Foodservice CEO

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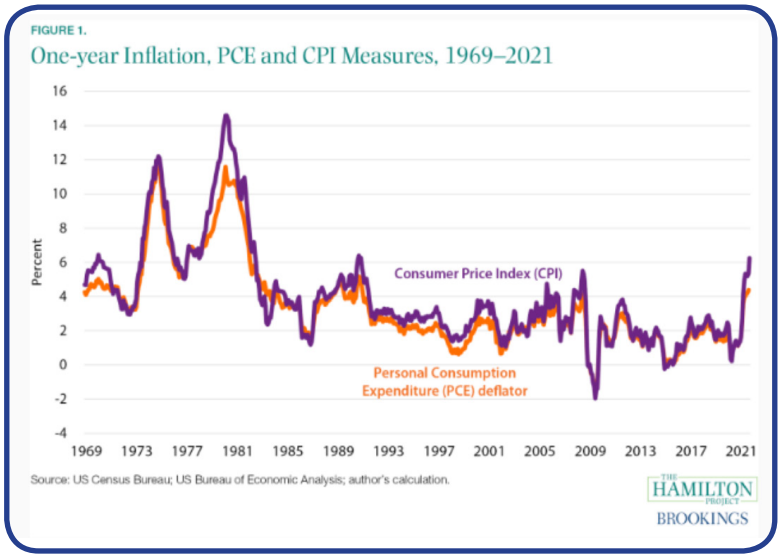
How to Battle Rising Inflation

In the U.S. last year, inflation rose 7 percent — the fastest spike since 1982. This year, economists expect growth to level out at around 3 percent, with energy and food supplies behind the rise. While some of those inflated costs will be passed on to consumers, restaurant operators often hesitate to test the boundaries of what guests will pay at the risk of turning them off completely.



But there are ways to make inflated costs both less obvious and more palatable to guests – and you can reach out to Team Four for help in making adjustments within your operation if you need it. Start with a keen understanding of your menu cost. When you introduce new menu items, make sure they are profitable and feature them as repeat specials to test their popularity. If you have a popular dish whose main ingredient has suddenly become a lot more expensive or which suffers in quality when a substitute ingredient is used, swap the dish out altogether so your guests aren't in the position of comparing today's price with the price they paid for the exact item last week. If you have to increase prices, do so in several small increments scattered across your menu at different intervals.

There are also things you can do to enhance the perceived value of your menu and help guests connect with your values, like promoting local suppliers on your menu, website and social media, as well as ensuring any premium ingredients you use appear in prominent places on your menu (and aren't lost in side dishes). You can also make your best guests feel special by surprising them with a treat now and then, whether it's with a round of drinks, an appetizer or a dessert on the house.

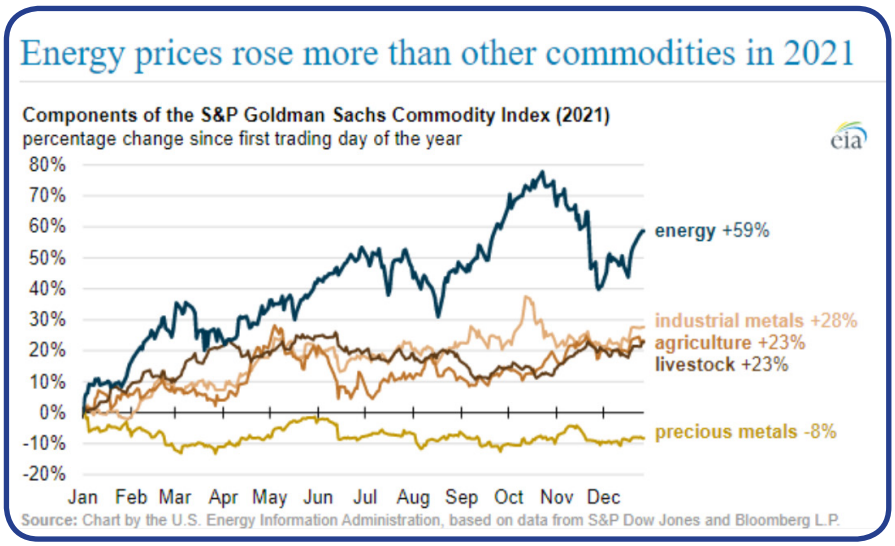
Finally, watch your waste. Make sure you're measuring food portions carefully and adjusting them as needed if guests are regularly leaving food on their plates. Are there food-preparation tasks that take too much of your staff's time and could be replaced with speed-scratch or pre-portioned ingredients? Can you turn to tech tools to manage your waitlist, streamline your ordering or expedite the turning of tables? Speaking of tech, review your agreements with providers and ensure you're not paying for features you're not using – there may be an opportunity to renegotiate pricing.

The Commodities Conundrum

How to shield your operation from strains resulting from the war in Ukraine

While the restaurant industry has experienced more than its fair share of volatility in commodities in recent years, the war in Ukraine is setting the stage for still more. As a report in The Economist bluntly stated recently, "Global commodity crises tend to cause severe economic damage and political upheaval…Today Russia's invasion of Ukraine is unleashing the biggest commodity shock since 1973, and one of the worst disruptions to wheat supplies since the first world war."

While consumers have still yet to feel the full effects of this commodities upheaval – whether that will include skyrocketing energy prices, empty shelves at the grocery store, political instability or more – it's an important time to do what you can to help insulate your business from those potential outcomes where possible. At the U.S. Department of Agriculture Forum in February, Andrew Harig of the Food Industry Association predicted that on the retail side of the food industry, the most significant impacts will be felt in fuel and energy price increases, while escalating prices of wheat, corn, edible oils and other commodities will cause secondary pressures.



For restaurant operators, that may be a bit of good news. Of all of the expenses operators have, they may have the most control over those related to their operation's use of energy. Assess your energy consumption and identify how you might make incremental changes that could help keep bills manageable. That could include anything from using smart meters and sensors to ensure appliances are operating efficiently to transitioning your delivery fleet from cars to bicycles.

You can also shield your business from volatility on the other side of the world by leaning into local suppliers and seasonably available ingredients as much as possible. Ukraine, dubbed the "breadbasket of Europe," is a key global supplier of wheat, corn, sunflower oil and a range of grains used as livestock feed. The country's ability to proceed with spring and summer plantings is uncertain as the war continues. While we'll all feel some trickle-down effects of the conflict, whether we're consuming commodities sourced from Ukraine or not, adopting a more local mindset will help operators ease current challenges and costs related to the supply chain, labor and transportation.

What Options Exist After the RRF?

Finding alternative sources of financing

To be sure, the recent news that the U.S. Congress had declined to appropriate more funds to the Restaurant Revitalization Fund (RRF) came as a major blow to many restaurants that have been struggling to stay afloat during the pandemic – particularly independent restaurants that had not received government funding previously. Following the news, both Sean Kennedy of the National Restaurant Association and Erika Polmar of the Independent Restaurant Coalition warned of the difficult decisions that many thousands of restaurants would have to make in the coming months as a result.

So what now? Restaurant operators have grown accustomed to pulling themselves up by their bootstraps and there is more of that to come as businesses mine for new sources of funding. Even if the capital isn't as available from sources like traditional bank loans as it once was, it does exist. Restaurant Hospitality has reported that independent operators have had some luck in tapping nontraditional financing sources. Those include such options as online lenders like Kabbage from American Express, which offers business loans to restaurants looking to cover everything from equipment expenses to marketing to hiring staff. Others, such as InKind, buy food-and-beverage credits from restaurants and then sell them to customers instead of charging restaurants for repayments. Operators with equipment expenses on the horizon may benefit from equipment financing or leasing, which can help preserve cash flow.

If you have a highly engaged and motivated following in your neighborhood – and many independent restaurants do – you might also consider raising money through charity fundraisers like GoFundMe or the Barstool Fund. Such crowdfunding organisations have a range of structures, so you can also opt for one that helps a business raise money and pay it back (Kiva is one example), one that offers small rewards in exchange for donations (as with Kickstarter), or one that gives investors an equity stake in the business (like Wefunder).

As we reported last month, private equity investment may also be an option for restaurants that have a clear sense of not just their balance sheet and risks, but also where they are willing (and unwilling) to compromise in terms of the values and strategic direction of the business. You might also consider a merchant cash advance if you have strong sales but aren't able to qualify for a loan – the rates are high, so it's an expensive option, but the barriers to entry are low, making it a viable solution if you need a short-term cash infusion.

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Could your best customers be across the country?

What if your customers could be anywhere in the country – or even the world? It's an appealing thought at a time when operators are struggling to manage high inflation, supply chain fluctuations and general uncertainty in the market. But the creative solutions that have come out of the industry in the past two years have the potential to transform the industry into one of greater opportunity for all. In a recent segment on CNBC, Joe Ariel, the CEO of Goldbelly, discussed how the Omicron variant and inflation concerns have triggered a surge in food e-commerce. He expects more companies – his among them – to take an omnichannel approach to food sales going forward. Imagine if a family was craving a wide selection of regional specialities – Philly cheesesteak, New York cheesecake, Chicago pizza – and they could enjoy authentic versions of them at the same meal? Or perhaps your restaurant gets a lot of summer traffic and guests who have been coming to you for years want to be able to enjoy your food year-round. Are there stars on your menu – memorable entrées, secret sauces, special desserts – that you could serve to a worldwide audience with the right marketing and packaging? How can you take what you do best and get it out to your best customers?

Profitability through sustainability

The pandemic has put the supply chain in the spotlight and revealed the pressing need for more local, sustainable sourcing – not only to help foodservice businesses be more environmentally friendly but to help them sustain operations altogether. Increasingly, it's an issue that more Americans are thinking about: According to Statista research, 41 percent of Americans are interested in sustainable meat and 59 percent in sustainable seafood. While developing a more local, sustainable supply chain may sound more feasible for larger, resource-rich restaurants that consumers expect to have frequently changing menus – not so much for burger chains with more static options – this is another belief that the pandemic has turned on its head. Jill Taylor, the outgoing CEO of the regional burger chain Burgerville, recently spoke with Bloomberg about how she has brought a regional, sustainable focus to a quick-service chain – and how leaning into that focus during the pandemic has helped the brand to maintain profitability throughout. That has meant sourcing local mint and offering mint milkshakes on the menu in certain Pacific Northwest locations, and being open to changing up menus with local specialities in other regions of the country depending on what's available. While the chain's commitment to supporting local, sustainable producers has resulted in a more expensive burger, more consumers may be willing to support a business that holds (and promotes) these values. Do you know how your guests feel about sustainability? Would they spend a few more dollars on their meal if they felt good about the origins of the food on their plate?