



MICHIGAN RESTAURANT INDUSTRY TRENDS

Results from Member Survey (2Q17)



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Important disclosures can be found in appendix

Survey Demographics

More than 125 responses to-date

- Michigan restaurant companies covering **~\$689 million** in annual revenue
- Data reflects feedback from about **500 sites**
- **61% of responses from single-unit independents** (17% are multi-unit indy's)
- 73% pass-through entity ownership structure
- 60% have fewer than 50 employees

Key Findings

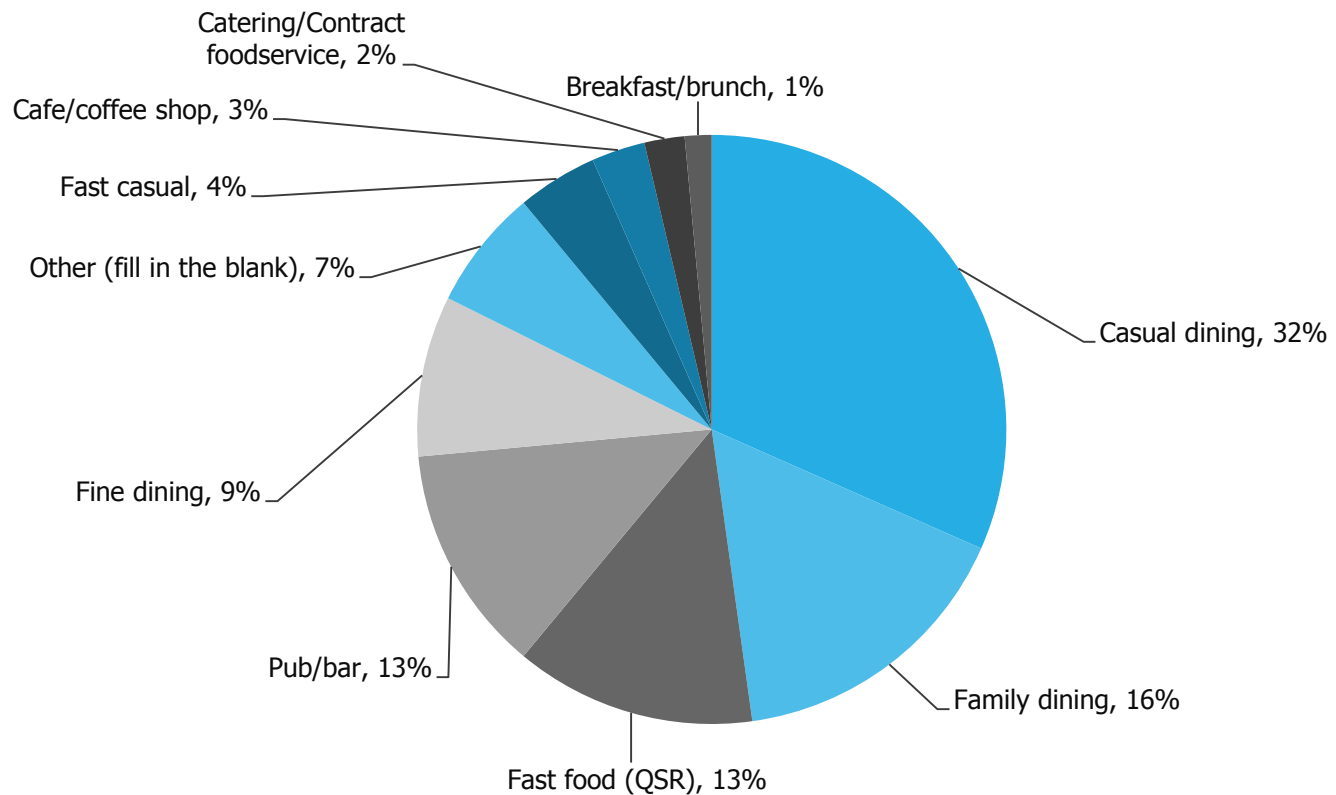
From initial look at data

- Sales in **2Q17 (Apr-June) improved to +3.2%** following softer 1Q (+1.7%). YTD growth is tracking slower than the 2016 trend.
- **Owners remain optimistic on trends accelerating in 2nd half**, with 71% of respondents expecting improvement July-Dec.
- **Food costs moving higher last 90 days**, likely making labor situation worse.
- **62% of restaurants have seen margin erosion** due to the cost/availability of labor.

Segment Breakdown

Majority coming from full-service

Restaurant Types by Segment
MRA Restaurant Sample

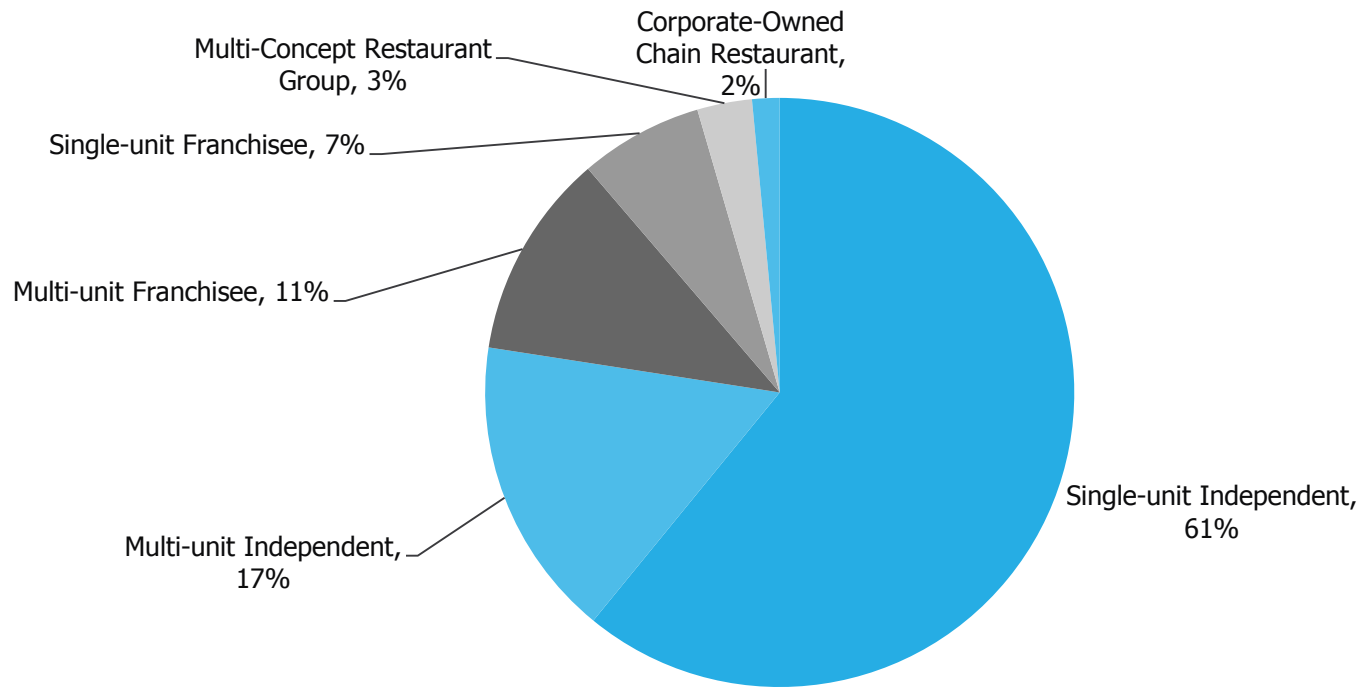


Restaurant Company Type

Predominately single-unit independents

Restaurant Company Type

Which of the following categories best describes your restaurant business?

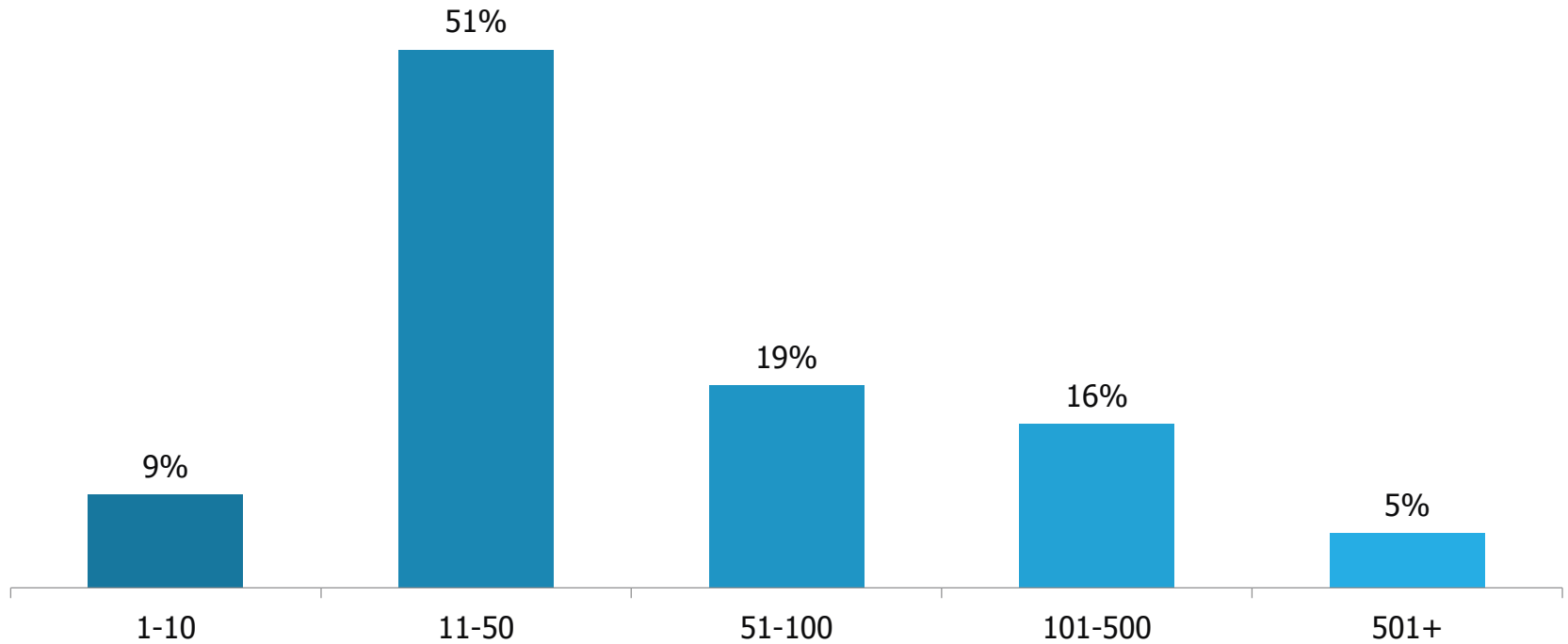


Number of Employees

Most have fewer than 50 employees

Number of Employees

How many employees does your organization have?

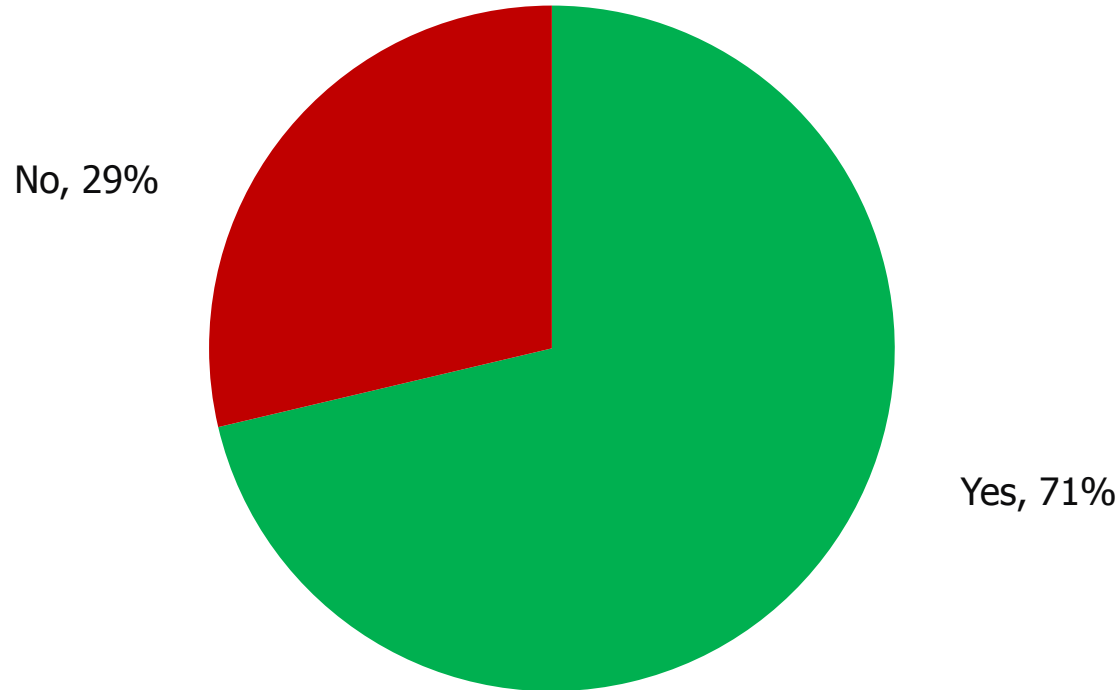


Demand Sentiment Index

70% expect better trends in 2nd half of 2017

Business Outlook Next 6 Months

Do you expect your same-store sales to improve in the 2nd half of 2017 vs. the 1st half of the year?



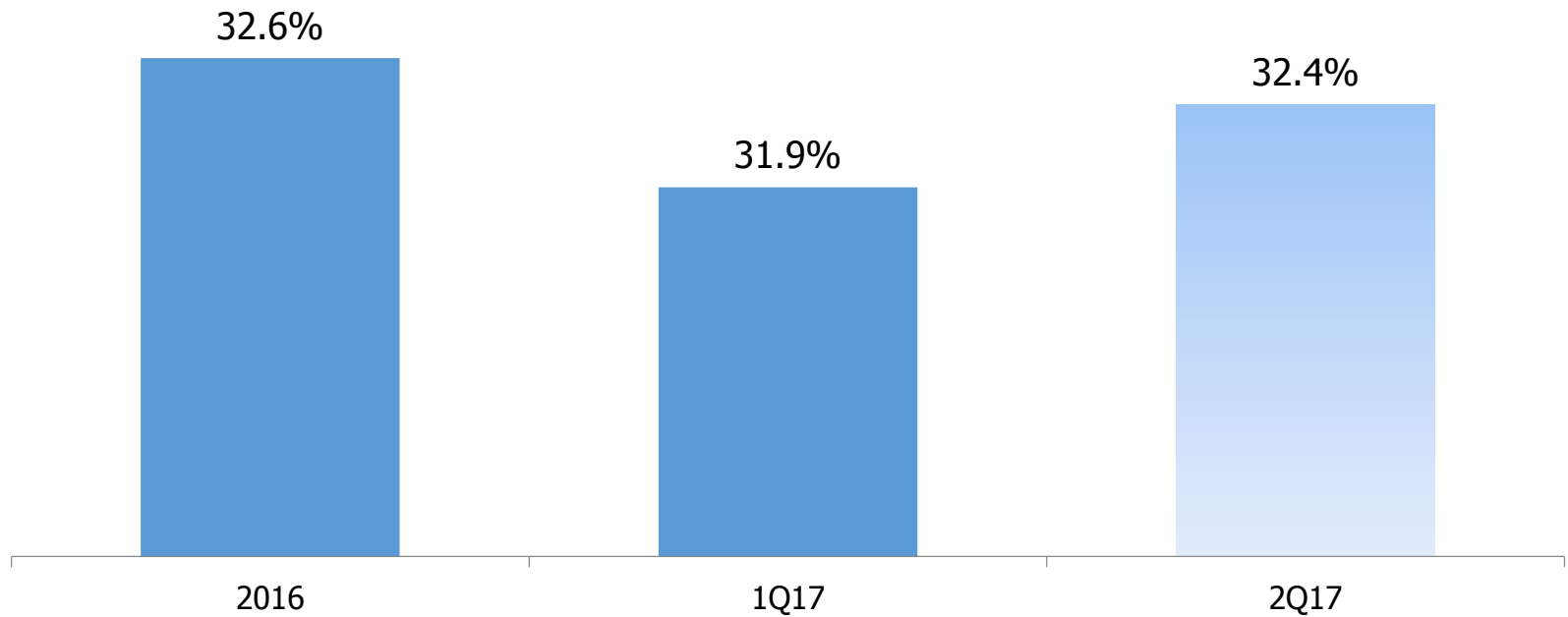
Biggest Surprises for Owners

- *"Not getting job applications for openings"*
- *"Availability of labor continues to get tighter"*
- *"Pressure on wages for skilled positions (cooks)"*
- *Continued divergence in sales performance, with distinct "winners" and "losers"*
- *"Margin/profitability pressure"*
- *"Too many restaurants opening near me"*

Food Cost Trends

Moving up last 90 days, ends 18 mo. deflation cycle

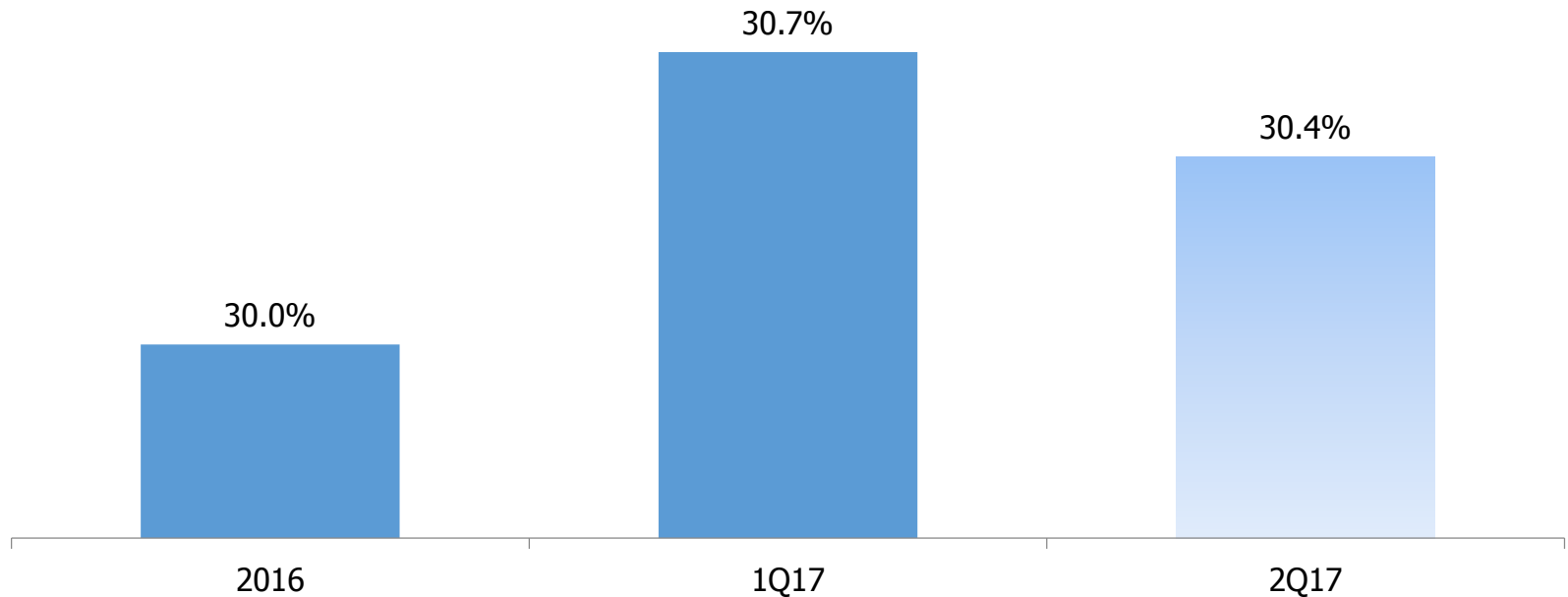
Food Cost Trends
MRA Restaurant Sample



Labor Cost Trends

Remains elevated YTD, sequentially lower in 2Q17

Labor Cost Trends
MRA Restaurant Sample



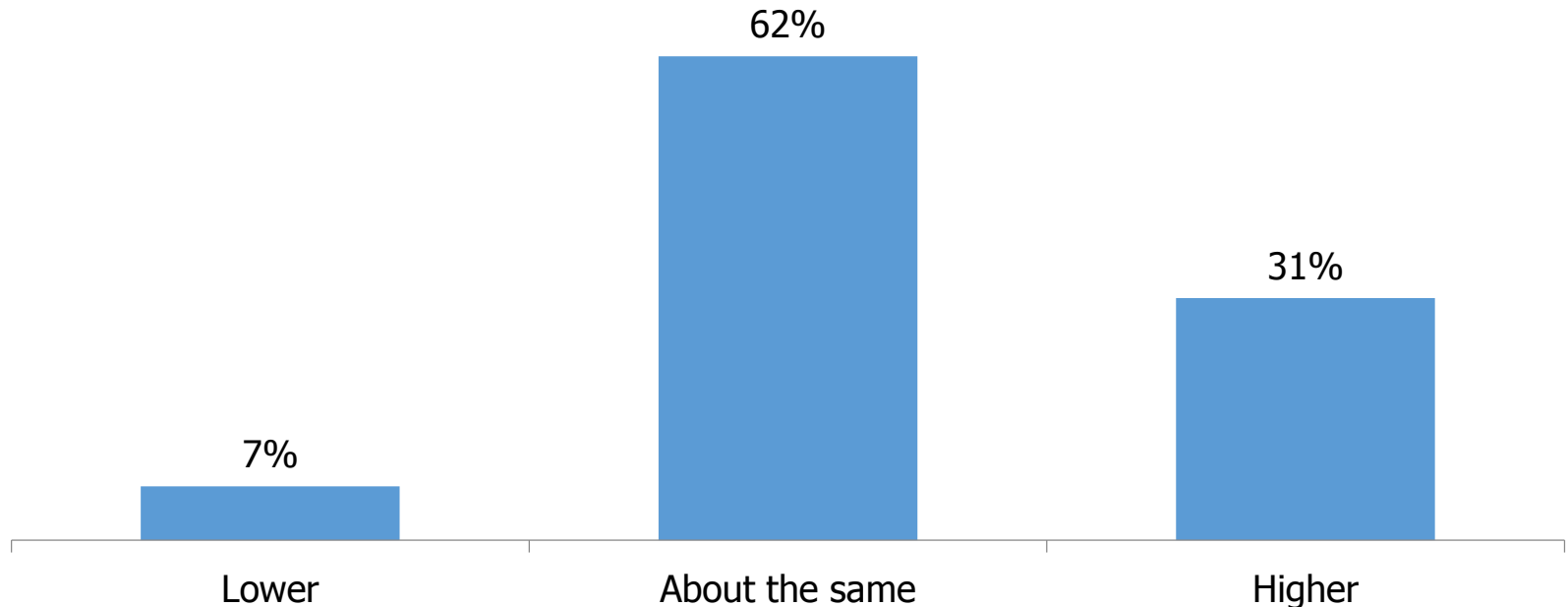
Source: MRA Member Survey

Future Hiring Plans

Many restaurants struggling to fill vacancies

Hiring Plans Next 6 Months

In the next six months, how do you expect the total number of employees in your operation to trend?



Source: MRA Member Survey

APPENDIX

Disclosures: *It is the policy of Cleveland Research Company to comply fully with the antitrust laws set forth by the United State Federal Government and various state laws. Our research is intended to be utilized as a resource in accordance with those established antitrust laws and regulations. The information transmitted is intended only for the person or entity to which it is addressed. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer.*