

This is the twelfth year we have created our “Top Trends”. We discuss our personal thoughts with the top leaders in the 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 2015 the restaurant industry achieved the milestone of growing to over 1,000,000 units. Overall growth was 3.8%, reaching approximately \$709 billion in sales. While it's good news that there was real advancement in the industry, restaurateurs are still dealing with US income levels below those of

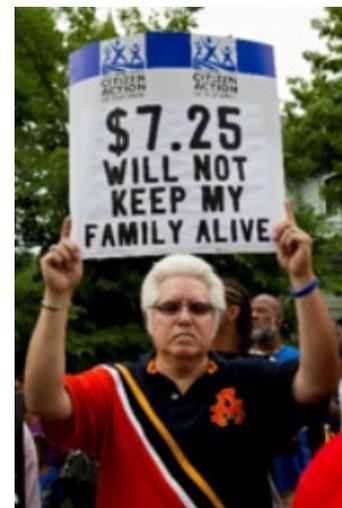
2007.

In spite of lower income levels, the USDA tells us that total food sales outside the home grew at almost 6.9% in 2015. Per the restaurant association, as of September, 2015, 48% of all adults would like to eat out more often. For these reasons we like the direction of the industry going into 2016. We believe that sales will continue to grow at a pace greater than 4.0 – 4.3% and that Millennials will continue to spend more as their incomes grow. These positive trends will help to offset food costs that will increase by 2 – 2.5% range.

## Minimum Wage Push

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, one of the biggest issues restaurateurs will be dealing with in 2016 will be the increase of minimum wages to fifteen dollars an hour. This has already occurred in a lot of the larger urban areas.

The continued sense of entitlement will create higher payroll costs. There will only be a few options to address this change from an operator standpoint: raise prices, reduce portion sizes, or cut employees through the use of technology. This, coupled with the employer mandate for health care, will lead many to hire fewer employees which will require a simplification of menus and product offerings.



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.

Also, the Department of Labor has proposed laws which would almost double the annual salary mandating overtime pay.

*Update: The new salary for overtime pay has been raised to \$47,476 or \$913 per week. Any employee that does not meet these wage guidelines must be paid overtime. This will have an impact on a majority of salaried positions in restaurants across the country.*

### Catering to Millennials

We had this in our trends last year. It is too important to exclude. Millennials love their restaurants (those between the ages of 25 and 34). They spend approximately 11% 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.

## Smartphones are the most common starting place for online activities



Base: Have Started Activity on One Device & Continued on Another (1455); Searching (923), Browsing (1172), Shopping (969), Planning a Trip (627), Finances (675), Social (1041), Watching a Video (623). Q. For the activities listed below, think about the last time you started each activity on one device and then continued or finished the same activity on another device. Please select which device you started and then continued on. If you have not done this, select "I have not done this".

Technology has been integrated into most facets 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.

**Investor's Business Daily** reports that Wendy's kiosks will be available to all of their over 6,000 restaurants by the end of the year. It will be up to franchisees whether or not they will use the kiosks.



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

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.

As they say what is old is new again. At the turn of the 20th century, most food came from within 50 miles of home. This changed as urban areas became denser and transportation systems allowed for easy movement of almost any product.

Today everyone wants **LOCAL**.

Restaurant supply chains need to

keep up. You will find that many food purveyors will actually assist you in making the local and fresh concept happen.



### **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.

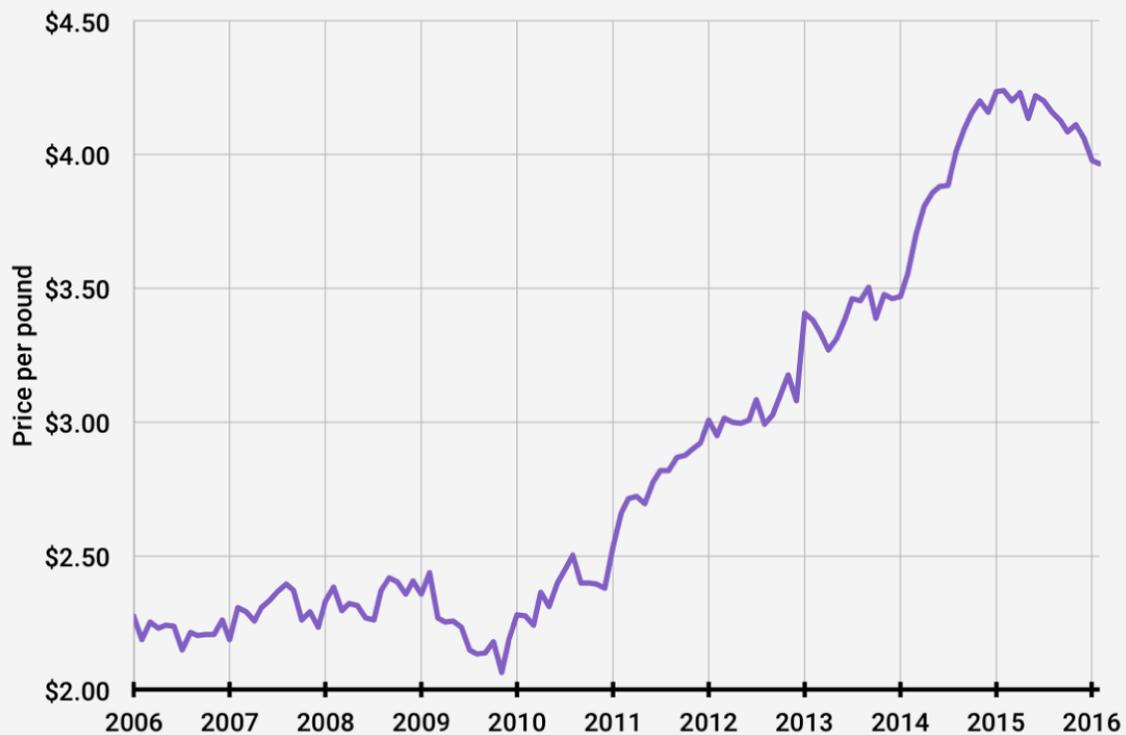
In 2014, there were 580 micro distilleries operating in the US. In the continuing search for something new, this number will grow significantly.

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.

### **Beef Prices**

This past year the price of beef has risen almost 16%. We anticipate prices have stabilized and will begin to decrease. Other proteins will follow. However, we see chicken becoming the next new beef due to the reductions in flocks caused by the bird flu. Restaurant operators can take advantage of this by updating their menus with flavorful chicken dishes to meet healthy trends.

# GROUND BEEF PRICE



SOURCE: Bureau of Labor Statistics

BUSINESS INSIDER

## 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.