



BLACK BOX
INTELLIGENCE

REPORT

State of Restaurant Sales & Traffic: Rebounding Profits, not People



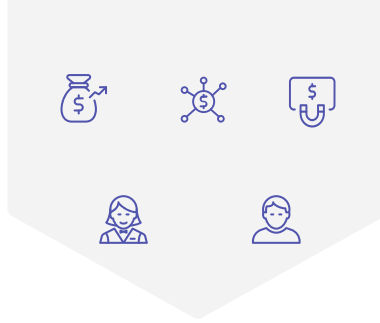


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Executive summary

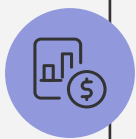
The restaurant industry is experiencing a very unique time right now, a time in which the old pricing models and industry trends need not apply. In times like these, the most valuable resource in which one can invest is data.

These trends certainly have a face value, but it is more important to be able to benchmark your restaurant's numbers with that of your specific vertical and the competitors therein. BBI's technology helps restaurants compare their success with competitors in their specific region, states, and DMAs to see how they are stacking up.

More specifically, BBI allows you to look at your underperforming locations to see if market conditions for your segment are driving the declines. You can compare your check average and growth to others in your area to see if you are overpricing your items, or if your check is growing more rapidly. With Black Box Intelligence's Financial Intelligence, you get direct visibility into things like daypart, food sales, beverage sales, off-premise, and more.

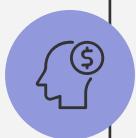
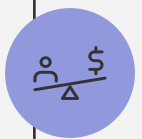
BBI's [restaurant financial analysis tool](#) reveals all of these numbers and allows you to compare them to the current state of the industry.

Key takeaways



1 A VIEW INTO THREE-YEAR SALES AND TRAFFIC GROWTH PATTERNS REVEALS SEGMENT-SPECIFIC RESILIENCY

2 HIGH PRICES AND LARGE CHECK GROWTH FUELS INCREASE IN SALES DESPITE DECLINES IN TRAFFIC



3 SHIFTS WITHIN SEGMENTS SUGGEST "TRADING DOWN" DUE TO ECONOMIC CHALLENGES

4 CHANGING CONSUMER PREFERENCES ARE KEEPING INTENT TO RETURN SCORES BELOW AVERAGE



Data reveals segment-specific resiliency

Consumers have felt no end in sight with rising prices meeting them at every corner. Fortunately, restaurant sales and traffic growth rebounded late this quarter thanks in large part to an increase in consumer confidence. Gas prices dropping, for instance, is just one contributing factor bringing a better outlook on income, business, and the labor market.

The [Consumer Confidence Index](#) reported an uptick in August, following three consecutive monthly declines. The improvement in confidence may also support overall spending habits in the near future. However, confidence will be offset by additional rate hikes and inflation (even with easing).

As prices increase, traffic continues to decline

Restaurants have been bearing the brunt in big ways – watching the cost of food, raw materials, labor and everything in between spike while already thin profit margins become even more pinched. The most immediate response has been largely unanimous among restaurants: raise prices. The result? Industry-wide price increases have driven up check performance.

Sales Growth

At the start of the quarter, Black Box Intelligence reported a consistent decline in same-store sales growth, culminating in July with sales only growing by +0.7% – the lowest in over a year. However, as far as sales are concerned, the latest data shows we’re turning a corner. Restaurant same-store sales growth was +5.3% for August – the strongest same-store sales growth since March and a significant increase of 4.6 percentage points over July 2022’s growth rate.

Traffic Growth

Alternatively, same-store traffic growth continues to decline. In August, traffic was -1.9%, rebounding slightly from July’s, a challenging -5.1%. The sobering fact remains that it is the sixth consecutive month of year-over-year declines in guest count.

This quarter’s strong sales numbers and weak guest counts demonstrate exactly what happens when larger check growth (due to large price increases that passed onto consumers) is the primary reason for higher sales.



SALES GROWTH

5.3 % ↑↑↑



TRAFFIC GROWTH

-1.9 % ↓↓↓



The companies with the lowest check growth reported much higher growth in traffic – a significant 16 percentage points over the 25% of companies with the largest increase in average check. Black Box Intelligence expects the negative traffic growth trendline will continue its streak through the next couple of months.

Certain segments “trade down” due to economic challenges

All restaurant segments experienced a fall in their YoY same-store sales growth rates this summer.

Normally, a YoY comparison of segment performance is an important and fairly straightforward metric to monitor. However, when looking at 2021 vs. 2022 segment performance, the trailing impact of the pandemic is a factor and important in the context of positive or negative segment growth.

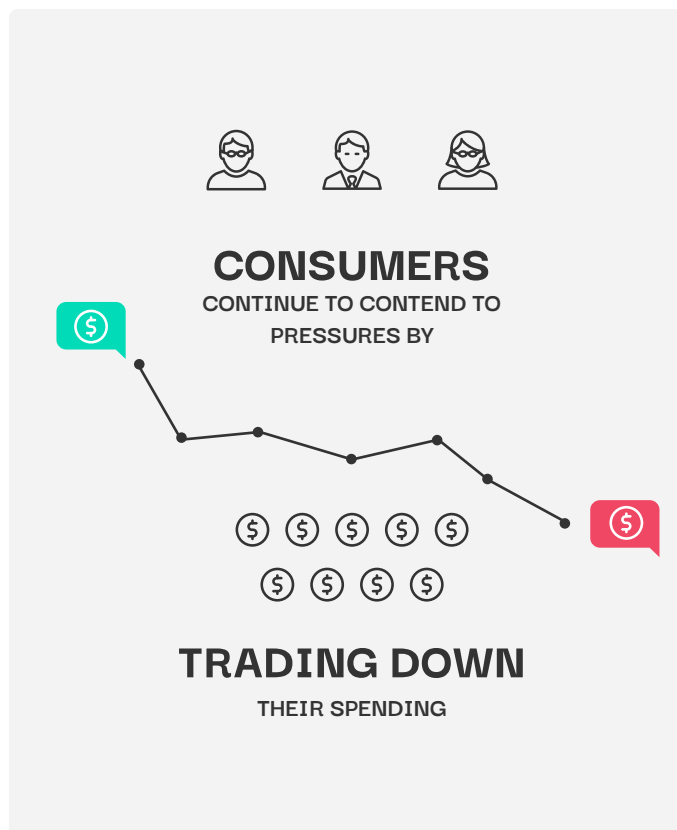
The current data aligns with broader macro pressures against a backdrop of inflation and the looming question of recession. Consumers continue to contend with these pressures by trading down their spending to segments and brands with the lowest average checks (typically Quick Service) or toward lower price points within Full-Service restaurants (typically Family Dining). After a strong streak as a top performer, Fine Dining’s continued waning performance throughout the quarter indicates an acceleration of erosion in the segment. Upscale Casual also saw a steep decline compared to 2022.

Changing consumer preferences are keeping intent to return scores below average

Consumers are, predictably, watching their wallets with extra scrutiny as groceries, rent, restaurant prices and more continue to rise. Although sales and traffic for the Summer were expected to come up short against last year’s pent-up COVID-19 demand (a windfall for restaurants after an intensely challenging 18-24 months), U.S. economic conditions continue to strain restaurant performance in every segment except for Quick Service.

This quarter’s segment performance paints a clear picture: price-conscious consumers are favoring the value-obsessed QSR and Fast Casual (Limited Service) segments.

Does that mean restaurants should continue raising prices to offset growing costs? Black Box Intelligence data suggests a more moderate approach to price increases will benefit restaurant companies looking to hold or strengthen their position in the market.





Unlock opportunities that drive sales, traffic and revenue

Black Box Financial Intelligence™ helps you and your operators see the macro and micro trends in the market, then compare them to the overall industry and your competitors to unlock opportunities that drive sales, traffic and revenue.

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