Restaurant Business Conditions Survey

Key Findings – December 2022

Key Findings

To assess business conditions in the restaurant industry, the National Restaurant Association Research Group fielded a survey of 3,000 restaurant operators in November 2022. This report contains the key findings of the survey.

Elevated costs continue to negatively impact restaurants

- A strong majority of operators say food, labor and energy/utility costs are a significant challenge for their restaurant:

Percent of operators who say the following items are a significant challenge for their restaurant

	All restaurants	Fullservice segment	Limited-service segment
Food costs	**92%**	92%	93%
Labor costs	**89%**	90%	87%
Energy and utility costs	**63%**	67%	58%

Notes: Survey respondents were asked if each item poses 'a significant challenge,' 'a moderate challenge' or 'little to no challenge' for their restaurant. Limited-service includes quickservice, fast casual and coffee/snack concepts.

- Restaurants took a number of actions in recent months as a result of higher costs:
  - 87% of restaurants increased menu prices, while 59% changed the food and beverage items that it offered on the menu
  - 48% of restaurants reduced hours of operation on days that it is open, while 32% closed on days that it would normally be open
  - 38% of operators say they postponed plans for expansion
  - 35% of operators say they stopped operating at full capacity
  - 32% of restaurants cut staffing levels, while 19% postponed plans for new hiring
  - 21% of operators say they incorporated more technology into their restaurant
  - 13% of operators say they eliminated third-party delivery

Actions taken by restaurants in recent months as a result of higher costs

Action taken	All restaurants	Fullservice segment	Limited-service segment
Increase menu prices	87%	89%	86%
Change menu items	59%	70%	48%
Reduce hours of operation on days that it is open	48%	49%	46%
Postpone plans for expansion	38%	34%	43%
Not operate at full capacity	35%	36%	34%
Reduce the number of employees	32%	29%	35%
Close on days that it would normally be open	32%	36%	27%
Incorporate more technology	21%	21%	21%
Postpone plans for new hiring	19%	18%	21%
Eliminate third-party delivery	13%	16%	10%

Notes: Limited-service includes quickservice, fast casual and coffee/snack concepts. Multiple responses were allowed.

15% of restaurants are adding fees or surcharges to checks as a result of higher costs

- 15% of operators say their restaurant is currently adding fees or surcharges to customer checks as a result of higher costs.
    - ➢ This action is similarly common across segments: 17% of fullservice operators and 14% of limited-service operators say they are currently adding fees or surcharges to customer checks.
- Among restaurant operators that are currently adding fees or surcharges to customer checks, 81% say they think it will likely be necessary to continue doing so for more than 1 year. 8% expect to continue adding fees or surcharges for another 7 to 12 months, while only 11% expect this practice to continue for less than 6 months.

Duration that restaurant operators expect the fees or surcharges will be necessary

Duration of fees or surcharges	All restaurants	Fullservice segment	Limited-service segment
Less than 3 months	3%	2%	4%
4 to 6 months	8%	5%	12%
7 to 12 months	8%	7%	9%
More than 1 year	81%	86%	75%

Base: Restaurant operators that are currently adding fees to surcharges to customer checks.
Note: Limited-service includes quickservice, fast casual and coffee/snack concepts.

Profitability is expected to remain challenged in 2023

- Despite the wide variety of mitigating actions taken to address higher costs, a strong majority of restaurants do not expect their profitability to improve in 2023.
    - ➢ Only 16% of operators think their restaurant will be more profitable in 2023 than it was in 2022. Fully 50% think they will be less profitable in 2023, while 34% expect their profitability to remain about the same.

Supply chain disruptions continue to impact restaurants

- Like many sectors in the economy, restaurants continue to be impacted by disruptions in the supply chain. 96% of operators say their restaurant experienced supply delays or shortages of key food or beverage items during the past 6 months.
    - ➢ For many restaurants, these supply challenges impacted menu offerings. Among operators that experienced supply delays or shortages of food items during the past 6 months, 76% say they made changes to their menu offerings as a result.
    - ➢ 82% of fullservice operators and 70% of limited-service operators say they made changes to their menu offerings as a result of food or beverage supply delays or shortages.
- It isn’t just food and beverage items that are being impacted. 78% of operators said they experienced supply delays or shortages of equipment or service items in recent months.

More than 6 in 10 restaurants are understaffed

- Although the industry added back many of the jobs lost during the pandemic, a majority of restaurants remain understaffed. 62% of operators say their restaurant currently does <u>not</u> have enough employees to support its existing customer demand.
  - ➢ A majority of both fullservice operators (63%) and limited-service operators (61%) say their restaurant does not have enough employees to meet customer demand.
- For most restaurants, staffing is significantly below necessary levels. Among restaurants that are currently understaffed, 66% of operators say their restaurant is more than 10% below necessary staffing levels. 27% of operators are currently more than 20% below necessary staffing levels.
  - ➢ 26% of fullservice operators say their restaurant is currently more than 20% below necessary staffing levels.
  - ➢ 28% of limited-service operators say their restaurant is more than 20% below required staffing levels.

Operators' reporting of how understaffed their restaurant is

Restaurant segment	1% to 5% below necessary levels	6% to 10% below necessary levels	11% to 15% below necessary levels	16% to 20% below necessary levels	More than 20% below necessary levels
All Restaurants	**7%**	**27%**	**21%**	**18%**	**27%**
Fullservice segment	7%	26%	21%	20%	26%
Limited-service segment	7%	27%	21%	16%	28%

Base: Restaurants that currently do not have enough employees to support their existing customer demand.
Notes: Limited-service includes quickservice, fast casual and coffee/snack concepts.

Restaurants will continue expanding payrolls – unless business conditions deteriorate

- 79% of operators say their restaurant currently has job openings that are difficult to fill.
  - ➢ A majority of both fullservice operators (83%) and limited-service operators (75%) say their restaurant has job openings that are difficult to fill.
- Most restaurant operators will be actively looking to boost staffing levels in 2023. 87% of restaurant operators say they will likely hire additional employees during the next 6-12 months if there are qualified applicants available.
  - ➢ A strong majority of both fullservice operators (90%) and limited-service operators (85%) say they will likely hire additional employees during the next 6-12 months if there are qualified applicants available.
- At the same time, restaurant operators will continue to balance staffing needs with business conditions. 57% of operators say they would be likely to lay off employees during the next 6-12 months if business conditions deteriorate and the U.S. economy enters a recession.
  - ➢ A majority of both fullservice operators (59%) and limited-service operators (55%) say they would be likely to lay off employees during the next 6-12 months if business conditions deteriorate.