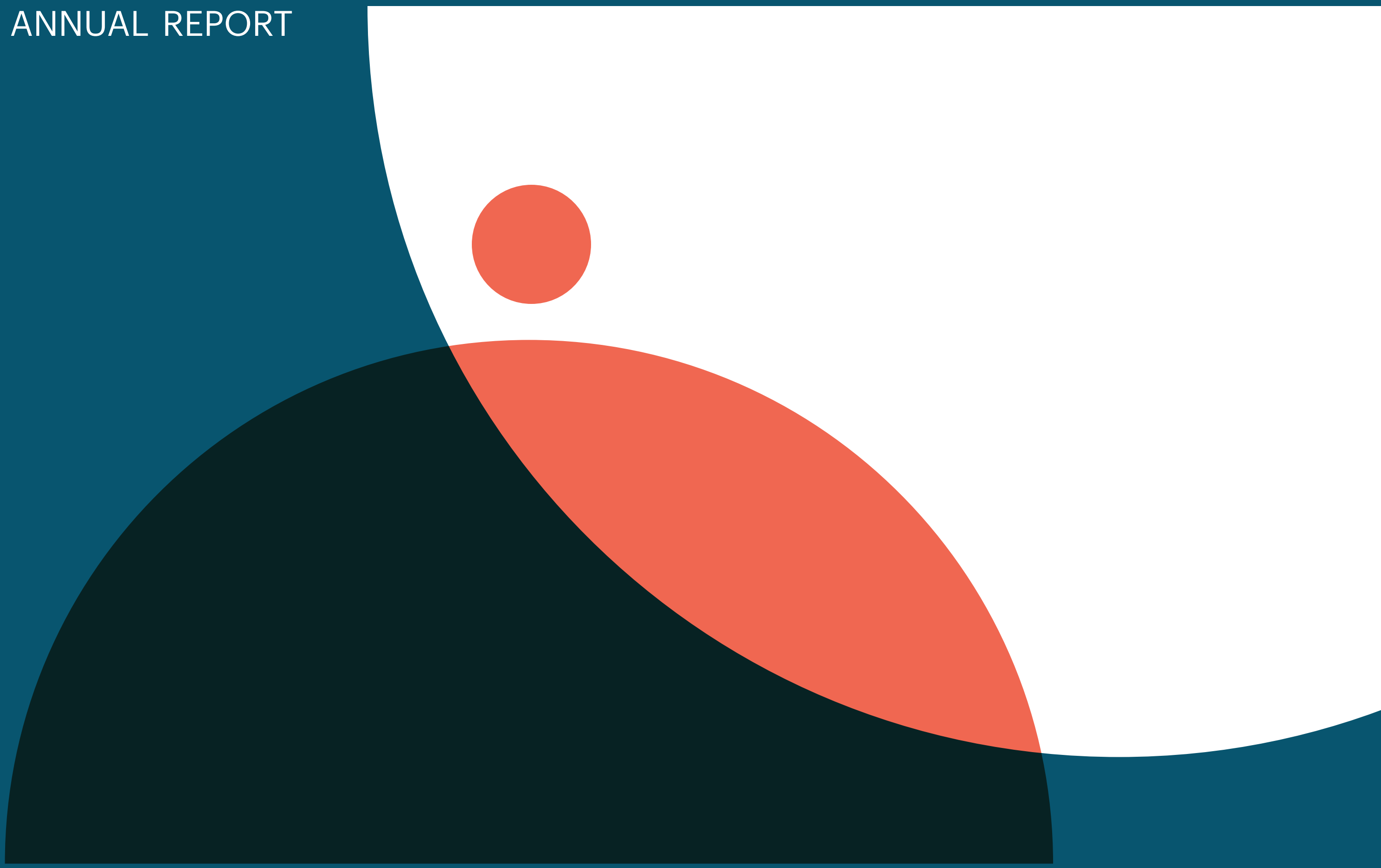
ANNUAL REPORT



The State of Restaurants in 2023

TouchBistro®

Introduction

Last year, our annual State of Restaurants Report examined the immediate fallout from the pandemic. We found that while there were some signs of recovery, many operators were still confronting and contending with the impact of a global event that has fundamentally altered the way they run their businesses.

After a year of navigating this new industry landscape and adapting to changing consumer behaviors, we set out to find out how operators are faring. There's no question that 2022 came with its own set of challenges and our latest report examines not only what has changed since last year, but also what challenges and opportunities lie ahead.

In order to get a sense of how these shifts have played out across the country, we surveyed more than 600 full service restaurant owners, CEOs, general managers, and area managers from across the U.S. We also spoke directly with nearly a dozen restaurateurs to dive deeper into the stories behind the numbers.

Our report reveals what has changed in the past year, how restaurants are adapting to an increasingly unstable economy, and the top trends on the horizon for 2023.

Objective

This report gives full service restaurant owners in the U.S. a complete picture of what's happening in their industry so that they can:

1. Better navigate current challenges
2. Anticipate upcoming trends
3. Consider new solutions based on the learnings of other FSRs across the country

Methodology

We partnered with research firm Maru/Matchbox again this year to survey more than 600 full service restaurant owners, presidents, and area/general managers across all 50 states with an added focus on six key cities: New York City, Los Angeles, Chicago, Dallas, Houston, and Miami. Our research was conducted from September 12 to 20, 2022.

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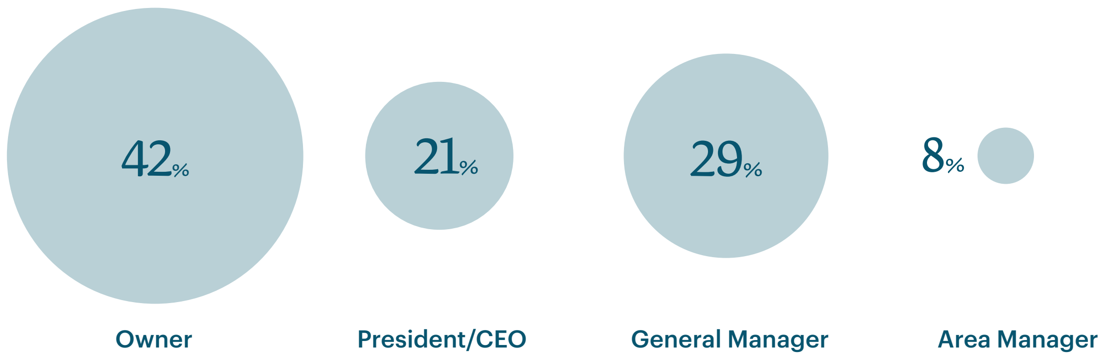
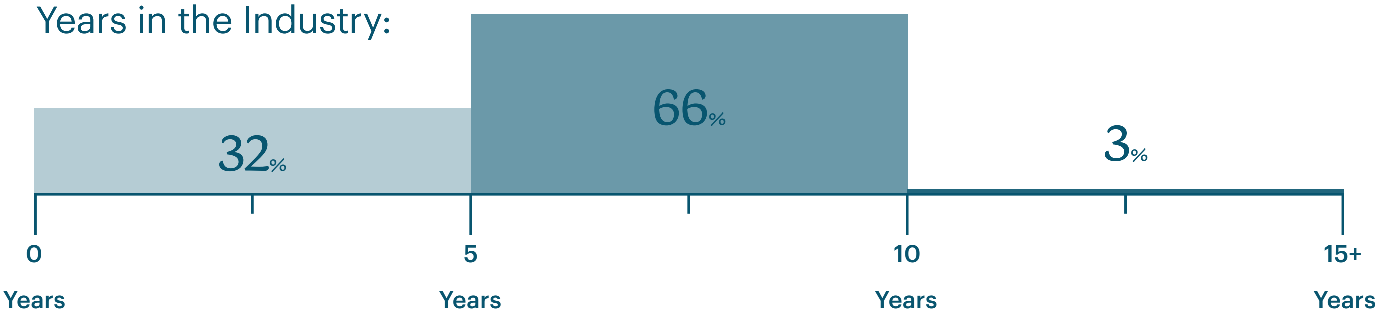
Respondent Profile

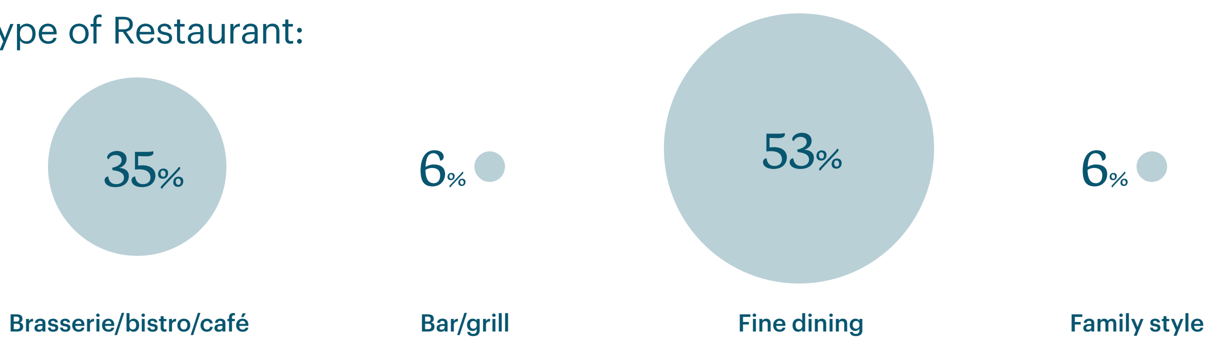
Current Role:



Years in the Industry:



Type of Restaurant:



Size of Restaurant:

1%	5%	15%	20%	59%
<20 Seats	120+ Seats	81-120 Seats	21-40 Seats	41-80 Seats

Respondent Profile

Dining Options Offered:

96% Indoor dining / dining room

88% Takeout / curbside pickup

86% Outdoor dining/patio

68% Delivery

Number of Locations:

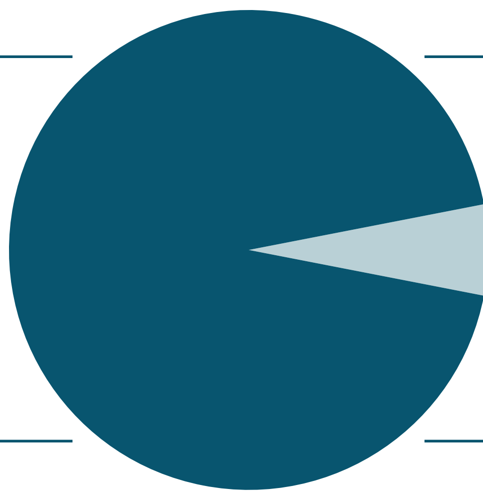
6% **Just 1 location**

51% **2-3 locations**

34% **4-5 locations**

9% **6 or more locations**

Independent vs. Chain:



94% **Independent**

Part of a restaurant group 6%

Annual Revenue:

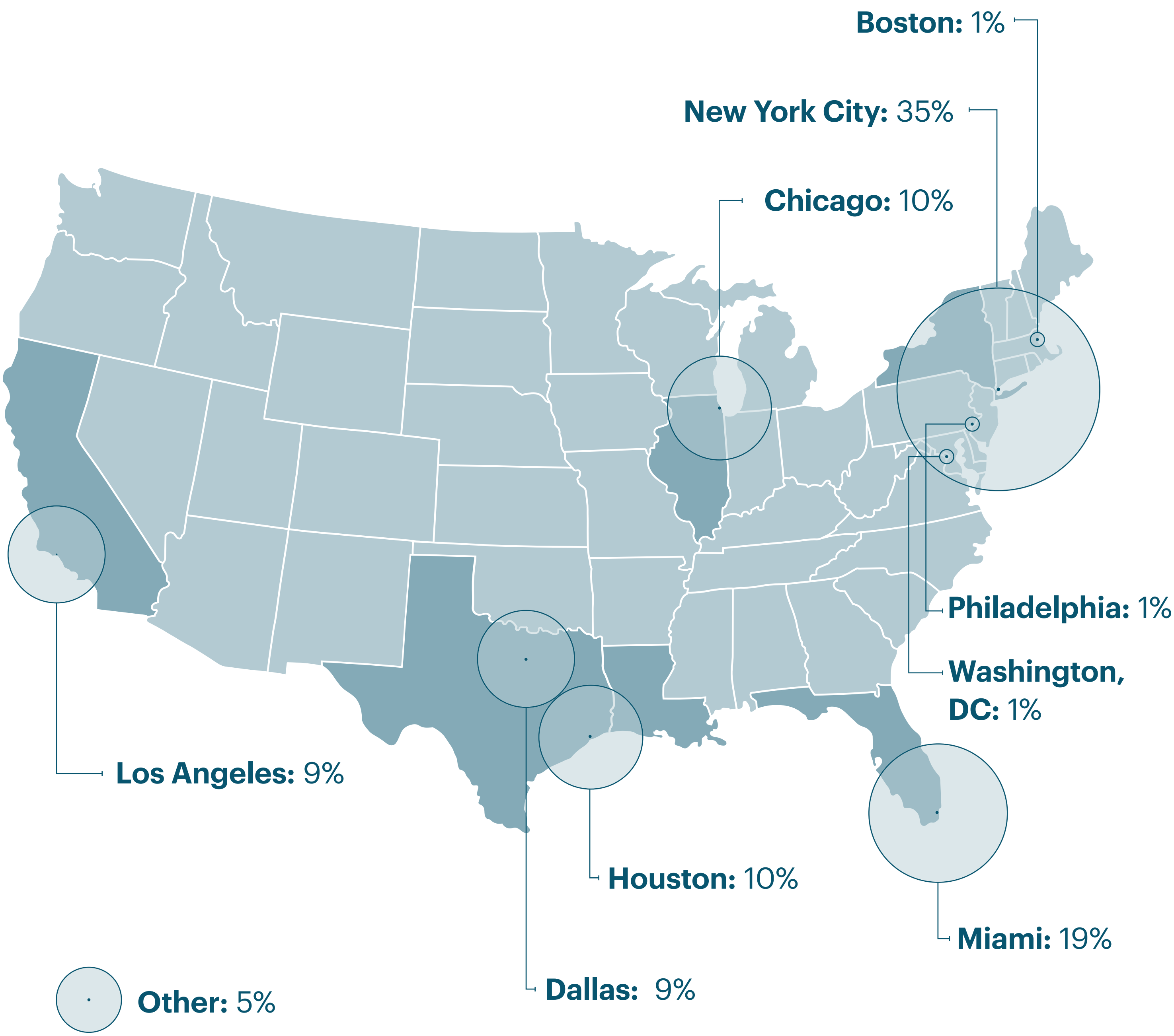
27% <$1M

54% $1M-2M

19% $2M+

Respondent Profile

Location



Report Highlights

Our respondents gave us a unique opportunity to understand the challenges the industry has faced and what's on the horizon for 2023. And as we uncovered, it's been a mix of highs and lows.

Here's a preview of some of our key findings:

Financial Health
On average, restaurateurs reported that their sales had recovered to about 75% of pre-pandemic levels, proving that recovery is still in progress. But as sales begin to climb, profit margins stayed relatively steady at 10.6% due to the rising cost of food and other expenses.

75%

of pre-pandemic sales volume

Staffing & Labor
Despite relatively low unemployment rates nationwide, the restaurant industry continued to face record labor shortages. Now, 97% of restaurateurs say they are short at least one position and, on average, they reported being short five positions.

97%

of restaurateurs report being short staffed – up 16% from 2021

Inventory & Menu Management
With food costs cited as the biggest source of financial strain, more than half (53%) of restaurateurs reported raising their menu prices in the past six months. On average, restaurateurs reported increasing their prices by 15%.

53%

of restaurateurs say they raised menu prices in the past six months

Report Highlights

Takeout & Delivery
97% of restaurants now report using at least one online ordering platform and, on average, most use close to three platforms. Nearly a third (34%) of those operators reported offering direct online ordering from their restaurant's website, suggesting that most operators prefer to use a mix of direct and third-party online ordering systems.

34%

of restaurants offer direct online ordering through their website

Marketing & Loyalty
While Facebook remains the most popular platform for restaurants, TikTok is not far behind. 40% of restaurateurs now say they use TikTok to promote their restaurant, while SMS (texting) was cited as the number one way to stay in touch with customers.

40%

of operators say they use TikTok to promote their venue

POS & Payments
Operators invested heavily in new technology this past year with a whopping 76% of operators reporting that they changed their POS system. And overwhelmingly, the majority of operators (66%) opted for a system with an integrated payment processing solution.

76%

of restaurateurs changed their POS system in the past year

Reservations
While reservations fell out of style during the pandemic, the practice seems to be making a comeback. In fact, 76% of restaurateurs now say they take reservations, and 81% report using an online reservations system to manage their bookings.

81%

of operators use an online restaurant reservations system – up 30% from 2019

Financial Health

While 2022 was largely absent of dining restrictions, recovery continues to be a mixed story for many in the restaurant industry. Some operators – especially those with larger venues and those in major tourist hotspots – have seen sales fully bounce back to pre-pandemic levels. On the other hand, some operators have found the past year to be slow at best and a challenge at worst, largely due to the rising cost of food.

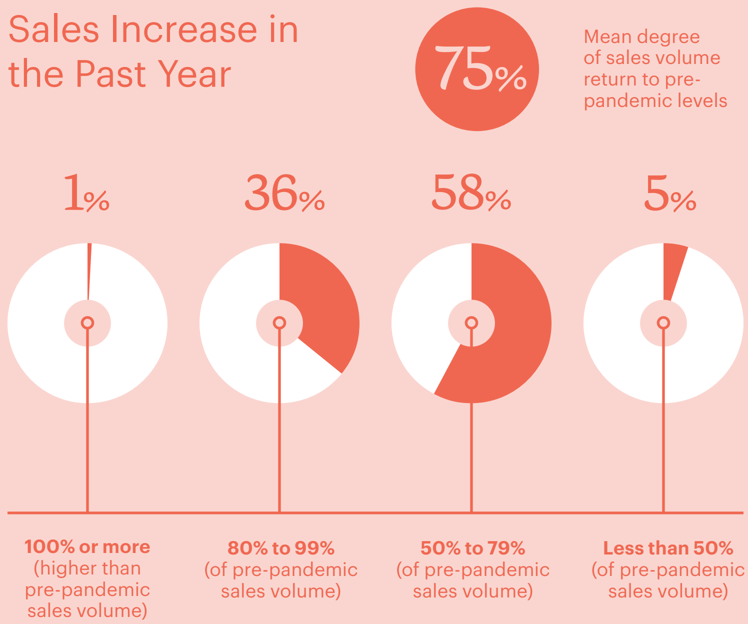
Sales Slowly Recovering
Restaurants saw their sales take a major hit during the pandemic and it's only now that most operators say they are close to where they were pre-pandemic. On average, operators say their sales have returned to about 75% of pre-pandemic volume, with three-in-five operators reporting that their sales volume has returned to at least 50% of pre-pandemic levels.

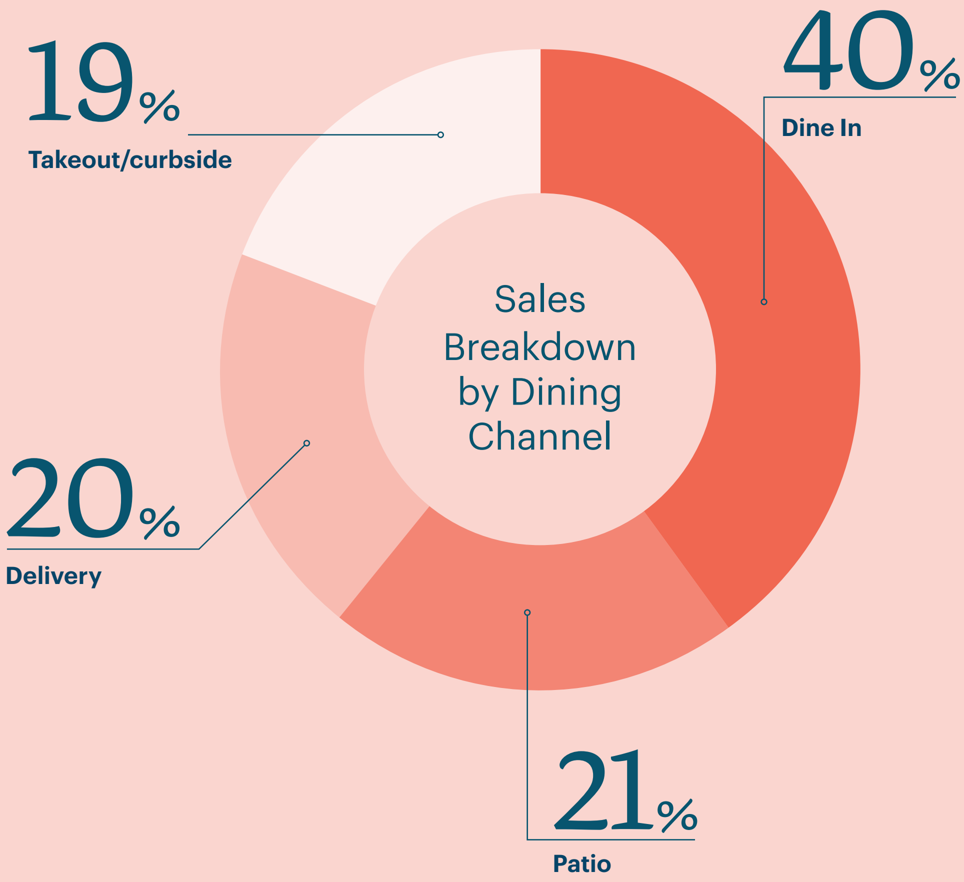
"Business has been really, really good this year. We're in a tourist city and [now] that everything's opened up, there have been almost twice as many people down here than before the pandemic."

(Area Manager, Bar & Grill, Galveston, Texas)

"We've always had a patio, but we've extended the hours of the patio, as well as the actual size of the patio because we discovered during the pandemic that a lot more people prefer to eat outside versus inside."

(General Manager, Fine Dining, Chicago)





Revenue and Profit Margins See Modest Gains

Overall, revenue has also shown signs of recovery. This year, operators reported an average revenue of $1,517,770, compared to an average revenue of $1,412,270 the year before (a 7.4% increase). However, it's important to note that restaurants with 80+ seats were more likely to see an increase in revenue, with some smaller venues actually seeing a decrease in average revenue from 2021.

Profit margins have also seen a small increase after falling to just 10% in 2021. Now, the average profit margin for full service restaurants has risen to 10.6%, with larger restaurants – specifically those with 120 seats or more – seeing profit margins as high as 13%.

Mean Annual Revenue

	Year	Mean Annual Revenue	% Mean Profit Margin
120+ Seats	2022	$4,509,849	13%
	2021	$2,453,125	13%
	2019	$1,698,864	14%
81-120 Seats	2022	$2,271,506	12%
	2021	$1,821,721	11%
	2019	$1,435,484	11%
41-80 Seats	2022	$1,330,223	10%
	2021	$1,670,233	11%
	2019	$1,223,958	10%
21-40 Seats	2022	$738,120	10%
	2021	$1,229,665	10%
	2019	$972,222	10%
<20 Seats	2022	$380,000	7%
	2021	$635,400	7%
	2019	$500,000	10%

2022 Total Mean Revenue
$1,517,770 ▲
2021: $1,412,270

2022 Total Mean Profit Margin
10.6% ▲
2021: 10%

> **"Business is not what it was, but it's close to pre-pandemic levels."**
>
> (Owner, Bar & Grill, New York City)

"Business is starting to get back to normal, except for the catering aspect of it. We used to do a lot of catering for different businesses. But now the people working for the corporations around us do not go to work five days a week – they might go two days a week or three days, or just work from home. So it's probably gone down 70% on the catering side."

(Owner, Family Style, Los Angeles)

Food Costs Continue to Break the Bank
With food costs soaring, more than half (54%) of restaurateurs now say that inventory is their biggest source of financial strain. This is up significantly from last year when just 33% cited inventory as their top concern.

Greatest Causes of Financial Strain in Past 12 Months

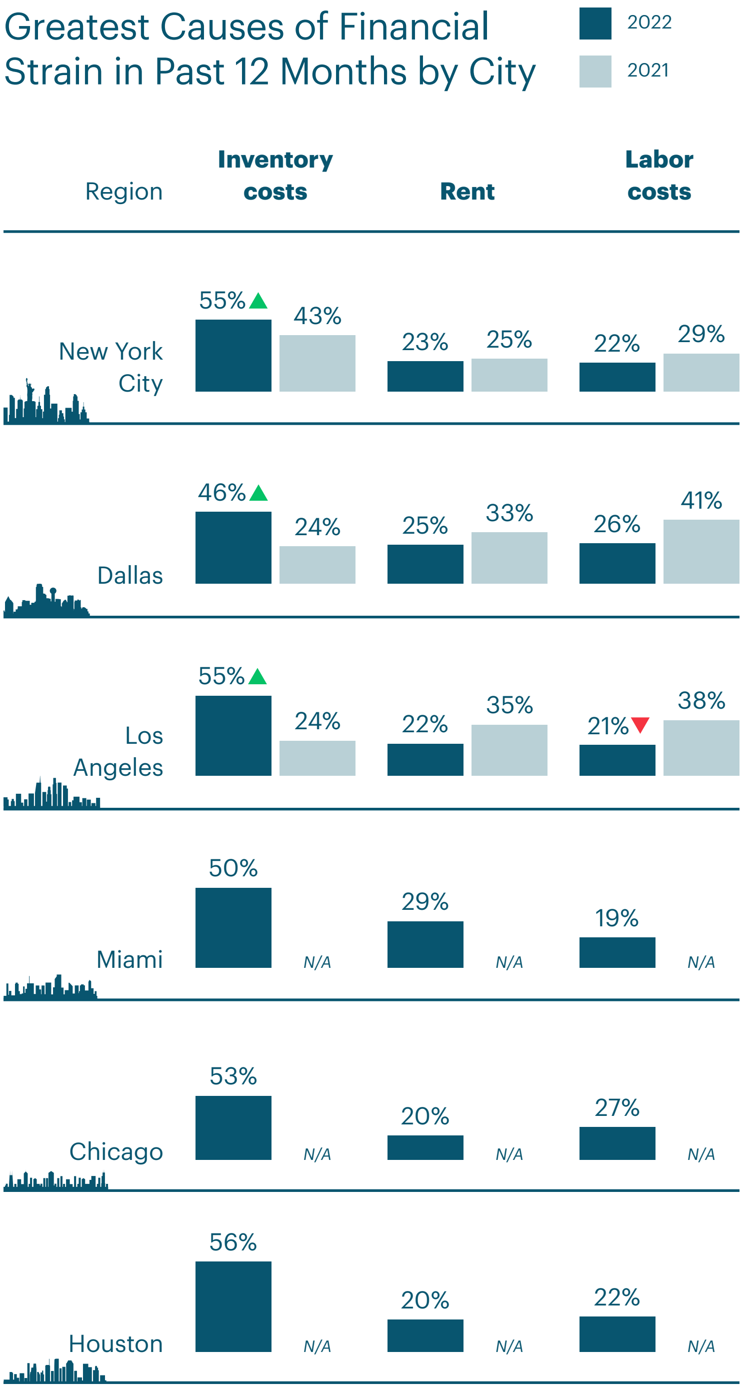
■ 2022 ■ 2021

Restaurant type	**Inventory costs**	**Rent**	**Labor costs**	**Other**	**None**
Total	54% ▲ 33% - 2021	23% ▼ 30% - 2021	22% ▼ 30% - 2021	0% 1% - 2021	1% ▼ 7% - 2021

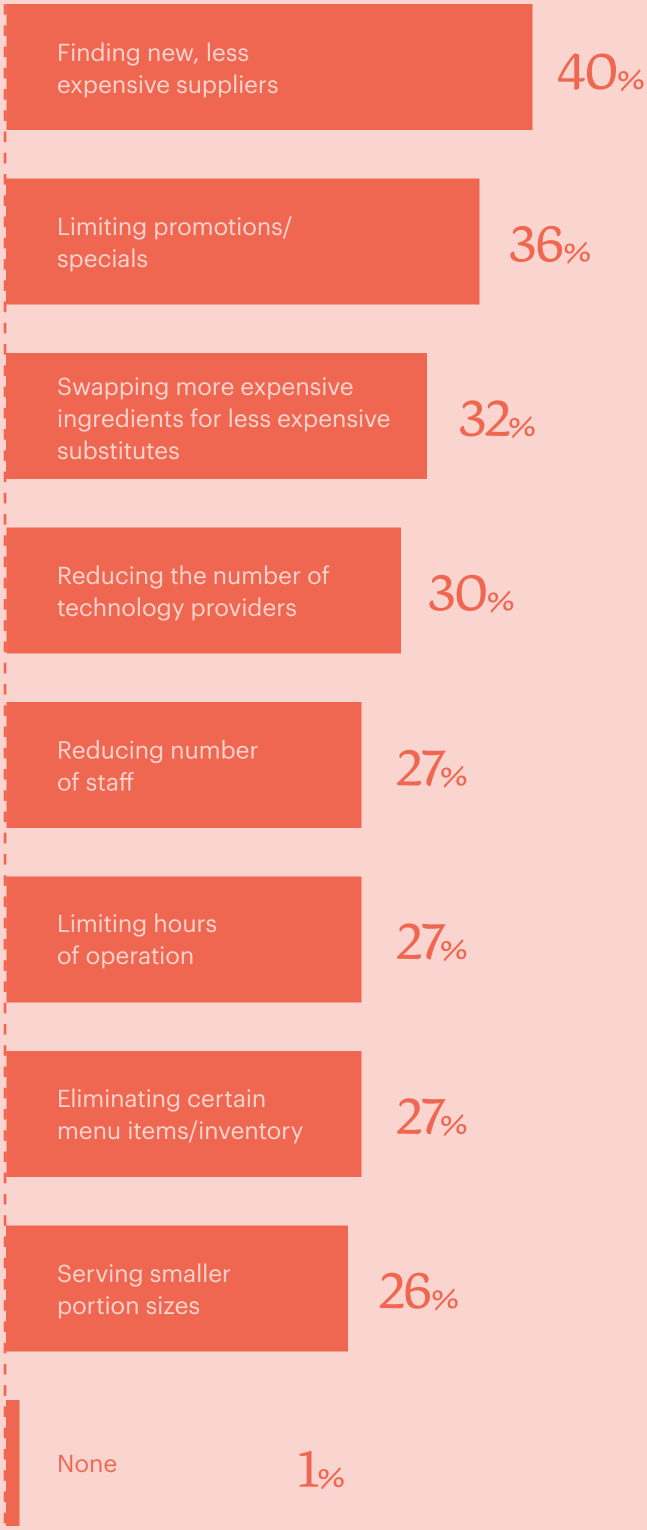
Restaurant type	Inventory costs 2022	Inventory costs 2021	Rent 2022	Rent 2021	Labor costs 2022	Labor costs 2021	Other 2022	Other 2021	None 2022	None 2021
Brasserie/ Bistro/Café	51%	43%	25%	25%	24%	26%	0%	1%	0%	5%
Bar/ grill	61% ▲	32%	18%	24%	18%	39%	0%	0%	3%	5%
Fine dining	56% ▲	31%	23% ▼	33%	20%	26%	0%	1%	1% ▼	9%
Family style	37%	28%	20%	35%	34%	29%	3%	1%	6%	8%

“Food costs have been more of a financial strain than anything else. Everything is going up and it’s also hard to get a hold of things because of the supply chain issues. Utilities are also a big one because we're in a very, very hot climate.” (Area Manager, Bar & Grill, Galveston, Texas)

Greatest Causes of Financial Strain in Past 12 Months by City



Steps Taken to Reduce Expenses



Operators on the Hunt for Cheaper Suppliers
With rising food costs cutting into profits, it comes as no surprise that 40% of operators are finding new, less expensive suppliers in order to reduce expenses. Similarly, nearly a third (32%) of operators said they were swapping expensive ingredients for cheaper substitutes as a way to reduce costs, while 27% said they were eliminating certain menu items entirely.

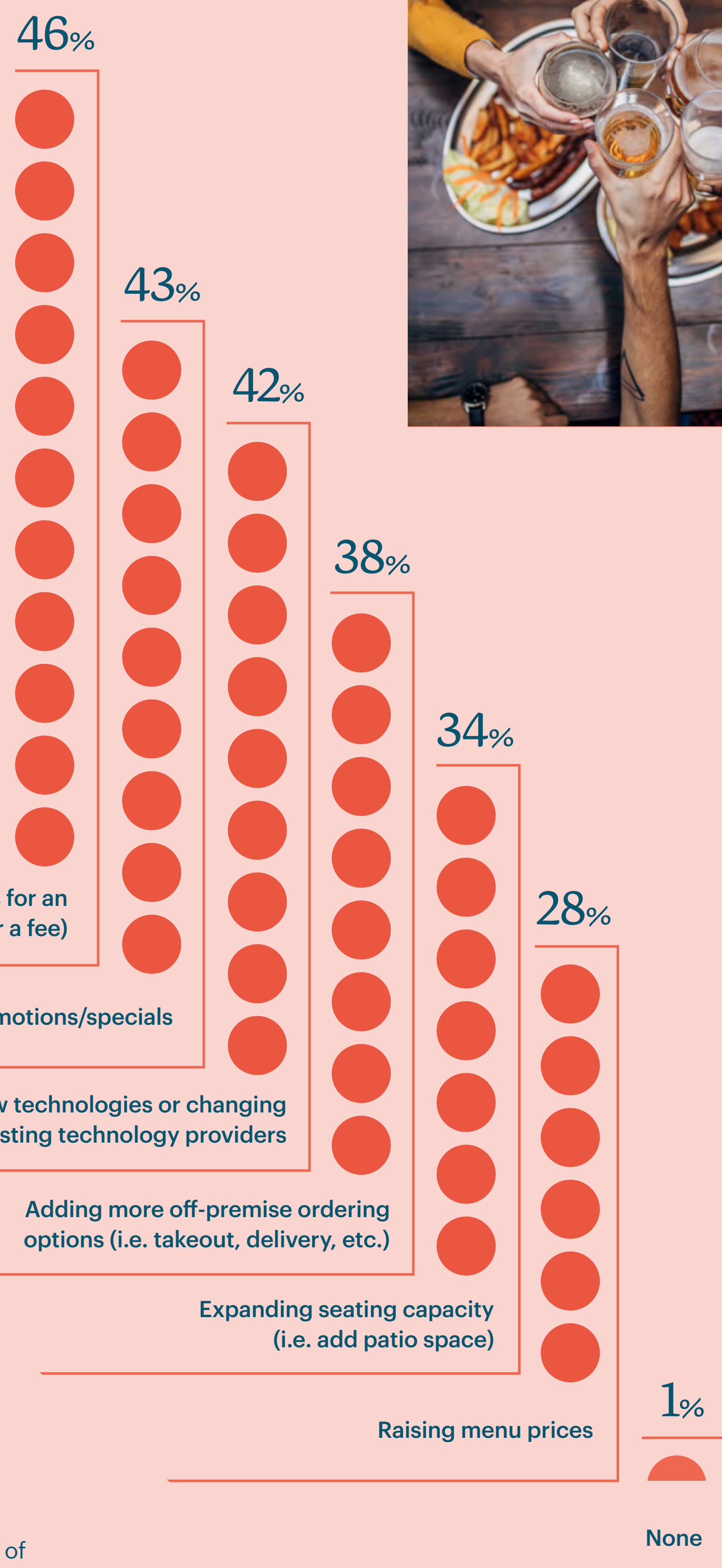
"I have definitely done my due diligence when it comes to where we're getting things from. I've found that if we source things locally, like products and produce, that actually cuts down costs. Ordering bulk items from different vendors has cut down costs too."

(General Manager, Fine Dining, Chicago)

"It started with happy hour, which used to be just beer. Now we're putting more drinks onto our happy hour menu to draw more people in. Plus, on Sundays, we have a football special, which brings the guys in to get wings and beer."

(Area Manager, Bar & Grill, Miami)

Steps Taken to Increase Revenue

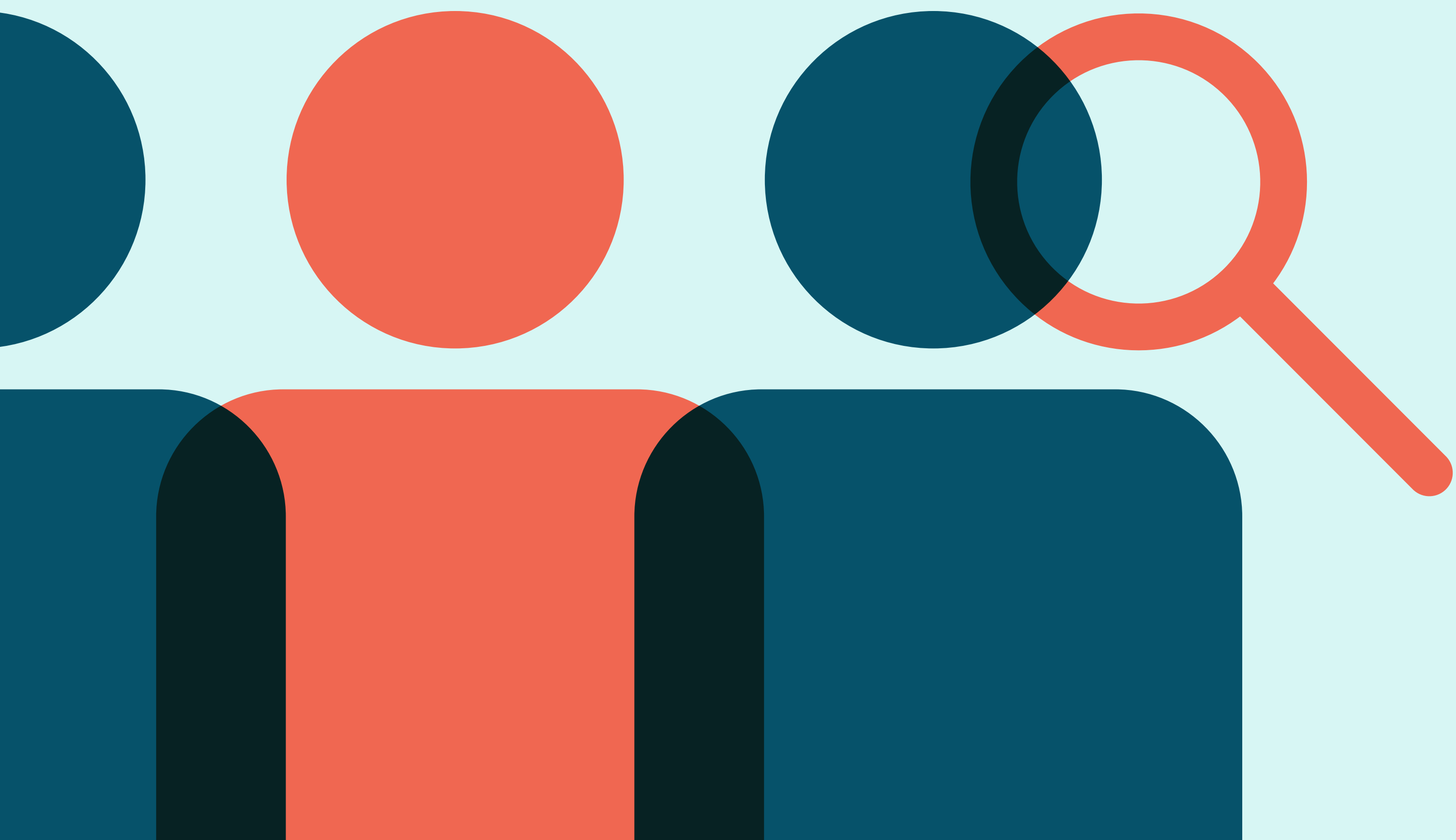


Add-Ons Prove to Be a Popular Profit-Boosting Strategy

While many operators are adjusting their inventory to reduce expenses, they're also experimenting with different ways to boost profits. Adding more modifications/add-on options for an extra charge was the number one profit-boosting strategy with 46% of operators taking this approach. Other popular options include introducing new specials/promotions and implementing new technology, with 43% and 42% of operators taking these approaches respectively.

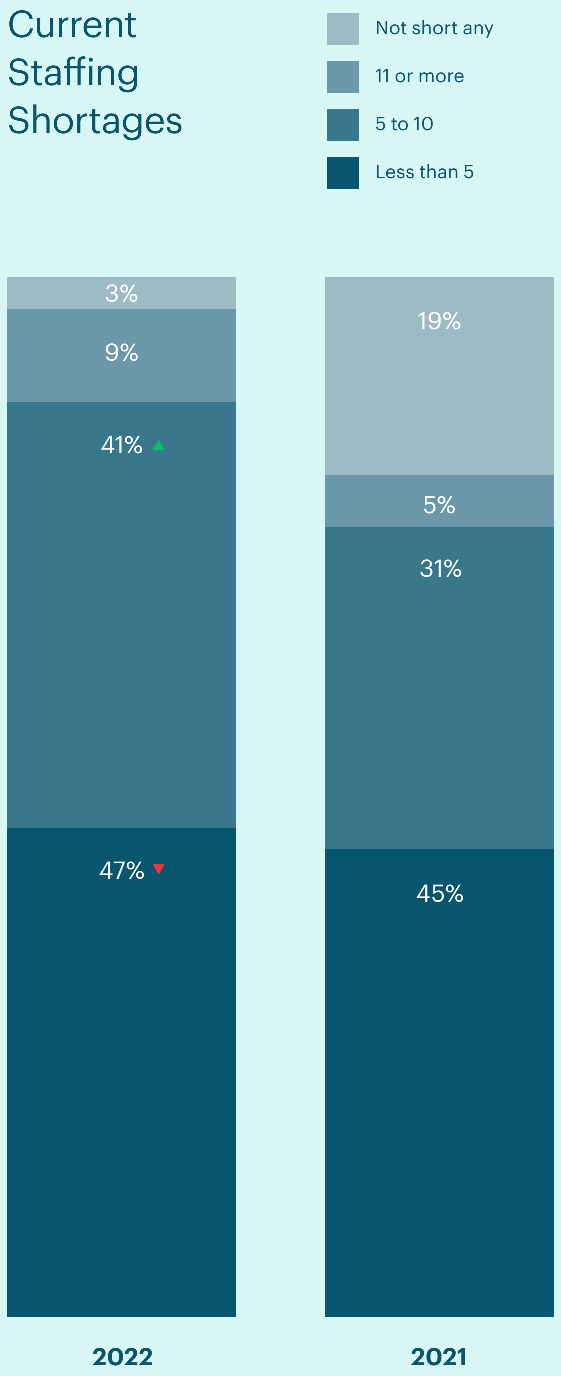
Staffing & Labor

The staffing shortage was one of the biggest challenges facing restaurateurs last year and, unfortunately, the problem only seems to have gotten worse. Not only are restaurants having trouble filling key positions like line cooks, but they are also contending with high turnover and dissatisfied employees.



97%

of restaurateurs report being short staffed



The Staffing Shortage Rages On
Despite falling unemployment rates across the U.S., many restaurants remained just as short staffed – in some cases even worse – than they were in 2021. The latest data shows that a whopping 47% of operators report being short one to four positions, while 41% of restaurants are short between five and 10 positions. On average, most restaurants are short five positions, which is an increase from 2021 when they were short an average of 4.4 positions.

The most in-demand roles are bartenders and line cooks, which is a change from 2021 when operators reported that servers and dishwashers were the hardest roles to fill.

"We've had a big turnover of bartenders because they used to make a lot more money and now they don't. Our bartenders used to make about $500 a shift and now they're going to work and making like $100 a shift. And because they aren't making as much money, they're not staying as long. A lot of my bartenders that worked here for years are getting other jobs."

(Area Manager, Bar & Grill, Miami)

5

Average number of positions short-staffed currently
vs. 4.4 in 2021

“We had to cut some staff, which means I'm waiting tables too. That's something I didn't want to sign up for, but that's just part of the business right now.”

(General Manager, Family Style, Dallas)

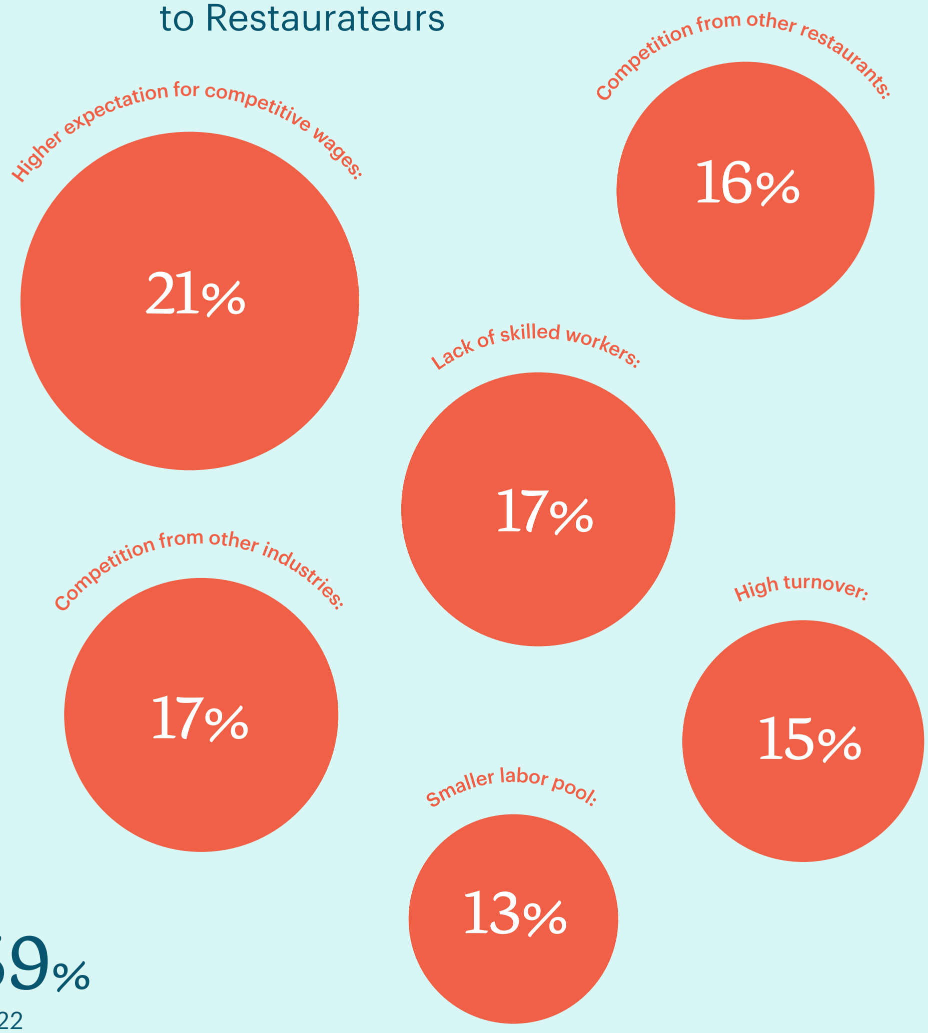
Staffing Shortages

2022	2021	
30%	22%	Bartenders
28%	19%	Line cooks
25%	23%	Managers
24%	32%	Dishwashers
23%	16%	Prep cooks
22%	27%	Chefs
19%	36%	Servers
17%	21%	Hosts
3%	7%	Not facing any labor shortages

Higher Wages in High Demand
Last year, most operators pointed to the pandemic as the biggest reason for the worker shortage. Now, 21% of restaurateurs point to the higher expectation for competitive wages as the number one reason they're short on staff.

With the demand for higher wages in mind, it's perhaps unsurprising that 59% of operators said they were offering higher wages to stay competitive. What is surprising is that nearly half (49%) of all operators also reported offering professional development opportunities to stay competitive (a jump from the 39% who said the same last year) and only 38% are offering benefits (a drop from 57% who said the same last year).

#1 Reason for the Labor Shortage According to Restaurateurs



Stay competitve by offering...

	2019	2021	2022
Wages	61%	54%	59%
Benefits	55%	57%	38% ▼
Professional Development Opportunities	43%	39%	49% ▲
Culture	46%	37%	41%

3.1%

On average, restaurateurs say they can afford just a 3.1% increase in minimum wage (vs. 3.4% in 2021)

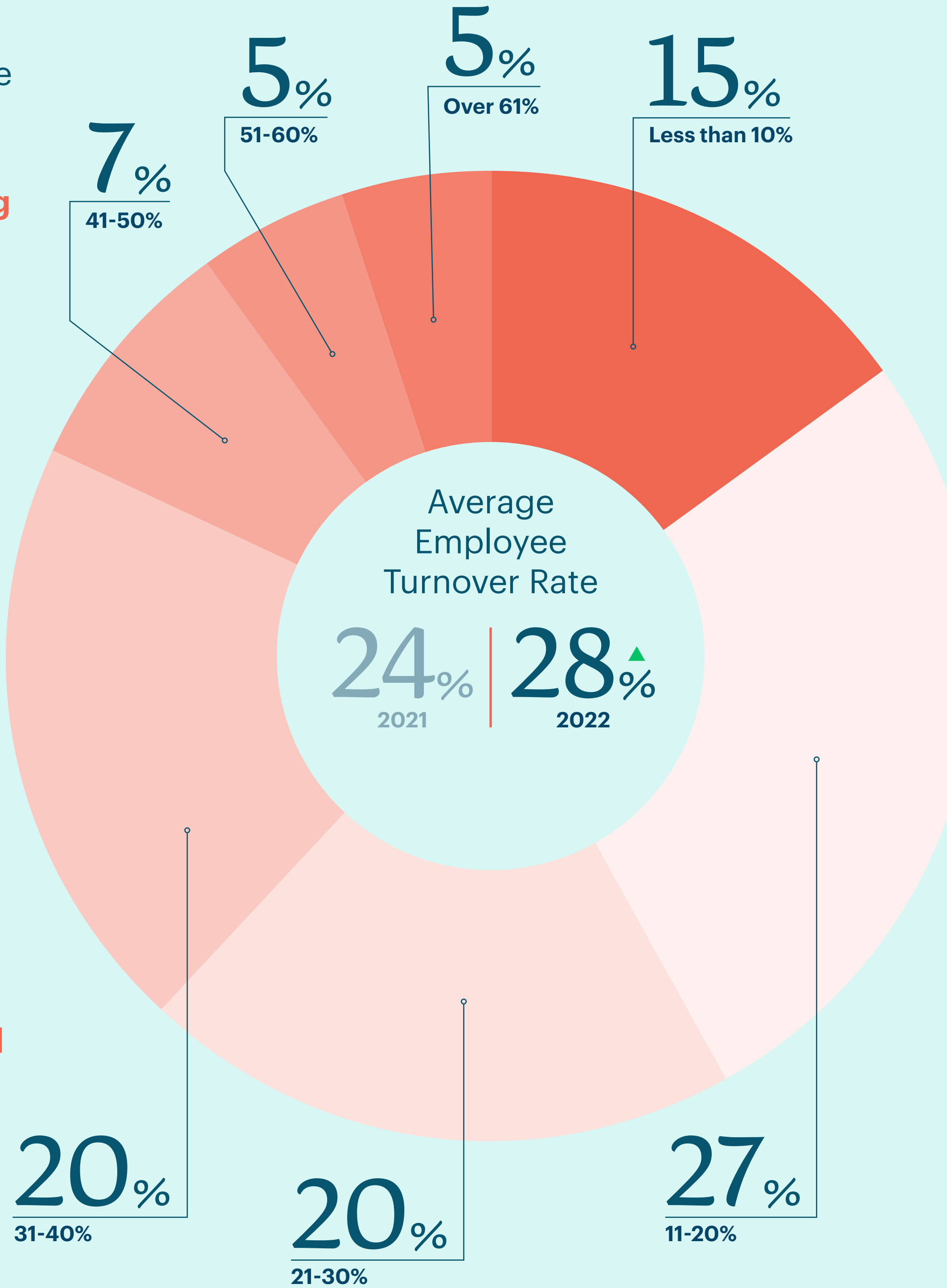
“We have to pay minimum wage, which has gone up every year for a while in LA. Unfortunately, it’s impacted how many staff we can have and could continue to impact staffing. Our kitchen staff is paid well above minimum wage. They have a specific skill set and it’s a competitive marketplace, so they command a higher wage. But for the people in the front of house, this is a part-time job – they’re college kids and young adults. They’re not supporting a family, they just need a part-time job. The minimum wage is well intended – who wouldn’t want everyone to earn more? But when the wage gets so high, the business can’t support it. That’s the harsh reality. I've had to eliminate a position and reduce our hours of operation so we can keep up with the minimum wage increases. And that might continue if the economy doesn't go in the right direction or if the minimum wage is increased again. I fear at some point it could be unsustainable.”

(John Hensely, Owner, Lark Cake Shop, Los Angeles)

Help Wanted
Interestingly, when it comes to recruiting new staff, many operators are relying on more traditional methods. 38% said they used in-store advertising to recruit new hires and another 38% said they rely on job fairs. This is a shift from last year when 49% said they were using social media to try to bring in new hires.

Staff Turnover Remains High
Unfortunately, attracting new hires is not the only staffing challenge restaurateurs are facing. Staff turnover also remains high, with one-in-five (20%) restaurateurs reporting a turnover rate of 31-40%. Across the U.S., the average turnover rate sits at 28%, which is a 4% increase from the year prior.

Employee Turnover Rate

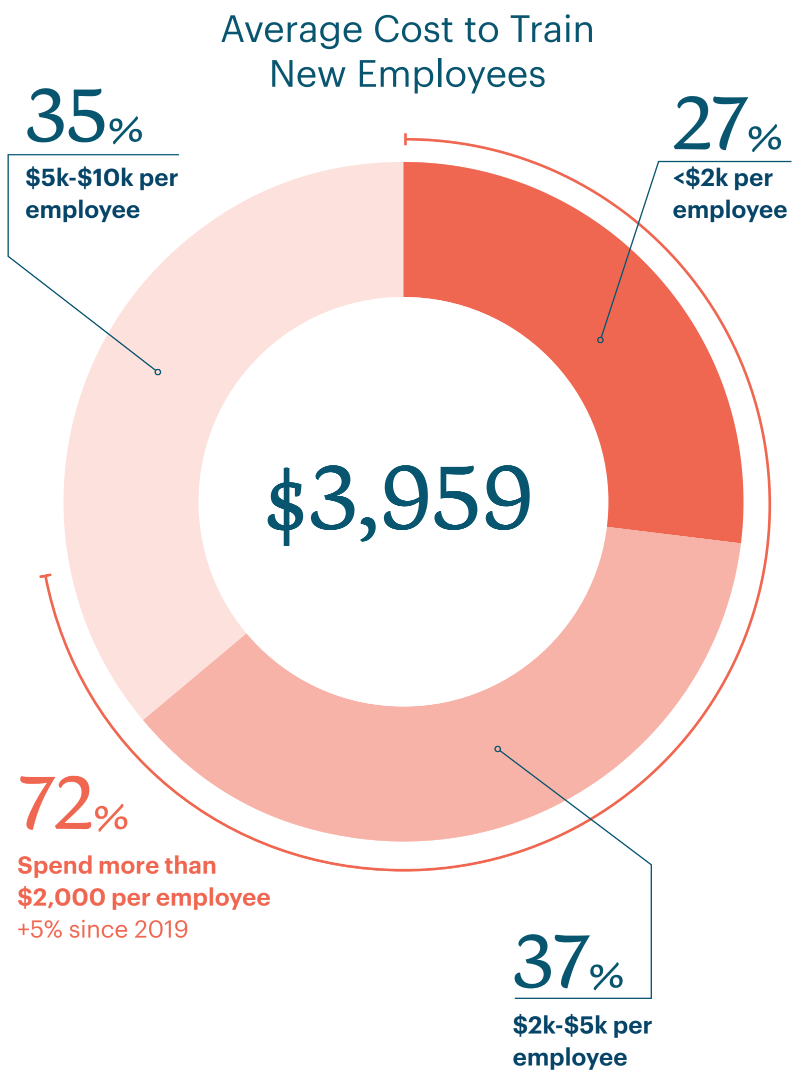


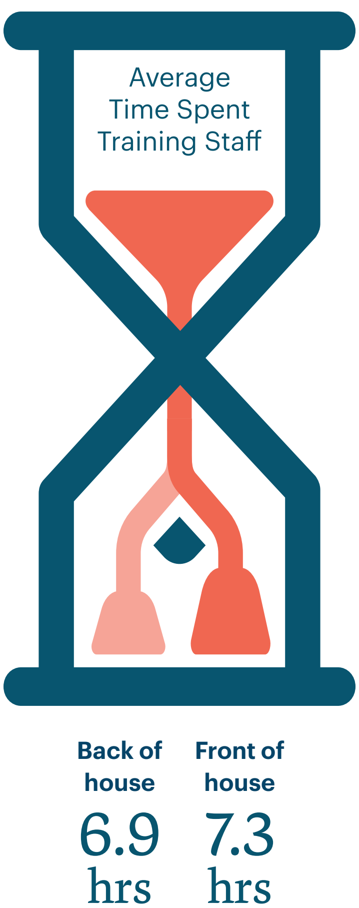
"It's a challenge finding people to work. I'd like to get some robots so I don't have to worry about hiring people. Like a little bit more automation. It sounds funny, but I'm being serious. If we had a robot that could wash dishes, or if we had a robot that would be able to bring out plates and you only needed to have one server on the floor versus three servers, I'd be willing to pay a premium to have a robot go around and do all that work."

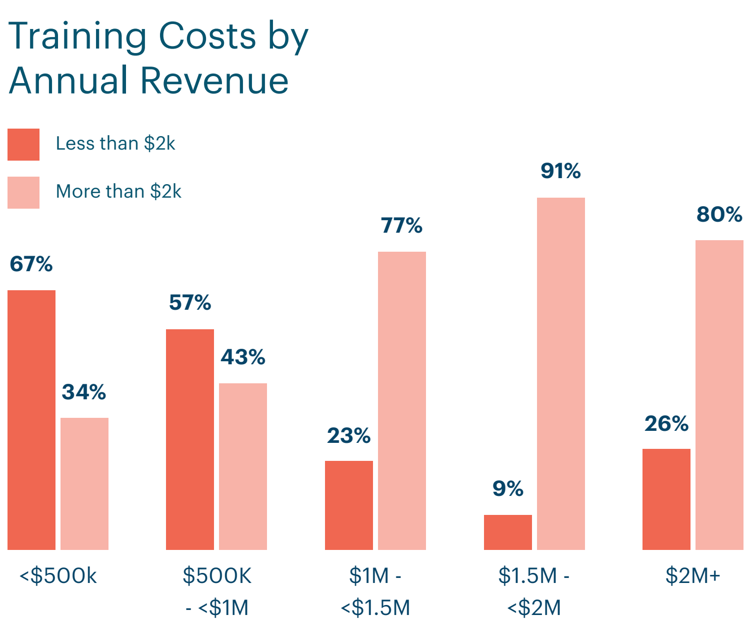
(Owner, Family Style, Los Angeles)

The Time and Expense of Training
One of the biggest problems with a high turnover rate is the time and expense of constantly training new staff. Currently, operators report spending an average of 7.3 hours training front of house staff and an average of 6.9 hours training back of house staff, which is a significant amount of time when you consider how often staff are coming and going.

Not only is training time-consuming, but it's also costly. 72% of operators report spending more than $2,000 training each new employee, which is up from 67% who said the same last year. On average, our survey found that it now costs $3,959 to train each new employee. However, it's worth noting that restaurants with less than a million dollars in annual revenue report spending far less on training than those bringing in more revenue.







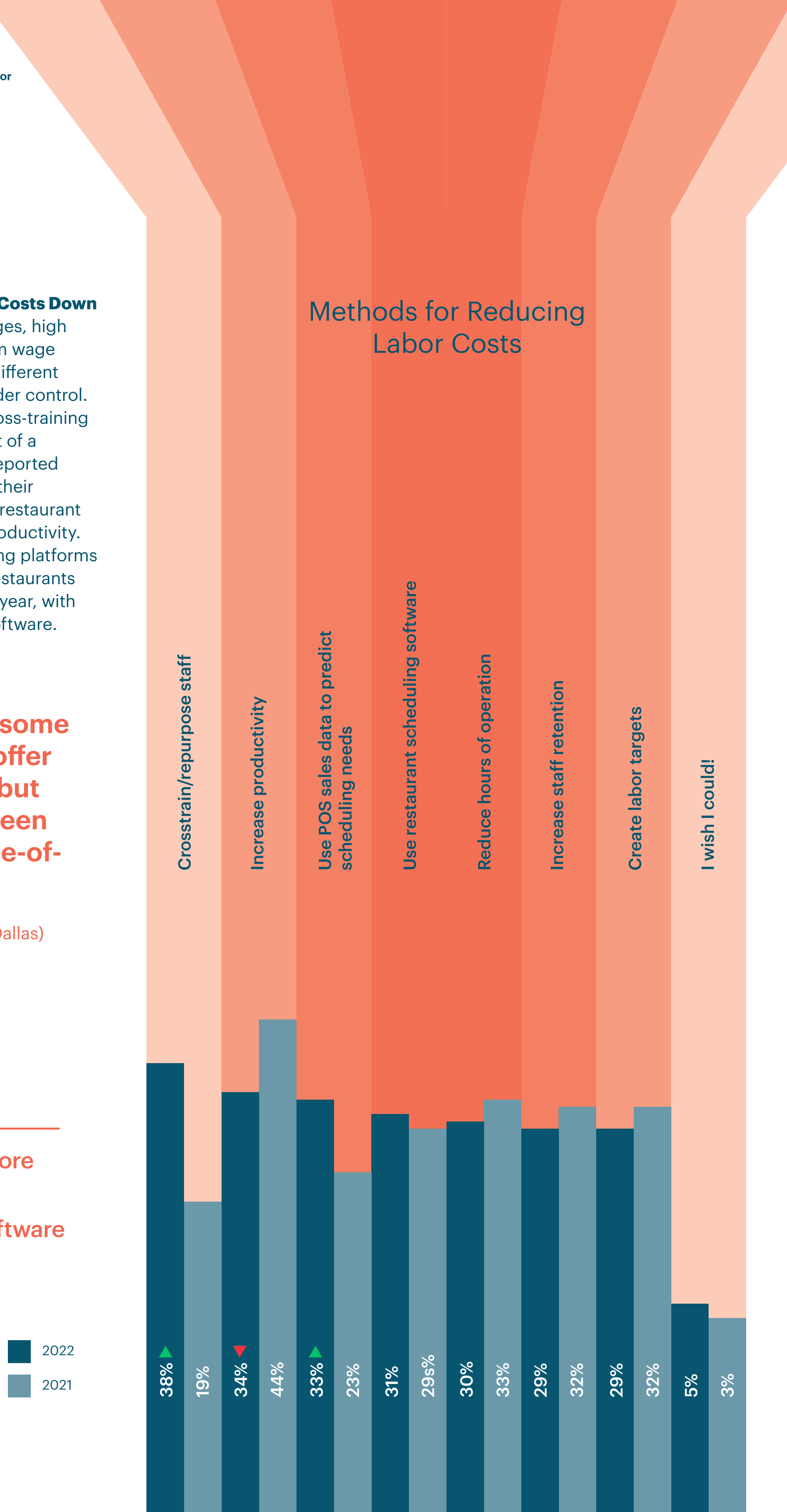
Leveraging Tech to Keep Labor Costs Down
Amidst the ongoing labor shortages, high turnover, and increasing minimum wage rates, operators reported trying different strategies to keep labor costs under control. 38% of restaurateurs reported cross-training staff in an effort to make the most of a smaller team. Additionally, 33% reported using POS data to better predict their scheduling needs, while 31% use restaurant schedule software to optimize productivity. Interestingly, restaurant scheduling platforms are particularly popular among restaurants earning more than $2 million per year, with 64% of those venues using the software.

"We have tried to do some different things and offer incentives [to staff], but it's still hard. We've been trying to think outside-of-the-box a lot lately."

(General Manager, Family Style, Dallas)

64%

Of restaurants earning more than $2M+ a year use restaurant scheduling software

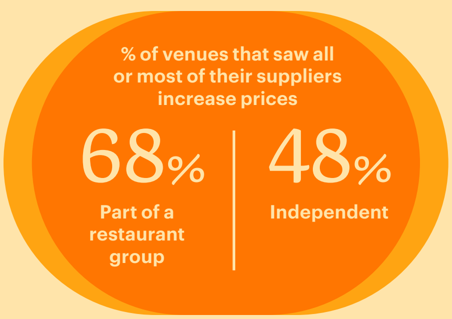


Inventory & Menu Management

Rising food costs is one of the biggest challenges facing restaurants right now and many operators are raising menu prices just to keep up. However, raising prices is just one of the many creative solutions that restaurateurs have employed to keep inventory costs under control.

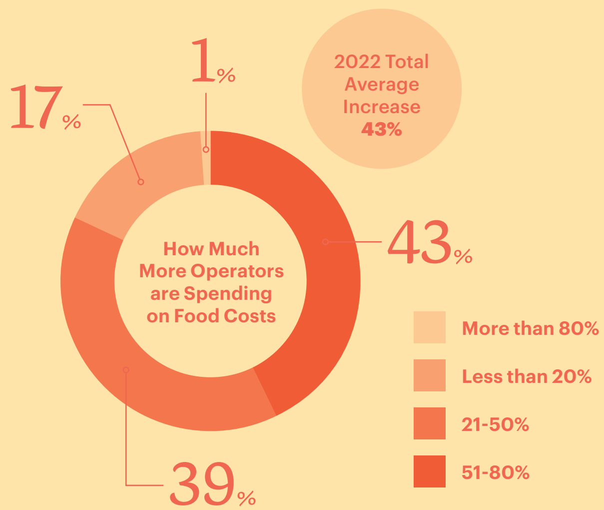
Suppliers Continue to Raise Prices
There's no question that operators today are paying much more for inventory than in the past. In fact, 50% of operators reported that *all or most* of their suppliers have raised prices in the past year and, overall, the average expenditure on food increased by a whopping 43% in the past year alone.

"Produce has gone up a lot. And cheese is always brutal. Plus the paper goods, like the napkins and the utensils, I can't believe how much they cost now."

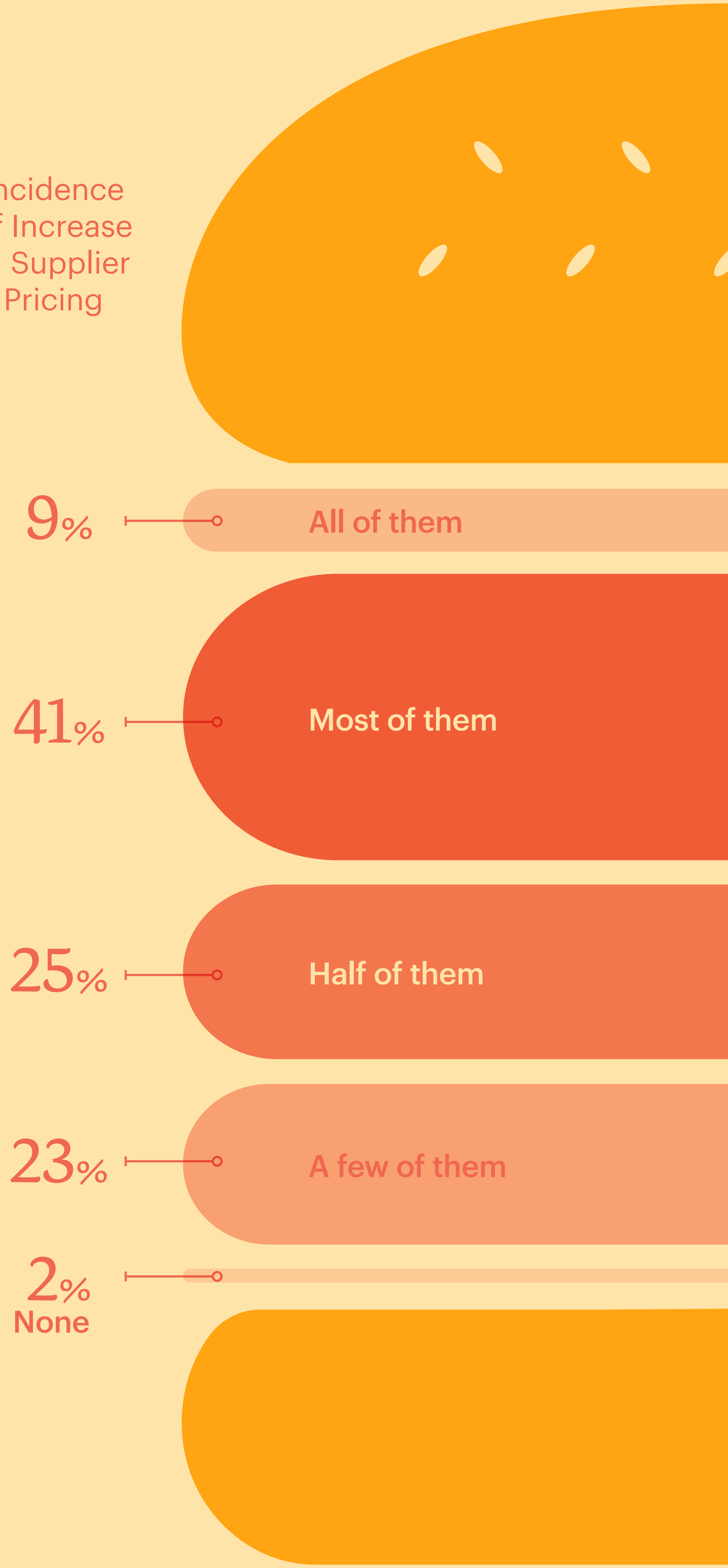


"Our food cost should probably be like 28-30%, but it's at 42%."

(Owner, Family Style, Los Angeles)



Incidence of Increase in Supplier Pricing



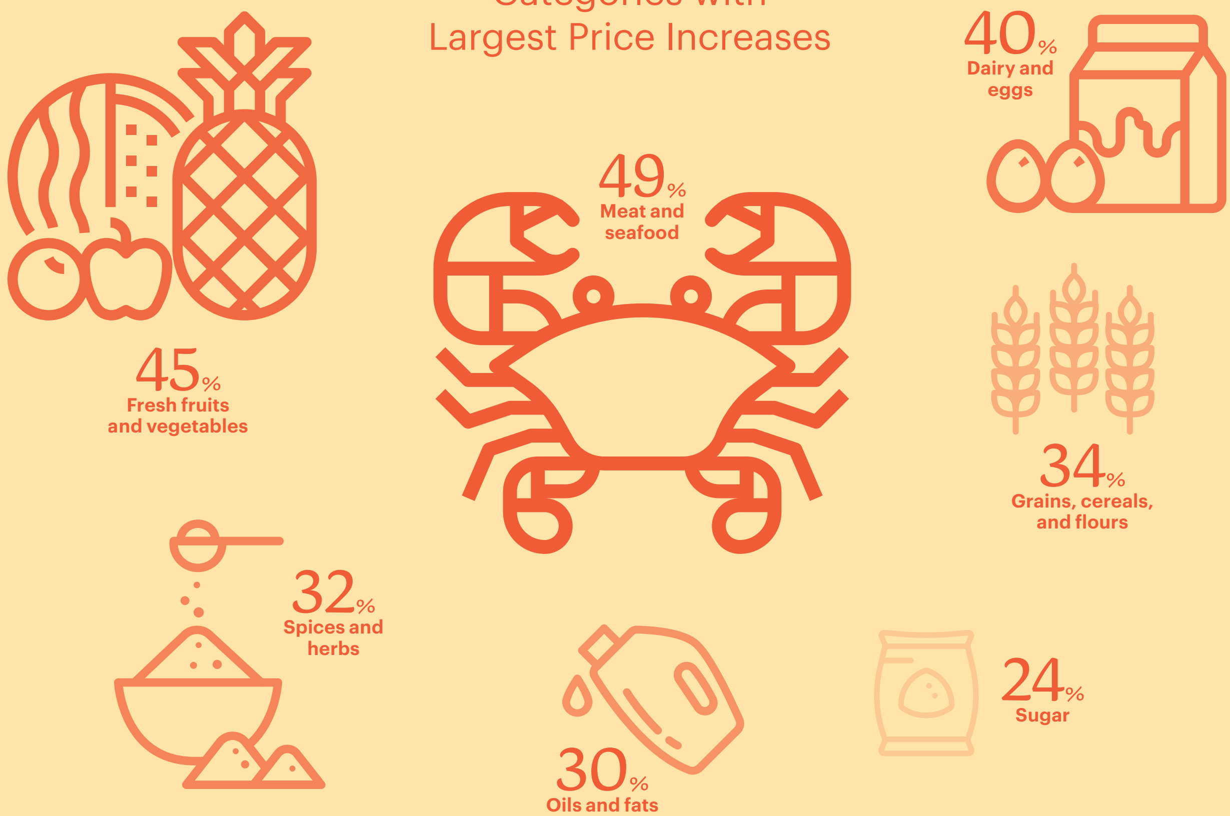
Meat & Seafood Prices Cause Sticker Shock

While food costs are constantly fluctuating, there are a few categories in particular that are causing operators to feel a pinch. A whopping 49% of operators said they had seen the biggest price increases for meat and seafood, while 45% reported seeing the biggest increase in the cost of fresh fruits and vegetables.

"It's certainly more expensive for proteins. We've also seen other categories start to fluctuate too – especially your oils like fry oils."

(General Manager, Family Style, Dallas)

Categories with Largest Price Increases

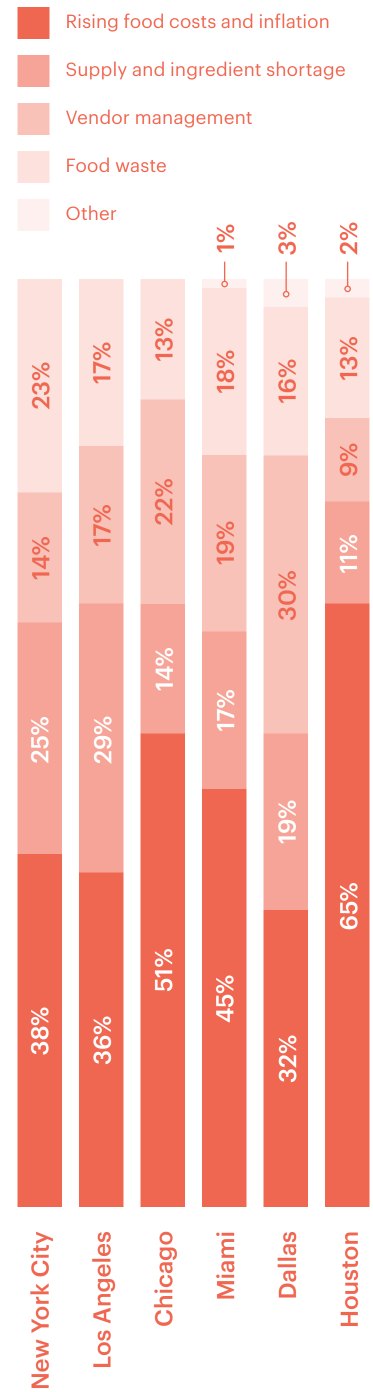


"Everything is up. And it seems like we're constantly putting out fires for products that have gone up. For a while, it was the basics, like cooking oil, which went up two or three times what we had been paying prior, [and then] that kind of eased off. But now, some of our higher-end proteins are more expensive, so we're working to manage that, but it's not always consistent. For a couple of weeks, something that we rely on will be 20-30% higher and then it'll go back down. It's been frustrating to deal with the ebbs and flows of the supplier market."

(Andrew Principe, Owner, Palm & Pine, New Orleans)

Inflation Causes Inventory Chaos
With the majority of suppliers raising their prices and food prices in a constant state of flux, it is no surprise that 44% of restaurateurs reported that rising food costs and inflation has been their biggest inventory challenge this year. However, inflation isn't the only issue operators are facing. One-in-five (20%) restaurateurs reported that navigating ingredient shortages and supply chain disruptions has been their biggest inventory challenge.

Biggest Inventory Challenge by Region

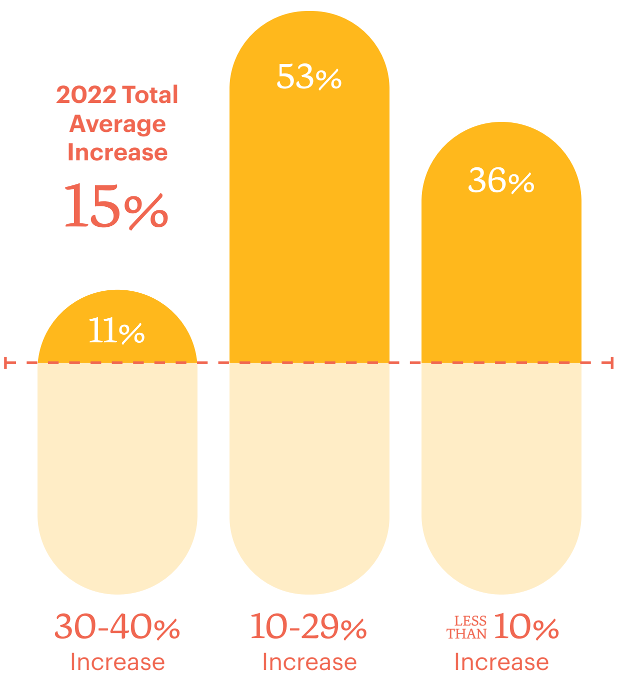


"Supply chain disruptions have been a big strain. You order things and you don't know what you're going to get or when you're going to get it. You almost have to go to two or three different distribution companies because sometimes they don't have the products you need. And we're running an authentic Mexican restaurant so there have been some items that have been really hard to get."

(General Manager, Family Style, Dallas)

Menu Prices (Slowly) Rising
To combat rising food costs, more than half (53%) of restaurateurs reported raising their menu prices in the past six months. For the most part, these menu price increases have been relatively modest, with the average increase being 15%. And, for the most part, these small increases appear to have not significantly impacted customers' dining decisions.

Increases to Menu Pricing in the Past 6 Months



"We did have to increase prices by 15%, but that doesn't seem to be affecting business at all. I think people enjoy our food enough to think it's worth the extra [cost]."

(General Manager, Fine Dining, Los Angeles)

"We're pretty entrenched in the local community here and I think New Orleans diners, the locals, are pretty educated diners. They understand that price increases are a trend that's gone on kind of universally. I think we do occasionally get some pushback, usually from out-of-town guests, but overall our menu has always been known to be pretty approachable from a price standpoint. If anything, I think we've come in line with what others might be charging for similar quality or similar menu items. So we really haven't gotten a lot of negative feedback on it. Every now and then we'll get somebody complaining about an individual dish, but usually it's pretty minimal."

(Andrew Principe, Owner, Palm & Pine, New Orleans)

“We typically raised prices once a year prior to the pandemic. But now we’re doing it about every six months. Last time we raised prices by 10% and now we’re thinking about doing it by 15%. So it’ll be a total increase of 25% over the year.”

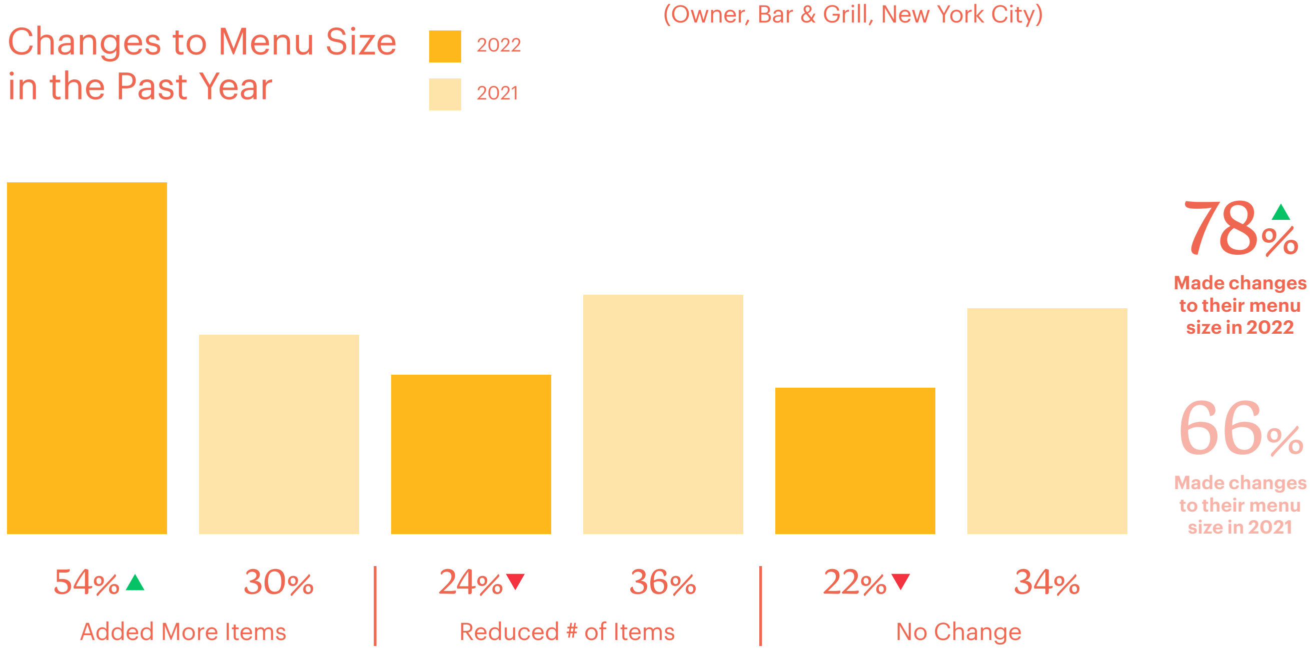
(Owner, Family Style, Los Angeles)

Menus Aren't Getting Any Smaller
Despite soaring food costs and widespread ingredient shortages, 52% of restaurants reported adding more items to their menu in the past year. The addition of more menu items is likely due to restaurants now charging for "extras" that were previously included as part of a dish – a strategy that many restaurateurs have undertaken in order to manage rising costs.

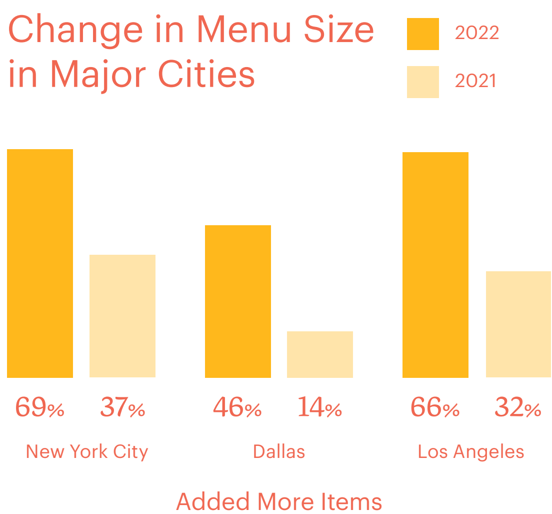
"We whittled down the menu a bit, which we were going to do anyway, but then we were kind of forced to cut out some things because the supply chain just wasn't there. And then even when we could get the things that we wanted, they were considerably more expensive than they had been."

(Owner, Bar & Grill, New York City)

Changes to Menu Size in the Past Year



Change in Menu Size in Major Cities



"We can't offer what we used to for dine-in. We used to offer free refills, but we can't anymore because it's so expensive. And we have noticed that ever since we stopped doing the refills, people tend to just get water now."

(General Manager, Family Style, Chicago)

Takeout & Delivery

While the demand for off-premise dining may have cooled since last year, operators are still seeing the benefits of using online ordering platforms. To maximize these gains, most operators are leveraging the exposure of third-party platforms, while enjoying the low-commission fees that come with direct online ordering.

Delivery App Usage Remains High
While the pandemic-induced takeout boom may have subsided, a significant number of restaurants still report using online ordering platforms to support their takeout and delivery business. In fact, 49% of restaurateurs said they use at least one or two online ordering platforms, while 41% of restaurateurs said they use three to four platforms.

When asked which platforms they use, Uber Eats and Door Dash took the top two spots respectively. However, more than a third (34%) of restaurateurs reported offering direct online ordering through their website. With the majority of venues using more than one online ordering system, it appears that most venues prefer to use a mix of both direct and third-party online ordering systems.

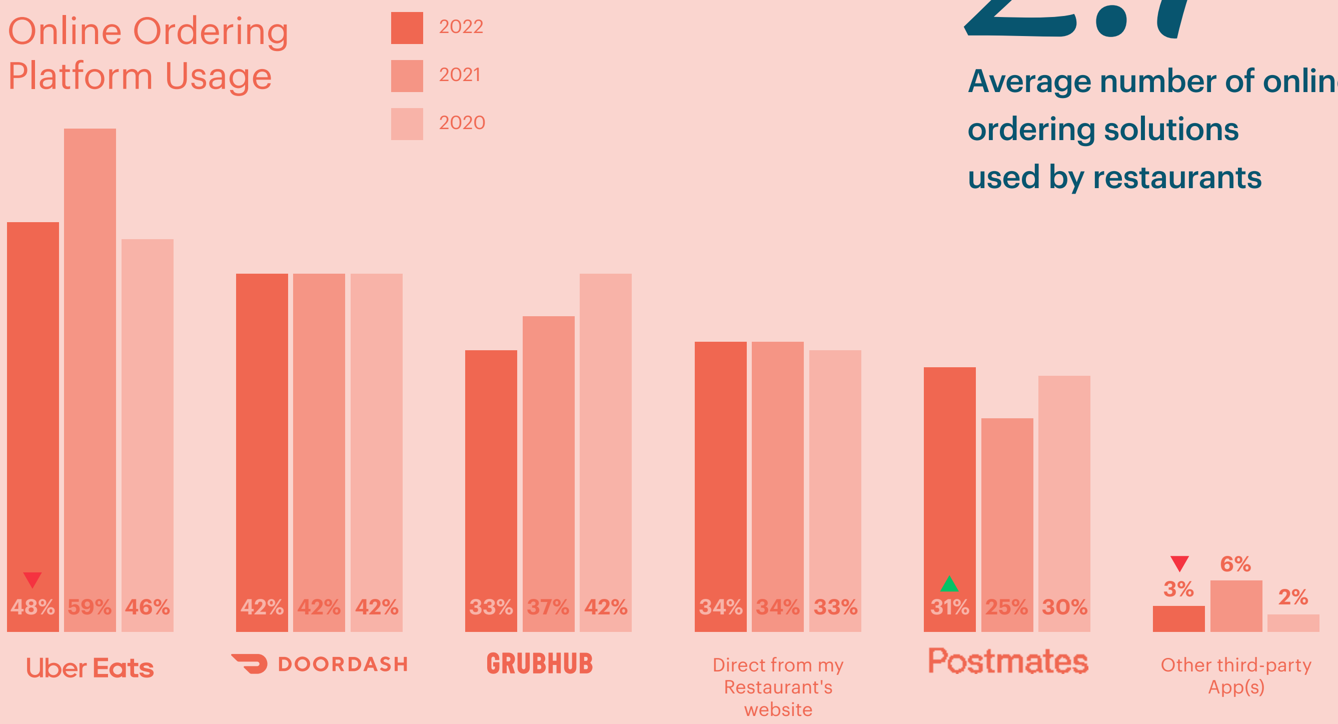
97%

Use any platform
+2% since 2021
+12% since 2019

2.7

Average number of online ordering solutions used by restaurants

Online Ordering Platform Usage



"We're using Uber Eats and DoorDash, and then we've got our own in-house delivery people because we're getting mostly requests for delivery from the neighborhood. We've got [delivery] parameters like most restaurants here – it's 10 blocks in either direction. Most people place orders through the website and we deliver it ourselves, but they [also] have the option of third-party [apps]."

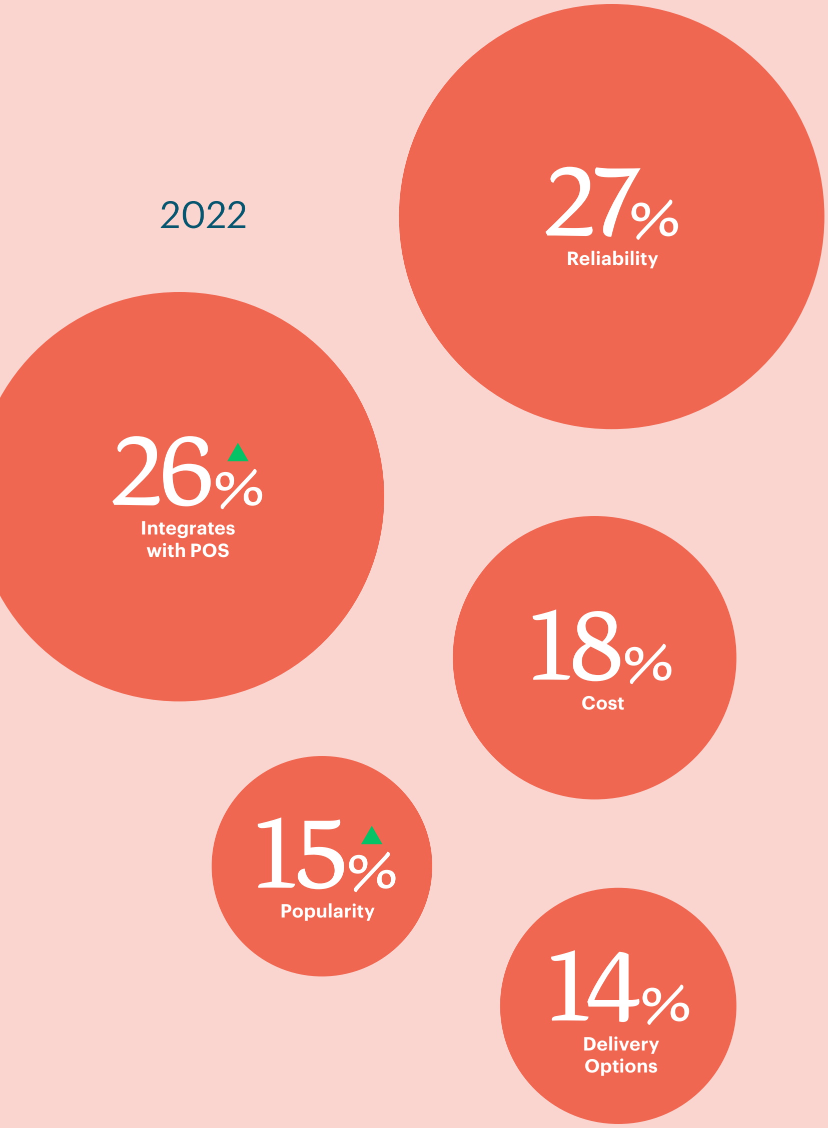
(Owner, Bar & Grill, New York City)

“We use pretty much all of the online ordering platforms. Before the pandemic, people would just come in and pick up an order to go – we didn't even do delivery. But now that it’s become a huge thing, I'd say close to half of what we're selling is for delivery or to-go.”

(Area Manager, Bar & Grill, Galveston, Texas)

Better POS Integrations, Fewer Tablets
The popularity of direct online ordering systems may be partially due to the fact that many operators want to be able to integrate their online ordering systems with their POS. In fact, 26% of operators said the ability to integrate with their POS was the biggest factor when choosing an online ordering solution – making it the number two consideration behind reliability.

Choose 3rd Party App for...



Takeout and Delivery Sales Level Off
Despite the fact that more customers are dining in than they did last year, operators still report doing a significant portion of their business through online ordering platforms. On average operators report doing about 25% of their business through online ordering platforms. Additionally, a third (32%) of operators say they do between 21-30% of their business through online ordering platforms, which is similar to last year.

What has changed is the boost in sales that comes from using these platforms. This year, only 10% of operators reported seeing more than a 26% increase in sales from the use of online ordering platforms, versus 22%, who said the same last year. On average, operators report seeing a 17% increase in sales from online ordering.

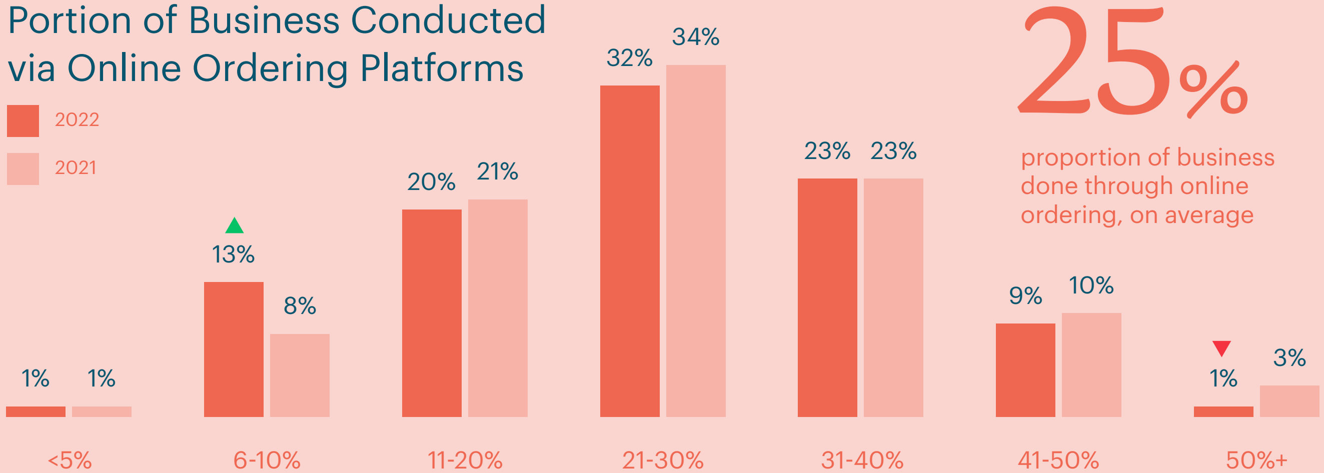
"We saw an increase in takeout sales during the pandemic. Now I feel like they've been in a moderate place – it's been kind of consistent. It hasn't gone down or up too much, just kind of staying in the middle as far as orders go."

(General Manager, Fine Dining, Chicago)

“Our online takeout [sales] have increased this year. It might be because the people that used to work in offices are now ordering from home.”

(Owner, Family Style, Los Angeles)

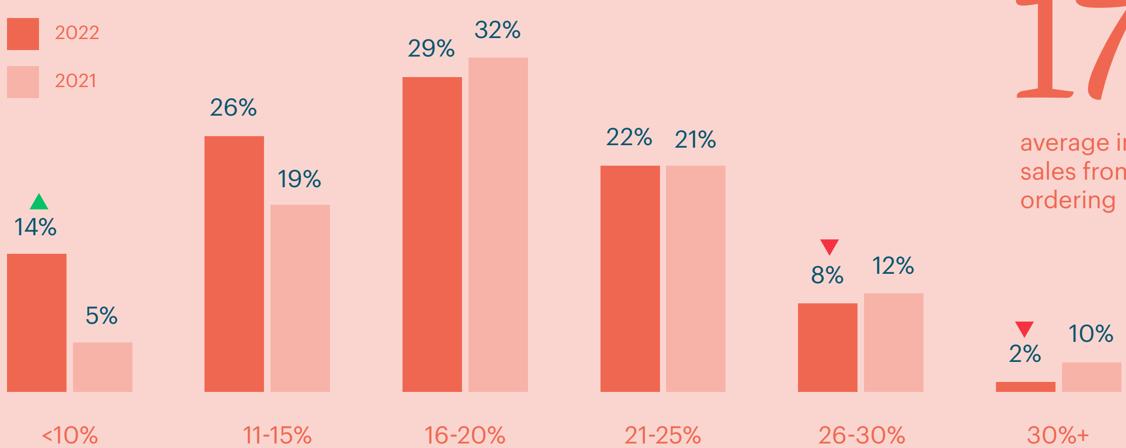
Portion of Business Conducted via Online Ordering Platforms



25%

proportion of business done through online ordering, on average

Increase in Sales Volume Since Using Online Ordering Platforms



17%

average increase in sales from online ordering

“During the pandemic, there were more people ordering takeout. Now we have more people coming into the restaurant, which is always good. And people are also staying now to do things like watch the game, which they weren’t really doing before. People would [usually] come in, get something to eat, and go. Now they stay and socialize. People definitely weren't socializing as much before as they are now.”

(Area Manager, Bar & Grill, Miami)

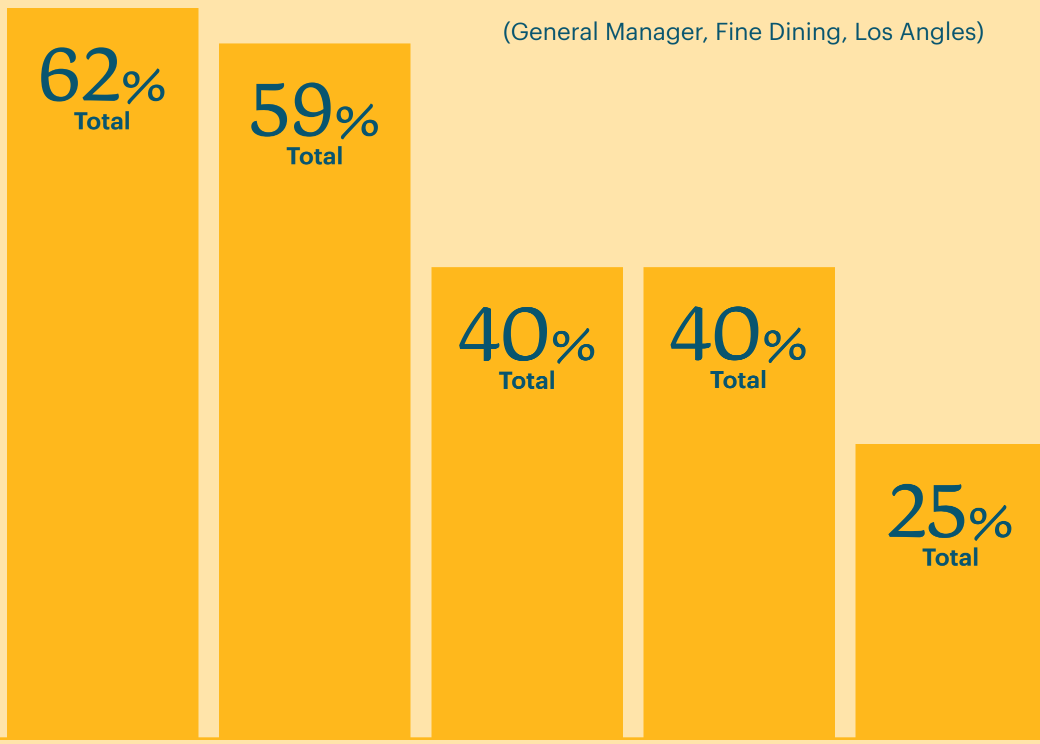
Marketing & Loyalty

In an effort to keep pace with rising operating costs, restaurateurs are not only looking for ways to attract new customers, but also to keep them coming back and spending more each time. For some, this has meant doubling down on proven channels, while others are exploring new creative outlets like TikTok.

TikTok Isn't Just for Kids
When it comes to social media promotion, Facebook remains the most popular platform, with 62% of restaurateurs using it to promote their business. However, TikTok is not far behind, with 40% of restaurateurs saying they are actively using the platform to promote their restaurants. In fact, some operators said they are producing up to three videos per week, just to break through and remain relevant.

> **"People using TikTok and posting short little reels [on Instagram] about trying out one of our meals seems to drive more traffic. In fact, we had some people come from like an hour away just because they had seen a post on TikTok."**
>
> (General Manager, Fine Dining, Los Angles)

Social Media Platforms Used for Promotion



By region	facebook	twitter	TikTok	Instagram	Snapchat
New York City	57%	**59%**	40%	29%	23%
Dallas	**64%**	53%	33%	40%	16%
Los Angeles	60%	**65%**	37%	47%	19%
Miami	**56%**	52%	43%	39%	30%
Chicago	**71%**	57%	38%	49%	33%

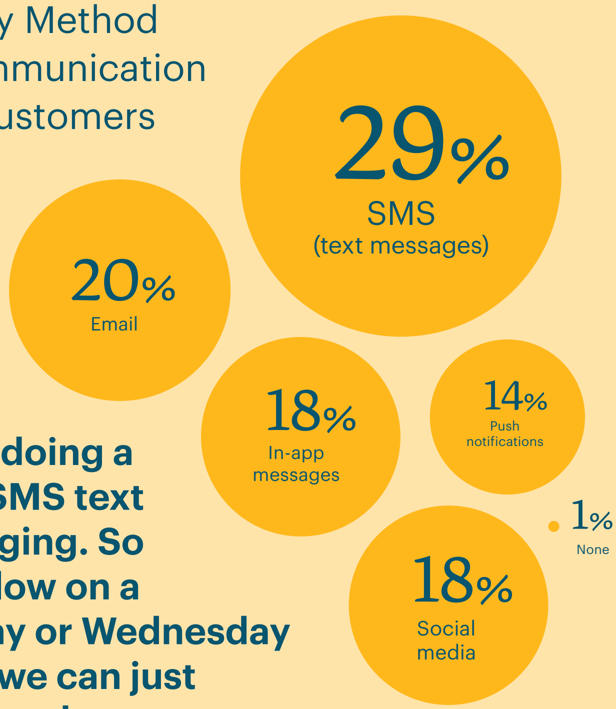
Texting to Stay in Touch
Promotion is one thing, but when it comes to keeping in touch with customers, restaurateurs reported using a wide variety of communication channels. 29% of restaurateurs said they keep in touch with customers via SMS (text messages), while 20% said they do so through email. Interestingly, those who do use email use it quite frequently, with 67% of restaurateurs saying they send an email once a week more often.

Of these messages sent, a significant number of them feature personalized offers. On average, 55% of restaurateurs said they send personalized offers through their marketing channels. In some cities, this was even higher, with 78% of operators in Los Angeles and 70% of operators in Chicago saying they send personalized offers.

"We send out a lot of emails. About once a week I'll advertise, get 20% off this or different promotions that we offer for the Jewish holidays, where I send out different specials and reminders. I would say it's pretty effective."

(Owner, Family Style, Los Angeles)

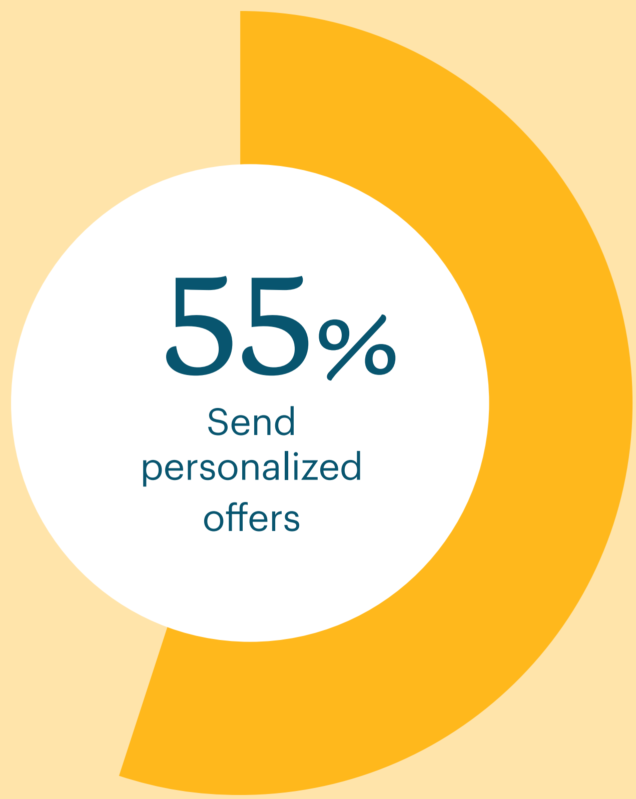
Primary Method of Communication with Customers



"We're doing a bit of SMS text messaging. So if it's slow on a Tuesday or Wednesday night, we can just send out those text messages. We'll say, 'Hey, we have a special today,' or 'Get a free Margarita for doing a thing,' and then all of a sudden your restaurant starts filling up."

(General Manager, Family Style, Dallas)

Use of Marketing Channels to Send Personalized Offers



Restaurants in **Los Angeles (78%)** and **Chicago (70%)** are most likely to send personalized offers

“I use Google Adwords where you pay for a keyword like ‘deli’ or ‘catering’ or ‘takeout.’ So you pay for those words on Google and that brings you up within the listings when someone is searching for ‘deli’ or whatever it is.”

(Owner, Family Style, Los Angeles)

Marketing Comes With a Big Price Tag
The reason that restaurateurs are using such a wide range of communication channels may simply come down to the cost of using these types of platforms. In fact, 39% of operators cited the high cost of marketing services/materials as the number one challenge when it comes to marketing. About one quarter (24%) also said they struggle with measuring the performance and success of their marketing campaigns.

Greatest Marketing Challenge

- **39%** High cost of marketing services/materials
- **24%** Trouble measuring performance of campaigns
- **23%** Difficulty targeting the right diners
- **12%** Not enought time to dedicate to marketing
- **2%** None

"That's one of my concerns, that we're not doing enough marketing. I think we could do more because I see the potential."

(Executive Chef, Family Style, Seattle)

70%

Currently offer a loyalty program

vs. 57% in 2021

"We do have a loyalty program through our point of sale. It's a program where, if they spend X amount of dollars, they get points that they can spend in the restaurant."

(Owner, Family Style, Los Angeles)

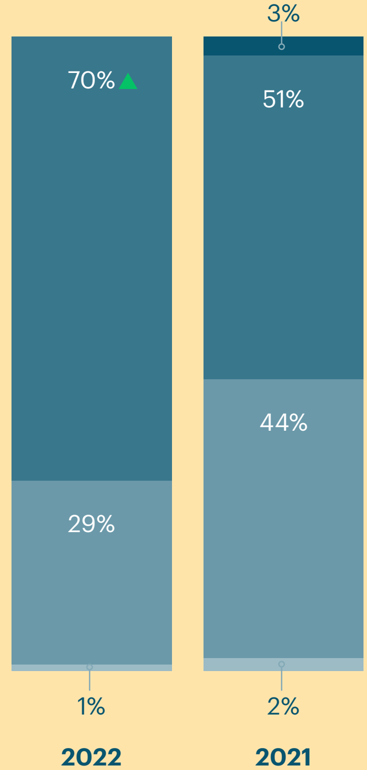
Loyalty Programs Become the Standard
While restaurants are investing heavily in attracting new customers, they're also looking for ways to keep their regulars coming back. And right now, one of the most popular ways to drive repeat visits is with a restaurant loyalty program.

Last year, just over half (57%) of restaurants reported offering a loyalty program. In 2022 that number has jumped to 70%, suggesting that operators are increasingly utilizing loyalty programs to boost customer retention.

Loyalty Engagement on the Rise
Not only are restaurants offering loyalty programs more than in the past, but diners are also engaging with them more. On average, operators reported that about 56% of customers regularly engage in their loyalty program, which is up from 51% last year.

Loyalty Program Engagement

- More than 80%
- 51%-80%
- 20%-50%
- Less than 20%



56%
Engage in restaurant loyalty programs
51% in 2021

Type of Loyalty Programs Used

59%
Digital loyalty program
(42% in 2021)

43%
Loyalty app
(46% in 2021)

43%
Physical loyalty card
(41% in 2021)

37%
Subscription program
(47% in 2021)

31%
Punch cards
(27% in 2021)

Digital Loyalty Programs Prove to be the Most Popular
In terms of the type of loyalty programs restaurants are using, digital loyalty programs are the most popular. 59% of operators who offer a loyalty program offer a digital rewards option, which is up 17% from the previous year.

> **"We don't have physical loyalty cards, but we do have a digital program. Patrons can collect points at the restaurant when they eat here a certain number of times."**
>
> (General Manager, Fine Dining, Chicago)

Gift Cards Offer Untapped Potential
While loyalty programs are becoming a staple at most restaurants, only a third (33%) of all operators reported selling gift cards. In some cities, like Chicago, this number was as low as 8%. And with the average value loaded to these cards clocking in at $68, that's a lot of potential cash left sitting on the table.

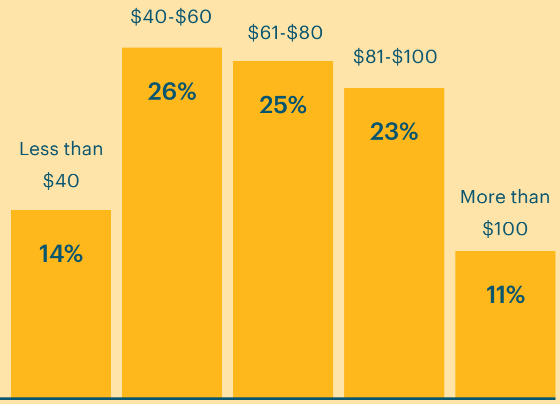
"We offer physical gift cards. We started doing that last year as we approached the holiday season. We noticed people [were saying] 'Hey, I just came in and I really liked the place,' or 'So and so is coming in for the weekend and we want to give them dinner here.' Whatever they want, they can put on that gift card."

(Owner, Bar & Grill, New York City)

"We have both physical and digital gift cards. People can go on the website and order them, or we have them up at the front."

(Area Manager, Bar & Grill, Galveston, Texas)

Most Common Gift Card Value in 2022



33%

Sell gift cards to their restaurant

*Restaurants in **Los Angeles (57%)** are most likely to sell gift cards, restaurants in **Chicago (8%)** are least likely to do so.*

"The reviews are what we live for and that's why we link it back to our loyalty program. If you leave with a good first impression and give us a review, then we'll reward you for that. It's typically like a drink on the house or a free dessert."

(General Manager, Fine Dining, Los Angeles)

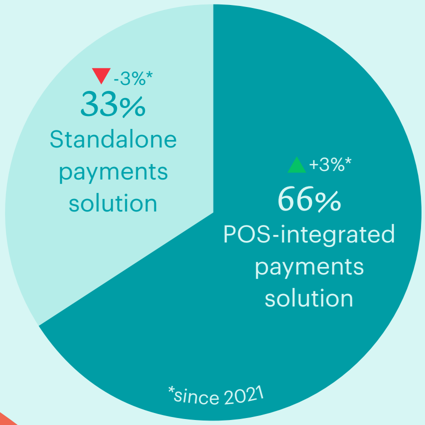
POS & Payments

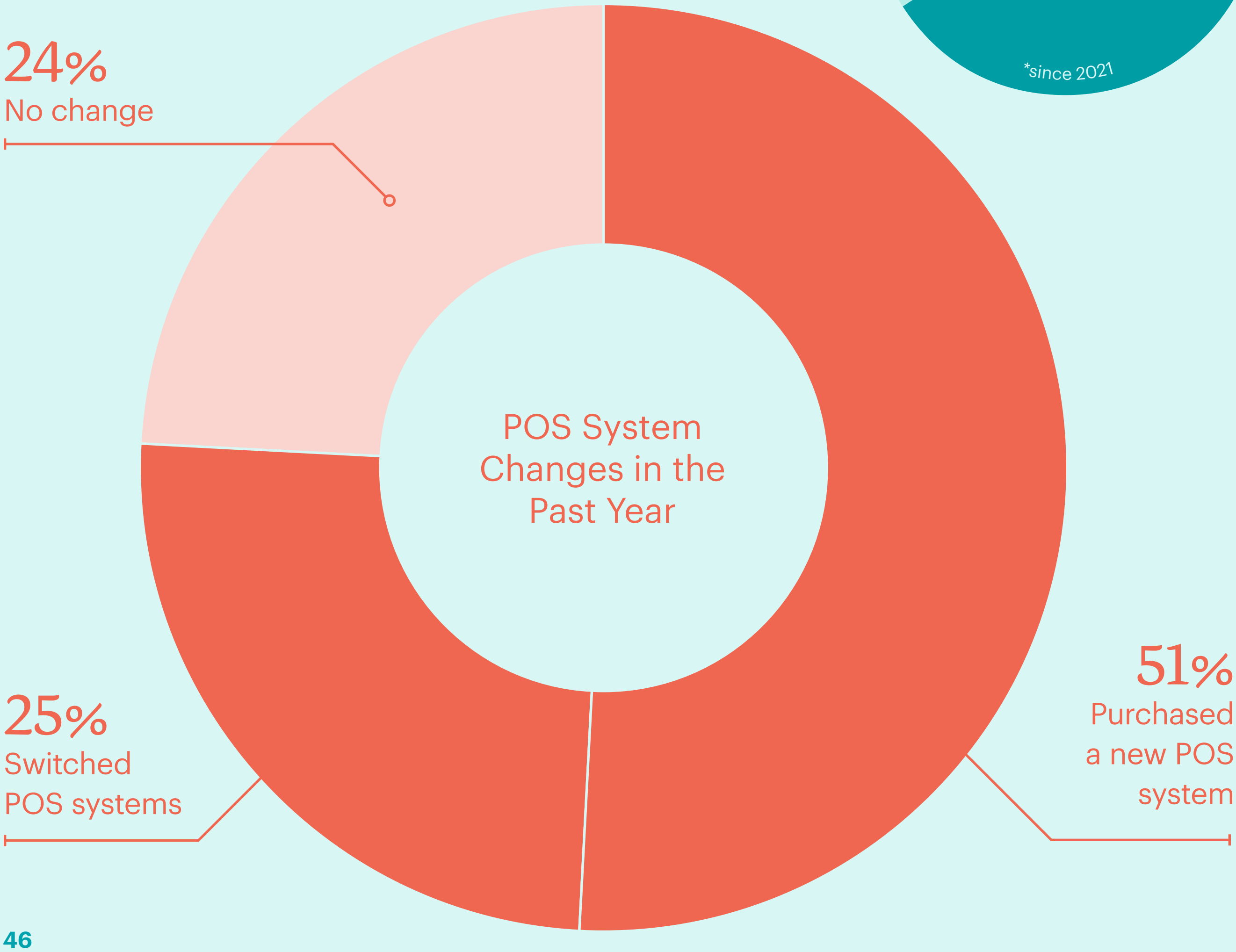
With a whole new set of challenges on the horizon, many operators have been re-evaluating the technology they use and how it can help set them up for future success. With so much on the line, many have opted to invest in an entirely new POS system and payments solution.

POS Shopping Accelerates
For many restaurateurs, "out with the old, in with the new" was the theme of 2022. A whopping 76% of operators changed their POS system in the past year. For 51%, this involved purchasing a brand new system, while 25% switched from one POS provider to another. And similar to last year, it seems that the majority of operators (66%) prefer using a POS-integrated payments solution versus a standalone payments solution.

"We did switch over to a different POS system. We went from a legacy system to a cloud-based software."

(Area Manager, Fine Dining, New York City)



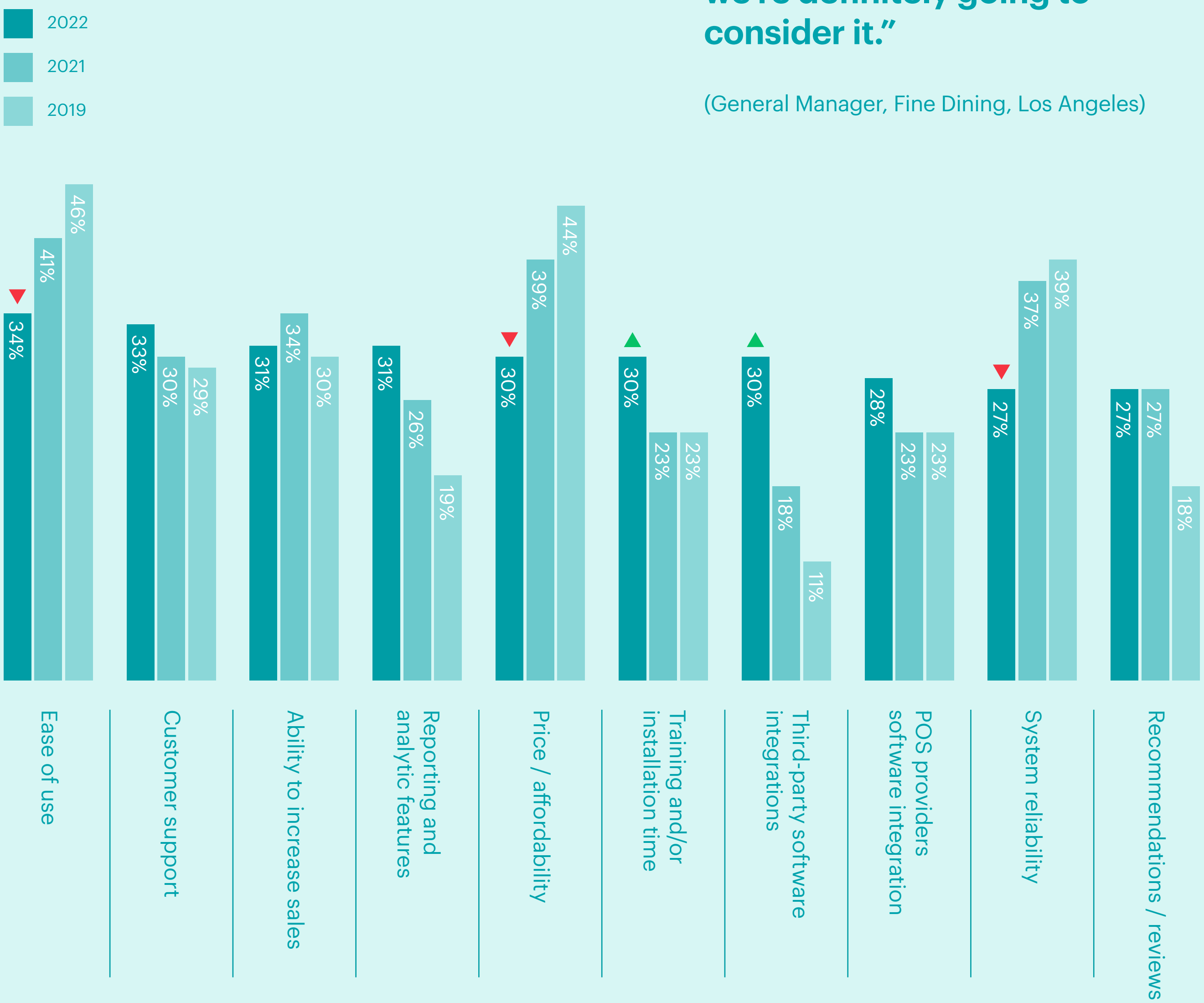


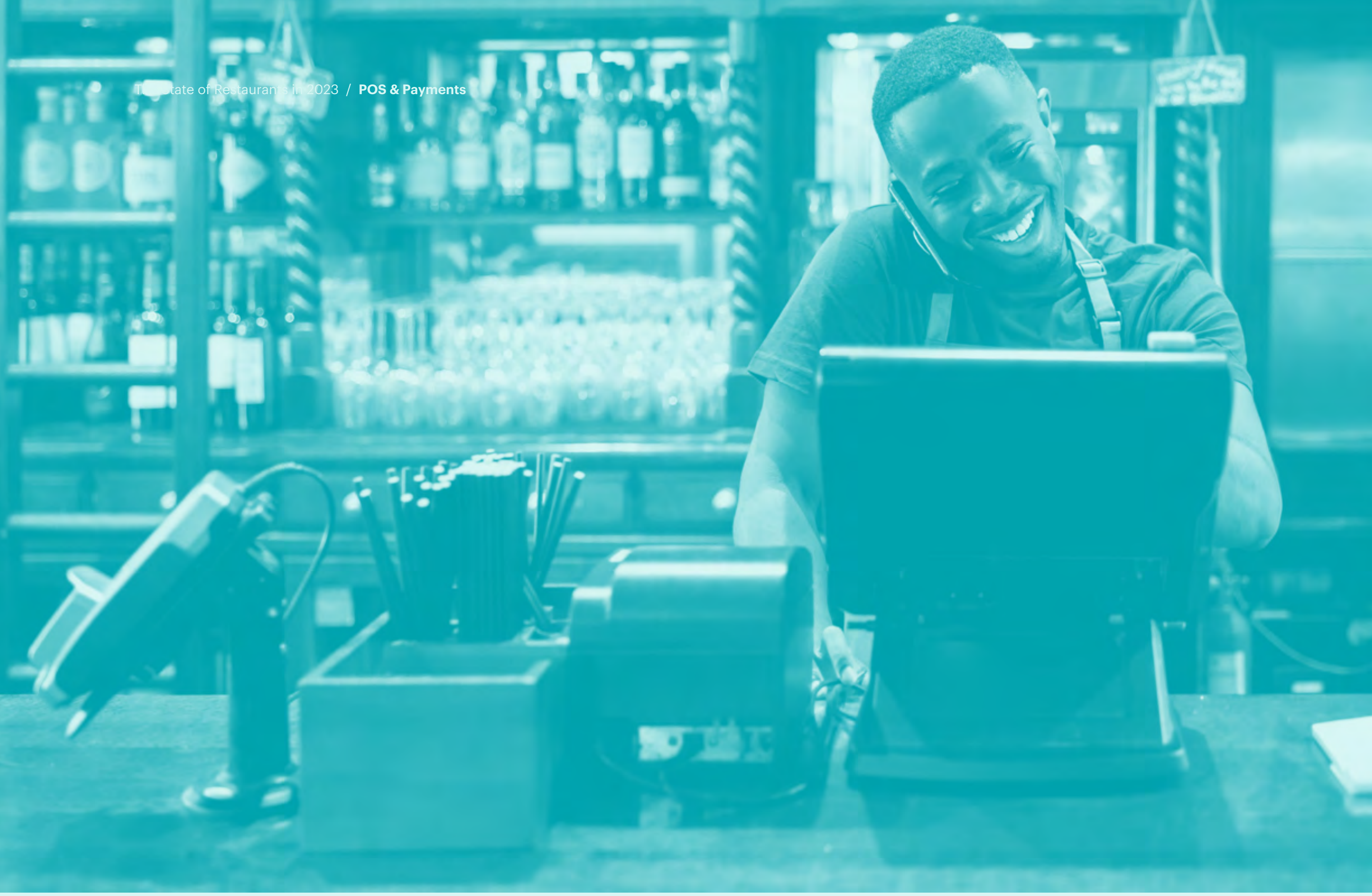
Ease of Use is Essential
Among those who are evaluating new POS systems, ease of use is still the number one consideration. However, third-party integrations and training/installation time are becoming increasingly important factors as well. In contrast, both price and system reliability appear to be less important to operators than they were last year.

“Our current POS system works. We haven't had any complaints from workers yet, but we [are] trying to make things a little bit simpler because I know every year there are new updates. The version that we're currently on has been good to us, but if there's something out there that makes things a lot easier and is better for management, we're definitely going to consider it.”

(General Manager, Fine Dining, Los Angeles)

Top Factors Considered When Choosing a POS System



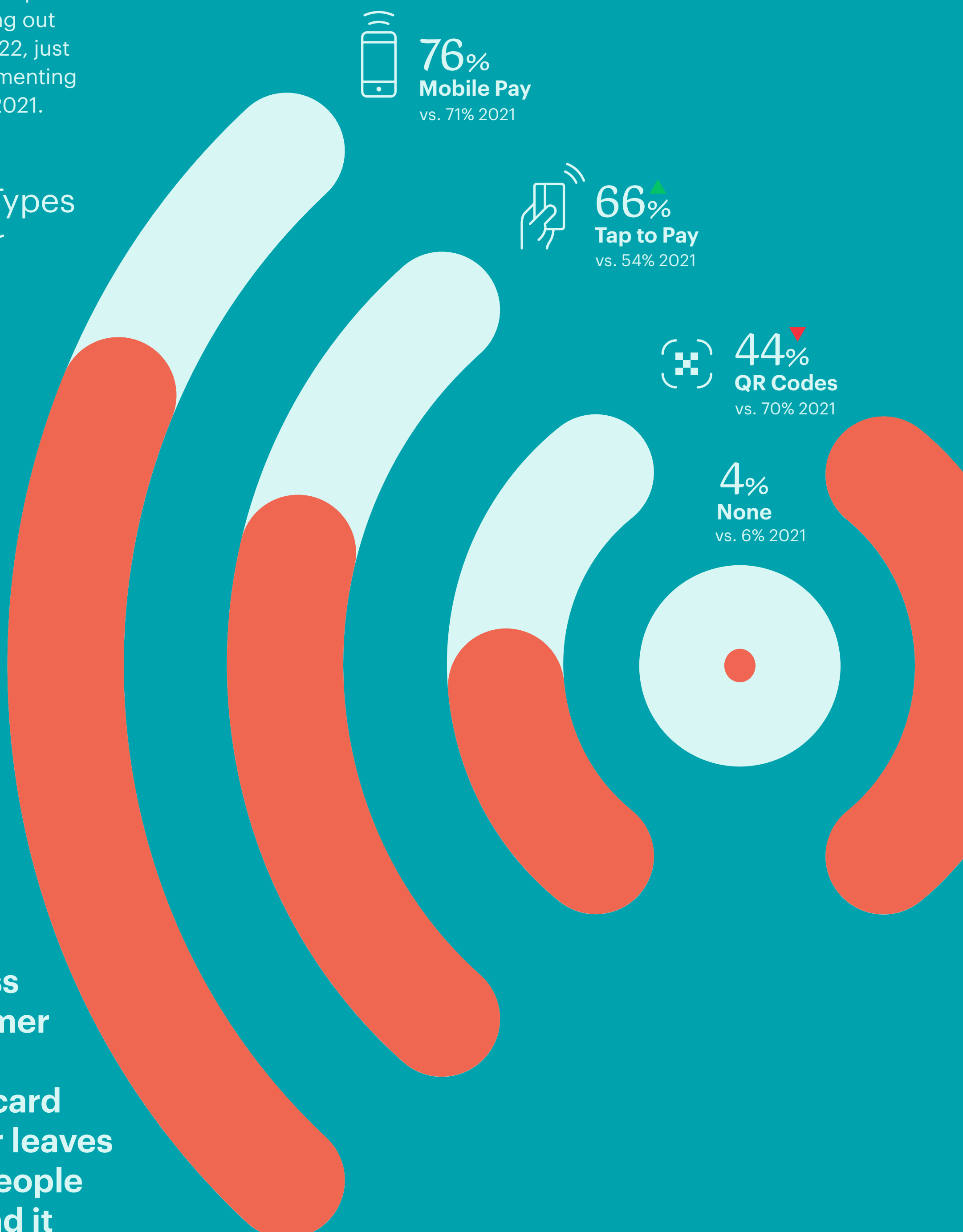


"We've had the same POS for a while. We use a private guy and he customizes our whole computer system so we pay a lot of money. But I feel like it's a little bit outdated. It's been the same system for the past 20 years. If we're going to change systems, the screen has to be easy to find and easy to read."

(General Manager, Family Style, Chicago)

Contactless Payments Still on the Rise
Despite the lifting of most pandemic precautions, contactless payments are still on the rise at restaurants. In the last year alone, 76% of restaurants reported adding mobile pay and 66% added tap-to-pay. One payment type that is falling out of favor? QR code payments. In 2022, just 44% of restaurants reported implementing QR code payments versus 70% in 2021.

Contactless Payment Types Implemented Last Year



“We're doing a lot more contactless payments because of the pandemic. A lot of people like to use that and we get asked about it a lot when people call in. Sometimes, when people go to pay, they’re reluctant for the wait staff to physically take their card and leave with it because there's a chance of fraud. With contactless payments, [the customer is] just using their phone or holding the card themselves so it never leaves them. I think a lot of people are happy with that and it feels a little bit more secure.”

(Area Manager, Bar & Grill, Galveston, Texas)

Cash Falling Out of Favor
Part of the ongoing switch to contactless payments is related to the declining popularity of cash. While 69% of restaurateurs say they still accept cash at their venues, this is a fairly significant drop from 2019 when 84% of operators said they took cash.

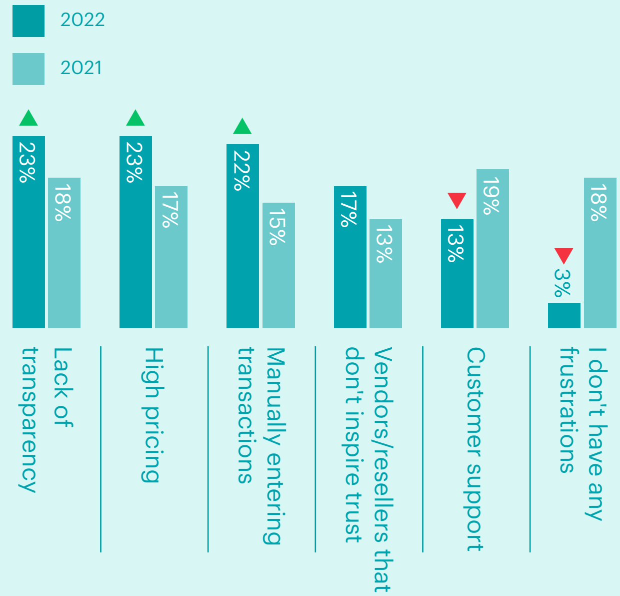
Payment Types Accepted

69%	Cash *vs. 84% in 2019*
66%	Mobile Payments
63%	Credit
38%	Debit
29%	Digital gift cards
28%	Physical gift cards

Hidden Fees Cause Frustration
While cash may be falling out of favor, restaurateurs still report many frustrations with their payment processors. The top frustrations were a lack of transparency (i.e. hidden fees, unclear terms, etc.) and high pricing. Lack of transparency was a particularly strong concern for those with POS-integrated payments solutions, while manually entering transactions was the biggest concern for those with standalone payments solutions.

Many operators also raised the issue of not being able to take payments when the internet goes down – a situation that can bring service to a standstill. For many, a lack of offline mode or a reliable backup system was an ongoing source of frustration with their payment processing solution.

#1 Frustration with Payment Processors



#1 Frustration with Payment Processors

Venues with a POS-integrated payments solution: **26% lack of transparency**

Venues with a standalone payments solution: **24% manually entering transactions**

"If the [payments] system goes down, that's a problem. If the system goes down and somebody wants to pay with card, what do you do? It's happened a few times and, generally speaking, people are pretty cool about waiting, but if they need to go for a legitimate reason, we just hope they're gracious enough to come back [and pay]."

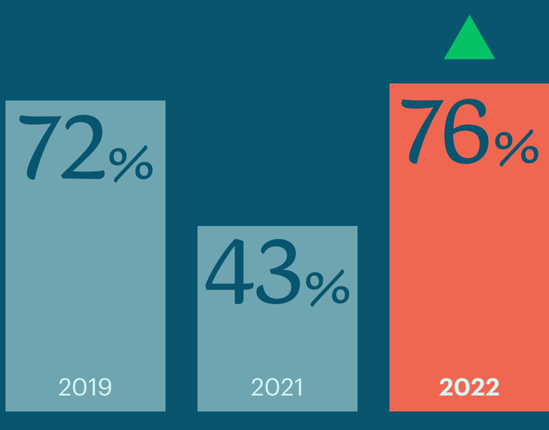
(Owner, Bar & Grill, New York City)

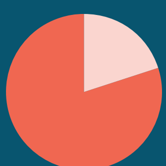
Reservations

After a significant decrease last year, the number of restaurants accepting reservations now seems to have returned to pre-pandemic levels. And with this steady increase in bookings, restaurateurs are once again turning to reservations technology to manage demand.

Reservations Coming Back in Style
While reservations fell out of favor during the pandemic, the practice seems to have made a return in 2022. In fact, 76% of restaurateurs now say they take reservations – versus just 43% who said the same in 2021. And while reservation acceptance is up, the average no-show rate remains unchanged from last year at 20%.

Acceptance of Reservations





20% Overall no-show rate

No chance since 2021

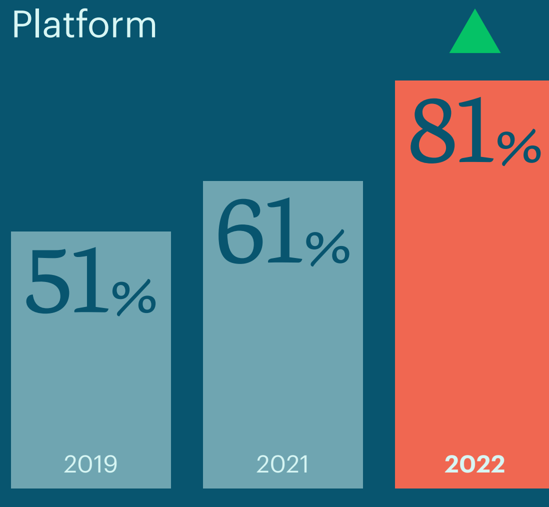
"If you have reservations, you know how to staff a bit better because you know what business is going to be on certain days."

(General Manager, Family Style, Dallas)

As for which reservation platforms restaurants are using, it appears to be a mixed bag. Around 40% of restaurateurs reported using Eat App to manage reservations, but other platforms like Yelp, OpenTable, Tock, and TB Dine were also used by a significant portion of venues.

Reservations Tech More Popular Than Ever
Reservations tech is also growing in popularity. Back in 2019, just 51% of operators reported using a reservations platform. Now, four-in-five restaurateurs (81%) report using a reservations platform, indicating that there's a growing demand for technology that can help manage bookings.

% Using a Reservation Platform



Reservation Platform Used

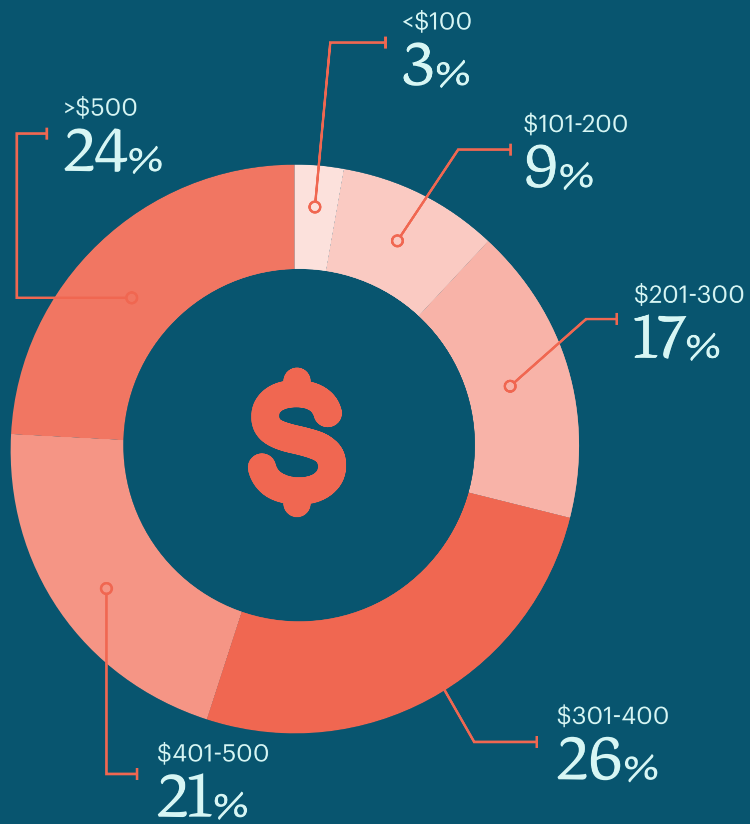
Among restaurants that use a platform

eat	40%
yelp	31%
tock	30%
OpenTable	28%
TouchBistro	23%
RESY	22%

Increased Spend on Reservations Tech
Along with a greater demand for reservations technology, there also appears to be a greater willingness to pay for these systems. Today, just over a quarter (26%) of operators say that they spend between $301-$400 a month on their reservation management system, and a whopping 24% report spending more than $500 per month.

Call-In Remains King
While the use of third-party reservations apps is on the rise, the phone still remains the number one way that restaurants accept bookings. Operators reported that about 38% of bookings are made over the phone, while about 15% are made through Google.

Spend on Reservation Platforms per Month



Proportion of Reservations Made Via Each Channel

	2022
Phone	38%
Walk-In	22%
Google	15%
Restaurant Website	13%
Third-Party Platform	12%

“Our reservations are old school where you have to call in. I'm dealing with a lot of old people here and I'm trying, but people are setting their ways. It's almost a deal breaker for some.”

(General Manager, Family Style, Chicago)

Top Trends

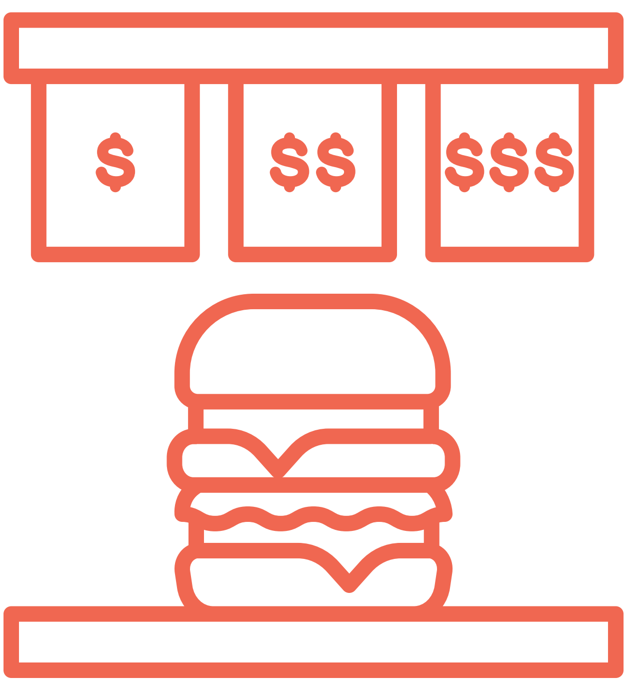
In the wake of economic uncertainty and changing diner habits, our findings have revealed several trends that can help operators navigate the year ahead.

Here are five emerging trends to keep an eye on in 2023.

1 Calculated Pricing Changes

With 53% of operators reporting that they raised their prices in the past six months, it's clear that raising menu prices is necessary in order for restaurants to offset rising costs. But while many diners are sympathetic and willing to tolerate *some* price increases, there are also signs they are starting to tighten their wallets.

Restaurateurs should be careful to keep price increases to a minimum where possible to avoid giving diners a serious case of sticker shock and driving business away. Overall, most operators reported raising their prices by 15% on average, which appears to be the maximum increase most consumers are willing to absorb. Operators should keep this figure in mind and evaluate the potential business implications when considering any further increases.



"The prices of food have gone up and if you're making a certain percentage on a certain dish, something's going to have to go up – you can't lose money. We're trying to hit that happy medium where we can still be profitable, but we don't want to get too high to where people are not coming in."

(General Manager, Family Style, Dallas)

2 Menu Flexibility

In addition to rising costs, restaurateurs also continue to deal with major supply chain disruptions and shortages. In fact, one-in-five operators (20%) said that ingredient shortages was their number one inventory challenge this year, revealing just how dire the situation has become.

In response, many operators have learned to be more flexible when it comes to their menus and their specials. Whether it's switching suppliers, sourcing ingredients locally, finding substitutes for certain ingredients, or adjusting portion sizes, it's essential for operators to look for opportunities to build more flexibility into their menus so they can better adapt to ongoing ingredient shortages.

"The supply chain is a challenge because day-to-day you never know what's going to be unavailable or in short availability. It's just a wait-and-see mentality and I don't feel that's going to change anytime soon."

(Area Manager, Bar & Grill, Galveston, Texas)

3 Refocusing on Retention

A whopping 97% of restaurateurs now report that they are short at least one position, which is a 16% increase from last year. The average turnover rate also remains high at 19%, suggesting that the staffing crisis has only worsened across the U.S.

While it's clear that many restaurants do need to fill vacant roles with new hires, high employee turnover rates suggests that the labor shortage will only continue to worsen if operators do not turn their attention to their existing staff. While the number one demand from employees is for higher wages, operators can also look for other ways to keep staff happy like benefits and professional development opportunities. Although this may seem like an added expense, it's worth noting that the average cost of training a new employee has risen to a whopping $3,959, suggesting that retention might actually be the most financially-savvy staffing solution.

"Everybody's trying to find ways to stay fully staffed and a lot of times that means increasing base pay. We've gone to a 20% auto gratuity model and that at least gives us the ability to give our staff some comfort that they're going to take home something. We really have prioritized our staff throughout this whole process, even before the pandemic."

(Andrew Principe, Owner,
Palm & Pine, New Orleans)

4 The TikTok Turning Point

When it comes to social media, Facebook is still the number one platform for restaurateurs. However, TikTok is quickly becoming the app of choice for many operators, with 40% saying they currently use the social media platform to promote their restaurant. In fact, many operators reported using TikTok over Instagram, which seems to be losing influence, especially in major restaurant hubs like New York City.

Though it may be easy to dismiss TikTok as a fleeting social media trend, there are many signs that the platform is here to stay. A number of operators reported seeing customers coming in after watching a video on TikTok and studies show that TikTok has actually replaced Google as the search engine of choice for Gen Zers. Of course, restaurateurs should never put all their eggs in one social media basket, but it's clear that TikTok is a platform worth investing in if operators want to continue attracting new diners.

"Honestly, I think that people are kind of over Instagramming restaurants right now. That was really, really hot for like a minute in 2019. But now it's all about TikTok and BeReal."

(Area Manager, Fine Dining, New York City)

5 POS Systems That Do It All

This year saw many restaurateurs invest in new technology and some of the highest demand was for modern POS systems. A whopping 76% of operators changed their POS system in the past year, with 51% purchasing a brand new system and 25% switching from one POS provider to another. And overwhelmingly, it appears as though operators prefer integrated systems, 66% of operators saying they use a POS system with integrated payments.

Operators are increasingly realizing the value of having a modern POS that can not only take orders, but also handle payments, support a loyalty program, process online orders, track reservations, and more. Not to mention, nearly a third (30%) of operators said that the ability to integrate with other third-party software was a top factor they considered when choosing a new POS system, suggesting that having everything accessible through one platform is increasingly preferred.

> **“I'm looking forward to new technology – getting involved with it, learning more about it. But I also don't want somebody to sell me something that won’t give me a good return on my investment.”**

(General Manager, Family Style, Dallas)

Conclusion

After contending with the worst of the pandemic, many restaurants had their sights set on a more successful 2022. And in some ways, this was the reality for many operators. Indoor dining came roaring back and consumers were happy to spend more to enjoy their favorite restaurants again. This translated into higher profit margins for many operators – especially those with larger venues – and sales nearly returning to pre-pandemic levels.

"It's been a good year. [People] have been ready to just get back out, to be out with their friends, and to celebrate life again."

(Area Manager, Fine Dining, New York City)

However, our data reveals that despite the bright spots, 2022 came with its own unique set of challenges. Sky-high inflation, supply chain issues, and fluctuating food costs have all cut into profits. And on top of all that, the staffing crisis seems to have only worsened in many places.

“These past few years have not been easy – for restaurants or for anyone in the food industry. Right now is probably one of the hardest times we've ever gone through because of this confluence of different events that are staring us in the face. But if somebody asked me, ‘What can we do?’ I’d say you just have to be resourceful, disciplined, and relentless. I believe every problem has a solution and those who find the solution the fastest survive and carry on.”

(John Hensely, Owner, Lark Cake Shop, Los Angeles)

Now, as the restaurant industry enters another year characterized by economic instability and change, many operators are once again preparing to adjust the way they run their businesses. Many have invested in technology that can help them adapt to changing business conditions quickly and efficiently, while others have found creative ways to keep expenses down and profits up. While managing these changes certainly won't be easy, if the last few years have proven anything, it's that the restaurant industry always finds a way to adapt.

"A lot of restaurants have pretty much thrown out what they've done before and really gotten with the times in order to not fall off track. [They've found ways] to introduce new ideas and get everybody excited about those ideas, and to figure out what diners really want. A lot of restaurants are doing that now. They're paying attention now more than ever to their customers because they want to appeal to everyone."

(General Manager, Fine Dining, Chicago)

TouchBistro is an all-in-one POS and restaurant management system that makes running a restaurant easier. Providing the most essential front of house, back of house, and customer engagement solutions on one easy-to-use platform, TouchBistro helps restaurateurs streamline and simplify their operations, increase sales, and deliver a great guest experience.

To find out if TouchBistro is the right fit for your restaurant, get in touch today.

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Maru/Matchbox is our group of highly skilled research practitioners with deep advisory expertise. As part of the Maru Group, we are a different breed of global insight partner, built on proprietary software that enables our experts to connect with the people that matter most to our clients.

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