Restaurant Business Conditions Survey

Key Findings – August 2022

Key Findings

The National Restaurant Association Research Group conducted a survey of 4,200 restaurant operators between July 14 and August 5, 2022. This report contains the key findings of the survey.

Soaring costs across all parts of the business are creating challenges for restaurant operators

- A strong majority of operators say their costs are higher now than they were before the pandemic:
  - 88% of operators say their total food and beverages costs are higher than 2019
  - 86% of operators say their total labor costs are higher than 2019
  - 65% of operators say their total occupancy costs are higher than 2019
  - 80% of operators say their total utility costs are higher than 2019
  - 94% of operators say their other operating costs (supplies, G&A, etc.) are higher than 2019
- Restaurants took a number of actions in recent months as a result of higher costs:
  - 91% of restaurants increased menu prices, while 65% changed the food and beverage items that it offered on the menu
  - 60% of restaurants reduced hours of operation on days that it is open, while 38% closed on days that it would normally be open
  - 44% of operators say they postponed plans for expansion
  - 40% of operators say they stopped operating at full capacity
  - 40% of restaurants cut staffing levels, while 29% postponed plans for new hiring
  - 24% of operators say they incorporated more technology into their restaurant
  - 16% 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	**91%**	92%	91%
Change menu items	**65%**	73%	57%
Reduce hours of operation on days that it is open	**60%**	63%	58%
Postpone plans for expansion	**44%**	39%	48%
Reduce the number of employees	**40%**	40%	41%
Not operate at full capacity	**40%**	42%	38%
Close on days that it would normally be open	**38%**	45%	32%
Postpone plans for new hiring	**29%**	26%	33%
Incorporate more technology	**24%**	23%	24%
Eliminate third-party delivery	**16%**	17%	15%

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

1 in 6 restaurants are adding fees or surcharges to checks as a result of higher costs

- 16% 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 16% 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, 75% say they think it will likely be necessary to continue doing so for more than 1 year. 16% expect to continue adding fees or surcharges for another 7 to 12 months, while only 9% 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	1%	2%	1%
4 to 6 months	8%	5%	11%
7 to 12 months	16%	13%	18%
More than 1 year	75%	80%	70%

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 down from pre-pandemic levels

- Despite the wide variety of mitigating actions taken to address higher costs, the vast majority of restaurants are less profitable now than they were before the pandemic.
    - ➢ 85% of operators say their restaurant is less profitable now than it was in 2019 before the pandemic. Only 6% of operators say their restaurant is more profitable, while 9% say their profitability has remained about the same.

Restaurant operators expect business conditions to remain challenging

- Business conditions deteriorated in recent months, according to many restaurant operators. 46% of operators say business conditions for their restaurant are worse now than they were 3 months ago. Only 16% say business conditions improved during the last 3 months.
- Looking further down the road, most restaurant operators do not expect a return to normal business conditions any time soon. 12% of operators think it will be 7-12 months before business conditions return to normal for their restaurant, while 41% think it will be more than a year. An additional 29% of operators say business conditions will <u>never</u> return to normal for their restaurant.

2 in 3 restaurants are understaffed

- Although the industry added back many of the jobs lost during the pandemic, a majority of restaurants remain understaffed. 65% of operators say their restaurant currently does not have enough employees to support its existing customer demand.
    - A majority of both fullservice operators (68%) and limited-service operators (63%) 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, 62% of operators say their restaurant is more than 10% below necessary staffing levels. 20% of operators are currently more than 20% below necessary staffing levels.
    - 19% of fullservice operators say their restaurant is currently more than 20% below necessary staffing levels.
    - 21% 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	**11%**	**27%**	**22%**	**20%**	**20%**
Fullservice segment	10%	28%	24%	20%	19%
Limited-service segment	12%	27%	21%	19%	21%

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. Rows may not sum precisely to 100% due to rounding.

Strong majority of restaurants are actively seeking to fill positions

- 81% of operators say their restaurant currently has job openings that are difficult to fill.
    - A majority of both fullservice operators (86%) and limited-service operators (76%) say their restaurant has job openings that are difficult to fill.
- 84% of restaurant operators say they will likely hire additional employees during the next 6 months if there are qualified applicants available. 62% of operators say they are 'very likely' to add employees during the next 6 months, while 22% are 'somewhat likely.'
    - A solid majority of both fullservice operators (86%) and limited-service operators (81%) say they will likely hire additional employees during the next 6 months if there are qualified applicants available.

Restaurant Usage of Economic Injury Disaster Loans

August 2022

Two-thirds of restaurants took on new loan debt during the pandemic

- 65% of restaurants took on new loan debt since the beginning of the pandemic in March 2020, according to a National Restaurant Association survey of 4,200 restaurant operators fielded between July 14 and August 5, 2022.
- Paycheck Protection Program (PPP) loans were the most common – taken on by 59% of operators. 48% of operators took on an Economic Injury Disaster Loan (EIDL) issued by the U.S. Small Business Administration or lending partner; 31% took on a private sector loan from a bank, credit card or other entity.
- Independents (65%) were slightly more likely than franchisees (60%) to take on new loan debt since the beginning of the pandemic. Independents (49%) were also more likely than franchisees (42%) to take on an Economic Injury Disaster Loan.

Restaurant operators' reporting of loan debt taken on since the beginning of the pandemic in March 2020

Restaurant segment	Took on any new loan debt since March 2020	Paycheck Protection Program (PPP) loan	Private Sector loan	Economic Injury Disaster Loan (EIDL)
All Restaurants	**65%**	**59%**	**31%**	**48%**
Fullservice segment	64%	59%	31%	47%
Limited-service segment	67%	58%	31%	48%
Independents	65%	59%	32%	49%
Franchisees	60%	54%	28%	42%

Note: Limited-service includes quickservice, fast casual and coffee/snack concepts.
Source: National Restaurant Association, national survey of 4,200 restaurant operators fielded between July 14 and August 5, 2022

Nearly 4 in 10 restaurants with EIDL debt owe more than $200,000

- Only 9% of restaurant operators with EIDL debt say they have completely paid off their loan.
- 10% of operators with EIDL debt owe between $1 and $49,999, while 44% owe between $50,000 and $199,999.
- 31% of operators with EIDL debt owe between $200,000 and $999,999, while 6% owe at least $1 million.
- Franchisees (51%) are more likely than independents (37%) to owe more than $200,000 in EIDL debt.

Restaurant operators' reporting of the current amount owed on their EIDL loan

Restaurant segment	$0	$1 to $49,999	$50,000 to $199,999	$200,000 to $999,999	$1 million or more
All Restaurants	**9%**	**10%**	**44%**	**31%**	**6%**
Fullservice segment	7%	7%	44%	33%	8%
Limited-service segment	11%	12%	44%	28%	5%
Independents	9%	9%	45%	31%	6%
Franchisees	6%	4%	40%	39%	12%

Notes: Limited-service includes quickservice, fast casual and coffee/snack concepts. Rows may not sum precisely to 100% due to rounding.
Source: National Restaurant Association, national survey of 4,200 restaurant operators fielded between July 14 and August 5, 2022

1 in 3 restaurants with EIDL debt have made an initial payment on their note

- 33% of restaurant operators with EIDL debt say they have made an initial payment on their loan.
- Independents (34%) are more likely than franchisees (23%) to say they have made an initial payment on their loan.

Less than 1 in 4 restaurant operators with EIDL debt say they will be able to make scheduled principal and interest payments

- Among restaurant operators who have not made an initial payment on their loan, only 23% say they will be able to make scheduled principal and interest payments once the payback deferment period is finished.
- 46% say they will be able to make principal payments, but not the 30 months of accrued interest.
- 31% say they will not be able make principal or interest payments.

Restaurant operators' reporting of their current ability to make repayments on their EIDL debt once the payback deferment period is finished

Restaurant segment	They will be able to make principal and interest payments as scheduled	They will be able to make principal payments, but not the 30 months of accrued interest	They will not be able make principal or interest payments
All Restaurants	**23%**	**46%**	**31%**
Fullservice segment	24%	43%	33%
Limited-service segment	23%	49%	28%
Independents	23%	45%	32%
Franchisees	26%	45%	29%

Base: Restaurant operators who have not made an initial payment on their loan.
Notes: Limited-service includes quickservice, fast casual and coffee/snack concepts.
Source: National Restaurant Association, national survey of 4,200 restaurant operators fielded between July 14 and August 5, 2022