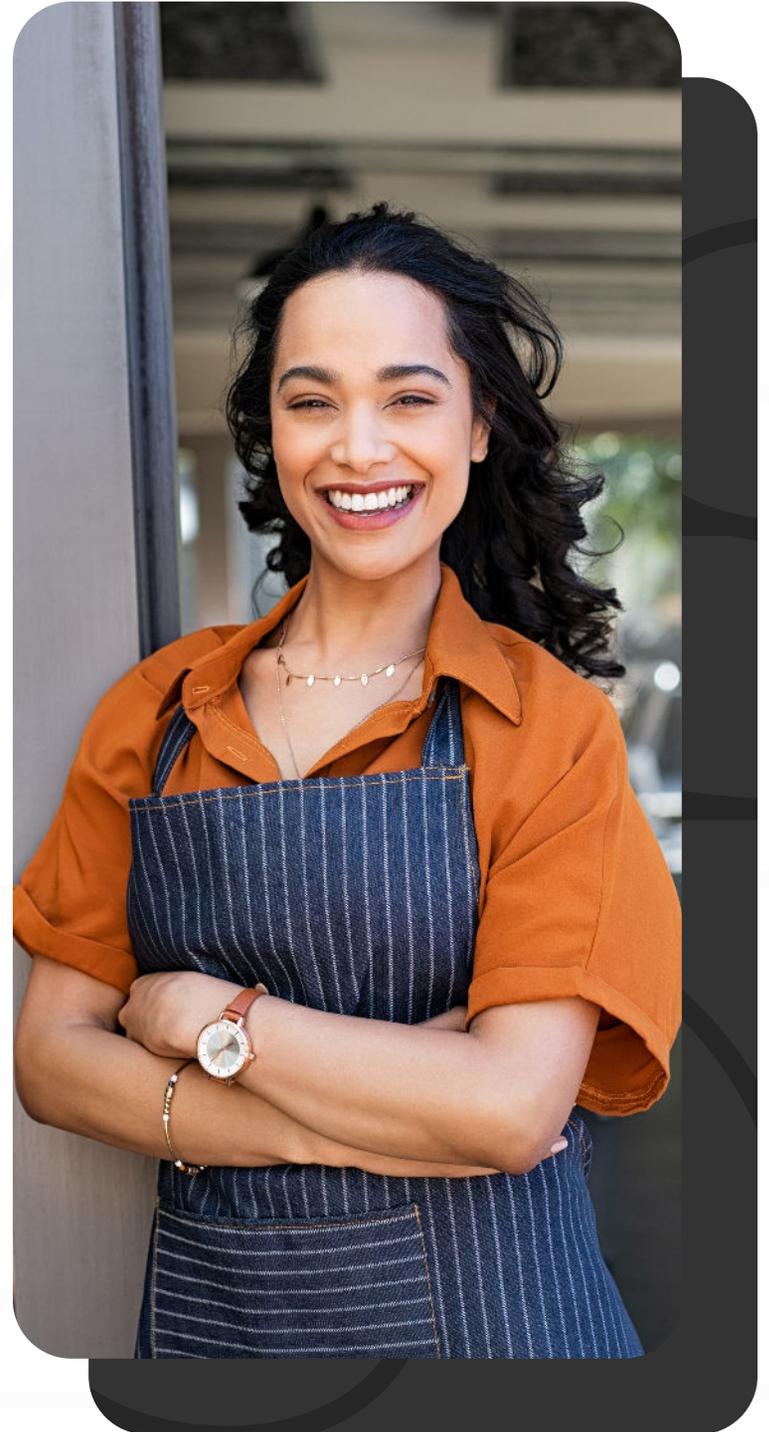




GUIDE

The 2025 State of the Restaurant Industry: Midyear Report



As we reach the halfway point of 2025, restaurants are still facing real pressure on all sides. Inflation hasn't eased up the way many hoped—it's actually ticked upward, with the National Restaurant Association projecting annual **CPI inflation to reach 3.6% this year, up from 3.0%** in 2024. That increase is hitting operators hard, especially as food and labor costs continue to climb.



Add in the **ongoing impact of tariffs**, and the cost to run a restaurant has become even harder to manage. Ingredient prices are fluctuating more than ever, and staffing remains one of the most difficult puzzle pieces to solve. These challenges aren't new—but they are intensifying.

Still, the industry is far from faltering. According to the National Restaurant Association, restaurant sales are expected to **surpass \$1.5 trillion in 2025**, **and the workforce is on track to reach 15.9 million employees** by year-end. Consumers continue to dine out—just more thoughtfully. Even with economic pressures, restaurants remain central to people's lives, and that demand isn't going anywhere.

At Restaurant365, we talk to restaurant leaders every day—so we know just how much things can shift in a short amount of time. That's why we make it a point to go beyond the data and really understand what's happening on the ground. What's working? What's keeping folks up at night? What's changing fast?

This report reflects input from over 5,000 restaurant operators across the country, giving us a clear look at how teams are navigating 2025 in real time. As the only platform built specifically for restaurants, we're here to help make sense of it all.

Here's what we're seeing (and hearing) **as we head into the second half of 2025.**



To tackle rising labor costs, we're taking a multi-pronged approach.

At one location facing staffing challenges, we're testing a voice AI system in the drive-thru to cover hard-to-staff shifts while maintaining great guest service.

We're also reevaluating our management structure to ensure higher wages translate to better service, and testing added staff to run tablets that aim to boost throughput, sales, and traffic—helping offset labor costs.”

Kristen Sandhurst
CFO,
EDOTTO BRANDS AND
TACO JOHN'S OF IOWA

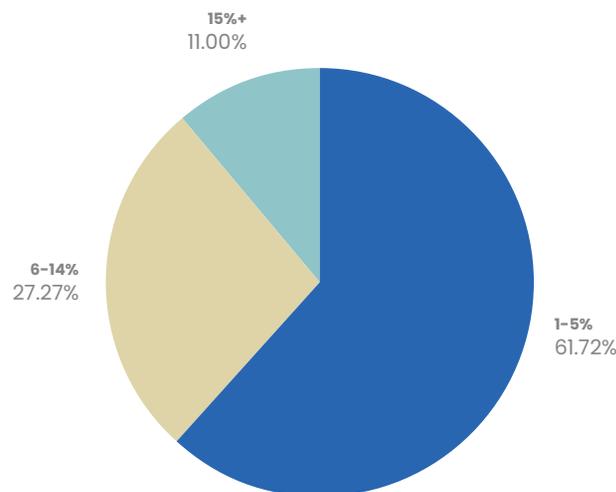
On Food & Labor

Restaurants today continue to be pressured by rising food and labor costs. Inflation and supply chain disruptions are pushing ingredient prices higher, making it harder to keep menus profitable without sacrificing quality. At the same time, competition for skilled workers is driving wages up and creating challenges around retention.

To manage these pressures, many restaurants are focusing on smarter menu strategies—highlighting dishes that deliver the best margins—and strengthening supplier relationships to secure better pricing. Technology also plays a key role, helping operators track inventory more closely and reduce waste.

The 2025 Price Tag (So Far)

89% of respondents said labor costs increased this year

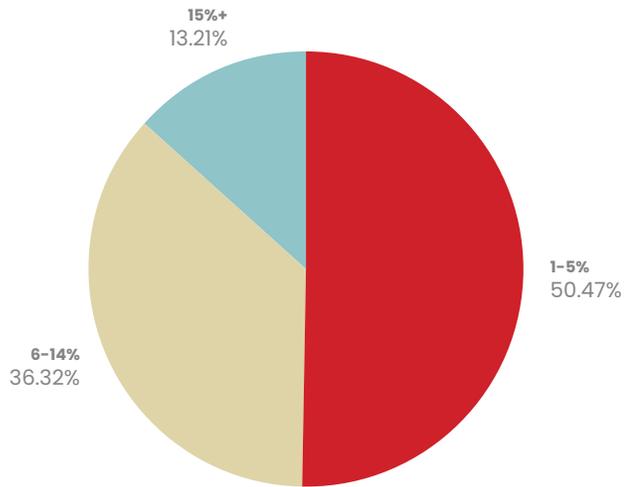


62% now report a 1% to 5% increase, marking an 11% jump since R365's 2025 State of the Restaurant Industry Report came out earlier this year.

27% said 6% to 14%

11% reported more than 15%

91% of respondents said food costs also increased

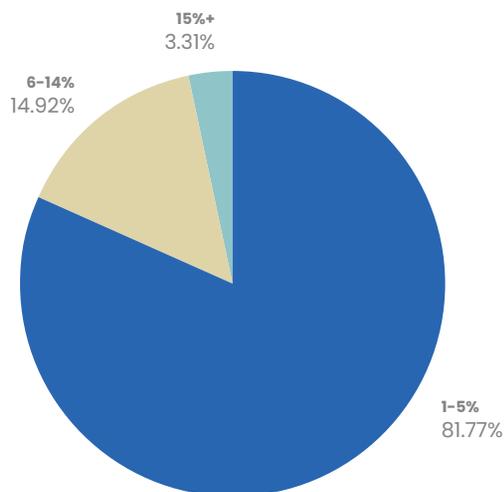


51% said 1%-5%

36% said 6%-14%

13% reported more than 15%

Looking ahead, 73% of respondents expect labor costs to keep increasing throughout the year



82% said it would be in the 1%-5% range

15% said 6%-14%

3% responded 15%+



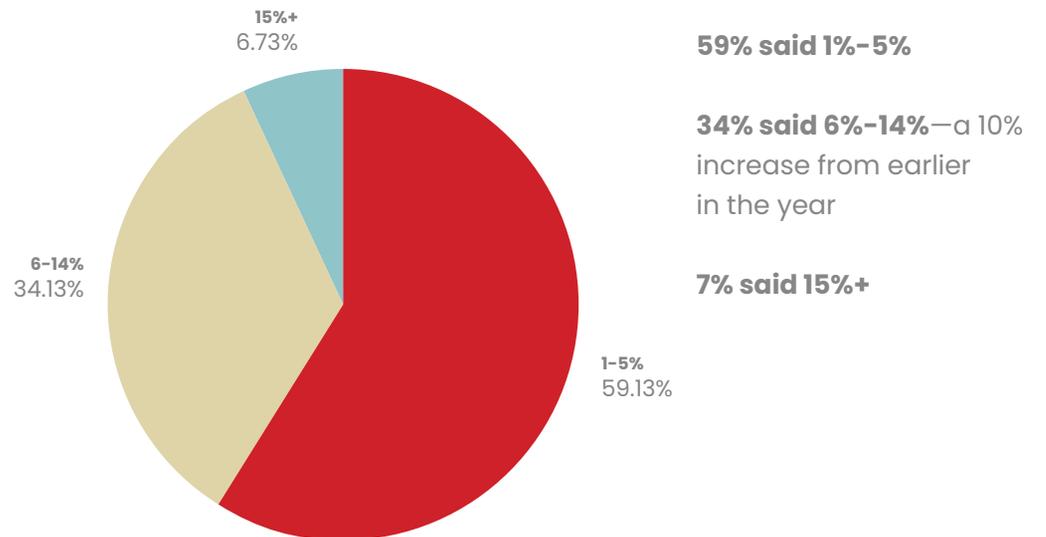


When it comes to managing rising labor costs, there are practical approaches that restaurants can take without sacrificing quality or service. **Using forecasting and scheduling tools** that rely on sales data helps align staffing levels more closely with demand, preventing overstaffing. **Training employees** to handle multiple roles adds flexibility and ensures coverage during busy times or unexpected absences. Automating tasks like scheduling and payroll not only saves managers valuable time but also minimizes mistakes. Incentives tied to performance can boost morale and productivity, meaningfully encouraging the whole team to do their best.

Above all, cultivating a **supportive workplace and clear career paths** can make a big difference in retaining staff, which reduces the high expenses that come with frequent turnover.

The Rest of 2025? Here's What Operators Expect

On food costs, **90% said they expect costs to increase through the rest of the year**

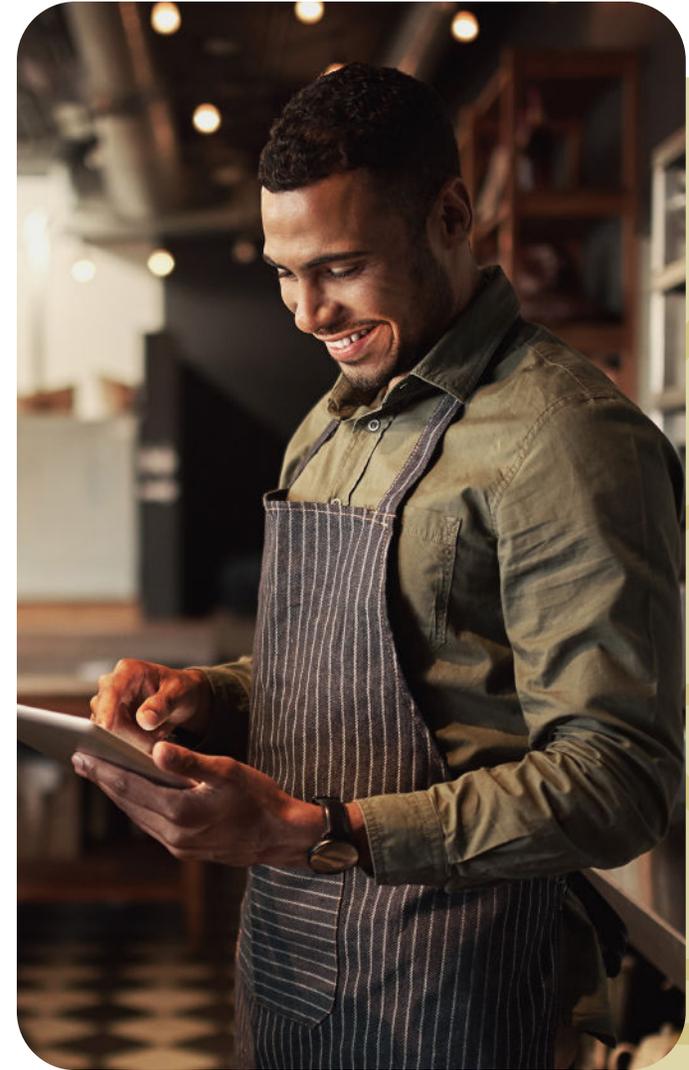
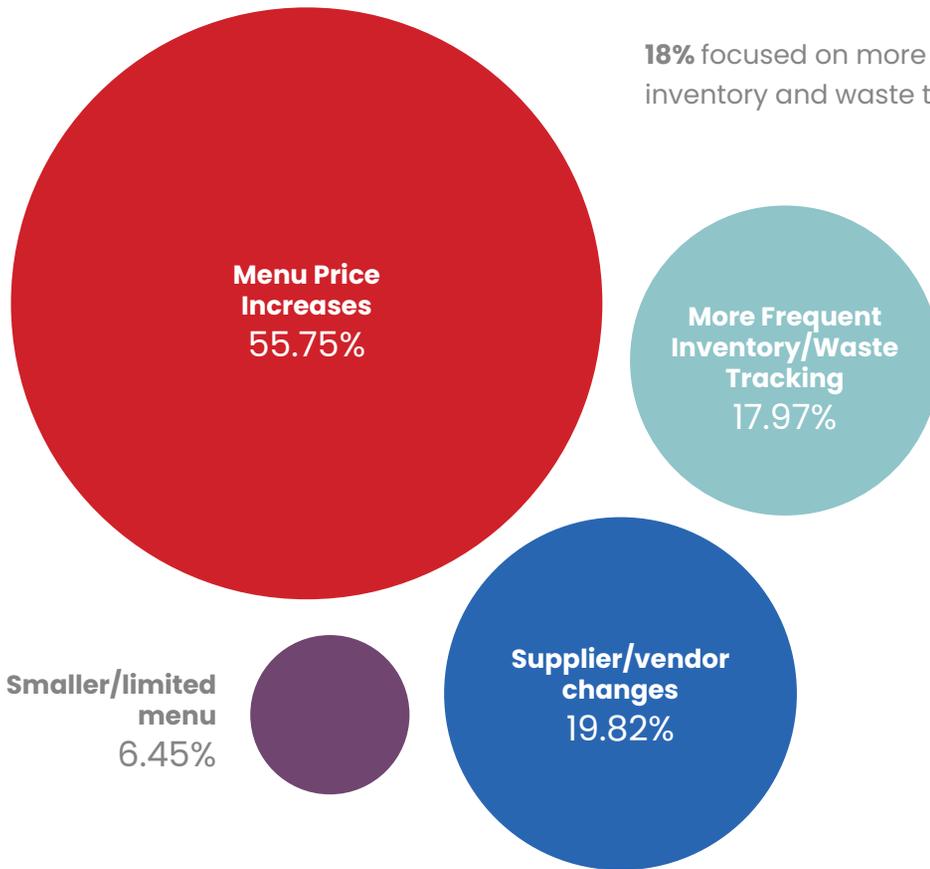


In response to rising food costs:

56% of respondents have increased their menu prices

20% made changes with their suppliers/vendors

18% focused on more frequent inventory and waste tracking

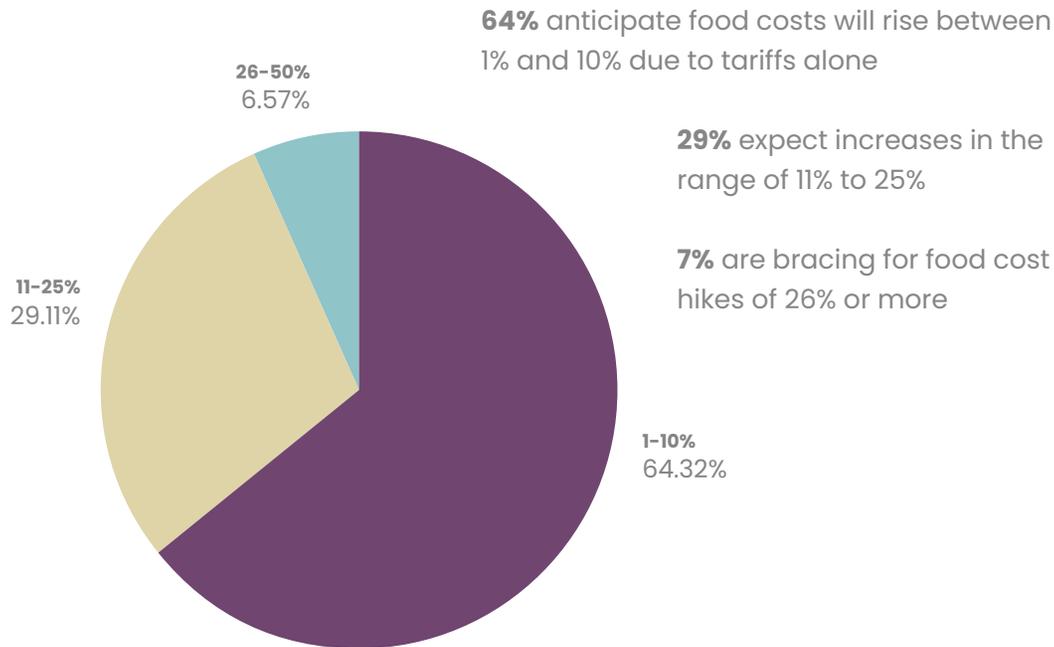


Rising food costs are a real challenge, but there are smart ways to manage them without cutting corners. Focusing on local and seasonal ingredients can help keep prices down while adding fresh, unique flavors to the menu. Simplifying the ingredient list and using versatile staples across multiple dishes makes ordering and prep

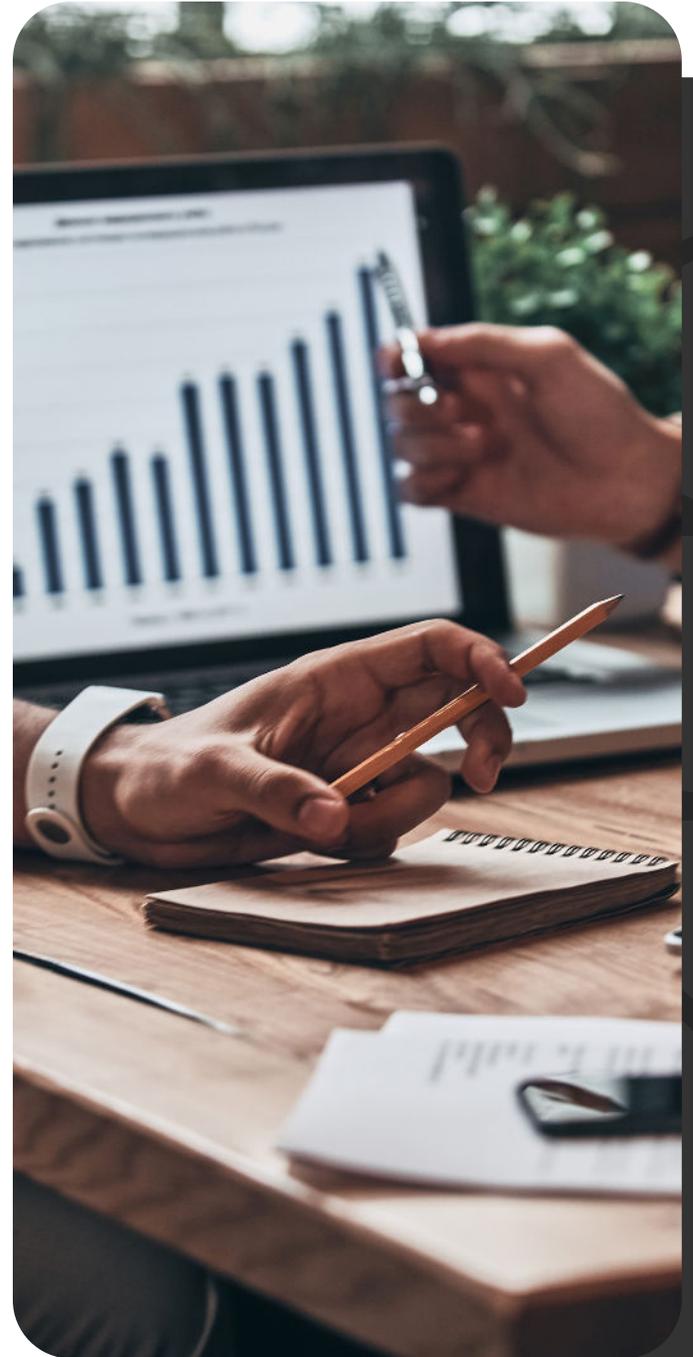
easier—and helps cut down on waste. Some places are also trying out plant-based options or smaller portion sizes, giving guests more choices and keeping costs manageable. The main takeaway? It's about being thoughtful with the menu and sourcing so restaurants can keep delivering great food without breaking the bank.

Tariff Talk

Tariffs continue to weigh heavily on restaurant operations in 2025, adding another layer of complexity to an already challenging environment. According to our survey, **78% of restaurant operators expect tariffs to affect their business this year.** Among those:



These tariff-driven cost increases come on top of ongoing inflation and supply chain disruptions, making it harder than ever for operators to keep menus profitable without sacrificing quality. Some industry experts warn that these price hikes could **cut profits for the average operator by as much as 30%**, underscoring the urgent need for strategic adjustments.

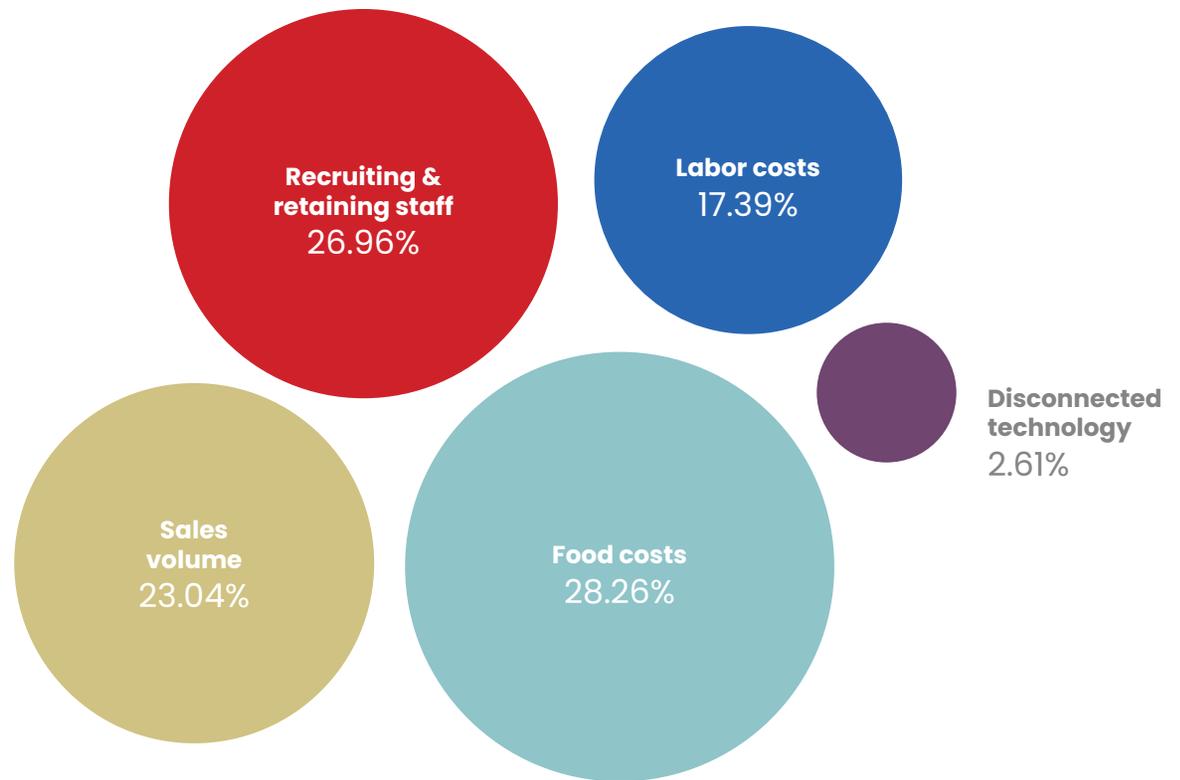


The ripple effects impact not just ingredient prices but overall operational budgets, forcing restaurants to be more strategic in sourcing, pricing, and menu planning. Navigating this shifting landscape requires both flexibility and innovation—from negotiating better supplier deals to leveraging technology that improves efficiency and reduces waste.

The Biggest Hurdle— Halfway Through 2025

In 2025, food costs remain the top concern for restaurant leaders at 28%, closely followed by recruiting and retaining staff at 27%. To address these issues, restaurants are prioritizing competitive wages and fostering a positive workplace culture where employees see clear opportunities to grow. **Regular training helps keep teams engaged**, while recognizing and rewarding high performers strengthens loyalty. Supporting a healthy work-life balance also plays a big role in keeping staff motivated and retained.

On the food cost front, many are fine-tuning their menus to highlight higher-margin dishes and working closely with suppliers to negotiate better deals. Combining these approaches helps restaurants control costs while building a stable, committed team and a healthier work environment.



28% of participants found food costs to be their most persistent issue

27% of respondents revealed that finding and keeping staff is their biggest challenge

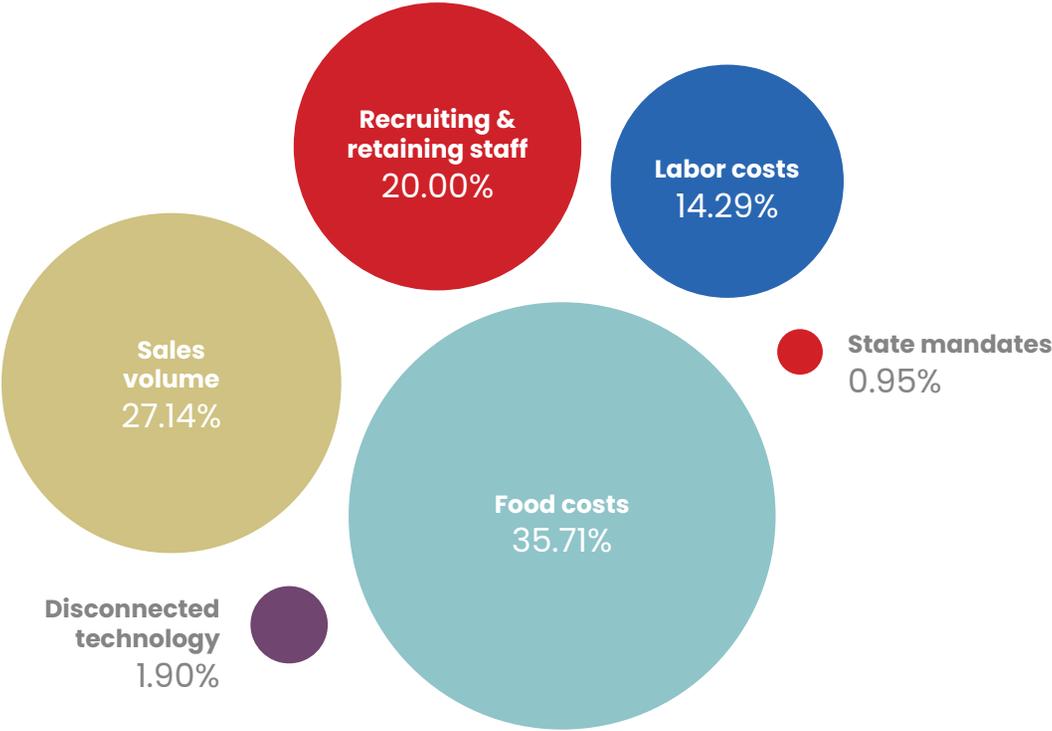
23% of participants flagged sales volume as their main worry

17% of respondents singled out labor expenses as their top concern

3% of those surveyed viewed disconnected tech as a pressing issue



Tariffs and inflation are helping food cost challenges persist. Our latest data shows concern has increased by 1% since the last survey, meaning this won't be going away anytime soon. In fact, 36% of restaurant pros say food costs are still their biggest challenge this year.



36% of participants regarded food costs as their most enduring problem

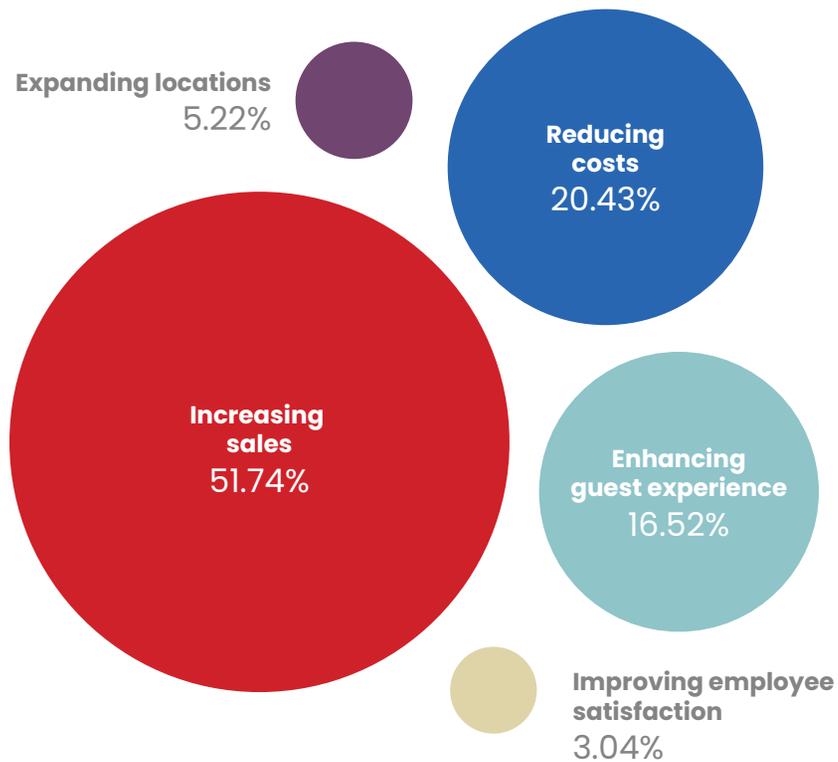
14% of respondents highlighted labor expenses as their main issue

27% of respondents disclosed that sales volume is their number one challenge

2% of respondents cited disconnected technology as a major obstacle

20% of participants said recruiting and retaining staff was their primary concern

As the focus moved to **what lies ahead in 2025**, participants shared their main concerns, goals, and the challenges they expect to face.



52% of those surveyed are prioritizing strategies to drive sales growth

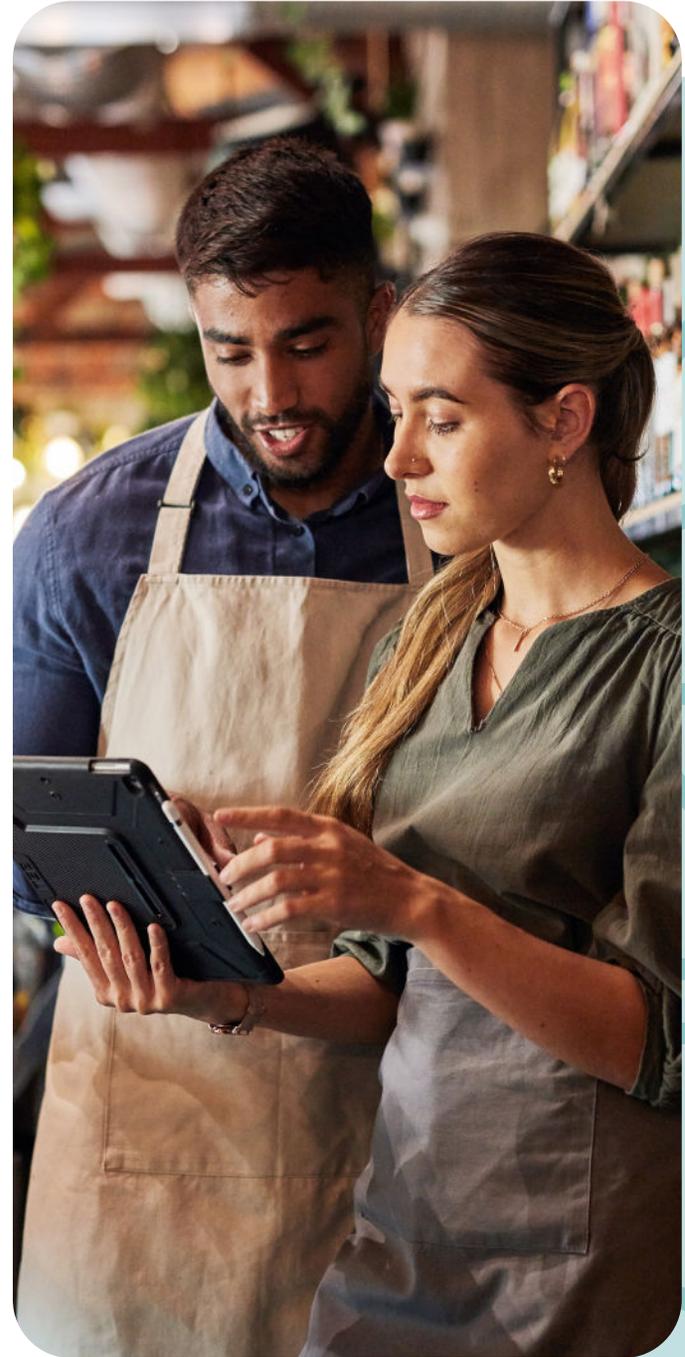
20% are placing the most emphasis on cutting costs and boosting efficiency

17% are directing their efforts toward improving the guest experience

5% are channeling their energy into expanding their footprint with new locations

3% are making employee satisfaction their top priority

3% are focusing on a mix of these areas or other priorities altogether



Expansion & Growth

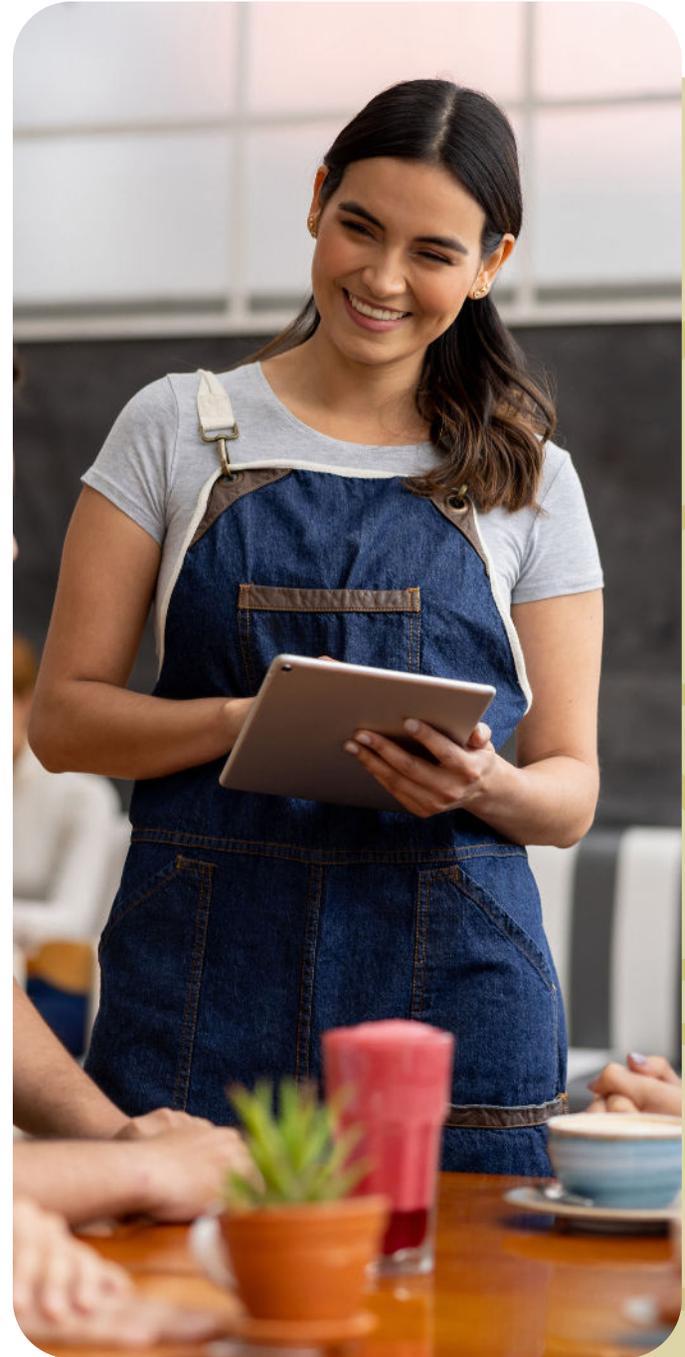
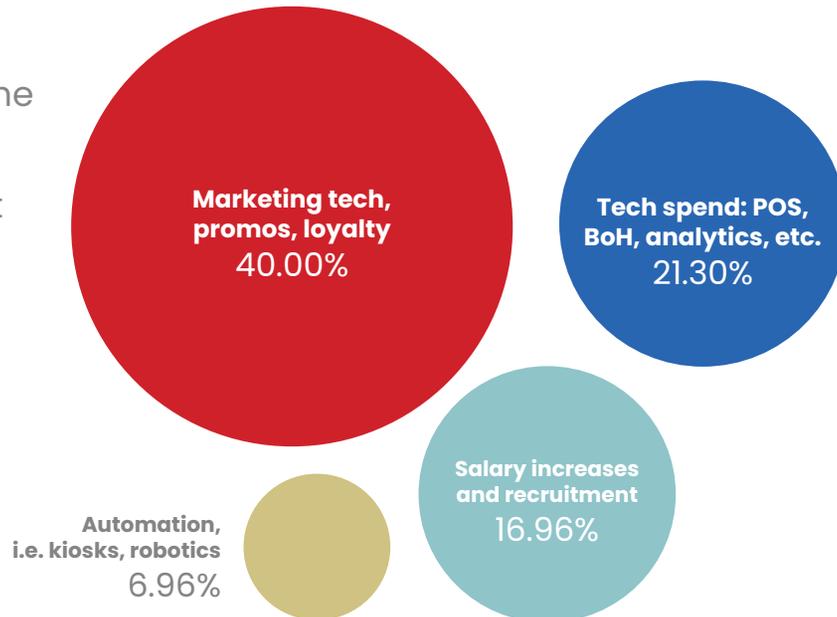
Almost half of the those surveyed—46%—are holding back on opening new locations this year. That's a 12% increase since the start of 2025. But for those who are moving forward, the plans are pretty clear. About 19% want to open a single location, another 20% are looking at adding two to five locations, and a smaller group—around 3%—have big ambitions with six or more new places in the works. It just goes to show how differently restaurants are approaching growth right now.

Planning for the Future

Restaurant leaders are also being strategic about where to invest to keep.

Many are focusing on boosting sales and marketing efforts, upgrading technology to streamline operations, and tackling staffing challenges through better pay and training. From loyalty programs to smarter back-end systems, the goal is to increase revenue, enhance the guest experience, and support their teams.

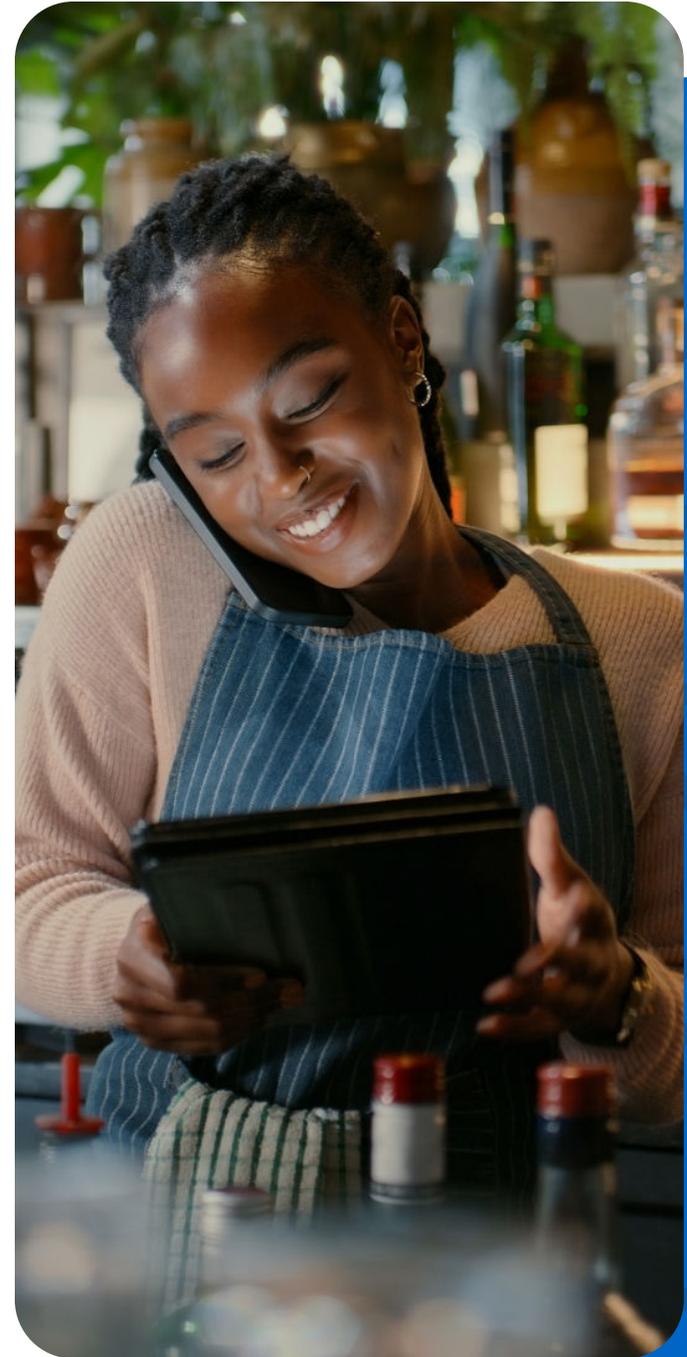
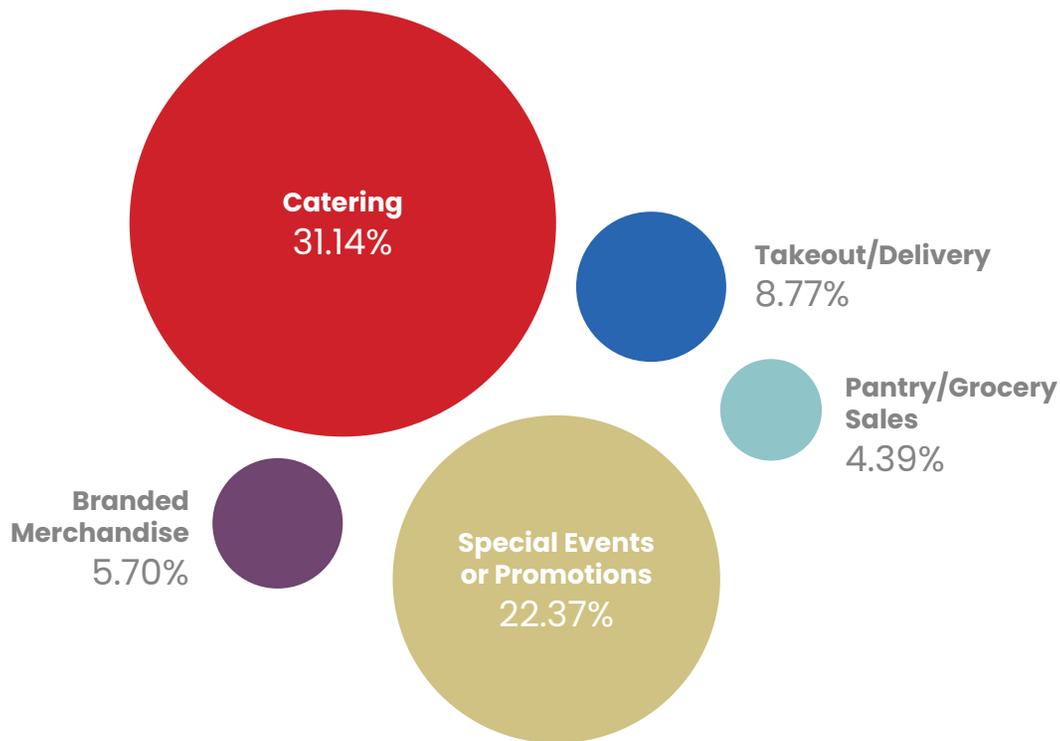
Here are the priorities restaurant operators shared:



Trying Out New Opportunities

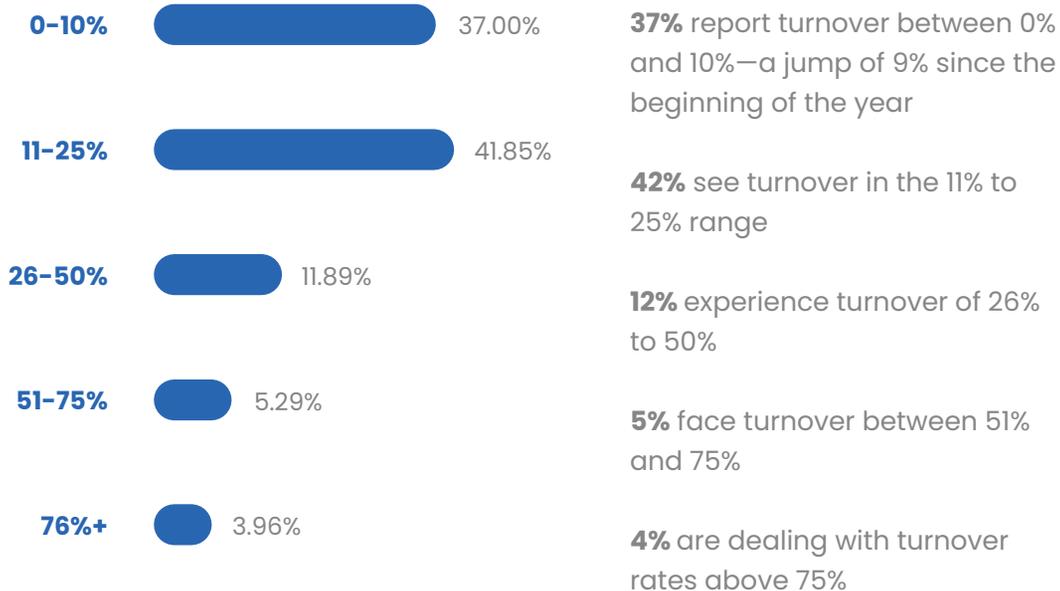
As operational costs climb, restaurant owners are looking beyond the dining room to bring in extra income. Catering has become a big focus, with menus tailored for delivery and larger gatherings. Others are creating branded merchandise like apparel and bottled sauces, giving loyal customers new ways to connect with their brand. These efforts help restaurants balance out rising expenses by adding fresh revenue streams.

Here's what operators are concentrating on:



Hiring & Retention

While rising food costs are grabbing a lot of attention this year, hiring and retaining quality staff remains a significant challenge. About 27% of those surveyed identified this as a top concern. **To better understand the impact, we looked at employee turnover rates:**

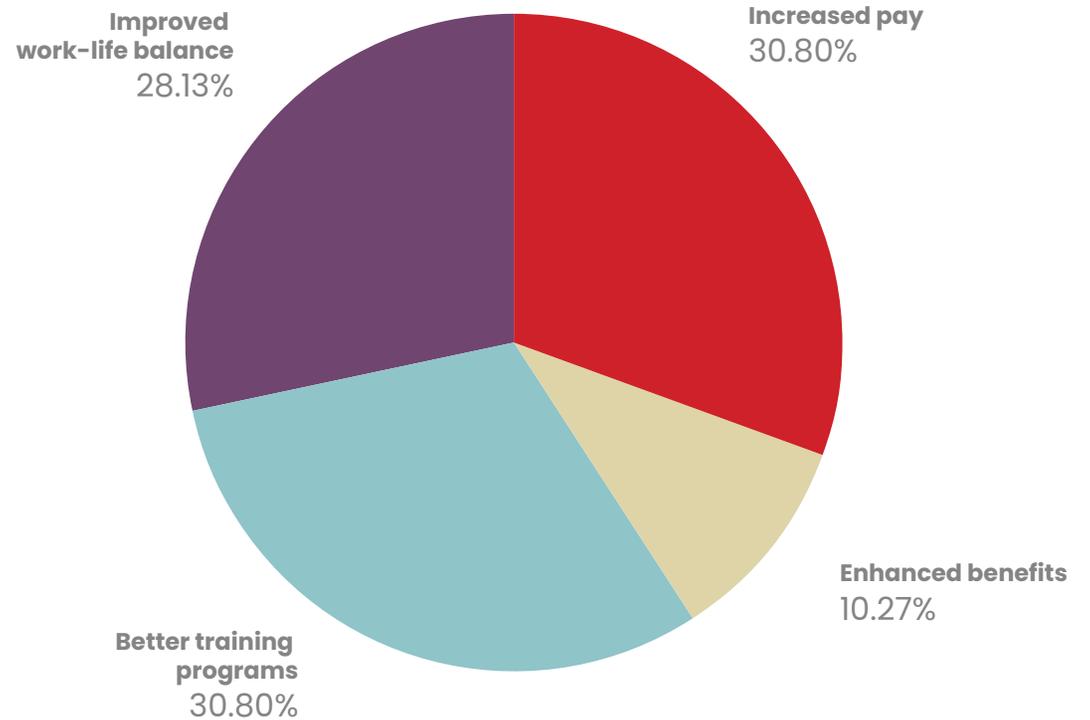


Retaining top talent starts with showing them there's a future for them at your restaurant. One of the best ways to do that? Give them training they actually care about. **Customizable courses** let team members build the skills they're most interested in, at a pace that works for them. It's not just about checking boxes during onboarding—it's about helping every hire see a real path forward. When people know how they can grow, they're more likely to stick around.



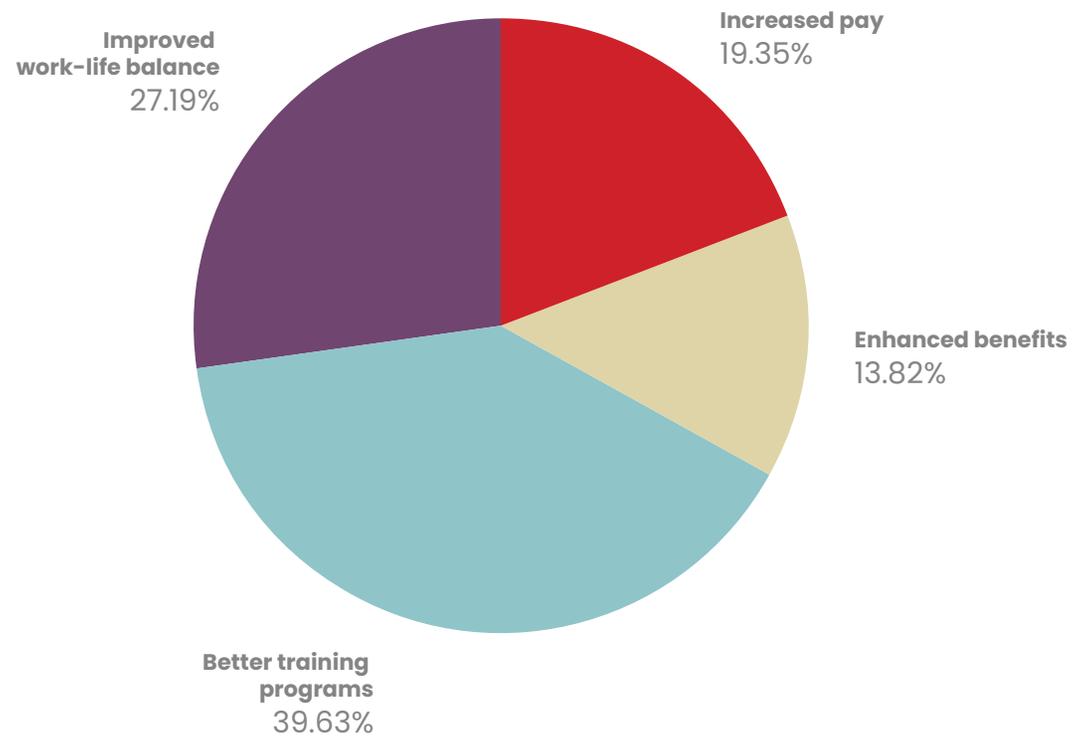


While employee turnover continues to challenge the industry, restaurant leaders aren't short on ideas to keep their teams intact. We asked operators what steps they're taking to boost retention, and here's what they had to say:





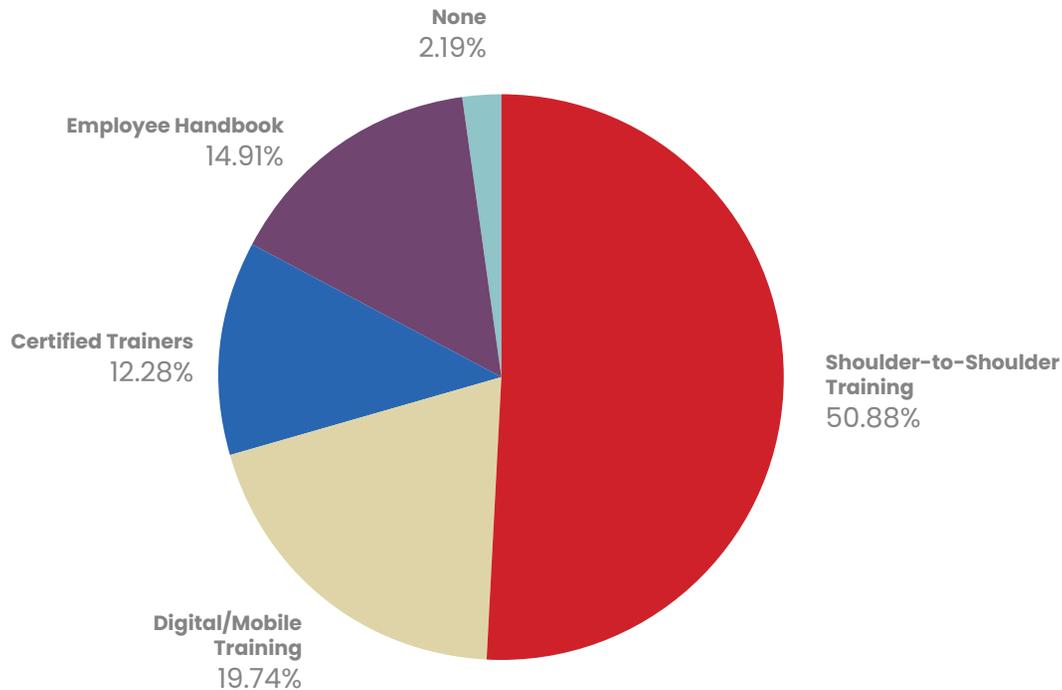
Looking ahead, leaders are doubling down on ways to keep their teams happy and motivated. From training upgrades to better pay, here's where they're putting their energy:



Employee Training

Strong onboarding and training programs lay the groundwork for long-term employee success. When new hires feel supported from day one, they're more likely to stay engaged and committed. **Customizable training platforms** that offer content in multiple languages help break down communication barriers and ensure every team member can learn and grow. Incorporating clear career development paths into training also helps employees understand how they can grow within the organization—boosting motivation, retention, and performance.

We asked restaurant operators to share how they're approaching employee training, and the responses show a mix of hands-on and high-tech solutions:



The biggest things we've been working on to improve employee retention are **transparency around earnings and the path to higher pay**, as well as how development and accountability through LMSs contribute to that trajectory—or lack thereof. Additionally, we've focused a lot on the fact that, with more discerning consumers, hospitality and its ability to add to the overall value proposition have never been more important.

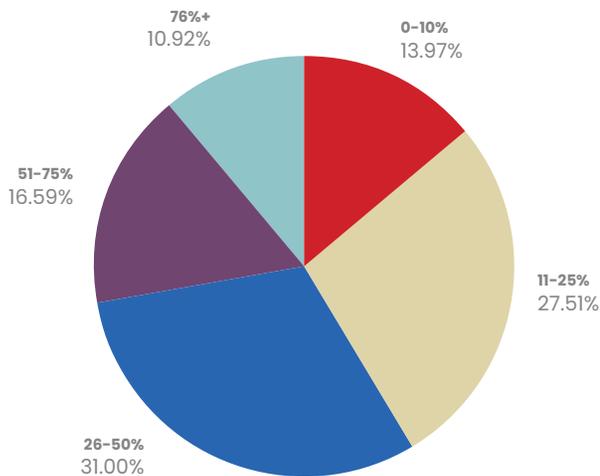
Pike Howard

OWNER



The time spent on employee training each week varies, but most restaurant operators recognize its value. Over half—57%—provide one to two hours of training. A smaller share, 16%, aim for three to four hours, while 15% go all in with five or more. Still, **12% of teams are going without any formal training.** To strengthen their teams and stay nimble, many restaurants are leaning into cross-training. Teaching staff to handle multiple roles doesn't just help cover shifts—it also opens doors for career growth and long-term engagement.

When it comes to cross-training, responses were spread across the board:



14% of operators said just a small portion—up to 10%—of their team is cross-trained

28% reported that 11% to 25% of their staff can step into multiple roles

31% indicated that between a quarter and half of their team is cross-trained

17% said a strong majority—between 51% and 75%—have cross-functional training

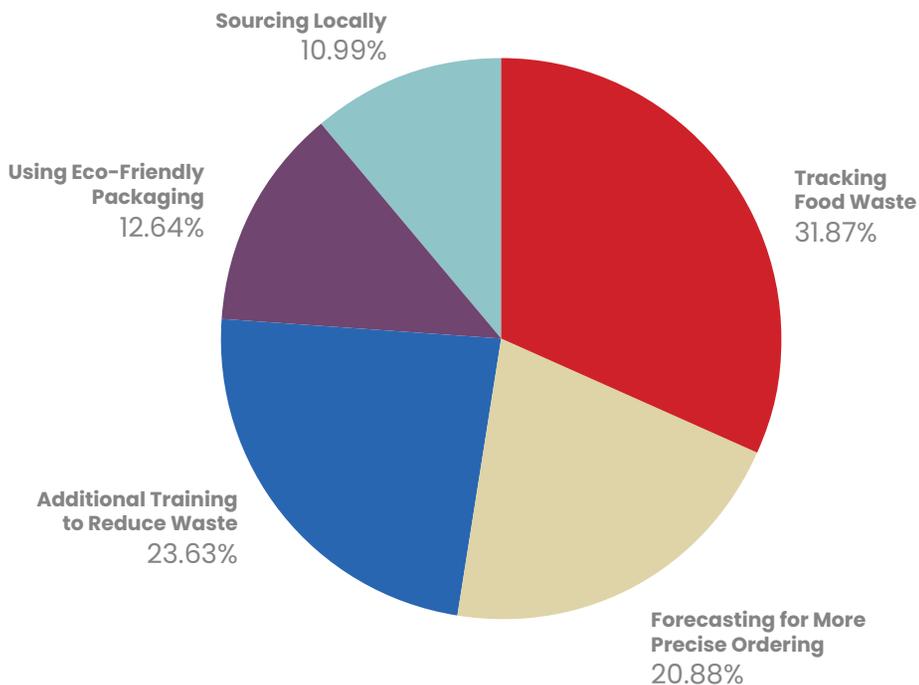
11% said 76%+ of their staff trained across different positions



Sustainability

With costs climbing and margins tightening, restaurants are finding that going green isn't just good for the planet—it's **smart for the bottom line**. More operators are adopting sustainable habits to trim expenses while winning over guests who care about where their food comes from and how it's served. Small changes like cutting food waste, ordering smarter, and choosing local ingredients not only help control costs but also build a loyal base of customers who appreciate eco-friendly efforts. Even swapping out plastic for compostable packaging can make a big impression—proving that sustainability and success can go hand in hand.

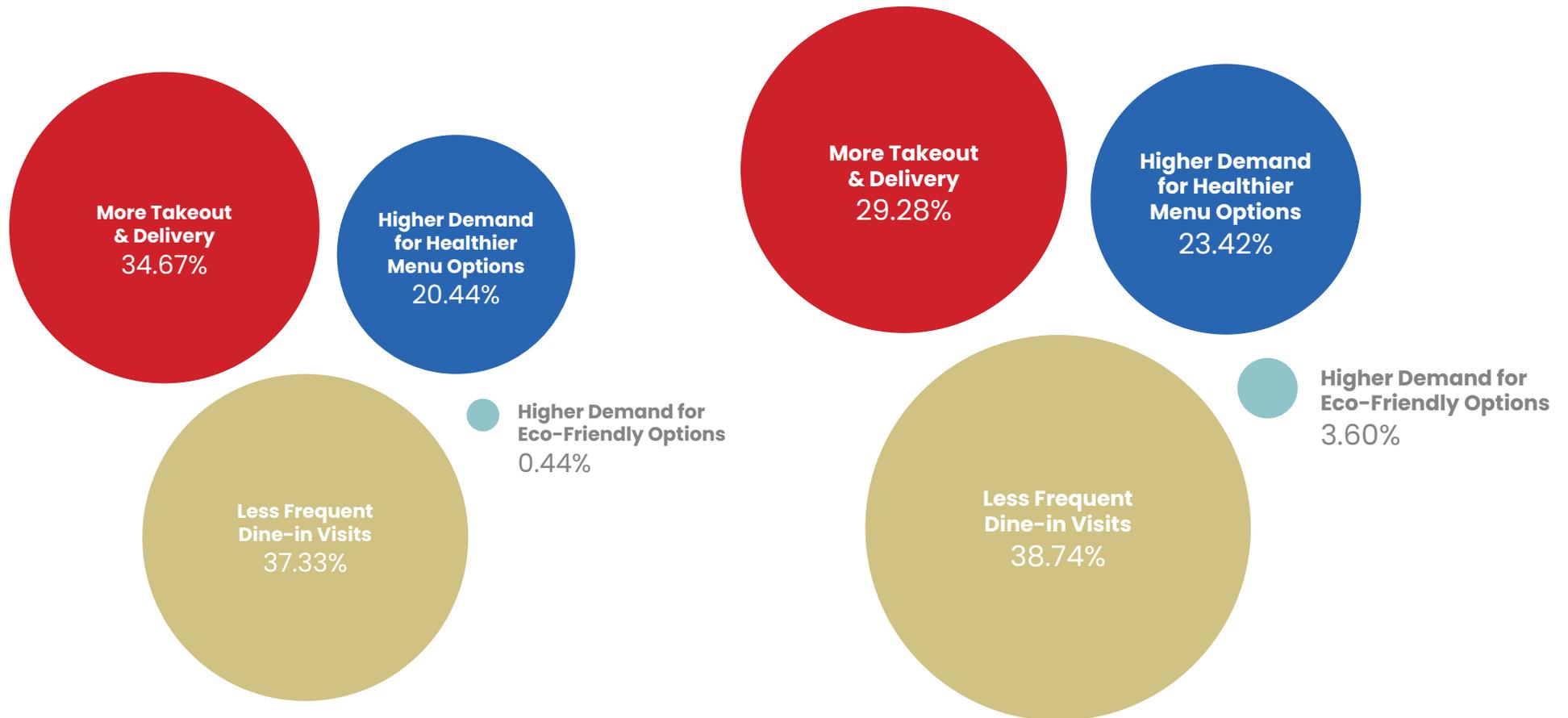
The survey shows that **73% of restaurant operators are already embracing sustainable practices**. Here's how they're making it happen:



Consumer Behavior

Tariffs and inflation have combined to push up prices across the board, influencing how consumers approach dining out in 2025. While many are tightening their belts, **the desire to enjoy meals away from home remains strong**—just more carefully balanced against overall spending. Operators are noticing these shifts firsthand in guest behaviors. Here's what they're seeing:

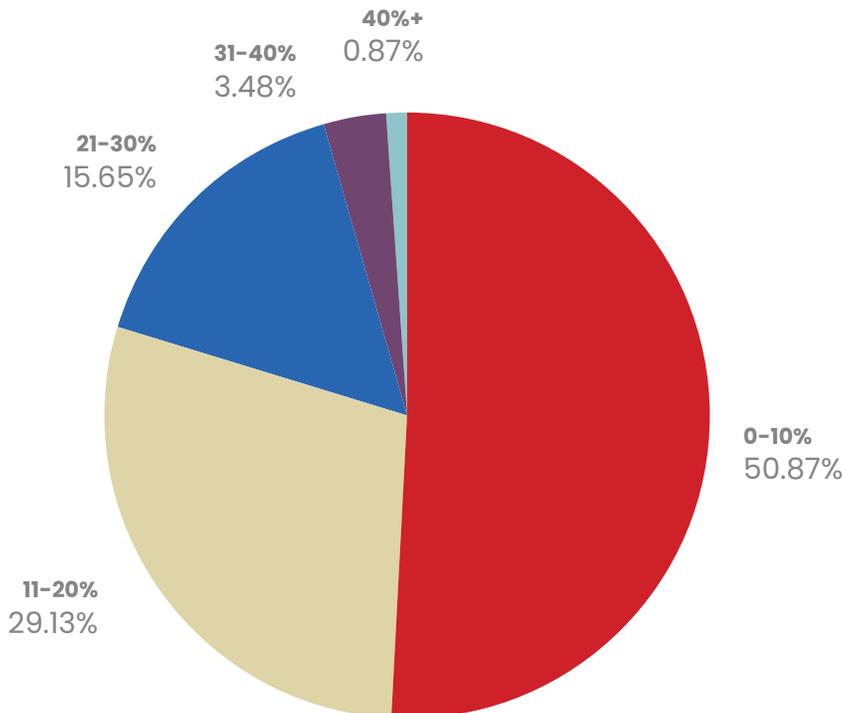
Healthier dining is on the rise, with guests increasingly seeking meatless options, cleaner cooking oils, and clearer nutrition information. Restaurants are responding by ditching harmful ingredients, adding plant-based dishes, and posting nutrition facts right on the menu. **Operators told us these are some of the top trends shaping 2025:**



Delivery Dynamics

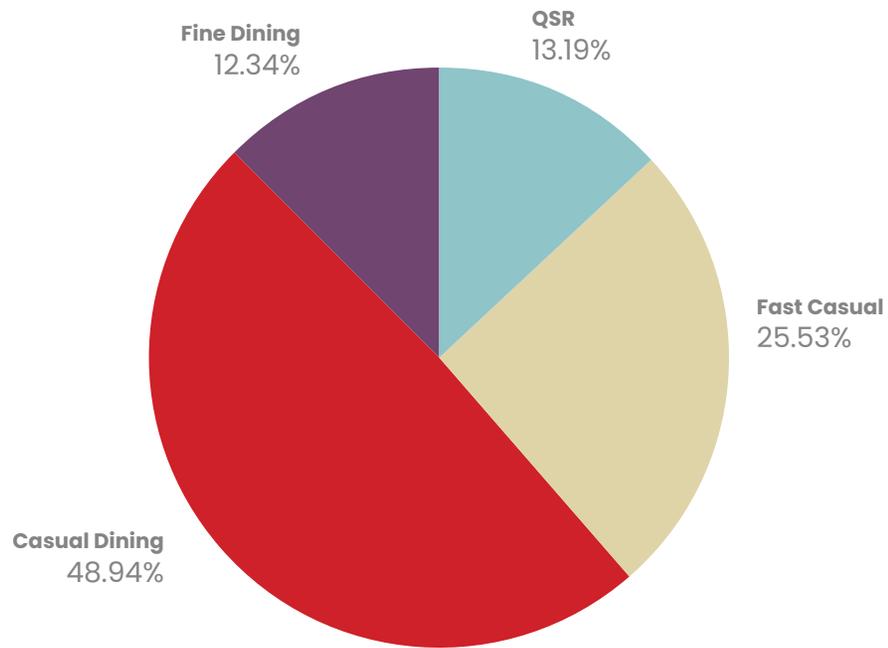
Third-party delivery apps have become a lifeline for many restaurants looking to meet growing demand for at-home dining. They offer greater exposure but can complicate quality control and customer interactions. To keep standards high, restaurants are stepping up their packaging game and encouraging customers toward ordering directly when possible. In cases where disputes arise, **third-party dispute resolution mechanisms** provide an impartial way to settle matters without damaging reputations.

Despite the challenges that come with third-party delivery services, many restaurants recognize the value these platforms bring in expanding reach and offering convenience. When asked about the impact of third-party delivery on their revenue, here's what operators shared:

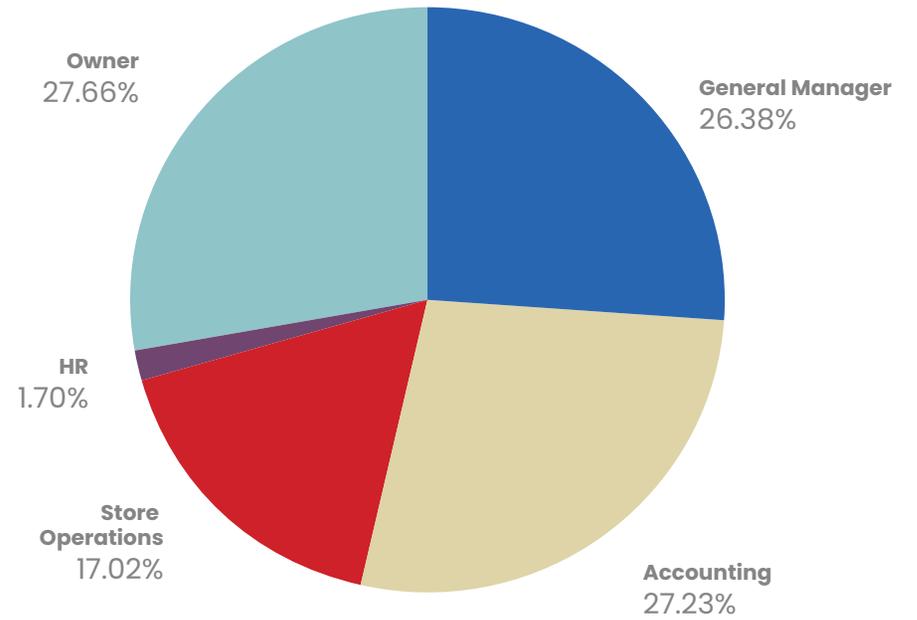


Demographics

Restaurant Type



Job Type





Conclusion ✨

The pressure in 2025 is coming from all angles—rising food and labor costs, tariffs, shifting consumer behavior, and persistent inflation. And it's not just operators feeling the heat—consumers are watching their wallets too, making every dollar count. But if the first half of the year has shown us anything, it's that the restaurant industry isn't standing still. It's adapting with sharper strategies, smarter tech like integrated inventory, labor, and accounting systems, and a renewed focus on team development and guest experience.

There's no easy fix for what restaurants are facing, but there's also no shortage of determination. As operators push forward, **creativity, resilience, and flexibility remain the key ingredients to long-term success.**

Restaurant365

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Schedule a free demo of Restaurant365 today.