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Dining down, but hopes up

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Monday, March 8, 2010 at 8:31 p.m.



/ U-T file photo

Customers dine at The Linkery in North Park.

To no one's surprise, traffic volumes at restaurants slumped in 2009, but industry watchers see faint signs of hope that business is picking up as consumers both nationally and in San Diego County start dining out more frequently.

NPD Group, a leading market research company, reported an overall

3 percent decline in restaurant visits in 2009 compared with a year earlier, though declines in the last three months of the year slowed following steep losses in the third quarter. All segments of the industry, from fast food to fine dining, saw fewer customers, but upscale restaurants suffered the steepest losses.

“In 2008, consumers appeared to trade down some full-service visits for fast-food visits. In 2009, they made fewer visits to restaurants overall,” said Bonnie Riggs, NPD's restaurant industry analyst. “When consumers did visit restaurants, they favored lower-priced options.”

A combination of anemic traffic and only a modest growth in restaurant checks led to a decline in consumer spending at restaurants last year, the first such decrease since NPD began tracking the food-service industry in 1976.

Locally, restaurateurs acknowledge their industry was heavily affected by the prolonged economic downturn but say they are noticing a thawing in consumer spending. Some are even opening new restaurants.

“Last year was probably the worst we’ve felt it,” said Isabel Cruz, owner of five restaurants, three of them in San Diego. “Last year was when sales dropped for us somewhat at Cantina (in Pacific Beach), but this year it feels like it’s stabilizing. I can tell when I go out with my husband that it seems better.”

Cruz is confident enough that she’s opening yet another restaurant, Barrio Star, in the Bankers Hill neighborhood, where she plans to hew to the now-popular price cap of almost nothing over \$20.

Although last year was notable for the number of higher-profile restaurants that closed, several restaurateurs are opting to open new dining spots this year, despite cutbacks in consumer spending and high unemployment.

“People still want to go out and socialize and have a good time and have a nice cocktail and feel like they got a good value. I’m talking about someplace that doesn’t feel like a bargain place,” Cruz said. “We really want to keep the price point under \$20, and if you do that and it’s good food, it’s not worth cooking for me and my husband at home because it’s what I’d spend grocery shopping.”

NPD, in fact, found that lower food prices, while easing financial pressures for restaurant operators, also made the grocery store more appealing for consumers.

San Diego restaurant consultant John Gordon said that while local trends mirror what is occurring nationally, he sees evidence anecdotally of some modest improvements in the dining business.

“Restaurateurs are modestly encouraged with sales results in January and February 2010,” said Gordon of Pacific Management Consulting Group. “While the average ticket is down because of the need to discount, the traffic component has improved. Without question, there is a group of consumers, higher-income, who have less fear about the economy and are increasing their frequency of going out more, but this is all off a very low base in 2008.”

Tracy Borkum, owner of Kensington Grill and the newer Cucina Urbana in Bankers Hill, said she, too, believes business is picking up, though it may be some time before a return to normalcy. Borkum, who reinvented her former fine-dining restaurant Laurel into a casual, more affordable Italian eatery, has seen instant success, with a full house nearly every evening.


“I think there’s some optimism for the end of this year going into 2011, but I don’t think things will change in 2010 until the unemployment percentages improve,” Borkum said. “I do hear about all these different places that are opening, so obviously there’s some optimism, but people are still very cautious about price point and concept, and I think we exemplify what the community is looking for.”

A recent survey by the National Restaurant Association revealed some renewed confidence, but a return to economic health for the industry will be slow.

“Although the current situation indicators remained soft in January, the Expectations Index rose above 100 for the first time in nine months,” said Hudson Riehle, senior vice president of Research and Knowledge Group for the National Restaurant Association. “Restaurant operators are relatively optimistic about improving sales growth and economic conditions in the months ahead, and their capital spending plans rose to the highest level in five months.”

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