

SUMMER 2008

INSIGHTS
& DISCOVERY

AFFORDABLE LUXURY: THE NEW BOTTOM LINE

Luxurious living is no longer an all or nothing proposition, at least not when it comes to great food. An increase in international travel and the rise of the celebrity chef phenomenon have made people more familiar with fantastic foods than ever before. In an era of responsible spending, however, consumers are looking for ways to strike a balance between their appetites and their wallets. This mission is far from impossible thanks to the concept known as “affordable luxury,” which promises mass availability and affordability of items with luxury appeal. More than anything else, “affordable luxury” means that menus that are rich in both indulgence and value can satisfy consumers’ cravings but not eat up their savings.

For the most part, specialty food is a rather “affordable luxury.” Relative to a luxury like a new car, a prime rib dinner seems like a downright bargain. But, when times are tough, many people feel uncomfortable about purchasing their favorite treats. The beauty of “affordable luxury” is that splurging on indulgent food does not have to be a stretch on the budget. Carl’s Jr.’s® Six Dollar Burgers and Hardee’s® Thickburgers, for example, provide premium beef and toppings for six dollars or less. Charlie Brown’s Steakhouse, an East Coast chain, is running a springtime special of bourbon flat iron steak for just \$13.99, after an extremely successful run with a flat iron steak and jumbo shrimp combination, priced at \$12.99. And recently, T.G. I. Friday’s® Restaurant announced it would extend its successful “Right Portion, Right Price” menu, on which prices range from \$5.99 to \$9.99. Two top features on the menu are a petite sirloin steak and a bistro sirloin salad.



Bottom Line: *Now is the time for affordable luxury to shine. Consumers are looking for “deluxe on a dime” at precisely the moment when operators have a multitude of ways to deliver it.*

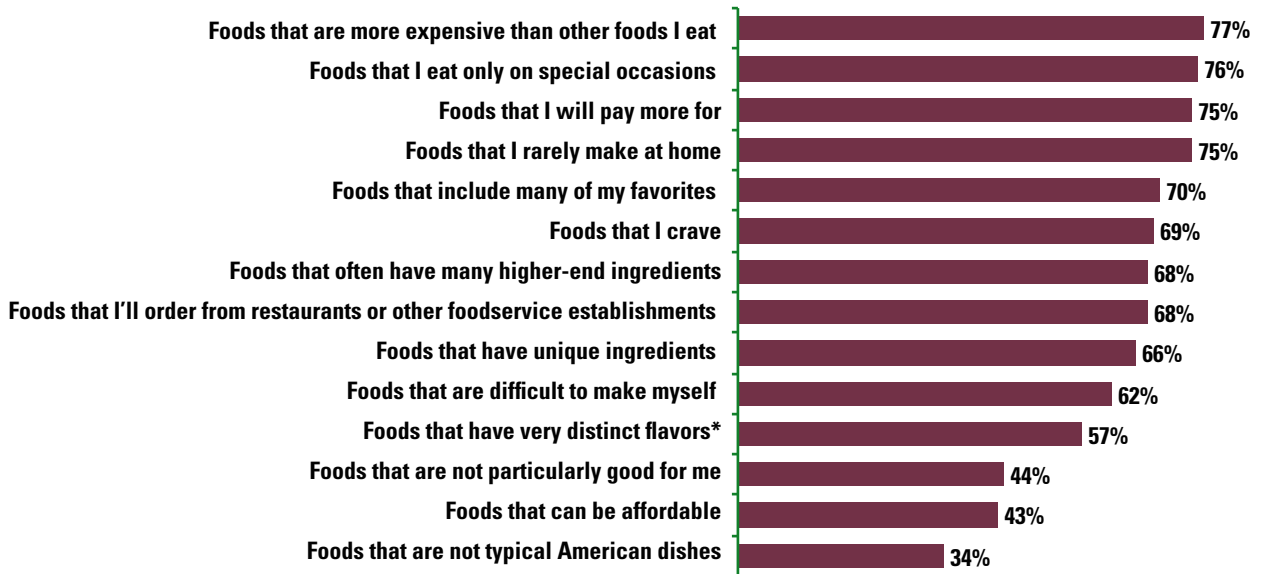
DEFINING THE TREND

An April, 2008 survey of 506 consumers conducted for Tyson Food Service confirmed that where food is concerned, luxury and indulgence are fairly synonymous terms. As the chart on the next page shows, more than three-fourths of consumers (77%) agreed that like luxuries, indulgent foods are more expensive than everyday foods. Nearly as many consumers agreed that indulgent foods are those that they only eat on special occasions (76%), but are also those for which they will pay more (75%). Of course, indulgent foods, like luxuries, include many people’s favorites (70%), are craveable (69%), and often have ingredients that are higher-end (68%) or unique (66%).

It’s also worth noting that indulgent foods are ideal foodservice fare: three-quarters of consumers (75%) report that they rarely make indulgent foods at home, and nearly seven of ten consumers (68%) indicate that they order indulgent foods from restaurants or other foodservice establishments.

How well do each of the following statements reflect your view of indulgent foods and beverages?

% of Consumers Selecting Top Two Box (4 or 5, where 5 = "strongly reflects my view")



*Spicy, buffalo, curry, etc.

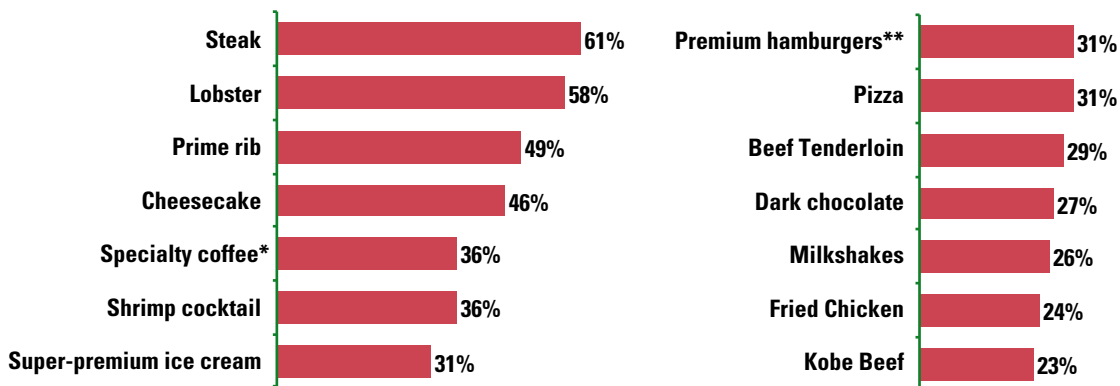
Bottom Line: *The desire for indulgent, affordable yet luxurious food is already well-established and defined. Most consumers associate indulgent foods with those that are available in foodservice venues.*

PROTEINS TOP LIST OF INDULGENT FOODS

Given a wide list of items from which to choose, four of the top five foods that consumers designated as indulgent, luxurious or craveable were proteins. In particular, more than three of five consumers (61%) indicate that steak is an indulgent food, and nearly the same amount (58%) feel that way about lobster. Almost half of consumers (49%) consider prime rib an indulgent food, and slightly fewer (46%), cheesecake. Of the top 15 foods deemed indulgent by consumers, all, with the exception of pizza, are either proteins or sweet treats.

Do You Consider the Following Foods Indulgent?

% Indicating

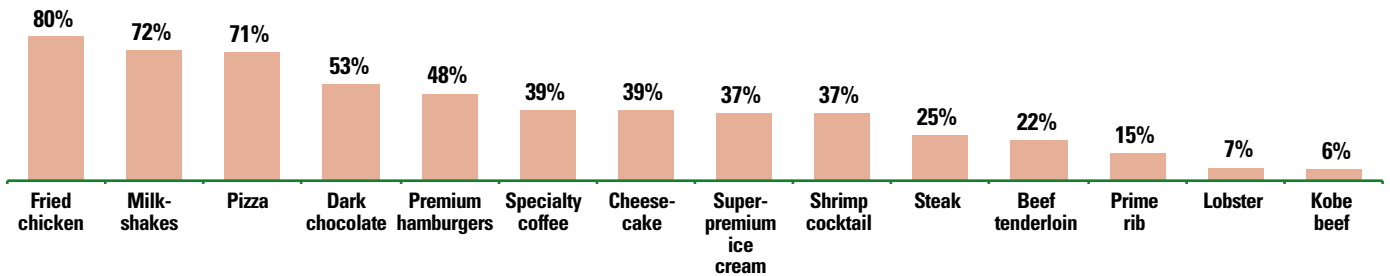


* Lattes, cappuccinos or mochas

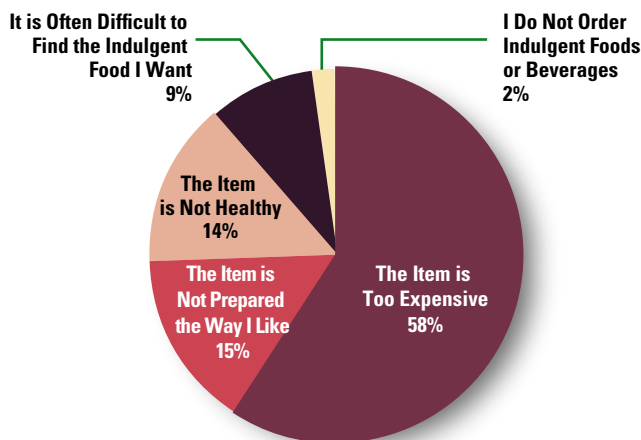
** Larger size, gourmet toppings

While not all indulgent foods are pricey, the top three selected by consumers do tend to cost more than many other items further down the list. In fact, when consumers were asked how affordable each indulgent item is, proteins such as shrimp cocktail, steak, beef tenderloin, prime rib, lobster and Kobe beef were at the bottom of the range. Meanwhile, eight of ten (80%) consumers indicated that fried chicken is affordable, and slightly more than seven of ten agreed that milkshakes and pizza are as well (72% and 71%, respectively). Approximately half of those surveyed agreed that dark chocolate (53%) and premium hamburgers (48%) are affordable too.

How Affordable Are the Following Foods?
 % of Consumers Saying "Very Affordable" or "Somewhat Affordable"



Primary Reason Why Consumers Forgo an Indulgent Food or Beverage



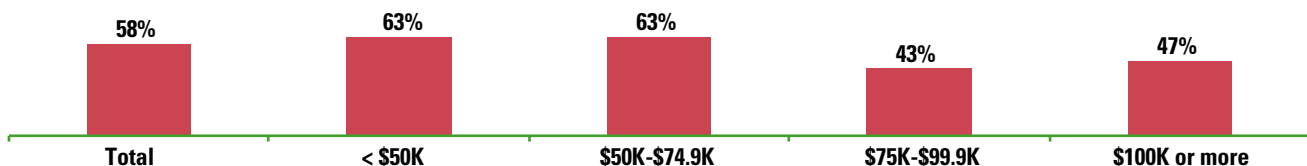
Not surprisingly, how affordable an indulgent food is plays a large role in whether consumers decide to buy it. Nearly three-fifths of consumers (58%) report that the primary reason they forgo an indulgent food is because it is too expensive. Much further down on the list, only 15% of consumers pass up an indulgent food because it is not prepared the way they like, and only 14% do so because the indulgent food is not healthy.

Considering that many of the indulgent foods chosen by consumers, such as cheesecake, fried chicken, super-premium ice cream and milkshakes, are decidedly not healthy, it's ironic that so relatively few people forgo them on that basis alone. This, in turn, solidifies price as the primary reason why consumers do not always order the indulgent foods they desire.

Since most of the protein-based indulgent foods fall on the more expensive side of the ledger, this also lends credence to the notion that many consumers would like to purchase more protein-based indulgent foods if they could afford them.

In looking a bit more closely at the 58% of consumers who forgo an indulgent food because it is too expensive, the data is very clear: the higher the income bracket they're in, the less likely consumers are to pass up an indulgent food due to its price. To that point, those consumers whose annual household income is less than \$50,000 or between \$50,000 — \$74,999 are 20 percentage points more likely to forgo the purchase of an indulgent food because it is too expensive than are those who earn \$75,000 — \$99,999.

Annual Household Income of Those Who Forgo Indulgent Foods/Beverages Because They Are Too Expensive
 % By Income Bracket



Bottom Line: In many cases, consumers gravitate naturally towards indulgent proteins such as steak, prime rib and lobster, but many may not order these foods as frequently as they'd like due to their perceived higher price tags.

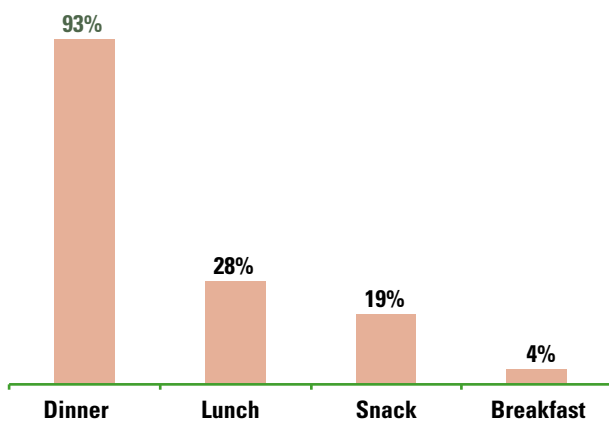
WHEN & WHERE TO INDULGE

Far and away, the meal at which consumers are most likely to eat indulgent foods is dinner. More than nine of ten consumers (93%) report that they are likely to eat indulgent foods during the dinner daypart, whereas fewer than a third (28%) are likely to eat them for lunch, the next most popular option. Nearly one of five consumers (19%) likes indulgent foods for a snack, a fact that dovetails nicely with the popularity of indulgent, specialty coffee drinks. Consumers are not very likely (4%) to eat indulgent foods at breakfast or, at the very least, to consider the foods they do eat for that meal indulgent.

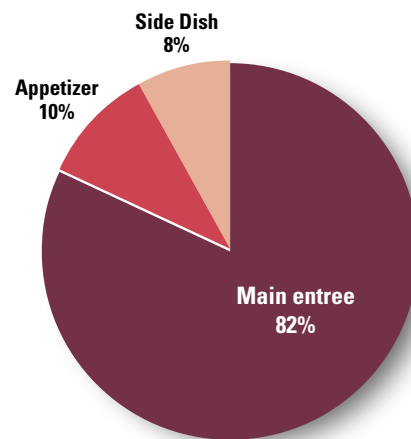
For that vast majority of consumers who are most likely to eat indulgent foods at dinner and/or lunch, slightly more than eight of ten (82%) report that the main entrée is most likely to be indulgent. This coincides with consumers' strong feelings that premium proteins, such as steak, lobster and prime rib, are indulgent foods.

For Which Meals Are You Most Likely to Eat Indulgent Foods (excluding dessert)?

Select up to Two Responses

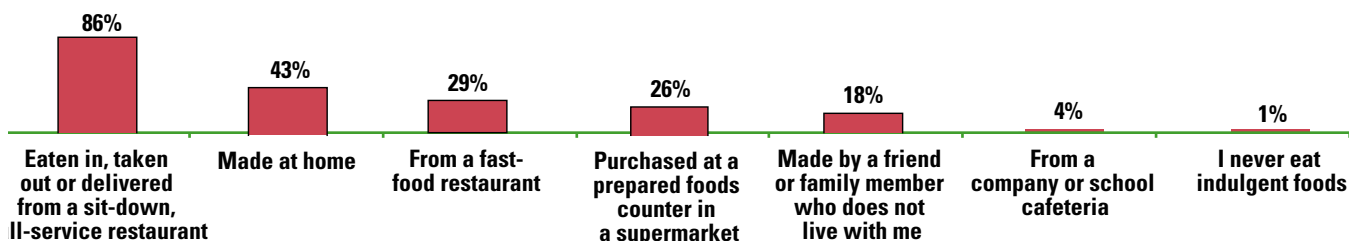


For Which Part of Dinner Are You Most Likely to Eat Indulgent Foods?



Most consumers (86%) report that they get their indulgent foods from a full-service restaurant. This is double the percentage points of those who make their own indulgent foods at home (43%). More than a quarter of consumers claim they get indulgent foods from a fast-food restaurant (29%) or from the prepared foods counter in a supermarket (26%), suggesting that convenience is not a hurdle to providing these affordable luxuries.

Where Consumers Typically Get Their Indulgent Foods



Bottom Line: Whether for lunch or dinner, consumers prefer indulgent foods primarily as a main entrée selection, and primarily in full-service restaurants. This indicates there is significant opportunity for operators outside of full service to offer indulgent foods, and for all operators to offer indulgent foods that go beyond just entrées.

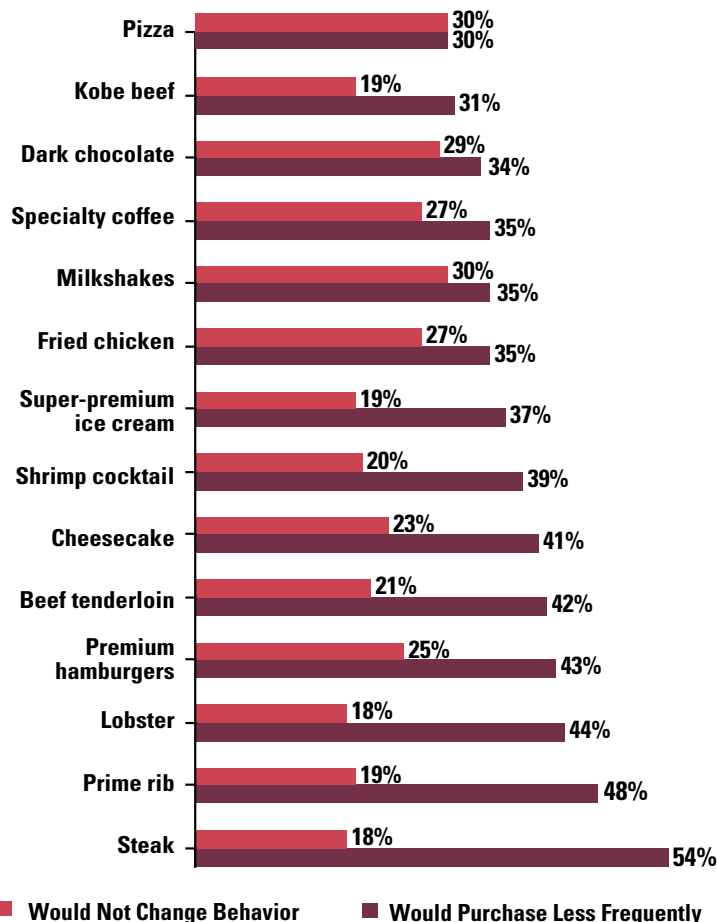
HIGHER PRICES NOT THE END OF AFFORDABLE LUXURY

Recently, prices have risen for many food products and commodities, concurrent with an economic downturn. As a result, restaurants and other foodservice establishments are contemplating or have already taken price increases on their menus, just as many consumers are becoming more prudent in their spending habits. Fortunately, this does not mean that indulgent foods have to become an unaffordable luxury for most consumers.

If faced with a 10% increase in the price of an indulgent food, a majority of consumers report they would either purchase less of that food or would not change their purchase behavior at all; in no instance did a majority of consumers report that they would no longer purchase the item altogether. Case in point: more than half of consumers (54%) indicate they would purchase less steak if the price for it were to increase by 10%, and nearly one-fifth of consumers (18%) say they would not change their purchase behavior at all under those circumstances.

Where prime rib is concerned, nearly half of consumers (48%) report they would purchase less of it, while almost one of five (19%) state they would not change their behavior at all, if the price were to increase by 10%. Across the board, consumers want to be able to continue to enjoy indulgent foods, but many clearly anticipate that they will have to cut back on how much of them they eat.

How Would a 10% Increase in Price of the Following Foods Affect Your Purchase Behavior?*



*Balance to 100% = "would split portion," "would purchase smaller portion," and "would no longer purchase at all."

Bottom Line: *Even in the face of potential price increases, consumers would be reluctant to cut out their favorite indulgent foods entirely. This may signal that consumers would be amenable to alternative presentations of indulgent foods that would entail stable prices.*

GOOD THINGS COME IN SMALL(ER) PACKAGES

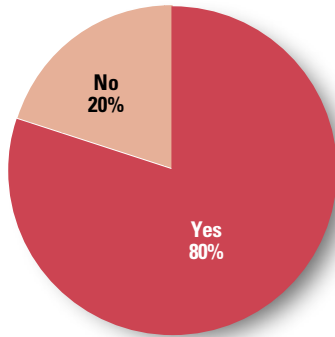
One way in which operators can continue to put indulgent, protein-based entrée foods on their menus without running into prohibitive price barriers is to offer smaller portions of them, often in the guise of a flavorful accent in a dish or in combination with another, less expensive protein. Asian-style beef lettuce wraps, for example, include a smaller portion of beef than would a full-size steak entrée, but still offer plenty of filling flavor and variety. By the same token, diners who order "Roasted Peking Duck" at the Powerhouse Restaurant and Bar in Chicago get a half-breast and a duck confit instead of a whole duck breast. The substitution cuts costs nearly in half by allowing the restaurant to buy entire birds instead of individual duck breasts.¹

By and large, consumers approve of the idea of smaller portions when it comes to indulgent foods. As indicated in the charts on the following page, when asked if they would be willing to try a smaller portion of an indulgent food at a foodservice establishment in place of a larger one, eight of ten consumers (80%) agreed.

Broken out further, 84% of women and 75% of men would be willing to try a smaller portion of an indulgent food. Knowledge of this gender gap can be used effectively by operators to position smaller servings of indulgent foods that appeal specifically to women, such as fried chicken on a salad or a mini burger entrée.

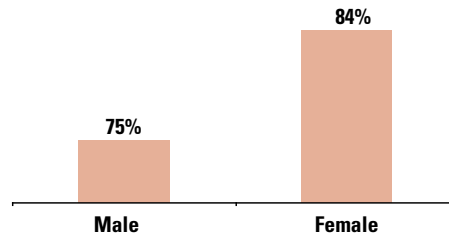
¹ "Restaurants Tweak Menus as Ingredient Costs Grow," *The Wall Street Journal*, March 8, 2008

Would You Be Willing to Try A Smaller Portion of an Indulgent Food at a Foodservice Venue in Place of a Larger One ?



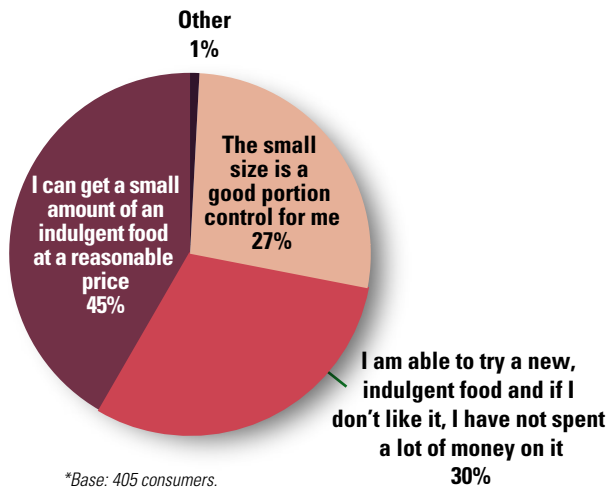
*Base: 506 consumers.

% of Consumers Willing to Try A Smaller Portion of Indulgent Food, by Gender



*Base: 405 consumers.

What Feature of an Accent/Smaller Dish of Indulgent Food is Most Appealing to You?



*Base: 405 consumers.

Slightly more than two of five consumers (41%) who would be willing to try a smaller portion of indulgent fare are attracted to the concept mainly by the promise of getting a good price for their food. Nearly one of three consumers (30%) is interested in smaller portions as a way to try new indulgent foods without the worry of having wasted much money if the dish does not hit the spot. Both of these explanations echo a common theme these days among diners, namely that of seeking value for money spent. A bit more than a quarter of all consumers (27%) report that smaller portion sizes of indulgent food are most appealing because they control how much food is eaten. It's likely that these consumers, who are chiefly concerned with their health, are not as concerned as others are about their finances.

Bottom Line: *Smaller portions of indulgent foods are an ideal way to address rising prices in that they simultaneously satisfy the needs of those consumers who are counting their pennies as well as to those who are counting their calories.*

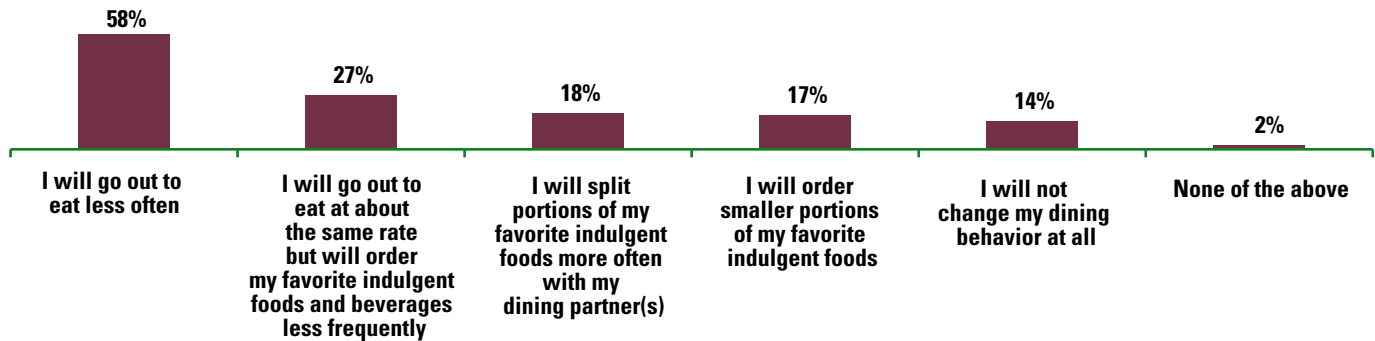
PUTTING IT ALL IN PERSPECTIVE

At the end of the day, the impact of today's economic situation on consumers' spending patterns is palpable. Where indulgent foods are concerned, nearly three of five consumers (58%) report that they will go out to eat less often and purchase fewer indulgent foods because of the current state of the economy. (Incidentally, this is the exact same percentage of consumers that also indicated they would forgo an indulgent food because it is too expensive.) Slightly more than a quarter of consumers (27%) plan to eat out at about the same rate as they did previously, but will order their favorite indulgent foods less frequently.

Nearly one-fifth of consumers (18%) plan to split portions of their favorite indulgent foods more often or order smaller portions of their favorite indulgent foods (17%) because of current economic pressures. Menus that feature indulgent dishes meant to be shared or that play to the trend in small plates will provide these consumers with ways to stretch their food dollars and

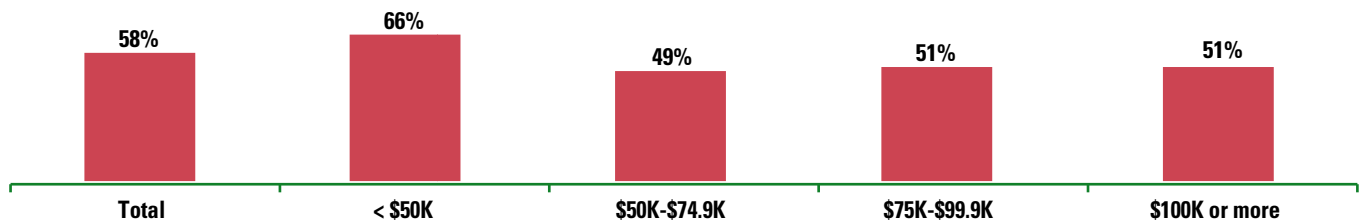
continue to dine out on indulgent cuisine. Applebees'® Ultimate Trio of appetizers is one example of a small plate idea featuring craveable tastes that customers can share. Tapas is another. Still, it is refreshing to see that 14% of consumers state they will not change their dining out behavior at all with regard to indulgent foods and the current economic crunch.

How Will the State of the Economy Today Impact Your Purchases of Indulgent Foods & Beverages in Foodservice Establishments?



Of the 58% of consumers who plan to eat out less often and purchase fewer indulgent foods because of the current state of the economy, further analysis shows that two-thirds (66%) of those who report annual household income of less than \$50,000 indicate they would follow this path. For those who report an annual household income of \$50,000 or above, approximately half of all consumers would do so. As expected, those who earn less money are most affected by the economic downturn, but in all income brackets there are plenty of consumers who are cautious about dining out nowadays, not to mention cautious about what they will order when they do dine out.

% of Consumers Who Will Dine Out Less Frequently Due to Current State of the Economy, By Income Bracket



Key Takeaways

- Although the economic pressure may be most keenly felt by those at the lower end of the earnings spectrum, plenty of consumers at all income levels have made it clear that they do not want to part with their favorite indulgent foods, despite rising prices. Operators should act now to integrate new menuing ideas that have been created to attract and retain these consumers.
- Fortunately, there are plenty of ways for consumers to get the indulgent foods they crave most at prices they can stomach. Dishes designed to be shared, less-expensive-yet-fulfilling cuts of meat, and small plates are just three ways to ensure that no consumer will have to forgo the steak they crave or the beef tenderloin they covet. There is a way to have it all.
- Affordable luxury is not a fad. It is a trend that will remain strong in good times and bad. Foodservice establishments that make it possible for consumers to indulge in leaner times will likely be viewed quite positively in those same consumers' eyes when the richer times return.



TYSON DISCOVERY CENTER™

Throughout the years it's been our goal to bring consumer-driven products with best-in-class back-of-house performance to the foodservice marketplace. Our commitment to innovation and discovery is like no other food manufacturer. And we're going to keep anticipating consumer demands and your needs by continually seeking the next big thing.

So "What's Next" from Tyson Food Service?

In an effort to answer consumer demand for mass availability and affordability of items with luxury appeal, we have developed new items such as *IBP®* USDA Choice Flat Iron *Everyday Steaks™* & *Tyson®* USDA Choice Prime Rib Style Beef, giving consumers easier access to indulgent items they crave without breaking the bank.

GORGONZOLA FLAT IRON STEAK SALAD



Fresh-off-the-grill slices of tender flat iron steak, gorgonzola cheese crumbles, and walnuts atop a bed of fresh mix baby greens tossed with roasted yellow and red beets and walnut-herb vinaigrette. A drizzle of rich gorgonzola cream sauce takes this entrée salad over the top.

Featured Product: *IBP* USDA Choice Flat Iron Everyday Steaks, 8-oz., #12169-1208

IBP USDA CHOICE FLAT IRON EVERYDAY STEAKS

IBP Flat Iron *Everyday Steaks* fulfill consumer expectations for quality and consistency. We take pride in producing premium-quality beef that exceeds customers' expectations.

- A less expensive alternative to rib or loin steaks that still offers great taste and appetite appeal
- It's cut from the second most tender beef muscle
- A flavorful, well-marbled steak that's perfect for dinner menus
- Juicy and flavorful
- Use it for sandwiches, wraps and even salads
- Absolutely no tenderizing is required

Key Reasons to Choose *IBP* Flat Iron *Everyday Steaks*

- Quality and consistency you can expect from the *IBP* brand
- Juicy and flavorful
- The world's largest beef producer is backed by reputation, service and leadership.

TYSON PRIME RIB STYLE BEEF

Reignite the popularity of a classic favorite with Prime Rib Style Beef – Tradition with a Twist

- USDA Choice prime rib style beef cut from the chuck eye roll for a most effective alternative to traditional prime rib. Fully cooked, rare, for maximum flavor.
- Available shaved or whole.

Key Reasons to Choose *Tyson* Prime Rib Style Beef

- Versatile enough to menu as an entrée or use as an ingredient in salads, sandwiches, etc.
- Fully cooked for speed to plate and improved product consistency.

PRIME SLIDERS



This trio of mini-but-mighty indulgent sandwiches features melt-in-your-mouth prime rib style shaved beef, along with tasty dollops of creamy horseradish coleslaw, piled high on soft dinner rolls.

Featured Product: *Tyson* USDA Choice Prime Rib Style Shaved Beef, Fully Cooked, Rare, #12567-928

For more menuing ideas at the heart of consumers' need for availability and affordability of items with luxury appeal, complete recipes, merchandising materials or information on products featured above visit www.tysonfoodservice.com

Brought to you by Tyson Food Service Marketing in collaboration with Technomic, Inc., a fact-based food industry marketing research and consulting firm, Insights & Discovery provides the restaurant industry with research-based analysis of key industry developments. Data is collected and analyzed by Technomic, Inc. This information cannot be distributed or duplicated without the express written approval of Tyson Foods, Inc. If you have questions, comments or topic suggestions, please contact Kimberly Perman at kperman@technomic.com or directly at (312) 506-3831.

