

# Restaurant Industry Outlook

Travel and Tourism Research Association Marketing Outlook Forum

LAS VEGAS, NEVADA « OCTOBER 2018



## THE RESTAURANT INDUSTRY IS AN ECONOMIC POWERHOUSE

**Restaurant-industry sales are forecast to exceed \$825 billion in 2018.**

**On a typical day in America in 2018**, approximately 170 million people will be foodservice patrons.

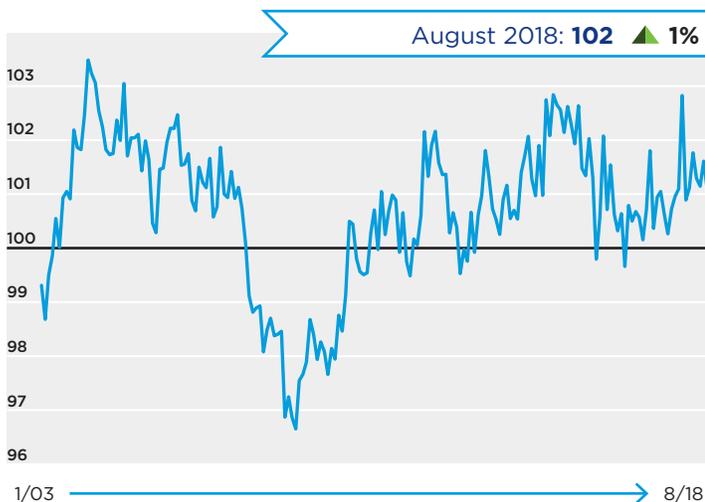
**The U.S. restaurant industry employs 15.1 million people, about one in 10 working Americans.** The industry's workforce is expected to increase to 16.7 million people within the next decade.

### RESTAURANT PERFORMANCE INDEX

Driven by stronger same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) registered a healthy gain in August. The RPI — a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry — stood at 102.0 in August, up 1.0 percent from a level of 101.1 in July.

**Current Situation Index:** The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 102.3 in August — up 1.6 percent from July and the highest level since December 2017. August represented the seventh consecutive month in which the Current Situation Index stood above the 100 level in expansion territory.

**Expectations Index:** The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.7 in August — up 0.4 percent from a level of 101.4 in July. The Expectations Index trended sideways for the last several months, after retreating from a nearly three-year high in December.



Values greater than 100 = Expansion; Values less than 100 = Contraction

Source: National Restaurant Association

Current Situation Index: **102.3 ▲ 1.6%**

- \$ **Same-store sales:** **58%** report increase over August 2017
- 👤 **Customer traffic:** **43%** report increase over August 2017
- 🏠 **Capital spending:** **66%** report making expenditure in last 3 months

Expectations Index: **101.7 ▲ 0.4%**

- \$ **Sales outlook:** **38%** expect higher sales in 6 months
- 🏠 **Capital spending:** **63%** plan to make expenditure in next 6 months
- 📊 **Economy:** **26%** expect economic conditions to improve in 6 months

**KEY TAKEAWAYS:** Driven by stronger same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) registered a healthy gain in August. Restaurant operators reported a net increase in same-store sales for the 10th consecutive month, with customer traffic also turning positive in August. **Although the forward-looking indicators anticipate continued growth in the coming months, their recent trends have been somewhat choppy.**

## TABLESERVICE OUTLOOK

### Top trends in this segment include:

- **Strong competition:** While restaurant operators are generally optimistic about business, they don't expect a letdown in competitive pressures. The vast majority of operators say they think competition from other restaurants will hold steady or become even more intense in the years ahead.
- **Focus on the experience:** With a majority of adults saying they would rather spend money on an experience such as a restaurant or other activity, compared to purchasing an item from a store, more restaurants are looking at options to enhance the experience, such as picking an exact table from a seating chart on a website, or participating in loyalty programs that include guaranteed reservations on busy days, discounts on certain menu items, or skip-the-line privileges.
- **Off-premises growth:** As the economy continues to expand, more consumers will likely need the convenience of take-out and delivery options. More than four in 10 family- and casual-dining operators plan to devote more resources to expanding the off-premises side of their business this year.

## LIMITED-SERVICE OUTLOOK

### Top trends in this segment include:

- **Repeat business:** Limited-service operators are focused on drawing customers back in. Roughly six in 10 dollars spent in the fast-casual and quickservice segments come from repeat customers, according to operators. Regulars are most important for the coffee and snack segment, with operators reporting that repeat business represents two-thirds of their sales, on average.
- **A focus on younger consumers:** A majority of operators in each of the three limited-service segments say they will focus most on increasing visits among the under-35 age group during the next five years. To attract these tech-savvy consumers, a majority of operators expect to devote more resources to both social media marketing and electronic marketing this year.



## MENU TRENDS

Consumers are increasingly interested in healthful menu options, locally sourced food and food produced in an environmentally conscious way. They're paying closer attention to nutrition content, food quality and food production. The National Restaurant Association's What's Hot survey of professional chefs (American Culinary Federation members) reveals a new era of concept-based food trends that focus more on how food is produced and prepared than on specific ingredients or items.



1. **New cuts of meat** (e.g., shoulder tender, oyster steak, Vegas Strip Steak, Merlot cut)
2. **House-made condiments**
3. **Street food-inspired dishes** (e.g., tempura, kabobs, dumplings, pupusas)
4. **Ethnic-inspired breakfast items** (e.g., chorizo scrambled eggs, coconut milk pancakes)
5. **Sustainable seafood**

## IMPORTANCE OF TRAVEL

According to National Restaurant Association research, restaurants typically can derive up to 30 percent of sales from travel and tourism. Consequently, growth in travel and tourism is an important driver of growth in restaurant sales. Overall, about one in every four restaurant industry sales dollars is related to tourism.

## OUTLOOK FOR RESTAURANTS IN 2019

Business conditions for the restaurant industry are projected to remain generally positive in 2019. The National Restaurant Association expects the economy to continue to expand at a moderate pace in 2019, with gross domestic product (GDP), employment and personal income projected to grow at rates generally similar to 2018 trends. As a result, modest positive gains are projected for industry-wide restaurant sales, as well as in the transportation and lodging sectors.

The 2019 National Restaurant Association Restaurant, Hotel-Motel Show (May 18-21) will be a hotbed of innovation as more than 66,000 restaurant and hospitality professionals converge in Chicago to understand strategies for business success in 2019. Visit [Restaurant.org/Show](https://www.restaurant.org/show) to learn more.