

QUICK-SERVICE | FAST-CASUAL | LIMITED-SERVICE

Limited-Service, Unlimited Possibilities

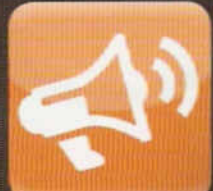
# QSR



CHARITABLE GIVING



EXPANSION



MARKETING



HR



MENU



GREEN

The year-end wrap-up of what the quick-service industry had to offer.



DECEMBER'S FRESH IDEAS: PREMIUM BEEF



# Short Order

LEGISLATION P13 - STANDOUT STORE P14 - THE NUMBERS P15 - CHARITABLE GIVING P16 - BUSINESS TIP P16

## LEGISLATION

# A Not-So-Sweet Tax

A potential tax on soda and sugary drinks could water down profits for quick serves. By Denene Brox

New talks of a potential sin tax on soda and other sugary drinks have quick-serve restaurants and consumer advocates on the defense. Billed by supporters as a way to pay for healthcare reform and curb obesity, many who oppose the soda tax believe that it isn't fair to Americans and will potentially slash profits for restaurant operators.

The tax would amount to a penny per ounce on soda drinks, sports drinks, energy drinks, and many juices and ice teas. Diet and sugar-free beverages would not be taxed.

"In my opinion, it's worth discussing and then dismissing," says Justin Wilson, senior research analyst with the Center for Consumer Freedom, a nonprofit organization lobbying against the tax. "There's not evidence that it will actually reduce obesity, and that's irresponsible policymaking. We can't allow our policymakers to jump feet first into policies that are expensive and have a slew of problems without having at least some sense of their effectiveness."

Of highest concern to quick-serve operators, if the tax is implemented, would be its effect on profit margins. While it's unknown whether the tax would actually curb obesity, it would most likely curb profits. According to Brian Schnell, partner for franchise and product distribution practice Faegre & Benson LLP, beverages have historically been high-profit-margin items for restaurants, especially when compared to most food items.

"In this economy margins have become increasingly more important as [quick-serve] operators have not been able to increase prices, so profitability comes from the margins," he says. "Taxes like this directly impact margins."


A soda tax could also change consumer consumption habits. Ed Randall, vice president of operations for Charley's Grilled Subs based in Columbus, Ohio, says that it could lower overall check averages and potentially keep customers from dining out as often.

"I don't think you'll see businesses hold steady on their costs," Randall says. "They are going to be forced to pass that through to customers, which will impact customer budgets and affect their ability to dine out frequently."

Wilson says there are too many complications for the

tax to become a reality.

"It's unclear whether or not the tax will be on beverages for retail sale, on [high fructose corn] syrup, or whether it's going to be on fountain sales. All of those things need to be hashed out," he says.

"I think the chances of it becoming a federal policy are very small and the larger problem becomes when the state localities use it as a new means of generating revenue." 

"In this economy margins have become increasingly more important. Taxes like this directly impact margins."

