



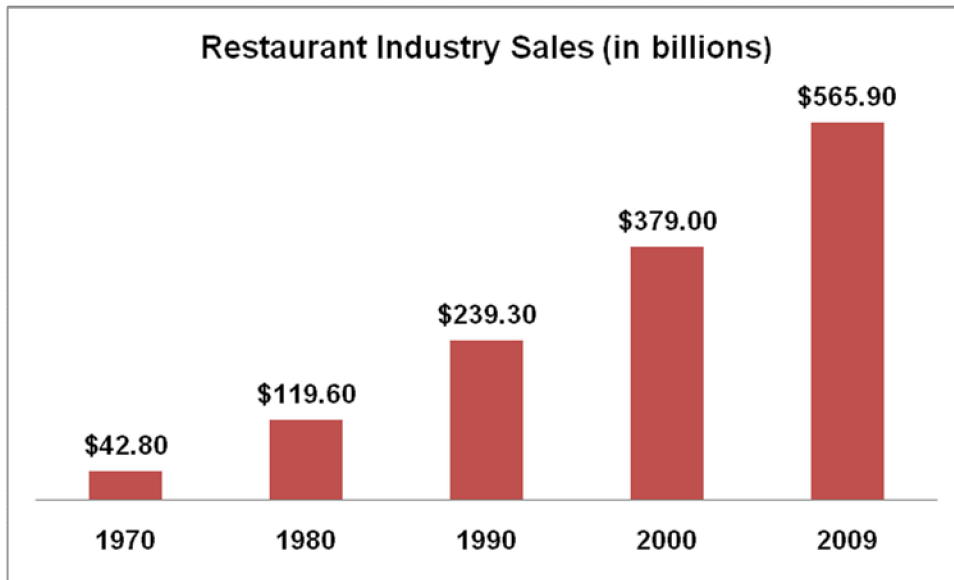
The Restaurant Industry Outlook 2009

I. CONSUMER LANDSCAPE

While the restaurant industry faces very challenging times in the current economic climate, restaurant dining will still remain an important factor to American life despite financial strains. Consumers face a lot of uncertainty in terms of income levels and rising expenses. Consumers are now carefully considering how they will spend their disposable income for dining-out experiences. A study on changing consumer attitudes in the food service industry commissioned by Technomic indicates that 29% of consumers will eat at full service restaurants less often this year. Despite this decline, eating out at a local restaurant still remains a critical component to consumers' quality of life as 62% of consumers consider this activity as extremely important, very important or important to their lifestyle.

National Restaurant Association (NRA) research finds that consumers feel pulled in two directions. On one hand, consumers express serious concern about finances, with nearly all respondents reporting that they are more worried about the economy than the previous year. However, consumers still remain strongly desirous of continued—and even increased—use of restaurants.

One-third of consumers say they are not eating out as often as they wish, and 35% of adults say that on a weekly basis, they are not purchasing take-out foods to go or having it delivered as often as they would like.



Source: National Restaurant Association

The American Restaurant Industry is expected to earn \$565.90 billion dollars in sales in 2009.

California Restaurant Statistics At-a-Glance¹

- In 2007, there were 61,336 eating and drinking food service locations in California
- There are 1,453,800 individuals employed in California's restaurant industry – representing 10% of the state's total employment.
- It is projected that California restaurants will register a total of \$56.2 billion in sales in 2009.

¹ National Restaurant Association State Summaries



II. CONSUMER TRENDS²

Research conducted by the National Restaurant Association (NRA) shows that Americans today are looking for restaurants that deliver **value, convenience and healthier options**. A survey administered among restaurant operators, customers and chefs indicate that restaurateurs will sharpen their appeal in the coming year by reaching out to **health-conscious** guests as well as to the growing number of diners who are interested in how and where their food was produced. Among top trends restaurateurs see for 2009 are an expanded focus on **value, healthy options in kids' meals, locally sourced items and green initiatives**.

- **Healthy Kids' Meals**

Healthy kids' meals will be among the hottest trends in 2009. Out of nearly 210 culinary items listed on the Association's "What's Hot" survey of more than 1,600 American Culinary Federation member chefs, nutritionally balanced children's dishes came in as the No. 4 trend, and fruit/vegetable side items for kids ranked sixth. In a separate survey, quick service operators named healthy options in kids meals as the No. 1 food trend in the segment in 2009.

- **Consumer Health Consciousness**

Overall, chefs ranked nutrition/health as the No. 11 trend on restaurant menus for 2009. Underscoring the importance of healthful foods, produce and fruit items, smaller dishes, fish, and gluten-free/allergy-conscious meals were all among the top-20 items on the third-annual chef survey.

² National Restaurant Association 2009 Restaurant Industry Forecast
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According to Association consumer research, three in four adults say they are trying to eat healthier now at restaurants than they did two years ago. Nearly three in 10 adults – 27% – have gone online to search for nutrition information about restaurant food, up from 24% a year ago.

- **Local Produce**

The No. 1 trend for 2009 is local produce, according to the “What’s Hot” chef survey. The local-foods trend has become particularly popular at fine-dining establishments. According to the Association’s research, 89% of fine-dining operators serve locally sourced items, and nine in 10 believe demand for locally sourced items will grow in their segment in the future. Close to three in 10 quick service operators serve locally sourced items now and nearly half believe these items will grow more popular in their segment in the future. Seventy percent of adults say they are more likely to visit a restaurant that offers locally produced food items.

- **Green Initiatives**

Restaurateurs will also continue to show increasing leadership in becoming “greener” in 2009— by taking action such as reducing energy and water use—in step with patrons’ interest in environmental issues. About four in 10 full-service-restaurant operators and nearly three in 10 quick service operators say they plan to devote more of their 2009 budgets to green initiatives. Restaurant patrons like the idea: 44% surveyed recently said they are likely to make a restaurant choice based on an operation’s practices in the areas of energy and water conservation.



III. RECOMMENDATIONS

Restaurants must be proactive during this economic downturn and prepare themselves for an eventual recovery. The NRA reports that restaurant operators are offering the value patrons desire in conjunction with operational improvements that cut costs without detracting from the dining experience.

- **The Importance of Delivering Value**

The top trend restaurateurs project an expanded focus on value, with 36% of quick service operators and 16% of casual-dining operators seeing the demand for value as the year's top trend in their segment.³

- **Keep Consumer Trends in Mind**

While it may not be possible or even appropriate to incorporate all trends into the business, it is important to note how healthy options in kids' meals, health consciousness, locally sourced items and green initiatives are becoming increasingly important to the consumer.

- **The Quality of Life Factor**

The desire for restaurant dining is largely driven by the quality of life factor the act of dining brings to the consumer. The restaurant industry's resilience amidst the weak economy and relative strength compared to other industries is driven by restaurants responsiveness to consumers' desire for:

- **Convenience**
- **Value**
- **Socialization**

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The increasingly essential nature of restaurant services sustains the industry even during times of economic uncertainty:

- Nearly 70% adults agreed in a recent NRA survey that purchasing meals from restaurants, take-out and delivery places makes it easier for families with children to manage their day-to-day lives.
- Nearly 80% agreed that going out to a restaurant with family and/or friends gives them an opportunity to socialize and is a better way for them to make use of their leisure time rather than cooking at home.