

# Restaurant Research's Benchmark Analysis Report

## Applebee's

May 2009

### Executive Summary

Applebee's continues to tweak itself around marketing and operations as part of DineEquity's turnaround of this once high-flying casual chain (which is still the largest by systemwide sales). It seems to us that the core of the marketing tweaks center around its fight to define the Applebee's brand in a sea of "casual conformity". Understandably, brand leadership has come out on the side of defining Applebee's in terms of everyday value along with a robust pipeline of new product news as opposed to simply trying to compete on price (as we see with the case of \$5 & \$7 price points at Friday's and Chili's). Applebee's most recent rollout of its ~\$9 RealBurger line is a case in point as the brand seeks to follow along with CKE and BK's QSR success in marketing decadent burgers at a relatively high price point. Notably, Applebee's marketing message is that it is the only chain to offer "real" burgers (i.e. made from patties that have not been frozen) – thus providing it with a competitive distinction of sorts. We like the idea of competing around quality as opposed to price, however we also suspect that this represents a tall order in an economy that still boasts a high unemployment rate no matter what the stock indexes tell us. Appealing food shots aside, Applebee's still will have to compete on burgers with much improved and much cheaper QSR offerings. In any case, we also like the idea that Applebee's is seeking to improve its operations. In other words, we like that Applebee's is busy about improving its basics – menu & execution. Having said that, it seems to us that Applebee's may be missing the reality of low price points as a way to fill seats. So a high/low menu strategy (perfected by QSR) may be the missing ingredient for Applebee's to fuel an otherwise sound turnaround strategy.

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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.

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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.