

Beyond the Menu: Financial and Risk Strategies for Restaurant Success



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Restaurant & Hospitality

As we head into the final quarter of the year, the restaurant industry has shown us both resilience and challenges. Sales ticked up in certain areas as brands leaned on loyalty programs, delivery services and digital platforms to keep customers engaged. However, softened traffic, shrinking margins and cost-cutting measures highlighted the challenges of the current economic climate.

Traffic fell across the board, driven by inflation and higher menu prices that kept many consumers, especially lower-income segments, dining at home. Guests are trading down, opting for combo meals, skipping drinks and desserts and prioritizing value over indulgence.

Quick service restaurants (QSRs) held steady, buoyed by their focus on affordability and convenience. Value-driven menus helped QSRs maintain customer loyalty despite economic pressures. Casual dining, however, struggled with declining traffic and tighter margins, while fine dining experienced volatility and uncertainty. The signal is clear: customers are still watching value menus, promos and loyalty offers closely and brands are paying the cost to keep them engaged.

VALUE, TECHNOLOGY AND PROACTIVE INSURANCE PLANNING

For risk managers, the implications are direct. Unit economics are tightening. Franchisees — from the largest operators to the regional players — are managing slimmer margins against rising labor, delivery and capital expenditure requirements. When profitability is under pressure, retention of insurance spending becomes more sensitive. Workforce challenges remain. Every termination carries a cost. Those dollars tie directly into employment practices liability and workers' compensation exposures, and they reinforce why claims trends in wage-and-hour and turnover are still on the rise.

P&C carriers are watching too. Just as comps and traffic metrics flash uneven, underwriters are layering on tighter terms. We've seen GL and umbrella premiums climbing while property valuations are under scrutiny after another round of catastrophic weather losses. Businesses with claims histories faced even steeper hikes, reflecting heightened caution among insurance companies. Cyber risk also emerged as a critical concern, with underwriters demanding stronger controls to mitigate breaches. Franchisee stability became another focal point, as an increase in bankruptcies raised concerns among insurers. Financial health and operational resilience are now key factors in underwriting decisions.

CFOs and risk leaders will enter renewal season facing a dual mandate: defend profitability in a market of slowing traffic while also presenting a credible story to carriers that safety, compliance and operational controls are strong. Restaurants that deliver exceptional value for every dollar spent will be better positioned to attract and retain customers. Technology, delivery and loyalty programs offer opportunities to build margins and strengthen customer relationships. By owning the customer relationship through personalized engagement and seamless digital experiences, brands can stand out in a competitive market.

Proactive insurance planning will also be essential. Renewals should begin early, with operators crafting a narrative that highlights their strengths and mitigates risks. Sharing the same story with underwriters that is presented to the board of directors can help secure favorable outcomes. Transparency, data-driven insights and a clear demonstration of risk management practices will be key to shaping competitive insurance deals. In this environment, the winners will be the groups who can align cost-of-risk strategy with financial performance metrics. That means making the case — with data in hand that your risk profile is improving even as the industry grapples with uneven comps.

GALLAGHER'S EXPERTISE: SUPPORTING THE RESTAURANT INDUSTRY

Navigating the complexities of the restaurant market requires specialized expertise, and Gallagher's Restaurant practice is here to help. With a team of subject matter experts, Gallagher provides tailored solutions to address the unique challenges facing restaurant operators. From risk management strategies to insurance renewals, Gallagher partners with clients to protect their businesses and support long-term success.

2025 has highlighted both resilience and vulnerabilities in the restaurant industry. While challenges like declining traffic and rising costs persist, opportunities exist for operators who adapt to changing consumer behaviors and leverage technology to drive value. Strategic planning and proactive risk management will be key to thriving in the quarters ahead.



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