



LOS ANGELES ANNUAL REPORT

# THE STATE OF FULL SERVICE RESTAURANTS



# 2020



TouchBistro





# 01 INTRODUCTION

## What we set out to find

Last year we released our first-ever State of Full Service Restaurants report. Our findings set a benchmark for what is happening at FSRs across the U.S. in terms of financial health, technology, staffing, and more.

For the first time ever, we're also giving you an in-depth look at the state of restaurants in some of the country's largest urban areas, like Los Angeles. With this report, you'll be able to see how your restaurant compares to others in your area and how location-

specific factors like rent prices and other trends affect business.

Our findings confirm that Los Angeles has a thriving full service restaurant scene. Despite facing expensive rent and frequent increases in vendor pricing, restaurants in the City of Angels have some of the highest profit margins in the United States. We also learned that Angelenos are the most loyal diners, as reservation no-show rates here are lower than anywhere else in the country.

With that, here's a complete look at how full service restaurants in Los Angeles compare to FSRs elsewhere in the U.S.

## Objective

The goal of this report is to give full service restaurant owners a complete picture of what's happening in their industry across the U.S., so that you can:

### 1. Understand

Better understand your current challenges

### 2. Anticipate

Anticipate future issues

### 3. Consider

Consider new solutions based on the learnings of other FSRs across the country

## Methodology

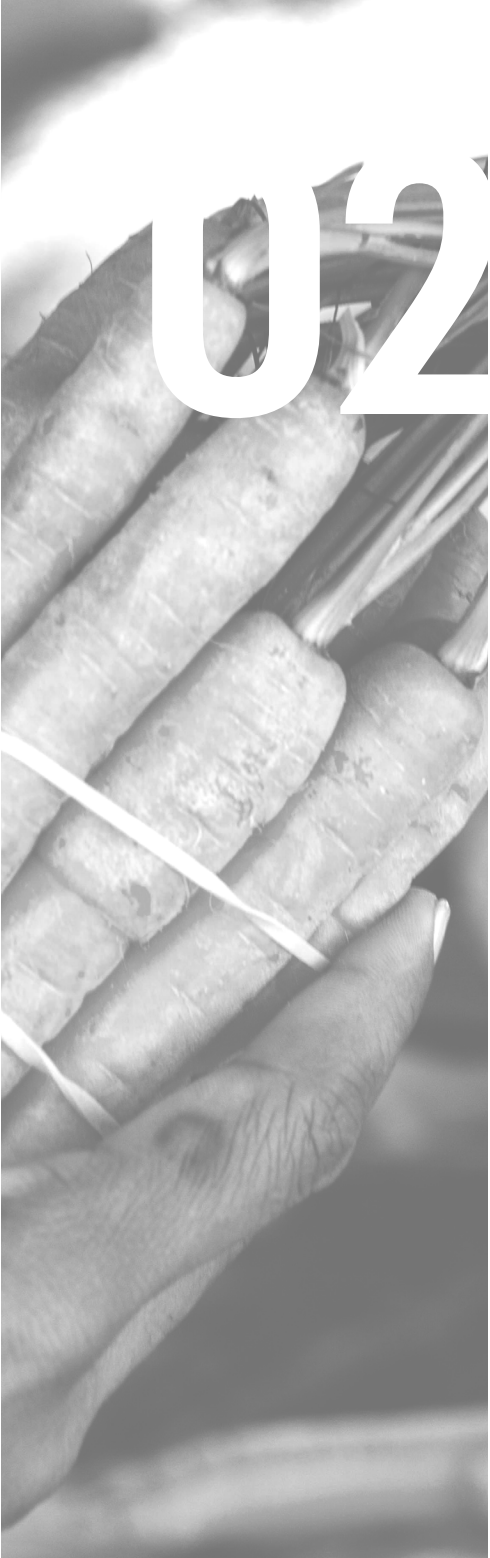
We partnered with research firm **Maru/Blue** again this year to survey more than 600 full service restaurant owners, managers, and presidents/CEOs across all 50 states with a key focus on five cities (New York City, Chicago, Los Angeles, Miami, and Austin). Our research was conducted in November of 2019.



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# RESPONDENT PROFILE

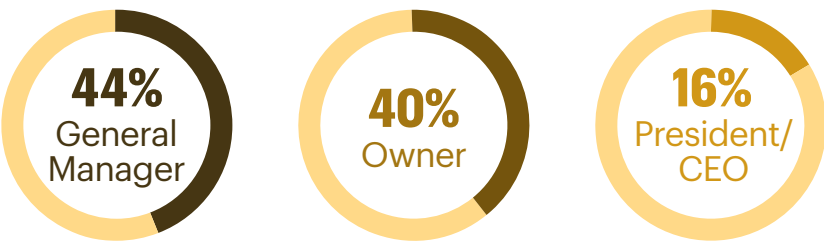
## Who took our survey?

Restaurateurs from all over the nation with various types of experience informed our reporting.

## Gender



## Current role within the restaurant

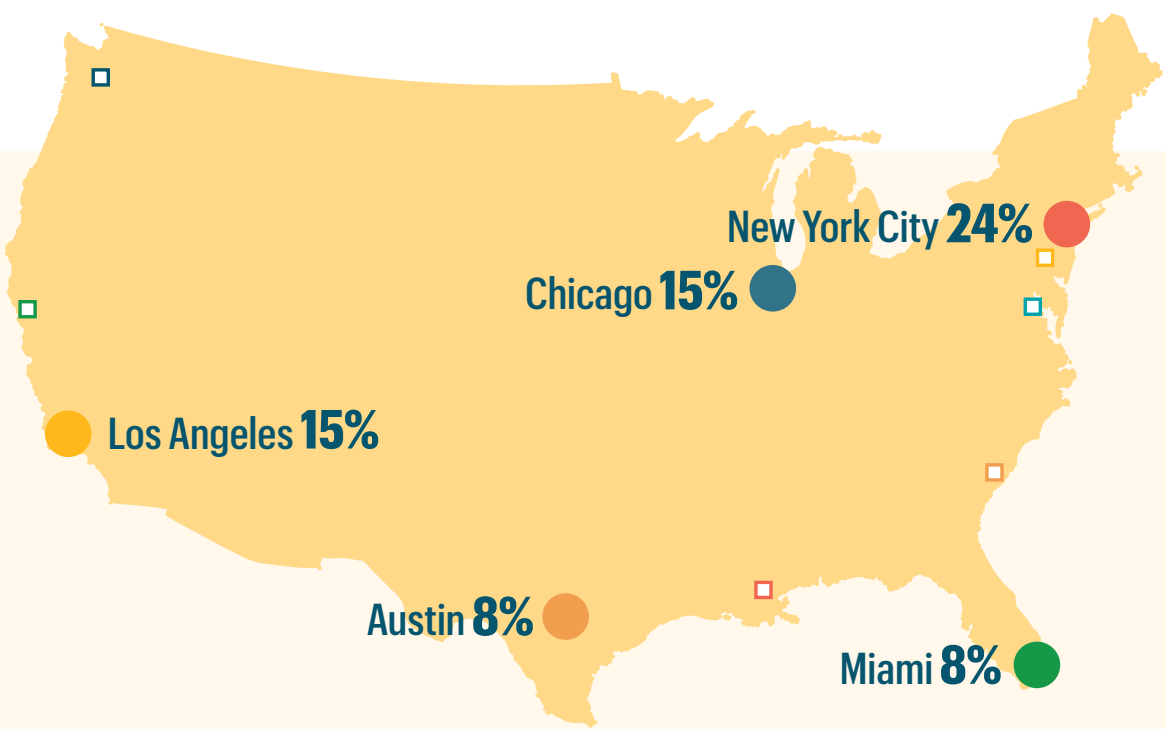


## Independent vs. Chain

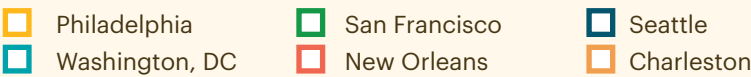


## Location

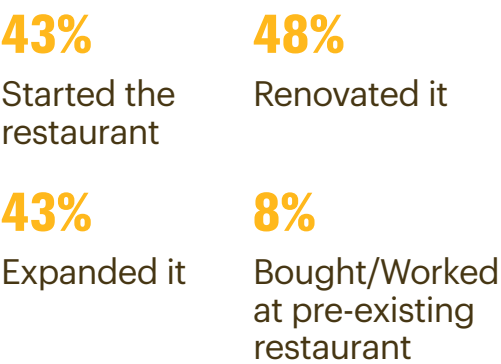
We surveyed restaurateurs in all 50 states with a key focus on these urban areas. (percentage of total respondents)



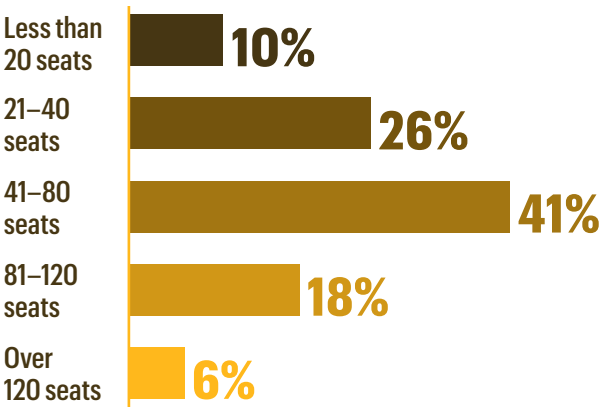
We also paid attention to these growing foodie havens.



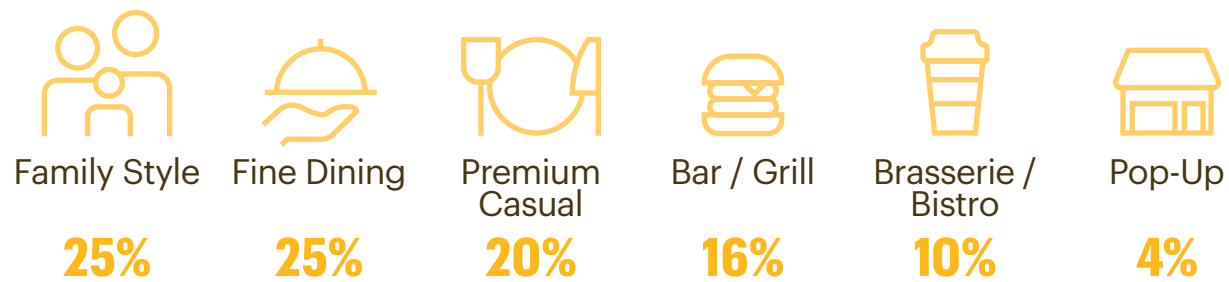
## Relationship to restaurant



## Size of restaurant



## Types of restaurants





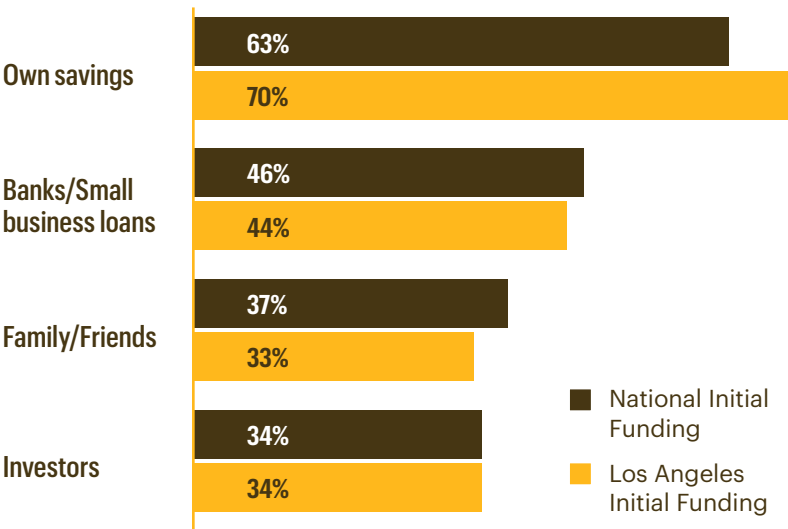
# FINANCIAL HEALTH



## Initial Funding

Los Angeles’ restaurateurs are some of the most financially independent in the U.S., with 70% self-funding their restaurants compared to the 63% national average. Their reliance on other funding methods, like loans, family and friends, and investors, is on par with levels in other cities.

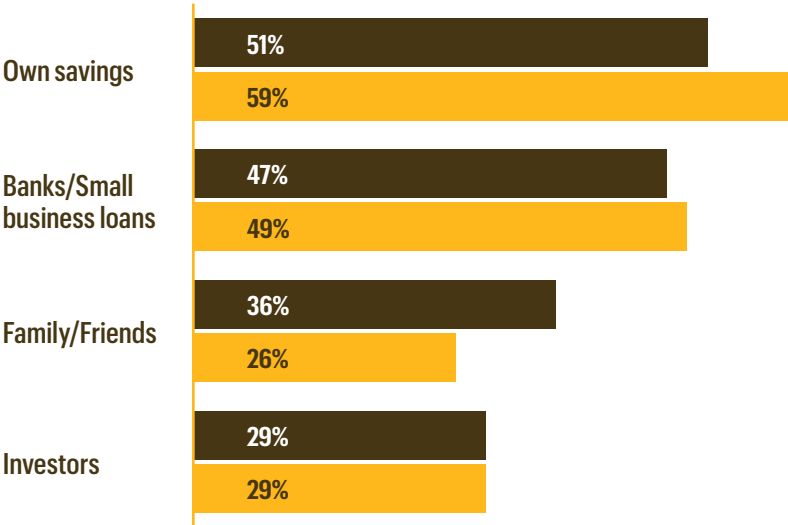
To see more findings on other sources of funding, like crowd-sourcing and grants, check out our [national report](#).



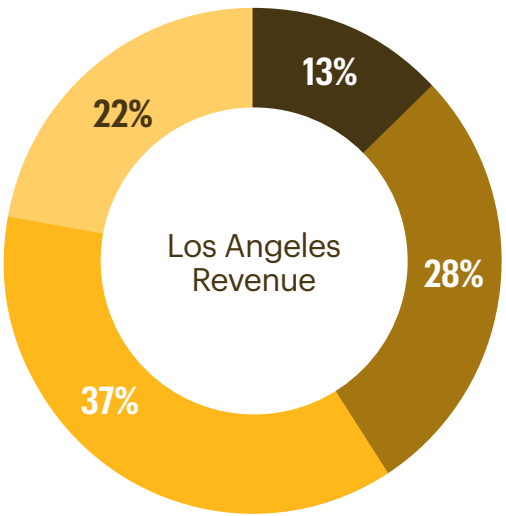
## Unexpected Funding

When emergencies occur, Angelenos turn to their own savings and loans to cover unexpected costs. Restaurateurs in Los Angeles don’t mix business with pleasure. They rely on family and friends for emergency funds much less than restaurateurs in other cities.

■ National Unexpected Funding  
■ Los Angeles Unexpected Funding



## Revenue & Profit Margin



The average profit margin for full service restaurants in the United States is 11%. How does L.A. compare? While two thirds of FSRs in Los Angeles experience profit margins of more than 9%, the most common profit margin range here is between 9% and 12%, which is the highest in the country.

In terms of revenue, 41% of L.A.’s restaurants make up to \$1 million each year, while 59% generate more than \$1 million. Only 7% of FSRs here bring in less than \$500k in annual.

■ Under \$500k ■ \$500k–\$1M ■ \$1M–\$2M ■ \$2M+

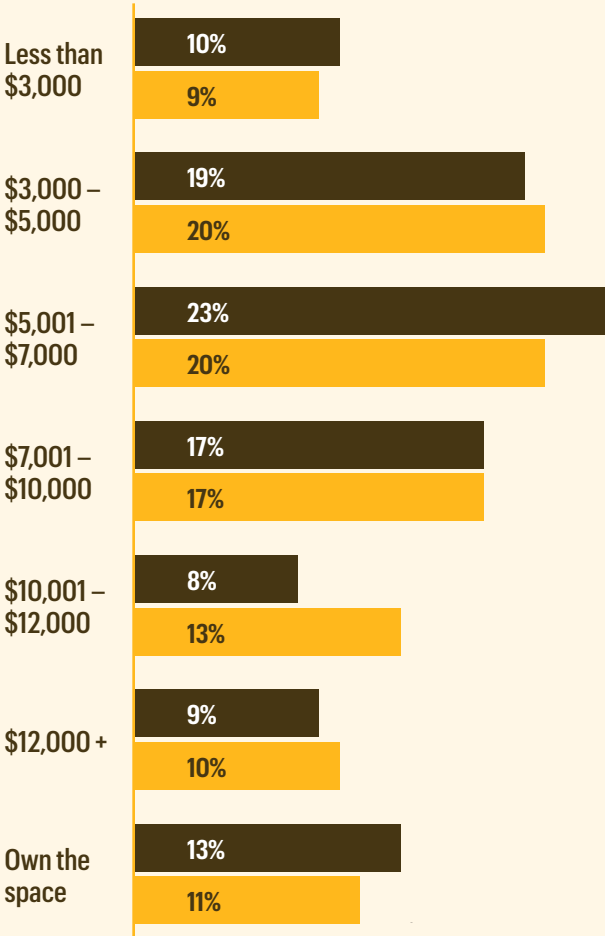
## Monthly Rent

Commercial rent in Los Angeles is among the highest in proportion to revenue. Almost one third of FSRs in Los Angeles spend between 11% and 15% of their revenue on rent, which was the most frequently occurring range according to our results.

What do monthly rent checks look like in the City of Angels? Two in five restaurateurs spend between \$3,000 and \$7,000, while more than half spend more. Comparatively, only one in three FSRs nationwide pay more than \$7,000 in rent each month.

Just like FSRs elsewhere in the United States, three in four Los Angeles restaurants can handle a rent increase of more than 4%. How resilient are L.A. restaurants to most severe cost hikes? Almost one in five can survive a rent increase of more than 10%.

■ National Monthly Rent ■ Los Angeles Monthly Rent







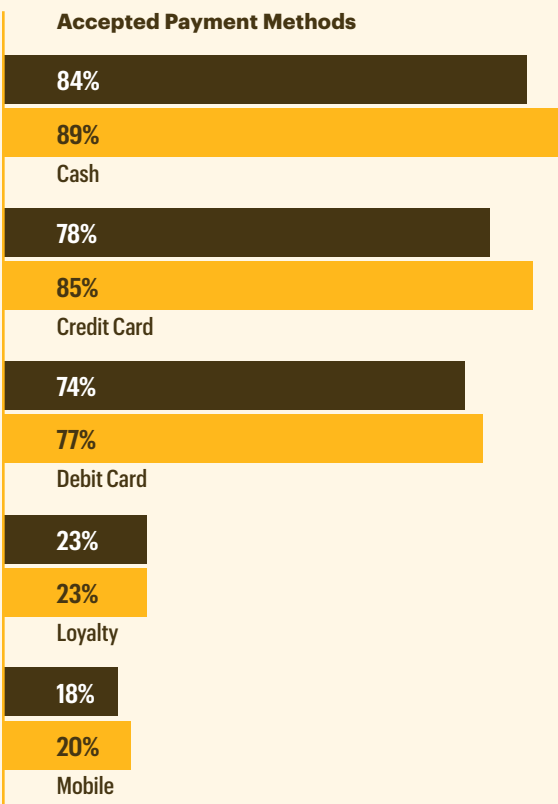
# TECHNOLOGY

## 04

### Payment Processing

Out of all of the cities we studied in our reporting, Los Angeles has the highest cash and credit payment acceptance rates at 89% and 85% respectively.

Mobile payments are on the rise in L.A., with one in five restaurants set up to take Apple Pay, Google Pay, and Samsung Pay. Apple Pay is more widely accepted in Los Angeles than it is anywhere else in the country.

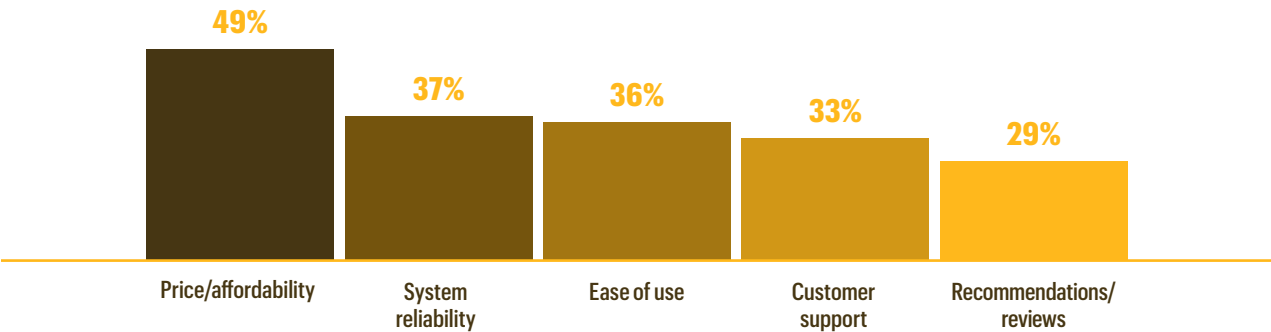


■ National Accepted Payment Methods  
■ Los Angeles Accepted Payment Methods

### Choosing a POS

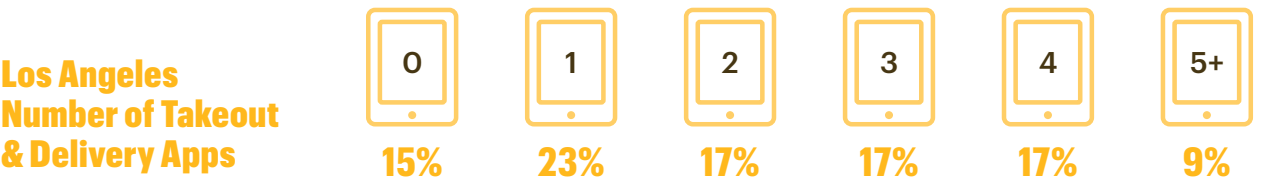
A POS system is a restaurant's command center. How do Angelenos decide which POS provider to use? While ease of use is the most valuable factor among restaurateurs nationwide, price is the number one factor in L.A.

#### Los Angeles Top 5 Factors

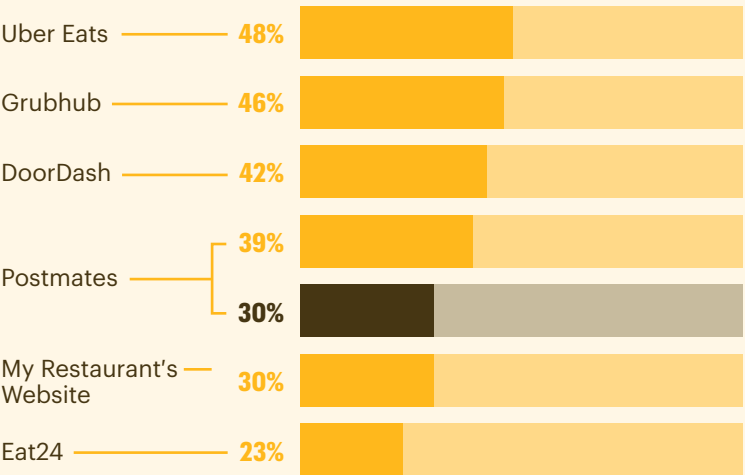


### Online Ordering Platforms

Eighty-five percent of L.A.'s FSRs use online ordering platforms, which mirrors national trends. Just like other eateries around the U.S., the majority of those in Los Angeles rely on between one and three online ordering platforms. What makes the City of Angels unique is that it's home to the highest proportion of restaurants that use five or more platforms to manage their online orders.



#### Miami Apps Used

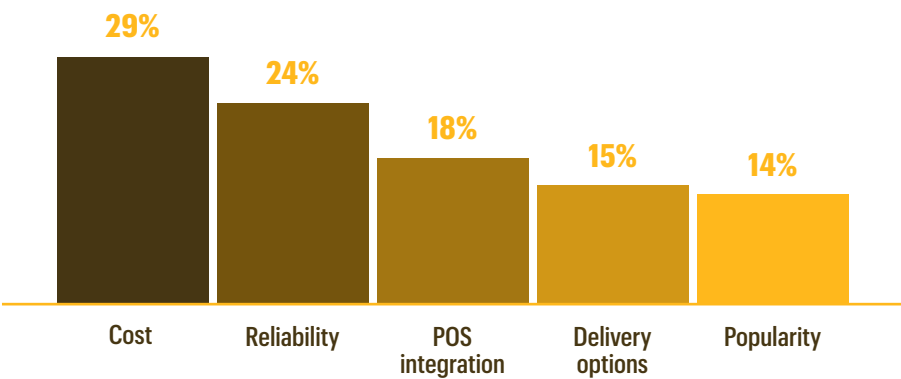


Uber Eats reigns supreme in Los Angeles, as it does throughout the rest of the country. Postmates is more popular in L.A. than it is any of the other four cities we studied.

■ National Average  
■ Los Angeles Average

# Online Ordering Platforms (cont...)

## Los Angeles Reasons for Choosing Platform

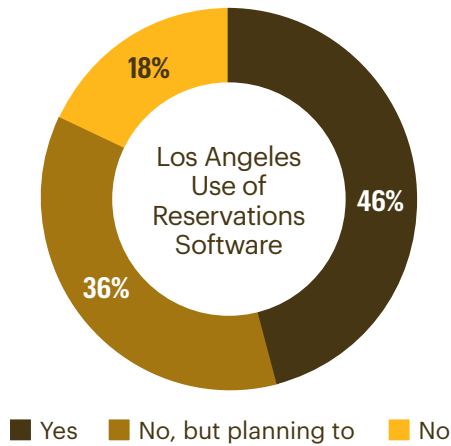


How do Angelenos decide which online ordering platforms to use at their restaurants? One in three consider price before any other factor. Elsewhere in the United States, system reliability is the most important consideration.

## Reservation Management Technology

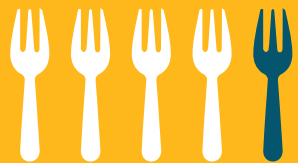
Four in five L.A. restaurants accept reservations, which is slightly higher than the national average of three in four. While restaurant reservation software isn't as widespread in Los Angeles as it is in other parts of the country, more than a third of FSRs want to start using it at some point in the future.

L.A. restaurants are the highest spenders in the U.S. when it comes to their monthly restaurant reservation software bill, with one in three spending \$500 or more. The \$200 to \$300 price point is most popular nationally.

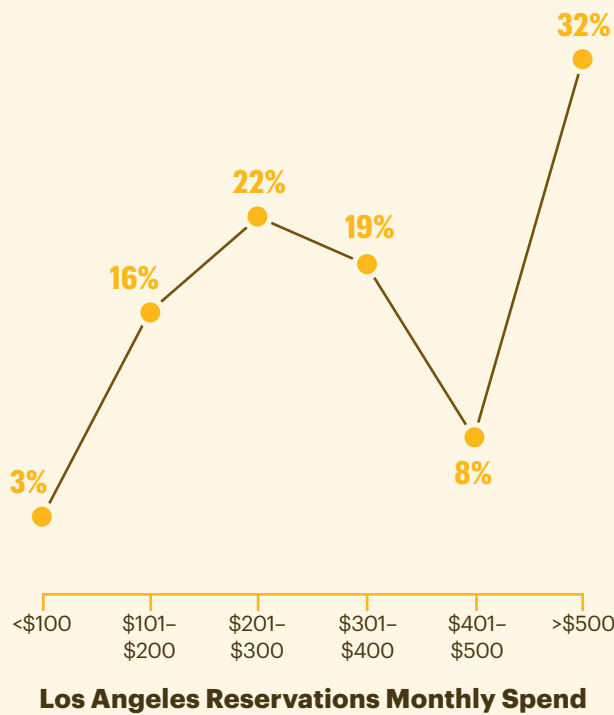


4 in 5

FSRs in Los Angeles accept reservations



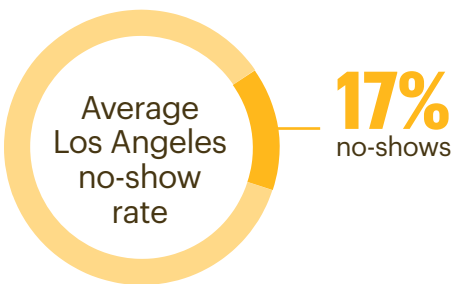
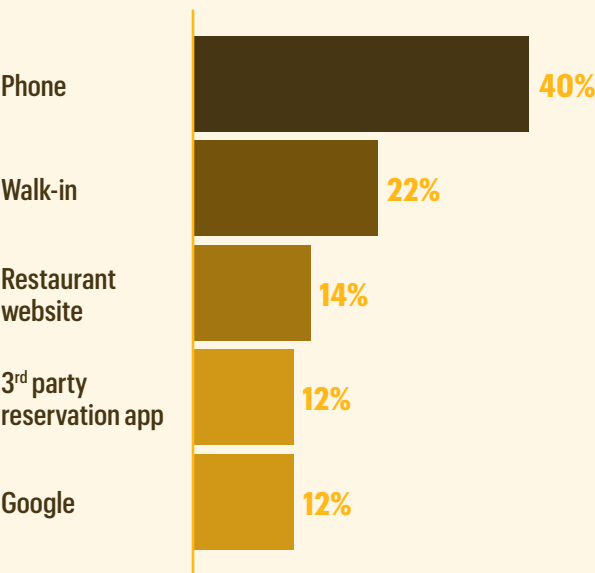
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# How do restaurant guests make reservations in Los Angeles?

Forty percent call, which is slightly higher than the 34% national average. In second place is the walk-in reservation, followed by web reservations, with Google and third-party reservation apps tying for fourth place.

## How Angelenos Make Reservations



FSRs in Los Angeles save slightly fewer tables for reservations than the national average – perhaps to accommodate walk-in celebrity guests! Those who do make reservations are typically loyal; L.A.'s no-show rate is the lowest in the country at 17%.



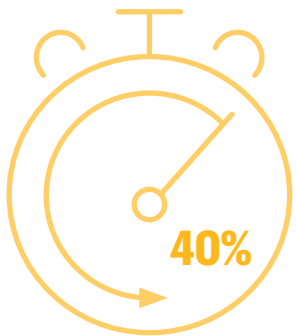




# OPERATIONS

## Bookkeeping

Angelenos spend more time on bookkeeping than restaurateurs in other cities. While the majority of them spend between one and three hours on bookkeeping each week, which is on track with national figures, L.A. has the highest percentage of restaurateurs who dedicate five or more hours to weekly bookkeeping.

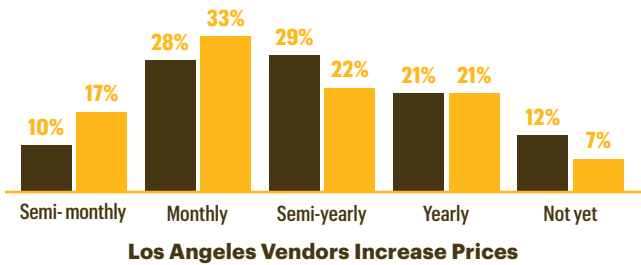


2 to 3 hours  
spent on weekly  
bookkeeping

## Price Increases

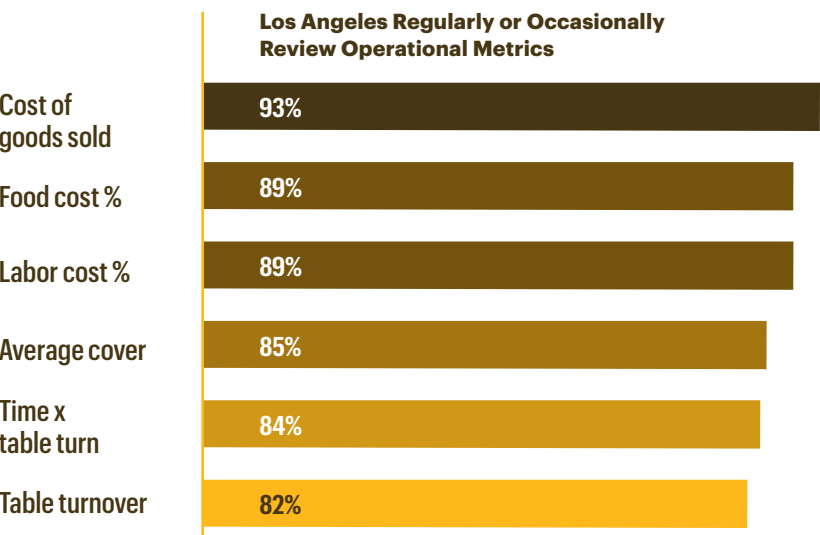
Restaurants in Los Angeles are most susceptible to frequent price increases from their vendors. While 38% of FSRs nationwide experience price increases at least once a month, this rate is 50% in L.A.

■ National ■ Los Angeles



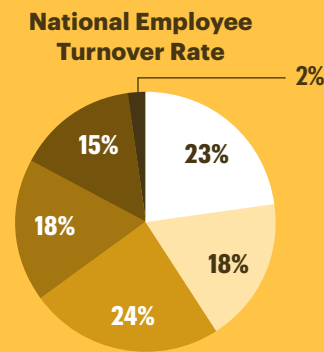
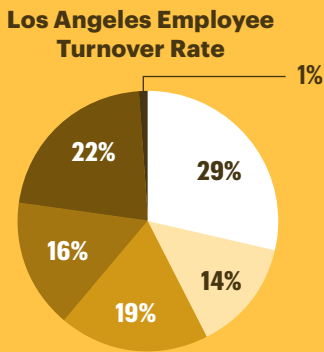
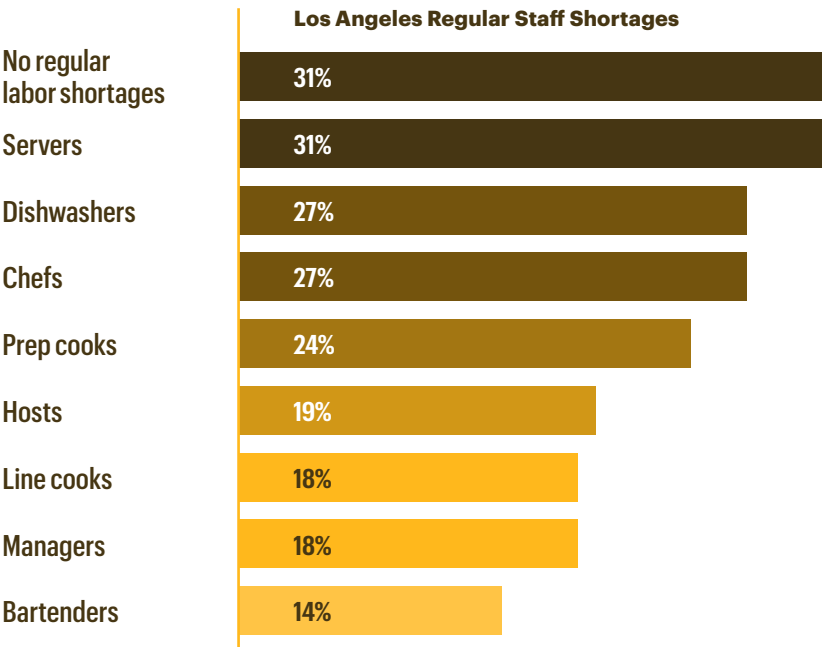
## Operational Metrics

Just like their counterparts in other parts of the United States, restaurateurs in Los Angeles are most curious about cost of goods sold at their businesses when reviewing operational metrics. While restaurateurs elsewhere find food cost percentage to be the second most important metric, Angelenos' secondary focus is on food and labor cost percentage.



## The Labor Shortage

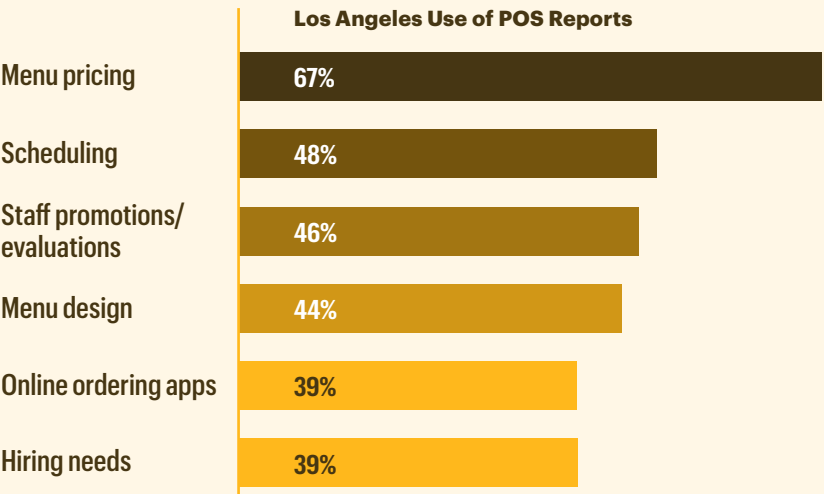
Industry-wide staff shortages make it difficult for FSRs everywhere to hire and retain experienced talent. Fortunately, restaurants in Los Angeles are the least affected. While three in four FSRs nationwide experience labor shortages, that figure is closer to seven in 10 in L.A. The roles they struggle the most to hire and retain? Servers and dishwashers, like their counterparts around the country, as well as chefs.



■ <10% ■ 11-20% ■ 21-30% ■ 31-40% ■ 40%+ ■ unsure

Employee turnover rates in Los Angeles are all over the board. While three in 10 restaurants have less than 10% turnover, one in five experience turnover at rates greater than 40%. Comparatively, only 15% of restaurants nationwide experience turnover of upwards of 40%.

## Making Decisions with POS Reports



How do L.A.'s FSRs apply their POS reports? Two in three use them to make decisions about menu pricing, which is on par with national applications. In second place, both across the United States and in Los Angeles, is staff scheduling. Staff promotions take the number three slot in L.A., unlike the rest of the country where menu design comes in third.



With the help of their tenacious customers, savvy L.A. restaurant owners are building successful businesses despite facing some of the highest commercial rent prices in the country. In the home of Hollywood, restaurateurs are becoming celebrity chefs thanks to Los Angeles' thriving full service restaurant scene.



Designed to help restaurateurs run a better and more successful business, TouchBistro enables restaurants to make more money, deliver a great guest experience, and take the guesswork out of making business decisions.

TouchBistro offers in-depth training and free 24/7 technical support provided by POS specialists who have also worked in the restaurant industry as former managers, servers, and chefs.



**Maru/Blue** is a premium quality data services firm that provides reliable global data connections for agencies, brands, healthcare and market research. We create value for our clients by connecting them with expertly profiled known respondents. The result? Reliable, reproducible insights. We deliver instant access to the general population, specific markets, and your or your competitor's customers.





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