ANNUAL REPORT

THE STATE OF FULL SERVICE RESTAURANTS

2020

TouchBistro®

INTRODUCTION

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. We surveyed more than 600 restaurateurs to learn about the challenges they encounter while running their businesses.

This year, we're sharing what has changed in the world of full service restaurants since last year and what has remained the same. Additionally, we're excited to give you a look at new findings around emerging technology like reservations software. What we found may surprise you.

For the first time ever, we're also providing in-depth looks at the state of restaurants in some of the country's largest urban areas. We are proud to release city-specific reports for New York City, Los Angeles, Chicago, Miami, and Austin. With these reports, you'll be able to see how your restaurant compares to others in your area and how location-specific factors, like rent prices and weather, affect business.

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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01
RESPONDENT PROFILE

Who took our survey?

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

Gender

57% Male
43% Female

Current role within the restaurant

44% General Manager

40% Owner

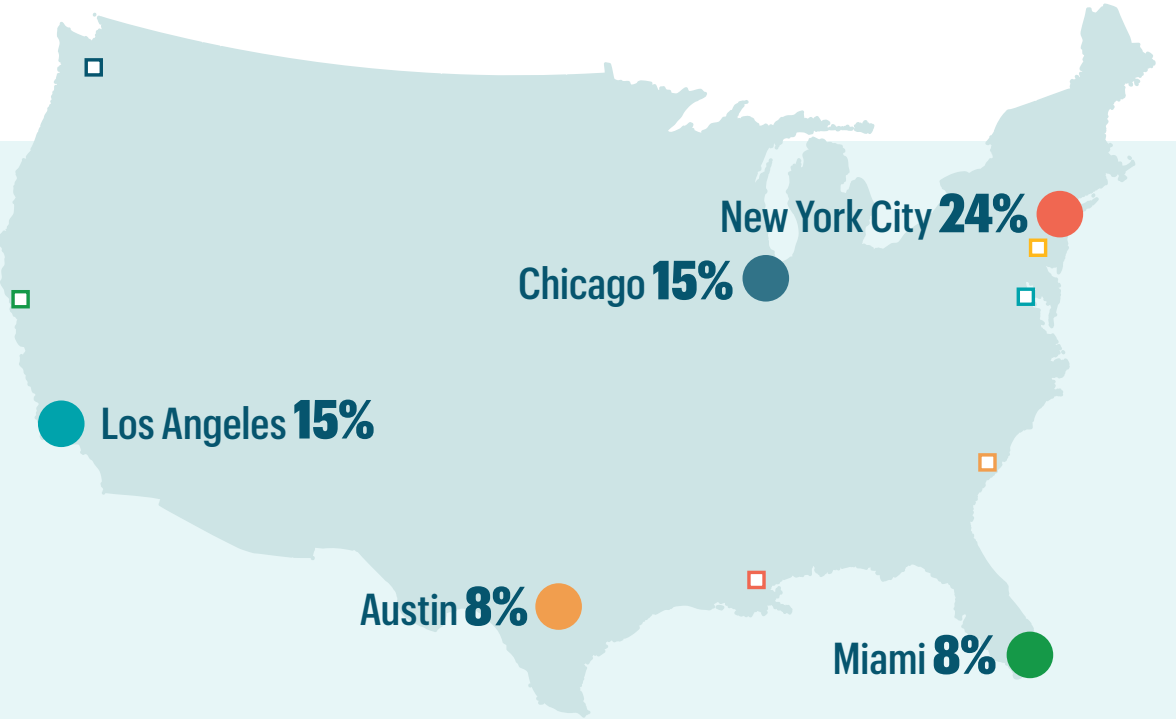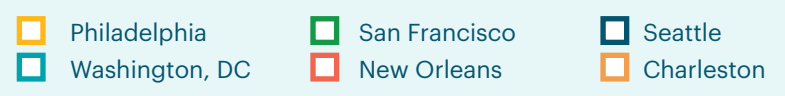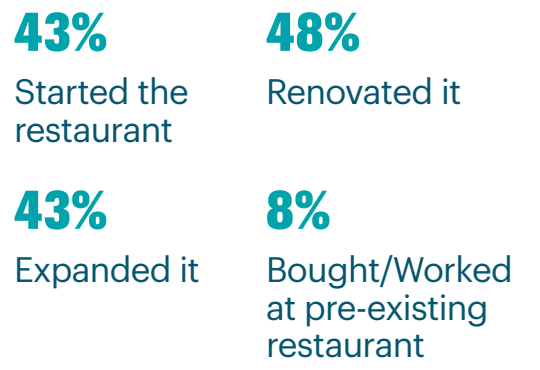**16%** President/ CEO

Independent vs. Chain

71% Independant
29% Chain

Location

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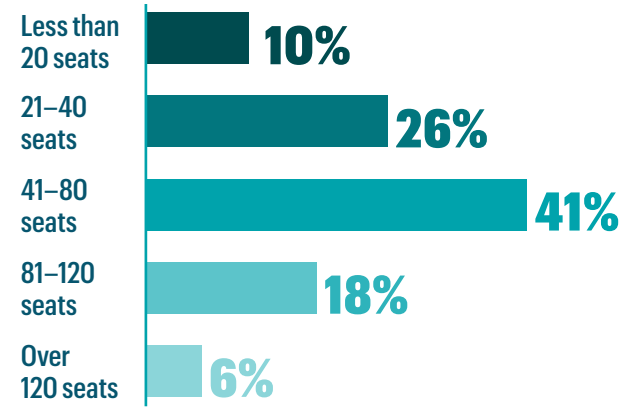(percentage of total respondents)

New York City **24%**
Chicago **15%**
Los Angeles **15%**
Austin **8%**
Miami **8%**

We also paid attention to these growing foodie havens.

- Philadelphia
- Washington, DC
- San Francisco
- New Orleans
- Seattle
- Charleston

Relationship to restaurant

43% Started the restaurant

48% Renovated it

43% Expanded it

8% Bought/Worked at pre-existing restaurant

Size of restaurant

Seats	Percentage
Less than 20 seats	10%
21–40 seats	26%
41–80 seats	41%
81–120 seats	18%
Over 120 seats	6%

Types of restaurants

Family Style	Fine Dining	Premium casual	Bar / Grill	Brasserie / Bistro	Pop-Up
25%	25%	20%	16%	10%	4%
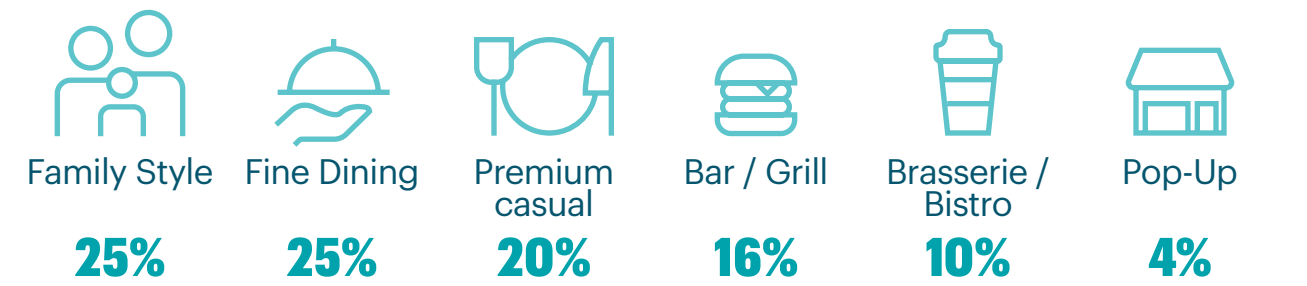
REPORT HIGHLIGHTS

Our respondents gave us a unique opportunity to understand restaurant financing, technology, staffing, and more. Here's a preview of some of our key findings.

Financial Health
The good news is that full service restaurants continue to be financially healthy businesses. The industry-wide average profit margin remains the same as last year at **11%**. Restaurateurs also continue to self-fund their businesses.

11% Profit margin

POS & Payments
When it comes to using technology to manage and grow their restaurants, FSR owners are a savvy bunch. Almost **two-thirds** of them use a POS-integrated payments solution. Respondents told us that they value ease of use, price, and reliability in a POS system.

2/3 Use a pos-integrated payments solution

Data & Reporting
POS systems produce powerful data. Fortunately, 95% of restaurateurs understand the reports that their POS systems produce at least somewhat. How do restaurateurs apply this information? Two in three uses POS data to make decisions about menu pricing, while **one in two** use POS reports to inform scheduling needs.

50% Use reports for scheduling

Inventory
Staying on top of inventory continues to be a struggle for FSRs. **Forty percent** of restaurateurs find it challenging to manage their inventory and usually order more than they need.

40% Struggle with inventory

Staffing
Three in four FSRs experience regular labor shortages, but their operators are taking action to combat the problem. Restaurateurs are dedicating more time to training their employees than they did last year.

3 in 4 Labor shortage

Reservations
Three in four FSRs accept reservations, but most experience up to a **20% no-show rate** for these covers. Four in 10 tables served at full service restaurants are from reservations.

20% No show rate

Online Ordering
Eighty-five percent of full service restaurants use an online ordering platform, which is a **7% increase** from last year. Most FSRs experience an 11 to 20% increase in check size from orders that are made online.

7% Increase in online ordering platforms

02

FINANCIAL HEALTH

John on restaurant funding

"Our experience at Pinch and in talking to other business owners, we've encountered more folks this year versus last year teaming up with business partners, silent partners, or family members who felt more comfortable lending money to the restaurant business due to the strong economy."

"Menu pricing is key, as well as scheduling," says John, when asked about using POS reports to keep costs down. "We also use the reports to capture sales trends on menu items. For example, we monitor what is selling and what is a hot item versus a loss-leader. We make changes to loss-leaders quickly."

JOHN GALLO

**Chef & Owner
at Pinch Kitchen // Miami, FL**

John's passion for cooking is deeply rooted in his childhood, when he would help his grandmother prepare Cuban dishes. Inspired by his grandparents and uncle – all successful restaurant owners at one point – John decided to move to Florida and pursue the culinary arts.

After a decade of hard work at South Beach fine-dining restaurant Casa Tua and with the support of his parents, John opened his first restaurant at age 29. Pinch Kitchen quickly became a hit for contemporary American shareable plates – and mouth-watering burgers – for diners everywhere, from in their neighborhood to beyond the Florida state borders.
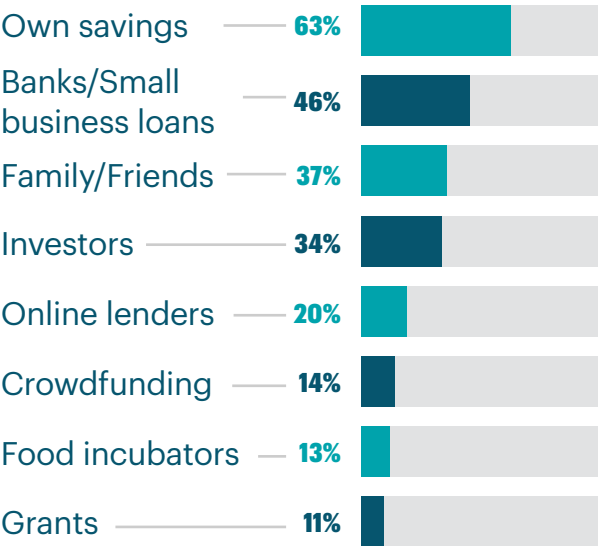
FINANCIAL HEALTH

Financial health is key to a thriving restaurant business. We asked restaurateurs how they funded their ventures, what their profit margins are like, and how much they spend on rent.

Initial & Unexpected Funding

Opening a restaurant is an expensive endeavor and a major financial risk. How are FSR owners covering these start-up costs? What about the unexpected costs that inevitably arise once the doors are open?
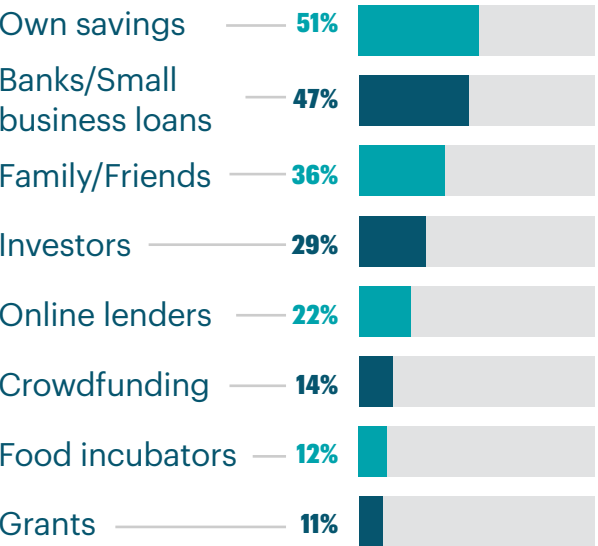
Initial Funding

Own savings	**63%**
Banks/Small business loans	**46%**
Family/Friends	**37%**
Investors	**34%**
Online lenders	**20%**
Crowdfunding	**14%**
Food incubators	**13%**
Grants	**11%**

Unexpected Costs

Own savings	**51%**
Banks/Small business loans	**47%**
Family/Friends	**36%**
Investors	**29%**
Online lenders	**22%**
Crowdfunding	**14%**
Food incubators	**12%**
Grants	**11%**

Most (63%) rely on their own savings for initial funding. While the percentage of restaurateurs who turned to banks and small business loans for start up costs remained the same between this year and last (46%), the percentage of FSR owners who self funded their businesses has increased by almost 10%. New York City restaurateurs are the most self sufficient, with three-fourths paying for startup costs out of pocket.

For the first time ever, more restaurateurs are using their own savings instead of loans to cover unexpected operating costs as well. However, more restauranteurs lean on family and frien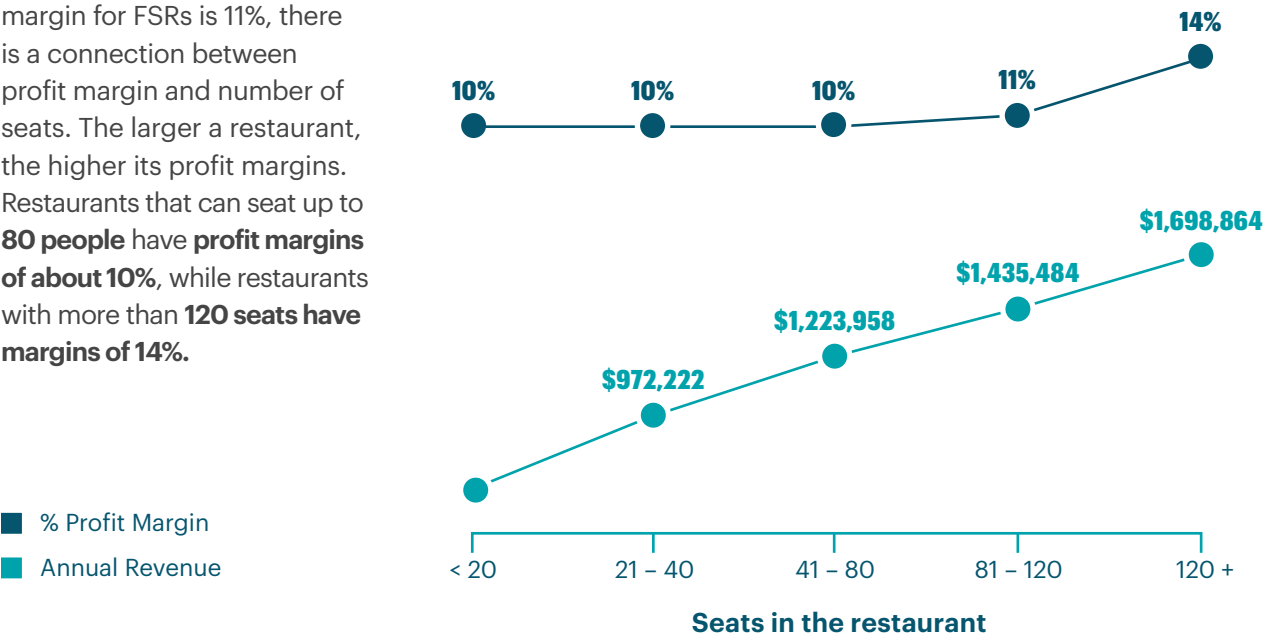ds, online lenders, and food incubators than last year. There was also an increase in reliance on crowdfunding for initial and unexpected business costs.

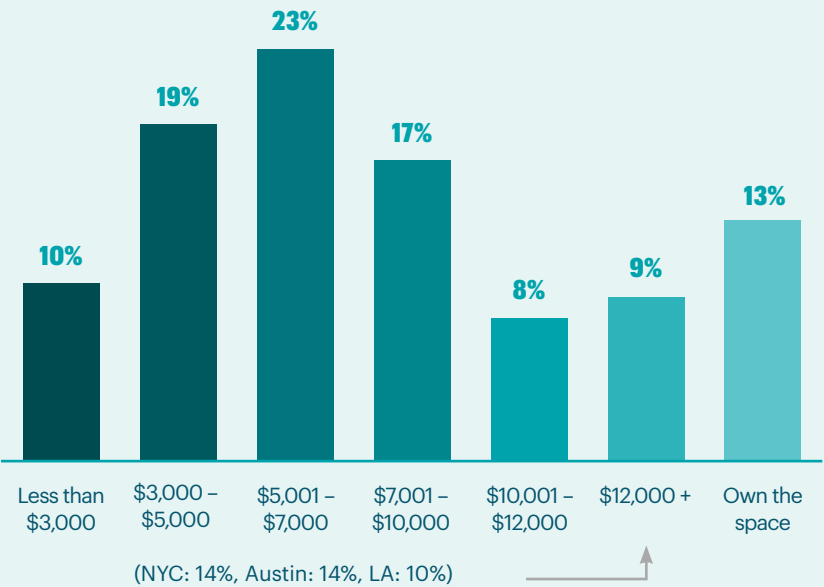**3/4** NYC restaurateurs paying for startup costs out of pocket

Revenue & Profit Margin

While the average profit margin for FSRs is 11%, there is a connection between profit margin and number of seats. The larger a restaurant, the higher its profit margins. Restaurants that can seat up to **80 people** have **profit margins of about 10%**, while restaurants with more than **120 seats have margins of 14%.**

■ % Profit Margin
■ Annual Revenue

% Profit Margin: 10%, 10%, 10%, 11%, 14%

Annual Revenue: $972,222, $1,223,958, $1,435,484, $1,698,864

< 20	21 – 40	41 – 80	81 – 120	120 +

Seats in the restaurant

Monthly Rent

Fortunately, three in four restaurateurs say that they can handle an increase in rent of more than 4%. Last year only three in five restaurateurs could handle this kind of rent inflation. FSRs in NYC and Miami are the most prepared to handle increases in rent, as more than half of respondents in those cities said that they would be able to handle a rent hike of more than 7%.

Less than $3,000	$3,000 – $5,000	$5,001 – $7,000	$7,001 – $10,000	$10,001 – $12,000	$12,000 +	Own the space
10%	19%	23%	17%	8%	9%	13%

(NYC: 14%, Austin: 14%, LA: 10%)

Fewer FSR operators own their spaces than in 2019, and choose to rent instead: 16% owned last year versus 13% this year.

3% decrease in commercial property ownership

03

POS &
PAYMENTS

POS & PAYMENTS

Modern restaurants cannot function efficiently without technology. POS and payment systems are some of the most critical technologies restaurants can adopt. We asked restaurateurs at FSRs how they chose and how they use their POS and payment processing systems.
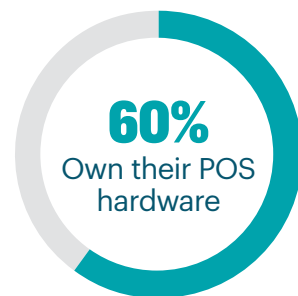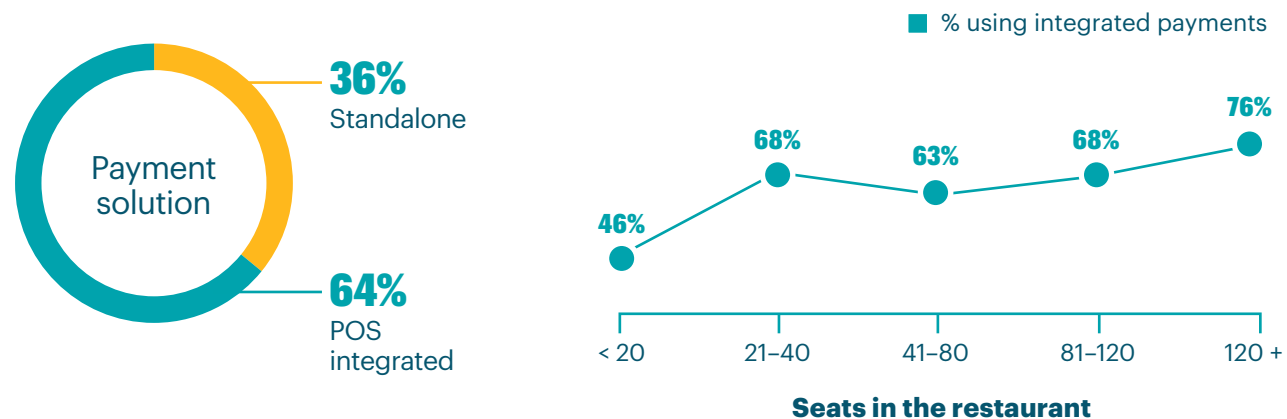
Choosing a POS

Price < **Ease of use**

How did FSR owners choose their POS systems? Once again, ease of use, affordability, and reliability were the main factors that restaurateurs considered. What's changed this year is that restaurateurs valued **ease of use over price**.

60%
Own their POS hardware

Six in ten restaurateurs **own their POS hardware**, while the rest lease it or are on payment plans.
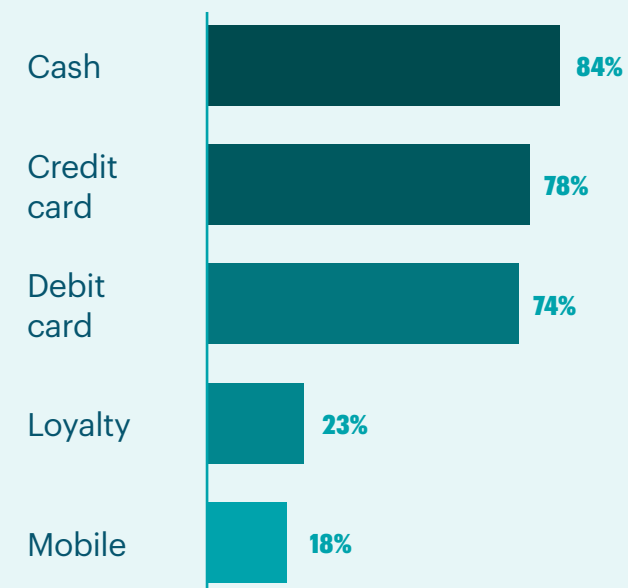
Payment Processing

Nearly **two thirds of FSRs use a payment system** that integrates with their POS, a functionality that reduces errors and enables deeper customer insights. In general, the larger the restaurant, the more likely it is to use an integrated system.

Payment solution

36% Standalone

64% POS integrated

■ % using integrated payments

46% — < 20
68% — 21–40
63% — 41–80
68% — 81–120
76% — 120 +

Seats in the restaurant

Types of Payments

What types of payments do restaurants take? Cash, credit, and debit payments are almost **universally accepted by FSRs**. Payments via mobile wallet (Apple Pay, Google Pay, and Samsung Pay) are still rising in popularity, with 18% of restaurants set up to accept all three. Miami has the highest adoption rate of mobile payments (24%), while Chicago has the lowest (14%). In general, the larger the restaurant, the more likely they are to accept this emerging payment type.

Payment type	Percentage
Cash	84%
Credit card	78%
Debit card	74%
Loyalty	23%
Mobile	18%

POS and payment processing systems keep the full service restaurant industry running.

04

DATA & REPORTING

DATA & REPORTING

Technology gives restaurateurs access to powerful insights that can help them optimize operations. Here's how FSRs use that data to make business decisions.
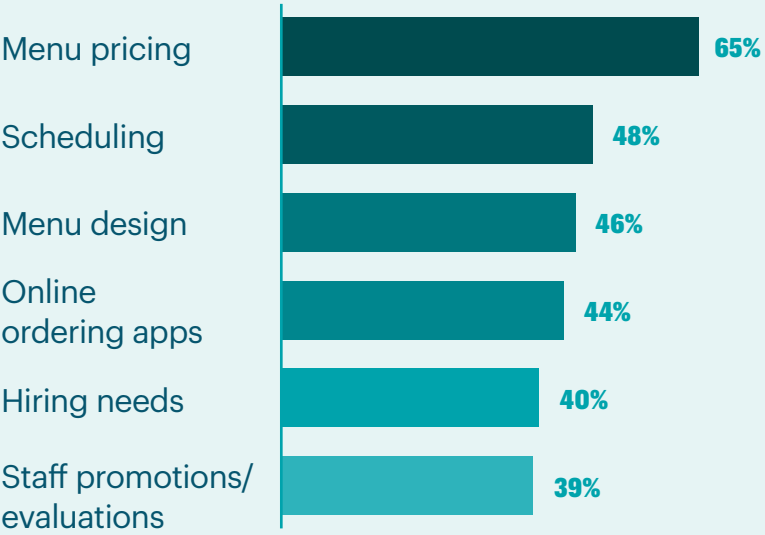
Understanding POS Reports

POS systems collect a lot of information about restaurants. This data is only useful, however, if restaurateurs understand their reports. Fortunately, seven in 10 restaurateurs say they understand their POS reporting completely, while another quarter understand it at least somewhat.

Understand POS reports

71% Yes

5% No

24% Somewhat
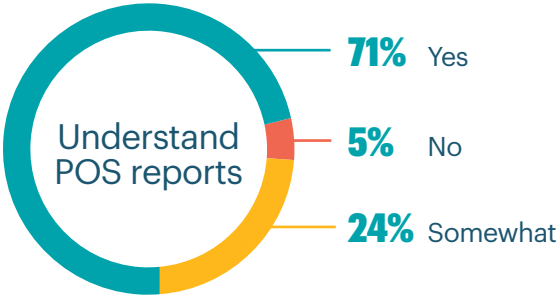
Making Decisions with POS Reports

Two in three restaurateurs use POS reports to inform decisions about menu pricing. Between 40% and 48% of FSR owners also used reports to make decisions about staff scheduling, menu design, online ordering apps, and hiring needs.

Menu pricing	**65%**
Scheduling	**48%**
Menu design	**46%**
Online ordering apps	**44%**
Hiring needs	**40%**
Staff promotions/ evaluations	**39%**

How do these applications compare to last year? This year we saw a 5% increase in FSRs using their reports to inform staff of promotions and evaluations. While pricing and scheduling decisions are the most popular applications for POS reports, they decreased slightly compared to last year.

Bookkeeping

1 to 3 Hours

Full service restaurateurs spent less time on bookkeeping this year than they did last year. Time spent on weekly bookkeeping decreased from two to four hours last year to one to three hours this year. Restaurateurs are getting some of their time back from administrative tasks.

Operational Metrics

What kinds of operational metrics are FSR owners focusing on the most? While restaurateurs check all metrics at least occasionally, cost of goods sold and food cost percentage are reviewed most regularly.

	Regularly	Occasionally	Rarely/ Never
Cost of goods sold	57%	33%	9%
Food cost %	53%	35%	11%
Labor cost %	49%	37%	12%
Average cover	48%	39%	11%
Table turnover	43%	39%	14%
Time x table turn	41%	40%	17%

Labor cost percentage is another key metric monitored by restaurateurs. Smart scheduling through POS-integrated scheduling tools has reduced labor costs and time spent on scheduling for FSRs.

Restaurateurs are less concerned with average cover, table turnover, and time versus table turnover, as they check these metrics less frequently than they do cost of goods sold, food cost percentage, and labor cost percentage. This disinterest indicates that there is still an opportunity for FSRs to become more efficient by utilizing this data.

In general, restaurateurs checked all key metrics less frequently this year than they did last year.

Technology can give restaurateurs the data they need to make smart business decisions. Using this data more frequently would provide a huge opportunity for restaurant owners to get ahead in 2020.

05

INVENTORY

Managing inventory and controlling food costs are critical to the financial well-being of a full service restaurant. We asked restaurateurs how they do both. Here's what we discovered.

Controlling Food Costs

Most full service restaurants control their food costs by keeping an eye on the menu on a regular basis and managing inventory. Restaurants with higher-than-average profit margins are more likely to use portion control and vendor negotiation as methods of keeping food costs down.

Regular menu management — **64%**

Inventory management — **62%**

Portion control — **49%**

Vendor negotiation — **43%**
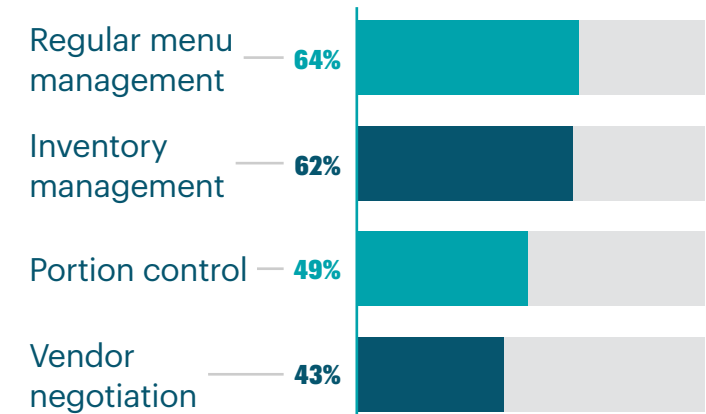
Reasons for Comped Meals

Mistakes are inevitable in busy restaurants. Unfortunately, mistakes can be costly as they usually lead to comped meals. While the ratio is pretty balanced, more complimentary meals at FSRs are generated by internal errors (54%) than customer errors or dissatisfaction (45%).

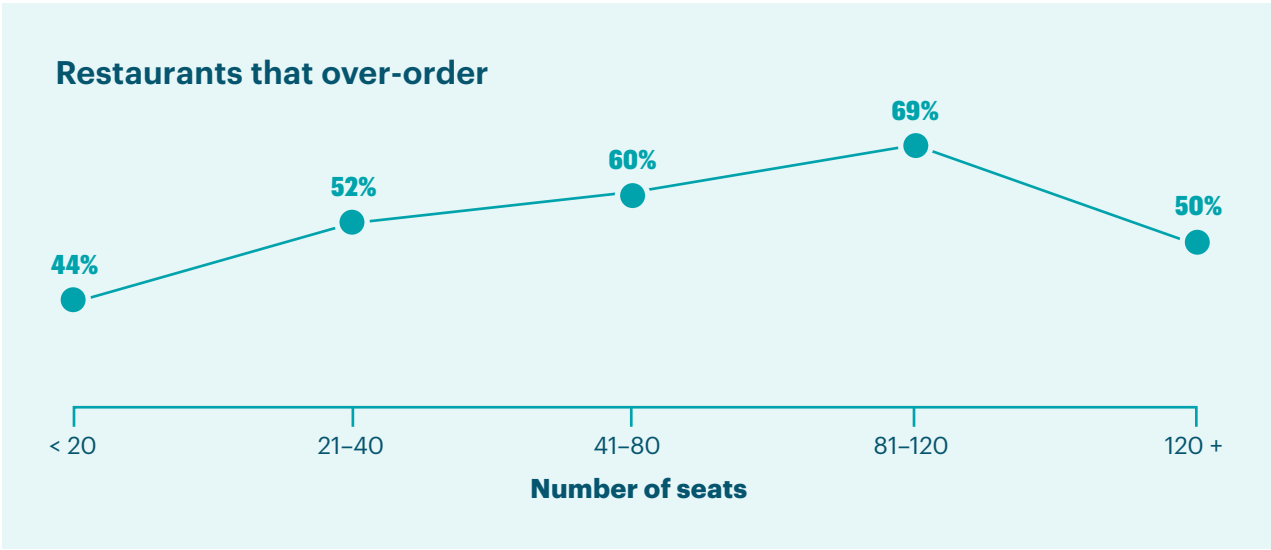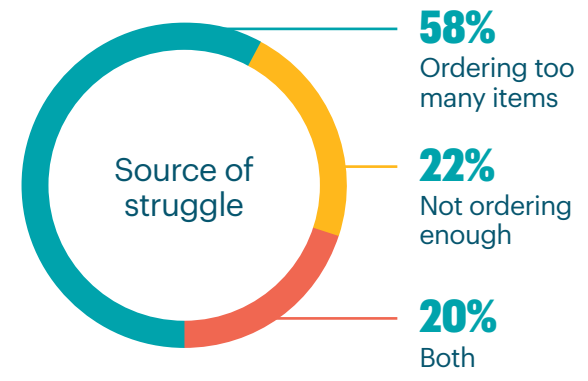|			
20%	**25%**	**27%**	**27%**
Customer error	Customer dissatisfaction	Kitchen error	Server error
External		**Internal**	
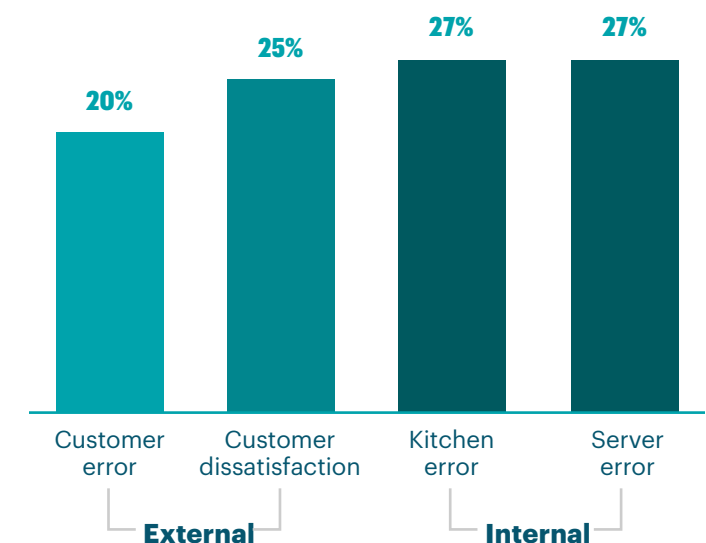
Taking Inventory

Most full service restaurants rely on their POS system and spreadsheets to take inventory. These methods are used by more than 60% of restaurants. FSRs are checking their inventory less frequently than they were last year. In 2019, 85% of restaurateurs checked inventory at least once a week if not more frequently, while in 2020 this figure is down to 70%.
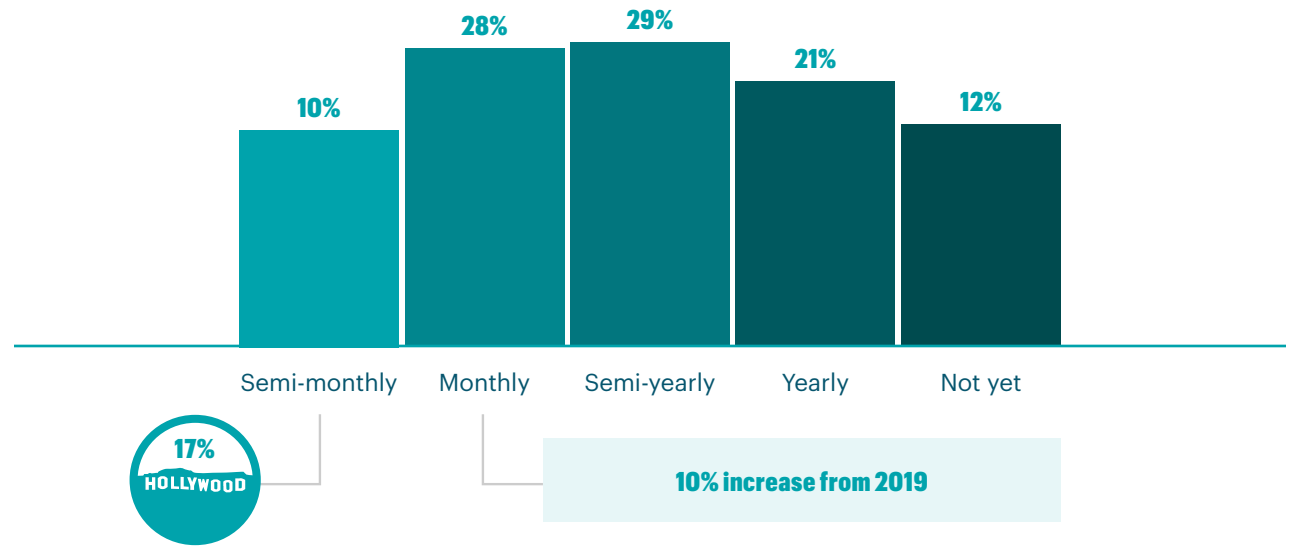
2019

85%

2020

70%
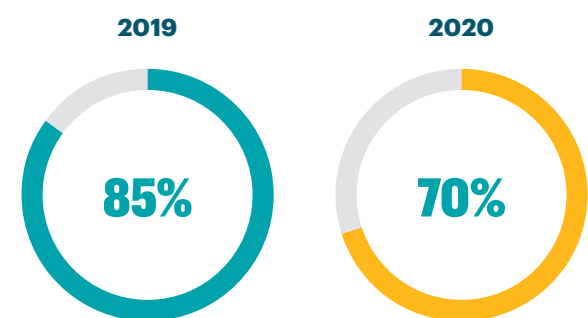
Inventory Struggles

Even with the help of technology, **two in five restaurants struggle with inventory management**. Most of the time, restaurants order more than what they need. In general, larger restaurants struggle with over-ordering more than smaller restaurants do.

2 in 5 restaurateurs struggle

Source of struggle

58%
Ordering too many items

22%
Not ordering enough

20%
Both

Restaurants that over-order

44%
52%
60%
69%
50%

< 20 | 21–40 | 41–80 | 81–120 | 120 +

Number of seats

Price increases are another challenge that FSRs face when it comes to inventory. Vendors are increasing prices more frequently than they were last year. In fact, monthly price changes went up from 18% last year to 28% this year. Los Angeles restaurants face price increases more often than any other city we examined. In Los Angeles, inventory prices go up semi-monthly for a whopping 17% of restaurants.

10%
28%
29%
21%
12%

Semi-monthly | Monthly | Semi-yearly | Yearly | Not yet

17%
HOLLYWOOD

10% increase from 2019

While managing inventory and controlling food costs continue to be a struggle for restaurateurs, they can pinpoint the source of these struggles with the help of technology. With this information, FSRs are better equipped to combat these challenges.

06

STAFFING

Restaurants are nothing without their people. However, finding and retaining staff is one of the most challenging aspects of running a full service restaurant. We asked restaurateurs how they find their staff, what they pay them, how they stay competitive when it comes to hiring, and more.

How Restaurants Hire

Forty-five percent of FSRs rely on **referrals and networking** to find their talent. The restaurant's website, other job sites, social media, and in-store advertising are also popular methods for attracting new hires.

The majority of full service restaurants (61%) rely on **wages** to stay competitive in the job market. Offering their staff **great benefits** (55%), building a strong **team culture** (46%), and providing employees with **professional development** opportunities (43%) are also important – but less popular – methods for attracting and retaining talent.

In New York City, Miami, and Austin, restaurants emphasize competitive benefits <u>over</u> wages to stand out as employers.
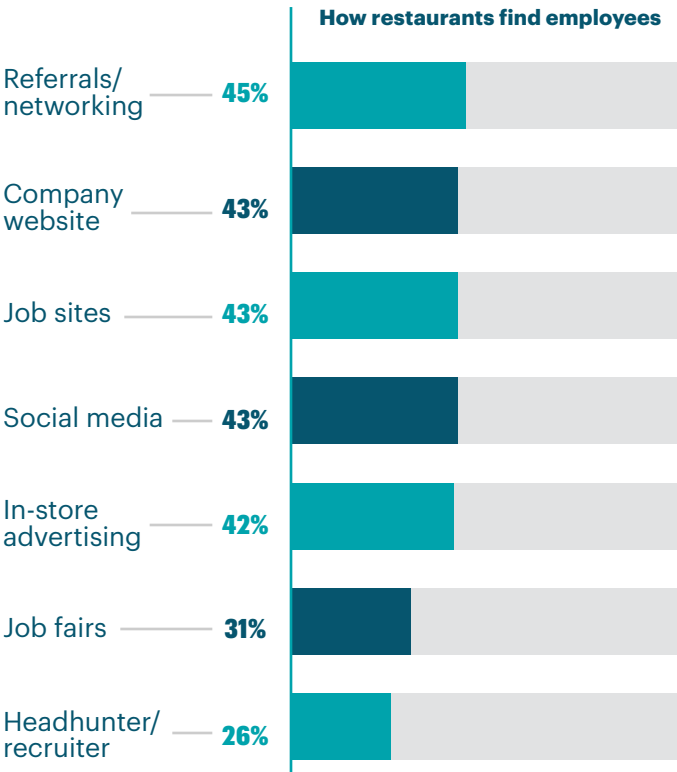
NEW YORK   **MIAMI**   **AUSTIN**

How restaurants find employees

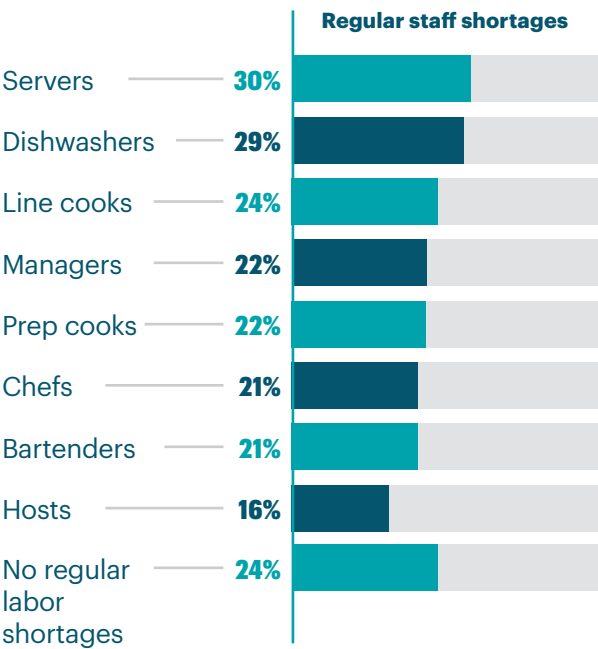|	
Referrals/networking	**45%**
Company website	**43%**
Job sites	**43%**
Social media	**43%**
In-store advertising	**42%**
Job fairs	**31%**
Headhunter/recruiter	**26%**

The Labor Shortage

It is crucial for full service restaurants to stay competitive when it comes to hiring because the industry is battling a staff shortage. Three in four FSRs experience labor shortages, which is 5% more than last year. Servers and dishwashers are the most difficult positions to retain and replace.
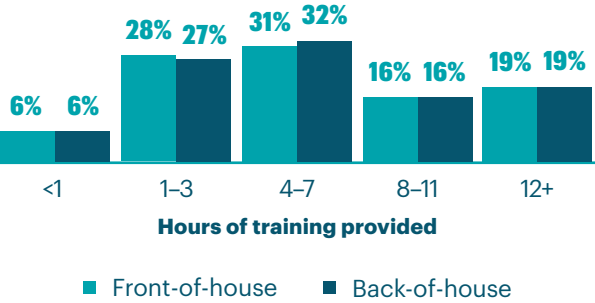
Restaurants with higher revenue are most affected by the labor shortage. Less than half of restaurants with annual revenue less than $500k struggle with labor supply.

Unfortunately, the annual staff turnover rate at FSRs is increasing. Three in five restaurants experience a turnover rate of more than 20%, which is an increase from two in five restaurants last year.

3 in 5
restaurants experience a turnover rate of more than 20%

Regular staff shortages

|	
Servers	30%
Dishwashers	29%
Line cooks	24%
Managers	22%
Prep cooks	22%
Chefs	21%
Bartenders	21%
Hosts	16%
No regular labor shortages	24%

Staff Training

Restaurants are spending less time on employee training this year compared to last, which may have something to do with increased turnover. Last year, more than a quarter of staff received 12+ hours of training. This year, only **19% of employees** receive that much training. Most staff receive between four and seven hours of on-the-job training.

Hours of training provided

Hours	Front-of-house	Back-of-house
<1	6%	6%
1–3	28%	27%
4–7	31%	32%
8–11	16%	16%
12+	19%	19%

■ Front-of-house ■ Back-of-house

Where do employees get the most training? The majority of large restaurants (120+ seats) give their staff more than a dozen hours of training.

Two thirds of restaurants spend more than $2,000 per employee on training, which is a 23% increase compared to restaurants that spent that much last year. In general, FSRs are more likely to spend more than $2k on training after they reach the $500k annual revenue mark.

Annual revenue	
<$500k	22%
$500k–$900k	59%
$1m–$1.5m	78%
$1.5m–$2m	81%
$2m+	50%

Annual revenue
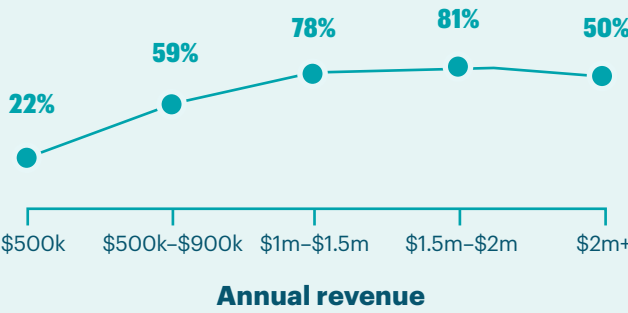
Employee Scheduling

Restaurateurs are getting more tech savvy when it comes to creating employee schedules. We saw a slight increase in scheduling software use since last year.

Using an employee scheduling tool remains the most popular method for creating staff schedules at FSRs. In fact, 52% of restaurants that earn $2M+ annually rely on employee scheduling software.

One in five restaurateurs still opt for traditional spreadsheets only, while one in 10 rely on pen and paper only.

Overall, the majority of restaurateurs spend two hours or less each week on scheduling.

Create staff schedules using...

- Scheduling software only
- Spreadsheets only
- Spreadsheets + software
- Pen/paper only
- Pen/paper + spreadsheets
- Pen/paper + software
- All three

Staff Scheduling: 26%, 20%, 11%, 17%, 11%, 8%, 7%
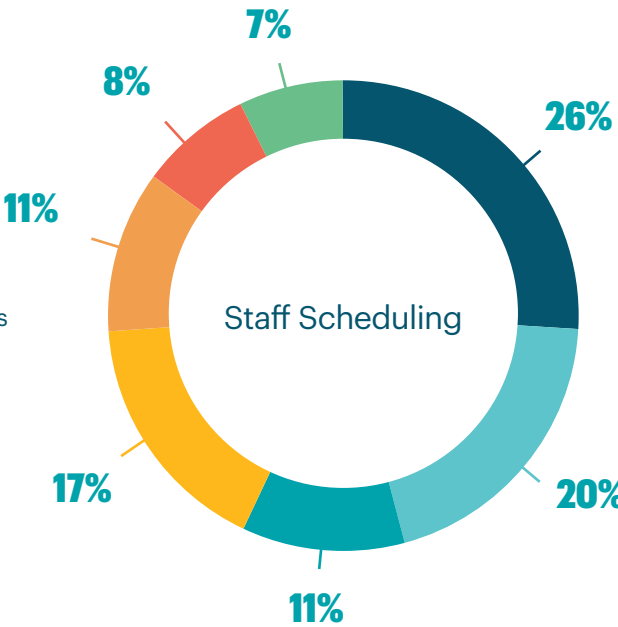
Managing Labor Costs

Labor is one of the biggest operational costs that restaurants have. About half of FSR restaurateurs reduce labor costs by increasing productivity, while two in five rely on cross training staff and using techniques that boost staff retention. Thirty-six percent of restaurateurs use POS data to predict scheduling needs, and this figure increases as revenue increases.

Attracting and retaining qualified employees continues to be a struggle for full service restaurants. Some restaurateurs are fighting turnover by spending more resources on training, using technology to create smart schedules, and using wages and benefits to stand out as competitive employers.
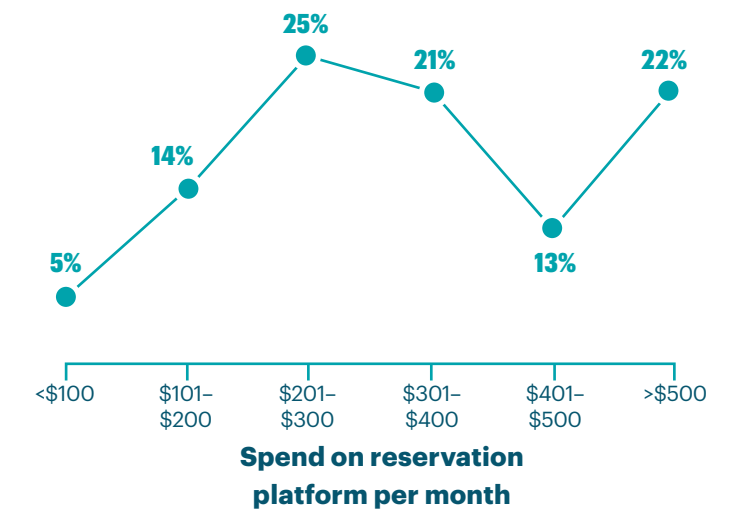
07
RESERVATIONS

Reservation technology is changing the way that FSRs serve their customers. We asked restaurateurs how reservations are affecting business. Here's what we found.

Reservation Management Technology

Three in four full service restaurants accept reservations, and half use software to manage reservations. **One third of restaurateurs** have plans to **adopt a reservation system** at some point in the future.

Of the restaurants that already use this software, the majority of them spend **more than $200 each month** on them. The most popular price point for reservation systems, which one quarter of restaurants pay, is between $201 and $300/month.

| <$100	$101–$200	$201–$300	$301–$400	$401–$500	>$500
5%	14%	25%	21%	13%	22%

Spend on reservation platform per month

4 in 10 tables served come from reservations

How many tables do restaurants hold for reservations? About 56%. Of all the tables served at FSRs, four in 10 come from reservations.

Reservation Management Technology (cont...)

Despite the rise of reservation management software, low-tech methods like phone calls and walk-ins are still the most prevalent way that restaurants get reservations (57%). Fifteen percent of reservations are made through reservation apps, another 15% come through the restaurant's website, and 14% come from Google.

Phone	**34%**
Walk-in	**23%**
	57%
Restaurant website	**15%**
3rd party reservation app	**15%**
Google	**14%**
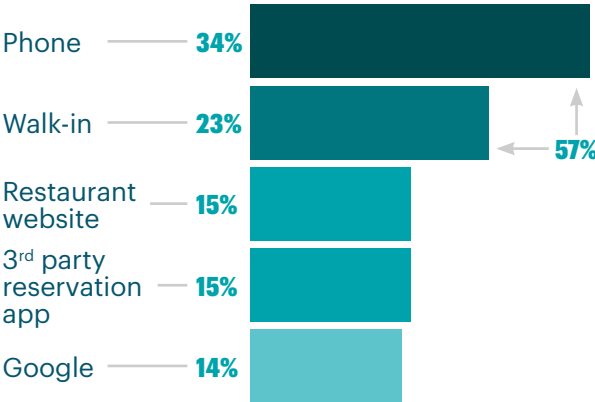
How does your no-show rate compare?

Reservations help make the chaotic restaurant industry a little bit more predictable. While most diners still use old school methods to make reservations, more and more are relying on reservations software to book tables.

Average no-show rate
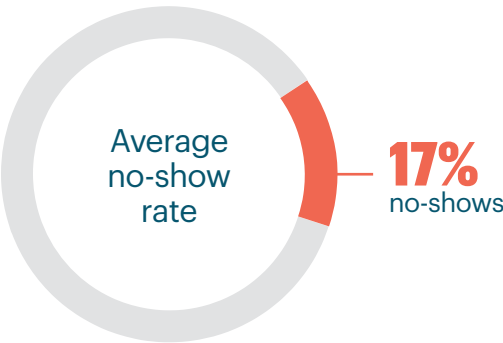
17% no-shows

When Reservations Are Made

Most people make last-minute plans when it comes to dining out. Six in 10 reservations are made up to 24 hours in advance. Two-thirds of restaurants experience up to 20% no-shows for reservations, while the average no-show rate is 17%.

6 in 10 reservations are made up to 24 hours in advance

"No shows and cancellations are a big part of the reservation process," says Eric. "Our no show percentage is probably right around 5% to 10% unless it's a peak day like New Year's Eve, when we see more. The bigger issue, for us, is last-second cancellations. Those tables are tied up and then released right before service, which hurts the restaurant."

ERIC SILVERSTEIN

Executive Chef & Owner at The Peached Tortilla // Austin, TX

Eric began his journey in the food industry at 16, working at Einstein Bros. Bagels and other chain restaurants before heading off to college to become a lawyer. But the restaurant world still pulled at him. Inspired by traditional Southern fare and Asian cuisines from his upbringing, Eric eventually decided to merge his affinity for food and business by starting his own food truck.

Today, Eric's restaurant empire has evolved to include two food trucks, two full service restaurants, one quick service restaurant, an event and catering space, a 2,500-square-foot commissary kitchen, and a cookbook.

08

ONLINE ORDERING

ONLINE ORDERING

Online orders are becoming an increasingly important revenue stream for full service restaurants. We asked restaurateurs how they chose their online ordering platforms and how this business model affects their overall revenue.
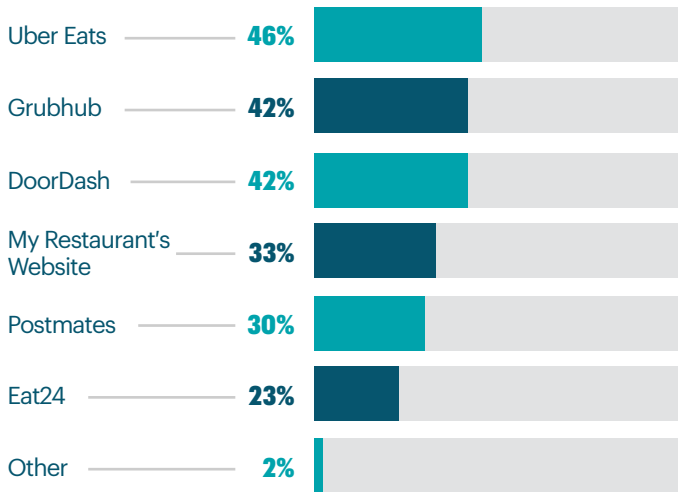
Online Ordering Platforms

More FSRs are using **online ordering platforms** than ever before. In 2019, **80% of restaurants used at least one**, while this year that figure increased to 85%. The majority of restaurants use between one and three online ordering platforms, while 5% use five or more.

85%
Increase over 2019
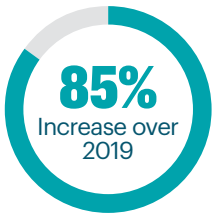
Number of online order platforms used

1	2	3	4	5+
20%	**23%**	**24%**	**12%**	**5%**

Most popular online ordering platform

Uber Eats — **46%**
Grubhub — **42%**
DoorDash — **42%**
My Restaurant's Website — **33%**
Postmates — **30%**
Eat24 — **23%**
Other — **2%**

Uber Eats takes the lead with a 46% adoption rate by full service restaurants. Grubhub and DoorDash tie for second place with 42% adoption rates. In Austin, almost half of all restaurants also rely on their own websites for online orders, the highest of all of the cities we examined.

Last year, popularity was one of the top factors that restaurateurs used to choose a third-party app for online orders. This year, **reliability and cost** stood out as the main considerations, while popularity sunk to third place.
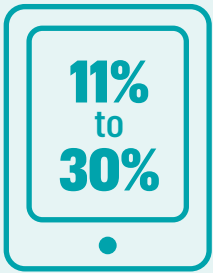
How Online Ordering Affects Sales

Our study has revealed that online ordering is great for business. **Six in ten** restaurants **conduct 11% to 30%** of their business through online ordering platforms and, since adopting online ordering technology, six in 10 FSRs have seen an 11% to 20% increase in revenue.

6 in 10 full service restaurants
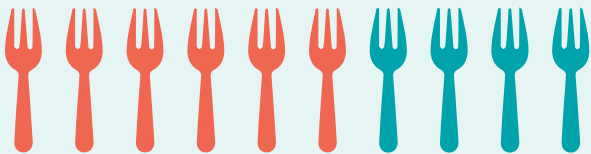
have seen an 11% to 20% increase in revenue.

11% to 30%

Six in 10 restaurants conduct 11% to 30% of their business through online ordering platforms.

A big part of this increase in revenue is because customers who place online orders tend to spend more money than dine-in customers. **Half of all full service restaurants** that accept online orders have experienced **an increase of 11% to 20%** more spent on online orders. What's the cause of the increased spending? Customers are both ordering more items and placing add-ons to their carts.

Contribution to increase

- 40%
- 21%
- 3%
- 36%
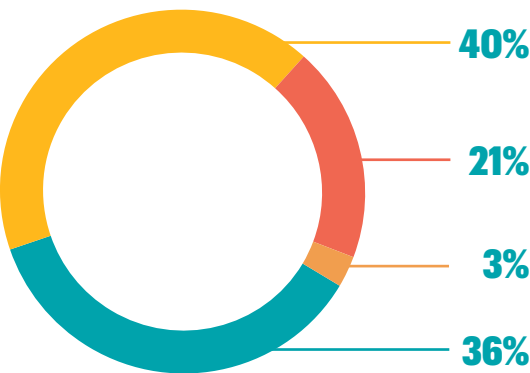
Online ordering is a win-win for FSRs and their customers. Online orders generate more revenue for restaurants and let customers enjoy their favorite food from the comfort and convenience of their homes and/or offices.

- ■ More menu items per check
- ■ More add-ons per check
- ■ Both
- ■ Not sure

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

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

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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