



NEW YORK CITY ANNUAL REPORT

THE STATE OF FULL SERVICE RESTAURANTS



2020





01 INTRODUCTION

What we set out to find

Last year we released our first-ever State of Full Service Restaurants report. Our findings set a benchmark for what's happening at FSRs across the U.S. in terms of financial health, technology, staffing, and more.

This year we're proud to give you an in-depth look at the state of restaurants in some of the country's largest urban areas, such as New York City. With this report, you'll be able to see how your restaurant compares to others in your

area and how location-specific factors like rent prices and other trends affect business.

Our research only confirmed what we already suspected: that restaurateurs in the Big Apple are savvy and resilient. New Yorkers fund restaurants with their own savings more often than restaurateurs in Chicago, Los Angeles, Miami, or Austin do. The City That Never Sleeps also has some of the highest profit margins in the United States.

Without further ado, here's an in-depth look at the state of full service restaurants in New York City and how they compare to FSRs nationwide.



Objective

The goal of this report is to give full service restaurant owners a complete picture of what's happening in their industry across the U.S., so that you can:

1. Understand

Better understand your current challenges

2. Anticipate

Anticipate future issues

3. Consider

Consider new solutions based on the learnings of other FSRs across the country

Methodology

We partnered with research firm **Maru/Blue** again this year to survey more than 600 full service restaurant owners, managers, and presidents/CEOs across all 50 states with a key focus on five cities (New York City, Chicago, Los Angeles, Miami, and Austin). Our research was conducted in November of 2019.

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02

RESPONDENT PROFILE

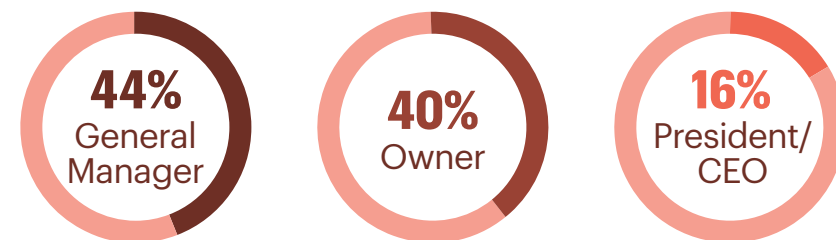
Who took our survey?

Restaurateurs from all over the country with various types of experience informed our reporting.

Gender



Current role within the restaurant

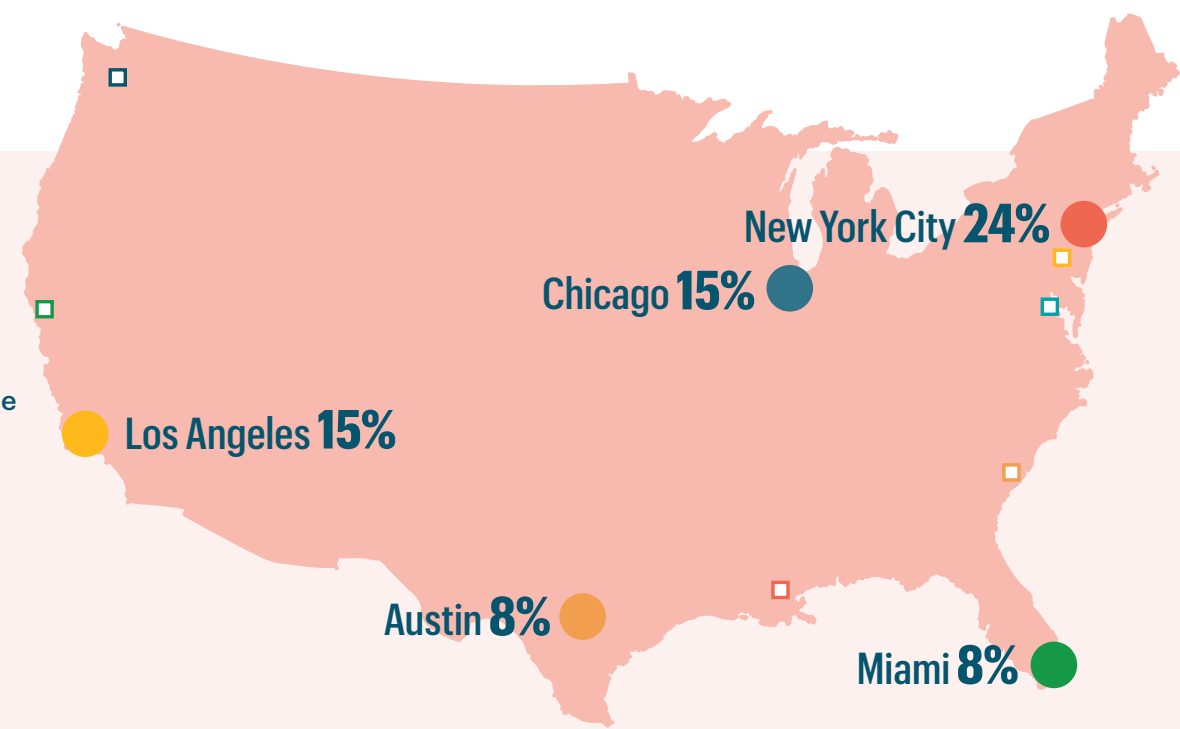


Independent vs. Chain



Location

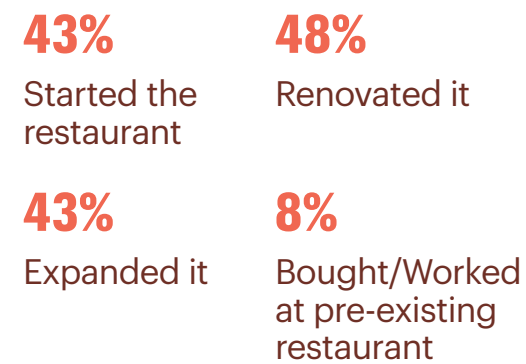
We surveyed restaurateurs in all 50 states with a key focus on these urban areas. (percentage of total respondents)



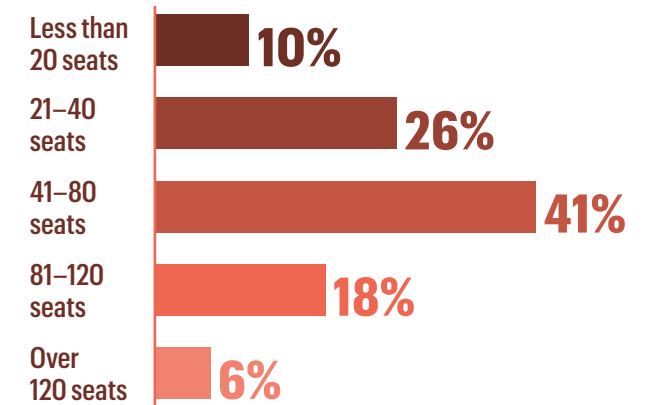
We also paid attention to these growing foodie havens.

- Philadelphia
- San Francisco
- Seattle
- Washington, DC
- New Orleans
- Charleston

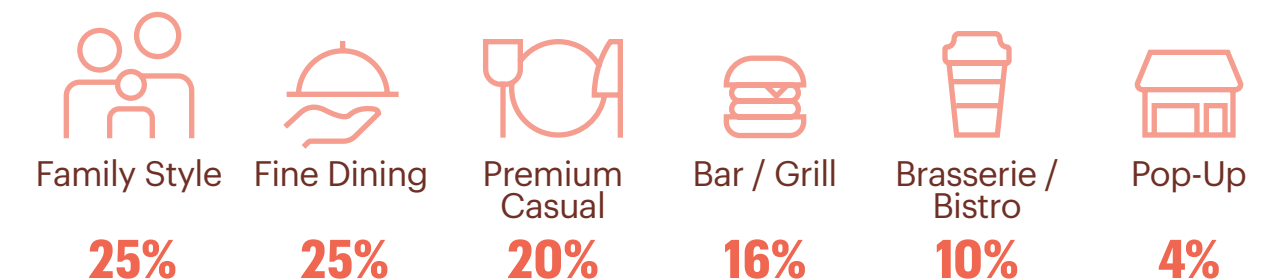
Relationship to restaurant



Size of restaurant



Types of restaurants



FINANCIAL HEALTH

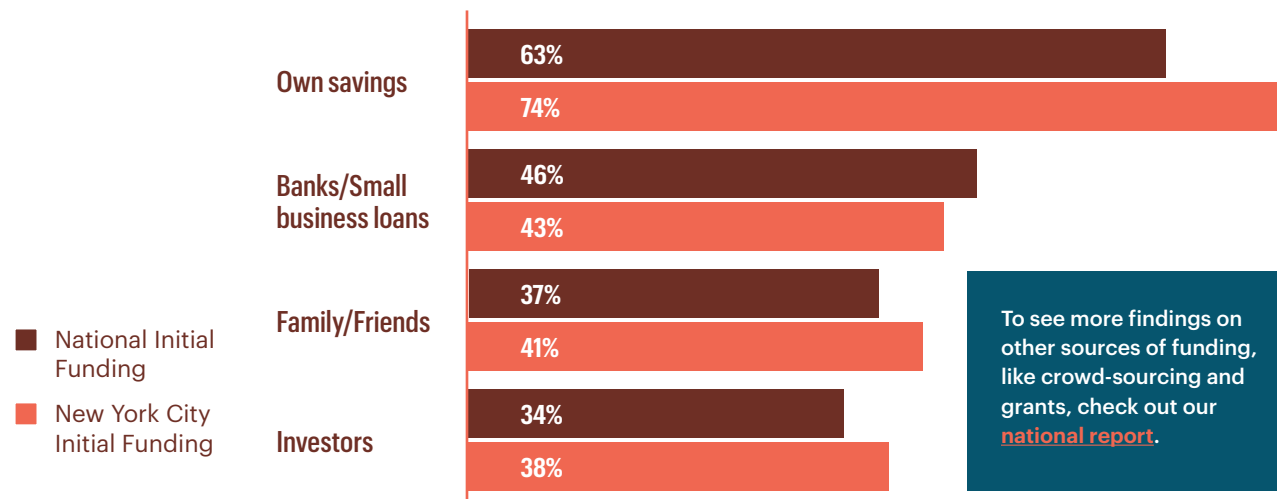
03

Initial Funding

Restaurateurs in the Big Apple are the most self sufficient in the U.S., with 74% paying for startup costs out of pocket, compared to 63% countrywide.

Because of this financial independence, New Yorkers rely on funding from banks or small loans (43%) slightly less than restaurateurs in other cities do, where 46% lean on these two funding methods. But, they utilize family and friends more – 41% versus 37% nationwide.

Fewer than one in four New York City restaurateurs seek startup backing from investors, compared to roughly one in three restaurateurs elsewhere in the United States.



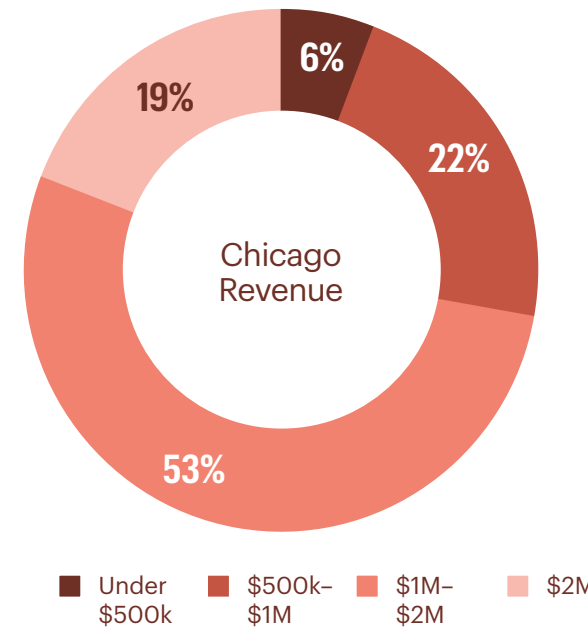
Unexpected Funding

N.Y.C. restaurants are on par with national trends when it comes to financial help for unexpected operating costs. In contrast to last year's findings, the majority of restaurateurs are using their own savings instead of loans to cover unforeseen expenses.

Just like in other cities across the country, New Yorkers also ask family and friends (43%) and investors (41%) for financial assistance but slightly less frequently.



Revenue & Profit Margin



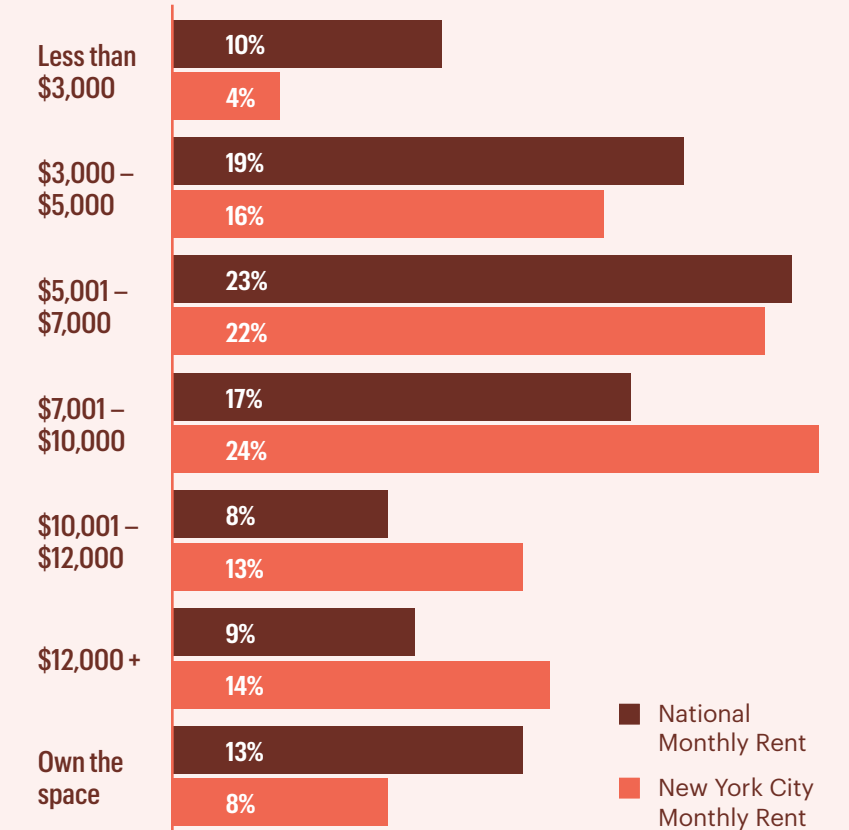
The City That Never Sleeps has some of the highest profit margins in the United States. Sixteen percent of New York restaurants have margins that exceed 15%, which is well above the 11% national average margin. However, the most common profit margin range in New York City is between 6% and 8%, which over one third of restaurants experience.

Wondering how your restaurant's revenue compares to that of others in Gotham? Half of New York's FSRs generate between \$1 and \$2 million in revenue each year. Twenty-two percent of restaurants make between \$500k and \$1 million, while 19% bring in more than \$2 million annually. Only 6% of New York's restaurants earn less than \$500k in revenue.

Monthly Rent

One third of New York City restaurants spend between 8% and 10% of their revenue on rent, while nearly half spend more than 11%. Commercial rent may have gotten more expensive this year countrywide, as 34% of respondents pay more than \$7,000 in rent each month, compared to 26% who did so last year.

Fortunately, New York's FSRs are the most resilient in the U.S. when it comes to handling increases in rent. Eighty-five percent say they can handle a rent increase of more than 4%, compared to roughly 75% nationwide. More than one in three can handle a rent increase of more than 10%.



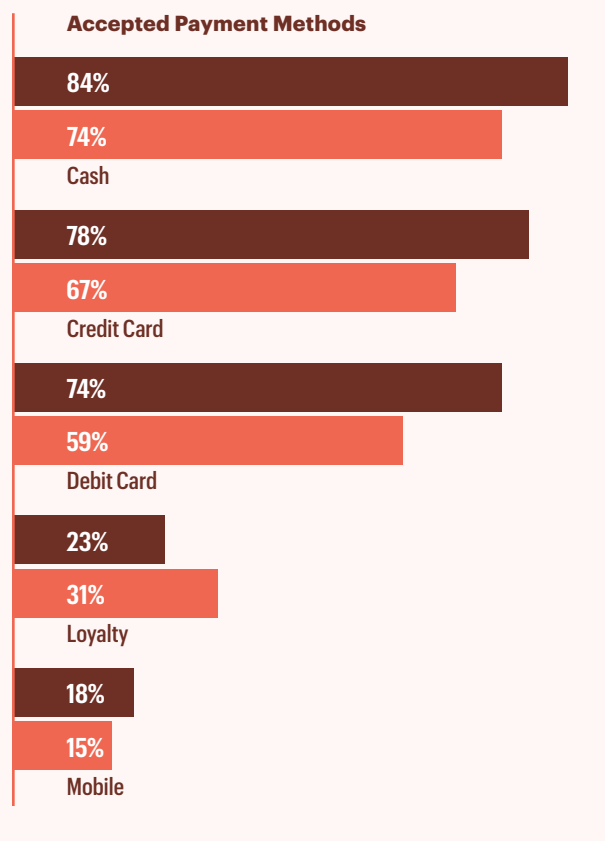


Payment Processing

While cash is accepted by three in four New York City restaurants, this type of payment is less prevalent here than it is in other cities, where more than 80% of restaurants accept cash. That figure will soon rise to 100%, as local legislators passed a bill that will ban cashless businesses in New York City. Philadelphia, San Francisco, and the state of New Jersey have passed similar bans in order to avoid discriminating against those who rely on cash.

Card payments are almost universally accepted in N.Y.C., but only 15% are set up to take digital payments (Apple Pay, Google Pay, and Samsung Pay), which is lower than the national average (18%). Of all of the digital payment methods out there, Apple Pay is the most popular among New York City FSRs.

Payment through some type of loyalty points is also higher than elsewhere in U.S., suggesting that loyalty programs are becoming a critical part of the New York restaurant scene.

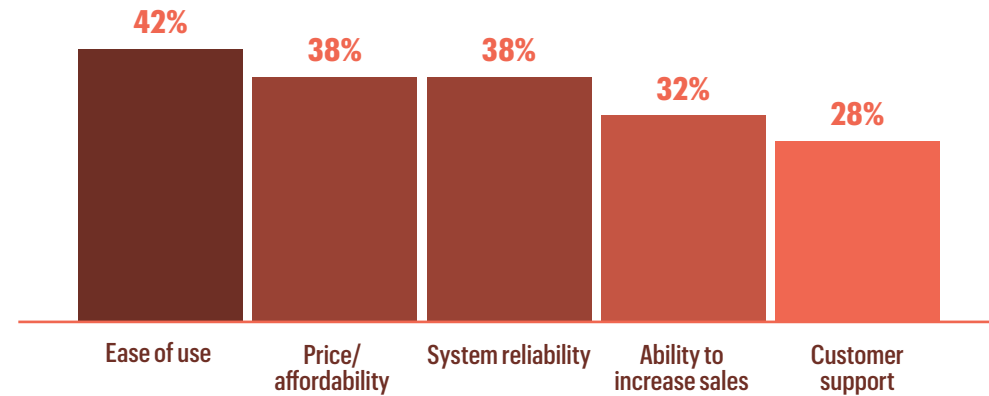


■ National Accepted Payment Methods
■ New York City Accepted Payment Methods

Choosing a POS

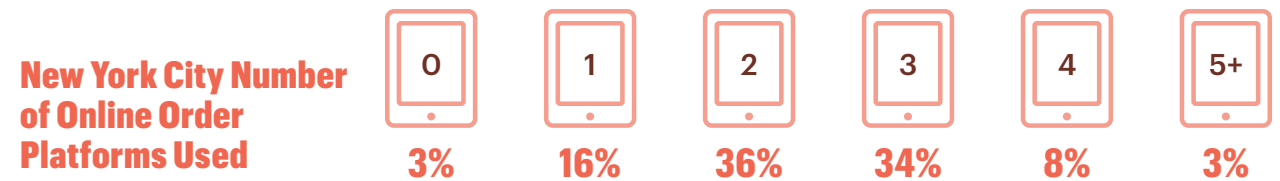
How do FSR operators choose their POS systems? New York restaurateurs' top factors mirrored countrywide trends, with ease of use leading the way. Affordability and system reliability tie for second place in terms of importance in both the Big Apple and across the United States.

New York City Top 5 Factors

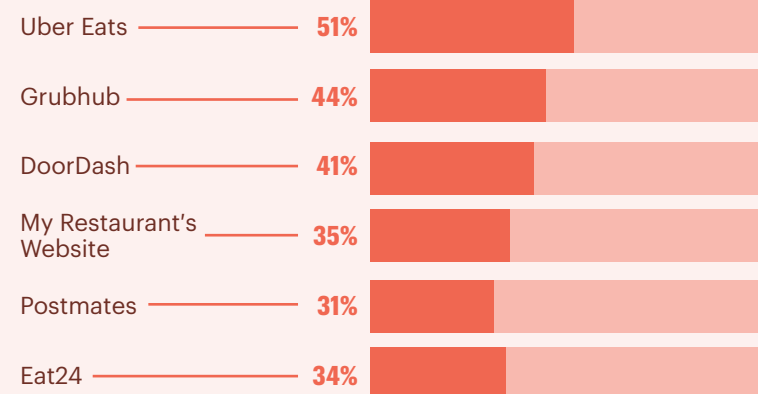


Online Ordering Platforms

Restaurants in New York City have embraced takeout and delivery apps at a higher rate than any other city (97% compared to 84% U.S.-wide). Seven in 10 New York FSRs use between two and three online ordering platforms, while the majority of restaurants elsewhere in the U.S. rely on between one and three.



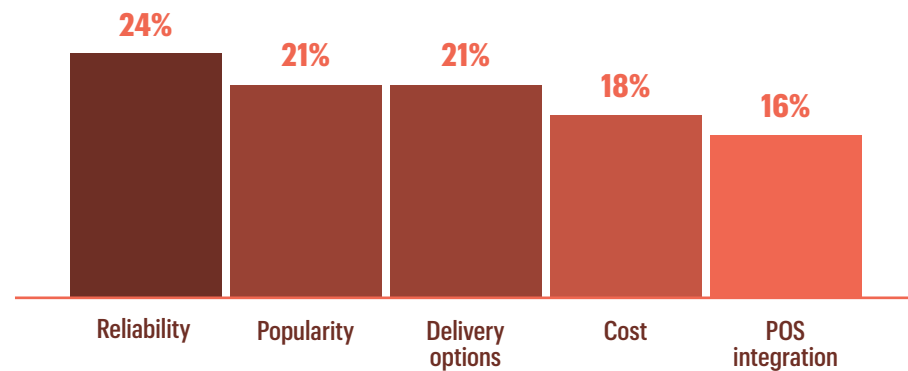
New York City Online Ordering Platform Used



The Big Apple mirrors national trends when it comes to online ordering platform popularity, with Uber Eats at the forefront and Grubhub and DoorDash coming in second and third place.

Online Ordering Platforms (cont...)

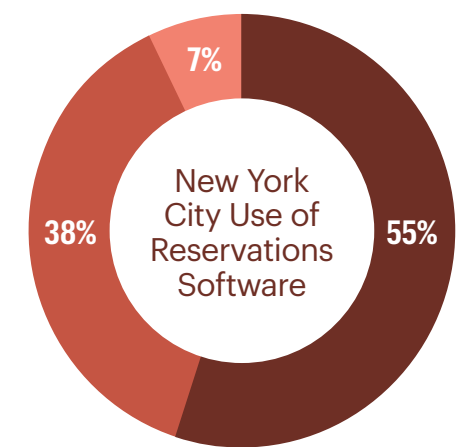
New York City Reasons for Choosing Platforms



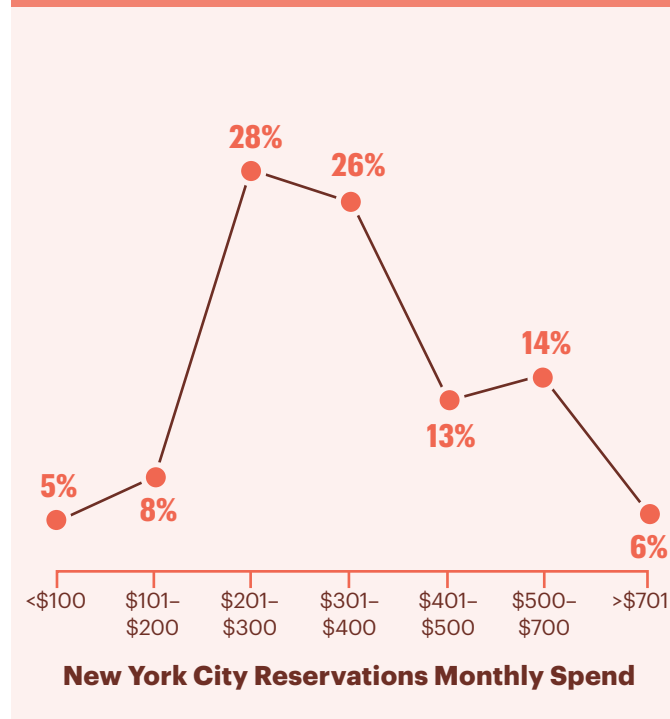
When choosing online ordering partners, restaurateurs value cost as one of the top three most important factors in every city we examined – except New York. Restaurateurs here value system reliability above all else.

Reservation Management Technology

Almost nine in 10 FSRs in New York City accept reservations, compared to only three in four FSRs elsewhere in the United States. However, N.Y.C.'s use of restaurant reservation software to handle these bookings is on par with national usage rates. The majority of restaurants in New York and elsewhere around the country spend between \$200 and \$300 each month on this software.



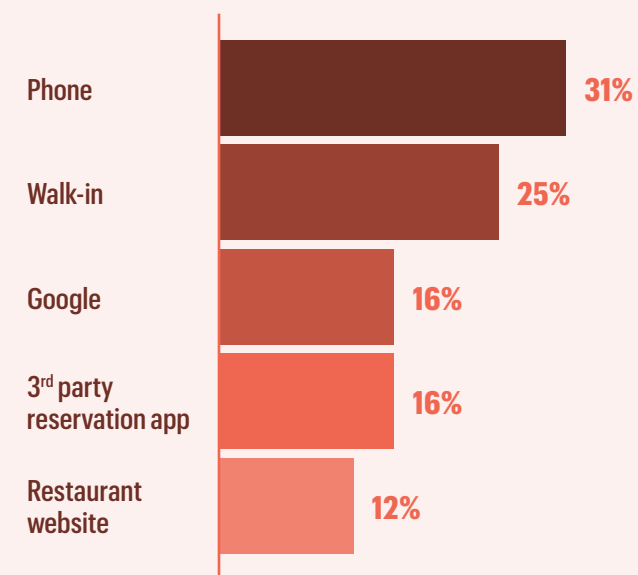
■ Yes ■ No, but planning to ■ No



How do restaurants get their reservations?

Despite the rise of restaurant reservation software, low-tech methods like phone calls and walk-ins and still the most common way for restaurants to get reservations in New York City and around the United States.

How New Yorkers Make Reservations



52% New York tables are held for reservations



FSRs in New York hold 52% of their tables for reservations, compared to 54% nationwide. New York's no-show rate for reservations is on-par with other major cities at 19%.



05

OPERATIONS

Bookkeeping

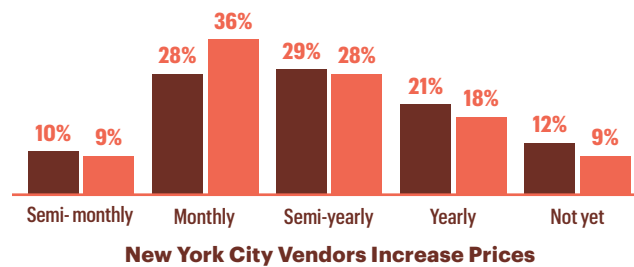
In the City That Never Sleeps, restaurateurs generally spend more time on bookkeeping than restaurateurs elsewhere do, with half spending between two and three hours on it each week. While this dedication is on par with FSRs in Miami and Austin, it exceeds national trends. In other cities, time spent on weekly bookkeeping decreased from two to four hours last year to one to three hours this year.



2 to 3 hours
spent on weekly bookkeeping

Price Increases

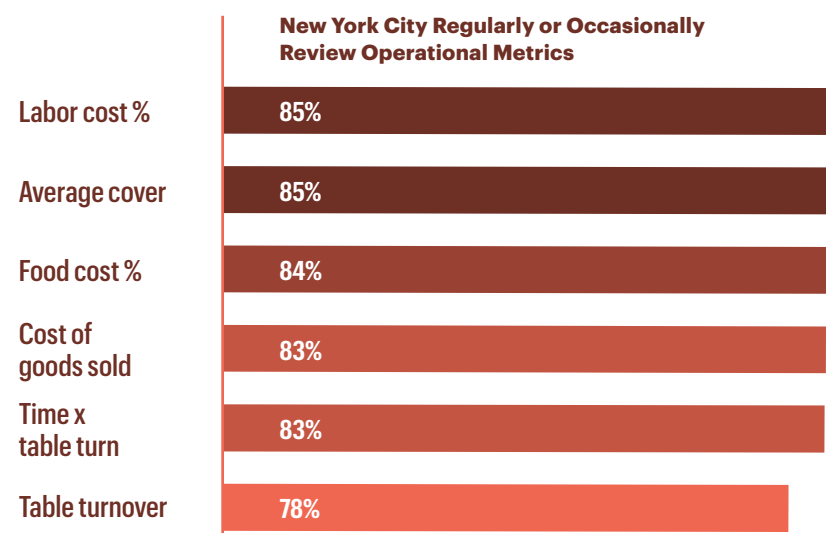
Vendors all over the country are increasing prices more frequently than they were last year. In New York, 45% of restaurateurs expect price increases from vendors at least once a month, which is higher than the national rate of 38%.



■ National ■ New York City

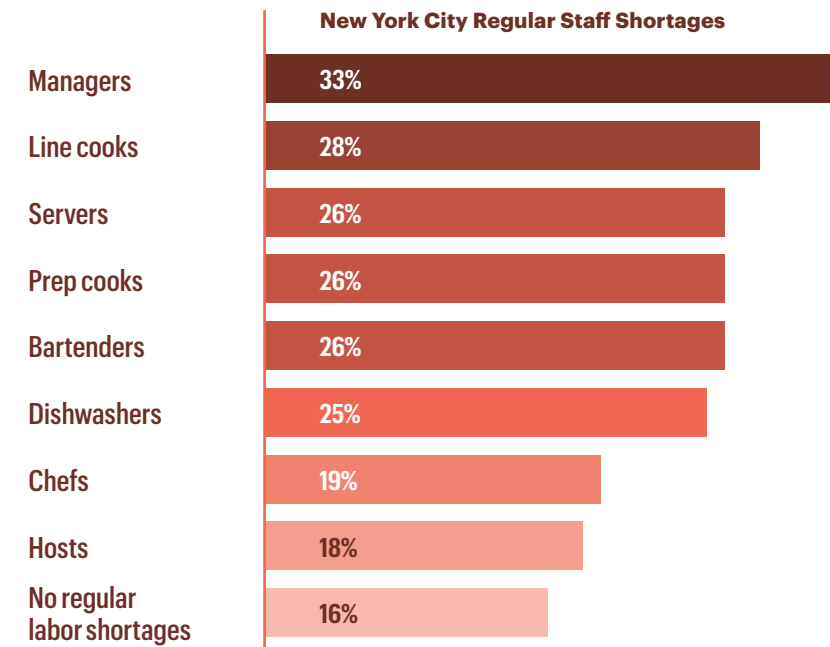
Operational Metrics

Restaurant operators in N.Y.C. are most curious about labor cost percentage and average cover at their restaurants, while elsewhere in the U.S. cost of goods sold and food cost percentage spark the most interest.

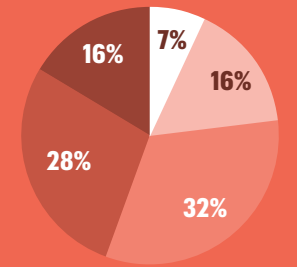


The Labor Shortage

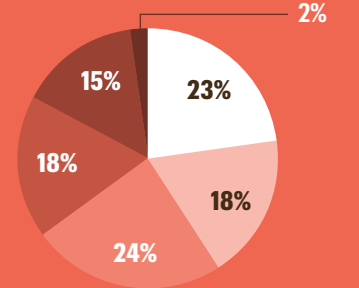
When it comes to recruiting talent, it is crucial for full service restaurants to stay competitive because the entire industry is battling a staff shortage. In fact, three in four FSRs countrywide experience labor shortages. Unlike the rest of the United States, where servers and dishwashers are the most difficult positions to retain and replace, New York's most needed positions are managers and line cooks.



New York City Employee Turnover Rate



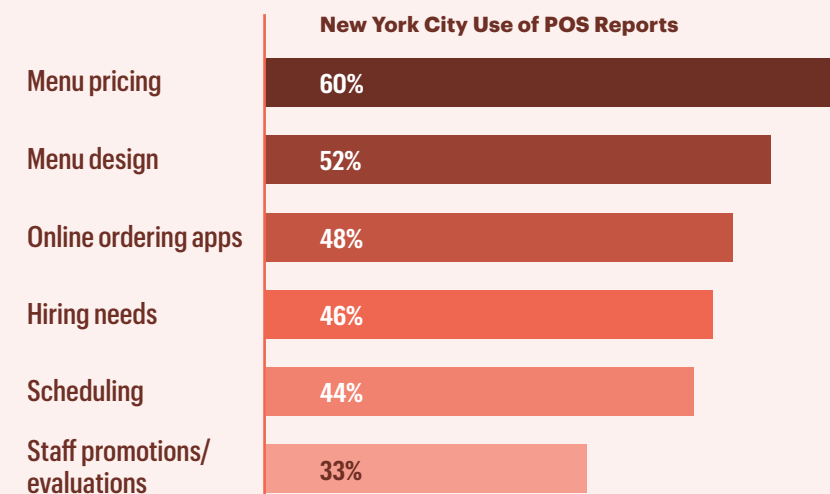
National Employee Turnover Rate



■ <10% ■ 11-20% ■ 21-30% ■ 31-40% ■ 40%+ ■ unsure

Unfortunately, employee turnover rates are more dire in N.Y.C. than they are elsewhere in the country. Three in four FSRs in New York, compared to three in five FSRs across the U.S., experience turnover at rates higher than 20%.

Making Decisions with POS Reports



New York restaurateurs are a savvy bunch. More than half of them use their POS reports to inform menu pricing and design. Nationally, two in three restaurateurs use POS reports to make decisions about menu pricing, while one in two use them to make decisions about staff scheduling.

New York City is a good place to be an FSR owner. This melting pot is home to a diverse, thriving restaurant scene. The City benefits from a healthy influx of tourists looking for culinary experiences, and locals who enjoy partaking in what this metropolis has to offer. The result is a full service restaurant industry with some of the highest profit margins in the country.

TouchBistro

Designed to help restaurateurs run a better and more successful business, TouchBistro enables restaurants to make more money, deliver a great guest experience, and take the guesswork out of making business decisions.

TouchBistro offers in-depth training and free 24/7 technical support provided by POS specialists who have also worked in the restaurant industry as former managers, servers, and chefs.

maru/BLUE

Maru/Blue is a premium quality data services firm that provides reliable global data connections for agencies, brands, healthcare and market research. We create value for our clients by connecting them with expertly profiled known respondents. The result? Reliable, reproducible insights. We deliver instant access to the general population, specific markets, and your or your competitor's customers.



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