



Market Brief

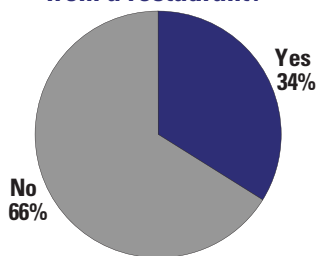
Tracking and interpreting restaurant trends

The Advent of Online and Text Ordering

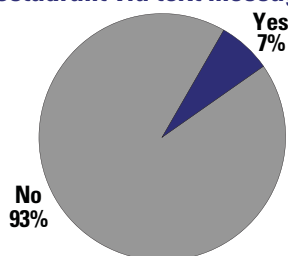
While consumers visit restaurants mainly for the fare they provide, research shows that service and convenience also strongly influence from where they ultimately choose to get their food. In the past few years, online ordering has evolved into a tool that allows operators to simplify the meal experience 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?

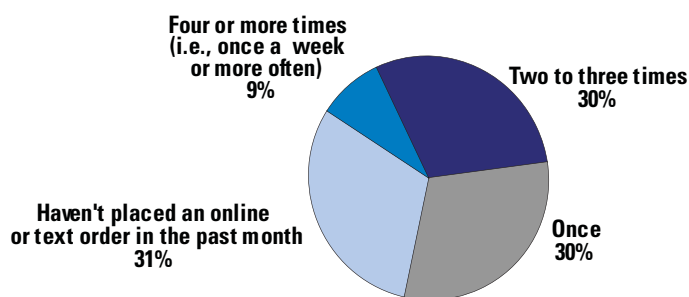


FREQUENCY AND REACH

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

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

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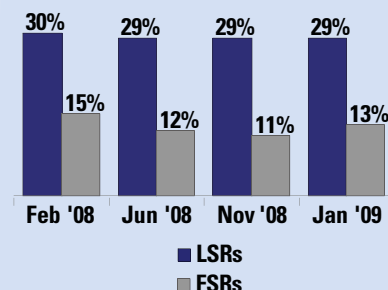
HEAVY RESTAURANT USAGE TREND BAROMETER

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



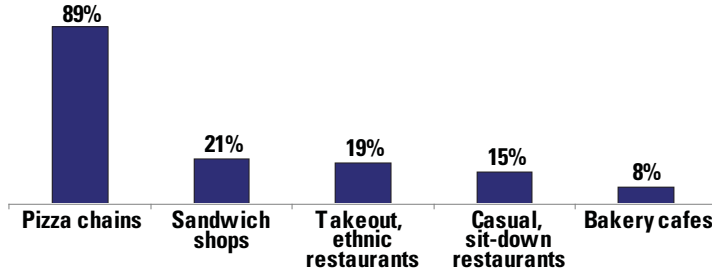
Editor's note: Look for several up-to-date metrics that shed light on key industry trends presented in this space in each month's MarketBrief. For comparison, you can find past Trend Barometer metrics online at: <http://m2.tm00.com/Technomic/newsletters/signup.asp>

**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%).

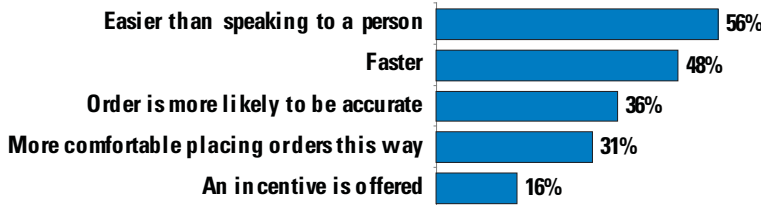
Types of Restaurants Where Consumers Have Placed Online/Text Orders



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."

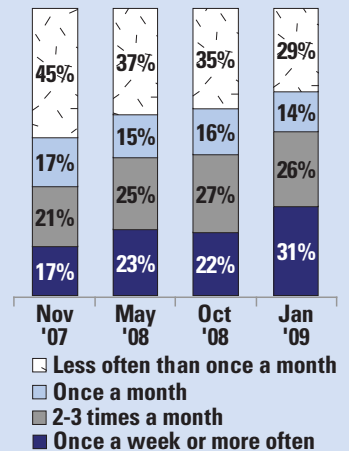
Why do some consumers prefer to place orders online or via text?



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.

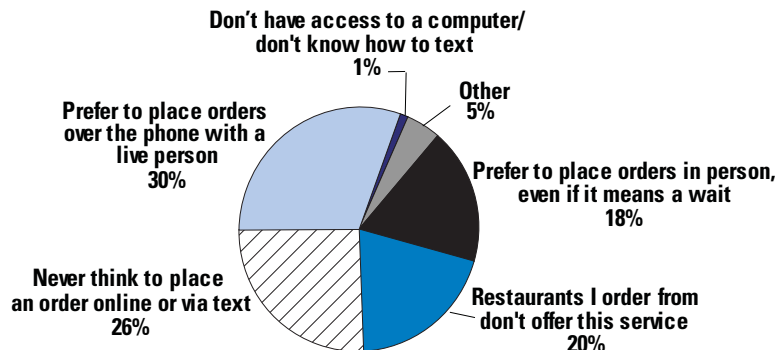
Frequency of Retail Foodservice Purchases



...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?

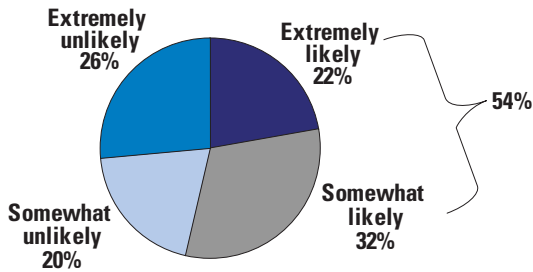


WHAT THE FUTURE MAY BRING

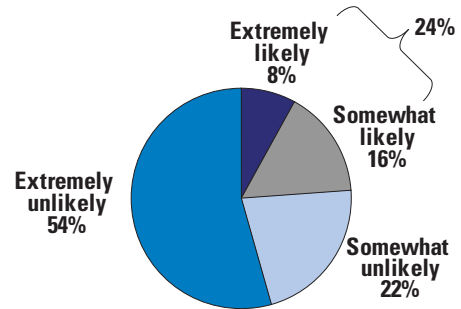
Consumers indicate that they are more likely to order online from a restaurant in the future than to order via text. For example, taken together, more than half of consumers (54%) report they are either “extremely likely” (22%) or “somewhat likely” (32%) to order online in the future. Exactly one of 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.moneymorning.com, July 30, 2008

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