

Restaurant Research's Benchmark Analysis Report

Arby's

10/22/09

Executive Summary

Arby's was caught in the ongoing economic tsunami without a compelling value proposition while it took off time from national advertising in order to overhaul its marketing message. The end result was nerve wracking as quarterly comp declines approached double digits. Management is in the process of addressing this conundrum by marketing 4 full combo meals at \$5.01 with the extra penny representing a tremendous "value" in relationship to competing QSR \$5 offers. To this point, Arby's new CMO is rolling with a new marketing campaign highlighting Arby's value which gives you a combo meal including a large, hearty sandwich at a price point typical for a lone premium burger at QSR competitors. This sets-up the chain's ability to return to the national air waves in force. Notably, these promotional combo meals target individual customers (i.e. core QSR users) rather than Arby's previous habit of promoting discounted bundles to larger groups (friends & family) – an added benefit. While we expect these steps could stabilize Arby's sales, there remains our ongoing question of how Arby's can wean itself off of its roast beef dependency which may hamper the chain's long-term prospects given consumers' increasingly eclectic and health conscious predilections. In the end, Arby's continues to struggle with a business model that does not permit low price points to compete with the widespread high/low QSR menu strategy at a time when a plethora of outdated facilities and a heavy reliance on red meat (albeit in the form of relatively healthier roast beef) makes it difficult to compete at the high-end.

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RR Clients

Includes major lenders, investors, major US restaurant chains, operators and industry consultants. Please check www.ChainRestaurantData.com for a partial client list and customer testimonials.

More About Us

Restaurant Research LLC leverages an extensive network of industry players as part of its annual Concept Benchmark Analysis due diligence process for 22 large US restaurant chains. Also, RR tracks store level data for all major chains with system-wide sales in excess of \$1B across all major restaurant segments in order to produce 11 key Industry Data Topic reports. For more information please contact us at info@ChainRestaurantData.com or 203-405-1901.