

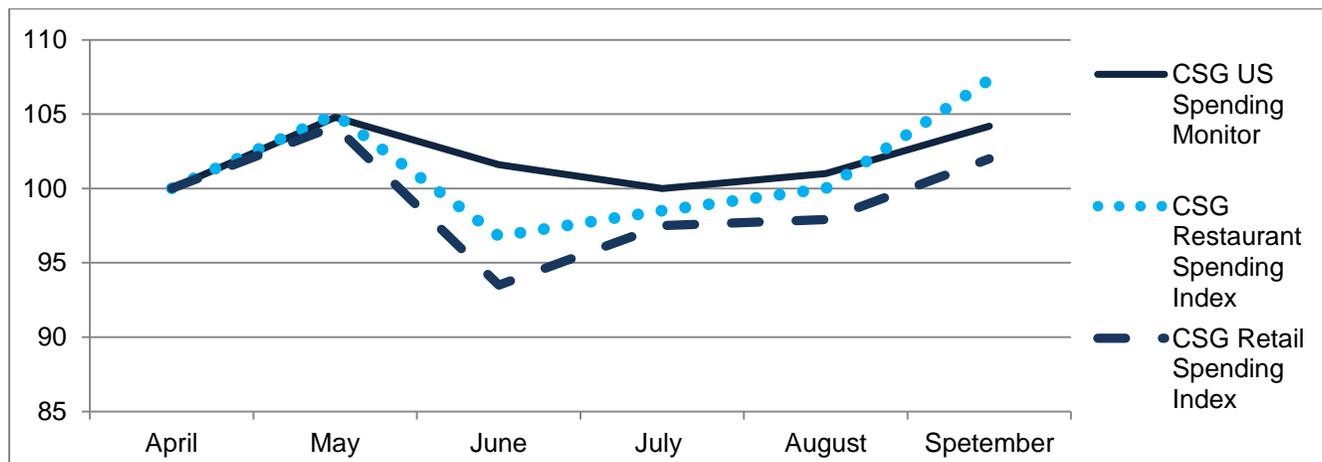


Consumer Spending Report (CSR)

October 2014

Chain Store Guide's Consumer Spending Report captures a unique view of consumer, retail, and foodservice spending intentions. The CSR includes the CSG US Spending Monitor, which tracks economic confidence and spending intentions of US consumers, the CSG Restaurant Spending Index, which measures consumer spending intentions for restaurant purchases, and the CSG Retail Spending Index that measures consumer retail and discretionary spending confidence. If you would like to subscribe to our monthly report please go to <http://newsroom.chainstoreguide.com/csr>.

Spending Monitor and Index Trends



The **CSG U.S. Spending Monitor** increased 3.2 points between August and September. The change in the monitor is reflected in the increasing number of adults that believe the economy is excellent or good. This month when asked how they view the economy, 3.1% of adults answered excellent, 20.0% answered good, 39.7% answered fair, 34.9% answered poor, and 2.3% weren't sure. While one fourth (25.4%) of adults surveyed believe the economy is getting better, 43.2% believe the economy is getting worse. More adults this month are also reporting that their personal finances are getting better: 26.9% this month compared to 23.8% last month.

The **CSG Restaurant Spending Index** increased 7.3 points between August and September. Adults surveyed are reporting going out to eat more this month than in the past six months. This month, 9.0% reported that they are going out to eat more often than six months ago; last month only 5.5% reported the same. Adults are also expecting to spend more per person when going out to eat, with 17.3% expecting to spend \$20-35 per person in October verses 13.4% in July.

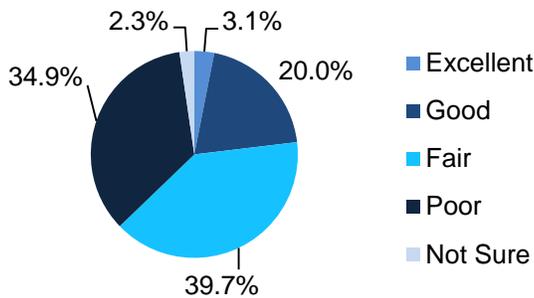
The **CSG Retail Spending Index** rose 4.1 points between August and September. Contributing to this was an increase in every area of spending. Home Improvements had the greatest change in the percentage people reporting they would spend more (14.6% to 18.5%) and was the area that adults reported they would spend most on next month. When asked about overall spending this month compared to last month 33.7% reported that they spent more. More adults (27.5%) are reporting that they expect to increase spending next month as well.



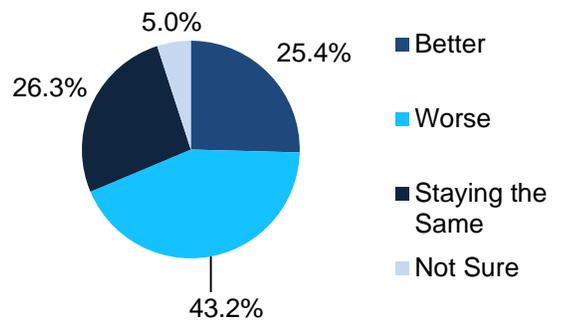
US Economy and Americans' Spending

The **CSG US Spending Monitor** increased 3.2 points. The change in the monitor is apparent in several ways. First, October had the largest percentage of adults that report they believe the economy is excellent or good since June. When asked to rate the economy, 3.1% answered excellent, 20.0% answered good, 39.7% answered fair, 34.9% answered poor, and 2.3% weren't sure. One fourth (25.4%) of adults surveyed also believe the economy is getting better, while 43.2% believe the economy is getting worse.

Generally speaking, how would you rate the U.S. economy these days?

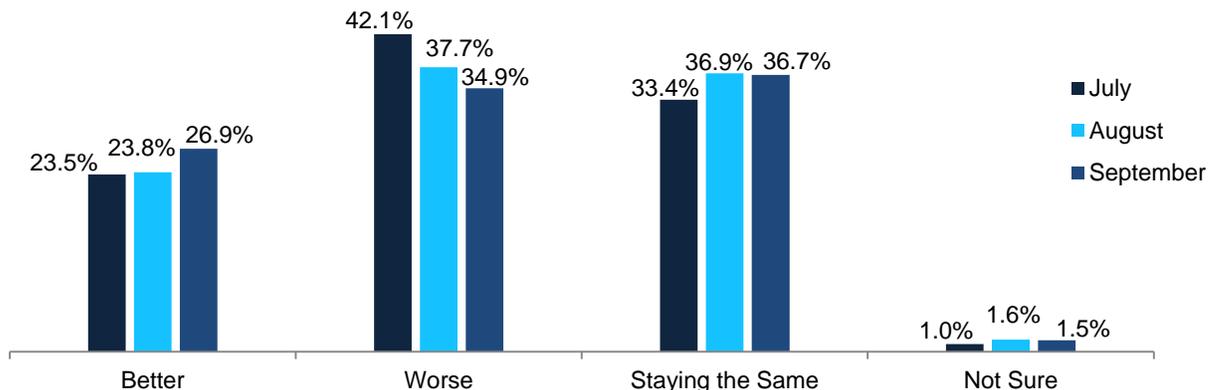


Are economic conditions in the country getting better or worse?



When asked to rate their personal finances, 9.1% of adults answered excellent, 32.2% answered good, 36.9% answered fair, 20.9% answered poor, 1.0% answered that they were not sure. This was an increase from last month when 7.9% answered excellent, 29.7% answered good, 41.3% answered fair, 20.2% answered poor, and 0.8% answered not sure. More adults also believe their personal finances are getting better. This month 26.9% of adults surveyed believe that their personal finances are getting better and 34.9% believe it is getting worse; this is contrasted by 23.8% last month answering better, and 37.7% answering worse. Of those surveyed, over twice as many males than females answered that they would rate their personal finances as excellent (12.3% v.s. 5.9%). There was also a greater percentage of males than females that believe their finances are getting better (28.8% v.s. 25.1%).

Are your personal finances getting better, worse, or staying the same?

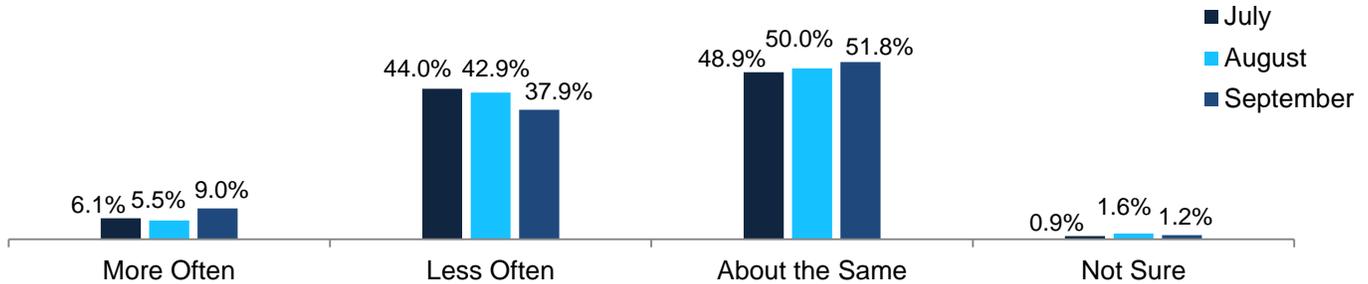




Restaurant Consumer Insights

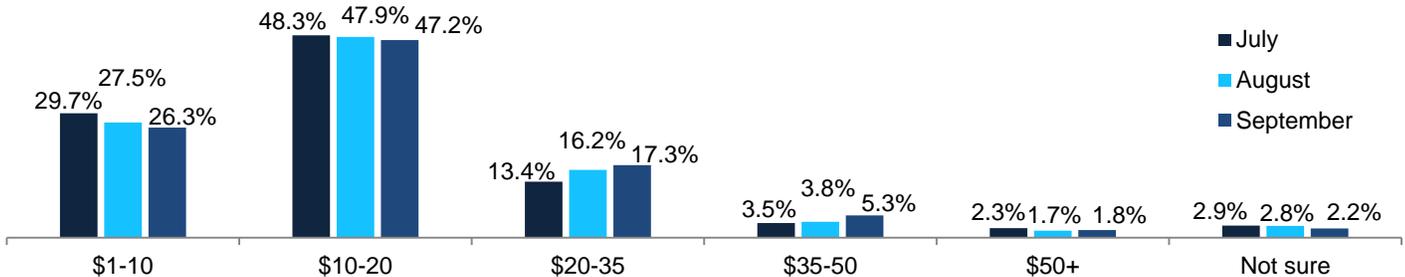
The **CSG Restaurant Spending Index** increased 7.3 points. Adults surveyed are reporting going out to eat more this month than in the past six months. This month, 9.0% reported that they are going out to eat more often than six months ago, 37.9% say they are going out less, 51.8% say about the same, and 1.2% weren't sure.

Compared to 6 months ago, are you going out to eat more often or less often?



Outlined in the graph below, consumers expectations of price per person has been shifting and they are expecting to pay more per person when going out to dinner. The greatest percentage has always been between \$10-20 with around 47% each month, but those that expect to spend between \$20-35 has grown from 13.4% to 17.3%, and those that expect to spend \$35-50 has changed from 3.5% to 5.3% between July and September. This change in pricing can be seen in the change in the types of restaurants consumers are reporting going to eat at more often. In August, 22.7% reported that they eat at fast food most of the time, 64.6% answered casual, 6.4% answered fine dining, and 6.3% answered not sure. These numbers have changed this month as 19.1% answered fast food, 67.9% answered casual, 7.7% answered fine dining, and 5.4% answered not sure.

What do you expect your average cost per person will be when you go out for dinner?



CSG Recession Buster 7

"Return all telephone calls, even negative ones – you can turn them into positives, it has worked many times for me." – Frederick "Freddy" Simon

The above quote is only one of the many "Freddyisms" spoken by the founder of Wichita's most famous frozen custard and steakburger concept. Fortunately for Freddy's, returning a telephone call isn't the only reason for the restaurant chain's success during the recession – the credit goes to the food.

Although Freddy's LLC was founded in 2002, its history dates back to the 1950's when WWII veteran Freddy Simon returned home and began cooking up more than just steakburgers for dinner. According to the website, Freddy wanted his steakburger to be "reminiscent of an era focused on quality, cooked-to-order meals that bring families and loved ones together." After some time, two of Freddy's sons, Bill and Randy, along with restaurateur, Scott Redler, worked to replicate Freddy's original recipe in their first Freddy's Custard & Steakburgers restaurant in Wichita, KS. In 2004, Freddy's LLC decided to franchise its restaurant concept and increased its units to four. With 12 locations prior to the recession in 2007, Freddy's LCC doubled its location count to 24 at the end of 2008 and almost doubled again to 40 locations by the end of the following year.

As of August 2014, there are more than 120 locations in 22 states with nine locations opening soon and near future development deals in ID, TN, and WY. With a 408% growth in locations since the beginning of the recession, Freddy's LLC has no plans to stop providing fresh food, quality service, and helpful "Freddyisms" any time soon.

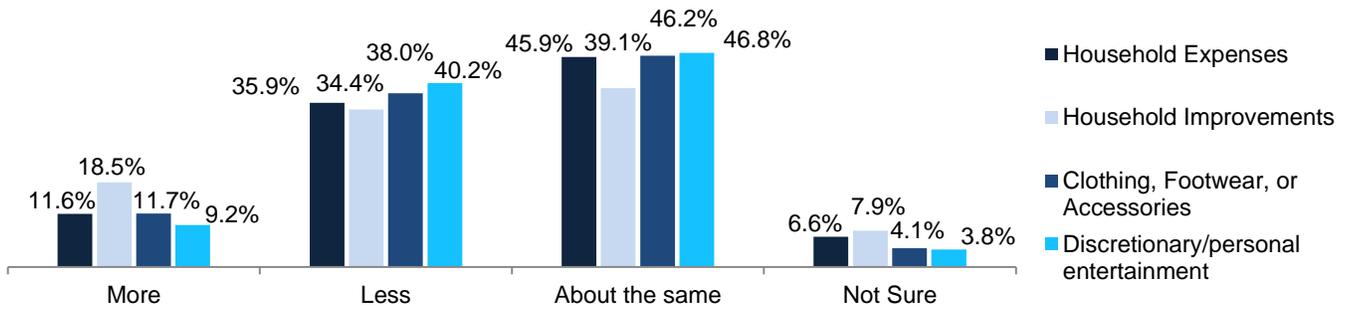
-Loren McCollom (lmccol@chainstoreguide.com)



Retail Consumer Insights

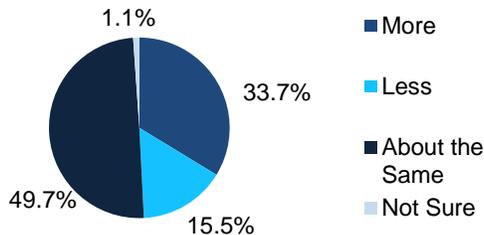
The **CSG Retail Spending Index** rose 4.1 points. Reflecting this was an increase in every area of spending. The area with the greatest increase in the percentage of adults that reported they will spend more was on household improvements, 18.5% in October compared to 14.6% in September. As back to school and fall shopping is slowing down, adults are reporting that they will spend less next month on clothing, footwear, or accessories; 32.8% reported they would spend less in September, while 38.0% reported they would spend less in October.

In the next month, will you spend more, less, or about the same on....

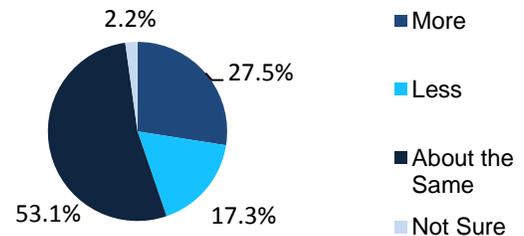


Another example of why the index rose was in an increase in overall spending reported by adults surveyed. In September, 31.2% reported that they spent more compared to last month, in October this percentage grew to 33.7%. More adults are reporting that they expect to spend next month as well, with 27.5% saying they think they will spend more. Around one third (30.7%) of those surveyed also say they expect to have added expenses or a shortfall in income in the next 30 days. Over half (53.4%) of those surveyed identifying themselves as Hispanic say they will have added expenses in the next 30 days. This is compared to 25.7% of those surveyed that are White, 45.7% that are Black, and 22.3% of those that listed themselves as Other.

Are you spending more, less or about the same as you spent last month?



Do you think you will spend more, less or about the same next month?



Home Depot Adds New Dimensions

Just a few years after the company's inception, Home Depot surged to the top rank in **Chain Store Guide's** Index of Leading Companies for this industry. Home Depot has never relinquished its place as number one in our industry since. From its outset Home Depot quickly redefined the state of the art of retailing in our industry. After seeing Home Depot's early, stunning popularity and rapidly expanding industry dominance, several established home center chains decided to grow a store footprint to ape Home Depot's formula for success....

During the 90's, despite the enormous expanse of space within its stores, Home Depot was very conservative in adding products to its mix. Thus getting product into Home Depot was no slam dunk. A good example of this can be seen in the retail giant's reluctance to offer major appliances to its customer base. This reluctance derived in part from a belief that refrigerators were not really products to aid as tools in repair and remodeling projects.

During the ensuing years, Home Depot management has skillfully returned the company to a blissful financial picture. During the past two years their merchandising acumen has trumped that of the competition, especially Lowe's. Much of this acumen involved setting up in-store merchandising to meet the seasonal needs of local populations....

-Arthur Rosenberg - arosenbe@chainstoreguide.com



About Chain Store Guide

For 80 years, Chain Store Guide (CSG) has been the leading provider of comprehensive and definitive retail and foodservice intelligence to businesses around the world.

Chain Store Guide details all major retailers, restaurants, distributors and wholesalers in the United States and Canada with contact information on over 700,000 establishments.

Chain Store Guide provides data in print directory, online web application and customized database formats. Chain Store Guide data is used by manufacturers, suppliers, service providers, brokers, real estate professionals, retailers, analysts, consultants and other professionals seeking to gain insight into retail and foodservice markets in the U.S. and Canada. Since 1934, Chain Store Guide has been the leading data source for in-depth information on retailers, restaurants, and foodservice operations.

The CSG US Spending Monitor, Retail Spending Index, and Restaurant Spending Index are monthly indexes of consumer spending intentions and capacity based on interviews with a random sample of 1,500 U.S. adults. In addition to spending, the survey asks consumers their opinions on the U.S. economy and their personal finances, retail and other discretionary spending. Surveys are conducted by Rasmussen Reports, an independent survey research firm (www.rasmussenreports.com).

The CSR is a summary analysis of our data, if you would like a more detailed analysis, have any questions, or would like to quote any of the information from this report, please contact Rebecca Ewing at rewing@chainstoreguide.com.