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51% of Spain’s restaurant chains reported lower margins over the past year

89% expect further price increases because labor and ingredient costs make up nearly two-thirds of expenses

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Spain’s organized restaurant sector is heading into 2027 with weaker profitability even as most chains still plan to expand, raise prices and add locations, according to the 2026-2027 Brand Restaurant Observatory prepared by Circana, Marcas de Restauración

and KPMG and reported by Sivarious on Thursday, November 26.

The survey found that 51% of the Spanish restaurant groups consulted said their margins fell over the past year. Another 42% said margins were stable, and only 7% said profitability improved. For hospitality operators, the figures point to a business environment in which sales growth is no longer enough to protect earnings from rising labor and food costs.

The report shows a clear divide between how executives see the market and how they see their own companies. On the market side, 79% of executives identified inflation, higher costs and pressure on margins as the main threat to the sector. Another 56% pointed to weaker consumer purchasing power and lower consumer confidence. Regulation and legal uncertainty were cited by 49%, while 47% pointed to stronger competition and the risk of market saturation. Labor issues also remained a concern, with 42% highlighting talent shortages and difficulties in the job market.

That caution is also visible in how executives assess the broader outlook. Only 24% expect the sector as a whole to post a positive performance in 2027. Price sensitivity is rising for consumers, and 70% of executives said price, promotions and discounts are now the most important factors in restaurant choice, up from 63% in the previous edition of the survey. At the same time, 65% said food quality, recipes and flavors are becoming more important in purchase decisions.

Competition from retail prepared meals is adding to the pressure. According to the observatory, 70% of executives believe the growth of ready-to-eat and prepared dishes sold by retailers is having a high or very high impact on restaurants. The effect is felt most strongly in weekday meal occasions, where 79% said traffic has declined. In response, 86% said the main strategy is to differentiate their brands and emphasize the in-restaurant experience.

Costs remain at the center of the problem. The report said labor accounts for 33% of the cost structure of restaurant chains, while raw materials and ingredients represent another 30%. Together, those two categories make up nearly two-thirds of operating costs. Looking ahead, 75% of executives expect costs to rise sharply over the coming months. Of that group, 63% expect increases of 2% to 5%, and 12% expect increases

of more than 5%.

Most operators expect to keep passing some of those increases on to customers. The survey found that 89% of chains expect to raise prices again. Even so, the report suggests pricing power is limited because consumers are closely watching value and comparing restaurants with other food options.

Despite the pressure on margins, restaurant groups remain confident about their own sales and growth plans. The observatory found that 93% expect to close 2026 with higher revenue, up from 87% who said the same a year earlier. For 2027, 96% expect sales to increase. Within that group, 44% forecast revenue growth of 5% to 10%, and 12% expect gains above 10%. Only 2% expect sales to decline.

Expansion plans are also holding up. According to the report, 86% of chains expect to open new locations in 2027, and 42% plan to do so at a faster pace than in the previous year. Another 58% said they are considering entering Spanish regions where they do not yet operate. Employment plans follow the same pattern: 58% expect to increase headcount, while 37% plan to keep staffing levels stable.

That combination of caution about the market and optimism about company performance is pushing operators toward a more balanced strategy. The survey found that 86% of chains plan to pursue growth and efficiency at the same time in 2027. Only 7% said they would prioritize revenue growth over cost reduction, and another 7% said they would focus mainly on efficiency instead of expansion.

The report suggests that productivity will be the main tool chains use to defend profitability. Improving team productivity was the top priority for 67% of executives. For operators, that means closer attention to shift planning, workload organization and the output of each location. The emphasis on labor productivity reflects both the size of payroll costs and persistent problems with absenteeism, turnover and recruitment.

The next most common priority was optimizing purchasing, contracts and external costs, cited by 51% of respondents. With ingredients and raw materials making up 30% of costs, supply management is becoming more strategic. Better purchasing terms and tighter control of outside spending are seen as direct ways to protect margins.

Technology is also moving further into day-to-day operations. The observatory found that 44% of groups plan to prioritize process automation through artificial intelligence and other tools. The technology is no longer limited to pilot programs in many companies. According to the report, 32% have already implemented AI in specific use cases, and 19% have extended it across several areas of the business. The uses include customer service, marketing, workforce and shift optimization, employee support, demand forecasting and purchasing planning.

Commercial levers remain part of the response as well. Price and promotion optimization was cited by 42% of executives, reflecting the need to balance competitiveness with margin protection. Another 40% said they plan to review their value proposition, signaling that differentiation is becoming more important as discounts gain weight in the market.

Other measures were less widely cited. The reduction of food waste and product loss was named by 26% of respondents, while only 16% said expanding owned channels such as delivery, takeaway and reservations would be a top priority.

Taken together, the figures show a Spanish chain restaurant market where operators still expect to grow, but where that growth is being shaped by higher costs, price-sensitive consumers and tighter competition. For hospitality companies, the challenge in 2027 will not only be opening more units or lifting revenue, but doing so while labor, ingredients and promotions continue to weigh on margins.