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AN EXAMINATION OF RESTAURANT FAILURE RATES IN THE UNITED STATES

Steve Morse

ABSTRACT

In the hospitality sector of the economy, restaurants account for the largest number of businesses. The financial failure rate of businesses in the general economy are sometimes reported with variations in the business cycle, but the specific failure rate of restaurant establishments has not been examined. In addition, failure rates for hospitality related businesses reported across geographic regions of the U.S. are not known. A review of related literature suggests that studies with a focus on the failure rate of hospitality related businesses have not used official business bankruptcy data recorded by the U.S. Bankruptcy Court System. Using these data, regional differences for the failure rate of restaurants are examined using ANOVA between regions based on failure rates. Results found that for restaurant failure rates, the New England region was found to have more differences with failure rates of restaurants in other regions. Significant differences in restaurant failure rates exist in six out of nine regions of the U.S.