Brand Doctor

Brand Check-up

Red Lobster

As of May 28, 2024

Status: Bleeding

A famous brand was weakened by rent on restaurants it once owned, a money-losing shrimp promotion, and years of ownership churn and thin investment.

About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on May 28, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

Vital signs

Last disclosed deal price

$2.1 billion

Darden's cash sale of Red Lobster to Golden Gate Capital, agreed May 16, 2014; terms of the 2020 sale were not disclosed and Red Lobster has no listed shares [5]

Thai Union write-down

About $530 million

One-time estimated non-cash impairment charge (THB 18.5 billion), announced Jan. 16, 2024; it had invested $575 million in 2016 [8, 7]

Net loss, fiscal 2023

$76 million

From court filings, May 2024 [2, 10]

Annual guest count

Down 30%

Compared with 2019, per court filings [2]

Lease obligations, 2023

About $190.5 million

More than $64 million tied to underperforming restaurants [11, 10]

Restaurants at filing

578

Sum of 551 U.S. and 27 Canada restaurants per court filings, not counting 27 franchised abroad; 93 closed May 13, 2024 [2, 13]

Symptoms

- Annual guest counts down 30% from 2019
- Net loss of $76 million in fiscal 2023
- Cash fell from $100 million to under $30 million in six months
- 93 restaurants closed on May 13, 2024, with 108 more leases proposed for rejection
- Shrimp shortages, with some restaurants going days or weeks without certain types

Timeline

1968	First Red Lobster opens in Lakeland, Florida. [3]
1995	General Mills spins off its restaurant division, including Red Lobster, as Darden Restaurants. [3]
2014-05	Darden agrees to sell Red Lobster to Golden Gate Capital for $2.1 billion in cash. [5]
2014-07	American Realty Capital Properties closes a $1.5 billion sale-leaseback of about 500 Red Lobster properties, with 2% annual rent increases. [6]
2016	Thai Union makes a $575 million strategic investment in Red Lobster. [7]
2020-08	Golden Gate agrees to sell its remaining stake to a group led by Thai Union, which ends up with 49%. [7, 4]
2023-06	The $20 Ultimate Endless Shrimp becomes an everyday menu item. [9, 4]
2024-01	Thai Union announces its exit and a non-cash impairment of about $530 million. [8]
2024-05-13	Red Lobster closes 93 restaurants. [13]
2024-05-19	Red Lobster files for Chapter 11 with a $100 million lender financing commitment and a stalking horse bid from its lenders. [1]

Diagnosis

1 A hero offer priced for traffic

Red Lobster made the $20 Ultimate Endless Shrimp an everyday item in June 2023. Traffic rose 4% year over year, but the chain posted an operating loss of more than $11 million in the third quarter, and Thai Union named the deal as a factor. [9, 4]

Diagnosis, continued

2 Rent on property it once owned

The 2014 sale to Golden Gate Capital was funded in part by a $1.5 billion sale-leaseback of about 500 restaurant properties with 2% annual compounded rent increases. Lease obligations reached about $190.5 million in 2023, more than $64 million of it for underperforming restaurants. [5, 6, 11]

3 An owner that was also the main supplier

Thai Union held 49% of the chain and was a longtime shrimp supplier. The filing says Thai Union had outsized influence on shrimp purchasing and that dropping two breaded shrimp suppliers raised costs. Thai Union calls the accusations meritless. [4, 10, 12]

4 Thin reinvestment in a shrinking segment

CNN reported years of underinvestment in marketing, food quality, service and restaurant upgrades. Casual dining fell from 36% of restaurant industry sales in 2013 to 31% in 2023, according to Technomic. [3]

Prognosis

As of May 28, 2024, Red Lobster's remaining restaurants are open under Chapter 11, funded by a $100 million commitment from lenders who are also the stalking horse bidder. The company is targeting July 23 for a potential auction. Watch three things: how many of the 108 leases it wants to reject are closed or renegotiated, whether the buyer sticks with the planned simpler core menu and fewer limited-time offers, and whether guest counts recover without deep discounts. The name still draws guests. Whether it earns money again depends on rent, menu economics and steady ownership.

Treatment

- Use Chapter 11 to close or renegotiate restaurants whose sales cannot carry their rent, starting with the 108 leases already flagged.
- Price every promotion against food cost and margin per guest before launch, and run fewer, more measured limited-time offers.
- Choose suppliers through competitive bids run by management, with any shareholder that also supplies held to the same terms.
- Put savings into food quality, service and restaurant upgrades before spending more on advertising.

Lessons for growing companies

Price promotions for profit

A deal that lifts traffic but loses money on each guest grows the loss as it succeeds. Set a margin floor before launch and check it every week.

Fixed costs are brand decisions

Rent, debt and long contracts decide how much you can later spend on product and marketing. Weigh them before you sign, not after sales slow.

Separate owners from suppliers

When an investor also sells you inputs, write clear rules for supplier choice and menu decisions. A conflict is cheaper to prevent than to dispute in court.

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About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

$30M+	135+	8×	17
In marketing spend managed	Campaigns treated	Growth achieved	Years in marketing

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