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California Fast-Food Chains Are Now Serving Sticker Shock

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6–7 minutes

Restaurants for months have said menu prices in California would rise as the state raised the minimum wage for fast-food workers. Now they are following through.

Consumers picking up burgers, burritos and chicken sandwiches at chains in the Golden State are grappling [with prices that for months have been rising at a faster clip](#) than in other states, according to market-research firm Datassential.

Since September, when California moved to require large fast-food chains to bump up their minimum hourly pay to \$20 in April, fast-food and fast-casual restaurants in California have increased prices by 10% overall, outpacing all other states, the firm found in an analysis of thousands of restaurants across 70 large chains.

Prices at Chick-fil-A, Domino's, [McDonald's](#), [MCD](#) [-0.68%decrease; red down pointing triangle](#) Burger King, Pizza Hut, [Jack in the Box](#) [JACK -0.50%decrease; red down pointing triangle](#) and other fast-food chains have increased since September, the firm found. Chipotle said in [an investor call](#) Wednesday that prices at its nearly 500 California restaurants

climbed 6% to 7% during the first week of April compared with last year, playing out across its menu.

“The state isn’t making it easy,” Chipotle Chief Executive Brian Niccol said in an interview.

In Los Angeles on a recent April afternoon, Seth Amitin, a 39-year-old therapist, said his usual \$16 meal that he picks up weekly at the Chick-fil-A in Hollywood, Calif., now costs \$20. The price for a spicy chicken sandwich at that location had gone up to \$7.09 from \$6.29, or 13%, since mid-February, according to research by Gordon Haskett Research Advisors. Chick-fil-A’s prices increased 10.6% on average in California during that time period, Gordon Haskett found.

“There’s a really good taco spot just down the street. They kept their burrito prices at \$10. I’m definitely eating there more often,” Amitin said.

California [raised the minimum wage](#) for fast-food workers to \$20 an hour in April, a 25% increase from the state’s broader \$16 minimum wage. Supporters, including Democratic California Gov. Gavin Newsom, said the law would improve wages and working conditions for hundreds of thousands of fast-food employees in the state.

A spokesman for the governor said fast-food companies can afford to give their workers a deserved bump in pay. “These are wages that will go towards basic necessities like rent and groceries,” he said.

The restaurant industry [spent millions](#) fighting the wage law and was ready to [mount a referendum campaign](#) but then [negotiated a deal](#) with backers last September. McDonald’s, Jack in the Box,

[Shake Shack SHAK -1.10%decrease; red down pointing triangle](#)▼

and others said they would raise menu prices in California in response, with some McDonald's franchisees estimating hundreds of thousands of dollars per restaurant in added labor costs.

California restaurants already had [some of the highest fast-food](#) prices in the country, according to market-research firm Revenue Management Solutions. Every month since October, California fast-food and fast-casual restaurants have raised prices across a greater percentage of their menus compared with restaurants in the rest of the country, Datassential found.

Greg LaVay, a 79-year-old retired entrepreneur from San Diego who worked in the retail office furniture business, said he noticed McDonald's hamburgers in his area creeping up to \$2.50 each. A Big Mac now goes for \$5.39, he said. He said he used to visit McDonald's a few times a month but a few months ago started to limit his restaurant spending to sit-down restaurants for dinner.

"I feel ripped off a little," he said.

Restaurant owners working for franchised chains such as McDonald's and Burger King set their own prices, while Chipotle and other companies that own their domestic stores determine their menu costs.

McDonald's said it is committed to providing good value for customers, and the company and its franchisees set up a team to aid its California business. "McDonald's is competitive when it comes to affordability across the state," the company said.

A Jack in the Box spokeswoman said the company has increased prices around 7% in its company-owned stores compared with last year. She said the company and its franchisees have sought to run

stores more efficiently in response to the increased costs associated with the wage increases.

Customers across the country [are starting to pull back](#) on restaurant visits after eateries pushed up their prices in response to [inflation](#), industry data shows.

California consumers like Chandu Siram, a 50-year-old architect in Eastvale, said he previously didn't bat an eye at how much his family of four spent on fast food but now has started to make fewer runs to Chipotle and [Starbucks SBUX -0.33%decrease; red down pointing triangle](#)▼. He might go further.

"For now, we are keeping track of our spending at these places and if our spending goes up, we'll look to cut back," said Siram. He is heading more often to Popeyes Louisiana Kitchen for deals at the chicken chain.

A number of California consumers said they were shifting their restaurant spending to independent eateries, considering them a better value and experience than some chains. The California wage law doesn't apply to restaurants with fewer than 60 national locations.

John Matthews, a 62-year-old project manager from Imperial Beach, Calif., said he believes the fast-food wage law is a drag on the state economy, and he doesn't support it. He said he has shifted his roughly \$600 in monthly restaurant spending to independent, sit-down restaurants and away from McDonald's, Chipotle and other chains.

"I'm still eating out, though much more selectively," Matthews said.

Talal Ansari contributed to this article.

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Appeared in the April 29, 2024, print edition as 'Fast-Food Prices Get Upsized in California'.