

# Restaurant Decision Making Process - US - October 2019

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## This report looks at the following areas:

- FSRs continue to grow at a slower rate than LSRs
- Many options for prepared food beyond traditional restaurants
- Majority of consumers prefer at-home cooking and entertainment

Opportunities lie in continuing to develop fresh, tasty menu items that balance indulgence and nutrition, while taking a flexible, innovative approach to new technologies available to order, serve, deliver and market foods.



"Mintel forecasts moderate growth in the restaurant industry, buoyed by a positive macroeconomic landscape that allows consumers to spend more on AFH (away from home) dining. However, on-premise dining is challenged by the abundance of prepared food choices, including food from retailers, food trucks, meal kits and delivery services."

**- Amanda Topper, Associate Director - Foodservice**

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### THE MARKET – WHAT YOU NEED TO KNOW

- Restaurant market tops \$640 billion, with LSRs growing faster
- Majority have purchased prepared food outside of restaurants
- Gen Z and Millennials are key consumers to current and future market

### MARKET SIZE AND FORECAST

- Foodservice market tops \$640 billion with moderate growth forecast

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Figure 8: Total US sales and forecast of restaurants and eating places\* market, at current prices, 2014-24

Figure 9: Total US sales and forecast of restaurants and eating places\* market, at current prices, 2014-24

## MARKET BREAKDOWN

### • LSR growth outpaces FSR growth

Figure 10: Total US revenues and forecast of restaurants and eating places\*, by segment, at current prices, 2017 and 2019

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### • LSRs forecasted to continue faster growth, relative to FSRs

Figure 12: Total US revenues and fan chart forecast of limited service eating places\*, at current prices, 2014-24

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### • FSR segment growth slows

Figure 14: Total US revenues and fan chart forecast of full service restaurants, at current prices, 2014-24

Figure 15: Total US revenues and forecast of full service restaurants, at current prices, 2014-24

## MARKET PERSPECTIVE

- **Over two thirds look beyond restaurants for prepared/made-to-order fare**
- **Convenience stores compete via growing foodservice offerings**
- **Sheetz and Wawa exemplify competition from c-stores; Amazon Go poised to expand**
- **Supermarkets and other retailers expand foodservice offerings**

Figure 16: Year-over-year change in prepared food purchases, October 2018

- **Meal kits offer convenience, ease and gourmet options for at-home cooks**

## MARKET FACTORS

### • Consumer confidence remains fairly strong

Figure 17: Consumer sentiment index, January 2007-September 2019

### • Consumers have more discretionary funds

Figure 18: Disposable personal income change from previous period, January 2007-August 2019

### • Millennials are core diners, with Gen Z on horizon

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- **Health-related considerations shape restaurant choices**
- **Weight loss is a concern for many as obesity rates continue to climb**
- **For Gen Z and Millennials, holistic view of health puts focus on quality, not calories**
- **Personal health – and that of the planet – driving interest in plant-based proteins**
- **Quest for healthier fare may propel more at-home cooking**

Figure 22: Percent of people aged 20 or older who are overweight or obese, 2001-02 to 2015-16

#### KEY TRENDS – WHAT YOU NEED TO KNOW

- Technology offers speed, efficiency and convenience
- Shifting consumer habits impact full service restaurants
- Drop-off stations, vending machines and ghost kitchens
- Earth-friendly menu items and practices aligns with diners' desire for sustainability

#### WHAT'S WORKING?

- Using technology to improve speed and offer convenience
- Kiosks and tablets allow for efficient ordering and payment
- Modern drive-thrus integrate new tech for customization and personalization
- Mobile apps with loyalty programs and online reviews
- Delivery apps support "blended" meals
- Meal kits offer yet another way to bring restaurant tastes into the home

#### WHAT'S STRUGGLING?

- Some larger chains – especially in casual dining – continue to struggle
- Sit-down business lunches fall out of favor

#### WHAT'S NEXT?

- Drop-off stations, vending machines, and ghost kitchens
- Innovative plant-based meats marry taste and sustainability

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Figure 23: interest in healthy menu items, by generation, December 2018

- **Eco-friendly, no-plastic packaging as part of sustainability efforts**

Figure 24: Current and future habits related to sustainability, March 2019

## THE CONSUMER – WHAT YOU NEED TO KNOW

- **When dining out, consumers have an abundance of choice and use it!**
- **From fast food to fine dining, users have wide-ranging associations**
- **Customers prioritize cuisine type, taste, menu variety**
- **Word-of-mouth and online reviews are vital for engaging customers**

## RESTAURANT VISITATION

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## DINING OUT FREQUENCY

- **Two thirds dine out at least once a week**

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Figure 33: Dining out frequency in past three months, August 2019

- **Income drives frequency of dining out**

Figure 34: Dining out frequency in past three months, by household income, August 2019

- **Millennials and Gen X comprise large share of high-frequency diners**

Figure 35: Dining out frequency in past three months, by generation, August 2019

- **Parents over-index as high-frequency diners**

Figure 36: Dining out frequency in past three months, by parental status, August 2019

## RESTAURANT COMPETITION

- **Competition abounds as two thirds buy prepared food from retailers**

Figure 37: Restaurant competition in the past three months, August 2019

- **Gen Z and Millennials are most engaged prepared-food buyers**

Figure 38: Restaurant competition in the past three months, part I, by generation, August 2019

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Figure 40: Restaurant competition in the past three months, by parental status, August 2019

- **Hispanics over-index for purchasing food at retailers**

Figure 41: Restaurant competition in the past three months, by Hispanic origin, August 2019

## RESTAURANT SEGMENT ASSOCIATIONS

- **Fast food heavily associated with speed, convenience and affordability**

- **Fast casual and casual dining are seen as high-value propositions**

- **Fine dining seen as innovative, unique, enjoyable...but not for kids!**

Figure 42: Restaurant segment associations, August 2019

## DINING OUT PRIORITIES

- **Food first – as consumers prioritize cuisine type, taste, menu variety**

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Figure 43: Dining out priorities, net – Any rank, August 2019

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Figure 45: Dining out priorities, net – Any rank, by household income, August 2019

- **Race and Hispanic origin shape some priorities**

Figure 46: Dining out priorities, net – Any rank, by race and Hispanic origin, August 2019

## DINING OUT BEHAVIORS

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- **Online reviews are used, but taken with a grain of salt**
- **Indulgent, adventurous fare sought by many when dining out**

Figure 47: Dining out behaviors – Agree, august 2019

- **Delivery is prized by Gen Z and Millennials**

Figure 48: Dining out behaviors – Agree, by generation, august 2019

- **Parents want more snack options**

Figure 49: Dining out behaviors – Agree, by parental status, august 2019

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Figure 50: Dining out behaviors – Agree, part I, by frequency segments, august 2019

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Figure 51: Dining out behaviors – Agree, part II, by frequency segments, august 2019

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Figure 52: Dining out behaviors – Agree, by race and Hispanic origin, august 2019

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- **Fan chart forecast**
- **Consumer survey data**

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- Consumer qualitative research
- Abbreviations and terms
- Abbreviations

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