ANNUAL REPORT

The State of Restaurants in 2024

TouchBistro

Introduction

Like many other industries, the restaurant sector has spent the past few years navigating crisis after crisis. Unsurprisingly, these challenges have taken their toll on independent restaurants, with operators contending with lower profit margins, higher food costs, and shifting diner preferences.

But while many of these challenges remain, 2023 was also a year of many bright spots for the industry. Not only have some stressors like labor costs begun to ease, but there's also many signs that operators are increasingly open to technology and other creative solutions that can help them more easily adapt when needed.

In order to better understand the current state of the restaurant industry and get a sense of how major 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 just how much changed in the past year, how restaurants are adapting to a precarious economic situation, and the top trends on the horizon for 2024.

In addition to examining the latest trends on a nationwide scale, we also took an in-depth look at trends among multi-unit restaurants and the state of restaurants in some of the country's largest urban areas: New York City, Los Angeles, and Chicago. Through these individual reports, you'll be able to see how restaurants of a similar size or in a similar area compare to your own, and the strategies they're using to find success.

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, San Francisco, Chicago, Houston, and Miami. Our research was conducted from June 15 to June 22, 2023.

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Report Highlights

Our respondents gave us a unique opportunity to understand the challenges the industry has faced and what's on the horizon for 2024. And as we uncovered, there are many challenges, but also plenty of opportunities.

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

Financial Health
Similar to last year, food costs were a primary concern, with 58% citing it as their biggest source of financial strain. In response, operators saw profit margins drop from 10.6% to just 9.3%.

58%

said inventory costs were their biggest source of financial strain

Staffing & Labor
The labor crisis has finally shown signs of easing with 82% of restaurateurs reporting they are short at least one position – far less than the 97% who said the same last year.

82%

of restaurateurs report being short staffed – down from 97% in 2022

Inventory & Menu Management
To offset rising food costs, 67% of operators reported increasing their menu prices in the past six months. On average, restaurateurs reported increasing their prices by 13%, which is down slightly from a 15% average increase last year.

67%

increased their menu prices in the past six months

Report Highlights

Takeout & Delivery
Online ordering proved to still be a viable channel, with 95% of operators reportedly using at least one online ordering platform. On average, most use 3 solutions, and more than a third (36%) are using direct online ordering as one of their solutions.

36%

of restaurants offer direct online ordering through their website

Marketing & Loyalty
Websites proved to be one of the most important marketing tools with 72% of operators reporting that they currently have a dedicated website. Moreover, 94% of those who have a website say that customers can view their menu online – something that's clearly in high demand.

94%

of the restaurants that have a website allow guests to view their menu online

Technology
Restaurant technology is no longer limited to POS systems. 89% of restaurants say they are currently using some form of AI in their business and the majority of operators report using automation for tasks such as payroll, bookkeeping, inventory management, and more.

89%

report currently using some form of AI in their restaurant

Reservations
While the number of restaurants accepting reservations stayed high at 75%, the use of reservations tech fell to just 62%. However, a further 31% said they were looking to implement a reservations system in the near future.

62%

of operators currently use an online reservations system and a further 31% are planning to implement one

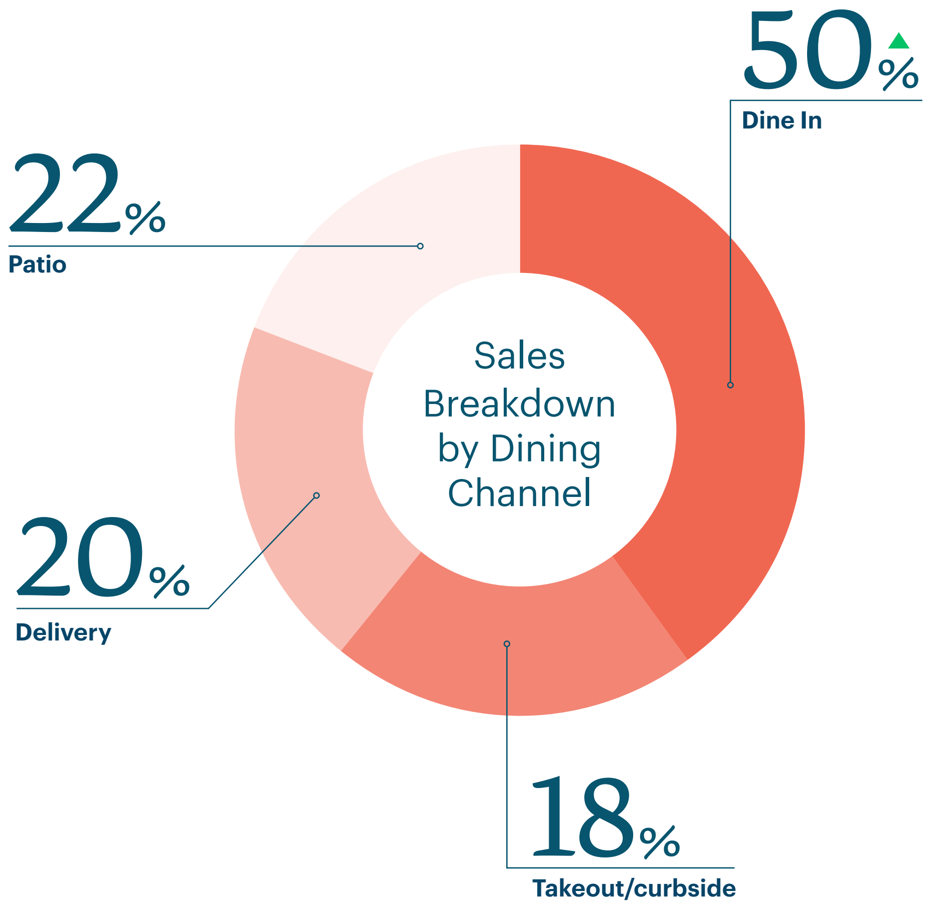
Financial Health

Like many other industries, 2023 was a bit of a financial roller coaster for restaurants. While overall inflation rates finally began to slow, the rising cost of food and ongoing economic concerns continued to shrink profits. But even in the face of a financial squeeze, operators have found some creative ways to keep expenses low and revenue up.

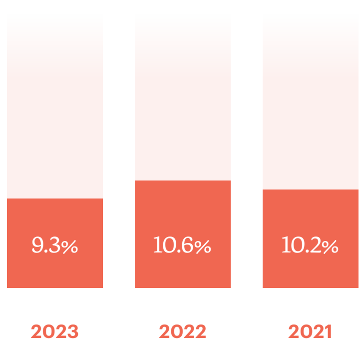
Profit Margins Take a Hit

Despite a small increase in 2022, profit margins fell again in 2023 to 9.3%. However, this figure alone doesn't paint the full picture. Small venues with less than 20 seats appeared to fare relatively well in 2023, with an average profit margin of 10.3%. Venues with 81-120 seats and more than 120 seats also saw similar gains, with average profit margins of 10.4% and 10.7% respectively.

It turns out that the venues that took the biggest hit were those with just 21-40 and 41-80 seats, both of which had average profit margins of about 9%. In other words, it appears as though midsize restaurants are having the most trouble navigating current economic conditions and keeping profit margins healthy.



Average Profit Margins by Year



"Business has been good. I would say we still get lots of growth in terms of people coming from different states to visit our place on their vacation. Miami's a very touristy place and so I haven't really seen a drastic decline, which is a good thing. However, what I am noticing is the drastic increases in food prices. Even for the cleaning supplies, everything has gone up almost 25%. So overall, we're not up. Maybe like a 5% increase in sales, but everything is so expensive that it's kind of the same as before."

(General Manager, Bakery & Cafe, Miami)

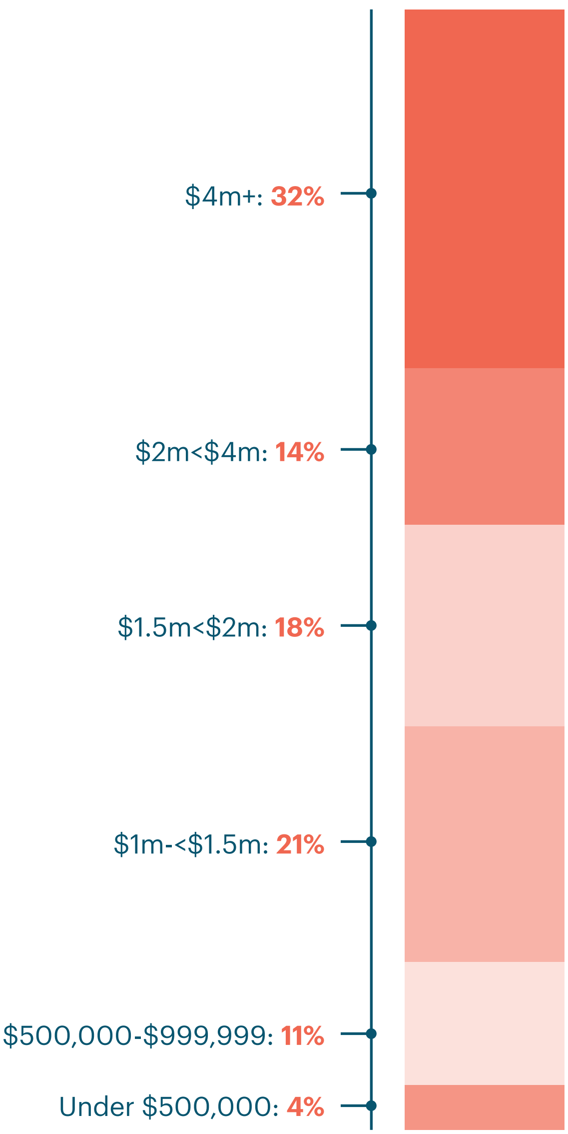
Average Profit Margins by Seat Size in 2023

10.3%	8.9%	9.1%	10.4%	10.7%
Less than 20 Seats	**21-40** Seats	**41-80** Seats	**81-120** Seats	**120+** Seats

Debt a Looming Concern

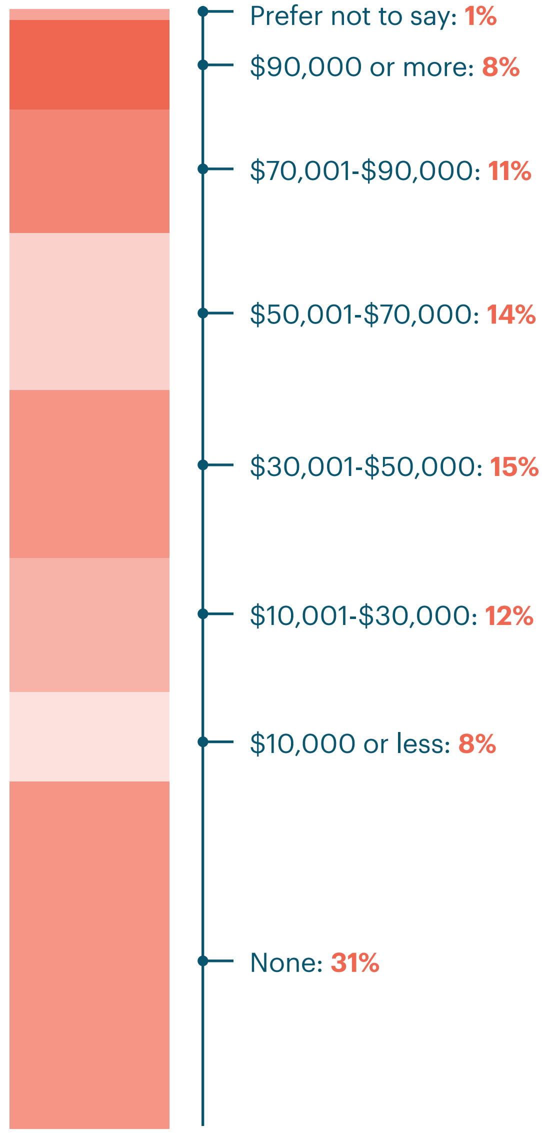
Part of the reason many restaurants may be struggling to maximize profits is because of lingering debt. In total, 68% of full service restaurants reported carrying some amount of debt. On average, they reported carrying $51,863.20, a figure that may creep up as interest rates continue to rise."

Average Annual Revenue 2023



Overall Average: **$2,599,514.50**

Average Debt 2023



Overall Average: **$51,863.20**

Food Costs Remain High

While debt is a piece of the puzzle, there's no question that soaring food costs are one of the main culprits behind lower profit margins. In fact, food costs appear to be an even bigger concern in 2023 than the year prior.

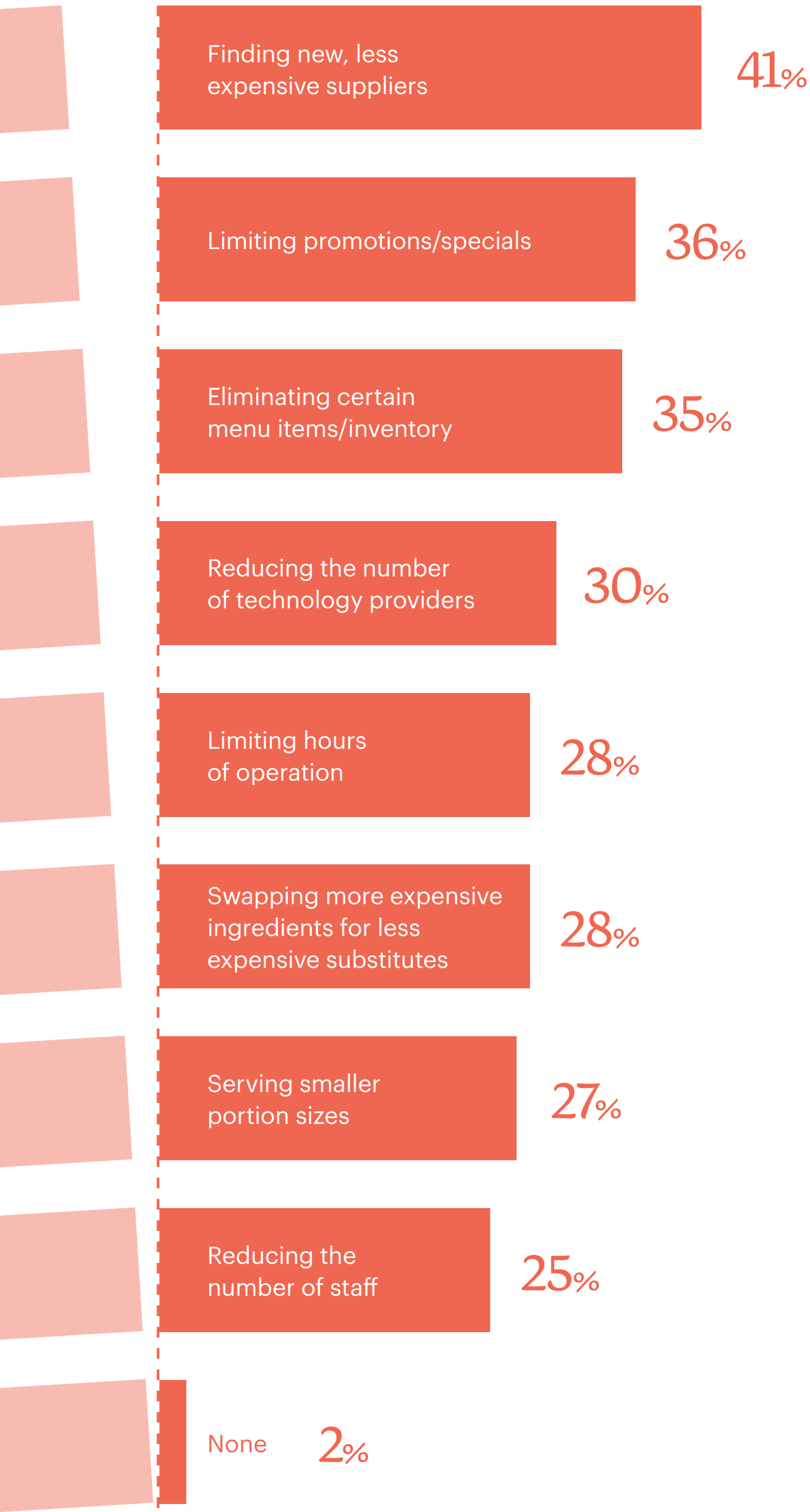
This year, 58% of operators said that rising inventory costs was their number one source of financial strain, up from 54% who said the same last year. But while food costs remain a major source of stress, the good news is that rent and labor costs appear to be less of a concern than in the past few years.

Greatest Causes of Financial Strain in the Past 12 Months

2023 / 2022 / 2021

City	**Inventory costs**	**Rent**	**Labor costs**	**None**
Total	33% - 2021 54% - 2022 ▲ **58% - 2023**	30% - 2021 23% - 2022 ▼ **17% - 2023**	30% - 2021 22% - 2022 ▼ **20% - 2023**	7% - 2021 1% - 2022 **4% - 2023**
New York City	▲69% / 55% / 43%	▼14% / 23% / 25%	15% / 22% / 29%	3% / 0% / 3%
Los Angeles	49% / 55% / 24%	18% / 22% / 35%	25% / 21% / 38%	7% / 2% / 3%
San Francisco	48% / N/A / 19%	28% / N/A / 48%	19% / N/A / 26%	3% / N/A / 0%
Miami	▲65% / 50% / 46%	▼15% / 29% / 35%	18% / 19% / 12%	1% / 2% / 8%
Chicago	60% / 53% / 27%	18% / 20% / 27%	18% / 27% / 36%	4% / 0% / 6%
Houston	70% / 56% / N/A	17% / 20% / N/A	9% / 22% / N/A	2% / 2% / N/A

Steps Taken to Reduce Expenses



The Hunt for Cheaper Suppliers Continues

With rising food costs cutting into profits, it comes as no surprise that 41% of operators are opting to source new, less expensive suppliers in order to reduce expenses – a tactic that 40% of operators reported using last year as well. This year, 35% of operators also reported eliminating certain menu items and inventory, which is up from just 27% who applied the same tactics last year.

"We switched to dry noodles recently. We were talking to our vendor and we found out that these dry noodles tasted pretty much the same [as what we were using], but the cost was significantly less – it was almost 30% less."

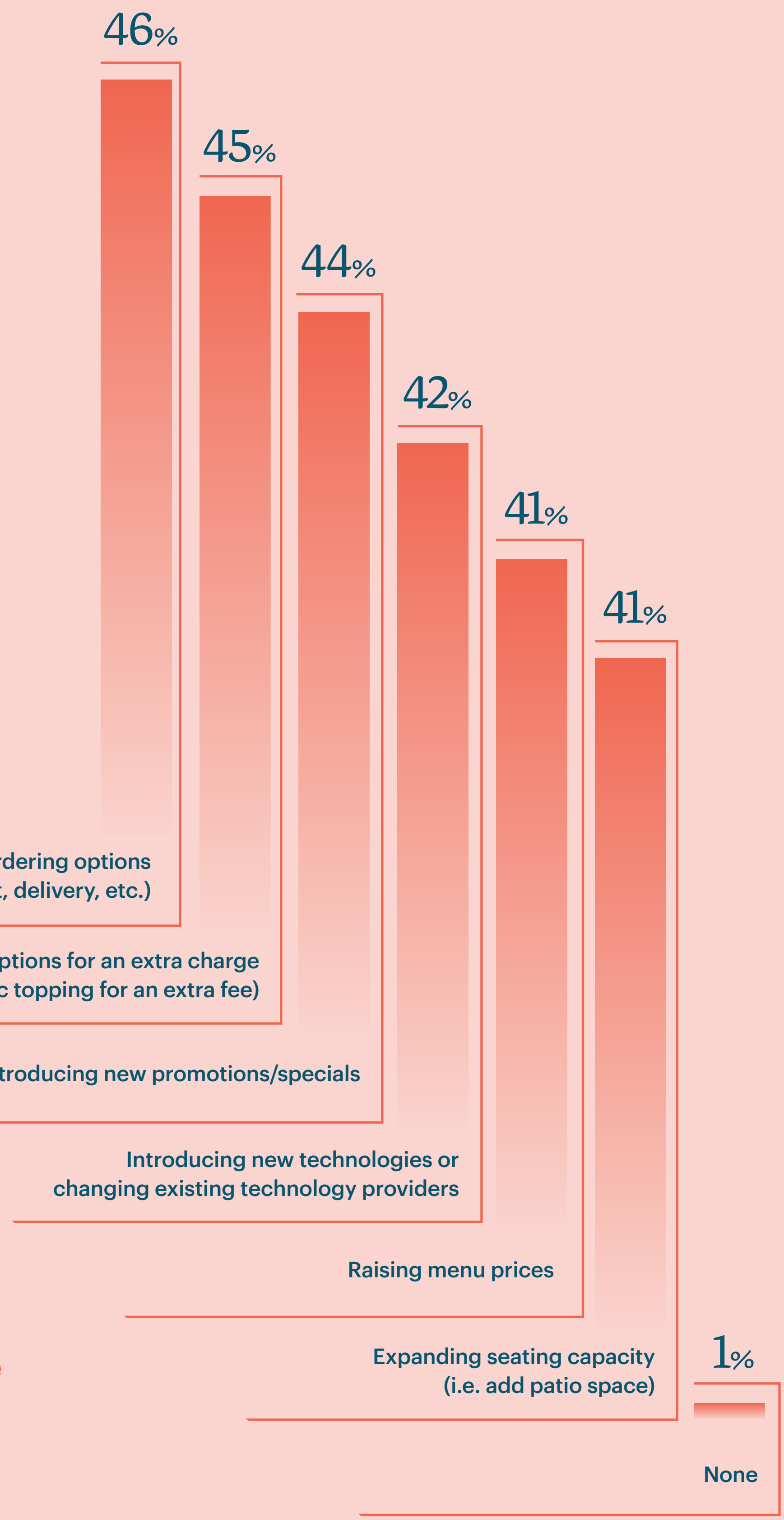
(General Manager/Owner, Family Style, San Francisco)

Operators Turn to Off-Premise Ordering to Boost Profits

While many operators are adjusting their inventory to reduce expenses, they're also experimenting with different ways to boost profits. Adding more off-premise ordering options was the number one profit-boosting strategy, with 46% of operators taking this approach.

Another popular tactic? Raising menu prices. In 2023, 41% of operators reported raising menu prices as a way to boost profits, while only 28% said the same in 2022.

Steps Taken to Increase Revenue



"There's two ways to increase profits: One is to raise menu prices. The other way is to try and order smarter and reduce waste whenever possible."

(Area Manager, Bar & Grill, Chicago)

Plenty of Room to Grow

Despite the challenges, operators are not letting the precarious financial environment hinder their growth. Many operators plan to scale their businesses in the coming year, with adding catering services being the most popular form of growth planning. With a whopping 54% of restaurants aiming to introduce catering services, it seems that this once-lucrative revenue stream may be enjoying a bit of a comeback as some workers return to the office and events are once again held in person.

However, adding new revenue streams isn't the only form of growth that operators have set their sights on. Physical expansion is not far behind, with 43% of restaurateurs planning to add a new location in the coming year and 44% planning to add *multiple* new locations.

"To increase revenue, we're expanding more on Uber Eats and things like that. I'm doing catering as well, so there's an opportunity there."

(Heberto Portobanco, Owner, Portobanco's Restaurant, Los Angeles)

Plans for Expansion in the Coming Year

54%
Add catering services

44%
Add multiple new locations

43%
Add a new location

35%
Add a virtual brand (ghost kitchen)

6%
Not planning on expanding

32%
Franchise the business

1%
Other

"I'm excited about expanding the business, not just location and food-wise, but [exploring] different kinds of venues for people to experience – whether they want to sit down, eat from a truck, eat at home, have it catered..."

(General Manager/Owner, Family Style, San Francisco)

Staffing & Labor

After years of navigating an unprecedented labor shortage, operating with a skeleton crew no longer seems to be the norm. But while the staffing crisis seems to have finally eased up, turnover rates remain stubbornly high and many operators – especially those who run multi-unit businesses – still struggle with finding the right incentives to prevent staff from leaving.

The Staffing Crisis Eases Up

After years of struggling to keep their venues fully staffed, operators *are* finally getting some relief. In 2023, 18% of restaurateurs said that they were not short any positions – a huge improvement considering only 3% of operators said the same last year.

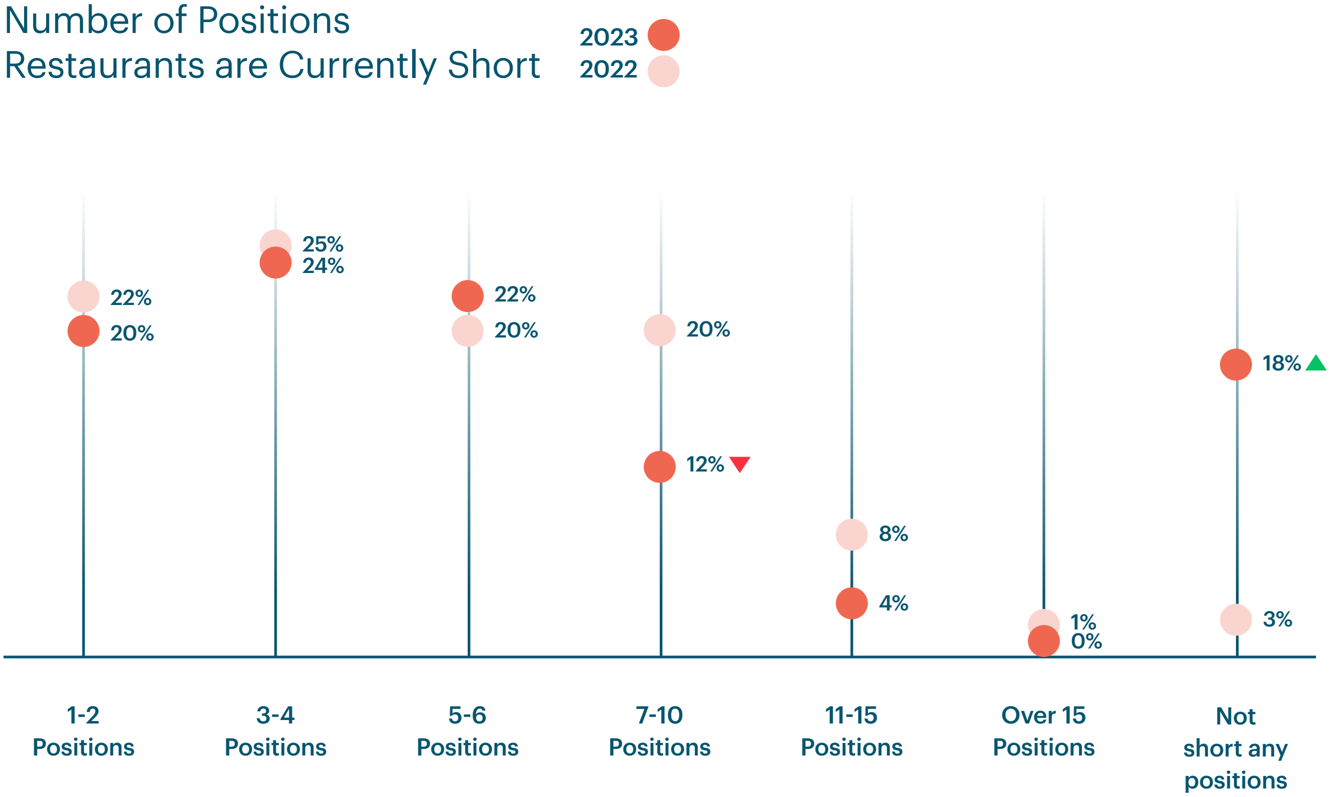
However, that also means that 82% of operators *are* short at least a few staff members. On average, operators were short about 4 positions in 2023, down from an average of 5 positions in 2022. This time around, the toughest positions to fill were dishwashers and chefs, which is also a change from last year when bartenders and line cooks were in the highest demand.

82% of restaurateurs report being short staffed (▼ from 97% in 2022)

"Things have gotten back to normal a little bit. It's been slightly better for labor and we're seeing fewer supply shortages than we saw last year."

(General Manager, Bar & Grill, Chicago)

Number of Positions Restaurants are Currently Short



Staffing Shortages by Position

2023	2022	
34% ▲	24%	Dishwashers
28% ▲	19%	Servers
28%	22%	Chefs
21% ▼	30%	Bartenders
24% ▼	28%	Line cooks
22%	25%	Managers
19%	23%	Prep cooks
18%	17%	Hosts

"My staff has been with me at Bollo Woodfired Pizza for the past eight years. They've been with me since day one. I added a couple [of people] because business increased, but everyone has still stayed. It's because of the culture. We take care of them. We give them family meals every Friday, Saturday, and Sunday. And when times have been hard, we've paid them when they were off. We like to be part of their family and that will take you a long way."

(Ernesto Cano, Owner,
Bollo Woodfired Pizza, Houston)

4 Average number of positions short-staffed currently (vs. 5 in 2022)

Wages and Benefits See a Boost

Part of the reason staffing shortages may be less severe is because our date shows that more operators are open to offering higher wages and benefits. In fact, 64% said they stay competitive by offering higher wages and 59% said they stay competitive by offering better benefits – figures that are both up from the year prior.

And when operators are in need of new recruits, they're overwhelmingly turning to social media. Half (50%) of operators now say they rely on social media to find new staff members. This is followed by more traditional methods like job sites (44%) and referrals (45%).

"The minimum wage in New York City is like $15 an hour, but nobody comes to work for that. Even the dishwashers – you have to give someone at least $17 to come and wash the dishes, otherwise nobody comes."

(David Brugnoli, Owner and Chef, Angeletto, New York City)

Stay competitive by offering...

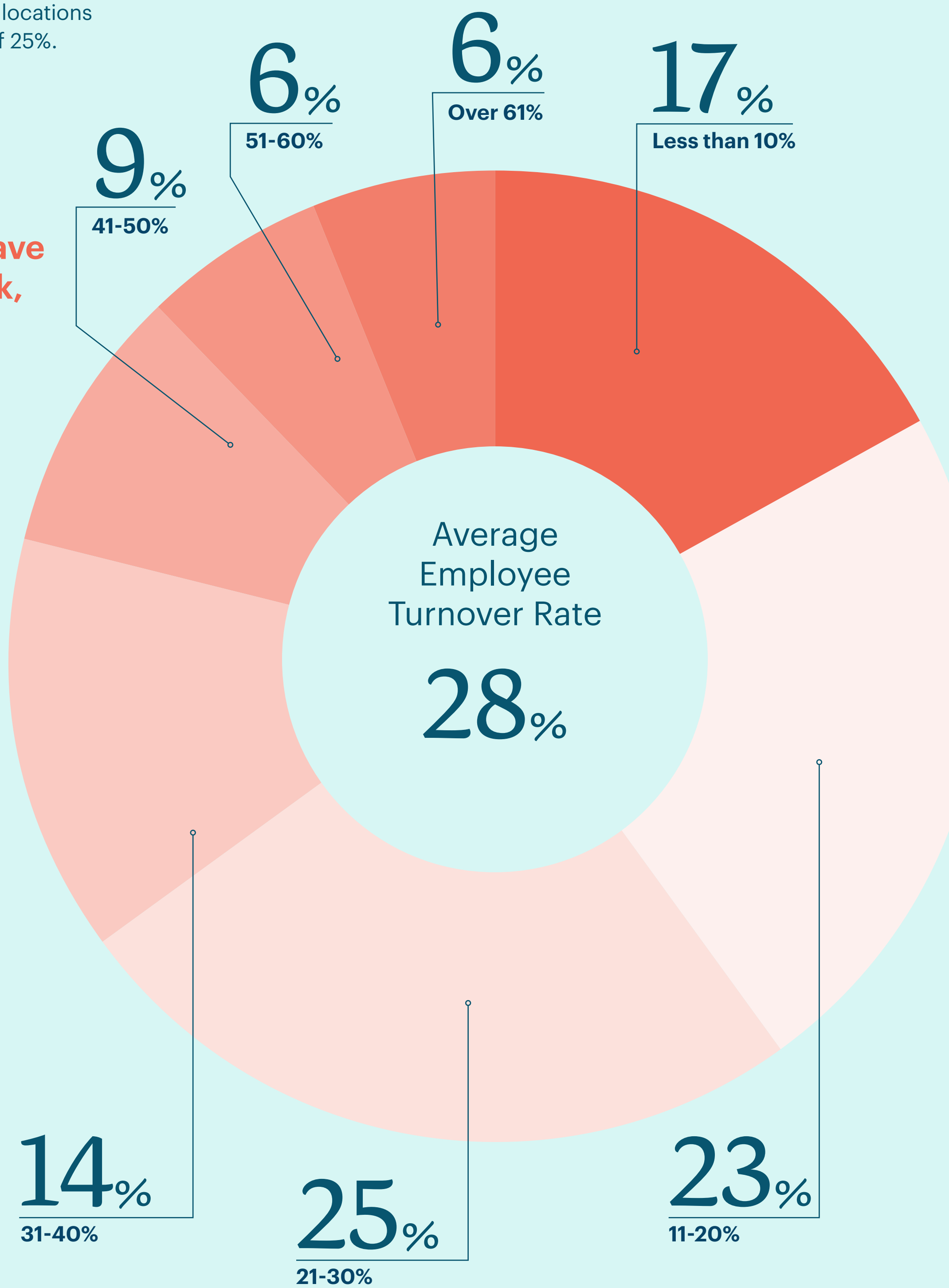
	2023	2022	2021
Wages	64% ▲	59%	54%
Benefits	59% ▲	38%	57%
Professional development opportunities	44%	49%	39%
Culture	42%	41%	37%

Turnover Rates Remain High

While attracting new staff may be less of an issue than in years prior, keeping current staff happy is still a major challenge. Like last year, staff turnover remains stubbornly high at 28%. This issue appears to be a bigger concern for multi-unit restaurants with 5-20 locations and lots of staff. In fact, multi-unit restaurants with 5-20 locations report an average turnover rate of 34%, while those with less than 5 locations report a much lower turnover rate of 25%.

"It's very tough to find the people and then have them stay. After a week, somebody will say, 'This doesn't work for me, I'm going to go somewhere else.' So we have a lot of in and out – big turnover. I've spoken to other people in the industry regarding hiring and it's the same problem. People moving in and out [of the industry]."

(David Brugnoli, Owner and Chef, Angeletto, New York City)

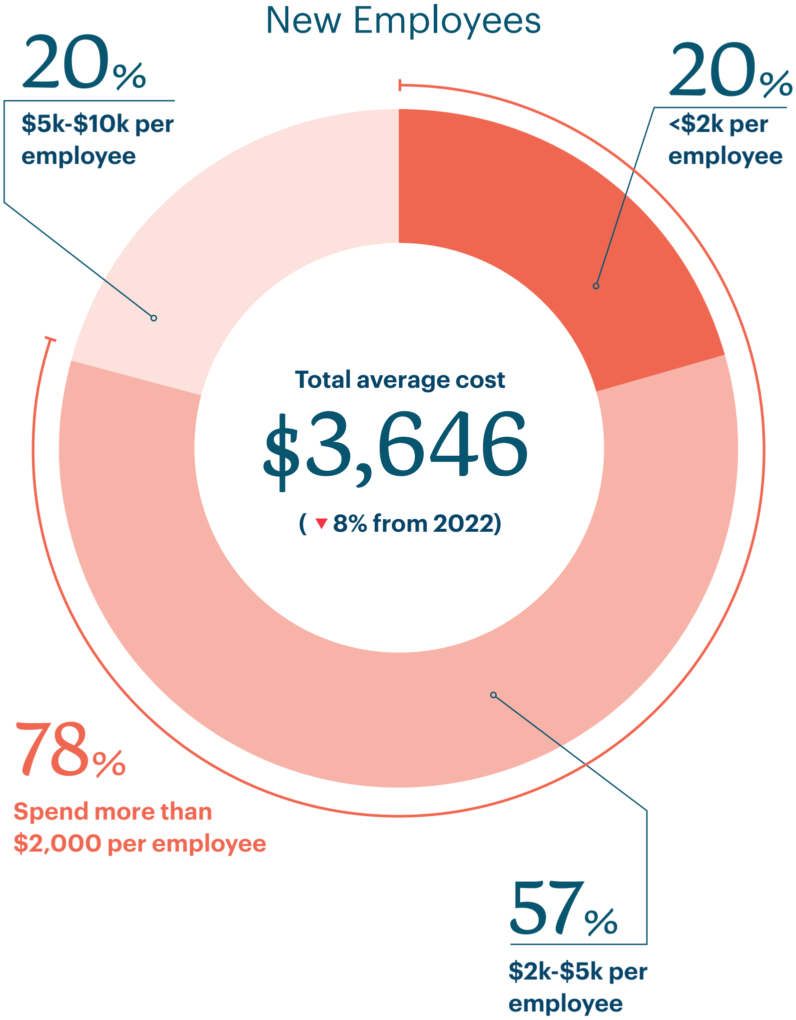


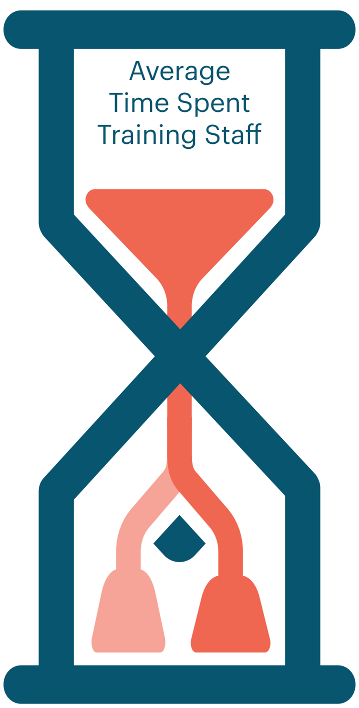
Training Times Drop

One reason for the unchanged turnover rate may be due to the fact that the average amount of training staff members receive saw a fairly significant drop from the year prior. Operators reported that front of house staff received an average of 6 hours of training in 2023, which is down from 7.3 hours in 2022. Similarly, operators reported that back of house staff received an average of 6.3 hours of training, which is down from 6.9 hours the year before.

This shift was also reflected in the average cost of training a new staff member, which fell 8% from $3,959 in 2022 to $3,646 in 2023. While operators may appreciate the short-term cost savings that come with reducing training times, the fact that turnover remains so high suggests that less training may not be the most effective strategy in the long run.

Average Cost to Train New Employees



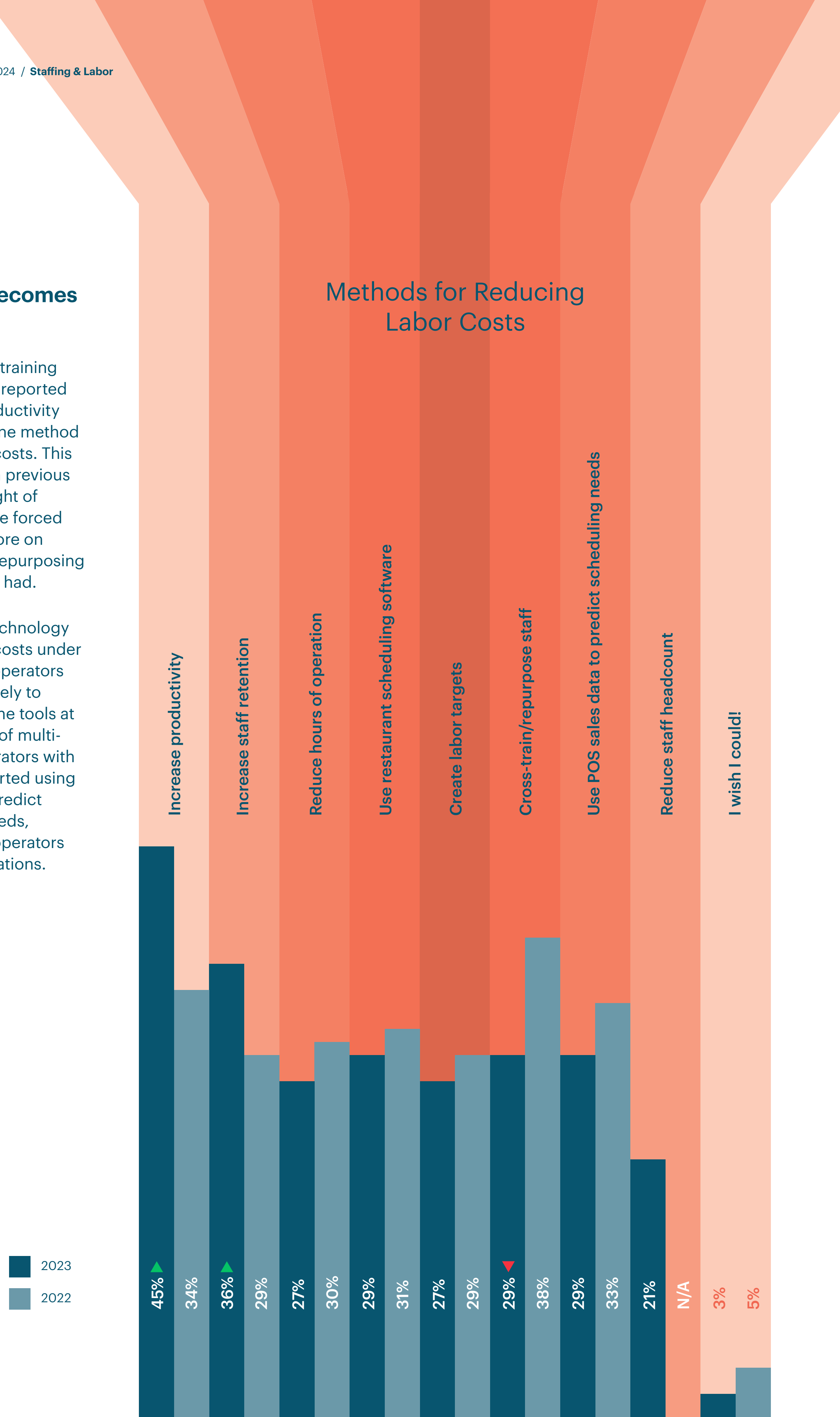


Back of house	Front of house
6.3 hrs	6 hrs
(vs. 6.9 hrs in 2022)	(vs. 7.3 hrs in 2022)

Productivity Becomes the #1 Priority

Despite the drop in training time, operators still reported that increasing productivity was their number one method for reducing labor costs. This is a major shift from previous years when the height of the staffing shortage forced operators to rely more on cross-training and repurposing what little staff they had.

As for leveraging technology to help keep labor costs under control, multi-unit operators were much more likely to take advantage of the tools at their disposal. 35% of multi-unit restaurant operators with 5-20 locations reported using POS sales data to predict their scheduling needs, versus just 26% of operators with less than 5 locations.

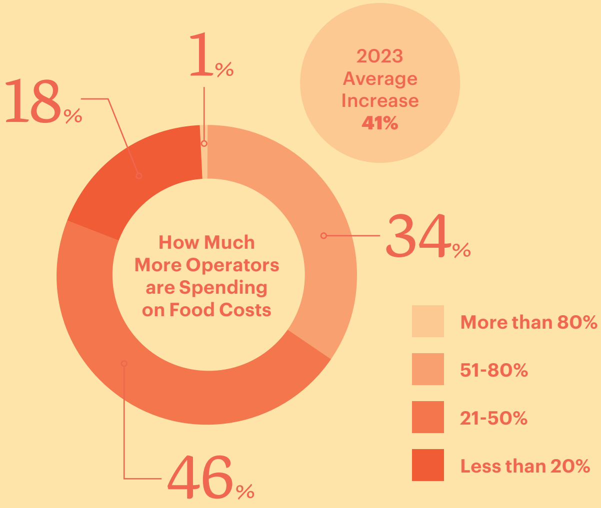


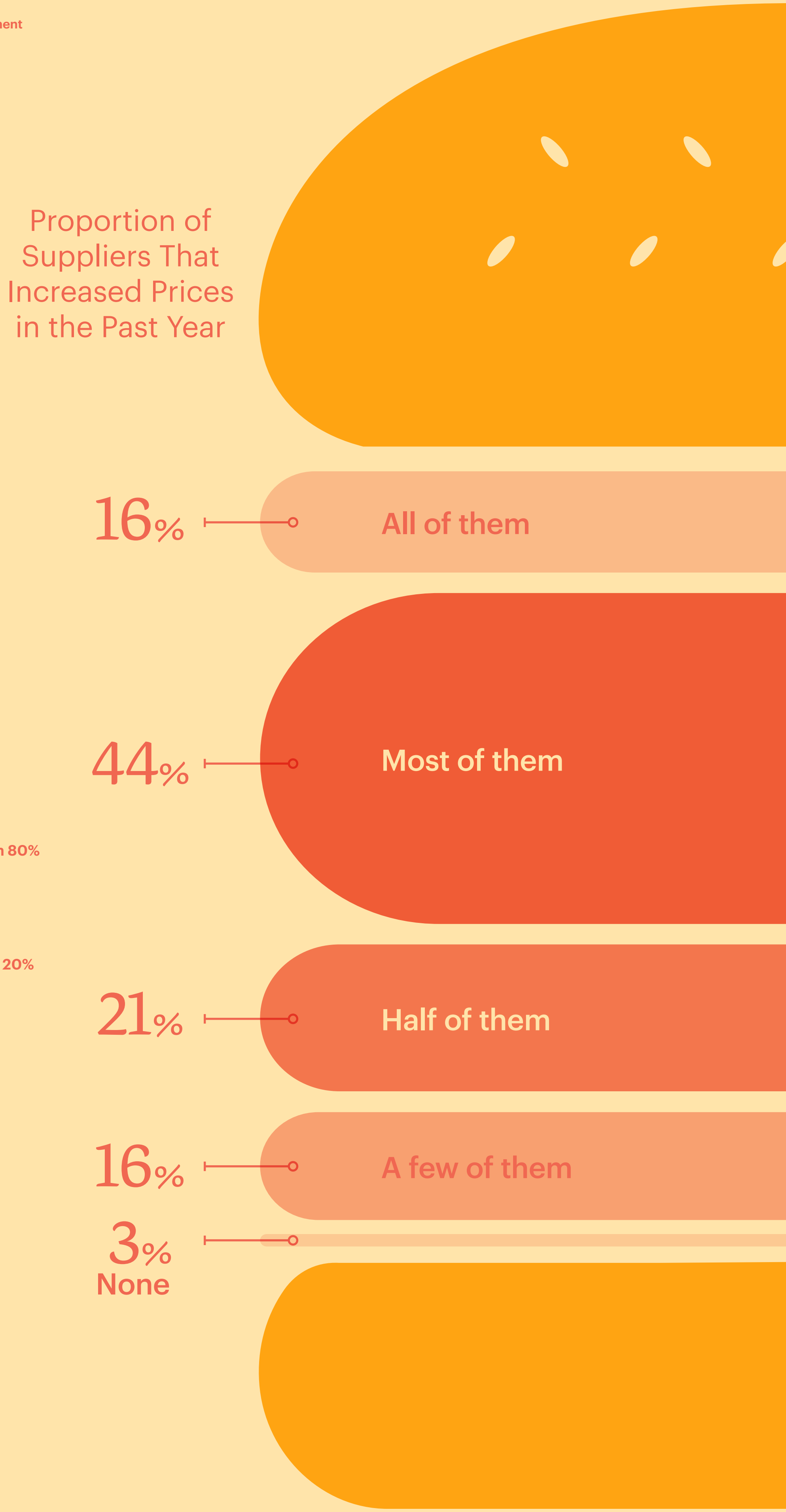
Inventory & Menu Management

The rising cost of food was one of the biggest challenges facing restaurateurs last year and, unfortunately, the problem only seems to have gotten worse. But while menu prices continue to go up, operators are also finding some creative solutions to keep inventory costs under control.

Suppliers Continue to Raise Prices

There's no question that today's operators are paying much more for inventory than in the past. In fact, 60% of operators reported that *all or most* of their suppliers have raised prices in the past year – up from 50% who said the same last year. Worse still, the average expenditure on food increased by a whopping 41% in the past year alone.





"We haven't really been able to cut back on expenses; we can't cut back because we need all that stuff. We need to use high quality ingredients because that's what makes our pizza great. That's what makes us unique from a lot of other restaurants."

(Ernesto Cano, Owner, Bollo Woodfired Pizza, Houston)

Inflation Continues to Cause Inventory Chaos

With the majority of suppliers raising their prices and food prices in a constant state of flux, it is no surprise that 37% 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. Nearly a quarter (24%) of restaurateurs reported that navigating ingredient shortages and supply chain disruptions has been their biggest inventory challenge – up from 20% who said the same last year.

"We've removed some menu items because there has been no audience for them or because people are not ordering them due to inflation."

(General Manager, Family Style, Los Angeles)

"Absolutely, our food costs have gone up. Just one example is semolina flour. We do fresh pasta here in the restaurant, and I used to buy that for $17.85 in 2019. Now, I'm paying $42.95 for a 25-pound bag of the same product, same quality. Plus, we've had problems finding the products."

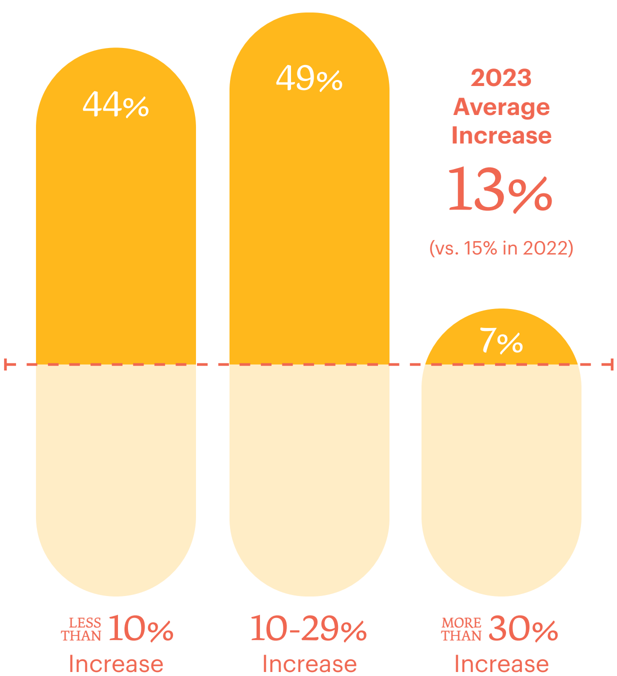
(David Brugnoli, Owner and Chef, Angeletto, New York City)

Menu Prices Climb to New Heights

Last year, a whopping 53% of restaurateurs reported raising their menu prices in the past six months. In 2023, 67% reported increasing their menu prices, suggesting that last year's price increases were not enough to cover the rising cost of expenses.

The good news is that these pricing increases appear to be slightly smaller than last year. In 2023, operators reported raising prices by an average of 13%, which is a drop from the average price increase of 15% in 2022.

Menu Pricing Increases in the Past 6 Months



"Pricing is something that we always review and corporate has a good handle on costing out a plate of food based on the information we get from our point of sale system."

(General Manager, Bar & Grill, Chicago)

Diners Not Immune to Menu Price Increases

While menu prices may be rising at a slightly slower pace than last year, there's no question that these increases have had an impact on guest behavior. When asked about changes that operators have observed, 34% said that customers are tipping less than in the past and 33% said customers are spending less overall. Only 10% of operators reported *no significant changes* in customer behavior, suggesting that the vast majority of restaurants are trying to strike a delicate balance between raising menu prices and keeping diners happy.

Changes in Customer Behavior Following Menu Price Increases $

Customers are tipping less	34%
Customers are spending less overall	33%
Customers are ordering fewer dishes	30%
Fewer customers are visiting during the week	29%
Customers are ordering less alcohol	28%
Customers are ordering takeout/delivery less frequently	28%
Fewer customers are visiting on the weekend	25%
No significant change in customer behavior	10%

Local and Plant-Based Products Take the Spotlight

So what are restaurants doing to appease consumers amidst ongoing menu price hikes? The most popular option appears to be going local, with 42% of operators saying they want to add more locally sourced ingredients to their menu in the next six months. This shift may not only attract diners, but also reduce costs for operators.

Other trends on the horizon include plant-based offerings and non-alcoholic drink options, with 38% and 31% adding these options to their menu respectively. Just like with locally sourced ingredients, many consumers are willing to pay a premium for plant-based products and non-alcoholic drinks. This means operators may have new opportunities to widen their margins and mitigate the impact of rising food costs.

No Shortage of New Revenue Streams

Beyond plant-based and locally sourced ingredients, another way that operators are experimenting with their menus is by selling food (and even non-food items) in different formats. In addition to their core menu offerings, a whopping 45% of operators said they also offer prepared foods, and 42% said they sell grocery and other pantry items. Interestingly, branded merchandise is also a popular option for full service operators, with 39% saying they currently sell some kind of merchandise.

Offerings Beyond the Core Menu

45%	Prepared foods	**38%**	Meal kits or drink kits
42%	Grocery/ pantry items	**31%**	A subscription service
39%	Branded merchandise	**12%**	None – only offer core menu options

Planned Menu Additions in the Next 6 Months

42%	**More locally sourced ingredients**
38%	**More plant-based, vegan options**
38%	**More gluten-free options**
31%	**More non-alcoholic drink options**
30%	**More paleo options**
27%	**More keto options**
9%	**None of the above**

"We've added a number of vegetarian, vegan, and keto items so that's been a change for us. There's these two companies – Beyond Meat and Impossible Foods – and they've made a product that's in high demand with a good profit margin to go along with it. So having that as an option for a lot of people is really, really good."

(Area Manager, Bar & Grill, Chicago)

Takeout & Delivery

Following the years of peak takeout and delivery, the demand for off-premise dining seems to have leveled out. Now, operators are looking for ways to keep online orders coming in, while simultaneously reducing the costs of offering this service to guests.

Direct Online Ordering Picking Up Steam

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, 95% of operators report using at least one online ordering platform and, on average, most use 3 solutions.

In terms of popularity, Uber Eats once again took the number one spot, with 68% of restaurateurs using the platform – up from 48% in 2022. Another platform that saw an increase was direct online ordering through a restaurant's website. 36% of operators reported using some kind of direct online ordering system, which is a slight increase from 34% the year prior. Meanwhile, platforms like DoorDash and Postmates saw a bit of a decrease in usage.

95%

Use at least one online platform

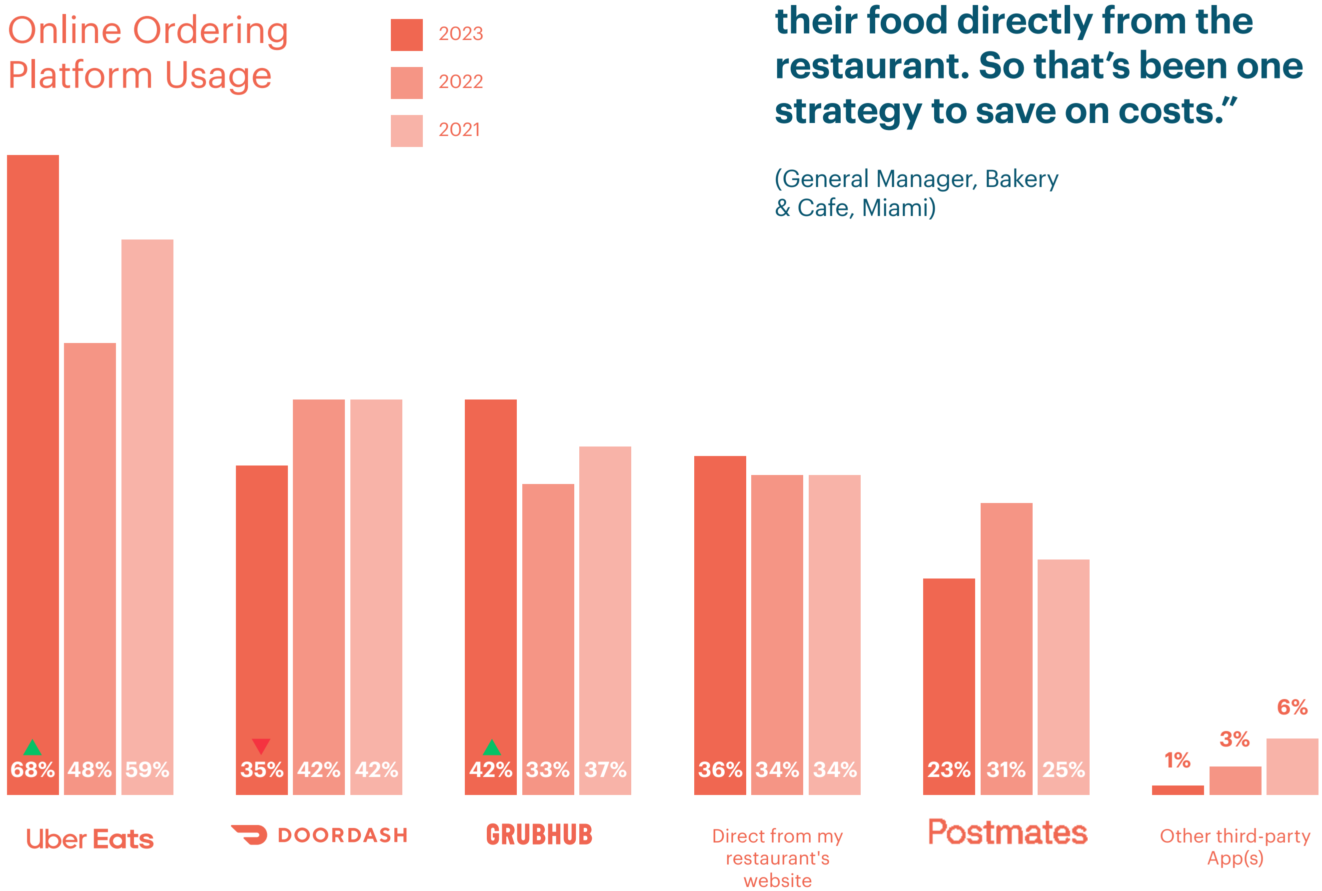
3

Average number of online ordering solutions used

"We're still doing third-party delivery, but now the customer can also come and pick up their food directly from the restaurant. So that's been one strategy to save on costs."

(General Manager, Bakery & Cafe, Miami)

Online Ordering Platform Usage



“Being on third-party sites is important to ensure customers don’t assume that your restaurant has closed. If people don’t see you there right away, then they assume there’s some type of issue and then they go on scrolling. People aren’t spending a lot of time investigating, especially if they have so many other choices.”

(Area Manager, Bar & Grill, Chicago)

Commission Fees Eat Into Profits

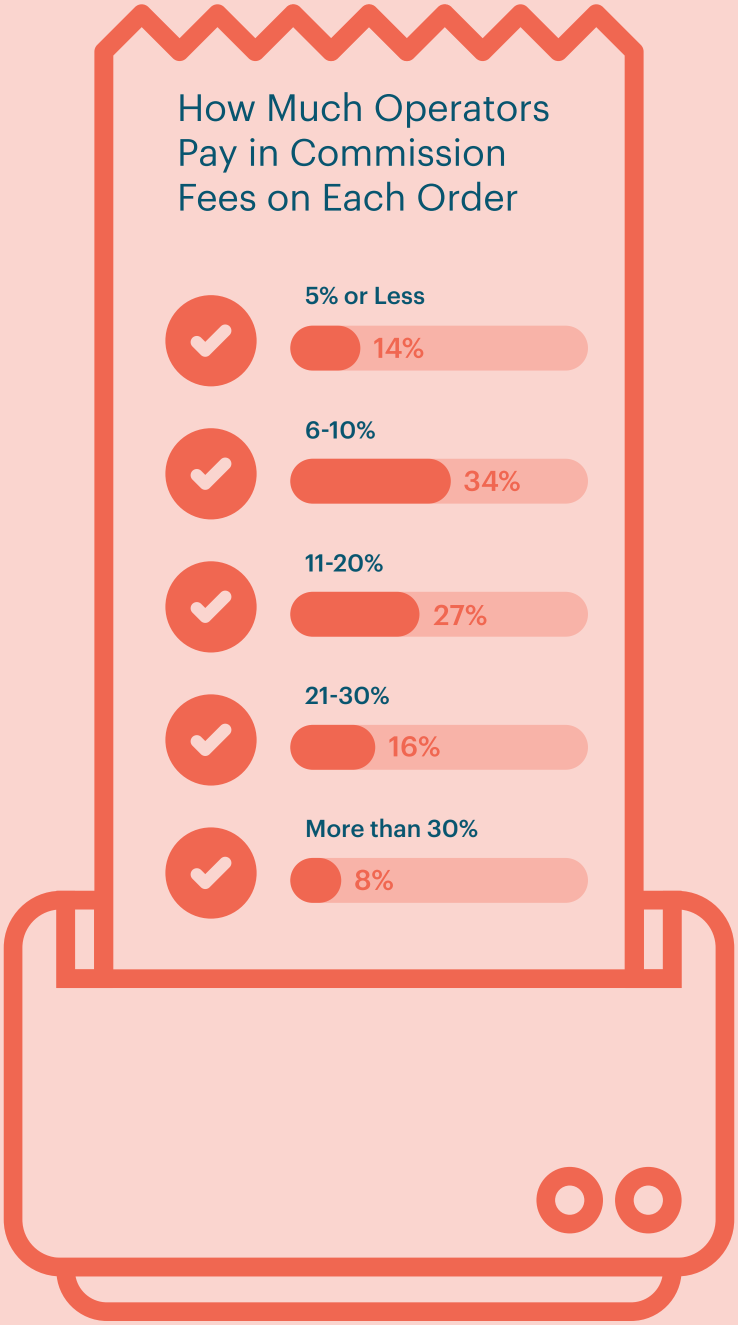
The rise in direct online ordering may be partially due to the fact that these platforms often charge little to nothing in commission fees. This is an attractive offer for operators who currently report paying an average of 15% in commission fees on each online order. And this is just the average. Nearly a quarter (24%) of operators actually report paying more than 20% in commission fees on each order.

Online Ordering Remains Essential

Commission fees aside, online ordering still proves to be an essential revenue-driver for many restaurants. Undoubtedly, consumer demand for takeout and delivery *has* subsided since the height of the pandemic. However, it has never flatlined in the way some experts predicted. In fact, restaurants still report doing nearly a quarter (23%) of their business through online ordering platforms, on average. Even better news, operators report seeing a 17% average increase in overall sales volume since implementing online ordering at their venue – a figure that's unchanged from 2022.

"We incorporated DoorDash so we're able to have a select menu to accommodate those people that don't necessarily want to come into the restaurant, but still want to enjoy our food from their home. But then of course we have to give a percentage to DoorDash as well, so it's not like we pocket all of that."

(General Manager, Family Style, New York City)



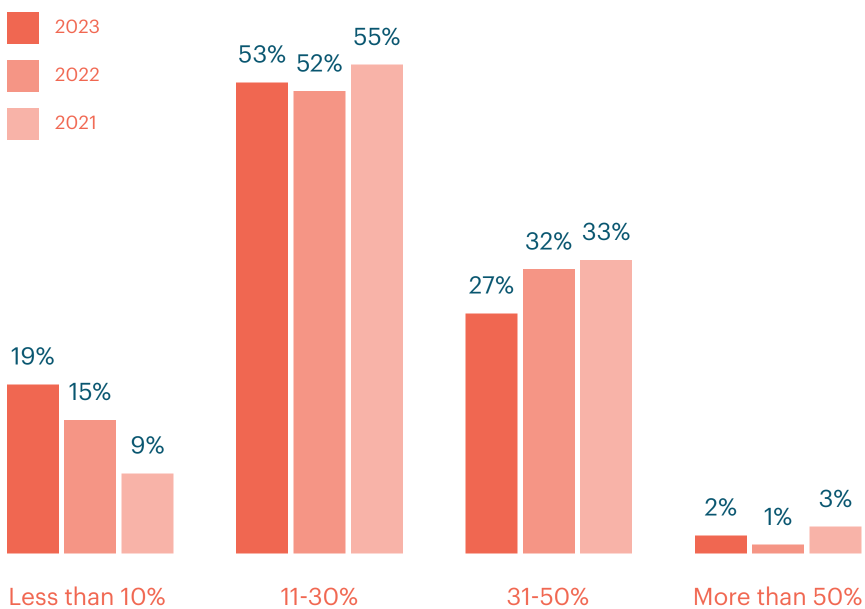
“There’s maybe a little bit less takeout than last year. But then again, I think that's just so much easier to order online now so more people are doing it. More people are back in the office too, so they’re ordering things to-go through our third-party partners again. So overall, I’d say [we’ve seen] similar levels.”

(General Manager, Bar & Grill, Chicago)

23%
Proportion of business done through online ordering, on average

17%
Average increase in sales from online ordering

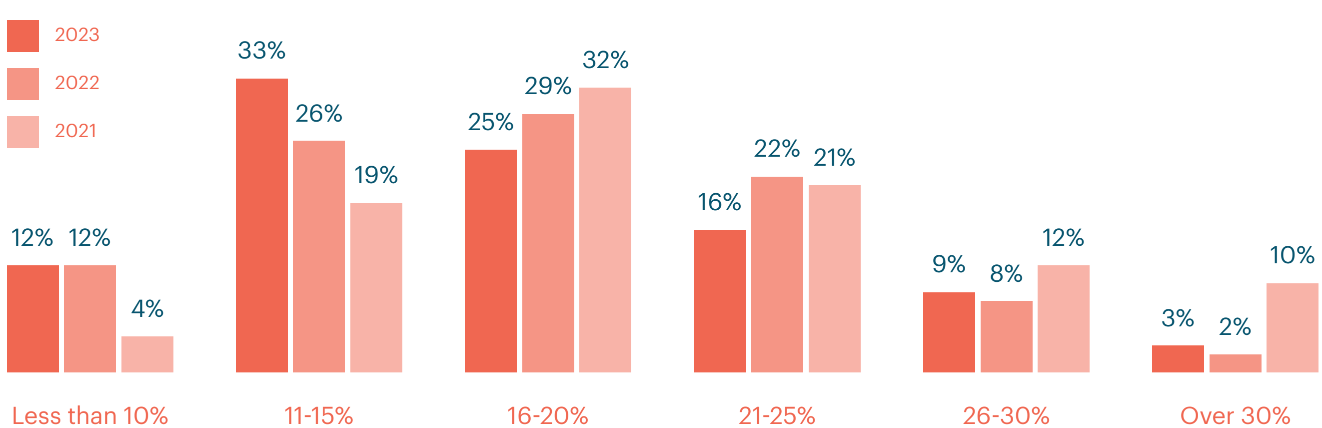
Portion of Business Conducted Through Online Ordering Platforms



Mean sales breakdown by dining channel

	2023	2022
Dine-in	**52%**	48%
Patio	**24%**	24%
Delivery	**21%**	22%
Takeout	**19%**	21%

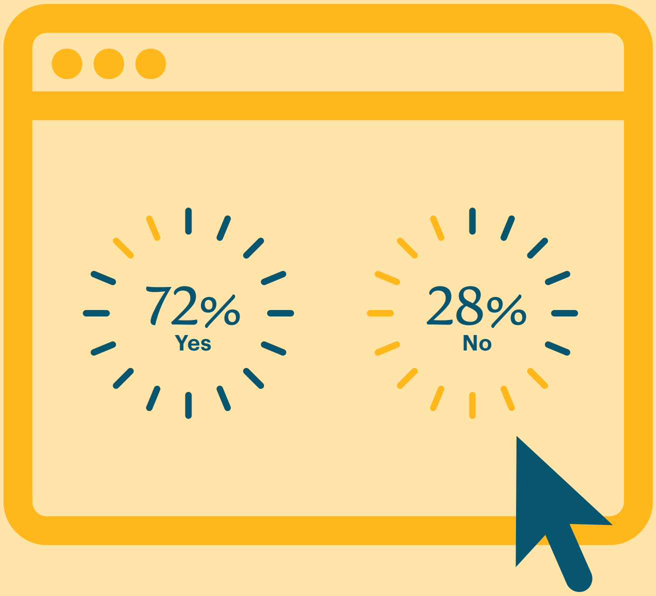
Increase in Sales Volume Since Implementing Online Ordering Platforms



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 many, this is a question of how to keep consumers constantly engaged and which channels are the most effective for them to do so.

Portion that Have a Restaurant Website



Few Restaurants Forego a Website

Perhaps the most important aspect of restaurant marketing is making sure customers can find you. The easiest way to do this is by having a restaurant website and 72% of operators report that they do currently have a dedicated website. Moreover, 94% of operators report that customers can view their restaurant's website from their menu – something that's essential to today's diners and helps with turnover times as guests already know what they want before they walk through the door.

Allow Guests to View Their Menu Online

94% Yes | 5% No

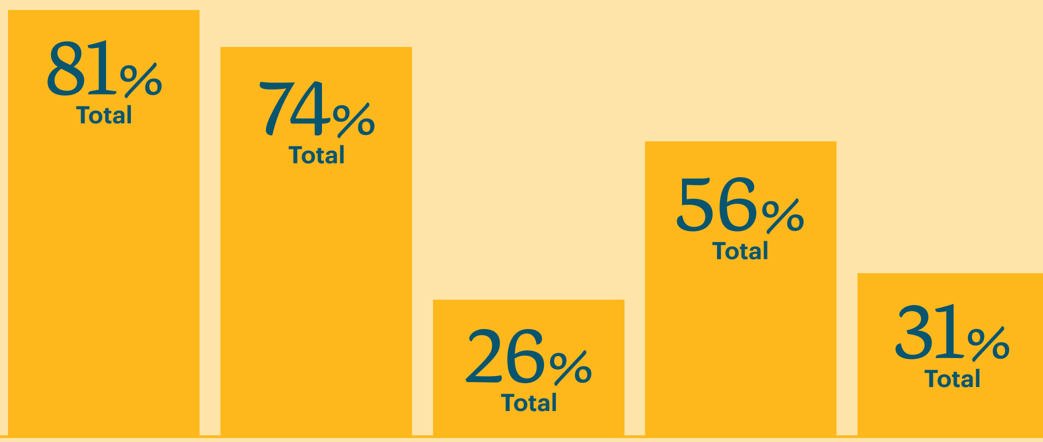
Facebook Reigns Supreme

Though having a website can be a huge help, half the battle for operators is getting their brand in front of the right audience in the first place. And for most, this starts with social media.

Like last year, the most popular social media platform for restaurant promotion remains Facebook, with 81% of restaurants reportedly using the platform. This was followed closely by Instagram, which 74% of operators reported using. And while only about a quarter (26%) of restaurants reported using TikTok, the platform was more popular in certain parts of the country like New York City, Los Angeles, and Chicago.

> **"I think social media has been helpful in bringing new guests in. We're on Facebook and Instagram and it's more local, more specific to our community. That helps a lot."**
>
> (Heberto Portobanco, Owner, Portobanco's Restaurant, Los Angeles)

Social Media Platforms Used for Promotion



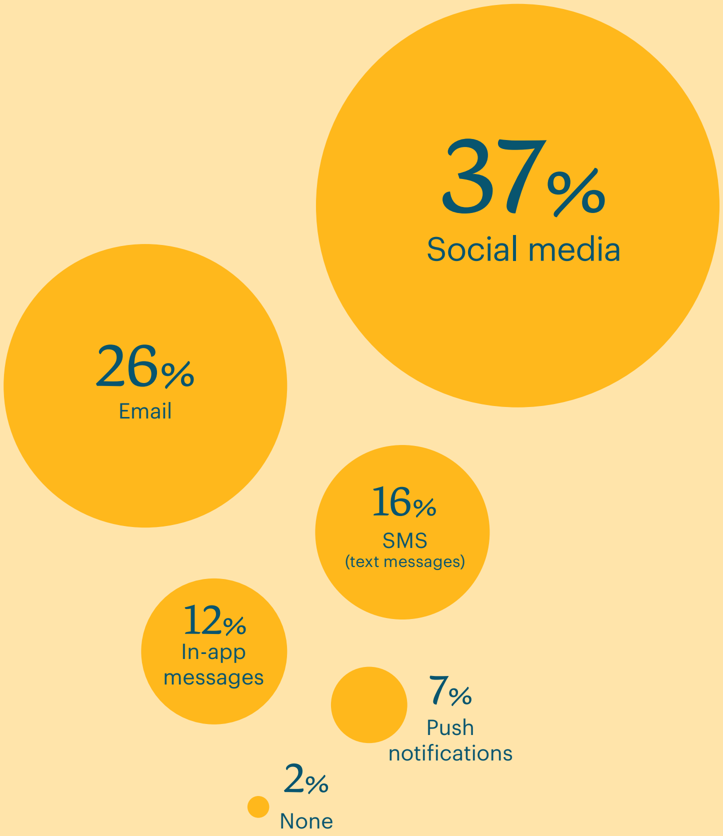
By region	facebook	Instagram	TikTok	twitter	Snapchat
New York City	80%	80%	31%	57%	41%
Los Angeles	78%	71%	33%	55%	36%
Miami	82%	89%	18%	55%	31%
Chicago	88%	53%	33%	68%	18%
Houston	81%	81%	16%	43%	31%

Keeping Followers in the Loop First

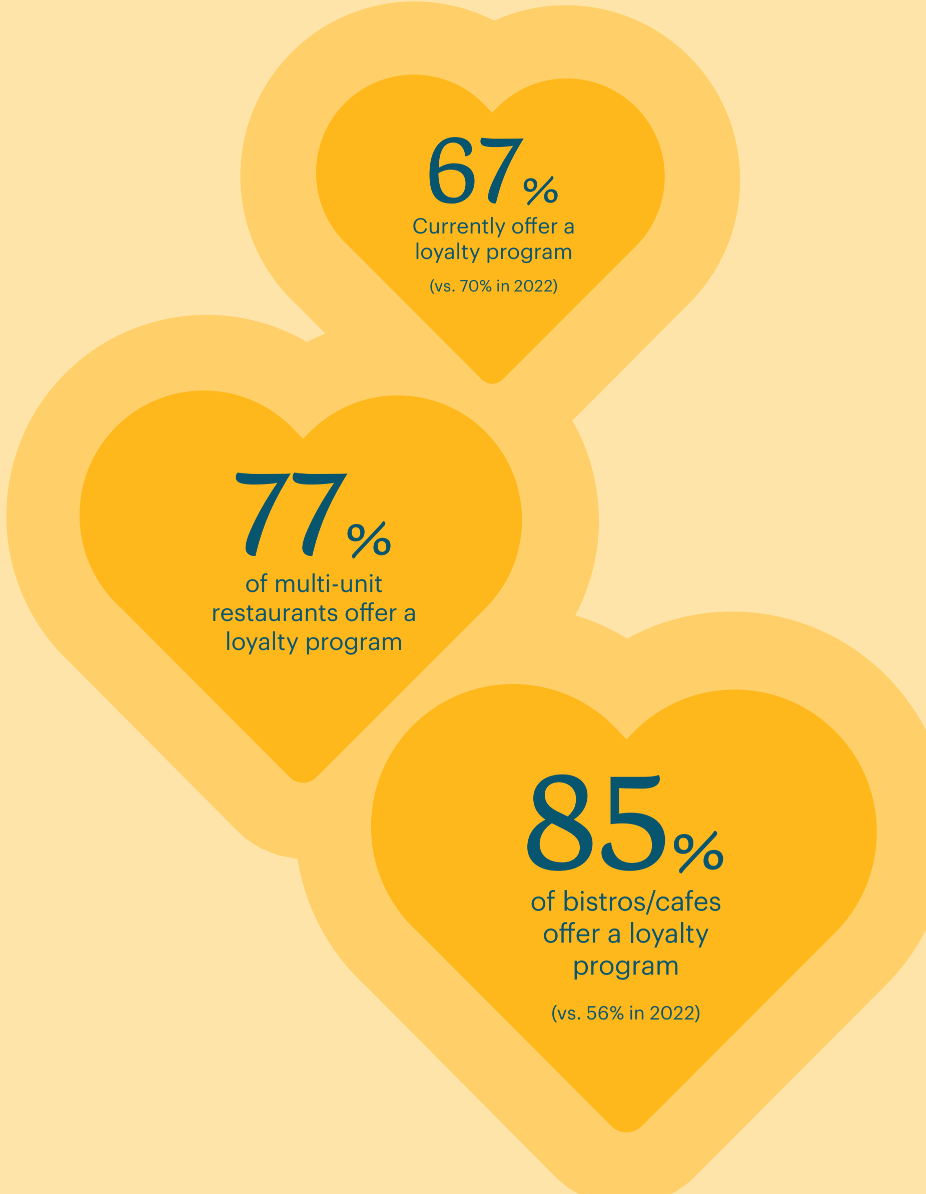
Not only is social media a popular tool for promotion, it's also the number one way that restaurants communicate with their customers, ranking ahead of email, SMS (text messaging), and in-app messages.

Interestingly, those who do use email seem to be using it *a lot*. 40% of operators reported emailing their customers every few days, and more than one-in-five operators (22%) said they were sending emails daily. One of the most popular things to send? Personalized offers. A whopping 64% of restaurateurs reported sending personalized offers to customers, up from just 55% who said the same last year.

Primary Method of Communication with Customers



Use of Marketing Channels to Send Personalized Offers



Marketing Comes With a Big Price Tag

Part of the reason that restaurateurs are leaning more heavily on social media than other channels may come down to the simple matter of cost. Similar to last year, 37% of operators cited the high cost of marketing services/materials as the number one challenge when it comes to marketing. Many also cited the difficulty of getting the right message to the right person, with 22% saying it's their biggest challenge.

Anecdotally, many operators also lament the time and constant creativity that comes with marketing their venue. Not only is it tough to come up with new and exciting content on a regular basis, but there are constantly new apps and trends to stay on top of.

Greatest Marketing Challenge

- **37%** High cost of marketing services/materials
- **22%** Difficulty targeting the right diners with the right message
- **19%** Trouble measuring the performance/ success of marketing campaigns
- **14%** Not enough time to dedicate to marketing efforts
- **8%** None

Loyalty Programs Essential to Customer Retention

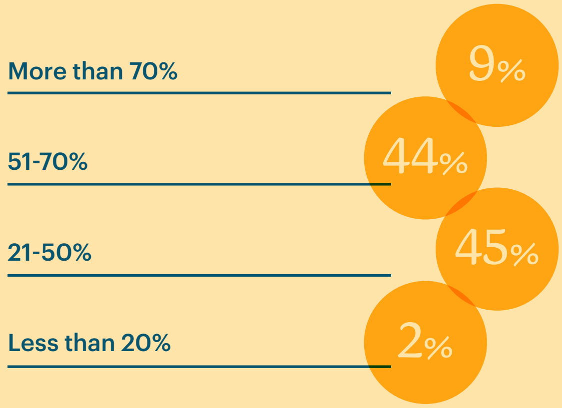
While restaurants are investing heavily in attracting new customers, they're also looking for ways to keep their regulars coming back. And loyalty programs remain one of the best ways to drive repeat visits.

This year, 67% of restaurants reported offering a loyalty program, which was a slight decrease from 70% who said the same last year. Despite the dip, it's clear that loyalty programs are still a popular customer retention strategy for the vast majority of restaurants. Loyalty programs are especially popular at multi-unit restaurants, with 77% of restaurateurs with five to 20 locations saying they offer a loyalty program. Loyalty programs have also proved popular at bistros and cafes, with 85% saying they currently offer a loyalty program – a huge jump from just 52% of bistros and cafes who said the same in 2022.

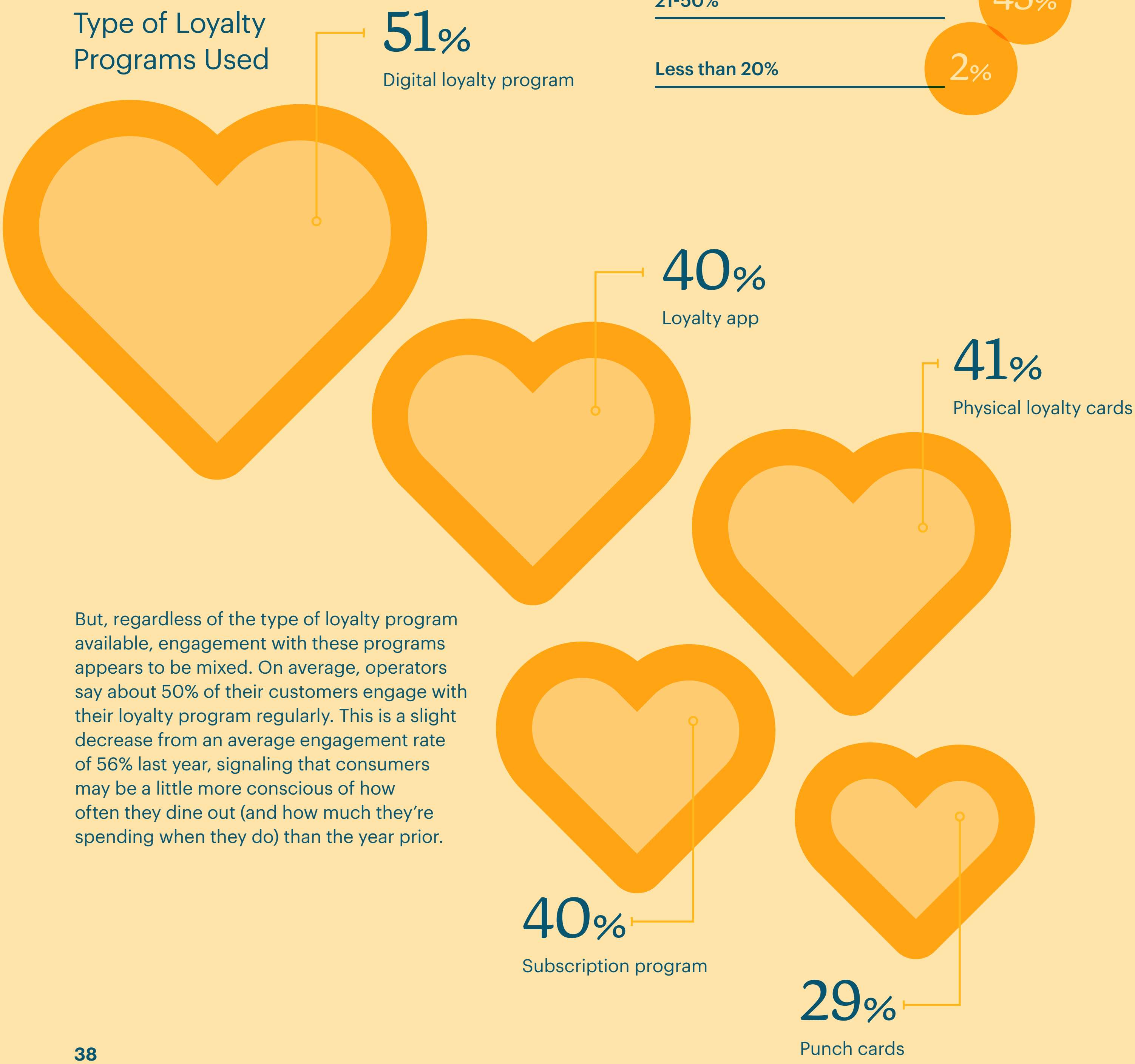
Digital Programs Come Out on Top, But Engagement is Mixed

Of all the different types of loyalty programs available, most restaurants are offering digital loyalty programs, while older, physical types of loyalty programs, like punch cards, are starting to fall out of flavor.

Loyalty Program Engagement



Type of Loyalty Programs Used



But, regardless of the type of loyalty program available, engagement with these programs appears to be mixed. On average, operators say about 50% of their customers engage with their loyalty program regularly. This is a slight decrease from an average engagement rate of 56% last year, signaling that consumers may be a little more conscious of how often they dine out (and how much they're spending when they do) than the year prior.

Gift Cards Offer Easy Wins for Operators

While loyalty programs are more of a long-term play, one quick and easy way to drive revenue is with gift cards. Last year, just 33% of restaurants reported selling gift cards, but now that number has jumped up to 48%. And with the average gift card value clocking in at $56, that's a lot of restaurants enjoying a quick injection of cash.

$56

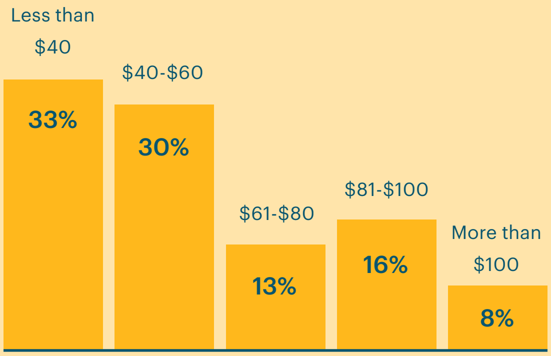
Average gift card value sold

48%

Sell gift cards to their restaurant

(up from 33% in 2022)

Most Common Gift Card Value Loaded in 2023



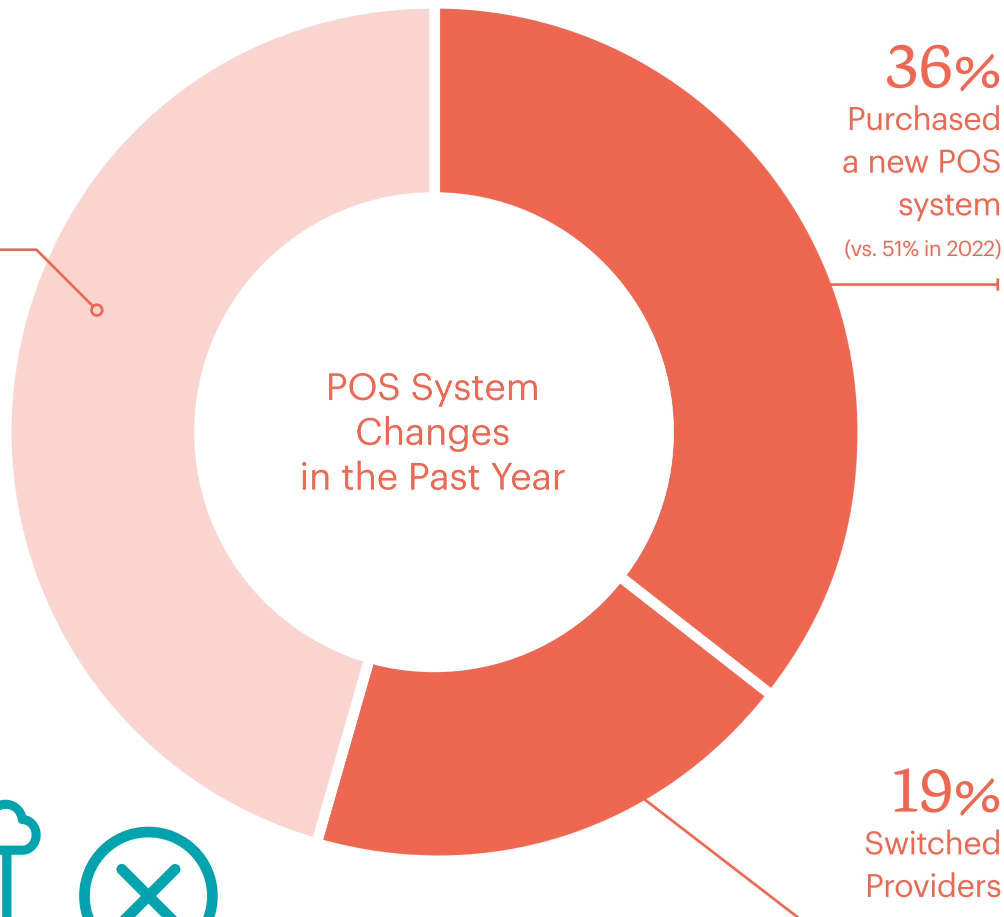
Technology

Faced with a dramatically different industry landscape, many operators have embraced technology as a way to help them keep up with changing consumer expectations. From cloud POS systems to automation, restaurants and technology have never made for a better pairing.

POS Shopping Slows

After a banner year for POS sales, operators seemed more satisfied to stick with their current systems. Only 36% purchased a new system in 2023, versus 51% who reported purchasing a new system in 2022.

The reason for slower sales may be due to the fact that the majority of operators have now upgraded from outdated legacy technology to cloud-based systems. In fact, 76% of operators reported currently using a cloud-based system, versus just 23% who reported using a legacy POS.



Type of POS Operators Currently Use

23% Legacy

76% Cloud-based

1% No POS

Ease of Use is Essential

Among those who are evaluating new POS systems, ease of use is still the number one consideration. However, both price and customer support were also key considerations. In contrast, availability of third-party software fell to the bottom of the list of must-haves, which may be due to the fact that many POS systems now offer in-house solutions for most essential functions, rather than rely on third-party integrations.

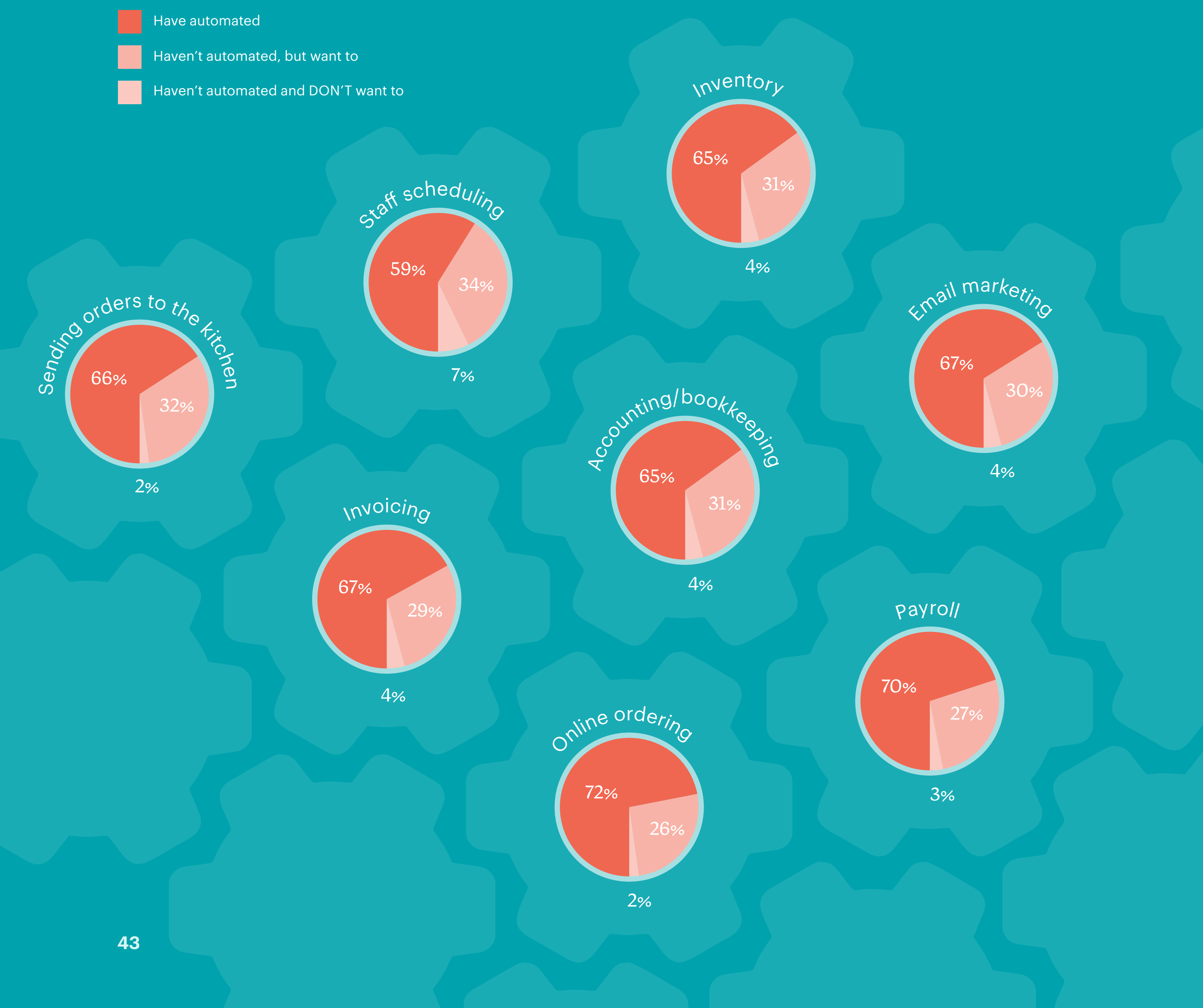
Top Factors Considered When Choosing a POS System

The Age of Automation

While POS shopping may have slowed a bit since last year, one thing that hasn't slowed down is the shift towards automation. Across nearly every aspect of restaurant operations, the majority of operators said they were already employing automation. And those who weren't already onboard the automation train said they wanted to be in the near future.

Overall, online ordering was the most popular form of automation, with 72% of operators already using automation to speed up this task. This was followed closely by payroll, which 70% of operators reported automating. And while the industry has largely adopted automation at a relatively similar rate, multi-unit restaurants with five to 20 locations appear to be the driving force behind the adoption of inventory, accounting, and staff scheduling automations.

Tasks That Restaurateurs Have Automated



Cost of Automation a Potential Barrier

Among operators who haven't yet automated certain tasks, but expressed a desire to do so, the biggest barrier appears to be high upfront costs. System reliability and ongoing costs were also top concerns, suggesting that, for operators new to the world of automation, it's important that any technology they implement be reliable and worth the investment.

Interestingly, very few operators seemed to be confused or overwhelmed by automation. In other words, today's tech-savvy operators are not afraid of new solutions, they just want to make sure the price is right.

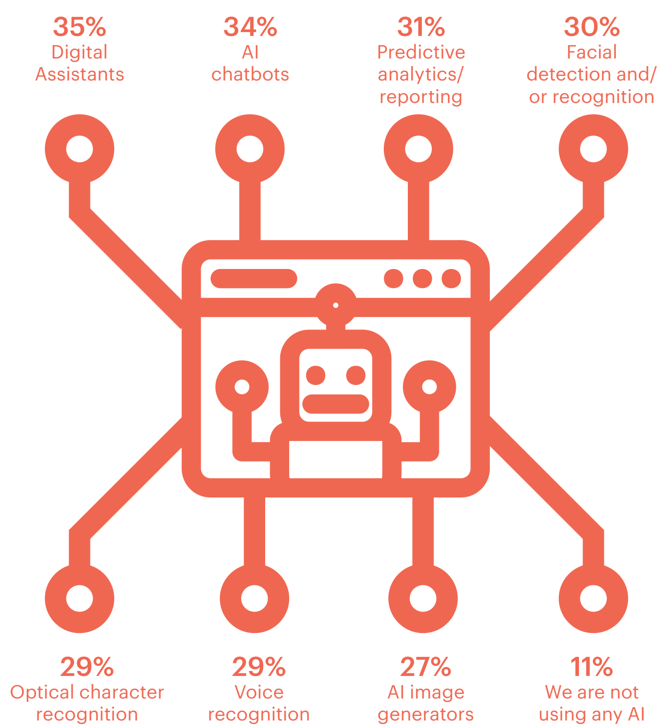
Barriers to Implementing Automation

37%	High upfront costs
36%	Concerned with system reliability
31%	Ongoing expense
26%	Concerned with POS integration
25%	Technology seems too complicated
21%	Business is too small justify the cost of adopting the technology
21%	Haven't had the time to research/purchase
17%	Don't have the time to train staff on how to use automation
14%	Don't know what technology to use
13%	Don't know where to begin

AI Already Mainstream

Perhaps part of the reason operators are unintimidated by automation is that so many of them are already using advanced technology in their restaurants. In fact, a whopping 89% of operators reported using some form of AI in their restaurant, with digital assistants like Alexa and AI chatbots like ChatGPT being the top choices.

Types of AI Used in Restaurants



89% | proportion of restaurants currently using some form of AI

"2023 feels like the year of AI – it seems like everyone's talking about it."

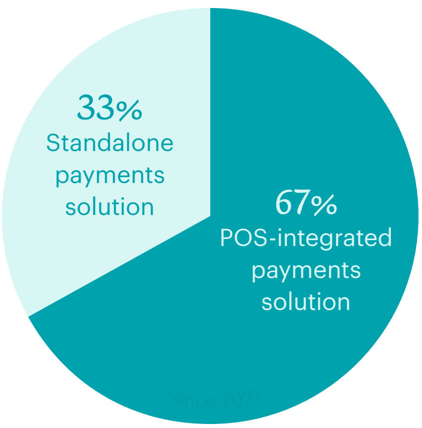
(General Manager/Owner, Family Style, San Francisco)

"The reason we adopted automation was for consistency. It's better for streamlining operations... Kitchen staff get their orders [directly] so they don't lose any orders. That reduces human error and just overall makes for a better, more streamlined experience for everyone at the company."

(General Manager, Bar & Grill, Chicago)

Integrated Payment Processing Preferred

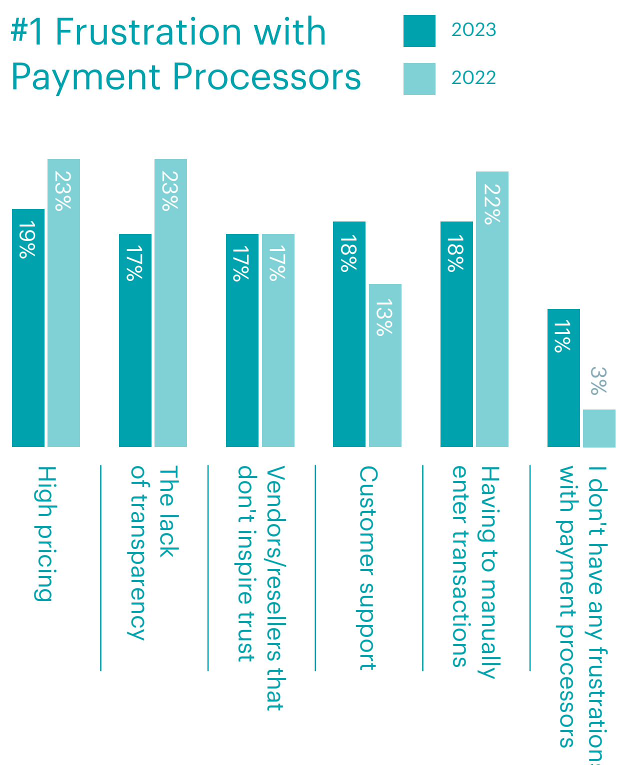
Alongside the POS, payment processing solutions are another important piece of restaurant tech. Like last year, it seems that most operators prefer to pair these two key pieces of technology together, with 67% opting for an integrated payment processing solution, versus just 33% who reported using a standalone payments solution.



No Patience for High Rates or Hidden Fees

Of course, operators still have their challenges when it comes to working with payment processors. This year, high pricing was the number one frustration, followed closely by inadequate customer support and a lack of transparency – something that's unsurprising given the number of companies implementing hidden junk fees in the past year alone.

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

Venues with a POS-integrated payments solution: **high pricing**

Venues with a standalone payments solution: **customer support**

Reservations

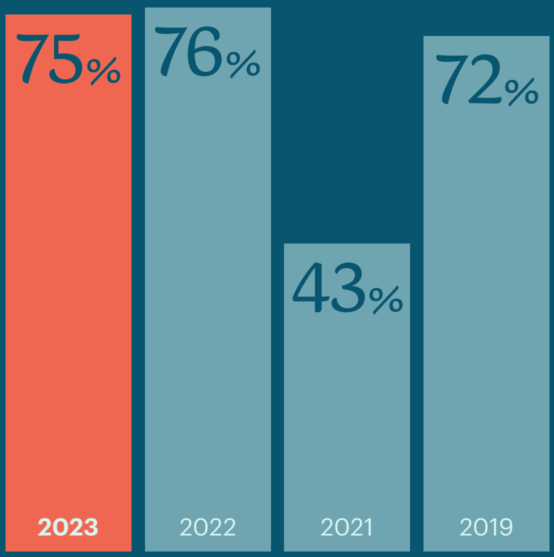
With the roaring return of dine-in, the demand for reservations is up. However, with the economy in a more precarious state than last year, the demand for reservations technology has seen a slight dip.

Reservations are Here to Stay

Similar to last year, restaurants are once again readily accepting reservations. 75% of restaurants reported accepting reservations, which is about the same as last year, but marks a huge increase from the mere 43% who said the same in 2021."

Even better, the average no show rate has shown signs of improvement as well. In 2023, the average no-show rate was just 16%, down from 20% the year prior.

Proportion of Restaurants that Take Reservations



16% Average no-show rate

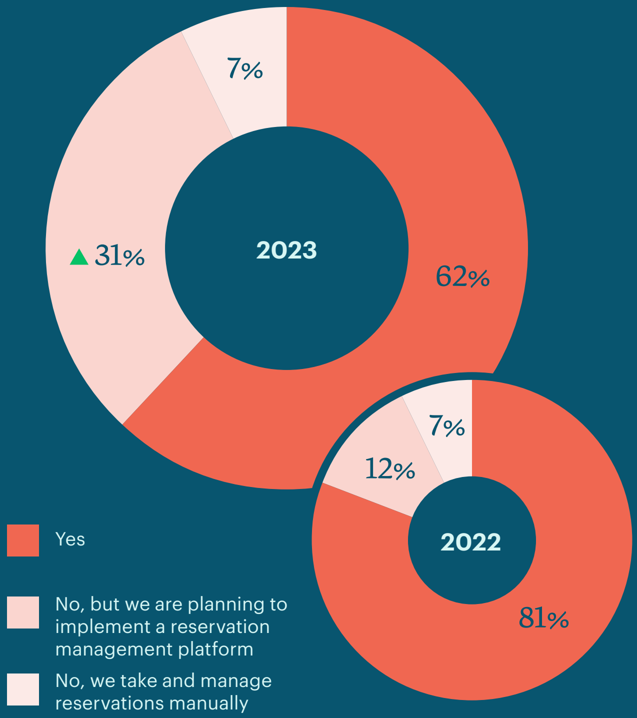
(vs. 20% in 2022)

Reservations Tech Takes a Backseat

But while reservations may be hot, the use of reservations tech has cooled. Last year, 81% of restaurants reported using a reservations platform, but just 62% said the same in 2023. This figure is slightly higher among multi-unit restaurants, with 69% of restaurants with 5-20 locations reportedly using reservations software.

And while 31% said that while they do not currently have a reservations platform, they are looking to implement one. This suggests that while the budget for the tech may not be there right now due to slim profit margins, operators do still see the value in using these platforms.

Proportion Using a Reservations Platform



"One thing that makes life easier is doing reservations and the booking procedure online so it frees up staff. We used to have the person behind the counter in the front who was responsible for taking all the calls and adding everything to the seating book. Now we're able to do a lot of that online and that has really streamlined operations and changed the cost dynamic."

(Area Manager, Bar & Grill, Chicago)

Many Reservation Platforms in Use

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, Resy, and TouchBistro Reservations were also used by a significant portion of venues.

Reservation Platform Used

Among restaurants that use a platform

eat	46%
OpenTable®	38%
yelp®	35%
RESY	28%
TouchBistro | Reservations	17%
tock	14%
Other	1%

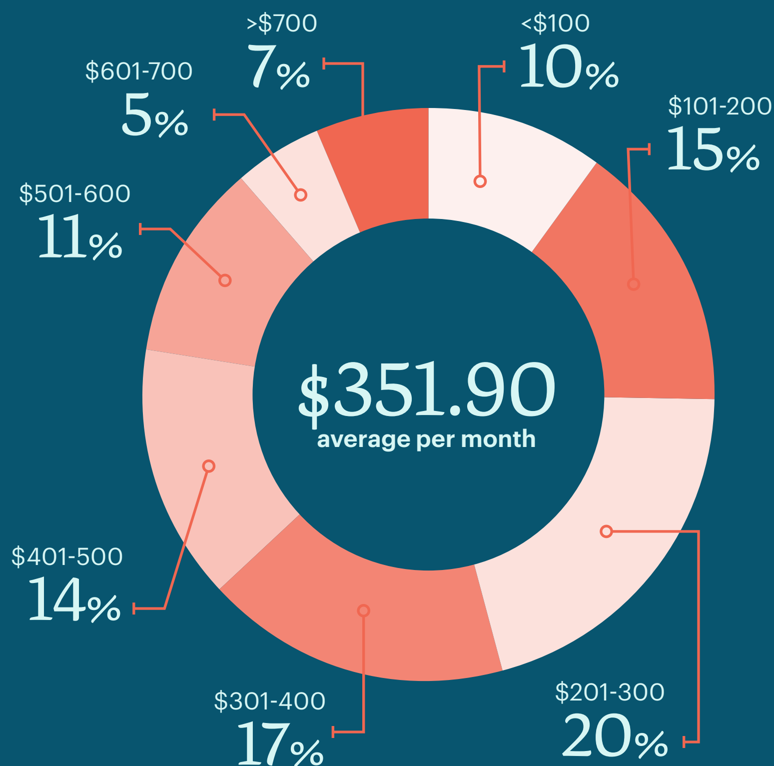
Drop in the Cost of Reservations Tech

Along with a dip in the use of reservations tech there has also been a dip in the average cost of reservation systems. Operators reported spending an average of $351.90 per month on their reservations platform in 2023 – a figure that represents a 12% drop from the year prior when the average cost was $399.60 per month.

Call-In Remains King

For the most part, the phone still remains the number one way that restaurants accept bookings. Operators reported that about 41% of their bookings are made over the phone, on average, which is still significantly more than any other channel. Though taking reservations via phone works well for restaurants that can dedicate a staff member to taking calls, the 31% of operators interested in adding a digital reservations platform suggests there may be some limitations of relying on the phone.

Spend on Reservation Platforms per Month



Proportion of Reservations Made Via Each Channel On Average

Phone	Walk-in	Google	Restaurant's website	Third-party platform
41%	19%	12%	15%	13%

Top Trends

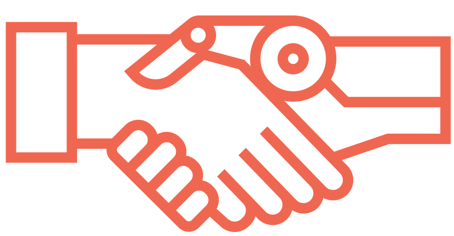
From changes in diner habits to a shift in staff sentiment, our findings have revealed several trends that can help operators navigate the year ahead.

Here are five emerging trends to keep an eye on in 2024.

1 Automation Nation

While restaurants have been slowly embracing automation for several years now, 2023 seemed to mark a tipping point when it comes to the widespread adoption of the technology. The vast majority of operators reported automating everyday tasks like payroll, staff scheduling, and inventory. But, even more impressive, a whopping 89% said they were already using some form of AI in their business.

Whether operators like it or not, it's clear that automation and other forms of restaurant tech are here to stay – Taco Bell is already using AI to predict how much product managers should order every week and DoorDash recently introduced an AI-powered voice ordering solution. With this inevitable reality in mind, operators who are still watching from the sidelines should take this moment to start exploring what these solutions can do for their businesses. And for those who are ready to go all in, there may be major gains in terms of efficiency and time saved – gains that bigger restaurant brands are already experiencing.



"Automation has not only saved money, but it's also made us more efficient."

(Area Manager, Bar & Grill, Chicago)

"We actually have a chatbot on our website that helps answer people's questions, like the price of goods, what type of menu we offer. We implemented this because of how effective and how efficient it is when people ask questions. It's really helped us because instead of coming to the restaurant and asking questions, people can just go to the bot and it'll answer some of their frequently asked questions for them."

(General Manager, Family Style, Los Angeles)

2 360-Degree Engagement

While the use of automation may be on the rise, it's important to note that this should never replace the human touch of restaurant dining. In fact, there are signs that that human connection is now *essential* to the dining experience and it starts long before the customer even walks through the door. Whether it's a website, loyalty program, or social media platform, our findings suggest that operators are increasingly looking for ways to build and strengthen connections with their guests.

And while using multiple different channels to try to engage with guests may seem like an inefficient way to connect, it's actually the perfect strategy. Guests have different needs at different times and taking an omni-channel approach to guest engagement ensures that restaurants can meet each one of those needs. This strategy helps operators keep their restaurant top of mind, all the time.

"We check our reviews a lot to see what customers are saying – what their preferences are, what's trending. We take that into consideration whenever we change our menu."

(General Manager, Fine Dining, Atlanta)

"We have a social media presence – Facebook, Instagram, and TikTok is a new one. We also do email marketing where we send out eblasts about our specials and things like that. I'm also trying to take more advantage of our online ordering."

(Area Manager, Bar & Grill, Los Angeles)

3 Innovative Menus

While there are some vestiges of the pandemic era that operators have been quick to abandon, one thing that has remained is non-traditional restaurant menus. Though restaurants would have been an unlikely place to pick up pantry staples and prepared meals just a few years ago, consumers are readily grabbing these items from their favorite local venues. These non-traditional menu items not only add new revenue streams, but in some cases, they may also be cheaper and more efficient to produce.

Many operators have been clever enough to keep these unorthodox items on the menu, with nearly half (45%) of operators currently selling prepared foods to go, 42% offering grocery items, and 39% selling merch. Other operators should take note of this shift and not be afraid to expand beyond their core menu. Indeed, an unorthodox menu just might be the perfect recipe for success.

“Nowadays, [guests] are getting something we call the ‘economic package,’ which is some good quality items like our big boost salad for a fair price. We also have our discount for family orders. We’re trying to balance the equation and communicate to the public that we're still offering some of these good food items of good quantity at a fair price.”

(General Manager, Family Style, Los Angeles)

“My sister's friend is actually a pastry chef and we've tapped her to essentially be our pseudo pastry chef. She only comes in once a week to do it, but it has allowed us to expand our dessert menu – we never had a dessert menu before now. It’s been very successful for us, especially with to-go orders. Some customers even just order dessert!”

(Owner, Family Style, San Francisco)

4 Putting Staff First

From a labor standpoint, 2023 was a relatively good year for operators. Just 82% of operators said they were short one or more staff members, which is far better than the 97% who said the same just last year. Better still, the average cost of training a new staff member fell 8% from the year prior.

But while the staffing crisis easing up, *is* good news for operators, this is not the time to turn attention away from staffing. Even with operators offering higher wages and better benefits, staff turnover remained high at 28%. It's overwhelmingly clear that many restaurant workers are still not fully satisfied and are looking for more than just a wage bump. This is a sentiment that's shared across the country and is evident in the organized labor movements sweeping every industry from Hollywood to health care. Indeed, union support is at its highest point in nearly 60 years, and operators would be remiss not to re-evaluate the needs and desires of their own staff.

"I've tried my best to make sure that my employees haven't been affected because that's the culture of my restaurant. I really want them to always feel like family and I don't want their pockets to be affected. So I try my best not to let any of our financial strain impact our employees."

(General Manager, Family Style, New York City)

"We spend so much time training and getting the right people in for the right roles because it has an impact on the quality and consistency of the service. When you get someone who's been there for a while and they know our way of doing things, then people can get more of that consistent experience (as opposed to when it's constantly new people). That's something we read on the reviews all the time – that things tend to be off because it's a newer person that might have just made a mistake or had not known the right thing to do at that time."

(General Manager, Bar & Grill, Chicago)

5 Future-Proof POS Systems

2023 signaled a major shift in POS buying habits and a much larger trend of investing in future-proof technology. As the data reveals, operators have become much more intentional about buying POS systems than in the past, with only 55% changing their system in the past year (compared to 76% who said the same last year). Indeed, operators are no longer viewing POS systems as one piece of tech they can swap in and out with ease, but rather an integral part of their operation that must be chosen with care. This is exemplified by the fact that operators are prioritizing long-term considerations like ease of use, system reliability, and customer support, over shorter-term considerations like price and online reviews.

And this decision to invest in essential technology now is a smart one. As many restaurateurs are acutely aware, the economy remains somewhat unstable and there are real concerns about the instability that may come along with the 2024 election. By investing in comprehensive, cloud POS systems that support all facets of restaurant operations, restaurateurs are setting their businesses up to adapt and respond to whatever challenges lie ahead.

"We're always looking into it at the corporate level, but we'd have to factor in the implementation and re-training costs of a new POS system. There'd have to be a major shortfall with our current system or a major upgrade with a new one for us to seriously consider a change."

(General Manager, Bar & Grill, Chicago)

"We just changed POS providers at the beginning of July. The new one is much more user-friendly, which is important because my staff were getting confused. Now everything is self-explanatory. I also like that everything is all in one place. It connects to our payroll system so I can see everything at once and employees can access their tips."

(General Manager, Family Style, New York City)

Conclusion

Running a restaurant has never been easy, but it proved to be especially challenging in 2023. With food costs still a major source of strain, operators saw their profits take a hit. In turn, many took the opportunity to reevaluate their businesses' needs, carefully considering everything from whether to purchase a new POS system to how much they should raise staff wages. In short, it was a year characterized by a lot of regrouping and reorienting of business priorities.

But while 2023 certainly had its challenges, for many operators, their biggest obstacles are finally behind them. No longer in survival mode, now operators can begin looking ahead to some of the exciting shifts on the horizon. Automation is alleviating the burden of time-consuming tasks like bookkeeping, payroll, and staff scheduling, giving operators hours of their day back. And thanks to cloud POS systems, running a restaurant is infinitely more flexible than in years prior. Even AI presents incredible potential for improving day-to-day operations and most operators are embracing all of these technological advancements with open arms.

Though 2024 is guaranteed to come with its own set of challenges, this openness and willingness to leverage the incredible power of technology is sure to give operators the competitive edge they need to continue growing. And growth is indeed on the agenda, with nearly half of operators planning to add new revenue streams, new locations, and new business opportunities.

“The cost of doing business has gone up, but we also have a lot of full tables so business has been good. It's really amazing that even with all the worries about the economy and everything going on in the world, people still want to go out and have a good meal.”

(Area Manager, Bar & Grill, Chicago)

TouchBistro

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.

Learn More

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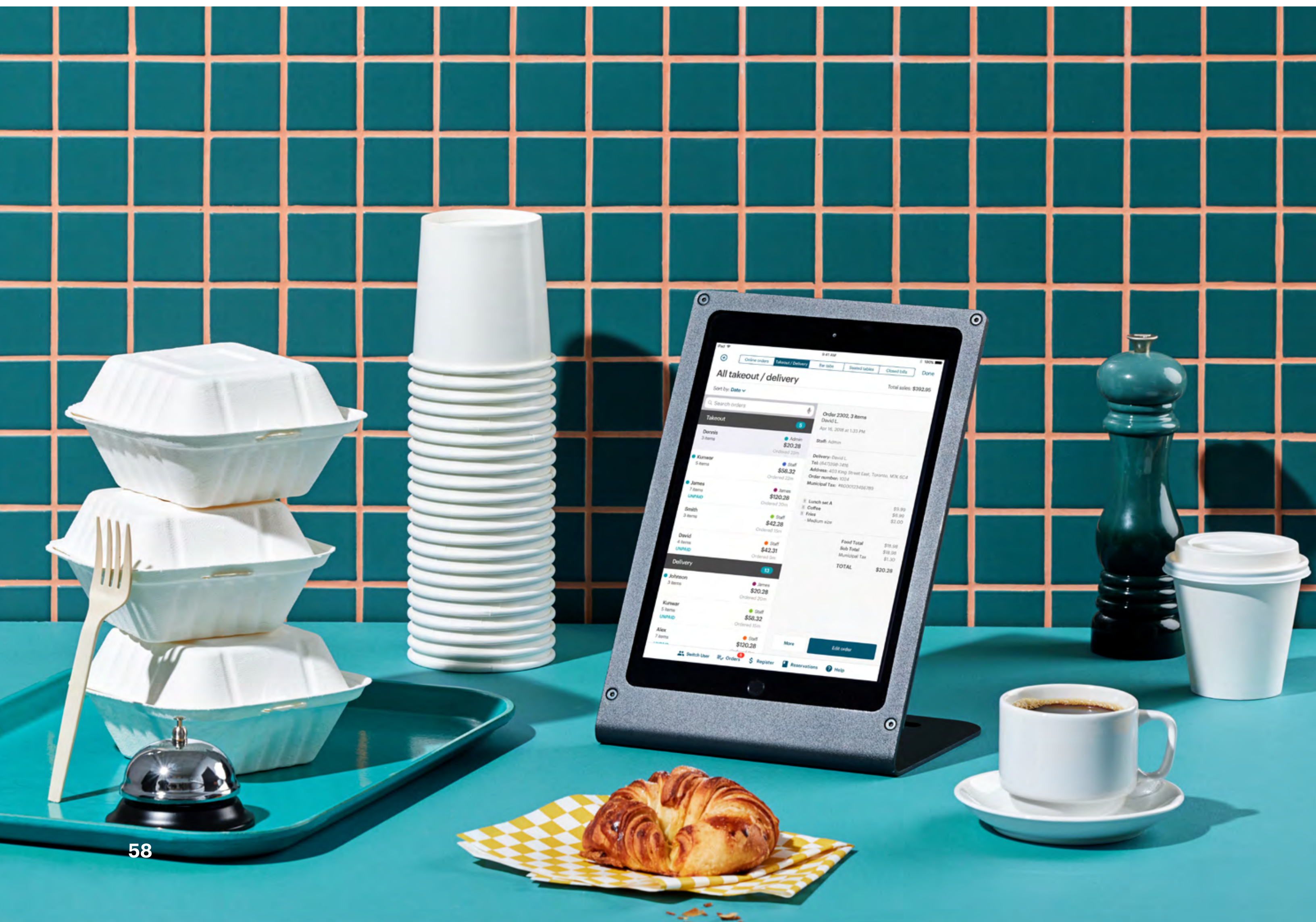
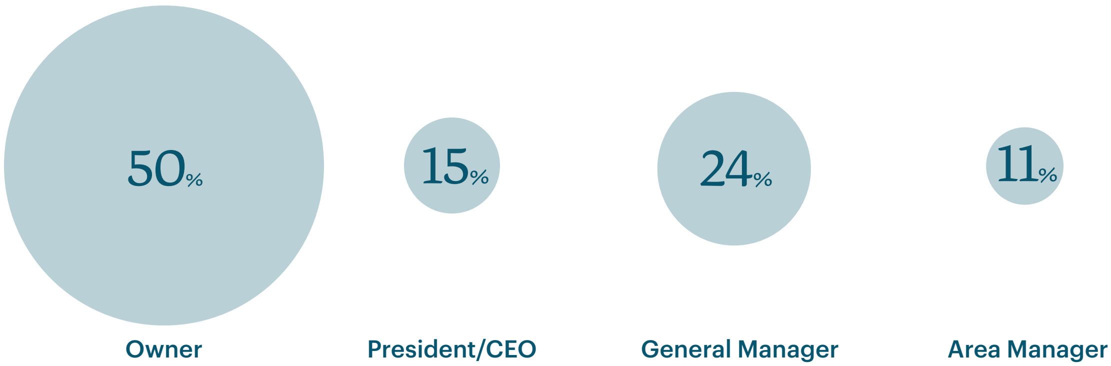
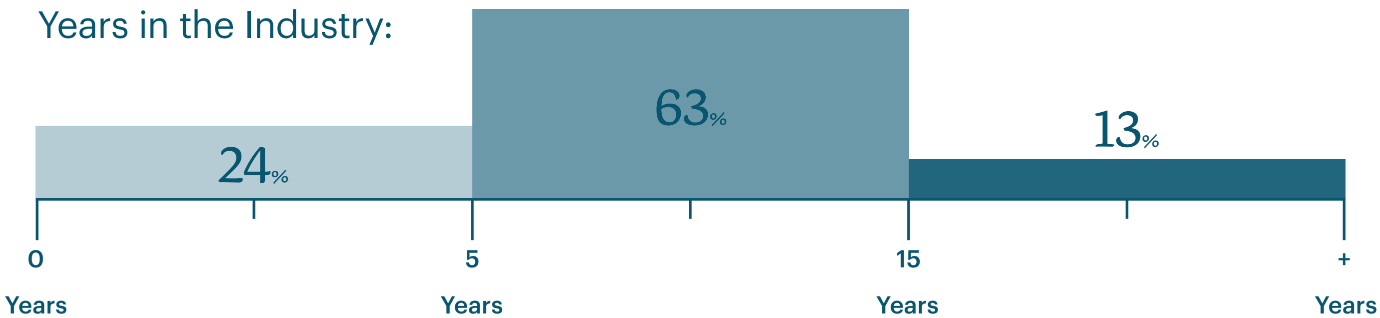


Respondent Profile

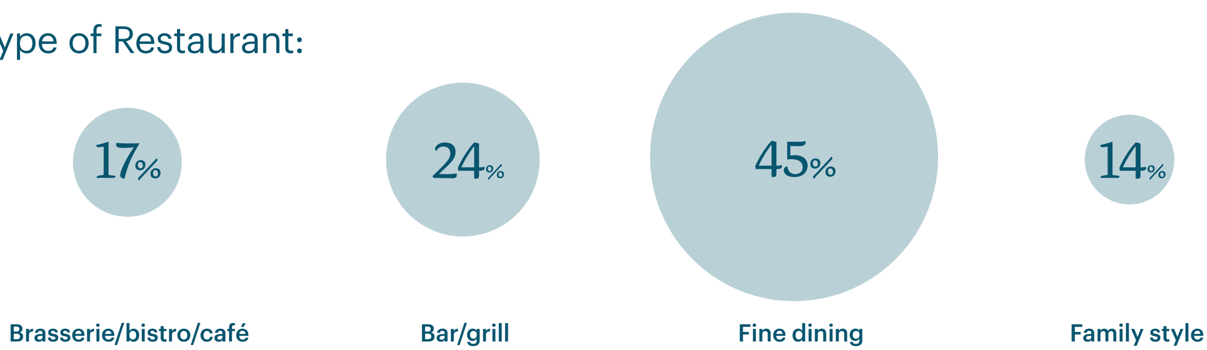
Current Role:



Years in the Industry:



Type of Restaurant:



Size of Restaurant:

3%	33%	50%	10%	3%
<20 Seats	21-40 Seats	41-80 Seats	81-120 Seats	120+ Seats

Respondent Profile

Dining Options Offered:

92% Indoor dining / dining room

87% Takeout / curbside pickup

83% Outdoor dining/patio

72% Delivery

Number of Locations:

25% **Just 1 location**

46% **2-4 locations**

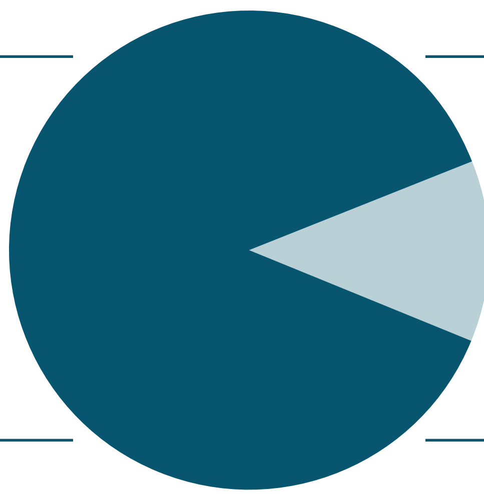
22% **5-10 locations**

5% **11-15 locations**

2% **16 or more locations**

Independent vs. Chain:

88% **Independent**



Part of a restaurant group 12%

Annual Revenue:

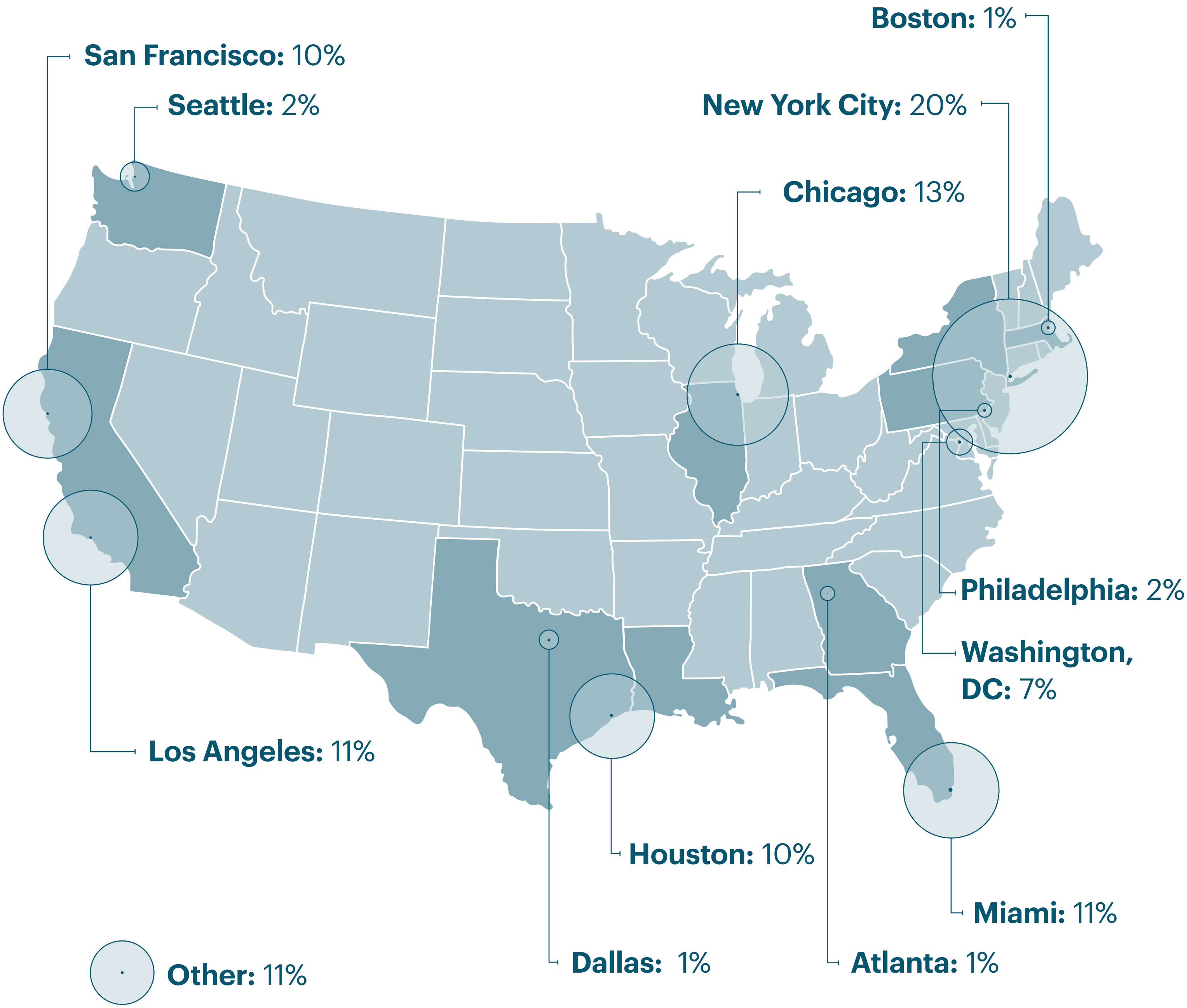
15% <$1M

39% $1M-2M

46% $2M+

Respondent Profile

Location



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