



Applebee's Benchmark Report

Executive Summary

Applebee's (directed by a new, well seasoned & collaborative management team) is implementing a well conceived turnaround plan that includes: culinary innovation (with investments in food quality and back-of-the-house simplifications); a renewed value orientation with a return to its middle-market DNA; efforts to leverage high brand awareness as an affordable destination during happy hour & late night, re-igniting alcohol beverage innovation as a driver of high margin incremental sales; accelerated rollout of off-premise channels; and improved guest insights to ensure a strong correlation between test results and end-market performance. The goal is to move Applebee's away from the perception that casual dining food is processed, microwaved or comes from a package in order to tap into growing demand for real bars and upscale burger restaurants. To this end, its menu strategy seeks to: re-establish culinary culture around broadly appealing, mainstream America flavor profiles that embrace variety (something for everyone); restore abundant & indulgent value; include guest-driven, ops-validated innovation; and address quality & value gaps. This includes a return to crowd favorites like riblets and low cost bar drinks (which had been removed as part of its failed upscale positioning). Fortunately, new brand leadership recognizes that value for the money is critical given that the brand's core middle-income customer base remains financially strained (value seekers drive 50% of transactions) and the brand's value positioning benefits from its signature 2 for \$20/\$25 platform and a return to low price drink deals. While long-term system comps have badly underperformed, recent sale trends are outperforming. All-the-same, the system must still deal with the affects of its cumulative sales decline which includes a system low unit level EBITDAR margin and, correspondingly high closure rates. **In conclusion, while Applebee's has embarked on a sensible reboot to re-establish its roots as a relevant value player in traditional American fare, stakeholders will require patience as the system works hard to recover from a rather substantial fall.**

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