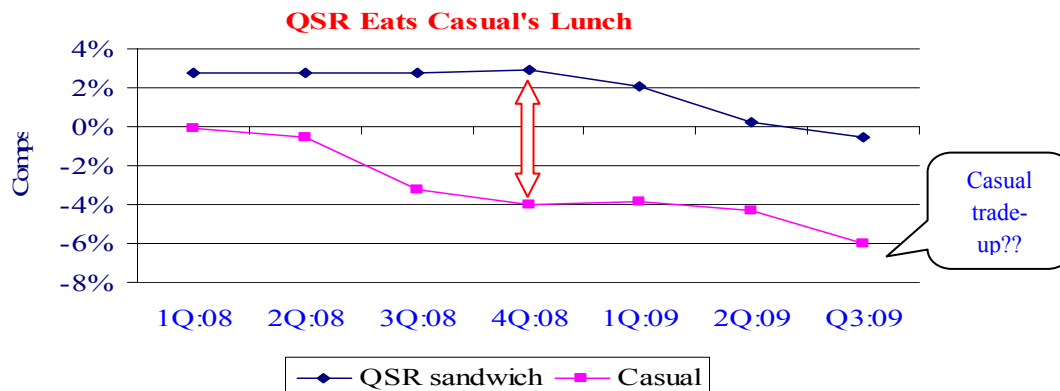


Restaurant Research Think Piece – January 2010

Casual Bottom??

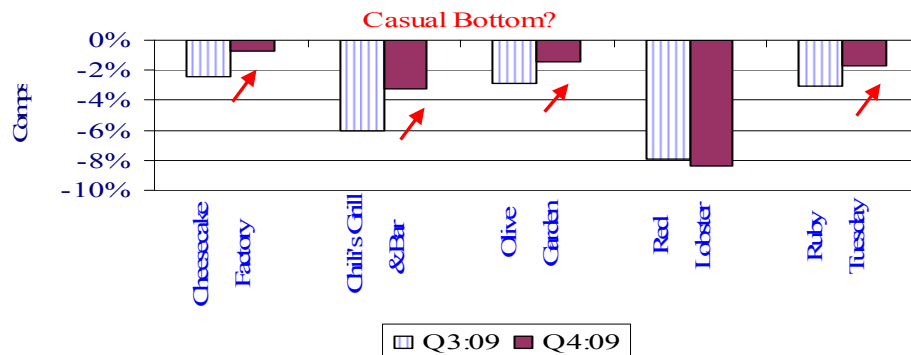
Everyone knows that QSR has been eating casual's lunch since the onset of the great recession. Take a look at the below chart and it is easy to see the affects of casual trade-down to QSR as higher-end consumers sought to cut back on their dining expenditures as part of the US consumers' admirable de-leveraging process. More recently, it seems that everyone decided to cut back on eating at both QSR and casual restaurants in favor of meals at home. All this was not a well kept secret...



Source: Restaurant Research LLC

Fast forward to 4Q09 - could it be that preliminary comp results (see below) are showing that the casual party is starting to resume after a 2 year hiatus? Jobs may still be scarce but the 2009 stock market has given remaining higher-end workers plenty to cheer about. How about this? The Conference Board said its index of consumer confidence rose to 55.9 in January from 53.6 in December. It was the third straight increase and the highest level in more than a year.

Is the casual trade-up in full gear?? Well 4 out of the 5 casual chains that have so far reported 4Q09 comps showed a trend improvement which gives us a reason to consider this as a possibility. But before we get too excited, let's remember that the preliminary 4Q09 casual comp numbers are all still negative! In conclusion, while it may still be too early to call a bottom, things do seem to be looking up for casual.



Source: Restaurant Research LLC

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