Improved Consumer Confidence Fuels Restaurant Sales Momentum

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DALLAS (PRWEB) April 12, 2019 -- Restaurant sales rebounded solidly during March, proving that February’s stumble was just an anomaly and not a reversal on the industry’s positive sales momentum. Same-store sales growth was 1.2 percent during March, a 1.9 percentage point improvement from last month’s -0.7 percent growth. Excluding February and its extremely bad weather, every month since June of 2018 has posted positive same-store sales. This comes from Black Box Intelligence™ data from TDn2K™, based on weekly sales from over 31,000 locations representing 170+ brands and nearly $72 billion in annual sales.

Same-store sales growth was 1.0 percent during the first quarter of the year, the fourth consecutive quarter of positive growth for the industry.

“Chain restaurants have a lot to be optimistic about given these latest results,” said Victor Fernandez, vice president of insights and knowledge for TDn2K. “The sector is going through its longest period of sales expansion for comparable stores since 2015. We have been seeing signs that point toward a longer-term recovery as well. March’s strong sales growth did not come at the expense of a soft comparable month from 2018. Last year March sales grew 0.6 percent. This means same-store sales grew by 1.8 percent when compared with March of 2017. The industry is finally posting consistent positive growth on a two-year basis. Since October, all months have achieved positive two-year sales growth with the exception of February. Before that period, restaurants went through twenty-two consecutive months in which sales were not able to top where they were two years before.”

There are several factors that seem to be impacting this period of expansion. From a macroeconomic standpoint, growth has been encouraging in recent quarters. Tight labor markets have been accelerating wage increases and consumers remain optimistic about their conditions. From an industry perspective, net growth in the number of restaurant locations has slowed in recent years, especially among fast casual and casual dining chains. This has undoubtedly helped mitigate the oversupply problem the industry has experienced for the past decade. In addition, many chains have been embracing and adapting to changing consumer preferences pointing towards off-premise consumption of food as a growing trend and an important source of potential restaurant sales growth. Top performing brands have also recognized there are growth opportunities beyond the traditional lunch and dinner dayparts,” said Fernandez.

Restaurants Still Relying On Larger Checks To Grow Sales, Amid Traffic Decline

As a whole, restaurants have been relying on their guests to spend more than they did a year ago as a key to increasing their same-store sales. Growth in average check was 3.0 percent year over year during March. The pace at which guest checks are growing has also been accelerating year over year. On average, guest checks have grown by 3.0 percent since the fourth quarter of 2018. By comparison, the average was 2.4 percent for the first three quarters of last year. This may be a consequence of accelerating wage growth and a consumer that is relatively more confident and willing to spend.

Average spending per guest is crucial because the number of guests keeps declining for chain restaurants.
Same-store traffic was -1.8 percent during March, while traffic growth for the first quarter of 2019 was -2.0 percent.

Limited Service Brands Led Industry in Sales Growth in March, Fine Dining Best in Q1
The strength in restaurant sales was widespread throughout the industry in March. Most industry segments were able to achieve positive same-store sales growth. The best performing segments were those in the limited service category: quick service and fast casual. Both had strong sales growth during the month and the first quarter of the year. Casual dining and upscale casual round up the list of segments with positive sales growth during March.

Only two segments, fine dining and family dining, experienced same-store sales decline in March. However, there may be an explanation for their disappointing results. This year, Easter is in April, and in 2018 the holiday fell on the last week of March. Last year’s results benefited from the jump in sales that Easter brings for these segments, while those incremental sales dollars were not yet accounted for in March of this year. In the case of fine dining, even though the first four weeks of the month had positive sales growth, the downturn due to the holiday shift during the fifth week in March was enough to bring the entire month into negative sales growth. But fine dining concepts shouldn’t worry too much about March’s results; it was the top performing segment based on same-store sales growth during the first quarter of 2019.

Strong Personal Income Growth Expected to Fuel Solid Sales for 2019
The economy continues to expand at a moderate pace and there are indications the deceleration we have experienced over the past year is stabilizing. “Consumer confidence remains high and there was a rebound in vehicle sales, signs that the worst may be behind us,” stated Joel Naroff, president of Naroff Economic Advisors and TDn2K economist. “When it comes to consumption, though, one concern has unexpectedly arisen: wage growth moderated recently. However, the pressures on compensation remain great given the low unemployment rate and the continued solid hiring. Indeed, additional increases in minimum wages have been announced. The likelihood is that the slowdown in income growth was temporary.”

“The outlook is for continued good income growth the rest of the year, which should translate into solid retail sales and restaurant spending. The only risk to this positive outlook is receding world growth. If the trade issues are not resolved soon, the faltering global expansion would restrain U.S. growth. However, the expectation is that an acceptable trade agreement with China will be announced, removing the greatest risk to U.S. growth.”

Favorable Economy Keeps Hurting Restaurant Labor Market
Favorable economic conditions may have translated into growing sales for restaurants, but they have also created a labor market in which it is increasingly difficult to keep those restaurants staffed to support those growing sales. According to People Report™ data from TDn2K published through the Workforce Index, 50 percent of restaurant companies expressed increased difficulty in finding and hiring qualified hourly employees during the first quarter of 2019 compared with the previous quarter. 51 percent of companies reported increased difficulty in finding qualified managers. “It is important to keep in mind these recruiting difficulty numbers are compounding rapidly. The percentage of companies reporting increased challenges hiring employees and managers has been as high as 70 percent in recent quarters. So what most restaurants are really saying is, it’s getting harder to find enough qualified employees today compared with the previous quarter, even though it was pretty hard to find them back then too,” explained Fernandez.

One of the key factors behind these rising staffing difficulties is the industry’s need to constantly replace so many of its employees due to historically high turnover rates. Rolling 12-month turnover rates increased once
again for restaurant managers and hourly employees during February, according to People Report’s latest numbers.

Fernandez concluded, “The importance of service cannot be overstated as a key differentiating factor for top performing restaurant brands per ongoing TDn2K analysis. We constantly see a strong pattern in which adequate staffing enables a service experience that translates into improved sales and traffic.”

TDn2K (Transforming Data into Knowledge) is the leading insights & knowledge provider of restaurant industry human resources, financial performance and consumer insights data through their products People Report™, Black Box Intelligence™ and White Box Social Intelligence™. TDn2K allows organizations to leverage benchmarked data to achieve best-in-class performance results. TDn2K currently tracks, analyzes and benchmarks the largest databases of real restaurant data in the US that includes 300 companies, 2.6 million employees and nearly $72 billion in annual revenue. TDn2K also produces the Global Best Practices Conference held annually each January in Dallas, Texas.
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