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**COMPANIES MENTIONED IN THIS REPORT:**

**CORE COVERAGE**

COMPANY	TICKER	PAGE
<b>QSR</b>		
McDonald's	MCD	6
Sonic	SONC	7
Burger King	BKW	8
Wendy's	WEN	9
Jack in the Box	JACK	10
Bojangles'	BOJA	11
Popeye's	PLKI	12
KFC	YUM	13
Del Taco	TACO	14
Taco Bell	YUM	15
Pizza Hut	YUM	16
Domino's	DPZ	17

**FAST CASUAL**

Chipotle	CMG	18
Starbucks	SBUX	19
Wingstop	WING	20

**CASUAL**

Applebee's	DIN	21
IHOP	DIN	22
Buffalo Wild	BWLD	23
Chili's	EAT	24
Chuy's	CHUY	25
Longhorn	DRI	26
Olive Garden	DRI	27
Red Robin	RRGB	28

**INDUSTRY BUSINESS CONDITIONS:**

**SAME STORE SALES (SSS) & TRAFFIC (Compass RCR Coverage):**

- Same store sales were up over last year 1.3%.
- Traffic declined over last year <2.5%>.

SSS		Traffic	
Industry =	1.3%	Industry =	<2.5%>

**CONSUMERS AND OPERATORS PROVIDE THEIR TAKE:**

- **OPERATORS:** Confidence dipped in January mainly from weaker than expected sales.
- **CONSUMERS:** Sentiment shows a decline; but, optimism about income and jobs increased after the Tax Reform Bill was signed and benefits and bonuses were actually put in place. To date, 300 companies have given out bonuses to employees and improved employee benefit programs.

**MARGINS:**

- Only 15% of our coverage group reported increases in food costs for January resulting from deep discounts and higher costs on most proteins.

**PROMOTIONS/ADVERTISING:**

- Publicly traded restaurant chains utilize multiple platforms for brand messaging:
  - **Fine Dining** – 40% gift cards; 80% special occasions; 40% apps with free offering focus.
  - **Casual Dining** – 20% gift cards; 60% LTOs; 60% price point; 60% curbside, carryout, To-Go; 30% catering; 50% loyalty program.
  - **Fast Casual** – 50% menu focus; 40% fresh ingredients; 20% gift cards; 40% catering; 30% loyalty program.
  - **QSR** – 70% LTO's; 80% price point; 50% app/loyalty programs; 30% delivery; 10% gift cards.

**HEADLINE NEWS (see pg. 5 for details):**

- **Minimum Wage rose in 18 States beginning January 1, 2018.**
- **Tax Reform Bill – What it can mean for restaurants.**
- **Burger Wars – 2018 Edition.**
- **Weather impact in January 2018.**

**WHAT WE HEARD AROUND THE INDUSTRY:**

- **Customer Experience** – 75% of the industry stated more focus on improved guest experience for 2018.
- **Convenience** – 55% are looking at ways to offer more types of convenience to customers. This includes: delivery, curb service, takeout, etc.
- **Technology** – 60% are actively involved with improving all aspects of their company's technology. This includes FOH and BOH for their restaurant and upgrades for their administrative functions (their office).

**FEBRUARY OUTLOOK/TRENDS**

- **Brands that will perform well:**
  - Del Taco
  - Domino's
  - Jack in the Box
  - McDonald's
  - Taco Bell
  - Wingstop
- **Brands that will perform poorly**
  - Bojangles'
  - Sonic

▪ "Mean" Source on Charts on pages 6-25 – Company Filings