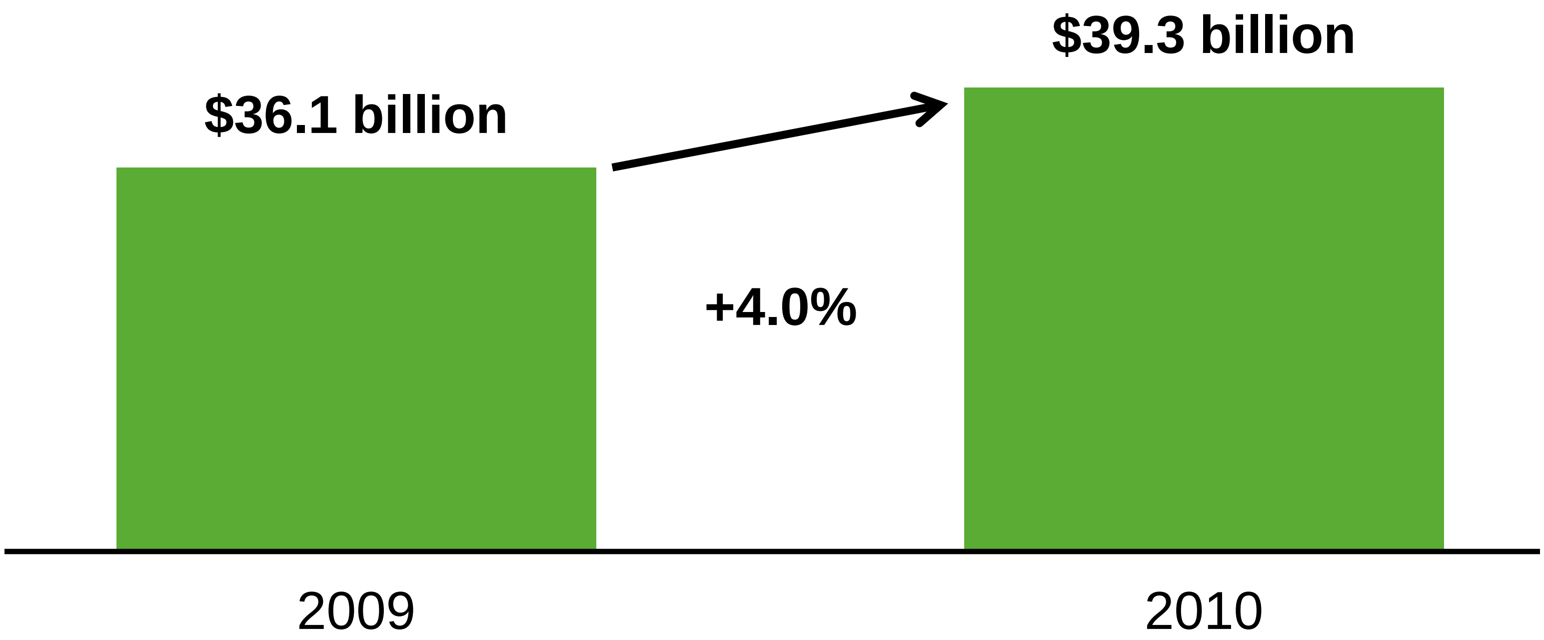
Source: National Restaurant Association

Limited-Service Restaurant Sales



Source: National Restaurant Association

Managed Services Sales



Source: National Restaurant Association

NATIONAL RESTAURANT ASSOCIATION®

Economy Remains the Top Challenge Facing Operators

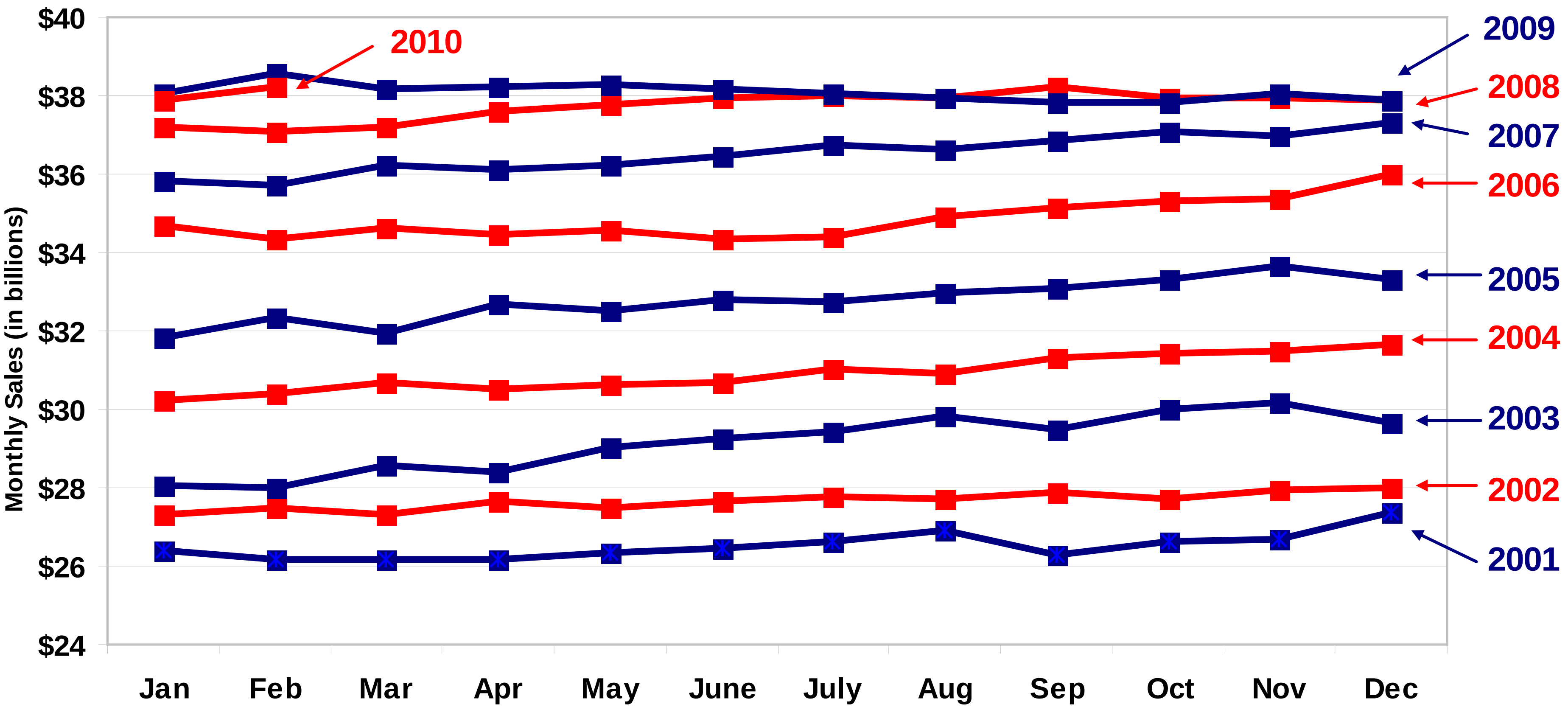
Top Challenges Facing Restaurant Operators: March 2008, March 2009, March 2010

MARCH 2008		MARCH 2009		MARCH 2010	
The Economy	26%	The Economy	45%	The Economy	37%
Food Costs	19	Sales Volume	27	Sales Volume	28
Sales Volume	15	Food Costs	5	Government	8
Recruiting Employees	15	Recruiting Employees	4	Food Costs	4
Gas & Energy Prices	6	Labor Costs	4	Recruiting Employees	4
Government	3	Government	3	Operating Costs	3

Source: National Restaurant Association, Restaurant Industry Tracking Survey

Total Monthly Sales Remain Below 2009 Levels

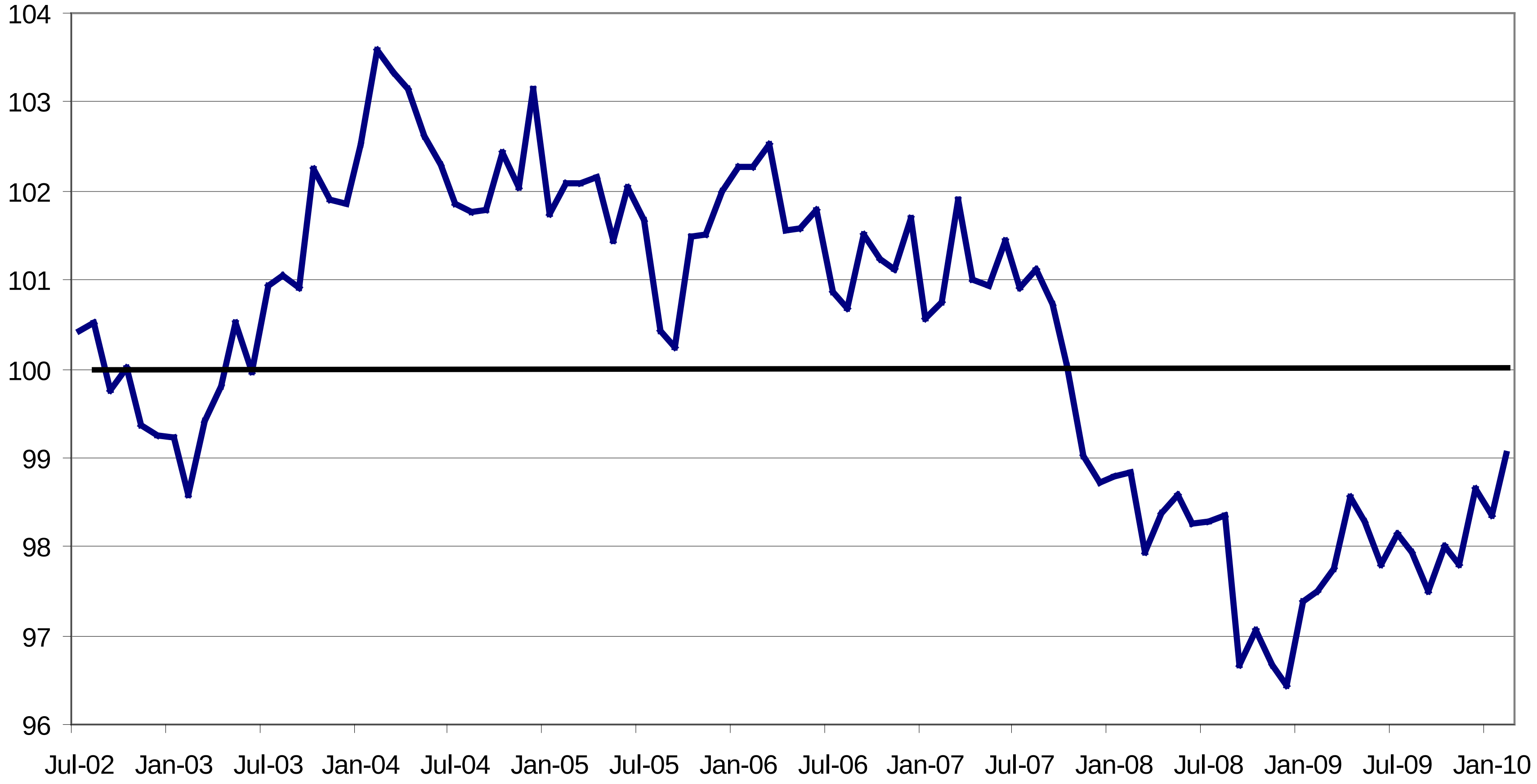
Seasonally-adjusted Monthly Sales at Eating and Drinking Places (in billions)



Source: U.S. Census Bureau

Restaurant Performance Index Below 100 for 28th Consecutive Month

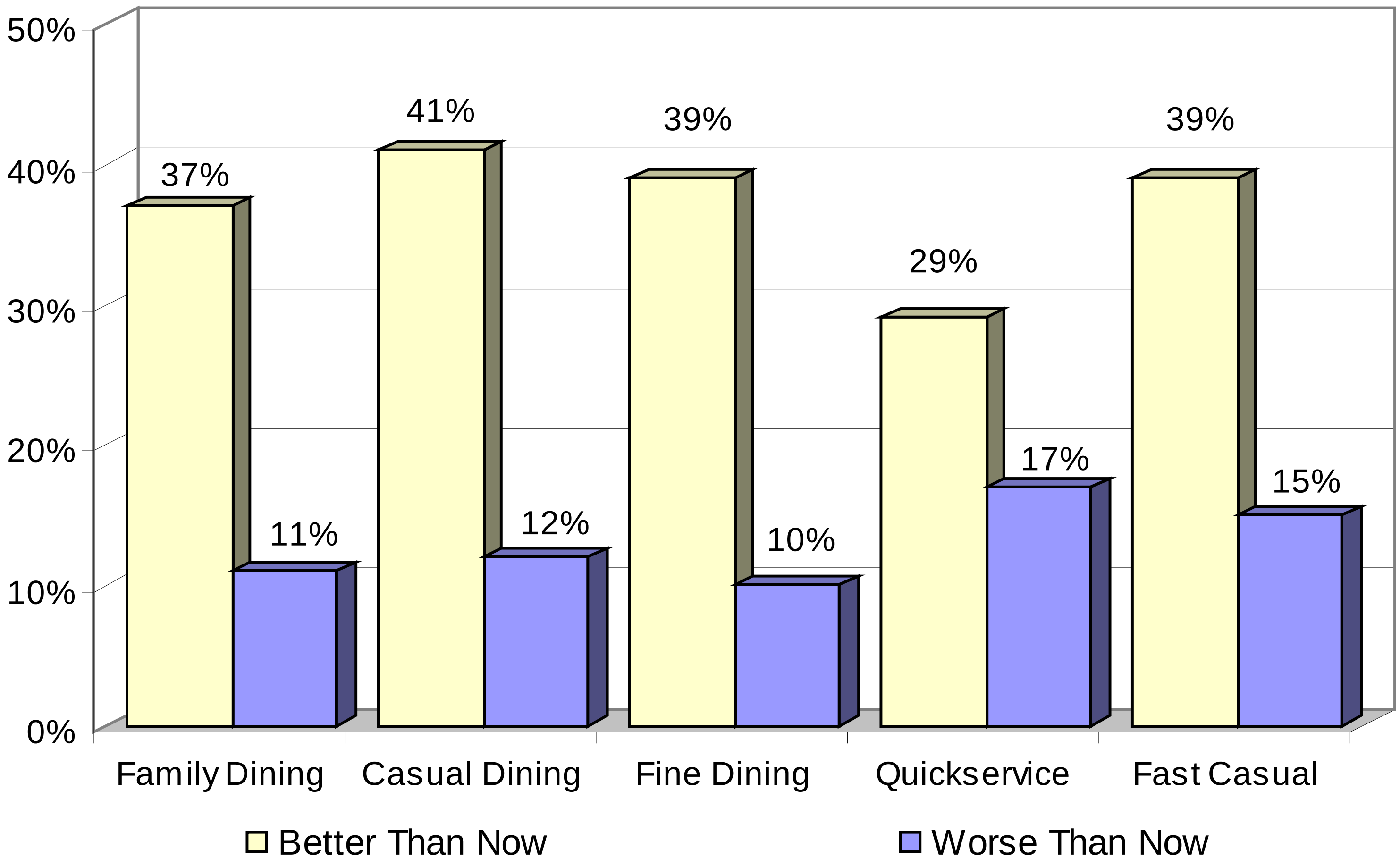
Values Above 100 = Expansion, Values Below 100 = Contraction



Source: National Restaurant Association

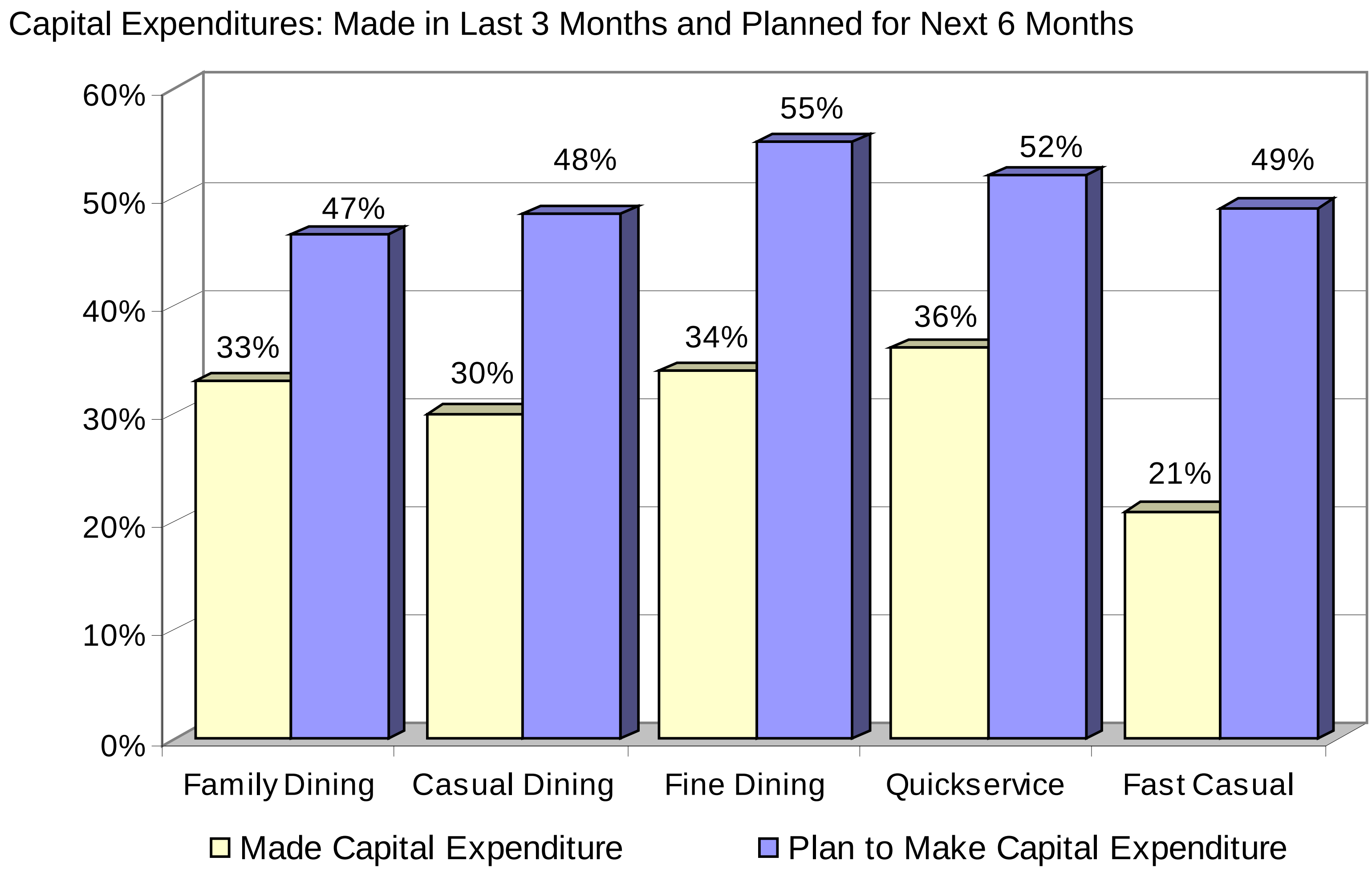
Operators More Optimistic About the Economy

Restaurant Operators' Outlook for Business Conditions in Six Months



Source: National Restaurant Association

Operators' Capital Spending Plans at a 2-Year High



Source: National Restaurant Association

Jobs and Careers

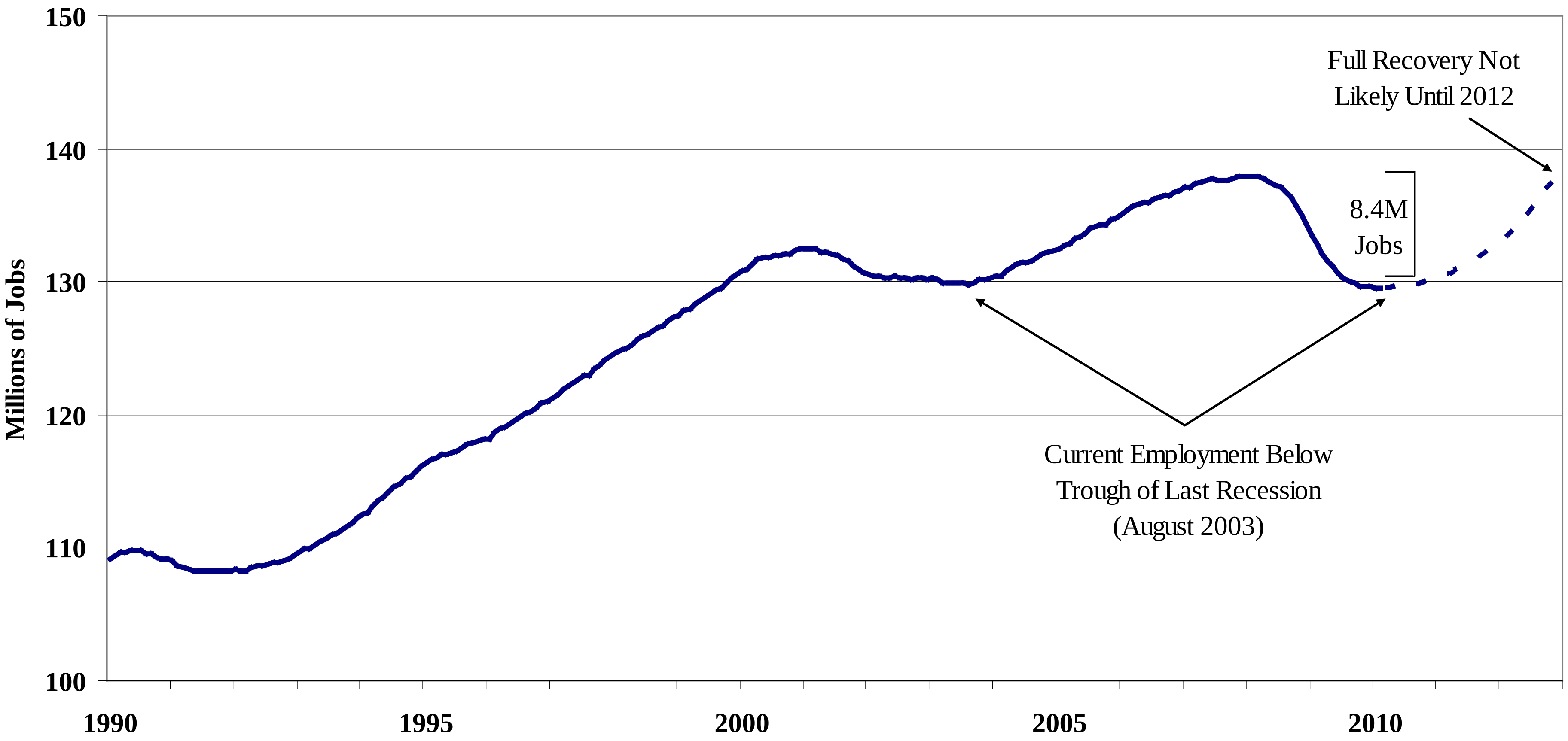
Nearly half of all adults have worked in the restaurant industry

More than one in four adults report their first job was in the restaurant industry



National Employment

The Recession's Impact



Sources: Bureau of Labor Statistics, National Restaurant Association

Lost Decade for Many Industries

*Job Growth in the 1990s and 2000s**

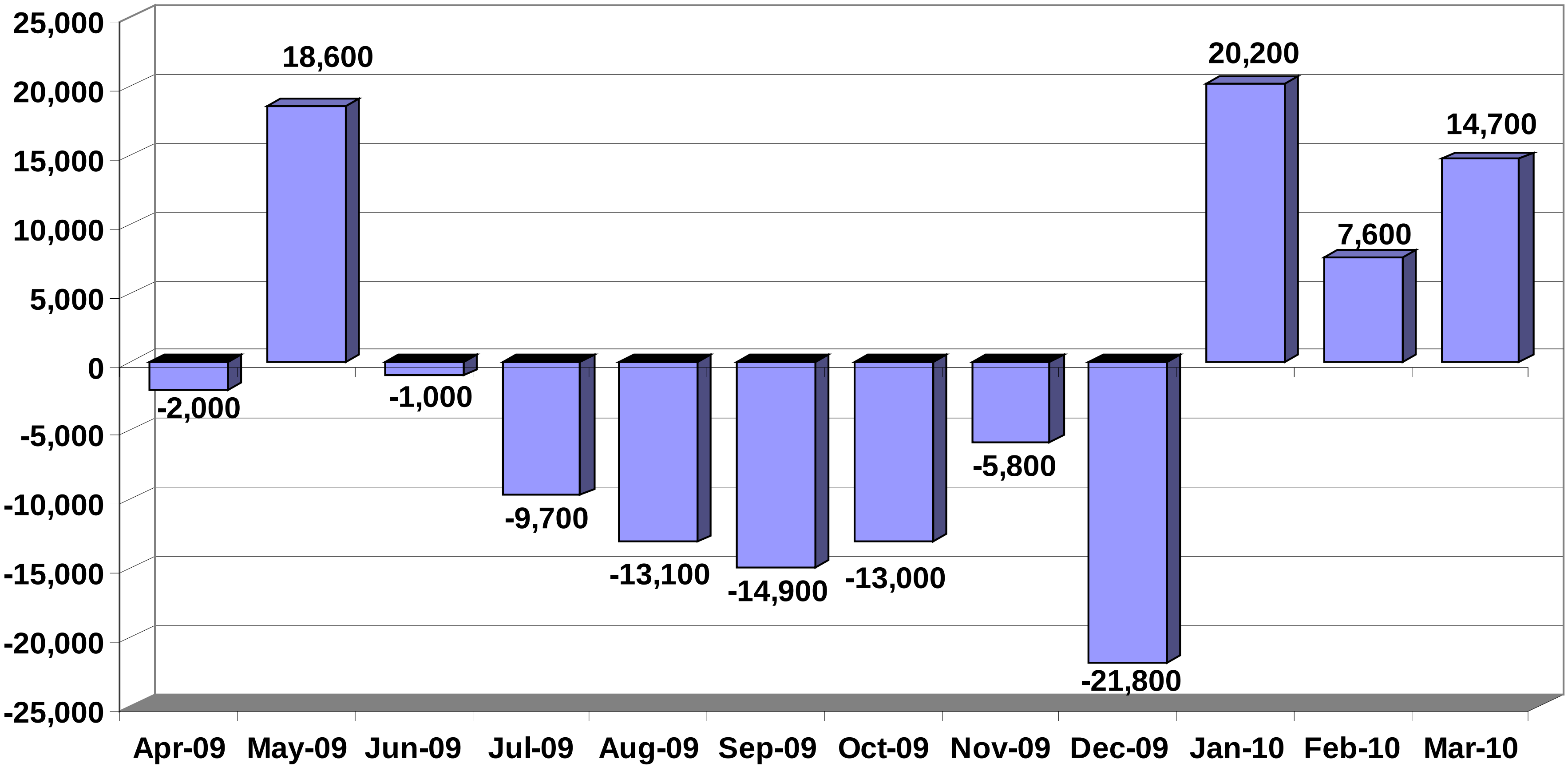
	1990s	2000s
Total U.S. Employment	**21,600,000**	**-1,200,000**
Private Sector	19,200,000	-3,100,000
Public Sector	2,400,000	1,900,000

Selected Industries	1990s	2000s
Health Care	2,756,000	2,886,000
Eating and Drinking Places	**1,577,000**	**1,276,000**
Social Assistance	776,000	765,000
Professional and Business Services	5,640,000	93,000
Financial Activities	1,086,000	-39,000
Accommodations	240,000	-126,000
Transportation and Warehousing	925,000	-231,000
Wholesale Trade	666,000	-398,000
Retail Trade	1,926,000	-772,000
Information	880,000	-805,000
Construction	1,330,000	-1,116,000
Manufacturing	-507,000	-5,736,000

Source: National Restaurant Association, based on Bureau of Labor Statistics data; *Jan-1990 to Jan-2000 and Jan-2000 to Jan-2010

Restaurants Added 42,500 Jobs in the First Quarter

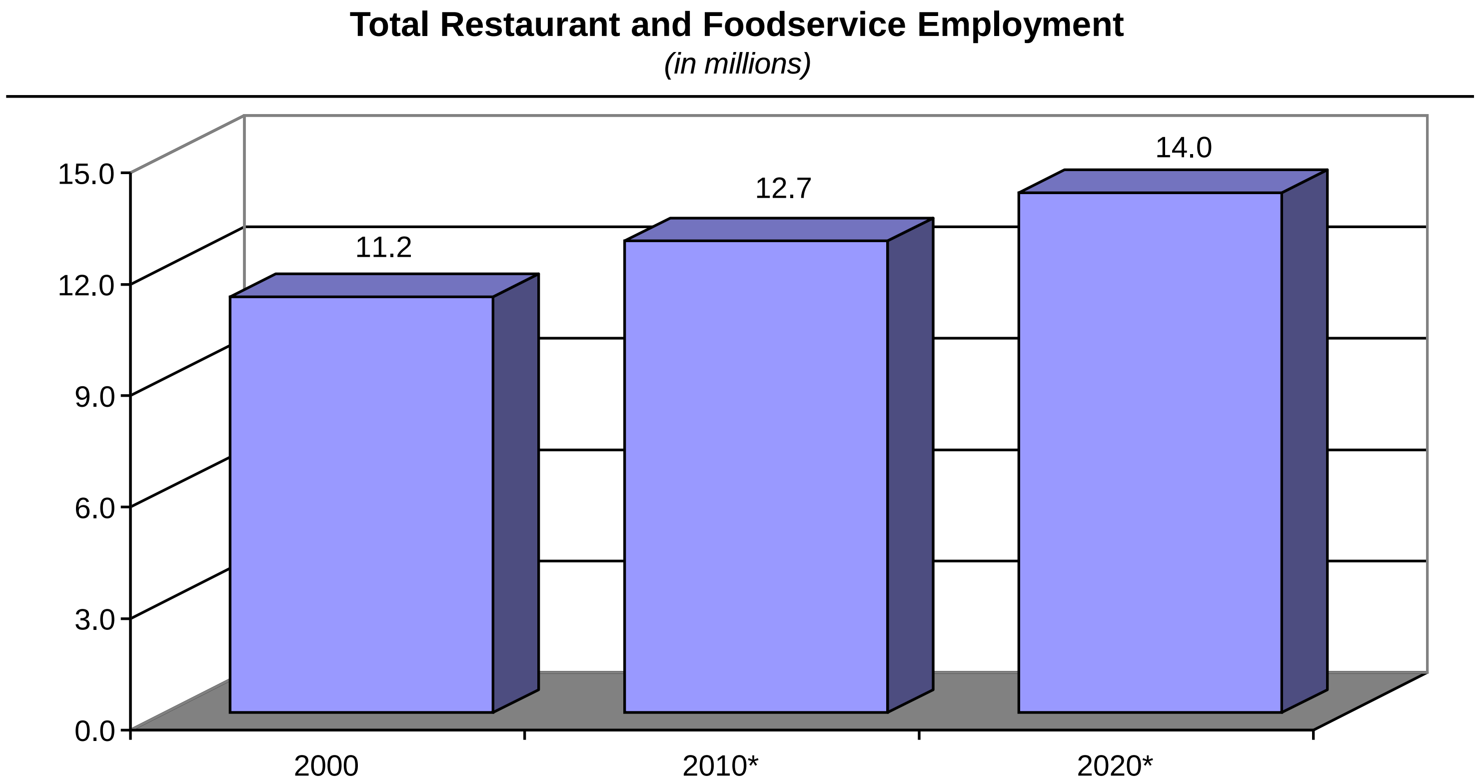
Eating and Drinking Place Employment – Still Down 251,000 Jobs Since Recession Began



Source: Bureau of Labor Statistics; figures are seasonally-adjusted

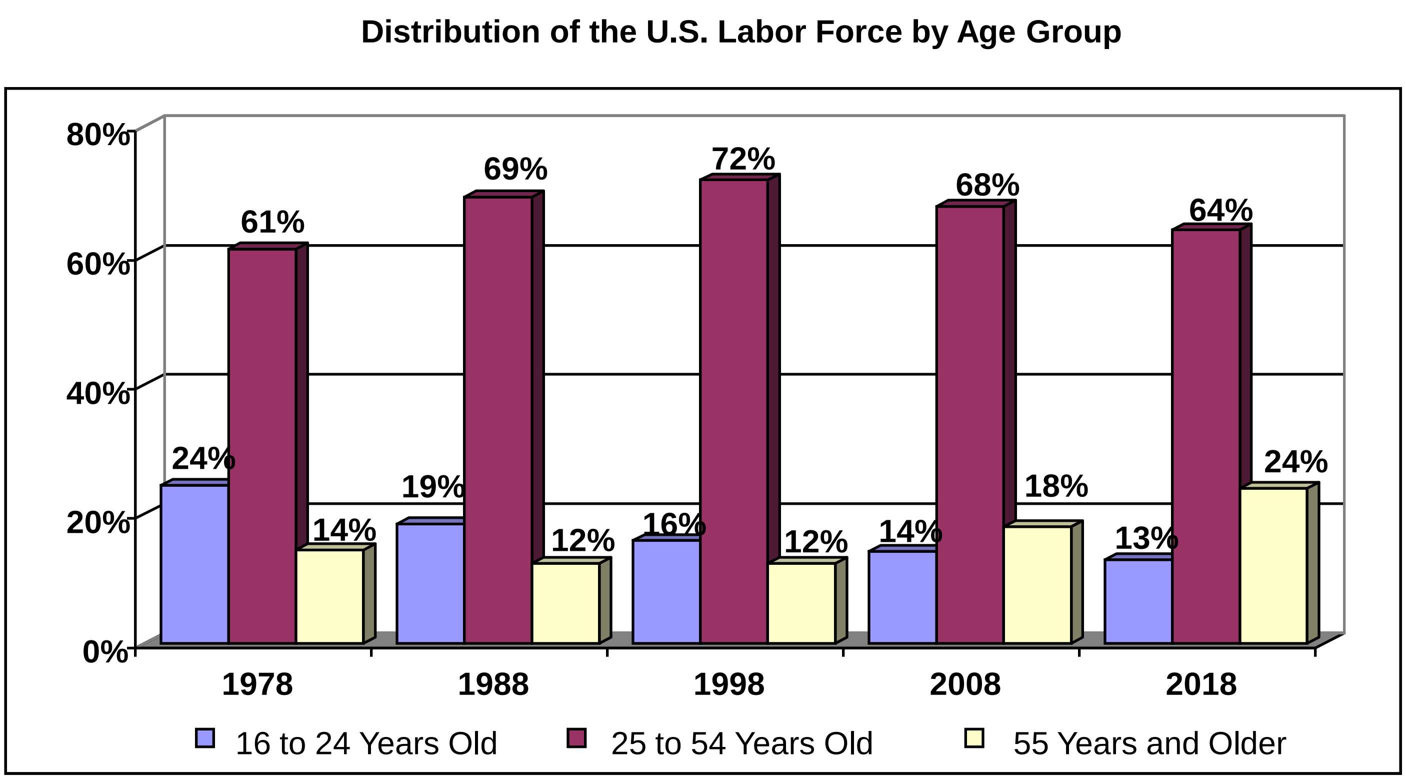
$1 million in restaurant sales = 34 jobs

Total Restaurant-Industry Employment



Source: National Restaurant Association; *projected

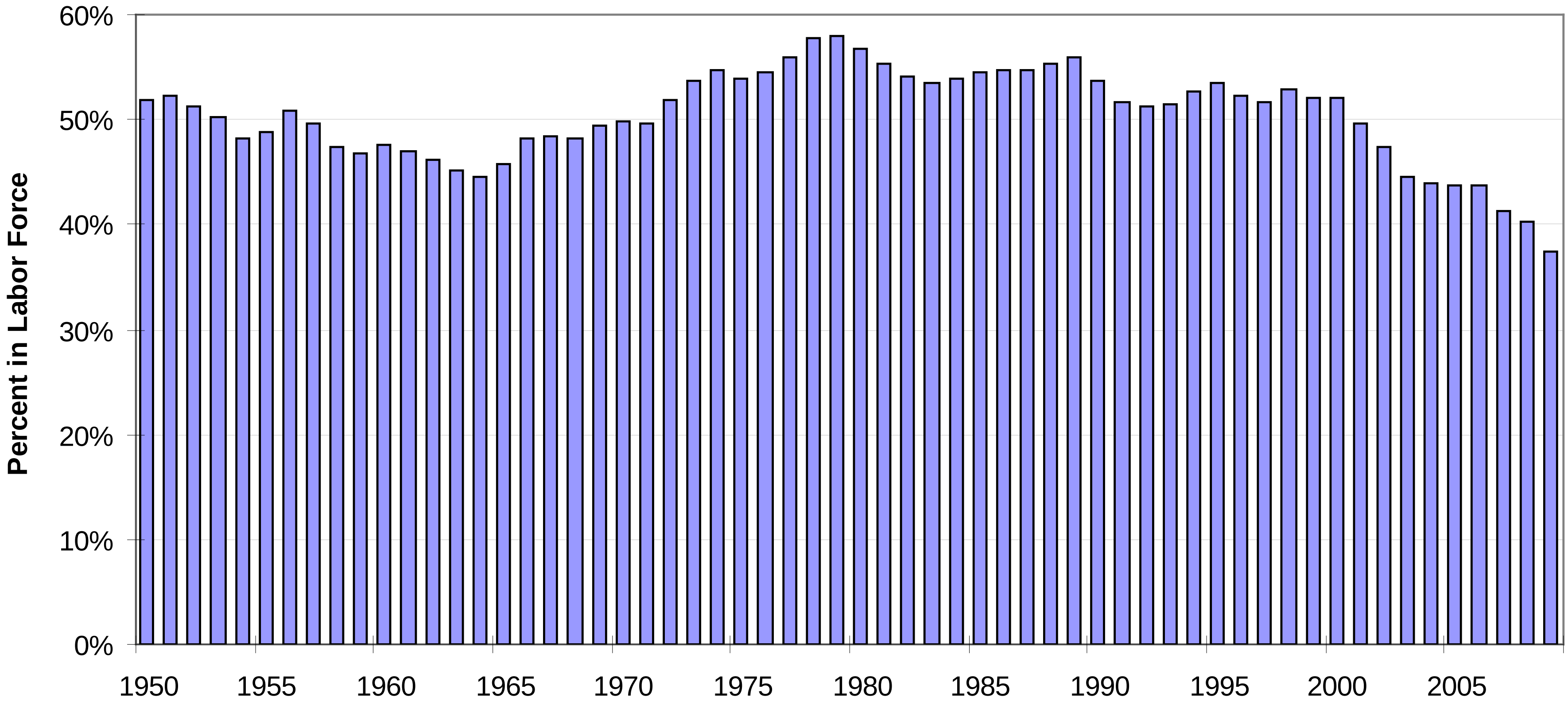
Long Term Labor Challenges Will Eventually Re-emerge



Source: Bureau of Labor Statistics

Teenage (16-19) Labor Force Participation Rate

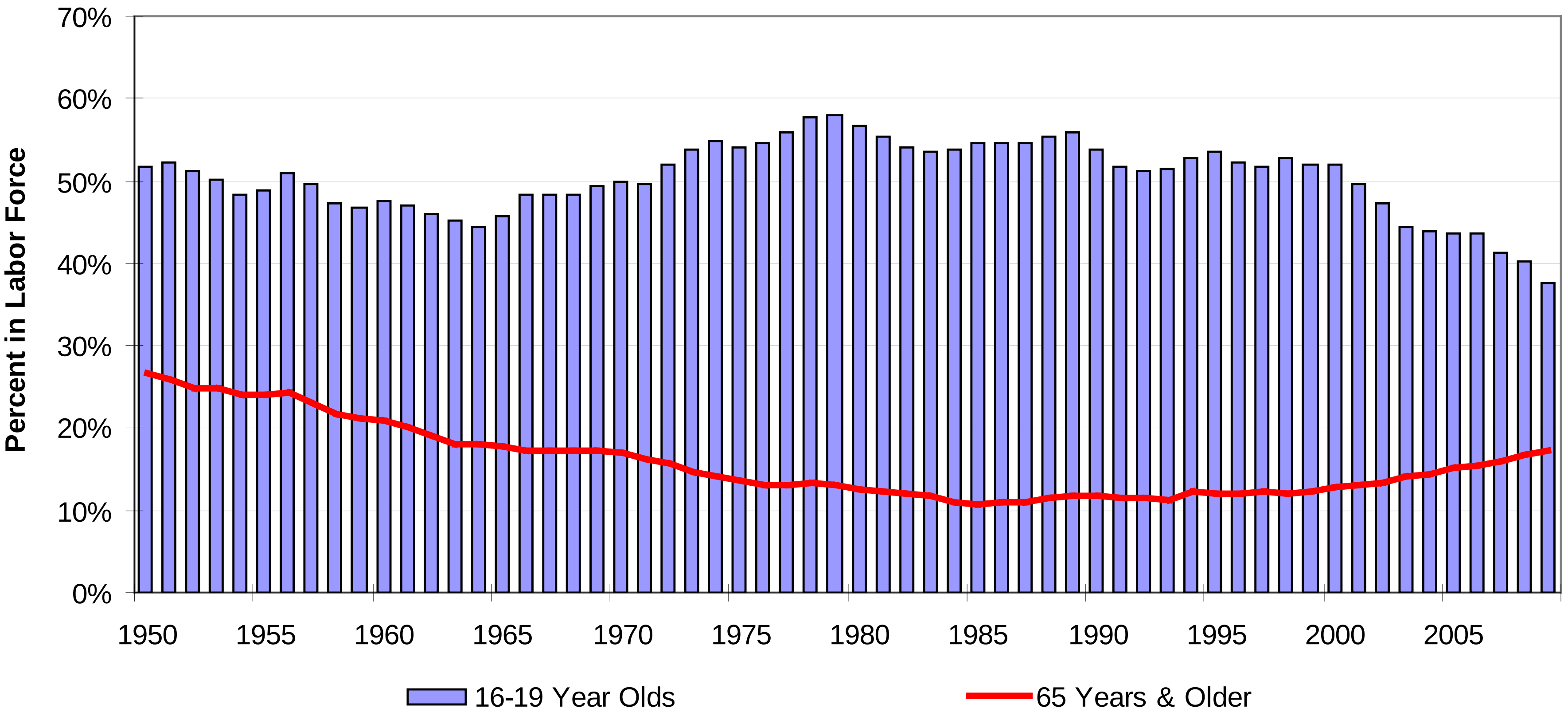
1950 to 2009



Source: Bureau of Labor Statistics

Labor Force Participation Rates:

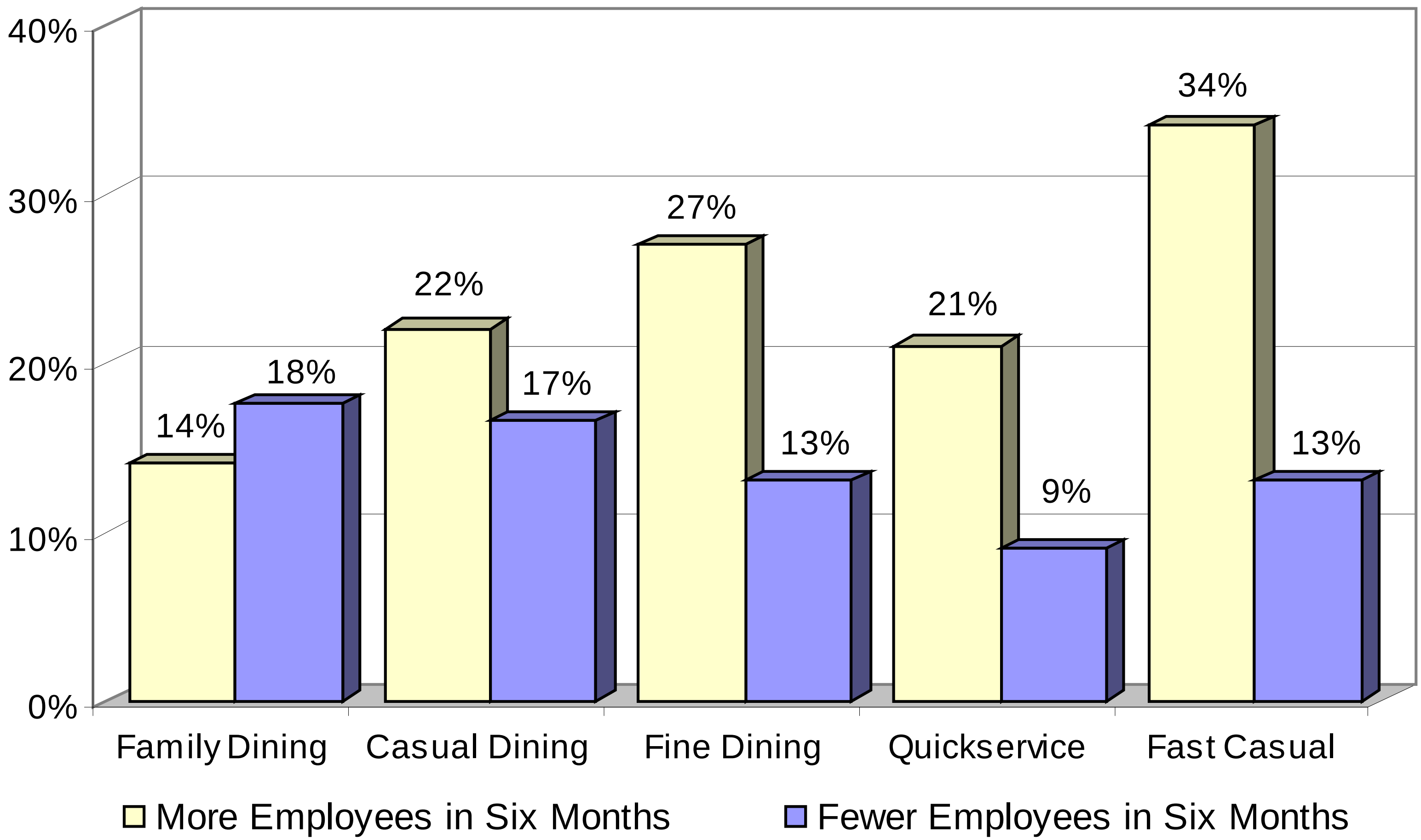
Teenagers (16-19) versus Older Adults (65+)



Source: Bureau of Labor Statistics

Operators Plan Higher Staffing Levels in Months Ahead

Restaurant Operators' Outlook for Staffing Levels in Six Months vs. Same Period in Previous Year



Source: National Restaurant Association

Restaurants are Extremely Labor Intensive

Average Sales per Full-Time Equivalent Non-Supervisory Employee, 2009

Eating and Drinking Places	$79,000
Grocery Stores	$290,000
Gasoline Service Stations	$577,000
Auto Dealers	$637,000

Source: National Restaurant Association, based on Bureau of Labor Statistics and U.S. Census Bureau data

Demographic Snapshot

Restaurant Industry versus Overall U.S. Workforce

	Restaurant Industry	U.S. Workforce
Female	52%	47%
Median Age	29 years	42 years
Hours per Week		
-All Workers	32 hours	38 hours
-Non-supervisory	24 hours	33 hours

Source: National Restaurant Association, based on Bureau of Labor Statistics and U.S. Census Bureau data

Food and Healthy Living

Almost three out of four adults (73 percent) said they are trying to eat healthier now at restaurants than they did two years ago.

Source: National Restaurant Association

The Power of Fresh Produce

Almost three out of four operators (72 percent) agree that emphasizing fresh produce in their marketing efforts drives more customers to their restaurant.

Source: Restaurant Produce Survey, 2009

Hot/Trendy Offerings

Fullservice Restaurants

1 Locally grown produce
2 Locally sourced meats & seafood
3 Sustainability
4 Bite size desserts
5 Locally produced wine and beer

Source: National Restaurant Association; American Culinary Federation, 2009

Hot/Trendy Offerings

Quickservice Restaurants

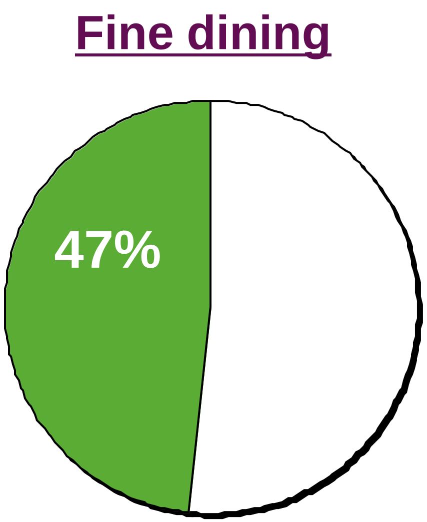
1. Healthy options in kids meals
2. Energy drinks
3. Snack sized items
4. Locally sourced items
5. Spicy items

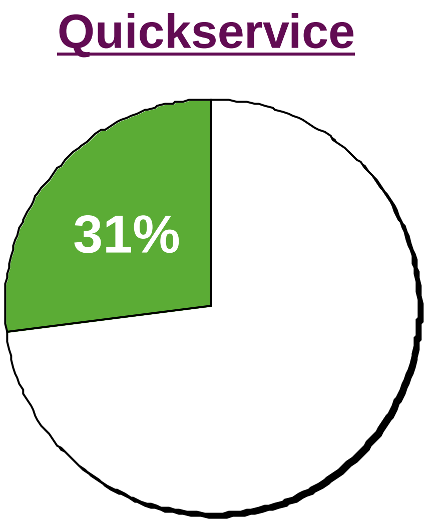
Source: National Restaurant Association, Quickservice Restaurant Survey 2009

Sustainability and Social Responsibility

Going Green

Percent of operators, by type of operation, who plan to devote more of their resources to green initiatives in 2010





Source: National Restaurant Association

Conservation Initiatives

Percent of restaurant operators who took the following actions in 2009

	Family Dining	Casual Dining	Fine Dining	Quick Service
Purchased Energy-Saving Lighting Fixtures	69%	66%	52%	43%
Purchased Energy-Saving Kitchen Equipment	45	41	28	34
Purchased Energy-Efficient Refrigeration, Air Conditioning or Heating Systems	50	40	34	32
Installed Water-Saving Equipment and/or Fixtures	27	27	27	23

Source: National Restaurant Association

Forty percent of adults said they are likely to make a restaurant choice based on a restaurant's practices in the areas of energy and water conservation.

Source: National Restaurant Association

Profitability and Entrepreneurship

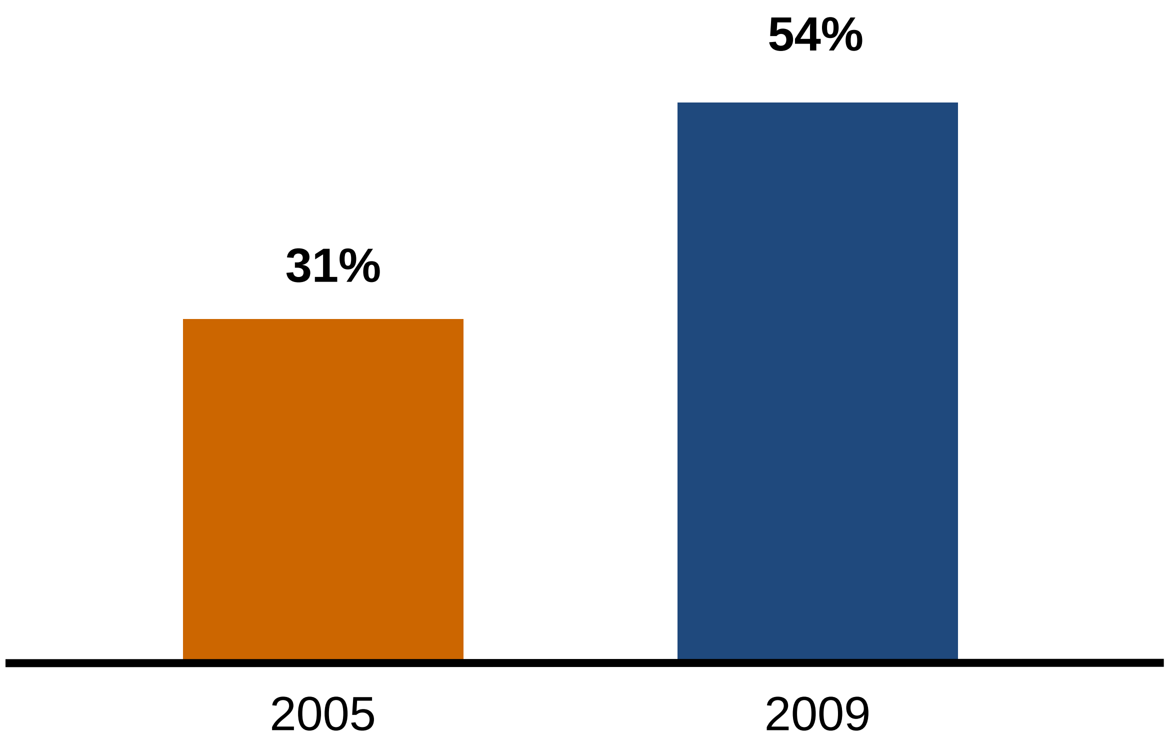
Word of Mouth Has Moved On-line

More Operators Will Be Using Social Media

	Family Dining	Fine Dining
Facebook	39%	36%
Restaurant Blog	33%	42%

Source: National Restaurant Association

More Americans Viewing Menus On-line

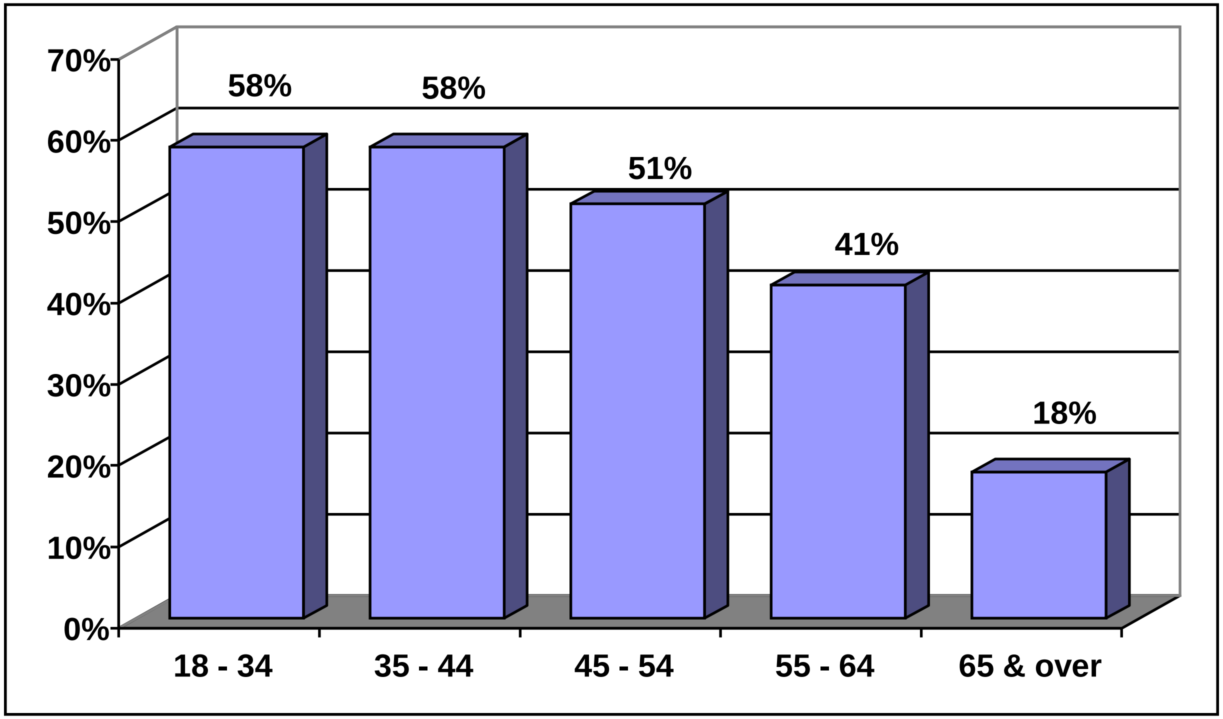


Source: National Restaurant Association

A New Generation

Proportion of adults who said they would be likely to place their own order using a *self-serve terminal* if it was offered by a quickservice restaurant

By age group

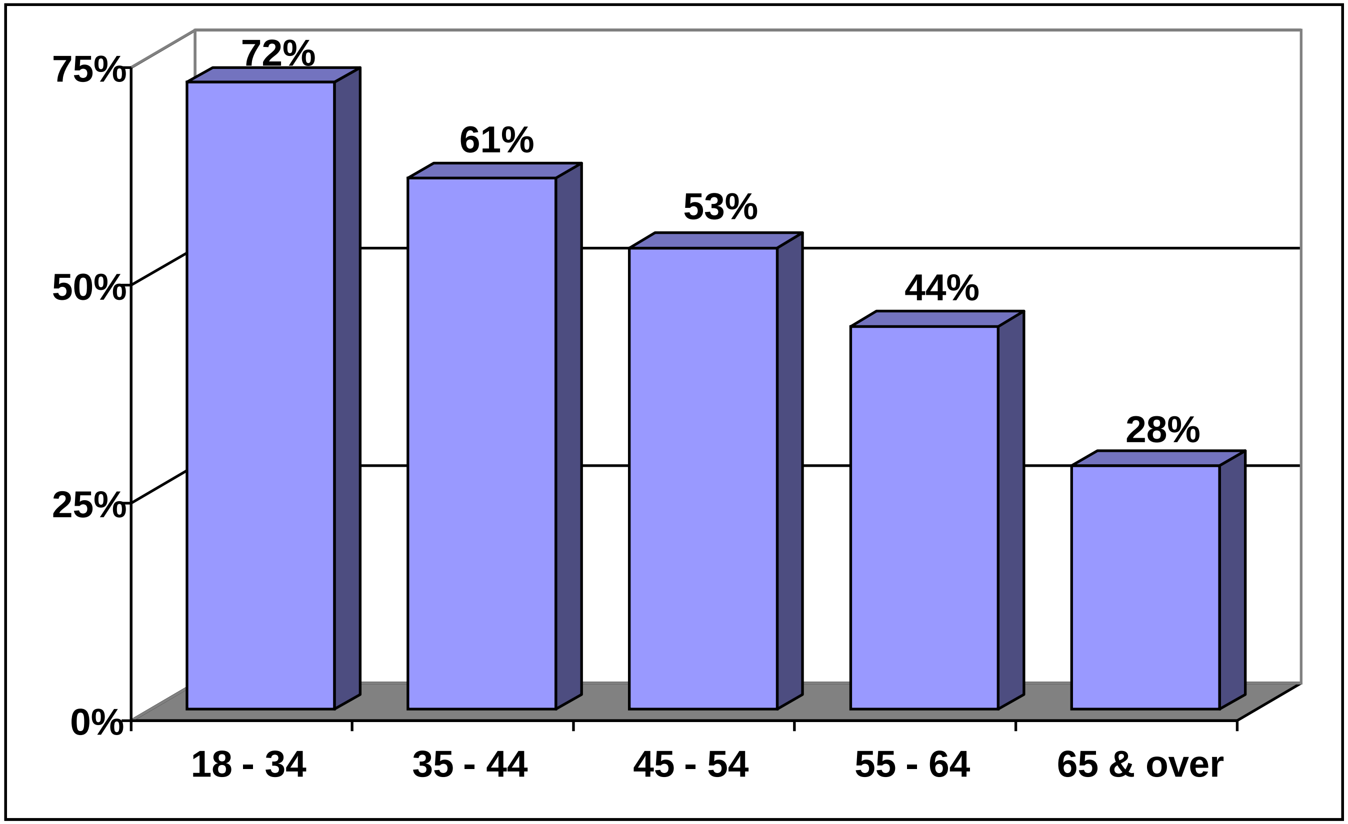


Source: National Restaurant Association

A New Generation

Proportion of adults who said they would use the option of *delivery directly to their home or office* if it was offered by a quickservice restaurant

By age group

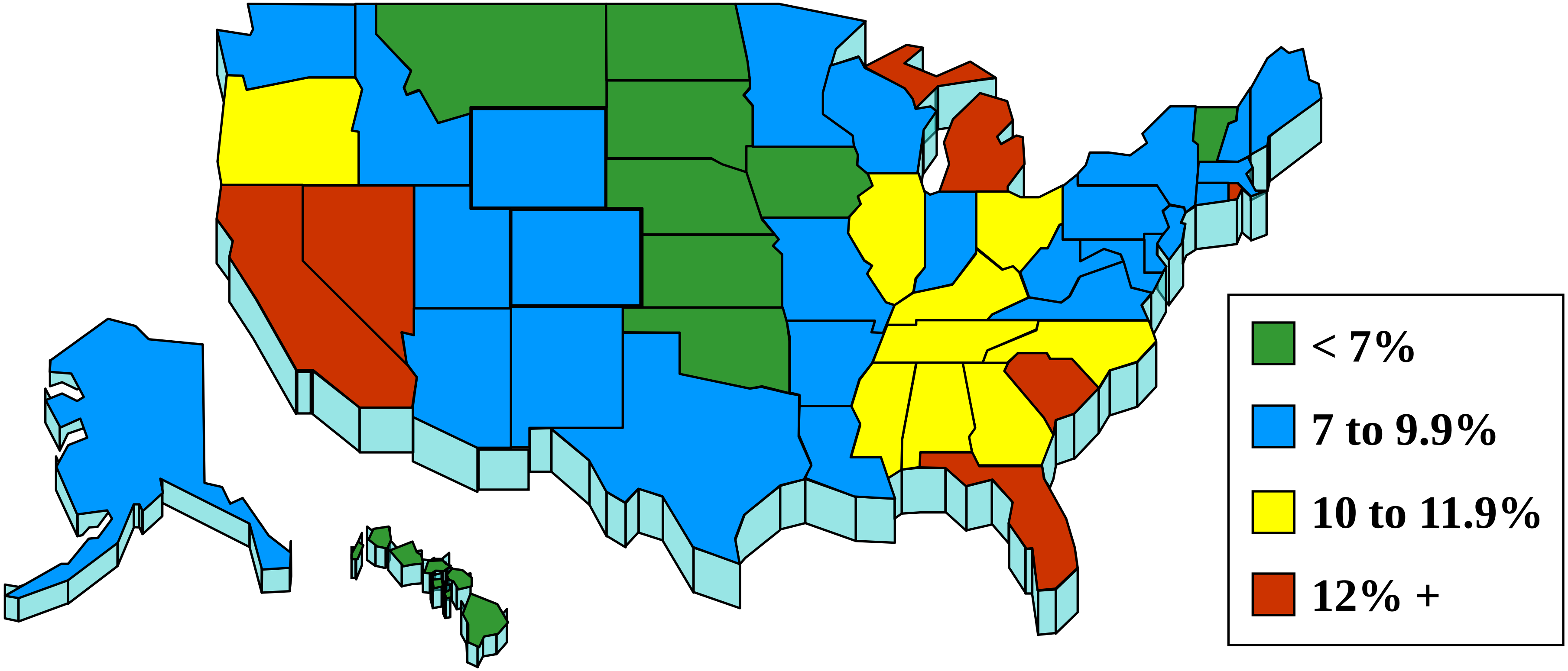


Source: National Restaurant Association

Regional Outlook

U.S. Jobless Rate Stood at 9.7% in 1st Quarter

Seasonally-adjusted Unemployment Rates in February 2010



Source: Bureau of Labor Statistics

Dramatic Consumer Confidence Variations By Region

Present Situation: March 2010

REGION	INDEX
West South Central	68.3
West North Central	48.6
Middle Atlantic	23.4
East South Central	23.3
Pacific	21.8
South Atlantic	19.1
New England	16.1
East North Central	12.7
Mountain	10.8

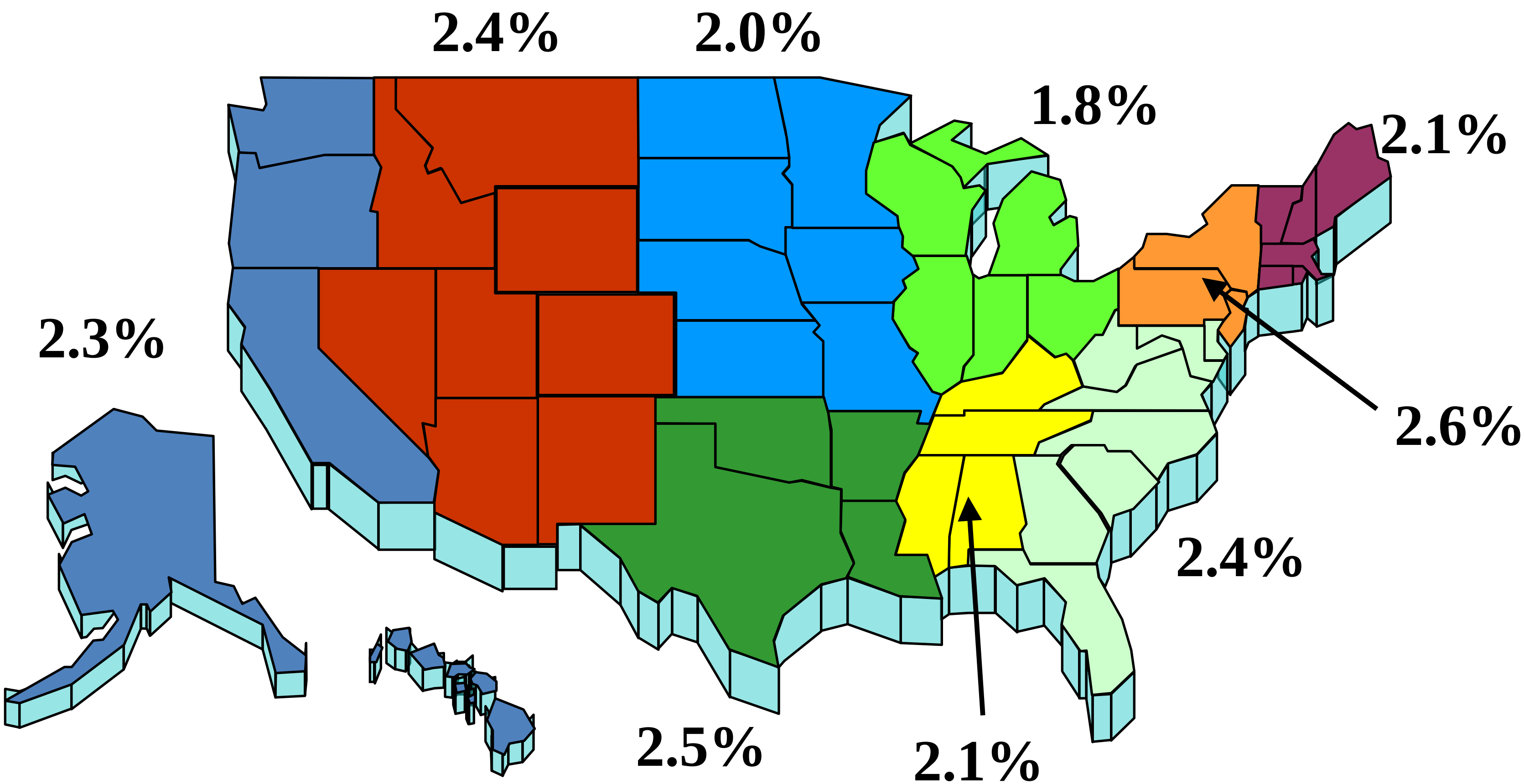
Source: The Conference Board

The Critical Role of Demographics in 2010

Region	Population growth	Employment growth
Mountain	1.7%	-0.8%
West South Central	1.4%	0.2%
South Atlantic	1.2%	-0.9%
Pacific	1.2%	-0.9%
East South Central	0.9%	-0.9%
West North Central	0.5%	-0.6%
East North Central	0.3%	-1.4%
New England	0.2%	-0.9%
Middle Atlantic	0.2%	-0.6%
U.S. Average	**1.0%**	**-0.8%**

Source: National Restaurant Association

Projected 2010 Regional Sales Growth



Source: National Restaurant Association

Wrap Up

Unfulfilled Demand for Restaurant Services Remains High

Over one-third of adults are NOT dining on-premises or using take-out as often as they would like

Source: National Restaurant Association

You Feel A Need to Reduce Stress

- **82%** of 35 – 44 year-olds agree
- **78%** of 45 – 54 year-olds agree

Source: National Restaurant Association

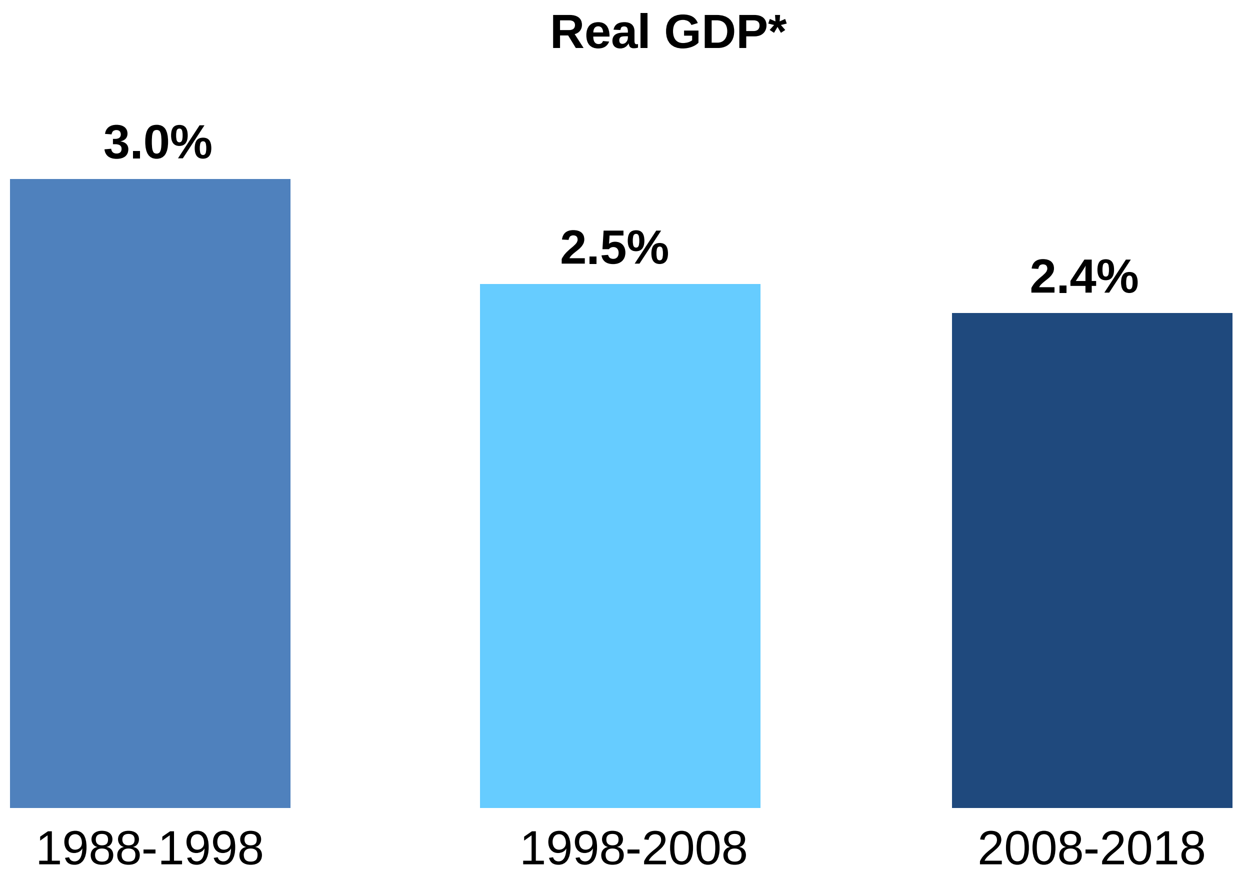
Americans Love Restaurants

Percent of adults who said they enjoy going to:

Restaurants	92%
Grocery Stores	66%

Source: National Restaurant Association

Future Economic Growth Will Be More Moderate



*average annual rate of change

Source: Bureau of Labor Statistics

Wrap-Up

- 2010 will be a better operating environment for the industry than the past 2 years but substantial challenges remain
- Yet, positive sales growth, though slight, will occur this year
- Patchy and prolonged recovery
- Job market remains weak
- With soft economic backdrop, value emphasis continues
- Menu — “local” focus
- Workforce — higher productivity through technology
- Growing role of green initiatives
- Pent-up demand for restaurants + nudging / incenting consumer = positive future despite challenges

Restaurant Industry 2010: Vision for a New Decade

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Research and Knowledge Group
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