

Predictions for the Restaurant Industry: 2009

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In 2008, I released the first annual [“Predictions for 2008 for the Restaurant Industry.”](#) which revealed an increasingly hard time for the U.S. economy. This had a significant impact on the restaurant industry in addition to several other “on the money” predictions, as seen in the following examples:

- The negative effects of increased energy and wholesale food costs—The price of certain menu ingredients experienced the second consecutive year of at least 4 – 5% price increases, and the price of fuel hit an all-time high in the summer of '08, posing a significant challenge to restaurants as consumers opted for home cooked meals to save a little money.
- Recruitment and retention were less of a concern—And it was...It was predicted that in 2008, the industry would see a relatively small increase (0.9%) in the employment growth rate. While final numbers have yet to be released, the National Restaurant Association says that “employment in the restaurant industry outpaced the overall economy in 2008 for the ninth consecutive year, despite several months of modest industry job losses.”ⁱ
- Bullish on coffee bars—The Snack & Non-Alcoholic Beverage Bars (Coffee and Dessert bars) was expected to see higher than normal growth compared to other segments. And, in November 2008, the National Restaurant Association presented data revealing that sales were expected to have reached \$20.9 billion by year’s end, a significant improvement over 2007’s figure of \$19.6 billion.ⁱⁱ

Now, one year later, having seen that many of these predictions came to fruition, I bring you my second annual “Predictions for the Restaurant Industry: 2009.” In this report, we find that while not a whole lot is expected to change with the economy and overall sales in the immediate outlook, there are some very interesting trends, that if adopted, could serve restaurants (and their profits) well in the future...

1. Sales to Continue on the Decline

Declining sales by this point is nothing new. But with a new year, often comes hope for improvement and better times. So is that what can be expected for the restaurant industry in 2009? Unfortunately, it does not appear so. In fact, according to the National Restaurant Association, the U.S. restaurant business is the toughest it’s been in 17 years and the economy will continue to pose a significant challenge in 2009.ⁱⁱⁱ Overall sales are expected to fall 1% from 2008 levels. This can surely be at least in part attributed to declining consumer confidence, which is said to be at the lowest it’s been in 41 years. As a result, consumers are more likely to replace eating out with eating at home, thus the downturn in sales.

But it’s not all doom and gloom. While overall industry sales may experience a decline, specialty areas can expect a slightly better year. According to the National Restaurant Association: “Sales at full-service restaurants are projected to reach \$182.9 billion in 2009, an increase of 1 percent from 2008. Quick-service restaurants are projected to post sales of

\$163.8 billion, a gain of 4 percent over 2008. Eating-and-drinking places will see sales rise 2.2 percent to \$395 billion.”^{iv}

2. Recruiting and Retention

Unfortunately, 2009 is already off to a rough start when it comes to retention trends, with as many as 50,000 jobs being cut between the first and third weeks of January. With this in mind, it is expected that we will see cuts in the restaurant industry as well; although these cuts are not expected to be as severe as seen in 2008. Many of these will probably be at the mid-level and pre-executive levels, if any. But because of the layoff from last year, we will probably see more companies in hiring freezes throughout 2009. By 2010, which we thought was going to be a watershed year for hiring due to baby-boomers leaving the workforce, we may not be seeing the mass exodus anticipated due to financial unrest in the banking industry. Many boomers may be thinking about putting off retirement for a couple more years.

3. Continued Rise in Food Prices

In 2007, food prices began increasing at a fairly steady rate of at least 4%. 2009 will make the third straight year for the continuation of this trend, with an expected rise of somewhere between 4 and 5 percent, according to the U.S. Department of Agriculture. National Restaurant Consultants says that “with 25% of our corn harvest now going to produce fuel, the biggest hits will be on cereals and bakery products with a projected 14% price hike on these items, and a 13.5% predicted hike for fats and oils.”^v As a result, it is likely that the industry will witness a 3.6% increase in menu prices in the year ahead.^{vi}

4. Environmentally-friendly Takes Priority

Green is a word and a trend that the world and even the restaurant industry really started paying attention to in 2008. But in 2009, the trend will take a further hold, affecting everything from equipment to practices. As the highest consumer of energy per square foot when compared with any other type of commercial building, the restaurant industry is set to make changes that will improve this statistic and have a positive effect on the environment. For instance, many operators are installing energy-efficient equipment, are choosing to more closely monitor water usage, are implementing sustainable systems, and are also integrating efficient waste management practices.^{vii}

5. A Preference for the Locally-grown

According to the National Restaurant Association’s *Chef Survey: What’s Hot in 2009*, a total of 89% of surveyed chefs agree that the top trend in menu items for the coming year is the demand for locally-grown produce.^{viii} Quite simply, independent operators desire produce that is locally sourced. This is understandable as roughly 70% of adults say they are more likely to visit a restaurant that offers locally produced food items.^{ix}

6. Organically-Minded

Number three on the top 20 list of trends according to the National Restaurant Association’s *Chef Survey*, is the use of organic produce in 2009. That is based on 82% of chefs who responded.^x This really comes as no surprise. After all, organic food and beverage sales have grown from \$1 billion in 1990 to an estimated \$24 billion in 2008—an increase of 2,400% in

just under two decades.^{xi} National Restaurant Consultants advises restaurant operators that if organic ingredients are used in recipes, to make sure it is advertised for the clientele to see as “increased perceived value is a key to driving sales in 2009 and organics can play a useful role.”^{xii}

7. Broader Use of Social Media

With more new subscribers every day to social media outlets such as Facebook, MySpace, YouTube and Twitter, many more restaurant companies will be reaching out to its customer base online and connecting more with Gen Y. With more 3G cellular service available throughout the country, expect more companies to tap into social media outlets for limited time offerings, discounts and coupons.

8. More Serving-size Options

In 2007 and 2008, the industry witnessed the beginning of a trend that will soon be found in most eateries—the “Right Portion, Right Price”^{xiii} movement—wherein waste is cut down through the elimination of oversized portions while prices are slashed to fit serving sizes and wallets. In 2009, this trend is expected to spread with smaller plates, prix fixe dining, family-style sharing, and tapas menus (often served during happy hours in bars). In fact, 73% of surveyed chefs say they intend to serve smaller plates and/or tapas to customers, while 83% say they are taking this concept to the next level to bite-size or mini desserts.

9. Deep Discounting To Attract More Customers

With more households with less discretionary income to spend on dining outside of the home, expect restaurants to have more “free” offerings, Buy One Get One Free, and Limited Time Offerings. In addition, coupons may be more prevalent than years past to get more traffic through the door.

10. Powerhouse Operators To Look For Overseas Development

With a tight credit market and deep recession, new restaurant development will slow down to a near halt for 2009. Expect unit contraction by weaker concepts and stores especially concepts that are driven by single unit operators. The bulk of any expansion will be by large international brands such as McDonald’s, Burger King and YUM! Brands in overseas growth economies such as China and Korea. The only domestic development may be seen in some conversion of company units to franchisees with the potential of higher profit returns and avoiding any future CAPEX.

With a deep recession that may take many months to recover, many that I have talked to in the restaurant industry agree that 2009 will be a very tough year for everyone. Please share your comments to Orrick@dickwray.com

About the Author

Orrick Nepomuceno, CPC, is Vice President at Dick Wray Executive Search and author of [“Hitchhiker in the Corner Office: Avoiding the Top-10 Potholes So Your Employees Don’t Hit the Road.”](#) With nearly 20 years of experience in the restaurant, foodservice and hospitality industries, Orrick consults executives and companies in recruiting, hiring and retaining human

capital for their organizations. Visit the [Restaurant and Foodservice Blog](#) to read more of Orrick's blog relating to the restaurant industry.

ⁱ "Restaurant Industry Expected to Post Modest Sales Growth in 2009 as it Copes with the Weakest Economy in Decades," National Restaurant Association Statement to the press, December 19, 2008, <http://biz.yahoo.com/prnews/081219/ny53790.html?.v=1>

ⁱⁱ "Restaurant Industry 2008 and Beyond," U.S. Foodservice Seminar, November 10, 2008, Hudson Riehle, Senior Vice President Research and Information Services, the National Restaurant Association

ⁱⁱⁱ Top Trends for 2009, National Restaurant Consultants, http://www.nationalrestaurantconsultants.com/top_trends

^{iv} "NRA Forecasts Challenging New Year," Nation's Restaurant News, December 19, 2008, <http://www.nrn.com/article.aspx?id=361408>

^v Top Trends for 2009, National Restaurant Consultants, http://www.nationalrestaurantconsultants.com/top_trends

^{vi} "NRA Forecasts Challenging New Year," Nation's Restaurant News, December 19, 2008, <http://www.nrn.com/article.aspx?id=361408>

^{vii} Top Trends for 2009, National Restaurant Consultants, http://www.nationalrestaurantconsultants.com/top_trends

^{viii} "Chef Survey: What's Hot in 2009," the National Restaurant Association, www.restaurant.org/foodtrends

^{ix} "Restaurants to Become 'Greener,' Offer More Local Produce In 2009," Environmental Leader, JANUARY 6, 2009, [HTTP://WWW.ENVIRONMENTALLEADER.COM/2009/01/06/RESTAURANTS-TO-BECOME-GREENER-OFFER-MORE-LOCAL-PRODUCE-IN-2009/](http://WWW.ENVIRONMENTALLEADER.COM/2009/01/06/RESTAURANTS-TO-BECOME-GREENER-OFFER-MORE-LOCAL-PRODUCE-IN-2009/)

^x "Chef Survey: What's Hot in 2009," the National Restaurant Association, www.restaurant.org/foodtrends

^{xi} Top Trends for 2009, National Restaurant Consultants, http://www.nationalrestaurantconsultants.com/top_trends

^{xii} Ibid.

^{xiii} Used in TGI Friday's Advertising Campaign