



MICHIGAN RESTAURANT INDUSTRY TRENDS

Results from Member Survey (1Q18)



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Survey Demographics

Over 115 responses

- Michigan restaurant companies covering **~\$556 million** in annual revenue
- Data reflects feedback from nearly **400 sites**
- **55% of responses from single-unit independents** (21% are multi-unit indy's)
- **40% of responses from casual dining**



Key Findings

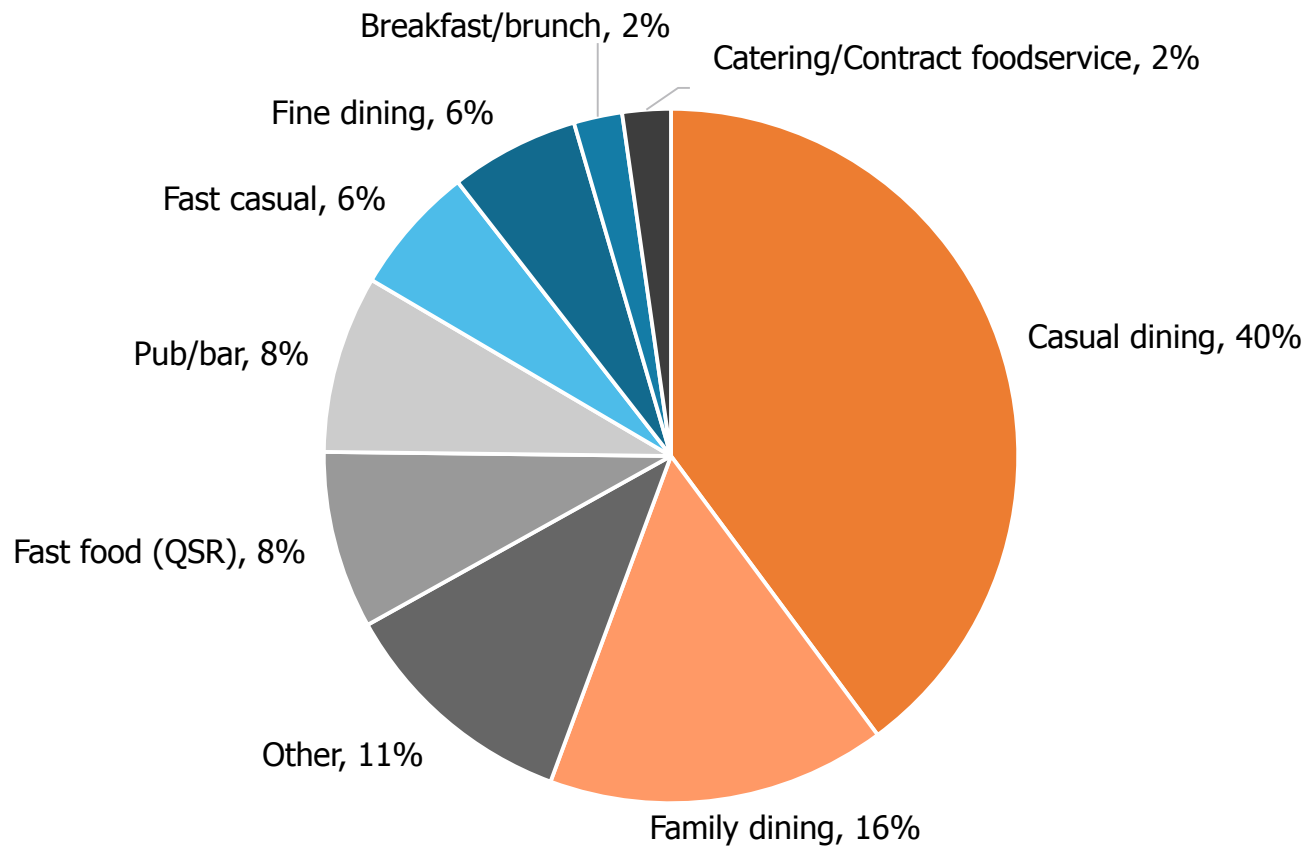
From initial look at the data

- Same-store sales in **1Q18 (Jan-Mar) slowed to +1.6%** versus +2.7% in 4Q17. Full-year 2017 same-store sales for the group finished up 3.4%.
- **Owners more optimistic on 2018 trends** and expect same-store sales to finish up 4.5%.
- **Food costs** were 32.6% of total sales during 1Q (similar to overall 2017). **Labor costs increased** to 30.6% of total sales (higher vs. 29.2% in 4Q).

Segment Breakdown

Majority of group represents full-service

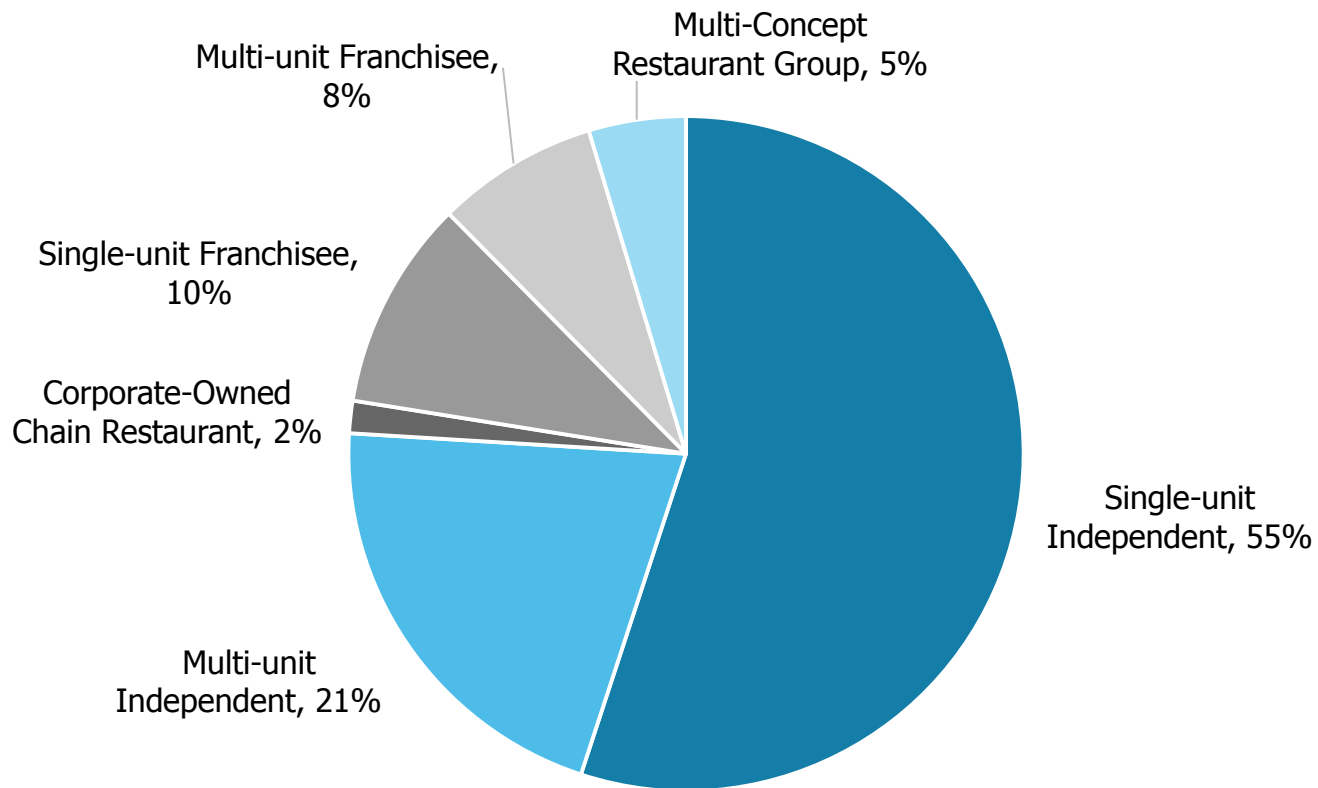
Which type of concept is your restaurant?



Restaurant Company Type

Predominately single-unit independents

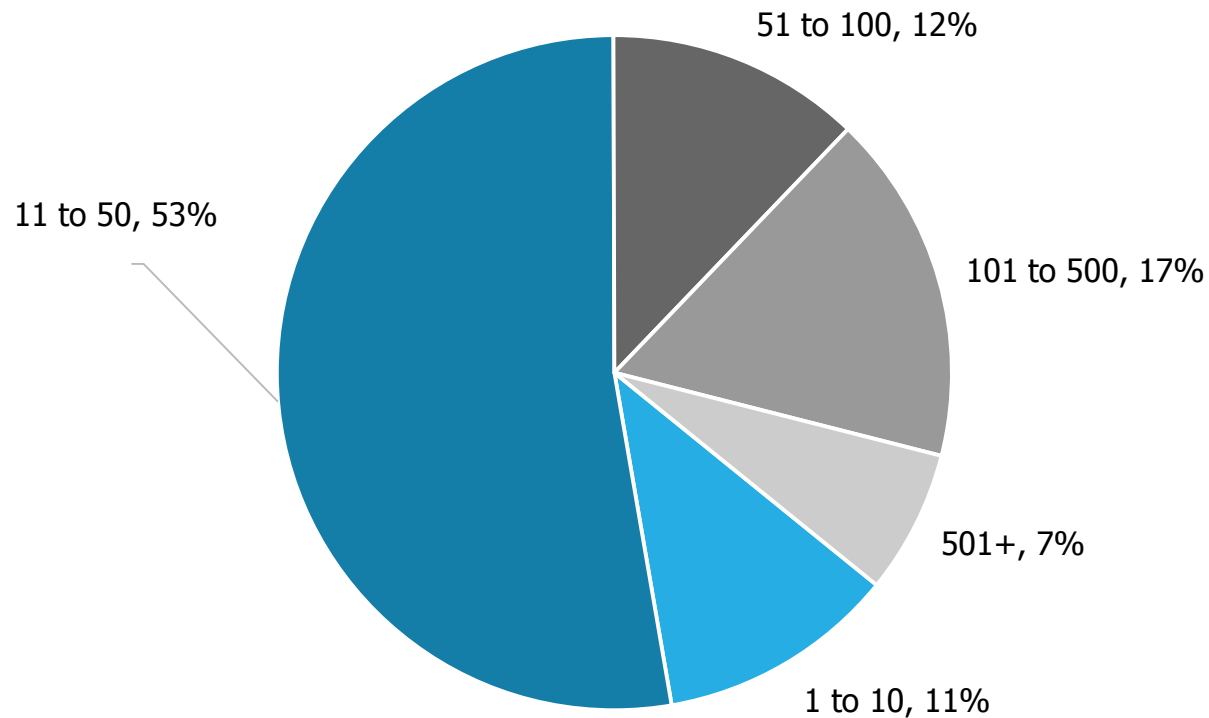
Which of the following categories best describes your restaurant business?



Number of Employees

Most organizations have fewer than 50 employees

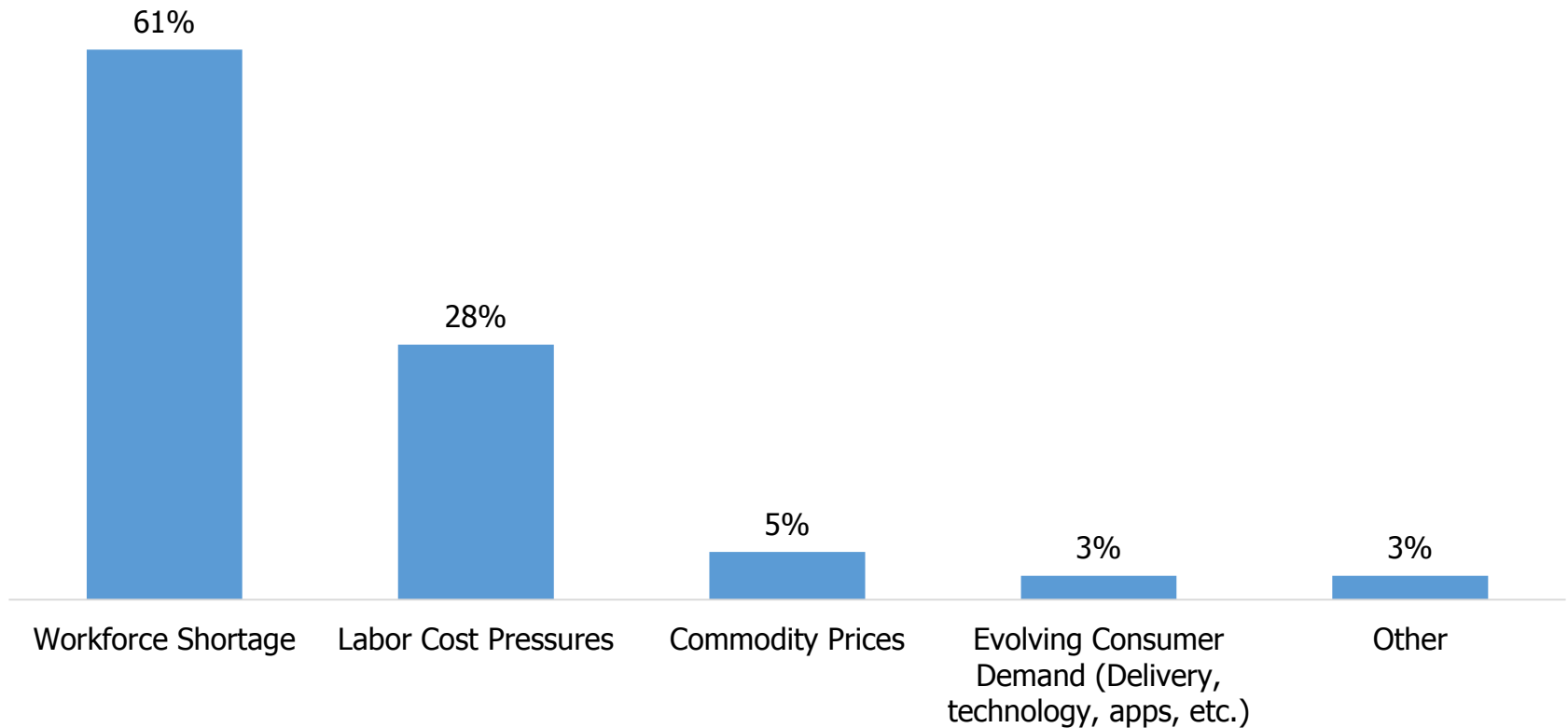
How many employees does your organization have?



Top Business Challenges

Owners facing issues with labor availability

What is the biggest challenge you currently face as a restaurant operator?

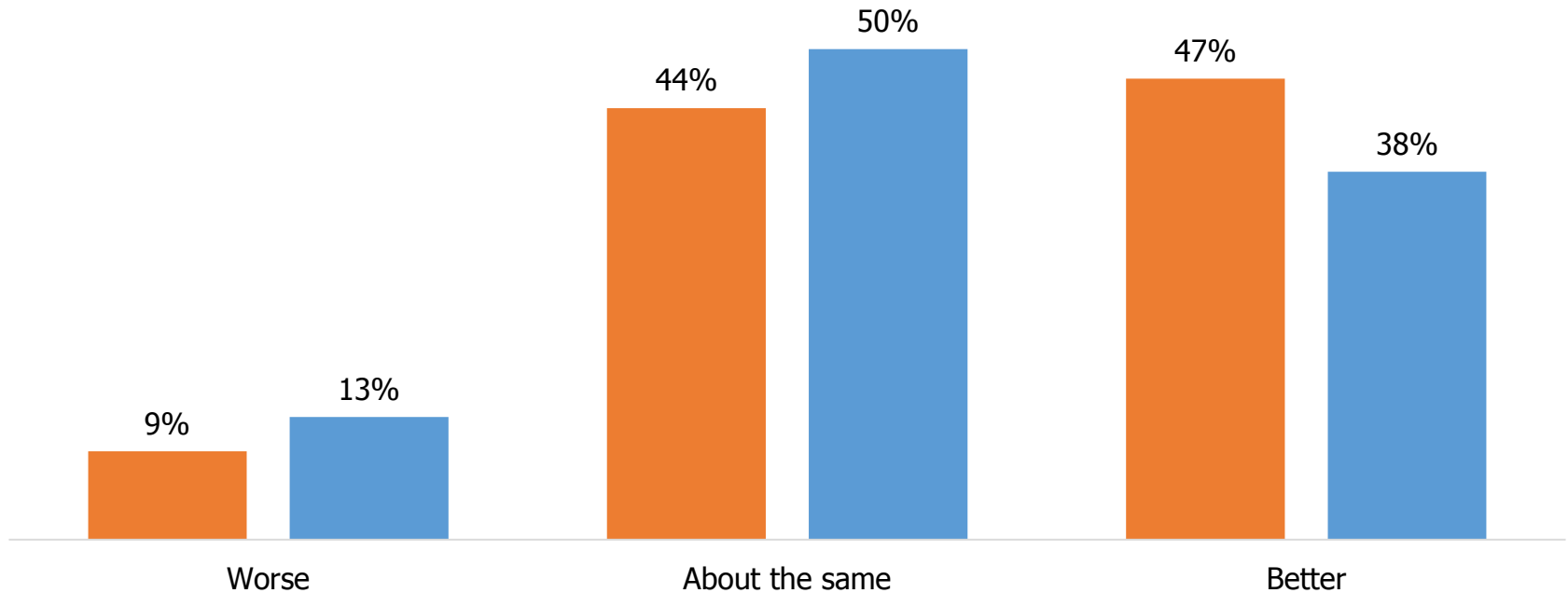


General Business Conditions

Opinions were less optimistic than the 4Q survey

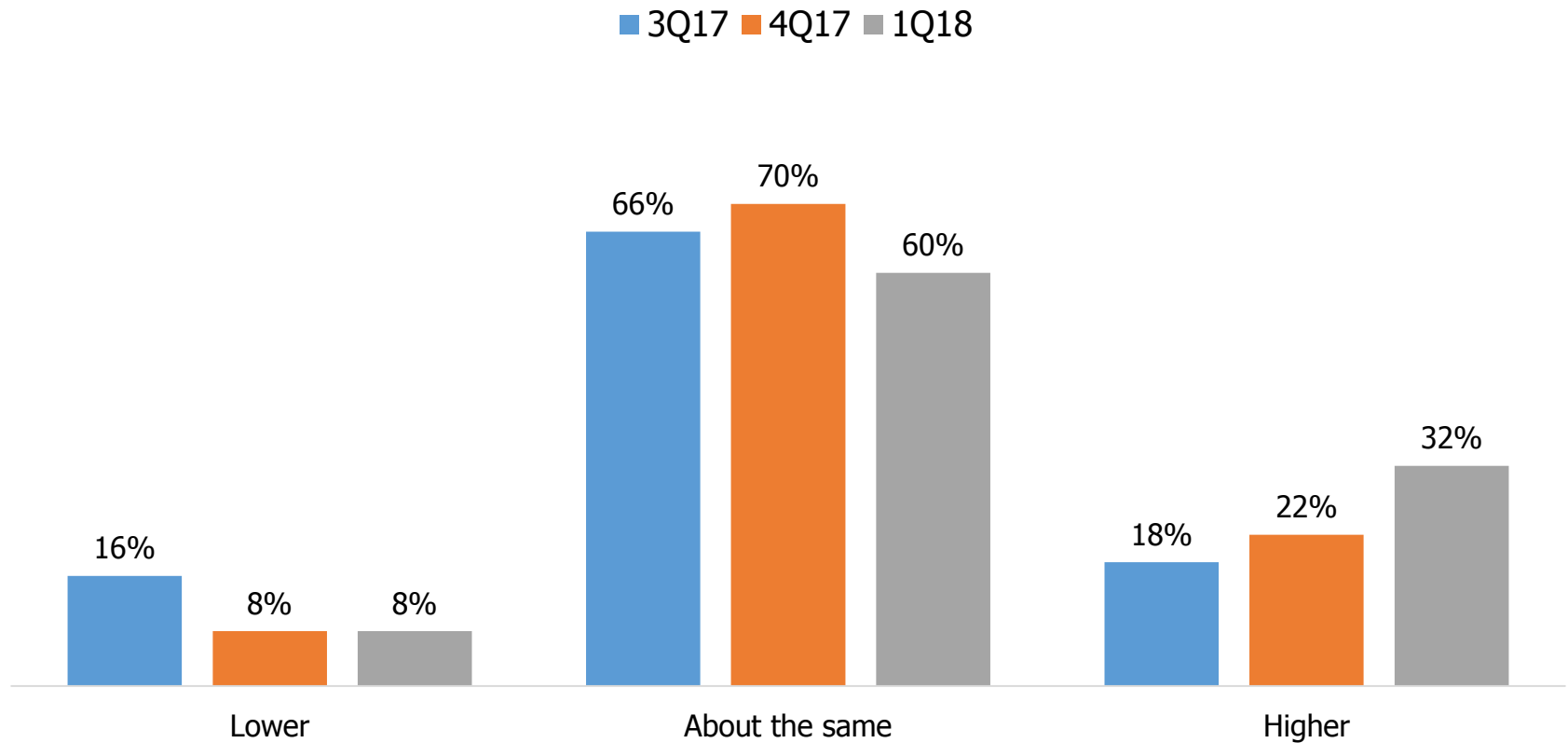
Do you think general business conditions six months from now will be worse, the same, or better?

2017 2018



Hiring Plans Next 6 Months

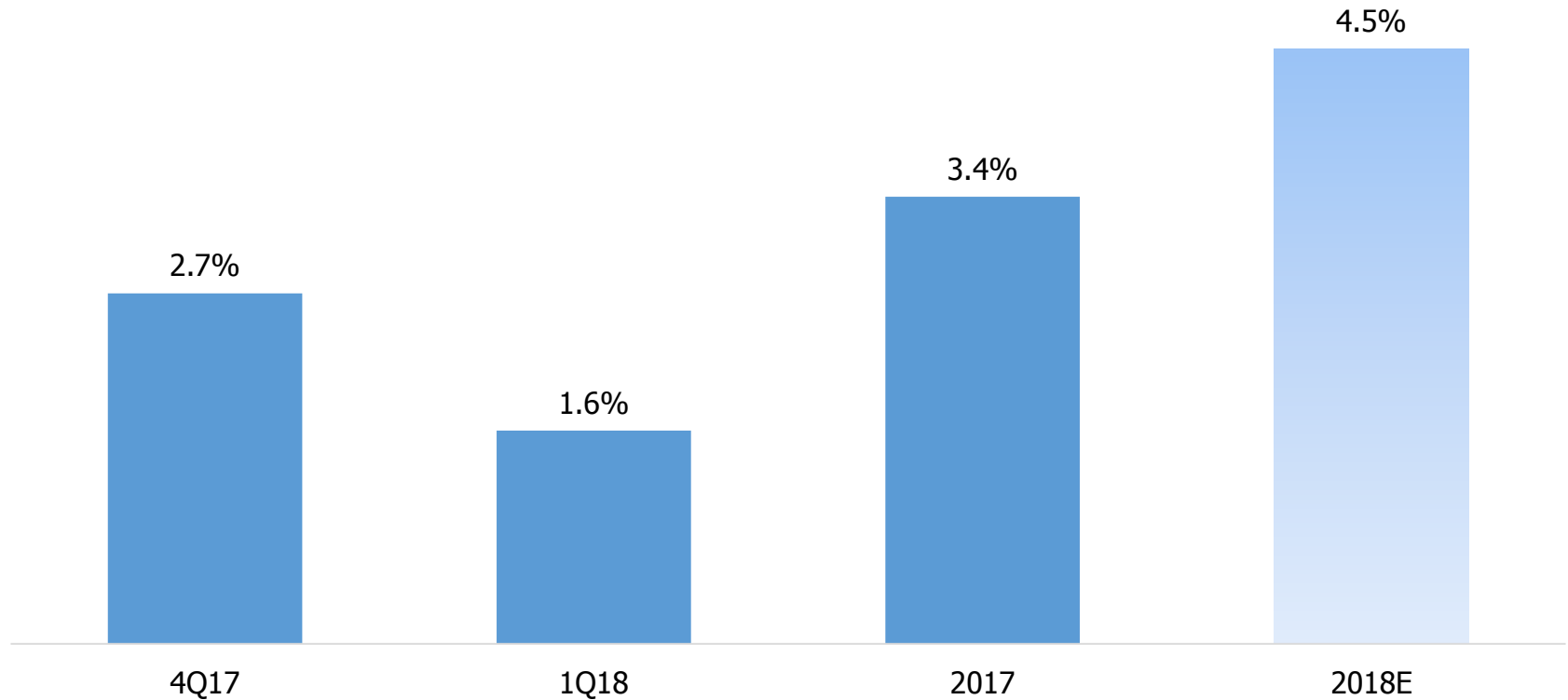
In the next six months, how do you expect the total number of employees in your operation to trend?



Same-Store Sales

Owners expecting better sales in 2018

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

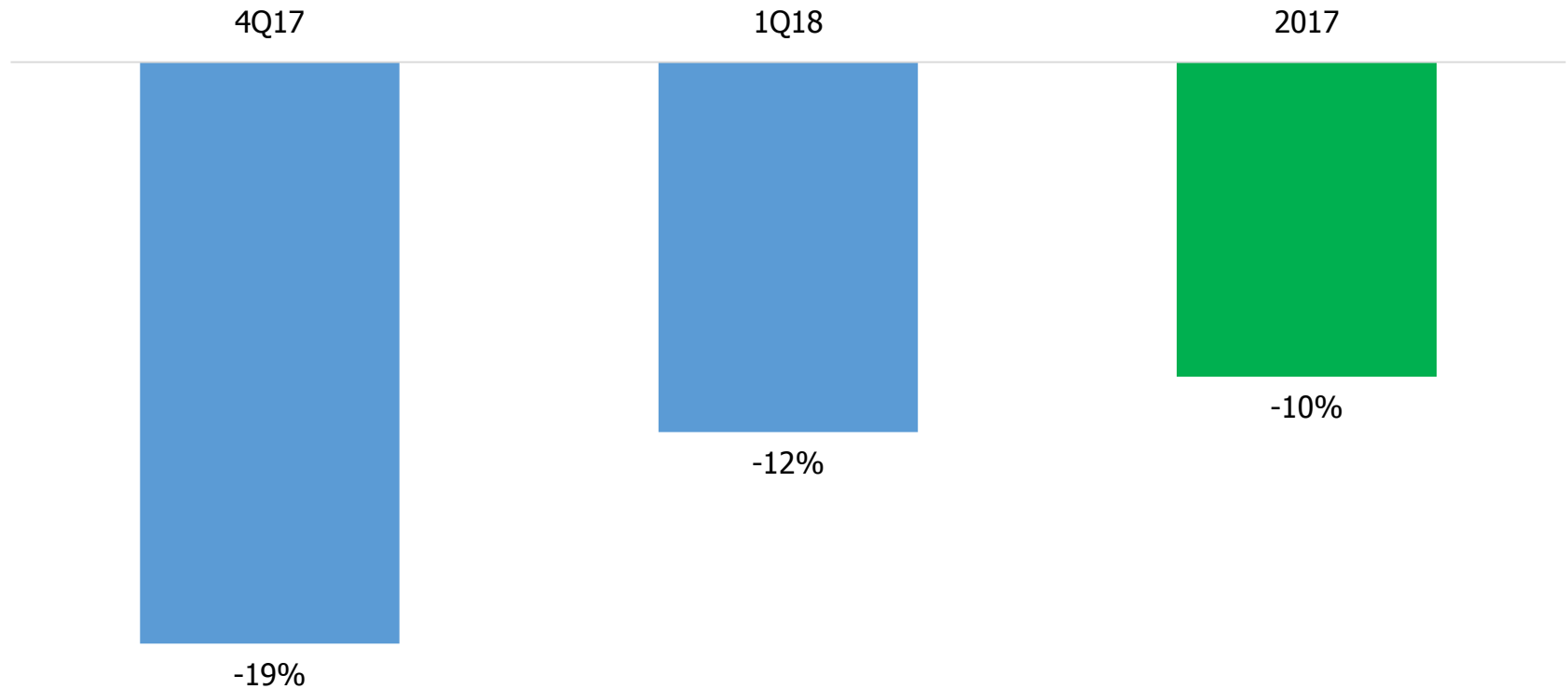


Sales vs. Expectations

Operators generally finished below plan

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

Net= Above Plan - Below Plan

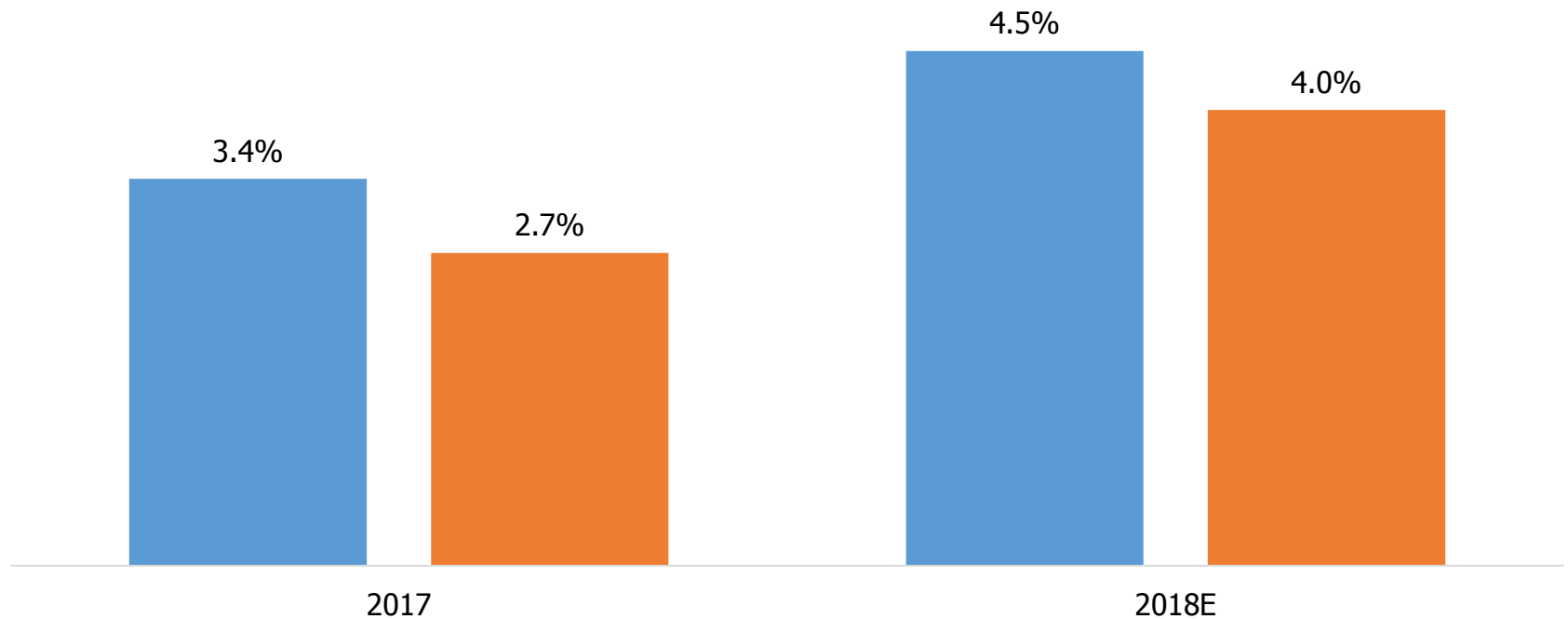


Annual Demand Trends

Operators very optimistic on 2018 forecasts

Michigan Restaurant Association Annual Demand Trends

■ Same-store Sales ■ Traffic



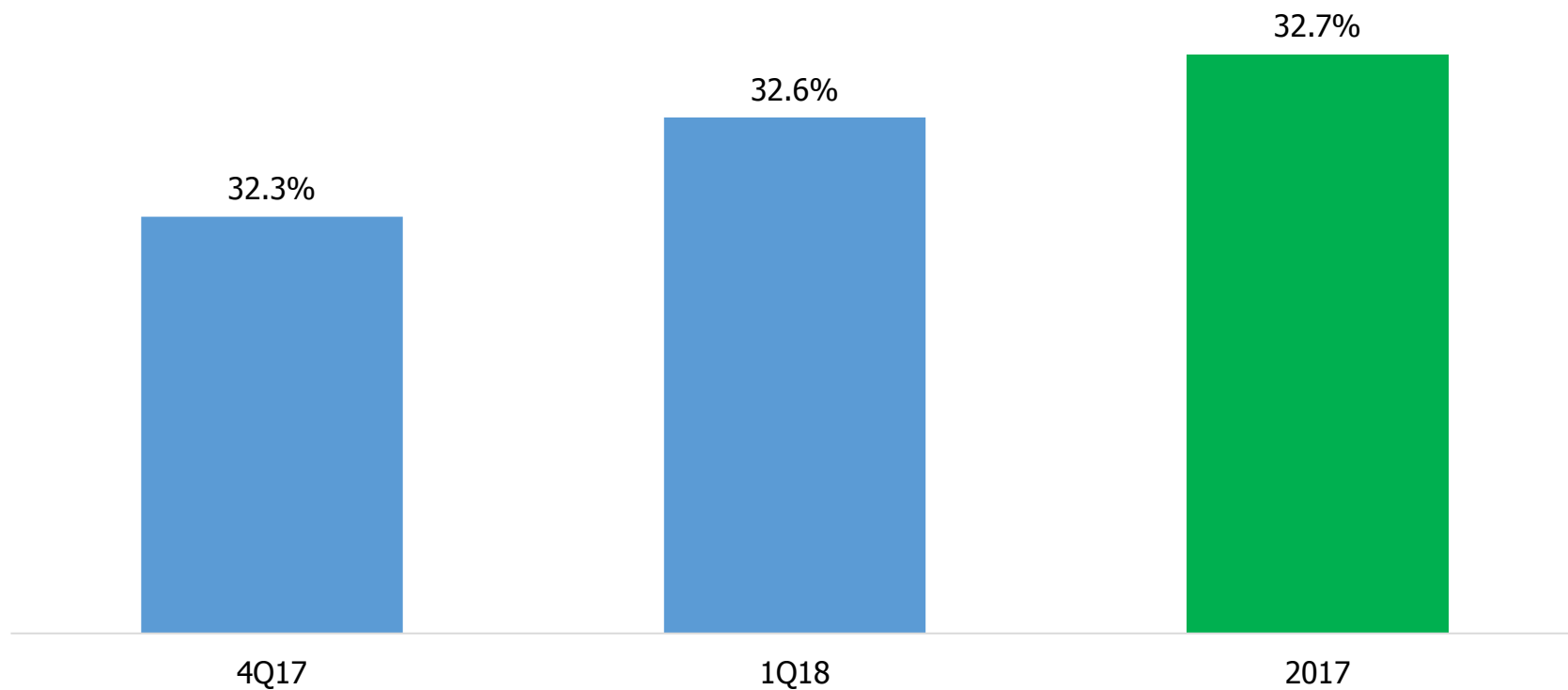
Biggest Surprises for Owners

- **High's in the quarter...**
 - *Solid demand for 3rd party restaurant delivery services*
 - *Some owners seeing better or steady sales/traffic trends*
- **Low's during the quarter...**
 - *Bad winter weather*
 - *Monthly trends were weak/inconsistent*
- **Labor issues across the board...**
 - *Continued struggle to find, hire, and retain good talent*
 - *Input costs such as rising wage rates and healthcare*

Food Cost Trends

Steady inflation rate in 1Q18 compared to FY 2017

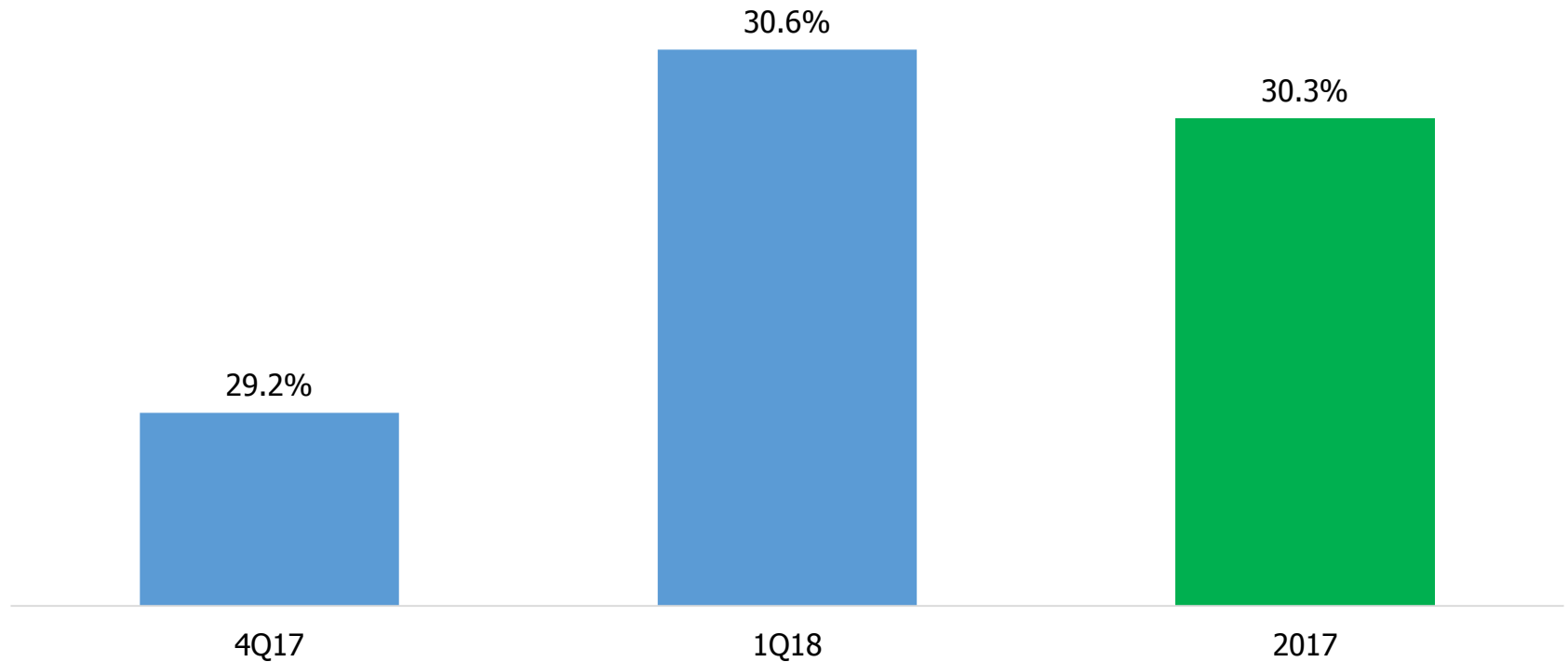
During the following periods, what was your total FOOD cost as a percentage of total sales?



Labor Cost Trends

Surpassing 30% of total sales for full-year 2017

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



APPENDIX

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