

THOUGHT LEADERSHIP FROM THE BDO RESTAURANT PRACTICE

BENCHMARKING UPDATE

SEGMENT AVERAGES Q2-15

	SAME STORE SALES	
	Thru Q2-15	FY 2014
QUICK SERVE	4.8%	3.6%
FAST CASUAL	6.0%	5.7%
CASUAL	2.7%	1.8%
UPSCALE CASUAL	2.2%	1.0%
PIZZA	7.3%	4.5%
GRAND AVERAGE	3.9%	2.9%

	COMMODITY PRICE INDICES FLUCTUATIONS	
	Thru Q2-15	FY 2014
BEEF	3.4%	23.6%
POULTRY	-2.2%	8.5%
PORK	-16.4%	8.1%
CHEESE	-11.7%	4.6%
WHEAT	-6.1%	5.5%
BASKET	-2.0%	3.7%

Source: data.bls.gov

	COST OF SALES					
	Thru Q2-15	Thru Q2-14	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	31.4%	32.0%	-0.6%	32.1%	32.2%	-0.1%
FAST CASUAL	30.8%	30.5%	0.3%	30.9%	30.9%	0.0%
CASUAL/UPSCALE CASUAL	28.1%	28.4%	-0.3%	28.5%	28.5%	0.0%
PIZZA	25.9%	27.9%	-2.0%	27.7%	26.9%	0.8%
GRAND AVERAGE	29.4%	29.7%	-0.3%	29.9%	29.8%	0.1%

	LABOR					
	Thru Q2-15	Thru Q2-14	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	28.7%	29.0%	-0.3%	28.7%	29.0%	-0.3%
FAST CASUAL	27.6%	27.8%	-0.2%	26.9%	28.0%	-1.1%
CASUAL/UPSCALE CASUAL	32.5%	32.8%	-0.3%	33.1%	33.1%	0.0%
PIZZA	29.1%	28.5%	0.6%	28.6%	28.4%	0.2%
GRAND AVERAGE	29.9%	30.1%	-0.2%	30.0%	30.3%	-0.3%

	PRIME COSTS					
	Thru Q2-15	Thru Q2-14	Inc. (Dec.)	FY 2014	FY 2013	Inc. (Dec.)
QUICK SERVE	60.1%	61.0%	-0.9%	60.8%	61.2%	-0.4%
FAST CASUAL	58.4%	58.3%	0.1%	57.9%	58.8%	-0.9%
CASUAL/UPSCALE CASUAL	60.6%	61.0%	-0.4%	61.5%	61.3%	0.2%
PIZZA	55.0%	56.4%	-1.4%	56.3%	55.3%	1.0%
GRAND AVERAGE	59.5%	59.9%	-0.4%	59.9%	60.1%	-0.2%

HOW DO YOU COMPARE TO YOUR COMPETITION?

We compiled 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 in 2015 as restaurants quickly adapt and find ways to fulfill consumer demands. Through Q2, same-store sales improved across all segments, with the pizza and fast casual segments experiencing the most significant growth with an increase of 7.3 percent and 6.0 percent, respectively. Domino's continued to lead the pizza segment with a 14.2 percent increase in same-store sales. It has sustained this growth as a result of focusing on online ordering and improving the digital customer experience. Shake Shack has also seen significant improvement in same-store sales, with 12.4 percent growth through Q2. Shake Shack'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.

Another positive sign for the industry is that cost of sales decreased across most segments in Q2. This change is largely due to the decline in commodity costs. The pizza segment continues to reap the greatest benefit from lower commodity costs since cheese, wheat and pork prices have all declined.

Overall, restaurants have also seen an improvement in labor costs as a result of higher sales and effective labor management. However, labor costs for the pizza segment did increase in Q2. This can be attributed to Domino's 1.2 percent increase in labor costs over the prior year; its strong sales growth triggered increased 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.

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