

Technomic Top 500 Annual Report Shows Slowdown in Chain Restaurant Growth Rates

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The 500 largest U.S. restaurant chains registered slower growth rates, posting 5.1 percent annual sales growth in 2007. According to data released today by Technomic Inc., in its annual reporting on the top U.S. restaurant chains, the leading foodservice consultancy found that U.S. systemwide sales for the Top 500 rose to an estimated \$223.6 billion in 2007, up \$10.7 billion over 2006.

'As the U.S. economy continued to struggle against rising fuel prices, increasing cost of labor and commodities and menu price increases, the Top 500 restaurant chains' sales growth declined to 5.1 percent, versus 6.1 percent in 2006,' said Ron Paul, President of Technomic. 'Current economic conditions have caused many chains to scale back their U.S. unit expansion with unit growth rates for 2007 of 2.4 percent compared with 3.8 percent a year ago.'

Significant growth continued to come from the limited-service beverage, bakery café and chicken categories with Starbucks, Panera Bread and Chick-fil-A posting estimated 2007 double-digit sales growth of 21.5, 17.6 and 16.1 percent, respectively. McDonald's, the largest U.S. restaurant chain grew an estimated 6.1 percent with sales exceeding \$28.7 billion. Subway continued to dominate the growing other sandwich segment with 6.4 percent sales growth and total sales of \$8.2 billion. In recent years, Wendy's Old Fashioned Hamburgers was ranked as the third-largest restaurant chain, they are now fifth behind Starbucks and Subway, ranked third and fourth, respectively.

Limited-service chains within the Technomic Top 500 accounted for over 80 percent of all U.S. 'fast food' restaurants. As a whole, this group grew at a rate of 5.4 percent. Asian, which grew at 11.6 percent, was another limited-service subsegment with sales growth above their segment average. Within this segment, Panda Express, a California-based chain grew 15.1 percent with estimated sales of over \$1.0 billion.

Growth continued to be driven by fast-casual chains. The Mexican category was led once again by Qdoba Mexican Grill and Chipotle Mexican Grill posted estimated U.S. systemwide sales growth of 42.9 and 26.2 percent, respectively. The Asian category continued its sales growth with P.F. Chang's Pei Wei concept (16.8 percent) and Panda Express (15.1 percent). Standouts in the chicken segment included Zaxby's and El Pollo Loco with estimated sales growth of 21.1 and 16.6 percent, respectively.

Within Top 500 full-service restaurants, the full-service ethnic Asian category posted strong sales growth of 13.1 percent, compared to an overall full-service Top 500 growth rate of 4.2 percent. The real story was in the varied menu category which posted sales growth of only 5.3 percent compared to 10.3 percent sales growth in the prior year. This category was affected by slowing unit expansion, pressures from fast-casual chains at lunch time and retailers going after dinner business. The seafood and Italian categories posted better-than-average results with sales growth of 5.3 and 4.8 percent, respectively. Steak (4.1 percent) and family-style restaurants (2.2 percent) showed only modest growth. The Mexican category declined by 1.4 percent.

The Ten Fastest-Growing Chains with Sales Over \$200 Million Ranked by Percentage Increase in Sales in 2007 vs. 2006

Rank	Chain	2007 U.S. Sales(\$millions)	%Sales Change	%Unit Change
1	Qdoba Mexican Grill	\$380(a)	43%	30%
2	Jimmy John's Gourmet Sandwich Shop	348(a)	33	18
3	BJ's Restaurant & Brewery	319	32	23
4	Chipotle Mexican Grill	1,057(a)	26	18
5	Fleming's Prime Steakhouse & Wine Bar	250(a)	25	20
6	Bonefish Grill	406(a)	24	20
7	Moe's Southwest Grill	336(a)	23	16
8	Starbucks	8,550(a)	22	19
9	Caribou Coffee	301(a)	21	4
10	Zaxby's	563	21	14
Total		\$12,510	23%	18%

(a)Technomic estimate

In total, the top 10 fastest-growing chains' sales accounted for \$12.5 billion, a 23 percent increase over 2006. Unit counts grew 18 percent.

Impressively, 4 chains with estimated sales over \$2 billion achieved estimated double-digit growth in 2007 including Starbucks (21.5 percent), Jack in the Box (10.4 percent), Chick-fil-A, (16.1 percent) and Panera Bread (17.6 percent). All four chains are limited-service concepts.

While the Top 500 chains posted strong growth in the aggregate, individual results varied dramatically with sales ranging from Shane's Rib Shack's 134 percent estimated growth to Smokey Bone's 27 percent estimated sales decline. Fully 72 percent of the Top 500 restaurant chains posted at least nominal sales increases, 123 of these chains suffered sales declines in 2007. Both winners and losers appeared in each segment and menu category. These widely-mixed results demonstrate the

overall competitiveness of the industry and the need for suppliers and operators to carefully identify and focus upon the winners.

International performance by the Top 100 restaurant companies remained strong in 2007. International sales (up 7.6 percent) outpaced U.S. sales (up 5.1 percent), international unit growth was also up 5.6 percent versus 2.4 percent for U.S. units.

The 2008 Technomic Top 500 Chain Restaurant Report provides Technomic's exclusive 5-year sales forecast by menu category, update on fast-casual, 5-, 10- and 20-year trend analyses, outlook for the future, market share by menu category, and much more. For additional details or to order a copy, please visit www.foodpubs.com.

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