CHOWLY™
2021
The Restaurant Industry's
Big, Red Reset
Button

Table of Contents

Introduction 3

~~Shift~~ Evolution in Consumer Preferences 3

What the Modern Diner Wants:

- Digital Ordering 4
- Drive-Thru Options 5
- Loyalty Options 5
- Mobile Payment 6

Modern Restaurant Concepts 7

Drive-Thru and Pickup 8-9

BOH/Kitchen 10

FOH/Guest-Facing Spaces 11-12

Hybrid Restaurant Concepts 13

RaaS 14

Virtual Kitchens 14

Subscriptions 15

Parking Lots 15

Digital Journey 16

The Ideal Tech Stack 17

Introduction

Technology has empowered consumers to discover, order, and pay for food without even leaving the comfort of their couch. As consumers flock to digital ordering and off-premise dining, restaurateurs have found themselves scrambling to figure out which technologies will give them a competitive edge. Although restaurant tech makes for a more seamless experience, operators are often left with the daunting task of understanding the digital landscape of the restaurant industry. Prior to the pandemic, restaurateurs were already analyzing their off-premise operations to maximize their revenue and meet the needs of diners. Moving into 2021, the key to success will be furthering the seamless guest experience both in-house and off-premise.

~~Shift~~ Evolution in Consumer Preferences

The restaurant ecosystem was turned upside down in 2020, but prior to the pandemic, restaurants were making great strides toward meeting and exceeding customer expectations. Here are a couple innovations we've seen in the past five years that have been driven by consumer preferences:

- More information displayed on ordering apps – Restaurants have been able to customize and brand their digital storefronts to further entice consumers. Digital menus can now include pictures, descriptions, nutritional information, and more.
- Less time spent in line – As the industry was transitioning to a digital world, brands were innovating the in-house experience so that consumers could spend less time waiting in line and more time enjoying their food. This was done by adding kiosks, order status screens, reservation tools, and tableside tablets for transactional efficiency.

The pandemic completely changed how consumers interact with brands. And almost overnight, we saw restaurants pivot to meet these new consumer preferences. In the era of COVID, restaurants have completely tossed out their roadmaps and started from scratch. Before we take a look at exactly how restaurants pivoted, let's look at what's driving those changes: the evolving preferences of the "modern diner."

What the Modern Diner Wants:

70% of consumers say they prefer to order digitally for delivery

60% say they prefer to order digitally from fast-food restaurants

14% Consumers say they would pay an average of 14% more at restaurants that offer things like mobile apps or voice assistants

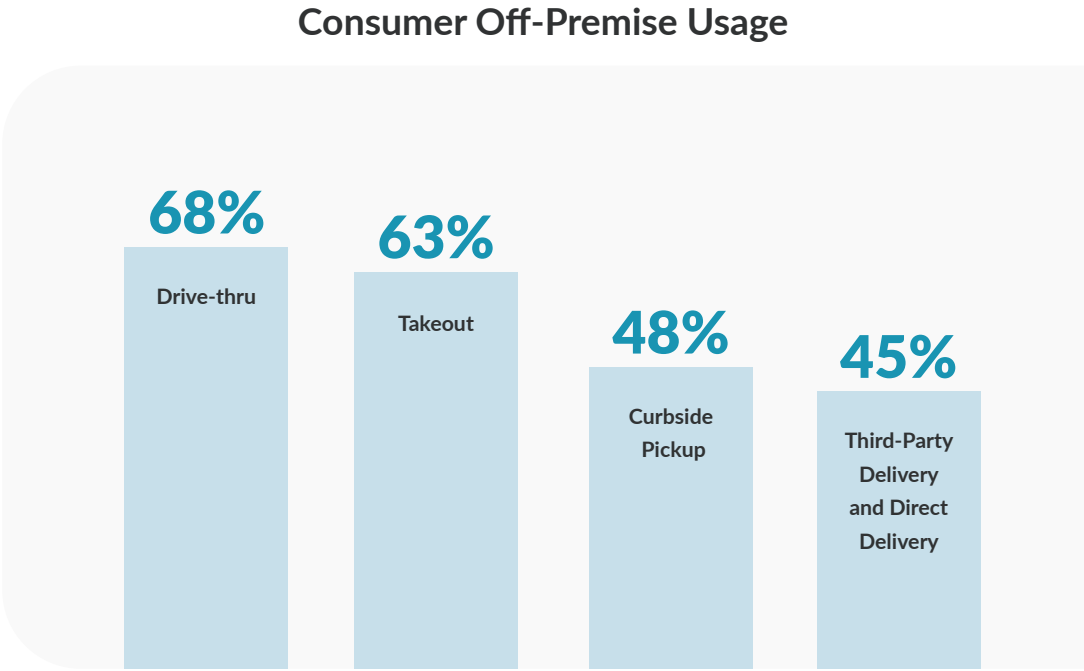
The modern diner wants digital ordering.

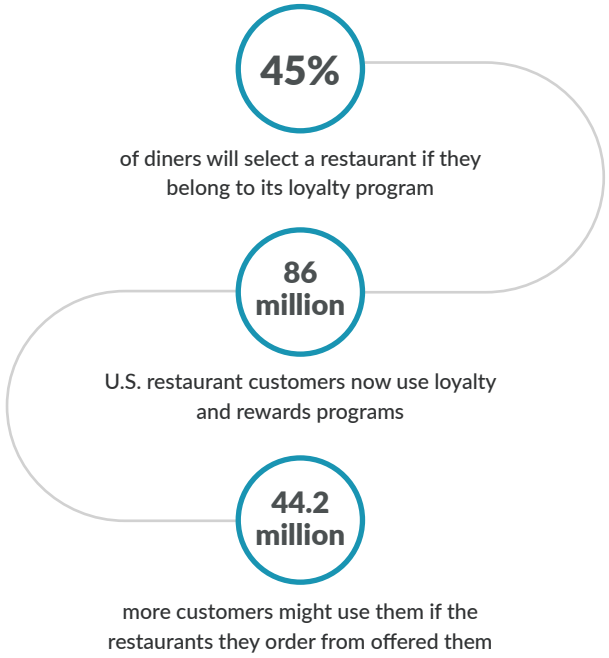
When it comes to satisfying guest preferences, technology is a must. Consumers want digital ordering options, such as direct channel and third-party marketplace delivery options. By offering these digital options, restaurants can make themselves more attractive to the modern consumer. Digital ordering tools are going to continue to evolve and fit more seamlessly into consumers' lives. It's no longer just posting your menu and the customer does the rest, the experience is going to lean heavily on technology. This will include integrations such as orders being synced with fitness apps for people counting calories or other nutritional values, to predictive ordering based on a diner's ordering history.

56% of consumers place delivery orders via restaurant websites, → whereas only → **45%** of restaurants offer this option

The modern diner wants digitaly-enabled drive-thru and pickup options.

With digital and online ordering as an option, operators must rethink how orders are handed off to their customers. Restaurants of all types are implementing pickup and drive-thru options to accommodate off-premise orders. An important element to this will be ensuring restaurants have an *efficient* and *seamless* handoff.





The modern diner wants a loyalty program.

Part of this new era of the modern diner is the need for personalization. Consumers don't want to be considered another faceless transaction. They want to be understood and recognized by the brands they interact with. Groups that emphasize the importance of building loyalty will reap the benefits. Loyalty can also be the key to a restaurant's survival. It's reported that with as little as a **5% increase** in customer retention, a business can improve its overall profits by up to **25%.**

The modern diner wants digital payment options.

There are a plethora of ways people pay for things these days. Our phones are now our wallets and even slowly replacing the need for a physical card. Consumers prefer shopping and dining at establishments that offer a variety of secure payment options. Offering contactless payment options ensures your guests can pay how they prefer, further promoting a seamless, safe experience at your restaurant.

50% of millennials say that digital payment technologies— via mobile app and smartphone—are vital

56% of U.S. consumers will continue using contactless post-Covid

47% Nearly half of American consumers expect to use contactless payments this year

51% of consumers are using Mastercard contactless (credit, debit, wallet)

33% of U.S. consumers have switched their top-of-wallet card to contactless

45% of U.S. consumers prefer to shop at stores that have contactless POS

Modern Restaurant Concepts

The restaurant we have always known is transforming. Operators and brands must rethink every element of their operations, including drive-thru and pickup, back of house/kitchen, and front of house/guest-facing spaces.

Drive-Thru and Pickup

The popularity of drive-thrus have skyrocketed during the pandemic. The concept ensures a seamless handoff, while also encouraging social distancing. And while the traditional drive-thru is now going to be a crucial element of a restaurant's strategy, the future of drive-thrus are going to look very different. Revisiting the purpose of the drive-thru will improve service and increase capacity, driving a more personalized guest experience.

Smart Lockers

The smart locker concept has thrived during the age of COVID. This process eliminates the bottleneck effect of multiple people waiting to pick up their order at the same time. Once a customer is alerted that their order is ready, they can pick it up at their convenience, without having to physically exchange money or interact with other people.

Curbside Pickup and Walkup Windows

Going into the pandemic, many restaurants were not equipped with drive-thru windows. This meant adding curbside pickup stalls and walkup windows. With the right technology investments, these options further promote the seamless handoff that brands are looking for.

Conveyor Belt Systems

A more ambitious concept that restaurants may adopt are drive-thru lanes, exclusively for pickup orders, that send food to the customer on a conveyor belt. Think of it like the deposits-only window at the bank, except goods flowing in the opposite direction.

Geofencing

Geofencing can be leveraged by restaurants to ensure customers experience a seamless handoff without doing any work themselves. Geofencing allows restaurants to know precisely when a customer has arrived to pick up their food. This can be done manually by the consumers by checking in on their phone or by having them opt-in to location services while they are placing their order.

42%

Drive-thrus account for 42% of all restaurant visits

Many of these concepts are eliminating face-to-face contact with customers. Which means the way customers order food is going to involve technology. Later on, we will look at the restaurant's digital journey and which technology components will assist in supporting these new concepts.

> Drive-thru operations are delivering a high ROI during the pandemic, offering convenience, speed, and the comfort of social distance to consumers using them," says David Portalatin, NPD food industry advisor and author of Eating Patterns in America.

Back of House/ Kitchen

With the pandemic slowing things down for the restaurant industry, operators had the opportunity to assess their back of house operations and eliminate complexity. The question was whether or not there is a better way to construct kitchen operations to produce maximum efficiency.

Second Makelines

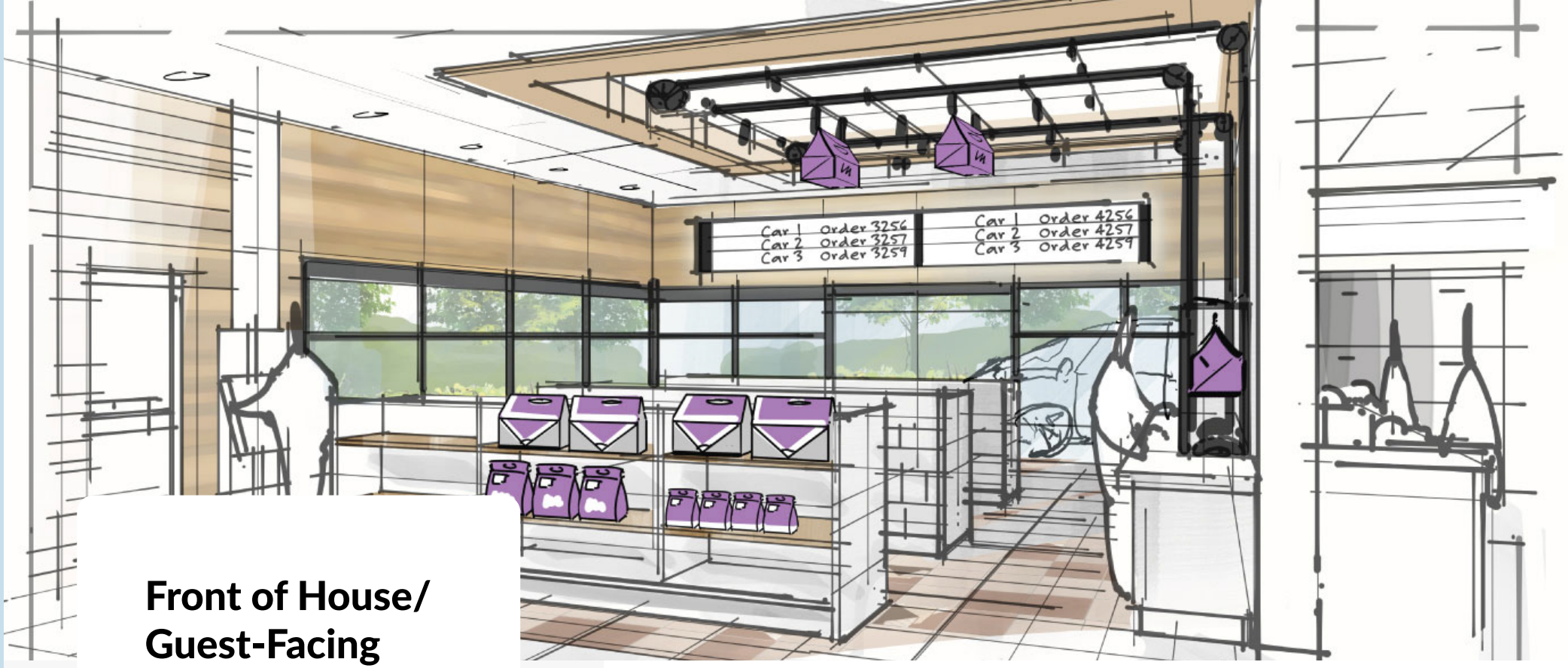
Makelines set up for fulfilling digital orders. These focused areas allow operators to push through orders for pickup and delivery, without jamming up the efficiency of on-premise traffic. These tech-enabled lines feature LCD screens to highlight which ingredients to add to each order.

Automating the Kitchen

Although many technologies such as pizza-making and burger-flipping robots are not new, they have seen a resurgence in the wake of COVID. Back of house robots are significantly reducing human contact, which is crucial to keep restaurants running safely.

Menu Simplification

The simplification of menus has a positive impact on the back of house that will remain a smart tactic beyond the era of COVID. Trends show that consumers do not mind having fewer menu options to choose from, so why clutter your kitchen with unnecessary items? This means fewer preparations for the cookline to learn, fewer ingredients to prep and purchase, less food waste, and increased labor productivity.



Front of House/ Guest-Facing Spaces

The front of the restaurant was not as high of a priority in 2020 as it has been in the past, but as we look into the future, we must prepare for how these spaces can adapt for safety, efficiency, and convenience.

Mutiple/Seperate Entrances

It's obvious that restaurants' physical footprints are getting smaller, so it's even more important that diner traffic is directed efficiently. Many brands are adding separate entrances just for delivery drivers to make a seamless handoff. There are also entrances being created for off-premise diners to use if they are picking up their online order.

Digital Signage

Digital signage for menu items is a great way to

entice diners as they make their decision. This gives you the opportunity to upsell customers on sides and desserts. Digital signage is also a great way to inform diners on the status of their order. Putting an order status display in the waiting area gives more visibility to guests and delivery drivers and eliminates contact even further.

Self-Serve Kiosks

"The kiosk can be a replacement for a traditional register. They can be a line buster. Many places are completely gutting all their point of sale (POS) systems and just replacing them with kiosks. It depends on the model of the business, as some work better than others."

—Mark Harris, Revel Systems

Ultraviolet Light Technology

With the hopes to soon open back up for more on-premise dining, safety is going to be the top priority. Many restaurants are looking into ultraviolet light technology to help purify the air and sanitize surfaces in their restaurant. This type of technology, although extremely important, will be a very large investment for restaurants.

Hybrid Restaurant Concepts

In addition to smaller (yet mighty) changes restaurants are making, groups are also introducing entirely new ideas. Many brands are now testing modern hybrid concepts. They are well thought out and have been designed to incorporate elements of multiple restaurant segments, in a smaller, more efficient footprint.

1

Virtual Kitchens and Ghost Kitchens

Virtual restaurants are nearing 100,000 concepts across the country. The pandemic destroyed on-premise sales and restaurant owners were desperate for ways to fill that revenue gap. In other words, there were 600,000+ existing kitchen spaces across the U.S. that were equipped to spin up additional concepts at virtually no risk. In 2021, chains and independent brands alike can begin exploring and launching ghost kitchens. Well known benefits include staffing efficiencies, larger ticket sizes, and the ability to enter new markets at low costs.

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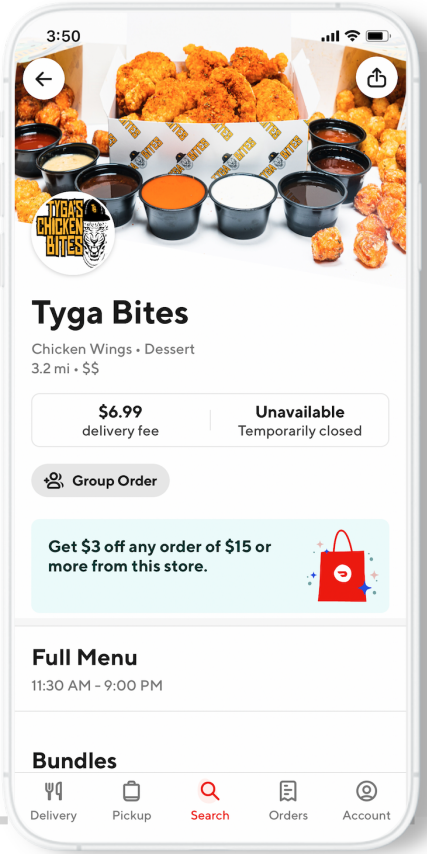

Restaurant as a Service (RaaS)

There is an extremely profitable, and easy-to-implement virtual kitchen solution that has been flying under the radar and is ready to take center stage. That concept is Restaurant as a Service (RaaS). We're talking about a brand that exclusively serves guests through a digital storefront, while being run out of an existing brick and mortar restaurant (not necessarily the big commissary kitchens that have been eating up the headlines the past few years). Check out **our blog** for more about RaaS.

Subscriptions

3

The subscription economy is not new, and not surprisingly, subscriptions for all types of consumer products and services have boomed during the pandemic. Many restaurants have considered testing out a subscription-based service. The programs can offer members benefits such as unlimited coffee refills or meal bundles in exchange for a monthly fee.

4

Utilizing Parking Lots

Restaurants were forced to get creative in 2020 with their outdoor spaces. Many brands tested various pop-up restaurants and themed experiences where consumers could still safely enjoy a meal outside of their home.

Digital Journey

The restaurant industry was propelled into a mobile-first service and off-premise dining world. And while brands have been adapting their physical spaces and operations like crazy, technology is the leading role in this change. Rethinking the restaurant tech stack has been top of mind this year and will continue to be at the forefront of a restaurant's strategy. Overall, **68% of chains said their tech spending will increase either somewhat or significantly over the next two years,** meaning the industry's digital evolution is just getting started.

The Ideal Tech Stack

Technology can support and elevate many areas of restaurants operations. Exploring, testing, and implementing these solutions are all part of the restaurant's digital journey as they build their tech stack. At Chowly, we talk a lot about a restaurant's digital journey—from picking a point-of-sale partner to leveraging virtual kitchens. No matter what stage you're at on this journey, we aim to be a long-term partner as you test and add-on these ever changing technologies to strengthen your off-premise strategy, grow your tech stack, and increase your bottom line.