ANNUAL REPORT

The State of Restaurants in 2022

TouchBistro®

Introduction

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

Then, the COVID-19 pandemic happened.

Since our 2020 report was released, the pandemic has turned the entire restaurant industry upside down. From social distancing measures to the rise of QR code menus, running a restaurant today looks dramatically different than it did just a few years ago.

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

Our findings reveal how much has changed since the release of our 2020 report, how restaurants are faring in the face of unprecedented obstacles, and the top trends to watch in 2022.

We also took an in-depth look at the state of restaurants in some of the country's largest urban areas: New York City, Los Angeles, and Dallas. Through these individual reports, you'll be able to see how your restaurant compares to others in your area and how location-specific factors, like rent prices and the labor market, affect business.

Objective

This report gives full service restaurant owners in the U.S. a complete picture of what's happening in their industry so that they can:

1. Better navigate current challenges
2. Anticipate upcoming trends
3. Consider new solutions based on the learnings of other FSRs across the country

Methodology

We partnered with research firm Maru/Matchbox again this year to survey more than 500 full service restaurant owners, presidents, and area/general managers across all 50 states with an added focus on three key cities: New York City, Los Angeles, and Dallas. Our research was conducted from October 26 to November 3, 2021.

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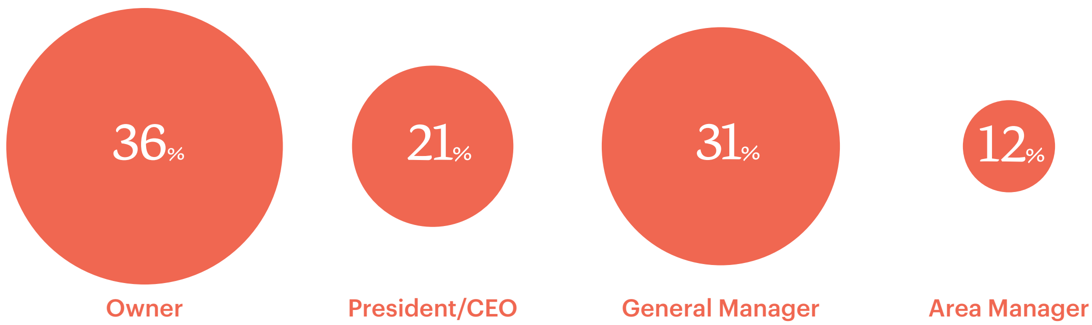
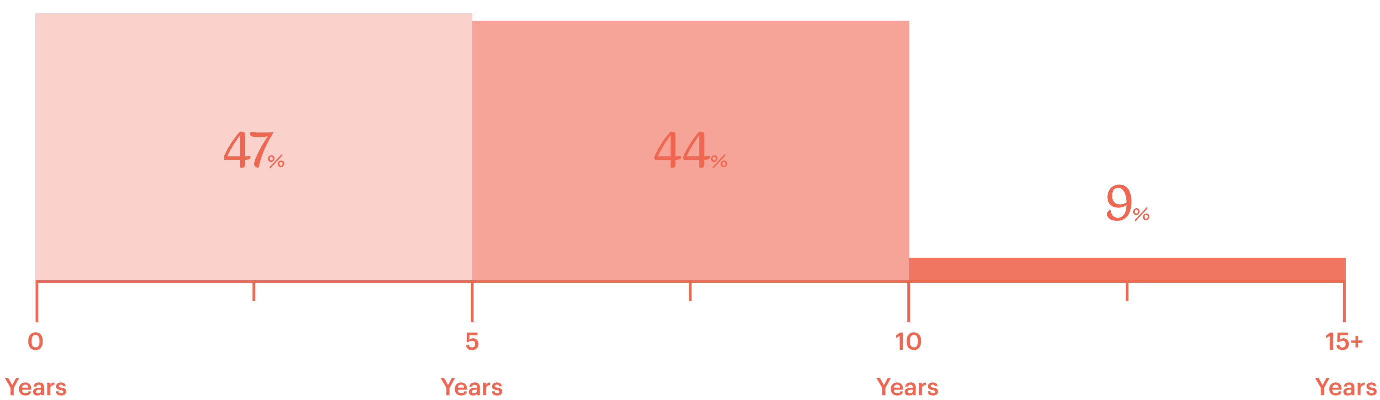
Respondent Profile

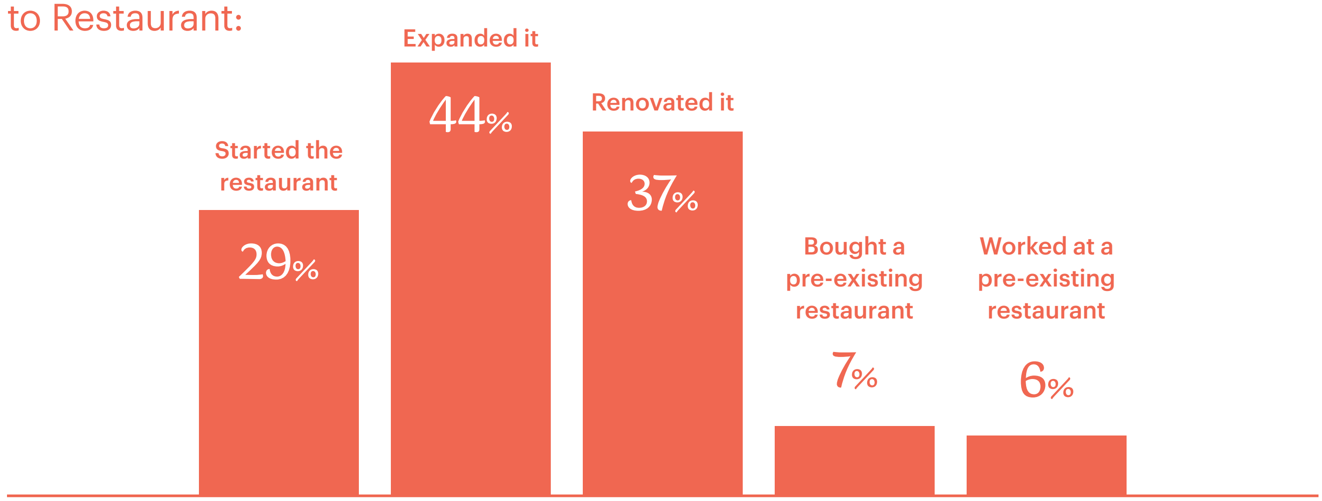
Current Role:



Years in the Industry:



Relationship to Restaurant:



Respondent Profile

Size of Restaurant:

2% 120+ Seats

7% <20 Seats

19% 81-120 Seats

32% 21-40 Seats

39% 41-80 Seats

Type of Restaurant:

19% Brasserie/bistro/café

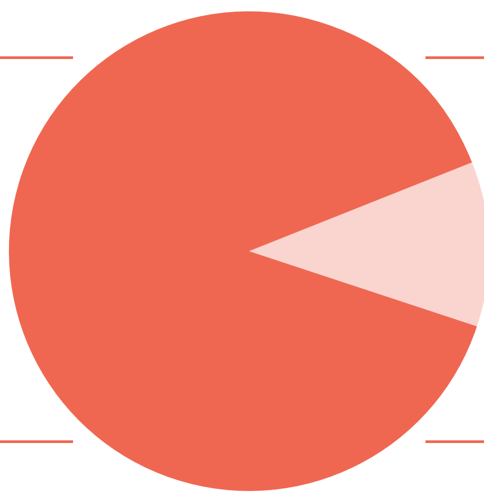
23% Bar/grill

21% Fine dining

36% Family style

Independent vs. Chain:

89% Independent



Part of a restaurant group/chain 11%

Annual Revenue:

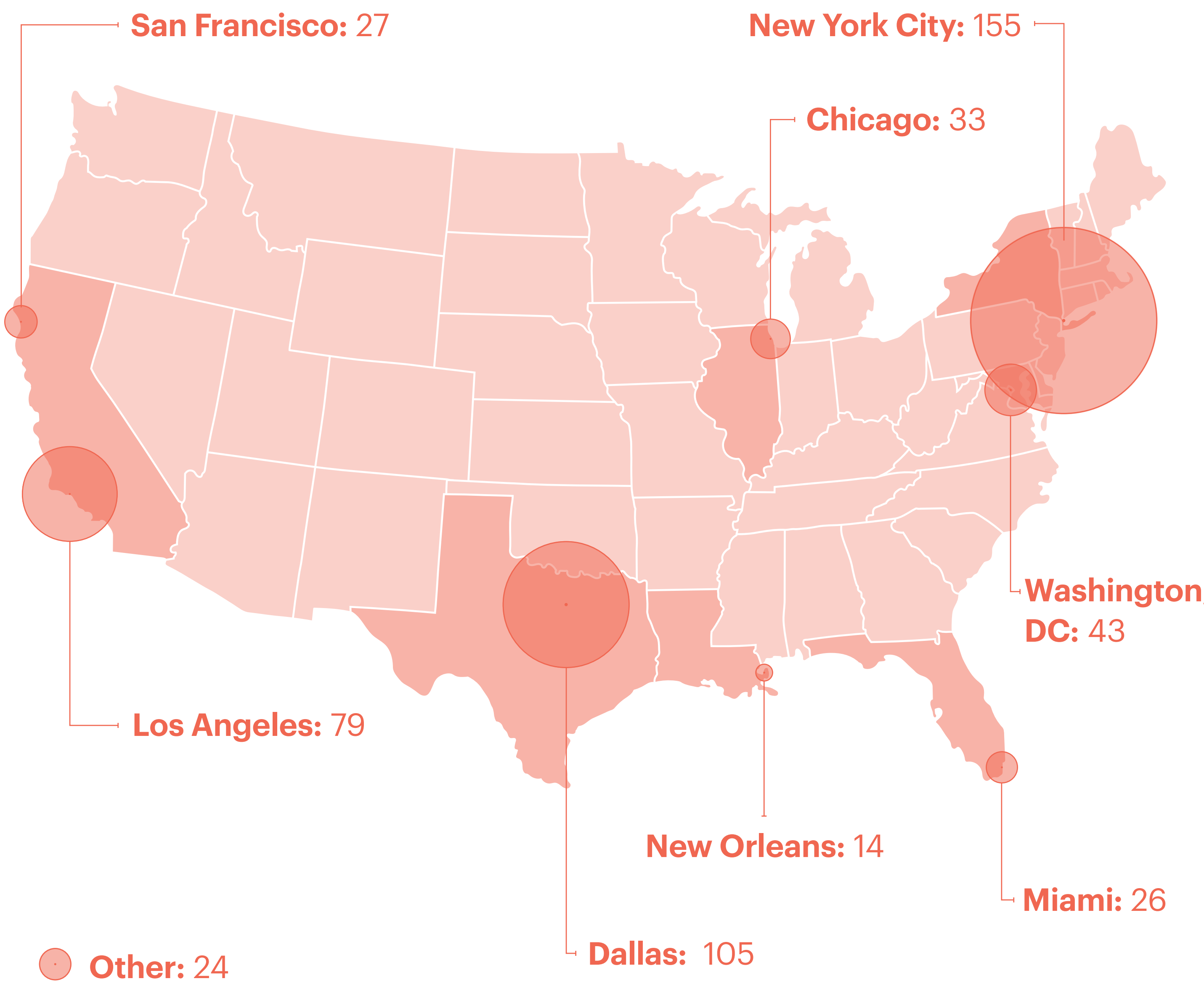
29% <$1M

55% $1M-2M

15% $2M+

Respondent Profile

Location



Report Highlights

Our respondents gave us a unique opportunity to understand the challenges the industry has faced and what's on the horizon for 2022. And as we uncovered, restaurateurs have been incredibly resilient in the face of unprecedented obstacles.

Here's a preview of some of our key findings.

Financial Health
74% of restaurants managed to maintain or increase their sales during the pandemic. However, rising costs caused average profit margins to fall to 10%. Of these rising expenses, inventory costs caused the greatest financial strain for operators, followed closely by rent and labor.

74%

of restaurants maintained or increased sales

Staffing & Labor
The labor shortage continues to plague restaurants, with 81% of operators saying they're short at least one position and a quarter of operators reporting an employee turnover rate of 40% or more. This is an issue that's been exacerbated by the pandemic, with "fear of working with the public due to COVID" and "fear of enforcing COVID restrictions" cited as the top two reasons for the ongoing labor shortage.

23%

average employee turnover rate

Inventory & Menu Management
Though 47% of operators said that all or most of their suppliers increased prices during the pandemic, restaurant menus only seemed to grow. In fact, two-thirds of restaurants increased or maintained their menu offerings. In most cases, this involved adding new takeout and delivery options.

70%

of operators increased or maintained their menu offerings

Report Highlights

POS & Payments
Restaurateurs wasted no time investing in new POS and payments solutions to help them navigate the pandemic. Not only did two-thirds (67%) of operators change their POS in the past year, but virtually all restaurants implemented some form of contactless payment.

67%

of operators changed their POS system

Online Ordering
Online ordering has quickly become essential for operators with nearly all FSRs (95%) using at least some form of online ordering. Even more striking, operators report that 21-40% of their business is being done through these online ordering platforms.

95%

of restaurateurs use an online ordering platform – up 10% from 2019

Loyalty
Loyalty programs also saw a major uptick during the pandemic, with two in five operators implementing their loyalty programs in the last one to two years. Now, more than half of all operators (57%) report offering a loyalty or rewards program of some kind.

57%

of operators currently offer a loyalty program

Reservations
When it comes to reservations, most operators are taking a hybrid approach. While 61% of restaurants now use a reservation platform, the majority of reservations (62%) are still being made through phone or walk-ins – a figure that's actually up 5% from 2019.

62%

of reservations are made via phone and walk-ins – up 5% from 2019

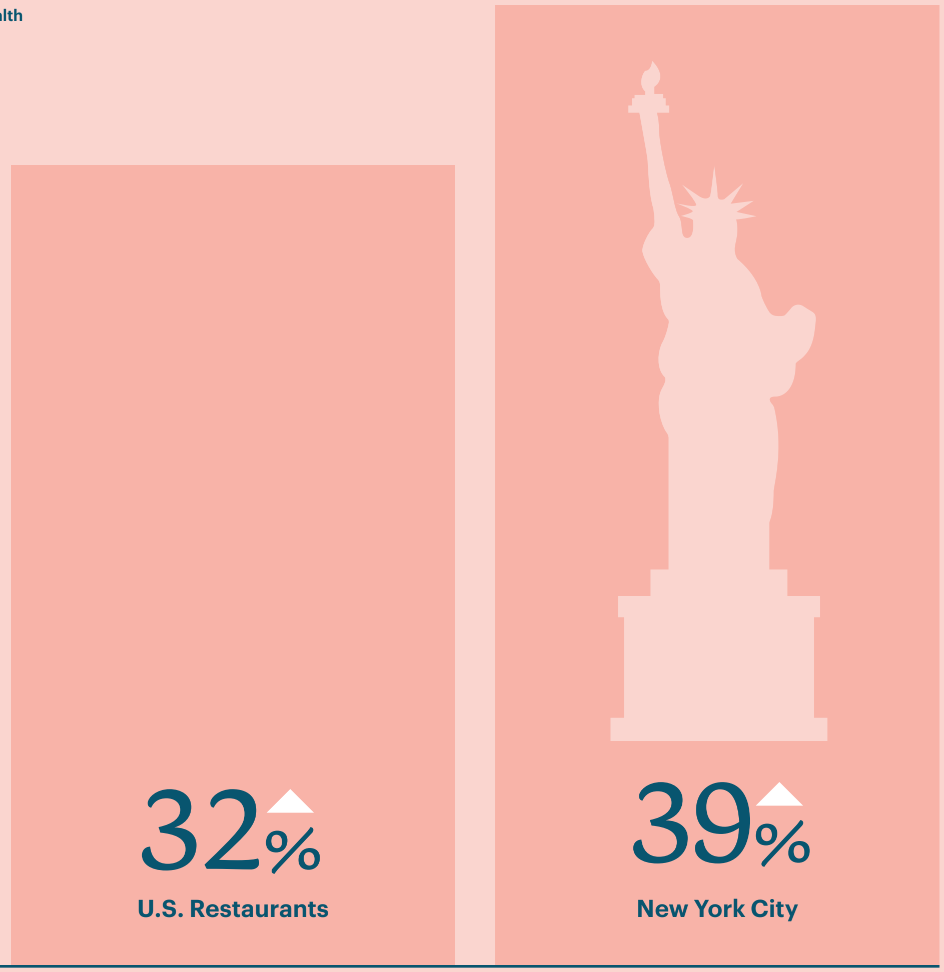
Financial Health

There's no question that the initial closure of restaurants in early 2020 was a major financial blow to many operators. But, as our report uncovered, the financial health of FSRs across the U.S. is more complicated than a few months of lost revenue.

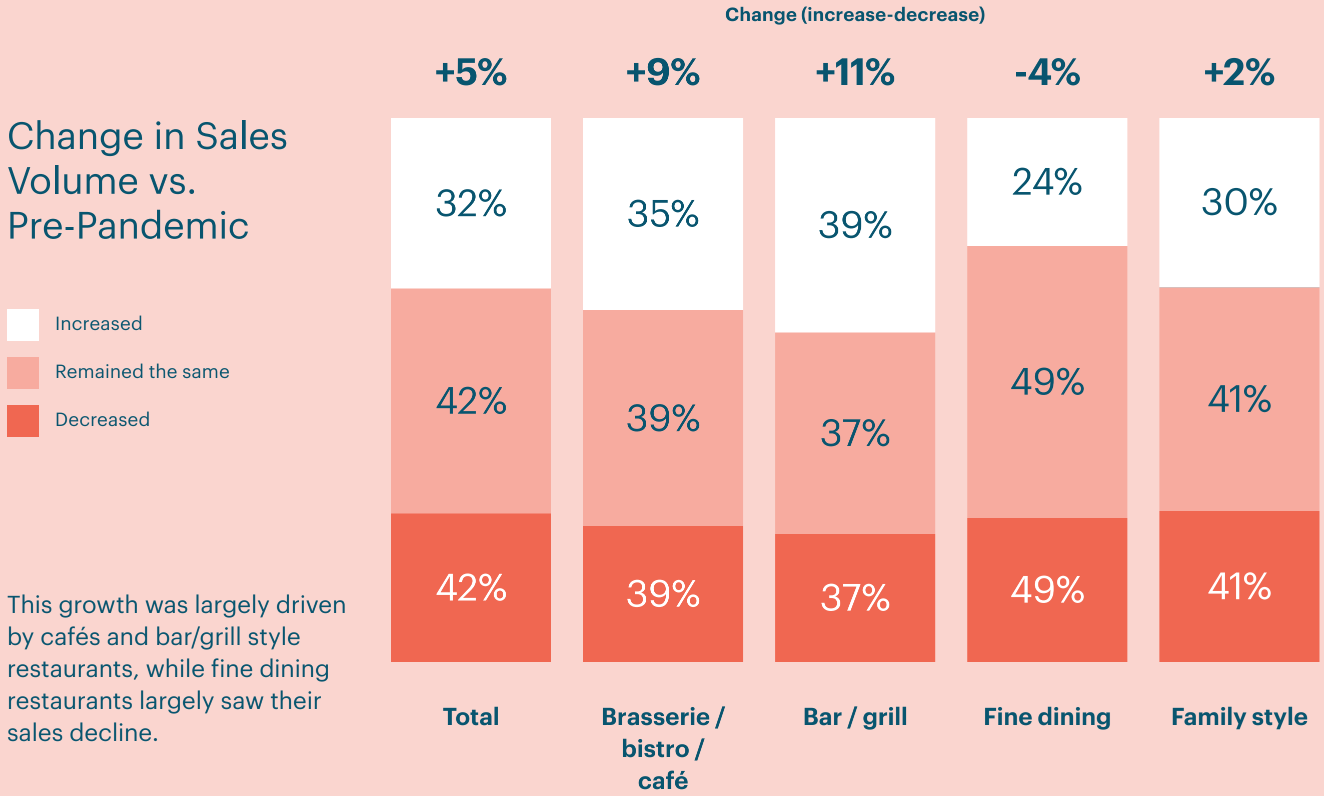
Sales Steady
Despite the many hurdles of the past two years, 74% of restaurants maintained or increased their sales in 2021. In some places, sales were up even higher, such as New York City, where 39% of restaurants reported an increased in sales.

Restaurants That Increased Sales

2021



Change in Sales Volume vs. Pre-Pandemic



This growth was largely driven by cafés and bar/grill style restaurants, while fine dining restaurants largely saw their sales decline.

Profit Margins Fall
But while sales remained relatively steady, profit margins fell from 12% in 2019 to just 10% in 2021 due to the increasing costs of running a restaurant.

Annual Revenue and Current Profit Margin vs. Seats in Restaurant

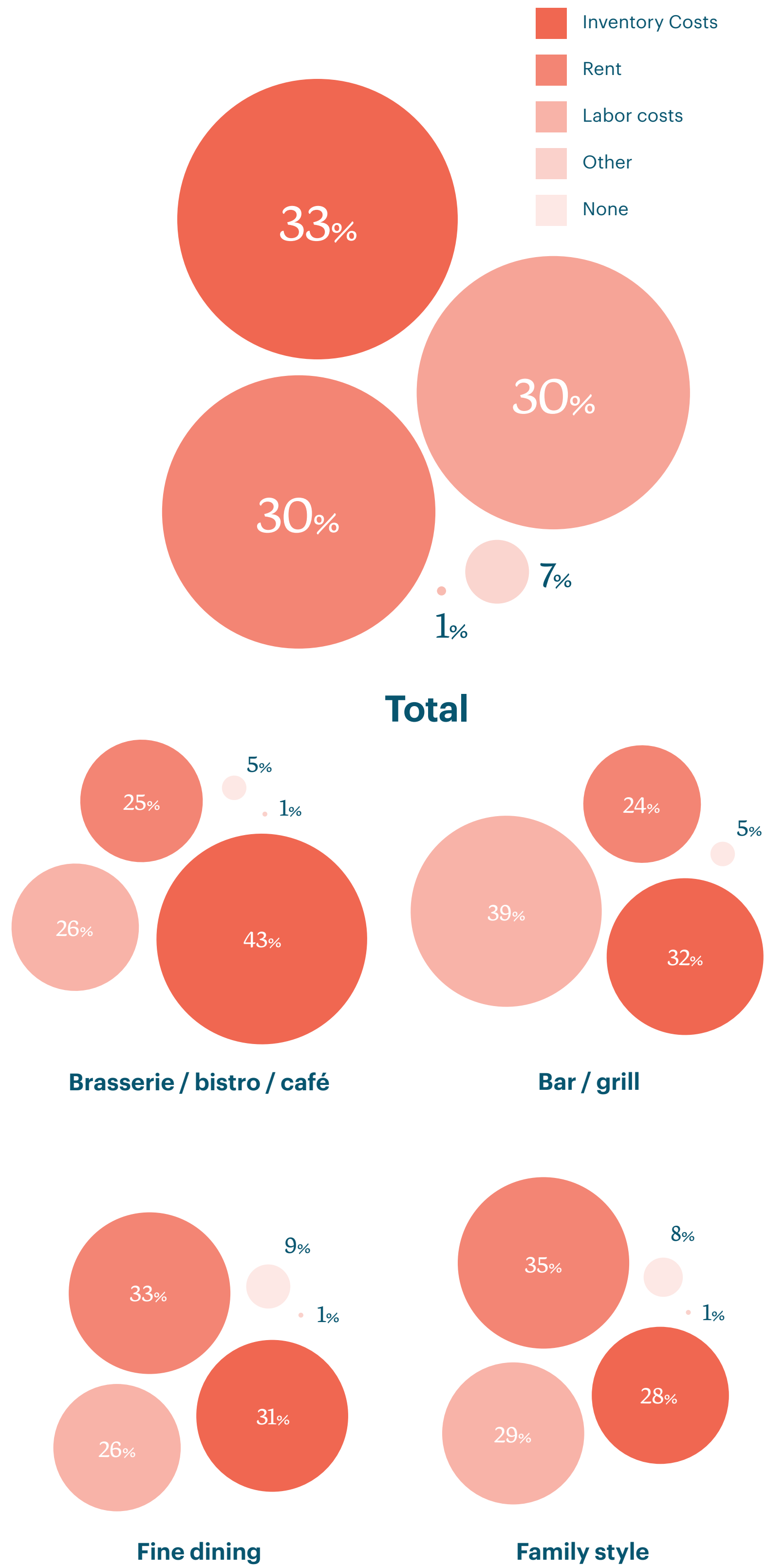
Seats	Year	Mean Annual Revenue	% Mean Profit Margin
120+ Seats	2021	$2,453,125	13%
	2019	$1,698,864	14%
81-120 Seats	2021	$1,821,721	11%
	2019	$1,435,484	11%
41-80 Seats	2021	$1,670,233	11%
	2019	$1,223,958	10%
21-40 Seats	2021	$1,229,665	10%
	2019	$972,222	10%
<20 Seats	2021	$635,417	7%
	2019	$500,000	10%

2021 Total Mean Revenue **$1,500,383**

2021 Total Mean Profit Margin **10%**

Sources of Financial Strain Revealed
Of all these costs, inventory proved to be the biggest source of financial strain with 33% of operators citing it as their top expense. Many operators also noted that the cost of implementing new health and safety measures – such as providing PPE for staff and upgrading their HVAC systems – was another major expense that wiped out any revenue gains over the year.

Greatest Causes of Strain in Past 12 Months



"The amount of money we had to spend on COVID safety protocols was just ridiculous. We had to install a whole new ventilation system, we had to spend all this money installing Plexiglas between seating, buy PPE equipment – we needed to get PPE funding."

(GM, Independent Bar & Grill, NY)

Staying Financially Afloat
To cover these expenses and stay afloat during the height of the pandemic, the majority of operators (54%) had to rely on their own savings. 30% of operators also turned to friends and family for additional support.

54% Own savings

38% (down 9% from 2019 data) Bank/small business

30% Family/friends

21% Online lenders and SBA-guaranteed loans

20% (up 9% from 2019 data) Grants

9% Crowdfunding

18% Paycheck Protection Program (PPP) loans

14% Employee Retention Tax Credits (ERC)

2% None

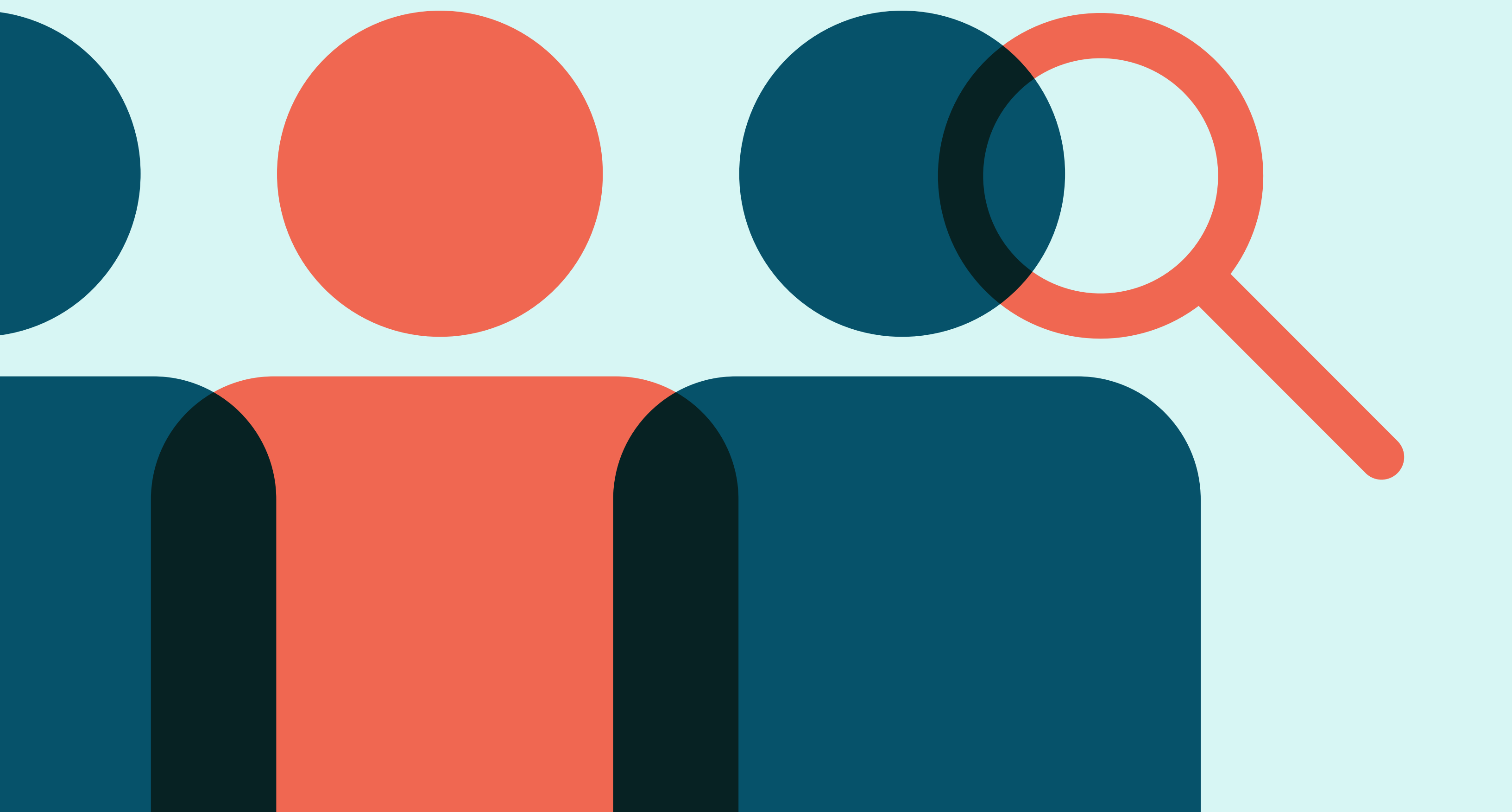
"We were able to get a small business loan that was eventually forgiven by the government, so that kept us afloat. That pretty much saved us and helped us pay our employees."

(General Manager, Independent Fine Dining, Washington, D.C.)

And while reliance on government grants increased significantly compared to 2019, not all operators took advantage of these programs. Some reasoned that these loans would need to be paid back eventually and didn't want to take on the additional financial burden, instead choosing to rely on their own personal savings.

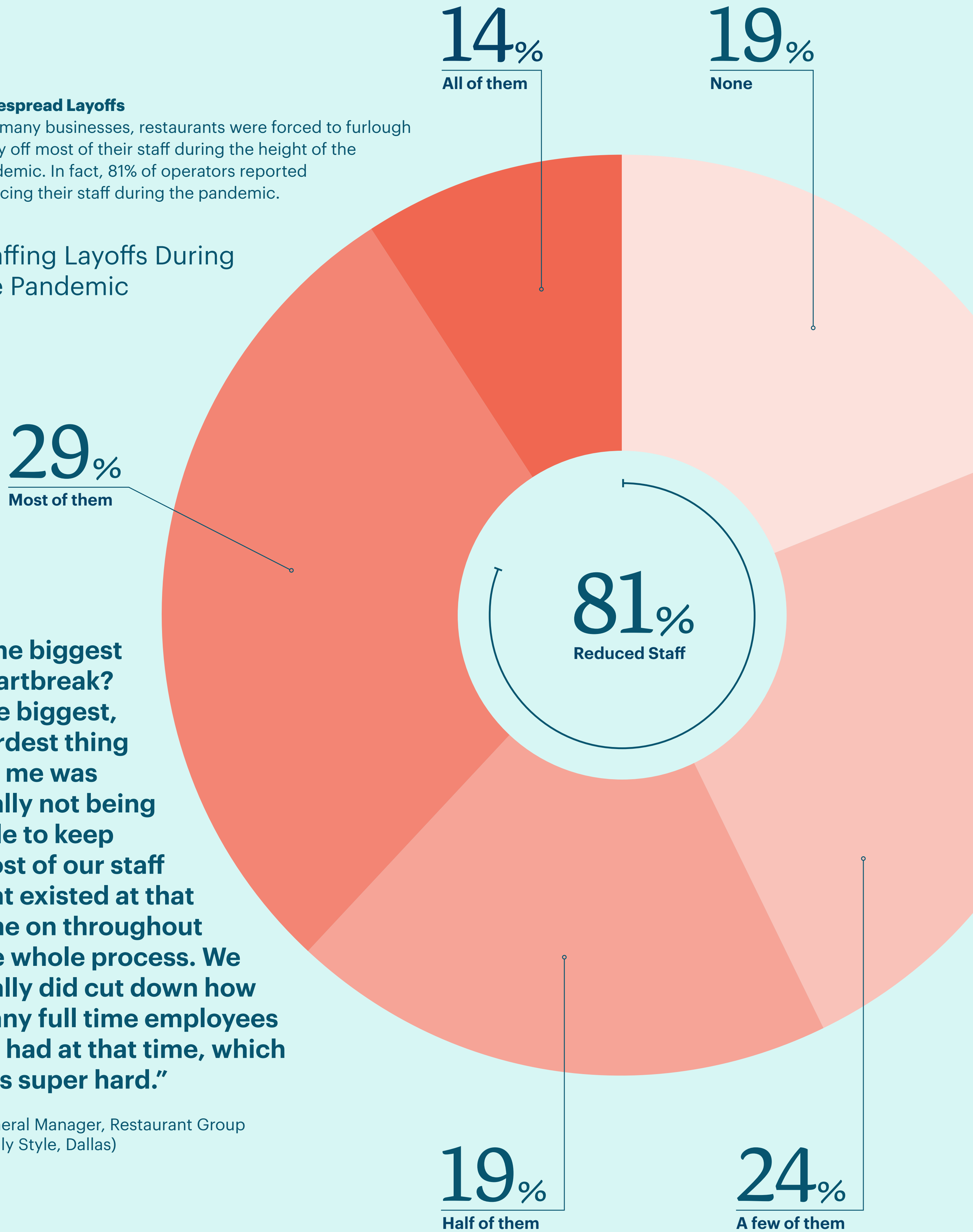
Staffing & Labor

Staffing challenges aren't exactly a new problem for restaurants, with three in four restaurants reporting regular labor shortages back in 2019. However, our latest data shows that the pandemic dramatically shrunk the pool of available workers and restaurateurs are still feeling the pinch.



Widespread Layoffs
Like many businesses, restaurants were forced to furlough or lay off most of their staff during the height of the pandemic. In fact, 81% of operators reported reducing their staff during the pandemic.

Staffing Layoffs During the Pandemic



"The biggest heartbreak? The biggest, hardest thing for me was really not being able to keep most of our staff that existed at that time on throughout the whole process. We really did cut down how many full time employees we had at that time, which was super hard."

(General Manager, Restaurant Group Family Style, Dallas)

The Struggle to Bring Staff Back
Now the biggest challenge for restaurants is bringing those staff back. Despite the prevalence of vaccines, the pandemic continues to keep workers away from the industry, with the "fear of working with the public due to COVID" and the "fear of enforcing COVID restrictions" cited by operators as the top two reasons for labor shortages.

"40% of my employees all found other jobs. They couldn't hold their breath forever… hoping that I will open back up again. So they did two things. They took unemployment then found other jobs. Whether it be working at like a grocery store or at Target or whatever, they found other jobs. And right now the problem is trying to find enough qualified candidates to do those front of house jobs and even back of house jobs."

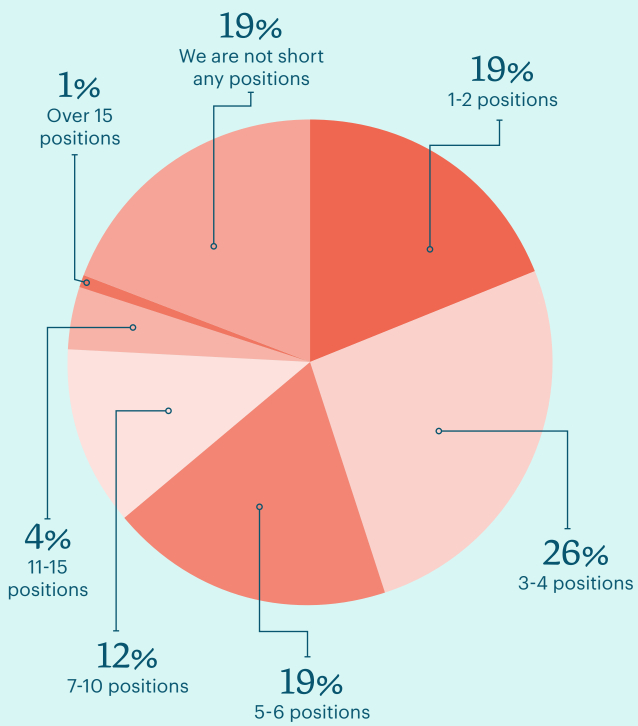
(Owner, Independent Family Style, San Francisco)

While health and safety concerns are clearly a big concern for restaurant workers, the labor shortage isn't simply due to a fear of catching the virus. The labor pool has been dramatically altered by the pandemic, with 35% of operators saying that there is a lack of skilled staff available and 31% pointing to a smaller labor pool altogether.

Reasons for the Labor Shortage According to Restaurateurs

These issues are particularly pressing when it comes to servers and dishwashers, which are the top two roles that restaurants have trouble filling. In fact, one-third of restaurants report that they are short on both positions.

Number of Staff Shortages Restaurants are Experiencing



“Some people did want to quit, you know? With the fear of COVID, I think they didn't want to work.”

(General Manager, Independent Bar & Grill, LA)

Shortage % by Position

30%	Servers
27%	Dishwashers
22%	Chefs
19%	Bartenders
18%	Managers
17%	Hosts
16%	Line Cooks
13%	Prep Cooks
23%	Not facing labor shortages

"It's so difficult to find new hires, someone who is motivated to work. There are so many jobs in Miami, and some people just don't want to work right now."

(Owner, Independent Brasserie/Bistro/Café, Miami)

The Restaurant Recruitment Evolution
To try to recruit new staff, restaurants have overwhelmingly turned to social media, with nearly half (49%) saying it's their primary way of finding new employees. This is a dramatic shift from the pre-pandemic period, when referrals/networking were the biggest recruitment tool.

Stay competitve by offering...

Benefits

2019	2021
55%	57%

Wages

2019	2021
61%	54%

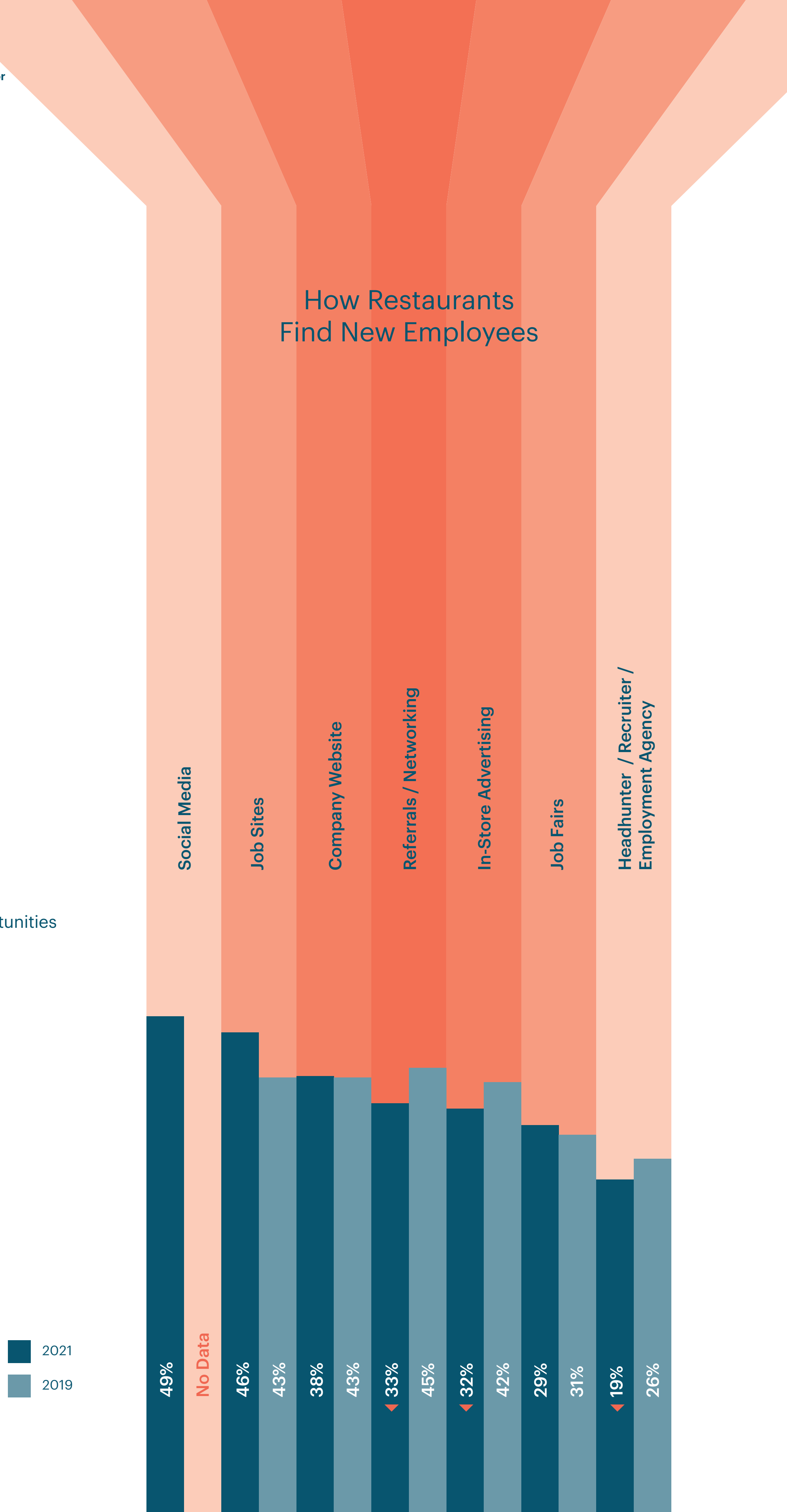
Professional Development Opportunities

2019	2021
43%	39%

Culture

2019	2021
46%	37%

The kinds of incentive that restaurants are offering prospective staff have also shifted since 2019. While 61% of operators in 2019 offered higher wages to stay competitive, benefits are now the #1 retention strategy.

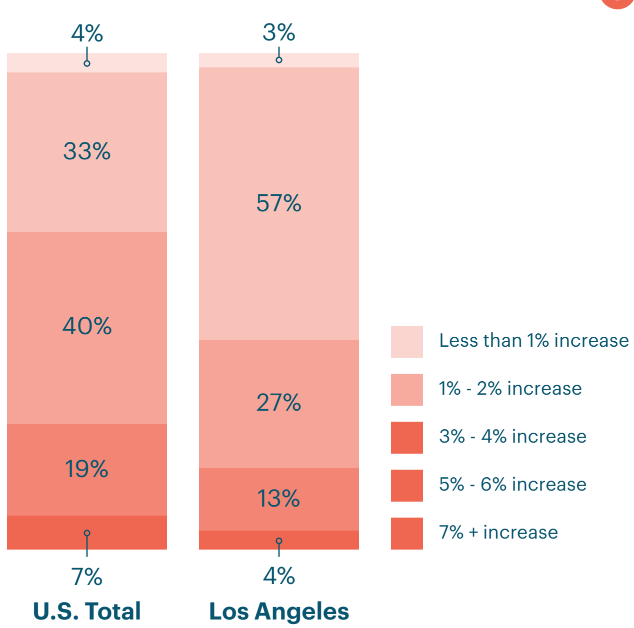


The Trouble With Wage Increases
This shift in strategy makes sense considering one-third (33%) of operators say they can only afford a 1-2% increase in minimum wage. In Los Angeles, this problem is particularly dire, with more than half of operators (57%) saying they can only afford a wage increase of 1-2%.

"Finding employees and offering them competitive pay has been a challenge. Minimum wage in California is already $15.00 an hour. I'm offering $18.00 an hour, $20.00 an hour, right? So that's cutting into my profits."

(Owner, Independent Fine Dining, LA)

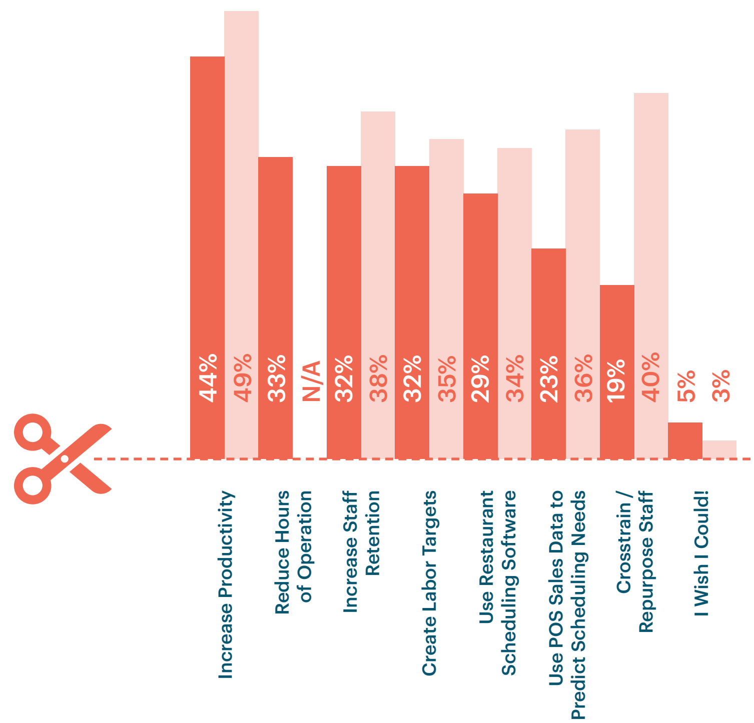
Affordability of Minimum Wage Increases



In an effort to keep labor costs low, most operators have attempted to increase productivity among their current staff, while 33% have reduced their hours of operation.

Interestingly, only 32% of operators say that they're focusing on increasing staff retention as a way to keep labor costs down – a figure that's down 6% from 2019. Operators are also less willing to lean on technology like POS data and scheduling software to keep labor costs down than they were in 2019.

Methods for Reducing Labor Costs



"We've cut back our hours. We used to be open till 10. One time we were closing at 5:30. Now we extended it all the way till 8 o'clock. But I'll tell you something, the dinner crowd inside has really diminished quite a bit, so we're toying with scaling it back a little bit – maybe to 6 o'clock."

(Owner, Independent Fine Dining, Chicago)

Staff Turnover Remains High
However, simply trying to increase the productivity of existing staff may be exacerbating the labor shortage by putting greater stress on existing employees.

Currently, employee turnover sits at 23% on average. However, some venue types, such as family style restaurants, have average turnover rates as high as 32%.

Employee Turnover Rate by Restaurant Type:

15% Brasserie/bistro/café

19% Bar/grill

21% Fine dining

32% Family style

23% Total (all restaurant types)

$3,178
Average Cost of Training a New Employee

And with the average cost of training a new employee now at $3,178, it's going to be increasingly difficult for restaurants to continue operating with such high employee turnover rates.

"They want what they believe to be a fair living wage. I think that's what's going to come out of this for everyone."

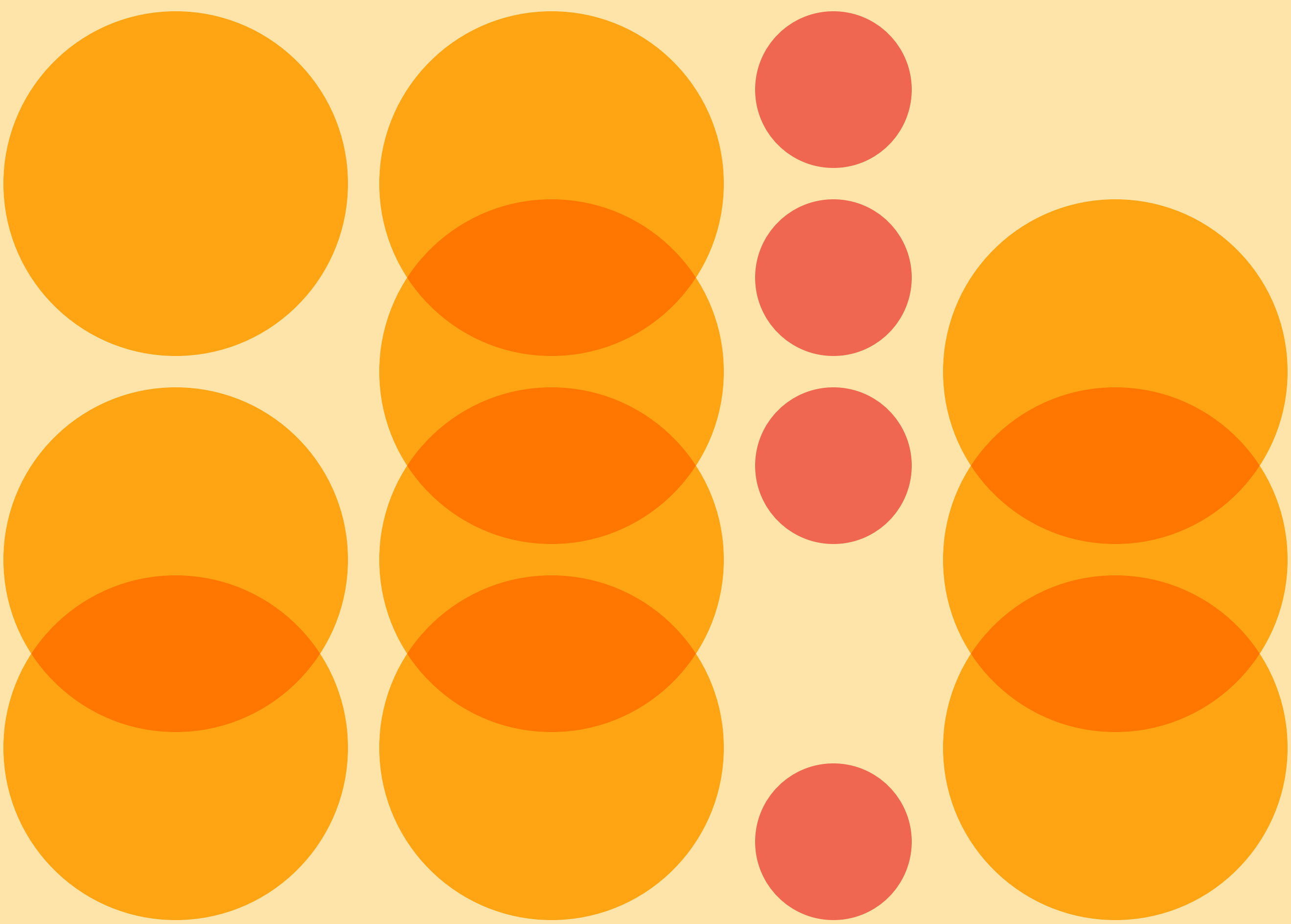
(General Manager, Restaurant Group Brasserie, NYC)

67% Up 2% since 2019

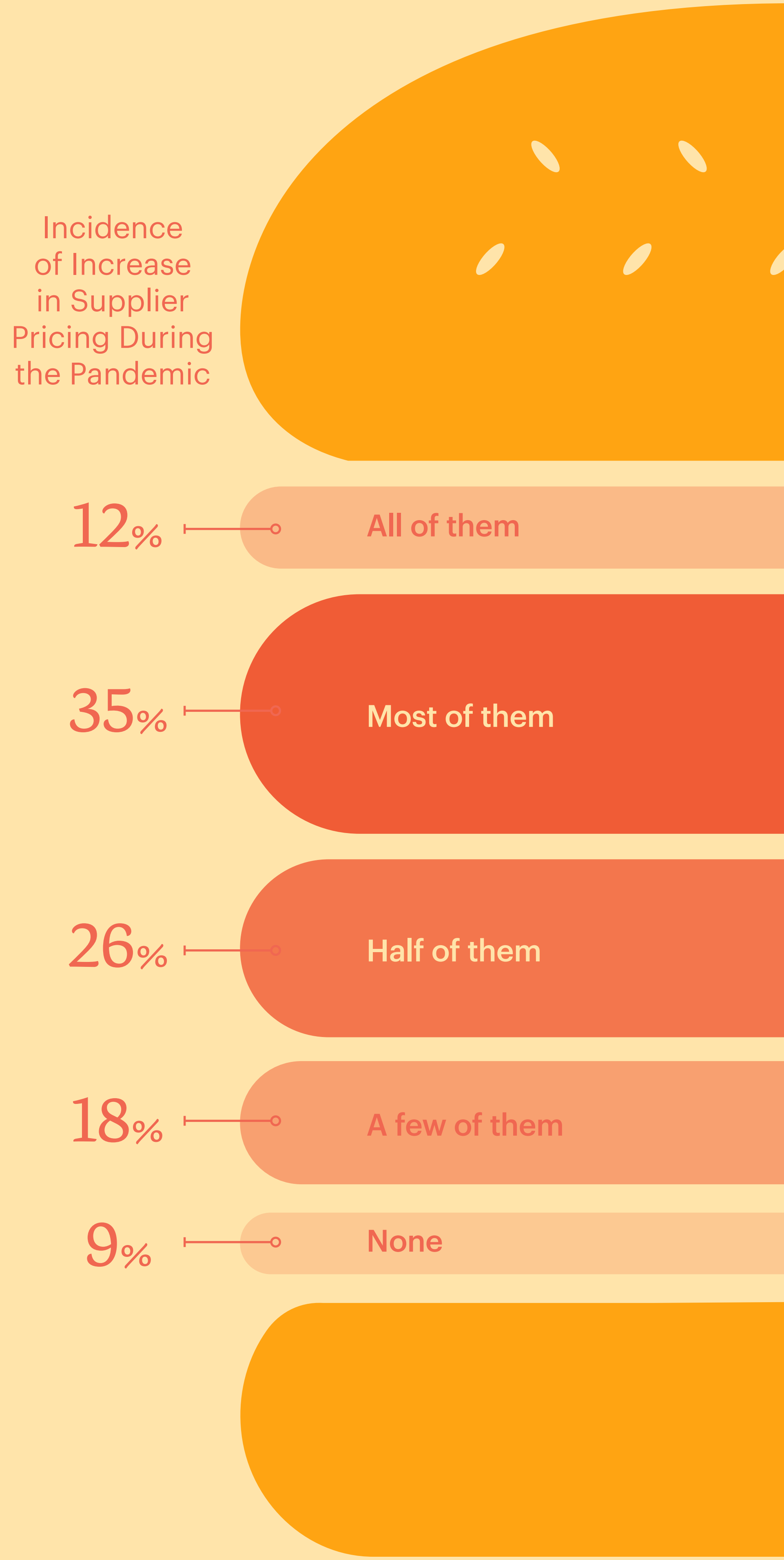
of restaurants spend more than $2,000 on training a new employee

Inventory & Menu Management

Restaurateurs overwhelmingly cited inventory costs as their greatest source of financial strain in the past year and much of this can be tied back to one issue: the rising cost of ingredients.

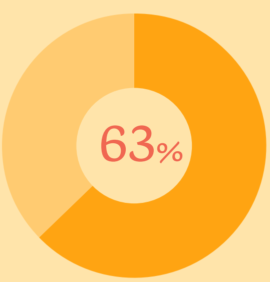


Food Costs Continue to Rise
Nearly half (47%) of operators said that *all or most* of their suppliers increased prices during the pandemic. And among those that belonged to a restaurant group, three in five said that they saw *all or most* of their suppliers' prices increase.



"Food and supplies skyrocketed during the pandemic. People don't notice that usually, but now they do notice it because of the supply chain issues. It definitely affected us in the sense that we had fewer products and products were just more expensive. Our food costs went up like 30% during the pandemic and that was a combination of supply and costs of fuel going up."

(Owner, Independent Family Style, San Francisco)



of restaurants that are part of a group saw all or most of their suppliers' prices increase.

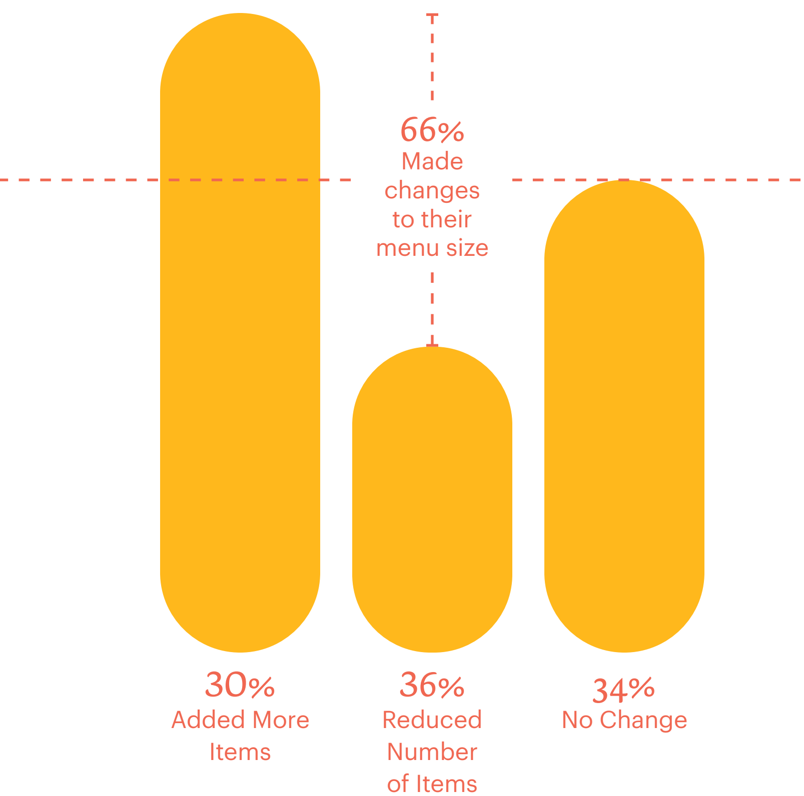
In response to these rising food costs, 36% of restaurateurs reduced the number of menu items they offered.

Menus Expand
But as the data has shown, reducing menu sizes to save on food costs proved challenging for many operators.

"Having to cut 30% of the menu was really difficult. Everything you're cutting [affects] somebody who's looking forward to something. Now I have to tell customers it's not available at this time and I don't know when it's going to be available."

(Owner, Independent Fine Dining, Chicago)

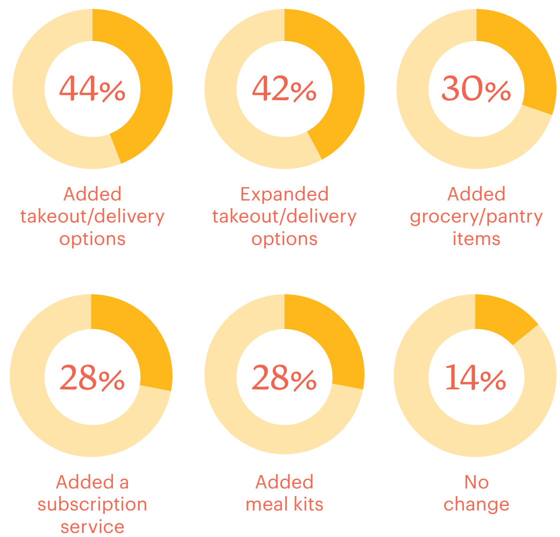
Changes to Menu Size During the Pandemic



Despite costs going up, two-thirds of restaurants actually increased or maintained their menu offerings.

In many cases, increasing the number of offerings available was necessary in order to make operations more takeout-friendly. This was especially true in urban centers that experienced strict indoor dining restrictions such as New York City and Los Angeles.

All States – Average Changes to Menu Offerings During to Pandemic



Restaurants That Added Takeout/Delivery Options

73% Los Angeles

70% New York City

Our research also found that restaurants that experienced an increase in sales expanded their offerings at a much more significant rate than their counterparts. In other words, restaurants that had a little extra cash coming in were more likely to use it to pivot their business to support a takeout-friendly business model.

"Everything is so much more expensive right now in comparison to before – even the food costs are so expensive right now. I remember before how much we were paying for the whole week and now it's almost double everything."

(Owner, Independent Café, Miami)

POS & Payments

While contactless payments – especially those integrated with a POS system – are ubiquitous in many parts of the world, American businesses and consumers have largely been slow to adopt them. However, our research revealed that there's been a recent shift in the way restaurateurs think about contactless payments (and their POS systems).

“At a lot of places [here], you give your credit card and they walk away with it. And then they come back with it. They've taken that away in Europe 20 years ago. I don't know why we're so behind everybody else, but we are.”

(General Manager, Restaurant Group Brasserie, NYC)

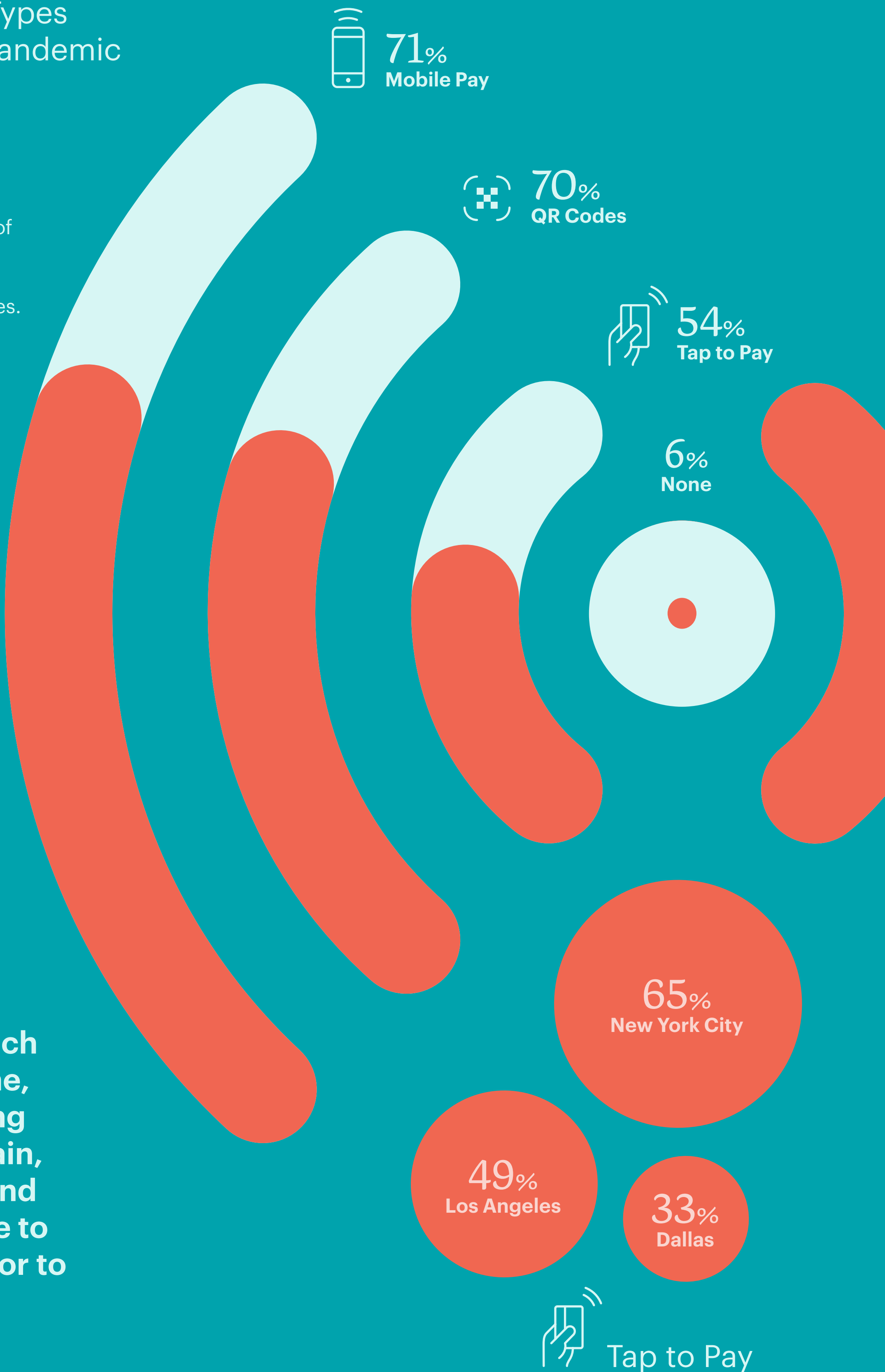
Contactless Payment Types Implemented During Pandemic

The Contactless Tipping Point
During the pandemic, virtually all restaurants introduced some form of contactless payment option, with seven in 10 restaurants opting to implement mobile pay and QR codes. And while just over half (54%) of restaurants across the U.S. added tap-to-pay options, 65% of restaurants in New York City embraced this payment option.

Restaurants with an integrated POS system were also significantly more likely to adopt all three forms of contactless payment than those with standalone systems.

“I think that [during] the pandemic people have been more conscious and I think there's a higher preference for contactless payment. If the process itself is easy and is not too much work or a burden on me, absolutely, we're willing to accept that. But again, I just have to understand more about it and have to find the right contractor to use the applications.”

(General Manager, Group, Fine Dining, Washington)



Tap to Pay Adoption by Region

Payment Processing Frustrations Remain
Of course, just because operators have been quick to adopt new payment options, it doesn't mean that their frustrations with payment processors have disappeared. 82% of operators still cite some frustrations with payment processors, with customer support, lack of transparency, and high pricing coming in as the top areas of concern.

#1 Frustration with Payment Processors

19%	Customer support
18%	Lack of transparency
17%	High pricing
15%	Manually entering transactions
13%	Vendors/resellers that don't inspire trust
18%	I don't have frustrations

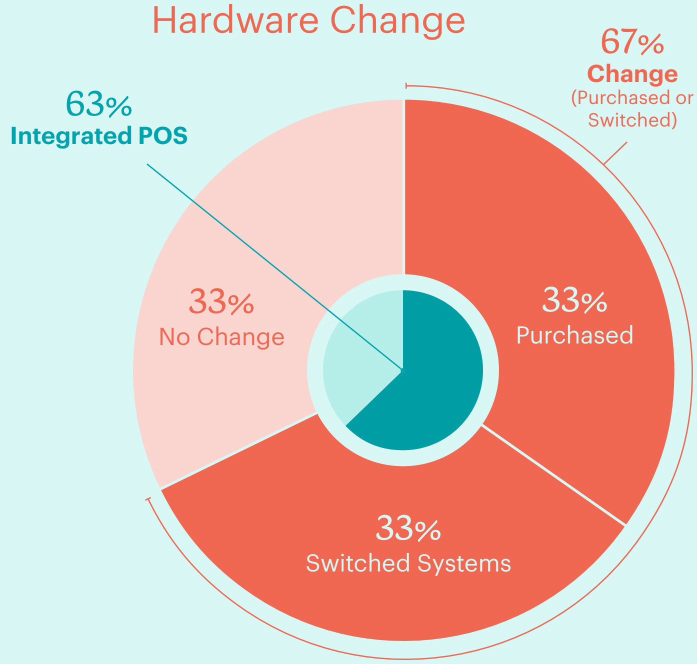
82% vs. 83% in 2019

"Obviously crashes or glitches are always gonna happen, but reliability is huge and I think we've all realized just how huge it is over the course of time. So more reliability, more user friendly, more integrated... We need something that's going to be fully integrated and work together a little bit better."

(General Manager, Family Style, Dallas)

POS Shopping Accelerates
In addition to adopting new payment processing options, 67% of restaurateurs also swapped their POS systems in an effort to better navigate the challenges of the pandemic. And of those who made a switch, more than half choose a POS with integrated payments. The highest rate of change was seen among restaurants that faced restrictions on indoor and outdoor dining, with a whopping 8 in 10 changing their POS systems.

Past Year POS Hardware Change



87% of restaurants that faced dining room and patio restrictions changed POS hardware.

“We were lucky to get this POS system onboard prior to the pandemic so we already had the platform when the pandemic started. Luckily, these platforms really took the reins and helped us move forward without us actually having to implement anything. They did it all behind the scenes for us.”

(Owner, Independent Family Style, SF)

Just like in 2019, **ease of use, affordability, and reliability** remain the top three factors considered when choosing a new POS system.

However, our report found that since the onset of the pandemic, **reviews, reporting features, and third-party integrations** have dramatically increased in importance, indicating that restaurants are now seeking POS systems that offer increased functionality. In other words, a simple point of sale system will no longer cut it. Today’s restaurateurs are looking for an all-in-one restaurant management system that can help them tackle everything from taking orders to managing operations.

“[It] would have been nice to have sort of one umbrella – one central system that would have kept things a little bit more uniform and a little bit more concise. I think if we would have had one system or one thing that would have brought more uniformity across the business, people would have been a little bit more comfortable.”

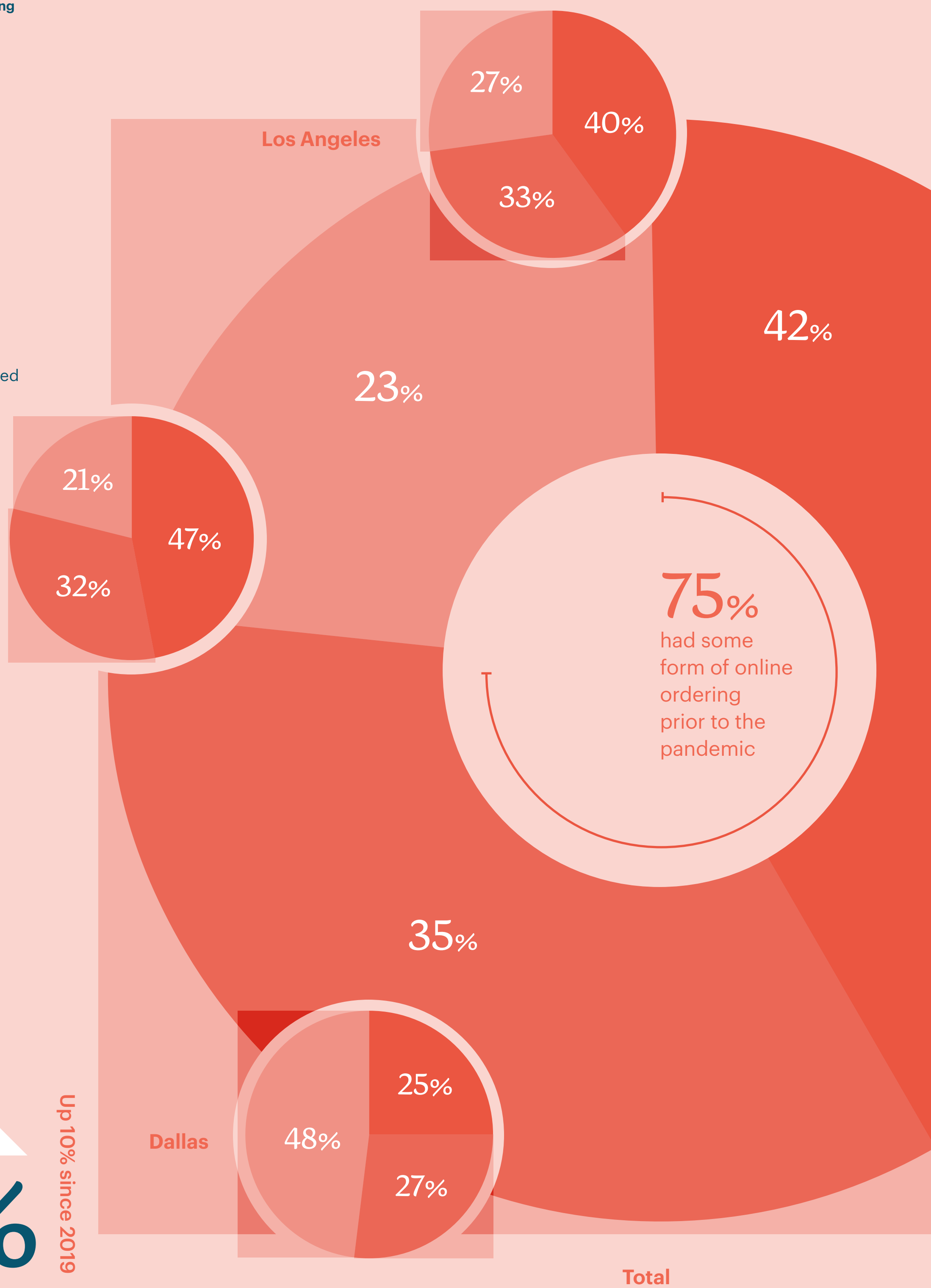
(General Manager, Family Style, Dallas)

Online Ordering

Of all the tools and technology that helped restaurants pivot during the pandemic, online ordering proved to be the most popular solution.

When Online Ordering Platforms Were Implemented

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



The Golden Age of Online Ordering
Since the pandemic began, there has been a major uptick in the use of online ordering platforms, with nearly three in five restaurants reporting that they added a new platform or implemented all online ordering platforms during or after the pandemic started. And in places like Dallas, half of operators waited to use online ordering platforms until the pandemic.

95%

Up 10% since 2019

of restaurateurs use one or more online ordering platform

Today, a whopping 95% of restaurants report using at least one online ordering platform – up 10% since 2019.

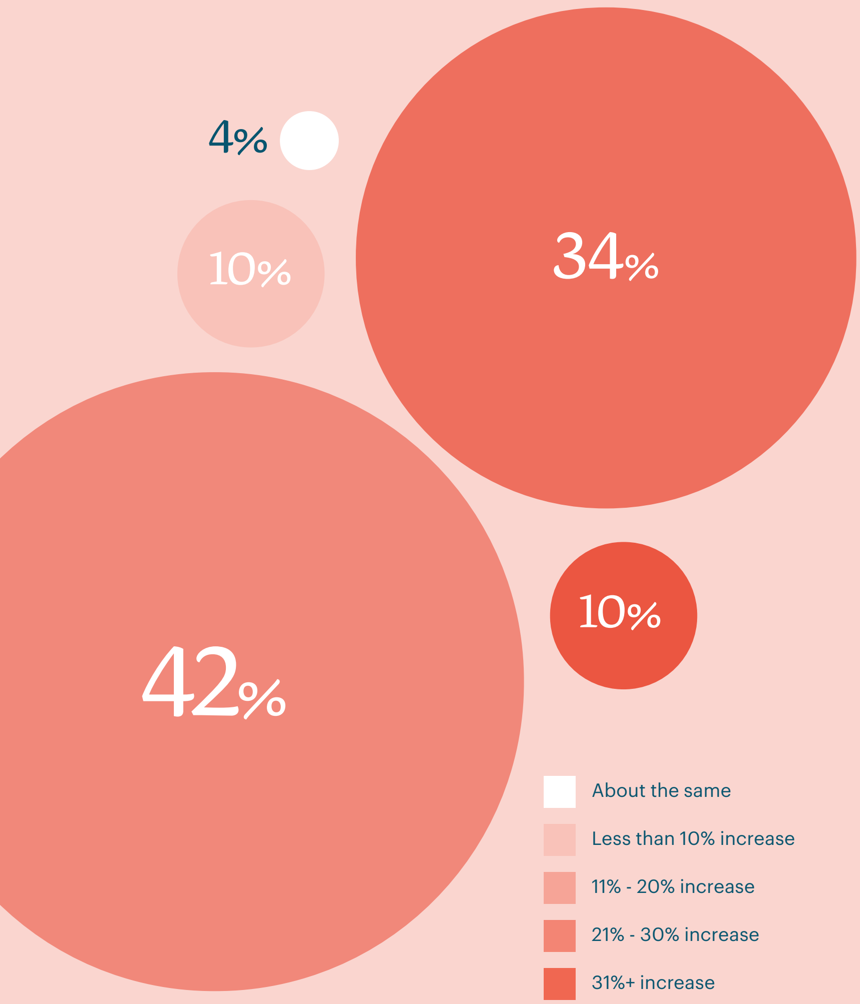
One third (32%) of restaurants implemented online ordering platforms AFTER dining rooms were closed due to COVID-19.

"We did offer Uber Eats before, but that wasn't like 100% of our revenue. As a result of the pandemic, that became like our main revenue and that was the scary part. It really became a question of what we needed to stay alive. And that was going to be the best way to do that."

(GM, Group Brasserie/Bistro/Café, NYC)

The shift to online ordering may have been swift, but it's a move that's paid off for many restaurants. Nearly half of restaurants report that customers are spending 11-20% more on online orders on average – due to both more menu items per check and more add-on options.

% Change in Spending: Takeout vs. Dine-in Customers



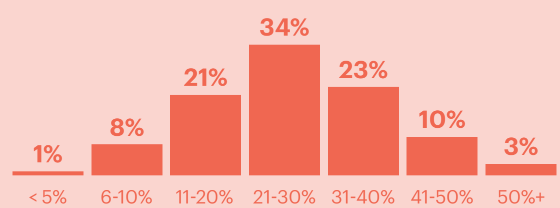
Moreover, one-third of restaurants have seen an uptick in sales volume from online orders at a rate between 16-20%. New York City restaurants have fared even better, seeing a 30%+ sales bump – a much higher rate than their peers in Dallas and Los Angeles.

Bistros are experiencing the greatest shift in takeout spending; two in ten are reporting an increase of 31% or more in online traffic.

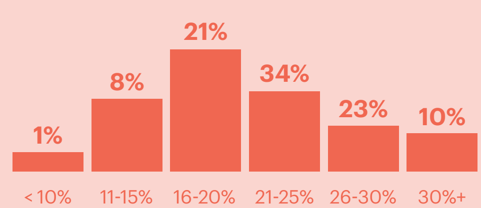
Fine dining establishments demonstrated the lowest spending shift with 16% reporting an online order increase of less than 10%

When it comes to which online ordering platforms restaurants were most likely to use, Uber Eats, DoorDash, and Grubhub continue to be the top three choices, with the usage of Uber Eats increasing 13% from 2019. The popularity of these platforms comes as little surprise with more than a quarter (27%) of restaurants citing delivery options as the reason why they choose to use a particular third-party app – up 9% from 2019.

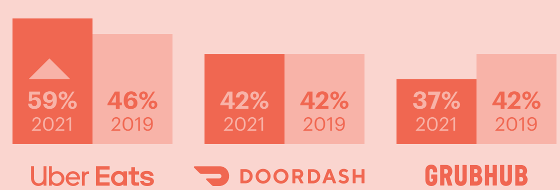
Proportion of Business Conducted via Online Ordering Platforms



Increase in Sales Volume Since Using Ordering Platforms



Online Ordering Platform Usage



Third-Party Resentments Remain
Of course, just because third-party apps are the most common online ordering platforms, it doesn't mean restaurateurs have wholeheartedly embraced these platforms. Many expressed concerns with third-party apps cutting into their profits and some even modified their website to set up direct online ordering as a more cost-effective solution. In fact, 34% of operators report now offering online ordering directly from their website.

Online Ordering Platform Usage

34%

Direct from my restaurant's website
2021

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

(General Manager, Independent Bar & Grill, NY)

Regardless of what kind of online ordering platform a restaurant used, many operators were still looking for additional features that could help them boost their takeout and delivery business. Of all the possible features, 36% of restaurateurs said that marketing and advertising tools were the number one feature missing from their current online ordering platforms.

Features Missing from Online Ordering Solutions

17%
Dinner Discovery Platform

22%
Ability to integrate into POS

25%
Delivery Options

36%
Marketing / Advertising Tools

How One Miami Restaurant Embraced Direct Online Ordering

About to head into Miami's peak season, the family-owned Salvadoran restaurant El Atlakat was doing really well. "And then all of sudden this hit and we had 60% less revenue," says Manager Katty Chavez.

"We did have pick-up before, which made up about 30% of our total sales," she says, explaining that the closure of dining rooms left her scrambling to find a way to offer takeout more effectively than over the phone but also not cut into her profits. "We were hearing from other business owners that all these delivery services – Uber Eats and Postmates – weren't reducing their delivery fees due to COVID."

Katty also looked at making her own online ordering platform, but the cost was too high and the timeline too long. "And then our POS provider magically appeared with an online ordering solution and saved the day," she says, explaining that it only took an hour to get up and running. "We literally did a happy dance when we received our first order."

Because the online ordering platform allows customers to order directly from a restaurant's website, Katty was able to offer her diners convenience without losing a cut from each order.

"We used to be completely overwhelmed with takeout orders over the phone. Now our customers choose to order on our website since they don't have to wait and they can prepay. It frees up our phone lines and takes a lot of the pressure off our staff."

But Katty says her choice wasn't just about the cost. "I wanted as many of my employees to have jobs as possible," she says. Some of El Atlakat servers transitioned to delivery drivers – at least one on from Monday to Wednesday, and then two when it gets busy Thursday through Sunday. "We raised our server hourly rate from $5.75 to $10 per hour, plus tips."

Pick-up also continues to be a big revenue driver for El Atlakat right now, with customers taking advantage of their drive-thru window to maintain physical distance from staff and other customers. "The space used to be a Wendy's," Katty says, making the location ideal for contactless pick-up.

When asked what advice she would offer to other restaurants struggling, Katty says, "Listen to your customer. Have a conversation. Sometimes we get lost in trying to put out fires and we don't open our ears. Entrepreneurs, restaurateurs, we're used to moving, moving, moving. But it's so important to take a deep breath and think things through very, very carefully."

Loyalty

Just like the use of online ordering platforms, there was also a major uptick in the use of loyalty programs after the start of the pandemic.

The Loyalty Boost
In total, 57% of restaurants report they now offer a loyalty program. Two in five of these restaurants implemented their loyalty program during the pandemic, indicating its increasing popularity among both restaurateurs and diners.

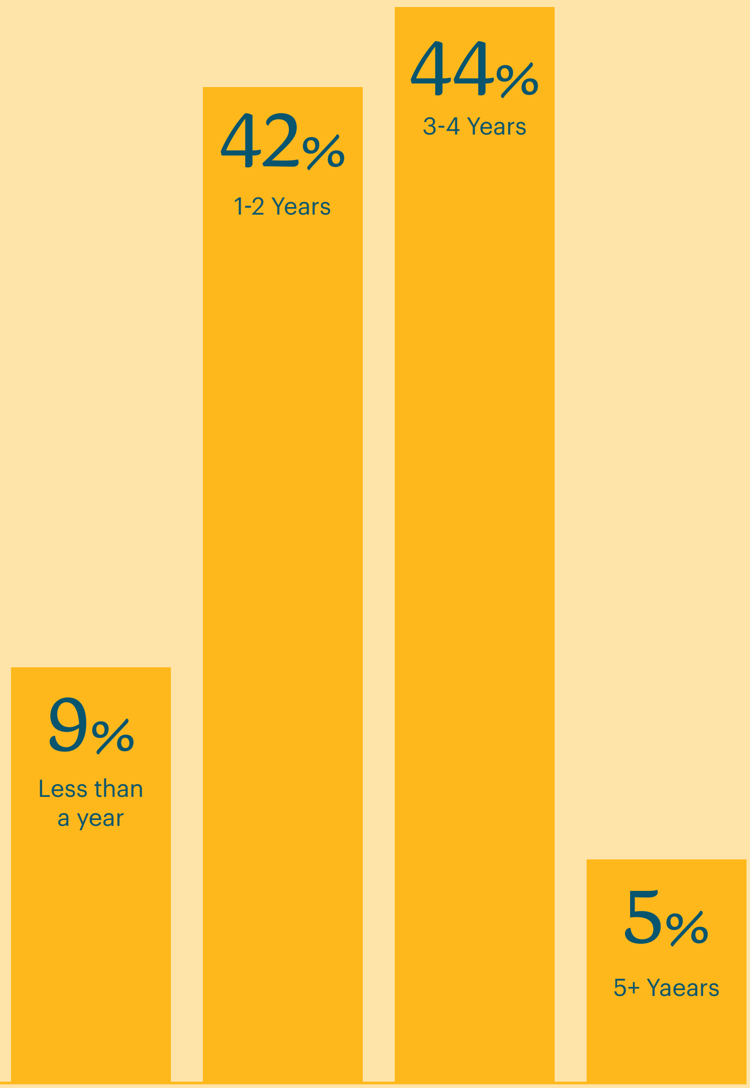
"During the pandemic we kept [our] loyalty program up. I think that it was a lot of the connection between some of our long term customers. Of course, we're always trying to get new customers, but we do have a pretty decent amount of regular customers and they love it."

(General Manager, Restaurant Group Family Style, Dallas)

Roughly half of restaurants in NY (47%) and LA (51%) report introducing loyalty programs within the last 1-2 years.

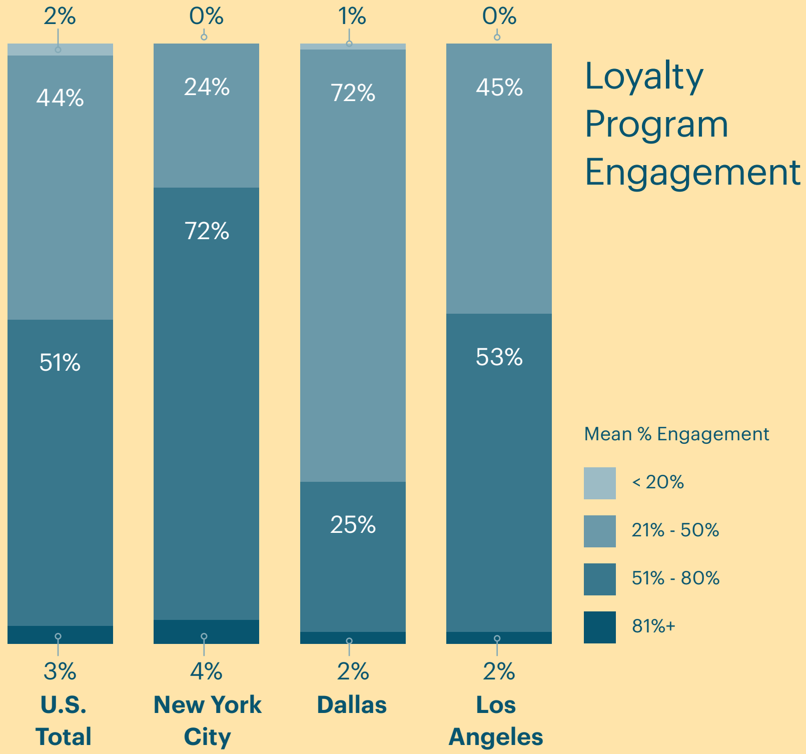
Among restaurants that do use loyalty programs, subscription programs (where subscribers receive rewards for reaching certain membership milestones) and programs that involve the use of a dedicated loyalty app, proved to be the most popular. And when it comes to the type of rewards offered, cashback or point-based programs were the most widely used.

Loyalty Program Usage



Types of Rewards Customers Can Collect

Results May Vary
While the majority of independent FSRs across the U.S. now offer loyalty programs, customer engagement is still mixed. Among restaurants that offer loyalty programs, about half see their customers engage with their programs regularly.



Biggest Benefit of Loyalty Programs

33% More engaged customers

32% More frequent visits

15% Bigger check sizes

21% Bigger orders

Though the use of loyalty programs varies, restaurateurs still report seeing some significant benefits of using these programs. 33% report that customer engagement is the biggest benefit, while 32% say that using a loyalty program leads to more frequent visits. And for restaurants still recovering from the pandemic, an engaged customer base that visits often is a major advantage.

Reservations

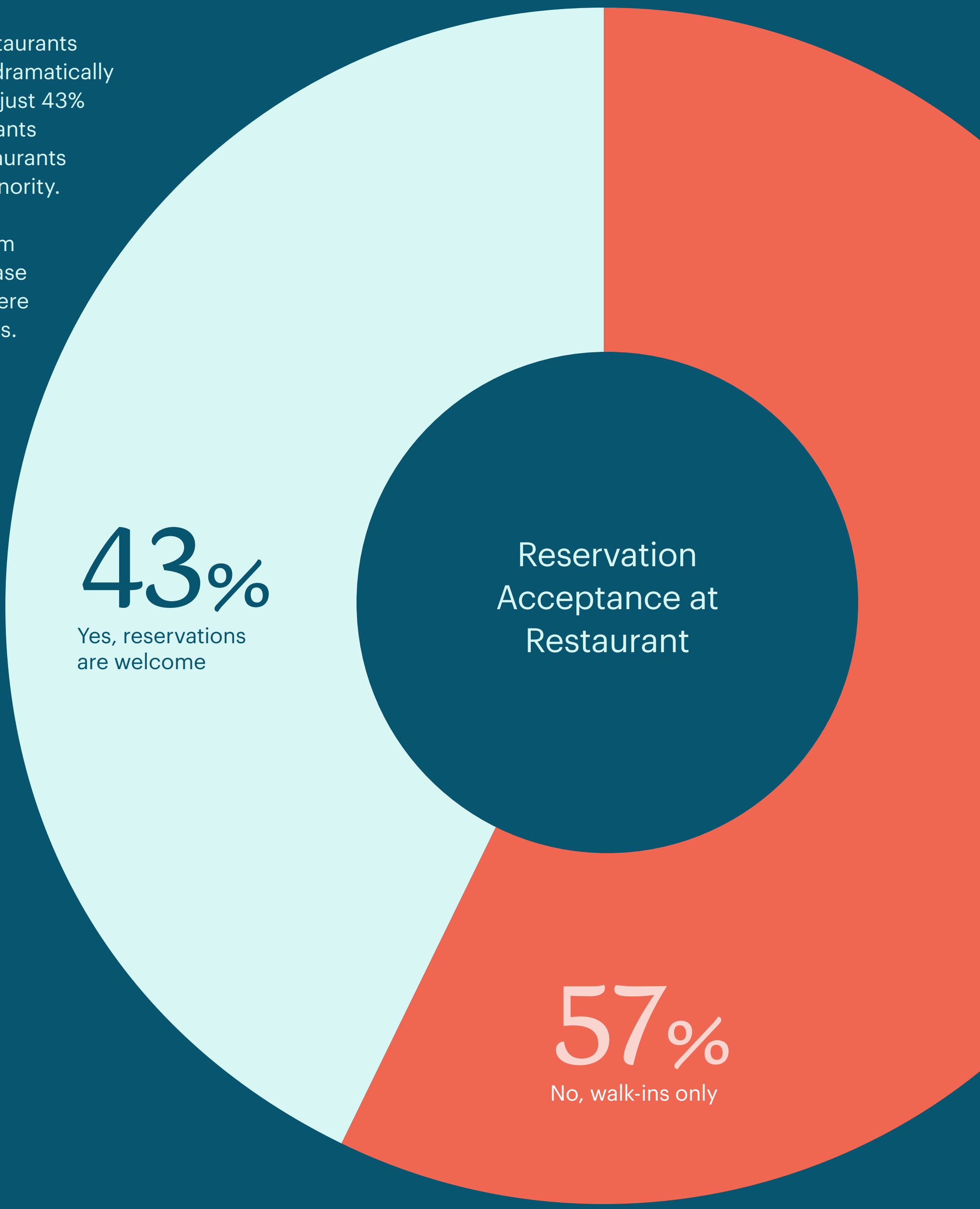
While online ordering and loyalty programs are enjoying new popularity among restaurant operators and consumers, reservations technology has taken a bit of backseat.

"We do have a reservation system and we still take calls. It's actually nice to know who's coming and how you know we can prepare."
(General Manager, Independent Bar & Grill, LA)

Reservations Fall Out of Favor
Unsurprisingly, the number of restaurants taking reservations has dropped dramatically since 2019 – from 72% in 2019, to just 43% in 2021. Now, three in five restaurants accept walk-ins only, putting restaurants that accept reservations in the minority.

Restaurants that faced dining room closures and did not see an increase in sales volume in the past year were more likely to not take reservations. This suggests that there may be a hesitancy to block off tables for reservations among restaurants that are still struggling to bring in customers.

Call-In Remains King
And among those restaurants that do accept reservations, the use of booking technology is mixed. Though 61% of restaurants report using a reservations platform – up a full 10% from 2019 – there's been a reluctance to abandon the good old fashioned telephone. In 2019, just 34% of reservations were made by phone, but in 2021, that number jumped to 41%.



% Using a Reservation Platform

51%	61% ▲
2019	2021

At the same time, the portions of reservations accepted through Google fell from 14% in 2019 to 13% in 2021, and the proportion of reservations accepted through third-party platforms fell from 15% in 2019 to 11% in 2021. Altogether, this suggests that consumers are not confident using digital channels to make reservations or they simply don't know that restaurants offer these solutions.

Proportion of Reservations Made Via Channel

	2019	2021
Phone	34%	41%
Google	14%	13%
Third-Party Platforms	15%	11%

In speaking with restaurateurs, it's clear that they see value in reservations platforms, especially in terms of scheduling and keeping track of bookings. However, the consumer preference for phone and walk-in bookings, paired with repeated dining room closures has left many operators hesitant to go all-in on reservations tech, instead preferring to keep their phone lines open for the time being.

"We do it manually – it's very old school. We take the reservation and we kind of [sort through them] in mini increments. I don't think we would need, like, an app for that. It's been working for us so you know we never really had an issue."

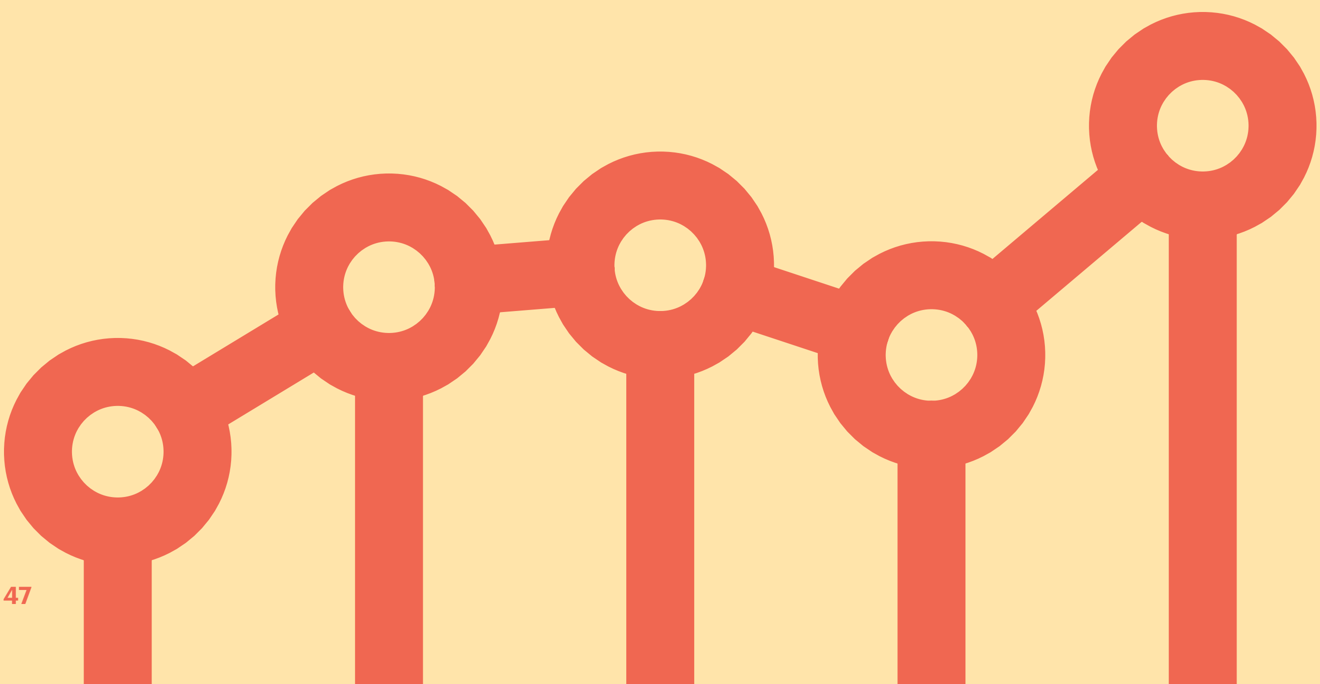
(General Manager, Independent Bar & Grill, LA)

"We opened and closed probably four or five times since the pandemic happened because of the San Francisco policy going, oh, you know, we can open, but open with limited capacity, and then, you know, closing down and mask mandates – it was all over the place"

(Owner, Independent Family Style, SF)

Here are five emerging trends to keep an eye on in 2022.

While the pandemic has disrupted the restaurant industry in countless ways, our findings have revealed several trends that can act as a roadmap for operators in the year ahead.



1 Off-Premise Persistence

What initially seemed to be a stop-gap measure is proving to be essential to modern restaurant operations. Despite dining rooms reopening in 2021, more than half (57%) of restaurateurs said they conducted 21-40% of their business through online ordering platforms. This suggests that the demand for takeout and delivery options is unlikely to go away anytime soon (if ever), and that restaurateurs need to figure out how to harness the power of these essential platforms.

“I don't anticipate all of a sudden people are going to come into the restaurant and not order food online anymore. It's more comfortable to just sit at home and order food. I've heard that from my customers.”

(Owner, Independent Fine Dining, LA)

2 Contactless Payments Are Here to Stay

The pandemic seems to have finally dethroned cash as America's preferred payment method. Virtually all restaurants implemented some form of contactless payment option during the pandemic and now 70% of restaurants report accepting cash (down from 84% in 2019). This shift towards contactless payments like mobile pay and tap-to-pay is only expected to grow as consumers become more comfortable using these flexible payment options when dining out.

3 Automation Domination

Nearly half (47%) of operators said that all or most of their suppliers increased prices during the pandemic. These are costs that are not expected to come down anytime soon, which means operators need to look for new solutions to keep operating costs to a minimum. Technology has already proven useful in some areas, such as online ordering platforms that free staff from taking orders by phone. Operators should take note of the gains that online ordering has offered and look to other restaurant technology as a way to keep costs down.

"Even during a pandemic, there's always room for innovation."
(Owner, Independent Fine Dining, Chicago)

4 The Recruitment & Retention Dilemma

The pandemic significantly exacerbated the existing labor shortage and restaurateurs are still grappling with how to navigate a smaller labor pool. In response, the majority of operators (49%) have simply tried to increase productivity among existing staff. However, with an average turnover rate of 23%, it's overwhelmingly clear that operators need to do more to focus on employee recruitment and retention. Operators need to make restaurants a better place to work by offering competitive wages, more benefits, a strong team culture, and more professional development opportunities.

5 The All-in-One Evolution

The demand for modern POS systems, particularly POS systems with integrated payments, reveals the growing desire for technology that can help support many facets of running a restaurant (not just taking orders). And with significantly more operators citing reviews, reporting features, and third-party integration as top factors they look for in a new POS, it's clear all-in-one restaurant tech is becoming a must-have, rather than a nice-to-have.

"I would love to have an integrated system where everything is just in one location – I don't have to work with different contractors, I can just go into one place. So that way, as orders or reservations come in, I can just go into one platform and manage everything."

(General Manager, Independent Fine Dining, Washington, D.C.)

Conclusion

There's no question that the COVID-19 pandemic upended the restaurant industry as we know it. Not only have operators suffered major financial blows, but many aspects of running a restaurant business have been fundamentally altered, ultimately causing incredible stress and anxiety.

"I can tell you that my health definitely went down. And when I say my health, I mean my blood pressure skyrocketed because I was just sitting at home, you know, basically making Zoom calls with my business partners and my vendors dealing with how I can move my finances around to cover expenses."

(Owner, Independent Family Style, San Francisco)

However, our report reveals that these changes are far more complex than they appear at first glance. While 74% of restaurants managed to maintain or increase their sales, these gains were almost entirely wiped out by the rising cost of inventory. And while online ordering and loyalty programs surged in popularity, the way operators and consumers engage with these programs is mixed. In short, the state of restaurants in 2022 is complicated and it's clear that operators are just now starting to understand how to navigate the obstacles they're facing.

“Through the challenges and the upsides, we're still here. We're back to making money, we're getting employees back on deck. We learned a lot about our communities around us. We learned a lot about our employees in general and who was really there to work. And I learned a lot about myself and the structure of the restaurant and how things could go and how things could quickly change... We made it through all those things and are still doing well – things are picking back up.”

(General Manager, Restaurant Group Family Style, Dallas)

In spite of the winding road ahead, most restaurateurs have a positive outlook on the future of the FSR industry. Many operators we spoke with mentioned that the challenges of the last few years have helped them reinvent themselves and become more technologically advanced. Citing tools such as direct online ordering and QR code menus, many operators see technology as key to the future of the industry. With a little patience and a willingness to accommodate changing consumer preferences, restaurants can find success in the year ahead.

"Things will be back to normal because this industry doesn't go away. People love to go out and have a good time so it will always be here, and you know, it's something that I truly love doing." (General Manager, Independent Fine Dining, Washington, D.C.)

"My restaurant is just like inviting you to my home and it's almost like an extension of my house. I want you to be welcome. I want you to come in and enjoy. And you become a friend of mine, even if it's maybe just one time. Or maybe we'll see you every week, whatever. Whatever the situation is, it's nice to have that human connection."

(Owner, Independent Fine Dining, Chicago)

TouchBistro

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

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

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