



National Food Service Advisors, Inc.

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TOP TRENDS FOR 2007 FROM NATIONAL FOOD SERVICE ADVISORS, INC.

For the last three years, we've been pretty accurate in our analysis of the trends for the upcoming year. Our nation-wide network of professional restaurant consultants provides us with regular input on what's popular and what should be on your radar for the New Year.

What we expect for 2007 is quite a bit different than last year's predictions that were weighted heavily towards technological inroads in the food service business. This year, it's government regulation, consumer caution, and the snapping up of smaller concepts. Read on and enjoy. We've polished up the crystal ball and here's what we see...

HUGE GROWTH IN ORGANICS

As the price of organically grown produce and vegetable drops, and availability increases, restaurateurs are commonly using these products instead of the old standbys. Consumers are demanding organic items for many reasons including; higher perceived value, better nutrition, and a feeling that they are, "Safer" than the alternatives. As Wal-Mart, major food service distributors, and even local produce companies make organic items more available and cost effective, this is a long legged trend that will be with us for many years to come. We're glad to see it as well.

LARGER RESTAURANTS

More seats, bigger menus, and more entertainment is key for 2007. Restaurateurs have learned that food is just one revenue stream, and consumers want much more than just food. They want a more complete experience that's stimulating to all of the senses—not just taste. Video, theatre, games of chance, innovative beverage displays, interactive ordering, and more high-tech goodies are just the ticket for investors seeking to maximize unit volume through multiple revenue departments.

BIG BOX BUYING & THE DISPLACEMENT OF DISTRIBUTORS

It's becoming hard to differentiate between a big box retailer like Sam's Club or Costco and US Foods or Sysco. Food service operators and especially independent operators have found that large retailers provide products and services that are frequently at or below those of the full-line distributors and are flocking to them in numbers unseen in the past. No commissions to pay, free delivery, wide selections and seven-day availability are features hard to ignore.

FRANCHISING FOR NEW STARTUPS

National Food Service Advisors, Inc. specializes in the development of new franchised concepts, and we've seen huge demand in our business relative to franchise development. In the past, franchise development was an unwieldy and expensive affair.

No longer, as it's possible to structure a company for franchising in a very short period of time. Cost effective, and a great way to grow a company, franchising your concept for growth is something every operator should consider in 2007.

GROWTH OF MEXICAN AND LATIN ORIENTATED CUISINE

As cultural boundaries blur even further in 2007, the dining trend that started two years ago is continuing strong in 2007. Ethnic restaurants that serve genuine native foods will continue to spring up nationwide. One of our Clients recently opened a restaurant that specializes in native foods that were served 100 years ago, and his business is very strong. This is an exciting time to be in the food service business!

CONSUMER CAUTION DUE TO BACTERIAL (E-COLI and Avian Flu) OUTBREAKS

We used to be able to trust our food. No longer, as independent and national companies alike struggle with the ability to source bacteria free food products. Meats, poultry and produce are particularly susceptible and recent announcements have further shaken our trust in the food chain. We expect that in 2007, more announcements of outbreaks will be made and it's reasonable to expect consumer outlash. Our observation of irresponsible media reporting of events during this past year is even more disturbing. Prudent operators are advised to have proactive programs in place to deal with consumer concerns.

RESTAURANT EVOLUTION

Starbucks is serving breakfast like McDonalds and McDonalds is serving premium coffee in restaurants that resemble Starbucks. What's up with this? In an effort to exploit market share and consumer demand for premium products in a comfortable space, the days of red plastic chairs are rapidly disappearing. Market niches are blurring; allowing plenty of room for new players in highly niched arenas. Look for these opportunities and be prepared to move quickly.

NATIONAL AND LOCAL GOVERNMENTAL INTERVENTION AND REGULATION

We can still buy cigarettes and cigars in New York, but we can't get French fries with trans fats. Local governments have taken it upon themselves to regulate what's apparently good for consumers, much to our distaste. Fois gras has been banned in Chicago and we expect more large metro areas to take it upon themselves to become food police in 2007. Our conundrum is this; when the FDA approves a food product for general sale in the US, why can a localized governmental agency take it upon themselves to outlaw what the federal government has already approved? We expect our frustration with this issue to grow.

LARGE FRANCHISORS BUYING SMALLER FRANCHISORS TO USE AS GROWTH VEHICLES

Our resident franchise guru, Ken Hollowell says that small franchisor companies should be on the lookout and prepare themselves for a buyout. "Large franchisor companies are always looking for the next big thing, and they can buy an underperforming or new brand for a good price when they buy a small franchisor" says Hollowell. Having developed over 750 companies in the last 30 years, he knows what he's talking about. Get your numbers right, have a game plan, and do like wise operators have done for years, and invest in an Operations Analysis. Find your areas of opportunity now and get ready to act when the buyers knock on your door.

FRANCHISE AREA DEVELOPMENT AGREEMENTS GAINING IN POPULARITY

Hollowell adds that, "Single unit franchise opportunities are still there, but new franchisees are really looking for multi-unit area development agreements". With the

area development agreement in place with the franchisor, the franchisee is in much greater control of a geographic market. "Sure, it's more expensive than buying a single unit franchise, but the upside is so much greater that it's crazy not to buy an area development when it's available" says Hollowell.

That's our story for 2007 and we're sticking with it. Here's to a prosperous New Year from all of us at National Food Service Advisors, Inc.



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