JULY 2022

THE NEW WORLD OF CONSUMER BEHAVIOR: RESTAURANTS 2022

WHAT TODAY'S CONSUMERS WANT FROM THE DINING EXPERIENCE

Introduction

In the last couple of years, consumer behaviors have shifted significantly in almost every way imaginable - how they work, shop, travel, where they live, and even how they eat.

In fact, the restaurant industry was among one of the most immediately and profoundly impacted, forcing all restaurant players in the industry to innovate and rapidly evolve in their fight to survive. Some of these changes may be for good.

As the new normal emerges, it's clear that diners want to eat from restaurants again. What's less clear, however, is what exactly constitutes "eating from restaurants" today. Although there are several well-established options for diners including fast-casual, takeout and the traditional waiter experience, many others have proliferated in recent years. We've even begun to see some new options gain traction in recent years. There simply is no single dining experience anymore, and restaurants must adapt to this new range of options and conveniences that consumers have come to expect.

So how can restaurants respond? What exactly is the future of restaurant dining?

In this report, we survey diners across generational lines to discover their dining habits, preferences, and loyalties. We also combine those results with human movement data-location data collected from opted-in mobile phones, to get a unique glimpse into people's dining patterns both at a macro level, but also for specific regions and geographies. This includes identifying who today's diners are, where they eat, how often, and how far they're willing to travel to eat.

Are People Dining Again?

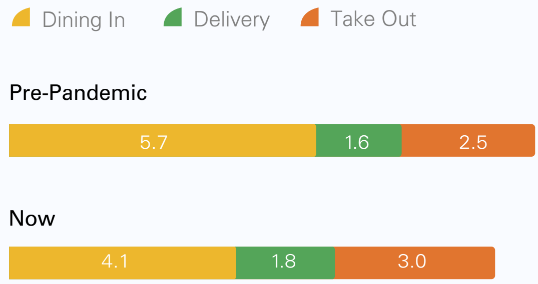
Overall attitudes about eating out

People are indeed dining out again, although not quite at the rate of pre-pandemic levels. Diners reported eating from restaurants on average 9.1 times per month, compared to 9.7 times pre-pandemic.

A significant driver of the return to eating from restaurants comes from takeout and delivery, which have unsurprisingly grown compared to pre-pandemic levels. However, dining in still remains at the core of restaurant dining, with consumer expectations of the dining actually getting higher.

In fact, what we are seeing is a type of bifurcation happening in the consumer dining space. When diners want to go out in-person, they desire a specific, high-level experience that is often quite traditional. This includes waiters, ambience, and other personalized, human touches. In all other cases, diners want a multitude of options and conveniences catered to their personal preferences, and the more restaurants are able to meet those preferences, the more satisfied and loyal the diner is.

How frequently do you eat at / order from restaurants? (times/month)



This has implications for everyone in the restaurant industry. More than ever, restaurants must know who their customers are and what they want – whether that's a diverse range of experiences, or a single type of experience.

In fact, the restaurants that best weathered the pandemic have already started down this path.

They turned to data to deeply understand their customers' preferences and evolving needs.

They invested in loyalty programs to deepen their relationship with their customers.

They created innovative solutions to operational problems, including reducing indoor space, expanding outdoor space, or reorganizing foot traffic for more pickup and delivery.

They embraced, and bolstered their use of digital technology, often through the use of mobile app offerings, kiosks, social media, and more.

They maintained a strong brand culture and experience, leveraging every possible option to offer a positive dining experience for their customers.

This has implications for everyone in the restaurant industry. More than ever, restaurants must know who their customers are and what they want - whether that's a diverse range of experiences, or a single type of experience.

Top Priorities for Restaurants

Dining trends to watch

There are many types of restaurants within the industry, and yet, no matter the type, it's critical that today's restaurants use physical and digital touch points to create an interconnected customer experience.

The best and most successful restaurants will go even further by using data – both their own first-party data and also third-party data–to understand who their customers are and what they want.

In the rest of this report, we use survey results and human movement data to discuss five dining trends and show how restaurants (and the cities, governments, real estate operators, and tourism agencies that support them) can use that knowledge to build stronger customer experiences.

The five trends are:

Dining Out and Going All Out

Takeout and Delivery Are Here to Stay

Embracing Digital and Other Innovative Restaurant Operations

Generational Differences in Dining Trends

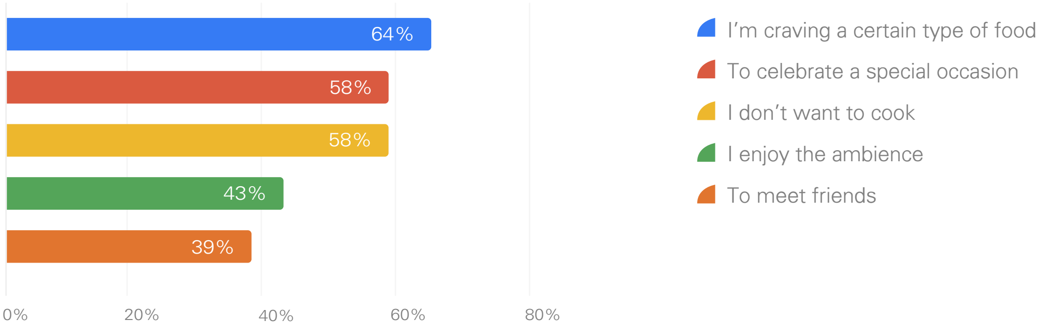
The Importance of Loyalty Programs

Dining Out and Going All Out

Although diners have not yet returned to pre-pandemic levels of eating out, it's become clear that when they do go out, they have higher expectations for the experience. This is particularly true when sitting down to dine.

When dining out, 64% of diners reported that they're looking for a certain type of food, 58% of diners reported that they want to celebrate a special occasion, and 43% also said they crave the ambience.

Top reasons to dine at a restaurant:

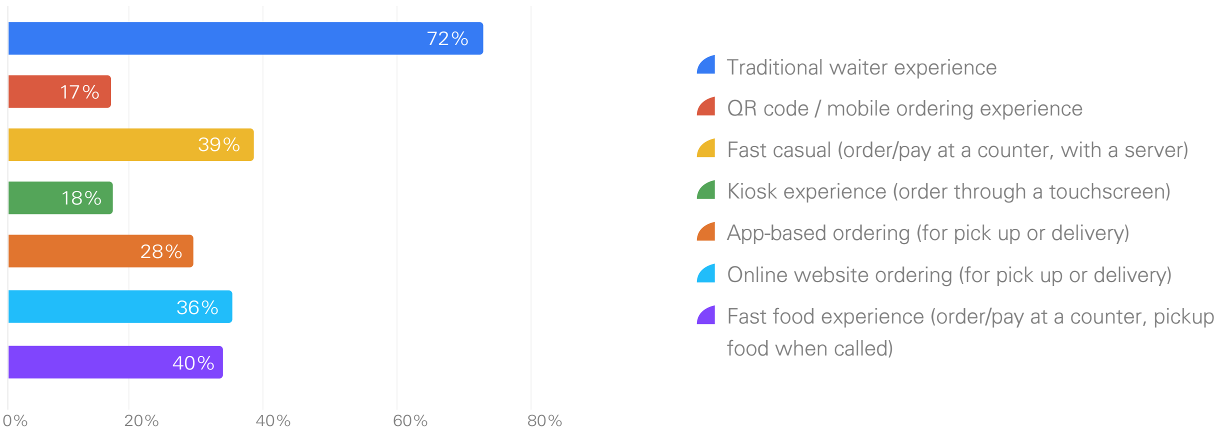


This expectation also extends to the dining experience, and when dining in, it's clear that diners want the traditional waiter experience. **Nearly 72% of diners reported that they still enjoy and would prefer a traditional waiter experience where a waiter takes diners' orders, brings them their food, and brings the check.**

Less favored, but still enjoyable experiences were established fast-casual interactions, such as ordering at a counter and interacting with a customer service representative. Also favorable were online and app-based ordering, which minimizes human interaction but also minimizes the amount of time needed to be in the restaurant premises itself.

The least favored ordering experiences had the least amount of human interaction and required diners to be within the restaurant premises. Approximately only 17% and 18% of diners enjoyed using QR codes and kiosks, respectively, in lieu of menus and counters. Most of the diners amenable to these experiences were between the ages of 18-44 (see Generational Differences in Dining Trends).

How much do you enjoy the following ordering experiences?

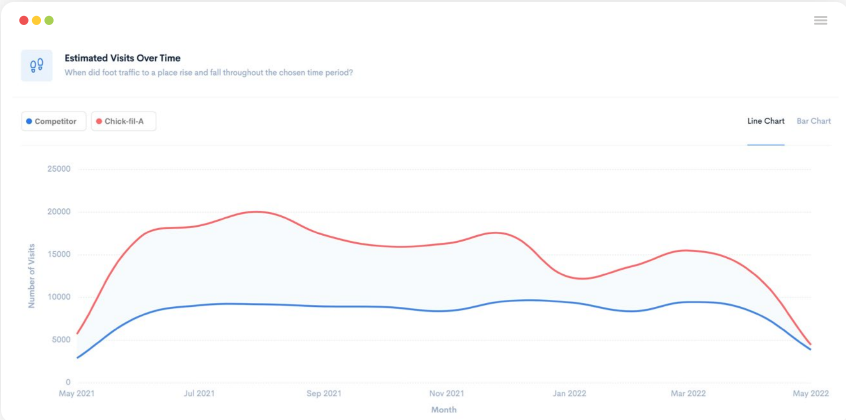


Winning Strategies:

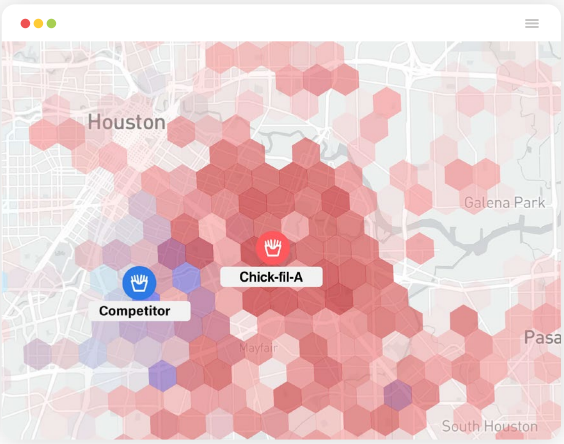
Although not every restaurant should prioritize the dining-in experience, those that do, should know that diners have high expectations for that experience. Even restaurants with large takeout footprints can take advantage of diners' desire for a more personable experience. Some of the largest QSR chains (e.g. McDonald's, Chick-fil-A) have specifically improved the drive-thru experience by bringing waiter-like touches to it to make it more personable. This has included multiple lines, dedicated representatives standing outside to take orders, and more, in some cases creating 70% of a store's sales.

Strategies in Action:

We can see the positive consumer effects of these efforts through data. Take this Chick-fil-A store in Texas, for example, which combined a positive dine-in experience with high-touch drive-thrus and a first-class mobile app ordering system.



As a result, this store regularly sees higher footfall traffic compared to its nearby competitor.



We can also see the expansive trade area of this Chick-fil-A store, which is able to draw diners in from several neighboring cities, due to its focus on the customer experience.

Takeout and Delivery are Here to Stay

Takeout and delivery methods for restaurants have been a lifeline for the past couple of years. Although dining-in has since increased, the biggest growth for restaurants has still been takeout and delivery, and some of the restaurants that most successfully weathered the pandemic did so by pivoting quickly towards takeout and delivery.

Across the board, off-premises sales increased nearly four times faster than dine-in business, per financial services Rabobank, meaning 80 percent of restaurants' U.S. dollar sales growth over the last three years has come away from the dining room.

Drive-thru largely led the way, representing 42% of all restaurant visits in the April, May, and June quarter of 2020, according to NPD Group. For some restaurants, this number was even higher. McDonald's, for example, reported that in its top markets, drive-thru orders accounted for 70% of total sales.

Because they typically lack drive-thrus, fast casual restaurants navigated a steeper hill in the early days of the pandemic where visits were down 23% in the same quarter ending June 2020. However, with a great push into digital and online channels for takeout and delivery, fast casual restaurants bounced back. In the year ending August 2021, off-premises orders specifically jumped 30% year-over-year, and off-premises foot traffic went from a pre-pandemic level of just over half of visits to more than 80% since.

Much of this growth is of course due to the rise in delivery, which grew more than 84%.

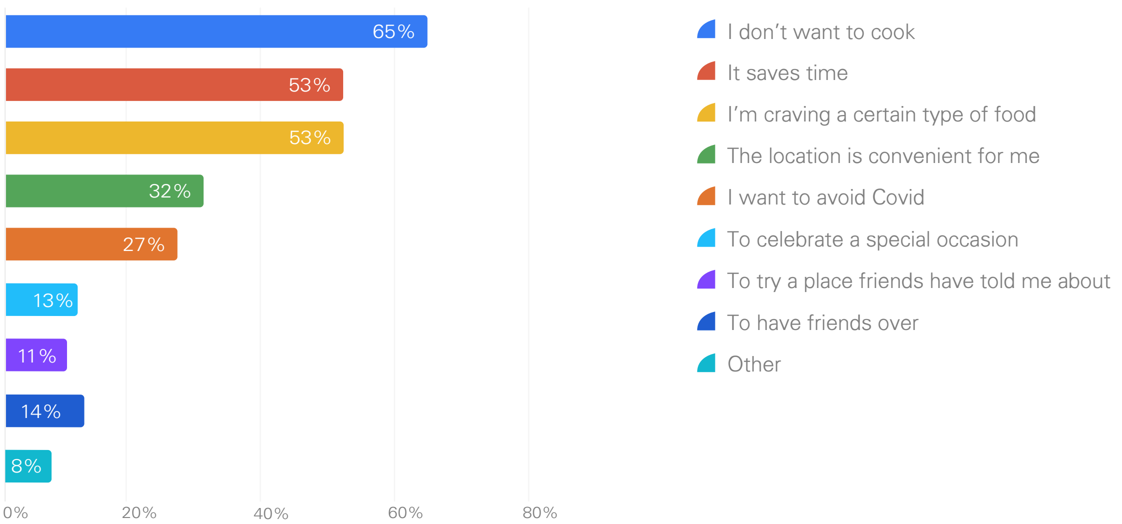
This combination of growth factors has led to a same-stores sales growth of 10.15% for QSR chains in 2021 through mid-October. Comparatively, the rest of the foodservice world has seen a paltry sales growth of 2.8%.

In other words, this culture shift to takeout and delivery is unlikely to go away.

In fact, **57% of diners consider it a nice-to-have to be able to order takeout or delivery from a restaurant, and 8% of respondents said that they will only consider a restaurant that does takeout and delivery–an insignificant percentage of today's diners.**

Combine that with 65% of respondents that say they get delivery or takeout simply because they don't want to cook. More than a quarter of respondents also specifically stated that they continue to order out because they're still wary of catching Covid from sitting indoors.

Why do you get delivery / takeout?



Another reason for the growth of delivery and takeout, and why it will likely continue into the future, is that many diners discovered a preference for outdoor dining. Even with the growth of dining-in, a significant group of diners surveyed actually still prefer outdoor seating when available, whether as a part of the restaurant or not. 52% of respondents said they consider outdoor seating essential or nice to have, while 45% said it was not important.

Winning Strategies:

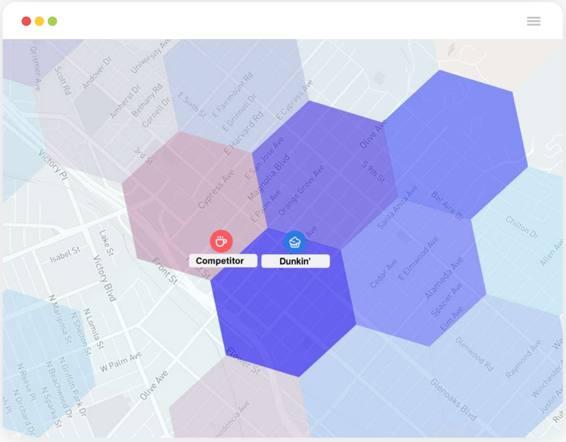
Restaurants that know their audience includes diners with a preference for takeout and delivery can use this information for site selection. They can choose new locations that may have smaller footprints, less space for indoor tables, and also locations with good road traffic to allow for smooth takeout and delivery options. They can also select sites that are close to popular outdoor seating areas, making takeout more appealing and removing the need for more indoor seating and other indoor maintenance.

Strategies in Action:

An example of this strategy successfully deployed is Dunkin' and their recent expansion into Los Angeles. They launched their first location in 2014, and steadily broke more into the market over the past few years. Specifically, Dunkin' strategically placed locations near freeways and other high-traffic areas, while also investing in their app and takeout experience.

This Dunkin' location recently opened near the Burbank Airport, a few blocks from the heavily-trafficked Interstate 5 freeway. Over the last 12 months Dunkin' (in blue) has maintained higher foot traffic levels than the nearest locations of its top competitor, with the closest location, half a mile away, compared in the chart.

If we look at each store's trade area, we also see how the same Dunkin' location (in deep blue) holds its own despite being in a very competitive area, with high visitations even from the surrounding neighborhoods.



Embracing Digital and Other Innovative Restaurant Operations

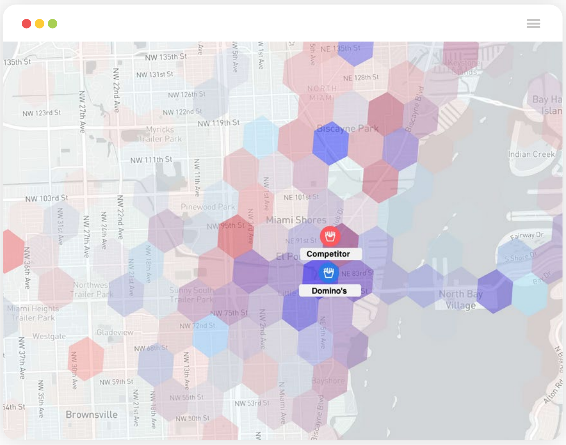
Another reason for the success of takeout and delivery is that there are now many more options and forms of takeout and delivery, many of which are digital-based. Pre-pandemic, mobile app-based delivery was in its infancy, online ordering via websites was uncommon, and takeout had to be done over the phone, in person or through drive-thrus. All of those options are no longer nice-to-haves for restaurants. They've become necessities, critical to restaurants who want to reach a wide range of dining audiences, particularly those not interested in dining in.

Mobile, in particular, has changed the takeout game and has actually overtaken the drive-thru as the leading source for takeout by volume and revenue, per Bluedot. Much of this is due to mobile apps, which have created a host of alternative ordering methods that can be tailored by region, specific store, or even specific individual (see The Importance of Loyalty). According to research by Sensor Tower, quick-service app downloads in 2020 grew by 21 percent, reaching 83 million and surpassing the growth of third-party app downloads.

Delivery via website and delivery apps are critical as well. Being on a takeout and delivery app is very important for diners between the ages of 18-44, with **48% stating that they're more likely to order food from restaurants that are listed in takeout and delivery apps** (see Generational Differences in Dining Trends).

Pizza chain Domino's is one example of a restaurant that embraced digital to increase awareness, trade area, and ultimately footfall traffic. They did this even prior to the pandemic, and as a result, Domino's digital sales now comprise 75% of total sales, leading Domino's to be the top pizza chain by share of sales in the beginning of 2022.

In Miami, one Domino's estimated trade area and visits over time, compared to its nearest competitor



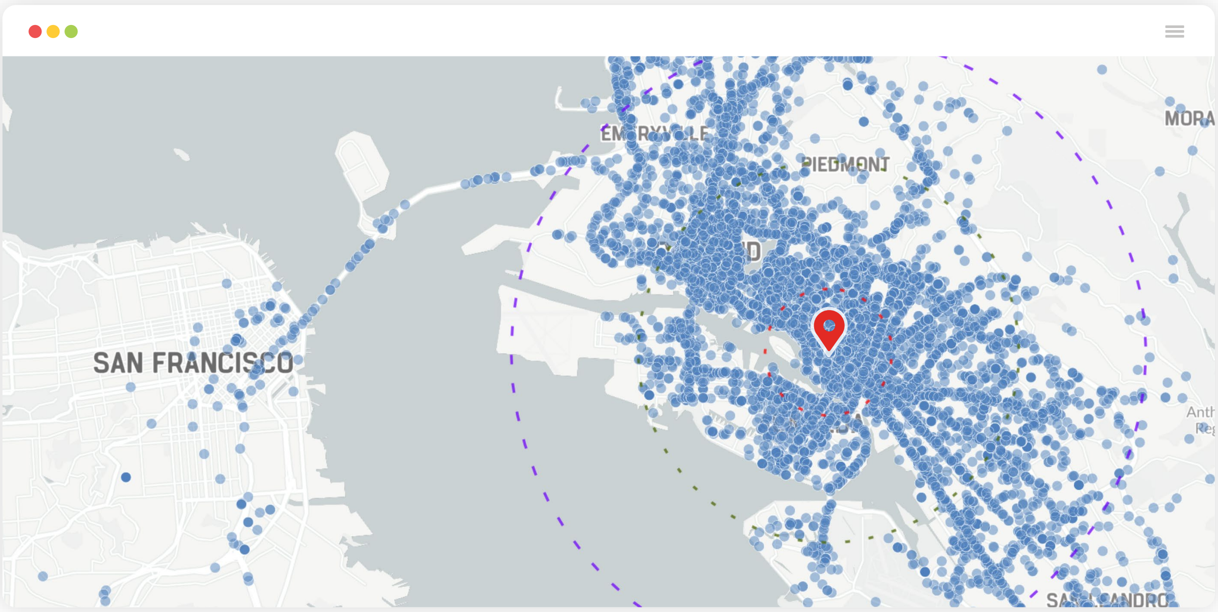
Another innovation driven by restaurants who know that delivery is a large portion of their customer base is the use of ghost kitchens, which have seen a significant rise in popularity during the pandemic to serve the growing consumer demand for delivery.

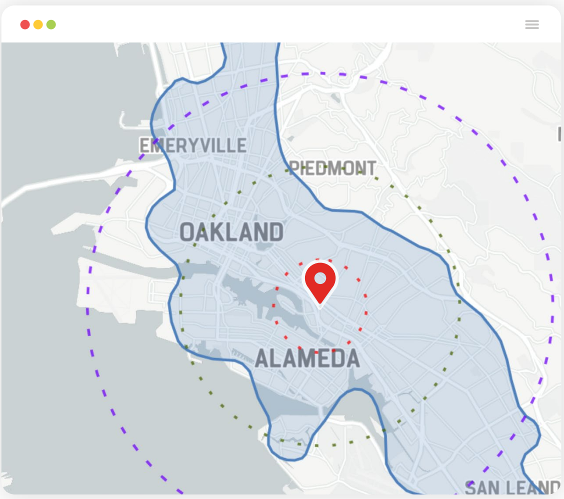
Winning Strategies:

Restaurants that want to use ghost kitchens must use a different set of criteria for site selection than a traditional location. While they don't need to be located in places with high foot traffic or even drive-by traffic, they do need to be strategically positioned near population centers and highways to ensure efficient delivery times.

Strategies in Action:

Through the use of human movement data, we can see that this example ghost kitchen, Oakland Food Hall, located in Oakland, CA is optimally positioned near densely populated areas in the East Bay, and well connected to highways. Their pathing even shows people coming from / going to San Francisco, across the Bay Bridge. The Oakland Food Hall is home to roughly 30 different restaurants, including up-and-coming chicken chain Pollo Campero, LA-based chain Philly's Best Cheesesteaks, and Amici's East Coast Pizzeria, which recently expanded to the San Francisco Bay Area.





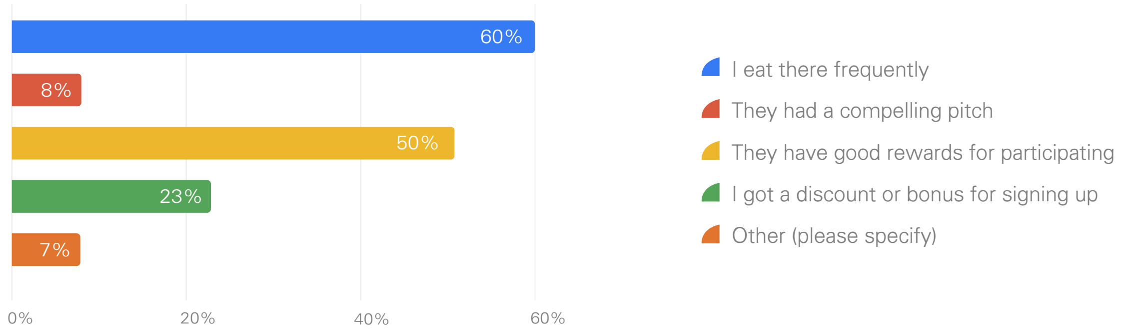
The Importance of Loyalty Programs

One of the new priorities as a result of a more digitally focused dining experience is the increased importance of loyalty programs. Many dining establishments have always relied on punch cards and coupon offers, but by embracing digital relationships, restaurants have a huge opportunity to create a deep relationship with their customers that leads to increased loyalty and therefore revenue.

Mobile apps in particular have enabled a whole new wide swath of loyalty-based incentives. Starbucks remembers its customers' typical orders, customizations included. Chick-fil-A uses the app not only as a means of ordering but also for communication, offering location-based offers and helping streamline order preparation and the pickup process. McDonald's frequently runs free food promotions and celebrity meal deals through its app, helping it be the #1 QSR app downloaded in 2021.

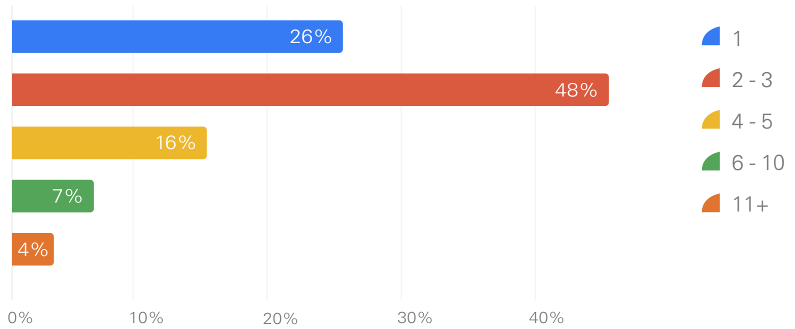
This helps diners feel more connected to these restaurants as their preferred brands. In fact, second only to **getting free products or bonus items (45%)**, diners listed the chance to save money at my favorite restaurants as their top reason for using loyalty programs (44%). Similarly, diners also enroll in loyalty programs because they already eat there frequently (61%), followed by having a good rewards program (50%).

How have you selected the restaurants where you participate in Loyalty Programs? (Select all that apply)



The average diner participates in 3 loyalty programs (with diners aged 18-44 participating in 4 on average) and 50% say they eat out at restaurants where they are a part of a loyalty program.

How many restaurant Loyalty programs do you participate in?



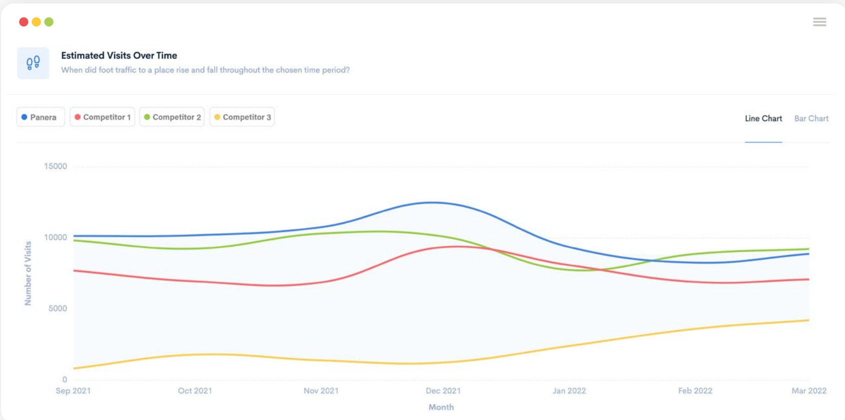
Winning Strategies:

Chick-fil-A, Domino's, Panera, Starbucks, and McDonald's all ranked the highest in loyalty programs used among our diner survey. Unsurprisingly, they are also the restaurants that continue to have strong footfall traffic and trade areas, which we can see in the data.

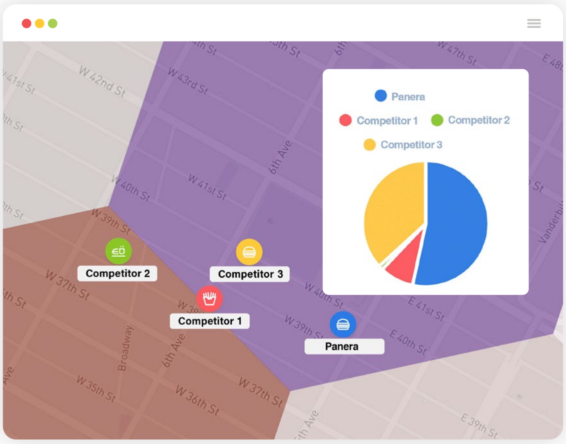
Panera Bread developed a particularly unique loyalty program: a subscription-based program for unlimited coffee (and eventually other drinks). This program has ultimately boosted visitor traffic by 200%, and even increased food attachment to coffee orders by 70%.

Strategies in Action:

We can see the strength of this program by looking at Panera's Midtown Manhattan location compared to multiple nearby competitors, most of which lack a prominent loyalty program. Panera edges out the competitors in terms of foot traffic. In this busy area that's especially packed during weekday breakfast and lunches, convenience and loyalty rewards are prized.



In the trade area breakout, Panera also wins over a majority of the audience working in the area versus their competitors.



Generational Differences in Dining Trends

Through all of these trends there are some clear splits in opinion down generational lines.

Although diners aged 18-44 do enjoy or very much enjoy the traditional waiter experience (59%), **it is specifically diners 44+ who have an extremely high preference for the traditional waiter experience (83%)**. Younger diners are also more amenable to new technology solutions such as QR codes, though they still don't prefer it (only 27% say they enjoy it). However, very few older diners find the QR/kiosk experience enjoyable (only 9%).

Restaurant loyalty programs are also less important to older diners aged 44+, who enroll on average in about 2 loyalty programs, whereas younger diners aged 18-44 enroll in 4 loyalty programs on average. Similar to the use of QR codes and kiosks, these loyalty programs are largely driven by digital technologies, such as mobile apps, and are used less frequently by diners aged 44+.

Restaurants that want to appeal to diners aged 44+ can be creative with this knowledge, by taking non-dine-in options and adding more personal touches similar to a traditional waiter experience (similar to QSR chains adding human touches to the drive-thru). This would have the benefit of appealing to diners aged 18-44 as well, as they too show a preference for a more personalized experience.

Winning Strategies:

Restaurants know that it can be difficult to appeal to a wide and varied customer base, while also building a single, cohesive brand. The two priorities can often seem like they are at odds with each other, but when restaurants combine global dining trends with local demographic data, they can make smart choices about site selection, technology infrastructure, and customer service that ultimately satisfies their customer base while building a one-of-a-kind experience.

Strategies in Action:

Take two different QSR chains—Chipotle and Panera Bread.

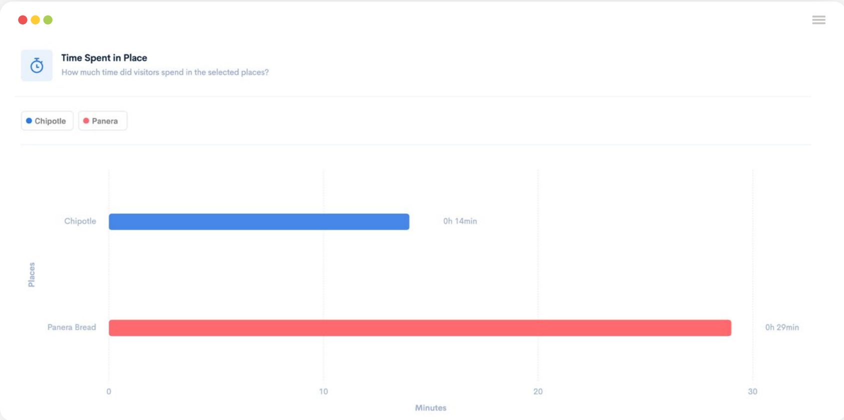
Chipotle is one of many QSR chains which are planning new locations that optimize for drive-thru and takeout. In fact, Chipotle is testing locations which have almost no indoor dining space at all.

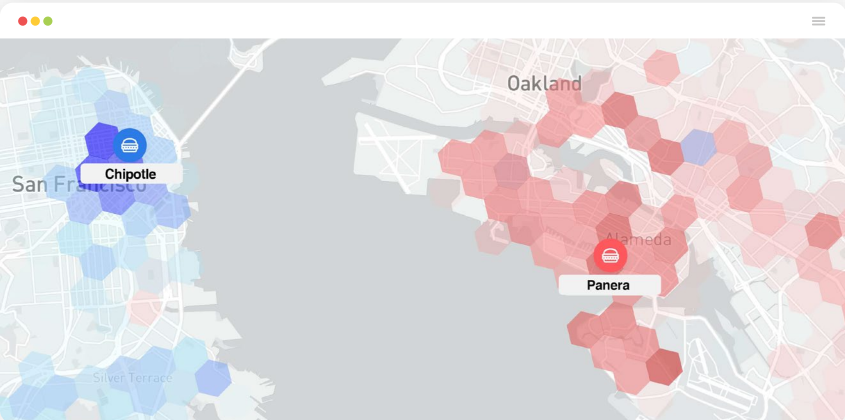
On the other hand, Panera Bread is planning on doing it all: expanding off-premises services and also doubling down on the dine-in experience. They want to become a "neighborhood cafe" that appeals to diners of all ages, whether those diners want to order at the counter or use an app.

Both choices lead to very different site selection criteria. A QSR chain with a focus on serving younger diners (i.e. through takeout via mobile and kiosk solutions) might choose small urban locations with minimal indoor space, but are also situated in prime foot traffic paths.

Panera, whose customer base includes many diners over the age of 44, must keep in mind that base's preference for a more traditional waiter experience and an aversion towards high-tech, contact-less service. This means restaurants like Panera must plan for locations that incorporate demographic data into site selection, as well as local movement patterns. They need trade areas that can draw in larger crowds, but with enough real estate to build a quality, dine-in experience.

We can see these different site selection strategies in action. While Chipotle has a location in the heart of Downtown San Francisco, its trade area is noticeably narrower than the Panera location in suburban Alameda across the water.





These site differences reflect each brand's customer base, their generational differences, and their desired dining experiences. Panera is situated in a more age-diverse neighborhood, draws customers from farther away, and even keeps customers there longer-twice as long as the Chipotle location, on average.

Outlook

There is no longer one single dining experience. The most successful restaurants of the past few years are simply the ones that know their customers the best. They know their preferences and have adapted to offer precisely what their diners want.

The top dining brands have also leveraged very creative and innovative ways to build relationships with their customers, through physical and digital touch points. As a result, they've been rewarded with increased customer loyalty and revenue.

This also positions them best for the future, because customer preferences for how they order and where they dine will change and evolve as the world itself continues to change. But what will be a constant is that customers will expect an interconnected, cohesive digital and in-person experience that reflect brand ideals and meet their expectations for fast, friendly, and personalized service.

The best restaurants will lean into this by staying nimble, using data to know their customers, and focusing on building brands and relationships that will last.

Methodology

Survey conducted February 24-27, 2022 with 508 respondents in the United States, Census-weighted by age, gender, income and region.

Near studied pulled human movement data for restaurant locations in Los Angeles, New York, Houston, Chicago, Miami, and San Francisco / Oakland for June 1, 2021 – May 31, 2022. Reports used included Near Pinnacle's Estimated Visits, Time Spent, Visitor Home and Work Locations Insights, as well as Near's Geosocial Affinity, Estimated Visitors, and Cross-Visitation Reports.

Near, the world's largest source of intelligence on people, places, and products, is the global leader in data intelligence empowering organizations of all sizes to make smart, strategic decisions delivering optimal business performance. Our platform unites the marketers and operational data leaders by providing the most accurate, reliable source of data. Our transparent, privacy-led approach means you will never doubt our authenticity.

We are determined to provide actionable insights as we work relentlessly to shape, build, and maintain the world's largest source of intelligence on people, places, and products in both the physical and digital space.

Ultimately, our vision is to inspire the world to make better decisions. And, to inspire ourselves to deliver the most trusted, privacy-led source of intelligence on people, places, and products.

Learn more and schedule a demo at www.near.com.