

DECEMBER 2022

2023 RESTAURANT TRENDS REPORT

WHO'S BUYING

What age group buys the most on eating out? How will that change over the next five years?

TECHNOLOGY TRENDS

2023 FOOD TRENDS

TOP 5 THINGS TO DO RIGHT NOW FOR 2023



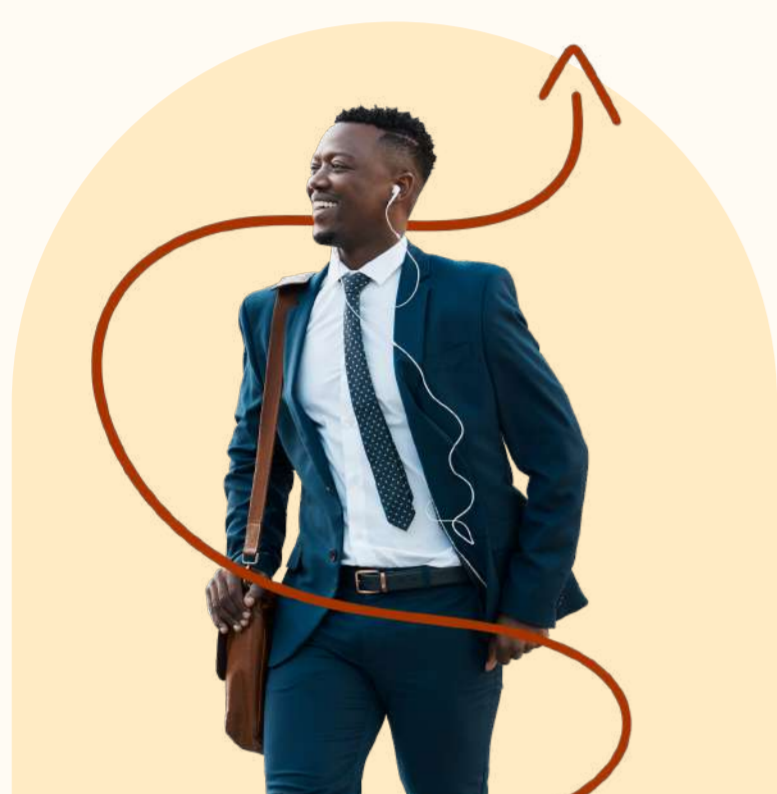
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KEY GROWTH FACTORS OVER THE NEXT 5 YEARS

The Good News

Several factors that spur growth are expected:



Growth in the number of high-income earners



Increase in overall consumer spending



Greater number of people living in urban areas



A return to the pre-pandemic normal

The OTHER News

- Heavy competition from other food service operators is expected to cut into the revenue of the independent restaurant industry (see External Competition).
- The growing popularity of fast-casual restaurants will add to the competition.
- Consumers are increasingly becoming aware of health issues related to fatty food intake and food safety issues. This poses a potential threat to industry operators.

Source: IBISWorld



ANNUAL GROWTH OVER THE NEXT 5 YEARS



\$190.5bn revenue

| Annual growth 2017-2022 | Annual growth 2022-2027 |
|----------------------------|----------------------------|
| 0.7% | 1.7% |

Why is industry revenue expected to increase?

Increased consumer spending, growth in the number of high-income earners, and a higher number of people living in urban areas will boost industry revenue (IBISWorld, 2022).



155k businesses

| Annual growth 2017-2022 | Annual growth 2022-2027 |
|----------------------------|----------------------------|
| 2.2% | 2.0% |

Will there be a rise in the number of single location restaurants?

The number of single location restaurants is expected to grow with an increase of 2% mainly due to shifts in consumer preferences: growing demand for different styles of cuisine and locally sourced higher quality foods.



4m employees

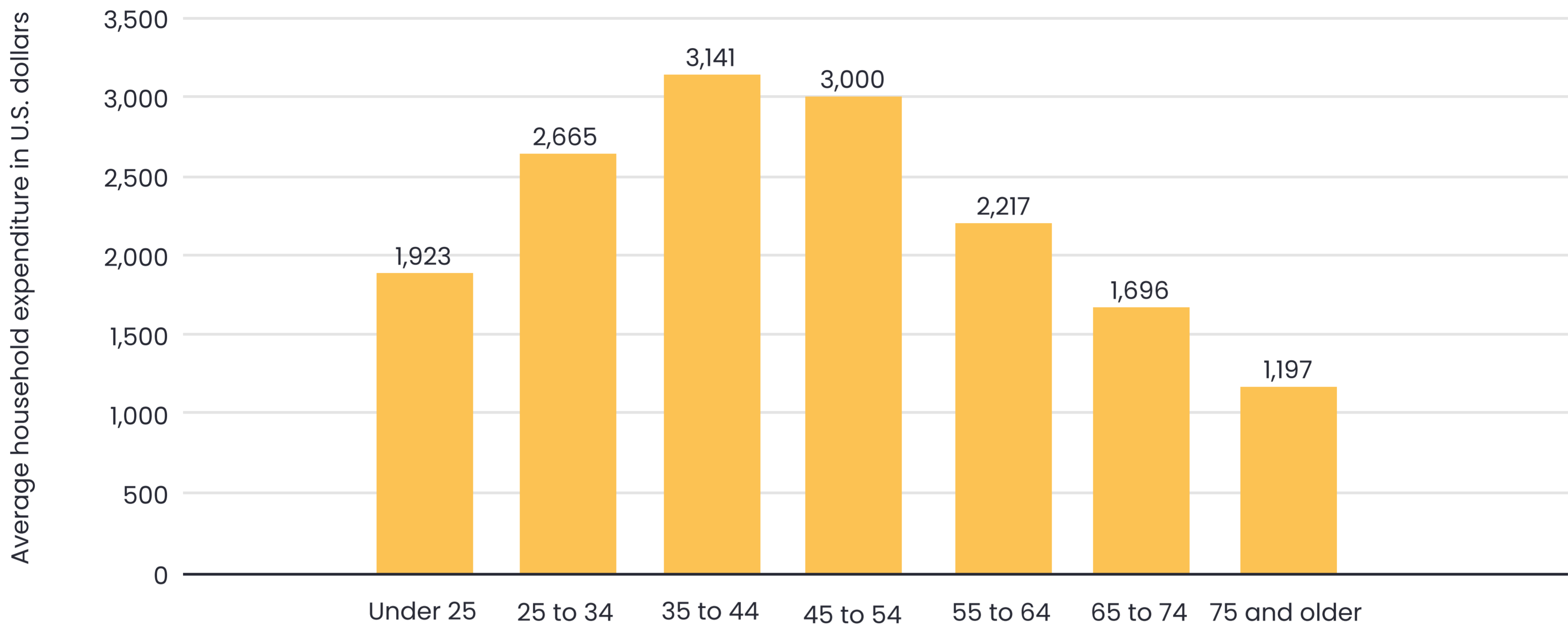
| Annual growth 2017-2022 | Annual growth 2022-2027 |
|----------------------------|----------------------------|
| 3.6% | 2.1% |

Will employment in the restaurant industry increase?

Yes! The employment rate is expected to grow. (IBISWorld, 2022).

LOOK WHO'S BUYING

Annual U.S. household expenditure on food away from home



Source: Statista

People aged 35-44 spend the most on eating out - an average of \$3,141 per year.

What else are they doing?



77% are on Facebook



48% are on Instagram



Now go market to your biggest fans!

Source: Pew Research Center, 2021

INDUSTRY PERFORMANCE



2013 – 2028 Revenue History and Outlook

| Year | Revenue (\$billions) | Establishments (Units) | Consumer Spending (\$billions) |
|------|----------------------|------------------------|--------------------------------|
| 2013 | 158 | 153,681 | 11,212 |
| 2014 | 164.7 | 153,734 | 11,515 |
| 2015 | 173.4 | 152,809 | 11,893 |
| 2016 | 181.5 | 156,902 | 12,188 |
| 2017 | 183.8 | 157,245 | 12,484 |
| 2018 | 188.8 | 159,689 | 12,845 |
| 2019 | 193.5 | 159,074 | 13,126 |
| 2020 | 145.5 | 156,017 | 12,630 |
| 2021 | 172 | 157,566 | 13,629 |
| 2022 | 190.5 | 176,061 | 14,043 |

| Year | Revenue (\$billions) | Establishments (Units) | Consumer Spending (\$billions) |
|------|----------------------|------------------------|--------------------------------|
| 2023 | 194.3 | 179,680 | 14,403 |
| 2024 | 197.6 | 183,046 | 14,356 |
| 2025 | 200.6 | 186,639 | 14,909 |
| 2026 | 203.6 | 190,328 | 15,182 |
| 2027 | 206.7 | 194,485 | 15,457 |
| 2028 | 208.5 | 198,926 | 15,608 |

Source: Statista

Key Takeaways

Post-pandemic, the industry is expected to continue growing over the next five years due to several trends:

- consumer spending on eating out will rise
- the number of domestic trips will climb
- consumer confidence will increase
- households earning more than \$100,000 annually will increase

3 MAJOR CONSUMER TRENDS THROUGH 2028

- Intense competition and a shift in consumer preferences will cause more emphasis on product innovation and service quality. Many restaurants will introduce new product lines focusing on healthy and gourmet meals.
- Although large restaurant chains will continue to draw revenue away from small restaurants, small restaurants will remain popular due to the large number of consumers who prefer more personalized service and quality food.
- Restaurants are expected to engage with customers using websites and social media. The majority of marketing efforts will be through online channels.
- The popularity of food delivery and delivery services will continue to grow.



THE COMPETITIVE LANDSCAPE

INTERNAL COMPETITION

Independent restaurants will continue to compete with other restaurants for their local market.

Restaurants compete based on price, location, online presence, food quality, style and presentation, ambiance, hospitality, service, and conveniences like delivery and curbside pickup.



RESTAURANT OWNERS QUIZ

WHAT'S YOUR COMPETITIVE EDGE?

Rate your restaurant business on a scale of 1 to 10

1 = Weakest in this area

10 = Strongest in this area

| | | | | | | | | | | |
|---------------------------|---|---|---|---|---|---|---|---|---|----|
| Location | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Price | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Style and Presentation | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Food Quality | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Ambiance | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Hospitality and Knowledge | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Service | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Online Presence | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Delivery and Pickup | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

What area(s) could you strengthen? How?

How could you better market your competitive advantage?

EXTERNAL COMPETITION

Other Food Service Providers

- Limited-service restaurants will continue to draw consumers from full-service restaurants by offering higher-quality products at lower prices.
- Franchised full-service restaurants have a more significant presence on the market, making them an even more significant threat. They often provide similar products as single-location restaurants, making them a direct competition.



How Restaurants are Expected to Respond to Competition From Other Food Service Providers

- Small restaurants are known for their uniqueness. That can easily be used as an advantage over the competition from other restaurants, especially the franchised ones.
- Better hospitality at small restaurants is another advantage that will be leveraged to keep customers coming back.
- To catch customers' attention, small restaurants are opting for attractive product representation and promotions.
- Increased product differentiation, such as ethnic cuisines, fusion cuisine, and premium foods, are helping small restaurants stay competitive.





Online Services

The rise in online food ordering through mobile applications and websites such as Grubhub, Fodler, and UberEats will continue to threaten single-location restaurants that do not offer delivery or find the profit margin too narrow when partnering with third-party delivery services.

The growing popularity of start-ups such as Blue Apron and HelloFresh poses a threat to the industry. These start-ups offer home delivery of fresh ingredients and recipes at a low price, enabling consumers to cook at home instead of eating out. (Source: IBISWorld, 2022).

How Restaurants are Expected to Respond to Competition From Online Services

- More and more restaurants will offer online ordering and delivery. There will also be more delivery options and platforms that will provide restaurants with greater control of the delivery process and customer service. The need to choose delivery partners wisely to reach the right clientele, keep the profit, and increase revenue will continue.
- Restaurants are expected to introduce new products and marketing plans to draw in younger clientele, specifically the Millennials, who are entering the market.
- Restaurants have been promoting their businesses using social media over the five years to 2022, a trend that is expected to continue.

TECHNOLOGY TRENDS



Multi-channel E-Commerce

The pandemic increased online purchases across all industries - particularly the restaurant industry! As consumers spend more time buying online, they expect to be able to buy directly on websites and social media. Some online platforms offer restaurants their own e-commerce website and methods to deliver directly to consumers.



Click and Collect

In recent years, click and collect has become a popular hybrid method for food ordering. It includes a combination of human interaction with takeout. The possibility for click and collect even increases customer loyalty, with 54% of customers who say they would spend more if the click and collect option were available.



QR Codes

Digital menus, accessed by scanning a QR code with a smartphone camera, are a trend that emerged during the pandemic and is here to stay. It offers several benefits at relatively low costs for restaurants.



Diverse Payment Options

There is a growing demand for multiple payment options, notably cashless and contactless. While 47% of customers expect to pay with their credit card, contactless payment (such as paying with a smartphone) is on the rise, with 40% of customers preferring this method. There is even a slow emergence of alternative payments such as cryptocurrency (4%).



Online Table Reservation System

As customers are becoming busier and more tech-savvy, the preferences are shifting towards technologically enabled on-the-go concepts. Booking a table via the app allows customers to see available slots and make a booking by themselves, on the go, and without a traditional phone call reservation. This is an excellent opportunity for restaurants since they can collect customer information through the digital reservation system.

2023 RESTAURANT TRENDS




Based on multiple resources and surveys, we bring you **key takeaways** and **trend predictions** for the next year and beyond.

Restaurant Trends For 2023


- The Conscious Consumer: Healthy Eating and Sustainability
- The Time/Quality Sensitive Consumer: Convenience and Premiumization
- Diversification: Concepts and Ideas
- Interior: The Atmosphere and the Ambiance

The Conscious Consumer: Healthy Eating & Sustainability



52%

report following a diet or eating plan in the past year, up from 39% in 2021. The most commonly selected options were “clean eating” and “mindful eating”




57%

are concerned about food waste. Gen Z, Millennials, and Gen X are more likely to be concerned than Boomers

52%

believe their food and beverage purchases have an impact on the environment. Millennials, parents of young children, people with a college degree, and those with higher incomes were more likely to say so



39%

39% regularly buy foods and beverages labeled as “natural.” The top two reasons for buying “natural” products are 1) believing that natural foods are generally healthier and 2) wanting to avoid artificial ingredients

Source: [International Food Information Council](#)

Healthy Eating

Rising concerns about health issues resulting from eating high-fat, high-salt foods and fried foods are a trend that will continue to increase. The growing demand for healthier meals means that restaurants will change their menus to attract customers and meet their needs. Different styles of cuisine that offer more nutritious meals include organic foods, food of local origin, meat alternatives, and other plant-based options. This trend provides an excellent opportunity for small restaurants since their supply chains are often connected to other small businesses offering local food. Additionally, **as the cost of meat, fat, and oils are rising, focusing on healthier and plant-based menu options will allow restaurants to save money and increase revenue.**

Note that the shift towards healthy eating is more than just adding a couple of plant-based dishes or healthy drinks to the menu. Today's consumers, especially Millennials, choose healthy eating as a complete lifestyle. This means that, while choosing the restaurant, they will also pay attention to things like authenticity, transparency, sustainability, and ethics. Therefore, besides offering healthy menu options, restaurants should label their menus transparently while calling attention to their healthy or sustainable selections. **Communicate ALL the ways your restaurant is making an effort!**





Environmentally-friendly food packaging for takeout is another thing to consider adopting, even partially. The statistics show that **67% of customers** believe it's essential for product packaging to be recyclable, and 58% of consumers will more likely buy goods with reusable packaging. The number increases to 83% with younger customers entering the market (and becoming the leading target group in the years to come.)

Ways Restaurants Can Apply the Trends and Attract Conscious Consumers:

- Offer more plant-based, low-fat, and unprocessed meals
- Offer healthy drinks and more sugar-free drinks
- Be transparent about ingredients
- Add icons on the menu indicating options like gluten-free, vegetarian, vegan, low carbohydrate, and sugar-free
- Offer customization for meals and drinks
- Switch to biodegradable straws
- Use biodegradable packaging for takeaway as much as possible
- Try implementing reusable packaging for some products
- Reduce the usage of single-use plastic as much as possible



The Time/Quality Sensitive Consumer: Convenience & Premiumization



More Convenience Please

As consumers are caught up in recent social trends, such as a busier lifestyle, heavier workload, and longer working hours, they seek ways to save time, particularly regarding food. Although this can boost online food orders, it can present a challenge for the dine-in experience. Customers are becoming less tolerant of wait times. A recent Oracle survey shows that **33% of customers will get annoyed if they wait more than 5 minutes for service**. The number increases to 56% for counter orders and 59% for a drive-through. Following these numbers, the demand for service efficiency and convenience increases.

Restaurants that can provide efficient service to time-sensitive customers will increase revenue. The trend toward instant gratification can be challenging for small restaurants since they often experience staffing issues (thus longer wait times)

The Premiumization Trend

Besides the growing demand to cut wait time, customers have become increasingly interested in the quality-price ratio. This is especially true for Millennials, who are starting to spend more money eating out, but whose income is lower than Baby Boomers. **Millennials tend to demand smaller (cheaper) portions with the same high-quality ingredients.** This leads to the premiumization trend: making high-quality (and luxurious) goods more affordable. The premiumization trend can help a small restaurant stand out locally since they often provide higher-quality or freshly prepared food (compared to chains).

Ways to Follow the Trends Toward More Convenience and Premium Options

- Try to keep employees happy; they'll provide better, more efficient service
- Offer promos for less popular times of the day (when the restaurant isn't crowded so you can give faster service)
- Add selections that cover a complete dine-in experience that requires less preparation, from appetizers and drinks to dessert
- Communicate the quality of the ingredients in the menu items
- Offer smaller portions that are more affordable
- Try the premiumization trend: offer smaller portions of premium food
- Trim down menus (helps to reduce costs and food waste while providing more quality food)



Diversification: Concepts & Ideas

With the rising popularity of online food ordering, a diversification in consumer preferences, and the Millennials entering the restaurant market, the following years will lead to an increased demand for diverse concepts of restaurants and styles of cuisines. This is an excellent opportunity for small restaurants since small establishments can more easily dive into uniqueness while maintaining high food quality.

Ghost kitchens are gaining popularity. Ghost kitchens are food preparation operations with no dining room, no servers, no parking lot but a strong presence on food delivery apps. It is estimated that ghost kitchens will account for **21% of the US restaurant industry** by 2025. Some people used ghost kitchens to get a foothold in the market during the pandemic. Other small operators have found a way to make a living without the significant investment of opening a traditional restaurant. Even national chains like Chili's and Applebee's have used ghost kitchens to create extra revenue and to test new menu items.

A relatively newer trend is the growing interest in culinary fusion. Influenced mainly by social media (mostly food influencers), the internationalization of cuisine allows for combining elements and food-preparation styles from different parts of the world. This is another significant trend that small restaurants can benefit from since it depends upon creativity and freedom.



RESTAURANT TREND FOR 2023

Pop-up Restaurants

FOOD BEVERAGES - EVENTS

Another exciting concept gaining in popularity is the pop-up restaurant. Pop-up restaurants are usually temporary establishments located in unusual venues such as warehouses, parks, old buildings, etc. These establishments' popularity allows restaurant owners to embrace their creativity and experiment with different ideas.

One recent example of a pop-up restaurant was a [Golden-Girls-themed restaurant in Beverly Hills](#).



RESTAURANT TREND FOR 2023

Interior: The Atmosphere and the Ambiance

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Anything that conveys cleanliness is trending. Beyond keeping the place clean, this includes choosing current colors, furniture, and decoration. The increased focus on wellness that emerged during the pandemic will remain relevant and inspire interior design trends. Customers will welcome organic and natural-looking environments. Cozy or natural materials such as wool, wood, velvet, and ceramics can be used to add an organic or calming quality to the environment.

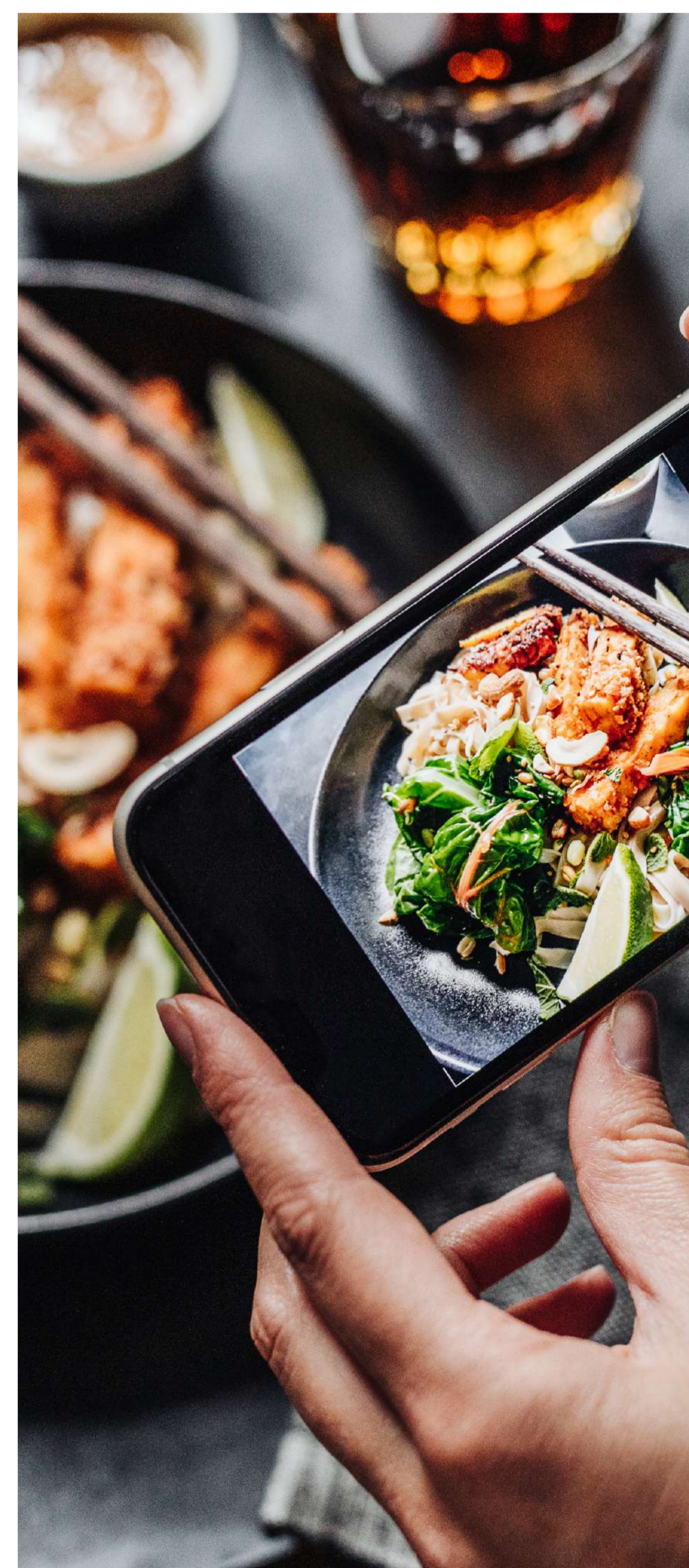
Restaurant operators should avoid over-stuffing the space because it lessens the perception of a clean and safe environment. Warmer tones such as deep green and blue are on trend, and purposeful pops of color can balance wooden tones and furniture.

Another significant trend in the hospitality industry is to have an Instagram-friendly interior. The younger generations, who use the app daily, tend to appreciate the nice-looking and eye-catching interiors that can be photographed for their Instagram posts. Geometric shapes, playful colors, and good lighting can be used to turn the place into an Instagram lounge.

TOP 5 THINGS TO DO RIGHT NOW FOR 2023 & BEYOND

With social life returning to the pre-pandemic normal and an expected increase in overall consumer spending, the restaurant industry is expected to grow. Nevertheless, competition levels will remain high. Online ordering, delivery, and pickup will continue to gain popularity. However, there is increasing dissatisfaction with third-party delivery services because they don't allow restaurants control over the delivery quality or communication with their customers. The following ideas can help you navigate new trends and grow your business.

- 1 Get your own **ecommerce website** to offer online ordering if you don't have one.
- 2 **Do more social media marketing** to grow your customer base on #1 Facebook and #2 Instagram. Share photos of your food and interior. If you offer healthy options and follow environmentally sustainable practices, point out that on social media. It will attract new customers!
- 3 **Boost social media posts** and invest in social media ads. Even a budget of \$100 each month will expand your reach significantly and attract new customers.
- 4 **Use email marketing** to share promotions and discounts and increase sales. Email is also a great way to stay top-of-mind.
- 5 **Make an effort to optimize your Google Business Profile** and encourage positive reviews. Having many positive reviews is becoming more and more important for restaurants. Respond to reviews: the best ones and the bad ones!



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