



US RESTAURANTS CONSIDER SMALLER PORTION SIZES

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RESTAURANTS ACROSS THE POND ARE TAKING DRASTIC ACTION AND CUTTING THE SIZES OF THEIR PORTIONS BUT IT'S NOT TO COMBAT THE

GROWING ISSUE OF OBESITY. IT'S TOO BOOST THE ECONOMY.

Foodservice operators in the US are already feeling the pinch as the economy heads towards recession and are turning to price wars, smaller portions and cheaper ingredients in order to survive the downturn.

Market analyst Peter Backman, who interviewed operators during a recent visit to the global National Restaurant Association show in Chicago: "Operators are being forced to take a much more proactive approach to improving their profitability and to persuade customers to continue to eat out."

The US economy, thought by analysts to be around six months ahead of that of the UK, is now teetering on the brink of recession. Foodservice operators in America are facing the impact of food costs rising by around 7.5-8% per year as well as the fact customers are becoming increasingly reluctant to spend money on eating out.

Some industry commentators have recently reviewed their forecasts of the sector and now estimate there will be a 1% downturn in real terms during 2008. The US eating out market is currently worth around \$550bn (£270bn).

Growth in the US eating out market over the past five years has largely been through increases in breakfast and snack sales. Future growth is only likely if operators can improve their margins, either by cutting labour or premises costs or by using cheaper products – for example chicken rather than beef.

Pricing wars are also beginning to break out in the US foodservice sector as operators respond to the downturn by running price promotions against their competitors, some even offering cut-price meals at below cost.

Benningan's for example, a national steakhouse chain, now has a \$5.99 meal offer which competes against the price of an equivalent meal at McDonald's.

According to those interviewed by Horizons, some American restaurant operators are now recognising the need to try to change customer behaviour.



"One national restaurant chain said it was persuading its customers to move from 'have, have, have' to 'making choices' and trying to persuade them that 'no' can be an acceptable answer," said Backman.

Smaller portion sizes could be one outcome of this - both for economic reasons and for the health of the nation. "Many US operators said that up to one-third of food put on the plate is not eaten – food ingredient costs could be reduced by around 15% if this wastage were halved. Kroger, the US retail chain, is already downsizing its standard plastic milk bottles, from five litres (one gallon) to four litres," added Backman.

American foodservice operators are also beginning to recognise that it is not enough to replicate someone else's successful model. For many years foodservice in the US has meant chicken, burgers or pizza. Unlike the UK where you can find noodles or upmarket burgers, the US market is very mono-cultural.

"As a consequence operators are now demanding a higher level of innovation from suppliers to keep customers interested. There is also likely to be renewed emphasis on staff training, both back-of-house and to improve greeting and selling skills front-of-house."

Food manufacturers are also responding to the downturn. "Poultry processor Tyson, a company which is normally known for its free samples at the NRA, had cut back completely this year," said Backman.