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## Red Lobster looking to lower price points

*Amid system renovation, the seafood chain makes over menu, too*

As Red Lobster ramps up the multimillion-dollar makeover of its nearly 700 restaurants, the casual-dining seafood specialist also is preparing to launch a new menu featuring several more moderately priced selections aimed at cost-conscious diners.

The Orlando, Fla.-based chain is debuting about a half-dozen new items on its lunch and dinner menus next week that expand customer choices around the \$13 to \$17 entrée price range. Red Lobster typically runs an all-day per-person check average of about \$19.

"We found as the economy has taken a turn and people are eating out less often, it has become incumbent that we have a wide variety of affordable entrées on the menu," said Salli Setta, executive vice president of marketing.

"The purpose of the Nov. 16 menu change is to expand seafood offerings in a relevant way in the \$15 range, give or take," she said. "It allows us to offer an interesting array of seafood at an affordable price."

Red Lobster's same-store sales dipped 1.7 percent during its first quarter ended Aug. 29, according to parent company Darden Restaurants Inc. Company officials blamed the decline on the shift of the brand's annual Endless Shrimp promotion, which in 2009 began in the first quarter, but this year was launched during the current second quarter.

Among the new menu items is the chain's take on the classic New England lobster roll, which will sell for \$13.99 at lunch and \$14.99 at dinner, accompanied by a salad.

Red Lobster executive chef Mike LaDuke said the key to the dish was to keep it simple. It contains North American lobster, mayonnaise, lemon juice, and spices and is served on a buttered roll.

"It allows guests to experience lobster in a new and affordable way," Setta said.

Nancy Kruse, president of The Kruse Co. in Atlanta, said Red Lobster's introduction of lobster rolls "makes a lot of sense."

"It's a premium product in the way the consumer views it," she said, "and if you can make the price point attractive, I think it would be a homerun. It also extends the lobster franchise for the chain."

Noting that the chain's menu had become dated, officials of the casual-dining stalwart have been working over the past several years to make it more relevant to contemporary diners, as evidenced in the systemwide rollout of wood-fired grills and the daily fresh fish menu, which allows restaurants to make the most of regional favorites.

In addition to the New England Lobster Rolls, new menu items include:

- Parmesan-Crusted Tilapia topped with a creamy blend of Parmesan cheese and breadcrumbs. Dinner: half portion, \$12.99; full, \$16.99.
- Pecan-Crusted Jumbo Shrimp, which includes two skewers of wood-grilled jumbo shrimp with maple-cherry glaze and toasted pecan-crumbs. Lunch and dinner, \$13.99.
- Maple-Glazed Salmon and Shrimp, comprised of wood-grilled fresh salmon and skewered jumbo shrimp, topped with maple-cherry glaze. Lunch and dinner, \$16.50.
- Lobster Bisque. Cup, \$4.99; bowl, \$6.50.
- Shrimp Flatbread and Grilled Shrimp Salad, including wood-grilled shrimp on a thin, crispy crust with three melted cheeses, fresh tomatoes and onions. Lunch, \$8.99.

## Restaurant redesigns

In the meantime, the chain still is pushing ahead with the renovation and refreshing of its restaurants, which is expected to cost Red Lobster an estimated \$350 million.

The new "Bar Harbor" design, which has been in development for several years, has been rolled out to about 18 percent of the system so far, and is expected to be in 33 percent of locations by the end of Darden's fiscal year, which is May 2011.

"The entire system will be completed in about four years," said Red Lobster president Kim Lopdrup.

The remodels cost about \$500,000 each, which includes about \$150,000 in repair and maintenance.

"A source outside of the company said about 80 percent of remodels effectively don't pay back the investment," Lopdrup said. "These do."

Remodeled units have seen same-store sales increases of between 4 percent and 5 percent, he said, adding that the chain also has seen "acceleration in the growth of guest satisfaction."

The design, which is meant to evoke elements of coastal Maine, features warmer woods, booths with high backs for more privacy, an open floor plan and artwork depicting Maine fishing villages.

Exterior changes include a new shingle and stone tower and new signage that includes a freshened, "more robust" Red Lobster logo. The new signs also feature the tagline "Fresh Fish. Live Lobster."

While Red Lobster expects to see a net unit growth of about three to five new locations during this fiscal year, Lopdrup said the system remodel is the chain's "top priority. The remodels are the most important thing."

As part of the refreshing of the chain, Red Lobster also introduced a new service initiative last summer, called VIP Service, or Valued and Important through Personalized Service.

Lopdrup said servers attempt to personalize service with every customer by asking about the dining occasion. "If someone wants a leisurely dinner, we may slow things down a little, or if it's a guest's birthday, the manager will come out and recognize that," he said.

#### International Growth

Lopdrup also commented on Darden's plans to expand internationally through partnerships with overseas franchise organizations. He called Americana Group of Kuwait, Darden's franchisee in the Middle East, "a very good partner. They're not your typical franchise organization — they run 1,100 restaurants and have multiple brands. They also have deep pockets.

"[The Middle East partnership] is a good model," he said. "When we expand internationally, we need a partner like Americana, which has a good infrastructure in that area. You may see us replicate it in other parts of the world."