

## Restaurant Research's Concept Benchmark Analysis Report

### Sonic

November 2009

#### Executive Summary

Over the years, Sonic has built considerable brand equity by establishing unique niches in QSR which include a drive-in car hop service format along with a menu filled with specialty drinks and frozen desserts that drive nearly 38% of sales. Even the chain's popular food menu items are unique for fast food and include signature items like coney dogs and onion rings. Resultantly, Sonic has developed fairly strong customer loyalty levels from a diverse customer base that expands well beyond the traditional QSR heavy eater to include women and teens. Having said all this, we note that this past recession has not been easy on this premium positioned concept which has historically relied on its uniqueness and brand loyalty rather than value in the form of low price points to drive sales. Not surprisingly, Sonic's need to react quickly with major tweaks to their business model to address their customers' changing demand patterns has not been easy or smooth. First, the brand served up "happy hour" between 2-4PM when customers could buy drinks and slushes at half price. Then at the beginning of this year they came back with a dedicated dollar menu as a way to salvage traffic. But Sonic's customers learned to arbitrage the menu – driving down the chain's average ticket while pressuring margins. Sonic has been learning that lower prices are not necessarily elastic in the new world of fast food – people are simply making do with less. That's where we currently sit – while Sonic has managed to salvage its all important traffic, the question is how long will it be before their customers get comfortable enough to splurge on those premium menu items which make Sonic, Sonic? As we suspect that there has been some permanent change to the QSR world, it is also our opinion that Sonic will have to do more than just wait on the consumer coming back. In conclusion, we have a lot of faith that this impressive brand will move-up the learning curve sufficiently to determine the winning formula of affordable chic.

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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.