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JUNE 2020

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WHAT'S INSIDE

Maintaining good customer relations has always been as important to restaurants as the quality of their food or service, and the ongoing COVID-19 pandemic has made it even more essential to make diners feel that their opinion counts. A growing share of consumers are taking to online platforms to voice their thoughts about restaurants' ordering and dining experiences, and it is essential that restaurants pay attention and have other processes in place to collect their customers' feedback.

Restaurants fail to respond quickly all too often, which negatively affects their online reputations, and also increases their costs of retaining customers. Recent reports found that 94 percent of consumers have been convinced to avoid a business after reading bad reviews, while 53 percent indicate that their review never received a response from a business.

Retaining these customers is often expensive, but it costs nearly five times more to earn new customers than to retain existing ones, according to recent research, and just a 5 percent improvement in retention rates can result in an increase in profits of between 25 percent and 95 percent. Several tools and technologies can fortunately help restaurants execute their guest retention strategies.

AROUND THE ORDER TO EAT LANDSCAPE

As regions across the United States enter the second phase of reopening their economies, many restaurants are gearing up to serve their customers again. Panera Bread, for one, is upgrading its in-store infrastructure, utilizing geofencing technology to assist curbside pickup and facilitate a touch-free ordering experience. The restaurant has also made changes to its mobile app, allowing customers that do not wish to enable

location services to notify the restaurant when they are there. The notification directs store associates to step outside and deliver the order without needing customers to leave their cars.

Burger chain Shake Shack is adding pickup windows to all of its existing locations to better manage the flow of customers at its 280 locations in the U.S., and the company plans on making these offerings a permanent part of its store designs going forward. The pickup windows will help facilitate orders placed via third-party delivery apps in a more swift and efficient manner, according to the restaurant. Shake Shack is also setting up makeshift drive-thrus at certain store locations to quickly fulfill orders and help customers better comply with social distancing mandates.

Other restaurant chains are also focusing on improving their delivery services. Following last month's partnership with Uber Eats in the U.S., Chipotle announced that its customers in British Columbia and Ontario can also use the app to place orders from 21 restaurant locations. Chipotle joins chains like Dunkin' that have recently partnered with the on-demand delivery service to reach consumers as they continue to follow stay-at-home orders.

Learn more about these stories and the latest order to eat headlines in the News and Trends section (p. 12).

CREATING A SAFE RESTAURANT EXPERIENCE FOR DINERS AMID COVID-19 CONCERNS

A recent survey showed that after restaurants reopen, just 50.9 percent of consumers plan to dine out as much as they did before the pandemic and that 45.9 percent plan to do so less frequently than before. It is therefore crucial for quick-service restaurants (QSRs) and other eateries to invest in safety and make necessary service upgrades to reassure customers that their COVID-19-related health concerns are being prioritized. Doing so will help cultivate long-term loyalty and trust, according to Ray Wiley, CEO of Mexican food chain Hot Head Burritos. In this month's Feature Story (p. 9), Wiley explains how the QSR is navigating reopening challenges, meeting safety protocols and leveraging customer feedback.

DEEP DIVE: DEVELOPING A ROBUST GUEST RECOVERY STRATEGY

Restaurant patrons whose experiences fall short of expectations are likely to leave bad reviews, dissuading other customers, and are also less likely to bring their business back to the establishment. It is therefore critical for eateries to not just offer a seamless in-store and online ordering experience but also have a robust guest recovery strategy in place in case a customer has an unsatisfactory time. This month's Deep Dive (p. 17) explores how restaurants can measure their customers' experiences and details different approaches they can take to encourage repeat guests.

Executive INSIGHT

How is the ongoing pandemic affecting customers' expectations regarding ordering online or dining at restaurant locations? What would it take for restaurants to meet their expectations?

"During the pandemic, smart restaurants shifted their entire business to online ordering and embraced delivery. Before March, restaurants provided order and delivery services as something extra, more of a convenience. Now these services are about safety and security, with features like curbside pickup and contactless drop-off, [and] they're a basic part of business operations.

Today, customers expect to not only get their food when they want it but for that delivery to happen in a safe and healthy manner. Still, people crave a true restaurant experience, which is why we see people flocking to recently opened outdoor dining.
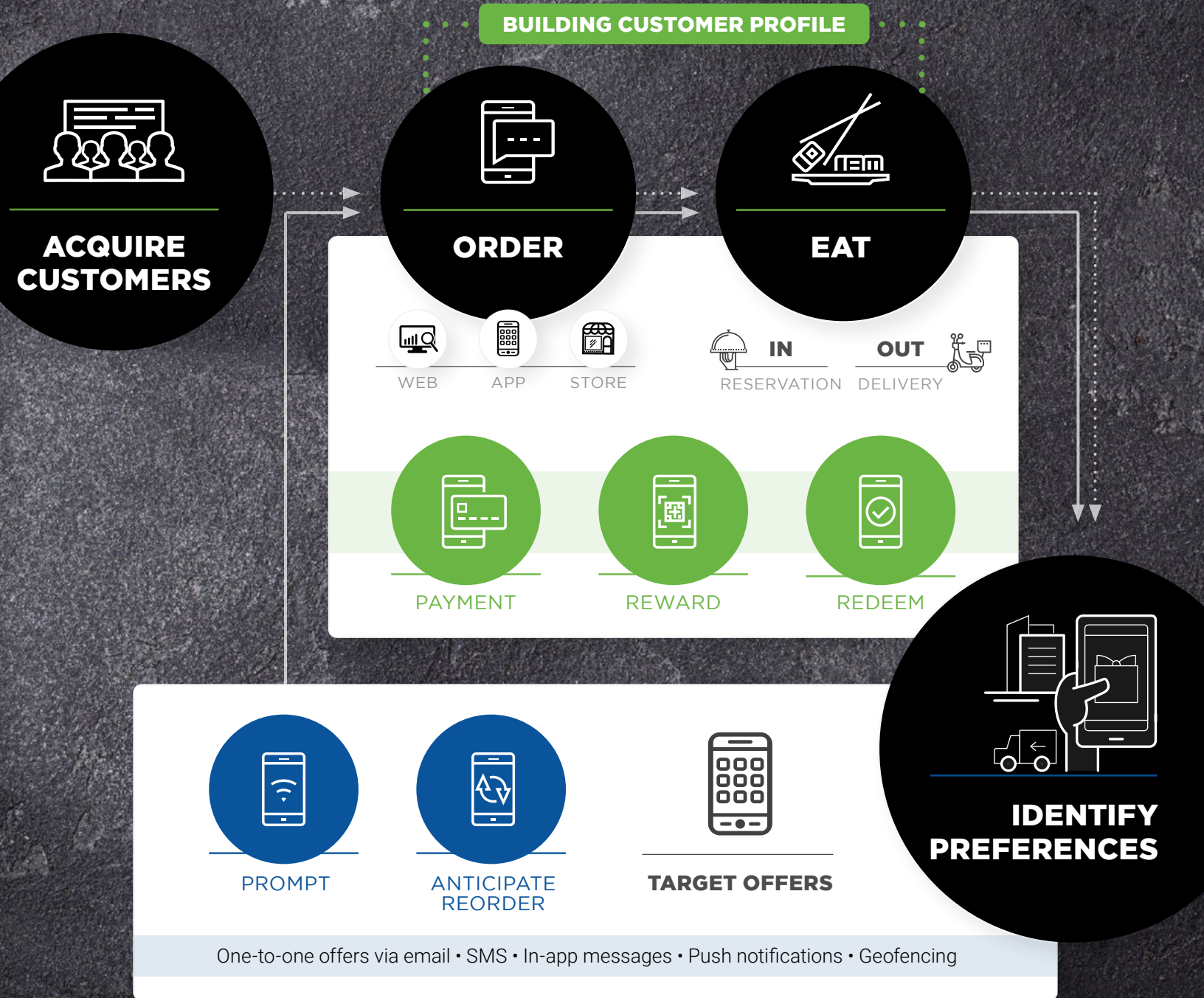
The next step is providing a way for guests to order from their tables without physical contact. The idea is to provide menus, ordering and payments all from a mobile phone, but this kind of contactless dining concept is not just about offering takeout technology. … It must be a true dining experience, allowing people to open tabs, place different rounds of orders and pay with a single transaction.

In this new environment, restaurants will need technology that helps them manage orders coming in from different sources and going out [via] different fulfillment modes, all while offering a consistent experience. The change we're seeing as a result of the pandemic isn't everything — it's only the start."

TIM RIDGELY
head of order and delivery at Paytronix

ECOSYSTEM

BUILDING CUSTOMER PROFILE

ACQUIRE CUSTOMERS

ORDER

WEB   APP   STORE

EAT

IN RESERVATION   **OUT** DELIVERY

PAYMENT   REWARD   REDEEM

PROMPT   ANTICIPATE REORDER   **TARGET OFFERS**

IDENTIFY PREFERENCES

One-to-one offers via email • SMS • In-app messages • Push notifications • Geofencing

59%

Share of UK adults who would now consider using their mobile phones to order and pay from tables

80%

Average increase in order value when customers order directly from restaurants' websites

25%

Portion of restaurants that have permanently closed nationwide

40%

Share of customers who cite convenience and speed as the top motivators for ordering from a QSR

70%

Approximate share of customers who said food delivered by workers not wearing protective gear would deter future orders from the same restaurant

FIVE
FAST
FACTS

FEATURE STORY

How Hot Head Burritos Is Addressing COVID-19 By Reassessing Customer Experience

The COVID-19 pandemic is profoundly affecting consumers' behaviors and their comfort levels with dining out as restaurants reopen across the country. Understanding what returning customers want and expect to experience during the pandemic is critical for QSRs navigating a world in which many are uncomfortable dining out and want to be reassured that restaurants are safe.

A recent poll indicated that just 50.9 percent of consumers plan to dine out as much as they did before the pandemic after restaurants reopen and that 45.9 percent plan to do so less frequently. It also revealed that most guests hope restaurants will have personal protective equipment (PPE) on hand: 14.1 percent expect staff to wear gloves, 24 percent expect them to wear masks and 61.9 percent want workers wearing both.

QSRs' first steps when reopening their locations have been upgrading dine-in areas and stepping up employee safety measures to reassure customers, explained Ray Wiley, CEO at Dayton, Ohio-based Hot Head Burritos. The Mexican food chain operates 77 locations in eight states as well as 35 Rapid Fired Pizza restaurants.

"The most important thing is to let customers know we are very focused on food safety and not having [the] spread of germs," he said.

Hot Head Burritos has invested about $500 per store on safety measures such as curbside signs that help direct customers picking up orders. The chain has also purchased masks and other supplies for workers and installed plexiglass sneeze guards that are twice as big as previous ones.

"The biggest challenge was enlarging the sneeze guards to protect our employees and customers," he said. "We received a lot of positive comments from our customers, who were thankful we had taken those steps and said they felt more comfortable coming into our stores."

QSRs operate under strict public health sanitation codes and they are accommodating social distancing measures for their dine-in operations in various ways. Hot Head Burritos locations display signs on every other table notifying customers that said table is closed to promote social distancing, effectively halving restaurants' seating capacities. Condiments have been removed from dine-in areas and employees must sanitize surfaces every two hours and take and report their temperatures at the beginning of their shifts.

EXPEDITING GUEST RECOVERY

Honest customer feedback can be critical to improving customers' experiences at QSRs as restaurants reopen and invite consumers into reconfigured dine-in areas. Hot Head Burritos relied heavily on social media marketing efforts as many states rolled out stay-at-home orders. The QSR's customer service team processes feedback from its service line, website and social media pages before communicating information to its supervisory teams.

"These efforts are imperative to the success of our companies because listening to the customer gives our team perspective and direction," Wiley said. "Whether good or bad feedback, we always walk away knowing that we learned something to make us better and to give the customer an excellent experience in the future."

Restaurants must work to retain customers who have had unsatisfactory experiences. Face masks are considered essential for restaurant workers during the pandemic and if a customer notices a Hot Head Burritos employee not wearing one, for example, management consults with that employee to learn about the incident, explain proper safety protocol and correct the problem, Wiley explained. The chain will often send customers who have had such experiences cards for free burritos or other items to encourage them to return.

"If [customers] have a bad experience, we try to have to have them come back in," Wiley said. "We'll give them something to give us a second chance to try to please them."

Hot Head Burritos receives abundant customer feedback from comments on its social media pages, emails and customer calls. It then reviews the data to spot frictions before trying to address them.

LESSONS LEARNED

QSRs' feedback responses can help them cultivate long-term loyalty and instill trust, especially among consumers worried about catching COVID-19. One major concern Hot Head Burritos' customers revealed in recent feedback was their discomfort with walking into restaurants to pick up orders after the pandemic spread and lockdowns were ordered.

"We eliminated that point of friction by creating curbside pickup," Wiley said. "Since people didn't want to come into the store as much, we emphasized the drive-thru or pickup window in the stores that have those available. Currently, 95 percent of the chain's stores provide pickup service to customers."

There has been an industrywide shift to food delivery and curbside pickup. Industry experts were observing these trends before the pandemic hit, but the pandemic has accelerated their adoption. Pickup has become a top choice, with more than 90 percent of customers choosing to carry out food even as restaurants reopen, Wiley said.

Consumers have concerns about dining out, but evidence suggests there is still significant customer demand for dine-in restaurant service. Many are eager to resume some of their pre-pandemic activities after months spent in relative isolation.

"I think people are relaxing and that every week they are becoming more and more comfortable," Wiley said.

Consumers cautious of COVID-19 have been reluctant to head to QSRs, especially when it comes to sitting down at tables again. This appears to be changing, however, and the restaurants that implement safety measures that can reassure customers stand to retain their loyalty now and well after the pandemic passes.

NEWS &
TRENDS

QSRs expand their delivery efforts

DUNKIN' EXTENDS ITS DELIVERY SERVICE WITH UBER EATS

Several QSRs are partnering up with delivery services to better serve customers who are continuing to practice social distancing and limiting their visits to brick-and-mortar stores. One such recent partnership is between Uber Eats and Dunkin', which are collaborating to allow consumers across eight states to place Dunkin' orders through Uber Eats from over 4,000 locations, according to a recent press release.

Customers can open the Uber Eats website or mobile app, select their nearest Dunkin' location, customize their order and check out. Orders can be tracked as they are prepared, picked up and delivered. Dunkin's move to partner with Uber Eats marks an expansion on its efforts to improve access to its products via third-party aggregators. The company already has an existing partnership with on-demand delivery platform Grubhub that enables customers to place orders from 1,300 stores across the United States.

CHIPOTLE PARTNERSHIP WITH UBER EATS EXPANDS TO CANADA

Chipotle Mexican Grill is another QSR partnering with Uber Eats to reach more customers during the pandemic. The company joined hands with the on-demand delivery service to allow its Canadian customers to order from 23 restaurant locations in Ontario and British Columbia. The announcement follows another partnership between the two companies that allows Chipotle's customers across the U.S. to order through Uber Eats.

The partnership is part of Chipotle's efforts to grow its online ordering and delivery business. The company logged a digital sales increase of 80.8 percent in Q1 2020 compared to the previous year. The company is also doubling down on its efforts to improve the in-store experience with new ordering processes and other features.

SMALL QSRs STRUGGLE WITH UPTICK IN ONLINE ORDERING

Larger QSR chains are expanding their partnerships with delivery services, yet many independent restaurants are still struggling. This is because delivery apps have become their only source of business during the pandemic.

Smaller restaurants do not always build costs associated with delivery app partnerships into their pricing models, and the fees can significantly eat into their profits. That is a widely felt problem in the restaurant industry. John Schall, owner of El Jefe's Taqueria in Cambridge, Massachusetts, noted in an op-ed piece for the *Boston Globe* that four third-party delivery companies — DoorDash, Grubhub, Uber Eats, and Postmates — control 99 percent of the restaurant delivery market, which leaves restaurants with no choice but to rely on one of them for offering delivery services. These aggregators charge between 25 percent and 30 percent of the total price of the food being delivered to customers, eating away at restaurants' profit margins.

Returning to normal

McDONALD'S PILOT TESTS STORE REOPENING IN THE U.K.

Some governments are relaxing their COVID-19 guidelines, and many restaurant chains are considering plans to reopen their storefronts. Fast food giant McDonald's, for example, is focusing on gradually reopening its drive-thru locations in the U.K. and Ireland and accepting delivery orders from certain locations.

The restaurant chain is also limiting the options on its menu and has placed a £25 ($31.39 USD) cap on orders to reduce the number of employees in its kitchen. The company noted that it is focusing on streamlining its operations while adhering to social distancing mandates in its pilot reopening phase.

Fried chicken QSR KFC is also taking a gradual approach to reopening its storefronts. The fast food chain reopened 80 locations after first opening 20 sites in a test phase.

BURGER KING UNVEILS GUEST AND EMPLOYEE SAFETY MEASURES

Burger King is rolling out plans to preserve the safety of employees and patrons at its brick-and-mortar locations. The restaurant chain is placing an acrylic shield at the ordering counter, placing signage signifying open

and reserved tables and deploying plans to offer contactless service in its dining rooms. The company said that it is also ensuring that customers have access to hand sanitizer and that tables and chairs are cleaned following each use.

Self-serve fountains have been shut and supplanted by drinks, condiments and extra trays behind the counter. The company is also adding hundreds of its restaurant locations to delivery apps, focusing on facilitating mobile and drive-thru orders in addition to making in-store improvements.

SHAKE SHACK PUSHES DIGITAL ORDERING WITH NEW PICKUP WINDOWS, MAKESHIFT DRIVE-THRUS

QSRs intent on capturing more business as states slowly reopen are working to revamp their store designs and

launch new service models. Fast casual chain Shake Shack recently [announced](#) how it will modify stores as part of its reopening plans, calling it a new "Shack Track" store experience. The chain will add pickup windows to all existing and future locations to streamline the flow of consumers getting orders to go and fast-track order pickup for third-party delivery service drivers. Select locations will also be setting up makeshift drive-thrus as another way to quickly fulfill orders.

Shake Shack is hoping to drive even more digital ordering as consumers turn to online and mobile channels to place orders. Such orders had nearly tripled by the end of April since one year prior due to dine-in bans. The number of first-time users of its digital ordering channels more than doubled within the last eight weeks.

PANERA BREAD BEGINS OFFERING GEOFENCING FEATURE FOR CURBSIDE PICKUP

Bakery cafe chain Panera Bread recently announced a new curbside service that leverages geofencing technology. The solution [enables](#) consumers to place their orders via Panera's mobile app or website and include details about the make, model and color of their vehicles in the instructions section. The QSR expanded its Wi-Fi coverage outside of its doors so customers who opt in to the geofence-enabled service can drive up and Panera will be automatically notified of their arrival. Customers who order through the program, Panera Curbside, but do not opt in to geofencing capabilities can simply click an "I'm here" button in the MyPanera app or the order confirmation email. An associate will then emerge and place the order directly into the consumer's car to avoid contact and limit the risk of contagion.

BURGER KING TRIALS NEW APP TO PERSUADE ITALIAN CUSTOMERS INTO RESTAURANTS AFTER LOCKDOWN

Burger King Italia is working to coax consumers back into its locations as Italy relaxes restrictions after two months of lockdown. Burger King recently announced it is piloting an app in Italy for food ordering, payments and table reservations to motivate customers to dine in again. Three of its Milan locations began [testing](#) the app once the chain fully reopened on June 1. The chain had closed all of its 220 Italian locations as the country was hit hard and early by the pandemic, but it slowly began offering food delivery services from 40 of its restaurants, followed by drive-thru service in May.

Burger King is making adjustments to its layout, including plexiglass screens separating tables and reorganized kitchens to allow distance between workers. It is also instituting staff temperature checks.

HOW INNOVATIVE PANDEMIC PACKAGING CAN HELP BUILD BRAND AWARENESS

Restaurants have to rethink how customers order and collect their food amid the pandemic, and they must examine if their packaging reassures customers that food was handled safely. A new mechanism, Innovative Pandemic Packaging or IPP, was [designed](#) for the current environment to offer positive, empathetic brand awareness to consumers who may be wary about getting food to go. Redesigned packaging can offer restaurants the opportunity to build new connections and engage with customers, and it can be used as a marketing tool in the same way as an app or new layout configuration.

Recent partnerships

BURGERFI MAKES DEAL WITH 'NEIGHBORHOOD KITCHEN' STARTUP

Florida-based gourmet burger chain BurgerFi recently entered a multimarket licensing agreement with REEF Kitchens to expand its presence to a host of new cities by the end of next year, including Houston, Minneapolis, Nashville and Seattle. The partnership will enable BurgerFi to use REEF's ghost kitchen hubs and offer delivery services to customers without opening store locations.

BurgerFi's chief operating officer, Nick Raucci, said the partnership with REEF Kitchen is well-timed as more consumers are turning to delivery services during the pandemic.

SALADWORKS LAUNCHES GHOST KITCHEN PARTNERSHIP WITH REEF TECHNOLOGY

BurgerFi is not the only chain turning to the ghost kitchen model to expand its footprint. Saladworks is also partnering with REEF Kitchen to grow its presence across 10 new U.S. cities through 17 ghost kitchen hubs.

The move underpins the salad chain's innovative efforts to expand its presence, which have included partnering with ghost kitchens, opening stores across universities and military bases and opening locations within stores. The chain, which is based in Conshohocken, Pennsylvania, plans to open 30 new restaurants by the end of 2020 and has 50 more in development. The chain was ranked number 22 by QSR Magazine in its Top 100 Fast Casual Movers and Shakers list.

DEEP
DIVE

How Customer Reviews Provide Lifeblood To Restaurant Operations

Details gleaned online — including menus and reviews — carry a lot of weight when consumers are deciding where to dine. The days of stopping by brick-and-mortar establishments to check out menus and sample food are long gone, replaced by scanning social media accounts, hashtags, user reviews and digital images before selecting where to spend hard-earned money.

The digital push is beneficial for both sides of the equation. Customers can find out where their peers are happily returning after good experiences, for example, while eateries can invest time in digital platforms that provide prospective diners with information to secure their patronage. An escalating dependence on technology has made search results and review services like Yelp primary guides for valuable user feedback, with 90 percent of consumers reporting in January that they researched reviews before selecting restaurants. That focus has only grown amid takeout- and delivery-only operational shifts addressing COVID-19-related social distancing efforts.

Peer assessments were becoming staples for searchers before the recent digital shift to maximize public health and safety, but more than 55 percent of consumers now consider online reviews influential to selecting restaurants. Effective reputation management can thus mean the difference between scores of orders, deliveries and reservations and slow Fridays with blank waitlists. The following Deep Dive explores the influence digital reviews have on restaurants' standings with customers, the impacts of negative feedback and how operators can use the world's digital focus to their advantage.

THE VALUE IN QUICK RESPONSES

Customer feedback is more than a short description with a star-based rating. Reviews are like social fingerprints, demonstrating that consumers deemed their experiences worthy of feedback — both good and bad. Careful attention to reviews could give management a firmer handle on how to tweak their restaurants' marketing or address problem areas.

Management teams often fall short in addressing this feedback — avoiding the process or forgetting to undertake it — but their replies are gaining importance for current and would-be customers. Ninety-four percent have said bad reviews convinced them to avoid businesses, for example, and 53 percent noted their posted reviews never received answers. Restaurants have opportunities to distinguish themselves here: 45 percent of consumers report being more inclined to visit those

that respond to negative reviews, meaning quick feedback could be the difference between acquiring new customers and losing the chance forever.

Timely responses are easier for some companies than others, however. Approximately 62 percent struggle with the process and do not offer any feedback on posted comments, and those that do respond typically do not do so in a timely manner. Companies take an average of 12 hours and 10 minutes to respond to customer service emails, leaving customers who had positive experiences without prompt acknowledgement of their kind words and those with negative experiences waiting more than a business day for resolutions to their concerns.

Hospitality is all about service, and customers want instant access to strong feedback systems that let them know their input will make products and services better. Any shortcomings can ruffle users and cost organizations trust, revenue and time. Some sources say 13 percent of dissatisfied customers will share those experiences with more than 20 people, but those reviews have infinitely more reach on message boards and through digital word-of-mouth. Customer retention efforts are thus paramount in ensuring restaurants can keep their doors open and their kitchens cooking.

ADDRESSING NEGATIVE REVIEWS

It costs nearly five times more to earn new customers than to retain current ones, according to recent research, and just a 5 percent improvement in retention can result in a 25 percent to 95 percent upgrade in profits. This makes the processes of keeping customers satisfied and bringing dissatisfied customers back into the fold crucial to restaurants' growth. The addition of a half-star in rating may impact revenue by 5 percent to 9 percent. Negative reviews represent

suboptimal brand encounters, but fortunately, their impact does not appear to be permanent.

Recent research has found that recovery efforts can reverse customers' attitudes toward service providers, meaning it is possible to pinpoint disgruntled users, address their issues and turn them into loyalists. Responding to comments promptly and with action items starts a dialogue, encouraging dissatisfied patrons to reach out to a specific person for further help with a concern. Expressing gratitude for their willingness to share their experiences and condolences for falling short of their expectations goes far in diffusing hostility, too, as does taking responsibility for the negative situation.

Goodwill offerings can also shift undesirable brand opinions: Monetary compensation is the most common strategy in hospitality, with restaurants offering complimentary meals or discounts to encourage customers to give them another chance following dissatisfactory experiences. Others provide coupons, free products or services and discounted parking, but more than a one-time gesture is needed to drive repeat business or customer satisfaction. Proving to customers that actions have been taken to resolve their issues takes precedence.

Restaurants are providing hospitality services, and customers need to feel they are cared for at the end of the day. Each patron must be provided the best service, giving them every reason to leave five-star reviews throughout the digital realm, yet eateries sometimes fall short or forget to respond to the positive and negative comments their customers leave. Customer feedback is invaluable, however, and hearing and addressing concerns can help create a loyal following that purchases from their establishments for years to come.

ABOUT

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PAYTRONIX

Paytronix provides software-as-a-service (SaaS) customer experience management (CXM) services for restaurants. Its portfolio includes loyalty, gift and email solutions for fast-casual, fast food and quick service restaurants. Once implemented, these can be used to help establishments elevate their brand profiles. Its offerings can also be used to generate data insights to help restaurants pinpoint opportunities to improve their operations and customer engagements. The company's platform can integrate with many widely used restaurant POS systems. For more information, visit https://www.paytronix.com.

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