



# Market Brief

Tracking and interpreting restaurant trends

## Locally-Sourced vs. Organic

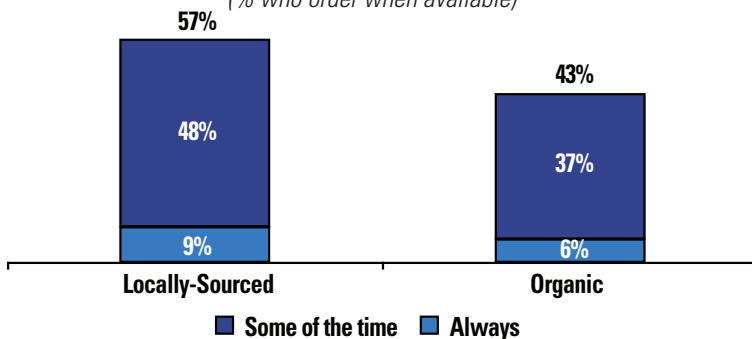
For years, the idea of locally-sourced or organic food was reserved for upscale chefs or serious hippies. In the past several years, however, a small but growing number of Americans have started to think a lot more about the origin of the food they're consuming, as well as how it was produced.<sup>1</sup> Consumers today are more aware of the impact that their purchasing decisions have, and whether food is locally-sourced (i.e. grown very near to where it is consumed) or organic (i.e. grown without the use of conventional pesticides, as regulated by the USDA) is increasingly significant.<sup>2</sup> When it comes right down to it, though, is there stronger support for one type of production over the other?

### LOCALLY-SOURCED HAS AN EDGE

Based upon data collected in July, both locally-sourced and organic foods are popular when offered at restaurants, but it is the locally-sourced items that currently have the edge. More than half of consumers (57%) report that they always or sometimes order locally-sourced foods when they're offered on a menu, while fewer consumers (43%) report the same about organic foods.

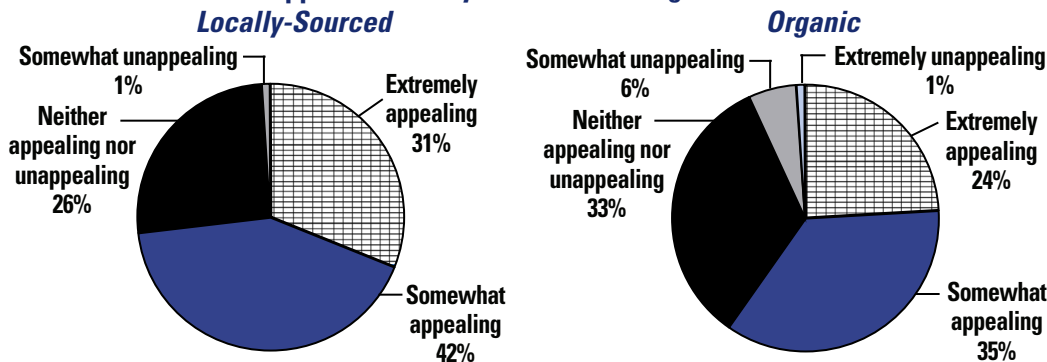
#### Locally-Sourced and Organic Foods

(% who order when available)



Both locally-sourced and organic foods clearly are catching on with consumers. Nevertheless, when it comes to each sector's appeal, locally-sourced once again wins out in the minds of consumers. While nearly three of four consumers (73%) indicated that they find locally-sourced foods extremely or somewhat appealing, fewer consumers — 59%, or nearly three of five — expressed the same opinion about organic foods.

#### Appeal of Locally-Sourced and Organic Foods



<sup>1</sup> "Eating Only What Grows Around You," *MSNBC.com*, June 10, 2008

<sup>2</sup> BBMP Conscious Consumer Report, September, 2007

### INSIDE MARKETBRIEF

Consumer Confidence In Restaurant Food.....p.3

Can You Please Repeat That?.....p.4

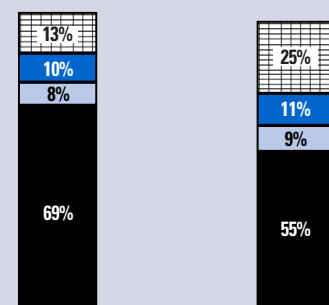
### LATE-NIGHT DINING TREND BARMETER

The late-night dining daypart appears to be growing. Late-night dining is defined here as meals and snacks from restaurants between 10 p.m. and 5 a.m. Usage once a week or more has nearly doubled between April 2007 and July 2008.

There has been a noticeable, 14 percentage-point decrease in the amount of diners who "never" or "very rarely" indulge in late-night dining.

#### Late-Night Dining Usage

(Takeout & Dine-In)



April '07 July '08

- Heavy Users (At least once per week)
- Moderate Users (2-3 times per week)
- Light Users (Once per month)
- Lapsed/Non-Users (Rarely/never)

**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: [www.technomic.com/operator/amexmarketbriefs](http://www.technomic.com/operator/amexmarketbriefs)

## UNDERSTANDING THE APPEAL OF LOCALLY-SOURCED AND ORGANIC FOODS

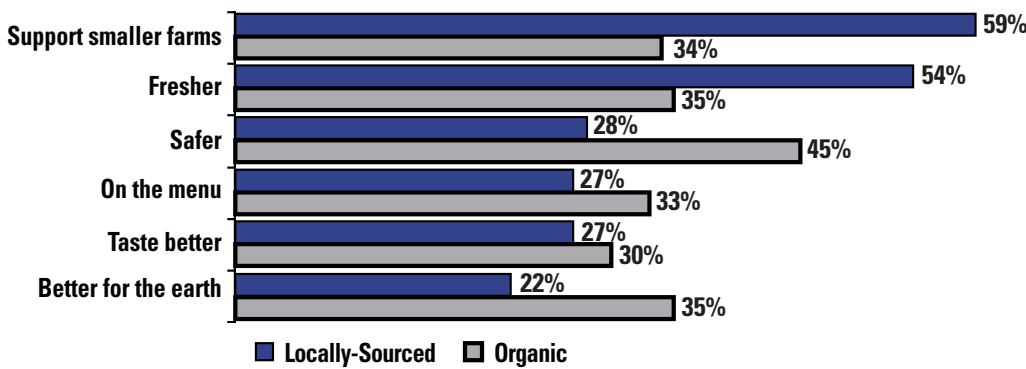
Consumers who order organic foods are prompted to do so by many of the same concerns that spur consumers to order locally-sourced foods; they just attach different degrees of significance to them.

Where locally-sourced foods are concerned, nearly three of five consumers who order them (59%) report doing so chiefly because they believe they are helping out smaller farms and farmers. This is followed by the freshness factor, which inspires 54% of those who order locally-sourced foods, and then by the idea that locally-sourced foods are safer than non-local foods (28%).

The leading reason why consumers report they order organic foods is that they feel such products are safer than conventionally-grown foods (45%). Next on the list are freshness and concern for the earth; these two factors influenced more than one-third (35%) of consumers' decisions to purchase organic foods.

Worth noting is that more than a quarter (27%) of those who order locally-sourced foods, and precisely one-third (33%) of those who order organic foods, report doing so simply because they happen to be in a dish that is ordered off of a menu.

**Why Consumers Order Locally-Sourced and Organic Foods**



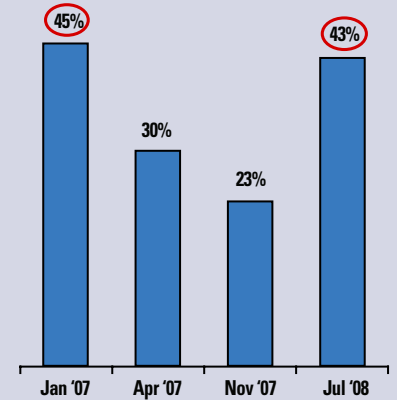
## FOOD SAFETY TREND BAROMETER

Concern over food safety is at a near high point, likely due to the recent salmonella outbreak. In July, 43% of consumers reported that they were "extremely concerned" about food safety in restaurants.

This level of unease was last reached in January 2007, following the E. coli outbreaks that were sourced to fresh spinach.

Historical data shows that food recalls do not influence consumers' concern for food safety in the same way that food poisoning outbreaks do. (See page 3 for more on food safety.)

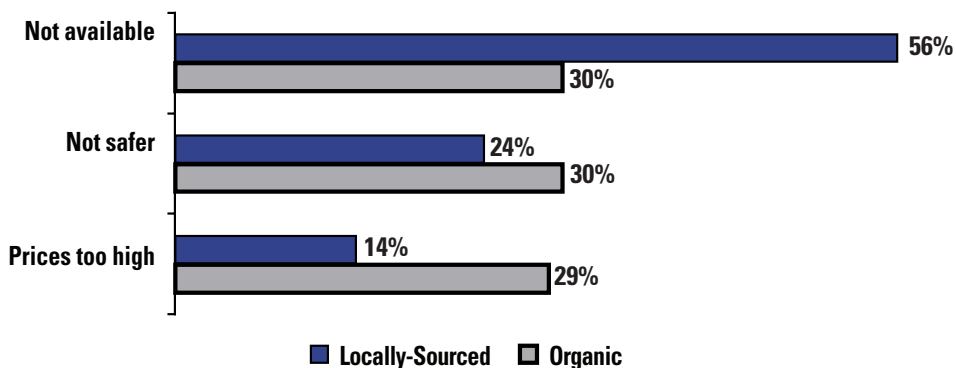
**% of Consumers "Extremely Concerned" About Food Safety**



## ON THE SIDELINES

Of course, not everybody orders locally-sourced or organic foods. Consumers report that the primary reason for not doing so is that they have not visited restaurants where locally-sourced or organic foods are available (56% and 30%, respectively). Other consumers indicate that they do not believe locally-sourced or organic foods are safer than conventional foods (24% and 30%, respectively), while even fewer are dissuaded by potentially higher prices of locally-sourced or organic foods (14% and 29%, respectively). Overall, negative sentiment is stronger with regard to organic foods than to locally-sourced foods.

**Top Reasons Why Consumers Do Not Order Locally-Sourced or Organic Foods**



**Bottom Line:** *Locally-sourced and organic foods are attractive to consumers for many reasons, such as their focus on small farms, their fresh nature, the belief that they're safer, and their taste, but at the end of the day, there is greater demand for locally-sourced than organic foods.*

**BUSINESS-BUILDING IMPLICATIONS:**

- Consumers are largely open to ordering locally-sourced and organic foods, but express concern about the higher price tags that often times accompany such purchases. Rather than focus on price, consider following the lead of quick-service chain Organic to Go, which has taken the concept of organic foods as its premise and point of retail differentiation. Carving out a niche can be justification enough for charging higher prices, if the position taken is sufficiently and successfully unique.
- In June, Chipotle Mexican Grill announced plans to use a set amount of local produce at each of its more than 730 restaurants around the country. Chipotle's plan aims to introduce the idea of knowing where food comes from to a wider variety of people. As this practice becomes more widespread, expect that your customers will want to know more about the origins of the food that you're serving, and be sure to prepare your staff to be able to answer these types of questions. Also, if you do integrate more locally-sourced and/or organic foods into your menu, have a backup plan to procure such ingredients in the event that your suppliers are temporarily unable to do so.
- If you're going to feature locally-sourced or organic foods, be sure to call attention to them on your menu and Web site. For example, the Web page for North Pond, an independent restaurant in Chicago, informs diners that the chef "supports small local farmers" and that "the path from earth to plate remains clear" in the restaurant's food. Such descriptions serve not only to clarify the restaurant's mission but also, to lure in potential customers.

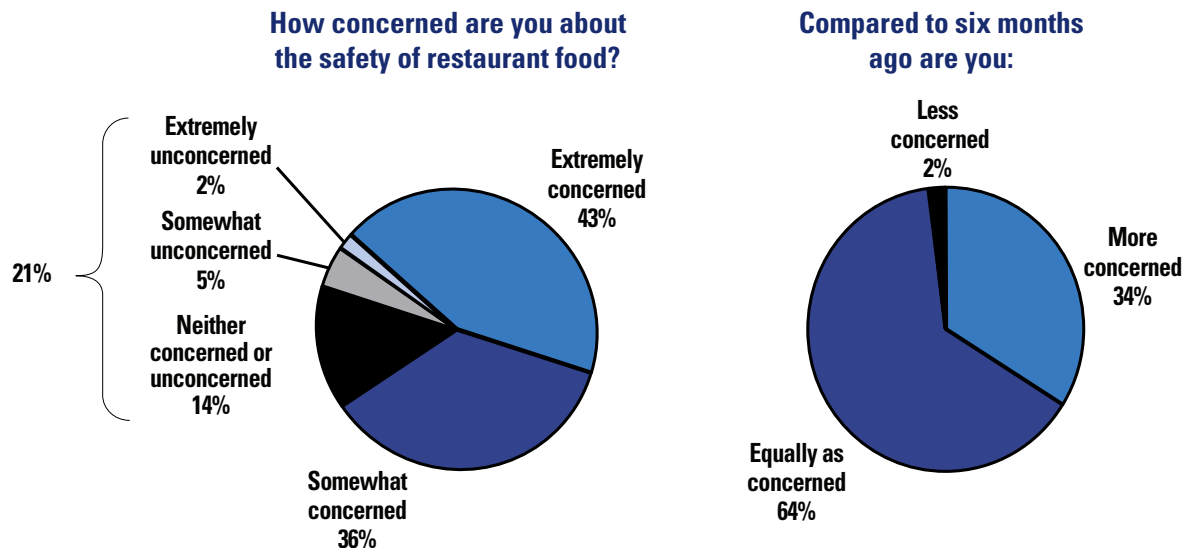
## Consumer Confidence in Restaurant Food

According to the Food Marketing Institute, consumer confidence in the safety of restaurant food increased to 65% in 2008, from 43% in 2007.<sup>3</sup> This information was collected before the ongoing—and until recently untraceable—salmonella outbreak in the U.S. that sickened over 1,200 people. As a result of that outbreak, food safety is once again in the spotlight.

### MAJORITY CONCERNED ABOUT RESTAURANT FOOD SAFETY

As might be expected in the wake of a major foodborne illness outbreak, recent data regarding consumers' concern for the safety of restaurant food shows that more than two of five consumers (43%) indicate they are now "extremely concerned" about what they're being served when they dine out. Additionally, more than a third of consumers (36%) are "somewhat concerned" about this issue. Only approximately one-fifth of consumers (21%) report they are not somewhat or extremely concerned.

In keeping with this temporarily-heightened sense of concern about the safety of restaurant food, more than one-third of consumers (34%) report they are "more concerned" now than they were six months ago. Still, the majority of consumers, 64%, indicate they are equally as concerned as they previously were. Only 2% report they are less concerned.

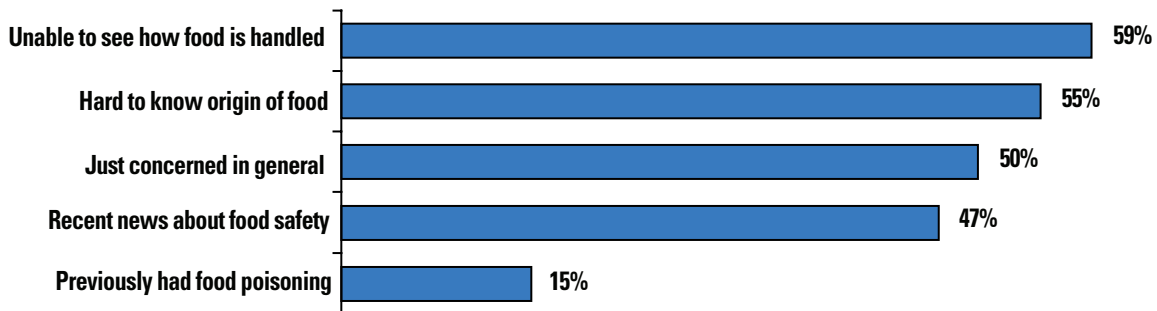


<sup>3</sup> "U.S. Grocery Shopper Trends 2008 Report," Food Marketing Institute, May 2008

## CAUSE FOR CONCERN

Those consumers who express concern about food safety at restaurants attribute such trepidation to a number of factors. First and foremost, nearly three of five consumers (59%) report they are uneasy because they cannot see how food is handled in restaurants. Slightly fewer consumers (55%) worry about the origin of the food they are served, while exactly half (50%) indicate they are just concerned in general about food safety. The recent news about food safety was, surprisingly, not at the top of consumers' lists; fewer than half (47%) ascribe their current concern to media coverage of the salmonella outbreak.

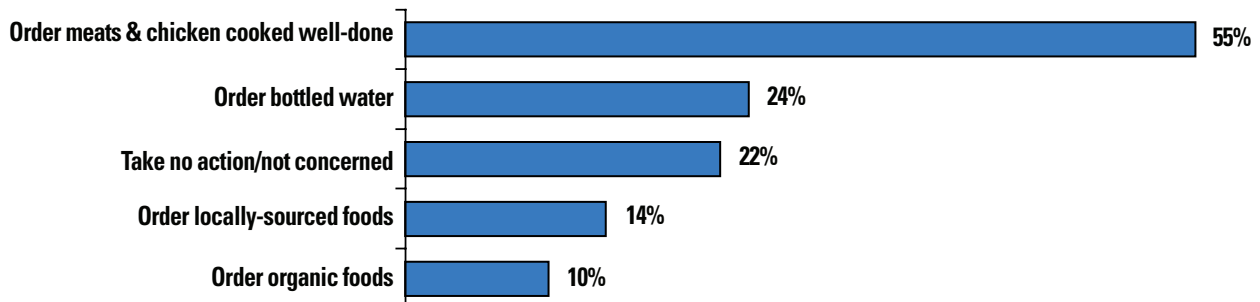
### Top Reasons Consumers are Concerned about Food Safety at Restaurants



## COPING MECHANISMS

When it comes right down to it, most consumers take only marginal measures, if any, to ease their fears about the safety of restaurant food. For example, more than half of consumers (55%) report that they order meats and chicken cooked well-done, and a bit less than one of four (24%) order bottled water. More than one of five consumers (22%), however, indicate that they take no precautions when dining in restaurants, as they are not overly concerned about the safety of restaurant food. Many consumers perceive locally-sourced and organic foods to be safer than conventional food products; consequently, 14% and 10%, respectively, of consumers order such items when dining out to assuage their apprehension about food safety.

### How Consumers Cope with Concern about Food Safety



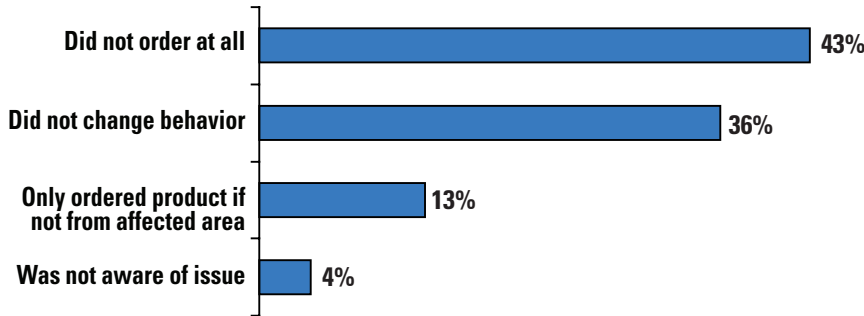
## REAL-TIME REACTIONS

In response to the recent outbreak of salmonella, and its original (and now incorrect) link to tomatoes, more than two of five consumers (43%) report that they responded by not ordering tomatoes at all in restaurants. An additional 13% of consumers only ordered tomatoes if they knew that such foods did not come from an area associated with the salmonella outbreak.

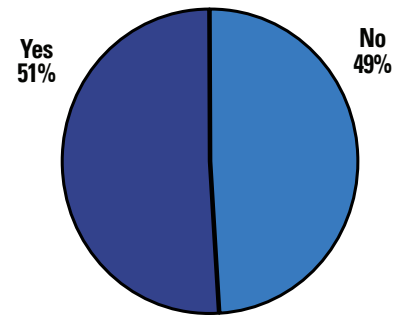
More than one-third of consumers (36%), however, indicate they did not change their eating habits in restaurants at all in response to the salmonella scare. This implies that these diners were confident that restaurants were only serving products they knew to be safe. Another 4% of consumers were not aware that there was a food safety scare at all, and thus likely did not change their eating habits either.

Of those consumers who did stop eating products that contain tomatoes due to the salmonella outbreak, slightly more than half (51%) have since resumed eating such products, while just under one-half (49%) report they are still abstaining.

**Consumers' Response to Recent Tomato Food Safety Scare**



**Have You Resumed Ordering Items that Contain Tomatoes?**



**Bottom line:** Many consumers do alter their dining-out behavior in the short-term when faced with disconcerting news about food safety, but neither the changes made nor their long-term effect tend to be drastic.

**BUSINESS-BUILDING IMPLICATIONS**

- A food recall is a real and ever-present danger, and one from which no operator is ever completely immune. If you don't already have an emergency plan in place, make sure that you develop one to guide your reaction to any potential food safety crisis.
- The more information diners have about the food they're eating, the more comfortable they will feel at your establishment. To reassure consumers, try to point out, whenever possible, where featured ingredients in your restaurant's dishes come from. For example, the "pork" page of the sandwich menu at Zingerman's Delicatessen's (located in Ann Arbor, MI) lists the names of six top-tier producers from whom the restaurant obtains the sausage and ham used in its pork sandwiches.
- At this point in time, there is no universal tracking system in place for produce or most other food products. Nevertheless, it is imperative that when they can, restaurants know the origins of the food they're ordering so as to be able to pinpoint quickly any un-safe elements that might arise.

**Can You Please Repeat That?**

A restaurant reviewer at *The Washington Post* wrote in April that "More than bad food, more than tipping quandaries, more than someone wondering if a free meal should follow a rodent sighting in a dining room, the most frequent concern I get from readers involves loud restaurants." Indeed, according to the Zagat Survey, noise ranks second, just behind service, as the response to the query: "What irritates you most about dining out?"<sup>4</sup>

**WHITE NOISE WANTED**

Noise in restaurants can come from multiple sources, some of which, such as hard-edged design and loud music, are more prevalent in trendy outposts. One might think that with so much music being played in restaurants these days, consumers are largely in favor of it. The data tell a different story, however. Neither at fast-food, fast-casual nor full-service restaurants are a majority of consumers in favor of upbeat music played at a slightly louder volume.

Instead, nearly two of five consumers (39%) indicate that they prefer no music at all when dining at fast-food restaurants, while slightly fewer (35%) prefer softer music played at lower decibels. Two-thirds (67%) of those who dine at fast-casual restaurants and nearly as many (64%) who dine at

<sup>4</sup>"No Appetite for Noise," *The Washington Post*, April 6, 2008

full-service restaurants also report a preference for gentler music at a quieter volume. In all three venues, consumers voiced the least enthusiasm for louder, more upbeat music.

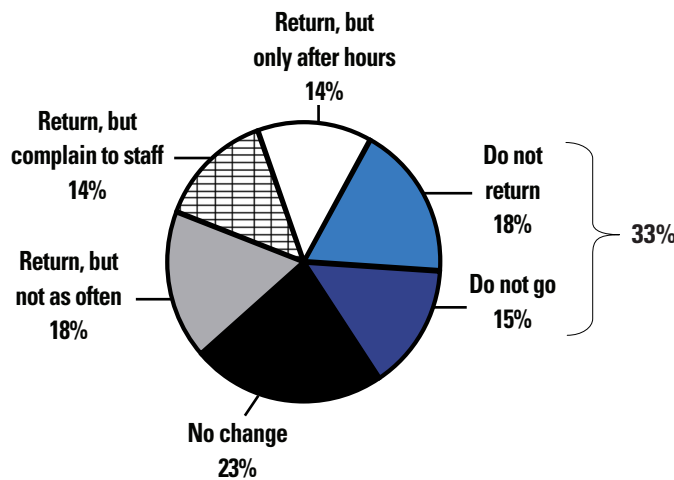
Music Preference by Type of Restaurant			
	An upbeat music selection and slightly louder volume	A softer music selection and quieter volume	No music at all
Fast-food restaurant	26%	35%	39%
Upscale fast-food restaurant	13%	67%	20%
Sit-down, full-service restaurant	17%	64%	19%

### DISCO INFERNO

When music is too loud for consumers' tastes, the effects can be detrimental to a restaurant's business. Case in point: a combined one-third of consumers (33%) indicate they either do not return at all or they intentionally do not go to a restaurant if the music is played too loudly for their liking. On top of that, many consumers report that while they do return to restaurants that play loud music, they don't go as often as they otherwise might (18%), or they go, but complain to the restaurant staff about the noise (14%). Additionally, some consumers (12%) indicate that they do return to the restaurant but go only at off-hours, when the music might not be played at its peak volume.

To be sure, music type and volume are subjective; what may be too loud or too contemporary for one person might be just perfect for the next. Furthermore, most restaurants are not looking to appeal to every generation's preferences in music and noise level. Still, it cannot be overlooked that, taken together, more than three-fourths of a restaurant's business can be affected adversely by music that is played too loudly. Fewer than a quarter of consumers (23%) report they do not in any way alter their visits to restaurants in response to loud music.

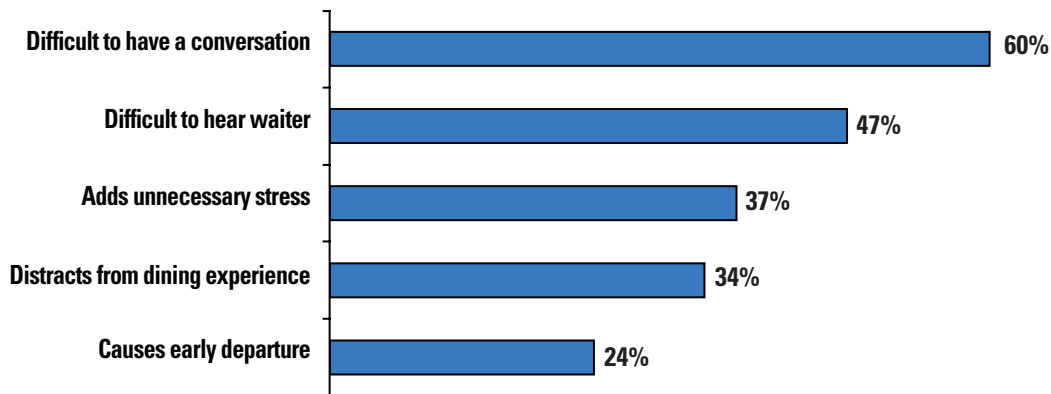
### How Consumers Respond When Music is Too Loud



### COMMUNICATION BREAKDOWN

Diners' top complaint about loud music in a restaurant setting is that it makes it difficult to have a conversation. In fact, three of five diners (60%) agree with this statement, while 47% indicate they are displeased by loud music because it makes it difficult to hear a waiter. For more than a third of consumers, dining amidst loud music adds unnecessary stress to the meal (37%) or distracts from the experience itself (34%). For almost a quarter of diners (24%), music played too loudly is cause for an early departure from the restaurant.

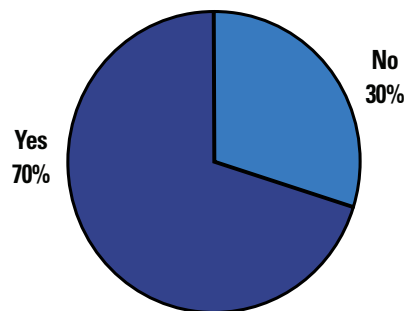
### How Loud Music Impacts Consumers' Dining Experience



### SOUND CHECK

As of April 20, 2008, *Washington Post* restaurant critic Tom Sietsema added noise ratings to his restaurant reviews. The ratings are determined by using a discreet sound-level meter that Sietsema brings to restaurants with him. When consumers were asked whether they'd be in favor of seeing standardized noise-level ratings on restaurants' Web sites or in restaurant reviews, the majority (70%) agreed.

### Are You in Favor of a Standardized Noise-Level Rating?



**Bottom line:** Music that is played too loudly, or just too much noise in general, can reduce a restaurant's business.

### BUSINESS-BUILDING IMPLICATIONS

- Loud music does not imply that a restaurant will fail. As a matter of fact, many successful operators, such as Hard Rock Café and Buffalo Wild Wings, feature loud music as part of their concept. Knowing your customer base well will allow you to assess what music's role in your operation should be. It's imperative that you monitor any changes in your core constituency, however, and make sure to adjust the volume accordingly if need be.
- Background music does not have to be boring. At Babbo in New York City, chef/owner Mario Batali plays a mix of music that runs the gamut from classic rock to techno, with plenty of interesting tunes in between. What makes this music compatible with fine dining is the volume at which it's played; loud enough to make a subtle statement, but not so loud as to distract diners from their conversations.
- Would you know if your restaurant was losing customers because of an elevated noise level? If you suspect that excess noise is scaring off business, see if making a few simple changes, such as lowering the volume on music, softening hard surfaces, or bringing in flowers and other décor to act as noise buffers, can make your restaurant a calmer place to be.

**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 July 2008. Margin of error  $\pm 4.5\%$ .

**About MarketBrief** Through MarketBrief, American Express provides chain restaurants with research-based analysis of key industry developments. Data is collected and analyzed by Technomic, Inc. To subscribe or find past issues of MarketBrief go to: <http://www.technomic.com/operator/amexmarketbriefs/index.php>. If you have questions, comments or topic suggestions, please contact Kimberly Perman at [kperman@technomic.com](mailto:kperman@technomic.com) or directly at (312) 506-3831.



To find out about more American Express services to help you grow your business, go to [www.americanexpress.com/restaurantresources](http://www.americanexpress.com/restaurantresources).