Restaurant Industry
BENCHMARKING REPORT

Trends and Challenges from 50 Restaurants – How Does Your Business Compare?

2024

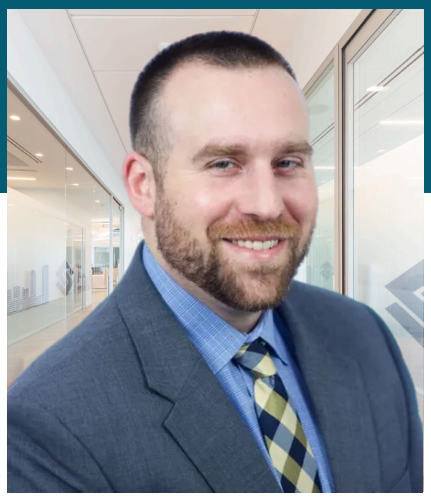
YEAR-END RESULTS



CITRINCOOPERMAN®



Introduction



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In today's competitive restaurant landscape, understanding what separates high-performing establishments from the rest is more important than ever. Restaurant owners and operators need clear, data-backed insights to drive smarter decisions. For the second year, Citrin Cooperman's **Restaurants and Hospitality Industry Practice** has undertaken a comprehensive analysis of over 50 full-service restaurant establishments to offer insights into the opportunities and challenges facing the sector today.

Our goal in conducting this analysis was to uncover the financial patterns and operating decisions that support sustained profitability. What emerged provided us with a comprehensive picture of how high- and low-performing restaurants allocate resources, control costs, and generate margins.

We assessed the influence of strategic decisions, such as menu pricing, supplier negotiations, and labor management, on the bottom line. Additionally, this analysis considers the role of innovative technologies and management practices in driving profitability amidst industry challenges.

Whether you're a single-location owner or leading a multi-unit group, this report offers practical benchmarks to evaluate your own financial health and identify areas of opportunity. More importantly, it reinforces the idea that profitability isn't accidental — it's the result of deliberate, informed management. We're proud to share this data-driven assessment into what success looks like in full-service dining today.



About Our Research

We've compiled the 2024 year-end results of over 50 full-service restaurants with revenues ranging from two to thirty million dollars operating under different brands, serving different cuisines, and utilizing different management strategies. These operators provided our team with consent to analyze the year-end information provided to us in connection with their year-end tax and financial statement needs. We took profit and loss data from each establishment, categorized their expense accounts into consistent groupings, designated each establishment as a top, mid-range, or low performer based on their normalized earnings before interest, taxes, depreciation, and amortization (EBITDA) as a percentage of revenues, and are presenting the aggregated results of each level below with additional commentary. The performance levels were categorized based on:

TOP PERFORMERS: EBITDA OF **+ 17.5%** OF REVENUES

MID-RANGE PERFORMERS: EBITDA BETWEEN **17.5% - 8.5%** OF REVENUES

LOW PERFORMERS: EBITDA OF **LESS THAN 8.5%** OF REVENUES

Category Groupings

While the categories are somewhat self-explanatory, the below listing details the expense accounts that were included in certain categories:

- **Costs of Food, Beverage, and Disposables:** Food purchases, beverage purchases, paper, plastic, disposables, take out supplies
- **Labor, including Taxes and Benefits:** Salaries, wages, bonuses, paid time off (PTO), employee benefits, payroll taxes, worker's compensation, training, direct overhead allocations/ reimbursements (not general percentage-based management fees)
- **Repairs, Maintenance, and Cleaning:** Repairs, maintenance contracts, software maintenance, landscaping, cleaning, pest control
- **Restaurant Operations:** Bar supplies, kitchenware, smallware, glassware, decorations, linens, uniforms, menus, equipment rental, bad debt expense, processing fees and charges from delivery and reservation platforms, waste removal, security
- **Bank and Credit Card Fees:** Bank and credit card fees, net of any employee tip withholding
- **Marketing:** Advertising, public relations, donations, promotions
- **Occupancy:** Rent, real estate taxes, Common Area Maintenance (CAM), utilities (gas, electric, water, sewage, phone, internet), and storage
- **Administrative:** Office expenses, payroll processing, professional fees, non-income taxes and licenses, insurance

Any income or expenses that are typically excluded from EBITDA, were determined to be nonrecurring, or related party transactions that are not arms-length (i.e., related party management fees), were excluded from the information below.



Revenues

On average, the establishments analyzed saw a decrease in revenues of 5% in 2024 compared to 2023. The year got off to a very rough start with many operators down between 10-15% through the first three quarters of the year. The post-COVID demand had clearly subsided, coupled with poor weather in the Northeast, and a decrease in consumer confidence related to a volatile political landscape. Many operators were able to salvage the year in Q4, some seeing a 5-10% increase compared to 2023. This increase was not sufficient to make up for the lack of volume during the earlier part of the year. Operators are continuing to see a drop in covers and are still tinkering with their prices with the hopes of increasing their average check to make up for the drop in volume. Beyond updating prices, many establishments are training staff to upsell high-margin items like appetizers, specialty drinks, or premium sides through suggestive, personalized recommendations.



Margins

Major expense categories were grouped and measured as a percentage of revenues:

EXPENSE CATEGORY	TOP PERFORMERS		MID-RANGE PERFORMERS		LOW PERFORMERS	
	2024	2023	2024	2023	2024	2023
Costs of food, beverage, and disposables	23.12%	23.39%	25.54%	25.79%	27.69%	27.94%
Labor, including taxes and benefits	31.40%	31.60%	36.44%	36.98%	40.88%	39.26%
Repairs, maintenance, and cleaning	3.14%	2.95%	4.19%	3.92%	3.97%	3.75%
Restaurant operations	3.74%	3.60%	4.49%	4.56%	4.41%	4.09%
Bank and credit card fees	2.91%	2.89%	3.08%	2.99%	2.92%	2.82%
Marketing	0.93%	0.70%	1.52%	0.93%	1.28%	2.09%
Occupancy	8.84%	8.53%	8.72%	7.87%	13.54%	10.36%
Administrative	2.94%	2.85%	2.99%	2.44%	4.59%	4.31%

The below is a comparison between the highest and lowest costs as a percentage of revenues in notable categories among the population of establishments.

EXPENSE CATEGORY RANGES	HIGH	LOW
Costs of food, beverage, and disposables	41.26%	18.31%
Labor including taxes and benefits	49.67%	22.47%
Bank and credit cards fees	4.56%	1.87%
Occupancy	20.93%	4.70%

Summary Analysis of Expenses



The results depend on many factors such as geography, cuisine, customer base, and foot traffic but we looked under the hood to determine what the most efficient operators do well, and where the less efficient operators could use improvement.

FOOD AND BEVERAGE

Most operators were able to keep their cost of goods sold (COGS) flat at around 25%. Inflation remained relevant in 2024 with food prices increasing approximately 2%. Operators were able to match those increases with menu changes to keep their margins in place. More operators are starting to understand the importance of data and using technology to track their costs by menu item and sales mix.

How the Top Performers Operate

1. Top operators track inventory daily or weekly, not just monthly. They use portion control tools (which can be connected to inventory software programs such as MarginEdge) and follow prep schedules based on reasonable sales forecasts. This minimizes shrinkage, overproduction, and food waste.
2. Similar to the prior year, several of the top performers in this category had strong brunch and lunch business. Brunch operations can be very profitable due to economical ingredients, ingredient overlap, high table turnover, and high-margin cocktails.
3. High performers regularly negotiate with suppliers, leverage contract pricing, and track ingredient costs in real time. They often maintain relationships with multiple vendors to ensure competitive pricing and reduce vulnerability to commodity swings. When measuring the time/effort with obtaining bids prior to placing orders versus the savings, understand that a $10 million establishment that improves its F&B costs from 27% to 23% yields an additional $400,000 to the bottom line.

How the Low Performers Operate

1. Low performers often rely on outdated information or perform counts too infrequently. Without tracking waste or spoilage, operators are unable to explain why their food and beverage inventory depletion exceeds their food and beverage sales.
2. Lack of consideration for input costs when designing the menu. This results in a lack of coordination between cost strategy and sales efforts. The front of house may not be promoting high-margin items and inadvertently promoting low-margin items.
3. Lack of training and accountability: If staff aren't trained or incentivized, portion sizes vary, waste goes unchecked, and no one feels responsible for food costs, leading to high variance and margin erosion.

Trends

Continued inflation, supply chain volatility, and rising commodity prices — especially for proteins and dairy — are driving food costs higher. Additionally, the aluminum and steel tariffs are impacting the cost of beer in aluminum cans, steel kegs, and brewing equipment.





LABOR

Labor costs were managed well by top and mid-performers, remaining relatively flat in 2024 when compared to 2023. Since revenues were down in most establishments, and some labor is inherently fixed, credit is due to the managers that staffed and scheduled their teams in an efficient manner to keep margins in place. Top performers incur labor costs at about 31.5% of revenues, while mid-range performers run at around 36.5%.

Low performers were unable to maintain their labor costs, going from 39.3% of revenues to 40.9%. Labor is and will continue to be the expense area that requires the most attention. There's been consistent momentum for state and local legislators to raise minimum wage, eliminate the minimum wage tip credit, and enforce predictive scheduling requirements, all of which create headwinds on the industry. The "No Tax on Tips" provision of the recently signed One Big Beautiful Bill Act is expected to improve the employment market for operators but there are a lot of moving pieces that may make it difficult to manage in one way or another. Staying with our example of an establishment doing $10 million in sales, the top performers are yielding an additional $940,000 to the bottom line due to their savings on efficient labor costs.

How the Top Performers Operate

Every operation is going to have some level of labor that is fixed, so regardless of any tips and tricks to keep these costs under control, the establishment needs to be producing a certain level of sales to maintain its profit. Top performers train their staff on techniques to upsell customers on items like cocktails and desserts, and properly time their offerings so that the guests have time to enjoy all courses in a comfortable timeframe, but not too long to prevent the restaurant from turning tables.

Sales aside, the use of technology allows the most efficient operators to monitor their costs so that they can make timely business decisions to keep margins intact. Examples of technology that help control labor costs are:

- Predictive scheduling that encompasses historical info, scheduled events, and weather; and
- Systematized training platforms to cross-train team members to perform multiple roles mitigate the costs of turnover.

Another form of technology that high performing brands are starting to utilize is a flexible service model where guests can use their phones or a tableside kiosk to order another round of drinks or close out their bill without waiting for their server to come around. While this is believed to potentially take away from the traditional hospitality experience, it's a matter of time before convenience and costs start to pull from comfort and tradition.



How the Low Performers Operate

Low performers are often not managing their overtime or sometimes have too many heads in the back of the house. Low-performing teams are often siloed. No cross-training means more staff are required to cover shifts, and managers have fewer options to fill gaps efficiently. Lack of accountability will also create inefficiencies. If there's no visibility into how labor ties to performance, managers aren't incentivized to optimize schedules, and staff aren't coached on productivity. Also worth noting is the cost of turnover. High turnover is inevitable in the restaurant industry, but there's a steep cost to having to train the same role multiple times per year — keeping employees satisfied and incentivized can save quite a bit.

Trends

States and cities continue to pass legislation that substantially increases their minimum wage, phases out their minimum wage tip credit, or sets forth requirements that otherwise result in more labor such as predictive scheduling or employee benefits requirements. The "No Tax on Tips" provision of the One Big Beautiful Bill Act might be a small boost to the industry's job market but given its limitations (i.e., income thresholds and definition of "qualified tips"), ultimate savings to employees may not be as fruitful as advertised. So, while it helps somewhat, it doesn't eliminate the pressure caused by rising base wages or solve broader labor market challenges.



BANK AND CREDIT CARD FEES

Similar to last year, bank and credit card fees increased again. Providers in this market had been more and more competitive with one another for many years going into 2020, but the race to the bottom has leveled off. Still, an operator should be able to get their fees below 3%. It's quite common for processors to quietly increase their interchange premium by adding other fees and surcharges.

Recently we discovered a merchant statement which reflected the agreed upon discount rates for Visa, Mastercard, Discover, and American Express which resulted in a blended rate of approximately 2.4%. As the statement continued, there were additional charges stating "authorization detail", "processing detail - other", and "other detail", none of which the operator was able to actually understand. In the end, the total fees came out to 4.37%. Once questioned, the processor agreed to reduce specific rates to effectuate a more competitive fee structure for the operator.

How the Top Performers Operate

Top performers will challenge their merchant processors when their costs are higher than expected. Also, some operators withhold a processing fee from their servers' tips. This effectively takes the processing fees that the operator pays on credit card tips and charges it to the servers that are receiving such tips. If considering credit card fee withholding on tips, understand that:

1. Not remitting 100% of an employee's tips to that employee could impact sales tax if the charge is taxable; and
2. Some states do not permit employers to withhold fees from employees' tips.

How the Low Performers Operate

Low performers are not challenging their providers and are potentially locked into high fees because of "free hardware" from their POS providers in exchange for an inflated processing fee. This is a very expensive method of financing the hardware, so it's important to understand the terms of any hardware financing. Operators that have a significant number of parties or events may have to use a separate processing system to collect deposits online that may charge a higher rate than what they use in-store.



Trends

Full-service restaurants are now receiving close to 95% of their tenders via credit card, so we are likely at or very near the ceiling for noncash payment penetration. Interchange fees have risen steadily in addition to the usage of premium rewards cards, which carry higher fees. The Credit Card Competition Act is a bipartisan bill reintroduced in 2024 which seeks to increase competition in the credit card processing market by requiring large banks to offer at least two network routing options, not just Visa or Mastercard. The goal is to lower interchange fees by allowing merchants to route transactions through lower-cost networks. This has gained some congressional momentum; however, strong lobbying from banks and card networks continues to delay its passage.

OCCUPANCY

Occupancy costs also have a significant impact on overall results. Some establishments have continued to creatively use outdoor space, which has worked out well for many. Other establishments don't have a customer base to operate for two or three meals per day and therefore cannot get the most of their space.

How the Top Performers Operate

Unlike many other items detailed above, occupancy costs are not "controllable expenses." That said, the top performers:

1. Have solid working relationships with their landlords similar to a long-term business partnership.
2. Get the most use of their space by efficient seating arrangements and outdoor dining.
3. Communicate issues with their landlord timely.
4. Negotiate aggressively when accommodations are necessary for the operation to survive.



How the Low Performers Operate

Restaurant owners don't lock themselves into leases expecting to pay 20% rent, so it's typically revenue that needs the most focus and improvement. Low performers don't analyze costs that are more controllable, such as utilities, which could potentially be reduced via changing providers or investing in new equipment.

Trends

Occupancy costs for restaurants are trending upward, driven by rising base rents, property taxes, and utility expenses across most major markets. Landlords have regained leverage post-pandemic, and lease renewals are often coming at significantly higher rates than those negotiated during the pandemic. Restaurants in urban business districts — once reliant on steady weekday lunch traffic from office workers — are still adapting to hybrid workplace models that have reduced traditional daytime volume. As a result, many operators are reevaluating location strategies, negotiating for more flexible lease terms, or seeking mixed-use neighborhoods with more stable residential and evening traffic.

OUTSIDE SERVICES

The cost of a person's time is still as high as ever. We saw increases in repairs and maintenance (3% increase from 2023) payroll processing (7% increase from 2023), and professional fees (5% increase from 2023). We saw larger increases in 2023 compared to 2022, so it is expected that these increases will start to level off, especially if the unemployment rate continues to slowly increase.



ADMINISTRATIVE EXPENSES

Among other expense items, administrative expenses include sub-categories such as insurance, travel, and office expenses. We noticed an increase in insurance expenses of about 5%. Many operators' insurance expenses made up between 1.0% - 1.7% of their revenues. Travel and office expenses remained relatively flat year over year.

Example: The following table illustrates the monetization of profits generated by a high performing restaurant versus a lower performing restaurant that are both generating $10 million in annual revenues.

	OPTIMAL PERFORMER	LOW PERFORMER	SAVINGS
REVENUE	$10,000,000	$10,000,000	
PRIME COSTS			
Costs of Food, Beverage, and Disposables	$2,312,000	$2,769,000	$457,000
Labor including taxes and benefits	$3,140,000	$4,088,000	$948,000
TOTAL PRIME COSTS	$5,452,000	$6,857,000	$1,405,000
OPERATING EXPENSES			
Repairs, maintenance, and cleaning	$314,000	$397,000	$83,000
Restaurant operations	$374,000	$441,000	$67,000
Bank and credit cards fees	$291,000	$292,000	$1,000
Marketing	$122,000	$128,000	$6,000
TOTAL OPERATING EXPENSES	$1,101,000	$1,258,000	$157,000
ADMIN AND OCCUPANCY			
Occupancy	$884,000	$1,354,000	$470,000
Administrative	$294,000	$459,000	$165,000
TOTAL ADMIN AND OCCUPANCY	$1,178,000	$1,813,000	$635,000
EBITDA	$2,269,000	$72,000	$2,197,000

As shown above, a restaurant generating the same amount of revenues is capable of yielding an additional $2.2 million in profit by controlling costs. Obviously, performing at an optimal level in every category is difficult, but we hope this analysis illustrates some realistic possibilities.



KEY INSIGHTS

This analysis should either validate the efficiencies of your operation or incentivize you to improve in certain areas. Comparing your margins to the information above is a great place to start to have an idea of where other operators are landing in terms of their spending and profitability. Once improvement areas are identified, we encourage you to speak with a professional at Citrin Cooperman to discuss specific initiatives to generate the returns that you're looking for.

INSIDE CITRIN COOPERMAN'S RESTAURANTS AND HOSPITALITY INDUSTRY PRACTICE

Citrin Cooperman's **Restaurants and Hospitality Industry Practice** is among the leading industry practices in the country. Our dedicated team of professionals works with some of the highest-rated restaurants in the world and their celebrity chefs. We provide a full range of professional services and industry insights to privately-owned and investor-backed restaurant groups, world-wide hospitality management groups, and multi-unit, family-owned businesses. We also serve hotels and hotel management companies, nightlife establishments, boutique businesses and specialty retailers, caterers, resorts and casinos, and various entertainment venues. Reach out to **Bob Gilbert** to learn more about how we can help your business achieve its strategic vision.

ABOUT CITRIN COOPERMAN

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