Evaluating Restaurant and Culinary Opportunities

Restaurants and culinary experiences can be extremely valuable additions to a downtown area. They serve downtown workers and residents as well as attract visitors to the center of the community. They serve both an economic and social role in the community, helping downtowns maintain their role as an important gathering place.

Restaurants can include a mix of independent and chain restaurants including:

- Quick Service Casual Dining or "fast food;"
- Fast casual restaurants do not offer table service, but may offer non-disposable plates and cutlery;
- A casual dining restaurant that serves moderately-priced food in a casual atmosphere;
- Family style restaurants where food is traditionally served on platters and the diners serve themselves; and
- Fine dining restaurants.

Restaurants can create a culinary niche for downtown, especially if dining options build upon unique and locally sourced foods. Local food products from area bakeries, meat markets, seafood markets, fruit and vegetable markets, and wines all add to the local dining experience. Connections to nearby farms and farmers markets also add to that experience.

This section explores market opportunities for new restaurant and culinary experiences in the downtown area. It provides tools for studying opportunities for increasing dining options and elevating downtown as an authentic "culinary destination." Methods are provided for analyzing demand for and supply of restaurant establishments. Characteristics of the local market (ethnicity, agriculture, food distribution and production) are considered in the identification of themes that are authentic to the area.

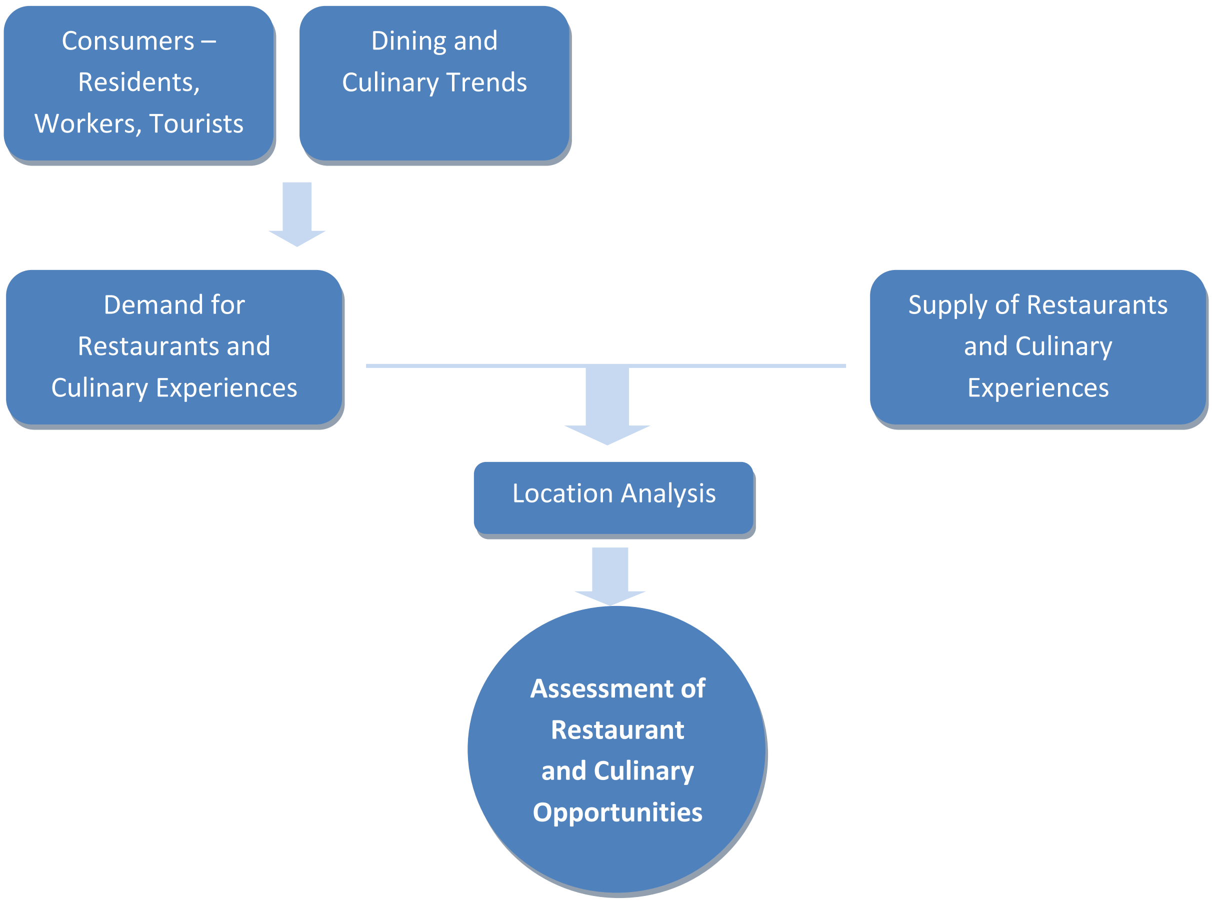
Learn more:

Downtown Dining Consumer Groups
Culinary Trends
Demand for Restaurants and Culinary Experiences
Supply of Restaurants and Culinary Experiences
Location Analysis
Assessment of Restaurant and Culinary Opportunities
Appendix A - Restaurant Categories

Related Content:

- Portions of this section were adapted from: Conducting a Feasibility Study for a New Restaurant, National Restaurant Association, 1998. National Restaurant Association
- Nation's Restaurant News
- Creating a Local Food and Culinary Tourism Niche in Your Downtown, Downtown Economics Article by Laura Brown

The evaluation process described in this section is illustrated in the following flowchart:



Process of Evaluating Restaurant and Culinary Opportunities

Downtown Dining Consumer Groups

Downtown restaurants are important gathering places for three important market segments:

Local Residents – Residents of the primary trade area are typically the most important market segment for existing and future restaurants in the downtown area. The resident population usually represents a sizable market whose dining behavior and preferences can be fairly accurately assessed. Local resident demand for restaurants in your trade area can be analyzed using demographic and consumer expenditure data, lifestyle data, and local consumer survey or focus group research findings. These data sources can help you estimate the attractiveness of the local market from a restaurateur's perspective.

Downtown Workers - Downtowns employers bring a daily stream of workers increasing the "daytime population" and spending at food service operations. According to the International Council of Shopping Centers, downtown lunch expenditures among downtown office workers are often higher than those reported by suburban office workers. These consumers enjoy eating at restaurants as well as alternative outlets like deli, grocery, markets and carry-out businesses. Many also stop after work at downtown establishments for dinner or drinks. Demand can be analyzed using business operator and employee surveys as well as focus groups.

Visitors – Travelers to or through your community represent an important segment that allows restaurants to generate sales from outside the trade area. Successful restaurants in many small communities often depend on the visitor market. Food expenditures often represent 25 percent of visitor spending. Research has shown that restaurants are one of the most universal activities enjoyed by visitors. Downtown visitor demand for restaurants can be analyzed using sidewalk visitor intercept surveys, focus groups with hospitality industry representatives, and other methods.

Culinary Travelers

Culinary travelers visit communities for their restaurants, retailers that sell cooking or food items (e.g. wine, spice, or candy shops), food tours, or food related events (e.g. cooking classes, farmers markets or community meals). In 2007 Travel Industry Association (TIA), in partnership with Gourmet and the International Culinary Tourism Association conducted a study of 2,364 leisure travelers in the United States. The study found that 17 percent of American leisure travelers, engaged in culinary or wine-related activities while traveling. Culinary travelers are younger, more affluent and better educated than non-culinary travelers and are motivated by a desire for unique experiences. This reinforces tourism and place-making research findings that emphasize unique assets and experiential opportunities as key components of successful community tourism development. The study found that 90 percent of culinary travelers and 83 percent of non-culinary travelers were under the age of 65. Many are "serious culinary travelers" who seek out wine and food experiences while traveling. These travelers are more likely to shop, visit state and national parks and museums, choose a destination to experience local culture and cuisine, and read food related magazines. Culinary activities included cooking classes, dining out for a unique and memorable experience, visiting farmers markets, gourmet food shopping and attending food festivals. Wine activities included wine tours, driving a wine trail, tasting locally made wines and attending wine festivals.

Culinary Trends

Several national associations provide annual data about restaurant and culinary trends. For example, the National Restaurant Association (NRA) publishes the annual "Restaurant, Food, and Beverage Handbook" and the "What's Hot Survey." Example topics that can help in the analysis of consumer demand are presented here.

Economic Conditions

According to 2011 forecasts from the NRA, while the years during the economic recession were particularly difficult for restaurants, the restaurant, food, and beverage industry is still having a significant impact on the economy. Restaurant sales in 2011 are expected to reach a record high of $604 billion. Table service sales, largest segment of the restaurant industry, will reach a record high of $195 billion and quick service restaurant sales will reach $168 billion.

Marketing/Social Media Trends

The NRA notes that in this challenging environment restaurant businesses need to use innovative marketing and advertising to "nudge consumers" into buying. Social media may play an important role in generating consumer spending. The NRA notes that people who use social media dine out more than average consumers and 8 out of every 10 restaurant business operators feel that social media will be important to their business in the future.

Food Service Concepts

Other industry trends include alternative methods of food sales through mobile food service and food trucks. A 2010 survey by the NRA showed consumer and operator interests in mobile concepts. These types of food sales offer a unique venue for increasing consumer access to restaurants as well as a means to grow and diversify businesses. Over 50% of consumers say they would utilize this if their favorite restaurant offered it.

Emerging Culinary Themes

Each year the National Restaurant Association also surveys over 1500 professional chefs on which foods, beverages, cuisines and culinary themes will be hot trends on restaurant menus. According to the results 2011 What's Hot survey (see below)[1] the top trends included locally sourced meats and seafood, locally grown produce, and sustainability. A consumer study[2] conducted by NPD, a private firm providing retail and consumer market research, found that "Americans are looking for more healthful options at restaurants and other foodservice outlets but define healthy eating based on quality features rather than fewer calories. The feature most important to consumers seeking healthy menu options is quality, such as fresh, natural, and nutritious ingredients. Fewer calories were among the least important features." In addition "Consumers place a high importance on taste regardless if they are eating healthfully or not,

[1] National Restaurant Association What's Hot Survey, 2010

[2] Consumers Define Healthy Eating When They Go Out to Eat

and some consumers equate healthier foods as not being as tasty. The majority of consumers expect to pay the same for healthier foods as those considered less healthy."

1. Locally sourced meats and seafood
2. Locally grown produce
3. Sustainability
4. Nutritionally balanced children's dishes
5. Hyper-local (e.g. restaurant gardens, do your own butchering)
6. Children's nutrition
7. Sustainable seafood
8. Gluten-free/food allergy conscious
9. Simplicity/back to basics
10. Farm/estate-branded ingredients
11. Micro-distilled/artisan liquor
12. Locally-produced wine and beer
13. Half-portions/smaller portion for a smaller price
14. Organic produce
15. Nutrition/health
16. Culinary cocktails (e.g. savory, fresh ingredients)
17. Newly fabricated cuts of meat (e.g. Denver steak, pork flat iron, Petite Tender)
18. Fruit/vegetable children's side items
19. Ethnic-inspired breakfast items (e.g. Asian-flavored syrups, chorizo scrambled eggs, coconut milk pancakes)
20. Artisan cheeses

Source: 2011 What's Hot Survey, National Restaurant Association

Demand for Restaurants and Culinary Experiences

Local residents in the primary trade area are an important market segment for existing and future dining operations in the downtown area. While daytime workers and tourists are also important sectors, local residents usually represent a measurable and reliable market whose dining consumer behavior can be fairly accurately estimated. Demand for restaurants and culinary experiences in your trade area can be analyzed using various data sources described below.

Demographics and Consumer Spending Data

Selected demographic data for the primary trade area can be analyzed and compared with other communities and the state to gauge the overall strength of local restaurant demand. The section on Analyzing Customer Demographics and Lifestyles provides information on how to access and use this data.

In addition, estimates of consumer spending for food-away-from home are available from the U.S. Bureau of Labor Statistics, Consumer Expenditure Surveys. This data can be merged with demographic data to estimate food-away-from-home expenditures for each household income category in your primary trade area. Many marketing data firms offer their own estimated of restaurant spending based on their own models (see Restaurant Spending Potential Data below).

Food away from home spending generally varies with demographic attributes. Data on your trade are should be analyzed considering the following:

- Household with a higher household income spend more;
- Individuals aged35 to 44 spent the most per capita on food away from home;
- One-person households have the highest per-capita spending while larger households allocated a smaller portion of their total food dollar;
- Households with only a husband and wife have the highest per-capita spending;
- Households with the oldest child age 18 and older spend more per capita than households with the oldest child under the age of 6;
- Because of their smaller household size, two earner households spent more per capita than one earner households;
- Employed persons living alone have high per-capita expenditures;
- Persons employed in managerial and professional occupations have the highest per-capita spending; and
- Households headed by persons employed in blue-collar occupations spend less because of lower incomes and larger household sizes.

Lifestyle Analysis Data

The National Restaurant Association has identified five major groups of frequent diners. Using demographic information, you can estimate what portion of your market may fall within these five, potentially important groups:

- Busy parents of children - often involved in after-school activities and sports and use drive-thru and carry-out restaurants.
- Older adults and empty nesters (down-scale) - eat on-premise at inexpensive sit-down restaurants, buffets and fast food eateries.
- People who are convenience driven and dislike cooking (with no young children) - use a variety of carry-out sources including restaurants and grocery stores.
- Young, urban professionals with no kids - dine at higher-priced restaurants
- Educated adults driven by taste and craving - eat at moderately-priced sit-down restaurants and use delivery.

Marketing data firms such as Claritas and ESRI produce lifestyle segmentations systems that can be used to learn about dining-out activity among household groups in the trade area. They can provide information on the frequency of dining-out as well as the types of operations frequented. Lifestyle data on day-workers, tourists and other non-residents can also be analyzed based on their places or origin.

Restaurant Spending Potential Data

Marketing data firms such as Claritas and ESRI also produce a number of industry specific reports that describe dining out market potential for a specific trade area. These reports provide estimates of market demand based on local demographic and buying power indicators including population, workplace population, income, wealth, home value, lifestyles, race, education and occupation. Reports can be purchased with estimates of:

- Annual spending by type of restaurant;
- Overall demand and supply estimates (in dollars);
- Likelihood of dining out by meal period and by frequency;
- An index of local vs. U.S. household spending by type of restaurant; and
- Likelihood of dining at a specific chain affiliated restaurant.

Survey Research and Focus Group Data

Consumer research through surveys and focus groups can help assess demand for restaurants and culinary experiences specific to your community. Consumer segments that can be reached through local consumer research include residents, daytime population, and tourists and visitors. These groups may have very different dining needs and preferences. Some of the questions useful in your evaluation of culinary demand from these market segments are presented below.

- How often do you dine out by meal period?
- How often do you dine out by type of restaurant?
- How often do you come downtown for dining or entertainment?
- What types of cuisine would you like to see downtown?
- What types of culinary establishments or activities would you like to see downtown?

Once all of the demand data has been collected, it can be summarized in a concise form such as that presented in the table below.

Data Source	***Summary of Restaurant Demand***
Demographics and Consumer Spending Data	*Significant number of young professionals employed and living downtown who have high per capita restaurant spending levels.*
Lifestyle Data	*Many downtown residents are categorized as young professionals. Many are single and prefer a range of trendy fast casual and upscale fine dining restaurants.*
Restaurant Spending Potential Data	*Marketing data firms report that the community is underserved by restaurants. Consumer demand is 20 percent greater that supply (actual sales). Furthermore, the community has a high dining-out spending potential index indicating that local households have the potential to spend more than the average U.S. household at restaurants.*
Survey Research and Focus Group Data	*Downtown residents and employees expressed a desire for more "third spaces" such as coffee shops, taverns, and restaurants that provide opportunities for networking and the sharing of ideas.*

Example Table Summarizing Demand for Restaurants and Culinary Experiences

Supply of Restaurants and Culinary Experiences

A supply/asset analysis will help you to identify the existing businesses or culinary opportunities in your area. This analysis includes an inventory of restaurant and culinary establishments in the downtown area as well as major competitors elsewhere in the primary trade area. As mentioned earlier some of this analysis may be part of a more comprehensive community food assessment (as discussed later). While you may be particularly interested in the downtown, it is important to include other establishments that are popular in the community but exist outside of downtown.

Inventory of Restaurants

Information about existing restaurant establishments can be presented in a format such as the following:

Restaurant Name	***Address***	***Concept***	***Peak Period Volume ****	***If Busy, what are its Success Factors***
Downtown Restaurants:				
Smith's Place	*125 N. Water*	*Bar and Grill*	*Moderate*	
John's Café	*116 E. Main*	*Break/Lunch*	*Busy*	*Local, seasonal foods*
Buffet Chinese Restaurant	*100 E. Madison*	*Chinese*	*Very Busy*	*Longtime favorite*
Major Competitors Elsewhere in Primary Trade Area:				
Elm Tree Inn	*Highway 13 East*	*Family Style*	*Very Busy*	*Family Tradition*
Sports Café	*Highway 96 North*	*Sports Bar*	*Very Busy*	*Appeal to Bus. Travelers*

Example Inventory of Competitive Restaurants

Inventory of Other Culinary-Related Experiences

Culinary destinations are places that attract people interested in unique and memorable food and eating experiences. Many communities have capitalized on ethnic or "regionally-available-foods" to create robust culinary experiences downtown.

Culinary Destinations

This concept emerged from Europe where many foods are known by their *terroir*, a word derived from the Latin word *terre* or land. This term was first used by the French to describe the special characteristics of coffees, teas, or wines that were culminated in a certain location with unique soils, geology, climate, or growing techniques. Today, terroir is often used to describe the "sense of place" of a particular product influenced by the unique local environment. The industry related to culinary destinations has become known as "culinary tourism." According to the International Culinary Tourism Association, culinary tourism can be defined as the pursuit of unique and memorable culinary experiences. While "culinary tourists" are generally visitors, existing local residents seeking new or unique food experiences can be culinary tourists as well.

Information about other culinary experiences can be presented in a format as presented below. While these are considered part of the "supply analysis," they do not necessarily compete with existing restaurants. Rather, they are included here to highlight some of the non-restaurant food experiences that can help make downtown a culinary destination.

Other Culinary-Related Experiences	Address	Concept	Why Successful
Westside bakery district (four bakeries)	*Highway 20 west*	*Collection of Danish Bakeries*	*Appeals to local ethnic base as well as heritage tourists*
Peoples Spice Shop	*20 Market Lane*	*Specialty cooking retail store*	*Draws tourists*
Farmers Market - Prairie Street	*100 South Main*	*Fresh, local*	*Live music*
Annual Morel Mushroom Festival	*Downtown Square*	*Specialty regional foods*	
Jims Fish Boil Excursions	*218 River Lane*	*Fish, catch, and eat*	*Unique experience for visitors*

Example Inventory of Other Culinary-Related Experiences

Location Analysis

Location is a critical factor in planning a restaurant. The ability to capture sufficient customer volume from existing residents, day-workers and tourists is essential in estimating the feasibility of restaurants and other culinary venues.

Traffic patterns can provide an important indicator of the level of exposure a new business or eating venue (such as a farmers market) might receive at a specific downtown location. It is also important to identify "demand generators," such as company offices and manufacturing firms, hospitals, colleges and retail stores. These types of businesses typically generate a significant amount of food and beverage business, often from nonresidents coming into the community. Finally, market demand for a downtown restaurant may be impacted by changes in downtown employment, expansion or new construction of commercial buildings, new residential housing, and street and transit improvements.

Listed below are some sample considerations that could be included when assessing the suitability of a downtown location for a culinary concept or business.

- Traffic volume and direction on Main Street;
- Visibility and accessibility;
- Pedestrian volume on Main Street;
- Major demand generators downtown;
- Proximity to hotels;
- Meal periods most likely to draw customers;
- Seasonal trends that could affect the business;
- Space availability;
- AM or PM side of the street;
- Street frontage;
- Outdoor seating; and
- Mix of local and national tenants nearby.

Assessment of Restaurant and Culinary Opportunities

The final part of the analysis involved identifying business development opportunities that facilitate downtown vibrancy through dining and culinary experiences. Identification of concepts/foods that are authentic to the community help creates a culinary destination. To determine what concepts have the greatest potential, the following questions should be answered:

- What is the potential consumer demand for food and culinary experiences in the downtown or community?
- What is the geographic origin of potential customers? Does this change by season?
- What do local demographics and lifestyle characteristics suggest about market demand for culinary experiences from local residents? Visitors?
- What is the supply of culinary-related businesses or experiences in our community? How successful are they?
- What culinary experiences or concepts are missing from the downtown district and/or trade area?
- What are the best practices from other similar communities?
- What are the assets (history, character, sense of place) we can use to promote ourselves as a culinary destination?
- What do our assets suggest about potential opportunities (new supply) for food or culinary-related businesses, events, or opportunities?

Many communities across the United States have conducted "Community Food Assessments," a systematic approach used to determine food related opportunities and assets[3]. While assessments are generally conducted from a food security perspective, they may reveal culinary or food related opportunities that a downtown district could take advantage of. Opportunities might include the desire for a grocery store or small market in a downtown area, opportunities to increase food availability to ethnic or immigrant groups, opportunities to increase access to farmers markets for low income families, a need for business incubation space for value added food enterprises, or the need for food processing to increase sales of local foods to institutions.

The results of a community food assessment and market analysis may be combined to draw conclusions regarding the viability of culinary concepts. Because of the complexity of the restaurant and food industry, this analysis is not intended to be a complete market feasibility analysis. Each business or concept identified in the analysis will require a more detailed study that addresses specific business questions such as menu pricing and cash flow estimates.

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[3] Pathukuchi, Kami, High Joseph, Hannah Burton, and Andy Fisher. (2002). "What's Cooking in Your Food System: A Guide to Community Food Assessment." Community Food Security Coalition.

Possible Restaurant Concepts

Elements of a restaurant concept can include theme, menu, service style, hours, price, entertainment and atmosphere. A list of restaurant categories is presented in Appendix A.

Using information collected; the next step involves identifying potential restaurant concepts that fit downtown's character and the marketplace. Certain dining concepts may emerge as being more suited to the area than others. For example, the presence of downtown office workers may suggest opportunity for a deli-style sandwich shop focusing on weekday business. The presence of a theater may suggest opportunity for fine dining operations or an espresso coffeehouse focusing on evening hours and weekends.

The demand for each concept should be critically evaluated. Is demand greater than the supply of restaurant seats now available? Can the types of restaurant concepts considered for downtown attract customers? Do the concepts considered have the capability to encourage consumers in the trade area to dine out more frequently? Concepts under consideration for the downtown area should be summarized in a manner similar to the table below.

Possible Downtown Restaurant Concepts	**Compatibility with Resident, Worker and Visitor Dining-Out Behavior**
Brewpub and Restaurant - This type of restaurant would be similar to a bar and grill and offer appetizers, dinners, special types of beers and other beverages in a fun atmosphere.	Local consumer behavior shows that residents and downtown workers spend more money at restaurants, partly due to higher than average incomes. Focus groups also indicated that they want more places to go after work and on weekends to eat and drink. Many in community appreciate local micro-brew products.
Bagel Shop/Deli - This type of restaurant would offer special baked goods such as bagels and other breads, meats, cheeses, and other specialty food items, similar to what one could call a "New York style" deli.	Local consumer behavior shows that they spend more money at restaurants because they have higher than average incomes. Focus groups indicated an interest in having bread/baked goods store downtown. Downtown employee surveys indicate need quick deli for lunch-time service. Currently there are no Bagel Shop/Deli locations in the community.

Example Summary of Possible Downtown Restaurant Concepts and Culinary Experiences

Appendix A - Restaurant Categories

Quick Service Casual Dining or “fast food” (such as McDonalds) emphasizes speed of service. Operations range from small-scale street vendors with carts to franchise business franchised mega-corporations like McDonalds.

Fast casual restaurants do not offer table service, but may offer non-disposable plates and cutlery. The quality of food and prices tend to be higher than those of a conventional fast food restaurant but may be lower than casual dining. Pizza Hut is an example.

Casual dining restaurants serve moderately-priced food in a casual atmosphere. Except for buffet-style restaurants, casual dining restaurants typically provide table service. Casual dining comprises a market segment between fast food establishments and fine dining restaurants. Casual dining restaurants usually have a full bar with separate bar staff, a larger beer menu and a limited wine menu. They are frequently, but not necessarily, part of a wider chain, particularly in the United States. Examples include Olive Garden and Applebees.

Family style restaurants are a type of casual dining restaurants where food is traditionally served on platters and the diners serve themselves. [1]

Fine dining restaurants are full service restaurants with specific dedicated meal courses. Décor of such restaurants feature higher quality materials with an eye towards the "atmosphere" desired by the restaurateur. The wait staff is usually highly trained and often wears more formal attire. Fine-dining restaurants are generally either single-location operations or have just a few locations. Food portions are smaller but more visually appealing. Fine dining restaurants may have dining rules which must be followed by guests.

Source: wikipedia.org and other sources.

American	Coffee Shops	French	Oriental
Asian	Continental	Greek	Pancakes
Bagels	Deli	Ice Cream	Pastry Shops
Bakery	Deli-Bakery	Indian	Pizza
Banquet Rooms	Delicatessens	Irish	Pubs and Taverns
Barbecue	Diner	Italian	Seafood
Beer Gardens	Donuts	Japanese	Soul Food
Bistro	Espresso Coffee House	Kids Entertainment	Spanish
Brew Pub	Family Restaurant	Korean	Steakhouses
Buffet	Fast Food - Chicken	Kosher	Sub Sandwiches
Cafes	Fast Food - Fish	Mexican	Swiss
Cajun	Fast Food - Hamburgers	Micro-Breweries	Thai
Caribbean	Fine Dining	Middle Eastern	Vegetarian
Chinese	Foods-Carry Out	Organic	Vietnamese

About the Toolbox and this Section

The 2011 update of the Downtown and Business District Market Analysis toolbox is a result of a collaborative effort involving University of Minnesota Extension, Ohio State University Extension, and University of Wisconsin Extension. The updated toolbox was supported with funding from the North Central Regional Center for Rural Development.

The toolbox is based on and supportive of the economic restructuring principles of the National Trust Main Street Center. The Wisconsin Main Street Program (Wisconsin Department of Commerce) has been an instrumental partner in the development of this toolbox.

This section was written by Bill Ryan and Laura Brown of the University of Wisconsin-Extension.

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