

S&A SANDELMAN & ASSOCIATES
TRACKS

Newsletter



To continue the yearlong celebration of its 25th anniversary, Sandelman & Assoc. in this issue presents “25 insights in 25 years.”

To reach young users, go online

TV is still the leading source for information on new products and deals at casual dining restaurants, but it’s losing its sway.

TV, word of mouth, direct mail and newspapers were cited by fewer CDR users in Casual-Track® July-Dec. 2013 compared with July-Dec. 2011, while more turned to online sources to gather CDR info.

The percentage of CDR users who relied on TV ads for information about products, deals and promotions, etc., dropped from 66 percent in July-Dec. 2011 to 56 percent in July-Dec. 2013.

The shift away from traditional media is most pronounced among 18 to 34 year olds, with only 50 percent mentioning TV ads in in 2H 2013 vs. 69 percent in 2H 2011.

The percentage of CDR users who received info from restaurant chain e-mails increased from 18 percent in 2H 2011 to 26 percent in 2H 2013. Similarly, use of social media websites grew from 11 percent to 18 percent in the past two years.

Almost half of heavy CDR users and 18 to 34 year olds engage with a CDR chain via social media, most often to find promos

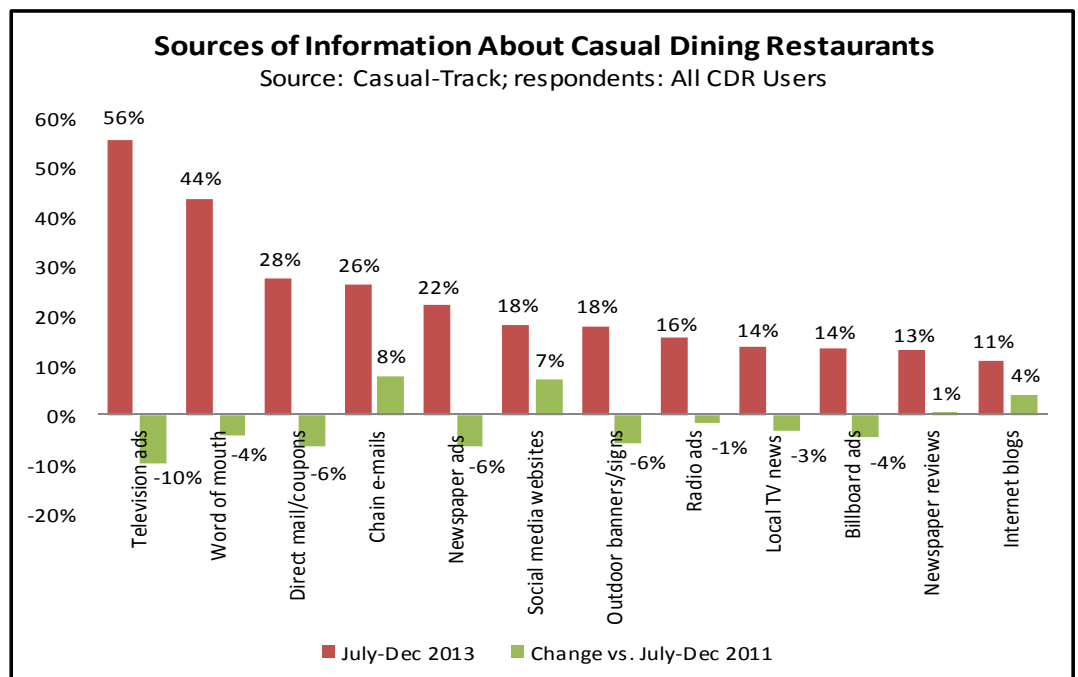
or deals, download coupons or find out about menu or specials.

Sandelman’s report *Social Media for CDR* uncovers how many and which CDR users are most often consulting Yelp, Urban Spoon, Citysearch, Facebook and all other social networking sources, plus digital couponing sites (Groupon, Living Social, e.g.).

The report is free to Sandelman 2014 clients; call our service team at (888) 897-7881. A companion study was fielded among QSR users. Nonclients, can order a report for \$500 at www.sandelman.com/cdrsocimedia.

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Sandelman & Associates' 25 insights in 25 years

Year after year, the heaviest QSR users are in Dallas, Houston, San Antonio, El Paso and McAllen, Texas. Indeed, several Texas markets are great pizza markets.

Sandelman & Associates in late 2013 celebrated its 25th year providing market-level consumer insights to the chain restaurant industry. A lot has changed in fast-food and casual dining, but some insights are timeless. So here are 25 insights we've shared with clients and other industry leaders over the years.

1. It's all about perception. Speed and health ratings at fast-casual chains often exceed those of their traditional fast-food counterparts even though, in reality, it's usually fewer seconds—and sometimes fewer calories—at fast-food restaurants.

2. Don't mess with McDonald's. As Dunkin' Donuts and Starbucks began to eat into



McDonald's breakfast share, Goliath fought back with a line of premium coffee drinks and regular coffee, badly undercutting the competition on price, speed and even convenience.

3. If you want to launch a fast-food chain, consider Texas. Year after year, the heaviest QSR users are in Dallas, Houston, San Antonio, El Paso and McAllen, Texas.



Indeed, several Texas markets are great pizza markets.

4. Gen X is the most demanding of QSR chains.

5. It's time for casual dining chains to focus on a broader target. In 2006, 40 percent of consumers qualified as heavy casual dining users and contributed more than 75 percent of all occasions. Today, fewer than 20 percent are heavy users and they account for less than 40 percent of occasions.

6. Call us prognosticators. Our casual and family dining tracking study Casual-Track[®] uncovered a dip in customer satisfaction across several tracked chains reported in our fall 2007 *Tracks* newsletter, predicting a likely decline in the category before the recession hit.



7. Battle for a "pizza-the-pie." Pizza share of all occasions spiked in 2006-2007, bottomed out in 2009 and is rebounding. Monitored chains and local independents have recently battled to a draw. But in markets like Buffalo, Albany and Hartford, independent pizza restaurants serve up more than three 3 in 4 pizza occasions.

8. The 2000s were a blur. Last decade there was a blurring of the lines between QSR subseg-



ments. Chain types now compete with chains of all stripes, not just with chains of the same type (e.g. burger). Even Chipotle users grant greater share of their visits to McDonald's than to Chipotle.

9. The consumer is schizophrenic. Despite their desire for a greater variety of healthful food choices, about six in 10 casual dining users, especially women, say they will continue to order the foods they crave.

10. Perception is—or isn't—reality. Customers think Burger King's Whopper and Starbucks Grande Frappuccino are much higher in calories than they are, for example. Other fast-food items are better perceived.

11. A better burger shakeout is coming. Consumers appreciate the better experience, but they question the value.

12. Strained loyalties. In the late 1990s, Washington, D.C.'s QSR users visited an average of five chains in the past 3 months; in 2013 they visited seven chains on average.

AS SEEN IN THE NOV. 11, 2013, ISSUE OF NATION'S RESTAURANT NEWS



13. Breakfast has always been huge in the South. Then Quick-Track® added

Starbucks and Dunkin' Donuts in 2007. The Northeast is clearly a hotbed of a.m. occasions.

14. Chain restaurant users are changing the way they get their restaurant information. Over the past 10 years the Internet is replacing newspapers and direct mail, much more so in casual dining. But TV and in-restaurant materials are as important as ever.

15. The recession really hurt Hispanic QSR participation. Between 2005 and 2009, category participation among Spanish speakers contracted from 96 percent to 78 percent. Ouch.

16. Heavy QSR users may be older than you think. Young males still account for a large chunk of users and occasions, but today 35 to 44 year olds account for a lot of occasions and their drivers are different.

17. We're eco-friendly, too. Fully 85 percent of QSR users believed in recycling in 2000. Sandelman responded to the call soon thereafter, replacing its binders of crosstabs with an online, multidimensional cube client interface.

18. Serving food kids like is the biggest driver to kid appeal. Some chains conceded the kids

market to McDonald's in the 1990s, feeling they couldn't compete with huge marketing budgets. Many chains are chosen for family meals by simply promoting kid-friendly food.

19. Which comes first, eat-in or high ratings? Chains with higher than average eat-in tend to have higher ratings. Consumers elect to dine in at places they feel better about.

20. Diners don't want to admit they like McDonald's, but they like it more of late. The brand has by far the highest usage, but ratings tend to be weak. The chain is driving growth by improving perceptions.

21. What a good value. Value: When food, service and atmosphere are fairly priced in the consumer's mind. In 1999, QSR users in Atlanta spent \$4.13 on average and today spend \$5.68.



Then, 65 percent were satisfied with "value for the money," today 74 percent are satisfied. Good work!

22. Encourage retrial among Hispanic women. Males historically are heavier QSR users than females, especially among unacculturated Hispanics. In 2007, the Hispanic gender gap was especially large, but chains have worked to narrow the gap since then.

23. A big gulp out of QSR. C-stores are aggressive competi-



tors. In the mid-Atlantic, Sheetz plays a major role, now serving as many as 1 in 20 QSR lunch occasions in its strongest markets.

24. Health matters. Offering healthful fast-food items has been key to Subway's phenomenal growth and success. Only six in 10 QSR users considered healthy food when choosing a chain in 2000, while almost seven in 10 did in 2010.

25. Every market is different. Competition and consumers vary by market. A proliferation of regional and local brands in the 1990s prompted Sandelman & Assoc. to add these growing chains to its Quick-Track study.

A boon: These developments helped the study grow from one market to 100 markets monitored today. While big lunch/dinner chains are nibbling around breakfast, morning chains are taking a bite out of lunch.

Need insights for your chain? Call Paul at (847) 277-7603 to learn how Sandelman can help.

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Café Rio and Chick-fil-A best-rated chains

Café Rio, a fast-casual QSR chain based in Salt Lake City, and Chick-fil-A, earn top honors in Sandelman & Associates' 2013 Quick-Track Awards of Excellence. Congratulations to the winners.

In 2013, 63 percent of Café Rio's and Chick-fil-A's customers rated their most recent visit "excellent" overall (rating of "5" on a 5-point scale). In-N-Out Burger and Raising Cane's tied for No. 3, each garnering an "excellent" rating from 62 percent of their customers.

In the "Large Chains" category, Chick-fil-A is ranked No. 1, followed closely by Firehouse Subs and Panera Bread.

Awards of Excellence are given for overall satisfaction and for the best performances on 16 customer satisfaction attributes of the dining occasion, such as "taste and flavor of the food."

The awards are based on results reported in the quarterly market-level Quick-Track AAU study. For more information, go to www.sandelman.com/awards.

Top 10 QSR Chains (all chains eligible)	Top 10 Large QSR Chains (500+ units)
1. Cafe Rio	1. Chick-fil-A
1. Chick-fil-A	2. Firehouse Subs
3. In-N-Out Burger	3. Panera Bread
3. Raising Cane's	3. Five Guys Burgers & Fries
5. Firehouse Subs	5. Chipotle Mexican Grill
6. Jason's Deli	6. Zaxby's
6. The Habit Burger Grill	7. Papa Murphy's
8. Panera Bread	8. Jersey Mike's Submarines
8. Five Guys Burgers & Fries	8. Culver's
8. Rush's	8. Starbucks

About Sandelman & Associates

Sandelman & Associates conducts consumer research exclusively for the foodservice industry. Information for this newsletter is taken from the Quick-Track and Casual-Track syndicated tracking studies, which monitor attitudes, awareness and usage at the media market level.

To learn how we can help make you the smartest person in the room, call Paul Clarke at (847) 277-7603.