TOP TRENDS FOR 2009

FROM NATIONAL RESTAURANT CONSULTANTS, INC.

Denver, Colorado - For the last five years now, we've been on the money with our predictions. We have completed our latest research and are happy to announce our, "TOP TRENDS FOR 2009."

2009 IS GOING TO BE MORE DIFFICULT THAN LAST YEAR

Twelve months ago, we predicted that 2008 was going to be tough for the 945,000 food and beverage operators here in the U.S. We were right and it's been a roller coaster ride for us all. Here on the eve of 2009 and just a couple weeks before the presidential election, consumer confidence is the lowest it's been in 41 years. Stock markets around the world have plummeted and a deepening recession appears inevitable. Gold prices are at their lowest since January of last year. To the dismay of many, median home prices are down 9.1%. To quote a stockbroker friend, "It's crazy – there are intense periods of panic, punctuated by occasional calm." The National Restaurant Association just announced that the U.S. restaurant business is the toughest as it's been in 17 years. What does all of this mean for us in the industry? Clearly, the poor state of economy will be our biggest challenge.

A WORLDWIDE SLOWDOWN IS LIKELY THROUGH ALL OF 2009

Emerging market economies and currencies are under extreme pressure. Credit, the lifeblood for many operators is extremely tight. Banks are less willing to lend, resulting in higher qualifications for borrowers, and many will not obtain the money they need to either open or expand their businesses. Existing operators will have to continue to play their financial cards closer to the chest, minimize their exposure and for those that are flush with cash, rein in, for the short term, domestic expansion plans. We expect that in the first quarter of 2009, the credit markets should ease up because money from the U.S. Government bailout has finally been released to the banks - with a notice to begin loaning money, a new U.S. President will be in office, and the Fed will probably continue to lower interest rates to further stimulate the economy.

REDUCED SPENDING BY CONSUMERS

Because of the wide number of choices available to consumers, they're buying more prepared meals and eating at home. Consumers are also more value conscious today, and discretionary income is under pressure like never before - and restaurant sales reflect this. The restaurant industry in general will see a sharp downturn in key sectors. The restaurant operators that will succeed are those that have a clearly defined a food/value relationship that makes sense for the guest. We have recently seen in some major players a reduction in portion size and lower quality, but not price. This will not work for their guests. The allocated food dollars will be scrutinized more closely and an inferior product or poor service will not be tolerated. No second chances if the guest experience is negative, just no return visit.

GREEN IS GOOD

The restaurant industry consumes almost 2.5 times more energy per square foot than any other commercial type of building. Although we expect capital spending on improvements this year to decline, those with long-term interests are installing energy-efficient equipment, closely monitoring water usage, implementing sustainable systems, and integrating efficient waste management practices.
The net result is a lower cost of operating the facility which allows operators to make up for reduced profit margins elsewhere. If you are interested in building a new building in 2009, you'd be wise to take a hard look at what going green can mean to your bottom line.

ORGANIC SALES ARE STILL STRONG

U.S. sales of organic food and beverages in 1990 were $1 billion. In 2007, they were estimated at $20 billion. In 2008, the final number should be around $23.6 billion. Previously considered to be a luxury item for many, a wide variety of cost effective products are now commonly available at all distributors and big box retailers. A tip to the wise: if you use organic items in your recipes, be sure to let your guests know. Increased perceived value is a key to driving sales in 2009 and organics can play a useful role. Want to make the parents happy? Put some organic and healthy items on your kids' menus. While you're making changes, you may wish to consider adding calorie counts to your regular menu items.

FOOD PRICES WILL CONTINUE TO ESCALATE

According to the U.S. Department of Agriculture, prices are expected to rise by 4 to 5 percent, lead by red meat and poultry. This will be the third straight year where food prices have surged by at least 4% or more. 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. If you have not reworked your menu in the last 12 months, you are getting burned badly.

CASUAL DINING AS A CONCEPT MUST BECOME MORE REFINED

This market segment has found itself in deep trouble, and frankly, this does not come as much of a surprise. Offering un-niched, high cost, low-value items in a boring outdated format has proven itself to be the formula for failure. Tough economy or not, consumers want a great meal AND a great experience. We might offer the following tips for those that find themselves in this arena: Serve up a sizable portion of fun! Offer your guests truly healthy food – don't just re-sauce it. Make your value proposition clear to your guests. Most importantly, connect your staff and your guests together to create a memorable experience. There is simply too much competition for the dining dollar to take any guest for granted. QSR operators take note; the casual dining sector is closing in on your territory. Smaller portions with lower prices, "Two meals for $20.00" and other such concepts designed to generate additional revenues are being launched nationwide.

HEADS UP IF YOU SERVE BEEF

Cattle futures recently skyrocketed to their highest level since 1986 as the rapidly rising cost of feed caused experts to fear that U.S. feedlots will reduce the number of animals that are available. Deteriorating pasture and range conditions over much of the Plains are also adversely affecting this sector. The lack of cattle and the continued high demand for corn will lead to higher prices for retailers. Exports are expected to increase at a rapid clip also, with the market reopening in Korea and a growing worldwide demand. Across the board, we see that cattle production will be down, and the prices up. As more than seven in 10 eating and drinking places are single-unit/independent operations, the commitment to rework a menu may be daunting, but it's incredibly important to get this project accomplished as soon as possible. Don't wait until the middle of 2009 to start, as it will be too late. You should cost out your menu items one-by-one, and evaluate your overall purchasing strategy accordingly. Repositioning key and signature items based on profit contribution will be critical to protecting the bottom line. Engage professional help if you want some help to do this - don't just ride it out.

HEADS WAY UP IF YOU SERVE MEXICAN PRODUCE

Mexico is a heavy importer of produce into the United States. However, the country is still not providing adequate safeguards to protect their produce and consequently, the end users. Believe it or not, we've learned that the only requirement for a Mexican company to sell produce in the United States is an on-line registration, and that's downright scary. Not all Mexican producers are poor operators - some Mexican farms and processing plants have high standards of sanitation, and they get private companies to certify those standards, so they can sell to U.S. chains that would not otherwise buy from uncertified ones. The United States government enforcement consists of 625 FDA inspectors who conduct spot checks of both U.S. and foreign produce, reviewing less than one percent of all imports. Beyond that, it is entirely up to the supermarket and restaurant chains to police their produce. Taking a delivery of Mexican produce? Think twice before putting it in the cooler. We wish that we could predict that Mexico will address these concerns, but in the meantime, it's just another reason to buy local when you can.

HOTSPOTS - KEEP YOUR EYES ON THESE

Smaller portions with lower prices, the growing popularity of luxury desserts, smaller wine lists that closely match the food, sustainable foods with seafood leading the charge, more "green" restaurants, and more local vendors with "farm fresh" offerings. Also keep your eyes open for more large chains to either scale back operations or close altogether. We suspect that chain closings (like Bennigan's) are just the tip of the iceberg for 2009. Companies with real estate holdings are the ones with real value. Cash-flow-only concepts with few real estate assets will be closing with little notice to the general public.

THE GRASS IS GREENER OVERSEAS FOR THOSE LOOKING TO EXPAND

Here in the U.S., the overall market is tight. Quality real estate locations are expensive and rare. Labor and product costs keep going up, and increased regulation makes it difficult to make real money. These factors are driving forward thinking operator's overseas, where there's a lot of ripe fruit waiting to be picked. The U.S. has the well-deserved reputation for quality food service, and it's in high demand in most emerging markets overseas. If you're looking to expand your operation, don't overlook foreign markets where your brand may be embraced warmly. It takes plenty of due diligence, the engagement of quality advisory services, and boldness to go into these untapped markets. It's not easy or inexpensive, but for many of our clients, it has been very worthwhile. Want us to represent your franchise brand overseas? Feel free to contact us about the opportunities that exist for visionary franchisors.

IT'S NOT ALL GLOOM AND DOOM FOR QUALITY OPERATORS

More now than ever before, we would strongly suggest having an Operations Analysis™ done of your business. If you have one, one hundred, or one thousand restaurants, you'll find it to be one of the most powerful tools available to you. Our highly trained professional consultants will evaluate every aspect of your operation from top to bottom and provide you with a slew of ways to cut costs, increase sales, and bring more money to the bank. Best of all, the Operations Analysis™ has a money-back guarantee. If you've ever thought to yourself, "How can I make more money in my business" do yourself a favor and contact Mr. David Holmes, Sr. VP and Director of Operations at 303-757-FOOD (3663) or e-mail him at david@nationalrestaurantconsultants.com This is most likely, the best call you'll ever make.

That's our story for 2009 and we're sticking with it. We wish everyone the very best for the upcoming year. It's going to be interesting!

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National Restaurant Consultants, Inc. is one of the largest hospitality consulting firms in the U.S. and offers an extensive variety of service for clients worldwide. Known as the restaurant startup and troubleshooting experts, they have a well-deserved reputation of being the firm that does it right the first time. Your confidential inquiry is invited. Visit us at: www.nationalrestaurantconsultants.com

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