The Long View on THE NUMBERS

In business, the trends that matter are the ones that impact your profitability in a big way.

Big trends often take a long time to happen. There were a few long term trends that moved their way in 2010 up the list from "nice to know" to "have to know."

GROCERY AND QUICK-SERVICE

Over the past ten years Canada's grocery stores have reduced commercial foodservice's 40 per cent share of all food dollars spent to 37per cent. At the same time, QSR chains have grown their sales at well over the rate of inflation capturing share within commercial foodservice, at the expense of FSR and bars.

This past decade was supposed to be a golden age for full-service restaurants. As boomers aged they were supposed to go out more often to full-service restaurants and reduce their number of visits to quick-service restaurants. But that's not what happened.

- Grocery stores offered better meal replacements and more restaurant quality items.
- Quick service chains "owned value and convenience" in the mind of consumers by building the breakfast segment and snack occasions.
- The number of tourist occasions in restaurants dropped like a stone, by as much as 60 per cent. (Tourists used to account for over 20 per cent of all restaurant occasions in Canada).

There is an old adage in the restaurant business that success comes when you offer people what they cannot make at home.

CASH STRAPPED CONSUMERS

The best predictor of overall restaurant sales growth is an increase in personal disposable income. While incomes grew over the past 10 years, consumer debt levels also grew at alarming rates. Consumer debt is now 75 per cent higher than it was 20 years ago.

People have more disposable income, but at the same time, they are cash strapped by their debt-load for housing and consumer goods.

How should a restaurant operator deal with a cash strapped consumer? Treat them better than your competitors. Deliver on the value you provide. When you work hard on what you are really good at you will succeed. You win by taking care of the 20-30 per cent of your customers who are the 40-60 per cent of your business.

When major costs go up, restaurant operators are tempted to raise prices. Unfortunately, when you raise prices you often lose guests. Restaurants have had significant shocks to the system recently:

- The industry has had sustained increases in minimum wages in most markets
- A food cost spike in 2008 has been followed by another in 2011
- Gas price increases have taken money out of consumer wallets

Remember that what goes up must come down; but be careful about increasing prices. Not all food commodities are going up. Gear your core menu to what adds value for the consumer. You can also get creative when costs get out-of-line by using menu innovation to take costs out while maintaining value to the consumer.

The best way to make money in the restaurant business is to get more guests in seats. When you think of your guest first and what matters to them, you will be able to circumvent the long range trends threatening the full-service establishment.

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