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## Media Newsroom

**News Releases****Americans eating out less amid economic concerns, says RBC Capital Markets****Even those with higher incomes tightening their belts**

**NEW YORK, September 24, 2007** — Fifty-four percent of Americans said they will eat out at restaurants less over the next three months, according to a survey of 1,000 people released today in conjunction with the RBC Capital Markets Annual Consumer Conference, attended by some of the nation's leading restaurant and consumer company executives and investors.

"Volatile stock markets, declining home values, higher energy costs and overall concern about the economy are reducing Americans' appetite for dining out," said RBC Capital Markets equity analyst Larry Miller.

According to the study, the first of regular quarterly surveys on the restaurant industry to be released by RBC Capital Markets, even 35 percent of those Americans with higher household incomes (\$50,000 or more annually) said they would eat out less, and 62 percent of Americans making less than \$25,000 annually said they would eat out less.

In fact, the study showed that Americans already have tightened their belts, with two in five acknowledging that they are dining out less frequently today than six months ago. Consumers that cut back tended to fall into one or more of the following demographics: females, Generation Y/Baby Boomers, household incomes under \$50,000, unemployed, Northeast and Southern U.S. The 11 percent of consumers that said they increased their frequency were predominantly male, age 18-29, single, and prefer fast food. According to Miller, the concern among Baby Boomers helps explain the relative weakness in casual dining, as they are the core users.

The survey findings correlate with the latest RBC CASH (Consumer Attitudes and Spending by Household) Index, a monthly nationwide sample of 1,000 U.S. households. Consumer confidence declined significantly this month as the CASH Index declined to 71.1 in September from 89.3 in August.

"The results of this month's CASH Index, a good leading indicator of restaurant sales, do not bode well for spending at restaurants," said Miller. "The negative responses from both

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(pdf file, 8 pgs. 49KB)

the CASH Index and our restaurant-specific survey suggest that difficult times are likely to continue for restaurant companies."

Of those surveyed who classified themselves as coffee drinkers (roughly half of all respondents), 35 percent said they buy their coffee most often at the local coffee shop; 28 percent said Starbucks; one of five (20 percent) said McDonald's; and 14 percent classified themselves as Dunkin' Donuts coffee drinkers.

"As for whether McDonald's is eroding Starbuck's market share, the answer is 'no,' since the consumers of coffee at these two chains are polar opposites," said Miller. According to Miller, Starbucks' customers are more likely to be female, middle-aged, more highly educated and with a higher income than their McDonald's counterparts. In fact, Starbucks claims a greater share of Americans with college educations and those with incomes over \$100,000 annually than other vendors.

Respondents also were asked about the main factor they use to choose which restaurant at which to eat out. Food quality was overwhelmingly the driver of choice by 55 percent, followed by menu offering at 18 percent. Price ranked third at 12 percent, roughly in line with convenience at 10 percent. "This suggests that the restaurant industry's aggressive pricing in the past few years was not the cause of its traffic loss," according to Miller.

When asked what they are willing to spend their money on now compared to six months ago, 40 percent said they were less willing to order higher-priced entrées, appetizers and desserts, compared to 26 percent who were more willing to do so.

Despite busy lifestyles and irregular schedules, most Americans say they still manage to eat breakfast at home. A full 74 percent eat breakfast at home, and a further 11 percent skip breakfast altogether. McDonald's (seven percent) is Americans' leading choice for breakfast out, with most of the remainder (five percent) eating at restaurants, coffee shops and other sit-down venues.

#### **About RBC Capital Markets**

RBC Capital Markets is the corporate and investment banking arm of RBC and is active globally in debt origination, sales and trading, foreign exchange, infrastructure finance, structured products, metals and mining, and energy. Its North American platform includes leading equity, underwriting, sales, trading and research businesses and a significant U.S. middle market investment banking franchise. Bloomberg ranks the firm as one of the Top 20 investment banks globally.

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