

A recession puts your business acumen to the test

By Peter Backman, managing director, Horizons

Since the economic downturn began my company Horizons has been predicting that the foodservice sector will be hard hit in what is bound to become a worsening economy. There would, we've said, be many casualties from the foodservice sector. And so it is proving.

But while you can't ignore the broader picture, we are just as concerned with the smaller details of what's happening in the foodservice sector, and that means looking at how each operator is adapting and how consumers are altering their eating out habits as the economy worsens. Through our newly acquired QuickBite service we are tracking the eating out habits of 1,000 consumers on a quarterly basis. The service provides us with analysis of consumer attitudes, their response to various food issues and their food preferences as well as feedback on when, why and how they eat out and what motivates them to do so.

It's feedback like this that can tell us what lies behind consumer choice and what is driving the market. Consumers can be fickle, unpredictable creatures who don't always react in ways you'd expect. For example, they may start cutting back on buying a sandwich at Pret by taking a packed lunch to work, but in the evening they are still prepared to blow the budget with a meal out with friends.

Delving into the past for clues about how this recession might unfold doesn't help us much either. Over the past 27 years there have only been two years during which the UK economy turned negative – during 1981 and 1991. When measured in actual prices the foodservice sector actually did better than the rest of the economy, but taking inflation into account, foodservice sales did start to decline.

Eating out patterns have also been unpredictable during previous downturns. In the 1981 recession the number of meals served grew by 2% in the pub, fast food and takeaway sectors. In 1991 all eating out sectors showed a decline and 10 years later the institutional sector grew and the discretionary high street sector fell by over 2%. In addition there was the 'forgotten' recession in 2002 when eating out declined in the wake of the dotcom bust.

What this unclear pattern tells us is that eating out follows its own rhythm and it does so because it constitutes a whole range of sectors from top end restaurants to schools and sectors within sectors – pizza restaurants and fish restaurants, Indian takeaways and Chinese takeaways. How each of these performs under any given set of economic circumstances depends not so much on the economy as on the choices open to the consumer.

And this applies as much to individual operators as it does to each sector. Your restaurant may be doing splendidly while one next door suffers. The reasons are to do with luck on the one hand, and experience, good planning and sound implementation on the other.

So it makes no sense for operators to blame any loss in sales purely on the recession. The current economy is challenging, but it is proving a real test of each operator's skill. Astute operators will be taking a hard look at their businesses right now – and that of their competitors. Now, more than ever before, it is vital to know just what your competitors are doing – how much that new lunch menu being offered for at Café Rouge costs, what offers the pub down the road is running, and whether these marketing ploys are succeeding at drawing in the punters.

There's no doubt that the marketing expertise of the chains are currently coming into their own. Last month Café Rouge ran a 'kids eat free in March' deal. The group's popular Prix Fixe menu is £8.95 for two courses. Pizza Hut is running a Happy Hour from 3-6pm during the week where a main course, garlic bread and a drink costs just £4 for one, £7.50 for two, or £14 for four people. Clever marketing, clever pricing. You register your details at www.pizzaexpressoffers.co.uk and get a 2 for 1 voucher at Pizza Express – a good offer for boosting footfall, but also one in which the company gains valuable customer data about its customers.

Managed pub operator Mitchells & Butlers is also adopting an aggressive pricing policy. Its Harvester brand has an Earlybird deal with main courses starting at £4.99, Toby Carvery customers can get a meal and dessert for £4.90, Vintage Inns is offering a Pub Classics menu for £5 a dish, and its Ember Inns brand is currently running a 2 for 1 deal with prices starting at £5.83.

Foodservice operators must take these promotions on board – this is the competition. Observe it, and, if needs be, copy it. One pub

operator I know liked the good value children's menu being offered by a well-known high street restaurant chain so much, that it's now available on his pub menus and is going down a storm – a great example of having the confidence to pinch someone else's idea and make it work.

The UK boss of McDonald's has recently been quoted as saying that a recent fact-finding mission to Liverpool revealed some restaurants in the city that were already beginning to look jaded. Premises that looked tatty, restaurants that were short-staffed and staff that seemed to lack motivation. "That was a real shot in the arm and motivation to continue what we are doing," he said. McDonald's takes the view that it will lag behind if it doesn't continue to innovate and improve its restaurants – even during the recession. When the economy does pick up, a business that's continued to receive investment will be ahead of the game.

Now is certainly the time to invest, albeit carefully. Look at the promotions your competitors are running, improve your marketing, build a stronger dialogue with your customers, ensure your staff are adequately trained and that your premises and food are still the best quality you can offer. And if that's what McDonald's believes, then it's got to be worth listening to.

Peter Backman

Peter Backman is the managing director of Horizons, the analyst and specialist information consultant for the foodservice and hospitality sector. Peter is an expert on the structure and dynamics of the foodservice sector, and its supply chain, in the UK and across Europe. He has been involved in foodservice, as an analyst, researcher and consultant, for almost 30 years.

Horizons helps its clients make better business decisions by providing accurate and detailed information about the foodservice market, its trends, and opportunities. The company provides consultancy services, workshops and statistical information based on its model of the sector and database of key accounts across Europe. The company recently acquired the QuickBite (consumer research) and Menurama (menu tracking) services, adding further depth to its statistical knowledge of the sector.

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