



PYMNTS

**LS Retail**  
an aptos company

November 2022

# Leveraging Technology Is Crucial For Meeting Restaurant Industry Challenges

Restaurant Digitization Tracker® Series

- Unified Restaurant Software Helps The Industry Survive — And Thrive  
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### Acknowledgment

The Restaurant Digitization Tracker® Series is produced in collaboration with LS Retail, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

## Need To Know

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# The pandemic forced millions of restaurants to deploy ordering technology and kitchen management software.

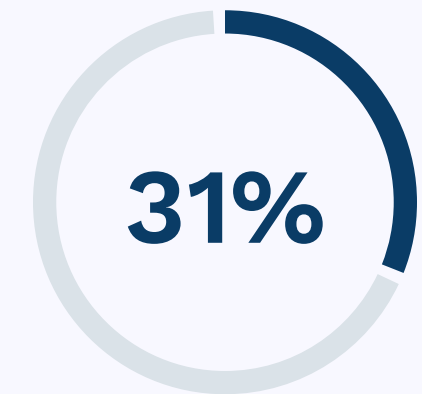
Social distancing and stay-at-home orders ground the industry to a near halt in 2020, with eateries scrambling to find a way to stay in business despite little to no foot traffic. A massive portion of restaurants did not survive the crisis, with a 2021 [study](#) finding that 90,000 eateries across the United States shut down for good.

The pandemic forced restaurants to quickly pivot and deploy online platforms for contactless ordering, unified restaurant software, curbside pickup and delivery services to meet consumers where they were. The usage of many of these technologies was already becoming popular in the quick-service restaurant (QSR) space, but many table-service restaurants had to deploy them for the first time. These options have now become table stakes for eateries of all kinds, with customers often eschewing restaurants that do not offer these conveniences.

**Mobile ordering is a necessity for restaurants to operate at peak capacity.**



**Portion of top-performing restaurants that offer mobile ordering**



**Share of low-performing restaurants that offer mobile ordering**

## Need To Know

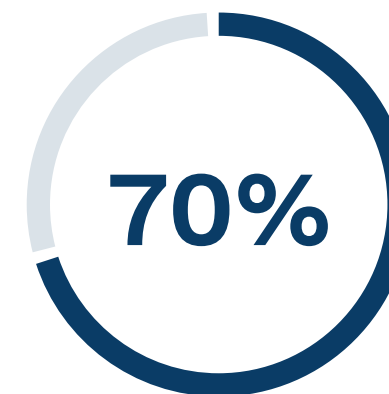
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# The restaurant industry is not yet out of the woods.

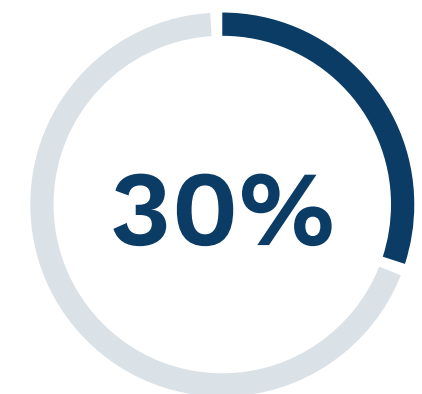
Staffing issues, supply shortages and inflation are currently the most pressing issues restaurants face, despite customer levels largely returning to their pre-pandemic state. A full 96% of restaurant operators said they experienced vendor delays or shortages of ingredients and beverages last year, and these shortages are expected to continue.

Restaurants will need to continue to deploy innovative technology to keep business strong, including tracking systems that can provide real-time information on suppliers, warehouses and other facets of the supply chain to minimize the impact of these delays. Only then can these eateries serve customers to the best of their ability and offer the features that keep diners coming back for more.

Customers choose restaurants for a wide variety of reasons.



**Portion of customers who say food taste is their top motivator**



**Portion of customers who base their decision on an easy-to-navigate website**

## Need To Know

# Restaurants must dig deep into their customer data to meet their patrons' needs.

Restaurants thrive on repeat visits, and each return visit gives the restaurant valuable data on customers' ordering preferences. Restaurants can, in turn, leverage this data to drive additional revenue. Obtaining said data is a crucial facet of loyalty programs, which serve the additional purpose of offering customers personalized rewards that help build trust and encourage the repeat visits that eateries covet.

Eateries around the world have seen massive success in deploying these rewards programs and harnessing the data obtained therein. Starbucks, for example, added more than a million new members in Q3 2021 alone, adding to its 24 million active members who currently represent 51% of all nationwide spending at the chain.

Rewards program membership totals, as of last year



**24**  
Million



More than  
**23**  
Million



More than  
**20**  
Million



**17**  
Million

## News And Trends

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# Drive-Thru And Barista Positions Are Most Primed For Automation

QSRs have been exploring automated positions for years, but some roles are better suited for robots than others. A recent [survey](#) found that drive-thru attendants were the easiest position to automate, with just 30% of respondents saying this would be difficult. Baristas followed this at 36%, hosts at 40% and cashiers at 41%.

Chefs were the most challenging role to automate, with 76% saying that deploying automation for that position would be impractical. Automation is coming fast in other areas, however, with 76% of respondents saying they currently use three or more automated tools. More than half said their revenues had improved since implementing automation technology.



## News And Trends

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# Restaurant operators detail evolving challenges from supply chain strain

Restaurants have been facing a supply chain crisis for the past year, and while it has not abated, it has taken on a different form. While scarcity and product shortages were the primary cause of rising prices and inventory shortages last year, most of the problems in 2022 relate to staffing and transportation.

Experts recommend forming relationships with multiple supply partners to counteract these crises. Texas-based chain Smoothie King diversified its supplier base to ensure a steady inventory flow, as did bakery giant Panera Bread. Enterprise resource planning and inventory software can help with the logistical strain of managing these multiple supply chains.

## News And Trends

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# Burger King tops list of most increased QSR prices in the past year

Inflation and supply chain issues resulted in price increases across the board for QSRs, but not all increases were equal. Burger King was the fast food chain that raised its prices most, according to a recent [study](#), with the average cost of a meal growing by 21%, from \$6.76 to \$8.18. Wendy's, Jack in the Box, Five Guys and McDonald's rounded out the top five. These unequal increases indicate that other factors are at play, in addition to the stated inflation issues that should have affected them all equally, and that there is room for reducing prices with the right technological solutions.

## Price increases by chain, August 2021 - August 2022



21%



18.9%



15.6%



13.5%



11.3%

## PYMNTS Intelligence

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# New Technology Becomes Table Stakes As The Restaurant Industry Evolves

The industry continues its rapid recovery after a swift tumble during the first years of the pandemic, as expressed by several different metrics. The food service industry is [projected](#) to hit \$898 billion in sales this year, for example, and is expected to add 200,000 roles annually through 2030.

This is not to say that everything is going well, however. Restaurant owners have expressed difficulty finding new employees to fill these roles, for example, and supply chain issues and inflation have cut into profits. Increasing revenue despite these challenges will require investing in new ordering, payment and automation technology.



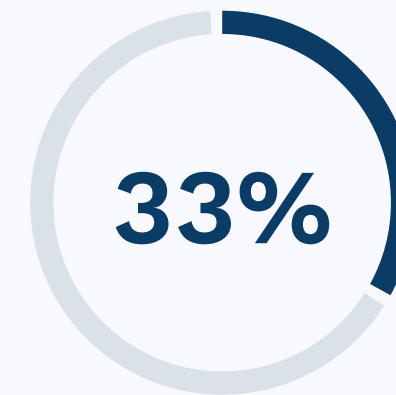
## PYMNTS Intelligence

# Automation and data-driven ordering are some of the most promising restaurant technologies.

Improving margins to meet modern industry challenges will likely necessitate some form of automation. This automation can include replacing front-of-house workers such as drive-thru attendants or baristas, but the biggest bang for restaurants' buck would come from automating back-of-house functions, including inventory tracking, ordering and payments.

Currently, more than 75% of eateries use three or more automated tools. Automated payroll, payments and pricing are some of the obvious use cases, with nearly one-third of restaurants surveyed by PYMNTS saying they had mostly or fully automated these operations.

**Restaurants have automated many facets of their behind-the-scenes operations.**



**Portion of restaurants that have automated payroll functionalities**



**Share of restaurants that have automated payments systems**

This need for automated and unified restaurant functionalities has been recognized by providers worldwide, driving the restaurant management software market to explode in value. Experts project that this industry will hit \$17.3 billion by 2031, a compound annual growth rate (CAGR) of 15.9% in the next decade. Among other functions, these technologies have been shown to improve inventory ordering accuracy, reducing the amount of food that goes to waste and improving restaurant margins.

## PYMNTS Intelligence

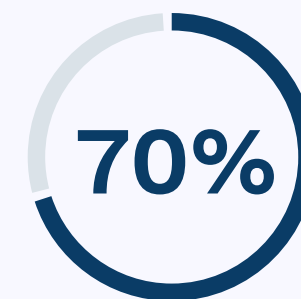
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## Loyalty programs are also crucial to driving revenue.

These can take many forms, ranging from point-based reward systems to surprise-and-delight models that randomly and occasionally offer customers free menu items. Mobile ordering systems are now table stakes for QSRs around the world, so many customers decide where to eat based on what rewards they can attain.

PYMNTS [research](#) found that 24% of table-service restaurant customers and 21% of QSR customers said that loyalty programs were very or extremely important when choosing a restaurant, with these numbers increasing among younger generations. Loyalty programs are particularly effective at encouraging customers to make return visits to restaurants, even if the restaurants are not offering a reward at the particular time of the decision.



**Share of QSR loyalty program participants that order via a mobile app**



**Portion of QSR patrons that use loyalty programs at restaurants they purchase from frequently**

Chart Of The Month

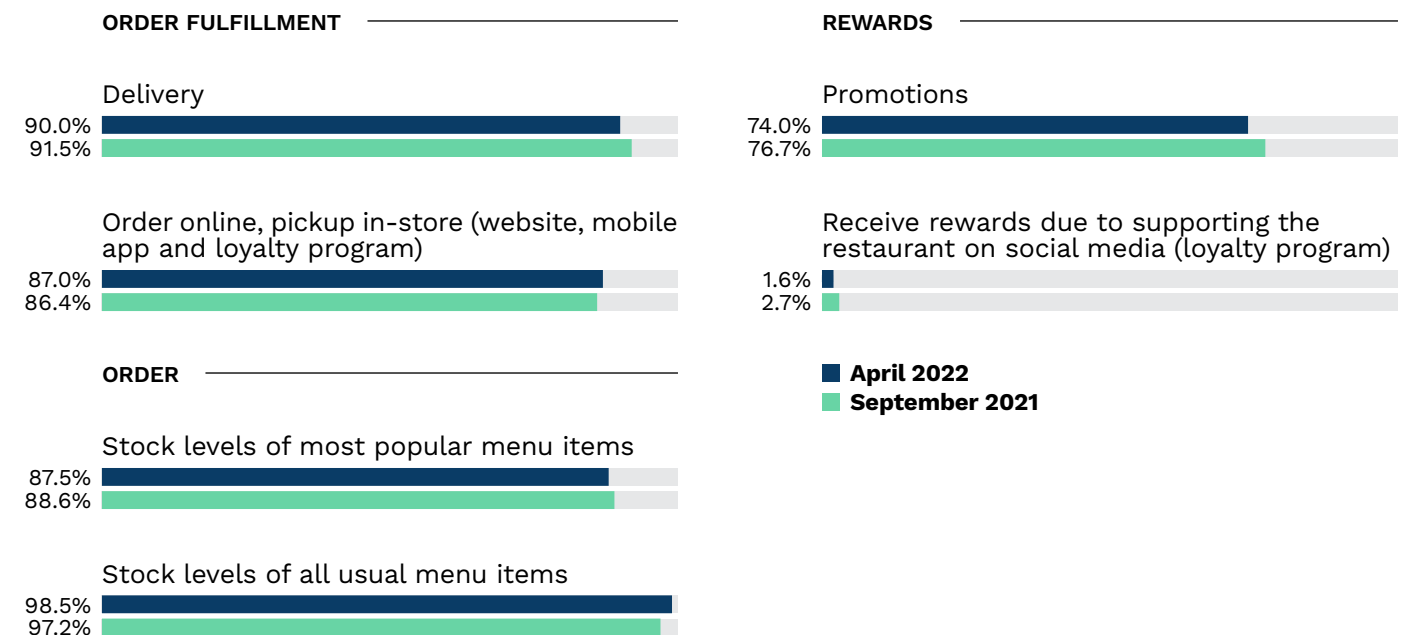
# Restaurants Keep Technological Assistance Implemented During The Pandemic

In March 2020, the restaurant industry saw a seismic shift as eateries increased delivery or takeout capabilities, with many offering these services for the first time. Most restaurants are keeping the capabilities they began to offer earlier in the pandemic, as these options have proven effective even after dine-in service returned. As of April of this year, 90% of restaurants [offer](#) delivery, compared to 91.5% last year, for example, a keen demonstration of the added value these systems provide to eateries that nearly all chose to maintain.



## Implementation of digital channels

Aggregated share of restaurants with select digital capabilities



Source: PYMNTS

Restaurant Readiness Index 2022 Edition, July 2022

N = 200: Restaurant sites covered by mystery shopping exercise, fielded April 7, 2022 – May 5, 2022

## Insider POV

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# Meeting QSR Customers' Ordering Preferences



**KARL GOODHEW**  
Chief technology officer



“  
[Restaurants] have to be careful about a race to the bottom on quality. You can't let standards slip. You need to have the right technology to maintain revenue even if you have to save costs.

”

An interview with Karl Goodhew, chief technology officer at fast casual burger chain [BurgerFi](#), about the technologies required to meet customers' evolving demands

The ongoing pandemic forever changed customers' demands for QSRs. Mobile ordering, takeout and delivery became practically mandatory, and lockdowns forced restaurants that did not initially have these capabilities to either hit the ground running or be left behind.

“It was a frightening time, and everybody reacted as best they could without systems in place. Over time, expectations became elevated: Food should still be hot, drive times should be reasonable, and from an operations perspective, it's essential to ensure that speed of service is right on point.”

## Insider POV

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**Analysis of customer data formed the core of BurgerFi's mobile ordering strategy.** Every customer interaction with a restaurant provides that restaurant with key information about when the customer typically orders, what their favorite foods are and a host of other data points that the restaurant can use to refine business operations and drive revenue.

“We’re using the data to inform operational choices or menu choices. For example, we just rolled out a change in the menu to test markets. We’re watching very closely as to the customer reaction and if that’s something that we should change, pull back on or roll out system-wide.”

**Data analysis will be the way of the future in the restaurant industry, said Goodhew.** Restaurants can already offer customers targeted promotions and rewards, but will likely be able to expand that analysis to further augment operations based on other variables such as time of day, weather or current inventory levels.

“My hope is that one day I can walk into a store, and they’ll know who I am and then offer me appropriate promotions or offers. They will be able to ask me if I want what I had ordered last time without me having to take my phone or my wallet. The technology is already there, but the question is how comfortable people are with it.”



## Companies To Watch

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# Chipotle Invests In AI And Automation



The fast-casual Mexican food giant is looking to the future with investments in several new technologies. Chipotle recently announced it was [piloting](#) a new machine learning system for the kitchen, which monitors ingredient levels in real time and instructs employees on which menu items to cook, how much and when to start. The chain also [invested](#) in a robotic kitchen system called Makeline, which assembles customer orders under human supervision. Chipotle plans to deploy this system for digital orders and reserve staff for in-restaurant customers.



## What's Next

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# Improving Financial Decisions With Centralized Data

Rising housing, gas and food costs recently spurred the city of San Diego to raise the minimum wage from \$15 an hour to \$16.30, which has the potential to impact industries such as food service due to its reliance on large amounts of minimum-wage workers. What restaurants will need to be aware of, however, is tightening margins due to the aforementioned gas and food prices, and they will need to invest in software that can centralize this spending data and help operators make better financial decisions.

According to Eric Miller, vice president at LS Retail, one of the hottest topics in the industry is around cloud-based point-of-sale systems and their ability to help scale restaurant management and processes. Investing in these systems will provide cost savings by helping operators receive the latest status on inventory, for example. This need for live information to create cost savings also translates to keeping the ordering process current, something Miller sees as a significant pain point.

“Everyone wants to make [the ordering process] easier, whether it’s using kiosk ordering at various points in the restaurant or close by, or by using QR code ordering. The challenge now is being able to keep everything up to date and aligned with ‘live’ menus — there are no longer updates you need to wait to create. Changes to the menu, whether it be dishes, offers or pricing, go out to all kiosks and QR code menus immediately. This, however, also gives restaurateurs a lot of flexibility, for example, removing sold-out items or pushing specific dishes with offers, which can really boost customer satisfaction.”

**ERIC MILLER**  
Vice president



# About

**PYMNTS** PYMNTS 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.



LS Retail, an Aptos company, specializes in developing POS and business management software systems for retail, restaurants, hotels, forecourts and pharmacies based on Microsoft Dynamics 365 and .NET technology. LS Retail’s software solutions have been installed in more than 90,000 stores, restaurants, pharmacies and gas stations in more than 140 countries worldwide.

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