

For those of you from the area, you may know that Marriott started as a nine-stool root beer stand here in Washington, D.C. I bring that up--it started in 1927, by the way. We celebrated 75 years last year. I bring that up because it, too, is very relevant to today's discussion.

Mr. and Mrs. Marriott, when they started it, were a franchisee of A&W Root Beer, but they quickly learned that changing tastes, changing requirements of them, forced them to change their concept into a Hot Shoppe Restaurant, where they could meet the demands of their guests.

Seventy-years has passed, and we still recognize that food and beverage is a key ingredient in our lodging operations. In fact, it's so key that our food and beverage mission statement articulate our commitment to guests' needs very succinctly. We say that we want to deliver to our guests what they want, when they want it, where they want, and how they want it. Everyone of our food and beverage operations in over 350 managed, full-service hotels subscribes to that theory.

Now, we do recognize that healthy options represent an important expectation for a growing number of our guests. And for the past several years, we've been

jr

working to set standards for our hotels to address those needs during the various day parts.

For us, breakfast is probably our largest food and beverage opportunity. It represents an important meal period to us, not because we capture a large percentage of our hotel guests, but additionally because the guest satisfaction ratings that we receive at breakfast have a direct statistical correlation to a guest's overall satisfaction with their hotel stay, and, most importantly, with their satisfaction and intent to return to one of our branded hotels.

At breakfast, over 75 percent of our guests today choose the buffet option. Now, we recognize that the value perception, speed of service, could be contributing factors, but when we talk to guests, they tell us it's because they have the opportunity to customize their meal, to get it the way they want it and to get it how and when they want it.

Having said that, we've created standards for our buffet around healthier options, healthier alternatives so that guests have access to the foods that they want, that they need. Things like minimum numbers of fresh fruits, hot oatmeal, low-fat pastries, et cetera.

Our work around breakfast has also manifested itself in our a la carte menus. This past summer we launched in our breakfast a la carte menu a Fit for You Program. It's designed to recognize the dietary lifestyle choices that our guests are making as they seek items that are perhaps lower in fat, lower in cholesterol, or higher in protein. We back that a la carte menu up with options for egg substitutes, butter substitutes, as well as mandates for fresh juices and other healthier options.

The implementation materials that support the breakfast meal period go into greater detail about what each of these dietary trends mean to our guests, and, more importantly, provide training materials that our chefs and restaurant managers can use to execute throughout the rest of the day parts to meet the needs of the guests as they come through our hotels.

For lunch and dinner, the Marriott philosophy for restaurants is to create destination quality experiences in our hotels, quality experiences that might rival many of my fellow panelists' restaurants or many restaurants in the communities.

In order to do that, we require market-based unique concepts. The days of cookie-cutter restaurant concepts in hotels are gone. In order to have unique, market-driven restaurant concepts, you also have to allow chefs the flexibility to create signature food items that reflect local flavors, indigenous products and preparations, and seasonality.

Our chefs are encouraged, in fact urged, to create daily specials, and to change their menus seasonally. It is not uncommon for a Marriott restaurant to have a quarterly menu cycle.

Having said that, proposed menu labeling laws would significantly reduce the ability of our chefs to react to these changing parameters, and maybe more importantly impact the guest experience; and, therefore, the viability of the business of these restaurants.

Other example of our company's commitment to providing healthy alternatives include our kid-zine program. It's our children's menu. At breakfast, all of the items can be made with the egg substitutes and things that I spoke about earlier.

At lunch and dinner, we include a green salad option for children's menu items so that children don't necessarily take the default of perhaps a less nutritious offering with their entrees.

Further evidence of our work toward providing high-quality, nutritious food offerings includes the education that we provide for our chefs. We created a very successful five-day, week-long class with the Culinary Institute of America. Over the course of two years, approximately 300 of our chefs attended that class and received education in balanced nutrition, as well as other core culinary principles.

Additionally, approximately 45 of our chefs from around the country have received the certified executive chef accreditation from the American Culinary Federation, which has, as a component a very rigorous requirement in nutrition education and testing.

In summary, our experience over the course of the past three or four years has been that our guests are getting much more educated about food and beverage. Thanks to publications like Gourmet Magazine, Food and Wine, and pretty much all of the programming on the Food Network these

days, our guests know more, and I'm somewhat embarrassed to state this in a public forum, than our staffs at times, as it relates to food ingredients and compiling those ingredients into meal selections.

If we are forced to label our menus to reflect those variety of offerings, it could significantly impact our ability to address these guests' needs, and, more importantly, significantly impact our ability to be a true hospitality partner as we have an obligation to react to individual needs. And that obligation, by the way, is heightened when we look all of our restaurants being at the bottom of essentially hundreds of hotel rooms, because now we're forced to provide an away-from home--at-home experience away from home. And we know that the at-home experience is a very customized one.

From our perspective, the true source of change in consumer dining habits is going to be continued education, continued options, and a holistic approach. It's not going to be menu labeling. Thank you.

[Applause.]

MR. LEDERHAUSEN: Rob, this is going to look very bad, because the McDonald's guy is now going to walk out

jr

when the Burger King guy speaks. So, it's not what you think. I just need to run and catch a plane.

MR. DOWDY: You're totally excused.

MR. LEDERHAUSEN: So sorry.

MR. DOWDY: Thank you.

DR. PITTS: Mr. Lederhausen.

MR. DOWDY: I know that we've run over the time, and so I intended to make my comments very brief to be sensitive to all of you and all of us. I also wanted to thank you for allowing us to be a part of this discussion.

I represent the Burger King system. Let me tell you a little bit about it. We operate, our franchisees and us, we have 1,500 franchisees. We operate a little more than 11,300 restaurants around the world; 8,000 of those restaurants are in the United States. We employ 320,000 people, and we serve about 15 million or 16 million guest every day.

Our company is 50-years-old this coming, in 2004. From the very beginning, when it was founded in Miami, we were always about customization. So customization is not a new concept. You've heard a lot about it here this afternoon. I will also tell you that next year will be the

jr

30th anniversary of a trademark that we created in 1974 that is one of the most--the best known trademarks in the country and even in the world, which is have it your way. Many of you, I think, in the room will recall the lyrics to what a song that has now become of an American icon. I won't sing it for you, but I will remind you of the lyrics: hold the pickle, hold the lettuce, special orders don't upset us. All we ask is that you let us serve it your way.

That has been the philosophy at Burger King Corporation for the 50 years of its existence. And I'll tell you it resonates, that idea, that concept that our advertising agency in 1974 devised, resonated with the American people very, very well, and it continues today.

One-third of the sandwiches that we serve in our restaurants are customized. But let me focus on our flagship product, for which we sell the most, is the Whopper. Just a little under one-half of all Whopper orders are customized. Now, that may sound easy, but you need to know, as you've heard the story of combinations and how they can multiply. There are 1,535 ways to have a Whopper. One-half of the Whoppers that we sell are customized.

We also know that, as we've learned more and more about how customers have used that term, originally we believed that people customized their sandwich and had it their way for taste. What we've learned over the years is that people have also had it their way to suit their diet. When we introduced our BK Veggie Burger two years ago, which has become--it was the first non-soy based veggie burger offered by a national chain. We're very proud of it. We had a small operational problem that we didn't realize until we started getting complaints from customers. As people would go in to get the BK Veggie, and they were handed a veggie Whopper, which was basically a Whopper with no meat.

What we found out is that our restaurants were very used to having customers coming in ordering a veggie Whopper for many years, and they knew very well what the customer wanted. And so when they--we had to make it--go back and retrain our crews that when they ordered a BK Veggie, it was very different from a Veggie Whopper. And even though we have now the BK Veggie, we still have a loyal following of Veggie Whopper people who order the Whopper with no burger. It is one of the 1,535 ways to have a Whopper.

I want to read to you quickly our vision, because combined with Have it Your Way, what we stand for is that we take pride in serving our guests the best burgers and a variety of other great tasting healthy foods, cooked over an open fire. That's what we're all about.

This is important because best burgers means that we're not walking away from the Whopper. It's one of the most popular sandwiches in America. In fact, it's the most preferred sandwich in America. But are offering and we do offer and we have offered for many years variety. I mentioned the BK Veggie Burger. We also offer variety in sizes. We offer the Whopper as a junior size. We have a Chicken Whopper. We have a Chicken Whopper Junior. We have salads. We have one percent milk. We have a lot of variety, and we've always done so, because of the same reason you've heard here: we have to listen to our customers and we've been listening to them for years. We do a tremendous amount of consumer research to know what's on their minds and what's on their palates, what they want to eat.

In September we launched new line of fire-grilled chicken baguettes. And we're very proud of these. They

come in three flavors. Our new CEO, Brad Bloom, set as a standard for these products that they had to be under five grams of fat. They had to be under 360 calories, and they had to taste good, and you've heard that theme resounded here by my colleagues. I'm very proud that we believe that we have accomplished that, and our consumers are loving the sandwich. So if you haven't tried them, the fire-grilled chicken baguettes. Five grams of fat. Less than 360 calories. They come--the flavor comes from fire grilling, not from fat. The flavor also comes from fresh baked bread that we bake in our restaurants every day, not from fat. And the flavor comes from exotic herbs and spices that we've added to add flavor, not from fat.

We have more products to come. We're working on a very exciting line of salads that will also meet nutritional hurdles that we've set for ourselves.

Enough on food. We're here today to talk about information.

In 1991, we started offering brochures in our restaurants that have all of our products with their nutritional information, their ingredients, and I've brought

jr

some of those here today on this corner of the table, and you can feel free to take them.

We also offer that same information, and I had to fold this because--to get it on the plane this morning, but we have a poster that we make available in all of our restaurants, and this is mandated that all restaurants have to post this and make it available to the public. You know, I applaud my colleague from McDonald's attempting to show what a menu board would look like with nutritional information on it, and he did pick the easiest, which is drinks.

I didn't even try to visualize it, because as I tried to in my mind, just the Whopper alone with 1,535 variations of the Whopper on a menu board would take virtually all the walls and maybe a little bit of the ceiling in each restaurant to provide.

We provide information in other means. We also have a web site. Seven years ago, we modified it so that you can, with the beauty of technology today, you can now customize your sandwich on the web site and tell the computer how you like your Whopper, and it will provide for

you what the nutritional information is for the way you like your Whopper.

We've just upgraded that web site a few weeks ago and made it a little bit better, and we're looking at some alternatives now that we are very comfortable with the way it's working and the way consumers are reacting to it. We're also looking to add a feature that you can input the type of diet that you're on, whether you're on a low-sodium or a high-protein low-carb diet, whatever you're looking at, and it will then tell you what options you have to eat a Burger King.

In the interest of time, I'd just like to go to the end, and I'd like to resound another theme that you've heard today and also what my colleague at McDonald's said is that the information is available today. That's not the problem.

I think the problem is educating people and the knowledge that I think Mats mentioned as well. It is a shame to me that the Department of Education is not a part of this dialogue, because the information is available, and I think what we need to do is a better job of helping people understand and equip them with the knowledge of nutrition so

that they can make personal decisions about what they need to do and how they choose their food. Thank you.

[Applause.]

MR. GROVER: Well, from the National Restaurant Association, I want to thank you for your tireless attention, you know, staying after 5:00 p.m. here to listen to restauranteurs, but thank you very much, and we really appreciate your attention and your questions. And believe you me, the restaurant industry wants to be part of the solutions to this issue. We recognize the problem, and I think as you can see here, everyone one of the panelists is doing something and actually doing quite a bit to try to address this in a responsible way.

MS. MORRISON: I'm sorry. I apologize. Do you have time for just one quick comment?

DR. PITTS: By all means. Sure.

MS. MORRISON: Thank you. My name is Alicia Morrison. I work for Senator Harkin. I just wanted to take a quick second to address a couple of things. He unfortunately can't be here today with everything--

DR. PITTS: Actually, that's--

MS. MORRISON: Going on on the Hill.

DR. PITTS: If--

MS. MORRISON: Pardon me?

DR. PITTS: With expedition. If you have questions specifically, let's get to them. I know the panelists have to leave, too. So if you have--make your comments, mostly if you have questions, please bring those forward.

MS. MORRISON: Sure. Sure. I just want to say that I think what you're all saying is completely correct that we all need to work together and that the restaurant industry alone cannot address the obesity problem. But I think that the legislation that's introduced in the House of Representatives and the one that Senator Harkin is working on in terms of this restaurant labeling will not address-- will not impact small businesses, so folks like Ms. Ricchi and others--this is only for chain restaurants with 20 or more restaurants.

But I do have a question. I know we talked quite a bit about--in the beginning--about packaging and for the actual food manufacturers, and I'm just wondering what the restaurant industry is doing to look at portion sizes, because we know when that's in front of people, it's a

jr

little bit--it's not as easy, especially for kids to just say, no, I don't want to eat anymore. I'm just wondering what kind of creative things you're looking at to address that?

DR. PITTS: So the question to the panel is just observations or thoughts on portion size.

MR. GROVER: Well, I'll give you the industry perspective--

DR. PITTS: Mr. Grover.

MR. GROVER: I think we offer--

DR. PITTS: Well, I'm sorry. Panel, do you have any comments on that?

MR. GROVER: As an industry, we offer a wide variety of portion sizes, everything from a very small to a half portion, to a large. That's the idea of the restaurant industry. It's an industry of choice. The consumer decides. And so, to say that either the small or the large is the only thing that the restaurant industry can offer would be severely limiting and completely unworkable.

MR. DOWDY: I'd like to just echo that. As I mentioned in my comments, we do offer a variety of sizes,

including small orders of fries and small drinks and so forth.

DR. PITTS: Mr. Dowdy. Are there any more questions from the audience? I know that we've all been talking about food. Yes, ma'am.

DR. CASWELL: Customized has been the word that I've heard from all the panelists, and I understand that in a, you know, fine restaurant setting. I'm wondering if you could comment on the Subway approach to labeling in the customizing; that is, you nutrition label the base product and then whatever is added on is added on. But this seems to me be an approach to this issue of customization that all of the panelists have focused on.

DR. PITTS: Ms. Caswell. Panel.

MR. DOWDY: A very good question, but--and I'll give you my personal belief, is from what we know in talking to consumers, I would very concerned that we're misleading consumers; that they might make choices based on what they think they're getting and they're not actually getting. So I think we have to be very careful with that approach.

DR. PITTS: Mr. Dowdy. Ladies and gentlemen. Thank you, panel. It's been a very educational experience

jr

and a delicious one. Ladies and gentlemen, thank you for your participation and thank you for attending the conference.

MR. GROVER: Thank you.

[Applause.]

[Whereupon, the conference was adjourned.]