

The State of Full Service Restaurants in 2019



Introduction

The restaurant industry is always changing. Each year presents a new set of challenges and opportunities in technology, staffing, hospitality trends, and more.

In creating this report, we set out to give full service restaurant (FSR) owners a clear sense of what’s happening right now in similar venues across the country. After speaking with hundreds of restaurant owners and operators in the U.S., we’ve discovered some of the top challenges, opportunities, pain points, and successes that restaurateurs like you are facing.

Our reporting also confirmed what we already suspected: that restaurateurs are a savvy, resourceful bunch. That’s why, on the whole, FSRs in the U.S. are in a strong position to continue growing their businesses.

But we’re going to let you in on a little secret: you’re not alone. While no two restaurants are exactly the same, restaurateurs in this study reported many of the same trials and triumphs. You’re on similar journeys, so why not take the opportunity to learn from each other’s experiences?

Research Goals

Here’s a closer look at what we set out to do with this report and how we did it. We surveyed more than 500 restaurant owners and managers across the U.S. to:

- 01.**

Give restaurateurs context to the challenges they’re facing. If it’s happening to you, it’s happening to other restaurateurs!
- 02.**

Give restaurateurs a benchmark against which to measure their success. Putting things into perspective can help you create goals.
- 03.**

Help restaurateurs learn from the trials and triumphs their peers are experiencing. There is strength in unity.

We hope our findings will educate and inspire you as you plan for and tackle the year ahead.



Research firm **Maru/Blue** helped us carry out our research and analyze our findings throughout this study. The results come from surveying over 500 full service restaurant owners, managers, and presidents/CEOs from all 50 U.S. states. Included in this number was an increased focus on six major cities: New York City, Chicago, Los Angeles, Miami, Austin, and San Antonio. The research was conducted in December 2018.

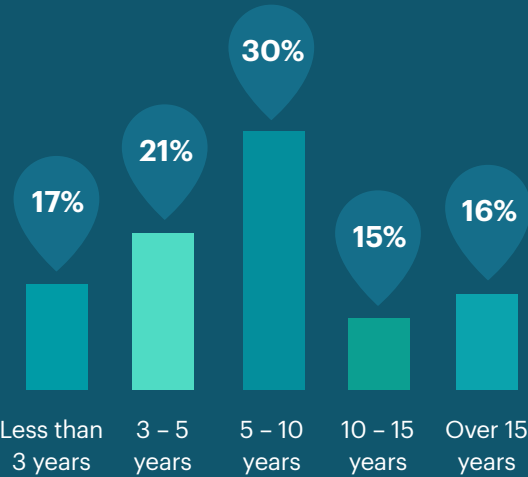
Respondent Profile

So who are the more than 500 restaurateurs we surveyed? Here's a closer look at our respondents.

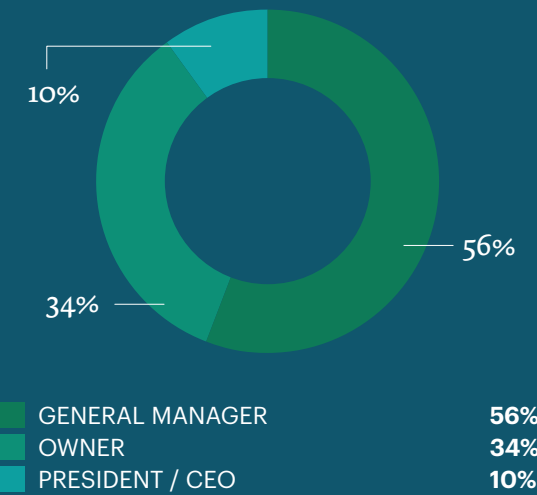
Gender



Years of experience



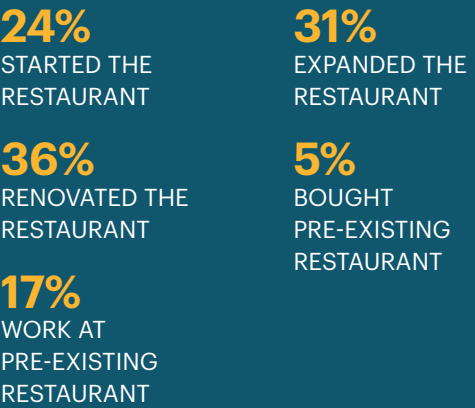
Current role within the restaurant



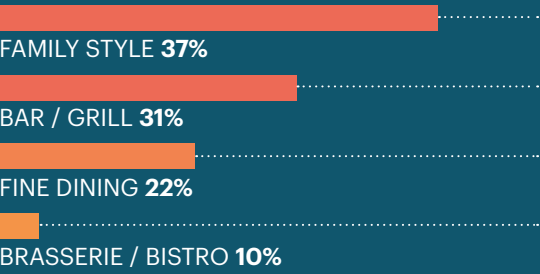
Eighty percent of respondents' restaurants are independently owned, and 20% are chains.



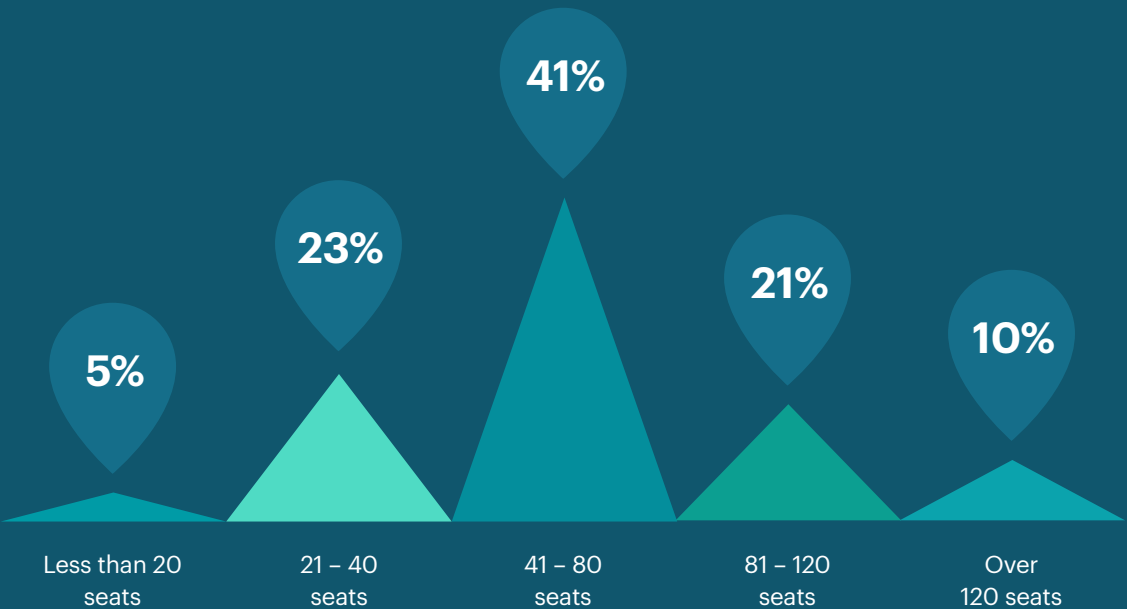
Relationship with the restaurant



Types of restaurant they worked at



Size of restaurant



We surveyed restaurateurs in all 50 states with a key focus on these food meccas *



*percentage of total respondents

We also paid attention to these growing foodie havens





Report Highlights

So what did we learn about the state of full service restaurants in the United States? Here are some spoilers.

11%
Profit Margin

Let’s start with the best news: on the whole, FSRs are financially healthy. **Most restaurants have a profit margin around 11%** and could handle a rent increase of 4% or more.

4 of 5
Frustrated

While FSRs have embraced a variety of payment options, **four out of five restaurateurs are frustrated** with their payment processors, citing lack of pricing transparency as the main concern.

58%
Struggle

When it comes to managing costs, restaurateurs use a combination of spreadsheets and their POS to take inventory, manage vendors, and predict scheduling needs. However, **58% of restaurateurs struggle to manage inventory** either regularly or occasionally, and most end up ordering too much.

11 to 20%
Sales Increase

One tech innovation that restaurateurs can’t stop raving about is online ordering. Restaurants that have implemented **online ordering have seen an impressive 11 to 20% increase** in sales, with the majority seeing an increase of at least 16% or more.

7 in 10
Labor Shortage

Only half of our respondents reported using POS reports to make decisions about employee scheduling. With **seven in 10 restaurants experiencing labor shortages**, restaurants would benefit from using this data to inform scheduling.

CHAPTER 1

Financial Health

01



“Save as much money as possible for unexpected expenses.”

– Survey respondent



Financial Health

It's no secret that opening and maintaining a restaurant requires wearing many hats – one of these is Chief Financial Officer.

1 in 2

More than half of full service restaurateurs said they used their own savings to open restaurants. Other popular funding sources included banks or small business loans, investors, and family or friends.

A complete look at popular funding sources restaurateurs use to launch their businesses

OWN SAVINGS 54%

BANKS/SMALL BUSINESS LOANS 46%

INVESTORS 34%

FAMILY/FRIENDS 31%

ONLINE LENDERS 12%

GRANTS 8%

CROWDFUNDING 8%

FOOD INCUBATORS 5%

Some other ways in which restaurateurs tackle surprise expenses

BANKS/SMALL BUSINESS LOANS 52%

OWN SAVINGS 43%

INVESTORS 28%

FAMILY/FRIENDS 25%

ONLINE LENDERS 14%

GRANTS 10%

CROWDFUNDING 8%

FOOD INCUBATORS 5%

When unexpected costs pop up, most restaurateurs rely on **financial institutions and small business loans** to get them through tough times.

Nationwide, FSRs have an **average profit margin of 11%**. That's something to be proud of. While profit margins grow as restaurateurs spend more time in the industry, margins max out at 11% after five years of experience.

While profit margins plateau **at this five year mark**, our research showed that an FSR's annual revenue continues to grow as the restaurateur gains more experience.

Financial Health

Unless you own a space outright, rent is an unavoidable overhead expense for full service restaurants. That being said, rent prices vary from city to city and venue to venue.

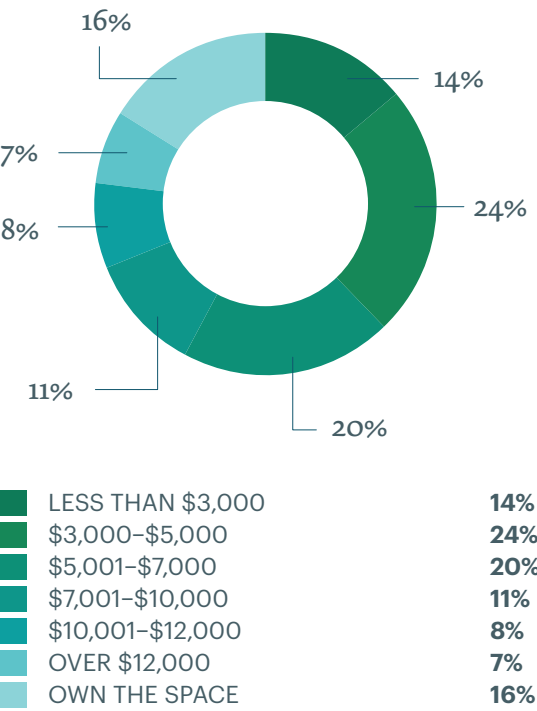
58%

Fifty-eight percent of restaurants spend up to \$7,000 every month on rent. Of the major cities surveyed, New York and Miami top the list as the most expensive for commercial rent in the country. In these two cities, one in seven restaurateurs spend more than \$12,000 per month on rent.

16%

Sixteen percent of the restaurateurs we surveyed don't have to deal with rent and landlords because they own their space.

A detailed look at restaurant rent prices per month across the country



Rent prices don't paint a full picture unless they're measured against sales. For the majority of restaurants, **rent is about 5 to 10% of monthly sales**. How does your restaurant compare?

Two-thirds of restaurateurs say they can handle a rent increase of more than 4%, but this depends on the size of the restaurant. Generally, the larger the restaurant, the easier it is to cushion an increase in rent.

Surprisingly, we found that restaurants in **Miami and New York** – the most expensive cities for rent – are more prepared than restaurants in less expensive cities to handle rent increases of 10% or more.



“Take your time finding the right location. Bigger isn’t always better.”

– Survey respondent

CHAPTER 2

POS & Payments



02



Point of sales (POS) systems play a vital role in helping restaurants track sales, forecast labor needs, and manage inventory. Here's how FSRs are choosing and using this essential restaurant technology.

Restaurateurs cite affordability, ease of use, and system reliability as the most important factors in choosing a POS system. The majority of restaurateurs own their POS hardware, while 18% lease it.

“Don’t rush into any choices.”

– Survey respondent

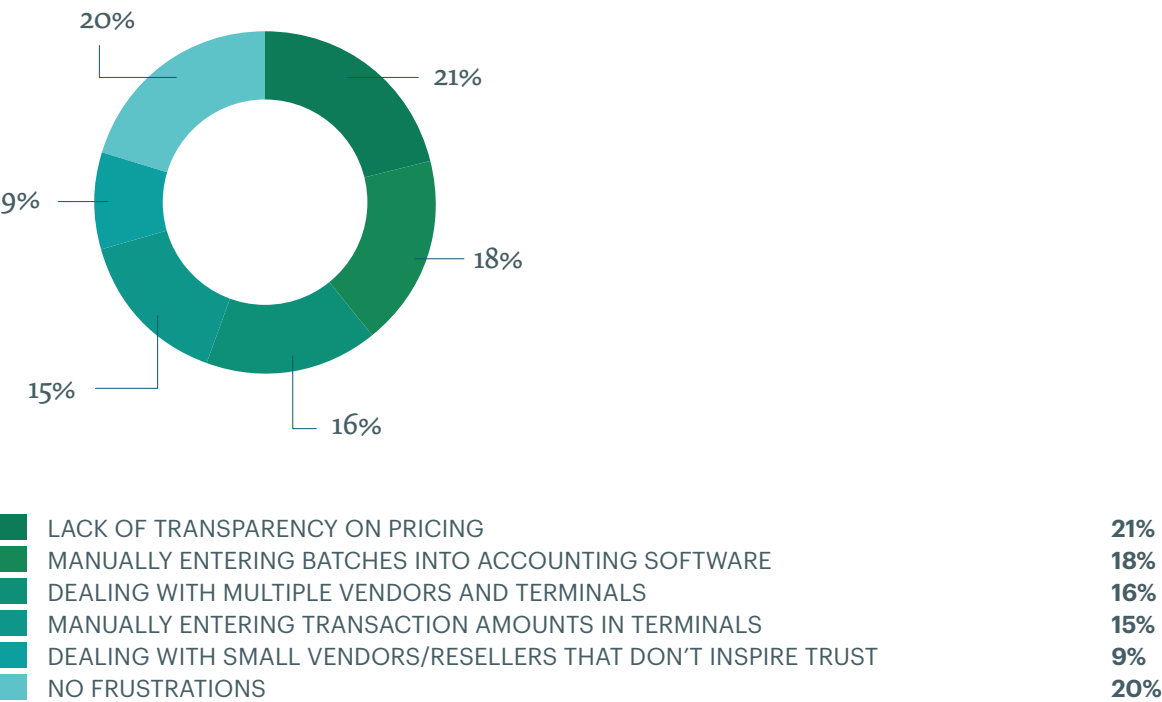
Two-thirds of restaurants use a payment solution that integrates with their POS. We also saw that larger restaurants prefer POS-integrated payment solutions, while smaller restaurants were split evenly between choosing standalone payment processors and integrated solutions.

POS & Payments

Restaurants are diversifying the payment methods they accept. Cash, credit, and debit payments are almost universal across FSRs in the United States, but restaurants are increasingly taking mobile payments like Apple Pay, Google Pay, and Samsung Pay, with 18% set up to accept all three. Payment through loyalty points has the most potential for growth, as only one in seven restaurants currently use points as a payment method.

4 in 5 While most restaurants accept a variety of payment methods, **four in five restaurateurs** are frustrated with their payment processors. Their main complaints: a lack of pricing transparency and the need for manual data entry. Sound familiar?

Here are restaurateurs’ other concerns



“Take advice from successful restaurant owners.”

– Survey respondent



CHAPTER 3

Data & Reporting



03

Data & Reporting

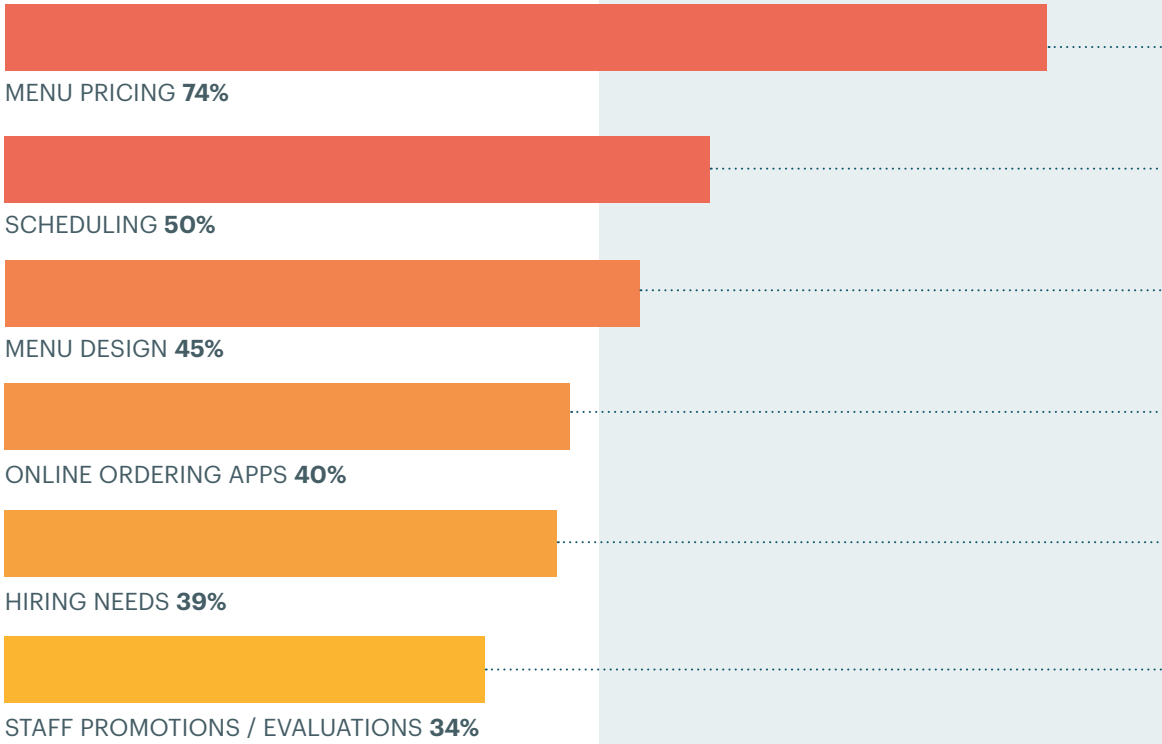
POS systems are an important source of information for full service restaurants. The data you can access here – profit margins, labor trends, opportunities for savings, and more – can be used to make powerful business decisions.

7 in 10

About seven in 10 restaurateurs say they completely understand the information presented to them in their POS reports. This means that almost **30% of restaurateurs don’t have a full understanding of what their POS data is telling them** and can’t use these insights to drive their business decisions.

Three-quarters of the restaurateurs we surveyed use POS reports to help them make decisions about menu pricing, while half also use the reports to inform scheduling and menu design decisions.

Business decisions that POS reports influence in restaurants



2 to 4 hrs

While bookkeeping may not be the most thrilling part of restaurant management, keeping track of expenses is a necessary part of the job. The majority of restaurateurs spend **two to four hours each week on bookkeeping**, and a quarter of them enter POS data manually.

“Realize that things take time.”

– Survey respondent



Full service restaurateurs understand the importance of reviewing operational metrics – like table turnover time and labor cost ratio – and most do so on a regular basis.

“Don’t expect overnight profits.”

– Survey respondent



What data do your peers pay most attention to?

Food cost ratios and the cost of goods sold.

6 in 10

Labor is a major expense for FSRs, which is why almost six in 10 restaurateurs regularly review their labor cost ratio. Smart scheduling is increasingly freeing up restaurateurs from having to manually create employee schedules.

1/2

Overall, restaurateurs are eager to analyze data that can make their operations run more efficiently. Half of the restaurateurs surveyed regularly check their average cover, table turnover, and time it takes for a table to turnover.

What operations metrics matter the most to your restaurant?



CHAPTER 4

Inventory Management

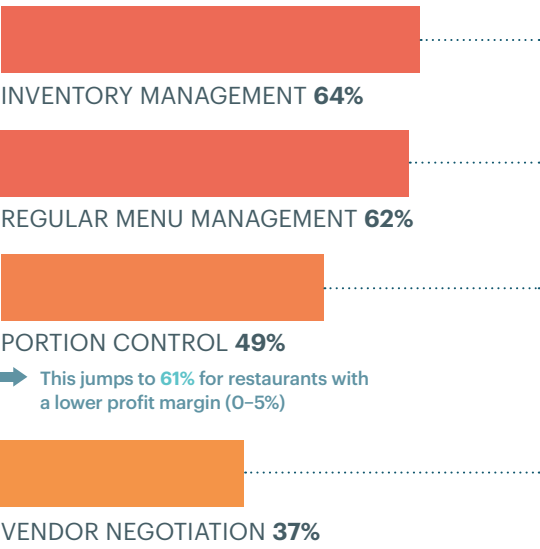
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Inventory Management

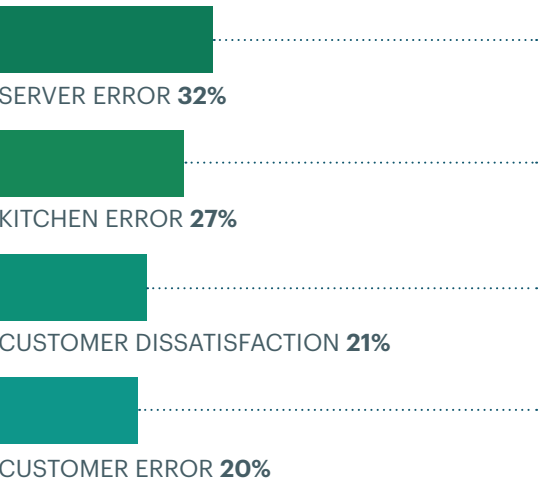
Controlling food costs is an essential part of maintaining and growing profit margins. Full service restaurants do this primarily by managing their inventory and menu. Restaurants with lower profit margins also manage food costs by controlling portion sizes. Only **four in 10 restaurants** negotiate with vendors to keep food costs down.

4 in 10 When it comes to taking inventory, most full service restaurants use both spreadsheets and their POS systems as tools. **Four in 10 restaurateurs** take manual inventory of supplies on a weekly basis, if not more often.

How restaurants control food costs



Comped meal sources in FSRs



Occasional mistakes and comped meals are a normal part of the hustle and bustle of the service industry. The majority of restaurants comps were linked to internal reasons, such as kitchen or server errors, rather than external reasons like customer errors or dissatisfaction.



“Listen to suggestions before making decisions.”

– Survey respondent



“It takes time to build a business.”

– Survey respondent

2 in 3

Two-thirds of full service restaurants look into the future (i.e. use predictive forecasting tools) to prepare inventory orders. Typically, the larger the restaurant, the more likely it is to use analytics to inform its inventory orders.

1/2

Managing inventory levels is a really common struggle for FSRs – Goldilocks wasn’t the only one who had problems with surplus and shortage. About half of the restaurateurs we surveyed struggle with ordering too much inventory, a quarter don’t order enough, and the rest struggle with both.

Less than 3

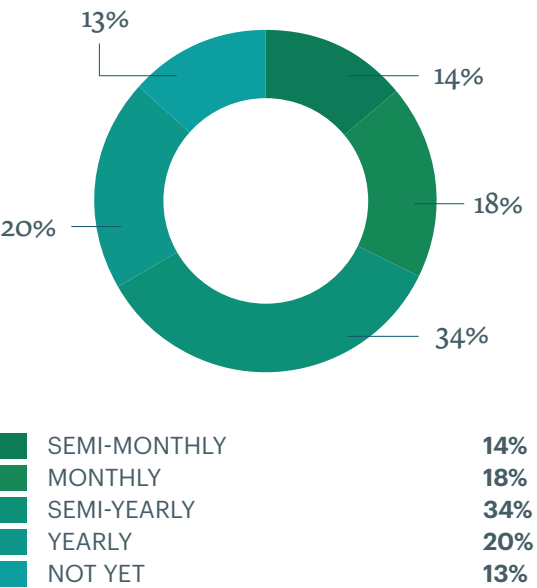
Unfortunately, this struggle doesn’t improve as restaurateurs spend more time in the industry. Restaurateurs with less than three years experience in the industry tend to over order or under order at about the same rate as restaurateurs who have spent more than 15 years in the business. The struggle is real – and it’s happening for everyone.

Inventory Management

Now let’s turn our attention to the inventory sources themselves: restaurant vendors.

Surprise price increases from vendors are never fun. Restaurateurs reported that the majority of vendors increases their prices semi-yearly or more often.

How often vendors increase prices



How do full service restaurateurs manage their food and beverage vendors? Most rely on simple **spreadsheets and vendor management software**.



“Don’t rush into any choices.”

– Survey respondent





CHAPTER 5

Staffing

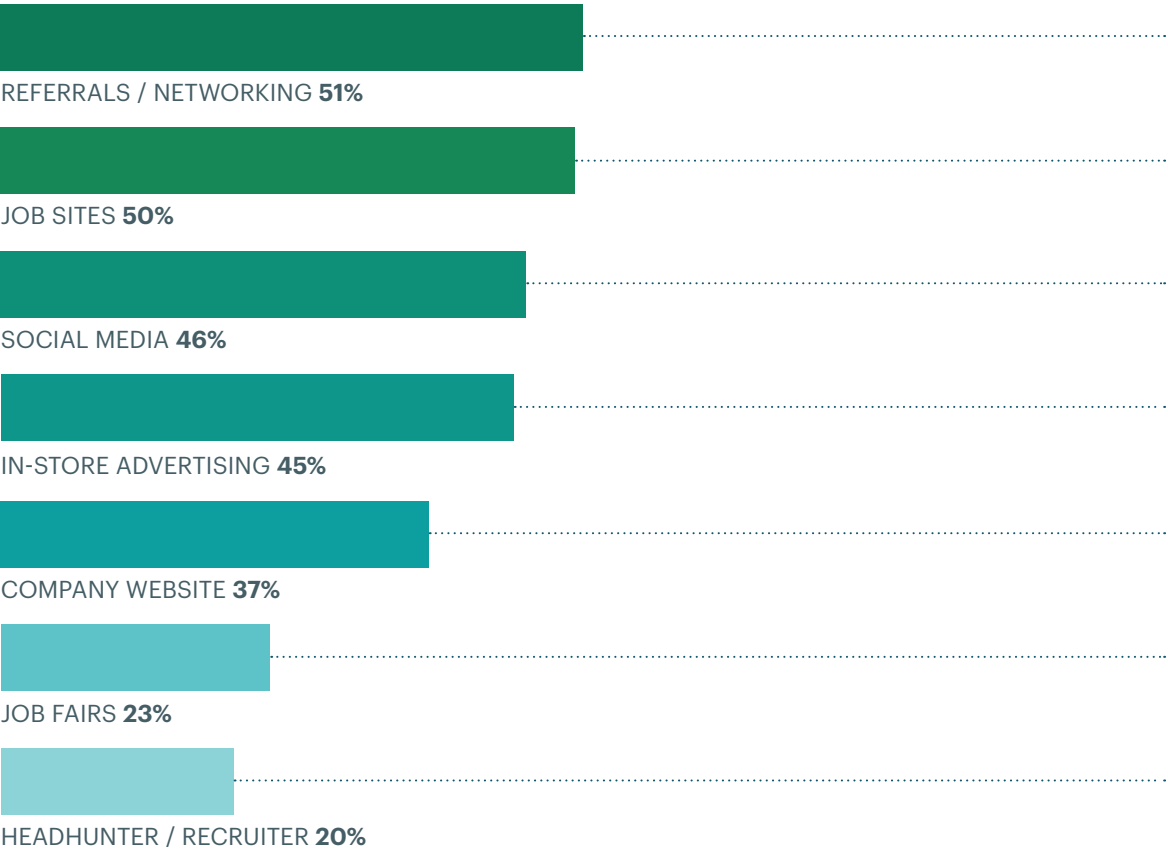
05

Staffing

The success of the full service restaurant industry depends on its people. How have you found your most talented team members?

Most FSRs rely on referrals and job sites to find new staff. Social media and in-store job postings also top the list of recruiting methods.

How restaurants find employees



What do restaurateurs look for in new staff? **A strong work ethic, trustworthiness, and a positive attitude** reign supreme above all other qualities.

Most important traits

- Hard work
- Trustworthy
- Positive attitude

Important traits

- Professional
- Punctual
- Multitasker

Somewhat important traits

- Goes above and beyond
- Communicative
- Has integrity
- Quick thinker
- Hospitable

Least important traits

- Authentic
- Humble
- Collaborative



Recruiting and retaining talented restaurant employees is difficult, so FSRs pull out all of the stops to remain competitive. **Two-thirds of full service restaurants** use higher wages to attract top talent. Benefits, workplace culture, and professional development opportunities are secondary to competitive wages in the battle for the best talent.

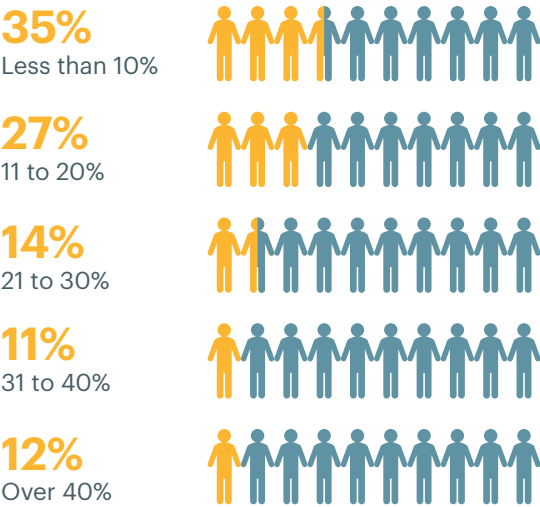
7 in 10

Unfortunately, seven in 10 restaurants experience regular labor shortages at some point. A third of restaurants struggle with server shortages, while a quarter lack dishwashing staff most of the time. FSRs that make more than \$2 million in annual revenue also struggle to retain chefs, line and prep cooks, and bartenders.

1 in 3

But finding qualified staff in the restaurant industry is just half the battle – keeping them is the other. One in three full service restaurants experience an annual employee turnover rate of over 20%.

Annual employee turnover rate



“Hire trustworthy people who have integrity.”

– Survey respondent

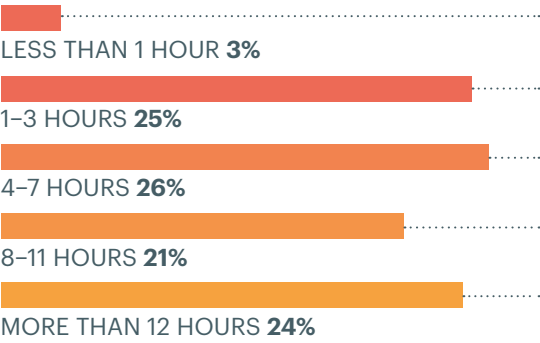
Staffing

Restaurateurs tend to agree that training equips their staff with the skills and tools they need to thrive in the restaurant industry. However, restaurateurs don’t agree on how much training staff need to be successful.

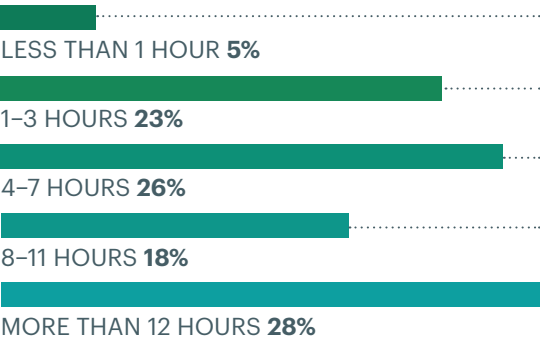
Training time varies greatly among FSRs, and can range anywhere from one hour to more than 12 hours per employee. Larger restaurants, however, tend to provide more training, as about half of them train their staff members for more than 12 hours each.

Front-of-house (FOH) and back-of-house (BOH) staff generally spend the same amount of time in training.

Training FOH staff receive



Training BOH staff receive



How much does your restaurant invest in training new employees? Fifty-five percent of FSRs spend less than \$2,000 per employee, but this amount depends on the restaurant’s annual revenue. Restaurants that generate less than \$1 million in annual revenue tend to spend less than \$2,000 per employee on training, while restaurants that make more than \$1 million annually spend more.

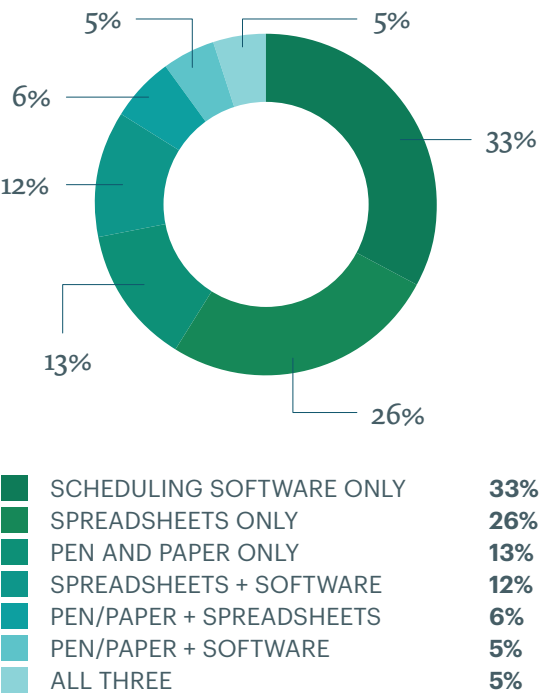
1 in 3 When it comes to creating staff schedules, a third of restaurateurs use employee scheduling software, while a quarter stick to spreadsheets. The rest use old school methods like pen and paper, or a combination of tech and traditional methods.



“Spot the employees who need more help.”

– Survey respondent

How restaurants create staff schedules



While most restaurateurs spend between one and two hours every week on employee schedules, 23% reported that this task takes them three hours or more.

Half of the restaurateurs surveyed have succeeded in reducing labor costs by increasing productivity. Four in ten have done so by cross-training staff and using POS data to predict scheduling needs. Overall, restaurants earning more than \$500k a year rely more on POS data for scheduling than their lower-earning counterparts.

CHAPTER 6

Online Ordering



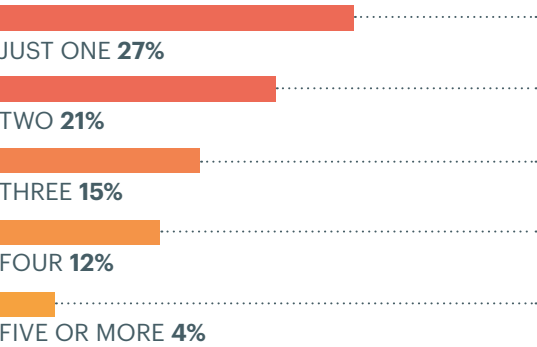
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Online Ordering

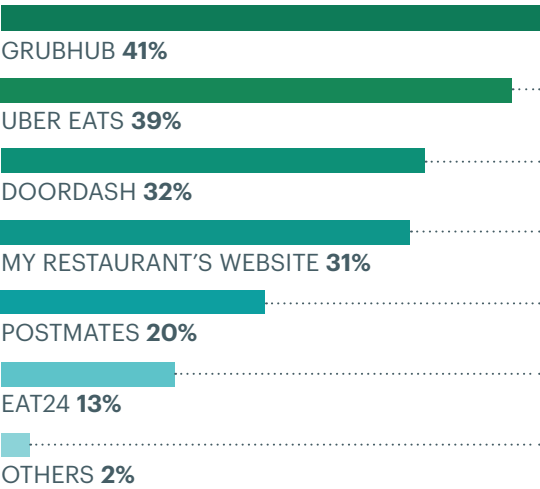
Online ordering is changing the restaurant industry and giving full service restaurants a new way to earn revenue. Let’s look at how FSRs are embracing online ordering.

4 in 5 Almost **four in five** full service restaurants use an online ordering platform. Two-thirds of these restaurants use between one and three platforms.

Restaurants often use more than one online ordering platform



Adoption rates of online ordering sites by full service restaurants across the country



Grubhub and Uber Eats are the most popular online ordering platforms among FSRs, but this varies based on geography. Grubhub is the king of online ordering platforms in **New York City, Los Angeles, and Chicago**, while Uber Eats is a close second.

In **Miami**, Uber Eats reigns supreme, while online ordering directly through a restaurant’s website is the second most successful medium. In **Austin**, the most dominant online ordering platform for FSRs is DoorDash followed by Uber Eats.

How did you choose which platforms to sign up for? The restaurateurs we surveyed chose online ordering platforms based on their reliability, popularity, and cost.





So has online ordering revolutionized the full service restaurant industry?

6 to 20%

More than half of restaurants conduct six to 20% of their business through their online ordering platforms.

11 to 20%

As a result of this new revenue stream, restaurants have seen an 11 to 20% increase in overall sales volume.

Up to 20%

Not only has online ordering increased sales for FSRs, but it's also increased the average check size. The majority of restaurants report that customers spend up to 20% more on online orders – due to both more add-ons and more menu items per check.

“Move to online orders sooner than we did!”

– Survey respondent

New restaurant concepts may open and close, but FSRs will always be a staple in the food and beverage industry. Based on the findings in this report, you are eager to embrace technology to manage costs, schedule employees, process payments, take orders online, and make data-driven decisions. With healthy profit margins and financial stability on the whole, full service restaurants are here to stay.



TouchBistro is an iPad POS and integrated payments solution built for restaurant people, by restaurant people – with every feature designed to meet the unique needs and fast pace of the foodservice industry. Used in more than 100 countries, TouchBistro has powered over 15,000 restaurants worldwide.

TouchBistro makes running a restaurant easier by streamlining and simplifying all aspects of restaurant management – so restaurateurs have more time to focus on their passion and the reason they opened their business in the first place.

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/BUE

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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 customers or your competitors' customers.

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