

NBCUniversal

2023

Restaurant Industry Assessment



Welcome!



Introduction

Explore NBCUniversal's latest perspectives and insights into the Restaurant industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Restaurant brands and marketers as they navigate what's next.

Our Approach

At NBCUniversal, we have a legacy of working with a diverse range of Restaurant partners to build their brands. This report has been created based on NBCU's:

- Ongoing Industry Evaluation
 - Conversations with Restaurant Advertisers and Agencies
 - Continual Marketplace Analysis
 - Examination of Consumer Attitudes towards the Restaurant Industry
-

NBCUniversal Has a Unique Perspective

In 2023, NBCU worked with:

48+ Restaurant Industry Advertisers



QSR



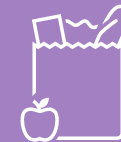
Fast Casual



Casual Dining



3P Delivery



Meal Kits



Pizza

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2023 in Review

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Key Industry
Trends
to Watch

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The Power of
Advertising &
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Partnering
with NBCU

Looking Back

2023 IN REVIEW



Restaurants are taking a **Slow & Steady** long-term approach to recovery and growth in a tough macroeconomic environment.



Restaurant Brands Held to Their Strategies in 2023

Continued Regional Expansion



Smaller and mid-size brands continued to open stores across the country through franchisee strategies, while large national chains focused on entering or expanding in global markets.

Talent Retention Remained a Priority



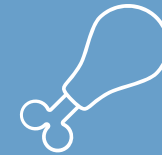
Many restaurants honed in on talent retention efforts as part of their business strategies to boost customer experience through happy employees, as well as to lower long-term labor costs stemming from employee churn.

Apps & Loyalty Grew and Evolved



Brands upgraded their loyalty programs to further gamify the experience and make reward thresholds more accessible to consumers as they look for value in a difficult economic environment.

Chicken Still in Focus



While the chicken wars are no longer at their peak, new menu items featuring chicken continued to launch and attract customers.

BRANDS ACROSS RESTAURANT SUB-CATEGORIES ARE

Focused on Value and Experiences in this Hard Environment

QSR & Fast Casual

Fast-food restaurants are attracting value-conscious diners thanks to their more affordable pricing, no tipping requirements, and loyalty programs.

+5.8%

Avg YOY increase in sales for major fast-food and QSR chains in Q2'23¹

AA consumers are leading fast casual dining²

Casual Dining

Despite post-pandemic traffic returning, inflation has mitigated growth. Much of casual dining's growth has come from price increases w/ full-service chains increasing menu prices ~8% over the least year².

+2%

5-year CAGR of casual dining sales³

Fine Dining

Consumers are either saving or splurging, and fine dining establishments are reaping the benefits of this split behavior.

10% to 17%

Change in consumer interest in higher-priced restaurants pre-pandemic compared to today⁴

Delivery

3P delivery services are maintaining their hold on existing consumers and gaining new ones by adding to core restaurant delivery businesses with convenience, grocery, and other services.

+15.1%

Estimated 3P delivery sales growth in 2023⁵

Hispanics are 27% more likely to order delivery service more often⁶

Meal Kits

Meal kits are seeing sustained growth as a result of their convenience, time-saving, and "better-for-you" options.

+4.5%

Estimated meal-kit subscription sales growth in 2023⁷

MARKETPLACE PARTNERSHIP EXAMPLES

How Our Partners Are Evolving Their Media Strategy & Storytelling

Roku  **DOORDASH**



Commerce Partnerships

Roku tapped DoorDash to be its exclusive shoppable partner for restaurants. The partnership allows audiences to order meals directly through DoorDash from Roku, with Wendy's being the first brand to test the integration.

SHAKE SHACK  



Experiential Partnerships

Shake Shack partnered with the Super Mario Bros. movie for an activation that featured special menu items, themed packaging, and an in-store pop-up. This allowed fans to immerse themselves in the movie while engaging with the restaurant.





Gamified Experiences

Chick-fil-A gamified its loyalty program with the introduction of "Code Moo," a game that engaged diners digitally while allowing them to earn food rewards, effectively merging entertainment with customer loyalty and engagement.





Cultural Relevance

McDonald's capitalized on the viral "Grimace Shakes" TikTok trend by introducing an official Grimace Shake to its menu. This boosted customer engagement, nostalgia, and Q2 earnings through the integration of the popular social media movement.

Looking Ahead

KEY INDUSTRY TRENDS TO WATCH



LOOKING AHEAD

Key Restaurant Trends & Emerging Sub-Categories We Expect to Influence Marketing & Media Strategies



Consumer & Necessity-Driven
Menu Innovation



Restaurants as
Entertainers



Technology Takes a Step back
For the Human Touch



“Tip Creep” Expands
and Confuses Consumers



Delivery Media Networks
Gain Momentum



Emerging Sub-Categories & Brands
Convenience Store Food Service

Consumer & Necessity-Driven Menu Innovation

Consumer needs directly impact new product creation.

In the past, menu innovation was largely driven by the desire for restaurants to create buzz.

But in today's world of pressured margins, innovation is being designed around consumers preferences, labor shortages, and supply chain challenges.

As these challenges remain persistent, we can expect restaurants to continue using business challenges as the foundation to their innovation.

Consumer Change

Hybrid work & on-the-go mindset

Early morning takeout (12am to 5am) has increased by 36% in 2022¹

Changes in dietary preferences

65% of consumers expect all fast-food restaurants to have a plant-based option by now²

Demand for more global flavors

>40% of consumers are interested in seeing more regional or international cuisines²

Changes in meal moments

62% of American workers claim that they eat lunch at their desks even when working in person³

Example Food Innovation



IHOP Pancake Taco

Handheld & Portable Foods



Shake Shack Veggie Shack Burger

Plant-based, Chicken, Non-Dairy, etc.



Outback's "Sweet Heat Season" Menu

Spicy, Regional & Global Inspiration, etc.



Burger King Chicken Fries

Snackable, Multi-Tasker All-Day Foods

Restaurants as Entertainers

Restaurants and content creators are increasingly finding inspiration in each other in their effort to influence culture

Restaurant chains are taking on the actions and language of entertainment companies in their ongoing pursuit of influencing culture.

As restaurants menu items become more grounded in consumer needs, entertainment will become the new playground for restaurants to truly innovate and influence consumer preferences.



In Nov 2022, **Chick-fil-A** released its fourth annual **animated film**, "The Snow Globe," which encouraged simple acts of kindness and prompts meaningful moments between loved ones.



Taco Bell took a page from **food reality competition shows** to create its own food competition with its employees called "Menu Blast."



McDonald's patted itself on the back in its most recent creative, "As Featured In," which showed on ingrained the brand is in pop culture with a compilation of its **presence in TVs and movies** throughout the years.



Netflix went "from screen to table" with a **popup restaurant** that features creations from chefs featured in shows on the streaming service.

Technology Takes a Step Back for the Human Touch

Technology serves employees; it doesn't replace them.

Restaurants used labor shortages and wage increases to further increase investments in automation. But today, consumers are seeking interactions with people and want customer service back.

Technology won't be leaving the store, but it will be redirected at elevating employees' roles rather than replacing them.

-27%

Decrease in **restaurant menu QR code scans** in Spring 2023 vs. Spring 2021 as diner preferences shift towards face-to-face service¹

“ ”

At USHG, we're **always searching for technology that enhances the hospitality experience**...With Thanx, we're able to find creative ways to reward and build brand loyalty, meet our guests where they are, and create raves.

Kelly Macpherson

Chief Technology Officer,
Union Square Hospitality Group

77%

Of consumers say **staff friendliness is the most important feature** a restaurant needs to provide, but **39%** say restaurants are **becoming less and less personal**.²

“ ”

[Customers] want to feel like **welcome guests again**, wrapped in the kind of warm, competent hospitality they fantasized about while the pandemic took it all away..... [Restaurant owners are] retiring robot waiters, making dining rooms cozier and **giving servers and bartenders more time to spend with customers**.

Kim Severson

Restaurant Culture Reporter,
New York Times

"Tip Creep" Expands & Confuses Consumers

**Restaurant surcharges
become more pervasive out
of desperation.**

To maintain profitability, restaurants will get more creative in how they add fees. And as additional fees become more pervasive, tips may take a hit.

While this has historically not impacted chain restaurants, we still expect the evolution in tipping to impact what restaurant employees expect from their employers, especially in a time when hospitality employees have more leverage than ever.

WHAT WE'RE SEEING



“Restaurant’s “Plate Sharing Charge” Sparks Debate After Customer Finds Workaround

DISTRACTIFY

“Forget ‘tipflation:’ Restaurant surcharges for inflation, health care, water are consumers’ latest pet peeve

CNBC

WHAT WE'RE EXPECTING TO SEE MORE OF

To-go
Box Fees:

72%

Of restaurant operators say the cost of packaging is increasing¹

Supply &
Product Fees:

17.5%

Average price increase of supplies for restaurant operators since last year²

Minimum Order Reqs. &
Sit Time Limits:

90 min

Sit time limits on New York City diners³

Delivery Media Networks Gain Momentum

While still in infant stages, delivery media networks have a significant potential for growth.

As delivery partners look for new ways to monetize their product (without increasing their own costs) and demand for better data increases, we can only expect delivery media networks to see rapid growth over the next several years.

Media Networks Overall Are Taking Off

+9.9%

Expected growth of global retail media ad revenue in 2023¹

Delivery Partners Must Find New Avenues to Profitability

While DoorDash has grown its revenue by more than 5.5x in 3 years, the service has not posted positive operating profits for any 12-month period²

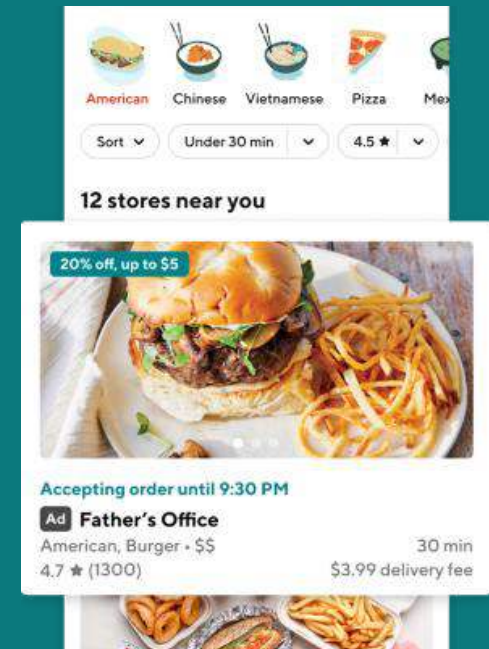
Customer Bases & Targetable Audiences Are Growing

+7%

Expected 3-year CAGR U.S. food delivery users between 2023 and 2027³

Grow your Brand with DoorDash Advertising

- Drive incremental orders at the point-of-sale w/ direct attribution
- Advertise across 40K+ stores (DoorDash accounts for over 60% of online convenience deliveries)
- Capture high-intent shoppers (25M+ MAUs)



EMERGING SUBCATEGORY

Convenience Store Food Service

This subcategory is gaining traction as consumers seek quick, convenient, and low-priced alternatives to traditional restaurants.

Why To Watch

\$54.7B

Projected 2027 Market Size | +13% vs. 2022¹

5.5%

Estimated increase in total U.S. convenience store food service in 2023¹

Brands to Watch

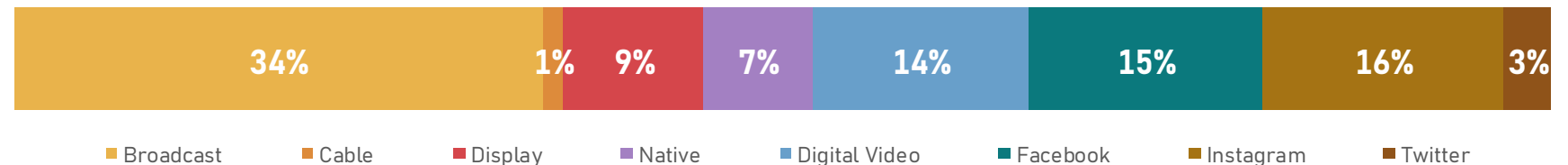


Ad Spend

\$31M

Subcategory spend in 2022 with a 65% and 35% digital/linear split²

2022 Media Mix²



LOOKING AHEAD

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Emerging Sub-Categories & Brands

Convenience Store Food Service

The Power of Advertising

& MEDIA TRENDS TO WATCH



While valuations fell, brands who maintained ad spend through 2022



Ultimately saw less declines in market capitalization. For the average company, **this translated to maintaining**

\$707m

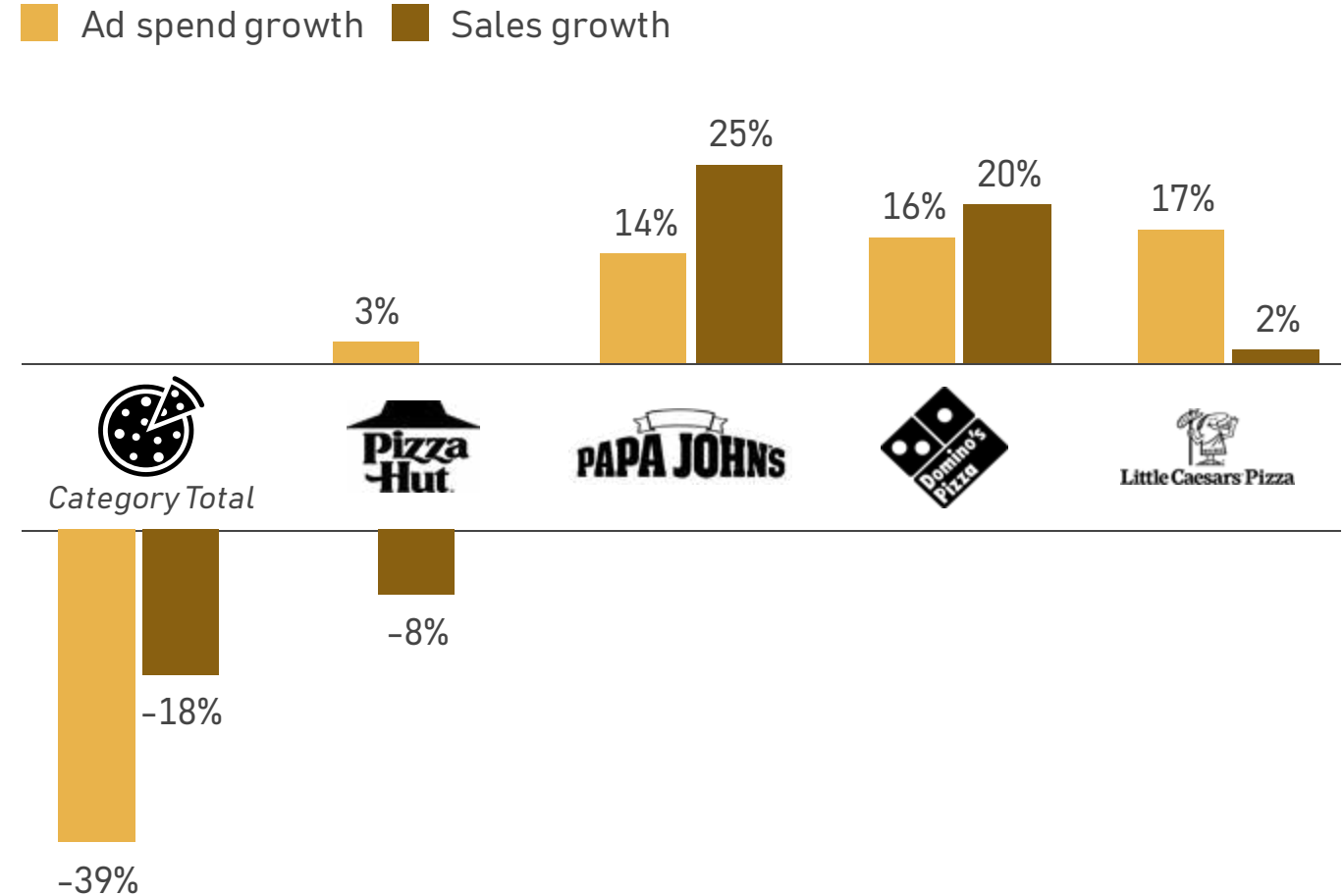
More in **market capitalization** compared with **brands who cut ad spend**

Pizza: Advertising Delivered for the Top Chains

The top four Pizza
spenders outperformed the
category during the pandemic

Total Advertiser Spend vs. Sales Growth

Top Four Ad Spenders: 2020 vs. 2019



Media Trends to Watch

Similar to how business strategies are shifting, marketing strategies will increasingly focus on how consumer needs are shifting in real time.

Buzzy marketing will still be a priority but become more balanced with tactical and strategic efforts.

Source: 1. *Yelp Economic Average* 2. *NRN* 3. *Nation's Restaurant News* 4. *SMI: QSR*

EVOLVING Meal Moment Targeting

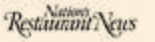
Key daypart targeting is evolving as new subcategories (i.e. meal kits) emerge and consumer dining shifts (i.e. hybrid, snacking, changing times)
The number of dinner reservations seated from 2-5pm doubled from 2019 to 2023¹

LOYAL CONSUMERS are Consulted

Consumers become part of the pre & post campaign

8 / 1 6 / 2 3

Shake Shack Searches for a 'chief avocado officer'



7 / 1 8 / 2 0 2 3

Taco Bell is collecting loyalty members' input for its sauce packet redesign

Regional Marketing WILL INCREASE

"We've all been spending all this money for the same real estate on search engines and we have found we're more effective with more direct, localized marketing"

Chuck Imerson, CEO, Asian Box³

Group Experiences ARE CELEBRATED

Socialization and in-person interaction are once again the star of the restaurant experience

From 2021 to 2022, QSRs **increased investments in**⁴

| | |
|--------|----------|
| Events | +843% |
| Cinema | +36,716% |

Partnering with NBCU

CATEGORY PERFORMANCE, STRATEGIC CONSIDERATIONS
& PARTNERSHIP EXAMPLES



Restaurant Proven Impact: Across Brand KPIs



BUSINESS OUTCOME

NBCU RESTAURANT CAMPAIGNS – *Test vs. Control*

Brand
(Upper Funnel)

Brand
Familiarity
+6%

Ad
Recall
+32%

Brand
Favorability
+9%

Brand
Consideration
+10%

Performance
(Lower Funnel)

Search
Engagement
+105%

Purchase
Intent
+10%

Foot
Traffic
+8%

Campaigns Across More Than One Platform Are More Effective

Restaurant Category NBCU Campaigns: Multi-Platform vs. Single Platform
% LIFT



+57%

Ad
Recall



+12%

Brand
Favorability



+36%

Brand
Consideration



+21%

Brand
Recommendation

Strategic
Consideration for

Driving Growth for Restaurant Brands

Generate Top-of-Mind Awareness



Why

With competition from local, regional and national restaurants as well as grocery & convenience stores, brands need to stay top of mind during key meal moments

How

National and local cross-platform media to generate broad & impactful reach

Build Brand Affinity and Consideration



Why

As Restaurant brands continue to drive culture and extend into areas beyond food and the dining experience (content, gamification, etc.), they will look to form deeper and more involved relationships w/ customers

How

Partner with beloved IP and talent to personify your brand and help build familiarity and emotional engagement.

Drive Digital & In-Store Orders



Why

As diners continue to be more conscious of basket value and order frequency, restaurants will focus on efficiently driving sales

How

Use ad innovations across platforms (i.e. content commerce, mobile app download, tap-to-map) to efficiently drive orders at scale

Engage Key Audiences



Why

As different audiences have different food and dietary preferences, brands need to cater to these tastes and personalize messaging accordingly

How

Leverage audience insights and target key segments (i.e. loyalty members, Gen Z, families) w/ relevant messaging

NBCU solutions
for delivering

Brand & Business Impact for Restaurant Brands

SCALE

**Generate
Top-of-Mind
Awareness**



**Build Brand
Affinity and
Consideration**



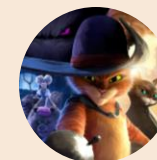
SNL50



SUNDAY NIGHT
FOOTBALL



HALLOWEEN
FANDEMONIUM



peacock

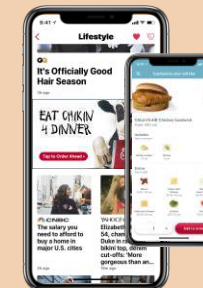


NBCU
Talent



Meal
Dayparts

**Drive Digital &
In-Store Orders**



PRECISION

**Engage Key
Audiences**



Leverage NBCUnified audience insights to identify key audiences and reach them via AdSmart.

NBCUNIVERSAL PARTNERSHIP EXAMPLES

How Our Partners Are Evolving Their Media Strategy & Storytelling



Tapping into Talent

Wendy's partnered with NBCU to drive brand engagement among Bravo fans. The partnership featured custom "Day in the Life" social content by Bravolebrity Lisa Barlow and highlighted Wendy's Hot & Crispy Fries as her favorite go-to winter snack to raise awareness and drive mass social engagement.



Creating Custom Content

To launch the new Kentucky Fried Chicken Nuggets, KFC teamed up with Bravo to reach Millennial families with kids in partnership with Housewife Kandi Burruss and her son. The campaign included a :60 custom content spot airing on Bravo, as well as social first content across Kandi's personal Instagram and Bravo's Instagram.



Leveraging the Power of Sports

As the presenting sponsor of Football Night in America, Applebee's partnered with NBCU for wraparound graphics that put the brand front and center in the #1 NFL pregame show. The sponsorship also includes custom content directly featuring an Applebee's restaurant location.



Leaning into Content Integrations

Sonic renewed its partnership with AGT for massive season long exposure celebrating the talents of the contestants, while quenching the thirst of judges and contestants alike with Sonic water cups, a Sonic sipping station, and more to keep Sonic top of mind for our massive AGT fanbase.

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NBCUniversal

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