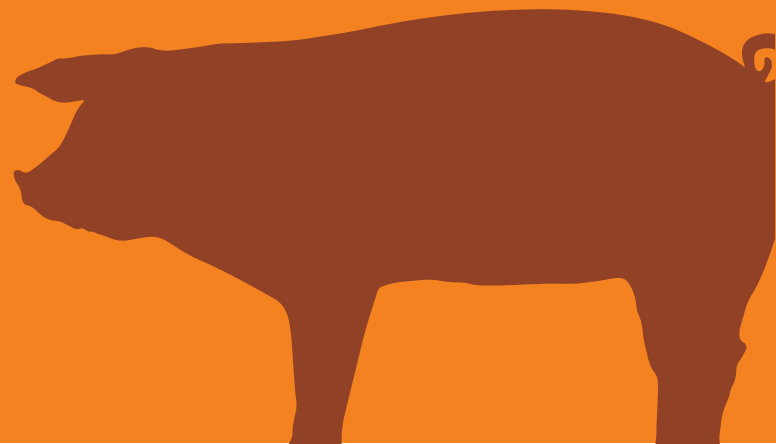




THE EARLY BIRD GETS THE WORM:

Why seasoned investors are investing in the breakfast/lunch franchise space



IT'S LONG BEEN SAID THAT BREAKFAST IS THE MOST IMPORTANT MEAL OF THE DAY.

FOR MANY EXPERIENCED RESTAURATEURS AND FRANCHISE OWNERS, BREAKFAST IS ALSO BECOMING ONE OF THE MOST IMPORTANT PARTS OF A RESTAURANT PORTFOLIO.

While a great deal of emphasis has been placed on the growing trend of scratch cooking and using locally-sourced ingredients, most research has focused on the fast-casual dinner segment. However, the research shows that breakfast is quickly becoming big business – especially coupled with an emphasis on quality ingredients, scratch cooking and stellar customer service. Additionally, cable and internet food and restaurant shows have also made breakfast a new pop culture staple.

While trends are important in any industry, at Matt's Big Breakfast, we know that quality is not a "trend." We have built our business around scratch cooking. We didn't follow the trend, we set it. We have been cooking this way since Day One over 15 years ago. This focus on quality is the essence of what sets us apart from our competitors. The way we source and cook our menu items leads to a clearly noticeable difference in taste and quality from nearly all of the competitors in our space. It's this commitment to quality that has made our business a community favorite and has earned us accolades and awards as well as national media attention.



THE GROWING BREAKFAST BUSINESS

While all sectors of the food and restaurant industry have experienced steady growth over the past few years, the two sectors that have seen the most growth are the fast-casual and breakfast segments. While consumer spending is up, NPD Group, a food and consulting research firm, found that out of the three meal times, only breakfast has seen a growth in traffic. This means that while people might be spending more across the board, that trend could also be attributed to other factors such as consumers choosing pricier restaurants and restaurant price increases that are reflective of general inflation.

THIS ISN'T THE ONLY PROMISING NEWS FOR BREAKFAST RESTAURANTS.

- According to the Association's most recent Restaurant Industry Forecast, 15 percent of family-dining restaurants will target the breakfast daypart as a point of improvement this year, as well as 16 percent of quick service and fast-casual restaurants.¹
- About 39% of consumers now want restaurants to offer all day breakfast according to a breakfast consumer trend report by *Restaurant Online*.² As a result, breakfast menus are expanding to include a greater variety of foods and breakfast hours are extending beyond the traditional morning timeslot.
- The same report found that customers' preference for breakfast around the clock is a business building opportunity for operators. Not only are 30% of consumers purchasing breakfast fare outside of morning hours more often, but also 35% would visit a restaurant they typically wouldn't visit if it were to offer breakfast fare beyond the traditional breakfast hours.
- Breakfast is going beyond the bacon as the report found that about 32% of millennial's would like to add more restaurants to add vegetarian or vegan offerings for breakfast.

¹Restaurant Industry Forecast, 2018, <https://www.restaurant.org/Articles/Operations/Building-breakfast-business>.

²Restaurant Online Trends Report, 2019, <https://www.restaurantbusinessonline.com/consumer-trends/instant-intel-todays-breakfast-trends#page=1>.



POST-RECESSION BREAKFAST BOON

While it's impossible to determine the specific reasoning behind the booming breakfast trend, some experts point to the American recession of 2008-2010 as a catalyst for the resurgence of breakfast as more than a quick-grab meal.

Eater Magazine suggests that the trend of going out during the day happened during the last recession when people didn't have money to afford to go out to dinner, so it became easier for people to afford to go out to lunch, noting that when people go out, they realize that they're often paying for the nightlife experience, which is almost always much more expensive. During the recession, substituting a restaurant breakfast and lunch experience for dinner became a way to check out the latest restaurants while saving money at the same time.

Essentially, once people started showing up for breakfast, they realized that they enjoyed it, even as the economy began to experience a gradual recovery.



THE BREAKFAST TREND

For many millennials who began to come of age during the recession, breakfast, lunch, and brunch slowly became synonymous with social leisure activities.

An Eventbrite survey discovered that 78% of millennials say they would rather spend money on an experience, such as a restaurant or other activity, compared to purchasing an item from a store. For millennials, brunch serves as a social outlet that is less expensive than a high-end dinner might be.

Breakfast and lunch are appealing during both the weekend (as a brunch alternative) as well as during the workweek (for business meetings and other social gatherings).



A TASTE OF TRADITION, A DASH OF SPICE

For decades, staples such as pancakes, bacon, waffles, eggs, and sausages have been popular American breakfast staples, appealing to consumers from almost every demographic. However, successful restaurants are infusing these traditional items with elements of modern and ethnic cuisines.

Some newer popular breakfast items include dishes such as chicken and waffles, breakfast burgers topped with a fried egg, bacon, and/or cheese, breakfast mash ups featuring Ramen, breakfast tacos and pizza, breakfast bowls, breakfast sandwiches with unique toppings, frittata, and more. International fusion breakfasts are on the rise consumers are looking for more international flavors, with 26% saying they would like to see more ethnic breakfast items offered. Asian-inspired cuisines are appearing on more non-Asian restaurant menus as the U.S Asian population remains the United States' fastest growing ethnic segment – up 76 percent between 2000 and 2015.³ Asian spices and flavors work well with traditional American breakfast foods. Eggs, potatoes and entrée starches offer relatively neutral platforms, perfect for pairing with more assertive flavors, like Sriracha, miso or kimchi.

Hispanic and Mexican culture is also credited with spicing up breakfast. According to the U.S. Census Bureau, the U.S. Hispanic population numbered 55.3 million in 2017.⁴ That's 17.3 percent of the total population, making it the largest, ethnic demographic group. Some popular breakfast dishes that have taken off in recent years include the Mexican omelet, huevos en cazuela, breakfast chorizo, chilaquiles, and more.

In addition Indian and other international flavor influences are also playing a major role in the innovation of breakfast as are domestic additions not normally associated with breakfast. More than a quarter of consumers (26%) say that they enjoy eating foods that are associated with lunch or dinner for breakfast.⁵ A *Foodservice Director* study cited the increase of unusual breakfast additions such as avocados, avocado spreads, honeys, nut butters, artisanal fig and raspberry jams, poached eggs, banana and peanut butter spreads, and more as adding flair to traditional breakfast menu items.

Some of Matt's Big Breakfast's most popular items have been carefully crafted by blending traditional breakfast favorites with an unexpected addition or pairing. A perfect example of this is our recently introduced Big Papa Burrito which has quickly become one of our top selling items.

³Asian Flavors Shake Up Breakfast, American Egg Board, 2019, <https://www.aeb.org/news-trends/incredible-breakfast-trends/asian-appeal/asian-flavors-shake-up-breakfast>.

⁴The Hispanic Connection, American Egg Board, 2019, <https://www.aeb.org/news-trends/incredible-breakfast-trends/multicultural-cuisines/the-hispanic-connection>.

⁵Restaurant Business Online Consumer Trends, 2019, <https://www.restaurantbusinessonline.com/consumer-trends/instant-intel-todays-breakfast-trends#page=2>.

SCRATCH COOKING, HONEST INGREDIENTS®

Largely fueled by the organic food movement, scratch cooking segment has also experienced a serious boon in recent years as consumers look for fresher, higher quality ingredients. Scratch cooking involves preparing food using fresh ingredients rather than buying meals that have already been prepared. In a recent restaurant trends report, QSR points out that terms like house-made, artisan, chef-grown, and made-from-scratch have all been consistently making appearances on menus in recent years as now more than ever, consumers are passionately driving this trend with a conscious effort to go "back to basics" or "return to real" when it comes to their food.

The most recent Restaurant Industry Report⁶ backs up these assertions from a consumer standpoint, citing the following statistics to demonstrate the emphasis on quality, locally-sourced food and ingredients.

- 61% of diners say they are more likely to eat healthy at a restaurant than they were two years ago.
- 62% of consumers say the availability of locally sourced food would make them choose one restaurant over another.
- 55% of consumers say they would order breakfast items more often if restaurants offered them all day.
- 58% of consumers say the primary reason they like locally sourced food in restaurants is that it supports farms and food producers in their community.
- 51% of consumers who say the availability of environmentally friendly food would make them choose one restaurant over another.

The main difference with scratch cooking as compared to traditional restaurant foods is that scratch cooking uses individual foods to makes each menu item from scratch whereas many restaurants purchase manufactured pre-made foods, foods that are sold in bulk and created to appeal to as many people as possible. The end result is menu items that are bland, flavorless, over-salted, and lacking in sustenance and nutrients. By using fresh, high-quality individual ingredients, the dishes at Matt's Big Breakfast retain their flavor.



POP CULTURE CUISINE

Today's customers are more connected socially than any generation before. In addition to seeking out social experiences with their friends and family, customers also turn to social media and pop culture for ideas as to where to eat.

In addition to recommendations from family, friends, and colleagues, there are two major influencers when it comes to making dining choices that influence consumer decisions: social review sites and mass media.

Many customers rely on the word of others from social review sites such as Yelp, Google, TripAdvisor, and even Facebook reviews. For restaurants, the biggest review factors include quality of food, perceived value, and customer service. Many restaurants with higher price points often outshine those with slightly lower prices by offering unparalleled customer service and a friendly, positive atmosphere.

At Matt's Big Breakfast, our restaurants are specifically designed to evoke feelings

of nostalgia, comfort, and community. Everything from our store layout to our color palette supports the idea that breakfast should be savored and enjoyed, preferably in the company of family and friends.

Additionally, cable and network television shows have also served as a way to introduce viewers to new restaurants and to use dazzling visuals to tell a story and whet their appetite at the same time.

Matt's Big Breakfast is proud to have been featured on numerous shows such as Food Network's "Diners, Drive-In, and Dives" as well as on CNN and in *The New York Times*, *Eater*, *Bon Appetit*, and numerous local news and lifestyle programs and publications.

In 2017, we won the *Airport Revenue News* "Airport Restaurant of the Year" award. In 2018 we were chosen by *The Daily Meal* as one of the "25 Best Airport Restaurants in America" and were featured as one of *Thrillist's* "Top 22 Best Breakfast Spots in America."



BENEFITS OF BREAKFAST AS A BUSINESS

While the research clearly demonstrates that consumers love breakfast, brunch, and lunch, restaurateurs and seasoned franchisors are also realizing the benefits of owning and/or operating a breakfast and lunch franchise.

Patricia Cobe, a senior editor at *Restaurant Business*, notes that most breakfast dishes aren't that complicated and that staff in the morning (starting prep, prep cooks, and other staff) can make many breakfast menu items fairly easily. Even with high-quality ingredients, high margins for breakfast are feasible because the cost of goods sold (eggs, bacon, bread) are lower.

"Eggs are one of the cheapest ingredients around right now, and they can up-charge and can make a really great profit," says Cobe. "[Restaurants] can sell egg dishes for like \$15."

Another major benefit of running a breakfast/lunch restaurant is the hours. While weekend dinner shifts often don't end until the early hours of the morning, lunch restaurants are usually closed well before dark, allowing

owners and managers more time to spend with family, creating a more desirable work/life balance.

At Matt's Big Breakfast, we believe that breakfast is about more than serving people quality food. It's about providing communities with employment opportunities. It's about providing customers with an inclusive gathering space where they don't feel rushed and can enjoy their time with friends and family.

While our innovative menu items and visually appealing store layout might have drawn the attention of national media, the emphasis on our genuine hospitality and our focus on regulars is what keeps us in business and what keeps our customers coming back time and time again.

Our franchise offering is about providing the right people with an opportunity for a rewarding business that doesn't require sacrificing time with their own friends and family.





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