



## **2008 San Diego Restaurant Survey Major Findings**

**Falling Profits:** Average 2007 *pre-tax profits* of restaurants in the Survey conducted for this report dropped **5.8%** from 2006 and their *median pre-tax profits* fell **13.6%**. The **\$18 million** Survey respondents collectively took to the *bottom line* in 2007 was **10%** less than they took to the bottom line in 2006.

**Economies of Scale:** Larger restaurants have higher *total sales* than smaller restaurants, as one would expect. They also have higher *sales per square foot* and *per seat* than smaller restaurants, and take higher *sales per square foot* and *per seat* to the *bottom line*. The annual differences are large -- **\$197** in *sales per square foot* for the *smallest* size group vs. **\$414** for the *largest* size group, and **\$3,813** in *sales per seat* for the *smallest* size group vs. **\$12,514** for the *largest* size group.

**Tips and the Minimum Wage:** Employees who receive tips in the restaurant industry are paid the minimum wage in the expectation they will at least double (indirectly-tipped employees) or triple (directly-tipped employees) their wages with tips. With an *effective average hourly wage* with tips of **\$26** and *effective median hourly wage* with tips of **\$28**, directly tipped wait and counter staff are among the most highly paid unskilled workers in the San Diego economy.

**Hourly Employees:** Peak demands for service in restaurants coincide with customary meal times spread over a **15-hour** period. Most restaurants deal with swings in their need for staff over their business day by bolstering a small core of full time employees, who often must work a split shift, with much larger numbers of part time and part part time hourly workers. As a result, the overwhelming majority of restaurant employees (**95%**) are hourly employees.

**Health Insurance:** Some **81%** of Survey respondents offer health insurance to at least some of their employees, usually those who work a minimum of **35 hours** per week. Of those who have changed the health insurance they offer in the last five years, **61%** increased insurance deductibles and/or co-payments to cope with the rising cost of health insurance.

**Growth Prospects:** Survey respondents are not bullish on growth prospects for any type of restaurant in the present economy. They see the best growth prospects for less service-intensive operations – *Fast food/Take-Out*, *Fast Casual* and *Casual Dining*. None of respondents saw significant growth prospects for *White Table Cloth* or *Elegant Dining* restaurants.

**Business Challenges:** San Diego restaurateurs report the most serious current business challenges they face are rising *food* and *energy costs*, followed by rising *labor costs* and the poor state of the *economy*, local and national. The problem of rising *labor costs* is aggravated by California taxing tips as wages, but not recognizing tips as wages for compliance with its recently increased minimum wage.

*For more information please contact Katie Hansen at (619) 297-8202.*