

A woman with curly hair, wearing a striped tank top, is smiling and looking at a tablet device. The background is a blurred indoor setting, possibly a library or office. The image is overlaid with a semi-transparent dark grey filter.

Deloitte.
Digital

THE RESTAURANT OF THE FUTURE
Creating the next-generation customer experience

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For restaurants to evolve, understanding the next-generation customer is critical. And the next generation is already here.

A frequent customer pulls her car into a restaurant's parking lot—and before she has found a space, the location's platform senses her arrival and sends the kitchen a ticket for the meal she pre-ordered online.

Across town, a loyal but demanding customer has checked the menu, which offered a personal selection of preferred items based on analysis of past visits. He has reviewed the nutritional content of several dishes, ordered one, and checked in remotely to the host station's wait list for a table.

Meanwhile, a group of friends spread across town agree over social media to gather for a meal. Using the restaurant's app, each diner adds his or her selection to a group order. Upon arrival they eat together, but the check is automatically split among the different couples.

Finally, a restaurant ordering and delivery platform makes it possible for a customer to choose from a number of restaurants by type of food preference, build an order via smartphone, initiate a delivery, add an item to the order before it leaves the kitchen, and pay and tip all online – plus see real-time updates on delivery status as their food approaches.

Digital technology can make advances like these, and many more, commonplace. People have come to expect certain conveniences when they shop, travel, and handle their finances—such as mobile access, personalization, loyalty tracking, and no-touch transactions. More and more, they want their dining experiences to feel the same way.

Taken separately, each of these digital applications is impressive. But a restaurant brand that actually does treat them separately may end up managing a disjointed array of gimmicks instead of a comprehensive service model. On the other hand, if a restaurant offers digital enhancements that are tightly coordinated and work in concert, it can take advantage of the data that comes out of them and deliver efficient, personalized customer experiences.

What is the common thread that can make sense of digital technology and put it to strategic use? The customer. Restaurant of the future, meet the next-generation customer: someone who is experiencing these technologies in other parts of life, and who expects them in a restaurant experience as well.

The restaurant industry is transforming and competition is more intense than ever before. “Winning” restaurant brands will be those that best understand their customers, capitalize on digital technology options and analytics, and seize upon the opportunity to engage customers in a highly personalized way.

Doing this well can have tremendous impacts in driving increased dining frequency, check size, and customer conversion and loyalty. That said, digital is not a panacea in and of itself. The fundamentals matter as they always have in the restaurant experience: menu, value, and location are still paramount in driving customer attraction and satisfaction.

To understand the digital and customer trends of the future, Deloitte surveyed approximately 4,500 restaurant consumers, conducted interviews with more than twenty

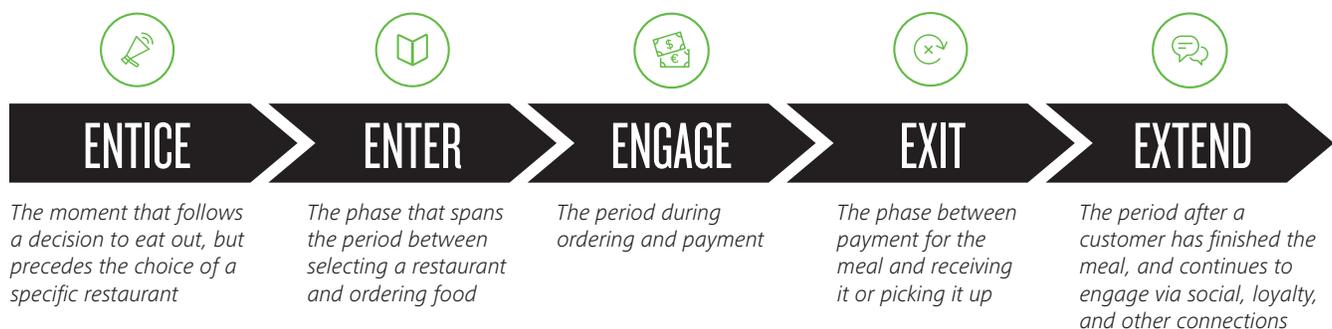


restaurant industry executives, and convened a roundtable forum of restaurant brand leaders.

What emerged from this research was that the restaurant of the future should get to know who next-generation customers are, adapt to their patterns of interaction with the world, and build meaningful digital experiences for their customers.

This is about more than designing and implementing technology systems. Using data to anticipate needs and inform decisions should be a mainstay of a restaurant chain's culture—a "digital DNA" that doesn't reside with a team of specialists but is instead a core competency for all decision makers. It should also be purpose-built. While retail and other sectors have paved the way with effective digital experiences, their solutions may not fit the unique needs of restaurants.

Creating a restaurant's "digital DNA" requires a broad view—and confining it to the four walls of the restaurant location would be a critical mistake. The next-generation customer relationship spans five stages of interaction—the "5Es" that begin and end far away from the restaurant itself.



By bringing responsive, integrated digital experiences to each of these phases of interaction, a restaurant can build deeper relationships with more customers. It's the value and nature of these relationships, not just the applications driving them, which can help flip the switch that transforms a traditional restaurant into the restaurant of the future.

THE RESTAURANT OF THE FUTURE IN ACTION

Imagine you walk into your favorite burger chain. You have your go-to combo on the brain and you're ready to devour it.

Yesterday, that process might have devoured your lunch hour instead—as you stood on line with what seemed like everyone else in town. But this is today. You've selected which location to visit because the restaurant's app gave you up-to-the-moment wait-time data. You pre-order your meal while you're still in transit from the office, bypass the line with your pre-order, and save 10 percent because you're a first-time app user. You know the standard burger comes with raw onions—which you don't care for—and you've asked to leave them out. The restaurant's system takes note that the next time you order, "No onions" should be a given. An employee hands you the meal—payment happened online before you even got there—and you're off. You glance at your app again and see that you just earned three more points towards your next 10 percent discount. It's a good day for you.

It's a good day for the restaurant as well: because your order was processed efficiently, the kitchen benefitted from welcome additional prep time. Because you spent less time standing at the point of sale, the front-of-house staff were able to spend more time interacting with guests to make sure you weren't the only one having an incredible experience.

This is today in some places. In many it's tomorrow, or the day after. Across geographies, across restaurant types. This is the restaurant of the future.

Getting from here to there will require many specific technical and operational steps. But it will also depend on a series of critical decisions, a focused approach, and a clear vision for the future state of customer experience.



Collaborative • Tech-savvy • Values-driven
Health conscious • Hyper-connected
Social • Time-starved

KNOW YOUR CUSTOMERS

Transforming your customer experience means transforming your understanding of the people you serve. So who are they? Everyone talks about “Millennials.” But that’s a moniker that goes beyond pure demographics. For our purposes, it’s a mindset.

Next-generation customers are values-driven, hyper-connected, health conscious, tech-savvy, social, collaborative—and time-starved.

They don’t like waiting, and they’re likely to value and come back to places that don’t make them wait. They’re hyper-connected, and if a location lets them use technology to place an order, they’ll come back 6 percent more often and spend 20 percent more each time, according to our survey results. They value connections, and 70 percent of survey respondents look for apps that deliver personalized offers and convey the sense that a restaurant “knows them.”

Paying attention to macro trends is only one part of knowing a customer base. Historically, restaurant companies had little to go on unless they paid for expensive research services. Today, however, loyalty programs and other touch points are aggregating customer data all the time, and sophisticated analytics techniques can turn that data into powerful insights.

How do you translate your knowledge of your customers into doing more business with them? It doesn’t have to involve a teardown of your previous assumptions or practices. Often, just knowing their characteristics, wants, and needs can help you formulate a strategy and set targets for your offers to them. Labs, surveys, and focus groups can help you sharpen this knowledge. Listening can help too—to social media, to the lessons in your sales data, and even when you’re face-to-face across the counter.

THE “5ES” IN PRACTICE

Some organizations have already launched digital customer experiences that approach next-generation customers on their preferred terms and enhance the various phases of the customer journey.

Entice

People like being creative in the kitchen. A “build-your-own” fast-casual restaurant that gives customers that same opportunity by letting them key in their customized order at the ingredient level for the kitchen to prepare on-demand, can enhance their enjoyment.

Enter

A third-party food delivery service remembers your previous order and automatically suggests it when you log in. For another dimension of convenience, the app then shows you the nearest restaurants and wait times.

Engage

What do you do when you have more than six cars in the drive-through? Send servers outside to take customers’ orders directly on tablets. Then, do one better by using location awareness technology to sense a regular customer’s arrival—instead of “what would you like to order,” the greeting is “would you like your usual order?” A customer who has switched from burgers to salads may hear updated options. A customer on a faraway vacation may receive the same personalized greeting she’s used to at home.

Exit

When is robotics friendly? When it makes things speedy and personalized. A new restaurant chain offers tablets where customers can quickly customize their orders. Behind the scenes, robots place the orders into individual containers whose digital screens display the customers’ names. It’s not hard to imagine a system like this adding value by remembering customers’ previous orders and dietary restrictions and suggesting new options and “upsell” options based upon them.

Extend

Customer feedback is important. How can you make it easier for them to give it? Text three short survey questions as an automatic follow-up to each order. Quick, multiple-choice queries about speed, quality, freshness, and the ever-popular “would you recommend us to your friends” are easy to answer and show your customers you’re listening.

KNOW YOURSELF

Your understanding of the next-generation customer may be a critical guide to the transformation that lies ahead, but it's just as important to keep an eye on what your organization sees in the mirror. Who are you—as a brand, as a host, as an employer? And what experience are you delivering?

To induce the next-generation customer to try your location, order more, and come back later, determine which aspects of the digital experience you offer that are most important to that customer at each step of the process. Then you can match those experiences to capabilities you either have now or plan to implement.

This is where it is important to choose your own path. Just because your competitors install interactive digital menus, for example, that doesn't mean your customers will respond in the same way. The investments you make should reflect your unique customer base and your unique identity, not just trends you have seen in other places.

It's also important to be comfortable with change and become agile in execution. In a person, this is an emotional state, but in an organization, it's a matter of readiness and relationships. How much technology you can integrate, and how quickly or effectively, may depend on how well your leadership and your business unit leads understand one another—or on how well your parent organization keeps in touch with franchisees. Customers expect high-quality experiences consistently. If your future brand will offer certain experiences one day, or in one location, you should aim to deliver those experiences consistently, every time.

BUSINESS CASE INSIGHTS

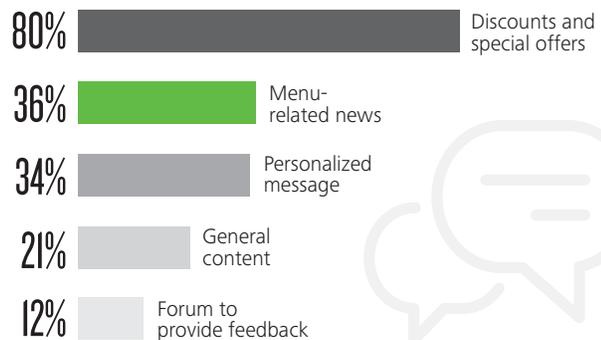
Choosing innovations that matter

Organizations who connect their next-generation customer insights with targeted innovation can typically customize their opportunities better than ones that employ a scattershot approach. One key is to let technology follow principles, not the other way around.

For example, a large Quick Service Restaurant (QSR) sees its competitors investing in online ordering solutions taking a "We will build it and they will come approach." To differentiate from the crowd, this restaurant decides to focus on guest engagement. They test several concepts and found a combination of loyalty and gamification appealed to its next-generation guest. Building on top of their online ordering platform they create a social/sharing experience offering food prizes and unlocking next level loyalty rewards. This restaurant, focused on creating news worthy innovation to engage their customers in new and unique ways while maintaining its image as a lifestyle brand.

**40% OF CUSTOMERS
WANT TO HEAR FROM
A RESTAURANT ONCE
A MONTH OR MORE**

Customers want the interaction to be about...



STRIVE TO STAND OUT

Because the “5Es” of customer interaction start before and end after the location-specific and delivery experience, restaurants should approach that interaction on an omni-channel basis. Using a variety of channels to reach customers when they aren’t at the restaurant works in two directions, and offers benefits for both sender and recipient. For the restaurant, it could mean a broader range of opportunities to make an impression and collect useful data. For the customer, it could mean the restaurant experience (dining, drive-thru, or delivery) spans other locations and occasions. To make this all work effectively, analytics, marketing, and IT functions need to be in sync.

Restaurants can use these tools to interact with customers in ways they are likely to appreciate, and can choose. Unique features can include secret menus, next-generation group ordering, opportunities to skip the line, or social media-based promotions. These special touches can become part of the brand and help distinguish a restaurant brand from its competition.

To bring these ideas into practice, consider each of the channel opportunities at each stage on the “5Es” path. One way to reach out to customers might be most effective before a visit; another might have the greatest impact as a post-visit follow-up. Each of the five stages represents a different opportunity to satisfy customer demand and build affinity.

THINK PAST SPOT TECHNOLOGY SOLUTIONS

“We have an app!” “You can reserve through the website!” “Pay with your phone!” All powerful innovations. But no single spot solution tells the whole story, or solves the whole problem. Each is a building block in a comprehensive strategy a restaurant can build to secure the next-generation customer.

For example, Deloitte’s survey found that 85 percent of responding customers use a restaurant’s official website to gather information on location, menu, and pricing, and use

that information to determine where to visit. At the same time, 64 percent say they prefer to receive opt-in emails from a restaurant more than once a month. These two means of outreach—one that relies on the customer to take the initiative, one that pushes a message out—tend to work better together, as part of a plan, than either of them would as a one-off.

Remember that channels aren’t only about information. They carry value as well. Some restaurants have boosted both customer affinity and revenue by offering “touch-free” in-restaurant pick-up. Some channels aren’t even informational at all: the coin of a restaurant’s realm is food, and free samples can help appease customers during non-favorite moments such as waiting for a table or waiting for a take-out order to become ready.

As one of the executives we interviewed said, “Customers want all the options all the time. They want the ability to order across all channels when they like. Restaurants have to figure out how to engage customers across channels.”

ACT FOR TODAY, LOOK TO TOMORROW

The edge of what you can see today is not the limit of what’s possible. To become the restaurant of the future, a brand has to take a focused interest in what the future will look like. What will the industry landscape look like in three years, or five, or ten? It’s possible that people will be less excited about apps.

The technology will change. Some we can see coming; others will surprise us. A restaurant brand can be confident in its ability to put new tools to use if it has a fundamental customer experience strategy. Companies should keep an eye on the market for forward-looking technologies, and how they might amplify customer attraction and loyalty, with a thoughtful way to screen what may be right for them. With an informed sense of the future in mind, high-level strategy and ground-level operational execution can be tightly synced.

And always, there is the brand—the implicit promise to customers that’s packed into the name and logo. This is the yardstick with which to measure new enhancements to the customer experience. For each digital marketing technology, consider: will it fit well with the brand, or create dissonance? Branding is a blend of expression and discipline. You make choices based on a targeted strategy—sometimes, the right choice is “just say no.” Taco stands don’t have valet parking; five-star, celebrity-chef restaurants don’t have ten-cent wing nights. If a certain capability is extraneous to your brand, it could be detrimental to it.

In matching potential marketing capabilities to the brand promise, restaurants should strive to remain responsive to their customers’ desire for an omni-channel experience. Of course the customers may not express it in those terms, but what they want is an efficient experience across in-house dining, drive-through, pickup, and even third-party delivery. That means there must be alignment among a restaurant’s app, its website, its point-of-sale systems, and the brand projection with third-party partners. From a customer perspective, dealing with you should always feel like dealing with you, even across interaction types that are operationally very different.

To deliver services in this way, leading companies “set up from the edge”—they keep abreast of technology innovation and deliver it to their customers at a pace that’s appropriate for the guest, brand, and business. Whereas individual people may tend to be “early adopters” or “late adopters” of new tools, restaurant brands should try to be “just right adopters.”

And there is no shortage of disruptive, exponential technologies. Some examples include:

3D printing

Companies partnering to explore 3D printing of food.

Artificial intelligence (AI)

By analyzing historical data, locations can anticipate foot traffic and set efficient workforce schedules.

Augmented reality (AR) and wearables

A next-generation ordering application based on AR might let people “sit down” to a virtual meal as a way of making a menu selection.

Autonomous vehicles

Supply chain, product transportation, and delivery may change substantially if drivers aren’t needed. Consider also the safety implications for locations that serve alcohol.

Crowdsourcing

The collective wisdom of consumers can help identify new menu items and restaurant locations, and can serve to fine-tune marketing campaigns.

Robotics

If food prep, table service, and cleaning are automated, the end to end operations of a restaurant could change dramatically as well as cost to serve.

The Internet of Things (IoT)

When sensor-equipped equipment can “talk,” tasks like equipment maintenance, service requests, and location-based campaign management can proceed with less human input.

Synthetic biology

Lab-grown meat, for example, is being explored as a substitute for traditional proteins.



EXECUTIVE CONSIDERATIONS

Restaurant executives should keep a number of core tenets in mind:

IT has more on its plate than ever before

Employee engagement systems for a large, diverse, and often transient workforce. Social media planning and implementation. Compliance requirements. Cyber security (especially as customer and social data inundates companies), and, of course, now all of the elements of digital. The digital and analytical enhancements that make up a next-generation customer experience are a whole new job piled on top of these existing mandates—and they may take a bigger team, with new skill sets and operating models to be successful.

Digital strategy cannot happen in siloes

For a new, technology-driven customer experience to reach effectively across the different ways a restaurant interacts with its patrons, it also has to reach effectively across the different ways its parts work with each other. Functions like IT, marketing, training, and operations have their specialties, but this is no place for siloes.

Digital poses new risks

Rising wages? Food and product safety? Competitive threats? These are familiar risks. When a restaurant embeds new digital technology into the core of its customer and social engagement, it is entering new risk territory. For many years, cyber security was specific to corporate or customer credit card information—now, with loyalty programs and other forms of customer information, the risks have greatly increased.

Here are some potential ways for restaurant executives to respond:

Learn from others

Often, where restaurants are going, retailers have been. They have had a decade of trial and error in bringing unique, omni-channel experiences to their customers, and many of the lessons they've learned are ones restaurants can adopt. Just remember that the lessons from retail are both positive and negative. Major retailers have both thrived and failed in recent years. And keep in mind, no matter what: customers cannot eat their smartphones. The very nature of the restaurant business is different from retail: providing high quality food with typically a very time-sensitive prep life. French fries, to name just one example, do not age well.

“Win” the war for talent

Customers associate the faces they see with the brands they represent, and that can be critical. But the talent they don't see can be a differentiator as restaurants work to take all these new capabilities, all these changes in the market, and execute a plan. One of our interview subjects said, “There is definitely a talent scarcity,” and another noted, “We need to hire, but we aren't sure for exactly which skills.” Talent may reside outside of the restaurant sector, or with entirely different skill sets such as with data scientists or digital technologists. Be prepared to invest in both your own talent and the right service providers.

Work as a team

One prominent emerging truth is that great digital strategy doesn't happen in a vacuum. Business functions such as IT and marketing will likely have to take their collaboration to a higher level. And the interaction must extend beyond the business office to include the crew in the field. More than ever, marketing needs to be connected to menu development, to supply chain, to suppliers, to store operations, to employee training, to research and analytics—a restaurant executive team needs to become an insights-driven organization that collaborates to delight the customer. The CIO should be only one leader of these internal partnerships—the CEO should really be the driver. This is a time not just for new talent, but for new operating models that drive collaboration and results.



Navigate the partner ecosystem

Division of responsibility can be most effective when everyone is doing what he or she does best. If a restaurant is focused on menu, growth, service, and value, what activities should it entrust to third parties who are operating in their own competency sweet spots? Consider the following:

1. Strategically inventory your “house” to define and categorize what work should be placed where, such as plan/strategize, design/build, or run/operate. At what level must each of these activities remain in-house?
2. Stay highly attuned to evolving technology and analytics solutions (both focused on the restaurant space and in other sectors).
3. Experiment in specific markets with delivery players, and other technologies, and be ready to change course or roll out quickly.

Secure the dollars

We began by saying all these new techniques need a plan. It’s just as true that a plan needs a budget. This starts with making the case for investment—and it may be a challenge to induce stakeholders to fund a restaurant of the future vision when their focus is squarely on quarterly reports. On the other end, you may have to make the case to franchisees. They don’t have unlimited resources to invest, they may be slow to embrace digital advances such as online ordering, and the parent company may need to absorb the cost of a pilot program that will prove the concept. No matter whom you are trying to convince, treat it like a sale. Arm yourself with data, invest in key relationships, and tell a masterful story with a business case to back it up. Help them see your vision for the future and give everyone a chance to help build it.

Be careful what you wish for

Changes in a complex operation are like dominoes. A restaurant that rolls out a host of new digital customer experience tools has to pay close attention to which other operational effects will turn up later as direct or indirect results of that change. Just as CIOs are being asked to do more than ever before, so are restaurant operators and employees. Generating high lunch time traffic with a great promotion may not be good for long term business if the restaurant is not ready to handle the rush.

CONCLUSION

Creating the restaurant of the future to serve the next-generation customer might not be such a challenge if the demand weren’t here today. Competition is intense, customers already expect these experiences, and the time is now.

For restaurants that recognize that change is upon them, and take the broad view of the customer experience, this is a tremendous opportunity—to wisely integrate the new digital capabilities people expect with the traditional comfort and value they have associated with restaurant experiences for generations.

OUR METHODOLOGY

In 2016, Deloitte surveyed 3,000 Millennial and approximately 1,500 general population high-frequency (2+ visits per week) guests who visited Quick Service Restaurant, Fast Casual, and Casual Dining locations. In a separate part of the same fact-finding process, we carried out over 20 interviews with restaurant industry executives to discuss their organizations' current and desired levels of digital technology strategy, adoption, and plans ahead. Finally, we hosted a roundtable discussion of restaurant industry trends at Deloitte University in Westlake, Texas.

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