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Providing periodic insights to food industry suppliers

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New Administration's Promised Change Will Be Good for Foodservice

By Bob Goldin

Immediately following Barack Obama's decisive victory in a presidential election that saw unprecedented voter turnout, discussion immediately focused on the historic nature of his appointment. And almost just as immediately, it turned to what a monumental task he faces in steering the country's economy back on course.

The Task at Hand

The collapse of the financial markets has further eroded already weak consumer confidence and it seems "the bottom" is not yet within sight. Many Americans have seen their personal wealth diminish as a result of falling values for their stock and retirement portfolios and homes. Post-election there has been yet another severe plunge in the stock market, a second government assistance package for a major insurance firm, and the auto industry is now also in need of a recovery plan. Big corporations in a variety of industries have also announced bankruptcies and substantial declines in earnings, often citing intense pullbacks in consumer spending.

Even before Obama takes office, work is being done to provide consumers with a stronger sense of security as a means to help stabilize the situation. For example, some major banks have committed to help keep mortgage-holders at risk for foreclosure in their homes and talk of a second stimulus package is underway.

For foodservice, this is the worst operating environment in recent memory. This crisis in the financial markets has created an even more dire situation. Many consumers are afraid to spend and others are finding it more difficult to spend due to tighter controls and higher fees from credit card companies. In addition, operators cannot readily access capital to expand, refurbish or invest in operations.

As we all anticipate what the Obama presidency will mean for our industry, we need to recognize that the economy will of course dominate policy plans for the foreseeable future. This means other issues of direct relevance to foodservice,

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such as nutrition regulation, immigration reform, paid sick leave and even alternate energy sources, will likely be put on the back burner for a time.

Change Brings Both Excitement and Anxieties to Foodservice

Some will surely argue that a Democratic administration and Democrat-controlled Congress will bring further difficulties to the foodservice business. Higher taxes and minimum wage, more regulation, and support of the Employee Free Choice Act (thus giving unions more power) are commonly cited examples.

Yet I believe the Obama presidency will bring many positives to our industry, especially if you take the long view regarding its impact on consumers. Obama's economic policies are designed to "re-distribute" wealth and this should prove beneficial for foodservice given its dependence on discretionary spending. For too long, the industry has relied on a relatively small base of diners for the lion's share of sales; the top 30% of households based on income represent more than half of restaurant spending. The President-elect's proposed tax plan and commitment to create new jobs should ultimately strengthen the middle class and put more money in the hands of more people.

Even some of his stances that are being positioned as a negative for foodservice can have a perceived silver lining. While a higher minimum wage would put additional pressure on operator profit margins already squeezed by spiking costs and declining traffic, this should again boost discretionary income for many of the industry's low-paid workers and help to reinvigorate spending. Now that we are seeing the grim results of consumers' pulling back on expenditures, it seems all the more crucial that businesses do their part to provide living wages to keep the economy moving forward.

Others decry a larger role for government in the form of regulation. Yet based on prior research that we have done (well before the election began), many consumers are looking for stronger government activism, especially in areas like health and nutrition and the environment. I strongly believe that consumers will respond positively to a more involved government.

Restoring Consumer Confidence is Critical

The underpinnings of the U.S. and global economies are very shaky and all of us are operating in a new reality characterized by uncertainty about the prospects for both business and the individual. Times are tough and will continue to be tough. Yet now that the results are in and we have appointed a new leader, I do think we will see a more hopeful consumer mood, a stronger feeling of empowerment among the "have-nots" in our country, and a sense that we can start the long journey back to better circumstances. That is a critical first step in the substantial work that will need to be done.