

# Restaurant industry analysis

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Executive Summary This report will show that this industry can greatly benefit from the services our company offers. It will highlight many aspects of the restaurant industry and the changes that the industry is currently facing. With the state of the economy and the pressure on restaurants to offer healthy options to consumers, there have been many changes recently. This report will address those changes and the reasoning behind them. It will also address the importance of the restaurant industry to the economy as well as the history of the restaurant industry and ethical issues surrounding the business.

This report will begin with a discussion of the largest industry trade association for the restaurant industry which is the NRA. It will then discuss the current focus in the restaurant industry on healthy eating and low calorie menu options. Socially, it is extremely important for the restaurants to offer these low calorie menu options to please customers who are watching their weight, or working to maintain a healthy lifestyle. This is also a focus in the legal and ethics categories of this paper, and continues to be one of the main focuses of the industry currently.

The state of the economy will be another main discussion in this report. This is a problem that is affecting everyone, and every industry. It has caused restaurants to start relying on coupons and discounts to bring in consumers. Without these coupons and discounts, customers do not feel they can justify going to restaurants. The industry is expected to financially turn around within the next few years and recover from the great losses it, and many other industries have suffered.

It is very apparent that the restaurant industry is extremely competitive; a consumer is offered many different choices in each category of cuisine, which makes it even more important for restaurants to offer what the customer wants, as well as to run specials and promotions to draw the customer in. Overall, the restaurant industry is currently being affected by all of the social and economic factors that are happening in the world around us, but by staying on top of the competition, offering coupons, deals, and options for every type of consumer, the industry should continue to grow and continue to be successful.

**Purpose** The purpose of this report is to show the team that this industry could benefit from the services that are offered at the agency and to ensure that each agent has a full understanding of the restaurant industry and the patterns that it follows. It is extremely important that when working to acquire new business, each member of the team has a full understanding of the industry, from its history, to its legal troubles. The purpose of this report is also to show the company that there will be gains for both parties involved if the business is gained.

Due to the downturn in the economy, it may be assumed that now would not be a good time to invest in a new industry; however this report will show that the restaurant industry has a way of maintaining itself, and there are always new opportunities to be considered. This report will use an environmental scan to show the importance of understanding the industry, and understanding the how trends in our society today affect the industry. **Trade Association** An industry trade association that is affiliated with the restaurant industry is the National Restaurant Association (NRA).

The NRA is located at 1200 17th St. NW Washington DC 20036 (" National Restaurant," 2011). The phone number is (202)331-5900 (" National Restaurant," 2011). The NRA can also be found at [www. restaurant. org](http://www.restaurant.org). The NRA represents 380, 000 of the 960, 000 restaurant, restaurant supply, and nonprofit locations in the country (" National Restaurant," 2011). They work to provide these locations with the resources necessary to be successful in an extremely fast paced industry. The NRA hosts multiple events each week in efforts to keep the restaurant community together. Environmental Scan This portion of the report will discuss the forces and trends that are currently affecting the industry.

This information will assist with marketing strategies and presentations. Social One of the largest factors currently facing today's restaurants is the focus on healthy eating and offering low calorie menu options. Fast foodrestaurants have begun heavily advertising their salads, as well as their other low calorie or natural options. With the current number of obese American's on the rise, restaurants have certainly felt the pressure from their customers as well as from the government to ensure that their menus include healthy options that are still appetizing and that will sell well.

One of the strategies that has been put in place by many restaurants is adding calorie counts to their menus. This strategy has been approved by manyobesityexperts, and has been shown to improve %15 of patron's meal choices (Jessen, 2011). Another social factor that is currently affecting the industry is the need for restaurants to stay open late or twenty four hours to better serve the communities. Denny's and Ihop have been familiar " 24

hour” restaurants for some time now, but back in 2000, Wendy’s began offering late night hours to their consumers.

They realized that they were missing a great part of the market, and by extending their hours, intended to scoop it up. Currently, 80% of fastfooddrive thru’s offer late night hours, at least until midnight (Robinson, 2005). This market is growing stronger and stronger due to the consumer’s need for a late night snack combined with the laziness of not wanting to hit their own refrigerators. Economic Over the past few years, all American’s have become painfully aware of the distress that our economy is facing, and the restaurant industry was certainly not excluded in this awareness.

The industry has been forced to take matters into their own hands and has begun offering more promotions, deals, and coupons to draw consumers into their businesses. According to USA Today, this is not supposed to be the time of year for coupons, as the holiday season approaches, restaurants are typically getting busier and busier, and the need to offer freebies decreases greatly (Horovitz, 2007). This year, that will not be the case. Consumers are feeling the pressure to savemoneywherever they can, and going out to eat is one of the first cuts that is going to be made.

Coupons will dictate the dining decisions of many people as long as the economy continues its downward spiral. Many restaurants are offering deals that do not even need a coupon, these deals include promotions like “ 2 for 20” or “\$6. 95 all you can eat soup and salad”. Companies have found that these marketing strategies increase their daily number of patron’s a great deal. Technological As the importance oftechnologyin the daily lives of American’s grows, the importance of technology in the restaurant industry

grows as well. The current fastest growing technological trend in the industry is the development of the online ordering system.

It began as a system that was put in place by a majority of large pizza delivery companies, but has continued to grow into a service that is now being offered by many chain restaurants to accompany their curbside carryout service (“OLO,” 2011). This is purely a consumer convenience that has worked very well for companies so far. Companies are also utilizing the current social media craze to draw in more customers by offering special coupons and deals on their Facebook pages as well as adding their menu’s which is also a convenience for the consumer. Competitive

It does not take much more than a drive around a well populated city to understand the magnitude of the competition in the restaurant industry. As far as the fast food industry goes, it is easy to see who the biggest competitors are, as they are the ones that we repeatedly see. The casual dining restaurant industry is a little bit harder to decipher. The two biggest companies in the casual dining spectrum are Darden (Olive Garden, Red Lobster, Longhorn, Bahama Breeze, Seasons 52, Capital Grille) and the Outback Corporation (Outback, Carrabba’s, Flemings, Roy’s, and Bonefish Grille) (“Restaurants & Cafés,” n. d).

As big as these two companies are, the top fifty companies in the restaurant industry hold just 20% of the market (“Restaurants & Cafés,” n. d). This figure shows the importance of remaining on top of the competition and of remaining innovative and fresh. With the economy in its current state, restaurants are being forced to come up with crazy promo’s to draw out the customers. Ruth’s Steak House is mailing out \$25 gift certificates to <https://assignbuster.com/restaurant-industry-analysis/>

members of their rewards program, Cold Stone Creamery is partnering with Rocky Mountain Chocolates to create a shop that offers specialty ice cream and specialty chocolates.

Carrabba's is offering \$10 off any bottle of wine on Wednesdays ("Restaurants dream," 2008). These are just some examples of the promotions that are being put into place in order to keep restaurants in line with their competition. Legal As previously discussed, obesity is on the rise, which makes the government take more notice of the actions that restaurants are taking to ensure the best options for their patrons.

The FDA is cracking down on the amount of calories in restaurant menu options. They are expected to introduce new national laws by the end of the year that requires any chain with twenty or more locations to include calories on their menu for all of their items (Bernstein, 2011). It is expected that companies that make changes as quickly as possible will fare the best with the FDA. This is not the first time that the food and drug administration has cracked down on calories. A few years ago, they required a few large chain restaurants to remove menu items that were over 1500 calories.

**Market Segmentation** The restaurant industry can be split into a market segmentation of fast food, buffets, casual dining, and fine dining. It is important to know this information due to the fact that each segment will need to be marketed differently. Each segment sees a different demographic as far as age, financial status, and even gender. Many restaurants have begun marketing to senior citizens with early bird specials and deals because they realize that the baby boom generation is good part of the American stomach (Hayes, 2005).

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Demographic and economic statistics help to show the sales potential of the industry which is extremely important to marketers. When a new restaurant is looking to open its doors, there are certain demographic categories that must be looked at. These categories include: population, median age, gender, ethnic groups, household income, marital status, households with children, and education. All of these categories must be analyzed in order for a restaurant to ensure success in the area in which they are opening.

Information on these categories can be found using the most recent census, as well as state data agencies. Industry History Surprisingly, the restaurant is a relatively recent phenomenon. Until the near 1800's, people dined at taverns, inns, and cabarets, and the idea of a restaurant was still an idea of the future (Dorf, 1992). In America, the restaurant became popular in the nineteenth century during the Industrial revolution. These restaurants were originally created to serve the workers during the industrial revolution (Lundberg, 1994).

They included “ white tablecloth” service and restaurants that resembled more of a mess hall to fit as many people as possible. Since then, the idea has very obviously taken off, and remains strong even through our rough economic times. Financial Forecast The light at the end of the tunnel has not yet been spotted as far our economy goes, but it appears that American's have decided that it is okay to begin venturing out in restaurants again. Total restaurant sales for 2011 have been up 3. 6% over sales in 2010, and this is expected to continue into 2012 (Weisberg, 2010).

This is great news for the industry, however it has been reported that despite the rise in sales, 2 out of every five adults in America are still not using <https://assignbuster.com/restaurant-industry-analysis/>



restaurant services as much as they would like in their daily lives (Weisberg, 2010). With The expected rise in sales, the importance of offering coupons and deals is still a big factor. If the industry would like to keep sales on the rise, it is important to continue advertising and drawing consumers into the restaurants. Ethical Issues Currently, the major ethical issue that the restaurant industry is dealing with is the obesity factor.

If the attempts to create a healthy menu and healthier options continue, the industry should stay out of hot water. It is important to realize that the promotion of healthy choices can draw customers as well as keep a specific restaurant in good standing with the American public. Ethically, it should be extremely important for the industry to maintain as healthy a menu as possible. With many Americans struggling with obesity every day, the healthy menu options could really make a difference in their lives. One of the biggest ethical issues that each and every restaurant in the industry faces each day is the issue of safety.

There is a lot of focus on safety not only for the customer, but also for the employees. Food recalls have been a major issue in the past few years, as they have become more and more frequent due to new diseases and viruses that are developing. If food that is recalled is not immediately removed, it could be very dangerous to the customer, which could in turn lead to a potential closing of a restaurant. Discussion The restaurant industry is significant in many ways. It is an industry that will never completely die if they continue to change and offer new and exciting things to their consumers.

It is important that trends are followed and the proper advertising is done to reach specific demographics. The industry is also significant because people pay attention to activity going on in the restaurant industry because a great majority of American's eat some sort of restaurant food at least once a week. I recommend that our company pursue a potential business opportunity with the restaurant industry because I believe that the company could have a great impact on the industry by using prevalent industry information to create a marketing campaign that will boost sales and bring in more lifelong customers.

Conclusion In conclusion, I recommend that our company make a bid for the business in the restaurant industry because it is an industry that is extremely capable of growth, and I believe that our company could greatly assist in this growth. Together, we could create an excellent advertising campaign that would not only increase sales, but also improve the opinion of the industry in the public eye. I have always said that everyone has to eat, why not make it at a restaurant tonight?