Restaurant Industry Assessment 2023
Welcome!

Introduction
Explore NBCUniversal’s latest perspectives and insights into the Restaurant industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Restaurant brands and marketers as they navigate what’s next.

Our Approach
At NBCUniversal, we have a legacy of working with a diverse range of Restaurant partners to build their brands. This report has been created based on NBCU’s:

- Ongoing Industry Evaluation
- Conversations with Restaurant Advertisers and Agencies
- Continual Marketplace Analysis
- Examination of Consumer Attitudes towards the Restaurant Industry
In 2023, NBCU worked with:
48+ Restaurant Industry Advertisers

- QSR
- Fast Casual
- Casual Dining
- 3P Delivery
- Meal Kits
- Pizza
Contents

01. Looking Back: 2023 in Review

02. Looking Ahead: Key Industry Trends to Watch

03. The Power of Advertising & Media Trends to Watch

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Looking Back

2023 In Review
Restaurants are taking a **Slow & Steady** long-term approach to recovery and growth in a tough macroeconomic environment.
### Restaurant Brands Held to Their Strategies in 2023

<table>
<thead>
<tr>
<th>Continued Regional Expansion</th>
<th>Talent Retention Remained a Priority</th>
<th>Apps &amp; Loyalty Grew and Evolved</th>
<th>Chicken Still in Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smaller and mid-size brands continued to open stores across the country through franchisee strategies, while large national chains focused on entering or expanding in global markets.</td>
<td>Many restaurants honed in on talent retention efforts as part of their business strategies to boost customer experience through happy employees, as well as to lower long-term labor costs stemming from employee churn.</td>
<td>Brands upgraded their loyalty programs to further gamify the experience and make reward thresholds more accessible to consumers as they look for value in a difficult economic environment.</td>
<td>While the chicken wars are no longer at their peak, new menu items featuring chicken continued to launch and attract customers.</td>
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BRANDS ACROSS RESTAURANT SUB-CATEGORIES ARE
Focused on Value and Experiences in this Hard Environment

**QSR & Fast Casual**
Fast-food restaurants are attracting value-conscious diners thanks to their more affordable pricing, no tipping requirements, and loyalty programs.

**Casual Dining**
Despite post-pandemic traffic returning, inflation has mitigated growth. Much of casual dining’s growth has come from price increases with full-service chains increasing menu prices ~8% over the least year².

**Fine Dining**
Consumers are either saving or splurging, and fine dining establishments are reaping the benefits of this split behavior.

**Delivery**
3P delivery services are maintaining their hold on existing consumers and gaining new ones by adding to core restaurant delivery businesses with convenience, grocery, and other services.

**Meal Kits**
Meal kits are seeing sustained growth as a result of their convenience, time-saving, and “better-for-you” options.

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**Sources:**
1. Washington Post
2. Mintel QSRs
3. Restaurant Business Online
4. Yelp Economic Average
5. eMarketer
6. Mintel: Restaurant Takeout & Delivery
7. eMarketer

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**QSR & Fast Casual**
- +5.8%
  - Avg YOY increase in sales for major fast-food and QSR chains in Q2’23
  - AA consumers are leading fast casual dining²

**Casual Dining**
- +2%
  - 5-year CAGR of casual dining sales³

**Fine Dining**
- 10% to 17%
  - Change in consumer interest in higher-priced restaurants pre-pandemic compared to today⁴

**Delivery**
- +15.1%
  - Estimated 3P delivery sales growth in 2023⁵
  - Hispanics are 27% more likely to order delivery service more often⁶

**Meal Kits**
- +4.5%
  - Estimated meal-kit subscription sales growth in 2023⁷
**Marketplace Partnership Examples**

How Our Partners Are Evolving Their Media Strategy & Storytelling

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**Commerce Partnerships**
Roku tapped DoorDash to be its exclusive shoppable partner for restaurants. The partnership allows audiences to order meals directly through DoorDash from Roku, with Wendy’s being the first brand to test the integration.

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**Experiential Partnerships**
Shake Shack partnered with the Super Mario Bros. movie for an activation that featured special menu items, themed packaging, and an in-store pop-up. This allowed fans to immerse themselves in the movie while engaging with the restaurant.

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**Gamified Experiences**
Chick-fil-A gamified its loyalty program with the introduction of “Code Moo,” a game that engaged diners digitally while allowing them to earn food rewards, effectively merging entertainment with customer loyalty and engagement.

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**Cultural Relevance**
McDonald’s capitalized on the viral “Grimace Shakes” TikTok trend by introducing an official Grimace Shake to its menu. This boosted customer engagement, nostalgia, and Q2 earnings through the integration of the popular social media movement.
Looking Ahead

KEY INDUSTRY TRENDS TO WATCH
LOOKING AHEAD

Key Restaurant Trends & Emerging Sub-Categories We Expect to Influence Marketing & Media Strategies

- Consumer & Necessity-Driven Menu Innovation
- Restaurants as Entertainers
- Technology Takes a Step back For the Human Touch
- “Tip Creep” Expands and Confuses Consumers
- Delivery Media Networks Gain Momentum
- Emerging Sub-Categories & Brands Convenience Store Food Service
Consumer & Necessity-Driven Menu Innovation

Consumer needs directly impact new product creation.

In the past, menu innovation was largely driven by the desire for restaurants to create buzz.

But in today’s world of pressured margins, innovation is being designed around consumers’ preferences, labor shortages, and supply chain challenges.

As these challenges remain persistent, we can expect restaurants to continue using business challenges as the foundation to their innovation.

Hybrid work & on-the-go mindset
Early morning takeout (12am to 5am) has increased by 36% in 2022¹

Changes in dietary preferences
65% of consumers expect all fast-food restaurants to have a plant-based option by now²

Demand for more global flavors
>40% of consumers are interested in seeing more regional or international cuisines²

Changes in meal moments
62% of American workers claim that they eat lunch at their desks even when working in person³


Handheld & Portable Foods
IHOP Pancake Taco

Plant-based, Chicken, Non-Dairy, etc.
Shake Shack Veggie Shack Burger

Spicy, Regional & Global Inspiration, etc.
Outback’s “Sweet Heat Season” Menu

Snackable, Multi-Tasker All-Day Foods
Burger King Chicken Fries

Changes in meal moments
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Restaurants as Entertainers

Restaurants and content creators are increasingly finding inspiration in each other in their effort to influence culture.

Restaurant chains are taking on the actions and language of entertainment companies in their ongoing pursuit of influencing culture.

As restaurants menu items become more grounded in consumer needs, entertainment will become the new playground for restaurants to truly innovate and influence consumer preferences.

In Nov 2022, Chick-fil-A released its fourth annual animated film, "The Snow Globe," which encouraged simple acts of kindness and prompts meaningful moments between loved ones.

McDonald’s patted itself on the back in its most recent creative, “As Featured In,” which showed its ingrained presence in pop culture with a compilation of its presence in TVs and movies throughout the years.

Taco Bell took a page from food reality competition shows to create its own food competition with its employees called “Menu Blast.”

Netflix went "from screen to table" with a popup restaurant that features creations from chefs featured in shows on the streaming service.

Sources: 1. CFA Corporate Site 2. Taco Bell Stories 3. CNN 4. Marketing Dive
Technology Takes a Step Back for the Human Touch

Technology serves employees; it doesn’t replace them.

Restaurants used labor shortages and wage increases to further increase investments in automation. But today, consumers are seeking interactions with people and want customer service back.

Technology won’t be leaving the store, but it will be redirected at elevating employees’ roles rather than replacing them.

-27%
Decrease in restaurant menu QR code scans in Spring 2023 vs. Spring 2021 as diner preferences shift towards face-to-face service.

77%
Of consumers say staff friendliness is the most important feature a restaurant needs to provide, but 39% say restaurants are becoming less and less personal.

“At USHG, we’re always searching for technology that enhances the hospitality experience... With Thanx, we’re able to find creative ways to reward and build brand loyalty, meet our guests where they are, and create raves.”

Kelly Macpherson
Chief Technology Officer, Union Square Hospitality Group

 “[Customers] want to feel like welcome guests again, wrapped in the kind of warm, competent hospitality they fantasized about while the pandemic took it all away.... [Restaurant owners are] retiring robot waiters, making dining rooms cozier and giving servers and bartenders more time to spend with customers.”

Kim Severson
Restaurant Culture Reporter, New York Times


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**“Tip Creep” Expands & Confuses Consumers**

Restaurant surcharges become more pervasive out of desperation.

To maintain profitability, restaurants will get more creative in how they add fees. And as additional fees become more pervasive, tips may take a hit.

While this has historically not impacted chain restaurants, we still expect the evolution in tipping to impact what restaurant employees expect from their employers, especially in a time when hospitality employees have more leverage than ever.

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**WHAT WE’RE SEEING**

Restaurant’s “Plate Sharing Charge” Sparks Debate After Customer Finds Workaround

"Forget ‘tipflation’: Restaurant surcharges for inflation, health care, water are consumers’ latest pet peeve"

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**WHAT WE’RE EXPECTING TO SEE MORE OF**

**To-go Box Fees:** 72%

Of restaurant operators say the cost of packaging is increasing

**Supply & Product Fees:** 17.5%

Average price increase of supplies for restaurant operators since last year

**Minimum Order Reqs. & Sit Time Limits:** 90 min

Sit time limits on New York City diners

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Delivery Media Networks Gain Momentum

While still in infant stages, delivery media networks have a significant potential for growth.

As delivery partners look for new ways to monetize their product (without increasing their own costs) and demand for better data increases, we can only expect delivery media networks to see rapid growth over the next several years.

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Grow your Brand with DoorDash Advertising

- Drive incremental orders at the point-of-sale w/ direct attribution
- Advertise across 40K+ stores (DoorDash accounts for over 60% of online convenience deliveries)
- Capture high-intent shoppers (25M+ MAUs)

Sources:
1. Deliveroo Report
2. The Motley Fool
3. NBCU Analysis of Statista Market Insights
4. DoorDash Advertising Corporate Site
**Emerging Subcategory**

**Convenience Store Food Service**

This subcategory is gaining traction as consumers seek quick, convenient, and low-priced alternatives to traditional restaurants.

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**Why To Watch**

- **$54.7B**
  - Projected 2027 Market Size | +13% vs. 2022

- **5.5%**
  - Estimated increase in total U.S. convenience store food service in 2023

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**Brands to Watch**

- 7-Eleven
- Wawa
- Maverik
- Circle K
- Foxtrot

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**Ad Spend**

- **$31M**
  - Subcategory spend in 2022 with a 65% and 35% digital/linear split

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**2022 Media Mix**

- **34%** Broadcast
- **1%** Cable
- **9%** Display
- **7%** Native
- **14%** Digital Video
- **15%** Facebook
- **16%** Instagram
- **3%** Twitter

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*Source: 1. Mintel. 2. MediaRadar*
Restaurants as Entertainers
Restaurants and content creators are increasingly finding inspiration in each other in their effort to influence culture

Consumer & Necessity-Driven Menu Innovation
Consumer needs directly impact new product creation

Tip Creep* Expands and Confuses Consumers
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Emerging Sub-Categories & Brands
Convenience Store Food Service
The Power of Advertising

& MEDIA TRENDS TO WATCH
While valuations fell, brands who maintained ad spend through 2022 *On Average ultimately saw less declines in market capitalization. For the average company, this translated to maintaining $707m more in market capitalization compared with brands who cut ad spend.

*On Average Sources: S&P CIQ, MediaRadar, NBCU Proprietary Analysis
Pizza: Advertising Delivered for the Top Chains

The top four Pizza spenders outperformed the category during the pandemic.

Total Advertiser Spend vs. Sales Growth
Top Four Ad Spenders: 2020 vs. 2019

- Ad spend growth
- Sales growth

sources: Numerator, iSpot, Internal Analysis
Media Trends to Watch

Similar to how business strategies are shifting, marketing strategies will increasingly focus on how consumer needs are shifting in real time.

Buzzy marketing will still be a priority but become more balanced with tactical and strategic efforts.

Evolving Meal Moment Targeting

Key daypart targeting is evolving as new subcategories (i.e. meal kits) emerge and consumer dining shifts (i.e. hybrid, snacking, changing times)
The number of dinner reservations seated from 2-5pm doubled from 2019 to 2023

LOYAL CONSUMERS are Consulted

Consumers become part of the pre & post campaign

Regional Marketing WILL INCREASE

“We’ve all been spending all this money for the same real estate on search engines and we have found we’re more effective with more direct, localized marketing”

Chuck Imerson, CEO, Asian Box

Group Experiences ARE CELEBRATED

Socialization and in-person interaction are once again the star of the restaurant experience

From 2021 to 2022, QSRs increased investments in

Events +843%
Cinema +36,716%

Partnering with NBCU

CATEGORY PERFORMANCE, STRATEGIC CONSIDERATIONS & PARTNERSHIP EXAMPLES
# Restaurant Proven Impact: Across Brand KPIs

## Business Outcome

### NBCU Restaurant Campaigns – Test vs. Control

<table>
<thead>
<tr>
<th>KPI</th>
<th>Test vs. Control</th>
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</thead>
<tbody>
<tr>
<td>Brand Familiarity</td>
<td>+6%</td>
</tr>
<tr>
<td>Ad Recall</td>
<td>+32%</td>
</tr>
<tr>
<td>Brand Favorability</td>
<td>+9%</td>
</tr>
<tr>
<td>Brand Consideration</td>
<td>+10%</td>
</tr>
<tr>
<td>Foot Traffic</td>
<td>+8%</td>
</tr>
<tr>
<td>Purchase Intent</td>
<td>+10%</td>
</tr>
<tr>
<td>Search Engagement</td>
<td>+105%</td>
</tr>
</tbody>
</table>

## Source

- Custom research, vendors vary. Average of exposed vs. control cells for NBCU. Top 2 bas.
- Search Engagement (SER Index): EOA: Volume in five minutes following ads airing on NBCU vs. same brand competitive averages expressed as an index (200).

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Restaurant Proven Impact: Across Brand KPIs

Brand Familiarity: +6%

Ad Recall: +32%

Brand Favorability: +9%

Brand Consideration: +10%

Foot Traffic: +8%

Purchase Intent: +10%

Search Engagement: +105%
Campaigns Across More Than One Platform Are More Effective

Restaurant Category NBCU Campaigns: Multi-Platform vs. Single Platform
% LIFT

+57% Ad Recall
+12% Brand Favorability
+36% Brand Consideration
+21% Brand Recommendation

Source: NBCU Ad Impact Database 2017–2022, 87 CPG Brand Impact Studies
Custom research, vendors vary. Average of test cells for 2+ platforms vs. single platform campaigns
Strategic Consideration for Driving Growth for Restaurant Brands

### Generate Top-of-Mind Awareness

**Why**
With competition from local, regional and national restaurants as well as grocery & convenience stores, brands need to stay top of mind during key meal moments.

**How**
National and local cross-platform media to generate broad & impactful reach.

### Build Brand Affinity and Consideration

**Why**
As Restaurant brands continue to drive culture and extend into areas beyond food and the dining experience (content, gamification, etc.), they will look to form deeper and more involved relationships w/ customers.

**How**
Partner with beloved IP and talent to personify your brand and help build familiarity and emotional engagement.

### Drive Digital & In-Store Orders

**Why**
As diners continue to be more conscious of basket value and order frequency, restaurants will focus on efficiently driving sales.

**How**
Use ad innovations across platforms (i.e. content commerce, mobile app download, tap-to-map) to efficiently drive orders at scale.

### Engage Key Audiences

**Why**
As different audiences have different food and dietary preferences, brands need to cater to these tastes and personalize messaging accordingly.

**How**
Leverage audience insights and target key segments (i.e. loyalty members, Gen Z, families) w/ relevant messaging.
NBC solutions for delivering Brand & Business Impact for Restaurant Brands

Generate Top-of-Mind Awareness

Build Brand Affinity and Consideration

Drive Digital & In-Store Orders

Engage Key Audiences

Leverage NBCUnified audience insights to identify key audiences and reach them via AdSmart.
How Our Partners Are Evolving Their Media Strategy & Storytelling

Tapping into Talent
Wendy’s partnered with NBCU to drive brand engagement among Bravo fans. The partnership featured custom “Day in the Life” social content by Bravolebrity Lisa Barlow and highlighted Wendy’s Hot & Crispy Fries as her favorite go-to winter snack to raise awareness and drive mass social engagement.

Creating Custom Content
To launch the new Kentucky Fried Chicken Nuggets, KFC teamed up with Bravo to reach Millennial families with kids in partnership with Housewife Kandi Burruss and her son. The campaign included a :60 custom content spot airing on Bravo, as well as social first content across Kandi’s personal Instagram and Bravo’s Instagram.

Leveraging the Power of Sports
As the presenting sponsor of Football Night in America, Applebee’s partnered with NBCU for wraparound graphics that put the brand front and center in the #1 NFL pregame show. The sponsorship also includes custom content directly featuring an Applebee’s restaurant location.

Leaning into Content Integrations
Sonic renewed its partnership with AGT for massive season long exposure celebrating the talents of the contestants, while quenching the thirst of judges and contestants alike with Sonic water cups, a Sonic sipping station, and more to keep Sonic top of mind for our massive AGT fanbase.