

# Restaurant Research's Benchmark Analysis Report

## Chili's

8/20/09

### Executive Summary

Chili's is struggling to find its way as the second largest casual chain in a tough economic and competitive environment without a strong value equation that works from a profitability perspective. Recently, the chain found out the hard way that value does not equal sharply reduced portion sizes at lower price points. Currently, the chain is discovering that discounting core menu items does not work very well from a profit perspective. In our opinion, the deal with value is that it has as much to do with quality/variety/innovation as price. This presents a problem for a chain with a vast menu in need of rationalization and just middling consumer satisfaction scores. Chili's challenge (not dissimilar to its peers) is to figure out how to carve out a niche in sit down. So the broader question for the chain is how to survive nearly -10% sales declines (like during the most recent quarter ended June 09) while ramping-up a new, differentiated menu/experience that can drive traffic at QSR+ prices. In our mind, this is not a quick fix although a quick fix is necessary. In any case, we wait to see what the company cooks-up with an expected announcement forthcoming later this year. While it seems improbable to us that the golden key will be presented at that time, we hope for a road map to show us how a major casual brand can, over time, reclaim major lost ground.

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### RR Clients

Includes major lenders, investors, major US restaurant chains, operators and industry consultants. Please check [www.ChainRestaurantData.com](http://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](mailto:info@ChainRestaurantData.com) or 203-405-1901.