Marketing Doctor

Marketing Check-up

Red Lobster

As of May 28, 2024

Condition: Critical

Endless shrimp, rising rent

Red Lobster calls itself the world's largest seafood restaurant company. People had not forgotten it: when it made its most famous promotion permanent, guests came. The problem was that each extra guest cost it money, while the restaurants, the food and the service had been starved of investment for years. This check-up looks at the offer, the experience behind it and what the chain's May 2024 bankruptcy filing teaches about promotions.

Key takeaways

- In June 2023 Red Lobster made the $20 Ultimate Endless Shrimp an everyday menu item. Traffic rose 4%, and the chain posted an operating loss of more than $11 million in one quarter.
- Its then minority owner's finance chief summed it up: "We wanted to boost our traffic, and it didn't work."
- CNN reported years of underinvestment in marketing, food quality, service and restaurant upgrades, while casual dining's share of restaurant spending shrank.
- Annual guest counts were down 30% from 2019 when the chain filed for Chapter 11 in May 2024, days after closing 93 restaurants.

Marketing health check

Area	Finding
Hero offer	Loss-making. Endless Shrimp drew crowds and lost money on them.
Guest experience	Underfunded. Years of underinvestment in food, service and restaurants.
Demand	Falling. Guest counts down 30% from 2019.
Category	Shrinking. Casual dining fell from 36% to 31% of restaurant sales.
Cost base	Rigid. Rent on restaurants it used to own rises every year.

Timeline

When	What happened
2000s	Endless Shrimp runs as a limited-time offer for about 20 years.
May 2014	Darden sells Red Lobster to Golden Gate Capital, funded partly by selling and leasing back its restaurants.
2016	Thai Union, a longtime shrimp supplier, invests in the chain.
Aug 2020	Thai Union leads a group that takes 49% of Red Lobster.
Jun 2023	The $20 Ultimate Endless Shrimp becomes an everyday menu item.
Late 2023	Thai Union reports a quarterly operating loss of more than $11 million at Red Lobster and names the deal as a factor.
Jan 2024	Thai Union says it will exit its investment.
May 13, 2024	Red Lobster closes 93 restaurants.
May 19, 2024	Red Lobster files for Chapter 11.

What happened: a promotion built for traffic

Endless Shrimp ran as a limited-time offer for about 20 years. Scarcity was part of its appeal: it came, it went and people planned visits around it. In June 2023 Red Lobster made the $20 Ultimate Endless Shrimp an everyday menu item. Guests came: traffic rose 4% year over year. So did losses. Thai Union, then a minority owner, reported an operating loss of more than $11 million at the chain that quarter and named the deal as a factor. Its finance chief told investors: "We wanted to boost our traffic, and it didn't work."

The bankruptcy filing says the former chief executive made the offer permanent "despite significant pushback from other members of the company's management team," and that a change in shrimp suppliers "led to higher costs" while some restaurants went days without certain types of shrimp. Thai Union called the accusations "meritless." The marketing lesson stands either way: an offer priced for visits, not margin, bleeds more cash the more guests like it.

The diagnosis: the name worked, the meal underneath didn't

- **A hero offer with no margin.** The promotion did its job of filling seats. It was the wrong job.
- **Scarcity given away.** A limited-time favourite became permanent, losing the urgency that made it special.
- **The experience was starved.** CNN reported years of underinvestment in marketing, food quality, service and restaurant upgrades. Promotions can bring people in once. The meal has to bring them back.
- **Fixed costs boxed in the marketing.** After the 2014 sale, a chain that had owned its real estate paid rising rent on it every year, leaving less to spend on guests.

The treatment it needed

A marketing audit of this business would have flagged three things before any advertising question: a hero offer that lost money as it drew crowds, a guest experience that had gone years without reinvestment, and a cost base that rose whether guests came or not. The fix we would prescribe: fewer, better restaurants; promotions priced for margin and kept limited; and reinvestment in the meal itself. More advertising cannot fix that mix.

The result: guests stopped coming back

Court filings show annual guest counts down 30% from 2019. The category was shrinking too: casual dining fell from 36% of restaurant industry sales in 2013 to 31% in 2023, according to Technomic.

On May 13, 2024, Red Lobster closed 93 restaurants. Six days later it filed for Chapter 11, with its lenders lined up to buy the business.

Lessons for your marketing

1. Judge a promotion on profit per guest, not visits alone. Attribution that stops at traffic will flatter a loss leader.
2. Protect the scarcity of a famous offer. Limited-time works because it is limited.
3. A promotion can earn the first visit. Only the product earns the second.
4. Treat long fixed costs as marketing decisions, because they set what you can spend on customers later.
5. When a shareholder also sells you your main ingredient, write down who decides the menu before the numbers turn.

The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

Sources

1. Red Lobster announcement of its Chapter 11 filing (May 2024). https://www.redlobster.com/news-press/press/2024/05/19/red_lobster-files-voluntary-chapter-11-petitions-to-strengthen-financial-position-and-maximize-value-for-stakeholders
2. News4JAX / Associated Press on the filing and guest counts (May 2024). https://www.news4jax.com/business/2024/05/20/red-lobster-seeks-bankruptcy-protection-days-after-closing-dozens-of-restaurants/
3. CBS News on the bankruptcy filing (May 2024). https://www.cbsnews.com/news/red-lobster-bankruptcy-chapter-11-sale-restaurants
4. FSR Magazine on the fall of Red Lobster (2024). https://www.fsrmagazine.com/feature/inside-the-fall-of-red-lobster/
5. CNN via KVIA on Red Lobster's bankruptcy and underinvestment (May 2024). https://kvia.com/news/business-technology/cnn-business-consumer/2024/05/20/red-lobster-files-for-bankruptcy/
6. Good Morning America on the Endless Shrimp deal's cost (2023). https://goodmorningamerica.com/food/story/red-lobsters-endless-shrimp-deal-cost-company-millions-105271091
7. Restaurant Dive on the problems behind the bankruptcy (May 2024). https://www.restaurantdive.com/news/red-lobster-problems-behind-the-bankruptcy/716658/
8. Fortune on Red Lobster's leases and the shrimp promotion (May 2024). https://fortune.com/2024/05/21/red-lobster-unlimited-shrimp-fiasco-bankruptcy

This check-up uses public information available on May 28, 2024. It is marketing analysis, not investment advice. © 2026 The Marketing Doctor.