

guest XM

by Black Box Intelligence

What Customers Want from Full-Service Restaurants Now & in the Future



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Restaurant operators have been waiting with bated breath for an impending economic nosedive.

And while alarm over recession continues to grow, it's essential to note that most restaurants have consistently shown remarkable tenacity in dire times—largely through implementing proactive measures, embracing innovation, and prioritizing their most valuable assets: their customers and workforce.

A new list of Americans' favorite food and retail brands revealed that full-service restaurants (FSRs) are the most popular brands on Yelp, illustrating the resilience of this segment, which was heavily affected by pandemic restrictions in 2020 but managed to bounce back.

To continue strengthening this resilience, FSRs must understand their current and possible future challenges. The segment's number one challenge is competing with their speedy opponents: limited-service establishments. The latest GuestXM Market Intelligence data showed that, in response to economic pressures, there continue to be signs of guests trading down toward limited-service restaurants, in particular, quick-service brands.

Additionally, food inflation and labor shortages have had adverse effects on the segment's bottom line, forcing operators to find ways to uphold profit margins.

Furthermore, the FSR industry is fiercely competitive, with new sit-down restaurants constantly opening and well-established brands broadening their market shares, introducing innovative menus, implementing cutting-edge technology, and forming strategic partnerships that extend beyond traditional supplier networks.

These examples are just a sprinkling of issues pummeling full-service brands, and the answer to creating a powerful defense lies in capitalizing on their inherent advantages.



Full Service Fulfills a Basic Human Need

Customers crave the restaurant experience: 84% of consumers say going out to a restaurant with family and friends is a better use of their leisure time than cooking and cleaning up.

The concept of sit-down restaurants can be traced back to ancient civilizations, but the origins of what we now recognize as modern restaurants can be found in Song Dynasty China (960–1279 AD). During this period, the bustling city of Kaifeng witnessed the emergence of teahouses that offered a place for travelers to rest and enjoy tea. These teahouses gradually began serving simple meals, marking an early form of sit-down dining establishments.

According to a Chinese manuscript from 1126, patrons of one such establishment were greeted with a selection of pre-plated demonstration dishes that represented food options. Customers had their orders taken by a team of waiters who would then sing their orders to the kitchen and distribute the dishes in the exact order in which they had been ordered.

Since the genesis of sit-down restaurants, people have craved the experience of sharing food, indulging in unique, exotic flavors, and the convenience and luxury of being served.

This is precisely why FSRs will continue to play an important and enduring role in society. In fact, a 2023 survey study by the National Restaurant Association (NRA) targeting thought leaders in the culinary field showed that “more than 70% of respondents agree that customers want to gather on-premises—as hungry for connection as sustenance.”

Moreover, according to the most recent estimates from the US Census Bureau, Americans continue to have a strong desire to dine out. In May 2023, monthly sales from food services and drinking places reached \$88 billion. This represents a 0.4% increase from the previous month and an 8% increase compared to May 2022. While part of this growth can be attributed to higher prices at restaurants, the Bureau of Labor Statistics reported an 8.3% increase in food away from home compared to May 2022.

CORE ADVANTAGES FOR FULL-SERVICE RESTAURANTS



- Full-scale dining experience
- More time to nurture customer experience
- Extensive menu selection
- Customization & special requests
- Personalized service
- Social interaction
- Upselling opportunities
- Additional services such as valet parking
- Service quality

Core Advantages

To stay competitive in a fast-changing market, FSRs have several unique advantages when it comes to attracting and retaining customers and employees alike.

Here are some examples:

1. Full-scale dining experience: Customers are drawn to the convenience of dining out, allowing them to savor their meals at a relaxed pace.

Full service caters to this need by offering a comprehensive dining experience, which entails interactive table service, comfortable seating, unique ambiance enhanced by music, lighting, scent, decor, etc., and a diverse selection of food and beverages—the perfect combination for an all-encompassing dining journey.

2. More time to nurture customer experience (CX): Since customers tend to stay longer when dining out, FSRs have the time to truly shape and enhance their experiences. This results in reviews that are more extensive and valuable, surpassing the level of insight garnered from a drive-thru encounter.

3. Extensive menu selection: FSRs stand out by providing broad menu selections, including diverse appetizers, entrees, desserts, and nonalcoholic and alcoholic beverages that cater to various tastes and dietary needs. Additionally, these restaurants often differentiate themselves from quick-serve establishments by incorporating local and seasonal ingredients into dishes, moving away from standardized menus.

4. Customization & special requests: FSRs are generally more accommodating when it comes to customization or special requests. Customers with special dietary needs, allergies, or preferences can typically request modifications to dishes, such as substituting ingredients or adjusting cooking methods.

5. Personalized service: Team members often attend to customers' needs throughout the dining journey, offering recommendations, answering questions about the menu, and providing suggestions based on preferences. This personalized attention helps create a more tailored and enjoyable experience for guests.

6. Social interaction: As we mentioned earlier, sit-down restaurants have become an integral part of our social fabric, and FSRs serve as the ultimate gathering place for friends, families, and colleagues to enjoy one another's company. An inviting atmosphere, enticing menu options, and extended dining time can enhance conversations and social interaction, making it a popular choice for special occasions, celebrations, business meetings, and more.

7. Upselling opportunities: The interaction between staff and customers allows for upselling in a more organic and effective manner. Staff can suggest additional menu items, recommend pairings with drinks, or offer dessert options, resulting in a boost in average check size.

8. Additional services: To create a more memorable and exclusive dining experience, many FSRs offer services such as valet parking, coat check, private dining rooms for events, live music or entertainment, sommelier services for wine selection, and so forth.

9. Service quality: Having multiple specialized roles and levels of management, FSRs often provide employees with more opportunities for career advancement. Furthermore, employees may undergo specialized training, with each assigned a distinct role to fulfill. This results in a more consistent, streamlined, and exclusive dining journey for customers, further enhancing the quality of service.

Despite the fact that guests are trading down to quick-service restaurants, the demand for experiences centered around socialization, celebration, and culinary exploration persists. By harnessing their advantages, full-service brands can develop a clear roadmap to navigate any hurdles and stay ahead of the game rather than spend valuable time doing damage control.

Looking Ahead: FSR Dos & Don'ts

Success is reserved for the most inventive and adaptable brands. Keeping an open mind and seizing the opportunity to boost employee performance and customer experience, even when faced with uncertainty and adversity, will pay dividends for years to come.

Dos

1

Evaluate all operational requirements

2

Assess existing data technology

3

Identify critical and prospective pain points

4

Explore solutions that address operational inefficiencies

Analyze Brand Intelligence with AI

The problem for many restaurant operators is not necessarily a lack of technology or data. For the most part, challenges involve working with outdated tech stacks, investing in digital solutions that offer little practical value, lacking the know-how to extract meaningful insights from raw data, feeling overwhelmed by the number of data solutions available today, and overcoming cost fears.

In fact, a survey study by Nation's Restaurant News indicated that the top concern holding back operators in the technology space is cost: 74% of respondents said that cost is among their top three considerations when vetting or investing in new technology.

To mitigate these obstacles, brands can begin by (1) evaluating all operational requirements, including financial, customer, and workforce needs; (2) assessing existing data technology to see what is working and what is not; (3) identifying critical and prospective pain points; and (4) exploring solutions that address operational inefficiencies and unlock the messaging contained within the data.

The best data technology solutions today are driven by intelligence analysis for the simple reason that AI has the power to ingest massive amounts of data and provide usable insights in near real time.

AI-driven data solutions offer restaurants the ability to truly comprehend and predict customer behavior, market trends, and more as well as evaluate relationships between variables to identify patterns, dependencies, or potential cause-and-effect relationships. Did a menu revamp result in more customer traffic, or was the increase a result of inflation cooling down? As the old adage goes: correlation does not imply causation.

Quality insights will not only help brands utilize every detail to build a complete picture but also provide operators with the confidence to make decisions that will secure the long-term health of their businesses.

Form Partnerships That Extend Beyond Traditional Supplier Networks

Partnerships between restaurant chains and celebrities have been gaining momentum in the mainstream market in recent years. These collaborations include alliances with celebrity chefs and/or famous entertainment and sports personalities. In addition, brands can partner with nonprofit or charity organizations to generate positive publicity. The practice of corporate social responsibility is especially appealing to socially conscious Millennial and Gen Z diners who prioritize the values of a brand.

Take Advantage of TikTok Marketing

An [MGH survey study](#) concerning TikTok marketing revealed an astonishing 36% of respondents have visited or ordered food from a restaurant after seeing a TikTok video about the restaurant. Brands can capitalize on the platform's popularity, especially to draw in younger customers.

Get Serious About Value Perception

Earlier, we mentioned customers trading down to limited-service restaurants as a way of remedying the pinch of inflation. In terms of full service, they will seek out brands that offer enticing deals along with an exceptional dining experience worth their hard-earned money.

This behavior aligns with the latest GuestXM Market Intelligence insights—as we embark further into 2023, value will be a key factor driving customers' dining behavior. In addition, during our latest [State of the Industry webinar](#), we asked industry leaders to rate their most important focuses in 2023; 40% listed improving their brand's value proposition as one of their top initiatives.

FSRs have the unique advantage of delivering an entire value package: convenience, high-quality food, personalized service, and charming ambiance in combination with value-added incentives and/or promotions.

All in all, full-service brands that offer excellent value and consistently meet customers' requirements are bound to thrive.



Invest in Search Engine Optimization

More often than not, customers first experience a restaurant virtually—and first impressions count. According to a [2023 survey study by BentoBox](#), 86% of respondents said they search for a restaurant online before making a decision and 75% said they'd be more likely to choose a restaurant with a high-quality site.

The same study also revealed Google Maps as the most popular review site for online restaurant discovery and search engines as the most common channel for finding restaurant websites.

Architect the Perfect Menu

FSRs have the expertise to create irresistible, on-trend menu selections that stand out from the rest of the crowd.

Now that summer has arrived, customers crave the opportunity to enjoy the warm weather and socialize with friends and family over a diverse selection of food and drinks. It's the perfect time for full-service brands to incorporate colorful, farm-fresh ingredients and add a seasonal touch to their dishes.

Here are some additional on-trend options to consider:

- Sharable selections, such as charcuterie boards, nachos, flatbreads, etc., can further enhance the communal dining experience.
- Customers are more environmentally conscious than ever. To meet expectations, restaurants should consider using sustainable ingredients, meaning ingredients obtained or produced in a manner that minimizes negative environmental impacts, promotes social responsibility, and ensures long-term viability.
- According to a study by [McKinsey](#), more than half of consumers in the US consider themselves flexitarians. Flexitarianism, a dietary approach that emphasizes a primarily plant-based diet while allowing for occasional consumption of meat and other animal products, has become increasingly popular among conscious consumers. Moreover, the survey showed that 73% to 93% of respondents plan to further reduce their meat consumption. This research underscores the opportunity for FSRs to tap into the rising trend of plant-based eating and expand their customer reach.
- The demand for bold, distinctive, global flavors is on the rise. According to the [NRA's 17th annual What's Hot 2023 Culinary Forecast study](#), top menu trends for 2023 include:
 - Comfort foods with a global or signature twist
 - Menu streamlining: pairing less popular items with best sellers
 - Dishes and condiments: ghost pepper or hot honey loaded fries; Sriracha variations; Southeast Asian, Caribbean, West African, and South American fare; and globally inspired salads
 - Breakfast trends: value meals, unique handhelds like French toast sticks, and vegetarian dishes
 - Lunch trends: spicy and sweet-heat fusion chicken sandwiches as well as fried chicken sandwiches
 - Dinner trends: less expensive meat cuts, like chicken thighs, beef chuck, etc., and cauliflower carb alternatives

Another lucrative strategy involves capitalizing on menu psychology, or menu engineering, which entails the strategic design and arrangement of menus in order to influence customers' choices and increase profitability. This can boost average check size while also reducing food waste.

Tactics include placing high-profit items or specials in prominent positions or grouping high-profit items with popular choices, presenting a smaller selection of items in each category to reduce the perceived burden of choice (referring to the psychological stress or anxiety that can arise when individuals are faced with numerous options), and so on.

Bid on Brunch

Non-breakfast brands have the chance to take advantage of the highly profitable brunch segment, especially during the summer when people are more social.

FSRs can differentiate their brunch offerings by creating innovative dishes that cater to various dietary preferences, offering a mix of classic brunch items with unique twists, and incorporating local or seasonal ingredients.

To top it off, brunch often includes specialty beverages like mimosas, Bloody Marys, or coffee-based cocktails. These beverages have higher profit margins and present opportunities for upselling. Additionally, brunch menus can offer add-ons, such as sides, toppings, or specialty items, which can further increase the average check size.



Cheers to Alcoholic Beverages

When choosing a restaurant, the top drivers for customers include convenience and socialization; however, the availability of alcoholic beverages also plays a key role, according to new NRA research.

In their [2023 report On the Menu: Trends in On- and Off-Premises Beverage Alcohol](#), the NRA states that for restaurants serving drinks, alcohol service on average equals about 21% of total sales. And 70% of beer drinkers, 69% of wine drinkers, and 67% of cocktail drinkers are more likely to choose a restaurant that offers alcoholic beverages.

FSRs can capitalize on these preferences by offering a broad selection of alcoholic beverages and also promoting food and drink pairings as a way to make the experience more exclusive.

Some top innovative trends include self-pour walls ([operators reported an average increase in alcohol sales by 39% after installing a self-pour wall](#)), retro cocktails like the Espresso Martini and Shirley Temple, and drinks made with [locally produced distilled spirits](#).

Empower Employees

Retaining employees remains a formidable challenge for the restaurant industry. GuestXM's Market Intelligence analysis indicated that FSRs [have roughly 7% fewer direct-service hourly employees](#). Despite the subtle improvements in retention over the past couple of months, employee turnover is still much higher than it was in 2019.

Given the current circumstances, it makes sense that 55% of our Q2 SOTI survey respondents consider employee retention as a main initiative in 2023. According to [The Wall Street Journal](#), some restaurant brands, including the casual-dining chain Chili's, are already actively working to improve their service levels, aiming to reinstate more in-person training after shifting to virtual courses during the pandemic and stabilize their workforce.

FSRs need to have a panoramic view of their restaurant workforce; without the complete picture, there's no way to accurately determine whether they are meeting the changing expectations of their employees. This entails collecting and contextualizing workforce data to gain an unprecedented look into the inner workings of their restaurants as well as their competitors.

To illustrate, our most recent findings suggest that employees will be more likely to choose companies that offer benefits beyond just pay, placing equal emphasis on factors such as personal development, chances for career progression, flexible scheduling, and maintaining a healthy work-life balance.

A well-functioning and satisfied workforce directly impacts the guest experience. By using these insights to address skill gaps and foster a positive work culture, operators can elevate the overall guest experience. Our research determined that guest net sentiment improves with less employee turnover.



In short, workforce analytics adds immeasurable value by helping align employee management with business outcomes. Case in point: Operating more than 1,800 fine-dining and casual-dining brands, one of America's most successful full-service dining companies leveraged industry, turnover, rewards, recruiting, and retention insights to optimize their workforce strategy across all locations, including enhancing new-hire onboarding in the first 90 days.

As a result, they experienced a strong third and fourth quarter, exceeding industry benchmarks for same-store restaurant sales and traffic:

- By leveraging sales, their labor efficiency improved by 120 basis points in Q3 and by 40 bases points in Q4 compared to last year, and their restaurants continue to run efficient labor despite the hourly wage inflation of 8%.
- Engagement survey results indicated high levels of employee satisfaction, with employees demonstrating a clear understanding of their job expectations.
- Employee satisfaction continues to contribute significantly to overall guest satisfaction metrics, with ratings remaining exceptionally strong despite the American Customer Satisfaction Index reporting a decline in customer satisfaction across various industries.

Fine-Tune Customer Experience

With restaurants in every segment forever vying for customers, delivering a superior guest experience remains a crucial differentiating factor for full-service establishments.

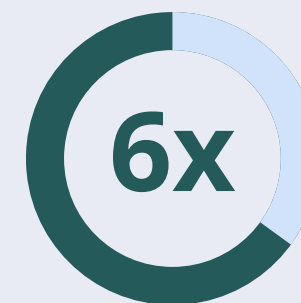
Brands that implement robust CX strategies experience high ROI. [McKinsey](#) research revealed restaurants that focus on CX grow their revenue 1.7 times faster than businesses that don't—they also grow their customer lifetime value by 2.3 times on average.



Best-in-class brands have

1.5X

better sales growth and



better traffic growth than
their competitors

GuestXM's Market Intelligence research adds to this:

- Guest sentiment and review sites remain key drivers of year-over-year (YoY) increase in guest traffic.
- Brands in the top quartile of service net sentiment have a 1.5 times better four-year sales growth and 6 times better traffic growth than their competitors.
- Brands that saw the most improvement in their value net sentiment scores over the past four years saw 1.5 times better sales growth and 8 times better traffic.
- Restaurant chains that capture 5 times more customer reviews see a 3.5 percentage-point increase in YoY traffic growth compared to their peers.
- Businesses that respond to reviews are seen as 1.7 times more trustworthy than those that don't.



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Customer centricity begins with collecting guest feedback, whether solicited (received through surveys) or unsolicited (received through channels like social media, online reviews, or customer emails).

But trying to keep track of a torrent of feedback data streaming in from multiple channels without the time or resources to make sense of it all is like drinking from a fire hose.

As such, brands may feel rushed to invest in the “newest, greatest” reputation management solutions to remedy this problem. The key, however, is to not omit the initial step: identifying actual business requirements and gaps in current technology. Armed with this information, restaurants can conduct proper research to find solutions that meet their unique needs while also being cost-effective.



Don'ts

Economic volatility often forces restaurant operators to face the daunting task of deciding where to allocate resources. Brands that rely on both qualitative and quantitative performance data instead of gut decisions are more likely to successfully weather the storm.

Here are some examples of what FSRs should not do when faced with uncertainty:

Lower Quality of Food

TouchBistro's 2022 Diner Trends Report showed that 68% of those surveyed rank food quality as the most important factor when deciding where to dine, indicating that customers expect consistency and value for their money. So cutting corners on ingredients or compromising the quality of food can prove damaging.

Fail to Meet Evolving Customer Expectations

Customer needs evolve with technology. Today, they have access to multiple digital channels to learn from reviews or voice their own opinions, leading to heightened expectations or stronger preconceived notions of what the restaurant experience will be like before making a dining decision.

One thing is certain—potential guests are going to conduct their own research, and it's each brand's responsibility to keep online reputation integrity intact.

Discount Neutral Reviews

Engaging with positive and negative reviews plays a vital role in establishing trust with customers. However, many businesses tend to overlook neutral feedback. Impartial customers may be on the fence and can be persuaded in either direction: neglect their remarks and potentially turn them into detractors, or implement proactive, strategic measures to address their feedback to turn them into promoters.

Moreover, these reviews can be a gold mine for restaurants. They generally contain both negative and positive feedback, meaning brands can extract a great deal of useful information.

Ignore Food Costs, Waste & Sustainability

In the US, food waste is estimated at between 30% to 40% of the food supply. To reduce food costs and waste while maintaining profitability, restaurants can start by:

- Calculating food cost percentage and inventory and determining how much food is used on a regular basis.
- Exploring options from competing suppliers, or negotiating better prices by requesting discounts or price matching from existing suppliers. Switching suppliers does come with some caveats, though. If a restaurant replaces an ingredient with a more cost-effective alternative without considering whether the switch will alter the quality of their food, it could reflect negatively on customer reviews and reduce guest traffic.
- Buying in bulk. However, restaurants should be careful of food spoilage. Supporting local suppliers ensures fresher products and boosts the local economy.
- Looking into the benefits of leveraging sustainability software. For example, [GreenPlaces](#), an all-in-one sustainability platform, aims to empower businesses with actionable insights so they can meet their "green" goals—from carbon reporting to emission reductions to measurable ROI.

Squash Marketing Budgets

It may be tempting to put marketing initiatives on the back burner when operating under a tight profit margin. As it happens, marketing plays a crucial role in generating brand awareness, fostering credibility, nurturing trust within an intended audience, and delivering substantial value to customers.

A study by [Harvard Business Review](#) found that businesses that did not cut their marketing spend were able to bounce back from previous recessions. They did, however, modify their marketing strategies to adapt to changing industry trends.

If costs are the issue, FSRs can, for instance, focus on more affordable methods to attract customers and maintain visibility: [Email](#) remains the most effective marketing tool, generating an impressive \$36 for every \$1 spent, and regarding social media, [Instagram](#) provides the highest ROI.



Aimlessly Raise Menu Prices

Restaurant brands that increased menu prices in the past few quarters benefitted from short-term financial gains. However, our research revealed that over the course of three years, FSRs with the lowest check growth had better traffic, guest sentiment, and customer retention. Simply put, brands that practice caution in terms of raising prices are more likely to experience sustainable, long-term growth.

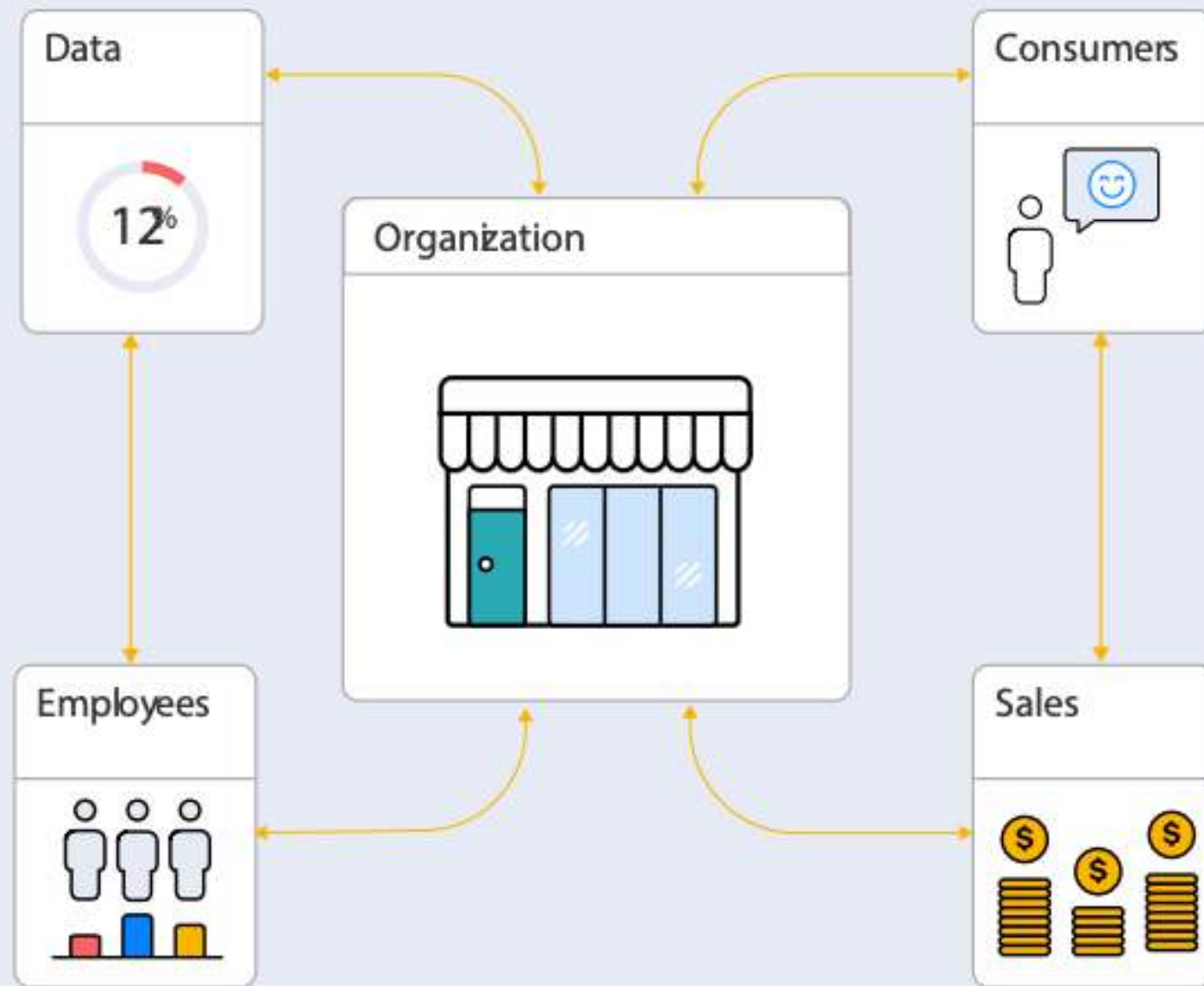
In essence, the customer becomes a restaurant's most trusted advisor. Their often unbiased opinions pinpoint what restaurants should prioritize and where they should allocate or reallocate resources—brands just need the ability and tools to listen and act on their guest feedback.



Beating the Odds

Considering all these dos and don'ts, one question still remains: How can FSRs do all this while facing the pressures of an ever-evolving economy and industry?

The idea of collecting unimaginable amounts of data and miraculously transforming it into usable insights may seem extremely daunting. But in truth, the technology to do so has evolved to become more accessible, to make life easier for individuals, and to become an integral part of business operations. All it takes today is an open mind; a clear understanding of immediate and future operational needs, including truly understanding customer and workforce needs; and the confidence to innovate.



Empowering leading restaurant brands in their relentless pursuit of best-in-class hospitality with the industry's greatest source for experience intelligence.

About GuestXM

Gain full control of your brand—from how it's perceived to how it performs—so you know exactly what impact your team can make to transform your brand's hospitality and deliver remarkable restaurant experiences.

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