Limited-Service, Unlimited Possibilities

Published on *QSR magazine* (https://www.qsrmagazine.com)

3 Reasons Restaurant Sales Plummeted in February [1]

Same-store restaurant sales fell by 3.7 percent in February while traffic declined 5 percent, according to the latest report by TDn2k's Black Box Intelligence. January's improved results— of flat same-store sales growth—were clearly not a turning point for industry performance.

Fine dining and upscale casual were the best performing segments in February while casual dining and family dining were the weakest, with sales dropping by more than 4 percent.

Here's a look at three trends that defined restaurant performance early this year and may continue to play a role going forward.

Guest Checks

Guest checks grew by 1.2 percent in February, the lowest rate in four years. According to TDn2k, checks had grown by 2.3 percent in the previous six months, and the modest growth is a function of more conservative pricing, customer trade downs, or discount promotions. Out of all segments, casual dining and quick service were virtually flat compared with last year while the bar and grill sub-segment experienced a drop in average checks.

Economic Environment

While the stock market has recently reached new highs, consumers are still grappling with rising inflation. Spending power is flat as wage gains are barely offsetting price increases, which TDn2k says puts additional pressure on the restaurant industry.

"While the stock market soars and confidence jumps, the economy continues on its steady but unspectacular upward path," says Joel Naroff, president of Naroff Economic Advisors and TDn2K economist, in the report. "Growth in the first quarter should exceed the tepid pace at the end of last year and with Europe finally starting to recover; the economy should pick up steam as we move through the year."

Rising inflation may also indicate the Federal Reserve will announce an interest rate hike soon, potentially at its next meeting on March 15. And coupled with Trump's potential spending and tax policies, rates are likely to rise faster than expected.

Labor

According to TDn2K's Q1 Workforce Index, restaurant operators predict staffing challenges to continue in 2017. Labor woes have decreased somewhat as restaurant job growth has slowed down in recent months. Forty-eight percent of restaurant companies reported that they planned to add staff during the first quarter at the hourly employee level, compared with 66 percent in Q4 of 2016.

While job growth may be slowing, hourly and management turnover continues to rise and remains the top people-related challenges for operators.

The Trump administration's stance on immigration may also make labor challenges more pronounced as about 25 percent of restaurant workers nationwide are born outside of the U.S.

"The administration's focus on enforcement creates a worry about an increase in workplace raids," says Becki Young, a business immigration attorney and head of Hammond Young's hospitality practice."The Muslim travel ban impacted the travel of some of our clients' employees and created uncertainty about the processing of benefits, such as employment authorization documents, for individuals from the seven countries. And the ban on refugee admissions has cut off an important source of documented workers, as many refugees find their first U.S. jobs in the foodservice industry."

By Alex Dixon

Source URL: https://www.qsrmagazine.com/news/3-reasons-restaurant-sales-plummeted-february