

Technomic Says Restaurants Vulnerable to Long-Term Shift in Consumer Food-Spending Habits

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Acknowledging the challenges currently facing many restaurant operators, speakers at a major industry conference hosted today by foodservice consultants Technomic also discussed the larger threat that consumers will develop new food-spending habits that may endure after the economy improves.

Paul Kasriel, Director of Economic Research at Northern Trust, discussed the role of unfavorable economic elements, including rising gasoline prices, unemployment, and cost of living, as well as the current housing situation and waning consumer confidence—all factors that have played a role in creating a consumer who is willing to move away from restaurants and find other meal solutions that meet the needs of their busy lives.

Commodity expert Bill Lapp, who also spoke at the conference, indicated that operators will most likely be squeezed by higher food input costs across many product categories for some time to come. Restaurants will find it increasingly difficult to avoid raising menu prices.

'Higher menu prices have definitely had an impact,' says Darren Tristano, Technomic Executive Vice President, 'although consumers don't appear to blame restaurants for raising prices. Our research indicates that consumers understand that restaurants' food costs have gone up. Nevertheless, the vast majority of consumers say they will eat out less often at full-service restaurants and replace these occasions with meals prepared and eaten at home.' Tristano explained that these at-home meals increasingly include meal solutions sourced from supermarkets and other food retailers, a growing competitive threat to chain restaurants.

Retail grocery operators have continued to improve their effectiveness in preparing Retail Meal Solutions that resonate with consumers' hot buttons, including quality, convenience, nutrition and freshness, the perception of premium/artisan elements, and perhaps most importantly, an attractive price point.

Several conference sessions addressed numerous strategies that operators can employ to reduce their long-term vulnerability to Retail Meal Solutions and other competitive threats, and position themselves to emerge stronger from the challenges currently facing restaurants.

Nearly 200 operators participated in the Restaurants 2008: Trends and Directions Conference. Proceedings can be purchased by contacting Chris Urban at curban@technomic.com or 312-506-3929.

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