

2013 Food and Wine Industry Projections

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Halpern's (www.halperns.com), purveyors of steak and seafood, and Habif, Arogeti & Wynne recently conducted a survey of food and wine company owners to learn what they believe 2013 will be like for them. Note: 61.1 percent of the respondents were restaurant owners, 22.2 percent were wine vendors, 11.1 percent were food/wine buyers, and 5.6 percent were food vendors. 88.5 percent of these companies are headquartered in Georgia.

Two projections for first quarter 2013 really stood out:

- Slightly more than half of the respondents felt that the new healthcare law (Obamacare) would have a negative financial impact on their business (56.7 percent vs. 43.3 percent), and
- 40 percent reported that they will hire *full-time* employees in the 1st quarter of 2013; 10 percent said they will hire *contract* employees; and 50 percent said they will hire *part-time* employees. So despite increased healthcare costs, a significant number of food and wine companies are planning to hire in 2013. This is especially encouraging, especially because since the latest Manpower Employment Outlook Survey, states that 16 percent of all Georgia employers plan to add workers in Q1 2013, while 8 percent expect to reduce staffing levels.

The primary concern for the overwhelming majority of the respondents (83.3 percent) for all of 2013 was the U.S. economy, followed by the global economy and retirement benefits. Of least concern to the respondents were healthcare benefits. These concerns are further supported by some of the statistics below.

More specifically, the biggest challenges respondents said they expect to face in 2013 are (in descending order):

- Increasing commodity prices
- Changing consumer preferences
- Increasing competition
- Building relationships with new customers
- Inventory management
- Cash flow
- Retaining employees

Clearly and not surprisingly, the challenges companies have no control over are found in the top half of the above list, and the things they can control and are currently responsible for in their businesses are found in the bottom half of the list.

Looking to the future, the survey results show that in the next 12 months:

- 60 percent of the respondents believe the U.S. economy will improve, whereas only 46.7 percent believe the global economy will improve in the same time period. Caveat: as of this writing issues related to the U.S. "fiscal cliff" are still unresolved; hence, if this survey was performed again in the future, the percentages might not be the same.
- Despite significant beliefs that the U.S. and global economies will improve, only 16.7 percent of the respondents expect to enter new domestic markets and only 3.3 percent of the respondents expect to enter new international markets.
- 56.7 percent say they plan to implement Menu R&D in the next 12 months, which implies that a sizable percentage of the responding companies plan on moving beyond their own status quo.

- 42.3 percent of respondents anticipate increasing online advertising. However, almost no respondents plan to increase their traditional advertising spending. Facebook is clearly emerging as the #1 social media website, with 84.6 percent of the respondents citing it over all other forms of social media.
- The percentage of respondents who plan to open a new restaurant or store in 2013 (36.7 percent) is almost the same as the respondents who plan to sell their businesses (33.3 percent).
- 30 percent of the respondents expect to make significant capital expenditures in their business, which signifies their optimism about the future.
- Respondents expect the highest concentration of their purchases will be made *locally*, whereas in 2012 the highest concentration of their purchases were made *regionally* – a vast shift in purchasing activity.

In summary: Food and wine company owners seem cautiously optimistic in many ways about 2013. This feeling is further supported by the National Restaurant Association's 2013 Industry Forecast which project restaurant sales in Georgia to jump 3.8 percent due to an improved economy and high pent-up demand. Yet despite their overriding concern about the U.S. economy, many plan to move forward with (1) their marketing plans, including embracing social media, especially Facebook, and (2) their hiring plans despite the increased costs of healthcare.

For more information or to request a copy of the survey, contact Sheldon Zimmerman, partner-in-charge of Habif, Arogeti & Wynne's Retail, Franchise & Hospitality Group at sheldon.zimmerman@hawcpa.com or 404-814-4958 or Ray Farmer of Halpern's at rfarmer@halperns.com

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