

PROSPECTUS

E SOURCE Multi-Client Study



Delivering Energy and Energy Services to the Restaurant Sector

The U.S. restaurant market is hot—1999 sales are projected at \$354 billion, an increase of 15 percent over 1998. Restaurants spend about \$5 billion on energy each year, with the median annual bill for electricity and natural gas amounting to roughly \$161 per restaurant seat. Because electricity and gas costs eat up 1.5 percent of total restaurant sales, any energy-related savings can have a significant impact on the bottom line. In this highly competitive sector, restaurant operators may also be eager to use energy cost savings for other critical business needs—like hiring and retaining qualified staff.

Lighting retrofits are one simple approach to energy savings being taken by some prominent national chains. T.G.I. Friday's replaced incandescent bulbs with fluorescents and now enjoys average monthly savings of \$500 per restaurant. Darden Restaurants, parent company of Red Lobster and The Olive Garden, has also cut energy use through lighting retrofits. A smorgasbord of other savings opportunities exist for energy service providers (ESPs) interested in serving this healthy market sector.

Forward-thinking ESPs are already leveraging existing agreements, reaching out to national and regional accounts as well as to local operators. For example, in 1998, Sempra Energy Solutions parlayed a regional energy commodity and services agreement with Foodmaker Inc. (owner of Jack in the Box) into an agreement valued at over \$16 million. The original deal included analysis of utility bills and energy consumption patterns; the new one adds retrofit services to restaurants in 11 western states and discounted electricity sales to 350 California outlets.

ESPs can also use energy service deals with local and regional customers to help retain existing customers. In one such deal, North Carolina's electric cooperatives signed an agreement to provide all 21 of the North Carolina Cracker Barrel Old Country Store restaurants in the state with billing analysis and recommendations for energy savings.

Based on market conditions and our preliminary research, E SOURCE believes that restaurant operators are highly motivated to embrace carefully prepared product and service offerings from ESPs. But providers cannot create market-worthy offerings for restaurant customers unless they have a detailed understanding of how the restaurant business uses energy, the technologies they now have, the upgrades that would help them most, their decision-making structures, and the views and preferences of restaurant decision-makers. ESPs that can create solutions that address concerns specific to this sector, such as patron comfort and overall ambience, will have a distinct advantage. Generating timely, independent, and detailed information on the restaurant sector, this study will give you the market intelligence and analysis you need to gain—and use—that advantage.

Both local businesses and national chains can benefit from energy efficiency—for example, T.G.I. Friday's is reaping monthly savings of \$500 per restaurant from recent lighting retrofits.

What Will You Receive?

Delivering Energy and Energy Services to the Restaurant Sector will provide you with the critical information you need to build lasting business relationships with restaurant customers. As a study subscriber, you'll benefit from:

Dollar-Based Business Recommendations. We'll use our comprehensive research to identify business strategies that will help you enhance relationships with existing restaurant customers and more effectively reach national and regional accounts with offers for commodity or comprehensive energy management services.

Monthly E-Mail Updates on Research Findings. As the study progresses, subscribers will receive monthly messages highlighting our most interesting research findings. These updates will allow subscribers to immediately adjust their strategies for the restaurant market.

Insights from an Industry Advisory Board. With hands-on knowledge of the restaurant industry, the business world, and the energy business, the E SOURCE Restaurant Energy Advisory Board will include a minimum of five representatives from major national accounts and the kinds of regional customers that will be prime targets for customer-retention programs. The board currently consists of:

- Steve Eddings, National Energy Manager, CKE Restaurants (Carl's Jr. and Hardee's)
- Bob Fields, Energy Services Manager, Darden Restaurants (Red Lobster and Olive Garden)
- Tony Spata, Corporate Engineer, McDonald's Corp.

Survey Input. Charter subscribers will have an opportunity to influence the design of our survey of 100 facility-level decision-makers and will have the option to oversample selected restaurant segments by type or geographic region.

Individualized Workshops. Interested companies will also have the option of scheduling a full-day, on-site workshop on the restaurant sector, presented by E SOURCE staff members. Morning presentations highlighting the facility survey and personal interviews will explain the broader implications for business development; afternoon sessions will focus on product development and specific business strategies.

Study Features

E SOURCE's in-depth report on the restaurant industry will cover the following:

1. Business Strategies

Designing offerings for the restaurant industry. The report will make use of extensive independent research to provide study subscribers with specific strategies for successfully delivering energy and energy services to the restaurant industry. E SOURCE will tackle the tough bottom-line questions that will help subscribers craft mutually advantageous energy deals for restaurant operators.

2. Market Profile

Understanding the restaurant industry. E SOURCE will identify the major players, provide statistics on the number and size of restaurants, explain the industry structure, and

assess restaurant growth trends. Additionally, we will examine the primary business concerns of restaurant operators, including customer comfort, property ambience, and employee productivity. We will also highlight particularly promising opportunities for ESPs. Some of the key industry trends we'll review include:

- *All-time high sales.* The National Restaurant Association predicts that sector sales will reach an all-time high of \$354 billion in 1999, the eighth consecutive year of industry growth. E SOURCE will examine the market segments experiencing the most growth and identify appropriate channels for selling energy services to restaurants in those segments.

- *Restaurant expansions.* Over half of quick-service (fast-food) restaurant operators report that they plan to increase their budgets for restaurant expansion and renovation activities. E SOURCE will explore how ESPs can take advantage of this trend and tap into the potential market for equipment-related energy services.
- *Attracting and retaining staff.* Finding qualified employees is the top concern of restaurant owners. We'll examine ways in which energy services can reduce labor needs and free up funds for attracting and retaining staff.
- *Food-safety technologies.* Consumer concerns and regulatory initiatives have driven restaurant owners to further explore food-safety issues. We'll look at how refrigeration and other energy-related technologies create opportunities for ESPs to package services specifically aimed at restaurants' food-safety concerns.
- *Pleasant dining experiences.* Restaurant owners are becoming increasingly aware of the importance of lighting and air quality in creating a pleasant dining experience. Whether retrofitting an existing restaurant or building a new one, they are looking at a variety of different lighting options, including daylighting, track lighting, and fiber optic systems. E SOURCE will help you understand what restaurant operators want to achieve with their lighting systems.

- *Assessing energy use by restaurant companies.* Each year, the restaurant sector in the U.S. spends around \$4 billion on electricity and \$1 billion on natural gas. Restaurant operators' top two energy end uses are cooking (32 percent) and lighting (15 percent). In addition to looking at typical restaurant usage levels, energy intensities, and disaggregation by end use, E SOURCE will explain the cost structure of restaurants, showing where energy expenditures fall within that structure.
- *Identifying the technologies currently used and the best alternatives.* We will review the technologies used in most restaurant businesses and analyze data from our facility-level surveys and corporate interviews to identify the emerging alternatives that restaurant decision-makers will be most interested in.

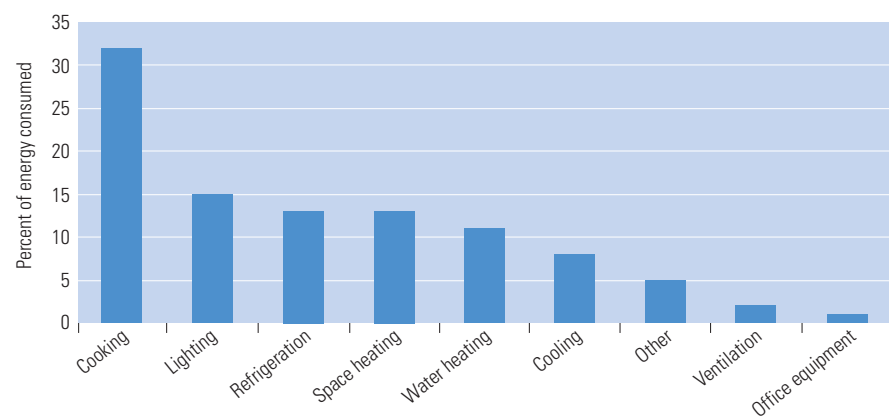
3. Energy Decision-Maker Interviews and Surveys

Drawing on a comprehensive survey of facility-level managers and in-depth interviews with corporate-level decision-makers. E SOURCE will survey about 100 facility-level restaurant managers and conduct in-depth personal interviews with influential, corporate-level restaurant executives to uncover industry perceptions of and attitudes toward energy issues. The information gathered will provide insight on such critical market questions as how energy-related decisions are made and what it would

This illustration is typical of the tables and figures used to present energy information in our studies.

Restaurant energy consumption in the U.S., by end use

Cooking, lighting, and refrigeration account for nearly two-thirds of restaurant energy consumption.



Source: CBECS 1995

take to keep existing customers or win new ones in this sector. As always, E SOURCE will focus on identifying precisely what corporate and on-site decision-makers want from their energy providers.

Identifying the individuals who make energy decisions for restaurant businesses. Our research staff will create an index of energy managers and key decision-makers. This compilation of names, addresses, and contact numbers will save you valuable time and help you make more effective inroads into this sector.

4. Restaurant Case Studies

Learning from case studies. E SOURCE will look at successful and failed energy deals in the restaurant industry to pinpoint what works and what doesn't. We'll include studies that focus on acquiring business from national accounts as well as retaining customers, helping you to avoid pitfalls and guiding you toward proven strategies for getting solid restaurant deals approved.

Subscriptions

Subscribers who enroll prior to July 30, 1999, will benefit from a special charter price. (See the order form for pricing.)

Everyone who enrolls before August 6, 1999, will have an opportunity to make recommendations on survey topics and will be able to request oversampling for specific restaurant segments.

If a minimum number of subscribers have not signed up by July 30, 1999, the schedule or the scope of the deliverables may be adjusted.

NOTE: If you currently subscribe to our *Energy Services for Large Commercial Customers* series, you are entitled to a 25 percent discount off the prevailing E SOURCE member price for this study.

The expected completion date for this study is January 2000.

For More Information

Contact your E SOURCE sales representative for more information.

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