

# The restaurant industry faces another year of uncertainty, battling inflation, customer price sensitivity

Article

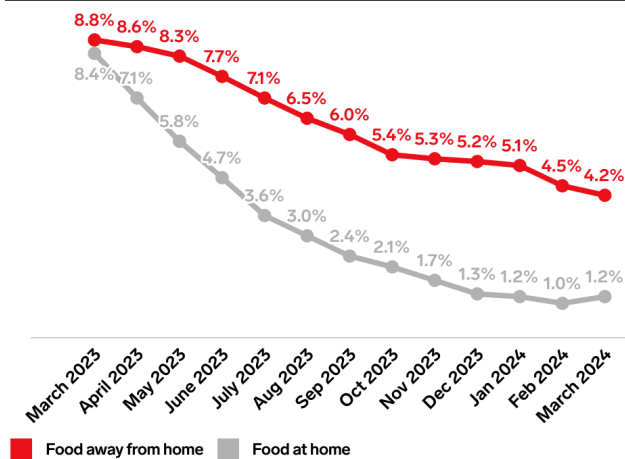
Operating costs are on the rise, prices are going up, and consumers are pulling back.

## Inflation takes its toll on the dining industry

- **Supply chain disruptions and labor shortages have caused restaurants to raise prices.** More than 82% of US restaurant operators said they upped menu prices in 2023, per a December 2023 survey from Restaurant365.
- **Restaurant prices continue to rise faster than grocery prices.** The most recent Consumer Price Index (CPI) data shows that the cost of “food away from home” is still rising faster than the cost of “food at home.”
- **Prices are likely to keep rising in 2024.** More than 61% of US restaurant operators said they will raise menu prices in 2024, per Restaurant365.

### The Cost of Eating Out Continues to Rise Faster Than the Cost of Food at Home

% change in US consumer price index, March 2023-March 2024



Note: unadjusted indexes; food at home refers to the total expenditures for food at grocery stores (or other food stores) and food prepared by the consumer unit on trips; excludes the purchase of nonfood items; food away from home includes all meals (breakfast, brunch, lunch, dinner, snacks, and nonalcoholic beverages) including tips at fast food, take-out, delivery, concession stands, buffet, and cafeteria, at full-service restaurants, and at vending machines and mobile vendors; also included are board (including at school), meals as pay, special catered affairs, such as weddings, bar mitzvahs/confirmations, school lunches, and meals away from home on trips  
Source: US Bureau of Labor Statistics, April 2023

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## Consumers have balked at higher prices and cut back on dining out

- **The \$18 Big Mac meal goes viral.** Last summer, a user’s post on X (formerly Twitter) called attention to rising prices at McDonald’s, igniting an online debate around the affordability of

fast food and the general cost of dining out.

- **Fewer people went out to eat in 2023, but those who did dine out spent more.** Sales at food service and drinking places rose just over 11% in 2023, per US Census Bureau data. But restaurant-visit growth trended downward throughout the year, according to foot-traffic data tracked by Placer.ai.
- **Consumers also appear to be dining out less frequently in 2024.** Full-service and fast-casual restaurants are taking the biggest hit, according to a consumer survey conducted in Q1 2024 by Revenue Management Solutions.

**If restaurants are forced to raise menu prices, they must find new ways to provide value**

- **This is an uphill battle for restaurants, as cost remains the priority for consumers.** Roughly 6 in 10 consumers cited price as an influence in deciding where to eat, beating other factors like attractive menu items (54%), speed of service (25%), loyalty points (10%), and online food ordering (7%), per an August 2023 survey from TransUnion.
- **When menu prices go up, restaurants need to invest in back-end technology that will enhance the customer experience.** This includes loyalty programs that demonstrate actual value to cost-conscious customers, along with frictionless order fulfillment from multiple point-of-sale (POS) destinations. Restaurants should also make data-driven decisions regarding the development and marketing of menu items.

Read the full report, [Restaurant Digitization 2024](#).

Report by Blake Droesch Apr 24, 2024

# Restaurant Digitization 2024

