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Sweetgreen, Inc. (SG) Q3 2026 Earnings Call Transcript

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Q3: 2026-11-05 Earnings Summary

EPS of -$0.20 beats by $0.05 | Revenue of $176.02M (2.10% Y/Y) beats by $5.96M

Sweetgreen, Inc. (SG) Q3 2026 Earnings Call November 5, 2026 4:30 PM EST

Company Participants

Anthony Wiginton - Vice President of Finance & Investor Relations
Jonathan Neman - Co-Founder, Chairman, President & CEO
Jamie McConnell - CFO & Treasurer

Conference Call Participants

Dennis Geiger - UBS Investment Bank, Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division
Sara Senatore - BofA Securities, Research Division
Jon Tower - Citigroup Inc., Research Division
Margaret-May Binshtok - Wolfe Research, LLC
Kelly Anne Merrill - Morgan Stanley, Research Division

Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the Sweetgreen, Inc. Third Quarter 2026 Earnings Call. [Operator Instructions]

I will now hand the conference over to Anthony Wiginton, VP of Finance and Investor Relations. Please go ahead.

Anthony Wiginton
Vice President of Finance & Investor Relations

Thank you, and good afternoon, everyone. Speaking on today's call will be Jonathan Neman, Co-Founder and Chief Executive Officer; and Jamie McConnell, Chief Financial Officer. Both will be available for questions during the Q&A session following our prepared remarks. Today's call is being webcast live and recorded for replay. The earnings release is available on the Investor Relations section of Sweetgreen's website at investor.sweetgreen.com.

I'd like to remind everyone that the information under the heading Forward-Looking Statements included in our earnings release also applies to our comments made during the call. These forward-looking statements are based on information as of today, and we assume no obligation to publicly update or revise our forward-looking statements.

We also direct you to the earnings release for additional information regarding our use of non-GAAP financial measures, including reconciliations of non-GAAP financial measures mentioned on the call with their corresponding GAAP measures. Our earnings release can be found on our investor website.

And now I'll turn the call over to Jonathan to kick things off.

Jonathan Neman
Co-Founder, Chairman, President & CEO

Thank you, Anthony, and hello, everyone. I want to start with gratitude for our teams. Doing so is core to our Sweetgreen way, but it's also particularly important today. We are about to discuss a quarter in which we navigated an extremely tough environment, and our teams kept their attention where it mattered most, taking care of our customers and running great restaurants. We believe we have moved past the sales impact of the cyclospora headlines, and sales momentum continues to build. Our performance improved through September, and October comparable sales were about 5% with 4% transaction growth. There's a lot more to do, but this quarter offers meaningful encouragement that our strategic priorities are starting to translate into better performance.

As we move into the next phase of our transformation, we are continuing to sharpen our focus on the things that will make the biggest difference for our customers, our teams and our business. First, double down on our people and culture to deliver operational excellence. Second, strengthen our core and drive new occasions through craveable, farm-sourced, chef-made food. Third, leading digital innovation to enable a seamless personalized experience. Fourth, build brand relevance, growing distinction and creating culture. And fifth, invest with discipline to deliver profitable growth.

Starting with people and culture. We believe operational excellence is both an art and a science. For years, we have invested in the science of running great restaurants, better technology, systems and tools that help our teams operate more consistently and efficiently. Project One Best Way has been an important part of that work, creating more consistent processes around food preparation, staffing and peak readiness. We are seeing that show up in stronger culinary execution, better deployment and faster throughput. We are not yet where we want to be across the fleet, but we have laid the foundation of repeatable, scalable processes. And that's where the art comes in.

I recently visited Dee, our head coach at Wynwood in Miami. Her approach is simple: take care of the team so they take care of our customers. You see it in the little things. The team knows regulars by name, new customers feel welcome and there is real pride in the food and the restaurant. The leadership shows up in the results with Wynwood outperforming its region across comparable sales, throughput and restaurant-level margin. It is a clear reminder that 2 restaurants can have the same menu, equipment and systems and still deliver very different experiences. The difference is the head coach.

Our job is to give them the training, tools, support, incentives and empowerment to build strong teams, run great restaurants and deliver an exceptional customer experience. Last week, we took a major step in that investment with a new compensation program that transforms the earning potential of our head coaches. Those with 3 or more years at Sweetgreen, who lead our highest-volume restaurants, can earn over $200,000 a year in total compensation, including equity and a new revenue share bonus based on sales upside. We believe this is among the top-tier earning opportunities in the industry for restaurant leaders.

We want our head coaches to think and act like owners, build strong teams, earn customer loyalty and grow a profitable business. By tying their compensation more directly to performance, we give them a clear stake in the results they drive. We believe this creates a compelling reason for great leaders to join Sweetgreen, stay with us and drive performance. It also gives every team member a meaningful growth trajectory. Compensation is one part of that commitment. We are also strengthening training and development at every level. That starts on Day 1, building the right habits with every new hire.

For kitchen leaders, we are strengthening training across prep, cooking and pacing. For head coaches, we are investing more in coaching, business acumen and leadership development. We also launched a restaurateur program over the past year for our strongest head coaches with tailored development, senior leader mentorship and an uncapped $10,000 bonus for every team member that develop into a head coach. We are encouraged by the early progress and plan to expand it to more of our best head coaches in 2027.

To take this work to the next level, we recently welcomed Lauren Crowley as our new Chief People Officer. She brings deep experience from Starbucks and Expedia, building strong leaders and high-performing teams and will be an important partner as we strengthen our leadership pipeline and raise execution across our restaurants. All of these investments are focused on one thing: delivering a consistently excellent customer experience. Throughput is one of our clearest measures of restaurant health because it shows whether a team is prepared, staffed and deployed to win the peak.

We are seeing progress. Despite seasonally lower volumes in September and October, our highest-volume restaurants were serving more customers at peak than they were in May and June, and 40 restaurants set new peak hour records over the last 2 months. The gap between our best and median restaurants remains significant and that is why we believe improved throughput can drive hundreds of basis points of comparable sales growth over time.

Turning to menu innovation. We have spent nearly 20 years building a leading position in the salad category and earning our customers' loyalty. That core remains central to Sweetgreen. At the same time, we have an opportunity to expand into more occasions, flavors and categories, and to do it in the Sweetgreen way with farm-sourced ingredients and chef-designed meals our customers love.

We estimate the addressable category across bowls, plates, sides, beverages and desserts is approximately 7x the size of the salad category. Innovation in these areas gives us a clear path to capture a larger share of that market, attract new customers and make Sweetgreen a go-to choice across more occasions. Wraps are a great example of how new formats can broaden our reach. They create a strong entry price point and another way for customers to experience Sweetgreen. Since launch, we have seen a meaningful acceleration among Gen Z customers, which is now one of our strongest growing cohorts. That gives us confidence in the opportunity, and we will continue to innovate around wraps to attract new customers and give existing customers more reasons to return. Since launching wraps, incidence has remained in the high teens with the recent step-up following our fleet-wide collaboration with Molly Baz.

Molly joined us as our first Chef in Residence, and the strength of that launch gives us confidence in the opportunity to build this into a repeatable platform for menu innovation with talented chefs. The Lunch Means Business campaign with Molly brought together craveable food, distinctive creative and strong restaurant execution. It was one of our most successful brand moments in recent years and a clear example of what we can achieve when culinary, marketing and operations are aligned from the start. We are building on that momentum with the addition of John Karangis as our Executive Chef. John brings deep experience from Shake Shack and Union Square Hospitality Group and understands how to create delicious food that can be executed at scale. He will help us raise the bar on flavor across our menu while staying true to the high-quality ingredients our customers deserve.

Our next major focus is making Sweetgreen a stronger choice for dinner. Today, sales after 5:00 p.m. represent only about 1/3 of our business, and we see significant room to grow with Plates leading the way. The original Plates launch in 2023 demonstrated the category's potential. Next week, we're putting Plates back in the spotlight and giving customers a compelling reason to choose Sweetgreen for dinner. These warm, filling, hearty offerings are ideal for nights when guests want a satisfying meal without cooking at home.

Paired with what we believe is some of our strongest marketing yet, they can help keep Sweetgreen top of mind as the weather turns colder and dining preferences shift. We are thrilled to expand this experience with the new Sourdough Chocolate Chip Cookie made with coconut sugar, no seed oils and freshly baked in our restaurants. It is simple, delicious and another way to broaden the occasions when customers choose Sweetgreen.

Our work goes well beyond the kitchen. Better food gives us a stronger brand story to tell. We are putting taste, craveability and the range of our menu at the center of our messaging while continuing to reinforce the ingredient standards that set us apart. The goal is simple: bring more customers into Sweetgreen and give them more reasons to come back. Menu innovation and a stronger marketing ecosystem are driving higher frequency and bringing back more lapsed customers, while greater discipline in how we invest is improving our return on ad spend. We are also increasing our investment in brand awareness, where we see a significant opportunity to reach new customers and drive trial.

We are telling a broader story about what Sweetgreen can do for our customers, food that tastes great, makes you feel good and fuels your day. And our customers often tell that story best. This quarter, a customer named Tim Donohue ate Sweetgreen twice a day for almost a month and shared the experience. That inspired our 30 Days of Sweetgreen Challenge, which brought together customers ranging from Olympians to working mothers and creatives, each showing how Sweetgreen fits into their daily lives. What stood out most was the connection it created. Participants shared their experiences, encouraged one another and brought our mission to life, building healthier communities by connecting people to real food.

We are also making progress on our value proposition. Over the past year, we have improved protein portions and introduced stronger entry price points across salads and wraps, and our customers are noticing. In our brand health surveys, complaints around both portion size and pricing are now at their lowest level in 3 years. The next opportunity is to make that value even easier to understand. We see room to further simplify our menu and pricing architecture, and our Create Your Own pricing test remains in market as part of that work. We will continue to evaluate customer response before making any broader rollout decision.

At the same time, we are building a stronger calendar of reasons to visit. We are finalizing our 2027 marketing calendar, and we believe it is our strongest lineup yet with major culinary launches, partnerships and brand moments throughout the year, supported by a more consistent always-on approach that keeps Sweetgreen top of mind and gives our customers more reasons to visit. Just as important, we need to make it easier for customers to act on that interest. The way people discover and order food is changing quickly, and we are focused on digital innovation that makes Sweetgreen easy to find and easy to order wherever that journey begins.

We have been thoughtful about the data and infrastructure behind our digital business. As customers begin using AI tools and agents to decide what to eat, we are working to ensure our menu, restaurant and nutrition information is accurate and accessible. We are also testing new ordering experiences, and we'll keep doing the work to make it easier for customers to choose Sweetgreen even as habits evolve. Meanwhile, loyalty is becoming a powerful growth engine for us. We made our rewards more accessible earlier this year. And since then, we have sustained higher member engagement and a 50% increase in monthly redemptions.

In September, we relaunched our app with a redesigned, easier-to-navigate experience that puts our newest menu items and personalization front and center, and we're just getting started. Next year, we plan to evolve SG Rewards beyond an earn-and-burn program into a branded platform built on experiences.

Our final transformation pillar is investing with discipline to deliver profitable growth. Our restaurants need to be more consistent and accountable for their operations, particularly in managing food and labor costs. We began to see real progress in September, but continue to have a big opportunity in both the flow of food in restaurants and better labor execution. Jamie will elaborate more in a few minutes.

We remain confident in the opportunity ahead. We know what our best restaurants can deliver, and we are putting the leadership, training and support in place to make that performance more consistent. In 2027, our development strategy will be more disciplined and focused on the highest return opportunities. We are sharpening our approach to market selection, restaurant design and construction costs to improve returns on invested capital and build a stronger foundation for profitable growth. As we execute against these priorities, we believe we can sustain sales growth, rebuild average unit volumes and expand restaurant-level margins over time.

To close, the restaurant industry has always been one of this country's great engines of opportunity. At Sweetgreen, we are building on that promise. Someone can join us as a team member and grow into a head coach leading a multimillion-dollar business. And now our highest-performing tenured head coaches at our highest-volume restaurants can earn over $200,000 in total compensation, including equity.

From an hourly role to leading a restaurant earning over $200,000 and sharing in the company's success, that is the American dream. We want Sweetgreen to be a place where more people can achieve it. To every team member, thank you for the hustle, the pride and the care you bring to Sweetgreen every day. You make this opportunity possible. And as we build this business, we want you to share in its success.

With that, I'll turn it over to Jamie.

Jamie McConnell
CFO & Treasurer

Thank you, Jonathan. Turning to our third quarter results. Revenue was $176 million compared to $172.4 million in the prior year, an increase of approximately 2%, driven by new restaurant openings, partially offset by lower comparable sales. In the third quarter, comparable sales declined 6.4%, reflecting a 4.9% decline in traffic and a 2.1% mix headwind, partially offset by 0.6% of pricing. We estimate the summer sales disruption reduced traffic by approximately 500 basis points. Sales trends strengthened through the quarter and continued into October when comparable sales increased approximately 5%, driven by transaction growth of approximately 4%.

Looking forward, we anticipate fourth quarter comparable sales growth of about 4%, including a 150 basis point headwind from lapping a one-time gift card benefit in the prior year. We expect transaction growth of about 4%, reflecting continued improvement in underlying demand. Pricing is expected to contribute about 3% in the fourth quarter, bringing our full year pricing contribution to about 1%.

Restaurant-level margin was 10.4% in the third quarter compared to 13.1% last year, a decrease of 270 basis points. Food, beverage and packaging costs were 28.8% of revenue compared to 30.7% last year, an improvement of approximately 190 basis points. The improvement was primarily driven by a one-time write-off of discontinued materials and higher tariff and duty-related packaging costs in the prior year, along with lower ingredient costs from our supply chain saving initiatives. Over the past several quarters, we have focused on improving how food flows through our restaurants from ordering and inventory to preparation and serving. That means accurate inventory counts, better visibility into ingredient usage and clear accountability.

While results have been slower to materialize, we are doing important foundational work that we believe will translate into more meaningful savings over the next year. We believe these initiatives can improve restaurant-level margins by approximately 150 basis points in 2027. And for the fourth quarter, we expect food, beverage and packaging costs to step down to the low 28% range.

Labor and related expenses were 30.5% of revenue compared to 29.1% last year, an increase of approximately 140 basis points. The increase was primarily driven by sales deleverage, labor inefficiencies and wage inflation. Our best restaurants demonstrate what is possible when we have the right staffing, deployment and leadership in place. To help bring more of the fleet to that level, we recently completed a comprehensive labor study focused on aligning staffing more closely with customer demand throughout the day. That work is already informing how we schedule and deploy our teams.

We are giving operators better visibility into peak hour coverage and throughput performance while sharing best practices from our highest-performing restaurants across the system. Based on what we learned from the study and what our best restaurants are already achieving today, we believe there's around a couple of hundred basis points of labor efficiency opportunity over time. Importantly, this is about running our restaurants better, not compromising the customer experience. Better deployment should allow us to serve customers more effectively while supporting stronger restaurant-level margins.

Beyond the tools and processes, we believe the greatest opportunity to drive consistent restaurant performance starts with our restaurant leaders. As Jonathan discussed, we are making an investment in our restaurant leaders through our new head coach incentive program and annual salary increases for team members. We expect this investment to impact restaurant-level margin by approximately 25 basis points in 2027. By aligning compensation with restaurant performance, we believe the program can deliver meaningful returns through stronger retention, better execution and improved restaurant profitability over time. And for the fourth quarter, we anticipate labor costs to be about 31%.

Other operating expenses were 19.9% of revenue compared to approximately 17.6% last year. The increase was primarily driven by sales deleverage and higher repair and maintenance costs and delivery fees. For the fourth quarter, we anticipate other operating costs to be about 19%. Taken together, we expect fourth quarter restaurant-level margin of approximately 11%. This includes about 60 basis points of one-time costs related to a special bonus incentive for our head coaches and an inventory adjustment. The fourth quarter is seasonally one of our lowest margin periods. Based on historical patterns, restaurant-level margins are typically 250 to 300 basis points below the full year average.

Adjusting for typical seasonality and excluding one-time costs, we estimate our underlying annualized restaurant-level profit margin at approximately 14%. This is our current estimated profitability baseline before any additional efficiencies in labor and cost of sales.

General and administrative expenses were $27.6 million compared to $30.9 million in the prior year, a decrease of approximately $3.3 million, primarily driven by lower stock-based compensation. Underlying support center costs, excluding stock-based compensation and certain one-time expenses, were approximately $24 million, roughly flat compared to $24.1 million last year. Lower salaries and benefits were largely offset by higher marketing spend.

Our focus is on growing with a disciplined cost structure. That means carefully managing the cost and pace of new restaurant openings, taking a rigorous look at our underlying G&A and ensuring every dollar we invest strengthens our economic model. We have an opportunity to support a larger business with our existing infrastructure, and that discipline will be critical to delivering profitable long-term growth. Adjusted EBITDA was a loss of $6.8 million compared to a loss of $4.4 million in the prior year. We ended the quarter with $119.8 million in cash and cash equivalents. During the quarter, we opened 3 net new restaurants and ended the quarter with 290 restaurants, including 36 Infinite Kitchen locations.

Now turning to our updated full year fiscal 2026 outlook. We now expect comparable sales to be down about 5.5%. We expect restaurant-level margin to be between 11% and 11.5%. We expect adjusted EBITDA to be between negative $23 million and negative $20 million. And we expect approximately 10 net new restaurant openings. Looking ahead to 2027, we expect net new restaurant openings to be about half of the 2026 level as we prioritize strengthening the economics of our existing restaurant base. We are also taking a more disciplined approach to future development with greater focus on site selection, restaurant design, construction costs and returns on invested capital.

To close, while there is more work ahead, we have greater visibility into the opportunities within our control and are focused on executing against them. We know what our best restaurants can deliver. The work now is to make that performance consistent across the fleet and translate it into profitable growth and attractive returns for shareholders.

With that, we can open it up for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question is from the line of Dennis Geiger with UBS.

Dennis Geiger
UBS Investment Bank, Research Division

Congrats on the momentum. First question I have, Jonathan, you gave a lot of great detail on all the sales initiatives that you've implemented already to strengthen performance and highlighting opportunities, looking ahead to strengthen sales. I'm curious if you could better touch on some of the -- what drove that momentum through the quarter and then into that October period, especially as others were struggling a bit, seeing some pressure on the consumer, et cetera. And I know you guys spoke to solid traffic and sort of an improvement in underlying demand. But anything that was kind of key to driving that underlying demand or kind of where you saw those gains specifically?

Jonathan Neman
Co-Founder, Chairman, President & CEO

Sure. Dennis, I'd say high level, it was a focus on the fundamentals on delivering a better restaurant experience for our guests. So I think a lot of the work we've done to invest in our teams and training and development and having a more stable head coach base was the foundation of it. A lot of the gains that we're seeing is -- has to do with our improvements in throughput, which again, is a health measure for us in terms of running great restaurants. Beyond that, I think a few other things. One is the menu innovation is really starting to work for us. We had our fall menu this quarter and then our Molly collaboration.

The Molly collaboration really resonated both from a social and brand awareness perspective, but it was also delicious and well executed, and customers really just loved it. It was just a distinct delicious product, especially if you love pickles. And then I think the brand is resonating more. The top-of-mind awareness continues to grow. We saw social engagement double quarter-over-quarter. So you're seeing more of that just organic conversation happening socially. But I'd say on balance, it's just delivering more on the fundamentals. And to your point, I do think the momentum is building. We have a really good line of sight into future menu innovations we're excited about and are just getting better and better on delivering on the fundamentals of a great restaurant experience.

Dennis Geiger
UBS Investment Bank, Research Division

That's great. And then just a second, if I could, on margins. Jamie, I wanted to dive into some of the color that you gave, specifically on '27. I think you gave some good cost savings numbers, some investment opportunities. I think you gave about a 14% baseline number. So I just want to make sure I understand what's in that and perhaps how sales and sales leverage maybe is factored into that or could even drive some upside to that number?

Jamie McConnell
CFO & Treasurer

Yes. Thanks, Dennis. So I would say in our margin and the 14% annualized, that does not include any upside from kind of further sales leverage. But what's not baked into that is some of the efficiencies that I mentioned. And so if you take out some of the one-time events that we're going to be experiencing in Q4 with the special bonus we're giving to our head coaches, which has been really meaningful to, I think, our performance. And if you strip that out, you get to about the 14% run rate. And then going forward, we plan to work on some of those cost of goods sold efficiencies and also labor efficiencies.

So there's been a lot of work done on cost of goods sold. We started with our predictive ordering system. And what we realized as we went through the whole flow of food is there's a lot of opportunity. For example, inventory counting, we used to count inventory once a week, and now we're counting critical items daily, and that's in pilot, and we're seeing tremendous results from that. So I think as we get that fleet-wide, you'll start to see some benefits from that. And then also cooking. We were wasting a lot of food at the end of the day, and that's because we're cooking full batches. So we cut those batches in half. So now we're cooking less food more often, and it's even more delicious.

So across the whole flow of food, we see about 150 basis points that we will capture in 2027. And then labor, like I talked about, we completed the study, but we really want to be careful there because I want to make sure that our restaurants can deliver the best-in-class experience. So we're going to make sure that we're staffed for that peak hour. But we're also going to look at some of the shoulder periods in areas where we know we have inefficiencies, but we're going to be slow to move on labor because I want to make sure that we protect the customer experience.

Operator

Your next question is from the line of Chris Carril with KeyBanc Capital Markets.

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

Congratulations again on the progress that you're seeing. So maybe just following up on Dennis' question. Can you maybe talk about the customer that's driving the acceleration in traffic over the last couple of months? Are you bringing in lapsed guests? Or are you seeing a step-up in new guests? And then how are you thinking about just harnessing that momentum with that new guest or lapsed guests in the very near term to ensure that repeat and increasing frequency?

Jonathan Neman
Co-Founder, Chairman, President & CEO

Sure. Thank you for the question. So the momentum has been driven primarily by more frequency from existing guests, especially our most frequent guests and a huge step-up in lapsed guests. So we were able to welcome back a lot of our lapsed users. We are seeing better customer acquisition, but the primary drivers have been the first 2 things that I mentioned. One thing I mentioned in the prepared remarks is we are seeing the most momentum that we've seen around the Gen Z cohort of customers, which is really great. And I think that speaks to a few things.

I think a lot of the work we've done as a brand and resonating more, but also from a menu perspective, wraps really continue to deliver for us, not just from a flavor and portability perspective, but also from a pricing perspective. So the wraps, we intentionally brought them in with kind of anchor barbell or anchor pricing. Our Chicken Caesar wrap has become a hit. Not only is it one of the best menu items, it has the highest return rate for us. So all in all, seeing a lot of momentum. We've also seen our price value perception improve significantly. We're seeing the best price value perception we have in a few years now. So I think all of that foundational work is just starting to resonate with consumers.

As we look forward, we're definitely not taking our foot off the gas. One, we see Plates as a really big opportunity to acquire new customers. This is a relaunch of Plates in 2023. When we launched it, we saw a huge increase of new customers and growth in our dinner daypart. And we all know that dinner is a big opportunity for Sweetgreen. So that's one piece.

The second thing is just delivering a great experience. One metric we look at closely is this idea of what we call the comeback rate, is when a first-time customer comes, what percentage come within 30 days. So tracking that carefully. And we've done a lot around training and development, focused on hospitality and getting that first-time guest to return.

And then we're doing a lot on our loyalty program. We're seeing a lot of great momentum in the digital ecosystem and ways to reengage with our guests. You've seen -- I mentioned in the remarks, we're seeing better productivity out of the loyalty program, more engagement and we have some exciting plans. So again, the basics of delivering a great experience is how we're going to continue to win and get customers to come back and tell their friends. But we're encouraged by the momentum, but know we have a lot more work to do and feel really good about the team in place and the initiatives we have and just the focus and discipline to deliver on the following quarters.

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

That's great. And I did want to follow up on wraps. I know you just mentioned them here. But I did want to ask about kind of what you're seeing from a sales mix perspective. I know you mentioned incidence in your prepared remarks. But really, the question is about where do you see the upside to sales mix in wraps? Where do you see that potentially going? And then if you could add any more in terms of the learnings around pricing architecture from wraps. I think you just touched upon that in the last answer. But if there's anything else more to share there around learnings about pricing architecture from wraps and maybe how that translates to other parts of the menu?

Jonathan Neman
Co-Founder, Chairman, President & CEO

Sure. So wraps has been really successful for us. We've mentioned before that customers that are ordering wraps are more frequent than others. And like I just mentioned, especially the Caesar wrap has the highest return rate. We are going to continue to invest in wraps. So more new news around wraps is going to be really important. So we have a really exciting lineup of new wraps coming in.

Beyond the bigger core menu optimizations we'll do around wraps, we've also introduced something called Wrap Hacks, where every month or so, we do a collaboration with a new wrap. It's a digital-only thing, but it does drive engagement, some top-of-funnel awareness. We partner with these big influencers that just helps spread the word around Sweetgreen and creates more news around wraps.

I think the learning around the wraps pricing is really around the importance of this barbell strategy and having everyday value on the menu. One thing that we've done this quarter is we really -- we've reduced our reliance on discounts pretty significantly and try to build more everyday value into what we do. So having things like the Kale Caesar, the Chicken Caesar wrap, the Chicken Pesto Parm, a few of these items that are lower priced. When you look at the menu, you have things around $11, $12, $13 and then you have your more premium items in the $15 to $17 range.

Wraps on balance have created a mix headwind for us because they're lower priced. Plates will probably do the opposite as we invest more in Plates and this new rotisserie-style chicken that's 50% bigger as well as the new cookie that's coming in. So really kind of building out the menu -- the selection of menu so different customers can kind of choose their own adventure based off of both their needs, occasions, taste and price.

Operator

Your next question is from the line of Rahul Kro with JPMorgan.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

How is the development pipeline shaking out now that we see early signs of turnaround taking share? Is your expectation for fiscal '27 development still similar to approximately fiscal '26 development of around 10 stores as you think about balancing growth with free cash flow generation at the earliest? And I have a follow-up.

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes. Rahul, good to hear from you. So yes, in 2027, we're expecting about 10 new stores. We do expect to step that up in 2028 and by 2029, get to our kind of 10% unit growth algo. Really focused on the highest return areas while still perfecting our prototype, both from a design and build cost perspective. And during this year, it's going to give us some time to really build that people pipeline up so we can achieve this goal of having all 90% of head coaches promoted internally. So really, the focus for the next year is continue to invest in the core -- invest in our people, invest in the core experience, growth from transactions and improve the unit economics of the business in order to fund our future and then begin to accelerate the development pipeline.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

Perfect. And then you mentioned interesting...

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes, Rahul. Just one more thing, Rahul. Rahul, one thing. While we're in this period, we have been doing some renovations and refreshes across the portfolio, being very disciplined about where and how and making sure it returns, but we have begun to renovate a number of our older stores and are seeing some encouraging returns there. So as we look forward, this next year gives us some time to continue to invest in our existing store base.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

I think that's really interesting given some of the very high-volume stores have a lot of opportunity to capture volume. So that makes a lot of sense. I appreciate that color.

And the follow-up is on the interesting point you mentioned around how culinary operations and marketing, all hitting simultaneously, like we saw with the Molly Baz partnership. And congrats on that, by the way. The team absolutely loved the products. It's often very hard to repeat. So how do we get the confidence in capturing these incidences at least a few times a year? And where -- are you at a place you are comfortable with, with the operations framework across the store? If not, where are some of the immediate opportunities that you're addressing?

Jonathan Neman
Co-Founder, Chairman, President & CEO

I do think as we're working way further ahead on our marketing calendar, it gives us, one, time to be a lot more creative, really perfect the menu, the recipes, and the operations and give our teams more time for training around those items. Next year, we are planning 6 experience windows. We'll have some things in some smaller hype drops and things between that. But it's really -- the idea is to do -- the lesson is a little bit fewer, but bigger, better things. So we can focus more on protecting the core experience. And so we're very excited about that. We already have our marketing calendar for 2027 pretty set, and we have some really, really exciting things that we've learned from what's worked and what hasn't and how we can bring the balance of marketing, ops, supply chain, all together to deliver and culinary to really deliver distinct products. And I think Molly Baz was a great example, but there's a lot more to do there.

Operator

Your next question is from the line of Sara Senatore with Bank of America.

Sara Senatore
BofA Securities, Research Division

Just, I guess, one quick sort of clarification on next year's unit count. I thought it was going to be slower next year than this year, but it sounded like it's going to be actually the same.

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes. So we'll open approximately 10 new restaurants. We are expecting a few closures, really restaurants end of lease where we feel like we can strengthen the market nearby. So it will be 10 new restaurants. We're not exactly sure how many closures, but there'll be a few of those. So that's why we guided to less net new openings.

Sara Senatore
BofA Securities, Research Division

I see. Okay. And then my question, I guess, on the awareness, maybe 2 questions. One is what are you spending? You said you're investing in higher return -- improving return on ad spend. I guess what are you spending? Are you able to quantify it for us? It seems like that may be a big part of what is helping with the reaccelerating traffic. And given that you are seeing some good results in there, why are you thinking about changing your rewards program? It seems like it's working really well for you. So I guess I'm trying to understand why would you shift it if you're talking about it so favorably?

Jamie McConnell
CFO & Treasurer

Yes. So I don't think you'll see a shift in terms of what we're doing with our loyalty program. I think what you'll see is us layering on top of that. And what we're seeing from consumers is they really want those experiences. So think about some of those tiers getting special tasting dinners, et cetera. So I think it's just making it more experiential. But you're right, we're really proud of our loyalty and digital business that have grown.

And in terms of marketing, I think we've learned a lot this year, and we have learned where we're getting the return and where we are not. And so we are focused on the areas that are driving returns. This quarter, we did invest in marketing a little bit more. So we are about 3% of revenue in the current quarter. We expect that to step down slightly in Q4, but we're going to be disciplined about our spend, but we're always going to invest in areas where we're going to get returns.

Sara Senatore
BofA Securities, Research Division

Any specifics on what those areas might be?

Jonathan Neman
Co-Founder, Chairman, President & CEO

In terms of where we're spending -- where the marketing spend will be?

Sara Senatore
BofA Securities, Research Division

Yes, yes, yes. Is it like paid search or...

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes. I mean it's -- what we've talked about before is we've shifted our media mix to be more top of funnel and invest a little bit more on the brand side. What's interesting about as we've done that is typically you see returns come down, but we've actually seen return on ad spend increase. And as you know, typically, more top-of-funnel spend actually has a longer tail. You're kind of creating awareness and then you have time to capture it. So kudos to the brand and marketing team for really coming out with distinctive creative marketing that is resonating. So you'll see us do more things in real life, in events, in activations, things like local marketing. We invest -- continue to invest heavily in social, but a little bit less on the bottom of the funnel, just a much better balanced media mix that is working for us. It's much more in line with what we've done previously as a brand and really telling more brand stories and less just around conversion.

Operator

Your next question is from the line of Jon Tower with Citi.

Jon Tower
Citigroup Inc., Research Division

Maybe starting off, I believe, Jamie, you mentioned in the fourth quarter, you're going to be taking about 3% price. So can you help us think through why and specifically in the context of you're seeing your price value perception scores, I think you mentioned, hit their highest levels in a number of years. So obviously, that's not the only way that people view value, but I'm just curious why now?

Jamie McConnell
CFO & Treasurer

Yes. So what I can tell you is, we took 3% price in September, and we really have gained some of that pricing power because we have been slow to taking price. And we only look to take price to offset inflation. So we have seen some inflation in cost of goods sold in the low single-digit range. And then in some of the other operating areas, mid-single-digit range. But I think what is important to think about is also we've been looking at our price architecture. So we've actually taken our price down on some of those entry price items in like the Kale Chicken Caesar and then we have our entry price in with wraps. So really creating that barbell strategy. But with some of those mix headwinds and those lower entry prices in, our check is only up about 1%.

Jon Tower
Citigroup Inc., Research Division

Got it. Okay. Maybe going back to -- I know you're not providing a ton of color on it because you're still testing it, but the Create Your Own platform that you're testing in a handful of markets, can you give us maybe some color in terms of at least early response from guests, maybe how it's impacting your business? And are there any tweaks you've already had to make to it as you've gone through this testing process that's hopefully informing the full rollout over time?

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes. So we've been in test about 90 days. We're in testing about 70 stores. We want to be really thoughtful here and not rush anything out. I'd say the results are overall pretty encouraging, but we want to be -- go -- take it slow and really -- since one of the major things we're going to be looking at is customer frequency. We want to give it enough time to understand those consumer behaviors. We are seeing an increase in customer frequency, but we have to watch what the mix shift can be with that change. What we do know is customers love the transparency of it.

So overall, I'm pretty optimistic on it, but we want to be just very conservative and disciplined in how we roll it out. So we want to read the test a little longer and probably roll it out carefully. We haven't made many significant changes to it, but we just want to be really disciplined given the impact of this change to the experience and to the financials. So we're going to continue to read it and do expect to probably roll this out sometime in Q1 as we perfect things.

Jon Tower
Citigroup Inc., Research Division

Okay. And just kind of following up to that point, obviously, you've got some cost savings initiatives in the model, hopefully, rolling through next year. Would this be an offset to that potentially if you are giving up some of the margin because of the new architecture?

Jamie McConnell
CFO & Treasurer

Yes. I think we're looking to see that we're getting those incremental transactions to offset it. So that's why we want to give it some more time because what we do know from the test is that consumers are loving it and it's easier, but we're going to be looking at that architecture to make sure that we're getting those incremental transactions.

Operator

Your next question is from the line of Margaret-May Binshtok with Wolfe Research.

Margaret-May Binshtok
Wolfe Research, LLC

First, I want to say I second Rahul on the Molly Baz wrap. That was amazing. But my real question is on the relaunch of Plates. I just wanted to understand what have you learned from the fall menu launch that you're maybe applying? And how should we maybe be thinking about this Plate relaunch a little bit differently from the one that you did in 2023?

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes. We learned a lot around the Plates launch in 2023. And overall, it was a big success. The Plates are mixing in the high teens for us and have continued to gain share. Over the past year, we've made some adjustments and kind of menu enhancements to a few of the Plates, the Hot Honey Chicken and the Miso Salmon plate, and we see those performing really well. So what we're doing here is we're expanding on it. We're improving all the items. We have a big marketing campaign. And like I said, we're introducing a new rotisserie-style chicken, which really is the hero here. I think it's the biggest difference where it's now a knife and fork chicken at 150 grams, so about 50% bigger than our current chicken. It's absolutely delicious and craveable.

A lot of the learnings had to do with, for us, were operational and how do we make sure our kitchens and teams are prepared. So what we've done is we've shored up our infrastructure around our ovens, our oven and cooking tools, and a lot around our kitchen leadership. So we've been really focused on making sure our kitchen leaders are prepared and validated because they really are the heart of the restaurant, making sure that food is coming out fresh and delicious. And we've come up with really interesting ways in order to measure that and continue to improve that. So we're very confident on the consumer adoption. We want to make sure as we push into more hot food that we're able to cook less food more often to maintain that freshness. And we do feel really well prepared and very excited for the launch next week.

Operator

Your next question is from the line of Brian Harbour with Morgan Stanley.

Kelly Anne Merrill
Morgan Stanley, Research Division

This is Kelly on for Brian. I wanted to follow up on the labor study you completed, recognizing that you want to protect the guest experience. Where do you think are the biggest opportunities? And how do you plan to capture those efficiencies without compromising service? I think you mentioned some new scheduling and deployment models are in test now. If there's anything you can share about their impact on restaurant performance so far, that would be great.

Jonathan Neman
Co-Founder, Chairman, President & CEO

Yes. We've done a lot of work on the labor side to make sure we have the right labor at the right time. And I think the easiest way to think about it is we had opportunity to actually staff up at peak to capture the throughput and shorten some of the staffing during the shoulders and then staff up again at dinner. So when you do that, there's a lot of optimization. As part of that, we're also doing a lot of work behind the scenes around prep simplification and tools and obviously training to drive training and stability to drive productivity of our teams. But overall, you'll see the shape of the deployment be more efficient while having better, faster service in the moments that we need it.

Jamie McConnell
CFO & Treasurer

Yes. And one thing to add is just we're also training people on how to write a good schedule and how to capture maybe some short shifts during peak versus having people work the full 8-hour shift when we need them for that 4-hour peak. So it's really been training our leaders also how to write a good schedule. We have our laboring tools, but really making sure we're executing against that.

Operator

There are no further questions at this time. I will now turn the call back to Jonathan Neman, CEO, for closing remarks.

Jonathan Neman
Co-Founder, Chairman, President & CEO

Well, thank you all for the questions. Before I wrap up, I just want to leave you with a few thoughts. First, I'll say I'm just incredibly excited about what we're building for our head coaches. I've always believed that the people closest to our customers should have the greatest opportunity to share in our success. And this program is about ownership, opportunity and making the American dream possible at Sweetgreen. We really want our head coaches to build incredible careers and be rewarded for the businesses that they help grow.

And the second thing is that I'm really encouraged by the momentum we're seeing. We're back to positive transaction growth and that's meaningful. That momentum has stepped up a little bit ever since October into November. So we're encouraged by that. And it tells us that more people are choosing Sweetgreen and the work we're doing around food, hospitality and the overall guest experience is starting to resonate.

And finally, I believe that our best days are ahead of us. We're getting back to what makes Sweetgreen special, incredible food, amazing people and restaurants that our customers absolutely love. So we're bringing new energy to the menu, strengthening our execution and building a business that can grow sustainably for many, many years to come. I've never been more excited in Sweetgreen and the opportunity ahead in our brand, our food, our mission and the growth ahead of us. So thank you all for the questions, and I look forward to seeing you all next quarter to share more progress.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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