

2019 Industry Trends From National Restaurant Consultants

We have assembled several key items for you to consider as you look forward to the New Year. For 2019 the food service and hospitality industry is forecasted to grow again by modest numbers of about 1.5% in terms of top line sales. The trends continue to see customer counts suffering based on three factors:

- Many restaurant openings, over saturation and competition
- Evolution of consumer trends continuing with delivery and convenience and the newest term “Ghost Kitchens” evolving. Ghost Kitchens are the latest trends replacing the food truck with small brick and mortar locations with no on site or sit down service. Often Ghost Kitchens are located in under performing retail or industrial areas with good access to road ways for ease of delivery. Ghost Kitchens most often have fun and trendy food offerings with high flavor but limited offerings. 98% of all product produced in a Ghost Kitchen is delivered by third party delivery companies.
- Cost of delivery with 3rd party delivery companies will trend down in 2019. Concerns about department of labor making a recommendation to have delivery companies connected to restaurants as a part of the staff of restaurants will continue to be debated throughout 2019.
- Historical retail operations continue to fight for a piece of the pie of the food service operator impacting the overall growth for food service operators in 2019.
- Continued pressure on hiring, attracting and retaining staff. From an article published in May 2018 from National Restaurant News:

How businesses can keep hourly employees and managers engaged

[Joanna Fantozzi](#) | May 06, 2018

Nation's Restaurant News looks at the changing workforce and how restaurants can keep up.

Attracting and keeping store-level employees may start with offering competitive wages, but paychecks are only one piece of the puzzle.

We've detailed some of the most effective ways restaurants are transforming their restaurant-level workplace culture to encourage long-term careers instead of just temporary work, from offering out-of-the-box benefits to providing internal career counseling and experimenting with flexible schedules. These policies and benefits from restaurant chains — many of which have surprisingly low turnover rates — are divided into four key areas: hiring/training, quality of life, career opportunities, and communication, or giving employees a seat at the table.

Hiring and training smart

Retaining the right employees starts with the hiring process. Taco Bell, for example, worked to attract younger potential employees by throwing 600 hiring parties across the country in April, complete with free food, swag and the opportunity to be hired on the spot.

But not every restaurant chain has the reputation or resources to entice employees with free T-shirts. Tennessee-based burger chain Pal's Sudden Service — where the turnover rate as of April 1 was 23.3%, less than a third of the nationwide industry rate — is well-known for its rigorous hiring standards and training practices. The 29-location quick-service chain uses a 60-question personality test — developed with local university professors — to determine if potential employees would be a good fit.

“Our goal is to bring in people who are happy and excited to be there,” CEO Thom Crosby said.

“If [the test shows] a mismatch, we know where to slow down and focus on training.”

Once employees are hired, the training never stops. Crosby said they are in “coaching mode” every single work-day, with managers given daily training targets.

At chef-driven restaurant concepts, thorough culinary training is just as crucial as customer service training. Dig Inn — the New York City-based, vegetable-forward fast-casual restaurant with a 23% turnover rate — trains employees in a five-day food safety and knife skills course. Each hourly employee knows how to work the cash register and make each recipe. Store managers, chief people officer Stacey Payne said, are given additional opportunities to train in two-day internship-like programs outside the restaurant with famous chefs like Floyd Cardoz (Bombay Bread Bar, New York City) and Missy Robbins (Lilia, Brooklyn).

Quality of life

Keeping shift employee stress levels down is a crucial aspect to hitting retention goals. At Buffalo Wings and Rings — a Cincinnati-based, 56-location sports restaurant — flexible scheduling is ingrained in the culture and hourly employees can choose their own shifts online. Although it's not guaranteed they will get their first choice, they can also pick up shifts on the fly, all on the same restaurant management database.

On the managers' side, a few restaurant chains are starting to experiment with a more flexible four-day workweek for supervisors including Shake Shack Inc. and Bloomin' Brands' upcoming fast-casual concept Aussie Grill.

"We're doing a lot of listening," Shake Shack spokesperson Kristyn Clark told NRN in a March interview.

TURNOVER DATA



**Employee turnover rate
for foodservice industry**

SOURCE: 2018 BUREAU OF LABOR STATISTICS

\$1,800
Average cost of turnover
for hourly employees

SOURCE: TDN2K, 2019 PEOPLE REPORT WORKFORCE INDEX

\$10K
Average cost of turnover
for managers

67%
Restaurant operators
who cite staffing concerns
as a key cost driver

SOURCE: NATION'S RESTAURANT NEWS AND FOURTH,
2018 STAFFING CONCERNS IN RESTAURANT OPERATIONS SURVEY

46%
Restaurant operators
who have seen
turnover increase

Introducing a four-day workweek is one way to reduce burnout. Texas Roadhouse, a 515-unit casual-dining chain, is experimenting with another. The company reportedly doesn't hire dishwashers anymore since that's one of the toughest jobs to retain.

"You are sweating," Scott Colosi, president of Louisville, Ky.-based Texas Roadhouse Inc., said during the 21st annual ICR conference in Orlando, Fla., in January. "You are getting soaked. It's just tough sledding all around."

Instead, the company hires multi-functional utility employees who might wash dishes one shift and chop salads the next.

Quality of life perks can extend beyond the work shift too. Chicago-based, 120-unit restaurant group Lettuce Entertain You, which had a turnover rate of 56% in 2018, offers financial assistance for life milestones. Restaurant employees will get bonuses if they are getting married, going through a divorce or having a baby.

“When you find yourself in trouble or want to celebrate a milestone, you go to your family,” SVP of human resources Susie Southgate-Fox said.

At Denver-based Snooze an AM Eatery, quality of life extends to flexibility in style. Good hygiene and a Snooze shirt are mandatory, but beyond that, workers can “let their freak flag fly,” said David Birzon, Snooze CEO. Workers at the 35-unit chain are welcome to have tattoos, piercings and wild hair colors that might not be welcome in other restaurants. “We really do welcome everyone,” said Birzon.

Career opportunities

One way to improve retention is to help employees launch restaurant careers. At Danny Meyer’s 18-unit, New York City-based Union Square Hospitality Group, new hires are made immediately aware of their career opportunities and can meet with a team member to discuss vertical career moves as early as 90 days after being hired.

“We make new compensation levels available as you progress so that people can envision a career path and know it’s not just a job or side gig,” USHG chief culture officer Erin Moran said.

The group also offers what it calls “growth and research coaches” — team members who serve as mentors to get employees the skills and experience necessary (including free English classes for non-English-speaking employees) to move up, become a manager and make a career within the group.

But fine dining is not the only category that provides career coaching. Chipotle Mexican Grill Inc. has become known for its restaurateur program, which serves as a company career incubator. The program was overhauled in 2017 to focus on general managers: To develop their skill set and give them an opportunity to earn a six-figure GM salary and Chipotle equity through quarterly grants. In 2018, a Chipotle representative said, the chain was able to promote 13,000 employees.

A seat at the table

At the Washington, D.C.-based, fast-casual pizzeria & pizza, employer/employee communication is the basis for its operations. In 2017, CEO Michael Lastoria gave his phone number out to every single one of the employees at his 35-unit chain and switched to text-only communication. Employees can text him about anything from workplace issues and career advice to pizza recipe ideas.

“Our finger is more so on the pulse of what’s happening [in our stores] than I would argue any other company out there,” Lastoria told NRN in December.

Providing incentive is another way to encourage employee participation.

At the 45-location, Columbia, Md.-based Greene Turtle Sports Bar & Grill, gamification is used to get employees involved and engaged. The winner of its annual Bring Your Own Bartender cocktail recipe competition will see their drink on the menu at Greene Turtle and receive an invitation to the General Managers Conference. Finalists split the \$1,000 prize.

Some chains are also beginning to provide equity through employee stock ownership plans.

In December, the West Monroe, La.-based, 43-unit pizzeria chain Johnny’s Pizza House became a 100% employee-owned company, with equity shares split by employees who have worked for more than a year at the company on a pro-rata basis.

“This has created a whole new level of loyalty among our employees,” president and CEO Melvin DeLacerda said. “They realize they’re not just providing customer service for a company’s distant owners ... they are the owners.”

- Here is a summary as to the top 10 reasons restaurants fail reprinted from an article published in October, 2018 from Restaurant Industry Magazine.
 - 42,000 new restaurants open every year.
 - By the third year in operation, 50% have close their doors.
 - 81.4% was due to poor management.
 - Many of those could have been saved if they had just asked for help.

1. You Don't Know How to Do Every Job in Your Restaurant

Handcuff Management is the Sure Road to Failure.

Never tell your staff you don't know how to do their job. If you really don't, then train on every station in your restaurant starting tomorrow! I have managers in my restaurants do a stage or trail on every position in the restaurant for 4 days each...I don't care if you ran the best rated restaurant in the world! You work every station and learn what it takes to do every job.

Why?

- it shows you want to understand what they do on an everyday basis.
- you get to know them on a deeper level than any team building exercise could ever do
- you'll gain respect. Anyone can come in, bark orders and be “the boss”, if you want to be a leader, then step in and get dirty with the team.

2. You Hire the Wrong People

Jim Collins Was Right! Get the RIGHT People on The Bus

This is the holy grail of owner mistakes! You want to lower your turnover by 10-15%? Just hire bad people because they never leave!

Your number one job as an owner is to guard the doors of who you allow to take care of your guests. Restaurant competition is fierce. I mean brutal. Every time someone walks through your door, they have chosen NOT to spend their money somewhere else. That's your responsibility to hire and train a team that lives and extends your passion into the food and service.

Bad attitudes and substandard skills are rampant in this industry. Here is a little know secret: it's not always about the money. Today's workforce wants flexible hours to follow their other interests. They want to learn, so develop an environment that promotes knowledge...hand out books on the restaurant industry, articles from the Internet, take them to seminars. Most staff do not leave because of money, they leave because they did not feel appreciated, listened to or allowed to learn. Learning is growth and growth is life.

3. You Get on The “Discount” Train

Desperate Times Do Not Call for Discounts!

When you are desperate for business, everyone will try to convince you that THEIR discount program will save you. If you believe that, I also have some very nice swap land to sell you too.

Discount programs sound good only because of two things:

A. They promise more people in the door, however its only customers looking for a bargain.

B. You do not have a yearly marketing plan. In my 30 years in the restaurant industry, I have only come across 6% of restaurants that have ANY kind of marketing plan at all and only 2% are yearly plans. Most are only a few months out if that. Marketing is like air.... you need air to live. You need a restaurant marketing plan for your restaurant to survive.

Discounts are internal bleeding that most operators do not even look at. \$50,000 to \$100,000 taken off the table due to discount, could be better used in SO many different ways.

4. NO Budget, Forecast or P&L

This Should Be A Sin of Restaurant Ownership.

Lest we forget, this is a business and businesses exist for one reason....to make a profit!

Only about 10% of restaurant use a budget, forecast or P&L statement. That is pretty depressing. If I was lost in the woods and you wanted me to navigate out of the deep woods.... I would require a map & a compass. You need a M.A.P. too! That is a Massive Action Plan. You must know where you are before you can get to your destination. Hey, the USAF Pararescue paid me to learn this stuff! The compass is to keep you on track and on target. Use sensory acuity to figure out what is working and what is not, then make adjustment to get yourself back on task.

5. Your Business Culture Sucks!

The Best Restaurants Develop A Culture of Excellence

This is your fault. It's okay, I know you don't want to admit it.

Culture flows DOWN not UP! If you have a negative attitude, guess what? Your staff will have a negative attitude. You show up late all the time? Then get upset when your staff is late? Get real. Having a fling with an employee? Do you think your staff really respects you? Sure, to your face they will always be nice, however soon as you turn your back, watch out.

You set the tone and values of your business! You do, not your staff and they are not open to interpretation or change. You want to survive in this industry, start thinking "world-class". What? Are you crazy? I have a little Mexican restaurant....

Yes. Be a "world-class" Mexican restaurant. Be the very best that you can be. Mediocracy is for losers who don't have the passion to play the game at their highest level. You did hear me say "their highest"? Read books, attend seminars and get a restaurant coach! All high-performance athletes and CEO's have a coach! I have a great business coach! Before I got him, my business had reached a plateau, now my businesses are all thriving, and I have more opportunity than ever before!

I want you to adapt a new word to your vocabulary...kaizen. It's a Japanese term for constant and never-ending improvement. It is a concept incorporated by Dr. Edward Deming after World War II to turn the Japanese economy around. Small steps everyday forward towards improving just one thing. If you just improve one thing a day for one year, you'll have 365 new steps towards a "world-class" restaurant.

6. Never Worked In The Restaurant Industry

I Think I Will Open A Restaurant...Are You Really Sure About That?

You thought it was going to be caviar and dreams.... you would be the ultimate host and everyone would rave and throw money at you when you walked through the dining room. Line 1 is for you, it's reality. Now don't get me wrong you can make good money in the restaurant business if you truly have a burning passion to serve others and have a solid business plan (see #4).

I have young cooks ask me all the time, "which culinary school should I go to?". I tell them all the same thing, "it does not matter. They all teach the same curriculum. The one thing they cannot teach is passion." Getting up early to do a breakfast for 6 people really sucks if you don't have passion for the business. I routinely pull 14 hours days because I get caught up in the "moment" of service on a busy day and the next thing I know it's 10 pm. I've been at the restaurant early, prepped for an event, do a lunch tasting for a client, jump on plane and fly 3 hours to give a workshop or keynote the next morning and fly back and be in the restaurant, on the line for dinner service. You have to LOVE what you do in order to do that for 30 years.

7. Still Are Using Outdated Marketing Concepts

Someone Must Be Buying This Stuff, Cause They Keep Selling It!

Postcards do not work. Please stop sending me snail mail. How much do they want now your yellow pages ad? It's just a waste of your money.

They are dead mediums!

If you are not ONLINE, then you are OFFLINE and out of touch with today's consumer.

Here is the very minimum websites your restaurant should have an online presence on...the minimum:

FaceBook

Twitter

Google+

Google Business Places

YELP

LinkedIn

FourSquare

Get a email service like MailChimp, aWeber or Infusionsoft. These people are pros at what they do. Get a professional web designer from ODesk or Elance to help update your website. And please for the love of all that is more upsetting to your web savvy guests...if you have a menu posted online, please, please, please keep it up to date. Sometimes guests see your menu online and then drive all that way because you planted a seed in their head. They get quite upset when the staff tells them that that menu is from last year.

8. Scared and Too Proud to Ask For Help

The Arrogant Owner Complex

The ego. How many times have we argued with someone knowing they were really right, yet we just won't give in due to that darn ego? Egos have started wars, ruined economies (the housing bust), and closed the doors of more restaurants than we could list here.

So, maybe you don't know everything about the restaurant business? You act tough in front of the staff because you don't want them to see through your charade. Trust me, they will figure it out and then slowly take control of the restaurant and ride the payroll until you finally close the doors. I've seen it happen repeatedly.

I have said it before and I will say it again...
42,000 new restaurants open every year.
By the third year in operation, 50% average closed their doors.
81.4% of those were due to poor management.
Many of those could have been turned around if they would have just reached out for some help.

9. Your Staff Has Free Rein of The Restaurant

Why You Need To Work ON Your Business More and Less IN Your Business

I love a good pirate movie! When does the mutiny always happen? When the captain is downstairs, not watching the crew. As an owner your job is to do two things:

A. **Build your business.** After you learn every position in your restaurant (see #1) your job is to Promote, Preach and Deliver.

B. **Train your team to run the restaurant to YOUR standards, expectations, vision and core values.** You manage the managers; they manage the team. You build the people who build your business.

It said in the bible, "without a vision, the people perish." This is true about your restaurant as well. Every day you need to affirm with your team what YOUR standards, expectations, vision and core values are. Keep those things at the top of their mind. Repetition is the mother of all learning. I am always reminding the staff with pop quizzes all day long, that is my job to make sure they are committed to the company vision, values and standards. It might be a subtle form of brainwashing.... but it's better than closing your doors and losing everything.

10. Menu and Concept Are Designed Around Personal Egos Not Guests

What We Can Learn From Reality TV

Ever watch Gordon Ramsey on Kitchen Nightmares?

Besides the dramatic effect of treating people poorly, Ramsey does have a formula for the turnaround. The first thing: cut the menu down.

He does this with a few key items in mind:

- it's better to pull off 12 items great all the time than 25 items so-so
- develop signature dishes, you want to be known for something special
- listen to the market and not your ego. I love the so called "chef driven" menus that have 12 steps to each plate that ends up taking an hour to get on a busy Friday night dinner service. That was a good idea.... of what NOT to do.

Menu engineering is a big thing! You have to do market research and tap into the local pulse. Just because Grandma had a good meatloaf recipe, doesn't mean you should you put it on the menu. Plus, there are complex psychological visual placement of items where they are on the menu which will make a dramatic difference.

Good tasting food that is seasoned properly with solid cooking technique and clean presentation will win your customers over and over again...a lot more than Asian pear gelato, black pepper-grape foam with a blue cheese tuile.

Finally; in our summary of industry trends for 2019.

The changing workforce and how restaurants can keep up.

- Attracting and keeping store-level employees may start with offering competitive wages, but paychecks are only one piece of the puzzle.
- We've detailed some of the most effective ways restaurants are transforming their restaurant-level workplace culture to encourage long-term careers instead of just temporary work, from offering out-of-the-box benefits to providing internal career counseling and experimenting with flexible schedules.
- These policies and benefits from restaurant chains — many of which have surprisingly low turnover rates — are divided into four key areas: hiring/training, quality of life, career opportunities, and communication, or giving employees a seat at the table.

- Workforce investments are necessary to stem turnover costs — which are \$10,000 for managers and \$1,800 for an hourly employee, according to analytics from TDn2K. Aside from the recruiting inconvenience, turnover turns into some serious dollars, fast.
- There isn't a one-size-fits-all solution to convincing people to work for your restaurants and convincing them to stay.
- And yes, we said convince.
- Right now, Americans have many options on where to work. It's up to you to make your company an attractive place to make a career.
- It's a tall order when the shape of the workforce is changing every day — with tech influences and demands, changing legislation and new third-party partners.
- But rest assured, you are not alone. If you page through our magazine archives over the past several decades, you'll notice that workforce challenges have always been a constant. And the restaurant industry is still going strong.
- Your restaurant forefathers and mothers made it work; you will too.

Best for success for 2019 and we hope you enjoyed reading about the Trends we forecast for 2019 and beyond.