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McKinsey and Company survey helps predict the current state of the local restaurant industry



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INTERNATIONAL CONSULTING FIRM McKinsey and Company, took the Twin City restaurant community under its wing and provided a study of the current state of the local industry, both pre-pandemic and post-pandemic. Here are some of the insights they came up with, which hopefully will help you navigate the future. Special thanks to Julie Gilbert who spearheaded this program on behalf of McKinsey and has a passion for the local restaurant community.

The study verified a number of things, starting with pre-Covid we had a robust dining community in the Twin Cities. Diners, on average, ate out three to eight times per month, with almost 40 percent of those surveyed eating out at least weekly. Additionally, social gatherings were a big motivation for going to restaurants. Pre-pandemic, 77 percent of people said their primary motivation was celebratory, which obviously was directly affected by Covid.

There was also a skew towards fine dining. About 70 percent of the diners who ate out, visited fine dining venues once per month; 60 percent went to casual-dining restaurants one to four times per month; and more than 70 percent ordered takeout at least one to two times per month. The first reveal is that Covid hit fine-dining



particularly hard, with 63 percent of the diners reporting they stopped visiting fine-dining restaurants during the pandemic and 85 percent going less than once per month. Casual-dining performed a little better: 39 percent didn't eat at casual restaurants at all and 65 percent visited less than once per month—but 80 percent of the diners ordered takeout at least one-to-two times per month, and 51 percent ordered weekly. So you can see the boost in takeout.

Additionally, it was clear that when diners did go out during Covid partial reopenings, 40 percent dined in smaller groups and 25 percent dined only in restaurants with superior safety

protocol. Finally, in terms of economics, 57 percent of diners indicated they spent less now than prior to the pandemic for their total eating out, including takeout and that they had shifted much of their spending to grocery stores, which is consistent with what we know from the broader, outside national economic data.

What can we learn from this and how can we then take advantage of it?

As things have improved, particularly in select suburban areas and isolated areas like the North Loop, there is definitely a pent-up demand for in-restaurant dining. If restaurants are able to open, and particularly if there is some way they can seat people

outside, they seem to be rebounding. From what the study has shown, customers are still overwhelmingly aware of the issues with Covid, but they are also sympathetic to the struggling restaurants and there is a desire for individual consumers to help out where they can.

Further, the restaurant industry has done a good job of discussing and being open about Covid protocol and ways to encourage customers to understand their commitment to a safe environment. Most of them have done a great bit on social media as to the safest platforms during Covid. Options that have done well are things that involve meal replacements, particularly more high-end meal kits, plus easy and accessible takeout. The delivery side of it doesn't seem to have changed as much. More people are opting for takeout and meal replacement approaches and delivery has stayed pretty constant.

Options that have not necessarily taken off as well are things like extra sale of gift


cards and subscriptions and cocktail kits.

So what does all this say? It suggests that while the consumer has changed his or her habits, these habits may not be permanent. Aspects that consumers seem to like such as takeout, grab-n-go and meal replacements are here to stay. Whether it's fine-dining, casual-dining or quick-service, restaurants are going to need to have those kinds of offerings to stay viable.

Also the issue of group parties and people gathering together are still going to be somewhat problematic, so look at other possible options, such as outdoor activities and hybrid events taking the best of in-person and virtual.

It appears that the consumers who are going to dine out, post-Covid, are not going to be as price sensitive as they were before. That is certainly demographic specific, but among the dining populations looked at it seems like, from both anecdotal and early data from reopenings, that this seems to be the case.

The issue that has been reported in this publication previously—of going away from a straight gratuity to some kind of service charge hasn't caught on the way everyone thought it would. But anecdotal evidence seems to point to tipping percentages have gone up during Covid and will probably continue to go up or at least remain at the Covid level, at least as long as people are grateful to be able to get back to restaurants.

What we don't know yet is how people will act once the economy reopens totally. We've lived in a state of fear for over a year and how that affects our ability to participate 100 percent is still to be seen. 

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