

Margins Under Pressure: The New Reality of Metro Manila Restaurants

Analyzing the Evolution of Competition and Cost
Structures for Food & Beverage Establishments
(2019–2025)

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Executive Summary

The Food & Beverage (F&B) industry in Metro Manila has undergone a dramatic transformation since the COVID-19 pandemic. While the sector has shown remarkable resilience with establishment counts recovering to pre-pandemic levels by 2024 and consumer spending on dining continuing to grow—operators are facing an increasingly challenging profitability environment.

This white paper, prepared by CloudCFO based on analysis of Philippine Statistics Authority (PSA) data, commercial real estate market reports, and wage regulation records, examines two converging forces that are compressing margins for bars, restaurants, and other F&B establishments in Metro Manila:



➤ Rising cost structures:

Food & beverage input costs have risen by an estimated 36.3%, labor costs by 23.3%, and commercial rents by 6.9% between 2019 and 2025.

➤ Intensifying competition:

A recovered and growing number of establishments, the rise of delivery platforms, cloud kitchens, and Quick Service Restaurants (QSRs) have fundamentally altered the competitive landscape.

Our analysis shows that the combined effect of these cost increases translates to an estimated 24.7% rise in total operating costs. For a typical F&B establishment that started with a healthy 22% EBITDA margin in 2019, failing to adjust prices proportionally would see that margin erode to as low as 2.8% by 2025. Even establishments that managed partial price increases are likely experiencing meaningful margin compression.

Key Finding: A typical Metro Manila restaurant or bar that has not adjusted its pricing since 2019 has seen its operating margin shrink from 22% to approximately 2.8% a decline of nearly 20 percentage points.

The paper concludes with practical, actionable recommendations for F&B owners and managers to protect their margins through better inventory management, smarter purchasing, optimized delivery platform strategies, and timely financial reporting.

Introduction

At CloudCFO, we work closely with small and medium-sized enterprises across the Philippines, including a significant number of restaurants, bars, and other F&B establishments. Over the past two years, a recurring theme has emerged in our conversations with clients in this sector: costs are rising, competition is fiercer, and margins are getting tighter.

Rather than rely on anecdotal evidence alone, we decided to look at the data. This study examines the pre-pandemic period through the post-pandemic recovery (2019–2025) and focuses specifically on Metro Manila, the country's largest and most competitive F&B market. The pandemic served as a major reset for the industry—many establishments closed, consumer behaviors shifted, and new business models emerged. Understanding what has happened since that reset is essential for any F&B operator planning for the years ahead.

This white paper addresses two fundamental questions:

- How has the competitive landscape for F&B establishments in Metro Manila evolved since 2019?
- How have the major cost components food inputs, labor, rent, and other operating expenses changed, and what is the cumulative impact on profitability?

We draw on publicly available data from the Philippine Statistics Authority (PSA), the National Wages and Productivity Commission (NWPC), commercial real estate reports from Colliers, JLL, and CBRE, as well as industry reports and our own client experience.

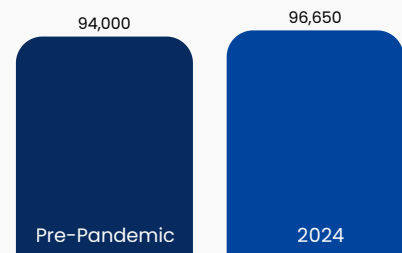


The Competitive Landscape

Number of Establishments

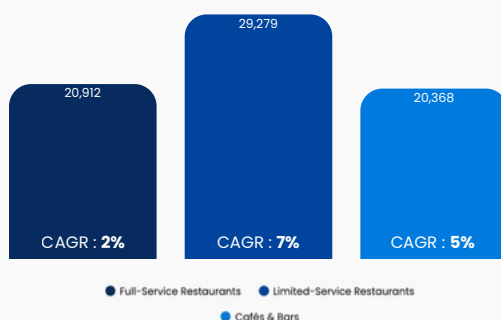
Multiple data sources confirm that the F&B competitive landscape in Metro Manila has not merely recovered from the pandemic—it has intensified. According to the USDA Foreign Agricultural Service’s annual Hotel Restaurant Institutional (HRI) report for the Philippines (December 2025), which draws on Euromonitor International data, the total number of consumer foodservice outlets nationwide reached 96,650 in 2024, surpassing pre-pandemic levels for the first time.

Nationwide Consumer Food Service Outlets



This recovery was driven by the aggressive expansion of restaurant chains into new locations and the entry of international brands and innovative restaurant concepts. Outlet growth is projected to continue across all major segments: full-service restaurants are forecast to grow at a compound annual growth rate (CAGR) of 2% to reach 20,912 outlets by 2029, limited-service restaurants at 7% CAGR to 29,279 outlets, and cafés and bars at 5% CAGR to 20,368 outlets.

Expected Number of Establishments by 2029



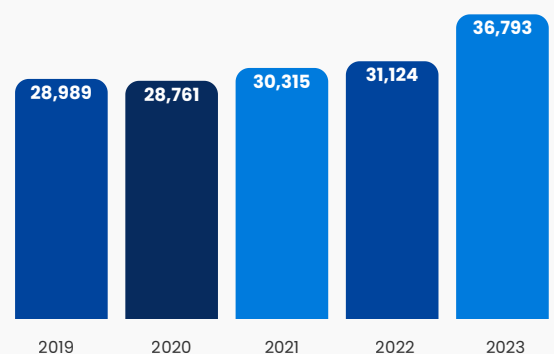
A note on data sources is necessary here, as the various datasets cited in this section differ significantly in scope and may appear contradictory at first glance. The Euromonitor/USDA-FAS figure of 96,650 outlets counts consumer foodservice outlets nationwide—restaurants, kiosks, cafés, and bars—but does not break the data down to the regional level.

The PSA’s 2022 Annual Survey of Philippine Business and Industry (ASPBI) uses a narrower lens: it counted 30,861 formal establishments in the accommodation and food services sector nationwide, with restaurants and mobile food service activities accounting for 75.3% of the total and NCR accounting for 30.3%, or approximately 9,338 formal businesses. However, the ASPBI captures only the formal sector and applies minimum size thresholds, meaning it excludes a significant number of smaller food businesses.

Number of Establishments

A third dataset, the DTI's 2023 MSME Statistics, provides a broader perspective: it is a comprehensive register of all establishments with a fixed physical location across all 18 industry sections of the economy—not just food and beverage. Under the 2023 MSME Statistics, the total number of registered establishments in NCR across all industries grew from 200,554 in 2021 to 223,705 in 2023, an increase of 11.5%. Within this total, accommodation and food service activities was the second-largest industry section in NCR, with 36,793 establishments recorded.

DTI Statistics of MSMEs: Accommodation and Food Service Establishments in Metro Manila



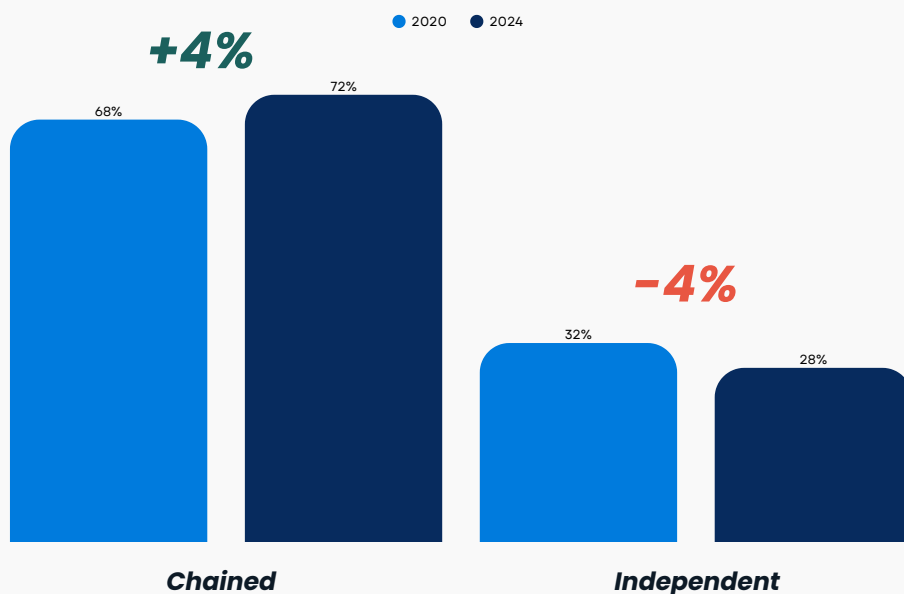
While none of these sources provides a single, precise count of F&B establishments in Metro Manila, they collectively point in the same direction: **the competitive field has expanded beyond pre-pandemic levels.**



Increased Competition from Chains and Franchises

Beyond the headline numbers, the nature of competition has shifted in ways that disproportionately affect independent operators. The USDA-FAS report notes that the market share of chained foodservice outlets grew from 68% in 2020 to 72% in 2024, while independent establishments saw their share decline from 32% to 28% over the same period. Data from Agriculture and Agri-Food Canada, also drawing on Euromonitor research, reinforces this trend: between 2019 and 2023, chained limited-service restaurants saw spending grow at a CAGR of 3.4%, surpassing pre-pandemic levels, while independent limited-service restaurants experienced a negative CAGR of -7.8% and remained below their 2019 sales levels. For independent cafés and bars, the picture was similar, with a negative CAGR of -10.9% between 2019 and 2023 compared to essentially flat growth (0.1% CAGR) for their chained counterparts. In other words, the recovery has been uneven—chains have bounced back and grown, while independent operators, the very businesses most likely to be reading this paper, are competing in a market that has structurally tilted against them.

Evolution of Market Share 2020–2024



Changing Consumer Behaviors and New Competitive Forces

The pandemic did not merely pause the F&B industry—it permanently altered consumer expectations and opened the door to new business models that have intensified competition in ways that go beyond simple establishment counts.

The Delivery Platform Revolution

The rapid growth of GrabFood and Foodpanda has fundamentally transformed how Metro Manila consumers access meals. The Philippine digital food delivery market reached approximately USD 3.86 billion in 2024, with projections for 12.3% annual growth through 2034. For traditional restaurants, these platforms are both an opportunity and a cost burden: GrabFood charges commissions of 10–25% per transaction, while FoodPanda charges 25–30% plus a 2% gateway fee for digital payments. These commissions directly erode margins on delivery orders.



The Rise of Cloud Kitchens

Cloud kitchens—delivery-only operations with no dine-in facilities—have emerged as a cost-efficient alternative, particularly in Metro Manila's high-density urban areas. With lower rent and labor costs, these operations can undercut traditional restaurants on price while competing for the same delivery customers.



Changing Consumer Behaviors and New Competitive Forces

QSR Dominance

Quick Service Restaurants continue to dominate the Philippine market due to their affordability, speed, and compatibility with delivery platforms. Major chains are aggressively expanding their store counts, putting further pressure on independent restaurants and bars.

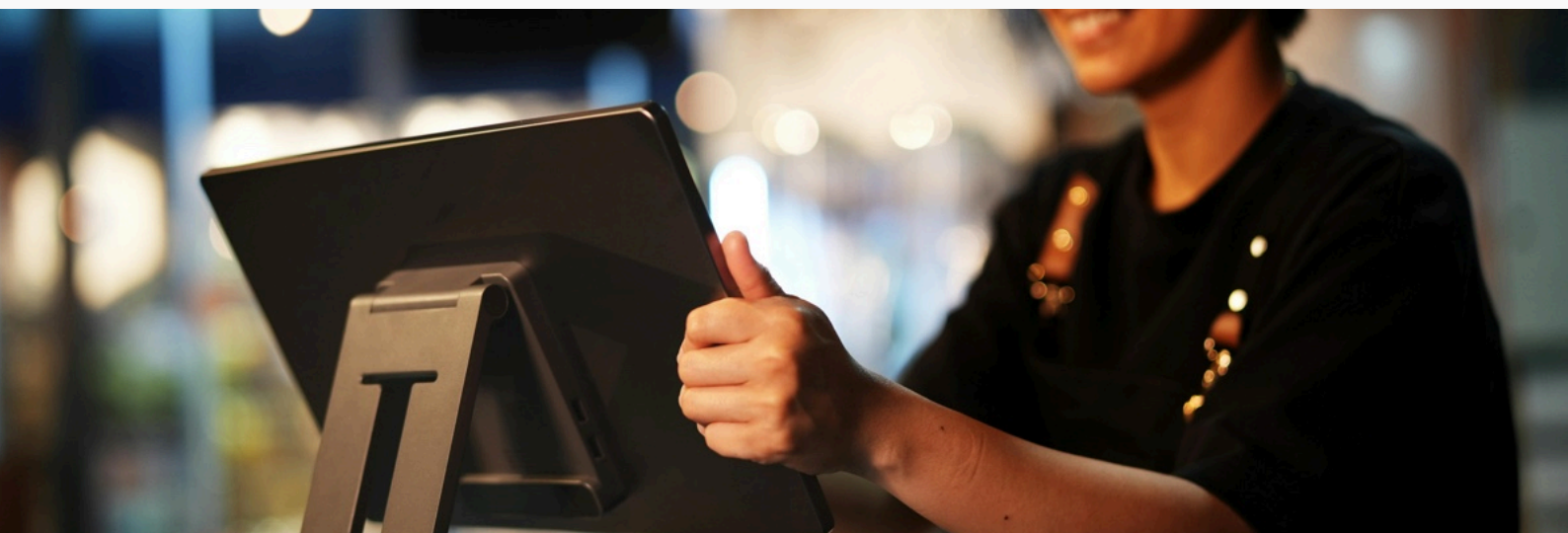
Shifting Consumer Preferences

Metro Manila consumers increasingly prioritize convenience. As of 2025, 30% of Filipinos dine out at least once daily, while 19% do so weekly. However, the definition of “dining out” has expanded to include delivery and takeaway, meaning traditional sit-down restaurants are competing not just with each other but with an entirely new category of food providers.

30%

of Filipinos dine out at least once daily

Delivery platforms charge commissions of **10–30% per order**. For a restaurant where delivery accounts for 30% of sales, the effective margin reduction on total revenue can be 3–9 percentage points—before accounting for any other cost increases.



The Evolution of Costs

We examine the four major cost categories that drive the operating expenses of a typical F&B establishment in Metro Manila: food and beverage inputs, labor, rental, and other operating costs.

Food & Beverage Costs

There is no single index that precisely captures the cost of inputs for a restaurant or bar. However, by analyzing PSA Consumer Price Index (CPI) data and constructing a weighted index based on a typical menu mix of food items, alcoholic beverages, and non-alcoholic beverages, we can estimate the cumulative inflation on F&B input costs.

36.3%

Estimate Increase on input costs between
2019 and 2025

Our analysis indicates that F&B input costs have increased by an estimated 36.3% between 2019 and 2025. The sharpest increase occurred in 2022, when global commodity prices spiked due to supply chain disruptions and the Russia-Ukraine conflict, pushing food inflation to nearly 12% in a single year.

Year	Inflation	Index (2019=100)	Key Driver
2019	-	100.0	Stable food prices
2020	2.0%	102.0	Early supply chain disruptions
2021	5.8%	107.8	Logistics and import cost increases
2022	11.8%	120.6	Global commodity price spike
2023	6.5%	128.4	Persistent domestic food inflation
2024	3.1%	132.4	Inflation easing but prices remain sticky
2025(est.)	3.0%	136.3	Normalized inflation environment

Table 1: Estimated F&B Input Cost Inflation Index (2019–2025). Sources: PSA CPI data, CloudCFO analysis.

Labor Costs

Labor is typically the second-largest expense for F&B establishments. Using minimum wage adjustments in the National Capital Region as a baseline and factoring in increases to the employer's share of mandatory social contributions (SSS, PhilHealth, Pag-IBIG), we estimate that the total employer cost per worker has increased by 23.3% since 2019.

23.3%

**Increase in total employer cost per worker
2019 to 2025**

The NCR daily minimum wage has risen from ₱537 in 2019 to ₱645 in 2024, with a further increase to ₱695 effective July 2025—the largest single increase in NCR history at ₱50. When employer-side contributions are included, the total daily cost per minimum-wage employee has risen from approximately ₱602 to an estimated ₱742.

Year	Employer Daily Cost (₱)	Index (2019 = 100)
2019	602	100.0
2020	602	100.0
2021	602	100.0
2022	627	104.2
2023	672	111.6
2024	721	119.8
2025(est.)	742	123.3

Table 2: Estimated Employer Labor Cost Index, NCR (2019–2025). Sources: NWPC, SSS, PhilHealth, Pag-IBIG, CloudCFO analysis.

It is important to note that these figures reflect minimum wage positions only. Competition for specialized staff—experienced chefs, restaurant operations managers, and skilled bartenders—has increased significantly during the recovery period, and salary expectations for these roles have likely outpaced minimum wage growth.

Rental Costs

Using retail rent benchmarks from Colliers, JLL, and CBRE as a proxy for F&B lease costs, Metro Manila experienced a sharp but temporary rent correction during the pandemic (2020–2021), followed by a strong recovery from 2022 onward. By 2024, retail rents had not only returned to pre-pandemic levels but exceeded them.

6.9%

Estimate Increase on input costs between
2019 and 2025

CBRE data indicates that nearly half of lease renewals in 2024 occurred at higher rates, with an average renewal uplift of approximately 14%. We estimate that average rental rates for F&B establishments have increased by 6.9% between 2019 and 2025.

Year	Avg. Rent (₱/sqm)	Index (2019=100)	%Change	Key Driver
2019	1,628	100.0	–	Pre-pandemic peak
2020	1,465	90.0	–10%	Pandemic rent concessions
2021	1,392	85.5	–5%	Pandemic trough
2022	1,611	99.0	+16%	Demand recovery begins
2023	1,683	103.4	+4%	Mall traffic returns
2024	1,705	104.7	+1%	Market stabilization
2025(est.)	1,740	106.9	+1%	Lease renewals reset higher

Table 3: Estimated Average Retail Rent Index, Metro Manila (2019–2025). Sources: Colliers, JLL, CBRE, CloudCFO analysis.





120%

Estimated increase on operating costs
from 2019 to 2025

Other Operating Costs

Other operating costs for F&B establishments include utilities (electricity and water), supplies (packaging, cleaning materials, disposables), equipment repairs and maintenance, insurance, and various administrative expenses. While individually smaller than the major cost categories above, these costs collectively represent approximately 10% of revenue for a typical establishment.

For the purposes of this analysis, we estimate that other operating costs have increased by approximately 12% between 2019 and 2025, driven primarily by higher electricity rates, the increased cost of packaging materials (particularly with the shift toward delivery and takeaway), and general inflation.

Impact on Profit Margins

To illustrate the cumulative impact of these cost increases, we model a simplified Profit & Loss (P&L) statement for a typical Metro Manila restaurant or bar, starting with a 2019 baseline.

Baseline: A Typical 2019 P&L

In our 2019 baseline scenario, a well-managed establishment generates an EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) of 22% of revenue—a healthy margin that provides adequate returns on investment and a buffer against unexpected costs.

	PM	% of Revenue
Revenue	100	100%
F&B Cost	32	32%
Labor Cost	24	24%
Rental	12	12%
Other Costs	10	10%
Total Costs	78	78%
EBITDA	22	22%

Table 4: Simplified P&L for a Typical Metro Manila F&B Establishment, 2019 Baseline.

The 2025 Reality: Margin Compression in Action

Applying the cost increases documented in this paper to the 2019 baseline, and assuming the establishment has not increased its prices—a conservative scenario given intense competitive pressure—the picture changes dramatically.

	PM	% Rev.	Increase	PM	% Rev.	Change
Revenue	100	100%	–	100	100%	–
F&B Cost	32	32%	+36.3%	43.6	44%	+12pp
Labor Cost	24	24%	+23.3%	29.6	30%	+6pp
Rental	12	12%	+6.9%	12.8	13%	+1pp
Other Costs	10	10%	+12.0%	11.2	11%	+1pp
Total Costs	78	78%	+24.7%	97.2	97%	+19pp
EBITDA	22	22%		2.8	3%	–19pp

Table 5: Comparative P&L Impact Analysis, 2019 vs. 2025 (Indexed to 100).

The combined cost increases of 24.7% reduce EBITDA from 22% to just 2.8% of revenue—effectively eliminating the profit margin of an establishment that has not adjusted its prices.

To maintain its original 22% margin, an establishment would need to raise prices by at least 24.7%. However, given the intensified competition from delivery platforms, cloud kitchens, and QSR chains, passing on the full cost increase to consumers is unlikely for most operators. The reality for most F&B businesses lies somewhere between these two extremes: partial price increases combined with some degree of margin erosion.



Practical Recommendations

While the macroeconomic forces driving margin compression are largely outside the control of individual operators, there are concrete steps that restaurant and bar owners can take to protect their profitability. The following recommendations are drawn from our experience working with F&B clients across the Philippines.

Practical Recommendations

Strengthen Inventory Management

With food and beverage costs representing the single largest expense for most F&B establishments—and having increased by over 36% since 2019—tight inventory management is no longer optional. It is the most direct lever operators have to protect margins.

➤ Assign clear ownership

Inventory management should be a defined responsibility of operational leaders—your head chef for the kitchen and your bar manager for beverages. Accountability drives discipline.

➤ Use actual inventory values, not theoretical costs.

Your financial reports should be based on actual month-end inventory values, not theoretical food cost percentages. The difference between theoretical and actual costs reveals waste, theft, and portioning issues.

➤ Conduct frequent physical counts

Monthly inventory counts, aligned with your financial reporting cycle, provide the data you need to spot variances early. High-value or high-volume items may warrant weekly counts.

➤ Track spoilage separately

Create a dedicated expense line in your P&L for spoilage and waste. What gets measured gets managed. Tracking spoilage separately makes it visible and creates accountability for reduction.



Practical Recommendations

Optimize Purchasing and Menu Costing

➤ Review supplier agreements regularly

Prices from suppliers can drift over time. Conduct quarterly reviews of your purchase prices against market rates and your original menu costing assumptions. Renegotiate where possible and consider consolidating suppliers for volume discounts.

➤ Exclude VAT from your analysis

A common error we see is mixing VAT-inclusive and VAT-exclusive figures when calculating food cost percentages. Ensure both your selling prices and purchase costs are compared on a VAT-exclusive basis for accurate margin analysis.

➤ Keep menu costing current

Every item on your menu should have an up-to-date cost card. When ingredient prices change, update your costings immediately—don't wait for the quarterly review. This allows you to make informed decisions about menu pricing and engineering.



Practical Recommendations

Manage Delivery Platform Economics

Delivery platforms are a necessary channel for most F&B establishments, but they require careful financial management to avoid becoming a margin trap.

➤ Track delivery P&L separately

If delivery represents a meaningful share of your revenue, create a separate P&L or at least track delivery-specific costs (commissions, packaging, dedicated staff) so you can see whether the channel is profitable.

➤ Adjust pricing for delivery

Many successful operators use differentiated pricing for delivery versus dine-in to account for platform commissions. A 15–20% markup on delivery menu items can help offset commission costs without affecting your dine-in competitiveness.

➤ Optimize your delivery menu

Not all menu items travel well or maintain their margin after commission. Focus your delivery menu on items with higher margins and good transport characteristics.



Practical Recommendations

Invest in Timely and Clear Financial Reporting

In a low-margin environment, the speed and quality of your financial information becomes critical. You cannot manage what you cannot see.

➤ Demand fast monthly closes

Complete financial reports should be available within one week of month-end. Delays mean you are making decisions based on outdated information.

➤ Review key metrics with your team

Schedule a monthly review of food cost percentage, labor cost percentage, and overall margins with your head chef and operations manager. Financial awareness among operational leaders drives better daily decisions.

➤ Analyze by location

If you operate multiple branches, ensure you can generate and compare P&L statements per location. Aggregate numbers can mask underperforming branches that need attention.

➤ Monitor trends, not just snapshots

Track your key cost ratios month-over-month and compare them against the same period last year. Trends tell you whether your cost management efforts are working and alert you to emerging issues before they become critical.



Practical Recommendations

Apply Menu Engineering Principles

Menu engineering is the practice of analyzing both the profitability and popularity of individual menu items to optimize your overall product mix.

➤ **Classify your menu items**

Categorize each item based on its contribution margin and sales volume. Focus promotion efforts on high-margin, high-popularity items and reconsider items that are neither popular nor profitable.

➤ **Implement strategic price adjustments**

Rather than applying blanket price increases, focus increases on items where customers are less price-sensitive—typically unique signature dishes, add-ons, and beverages.

➤ **Review your menu size**

A smaller, focused menu reduces waste, simplifies inventory management, speeds up service, and typically improves overall food cost percentages.





Conclusion

The data tells a clear story: Metro Manila's F&B industry is facing a structural shift in profitability. The combination of intensified competition—from a recovered and growing number of establishments, increased market share of chains, delivery platforms, cloud kitchens, and QSR expansion—and significant cost increases across all major expense categories has created a challenging operating environment.

The estimated 24.7% increase in total operating costs since 2019, led by a 36.3% rise in food and beverage inputs, has the potential to nearly eliminate the operating margin of establishments that have not proactively adjusted their pricing and operations. Even those that have managed partial price increases are likely experiencing some degree of margin compression.

However, this is not a story without hope. The establishments best positioned to thrive in this environment are those that combine operational excellence with strong financial discipline: tight inventory controls, current and accurate menu costing, smart delivery platform management, and—critically—timely, actionable financial reporting that enables data-driven decision-making.

The operators who treat financial management as a core competency—not an afterthought—will be the ones who navigate this period of margin compression successfully and emerge stronger.



Practical Recommendations

How CloudCFO Can Help

CloudCFO is a cloud accounting firm that specializes in working with SMEs in the Philippines, including restaurants, bars, and other F&B establishments. We understand the unique financial challenges of the industry and provide tailored accounting and advisory services designed to give you the financial visibility you need to protect your margins.

Our services for F&B clients include:

Monthly financial reporting delivered within one week of month-end

Per-location and per-channel P&L analysis

Food cost monitoring and variance analysis

BIR compliance and tax optimization

Advisory on financial controls and operational efficiency

**Schedule a free consultation
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