



## Millennials Are a Downer for Restaurant Stock Investors

### Description

In a recent call with investors, John Cywinski, CEO of the popular American restaurant brand Applebee's, addressed the announcement by the company that it would close over 100 locations this year. He lamented the decision to pursue a more youthful demographic that may have alienated regular clientele, but, more importantly, it failed as a strategy. Casual dining chains like TGI Fridays, Buffalo Wild Wings, and Ruby Tuesday have experienced a decline in sales and multiple restaurant closures.

According to Buffalo Wild Wings CEO Sally Smith, millennial consumers tend to be more inclined to order delivery or spend time in quick-serve restaurants. The fast-casual industry has seen 550% growth from 1999 to 2014. Services like UberEATS also provide more dynamic options and give consumers access to food delivery at trendier locations.

**Keg Royalties Income Fund** (TSX:TSX:KEG.UN) stock has declined 3.6% as of close on August 31. The company released its second-quarter results on August 9. Gross sales were up 6.3% to \$145 million for the quarter, and same-store sales saw 6.5% growth. The Keg Steakhouse + Bar unveiled a 2017 campaign called "Why Not Tonight?" which is specifically geared to millennial consumers. The campaign is meant to encourage millennials to see The Keg as a location to go to after work for drinks and appetizers.

The Keg is certainly a more upscale casual dining location, but the campaign demonstrates that it wants to branch out from merely being a location for "special events." The stock boasts a dividend of \$0.09 per share, representing a dividend yield of 5.42%.

The share price of **Cara Operations Ltd.** (TSX:CARA) has fallen 10.7% in 2017 and 26% year over year. The company operates several casual-dining chains, including Swiss Chalet, Kelsey's, Milestones, East Side Mario's, and Montana's. The company released its second-quarter results on July 31. Total system sales saw 46.7% growth after the acquisitions of St. Hubert and Original Joe's. However, same restaurant sales declined 0.3% in the quarter. Corporate restaurant profitability was at 10.1%, a decline of 3% from Q2 2016. During the first half of 2017, Cara opened 25 restaurants and closed 20.

In 2015, Cara entered a strategic partnership with **Cineplex Inc.** and **Bank of Nova Scotia** and the Scotiabank SCENE program. This gives customers the opportunity to earn SCENE points, which can be accumulated and redeemed for movie tickets and concession purchases, while dining at Cara restaurant locations.

In 2016, Kelsey's committed to a rebrand to appeal to millennials and worked with OPEN marketing to develop a new identity. The chain made the commitment to renovate over 70 locations in Canada and revealed a revamped menu with all-day breakfast and icons matched to the core menu.

Millennials recently overtook baby boomers as the largest demographic in North America. Casual dining chains will need to aggressively adapt to meet the demands of this new consumer base in order to survive.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:KEG.UN (The Keg Royalties Income Fund)
2. TSX:RECP (Recipe Unlimited)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Investing

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