

The State of Restaurants
in 2022

New York City Report



Introduction

Back in early 2020, we released our annual State of Restaurants Report. We surveyed hundreds of restaurateurs and our findings set a benchmark for what was happening at FSRs across the U.S. in terms of financial health, technology, staffing, and more.

Then, the COVID-19 pandemic happened.

Since our 2020 report was released, the pandemic has turned the entire restaurant industry upside down. These changes have been especially striking in major restaurant hubs like New York City, where extensive dining room closures and strict safety measures have radically transformed the experience of dining out.

To find out how these changes have played out across the U.S., we recently surveyed more than 500 restaurant owners, presidents, CEOs, and general managers. We also spoke directly with nearly a dozen restaurateurs to dive deeper into the stories behind the numbers.

In this report, we offer an in-depth look at the state of restaurants in New York City. With this report, you'll be able to see how location-specific factors have impacted New York City's restaurant industry and its recovery.

Our findings reveal that restaurants in New York City faced significant financial strain during the pandemic and 59% were forced to dip into their own savings to keep their businesses afloat. However, our report also found that New York City restaurants were some of the most successful in pivoting to an off-premise model, with 23% reporting an uptick of more than 30% in online ordering sales volume.

Continue reading for a complete look at how full service restaurants in New York City compare to FSRs elsewhere in the U.S.

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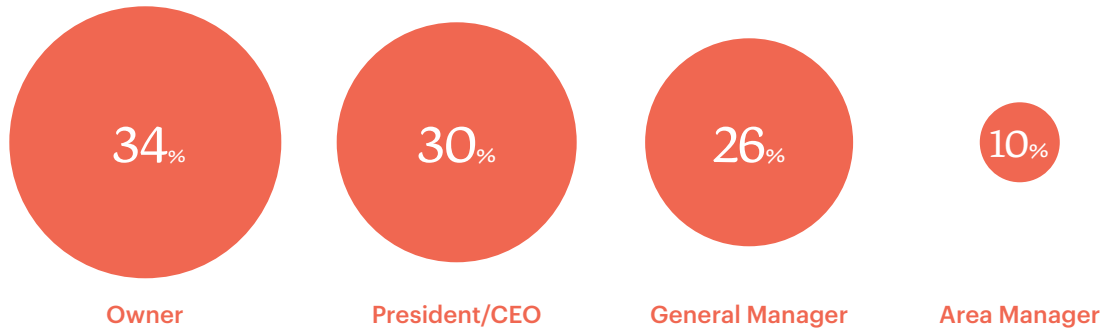
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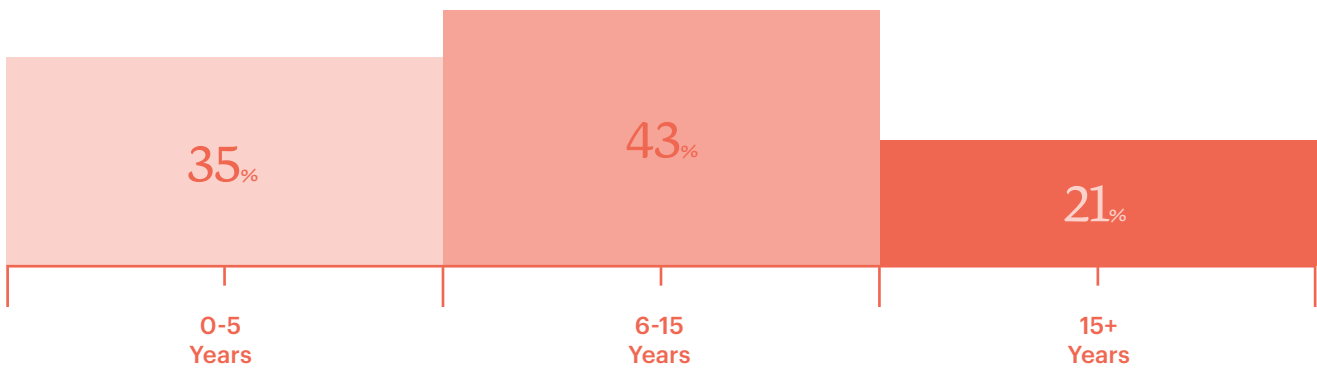


Respondent Profile

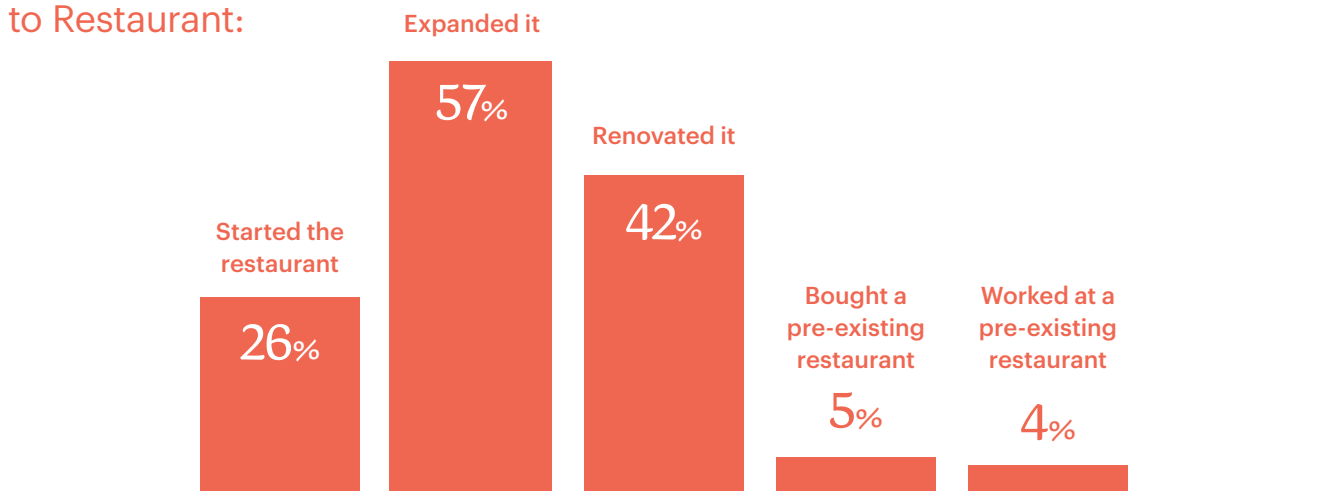
Current Role:



Years in the Industry:

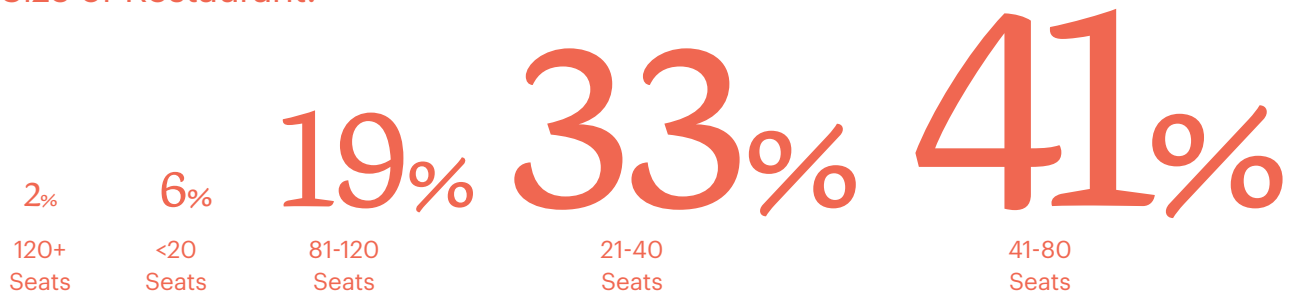


Relationship to Restaurant:

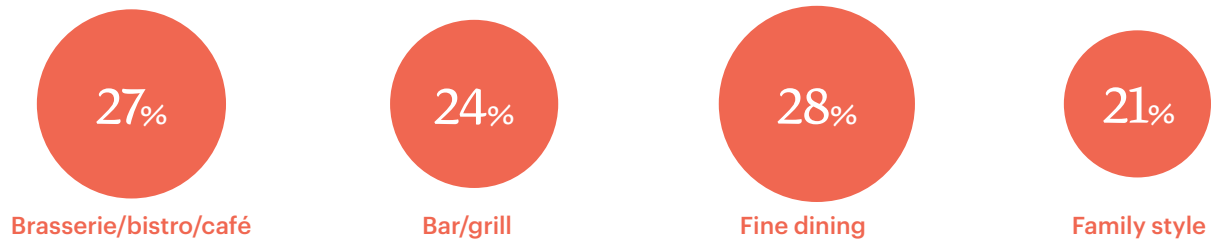


Respondent Profile

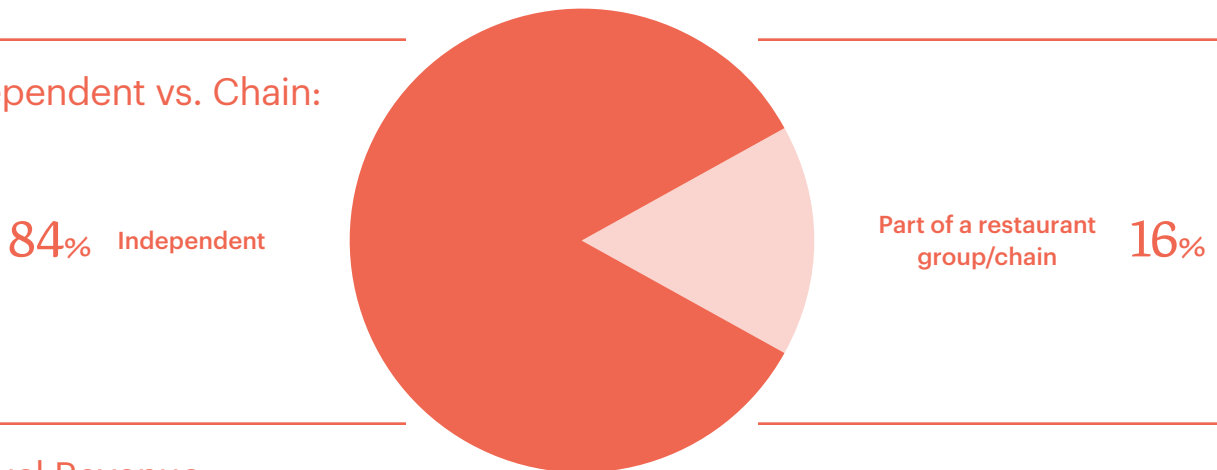
Size of Restaurant:



Type of Restaurant:



Independent vs. Chain:



Annual Revenue:



Financial Health

Like restaurateurs across the U.S., New York City operators faced many financial struggles during the height of the pandemic. However, New York City restaurateurs also demonstrated incredible resilience in the wake of these challenges.



Unlike many of their counterparts, New Yorkers were much more likely to rely on their own savings to stay afloat. In fact, 59% of New York City restaurants said they relied on their own savings as a source of emergency funding throughout the pandemic, while just 20% turned to Paycheck Protection (PPP) loans.

Pandemic Support

59% My Own Saving

39% Banks and traditional small business owners

28% Family and Friends

17% Online lenders and SBA-Guaranteed Loans

27% Grants

9% Crowdfunding

20% Paycheck Protection Program (PPP) Loans

17% Employee Retention Tax Credit (ERC)

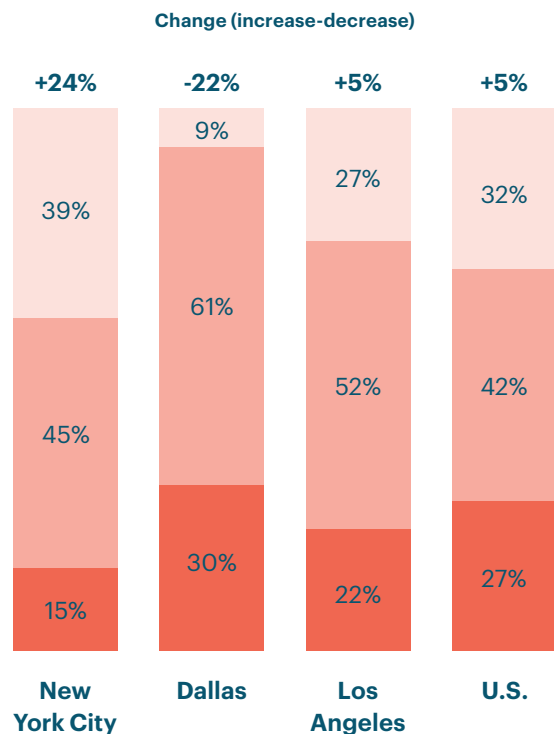
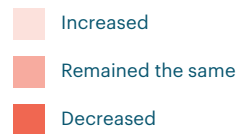
3% None

New York City also saw significantly higher sales growth than other cities throughout the pandemic. More than a third (39%) of restaurants in New York City saw an increase in sales over pre-pandemic levels.

“We've had to pivot to operate. The fact that we now have both outdoor dining and indoor dining is a good thing because it has added revenue streams.”

(General Manager, Independent Bar & Grill, New York City)

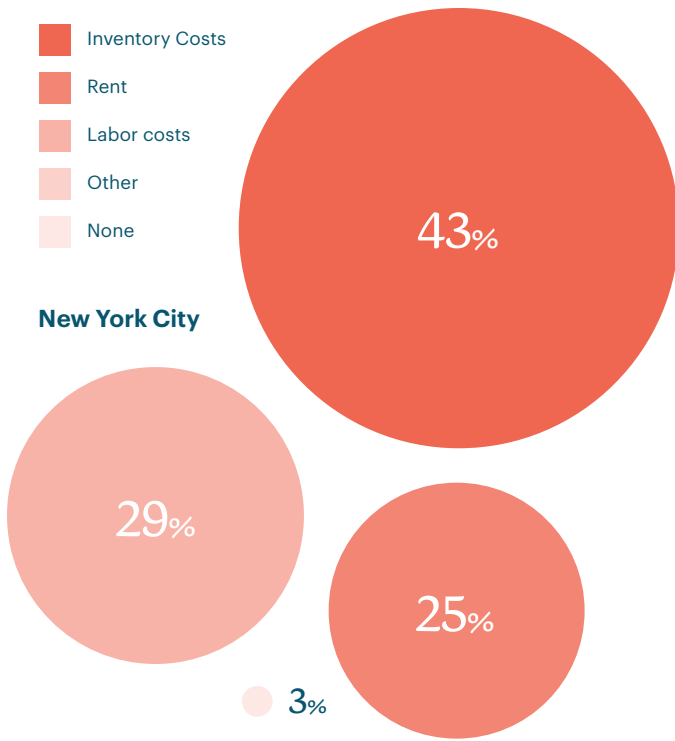
Change in Sales Volume vs. Pre-Pandemic



Unfortunately for many restaurateurs, the majority of these gains were wiped out by rising operating costs. Inventory costs proved to be the biggest source of financial strain, with 43% of operators citing it as their number one expense.

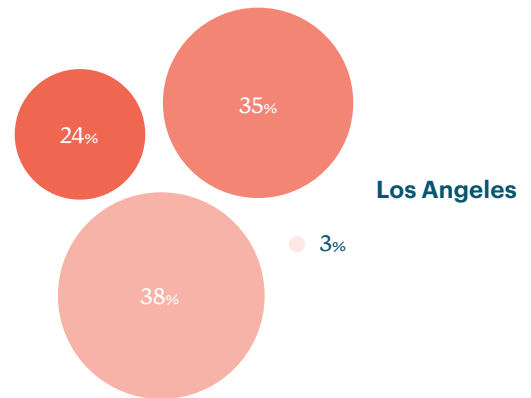
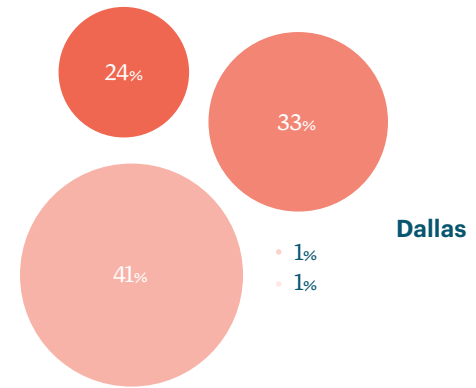
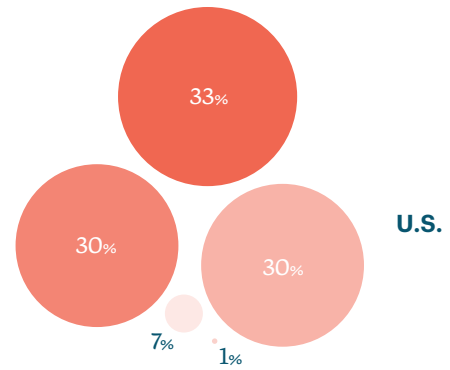
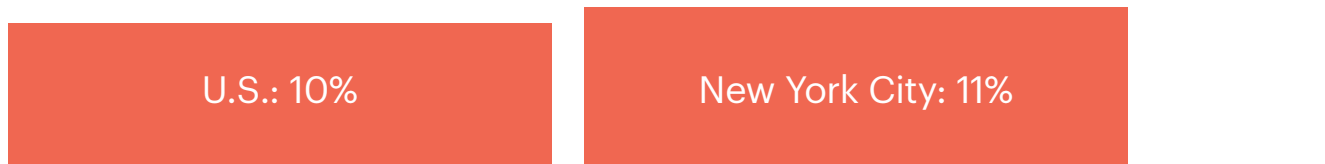
Greatest Causes of Strain in Past 12 Months

- Inventory Costs
- Rent
- Labor costs
- Other
- None



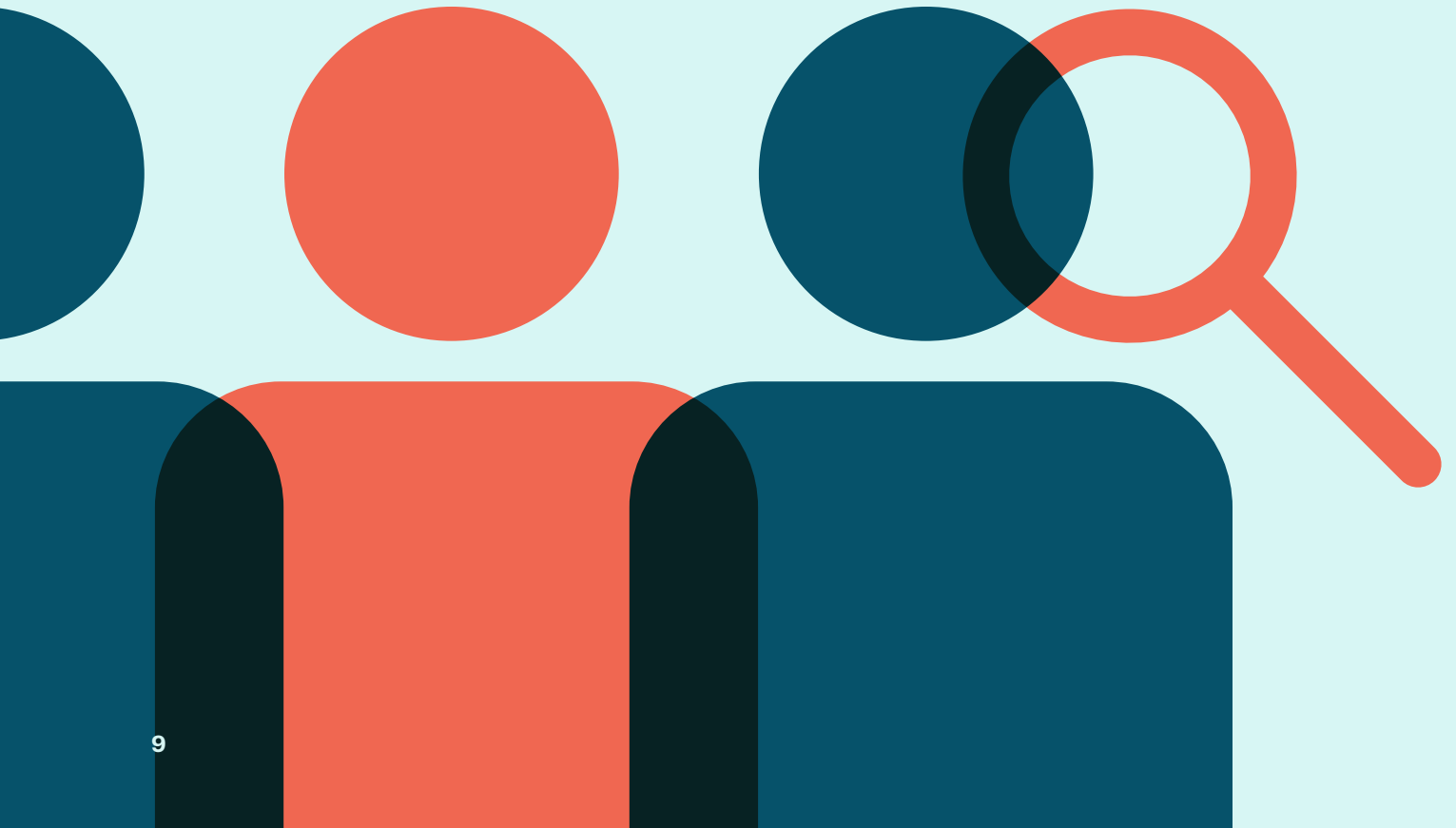
As a result of these rising costs, the average profit margin for New York City restaurants remains flat at 11% – just slightly above the national average.

Average Profit Margins

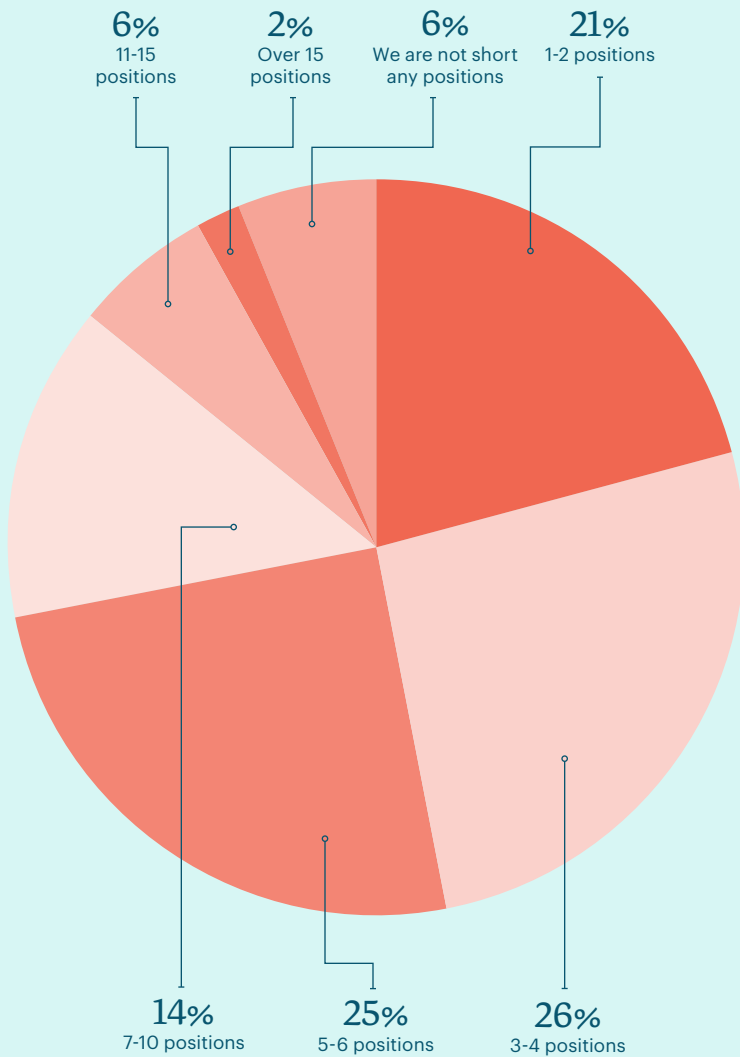


Staffing & Labor

Amidst rising inventory costs, restaurant operators in New York City have also struggled to keep their restaurants fully staffed. This is an issue that has persisted well beyond the pandemic, with 94% of New York City restaurant operators reporting that they are currently short at least one position, while 51% say they are still short 3-6 positions.



Number of Staff Shortages New York City Restaurants are Experiencing



Server positions appear to be the toughest to fill with 43% of New York City operators saying they have a shortage of wait staff. This is a major shift from 2019, when managers and line cooks were in the highest demand.

Staff Shortages in New York City

2021: 43% Servers
2019: 26%

2021: 19% Bartenders
2019: 26%

2021: 21% Hosts
2019: 18%

2021: 23% Chefs
2019: 19%

2021: 14% Line Cooks
2019: 28%

2021: 14% Prep Cooks
2019: 26%

2021: 25% Dishwashers
2019: 25%

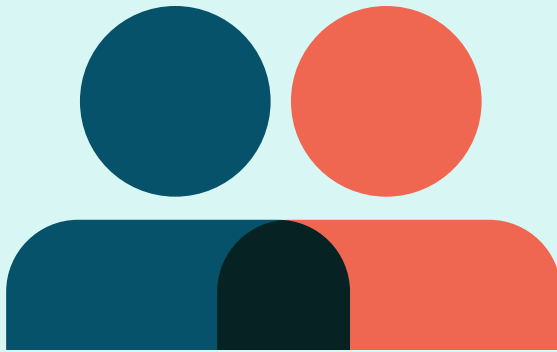
2021: 21% Managers
2019: 33%

2021: 15% I'm not facing regular labor shortages for any positions
2019: 16%

“The labor shortage was a huge issue and even now continues to be.”

(General Manager, Independent Bar & Grill, New York City)

And when it comes to filling those open positions, more than half (51%) of New York City operators reported using social media as their primary recruitment channel – a trend that’s reflected across the U.S.



Social media is the most prevalent way to recruit in NYC

To sweeten the deal for staff and stay competitive, 65% of restaurants in New York City offer benefits and 55% offer competitive wages.

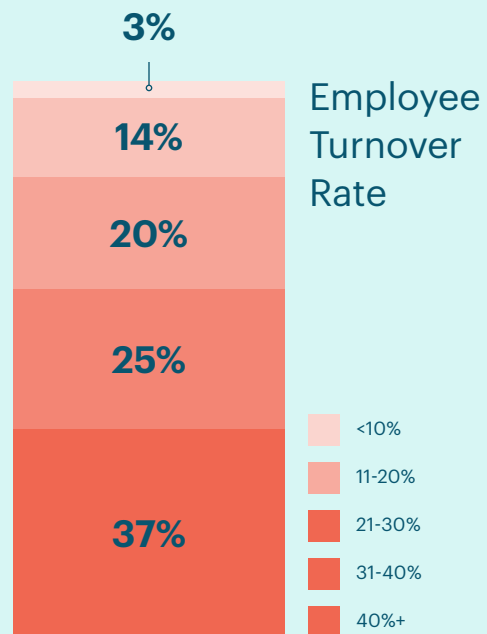
How Restaurants Stay Competitive When it Comes to Hiring & Retaining Staff



Despite the incentives, staff turnover remains incredibly high in New York City. In fact, restaurants in New York City have seen the highest proportion of staff departures, with 3 in 5 restaurants experiencing a turnover rate of 30% or more. According to operators, many staff report feeling undervalued, causing a significant number of lifelong restaurant workers to leave the industry altogether.

“We've got some staffing issues for multiple reasons. I think it's more to do with the fact that people are feeling undervalued as restaurant employees than that they're in fear of catching this virus. I think they don't feel like they're being paid a proper living wage.”

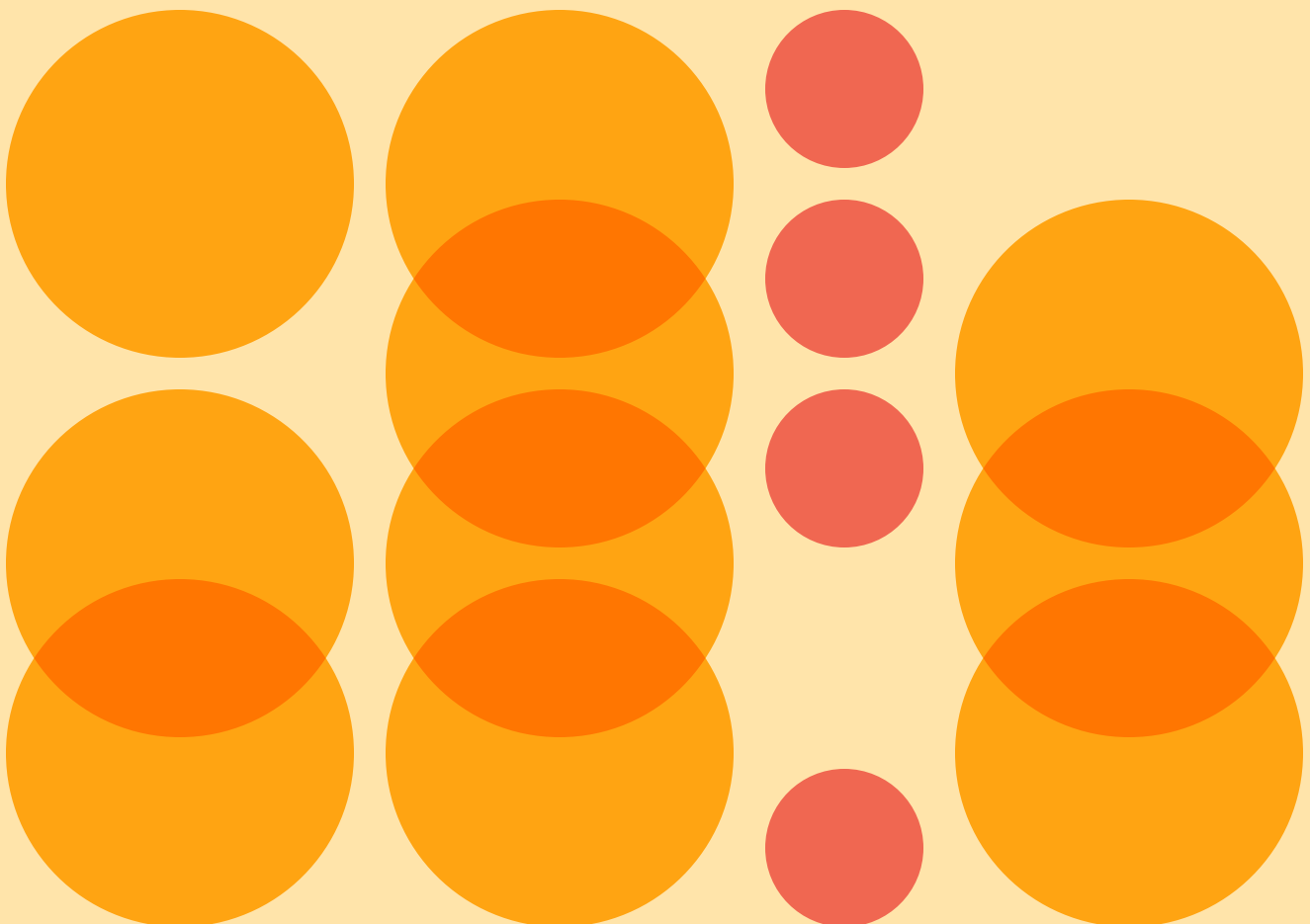
(General Manager, Restaurant Group Brasserie, New York City)



New York City

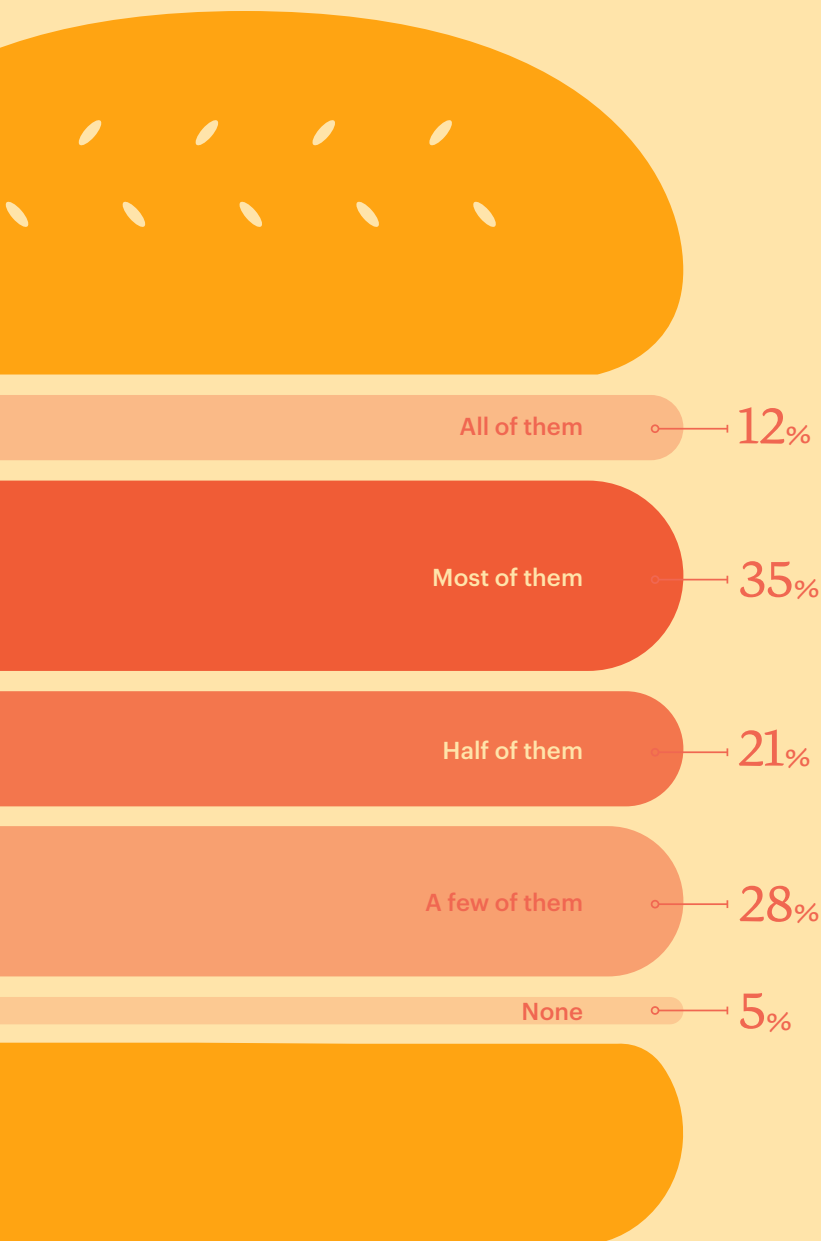
Inventory & Menu Management

While the rising cost of ingredients has been felt across the U.S., restaurants in New York City have been especially hard hit.



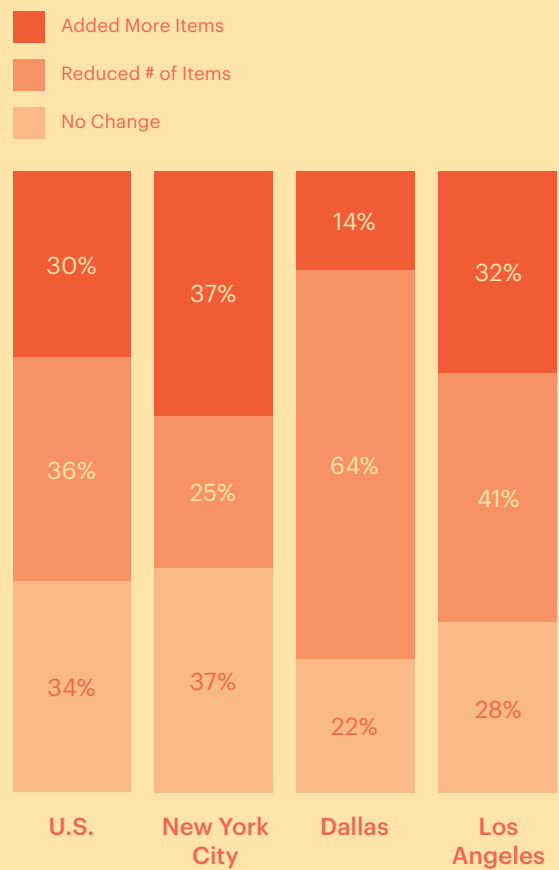
Diving deeper into the data, we found that 47% of New York City restaurants reported that all or most of their suppliers had increased prices during the pandemic.

Incidence of Increase in Supplier Pricing During the Pandemic



But while restaurants in cities like Dallas and Los Angeles responded to rising inventory costs by shrinking their menus, New York City operators took the opposite approach. Interestingly, 37% of New York City restaurateurs added more items to their menus during the pandemic, while only 25% reduced the number of items on their menu.

Changes to Menu Size During the Pandemic



“Right now we have so many extra problems because of the supply chain issues. That, the labor shortage, and the cost of ingredients are the biggest issues.”

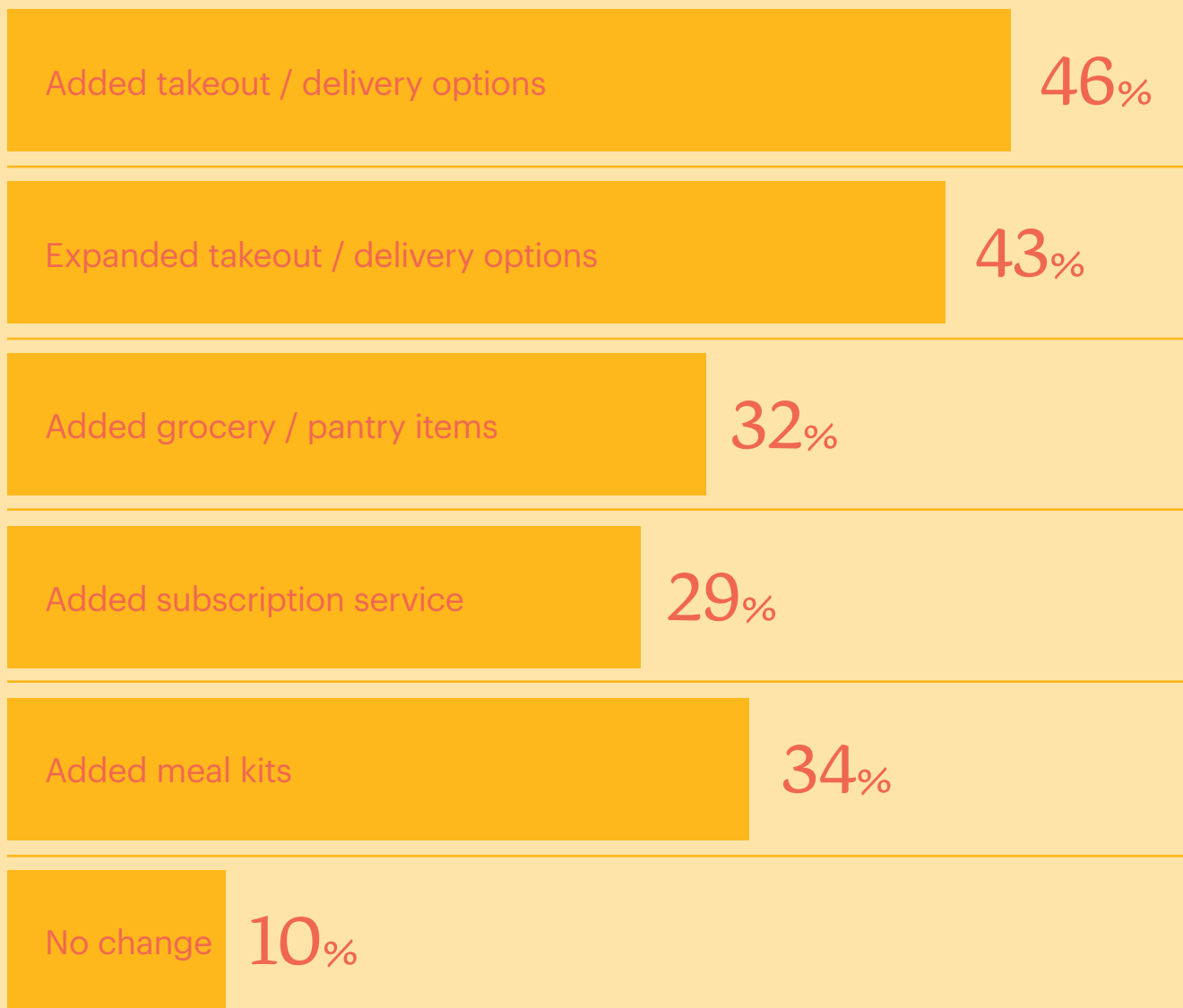
(General Manager, Independent Bar & Grill, New York City)

Despite the higher cost of ingredients, our data shows that restaurants in New York City largely expanded their menus in order to accommodate the growing demand for takeout and delivery options. In fact, nearly half (46%) of New York City restaurants added takeout and delivery options, while 43% expanded their current off-premise offerings. More than a quarter (28%) of New York City restaurants also began offering meal kits during the pandemic.

“We had to tweak the menu to make the food more transportation-friendly.”

(General Manager, Restaurant Group Brasserie, New York City)

Changes to Menu Offerings During the Pandemic New York City



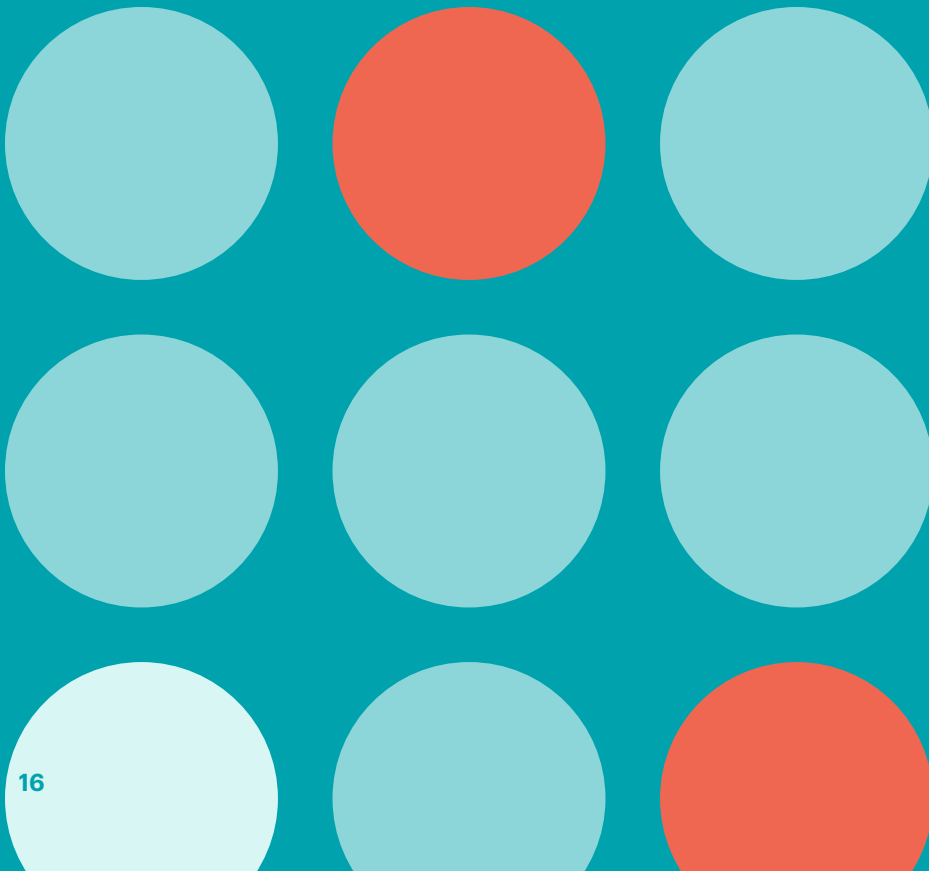


“The supply chain issue is making it harder to get certain ingredients. Obviously, we're working with reduced inventories so we began doing creative things – streamlining the menu, trying to be creative where we could [by] selling bundled meals and meal kits.”

(General Manager, Independent Bar & Grill,
New York City)

POS & Payments

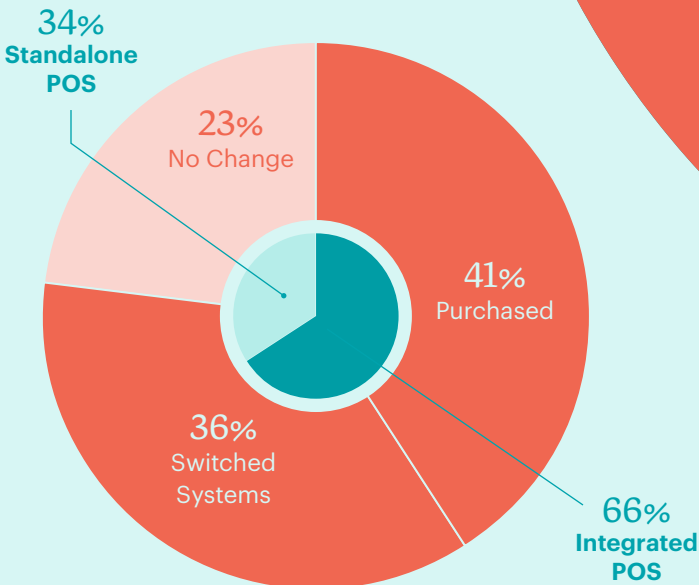
Like many restaurateurs across the U.S., New York City operators have historically been hesitant to adopt contactless payments. In 2019, just 15% of restaurants in New York City offered mobile payments like Apple Pay and Google Pay.





However, the pandemic proved to be a major tipping point for the use of contactless payments, and restaurant operators in New York City were quick to adopt these new payment methods as a way to promote social distancing. QR codes proved to be particularly popular among New Yorkers with a whopping 76% of venues adding the payment type. The use of mobile payments also made huge gains from 2019, with 72% of operators now offering this contactless payment option.

Along with adding new payment options, the majority (77%) of New York City restaurateurs also changed their POS system during the pandemic. 41% reported purchasing a brand new POS system, while 36% switched from one POS provider to another, suggesting that many restaurateurs sought out a system that could help them better navigate the changing industry landscape.

POS Hardware Changes in the Past 12 Months



 **72%**
Mobile Pay

 **76%**
QR Codes

 **65%**
Tap to Pay

5%
None

Contactless Payment Types Implemented During the Pandemic

“We have not been using it for long, but we are using Apple Pay now.”

(General Manager, Independent Bar & Grill, New York City)

Online Ordering

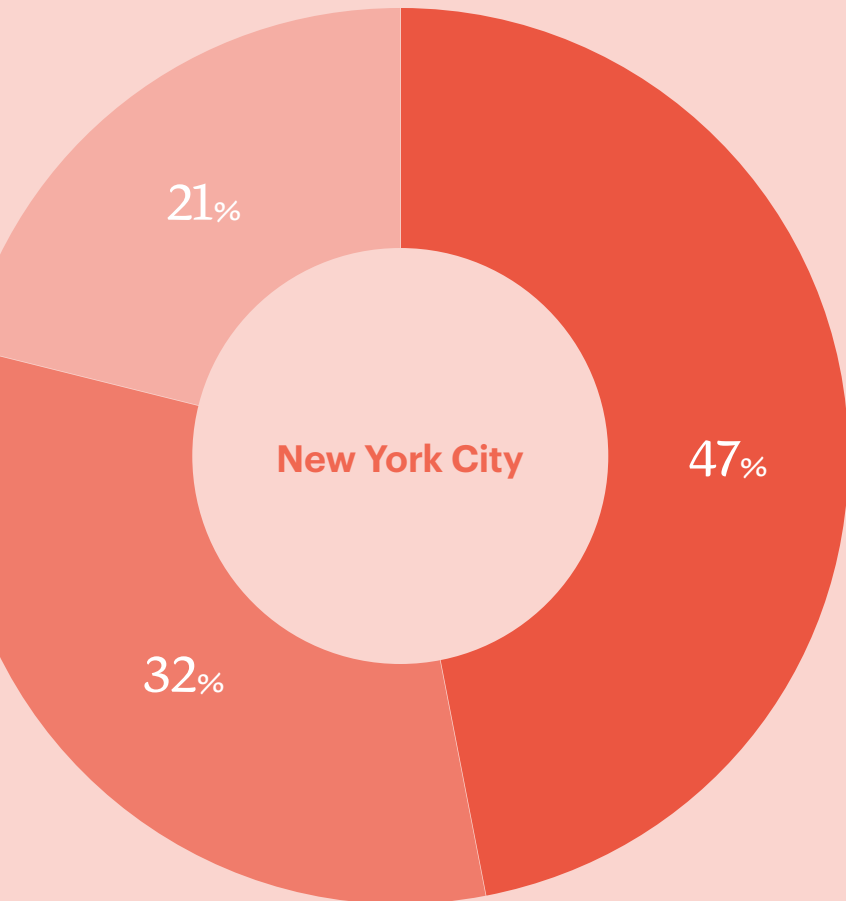
In the wake of stay-at-home orders and repeated dining room closures, the pandemic created an unprecedented demand for online ordering. 95% of full service restaurants in the U.S. now use at least one form of online ordering and New York City restaurants are no exception.



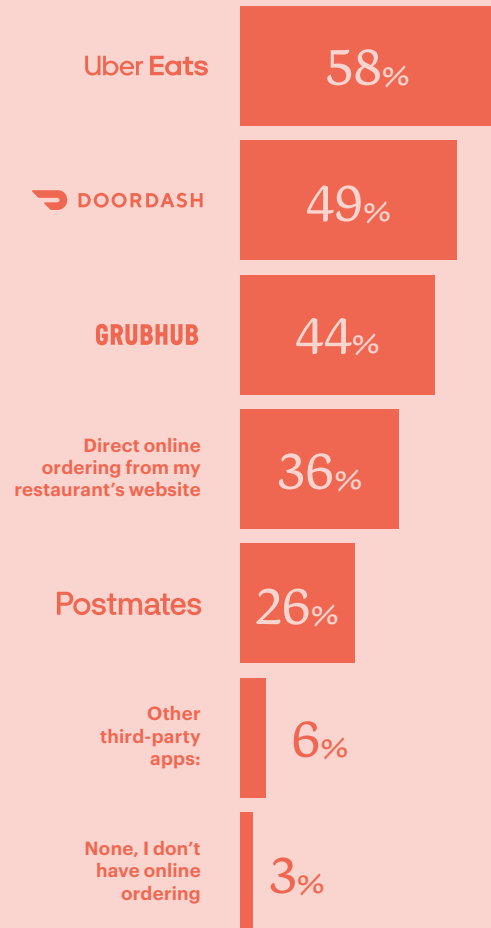
Online ordering has been popular in New York City for quite some time, with 79% reporting that they used some form of online ordering well before the pandemic. However, the pandemic pushed online ordering use even higher in the Big Apple, with 97% of full service restaurants in the city now using some form of online ordering.

When Online Ordering Platforms were Implemented

- Implemented all BEFORE the pandemic started
- Used some platforms before, but added new platforms during the pandemic
- Implemented all AFTER the pandemic started



Use of Online Ordering Platforms



Of these online ordering platforms, Uber Eats is the top choice for restaurants, with more than 58% of New York City's full service venues using the platform. The ubiquity of Uber Eats is unsurprising considering 36% of New York City operators said that delivery options are the biggest factor that they consider when choosing an online ordering platform.

#1 thing NYC operators look for in an online ordering platform: **delivery options**

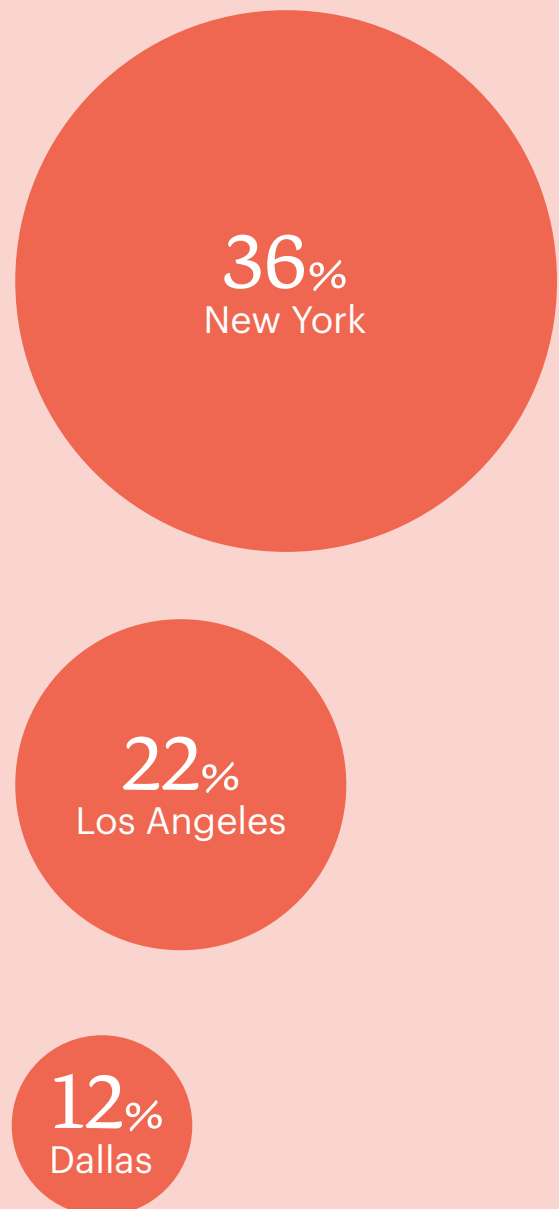
#1 thing NYC operators say is missing from current online ordering platforms: **marketing / advertising tools**

“We did offer [online ordering] before but that wasn't 100% of our revenue. As a result of the pandemic, it became our main revenue stream and that was the scary part. It's unfortunate because those services like Uber Eats, DoorDash, Grubhub, and Caviar, they're here to stay now, and they take such a huge chunk. It's such a huge percentage.”

(General Manager, Independent Bar & Grill, New York City)

But while third-party apps may dominate the takeout and delivery space, restaurants in New York City have also begun to embrace direct online ordering as a way to get around high third-party commission fees. Unlike their counterparts in Dallas and Los Angeles, restaurants in New York City were the most likely to use their own websites to take online orders.

Offering Direct Online Ordering

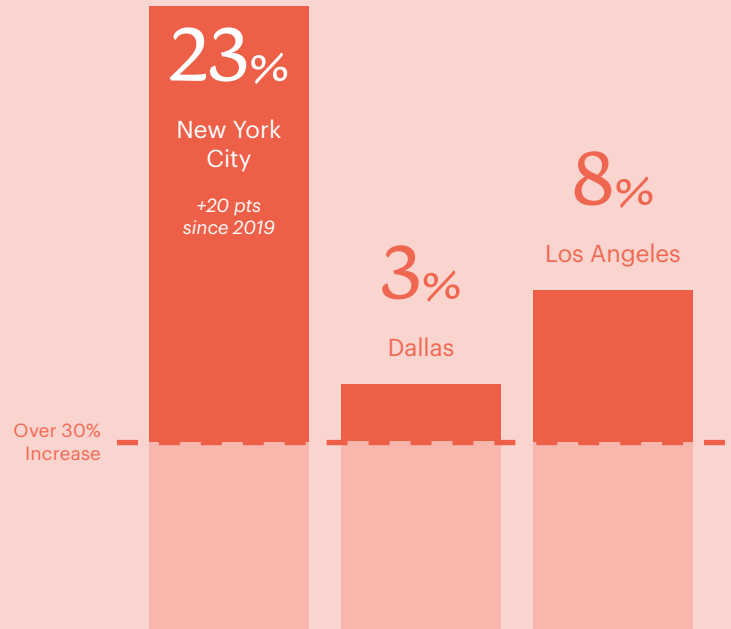


“We found that after these grueling months, it was going to be easier if we had an online ordering system that we could manage on our own. And the services that we could have purchased we're just so expensive that it was easier to run something that we could operate on our own.”

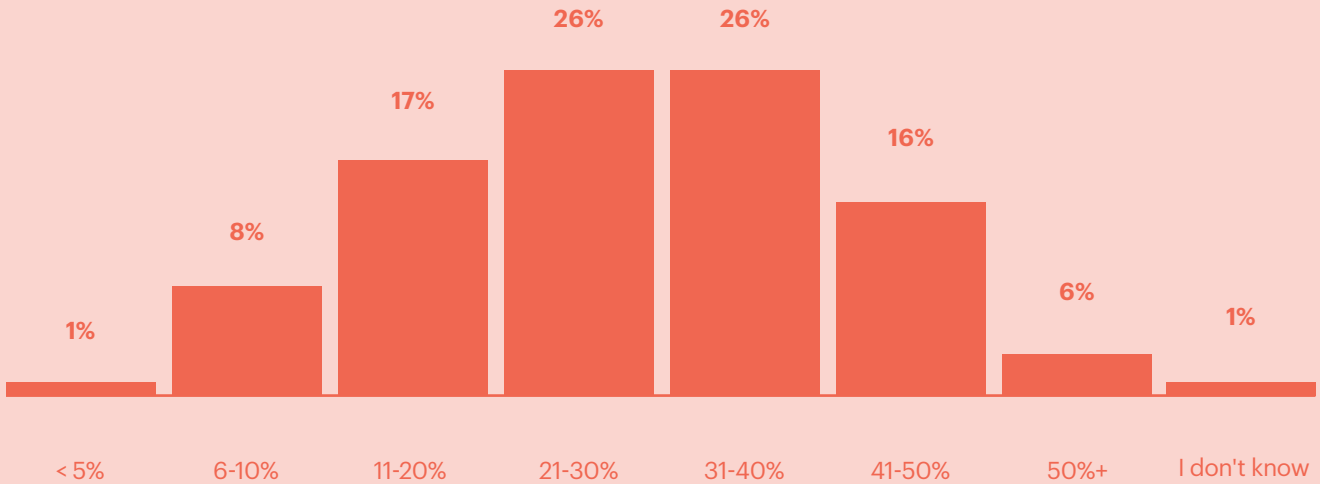
(General Manager, Independent Bar & Grill, New York City)

Embracing online ordering appears to be paying off for New York City restaurants with more than half (52%) reporting that they're doing between 21 and 40% of their business through the platforms. Not to mention, 23% of operators report seeing a more than 30% sales bump from online orders – a 20% jump since 2019.

Increase in Sales Volume Since Using Online Ordering Platforms



What Percentage of Business is Done Through Online Ordering Platforms



“These third-party developed apps take such a huge chunk of our profits. I'd like to see regulatory limits on the amount they get and more active management of the screening process they use, because if a customer calls and complains to Grubhub rather than us, sometimes Grubhub immediately refunds their money. And if they called us, we would have been more strict.”

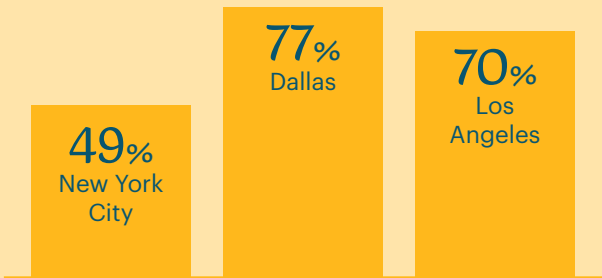
(General Manager, Independent Bar & Grill,
New York City)

Loyalty

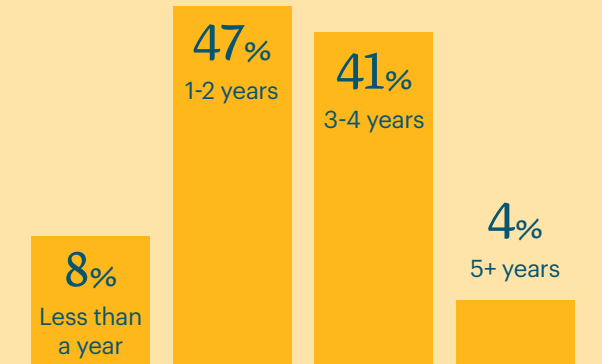
While New York City restaurants were ahead of the curve when it comes to online ordering, they've been a bit more hesitant to embrace loyalty programs with the same fervor.

Only about half (49%) of New York City restaurants report using a loyalty program, which is significantly fewer than in Dallas and Los Angeles. And of the New York City restaurants that do offer loyalty programs, 47% of those said they added it in the last 1 to 2 years, suggesting that the pandemic was a deciding factor.

Use of Loyalty Programs by City



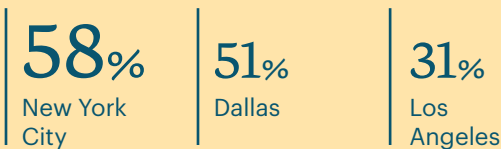
When Loyalty Programs Were Implemented



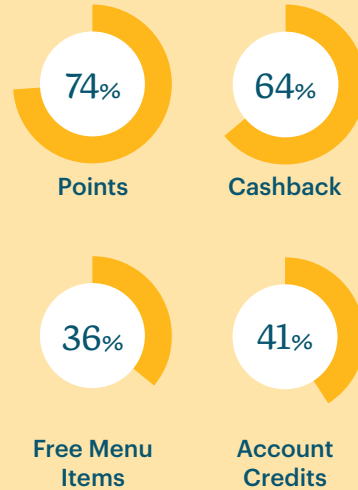
Of the New York City restaurants that do offer loyalty programs, 58% offer a mobile app option, which is significantly higher than the national average of 46%. New York City restaurants also tend to offer a mix of rewards, with points being the most popular option.

Loyalty App Usage

Lowest incidence of app usage is found in LA.

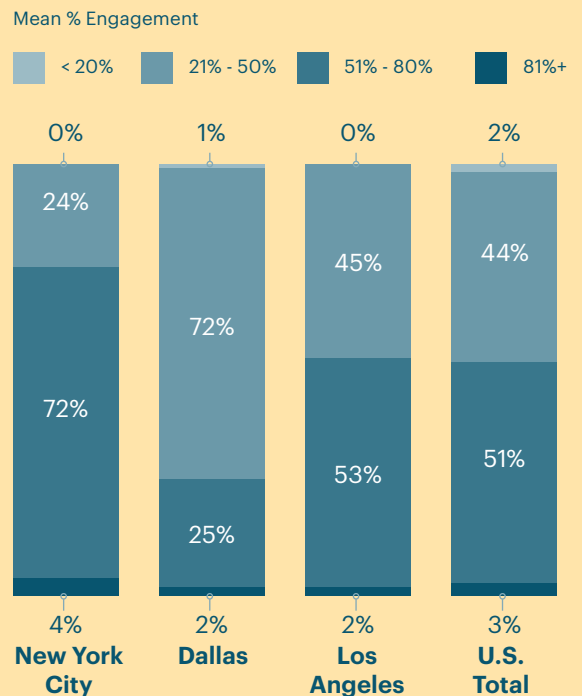


Types of Rewards Offered



While many New York City restaurants may be new to loyalty programs, their customers are some of the most engaged. In fact, these restaurants see the most loyalty program usage, with around three-quarters seeing engagement rates at 51%+. A third (33%) of New York City restaurateurs also cited customer engagement as the biggest benefit of offering a loyalty program.

Loyalty Program Engagement



Reservations

Despite facing extensive indoor dining room closures and then strict capacity limits, reservations technology has remained popular among New York City restaurants.

57% of New York City restaurants that said they take reservations reported using a reservation management platform to manage bookings (up from 55% in 2019), and a further 31% said they planned to start using a reservation management platform.

Restaurants Currently Using Reservations Management Platforms



Despite the rise of restaurant reservation software, low-tech methods like phone calls and walk-ins are still the most common way for guests to make reservations in New York City and around the United States. In fact, phone reservations are up 5% from 2019.

How New Yorkers Make Reservations

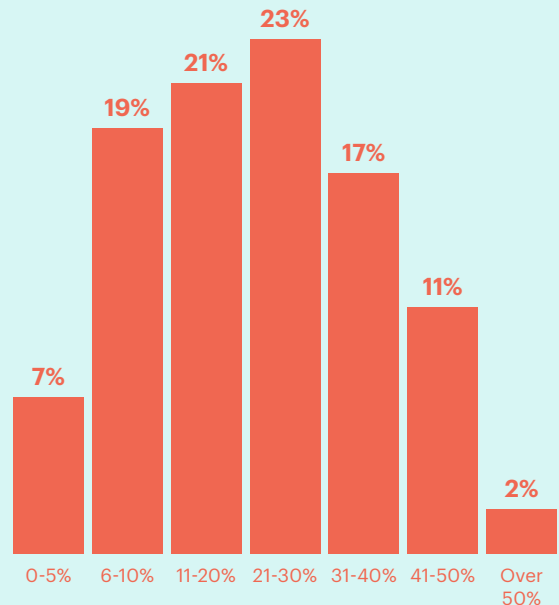


The hesitancy to rely solely on reservation management platforms is likely due to a number of factors specific to New York City, including uncertainty about shifting indoor dining restrictions and high no-show rates. In fact, nearly a quarter (23%) of New York City restaurateurs reported a no-show rate of 21-30%.

“The changing regulations have been a major headache that we have to keep up with. First, there was no indoor dining. Then we could do outdoor dining. Then if there was a snowstorm, there's no outdoor dining allowed. So guests were always complaining.”

(General Manager, Independent Bar & Grill, New York City)

Average No-Show Rates for Reservations in New York City

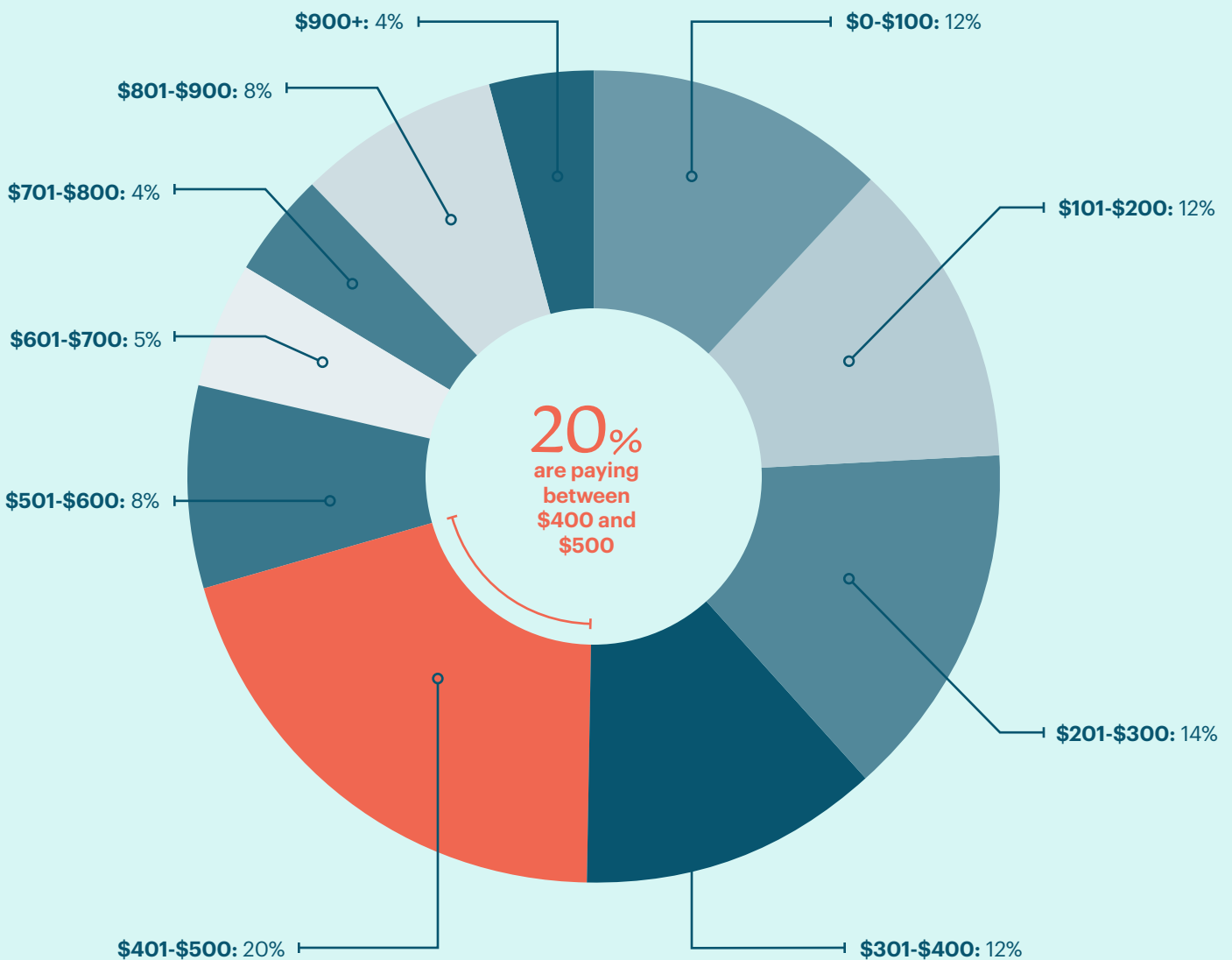


For some restaurants, the cost of reservations platforms may also be an issue. Among New York City operators, one in five reported paying \$401-\$500 per month to use a reservations platform – higher than the national average.

“We’re charging 20 bucks per person to cancel a reservation. Nobody wants to pay for food [they’re] not eating... so that keeps people from blowing off reservations.”

(General Manager, Restaurant Group
Brasserie, New York City)

Average Monthly Cost of Using a Reservations Platform



Conclusion

There's no question that the pandemic had a major impact on New York City's restaurant industry. Not only did the city face lengthy indoor dining restrictions, but it also faced significant financial strain due to the rising cost of inventory.

However, restaurants in New York City have fared better than many of their counterparts thanks to their early embrace of online ordering platforms, which helped to generate an increase in sales volume for many venues. And while operators in New York City are just starting to implement loyalty programs in their restaurants, their customers are already some of the most highly engaged.

"It's forced us to be more creative. It showed how resilient we can be when we're forced to."

(General Manager, Independent Bar & Grill, New York City)

It seems that embracing these sales and marketing channels has already begun to pay off, with 39% of New York City operators reporting an increase in sales volume compared to pre-pandemic levels – a figure that suggests many New York City restaurants are well-positioned for recovery in the year ahead.



“The city seems to be back, mostly. Not completely, but mostly. People are coming in again. I think that a lot of it has to do with the fact that people pay rent in a big city like New York and they're not here to sit in their house. They want to be part of the community. [They're in] New York City and they want to go out and they want to do things.”

(General Manager, Restaurant Group Brasserie, New York City)



TouchBistro is an all-in-one POS and restaurant management system that makes running a restaurant easier. Providing the most essential front of house, back of house and customer engagement solutions on one easy-to-use platform, TouchBistro helps restaurateurs streamline and simplify their operations, increase sales, and deliver a great guest experience.

To find out if TouchBistro is the right fit for your restaurant, get in touch today.

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