

NRA INDUSTRY FORECAST OFFERS INSIGHTS AND TIPS FOR THE DAYS AHEAD

by Julie Maager

The National Restaurant Association has released their nationwide industry forecast for 2009. The way you read it might depend on whether you are a “glass half full” or “glass half empty” type of person.

While the forecast does not call for sunny days necessarily, a few of the tumultuous storms of 2008 seem to be calming down and some of the clouds do have silver linings. We combed through the report to bring you some of the national highlights and talked to several Wisconsin restaurant owners to get their perspectives. What follows is some good news, some bad news, and some practical advice to help you manage the challenging times ahead.

Economic downturn eases the labor challenge

The good news/bad news: Turn on the television and you are bound to see another story of layoffs and job losses nationwide. While no one wants to see people lose jobs, veteran restaurant owners who struggled to fill jobs for years can be forgiven for feeling a certain degree of relief that there is one less problem they have to deal with these days—the economic downturn means applicants are outnumbering openings, something that wasn’t always true.

“In 2001, when things were going gung ho, we could not find help,” said Nancy Viste, owner of The Old Feed Mill in Mazomanie. “Now that problem doesn’t exist.” Viste’s restaurant, which is just starting to prepare for the summer tourist season, is already interviewing chefs without placing a single ad.

Ada Lara Thimke, owner of Lara’s Tortilla Flats in Oshkosh, echoes Viste’s experience.

“The applications that are pouring in are astounding,” she said. During the past few months, Thimke says she has averaged three to five applications a day. About a third, she estimates, are from people looking to supplement their incomes as overtime pay

has dried up or other economic worries have made people seek ways of earning extra money. The constant hiring and training process has eased, Thimke said, allowing her to spend her energy—and dollars—in other areas.

In the overall short-term, the NRA predicts 2009 will see the first dip in restaurant employment since 1991. However, restaurants are expected to outperform the overall economy, dropping only .5 percent of their jobs compared to an expected employment contraction of 2 percent overall in the country.

“Even in today’s economy, restaurants remain a jobs and careers machine for the United States,” the report states.

Challenges and strategies: While the restaurant industry may be enjoying a bit of a short-term reprieve from the labor crunch, attracting talented team members will remain a significant challenge long-term. According to the NRA report, the number of restaurant jobs is predicted to climb 14 percent between 2009 and 2019 compared to a U.S. labor force that will only grow by 9 percent during the same period. Even more significantly, the number of young people (16-24-year-olds) participating in the labor market is declining. In 2008, only 59 percent of this age group was in the labor force, a drop of nearly 10 percentage points in 20 years.

“Older Americans may be one key

resource for restaurateurs,” the NRA forecast states. In contrast to younger employers, the number of adults 65 and older in the workforce is expected to grow 80 percent over the next 10 years. “This demographic group may represent a rich source of employees for restaurants—a nice match between an industry that provides flexible schedules and older adults looking to supplement their retirement income or work part-time,” the report says.



2009 Commodity Price Outlook

Projected growth rates for primary market prices (high-low scenarios)

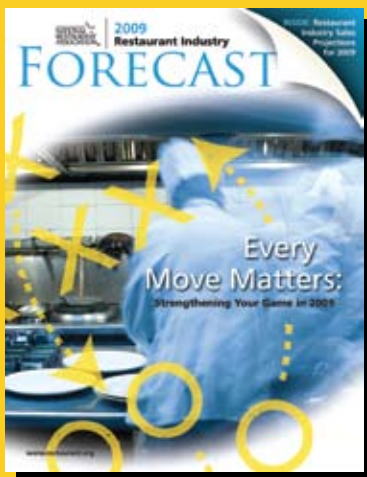
Commodity	2007	2008	2009	Commodity	2007	2008	2009
Beef	8%	2%	0% to 7%	Eggs	59%	12%	0% to -8%
Pork	0%	2%	0% to 9%	Milk	47%	-4%	-12% to -17%
Broilers	19%	4%	2% to 10%	Cheddar	45%	8%	-6% to -11%
Turkeys	7%	9%	-2% to 6%	Butter	12%	9%	-5% to 3%

Source: U.S. Department of Agriculture, November 2008 projections

2009 Restaurant Industry Forecast free to members

The 2009 Restaurant Industry Forecast is published by the National Restaurant Association and is available to members (WRA members are also NRA members), free for the first time in five years, on the NRA website. To download a pdf of the 2009 Restaurant Industry Forecast visit: <http://www.restaurant.org/research/forecast.cfm> You'll need your NRA member ID. WRA encourages members to use this valuable tool. The report contains statistical data, projections for the upcoming year, trend surveys and strategies for the challenges ahead. Check out the report for additional information including:

- Menu trends, including healthier menu offerings, local sourcing, new cuts of meat and hot trends in children's meals
- Beverage trends, both alcoholic and non-alcoholic
- Tips for cutting energy costs and increasing efficiency
- Projections for the industry separated out by category (fine dining, casual dining, family dining and quickservice) and region
- Special section with tips to boost your bottom line: "Every Move Matters: A Game Plan for Success in 2009"



Food costs to rise slightly in 2009

Good news/bad news: Just like \$2 a gallon gas looks different on the way down than it does on the way up, how restaurateurs feel about food costs projected to go up “only” 2.9 percent is a matter of perspective. Compared to 2007 (an increase of 7.6 percent according to the NRA report) and 2008 (a projected increase of 8 percent) the increase is much more modest. However, three years of straight increases has put definite pressure on a restaurant's bottom line.

Challenges and strategies:

According to the NRA report, the most common way restaurant owners dealt with the blow of skyrocketing food costs the last two years was to increase their menu prices—a step taken by 29 percent of fine dining establishments and 68 percent of quickservice operations in their 2008 survey. However, among the restaurateurs we talked to, raising menu prices was not a popular way to deal with rising food costs.

Susie Patterson, owner of Al and Al's Stein House in Sheboygan, has not raised prices because she believes it would make her less competitive. Instead, she's made some menu changes—like adding an all-you-can-eat Sunday broaster chicken special to appeal to her value-conscious customers—and absorbed the increased food costs while trying to ride out the difficult times.

“As things have changed, my business has stayed the same but all my expenses have gone up,” she said. The after-funeral lunches the restaurant serves “used to be gravy for me,” Patterson said. “Now they pay the bills.”

For Thimke, keeping a low inventory (something she's always tried to do

anyway to ensure the freshest ingredients for her Mexican dishes) has been one tactic for dealing with the increased food prices.

“We order twice a week and minimal amounts,” she said. Thimke also retooled her menu recently, casting a particular eye toward food costs. While she kept customer favorites, she created

“There's doom and gloom out there, but there are rays of hope and that's what we need to grasp,”

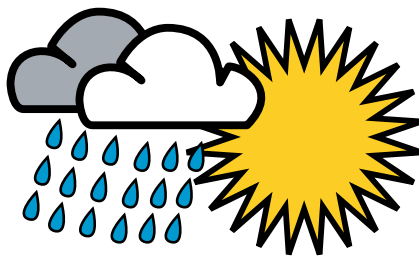
– Ada Lara Thimke

several new offerings she could put on the menu while holding her average lunch entrée price at \$7.95 and her average dinner entrée at \$9.95.

While the Old Feed Mill did raise some prices, Viste said, she has also tried to hold the line on increases as much as she can. Like Thimke, she countered rising food prices by making menu adjustments—in their case, creating smaller portions of their signature comfort foods—such as pot roast, cider roast chicken and meatloaf—that could be put on the menu at a lower price. The lighter fare options have been received enthusiastically, Viste said.

“People go out of their way to thank us that we did this,” Viste said.

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Pinched consumers still like to eat out

Good news/bad news: With serious concerns about the economy and their personal finances, consumers are cutting back on many fronts. While NRA's predictions for sales in 2009 are not sparkling, restaurateurs may want to remind themselves that everything is relative.

"The foodservice industry's growth trajectory is in a pause, not a decline," the NRA report asserts. "Unlike industries that experienced down sales in 2008 due to the recession, the restaurant industry posted nominal sales gains—a sign of relative strength."

"We really focus on the customer. Anyone who comes through the door."

— Omar Shaikh

The 2009 Restaurant Industry Forecast predicts restaurant sales will increase a modest 2.5 percent this year, although in "real terms"—that means adjusting for inflation—sales are predicted to decline 1 percent for the year.

While some might predict an upscale restaurant like Carnevor in Milwaukee to be among the first hit as diners scale back, owner Omar Shaikh said the restaurant is still doing well, all things considered. Still, he does notice fewer travelers stopping in and lower check averages. The restaurant's highest priced item, an imported Kobe A-5 filet mignon priced at \$160, used to sell about 20 times a week, Shaikh said; now they typically sell five to 10 of the premium steaks per week.

Viste's Old Feed Mill is currently enjoying a wonderful year, boosted by some regional and national publicity touting Mazomanie as one of the country's top cool small towns to visit. Although few restaurants are in the position to duplicate that kind of media coup, Viste also credits the restaurant's warm, comforting atmosphere for

keeping visitors coming even in uncertain times. The current conditions remind her of the weeks after the September 11 terrorist attacks when they experienced a surge in business, she said. Viste muses that customers may crave a soothing place where they can set aside their worries, at least for a little while.

"Perhaps it's a psychological thing," she said. "It's very relaxing here."

Indeed, the hospitality industry's greatest asset may be its hospitality. Restaurants have become ingrained in people's lives—a place to socialize with friends and a source of convenient food for busy families, the NRA report states.

"Consumers may be holding on to their money more tightly in today's economy, but the good news for restaurants is that dining out has become a part of most peoples' daily routines—a habit that doesn't show any signs of changing," the report states.

Challenges and strategies: While consumers still want to tantalize their tastebuds with the variety, unique choices, and good quality food offered by restaurants, most want to do it while taking less money out of their wallet. Value, according to the industry forecast, is a top draw.

"Seventy-five percent of customers surveyed by the Association in November 2008 said they'd patronize a full-service restaurant more frequently if the restaurant offered frequent-dining discounts or discounts for dining on slower days of the week," according to the report. "Other top draws: Smaller portions for a lower price; discounts for

"We haven't even put an ad out and we're meeting with a couple chefs this week."

— Nancy Viste

Hundreds show up for restaurant casting call

In Milwaukee, Omar Shaikh recently held a "casting call" for his three restaurants. He needed to fill approximately ten positions; 300 people showed up.

"I've never seen anything like it," said the owner of Carnevor, Umami Moto, and Charro. While he believes his restaurants have built a reputation as excellent places to work, there is no doubt that the economy is playing a part in the phenomenon. "There were people who were engineers a year ago who were applying," he said. While not struggling to fill positions is a plus, Shaikh would much rather return to better economic times.

"A year ago, that engineer may have been a customer," he said.

dining at off-peak times; and food and drink specials during happy hours."

Shaikh has found success with a variety of specials at his three Milwaukee restaurants. His Asian restaurant, Umami Moto, offers half priced bottles of wine on Tuesdays and "Insane Sushi" Thursday with \$5 sushi rolls.

"Those have really taken off," he said. Shaikh has also added some more moderately priced wines to the offerings of his most upscale restaurant, Carnevor, acknowledging that many people are not prepared to spend as much as they may have a year ago.

However, Shaikh says his most emphasized strategy for encouraging repeat business remains one of the foundations of any successful restaurant: giving the customer phenomenal service and top notch treatment.

"We really focus on the customer," Shaikh said. "Anyone who comes through the door."

Thimke agrees that making the whole dining out experience something special—from food, to service, to creating an enjoyable escape—is the key to encouraging repeat business and staying on top during these times.

"We—restaurant owners—have the obligation to make our places a place of respite. People are tired—we've been hit from all directions. They (customers) want to enjoy their meal and be some place different," Thimke said. People may cut back, she said, "but everyone wants to treat themselves once in awhile." **WR**