How restaurants are navigating a changing landscape

Stay competitive and adapt to accelerated digital transformation
This Market Snapshot is part of an effort by AT&T Business and Incisiv to deliver peer-based learning and thoughtful insights on important topics that will help you navigate today and prepare for tomorrow.

We conducted a study of more than 100 executives in the quick serve and fast casual restaurant industry to see how they’re adapting to the rapid acceleration and increased complexity of the next normal, and where improvements can be made.

Here’s what we found.

107
Executives surveyed

51% - 49%
Brand vs. operator split

48%
C-Suite or owner/operator

Unless stated otherwise, all data in this report is from the Incisiv 2020 Restaurant Benchmark Study, the Incisiv/AT&T State of Digital Maturity Study, and The New Store Shopper in High-Touch Retail Survey. The term restaurant used throughout this document refers to limited and quick service restaurant formats.
Industries are facing rapid acceleration and increased complexity

6
number of years companies say their digital communication strategy has been accelerated by

75%
of businesses feel the pace of disruption has increased over the past three years

81
average number of technology products or services used by enterprises

34+
average number of technology products or services used by enterprises

2. Accenture COVID-19: Building the intelligent enterprise to create agility and resiliency; April 23, 2020
3. GlobalData Annual Enterprise Customer Insights Survey; June 2020
Digital is the new normal

By rapidly adopting digital commerce capabilities, the restaurant industry has met guests where they are, and allowed them to transact the way they want. This focus on reducing friction in the buying process is a good start to the digital journey. Most restaurant executives believe their digital commerce capabilities meet guest expectations, but good enough today will not be good enough tomorrow. It’s vital to develop a roadmap and tune in to customer preferences with analytics to understand their buying habits.

WHAT WE FOUND

Percent of respondents that agree with the statement.
Respondent base: Brand (55), Operator (52)

- Our digital commerce capabilities meet our guest expectations: 39% Agree, 61% Disagree
- Our digital commerce capabilities are best in class: 64% Agree, 36% Disagree
- We have a well-developed digital commerce roadmap: 73% Agree, 27% Disagree
- We use analytics effectively to improve our digital conversion: 84% Agree, 16% Disagree
Brand-Franchisee alignment is key

The starting point for the industry has been digital commerce, and rightly so. However, as brands activate new (mobile app) and traditional (drive-thru) channels and the volume of orders scales beyond expectations, current processes and technology have the chance to break. Brands and operators need to jointly build a strong operations roadmap that leverages analytics to drive continuous improvement.

We found there is a clear gap between how brands and franchisees view their digital performance. From the brand perspective, ecommerce capabilities are strong, but operators tend to disagree. Keep meeting with your operators to align on the unique trends and challenges they see at their store. The ability to deliver on guest expectations comes down to well executed digital operations technology and processes.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Overall</th>
<th>Brand</th>
<th>Operator</th>
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<tbody>
<tr>
<td>Our digital commerce capabilities meet our guest expectations</td>
<td>61%</td>
<td>69%</td>
<td>52%</td>
</tr>
<tr>
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<td>16%</td>
<td>24%</td>
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Addressing the Brand-Franchisee misalignment

The root cause behind this misalignment and dissonance seems to be how technology decisions and roadmaps are built and handled. Brands believe they don’t have the required budget to do everything they should and blame resistance from franchisees in getting sufficient funds. Franchisees call out the rising cost of chargebacks but more critically, limited visibility to the big picture. Even though most brands-franchisees have some version of a technology board, the governing process and the funding model for deep technology investments will need to be rethought in this new normal.
Rapid IoT deployment

Innovation over the next 24 months will be focused on technologies with a firmer ROI. New technology investments will be on IoT sensors (monitoring temperature, moisture, etc.) and connected devices (smart ovens and fridges), which can help track and improve digital operations.

The study found also found that Artificial Intelligence (AI) will be an investment area, with menu optimization, promotions and price optimization, and labor scheduling as the top use cases.
Investment in mobile

Investment in digital commerce technologies will continue well into 2022, and mobile will be at the core of the commerce strategy. Most brands will deploy their own mobile apps with payment capabilities and will also have partnerships with third party aggregators. As a part of enabling contactless and safe on-premise ordering, we will see a significant rise in digital kiosk use.
Limited store infrastructure

Most restaurant executives believe their infrastructure meets their current needs, but they recognize that it will not scale to support their future roadmap. However, planned technology deployment (upgrade or net-new) over the next 24 months will significantly increase the amount of technology in a restaurant, the quantum of data that it will need to process, and the speed at which applications will need to process that data. This means there will be a significant burden on the store network. Hence, it’s not surprising to see that most executives believe their networks won’t scale to meet their needs over the next 24 months. A highly secure and reliable network is necessary to support the business-critical applications and infrastructure.

WHAT WE FOUND

Percent of respondents that agree with the statement

- **Our store network effectively supports our connectivity needs**
  - Agree: 64%
  - Disagree: 36%

- **Our store network can support our 24-month technology roadmap**
  - Agree: 47%
  - Disagree: 53%

- **We are satisfied with the application response time on our network**
  - Agree: 46%
  - Disagree: 54%

- **We are satisfied with the cost of adding additional bandwidth**
  - Agree: 24%
  - Disagree: 76%
Summary: Scaling digital capabilities

Digital is the new normal
More than half of all LSR/QSR sales will be digital by 2025. Brands and franchisees have to meet the guest where they are and need to support new commerce and fulfillment.

Commerce is (just) a start
There has been a rapid 3-5x deployment in commerce capabilities, while 61% of executives believe they meet their guest expectations, only 27% have a strong digital roadmap.

Digital operations are critical
Delivering a seamless experience is the #1 priority for brands and operators yet only 61% have an operations roadmap aligned to their commerce roadmap and only 21% use analytics effectively.

Rapid technology deployment
The amount of new technology that will be deployed in the restaurant is unprecedented. We will see 2-4x growth in technology deployment over the next 24 months.

Limited store infrastructure
The increase in new technologies and data sources will strain the store network. 57% of executives believe their networks won’t scale to support their 24 month roadmap.

Brand-Franchisee alignment is key
Brands and franchisees are misaligned on how they assess their digital performance. Fixing this is key and it needs to start with jointly building a multi-year roadmap and better tech and governance processes.
How AT&T Business can help create an IoT-connected restaurant

Enhance the customer experience

- **Personalization**
  Identify the customer and create personalized offers

- **Safety and cleanliness**
  Monitor food safety, guest traffic, restrooms, and associate hygiene

- **Contactless payment**
  Omnichannel capability brings quicker and safer choices

Optimize operational efficiency

- **Associate productivity**
  Alert associates to do things at the right time

- **Equipment monitoring**
  Alerts, predictive maintenance, remote control

Transform the supply chain

- **Inventory management**
  Monitor shelves and storage

- **Farm to fork**
  Cold chain, food safety, fleet management

Made possible by AT&T IoT connectivity

Visualize data, control equipment, and respond to alerts
Digital transformation is no longer a choice for the restaurant industry. Brands and franchisees must transform their business at a rapid pace in a highly uncertain business environment. At AT&T Business, we’re invested in your success and ready to provide support to help you stay connected. To learn more, visit us at business.att.com

Incisiv offers digital transformation insights to consumer industry executives navigating digital disruption. www.incisiv.com