

## Food Services Play a Pivotal Role in the Consumer Journey

Well-Curated Dining Options Elevate the Shopping Experience

### Key Takeaways

- Nearly two-thirds (64%) of adults in the U.S. spend on food services at least once per week.
- On average, consumers spend \$71 per week on dining at restaurants, eating fast-food and all other pre-cooked items.
- One-third (33%) of adults are eating out/ordering food more than they did two years ago, while the same share says they expect to dine out/order more over the next 12 months.
- The top reasons for dining out are that it saves time and energy (59%) and it provides an entertaining experience (35%).
- Food quality (55%), price (52%), cravings (36%) and proximity (35%) play the biggest roles in determining where people eat.
- Consumers want to see shopping centers incorporate healthy food options (43%), interactive dining concepts (35%) and self-serve/grab-and-go food tenants (34%).
- More than four-fifths (84%) of U.S. consumers who visit malls patronize the food service establishments there.
- Seven of 10 (71%) adults who patronize the food service establishments in shopping centers say the curation of those tenants is important in deciding which centers they visit.
- Nearly half (45%) of adults say they are inclined to visit shopping centers with appealing food service options more frequently.
- Half (50%) of consumers spend more time and money at shopping centers with well-curated food-and-beverage (F&B) services.
- For physical restaurant space, the largest shares of customers are interested in having loyalty rewards programs (39%), free Wi-Fi (36%) and apps (30%) when it comes to technology .
- Related to food services delivery, customers have the most interest in having the ability to order online and pick up food curbside (41%), loyalty rewards programs (41%) and receiving delivery status updates (30%).

The retail and leisure landscapes are undergoing significant changes, led by demographic shifts, technological advancements and evolving consumer expectations. These trends and new preferences are having a big impact on the retail and food service sectors, in terms of consumer spending patterns and space allocation. As spend shifts from transactional to experiential, food services are continuing to grow in importance to retail real estate, as it can drive shopper traffic, dwell time, spend and overall sales growth.

### State of the Food Services Industry

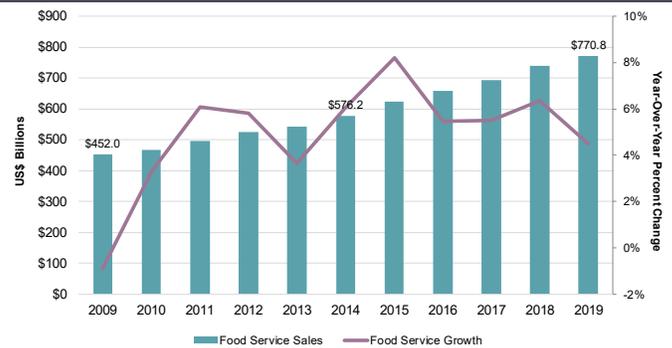
In 2019, as shown in Chart 1, total sales in the **food services and drinking places category grew 4.5% from 2018 and reached nearly \$771 billion**, according to the most recent data released by the U.S. Census Bureau.<sup>1</sup> This surpasses most retail

<sup>1</sup> These figures are based on the non-seasonally adjusted figures from the U.S. Census Bureau [Monthly Retail Trade and Food Services Report](#) updated February 14, 2020.

<sup>2</sup> Every five years, the [U.S. Census Bureau](#) collects extensive statistics about businesses that are essential to understanding the American economy. This official count, better known as the Economic Census, serves as the foundation for the measurement of U.S. businesses and their economic impact.

Chart 1

Food Services and Drinking Places Sales, 2009-2019



Source: U.S. Census Bureau

categories apart from motor vehicle and parts dealers and F&B stores (or supermarkets).

Last year's increase was not just an anomaly. In fact, over the past decade, the F&B services sector has been consistently performing well. **Between 2009 and 2019 F&B services sales increased 70%**. During the first half of the decade (2009-2014), sales rose 28%, with growth averaging 5% per year. In the second half (2014-2019), total food service sales surged 34%, with annual year-over-year (YOY) growth averaging 6%. The last time the F&B services category experienced an annual decline was during the recession in 2009 when sales declined 1%.

Even on a monthly basis, sales have experienced **120 consecutive months** of positive YOY increases and there are no signs of any slowdown. In January 2020, the sector experienced its strongest gain (+8.2%) since August 2018 based on advanced U.S. Census Bureau estimates.

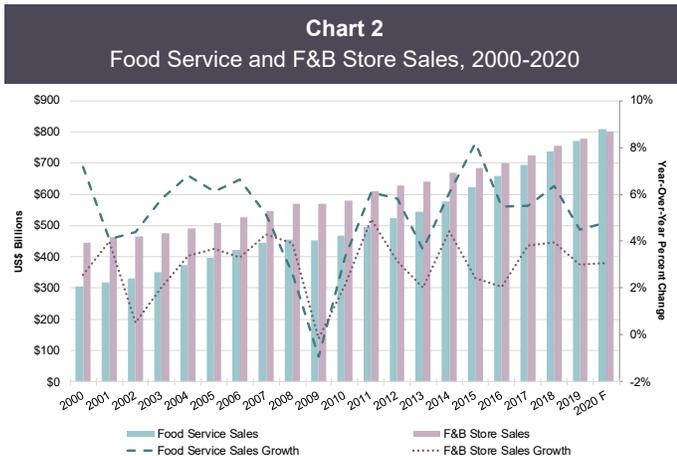
The number of restaurant and drinking places has also expanded. According to the U.S. Census Bureau Economic Census, from 2002 to 2017, the total net number of **food service establishments grew by 155,684** (or 31%)—rising from 504,641 to 660,325.<sup>2</sup> This far exceeds the numbers of other service locations added during the same time, including personal and laundry services (+35,130), wired and wireless telecommunications carriers (+11,296), fitness and recreational sports centers (+11,173) and amusement arcades (+1,372). From 2012 to 2017 alone, the net number of food service establishments increased 61,669 (or 10%).

### Comparing Restaurant and Supermarket Sales

Though at their core, supermarkets and restaurants serve the same basic purpose, they do so in very different ways. One

requires consumers to buy and prep their meals, while the other serves up effortless meals. The historic sales trends for both categories clearly show shifting priorities.

*Over the past 20 years, food service sales have nearly tripled while sales at F&B stores just about doubled.* In terms of total dollars, sales at F&B stores in 2000 were roughly 50% larger than food services, but by 2010 that gap shrunk to about 25%. Last year, sales at F&B stores were only about 1% bigger and this year, ICSC is forecasting that food service sales will surpass that of food stores. (See Chart 2.)



Source: U.S. Census Bureau

Food services averaged 5% annual growth since 2000 compared to 3% at F&B stores. More recently, as mentioned earlier, food service sales soared by 70% in the last decade compared to 36% at F&B stores. Even in the last five years, food service sales grew 37%, while those in F&B stores rose 16%.

### U.S. Consumers are Frequent Diners

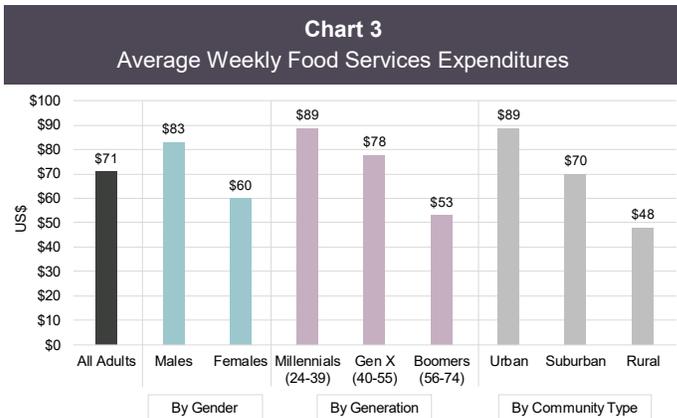
With their sales so high, it comes as no surprise that consumers are spending on food services frequently. *Overall, about two-thirds (64%) of U.S. adults dine, order delivery/takeout or pick up prepared food at least once per week.*<sup>3</sup> More specifically, nearly two-fifths (37%) of U.S. adults spend on F&B services multiple times per week, while another 27% do so about once a week. This is expected to keep rising: over the next 12 months, 33% of consumers say they plan to dine at restaurants or order food delivery/takeout more often than they do now.

Millennials are the most frequent spenders with 72% of them eating out/ordering at least once a week, followed by Gen Xers (69%) and Baby Boomers (54%). By gender, more males (69%) than females (60%) spend on food services at least once per week and a higher share of consumers in the Midwest and South (67% in each region) compared to the West (61%) and Northeast (60%) do the same. More consumers with children (72%) dine out/order at least once per week versus those without any (61%).

Among the major food service categories, consumers visit fast-food establishments most often with nearly half (46%) of adults saying they visit frequently. This is followed by coffee shops and cafés (33%), impulse/sweet-treat establishments (31%), fast-casual restaurants (29%) and casual-dining venues (25%). Only 19% of consumers say they visit fine-dining restaurants frequently.

### Average Weekly Dining Expenditures

On average, U.S. consumers spend \$71 per week dining at full-service restaurants, eating at limited-service fast-food or fast-casual establishments and purchasing ready-to-eat meals or ordering delivery. Males, Millennials and urban consumers all spend more than their respective counterparts. (See Chart 3.)



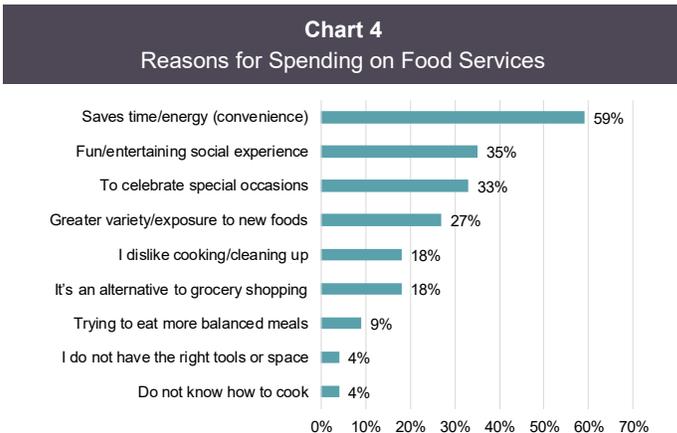
Other noteworthy demographic spending differences include:

- *Consumers in the West* spend the most (28% more than those in the Midwest, who spend the least);
- *Consumers in higher-income households* (earning \$100K+) spend about 40% more than middle-income households and nearly twice as much as consumers in the lowest-income households (earning less than \$50K); and
- *Households with children* outspend those without children by 74%.

*Overall, one-third (33%) of adults say they are currently spending more* on dining out, ordering delivery/takeout and picking up prepared meals than two years ago, while 38% say expenditures have remained relatively the same.

### Convenience is the Leading Reason for Dining Out

The top reasons for spending on food services are related to *convenience, socialization and entertainment.* (See Chart 4.) The most popular reason given is to save time and energy (59%). This is followed by it being a fun/entertaining social experience (35%) and special occasion celebrations (33%) and special occasion celebrations (33%). Slightly more than



<sup>3</sup> These results and others in this report are based on a representative poll of 1,004 adults in the U.S., conducted from February 3 to 5, 2020, by Engine Insights on behalf of ICSC.

one-quarter (27%) of those buying non-grocery F&B mention the exposure to something new and different.

While there was little difference in the reasons given for dining out by demographic, one in particular stands out. About one-quarter (24%) of Millennials say they spend on food service because it is a good alternative to grocery shopping. This compares to 19% of Gen Xers and 14% of Baby Boomers.

### Food Quality is Most Important When Choosing Where to Eat

With consumers becoming more informed about food trends and styles, more variables factor into where they eat. As one executive points out, consumers want high-quality food in a well-designed, clean environment, locally sourced products with technology embedded, and with quick payment and pickup options.<sup>4</sup>

By far, the two factors playing the biggest roles in choosing a place to dine are **food quality (55%) and price (52%)**, as shown in Chart 5. Following those top considerations are craving at the moment (36%)—a factor for far more Gen Xers and Millennials than Baby Boomers—proximity to location (35%) and variety offered (20%).

**Chart 5**  
Factors That Influence Where Consumers Eat



### Food Services are Changing the Shopping Center Landscape

As discussed in a recently published ICSC report, the emergence of services has changed the tenant composition and reshaped shopping centers.<sup>5</sup> The inclusion of service-based tenants alongside more traditional retail shops demonstrates that owners are adjusting their properties to attract a broader audience by accommodating changing consumer behaviors. As 46% of consumers say **dining is now an essential part of their lifestyle**, the major focus has shifted to updating F&B services.

According to CoStar, a commercial real estate information company, the amount of shopping center space allocated to food service tenants rose from 6.9% in 2014 to 8.2% in 2019.<sup>6</sup> This expansion has become a vital part of landlords' strategies as they reimagine their properties because 71% of consumers who visit **F&B establishments at shopping centers say the presence of those services is important when selecting which shopping center to visit**—an increase from 66% in 2017. Additionally, 45%

of U.S. adults say that they are inclined to visit shopping centers with appealing F&B facilities more frequently.

Overall, **more than four-fifths (84%) of adults in the U.S. patronize F&B service tenants when they visit a mall or other type of shopping center**. This percentage rises to 92% among Millennials, 87% for Gen X and is slightly lower within the Baby Boomer population (77%). Over the past two years, 24% of adults who spend at F&B establishments in shopping centers say their visits to those tenants have increased and 30% say they are spending more money on food services at shopping centers.

### Shifts in Consumption Patterns at Shopping Centers Emerge

Due to changes in shopping preferences and the resulting shift in the tenant mix at shopping centers, consumer expenditures on food services at those properties have changed. **Since 2016, average monthly spending on F&B services at shopping centers, including malls and open-air centers, increased nearly 16%.<sup>7</sup>** Furthermore, that category is also now accounting for a larger portion of total monthly expenditures. In 2016, dining represented 18% of monthly shopping center expenditures, with 73% going to traditional retail goods and 10% to other services. By 2019, consumers were allocating 19% of those center expenditures to food services, 70% to retail goods and 11% to other services.

Although about one-quarter (26%) of adults say that more than in the past, F&B has become the primary motivation for their shopping, most shoppers combine dining with other activities. **The largest percentage of shopping center visitors who spend on food services also shop (76%)**, demonstrating a clear symbiotic relationship between traditional retail and food service. Half of adults are more likely to spend additional time and money at retail stores if the center has a well-curated F&B offering that appeals to them.

ICSC's *Mix of Use* consumer survey conducted in March 2019 found similar results.<sup>8</sup> Retail and food services were found to have the strongest relationship with one another compared to any other tenant pair. More than half (55%) of consumers said it is either "extremely important" or "important" that the pair be near each other at shopping centers.

Other activities at shopping centers that are typically combined with dining are seeing movies (45%), using personal services (24%), participating in leisure activities (19%) and going to the gym (13%).

### Creating the Right Food Services Space at Shopping Centers

Though most shopping center visitors are spending on food services, indicating a general satisfaction with the offering, there are a few ways in which F&B services at those properties can be improved. The largest percentage of patrons (37%) want to see the expansion of casual-dining restaurants. Closely following those are fast-food eateries (35%), fast-casual tenants (34%) and coffee shops/café (29%).

Consumers are also increasingly looking for healthier food, whether it is vegetarian, vegan, low-fat, low calorie, gluten-free, or just prepared from fresh ingredients. Greater emphasis on

<sup>4</sup> Guy Mercurio of Macerich as quoted in "The Successful Integration of Food & Beverage Within Retail Real Estate," ICSC, 2017, page 55.

<sup>5</sup> "Retail Real Estate Transformed," *Industry Insights*, ICSC, January 15, 2020.

<sup>6</sup> Copyright, CoStar Realty Information Inc. ([www.costar.com](http://www.costar.com)).

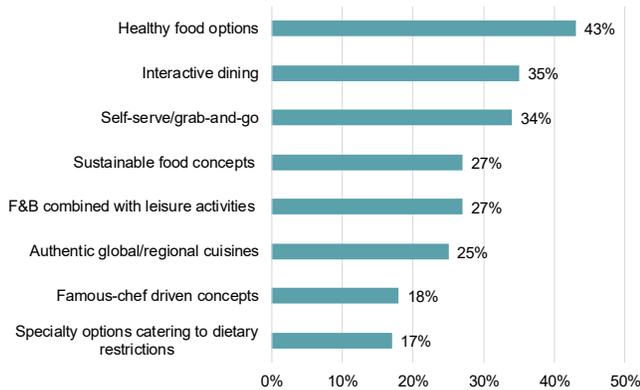
<sup>7</sup> Based on data collected through ICSC's ongoing consumer engagement surveys conducted by Engine Insights.

<sup>8</sup> "Mixed-Use Properties: A Convenient Option for Shoppers," *Industry Insights*, ICSC, April 12, 2019.

freshness, together with concerns about the environment and sustainability is prompting local sourcing of ingredients.<sup>9</sup>

This trend is confirmed by ICSC's survey results. Over two-fifths (43%) of *consumers are interested in seeing healthy food options at their shopping centers.* (See Chart 6.)

**Chart 6**  
Food Concepts Consumers Increasingly Want to See



From an operational and design perspective, consumers spending on F&B at shopping centers would be inclined to visit more often and spend more money at food services tenants if there were more inviting, clean seating areas with ample space (41%), clustering of the F&B options in one particular area (33%) and accessibility to the restaurants directly from the outside parking areas, not just from within the mall (31%).

Additionally, despite the largest shares of mall visitors spending at fast-food tenants, 44% of consumers say that food halls, the collection of local artisan restaurants and other boutique food-oriented vendors, are more attractive than traditional food courts, typically occupied by fast-food and chain restaurants.

### Using Tech to Create Fun and Memorable Meals

Within the F&B services sector, technology is both an enabler and disruptor. Technological advancements are facilitating new forms of engagement between patrons and operators and creating new ways to meet the needs of consumers while enhancing the overall experience. Restaurant businesses are better equipped with new tools to improve operations and maximize efficiencies, thus providing better customer service and growing profits. Also, they now have access to more resources that allows them to track customer trends, ordering behavior and reviews.

According to ICSC's 2017 F&B report, technology has played a major role in reducing the amount of time people are waiting for their food.<sup>10</sup> New production methods that save time and resources, self-service through apps or in-store kiosks and improvements to the ordering and payment process are enhancing customer experiences. Advanced analytics are helping to gather customer insights and drive performance, while some technologies are instrumental in improving experiences within the food service

space by creating hyper-personalized experiences. Other technology developments are also playing an integral role in keeping guests at shopping centers. For example, customers can join "virtual lines" so they don't have to physically wait at the venue and continue shopping.

*About two-fifths (38%) of consumers say that integrating technology with F&B services significantly improves their overall satisfaction when dining out.* When it comes to the tech-related features that interest consumers the most, loyalty programs (39%) are on top. Customers want to be rewarded for their repeat business and feel as though they are getting additional perks for something they are doing anyway. For the restaurant, reward programs attract new and returning visitors.

Also popular are free Wi-Fi (36%) and apps (30%). Although there is little immediate benefit to the business by offering free Wi-Fi, consumers are increasingly seeking convenience and this is one of the more appealing options. Being able to connect to the internet can increase length of stay for those who would otherwise rush out. Plus, some customers may use the internet at the moment to share their experience on social media. With a good app (or even website) customers may feel more comfortable visiting the restaurant, as they can browse the menu, look up other information and make online orders and reservations. Self-service touchscreen ordering (25%) and digital tableside menus (22%) are also among the more popular features.

Perhaps one of the most significant ways in which technology has impacted the F&B services sector is with digital ordering for takeout and delivery—one of the fastest growing food service segments. The leading reason for this growth is once again convenience. In a few clicks, consumers can compare menus, specify their order and have a meal quickly delivered directly to them through a variety of services or third-party aggregators or prepared ahead of time for speedy pickup. Slightly less than one-third (30%) of adults in the U.S. say they are now ordering food more frequently through delivery/takeout services such as DoorDash, Grubhub, Seamless and Uber Eats.

While digital ordering is a tech advancement itself, consumers have specific preferences about the various aspects of it. Tied for the most popular food service delivery/takeout features are ordering online and having the ability to pick up the food curbside (41%) and loyalty reward programs for frequent use (41%). Furthermore, about one-third (30%) of consumers want to have the ability to check the status of their order through progress updates.

### Conclusion

More people are dining out than ever before and will continue to eat out in greater numbers. Food service not only satisfies a basic human need, but it is now an important part of consumers leisure/entertainment activities and is playing a bigger role in placemaking at shopping centers.

<sup>9</sup> Cushman & Wakefield, "The Global Food & Beverage Market," Summer 2017.

<sup>10</sup> "The Successful Integration of Food & Beverage Within Retail Real Estate," ICSC, 2017, pages 57-58.

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