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THE 2022 RESTAURANT DIGITAL DIVIDE:

Restaurant Customers React To Rising Costs,
Declining Service

DECEMBER 2022

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**THE 2022
RESTAURANT
DIGITAL DIVIDE:**
Restaurant Customers React To Rising Costs,
Declining Service

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INTRODUCTION

Few sectors have endured as much turmoil since the COVID-19 pandemic first upended the global economy as the restaurant industry. Restaurants shut their doors for what they assumed would be just a few weeks, but for many, the closures became permanent.

The restaurants that resumed operations found themselves in a very different environment. To stay in business amid rising costs and unpredictable revenue streams, restaurateurs were forced to increase menu prices, cut portion sizes, reduce operating hours and decrease available seating.

According to official data, the cost of dining out rose 8.6% on average from October 2021 to October 2022, exceeding the 7.7% rise in the Consumer Price Index (CPI) — and consumers have felt the pain.¹ About one-third of consumers are dining out less frequently. Baby boomers and seniors are the age group cutting back the most, with 40% of these consumers doing so. Consumers who continue to dine out are changing their habits. Consumers' responses tend to vary by age group. For example, 11% of Generation Z consumers have switched to lower-quality restaurants, far exceeding the 0.6% of baby boomers and seniors who have taken the same step.

These are some of the key findings in Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, a PYMNTS report. We surveyed a census-balanced panel of 2,378 U.S. restaurant diners from Nov. 9 to Nov. 14 to understand how their dining habits have changed.

This is what we learned.

¹ Author unknown. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by detailed expenditure category. Bureau of Labor Statistics. 2022. <https://www.bls.gov/news.release/cpi.t02.htm>. Accessed December 2022.

PART I:
FOOD TAKES A BIGGER BITE OUT OF CONSUMER BUDGETS

Consumers perceive that restaurant prices are increasing much quicker than what official inflation data shows.

Food costs reflect the past two years' soaring prices. The 10.9% jump in the CPI's food-only costs outpaces the index's overall rise of 7.7%.

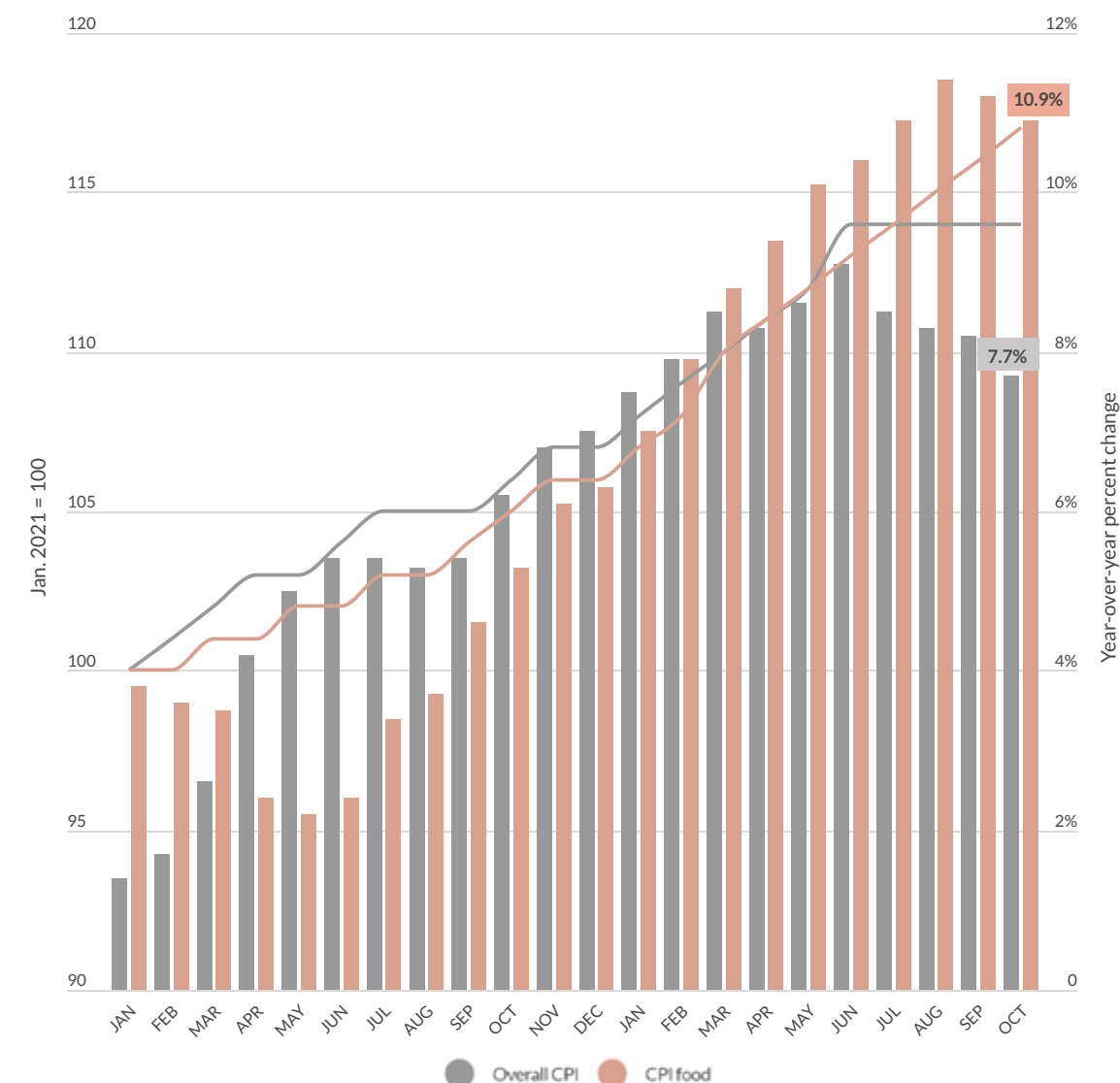
The cost of eating at home has seen a 12.4% jump. Dining out at restaurants has had a somewhat less severe increase, but still rose 8.6% in 2022. Despite the CPI's numbers, consumers say they have seen an even larger increase in their restaurant checks.

Seventy percent of consumers say prices are higher at table-service restaurants, and 62% say quick-service restaurants (QSRs) have hiked the costs for menu items. Overall, restaurant customers say prices have jumped 24% — more than triple the CPI increase and double the CPI's measure of the upswing in food expenses.

This is the case wherever consumers are dining out, across cities, suburbs and small towns — and whether they eat at table-service restaurants or if they pick up a meal at a QSR's drive-thru window.

Figure 1
How rising food prices are hitting consumers

Year-over-year rise in the Consumer Price Index, costs overall versus food costs



Source: Author unknown. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by detailed expenditure category. Bureau of Labor Statistics. 2022. <https://www.bls.gov/news.release/cpi.t02.htm>. Accessed December 2022.

As all meals have gotten more expensive, consumers have been forced to dig deeper into their wallets and change their behaviors.

PART II:

**AS RESTAURANTS GET MORE EXPENSIVE,
CONSUMER BEHAVIOR STARTS TO CHANGE**

Younger consumers are willing to sacrifice food and restaurant quality to continue dining out.

PYMNTS' data finds that a consumer's age can influence the importance they place upon restaurant quality. To avoid rising costs, 18% of Gen Z consumers and 19% of millennials will take their business to cheaper restaurants. Older consumers were increasingly less likely to choose cheaper restaurants: 15% of bridge millennials, 14% of Generation X consumers and 12% of baby boomers and seniors say they opted for less expensive restaurants.

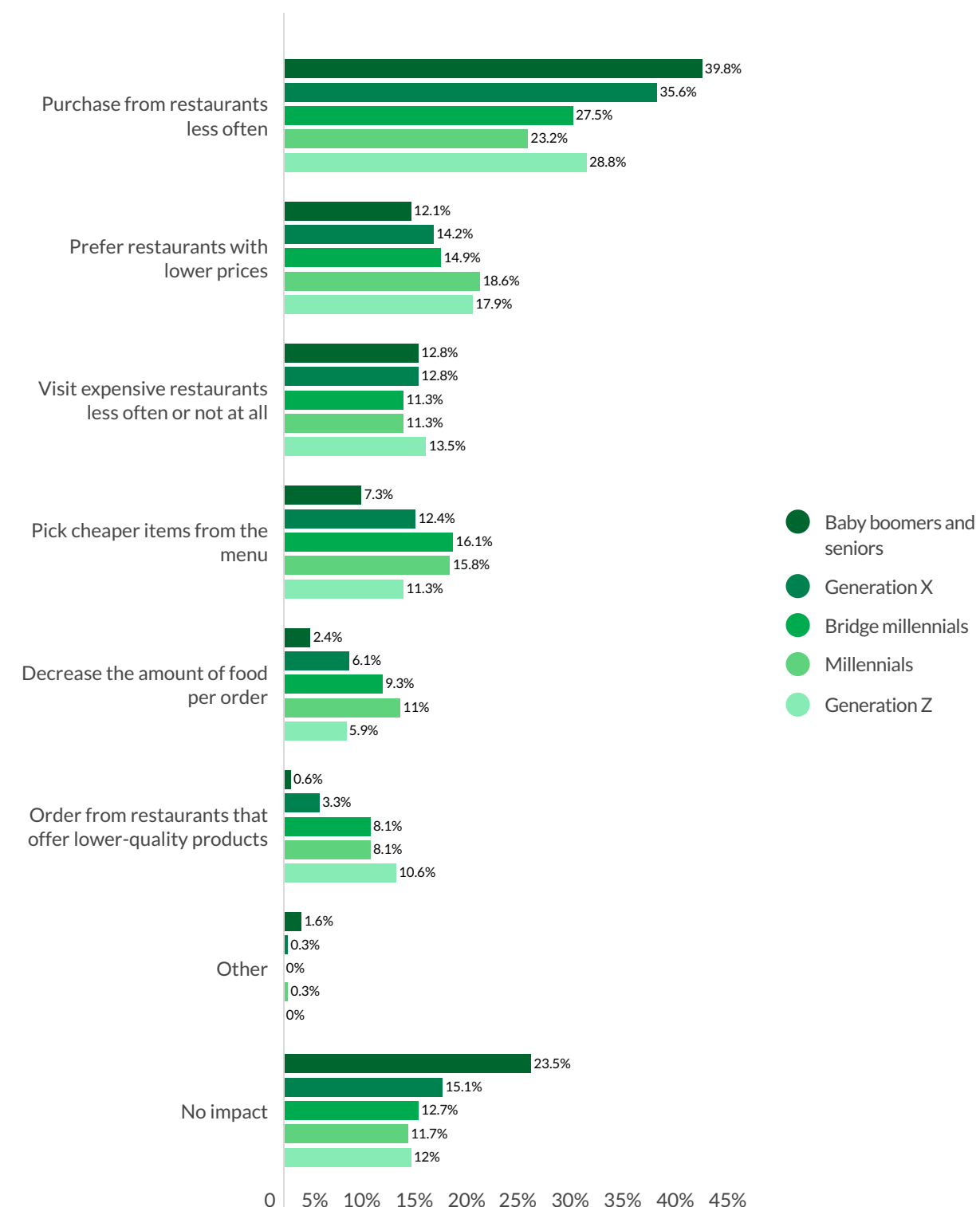
Sixteen percent of millennials and bridge millennials are picking cheaper items off the menu. Meanwhile, 12% of Gen X consumers and 7.3% of baby boomers and seniors are also taking this step. Somewhat surprisingly, 11% of Gen Z consumers are choosing cheaper items.

By contrast, 40% of baby boomers and seniors and 36% of Gen X consumers are not dining out as frequently. Twenty-eight percent of bridge millennials, 23% of millennials and 29% of Gen Z consumers are also going to restaurants less often.

Figure 2A

Restaurants' rising costs and the effect on consumer behavior

Share of consumers citing select changes in restaurant purchasing habits in response to rising costs, by generation



Source: PYMNTS

Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, December 2022

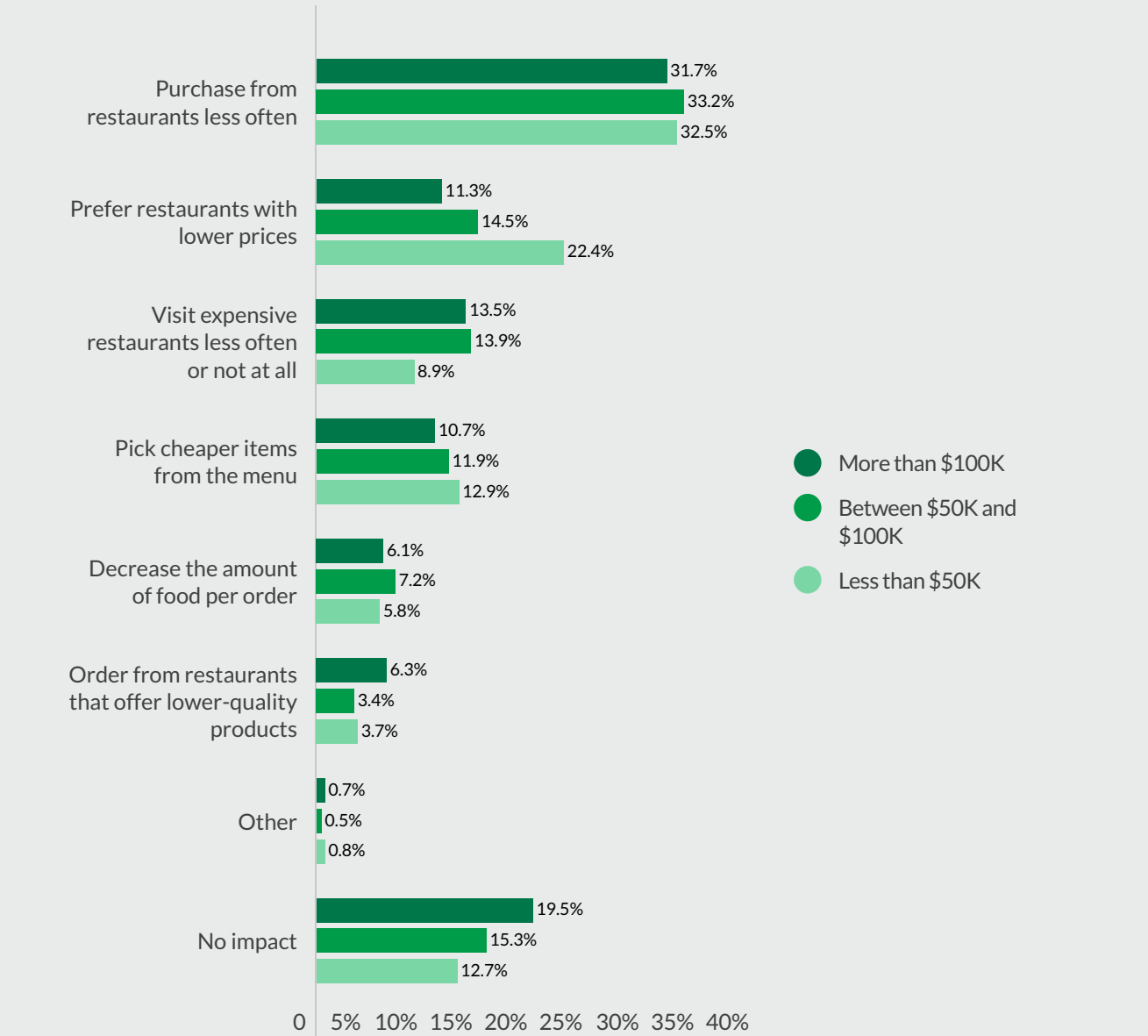
N = 2,378: Complete responses, fielded Nov. 9, 2022 - Nov. 14, 2022

When looking at consumers’ behaviors by income level, there is not a significant difference in their reactions to the changes restaurants have made in recent years. Higher-income consumers are less likely to cite having changed their behaviors at all, but when they do, they choose similar strategies to mid- and low-income consumers to fend off the effects of inflation.

Twenty-two percent of consumers earning less than \$50,000 annually now prefer lower-cost restaurants, while just 11% of consumers earning more than \$100,000 each year say the same. Fifteen percent of the consumers with annual incomes between \$50,000 and \$100,000 also prefer lower-cost restaurants.

4 IN 10
RESTAURANT
DINERS
SAY **PRICE** INFLUENCED
WHERE THEY PURCHASED
THEIR LAST MEAL.

Figure 2B
Restaurants’ rising costs and the effect on consumer behavior
Share of consumers citing changes to select dining habits in response to rising costs, by income



Source: PYMNTS
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PART III:
REEVALUATING WHAT RESTAURANTS HAVE TO OFFER

Rising prices are making consumers reconsider every aspect of restaurant service.

Four in 10 restaurant diners say price influenced where they purchased their last meal. Price is a slightly bigger issue for QSR customers, where 42% say their decision about where to eat was influenced by the meal's cost. By comparison, 35% of the diners at table-service restaurants say their choice was influenced by cost.

Other factors have also come into play.

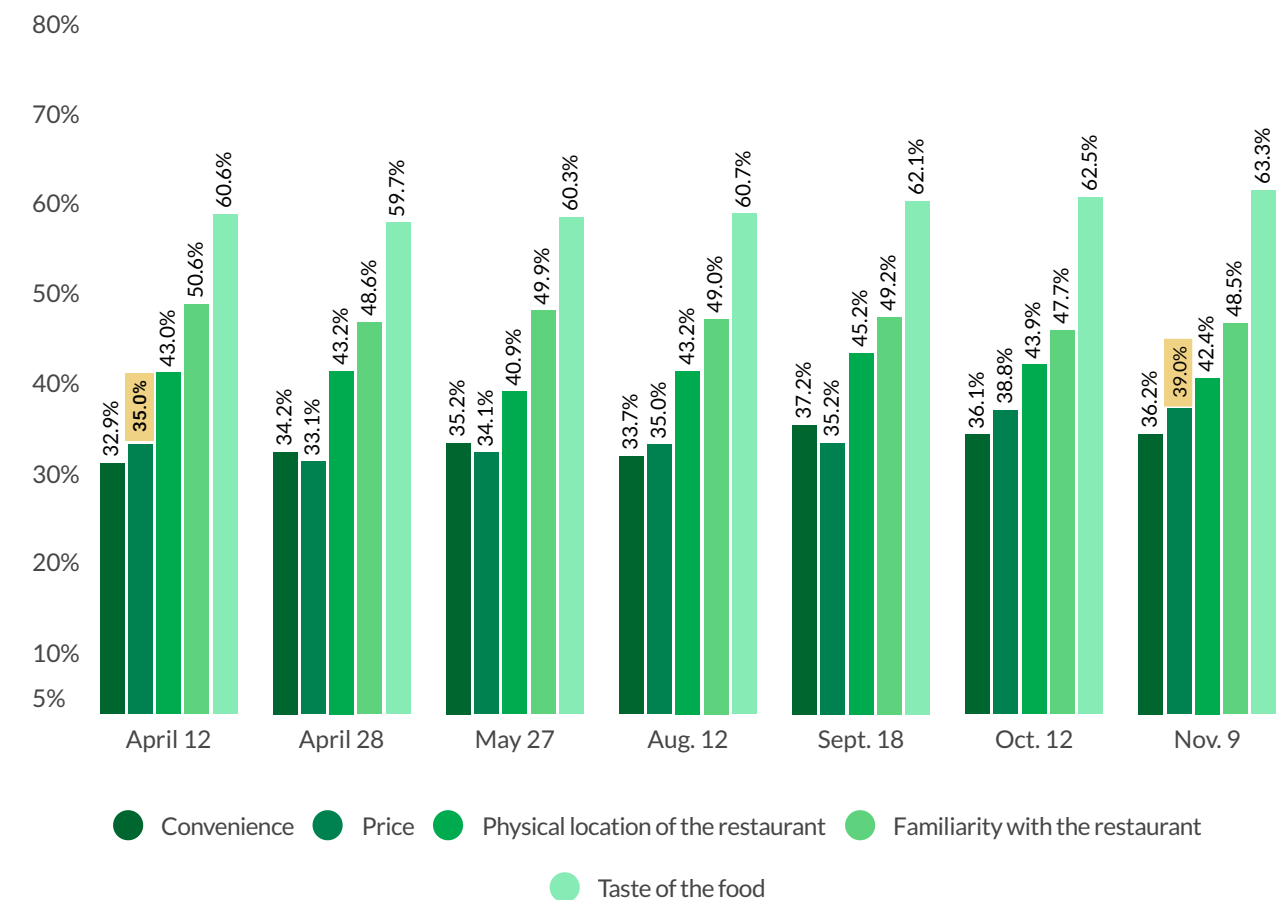
Sixty-three percent of restaurant customers choose where to eat because of the food's taste, and 49% are drawn by their familiarity with the restaurant. Forty-two percent of consumers say they are influenced by a restaurant's proximity to where they live or happen to be when they are ready to eat. Thirty-six percent say convenience is a factor.

The higher the restaurant check, the more elements consumers take into account when choosing where to buy their meals.

Figure 3A

What restaurant patrons want in an era of rising costs

Share of consumers influenced by select factors when picking a restaurant



Source: PYMNTS

Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, December 2022

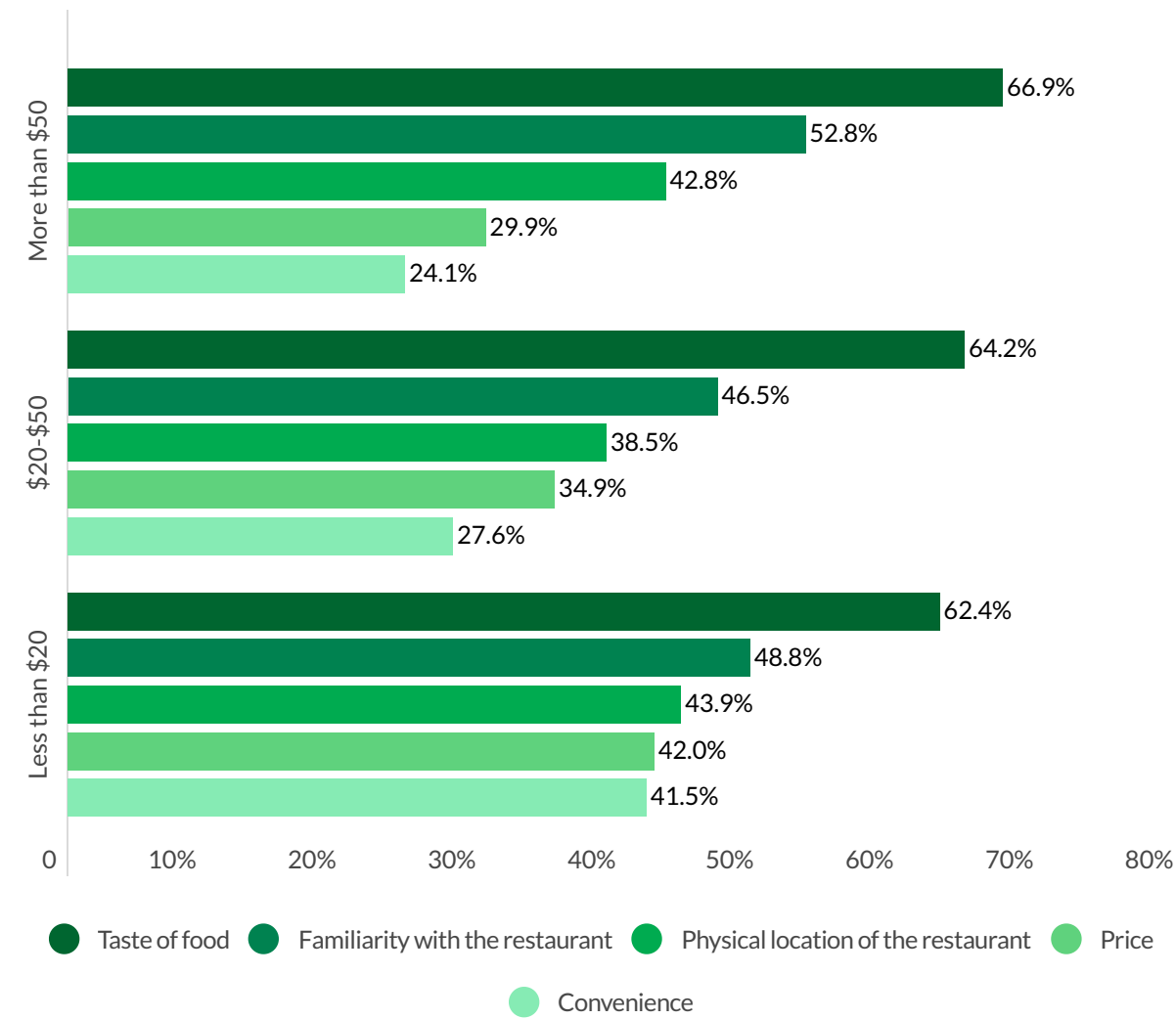
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Among consumers who paid \$50 or more per person in their last restaurant purchase, 46% considered service quality as an element of choice, while just 25% of those paying under \$20 said the same.

Figure 3B

What restaurant patrons want in an era of rising costs

Share of consumers influenced by select factors when picking a restaurant, by cost of meal

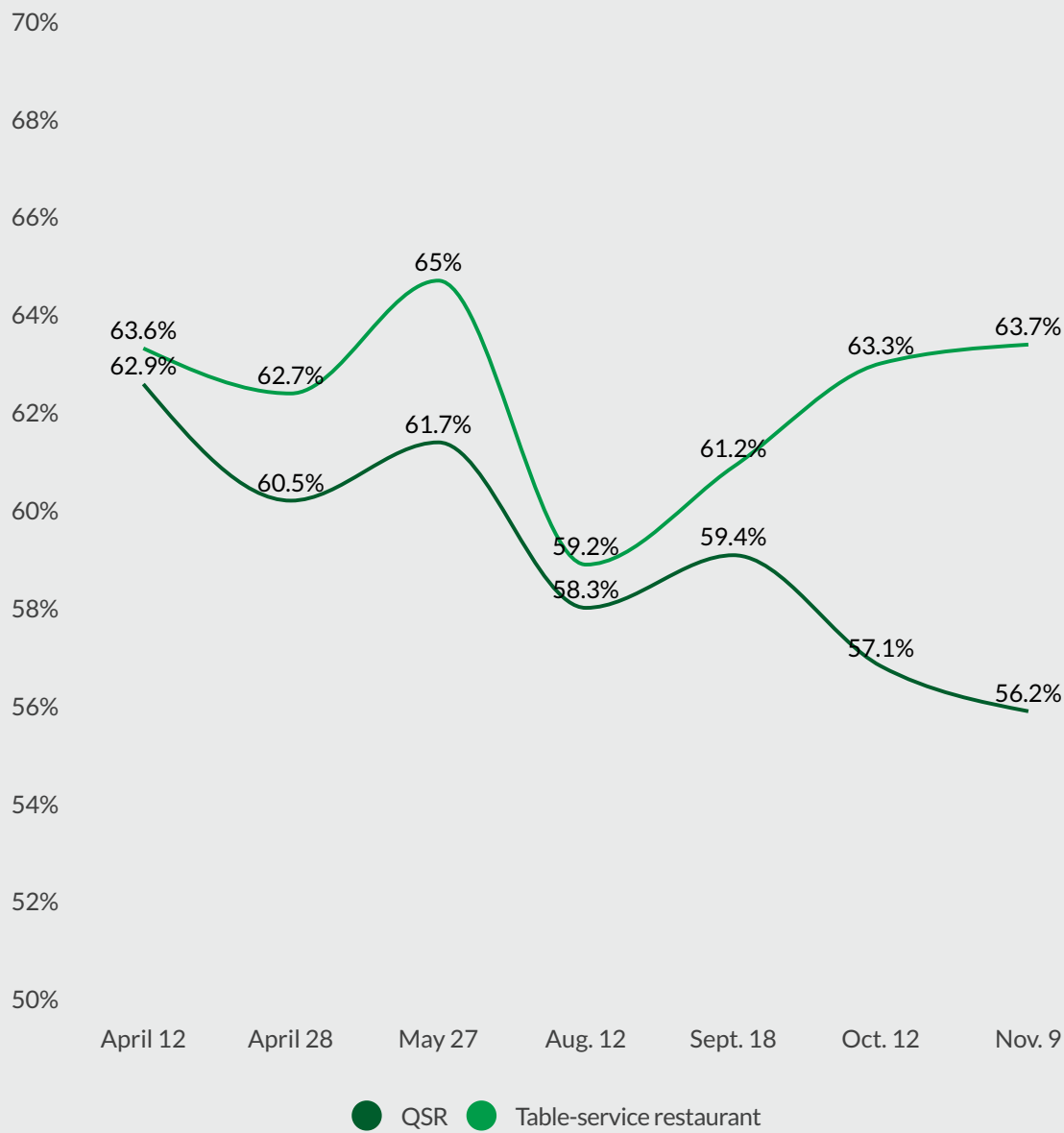


Source: PYMNTS
Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, December 2022
N = 2,378: Complete responses, fielded Nov. 9, 2022 - Nov. 14, 2022

Figure 3C

What restaurant patrons want in an era of rising costs

Share of consumers who say they are highly satisfied with the price paid for their last restaurant meal, by type of meal



Source: PYMNTS
Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, December 2022
N = 2,378: Complete responses, fielded Nov. 9, 2022 - Nov. 14, 2022

PART IV:
HOW COST-CUTTING IS HURTING THE DINING EXPERIENCE

Forty-nine percent of consumers say restaurants are cutting hours and closing dining rooms.

Restaurants' service quality is taking a hit because of their cost-cutting measures, and consumers are bearing the brunt of it.

Nearly half of consumers say restaurants are not staying open as long as they did pre-pandemic or are shuttering dining rooms, leaving consumers with fewer options when they want to dine out.

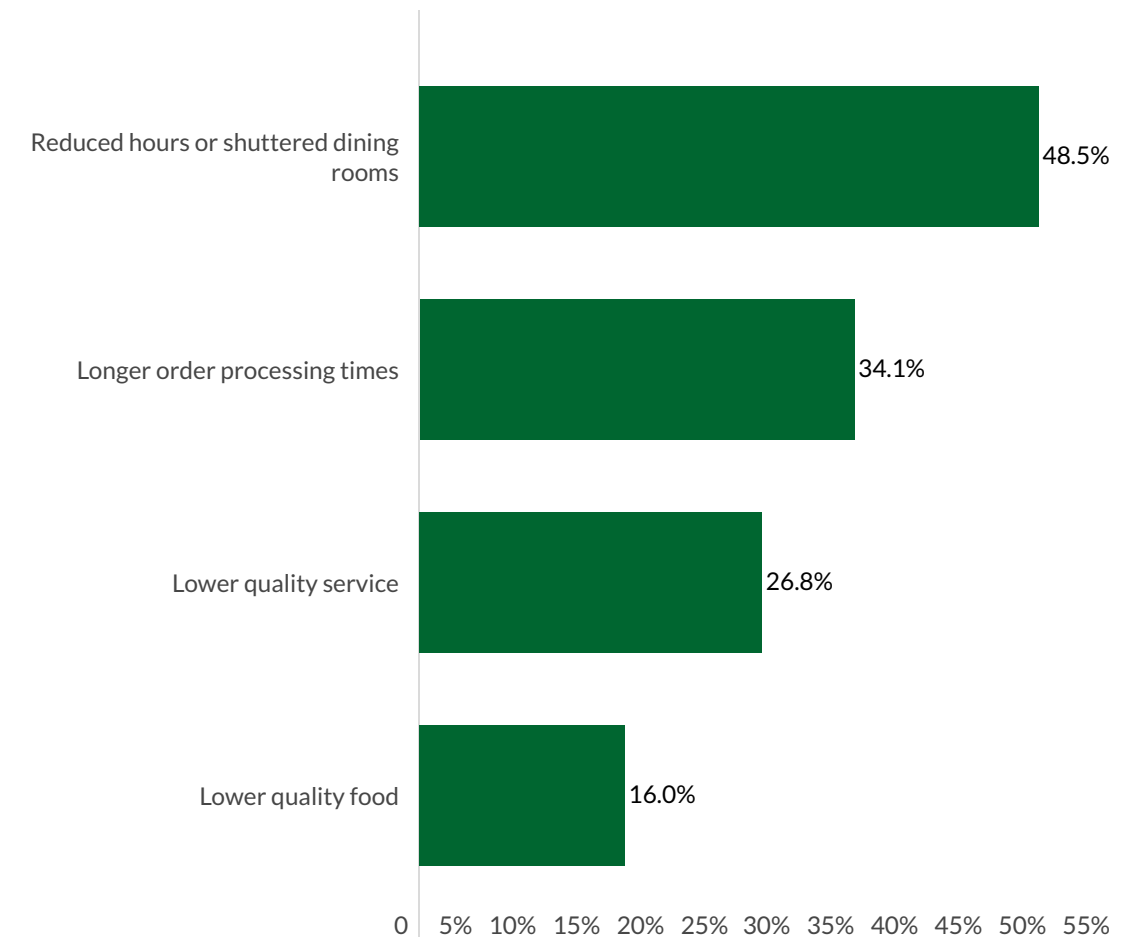
Thirty-four percent of consumers say restaurants are taking longer to process their orders. When they do get their meals, the dining experience falls short of what they remember from before the pandemic: 27% of consumers say restaurants' service has gotten worse, and 16% say the food does not taste as good as it once did.

The decline in availability and quality is taking a toll on the dining experience at both table-service restaurants and QSRs, regardless of ticket price.

Figure 4A

What consumers see restaurants doing to save money

Share of consumers who identified select actions restaurants have taken to lower costs



Source: PYMNTS

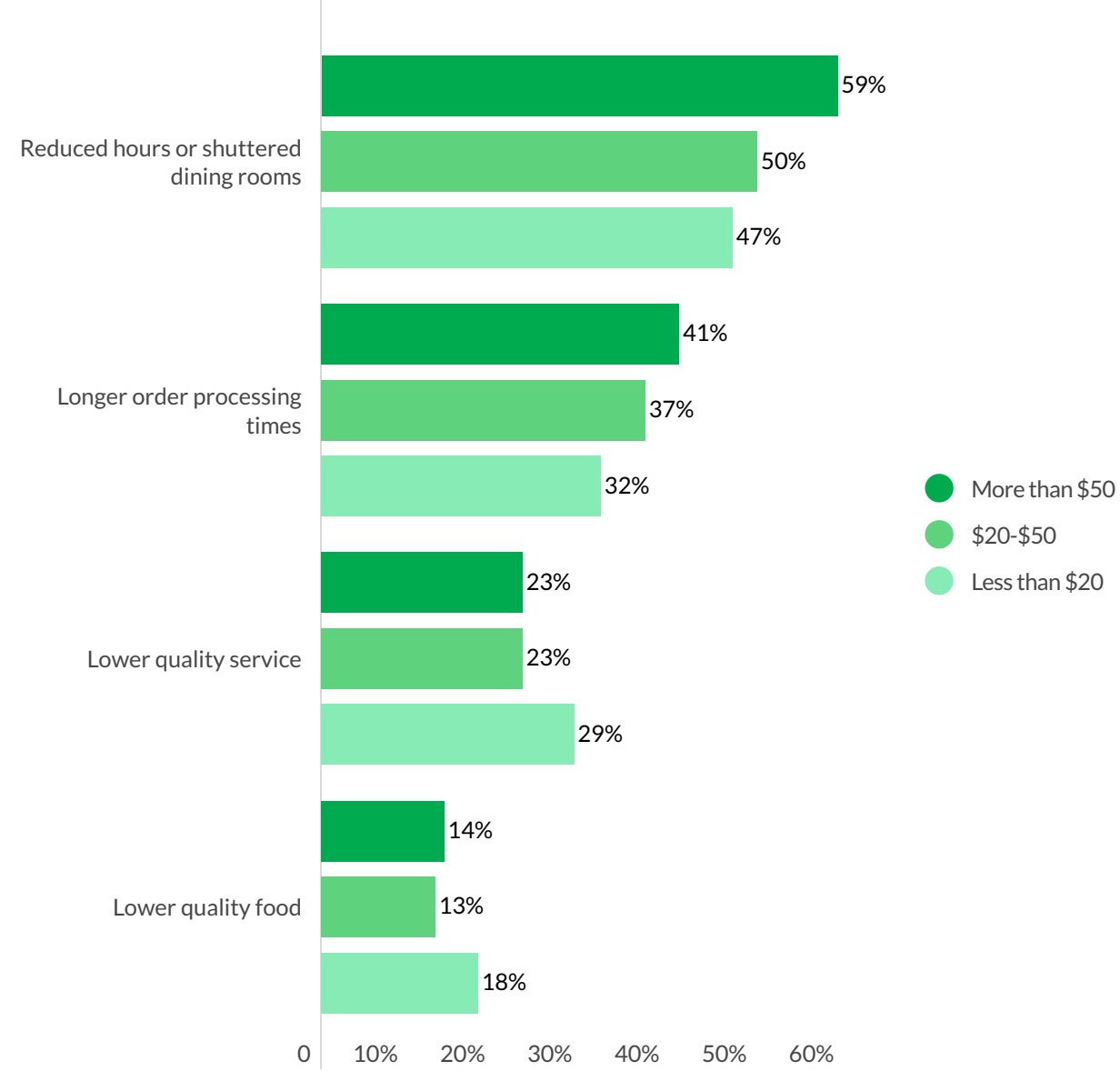
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N = 2,378: Complete responses, fielded Nov. 9, 2022 - Nov. 14, 2022

For example, 59% of consumers say they have seen reduced hours and closed dining rooms at restaurants where the average check is \$50 or more. Fifty percent of consumers say restaurants where the average check is \$20 to \$50 are taking the same measures. Forty-seven percent of consumers say the cutbacks are also evident at eateries where the average check is less than \$20.

Figure 4B
What consumers see restaurants doing to save money

Share of consumers who identified select actions restaurants have taken to lower costs, by average check amount



Source: PYMNTS
Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, December 2022
N = 2,378: Complete responses, fielded Nov. 9, 2022 - Nov. 14, 2022



CONCLUSION

Restaurants have endured substantial changes that have influenced customer behavior. Establishments changed the way they do business in response to the pandemic, including opening later in the day and closing earlier at night. Other changes restaurants have made in response to inflation, like substituting lower-quality menu items, have also made a less-than-favorable impression on customers. As patrons react to these changes by either dining out less frequently or choosing cheaper options, restaurants will need to work extra hard to gain and retain customers' business in the new economy.

METHODOLOGY

For Digital Divide: Restaurant Customers React To Rising Costs, Declining Service, we conducted a census-balanced survey of 2,378 U.S. consumers from Nov. 9 to Nov. 14 about changes in their dining habits as restaurants limit their service and change their menus to lower costs amid inflationary pressures. We explored how these changes impact how consumers view restaurants. We also sought information about the factors that influence consumers' dining choices, including whether they choose a table-service restaurant or QSR.

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