Gas Foodservice Equipment Network

Eating Out Has Changed!

What operators are doing in this economy

by Doug Fryett

Yes, we all know that things are not all that great from an economic perspective. And of course, our economic woes have infiltrated down into the foodservice industry. As such, I'd like to take a look at our industry from both the operator and consumer perspective as both are "suffering" these days. First, a quick look at how consumers are reacting to our "new" economic climate.

Approximately two years ago the country's unemployment rate was a mere 4.5%. With a few bank failures, real-estate prices dropping like baseball size hail, and a couple of automobile manufacturers throwing in the towel and seeking government bail-out money, that low unemployment rate quickly soared to 10% as businesses and consumers lost confidence in the economy and in the government. It doesn't take a Harvard educated economist to realize the bottom-line affect this had on consumers, as it relates to the foodservice industry. In a nutshell, there are significantly fewer dollars being spent at restaurants than in prior years.

Consumers are still eating out at restaurants but are doing so less frequently. While there is still a significant number of people not willing to give up that "dining out" experience, they are doing so with a few attached caveats. They are "forgetting" that appetizer; having a glass of wine versus a full bottle; and skipping that beloved (and very profitable to the restaurateur) dessert. Other consumers are "trading down." For example, instead of eating out at a family style restaurant, they have migrated to traditional quick serve operations where menu items are significantly less expensive but the consumer still gets great value and that "dining out" buzz! (Why do you think the McDonald's of the world have done so well over the past two years?)

This is a great example of trickle-down economics, and trickle down it has with respect to all of the other key constituents within our industry. But let's shift gears just a little bit and take a quick, high-level look at how the economy has affected restaurant operators.

This past spring it was reported by a major industry research firm that the foodservice industry, as a whole, had experienced the greatest single year drop in over 28 years as measured by dollars spent eating out by consumers! The above "trickle down" example certainly explains this unprecedented fall. So, how are restaurateurs dealing, or responding to these changing consumer dining habits and corresponding falling revenues?

Offering Value Meals

Unfortunately, many are calling it quits and closing their doors. But many are "fighting back" and looking at different ways to survive this current economic mess. Taking a lesson out of the quick serve chains' play books, a growing number of family style restaurants, and many fine dining establishments as well, are offering "value meals" — quantity at a value price — as today's dining consumers put "value" at, or near the top of their eating out requirements list.

Changing Up Menus

Others are churning their menus — constantly changing their offerings — as a means of retaining their regular customers and in the hopes of attracting new ones. Consumers have become more "picky" in recent years, particularly as it pertains as to where they dine out, and as such restaurant operators are constantly adding and deleting menu items as part of their marketing strategy. Focusing on healthy and locally grown foods are another tactic that operators are turning to in order to help keep and/or attract customers and in turn help their restaurants survive the downturn in the industry.

Focusing on Customer Service

A growing number of operators are starting to focus on one area of their operations that pays the highest dividends — customer service. Superior customer service is the one sure way to please restaurant goers. Studies have shown over and over again that the number one factor that drives consumers back to any particular foodservice operation is the quality and consistency of customer service. (Believe it or not, it even rates higher than the quality of the food!) It is no secret, those foodservice operators who place a high degree of emphasis on customer service are significantly out-performing those who don't. And when the economic climate gets better, those operators will be in a much better position to take advantage of the pent up demand for eating out.

Controlling Costs

In a highly competitive market, with customers looking for value, and where commodity and operational costs for restaurants are constantly inching forward, it is next to impossible for restaurateurs to institute and maintain a menu price increase. So they have to become a little more aggressive at controlling costs. Everything from food items, to disposables, to utilities, and labor are being looked at with a fine-tooth comb. The "middle line" – that area of the income statement where all of those expenses show up – has now shifted to being an area of very high focus. Historically, bringing in more volume (the "top line") masked much inefficiency. In today's market, there is no place to hide.

Using Gas Equipment Rebates

With revenues down and greater attention being paid to aggressively managing the expense side of the business, there are limited dollars left for operators to consider new capital purchases. However, that doesn't mean that there are not great opportunities out there that should be looked at. For instance, there are numerous opportunities to acquire new pieces of equipment that are significantly more energy-efficient than what they may be currently using. More energy-efficient equipment translates directly into lower operating expenses. Lower operating costs mean more profit dollars for operators. And when you combine the numerous rebates that are being offered by local gas utilities with the growing number of government incentive programs, it is hard for operators not to take advantage of these opportunities.

Visiting Utility Demo Kitchens

Operators should also seriously consider visiting their local gas utility demonstration or test kitchen. Once there, they can test out new menu ideas on those new pieces of energy-efficient equipment that are being offered by manufacturers and calculate the savings. And by using and/or switching to natural gas powered products, operators can save even more on their utility expenses.

Instituting Maintenance Programs

Another major area where operators can save money is by instituting an ongoing equipment preventative maintenance program. Studies have shown that by doing so operators can save over 15% on their energy bill. That translates directly into significant dollars dropping to the bottom line.

Getting an Energy Audit

An energy audit will also provide a good return on investment. Operators will be amazed at how much money they can save by simply auditing the energy used by each and every piece of equipment in their operations along with all items that consume some sort of energy — like lightbulbs. As the old saying goes, every penny saved is a penny earned.

Although, our recent economic journey has not been kind to consumers or the foodservice industry, operators should not just sit back and do nothing. As outlined above, there are many steps they can take that will help them weather this storm and make them stronger when the rebound occurs.

To find out more about gas equipment and the utility demo kitchen closest to you, visit www.gfen.com