

# Competitive Update

5/24/2010



## Promotions: Games/ Movies/ Plastic | 5/20/2010

Burger King offers thousands of fans a rare chance to "hit the track" with Tony Stewart as he races toward Victory Lane at the Daytona International Speedway. The interactive "BK Sign & Race" promotion is the ultimate "FandorsementSM" for Tony Stewart NASCAR fans who have the need for speed. Hitting the track is simple; fans who log on to the website can submit their personal signatures for exclusive placement on the BURGER KING logo that will grace the hood of the No. 14 car during the NASCAR Sprint Cup Series Coke Zero 400 race on July 3. On the site, participants can zoom in on the BK logo to see how their signatures will be incorporated and will be able to share a BK Sign & Race image with friends via Facebook, Twitter and e-mail. After the race in Daytona, fans will have the chance to take home a piece of history. Beginning June 28 through July 7, an authentic No. 14 BK car hood, complete with the fan-endorsed BK logo, will be available via an online auction through BKSIGNandRace.com. All proceeds of the auction will support BK's HAVE IT YOUR WAY® Foundation, the charitable arm of the brand, which is committed to providing philanthropic support in communities around the globe.



## Promotions: Food | 5/18/2010

Burger King is rolling out its new Fire-Grilled Ribs to major markets, debuting a high-ticket item that nearly rivals casual-dining prices. The new bone-in ribs, which have been tested in various markets and use the chain's new batch broilers that are now in nearly all domestic Burger King units, are priced at \$7.99 as a six-piece combo meal in Dallas and \$7.49 in Chicago. An eight-piece ribs meal is available in both markets for \$8.99. The meals include French fries and a drink. The ticket price nearly rivals some offerings at casual-dining restaurants like Chili's and Applebee's, which often start meal options at \$9.99. As casual-dining chains have been dropping prices to drive consumer traffic, quick-service chains have been using what the industry calls a barbell approach that offers consumers both lower-ticket items in \$1 or other value menus, as well as higher-ticket items like salads or premium burgers. Since last year, Burger King has begun to offer both value items as well as more profitable, higher-ticket sandwiches and items, now made possible with the new batch broilers.



## Promotions: Food | 5/17/2010

Del Taco announced its Big Fat Crispy Chicken Taco, which features a crispy, golden chicken strip, lettuce, fresh tomatoes, grated cheddar cheese, and a zesty ancho chile sauce on warm flatbread. To give consumers variety, a tangy Ranch flavored sauce is also available. As part of its ongoing "2-for" promotion, Del Taco will feature two Big Fat Crispy Chicken tacos for \$4. Del Taco's Facebook fans can download a coupon on the "Free Taco" tab for a free Big Fat Crispy Chicken Taco with any purchase. While there, customers can see the latest episode of Del Taco's multi-platform advertising campaign: The Del Taco Super Special Show. The new episode titled "Gettin' Crispy" features new vignettes such as the Taco Diaries, Del vs. Bell, and Sauce Packet Theater.



## Legal Issues/ HR/ Staffing Changes | 5/19/2010

Sagittarius Brands Inc., which was created by industry veteran Sid Feltenstein and has operated the Captain D's and Del Taco brands since 2006, has sold its fast-food seafood chain and recapitalized Del Taco under new ownership. Private-equity firm Sun Capital Partners Inc. said it has acquired the 539-unit Captain D's Seafood Kitchen chain. Terms of deal were not disclosed. Separately, the 515-unit Del Taco chain will now be operated under Del Taco Holdings Inc., based in Lake Forest, Calif. Del Taco's existing debt has been refinanced with a new senior credit facility led by Wells Fargo and GE Capital, including a \$160M term loan and a \$39M revolving line of credit. A new cash infusion for Del Taco also comes from Goldman Sachs Mezzanine Partners as a new equity partner, along with existing investors Charlesbank Capital Partners and Leonard Green & Partners. Grotech Capital Group, however, is no longer among the backers of the brand.



## Promotions: Drink | 5/17/2010

While it may be considered impolite to give someone the raspberries in a social setting, Jack in the Box guests are enjoying the gesture as the company expands its menu with a new Raspberry Smoothie and Raspberry Shake, the latter made with real vanilla ice cream. Jack in the Box also today announced that it is now serving a new brand of fresh-brewed tea, Gold Peak, for its nonflavored and flavored teas, including raspberry. "Consumers might be surprised to learn that Jack in the Box offers a lot more variety when it comes to beverages than just sodas," said Tammy Bailey, division vice president of menu marketing and promotions for Jack in the Box Inc. "With summer just around the corner, this is a great time to raise awareness of our beverage options. Offering the refreshingly distinct flavor of raspberry in three different beverages provides our guests variety that they can't find at any one of our major competitors."

## Advertising | 5/20/2010

Retire Ronald McDonald? No way. That's the message McDonald's Corp.'s CEO Jim Skinner gave Thursday to the red-haired clown's critics who say the cartoon promotes unhealthy eating and should go the way of the Marlboro Man and Joe Camel. "He is a force for good," Skinner said, adding that the nearly 50-year-old clown



is an ambassador for the McDonald's brand and its Ronald McDonald House Charities. "He communicates effectively with children and families around balanced, active lifestyles. He does not hawk food." Shareholders applauded Skinner. And they unleashed a chorus of boos when representatives from the advocacy group Corporate Accountability International requested the famous icon be shelved -- for good.



#### Operations | 5/18/2010

Panera is asking customers at a new restaurant to pay what they want. The national bakery and restaurant chain launched a new nonprofit store here this week that has the same menu as its other 1,400 locations. But the prices are a little different -- there aren't any. Customers are told to donate what they want for a meal, whether it's the full suggested price, a penny or \$100. The new store in the upscale St. Louis suburb of Clayton is the first of what will Panera hopes will be many around the country. The pilot restaurant is run by a nonprofit foundation. If it can sustain itself financially, Panera will expand the model around the country within months. It all depends on whether customers will abide by the motto that hangs above the deli counter: "Take what you need, leave your fair share." Panera hopes to open a similar location in every community where it operates. The first location bears the name St. Louis Bread Co. Cares -- the chain's former name and one it still uses in its hometown. Customers seemed alternately puzzled and pleased by the concept. Panera is using its nonprofit foundation to support the restaurant and any future locations. The foundation will pay the new restaurant's bills, including staff salaries, rent and food costs. At the end of each month, the foundation will tally donations to see if they cover food costs.



#### Expansion/ Company Growth | 5/18/2010

Quiznos announced a growth initiative to develop up to 600 new stores nationwide by the end of 2010. The planned expansion will create more than 7,500 new jobs, fueling market-level economic growth in communities nationwide. The new Quiznos locations will include both corporate-owned stores as well as Quiznos-funded joint venture ownership opportunities for qualified entrepreneurs. The Quiznos-owned locations represent a departure from the company's traditional franchise model. Quiznos recently recapitalized and restructured its existing debt and equity structure in order to fund expansion and facilitate greater flexibility for growth. By doing so, Quiznos is able to dedicate its own capital to the new store openings and invest in this positive growth momentum. In addition to new store development, Quiznos is actively investing in its brand—refreshing its brand identity, renovating in-store design, increasing its value proposition for budget-conscious customers, introducing green packaging and practices for more sustainable operations, and enhancing its menu for even broader customer appeal. The combination of these brand enhancements and in-store renovation has effected a measurable impact on same-store sales in more than 1,100 renovated units thus far, and the company plans to renovate an additional 2,000 locations within the next 12 months.



#### Promotions: Food | 5/17/2010

As temperatures start to rise and the lazy days of summer approach, SONIC, serves up cool treats with the introduction of Real Ice Cream. SONIC has taken its delicious soft serve and made it even creamier and more indulgent with the introduction of Real Ice Cream. In addition to launching Real Ice Cream, SONIC has improved many of the toppings of the most popular Frozen Favorites desserts, including chocolate, hot fudge, caramel and pineapple. These quality improvements include removing or reducing high fructose corn syrup and replacing it with more natural ingredients. SONIC is also putting the boom in summer fun with its Buy One Shake, Get Another Shake Free Anytime promotion from May 17 to June 27! For six weeks, when SONIC customers order a shake they can enjoy a second shake for free when ordering or on a future visit. And, to further celebrate summer, SONIC will be offering 99-cent Real Ice Cream single topping sundaes after 8 p.m. from Memorial Day through Labor Day. All of SONIC's Frozen Favorites® treats will be made with Real Ice Cream.



#### Advertising | 5/19/2010

Starbucks, a company that already rewards frequent customers with the Barista badge on social gaming app Foursquare — is officially turning on the rewards side of its experimental Foursquare loyalty program with the first-ever nationwide mayor special. Mayors of individual Starbucks stores can unlock the Mayor Offer and enjoy a money-saving perk for their frequent store checkins. The deal offers customers a \$1 discount on a Frappuccino. The special greets mayors with this message: "As mayor of this store, enjoy \$1 off a NEW however-you-want-it Frappuccino blended beverage. Any size, any flavor. Offer valid until 6/28." There are a number of reasons why the Starbucks nationwide mayor reward is significant. It's a first for both Foursquare and the coffee retailer, and will likely bring mass attention to the marketing possibilities of the location-sharing trend. It's also an important development in light of pending Facebook location features, which we've yet to see in the wild. Starbucks — which is one of the most "Liked" brands on Facebook — is making a conscious choice to go with Foursquare, which should serve to legitimize Foursquare as the key player in the space for now.