

## Having words with: Malcolm M. Knapp

Paul Frumkin

PRESIDENT,

MALCOLM M. KNAPP INC.

Malcolm M. Knapp has predicted a lot of trends over the years. Since 1972 he has worked with the National Restaurant Association to compile its highly influential annual Restaurant Industry Forecast. Over the past three decades, he also has consulted with many chief executives in the foodservice industry on strategic planning, forecasting and marketing research and analysis. Knapp has advised the U.S. Census Bureau on segment categorizations and developed the new foodservice industry definitions of the North American Industry Classification System for the U.S. Department of Commerce. Based in New York, his company publishes Knapp-Track, a monthly sales and guest-count tracking report measuring the national casual-dining business, which appears in Nation's Restaurant News.

What does 2008 hold for the industry?

We'll be seeing an economic slowdown--at least in the first half of the year. Another big question mark is the price of oil. We're seeing a big divergence between the supply-demand price and the actual price, which is much higher. Consequently, the consumer has a much higher energy bill, which takes away purchasing power from median income families and below. So half the households essentially have a tax on their income that goes to pay energy costs.

What else?

We'll see wholesale food prices come down in the new year. They were around 7.3 percent in 2007, but that will probably come down below an increase of 2 percent in 2008.

Any other mitigating factors in 2008?

Tourism. Because of the weak dollar, Canadians are streaming across the border, which they weren't doing before. Shopping in border states like New York and Michigan is up substantially. And Canadians like Florida, so bookings are up from there too. Also, the euro and [British] pound are strong, so Europeans are coming here. And because the exchange rate is so favorable, a lower demographic of Europeans can afford to come over, and they're people who are more comfortable eating in fast-food and casual-dining restaurants. Classic Europeans wanted to hit the high-end places. And foreign tourists spend twice as much per day than domestic tourists.

[ILLUSTRATION OMITTED]

What about the labor market?

We'll still have moderating job growth in 2008. We were seeing an increase of 200,000 jobs per month in 2007, and 2008 will be somewhere below that. That being said, it will still be a tight market.

Are you seeing any major consumer trends emerging?

Yes, the biggest force in consumerism for years has been the baby boomers, and they're aging. Boomers will start to receive social security in 2008. That's important because people simply can't eat as much food at 60 as

they did at 30. So I think there will be a lot more portion-size experimentation at restaurants. The boomers have learned to eat well and don't want to give up quality. Their market segment will demand certain things, including smaller portion size.

#### FAST FACTS

EDUCATION: B.A., Columbia University; M.B.A., Harvard Business School

BIRTH DATE: Nov. 17, 1939

CAREER HIGHLIGHTS: publishing Knapp-Track; writing draft descriptions of the restaurant industry for the U.S. Department of Commerce that expanded the industry from one category to seven in official statistics; writing forecasts for the NRA; coauthor of last five-year strategic plan for Merrill Lynch prior to the departure of Den Regan for the Ronald Reagan White House

PERSONAL: married, one child

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