

THOUGHT LEADERSHIP FROM THE BDO RESTAURANT PRACTICE

# BENCHMARKING UPDATE

## SEGMENT AVERAGES Q3-15

	SAME STORE SALES		COMMODITY PRICE INDICES FLUCTUATIONS		
	Thru Q3-15	FY 2014	Thru Q3-15	FY 2014	
QUICK SERVE	3.3%	3.0%	BEEF	-5.0%	23.6%
FAST CASUAL	5.6%	5.5%	POULTRY	-4.0%	8.5%
CASUAL	2.4%	1.9%	PORK	-16.7%	8.1%
UPSCALE CASUAL	2.2%	0.9%	CHEESE	-9.3%	4.6%
PIZZA	6.7%	4.5%	WHEAT	-18.1%	5.5%
<b>GRAND AVERAGE</b>	<b>3.4%</b>	<b>2.7%</b>	BASKET	-2.8%	3.7%

Source: data.bls.gov

	COST OF SALES					
	Thru Q3-15	Thru Q3-14	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	31.2%	31.9%	-0.7%	31.9%	31.9%	0.0%
FAST CASUAL	30.8%	30.6%	0.2%	31.0%	30.9%	0.1%
CASUAL/UPSCALE CASUAL	28.4%	28.8%	-0.4%	28.8%	28.7%	0.1%
PIZZA	25.9%	27.8%	-1.9%	27.7%	26.9%	0.8%
<b>GRAND AVERAGE</b>	<b>29.3%</b>	<b>29.8%</b>	<b>-0.5%</b>	<b>29.8%</b>	<b>29.8%</b>	<b>0.0%</b>

	LABOR					
	Thru Q3-15	Thru Q3-14	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	28.2%	28.5%	-0.3%	28.3%	28.5%	-0.2%
FAST CASUAL	27.9%	27.9%	0.0%	27.0%	28.0%	-1.0%
CASUAL/UPSCALE CASUAL	31.8%	31.8%	0.0%	32.1%	32.0%	0.1%
PIZZA	29.2%	28.5%	0.7%	28.6%	28.4%	0.2%
<b>GRAND AVERAGE</b>	<b>29.9%</b>	<b>29.8%</b>	<b>0.1%</b>	<b>29.7%</b>	<b>30.0%</b>	<b>-0.3%</b>

	PRIME COSTS					
	Thru Q3-15	Thru Q3-14	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	59.2%	60.3%	-1.1%	60.2%	60.3%	-0.1%
FAST CASUAL	58.7%	58.5%	0.2%	58.0%	59.0%	-1.0%
CASUAL/UPSCALE CASUAL	60.1%	60.2%	-0.1%	60.5%	60.5%	0.0%
PIZZA	55.1%	56.2%	-1.1%	56.3%	55.3%	1.0%
<b>GRAND AVERAGE</b>	<b>59.1%</b>	<b>59.5%</b>	<b>-0.4%</b>	<b>59.5%</b>	<b>59.7%</b>	<b>-0.2%</b>

## HOW DO YOU COMPARE TO YOUR COMPETITION?

Each quarter, we compile the operating results of publicly traded restaurant companies to provide you with timely benchmarking information. Our past benchmarking surveys of medium-sized private companies indicated, on average, their prime costs were higher than public companies by 1-2 percent. However, high-quartile participants (best performing) in our surveys had prime costs 3 percent lower than the average public company.

Cost of sales includes food and beverage for all segments. Quick serve and fast casual segments also include packaging costs. Labor costs include restaurant level wages, payroll taxes, and benefits.

The industry continues to see growth as restaurants quickly adapt and find ways to fulfill consumer demands. Through Q3, same-store sales improved across all segments, with the pizza and fast casual segments experiencing the most significant growth, with an increase of 6.7 percent and 5.6 percent, respectively. Domino's continues to lead the pizza segment for the fourth quarter in a row with a 13.3 percent increase in same store sales through Q3. It has sustained this growth as a result of focusing on online ordering and improving the digital customer experience. Nearly 50 percent of the brand's domestic sales through Q3 were generated from digital channels. Customers can now order pizza simply with a tweet! Shake Shack remains at the top of the fast casual segment with a 14.3 percent increase in same store sales. The brand's positive same-store sales is due to an increase in menu prices and an uptick in store traffic from the buzz surrounding the brand's IPO in January. Same-store sales are approximately 10 percent higher today than in fiscal year 2014.

Another positive sign for the industry is that cost of sales decreased across most segments through Q3. This change is largely due to lower commodity costs. The pizza segment continues to reap the greatest benefit since cheese, wheat and pork prices have all declined.

Despite increases to minimum wage, many restaurants are maintaining consistent labor costs through a combination of improved sales and effective labor management. However, the pizza segment is an exception; it has seen labor costs rise through Q3. This change can be attributed to Domino's 1.3 percent increase in labor costs over the prior year; its strong sales growth triggered higher labor costs in the form of overtime and bonuses. Restaurants continue to monitor the impact of the Affordable Care Act to ensure they have implemented an effective strategy to address the associated costs and comply with reporting requirements.

*\*Prior results have been restated to conform to current-year data availability.*