

2020

# QSR Operational Index

Key Performance Metrics for  
Operational Excellence



**DELAGET**  
SMARTER WINS

# A year of innovation and transformation

2020 will long be remembered for the challenges faced by those in the restaurant industry. It will also be remembered for the data-driven decisions that led to innovation by top Quick Serve Restaurants (QSR) operators to thrive during the global pandemic. From adhering to safety guidelines to adapting to consumer buying behaviors, restaurant owners balanced the needs of employees, business operations, and their communities – not to mention their own personal health, safety, and security.

In the Delaget 2020 QSR Operational Index, we compiled and analyzed data from 6,000 QSR locations around the country to better understand the lasting implications of the global pandemic and what it means for the future of QSR. While every individual restaurant owner experienced 2020 in the trenches, the data tells the story of our industry as a whole, offering strategic insights to apply toward the future.

Our research and stories from franchise owners help us reflect on the last year, the changes it provoked, and which of those changes are likely here to stay.

**Key trends: Major shifts to drive-thru, increased order size, and improved speed of service**

Our findings suggest the most successful QSR restaurant owners were those who managed to quickly and effectively adjust employee schedules, integrate new delivery channels, and focus energy and attention on keeping customer satisfaction high.

Inside the numbers, we uncovered some unexpected data. There were obvious findings

that showed drive-thru orders increased substantially. However, we also found speed of service actually improved. And even though the average number of orders decreased by nearly 10 percent, the average check size increased by nearly 15 percent, more than making up for the gap.

During the peak of the coronavirus pandemic, top-performing QSRs adapted by tightening up their menu offerings, staffing more drive-thru attendants, and adjusting store hours – all lessons that are here to stay.

### The new playbook

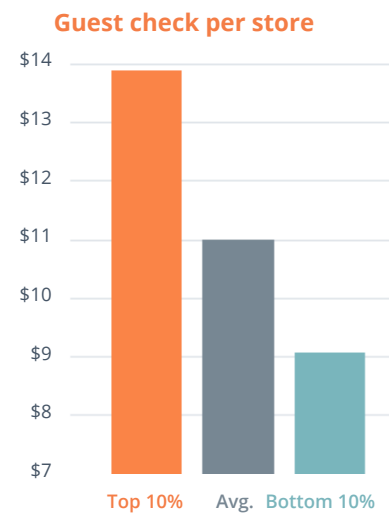
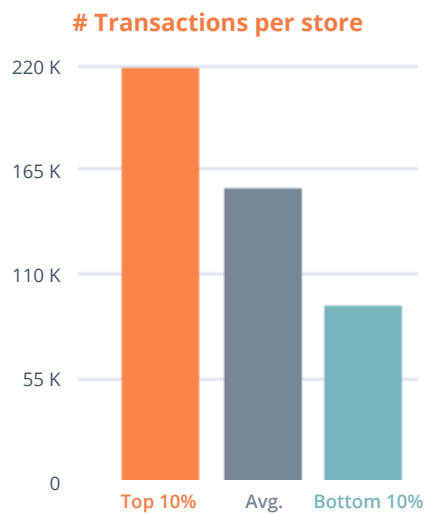
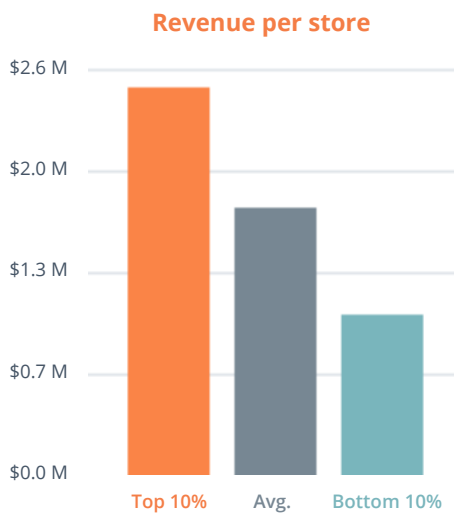
Our data offers clues for how QSR owners can successfully plan for the future; developing stronger delivery processes, rethinking floor plans, modifying staffing needs, and introducing more drive-thru lanes and to-go options.

It is still too early to fully appreciate the many ways the pandemic will dictate the future of consumer behavior and the QSR industry as a whole. However, using data to make quick, informed decisions that help maximize operational efficiency is a larger competitive advantage than ever before. Seamlessly navigating new technologies and innovations internally and across vendors will offer broad insights that must be applied to day-to-day operations. A new playbook is being written every day by the operators who are applying data and strategic insights to design the future of QSR rather than waiting for a return to normal.

# Sales

## 2020 Average sales per store

	Top 10%	Avg.	Bottom 10%	2018 Avg.	2019 Avg.	2020 Avg.
<b>Revenue / store</b>	\$2,499,052	\$1,713,813	\$1,027,603	1,601,248	\$1,650,091	\$1,713,813
<b># Transactions / store</b>	219,995	156,057	92,843	170,517	172,052	156,057
<b>Guest check / store</b>	\$13.88	\$10.99	\$9.09	\$9.40	\$9.61	\$10.99



## A deeper look into the data

QSRs' ability to pivot in 2020 was their salvation, as sales increased 3.9% overall despite the pandemic. This growth can largely be attributed to operators' success at rapid innovation and "controlling the control-ables." Keep reading to find out where the shifts happened and how the best-performing operators managed to pull ahead.

Sales / store  
increased by  
3.9% YOY

Transactions  
decreased by 9%  
but guest check  
increased by 14%

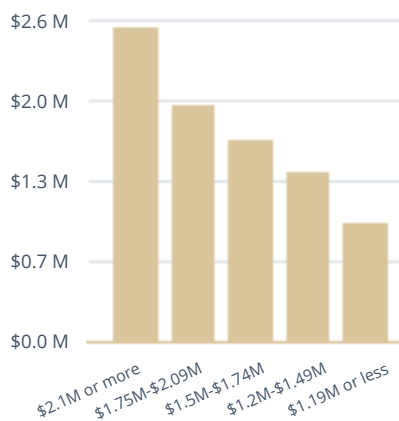
# Sales

## 2020 Average sales results by store size

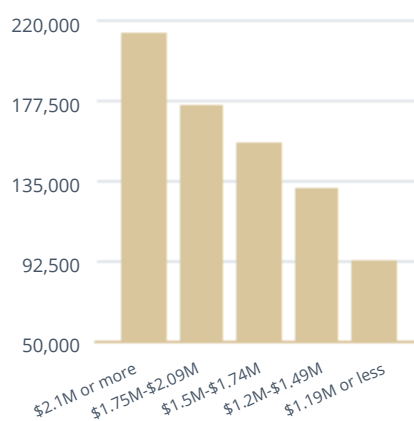
	Revenue / store	# Transactions/ store	Guest check / store
Stores with sales over \$2.1M	\$2,546,920	213,245	\$11.94
Stores with sales of \$1.75M-\$2.09M	\$1,912,321	175,677	\$10.89
Stores with sales \$1.5M-\$1.74M	\$1,624,002	155,467	\$10.47
Stores with sales \$1.2M-\$1.49M	\$1,361,804	131,756	\$10.34
Stores with sales \$1.19M or less	\$958,648	92,589	\$10.38

Guest checks at larger stores were 13.5% higher than the average of all other stores

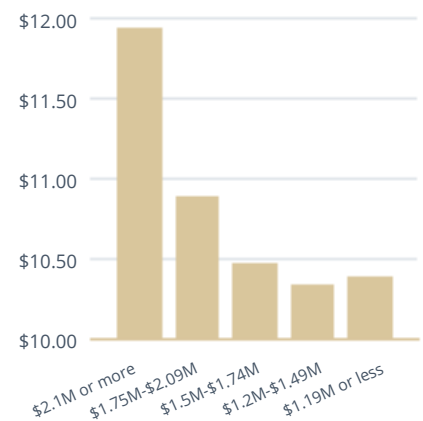
Revenue per store



# Transactions per store



Guest check per store



## A deeper look into the data

- Customers visited QSRs less frequently last year but spent more when they did. The drop in transactions by 9.3% was more than offset by a 14.4% boost in check size, resulting in an overall increase in sales of 3.9%.
- The stores with the highest sales (\$2.1M+) pulled even further ahead, with digital ordering tools driving larger guest checks. They collected an average of \$1.40 more per ticket than their smaller counterparts.

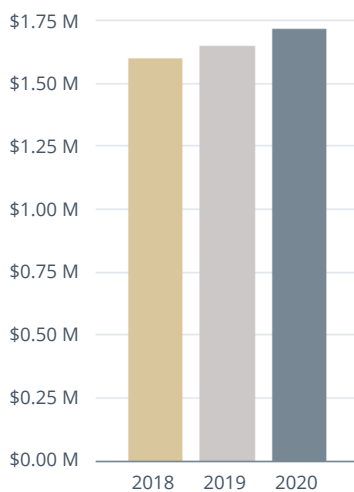
# Sales

## 3-Year trends for average sales by channel

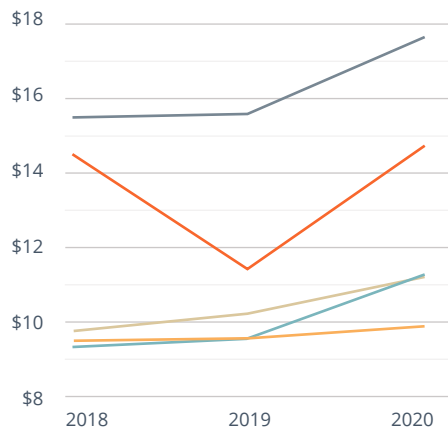
	Sales % by channel			Average check \$ by channel		
	2018	2019	2020	2018	2019	2020
Drive thru	64.5%	66.8%	82.4%	\$9.29	\$9.56	\$11.14
Counter	34.8%	29.7%	10.6%	\$9.91	\$10.11	\$11.16
Mobile / online	0.5%	0.8%	2.3%	\$14.54	\$11.50	\$14.77
Delivery	0.1%	0.7%	3.3%	\$15.62	\$15.69	\$17.87
Kiosk	0.1 %	2.1%	1.5%	\$9.56	\$9.56	\$9.95

Drive-thru sales rose 28.2% on average

Revenue per store

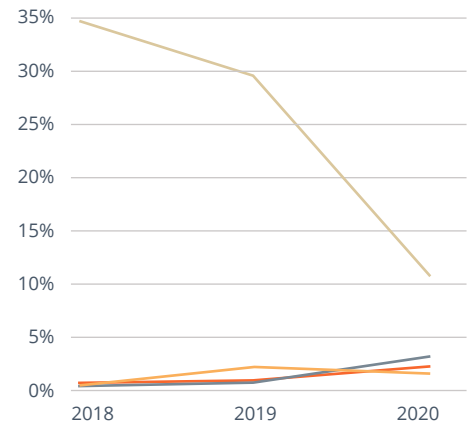


Guest check by channel



Percent of sales by channel

(not including drive thru)



● Drive thru ● Counter ● Mobile / online ● Delivery ● Kiosk

## A deeper look into the data

- As counter sales plummeted, QSR customers turned to drive-thrus and online tools to order their food. Drive-thru sales dominated, capturing 82.4% of the spend, but big gains were also had by mobile/online (187% YOY growth) and third-party delivery (371.4% YOY growth).
- Average check amount was up across all channels, but mobile/online saw the biggest bump, increasing \$3.27 YOY. As a more profitable channel than delivery, mobile/online will continue to grow in importance even as COVID recedes.

# Costs

## Food and labor costs % of sales

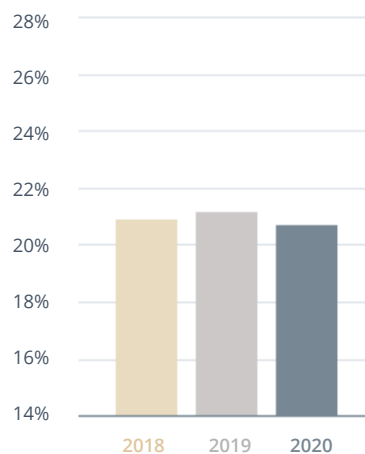
	2020 best/worst in class			3-year trends		
	Top 10%	Avg.	Bottom 10%	2018 Avg.	2019 Avg.	2020 Avg.
Food % of sales (COGS)	23.3%	26.1%	29.4%	28.6%	28.0%	26.1%
Labor % of sales	15.7%	20.7%	27.6%	20.9%	21.2%	20.7%
Labor % of sales (excluding CA)	15.5%	20.2%	26.6%	20.51%	20.7%	20.2%
Labor % of sales (CA only)	23.0%	26.5%	32.9%	25.28%	26.0%	26.5%

COGS %  
declined 7%  
YOY

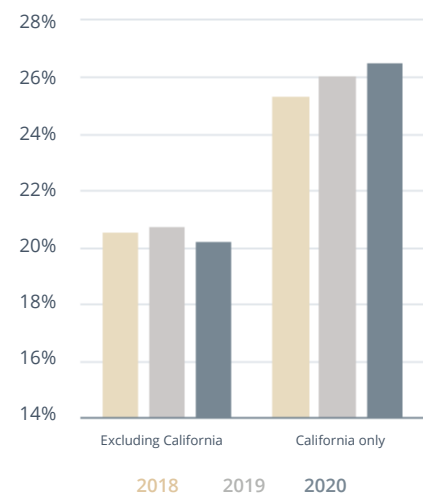
Food & labor cost % of sales - best/worst in class



Labor % of sales - 3-year trends



Labor % of sales - 3-year trends California only



## A deeper look into the data

One bright spot in this year's analysis is the reduction in food and labor costs, with food % of sales dropping nearly two points. Greater controls are a major contributor to the decline. With fewer employees to manage, simplified menu options, and a focus on take-out and delivery, operators have had a tighter handle on their operations. The reduction in labor costs is especially noteworthy given the rise in wages. More operators are keeping a sharp eye on their performance metrics to maintain these improvements post-COVID.

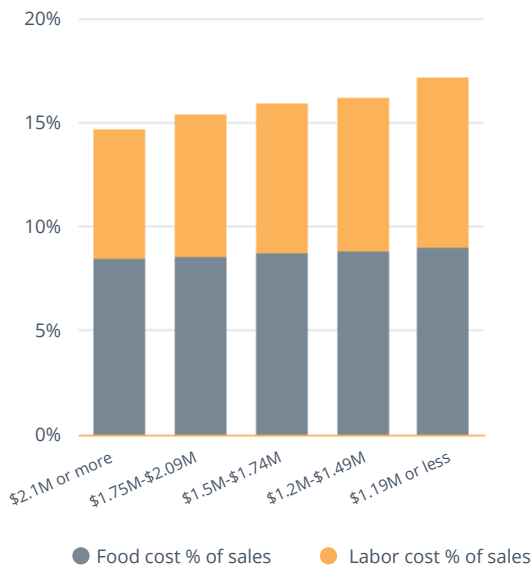
# Costs

## Food and labor costs % of sales – by store size

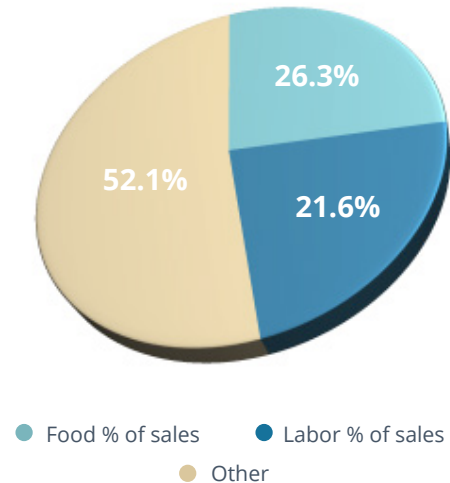
	Sales > \$2.1M	Sales \$1.75M - \$2.09M	Sales \$1.5M - \$1.74M	Sales \$1.2M - \$1.49 M	Sales < \$1.19M
Food % of sales	25.4%	25.7%	26.3%	26.4%	27.2%
Labor % of sales	18.6%	20.5%	21.6%	22.3%	24.6%

Combined food and labor costs dropped 5.2% YOY for average sized stores

Food & labor cost % of sales



Food & labor cost % of sales for average-sized stores (\$1.5M - \$1.75M)



### A deeper look into the data

Wholesale food prices first saw a decline during the coronavirus pandemic but have since increased steeply since the fall. Despite this increase and a slight increase in sales over last year, operators have more than offset rising prices with increased efficiencies and simplified menu options. Maintaining tight control over waste and labor will continue to keep these costs down.

Food got more expensive in 2020 but COGS improved



# Employee trends

## 3-year employee trends & best/worst in class results

### 3-year employee trends

	2018 Avg.	2019 Avg.	2020 Avg.
# Hourly employees / store	28	28	27
Overtime hours / store	1,120	1,007	939
% Turnover	148%	150%	135%
Overall average hourly wage	\$9.57	\$10.13	\$10.71
Avg. hourly wage (excl. CA)	\$9.34	\$9.85	\$10.38
Avg. hourly wage (CA only)	\$12.49	\$13.40	\$14.39

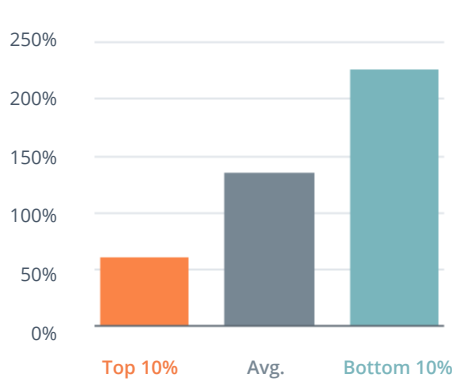
### 2020 best/worst in class

	Top 10%	Avg.	Bottom 10%
Overtime hours / store	104	939	1,856
% Turnover	61%	135%	227%

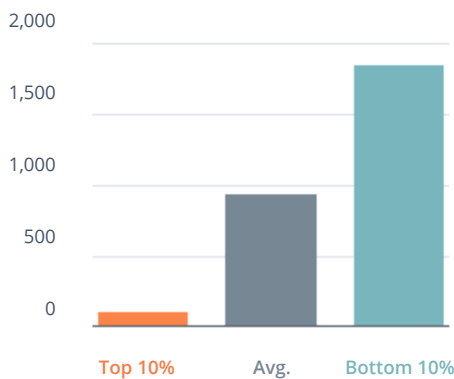
The top 10% clocked 9x fewer overtime hours than the average

Hourly wages are up 5.7% overall

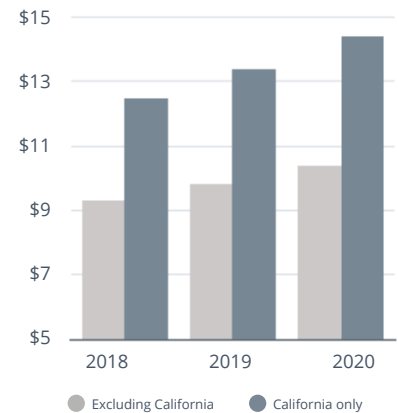
### Employee turnover



### Overtime hours per store



### Hourly wage



## A deeper look into the data

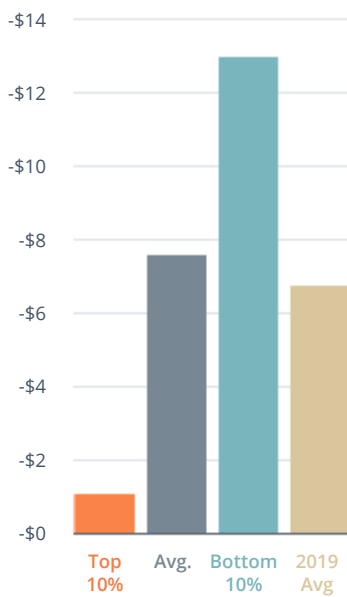
- Top operators have shown that, with good management, overtime costs can be reduced to almost zero, resulting in hard-dollar savings.
- Turnover dropped 10.5% YOY, driven by a down labor market and fewer employees leaving voluntarily.
- Available work hours were fewer last year, as many operators cut back on early-morning and late-night shifts, undoubtedly a factor in the drop in overtime by 10.6% on average.

# Loss

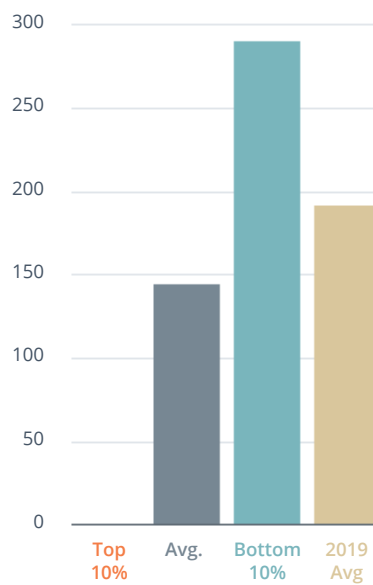
## 2020 Loss indicator metrics

	Daily cash shortage	# Refunded transactions	# Cancelled transactions	Discount % of sales	Employee Meals	Beverage % of sales	# Beverages per check
Top 10% of locations	-\$1.12	0	36	0.08%	0.1%	14.2%	0.95
Average of all locations	-\$7.61	144	2,515	0.68%	1.6%	10.0%	0.71
Bottom 10% of locations	-\$12.96	290	11,848	1.37%	3.77%	2.0%	0.38
2019 average	-\$6.78	192	2,350	0.41%	.75%	11.1%	0.63

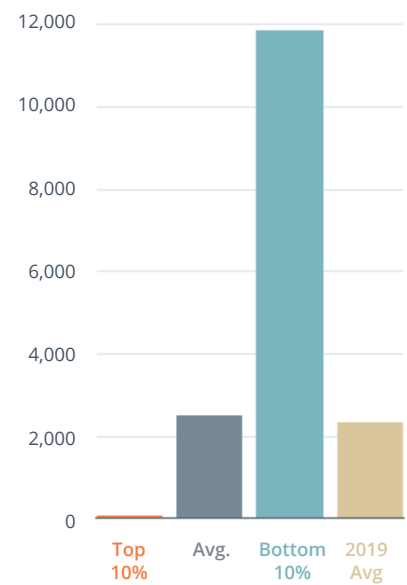
Cash shortage



Refunded transactions



Cancelled transactions



### A deeper look into the data

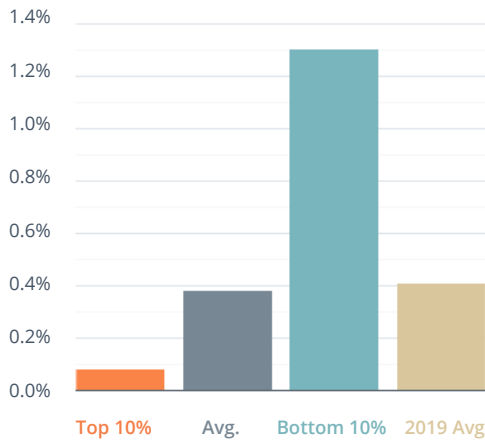
The loss data shows significant opportunity for operators to capture additional revenue from loss. For example, an “average” store moving into the “top 10%” category for cash shortage, discount %, and beverages per check would see more than \$75K of additional revenue per store annually.

The bottom 10% reported \$4,730 of loss in cash shortages alone

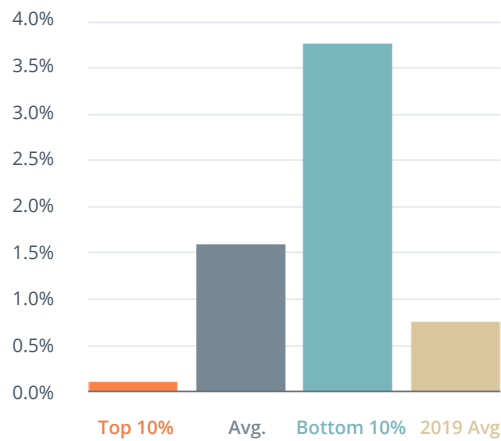
# Loss

## 2020 Loss indicator metrics

### Discount % of sales

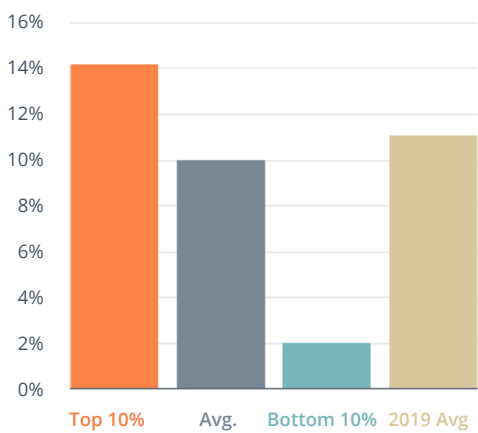


### Employee meals

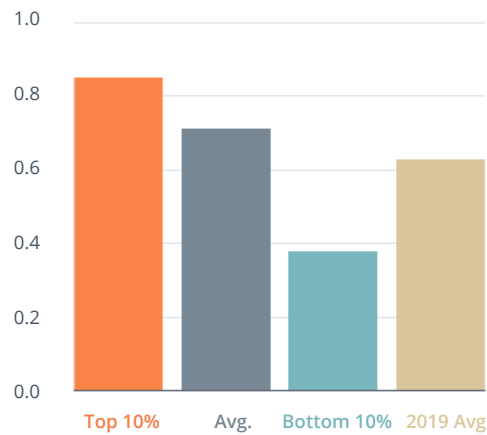


Employee meals increased 116% YOY

### Beverage % of sales



### # Beverages per check



Beverage % of sales dropped more than 10% YOY

## A deeper look into the data

Year over year, beverages per check increased by nearly 12% but declined by 10.4% as a percentage of sales. In other words, customers bought fewer beverages in total, but the number per check went up. We've found that customers are less inclined to order drinks for delivery, but with the move towards more batch ordering, the likelihood of a drink being included on a ticket increases.

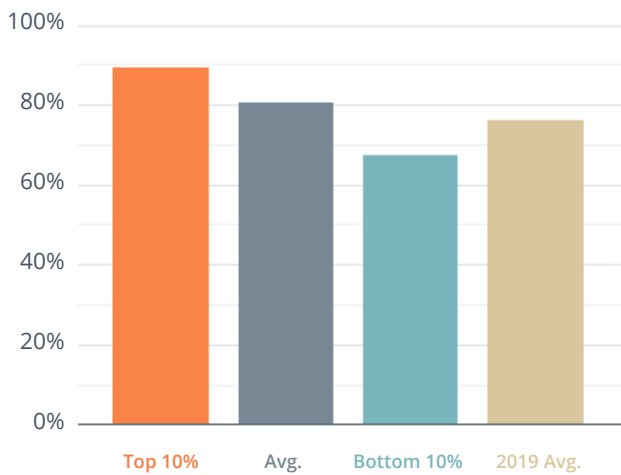
# Customer experience

## 2020 Customer satisfaction & drive-thru times

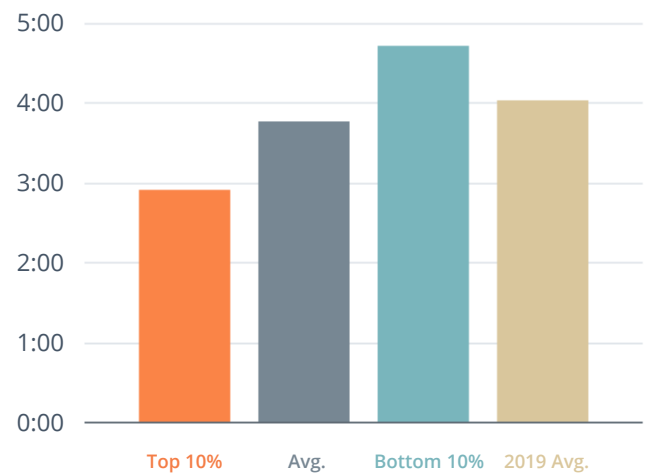
	Customer satisfaction %	Drive-thru time
Top 10% of all locations	89.5%	02:55
Average of all locations	80.6%	03:47
Bottom 10% of all locations	67.4%	04:43
2019 Average	76.4%	04:02

Customer satisfaction increased 5% YOY

Customer satisfaction %



Drive-thru time



### A deeper look into the data

- Improved speed of service helped maintain and grow sales by increasing drive-thru transactions by 23.4% and keeping customer satisfaction high.
- QSRs face increased risk in 2021 as other restaurant segments resume normal operation and remote work continues to impact sales. To stay competitive when expanded restaurant choices open up, QSRs will need to maintain speed of service and customer satisfaction levels.

Speed of service went down by 15 seconds YOY