Black Box Intelligence

PREDICTIONS

Trends That Will Impact The 2023 Restaurant Experience

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Introduction

Trends either dissipate as quickly as they emerge or become more engrained in day-to-day operations over time. For 2023, there are leading signals from last year's performance that indicate a strong start to be had by the industry. In this piece, we'll break down exactly why.

However, budgets will be stretched as the fight to attract new customers and retain loyal customers becomes more concentrated in the digital world than in-person. Product quality and service execution will remain of paramount importance, while navigating the industry landscape through a new digital lens.

We are entering a new operating era in hospitality, one where experience and impact gain a stronger correlation than ever before.

So what are the numbers signaling? Let's take a closer look at the trends that are predicted to make the biggest impact on the restaurant experience in 2023.

Key Takeaways

1. GROWTH IN RESTAURANT WAGES AND TURNOVER WILL EASE
2. AVERAGE CHECK GROWTH SLOWS, BUT SO WILL TRAFFIC
3. TRADE DOWNS CONTINUE AS VALUE PLAYS AN INCREASINGLY CRITICAL ROLE
4. NEW SELLING OPPORTUNITIES EMERGE FOR TO-GO OPERATIONS

What Will Improve Workforce Retention

How restaurant turnover will moderate

The staffing crisis continues in the overall economy, with the number of unfilled jobs remaining over 3 million openings higher than it was in 2019. But the number of vacancies has been on a downward trend since its peak in March 2022.

The labor market seems to be slowly correcting, and with fewer job openings available employees will tend to stay in their current position, helping reduce turnover. Furthermore, some sectors of the economy have already started reducing their workforce, which further signals that employment opportunities may be harder to come by in 2023. Again, creating an environment favorable for better employee retention in restaurants.

The restaurant data from Black Box Workforce Intelligence reveals restaurant turnover for both non-management and management employees seems to have stabilized and likely peaked in 2022, and particularly among full-service restaurants, has started to fall slowly. Further moderation of turnover rates is projected for restaurants in 2023, but unless we plunge into recession, sliding back to 2019 turnover rates remains very unlikely.

Growth in restaurant wages slows down

As labor market pressures continue to ease and as the restaurant industry laps over periods of very high wage growth in 2022, the year-over-year increase in hourly wages are predicted to be much lower in 2023 than during the previous year.

Black Box Workforce Intelligence data shows, much as what was observed for turnover, wage growth peaked in 2022 and has since begun tapering off. Barring recession, wages themselves will remain high (much higher than they were pre-Covid), but there will be some relief in the fact that the industry will probably not face double-digit growth rates in wages next year.

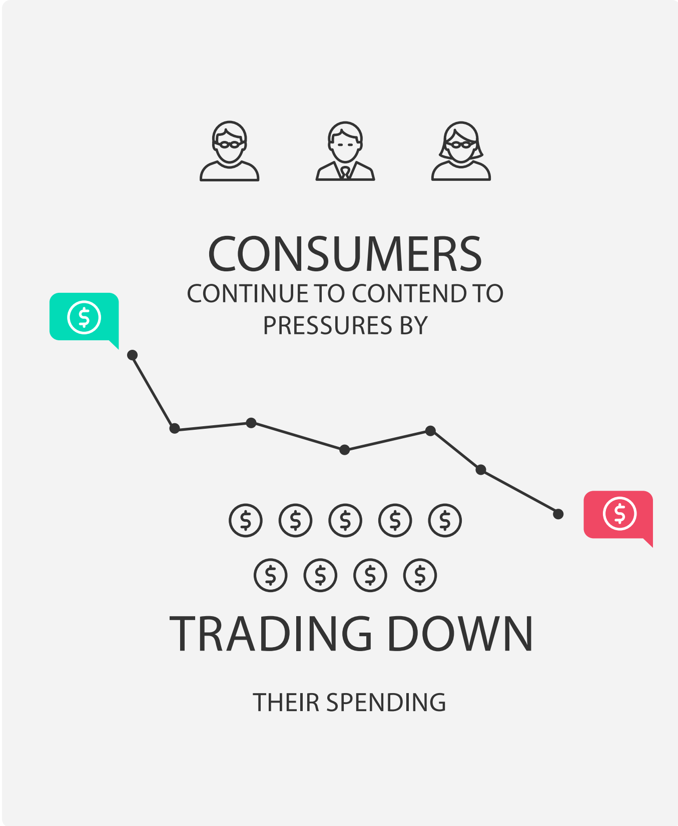
POSITIVE STAFFING LEVELS, MORE CONSISTENCY IN TEAM EXPERIENCE

DECLINE IN WAGE INCREASES EASES LABOR COST WOES

What's Driving Guest Satisfaction and Behavior

Guest Sentiment Remains Challenge for Limited-Service

With turnover rates starting to slowly ramp down and some gains made in staffing levels both in front- and back-of-house, guest sentiment in full-service restaurants has recovered and is around where it was pre-Covid. Service sentiment in particular saw some very solid year-over-year gains during the last few quarters. Full-service restaurants are anticipated to continue to hold on to these gains in 2023.



But turnover rates remain much higher for limited-service brands. Plus, they have a much larger percentage of off-premises sales than full-service (off-premises sentiment tends to be much more negative than for dine-in) and quick service and fast casual potentially could be experiencing further strains on their execution as they receive a boost in their business as guests trade down.

All of these factors suggest guest sentiment will remain relatively low for limited-service restaurants next year.

Trade-Downs Will Continue

There are already some signs of guests beginning to trade down from higher-priced restaurant options to others which are more budget-conscious. As guests look to control their spending in 2023 to offset inflation, some will increasingly gravitate to those segments with the lowest average checks. This means that those brands in quick service primarily, but also in fast casual and family dining, may be better positioned to capture some of the extra demand created by those trade-downs.

Meanwhile, fine dining will likely face a much tougher environment, especially considering the very strong performance the segment had in 2022 and that it will now lap over.

Value Plays Intensify

With food price growth expected to ease, guests are likely to start searching for better deals from a cost perspective, and in the case of limited-service brands, value guest sentiment remaining negative (meaning more guests are including negative comments about value-related terms in their online reviews than those that are mentioning restaurant value from a positive perspective), restaurants are expected to start leaning more heavily on promotions, deals, coupons, limited time offers, etc. to boost their traffic.

Guest sentiment based on restaurant value is projected to improve as a result, particularly among limited-service brands, which have been experiencing negative net sentiment around value for the last few quarters. Some cuisine types will have more latitude in terms of amplifying their value plays based on what commodities they rely on more heavily. For example, beef price inflation is projected to remain very high in 2023, while chicken prices are expected to come down.

Look for restaurant deals relying more heavily on chicken and moving away from beef. Price increases were so high for some chicken specs, such as breasts and wings, this year. Restaurants now have the opportunity to discount heavily on this protein in 2023 and reduce its price, even if they may not be rolling back those menu price increases they had to take in 2022.

Trends in Guest Traffic Signal New Selling Opportunities

Takeout Grows Again, Delivery Facing Headwinds

Since the 2nd quarter in 2021, restaurant takeout sales (through to-go orders and drive-thrus) have been experiencing negative sales growth on a year-over-year basis. Coming off the highs of off-premises consumption driven by the pandemic, this correction makes perfect sense. But there are several factors that point toward a resurgence in sales growth for takeout.

On one hand, especially since Q2, 2022 was much more reflective of the "new normal." Under this new balance, we seem to have made achievements in the on- vs. off-premises sales mix, with high check averages likely to start pushing takeout sales back into positive growth territory. But more importantly, for guests looking to moderate their spending in light of the inflationary pressures they have been subjected to for months, as well as in response to an economy potentially starting to slow down, takeout becomes a more attractive option. Many guests view tipping as optional when dealing with takeout (or tips may be much lower).

RESTAURANT TAKEOUT SALES

TURN A CORNER

FOR THE BETTER

AS 3PD DEMAND DROPS

Takeout also allows guests to lower the check through skipping beverage orders and other add-ons in favor of lower-cost options purchased at grocery or liquor stores. Guests taking advantage of this cost-effective option are likely to start gravitating towards takeout more in 2023.

One area of off-premises sales expected to slow down next year, however, is 3rd party delivery. The reason is the same as what may drive some incremental takeout sales: money savings.

Menu prices may be higher when ordering through the 3rd party apps, and delivery fees and tips are added on top of that. For many guests, sacrificing some convenience to keep more of their cash may be a driving factor next year.

IN-STORE TRAFFIC

WILL SHOW SLOW GROWTH

THROUGHOUT THE YEAR

WITH ANTICIPATED RECESSION

Guest Counts Down Next Year, Traffic Growth Will Remain Negative

Next year is expected to start strong for the restaurant industry from a same-store sales and traffic growth perspective, as we lap over the negative effects of Omicron. But this, unfortunately, is unlikely to be a sign of things to come for 2023. Sales growth performance was strong in 2022; as of the end of November year-to-date same-store sales growth has been a robust +6.0%. But this was only accomplished through unusually high average check growth, while same-store traffic was a much more sobering -3.0%. And it is quite possible things only get worse from there.

The expectation is for traffic growth to worsen in 2023, as many months of historically high inflation catch up with consumers that have been maintaining their current levels of consumption through debt or reduction in their savings. Whether the recession hits next year or not (the consensus seems to be relatively high probability, but not an absolute certainty in 2023), guests will likely limit their visits and orders from restaurants from a year-over-year standpoint. As a result, same-store traffic growth is projected to remain negative next year and worsen compared to its 2022 levels.

Same-Store Sales Growth Will Also Soften

Same-store sales will suffer through erosion on two fronts. On one hand, traffic growth will soften; and on the other, average check growth, which has been the tailwind behind the industry's strong sales performance this year, is expected to also drop. As a result, same-store sales growth is projected to be much weaker in 2023 than it was the previous year.

Average Guest Check Growth Slows Down

Inflationary pressures are beginning to ease, and forecasts predict a decrease in food price growth in 2023. Labor cost pressures are also subsiding, as wage growth year-over-year comes off its peak in mid-2022. Because menu price increases, fueled by the inflationary environment faced by restaurants, have been the primary driver of the record-high growth in average guest check, the conditions point toward moderation in guest check increases next year.

Upside for Breakfast and Lunch, But Challenges Remain

According to Google's Community Mobility Reports, people in the US are still spending about 20% less time at their workplaces than they did pre-pandemic. We have been seeing the 'returning to the workplace' trend since the second half of 2022 as companies grow more comfortable bringing people back into the office. This provides some tailwinds for those brands that rely heavily on breakfast and lunch, especially those near urban downtowns and office buildings. However, how much they can benefit from this shift will depend to a significant degree on the overall economy.

In a recessionary environment, many more consumers might be unemployed or looking to cut down significantly on their discretionary spending. Under that environment, grabbing breakfast at home and packing a lunch before heading out for the day will become a necessity for more people.

Opportunities in Cleanliness and Off-Premises Wait Times and Accuracy

As a result of the pandemic, cleanliness gained importance among reviewers. This will remain an area of opportunity for many restaurants, especially those in limited-service, which have been experiencing an erosion in their ambiance sentiment due to a slip in cleanliness.

With a larger percentage of the restaurant business coming through off-premises channels, the operational focus on them has been elevated.

[Black Box Guest Intelligence data](#) shows wait times and order accuracy as the two key off-premises areas in which restaurants have an area of opportunity to improve.

There are signals in your data to guide your growth in 2023. Stay connected to the facts so you can better control the future.

GUEST INTELLIGENCE DATA REVEALS

WAIT TIMES

+

ORDER ACCURACY

ARE TOP CATEGORIES TO IMPROVE ON FOR OFF-PREM OPERATIONS

Make the best of every journey.

Brands that deliver more consistent experiences have greater intent to return scores and sales growth. In this new operating era, find out what your guests expect from your brand, and make incremental improvements to deliver and delight on precisely that.

LEARN HOW