THOUGHT LEADERSHIP FROM THE BDO RESTAURANT PRACTICE

BENCHMARKINGUPDATE

SEGMENT AVERAGES FY 2015

SAME STORE SALES	FY 2015	FY 2014
QUICK SERVE	3.8%	3.7%
FAST CASUAL	4.9%	5.8%
CASUAL	1.6%	1.8%
UPSCALE CASUAL	1.7%	0.7%
PIZZA	6.4%	4.5%
GRAND AVERAGE	**3.0%**	**3.0%**

COMMODITY PRICE INDICES FLUCTUATIONS	FY 2015	FY 2014
BEEF	3.4%	19.1%
POULTRY	-1.6%	4.3%
PORK	-23.4%	19.6%
CHEESE	-13.5%	12.2%
WHEAT	-10.0%	1.8%
BASKET	-3.4%	3.9%

Source: data.bls.gov

COST OF SALES	FY 2015	FY 2014	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	31.2%	32.2%	-1.0%	32.2%	32.2%	0.0%
FAST CASUAL	31.1%	31.5%	-0.4%	31.5%	31.6%	-0.1%
CASUAL/UPSCALE CASUAL	28.3%	28.7%	-0.4%	28.7%	28.5%	0.2%
PIZZA	25.8%	27.7%	-1.9%	27.7%	26.9%	0.8%
GRAND AVERAGE	**29.4%**	**30.1%**	**-0.7%**	**30.1%**	**29.9%**	**0.2%**

LABOR	FY 2015	FY 2014	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	28.5%	28.6%	-0.1%	28.6%	29.0%	-0.4%
FAST CASUAL	27.1%	26.9%	0.2%	26.9%	27.0%	-0.1%
CASUAL/UPSCALE CASUAL	32.9%	32.9%	0.0%	32.9%	33.0%	-0.1%
PIZZA	29.3%	28.6%	0.7%	28.6%	28.4%	0.2%
GRAND AVERAGE	**30.1%**	**30.0%**	**0.1%**	**30.1%**	**30.2%**	**-0.1%**

PRIME COSTS	FY 2015	FY 2014	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	59.6%	60.6%	-1.0%	60.6%	61.0%	-0.4%
FAST CASUAL	58.2%	58.4%	-0.2%	58.4%	58.6%	-0.2%
CASUAL/UPSCALE CASUAL	61.0%	61.2%	-0.2%	61.2%	61.1%	0.1%
PIZZA	55.1%	56.3%	-1.2%	56.3%	55.3%	1.0%
GRAND AVERAGE	**59.5%**	**60.0%**	**-0.5%**	**60.0%**	**60.0%**	**0.0%**

HOW DO YOU COMPARE TO YOUR COMPETITION?

Restaurant sales were solid throughout 2015, largely due to improvements in overall economic fundamentals like decreased unemployment and increased discretionary income, which boosted consumer confidence and spending. Same-store sales improved across all segments last year, helped by higher menu prices and increased traffic. Those brands with lower same-store sales suffered from lower traffic counts offset by menu price increases.

The pizza segment experienced the most significant growth with an increase of 6.4 percent overall. Domino's sat atop the pack throughout the year, enjoying a 12.2 percent increase in same-store sales in 2015. It sustained that growth throughout the year by focusing on online ordering and capitalizing on convenience and food delivery.

The fast casual segment also experienced strong, but more modest, same-store sales growth of 4.9 percent. It's no surprise that upscale burger purveyor Shake Shack set the pace with same store sales growth of 13.3 percent, which can be attributed to its strategic menu mix and focus on unique limited-time offers. Fast casual pioneer Chipotle experienced a bleaker Q4, with the aftermath of its prominent foodborne illness outbreak dampening same-store sales by 16.5 percent.

In the quick service segment, McDonalds was able to post positive same store-sales in 2015, bolstered by a jump in sales in Q4 after the strong debut of its popular all-day breakfast menu. Overall, the segment saw a 3.8 percent increase in same-store sales last year.

Another positive sign for the industry is the decrease of cost of sales across all segments in 2015. All commodities decreased year-over-year, with the exception of beef. However, beef experienced a significant decrease in cost in the second half of 2015.

Labor costs increased slightly in 2015 as restaurants incurred additional costs related to the Affordable Care Act and felt the pressure to offer higher wages to attract and secure employees in a tight labor market. For example, in the pizza segment, Domino's 1.2 percent increase in labor costs can be attributed to a combination of larger bonuses and seeking out the proper labor mix to keep up with steadily increasing sales.

As restaurants seek to carry forward these positive trends and drive higher profit margins through the remainder of 2016, we expect to see a continued focus on controlling costs through strategic inventory and labor management, as well as leveraging technology in new and innovative ways.

About this update

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.

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