

Batten the Hatches:

Tough Times Coming for On-Site Dining Service

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Whether it turns out to be a recession or a near-miss - the U.S. economy is heading downhill, and operators of corporate and campus dining services will be wise to prepare for a change in fortunes.

It won't be easy. Between falling home values and higher retail prices for food, gas and home heating fuel, consumers are being squeezed and are reducing other spending, according to *The New York Times*. Lunch at work may seem like a good place to economize.

A December 2007 Nielsen survey found that 41% of consumers are eating out less, compared to 31% last June. "2008 will be a challenging year for U.S. consumers," Todd Hale of The Nielsen Company said. "Value, convenience and competitive pricing will be more important than ever in the year ahead."

A close monitoring of transaction counts and check averages during meal periods and break times will show whether and how customers are reacting to new economic conditions. Observation in the café and conversations with customers will help gage their sentiments and determine what, if any, changes are taking place in buying habits.

At the same time, wholesale food prices have been rising. Operators are justified in contemplating price increases to offset higher costs, but at a time when their customers are looking for ways to reduce spending, an across-the-board price increase probably isn't a productive move.

Higher prices might drive some people to bring food from home. Others will simply adjust their food selections to fit their budgets – by spending only what they formerly spent, or less, on lower-priced, or fewer, products. Premium coffee consumers may switch to the house blend. Some may buy less expensive meals than usual, or forego a muffin or dessert, for example.

Operators need to attack the problem from two directions: keep customers buying in the café by demonstrating value and by reducing, or at least controlling, costs.

Price/Value Equation

Maintaining or increasing revenue is the most productive way to manage your way through the downturn. The better the sales, the less need there is to cut costs.

"At a time when consumer spending is being crimped," *The Wall Street Journal* reports, "restaurant chains are . . . adjust[ing] their fare to feature value . . . without compromising their bottom lines."

If higher vendor prices force you to raise café prices, repackaging items – different "combos" for example – and introduce new items. Eliminate or reduce the frequency of low-margin items on your menu.

If you haven't already, introduce an "action station" where the chef or a skilled cook prepares entrees to order. Customers see greater value and are willing to pay more for a meal they watch being prepared. To-order preparation also helps cut food cost. There are no leftovers if raw ingredients aren't cooked until ordered.

Boosting Sales

Depending on which is your most pressing problem, fewer customers or lower check averages, targeted promotions will help.

A guest chef from a popular local restaurant, for example, can increase the day's customer count by 20% or more. The trick is to entice the new customers to return.

A raffle, featuring a worthwhile prize will help boost check averages. For example, if lunch check averages are \$6.50, offer a chance to customers who spend \$7.50 or more; maybe two chances for \$10.

Smaller, more frequent promotions help maintain interest and retain sales gains.

Trimming Costs

Reducing service hours or cutting back on merchandising and marketing hurts, not helps. Instead, look at these areas:

- Bargain harder with vendors, but don't reduce quality. Customers will notice.
- Check purchasing, production and handling practices to identify and reduce waste.
- Over-portioning and other careless habits at the service line can seriously raise costs.
- Using china and permanent eating utensils cost much less than disposables, even allowing for dishwashing costs.
- Review your staffing schedule. Can some hours can be trimmed without hurting service?
- Look at your small expenses. Do you really need to send all mail by overnight courier?

Clarion can identify new sales opportunities and ways to reduce costs to help build a better dining service. Contact Tom Mac Dermott, president, 603/642-8011 • TWM@clariongp.com or Angela Phelan, vice president, 973/544-6223 • ALP@clariongp.com