



WHERE KNOWLEDGE IS POWER

INDUSTRY REPORT 72221A

Fast Food Restaurants in the US

Driving through: Industry competition will keep prices low, cutting into overall revenue growth

Jared Ristoff | January 2023

Contents

Recent Developments.....	3	COMPETITIVE LANDSCAPE.....	23
ABOUT THIS INDUSTRY.....	5	Market Share Concentration.....	23
Industry Definition.....	5	Key Success Factors.....	23
Major Players.....	5	Cost Structure Benchmarks.....	24
Main Activities.....	5	Basis of Competition.....	25
Supply Chain.....	6	Barriers to Entry.....	26
INDUSTRY AT A GLANCE.....	7	Industry Globalization.....	26
Executive Summary.....	9	MAJOR COMPANIES.....	27
INDUSTRY PERFORMANCE.....	10	Market Share Overview.....	27
Key External Drivers.....	10	Related Companies.....	27
Current Performance.....	11	Mcdonald's Corporation.....	28
INDUSTRY OUTLOOK.....	13	Chick-Fil-A, Inc.....	30
Outlook.....	13	Chipotle Mexican Grill, inc.....	32
Industry Life Cycle.....	14	OPERATING CONDITIONS.....	34
PRODUCTS & MARKETS.....	15	Capital Intensity.....	34
Supply Chain.....	15	Technology & Systems.....	35
Products & Services.....	15	Revenue Volatility.....	36
Demand Determinants.....	16	Regulation & Policy.....	37
Major Markets.....	17	Industry Assistance.....	37
GEOGRAPHIC BREAKDOWN.....	19	KEY STATISTICS.....	39
Key Insights.....	19	Industry Data.....	39
Business Locations.....	22	Annual Change.....	39
		Key Ratios.....	39
		Industry Financial Statement.....	40
		ADDITIONAL RESOURCES.....	42
		Additional Resources.....	42
		Industry Jargon.....	42
		Glossary.....	42
		CALL PREPARATION QUESTIONS.....	44
		Role Specific Questions.....	44
		External Impacts Questions.....	45
		Internal Issues Questions.....	45

**Recent
Developments**

The Federal Reserve continues to raise interest rates

On November 3, 2022, the Federal Reserve approved its fourth consecutive interest rate hike of 0.75% this year. 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 comprises restaurants where patrons pay for quick-service food products before eating. Purchases may be consumed on-site, taken out or delivered. This industry excludes coffee and snack shops. Most industry establishments also sell beverages, such as water, juice and sodas, but usually not alcohol.

Major Players

- Mcdonald's Corporation
- Chick-Fil-A
- Chipotle Mexican Grill, inc.

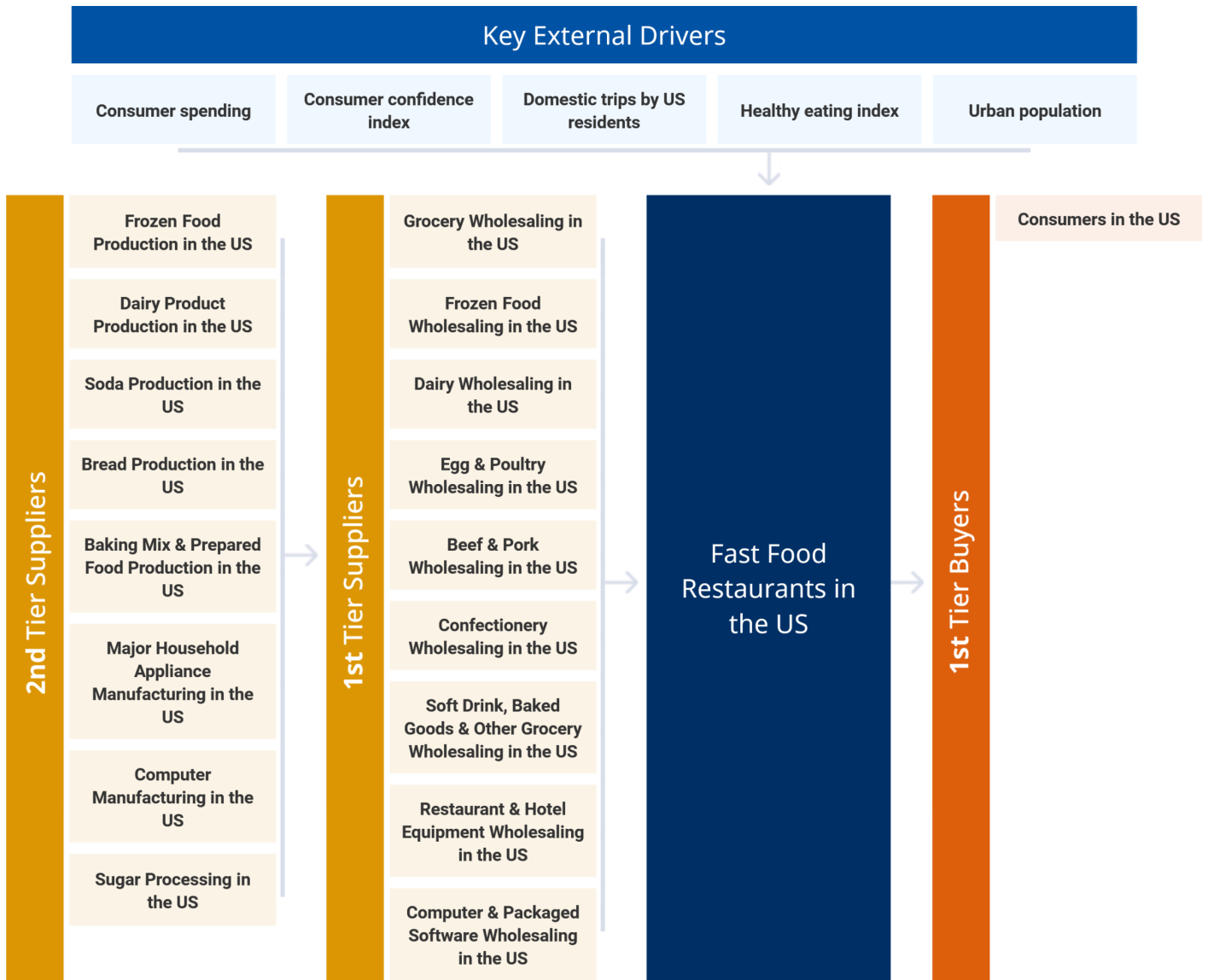
Main Activities **The primary activities of this industry are:**

- Burgers
- Chicken
- Sandwiches
- Global
- Pizza and pasta
- Fast-casual concepts

The major products and services in this industry are:

- Burgers
- Sandwiches
- Global
- Pizza and pasta
- Chicken
- Other

Supply Chain



SIMILAR INDUSTRIES

Specialty Food Stores in the US



Chain Restaurants in the US



Single Location Full-Service Restaurants in the US



Caterers in the US



Street Vendors in the US



Bars & Nightclubs in the US



RELATED INTERNATIONAL INDUSTRIES

Global Fast Food Restaurants

Takeaway & Fast-Food Restaurants in the UK

Pizza Delivery & Takeaway in the UK

Fast Food and Takeaway Food Services in Australia

Fast Food and Takeaway Food Services in New Zealand

Fast-Food Restaurants in China

Fast Food Restaurants in Canada

Restaurants and Takeaways in Ireland

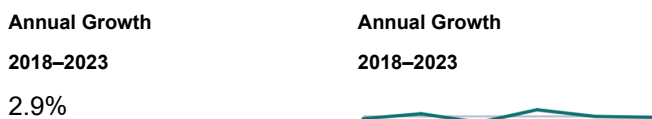
Industry at a Glance

Key Statistics

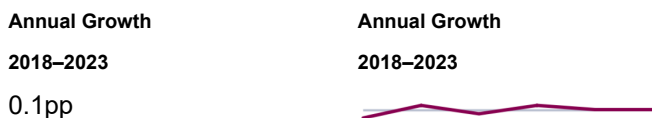
\$366.9bn
Revenue



\$18.7bn
Profit



5.1%
Profit Margin



202k
Businesses



5m
Employment



\$96.7bn
Wages



Key External Drivers

% = 2018–23 Annual Growth

-5.4% Consumer confidence index	2.2% Consumer spending
0.8% Urban population	0.3% Domestic trips by US residents
-0.7pp Healthy eating index	

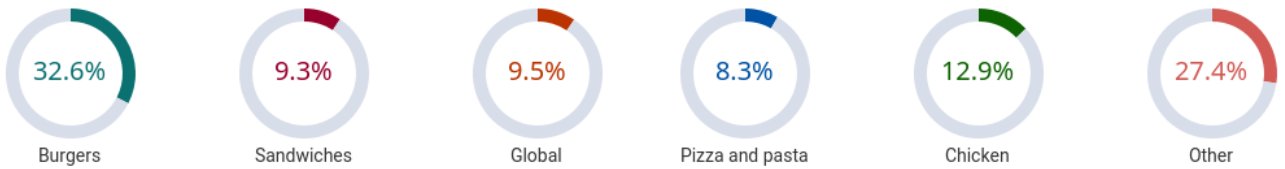
Industry Structure

POSITIVE IMPACT	
Capital Intensity Low	Concentration Low
Industry Globalization Low / Steady	
MIXED IMPACT	
Life Cycle Mature	Revenue Volatility Medium
Regulation & Policy Medium / Increasing	Technology Change Medium
NEGATIVE IMPACT	
Industry Assistance Low / Increasing	Barriers to Entry Low / Increasing
Competition High / Increasing	

Key Trends

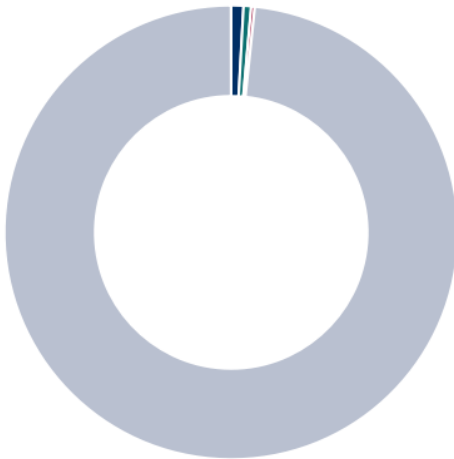
- Industry revenue growth contended with challenges stemming from COVID-19
- Fast-food operators have performed with varying degrees of success depending on the products they offer
- To the industry's detriment, profit fell in 2020 due to supply chain disruptions, rising input costs and uneven demand
- Fast-food restaurants will benefit as the economy recovers over the next five years
- Industry operators are expected to further invest in innovations and technology
- The number of establishments will increase as companies pursue a franchise-only strategy
- Many major chains have invested in meat alternatives and other dietary changes to attract nontraditional consumers

Products & Services Segmentation



Fast Food Restaurants
Source: IBISWorld

Major Players



- 0.9% Mcdonald's Corporation
- 0.5% Chick-Fil-A
- 0.3% Chipotle Mexican Grill, inc.
- 98.3% Other

Fast Food Restaurants
Source: IBISWorld

SWOT

S

STRENGTHS

- Low & Increasing Level of Assistance
- Low Imports
- Low Customer Class Concentration
- Low Product/Service Concentration
- Low Capital Requirements

W

WEAKNESSES

- Low & Increasing Barriers to Entry
- High Competition
- Low Profit vs. Sector Average
- Low Revenue per Employee

O

OPPORTUNITIES

- High Revenue Growth (2018-2023)
- High Revenue Growth (2023-2028)
- Urban population

T

THREATS

- Low Revenue Growth (2005-2023)
- Low Outlier Growth
- Low Performance Drivers
- Healthy eating index

Executive Summary **Driving through: Industry competition will keep prices low, cutting into overall revenue growth**

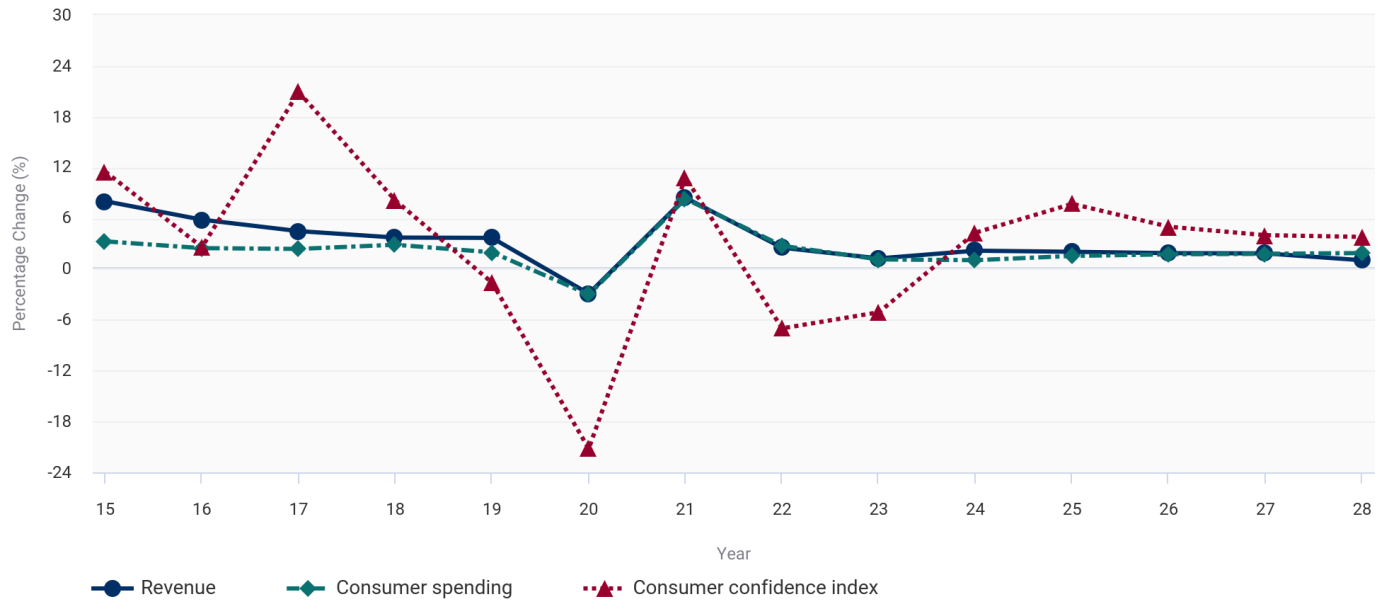
Over the five years to 2023, Fast Food Restaurants have grappled with shifting consumer preferences and a saturated food service landscape that has kept prices low. The rising popularity of fast-casual restaurants benefits the industry, helping to maintain revenue growth. Moreover, intense internal and external competition forces fast-food operators to emphasize low prices in a battle to attract consumers. As a result, industry revenue grew at a CAGR of 2.5% to \$366.9 billion over the past five years, including an increase of 1.3% in 2023 alone.

As consumers become increasingly health-conscious their eating habits shift, and they demand alternatives to traditional fast-food options. While major fast-food retailers have expanded their healthy offerings, the general trend toward health awareness has limited demand for traditional fast-food restaurants in favor of growing fast-casual restaurants. Many major chains have invested in meat alternatives and other dietary changes to attract nontraditional consumers as part of a long-term strategy to adjust to the changing consumer landscape. Consequently, industry profit, measured as earnings before interest and taxes, has declined over the past five years as industry players adjusted their product mix.

Industry revenue will continue growing over the five years to 2028 amid stable demand for fast food. While competition will likely remain high, the industry's revenue growth is anticipated rise as consumer spending rises and fast casual restaurants continue to experience rising popularity. Nevertheless, fast-food restaurants will likely continue to operate in a slow-growth environment, as many segments of the industry have reached a saturation point. Successful operators are expected to adapt to changing consumer preferences as the traditional concept of fast food evolves to include a wider variety of options. Nonetheless, industry competition will likely keep prices low, decelerating overall revenue growth over the next five years. As a result of these trends, industry revenue will increase at a CAGR of 1.8% to \$401.1 billion over the next five years.

Industry Performance

Key External Drivers 2015–2028



Fast Food Restaurants
Source: IBISWorld

Key External Drivers

Consumer spending

The Fast Food Restaurants industry is sensitive to changes in consumer spending. For example, during the recession, the spike in unemployment led to declines in consumption levels, including the consumption of fast food. However, when personal consumption expenditure is high, consumers are more likely to spend money on eating out at industry restaurants. Consumer spending will increase in 2023.

Consumer confidence index

Changes in consumer sentiment have a significant effect on household expenditure on discretionary items, including restaurant dining. During a recession, consumer demand for lower-priced value products from restaurants increases. The consumer confidence index will decrease in 2023.

Domestic trips by US residents

Large numbers of industry establishments are located next to highways and in airports, making them convenient for customers who are seeking a quick and inexpensive meal option while they travel. The more road trips and domestic flights for work or leisure increase, the more people are will spend at industry establishments. The number of domestic trips by US residents will increase in 2023.

Healthy eating index

In recent years, consumers have become increasingly aware of issues related to weight and obesity, fatty-food intake and food safety issues. This particularly affects the often meat- and grease-heavy fast-food industry. Consumers are now more aware of the health issues associated with fatty foods and are increasingly going out of their way to avoid them. This is especially true among individuals that follow specific dietary regimens. The healthy eating index will increase in 2023, posing a potential threat to the industry.

Urban population

The urban population measures the number of individuals within the United States living in urban municipalities. This represents a large group of customers for the industry. Specifically, time-strapped individuals living in urban areas frequent industry establishments to save time on cooking. The urban population will increase in 2023, representing a potential opportunity for the industry.

Industry Performance 2015–2028



Fast Food Restaurants
Source: IBISWorld

Current Performance

Fast food restaurants' revenue has grown at a CAGR of 2.5% to \$366.9 billion over the past five years, including 1.3% in 2023 alone, when profit will reach 5.1%.

Fierce competition shakes up the Fast Food Restaurant industry landscape

- The stereotypically low price point of industry products typically gives fast food restaurants a competitive advantage over other segments of the food services sector, however, rising household income levels, have increased competition overall.
- In response to the rise of fast-casual and independent chains rapidly gaining market share, major industry operators have had to alter their menu offerings to effectively compete.
- Time-poor consumers, have shown a preference for other low-cost concepts, such as the increased offerings from operators in the Convenience Stores industry (IBISWorld report 44512) and the Supermarkets and Grocery Stores industry (44511).

Rising health consciousness prompts new menu items

- Consumers have become increasingly health-conscious, driving consumers to seek alternatives to traditionally unhealthy fast-food establishments.
- Several major fast-food retailers have been expanding the number of healthy options on their menus while many new industry operators have entered the industry with a primary focus on salads and other nutrition-focused items.

COVID-19 had an asymmetrical influence on Fast Food Restaurants

- According to the National Restaurant Association, an estimated 3.0% of restaurants permanently exited the industry because of COVID-19.
- The effects of COVID-19 on the industry were asymmetrical between industry operators. For instance, McDonald's Corporation reported that its US same-store sales were flat in the first quarter of 2020 while that of Popeyes Louisiana Kitchen Inc. grew 29.2% during the same period.
- Volatile food prices due to supply chain constraints have hampered fast food restaurants performance.
- Delivery, takeout and drive-thru services have become the new lifeline of fast-food restaurants.

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	261,298	89,071	265,226	183,191	3,930,463	N/A	N/A	67,383	N/A	11,515
2015	282,244	97,644	269,816	185,650	4,079,581	N/A	N/A	72,807	N/A	11,893
2016	298,700	105,317	273,361	186,795	4,262,841	N/A	N/A	77,538	N/A	12,188
2017	312,111	108,525	285,382	191,735	4,484,227	N/A	N/A	81,684	N/A	12,484
2018	323,724	113,771	287,996	193,127	4,663,514	N/A	N/A	86,902	N/A	12,845
2019	335,657	116,357	288,837	193,305	4,694,382	N/A	N/A	89,123	N/A	13,126
2020	325,939	113,498	285,377	191,411	4,695,487	N/A	N/A	87,021	N/A	12,630
2021	353,394	121,969	292,844	196,048	4,986,082	N/A	N/A	92,795	N/A	13,625
2022	362,320	125,181	297,693	199,162	5,112,840	N/A	N/A	95,151	N/A	13,952
2023	366,910	127,120	301,847	201,865	5,199,714	N/A	N/A	96,686	N/A	14,049

Industry Outlook

Outlook

Fast food restaurants' revenue will rise at a CAGR of 1.8% to \$401.1 billion over the five years to 2028, when profit will reach 5.1%

Competition will persist as a considerable component of Fast Food Restaurants' performance

- Intense competition will persist over the next five years. Fierce price-based competition from fast food and fast-casual restaurants is places increased emphasis on product development.
- As food prices increase, consumers switch to frequent restaurants. According to data collected by the US Department of Agriculture, consumers spent more on groceries than at restaurants in 2018 (latest data available).
- Fast-food restaurants will continue to expand menu options to cater to changing consumer preferences. Product innovation will likely play a large part in revenue growth moving forward.

Organic and alternative growth will fuel Fast Food Restaurants.

- Fast-food chains will introduce new healthy food alternatives and expand their current product lines.
- Some operators will continue to partner with outside brands that produce and sell meat alternatives. These types of partnerships are expected to expand, revitalizing consumer demand for fast food.
- Operators will continue to diversify into new areas, such as cafes and full-service restaurants, and do business under different names at new locations.

Tech driven growth will increase in importance

- Fast food restaurants will further invest in innovations and technology to improve service and update aesthetics within their facilities.
- For example, McDonald's Corporation announced major technology initiatives, including the rollout of self-serve kiosks in all of its US locations, delivery service and the development of a mobile ordering system that consumers can use through the company's mobile app.

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	366,910	127,120	301,847	201,865	5,199,714	N/A	N/A	96,686	N/A	14,049
2024	374,884	129,897	306,635	204,973	5,314,180	N/A	N/A	98,809	N/A	14,225
2025	382,541	132,390	310,433	207,456	5,418,758	N/A	N/A	100,768	N/A	14,470
2026	389,751	134,764	314,295	209,993	5,517,181	N/A	N/A	102,612	N/A	14,693
2027	396,994	137,315	318,530	212,791	5,619,480	N/A	N/A	104,516	N/A	14,931
2028	401,148	139,056	323,232	215,942	5,700,686	N/A	N/A	105,943	N/A	15,055
2029	405,998	140,876	327,687	218,921	5,779,781	N/A	N/A	107,375	N/A	15,233

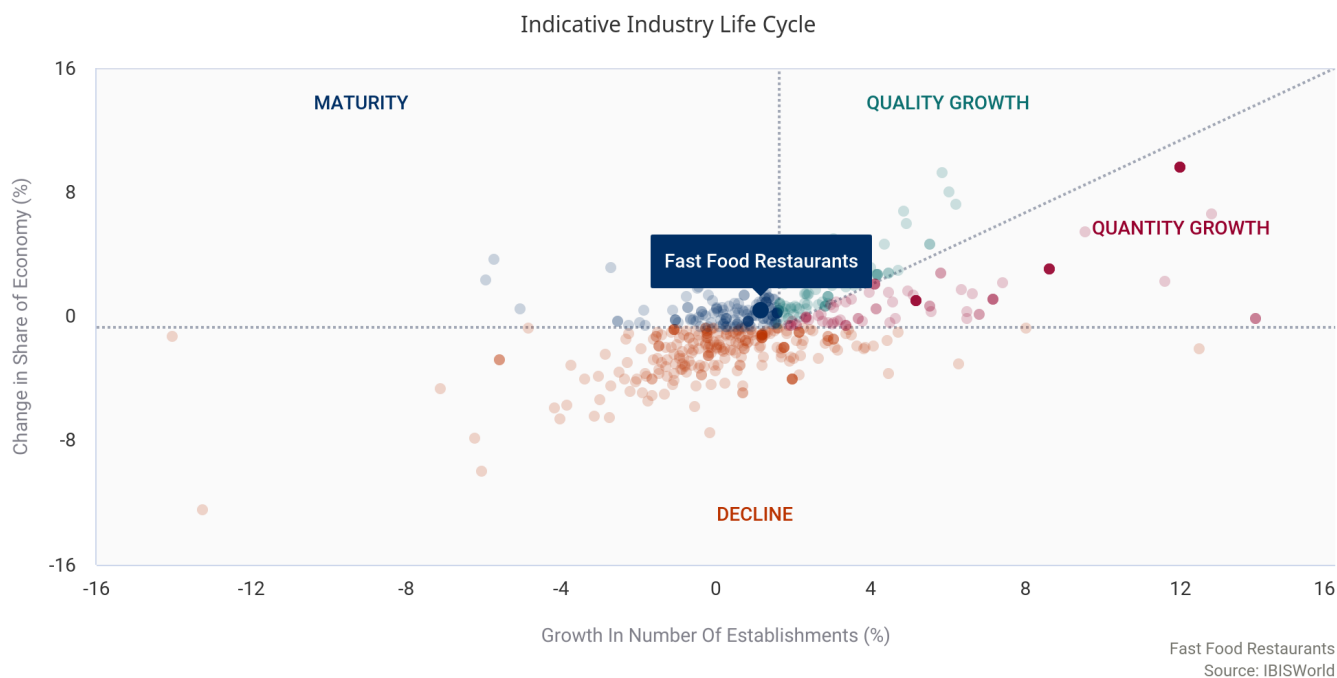
Industry Life Cycle The life cycle stage of this industry is ⊖ Mature

LIFE CYCLE REASONS

IVA is expected to grow at a slower rate compared with US GDP

The industry has experienced a high rate of new product introduction

There is heavy price-based competition



Contribution to GDP

The Fast Food Restaurants industry's industry value added (IVA) is lagging GDP growth.

Market Saturation

Fast food restaurants, including Chipotle Mexican Grill Inc., Sweetgreen and Melt Shop, that offer customizable, fresh and higher quality meals have stolen market share away from traditional fast-food operators.

Innovation

To maintain consumer interest in the fast-food market fast food restaurants have introduced a range of healthy options to their menus.

Consolidation

There is a high level of turnover among fast food restaurants, with various new restaurants replacing unprofitable establishments. Mergers and acquisitions are uncommon in this industry.

Technology and Systems

Technology is used to boost profit, improve service levels and help minimize labor costs, reduce food waste, improve business processes and meal experiences.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

Consumers in the US

Key Selling Industries

1st Tier

Grocery Wholesaling in the US

Frozen Food Wholesaling in the US

Dairy Wholesaling in the US

Egg & Poultry Wholesaling in the US

Beef & Pork Wholesaling in the US

Confectionery Wholesaling in the US

Soft Drink, Baked Goods & Other Grocery Wholesaling in the US

Restaurant & Hotel Equipment Wholesaling in the US

Computer & Packaged Software Wholesaling in the US

2nd Tier

Frozen Food Production in the US

Dairy Product Production in the US

Soda Production in the US

Bread Production in the US

Baking Mix & Prepared Food Production in the US

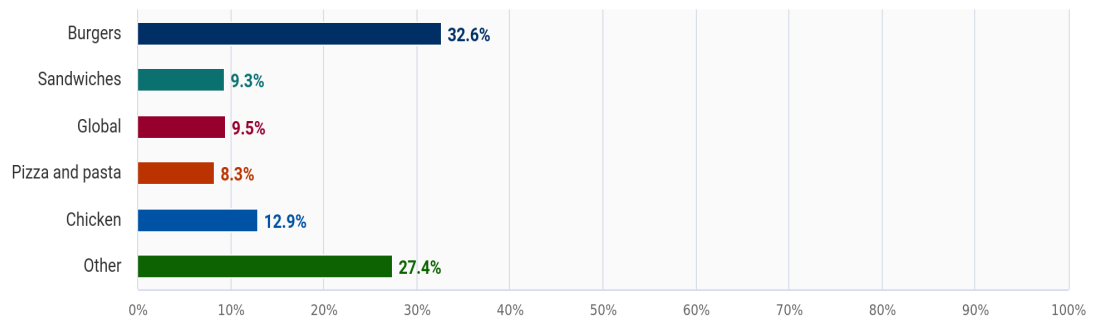
Major Household Appliance Manufacturing in the US

Computer Manufacturing in the US

Sugar Processing in the US

Products & Services

Products and Services Segmentation



2023 INDUSTRY REVENUE

\$366.9bn

Fast Food Restaurants
Source: IBISWorld

Better burgers are the new hot menu item for fast food burger restaurants.

- A fast food restaurant that sells primarily sells hamburgers and similar dishes.
- Burgers are heavily immersed in US culture and have been a major driver of the industry's growth over the past half-century.
- Over the past few decades, US restaurants have increased their hold of the entire food-service market due to the growth of chains such as McDonald's, Wendy's and Burger King.
- Many traditional burger chains have struggled with flat or declining sales as consumers move away from generic brands toward niche or gourmet offerings.
- The "better burger" trend, which includes operators such as Five Guys Enterprises LLC and In-N-Out Burger and emphasizes food quality and customizable burgers, has been the best performing part of this segment

over the past five years.

Social media fuels the chicken sandwich wars

- A fast food restaurant that specializes in the sale of chicken.
- Chicken has long been a popular fast food menu item and the majority of nonchicken chains now dedicate growing menu space to chicken items due to its perceived health benefits.
- The biggest chains in the chicken segment are Chick-fil-A, KFC and Popeyes.
- This segment has experienced substantial growth because of the chicken sandwich wars. After Popeyes released their chicken sandwich, other operators began to compete heavily on the quality of the chicken sandwiches.

Low maintenance sandwiches offer a quick and easy alternative for consumers

- A fast food restaurant that primarily sells sandwiches.
- As a simple, tasty and generally healthy food option, sandwich-centered restaurants have remained a large portion of industry revenue.
- Growing chains, such as Jimmy John's and Jersey Mikes, have helped this segment substantially, enabling it to remain a focal point for the industry.
- Another reason for the dominance of this segment is its relatively low input costs and cooking knowledge and expertise, making them easy entry points for new industry operators. Deli meats, rolls and other toppings are comparatively less expensive and commonplace, limiting overhead food costs.

Asian and Mexican food have benefited from cultural diffusion

- A fast food restaurant that sells Asian or Mexican cuisine.
- Global foods typically consist of Asian and Mexican food establishments.
- The adoption and acceptance of global foods have increased over the past half-century as tastes have developed and people have become more adventurous in trying other cuisines.
- Higher rates of global travel and increased exposure to new cultures have also driven growth in the popularity of global cuisine.

Delivery and takeout drive growth in pizza sales

- A fast food restaurant that sells pizza.
- Pizza restaurants typically serve a menu of house and custom pizzas alongside pasta, salad and other Italian-influenced cuisines.
- Due to the wide influence of Italian immigrants in US culture over the past century, many regional forms of pizza have developed.
- Due to its products' general popularity and affordability, this segment has become increasingly defined as a carryout or delivery food for offices, birthday parties or other large gatherings of people.
- Pizza franchises, such as Dominos and Pizza Hut, now largely focus on carryout or delivery services and have been able to access higher profit through this business model.

Fast-casual concepts have risen in popularity

- Fast casual dining consists of an inviting sit-down ambiance, and often, the ability to build your own meal.
- Restaurants in this product segment include fast-casual concepts, traditional quick-service restaurants and establishments serving one item that may have local or regional popularity but does not translate well to a national audience.
- Seafood concepts are prominent in coastal regions where fresh seafood is amply available, and where seafood factors largely into consumers' daily diets.

Demand Determinants

The Fast Food 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.

Household disposable income is sensitive to changes in labor market growth, such as the unemployment rate, and movements in tax and interest rates. High gas prices also negatively affect disposable incomes.

Demographic trends

The changing age structure of the population is influencing change within the industry. Baby boomers are a major

group that influences industry revenue growth. Not only does this age segment comprise a significant percentage of the population, it also generally has the highest amount of disposable income to spend on restaurant meals. Bureau of Labor Statistics 2021 household expenditure data indicates that households with incomes of more than \$50,000 account for 75.0% of the total personal expenditure on food eaten outside of the home. Within this group, households with incomes over \$100,000 provide an estimated 58.5% of the total away-from-home food expenditure. The most important factor driving the highest household income group to spend in restaurants is the pressure of work and lack of time.

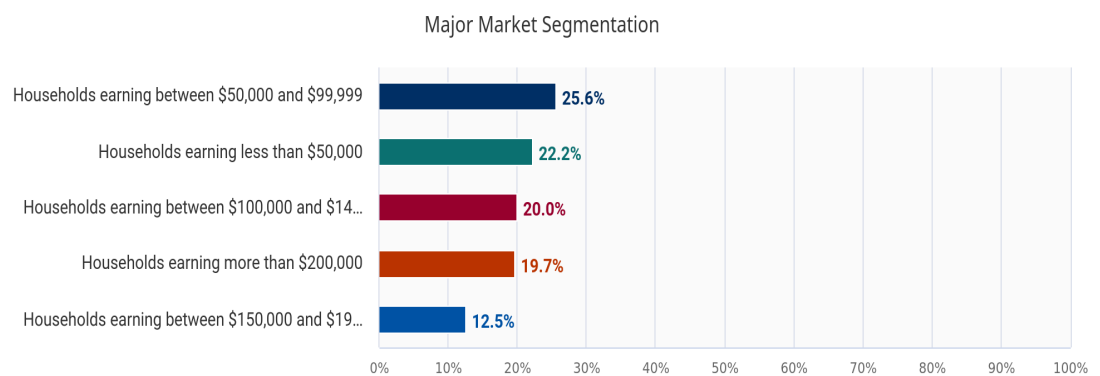
Health consciousness

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, thus encouraging industry players to alter their product mix. It is also expected to affect overall performance for industry players by rewarding operators that expand their menu choices to include a range of healthy meal options among other more indulgent food items.

Convenience

Convenience and value for one's 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. Moreover, restaurants have become more of a place for family get-togethers, special occasions and social meetings for cash-rich and time-poor consumers.

Major Markets



2023 INDUSTRY REVENUE

\$366.9bn

Fast Food Restaurants
Source: IBISWorld

Highest earning households spend the least on fast food

- This market is made up of households earning over \$100,000.
- These individuals spend more eating away from home compared with those in lower-income brackets, which increases their overall spending at fast food restaurants.
-
- As household income reaches \$100,000, visits to fast food restaurants decline and are replaced by full-service and sit-down dining at higher prices.

Healthy items entice middle income households

- Consumers in this income bracket have a higher annual income than the low-income group but remain price-conscious as they still have a fixed level of disposable income.
- As fast food restaurants have increasingly sought to provide healthier and more nutritious items while remaining at a reasonable price point, they have become more popular with middle-class households.

Lowest earning households rely on fast food restaurants for inexpensive meals

- Households with an annual income of less than \$30,000 can find it challenging to eat out often at fast food restaurants where prices may be unaffordable.
- Many of these households rely on programs such as the Food and Nutrition Service's Supplemental Nutrition Assistance Program, commonly referred to as SNAP, which does not permit food stamps to be used for restaurant purchases.

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

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

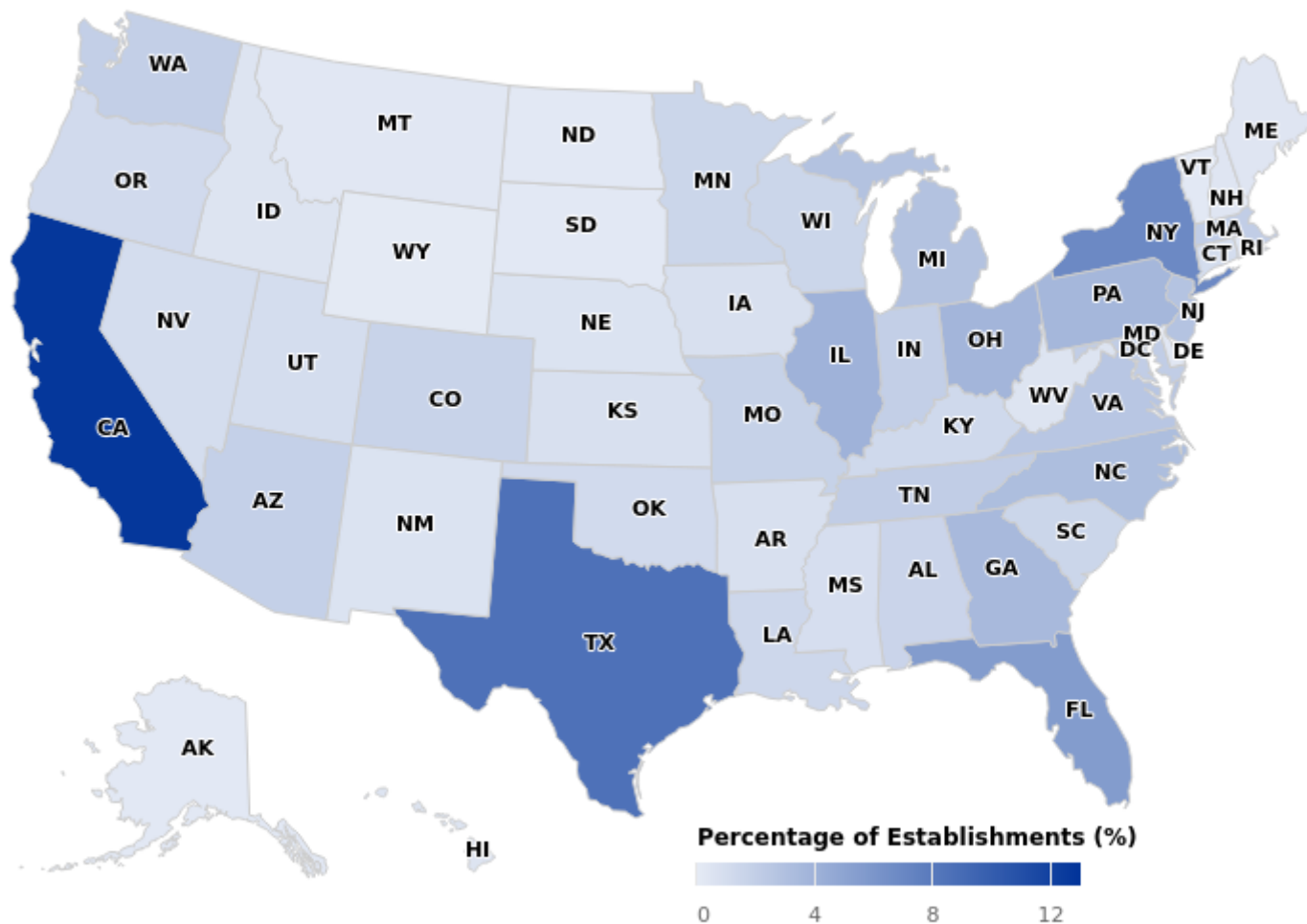
As a service industry, the Fast Food Restaurants industry is not engaged in importing or exporting products, so international trade is not relevant to the industry. However, some industry players have overseas operations and earn a significant portion of their revenue overseas. Many large operators have established franchised operations internationally. Given the mature stage of this industry's life cycle in the domestic market, with changes in customer profiles and tastes, many major operators have sought to increase their growth in revenue and earnings through further global expansion. In recent years, large fast-food chains have earned an increasing amount of their revenue outside of the United States.

Geographic Breakdown

Key Insights

California	California	Vermont	Wyoming	Vermont	California
38,372 Est.	\$49.6bn	10.4%	2.6%	\$23,932.7	636,003
Most Establishments	Highest Revenue	Fastest Growth	Slowest Growth	Highest Average Wage	Most Employees

Establishment Concentration in the United States



Fast Food Restaurants in the US
Source: IBISWorld

State Data for Fast Food 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	4,838	0.81%	\$5.6bn	4.40%	95,988	1.93%	\$1.5bn	3.97%

State Data for Fast Food 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>	512	-0.12%	\$583.4m	3.37%	7,078	0.85%	\$153.2m	2.94%
<u>Arizona</u>	5,847	1.04%	\$7.5bn	5.04%	111,884	2.23%	\$2.0bn	4.62%
<u>Arkansas</u>	2,557	0.79%	\$3.2bn	4.71%	54,527	2.02%	\$840.9m	4.28%
<u>California</u>	38,372	1.14%	\$49.6bn	5.27%	636,003	2.47%	\$13.1bn	4.85%
<u>Colorado</u>	5,161	0.90%	\$6.9bn	5.16%	97,204	2.43%	\$1.8bn	4.74%
<u>Connecticut</u>	3,117	0.41%	\$2.7bn	4.15%	37,156	1.65%	\$700.4m	3.73%
<u>Delaware</u>	847	0.90%	\$808.3m	3.93%	12,961	1.72%	\$212.4m	3.50%
<u>Florida</u>	16,895	1.25%	\$18.6bn	5.26%	299,284	2.67%	\$4.9bn	4.84%
<u>Georgia</u>	10,498	1.17%	\$11.8bn	4.70%	201,059	2.37%	\$3.1bn	4.28%
<u>Hawaii</u>	1,535	0.01%	\$1.8bn	4.07%	22,736	1.07%	\$466.5m	3.65%
<u>Idaho</u>	1,375	1.02%	\$1.5bn	5.25%	25,855	2.80%	\$390.4m	4.83%
<u>Illinois</u>	12,133	0.26%	\$13.1bn	4.15%	200,100	1.65%	\$3.4bn	3.73%
<u>Indiana</u>	6,014	0.73%	\$6.9bn	4.47%	121,666	1.92%	\$1.8bn	4.04%
<u>Iowa</u>	2,507	0.77%	\$2.7bn	4.38%	46,482	1.78%	\$696.6m	3.96%
<u>Kansas</u>	2,558	0.47%	\$3.1bn	4.36%	52,761	1.96%	\$803.4m	3.93%
<u>Kentucky</u>	3,973	0.56%	\$5.1bn	4.21%	87,330	1.76%	\$1.3bn	3.78%
<u>Louisiana</u>	4,260	0.41%	\$4.9bn	3.79%	84,838	1.31%	\$1.3bn	3.36%
<u>Maine</u>	1,184	0.66%	\$1.1bn	5.02%	15,390	2.16%	\$292.0m	4.60%
<u>Maryland</u>	6,223	0.33%	\$6.6bn	4.61%	93,855	2.01%	\$1.7bn	4.18%
<u>Massachusetts</u>	6,305	0.67%	\$6.3bn	5.28%	77,766	2.31%	\$1.6bn	4.86%
<u>Michigan</u>	8,604	0.59%	\$9.2bn	4.47%	153,643	1.90%	\$2.4bn	4.05%
<u>Minnesota</u>	4,407	0.58%	\$5.2bn	4.53%	81,597	1.80%	\$1.4bn	4.10%
<u>Mississippi</u>	2,865	0.82%	\$3.2bn	4.30%	60,465	1.93%	\$830.1m	3.86%
<u>Missouri</u>	5,301	0.66%	\$6.2bn	4.40%	106,640	2.02%	\$1.6bn	3.97%
<u>Montana</u>	869	0.66%	\$965.9m	4.58%	14,765	1.89%	\$254.0m	4.15%
<u>Nebraska</u>	1,695	0.56%	\$2.0bn	4.61%	32,619	1.83%	\$538.6m	4.18%
<u>Nevada</u>	3,047	0.89%	\$3.7bn	4.78%	53,546	2.42%	\$963.9m	4.35%
<u>New Hampshire</u>	1,259	0.78%	\$1.2bn	5.40%	16,134	2.45%	\$312.1m	4.98%
<u>New Jersey</u>	8,354	0.51%	\$6.1bn	4.63%	86,189	2.05%	\$1.6bn	4.21%
<u>New Mexico</u>	1,837	0.60%	\$2.5bn	4.53%	39,200	2.02%	\$645.3m	4.10%
<u>New York</u>	20,812	0.44%	\$17.5bn	4.91%	219,015	1.91%	\$4.6bn	4.49%

State Data for Fast Food 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>	9,721	0.89%	\$11.7bn	5.00%	195,517	2.55%	\$3.1bn	4.57%
<u>North Dakota</u>	591	0.41%	\$734.8m	3.25%	10,841	0.79%	\$193.0m	2.82%
<u>Ohio</u>	11,364	0.51%	\$12.1bn	4.18%	210,127	1.70%	\$3.2bn	3.75%
<u>Oklahoma</u>	3,477	0.42%	\$4.1bn	4.13%	70,365	1.81%	\$1.1bn	3.70%
<u>Oregon</u>	3,668	0.80%	\$4.5bn	5.19%	62,639	2.35%	\$1.2bn	4.77%
<u>Pennsylvania</u>	11,240	0.45%	\$8.8bn	4.45%	149,825	1.82%	\$2.3bn	4.03%
<u>Rhode Island</u>	1,018	0.46%	\$883.7m	4.65%	12,406	1.58%	\$232.3m	4.22%
<u>South Carolina</u>	4,541	1.00%	\$5.4bn	5.03%	92,507	2.50%	\$1.4bn	4.61%
<u>South Dakota</u>	684	0.47%	\$814.9m	4.04%	12,896	1.39%	\$214.1m	3.61%
<u>Tennessee</u>	6,371	1.16%	\$7.8bn	4.81%	128,472	2.26%	\$2.1bn	4.38%
<u>Texas</u>	26,066	1.15%	\$36.8bn	5.00%	565,916	2.69%	\$9.7bn	4.57%
<u>Utah</u>	2,915	1.14%	\$3.6bn	5.31%	57,953	2.48%	\$936.7m	4.88%
<u>Vermont</u>	582	3.46%	\$634.0m	10.44%	7,372	5.79%	\$176.4m	10.71%
<u>Virginia</u>	7,950	0.61%	\$8.8bn	4.62%	139,886	2.15%	\$2.3bn	4.20%
<u>Washington</u>	6,082	0.93%	\$7.4bn	5.33%	94,501	2.28%	\$2.0bn	4.91%
<u>West Virginia</u>	1,591	0.54%	\$1.7bn	3.90%	29,387	1.43%	\$456.2m	3.47%
<u>Wisconsin</u>	4,448	0.44%	\$4.9bn	4.35%	84,835	1.66%	\$1.3bn	3.93%
<u>Wyoming</u>	424	-0.78%	\$532.4m	2.65%	7,684	0.19%	\$139.8m	2.22%

Business Locations The Southeast’s large consumer base

- Since the industry provides quick meals to consumers, successful operators need to be located in close and convenient proximity to their customer base.
- The Southeast is home to the highest concentration of franchised establishments and population.
- There are many interstate highways in this region. The concentration of domestic travel by car increases consumer needs for quick and convenient food options.

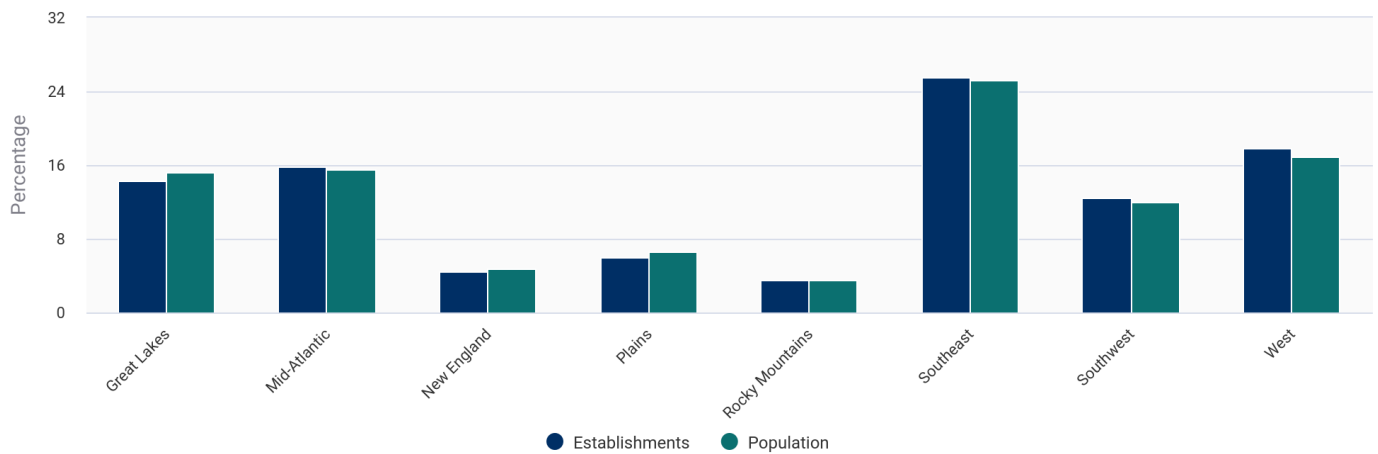
California dominates the West

- Due to California’s size and population concentration, it represents the highest number of establishments.
- California is a state known for its highways and traffic. Similar to the Southeast, this is attributed to higher demand and availability for industry establishments.

Big city living in the Mid-Atlantic region

- New York’s large population concentration lends it to be the third-largest state by establishments.
- The disproportionately higher concentration can be attributed to the large cities in this region, such as New York, Washington, DC and Philadelphia, that have to feed a very large consumer base. These cities are also all connected by complex highway systems.

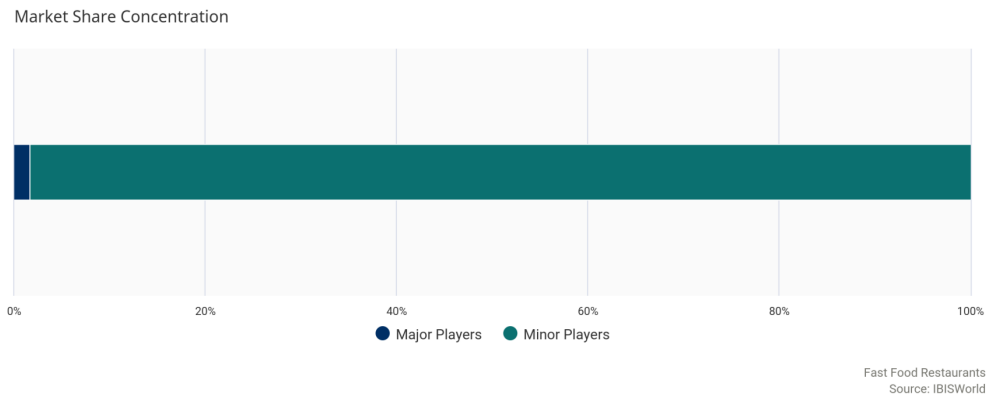
Distribution of Establishments vs Population



Fast Food Restaurants
Source: IBISWorld

Competitive Landscape

Market Share Concentration



Concentration in this industry is ✔ **Low**

Franchising has limited concentration within the fast food restaurant industry

- Franchises are not included as part of corporate revenue, and as companies switch to being franchise-focused, their revenue declines to the fees and royalties they collect from franchisees instead of revenue from physical restaurant operations.
- Lower capital requirements and less risk associated with selling franchises help chains grow.

New kids on the block have shaken up the fast food industry landscape

- Many of the older stalwarts are losing ground to up-and-coming concepts, such as smaller chains, including Chick-fil-A, and fast-casual concepts, such as Shake Shack.
- Consumers are increasingly seeking to try new food concepts, especially those with healthier options or quality ingredients.

Key Success Factors

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

Being part of a franchising chain:

Fast food restaurant operators which are franchisors of a fast food chain benefit from the buying power of their franchise to lower operating costs.

Having a clear market position:

Fast food restaurants which have a clear market position, such as being known for the quality of their French fries or chicken sandwich are better able to compete with the multitude of substitutes the industry faces.

Effective cost controls:

Cost controls are important in this low-margin industry, particularly related to minimizing food waste.

Product is sold at high profile outlets:

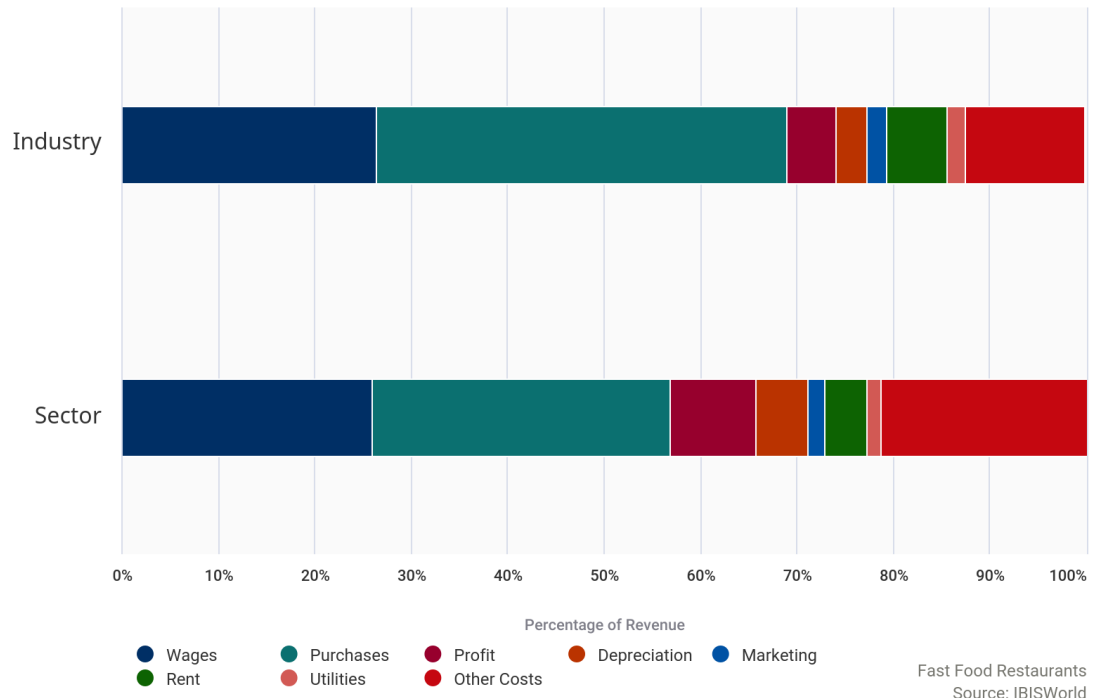
Having high-profile locations for stores, with easy access, parking and drive-through services increases convenience for customers.

Access to multiskilled and flexible workforce:

Industry operators need access to a good supply of skilled, casual workers to meet peak service demand periods.

Cost Structure Benchmarks

Cost Structure 2023

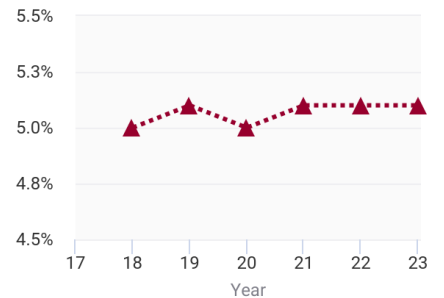


Profit

Ruthless competition limits profit

- Profit will account for 5.1% of revenue in 2023
- Labor shortages and volatile food input costs inhibit profit growth for fast food restaurants.
- Larger operators benefit from economies of scale the organization has access to.

Profit as a Share of Revenue 2018-2023

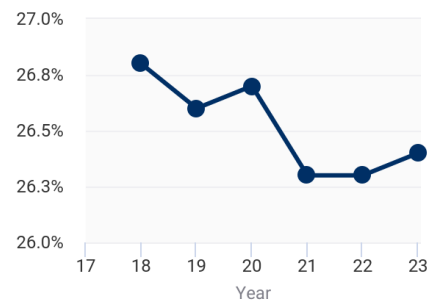


Wages

Now hiring

- Wages will account for 26.4% of revenue in 2023
- 78.0% of restaurant operators said that recruiting and retaining employees was their top challenge in a National Restaurant Association survey in July.
- Restaurants have looked to both attract and retain workers in a variety of ways, from cutting operating hours to offering better benefits.

Wages as a Share of Revenue 2018-2023

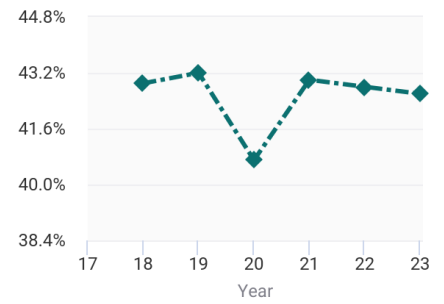


Purchases

Volatile food costs

- Purchases will account for 42.6% of revenue in 2023
- Many operators have raised prices because of rising food costs.
- As companies face surging costs for ingredients, the push to rethink value strategies is taking on new urgency.

Purchases as a Share of Revenue 2018-2023



Fast Food Restaurants
Source: IBISWorld

Basis of Competition

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

The Fast Food Restaurants industry exhibits a high level of competition.

Restaurateurs are required to compete with each other and with other industries in the broader food service sector, such as full-service restaurants, which encompasses casual and fine dining, coffee shops, bars and hotels.

INTERNAL COMPETITION

Fast food restaurants compete with each other on the basis of price and quality.

As a result of the high level of competition within the industry, prices are driven down to remain competitive. This causes profit to be low for most industry operators, necessitating stringent cost and quality controls to maintain efficiency and minimize wastage. Operators also experience strong competition based on quality and consumer trends. As consumers become increasingly health-conscious, industry operators that fail to accommodate those preferences will likely experience high competition. Premium ingredients and well-presented meals are highly regarded and can make the difference to consumers, who often judge a fast-food restaurant by how it compares with others.

Restaurants also compete on the basis of location, style, ambiance, hospitality and service. More than ever, restaurants are selling and marketing a meal experience to potential customers. As a result, it is important that the operator understands the positioning of the restaurant in the marketplace and the clientele they are attracting or wanting to attract. Many restaurants are undergoing upgrades to their locations to make them trendy and more attractive to their customers. Significantly, the restaurant must consistently deliver on customers' product expectations. The location of fast-food restaurants can also prove to be strategic for competition. Many operators tend to be located on the same street or general area of city or town due to that area's proximity to a large population, shipping area or major highway. As people run errands or take long road trips, operators with the most convenient locations will likely prove to be successful.

EXTERNAL COMPETITION

External competition arises from the broader food service sector.

This includes chain restaurants and independent restaurants that offer dining and take-out services, and other retailers that serve food, such as convenience stores and supermarkets. These competitors offer similar food products, luxury food products and different dining experiences for consumers. When economic conditions are gloomy, consumers are more likely to trade down from dine-in restaurants to less costly food options. However, in good economic conditions, consumers may increasingly choose to spend more on a dine-in experience when eating away from home.

Additionally, external competition arises from consumers' propensity to cook their own meals and eat at home. With the rising popularity of weekly meal preparation and boxed meal delivery services, fewer consumers may eat away from home, limiting the amount spent at industry operators.

Barriers to Entry

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

Legal

Industry regulation and licensing are significant, from health and food service regulations to licensing for liquor sales and general occupational health and safety issues, particularly in relation to safety in kitchen operations.

Startup Costs

Fast food restaurateurs can lease premises, equipment, furniture and fittings from the franchisor, which limits the initial capital costs. Franchisors provide training, food and beverages and some financial and accounting functions for a proportional share of revenue from their franchisees.

Differentiation

Fast food restaurants differentiate based on the type of food provided as well as the associated brand of their restaurant.

Labor Intensity

Fast food restaurants require personnel as cashiers, for delivery and food preparation, cleaning and operational management. Due to the service nature of the industry, many of these labor-intensive functions cannot be substituted by technology or machinery.

Barriers to Entry Checklist

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

Industry Globalization

Globalization in this industry is ☺ Low and the trend is Steady

The overall level of globalization for the Fast Food Restaurants industry is low. The majority of enterprises are small businesses that are locally owned and serve a domestic customer base. However, there is a significant global component to the industry, namely the large chains that have considerable overseas operations. The trend toward international expansion has increased over the five years to 2023 due to the slower growth rate of the domestic industry compared with high-growth emerging economies. Many brands are opening up more restaurants every year in China, a growing and substantial market for US fast-food chains. Both McDonald's Corporation and Yum! Brands Inc. earn nearly 60.0% of its sales overseas, while an anticipated 40.0% of Burger King Corporation's sales are derived from international markets.

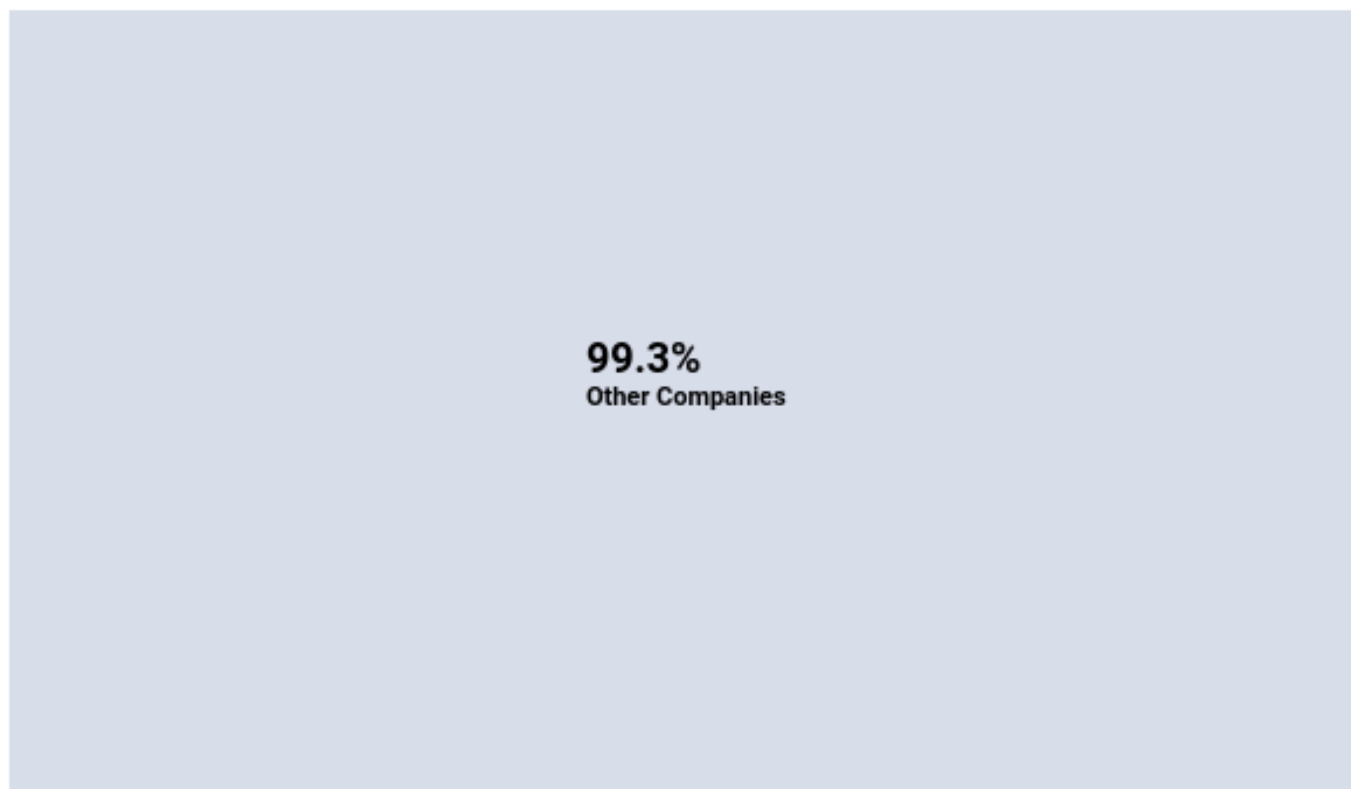
There are also many internationally owned chains that operate in the United States, adding to the level of industry globalization. Over the past five years, chains such as YO! Sushi, Wagamama, Pret A Manger, all based in the United Kingdom; Nando's, based in South Africa; Pie Face, based in Australia; and Giraffas, based in Brazil, have all expanded their presence in the industry. This has occurred as the US consumer has become increasingly enthusiastic about ethnic cuisine. International chains typically target affluent or middle-class customers in urban markets, such as New York, Chicago, Washington, DC and Los Angeles. Many international chains offer slightly different bents on traditional American concepts. For example, Pollo Campero, a Guatemalan chain with over 70 locations in the United States, offers a more Latin American-focused chicken menu, rather than trying to compete in the crowded Southern Fried Chicken space.

The industry will be subject to increasing globalization over the coming years. IBISWorld anticipates that US operators will continue to enter the international market, particularly in the regions of Asia and South America.

Major Companies

Market Share Overview

Breakdown of Industry Market Share (2023)



Source: IBISWorld, Fast Food Restaurants

Related Companies

Competitors	Company Type	Employee Segment	Revenue (\$m)	Market Share (%)	Profit (\$m)
Mcdonald's Corporation	Golden Goose	500+ Employees	2,785.8 ▲	0.88 ▼	333.9 ▲
Chick-Fil-A	Rising Star	500+ Employees	1,936.1 ▲	0.53 ▲	670.8 ▲
Chipotle Mexican Grill, inc.	Rising Star	500+ Employees	910.8 ▲	0.25 ▲	97.3 ▼

Companies with 5.0% industry market share are displayed in the PDF version of this report. You can view insights for all companies associated with this industry on my.ibisworld.com

McDonald's Corporation

Company Overview

Brands & Trading Names McDonald's

Description McDonald's Corporation is a public company headquartered in Illinois with an estimated 200,000 employees. In the US, the company has a notable market share in at least five industries: Intellectual Property Licensing, Accommodation and Food Services, Fast Food Restaurants, Burger Restaurants, Fast Food Burger Franchises and Fast Food Restaurants. Their largest market share is in the Accommodation and Food Services industry, where they account for an estimated 5.0% of total industry revenue and are considered an All Star because they display stronger market share, profit and revenue growth compared to their peers.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	\$2.8bn
EMPLOYEES	200,000

Other Industries Intellectual Property Licensing in the US
Burger Restaurants in the US
Fast Food Burger Franchises in the US

Financial Performance

McDonald's Corporation - financial performance *

Year	Revenue \$m	Growth % change	Operating Income \$m	Growth % change
2016	6,836.3	N/C	788.5	N/C
2017	7,858.6	15	906.4	15
2018	8,946.9	13.8	1,032	13.9
2019	2,459	-72.5	282.4	-72.6
2020	2,558.1	4	276	-2.3
2021	2,785.8	8.9	333.9	21

Source: IBISWorld

Note: * Estimates

Mcdonald's Corporation

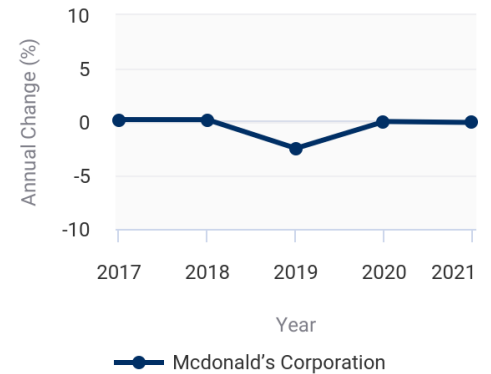
Company Overview

Industry Market Share, Revenue and Profit

Market Share

0.88% Strong **-2.2%** ▼
 Current Year (2021) Annual Growth (2017-21)

Change in Market Share



Fast Food Restaurants
Source: IBISWorld

Industry Revenue

\$2.8bn Strong **-22.8%** ▼
 Current Year (2021) Annual Growth (2017-21)

Change in Industry Revenue



Fast Food Restaurants
Source: IBISWorld

Profit Margin

11.99% Moderate **0.5%** ▲
 Current Year (2021) Annual Growth (2017-21)

Change in Profit Margin



Fast Food Restaurants
Source: IBISWorld

Chick-Fil-A, Inc.

Company Overview

Description

Chick-Fil-A is a private company headquartered in Georgia with an estimated 140,000 employees. In the US, the company has a notable market share in at least two industries: Fast Food Restaurants, Fast Food Chicken Franchises and Fast Food Restaurants. Their largest market share is in the Fast Food Chicken Franchises industry, where they account for an estimated 29.6% of total industry revenue and are considered an All Star because they display stronger market share, profit and revenue growth compared to their peers.

COMPANY TYPE	Private Company
TOTAL COMPANY REVENUE	\$1.9bn
EMPLOYEES	140,000

Other Industries

Fast Food Chicken Franchises in the US

Financial Performance**Chick-Fil-A, Inc. - financial performance ***

Year	Revenue \$m	Growth % change	Operating Income \$m	Growth % change
2019	1,100	330.4	381.3	2,392.2
2020	1,280	16.4	445.7	16.9
2021	1,670	30.5	576.4	29.3
2022	1,835.5	9.9	634.1	10
2023	1,936.1	5.5	670.8	5.8
2024	1,978.2	2.2	685.5	2.2

Source: IBISWorld
Note: * Estimates

Chick-Fil-A, Inc.

Company Overview

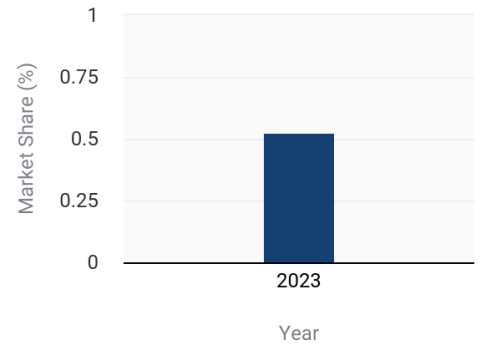
Industry Market Share, Revenue and Profit

Estimated Industry Market Share

0.53%

Current Year (2023)

Estimated Market Share



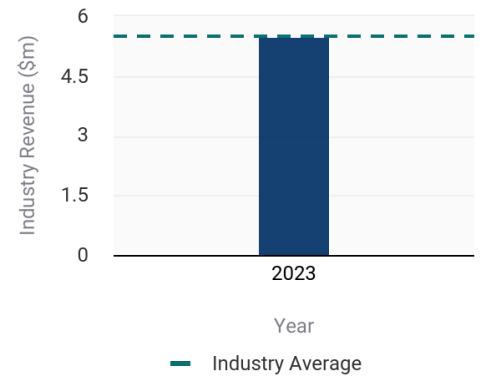
Fast Food Restaurants
Source: IBISWorld

Estimated Industry Revenue

\$1.9bn

Current Year (2023)

Estimated Industry Revenue



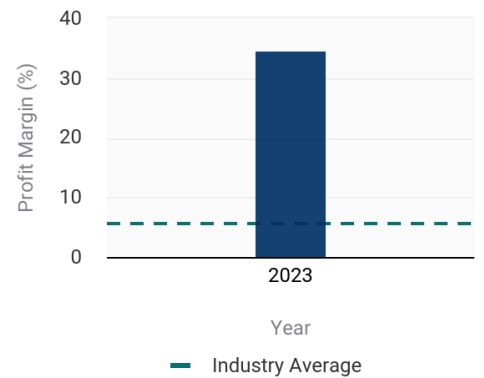
Fast Food Restaurants
Source: IBISWorld

Estimated Profit Margin

34.65%

Current Year (2023)

Estimated Profit Margin



Fast Food Restaurants
Source: IBISWorld

Chipotle Mexican Grill, inc.

Company Overview

Brands & Trading Names Chipotle

Description

Chipotle Mexican Grill, inc. is a public company headquartered in California with an estimated 96,443 employees. In the US, the company has a notable market share in at least one industry: Fast Food Restaurants, where they account for an estimated 0.2% of total industry revenue.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	\$910.8m
EMPLOYEES	96,443

Financial Performance**Chipotle Mexican Grill, inc. - financial performance ***

Year	Revenue \$m	Growth % change	Operating Income \$m	Growth % change
2019	558.6	-88.5	44.4	-82.8
2020	598.5	7.1	29	-34.7
2021	754.7	26.1	80.5	177.6
2022	863.5	14.4	116	44.1
2023	910.8	5.5	97.3	-16.1
2024	930.6	2.2	107.9	10.9

Source: IBISWorld

Note: * Estimates

Chipotle Mexican Grill, inc.

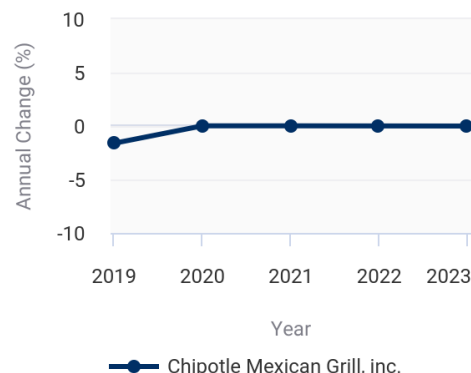
Company Overview

Industry Market Share, Revenue and Profit

Market Share

0.25% **0.1%** ▲
 Current Year (2023) Annual Growth (2019-23)

Change in Market Share

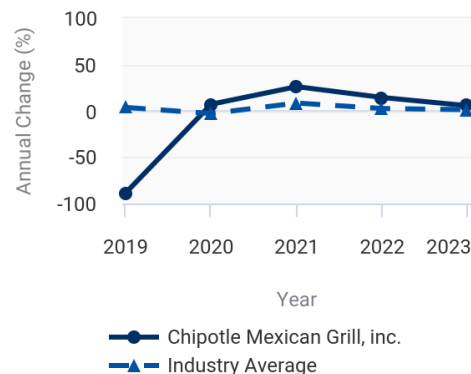


Fast Food Restaurants
 Source: IBISWorld

Industry Revenue

\$910.8m **13.0%** ▲
 Current Year (2023) Annual Growth (2019-23)

Change in Industry Revenue



Fast Food Restaurants
 Source: IBISWorld

Profit Margin

10.68% **2.7%** ▲
 Current Year (2023) Annual Growth (2019-23)

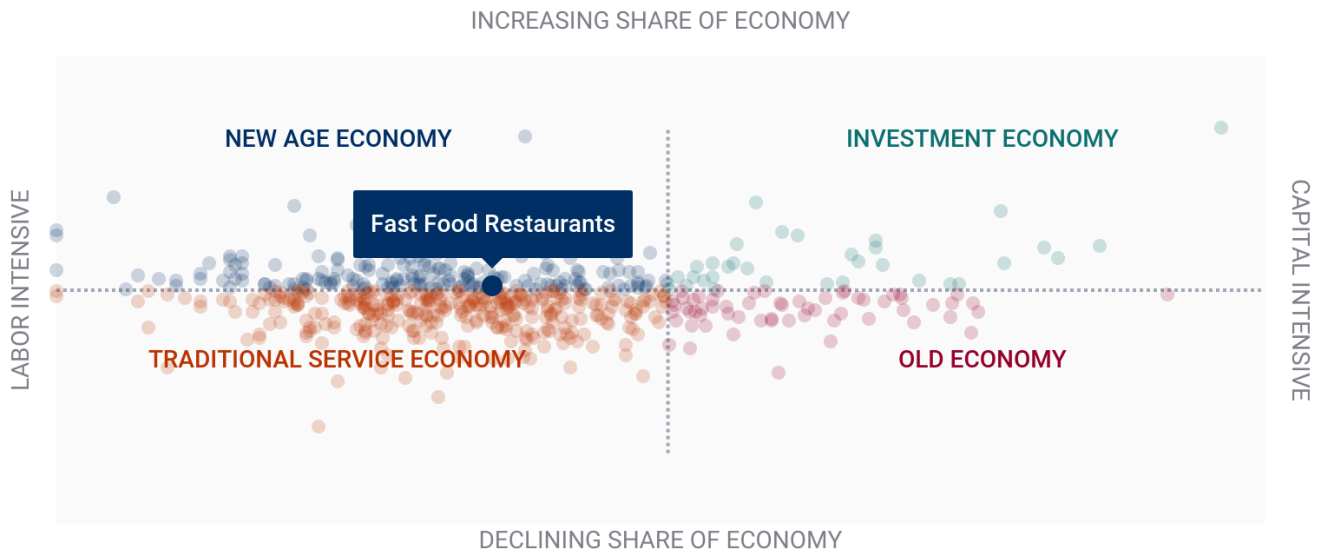
Change in Profit Margin



Fast Food Restaurants
 Source: IBISWorld

Operating Conditions

Costs of Growth: Targeting Capital vs. Labor



Fast Food Restaurants in the US
Source: IBISWorld

Capital Intensity

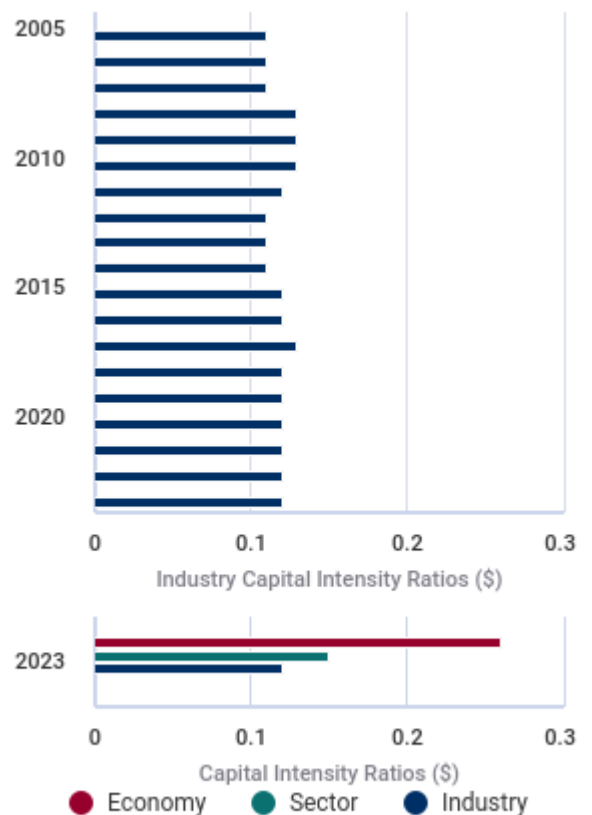
The level of capital intensity is 🟢 **Low**

The Fast Food Restaurants industry experiences a low level of capital intensity. In 2023, for every \$1.00 spent on wages, the average industry operator will likely spend an estimated \$0.12 on capital. Capital intensity has remained stable over the five years to 2023 despite an increase in industry wages over the past five years.

Over the past decade, many operators have implemented electronic ordering systems that are linked to the kitchen, helping chefs more efficiently process and prepare orders. This is especially true of chain operations, which can benefit from economies of scale. It is also increasingly common for chains to manage labor costs with just-in-time scheduling which is based on sophisticated algorithms built on data including the previous year's sales trends, economic indicators and changes in weather. These computer programs forecast in advance when demand will be high or low and enable managers to adjust staffing levels. These initiatives have helped some operators improve profit and grow revenue. However, the main beneficiaries of technological advancements are large chains. Smaller industry operators find implementing these technologies overly expensive and receive limited benefits from increased capital investment, and therefore prefer to concentrate on training their staff to improve their service.

Nonetheless, the industry is highly dependent on direct labor input across all areas of operation. Industry operators require personnel as cashiers, for delivery and food preparation, cleaning and operational management. Due to the service nature of the industry, many of these labor-intensive functions cannot be substituted by technology or machinery. To meet customers' expectations and provide a quality and hospitable dining experience, a well-trained staff is required.

Capital Intensity Ratios



Fast Food 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.
⊖ Medium	Rate of Entry	Potential	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.
✔ Very Low	Market Concentration	Very Unlikely	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.

The relative ease of entry is high, which can support the potential for external innovators to enter the industry with a disruptive trajectory. Despite this, the rate of entry of new companies is in line with the national average.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served by incumbent operators.

The Fast Food Restaurants industry has adapted to new technologies ranging from online ordering, payment methods and loyalty programs to kiosks and mobile applications.

Changing consumer preferences have pushed industry operators to change the business strategy by promoting partnerships with online delivery platforms in order to gain exposure. Consumers visit industry establishments for a convenient, affordable and time-saving meal. As a result, they are increasingly ordering food online for delivery. Operators that have their own delivery and online ordering platforms will likely have an advantage. Furthermore, consumers are becoming increasingly health conscious by eating fewer processed foods. Incumbent operators have had to modify their menus to keep up with changing preferences.

The level of technology change is ⊖ **Medium**

Operators in the Fast Food Restaurants industry regularly leverage 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.

Such innovations include wireless electronic ordering systems that link front-of-the-house orders to kitchen meal preparation and touch-screen ordering systems for customers. Although this may help to reduce labor costs, it does not eliminate them, as this system still requires customers to check out at a physical register. The increasing sophistication of the internet and mobile technology has also driven industry players to reach wholesalers and suppliers online. This has led to increased efficiencies in coordinating supplies and other pre-prepared food items.

Larger chains also use data networks to send and receive business data to and from restaurants to monitor and analyze all aspects of the business. Through data analytics, operational efficiencies can be identified and improved throughout a company's network of stores.

Point-of-sale systems

Most operators now have point-of-sale (POS) systems in stores to speed up service, which leads to more purchases on average and cuts down on labor costs.

Retailers are increasingly accepting credit card payments through devices such as Square, which connects directly to the store's tablet device 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. This has also led to many industry operators adding order kiosks and touch screen systems to limit labor needed at the counter to take orders. This has grown substantially in popularity among industry operators. These POS systems are easy to scale and reduce lines and labor costs. Some restaurants have adopted mobile technology, enabling the ordering of food items via mobile applications and online. Mobile and online ordering has been beneficial for restaurants and consumers by creating ease of access and delivery. However, by removing direct interaction between the consumer and the restaurant, there is likely to be some miscommunication in food availability and offerings.

Labor scheduling

It is increasingly common for chains to manage labor costs with just-in-time scheduling which is based on sophisticated algorithms built on data including last year's sales trends, economic indicators and changes in weather.

These computer programs forecast in advance when demand will be high or low and lets managers adjust staffing levels.

Social media

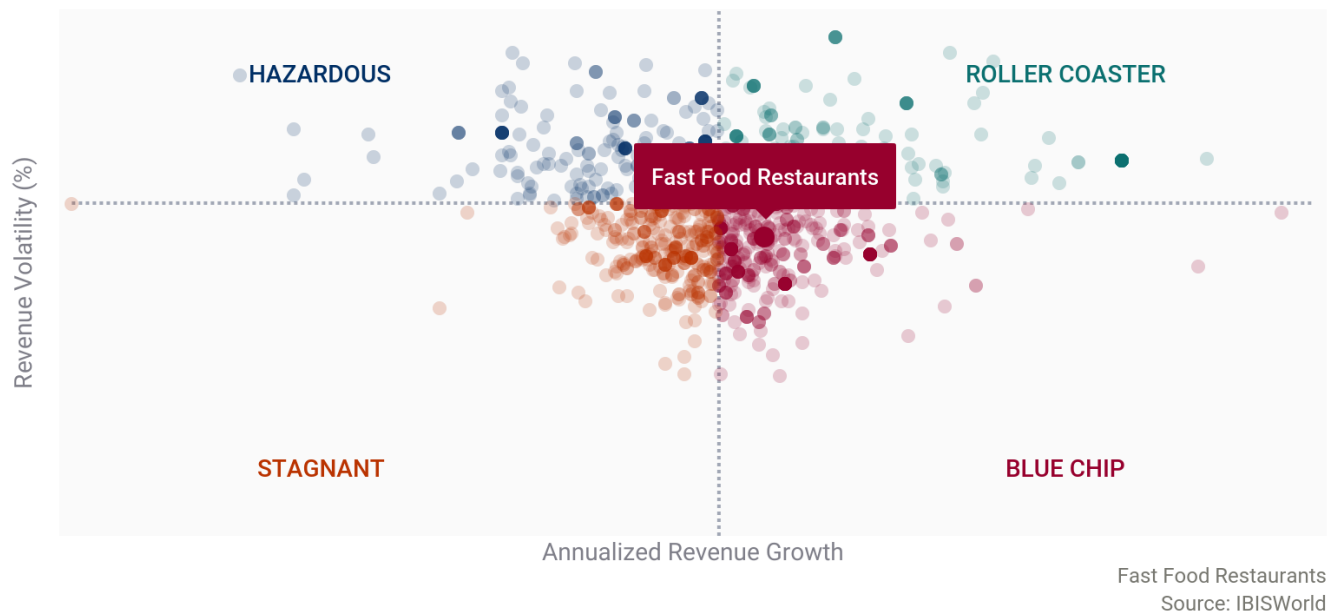
Technology has also aided fast food restaurants with marketing.

Social media has enabled savvy operators to connect directly with customers and tailor their brand's message to target fragmented consumer segments. Many industry operators have made popular news headlines with their quick wit and humor deployed on social media.

Revenue Volatility

The level of volatility is ☹ **Medium**

Volatility vs. Growth

**Consumer spending and tastes dictate demand for fast food**

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

Diverse offerings result in no one cuisine dominating the fast food restaurant industry

- The diversity of foods served by the industry temper volatility.
- The industry consists of a range of food products, from Asian restaurants to traditional US restaurants and other ethnic cuisines, meaning that if tastes defer from one type of food toward another, the industry still captures revenue.

Regulation & Policy

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

US Food and Drug Administration (FDA)

The FDA's Model Food Code, which is a best-practice guide to food handling and presentation, applies to this industry and is updated each year. The FDA Nutritional Value applies as well. Since 1996, the FDA regulations have set standards for nutritional values of individual foods and meals.

The Affordable Care Act

This act requires restaurant companies to disclose calorie information on their menus. The FDA has proposed rules to implement this provision that would require restaurants to post the number of calories for most items on menus or menu boards and to make available more detailed nutrition information upon request. Complete nutritional information, however, is not required to be on menus.

Franchising laws

A large proportion of industry establishments operate under franchise agreements. There are both federal and state laws governing franchising, which vary from state to state. Franchising is regulated at the federal level by the US Federal Trade Commission and applied in any region within the United States. At the state level, various state agencies regulate franchises and laws vary between states

Industry Assistance

The level of industry assistance is △ **Low** and the trend is **Increasing**

Public

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

The Small Businesses Administration's Paycheck Protection Program (PPP) awarded loans to small businesses through this act, preventing businesses from laying off workers during 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	261,298	89,071	265,226	183,191	3,930,463	N/A	N/A	67,383	N/A	11,515
2015	282,244	97,644	269,816	185,650	4,079,581	N/A	N/A	72,807	N/A	11,893
2016	298,700	105,317	273,361	186,795	4,262,841	N/A	N/A	77,538	N/A	12,188
2017	312,111	108,525	285,382	191,735	4,484,227	N/A	N/A	81,684	N/A	12,484
2018	323,724	113,771	287,996	193,127	4,663,514	N/A	N/A	86,902	N/A	12,845
2019	335,657	116,357	288,837	193,305	4,694,382	N/A	N/A	89,123	N/A	13,126
2020	325,939	113,498	285,377	191,411	4,695,487	N/A	N/A	87,021	N/A	12,630
2021	353,394	121,969	292,844	196,048	4,986,082	N/A	N/A	92,795	N/A	13,625
2022	362,320	125,181	297,693	199,162	5,112,840	N/A	N/A	95,151	N/A	13,952
2023	366,910	127,120	301,847	201,865	5,199,714	N/A	N/A	96,686	N/A	14,049
2024	374,884	129,897	306,635	204,973	5,314,180	N/A	N/A	98,809	N/A	14,225
2025	382,541	132,390	310,433	207,456	5,418,758	N/A	N/A	100,768	N/A	14,470
2026	389,751	134,764	314,295	209,993	5,517,181	N/A	N/A	102,612	N/A	14,693
2027	396,994	137,315	318,530	212,791	5,619,480	N/A	N/A	104,516	N/A	14,931
2028	401,148	139,056	323,232	215,942	5,700,686	N/A	N/A	105,943	N/A	15,055

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Consumer spending (%)
2014	3.30	4.84	0.70	0.29	3.24	N/A	N/A	3.30	N/A	2.70
2015	8.01	9.62	1.73	1.34	3.79	N/A	N/A	8.04	N/A	3.27
2016	5.83	7.85	1.31	0.61	4.49	N/A	N/A	6.49	N/A	2.47
2017	4.48	3.04	4.39	2.64	5.19	N/A	N/A	5.34	N/A	2.42
2018	3.72	4.83	0.91	0.72	3.99	N/A	N/A	6.38	N/A	2.89
2019	3.68	2.27	0.29	0.09	0.66	N/A	N/A	2.55	N/A	2.18
2020	-2.90	-2.46	-1.20	-0.98	0.02	N/A	N/A	-2.36	N/A	-3.79
2021	8.42	7.46	2.61	2.42	6.18	N/A	N/A	6.63	N/A	7.87
2022	2.52	2.63	1.65	1.58	2.54	N/A	N/A	2.53	N/A	2.40
2023	1.26	1.54	1.39	1.35	1.69	N/A	N/A	1.61	N/A	0.70
2024	2.17	2.18	1.58	1.53	2.20	N/A	N/A	2.19	N/A	1.24
2025	2.04	1.91	1.23	1.21	1.96	N/A	N/A	1.98	N/A	1.72
2026	1.88	1.79	1.24	1.22	1.81	N/A	N/A	1.83	N/A	1.53
2027	1.85	1.89	1.34	1.33	1.85	N/A	N/A	1.85	N/A	1.61
2028	1.04	1.26	1.47	1.48	1.44	N/A	N/A	1.36	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	34.1	N/A	N/A	66.5	25.8	14.8	17,144
2015	34.6	N/A	N/A	69.2	25.8	15.1	17,847
2016	35.3	N/A	N/A	70.1	26.0	15.6	18,189
2017	34.8	N/A	N/A	69.6	26.2	15.7	18,216
2018	35.1	N/A	N/A	69.4	26.8	16.2	18,635
2019	34.7	N/A	N/A	71.5	26.6	16.3	18,985
2020	34.8	N/A	N/A	69.4	26.7	16.5	18,533
2021	34.5	N/A	N/A	70.9	26.3	17.0	18,611
2022	34.5	N/A	N/A	70.9	26.3	17.2	18,610
2023	34.6	N/A	N/A	70.6	26.4	17.2	18,595
2024	34.6	N/A	N/A	70.5	26.4	17.3	18,593
2025	34.6	N/A	N/A	70.6	26.3	17.5	18,596
2026	34.6	N/A	N/A	70.6	26.3	17.6	18,599
2027	34.6	N/A	N/A	70.7	26.3	17.6	18,599
2028	34.7	N/A	N/A	70.4	26.4	17.6	18,584

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	3.1	2.9	10.3	13.5	8.9	7.5	5.9
EBITDA/Revenue	6.6	6.4	15.2	22.8	14.8	12.4	10.0
Leverage Ratio	9.3	10.6	6.6	4.4	7.2	7.3	7.8
Industry Tax Structure	2018	2019	2020	2021	3-Year	5-Year	10-Year
Taxes Paid/Revenue	1.3	1.4	2.2	2.0	1.9	1.7	1.8
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	98.4	98.5	96.7	74.8	90.0	93.3	95.4
Cost of goods	62.5	60.6	56.1	58.6	58.4	59.5	59.3
Gross Profit	37.5	39.4	43.9	41.4	41.6	40.5	40.7
Expenses							
Salaries and wages	12.6	13.4	12.9	12.2	12.8	13.0	12.9
Advertising	1.0	1.1	1.7	1.7	1.5	1.3	1.4
Depreciation	1.5	1.4	2.3	2.3	2.0	1.9	1.9
Depletion	0.4	0.2	0.0	0.7	0.3	0.3	0.2
Amortization	1.5	1.8	2.6	6.3	3.6	2.7	2.1
Rent paid	1.9	2.3	3.0	2.9	2.7	2.6	2.6
Repairs	0.8	0.8	0.2	0.2	0.4	0.5	0.6
Bad debts	0.2	0.2	0.5	0.3	0.3	0.5	0.6
Employee benefit programs	2.1	2.2	3.4	4.9	3.5	2.9	2.5
Compensation of officers	2.8	3.1	7.2	12.6	7.6	5.8	4.5
Taxes paid	1.3	1.4	2.2	2.0	1.9	1.7	1.8
Interest Income	2.5	0.1	0.3	2.6	1.0	1.1	0.9
Other Income							
Royalties	0.7	0.2	1.1	3.4	1.6	1.2	1.0
Rent Income	1.5	1.6	0.5	0.3	0.8	1.0	1.0
Net Income	0.9	0.7	3.3	2.1	2.1	2.4	1.7
Balance Sheet	2018	2019	2020	2021	3-Year	5-Year	10-Year
Assets							
Cash and Equivalents	6.3	5.3	7.8	6.6	6.6	7.1	7.5
Notes and accounts receivable	12.1	11.1	16.7	18.2	15.3	12.5	8.6
Allowance for bad debts	1.3	1.9	1.3	1.2	1.4	1.5	1.7
Inventories	29.7	22.6	24.8	26.5	24.7	25.9	27.0
Other current assets	4.3	3.9	5.6	5.5	5.0	5.4	6.0
Other investments	40.4	49.2	25.3	16.2	30.2	29.6	25.9
Property, Plant and Equipment	55.1	47.8	39.6	42.7	43.3	39.7	30.5
Accumulated depreciation	3.0	27.8	26.5	28.3	27.5	19.0	16.0
Intangible assets (Amortizable)	10.4	26.0	18.3	14.0	19.5	18.1	19.4
Accumulated amortization	4.6	5.8	5.4	3.7	5.0	4.0	3.9
Other assets	9.4	0.3	7.8	6.8	5.0	6.6	7.0
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	6.1	8.6	12.4	14.0	11.6	9.6	8.6
Liabilities and Net Worth							
Mort, notes, and bonds under 1 yr	15.7	1.2	12.6	13.4	9.1	9.2	8.1
Other current liabilities	3.4	8.1	10.8	8.6	9.2	7.9	6.9
Loans from shareholders	23.0	37.2	11.7	9.7	19.5	20.5	21.2
Mort, notes, bonds, 1 yr or more	5.6	1.2	27.9	29.7	19.6	16.3	16.5
Other liabilities	17.1	1.7	8.8	9.5	6.7	10.2	9.9
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	5.2	11.1	8.6	2.0	7.2	7.3	7.8
Additional paid-in capital	64.8	34.1	36.5	21.0	30.5	41.1	47.1
Retained earnings, appropriated	1.7	2.0	0.9	0.6	1.2	1.4	1.6
Retained earnings-unappropriated	17.1	1.7	11.8	17.0	10.2	12.3	13.2
Cost of treasury stock	6.1	25.8	8.3	7.8	14.0	15.9	13.5
Net worth	47.0	42.4	32.4	23.2	32.7	33.0	29.1

Liquidity Ratios	2018	2019	2020	2021	3-Year	5-Year	10-Year
Current Ratio	2.2	2.7	1.7	1.7	2.0	2.2	2.4
Quick Ratio	1.0	1.4	1.0	0.9	1.1	1.2	1.2
Sales/Receivables	13.5	13.3	6.0	5.5	8.3	15.3	28.0
Days' Receivables	27.1	27.4	60.9	66.5	51.6	38.3	24.4
Days' Inventory	106.7	92.3	161.3	165.3	139.6	124.0	115.7
Inventory Turnover	3.4	4.0	2.3	2.2	2.8	3.1	3.3
Payables Turnover	16.8	10.5	4.5	4.2	6.4	10.1	11.6
Days' Payables	21.8	34.8	80.4	86.9	67.4	49.8	39.6
Sales/Working Capital	4.3	5.4	3.2	2.3	3.6	4.4	5.2
Coverage Ratios	2018	2019	2020	2021	3-Year	5-Year	10-Year
Interest Coverage	681.2	390.0	333.5	294.5	339.4	361.7	396.5
Debt Service Coverage Ratio	1.2	2.4	15.9	36.0	18.1	11.9	8.4
Leverage Ratios	2018	2019	2020	2021	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	1.7	2.7	3.1	4.1	3.3	2.9	2.8
Debt/Net Worth	2.1	2.4	3.1	4.3	3.3	3.4	3.7
Tangible Net Worth	0.5	0.4	0.3	0.2	0.3	0.3	0.3
Operating Ratios	2018	2019	2020	2021	3-Year	5-Year	10-Year
Return on Net Worth, %	10.7	10.0	31.7	58.2	33.3	34.9	31.8
Return on Assets, %	5.0	4.2	10.3	13.5	9.3	9.2	8.1
Sales/Total Assets	1.6	1.5	1.0	1.0	1.2	1.4	1.5
EBITDA/Revenue	6.6	6.4	15.2	22.8	14.8	12.4	10.0
EBIT/Revenue	3.1	2.9	10.3	13.5	8.9	7.5	5.9
Cash Flow & Debt Service Ratios (% of sales)	2018	2019	2020	2021	3-Year	5-Year	10-Year
Cash from Trading	39.4	40.3	40.7	39.5	40.2	40.5	40.5
Cash after Operations	19.2	23.0	17.2	8.0	16.1	18.4	18.8
Net Cash after Operations	19.3	18.9	15.7	14.9	16.5	17.8	18.2
Debt Service P&I Coverage	1.5	4.9	0.8	0.6	2.1	2.2	2.4
Interest Coverage (Operating Cash)	21.9	23.8	3.3	1.6	9.6	13.7	14.1

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

Additional Resources

Additional Resources

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

US Bureau of Labor Statistics
<http://www.bls.gov>

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

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

Entrepreneur Magazine
<http://www.entrepreneur.com>

Industry Jargon

BABY BOOMERS

Consumers born between 1946 and 1964 who account for a major proportion of the population.

NET REVENUE

Revenue from company-owned stores and franchise fees, but not franchised stores' total sales.

POINT-OF-SALE (POS)

The location where a transaction occurs at a retail establishment or store.

SAME-STORE SALES

A retail measure used to assess the true performance of retail outlets by taking out the effect of new store openings and only taking into accounts sales growth of existing stores.

SYSTEM-WIDE SALES

Sales from both company-owned or managed and franchised or licensed outlets. System-wide sales excludes royalties and franchising revenue fees.

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

Restaurants are selling and marketing the experience of a meal to potential customers. How does your company market deals on e-commerce sites, such as Groupon, to generate new customers?

Promotional offerings and exposure to consumers can increase brand loyalty and frequency of visits.

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

Generating positive reviews through superior customer service can help increase foot traffic and pique the interest of first-time consumers.

Strategy & Operations

Has your company explored acquisition opportunities to expand your market share?

Acquisitions can help increase scale and enhance segment portfolios in order to diversify revenue streams.

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?

Locating in high density areas ensures a steady stream of demand for industry operators.

Technology

Multiple restaurant chains have developed their mobile applications to make loyalty programs more accessible to consumers. Does your company leverage mobile booking applications to streamline the booking process?

Developing an online ordering experience could lure a larger amount of customers and help lower overall lead times.

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?

Automating point-of-sale systems either entirely or for a fraction of transactions minimizes reliance on labor.

Compliance

The industry is subject to laws and regulations relating to the preparation and sale of food. What measures does your company take to ensure all employees are compliant with food handling and safety laws?

Regulations regarding product safety, nutritional content and menu labeling vary between municipalities.

The industry employs a high number of young and low-skilled workers. Is your company compliant with the varying labor regulations across states?

The industry employs a high number of workers at hourly rates and, therefore, is subject to minimum wage and employee benefits regulations.

Finance

A major source of inefficiency is wastage due to fluctuations in demand, which may lead to an oversupply of meals or excess ingredients that cannot be used and subsequently spoil. How does your company's inventory turnover rate compare to your major competitors'?

Supply-chain efficiency is crucial to maintaining a competitive edge over others.

Amid the COVID-19 (coronavirus) pandemic, industry profitability is pressured by fluctuating input prices resulted from a disrupted supply chain as well as an overall drop in demand. How does your company's profit compare with your main competitors?

Achieving lower profit amid heightened competition suggests that inefficiencies may exist in a company's supply chain in relation to its major competitors.

**External Impacts
Questions****Impact: Healthy eating index**

How has rising health consciousness affected your demand? Have you introduced healthier products to your menu to capitalize on healthy eating?

The healthy eating index is expected to increase in 2020, as consumers become increasingly aware of issues related to weight and obesity, fatty-food intake and food safety issues.

Impact: Consumer confidence index

Do you keep track of the consumer confidence index? How do you mitigate declines in revenue when consumer confidence declines?

Changes in consumer sentiment have a significant effect on household expenditure on discretionary items, including restaurant dining.

Impact: Consumer spending

Do you monitor trends in consumer spending? Are you able to adjust prices to reflect changing spending conditions?

Industry growth is sensitive to changes in consumer spending.

**Internal Issues
Questions****Issue: Business expertise of operators**

How successful have you been in matching the supply of its services to market demand? How do your margins fare compared with your competitors'?

Business expertise is required as this industry has high turnover but low margins, and thus, losses are easily made.

Issue: Effective cost controls

What measures do you have in place to reduce operational costs? Are you considering any new cost-saving measures?

Cost controls are important in this low-margin industry, particularly related to minimizing food waste.

Issue: Ability to franchise operations

Are you part of a national chain? How do you aim to raise brand awareness?

Franchising both in the United States and overseas is now a significant component of this industry and can provide necessary support to owners.

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