



# CRCA Spot Survey on Recent Changes In Response to Economic Uncertainty

**Survey Results**

**October 30, 2001**

**HayGroup**

This document presents the results of a spot survey of chain restaurants participating in the Chain Restaurant Compensation Association. The objective of the survey is to assess the impact of recent economic events and the events of September 11<sup>th</sup> on HR practices and compensation and benefits practices in particular.

Our results show that there has been a re-assessment of HR practices in reaction to the current state of the economy. Employee variable pay program amounts have decreased or are anticipated to decrease, and approximately half of the respondents are planning or have completed layoffs recently. Many of the respondents are also acting to reduce health care costs and other benefit costs. Base pay and long-term incentives have been less affected, with few companies making downward adjustments to previously budgeted merit budgets and salary structure increases.

The following pages outline the complete results of the survey. If you have questions, please contact the following Hay Group consultants for more information concerning this survey:

- |                            |                |                           |
|----------------------------|----------------|---------------------------|
| Mike Carter (Philadelphia) | 1-215-861-2000 | Mike_Carter@Haygroup.com  |
| Tom McMullen (Chicago)     | 1-312-228-1800 | Tom_McMullen@Haygroup.com |
| Marc Wallace (Chicago)     | 1-312-228-1800 | Marc_Wallace@Haygroup.com |

# Survey Participants

During the last half of October, Hay Group polled chain restaurant organizations to better understand the impact of recent economic events on compensation. The 19 respondents, noted on the next slide, represent over 500,000 employees in a cross-section of the industry in terms of size and type, as highlighted by the tables below:

## Estimated FY 2001 Revenues:

	No of Respondents
\$0 - \$100M	2
\$100M - \$250M	5
\$250M - \$500M	2
\$500M - \$1,000M	2
\$1,000M - \$5,000M	2
No Response	6
Total	19

## Restaurant Concept:

	No of Respondents
Quick Service	7
Family Dining	5
Dinner House	6
Group	1
No Response	0
Total	19

## Approximate Number of Employees:

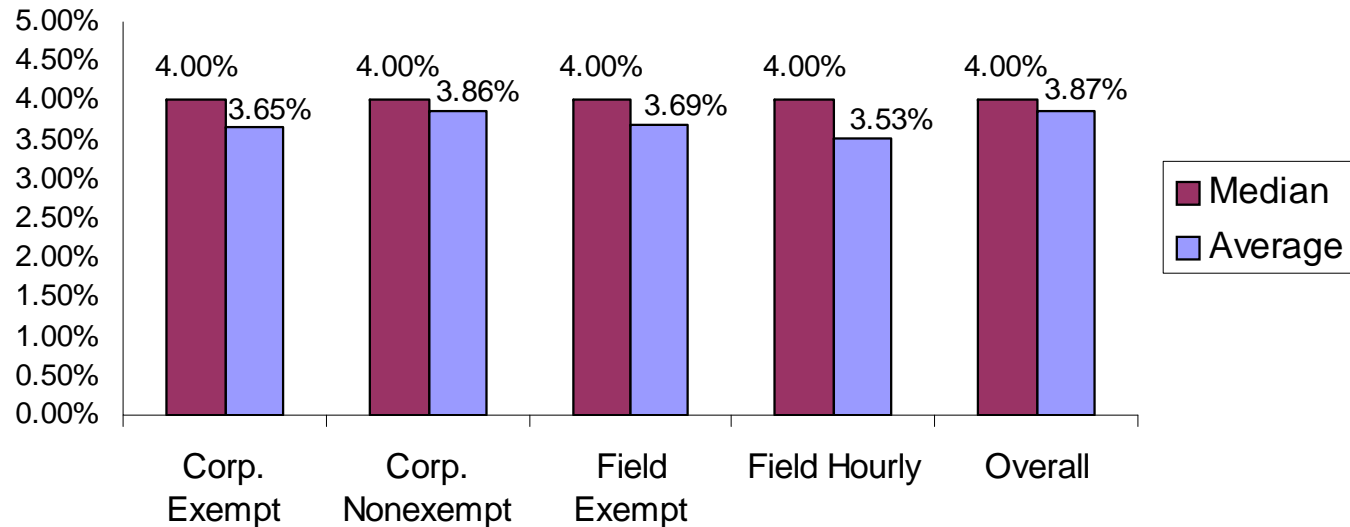
	Number of Employees	
	World Wide	United States
0 - 999	1	1
1,000 - 4,999	1	3
5,000 - 9,999	3	5
10,000 - 24,999	5	4
25,000 - 50,000	2	3
No Response	7	3
Total	19	19

# Survey Participants (cont'd.)

Participating organizations are noted below:

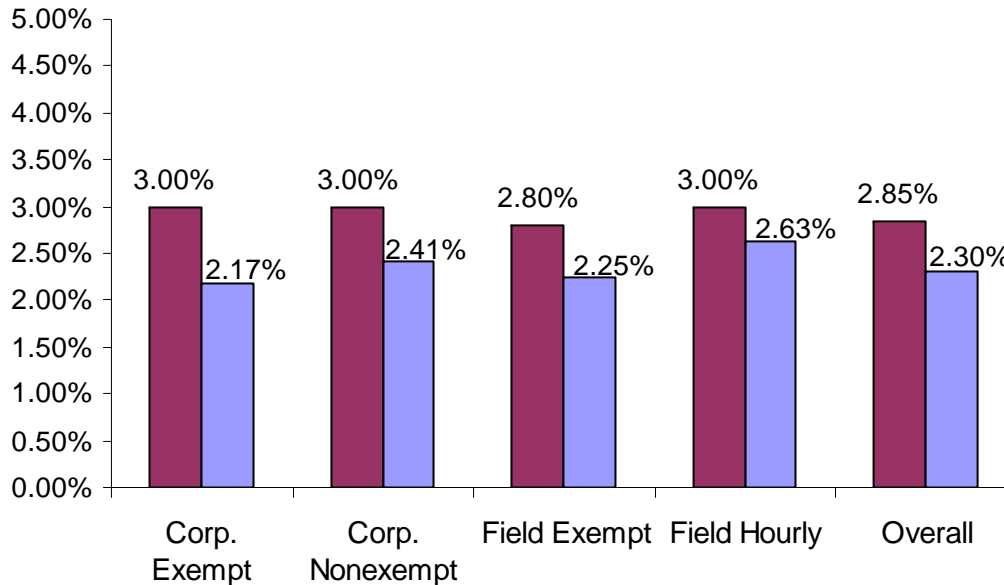
Advantica Restaurant Group	Spartanburg, SC
Applebee's International	Overland Park, KS
Cucina!Cucina! Italian Cafe, Inc.	Bellevue, WA
Domino's Pizza, LLC	Ann Arbor, MI
Donatos Pizza	Columbus, OH
Frisch's Restaurants	Cincinnati, OH
Garden Fresh Restaurant Corporation	San Diego, CA
Little Caesar Enterprises, Inc.	Detroit, MI
Metromedia Restaurant Group	Plano, TX
Ninety-Nine Restaurant and Pub	Woburn, MA
Perkins Restaurant and Bakery	Memphis, TN
Piccadilly Cafeterias, Inc.	Baton Rouge, LA
Red Robin Gourmet Burgers	Greenwood Village, CO
Ruby Tuesday, Inc.	Maryville, TN
Triarc Restaurant Group	Fort Lauderdale, FL
Tricon Global Restaurants, Inc.	Louisville, KY
Walt Disney World Resorts	Lake Buena Vista, FL
Wendy's International, Inc.	Dublin, OH
Yorkshire Global Restaurants	Lexington, KY

## 1. What is your company's overall salary increase budget for 2002 (as % of Payroll)?



Salary increase budgets for 2002 are highly consistent across employee categories.

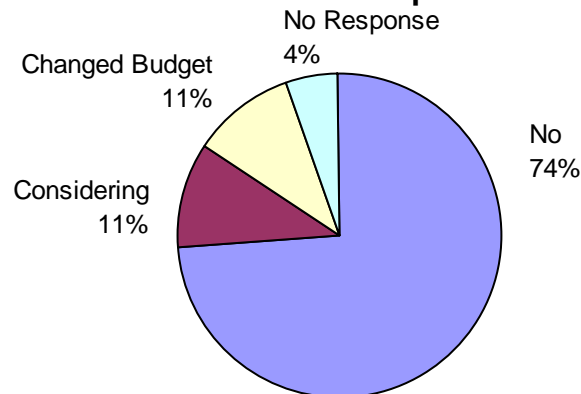
## 2. What is your company's salary structure movement for 2002 (as % of payroll)?



■ Median  
■ Average

Salary structure increases are consistent with 2001 increases, indicating that companies have not adjusted base pay policy to reflect the economic downturn.

## 3. Has your company considered any changes to these amounts since September 11th?



This is confirmed by the majority of respondents (74%) who indicated that they have not considered changes in base pay increases or salary structure increases in light of recent economic conditions.

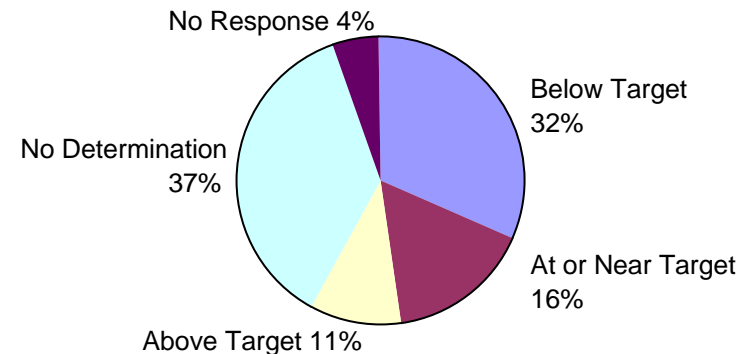
In addition, 11% of respondents indicated that they are freezing salaries for Corporate Exempt jobs. Only 5% indicated that they are freezing salaries for all jobs. No other respondents said they were freezing or reducing salaries.

Unlike anticipated 2002 base salary adjustments, 2001 variable compensation payments (i.e., bonuses and incentives) have been clearly affected by recent economic events. Very few companies have predicted above target achievement.

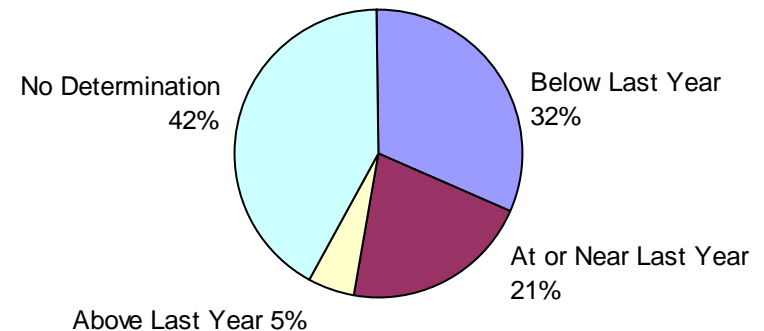
The uncertainty of the economy is reflected in the responses to questions 4 and 5 -- 69% of respondents believe variable payouts will be below target or do not know what 2001 performance will be; 74% of respondents do not know how 2001 will compare to 2000, or believe that 2001 bonuses will be lower than 2000. For question 4, those who responded that incentive achievement would be below target indicated that the amount below target would be 36% on average. For question 5, those who expected to pay less in bonuses than last year indicated that, on average, bonuses would be 23% less.

According to survey responses to Question 6: "Has Your company adjusted any changes to average bonus/incentive payments due to recent economic events?", relatively few companies are planning to alter their incentive plan designs due to recent economic events. 21% of respondents said they were considering it. The remaining 79% said they were not.

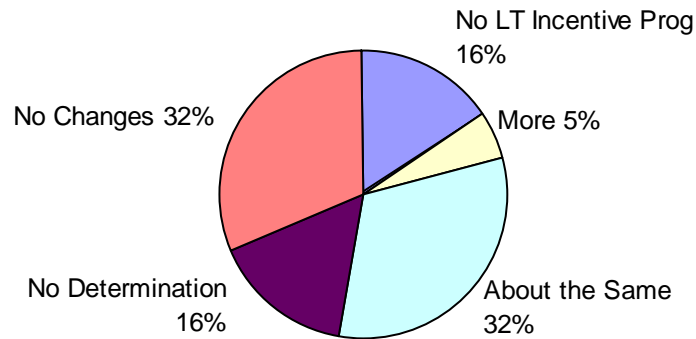
#### 4. What are your company's predicted average annual incentives for 2001 performance vs. target bonus?



#### 5. How do the actual bonuses expected to be paid for FY2001 compare to what was paid last fiscal year?



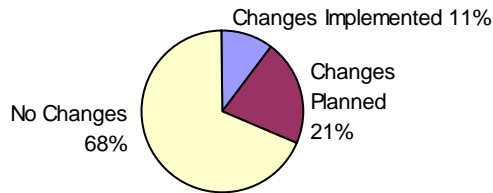
## 7. Which of the following best describes your policy with regards to future equity grants due to recent economic events?



Results for long-term incentives show that respondents are for the most part planning on continuing their current approach. No respondent indicated that they were offering fewer equity grants due to recent economic events.

Most respondents indicated that overall, benefits are not affected by the current economic downturn. For some types of benefits however, a significant minority has indicated they are planning changes.

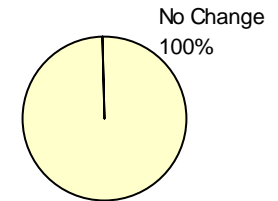
## Healthcare Costs



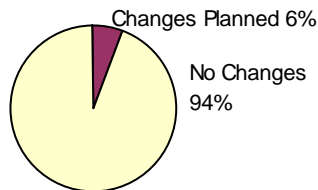
Healthcare costs are being addressed by approximately 1/3 of survey respondents. This is not surprising as our experience shows that health insurance programs are under fairly periodic scrutiny given cost and service issues.

None of the respondents are planning changes to their retirement/pension program. This is not surprising given the long-term focus of retirement plans.

## Retirement/Pension



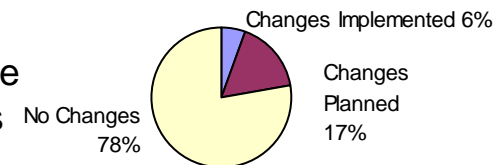
## Counseling



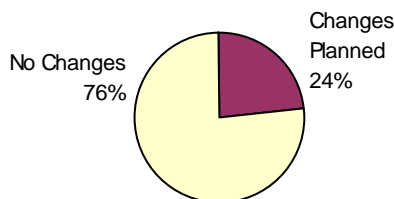
A small minority of respondents are planning to change benefits related to employee counseling.

Over 3/4 of respondents do not plan to change part-time and flextime policies. A quarter of the respondents are addressing these policies due to recent events.

## Part-Time/Flex



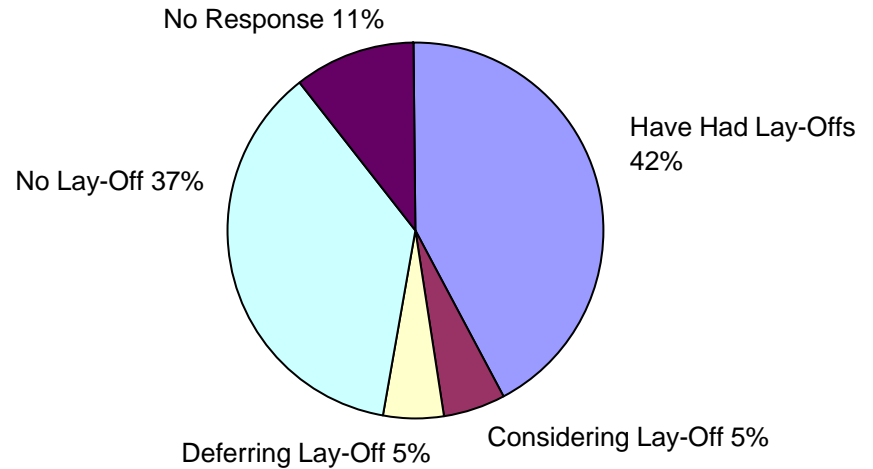
## Leave Policy



The majority of respondents do not plan to change leave policies. A quarter of the respondents are addressing these policies due to recent events.

Roughly half of the respondents affirmed that they are addressing lay-offs, indicating that the effects of the worsening economy are translating into job loss.

## 9. Has your company laid employees off over the past six months, announced plans to lay off employees, and or implemented a hiring freeze?



Of those who provided an answer to the question, a little over 1/3 indicated that a hiring freeze is in place.

