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**Same-Store Sales Discussion and Analysis**

After a winter wrought with difficult weather, the spring season facilitated continued positive same-store sales performance for the overall restaurant industry in the second quarter of 2014 ("Q2 2014"). The positive same-store sales results for Q2 2014 are impressive considering that the second quarter of 2013 had the strongest results for the year. In fact, the restaurant industry reported its 17th consecutive quarter of same-store sales gains.

In the Fine Dining segment, the companies we track were up from 2013 by an average of 3.1% for Q2 2014. It is important to note that despite 18 consecutive positive quarters, fine dining sales remain more than 5.0% below pre-recession levels (see chart at right). Nonetheless, these gains represent real momentum given the positive results over the last four and a half years.

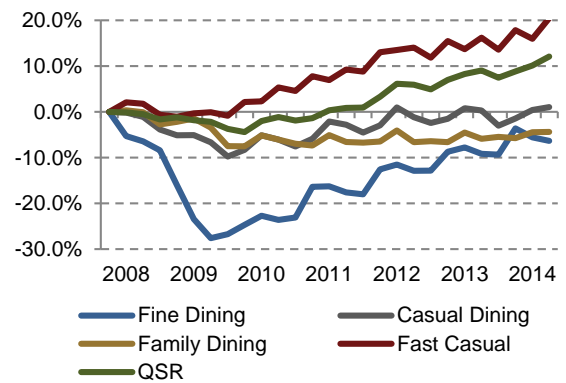
In the Casual Dining segment, the concepts we follow were up an average of 0.7% for Q2 2014. This marks the seventh consecutive quarter of the sales being up one quarter and down the next. According to Knapp-Track, casual dining guest counts were down 2.5% in April, 2.0% in May and 2.9% in June. In fact, Knapp-Track has reported negative guest counts in 29 of the last 35 months. The significant drop in traffic counts for the first half of 2014 is an indication that consumers are not willing to accept the higher prices many of the casual dining companies have used to buoy their sales. We believe the results for this segment will continue to be choppy until the declines in traffic stabilize. The Family Dining concepts we track reported an average increase in same-store sales of 1.6% during Q2 2014.

The Fast Casual segment maintained its positive momentum with another positive quarter as the segment was up 3.7% for Q2 2014. The Fast Casual segment continues to produce positive same-store sales results despite comping over four

and a half years of strong growth. Chipotle had another very impressive quarter as it was up by 17.3%.

In the Quick-Service Restaurant ("QSR") segment, 15 of the 18 concepts we track showed positive same-store sales growth during Q2 2014, and the segment was up an average of 2.8%. The Coffee/Snack segment had a strong showing in the second quarter, up an average of 3.8%; Starbucks led the way, up 6.0%, followed closely by Tim Horton's at 5.9%.

**Cumulative Same-Store Sales Change by Segment**



Source: Restaurant Research LLC, Capital IQ, Technomic and company filings

According to Black Box Intelligence, same-store traffic fell by 1.4% during the second quarter. The industry has yet to post a quarter of positive same-store traffic growth since 2012. On a two-year basis, same-store traffic dropped by 2.7%, further illustrating the restaurant industry's primary challenge of declining customer visits.

Victor Fernandez, Executive Director of Insights and Knowledge for Black Box Intelligence said, "The sales growth we are observing is not reflecting the full price increase amounts that brands have likely taken during the last two years, given the growth in average check, the barrier continues to be the declining guest counts experienced by the industry."

According to the latest Restaurant Industry Willingness to Spend Index, published by Consumer Edge Research, consumers' expectations dropped during June and point towards decreased spending in restaurants in the coming months. Therefore, we do not see traffic counts stabilizing in the near future and restaurant operators will have to focus on maintaining their share of a shrinking customer base.

Contributing Editor Josh Brannan is a Vice President for Trinity Capital.

**Same-Store Sales ("SSS") Data**

	FY 2011		FY 2012				FY 2013				FY 2014	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Fine Dining</b>												
Fleming's	10.1%	0.3%	5.4%	6.8%	10.1%	4.0%	5.4%	2.0%	4.2%	4.9%	1.7%	3.6%
Ruth's Chris	2.6%	7.7%	3.7%	6.0%	5.9%	5.4%	6.6%	4.6%	4.2%	5.5%	2.6%	2.8%
Capital Grille	7.0%	5.7%	5.7%	2.8%	4.0%	2.3%	3.0%	4.5%	3.2%	6.7%	0.1%	0.8%
Del Frisco's	N/A	N/A	7.9%	7.3%	5.3%	5.9%	1.9%	5.9%	4.4%	5.2%	5.1%	5.2%
<b>Mean</b>	<b>6.6%</b>	<b>4.6%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>6.3%</b>	<b>4.4%</b>	<b>4.2%</b>	<b>4.3%</b>	<b>4.0%</b>	<b>5.6%</b>	<b>2.4%</b>	<b>3.1%</b>

**Casual Dining**

Applebee's	(0.3%)	1.0%	1.2%	0.4%	2.0%	0.9%	(1.3%)	1.3%	(0.4%)	(0.3%)	(0.5%)	0.6%
BJ's Restaurants	6.5%	5.1%	3.3%	4.4%	2.3%	3.0%	(0.4%)	0.0%	(2.2%)	(2.7%)	(2.9%)	(1.7%)
Bonfish	7.4%	5.9%	6.2%	2.1%	3.5%	1.0%	0.5%	0.2%	(2.7%)	0.9%	(1.5%)	0.3%
Buffalo Wild Wings	4.8%	7.1%	8.1%	5.4%	6.0%	6.7%	1.9%	4.0%	4.3%	4.0%	5.7%	7.0%
Carrabba's Italian Grill	6.3%	3.5%	4.3%	1.5%	1.0%	(0.4%)	(1.7%)	0.3%	0.0%	0.9%	(1.8%)	(1.2%)
Cheesecake Factory	0.8%	2.7%	2.6%	2.1%	2.9%	1.3%	1.6%	0.9%	1.0%	1.1%	1.2%	1.5%
Chili's Grill & Bar	1.7%	1.4%	4.6%	2.2%	2.8%	1.0%	(1.1%)	(0.6%)	(1.9%)	0.2%	0.5%	2.5%
Dave & Buster's	2.7%	(0.9%)	(0.3%)	5.4%	5.4%	3.7%	1.8%	(0.9%)	(0.9%)	2.4%	0.7%	4.7%
Famous Dave's	(0.1%)	3.6%	(1.6%)	(0.6%)	0.2%	(6.0%)	(1.8%)	3.8%	(2.3%)	(1.1%)	(3.3%)	(2.8%)
Granite City	3.0%	4.0%	1.9%	1.5%	2.5%	4.5%	2.7%	2.5%	0.4%	0.6%	N/A	N/A
LongHorn Steakhouse	4.8%	6.7%	3.8%	3.0%	2.2%	(0.8%)	(1.6%)	3.5%	3.2%	2.9%	0.3%	2.4%
Maggiano's	3.5%	2.8%	3.9%	1.9%	0.9%	0.6%	0.4%	0.2%	0.6%	0.9%	0.2%	0.9%
Olive Garden	(2.9%)	(2.5%)	2.0%	(1.8%)	0.3%	(3.2%)	(4.1%)	1.1%	(4.0%)	(0.6%)	(5.4%)	(4.2%)
Outback	6.0%	3.6%	5.3%	2.3%	4.5%	5.3%	2.5%	2.8%	(0.3%)	1.1%	0.8%	0.9%
Red Lobster	10.7%	6.8%	6.0%	(3.9%)	(2.6%)	(2.7%)	(6.6%)	3.2%	(5.2%)	(4.5%)	(8.8%)	(5.6%)
Red Robin	2.1%	4.5%	1.0%	1.2%	0.6%	1.4%	1.4%	3.6%	5.4%	3.7%	5.8%	1.6%
Ruby Tuesday	(4.1%)	(4.2%)	(5.0%)	(4.6%)	1.9%	0.3%	(2.8%)	(3.1%)	(11.4%)	(7.8%)	(1.9%)	0.4%
Taco Cabana	5.3%	2.7%	6.1%	4.5%	1.8%	6.8%	2.0%	1.1%	1.8%	(2.9%)	0.8%	2.8%
Texas Roadhouse	3.9%	5.6%	6.2%	4.6%	3.9%	4.5%	3.7%	4.7%	2.9%	2.5%	3.0%	3.0%
<b>Mean</b>	<b>3.3%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>1.7%</b>	<b>2.2%</b>	<b>1.5%</b>	<b>(0.2%)</b>	<b>1.5%</b>	<b>(0.6%)</b>	<b>0.1%</b>	<b>(0.4%)</b>	<b>0.7%</b>

**Family Dining**

Bob Evans	(1.5%)	1.6%	(0.6%)	1.0%	1.0%	1.6%	0.0%	(0.6%)	(1.9%)	(1.8%)	(4.1%)	(2.1%)
Denny's	0.9%	1.6%	2.4%	0.8%	0.4%	1.7%	(0.7%)	0.6%	1.2%	0.9%	1.8%	1.9%
Frisch's Big Boy	0.0%	0.4%	1.7%	(1.7%)	(0.2%)	(1.7%)	(0.9%)	1.0%	(0.1%)	0.0%	(3.6%)	0.7%
IHOP	(1.5%)	(1.0%)	(0.5%)	(1.4%)	(2.0%)	(2.6%)	(0.5%)	1.9%	3.6%	4.5%	3.9%	3.2%
Luby's	3.5%	2.2%	2.2%	1.1%	2.4%	0.2%	(0.1%)	1.0%	2.4%	1.2%	2.2%	4.4%
<b>Mean</b>	<b>0.3%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>(0.0%)</b>	<b>0.3%</b>	<b>(0.2%)</b>	<b>(0.4%)</b>	<b>0.8%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>1.6%</b>

**SSS Data (Cont'd)**

	FY 2011		FY 2012				FY 2013				FY 2014	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Fast Casual</b>												
Chipotle	11.3%	11.1%	12.7%	10.2%	4.8%	3.8%	1.0%	5.5%	6.2%	9.3%	13.4%	17.3%
Cosi	(3.0%)	2.6%	7.5%	(0.5%)	(0.7%)	(3.9%)	(4.5%)	(2.7%)	(3.6%)	(4.6%)	(9.5%)	(4.7%)
Einstein Noah Bagel	0.7%	1.2%	1.1%	1.3%	0.2%	1.4%	(0.6%)	0.7%	(1.4%)	0.1%	1.6%	1.6%
Noodles & Company	5.2%	5.4%	6.8%	6.8%	3.4%	4.2%	2.2%	4.7%	2.1%	3.9%	(1.6%)	0.2%
Panera Bread	4.4%	4.4%	6.3%	5.9%	5.8%	4.9%	3.3%	3.7%	1.3%	1.1%	0.1%	0.1%
Qdoba Mexican Grill	4.3%	3.8%	3.0%	2.1%	3.3%	1.0%	(1.5%)	1.3%	2.0%	2.3%	7.0%	7.5%
Steak n Shake	5.3%	5.5%	5.5%	4.8%	2.9%	3.8%	1.3%	0.3%	4.2%	2.2%	3.0%	3.7%
<b>Mean</b>	<b>4.0%</b>	<b>4.9%</b>	<b>6.1%</b>	<b>4.4%</b>	<b>2.8%</b>	<b>2.2%</b>	<b>0.2%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>3.7%</b>
<b>QSR</b>												
<b>Chicken</b>												
KFC	(3.0%)	(1.0%)	2.0%	1.0%	4.0%	4.0%	4.5%	3.0%	(4.0%)	(5.0%)	(3.0%)	(2.0%)
Pollo Tropical	7.9%	7.8%	9.4%	7.8%	7.0%	8.3%	3.8%	6.4%	6.5%	7.0%	6.3%	6.7%
Popeye's	1.7%	5.9%	8.1%	8.4%	6.8%	6.4%	0.5%	4.3%	5.1%	0.3%	4.3%	3.8%
<b>Mean</b>	<b>2.2%</b>	<b>4.2%</b>	<b>6.5%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>2.9%</b>	<b>4.6%</b>	<b>2.5%</b>	<b>0.8%</b>	<b>2.5%</b>	<b>2.8%</b>
<b>Coffee/Snack</b>												
Baskin Robbins	1.7%	5.8%	9.4%	4.6%	1.1%	1.5%	(4.4%)	1.6%	4.2%	2.2%	0.5%	4.2%
Dunkin Donuts	6.0%	7.4%	7.2%	4.0%	4.0%	3.2%	1.7%	4.0%	4.2%	3.5%	1.2%	1.8%
Jamba Juice	3.3%	7.7%	12.7%	5.7%	2.5%	0.6%	1.3%	1.7%	(3.4%)	0.3%	0.6%	2.5%
Krispy Kreme	4.0%	8.3%	2.1%	5.4%	6.8%	7.5%	11.4%	10.0%	3.7%	1.6%	3.3%	2.3%
Starbucks	10.0%	9.0%	8.0%	7.0%	7.0%	7.0%	7.0%	9.0%	8.0%	5.0%	6.0%	6.0%
Tim Horton's	6.3%	7.2%	8.5%	4.9%	2.3%	3.2%	(0.5%)	1.4%	3.0%	3.1%	1.9%	5.9%
<b>Mean</b>	<b>5.2%</b>	<b>7.6%</b>	<b>8.0%</b>	<b>5.3%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>2.8%</b>	<b>4.6%</b>	<b>3.3%</b>	<b>2.6%</b>	<b>2.3%</b>	<b>3.8%</b>
<b>Mexican</b>												
Taco Bell	(2.0%)	(2.0%)	6.0%	13.0%	7.0%	5.0%	6.0%	2.0%	2.0%	1.0%	(1.0%)	2.0%
<b>Mean</b>	<b>(2.0%)</b>	<b>(2.0%)</b>	<b>6.0%</b>	<b>13.0%</b>	<b>7.0%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>(1.0%)</b>	<b>2.0%</b>
<b>Pizza</b>												
Domino's	3.0%	6.8%	2.0%	1.7%	3.3%	4.7%	6.2%	6.7%	5.4%	3.7%	4.9%	5.4%
Papa John's	5.3%	1.7%	1.1%	5.7%	2.5%	5.2%	1.6%	3.4%	1.8%	6.6%	9.6%	6.0%
Pizza Hut	(3.0%)	6.0%	5.0%	4.0%	6.0%	(1.0%)	(1.0%)	(2.0%)	(1.0%)	(4.0%)	(5.0%)	(4.0%)
<b>Mean</b>	<b>1.8%</b>	<b>4.8%</b>	<b>2.7%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>3.0%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>3.2%</b>	<b>2.5%</b>
<b>Sandwich</b>												
Burger King	(0.3%)	(2.0%)	4.2%	4.4%	1.6%	3.7%	(3.0%)	(0.5%)	(0.3%)	0.2%	0.1%	0.4%
Jack in the Box	5.8%	5.3%	5.6%	3.4%	3.1%	1.9%	0.1%	0.1%	(1.4%)	1.9%	0.7%	2.4%
McDonald's	4.4%	7.1%	8.9%	3.6%	1.2%	0.3%	(1.2%)	1.0%	0.7%	(1.4%)	(1.7%)	(1.5%)
Sonic Drive-In	(0.5%)	0.1%	3.5%	2.8%	2.3%	3.0%	1.3%	0.1%	5.9%	2.2%	1.4%	5.3%
Wendy's	0.9%	4.4%	0.7%	3.2%	2.8%	(0.5%)	0.7%	0.3%	3.1%	2.9%	0.7%	3.2%
<b>Mean</b>	<b>2.1%</b>	<b>3.0%</b>	<b>4.6%</b>	<b>3.5%</b>	<b>2.2%</b>	<b>1.7%</b>	<b>(0.4%)</b>	<b>0.2%</b>	<b>1.6%</b>	<b>1.2%</b>	<b>0.2%</b>	<b>2.0%</b>
<b>Mean Total QSR</b>	<b>2.9%</b>	<b>4.8%</b>	<b>5.8%</b>	<b>5.0%</b>	<b>4.0%</b>	<b>3.6%</b>	<b>2.0%</b>	<b>2.9%</b>	<b>2.4%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>2.8%</b>

### Not All Restaurant Expenses Are Created Equal

While restaurant operators may fear them, increasing commodity prices, food prices in particular, are generally not as detrimental to long-term profitability as many restaurant operators might expect. The intuitive concern is that higher food prices will either reduce margins or result in higher prices to customers, which may diminish sales volume, each of which would negatively impact overall profitability. Upon closer examination of both the competitive landscape and the strategic options available to restaurant operators, we discover that not all restaurant expenses are created equal. With some exceptions, increasing commodity prices do not necessarily hinder the restaurant industry's relative affordability or competitive value proposition, and restaurant operators can limit the impact on profitability.

Increasing commodity costs continue to put pressure on restaurant operators. As food costs constitute roughly one third of the expenses for an average restaurant company, substantial consideration should be given to managing these costs. The good news is that as opposed to other significant expenses incurred by operators, such as labor and rent, commodities costs are much more manageable and within the operator's control.

When it comes to rising costs, rising food costs may be easier for a restaurant to absorb than other costs. While rising food costs are not ideal, they should not overwhelm a restaurant's competitive position in the overall food landscape as the rising costs affect both food away from home and food at home somewhat equally. In contrast, rising labor costs have a greater impact on restaurants than supermarkets because labor represents a meaningfully larger expense as a percent of sales (or total expenses) for restaurants than it does for supermarkets. As such, an increase in price to consumers designed to keep steady gross margins does not put you at a disadvantage against other food retailers, whereas an increase in price to offset higher labor costs may put restaurants at a competitive disadvantage. The result of increasing prices to offset labor is either reduced traffic due to higher prices or reductions to margin, neither of which is sustainable in the long term.

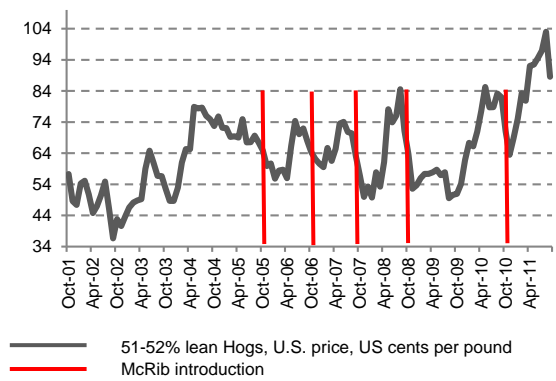
When discussing rising commodity prices as they relate to restaurants, the impact is generally assumed to be strictly on food costs. While the costs of commodities command much of operators' attention, the significant impact to restaurants from rising oil prices should not be ignored. We see this impact from two perspectives. First, rising diesel prices increase the transportation costs of products not only to restaurants, but along the entire supply chain. Secondly, when faced with higher gasoline prices, consumers are less likely to

visit restaurants because, in some cases, the higher cost of the trip, but largely because the consumer has less disposable income to spend at restaurants. A decrease in traffic is exponentially more difficult to overcome than rising food costs. While we've seen relative short-term stability in oil prices, it's important to note that increased volatility can significantly impact restaurant profitability.

Given the importance of maintaining and growing guest traffic, the best response to increasing commodities costs more often than not is an alternative to raising prices. Some of the most effective ways to maintain or improve margins are discussed below.

- In a period of rising commodities costs, not all commodities prices increase at the same rate. For example, since 2009, beef prices have increased over 130% while chicken prices have increased approximately 37%. Introducing higher margin limited-time offers (LTOs) that capitalize on relatively low cost inputs (e.g. chicken substituted for beef) is a solution implemented by highly sophisticated restaurant concepts. McDonald's champions this strategy by introducing the McRib to coincide with declines in pork prices (as evidenced by the chart below). Franchisees can manage product mix by utilizing a plethora of point-of-purchase advertising for the higher margin products.

**Pork Prices vs. McDonald's McRib Introduction**



- Supply chain and inventory management are vital to the success of restaurants in a period of rising costs. Restaurant concepts that implement co-op programs to manage sourcing are able to obtain favorable pricing through volume discounts and hedging. Further, they are able to constantly compare prices across suppliers. At the unit level, implementation of real-time inventory management technology may yield significant savings through reduced food waste, improved accuracy of records, trend tracking and simplified ordering.

- Another way to manage commodities costs is to revisit portion size and retool the ingredient size and mix to maximize value to the customer. The best recent example of this by a national chain was in 2013 when Buffalo Wild Wings changed from serving wings by count to volume-based portions (i.e. wing size). The move was made to bring the menu price more in line with the cost of chicken, since it is purchased on a per pound basis, as opposed to a per wing basis. This seemingly immaterial change to the customer resulted in quantifiable savings for the operator. Another opportunity for operators is to offer customization of products. According to Technomic, 51% of consumers say the ability to customize ingredients for their meal is "important" or "extremely important". Allowing customers to add high-margin ingredients to their meals benefits operators through increased average tickets and improved customer experience.
- Beverages offer restaurants high margins and, just as importantly, relatively consistent margins. Implementing a unique beverage platform is essential to boosting overall gross profit margins. While high margin for the operator, the beverage must appear to be a value for the guest. This value can be derived in a number of ways, which include beverages that are unique to a restaurant concept, beverages that pair well with the food being served and keeping the beverage menu fresh by offering LTOs or rotating the menu seasonally.
- Lastly, operators should focus on value, not price. The meteoric rise of fast casual concepts, largely at the expense of the weary QSR and casual dining segments, is proof that consumers are not only concerned about price, but about overall value. Taking a cue from the fast casual segment and focusing on what the consumer wants: high levels of customization, unique and fresh ingredients and food cooked to order will drive traffic and aid in the offset of increased costs.

In an era of increased competition and rising expenses, restaurant operators are focused on operational efficiencies and maintaining profit margins. While commodities costs continue to exert pressure gross profit margins, restaurant operators must use a variety of strategies to maintain their profitability.

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### Politically-Driven Minimum Wage Hikes: Be Careful What You Wish For

One of the more controversial issues that many politicians across the country are racing to implement is a substantial increase in the minimum wage. This is a very popular topic with voters and since we are in election season, I expect more of this activity between now and early November. Essentially, the philosophy behind the minimum wage increase push is that the wage gap between the rich and poor is so large and unfair that the government needs to step in and force an increase in the minimum wage so minimum wage earners receive a "living wage." While this is a noble sentiment, the unintended effects of this legislation will be destructive to the economies that implement it.

Most minimum wage jobs in the restaurant industry only last an average of approximately 90 days for a variety of reasons, including school and summer vacation schedules and workers leaving for better opportunities. Minimum wage jobs are so plentiful that many workers are not as worried about leaving or being dismissed as would, for example, a head of household with an advanced skills position. The primary reason for these jobs being so plentiful is that the wages are affordable to employers, and there are essentially no skills or barriers to entry required for employment. Interjecting \$15 hourly wages into this job category will significantly diminish the number of jobs offered by employers. For example, if faced with the proposition of employing three workers for \$12 per hour or four workers for nine dollars per hour, employers would be indifferent if the output of these employees was identical. However, four workers represent 33% more labor than three workers, and even if the three higher paid workers are more efficient, it is likely that four workers will produce more output. All this has to satisfy the businesses' customers in order for it to work from a practical and economic standpoint.

The restaurant industry has quietly increased prices for three consecutive years now in order to make up for diminishing customer traffic, particularly in the casual dining segment. According to the National Restaurant Association, there were 63 billion restaurant visits in the United States in 2012 and only 61 billion in 2013. In an environment of declining traffic, raising prices and wages is risky and may result in decreased profitability, which in turn may cause some businesses to violate bank covenants. Many securities analysts following the restaurant industry have expressed tremendous concern that the consistent drum beat of rising food costs and restaurant prices has reduced industry traffic and margins. This poses the question, how are restaurant operators supposed to survive \$5-\$6 per hour wage increases for their restaurant crews with declining traffic and margins?

Many states prohibit tip (gratuity) credit calculations as payroll offsets for hourly employees including minimum wage earners. In such cases, you may have a new server with very little experience earning \$35 per hour in tips and \$15 per hour with the new politically mandated minimum wage. The employer bears the burden of the \$50 hourly "flow of funds" because customers don't differentiate between the tip and the check. To the customer it is an all-in expense and the higher the total check, the less frequently they will dine away from home.

Another critical point frequently missed by political staff workers in positioning substantial minimum wage increases is the effect it would have on other workers in the establishment and thus total payroll. This group has generated several flawed position statements describing wage increases for the minimum wage portion of payroll, but not all employees. The most common flaw is that if an \$8 per hour minimum wage employee receives a \$7 per hour wage increase (staged over time), what will happen to the wages of the shift leader, night manager, assistant general manager and general manager? The answer is they will increase commensurately with significant impact to the profitability of the restaurant and may even bankrupt the restaurant.

Substantial increases in minimum wages will push the industry deeper into automation, which has a human cost in unemployment. Automated ordering systems have been popular in European fast food establishments for a number of years. These systems employ a touch screen panel that queues an individual through the ordering process, delivers the order to the back of the house and accepts payment by credit card or cash. These systems are much more economical than \$15 per hour wages and are less likely to make mistakes. Manufacturers for these devices advertise that they "seldom breakdown, are never late for work, are never sick, don't take vacations, never sue their employer, never offend a customer and can be serviced quickly and inexpensively." This is obviously a big threat for entry-level employment and the powerful training that it provides our nation's workforce. Automation is good for some industries, but complete automation would leave many people out of work.

Some political commentary begs the question, "How is a 35-year-old father of two supposed to support his wife and children on \$8 dollars per hour?" The answer is simple. The 35-year-old father of two should not be earning minimum wage. What happened between 18 and 35 years old? Where is the, education, job training or employment history that would lead to a set of skills that would command more than minimum wage? Minimum wage jobs, particularly in the

restaurant industry, are an opportunity for young inexperienced people to enter the workforce. They receive training, take on responsibility and earn a paycheck while attending school and, in many cases, living at home with their parents. Newly minted workers learn the basic job responsibilities of showing up on time, getting along with co-workers, following directions, personal grooming habits and positive customer interaction. This critical aspect of our national economy where companies take completely inexperienced workers and develop them vocationally for something more than a minimum wage job, is incredibly valuable.

We have many clients who now own dozens of restaurants yet began as crew level workers and saved and borrowed their way to prosperity. According to the Department of Labor, minimum wage earners receive on average a \$1.40 per hour increase if they stay on the job for one year or more. Moreover, shift leader jobs can be given to workers in as little as two or two and a half years which pay between \$10 and \$15 per hour depending upon geography. This is the path to greater wages, not government mandated minimum wage hikes that will reduce employment, close businesses and increase automation at the expense of minimum wage jobs.

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