

## INDUSTRY UPDATE

# Trends to Watch in 2012

With the economy in constant, unpredictable motion, it's difficult for restaurateurs to anticipate the year ahead. We turned to three industry experts to help bring key areas – consumer attitudes, the operating environment, and food trends – into focus:

**J. Walker Smith, executive chairman, The Futures Co.**, describes what he calls the "Kinship Economy," a *post-recession marketplace* dominated by "process" (how people are treated) over "product" (what they purchase). "Consumers are resilient, and buying and shopping are as important as ever." But, he adds, they are coping with a smaller economy (fewer jobs, less money to spend) and ongoing volatility (financial, political, weather, etc.), which creates enormous anxiety. **Consumers are spending less because they are broke and scared. They simply don't have as much money and they are paralyzed by what's going on around them.** There is opportunity, he says, however, it will take nurturing consumers who are focusing on relationships and conduct. "Prior to the recession, we all shared the ambition to trade up. Now consumers must either trade down or trade off – prioritizing what's most important to them." And, increasingly, he says, that's "the treatment, not the treats. **Relationships, interactions are disproportionately important now. How you treat people outweighs what you sell them.** Consumers are saying, 'I want to be treated well and that's where value lies for me.'" Walker uses "kinship" as a metaphor for this new consumer sensibility and as a guiding principle for businesses. "The relationships that matter most are family. It's no longer about consumers aligning themselves with brands; it's about brands being invited into 'family circles.' Businesses must be transparent for consumers to reciprocate with similar intimacy and they must be flexible and sacrifice their own interests – much as you would for family. Don't just think in terms of customer loyalty, think about the wellbeing of family members. In this economy, ask yourself: 'Is this something you would do to your mother?' If so, it's a good idea with growth potential. If not, it's something that's going to get you kicked out of the household."

**Hudson Riehle, senior vp, research & knowledge group, the National Restaurant Association**, predicts, "As we look at 2012, the *operating environment* for restaurants will be similar to 2011 – **we expect modest growth to continue.** That said, there are still a host of challenges." Chief among those challenges will be food price inflation. "Certainly, food price inflation was a factor in 2011, when we saw the highest overall increases in three decades, an average of 8%. The overall **rate of food cost increases will moderate this year.**" Another key indicator, **employment growth, remains weak although better**, he says. "At the current pace of job growth, it will be 2014 at the earliest before we're back to pre-recession levels. The reason we focus on employment growth as an indicator of restaurant sales is that when employment grows, so does the demand for convenience. And **the vast majority of growth in the industry comes from convenience-related, off-premises sales.** In fact, if operators aren't tapping into off-premise, they are leaving money on the table." Hudson encourages operators to increase points of access for customers, including mobile channels, which he says can be a long-term growth opportunity for the industry. "Our research last fall found that nearly 60% of American adults say they would be likely to visit a food truck if their favorite restaurant offered one, up from 47% the previous year." He cautions that, "Savvy restaurant operators know they have to be vigilant about food and labor expenses – which account for two-thirds of total costs. But they also have to work hard at growing sales. There really is no substitute." What's meaningful for the restaurant industry is that pent-up demand is still elevated. "Over 40% of consumers say they are not using restaurants as much as they would like. Consumers are looking for a nudge to patronize restaurants, so **this is an environment where restaurants need to remain top of mind** – operators can't take their eyes off that ball." To that end, Hudson says social media is an essential tool.



**Michael Whiteman, president, Baum + Whiteman**, sees "lots of excitement happening in *restaurant food*, particularly at the lower end of the market where food is cheap and the risk is low for both buyers and sellers." He says consumers are open, and chefs – notably the younger guard in independent restaurants – are experimenting and influential. Michael sees a move away from traditional comfort food to "discomfort food." **People are bored with gastronomic nostalgia. They want new taste thrills and culinary invention**, so chefs are putting things into comfort food as never before." Among the examples he cites are headcheese on hamburgers, multi-cultural sushi, and Korean fried chicken. "It works at both ends – consumers can try something new grafted onto something familiar and restaurants can keep things interesting while controlling prices. Plus you can sell a hamburger with oxtails on it as an expensive burger, but for lots less than a steak." He does caution about a "burger bubble." "Burgers are straining to be different and when things get too baroque, the end is nigh." The ingredient of the year? "Kimchi, part of the Korean wave that has entered the American culinary lexicon." He predicts, "Peruvian will be the next cuisine" and "smart chefs will explore the world of 'Japanese snacky things' and serve up Japanese craft beers. It's all part of a "global Mixmaster" approach. **We'll see cooking at a crossroads, where flavors collide and clash on purpose.** Everything is out there to be stolen from, and pretty much anything goes."

For more of our experts' forecasts and trend information, go to [restaurantbriefing.com](http://restaurantbriefing.com)

# Who Uses Social Networking Sites?

A recent Pew Internet study found that 65% of online adults (50% of all adults) use social networking sites. That's more than double what a similar Pew study reported in 2008 (29%); in 2005 just 8% of online adults used social media. Only email (61%) and search engines (59%) are used more now than social networks on a typical day.

Among Internet users, the rise in use of social networks is across demographic groups, but women and young adults (aged 18 to 29) stand out. In fact, Pew names young adult women the "power users" of social networking, both in terms of adoption (89%) and regularity of use (69% on an average day). And while young adults of both sexes have consistently been the most likely to use social networking sites, other age groups have been gaining steam. Social networking among online adults aged 65+ grew 150% from April 2009 to May 2011, when it reached 33% in this age group. During this same period, social network use by online 50 to 64-year-olds doubled – from 25% to 51%; more than a third (32%) use it on a typical day, an increase of 60% over the last two years.

While there are other growing social networks, Facebook is the dominant site, accounting for

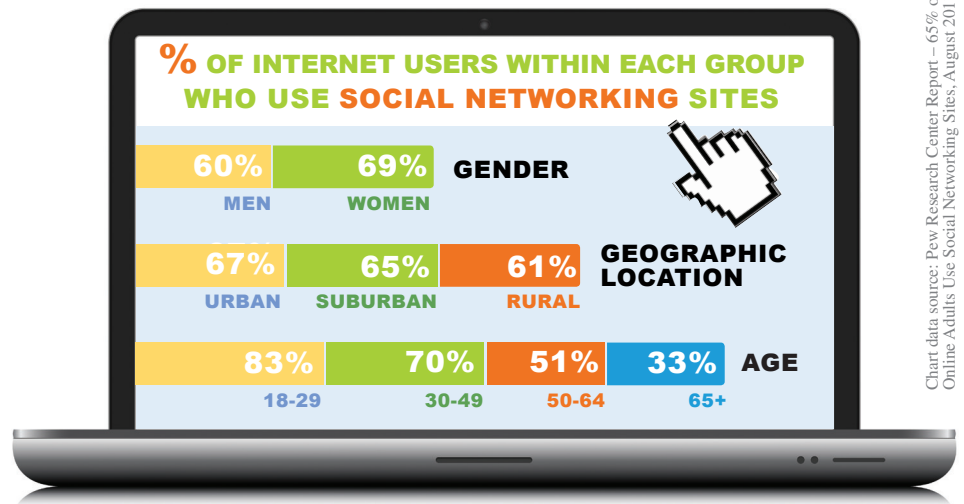


Chart data source: Pew Research Center Report – 65% of Online Adults Use Social Networking Sites, August 2011

90% of all time spent on social networking sites, according to comScore. A recent comScore/Facebook study, The Power of Like, found that, when on Facebook, users divide their time among profiles (21%), photos (17%), apps and tools (10%), other activities (25%) – and spend the most of their time (27%) consuming and interacting with their Facebook Newsfeeds. This is significant, the authors point out, because that's where information from companies is viewed

(as opposed to users' visits to individual business's Fan Pages). In fact, the Facebook study determined that Facebook users are 40 to 150 times more likely to consume a company's brand messages in their individual Newsfeeds than to visit the company's Fan Page. Newsfeed represents the greatest opportunity to reach and engage with current and potential customers, the study concludes, so encouraging people to "like" your Page is a good strategy.

## AROUND THE USA

### Late Night Business

**While some restaurants have shortened hours to control costs, others – from casual to fine dining – are staying open later to capitalize on what they are finding to be an underserved market: late night.**

*“Staying open late is an opportunity to give our guests an additional experience and a way to increase our bottom line. Late night contributes 5-10% of overall sales.”*

*Kip Clayton, vp, Parasole Restaurant Holdings, Minneapolis, MN*

“We began staying open late because the owners realized there were very few places for industry people to dine after their shifts,” says Will Baldwin, manager, The Vanderbilt, **Brooklyn, NY**. An abridged version of the regular menu with food and beverage discounted 30% is offered. Popcorn (bacon fat or olive oil/smoked paprika) is free. To make the distinction between regular dinner service and late night (11pm weekdays, midnight on weekends), lights are dimmed, and the music is turned up to create a more casual, intimate environment. Late night can be as much as 10% of a typical day's business .... Alan Popovsky, owner, Hudson and Lincoln restaurants, **Washington, D.C.**, says when Hudson started offering late night service, very few restaurants were doing it; now more recognize the potential. He says late night attracts people attending events and concerts, plus tourists from nearby

hotels. “A lot of places offer a late night limited menu, but we feel it's important to provide the best we can at all times for our guests.” There are some special drink offers, but menu prices and offerings remain the same – after all, Alan says, “There are some who want a steak at midnight” .... At some locations of Kabuki Restaurants, headquartered in **Burbank, CA**, The Reverse Happy Hour has helped compensate for lower lunch volumes, and it's also popular at those located near malls and universities, according to Young Kim, director of marketing. Specially-priced drinks and appetizers are served. “We use a skeleton crew, and make sure the menu items are easy for the small staff to make and expedite efficiently” .... Nopa, **San Francisco, CA**, began staying open late night five years ago because there was no place offering a full menu late night. Nopa attracts people after the opera and symphony, those who

fly in late, and hospitality workers according to manager, Brooke Town, who advises, “If you're going to stay open late, you have to commit to it, as it takes a little while to catch on” .... Michael Herchuck, national bar manager, Smokey Bones, headquartered in **Orlando, FL**, says they got into late night because it was a segment they weren't capitalizing on. “We're not into heavy discounting and we have a fun, energetic product and atmosphere that we felt lent itself to late night.” Appetizers and sandwiches from the regular menu are \$4-6, plus daily drinks specials, and some locations offer the entire menu. “We don't pretend to be a club, but we're not a corner bar either – we're an alternative,” says Michael. He adds that late night can account for as much as 20-25% of daily sales, and the customer demographic is broad, with ages ranging from 21 to 50+, half male and half female.

## The Reach of Online Reviews

Restaurateurs have come to understand the importance of online reviews since the emergence of Yelp, Citysearch, Zagat, TripAdvisor, Urbanspoon, Gayot, etc. But **the reach of online reviews has gotten far greater – literally making them hard to avoid – since search engines now serve up reviews along with local listings.** Google itself has gotten into online reviews, so Google Local search results display reviews and stars from Google users, and a click through to a restaurant's Google Place Page provides access to reviews pulled from other sources, including OpenTable, TripAdvisor, Zagat, Urbanspoon, and Citysearch. Similarly, Bing Local search results contain links to third-party reviews on most of the same sites and include Yelp (which Google no longer does); Yahoo Local also displays reviews by its users. **“Most local directories have become really big review tools,”** acknowledges John Jantsch, small business expert and founder of Duct Tape Marketing. “Also, businesses that are coming up strongly in local searches in many cases have enhanced listings and a lot of reviews. The volume of reviews is important to search engine rankings, too; it's all meaningful.” Search engines favor accurate and complete business listings (see Restaurant Briefing Nov/Dec 2011 for more) – including online reviews from multiple sources – because robust listings are considered more useful, relevant, and valuable to those searching, which impacts search rankings favorably.

*“There's a lot of value in telling customers that, good or bad, you want their online feedback. It shows authentic interest.”*

*Matt McGee, Small Business Search Marketing*

John joins many experts in counseling restaurateurs to become proactive about acquiring, monitoring, and managing online reviews. **The first step is to determine where your customers are leaving reviews and which sites matter most.** “Yelp is still the biggest game in town, but Google has the advantage of being many people's homepage,” says Randy Kirk, president, Page1Listings.com. “We tell our clients that all relevant sites – like Insider Pages, Citysearch, Urbanspoon, etc. – matter and have followings.” (And, per above, reviews on these sites are often captured by local search engines.) It's important to monitor niche sites for the restaurant industry that include those previously mentioned, plus perhaps some regional, local, or specialized sites like menupages. Good ways to discover them are to search restaurant + review; search your keywords (e.g.: French brasserie) + your locale on Google; and/or search your locale + restaurant local directories to see relevant sites. Also, suggests Matt McGee, Small Business Search Marketing, “From your listing on Google, go to your Place Page and look at the third-party reviews that exist there. Since so much search happens on Google, the review sites that Google references are the sites you should keep an eye on.” Make sure to claim your listings with review sites that are also directories. **It's then important to monitor what's being said about your restaurant.** Google Alerts will inform you of mentions on the web via email; Yelp has tracking tools for listed businesses. You can subscribe to RSS feeds from individual review sites, or employ paid tracking services, such as Trackur. YourBuzz is a free app from American Express OPEN that gives businesses a consolidated view of what their customers are saying across CitySearch, Yelp, Facebook, and other popular sites.

Randy acknowledges that all of this can be a little overwhelming and that the stakes are high when each customer could be a reviewer with power. But, he adds, **“It's a potential goldmine if you can get your review rankings in a good place.** Restaurateurs should be asking how they can get themselves on the top of the list on Google Places, for example – with 100, 200, 300 positive reviews.” Experts agree that to do so, it's important to ask customers to participate and there are many strategies to do so – from encouraging online feedback via your website and emailing (promptly) customers who have been in recently (including links to review sites); to putting review links on business cards, table tents, and receipts; to posting signs at the hostess station and simply asking guests to pick up their mobile devices to post a review on the spot. (Learn the review sites' policies – if any – about soliciting reviews before undertaking a campaign. Yelp, especially, frowns on the practice of providing incentives for reviewers.) Matt advises that **it's not about pressuring customers to stuff some kind of online ballot box in your favor, but rather to communicate that you sincerely want to know about their experiences through these channels.** And, as Randy points out, “Most importantly, if you're doing a decent job of providing a good experiences to customers, those reviews will be mostly positive – outweighing and pushing to the bottom those that might be negative.”

## Containing Labor Costs

**It pays to keep tight control over the cost of hourly employees. Some proven principles:**

**Avoid overtime.** “The true cost killer of labor is overtime,” says Bob Kanzler, managing partner, Gibsons Restaurant Group, Chicago, IL. “Not only does it affect your bottom line, but working too many hours often stresses employees.” Don Fox, ceo, Firehouse Subs, agrees, and adds, “Sometimes it's inevitable and it's important not to make a decision simply to adhere to policy, especially one that will negatively impact guests.”

**Use historical data to forecast, and review costs daily.** “We look at people coming through the door from the previous year – setting our service to take care of customers, not dollars,” explains Bob. He says hotschedules.com provides daily feedback on real labor costs vs. scheduled, showing where dollars are spent by department and meal period, allowing them to make informed decisions when staff needs to change shifts. “There's a good chance that, if we were still using paper and pencil, we would not follow through and track the total hours per week employees work, and we'd be looking at overtime.”

**Watch the clock.** David Scott Peters, founder, TheRestaurantExpert.com, says operators can reduce labor expenses by 1) checking that staff is not clocking in early as that can lead to overtime; 2) watching that staff is not riding the clock, i.e., getting permission to leave early and then slowing down; and 3) making sure the appropriate job code has been punched in, as different jobs have different hourly rates.

**Cross train.** “Not only does it benefit the restaurant to have staff know how to do multiple jobs – prep and line, server and bartender – but it's also a way to keep employees interested and satisfied,” says Bob.

**Keep turnover low.** Gibsons forecasts labor three months out and posts schedules three weeks out, giving employees time to plan vacations and time off. “We have a partnership with our employees – we want them engaged and to buy in,” says Bob. Don adds that Firehouse Subs has been able to keep turnover much lower than many of their competitors (around 80% vs. 200%) in part through communication with crews and coaching of franchisees.

## What's Brewing for 2012

According to the Brewers Association, **the U.S. is the world's largest beer market and offers the greatest diversity** – over 140 styles of beer and 13,000 beer brands. Stephen Hindy, president/cofounder, Brooklyn Brewery, reports that while overall beer consumption in the U.S. has decreased more than 5% in the past three years, craft beer has exploded with double-digit growth – an increase of 14% in 2011. He says that their craft brew sales were even higher last year – up 34% and adds, “The beer market is changing, and there are lots of theories. Some say it's the economy, but I think it's a combination of changing tastes, stricter enforcement of drunk driving laws, and health concerns, which are compelling people to drink less and choose more flavor. Plus, they want more of a story behind what they drink. **If you look at coffee and bread, 30% are now made by artisans, and this is happening with beer, too.**”

**“Today's beer lover is into experimentation,** drinking different beers for different occasions,” says Julia Herz, craft beer program director, Brewers Association. “This trend will continue to grow as beer lovers become more educated – a light American lager doesn't satisfy every occasion any more.” Seasonal beers continue to top the list of off-premise favorites, along with IPA's (India pale ales). Other trends are sour beers (dry finish, great for warm weather), extreme beers (high in alcohol content – up to 40%

– and made with unusual ingredients, such as fruits, wood, herbs, spices), and session beers (lower alcohol content). **There's even a growing interest in beer cocktails** (beer flips, shandies, black velvets). To meet the increasing demand for variety, restaurants are adding more taps and increasing their selections by the bottle, including large format bottles. They're also investing in different sizes and shapes of glassware (from steins, pilsner glasses, and tall cylinders to snifters and Champagne flutes) to enhance taste – much like special glassware enhances the taste of wine. Limited-edition beers and small one-off batches of non-carbonated beer delivered in firkins (small wooden or metal casks) are also popular. According to Stephen, some chain restaurants are adding beer programs, and more fine dining restaurants are embracing beer, including hosting beer dinners, and beer gardens are also popping up across the country, both seasonal and year 'round. **“Restaurants that are not developing beer lists with good selections of styles, including imports, are missing a big part of the market today,”** says Stephen. “People are interested in beer now.” Julia adds that investing in employee education (available through the association and distributors) about selecting, serving, and caring for beers is also an essential component of a successful program.

## TODAY'S CONSUMER

### Order Amidst the Chaos

**TREND:** While 76% of Today's Consumers agree that being in control of your life is extremely/very important, only 52% are satisfied with the control they have; just 31% think the control they have over their future will increase in the next few years.

**OPPORTUNITY:** An uncertain world has left consumers searching for stability and focusing on elements in their lives, however small, that they can control. This can attract consumers to environments – including restaurants – that offer a sense of order and structure. A recent study in the Journal of Consumer Research identified boundaries as powerful signals of such structure – both “tangible” (such as borders around sections of a menu and clearly defined physical spaces, like a bar area) and “intangible” (an organized environment, lack of clutter). Another way consumers seek order and structure is by sticking to the familiar and predictable –

where they know the outcome and there are no surprises. In this respect, chain restaurants have an advantage, but independents can offer alternatives, such as prix fixe menus that provide the same assurances. Clear information helps consumers feel in control – including descriptions of ingredients in dishes and portions/serving sizes. For restaurants that don't take reservations, consider making a limited number of reserved tables available – at least provide accurate wait times, especially to parents with children. Minimizing surprise, randomness, and confusion may also mean tightening operational systems in the front and back of the house.

**CAUTION:** Providing options – different portion sizes, choices of preparations – can give consumers a sense of control, but too many options may backfire. Also, while being buttoned up operationally is a positive, inflexibility is not.

**Data Source: The Futures Company**

## MAKE PARTNERSHIP REWARDING<sup>SM</sup> with American Express

Register now for the 23rd American Express® Restaurant Trade Program at the Food & Wine Classic in Aspen, June 15-17, 2012.

Join José Andrés (Think Food Group), Rick Bayless (Frontera Grill, Topolobampo, XOCO), Tom Colicchio (Craft Restaurants), Tim Love (Lonesome Dove, The Love Shack), Danny Meyer (Union Square Hospitality Group), Marcus Samuelsson (Red Rooster, Marc Burger, C-House), Ming Tsai (Blue Ginger), and others in the Colorado Rockies at the granddaddy of all food and wine events – the one that started it all 30 years ago: the Food & Wine Classic in Aspen. Be in an intimate setting with industry leaders, restaurateurs, and top chefs, learning from and networking with them and other attendees.

This year's Restaurant Trade Program features panels focusing on technology, marketing, and operations. Topics will include using technology to communicate with today's diners, how small changes in your establishment can result in big payoffs, and using the media to promote your brand. There's also a welcome reception on Thursday, exclusively for Trade Program attendees and panelists, and networking happy hours on Friday and Saturday.

The Restaurant Trade Program package – which includes the Trade panels, welcome reception and happy hours, plus all cooking demos, and early access to the grand tasting tents – is \$1,125 if purchased before 3/15/12; \$1,225 thereafter. When you use any American Express Card, you'll receive an additional \$40 savings. Note: The Trade Program sells out quickly, so reserve tickets soon.

To purchase tickets and for more info, visit [foodandwine.com/classic](http://foodandwine.com/classic) or call 877.900.WINE.

RESTAURANT BRIEFING  
AVAILABLE EXCLUSIVELY ONLINE  
subscribe now at  
[restaurantbriefing.com](http://restaurantbriefing.com)

Published exclusively for American Express Travel Related Services Company, Inc. by Davidson/Freundlich Co., Inc.

All suggestions become the property of American Express without cost or obligation to American Express.

© 2012 American Express Travel Related Services Company, Inc.

email: [editors@restaurantbriefing.com](mailto:editors@restaurantbriefing.com)