



# The Technomic Viewpoint

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Providing periodic insights to food industry suppliers

## The Real Costs of Eating Out

By Bob Goldin

News headlines (beyond the trade press) continue to proclaim that consumers are adjusting their foodservice spending as they feel the economic squeeze. *The New York Times* recently noted a “recession diet” that calls for more meals cooked at home. New York City operators responding to a Starchefs.com survey reported that tips are down, and our own research indicates that customers are cutting back on extras like alcoholic drinks. Times are clearly tough for many—within foodservice and other industries.

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### Dining Out Has “Hidden” Costs for Consumers

Beyond the income pressures frequently discussed in these stories, dining out often has several “hidden” costs not frequently cited. These can be eye-opening, and add significantly to the expense of a meal out. Consider how the following add to “the tab.”

- **Gas:** The national average is hovering around \$4.00 per gallon and is expected to climb over the summer. The gas used driving to a restaurant is now considered to be a measurable expense, especially for suburbanites.
- **Baby-Sitting:** Gone are the days when young people earned a few extra dollars watching neighborhood children. Hourly rates are as high as \$15 per hour in some urban markets.
- **Parking:** Garage parking in any major metropolitan area can range from \$8-\$25 for one to four hours. Valet is an alternative at some restaurants, but it often requires a service charge that can exceed \$10. Even if it is provided as a free service by the restaurant, tipping is expected.
- **Miscellaneous Charges:** Beyond the anticipated extras like sales tax and waitstaff tips, these added charges can include coat-check fees, a corking fee for wine and a charge for splitting an entrée. And for those dining out in San Francisco, the bill could include a surcharge related to that city’s mandate that businesses provide universal health care to employees.

Add up these often-forgotten expenses and the perception of dining out as an “affordable luxury” diminishes further, making it even more difficult for the industry to capture those closely held discretionary dollars. When you consider that eating out can cost \$60 or more beyond the actual check, it really reminds us that dining out is a significant investment of both consumers’ time and money and they expect operators to provide a solid return by delivering a great all-around experience.

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With a better understanding of the real economics, it is obvious that dining out is in fact an even bigger economic investment than we often realize. Now that consumers find themselves in new and increasingly challenging economic realities, that observation is all the more alarming. The bottom line is that we all need to work harder to achieve industry growth. While foodservice remains an important part of daily life, we can no longer afford to rely on the assumption that consumers' needs for convenience or entertainment will continue to drive them to eat out. Operators in all segments need to deliver value, while maintaining profitability under the cloud of runaway cost inflation. It is a tough equation and one that requires numerous sources for a solution.

### **Pressure Mounting for Suppliers to Deliver Answers**

In response, manufacturers are intensifying their culinary and merchandising support with specific suggestions for suggestive selling and stimulating sales. Distributors are offering business-building and cost-saving tips. While certainly valuable, there is more that can be done to spur operator sales.

Operators in all segments are heavily and specifically marketing around the message of value throughout all dayparts (e.g., **Taco Bell's** "Why Pay More?" menu, the now-permanent "Right Portion, Right Price" lineup at **T.G.I. Friday's**, a "Cash Crunch Lunch" offer at **Bennigan's**). Yet to really resonate with consumers' dining-out needs and desires beyond price-driven promotions, more targeted approaches to delivering value and outperforming in the areas that really matter to diners are also required. To achieve that, savvy operators are looking for their suppliers provide consumer knowledge to inform their strategies.

We have analyzed consumers' attitudes and needs related to sales-building product opportunities like breakfast and beverages, critical response issues like health and nutrition, and segment-specific challenges and opportunities related to casual-dining and retail meal solutions. We have also honed in on specific demographic groups, including Hispanics and different generations (e.g., Baby Boomers, Generation X, Millennials). These are just a few examples where the voice of the end-user has proven tremendously valuable in determining the optimal approach for different industry players.

### **Now is the Time to Step Up and Look Ahead**

Recognize that operators, like consumers, are now in a state of heightened anxiety. They are going to be looking at their operations more closely and may very well turn to less expensive alternatives if there is not a clear advantage to doing business with you. While downsizing portions, substituting ingredients, and adjusting presentation can be an effective part of a responsive strategy (if well-executed and still delivering a powerful and appealing value message to consumers), a more in-depth focus on solutions will look beyond the challenges of the day. Suppliers who want to stand out will be able to offer sound guidance about operators' customers and proactive solutions, while those who remain complacent run the risk of being shut out.