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The Restaurant Readiness Index, a PYMNTS and Paytronix collaboration, takes a close look at how the events of the past two years have fundamentally changed the way in which restaurants engage with their customers. We surveyed 519 managers of QSRs and table-service restaurants from across the United States from April 7 to May 5 about the ordering features they believe are key to their future success in the digital-first restaurant ecosystem.

2022 EDITION

Restaurant Readiness Index

RESTAURANT READINESS INDEX

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INTRODUCTION

Resilient restaurants have been navigating a tricky, unforeseen landscape in recent years, adapting both to public health–focused mandates and radically changed consumer behaviors.

Table-service restaurants and quick service restaurants (QSRs) alike rushed to implement digital solutions, including loyalty apps, online ordering options and aggregator support, to facilitate customer engagement in these new and difficult conditions. Most restaurants have become significantly more dependent on digital channels than they were before the pandemic started.

In some ways, restaurants' accelerated adoption of digital solutions has aided their efforts to steer through an exceptionally competitive labor market. Most restaurant managers agree that reliable staff are crucial to the success of their businesses but are encountering difficulties hiring and retaining these vital workers. These challenges have led some restaurants to increase wages and others to adopt technology-based solutions, such as mobile order-ahead options, to reduce labor requirements. Despite these investments and the rebound in consumer demand for in-person dining experiences, PYMNTS' research finds that relatively few restaurants are investing in digital features that enhance customers' on-site ordering experiences.

The Restaurant Readiness Index, a PYMNTS and Paytronix collaboration, reveals how restaurants are responding to rapid changes in technology and consumer behavior. The report presents findings from a survey of 519 restaurant managers conducted between April 7 and May 5.

This is what we learned.

KEY FINDINGS

Although on-premises orders have rebounded, most restaurants continue to rely heavily on digital sales: More than 50% are at least moderately digital.

Pandemic-era restrictions on dining out are largely in the rearview mirror, and pent-up consumer demand drove a Q2 boost in on-premises dining. However, data shows that systemic reliance on digital channels by table-service restaurants and QSRs is here to stay.

Our research determined that a majority of restaurants generate substantial shares of their revenue through digital sales. Thirty-one percent of those surveyed are what we call digital-powered restaurants, which generate 50% or more of total sales through digital channels, and 22% were moderately digital, which generate between 25% and 50% of sales
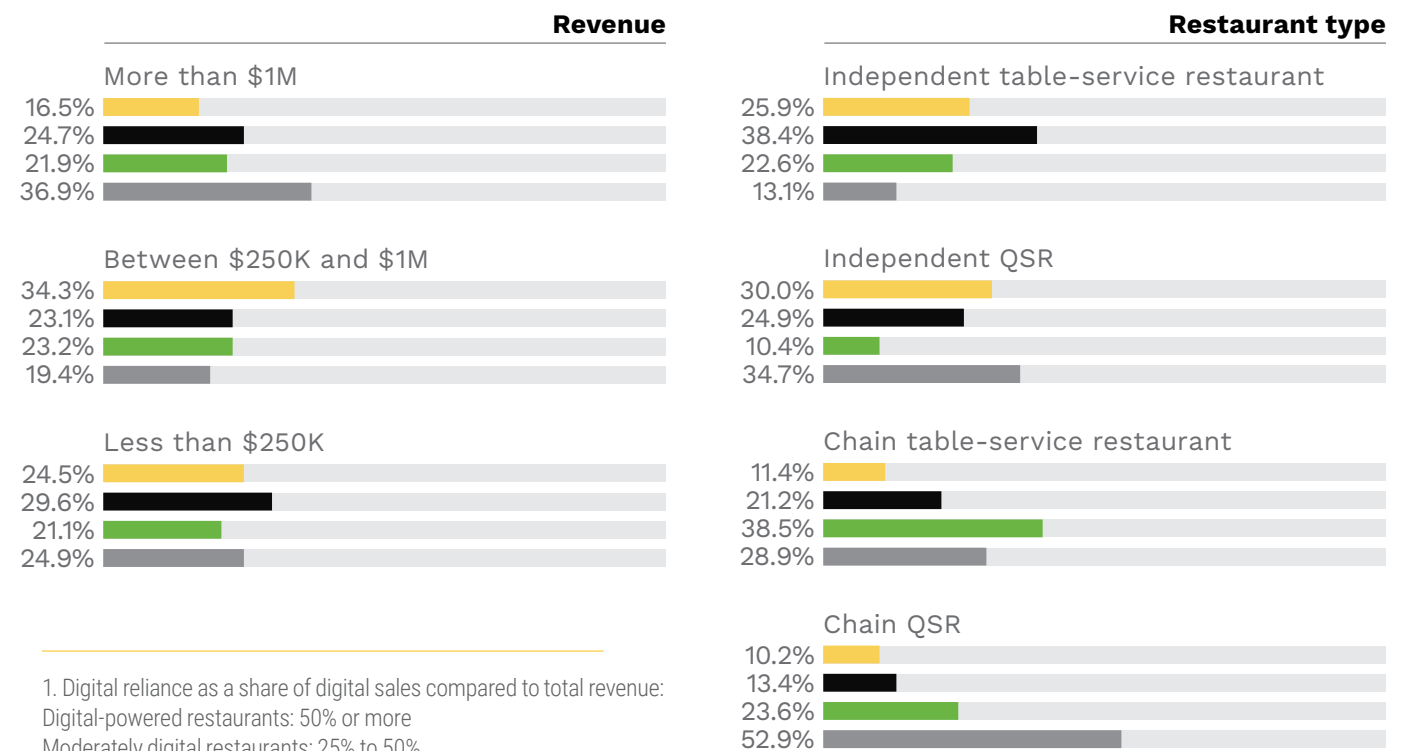
from digital channels. On average, restaurants in these categories derive 63% and 33% of their sales, respectively, from digital channels.

Our study also finds that chain QSRs are the leading restaurant type to be digital-powered, as 53% are, followed by independent QSRs and chain table-service restaurants, at 35% and 29%, respectively. Just 13% of independent table-service restaurants are powered by digital channels.

Restaurant reliance on digital channels

Share of sales conducted per channel groups, by digital-reliance persona[1]

- **Legacy**
- **Slightly digital**
- **Moderately digital**
- **Digital-powered**

Sample
- 21.0%
- 25.9%
- 21.8%
- 31.3%

Revenue

More than $1M
- 16.5%
- 24.7%
- 21.9%
- 36.9%

Between $250K and $1M
- 34.3%
- 23.1%
- 23.2%
- 19.4%

Less than $250K
- 24.5%
- 29.6%
- 21.1%
- 24.9%

Restaurant type

Independent table-service restaurant
- 25.9%
- 38.4%
- 22.6%
- 13.1%

Independent QSR
- 30.0%
- 24.9%
- 10.4%
- 34.7%

Chain table-service restaurant
- 11.4%
- 21.2%
- 38.5%
- 28.9%

Chain QSR
- 10.2%
- 13.4%
- 23.6%
- 52.9%

1. Digital reliance as a share of digital sales compared to total revenue:
Digital-powered restaurants: 50% or more
Moderately digital restaurants: 25% to 50%
Slightly digital restaurants: 1% to 25%
Legacy restaurants: 0%

Digital channels are used when:
• Customers order online on website and have the food delivered
• Customers order through a third-party aggregator
• Customers order online on a website and pick up the food at restaurant
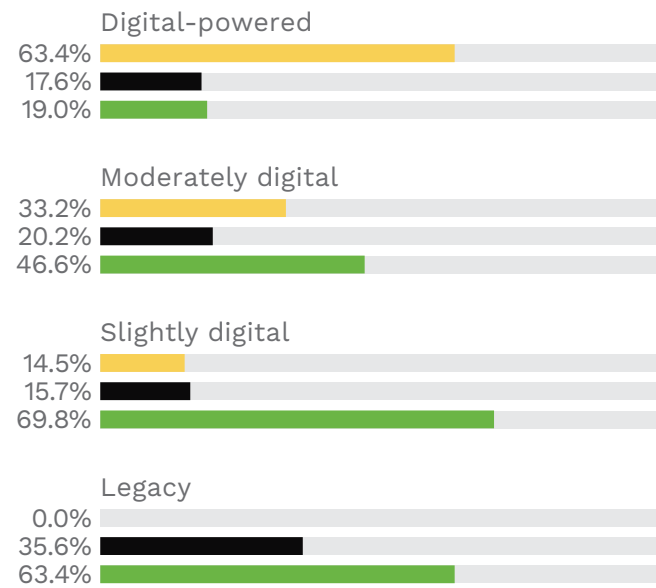
N = 519: Complete responses

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

Restaurant reliance on digital channels

Share of sales conducted per channel, by digital dependence groups

■ **Digital**
■ **Phone**
■ **At restaurant**

Digital-powered
63.4%
17.6%
19.0%

Moderately digital
33.2%
20.2%
46.6%

Slightly digital
14.5%
15.7%
69.8%

Legacy
0.0%
35.6%
63.4%

N = 519: Complete responses

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

Our mystery shopping exercise reveals that restaurants are actually providing fewer digital ordering channels now than they were in September 2021.[2]

Restaurants appear to be focusing less on digital channels in Q2 2022 than they were in September 2021, exhibiting an overall 12% decrease in digital readiness. On average, restaurants reduced the number of mobile app, website and aggregator ordering channels they offered — 7%, 11% and 13%, respectively.

The outsize decline in aggregator availability likely reflects a reversal of the increased dependency of restaurants on these channels during the pandemic. With health concerns now greatly reduced, some restaurants want to stop paying the high fees these platforms charge and push customers to other channels. More broadly, the return of relatively normal operating conditions and indoor dining also likely encourage some restaurants to scale back digital efforts as they focus on other aspects of full business recovery.

Most feature implementations held steady, but consumers had access to one fewer payment method on average. The share of restaurants offering splitting capabilities also decreased by 36%. The robust performance of loyalty and ordering features somewhat offset those declines. Personalization features within loyalty apps in particular showed strong growth. Features that suggest customers place orders at their preferred times surged by 44%, and those reminding customers they are physically close to restaurant locations based on GPS data climbed by 25%.

2. PYMNTS' team researched 200 restaurant ordering sites representing four large categories — aggregators, restaurant sites, mobile apps and loyalty log-ins — to examine a set of over 130 features. Using regression methodology, we identified the most difference-making features to create an Index score ranging from 0 to 100 for each channel. This allowed us to track progress on the implementation of the most valuable features for consumers buying their food online.
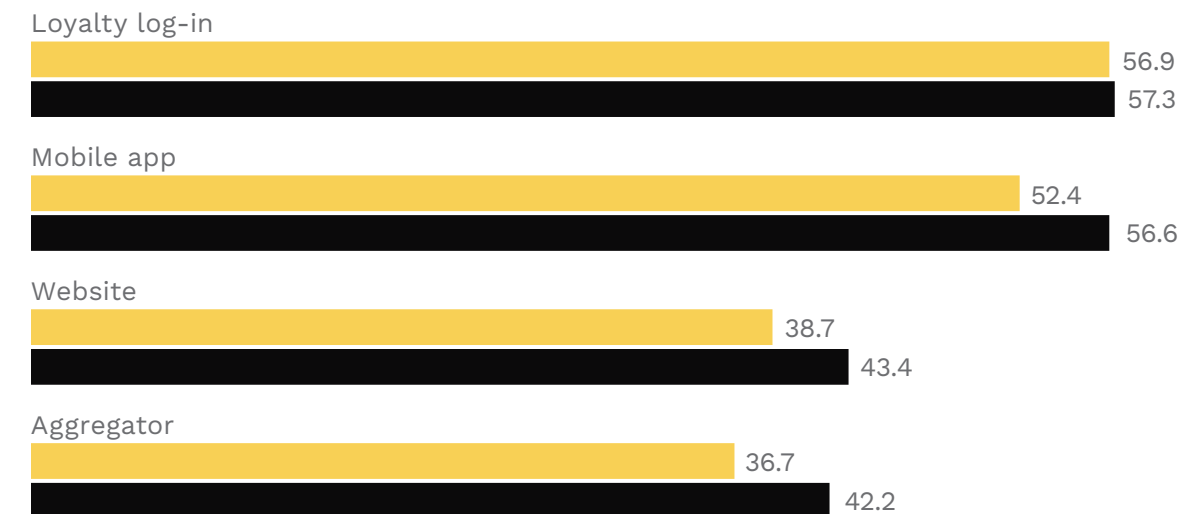
FIGURE 2A:

Measuring digital readiness across different digital channels

Aggregated feature implementation score, by digital channel[3]

■ April 2022
■ September 2021

Loyalty log-in
56.9
57.3

Mobile app
52.4
56.6

Website
38.7
43.4

Aggregator
36.7
42.2

N = 200: Restaurant sites covered by the mystery shopping exercise

Source: PYMNTS.com | Paytronix
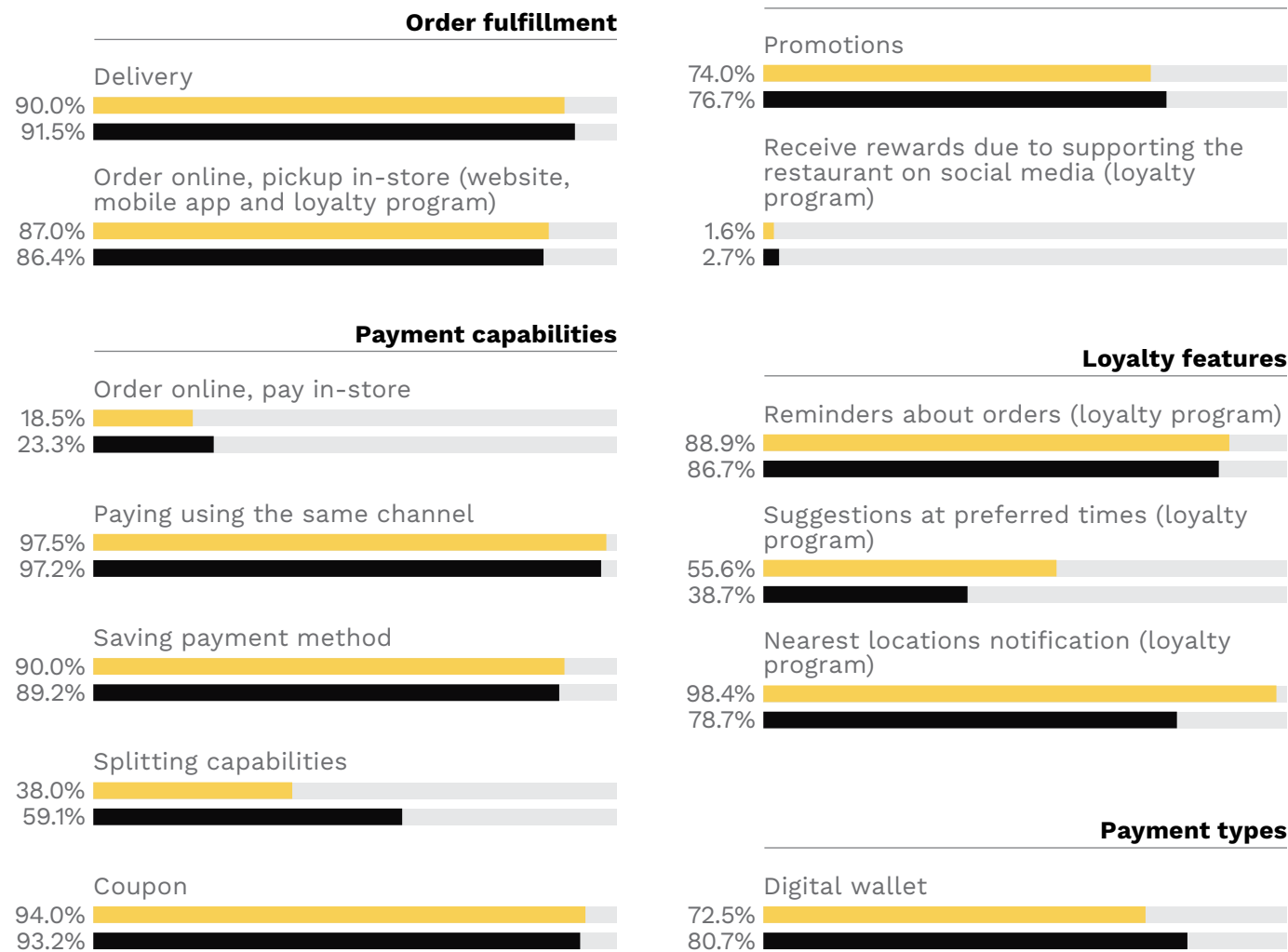Restaurant Readiness Index

3. To show aggregated feature implementation we consider that a restaurant has the feature available if it is offered at least in one channel. We also calculate the average value of time, page submissions and number of payment methods through all channels for each restaurant.

Implementation of digital channels

Aggregated share of restaurants with select digital capabilities

■ **April 2022**
■ **September 2021**

Order fulfillment

Delivery
90.0%
91.5%

Order online, pickup in-store (website, mobile app and loyalty program)
87.0%
86.4%

Payment capabilities

Order online, pay in-store
18.5%
23.3%

Paying using the same channel
97.5%
97.2%

Saving payment method
90.0%
89.2%

Splitting capabilities
38.0%
59.1%

Coupon
94.0%
93.2%

Order

Stock levels of most popular menu items
87.5%
88.6%

Stock level of all usual menu items
98.5%
97.2%

Rewards

Promotions
74.0%
76.7%

Receive rewards due to supporting the restaurant on social media (loyalty program)
1.6%
2.7%

Loyalty features

Reminders about orders (loyalty program)
88.9%
86.7%

Suggestions at preferred times (loyalty program)
55.6%
38.7%

Nearest locations notification (loyalty program)
98.4%
78.7%

Payment types

Digital wallet
72.5%
80.7%

N - 200: Restaurant sites covered by the mystery shopping exercise

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

Our research also revealed that consumers using mobile apps and loyalty programs to complete their purchase journeys faced higher costs this quarter than they did in September 2021. Consumers previously saved 4%, on average, over standard costs when ordering through loyalty programs rather than directly through restaurants' websites, but those savings dropped to 2% this quarter. The principal variable driving this is the rise in delivery costs, our data shows, likely reflecting the inflationary squeeze.

Ordering by mobile app also exposed customers to higher expenses this quarter than customers encountered in September 2021. Orders placed by mobile apps in Q2 cost, on average, 2.7% more than they would have through the restaurants' websites, whereas app-based orders actually saved customers 0.8% on average versus website-based orders in September 2021. Increasing prices for all components measured by the survey — meal, taxes, delivery, service and other costs — are responsible for this rise in expense.

Purchasing via aggregator remained an expensive proposition in Q2 compared to ordering directly from restaurants' websites. Surcharges and taxes accounted for a large share of aggregators' higher ticket prices when compared with prices offered directly by restaurants' websites. Consequently, aggregators' overall prices this quarter and in September 2021 consistently remained 24% higher than prices on restaurants' websites.

Variation in cost among different channels

Total variation in order costs for a select channel versus ordering through a restaurant's website

Aggregator

	April 2022	September 2021
Meal	8.4%	6.0%
Taxes	10.2%	5.8%
Delivery	−5.8%	−2.1%
Service	9.4%	9.9%
Other costs	1.6%	4.0%

Loyalty program

	April 2022	September 2021
Meal	−3.1%	−2.0%
Taxes	0.0%	−0.6%
Delivery	1.4%	−0.9%
Service	−0.2%	−0.2%
Other costs	−0.1%	−0.2%

Mobile app

	April 2022	September 2021
Meal	0.5%	−0.2%
Taxes	0.6%	−0.2%
Delivery	0.5%	−0.4%
Service	0.5%	0.2%
Other costs	0.6%	−0.1%

N = 519: Complete responses

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

As consumers return to on-premises dining, staff stability will play a key role in diner satisfaction, but nearly half of managers report issues retaining or hiring staff.

The easing of more than two years of restrictions on restaurant dining is fueling resurgent consumer demand for on-premises restaurant dining experiences. In-restaurant dining is a fundamentally social experience, and 76% of consumers deem staff stability critical. Moreover, 76% of manager respondents consider staff stability to be necessary for the success of their businesses, and this share rises further among managers of slightly digital restaurants: 90% of these restaurants identify employee retention as key to the success of their businesses.
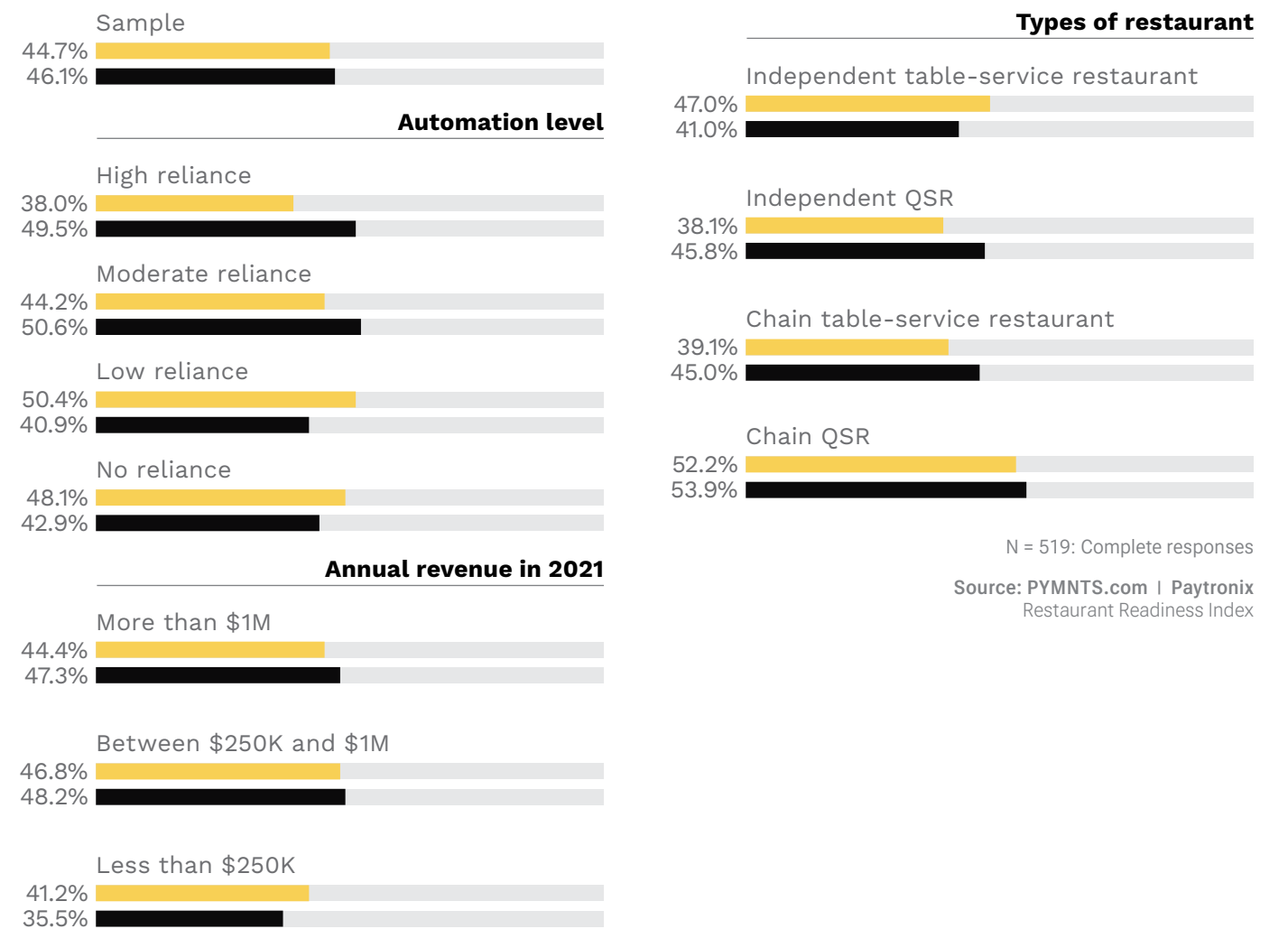
Hiring and retaining staff is proving challenging in the current labor market. Our research finds that nearly 50% of manager respondents have encountered obstacles hiring or retaining staff. Digital-powered restaurants said they are more likely to suffer challenges retaining staff than hiring them.

Among the portion of managers who found it difficult or very difficult to hire in the last quarter, 56% ended up offering higher wages. Twenty-eight percent adopted technology solutions focused on minimizing problems arising from staffing shortages — mobile order-ahead being the case for 52% of those implementing technology.

FIGURE 4A:

Hiring and retaining staff

Share of managers who faced staffing issues in the past three months, by segment

■ **Difficulty in hiring people to work in the last three months**
■ **Difficulty in retaining employees in the last three months**

Sample
44.7%
46.1%

Automation level

High reliance
38.0%
49.5%

Moderate reliance
44.2%
50.6%

Low reliance
50.4%
40.9%

No reliance
48.1%
42.9%

Annual revenue in 2021

More than $1M
44.4%
47.3%

Between $250K and $1M
46.8%
48.2%

Less than $250K
41.2%
35.5%

Types of restaurant

Independent table-service restaurant
47.0%
41.0%

Independent QSR
38.1%
45.8%

Chain table-service restaurant
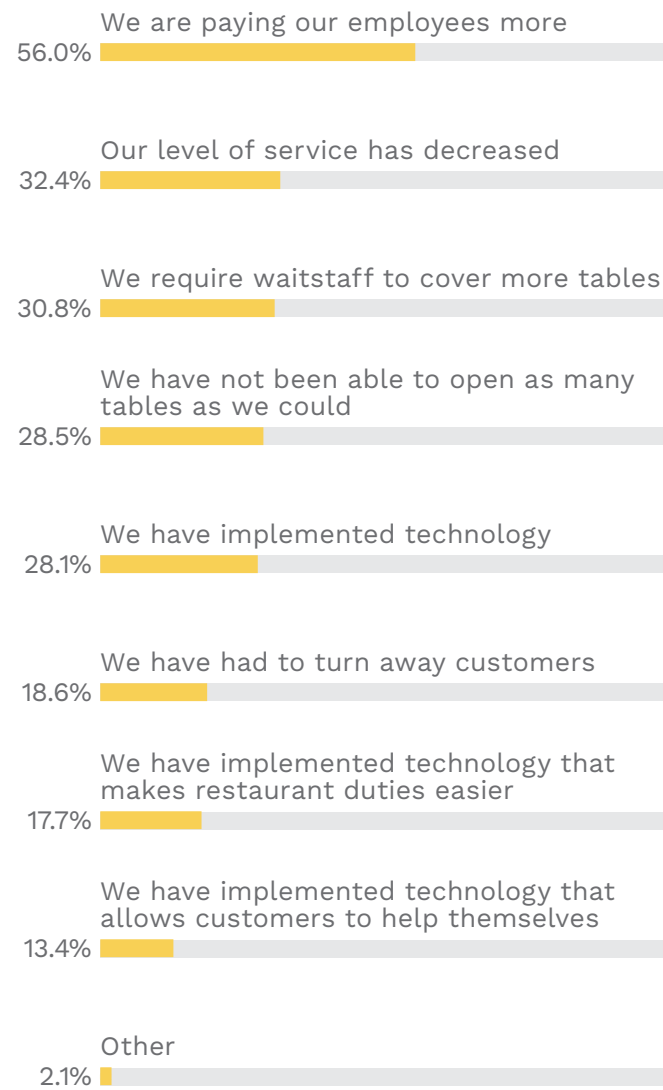39.1%
45.0%

Chain QSR
52.2%
53.9%

N = 519: Complete responses

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

FIGURE 4B:

Hiring and retaining staff

Share citing select measures implemented to cope with staffing issues

We are paying our employees more
56.0%

Our level of service has decreased
32.4%

We require waitstaff to cover more tables
30.8%

We have not been able to open as many tables as we could
28.5%

We have implemented technology
28.1%

We have had to turn away customers
18.6%

We have implemented technology that makes restaurant duties easier
17.7%

We have implemented technology that allows customers to help themselves
13.4%

Other
2.1%

N = 226: Respondents who own or manage restaurants and found it difficult or very difficult to hire in the last three months

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

56% OF RESTAURANT MANAGERS OFFERED HIGHER WAGES IN Q2 2022 TO COPE WITH STAFFING SHORTAGES.

Restaurants have widely implemented order-ahead and remote ordering, yet digital features that enhance in-store ordering are somewhat scarce.

The story of restaurants minimizing friction in the order-ahead space is somewhat mixed in Q2 2022. Our research finds that 80% of manager respondents offer order-ahead channels. The share of restaurants that provide order-ahead options via third-party aggregator increased 5% from September 2021 to 65%. However, contrasting this uptick were declines in the share of restaurants implementing ordering ahead by website and by restaurant-provided app, which were down 12% and 17%, respectively.

Chain restaurants have been especially quick to adopt both order-ahead and enhanced on-site ordering features. Our data shows that chains are 60% more likely than independent restaurants to make use of order-ahead capabilities and 98% more likely to utilize enhanced on-site ordering. Chain QSRs lead all restaurants, offering 2.4 order-ahead features and 1.1 on-site ordering features on average.
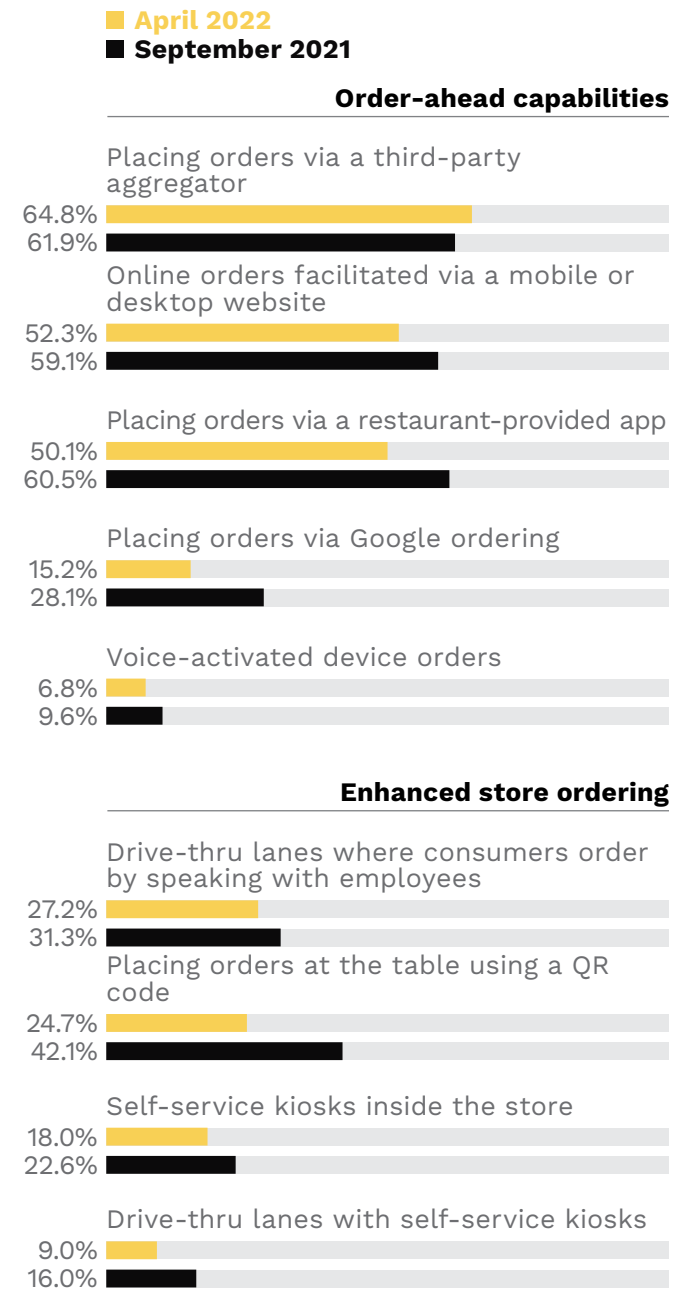
This quarter, 49% of manager respondents indicated they have implemented technology that enhances their customers' on-site ordering experience.

Consumer-facing technologies often steal the spotlight, but back-end technologies that automate restaurant operations continue to make their way into many restaurants. Sixty-eight percent of manager respondents indicated they have mostly or fully automated at least one back-end operations process, while 23% of all processes in our survey have been automated.

Our research finds that restaurants have deployed automation technologies most frequently for loyalty programs, payroll and payments. Among respondents who have adopted these technologies, 46% employ high levels of automation in their loyalty programs, 33% do so in payroll and 29% do so with payments technologies. Broadly, chain restaurants — particularly chain QSRs — are more likely to have adopted task automation solutions.

FIGURE 5:
Ordering channels

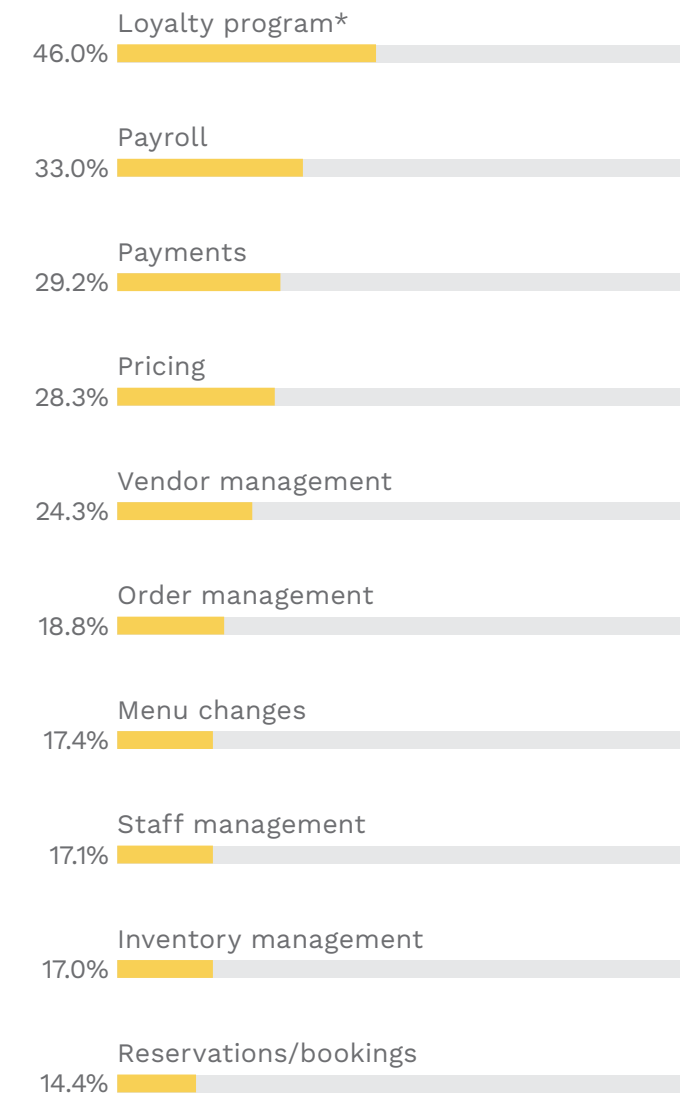**Share of restaurants that offer select ordering capabilities**

■ **April 2022**
■ **September 2021**

Order-ahead capabilities

Placing orders via a third-party aggregator
64.8%
61.9%

Online orders facilitated via a mobile or desktop website
52.3%
59.1%

Placing orders via a restaurant-provided app
50.1%
60.5%

Placing orders via Google ordering
15.2%
28.1%

Voice-activated device orders
6.8%
9.6%

Enhanced store ordering

Drive-thru lanes where consumers order by speaking with employees
27.2%
31.3%

Placing orders at the table using a QR code
24.7%
42.1%

Self-service kiosks inside the store
18.0%
22.6%

Drive-thru lanes with self-service kiosks
9.0%
16.0%

N = 519: Complete responses

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

FIGURE 6:
Restaurant automation

Share of restaurants with the select aspects of operations mostly or fully automated

Loyalty program*
46.0%

Payroll
33.0%

Payments
29.2%

Pricing
28.3%

Vendor management
24.3%

Order management
18.8%

Menu changes
17.4%

Staff management
17.1%

Inventory management
17.0%

Reservations/bookings
14.4%

N = 519: Complete responses
* N = 311: Restaurants that offer loyalty programs

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

One in five restaurant managers have expressed interest in using the metaverse as a customer acquisition tactic, even though relatively few consumers know what it is.

Awareness of the metaverse is growing among restaurants and consumers alike. The share of restaurant manager respondents in Q2 2022 who indicated they are very or extremely familiar with the metaverse stands at 28%. Thirty-two percent of managers of digital-powered restaurants are very or extremely familiar with it, but 38% of legacy restaurants — those with no reliance on digital channels — are very or extremely familiar with it.

The metaverse is attracting the attention of restaurants for its potential as a space in which to advertise and sell; interest in each of these respective areas is similar. Our study found that 18% of managers who are likely to begin metaverse integration over the next three years aim to use it for advertising, whereas 21% plan to adopt it as a sales channel. Restaurants' most cited reasons for their interest in the metaverse are to find new, younger customers, cited by 56%; to build engagement, 47%; and to boost brand awareness, 46%.

PYMNTS' data reveals that 21% of consumer respondents are very or extremely familiar with the metaverse, and 25% of this cohort are diners of chain restaurants. Among consumers interested in participating or already participating in the metaverse, millennials represented the largest share willing to integrate purchases into their metaverse experiences: 54% said they would be willing.

Why some are interested in the metaverse

Reasons restaurants are interested in using the metaverse in the next three years

To find new, younger customers
56.3%

To build engagement
47.4%

To build buzz about the brand
46.0%

To sell products or services related to the brand
37.5%

To host special events
26.3%

Not to miss out on a trend
27.0%
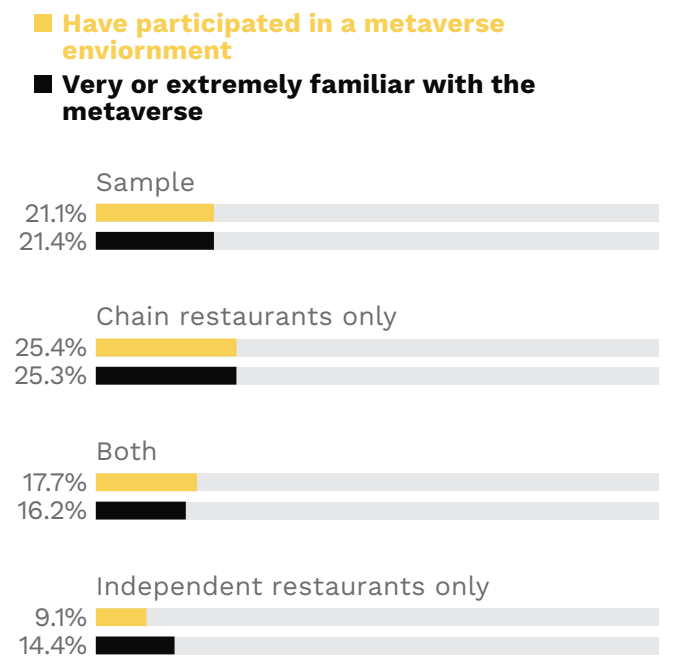
To sell subscriptions related to the brand
26.4%

Other
0.1%
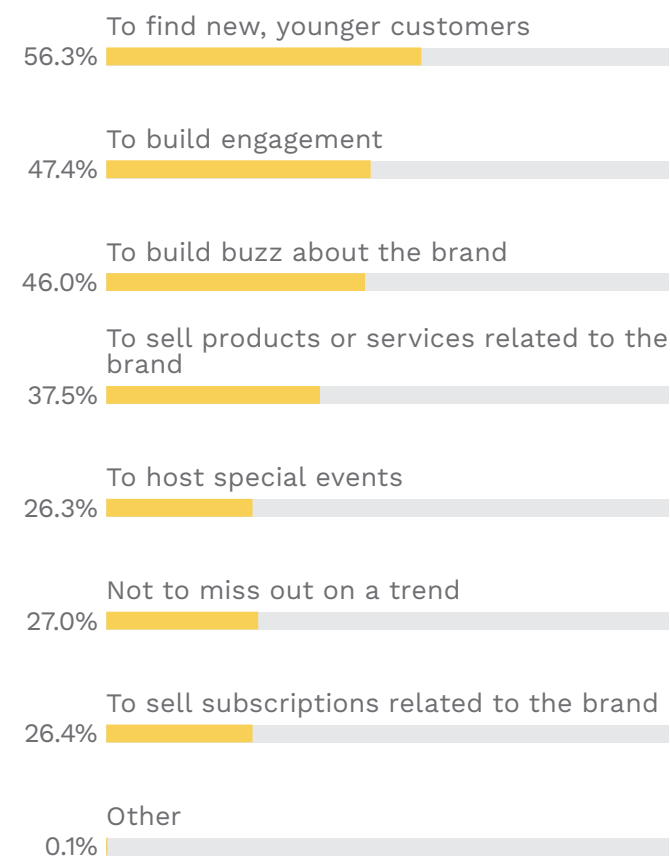
N = 375: Managers interested in using the metaverse

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

Why some are interested in the metaverse

Share of consumers who are very or extremely familiar with the metaverse or who have participated in a metaverse environment in the last 12 months, by types of restaurants visited

■ **Have participated in a metaverse enviornment**

■ **Very or extremely familiar with the metaverse**

Sample
21.1%
21.4%

Chain restaurants only
25.4%
25.3%

Both
17.7%
16.2%

Independent restaurants only
9.1%
14.4%

N = 2,391: Consumer survey complete responses

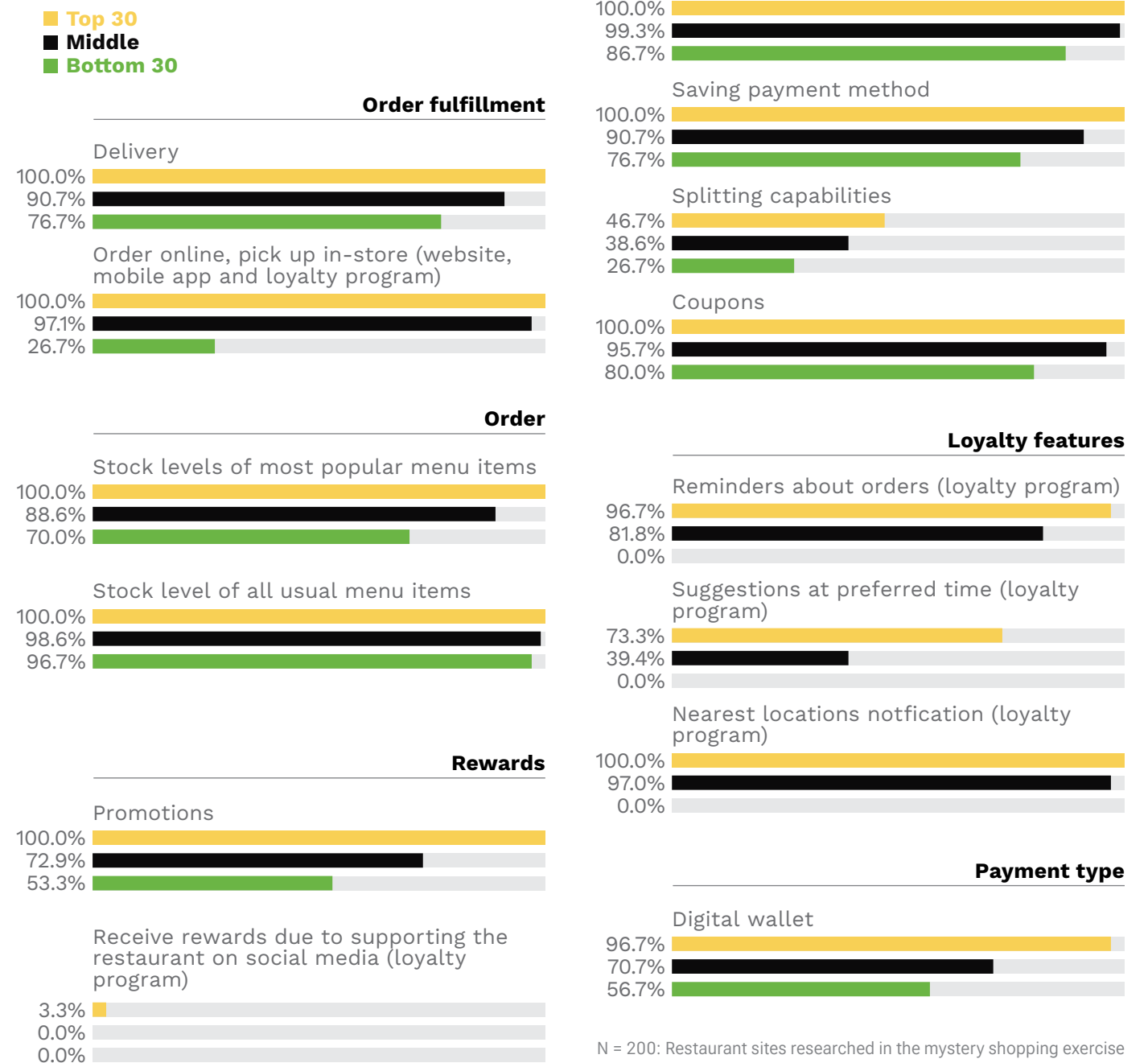Source: PYMNTS.com | Paytronix
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Restaurants behind the curve are adopting more features but continue to eschew key offerings such as loyalty programs.

Respondents representing the 30 bottom-performing restaurants have improved their adoption of most features since September 2021. Seventy-eight percent of these respondents now offer promotions to customers ordering online, 15% more offer delivery options and 6% more allow customers to pay using digital wallets.

None of the 30 bottom-performing restaurants offer loyalty programs, and they are therefore missing out on a key channel for customer engagement.

78% OF BOTTOM-PERFORMING RESTAURANTS NOW OFFER PROMOTIONS TO CUSTOMERS ORDERING ONLINE.

FIGURE 8:

Digital feature adoption

Aggregated share of restaurants offering select digital features, by level of restaurant performance

- ■ Top 30
- ■ Middle
- ■ Bottom 30

Order fulfillment

Delivery
- 100.0%
- 90.7%
- 76.7%

Order online, pick up in-store (website, mobile app and loyalty program)
- 100.0%
- 97.1%
- 26.7%

Order

Stock levels of most popular menu items
- 100.0%
- 88.6%
- 70.0%

Stock level of all usual menu items
- 100.0%
- 98.6%
- 96.7%

Rewards

Promotions
- 100.0%
- 72.9%
- 53.3%

Receive rewards due to supporting the restaurant on social media (loyalty program)
- 3.3%
- 0.0%
- 0.0%

Payment capabilities

Order online, pay in-store
- 33.3%
- 18.6%
- 3.3%

Paying using the same channel
- 100.0%
- 99.3%
- 86.7%

Saving payment method
- 100.0%
- 90.7%
- 76.7%

Splitting capabilities
- 46.7%
- 38.6%
- 26.7%

Coupons
- 100.0%
- 95.7%
- 80.0%

Loyalty features

Reminders about orders (loyalty program)
- 96.7%
- 81.8%
- 0.0%

Suggestions at preferred time (loyalty program)
- 73.3%
- 39.4%
- 0.0%

Nearest locations notfication (loyalty program)
- 100.0%
- 97.0%
- 0.0%

Payment type

Digital wallet
- 96.7%
- 70.7%
- 56.7%

N = 200: Restaurant sites researched in the mystery shopping exercise

Source: PYMNTS.com | Paytronix
Restaurant Readiness Index

CONCLUSION

Restaurants have been weathering the pandemic by turning to technologies that facilitate customer engagement and digital sales. Now that many dining restrictions have been lifted and consumer demand for on-premises dining is again returning, restaurants are reemphasizing in-person dining experiences, with nearly half of them implementing features that supplement the on-site ordering experience. This push for in-person dining has not made restaurants forget about the digital channels that have been critical to their survival, and restaurants have largely maintained the digital adaptations that saw them through more uncertain times — and that continue to make up a substantial share of many eateries'

total revenues. Indeed, increasing consumer demand and a competitive labor market are pressuring many restaurant operators to adopt additional technology solutions, including order-ahead choices and task automation.

To thrive in this new hybrid market, one in which consumers walk into stores and tap their phones to order, restaurants will need to balance their adoption of digital technologies with their in-person services. The strongest competitors will do so while keeping a forward-looking eye on creative opportunities to leverage emergent technologies such as the metaverse, leaving no stone unturned to engage their customers and drive sales.

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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 in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is 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 paytronix.com.