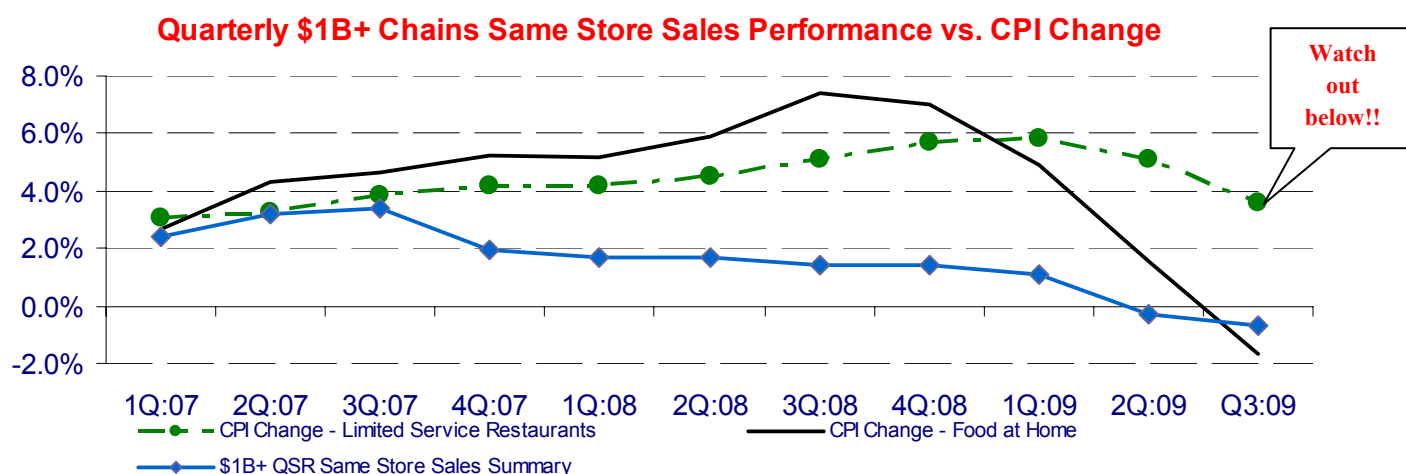


Restaurant Research Think Piece – December 2009

Following the Grocery Stores Down

Do you remember the good old days when QSR price increases were consistently lower than grocery store increases? Look at the chart below and you can see that this was the case throughout 2007 and 2008. This practice helped QSR develop into an increasingly better meal bet for time starved Americans.

All-the-same, it is worth a notice that this distinction of relatively cheaper QSR prices didn't exactly make for stellar QSR comp increases during this period – although they were at least positive. Bottom line? QSR comp sales don't stand a chance without a grocery store price advantage.



Fast forward to the great commodity bust of 2009. The grocery stores quickly got it - commodity deflation provides a cue to lower consumer prices. Unfortunately, no such lesson was learned by the QSR operators!

This leaves us at the end of 3Q09 when QSR enjoys (?) a net +5.3% CPI premium over the grocery stores. Do we need any more explanation for why 2Q09 QSR comps turned negative for the first time since 1Q03?

Our take-away? Either grocery prices are coming up or QSR prices are coming down. We suspect the latter.

For more information about: 1) RR report and subscription pricing, or 2) how to purchase RR's quarterly comp report tracking 32 chains across 5 years and the last 5 quarters - please contact us at (203) 405-1901 or info@ChainRestaurantData.com.

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Restaurant Research LLC leverages an extensive network of industry players as part of its annual Concept Benchmark Analysis due diligence process for 22 large US restaurant chains. Also, RR tracks store level data for all major chains with system-wide sales in excess of \$1B across all major restaurant segments in order to produce 11 key Industry Data Topic reports.

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