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## INDUSTRY BUSINESS CONDITIONS:

### SALES AND TRAFFIC (adjusted):

- SSS were negative in December. We attribute this to several factors: (1) While consumer optimism was at an all-time high, their willingness to spend was muted. (2) Too many promotional offerings created an over saturation; too many choices, not enough desire to spend.

### CONSUMERS AND OPERATORS PROVIDE THEIR TAKE:

- OPERATORS: Optimism increased in December but a little reality hit home as the business-friendly effects are not yet in place and operators are having to deal with the increase in minimum wage.
- CONSUMERS: Confidence improved to a 12-year high but did not translate into increased spending.

### MARGINS:

- 10% of our contacts reported an increase of 30-40 basis points in food costs driven by higher produce costs.

### PROMOTIONS/ADVERTISING:

- TV, Social Media and Digital advertising were up again in December for most chains as they attempted to take advantage of the holiday shopping season as well as the renewed consumer confidence.

### HEADLINE NEWS:

- DOL to challenge overtime rules freeze** – expect a battle but to operators it puts them in a pensive situation on how to plan.
- Restaurant industry to face new competition** – Movie theaters are expected to move into food service in 2017.
- FDA's new ruling on menu labeling** – will align requirements with Compliance Enforcement to put more teeth into process.
- 3<sup>rd</sup> party delivery companies on the rise in 2017** as more restaurants explore delivery options.

## SAME STORE SALES (SSS) & TRAFFIC (adjusted):

<u>SSS</u>		<u>Traffic</u>
Industry = (2.0%)		Industry = (4.0%)

## JANUARY OUTLOOK & EVENTS

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|---|--|
| <ul style="list-style-type: none"> <li><b>Brands that will perform well:</b> <ul style="list-style-type: none"> <li>Domino's</li> <li>Jack in the Box</li> <li>McDonald's</li> <li>Olive Garden</li> <li>Panera Bread</li> <li>Starbucks</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li><b>Brands that will perform poorly:</b> <ul style="list-style-type: none"> <li>Applebee's</li> <li>Buffalo Wild Wings</li> <li>Chipotle</li> <li>Red Robin</li> <li>Sonic</li> <li>Wendy's</li> </ul> </li> </ul> |
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## COMMODITIES:

	<u>Current \$</u>	<u>Last Mo \$</u>	<u>Changes from Prior Month</u>	<u>YOY</u>	<u>YTD</u>
Basket	\$4.97	\$5.20	(4.2%)	(20.9%)	(36.9%)
Gasoline	\$2.34	\$2.15	8.8%	17.6%	28.6%

- Sources: Sysco Foods, Kelley Foods, Texas Farmers Bureau, Chicago Mercantile, Georgia Dock