Merchant Centric™ INSIGHTS

2021 NATIONAL RESTAURANT DATA REPORT

GUEST SATISFACTION & OPINIONS: JANUARY TO OCTOBER 2021

MARCH 2022 EDITION

Restaurant Industry Guest Satisfaction & Opinions Report

Introduction

Our previous 2020 National Restaurant Data Report presented guest satisfaction trends and assessed the impact of Covid-19, with a detailed analysis of Key Themes that drove guest opinions and actions.

This report will update guest satisfaction trends through October 2021 and Key Themes driving satisfaction during the period. Additionally, we provide an initial snapshot of satisfaction trends based on six restaurant segments to enhance performance benchmarking as well as provide insights on how emerging brands compare to guests' opinions with larger brands. [1]

Guest Satisfaction

While the end of 2020 appeared to shed a positive light on guest satisfaction coming out of several months of closures, new protocols, and changes in dining behavior, the results for most of 2021 are very different.

The first two months of 2021 continued the positive trend from 2020. Starting in March, however, and continuing through the fall of 2021, the **Rating Trend** reflects a steady decline in monthly guest satisfaction while the velocity of reviews is increasing. The average monthly review velocity for the six months following January and February 2021 was up over 40% compared to the first two months of the year. The increase in review velocity suggests a significant component driving overall decline in satisfaction was restaurants being challenged by the influx of pent-up demand.

1 All data and analytics presented in this report are based upon Merchant Centric's findings and, like all data sets, are inherently limited in scope and nature. Data presented herein may not be comprehensive and may exclude certain brands or brand locations. Data is provided without guarantee as to its accuracy, completeness, or currency, and Merchant Centric expressly disclaims any and all liability resulting from reliance on information or opinions included herein. Brands selected are for illustrative purposes only, and data should not be relied on as reflective of or attributable to all brands within a segment or cuisine. Please note that certain brands identified herein are clients of Merchant Centric.

Indeed, June 2021 finds the Rating Trend at almost the same level as in our previous report for June 2020. Key Themes, shared below, will provide specific details regarding recommendations to hone the industry's focus on maintaining and growing guest satisfaction.

RATING TREND
A one to five score, based on collected social data for the business, showing how well they are satisfying guests in the period, with five being best.

As seen in the chart below, the Rating Trends reached a peak in February 2021 at 4.05 stars and then declined 14 basis points to a 3.91-star rating in August and September. Last year's recovery from the trenches in March and April of 2020 showed that guest satisfaction, while below pre-Covid levels, was showing positive signs and steady performance (see the previous report) in

See Endnote #1

guest satisfaction. After February 2021, there is an about-face from the 2020 trend.

The steady decline since February represents over a 15-basis point reduction in overall restaurant industry satisfaction compared to the pre-Covid-19 Rating Trend levels.

> *Benchmarking data helps brands understand if growth or decline in guest satisfaction is the result of internal decision-making or the market itself*

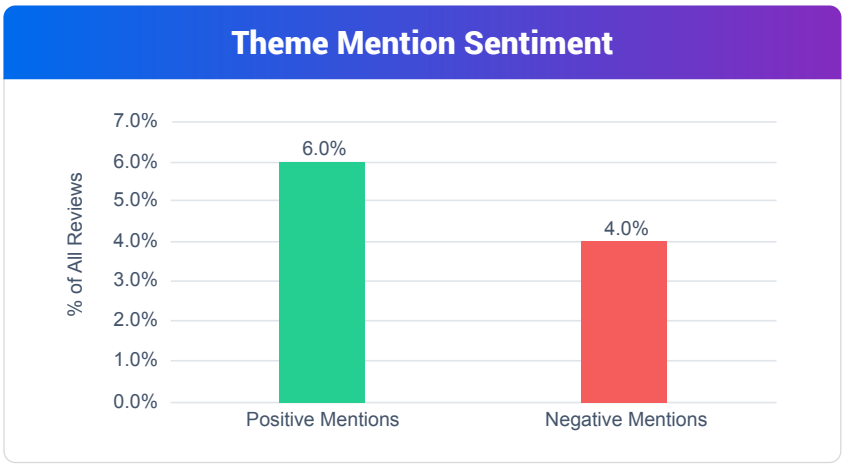
Theme Performance Scores (TPS) for Key Themes

To better understand the changes in Rating Trends, we should look at the theme data derived from the review comments. We use the ratio of the percentage of positive mentions of the Key Theme relative to the percentage of negative mentions for the same theme to determine the Theme Performance Score (TPS).

The TPS makes it easier to track changes in Key Themes that are correlated with changes in Rating Trends, or guest satisfaction. The higher the TPS, the better guest satisfaction is for that theme.

The following example shows how a Theme Performance Score is calculated. If a theme has 6% positive mentions and 4% negative mentions in a period, the Theme Performance Score would be 1.5.

$$\frac{\text{6\% Positive Mentions}}{\text{4\% Negative Mentions}} = \textbf{1.5 TPS}$$



Key Themes for Understanding Rating Trends and Actionable Insights

In June 2021, we saw a drop in guest satisfaction driven by a decline in the **Food** Theme Performance Score (TPS). This is largely the result of an increase in the percentage of **Food**-related complaints relative to previous periods. In October 2021, we saw **Food** complaints continue their rise. On the other hand, in June 2021, **Food** praise remained consistent at the beginning of the year; however, it eventually declined by October. **Food** praise in 2021 was down remarkably from June of 2020.

Food Theme Performance Score

	Jun '20	Jan '21	Jun '21	Oct '21
Complaints	13.7%	13.6% ▼	14.5% ▲	14.9% ▲
Praise	68.6%	65.0% ▼	64.9% ▼	64.5% ▼

Quality/Flavor, a major driver of **Food**-related comments, has seen a steady rise in complaints since June 2020, while praise for **Quality/Flavor** has remained unchanged. This may indicate that some restaurants have been figuring out how to maintain Food **Quality/Flavor**, while others have not or are inconsistent.

If the first half of 2021 represented aspects of the new norm, it would indicate that some restaurants have been figuring out how to maintain Food praise, while others have not, or are inconsistent.

Our data also suggests that restaurant staffing challenges are serving as a root cause of issues for this period. Staff **Demeanor,** which took a big hit, continues in the basement, driven by increased complaints. We believe this is largely attributable to new, inexperienced staff unable to provide quick, high-quality service, particularly in the face of new safety protocols while working on chronically understaffed teams.

In any case, the **Timeliness** TPS is very low due to a significant increase in complaints. All of the above has unsurprisingly led to declines in TPS for **Price/Value** perceptions and measures of **Loyalty and Referral**. Interestingly, **Price/Value** TPS decline is not driven by more complaints; perhaps guests understand the reasons for recent price increases, but they are not complimenting value as they used to.

	JAN '20			JUN '20			JAN '21			OCT '21		
Key Theme	**+ Mentions**	**- Mentions**	**TPS**	**+ Mentions**	**- Mentions**	**TPS**	**+ Mentions**	**- Mentions**	**TPS**	**+ Mentions**	**- Mentions**	**TPS**
Food	68.6%	13.7%	**5.0**	65.0%	13.6%	**4.8**	64.9%	14.5%	**4.5**	64.5%	14.9%	**4.3**
Quality/Flavor	19.7%	7.4%	**2.7**	19.6%	7.9%	**2.5**	19.7%	8.2%	**2.4**	19.7%	8.6%	**2.3**
Staff Demeanor	18.6%	3.1%	**5.9**	18.1%	3.8%	**4.7**	18.9%	4.2%	**4.5**	18.8%	4.2%	**4.5**
Staff Dedication	6.6%	2.2%	**3.0**	6.2%	2.5%	**2.4**	7.2%	2.9%	**2.5**	7.3%	2.9%	**2.5**
Timeliness	9.1%	7.8%	**1.2**	8.6%	7.9%	**1.1**	8.3%	10.2%	**0.8**	8.3%	9.5%	**0.9**
Order Accuracy	3.9%	2.6%	**1.5**	4.3%	3.5%	**1.3**	4.3%	3.3%	**1.3**	4.4%	3.3%	**1.3**
Price/Value	11.1%	5.0%	**2.2**	8.6%	4.4%	**2.0**	8.0%	5.0%	**1.6**	7.9%	5.1%	**1.5**
Loyalty and Referral	18.1%	6.2%	**2.9**	18.4%	6.8%	**2.7**	18.8%	7.6%	**2.5**	18.7%	7.7%	**2.4**
Average TPS Score			**3.1**			**2.7**			**2.5**			**2.5**

See Endnote #2

So, even with praise for staff **Demeanor** remaining high, the increase of complaints since June 2020 negatively influences guests' experiences. The inconsistency with the high praise and increasing complaints suggests that some brands may be figuring this out while others are suffering. Focusing on well-trained, quality staff appears to be the correct course of action for the Restaurant Industry. We see many different approaches to addressing this challenge,

including restaurants offering increased wages or a sign-on bonus, additional training, replacement with technology, simplified menus, etc. We anticipate addressing staff issues will result in reduced complaints for **Timeliness** and **Food**.

Restaurant Cuisines vs. Segments

Our last report shared Rating Trends for 20 Cuisine categories. Cuisines categorize restaurants based on each restaurant's dominant type of cuisine. This is useful for benchmarking restaurants against each other in the same cuisine category. However, we also understand different segments (e.g., Quick Service, Fast Casual, etc.) serve guests within the same cuisine category but may not be competitive. Also, restaurants may compete with other cuisine types nearby that are within the same segment, e.g., Fast Casual. As such, competitive benchmarking with similar segments is useful. This report compares rating trends of the last two years for six segments:

- Quick Service
- Fast Casual
- Casual Dining
- Family Dining
- Fine Dining
- Coffee and Snacks

Established Brands

We grouped 238,842 locations from brands with 20 or more locations into these six segment types. We refer to this group as **Established Brand Segments**. We also grouped 5,059 locations from brands with 5 to 19 locations calling them **Emerging Brand Segments**. As one might expect, guest satisfaction typically increases across Segments as the quality of food, service, and price increases. So, for instance, the Rating Trend for the 12 months through June 2021 for Quick Service is the lowest at 3.73 stars, while Fine Dining is at 4.38 stars for the same period.

Concept	Brand Count	Locations	2020 Star Rating Trend (July 2019 - June 2020)	2021 Star Rating Trend (July 2020 - June 2021)	Change
Coffee and Snacks	73	33,309	4.10	3.98	-0.12
Quick Service	286	142,787	3.82	3.73	-0.10
Fast Casual	199	26,242	4.06	3.85	-0.21
Family Dining	37	10,264	4.03	3.96	-0.07
Casual Dining	310	25,295	4.14	4.09	-0.05
Fine Dining	18	945	4.39	4.38	-0.02
Total Brands	**923**	**238,842**	**3.96**	**3.86**	**-0.10**

See Endnote #3

Benchmark Data Uses

Industry, Segment, and Cuisine benchmark data trends are helpful for brands in understanding their level of success. This data helps a brand comprehend how much of their growth or decline results from internal enterprise strategy and execution versus market conditions affecting all the brands they compete with when guests are considering where to dine.

For example, if a brand's guest satisfaction, as measured by star rating trend for a period, is down ten basis points, from 4.1 stars to 4.0, how would one assess their performance as anything other than a decline? If the Restaurant Industry was down five basis points during the same period, one might conclude market forces negatively affected most restaurants. Suppose

one also knew that their brand's Cuisine Category and Segment benchmarks were down 18 and 20 basis points, respectively. In that case, we might conclude their brand had weathered negative market forces more favorably than the competition.

Leveraging this benchmarking is helpful to add context to raw data. With technology and research capabilities today, brands can narrow their benchmarked data to include competitors near each location that guests specifically consider when reviewing dining options.

Analyzing benchmark trends can also help identify guest tastes and dining trends by watching the rise and fall of Cuisine category benchmarks and Segment Leaders and Chasers.

Segment Leaders and Chasers

While all segments saw some deterioration in guest satisfaction in this 12-month comparison period, Fast Casual saw the largest decline dropping 21 basis points, putting it at 3.85 stars, below the 4-star threshold which most brands aim to surpass. We refer to brands achieving rating trends above the segment average as "Leaders" and those with rating trends below the segment average as "Chasers."

Large brands above the Fast Casual segment average include:

- **Five Guys** with an eight basis points decline (favorable to the segment's average 21 basis point decline) and with a rating trend far above the segment; and
- **Mod Pizza**, with a 4.31 rating trend, is also well above the segment average.

Some medium-sized but established brands excelling include:

- **Mooyah Burger** at 4.50 is well above the segment average and bucking the segment decline; and
- **Chicken Salad Chick** is also well above the segment average at 4.55, with almost no decline.

Finally, some exciting smaller brands with excellent guest satisfaction in this segment include:

- **Velvet Taco** is very high at 4.46, and bucking the segment's large decline, only down two basis points; and
- **Aladdin's** is another success at 4.50.

On the other side, we see the following Fast Casual brands with lower guest satisfaction and/or outsized declines from the last period. In our analysis:

- **Chipotle** dropped 40 basis points from 3.86 to 3.26, putting it near the bottom of Fast Casual restaurants [of this size] in guest satisfaction in the 12 months;
- **Wingstop'**s annual decline is in line with the Fast Casual segment; however, its Star Rating Trend of 3.49 puts it well below the 3.85 segment average;
- **Chronic Tacos** saw a big decline in guest satisfaction of 29 basis points, dropping its Star Rating Trend to 3.65, putting it at the same level of larger Taco Cabana;
- **Taco Cabana** Star Rating Trend did not drop as much as other Fast Casual brands, but at 3.63, Taco Cabana is below the segment's average;
- **B.GOOD**, an emerging brand, is below the average for the Fast Casual Established Brands segment with its 3.66 Star Rating Trend. While dropping 12 basis points is still less than the average decline for Fast Casual Established Brands, B.GOOD has some ground to make up.

The following table lists additional Established Brand Segment Leaders and Chasers in the last analysis period.

Segment	Rating Trend for: Jul '20 - Jun '21	Change Compared to: Jul '19 - Jun '20	Status
Quick Service	**3.73**	**-0.1**	
Chick-fil-a	4.39	-0.11	Leader
Raising Canes	4.38	-0.05	Leader
Culvers	4.37	-0.01	Leader
Runza	4.35	0.02	Leader
Charleys Cheesesteaks	4.02	-0.08	Leader
A&W (Canada)	4.00	-0.04	Leader
El Pollo Loco	3.71	-0.24	Chaser
Wendy's	3.63	-0.14	Chaser
Taco Bell	3.60	-0.14	Chaser
Waba Grill	3.42	-0.39	Chaser
KFC	3.40	-0.13	Chaser
Popeyes	3.39	-0.12	Chaser
Fast Casual	**3.85**	**-0.21**	
Chicken Salad Chick	4.55	-0.01	Leader
Mooyah Burger	4.50	0.01	Leader
Aladdin's	4.50	-0.01	Leader
Velvet Taco	4.46	-0.02	Leader
Mod Pizza	4.31	-0.15	Leader
Five Guys	4.21	-0.08	Leader
B.GOOD	3.66	-0.12	Chaser
Chronic Tacos	3.65	-0.29	Chaser
Taco Cabana	3.63	-0.05	Chaser
Wingstop	3.49	-0.20	Chaser
Chipotle	3.26	-0.40	Chaser
Pei Wei	3.37	-0.24	Chaser
Casual Dining	**4.09**	**-0.05**	
Mission BBQ	4.63	0.00	Leader
Duffy's Sports Grill	4.42	0.24	Leader
Twin Peaks	4.42	0.05	Leader
Chili's	3.86	-0.16	Chaser
On The Boarder	3.85	-0.17	Chaser
BJ's Restaurant	3.78	-0.16	Chaser

Emerging Brands

We also looked at Emerging Brands (5-19 locations) by Segment in the table below and noticed interesting differences compared to our Established Brand Segments (20+ locations) analysis earlier in this report. The Emerging Brand Segments analysis relies on fewer brands and locations than the Established Brand Segments data. Since this data set is more limited, it may reflect skews that are not necessarily indicative of the national average.

Concept	Brand Count	Locations	2020 Star Rating Trend (July 2019 - June 2020)	2021 Star Rating Trend (July 2020 - June 2021)	Change
Quick Service	121	1,222	4.22	4.16	-0.06
Fast Casual	116	1,160	4.22	4.12	-0.10
Casual Dining	221	2,101	4.26	4.20	-0.06
Family Restaurant	46	460	4.25	4.25	0.00
Fine Dining	13	116	4.33	4.31	-0.02
Total Brands	**517**	**5,059**	**4.25**	**4.19**	**-0.06**

Emerging Brands in all Segments, save for Fine Dining (Coffee and Snacks excluded), satisfy guests at higher levels than Established Brands. Also notable is that Emerging Brands' advantage dissipates as the Segment increases in quality and price. So, for instance, guests of Quick Service Emerging Brands find themselves 43 basis points superior to established Quick Service brands; almost half a star superior. Compared with Casual Dining, which may require greater investment in facility, menu selection, supply chain, and staffing than an independent Quick Service concept, the advantage drops to 11 basis points.

Finally, when we reach Fine Dining, the edge shifts to the Established brands by seven basis points, although the number of brands and locations for this Segment are much fewer. As one might expect, this indicates that the unique DNA that makes an Emerging Brand attractive and successful becomes more challenging to scale, the more complicated the concept.

Some interesting Emerging Brands that are Leaders in the recent analysis period include:

- **Grand Traverse Pie Company**, a Fast Casual concept with a Rating Trend of 4.47, is almost flat compared to the prior period, down only one basis point;
- **Becks Prime Restaurants** with a Rating Trend of 4.37 up to two basis points;
- **The Flatbread Company**, at 4.49, is still a Leader despite being down ten basis points from its lofty 4.59 last period;
- **foosackly's** is down six basis points from last year, but at 4.53, it is still one of the highest-rated Emerging Brands in Quick Service;
- **Hooked on Harry's** is at the top of the Causal Dining Emerging Brands at 4.53, down six basis points compared to the prior period;
- **Dick's Last Resort** continues to delight guests even as it insults them, with its 4.43 Rating Trend, up 25 basis points;
- **Truluck's** tops the list for Fine Dining at 4.59 but is down six basis points compared to the prior period.

Cuisine Rating Trend Update

Looking at October 2021 versus June 2021, we see that the restaurant industry guest satisfaction is relatively flat, declining one basis point. While these two periods appear flat, the second period follows a decline from the beginning of 2021, when guest satisfaction was 4.02 and 4.05 in January and February, respectively. Since then, guest satisfaction declined and remained relatively unchanged in the second half, without sign of recovery. While that is the case in aggregate, we do see some divergent trends within certain cuisine categories.

Seafood, noted last time for faring well, again shows superior performance. Seafood guest satisfaction is up 11 basis points from June to October 2021. While suffering similar industry trends for Key Themes, even significantly worse in terms of changes in staff **Demeanor**; a positive **Food** satisfaction score led to an overall positive guest satisfaction trend.

The TPS scores in the table below represent changes from period to period for each cuisines' Key Theme. We generally find that changes in TPS scores are good directional indicators for changes in guest satisfaction. This is particularly true with **Food** since it is the most mentioned Key Theme. For example, Pizza was generally on par with the overall industry but saw a sharp decline in Food. As a result, guest satisfaction was adversely affected.

On the other hand, changes in **Food**'s TPS can be overshadowed by large changes in other key themes that drive overall guest satisfaction. Indian cuisine, for example, only saw a 0.1 decrease in **Food**'s TPS, but their average star rating saw a decline of 5 basis points. This is likely because of a sharp TPS decline of 1.3 in **Demeanor**. This illustrates where the problem exists and with this cuisine category it's not the **Food**.

	Average Star Ratings			Jun '20 vs Oct '21 Change in Theme Performance Score (TPS) for Key Themes							
Cuisine	**Jun-20**	**Oct-21**	**Change**	**Food**	**Quality/ Flavor**	**Staff Demeanor**	**Dedication**	**Time-liness**	**Order Accuracy**	**Price/ Value**	**Loyalty & Referral**
Seafood	4.13	4.23	0.11	0.4	-0.8	-2.2	-1.0	-0.4	-0.7	-0.5	-1.0
Sushi	3.97	4.04	0.07	-0.2	-0.6	-1.5	-0.5	-0.4	-0.6	-0.9	-0.8
American	4.03	4.07	0.05	0.1	-0.1	-1.3	-0.3	-0.4	-0.2	-0.4	-0.5
Breakfast & Brunch	4.17	4.22	0.04	NA	-0.3	-1.2	-0.5	-1.2	-0.2	-0.4	-0.5
Steakhouses	4.17	4.21	0.04	0.1	-0.1	-0.9	-0.5	-0.2	-0.6	-0.3	-0.5
Japanese	4.00	4.04	0.04	0.0	-0.7	-1.5	-0.6	-0.4	-0.3	-0.8	-0.9
Diners	4.16	4.19	0.03	0.5	-0.5	-1.3	-0.6	-1.3	-0.1	-0.9	-0.6
Italian	4.22	4.24	0.02	0.0	-0.2	-1.1	0.1	-0.3	-0.3	-0.3	-0.3
Barbeque	4.12	4.13	0.01	-0.1	-0.2	-0.7	-0.2	-0.4	-0.4	-0.4	-0.3
Overall Restaurant Industry	**3.94**	**3.93**	**-0.01**	**-0.1**	**-0.1**	**-0.1**	**0.1**	**-0.3**	**0.0**	**-0.4**	**-0.2**
Thai	4.16	4.15	-0.02	0.0	-0.2	-1.2	0.1	-0.2	-0.3	-0.6	-0.6
Delis	4.24	4.22	-0.03	-0.4	-0.3	0.4	0.2	-0.3	-0.1	0.0	0.1
Chinese	3.82	3.79	-0.03	-0.1	-0.2	0.2	0.6	0.2	0.2	-0.6	0.0
Fast Food	3.24	3.20	-0.03	-0.2	-0.1	-0.4	-0.1	-0.3	0.0	-0.2	-0.1
Burgers	4.09	4.05	-0.05	-0.3	0.0	-0.2	-0.2	-0.1	-0.1	0.0	-0.1
Indian	4.00	3.95	-0.05	-0.1	-0.3	-1.3	-0.1	-0.5	-0.5	-0.6	-0.8
Chicken Restaurant	3.17	3.11	-0.06	-0.2	-0.1	-0.1	0.0	-0.1	0.0	-0.2	-0.2
Mexican	3.91	3.83	-0.08	-0.3	-0.1	0.1	0.2	-0.3	0.0	-0.2	-0.1
Cafes	4.18	4.10	-0.08	0.0	-0.4	-0.5	0.2	-0.9	0.1	-0.5	-0.1
Sandwiches	3.65	3.56	-0.09	-0.2	0.0	-0.4	-0.1	-0.3	0.0	-0.1	0.0
Pizza	3.86	3.76	-0.10	-0.4	0.1	0.4	0.1	0.0	0.1	-0.3	0.1

See Endnote #4

Conclusion

Benchmarked data is crucial for restaurant leadership to understand their level of success and identify market forces impacting their strategy. Focused benchmarks are available for brands adopting leading technology platforms and can help management at all levels execute more successfully.

Digging into themes that reveal why guests make their decisions reveals key insights into what drives success within Segments and Cuisine categories.

This report updated industry level themes that are driving success and challenges. Upcoming reports will provide more detailed insights for themes at the Segment level.

If you would like to learn more about insights that drive success for your brand within your segment and cuisine, contact Merchant Centric and ask about a brand analysis.

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About Merchant Centric

Started in 2010, Merchant Centric helps multi-location brands discover the hidden value of what drives revenue within their guests' online feedback. The company partners with major brands in the hospitality, automotive, health/medical/veterinary, and funeral service industries and gratefully serves more than 50,000 locations. Merchant Centric's technology combines proprietary AI with its best-in-class Reputation and Guest Engagement Management suite. Solutions include a single platform for collecting and managing all guest feedback, industry and competitive benchmarking, intuitive analytic reporting for the enterprise to field marketing and operations, and managed services, including Full-Service Reply to Review. For more information, please visit MerchantCentric.com or contact Adam Leff: Adam@MerchantCentric.com.

A special thank you to our Director of Data Analytics, Andrew Hossom, and our Senior Data Analyst, Chris Howard, who produced and summarized this data used to make our report possible.

- Adam Leff, Co-Founder, Merchant Centric

Endnotes:

1. Changes in reported guest satisfaction ratings in the Overall Industry Rating Trend chart and the theme analysis from the previous report resulted from removing one of the underlying data sources, which became inconsistent in the recent analysis period. Comparing historical periods with and without the removed data source revealed that the removed data source was consistently more favorable and its removal caused a fairly consistent linear shift down. As such, the directional trends are consistent between the two historical periods and provide further confidence in the reliability of the current underlying social data used for analysis.

2. Updating the historical data to be consistent with the ongoing data set, we see the same directional indications of impacts for all Key Themes for past periods, save for two. Food and Quality/Flavor in the updated data set did not see as severe an impact in June 2020 as previously found. We do not see a rebound in January 2021, as much as a continued lower performance from January 2020 for Food and a decline for Quality/Flavor.

3. The difference in Rating Trend data for Segments versus the Overall Industry Rating Trend data is due to the Segment data being a subset of the data. The data shared is for larger brands (20+ locations) and reports the combined 12-month periods instead of for months, as is done for the Overall Industry Rating Trend. A sample of 5-19 location brands revealed a generally higher rating trend. When combined with SMBs (1-4 locations), the larger brands resulted in higher weighted average data for the Overall Industry Rating Trend.

4. There will be slight differences from the last report as we have updated the underlying data set. The overall Restaurant Industry average is lower by three basis points. Individual cuisines are down from 2 to 6 basis points by comparison; however, their rating ranks are consistent relative to one another.