

This is the thirteenth year we have created our “Top Trends”. We discuss our personal thoughts with the top leaders in the restaurant industry every year. Using this method we have set the standard for insight as to what operators can expect over the next 12 to 14 months.

### **Industry Outlook**



In 2016, same store guest visits were flat to negative for the six months leading up to the election in November. Restaurants are expected to finish 2016 with \$783 billion in sales.

This year was an important year for restaurateurs. 2016 was the first year that consumers ate away from home more than they ate at home. It is projected that

51% of the US population food spending was away from home. When you look deeper into this statistic, the gap is widening throughout the year. We believe that this trend will continue into 2017. We therefore believe that restaurant sales will increase over 4% in 2017 to \$815 billion.

### **Keeping it Fresh and Local**



“Local”, “organic”, and other implications toward “fresh” are moving from trend to standard. It’s an expectation for the Millennial set. Restaurants need to develop relationships with local farmers and begin attending farmers’ markets. We have done this for years with fish. Now it is extending out to the rest of the menu.

There is a continuous conflict whether consumers will pay the extra cost for making this happen. Some of this depends on the demographic.

Also, as we mentioned last year, according to the definition adopted by the US Congress in the [2008 Food, Conservation, and Energy Act](#), the total distance that a product can be transported and still be considered a local or regional agricultural food product is less than 400 miles from its origin. Keep this in mind when putting “local” on a menu.

Restaurant supply chains need to keep up. You will find that many food purveyors will assist you in making the local and fresh concept happen.

## Vegetables are a Culinary Trend



Vegetables are beginning to move from the side of the plate or listed as a side on the menu to featured entrees. They are beginning to replace meats as the protein of choice. Chef's around the country are doing some amazing things in the preparation of what was once just an afterthought. Consumers behind this shift are omnivores who believe they eat too many animals and see a well-prepared vegetable dish as a healthy option. You may find roasted artichokes or spaghetti squash displacing meat dishes. Welcome vegetables to the center of the plate!

## Building Relationships



There is a drive back to that “local” feel. You can see it, for example, in the Starbucks ad campaigns: “your barista knows your name and has memorized your fair-trade coffee order.” Because the homegrown, mom-and-pop, well-crafted movement has seeped into more facets of life, big companies, especially the big box chains, are having to find a new appeal. Who is the easiest

guest to come to your restaurant and spend money? The one that is already there, so find a way to keep them.

Making your guest feel important by knowing their name, their favorite food or drink gives them a sense of community. Perceived service levels go up and the likelihood of the guest returning go up exponentially. They will bring their friends as guests like to show-off their importance.

You don't have to have a photographic memory to remember these details about your guests. There are a number of technologies out there to begin filling in this information for you. And remember, Norm came into the bar every night because everyone knew his name.

## Mixology



When is a drink not just a drink but a sales tool? It's that time when we start looking to the year ahead to grasp what's going to be happening in the world of cocktails and mixology. Euromonitor estimates that there will be 400 million new consumers worldwide for luxury spirits by 2020, while consumption of spirits has risen by 15% to 26% in Asia, Africa and the Middle East.

There is a bar in Berlin called "FRAGRANCES". The Mixologist develops a unique drink just for you based solely on the scent you like and choose. There are drinks based upon your mood and how you feel. In addition, it makes a great show for your guests to watch and participate in. And what is a restaurant but "theater at its finest"?

This year you may begin to see food matched to the cocktail which is a 180 from today's thinking.

## Minimum Wage Push



Fourteen states increased minimum wage over and above the federal minimum wage rate in 2016. Twenty states increased the minimum wage for 2017. The movement that started as a whisper a few years ago is now becoming a roar. With a push from organized labor and political activists, wages is one of the biggest issues restaurateurs will be dealing with again in 2017. The continued sense of entitlement will create higher payroll costs. While we believe that the new administration will begin to push back, many

states will continue the march to \$15.00 per hour. Close behind this issue, and already attracting the attention of the political activists, is the push for paid sick leave. This has already been on the ballot in several cities.

In late November of 2016, a federal judge struck down the Department of Labor (DOL) mandate to increase the base salary where overtime is not required to \$47,476 or \$913 per week. The DOL has now filed an appeal on this ruling. We do not believe the federal judge will be overturned.

Restaurant Operators will need to raise menu prices to make up for labor increases. In Colorado where the minimum wage increased to \$9.30, the effect is a 2.3% increase in overall wage cost. This will require a 4% menu increase to offset.

5QSR concepts will continue to utilize technology to improve efficiencies. Casual and high end concepts can utilize software to assist in reducing labor in the BOH and make them for efficient.

## Catering to Millennials

We have had this in our trends for the last several years. It is too important to exclude again. Millennials (those between the ages of 25 and 34) love their restaurants.

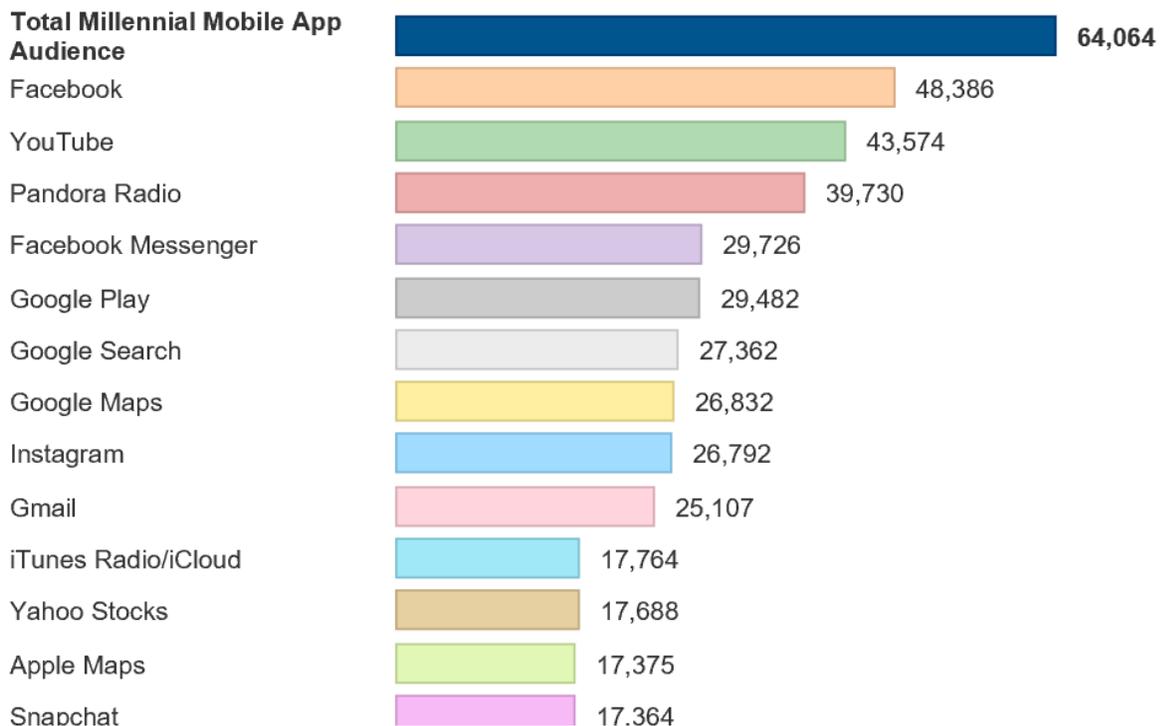
- 87% of millennials will "splurge on a nice meal, even when money is tight."
- 68% of millennials will ask friends before picking a restaurant.
- 60% of millennials follow brands (including restaurants) they like on social media "to hear about new deals or coupons."

This demographic spends approximately 13.5% more than the average Baby Boomer (per the Food Institute). With rapid developments in technology, health

trends, and aesthetic tastes, experts are watching the movements of the Millennial generation for cues. The 20-30s crowd is increasingly informed, vocal, and decidedly sure about what they like. They function at a fast pace and don't believe they should have to compromise service, quality, or overall experience.

Are you reaching this very important market via your social media campaign?

## Top 15 mobile apps among Millennials (Unique Visitors in 000s)

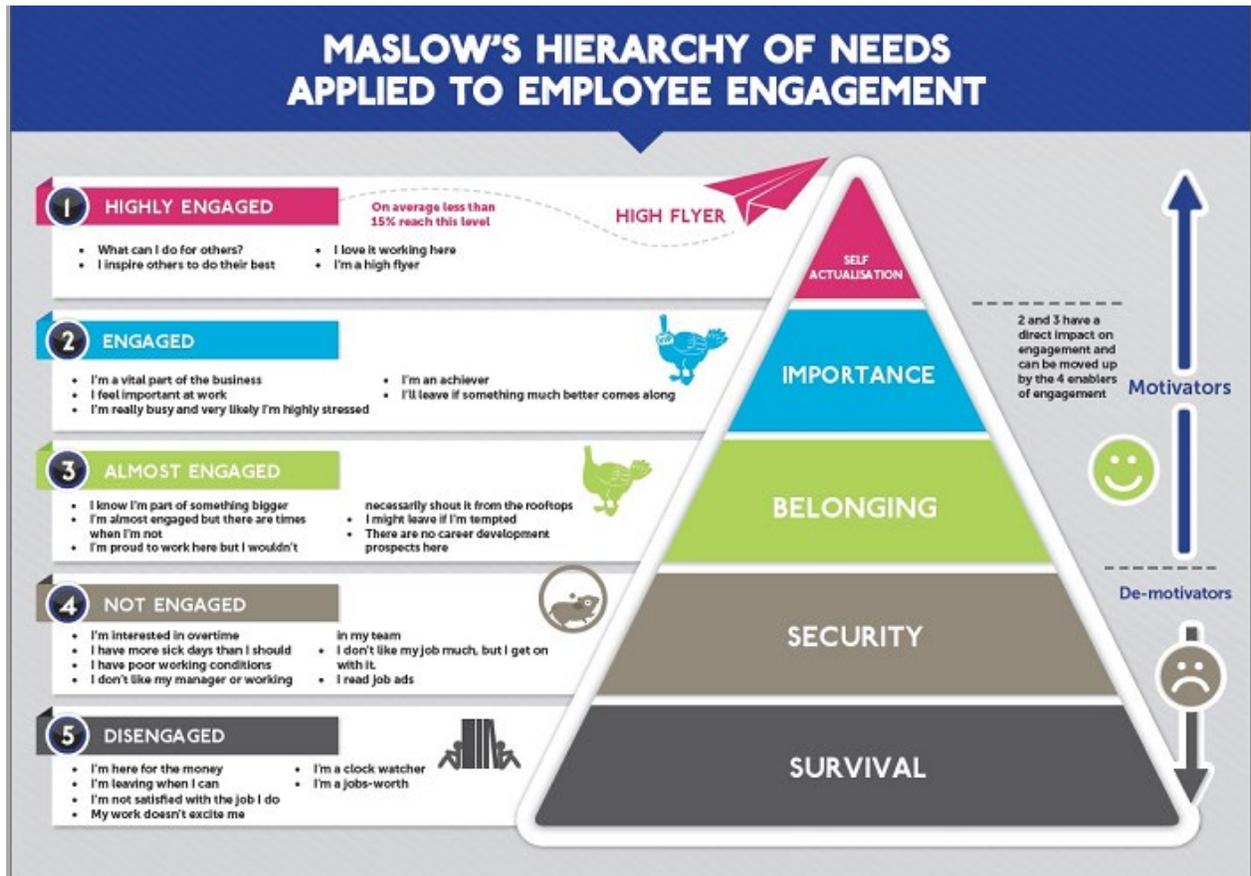


Technology has been integrated into most corners of culture and has significantly transformed the restaurant industry in the past two years. This trend will continue, particularly for taking orders, carry-out, paying, and online reputation. Many restaurants and cafes are replacing traditional wait staff by providing tablets or phone apps to place orders. Restaurants need to be developing friendly mobile apps that integrate into their POS systems. Having the ability to order through your website is a must.

### **We Must Learn to Adjust Management Styles for the Younger Generation**

In addition to technologies that cater to your guests, consider how you are engaging employees as well. Finding new and exciting ways to communicate

with your employees is a key component to productivity—and, of course, employee productivity translates to great guest service. The key is to get the younger generation involved and engaged in the restaurant. Consider, Maslow's theory redefined.



## Craft Distilling

Several years ago there was an explosion of microbreweries. From 2012 to 2015, the number of craft breweries grew from 1,149 to 2,397, an increase of 108%. While we expect this market to remain strong, we believe that there will be a strong trend to open distilleries as part of an upscale casual restaurant.



In 2014, there were 580 micro distilleries operating in the US. In the continuing

search for something new, this number will grow significantly.

As mentioned above, mixologists will continue the trend with boozy ice and tropical drinks, but there will be a push to more brown liquors. The best way to take advantage of this new wave will be to make it yourself and significantly reduce your costs.

***Can We Help You with Any of the Above?***

National Restaurant Consultants is a world renowned leader in providing restaurateurs with assistance in resolving some of the most challenging aspects of their businesses. This includes refining or expanding concepts to take advantage of an ever-changing marketplace. Our most popular service, Operations Analysis™, has saved operators nationwide thousands of dollars and is one of the most powerful tools available!

If you believe that you are not ready for any of the above changes occurring next year, or if you need assistance in your operations, we would love to speak with you. Please call or send us an email, and we will get you on the road to expanding your revenues and increasing your profits.