Foodservice CEO

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Become recession-ready

Last month at this time, the Fed increased rates by 75 basis points in an effort to slow down the highest inflation the U.S. has experienced in 40 years. Just a few weeks later, in the wake of the announcement that the Consumer Price Index climbed 1.3 percent over May results – the most since 2005 – we're facing yet another likely increase. An interest rate spike of similar (or slightly larger) size is expected when policy makers meet again at the end of this month.

Of course, rapidly escalating prices and the increasingly likely prospect of a recession don't come as welcome news for consumers or restaurant operators. But it's important to look beyond the gloom and doom: To put today's economy in perspective, consider the Great Recession of 2008. The biggest economic downturn in nearly a century also turned out to be an important generator of opportunities for the restaurant industry. It marked the explosion of fast-casual restaurant concepts – the category hardly existed before 2008. It ushered in a period in which consumers spent a larger percent of their food budgets in restaurants. Real estate became less expensive, restaurants grew in number and the industry became a larger part of the overall economy. The decade following the 2008 downturn was also a period of growth and increasing sophistication for franchising. The recession laid the foundation for how consumers now integrate restaurants into their daily lives.

There are new opportunities in the current environment too, even if they may be difficult to see at the moment. Larry Reinstein of LJR Hospitality advises operators to take some steps to be in a stronger position to seize the opportunities that do come along: Continue to reengineer your menu. Reduce the size of it and make sure that the items you offer are profitable and make best use of your labor hours and supply. Take a look at the hours you are

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Finding the line on guest spending

Amp up marketing to stay the course

At the time of this writing, American consumers were finally seeing a bit of relief at the gas pump. Though prices are still high by many standards, they have begun to drop since hitting an all-time-high $5 per gallon in June. Fuel sticker shock is a common indicator of how consumers – particularly those in the lowest decile of incomes – are likely to make discretionary purchases: Every 50-cent increase in gas prices results in a $68 billion impact on consumer spending. So any drop in gas prices could translate to a boost in restaurant spending for consumers this summer.

Restaurants could feel some relief in other ways too. Decreasing prices for commodities prices suggest operators may see a welcome decline in the cost of goods. While these changes help consumer and operator alike, they may also mean a downturn comes sooner than anticipated.

How can restaurants best keep operations humming? Restaurant Finance Monitor suggests that the restaurants that can maintain traffic while holding menu prices steady are likely to prevail. To date, consumers in general have noticed price increases but have not been resisting them. Gregory Francfort, senior restaurant analyst at Guggenheim Partners, said in a recent Bloomberg Intelligence podcast that he has been seeing 8-10 percent price increases across restaurant companies, with operators reporting little consumer pushback. To be sure, consumers who have saved money during the pandemic may still be feeling insulated enough to continue spending, though Francfort anticipates those conditions to persist for no more than four to six months before cracks begin to show.

In light of that, restaurants can position themselves to keep traffic coming by shielding themselves from the negativity in the news and focusing instead on taking daily action to bring guests in. Consider out-of-the-box marketing ideas you haven't attempted before. One bar owner who opened his business at the start of the last recession offered happy-hour specials in the early evening and reverse happy-hour specials before closing to attract guests. (Although margins dipped, the frequent specials brought a lot more people in the door gave the owner a captive audience. He and his staff served them well and focused on bringing them back as regular customers.) Incentivize staff and guests to bring people in or suggest new business leads. Study how consumers are adjusting their spending habits and how you might capitalize on that – for example, if people are staying home in lieu of summer travel this year, how can you appeal to the staycationers? When economic times are good, operators can dial back their marketing efforts. Now is the best time for you to ramp them up.

Get the most out of guest payments

Throughout the past few years, making payments easier for consumers has been a key focus in restaurants. Payments have become faster and contactless while involving less interaction with staff. These changes have benefited restaurants too, though there is room for improvement. For instance, the ubiquitous QR codes that enable ordering and payment at the table may result in multiple credit card purchases per table when a guest decides to add a drink or a dessert to their order. Restaurants are then left to pay a processing fee each time a card is swiped.

Fortunately, payment technology is evolving for restaurants in ways that help maximize efficiency and minimize the accumulation of expenses. For example, middleware payment processors are allowing operators to keep guest tabs open and minimize the number of times a guest has to swipe their card at the table. Limiting the number of card swipes per guest may have the added positive effect of encouraging higher tabs as well.

Payment technology is also helping restaurants make the most of any customer information they collect. For example, omnichannel tokens that enable customer payments across multiple channels make it possible for restaurants to gather helpful information about a customer – even if the guest hasn't joined the restaurant's loyalty program. Food On Demand reports that the technology enables a restaurant to analyze a guest's behavior across channels, so while the restaurant may not know who the guest is, it can see when and how often the person eats in the dining room and places an order online. At a basic level, this can help feed an operator's decisions on menu, promotions and staffing.

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open and consider making small changes of even an hour or half hour to improve efficiency. Consider how you can provide better value – not necessarily a cheaper experience but a great experience for the money charged. That could mean investing in culinary talent and your overall team so they can perform better and with greater consistency. Look for opportunities to secure capital – consider options such as crowdfunding if banks are hesitant to lend. Recessions are periods in which consumers trade down – but they still have to eat. For businesses that can operate efficiently enough to power through an economic downturn, this period could be an opportunity to serve and earn the trust of a new breed of guest.

Manage smaller safety window in summer heat

Even before summer hit, many areas of the country experienced surprising spikes in temperature this year. As you prepare for outdoor events this summer, take extra precautions with food safety. An especially warm day will shrink the window of time when foods remain safe to consume. Any perishable foods can be left out for only an hour in 90-degree heat and other items should only sit out for two hours. When transporting food, ensure you're able to keep cold foods at 40°F and hot foods above 140°F, and make additional provisions to keep foods cold or hot if the weather is likely to pose a challenge.