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Fort Polk, Louisiana – Restaurant Development Study

Prepared exclusively for:

Louisiana Economic Development

Leesville and DeRidder, LA

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STUDY OBJECTIVES

This feasibility study determines the optimal types of restaurants for the Fort Polk, LA trade area including either independent or chain franchise operations. Suitable restaurant types and chain brands will meet the following criteria:

1. Offer restaurant concepts & menus likely to be popular with the local consumer base
2. Offer foods and services at prices competitive with local, popular restaurants
3. Earn average annual sales volumes in a competitive range for the Fort Polk trade area

REPORT CONTENT

This report is organized into eight sections:

- Introduction
- Trade Area Consumer Profile
- Trade Area Competitive Analysis
- Foodservice Development Recommendations
- Conclusion
- Methodology
- Technomic Qualifications
- Report Appendices (distributed in separate files)

INTRODUCTION

The feasibility of additional restaurant businesses entering the Fort Polk, LA trade area hinges upon the population demographics (especially discretionary income) and population lifestyles (how they relax and spend their money). Competition must be considered intense, in any situation or community. However when the existing restaurant mix does not satisfy the preferences of the population, there will be preferred opportunities for restaurant growth.

In this study, we define the Fort Polk trade area then analyze the population's demographics, lifestyles, and restaurant spending to measure demand. We evaluate the current restaurant types and numbers to evaluate supply. Subsequently, we compare these data points and attributes with national norms to measure the size and type of opportunity, if one exists.

TRADE AREA CONSUMER PROFILE

Foodservice Consumers' Travel Behavior[1]

Based on their past spending behavior, foodservice consumers have different time allowances depending upon the daypart (breakfast, lunch, or dinner), day of the week, and other occasion parameters such as the dining purpose and group composition.

- During the breakfast daypart, consumer usage will be more dependent upon time factors such as location proximity and even direction of travel. Many breakfast consumers will purchase breakfast to consume in their cars, expecting to take only 3–5 minutes for the foodservice transaction.
- Dine-in lunch consumers will plan on spending up to 60 minutes for the meal, including travel time, except for infrequent special occasions when they are willing to spend up to 90 minutes. Carry-out lunch consumers may plan to spend as little as 15–20 minutes at lunch.
- Dinner dine-in customers will travel longer distances, taking more time to reach restaurants during dinner and late night hours. Generally, dine-in dinner patrons are willing to travel 15–30 minutes during the weekdays and up to 45 minutes during the weekends.
- Dinner carry-out, limited-service customers and dinner takeout, full-service customers have shorter time requirements than dine-in consumers. In Technomic off-premise research, consumers expect to have their food in hand within 15 minutes of placing the order.

Typically, the frequency of consumer patronage will be affected by the proximity of the consumers' prior location and/or the quality of the guest experience. The more time available for a meal and the less time needed to reach the location, the greater the percentage of consumers from the trade area radius rings will visit the area restaurants and entertainment facilities. To analyze the trade area's spending potential we identify the distances that consumers are likely to travel for Breakfast, Lunch, and Dinner dayparts in the specific geographic area.

In communities such as Fort Polk, we divide the trade area into 2 levels based on distance: primary (the closest proximity to the trade area restaurants, usually a 10-mile radius from the community central point), and secondary (locations further in distance, but contain customers that will visit trade area restaurants, if only for dinner and special occasions).

Fort Polk, LA Trade Area Size & Geographic Situation

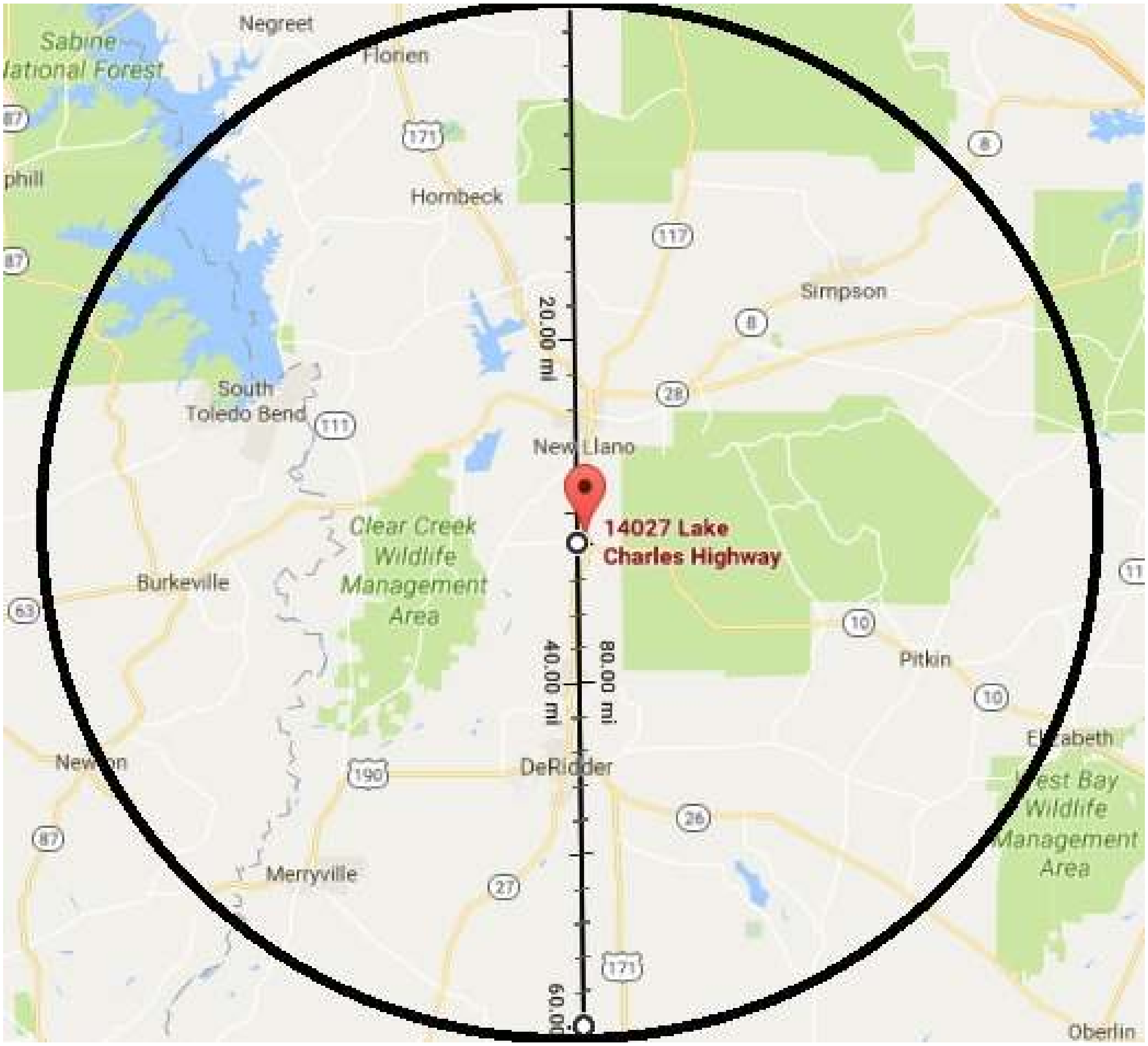
Based on our assessment, the Fort Polk, LA trade area includes the land and population within a 30 minute drive (a 30-mile radius) from the entrance to the fort at the intersection of Lake Charles Highway 171 and Pitkin Highway 10 (14027 Lake Charles Highway). The 30-mile distance is much less than half of the distance from Fort Polk to the next largest town north and/or east, Alexandria, LA, and the next largest town to the south and/or west, Lake Charles.

[1] Source: Technomic *Consumer Brand Metrics*® consumer survey database, 2016.

In other words, the people living and/or working in the trade area are likely to use the restaurants within it.

Within the 30-mile radius (the trade area) lies the parishes of Vernon and Beauregard with Fort Polk in the center. The principal population centers within the 30-mile trade area are DeRidder (26,150), Leesville (38,032), and Fort Polk (29,156) – a total population of 93,338 within the 30-mile trade area (2015 U.S. Census).[2]

Fort Polk, Louisiana Restaurant Trade Area – 30-mile Radius



[2] The 10-mile population ring demographic data is based on US Census. Due to the difference in trade area geographic definition from the local population counts, the population counts differ.

Fort Polk's primary foodservice trade area includes the consumers who live and/or work within a 10-mile radius of the entrance to the Fort. These residents – both military and civilian – will have higher restaurant usage frequency in the vicinity of Fort Polk based on proximity alone. At the core of the trade area, Fort Polk residents and visitors will be frequent users of the primary trade area's limited-service and full-service restaurant options.

The primary Fort Polk trade area's 10-mile radius includes a population of 34,290 according to the 2015 Census data (Appendix D. Fort Polk Demographic and Income Profile). The area's population growth forecast is modest growing an estimated 1,121 (3.2%) in 5 years.

Fort Polk, LA 10-Mile Radius Trade Area – Demographic[3] Profile

Attribute	2015	2020
Population	34,920	36,023
Households	12,568	13,039
Median Age	27.7	28.2
Household Size	2.60	2.60
Median Household Income	$41,821	$46,760
Average Household Income	$53,590	$59,358
Per Capita Household Income	$19,986	$22,191
Owner Occupied Housing Units	4,495	4,461

During the workweek outside of the Fort, the primary trade area population includes 13,983 individuals employed in a broad range of white collar and blue collar occupations (Appendix D. Fort Polk Business Summary). The *Fort Polk FY15 Annual Economic Impact Report*[4] presents a more accurate count than the US Census, showing 19,491 active military and civilian employees on the fort, plus another 12,684 of military family members.

Fort Polk's secondary foodservice trade area expands beyond the primary trade area to include people living and working another 20 miles further from Fort Polk. The addition of the secondary trade area's population increases the total trade area population by 3 times. The area's population growth rate is modest, an estimated 677 (0.7%) in 5 years.

[3] Source: ESRI, 2016, Appendix D. Fort Polk, LA Demographic and Income Profiles
[4] Source: Fort Polk FY15 Annual Economic Impact Report

Fort Polk, LA 30-Mile Radius Trade Area – Demographic[5] Profile

Attribute	2015	2020
Population	93,338	94,015
Households	34,687	34,813
Median Age	33.9	34.8
Household Size	2.60	2.61
Median Household Income	$41,933	$47,888
Average Household Income	$56,946	$61,976
Per Capita Household Income	$21,944	$23,721
Owner Occupied Housing Units	21,229	21,358

The U.S. median household income was $51, 939 in a 2014 study (23.9% higher than the 30-mile trade area's income). An examination of the trade area's population demographics reveals a large cohort earning less than $15,000 (15% of the area's households). In addition, the data shows an even number of households (12-15%) in each income band, rather than a substantial population bubble in the relatively wealthy middle-class. This fact that may limit total restaurant revenues, but would not necessarily impede the sales at the leading restaurant competitors in the market. However, the relatively low household income puts the pressure on population size to drive sufficient spending for a casual dining restaurant brand. In other words, more frequency with lower check average.

During the daytime, the total trade area population includes 67,569[6] individuals employed in a broad range of white collar and blue collar occupations (Appendix D. Fort Polk 30-mile Business Summary).

An important aspect of the Fort Polk, LA location is the central position of Fort Polk along the state highway 171 between Leesville and DeRidder and the areas to the North, East, West, and South. The Fort Polk geographic position offers the potential to serve as a retail, entertainment, and restaurant hub for the larger area. Given the cost of gasoline on lower income households and the convenience of driving 10-15 minutes instead of 15-20, we forecast the drawing power of Fort Polk services will continue to grow – particularly if the city business leaders strive to build the retail and restaurant menu variety, food quality, service levels, and occasion uses . Given the proximity, we believe Fort Polk's greater trade area is within a 30-mile radius of Fort Polk, especially including Leesville and DeRidder, LA.

In our opinion, the current highway 171 business corridor has the opportunity to transition from strip malls of convenience to moderate sized destination malls with leading national retail and restaurant brands. The variety of restaurant types may increase the frequency of use for consumers within the 30-mile foodservice trade area; this fact of frequency behavior defines the terms "destination restaurant" and "restaurant row".

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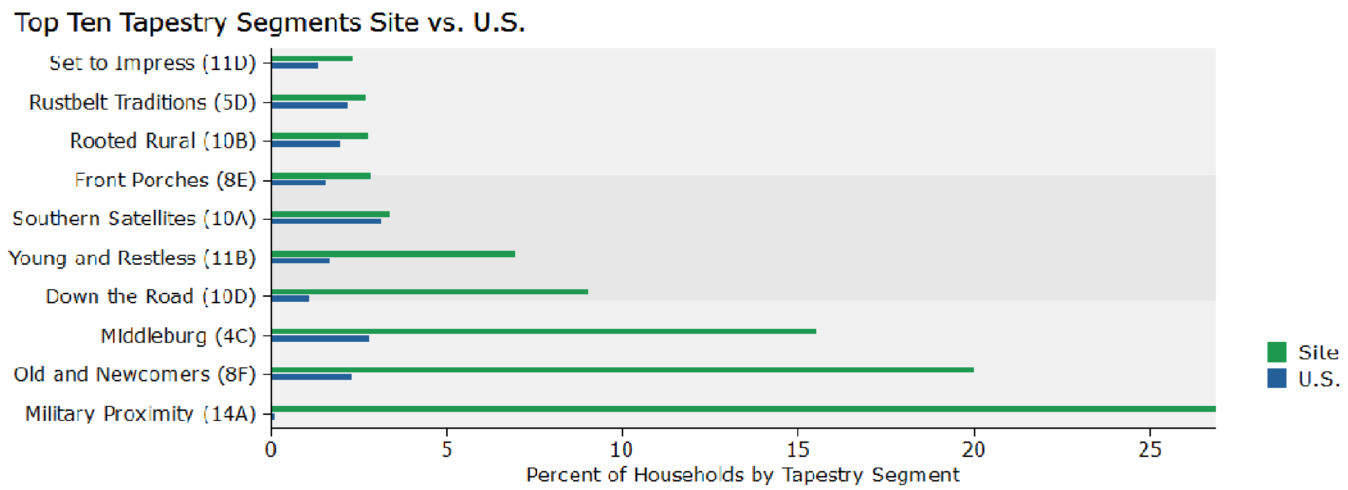
[5] Source: ESRI, 2016, Appendix D. Fort Polk, LA Demographic and Income Profiles
[6] The figure includes the 19,491 military and civilians stationed and employed at Fort Polk.

In addition, the downtown areas of both Leesville and DeRidder provide an ample and solid base for continued multi-use development (residential, entertainment, and restaurants) on the existing foundations of government and private offices, businesses and restaurants there.

Fort Polk Trade Area Lifestyle Cohorts

The Tapestry Segments report presents the lifestyle groups or cohorts within specific areas. In the greater Fort Polk trade area, the population is diverse. More than 25 separate lifestyle cohorts from Urban and Rural classifications register significant share. In the Top Ten Segments chart (below), the Fort Polk trade area is shown as a mix of lifestyles from "Southern Satellites" to "Green Acres" to "Bright Young Professionals." Southern roots are important, as is the slowed down tempo found in rural areas.



Source: Appendix D. Fort Polk Lifestyle Segmentation, ESRI 2015.

Any new restaurant developments will need to reflect the lifestyle preferences of the population. However, there is nothing in the data to indicate that restaurant usage will be negatively impacted by the current lifestyles. Furthermore, there exists a core population of young professionals with attitudes driven by urban and rural influences – know to be heavy users of restaurants. During Technomic's field research within the area, we noted consumers from a broad spectrum of economic strata in the local restaurants.

Fort Polk Trade Area Spending

Analysis of the Retail Goods and Services report (Appendix D. Fort Polk Retail Goods and Services Expenditures, ESRI/U.S. Census 2015) for the 30-mile radius Fort Polk trade areas reveals the economic impact of the low household incomes.

- The Fort Polk trade area's Retail Goods and Services spending for all government classifications is substantially lower than national averages, indexing at 50-80 points out of 100. In the Fort Polk area, no classification reaches the index standard of 100 points.

- The restaurant & bars line item (Food Away From Home) index is 77 for the 30-mile Fort Polk trade area. There are significant differences in the economic picture between the spending in Fort Polk, Leesville, and DeRidder with DeRidder indexing higher.
- Restaurant sales are forecasted at the average expenditure per household of ~$2,500.
- According to the U.S. Census Bureau, in the total U.S., 115 million households spent $576.0mm in Eating & Drinking Places in 2014 – an average household expenditure of approximately $5,000. The national foodservice expenditures per household are dramatically higher than the Fort Polk trade area spending levels.
- Area unemployment is approximately 7.0%, in line with the Louisiana state average.

Fort Polk Economic Impact[7]

The economic impact of Fort Polk's military and support operations is significant. Fort Polk and the Joint Readiness Training Center located there are home to a number of high priority missions for the Department of Defense. The Joint Readiness Training Center is one of only 2 National Combat Training Centers in the United States and has trained over half of the Brigade Combat Teams who have deployed to theater. In addition to this enduring combat training mission, the Department of Defense has invested over $1.2bn in new construction within the last 10 years. Fort Polk is the only Army installation growing in size, purchasing 47,000 acres in the last 3 years.

With the most recent annual economic impact of $1,417,270,226.00 ($945,770,908.00 in pay), Fort Polk is the largest single economic impact in the State of Louisiana, and with 19,234 average employees on a daily basis, it is also the state's largest employer.

Trade Area Business & Population Growth Prospects

We observed no geographic or travel impediments to new business development for the Fort Polk trade area. On the business growth plus side, the current locations of Fort Polk's restaurants and businesses lack drawing power, due to the lack of restaurants as good as or as varied as the ones operating in Alexandria (north) or Lake Charles (south). In our opinion, the addition of more full-service, restaurant variety with chain guest experiences in centralized locations will boost the destination quality of the area and provide reasons to stay or stop in Fort Polk rather than driving the 60 minutes to Alexandria, or Lake Charles.

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[7] Source: JRTC, Fort Polk Population, FY2016; JRTC, Fort Polk Economic Impact, FY2016.

Fort Polk Area Consumer Restaurant Preferences

The Fort Polk trade area consumer demographics were analyzed to determine the MPI or Market Potential Index[8]. The analysis considers the demographic factors of household income, size, race, etc. In the trade area, the combined segments of Family Dining and Casual Dining records the highest index at 111. One other segment recorded a higher than average MPI index was Family Steak at 106.[9]

In the Fort Polk area (10-mile radius) the following Family Dining and Casual Dining brands recorded MPI's higher than average.

Fort Polk, LA – Restaurant Brand Market Potential Index (2015)

Restaurant Brand	MPI Index
CiCi's Pizza	133
Golden Corral	132
Logan's Roadhouse	121
Waffle House	120
Denny's	115
Chili's Grill & Bar	102
IHOP	101

Source: Appendix D. Fort Polk Restaurant Market Potential Index: ESRI/U.S. Census, 2015.

In the Leesville trade area (10-mile radius) the following Family Dining and Casual Dining brands recorded MPI's higher than average.

Leesville, LA – Restaurant Brand Market Potential Index (2015)

Restaurant Brand	MPI Index
CiCi's Pizza	130
Golden Corral	128
Logan's Roadhouse	124
Waffle House	119
Denny's	107
Cracker Barrel	103

Source: Appendix D. Leesville Restaurant Market Potential Index: ESRI/U.S. Census, 2015.

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[8] An MPI (Market Potential Index) measures the relative likelihood of the adults in the specified trade area to exhibit certain restaurant consumer behavior or purchasing patterns compared to the U.S. population. An MPI of 100 represents the U.S. average.

[9] Appendix D. Fort Polk Restaurant Market Potential Index: ESRI/U.S. Census, 2015.

In the DeRidder trade area (10-mile radius) the following Family Dining and Casual Dining brands recorded MPI's higher than average.

DeRidder, LA – Restaurant Brand Market Potential Index (2015)

Restaurant Brand	MPI Index
Logan's Roadhouse	171
Waffle House	171
Cracker Barrel	152
Golden Corral	145
Ruby Tuesday	128
CiCi's Pizza	126
Texas Roadhouse	123
Bob Evans Farms	116
Applebee's	104
Olive Garden	104
Outback Steakhouse	103
Chili's Grill & Bar	102

Source: Appendix D. DeRidder Restaurant Market Potential Index: ESRI/U.S. Census, 2015.

Based on Technomic's review of the trade area consumers and competitors, the restaurant brands identified by the MPI analysis would fare well in the three sub-markets for two reasons: 1. The consumers are demographically predisposed to utilize these brands, and 2. the average unit volumes of these brands are moderate (less than $3.0mm). Interesting to note: a Chili's Grill & Bar opened to strong traffic and revenues in 2016 subsequent to the first Technomic report on the area.

Trade Area Consumer Foodservice Spending Forecast

Technomic believes the Fort Polk, LA trade area consumers' foodservice spending behavior and restaurant type preferences currently reflect the national behavior and preferences for rural areas and will continue to do so into the future. Rural area incomes are lower than urban and suburban areas – in the case of Fort Polk, LA, approximately 50% lower. However, the DeRidder sub-market's restaurant MPI's reveal a community with a demographic profile of significant restaurant spending propensity.

Given the current population growth rates from the 2015 U.S. Census data, the Fort Polk trade area may expect to increase restaurant revenues by 2.5% or $3.8mm.

TRADE AREA COMPETITIVE ANALYSIS

Primary Foodservice Trade Area Competition

The restaurant competition in the Fort Polk trade area will be the existing restaurants within the 30-mile radius around the Fort Polk central point – especially if they are popular among the local consumers. Within the trade areas, the restaurants cluster along the Lake Charles Highway 171 from DeRidder north, past Fort Polk's entrance, then through Leesville. Most of Fort Polk's limited-service and full-service restaurants options are located along this corridor. The trade area's main retail shopping malls and strips are located there as well. One exception is the town of DeRidder's downtown area, including the key Casual Dining competitor in the area, Cecil's Cajun Restaurant.

The Fort Polk, LA trade area contains a number of popular restaurants, including a few national and regional chains plus many local independents. Within the primary trade area, approximately 150 "food services & drinking places" operate.

Within the industry, restaurants offering limited or no alcohol are considered Family Dining establishments. Typically, Family Dining restaurants offer simple fare with generous portions at reasonable-to-low prices. Locally-owned, independent Family Dining restaurants are the predominant type of restaurant in the Fort Polk trade area.

The Fort Polk trade area competition does not include many Casual Dining restaurants with a full bar service. However, both the Alexandria and Lake Charles trade areas contain numerous Casual Dining restaurants – both local independents and national chain brands such as Applebee's, Beef 'O' Brady's, Buffalo Wild Wings, Chili's Bar & Grill, Logan's Roadhouse, Outback Steakhouse, etc. The Alexandria list includes 3-4 dozen national chains. These restaurant brands would do well in the Fort Polk trade area, especially in DeRidder and near the Fort Polk entrance, i.e. along the Highway 171 corridor. In fact, the Chili's restaurant was opened in the area in 2016 and has been well-received by the local population.

Competitive Overview

Currently, the Fort Polk full-service and quick-service restaurants compete with simple food quality, local favorites, location convenience, and low-moderate prices. Lacking from the trade area are restaurants positioned on food and service trends that most Americans take for granted such as Fast-Casual restaurants offering Mexican, Asian, Chicken, Burger, or Italian fare. The lack of typical restaurant variety may be the primary impediment to consumer spending in the area. According to the data and in our opinion, the demand for restaurant spending is ample. It is the supply of restaurant variety and, perhaps, the level of guest experience that is lacking.

FORT POLK, LA RESTAURANT DEVELOPMENT CONCLUSIONS

In our opinion, the current restaurants meet the current expectations of the local customers, but a more contemporary, upscale restaurant (at the suggested prices) will create a new customer base from those not already spending in the Fort Polk trade area.

Rather than cannibalizing the existing restaurants' sales, the Fort Polk restaurant business would increase customer frequency and average check levels by adding 2-3 Family Dining and/or Casual Dining restaurants – either national or regional or local brands with popular menu offerings and pricing in the average check range of $10-20.

- The convenience of having a Fort Polk casual bar & grill would motivate many consumers living and working in the trade area to shop locally.
- The new restaurants will need to provide guest experience levels competitive with those found in Alexandria, Lake Charles, and most other communities.

We recommend that new restaurants be located along the Highway 171 corridor at the Fort Polk entrance, in the Town of Leesville, and in the Town of DeRidder. Other location options include in Downtown Leesville and in Downtown DeRidder.

REPORT CONCLUSION

Thank you for the opportunity to conduct this restaurant development study. We look forward to discussing our findings and potential restaurant chain or independent brands with you.

Respectfully submitted,
Technomic Inc.

Tom Miner
Consulting Principal

STUDY METHODOLOGY

To discover reliable information and compile a comprehensive feasibility study, we conducted the following research and work plan:

Step 1 – Project Initiation

The Technomic project leader met with the client's project participants (via telephone) to commence the project. At this meeting, we reviewed the feasibility study proposal, discussed background information and business targets, set project time lines, established communication lines, and finalized the project report format and contents.

At this meeting, Technomic requested proprietary information including as existing consumer and restaurant research, as well as foodservice sales data and competitive information.

Step 2 – Compile Existing Information

Technomic compiled a database of information for use in the trade area analyses. Utilizing Technomic's Information Services group, the following foodservice sources were searched:

- Consumer demographic, lifestyle, and spending databases
- U.S. and state government reports
- Internet sites for national and regional chains
- Technomic's Top-500 chain restaurant profiles and menus
- Regional economic forecast and development studies

The information was analyzed, validated, and compiled into a reference database.

Step 3 – Conduct Trade Area Evaluations

During the site and trade area evaluation, we spent 3 days in Beauregard Parish (DeRidder) and Vernon Parish (Leesville). Our first task was to determine the physical boundaries of the trade area(s) for breakfast, lunch and dinner dayparts. Following our determination of the trade area, we conducted a consumer demographic, lifestyle, and spending profiling of the trade areas inhabitants during the separate dayparts using observational techniques. In addition, the demographic profile includes published consumer incomes and foodservice expenditures – both current and forecast. The income and expenditure data was central to the feasibility study and restaurant type and brand identification.

During the trade area evaluation, we identified and "expert shopped" the existing restaurants, observing consumer behavior, evaluating competitor service, food and experience levels. Our evaluation of key competitors included the following types of information:

- Location, size and estimated annual sales
- Competition concept type, scale, prices, and average check
- Service style and level of performance
- Menu category, i.e. menu variety
- National and regional brand usage and ownership – corporate or franchised
- Trade area maps of competition including key local competitors
- Trade area maps of consumer dispersion – both living and working areas – during primary dayparts

Step 4 – Develop Trade Area Opportunity Assessment

We prepared an analysis of the trade area's foodservice business situation including sales estimates, leading competitors, customer spending levels, growth forecasts, restaurant brand usage, and restaurant brand opportunities, as well as potential restaurant trend applications.

The trade area situation analysis included the consumer spending and competitive opportunity forecasts, as described in the Project Deliverables section of the original proposal.

Step 5 – Prepare Recommendations and Present Report

After completing the research and profiling, Technomic senior consultants wrote this prose style report including tables, charts, maps, and photographs, as needed to clarify the market study findings and our development recommendations. The report identifies the issues described in the Project Objectives section. Importantly, a fact-based analysis of our recommendations based on regional (and national) best practices for restaurant franchises, size allocation, national brand usage, or independent concept usage is presented.

TECHNOMIC QUALIFICATIONS

Technomic is uniquely qualified to conduct this study. The firm is the most recognized and experienced marketing research and management consulting firm specializing in the foodservice industry. For more than 45 years, we have been providing clients with insights and intelligence on industry trends, dynamics and directions. Our clients consider us not only a trusted advisor, but also a partner that they can rely on to build actionable strategies.

Our core competencies include:

- Benchmarking studies
- Operations audits
- Site selection & lease negotiations
- Operator attitude & usage studies
- Competitive assessments
- Trend identification
- Consumer qualitative research
- Consumer quantitative research
- Growth strategies
- Due diligence studies
- Trade channel research
- Business Development

Our full-time professionals are dedicated to the food industry and bring outstanding experience and expertise to our engagements. We are specialists in food industry research and are the thought leaders in the foodservice industry. Our past chain clients include:

Quick Service Restaurants

Fast Casual Restaurants

Family/Midscale Restaurants

Full Service Restaurants

About Tom Miner

A Consulting Principal at Technomic, Tom is responsible for developing, managing and conducting professional services for foodservice operators, developers, and investors. Primary practice areas include: corporate and unit operating systems, concept/menu/product research & development, site selection & growth strategies, consumer research, competitive research, litigation support, and due diligence for growth planning, mergers or acquisitions.

Consulting Experience

Since 1993 when he first joined Technomic, Tom has provided clients with brand strategies and management leadership, as well as functional support in operating systems, industry and competitive research, store design, menu development, product R&D, pricing strategy and area development. Tom leads the due diligence and litigation support practices.

Industry Experience

Tom has been the President of University Food Services, an operator of foodservice shops in college and university venues. He was the Vice President of Marketing for the *Lettuce Entertain You* Consulting Group. He has worked in restaurant operations in New York and France. He began cooking in New York's SOHO in the 1980s then traveled to Paris, where he worked under Chef Pascal Daquet at *Le Verre Gallant* (Haute Nouvelle). Back in New York, Tom wore the executive chef toque for 12 years, leading culinary marketing and operations at *The Boat House in Central Park* (Upscale Italian), *Fraunces Tavern* (American Fine Dining), and *Mickey Mantle's* (American Regional). Recently, Tom served as the Chief Food & Beverage Officer of a 12-unit, multi-concept restaurant and bar division; Professional Hospitality Resources, a rapidly growing hotel and resort operator in Virginia Beach, Virginia.

Trade Publishing

Tom has written numerous foodservice articles: "Customer-Focused Menu Marketing," *Cornell Quarterly*; "Why Good Trends Go Fad," *Carlson Report*; "Restaurant Branded Products: The Future of HMR?" *Prepared Foods*; "Branding for Sales and Profits," *Supermarket Business*; and the "Menu Engineering," columns for *Take Out Business*. He is the author of a textbook for chefs, *The Business Chef*, Van Nostrand Reinhold, 1989. He is at work on a new publication.

Education

Tom received a BA at Columbia University and an MBA at the University of Chicago, Booth Graduate School of Business. Tom is active in the NRA's Marketing Executives Group (MEG) and a founding member of the Research Chefs Association (RCA).