

# Single Location Full-Service Restaurants in the US

Eat up: The industry will benefit from growth in the number of high-income earners

Thi Le | January 2023

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**Recent  
Developments**

**The Federal Reserve continues to raise interest rates**

On December 14, 2022, the Federal Reserve approved its seventh interest rate hike of 0.5% in 2022. By making it more expensive to borrow funds to get a mortgage, buy a car or get a business loan, the Fed expects to push prices down.

This section last updated April 18, 2023

## About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

# About This Industry

**Industry Definition** This industry includes single-location, independent or family-operated restaurants that provide food services to patrons who order and are served while seated (i.e. waiter and waitress service) and pay after eating. These businesses may sell alcohol and other beverages in addition to providing food services to guests.

**Major Players** There are no major players in this industry

**Main Activities** **The primary activities of this industry are:**

Managing owner-operated full-service restaurants

Managing family-operated full-service restaurants

Managing independent-operated (nonchain or nonfranchised) restaurants

**The major products and services in this industry are:**

European restaurants

US restaurants

Mexican restaurants

Asian restaurants

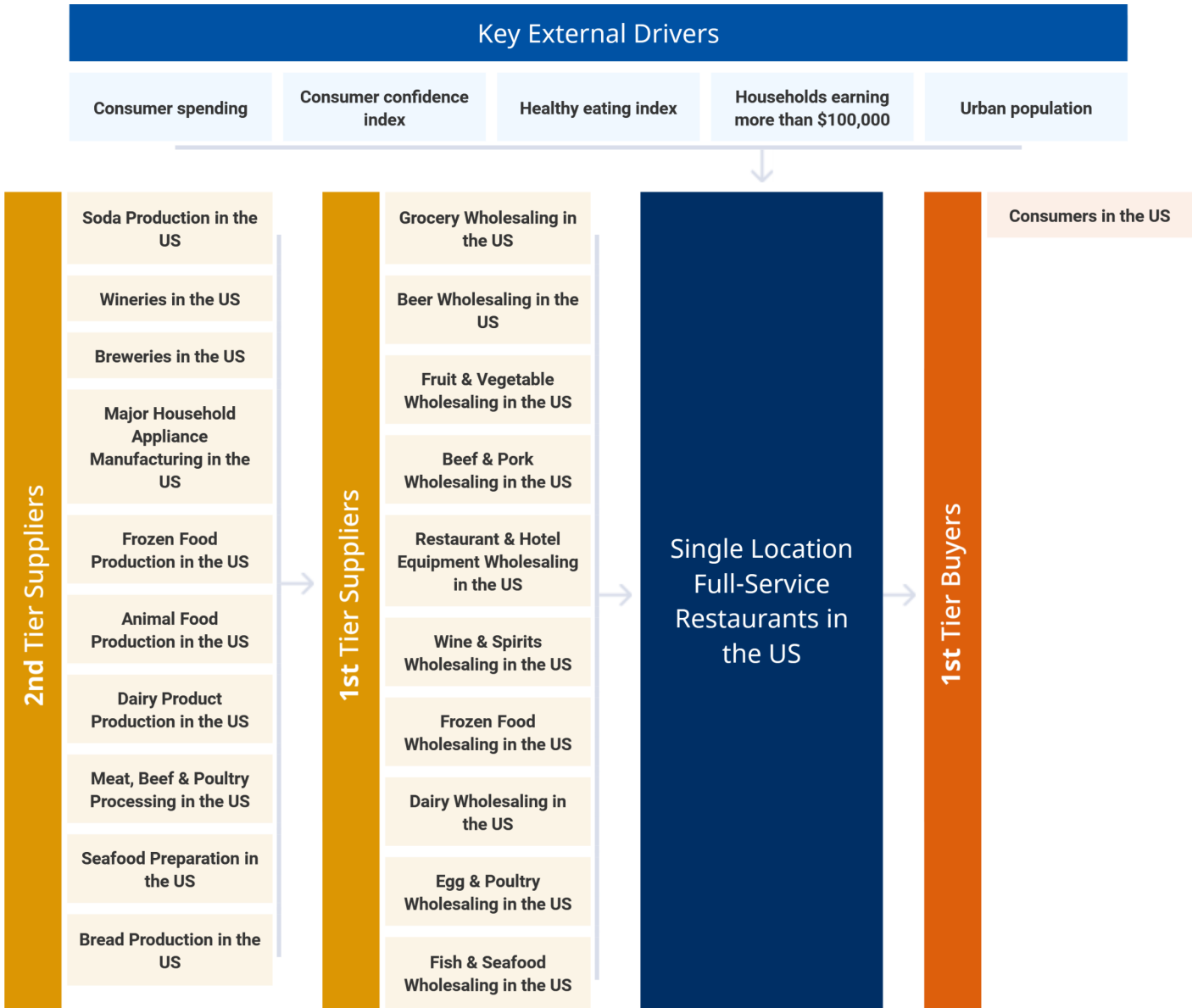
Pizza restaurants

Steakhouses

Seafood restaurants

Other

Supply Chain



**SIMILAR INDUSTRIES**

Specialty Food Stores in the US



Chain Restaurants in the US



Caterers in the US



Bars & Nightclubs in the US



Coffee & Snack Shops in the US



Fast Food Restaurants in the US



**RELATED INTERNATIONAL INDUSTRIES**

Full-Service Restaurants in the UK

Restaurants in Australia

Cafes and Restaurants in New Zealand

Full-Service Restaurants in China

Full-Service Restaurants in Canada

Restaurants and Takeaways in Ireland

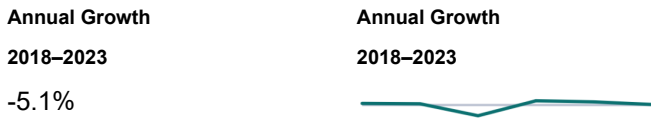
# Industry at a Glance

## Key Statistics

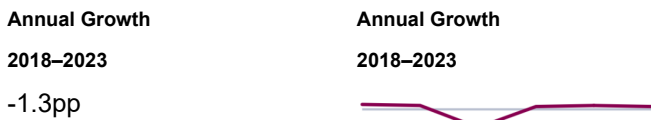
**\$208.9bn**  
Revenue



**\$8.4bn**  
Profit



**4.0%**  
Profit Margin



**157k**  
Businesses



**4m**  
Employment



**\$69.8bn**  
Wages



## Key External Drivers

% = 2018–23 Annual Growth

- 5.4%** Consumer confidence index
- 2.2%** Consumer spending
- 3.6pp** Households earning more than \$100,000
- 0.8%** Urban population
- 0.7pp** Healthy eating index

## Industry Structure

### POSITIVE IMPACT

- Capital Intensity: Low
- Technology Change: Low
- Concentration: Low
- Industry Globalization: Low / Steady

### MIXED IMPACT

- Life Cycle: Mature
- Regulation & Policy: Medium / Increasing

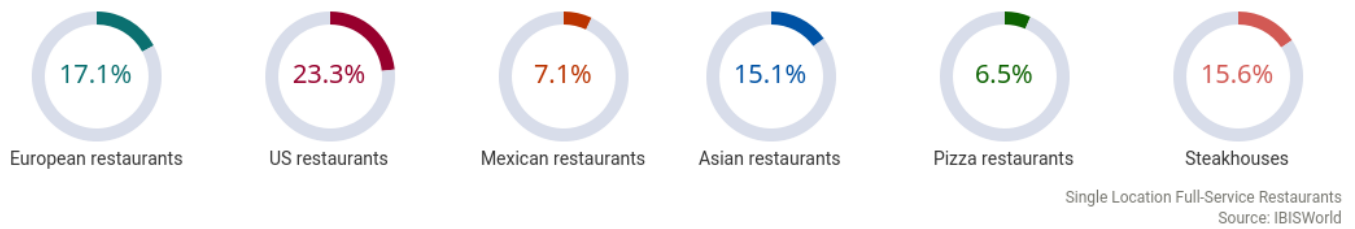
### NEGATIVE IMPACT

- Revenue Volatility: High
- Barriers to Entry: Low / Steady
- Industry Assistance: Low / Steady
- Competition: High / Increasing

## Key Trends

- Many consumers seek alternatives to industry restaurants by searching for deals online
- Restaurants have expanded the number of healthy options on their menus
- There is a high level of turnover among industry operators
- Intense competition among industry operators and external competitors is forecast to continue
- Fine dining is expected to do well due to the stable share of high-income households
- Restaurants will likely engage with customers using websites and social media
- The industry has been highly fragmented and exceedingly competitive

## Products & Services Segmentation



## Major Players

There are no major players in this industry

## SWOT

**S**

### STRENGTHS

- Low Imports
- Low Product/Service Concentration
- Low Capital Requirements

**W**

### WEAKNESSES

- Low & Steady Barriers to Entry
- Low & Steady Level of Assistance
- High Competition
- High Volatility
- Low Profit vs. Sector Average
- High Customer Class Concentration
- Low Revenue per Employee

**O**

### OPPORTUNITIES

- High Revenue Growth (2023-2028)
- Households earning more than \$100,000

**T**

### THREATS

- Low Revenue Growth (2005-2023)
- Low Revenue Growth (2018-2023)
- Low Outlier Growth
- Low Performance Drivers
- Consumer confidence index



**Executive Summary** **Eat up: The industry will benefit from growth in the number of high-income earners**

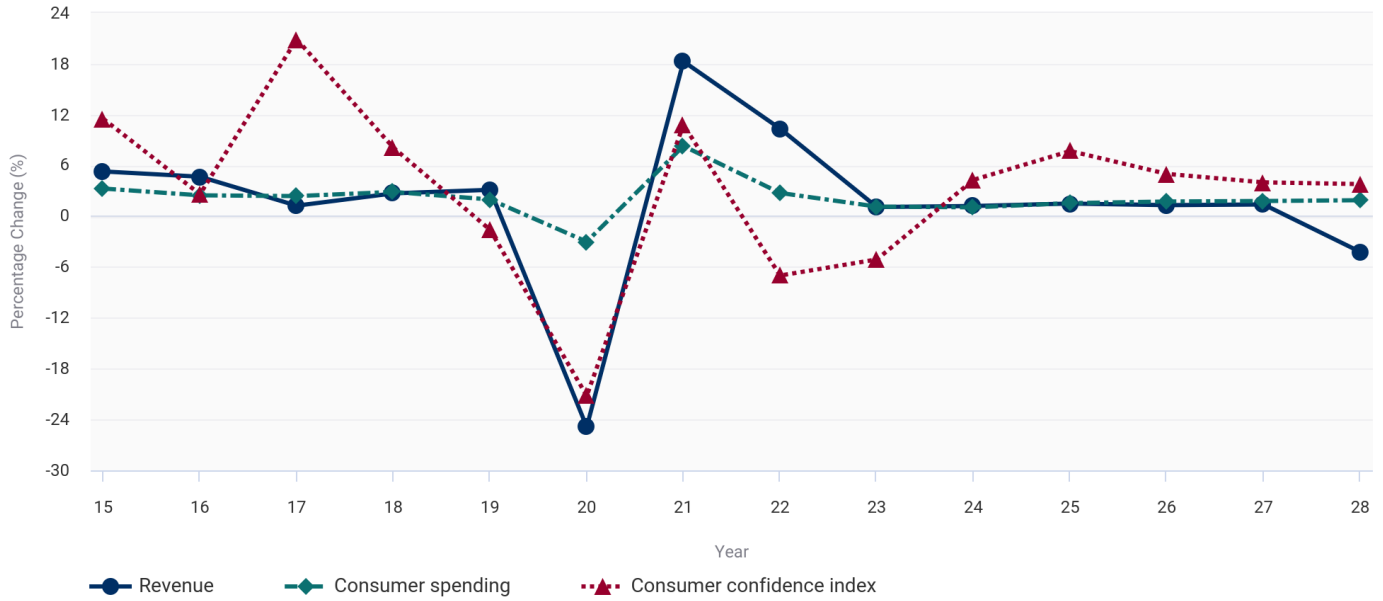
The growing domestic economy led to consistent but modest increases in consumer spending on full-service restaurants. The fine-dining segment performed particularly well over the past five years due to solid growth in the income levels of affluent consumers. Nevertheless, industry operators were forced to curtail dine-in operations when the coronavirus struck, thus reducing demand for fine-dining restaurants as services at these establishments involve a high degree of in-person experience. Simultaneously, restaurants at the lower end of the market struggled as consumers traded down to the innovative products served by a growing number of new high-quality fast-casual chains.

The majority of operators are small, family-run businesses, which causes the industry to be highly fragmented and exceedingly competitive. Single-location restaurants experience heavy competition from other food service providers and directly compete with chain restaurants, fast food restaurants, hotels and other coffee and snack stores. In 2020, the mandatory closure brought on by the COVID-19 outbreak hurt industry revenue as sit-down services were halted. As dine-in services have resumed, over the past five years, industry revenue has expanded at a CAGR of 0.4% to \$208.9 billion, including 1.1% growth in 2023. Nonetheless, profit has faltered as demand still falls short of the pre-pandemic level.

Despite the inflationary pressure, the industry will continue growing as consumer spending strengthens. Rising health consciousness and ethical consumerism will present industry operators with ongoing opportunities to reach niche markets with premium products to increase revenue. The industry will also benefit from growth in the number of high-income earners, in addition to a greater number of people living in urban areas where restaurants are highly concentrated. Industry revenue will grow at a CAGR of 0.2% to \$211.2 billion over the next five years.

# Industry Performance

Key External Drivers 2015–2028



Single Location Full-Service Restaurants  
Source: IBISWorld

## Key External Drivers

### Consumer spending

Consumer spending on restaurants is influenced by taxes, consumer sentiment, oil prices and unemployment and other external factors. An increase in consumer spending in 2023 will provide a boost to industry revenue.

### Consumer confidence index

Changes in consumer confidence have a significant effect on household expenditure on restaurant dining. Falling consumer confidence in 2023 poses a threat to demand for full-service restaurants.

### Healthy eating index

Consumers are becoming increasingly aware of issues related to weight and obesity, fatty food intake and food safety issues. As not all food offered by industry operators are considered healthy, an increase in healthy eating habits will depress industry demand.

### Households earning more than \$100,000

Full-service restaurants draw their customers from higher-income households. As the number of affluent customers rises in 2023, full-service restaurants will benefit from this opportunity.

### Urban population

Time-strapped individuals living in urban areas will likely frequent industry establishments to save time on cooking. More people located in the urban area bolster demand for full-service restaurants.

Industry Performance 2015–2028



Single Location Full-Service Restaurants  
Source: IBISWorld

## Current Performance

**Full-service restaurant revenue has grown at a CAGR of 0.4% to \$208.9 billion over the past five years, including 1.1% growth in 2023 alone, when profit will reach 4.0%.**

### Full-service restaurants are threatened by growing number of competitors

- Fast-casual restaurants that offer higher-quality food and ambiance have become more popular because they provide convenient, gourmet food at an affordable price.
- Increasingly time-strapped working Americans don't have time to sit down at full-service restaurants.
- Since the price of many foods has increased, more consumers have returned to home cook meals and dining out less often.
- Many consumers have sought revamped, healthier menus offered by online meal subscription deals, food at supermarkets and traditional quick-service establishments.
- Prepared food in supermarkets has become ubiquitous in major metropolitan areas.
- Meal-delivery services, which capitalize on leaving consumers responsible for final preparation, have also challenged the industry.

### A growing interest in localized food has supported the industry

- Consumers prefer to patronize local establishments oriented around a single chef or singular concept than large, homogenous chains with a traditional menu and decor concepts.
- Consumers are increasingly health-conscious and environmentally conscious, leading to an increase in farm-to-table restaurants nationwide.

### The COVID-19 pandemic drove unprofitable small-scale restaurants out of the industry

- The state government ordered restaurants to halt dine-in services in 2020.
- Data from OpenTable showed that year-over-year seated diners at New York restaurants declined since the state's first coronavirus case.
- To help restaurants, Postmates and DoorDash waived commission fees during the pandemic, while Grubhub deferred commission payments for one month.
- Restaurants like steakhouses could not offer take-out and delivery services because of the nature of their food.
- Relief funds targeting industry workers, including Restaurant Workers' Community Foundation, One Fair Wage, Unite Here Education and Support Fund and ROC Disaster Relief Fund, have cropped up.

## Historical Performance Data

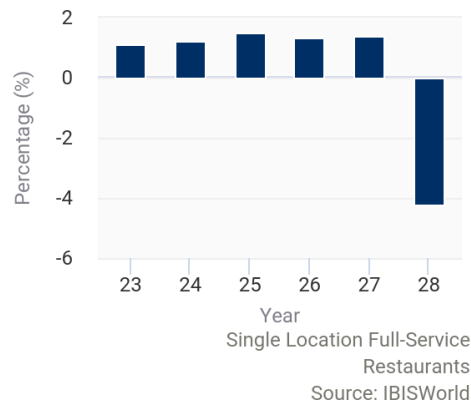
Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Consumer spending (\$b)
2014	178,283	75,877	153,734	136,187	2,781,585	N/A	N/A	63,397	N/A	11,515
2015	187,727	82,270	152,809	135,228	2,832,633	N/A	N/A	67,252	N/A	11,893
2016	196,496	87,270	156,902	138,765	2,973,263	N/A	N/A	71,943	N/A	12,188
2017	198,963	86,368	157,245	139,193	2,961,601	N/A	N/A	72,043	N/A	12,484
2018	204,345	89,228	159,689	141,983	3,003,112	N/A	N/A	74,107	N/A	12,845
2019	210,724	91,513	159,074	141,486	2,990,280	N/A	N/A	75,498	N/A	13,126
2020	158,330	64,904	154,970	138,328	2,894,679	N/A	N/A	55,891	N/A	12,630
2021	187,282	74,417	166,427	147,566	3,260,009	N/A	N/A	63,578	N/A	13,625
2022	206,651	81,365	174,492	154,178	3,509,546	N/A	N/A	68,787	N/A	13,952
2023	208,911	82,579	177,308	156,715	3,566,586	N/A	N/A	69,832	N/A	14,050

# Industry Outlook

## Outlook

**Industry revenue will grow at a CAGR of 0.2% to \$211.2 billion over the five years to 2028, when profit will fall to 3.9%.**

Industry Outlook  
2023–2028



### Changing consumer preferences urge industry restaurants to quickly adjust their menus

- Many restaurants will introduce new product lines, emphasizing healthy and gourmet meals to compete with fast-casual chains.
- Major restaurants will offer alternatives to red meat, like chicken and tofu and provide various other meal options, including fresh salads.
- While input costs for these meals are often cheaper than the standard menu, some healthier foods require higher-quality, more expensive ingredients.

### Fine dining emerges as a new lifeline

- Fine dining will fare well thanks to more affluent households and their respective spending on high-end restaurants.
- Customers will continue shifting toward niche, value-added preferences, with consumers purchasing expensive meals, drinks, appetizers and desserts.
- Full-service restaurants are ideal for business lunches and corporate events as they locate in major metropolitan areas where business people congregate.

### Technology trends are the industry's main growth driver

- As younger demographics with high disposable incomes become increasingly tech-savvy, restaurants leveraging online sites for marketing and reservations may gain more patrons.
- Restaurants will benefit from the growing popularity of food delivery apps because they are popular in metropolitan areas where residents are time-strapped but still prefer quality food.

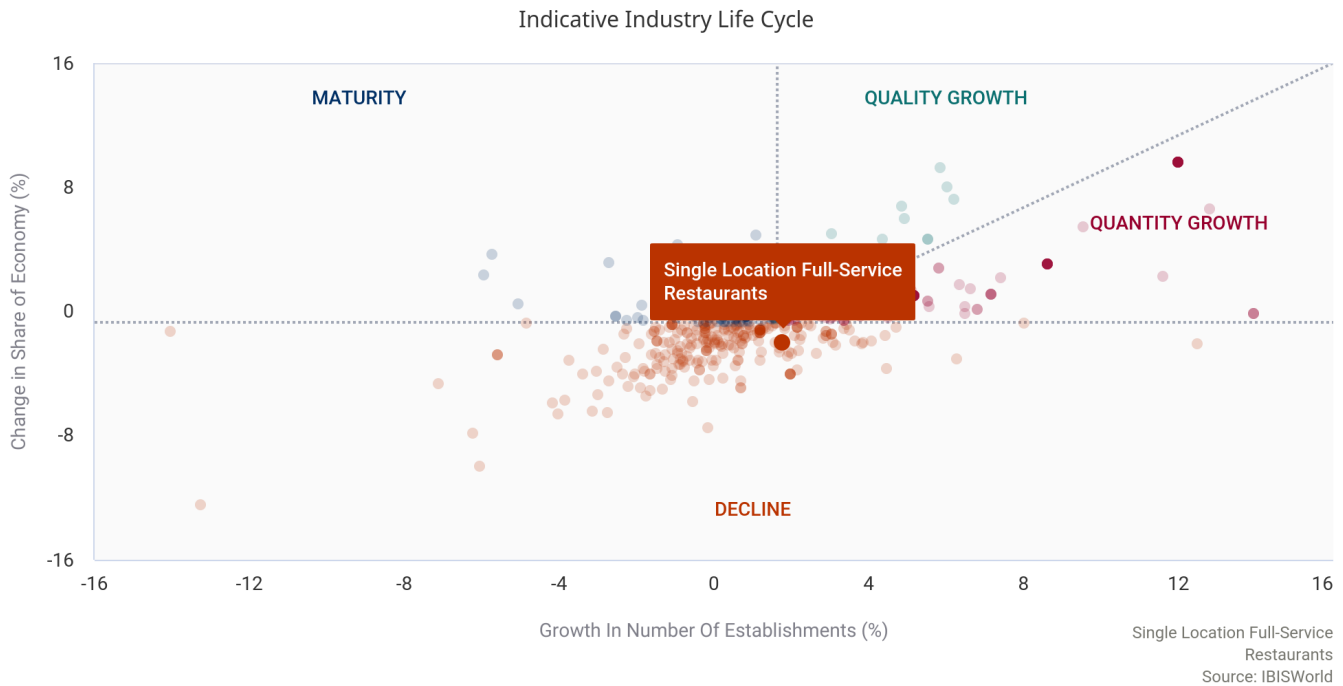
## Performance Outlook Data

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Consumer spending (\$b)
2023	208,911	82,579	177,308	156,715	3,566,586	N/A	N/A	69,832	N/A	14,050
2024	211,458	83,868	180,097	159,214	3,623,542	N/A	N/A	70,894	N/A	14,225
2025	214,640	85,362	183,345	162,112	3,691,359	N/A	N/A	72,169	N/A	14,471
2026	217,473	86,835	186,554	164,982	3,756,446	N/A	N/A	73,377	N/A	14,693
2027	220,517	88,399	190,221	168,272	3,828,444	N/A	N/A	74,708	N/A	14,931
2028	211,249	85,911	190,438	168,925	3,764,552	N/A	N/A	73,082	N/A	15,055
2029	170,876	73,087	178,111	159,414	3,300,006	N/A	N/A	63,074	N/A	15,233

**Industry Life Cycle** The life cycle stage of this industry is **⊖ Mature**

LIFE CYCLE REASONS

- The industry is growing at a slower pace compared with US GDP
- Price-based competition limits the ability of operators to raise prices
- The industry's profit is low



**Contribution to GDP**

Single-location full-service restaurants' contribution to GDP has been shrinking due to intense price competition that pressured the industry's revenue and profit growth over the past 10 years.

**Market Saturation**

The limits of population size and economic growth within a city or town that can support a variety of competing restaurants have been reached.

**Innovation**

Shifts in consumer preferences in recent years have demanded smaller portions and healthier, locally sourced produce and higher-quality food, especially in urban markets, where incomes are above average.

**Consolidation**

There is a high level of turnover among industry operators, with various new restaurants replacing unprofitable establishments in any given year. However, mergers and acquisitions are uncommon in this industry.

**Technology and Systems**

Besides technological advancements relating to taking orders, managing inventories, accepting payments and bookkeeping, it has become almost essential for full-service restaurants to have an online presence due to the growing amount of time consumers now spend on their desktops, tablets and smartphones.

# Products & Markets

## Supply Chain

### Key Buying Industries

#### 1st Tier

Consumers in the US

### Key Selling Industries

#### 1st Tier

Grocery Wholesaling in the US

Beer Wholesaling in the US

Fruit & Vegetable Wholesaling in the US

Beef & Pork Wholesaling in the US

Restaurant & Hotel Equipment Wholesaling in the US

Wine & Spirits Wholesaling in the US

Frozen Food Wholesaling in the US

Dairy Wholesaling in the US

Egg & Poultry Wholesaling in the US

Fish & Seafood Wholesaling in the US

#### 2nd Tier

Soda Production in the US

Wineries in the US

Breweries in the US

Major Household Appliance Manufacturing in the US

Frozen Food Production in the US

Animal Food Production in the US

Dairy Product Production in the US

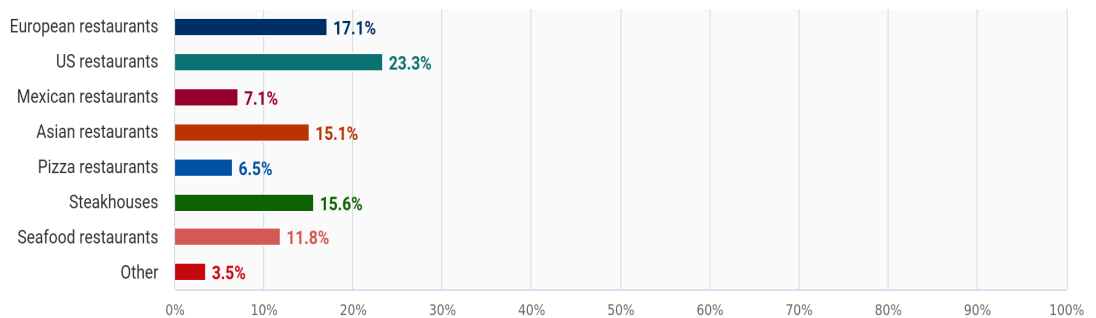
Meat, Beef & Poultry Processing in the US

Seafood Preparation in the US

Bread Production in the US

## Products & Services

Products and Services Segmentation



2023 INDUSTRY REVENUE

**\$208.9bn**

Single Location Full-Service Restaurants  
Source: IBISWorld

### Asian cuisine is a new trend

- The main broad types include East Asian (Chinese, Japanese and Korean); Southeast Asian (Vietnamese, Thai and Malaysian); and South Asian (Indian, Sri Lankan and Bangladeshi).
- Asian food remains popular in states with high Asian populations like California and New York.
- Higher rates of global travel and increased exposure to new cultures have also driven growth in the popularity of ethnic cuisine.

### US restaurants take the lead

- US restaurants offer various cuisines like burgers, steaks, sandwiches, salads, fries and desserts.
- US restaurants have increased their hold on the food service market thanks to growth in farm-to-table concept restaurants and gourmet burger chains.
- Traditional and new US cuisine has been overtaken by ethnic foods thanks to the evolution of the US palate and the gastronomy movement.

#### **European restaurants face stiff competition from prominent food chains**

- European restaurants include Italian, French, German, Mediterranean and Spanish restaurants.
- This segment also includes pizza restaurants that serve a menu of house and custom pizzas alongside pasta, salad and other Italian-influenced cuisines.
- Although pizza has become increasingly defined as carryout or delivery food, sit-down pizza restaurants remain popular in the northeast and urban locations.

#### **Mexican restaurants are popular in regions with a high Hispanic population**

- Staples of Mexican cuisine include rice, corn, beans and chili peppers.
- Mexican restaurants are known for their intense and varied flavors and variety of spices.
- Mexican cuisine has had a significant influence on the Southwest region.
- In states like Texas, the growing Hispanic population has contributed to a rise in Mexican food consumption.

#### **Seafood restaurants and steakhouses have the highest average check**

- Full-service restaurants specializing in seafood and steak are typically higher-end with more expensive and diverse options.
- Menu items are typically synonymous with slight extravagance and a luxury dining experience.
- Seafood restaurants are concentrated near large bodies of water and the coastlines to access a steady supply of local products with relatively low shipping costs.
- Steakhouses have continued to grow in popularity, especially in large cities.

#### **Other cuisines contribute a growing but minor share of the revenue**

- Other restaurants include restaurants that do not specialize in any dish or something not included in these categories, like desserts.
- As consumer preferences change and new foods and food service concepts enter the market, this category changes its structure.

## **Demand Determinants**

### **The Single Location Full-Service Restaurants industry is sensitive to factors that affect the growth in household disposable income, which gives consumers the ability to spend money on out-of-home dining.**

In turn, this factor is sensitive to changes in labor market growth (i.e. the unemployment rate) and movements in tax and interest rates as they can affect the level of disposable income in the market. Consumer sentiment also influences the industry's performance as people make decisions on their discretionary spending based on changes in their economic and financial outlooks.

#### **Health consciousness**

Rising health consciousness has a direct effect on industry operators as US consumers become increasingly concerned about fat content, fried foods and salt content, especially when dining out. As a result, rising concerns over the nutritional value of restaurant meals are likely to influence demand for certain foods on menus. This will encourage industry players to alter their product mix or add supplementary menu items to cater to this shift in consumer preferences.

#### **Convenience**

Convenience, value for money and time are other important demand determinants. Recent social trends such as busier lifestyles, heavier workloads and longer working hours, have helped boost demand for restaurant services and convenience food, as time-poor consumers seek to cut down cooking time and make better use of their spare time. Industry operators that can provide an efficient sit-down service may draw larger revenue as it enables them to provide a convenient service to time-sensitive individuals while increasing potential turnover. Moreover, restaurants have become more of a place for family get-togethers, special occasions and social meetings for cash-rich and time-poor consumers.

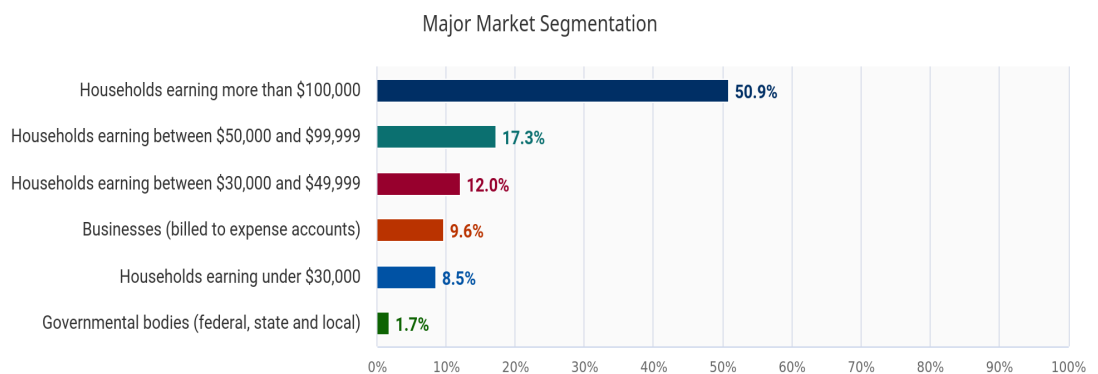


## Demographic trends

The changing age structure of the population is influencing demand within the industry as the demographics of a population will affect the types of products and services available on the market. Baby boomers are a major group that influences industry revenue growth. Not only are they a significant percentage of the population, but they are also the population with the most relative wealth and therefore have higher levels of disposable income to spend on restaurant meals. US Census Bureau consumer expenditure data indicates that consumers with incomes in the top two income brackets (consisting of those consumers that earn more than \$100,000 per year) account for an estimated 50.4% of the total personal expenditure on food eaten outside of the home. The most important factor driving the highest household income group to spend in restaurants is the pressure of work and lack of time, incentivizing them to eat away from home more often.

Additionally, as millennials and older members of Generation Z enter the workforce, they are also likely to spend money eating out. While members of these generation segments may not have large incomes when compared with baby boomers, they tend to be more small business-oriented. As many industry establishments are considered small businesses, due to their size and the local nature of their services, they are aligned to benefit from these consumer preferences. These younger generations are also the forerunners of the premiumization trend. This trend is the movement to make luxury more affordable and to prioritize more premium or high-quality products and services. Single-location full-service establishments tend to provide higher quality service and food options, positioning industry operators to benefit from this trend as well.

## Major Markets



2023 INDUSTRY REVENUE

**\$208.9bn**

Single Location Full-Service Restaurants  
Source: IBISWorld

### Highest-income consumers typically frequent high-end restaurants

- These individuals have a higher disposable income and may decide to trade up and eat at establishments with higher prices and provide a more upscale service.
- These individuals have full-time occupations that require them to work a minimum of 40 hours a week, limiting the time consumers have to cook and prepare meals for themselves at home.

### Middle-income consumers keep industry demand stable

- Middle-class consumers contribute to the steady demand for middle-of-the-range single-location restaurants.
- These individuals generally have lower disposable incomes than those in higher income brackets.

### Lowest-income consumers will trade up restaurant meals for home cook meals when income is restricted

- Those in the lowest income segments (those earning \$30,000 or less annually) often need to make significant sacrifices to afford meals away from home.
- Given the relative cost of eating away from home, this income bracket typically opts to save money by cooking their meals at home or fast-food establishments.

Exports in this industry are 🟢 **Low and Steady**

Imports in this industry are 🟢 **Low and Steady**

Due to the service-based nature of the Single Location Full-Service Restaurants industry, there is no international trade in this industry. The industry consists largely of small business owners that serve the domestic market.

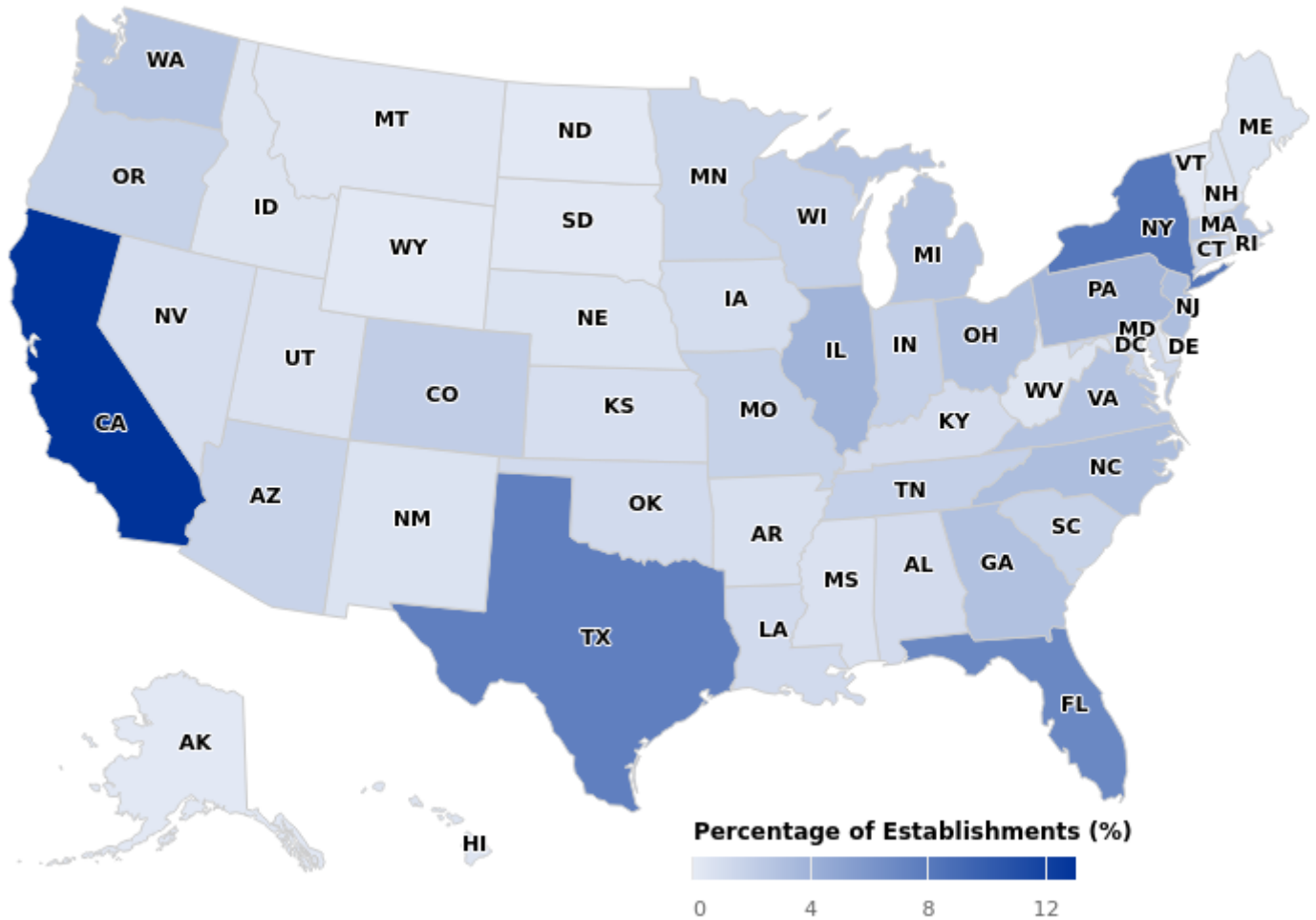


# Geographic Breakdown

## Key Insights

<b>California</b> 22,983 Est. Most Establishments	<b>California</b> \$28.5bn Highest Revenue	<b>Washington</b> 4.4% Fastest Growth	<b>North Dakota</b> 0.4% Slowest Growth	<b>Alaska</b> \$24,872.2 Highest Average Wage	<b>California</b> 443,817 Most Employees
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## Establishment Concentration in the United States



Single Location Full-Service Restaurants in the US  
Source: IBISWorld

## State Data for Single Location Full-Service Restaurants in the US (2023)

State	Establishments	Establishments Growth Rate (2018-2023)	Revenue	Revenue Growth Rate (2018-2023)	Employment	Employment Growth Rate (2018-2023)	Wages	Wages Growth Rate (2018-2023)
Alabama	1,919	1.56%	\$1.9bn	2.36%	44,388	3.81%	\$636.7m	0.94%

## State Data for Single Location Full-Service Restaurants in the US (2023)

State	Establishments	Establishments Growth Rate (2018-2023)	Revenue	Revenue Growth Rate (2018-2023)	Employment	Employment Growth Rate (2018-2023)	Wages	Wages Growth Rate (2018-2023)
<u>Alaska</u>	378	0.87%	\$371.9m	1.12%	5,061	1.74%	\$125.9m	-0.26%
<u>Arizona</u>	3,075	2.56%	\$4.2bn	3.86%	76,671	4.31%	\$1.4bn	2.43%
<u>Arkansas</u>	1,414	1.96%	\$1.1bn	2.71%	25,905	3.84%	\$376.8m	1.30%
<u>California</u>	22,983	2.84%	\$28.5bn	3.59%	443,817	4.13%	\$9.6bn	2.18%
<u>Colorado</u>	3,659	2.75%	\$4.9bn	3.87%	80,376	4.26%	\$1.7bn	2.44%
<u>Connecticut</u>	2,414	2.08%	\$2.2bn	2.41%	37,488	3.49%	\$760.2m	1.01%
<u>Delaware</u>	586	2.26%	\$782.2m	4.01%	13,652	4.56%	\$264.8m	2.59%
<u>Florida</u>	12,337	2.97%	\$15.6bn	3.11%	289,387	4.37%	\$5.3bn	1.69%
<u>Georgia</u>	5,256	2.53%	\$5.6bn	3.26%	117,567	4.34%	\$1.9bn	1.84%
<u>Hawaii</u>	852	1.24%	\$1.6bn	2.35%	24,992	3.57%	\$537.4m	0.93%
<u>Idaho</u>	967	2.95%	\$821.9m	4.23%	17,091	4.79%	\$278.2m	2.80%
<u>Illinois</u>	6,897	2.16%	\$7.3bn	2.05%	136,526	3.63%	\$2.5bn	0.63%
<u>Indiana</u>	3,330	2.45%	\$3.3bn	2.75%	74,312	3.73%	\$1.1bn	1.34%
<u>Iowa</u>	1,717	1.82%	\$1.2bn	2.06%	29,255	3.05%	\$409.6m	0.66%
<u>Kansas</u>	1,525	1.99%	\$1.3bn	1.79%	28,793	2.74%	\$426.0m	0.38%
<u>Kentucky</u>	2,009	2.50%	\$1.9bn	2.07%	45,069	3.68%	\$635.6m	0.66%
<u>Louisiana</u>	2,113	2.15%	\$2.2bn	0.71%	44,940	2.29%	\$727.7m	-0.69%
<u>Maine</u>	1,043	2.28%	\$984.5m	3.56%	14,552	3.51%	\$333.0m	2.13%
<u>Maryland</u>	2,427	1.58%	\$3.3bn	2.15%	60,219	3.35%	\$1.1bn	0.74%
<u>Massachusetts</u>	4,702	2.62%	\$6.0bn	3.52%	96,495	4.62%	\$2.0bn	2.11%
<u>Michigan</u>	4,952	1.80%	\$4.9bn	2.72%	102,209	3.48%	\$1.7bn	1.31%
<u>Minnesota</u>	2,721	2.10%	\$3.2bn	2.29%	61,484	3.37%	\$1.1bn	0.88%
<u>Mississippi</u>	1,178	1.62%	\$955.1m	2.45%	24,396	3.87%	\$323.2m	1.05%
<u>Missouri</u>	3,138	1.72%	\$3.1bn	2.16%	67,256	3.22%	\$1.1bn	0.75%
<u>Montana</u>	751	1.74%	\$618.5m	2.61%	12,627	3.50%	\$209.3m	1.20%
<u>Nebraska</u>	1,031	2.26%	\$824.4m	2.22%	18,560	3.20%	\$278.9m	0.80%
<u>Nevada</u>	1,589	3.69%	\$2.6bn	3.36%	41,357	4.83%	\$865.0m	1.94%
<u>New Hampshire</u>	975	2.61%	\$1.1bn	3.45%	19,268	4.53%	\$372.8m	2.03%
<u>New Jersey</u>	5,597	2.37%	\$4.7bn	2.82%	85,469	4.28%	\$1.6bn	1.40%
<u>New Mexico</u>	985	2.30%	\$1.0bn	2.45%	20,597	3.65%	\$343.2m	1.04%
<u>New York</u>	14,472	2.19%	\$16.0bn	2.91%	227,078	3.77%	\$5.4bn	1.50%

## State Data for Single Location Full-Service Restaurants in the US (2023)

State	Establishments	Establishments Growth Rate (2018-2023)	Revenue	Revenue Growth Rate (2018-2023)	Employment	Employment Growth Rate (2018-2023)	Wages	Wages Growth Rate (2018-2023)
<u>North Carolina</u>	5,730	2.92%	\$5.4bn	3.16%	122,412	4.94%	\$1.8bn	1.74%
<u>North Dakota</u>	399	1.69%	\$358.3m	0.42%	7,917	2.05%	\$121.0m	-1.01%
<u>Ohio</u>	5,272	1.93%	\$5.5bn	1.66%	123,615	3.07%	\$1.9bn	0.26%
<u>Oklahoma</u>	2,067	2.86%	\$1.5bn	1.53%	38,428	3.49%	\$523.6m	0.14%
<u>Oregon</u>	3,143	2.63%	\$2.9bn	3.38%	47,434	4.04%	\$971.0m	1.95%
<u>Pennsylvania</u>	6,772	2.06%	\$5.9bn	2.08%	132,805	3.60%	\$2.0bn	0.67%
<u>Rhode Island</u>	821	2.29%	\$857.0m	3.22%	14,710	4.07%	\$290.0m	1.80%
<u>South Carolina</u>	3,166	3.10%	\$2.9bn	3.02%	66,549	4.91%	\$993.0m	1.61%
<u>South Dakota</u>	505	2.15%	\$365.2m	1.96%	7,826	2.54%	\$123.5m	0.55%
<u>Tennessee</u>	3,382	2.90%	\$4.1bn	3.59%	83,868	5.04%	\$1.4bn	2.16%
<u>Texas</u>	13,396	2.86%	\$15.2bn	2.41%	297,772	3.76%	\$5.1bn	1.00%
<u>Utah</u>	1,239	2.96%	\$1.3bn	3.66%	26,339	4.53%	\$430.7m	2.23%
<u>Vermont</u>	459	1.22%	\$387.6m	2.33%	7,168	3.50%	\$131.1m	0.91%
<u>Virginia</u>	4,892	2.22%	\$4.7bn	2.03%	97,114	3.57%	\$1.6bn	0.63%
<u>Washington</u>	4,859	3.57%	\$5.5bn	4.36%	78,015	4.69%	\$1.9bn	2.92%
<u>West Virginia</u>	802	1.46%	\$649.4m	1.98%	15,861	3.30%	\$219.6m	0.57%
<u>Wisconsin</u>	3,425	1.60%	\$2.6bn	2.28%	62,391	3.38%	\$878.7m	0.86%
<u>Wyoming</u>	359	0.51%	\$293.9m	0.93%	5,824	2.02%	\$99.3m	-0.48%

## Business Locations Restaurants' locations follow the population distribution

- As a service-based retail industry, full-service restaurants are dispersed largely in line with population and income distribution.
- Single-location full-service restaurants must be close to a large population to have a large number of consumers to cater to as well as have access to a large workforce.
- The industry is concentrated in the Southeast, West and Mid-Atlantic regions, as these regions are home to the largest concentrations of the US population. Most of these regions have a large number of relatively small establishments.

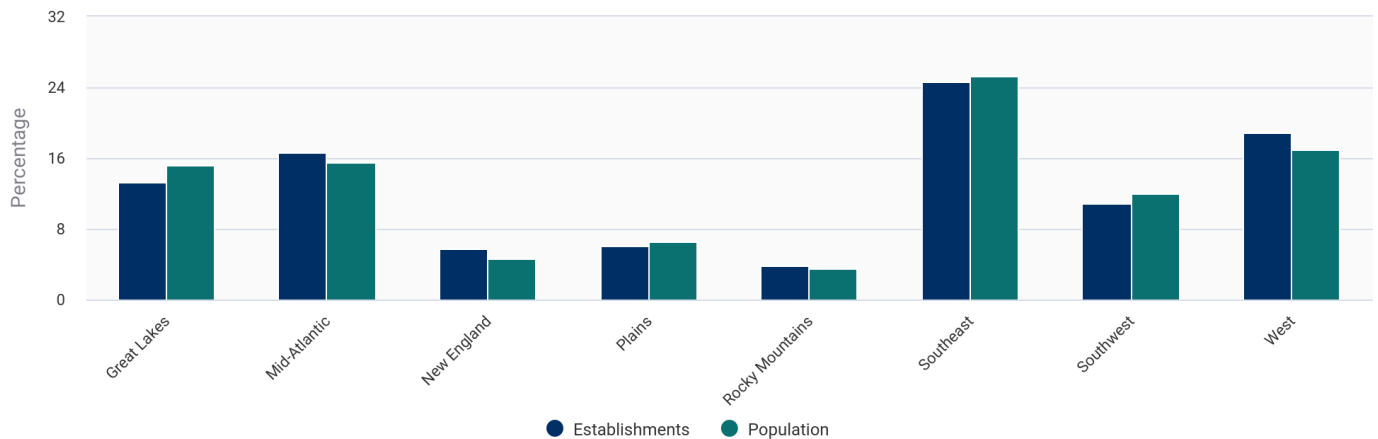
### Large metropolises can help draw more affluent business customers

- Operators will attempt to situate themselves in high-profile areas with a high rate of a foot or automobile traffic such as large cities and town centers, where business activity, tourism and incomes that support restaurant spending are highest.
- New York City, Las Vegas, Los Angeles, Chicago, Miami, San Francisco, Charleston and Washington, DC all have a large number of single-location full-service restaurants and the industry is highly competitive in these cities.
- These cities are also mainly concentrated in the regions with the highest concentration of industry establishments.

### Operators with constrained financial resources have to locate in low-profile areas

- In highly sought-after areas, costs may be high as restaurants pay for the privilege of exposure.
- Many operators cannot compete for high-profile, high-rent locations with high passing traffic due to the industry's small-business nature; these places are usually garnered by the major chain and franchised restaurant operators.
- A large proportion of operators tend to be located in slightly offbeat locations such as local neighborhoods and shopping centers. Given the small scale of their operations, a viable restaurant operation can still be established, but it will usually serve higher-income populations in their immediate surroundings.

Distribution of Establishments vs Population



Single Location Full-Service Restaurants  
Source: IBISWorld

# Competitive Landscape

## Market Share Concentration

Concentration in this industry is ✔ **Low**

**Concentration is low because the industry inherently consists of single, owner-operated businesses**

- The low concentration level in the industry results in fierce competition among restaurants.
- The industry has low barriers to entry and owners typically compete on price, menu offerings, cuisine and customer service.

**The industry is highly dominated by sole proprietorships**

- Owner-operators are prominent in the industry, putting a significant proportion of their time and effort into running a restaurant.
- Many restaurants are family-run, meaning they primarily employ the owners' extended family members.

## Key Success Factors

IBISWorld identifies over 200 Key Success Factors for a business. The most important for this industry are:

**Access to multi-skilled and flexible workforce:**

Access to suitably skilled and trained staff on hourly rates is required to meet peak customer demand periods.

**Ability to quickly adopt new technology:**

Owners need to adopt new employee training as well as kitchen and customer-related technology to increase productivity and lower labor costs.

**Attractive product presentation:**

The atmosphere and ambiance of a restaurant are important to attract and retain guests.

**Proximity to key markets:**

It is important to be in a good, easily accessible location that is close to target markets.

**Ability to control stock on hand:**

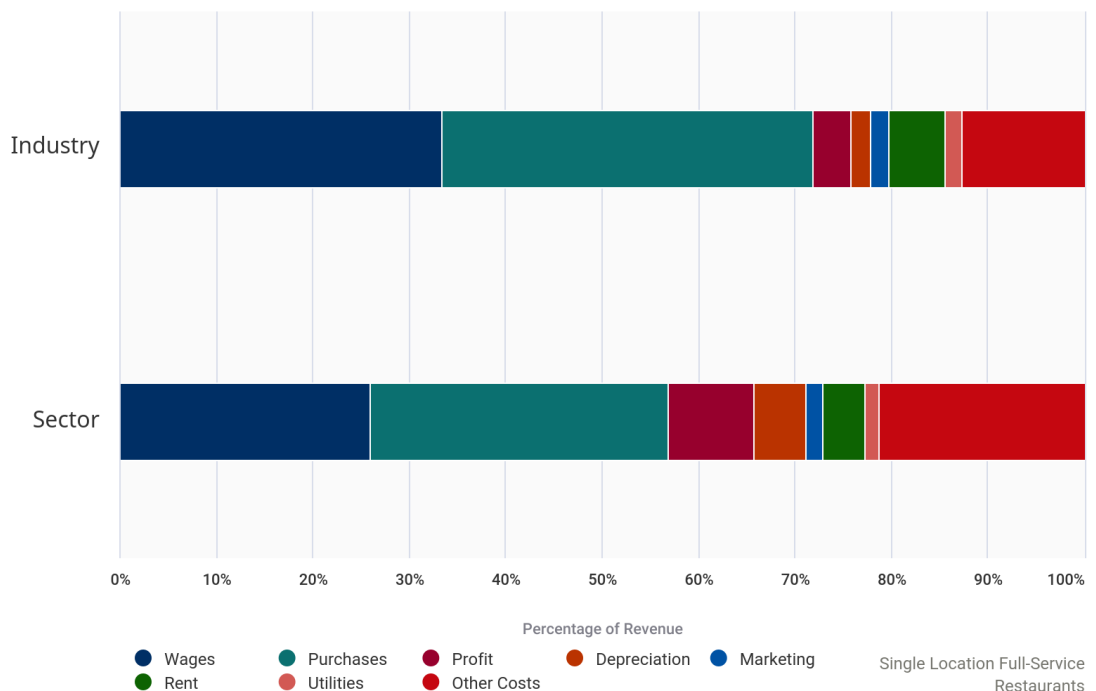
Controlling orders, stock and food waste, which are all major cost areas, can reduce unnecessary expenses.

**Ensuring pricing policy is appropriate:**

To maintain costs and profit on meals, owners must ensure that menu pricing/portion control process is undertaken thoroughly.

## Cost Structure Benchmarks

Cost Structure 2023

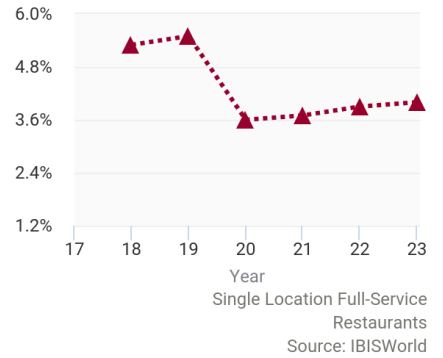


**Profit**

**Profit varies between players depending on the size of the business.**

- Inherent to the industry, restaurants do not benefit from economies of scale as they only own and operate one single location
- The highly competitive nature of the industry means most restaurants can only access slim profit
- Many restaurants increase their profit margin by selling beverages, particularly alcoholic to support high mark-ups.
- During the pandemic, restaurants rely on take-out and delivery services, which only generate a small share of the revenue.

Profit as a Share of Revenue 2018-2023

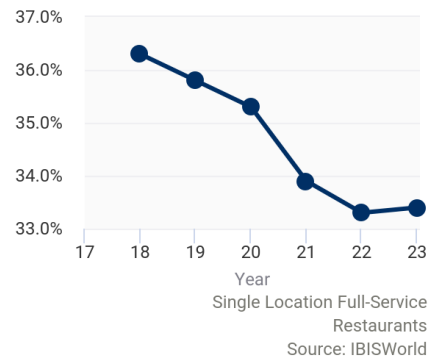


**Wages**

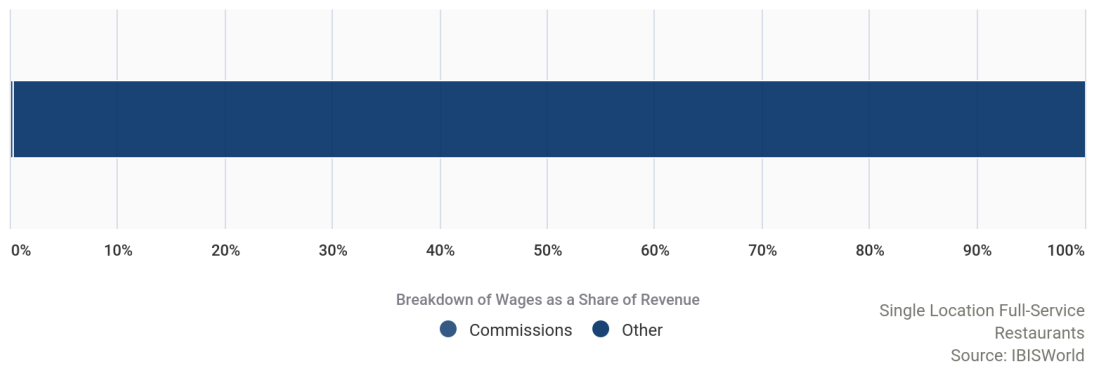
**Menu prices and profitability are affected by labor intensity**

- Wages are high because of the labor-intensive nature of food preparation, cooking, serving and cleanup.
- These costs include wages and benefits like health, workers' compensation and unemployment insurance.
- Cost increases cannot simply be passed directly on to consumers in the form of higher prices, especially given the high inflation and rising unemployment levels.

Wages as a Share of Revenue 2018-2023



Wages Breakdown (% of Total Wages in 2023)

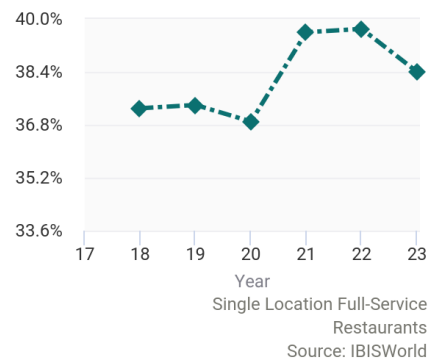


**Purchases**

**Purchases comprise the highest cost for the industry**

- Purchases include alcohol, food and other incidentals like paper towels, cleaning equipment and glassware.
- Food and beverages are purchased from wholesalers, particularly from suppliers that can guarantee prompt delivery and quality foodstuffs.
- Fluctuations in the cost of food and liquor significantly influence industry revenue and profit.
- Menus, portion sizes and other inputs must be continually monitored to minimize waste.

Purchases as a Share of Revenue 2018-2023



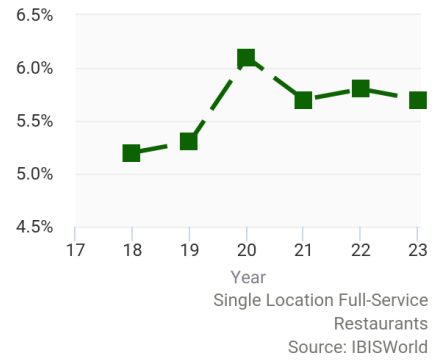


**Rent**

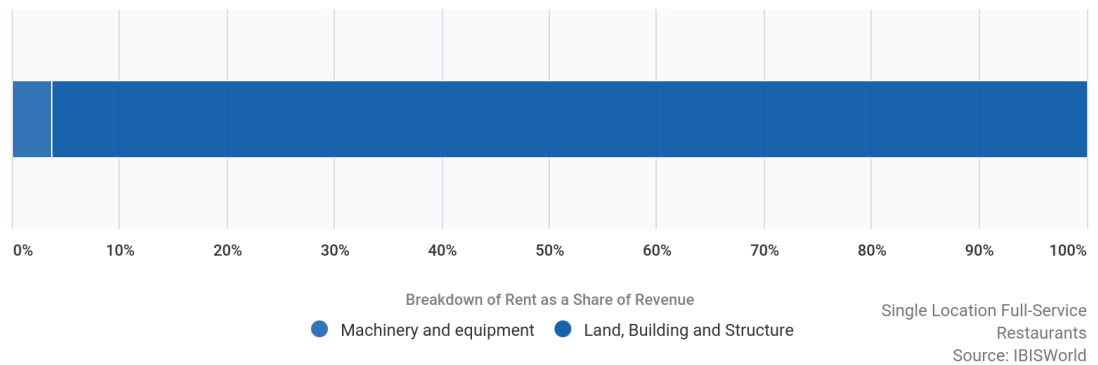
**Rent expenses are high in this industry**

- Restaurants need locations in high-traffic areas with high visibility, near the main thoroughfare or in a high foot-traffic location.
- Because of the increased demand for these locations, landlords typically charge high rent prices.
- Rent can vary among restaurants based on location and size.

Rent as a Share of Revenue 2018-2023



Rent Breakdown (% of Total Rent in 2023)



**Basis of Competition**

Competition in this industry is **△ High** and the trend is **Increasing**

**INTERNAL COMPETITION**

**Although price-based competition is prevalent within the Single Location Full-Service Restaurants industry, restaurants also compete on the basis of location, food quality, style and presentation, ambiance, hospitality and service.**

Eating away from home is considered a luxury for many households, making dining at industry establishment a luxury. For this reason, price is the primary source of competition among industry operators. However, operators that offer higher quality food and more upscale ambiance can generally charge a slight premium on their menu items as consumers are willing to pay more for the higher-end experience. Therefore, it is crucial industry operators are aware of their target audience and place in the respective market. Furthermore, operators compete based on type and variety of food served. This factor of the competition relies heavily on widespread consumer preferences as well as current consumer cravings. For example, consumers on a wide scale are shifting preferences for health-conscious and environmentally friendly industry establishments but may desire unhealthy options based on momentary cravings. Restaurants are involved in marketing the meal experience, so it is important that the owner-operator understands a restaurant's positioning in the marketplace, the clientele they are attracting or want to attract and the meal experience. Most importantly, a restaurant must consistently deliver on the customers' expectations.

Research by the National Restaurant Association indicates that choice of portion size and the availability of to-go boxes are important factors. A high proportion of the younger generation order larger portion sizes and request a to-go box, to use the excess for another meal. Varying portion size also meets the value-for-money criteria sought by many customers. Currently, there is a high demand for the ability to customize orders, choose the type of sauce on the side and have the food prepared with cooking oil, margarine, butter or no salt.

**EXTERNAL COMPETITION**

**Competition in this industry arises from other food service providers, including limited-service restaurants and chains and franchised full-service restaurants.**

The latter has a far greater market awareness and presence but can be limited by offering a standardized menu

across all of its establishments and not catering to its local market. These franchised-full services range in quality and price points similar to independently opened operations. Many often provide the same or similar products and services as Single Location Full-Service Restaurants making them direct competition to industry operators. Some customers may prefer to dine at local individual establishments in favor of supporting small-business, however in many cases that is the only differentiating factor between franchised and single-location establishments.

Additionally, competition from limited-service restaurants is also prevalent among consumers seeking to trade down from full-service restaurants. Limited service operators are increasingly drawing in customers from full-service alternatives by offering higher quality products at lower price points. These limited-service operators typically offer a faster dining experience as well, catering to those on a tight time frame.

Other competitors include households that prepare their own meals at home or purchase pre-packaged meals at supermarkets to consume at home. Start-ups such as Blue Apron and Hello! Fresh are growing in popularity, posing a threat to industry operators. These types of companies home deliver fresh ingredients and recipes at a low fixed cost weekly enabling more individuals to cook at home instead of eating out.

## Barriers to Entry

**Barriers to Entry in this industry are ▲ Low and the trend is Steady**

### Legal

The industry isn't directly subject to any industry-specific government regulation, aside from standard occupational safety and health regulations.

### Differentiation

Restaurant services and food served by full-service restaurants involve a low degree of differentiation, providing each operator some form of competitive edge over its competitors.

### Start-Up Costs

An operator can lease premises, equipment, furniture and fittings, lowering the initial capital costs, outlays and borrowings. New operators can enter through the purchase of an existing business or closed restaurant operation.

### Labor Intensity

Staffers are essential in all aspects of daily operations, ranging from cooking, and serving to cleaning.

### Barriers to Entry Checklist

Competition	High ▲
Concentration	Low ☑
Life Cycle Stage	Mature ⊖
Technology Change	Low ☑
Regulation & Policy	Medium ⊖
Industry Assistance	Low ▲

## Industry Globalization

**Globalization in this industry is ☑ Low and the trend is Steady**

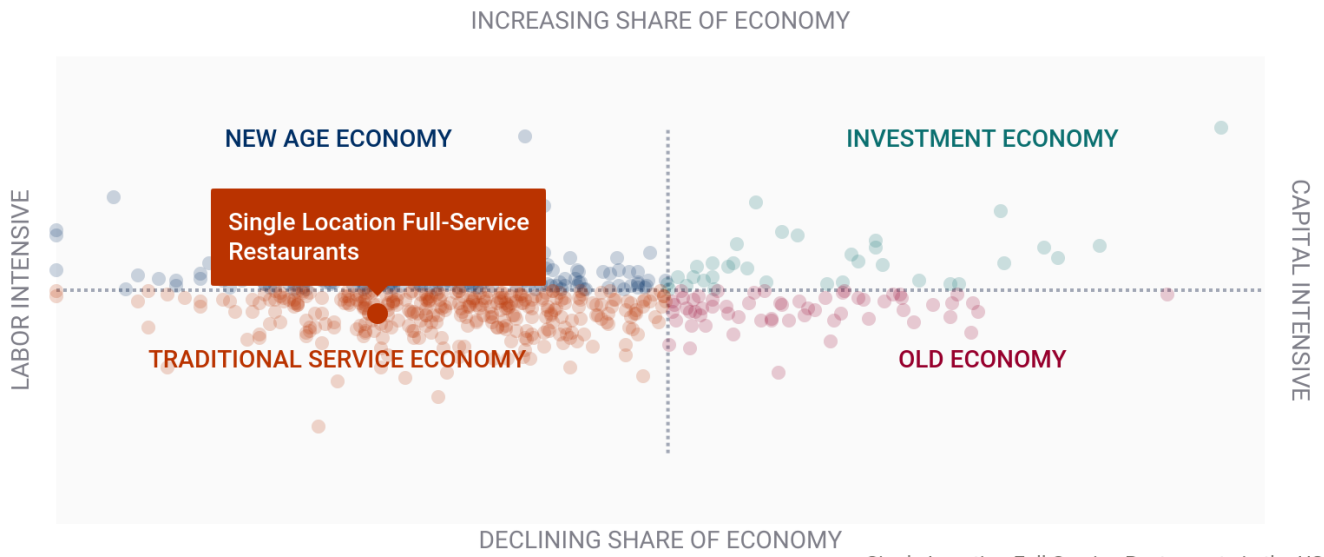
The majority of operators in the Single Location Full-Service Restaurants industry are small businesses that are US-owned and earn most of their sales from domestic activity. No significant or major international operators exist in this industry and international trade is nonexistent. The industry is therefore subject to a low level of globalization. IBISWorld does not expect the industry's level of globalization to change significantly over the coming years.

## Major Companies

There are no major players in this industry.

# Operating Conditions

## Costs of Growth: Targeting Capital vs. Labor



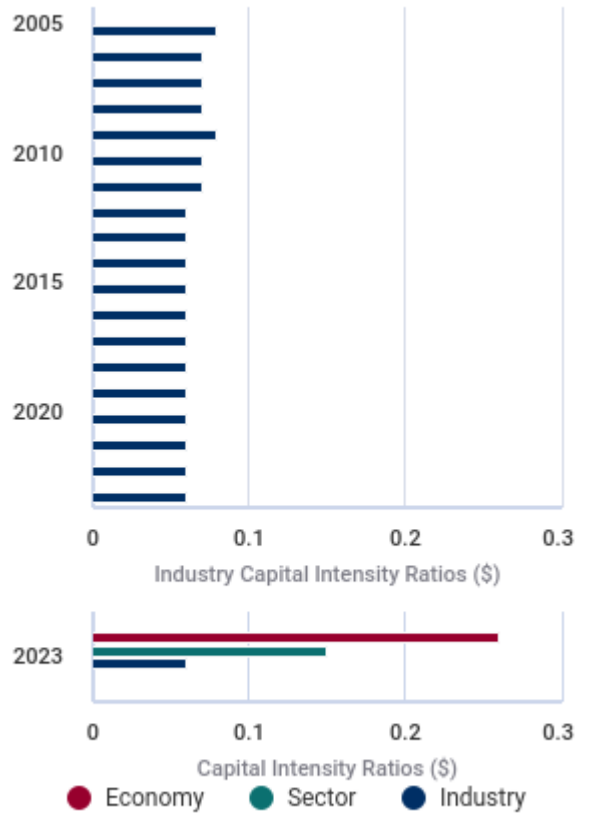
Single Location Full-Service Restaurants in the US  
Source: IBISWorld

### Capital Intensity

The level of capital intensity is 🟢 **Low**

The industry is heavily dependent on direct labor input across all operations, including ordering, delivery, food preparation, liquor and other beverage sales, cooking, serving, cleaning and management. Some rise in labor productivity can occur from investment in technology, including electronic customer ordering systems that are linked to the kitchen, letting chefs and cooks more efficiently process and prepare orders. Still, significant labor input is required to meet customers' expectations and provide a quality and hospitable dining experience and most of these functions cannot be replaced with technology or automated through different processes.

### Capital Intensity Ratios



Single Location Full-Service Restaurants  
Source: IBISWorld

## Technology & Systems

### Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
✔ Very Low	Rate of Innovation	Very Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
✔ Very Low	Innovation Concentration	Very Unlikely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
⚠ High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
⚠ High	Rate of Entry	Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
⚠ High	Market Concentration	Likely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The industry is experiencing a low level of both the rate of new patents and the concentration of patents in the industry. This creates an environment where the threat of new technologies driving disruption is low.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

The major markets for this industry are highly concentrated, which implies that the market has a focus on key customer segments. This presents an opportunity for strategic entrance into lower-end markets or unserved markets for innovations to take on a disruptive trajectory.

### **The rise in online ordering and free food delivery technology through mobile applications and websites has been a disruptive force for the Single Location Full-Service Restaurants industry.**

Grubhub, Fodler and Uber Eats are prime examples of how consumer preferences are shifting towards convenience. Consumers are increasingly ordering their food through their smartphones, via kiosks or other digital channels, reducing the overall human element of the dining experience. Restaurant operators need to wisely choose their delivery partners to be exposed to the right clientele and increase profits. Consumers' changing dining patterns are leading operators to change their restaurants operations since it is beneficiary to process orders from multiple channels. Operators need to accommodate their food preparation systems while enhancing a digital customer experience.

The level of technology change is ✔ Low

### **In general, the food service sector experiences a moderate level of technological change that varies among the different services and products provided to consumers.**

Most operators within the Single Location Full-Service Restaurants industry are small business owners that do not have a strong incentive to invest heavily in new technology due to the limited economies of scale available. Many owner-operators

rely heavily on their own labor or that of extended family or friends for operation. These employees are usually paid at relatively low hourly rates. Consequently, it is not as critical to lower wage costs or raise productivity, particularly at the lower end of the industry. Still, restaurants regularly attempt to leverage new technology to reduce labor and food costs to increase sales. They also use it to improve business processes, support growth, maintain current operations and improve meal experiences.

### Quality of service

**The majority of technological adoption by the industry aims to address new systems and processes that are designed to promote quality service and reduce customer wait time.**

Wireless electronic ordering systems that link front-of-the house orders to kitchen meal preparation are an example of such innovation. The increasing sophistication of the internet and mobile technology have also enabled industry players to reach wholesalers and suppliers online. This has increased efficiencies in coordinating supplies and other food items that are prepared in advance. Furthermore, industry operators may update kitchen appliances or other cooking technologies not only to improve the quality of the food but ensure fast meal preparation and cook times, improving the quality of service provided to customers.

### Point of sale systems

**The small-business nature of the industry means many operators do not have the capacity to invest heavily in advanced technology.**

However, there are various low-cost options that assist store efficiency. Most operators now have point-of-sale systems in stores to speed up service, which helps lead to larger purchases on average and cuts down on labor costs. Retailers are increasingly accepting credit card payments through devices such as Square, which connect directly to the store's iPad or iPhone and facilitates ease of transaction. Customers can sign with their finger on a touchscreen rather than with a pen and have the receipt emailed to them. These point-of-sales systems usually are cost-efficient for industry operators as well. Typically, Square and other services include access to diverse credit card networks without additional costs, limiting the subscription fees restaurants would have to pay to credit card companies.

### Social media

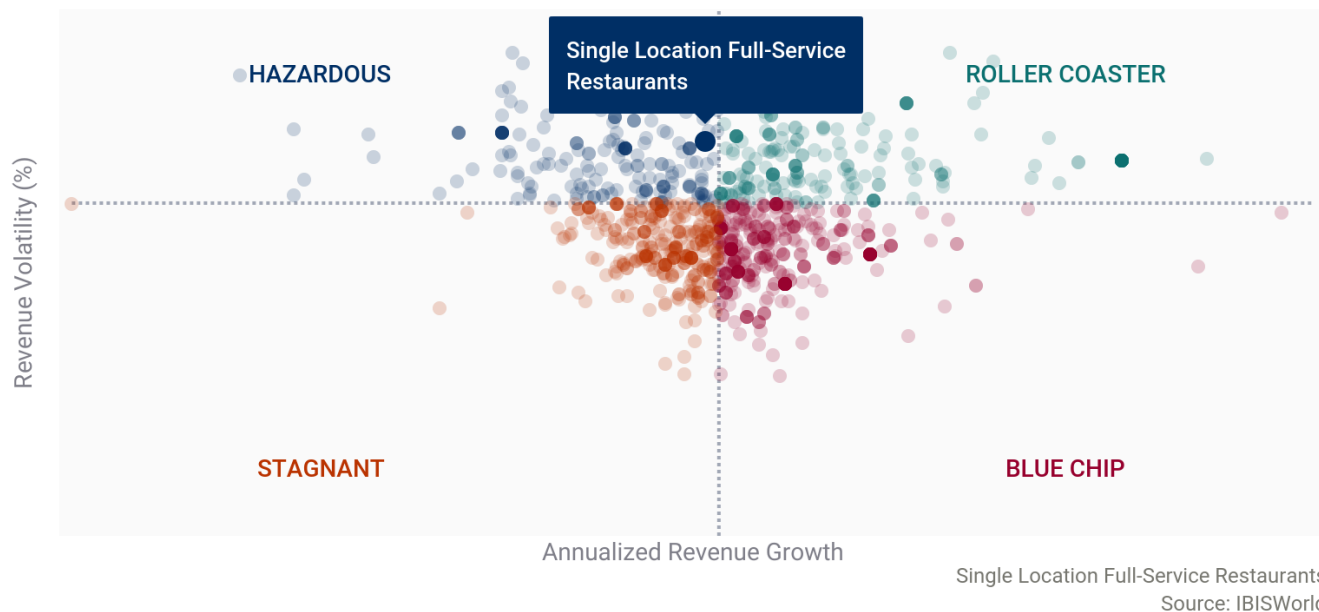
**Technology has also aided restaurant owners with marketing.**

Social media platforms such as Facebook, Twitter and Instagram enable savvy operators to connect directly with customers and tailor their brand's message to target fragmented consumer segments. This is growing in importance for industry operators as many individuals are receiving restaurant recommendations from these social media platforms. Operators that are able to position themselves well on these sites tend to draw a large crowd of new customers.

## Revenue Volatility

The level of volatility is ▲ High

Volatility vs. Growth



**The industry depends on consumer tastes and preferences**

- Restaurant spending is highly discretionary and easily substituted for lower-cost options such as home-cooked meals. As a result, changes in factors affecting incomes, such as taxes and unemployment levels, directly affect revenue.

**Industry revenue grew slowly, but consistently before being hit by COVID-19**

- The diversity of foods served by the industry helped keep any volatility under control.
- The industry consists of a range of food products, from Asian restaurants to traditional US restaurants and other ethnic cuisines, protecting the industry from changing consumer preferences.

**Regulation & Policy**

The level of regulation is ☹ **Medium** and the trend is **Increasing**

**US Food and Drug Administration's (FDA)**

The FDA's Model Food Code is a best-practice guide to food handling and presentation while the FDA Nutritional Value sets standards for the nutritional values of individual foods and meals.

**Minimum wages**

The industry employs a high number of young and low-skilled workers at hourly rates, so it's subject to minimum wage and employee benefits regulations.

**The Affordable Care Act**

Employers with 50 or more employees that work 30 hours a week will be required to provide healthcare coverage.

**Smoking bans**

In many states, smoking is banned in restaurants, bars and non-hospitality workplaces and some local jurisdictions ban smoking in outdoor areas.

**COVID-19 closures**

During the pandemic, to curb the spread of the virus, state governments have ordered restaurants to curtail dine-in operations.

**Industry Assistance**

The level of industry assistance is ☹ **Low** and the trend is **Steady**

*Public*

**The Coronavirus Aid, Relief, and Economic Security (CARES) Act**

Through this act, the Small Businesses Administration's Paycheck Protection Program (PPP) awards loans to small businesses, preventing them from laying off workers because of the pandemic.

*Private*

**The National Restaurant Association (NRA)**

NRA provides industry news, research, sponsoring events and networking opportunities.



# Key Statistics

## Industry Data

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Consumer spending (\$b)
2014	178,283	75,877	153,734	136,187	2,781,585	N/A	N/A	63,397	N/A	11,515
2015	187,727	82,270	152,809	135,228	2,832,633	N/A	N/A	67,252	N/A	11,893
2016	196,496	87,270	156,902	138,765	2,973,263	N/A	N/A	71,943	N/A	12,188
2017	198,963	86,368	157,245	139,193	2,961,601	N/A	N/A	72,043	N/A	12,484
2018	204,345	89,228	159,689	141,983	3,003,112	N/A	N/A	74,107	N/A	12,845
2019	210,724	91,513	159,074	141,486	2,990,280	N/A	N/A	75,498	N/A	13,126
2020	158,330	64,904	154,970	138,328	2,894,679	N/A	N/A	55,891	N/A	12,630
2021	187,282	74,417	166,427	147,566	3,260,009	N/A	N/A	63,578	N/A	13,625
2022	206,651	81,365	174,492	154,178	3,509,546	N/A	N/A	68,787	N/A	13,952
2023	208,911	82,579	177,308	156,715	3,566,586	N/A	N/A	69,832	N/A	14,050
2024	211,458	83,868	180,097	159,214	3,623,542	N/A	N/A	70,894	N/A	14,225
2025	214,640	85,362	183,345	162,112	3,691,359	N/A	N/A	72,169	N/A	14,471
2026	217,473	86,835	186,554	164,982	3,756,446	N/A	N/A	73,377	N/A	14,693
2027	220,517	88,399	190,221	168,272	3,828,444	N/A	N/A	74,708	N/A	14,931
2028	211,249	85,911	190,438	168,925	3,764,552	N/A	N/A	73,082	N/A	15,055

## Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Consumer spending (%)
2014	4.20	3.35	0.03	0.09	1.78	N/A	N/A	3.18	N/A	2.70
2015	5.29	8.42	-0.61	-0.71	1.83	N/A	N/A	6.08	N/A	3.27
2016	4.67	6.07	2.67	2.61	4.96	N/A	N/A	6.97	N/A	2.47
2017	1.25	-1.04	0.21	0.30	-0.40	N/A	N/A	0.13	N/A	2.42
2018	2.70	3.31	1.55	2.00	1.40	N/A	N/A	2.86	N/A	2.89
2019	3.12	2.56	-0.39	-0.36	-0.43	N/A	N/A	1.87	N/A	2.18
2020	-24.9	-29.1	-2.58	-2.24	-3.20	N/A	N/A	-26.0	N/A	-3.79
2021	18.3	14.7	7.39	6.67	12.6	N/A	N/A	13.8	N/A	7.87
2022	10.3	9.33	4.84	4.48	7.65	N/A	N/A	8.19	N/A	2.40
2023	1.09	1.49	1.61	1.64	1.62	N/A	N/A	1.51	N/A	0.70
2024	1.21	1.56	1.57	1.59	1.59	N/A	N/A	1.52	N/A	1.24
2025	1.50	1.78	1.80	1.82	1.87	N/A	N/A	1.79	N/A	1.72
2026	1.31	1.72	1.75	1.77	1.76	N/A	N/A	1.67	N/A	1.53
2027	1.39	1.80	1.96	1.99	1.91	N/A	N/A	1.81	N/A	1.61
2028	-4.21	-2.82	0.11	0.38	-1.67	N/A	N/A	-2.18	N/A	0.83

## Key Ratios

Year	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per estab. (Units)	Average Wage (\$)
2014	42.6	N/A	N/A	64.1	35.6	18.1	22,792
2015	43.8	N/A	N/A	66.3	35.8	18.5	23,742
2016	44.4	N/A	N/A	66.1	36.6	18.9	24,197
2017	43.4	N/A	N/A	67.2	36.2	18.8	24,326
2018	43.7	N/A	N/A	68.0	36.3	18.8	24,677
2019	43.4	N/A	N/A	70.5	35.8	18.8	25,248
2020	41.0	N/A	N/A	54.7	35.3	18.7	19,308
2021	39.7	N/A	N/A	57.5	33.9	19.6	19,502
2022	39.4	N/A	N/A	58.9	33.3	20.1	19,600
2023	39.5	N/A	N/A	58.6	33.4	20.1	19,579
2024	39.7	N/A	N/A	58.4	33.5	20.1	19,565
2025	39.8	N/A	N/A	58.2	33.6	20.1	19,551
2026	39.9	N/A	N/A	57.9	33.7	20.1	19,534
2027	40.1	N/A	N/A	57.6	33.9	20.1	19,514
2028	40.7	N/A	N/A	56.1	34.6	19.8	19,413

Figures are inflation adjusted to 2023

## Industry Financial Statement

Industry Multiples	2018	2019	2020	2021	Historical Average		
					3-Year	5-Year	10-Year
EBIT/Revenue	3.9	3.1	11.6	7.5	7.4	5.7	5.1
EBITDA/Revenue	7.5	6.7	17.4	12.8	12.3	10.0	8.9
Leverage Ratio	8.2	10.1	5.7	7.8	7.9	8.5	8.3
Industry Tax Structure	2018	2019	2020	2021	3-Year	5-Year	10-Year
Taxes Paid/Revenue	0.9	0.9	2.3	2.4	1.9	1.5	1.5
Income Statement	2018	2019	2020	2021	3-Year	5-Year	10-Year
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	98.8	98.9	99.0	95.5	97.8	98.2	98.1
Cost of goods	65.6	63.7	56.1	59.5	59.8	61.5	61.9
Gross Profit	34.4	36.3	43.9	40.5	40.2	38.5	38.1
Expenses							
Salaries and wages	11.3	12.4	12.7	11.8	12.3	12.2	12.2
Advertising	0.9	1.0	1.8	1.7	1.5	1.3	1.3
Depreciation	1.0	1.0	1.9	2.0	1.6	1.4	1.4
Depletion	0.5	0.3	0.2	0.1	0.2	0.2	0.2
Amortization	2.1	2.3	3.7	3.2	3.1	2.7	2.2
Rent paid	1.4	1.8	2.7	2.6	2.4	2.2	2.3
Repairs	0.9	0.9	0.5	0.3	0.6	0.7	0.7
Bad debts	0.2	0.2	0.4	5.1	1.9	1.6	1.1
Employee benefit programs	2.0	2.1	5.2	6.3	4.5	3.5	2.8
Compensation of officers	2.4	2.8	14.5	17.5	11.6	8.0	5.5
Taxes paid	0.9	0.9	2.3	2.4	1.9	1.5	1.5
Interest Income	2.5	0.1	0.1	0.1	0.1	0.6	0.5
Other Income							
Royalties	0.7	0.9	0.9	0.4	0.7	0.7	0.6
Rent Income	2.1	2.2	0.1	0.0	0.8	1.2	1.3
Net Income	2.5	1.8	3.1	2.6	2.5	2.1	2.2
Balance Sheet	2018	2019	2020	2021	3-Year	5-Year	10-Year
Assets							
Cash and Equivalents	0.8	0.5	6.5	5.9	4.3	3.9	4.4
Notes and accounts receivable	30.3	5.3	11.2	14.3	10.3	13.6	10.1
Allowance for bad debts	0.1	0.1	1.1	1.0	0.7	0.5	0.4
Inventories	23.3	19.3	22.4	24.7	22.1	22.9	23.9
Other current assets	2.0	1.2	4.4	4.5	3.4	3.4	3.8
Other investments	59.3	38.5	26.6	17.0	27.4	34.9	36.6
Property, Plant and Equipment	55.1	47.8	42.3	48.5	46.2	40.1	41.2
Accumulated depreciation	1.9	27.8	27.8	32.3	29.3	19.8	15.8
Intangible assets (Amortizable)	13.8	34.1	22.3	17.3	24.6	21.2	22.4
Accumulated amortization	7.9	7.9	5.2	3.7	5.6	5.4	5.9
Other assets	4.5	2.1	8.5	7.4	6.0	6.2	6.6
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	10.1	12.8	8.5	11.1	10.8	9.8	8.9
Liabilities and Net Worth							
Mort, notes, and bonds under 1 yr	25.5	8.4	13.2	14.2	11.9	14.6	12.1
Other current liabilities	12.9	8.1	7.8	6.3	7.4	8.8	8.1
Loans from shareholders	23.2	40.6	10.1	8.7	19.8	20.3	22.2
Mort, notes, bonds, 1 yr or more	40.1	40.0	41.4	41.7	41.0	35.7	23.7
Other liabilities	17.1	16.0	10.0	10.4	12.1	12.3	10.1
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	0.4	8.4	6.7	1.1	5.4	4.9	6.5
Additional paid-in capital	83.3	65.5	33.9	19.0	39.5	51.6	53.5
Retained earnings, appropriated	0.1	1.2	0.7	0.4	0.8	1.0	1.0
Retained earnings-unappropriated	17.1	16.0	18.6	23.3	19.3	16.6	14.0
Cost of treasury stock	11.9	25.8	13.8	12.8	17.5	13.9	13.2
Net worth	70.0	61.0	29.1	20.2	36.8	42.1	38.8

<b>Liquidity Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Current Ratio	1.2	0.9	1.6	1.6	1.4	1.4	1.6
Quick Ratio	0.7	0.3	0.9	0.9	0.7	0.7	0.7
Sales/Receivables	5.3	28.0	8.9	7.0	14.6	14.9	30.1
Days' Receivables	68.2	13.0	41.0	52.0	35.4	37.8	26.3
Days' Inventory	79.9	74.8	145.6	151.4	123.9	107.5	99.1
Inventory Turnover	4.6	4.9	2.5	2.4	3.3	3.7	3.9
Payables Turnover	10.5	7.3	6.6	5.4	6.4	9.4	11.6
Days' Payables	34.8	49.7	55.5	68.1	57.8	45.9	37.7
Sales/Working Capital	3.7	12.4	3.8	3.3	6.5	5.9	6.5
<b>Coverage Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Interest Coverage	380.8	298.4	267.9	251.1	272.4	263.2	338.6
Debt Service Coverage Ratio	1.2	2.1	8.7	12.6	7.8	5.2	4.3
<b>Leverage Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Fixed Assets/Net Worth	1.2	2.0	3.7	5.4	3.7	2.7	2.6
Debt/Net Worth	1.4	1.6	3.4	4.9	3.3	3.0	2.9
Tangible Net Worth	0.7	0.6	0.3	0.2	0.4	0.4	0.4
<b>Operating Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Return on Net Worth, %	9.0	7.5	40.0	37.2	28.2	21.5	22.1
Return on Assets, %	6.3	4.6	11.6	7.5	7.9	6.8	7.1
Sales/Total Assets	1.6	1.5	1.0	1.0	1.2	1.4	1.5
EBITDA/Revenue	7.5	6.7	17.4	12.8	12.3	10.0	8.9
EBIT/Revenue	3.9	3.1	11.6	7.5	7.4	5.7	5.1
<b>Cash Flow &amp; Debt Service Ratios (% of sales)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Cash from Trading	46.7	20.1	47.4	38.6	35.3	38.4	38.1
Cash after Operations	34.2	-0.9	12.6	3.2	5.0	13.6	16.2
Net Cash after Operations	28.4	0.8	15.5	4.7	7.0	13.7	15.6
Debt Service P&I Coverage	1.6	0.1	0.7	0.2	0.4	0.9	1.4
Interest Coverage (Operating Cash)	61.7	2.4	2.5	1.9	2.3	20.0	20.0

Source: IRS SOI Tax Stats; US Census Bureau; IBISWorld

## Additional Resources

### Additional Resources

US Census Bureau  
<http://www.census.gov>

Institute of Food Technologists  
<http://www.ift.org>

National Restaurant Association  
<http://www.restaurant.org>

Nation's Restaurant News  
<http://www.nrn.com>

### Industry Jargon

#### **BACK-OF-OFFICE**

Administrative operations that support the primary business of the company.

#### **CHAIN RESTAURANTS**

Restaurants that share a brand, central management and usually have standardized business methods and practices.

#### **FOOD SERVICE**

Includes restaurants, catering and fast-food establishments, bars and taverns and other establishments that provide food for guests.

#### **FULL-SERVICE RESTAURANT**

A restaurant that provides guests with sit-down meals that include table service by wait staff.

#### **LIMITED-SERVICE RESTAURANT**

A restaurant that provides guests with meals that are typically ordered at a counter, served with little or no service, and are paid for before eating.

#### **SINGLE-LOCATION RESTAURANT**

Usually an owner-operated restaurant with significant and direct input by the owners into the business.

### Glossary

#### **BARRIERS TO ENTRY**

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

#### **CAPITAL INTENSITY**

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

#### **CONSTANT PRICES**

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

#### **DOMESTIC DEMAND**

Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

#### **EMPLOYMENT**

The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

#### **ENTERPRISE**

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

#### **ESTABLISHMENT**

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under

common control make up an enterprise.

### **EXPORTS**

Total value of industry goods and services sold by US companies to customers abroad.

### **IMPORTS**

Total value of industry goods and services brought in from foreign countries to be sold in the United States.

### **INDUSTRY CONCENTRATION**

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

### **INDUSTRY REVENUE**

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

### **INDUSTRY VALUE ADDED (IVA)**

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

### **INTERNATIONAL TRADE**

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

### **LIFE CYCLE**

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

### **NONEMPLOYING ESTABLISHMENT**

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

### **PROFIT**

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

### **REGIONS**

West | CA, NV, OR, WA, HI, AK

Great Lakes | OH, IN, IL, WI, MI

Mid-Atlantic | NY, NJ, PA, DE, MD

New England | ME, NH, VT, MA, CT, RI

Plains | MN, IA, MO, KS, NE, SD, ND

Rocky Mountains | CO, UT, WY, ID, MT

Southeast | VA, WV, KY, TN, AR, LA, MS, AL, GA, FL, SC, NC

Southwest | OK, TX, NM, AZ

### **VOLATILITY**

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

### **WAGES**

The gross total wages and salaries of all employees in the industry.

# Call Preparation Questions

## Role Specific Questions

### Sales & Marketing

How do review sites, such as Yelp and Google Reviews, impact sales?

Many independent restaurants rely heavily on reviews from Yelp and Google to market their restaurant and draw in new customers.

Bad reviews could seriously hurt establishment performance.

Food and beverages are usually purchased from wholesalers, particularly from operators that can guarantee both prompt delivery and quality foodstuffs. Does your company partner with local merchants to market your products and services?

Independent restaurants do not have the benefit of economies of scale so rely heavily on local farmers and suppliers to get quality food delivered.

### Strategy & Operations

Rent expenses are high for restaurants in the industry due to the need for locations in high traffic areas with high visibility. This can include a location near the main thoroughfare or in a high foot traffic location. Is your company located in high-traffic areas to increase visibility?

Operators located in high traffic areas have the added benefit of increased visibility, drawing in more consumers than restaurants that are located further from popular areas.

The highly competitive nature of the industry means most operators can only access slim profit and the types of products an operator sells influence profit. How does your company manage operating expenses to ensure maximum profitability?

Due to high purchasing and wage costs, operators must closely manage their operating expenses to maintain maximum profits.

### Technology

Technology has also aided restaurant owners with marketing. Operators that are able to leverage these online channels for marketing and reservations may gain a higher number of patrons and, therefore, higher revenue. Does your company offer web-based bookings to improve consumer accessibility?

The increased reliance consumers have on technology has driven many establishments to offer web-based booking.

Web-based booking also makes managing reservations easier for industry establishments.

Most operators now have point-of-sale systems in stores to speed up service, which helps lead to larger purchases on average and cuts down on labor costs. What point-of-sale systems (i.e. Square) does your company use to reduce labor costs?

Many operators use point-of-sale systems such as Square to allow consumers to check out and sign the check on a device such as an iPad or other tablet computers.

These systems also typically provide operators access to a wide range of credit card services.

### Compliance

Is your company subject to any franchising laws?

Inherent in the industry, single location independent restaurants are not subject to franchising laws.

Is your business subject to state laws pertaining to the sale of certain items, such as liquor?

Operators must obey all state and federal laws pertaining to the sale of food and beverages such as liquor.

They are also subject to the state-specific laws governing minimum wage.

### Finance

Inherent to the industry, operators do not benefit from economies of scale as they only own and operate one single location under the brand. Furthermore, the highly competitive nature of the industry means most operators can only access slim profit. How do your company's profit margins compare to your main competitors'?

Single location full-service establishments typically are subject to lower profit margins than operators in other

foodservice sectors.

Although price-based competition is prevalent within the Single Location Full-Service Restaurants industry, restaurants also compete based on location, food quality, style and presentation, ambiance, hospitality and service. What ongoing financing challenges does your company face?

Industry operators are facing increased competition from the growing popularity of other food service sectors such as fast-casual restaurants and chain operations

## External Impacts Questions

### Impact: Healthy eating index

How are you affected by increased consumer awareness of health issues and dietary concerns? What healthy options do you offer?

Consumers are now more aware of the health issues associated with fatty foods and are increasingly going out of their way to avoid them.

### Impact: Households earning more than \$100,000

Do you target wealthy consumers and business clients? What percentage of your revenue comes from this demographic?

Full-service restaurants tend to draw their customers from higher-income households. Given this factor, growth in the number of households earning more than \$100,000 annually will benefit the industry.

### Impact: Consumer spending

How have changes in consumer spending affected your restaurant's customer traffic? How have you been able to stimulate demand?

Factors that influence the growth of consumer spending also affect demand for this industry. Spikes in unemployment generally leads to a decline in spending. Conversely, when economic conditions are good, consumers will be more likely to spend.

## Internal Issues Questions

### Issue: Ability to control stock on hand

How do you maintain optimum stock levels? What factors affect demand and stock levels?

Controlling orders, stock and food waste, which are major cost areas, can reduce unnecessary expenses.

### Issue: Attractive product presentation

With an increased demand for outdoor dining due to coronavirus fears, what steps have you taken to ensure your restaurant can serve customers outdoors comfortably? What were the costs associated?

The atmosphere and ambiance of a restaurant are important to attract and retain guests and many restaurants have invested in outdoor space.

### Issue: Ability to quickly adopt new technology

How quickly do you adopt new technology? What are the associated costs?

Owners need to adopt new employee training and kitchen and customer-related technology to increase productivity and lower labor costs.



The logo for IBISWorld, featuring the company name in a white serif font inside a black rounded rectangle.

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