2023 Trends & Takeaways for Foodservice Operators

From Henny Penny Corporate Executive Chef Gregg Brickman

The new year is here and it's time to decide whether 2023 is going to be something new or more of the same. The easy answer is that it's going to be a bit of both.

Last year, post-pandemic labor and supply chain issues were joined by the surprise appearance of inflation. Together, they form the three-headed economic challenge restaurant and foodservice operators will face in 2023. Concern among restaurant operators is spread pretty evenly, with 37 percent citing inflation as their chief concern, 33 percent saying labor shortage, and 30 percent supply chain.[1] That's a good indication of how interrelated these issues are and how tricky it will be trying to implement strategies based on one trend without running into another.

On the bright side, consumer demand for dining out remains strong. The industry as a whole grew around 12 percent in 2022, against headwinds of 7 percent inflation for most of the year.[2] This pace should continue unless global economic conditions deteriorate. Many are predicting a slowdown and potential recession for the U. S. economy, but few agree on the timing or severity.

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Inflation

Restaurants have little choice but to raise menu prices at some point to cover the increased costs of food and supplies. Roughly eight out of ten did so last year, amounting to an average overall menu increase of more than 5 percent.[3]

In an effort to preserve margin, restaurants saved the biggest price hikes for add-ons or extras, like toppings, desserts, alcoholic beverages and protein alternatives. Normally, these are the first things that consumers cut back on or eliminate as they seek to maximize the value of their rapidly inflating dining dollar. Yet, so far rising prices have had little effect on higher-income consumers seeking to maximize their experience. This makes 2023 a bit of a moving target, as consumer behavior is likely to separate between those who can afford to resume their pre-COVID dining habits and the rest who begin to trade down, cut out the extras or go where the deals are.

Operators in the casual dining, fast casual, and specialty menu segments will have to remain agile as they seek to navigate a short term filled with evolving consumer decisioning and a growing number of choices.

Supply chain

Recent gains in supply chain stability have evaporated from war, the threat of war, and skyrocketing transportation costs due to volatility in energy markets. This turmoil will continue to cause disruptions and interruptions to global menus, especially for those dependent on imported ingredients.

Foodservice operators are competing for available goods. Most industry leaders advise working with multiple suppliers to help moderate the impact of sudden critical shortages. Some have found that consolidating purchasing power along fewer channels results in priority status.

One thing they all agree on: there is no substitute for building solid relationships with distributors and suppliers. When the squeeze is on, someone is going to get preferential treatment.[4]

Operators must also work to on-shore or near-shore equipment and supplies as much as possible. This means reviewing manufacturers and suppliers for their on-shore sourcing, as well. As these conditions persist in 2023, restaurants will need to be flexible about where their ingredients come from or find substitutions when necessary. The closer to home the better. Locally sourced and farm-to-table will be the new “authentic,” adding value to consumer preferences for sustainability.

Chicken Trends

There's good news and bad news on the chicken front. The price of chicken at the producer level rose again last year, but the increase was less than in 2021.[5] Even this trend is not straightforward. The recent shortage of chicken wings was well documented and clearly demonstrated the differences in wholesale pricing and availability among the different cuts. In response, several casual dining chains introduced chicken thighs---more meat, more taste, lower cost. While the retail price of whole birds continues to rise, wings are way down from the shortage-induced price spikes of a year ago.

That's good news for Americans who, for the most part, prefer their wings to be wings. But we also have a hankering for Korean, Tandoori, Mexican, and Caribbean chicken. Look for the domestic palate to broaden in 2023 as international styles grow in popularity. Bb.q Chicken (stands for "Best of the Best Quality" not barbecue!) tops the Technomic list of Growth Chains to Know for 2023. The authentic Korean-style fried chicken franchise has more than 3,500 outlets globally and expects to add 100 stores in the U. S. for a total of 350 by year's end.[6]

Chicken---real and plant-based---is the ideal protein to incorporate new flavors, because it is basically neutral to begin with. Chicken easily accepts seasonings, brines, marinades, injectable sauces and dipping sauces. 2023 is the year to try something different with chicken – you don't even have to change your concept. You can create a virtual brand or menu, or simply promote a special menu or item as a limited time offer.

The price of oil

The bad news is the price of frying oil increased last year at nearly double the rate of the year before. This grim statistic isn't likely to improve any time soon. Unlike poultry production, which is widely distributed and essentially local, vegetable oil production is centered in a couple of global regions. Right now, the world's leading exporters of sunflower oil (Ukraine/ Black Sea Russia,) Soybean oil (Argentina,) and palm oil (Indonesia) are suffering from naval blockades, drought and export bans respectively.[7]

Despite the ongoing disruption in supply and price, consumer demand for deep fried staples like chicken and French fries has never been greater. For years, restaurants have been responding to consumer demands for a healthier friend menu by switching to more expensive high-oleic frying oils. Some are switching back. But right now, even the cheap oils are expensive.

One thing operators are better off doing sooner rather than later is upgrading old fryers to ones that take better care of your oil. If you're looking to put deep fried chicken on the menu you should also consider the benefits of pressure frying. Oil lasts a lot longer in a pressure fryer because the vat is always covered and you're cooking faster at lower temperatures. If you want to compare our fryers with yours in terms of oil savings, take a look here.

3 Basic Strategies

Labor, technology, experience

For restaurants, it is not the jobs that have disappeared but the workers. To get them back, operators have had to rethink what it means to work in a restaurant and how best to invest in compensation, training and tenure. At the same time, they must find ways to get along with fewer employees.

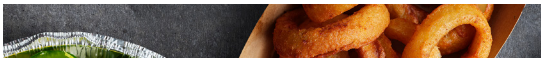
There are three basic strategies, and they all involve upping the tech. One, have guests do some of the work at mobile-ordering stations or with pick-up lockers. Two, offer more and better off-premise options. Three, automate. According to executives at many top global restaurant chains, this is the year we see more of all three.

Technomic frames the current technology revolution in foodservice as a search for balance between automation and customer experience. By nature, mobile menu and payment systems tend to divide a customer base into those who revel in newfound convenience and those who have no interest in learning something new just to eat. Expect to see more casual dine-in hybrid models where guests have the option to control their experience or enjoy waitstaff assistance. With or without help, ordering and payment functions still lean into the automation.

Limited-service restaurants will continue to thrive, especially those investing in improved drive-through and takeaway experiences. Checker & Rally's introduced a voice-activated automated intelligent ordering system to improve drive-through wait times without additional workers.[8] McDonald's is testing a fully automated "order ahead" lane where orders placed through the app are delivered by conveyor at a separate window.[9] Technomic predicts that pushback against high delivery fees also results in more takeaway business for locations and concepts with seamless, app-driven pickup windows and collection counters. [10]

In the commercial kitchen, expect to see intelligent connected solutions making operations more efficient and productive. "Henny Penny is introducing a cloud-based ecosystem of 'smart' connected equipment using real-time information in the kitchen," says Amir Pasdar, Sr IoT Product Manager. "This allows operations, technical service teams, and management to work together more efficiently to increase equipment uptime, maintain food quality, and optimize energy use."

Look for large chains and global brands to continue rolling out proprietary intelligent connected solutions that integrate supply chains, ordering systems, and automated smart equipment.



Best practices for 2023

For operators, 2023 boils down to protecting margins without eroding customer experience. It's a tall order. Economics are often local, and so regional or niche operators won't necessarily experience the same conditions as the industry as a whole. Large chains have more options at their disposal to manage these challenges on a macro scale and turn them into opportunities for growth. Meanwhile, the price hikes will continue until morale improves. But like their customers, operators will eventually have to find ways to do more with less. Here are a few best practices any kitchen can follow:

- **Reduce food waste and spoilage.** Solutions range from better employee training to holding cabinets with longer holding times, and cooking equipment that's easier to use and requires less product handling.
- **Revise menus to emphasize items with lower food costs.** Consider adding to or punching up your chicken menu. Whole or parted, chicken is lower in cost than beef or fish and you can do more with it---snacks, salads, sandwiches, wraps, dinners, bowls and party packs.
- **Add higher margin items to the menu.** This can be as simple as dressing up a brined or marinated chicken thigh on a gourmet sandwich with veggie toppings and an artisan bun.
- **Focus on increasing product yield.** High volume pressure fryers and combi ovens offer the best opportunity to cook food that shrinks less and yields the most portions per uncooked pound.
- **Reduce frying costs by extending oil life.** The cost of frying oil is rising faster than food. Oil management best practices are more important than ever. With the right fryer you can start saving money immediately and improve the quality of your fried products.

The consumer dining dollar may not buy quite as much as it used to, but everyone is still happy to spend it on a meal outside the home. Your only job is to make sure that dollar comes your way.

A flexible and versatile menu can be fun, too. With all the interesting Mediterranean, Asian and Latin flavors on tap, don't be surprised to see 2023 turn into one Limited Time Offer (LTO) after another! Just make sure your food quality matches your brand promise, and have a plan for managing operating costs when you can no longer raise prices.

Need help getting started? Contact one of our distributor partners and they'll be happy to answer any of your questions.

Endnotes

1 Foodservice Equipment & Supplies / industry forecast

2 Technomic / Global Foodservice: Now and Next

3 Foodservice Equipment & Supplies / industry forecast

4 Nations Restaurant News / Supply chain

5 Technomic / Ignite menu pricing analysis

6 franchise.bbqchicken.com/2022/09/30/bb-q

7 GEP / rising edible oil prices

8 FSR magazine / restaurant leaders see tech, value, in 2023

9 Corporate mcdonalds.com / Texas order ahead lane

10 Technomic / Global Foodservice: Now and Next