

# Restaurant Industry 2010 and Beyond

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**National Oilseed Processors Association**  
Annual Meeting  
Tucson, Arizona  
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## Agenda

- Overview
- Economic Backdrop
- Industry Segments
- Industry Imperatives
  - Jobs and Careers
  - Food and Healthy Living
  - Sustainability and Social Responsibility
  - Profitability and Entrepreneurship
- Regional Outlook
- Wrap-Up

## DEFINITION:

# “Restaurant Industry”

All meals/snacks prepared away from home, including all takeout meals and beverages

## Restaurant Industry

Commercial  
Restaurant  
Services

Non-Commercial  
Restaurant  
Services

Military  
Restaurant  
Services

# Overview

The Industry in 2010



Annual Sales:

**\$580 billion**

## 40 Years of Restaurant-Industry Sales



Source: National Restaurant Association

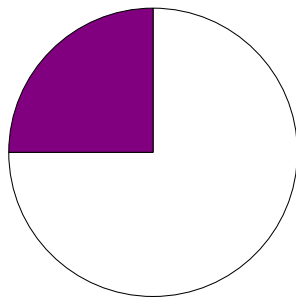
Employees:

**13 million**

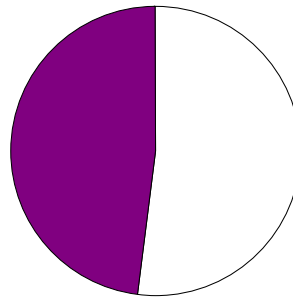
Locations:

**945,000**

### Restaurant Industry's Share of the Food Dollar



1955: **25%**



Present: **49%**

Source: National Restaurant Association

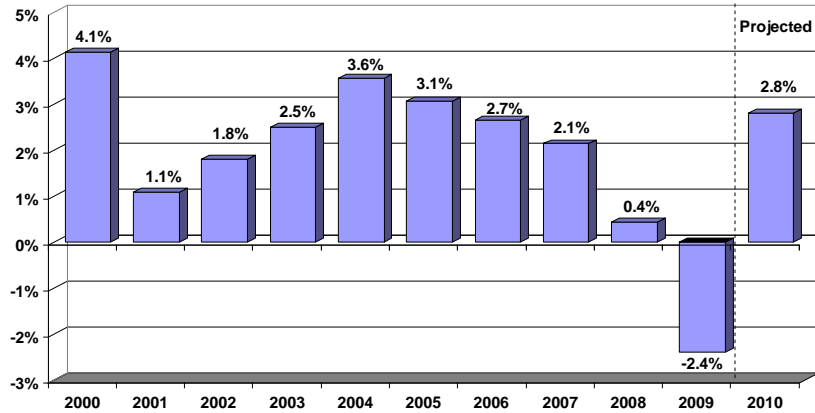
## The Industry Mosaic

- **Fullservice**
- **Quickservice**
- **Cafeterias and buffets**
- **Caterers**
- **Snack and nonalcoholic beverage bars**
- **Managed services/contractors at**
  - Industrial plants
  - Hospital nursing homes
  - Schools and universities
  - Airlines
  - Recreation and sports centers
- **Lodging places**
- **Retail hosts**
  - Book stores
  - Service stations
  - Convenience stores
- **Self-operated services**
- **Military restaurant services**

# Economic Backdrop

## National Economy Expected to Improve in 2010

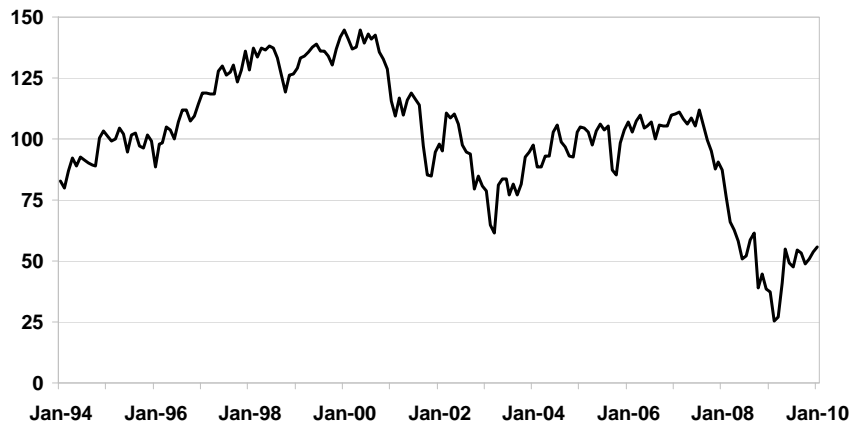
U.S. Real Gross Domestic Product – Historical and Projected Growth Rates



Source: Bureau of Economic Analysis; National Restaurant Association

## Consumer Confidence Edging Back Up from Record Lows

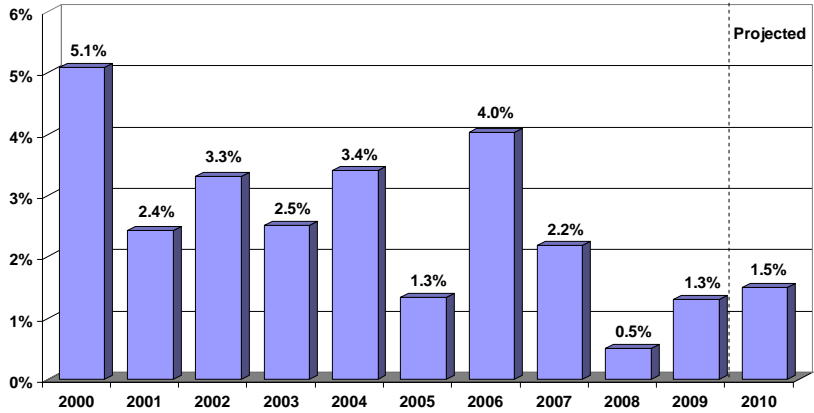
U.S. Consumer Confidence Index



Source: The Conference Board

## Income Growth Expected to Remain Modest in 2010

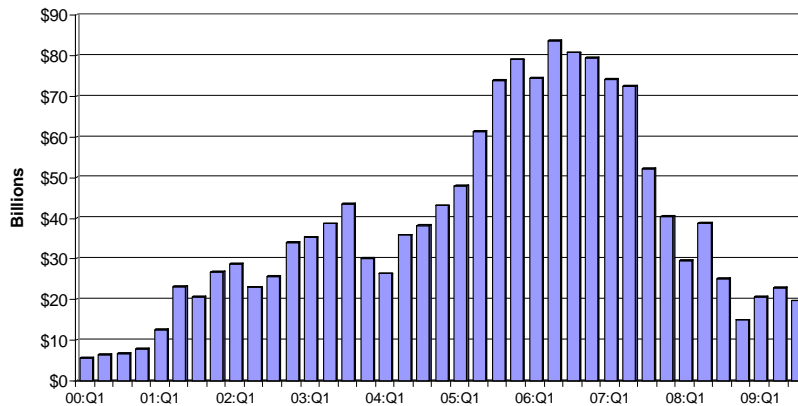
Real Disposable Personal Income – Historical and Projected Growth Rates



Source: Bureau of Economic Analysis; National Restaurant Association

## Home Equity Cashed Out Through Refinancing Each Quarter

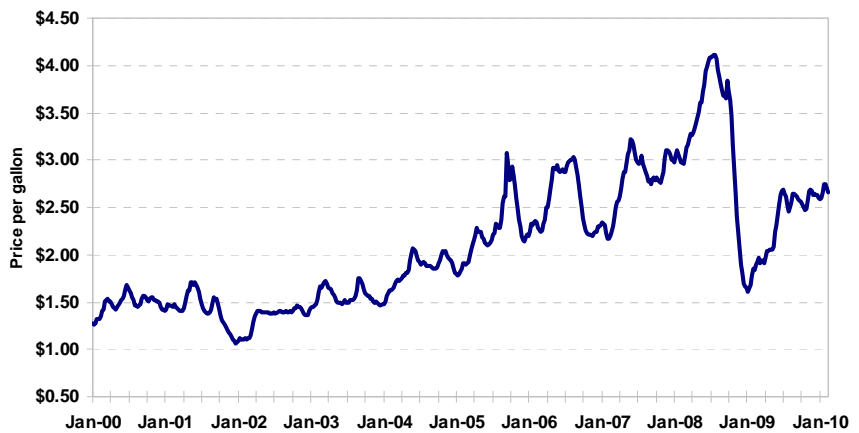
Includes refinancing of prime, first-lien conventional mortgages



Source: Freddie Mac

## Gas Prices Trending Slightly Higher

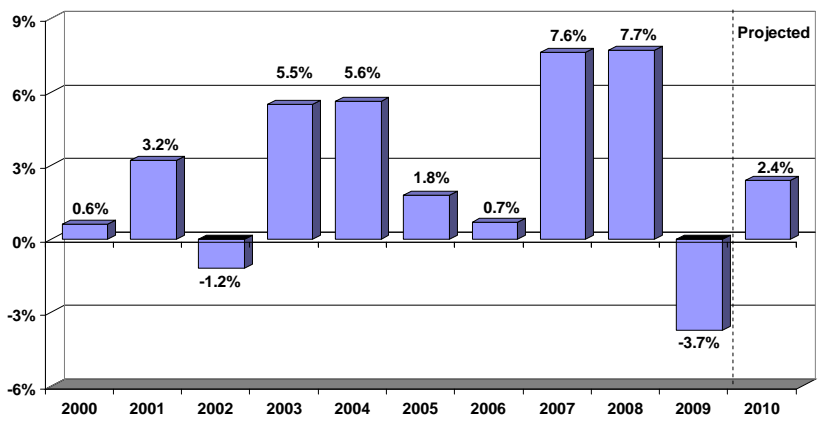
Average price per gallon for regular gasoline



Source: U.S. Department of Energy, Energy Information Administration

## Wholesale Food Prices to Rebound in 2010 After Near Record Decline in 2009

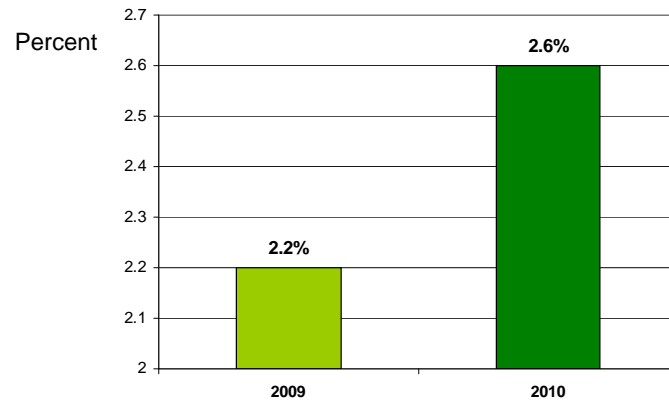
Wholesale Food Prices – Historical and Projected Growth Rates



Source: Bureau of Labor Statistics; National Restaurant Association

## Menu Prices Expected to Advance in 2010

Menu Prices – Historical and Projected Growth Rate

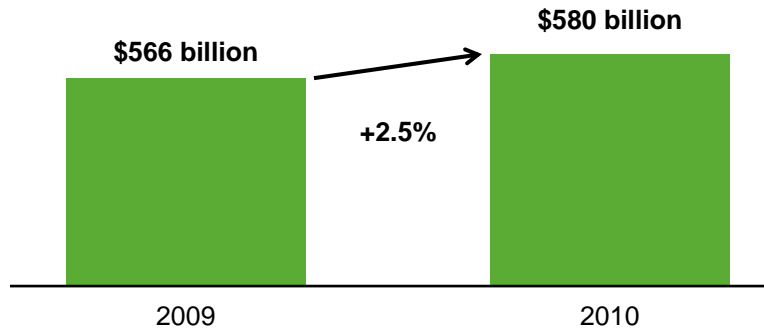


Source: National Restaurant Association

# Industry Segments

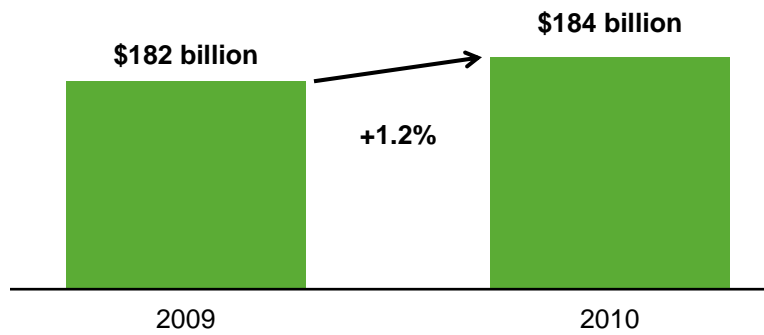
## Total Restaurant Industry Sales

2010 Forecast



Source: National Restaurant Association

## Fullservice Restaurant Sales



Source: National Restaurant Association

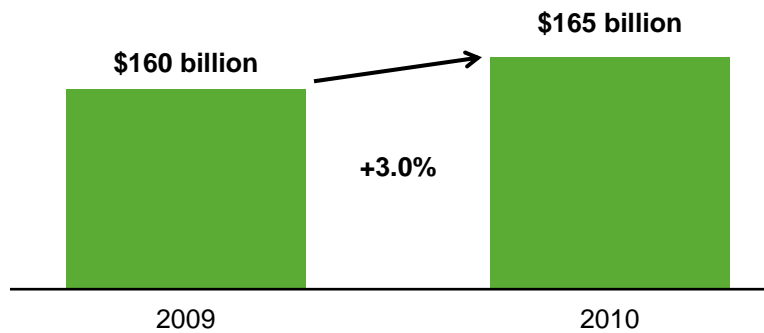
## Pent-Up Demand for Restaurants Remains High

Percent of adults NOT eating on-premises at restaurants as often as they would like

	<u>October</u> <u>2007</u>	<u>November</u> <u>2009</u>	<u>Percentage</u> <u>Point Change</u>
<b>All Adults</b>	31%	35%	+4
<b>Household Income:</b>			
\$50,000 - \$74,999	23%	36%	+13
\$75,000 or more	17%	29%	+12

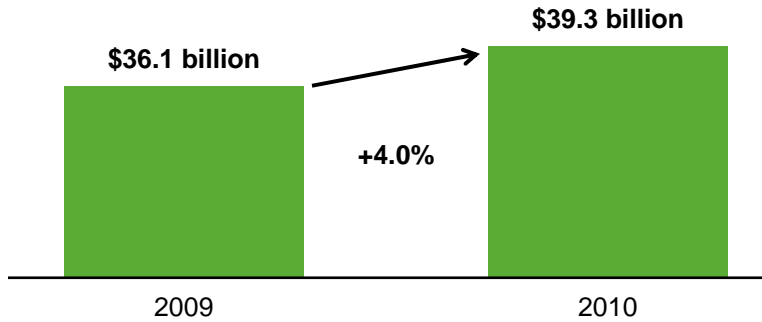
Source: National Restaurant Association

## Limited-Service Restaurant Sales



Source: National Restaurant Association

## Managed Services Sales



Source: National Restaurant Association

## Economy Remains the Top Challenge Facing Operators

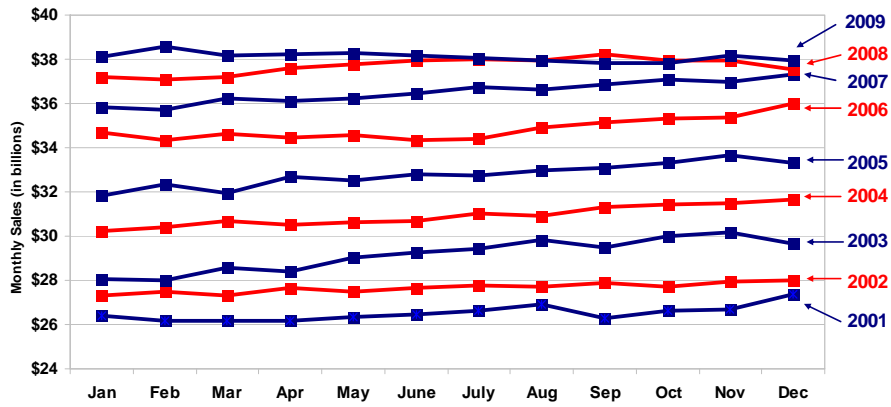
Top Challenges Facing Restaurant Operators: Jan. 2008, Jan. 2009, Jan. 2010

JANUARY 2008	JANUARY 2009	JANUARY 2010
Recruiting Employees 25%	The Economy 45%	The Economy 44%
Sales Volume 18	Sales Volume 27	Sales Volume 25
The Economy 15	Food Costs 6	Government 6
Food Costs 12	Recruiting Employees 6	Operating Costs 3
Operating Costs 6	Labor Costs 2	Recruiting Employees 3
Labor Costs 4	Government 2	Labor Costs 2

Source: National Restaurant Association, Restaurant Industry Tracking Survey

## Total Monthly Sales On Par With 2008 Levels

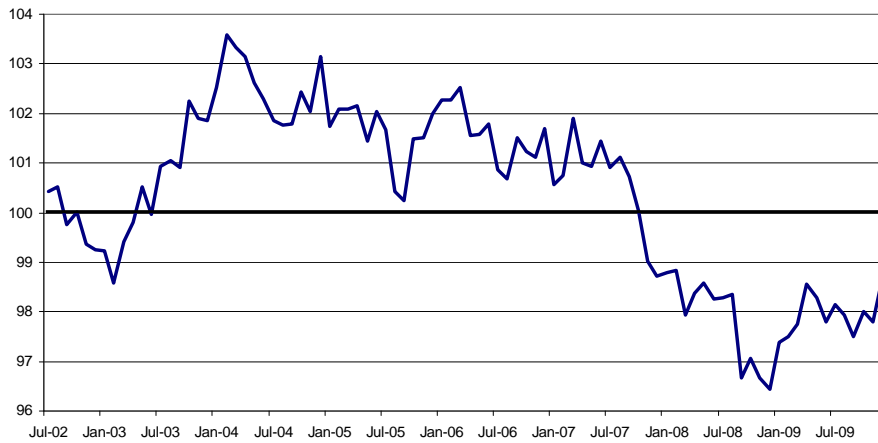
Seasonally-adjusted Monthly Sales at Eating and Drinking Places (in billions)



Source: U.S. Census Bureau

## Restaurant Performance Index Below 100 for 26<sup>th</sup> Straight Month

Values Above 100 = Expansion, Values Below 100 = Contraction

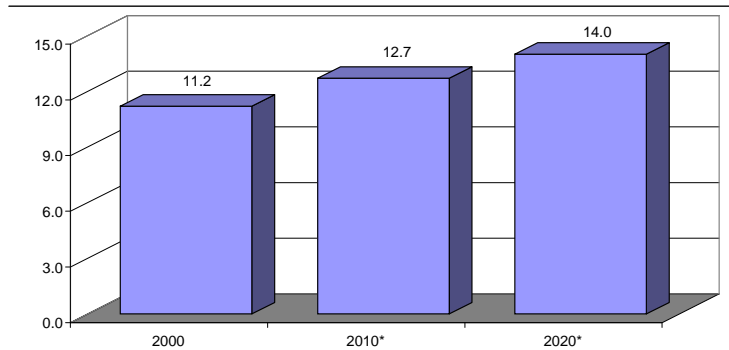


Source: National Restaurant Association

# Jobs and Careers

## Total Restaurant-Industry Employment

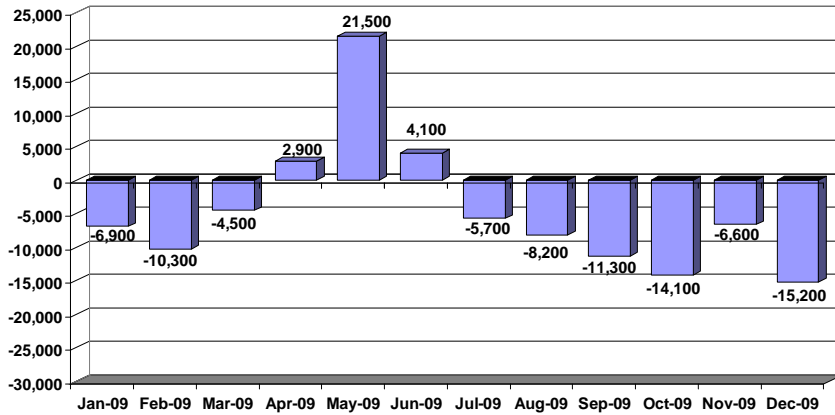
Total Restaurant and Foodservice Employment  
(in millions)



Source: National Restaurant Association; \*projected

### Restaurants Shed Jobs in 18 of Last 24 Months

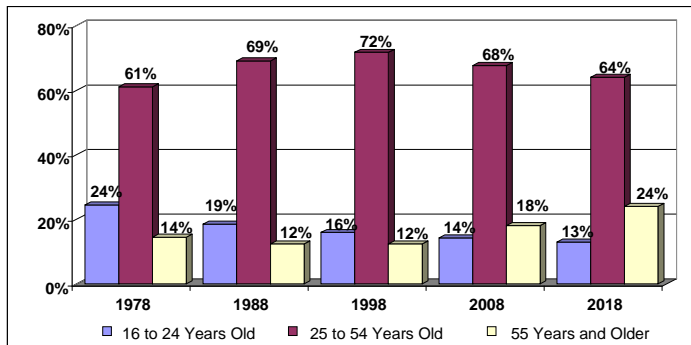
Eating and Drinking Place Employment – 158,000 Jobs Lost During Last 24 Months



Source: Bureau of Labor Statistics; figures are seasonally-adjusted

### Long Term Labor Challenges Will Eventually Re-emerge

Distribution of the U.S. Labor Force by Age Group



Source: Bureau of Labor Statistics

# Food and Healthy Living



**Almost three out of four adults  
(73 percent) said they are trying  
to eat healthier now  
at restaurants than they  
did two years ago.**

**Source:** National Restaurant Association

## The Power of Fresh Produce

Almost three out of four operators (72 percent) agree that emphasizing fresh produce in their marketing efforts drives more customers to their restaurant.

Source: Restaurant Produce Survey, 2009

## Hot/Trendy Offerings

### Fullservice Restaurants

- 1 Locally grown produce
- 2 Locally sourced meats & seafood
- 3 Sustainability
- 4 Bite size desserts
- 5 Locally produced wine and beer

Source: National Restaurant Association; American Culinary Federation, 2009

## Hot/Trendy Offerings

### Quickservice Restaurants

- 1 Healthy options in kids meals
- 2 Energy drinks
- 3 Snack sized items
- 4 Locally sourced items
- 5 Spicy items

Source: National Restaurant Association, Queservice Restaurant Survey 2009

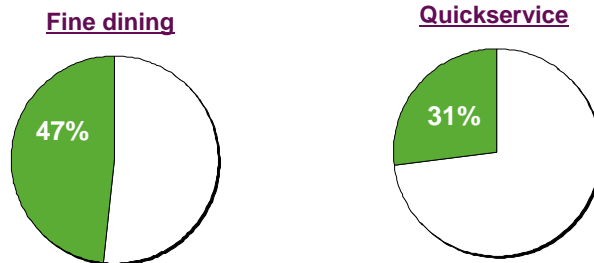
**Nearly three out of ten adults  
(27 percent) said they have  
gone online to search for  
nutrition information  
about restaurant food.**

Source: National Restaurant Association

# Sustainability and Social Responsibility

## Going Green

Percent of operators, by type of operation, who plan to devote more of their resources to green initiatives in 2010



Source: National Restaurant Association

## Conservation Initiatives

Percent of restaurant operators who took the following actions in 2009

	<u>Family Dining</u>	<u>Casual Dining</u>	<u>Fine Dining</u>	<u>Quick Service</u>
Purchased Energy-Saving Lighting Fixtures	69%	66%	52%	43%
Purchased Energy-Saving Kitchen Equipment	45	41	28	34
Purchased Energy-Efficient Refrigeration, Air Conditioning or Heating Systems	50	40	34	32
Installed Water-Saving Equipment and/or Fixtures	27	27	27	23

Source: National Restaurant Association

**Forty percent of adults said they are likely to make a restaurant choice based on a restaurant's practices in the areas of energy and water conservation.**

Source: National Restaurant Association

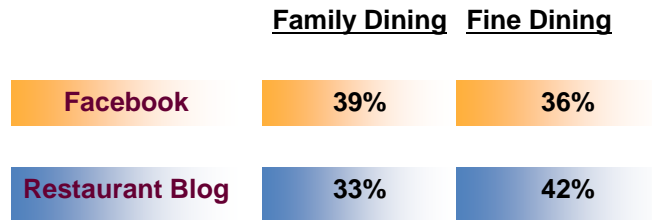
# Profitability and Entrepreneurship



## Word of Mouth Has Moved On-line

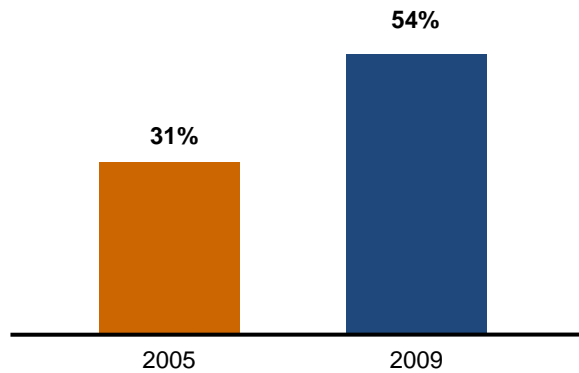


## More Operators Will Be Using Social Media



Source: National Restaurant Association

## More Americans Viewing Menus On-line

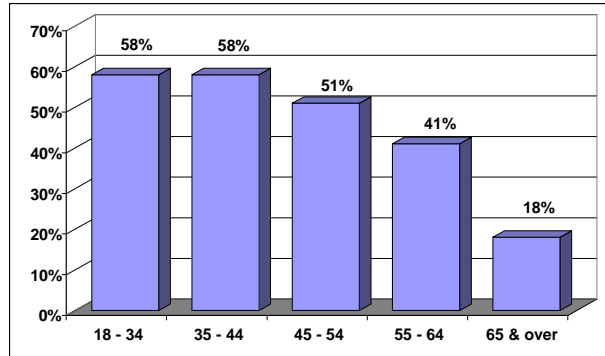


Source: National Restaurant Association

## A New Generation

Proportion of adults who said they would be likely to place their own order using a *self-serve terminal* if it was offered by a quickservice restaurant

By age group

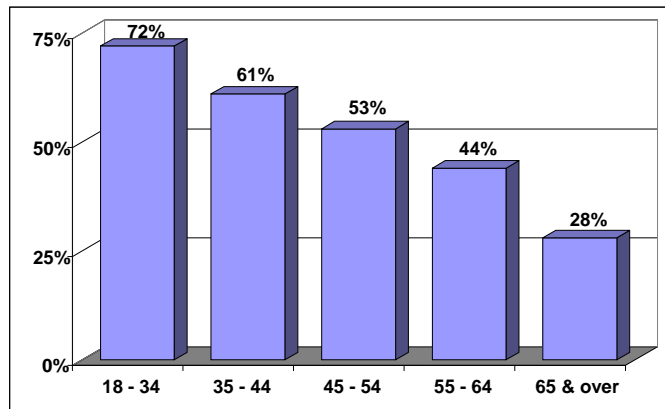


Source: National Restaurant Association

## A New Generation

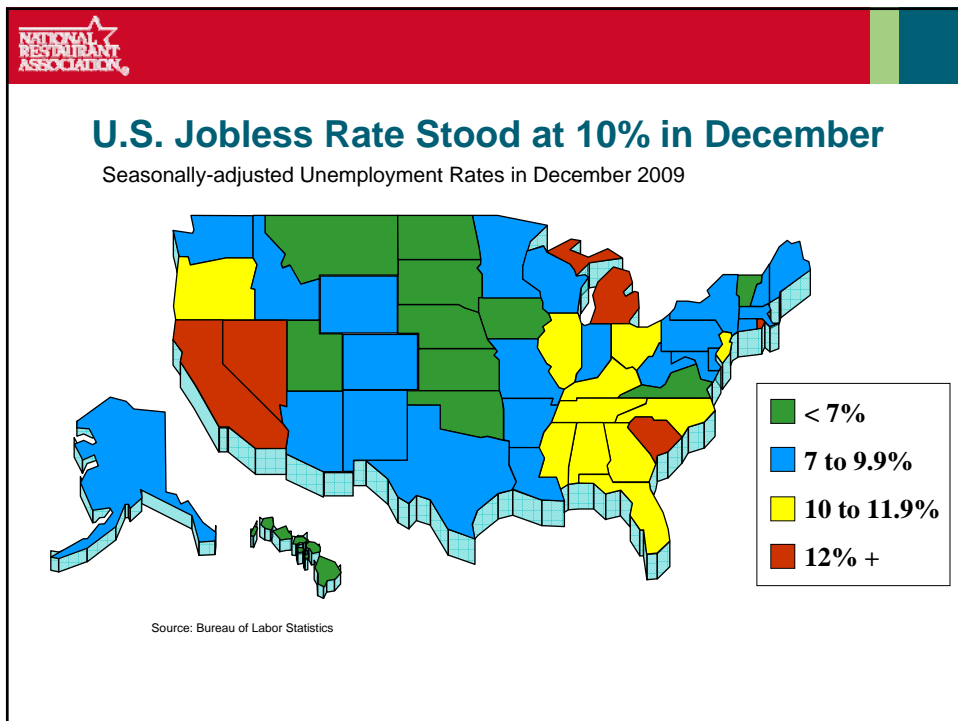
Proportion of adults who said they would use the option of *delivery directly to their home or office* if it was offered by a quickservice restaurant

By age group



Source: National Restaurant Association

# Regional Outlook



## Dramatic Consumer Confidence Variations By Region

Present Situation: January 2010

<u>REGION</u>	<u>INDEX</u>
West South Central	61.2
West North Central	44.1
East South Central	22.1
Middle Atlantic	21.3
South Atlantic	20.2
East North Central	18.7
Pacific	16.1
Mountain	15.9
New England	14.8

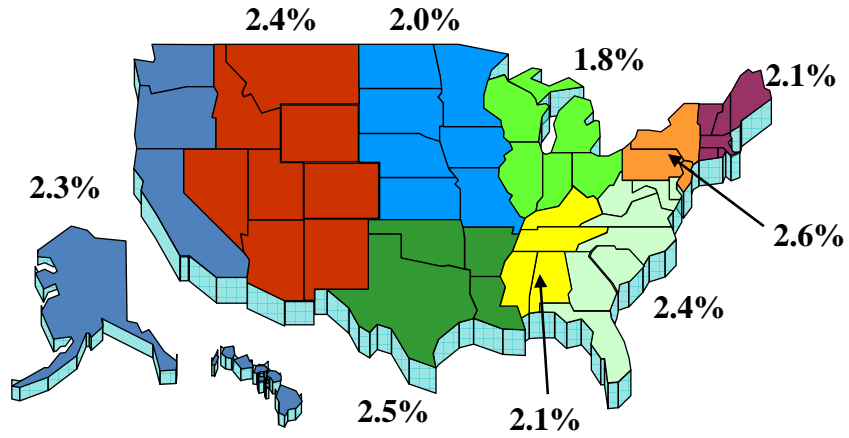
Source: The Conference Board

## The Critical Role of Demographics in 2010

<u>Region</u>	<u>Population growth</u>	<u>Employment growth</u>
Mountain	1.7%	-0.8%
West South Central	1.4%	0.2%
South Atlantic	1.2%	-0.9%
Pacific	1.2%	-0.9%
East South Central	0.9%	-0.9%
West North Central	0.5%	-0.6%
East North Central	0.3%	-1.4%
New England	0.2%	-0.9%
Middle Atlantic	0.2%	-0.6%
<b>U.S. Average</b>	<b>1.0%</b>	<b>-0.8%</b>

Source: National Restaurant Association

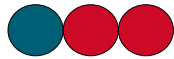
### Projected 2010 Regional Sales Growth



Source: National Restaurant Association

# Wrap Up

## Unfulfilled Demand for Restaurant Services Remains High



Over one-third of adults are NOT dining on-premises or using take-out as often as they would like

Source: National Restaurant Association

## You Feel A Need to Reduce Stress

👍 **82%** of 35 – 44 year-olds agree

👍 **78%** of 45 – 54 year-olds agree

Source: National Restaurant Association

## Americans Love Restaurants

Percent of adults who said they enjoy going to:

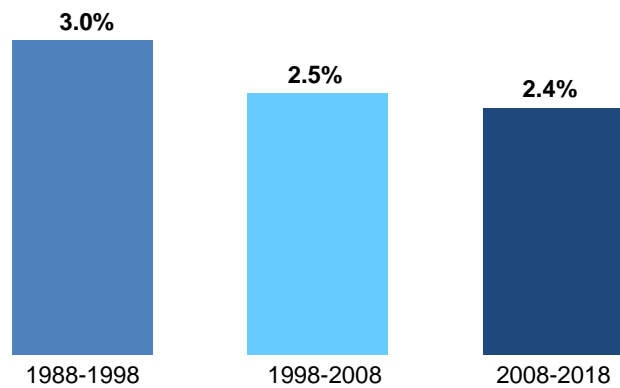
**Restaurants** 92%

**Grocery Stores** 66%

Source: National Restaurant Association

## Future Economic Growth Will Be More Moderate

Real GDP\*



\*average annual rate of change

Source: Bureau of Labor Statistics

## Wrap-Up

- 2010 will be a better operating environment for the industry than the past 2 years but substantial challenges will remain
- Yet, positive sales growth, though slight, will occur this year
- Patchy and prolonged recovery
- Job market remains weak
- With soft economic backdrop, value emphasis continues
- Menu — “local” focus
- Workforce — higher productivity through technology
- Growing role of green initiatives
- Pent-up demand for restaurants + nudging / incenting consumer = positive future despite challenges

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