GroundTruth

The Lean

Restaurant/QSR Insights Brief

VOLUME 2 | JAN 2022

Timely Consumer Insights for Marketers

Overview

Restaurant sales increased 8.3% in November 2021 when compared to November 2019[1] and recorded its highest level of foot traffic during the same period (Q4). The surge in growth is primarily attributed to higher menu prices and modest increases in holiday spending. While the restaurant industry has made some progress toward recovery over the last few months, it is still struggling to sustain that growth amid higher food costs, increased competition, and the recent emergence and wide-spread impact of Covid 19's Omicron strain.

This creates fierce competition, forcing fine dining restaurants to evolve into convenience-driven business models like that of QSRs. Even mobile kitchens are blurring the lines between fine dining restaurants and quick-service restaurants (QSR). For many restaurants, the path to sustainability hasn't been easy, but despite the effects of the past two years, new opportunities have emerged that allowing them to increase customer reach and engagement. Those restaurants that have been able shift their operations and staffing structure to better cater to consumer behaviors such as providing pick-up and delivery options have transformed their businesses.

The Road Ahead

In this latest issue of the Restaurant Lean: Volume 2 we identify the top restaurant categories by foot traffic volume and the time of day generating the most visitation across key restaurant categories. In addition, we highlight seasonal traffic fluctuations throughout 2021 and analyze how share of visitation across the QSR industry is impacting brand loyalty and dining trends.

About The Lean

Between professional careers and personal lives, we understand that there is very little time left to read drawn out whitepapers. This is why we created The Lean — meaningful marketing insights that help brands make strategic decisions about their marketing campaigns. Specifically designed for easy consumption and quick reference, each issue of The Lean applies offline behavioral data filters and other industry sources to current consumer trends to help understand the impact they are having on business outcomes such as visits and sales. GroundTruth data is sourced from the 30 billion annual global visits observed on its platform. All data is anonymized and aggregated.

Restaurant Industry Highlights

1 Foot traffic steadily progressed throughout the year as the Restaurant category rebounded.

2 The Fine Dining category in particular saw the highest increase in visits from Q1 to Q4 2021.

3 2021 Holiday events and shopping activities accelerated visitation growth in Q4 as more shoppers dined out during the weekends.

4 Brand loyalty continues to be a top priority for restaurants in a crowded industry.

5 Ghost kitchens and virtual brands provide endless opportunities for the restaurant industry as well as competition.
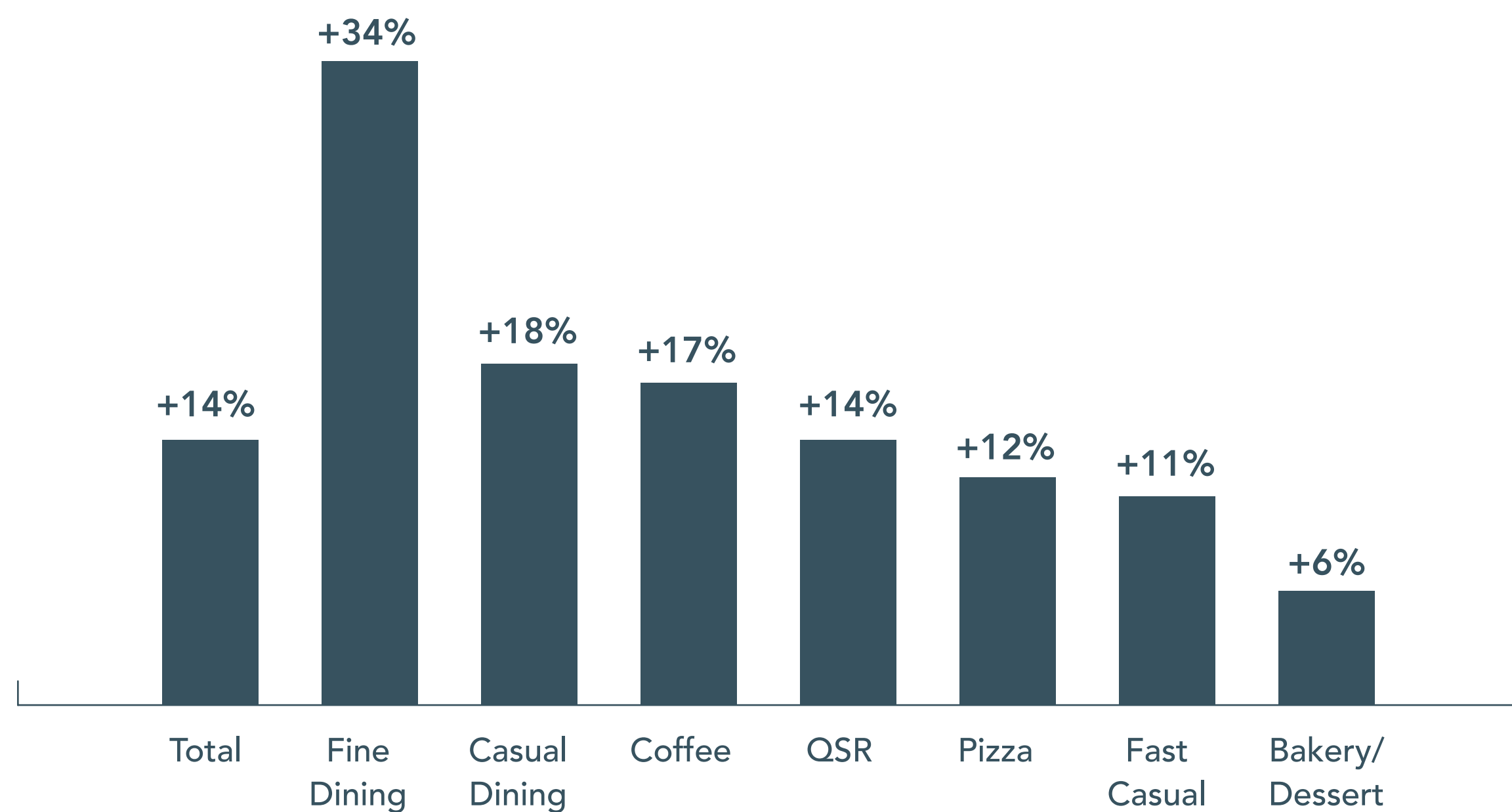
Restaurants are Rebounding

Fine dining establishments in particular saw big increases in foot traffic as the year progressed.

CHANGE IN FOOT TRAFFIC FROM Q1 TO Q4 2021

Chart showing change in foot traffic:
- Total: +14%
- Fine Dining: +34%
- Casual Dining: +18%
- Coffee: +17%
- QSR: +14%
- Pizza: +12%
- Fast Casual: +11%
- Bakery/Dessert: +6%

Foot traffic for the total Restaurant category was up +14% from Q1-Q4 2021.

The Fine Dining category saw the most gains as more people got vaccinated and got more comfortable eating indoors.

Top Trending Brands

Fine Dining chains, such as Wolfgang Puck, are trending with foot traffic up 68% in 2021

TOP TRENDING RESTAURANTS FROM Q1-Q4 2021

Dos Toros	+80%
Bolay	+68%
Wolfgang Puck	+68%
Golden Corral	+61%
Eddie V's Prime Seafood	+49%
California Pizza Kitchen	+48%
Morton's the Steakhouse	+47%
Denny's	+44%
Taco Bell	+42%
Capital Grille	+37%

About 70% of traffic to Golden Corral comes from their loyal patrons, which only make up about 15-16% of total guests, highlighting the importance of building brand loyalty[2]
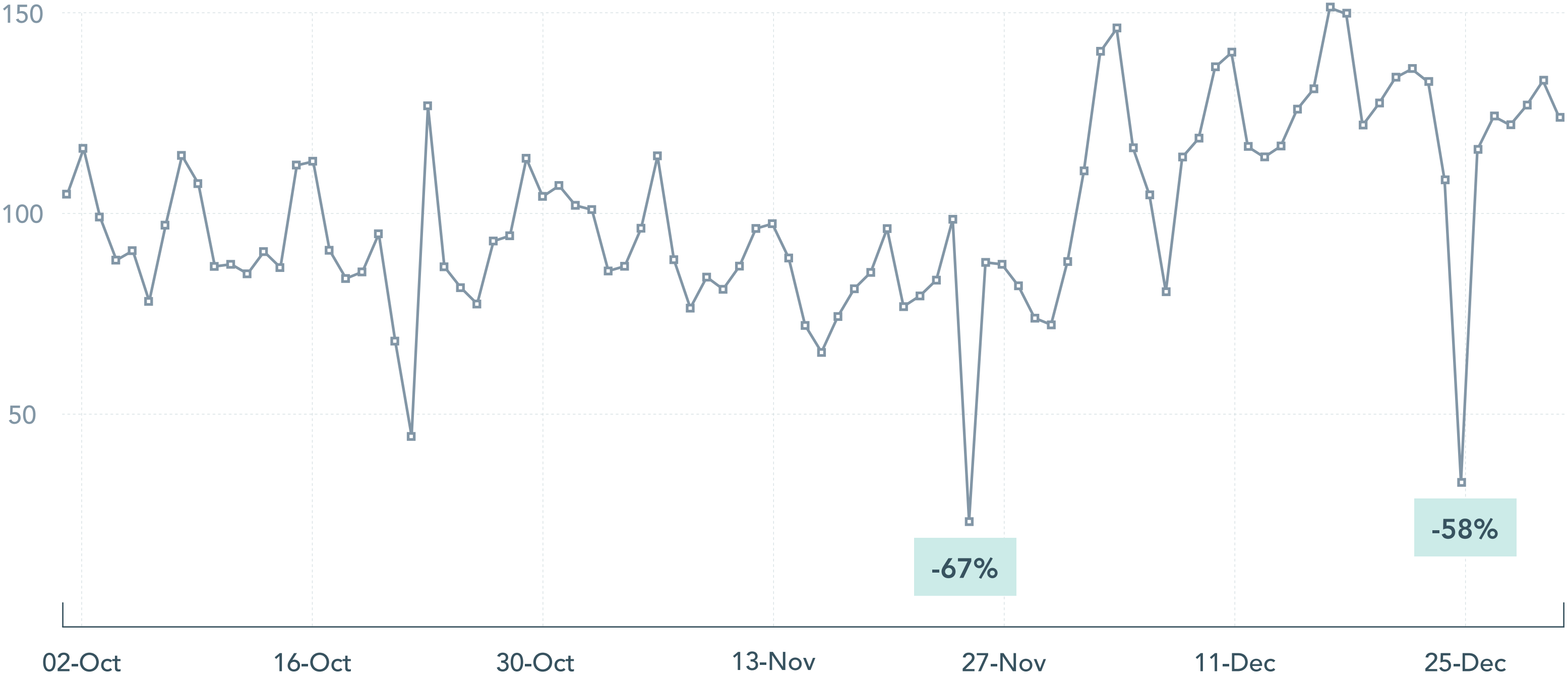
Q4 Restaurant Foot Traffic Snapshot

Restaurant foot traffic accelerated after Thanksgiving as holiday shopping commenced.

Q4 2021 RESTAURANT FOOT TRAFFIC

Foot traffic was an average of **26% higher** on the weekends between Thanksgiving and Christmas as consumers enjoyed eating & getting together at restaurants and doing some holiday shopping

While most people were home for the holidays, Dec. 25th proved to be more of a popular holiday to celebrate at a restaurant

Customer Loyalty Powers Growth in A Crowded Market

Many QSRs share over 60% of their customer base with other brands.

Q4 2021 RESTAURANT FOOT TRAFFIC

	MCDONALD'S	STARBUCKS	SUBWAY	TACO BELL	CHICK-FIL-A	WENDY'S	BURGER KING	DUNKIN' DONUTS
MCDONALD'S		58%	63%	69%	64%	67%	66%	56%
STARBUCKS	33%		36%	39%	46%	37%	36%	38%
SUBWAY	37%	37%		44%	40%	43%	43%	36%
TACO BELL	29%	29%	31%		32%	36%	35%	26%
CHICK-FIL-A	24%	30%	26%	29%		30%	26%	26%
WENDY'S	25%	25%	27%	32%	30%		31%	28%
BURGER KING	24%	23%	26%	30%	25%	30%		25%
DUNKIN' DONUTS	20%	24%	22%	22%	24%	26%	25%	

56% of Dunkin' Donuts visitors also go to McDonald's

Over **21 million** U.S. consumers have enrolled in McDonald's Rewards loyalty program, contributing to their **10%** same-store sales growth in Q3[3]

LOW OVERLAP   ▬▬ ▬▬ ▬▬ ▬▬ ▬▬   HIGH OVERLAP

Emerging Trends: Ghost & Digital Kitchens

The pandemic accelerated the need for convenient, contactless food service, making way for new lines of business for restaurant brands.

Ghost Kitchens are cooking facilities that produce food only for delivery, with no eat-in or customer-facing services.

58%

of consumers order food online from restaurants more often than prior to March 2020.[4]

Digital kitchens are smaller footprint locations operating solely for delivery and pickup orders.

48%

of restaurant customers are ordering from restaurants' websites for home delivery more often.[4]

Looking Forward

Activating loyalty programs during slower business points can help fill revenue gaps.

For restaurant marketers, 2022 will be a pivotal point as much of the battle for customer mindshare will continue to happen in the digital marketing world. Rewarding customers through engaging loyalty programs can often be an effective way to create multiple visits throughout the year. Moreover, activating rewards during low business points can help fill revenue gaps. Many of the top brands implementing aggressive loyalty programs see them pay off in big ways. McDonald's, for example, who has more than 21 million U.S. consumers enrolled in their rewards loyalty program, reported 10% same-store sales growth in Q3 2021.

Understanding consumer mobility is getting more complicated.

Restaurants will need to focus on real-time engagement through diversified media channels to ensure regular customer engagement. Otherwise, they risk losing them to competitors. This includes reaching a market of always-on consumers through social, video, and mobile in multiple locations such as their home, office, and when they are out of town. Location data-based audience insights can be the foundation of effective targeting for omnichannel campaigns, allowing restaurants to reach consumers during key moments of decision.

Your customers may be moonlighting with your competitors.

Many QSRs share over 60% of their customer base with other brands, likely being driven by a combination of convenience, value and impulse dining decisions. In a highly competitive environment, the value of retaining your customers and building long term relationships with them can be the difference between meaningful growth or a struggling business. But if you don't know which of your customers are visiting competitors, your marketing investments could be working blindly. Visitation data can help identify which of your loyal customers are moonlighting with your competitors and when. Restaurants can use these insights to help make sure their retention campaigns are actually reaching the right people.

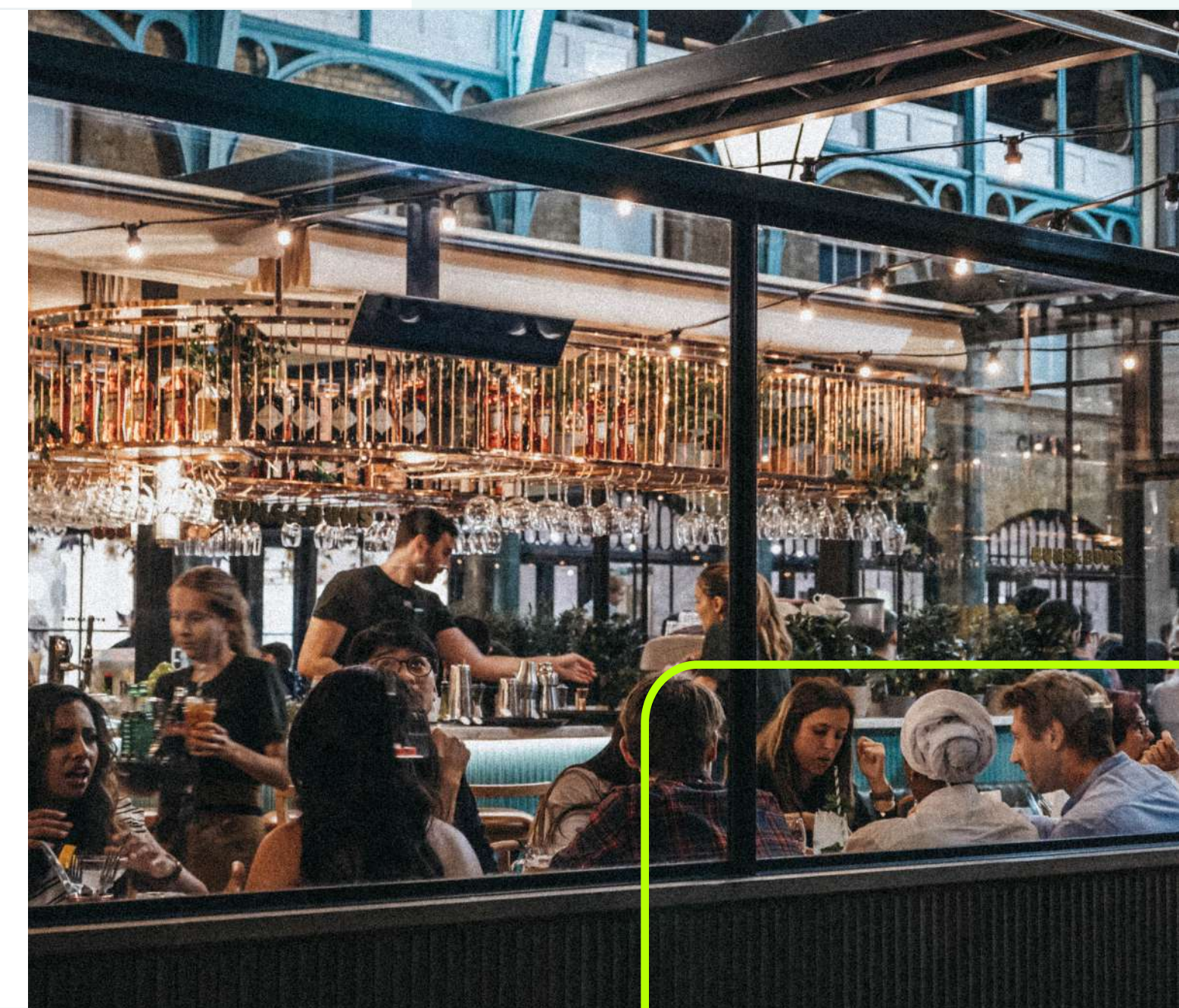**Seasonal moments can help offset a fluctuating economy.**

While the pandemic may be creating fluctuations in visitation trends, seasonal events such as Easter, Mother's Day and Valentine's Day have all proven to generate higher volumes of business throughout the year. In fact, during 2021, several major holidays drove some of the highest volumes of business for restaurants despite challenges presented by the pandemic. However, special menus and themed experiences alone can fall short if marketers aren't able to reach their key demographics for each holiday e.g., families for Mother's Day. Using an audience strategy based on demographics and other relevant attributes can help brands make the most of holiday based targeting campaigns.

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Questions?

CONTACT US

- marketinginsights@groundtruth.com

- www.groundtruth.com

@groundtruthco