



nerej

The restaurant industry is changing at breakneck speed - by Dennis Serpone

May 24, 2024 - Spotlights



Dennis Serpone

For the casual diner, or the food executive focused on his sliver of the food and beverage industry pie, the changes to society's dining habits have, and are, changing. It took the events of March 2020 to reset the industry. The obvious winners that ensued were the fast food, online ordering and delivery operators, and those companies with a consistently strong bottom line.

The COVID pandemic flushed out thousands of food operators who were losing money, those that were just churning dollars, and those operators who just didn't have the basic skills to be in business.

With the table reset, it's refreshing to see the survivors and the winners. At the macro level, the battle still rages. Does the family, or its subset, that have to eat three or more times per day, every day, cook at home or go to a restaurant and pay for someone else's culinary talent? At the micro level, we can see that the beneficiaries have been the breakfast and lunch providers, the coffee and muffin houses, the pizzerias and sandwich shops, and the limited-menu sports bars. The standard-fare full-service restaurants are, with some obvious exceptions, struggling with higher prime costs, staffing problems, and competition.

On the other side of the spectrum, nightclubs are highly profitable and require minimal staffing and promotion.

These assertions, albeit limited observations, lead one to realize that the bottom line in being in business is to make as much money as possible for your time, effort, and risk.

So where do these observations take you? If you have the gelt, buy a Dunkin or Denny's franchise. If you've gained enough experience buy a pizzeria. If you can find a sports bar or pub, grab it. But, on the other hand, if you find an underperforming restaurant, with liquor and entertainment licensing, and with a capacity of 200+, your future should be based on serving low-cost food items, generating significant liquor sales, and securing no-cost entertainment.

How do you do all that? The National Restaurant Exchange has been helping restaurateurs for 44 years find the diamond in the rough.

Selling pizza and hamburgers with pitchers of beer, watching an unending plethora of sports on TV, or watching and/or dancing to compelling live entertainment that is prepaid with reserved seating is the yellow brick road to fame and fortune.

A variation to this construct is the Music Room Cape Cod in West Yarmouth. Ownership partnered with Grammy-winning blues guitarist Paul Nelson, and built the hottest nightclub south of Boston. With the best nationally recognized musicians in the country, at no cost. The cost of the entertainment was more than covered by ticket sales. The food-liquor ratio has been a consistent 80-20.

From this simple model is born a chain of Burgers 'n Blues restaurants offering a menu of 90 hamburger choices, a limited array of pub-style pizzas, the largest drinks in town, and the best musical acts in the country. Like the phoenix rising from the ashes, this concept will reshape the dining-out experience.

Restaurant sales are forecast to exceed \$1.1 trillion in sales this year, marking a new milestone for the industry that will employ over 15.7 million people in the U.S. by the end of 2024. Despite this expansion, 45% of operators say their restaurant doesn't have enough employees to support existing customer demand. Operators looking for the necessary support are turning to the gig economy and technology. One in four operators say using gig workers to fill in staffing will become more common in their segment in 2024 and nearly half (47%) of operators say the use of technology and automation to help with the current labor shortage will become more common.

Considering the total cost picture, about a third (34%) of restaurants expect profits to flatten this year, and half anticipate a drop in income. This begs the question, is the restaurant industry growing or declining? The general consensus is that the restaurant and foodservice industry will continue to grow steadily in 2024 barring the actualization of any of the myriad of international entanglements.

"This is an historic and exciting year for the restaurant industry," said Hudson Riehle, senior vice president of the research and knowledge group for the National Restaurant Association. "While challenges remain — including inflation, recruitment, higher operating costs and profitability — restaurant operators will continue to innovate and evolve to meet customer demands."

Dennis Serpone is founder of The National Restaurant Exchange, The Hotel Exchange, and Cannabis Business Brokers, Wakefield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540