STATE'S RESTAURANTS GET CREATIVE TO WEATHER HIGHER COSTS AND RAPID CHANGE

Owners are facing a convergence of price increases, from higher ingredient costs, fuel hikes, insurance and rental rates, and even a rise in the minimum wage. Meanwhile, customers will push back if restaurants raise prices too much.

by **KIANI VIDAURRI**

EVEN IN THE BEST OF TIMES, OPERATING A RESTAURANT IN HAWAI‘I is a delicate balance of dozens of input costs against constantly shifting customer preferences and their own affordability constraints that limit what restaurants can charge.

Now the challenges are rising exponentially, as owners are hit with price increases across the board – from fuel price hikes for transportation, increased food and other input costs, rising salary costs, scarce labor due to the immigration crackdown, rising franchise fees, higher insurance and rental charges and more.

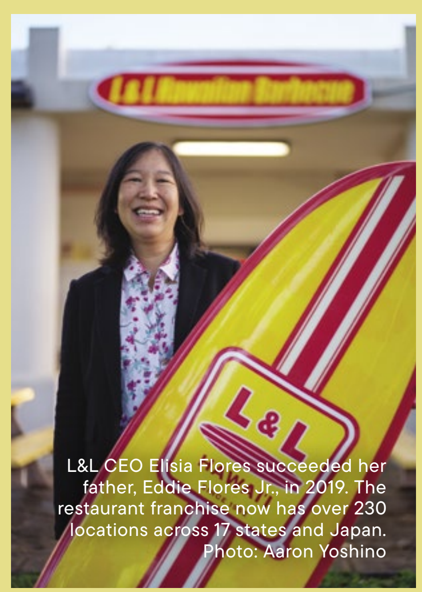
Yet with customers facing their own household budget constraints, restaurateurs who pass on costs by raising food prices risk alienating the very people who keep them in business.

"Running a restaurant is one of the hardest jobs that somebody can do," says Elisia Flores, CEO of L&L Hawaiian Barbecue, which has more than 200 franchisees.

Restaurant owner-operators are often in a hot, fast-paced kitchen for long hours, directing staff and serving customers from morning till night, then going home to face other tasks, like bookkeeping, scheduling and ordering. Many repeat this routine almost every day – including holidays.

Even for those who can keep up that pace, it's an incredibly tough industry.

Hawaii Business Magazine talked with owners of local restaurants, large and small, as well as their advocates to find out how they endure, evolve and excel, and sometimes fail.



L&L CEO Elisia Flores succeeded her father, Eddie Flores Jr., in 2019. The restaurant franchise now has over 230 locations across 17 states and Japan. Photo: Aaron Yoshino

Victor Lim, owner/operator of McDonald's of Hawaii and a member of the HRA board, speaks at a Hawaii Restaurant Association legislative meet and greet. Photo courtesy of HRA

RESTAURANT CLOSINGS HURT EVERYONE

When a local restaurant closes, employees lose their jobs, farmers and distributors lose a customer, patrons lose a place they enjoyed visiting while the overall local economy takes another hit. Every dollar spent in a Hawai‘i restaurant generates $1.65 of economic activity within the state, according to the National Restaurant Association.

Zippy's COO Jay Kaneshiro says a primary challenge for restaurants is cost pressures, with food and other ingredient costs constantly fluctuating. But Zippy's – like many local restaurants – is committed to buying local produce for parts of its menu – even though local produce is generally more expensive than imports.

"Supporting other local businesses help sustain Hawai‘i's culture and livelihood," Kaneshiro says.

Another key issue is the rising cost of labor and simply finding enough employees, Flores says.

The problem is nationwide. The U.S. Bureau of Labor Statistics (BLS) says eating and drinking establishments lost 26,100 jobs in July, following a loss of 12,100 jobs in June.

For urban Honolulu in May 2025, the latest breakout available, the BLS reports that food-preparation and food-serving workers averaged pay of $22.20 an hour. Fast-food and counter workers averaged only $16.81 an hour. By comparison, the mean wage that month across all occupations in urban Honolulu was $34.79 an hour.

Hawai‘i's minimum wage rose to $16 an hour at the beginning of this year and will rise to $18 an hour at the start of 2028. Those increases are particularly costly for the labor-intensive restaurant industry, Matsuoka says, which is why the industry encouraged state legislators to provide a tip credit.

An employer can take a tip credit of $1.25 an hour, meaning the employer could pay $14.75 an hour in direct wages. But the employee's wages plus tips must total at least $7 an hour on average more than the minimum wage. If the employee makes less than $23, the credit is reduced or eliminated.

Victor Lim, owner/operator of McDonald's of Hawaii and a member of the HRA board, says the minimum wage increase from $14 an hour to $16 an hour this year led to more than a 14% increase in average labor costs for Hawai‘i restaurants. There were also increased costs for health insurance and unemployment insurance. HRA says restaurants that raise menu prices to cover those increased costs face resistance from consumers.

In a high-cost living environment like Hawai‘i, it is hard for the food service industry to recruit and retain workers, Kaneshiro says. But he adds that Zippy's takes extra steps to keep employees by regularly reviewing their wages and benefits and by increasing the company's investment in training programs like its Next Stop University.

Team members are the "backbone" of their operation, Kaneshiro says, so the company makes sure to listen to their feedback.

Some restaurants have no choice but to increase prices to pay their staff so they can still make a profit, Flores says. Many small businesses close since "they're doing so much work now for so little money," she says. So she encourages people to support mom and pop businesses because "every time one of them closes, it's such a loss to the community."

She says America's economy has become K-shaped: lower-income people spend less while high-income people continue to spend. "When you really take like a magnifying glass to the industry, you'll see that certain segments of businesses are really hurting."

Increased costs pushed restaurants' profit margins down from 2020 to 2024. Since 2025, that cost pressure remains but consumer spending is softening amid economic uncertainty. Flores says those factors have led to more "razor-thin margins."

Rising tariffs last year and this year have added up to 15% to product costs, and shipping costs are added to that, HRA says. Businesses that import specialty ingredients, like seafood and premium meats, can face even more fluctuations due to supply chain issues, sourcing challenges, and limited availability, says Ryan Ko, chairman of the HRA Board of Directors and chief operating officer of Westman Group.

In the first quarter of 2026, the typical profit margin for Hawaiʻi restaurants decreased from 10% to less than 2%, HRA reported after conversations with its members.

HRA anticipates the worst is yet to come since tariff impacts often "take 12 to 18 months to fully show up." The association also says, "Hawaiʻi businesses are now paying roughly 80% more for shipping than they did five years ago."

"Typically, a successful restaurant would be able to capture maybe 8% to 10% in net profit," but those higher costs have made thin margins even slimmer, says Andrew Le, owner and chef of The Pig and The Lady.

The average person's costs are also increasing, so there is less spending by customers and fewer of them coming in to eat, he says.

Higher costs have pushed him and his restaurant teammates to be more creative with their labor and recipes. "Sometimes I feel like I don't know how we survived the month, but we do. We find a way," Le says.

WHAT YOU DON'T KNOW CAN HURT YOU

One of Matsuoka's friends said "It's just the unknown" as the reason she closed her restaurant after facing regular crises following the Lahaina wildfires. In recent years, the overall restaurant industry has been hit hard with the unexpected, including the 2020-21 Covid pandemic, 2023's wildfires and this year's Kona Low storms.

The Pig and The Lady grew from a pop-up restaurant to a brick-and-mortar in Kaimukī, relocating from Chinatown
Photo: Aaron Yoshino

Over 50 Hawaiʻi restaurants permanently closed during the pandemic. Some survived on take-out, while Waiāhole Poi Factory depended on both lots of take-out customers and outdoor seating for eat-in clients.

The National Restaurant Association's Council of State Restaurant Associations was impressed by how few Hawaiʻi restaurants closed compared to other states, says Matsuoka, who serves on the council. Federal and state government programs helped ease the burden.

One key program was the Hawaiʻi Restaurant Card, which provided $500 prepaid debit cards to people receiving unemployment benefits. Funded with federal CARES Act money, the cards could be used for food and nonalcoholic beverages at eligible local eateries.

Not long after the pandemic, dozens of restaurants were damaged in the August 2023 Lahaina wildfires. Matsuoka says many owners had mortgaged their homes to help with business expenses, but when their restaurants were destroyed, that financial obligation remained.

Chef and TV personality Guy Fieri donated $1.2 million to restaurant workers affected by the fires. He partnered with HRA, American Savings Bank and Fiserv to give $600 prepaid debit cards for necessities like medication and gas.

More recently, people were advised to stay away when the Kona Low storms devastated Haleʻiwa and Waialua in March. A Haleʻiwa restaurateur told Matsuoka that he lost a lot of money because he had no customers while continuing to pay rent and utilities. Even so, he didn't reduce staff hours because his employees wouldn't otherwise have been able to pay their living expenses.

Members of the Hawaiʻi Restaurant Association (HRA) Board of Directors gather for a group photo at their 2026 Annual Meeting.
Photo courtesy of HRA

Honolulu Mayor Rick Blangiardi joins HRA board member Victor Lim and other industry leaders at the 2026 Legislative Meet and Greet.
Photo courtesy of HRA

Keliko Hoe, owner of Waiāhole Poi Factory, says his restaurant closed for four days during the flooding in March, the second-longest stretch since he began managing the factory and restaurant in 2009. It's on low ground and near a stream, so it often suffers from flooding, but this year's repeated floods were much worse than usual.

"The saturation in the ground doesn't have a chance to go back down ... it's still saturated, and then you got another flood," Hoe says. The floods deterred potential customers and closures along Kamehameha Highway also hurt business.

When business is slow, he says, staff focuses on preserving ingredients and food they already have and generators keep refrigerators going when grid power turns off.

CHANGING CONSUMER BEHAVIORS

The number of challenges can sometimes seem overwhelming. Higher gas prices this year are another burden on consumers and the "impact is rolling down to the restaurants," Matsuoka says. And Le has seen fewer tourists especially after his restaurant moved from Chinatown to Kaimukī.

Restaurants are adapting to the use of GLP-1 medications like Ozempic and Wegovy, and how they reduce customers' appetites, Matsuoka says. Those customers often now look for lighter meals and higher protein, so some burger places offer a lettuce wrap in place of a bun, and many Mexican restaurants offer burrito bowls, eliminating the carbs from tortillas.

Larger restaurant chains with research and marketing departments can monitor and adjust to trends with new menu options, says Mike Palmer, managing partner of Hoʻokipa Partners LLC and a past chairman of HRA.

Some local restaurants now offer more menu flexibility for customers that include "higher protein, lower refined carbohydrates, more fiber, smaller portions, better satiety," Matsuoka says. That doesn't mean all menu items are smaller; instead there is "more choice architecture," like having a "protein latte instead of a sugary blended drink" or tossed salad as a side, not French fries.

As Baby Boomers age and their appetites shrink, many are seeking smaller portions with high protein. That's one reason Gyotaku Japanese Restaurant's three locations serve all-day senior meals with smaller portions than similar menu items. And Zippy's offers Zip Pacs in three sizes – mini, regular and deluxe – because not everyone has downsized their appetite.

In fact, Kaneshiro says, Zippy's has increased portion sizes for some menu items to "maintain affordability without compromising the standards or flavors that customers know and love." He has seen a shift in expectations where customers are more value conscious and want convenience, so Zippy's is investing in technology to make things easier for employees and affordable for customers.

SUPPORTING THE LOCAL COMMUNITY

Matusoka says "the number-one motivation" for restaurateurs is making people happy and "enjoy knowing that they are doing something for the community."

Gyotaku Japanese Restaurant, founded in 2001, offers senior meals on their menu.
Photo: Aaron Yoshino

Kaneshiro feels the same way. "I want to make sure (customers) know that we appreciate them, and they feel cared for." Zippy's has always supported local causes: It's annual Kōkua Pac bentos during May have supported different causes over the years, including nonprofits like Special Olympics Hawai'i, Partners in Development Foundation and HUGS and provided meals to nurses, vaccination-clinic workers and other health care workers during the pandemic.

L&L's Flores says, "We get to give back to this place that has given us everything." The causes have included Maui wildfire relief and investing over $3 million toward education and community initiatives.

Even during tough times, restaurants in Hawai'i continue to help the community. "It's the restaurateurs who step up" in times of need, Matsuoka says. HRA members and the national nonprofit Mercy Chef partnered to provide thousands of free meals to survivors during and after the Kona Low storms and Lahaina wildfires.

Ronald McDonald House Charities of Hawaii provides free housing for families who travel to O'ahu while their children undergo serious medical treatments. For 30 years, 72 Hawai'i-based McDonald's restaurants donated more than $600,000 annually to the Ronald McDonald Campaign.

Braddahhood and Sistahhood Grindz is a community-supported program that provides meals and career-development opportunities to UH student-athletes. Matsuoka says these young people often cannot afford the kind of meals needed for their rigorous training and gametime performance. On top of the food, the program provides career development and networking that can benefit the athletes after graduation.

Le credits the community for sustaining his business during Covid. "If you're not able to kind of connect with (the community) on the more genuine and personal level, they're not going to get behind you, especially when you actually need it," Le says.

The Only Good Vibes Project has made dining at Le's restaurant more accessible to customers – which he says adds meaning to those who work there.

It's a partnership with the nonprofit Chef Hui and operates on a "pay-what-you-can scale." It is limited to three reservations per night and features a four-course tasting menu. Proceeds are donated to that month's nonprofit partner.

Over the years, the Waiāhole Poi Factory has supported Hawaiian culture and art and the community. And it supports local agriculture by buying taro from numerous local farms.

"Our product is a product that has been in Hawai'i for hundreds of years … we're able to create economic support through that," Hoe says.

THE PATH TO SUCCESS

While the restaurant business is challenging, it teaches valuable skills and can be rewarding. Entry-level employees can work their way up to be CEO, Flores says. "You can start off as a dishwasher, and you can become an owner." In fact, Matsuoka says about 60% of people's first jobs were in hospitality or restaurants.

Mike Rompel, owner-operator of 55 Domino's restaurants in Hawai'i and Utah, started his career as a 19-year-old delivery driver and pizza maker for Domino's. Eventually, he purchased his first store in San Francisco then moved with his family to O'ahu, where he bought six Hawai'i Domino's stores that were struggling financially for $600,000.

Eddie Flores Jr., L&L's co-founder and Elisia's father, purchased the original L&L location with his business partner Johnson Kam in 1976. Today it has over 230 franchise locations across 17 states and Japan, introducing local style food to millions outside Hawai'i.

"Because my parents had L&L, they achieved their American dream," Flores says, and she hopes she can help others achieve their dream.

Le started his family business as a pop-up restaurant in 2011. That allowed his family to test drive their unique cooking and service style without the burden of a lease. It was "critical to really define who we are and what we do before we committed to a brick and mortar," he says.

While many chefs learn hospitality and how to cook, "nobody prepares us for the business side of it," he says. He advises restaurateurs to become well versed in their profit and loss statement and build their menu and labor force according to those numbers.

From day one of Le's restaurant, he and his team focused on making a profit and keeping realistic expectations.

Restaurants are always a risk, Hoe says, so owners must understand their capacity for financial risk. Avoid blindly following a road to debt, he says.

Le offers other advice: Find the right business partner and build a well-rounded team of cooks who can grow without having to leave the company; develop a thick skin because you won't please everyone; work genuinely and with intention; and be selfless.

Matsuoka adds a final piece of advice: "What's going to make the difference is the determination … willingness to sacrifice." HB

Hawaii Restaurant Association at UH this year.
Photo courtesy of HRA

L&L Co-founder Eddie Flores Jr. purchased the original L&L location with his business partner Johnson Kam in 1976.
Photo: Aaron Yoshino