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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
Chili's	EAT	23
Chuy's	CHUY	24
Longhorn	DRI	25
Olive Garden	DRI	26
Red Robin	RRGB	27

**INDUSTRY BUSINESS CONDITIONS:**

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

SSS		Traffic
Industry = 2.1%		Industry = <0.6%>

**CONSUMERS AND OPERATORS PROVIDE THEIR TAKE:**

- OPERATORS: Confidence remains at highest levels in 45 years.
- CONSUMERS: Confidence continues at an all-time high but slightly down in April.

**MARGINS:**

- From our contacts, less than 10% reported an increase in costs during April.

**SALES DRIVING INITIATIVES:**

- Publicly traded restaurant chains utilize multiple platforms for brand messaging:
  - **Fine Dining** – Primary focus: 70% Mother's Day. Secondary focus: 70% Loyalty Program; 30% Happy Hour; 20% Mobile App.
  - **Casual Dining** – Primary focus: 60% Cinco de Mayo. Secondary focus: 60% LTO's; 40% Curb Service; To-Go; Delivery.
  - **Fast Casual** – Primary focus: 70% Menu Ingredients. Secondary focus: 50% Loyalty Program; 30% app.
  - **QSR** – Primary focus: 70% Value Menu. Secondary focus: 65% Price Point; 35% App – Order & Pay; 15% Delivery.

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

- 23 Companies Made Leadership Changes in QTR-1/2018.
- NLRB Replaces Unworkable "Test" for Joint Employer Definition.
- Menu Labeling Law Begins Enforcement May 7.

**OBSERVATIONS:**

**Driving Sales:** The recent Restaurant Industry SSS growth has focused on a myriad of strategies adapted to respond to the post headwinds. These strategies included various efforts to stimulate sales growth through new channels:

Use of Technology: Online digital marketing through Social Media, smart phone apps for Order & Pay, video menu boards, table top devices. Guest Tech = online reservations/ordering, Wi-Fi, gift cards, loyalty programs.

Improving Guest Experience: Better service, upgrade ambiance, raise the bar on quality (QSCV).

Convenience: Curb locations, delivery, kiosks, ToGo, ease of use, technology's role.

Value: Price, monies worth (includes ambiance, quality, convenience, etc.), loyalty program rewards.

Chains that are concentrating in these areas are improving in SSS growth. However, when we look deeper at the numbers, especially noting those concepts that have had a consistency to their sales growth, a few noteworthy details stand out. This group (Domino's, Texas Roadhouse, Chick fil A, Arby's and recently McDonald's, Burger King, Olive Garden and Longhorn) have remained focused on their core customer - in most instances the core customer is the Blue Collar, lower income, lower middle-income group.

Staying true to their core or returning to their core should be a consideration for all restaurants.

**MAY OUTLOOK/TRENDS**

- **Brands that will perform well:**
  - Burger King
  - Chipotle
  - Del Taco
  - Domino's
  - McDonald's
  - Wingstop
- **Brands that will perform poorly:**
  - Bojangles'
  - Chili's
  - Sonic Drive-In

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