

## Gearing Down

# New Economic Realities Come to On-Site Dining

Fewer customers spend less in corporate dining centers

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**I**f, as seems likely, the recession is going to grind along for a while, morphing into a slow recovery, it's time to face the new realities in corporate dining service.

The downturn in customers, catering and other revenue sources isn't going to reverse for any time soon and may never return to pre-recession levels. Operators need to adapt to a leaner way of doing business – trying to increase sales while trimming costs.

At many companies, the decrease in café customers exceeds the reduction in employment, in part because of two trends:

- More people are working from home, at least a few days a week.
- More people are “brown bagging” – bringing food from home.

### **Fewer Customers Spend Less**

Nothing can be done about the first trend. Companies simply find it's more efficient and cost effective to let employees work away from the office. A variety of tactics may lure people away from the brown bag.

Customers who continue to use the café are doing so less often and spending less. At one large company, not seriously impacted by the economic downturn, 21% of respondents to a survey said they buy a meal in the staff café two or fewer times a week, up from 18% last year. At four of five Clarion clients' staff cafes, average spending per customer declined 6.6% over the past year. At the fifth, the “check average” increased by 2% after a 5% price increase.

The biggest challenge for company dining services to overcome is the low perception of the price/value equation among customers, even in subsidized operations with low prices. In one Clarion customer survey, 53% of respondents said they were dissatisfied with value received for the price paid. In another, 40% were dissatisfied and at a third, 38%, although at all three, 75% or more were satisfied with the food and service.

### **Changing Perceptions**

Price vs. value is the main impetus behind the increase in brown bagging. Two-thirds of adults bring lunch to work on an average of one to five times in a two-week period, and 43% bring lunch five or more times, according to a recent survey by NPD Group, a consumer research firm. Financial reasons were cited by 93%. Health or nutrition also were cited by 68%.

Actions operators can take to alter the negative value perception include:

- Daily low price “specials.” Five dollars (or \$4.99) seems to be the magic number for a hot meal and a beverage, some restaurateurs and on-site operators have found.
- Featuring healthy foods, including meals vegetarians will like.
- Expanding and promoting “grab-and-go” food selections for those who habitually eat at their desks or work sites.

- Flik International, among others, offers on-line ordering for pickup at the café or, for a small surcharge, delivery right to the desk.
- Food or holiday-based theme days help to draw infrequent diners. The best of these promotions is a “visiting chef” from a popular local restaurant. Properly promoted, special days will increase participation by 10% to 20% and some of the increase may carry over afterwards.

## **Scaling Back**

If the population at your site is likely to remain low, it would be wise to consider reconfiguring the café to reduce labor and operating costs. Careful design and new, compact, efficient equipment makes it possible to have an innovative dining center in a smaller footprint at a reasonable cost.

The new café will tell your employees that there’s real value here for the price.

*Clarion can help you to improve the value equation and increase sales in your café. Contact Tom Mac Dermott, 603/642-8011 or Angela Phelan, 973/544-6223 or e-mail us at [info@clariongp.com](mailto:info@clariongp.com).*