



Market Brief

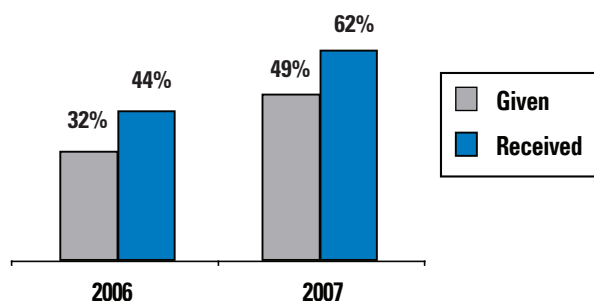
Tracking and interpreting restaurant trends

RESTAURANT GIFT CARDS FIND THEIR MARKET

The 2007 holiday season appears to mark the year that restaurant gift cards took off. During the 2007 holiday season 49% of consumers reported giving restaurant gift cards and 62% reported receiving at least one restaurant gift card. This is a marked improvement from the 2006 holiday season, when only 32% of consumers reported they gave restaurant gift cards and 44% reported they received them.

% of Consumers Who Gave or Received Restaurant Gift Cards

By Holiday Season

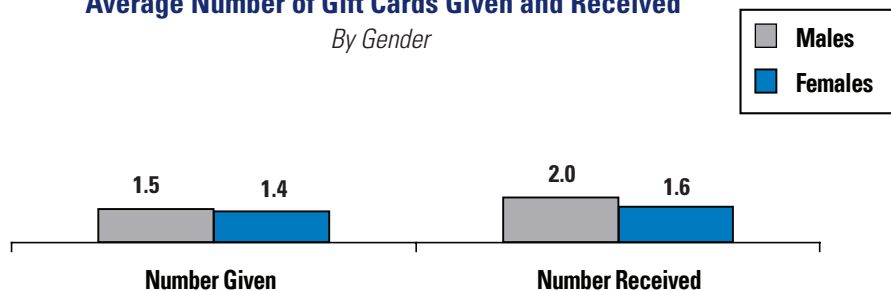


MEN AND YOUTH OFTEN RECIPIENTS OF RESTAURANT GIFT CARDS

The average number of restaurant gift cards **given** during the 2007 holiday season was practically the same for males and females (1.5 vs. 1.4). However, men reported that they **received** more restaurant gift cards than women (2.0 vs. 1.6).

Average Number of Gift Cards Given and Received

By Gender



Consumers 18-34 years of age reported giving and receiving more restaurant gift cards than consumers 35-54 and 55 and older. This could be the result of a generational divide. Older consumers may be much less comfortable than younger ones with the idea of giving gift cards, which they may feel are

INSIDE MARKETBRIEF

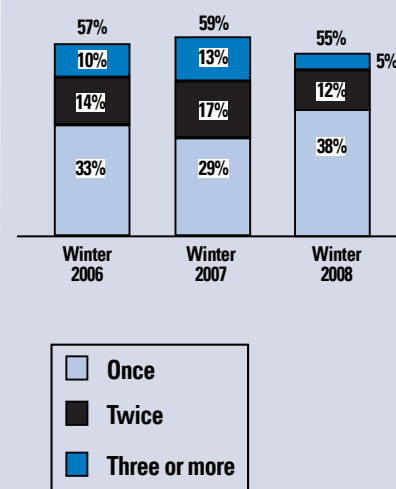
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FSR TAKEOUT TREND BAROMETER

Overall, full-service takeout has remained relatively steady over the last three years with slightly over half of consumers reporting using it at least once a week. However, it appears that frequency of use is declining as more consumers report in 2008 that they use FSR takeout once a week and fewer report that they use FSR takeout three or more times a week.

FSR Takeout in the Past Week (% who ordered)

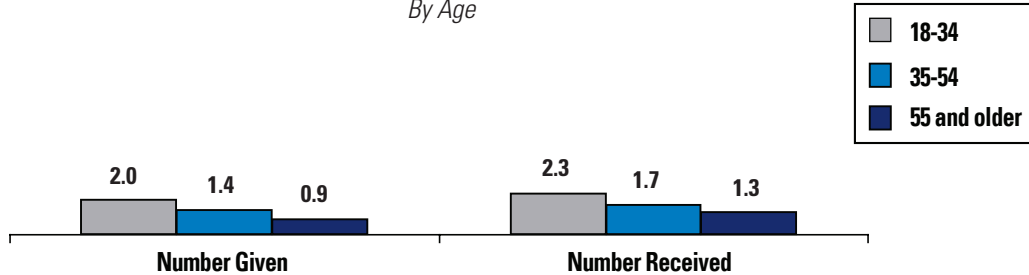


Editor's note: Look for several up-to-date metrics that shed light on key industry trends presented in this space in each month's MarketBrief. For comparison, you can find past Trend Barometer metrics online at: www.technomic.com/operator/amexmarketbriefs

too similar to giving gifts of cash. Older consumers also tend to spend more time shopping for “just the right” gift than do younger consumers, who find gift cards to be an easy, quick purchase.

Average Number of Gift Cards Given and Received

By Age

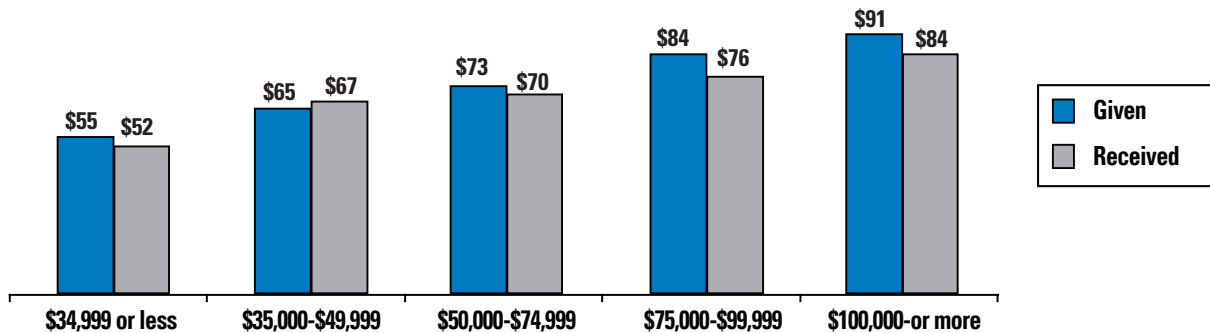


POTENTIAL FOR GROWTH IN AVERAGE SPENT ON RESTAURANT GIFT CARDS

On average, consumers reported spending \$70.30 cents on restaurant gift cards this year. The total value of restaurant gift cards consumers reported receiving was \$66.40. The total value given and received steadily increases with consumers’ household income.

According to the Bureau of Labor Statistics, during the 2006 holiday season (the latest available statistic), the average American consumer gave gifts valued at \$1,154 in total. This suggests that if restaurants continue to effectively market their gift cards, there is potential for the amount spent on them to increase, especially among higher-income consumers who are willing and able to spend more on restaurant gift cards.

Average Spent and Received on Gift Cards By Income



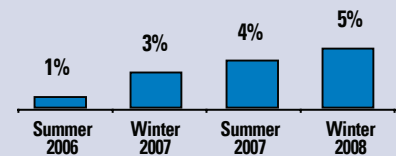
Fortunately, most consumers don’t wait for the weather to change before they spend their gift cards. This can give restaurants a much needed boost in traffic during the first few months of a new year. By the middle of January, when this data was collected, half of consumers had

MEAL ASSEMBLY TREND BAROMETER

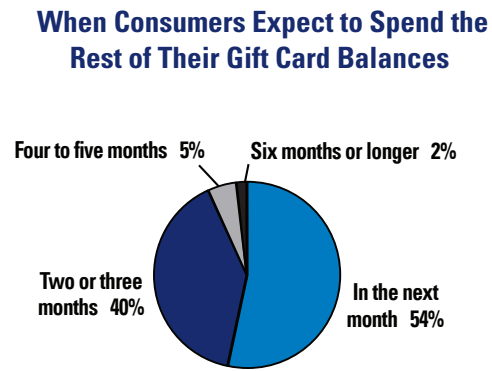
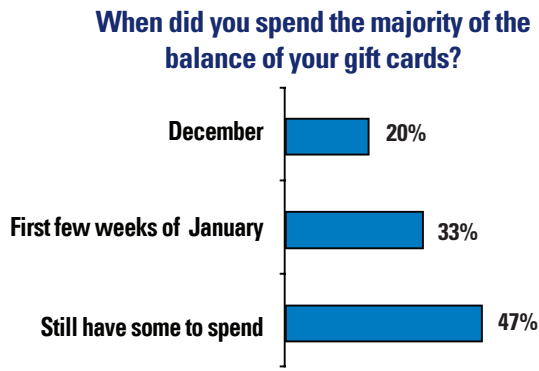
Meal Assembly Centers (e.g. Dinner by Design, My Girlfriend’s Kitchen, etc.) are the newest foodservice segment. These centers have prep kitchens where consumers can go to assemble meals that can be frozen and later served to their families.

Meal Assembly Centers market themselves as a fun, convenient and cost-effective means of providing families with home-cooked meals. For the past year, awareness of this segment has hovered around one third of consumers. While not yet a significant competitor, usage of this venue is slowly trending up.

% of Consumers Who Have Used Meal Assembly Centers In the Past



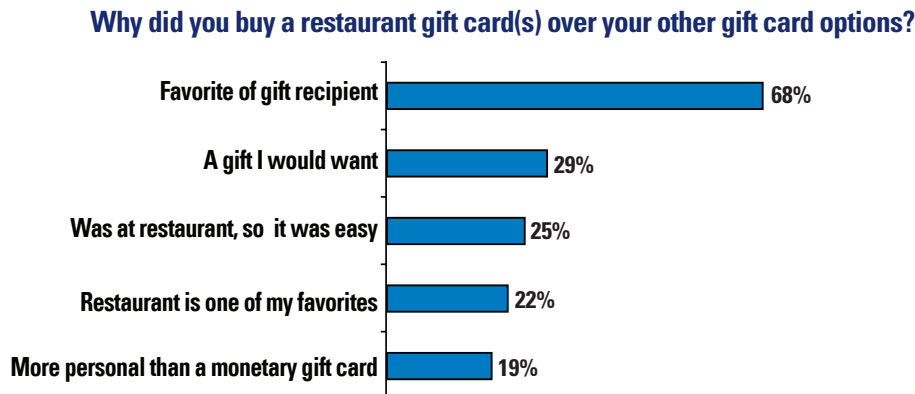
already spent the balance of their restaurant gift cards. Of those consumers who had not yet spent the balance of their gift cards, over half (54%) expected to spend it in the next month. Only 2% don't plan to spend it in the next six months.



CONSUMERS CAN GIVE A GIFT THAT SAYS “I KNOW YOU”

Consumers overwhelmingly reported that they are choosing restaurant gift cards over other gift cards because they know that a particular restaurant is the gift recipient's favorite (68%). A restaurant gift card has an advantage over other gift cards because it can say to the recipient “I know you enjoy this restaurant, so have a night out on me.”

Approximately three of ten consumers (28%) will choose a restaurant gift card over other gift card options because a restaurant gift card is a gift they would want for themselves. A quarter of consumers (25%) report they will pick up a restaurant gift card over other gift card options because they are at that restaurant. Approximately one of five will choose a restaurant gift card because the restaurant is a favorite of theirs (22%) or because it is more personal gesture than giving a monetary gift card (19%).



Bottom line: Restaurant chains did an excellent job of getting their gift cards in front of the consumer during the 2007 holiday season. In addition to being promoted at their own outlets, many restaurants' gift cards were prominently displayed at supermarkets, warehouse clubs, convenience and drug stores. Consumers responded to this increased availability by snapping the gift cards up. The challenge during the 2008 holiday season will be to develop unique gift card programs and achieve additional visibility within non-restaurant retail spaces.

BUSINESS-BUILDING IMPLICATIONS

- Consider ideas for making your gift cards and gift card programs unique from competitors'. Some restaurants allow consumers to customize their gift cards with photos or personal messages when they are ordered. At least one chain is planning to offer scratch-and-sniff gift cards next year. Unique packaging is another alternative. If a gift card looks more like a gift, consumers may be more apt to snatch it up.
- Some gift-givers are motivated by a “what's in it for me” mentality. The restaurant gift card programs that get these gift-givers' attention are those that provide an incentive for gift card purchases. These incentives might be reward dollars or points.
- Independent restaurants face more of a challenge promoting and marketing their gift card programs than chains. Independents need to sufficiently market their cards using a variety of four wall promotions such as server buttons, table tents, posters, etc. that mention the gift card program. Remind your customers that buying a gift card from you will save them a shopping trip later.

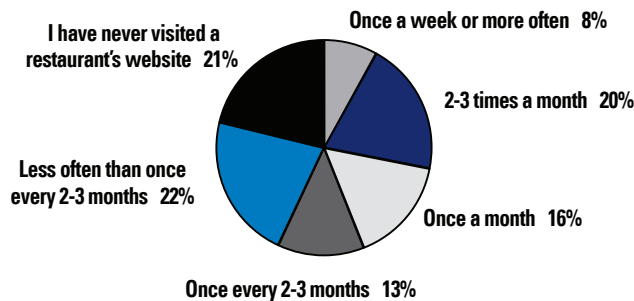
YOUR CUSTOMERS ARE ONLINE. ARE YOU?

Increasingly, restaurants are utilizing Web sites to inform consumers and draw traffic to their establishments. The nature of the information provided is tailored to each restaurant or chain's site, but tends to cover many of the same areas such as menus, directions, locations and relevant promotions.

REPORTED USE OF RESTAURANT WEB SITES IS HIGH

Operators will be pleased to find that their efforts to create and maintain Web sites seem to be paying off. Nearly eight of ten consumers (79%) reported that they have visited a restaurant's Web site, and more than two of five (44%) visit once a month or more often.

How often consumers use restaurant Web sites

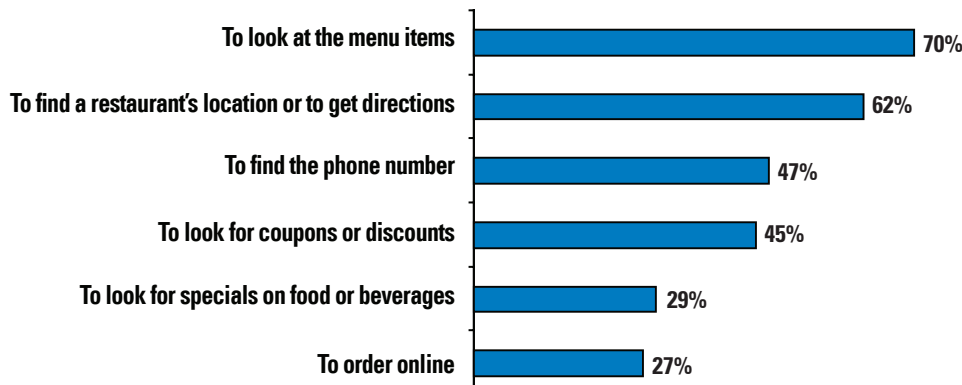


MANY LOOKING FOR INFORMATION NOT AVAILABLE IN THE YELLOW PAGES

Once consumers are on restaurant Web sites, they use them in a variety of ways. At the top of the list, seven of ten (70%) have gone online in the past six months to look at menu items. Six of ten (62%) have used restaurant Web sites to find a restaurant's location or get directions, and nearly half (47%) to find a restaurant's phone number. A significant percentage of consumers visited restaurant Web sites in the past six months to look for coupons or discounts (45%) or specials on food or beverage (29%). It's likely that if the current economic unease continues, the number of people searching for special deals or discounts will increase.

Slightly more than a quarter (27%) of those who visited restaurant Web sites in the past six months did so to place an online order.

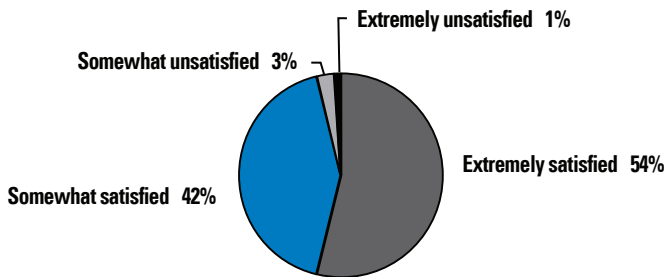
Top reasons consumers visited restaurant Web sites in the past six months



CONSUMERS OVERWHELMINGLY SATISFIED WITH THEIR ONLINE ORDERING EXPERIENCES

Overall, more than a third of consumers (37%) reported having ordered food on the Internet from a restaurant at some point in time. Of those who have used this service in the past, almost all (96%) were satisfied with the experience, and nearly as many (91%) would be likely to order from a restaurant on the Internet again. This strong correlation between satisfaction and repeat usage suggests that as more consumers endeavor to place orders online, the popularity and use of this accurate and convenient ordering service will likely grow.

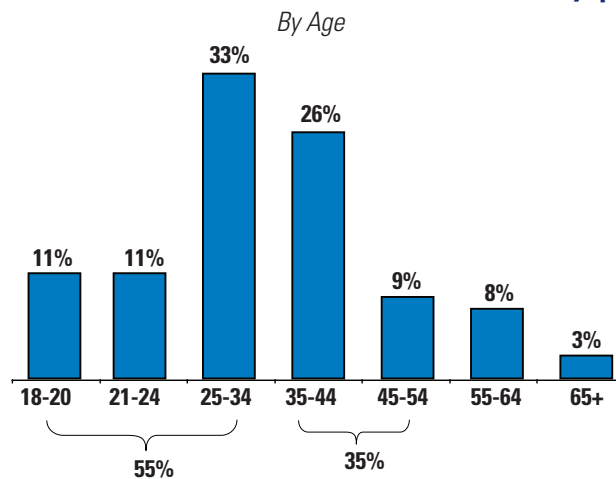
How satisfied were you with this experience?



RESTAURANTS REACHING CUSTOMERS THROUGH SOCIAL NETWORKS

Many restaurants have fan-created MySpace pages. While only 7% of consumers have visited such MySpace pages, an additional 88% of consumers are familiar with the social networking Web site. Visitors to MySpace restaurant pages tend to be on the younger side, but not to the extreme. For example, while more than half (55%) of the visitors are between the ages of 18-34, more than a third (35%) are between the ages of 35-54. Operators should know that not only the Millennial generation views their fan-based MySpace pages; plenty of Gen Xers and some younger Baby Boomers are viewing them as well. Favorite fan-created MySpace restaurant pages mentioned by consumers include McDonald's, Burger King, Applebee's, Chili's, Red Lobster, The Olive Garden, Papa John's and Pizza Hut.

Consumers who have visited a restaurant's "fan-created" MySpace page



Bottom line: An Internet Web site is no longer a “nice to have,” but a “need to have.” Internet-savvy consumers are looking for information beyond logistics. Some consumers are likely comparing your offerings and promotions with your competitors’ and making a decision about where they are going to dine before they even get in the car.

BUSINESS-BUILDING IMPLICATIONS:

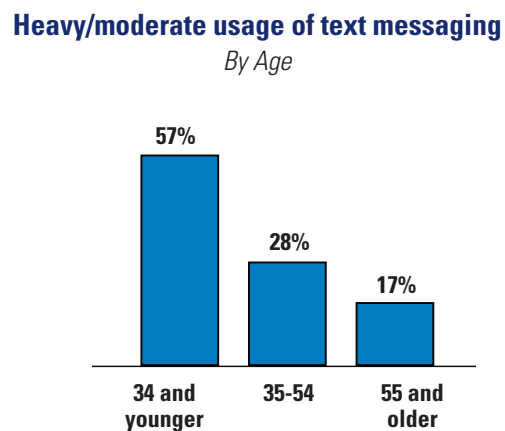
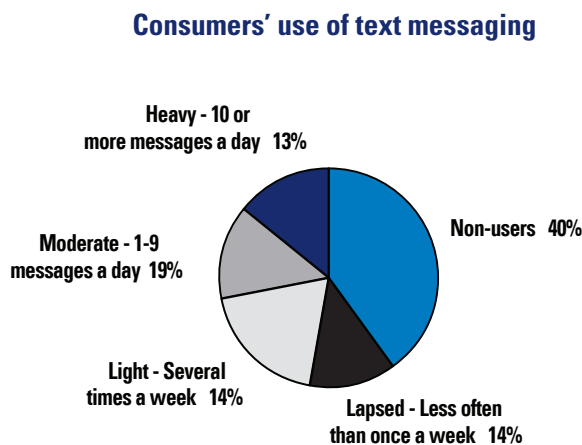
- When was the last time you gave your Web site a facelift? Many restaurant Web sites are no longer static, boring web pages. Some restaurant Web sites have done an excellent job of integrating video, music and Flash features, making them so dynamic you can almost feel the experience. Certain chains even stream their commercials onto their Web sites, so that you can nearly smell and taste the food. Burger King, Red Lobster, and Senor Frog’s are just a few examples of brands that help your experience their concept through their Web site.
- There is nothing more frustrating than not being able to find the information you are looking for. Do you know what type of information your customers most want to see on your Web site? Is it easy to navigate? What appears easy to a Web site programmer might not be as easy for the general consumer. Conducting a Web site usability study could help you determine if your customers are as comfortable with your Web site as you are. Houlihan’s, Chipotle, and Jamba Juice recently updated their Web sites, adding visual stimulation and easy navigation.
- Is your Web site generating business? Adding features such as online ordering, an online store with branded merchandise and gift cards can tip the scales in your favor. It is essential that operators have a process in place by which to track Web site usage.
- MySpace is a social networking site and as such, restaurants should look to it as a source for free, word-of-mouth advertising and a way to monitor customer feedback. A strong MySpace presence could leave a lasting impression with consumers, who would then pass on the word to their MySpace contacts. Taking the time to foster a strong MySpace fan base could pay off in spades down the line.

TEXTING: THE NEXT FRONTIER

While slower to catch on in the U.S. than in other parts of the world, text messaging has rapidly become a popular mode of communication. “Texting” is sending a short message from a mobile phone or a personal digital assistant (PDA) using the Short Message Service (SMS). Americans send some 30 billion text messages a month, and the trend seems likely to increase. ¹

TEXTING IS “THE” WAY TO COMMUNICATE FOR SOME CONSUMERS

In a national survey of 1200 consumers conducted by Technomic, only 40% of consumers report they “never” send text messages. Approximately a third (32%) are Heavy or Moderate users, sending at least one text message every day. Slightly more than a quarter of consumers (28%) reported Light or Lapsed text messaging behavior. The fact that there are more Heavy and Moderate users of text messaging than Light and Lapsed suggests that text messaging is likely a primary mode of communication for some consumers.

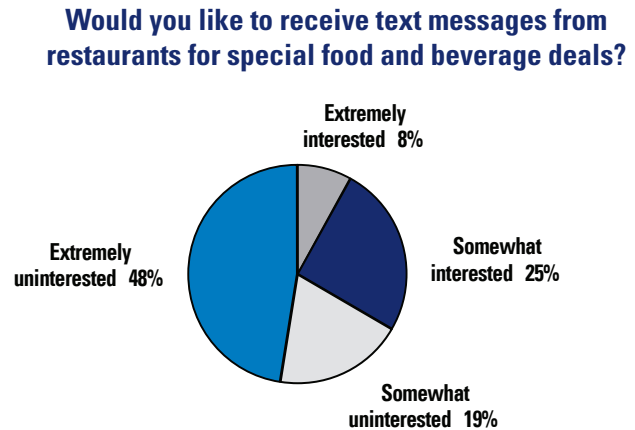
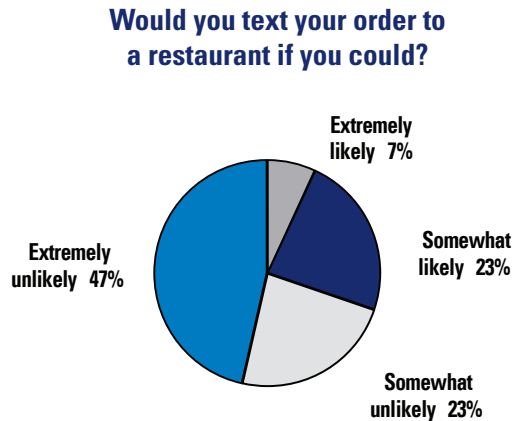


¹“Restaurants Looking Toward Text Message Ordering,” *USA Today*, January 16, 2008

STARTING SMALL, BUT POTENTIAL TO GAIN GROUND QUICKLY

Only 5% of consumers reported that they have texted an order to a restaurant in the past. However, 30% reported they would be “extremely” or “somewhat” likely to use this method of ordering in the future. The numbers point to considerable potential for growth as restaurants increasingly accept, and encourage, texted orders.

Restaurants can proactively target consumers through texting, and consumers’ openness to this new format seems to be growing. Approximately the same percentage of consumers who would consider sending text-messaged orders to restaurants also would be interested in receiving special deals from restaurants via text messages (33%). Some of those who are uninterested in receiving texted deals could be concerned about potential security risks related to divulging their cell phone numbers, or paying to receive these “ads.” Others may be overwhelmed by the technological complexity of it. As coupons and special deals become more alluring in these rough economic times, however, and text exchanges become ever more secure and commonplace, consumers’ desire to save a penny may overtake their fear of embracing this new technology.



Bottom line: Text messaging is the latest method of connecting with your customers. Its applications to restaurant ordering and deal promotion make it worth your time to investigate whether your customers are interested in these services. Text-based ordering is a seamless process that should save time and increase accuracy for both consumers and operators alike. Restaurants that can direct special deals to their customers through text messages are ahead of the pack, but may soon find themselves fighting off the competition as this channel takes off.

BUSINESS-BUILDING IMPLICATIONS:

- Early adopters of technology are the key to popularizing a new concept. If you are thinking about accepting text-messaged orders, why not offer a generous incentive for those early adopters? Once they tell their friends and families about the great deals they received simply because they ordered via text messaging, chances are that new users will take to the idea, and your restaurant.
- As text-messaged ordering becomes more commonplace, operators should emphasize and advertise the secure nature of the system. For those consumers who want to try text-based ordering, or who want to receive special offers through text messages, but are afraid of possible security breaches, a focus on precautions that are already in place may quell consumers’ unease and bring new users into the fold.
- Do your research. Restaurant chains such as Pizza Hut and Papa John’s have recently begun accepting text messaged orders for food. Several other chains, namely Quizno’s, Dunkin’ Donuts, Subway, Domino’s and McDonald’s, are testing the concept or looking into it as well. GoMoBo, the company whose software makes it possible to “order food on the go,” estimates that orders placed via text messages through GoMoBo are 24% higher than at point-of-sale, and predicts that texting could account for 25 percent of all food takeout orders within the decade.

Editor’s note: Except where otherwise noted, source of data is a periodic overnight survey of 1200 consumers representative of the U.S. population, conducted via the Internet by Technomic, Inc. in January 2008. Margin of error $\pm 3.0\%$.

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