

2012:

New Challenges, New Opportunities for Hospitality Services

Dining Insights, Winter 2012

There is still an ethic of value that may have changed forever, based on this recession.” That’s what Stephen Quinn told *Fortune* magazine. He should know; he’s the chief marketing officer at Walmart.

While the worst of the economic malaise eased during the past year, economists predict only slow growth during 2012. Coupled with risks to the U.S. economy from any financial misadventures in Europe, there’s enough uncertainty to keep consumers cautious about how they spend their money.

Customers are concerned about price, but really are more concerned with the value they receive for the dollars spent.

Trends and Challenges

Other important trends that affect corporate and campus dining and hospitality services aren’t new, but are increasing at the rate of the proverbial snowball rolling downhill. They include:

- The continued growth and increasingly general acceptance of the importance of healthy dining, with an emphasis on local sourcing, organic, hormone-free fresh foods.
- Sustainability, a term that incorporates healthy dining and covers virtually all aspects of human activity, including the operation of your organization’s services.
- The on-going growth of mobile technology, giving customers greater flexibility in deciding what, and where, to eat – your café, a nearby deli offering a deal or having a meal delivered.
- The food cost inflation dilemma is best summarized by Darden Restaurants president Drew Madsen, quoted in *Nation’s Restaurant News*: “The fundamental strategic challenge . . . is how to address the growing need for affordability that’s demanded by our guests . . . given significant commodity cost inflation.”

Creating Opportunities

The challenges ahead create opportunities to improve meals, quality, service and – most important – customers’ perception of your operation as a source of value to them.

Meeting the challenges and taking advantage of the opportunities they offer require an integrated, coherent operating plan that takes into account all the various trends and changing perspectives faced by your dining and hospitality services.

Creating value for customers – and increasing their perception of the value you offer – while fighting increased costs and maintaining or improving the operation’s bottom line, means careful research and planning and taking some risks.

The circumstances of each organization – population and demographics; facilities; types of service and other factors – determine how a viable plan will be developed and implemented.

Research should start with learning your customers’ wishes, preference and complaints. A company- or campus-wide survey, coupled with focus group sessions will tell you how your people view the services, what they like – and don’t.

A quick boost to customers’ perceptions can be had by making immediate changes to any

element of the operation that is causing complaints. Adding an item to the menu or eliminating a bottleneck in the serverly can be accomplished the same day you learn about it. Those affected will notice and tell their friends.

Going Green

Nearly every food service contractor has a program for local purchasing, preparing fresh foods from “scratch” in the kitchen and other healthy dining features. They also know how to reduce waste, conserve utilities and recycle.

But they are guided by their client’s priorities. If you want “green” dining and hospitality services, you have to tell your operator and require it to be implemented.

Demonstrating Value

Survey respondents and focus group participants are likely to tell you prices are too high. Translated: “Your food and service aren’t worth the prices you charge.” Cutting prices isn’t the solution. If your meals and menu choices are perceived to be unsatisfactory, take a good look at – and taste of – what you’re serving.

The best way to show value is to prepare meals to order at the counter. There’s nothing appetizing about cooked burgers sitting in a pan at the grill station or tired pizza slices that have been under a heat lamp for an hour or more.

Preparing these and other quick-serve items during the meal period in the serverly makes the product fresher and more appetizing. Customers will notice.

***Maybe it’s not the price,
but the value.***

Hot meals can be prepared to order at the counter at an “exhibition cooking” station, using countertop induction cooking units.

Pricing Strategy

After 2011's 4.6% runup, food prices are expected to increase by 2.5% to 3.5% this year, the USDA Economic Research Service estimates.

One approach to offsetting higher costs is a “two-sided menu” – selections of low-cost, low-priced dishes and higher prices for more “indulgent” items, suggests Eric Giandelone of Mintel Menu Insights, quoted in *QSR* magazine.

“When you can cover all the price points, there are simply more opportunities and choices for value,” Denny Lynch of Wendy’s told *QSR*.

Harnessing Social Media

Any in-house dining operation that has off-site competition needs to use the competition’s tools to at least stay even. Today, that’s the adroit use of social media for marketing, promotion and permitting customers to send in orders for their meals.

Restaurants use Groupon for promotions and your operation can use the same or similar services as well.

Ordering and paying from a mobile device also is becoming common.

“People are paying for things on their phones right now,” says Jack Stephenson, head of e-commerce at JP Morgan Chase.

Clarion can help keep your dining, catering, conference and other hospitality services ahead of the curve. For information, contact Tom Mac Dermott, 603/642-8011, Angela Phelan,

973/544-6223 or Ernie Wilder, 703/282-3030 or e-mail us at info@clariongp.com. Ask about our **Fresh & Natural** approach to healthy, sustainable dining.