What 2019 May Hold for On-Site Dining Service

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A recent issue of *Businessweek* included a list of 10 things that could go wrong in 2019. None of them related to corporate or campus dining and hospitality services – directly. Of course, any of these possible events, from a recession to government action to climate change, would affect on-site services, most likely for the worse.

Assuming few or none of the 10 items on the *Businessweek* list come to pass, the year ahead looks reasonably encouraging, generally continuing trends from last year.

Overall inflation is expected to remain low, as will most food commodity costs, barring a weather event, say, in Florida's citrus belt or California's Central Valley. A tight labor market and rising minimum wages in many states both push up labor costs and encourage the introduction of new labor-saving equipment and operational revisions to increase productivity. The incoming tide of new, young employees and students, with different tastes and priorities, is a challenge, but not a barrier to a successful, customer-satisfying service.

Labor Costs

The December Consumer Price Index illustrated the impact of labor costs on on-site and restaurant meals. The "food at home" category – foods purchased at retail stores – rose 0.6% in 2018. "Food away from home" – meals bought at restaurants – increased 2.8%, nearly five times more than food in the supermarket. Something besides food – labor the likeliest culprit – drove up the cost of these meals.

Twenty-nine states now have a minimum wage above the federal $7.25 rate, and 20 states are raising their minimums this year. Clarion reviews have found wage scales at some clients in major metropolitan areas are well above the minimums – $12 to $18 an hour for utility, food prep and grill cook positions where minimum rates were $10, but operators who fail to keep their rates above the minimum risk losing their best workers to other employers paying more.

For a perspective on the impact of minimum wage increases, see *Minimum Wage Myths and Realities* at www.dininginsights.blogspot.com

At Clarion clients where wage rates haven't matched market, turnover has been high. In one instance last year, regular hourly wages were reduced by $42,300 because of turnover, replaced by $48,700 (+15%) in temporary agency employees. Temporary workers don't provide the same level of quality, service and efficiency as do well-trained and motivated full-time employees. Part of the penalty for turnover was a 13% increase in food cost over budget; 12% higher than in the prior year.

Food Cost Relief

Some help to offset higher labor costs will come at the expense of farmers, according to a U.S. Dept. of Agriculture forecast dated December 21. If your operator has budgeted higher food costs for the year, it would have to be on a basis other than price inflation.

The USDA 2019 wholesale price projection for products that comprise the fresh foods used in corporate, campus and institutional food services is favorable.

Fresh fruits and vegetables (20% of typical on-site food costs): down 2.5% to 5%.
Beef, pork, poultry (15%): down 1% to 3%.
Dairy products (10%): 0% to +1%.
Eggs, sometimes included with dairy products: down 4% to 5%.

The only significant fresh product cost generally forecast to be higher is seafood (15% of total food cost). The National Maritime Service website was closed in early January. Private forecasts reviewed were fragmentary but generally indicated higher fresh whitefish and salmon prices.

Customers More Health Focused

"The biggest threat to the popularity of burgers and chicken is the trend of consumers cutting back on eating meat," says Trish Caddy a food service analyst at market research firm Mintel, quoted in *Fastcasual.com*.

The trend is driven by younger millennials (now just leaving high school through their mid thirties) "who have either adopted a full-time vegan lifestyle or are simply eating more plant-based dishes," she said.

Sales of plant-based meat substitutes in-creased by 24% and plant-based foods overall increased by 20% in 2018 over 2017 to $3.3 billion, according to a Nielsen survey. The trend is likely to grow as more and more of this young cohort move into college and the workforce.

Nibbling Replaces Dining

Twenty-two pct. of people responding to a survey by the food service research firm Technomic say their view of snacks has grown to include more types of foods.

Heartier options include chicken wings, crab bites and protein shakes, Technomic reports; 52% of consumers say they find protein-rich snacks to be enticing.

Snackers tend to "buy a bite for later when they're grabbing restaurant (or on-site café) breakfast or lunch," says *Restaurant Business,* increasing the popularity of packaged grab-and-go sandwiches, salads and snacks.

Campus dining services have long adapted to students' casual eating habits, offering multiple options from early morn to late night – and in some cases, around the clock.

Both corporate and campus operators can improve marginal sales by upgrading and promoting their grab-and-go options.

Catering Competition

Catering to companies is booming for restaurants, Technomic says, as 41% of businesses order catering at least once a week. Orders place with outside sources reduce the sales and viability of on-site dining services.

Ease of ordering, delivery and especially, accuracy are priorities for event planners, features on-site operators need to emphasize to stave off outside competitors.

How well are your dining and hospitality services reacting to new customer preferences, health and wellness trends and economic realities? Clarion can tell you and help bring the services up to date, cost-effectively. To learn the values we can bring to your organization, call Tom Mac Dermott, 603/642-8011 or Ted Mayer, 617/875-7882 or e-mail us at info@clariongp.com.