

Pizzalicious

Highlights

 Chain restaurants account for two-thirds of the pizza menu items with the top 100 chain restaurants representing 11% (up 2%) and the rest accounting for 53% (up 0%). Independents represent 36% and posted an increase of 6% from the same quarter a year ago

 The top 100 chain restaurants are about 7% less expensive than the remaining chain restaurants and about 19% less than their independent counterparts.

 With a 39% share Family/Midscale restaurants account for more than a third of the pizza menu items.

 Driving the veggie train are mushrooms, tomatoes, onions and green peppers, while the most menued fruit is pineapple.

 Pepperoni is the leading meat topping. Tomato sauce is most common but pesto, barbecue, and Alfredo are also seen.

 Breakfast pizzas are up and coming, and dessert pizzas are on the upswing with new and exciting fruits.

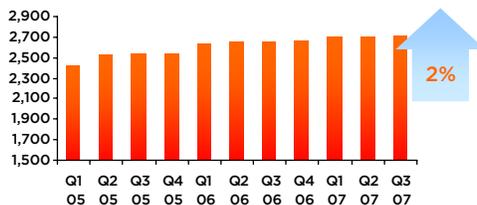
 Online order technology continues to evolve and is sure to impact the way the industry takes orders and markets to consumers - likely making it easier to promote higher margin items.

Introduction

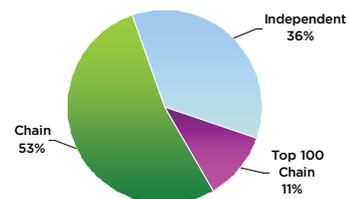
Pizza, as we know it, was credited by Raffaele Esposito of Naples. In 1889, to honor a visit by King Umberto I and Queen Margherita, Esposito created a special pizza that resembled the Italian flag. This pizza consisted of basil (green), mozzarella (white), and tomatoes (red) and set the standard for modern day pizza. He named his pizza, the Margherita, in honor of the Queen. This dish was so well received that others began to copy it. Margherita pizza remains a favorite to this day.

Restaurants continue to threaten the home pizza market by offering taste, value and convenience to woo customers out of their kitchens. Despite weak sales for pizza restaurants, the National Restaurant Association expects industry sales to rise 5% in 2007, hitting \$537 billion, a 2.1% increase after inflation. This marks the 16th consecutive year of real growth for the restaurant industry, significant when considered against declines in frozen pizza. Not coincidentally, among respondents to Mintel's custom survey who say they do not eat frozen or refrigerated pizza, 45% cite the better taste of restaurant pizza as the reason why.

Growth of Pizza



Share of Pizza Menu Items by Independents vs. Chains



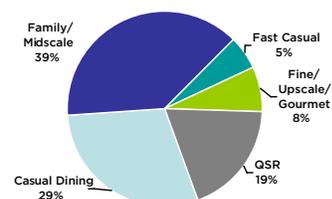
Total number of pizza menu items has grown moderately over the last few years. The number of pizzas on the menu has increased by 2% from Q3 2006 to Q3 2007 and 12% since Q1 2005.

On average pizza menu items from independent restaurants cost \$13.95, making them the most expensive, running about 10% more expensive than chain restaurants. The top 100 chain restaurants are actually about 7% less expensive than the remaining chain restaurants, and about 19% less than their independent counterparts. Maybe consumers are not price sensitive at independent restaurants because they recognize that they are receiving a unique experience.

Average Price - Independents vs. Chains



Share of Pizza Menu Items by Dining Type



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International Cuisine

Although Italian still dominates pizza cuisine with 80% share of the menu, pizza is not solely Italian anymore. Other ethnic influences crept in, exposing this old favorite to international influences like: Traditional American, Southwestern/Tex-Mex, Hawaiian, BBQ, Greek, Thai, Pan-Asian, Mexican and Californian (in order of share). Hawaiian, BBQ and Mexican rank fourth, fifth and ninth, and showed the strongest growth with 15%, 37% and 75% increase on the menu from a year ago, respectively.

Examples of non-Italian cuisine pizza menu items.

- **The Aegean** – A combination of Greek delicacies: Prosciutto, kalamata olives, Feta cheese, sun-dried tomatoes, roasted garlic, fresh rosemary and artichoke hearts on a Parmesan crust with four cheeses – Rock Bottom Restaurant & Brewery
- **Bangkok Thai Pizza** – Sesame Oriental dressing, water chestnuts, carrots, grilled chicken, mozzarella cheese, chow mein noodles, fresh cilantro – Camille’s Sidewalk Café
- **Mango Tandoori Chicken** – Grilled Tandoori chicken, mango, mild onions, red peppers and Mozzarella cheese on a spicy golden curry sauce. Topped with fresh cilantro and a sweet mango chili sauce – California Pizza Kitchen
- **Famous BBQ Chicken** – Tender char-grilled chicken, 30-spice barbecue sauce, red onions, roasted corn, cilantro and pepper jack cheese – Fox and Hound Smokehouse & Tavern

Get Saucy

It is worth mentioning that 44% of pizza menu items just list “sauce” without elaborating on which kind, but most of these are tomato based. Those identified as tomato sauce grew 4% and had a 2-to-1 lead on its nearest contenders, pesto (+5%), BBQ (-1%) and Alfredo (+11%). Sauces showing triple digit growth included: Aglio Olio, Roasted Red Pepper, Chipotle Pepper and Thai Peanut Sauce. Other interesting sauces to mention are: Refried Bean, Chocolate, Curry and Polynesian Sauce.

Pizza Sauces Q3 2007

Leaders	Growth	Interesting
Tomato	Aglio Olio	Refried Bean
Pesto	Roasted Red Pepper	Chocolate
BBQ	Chipotle Pepper	Curry
Alfredo	Thai	Polynesian

Breakfast Pizza

One does not typically associate pizza and breakfast, unless it is a cold slice from the day before, but a few restaurants are using your favorite breakfast ingredients to create a new breakfast trend.

Examples of breakfast pizza menu items:

- **Breakfast Pizza** – Scrambled eggs, mozzarella, tomatoes, Wolfgang’s signature dressing and your choice of applewood-smoked bacon or Italian sausage – Wolfgang Puck Express
- **Sunnyside Breakfast Pizza** – Scrambled eggs and our three cheese blend, layered on our homemade dough. Add your favorites: bacon, sausage or make it a Western Omelette – Angelina’s Pizza
- **Omelet Pizza** – Pan-style crust with scrambled eggs, cheese and your favorite pizza toppings – Happy Joe’s Pizza and Ice Cream
- **Western** – We combine potatoes, scrambled eggs, sausage, green pepper, onions and mushrooms, topped with our special blend of cheeses – Happy Joe’s Pizza and Ice Cream



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