NORTH AMERICAN RESTAURANTS MUST TARGET DIVERSE CONSUMERS STRATEGICALLY

And continue battling share-of-wallet pressures

Dining out and spending remain flat overall, but vary across consumer segments—requiring savvy investment strategies from operators.

AT A GLANCE

1. Quick service restaurants (QSRs) dominate in breakfast and snacking, and beat fast casual in leading lunch.
2. Travel and Millennials making larger lifestyle purchases are threatening restaurants' share of wallet.
3. Technology's influence on consumers' dining-out choices may be plateauing.

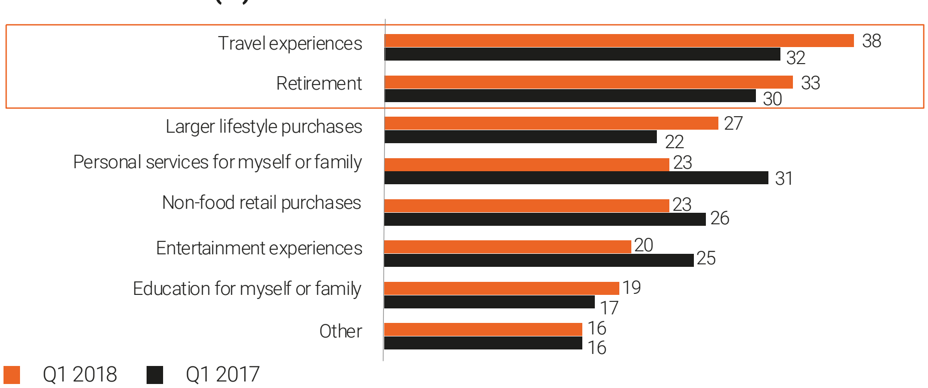
GENERATIONAL DIFFERENCES IN DINING-OUT FREQUENCY AND SPENDING

Gen Xers expect to dine out less often and spend less over the coming year. Meanwhile Millennials anticipate both dining out and spending more. Baby Boomers' frequency won't change, but they expect to spend slightly more. Cutbacks in fast-casual dining, mostly by Millennials, will be offset by consumers' heightened interest in full-service dining.

78%

Just over three-quarters of consumers said they intend to dine out the same or more next year, down from 81% last year.

FIGURE 1: WHERE CONSUMERS WOULD REALLOCATE MONEY SAVED ON DINING OUT (%)



HOW DINERS WOULD RATHER SPEND THEIR MONEY

Saving money to reallocate toward other expenses remains the #1 reason for consumers deciding to cut back on dining-out occasions. The desire for a healthier diet is reason #2.

For consumers looking to spend less on food purchased outside the home, 25% said they'll buy ready-to-eat meals from grocery stores—a significant increase over previous years.

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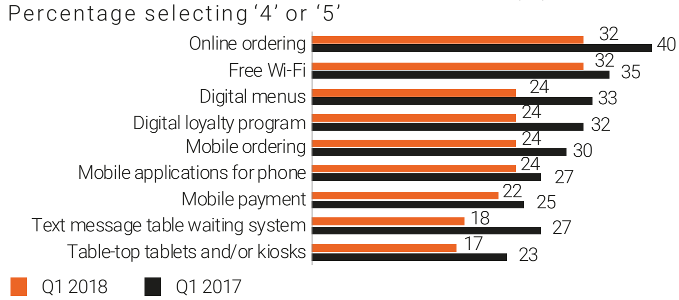
PLATEAUING INFLUENCE OF TECHNOLOGY

Online ordering and free Wi-Fi still shape consumers' choice of restaurant, but technology's influence overall is levelling off. The number of consumers using mobile technology hasn't risen much, loyalty-program adoption rates have stalled, and only 25% of consumers follow their favorite restaurant on social media. Diners clearly fall into two groups: technologically engaged—and not.

FIGURE 2: TECHNOLOGY'S INFLUENCE (%)

Percentage selecting '4' or '5'



4%

Few consumers prefer to order delivery through a third-party service versus directly from a restaurant.

DELIVERY REMAINS STEADY DESPITE MEAL-KIT SERVICES

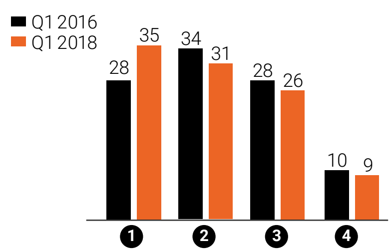
Frequency of take-out and delivery will remain flat, though interest in delivery for fast casual and fine dining may grow. Meanwhile, only 18% of consumers have tried meal-kit services. Of them, 13% say they'd rather order delivery instead. 56% of consumers haven't tried meal-kit services—and have no interest in doing so.

PRICE AND CONVENIENCE INFLUENCE DINERS' CHOICES —AS DO FOOD SAFETY AND TREATMENT OF EMPLOYEES

Lower pricing has gained traction in defining value in consumers' eyes, though convenience trumps price as the top criteria for buying ready-to-eat meals from grocery or convenience stores.

Meanwhile, consumers' concerns about food safety and sexual harassment claims against restaurants have intensified, strongly affecting their choices about where to dine out.

FIGURE 3: FOOD SAFETY'S INFLUENCE (%)



By generation demographic:

	1	2	3	4
BABY BOOMERS	35%	33%	22%	10%
GENERATION X	37%	26%	27%	9%
MILLENIALS	32%	31%	28%	9%

1. I plan to never eat at that restaurant chain again, despite its location
2. I plan to eat at that chain (regardless of locations) after time has passed and once it is declared safe again
3. I will only eat at locations that appear to not be affected by the food safety outbreak
4. Indifferent to issue and plan to make no frequency/location of eating at that chain

CONTACT THE AUTHORS:
Molly Harnischfeger (mharnischfeger@alixpartners.com) and Andrew Sharpee (asharpee@alixpartners.com).

FOR MORE INFORMATION, CONTACT:

Adam Werner
Managing Director
Global Co-lead, Restaurant, Hospitality & Leisure Practice
+1 312 705 3911
awerner@alixpartners.com

Kurt Schnaubelt
Managing Director
+1 214 647 7652
kschnaubelt@alixpartners.com