STATE OF RESTAURANTS IN 2024

Multi-Unit Restaurants Report

TouchBistro®

Introduction

2023 was another challenging year for restaurateurs, but multi-unit operators were faced with their own unique set of obstacles. From stagnant profits to soaring food costs and high staff turnover rates, those who run multi-unit restaurants have been forced to adapt and look for new solutions that drive operational efficiency.

In order to better understand the distinct challenges facing multi-unit restaurateurs and the solutions that they're employing, we surveyed nearly 200 restaurant owners, CEOs, general managers, and area managers currently operating restaurants with five to 20 locations. This was part of a larger survey of 600 full service restaurant operators from across the U.S.

This report reveals the current state of the multi-unit landscape, how restaurateurs are adapting to a precarious economic situation, and the top trends on the horizon for 2024.

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Report Highlights

Here's a preview of some of our findings:

Financial Health & Staffing
Squeezed by rising food costs, multi-unit operators saw profit margins fall flat at 9.2%, while staff turnover rates remained high at 34%.

34%

turnover rate at multi-unit restaurants – vs. the national average of 28%

Menu Management & Online Ordering
65% of multi-unit operators reported raising menu prices in the past six months and, on average, they reported raising prices by 17% – well above the nationwide average increase of 13%.

17%

is the average menu price increase at multi-unit restaurants

Marketing & Loyalty
A whopping 77% of multi-units offer a loyalty program compared to the national average of 67%, with digital and subscription programs being the most popular.

77%

of multi-unit restaurants have a loyalty program

Technology
Multi-unit operators lead the charge when it comes to the adoption of AI and automation, with a whopping 96% already using some form of AI.

96%

of multi-unit operators report using some form of AI in their restaurant

Financial Health & Staffing

Profit Margins Fall Flat

The past few years have been a financial rollercoaster for multi-unit restaurants and 2023 was no exception. Despite consumers resuming many of their pre-pandemic dining habits, the average profit margin at multi-unit restaurants was only 9.2%, which is just shy of the national average of 9.3%. Average debt was also higher at multi-unit restaurants, clocking in at $60,925.90 on average – a figure that's 16% higher than the national average.

Thinner profit margins may be due to the ongoing battle against inflation and higher food prices. A whopping 61% of multi-unit operators reported that inventory costs were their number one source of financial strain in 2023.

9.2%

Average profit margin at multi-unit restaurants (vs. U.S. average of 9.3%)

Greatest Causes of Financial Strain for Multi-Units Restaurants in the Past 12 Months

Inventory costs	Rent	Labor costs	None
61%	15%	20%	4%
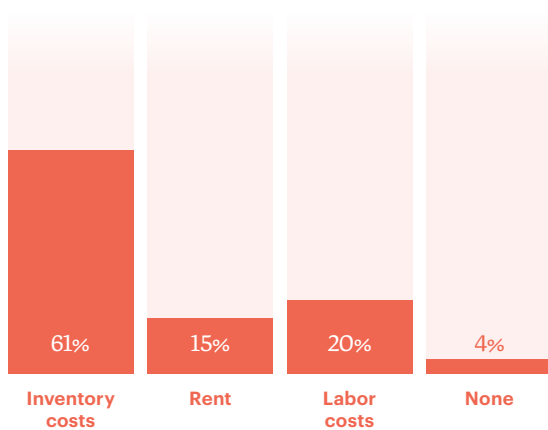
"We've faced a lot of issues because of inflation. The amount we're spending on raw materials for producing food, cooking food for our clients – it's all rising. We're trying our best to maximize our budgets around the price of food because we just want to provide the best possible service for our customers and we don't want them to go to another restaurant."

(General Manager, 2-4 Locations, Family Style, Los Angeles)

In Tech Multi-Units Trust

However, multi-unit operators aren't simply sitting back and watching their profit margins continue to shrink. Unlike most single-location operators, who added extra charges for add-ons and other modifications, multi-unit operators overwhelmingly introduced new technology to try to increase revenue. In fact, more than half (53%) of multi-unit operators said they introduced new technologies or changed existing technology providers to increase revenue.
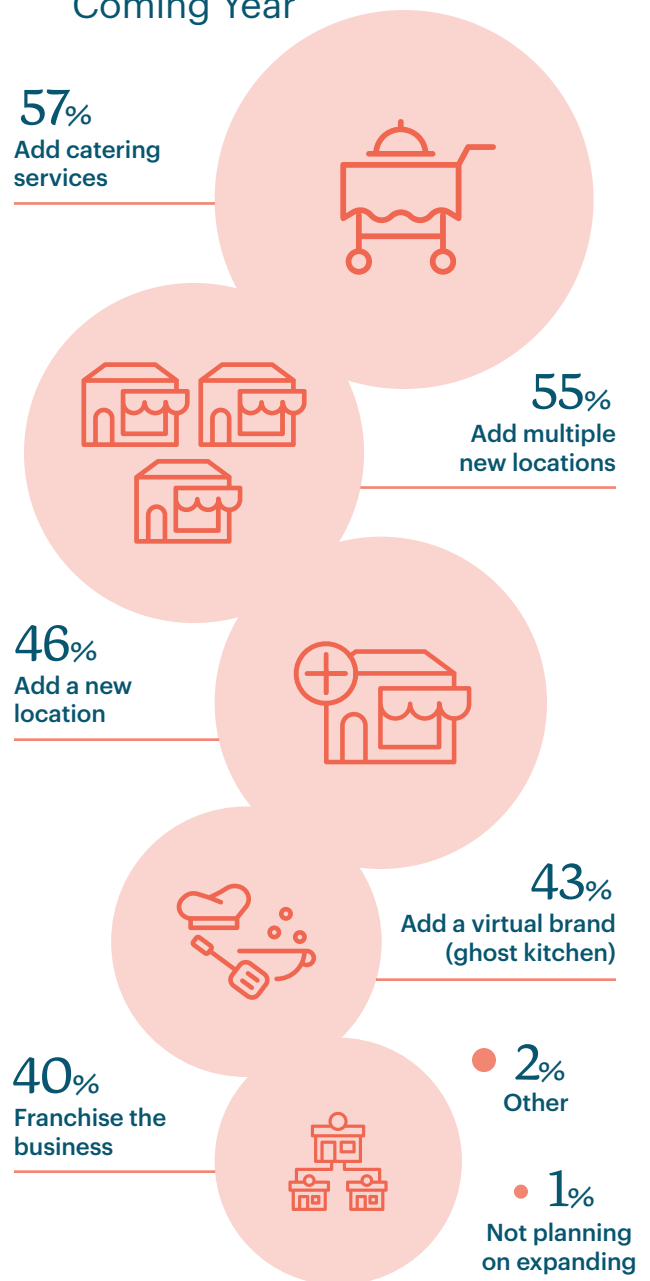
Steps Restaurateurs Have Taken to Increase Revenue

	Multi-Unit Restaurants	U.S. Average
Adding more off-premise ordering options	46%	46%
Adding more modifications/add-on options for an extra charge	47%	45%
Introducing new promotions/specials	47%	44%
Introducing new technologies or changing existing technology providers	53% ▲	42%
Raising menu prices	33% ▼	41%
Expanding seating capacity (i.e. add patio space)	47%	41%
None	0%	1%

Expansion Plans Well Underway

This emphasis on a most robust tech stack may be due to the fact that many multi-unit operators have big plans for the year ahead. 46% said they planned on adding a new location and 55% said they planned to add *multiple* new locations in the next year alone. And more than half (57%) said they planned to add catering services, something that appears to be increasingly in-demand following the return to the office and in-person events.

Plans for Expansion in the Coming Year

57%
Add catering services

55%
Add multiple new locations

46%
Add a new location

43%
Add a virtual brand (ghost kitchen)

40%
Franchise the business

2%
Other

1%
Not planning on expanding

High Turnover a Cause for Concern

While multi-unit operators appear to be unfazed by less-than-stellar profits and inventory challenges, the issue of staffing could pose a potential roadblock in the year ahead. 84% of multi-unit operators say they are currently short at least one position and, on average, most are short five positions. High turnover appears to be the culprit, with multi-unit restaurants reporting an average turnover rate of 34% – a figure that's well above the national average turnover rate of 28%.

Higher turnover is also leading to much higher labor costs for multi-unit operators. Despite offering less training for front of house and back of house staff than single location restaurant operators, multi-unit restaurateurs reported spending an average of $4,276.5 to train each new employee – 16% more than the national average.
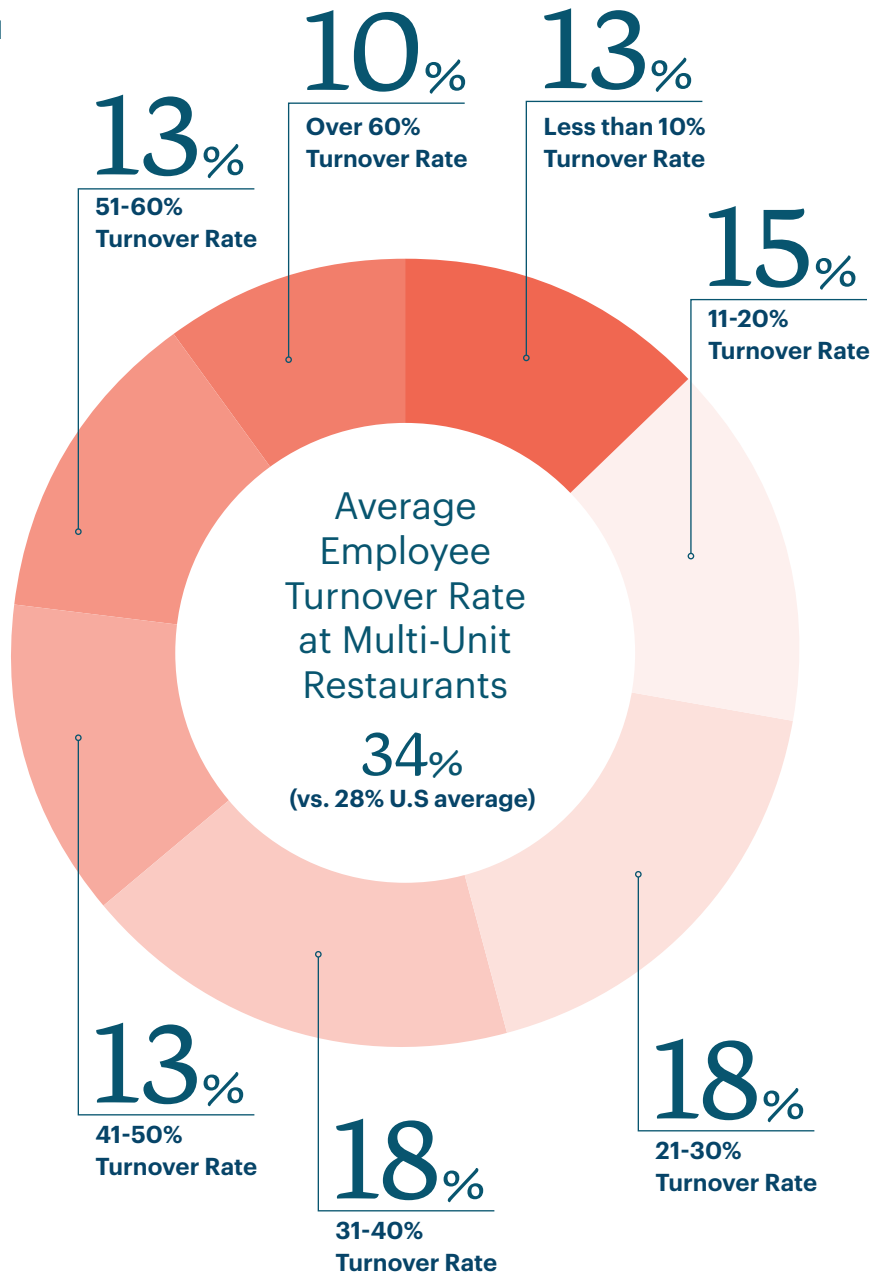
Average number of staff multi-unit restaurants are short: **5**

(vs. U.S. average of 4)
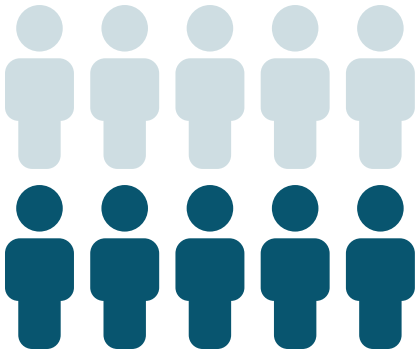
"It's not easy to get staff with experience. And when you do get people, you have to pay them more. I've been introducing some add-ons and some bonuses."

(General Manager, 2-4 Locations, Family Style, Los Angeles)

13%
51-60% Turnover Rate

10%
Over 60% Turnover Rate

13%
Less than 10% Turnover Rate

15%
11-20% Turnover Rate

Average Employee Turnover Rate at Multi-Unit Restaurants

34%
(vs. 28% U.S average)

13%
41-50% Turnover Rate

18%
31-40% Turnover Rate

18%
21-30% Turnover Rate

$4,276.50 Average cost to train a new employee at a multi-unit restaurant

"I think there have been a lot of changes when it comes to staff recruitment and retaining staff. These days, inflation has really affected the economy, so you have to increase the wages of your workers or introduce bonuses just to make them feel that you know their pain."

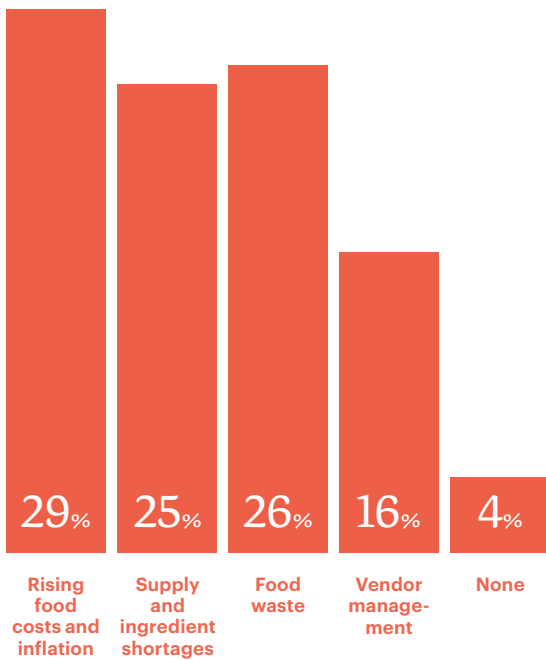(General Manager, 2-4 Locations, Family Style, Los Angeles)

Menu Management & Online Ordering

Food Costs Eat into Profits

Much like restaurateurs across the country, multi-unit operators continue to feel the strain of soaring food costs. A whopping 71% reported that *all or most* of their suppliers had raised prices in the past year, which is significantly more than 60% of operators nationwide who said the same. The end result is that multi-unit operators are spending 47% more on food costs compared to the year prior – a figure that's likely behind the flat profit margins that many multi-units are experiencing.

Biggest Inventory Challenges in the Past Year

29%	25%	26%	16%	4%
Rising food costs and inflation	Supply and ingredient shortages	Food waste	Vendor management	None

"It's more expensive to buy supplies to make the food, so it just made sense for us to increase our menu prices."

(General Manager, 2-4 Locations, Family Style, New York City)

Incidence of Increase in Supplier Pricing in the Past Year

25% — All of them

46% — Most of them

16% — Half of them
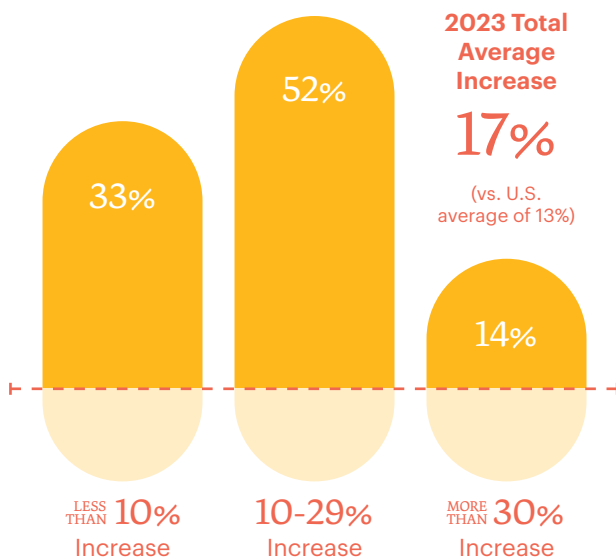
6% — A few of them

6% — None
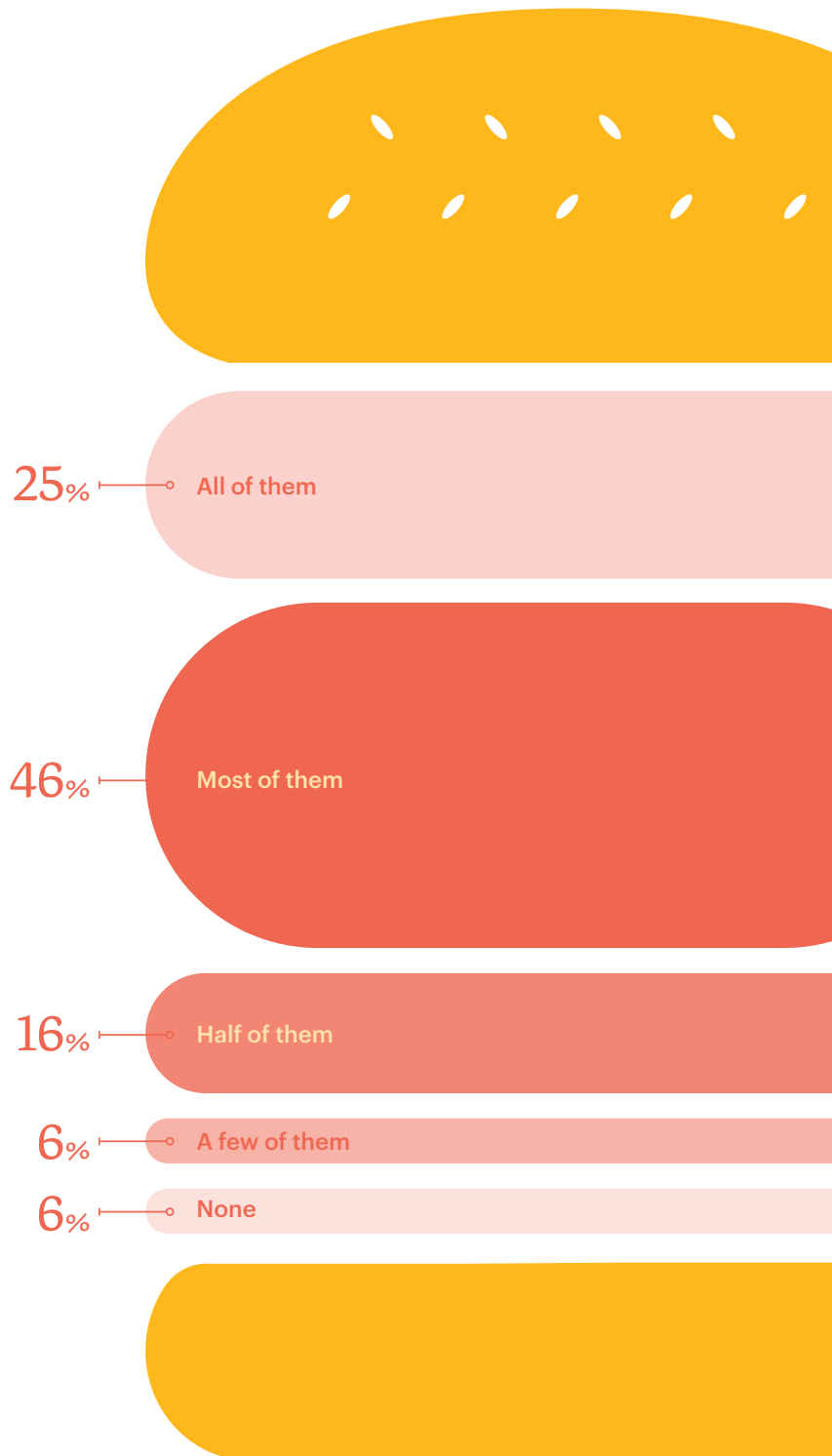
Menu Prices Go Up, But Customer Spending Goes Down

In response to rising food costs, many multi-unit operators have, unsurprisingly, raised menu prices. But what is surprising is just how much they've raised prices. 65% of multi-unit operators reported raising prices in the past six months and, on average, they reported raising prices by 17% – a fair bit above the nationwide average increase of 13%.

While this bump in prices makes sense considering multi-units have greater expenses, it has come at a cost. 38% of multi-unit operators say customers are spending less overall and 37% report guests are spending less on alcohol in response to higher prices.

Menu Pricing Increases at Multi-Units in the Past 6 Months

2023 Total Average Increase

17%

(vs. U.S. average of 13%)

33%	52%	14%
LESS THAN 10% Increase	10-29% Increase	MORE THAN 30% Increase

"Pricing is something that we always review and corporate has a good handle on costing out a plate of food based on the information we get from our point of sale system."

(General Manager, 5-10 Locations, Bar & Grill, Chicago)

Changes in Customer Behavior Following Menu Price Increases

	Multi-Unit Restaurants	U.S. Average
Customers are tipping less	34%	34%
Customers are spending less overall	38%	33%
Customers are ordering fewer dishes	29%	30%
Fewer customers are visiting during the week	34%	29%
Customers are ordering less alcohol	37% ▲	28%
Customers are ordering takeout/delivery less frequently	36%	28%
Fewer customers are visiting on the weekend	35% ▲	25%
No significant change in customer behavior	4%	10%

"The prices have gone up so we need to find a way to balance the equation. We raised prices by 8.5% before, but now we've raised it by 10%. [But], if we have to raise prices, before we do that, we try to create awareness among our clients – like a brief message on our social media and in the restaurant. We say something like 'We are going to be increasing our price by at least a certain percentage because of the inflation in goods and the price of services, but we are still committed to giving you the best service and we will be offering some discounts.'"

(General Manager, 2-4 Locations, Family Style, Los Angeles)

Direct Online Ordering Proves Popular

Despite some difficulty pinpointing the perfect menu prices, multi-units continue to find success with online ordering channels. On average, multi-unit operators report doing more than a quarter (27%) of their business through online ordering channels – more than the national average of 23%. Multi-unit operators also report seeing an 18% increase in sales volume since implementing these online ordering channels.
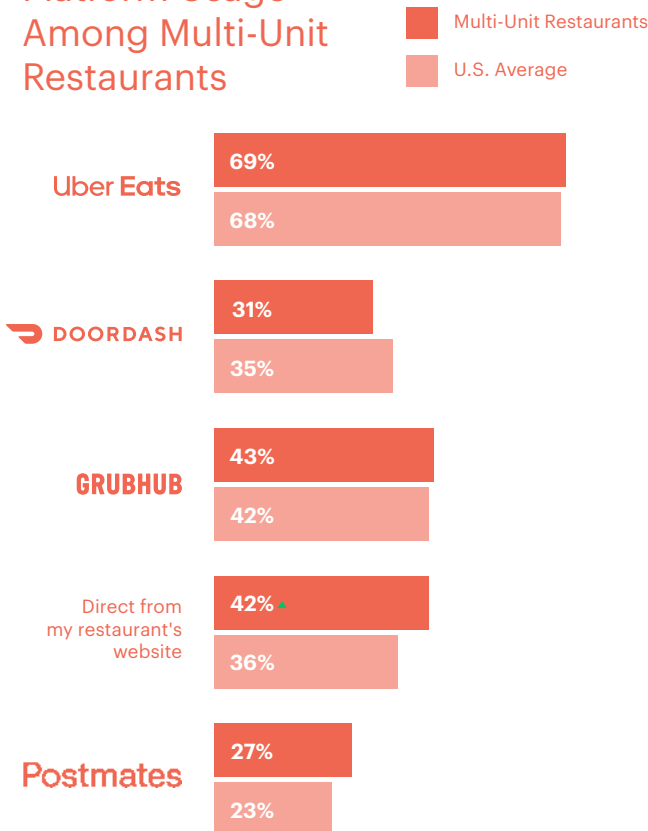
While Uber Eats is the most popular third-party online ordering app among multi-unit restaurants, direct online ordering is also quite popular. In fact, 42% of multi-unit operators report using a direct, commission-free online ordering system, while just 36% of restaurants nationwide said the same. With multi-unit operators using an average of three different online ordering systems, it appears that most venues rely on a mix of both direct and third-party online ordering systems.

Online Ordering Platform Usage Among Multi-Unit Restaurants

■ Multi-Unit Restaurants
■ U.S. Average

Uber Eats
- 69%
- 68%

DOORDASH
- 31%
- 35%

GRUBHUB
- 43%
- 42%

Direct from my restaurant's website
- 42%
- 36%

Postmates
- 27%
- 23%

"The biggest frustration with those apps is that they always take a bigger fee – and that's on top of higher costs on their sites. So personally, we always encourage people to use our own site or call in their orders. We have the capacity to do that now and you get a better personal relationship with them too, because then we don't have to worry about one of those third-party drivers making a mistake, mixing up orders, or not delivering it in the way the customer wanted."

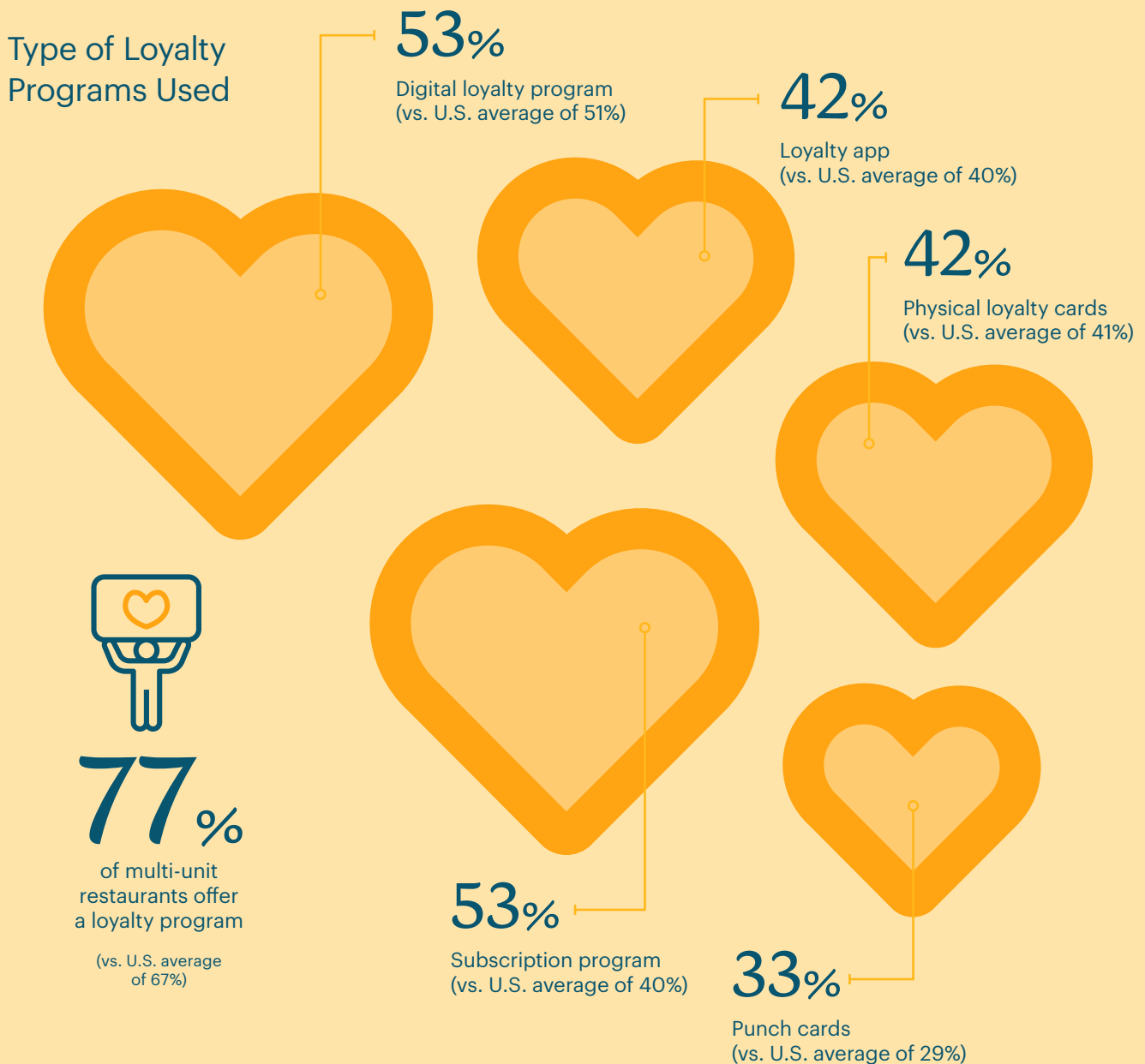(General Manager, 5-10 Locations, Bar & Grill, Chicago)

Marketing & Loyalty

Loyalty Programs Essential to Customer Retention

While loyalty programs proved popular nationwide, they seem to be especially prevalent at multi-unit restaurants. In fact, 77% of multi-units report offering a loyalty program, compared to the national average of 67%. Digital loyalty programs and subscription programs (i.e. like a coffee club) proved to be the most popular types of loyalty programs at multi-unit restaurants, likely because of the flexibility and mobility that come with online reward programs.

But when it comes down to how often consumers are engaging with these programs, the results are somewhat mixed. On average, multi-unit operators say 49% of customers regularly engage with their loyalty program, which is on par with the national average. This relatively low engagement rate may be due to the fact that consumers have become a little more conscious of how often they dine out (and how much they're spending when they do) than in the past, and are engaging with loyalty programs more sporadically as a result.

Type of Loyalty Programs Used

53%
Digital loyalty program
(vs. U.S. average of 51%)

42%
Loyalty app
(vs. U.S. average of 40%)

42%
Physical loyalty cards
(vs. U.S. average of 41%)

77%
of multi-unit
restaurants offer
a loyalty program

(vs. U.S. average
of 67%)

53%
Subscription program
(vs. U.S. average of 40%)

33%
Punch cards
(vs. U.S. average of 29%)

Social Media Over Websites

While loyalty programs are ubiquitous at multi-unit restaurants, websites are a little less common. Just 68% of multi-unit operators say they have a website for their business, compared to 72% restaurants nationwide. However, those who do have a website are making the most of it, with 94% reporting that consumers can view the restaurant's menu from their website.

In part, the reason fewer multi-unit operators have a website may be due to the fact that they're leveraging social media instead. A whopping 84% of multi-unit operators report using Instagram to promote their business and 82% use Facebook. With the barriers to setting up a social media account much lower than creating a website, multi-unit operators may simply be choosing the path of least resistance and carving out a presence in the spaces consumers already frequent.

"Our top priority when it comes to marketing is social media. We also use email marketing for those who have subscribed to us through our newsletter. But I would say that social media has been the one that has really given us a lot of positive impact. We've had the most success with Facebook and Instagram."

(General Manager, 2-4 Locations, Family Style, Los Angeles)

Email Offers a Path to Personalization

As popular as social media is for multi-unit operators, email is actually the number one way that they report staying in touch with their customers. In fact, 50% of multi-unit operators who use email report sending emails to their customers every few days. This high frequency is likely due to the fact that email allows for dynamic content and granular personalizations, which is something that's not possible with a website or even social media. In fact, 66% of multi-unit operators report sending personalized offers to their customers.

Use of Marketing Channels to Send Personalized Offers

66%
Send personalized offers
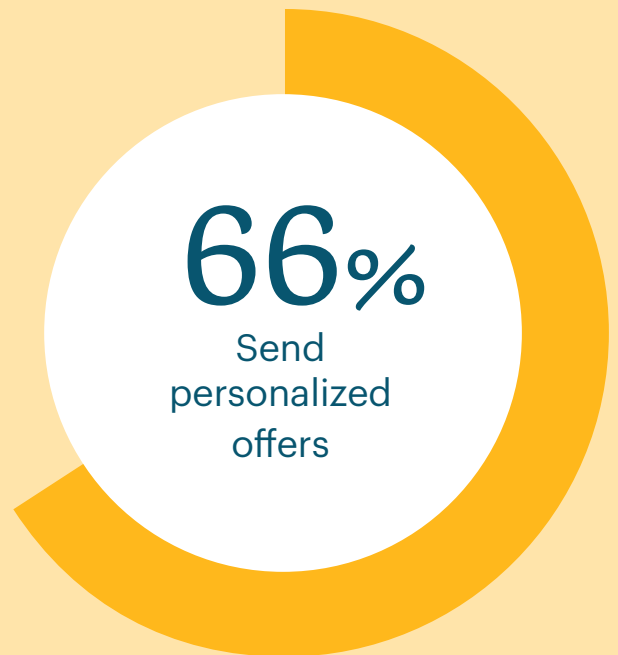
Social Media Platforms Used for Promotion by Multi-Unit Restaurants

	facebook	**Instagram**	**TikTok**	**twitter**	**Snapchat**
Multi-Unit Restaurants	82%	84% ▲	24%	62% ▲	35%
U.S.	81%	74%	26%	56%	31%

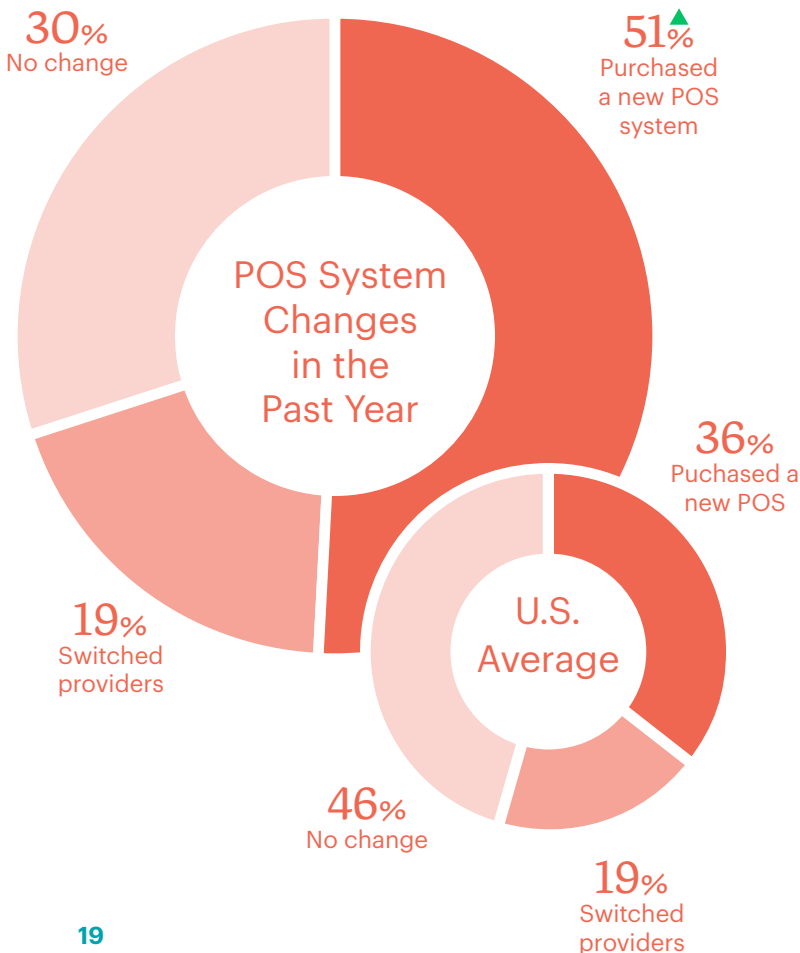# Technology

Multi-Units Look for New POS Systems

Across the U.S., POS shopping seemed to have slowed a bit, with only 36% purchasing a new system in 2023. However, this was not the case among multi-unit operators, with 51% of multi-unit operators purchasing a new POS system in the past year and a further 19% switching systems.

By and large, multi-units seem to be looking for cloud-based solutions with integrated payment processing. 76% reported using a cloud POS system and 67% reported using an integrated payment processing solution alongside their POS. Other important considerations for multi-unit operators include ease of use, price, customer support, and POS integrations.
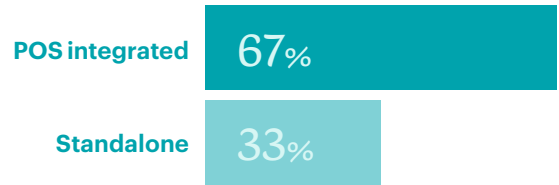
"I brought our new POS in recently... I'm using a local vendor now. We were using another POS before, but we had some customer complaints, especially around the payment processing through the POS. I wanted to listen to our customers, but I also did a bit of research as well before making the decision."
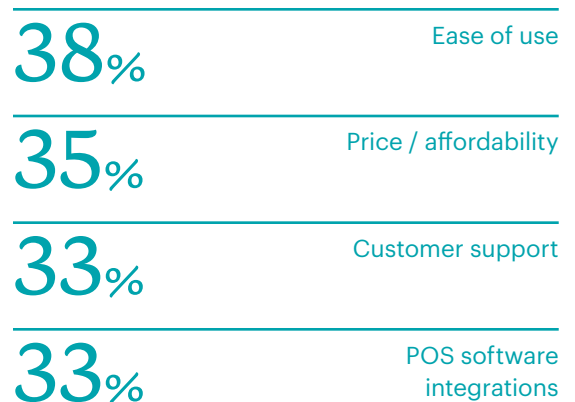
(Area Manager, 2-4 Locations, Family Style, Houston)

POS System Changes in the Past Year

30% No change

51% Purchased a new POS system

19% Switched providers

POS System Changes in the Past Year

36% Puchased a new POS

U.S. Average

46% No change

19% Switched providers

Payment Processing Setup at Multi-Unit Restaurants

POS integrated — 67%

Standalone — 33%

Top 4 POS Considerations for Multi-Unit Operators

38%	Ease of use
35%	Price / affordability
33%	Customer support
33%	POS software integrations

Going All in on AI and Automation...

The higher rates of POS shopping among multi-unit operators seems to be driven by a zeal for new technology that can help improve efficiency and drive cost savings across multiple locations. This is reflected in the high use of automation among operators with five to 20 locations, who are largely driving the adoption of inventory, accounting and staff scheduling automations.
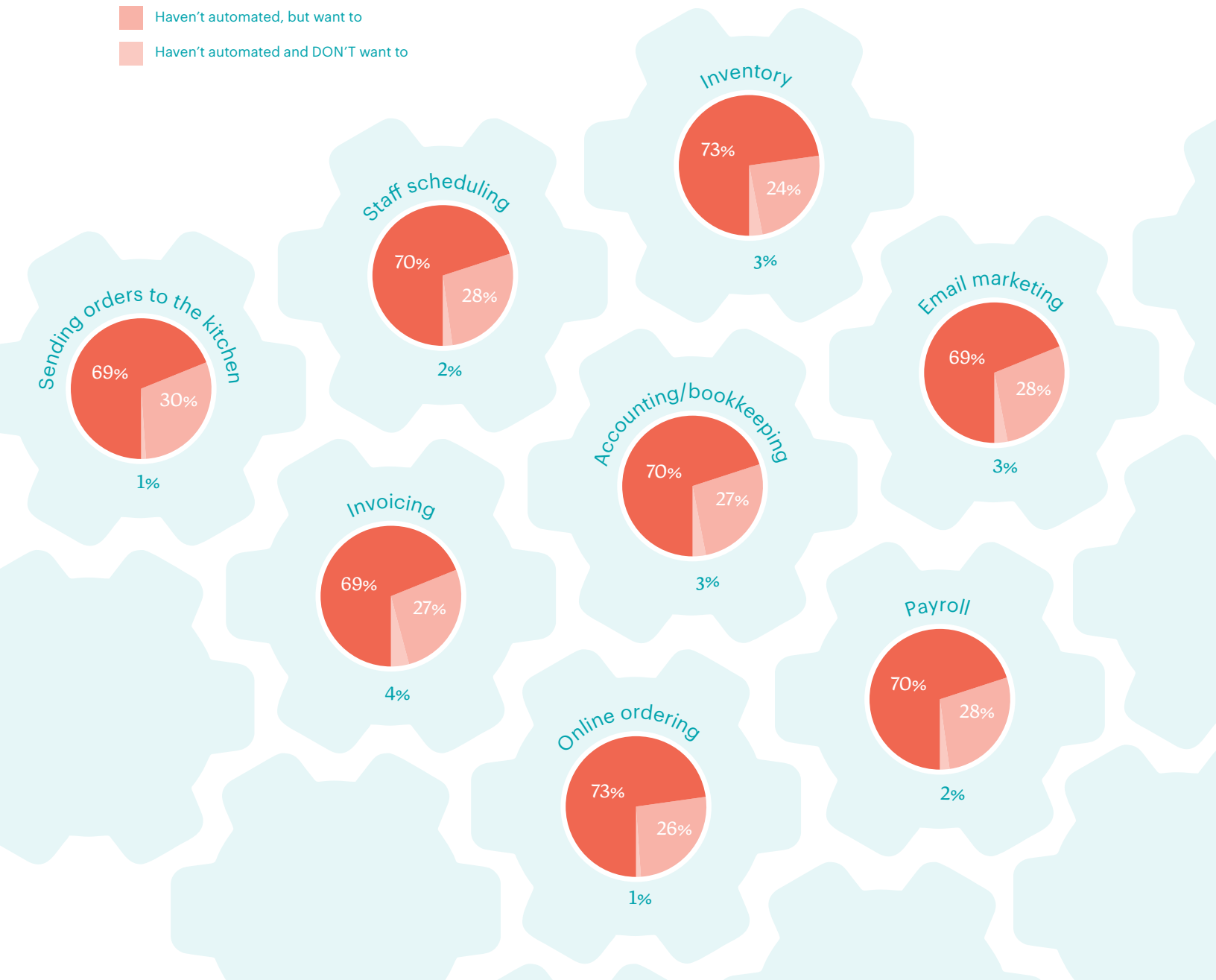
Moreover, 96% of multi-unit operators said they were using some form of AI, the most common being digital assistants like Alexa and optical character recognition (OCR) technology, which is used to speed up manual processes like taking inventory and submitting invoices.

"I think automating our payroll and bookkeeping has been huge. We haven't really had any technology headaches at all."

(Area Manager, 2-4 Locations, Family Style, Houston)

Tasks That Restaurateurs Have Automated

- Have automated
- Haven't automated, but want to
- Haven't automated and DON'T want to

Inventory
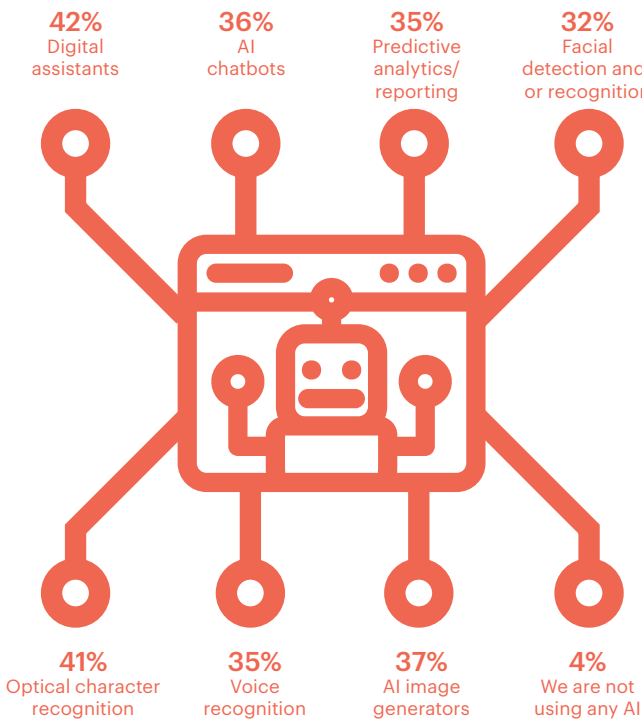73% / 24% / 3%

Staff scheduling
70% / 28% / 2%

Sending orders to the kitchen
69% / 30% / 1%

Email marketing
69% / 28% / 3%

Accounting/bookkeeping
70% / 27% / 3%

Invoicing
69% / 27% / 4%

Payroll
70% / 28% / 2%

Online ordering
73% / 26% / 1%

"We don't currently use AI, but it's definitely something that we'll consider in the future. Right now, the biggest issue is budgeting [for it]. This year, we also just got more comfortable with adopting new systems and solutions, so I feel like maybe it wouldn't make sense for us to get AI right now because we're still adapting to all these other new technologies."

(General Manager, 2-4 Locations, Family Style, New York City)
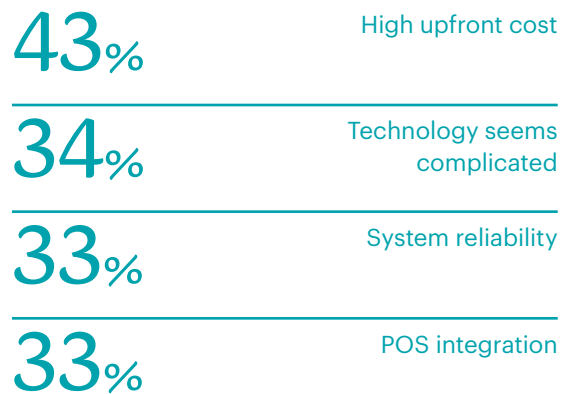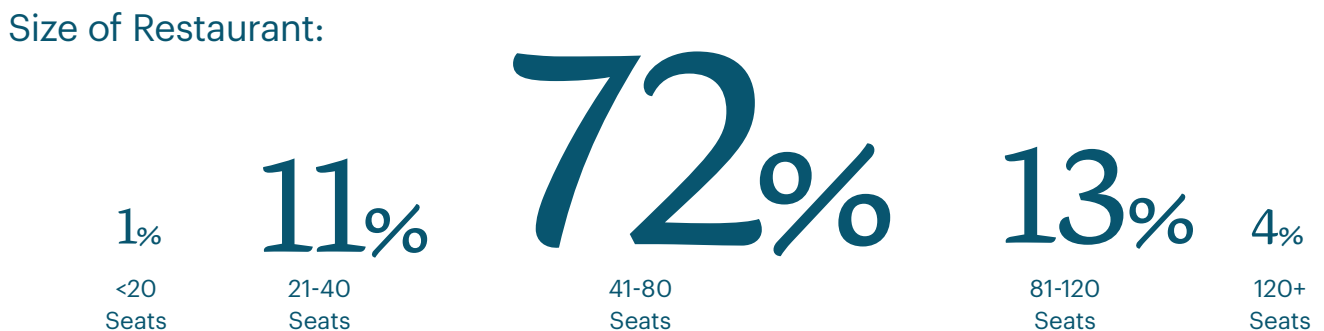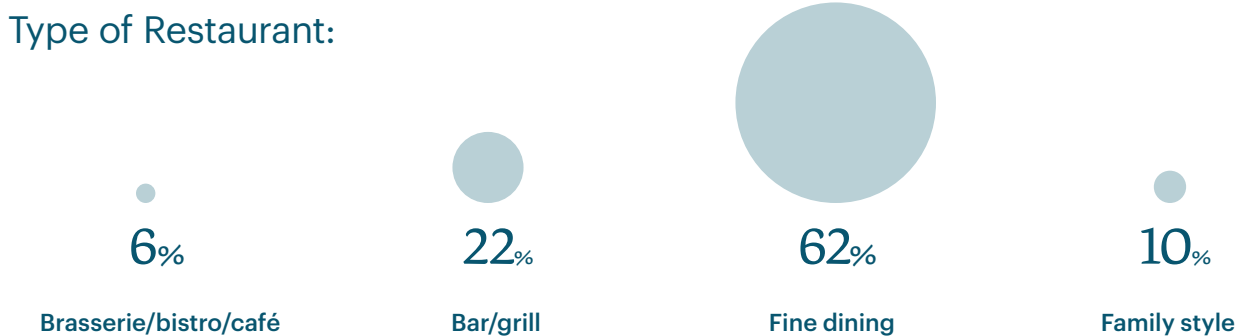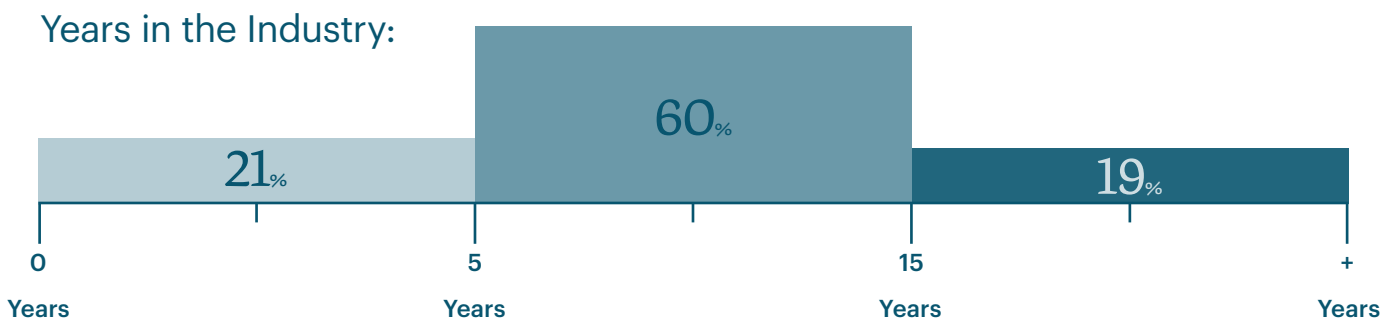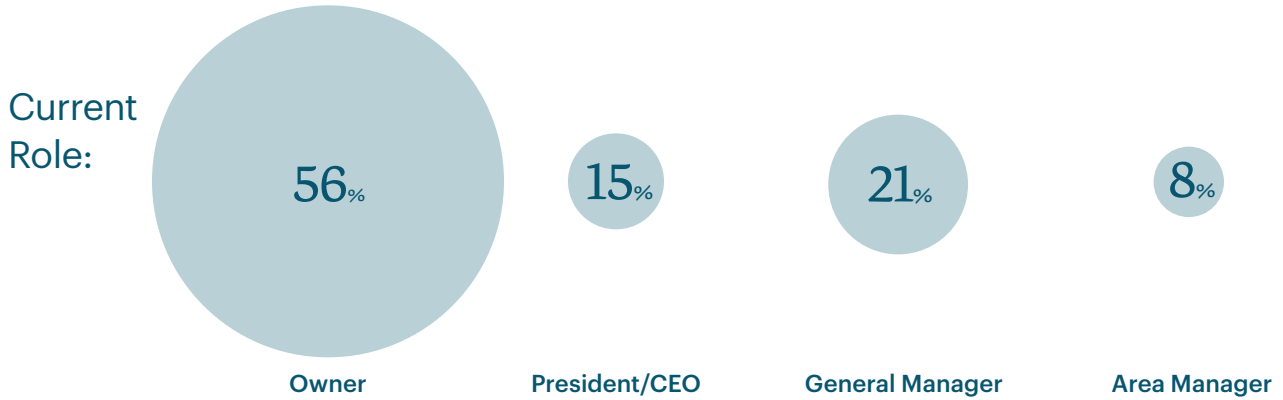
...Mostly

While most multi-units *have* embraced new technology, there are some holdouts. Interestingly, those who have yet to implement automation are much more concerned with how complicated the technology seems and whether it can be integrated with their POS system. This is a slightly different perspective than single location operators, who are much more concerned with the high upfront costs of implementing automation.

Despite the concerns, the overall high rates of automation and AI adoption suggest that multi-unit operators are overwhelmingly on board with these major technological shifts – especially when the gains in efficiency free up more time to spend on the customer experience.

Types of AI Used by Multi-Unit Restaurants

42%
Digital assistants

36%
AI chatbots

35%
Predictive analytics/ reporting

32%
Facial detection and/ or recognition

41%
Optical character recognition

35%
Voice recognition

37%
AI image generators

4%
We are not using any AI

Top 4 Barriers to Adopting Automation for Multi-Unit Operators

43%	High upfront cost
34%	Technology seems complicated
33%	System reliability
33%	POS integration

Respondent Profile

Current Role:

56% Owner

15% President/CEO

21% General Manager

8% Area Manager

Years in the Industry:

21%

60%

19%

0 Years

5 Years

15 Years

+ Years

Type of Restaurant:

6% Brasserie/bistro/café

22% Bar/grill

62% Fine dining

10% Family style

Size of Restaurant:

1% <20 Seats

11% 21-40 Seats

72% 41-80 Seats

13% 81-120 Seats

4% 120+ Seats

Respondent Profile

Dining Options Offered:

90%
Indoor dining /
dining room

75%
Takeout /
curbside pickup

87%
Outdoor
dining/patio

93%
Delivery

Number of Locations:

78%
5-10 locations

18%
11-15 locations

4%
16 or more locations

Independent vs. Chain:

85% **Independent**

**Part of a
restaurant group** **15%**

Annual Revenue:

4%
<$1M

43%
$1M-2M

53%
$2M+
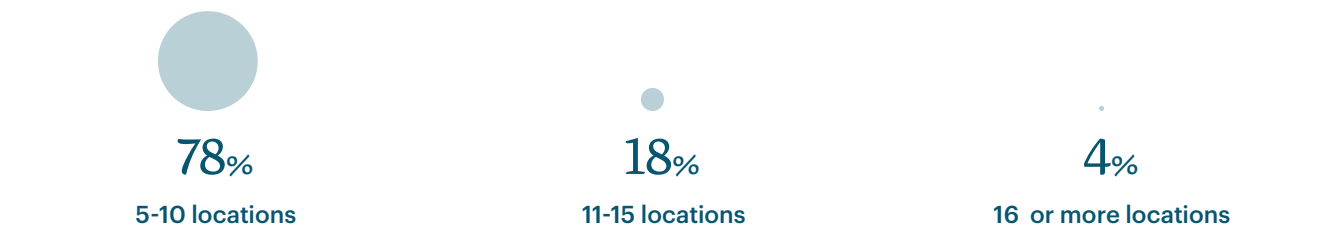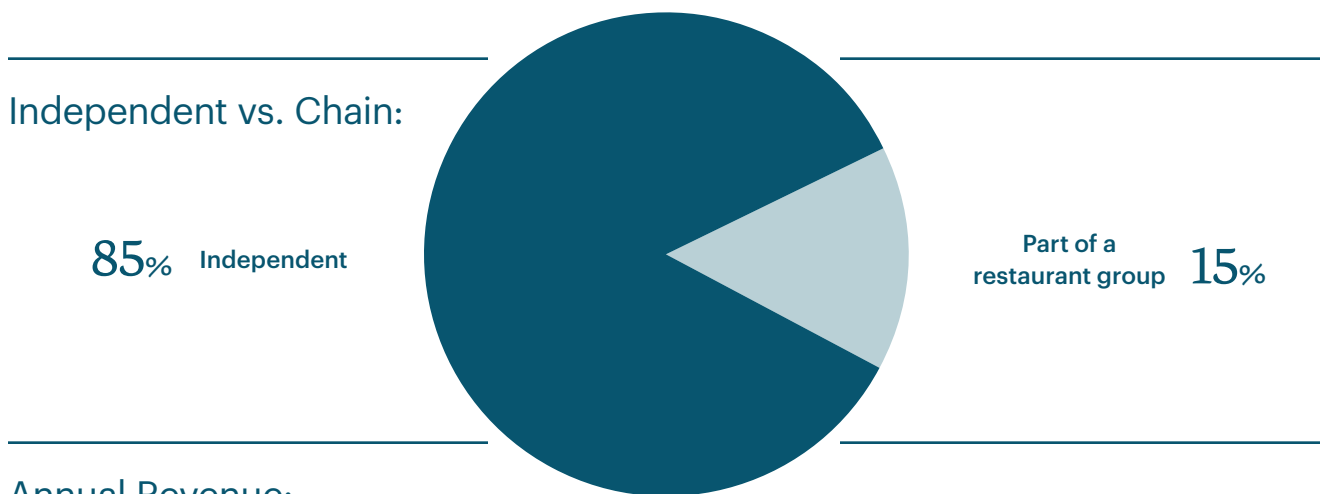
Respondent Profile

Location

San Francisco: 4%

Seattle: 3%

Boston: 3%

New York City: 20%

Chicago: 11%

Philadelphia: 2%

Washington, DC: 11%

Los Angeles: 12%

Houston: 8%

Miami: 19%

Dallas: 1%

Atlanta: 1%

Other: 6%
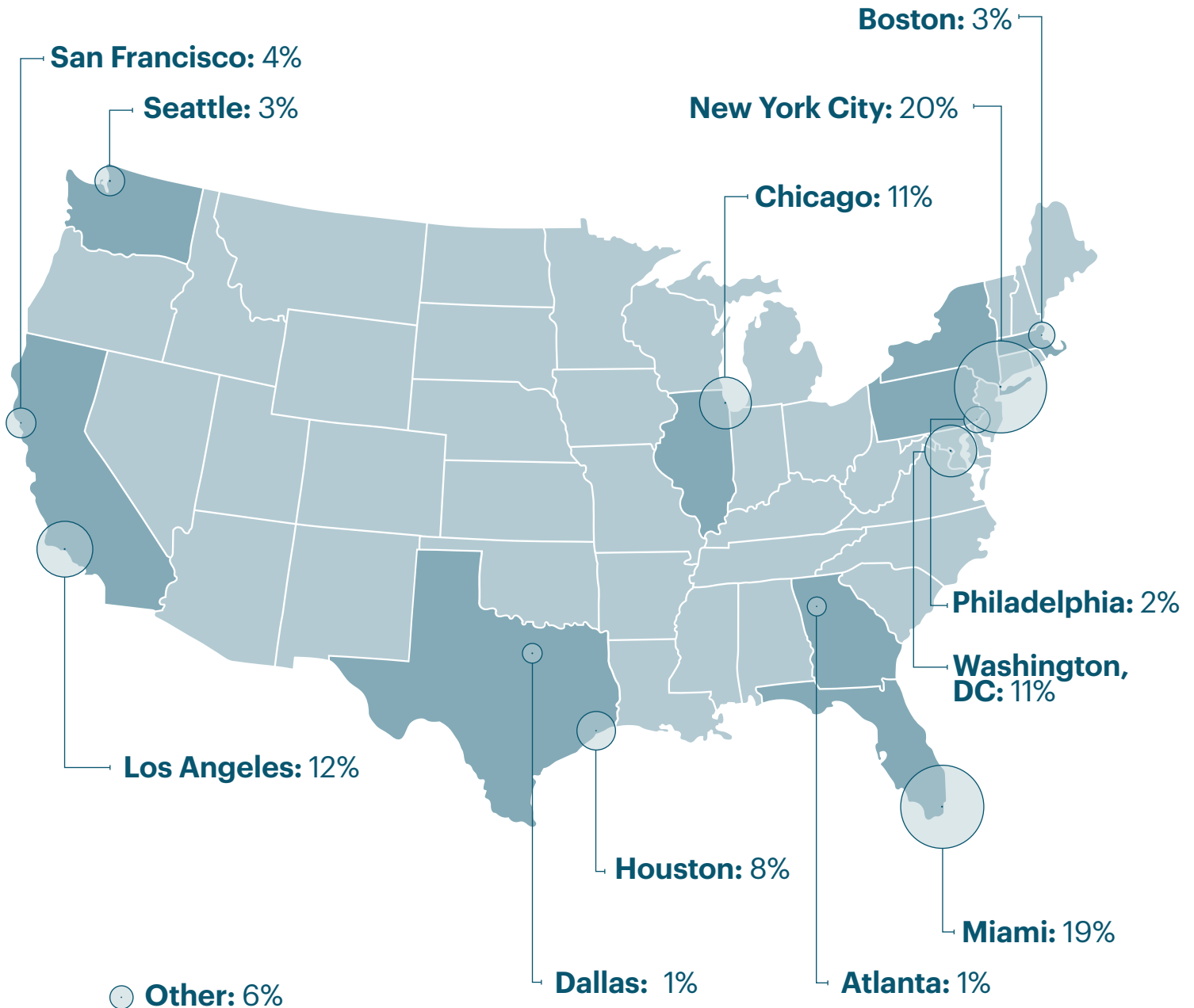
We partnered with research firm <u>Maru/Matchbox</u> again this year to survey more than 600 full service restaurant owners, presidents, and area/general managers across all 50 states, with an added focus on six key cities: New York City, Los Angeles, San Francisco, Chicago, Houston, and Miami.

This particular report examines full service restaurants with five to 20 locations, which are referred to as "multi-units" throughout. Our research was conducted from June 15 to June 22, 2023.

Read the Full Report

TouchBistro®

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.

Learn More

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