

This is the fourteenth 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 2017, same store guest visits were flat to down until October. Some of the optimism seen in the economy has not spilled into the chain restaurants, the source of most of the data compiled by the restaurant industry. Growth has really come from the smaller imaginative independents that the Millennial and younger set like to frequent. At the end of 2016, spending at independent restaurants grew at a rate of 8.3% year-over-year versus 2.4% for national chains.

Consumers are eating away from home more than they are eating at home. This line was crossed in late 2016 and continued thru 2017. A majority of the US population food spending, over 51.8%, 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 2018. The will result in restaurant sales increasing over 4% in 2018 to \$825 billion.

Clean Food



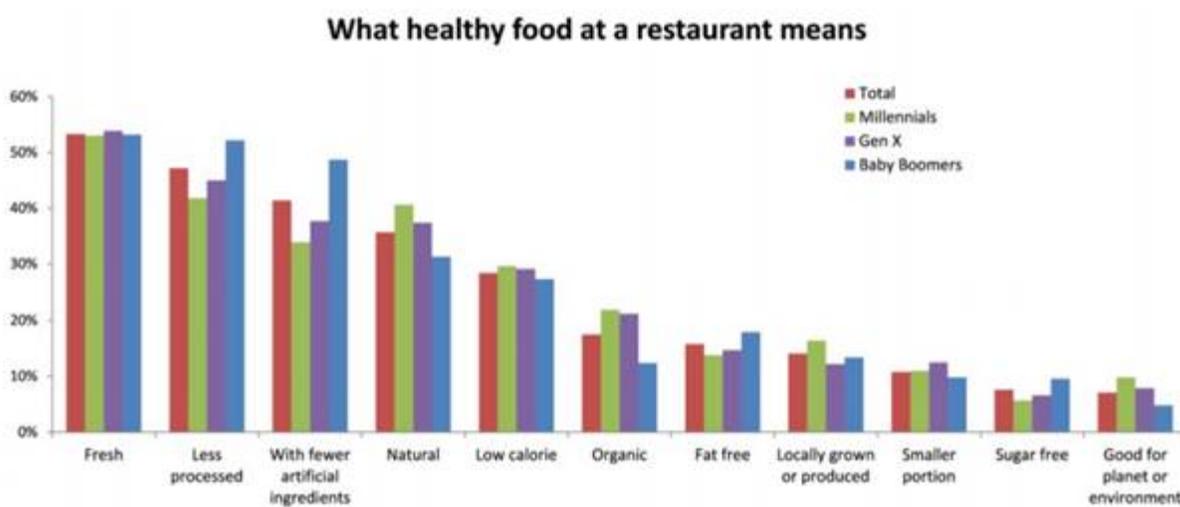
Last year we emphasized keeping it “Fresh and Local”. This has now expanded to keeping the food as clean as possible from additives, with “organic” being preferential. Restaurants need to keep developing relationships with local farmers and begin attending farmers markets. Ask your food purveyors what local food programs they offer. Almost all foodservice distributors such as

Sysco and US Foods have active programs.

Nancy Kruse from Kruse & Associates noted at the 2017 MUFSSO conference, “The consumer demand for *cleaner food* remains one of the biggest trends of the

past decade”. The difference is who is setting the standard for cleaner food. We now see the trend moving to “do-it-yourself-wellness.

There is a continuous conflict whether consumers will pay the extra cost for making this happen. Some of this depends on the demographic, but these options are now a must on any menu. From the below chart, we can see that “Fresh Foods” across all demographics believe this equates to a healthier option. Natural and Organic are most important to the Millennials.



Morgan Stanley

Again, as we mentioned for the last several years, 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.

Culinary Trends

You read what is hot this year and what is on its way out for 2018, but, what really makes a trend are dishes that work their way on to menus for several years. In the past few years, these trends with inspired by the Southwest United States and Asian



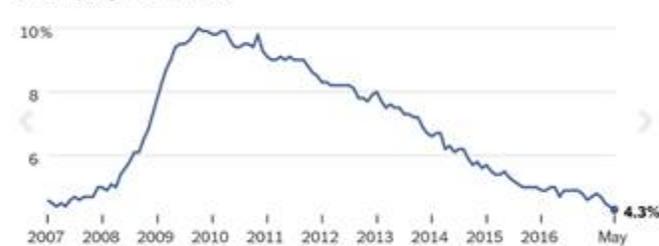
Fusion. While we see these inspired dishes having a place on many menus; but look for two other trending genres.

Mediterranean dishes will become more prevalent on menus with Israeli-inspired cuisine. These dishes evoke unique flavors using spices that make bold statements. This food is colorful and presents itself well on the plate.

The second big trend we see is more Latin dishes. The **freshness** (see above) of the ingredients and the selection of onions and peppers is what makes these dishes so special. But getting the correct grind of spice is what will take it over the top.

Labor Issues

Unemployment Rate



Source: Bureau of Labor Statistics

Unemployment is now at historic lows. This is not news to us in the restaurant industry as it has become harder and harder to find employees. Finding skilled talent in the BOH is becoming even more difficult. Also driving the shortage is the opening of more and more restaurants as consumers eat out

more than ever.

The reasons for the shortages are numerous. They range from an aging population to broken immigration laws. Whatever the reason, the problems are real, and restauranteurs need to come up with solutions.

QSR and Fast Casual restaurants are going to on-line ordering, kiosks, along with other methods to reduce and in some cases, eliminate, FOH labor requirements. A number of companies are also trying to automate several functions in the BOH to reduce labor hours.

Restauranteurs in the casual and fine dining segments do not have the luxury of automation. Some of the larger chains such as Red Robin and Chilis have gone to screens on the tables which are allowing servers to cover more tables.

The industry needs to reach back into the past to solve some of its current issues. Programs are now being developed in several metropolitan areas to teach culinary classes at the high school level to generate interest in entry level jobs in the BOH. There is also an effort to move Kitchen Display Screens - KDS (long a favorite of the QSR segment) into full service kitchens. This is in an effort to take the pressure off the line cooks by eliminating paper tickets and assisting

in prioritizing and tracking what needs to be completed. Menus will be designed with more emphasis on labor and prep in an effort to reduce hours in the kitchen.



Unfortunately, the above labor issues are also putting pressure on labor costs. This is coupled with the large push to increase minimum wages across the country. In 2016, fourteen states had minimum wages over and above the federal minimum wage. In 2018, twenty-nine states will be over the federal

minimum wage. In addition to this, a number of states are eliminating the tip credit.

In addition to the minimum wage increases, paid sick leave has been pushed onto several state ballots and is now the law in six states. There are a number of other states that are now pushing for this. In fact, the president actually included a mandate for paid time off for new parents in his original 2018 budget. Why is this important? Restaurants will now need to over higher to cover shifts for those taking paid sick time which we all know are just vacation days.

Labor costs will be going up. Either by free market forced by the tight labor force or by government mandate. Restauranteurs need to be prepared for this by analyzing costs or raising menu prices to compensate. The good news is that restaurant guests are now becoming more open to price increases as long as a quality perception remains for food, service and ambiance.

We will also see a more favorable Department of Labor at the national level for the next several years. Tipping or “hospitality included” concepts as demonstrated by Danny Meyer and Union Square Hospitality group in New York may continue to permeate across the country. This will be a trend to continue to watch and see as the large increase in menu prices will no doubt place pressure on communications to both the guest and FOH staff. This may be an answer to higher wages for FOH. Additionally, the Trump administration and DOL have continued to push for greater definition of full time as well as definitions relating to exempt staff wages.

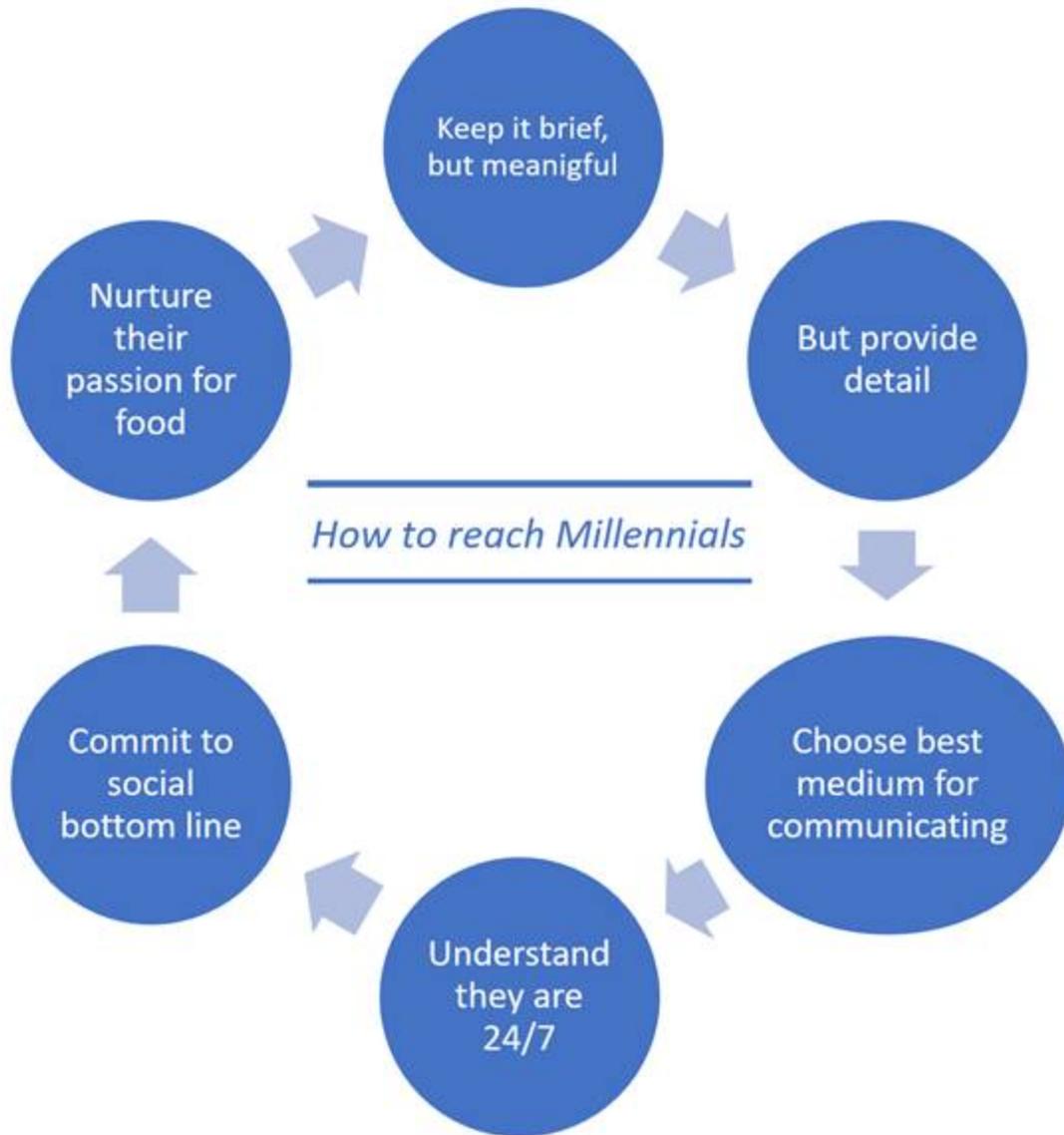
Catering to Millenials

The Millennial generation is moving into middle age. Their incomes are increasing. Although we have had this in our trends for the last several years, it is

too important to exclude. Millennials (those between the ages of 20 and 37) love their restaurants. Here is why they are important!

This demographic spends more on a per capita basis than any other generation on food outside the home. With the trend of eating out more often, restaurateurs need to not just have a marketing plan for them, but an answer as to why they will choose your restaurant.

The group pays attention to what they are eating. They tend to live a healthier life style. A staggering 40% of Millennials are reportedly taking on a plant based diet. In fact, Veganism has grown 500% since 2014. They comprise almost 52% of organic consumers. You need to have the vegetarian/vegan options on the menu. Servers need to be trained as to vegan items or how a dish can be modified to fit this dietary requirement as well as Gluten Free modifications.



Technology has been integrated into most corners of this culture and has significantly transformed the restaurant. This trend will continue, particularly for taking orders, carry-out, paying, and online reputation. Restaurants need to be developing friendly mobile apps that integrate into their POS systems. Having the ability to order through a mobile friendly website is a must.

Mixology



The need to have your drink menus scream **BIG BOLD** flavors continues to grow in importance. Exciting and adventurous flavors will attract both the millennial and the baby boomer alike. This will include infusing foods into the cocktail. Providing a smoky flavor through a variety of methods was popular in 2017 and will continue

into next year.

Giuseppe Cipriani, created the Bellini in Venice in the 1930s, and today the home of the Bellini - Harry's Bar - is a must-visit. So, with **people now spending 5% more on luxury experiences than luxury goods** (per Bain & Company Luxury Goods Worldwide Market Study 2016), bar owners and mixologists who tap into this desire can thrive in 2018.

Just like we have seen with the local craft beer seen, we will start to see a real push for local in craft cocktails. This will include not only the spirit, but also the mix and garnish. Lower alcohol drinks and mocktails also will take a greater role on beverage menus and with creative mixology. The trend can also produce greater margins with lower cost of ingredients while maintaining good price points.

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.

