



June 2023

Inflation Puts Technology on the Menu for Restaurants

B2B and Digital Payments Tracker[®] Series

Read the previous edition



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B2B and Digital Payments Tracker[®] Series

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Acknowledgment

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Need to Know

Restaurants Have Their Plates Full Amid Economic Crisis

The restaurant industry is in another crisis. Having just emerged from the severe disruptions of the pandemic, which caused more than 70,000 [restaurants to close permanently](#) and the rest to adapt how they operated, food service providers are now under pressure from a troubled economic landscape.

Persistent supply chain issues and high inflation have led to sharp rises in operational costs, forcing restaurant owners to [raise prices](#) to keep up. In 2022, 87% of restaurant owners increased menu prices and 92% viewed food costs as a significant challenge, according to a National Restaurant Association survey.

Restaurants are finding it necessary to raise prices to keep up with soaring operational costs.



92%

Portion of restaurant operators that view food costs as a significant challenge



87%

Share of restaurant owners who increased menu prices last year



8.3%

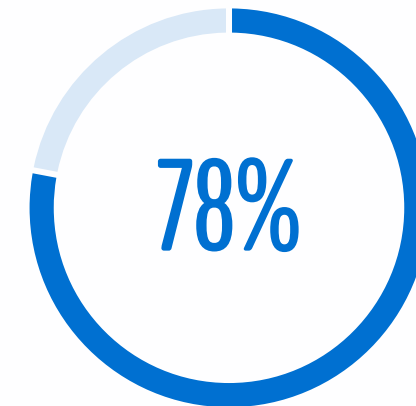
Increase in the price of food eaten away from home in the past 12 months

Need to Know

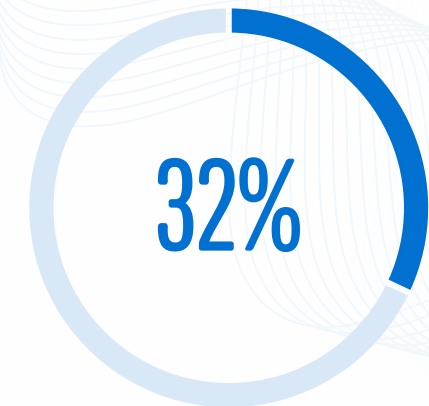
Staffing shortages are hampering restaurants' ability to provide quality service.

At the same time as inflation eats into restaurants' profits, the industry is also experiencing severe labor shortages. Since the pandemic, restaurants, hotels and others in the hospitality industry have struggled to attract [new employees](#) and retain existing ones, leading to more than one million [unfilled jobs](#) — as well as 78% of restaurant operators not having enough staff to support customer demand.

The hospitality sector's labor shortages have hit restaurants particularly hard.



Share of restaurant operators that do not have enough staff to support customer demand



Share of restaurants that decreased their level of service as a result of staffing shortages

Need to Know

Customers are tipping less and ordering pickup more.

The problems with restaurant service are also influencing consumer behavior. When faced with [long wait times](#), 38% of restaurant customers said they would tip less and 22% would leave the establishment. Further, PYMNTS found that almost half of customers are switching from [delivery to pickup](#) in response to pricier menus, and nearly 30% are [tipping less](#).

These dynamics, if left unaddressed, could create a vicious circle in which the downward pressure on tipping leads to still more staff turnover, worse service and even less of a consumer inclination to tip. There are also indications that consumers are switching to cheaper alternatives or cutting back on eating out altogether, with some major restaurant brands reporting a [dip in sales](#).



22%

Share of consumers who would leave a restaurant when faced with [long wait times](#)



29%

Share of consumers tipping less because the [cost of meals is outpacing their satisfaction](#)

News and Trends

Serving Up Automation to Ease Restaurant Woes

Fast food chain Wendy's recently partnered with Google Cloud to create Wendy's FreshAI, a solution that automates the drive-thru process with [artificial intelligence](#) (AI). Using Google's large language models (LLMs) to generate and understand human-like speech, Wendy's FreshAI can receive orders and answer customer questions.

In implementing the technology, Wendy's intends to reduce employees' workloads and improve the [customer experience](#), according to a press release. The chain started trialing Wendy's FreshAI at a location in Columbus, Ohio, in June. If successful, Wendy's will roll it out to more locations.



News and Trends

OrionStar Robotics and Rocky Mountain Robotech unveil a robot-based restaurant automation solution

At the recent 2023 National Restaurant Association Show, OrionStar Robotics and Rocky Mountain Robotech revealed an AI-powered [robot for restaurants](#) that can easily integrate into existing workflows and handle a range of tasks — helping companies improve operations and enhance the customer experience.

The robotic solution can integrate into a restaurant's point-of-sale (POS) systems, allowing it to receive customers' orders and process payments. The robot can also assign customers to tables, remember who ordered what and where they are sitting — and even bring the food out from the kitchen.



PYMNTS Intelligence

Restaurant Success Hinges Increasingly on Technology

The restaurant sector is transforming rapidly. Once laggards when it came to modernization, restaurants had to adopt [digital tools](#) and online sales channels overnight to survive the pandemic. Technology is now a critical part of the restaurant experience, and its importance continues to grow.

Restaurants have discovered how digital tools and modern solutions can help streamline business operations and meet consumers' growing appetite for seamless experiences. According to a 2022 survey, 75% of restaurant operators plan to [adopt new technology](#) in 2023 to address their labor and cost challenges.



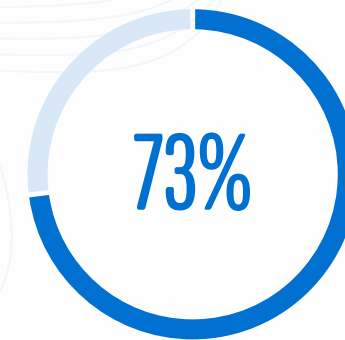
PYMNTS Intelligence

Using technology to meet the demand for convenience

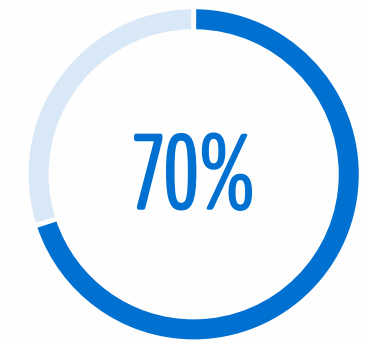
Restaurants are making use of technology in a variety of ways. PYMNTS found that almost 55% of all restaurants have implemented [curbside pickup](#) and 50% have adopted mobile order ahead. The industry is also adopting technology to automate operations, with 76% of restaurants already [using automation](#) in at least three areas of operations.

Overall, restaurants are increasing their digital engagement capabilities, and consumers are eagerly embracing this. PYMNTS found that there has been an 11% increase in consumers ordering with [restaurant apps](#), websites and aggregator tools — with more than 146 million Americans now ordering digitally in some way.

Consumers are interested in having more technology in the restaurant experience.



Share of consumers who prefer automation over interacting with staff members in at least one area of a business



Portion of restaurant customers who want technologies such as personalized menus incorporated into the drive-thru

While restaurants have already done a lot, consumers are interested in more innovation. To alleviate mounting wait times and deteriorating service, 70% of consumers expressed interest in applying [technological aids](#), such as AI voice assistants, personalized menus and smartphone apps, into the drive-thru process. Already, some restaurants have started using AI voice assistants. These include [Panera Bread](#), in its partnership with Amazon's Alexa, and [Del Taco Restaurants](#).

PYMNTS Intelligence

Keeping the human element in technology

Although consumers largely want more technology, restaurants must keep the human element in mind. Even younger consumers, who are the most comfortable with and eager for new tools, still want human interactions when eating out, especially for sit-down dining.

Only 17% and 18% of diners, for example, enjoy using [QR codes and kiosks](#), respectively, instead of menus and counters. While younger consumers are the most interested in these digital tools, nearly 60% still enjoy the traditional experience of interacting with a waiter. The takeaway for restaurants is that there is no longer a single dining experience, and the best course of action is to have a smorgasbord of both digital and traditional options available, from which consumers may take their pick.



18%
Share of consumers who enjoy kiosks over menus or counters



59%
Share of diners aged 18 to 44 who enjoy the traditional waiter experience



Chart of the Month

Chain Restaurants Lead the Way With Innovation

PYMNTS research reveals that while all types of restaurants are rolling out [digital tools](#) and new ordering methods, chain restaurants are leading the way. Curbside pickup is the most popular digital feature, with almost 55% of all restaurants now offering it. However, only 40% of independent restaurants are offering curbside pickup versus 63% of restaurant chains. In fact, PYMNTS found that chain restaurants are more likely to offer all the types of tools mentioned in the survey, ranging from digital wallets to kiosks for self-ordering.

Technologies and digital features in restaurants

Share of restaurants offering select technologies and digital features in their eateries

	SAMPLE	CHAIN RESTAURANT	INDEPENDENT RESTAURANT	BOTH
Curbside pickup	54.9%	62.7%	39.8%	47.7%
Mobile order-ahead	49.5%	56.4%	30.5%	46.5%
Contactless cards	44.0%	49.3%	31.5%	40.6%
Drive-thru	42.3%	54.4%	18.5%	31.2%
Loyalty programs	36.0%	43.9%	19.7%	29.1%
Special pickup point	35.3%	40.5%	24.1%	31.2%
QR codes to visualize the menu	28.9%	31.5%	20.5%	28.4%
Digital Wallets	28.5%	32.2%	19.8%	25.9%
Card on file	26.1%	31.0%	17.6%	21.1%
Order using self-service kiosks	23.5%	28.7%	11.4%	19.9%

Source: PYMNTS

Digital Divide: Technology, Customer Service and Innovation in the Restaurant Industry, June 2022

N = 2,391: Complete responses, fielded April 25, 2022 – April 28, 2022

Insider POV

An Insider on the Importance of Restaurants Meeting Customers Where They Are



BILL FULTZ
Vice president
of point of sale

Heartland

“For restaurateurs, really understanding who their customers are is central. There’s no doubt that certain demographics, certain types of customers want to buy in specific ways, and they don’t necessarily want to cross certain boundaries.”

As restaurant customers’ frustration over poor service and higher prices mounts, an industry insider explains why restaurateurs need a thorough understanding of their customers — rather than simply throwing technology at the problem.

As restaurants continue to raise menu prices and scale back on service, they may be following a recipe for disaster: Nobody likes paying more for less. In an interview with PYMNTS, Bill Fultz, vice president of point of sale at [Heartland](#), a Global Payments company, explained that this dynamic is already starting to give consumers pause.

“Consumers are being asked to pay more with less of an experience around it, and we see now that consumers are questioning, ‘Why am I even here? Why am I paying a premium when I’ve got one person trying to serve an entire dining room?’”

Insider POV

Fultz does not fault restaurant owners for this dynamic, as their hands are tied by external conditions. Indeed, PYMNTS found that 76% of restaurant managers viewed [staff stability](#) as necessary to a successful business, while almost half had encountered challenges to hiring and staff retention — illustrating that staffing shortages are an imposition, not a decision.

Technology is a part of the solution, but only a part. According to Fultz, restaurants need to do more than simply follow the COVID-19 playbook of using technology to handle the crisis — they need to meet customers where they are.

There are generational, demographic and individual differences between consumers' payment preferences that restaurants should be mindful of when rolling out new solutions. For example, some customers may love ordering with mobile apps, while others may refuse.

The type of restaurant is also important. Fultz explained that a fine-dining establishment, for example, may not derive much value from enhanced digital ordering capabilities, as the draw for customers is the in-person dining experience.

Moreover, technology, even when adopted at the intended levels, can sometimes have unintended consequences. He recounted a recent conversation with a merchant who rolled out contactless payment options that became popular among customers. However, younger generations, freed from face-to-face interactions, were using the technology to tip less, which made it harder for the merchant to retain staff.

Overall, it is a complicated situation — but there is good news, said Fultz. It is easier than ever for restaurateurs to communicate directly with their customers and learn their unique needs.

“It’s really about figuring out how the customer wants to buy, and meeting them in that experience. Sometimes that’s through technology, and sometimes [it’s through] some more traditional practices.”

What's Next

Innovation Will Stay on the Menu

The food services industry has a bright future, even if present conditions are challenging. Driven by consumers' craving for convenience, the global [quick-service restaurant](#) (QSR) market is expected to grow by 3.65% between 2022 and 2030 to reach \$603.3 billion. Similarly, the global online on-demand [food delivery services market](#) is expected to expand at a compound annual growth rate of 24.64% to exceed \$266 billion by 2027. To make the most of these opportunities, restaurants will want to continue embracing technology to offer an array of digital and traditional services.

“Restaurant operators are focusing on how to use technology to give guests great experiences with greater efficiency. They are adopting digital payments solutions like Resy Pay, which allows guests to split and pay their check from their phones, reducing time spent manually processing cards.”

AVERY NEWCOMB
Chief operating officer

RESY **AMERICAN EXPRESS**



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