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INDUSTRY REPORT 72221A

Fast Food Restaurants in the US

Driving through: Industry competition will likely keep prices low, cutting into overall revenue growth

Jared Ristoff | June 2022

Contents

COVID-19 (Coronavirus) Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

• Fast Food Restaurants industry operators were required to temporarily close their dining areas to comply with shelter-in-place orders during the COVID-19 (coronavirus) pandemic.

• Supply chain disruptions have resulted in rising food costs, resulting in a rise in purchase costs and limiting profit growth.

• Industry operators have experienced a surge in demand for mobile takeout and delivery services, therefore enabling customers to regularly order food from industry establishments, bolstering industry revenue.

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition

This industry comprises restaurants where patrons pay for quick-service food products before eating. Purchases may be consumed on-site, taken out or delivered. This industry excludes coffee and snack shops. Most industry establishments also sell beverages, such as water, juice and sodas, but usually not alcohol.

Major Players

Chipotle Mexican Grill, inc.

Chick-Fil-A, Inc.

Mcdonald’s Corporation

Main Activities

The primary activities of this industry are:

Operating quick-service restaurants

Operating fast food services

Operating drive-thru and take-out facilities

The major products and services in this industry are:

Burgers

Sandwiches

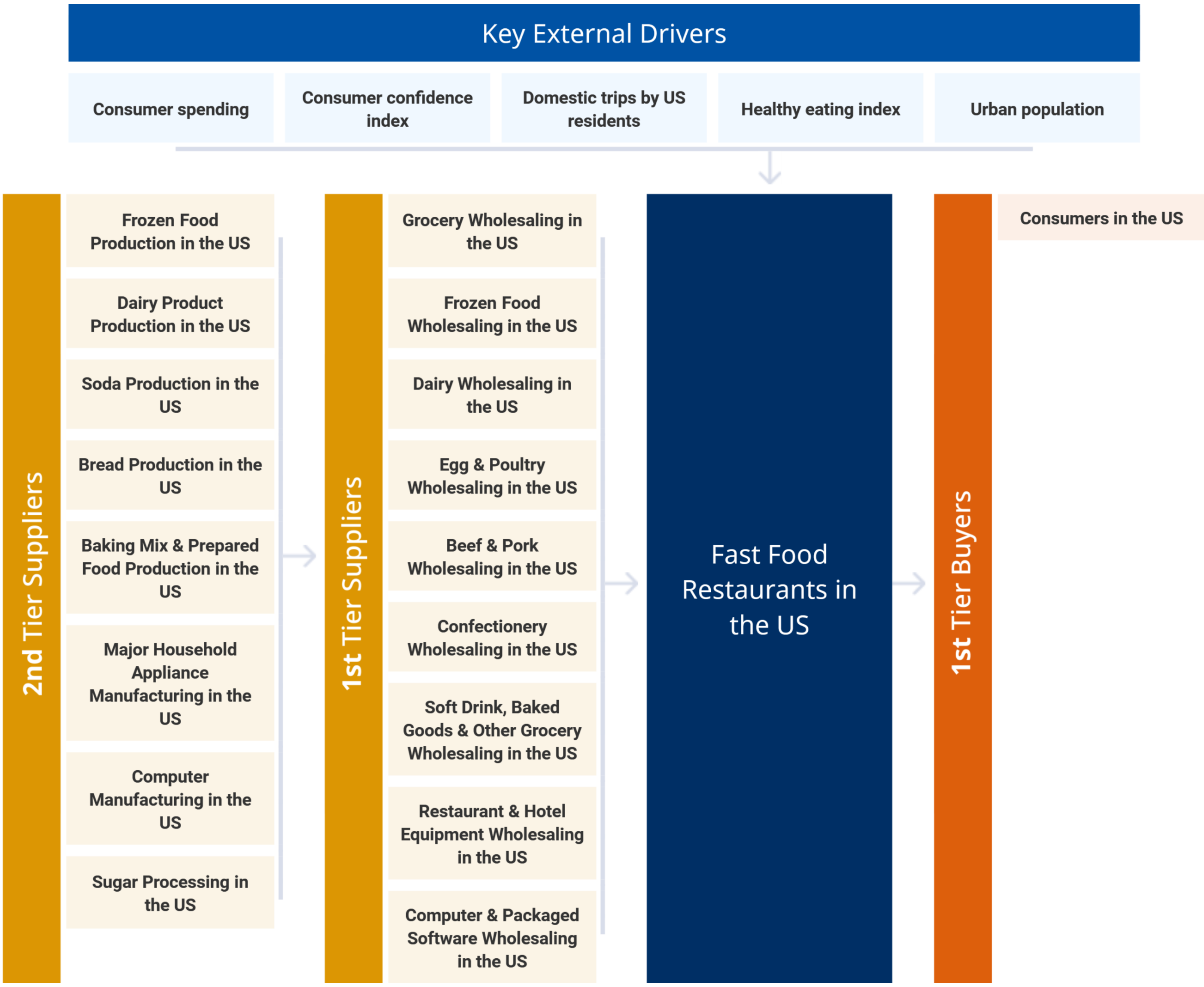
Global

Pizza and pasta

Chicken

Other

Supply Chain



SIMILAR INDUSTRIES

Specialty Food Stores in the US
Competitor

Chain Restaurants in the US
Competitor

Single Location Full-Service Restaurants in the US
Competitor

Caterers in the US
Complementor

Street Vendors in the US
Competitor

Bars & Nightclubs in the US
Complementor

RELATED INTERNATIONAL INDUSTRIES

Global Fast Food Restaurants

Fast Food and Takeaway Food Services in Australia

Fast-Food Restaurants in China

Takeaway & Fast-Food Restaurants in the UK

Pizza Delivery & Takeaway in the UK

Fast Food Restaurants in Canada

Fast Food and Takeaway Food Services in New Zealand

Restaurants and Takeaways in Ireland

Industry at a Glance

Key Statistics

$331.4bn
Revenue

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
2.8%	2.3%	

$16.9bn
Profit

Annual Growth 2017–2022	Annual Growth 2017–2022
2.4%	

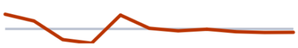
5.1%
Profit Margin

Annual Growth 2017–2022	Annual Growth 2017–2022
-0.1pp	

197k
Businesses

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
0.6%	1.1%	

5m
Employment

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
2.5%	2.2%	

$87.2bn
Wages

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
2.9%	2.2%	

Key External Drivers

% = 2017–22 Annual Growth

-1.0%
Consumer confidence index

2.4%
Consumer spending

0.8%
Urban population

1.3%
Domestic trips by US residents

0.0pp
Healthy eating index

Industry Structure

POSITIVE IMPACT

Capital Intensity
Low

Concentration
Low

Industry Globalization
Low / Steady

MIXED IMPACT

Life Cycle
Mature

Revenue Volatility
Medium

Regulation & Policy
Medium / Increasing

Technology Change
Medium

NEGATIVE IMPACT

Industry Assistance
Low / Increasing

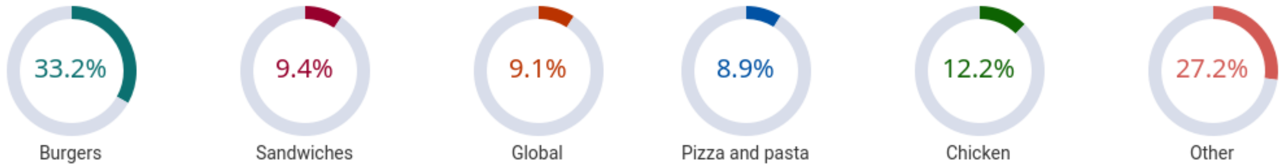
Barriers to Entry
Low / Increasing

Competition
High / Increasing

Key Trends

- Industry revenue growth contended with challenges stemming from the coronavirus pandemic
- Fast-food operators have performed with varying degrees of success depending on the products they offer
- To the industry's detriment, profit fell in 2020 due to supply chain disruptions, rising input costs and uneven demand
- Fast-food restaurants will likely benefit as the economy recovers over the next five years
- Industry operators are expected to further invest in innovations and technology
- The number of establishments will likely increase as companies pursue a franchise-only strategy
- Many major chains have invested in meat alternatives and other dietary changes to attract nontraditional consumers

Products & Services Segmentation



Fast Food Restaurants
Source: IBISWorld

Major Players

Fast Food Restaurants
Source: IBISWorld

SWOT

S

STRENGTHS

Low & Increasing Level of Assistance
Low Imports
Low Customer Class Concentration
Low Product/Service Concentration
Low Capital Requirements

W

WEAKNESSES

Low & Increasing Barriers to Entry
High Competition
Low Profit vs. Sector Average
Low Revenue per Employee

O

OPPORTUNITIES

High Revenue Growth (2017-2022)
High Revenue Growth (2022-2027)
High Performance Drivers
Urban population

T

THREATS

Low Revenue Growth (2005-2022)
Low Outlier Growth
Healthy eating index

Executive Summary

Driving through: Industry competition will likely keep prices low, cutting into overall revenue growth

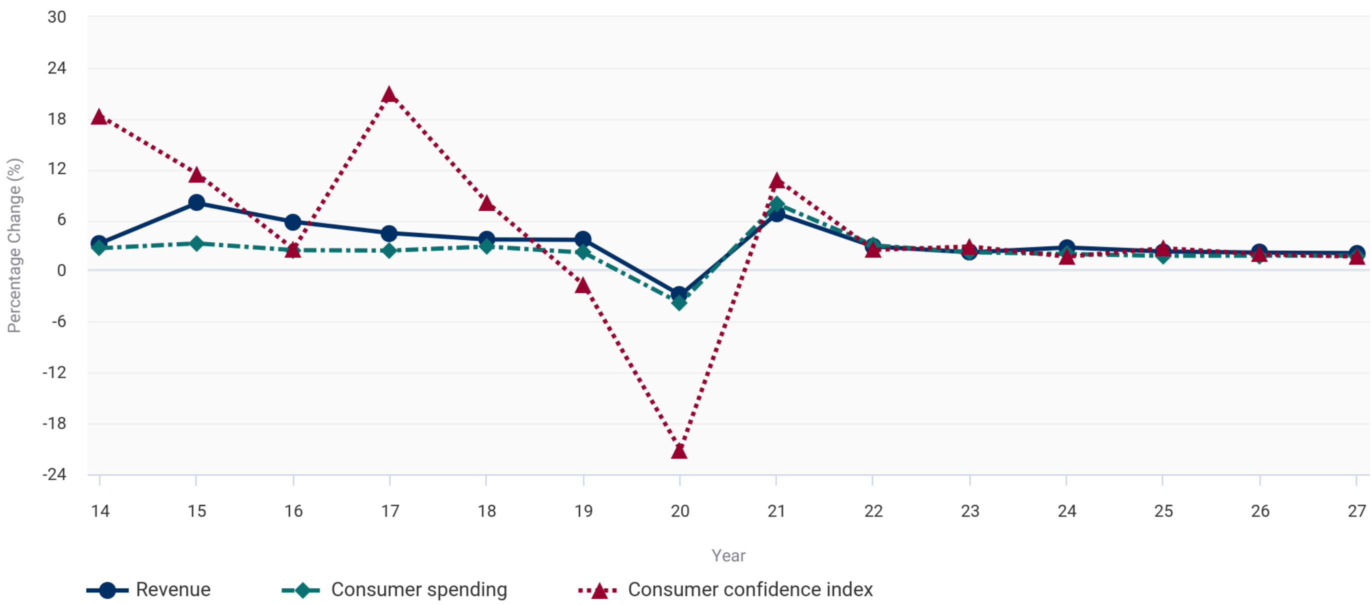
Over the five years to 2022, the Fast Food Restaurants industry has grappled with shifting consumer preferences and a saturated food service landscape that has kept prices low. The addition and rising popularity of fast-casual restaurants have also benefited this industry as a whole, helping the industry maintain revenue growth, prior to experiencing decline in 2020 amid the COVID-19 (coronavirus) pandemic. Moreover, intense internal and external competition has forced fast-food operators to emphasize low prices in a battle to attract consumers. As a result, industry revenue is expected to increase an annualized 2.8% to $331.4 billion over the past five years, including an increase of 2.9% in 2022 alone.

Eating habits have shifted as consumers have become increasingly health-conscious, demanding alternatives to traditional fast-food options. While major fast-food retailers have expanded their healthy offerings, the general trend toward health awareness has decreased demand for traditional fast-food restaurants in favor of growing fast-casual restaurants. Many major chains have invested in meat alternatives and other dietary changes to attract nontraditional consumers as part of a long-term strategy to adjust to the changing consumer landscape. Consequently, industry profit, measured as earnings before interest and taxes, marginally declined over the past five years as industry players adjusted their product mix.

Industry revenue is expected to continue growing over the five years to 2027 as the domestic economy improves. While competition will likely remain high, the industry's revenue growth is anticipated to be robust as consumer spending rises and fast casual restaurants continue to experience rising popularity. Nevertheless, fast-food restaurants will likely continue to operate in a slow-growth environment, as many segments of the industry have reached a saturation point. Successful operators are expected to adapt to changing consumer preferences as the traditional concept of fast food evolves to include a wider variety of options. Nonetheless, industry competition will likely keep prices low, decelerating overall revenue growth over the next five years. As a result of these trends, industry revenue is expected to increase at an annualized rate of 2.3% to $371.9 billion over the next five years.

Industry Performance

Key External Drivers 2014–2027



Fast Food Restaurants
Source: IBISWorld

Key External Drivers

Consumer spending

The Fast Food Restaurants industry is sensitive to changes in consumer spending. For example, during the recession, the spike in unemployment led to declines in consumption levels, including the consumption of fast food. However, when personal consumption expenditure is high, consumers are more likely to spend money on eating out at industry restaurants. Consumer spending is expected to increase in 2022.

Consumer confidence index

Changes in consumer sentiment have a significant effect on household expenditure on discretionary items, including restaurant dining. During a recession, consumer demand for lower-priced value products from restaurants increases. The consumer confidence index is expected to increase in 2022.

Domestic trips by US residents

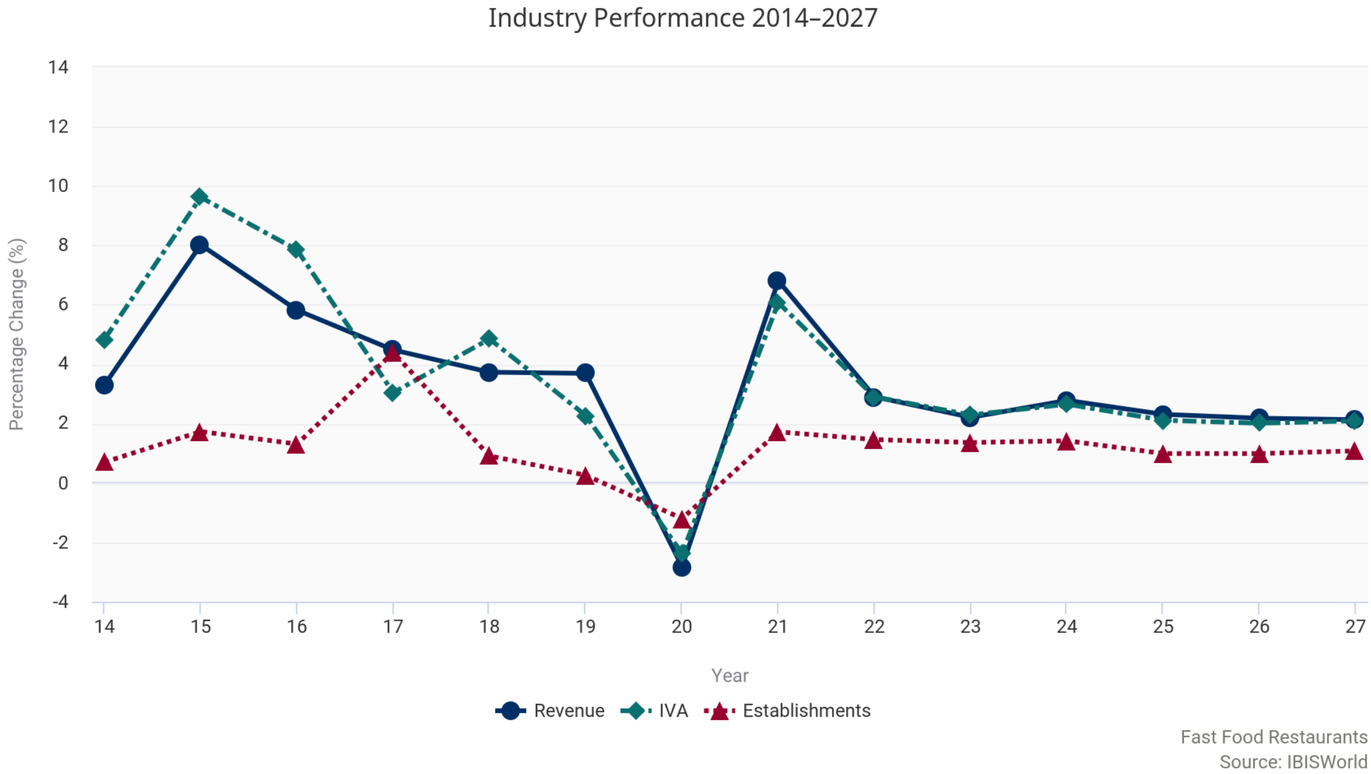
Large numbers of industry establishments are located next to highways and in airports, making them convenient for customers who are seeking a quick and inexpensive meal option while they travel. The more road trips and domestic flights for work or leisure increases, the more people are likely to spend at industry establishments. The number of domestic trips by US residents is expected to increase in 2022.

Healthy eating index

In recent years, consumers have become increasingly aware of issues related to weight and obesity, fatty-food intake and food safety issues. This particularly affects the often meat- and grease-heavy fast-food industry. Consumers are now more aware of the health issues associated with fatty foods and are increasingly going out of their way to avoid them. This is especially true among individuals that follow specific dietary regimens. The healthy eating index is expected to increase in 2022, posing a potential threat to the industry.

Urban population

The urban population measures measure the number of individuals within the United States living in urban municipalities. This represents a large group of customers for the industry. Specifically, time-strapped individuals living in urban areas will likely frequent industry establishments to save time on cooking. The urban population is expected to increase in 2022, representing a potential opportunity for the industry.



Current Performance

The Fast Food Restaurants industry has experienced steady revenue growth over most of the five years to 2022, as convenient and affordable food remains popular with consumers.

While the stereotypically low price point of industry products typically gives fast food restaurants a competitive advantage over other segments of the food services sector, rising household income levels, which have spurred a greater amount of spending on discretionary items, have increased competition overall. Furthermore, with the rise of fast-casual and independent chains rapidly gaining market share, major industry operators have had to alter their menu offerings to effectively compete. Over the past five years, the industry's response to changes in consumer preferences has helped spur demand in these new fast-casual industry entrants. However, industry revenue growth contended with challenges stemming from the onset of the COVID-19 (coronavirus) pandemic, which forced most industry establishments to temporarily curtail dine-in operations. Moreover, the shelter-in-place order imposed in early 2020 also contributed to an unprecedented slump in industry demand, causing industry revenue to decline 2.8% in 2020 alone. Nonetheless, industry revenue has since recovered as the government gradually lifted coronavirus restrictions, enabling industry establishments to reopen for dine-in services. Overall, industry revenue is expected to increase at an annualized rate of 2.8% to $331.4 billion over the past five years, including an increase of 2.9% in 2022 alone.

SHIFTING TRENDS

The industry comprises establishments where consumers pay for quick-service food products that are consumed on-site, taken out or delivered.

As a consumer-focused industry, fast-food restaurants rely heavily on levels of consumer spending and confidence. Consumer spending has increased at an annualized rate of 2.5% over the past five years, enabling consumers to flock to fast-food restaurants during the period as they provide convenient meals at competitive price points. However, as consumer spending has increased, consumers have also increased visits to full-service restaurants and other industry alternatives, tempering industry growth somewhat over the past five years. Moreover, consumers have become increasingly health-conscious. This has driven many consumers to seek out alternatives to traditionally unhealthy fast-food establishments. Nonetheless, several major fast-food retailers have responded by expanding the number of healthy options on their menus while many new industry operators have entered the industry with a primary focus on salads and other nutrition-focused items. For various fast-food chains, this has become a marketing strategy cornerstone, enabling them to target a new segment of the market and renew interest in their products.

Additionally, fast-food operators have performed with varying degrees of success depending on the products they offer and their method of service. Fast-casual restaurants that do not offer table service but provide a higher quality of food and ambiance compared with traditional fast-food restaurants have been experiencing particularly strong growth over the past five years. For instance, fast-casual restaurants, such as Chipotle and Sweetgreen, which offer customizable, higher-end meals, have taken market share away from restaurants such as McDonald's and Burger King. As a result, major players have introduced their own fast-casual concepts. To capitalize on this trend, new players have entered the industry over the past five years. Overall, the number of industry operators grew robustly for most of the five-year period before taking a hit in 2020. According to the National Restaurant Association, an estimated 3.0% of restaurants in the United States permanently exited the industry because of coronavirus. Consequently, the number of industry operators is expected to increase at an annualized rate of 0.6% to 197,163 companies over the past five years.

Nonetheless, even as consumer spending has improved over the past five years, some consumers have remained less willing to spend on meals outside of the home. Instead, a confluence of factors ranging from volatile food prices increased internal and external competition and changes in consumer preference, have all worked to weaken foot traffic and overall sales for many operators. According to the Bureau of Labor Statistics, the Consumer Price Indices for food consumed away from home and food consumed at home have increased 4.5% and 3.5%, respectively, in 2021 (latest data available). This has compelled many consumers to seek alternatives to eating at industry establishments and search for other deals. This price increase has also contributed to the rise in the popularity of prepared food. Consequently, more consumers, particularly time-poor consumers, have shown a preference for other low-cost concepts, such as the increased offerings from operators in the Convenience Stores industry (IBISWorld report 44512) and the Supermarkets and Grocery Stores industry (44511). Lastly, boxed meal delivery services, such as HelloFresh, that facilitate consumers preparing their own meals have also challenged industry demand. These services provide a wide array of gourmet options to consumers who still seek convenience yet prefer not to eat away from home. This increased competition has placed increased pricing pressure on industry operators, especially traditional industry operators that are generally known for their affordable menu options.

CORONAVIRUS

While industry players were permitted to remain open amid the coronavirus pandemic, all dining areas were required to temporarily close to curb the spread of the virus.

Consequently, delivery, takeout and drive-thru services have become the new lifeline of fast-food restaurants. Nonetheless, the shelter-in-place order imposed in early 2020 ultimately reduced the number of customers willing to travel to the restaurants, causing fast food restaurants to rely more heavily on delivery services to generate sales. Moreover, a shift to work-from-home arrangements reduced demand for breakfast meals offered by industry operators. As a significant number of employees continue to work from home in 2022, demand for breakfast meals has struggled to recover to pre-pandemic levels.

The effects of the coronavirus pandemic on the industry were asymmetrical between industry operators. For instance, McDonald's Corporation reported that its US same-store sales were flat in the first quarter of 2020 while that of Popeyes Louisiana Kitchen Inc. grew 29.2% during the same period. Popeyes's sales have been strong since the introduction of its popular chicken sandwich, and the product alone is expected to help the company successfully combat declining in-store sales. Besides, other large fast-food chains also experienced a spike in delivery orders as customers refrained from traveling to the stores. For instance, Chipotle Mexican Grill Inc.'s sales grew 7.8% in the first quarter of 2020, driven primarily by an 80.8% increase in online sales. To mitigate decreases in dine-in sales, the company partnered with Uber Eats to offer free delivery starting March 15, 2020. Overall, large fast-food restaurant chains have increasingly relied on online orders and drive-thru services to minimize losses, with some operators grasping the opportunity to boost sales. Specifically, operators that have established brand names and strong customer loyalty are anticipated to continue to perform better at the expense of smaller operators. Overall, industry employment is expected to grow 2.5% to 5.1 million workers over the past five years.

To the industry's detriment, profit fell in 2020 due to supply chain disruptions, rising input costs and uneven demand. Amid fierce price competition, industry operators likely absorb any hikes in input costs because raising prices will lure customers away. Consequently, industry profit (measured as earnings before interest and taxes) is expected to account for 5.1% of revenue in 2022, down slightly from 5.2% in 2017.

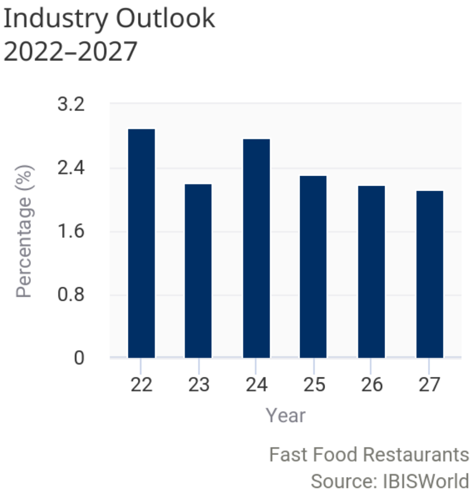
Historical Performance Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Consumer spending ($b)
2013	233,700	78,495	263,380	182,646	3,807,083	N/A	N/A	60,266	N/A	11,212
2014	241,429	82,298	265,226	183,191	3,930,463	N/A	N/A	62,259	N/A	11,515
2015	260,792	90,223	269,816	185,650	4,079,581	N/A	N/A	67,273	N/A	11,893
2016	275,993	97,311	273,361	186,795	4,262,841	N/A	N/A	71,644	N/A	12,188
2017	288,382	100,274	285,382	191,735	4,484,227	N/A	N/A	75,473	N/A	12,484
2018	299,160	105,139	287,996	193,127	4,663,514	N/A	N/A	80,308	N/A	12,845
2019	310,207	107,535	288,754	193,222	4,694,299	N/A	N/A	82,365	N/A	13,126
2020	301,490	104,984	285,296	191,328	4,695,406	N/A	N/A	80,493	N/A	12,630
2021	322,047	111,367	290,221	194,429	4,932,426	N/A	N/A	84,842	N/A	13,625
2022	331,405	114,603	294,478	197,163	5,065,599	N/A	N/A	87,167	N/A	14,157

Industry Outlook

Outlook

The Fast Food Restaurants industry will likely continue to play an influential role in the food service sector over the five years to 2027.



In the coming years, the industry's ability to provide convenient food at a low price will likely remain popular as consumers continue to seek affordable and convenient food options. Furthermore, as fast-casual restaurants become more popular, industry revenue will likely experience continued growth through that segment. However, the industry will likely remain highly competitive, forcing fast food chains to compete on price and service, which is expected to restrict greater revenue and profit growth. Consequently, industry revenue is anticipated to rise, increasing an annualized 2.3% to $371.9 billion over the next five years.

MACROECONOMIC INFLUENCE

Fast-food restaurants will likely benefit as the economy recovers over the next five years.

The national unemployment rate is expected to decline while consumer sentiment is anticipated to strengthen. These trends are expected to bolster demand for industry operators as consumers become more optimistic in their long-term outlook. Furthermore, consumer spending is estimated to increase at an annualized rate of 2.1% over the next five years. Steady gains in consumer spending are expected to mitigate any severe decreases in spending at industry establishments, as more money in consumers' wallets is expected to encourage greater spending, particularly for time-poor consumers. Additionally, fast-food restaurants are expected to continue to expand menu options to cater to changing consumer preferences. Product innovation will likely play a large part in revenue growth moving forward.

Nevertheless, despite continued growth in industry revenue, intense competition will likely persist over the next five years. Fierce price-based competition from fast food and fast-casual restaurants is expected to place increased emphasis on product development. Furthermore, as food prices increase, consumers may switch to frequent restaurants. According to data collected by the US Department of Agriculture, consumers spent more on groceries than at restaurants in 2018 (latest data available). However, this trend is expected to reverse as the price of food is forecast to increase over the next five years, contributing to an expected rise in restaurant sales. As a result, industry operators will likely need to continually innovate menus and service offerings to compete for this growth in demand.

ORGANIC AND ALTERNATIVE GROWTH

The industry competition will likely intensify over the next five years.

This will likely involve significant price-based competition and a growing emphasis on the regular introduction of new products. Most fast-food chains are expected to introduce new healthy food alternatives and expand their current product lines. Some operators will likely continue to partner with outside brands that produce and sell meat alternatives. These types of partnerships are expected to expand over the next five years, revitalizing consumer demand for fast food. Operators will also likely continue to diversify into new areas, such as cafes and full-service restaurants, and do business under different names at new locations. Moreover, after the period of surging demand for takeout during the pandemic, industry operators will likely develop or emphasize their own online channels. Amid the pandemic, this revenue stream has helped many fast-food restaurants to stay afloat; and this trend is expected to continue over the next five years as customers become increasingly time-strapped and more comfortable ordering food online.

Lastly, industry operators are expected to further invest in innovations and technology to improve service and update aesthetics within their facilities. For example, McDonald's Corporation recently announced major technology initiatives, including the rollout of self-serve kiosks in all of its US locations, delivery service and the development of a mobile ordering system that consumers can use through the company's mobile app. Most significantly, the company announced the introduction of table service in all of its US locations, although it has yet to provide a timeline for implementation. While seemingly antithetical to the concept of quick service, the company believes that more point-of-sale options, coupled with increased customer service, are expected to lower lead times and improve overall customer satisfaction.

Over the next five years, industry profit is expected to stagnate, as domestic competition remains vigorous, operators that experience stagnant domestic profit will likely increase focus on international expansion to grow company-wide profit. Companies will also likely try to expand food and beverage options which will likely offer a quick way for companies to increase revenue.

INDUSTRY LANDSCAPE

As the domestic economy is projected to grow over the next five years, companies that offer unique, customizable and healthy food products are expected to experience strong establishment growth.

Moreover, the number of establishments will likely increase as companies pursue a franchise-only strategy since chains are less restricted by the large capital investment required to open a new restaurant. The number of industry locations is expected to increase an annualized 1.2% to 312,184 establishments over the next five years. Following suit, industry employment is forecast to grow an annualized 2.2% to 5.6 million workers during the same five-year period, however, this will likely be partly inflated by the increasing use of part-time employees to meet peak customer service periods.

Performance Outlook Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Consumer spending ($b)
2022	331,405	114,603	294,478	197,163	5,065,599	N/A	N/A	87,167	N/A	14,157
2023	338,758	117,237	298,496	199,755	5,178,862	N/A	N/A	89,113	N/A	14,528
2024	348,194	120,351	302,757	202,515	5,309,587	N/A	N/A	91,409	N/A	14,856
2025	356,271	122,898	305,782	204,496	5,420,176	N/A	N/A	93,356	N/A	15,150
2026	364,070	125,374	308,830	206,499	5,525,829	N/A	N/A	95,221	N/A	15,437
2027	371,858	128,001	312,184	208,715	5,634,899	N/A	N/A	97,132	N/A	15,722
2028	378,078	130,255	316,346	211,480	5,736,287	N/A	N/A	98,855	N/A	15,870

Industry Life Cycle

The life cycle stage of this industry is ⊖ Mature

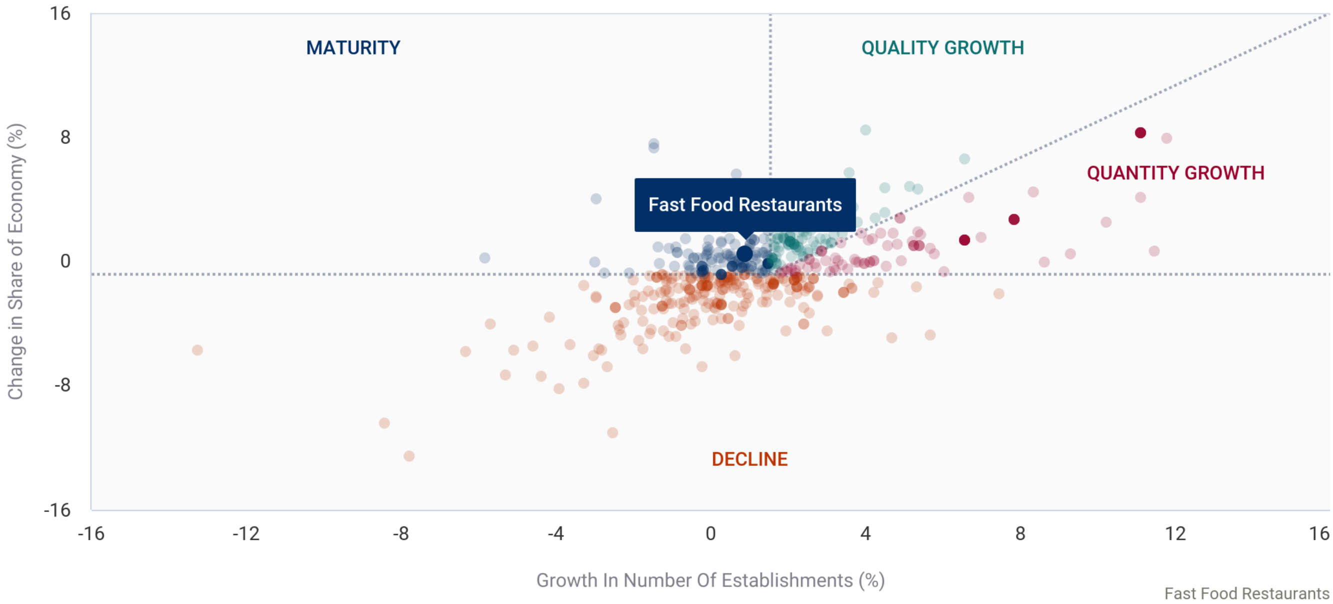
LIFE CYCLE REASONS

IVA is expected to grow at a higher rate compared with US GDP

The industry has experienced a high rate of new product introduction

There is heavy price-based competition

Indicative Industry Life Cycle



Fast Food Restaurants
Source: IBISWorld

The Fast Food Restaurants industry is entrenched in the mature stage of its life cycle. Industry value added (IVA), which measures an industry's contribution to the overall economy, is forecast to grow at an annualized rate of 2.5% over the 10 years to 2027. This is comparable with the US GDP, which is estimated to grow an annualized 2.0% during the same period. Thus, the industry has exhibited steady long-term growth, at a similar pace with the economy as a whole. Moreover, it exhibits other qualities of a mature industry, such as market saturation and acceptance. Due to this steady growth, industry operators are likely to expand their footprint and increase the number of domestic operations. The number of establishments is expected to grow at an annualized rate of 0.9% over the 10 years to 2027, which is fairly moderate due to the increased market saturation of industry establishments.

Significant shifts in consumer preferences have also had an effect on the industry over the five years to 2022. For example, demand for healthy foods has increased because consumers have become more health-conscious in recent years. In an attempt to maintain consumer interest in the fast-food market, operators such as McDonald's Corporation and Wendy's Company have introduced a range of healthy options to their menus. Furthermore, fast-casual restaurants that do not offer table service, but provide a higher quality of food and ambiance compared with traditional fast-food restaurants, have been experiencing particularly strong growth over the past five years. Operators, such as Chipotle Mexican Grill Inc., Sweetgreen and Melt Shop, that offer customizable, fresh and higher quality meals have stolen market share away from traditional fast-food operators.

Nonetheless, the COVID-19 (coronavirus) pandemic adversely affected demand for fast food in 2020. As individuals shifted to work and study from home, their demand for food away from home fell, dampening industry revenue. Conversely, industry operators that offer delivery services benefited as many customers opted to order food online. The rate of technological change within the industry is moderate, but any new technology is not likely to return the industry to the growth phase of its lifecycle. Nonetheless, the rapid increase in internet penetration and smartphone usage over the past five years has presented fast-food restaurant operators with the opportunity to engage with customers on several new levels. Many small fast-food operators have used online advertising, informative and interactive company websites and social media to increase brand recognition and revenue. Furthermore, technology has also been used to boost profit, improve service levels and help minimize labor costs, reducing food waste, improving business processes and improving meal experiences. For example, new systems and technology are designed to ensure quality service and reduce customer waiting time, such as electronic ordering systems linking the front counter with the kitchen as orders are taken.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

Consumers in the US

Key Selling Industries

1st Tier

Grocery Wholesaling in the US

Frozen Food Wholesaling in the US

Dairy Wholesaling in the US

Egg & Poultry Wholesaling in the US

Beef & Pork Wholesaling in the US

Confectionery Wholesaling in the US

Soft Drink, Baked Goods & Other Grocery Wholesaling in the US

Restaurant & Hotel Equipment Wholesaling in the US

Computer & Packaged Software Wholesaling in the US

2nd Tier

Frozen Food Production in the US

Dairy Product Production in the US

Soda Production in the US

Bread Production in the US

Baking Mix & Prepared Food Production in the US

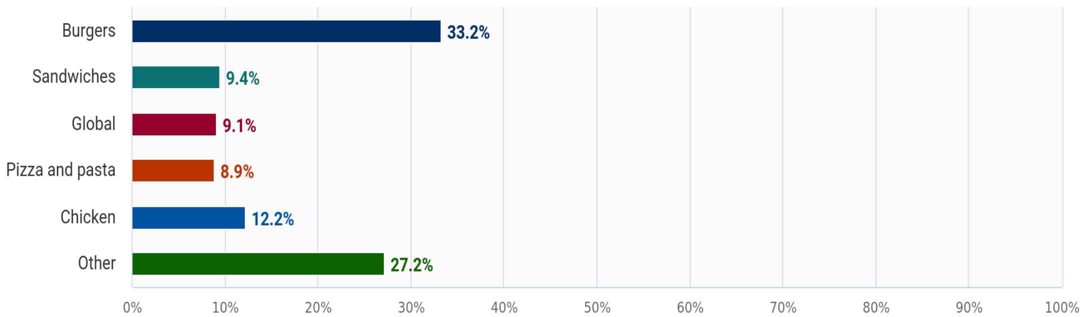
Major Household Appliance Manufacturing in the US

Computer Manufacturing in the US

Sugar Processing in the US

Products & Services

Products and Services Segmentation



2022 INDUSTRY REVENUE

$331.4bn

Fast Food Restaurants
Source: IBISWorld

The Fast Food Restaurants industry is segmented based on the main type of food served.

The diverse nature of the industry means many restaurants do not fit neatly into one category. For example, many predominantly burger-focused chains also serve chicken or Mexican-based dishes. Fusion cuisine, which combines elements of different culinary traditions, has become increasingly popular. This is increasingly the case as fast food operators chase increasingly fragmented consumer segments. Also, breakfast has become an increasingly lucrative segment of the industry as operators contend with stagnant sales in the lunch and dinner time slots. Given these considerations, IBISWorld has segmented fast food restaurants based on core offerings.

BURGERS

Burgers are almost synonymous with fast food and the top 50 fast food chains are dominated by restaurants specializing in burgers.

Burgers are heavily immersed in US culture and have therefore been a major driver of the industry's growth over the past half-century. Over the past few decades, US restaurants have increased their hold of the entire food-service market due to the growth of chains such as McDonald's, Wendy's and Burger King. However, over the five years to 2022, many traditional burger chains have struggled with flat or declining sales as consumers move away from generic brands toward niche or gourmet offerings. The “better burger” trend, which includes operators such as Five Guys Enterprises LLC and In-N-Out Burger and emphasizes food quality and customizable burgers, has been the best performing part of this segment over the past five years.

To the industry's detriment, sales generated from burgers contended challenges stemming from the COVID-19 (coronavirus) pandemic in 2020. Specifically, McDonald's Corporation, which accounts for nearly half of this segment revenue, reported that its revenue declined amid the imposition of the shelter-in-place order and a shift to the work-from-home arrangement. Much of this loss can be attributable to the plummeting breakfast sales since the pandemic hit. Similarly, Shake Shack Inc.'s sales fell 28.5% in the first quarter of 2020, contributing to the overall decline of burgers' share of revenue. In 2022, burgers are estimated to account for 33.2% of industry revenue.

CHICKEN

Chicken has long been a popular fast food menu item and the majority of nonchicken chains now dedicate growing menu space to chicken items due to its perceived health benefits.

Chicken wraps and chicken salads have been used by major burger chains as a way to combat consumer concerns regarding unhealthy fast food. The biggest chains in the chicken segment are Chick-fil-A, KFC and Popeyes. Chick-fil-A has recently surpassed KFC as the top fast food restaurant chain in this segment with just a fraction of the restaurants, partly due to its greater focus on breakfast and differentiated menus that include a greater array of milkshakes, ice cream and wraps. This segment experienced substantial growth during the latter half of the period due to the chicken sandwich wars. After Popeyes released their chicken sandwich, other operators began to compete heavily on the quality of the chicken sandwiches. Specifically, Popeyes's famous chicken sandwich has bolstered the company's sales substantially since its introduction. Moreover, this product alone shielded the company from the negative effects of the COVID-19 outbreak, boosting the company's same-store sales to grow 29.2% in the first quarter of 2020. Ultimately, the launch of the chicken sandwich has driven consumers to participate in the so-called chicken wars by dining out at more chicken-based establishments. Over the past five years, this segment's share of revenue has increased and accounts for an estimated 12.2% of industry revenue in 2022.

SANDWICHES

As a simple, tasty and generally healthy food option, sandwich-centered restaurants have remained a large portion of industry revenue, accounting for an expected 9.4% of revenue in 2022.

Growing chains, such as Jimmy John's and Jersey Mikes, have helped this segment substantially, enabling it to remain a focal point for the industry. Another reason for the dominance of this segment is its relatively low input costs and cooking knowledge and expertise, making them easy entry points for new industry operators. Deli meats, rolls and other toppings are comparatively less expensive and commonplace, limiting overhead food costs. The ease of assembling a sandwich also helps to reduce money on labor, as operators in this segment do not need to hire specialized workers for grills, stoves or flat-tops. However, similar to burgers, sandwich sales have been on a downward trend since the coronavirus hit the United States. Therefore, to combat falling sales, sandwich chains such as Subway and Panera Bread have switched to sell groceries at some of their locations, generating a larger share of revenue through non-industry-relevant activities. As a result, this segment is expected to contract as a share of industry revenue over the past five years.

GLOBAL FOOD

Global foods typically consist of Asian and Mexican food establishments, which account for an anticipated 9.1% of industry revenue in 2022.

The adoption and acceptance of global foods have increased over the past half-century as tastes have developed and people have become more adventurous in trying other cuisines. Higher rates of global travel and increased exposure to new cultures have also driven growth in the popularity of global cuisine.

Asian food is a diverse category that can be broken down into many regional styles based on the peoples and cultures of those regions. The main broad types include East Asian, such as Chinese, Japanese and Korean restaurants; Southeast Asian, including Vietnamese, Thai and Malaysian restaurants; and South Asian, including Indian, Sri Lankan and Bangladeshi restaurants. Other variations, such as Middle Eastern and Central Asian cuisines, are not included in this segment. There are estimated to be over 40,000 Chinese restaurants in the United States, with the majority of these fast-food restaurants that pay for quick-service food products before eating. However, unlike other food types, there are relatively few Asian chain restaurants. Panda Express is the largest Asian fast-food chain in the United States, with just over 1,500 locations. The business model of Asian fast-food restaurants, which often rely on family labor to fulfill cooking and serving duties, does not suit the franchise model that other fast-food restaurants rely on. Also, most of the public equates Chinese food with economical pricing, which makes it difficult for chains to raise prices.

Staples of Mexican cuisine include corn, beans and chili peppers. Mexican restaurants are known for their intense and varied flavors and variety of spices. Mexican cuisine has had a large influence on the Southwest of the United States. In states such as Texas, where variations such as Tex-Mex have been adopted, Mexican-style restaurants can account for over 20.0% of all establishments. Growing immigration has contributed to a rise in Mexican food consumption over the past five years, driven in part by a rise in the Hispanic population, which now accounts for over 18.0% of the population in the United States. The traditional Mexican food heavyweight has been Taco Bell. However, over the past five years, Chipotle Mexican Grill Inc. (Chipotle), which offers quick service while providing customizable and higher-quality food, has been the best performing fast food restaurant in terms of sales. Chipotle has been the envy of the industry, as it has been able to grow quickly despite stagnant sales across the rest of the industry. Further, Chipotle recorded an 80.8% jump in online sales in the first quarter of 2020 amid the coronavirus outbreak whereas Taco Bell's sales slipped 30.0% due to faltering sales of breakfast and late-night dinner as fewer people leave home.

PIZZA AND PASTA

Pizza restaurants typically serve a menu of house and custom pizzas alongside pasta, salad and other Italian-influenced cuisines.

Due to the wide influence of Italian immigrants in US culture over the past century, many regional forms of pizza have developed. Due to its products' general popularity and affordability, this segment has become increasingly defined as a carryout or delivery food for offices, birthday parties or other large gatherings of people. Pizza franchises, such as Dominos and Pizza Hut, now largely focus on carryout or delivery services and have been able to access higher profit through this business model. During the COVID-19 epidemic, demand for pizza fared better than other segments as its sales are less dependent on dine-in services. As a result, over the past five years, this segment's share of revenue has increased, accounting for an estimated 8.9% of industry revenue in 2022.

OTHER

Establishments outside of the aforementioned product segments comprise a range of different food options, performing with various degrees of success over the past five years.

Restaurants in this product segment include fast-casual concepts, traditional quick-service restaurants and establishments serving one item that may have local or regional popularity but does not translate well to a national audience. For example, seafood concepts are prominent in coastal regions where fresh seafood is amply available, and where seafood factors largely into consumers' daily diets. Fast-casual concepts such as those serving highly specific offerings, such as salad, are also included in the other category and have performed well during the period due to the domestic increase in health consciousness. Lastly, quick-service concepts that do not fall under any specific category, such as those that offer a range of sandwiches and other items, are also included in this segment. This segment accounts for the remaining 27.2% of revenue in 2022.

Demand Determinants

The Fast Food Restaurants industry is sensitive to factors that affect the growth in household disposable income, which gives consumers the ability to spend money on out-of-home dining.

Household disposable income is sensitive to changes in labor market growth, such as the unemployment rate, and movements in tax and interest rates. High gas prices also negatively affect disposable incomes.

Demographic trends

The changing age structure of the population is influencing change within the industry. Baby boomers are a major group that influences industry revenue growth. Not only does this age segment comprise a significant percentage of the population, it also generally has the highest amount of disposable income to spend on restaurant meals. Bureau of Labor Statistics 2020 household expenditure data indicates that households with incomes of more than $50,000 account for 73.8% of the total personal expenditure on food eaten outside of the home. Within this group, households with incomes over $100,000 provide an estimated 47.2% of the total away-from-home food expenditure. The most important factor driving the highest household income group to spend in restaurants is the pressure of work and lack of time.

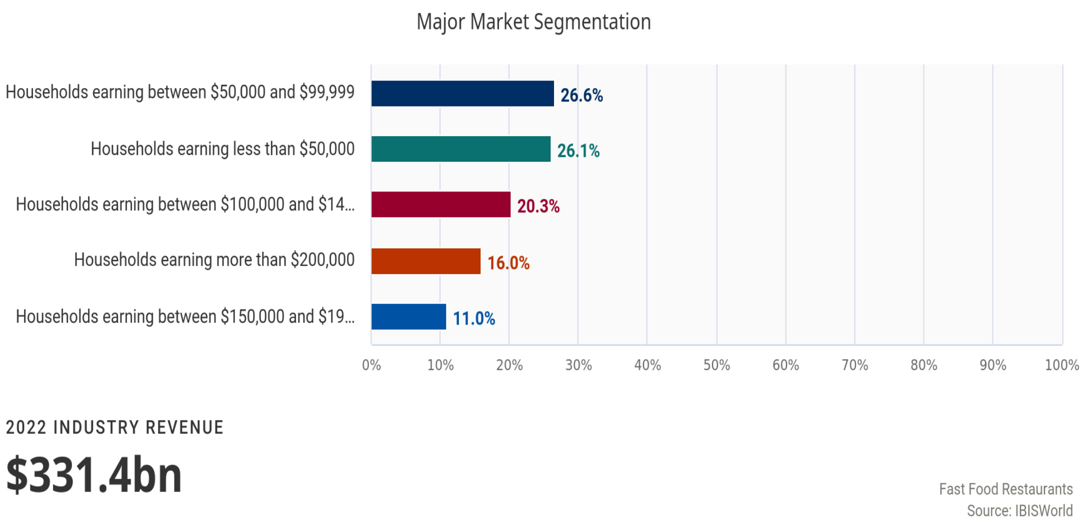
Health consciousness

Rising health consciousness has a direct effect on industry operators as US consumers become increasingly concerned about fat content, fried foods and salt content, especially when dining out. As a result, rising concerns over the nutritional value of restaurant meals are likely to influence demand for certain foods on menus, thus encouraging industry players to alter their product mix. It is also expected to affect overall performance for industry players by rewarding operators that expand their menu choices to include a range of healthy meal options among other more indulgent food items.

Convenience

Convenience and value for one's money and time are other important demand determinants. Recent social trends, such as busier lifestyles, heavier workloads and longer working hours, have helped boost demand for restaurant services and convenience food as time-poor consumers seek to cut down cooking time and make better use of their spare time. Moreover, restaurants have become more of a place for family get-togethers, special occasions and social meetings for cash-rich and time-poor consumers.

Major Markets



The major markets in the Fast Food Restaurants industry can be segmented based on several factors, including income, age, geographic location and family structure.

Consumption patterns of fast food differ from full-service restaurants where income is a more important determinant of demand. Consumers of fast food are typically budget-conscious and experience the convenience of fast food compared with sit-down restaurants. According to trends in data provided by the Bureau of Labor Statistics' Consumer Expenditure Survey, people's visits to fast food restaurants increase with their incomes up to a certain point. The industry's major market distribution has not changed dramatically over the five years to 2022 as spending patterns within income brackets are relatively established. As industry operators have increasingly sought to provide healthier and more nutritious items while remaining at a reasonable price point, they have become more popular with middle-class households over the past five years. However, the corresponding decline in spending by the lowest income households has meant that the distribution between income demographics remained relatively steady over the past five years. This trend is expected to continue over the five years to 2027.

HOUSEHOLDS EARNING MORE THAN $100,000

In 2022, households earning between $100,000 and $149,999 are estimated to represent 20.3% of industry revenue, and households earning between $150,000 and $199,999 represent an anticipated 11.0% of revenue.

Households that earn more than $200,000 account for an expected 16.0% of revenue in 2021. These individuals spend more eating away from home compared with those in lower-income brackets, which increases their overall spending at fast food restaurants. However, as household income reaches between $100,000 to $150,000, visits to fast food restaurants decline and are replaced by full-service and sit-down dining at higher prices. For this reason, the biggest consumers of fast food in the United States are lower-middle and middle-middle income households. These segments have decreased as a share of revenue over the past five years.

HOUSEHOLDS EARNING BETWEEN $50,000 AND $99,999

Households in this income bracket make up an estimated 26.6% of industry revenue in 202w.

Consumers in this income bracket have a higher annual income than the low-income group but remain price-conscious as they still have a fixed level of disposable income. Due to this, fast-food operators are relatively inexpensive options when individuals decide to eat away from home. This segment has increased as a share of revenue over the past five years.

HOUSEHOLDS EARNING LESS THAN $50,000

Households with an annual income of less than $30,000 can find it challenging to eat out often at fast food restaurants where prices may be unaffordable.

Therefore, many of these households rely on programs such as the Food and Nutritional Service's Supplemental Nutrition Assistance Program, commonly referred to as SNAP, which does not permit food stamps to be used for restaurant purchases. However, households earning less than $50,000 represent a significant share of revenue due to the low price point of industry operators. This segment accounts for 26.1% of industry revenue in 2022. This segment has decreased as a share of revenue over the past five years.

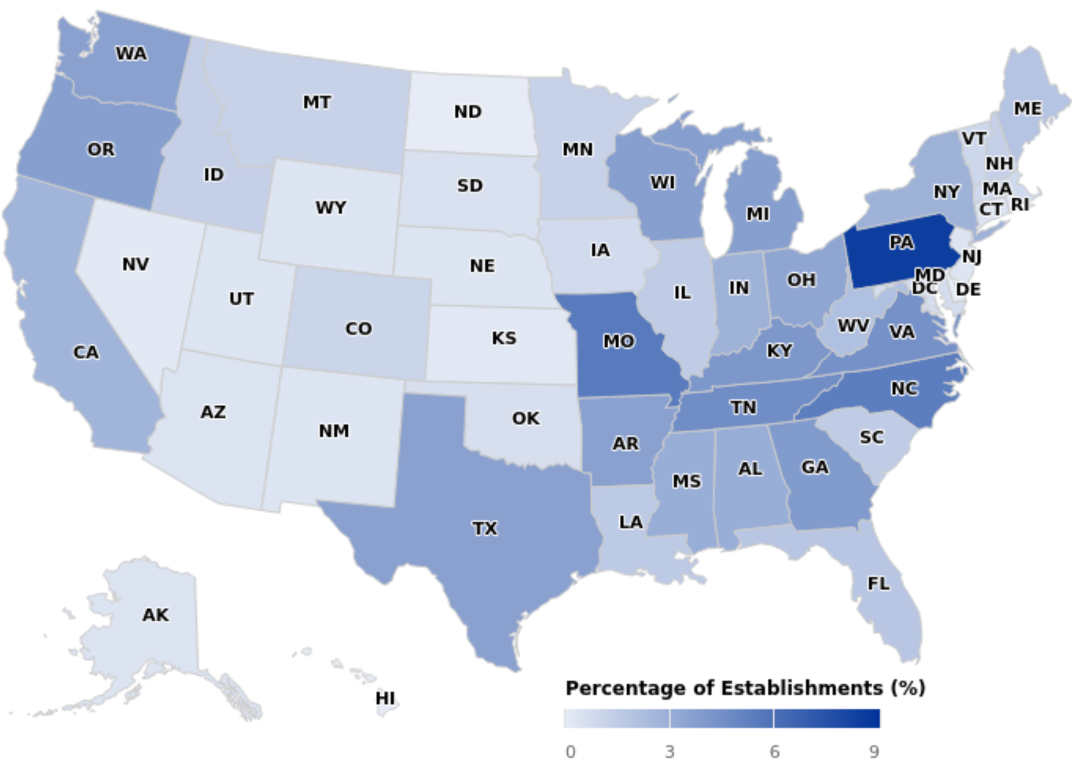
Exports in this industry are Low and Steady

Imports in this industry are Low and Steady

As a service industry, the Fast Food Restaurants industry is not engaged in importing or exporting products, so international trade is not relevant to the industry. However, some industry players have overseas operations and earn a significant portion of their revenue overseas. Many large operators have established franchised operations internationally. Given the mature stage of this industry's life cycle in the domestic market, with changes in customer profiles and tastes, many major operators have sought to increase their growth in revenue and earnings through further global expansion. In recent years, large fast-food chains have earned an increasing amount of their revenue outside of the United States.

Business Locations

Business Concentration in the United States



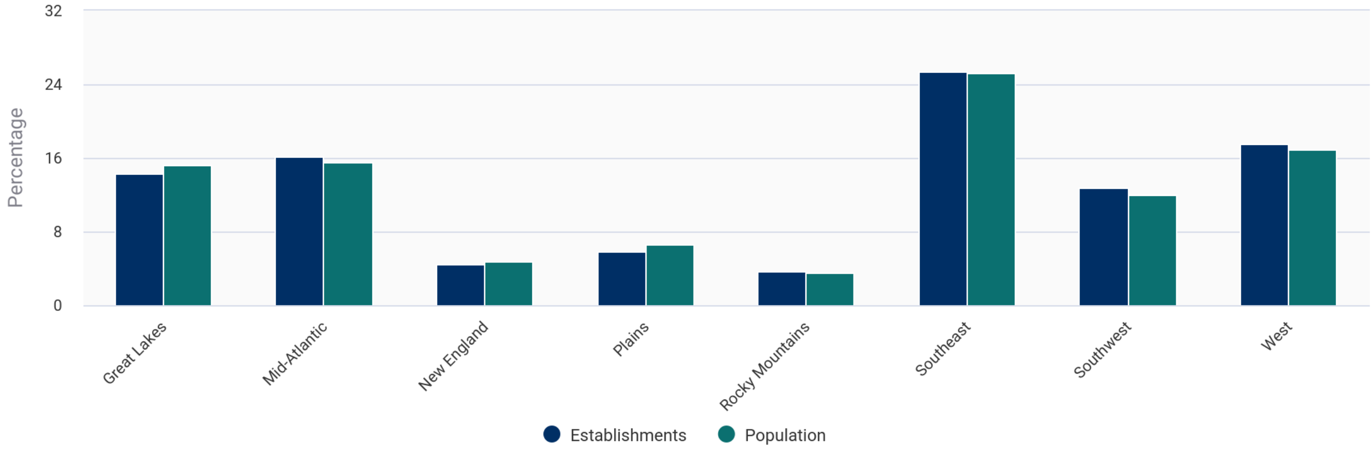
Fast Food Restaurants in the US
Source: IBISWorld

The business locations in the Fast Food Restaurants industry are largely distributed according to population. Since the industry provides quick meals to consumers, successful operators need to be located in close and convenient proximity to their customer base. As a result, the Southeast is home to the highest concentration of franchised establishments and population, accounting for 25.4% and 25.8%, respectively, in 2022. This area is also known for having various large cities that are spread across the region. Additionally, there are many interstate highways in this region. The concentration of domestic travel by car increases consumer needs for quick and convenient food options. Several industry establishments are located in highly populated areas and along interstate highways, increasing concentration in this area.

The West follows as the second-highest concentrations, representing 17.5% of establishments in 2022. This region's concentration is dominated and driven by California. Due to California's size and population concentration, it represents 12.6% of industry establishments in 2022. California is a state known for its highways and traffic. Similar to the Southeast, this is attributed to higher demand and availability for industry establishments. The Mid-Atlantic is also dominated by a single state. New York's large population concentration lends it to be the third-largest state by establishments, accounting for 6.9% of establishments, while the total Mid-Atlantic accounts for 16.2% of industry establishments in 2022. This is slightly higher than the Mid-Atlantic's share of the population, which accounts for 15.2% of the population in 2022. The disproportionally higher concentration can be attributed to the large cities in this region, such as New York, Washington, DC and Philadelphia, that have to feed a very large consumer base. These cities are also all connected by complex highway systems.

Various academic studies have acknowledged that fast food restaurants are more prevalent in low-middle and middle-income neighborhoods and have become less prevalent in high-income neighborhoods. This distribution is reflected in the industry's major markets, where these demographics are the industry's largest consumers. High-income areas tend to have a greater concentration of full-service restaurants as opposed to fast food establishments.

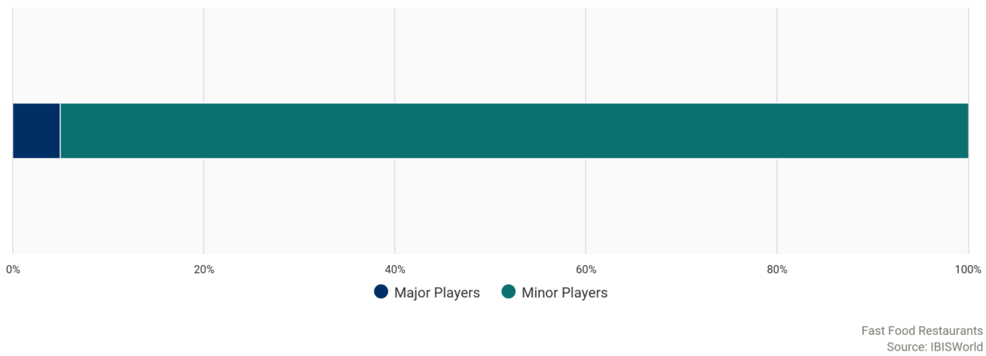
Distribution of Establishments vs Population



Fast Food Restaurants
Source: IBISWorld

Competitive Landscape

Market Share Concentration



Concentration in this industry is Low

The top four players in the Fast Food Restaurants industry are expected to account for less than 10.0% of the market share in 2022, giving this industry a low level of concentration. Given the diversity of food styles and operations, nearly 41.6% of industry establishments are small-business operators that have nine or fewer employees in 2021. An additional 58.0% of establishments have between 10 and 99 employees, with 94.2% of establishments having fewer than 50 employees in 2021. Over time, industry concentration has decreased, primarily as industry operators transition to franchising as their method for growth. Franchises are not included as part of corporate revenue, and therefore, as companies switch to being franchise-focused, their revenue declines to the fees and royalties they collect from franchisees instead of revenue from physical restaurant operations. Over the five years to 2022, there has been an increasing trend for the major chain operators selling their company-operated stores to focus on franchising. The lower capital requirements and less risk associated with selling franchises have helped chains grow despite relatively flat restaurant sales. Due to this trend, concentration among operators regarding system-wide sales is much higher and has increased over the past five years. Market share concentration of the industry's largest operators based on system-wide sales is estimated to reach nearly 40.0% of the market in 2022. While this is not an accurate depiction of market share for the industry as a whole, it exemplifies the number of franchises that are being opened under the umbrella of large and established brands. Additionally, many of the older stalwarts are losing ground to up-and-coming concepts, such as smaller chains, including Chick-fil-A, and fast-casual concepts, such as Shake Shack. These new companies are gaining ground, which has caused sales to falter for larger competitors. Consumers are increasingly seeking to try new food concepts, especially those with healthier options or quality ingredients. Industry concentration is expected to continue decreasing over the five years to 2027 as smaller industry operators expand, taking market share from current major players.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Business expertise of operators:
Business expertise is required as this industry has high turnover, but low profit, and thus, losses are easily made.

Having a clear market position:
Clear market positioning gives operators a competitive advantage over competitors.

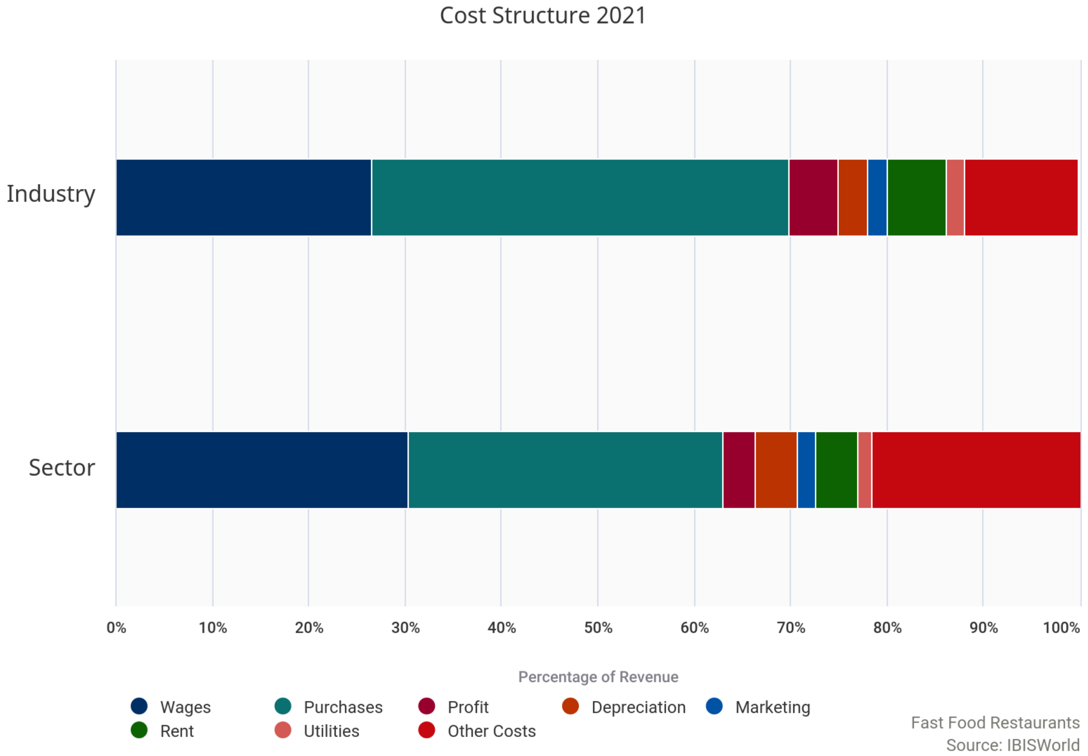
Effective cost controls:
Cost controls are important in this low-margin industry, particularly related to minimizing food waste.

Ability to franchise operations:
Franchising both in the United States and overseas is now a significant component of this industry and can provide necessary support to owners.

Product is sold at high profile outlets:
Having high-profile locations for stores, with easy access, parking and drive-through services increases convenience for customers.

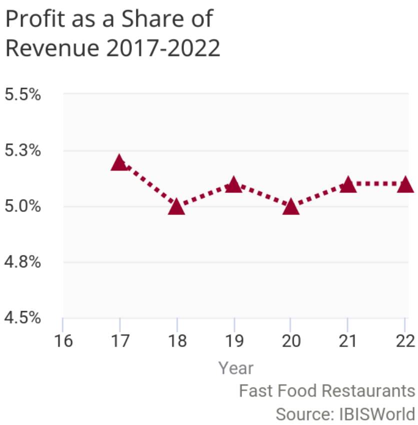
Access to multiskilled and flexible workforce:
Industry operators need access to a good supply of skilled, casual workers to meet peak service demand periods.

Cost Structure Benchmarks



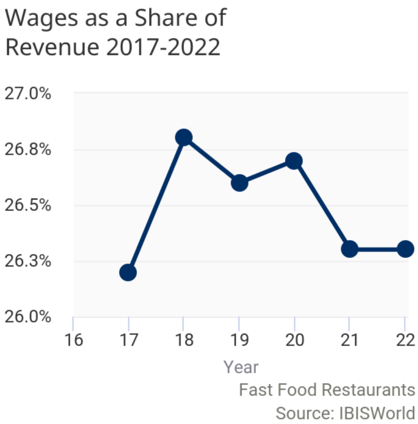
Profit

Industry profit varies among players depending on the size of the operator, with larger operators benefiting from economies of scale. For large players, such as McDonald's Corporation (McDonald's), profit at company-operated restaurants can be as high as 17.6% due to the large economies of scale the organization has access to. However, the profit of a small enterprise that operates only a few restaurants will likely be much lower. IBISWorld estimates that industry profit, measured as earnings before interest and taxes, will account for 5.1% of revenue in 2022. Profit has marginally declined as a share of revenue over the past five years. This decrease comes due to the slowdown of the US economy during the COVID-19 (coronavirus) pandemic. Moreover, many operating costs, such as wages have increased during the five-year period. An operator's major costs are food and beverages purchased for sale and wages paid. In 2022 industry profitability is expected to continue to be pressured by fluctuating input prices resulting from supply chain disruptions as well as rising wages, as many operators have increased employee salaries to compete in a hot labor market. Moreover, industry operators have taken various cost-cutting measures to prevent profit from declining further.



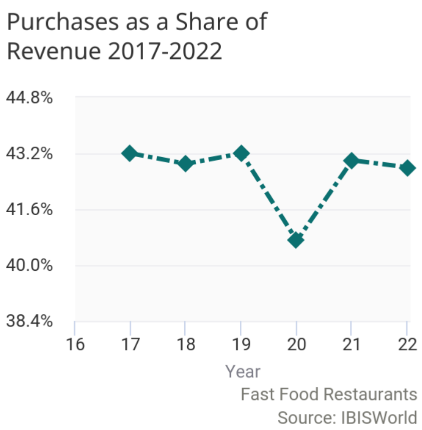
Wages

Industry operators have high wage costs due to the labor-intensive nature of food preparation, cooking, serving and cleaning up. Over the past five years, labor costs have risen slightly as a share of revenue due to wage disputes and higher minimum wage benchmarks negating other productivity gains by the industry's largest employers. These costs include wages and benefits, such as health, workers' compensation and unemployment insurance. Wage costs account for an estimated 26.3% of revenue in 2022. This represents an increase over the past five years as operators have been forced to offer higher starting wages.



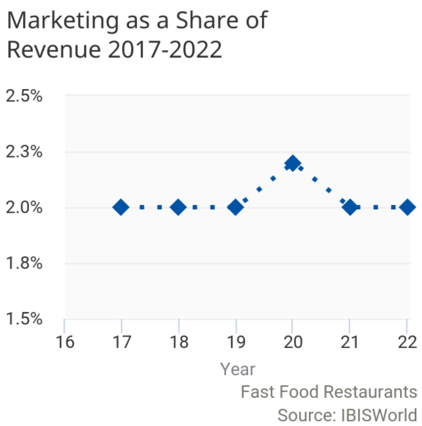
Purchases

Food and beverages are usually purchased from wholesalers, particularly from operators that can guarantee prompt delivery and quality. Fluctuations in the cost of food and beverages significantly influence industry revenue and profit. In the short term, many of these cost increases cannot be passed on to the consumer or client. Therefore, menus, portion sizes and other inputs into food service must be continually monitored. A major source of inefficiency is wastage due to fluctuations in demand, which may lead to an oversupply of meals or excess ingredients that cannot be used and subsequently spoil. IBISWorld forecasts that purchase costs will account for an estimated 42.8% of revenue in 2022. This is down only slightly from 2017 levels despite higher global demand for food forcing prices of some inputs higher.



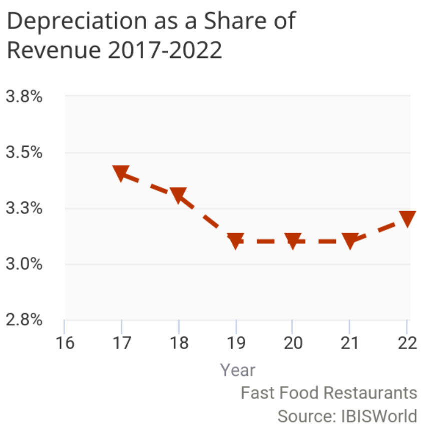
Marketing

Marketing costs often vary significantly among industry operators as some national brands spend a significantly larger amount on advertising than local or regional operators. This can cause extreme differences in marketing as a share of revenue. However, marketing expenses are estimated to account for 2.0% of industry revenue in 2022.



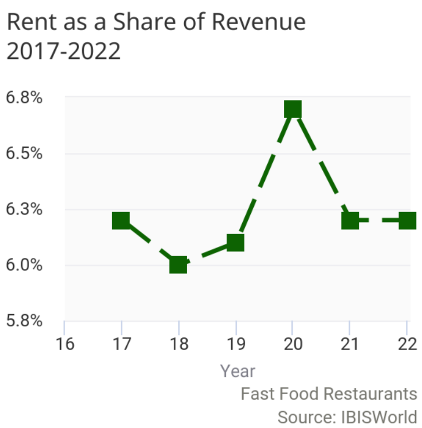
Depreciation

Industry operators are subject to depreciation expenses as well. Compared with other industries, depreciation expenses are low, as fast-food restaurants are primarily service-based. Depreciation costs are estimated to account for 3.2% of industry revenue in 2022, representing a slight decrease from 2017. Although depreciation costs declined as a share of revenue, industry operators implemented new technologies, such as touch screen kiosks, into many industry establishments during the five-year period.



Rent

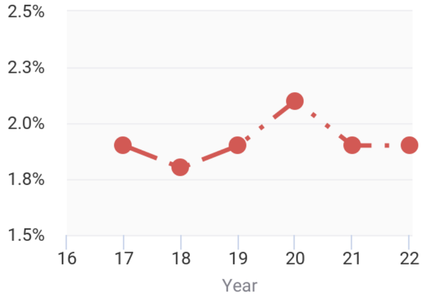
Rent costs can be significant for an operator due to the need to be situated in a high-traffic location to attract passing foot traffic. Many businesses that operate under franchise agreements pay rent directly to the franchiser or landlord that owns the building. Rent costs can also vary depending on the size and location of an establishment. Overall, rent costs are estimated to account for 6.2% of industry revenue in 2022.



Utilities

Utility costs are also substantial due to the energy-intensive nature of cooking, storing, cooling and cleaning. Utility costs are estimated to account for 1.9% of industry revenue in 2022. As technology becomes increasingly efficient, operators are likely to reduce their utility costs slightly in an effort to expand profit.

Utilities as a Share of Revenue 2017-2022



Fast Food Restaurants
Source: IBISWorld

Other Costs

Industry operators are subject to a range of other costs, including professional fees and administrative costs. Due to the high number of franchised businesses operating in the industry, franchise royalties and other fees can account for a significant proportion of industry revenue. Franchise agreements typically last for about 20 years and require potential franchisees to pay upfront franchise fees, which are generally $50,000. These agreements provide upward to $1.0 million in liquid capital, on top of investment funding to be approved. Franchisees also generally pay an annual royalty fee, which is typically pegged to a fixed percentage of total sales, averaging 10.0% to 12.0%. Franchise royalties are expected to comprise a larger share of revenue moving forward. To mitigate risk from shifting consumer trends and to reduce the every-day administrative and operative responsibilities of managing an industrial establishment, many larger players have been moving toward a nearly 100.0% franchise-only model. For example, in the long term, McDonald's currently franchises an estimated 90.0% of its stores worldwide. An additional marketing fee is sometimes paid to the franchiser as well. In 2022, other costs account for 12.4% of industry revenue.

Other Costs as a Share of Revenue 2017-2022

Fast Food Restaurants
Source: IBISWorld

Basis of Competition

Competition in this industry is ⚠ High and the trend is Increasing

The Fast Food Restaurants industry exhibits a high level of competition.

Restaurateurs are required to compete with each other and with other industries in the broader food service sector, such as full-service restaurants, which encompasses casual and fine dining, coffee shops, bars and hotels.

INTERNAL COMPETITION

Fast food restaurants compete with each other on the basis of price and quality.

As a result of the high level of competition within the industry, prices are driven down to remain competitive. This causes profit to be low for most industry operators, necessitating stringent cost and quality controls to maintain efficiency and minimize wastage. Operators also experience strong competition based on quality and consumer trends. As consumers become increasingly health-conscious, industry operators that fail to accommodate those preferences will likely experience high competition. Premium ingredients and well-presented meals are highly regarded and can make the difference to consumers, who often judge a fast-food restaurant by how it compares with others.

Restaurants also compete on the basis of location, style, ambiance, hospitality and service. More than ever, restaurants are selling and marketing a meal experience to potential customers. As a result, it is important that the operator understands the positioning of the restaurant in the marketplace and the clientele they are attracting or wanting to attract. Many restaurants are undergoing upgrades to their locations to make them trendy and more attractive to their customers. Significantly, the restaurant must consistently deliver on customers' product expectations. The location of fast-food restaurants can also prove to be strategic for competition. Many operators tend to be located on the same street or general area of city or town due to that area's proximity to a large population, shipping area or major highway. As people run errands or take long road trips, operators with the most convenient locations will likely prove to be successful.

EXTERNAL COMPETITION

External competition arises from the broader food service sector.

This includes chain restaurants and independent restaurants that offer dining and take-out services, and other retailers that serve food, such as convenience stores and supermarkets. These competitors offer similar food products, luxury food products and different dining experiences for consumers. When economic conditions are gloomy, consumers are more likely to trade down from dine-in restaurants to less costly food options. However, in good economic conditions, consumers may increasingly choose to spend more on a dine-in experience when eating away from home.

Additionally, external competition arises from consumers' propensity to cook their own meals and eat at home. With the rising popularity of weekly meal preparation and boxed meal delivery services, fewer consumers may eat away from home, limiting the amount spent at industry operators. Over the five years to 2022, boxed meal delivery services, such as Blue Apron and Hello Fresh, have become increasingly popular. These services provide the ability to cook a meal from home, while not needing to worry about getting all the correct ingredients or measuring. Furthermore, the growing popularity of grocery delivery services from AmazonFresh and Fresh Direct and other providers has increased as well, have made it more convenient for people to cook at home.

Barriers to Entry

Barriers to Entry in this industry are ⚠ Low and the trend is Increasing

Given the franchise component of the Fast Food Restaurants industry, barriers to entry are typically low, given that an operator can lease premises, equipment, furniture and fittings from the franchisor, which cuts down the initial capital costs. Also, franchisors provide training, food and beverages and some financial and accounting functions for a proportional share of revenue from their franchisees. These provisions lower operational costs and can also minimize some risks, especially for inexperienced hospitality industry persons entering the industry. Still, individual franchisees carry much of the day-to-day operational and management risks associated with their own business.

Industry concentration is low to moderate, with the top four players expected to garner less than 10.0% of the available market share in 2022. This low concentration is an indication of the array of food concepts and styles available in this industry, with no individual major player being dominant. Additionally, it highlights the fragmentation that is created by the major players increasingly franchising to expand their brand and concepts. While industry concentration is high among the top brands within the industry, the expansion of franchising enables new operators to easily enter the industry using the benefits of the large brand. Therefore, it is not extremely difficult for an operator to enter the industry with a new or existing food concept.

Industry regulation and licensing are significant, from health and food service regulations to licensing for liquor sales and general occupational health and safety issues, particularly in relation to safety in kitchen operations. Regardless, these issues do not create any insurmountable barriers to either entering or operating in this industry, as complying with these regulations are not excessively costly. Furthermore, these regulations are often very clear and generally easy to reach as all restaurants and food service operators must comply with them.

Barriers to Entry Checklist

Competition	High ⚠
Concentration	Low ✓
Life Cycle Stage	Mature ⊖
Technology Change	Medium ⊖
Regulation & Policy	Medium ⊖
Industry Assistance	Low ⚠

Industry Globalization

Globalization in this industry is Low and the trend is Steady

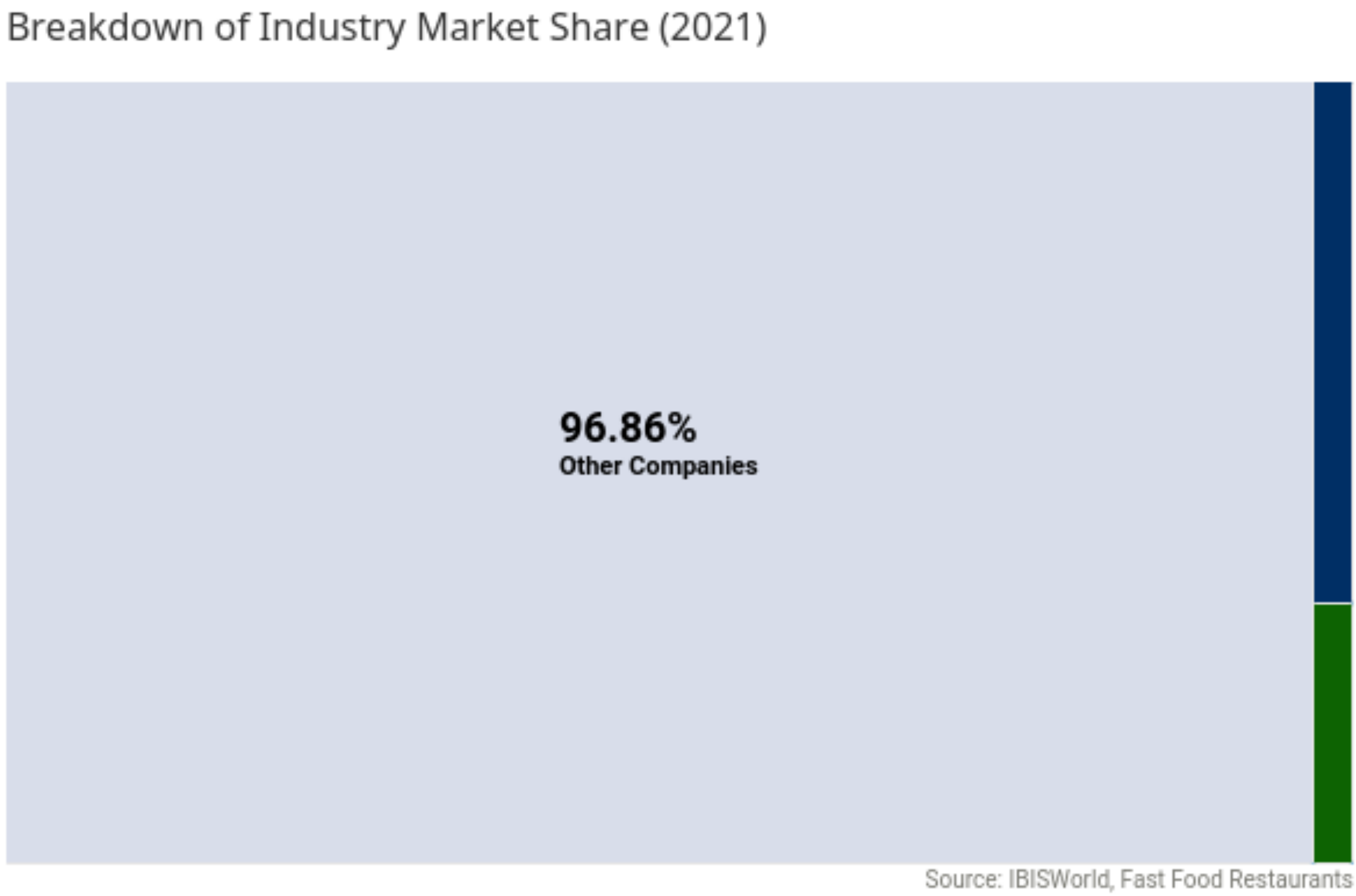
The overall level of globalization for the Fast Food Restaurants industry is low. The majority of enterprises are small businesses that are locally owned and serve a domestic customer base. However, there is a significant global component to the industry, namely the large chains that have considerable overseas operations. The trend toward international expansion has increased over the five years to 2022 due to the slower growth rate of the domestic industry compared with high-growth emerging economies. Many brands are opening up more restaurants every year in China, a growing and substantial market for US fast-food chains. Both McDonald's Corporation and Yum! Brands Inc. earn nearly 60.0% of its sales overseas, while an anticipated 40.0% of Burger King Corporation's sales are derived from international markets.

There are also many internationally owned chains that operate in the United States, adding to the level of industry globalization. Over the past five years, chains such as YO! Sushi, Wagamama, Pret A Manger, all based in the United Kingdom; Nando's, based in South Africa; Pie Face, based in Australia; and Giraffas, based in Brazil, have all expanded their presence in the industry. This has occurred as the US consumer has become increasingly enthusiastic about ethnic cuisine. International chains typically target affluent or middle-class customers in urban markets, such as New York, Chicago, Washington, DC and Los Angeles. Many international chains offer slightly different bents on traditional American concepts. For example, Pollo Campero, a Guatemalan chain with over 70 locations in the United States, offers a more Latin American-focused chicken menu, rather than trying to compete in the crowded Southern Fried Chicken space.

The industry will be subject to increasing globalization over the coming years. IBISWorld anticipates that US operators will continue to enter the international market, particularly in the regions of Asia and South America.

Major Companies

Market Share Overview



Related Companies

Competitors	Company Type	Employee Segment	Revenue ($m)	Market Share (%)	Profit ($m)
Chipotle Mexican Grill, inc.	All Star	500+ Employees	6,964.4 ▲	2.24 ▲	594.9 ▲
Chick-Fil-A, Inc.	Disruptor	500+ Employees	5,013.1 ▲	1.79 ▲	316.7 ▲
Mcdonald's Corporation	Rising Star	500+ Employees	2,785.8 ▲	0.9 ▼	333.9 ▲

Companies with 5.0% industry market share are displayed in the PDF version of this report. You can view insights for all companies associated with this industry on my.ibisworld.com

Chipotle Mexican Grill, inc.

Company Overview

Brands & Trading Names

Chipotle

Description

Chipotle Mexican Grill, inc. is a public company headquartered in California with an estimated 45,200 employees. In the US, the company has a notable market share in at least one industry: Mexican Restaurants, where they account for an estimated 10.7% of total industry revenue and are considered a Rising Star because they display lower market share, but displaying stronger profit and revenue growth than some of their peers.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	$7.0bn
EMPLOYEES	45,200

Other Industries

Mexican Restaurants

Analyst Insights

Online sales surge during the pandemic
Amid the COVID-19 (coronavirus) pandemic, Chipotle's online sales surged as consumers sought takeout and contact-free food options. In particular, the company has leveraged the success of it rewards program during the pandemic. The program now includes nearly 24 million members, representing about 25.0% of the brand's customers. This has allowed the company to pivot to serve an almost completely digital customer base. Unlike many other restaurants, Chipotle did not have to pivot significantly as digital innovations already an integral part of their technology strategy, including dark kitchens in all of their restaurants, the creation of the Chipotlanes pickup-only drive and walk-thru restaurants.

COVID New Activity

Serious health scares undermine company's image
Regarded as a bastion of responsible sourcing and superior ingredients when compared with its competitors, Chipotle Mexican Grill Inc. (Chipotle) experienced significant damage to its reputation following a string of health scares. In 2015, the company experienced an E. coli outbreak, which spanned across restaurants in 15 states. The company then had two norovirus outbreaks in 2017 — one that sickened 135 in Sterling, Virginia, in July and another that made 28 people, including 11 employees, ill in Los Angeles in December. In July 2018, nearly 650 people got food poisoning after dining at a Chipotle restaurant in Powell, Ohio.

COVID ESG New Activity

Following health scares, company tries to lure customers back in
The company's sales declined significantly as a result of multiple foodborne illnesses. In 2016, the company initially sought to bring back customers to its stores via a variety of free giveaways, such as allowing kids to eat for free every Sunday and perks like free sodas for students. In 2018, the company piloted and later adopted a loyalty program in 2019, which rewarded eutomers with points for purchases, enabling them to later convert points to free meals. The company has experienced success with its rewards program, deeper levels of engagement.

New Activity

Chipotle Mexican Grill, inc.

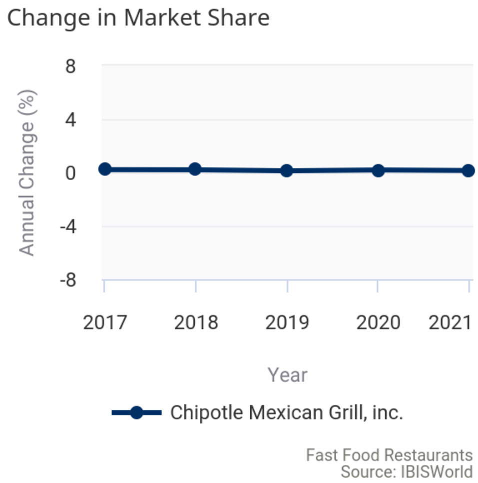
Company Overview

Industry Market Share, Revenue and Profit

Market Share

2.24%
Current Year (2021)

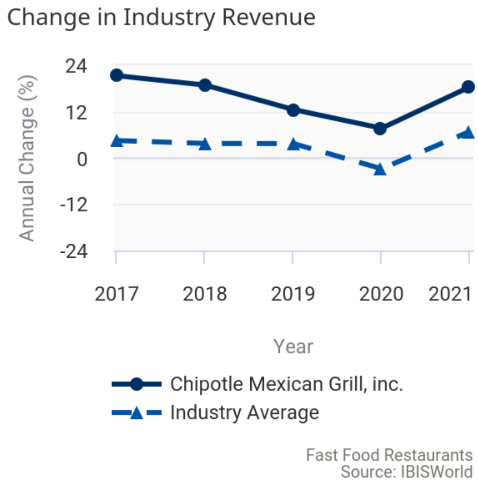
0.6%
Annual Growth (2017–21)



Industry Revenue

$7.0bn
Current Year (2021)

14.3%
Annual Growth (2017–21)



Profit Margin

8.54%
Current Year (2021)

3.2%
Annual Growth (2017–21)

Chick-Fil-A, Inc.

Company Overview

Description

Chick-Fil-A, Inc. is a private company with an estimated 140,000 employees. In the US, the company has a notable market share in at least one industry: Fast Food Chicken Franchises, where they account for an estimated 38.9% of total industry revenue and are considered an All Star because they display stronger market share, profit and revenue growth compared to their peers.

COMPANY TYPE	Private Company
TOTAL COMPANY REVENUE	$5.0bn
EMPLOYEES	140,000

Other Industries

Fast Food Chicken Franchises

Analyst Insights

System-wide sales increase despite major business implications amid the coronavirus pandemic
Chick-fil-A's restaurant operations were adversely affected by the widespread dining room closures and other socioeconomic restrictions implemented during the global health crisis. However, total system-wide sales for Chick-fil-A grew 12.8% to $13.7 billion in 2020 as many Chick-fil-A's locations benefited from an uptick in drive-thru sales while dining facilities remained closed for prolonged stints. The organization also continues to invest in its digital and delivery capabilities to engage customers.

COVID Structural

Chick-Fil-A, Inc.

Company Overview

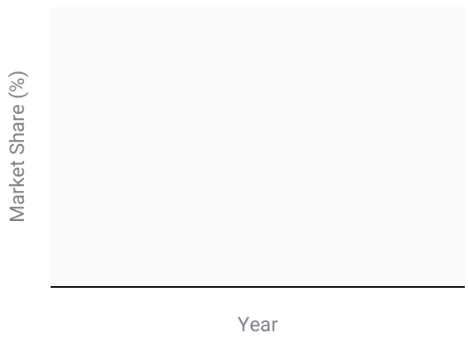
Industry Market Share, Revenue and Profit

Estimated Industry Market Share

1.79% Moderate

Current Year (2020)

Estimated Market Share



Fast Food Restaurants
Source: IBISWorld

Estimated Industry Revenue

$5.0bn Moderate

Current Year (2020)

Estimated Industry Revenue

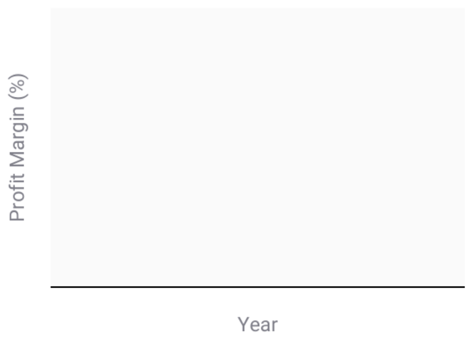
Fast Food Restaurants
Source: IBISWorld

Estimated Profit Margin

6.32% Weak

Current Year (2020)

Estimated Profit Margin



Fast Food Restaurants
Source: IBISWorld

Mcdonald's Corporation

Company Overview

Brands & Trading Names

McDonald's

Description

Mcdonald's Corporation is a public company headquartered in Illinois with an estimated 200,000 employees. In the US, the company has a notable market share in at least four industries: Accommodation and Food Services, Fast Food Burger Franchises, Intellectual Property Licensing and Burger Restaurants. Their largest market share is in the Accommodation and Food Services industry, where they account for an estimated 6.0% of total industry revenue and are considered an Incumbent because they display strong market share, but lower profit and revenue growth than some of their peers.

COMPANY TYPE	Public Company
TOTAL COMPANY REVENUE	$2.8bn
EMPLOYEES	200,000

Other Industries

Burger Restaurants
Fast Food Burger Franchises
Intellectual Property Licensing in the US

Analyst Insights

McDonald's completes acquisition of Dynamic Yield for $300.0 million
In 2019, McDonald's completed the acquisition of Dynamic Yield, a leader in personalization and decision logic technology, for $300.0 million. The company has utilized Dynamic Yield's technology to provide a more personalized customer experience by customizing digital drive-thru menus to show different food items based on the time of day, weather, restaurant traffic and trending and popular menu items. McDonald's rolled this technology out across its drive-thru restaurants in the US in 2019 with plans to expand to international markets.

M&A

Sustainable sources and high-quality food serves as pillars in McDonald's sustainability commitments
McDonald's has implemented sustainable business practices and quality controls across their different food products over the past few years. In 2016, the company achieved its goal to only source chickens in the US not treated with antibiotics and shortly thereafter, in 2017 the company set out to eliminate antibiotics across its global chicken supply chain. McDonald's has also partnered with farmers, suppliers and industry experts to create its beef sustainability goals to improve environmental practices in how beef is products and improve animal health and treatment. Furthermore, as of 2017, 54.0% of all McDonald's coffee was sourced sustainability through Rainforest Alliance, Fair Trade International, Fair Trade USA and UTZ.

ESG M&A

Mcdonald’s Corporation

Company Overview

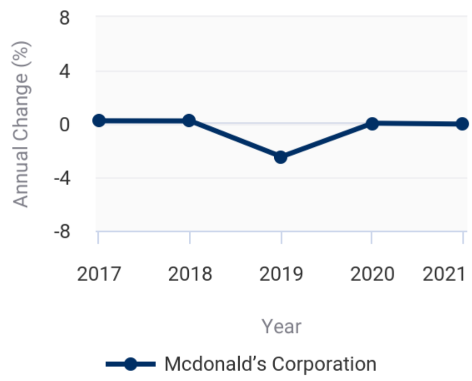
Industry Market Share, Revenue and Profit

Market Share

0.9%
Current Year (2021)

-2.2%
Annual Growth (2017–21)

Change in Market Share



Fast Food Restaurants
Source: IBISWorld

Industry Revenue

$2.8bn
Current Year (2021)

-22.8%
Annual Growth (2017–21)

Change in Industry Revenue

Fast Food Restaurants
Source: IBISWorld

Profit Margin

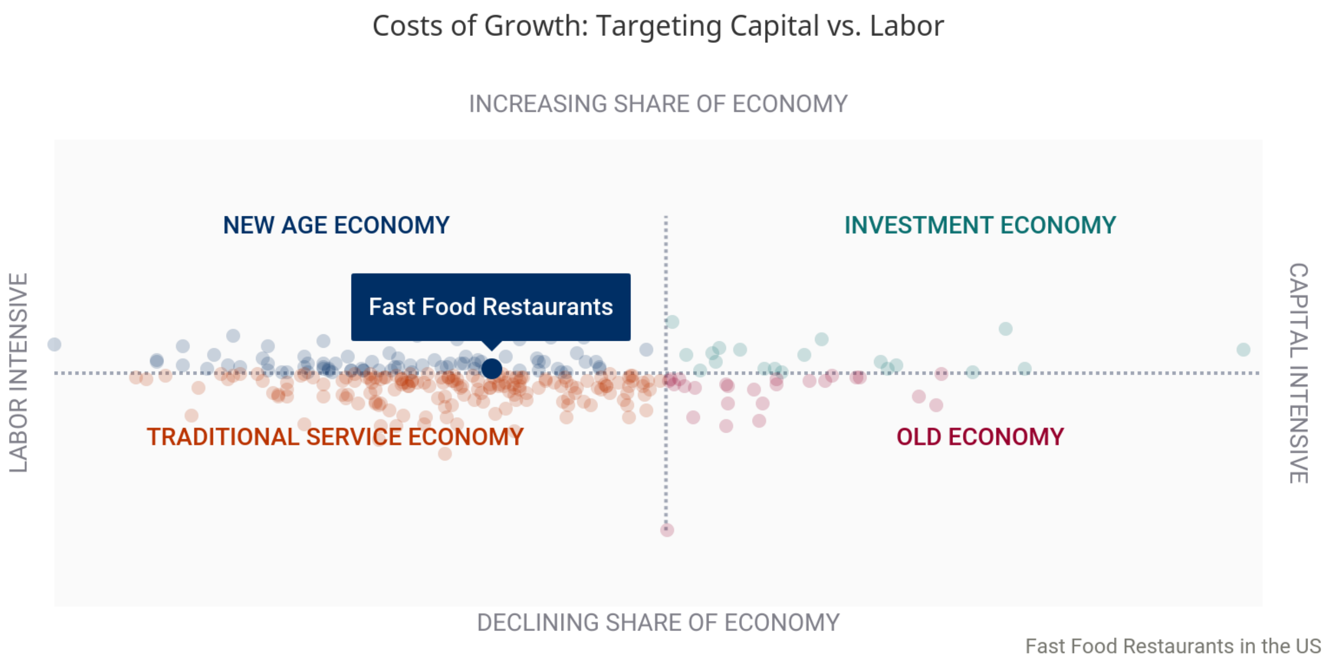
11.99%
Current Year (2021)

0.5%
Annual Growth (2017–21)

Change in Profit Margin

Fast Food Restaurants
Source: IBISWorld

Operating Conditions



Fast Food Restaurants in the US
Source: IBISWorld

Capital Intensity

The level of capital intensity is Low

The Fast Food Restaurants industry experiences a low level of capital intensity. In 2022, for every $1.00 spent on wages, the average industry operator will likely spend an estimated $0.12 on capital. Capital intensity has remained relatively stable over the five years to 2022 despite an increase in industry wages over the past five years.

Particularly, some rise in labor productivity can occur from investment in technology. Over the past decade, many operators have implemented electronic ordering systems that are linked to the kitchen, helping chefs more efficiently process and prepare orders. This is especially true of chain operations, which can benefit from economies of scale. It is also increasingly common for chains to manage labor costs with just-in-time scheduling which is based on sophisticated algorithms built on data including the previous year's sales trends, economic indicators and changes in weather. These computer programs forecast in advance when demand will be high or low and enable managers to adjust staffing levels. These initiatives have helped some operators improve profit and grow revenue. However, the main beneficiaries of technological advancements are large chains. Smaller industry operators find implementing these technologies overly expensive and receive limited benefits from increased capital investment, and therefore prefer to concentrate on training their staff to improve their service.

Nonetheless, the industry is highly dependent on direct labor input across all areas of operation. Industry operators require personnel as cashiers, for delivery and food preparation, cleaning and operational management. Due to the service nature of the industry, many of these labor-intensive functions cannot be substituted by technology or machinery. To meet customers' expectations and provide a quality and hospitable dining experience, a well-trained staff is required.

Fast Food Restaurants
Source: IBISWorld

Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
Very Low	Rate of Innovation	Very Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
Very Low	Innovation Concentration	Very Unlikely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
Medium	Rate of Entry	Potential	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
Very Low	Market Concentration	Very Unlikely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The industry is experiencing a low level of both the rate of new patents and the concentration of patents in the industry. This creates an environment where the threat of new technologies driving disruption is low.

The relative ease of entry is high, which can support the potential for external innovators to enter the industry with a disruptive trajectory. Despite this, the rate of entry of new companies is in line with the national average.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served my incumbent operators.

The Fast Food Restaurants industry has adapted to new technologies ranging from online ordering, payment methods and loyalty programs to kiosks and mobile applications.

Changing consumer preferences have pushed industry operators to change the business strategy by promoting partnerships with online delivery platforms in order to gain exposure. Consumers visit industry establishments for a convenient, affordable and time-saving meal. As a result, they are increasingly ordering food online for delivery. Operators that have their own delivery and online ordering platforms will likely have an advantage. Furthermore, consumers are becoming increasingly health conscious by eating fewer processed foods. Incumbent operators have had to modify their menus to keep up with changing preferences.

The level of technology change is Medium

Operators in the Fast Food Restaurants industry regularly leverage technology to reduce labor and food costs to increase sales.

They also use it to improve business processes, support growth, maintain current operations and improve meal experiences.

Quality of service

The majority of technological adoption by the industry aims to address new systems and processes that are designed to promote quality service and reduce customer wait time.

Such innovations include wireless electronic ordering systems that link front-of-the-house orders to kitchen meal preparation and touch-screen ordering systems for customers. Although this may help to reduce labor costs, it does not eliminate them, as this system still requires customers to check out at a physical register. The increasing sophistication of the internet and mobile technology has also driven industry players to reach wholesalers and suppliers online. This has led to increased efficiencies in coordinating supplies and other pre-prepared food items.

Larger chains also use data networks to send and receive business data to and from restaurants to monitor and analyze all aspects of the business. Through data analytics, operational efficiencies can be identified and improved throughout a company's network of stores.

Point-of-sale systems

Most operators now have point-of-sale (POS) systems in stores to speed up service, which leads to more purchases on average and cuts down on labor costs.

Retailers are increasingly accepting credit card payments through devices such as Square, which connects directly to the store's tablet device and facilitates ease of transaction. Customers can sign with their finger on a touchscreen rather than with a pen and have the receipt emailed to them. This has also led to many industry operators adding order kiosks and touch screen systems to limit labor needed at the counter to take orders. This has grown substantially in popularity among industry operators. These POS systems are easy to scale and reduce lines and labor costs. Some restaurants have adopted mobile technology, enabling the ordering of food items via mobile applications and online. Mobile and online ordering has been beneficial for restaurants and consumers by creating ease of access and delivery. However, by removing direct interaction between the consumer and the restaurant, there is likely to be some miscommunication in food availability and offerings.

Labor scheduling

It is increasingly common for chains to manage labor costs with just-in-time scheduling which is based on sophisticated algorithms built on data including last year's sales trends, economic indicators and changes in weather.

These computer programs forecast in advance when demand will be high or low and lets managers adjust staffing levels.

Social media

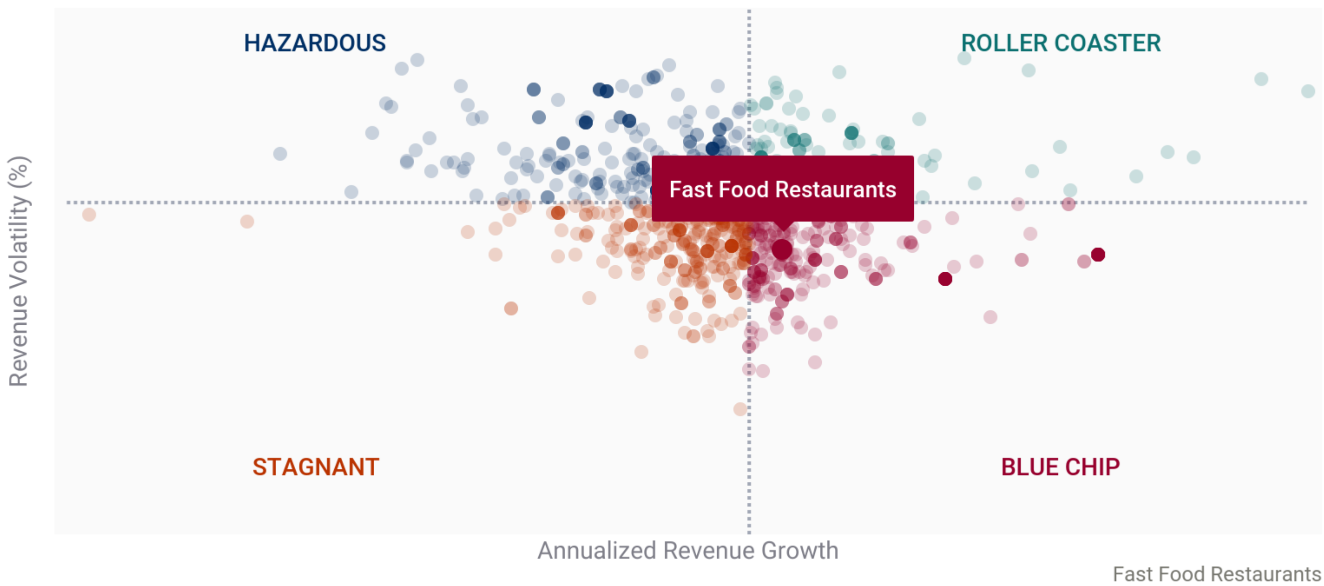
Technology has also aided fast food restaurants with marketing.

Social media has enabled savvy operators to connect directly with customers and tailor their brand's message to target fragmented consumer segments. Many industry operators have made popular news headlines with their quick wit and humor deployed on social media.

Revenue Volatility

The level of volatility is ⊝ Medium

Volatility vs. Growth



Fast Food Restaurants
Source: IBISWorld

The Fast Food Restaurants industry has a low to moderate level of revenue volatility.

Over the five years to 2022, the industry has grown consistently, prior to the onset of the COVID-19 (coronavirus) pandemic in 2020. The industry depends on consumer tastes, preferences and levels of disposable income and consumer confidence. Restaurant spending is highly discretionary and easily substituted for lower-cost options, such as home-cooked meals. As a result, changes in factors affecting incomes, such as taxes and unemployment levels, can directly affect industry revenue. However, some consumers will likely downgrade from full-service restaurants to lower-cost fast food during times of economic austerity.

The diversity of foods served by the industry helps keep any volatility under control. The industry consists of a range of food products, from Asian restaurants to traditional US restaurants and other ethnic cuisines, meaning that if tastes defer from one type of food toward another, the industry still captures revenue. While demand for traditional fast-food options high in fat, salt and calories has declined, there are a growing number of convenient, affordable and healthy fast-food options available to consumers.

Regulation & Policy

The level of regulation is ⊝ Medium and the trend is Increasing

The Fast Food Restaurants industry is subject to a medium level of regulation that is increasing.

There are regulations covering a range of areas, from food safety and health standards, to labor conditions and franchising requirements. Most regulation is enacted and enforced at the state level, but many federal laws also apply. Operators also contended with additional regulations related to social distancing and the use of personal protective equipment during the COVID-19 (coronavirus) pandemic.

FOOD SAFETY AND STANDARDS

The industry is subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling.

The main agency responsible for providing guidance and regulation is the US Food and Drug Administration (FDA). The FDA's Model Food Code, which is a best-practice guide to food handling and presentation, applies to this industry and is updated each year. The FDA Nutritional Value applies as well. Since 1996, the FDA regulations have set standards for nutritional values of individual foods and meals. If claims like low fat or heart healthy are on a menu, an owner must be able to demonstrate to officials that there is a reasonable basis for the claim. For instance, the meal may be based on a recipe from a health association or a recognized dietary group.

In 2015, the FDA announced it will require the food industry to gradually phase out trans fats from food in an attempt to prevent illness and deaths. Trans fats are commonly used in processed foods to improve the taste or shelf life of foods and are believed to cause some health issues, including heart disease. While trans fats have been eliminated from many foods over the past decade due to stricter labeling requirements, many fast foods still contain small amounts. The plan provided a three-year compliance period to industry operators.

The Affordable Care Act requires restaurant companies to disclose calorie information on their menus. The FDA has proposed rules to implement this provision that would require restaurants to post the number of calories for most items on menus or menu boards and to make available more detailed nutrition information upon request. Complete nutritional information, however, is not required to be on menus.

LABOR RELATIONS

The industry employs a high number of young and low-skilled workers at hourly rates and, therefore, is subject to minimum wage and employee benefits regulations.

Workers in the United States are entitled to be paid no less than the statutory minimum wage, which is currently $7.25 per hour. Each state also formulates and regulates its own minimum wage, with some states implementing rates higher than the federal rate.

The implementation of the Affordable Care Act over the five years to 2027 will likely have a minor effect on the industry. Employers with 50 or more employees that work 30 hours a week are expected to be required to provide healthcare coverage or pay a fine. However, the large majority of operators in the industry employ less than 50 staff. Most major operators are currently reviewing the potential effects of the new law on their businesses.

FRANCHISING LAWS

A large proportion of industry establishments are operated under franchise agreements.

There are both federal and state laws governing franchising, which vary from state to state. Franchising is regulated at the federal level by the US Federal Trade Commission and applied in any region within the United States. At the state level, various state agencies regulate franchises and laws vary between states. A state's franchise laws usually only apply if the sale of a franchise is made in the state and the business is located in the state. Laws generally fall under three categories, which include disclosure laws, registration laws and related laws.

Under the FTC Franchise Rule, there are three elements of a franchise, which include the franchise has a trademark under which the franchisee is given the right to distribute goods and services; the franchisor has significant control of or provides significance to the franchisee's method of operation. Additionally, the franchisee is required to pay the franchisor at least $500.00 within the first six months of opening for business.

Industry Assistance

The level of industry assistance is ⚠ Low and the trend is Increasing

Although the Fast Food Restaurants industry receives no formal assistance in the form of government aid or monetary compensation, there are industry associations that help the industry as a whole.

For example, the National Restaurant Association provides industry news, research, sponsoring events, networking opportunities and representation, among other things. There are also organizations that provide the same services on a more local level. Often state and municipalities also have associations to support restaurant business owners.

Additionally, operators that participate in the industry through franchise agreements receive assistance from the franchise owner in the form of marketing, supply chain management and purchasing. However, this comes at a cost in the form of an annual royalty or marketing fee. For more information on franchise agreements, refer to IBISWorld Report 53311 Intellectual Property Licensing. Nonetheless, these operators can benefit from additional support from franchise specific organizations as well.

COVID-19 response

The U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act which was introduced and signed into law in March of 2020 is a $2.0 trillion economic relief package designed to provide direct economic assistance for American workers, families and small businesses as well as preserve jobs for American industries. The Paycheck Protection Program, which was established by the CARES Act is implemented by the Small Business Administration and provides small businesses with funds to pay up to eight weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent and utilities. The CARES Act and Paycheck Protection Program will support industry operators with payroll and rent payments. Furthermore, in December 2020 the government passed an additional $900.0 billion Coronavirus relief bill. The legislation included another $300.0 billion for the Paycheck Protection Program and expanded the kinds of businesses that can qualify for forgivable loans and grants. Lastly, in March 2021 a third, $1.9 trillion Covid relief plan was signed into law. The plan provides $15.0 billion to the Emergency Injury Disaster Loan program, which provides long-term, low-interest loans from the Small Business Administration. Moreover, the Paycheck Protection Program will receive an additional $7.0 billion in funds under this relief plan.

Key Statistics

Industry Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Consumer spending ($b)
2013	233,700	78,495	263,380	182,646	3,807,083	N/A	N/A	60,266	N/A	11,212
2014	241,429	82,298	265,226	183,191	3,930,463	N/A	N/A	62,259	N/A	11,515
2015	260,792	90,223	269,816	185,650	4,079,581	N/A	N/A	67,273	N/A	11,893
2016	275,993	97,311	273,361	186,795	4,262,841	N/A	N/A	71,644	N/A	12,188
2017	288,382	100,274	285,382	191,735	4,484,227	N/A	N/A	75,473	N/A	12,484
2018	299,160	105,139	287,996	193,127	4,663,514	N/A	N/A	80,308	N/A	12,845
2019	310,207	107,535	288,754	193,222	4,694,299	N/A	N/A	82,365	N/A	13,126
2020	301,490	104,984	285,296	191,328	4,695,406	N/A	N/A	80,493	N/A	12,630
2021	322,047	111,367	290,221	194,429	4,932,426	N/A	N/A	84,842	N/A	13,625
2022	331,405	114,603	294,478	197,163	5,065,599	N/A	N/A	87,167	N/A	14,157
2023	338,758	117,237	298,496	199,755	5,178,862	N/A	N/A	89,113	N/A	14,528
2024	348,194	120,351	302,757	202,515	5,309,587	N/A	N/A	91,409	N/A	14,856
2025	356,271	122,898	305,782	204,496	5,420,176	N/A	N/A	93,356	N/A	15,150
2026	364,070	125,374	308,830	206,499	5,525,829	N/A	N/A	95,221	N/A	15,437
2027	371,858	128,001	312,184	208,715	5,634,899	N/A	N/A	97,132	N/A	15,722

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Consumer spending (%)
2013	1.50	3.09	0.72	1.15	5.02	N/A	N/A	5.67	N/A	1.48
2014	3.30	4.84	0.70	0.29	3.24	N/A	N/A	3.30	N/A	2.70
2015	8.02	9.62	1.73	1.34	3.79	N/A	N/A	8.05	N/A	3.27
2016	5.82	7.85	1.31	0.61	4.49	N/A	N/A	6.49	N/A	2.47
2017	4.48	3.04	4.39	2.64	5.19	N/A	N/A	5.34	N/A	2.42
2018	3.73	4.85	0.91	0.72	3.99	N/A	N/A	6.40	N/A	2.89
2019	3.69	2.27	0.26	0.04	0.66	N/A	N/A	2.56	N/A	2.18
2020	-2.82	-2.38	-1.20	-0.99	0.02	N/A	N/A	-2.28	N/A	-3.79
2021	6.81	6.07	1.72	1.62	5.04	N/A	N/A	5.40	N/A	7.87
2022	2.90	2.90	1.46	1.40	2.69	N/A	N/A	2.74	N/A	3.89
2023	2.21	2.29	1.36	1.31	2.23	N/A	N/A	2.23	N/A	2.62
2024	2.78	2.65	1.42	1.38	2.52	N/A	N/A	2.57	N/A	2.26
2025	2.31	2.11	0.99	0.97	2.08	N/A	N/A	2.13	N/A	1.98
2026	2.18	2.01	0.99	0.97	1.94	N/A	N/A	1.99	N/A	1.89
2027	2.13	2.09	1.08	1.07	1.97	N/A	N/A	2.00	N/A	1.84

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage ($)
2013	33.6	N/A	N/A	61.4	25.8	14.5	15,830
2014	34.1	N/A	N/A	61.4	25.8	14.8	15,840
2015	34.6	N/A	N/A	63.9	25.8	15.1	16,490
2016	35.3	N/A	N/A	64.7	26.0	15.6	16,807
2017	34.8	N/A	N/A	64.3	26.2	15.7	16,831
2018	35.1	N/A	N/A	64.2	26.8	16.2	17,221
2019	34.7	N/A	N/A	66.1	26.6	16.3	17,546
2020	34.8	N/A	N/A	64.2	26.7	16.5	17,143
2021	34.6	N/A	N/A	65.3	26.3	17.0	17,201
2022	34.6	N/A	N/A	65.4	26.3	17.2	17,208
2023	34.6	N/A	N/A	65.4	26.3	17.3	17,207
2024	34.6	N/A	N/A	65.6	26.3	17.5	17,216
2025	34.5	N/A	N/A	65.7	26.2	17.7	17,224
2026	34.4	N/A	N/A	65.9	26.2	17.9	17,232
2027	34.4	N/A	N/A	66.0	26.1	18.0	17,238

Figures are inflation adjusted to 2022

Industry Financial Statement

Industry Multiples	2017	2018	2019	2020	Historical Average 3-Year	5-Year	10-Year
EBIT/Revenue	7.4	5.1	4.7	4.6	4.8	4.8	5.1
EBITDA/Revenue	10.6	8.2	7.9	7.9	8.0	8.0	8.4
Leverage Ratio	9.2	11.9	12.4	12.3	12.2	12.9	12.2
Industry Tax Structure	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Taxes Paid/Revenue	1.6	1.7	1.7	1.8	1.7	1.8	1.8
Income Statement	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	98.1	98.0	97.3	96.6	97.3	97.4	97.5
Cost of goods	59.7	58.4	57.2	56.4	57.3	57.8	58.6
Gross Profit	40.3	41.6	42.8	43.6	42.7	42.2	41.4
Expenses							
Salaries and wages	13.7	13.6	14.1	14.4	14.0	13.9	13.4
Advertising	1.2	1.4	1.5	1.5	1.5	1.4	1.4
Depreciation	1.7	1.6	1.8	2.0	1.8	1.9	1.9
Depletion	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	1.5	1.5	1.3	1.2	1.3	1.2	1.4
Rent paid	2.8	2.7	3.0	3.2	3.0	3.1	2.8
Repairs	0.7	0.8	0.8	0.8	0.8	0.7	0.7
Bad debts	0.0	0.7	0.7	0.7	0.7	0.6	0.4
Employee benefit programs	2.1	2.0	2.2	2.3	2.2	2.1	2.1
Compensation of officers	3.4	3.0	3.1	3.1	3.1	3.3	3.1
Taxes paid	1.6	1.7	1.7	1.8	1.7	1.8	1.8
Interest Income	0.1	0.8	0.8	0.8	0.8	0.8	0.5
Other Income							
Royalties	0.6	0.8	0.9	1.0	0.9	0.9	0.8
Rent Income	1.1	0.7	0.8	0.8	0.8	0.7	0.9
Net Income	4.8	2.1	1.6	1.3	1.7	1.5	1.9
Balance Sheet	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Assets							
Cash and Equivalents	9.0	10.0	11.2	12.1	11.1	10.3	9.4
Notes and accounts receivable	4.4	1.6	1.8	2.2	1.8	2.9	4.0
Allowance for bad debts	0.1	0.3	0.3	0.3	0.3	0.2	0.1
Inventories	2.3	4.5	5.4	6.0	5.3	4.1	3.3
Other current assets	4.4	4.5	5.0	5.4	5.0	4.7	4.3
Other investments	21.0	19.8	16.1	13.4	16.5	18.5	19.0
Property, Plant and Equipment	60.1	60.3	62.0	63.4	61.9	61.4	62.3
Accumulated depreciation	35.2	36.6	37.1	37.8	37.2	36.4	36.1
Intangible assets (Amortizable)	25.9	26.4	25.7	25.2	25.8	25.2	24.0
Accumulated amortization	5.1	5.2	5.1	5.0	5.1	5.1	5.0
Other assets	8.7	9.0	8.4	7.9	8.5	8.7	9.3
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	5.0	4.1	4.8	5.3	4.8	5.2	5.6
Liabilities and Net Worth							
Mort, notes, and bonds under 1 yr	3.0	3.8	3.5	3.3	3.5	3.3	3.3
Other current liabilities	8.8	11.2	12.0	12.6	11.9	10.9	10.5
Loans from shareholders	4.9	6.9	7.7	8.2	7.6	6.5	6.5
Mort, notes, bonds, 1 yr or more	40.3	41.2	40.5	40.0	40.6	39.9	36.9
Other liabilities	15.7	14.7	14.1	13.5	14.1	14.6	15.2
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	4.1	5.5	5.7	5.9	5.7	5.2	4.8
Additional paid-in capital	22.1	27.2	26.2	25.6	26.3	24.5	22.1
Retained earnings, appropriated	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Retained earnings-unappropriated	16.7	1.0	-2.7	-4.9	-2.2	5.3	11.9
Cost of treasury stock	31.7	12.9	10.9	9.6	11.1	19.3	20.7
Net worth	22.3	17.8	17.1	16.9	17.3	19.5	22.0

Liquidity Ratios	2017	2018	2019	2020	3-Year	5-Year	10-Year
Current Ratio	1.2	1.1	1.2	1.2	1.2	1.1	1.1
Quick Ratio	1.1	0.9	0.9	0.9	0.9	0.9	0.9
Sales/Receivables	23.4	65.7	57.7	47.7	57.0	43.4	31.9
Days' Receivables	15.6	5.6	6.3	7.6	6.5	10.3	14.1
Days' Inventory	13.8	27.5	33.5	37.9	33.0	25.5	20.2
Inventory Turnover	26.5	13.3	10.9	9.6	11.3	16.9	20.8
Payables Turnover	12.2	14.5	12.1	10.9	12.5	11.7	11.2
Days' Payables	29.9	25.2	30.0	33.5	29.6	32.0	33.8
Sales/Working Capital	57.9	45.1	38.3	31.9	38.4	84.2	155.8
Coverage Ratios	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Interest Coverage	681.2	390.0	333.5	294.5	339.4	361.7	396.5
Debt Service Coverage Ratio	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Leverage Ratios	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Fixed Assets/Net Worth	5.8	7.5	7.9	8.1	7.8	7.0	6.2
Debt/Net Worth	4.5	5.6	5.8	5.9	5.8	5.2	4.7
Tangible Net Worth	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Operating Ratios	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Return on Net Worth, %	34.1	29.5	28.4	28.2	28.7	25.9	24.1
Return on Assets, %	7.6	5.2	4.9	4.8	5.0	4.9	5.2
Sales/Total Assets	1.0	1.0	1.0	1.0	1.0	1.0	1.0
EBITDA/Revenue	10.6	8.2	7.9	7.9	8.0	8.0	8.4
EBIT/Revenue	7.4	5.1	4.7	4.6	4.8	4.8	5.1
Cash Flow & Debt Service Ratios (% of sales)	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Cash from Trading	81.6	81.6	81.6	81.6	81.6	81.6	81.9
Cash after Operations	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Cash after Operations	-342.8	-342.8	-223.6	-342.8	-303.1	-319.0	-327.9
Debt Service P&I Coverage	-12.4	-12.4	-26.7	-12.4	-17.2	-15.2	-14.2
Interest Coverage (Operating Cash)	-0.8	-0.8	-0.4	-0.8	-0.7	-0.7	-0.8

Source: IRS SOI Tax Stats; US Census Bureau; IBISWorld

Additional Resources

Additional Resources

National Restaurant Association
http://www.restaurant.org

US Bureau of Labor Statistics
http://www.bls.gov

US Census Bureau
http://www.census.gov

Nation's Restaurant News
http://www.nrn.com

Entrepreneur Magazine
http://www.entrepreneur.com

Industry Jargon

BABY BOOMERS
Consumers born between 1946 and 1964 who account for a major proportion of the population.

NET REVENUE
Revenue from company-owned stores and franchise fees, but not franchised stores' total sales.

POINT-OF-SALE (POS)
The location where a transaction occurs at a retail establishment or store.

SAME-STORE SALES
A retail measure used to assess the true performance of retail outlets by taking out the effect of new store openings and only taking into accounts sales growth of existing stores.

SYSTEM-WIDE SALES
Sales from both company-owned or managed and franchised or licensed outlets. System-wide sales excludes royalties and franchising revenue fees.

Glossary

BARRIERS TO ENTRY
High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY
Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES
The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

DOMESTIC DEMAND
Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT
The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE
A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT
The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS
Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS
Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION
An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE
The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)
The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE
The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE
All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT
Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT
IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

REGIONS
West | CA, NV, OR, WA, HI, AK
Great Lakes | OH, IN, IL, WI, MI
Mid-Atlantic | NY, NJ, PA, DE, MD
New England | ME, NH, VT, MA, CT, RI
Plains | MN, IA, MO, KS, NE, SD, ND
Rocky Mountains | CO, UT, WY, ID, MT
Southeast | VA, WV, KY, TN, AR, LA, MS, AL, GA, FL, SC, NC
Southwest | OK, TX, NM, AZ

VOLATILITY
The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES
The gross total wages and salaries of all employees in the industry.

IBISWorld

WHERE KNOWLEDGE IS POWER

IBISWorld helps you find the industry information you need – fast.

With our trusted research covering thousands of global industries, you'll get a quick and intelligent overview of any industry so you can get up to speed in minutes. In every report, you'll find actionable insights, comprehensive data and in-depth analysis to help you make smarter, faster business decisions. If you're not yet a member of IBISWorld, contact us at 1-800-330-3772 or info@ibisworld.com to learn more.