



Restaurant Industry Tracking Survey

Monthly Report – *January 2014*

SUMMARY OF RESULTS

SALES AND TRAFFIC

Restaurant operators reported net positive same-store sales for the 10th consecutive month in December, but results were much softer than recent months. Forty-four percent of operators reported a same-store sales gain between December 2012 and December 2013, down from 57 percent who reported higher sales in November. In comparison, 41 percent of operators reported a decline in same-store sales in December, up from 29 percent in November.

Restaurant operators in three out of the five major segments reported a net increase in same-store sales in December, led by a majority of operators in the family dining and quickservice segments.

For expanded state and regional results, please visit the National Restaurant Association's web site at the following link: www.restaurant.org/research/trackingsurvey

Restaurant operators also reported softer customer traffic levels in December. Thirty percent of restaurant operators reported customer traffic growth between December 2012 and December 2013, down from 47 percent who reported a traffic gain in November. In comparison, 46 percent of operators reported a decline in customer traffic in December, up from 35 percent in November.

CAPITAL SPENDING

Forty-eight percent of restaurant operators said they made a capital expenditure for equipment during the last three months, compared to 47 percent who reported similarly last month. Twenty-seven percent of operators made an expenditure for expansion or remodeling during the last three months, down slightly from 33 percent last month.

Restaurant operators' outlook for capital spending is more optimistic. Fifty-five percent of operators said they plan to make a capital expenditure for equipment in the next six months, up from 50 percent who reported similarly last month. Forty-one percent said they plan to make a capital expenditure for expansion or remodeling during the next six months, up from 37 percent last month.

EMPLOYEES AND HOURS

Restaurant operators reported a net decline in both staffing levels and employee hours in December. Looking ahead, 16 percent of restaurant operators plan to increase staffing levels in six months (compared to the same period in the previous year), while 14 percent said they expect to cut staffing levels in six months.

FOOD COSTS AND MENU PRICING

Sixty-one percent of restaurant operators reported an increase in average food costs between December 2012 and December 2013, while 15 percent said their average food costs declined. On average, food prices rose 1.9 percent between December 2012 and December 2013.

Food and nonalcoholic beverage costs represented a median of 33 percent of total food and nonalcoholic beverage sales in December, up slightly from 32 percent in November.

Forty-eight of operators said their menu prices were higher in December than they were in December 2012, while only two percent said they cut menu prices during the 12-month period. On average, menu prices rose 1.4 percent between December 2012 and December 2013.

OUTLOOK

Operators are generally positive about sales expectations in the coming months. Thirty-eight percent of operators expect to have higher sales in six months (compared to the same period in the previous year), unchanged from last month. Thirteen percent expect their sales in six months to be lower than it was during the same period in the previous year, while 49 percent expect their sales to remain about the same.

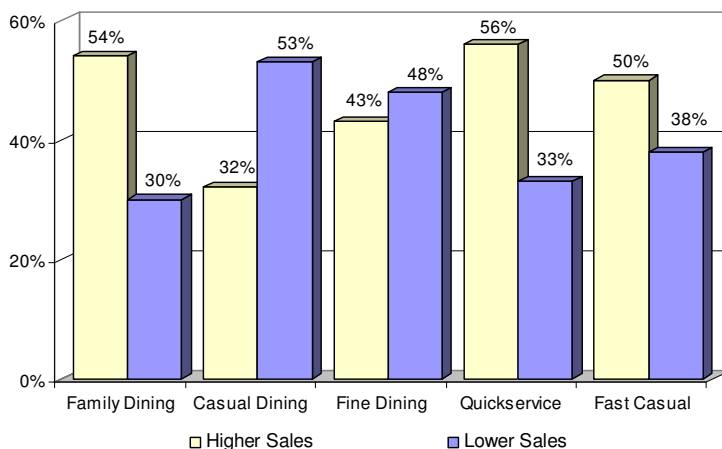
RESTAURANT OPENINGS & CLOSINGS

Four percent of Tracking Survey respondents opened at least one new foodservice/restaurant establishment in December, while three percent of respondents reported that they closed an establishment in December. Fourteen percent of respondents plan to open at least one new foodservice/restaurant establishment in the next six months.

Restaurant Operators Reported Mixed Same-Store Sales Results in December

- Restaurant operators in three out of the five segments reported a net gain in same-store sales in December.
- Family dining operators were among the leaders, with 54 percent reporting higher same-store sales and 30 percent reporting a sales decline.
- Quickservice operators also registered positive results, with 56 percent reporting higher same-store sales and 33 percent reporting a sales decline.
- Fifty percent of fast casual operators reported higher same-store sales in December, while 38 percent reported a sales decline.
- In contrast, only 32 percent of casual dining operators reported higher same-store sales in December, while 53 percent reported a sales decline.

Same-Store Sales Volume – Dec. 2013 vs. Dec. 2012 Tracking Survey Responses by Industry Segment

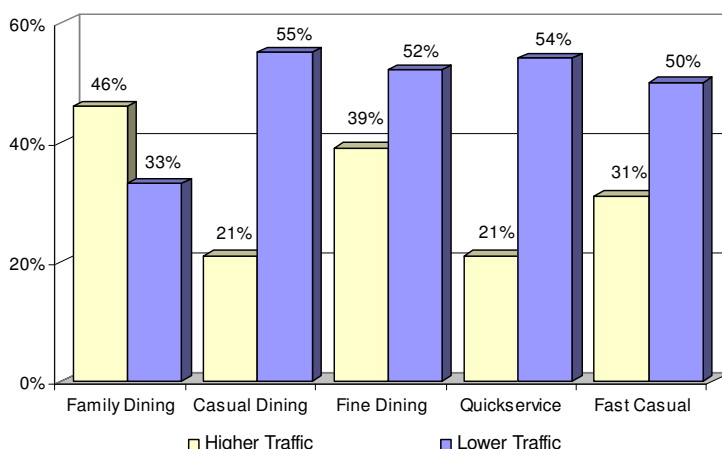


Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Restaurant Operators Reported a Net Decline in Customer Traffic

- Restaurant operators reported a net decline in customer traffic in December. Overall, 30 percent reported an increase in customer traffic in December, while 46 percent reported a traffic decline.
- Family dining operators reported the only positive results in December, with 46 percent reporting higher traffic and 33 percent reporting a traffic decline.
- In contrast, only 21 percent of both casual dining and quickservice operators reported higher customer traffic levels in December, while a majority reported a traffic decline.
- Thirty-nine percent of fine dining operators and 31 percent of fast casual operators reported higher customer traffic levels in December, while roughly one-half reported a traffic decline.

Customer Traffic Level – Dec. 2013 vs. Dec. 2012 Tracking Survey Responses by Industry Segment

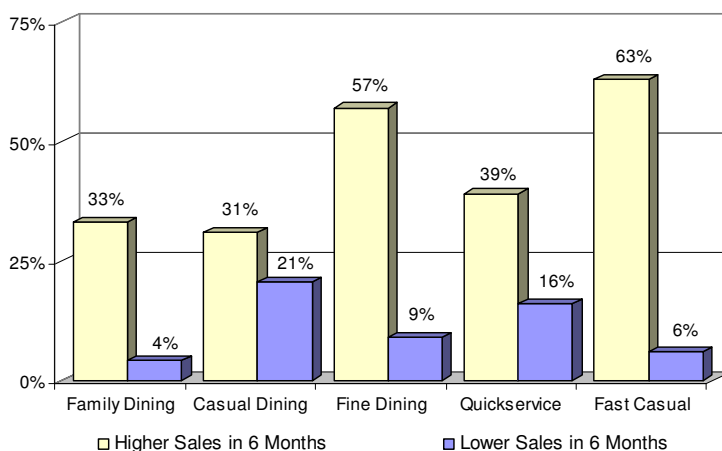


Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Restaurant Operators' Outlook for Sales Remains Generally Positive

- Restaurant operators are generally positive about sales expectations in the coming months. Thirty-eight percent of operators expect to have higher sales in six months (compared to the same period in the previous year), unchanged from last month. Meanwhile, 13 percent of restaurant operators expect their sales volume in six months to be lower than it was during the same period in the previous year, while 49 percent expect their sales to remain about the same.
- Fast casual operators are the most optimistic about sales growth, with 63 percent expecting higher sales in six months and only 6 percent expecting a sales decline.
- Fifty-seven percent of fine dining operators expect business to improve in the next six months, while just 9 percent expect their sales to decline.

Sales Expectations in Six Months vs. Previous Year Tracking Survey Responses by Industry Segment



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Restaurant Operators Reported a Net Decline in Staffing Levels in December

- Overall, restaurant operators reported a net decline in staffing levels in December. Sixteen percent of operators said they added employees in December, while 22 percent of operators cut staffing levels. Sixty-two percent of operators said their staffing levels were unchanged during the 12-month period.
- Operators in each of the five segments reported a net decline in staffing levels in December. Thirty-five percent of fine dining operators said they cut staffing levels in December, while only 17 percent said they added employees.
- In the family dining, quickservice and fast casual segments, less than 15 percent of operators added employees. Twenty-six percent of casual dining operators said they cut employees in December.

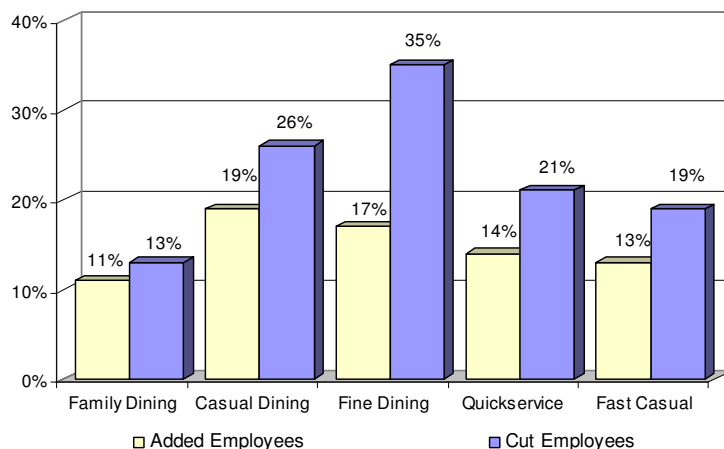
Restaurant Employee Hours Declined in December

- Restaurant operators reported a net decline in employee hours in December. Eighteen percent of operators reported an increase in average employee hours between December 2012 and December 2013, while 32 percent reported a decline. Fifty percent of operators said employee hours stayed about the same.
- Fine dining operators were the most likely to report a net decline in employee hours. Forty-three percent of fine dining operators said they cut employee hours between December 2012 and December 2013, while only 17 percent said they increased employee hours.
- Twenty-two percent of family dining operators said they increased employee hours during the last 12 months, while 17 percent said they cut hours.

Restaurant Operators Have Mixed Plans for Staffing Levels

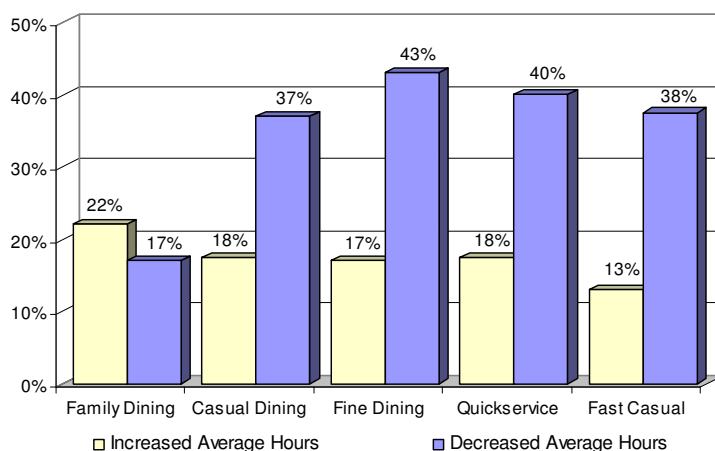
- Restaurant operators have mixed plans for staffing levels in the months ahead. Sixteen percent of restaurant operators plan to increase staffing levels in six months (compared to the same period in the previous year), while 14 percent said they plan to cut positions.
- Twenty-six percent of fine dining operators expect to add jobs in six months, while 17 percent said they plan to cut staffing levels.
- In the family dining segment, 11 percent of operators plan to add employees in the six months, while 4 percent plan to cut positions.
- In contrast, only 18 percent of quickservice operators expect to add jobs in six months, while 23 percent plan to cut staffing levels.

Number of Employees – Dec. 2013 vs. Dec. 2012
Tracking Survey Responses by Industry Segment



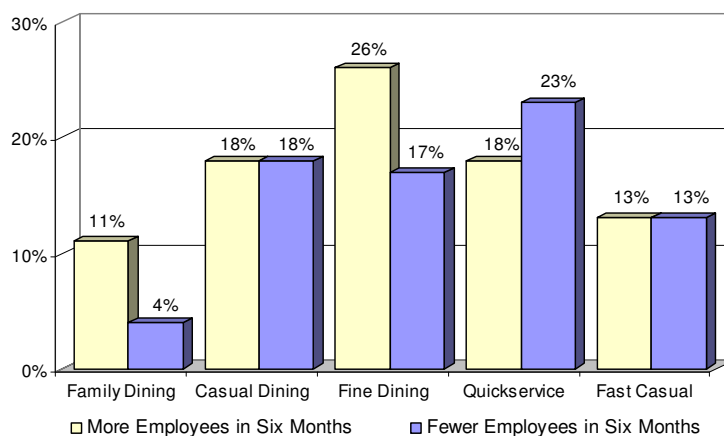
Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Average Number of Hours – Dec. 2013 vs. Dec. 2012
Tracking Survey Responses by Industry Segment



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Staffing Expectations in Six Months vs. Previous Year
Tracking Survey Responses by Industry Segment



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

More Restaurant Operators are Planning for Equipment Purchases

- Forty-eight percent of restaurant operators said they made a capital expenditure for equipment during the last three months, essentially unchanged from 47 percent who reported similarly last month.
- Fifty-five percent of casual dining operators and 49 percent of quickservice operators said they purchased equipment during the last three months.
- Looking ahead, 55 percent of restaurant operators plan to make a capital expenditure for equipment in the next six months, up from 50 percent who reported similarly last month.
- Sixty-seven percent of quickservice operators and 58 percent of casual dining operators said they plan to make a capital expenditure for equipment in the next six months.

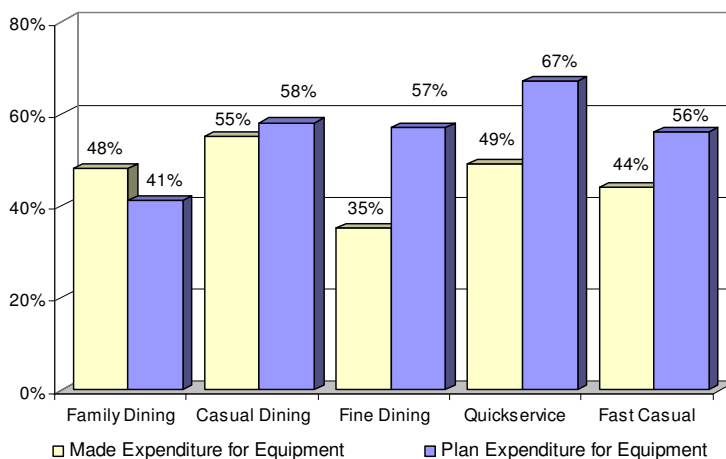
Restaurant Operators Continue to Plan for Expansion or Remodeling

- Twenty-seven percent of restaurant operators said they made a capital expenditure for expansion or remodeling during the last three months, down from 33 percent who reported similarly last month.
- Fifty percent of fast casual operators made a capital expenditure for expansion or remodeling during the last three months.
- Looking forward, 41 percent of operators said they plan to make a capital expenditure for expansion or remodeling during the next six months, up from 37 percent last month.
- Fifty percent of fast casual operators said they have plans for expansion or remodeling in the next six months.

Restaurant Operators' Outlook for the Economy Remains Mixed

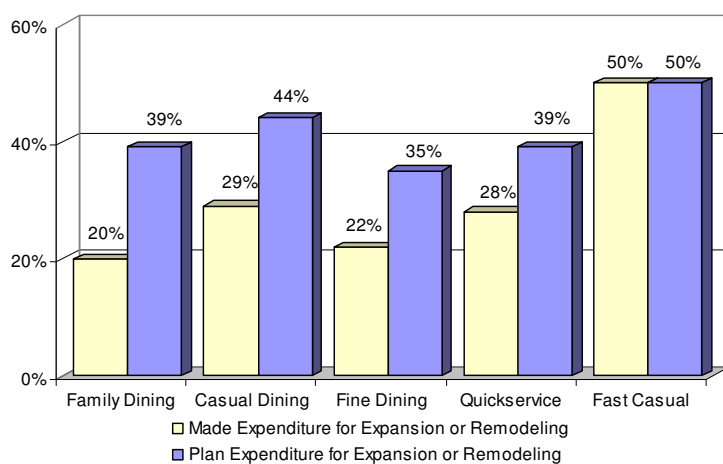
- Restaurant operators have mixed opinions about the direction of the economy in the months ahead. Twenty-eight percent of restaurant operators said they expect economic conditions to improve in six months, while 16 percent expect the economy to worsen. The remaining 56 percent expect economic conditions to remain generally unchanged in the next six months.
- Fine dining operators are the most optimistic about the economy, with 43 percent expecting conditions to improve in six months and only 4 percent expecting conditions to worsen.
- In contrast, 28 percent of quickservice operators think the economy will improve in six months, while 30 percent expect conditions to worsen.

Capital Expenditures – Equipment Made in Last 3 Months & Planned for Next 6 Months



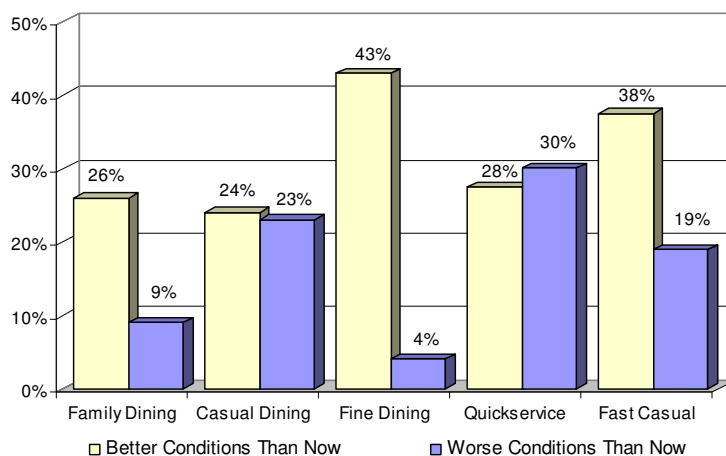
Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Capital Expenditures – Expansion or Remodeling Made in Last 3 Months & Planned for Next 6 Months



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Outlook for Business Conditions in Six Months Tracking Survey Responses by Industry Segment



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Restaurant Operators Reported Higher Food Costs in December

- A majority of restaurant operators reported higher food costs in December. Sixty-one percent of operators said their average food costs were higher in December 2013 than they were in December 2012, while 15 percent reported lower average food costs. On average, food costs were up 1.9 percent during the 12-month period.
- Seventy-two percent of family dining operators reported an increase in food costs between December 2012 and December 2013, while 9 percent said their food costs declined. Sixty-five percent of casual dining operators reported higher food costs during the 12-month period, while 13 percent said their costs declined.
- Roughly one-half of quickservice and fast casual operators said their food costs rose during the 12-month period.

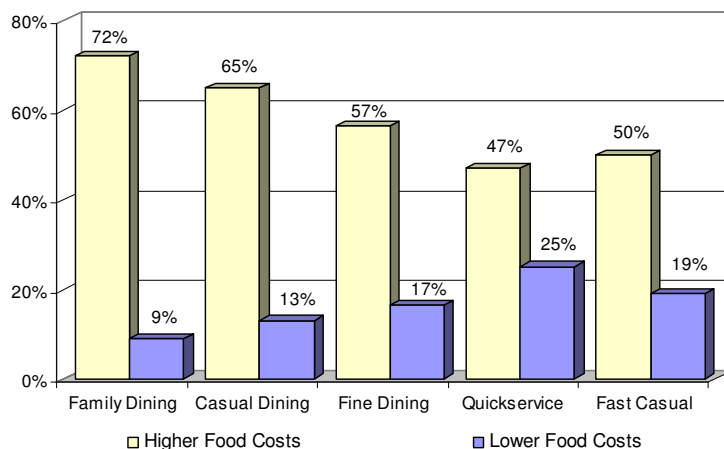
Food and Nonalcoholic Beverage Costs Represented a Median of 33% of Sales in December

- Food and nonalcoholic beverage costs represented a median of 33 percent of total food and nonalcoholic beverage sales in December, up slightly from 32 percent in November.
- Fine dining operators reported a food cost ratio of 31 percent in December, down from a ratio of 33 percent in November.
- Family dining operators reported a ratio of 31 percent in December, down from 32 percent in November.
- In the casual dining and fast casual segments, food and nonalcoholic beverage costs represented a median of 33 percent of food and nonalcoholic beverage sales in December, unchanged from November.

Restaurant Operators Reported Higher Menu Prices in December

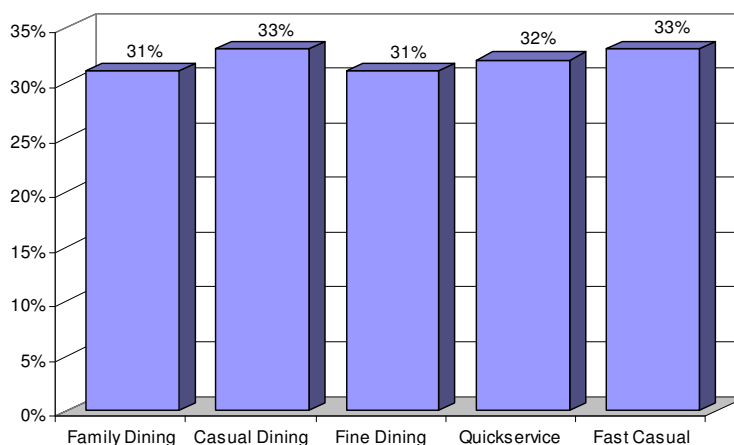
- Forty-eight percent of restaurant operators said their menu prices were higher in December 2013 than they were in December 2012, while only 2 percent said they cut menu prices. Fifty percent said their menu prices were unchanged during the 12 month period. On average, restaurant operators reported a 1.4 percent gain in menu prices during the 12 month period.
- Fifty-six percent of quickservice operators said their menu prices rose during last 12 months, while none reported a decline.
- Fifty-two percent of family dining operators said they increased menu prices during the last 12 months, while none reported a decline in prices.
- In contrast, only 30 percent of fine dining operators increased menu prices during the last 12 months.

Average Food Costs – Dec. 2013 vs. Dec. 2012 Tracking Survey Responses by Industry Segment



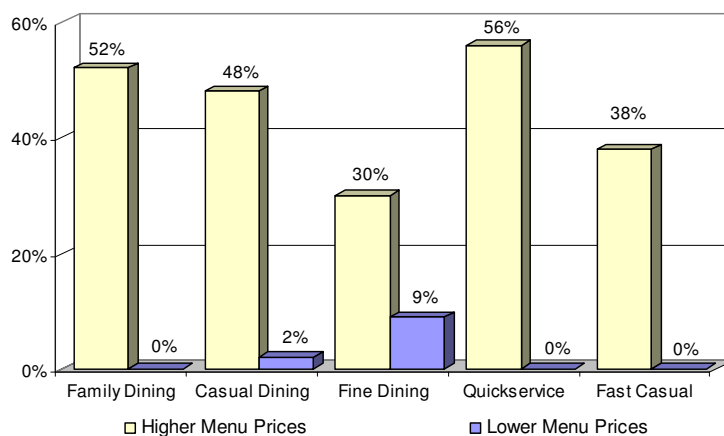
Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Food/Beverage Costs as % of Food/Beverage Sales Median Value: December 2013



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Menu Prices – Dec. 2013 vs. Dec. 2012 Tracking Survey Responses by Industry Segment



Source: National Restaurant Association, Restaurant Industry Tracking Survey – Jan. 2014

Restaurant Industry Tracking Survey Results – January 2014

	Family Dining Fullservice Restaurant	Casual Dining Fullservice Restaurant	Fine Dining/ White Tablecloth Restaurant	Quickservice (Fast Food) Restaurant	Fast-Casual/ Quick-Casual Restaurant
Same-Store Sales - December 2013 vs. December 2012					
Higher	54%	32%	43%	56%	50%
Lower	30	53	48	33	38
About the Same	15	15	9	11	13
Median Sales Increase	8%	6%	4%	4%	3%
Median Sales Decline	-5	-7	-10	-5	-4
Customer Traffic - December 2013 vs. December 2012					
Higher	46%	21%	39%	21%	31%
Lower	33	55	52	54	50
About the Same	22	24	9	25	19
Median Traffic Increase	5%	8%	4%	3%	4%
Median Traffic Decline	-5	-7	-9	-5	-4
Sales Expectations in 6 Months vs. Same Period in Previous Year					
Higher	33%	31%	57%	39%	63%
Lower	4	21	9	16	6
About the Same	63	48	35	46	31
Number of Employees - December 2013 vs. December 2012					
Increased	11%	19%	17%	14%	13%
Decreased	13	26	35	21	19
About the Same	76	55	48	65	69
Average Employee Hours - December 2013 vs. December 2012					
Increased	22%	18%	17%	18%	13%
Decreased	17	37	43	40	38
About the Same	61	45	39	42	50
Staffing Expectations in 6 Months vs. Same Period in Previous Year					
Increase	11%	18%	26%	18%	13%
Decrease	4	18	17	23	13
About the Same	85	65	57	60	75
Made Capital Expenditure During Last 3 Months					
Equipment	48%	55%	35%	49%	44%
Expansion or Remodeling	20	29	22	28	50
Plan to Make Capital Expenditure in Next 6 Months					
Equipment	41%	58%	57%	67%	56%
Expansion or Remodeling	39	44	35	39	50
Expectations for General Business Conditions in 6 Months					
Better	26%	24%	43%	28%	38%
Worse	9	23	4	30	19
About the Same	65	53	52	42	44
Food Costs - December 2013 vs. December 2012					
Higher	72%	65%	57%	47%	50%
Lower	9	13	17	25	19
Average Percent Change in Food Costs	2.5%	1.9%	1.4%	0.8%	1.8%
Food/Beverage Costs as % of Food/Beverage Sales: December 2013					
Median	31%	33%	31%	32%	33%
Menu Prices - December 2013 vs. December 2012					
Higher	52%	48%	30%	56%	38%
Lower	0	2	9	0	0
Average Percent Change in Menu Prices	1.9%	1.3%	0.0%	2.2%	0.9%
Openings and Closings of Restaurant/Foodservice Establishments					
Opened Establishment in December	4%	0%	0%	7%	25%
Closed Establishment in December	7	3	0	0	6
Plan to Open Establishment(s) in 6 Months	9	10	4	25	31
Top Challenge Facing Respondent's Business					
The Economy	19%	27%	19%	24%	28%
Government	12	11	14	8	21
Health Care Reform Compliance	5	13	19	16	7
Food Costs	14	9	10	12	7

Notes: Figures may not add to 100% due to rounding; Figures are based on 367 survey responses.

Restaurant Industry Tracking Survey Results – January 2014 (cont.)

	Single-Unit Independent Restaurant	Multi-Unit Independent Restaurant	Single-Unit Franchisee Restaurant	Multi-Unit Franchisee Restaurant	Corporate-Owned Chain Restaurant
Same-Store Sales - December 2013 vs. December 2012					
Higher	39%	50%	0%	57%	45%
Lower	40	36	100	40	45
About the Same	20	14	0	3	9
Median Sales Increase	7%	5%	-	3%	4%
Median Sales Decline	-7	-5	-5	-9	-4
Customer Traffic - December 2013 vs. December 2012					
Higher	31%	32%	0%	30%	27%
Lower	43	41	100	53	64
About the Same	27	27	0	17	9
Median Traffic Increase	7%	5%	-	4%	5%
Median Traffic Decline	-7	-6	-5	-8	-4
Sales Expectations in 6 Months vs. Same Period in Previous Year					
Higher	34%	48%	0%	33%	64%
Lower	11	11	56	20	0
About the Same	55	41	44	47	36
Number of Employees - December 2013 vs. December 2012					
Increased	9%	27%	0%	23%	18%
Decreased	23	23	44	20	9
About the Same	68	50	56	57	73
Average Employee Hours - December 2013 vs. December 2012					
Increased	13%	30%	0%	20%	18%
Decreased	30	27	56	47	27
About the Same	57	43	44	33	55
Staffing Expectations in 6 Months vs. Same Period in Previous Year					
Increase	15%	16%	0%	17%	27%
Decrease	13	14	56	17	0
About the Same	72	70	44	67	73
Made Capital Expenditure During Last 3 Months					
Equipment	34%	61%	22%	67%	73%
Expansion or Remodeling	17	39	0	40	45
Plan to Make Capital Expenditure in Next 6 Months					
Equipment	41%	64%	67%	70%	82%
Expansion or Remodeling	31	48	22	57	64
Expectations for General Business Conditions in 6 Months					
Better	29%	30%	0%	17%	55%
Worse	12	16	33	27	27
About the Same	60	55	67	57	18
Food Costs - December 2013 vs. December 2012					
Higher	66%	61%	33%	57%	36%
Lower	13	11	22	20	27
Average Percent Change in Food Costs	2.7%	1.9%	-3.0%	0.7%	-0.7%
Food/Beverage Costs as % of Food/Beverage Sales: December 2013					
Median	33%	34%	28%	31%	32%
Menu Prices - December 2013 vs. December 2012					
Higher	45%	52%	22%	50%	55%
Lower	2	2	0	0	0
Average Percent Change in Menu Prices	1.6%	1.3%	1.5%	1.1%	1.2%
Openings and Closings of Restaurant/Foodservice Establishments					
Opened Establishment in December	0%	0%	0%	17%	27%
Closed Establishment in December	2	2	0	3	18
Plan to Open Establishment(s) in 6 Months	3	23	44	20	45
Top Challenge Facing Respondent's Business					
The Economy	21%	20%	23%	35%	18%
Government	14	8	0	8	18
Health Care Reform Compliance	11	13	23	15	0
Food Costs	11	18	0	8	9

Notes: Figures may not add to 100% due to rounding; Figures are based on 367 survey responses.

Restaurant Industry Tracking Survey Results – 10 Month Trends for Selected Indicators

	Family Dining Fullservice Restaurant		Casual Dining Fullservice Restaurant		Fine Dining/ White Tablecloth Restaurant		Quickservice (Fast Food) Restaurant		Fast-Casual/ Quick-Casual Restaurant	
Same-Store Sales*	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>
Mar-2013	44%	38%	43%	36%	48%	24%	39%	45%	55%	34%
Apr-2013	44	47	54	27	41	33	44	26	57	33
May-2013	71	21	61	26	74	11	67	11	57	34
Jun-2013	57	22	51	39	57	39	55	29	44	44
Jul-2013	41	32	43	41	48	30	52	33	37	47
Aug-2013	54	36	59	24	50	30	50	38	53	47
Sep-2013	34	44	46	37	24	48	43	39	47	42
Oct-2013	52	26	55	29	47	40	68	17	47	42
Nov-2013	72	22	59	21	60	13	41	50	55	45
Dec-2013	54	30	32	53	43	48	56	33	50	38
Customer Traffic*	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>	<u>Higher</u>	<u>Lower</u>
Mar-2013	25%	47%	36%	40%	45%	24%	29%	58%	48%	38%
Apr-2013	33	53	39	33	33	35	26	44	43	43
May-2013	51	27	46	27	58	26	39	28	45	45
Jun-2013	46	32	45	38	43	43	42	42	39	50
Jul-2013	27	48	43	40	35	48	41	41	26	47
Aug-2013	44	46	50	30	45	30	42	42	42	47
Sep-2013	24	44	37	44	29	43	35	52	37	47
Oct-2013	43	30	38	40	38	53	60	30	37	49
Nov-2013	56	31	43	29	67	13	41	45	36	64
Dec-2013	46	33	21	55	39	52	21	54	31	50
Number of Employees*	<u>More</u>	<u>Fewer</u>	<u>More</u>	<u>Fewer</u>	<u>More</u>	<u>Fewer</u>	<u>More</u>	<u>Fewer</u>	<u>More</u>	<u>Fewer</u>
Mar-2013	11%	16%	14%	21%	21%	30%	19%	23%	17%	24%
Apr-2013	16	12	11	14	16	18	19	11	27	27
May-2013	24	3	14	14	26	11	50	11	9	23
Jun-2013	32	3	20	14	13	17	45	13	11	28
Jul-2013	16	25	21	24	17	22	30	22	5	16
Aug-2013	5	26	15	20	5	0	38	17	16	21
Sep-2013	10	20	22	13	10	24	22	22	11	32
Oct-2013	13	15	10	21	13	22	36	26	23	28
Nov-2013	13	13	17	16	0	7	41	18	18	18
Dec-2013	11	13	19	26	17	35	14	21	13	19
Capital Expenditures[†]										
Equipment	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>
Apr-2013	40%	47%	48%	46%	39%	21%	35%	55%	38%	34%
May-2013	28	47	40	56	35	35	52	56	47	57
Jun-2013	48	43	50	57	42	37	50	39	36	46
Jul-2013	49	43	45	58	43	52	52	55	50	56
Aug-2013	55	48	55	41	52	48	44	56	37	37
Sep-2013	41	33	56	35	35	30	54	54	37	26
Oct-2013	41	29	54	49	24	38	57	65	42	47
Nov-2013	59	34	54	47	27	22	53	68	37	47
Dec-2013	59	50	45	45	33	27	55	73	36	64
Jan-2014	48	41	55	58	35	57	49	67	44	56
Expansion or Remodeling	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>	<u>Made</u>	<u>Planned</u>
Apr-2013	29%	35%	24%	42%	15%	15%	19%	52%	45%	41%
May-2013	23	44	24	43	20	35	37	48	40	57
Jun-2013	25	41	25	41	21	26	44	28	30	38
Jul-2013	22	46	36	48	22	26	45	39	33	50
Aug-2013	32	41	33	38	17	35	33	41	37	42
Sep-2013	26	26	31	33	10	35	54	50	32	32
Oct-2013	29	24	37	37	29	43	35	35	42	58
Nov-2013	41	35	33	29	27	40	53	49	47	63
Dec-2013	34	34	26	31	40	40	36	36	64	64
Jan-2014	20	39	29	44	22	35	28	39	50	50

*Versus same month in previous year

†Made capital expenditure during the previous three months; Planned to make expenditure during the next six months.

Note: Capital Expenditure figures are based on the month of the Tracking Survey, while Sales, Traffic and Employee figures are based on the reference month.