

# Stepping Up to the Plate: Key Restaurant Industry Trends and Their Impact on Talent Attraction

## 2016 Restaurant Finance Conference Highlights

This winter, a group of Spencer Stuart's Restaurant Practice consultants attended the Restaurant Finance Conference in Las Vegas to learn the latest industry trends and connect with fellow leaders in the sector. Topics at the conference included M&A deals, the customer experience, digital transformation and more. After attending the sessions and hosting an exclusive reception, we've identified several key trends influencing restaurants today and what they mean for leadership and talent in the coming years.

### **Strong leadership is more critical than ever in the current restaurant environment**

Restaurants currently face a great deal of pressure on several fronts: workers want higher wages, while customers demand higher-quality food. There's also a competitive need for more diverse, younger and digitally savvy consumers, which is currently challenging profitability and previously established formats. These pressures prompt the need for two kinds of leaders: entrepreneurs who are creating new formats and ways to innovate, and skilled general managers who can figure out how to reposition established chains – or lead them through a complete restructuring. In response to this transitional climate, the “fast casual” business has become the largest-growing segment of the industry. These restaurants (such as Chipotle Mexican Grill and Panera Bread) do not offer full table service, but promise fresher, less-processed ingredients than other fast food establishments. In addition, digital efforts continue to gain momentum and will increasingly be used to help solve some of these challenges.

## The rise of the 3G effect: Driving efficiency while lowering overhead costs

While many restaurants have faced challenges adapting to these trends and pioneering new ways to come out ahead, Burger King has managed to overcome these difficulties and create a sustainable business model. The investment firm that acquired the chain a few years ago, 3G Capital, has leveraged its playbook to introduce zero-based budgeting, flattening the organization and often substituting highly educated and strategic talent for purely experienced executives. In this way, 3G has earned an increasingly strong reputation among its franchisees, many of whom were skeptical early on. This change is a disruptive force for the industry, and leaders should study this approach and be aggressive in applying it to their businesses where possible.

## Top restaurant organizations must drive efforts with data

As a large part of the digital transformation, Big Data can enable companies to uncover insights and identify opportunities across all areas of their business. When restaurants really take control of their data and use it strategically, it allows them to both increase customer insights and drive process efficiencies. Through their joint venture with Boston Consulting Group, Starbucks is one example of a company that is evaluating what embracing Big Data and digital devices like artificial intelligence can do for them. To take advantage of new tools and technologies, it's essential for restaurants to hire leadership with strong data experience to structure and manage these initiatives and find partners with the skills to help them. Leaders in this space should have a proven ability to couple strategy with execution, experience with implementing data and analytics strategies for a complex organization, and a fine-tuned understanding of how data and analytics can drive business goals and insights. While complete data optimization is an ongoing and rapidly evolving process, having the right leaders in place will allow organizations to make the most of their data and take risks that are bold enough while also remaining measured and manageable.

## International expansion continues to be an important growth lever for restaurants and requires specialized leadership

As their domestic businesses reach maturity, many major food brands have taken their companies overseas to boost growth. The same is true for international companies coming to the U.S. — for them, the U.S. is a large growth market, and potentially even larger than their domestic markets. Fogo de Chao, Pret A Manger and Nando's are all examples of international brands that have brought their businesses to the U.S. What starts out as a promising route to a major expansion, however, can take a while to come to fruition. It can drive growth and lay the foundation in the long term, but the short-term payoff can be harder to see. Honing in on how to cater to each international market can help secure success overseas, taking into account the cultural differences unique to each location. This also prompts the need for a specialized team of leaders equipped to handle these complexities. Although some companies put leaders in place who are already stationed abroad, it's also common for them to uproot local talent and send them to a new location. Building success in international markets requires picking the right leaders and having the patience over the long term to support these plans.

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