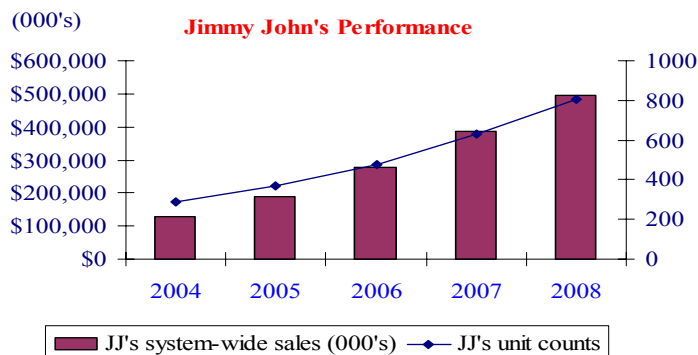
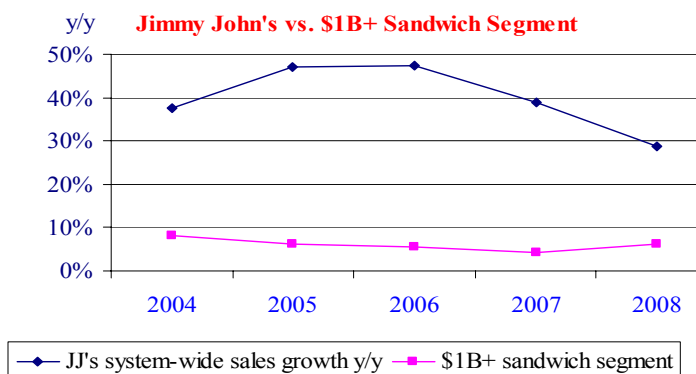


Restaurant Research Think Piece – October 2009

Maybe Now is the Time to Take a Closer Look at Jimmy John's

Jimmy who?? Restaurant Research mostly lives and breathes amidst the \$1B+ chains that have already staked their claim in the who's who of the restaurant sector. Of course, \$1B+ chains don't start out that way – it just seems that the ones that make it this far have pretty sharp elbows which helps to keep new entrants to the status of few and far between.

Well, we would like to suggest that now is maybe the time to take a look at a promising prospect to the exclusive \$1B+ system sales club. Maybe Jimmy John's doesn't get there this year, and maybe not the year after that – but we bet that its time is coming soon enough. Take a look below, these growth rates tell the whole story and the impressive part is that the chain has not blown-up after all this growth – in fact, it maybe stronger than ever. Lenders interested in getting in the ground floor take note!



Here is the scoop on Jimmy John's: JJ is an extended super regional sub/sandwich chain with its core markets in the Midwest expanding towards the coasts. This chain got its start locating at college campuses but has since expanded to downtown office locations along into the suburbs. JJ's core competency has to do with three primary issues in our opinion: (1) freshly baked bread and quality food ingredients at a reasonable price (2) a very simple business model, and (3) delivery and speed of service. The first point is very important as it helps JJ transcend QSR into the world of fast casual which allows the chain to more easily capture casual trade-down. The second point is also key as a simple, unchanging menu allows operators to execute at a high level of consistency that keeps customers coming back. Further, it is this same operational simplicity which allows the chain to serve food in the store and via delivery in a very time effective way – providing another explanation about why JJ does not have to compete on price. Notably, the brand's marketing message centers around this very simple concept of fast service speeds – sort of a high-end Domino's. Also we should mention that the chain has managed to create a hip vibe with its store décor and atmosphere. Taken together, this has allowed JJ to produce some very enviable unit economics (for a sub chain) which keeps the operators happy and allows brand leadership to recruit and retain a pool of competent franchisees. In conclusion, it is our opinion that JJ has a solid brand equity base from which to grow its chain into a national competitor.

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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.

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