ORDER TO EAT TRACKER®

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WHAT'S INSIDE

Consumers have radically altered their ordering and purchasing habits during the COVID-19 pandemic, with many turning to digital channels to avoid the risks associated with physical contact. Few sectors have experienced these purchasing shifts as dramatically as the quick-service restaurant (QSR) industry, with customers utilizing their smartphones and other digital tools to place orders and pay through a variety of channels. One recent survey showed that 34 percent of consumers prefer ordering via restaurants' sites or apps, for example, while 42 percent place digital orders and retrieve them curbside.

QSRs are working hard to boost their bottom lines and cater to customers' increased digital demands, and doing so requires investing in innovations that can bring them the ordering and payment options they seek. Providing experiences that fail to live up to customers' expectations can lead to severe consequences, especially as restaurants compete fiercely for consumers who are spoiled for choice when it comes to digital ordering. Roughly 100,000 restaurants in the United States have closed since the pandemic's onset

in March, revealing just how dire the situation could become for QSRs that cannot deliver the experiences consumers crave.

AROUND THE ORDER TO EAT SPACE

Consumers are flocking to digital ordering channels and other methods that minimize physical contact, and these shifts are causing a few hiccups in the process. One recent study revealed that the average drive-thru time among the nation's 10 largest chains has slowed by nearly 30 seconds as demand for the ordering method surges. The report did highlight efforts that restaurants have taken to keep their drive-thru lines moving along, however. Almost 25 percent of locations surveyed added electronic menu boards, which helped them trim an average of 12.3 seconds off each transaction.

Fast food chains are not only making food in a hurry but they are also recovering from the depths of the pandemic and even posting robust sales. Papa John's and Domino's Pizza have been witnessing especially notable growth because their takeout and delivery services were already prepared to handle ordering

surges during stay-at-home orders. Other QSR chains that are successfully navigating the pandemic include McDonald's and fast casual Mexican-style titan Chipotle Mexican Grill, which has seen its stock rise more than 50 percent since the beginning of the year.

The pandemic has kicked off-premises sales into high gear, and this trend is forcing eateries to add or improve delivery systems and — in some cases — revamp their physical storefronts. Taco Bell launched its Go Mobile store model, which features drive-thru lanes reserved for customers who place mobile orders, this summer. Food industry experts say that investing in store concepts such as these could pay off for restaurants in the future as many consumers are not expected to return to dining out at the same levels they did before the health crisis.

For more on these stories and other headlines from the space, read the Tracker's News and Trends section (p. 11).

HOW SPRINKLES TRANSITIONED TO ALL-DIGITAL ORDERING AMID THE PANDEMIC

Many restaurants and QSRs had to scramble to adopt contactless ordering, curbside pickup and other features to keep operations afloat during the pandemic. They also had to quickly field greater digital ordering volumes and essentially transition to being 100 percent digital, for which some companies were more prepared than others. In this month's Feature Story (p. 8), PYMNTS talked to Daniel Legh-Page, Sprinkles' vice president of technology and IT, about how its three dozen bakeries prepared for the shift to online ordering and payments with its branded app, curbside pickup, takeout and delivery.

EXECUTIVE INSIGHT

DEEP DIVE: MEETING QSR CUSTOMERS' EVOLVING ORDERING AND PAYMENT NEEDS DURING THE PANDEMIC

The COVID-19 health crisis is changing the way customers order and pay for their meals, and restaurants are looking to different digital strategies to meet these demands. Recent research reveals that customers are seeking quick, safe and seamless ways to pay, with many turning to contactless methods. This month's Deep Dive (p. 16) explores how restaurants are turning to new platforms and methods as consumers' ordering and payment preferences evolve.

Winter's arrival is going to pose new challenges for QSRs as they will be forced to rethink everything from seating layouts to consumers' shift to digital-only ordering. How should QSRs prepare for these changes, and which kinds of digital tools can help?

"While many restaurants survived the summer thanks to outdoor seating, a number of our clients found that much of their success is thanks to a shift to digital ordering and a focus on off-premises dining. I recently spoke with a brand that said it simply could not have handled the volume of takeout without a strong online and mobile ordering infrastructure.

Brands need to recognize that this shift to digital ordering is permanent. We aren't going back to a world in which just 10 percent of orders come in through the web. We've trained our guests to interact digitally and they'll continue to do so. With the onset of winter, we will see an even higher reliance on online ordering due to the loss of outdoor seating and renewed concerns over COVID-19.

The positive to this is a chance for brands to get to know their guests even better by taking full advantage of CRM systems and running deep, AI-driven analysis of purchasing patterns. This can lead to long-term changes, like data-driven subscription programs that further cement the relationships between brands and their guests."

ANDREW ROBBINS
CEO at Paytronix

$240B

The amount of money the food industry is expected to lose by the end of the year

46%

Share of U.S. customers who currently use touchless payments

26%

Increase in drive-thru visits in the U.S. from April through June
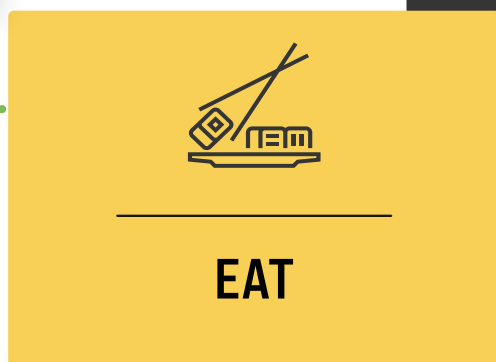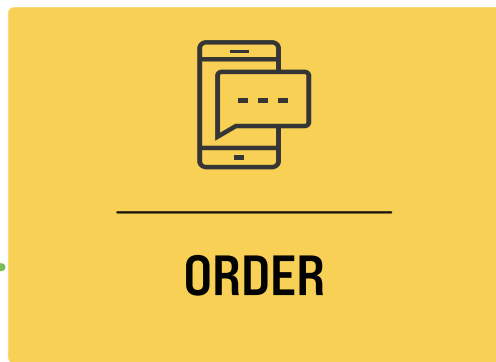
71%

Portion of restaurant operators who say off-premises sales represent a greater share of their business than they did before the pandemic

15%

Denver City Council's imposed limit on third-party delivery service fees

FIVE FAST FACTS

ECOSYSTEM

ACQUIRE CUSTOMERS

ORDER

BUILDING CUSTOMER PROFILE

EAT

WEB

APP

STORE

IN — RESERVATION

OUT — DELIVERY

PAYMENT

REWARD

REDEEM

IDENTIFY PREFERENCES

TARGET OFFERS

ANTICIPATE REORDER

PROMPT

One-to-one offers via email • SMS • In-app messages • Push notifications • Geofencing
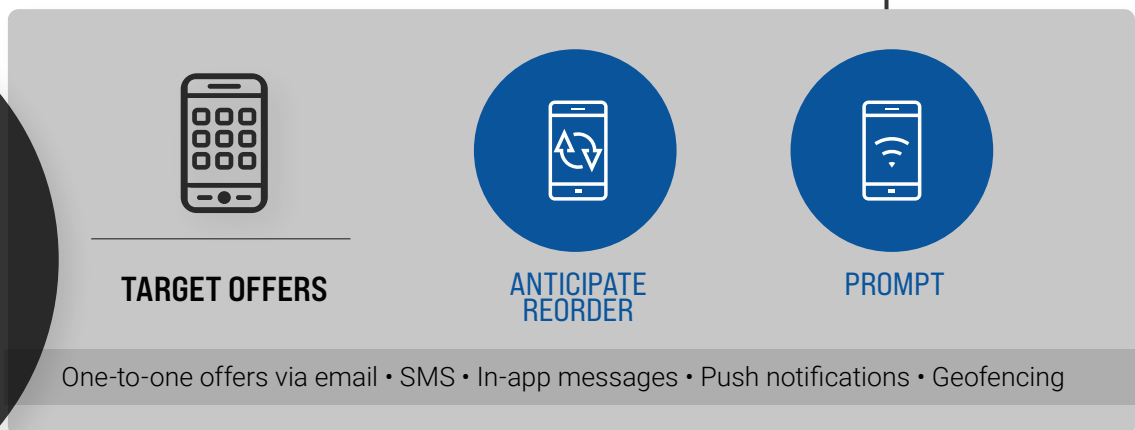
From Online Ordering
To Cupcake ATMs: How
Sprinkles Prepared
For The Pandemic

ontactless ordering and payment options have become crucial equipment for restaurants' survival during the COVID-19 pandemic, and many eateries have had to scramble to acquire these capabilities. QSRs that were behind the curve on digital technologies have quickly pivoted to enable touchless payments and delivery.

One bakery chain had a leg up when COVID-19 changed everything. Sprinkles, a Beverly Hills, California-based confectioner, was as prepared as a QSR could possibly be for the rush to online ordering, payments, pickup and delivery.

Sprinkles adopted online ordering nearly a decade ago for custom cakes and catering. Digital accounted for almost one-quarter of the chain's ordering volume

before the pandemic hit, Daniel Legh-Page, the company's vice president of technology and IT, said in a recent PYMNTS interview. The bakery's ordering experience was not tailored to accommodate requests such as wanting to pick up two cupcakes in 20 minutes, however.

Perhaps it was luck or a stroke of genius, but the confectioner also introduced the world's first cupcake ATM in 2012. Customers, instead of getting cash from this machine, can choose up to four cupcakes, such as black and white, red velvet and vanilla milk chocolate.

ATM sales had been flattening, mostly because customers saw it as a novelty for one-time use while taking selfies and videos, Legh-Page said. That changed in March with the pandemic's onset: ATM sales doubled.

"As our doors closed but we remained open, the ATMs filled the big void for guests [who] would typically walk into the bakery," he said.

MEETING THE PANDEMIC CHALLENGE

Coping with the pandemic has meant seeing fewer customers inside brick-and-mortar stores, so offering options such as curbside pickup, takeout and delivery has become critical for QSRs looking to keep their operations afloat. The online food delivery sector has ballooned as a result, with research projecting its estimated value at $136 million by year's end as drive-thru, self-service kiosks and contactless mobile ordering volumes continue to grow.

Legh-Page said having systems in place for online ordering and payments made the transition to 100 percent digital in March that much easier. Sprinkles had already upped its digital service by partnering last year with Olo, a New York-based mobile and online food ordering platform, to enable its customers to order food from online menus and pay from their

mobile or desktop devices. The bakery chain was ready to take service to the next level when the pandemic demanded it, launching nationwide shipping for next-day delivery in July.

"Anyone who had things like curbside [pickup], which we had in place, or digital delivery … [was] really helped [by it] because guests were already used to ordering through those channels and it was already top-of-mind."

Legh-Page said the chain's three dozen bakeries from New York City to Beverly Hills are all currently operating. Some allow just a few customers into the bakery at a time while others allow customers to order by mobile or online and pick up their treats from an employee at the store's door. Being 100 percent operational eight months into the pandemic is impressive, but the shift to all-digital has been huge nevertheless, he added.

"Now it's a question of when all the doors open and things get [back to] normal, will [online sales volume] go down to those previous numbers or will it sit somewhere in between?" Legh-Page said.

He expects digital volume to settle at between 50 percent and 60 percent of the total as the COVID-19 pandemic subsides — a 100 percent increase over its pre-pandemic share.

"That's not outside the realm of [what's] possible," he said. "I would never have said that was possible in January and February."

No business that survives the pandemic will likely be caught off-guard again when it comes to digital preparedness. It is of course impossible to prepare for every eventuality, but Sprinkles illustrates that being proactive and ahead of the technology curve can make all the difference between surviving and thriving in a crisis.

NEWS & TRENDS

Ordering and payment innovations boost engagement

RESTAURANTS SEEING SALES IMPROVE AMID RISE IN OFF-PREMISES ORDERING OPTIONS

Off-premises restaurant services — including curbside pickup, takeout and delivery — were becoming more popular long before the COVID-19 pandemic, but the crisis is astronomically boosting their growth. Bruce Reinstein, partner at Chicago-based food management firm Kinetic12, recently said that customers are clearly not going to be dining indoors as much now or in the future, which means restaurants must be ready to provide flexible service options.

Several national chains have devised solutions to meet this challenge. Taco Bell launched its Go Mobile store model this summer, for example. It features a drive-thru lane exclusively for mobile customers as well as spots solely for contactless pickup, and employees are at the ready with electronic devices to take orders. The company's new model has added technology built into the brand's app to coordinate the timing of food preparation and customers' arrivals.

REDUCED DINE-IN SALES PUSHING QSRs TO LEVERAGE AI FOR CUSTOMER ENGAGEMENT

Dine-in restaurant service is gaining traction as pandemic-related business restrictions are being lifted, but most brands still report operating at roughly half capacity. Research shows that these limits are expected to bump the online food delivery sector up to $136 million this year as voice ordering, self-service kiosks, drive-thru and contactless mobile ordering continue to grow. One recent survey revealed that 45 percent of customers miss dining out, however, making it essential that restaurants boost safety measures and craft promotions tailored to each consumer if they wish to capture dine-in business.

Seventy-one percent of consumers say customized ads improve their views of brands, according to one report, and numerous QSRs have turned to artificial intelligence (AI) to maximize customer engagement. Burger King has leveraged location-based technology,

for example, with one initiative attempting to lure customers away from the competition by offering 1-cent burgers on its BK app to consumers who were within 600 feet of select McDonald's stores. Such AI-related investments could continue to play a significant role in helping restaurants fight for a smaller share of dine-in customers now and after the pandemic ends.

RESTAURANTS TURNING TO QR CODE-BASED MENUS DURING PANDEMIC

The pandemic is prompting regulation changes across the U.S., with many restaurants required to provide diners with disposable menus to help prevent the spread of COVID-19. Such mandates and their associated printing costs can prove especially problematic for small business owners, many of whom are already facing revenue losses during the crisis. Two Massachusetts pubs are offering their customers alternatives, however. The Hangar Pub & Grill in Amherst recently added stickers to each table in its establishment that feature three QR codes that link to a menu, a cocktail list and a beer list, respectively. The Yarde Tavern in nearby South Hadley is also utilizing QR code technology to avoid printing paper menus while allowing customers to stay safe and browse its offerings.

These features come amid customers' evolving demands for contactless experiences. Sixty percent of Americans reported in 2019 that they did not need touchless payment options, for example, but such payments are up more than 20 percent since the pandemic's onset. Forty-six percent of all consumers and more than half of those under age 35 use touchless platforms.

SQUARE DEBUTS QR CODE-BASED SELF-SERVICE ORDERING FEATURE

Restaurants' emphasis on safety during the pandemic is prompting many to invest in QR code-related technologies and other touchless payment tools that can help their customers avoid physical contact and its associated transmission risks. San Francisco-based payments platform Square has launched a QR code-enabled contactless ordering method that allows diners to minimize their interactions with restaurant staff when ordering and paying their bills. Customers can use their smartphone cameras to scan the QR codes and peruse menus, place food orders and pay for their items.

The service's debut follows rival payment service PayPal's recent rollout of QR code-based payments in more than two dozen markets worldwide. Square also introduced Online Checkout earlier this year to help businesses of all sizes accept credit card payments via any website.

Pandemic-related challenges

HEALTH CRISIS HAS FORCED 100,000 US RESTAURANTS TO CLOSE, SURVEY REVEALS

The ongoing pandemic continues to strain restaurants' operations, even as many launch ordering and payment integrations to stay afloat. One recent survey revealed that roughly one in six U.S. restaurants — about 100,000 total — have closed for extended periods or permanently, leaving up to 3 million workers jobless in a sector slated to lose $240 billion in sales by year's end. The study, which polled restaurant operators on how the pandemic has affected their businesses, found that most are still struggling to survive and do not expect to see substantial improvements well into the next year.

Analysis has revealed that the industry lost $165 billion in revenues from March through July, and restaurateurs reported that sales slipped an average of 34 percent. Sixty percent said the costs required to operate their eateries are higher than they were before the crisis, while 40 percent doubted that they would be in business in six months without additional government-backed relief. Respondents also said that they were operating at only 71 percent of their pre-pandemic staffing levels on average.

STUDY FINDS FAST FOOD DRIVE-THRU TIMES ARE 30 SECONDS SLOWER AMID INCREASED DEMAND

Restrictions on in-person dining combined with many customers' reluctance to dine out at their pre-pandemic levels are also affecting service across various channels. One recent study found that average drive-thru wait times have slowed by almost 30 seconds among the 10 largest chains in the U.S., for example. It did find that adding electronic menu boards accelerates the drive-thru experience, however, with the 23 percent of restaurants in the study that leveraged the technology trimming an average of 12.3 seconds per transaction.

The uptick in drive-thru demand is the likeliest culprit behind the slowdown. Another study found that such visits increased by 26 percent from April through June, and Mexican-inspired food chain Taco Bell saw nearly 5 million additional cars come through its drive-thru lanes in Q2.

TAKEOUT SECTOR FACES 43 PERCENT DIP IN THE UK AS CONSUMERS' HABITS SHIFT

Lockdown measures in certain markets are affecting more than just dine-in service. One new survey predicts that pandemic-related restrictions and fallout will cause takeout revenues in the United Kingdom to dive by more than 43 percent in 2020, down £8.1 billion ($10.5 billion USD) compared to last year. The study forecast a slight rebound next year, but the market is still expected to be off by approximately 12 percent and is likely to suffer through 2023. Crisis-related shifts in consumers' behaviors and daily routines — especially the switch to remote work and any additional lockdowns — could have long-term implications, said Nicola Knight, senior food-to-go analyst at grocery research firm IGD.

FAST FOOD RESTAURANT CHAINS' RECOVERIES OUTPACING THOSE OF DINE-IN EATERIES

Some QSRs are seeing glimmers of hope even as they work to weather the pandemic. Recent research suggests that fast food chains — buoyed by drive-thru lanes, speedy service and low prices — are making relatively quick recoveries compared to their dine-in counterparts. Pizza giants Papa John's and Domino's are among the top performers as both chains' service models are adept at accommodating the surges in takeout and delivery orders that have become more popular since the pandemic's onset. Mexican-inspired fast casual restaurant Chipotle Mexican Grill has also seen success during the crisis, with its stock rising more than 50 percent so far in 2020.

Full-service restaurants continue to suffer amid seating capacity limits and other regulations as well as customers' fears of viral transmission. Shares of Darden Restaurants, the parent company of Olive Garden, are down about 8 percent this year, for example, while Dine Brands, which owns IHOP and Applebee's, has reported a stock dip of 32 percent.

Collaborative innovations

PAYTRONIX, ORACLE ROLL OUT CLOUD-BASED POS SYSTEM TO STREAMLINE ORDERING, DELIVERY

Many food industry players are working together to unveil ordering and payment innovations that meet customers' expectations for seamless service across multiple channels. Restaurant loyalty program provider Paytronix recently partnered with software firm Oracle on a software initiative allowing eateries and retailers to adopt the latter's MICROS Simphony system, a cloud-based point-of-sale (POS) platform for
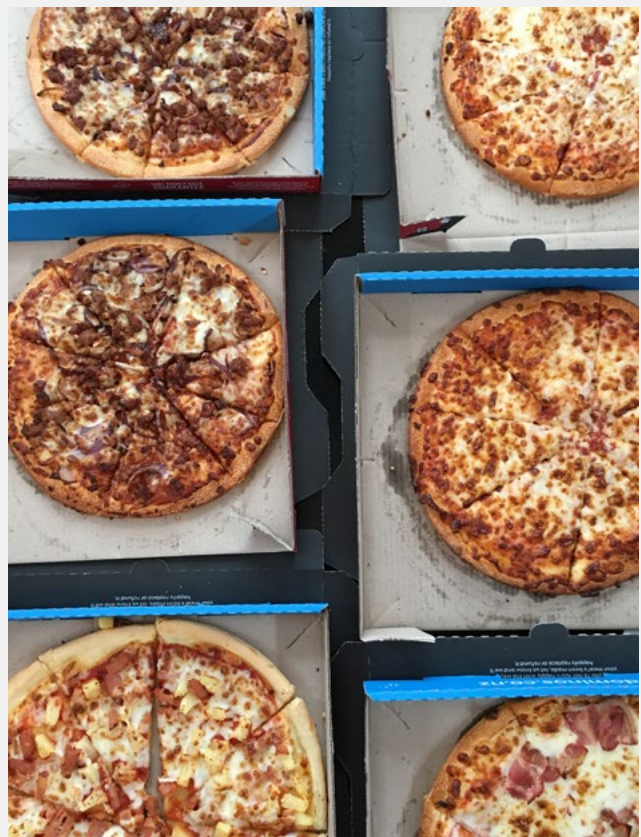
online ordering and contactless delivery. Paytronix said the integration will allow digital menus and orders to flow into the POS so that kitchen staff can swiftly and accurately prepare meals. The program also enables customers to make contactless payments.

Customers can use the Paytronix Order & Delivery platform to access menus and place orders from their mobile devices and computers, and the system leverages Oracle's POS to automatically pull and provide information such as inventory updates and store hours. The integration will also enable the restaurants that use Oracle's platform to expand their curbside pickup and contactless payment options.

KFC AND DOORDASH FINALIZE DELIVERY PARTNERSHIP

Fast food giant KFC recently announced that it has partnered with third-party delivery service DoorDash following a recent fallout with it previous delivery provider, Grubhub. KFC's parent company, Yum! Brands, filed suit against Grubhub more than two months ago, alleging that the service had violated the terms of their agreement. This new partnership makes DoorDash the largest delivery provider for the Louisville-based fast food chain, and it will serve roughly three-quarters of KFC's restaurants nationwide.

Yum! Brands has seen a 13 percent increase in its restaurants offering delivery compared to last year, and it reported that its digital earnings reached about $3.5 billion in Q2, representing nearly one-third of its total sales. Toby Espinosa, DoorDash's vice president of business development, said the deal with KFC is key to expanding the chain's off-premises operations.

DEEP DIVE
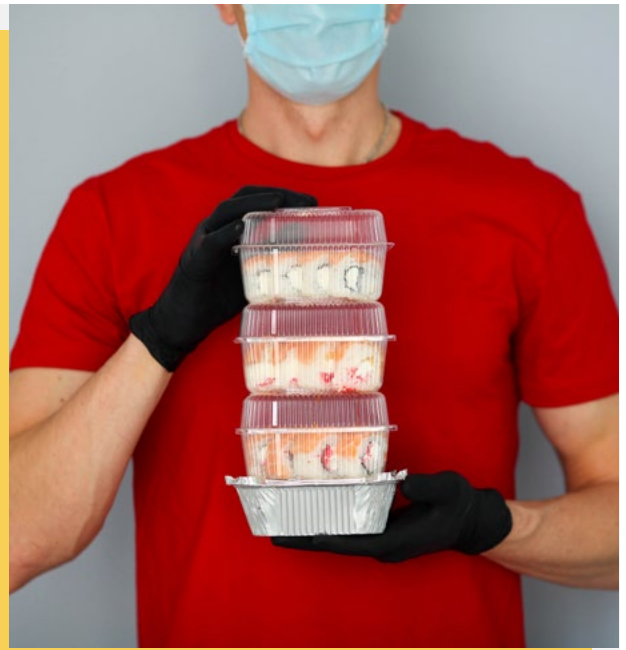
How Offering Greater Digital Payment Choice Can Help QSRs Meet Consumers In Any Channel

Many of the numerous ordering and payment methods that today's QSR customers enjoy have taken time to evolve and catch on. Calling local pizzerias or Chinese food restaurants to place takeout orders was once seen as a revolutionary development in the space, for example, and drive-thru service followed as the next big step.

Various digital methods have since joined these options as consumers have embraced smartphones and other electronic devices, but the COVID-19 pandemic has been accelerating digital uptake in an unprecedented way. Research confirms that QSR patrons are seeking multiple online and offline ordering methods: A recent survey revealed that more than one-third of customers now prefer to order through restaurants' websites or apps for delivery, for example, while 42 percent use those platforms for curbside pickup.

These innovations have revolutionized diners' experiences as well as transformed the purchasing process. The following Deep Dive explores the ways in which QSR customers' ordering and payment habits are shifting as well as how restaurants are changing their operations to meet consumers' new payment demands.

THE EVOLUTION OF ORDERING

Restaurants need multiple strategies to meet customers' demands for speed and convenience, regardless of whether they are ordering in person, by phone, online, via app or at kiosks in brick-and-mortar locations. Such an approach is essential to attracting new customers and enhancing profitability under any circumstances.

The COVID-19 pandemic is contributing heavily to the space's evolution, prompting eateries to conduct off-premises sales via numerous methods. One study showed that 71 percent of restaurateurs say

such transactions represent a higher portion of their business than they did before the crisis, for example. Another recent poll found that 49 percent of customers prefer to order online but want pickup-only lanes, while 46 percent say they wish there were more signs detailing menu options.

Other QSRs have invested in novel tools to enhance the ordering process and make it more seamless for customers. McDonald's purchased California-based voice recognition startup Apprente last year with plans to eventually implement the technology at its U.S. drive-thrus. The technology supports multilingual, multiaccent functionality that is intended to simplify the ordering process at the drive-thru and it can also be integrated into kiosks and mobile ordering options.

HOW PAYMENTS FACTOR INTO THE ORDERING EQUATION

Much of the U.S. locked down last spring as COVID-19 spread across the nation, and countless restaurants were forced to shutter their brick-and-mortar locations and even their entire operations. Payments thus began to play a more crucial role as restaurant customers sought quick, safe and seamless ways to pay their bills, with digital methods — especially contactless ones —growing more popular.

Consumers are now spoiled for choice in terms of access to digital wallet options like Alipay, Apple Pay, Google Pay and WeChat Pay. A sizable share of restaurants that have reopened have also adopted pay-at-the-table capabilities. Technology is pushing other payments advances in the space, with some restaurants turning to contactless tools that require them to add scan-to-pay or text-to-pay features to their platforms.

Such solutions can put the onus on restaurants to ditch their legacy POS systems, but turning to affordable cloud-based platforms could make them nimbler as additional payment technologies develop. Restaurants that already offer online ordering can also further integrate payment functionalities and efficiencies, enabling customers to avoid using cash and plastic cards.

The collision of digital tools and customers' changing behaviors during the pandemic is shifting the sector to off-premises sales, but navigating this new reality has not always been smooth for restaurants. Some have fought with third-party delivery companies over high fees, for example, which have led lawmakers in some cities to limit those costs. The Denver City Council — following similar moves in Chicago, New York City, Seattle and Washington, D.C. — recently capped commission fees for third-party food delivery companies like Grubhub and Uber Eats at 15 percent to prevent too much harm to restaurants' bottom lines.

Such issues will continue to shift as more consumers tap into digital ordering and payment technologies and as restaurants incorporate these options into their operations. Evidence suggests that consumers will leverage these newfound payment tools even after the pandemic recedes, so restaurants must be ready to confront any hurdles the methods bring to win new customers, retain existing ones and boost their revenues.
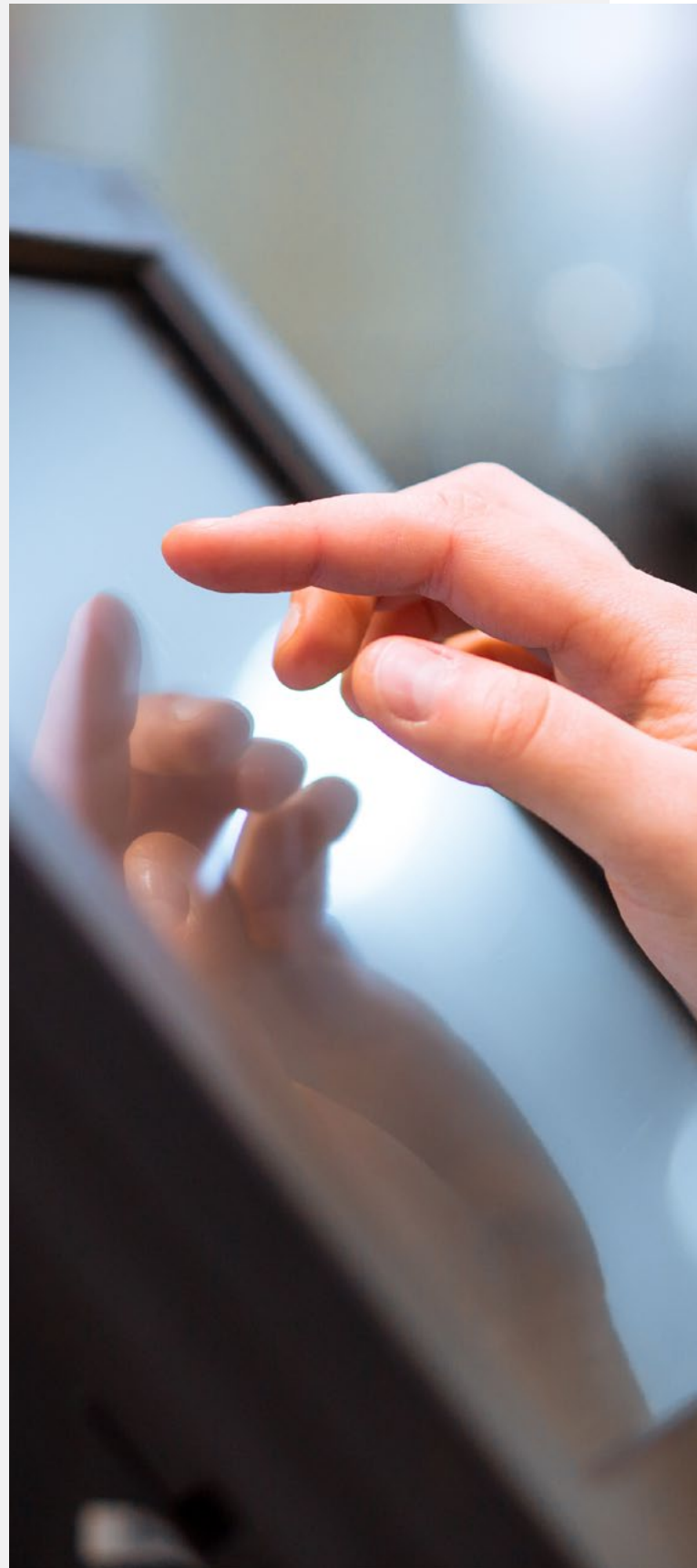
ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.

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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