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Press Release

Fast-Food “Premiumizing” Attracting Many Consumers

“Premiumizing” appeals to different customers than “Supersizing”.

VILLA PARK, CA — A recent research study among fast-food users shows that premium menu items have widespread appeal but are more likely than average to attract women and those in the 35-44 age group. By contrast, super-sized items, such as combo meals with larger portions of fries and drinks, appeal more to males and those in the 16-24 age group. These findings are based on the quarterly syndicated Quick-Track® research program conducted by Sandelman & Associates among a nationally representative sample of 600 fast-food users.

Premium menu items are typically items that have higher quality ingredients and are sometimes larger than traditional fast-food menu items. These items are also usually priced somewhat higher than traditional items. The quality of the food and the prices are similar to some items offered at casual-dining, full-service restaurants.

“I call it the ‘premiumizing’ of fast-food”, said Bob Sandelman, president of the market research firm. These types of items are the basis for the menus at such “fast-casual” chains as Panera Bread, Baja Fresh, Chipotle, and others. More recently, traditional fast-food chains such as McDonald’s, Jack in the Box, Carl’s Jr., and Subway have added these types of premium items to their menus. “Fast-Casual chains have redefined excellence in the fast-food industry and raised the bar for traditional fast-food chains by providing high quality, good tasting food that is

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perceived to be fresher and healthier than traditional fast-food items,” Sandelman added. In his opinion, there will be a continuation of this trend as more consumers are showing a preference for items that have fresher ingredients, higher flavor profiles and are perceived as being more healthy and nutritious, and are willing to pay a bit more for such items.

In the July-September '04 wave of Quick-Track, fast-food users were asked how often they purchase premium menu items from fast-food restaurants, how much they pay for such items, and how premium items would affect their patronage at chains that add them to their menus. While somewhat less than half of all fast-food users have ever purchased premium menu items from fast-food restaurants, 51% of women have tried such items compared to just 40% of men. In addition, 51% of those in the 35-44 age group have ever purchased premium items compared to 44% of respondents in other age groups. By contrast, Quick-Track research conducted in late 2003 showed that 55% of men buy “super-size” combo meals compared to 43% of women, and that 63% of 16-24 year olds purchase these larger combo meals vs. 49% of those age 35-44.

Other key findings from the latest research include:

- Premium menu items are being purchased on only a small percentage of total visits to fast-food restaurants. While the average fast-food patron visits such restaurants about 50 times over a 3-month period, premium menu items are being purchased on only about 4 of those occasions. Only 28% of premium item triers purchase these types of items on all or most of their visits.
- Premium items command a relatively high price, averaging \$4.69. Almost four in ten respondents paid \$5.00 or more on their last purchase of a premium menu item while only 23% paid less than \$4.00.
- Chains that add premium items to their menu can expect some increased patronage from current customers. Among premium item users, more than one in five indicate they will visit a chain they now patronize more often if that chain was to offer premium menu items, and fully 95% say they will purchase such items on at least some of their visits to chains they currently patronize.

- Adding premium menu items can also help attract new users to a chain. Nearly three out of four premium item users say they are likely to visit a chain they are not now patronizing if that chain were to add premium items to their menu. Importantly, more than four in ten fast-food users who have never purchased premium menu items indicate they would be likely to start visiting a chain that adds such items.

Further information about this study and other research conducted by Sandelman & Associates is available on the Internet at www.sandelman.com or by calling Bob Sandelman at (714) 921-0100. Sandelman & Associates is a Villa Park, CA, based independent research company that provides the restaurant industry with credible and clear feedback from their customers.

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