



## Restaurant Outlook 2013

Success in the restaurant industry requires the right blend of alluring menu items, pricing and other strategic considerations. To help navigate the road ahead, L.E.K. Consulting has developed a high-level forecast for three central issues facing the restaurant industry in 2013 and beyond. In addition to our insights below, we have also developed similar outlooks for additional market sectors and initiatives across the economic spectrum – including retail, food & beverage and customer experience & loyalty.



### What are the Biggest Challenges and Opportunities Facing the Restaurant Industry During the Next Year?

It looks like consumers are cautiously expanding their spending for dining out, which is good news for everyone in the sector. Opportunities exist for those that can continue to deliver great food at a good value. Further, new menu items will keep consumers engaged and provide compelling reasons to make visits. Pockets of opportunity include snacking/day-part expansion, specialty beverage, select better-for-you (healthier) options, and both premium and value menu items. These strategies must be delivered in a way that is consistent and relevant to your consumer to be successful.

That being said, the environment is still very challenging. Continued concept proliferation has given consumers countless choices and has fragmented consumer spending. Many consumers today expect a great deal (and can always find one); competition is fierce on all levels (sharp pricing and offers, higher-quality ingredients, etc.); commodity prices are still a major concern; and the list goes on. Cutting through the market noise and resonating with consumers on a level that builds true loyalty is not an easy task.



### What's the Current State of the Industry?

Growth is out there to be had, but there will be winners and losers for sure. Any concept in a turn-around will have a tough go, as it is very difficult to change consumers' perceptions. Also, growth often comes at a price in this sector (e.g., high promotions end up with lower margins) – getting out of the promotions cycle is not easy. Recent market growth leaders are finding a tougher time posting strong growth, but they are still advantaged as they have generally won by having superior products and execution.



### What Burning Issues are Senior Executives Facing?

A list of key issues for the restaurant c-suite includes:

- Delivering signature menu items that are truly differentiated and can drive traffic
- Identifying where players might have menu gaps, and filling them to give consumers more reasons to buy
- Developing messaging that matters to consumers
- Providing great value consistently
- Knowing when and how much to spend on physical concept renewal
- Achieving operational excellence (e.g., sourcing, in-store execution)

## Our Restaurant Practice

L.E.K. Consulting is an ideal partner for companies seeking to grow or invest successfully in the restaurant sector. We provide a full array of services including growth strategies, consumer insight, segmentation analysis, strategic sourcing and cost management.

## Capabilities Overview

L.E.K.'s services include:

- **Growth Strategy Development:** Design and help to implement strategic programs based on insights into the market landscape and underlying trends, a chain's relative market position, competitors, brand strength, and consumer perceptions and behavior.
- **Consumer Segmentation:** Pinpoint overlooked and underserved consumer segments within a market, identify the relative value of these segments and understand how to gain long-term market share with them. Use this insight to guide the focus and formation of menu development and overall business strategy.
- **Store Expansion:** Use sophisticated analytics to determine the core market and internal drivers of unit performance, and prioritize markets that have the characteristics to support successful new units. Develop overall store expansion strategy to drive growth priorities and real estate activity.
- **Operations Improvement:** Enhance organizational structures and operations processes across the value chain to increase productivity, and deliver top- and bottom-line growth.

## Meet Our Experts



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