Outlook for Restaurants

National Restaurant Association

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The Restaurant Industry Is a Large and Diverse Business:

- **Restaurant-industry sales are forecast to exceed $683 billion in 2014** — an increase of 3.6 percent over 2013. When adjusted for inflation, restaurant-industry sales are expected to advance 1.2 percent in 2014.

- **On a typical day in America in 2014**, more than 130 million people will be foodservice patrons.

- **Sales at fullservice restaurants** are projected to reach $212 billion in 2014.

- **Sales at limited-service restaurants** are forecast to increase to $195 billion in 2014, while snack and non-alcoholic-beverage bar sales rise to $31 billion.

Fullservice Outlook:

Fullservice restaurant sales are forecast to reach $212 billion in 2014, an increase of 2.6 percent from 2013. That represents a real sales increase of 0.2 percent after accounting for inflation. The Association estimates that fullservice restaurant sales were $207 billion in 2013. Trends to look for include:

- **Off-Premises Opportunities**: Today’s time-strapped consumers are willing beneficiaries of the growing number of off-premises options in the fullservice segment. Fifty-six percent of adults said they would utilize delivery directly to their homes or offices if it was offered by a fullservice restaurant, while 46 percent said they would use curbside takeout at a fullservice restaurant.

- **High-Tech Hospitality**: Consumers’ interest in technology continues unabated, and restaurant operators recognize that technology can enhance customer service and appeal to consumers, but they are not fully meeting consumer demand in this area yet. At fullservice restaurants, nearly half of consumers say they would use tableside electronic payment options, tableside ordering systems, tablet menus, and smartphone apps. Less than one in 10 tableservice restaurants currently offer these options, but about half say they will invest more resources in customer-facing technology in 2013.

Limited-Service Outlook

Limited service restaurant sales are forecast to reach $195 billion in 2014, an increase of 4.4 percent from 2013. That represents a real sales increase of 2.1 percent after
accounting for inflation. The limited service segment sold $187 billion in food and drink in 2013, according to Association projections. Trends to look for include:

**Adding Technology to the Menu:** Like in the fullservice segment, there is a gap between what technology customers want and what restaurants currently offer in the limited-service segment. At quickservice restaurants, 43 percent of consumers say they would use self-order terminals, about half say they would use smartphone apps to place orders or view menus, and more than one-quarter would use mobile payment options. Currently, few quickservice restaurants offer these technologies, though half say they plan on investing more in customer-facing technology in 2014.

**Taking it to the Streets:** Consumers seeking to make the most of their limited time are eager for their favorite quickservice restaurants to offer delivery. Fifty-five percent of adults said they likely would opt for delivery if it were offered by a quickservice restaurant.

**Menu Trends**

Consumers continue to hone their culinary knowledge and skills. In fact, 9 out of 10 restaurant operators said customers were more knowledgeable and sophisticated about food and beverages than ever. So restaurateurs must remain innovative to keep regulars coming back, as well as tempt new taste buds. The National Restaurant Association’s “What’s Hot” survey of nearly 1,300 professional chef members of the American Culinary Federation reveals that local and hyper-local sourcing, healthful children’s meals, sustainability and gluten-free cuisine are among the hottest trends on fullservice restaurant menus in 2014. Nutrition — particularly children’s nutrition — is another umbrella trend highlighted in the survey. Healthful children’s dishes ranked as the fourth hottest trend on menus in 2014, while kid’s nutrition as a culinary theme comes in at No. 7.

Reflecting these trends, the National Restaurant Association’s Kids LiveWell program celebrated its third anniversary in 2014. The program aims to help and encourage restaurant operators to increase healthful options on kids’ menus. To date, more than 42,000 restaurant locations are participating. The program allows parents to identify the menu choices that are right for their families at local restaurants and while traveling, making the healthful choice the easy choice. For more information, visit Restaurant.org/KidsLiveWell.

**Importance of Travel & Tourism**

According to National Restaurant Association research, restaurants typically derive up to 30 percent of sales from travel and tourism. Consequently, growth in travel and tourism is an important drive of growth in restaurant sales and a majority of restaurants said they have tourism marketing planned for 2014. In addition, about a third a tableservice restaurant operators said they will devote more resources to tourism marketing in 2014. On the quickservice side, about one in 10 said they would.

**Outlook for Restaurants in 2015**

Economic factors play an ongoing and critical role in determining the performance of the restaurant industry. Because business conditions within the industry mirror general economic conditions, it is important to understand how the economy is likely to perform in 2015 in order to determine what will occur with restaurant sales over the years ahead. Real GDP growth in 2015 around the three percent range is anticipated. A modestly expanding economy signals growth in the restaurant industry as well, with a high correlation traditionally existing between changes in real GDP and changes in inflation-adjusted industry sales.

The rate of increase in disposable income is another indicator of restaurant industry performance. Changes in real disposable income are positively related to changes in restaurant sales. In general, as the rate of change in disposable income rises or falls, similar behavior is observed for restaurant sales. Advances in real disposable income in 2015 are expected to be in the high-two percent range. Accordingly, modest positive advances in industry-wide restaurant sales, as well as in the transportation and lodging sectors, are likely.

The 2015 National Restaurant Association Restaurant, Hotel-Motel Show (May 16-19 in Chicago Restaurant.org/Show) will be a hotbed of innovation as the central gathering-point for restaurant and hospitality industry professionals. The largest industry trade show in the world with 62,000+ attendees from 100+ countries, the NRA Show will address strategies for business success in the recovering economy and beyond.