

Restaurant Research's Benchmark Analysis Report

T.G.I. Friday's

6/15/09

Executive Summary

Steady secular challenges (aggravated by economic stress) in the casual segment have spurred a new round of soul searching for the Friday's brand (similar to what we see at Applebee's). So parent company Carlson has brought in a new management team to figure out an answer to the \$64,000 question: how does a casual chain differentiate itself while becoming relevant amidst changing demographics, stiffened QSR competition and shifting dining patterns among a populace that seems more in a rush than ever? At this point, we suspect that the new brand leadership team does not yet have solid answers as it continues to conduct its research and formulate strategies. However, it does seem like new leadership will adopt a more research driven business model which we believe will help to sharpen Friday's focus – a good thing in our opinion. Out of these efforts, we expect Friday's will refine its menu with more proprietary items (think Jack Daniel's line) and a smaller size that will allow for more operational excellence. Also, expect a new, more relevant marketing/ad strategy based upon research conclusions. We suspect Friday's may come out looking more like a bar/evening gathering spot (along its historical roots) which is one way that it can differentiate itself from family feeders like Applebee's and Chili's (to a lesser extent). Finally, it looks like Friday's is also poised to make badly needed operational improvements – although we note that this brand is coming off a very low base in this regard. Having said all this, it is our opinion that one overriding question remains for Friday's new brand management – what's the deal with its value/promotion strategy? Certainly, Friday's business model can not support \$5 price points (not to mention the impact this could have on its tip dependent service staff) although we do recognize the need for low price points to reclaim lost QSR business – especially in this economy. But the key question for us remains – can Friday's keep from re-branding itself with \$5 price points once it has accomplished its goal of driving traffic higher? This represents a tightrope to walk even if it is an economic necessity. In conclusion, we will have to wait and see how Friday's handles the merging of QSR and bar & grill.

Table of Contents

	<u>Pages</u>
Strategy	1-2
System statistics	3
Sales performance	4
Operational performance	5
Unit level data	6-9
Remodeling	10
Franchisee overview	11

RR Clients

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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.