

Eat up.



Purpose of the Study

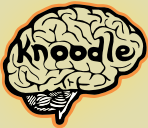
Knoodle commissioned a research project to study dining habits in the winter of 2008 for the Phoenix / Scottsdale area. The main purpose of the research was to gather in-depth information regarding consumers' decision-making process for dining out, feedback on what diners look for in restaurants, and key information about how the down economy is affecting the restaurant industry.

Rationale for Target:

- Phoenix is quickly becoming one of the largest cities in the U.S.
- Restaurant and Hospitality is one of the largest growth industries in the Phoenix area.
- The Phoenix / Scottsdale area is becoming a coveted test market for dining and nightclub concepts.
- Phoenix is one of the few cities in the U.S. that has sports teams in all the major leagues: NBA, NFL, MLB, NHL and WNBA.

The research project consisted of:

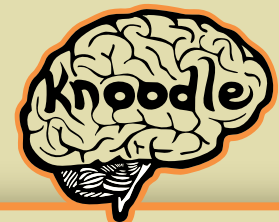
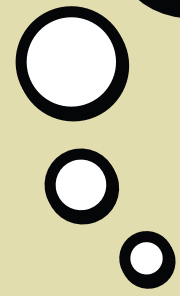
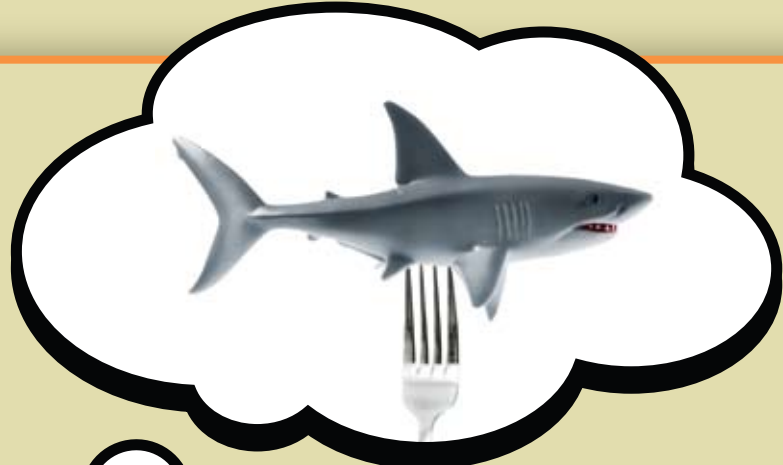
- Online surveys
- Scarborough analysis
- Live focus groups
- Market research
- On-camera interviews
- Industry and trends research



is a full-service marketing agency that focuses on research, creative and public relations to achieve client goals. We serve over 20 clients including Shamrock Foods, Bar-S Foods, Arizona Culinary Institute, Taco Del Mar and Chick-fil-A.

Knoodle has gained many targeted insights on diner and consumer behavior from this study. If you would like to learn these insights and how knoodle can help you grow your business through marketing, public relations and dining operations please contact:

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Get the Competitive Edge
Phoenix Restaurant and Dining Research Study 2009

It is important to note that qualitative research, by definition, is used to gather in-depth anecdotal data, and it is not intended to generate statistically significant numerical findings. Although participants were asked to give feedback on a variety of topics and issues, the results of the research cannot be generalized to equate to the entire population of the Phoenix area. Accordingly, the results are directional, not predictive.



Convenience Matters

- Convenience was overwhelmingly chosen by 71.3% of respondents as the reason to dine out, with about 46% stating that they also took price or ambience into account.
- It is less expensive for a family of four to dine at a QSR restaurant than it is to prepare a comparable meal at home.
- Grocery stores have seen 12% growth in prepared meals due to cost and convenience factors.
- Any extra cost of dining out is seen as a convenience versus shopping, cooking and cleaning for meals.

“Saving time is why we eat out. We are working more than ever and extra family time matters a lot.”



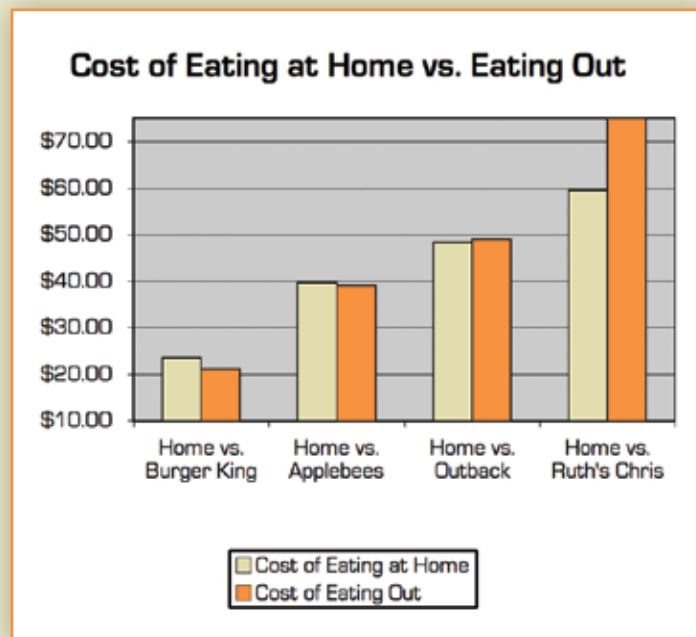
Marketing and Incentives

- The best ways diners find out about new restaurants: word of mouth, internet, newspaper articles and dining guides.
- Customers prefer a coupon with a set dollar amount rather than a percentage off.
- Text message offers are seen as highly favorable.
- Drink specials and happy hour pricing are viewed as extremely desirable in the current economy.
- For restaurant reviews, 38% of respondents look to websites like Google, yelp and Urban Spoon, and local blogs like Feasting in PHX and Chow Bella.
- Some quotes we heard on incentives:
 - “For the first time in my life, I’m looking for good deals and coupons.”
 - “About half our customers use our Loyalty card.” – Manager of Paradise Bakery



The Role Children Play

- The majority (57.1%) of diners with children are taking their entire family out to eat the same number of times per week, with almost half (48.6%) indicating that they all go out one time per week and over a third (39.0%) doing so two or more times weekly.
- Price, followed by a children’s menu and a kid-friendly atmosphere (50.0%, 41.2% and 35.3% respectively) are the biggest factors in determining whether or not to eat out with children.
- Families are more apt to go to mall restaurant locations for dinner. They like the experience of dining, shopping and playtime for the kids all in one place.
- 53% of respondents said they would go to certain restaurants on Kids Eat Free nights.
- Some quotes we heard on Family Dining:
 - “We are eating out more due to my wife working now and all the kids’ activities.”
 - “When we eat out with our kids, there are only certain places our kids will eat.”



“We are still going out the same amount, just to cheaper places to save some money.”



Dining in Today’s Economy

- While people are very concerned about the economy right now, they fear where it will be in six months to a year.
- Due to changes in the economy and stricter DUI laws, people are having dinner parties and cookouts at home instead of dining out with friends.
- There is an entire generation of people who say they are looking for deals or coupons for the first time in their lives.
- Couple’s Date Night has become a monthly occurrence rather than one that is bi-weekly or weekly.
- Restaurant location is key because higher gas prices this year have changed driving habits.
- A third (33%) of Valley diners have cut back on alcohol, appetizers, and dessert when dining out.

“My wife and I will skip an appetizer or dessert and spend that money on a glass of wine or a margarita instead.”



Service

- 63% of respondents believe service is worse than it was last year.
- Waitstaff seems to be more stressed as a result of having to cover more tables with a smaller bussing staff than before.
- Diners are less tolerant of bad service and more cautious of spending dollars at a new unproven restaurant.
- Diners believe that cheaper restaurants will have worse service.
- Some quotes we heard on service:
 - “I deserve and I expect good service”
 - “Service is key. If it’s bad we probably aren’t coming back.”
 - “On date nights, my wife and I want to make it all about us. Great service has to be a part of that.”

“If I can save a little bit on each meal, that’s great. I’m not taking tomorrow for granted anymore.”



General Research and Trends

- 72% of survey respondents eat out three or more times per week including breakfast, lunch or dinner in a QSR or sit down restaurant.
- When making dining decisions, over half of respondents indicated that location and cuisine were the biggest factors, (54.3% and 52.1%, respectively) and one third (33%) also felt influenced by price.
- A third (33%) of Valley diners have cut back on alcohol, appetizers, and dessert when dining out.
- Diners are noticing that their tabs are increasing while portion size is decreasing.
- Higher gas and food prices have reduced the amount of times per week people will eat out for lunch.
- The fixed operational costs of restaurants have increased significantly.
- Raw material prices rose since October 2007:
 - Food and beverage +5.9%
 - Bakery items +11.7%
 - Produce +12.0%
- Value Meal programs were tested by various chains:
 - Endless Shrimp at Red Lobster
 - Never Ending Pasta Bowl at Olive Garden
 - Endless Favorites at Applebee’s
 - Bottomless Express Lunch at Chili’s
- The Taste of Paradise Loyalty and Gift Card program for Paradise Bakery was a big success in 2008.
- Dining Trends of 2008:
 - Sharing an entrée or having an appetizer for a meal
 - Upscale hamburger restaurants
 - Small desserts
- Predicted 2009 Dining Trends:
 - Comfort foods
 - Experiential dining
 - Small restaurant / grocery store
 - Breakfast