Foodservice CEO

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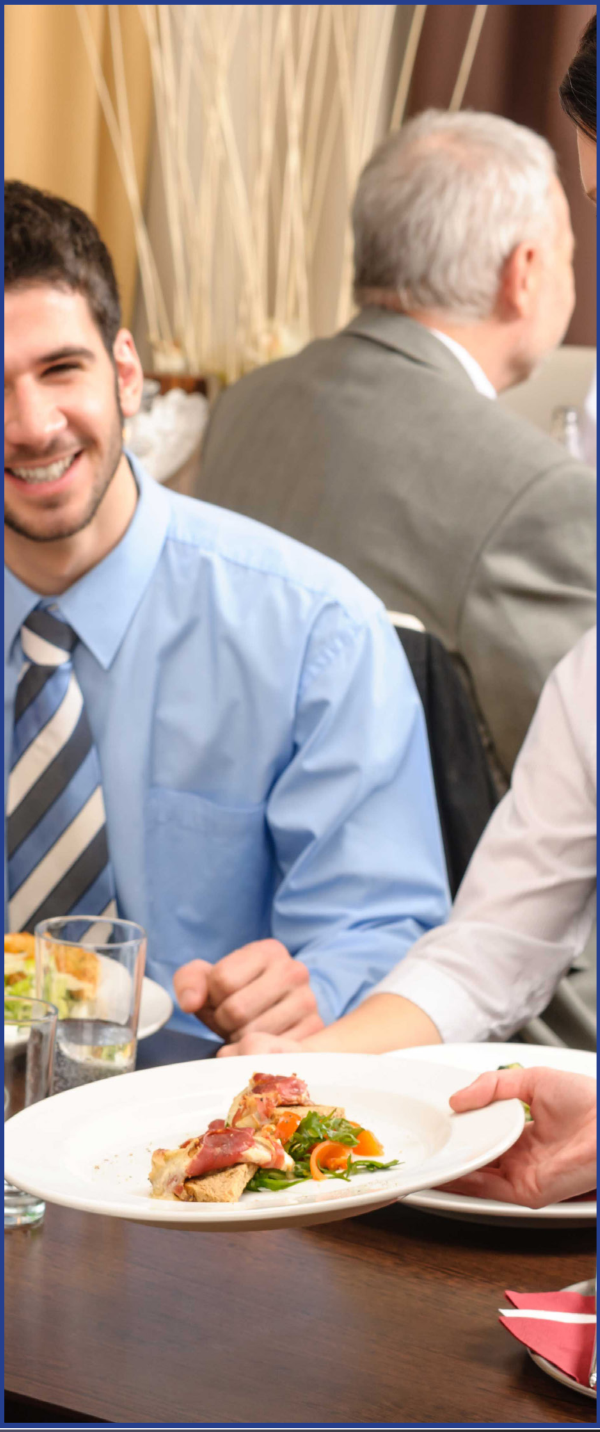

Bright spots in the year ahead

As the number of restaurants continues to fall behind pre-pandemic levels, U.S. restaurants per capita are at their lowest point in 25 years. According to Nick Cole, head of restaurant and hospitality finance at Mitsubishi UFJ Financial Group, this imbalance between supply and demand is a positive sign for restaurant chains – even if demand were to soften this year. While the high costs of lending and construction (not to mention labor and supplies) are likely to dampen new restaurant development, the fewer restaurant options available mean operators are more likely able to pass mounting costs on to guests without sacrificing sales. That's as long as they can offer strong perceived value for check totals. In fact, the National Restaurant Association reports a modest but steady increase in restaurant sales in the final months of 2022 due to available savings and the increased use of credit cards. (This increase in spending did not spread into non-restaurant retail purchases, which dipped at the end of the year.)

Fortunately, operators should have some wiggle room on price this year if industry analysis proves correct. Paul Westra, managing director of restaurants investment research at Capital One, said late last year that average menu price hikes have hovered around 6 percent over the last 18 months, but restaurants need to aim for 11 percent increases to protect profits. If inflation continues to relax this year and in the next few years, as is widely predicted, that could ease some of the pricing pressure operators have been facing.

It also helps that the supply chain disruptions that have contributed to inflation are showing signs of normalizing – or at least settling into a more manageable pattern. Morningstar reports that the New York Fed's Global Supply Chain Pressure Index, which hit extreme highs in late 2021, has been dropping steadily since the middle of last year. This indicates that demand is steadying and supply is catching up – a healing sign for supply chains (and for chefs who have repeatedly been forced to quickly change course on menu offerings in the past few years).

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Potential tax relief for restaurants left out of Restaurant Revitalization Fund

While the Restaurant Revitalization Fund provided a cross-section of U.S. restaurants with financial relief during the pandemic, industry groups said the fund fell far short of what restaurants needed to recover. Legislation introduced in December in the U.S. House of Representatives aims to help fill the relief gap. Nation's Restaurant News reports that the House bill, a companion bill to the Restaurant Revitalization Tax Credit introduced in the Senate a few weeks earlier, would create a tax credit in 2023 to offset payroll liabilities owed by restaurants that applied and qualified for, but did not receive, compensation from the original Restaurant Revitalization Fund. Both the National Restaurant Association and the Independent Restaurant Coalition have endorsed the legislation, which is likely to come up for a vote early in this new session of Congress.

The credit would offset payroll tax liabilities up to $25,000 per quarter in 2023 for restaurants that were open before March 14, 2020, applied for the Restaurant Revitalization Fund in 2021, did not receive any grants, and experienced a revenue loss of at least 50 percent in 2020 or 2021 as compared with 2019, or a loss of at least 30 percent in both 2020 and 2021 as compared with 2019. The House and Senate versions of the bill are largely similar, with the primary difference being the specifications on eligibility based on the restaurant's number of employees. You can follow the progress of the bill via the offices of Reps. Earl Blumenauer (D-Ore.), Brian Fitzpatrick (R-Penn.), and Dean Phillips (D-Minn.), who introduced the legislation.

Finding your labor/technology balance

Staffing is an ever-moving target for restaurants, even in smooth economic times. While the National Restaurant Association reports that restaurants have added jobs for 24 consecutive months, restaurants are still 3.6 percent below their pre-pandemic staffing levels. Hiring more people for existing roles may not even be the sustainable answer: A National Restaurant Association survey conducted in November found that 62 percent of operators say their restaurant does not have sufficient employees to support current customer demand – and 87 percent of operators say they will likely hire additional staff over the next 6-12 months if they can find qualified applicants. (That's yet another challenge: 80 percent of restaurant operators say they currently have job openings that are difficult to fill.) However, that situation could easily flip in a different direction depending on the economy: The survey found that 57 percent of operators say they would likely lay off staff over the next 6-12 months if business conditions deteriorate and the U.S. economy dips into recession. It's not a climate that makes it easy for restaurants to hire or appealing for applicants to apply.

Your tech stack – and your approach to filling roles – can make your operation more scalable and less susceptible to the ups and downs of the economy. If you're in the position of posting difficult-to-fill jobs, what can make them easier to fill or less dependent on the right candidates? Are there opportunities for automating repetitive or dangerous tasks – or for overhauling existing roles so they can flex with the business and encourage staff to develop skills and stay for the long term? Are there tasks that currently involve more labor than they need to?

New tech? Adapt your risk management accordingly.

As businesses of all stripes have adopted new technology to support operations in the past few years, they have had to tighten their cyber risk management practices. Even insurers who sell cyber insurance are managing their own risk by holding their policyholders to higher standards when it comes to their cyber risk management.

Restaurants are no exception – and while the hospitality sector tends to rank lower on the list of attractive cyber targets as compared to other sectors, a cyber attack can still interrupt business, harm a restaurant's reputation and cause financial damage. As restaurants have adopted new technology for everything from guest payment to inventory management, their shift to digitization has only elevated their cyber risks.

Threat actors seek out vulnerability – often in the form of human error. Restaurants, with an ever-shifting employee base, can provide many windows of opportunity for cyber breaches. As your operation adopts new technology, partner with your IT and HR leaders to ensure you limit the number of people with access to sensitive information, that you can readily identify who has access and when, and that those employees receive ongoing training on minimizing risks. Having a non-punitive culture can also help ensure your team feels comfortable bringing a breach or suspicious-looking activity to the attention of a supervisor and, in effect, limits damage to the business.

Delivering effective food safety training across generations

Chances are you have people from a range of generations on your team – and the mix is always shifting. That has an impact on how your food safety training is received and how it must be delivered as a result. According to operators at the 16th annual Nation's Restaurant News Food Safety Symposium, multigenerational teams often need varying instruction. For example, the fast-casual brand Noodles & Company employs workers across four generations – and the restaurant's director of food safety and quality assurance says the brand's younger workers respond best to 30-second instructional videos, while their older team members tend to respond best to written cards. If you're getting mixed food safety results in your restaurant, it may be worthwhile to take a closer look at your training and seeking feedback from staff about how they learn best – whether due to generational differences or simply preferences. You want to make sure your most important lessons are being delivered in ways that are most likely to be absorbed.