5/23/24; Red Lobster’s bankrupt-sea

[HALF SECOND OF SILENCE]

[BILLBOARD]

[SCORING IN — FORMATION (instrumental)](https://www.youtube.com/watch?v=pemsR_xB5Yw)

*DENISE GUERRA (Today, Explained producer)*: Email Subject: Press comment on Beyonce and Red Lobster

*DAVID PIERCE (HOST)*: On Tuesday, one of the producers behind today’s Today Explained sent an email to a publicist for Parkwood Entertainment.

DENISE: Hello, I hope you’re well. I know this is a long-shot but is Beyonce or her team willing to comment on Red Lobster going bankrupt and where she plans to take her partner after some activities.

Thank you for your time,

Denise Guerra, Audio Producer, Today Explained.

DAVID: Beyonce’s people *actually* … did not get back to us. Go figure. Coming up on Today, Explained: Why Jay-Z’s favorite restaurant is suddenly in peril, and how the economic forces threatening Red Lobster could soon change casual dining as we know it.

SCORING IN — [FORMATION (non-explicit)](https://open.spotify.com/track/6BOh92QF6cAvNjH9SRYJxL?si=6c7f0d7dd87048ca)

When he - me good, I take his - to Red Lobster ('Cause I slay)

When he - me good, I take his - to Red Lobster (We gon' slay)

DENSE: “<laughs>…I can’t believe you made me send this…”

[THEME]

DAVID: It’s Today, Explained. I’m David Pierce filling in as host.

You probably haven’t thought about Red Lobster all that much lately. It was just that place near the old mall with those delicious free Cheddar Bay Biscuits that everybody seemed to love. Maybe you hadn’t been in years; maybe you went more recently to take advantage of some maybe-too-good-to-be true seafood deals.

This week, though, you probably found yourself thinking about Red Lobster. And not because of those biscuits. Which, again, are delicious Things took a turn for the seafood chain, which — maybe because of a doomed unlimited shrimp promotion — has found itself in dire financial straits. Suddenly it’s in major peril.

We asked the Wall Street Journal’s Heather Haddon what’s going on.

*HEATHER HADDON (Wall Street Journal reporter)*: Don't worry, Red Lobster is not closing all of its restaurants, but they have closed several dozens and they have about 600 total. They have something like nearly $300 million in debt to their creditors. By late last year, they only had $30 million left in cash, which is just not enough money to run a big, complicated business like this. And they were unable to pay a lot of their suppliers. And so clearly, this is a situation that has been piling up for some time, but this is where it's ended up in, in bankruptcy.

DAVID PIERCE: I really have seen some people connect the dots more or less saying unlimited shrimp cost this company so much money it went into bankruptcy.

<[CLIP](https://www.facebook.com/comedycentraluk/videos/red-lobster-loses-11m-due-to-chains-endless-shrimp-promotion-the-daily-show/911111620350169/)> DAILY SHOW: They offered endless shrimp for $20 thinking surely. People are not going to eat that much shrimp. And instead they lost 11 Million dollars.

DAVID: So the unlimited shrimp thing has to have been a big deal. What happened there?

HEATHER HADDON: So Red lobster certainly has run these kind of bottomless promotions in the past where you could get all the shrimp that you want from a certain part of the menu.

<[CLIP](https://www.youtube.com/watch?v=ABX0GXOQgCU&t=5s)> COMMERCIAL: One of seven endless choices for just $20 right now.

Only at Red lobster.

But they tended to run it as a limited time offer, so maybe you'd be offered, you know, one day a week for a limited time or just, you know, for a certain period. But here the company last June said, hey, we're going to run this all the time.

<[CLIP](https://www.youtube.com/watch?v=K6JHhG0-ugA)> COMMERCIAL: If you love shrimp like I love shrimp. Red Lobster’s endless shrimp is kind of a big deal. It’s finally back with as much shrimp as you, anyway you want it

HEATHER HADDON: You know, it drove a lot of traffic. The traffic was up.

<CLIP> [TIK TOK](https://www.tiktok.com/@lukefoods/video/7286937077252377899?lang=en) @lukefoods: Let's try them all. Our first plate looks something like this.

[TIK TOK](https://www.tiktok.com/@onaleelee/video/7334897754042354986?lang=en&q=all%20you%20eat%20shrimp&t=1716384337963) @oneleelee: Hi, my name is Nick and I'm going to eat 64 shrimp tonight.

[TIK TOK](https://www.tiktok.com/@lukefoods/video/7286937077252377899?lang=en) @lukefoods: Check out this new tequila lime shrimp.

[TIK TOK](https://www.tiktok.com/@onaleelee/video/7334897754042354986?lang=en&q=all%20you%20eat%20shrimp&t=1716384337963) @oneleelee: Hi, my name is Annalee and I'm going to eat 65 shrimp tonight.

[TIK TOK](https://www.tiktok.com/@lukefoods/video/7286937077252377899?lang=en) @lukefoods: Now we’re moving to the normal grilled shrimp skewers

[TIK TOK](https://www.tiktok.com/@livsllife/video/7308909703608667397?lang=en&q=endless%20shrimp&t=1716384538051) @livsllife: Honestly, it was really good in the beginning, but it's already going downhill really quick.

HEATHER HADDON: But the profits did not go along with those sales.

<[CLIP](https://www.youtube.com/watch?v=eT9LMV7wgG8)> STEPHEN COLBERT: Apparently, people will show up to Red lobster, order the Endless Shrimp and then simply wouldn't leave.

DAVID PIERCE: That's the sort of thing that makes sense to me when it's, you know, unlimited breadsticks. Unlimited shrimp seems like a… I feel like I don't I don't pretend to be a restaurant expert, but I can imagine how that would become a bad financial deal pretty fast.

HEATHER HADDON: You know, bottomless promotions, they’re popular. Customers clearly are kind of ornery and looking for deals these days. And so I was talking to one restaurant executive is like, yeah, we have fries, broccoli, some other options on the unlimited menu. We do not have shrimp because shrimp is a protein and proteins are expensive, particularly something like shrimp. You know, I mean, shrimp prices fluctuate quite a bit. And when they go up, that's just going to cost you a lot of money. So that is a really good point.

DAVID PIERCE: Red lobster has kind of famously had weird promotional stuff over the years, right? This is a I feel like all of my memories of Red lobster are sort of bonkers commercials.

<[CLIP](https://www.youtube.com/watch?v=7y93RFL05nc&t=1s)> COMMERCIAL: *We got tails, shrimp, waiters, potatoes, sauces for bosses, cheddar bay stuffing, no bluffing....*

DAVID PIERCE: And we unearthed, album of AI generated music that they did called Cheddar Bay-I.

<[CLIP](https://www.youtube.com/watch?v=4aE_k61YB9w&list=PLuLFhOqPCYPtr8px7MPWLvqyOZQjGGKEH&index=4)> CHEDDAR BAY AI ALBUM: I went upstate, you got me hooked on the Bay biscuits I can't overlook. Buttery cheesy. Oh. So divine.

DAVID PIERCE: So this is so deeply bizarre. This whole thing, and this whole company, to some extent. I guess what I wonder from your perspective is, is this just a sign of the times in the restaurant world? Is this what you have to do to stand out, offer food you can't afford, and make crazy jingles made with AI? Or has Red lobster always been a kind of unusual company this way?

HEATHER HADDON: Well, they were unusual in that they, for a long time now, have been America's biggest casual dining seafood company, so that definitely makes you a standout.

<[CLIP](https://www.youtube.com/watch?v=Lk3jjim3Ohs)> COMMERCIAL: If it's been a while since you've eaten crab legs, let Red lobster remind you how. Uh-huh, right in the middle of.

HEATHER HADDON: There was Lobster Fest.

<[CLIP](https://www.youtube.com/watch?v=53CWO4gOa9I)>COMMERCIAL: There's no wrong way to Lobster Fest. You can ease in, you can chow down, or you can show off.

HEATHER HADDON: You know, they really invented the popcorn shrimp. You know, they were known as kind of an innovative company with lots of jingles and lots of Ads

<[CLIP](https://www.youtube.com/watch?v=Lk3jjim3Ohs)>COMMERCIAL: … succulent coconut shrimp savor one of many delicious island dinners starting at just $8.99. Hurry before the carnival ends

HEATHER HADDON: That really helps expand the knowledge of them all around the country. I mean, this was a family favorite

<[CLIP](https://www.youtube.com/watch?v=Lk3jjim3Ohs)>COMMERCIAL: Ahh. Red lobster for the seafood lover in you

HEATHER HADDON: But, you know more broadly, I would say casual dining is challenged right now. I mean, some of these classic legacy chains, you know, they've been around for decades now and customers are really seeking deals, you know, seeking them in fast food, but they're also seeking them when they go out because they're just not looking to spend a lot of money.

<[CLIP](https://www.youtube.com/watch?v=ZfPs0e__wSk)> CBS BOSTON: Despite inflation slowing down, food prices continue to increase. The Consumer Price Index considers food purchases, groceries and food away from home like a restaurant. Both are getting worse for your wallet.

HEATHER: People had a lot of stimulus money. A lot of that is gone now from the pandemic, and they're just not feeling like perhaps getting that $20 All you can eat shrimp deal. But then adding other stuff, you know, adding alcohol, adding like other stuff from the menu that could make the ticket grow a lot more and make it more profitable for them. Just not enough people were doing that.

DAVID PIERCE: So let's go all the way back to the beginning. Where did Red lobster come from in the first place? This this just doing a bit of research on this. This company has been around a pretty long time and is much more of a sort of American food institution than I realized.

<[CLIP](https://www.youtube.com/watch?v=Lk3jjim3Ohs)> COMMERCIAL: Red Lobster is where America goes for seafood.

HEATHER HADDON: Yeah. Me too. It's been really interesting learning more about them. So yeah, they were founded in the late 60s by Bill Darden, and Bill Darden is known as the father of casual dining,

SCORING IN <The Drunken Sailor\_APM>

and it was founded in Orlando as a casual dining seafood chain and one of the first casual dining chains around. So a place to, you know, you could bring, you know, your family a date and have a nice meal out, and not break the bank. But, you know, clearly nicer than fast food, but not as nice as, you know, a formal sit down meal.

DAVID PIERCE: And there wasn't a ton of that at the time.

HEATHER HADDON: No, no, this was new. I mean, you know, Chili's was getting going around this time. And it was also seen as just like an unusual thing that, you know, a place you could, again, bring a date to and have a burger and beer and not break the bank. In a nice, you know, nice enough environment. And in the 70s, General Mills, invested in the company. And that really helped it start to expand. So expand its reach in the U.S., grow its store count. And from there, like we talked about before, all these kind of fun, kind of kitschy things that they developed, like Lobster Fest and and yes, by the 80s and 90s, they were the biggest seafood restaurant chain in the US. They really, you know, hit on something that consumers really liked.

SCORING OUT <The Drunken Sailor\_APM>

DAVID PIERCE: Okay. And then when do things start to. I'm very sorry. Flounder.

HEATHER HADDON: [Laughs]

DAVID PIERCE: That's the last one, I promise.

HEATHER HADDON: So it's kind of a, unusual situation, but Darden Restaurants had an activist investor, starboard who was basically agitating for change. They wanted change, you know, at the company, which is what these activist investors do, you know, look for change with the management or the board or spending, you know, they wanted the company to be more profitable. And we're staging a campaign for that. Darden, Bill Darden, who I believe was still heading the company, was like, all right, I'm going to deal with you by spinning off Red lobster.

SCORING IN <The Mice Inside\_BMC>

<[CLIP](https://www.youtube.com/watch?v=CSYwZz9VFX0&t=14s)> WESH NEWS: Part of that plan is for Red Lobster to become a separate company from Darden Restaurants, Inc. Now, officials say it's in the best interest of Darden as well as Red Lobster.

HEATHER HADDON: So they just sold Red lobster, I believe, in 2014 to, the private equity firm Golden Gate Capital to deal with this activist. Golden Gate Capital very quickly had the company sell off all its real estate, which it owned, which gave them an infusion of cash, which meant that Red lobster was going to be forever leasing back their real estate. So having to pay rent on their real estate and, you know, making them beholden to landlords, which is a tougher position for a restaurant to have, particularly when it had owned its it's real estate for a very long time, and that was part of its economic business structure.

<[CLIP](https://www.wsj.com/video/red-lobster-spinoff-is-wrong-recipe-for-darden/7DEAAD54-782B-479C-BEA0-3F159894C8CF)> Wall Street Journal: I mean, you spin off red lobster out on its own. What kind of chance does that chain have?

HEATHER HADDON: In 2016, this Thai union group comes along. One of the world's biggest producers of canned tuna and takes a minority stake in Red lobster, which in itself it's pretty unusual. Suppliers don't usually buy kind of the retailer who's serving up their products. In the bankruptcy filing. The restructuring CEO has actually raised questions about whether Thai Union kind of structured a deal that benefited them more than Red lobster. I mean, they cut out some of the other suppliers of the shrimp to Red lobster, giving them kind of a preferred status to sell to them, and then ran this promotion, which is all about consuming tons and tons of shrimp, which their supplier was supplying to them. So I think there's some questions about how this the economics of this and just kind of how this is structured, that I'm really curious to see how that comes out in this bankruptcy process.

DAVID PIERCE: Yeah. That is that is really interesting. There's like weird shrimp self-dealing is not not the kind of thing you expect all the time.

HEATHER HADDON: No.

SCORING OUT <The Mice Inside\_BMC>

DAVID PIERCE: Has there been a big trend of of this? I mean, obviously Red lobster is one of lots of companies like it. Has there been a wave of bankruptcies and financial issues with other chains like this?

HEATHER HADDON: There actually has this year. A lot of things are just there. You know, the hitting the wall. So there has been some fast casual, another kind of smaller sit down chains that have filed for bankruptcy, and it starts to feel kind of similar. There's debt issues, there's demand issues. There's landlords just not cutting them a break anymore. The pandemic's over. And so it is starting to hit the fan in a way that I think there could be more.

SCORING IN <Neutral Raymond\_ BMC>

DAVID: After the break – how other casual dining chains are faring in the treacherous waters Red Lobster is currently navigating, and how it might change what you have for dinner. That’s ahead on Today, Explained.

SCORING OUT <Neutral Raymond\_ BMC>

[BREAK]

[BUMPER]

DAVID: Today, Explained is back and so is the Wall Street Journal’s Heather Haddon. Heather, does it feel like we’re at the end of an era right now? We’ve at decades of there being Red Lobsters and things like it in every strip mall, everywhere. You practically couldn't turn around without finding one of these spots? Are we at the end of that part of history now?

HEATHER: I don't think we're at the end of the era, but it is definitely changing.

*<CLIP> CHILE’S NSYNC AD: I want my baby back, baby back, baby back…*

HEATHER: Beyond Red Lobster, you see chains like Applebee's,even Chili's,they're closing locations.

*<CLIP> WCBI: Tomorrow night will mark the final day of business for the Chile’s locations in both Columbus and Starkville.*

*<CLIP> CHILE’S NSYNC AD: <singing> Chile’s baby back ribs.*

HEATHER: If they have a location that is not performing, now's the time to close it. Because, you know, if the, if the the costs are going up and the customers just aren't there, it's time to cut bait. So I do think we are seeing just kind of, you know, a little bit of shaking out in casual dining where, units are closing and, you know, talking to restaurant analysts, they think it could actually make…Rightsize the business a bit better, that we just have too many of these restaurants, and we need fewer of them to serve the amount of consumers there are for their food.

DAVID: What what is it about casual dining in particular that it’s being hit in a way that it doesn’t seem fast food or upscale dining necessarily has? What’s going on with this particular slice of the restaurant business?

HEATHER: Yeah, I do think it is. You know, it has felt a little dated.

*<CLIP> 1989 CHILE’S AD: <singing> There’s something great at Chili’s and I love it. I want my baby, my baby back ribs. They’re here at Chile’s.*

HEATHER: I also think, a lot of chains are very transparent that they serve middle to lower income consumers. And that's exactly the folks who even McDonald's is suffering with these folks, lower income consumers.

<CLIP> TIKTOK: @DERRICKMIROCHNIK: McDonald's is way too expensive. Get a Big Mac, a French fry, and even something like a sprite Zero. 15 bucks.

But, you know, casual dining generally, you're going to pay more to go out with your family, pay a tip than you are at McDonald's. So You know, a lot of these casual dining chains are trying to reinvent themselves or trying to prove their good value.

*<CLIP> 2022 APPLEBEE’S AD: <singing> And a little bit of chicken fried. “Get five bonus wings for one dollar with any handcrafted burger. Only at Applebee’s.”*

HEATHER: They're even adding burgers to their menus that are really competitor to, like at McDonald's. For competitive price points to say, hey, we're we're still relevant. But, you know, they are suffering a bit from, you know, being squeezed by fast food on one side, being squeezed by independents, people being like, you know, I'd rather go to my local restaurant than a chain.

SCORING IN <Carousel Waltz>

DAVID: How much are the costs for restaurants themselves changing? I mean, the restaurants are famously not a super high margin business anyway. Has that gotten harder in recent years, like just the the business and cost of running a restaurant every day?

HEATHER: Absolutely, yes. We did a whole story on independent restaurants. And even when, you know, they've been charging $16 for a burger, why they can't make money. And a lot of it really has to do with labor.

*<CLIP> @DROPOUTMM: My friend Dan sent me a text the other day. He was in one of my restaurants. He said, Ryan, I just ordered a BLT. It's $16. You realize it's just bread, bacon, lettuce and tomato. I said, yeah, Dan. But let me give you some restaurant perspective.*

HEATHER: Labor costs have just gone up so much.

*<CLIP> @DROPOUTMM: My Labor's currently running about $60,000 a month. That's at 28%.*

HEATHER: Whether it's from, you know, lack of labor, needing to pay more, or minimum wage increases and other benefit increases being mandated, that it's really changing the the calculus for them in a way that, you know, a lot of them are finding unsustainable.

*<CLIP> @DROPOUTMM: At a 32% food cost. I have about $11 profit in that sandwich. That means I have to sell 93,800 sandwiches a year.*

SCORING OUT <Carousel Waltz>

DAVID: I think about the the that Walker Hayes song where he talks about Applebee's on a date night.

*<CLIP> “FANCY LIKE” - WALKER HAYES: <singing> Yeah, we fancy like Applebee’s on a date night.*

DAVID: It just feels like the way these casual restaurants exist in people's minds, especially young people, has changed.

*<CLIP> “FANCY LIKE” - WALKER HAYES <singing> Two straws one check, girl I got you.*

DAVID: But that's purely anecdotal on my side. Have you seen anything like that in terms of what these restaurants mean to people?

HEATHER: Well, Applebee's capitalized on that song in a really creative way. I wrote a story about them offering these date night passes.

*<CLIP> KCAL NEWS: So here it is. For 200 bucks, you can get up to $30 worth of food each week for an entire year.*

*Speaker 2: OK.*

HEATHER: You know, based on this kind of perception that Applebee's is a great place to have a date.

*<CLIP> KCAL NEWS: A limited number of the passes will go on sale Monday at 9 a.m.*

HEATHER: And it was, you know, a meal, a date out at one of these restaurants for 35 bucks worth of food and drink, one trip per week for a year. And they sold out in less than a minute, like there is still demand for these restaurants and for a good value.

*<CLIP> APPLEBEE’S WALKER HAYES AD: <singing> Fancy like, oooooh…*

HEATHER: I think what people really want is good value these days. And so if a chain is offering a good value in a good deal, I mean, there there is still interest in that. I mean, a lot of these chains have developed loyalty programs and otherwise to try to keep people interested.

*<CLIP> IHOP REWARDS PROGRAM AD: When you join IHOP’s awards program, the International Bank of Pancakes, and start stacking pan coins toward free food, you get a smile on your plate.*

HEATHER: And they're really fighting to get their, their share of like young, young diners to try to keep them thinking about the these chains is relevant. But it's tough. I mean, they're battling a lot of other influences and other places young people can get food, you know, order delivery, you know, look at a TikTok video and make it at home.

*<CLIP> @MORIBYAN: Honestly, I don't think Red lobster would hit the same if it wasn't for their cheddar Bay biscuits. So today we learned how to make it at home, and even better. First step is to whisk together your flour, baking soda, and baking powder.*

HEATHER: Like there's a lot of competing interests here, but these chains are trying.

DAVID: So if these restaurants aren't doing well, who is have we seen anyone that has really sort of been on a huge upswing as a result of some of the changes you're talking about?

HEATHER: Yeah. I mean, again, some of these fast casual chains are doing pretty good.

*<CLIP> WSJ: Chipotle’s revenue has increased by more than 200% over the past decade. It’s stock price has increased over 400% in the last five years.*

HEATHER: But I would say in general, this is not a great time for restaurants like when even Starbucks and McDonald's isn't doing good. That's that's when, you know, this is this is a challenging time because they're kind of masters of just trucking along. So, you know, I think we're going to have to see what happens later this year if consumers, you know, start to feel a little looser with their money, probably things will turn around. I really think that there is going to be kind of price promotions and value wars coming, you know, probably this summer heightening where a lot of these chains just try to duke it out with customers, you know, maybe kind of more on the Red lobster “All you can eat shrimp for $20” vibe. I mean, we're kind of back to that that, you know, either you have to have some really creative marketing and products, you know, something to really coax consumers that they want to spend the money for you, or you have to offer them a deal.

DAVID: Yeah, I remember I think it was Arby's just recently that had a promo for free sandwiches that was basically like, we know you don't like Arby's, please come back. We'll give you free sandwiches.

HEATHER: <laughs> That’s right.

DAVID: When we've gotten to that point, it's tough to be in the restaurant business.

SCORING IN <B25,000 Pyramid>

DAVID: So for Red Lobster is there any hope for this storied brand at this point or are we in kind of a slow, inexorable decline?

HEATHER: Yeah, I mean, the this is the current CEO, certainly believes there's hope, that this restructuring process will work. And, you know, the firm he works for, they've done this before. I mean, it's some of these chains do emerge from bankruptcy and, you know, continue on their lives. I mean, I wouldn't say it's easy, but it can be effective. So I wouldn't lose all hope for Red lobster. But part of it is they just have to get people to come back again. And it can't just be through deals. It has to be through something new.

DAVID: That was Heather Haddon, restaurant reporter for the Wall Street Journal.

If you’re finding yourself still wondering just how much shrimp someone can actually eat, tune into the show on Monday. We’ll be taking a break from the news for Memorial Day and instead will bring you an episode of the series Gastropod all about America’s boundless love of shrimp. Spoiler alert: We eat a *lot* of it.

This episode was produced by Denise Guerra and Haleema Shah, edited by Matt Collette, fact-checked by Laura Bullard, engineered by David Herman and Andrea [ahn-DRAY-uh] Kristinsdottir [kristen's daughter], and hosted by David Pierce.

The rest of the Today, Explained team includes Avishay Artsy, Hady Mawajdeh [mah-wog-dee], Amanda Lewellyn, Miles Bryan, Victoria Chamberlin, Peter Balonon-Rosen, Patrick Boyd, Rob Byers, Miranda Kennedy, Noel King, Sean Rameswaram, and Amina Al-Sadi.

We use music by Breakmaster Cylinder.

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I’m David Pierce, filling in as host here at Today, Explained. You can find me more often over at The Verge, where I also host a podcast called The Vergecast. Thanks for listening.

[10 SECONDS OF SILENCE]