



MICHIGAN RESTAURANT INDUSTRY TRENDS

Results from Member Survey (2Q18)



Contact:

Adrienne Moncrief | (216) 649-7252 | amoncrief@cleveland-research.com

Survey Demographics

Nearly 80 responses

- Michigan restaurant companies covering **~\$552 million** in annual revenue
- Data reflects feedback from **1,420 sites**
- **60% of responses from single-unit independents** (16% are multi-unit indy's)
- **43% of responses from casual dining**



Key Findings

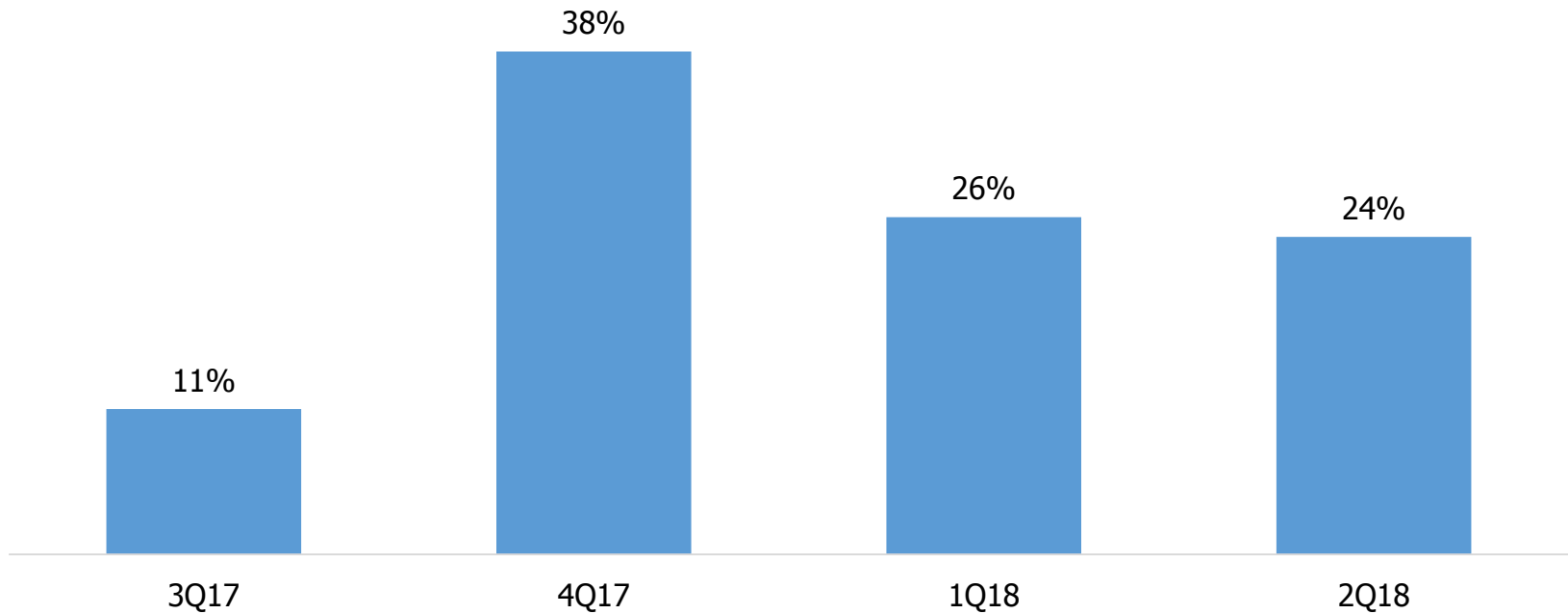
From initial look at the data

- Same-store sales in **2Q18 (Apr-June) finished up 2.7%** vs. +2.9% in 1Q.
 - Traffic growth finished up 2.5% and menu prices were up 1.3% year-over-year in 2Q.
- **Owners more optimistic on next 12-18 months following slower start to the year**
 - Expect same-store sales to finish up 4.2% in 2018
 - 2019 forecasts call for 4.4% growth (vs. +3.9% growth during 2017).
- **Food costs** were 31.3% of total sales in 2Q (similar to 1Q).
- **Labor costs** represented 29.5% of total sales during 2Q (similar to 1Q).
 - Wage inflation is expected to be up 6.7% for owners during 2018, up from 5% inflation in 2017.

General Business Conditions

More often than not, operators expect improvement

*Do you think general business conditions six months from now will be better, about the same, or worse?
Net= % better minus % worse*

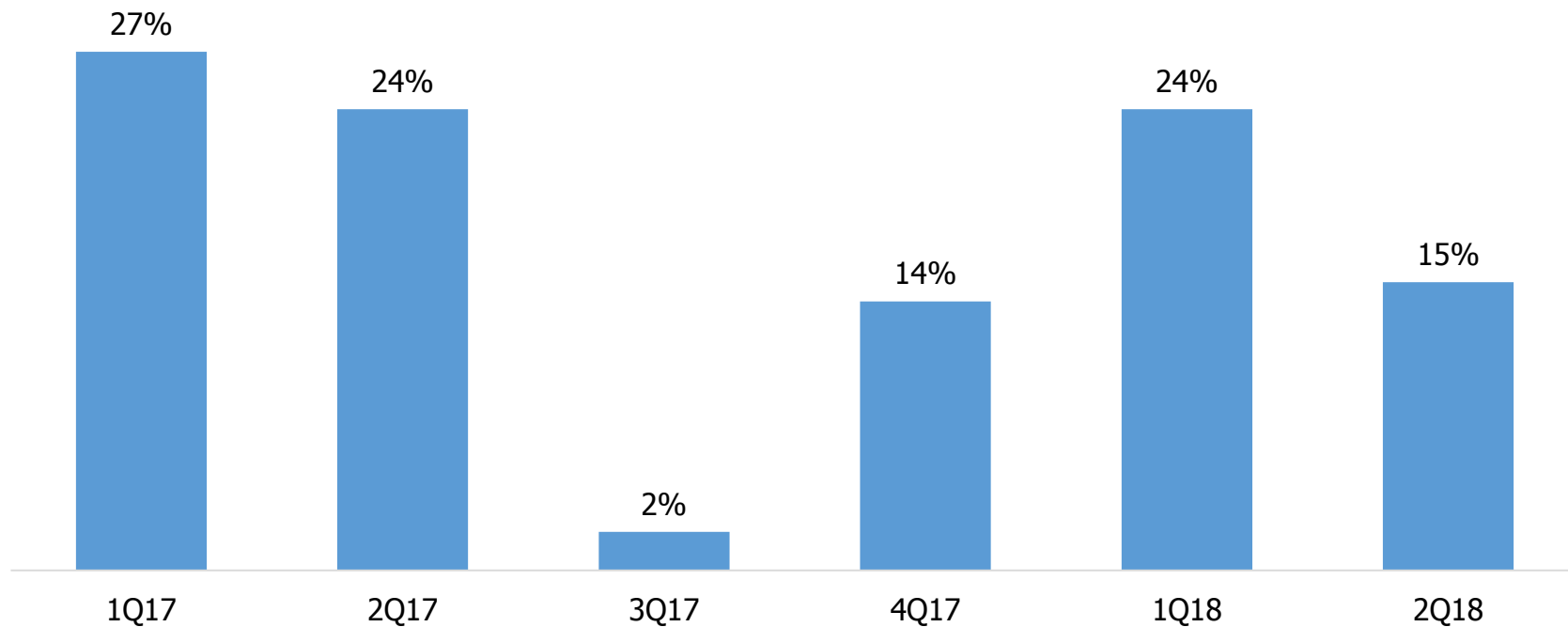


Hiring Plans Next 6 Months

Overall owners still planning to increase headcount

In the next six months, do you expect the total number of employees in your operation to be higher, lower, or about the same?

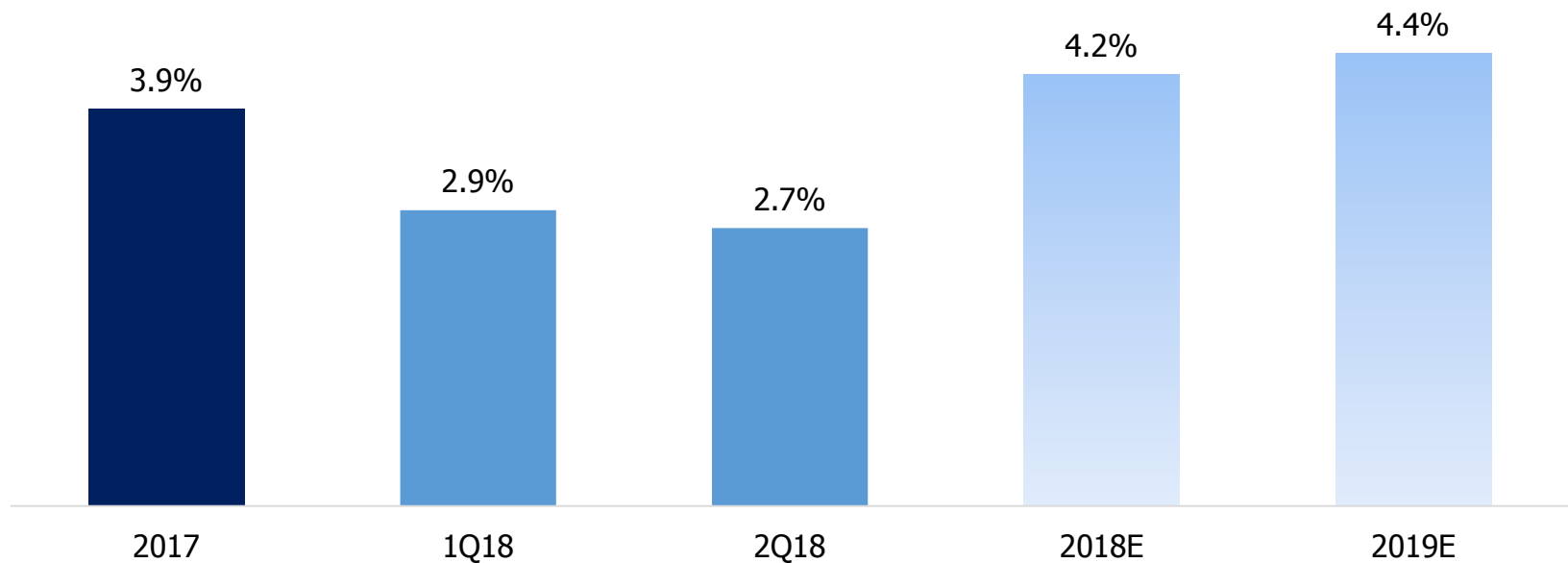
Net= % of respondents hiring minus % decreasing number of employees



Same-Store Sales

Owners expecting better trends in 2018 and 2019 following a slower start to the year

What was your overall same-store SALES growth for the following periods? (year-over-year % change)

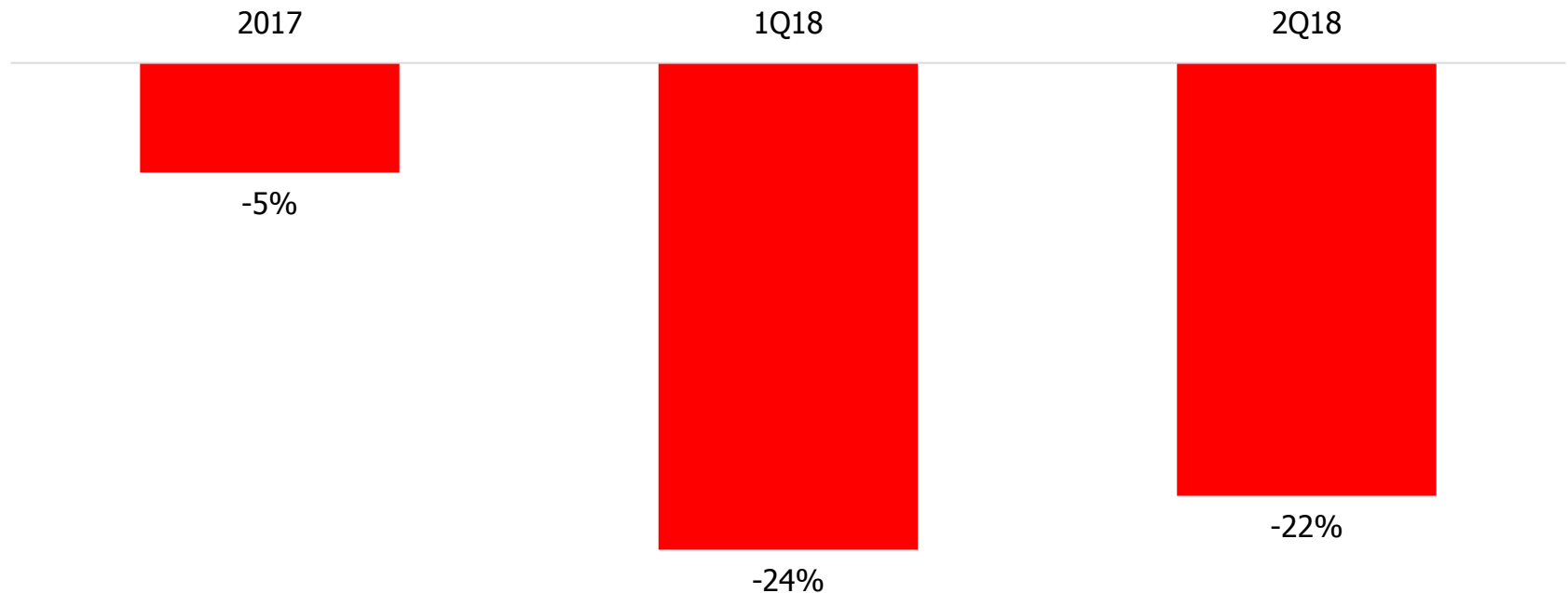


Sales vs. Expectations

Operators finishing below plan more often than not

How did these periods perform relative to your expectations (same-store sales growth vs. plan)?

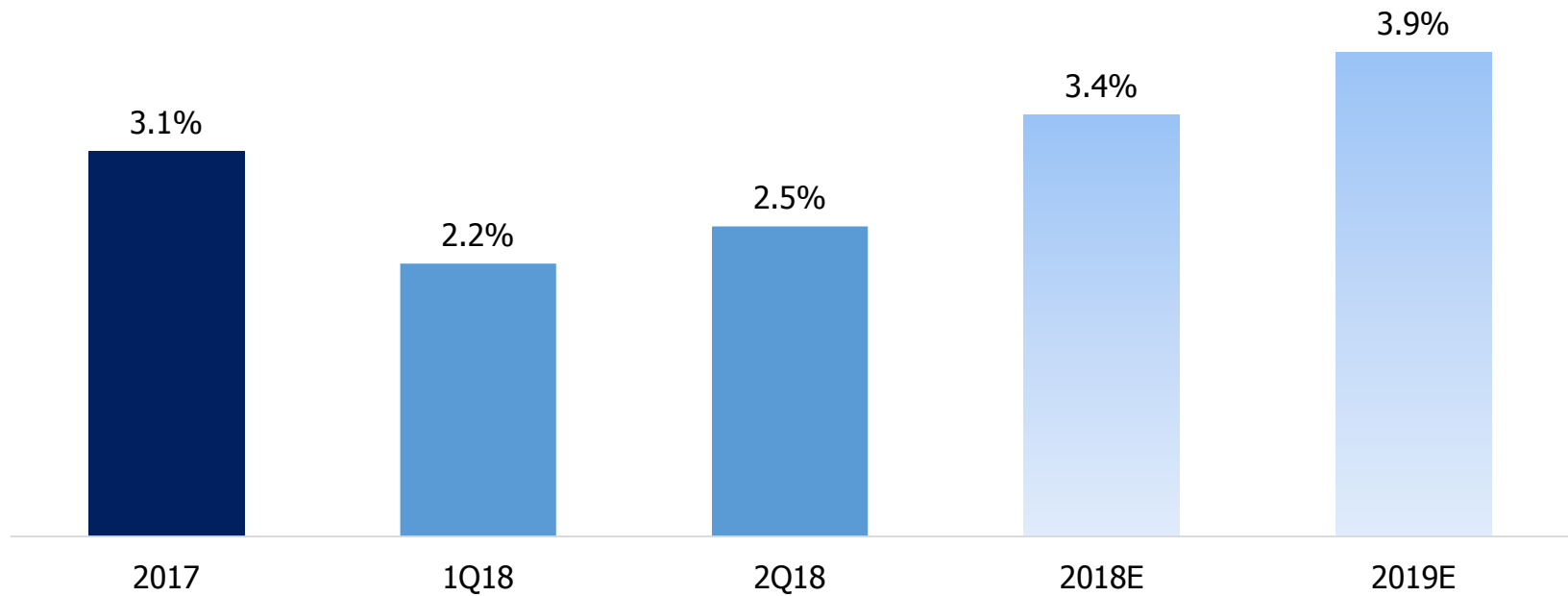
Net = % of owners above plan minus % of owners below plan



Traffic

Owners anticipating better growth in 2018-19

What was your same-store TRAFFIC growth for the following periods? (year-over-year % change)

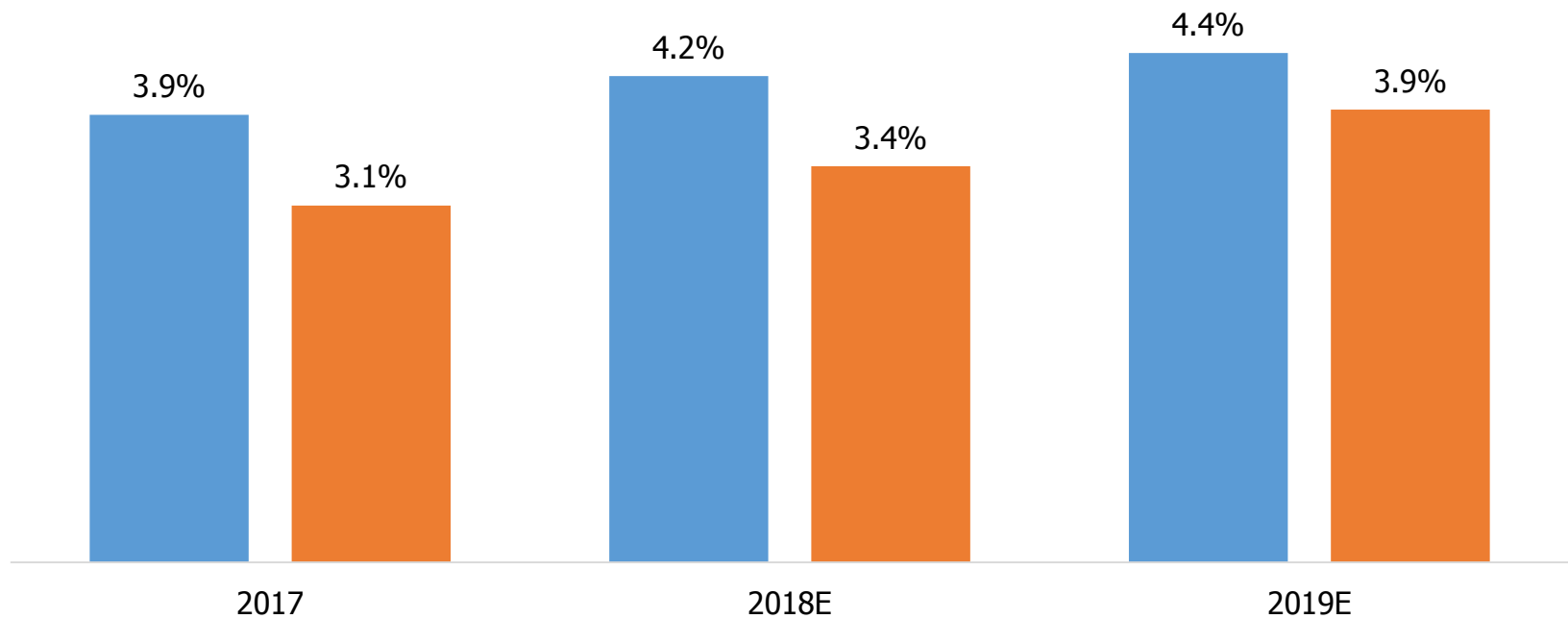


Annual Forecasts

Operators optimistic on demand next 18 months

Michigan Restaurant Association Annual Demand Trends

■ Same-store Sales ■ Traffic



Biggest Surprises for Owners

- **High's in the quarter...**

- *Improving sales trends*
- *Better weather*
- *Economy continues to be good*

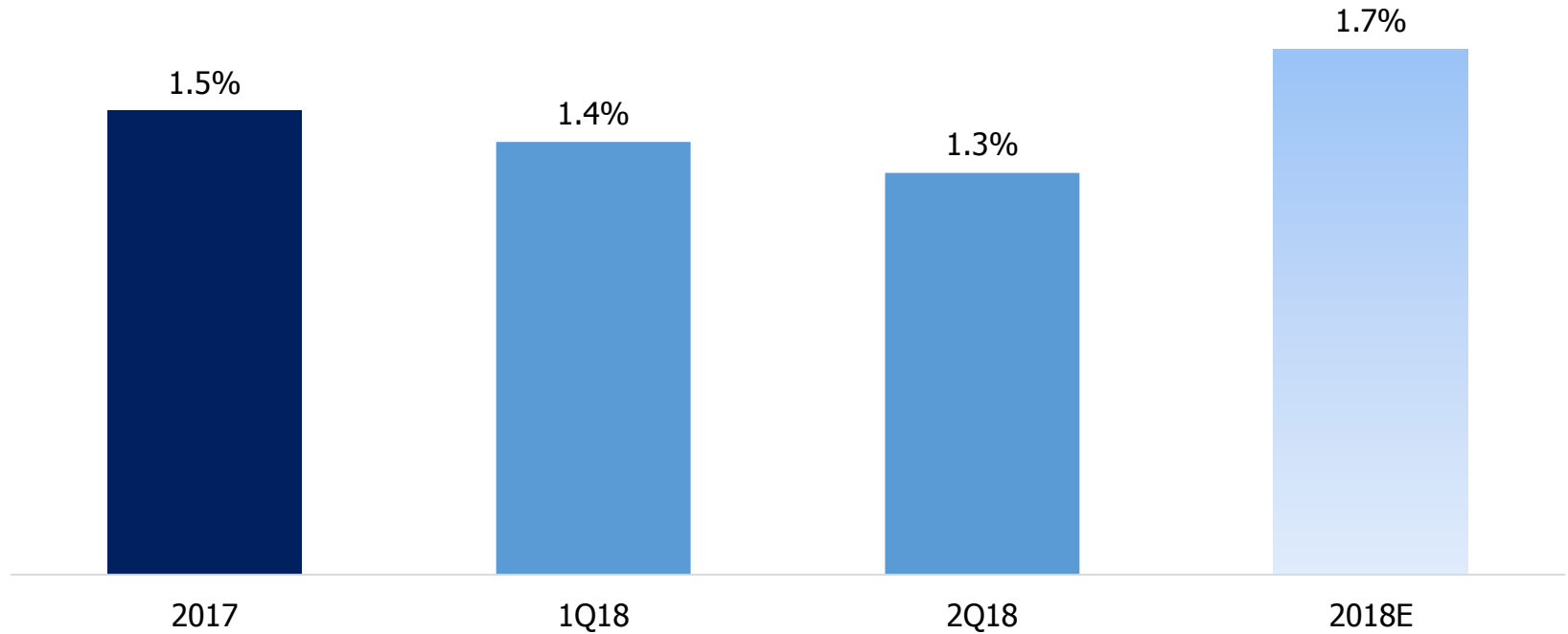
- **Low's during the quarter...**

- *Difficulty in finding/retaining good employees*
- *Rising labor costs*
- *Utility costs increasing*



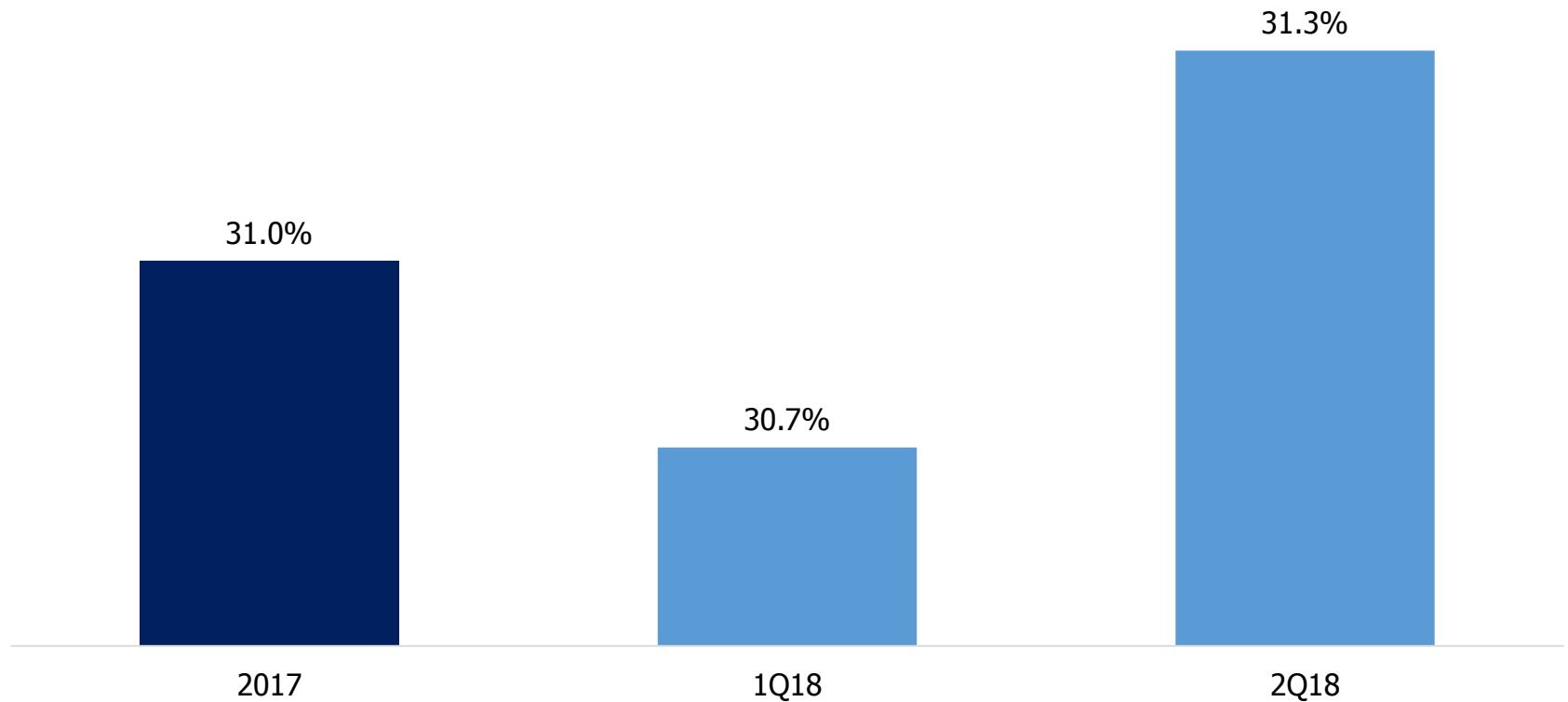
Menu Pricing

How did your menu prices compare to the same time 1 year ago for the following periods? (year-over-year % change)



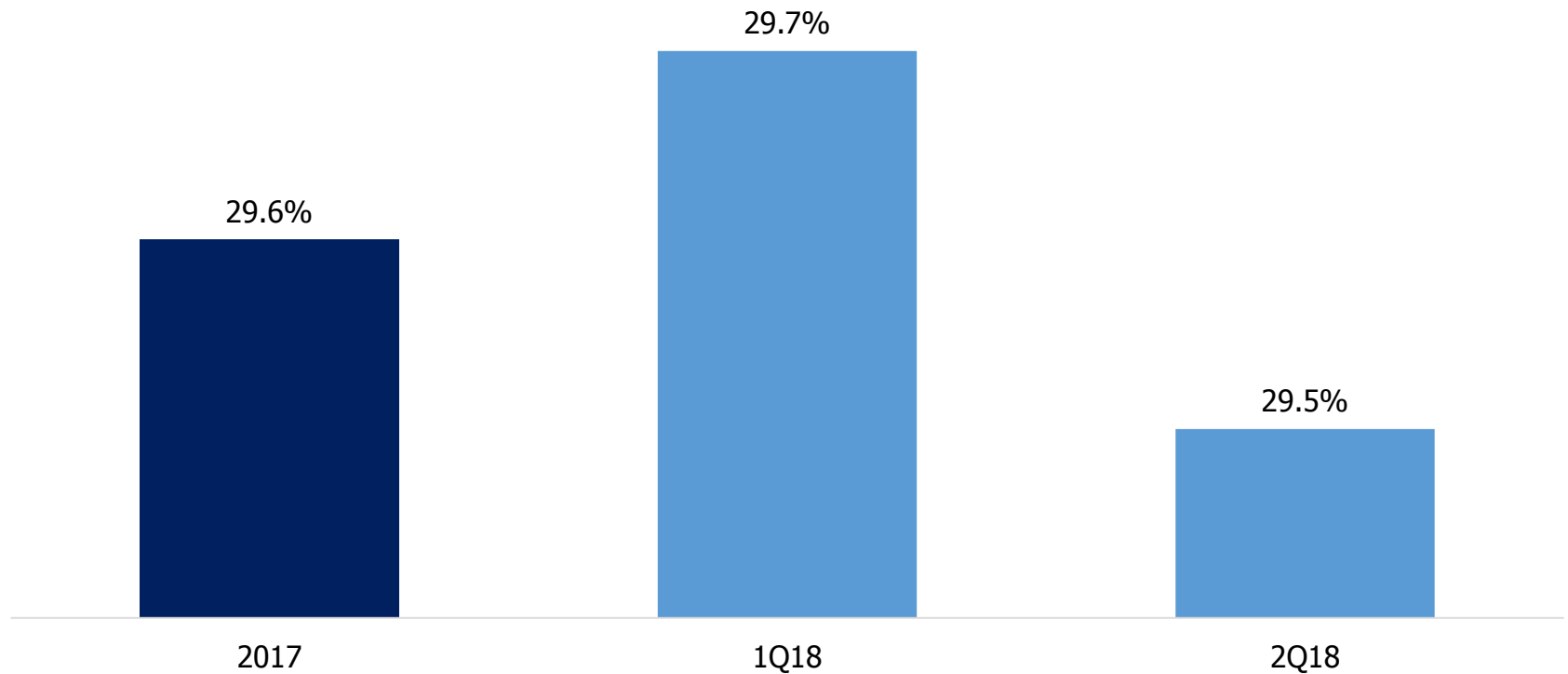
Food Cost Trends

During the following periods, what was your total FOOD cost as a percentage of total sales?



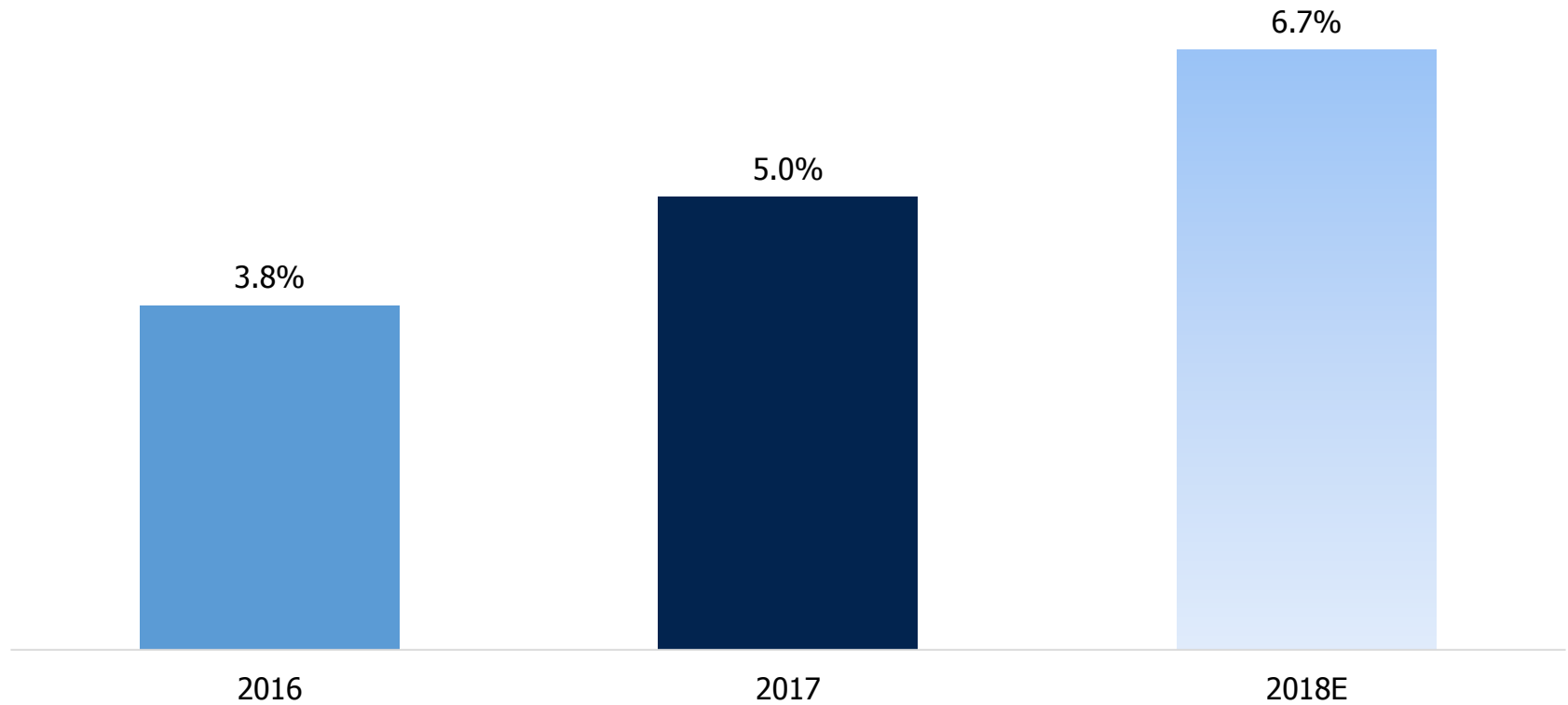
Labor Cost Trends

During the following periods, what was your total LABOR cost as a percentage of total sales?



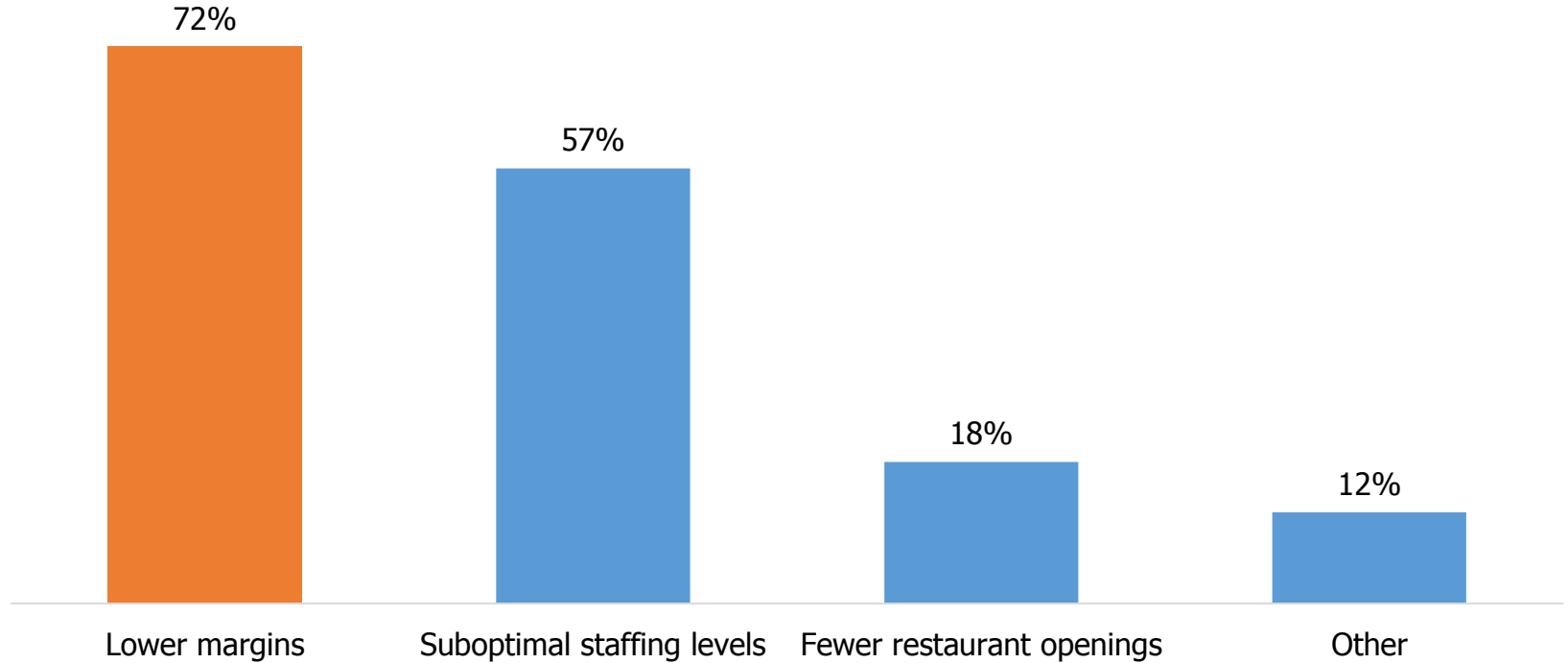
Labor Inflation Rates

What labor inflation rates did you see during the following periods?



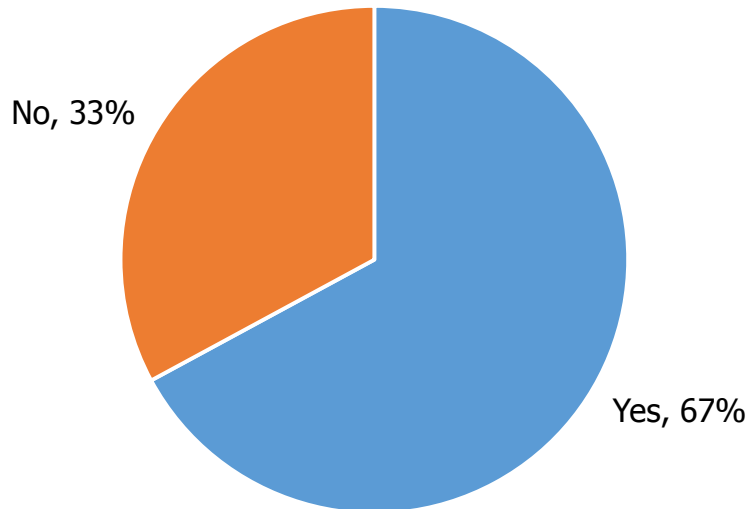
Labor Impact on Owners

How has the cost/availability of labor impacted your business? Select all that apply.

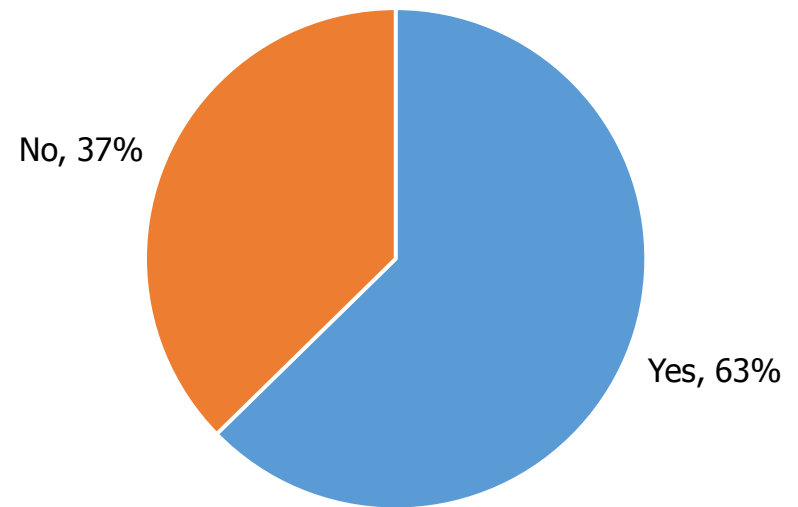


Labor Impact on Owners

*Over the previous 12 months, has the cost and availability of labor had a material impact to the **types of products** included on your menus?*

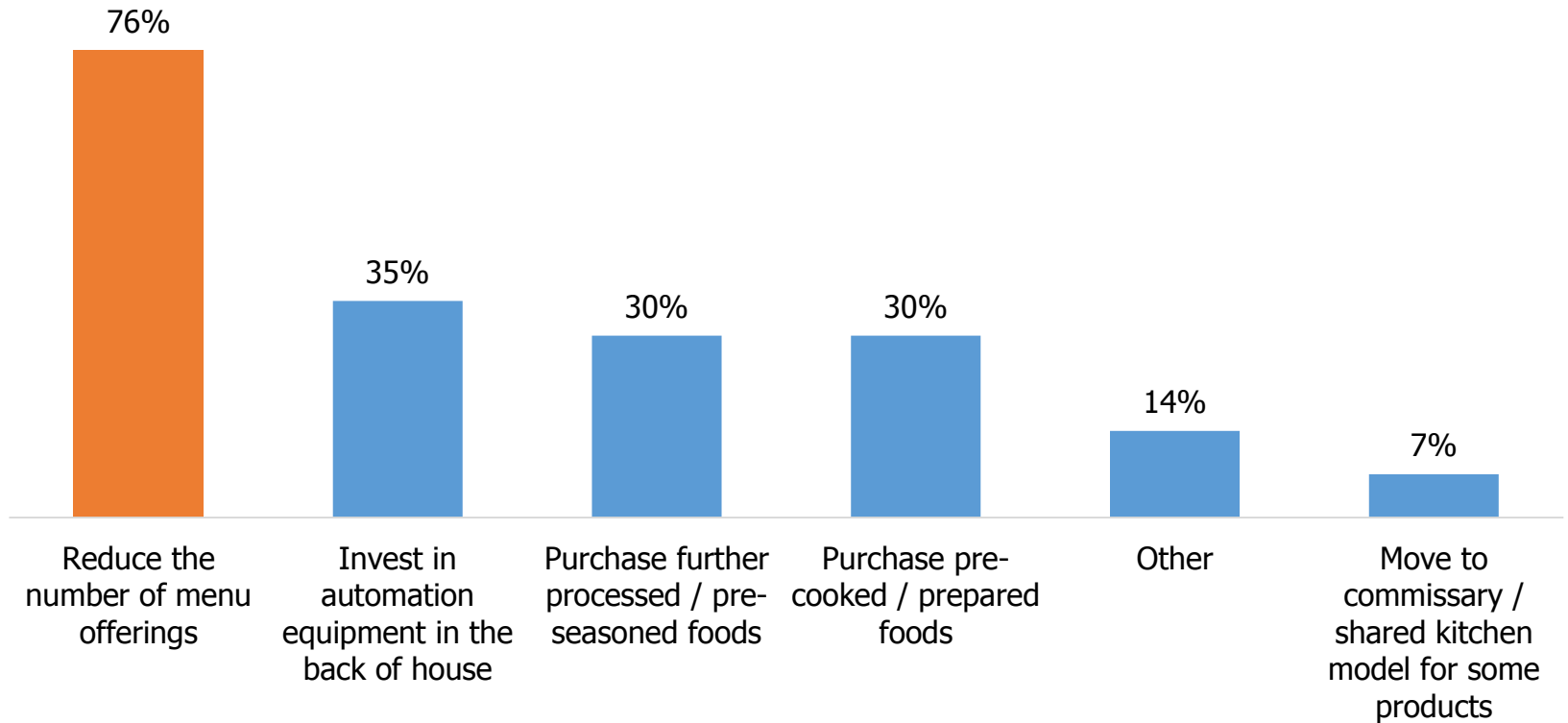


*Are you **implementing technology** in the front or back of house aimed at reducing labor cost?*



Labor Impact on Owners

In order to reduce labor cost and simplify operations, what changes would your company be willing to implement over the next few years? Select all that apply.

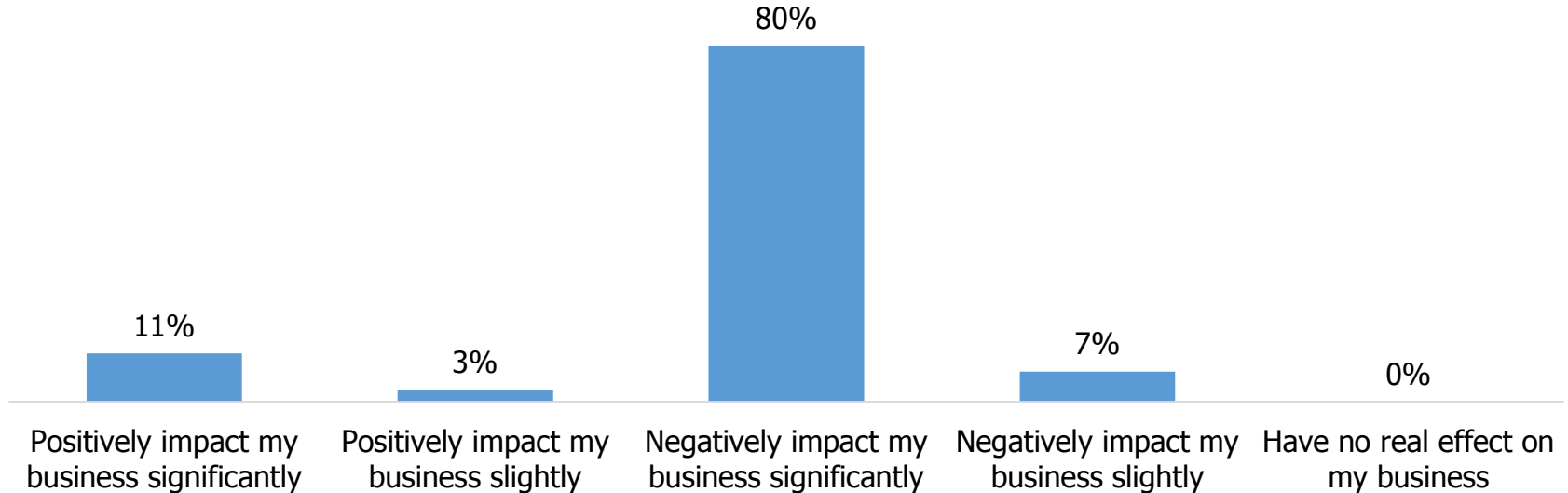


General Election Ballot

A ballot proposal seeking to accomplish the following has submitted enough signatures to appear on the November 2018 general election ballot:

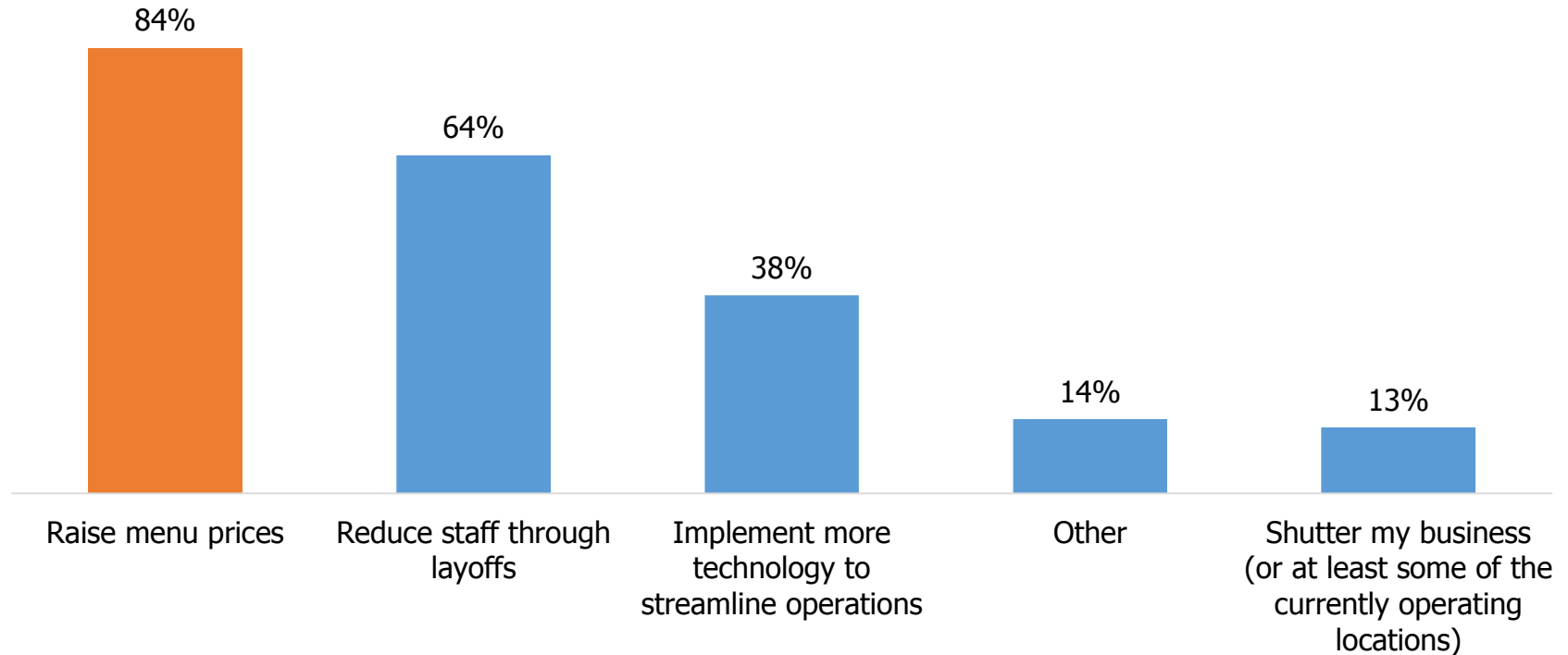
- Increase the minimum wage from \$9.25 to \$12 per hour by 2022*
- Eliminate the "tip credit" by 2024 (which would increase wages for tipped employees' from the current rate of \$3.52 per hour until it was the same as the full minimum wage)*
- Increase the minimum wage annually thereafter by the rate of inflation*

If approved by voters in November, this proposal would...



Response to Proposal if Approved

How would you likely react to the proposal if it was approved by voters in November? Select all that apply.

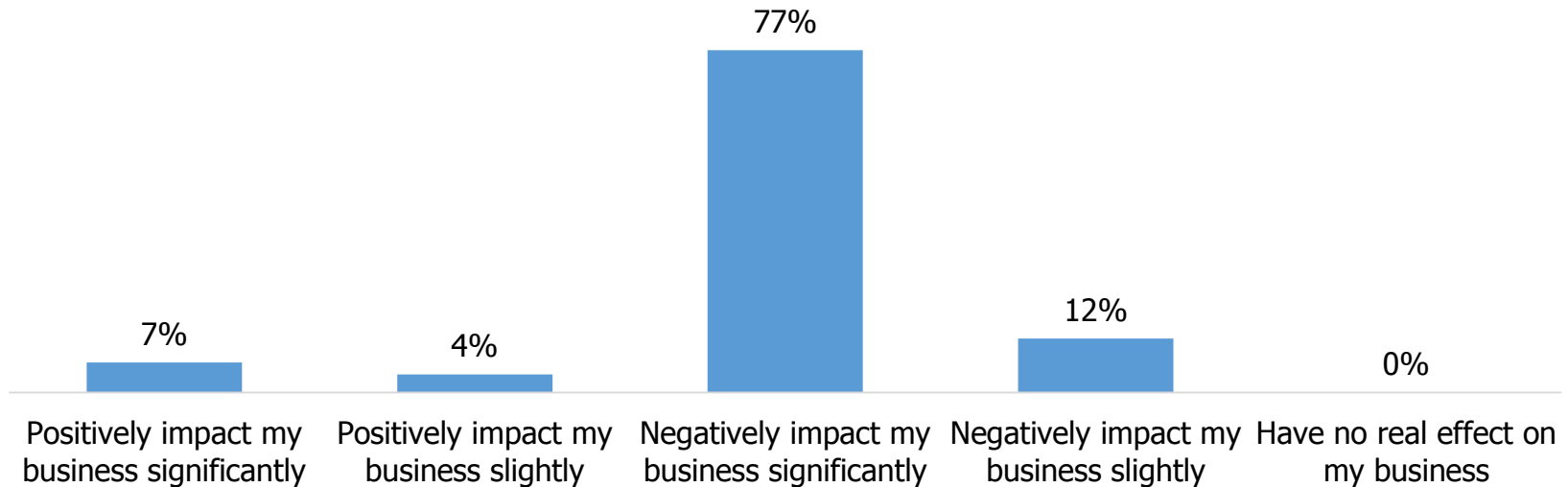


General Election Ballot

A ballot proposal seeking to accomplish the following has submitted enough signatures to appear on the November general election ballot:

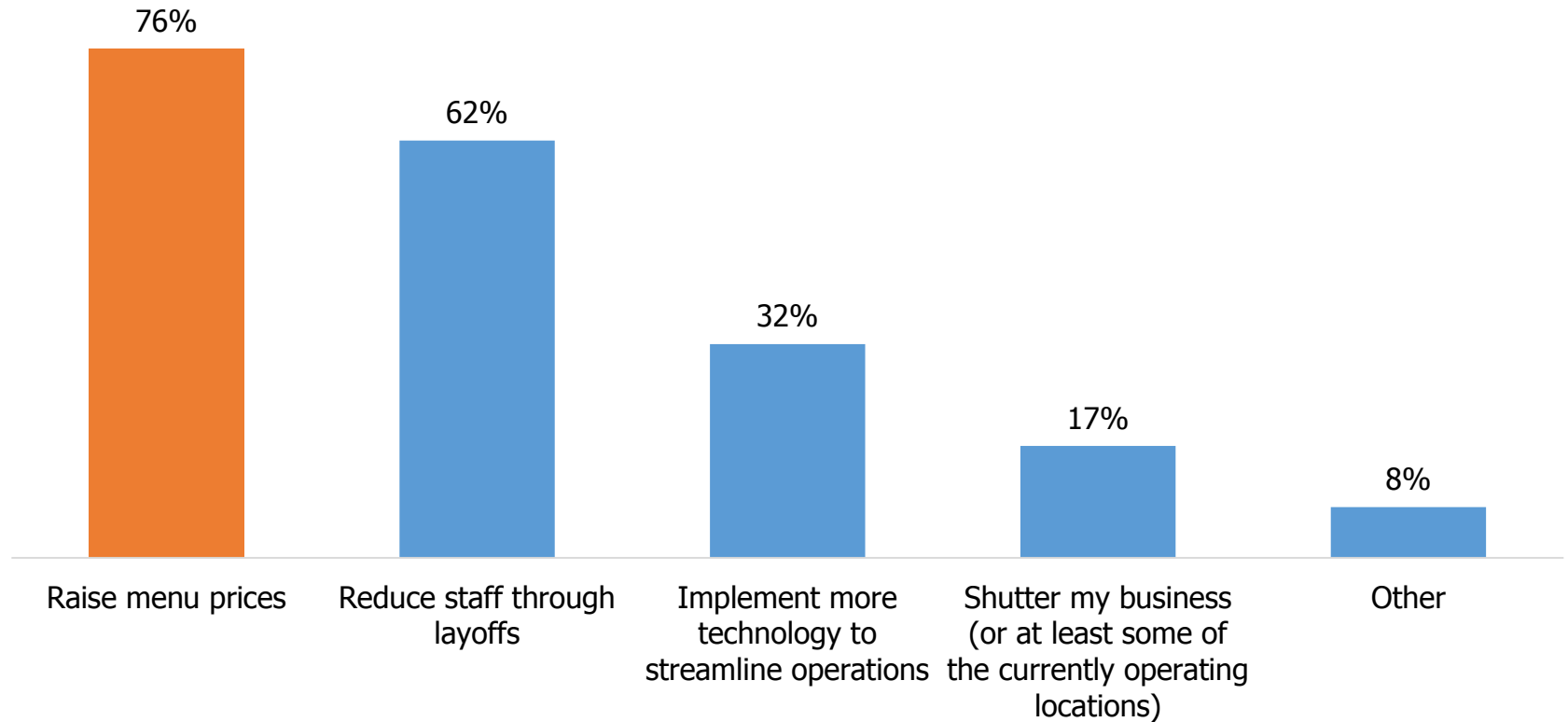
- Require employers to provide employees, whether full-time or part-time, up to 72 hours of paid leave time per year*
- Employers with fewer than 10 employees would be required to provide up to 40 hours of paid leave time and up to 32 hours of unpaid leave time*
- Employees would earn leave time at a rate of 1 hour earned for every 30 hours worked*

If approved by voters in November, this proposal would...



Response to Proposal if Approved

How would you likely react to the proposal if it was approved by voters in November? Select all that apply.



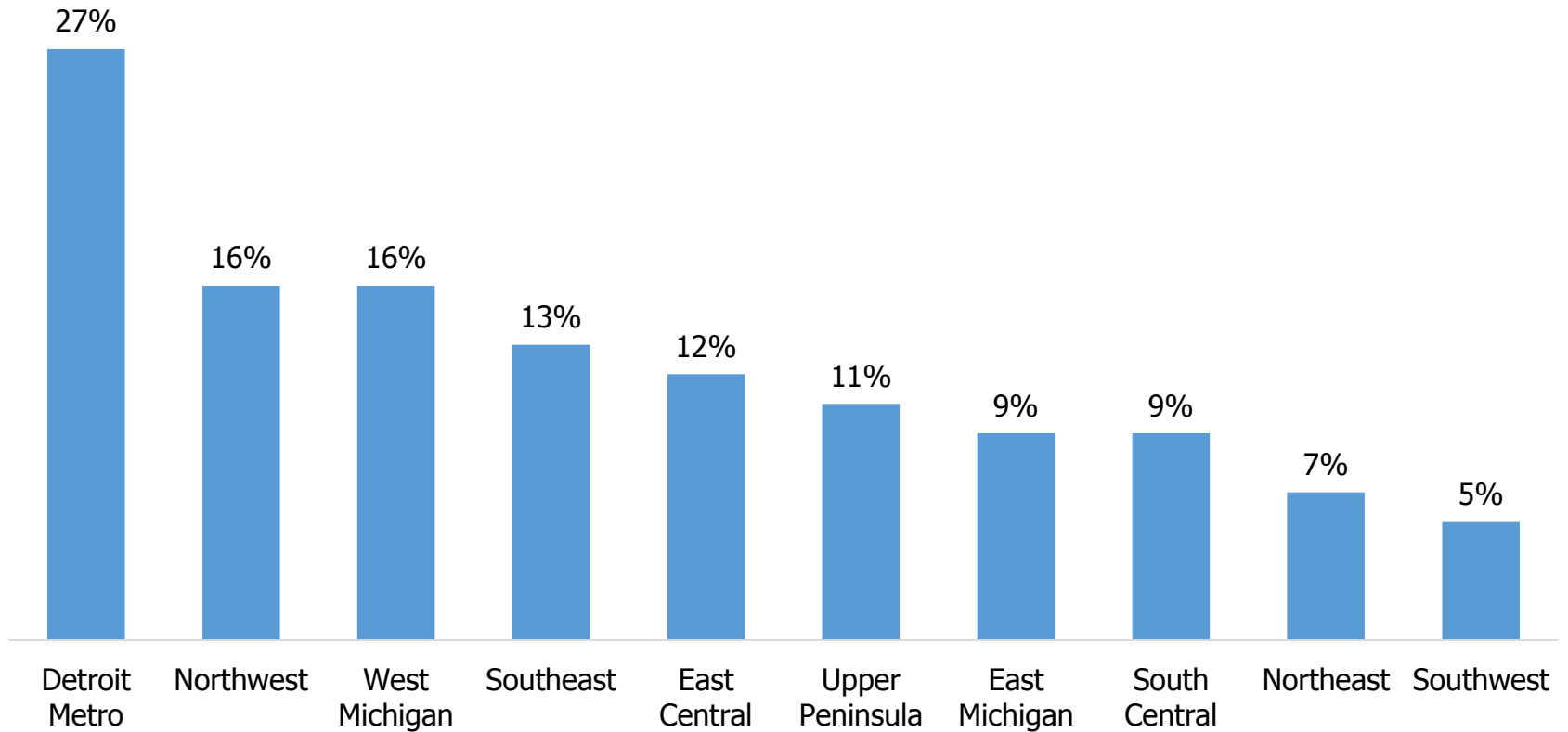
APPENDIX

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.*



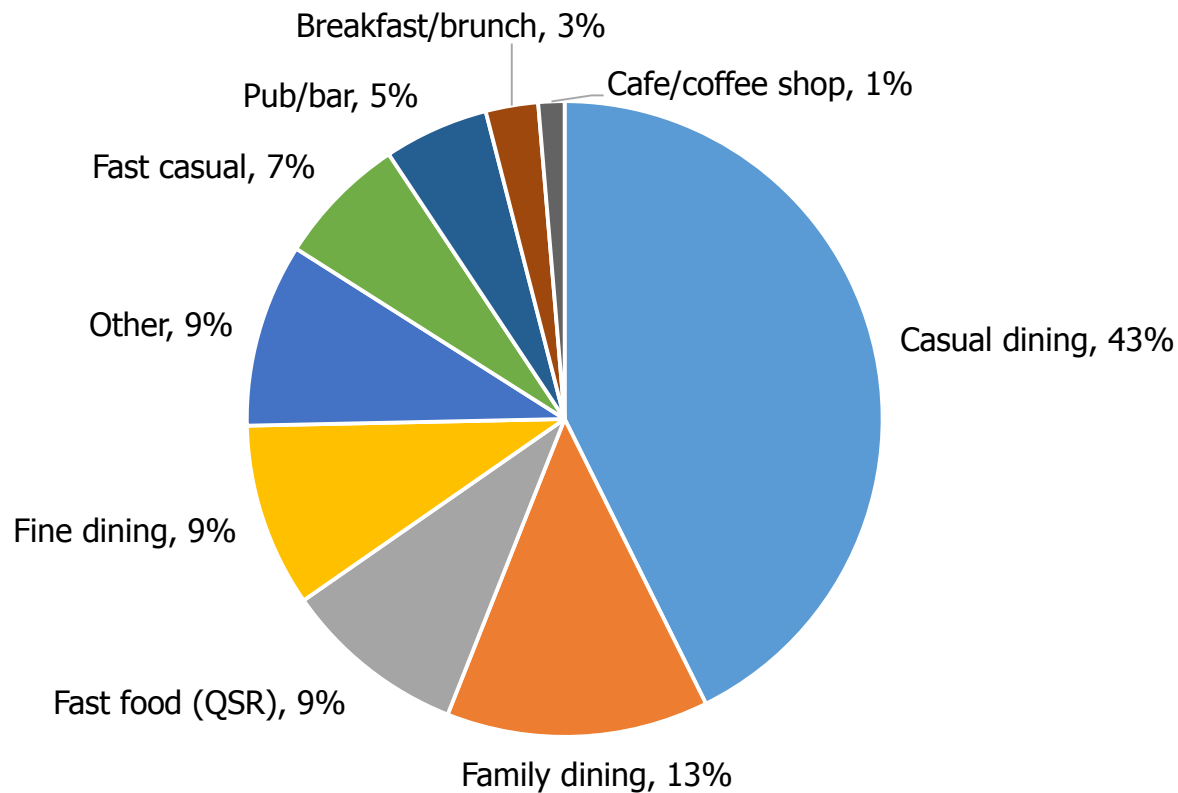
Location of Restaurants in MI

In which region(s) of the state are your restaurants located?



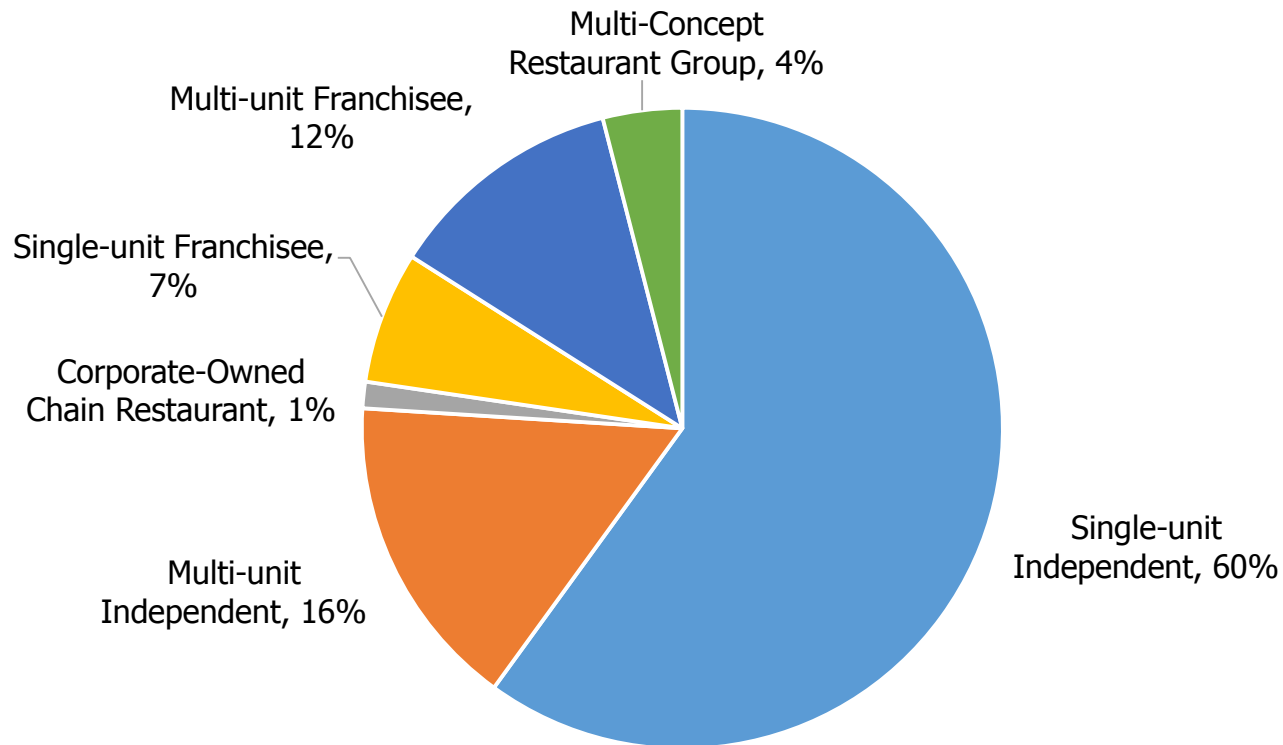
Segment Breakdown

Which type of concept is your restaurant?



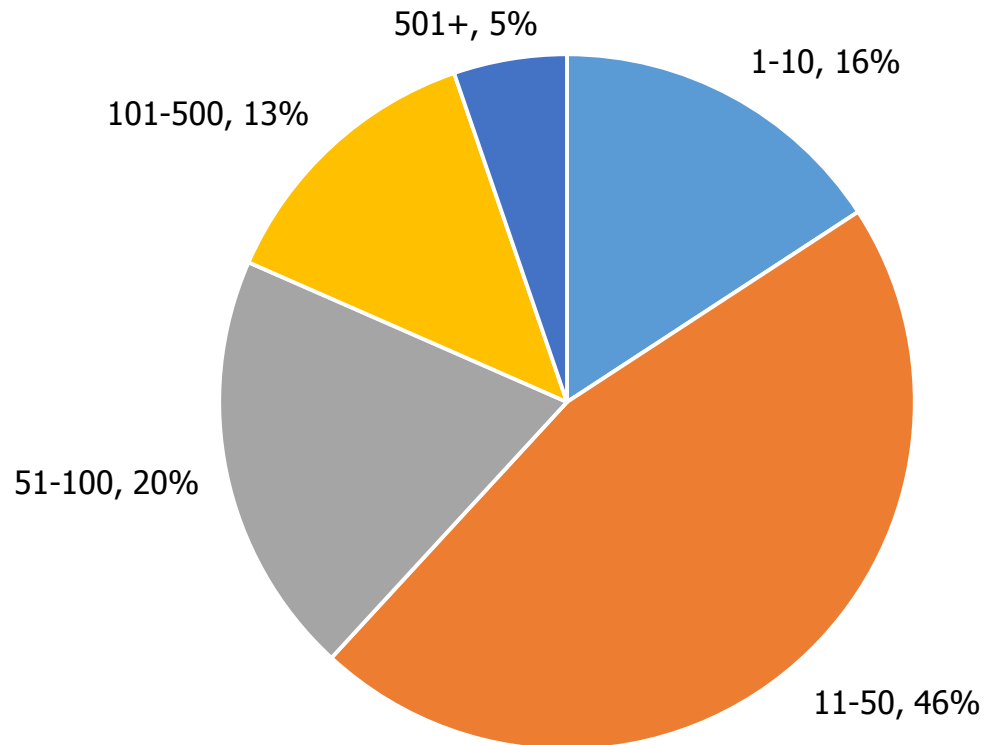
Restaurant Company Type

Which of the following categories best describes your restaurant business?



Number of Employees

How many employees does your organization have?



Ownership Structure

What is the ownership structure of your company?

