Deloitte.

The restaurant of the future arrives ahead of schedule

Time to get on board

Customers already wanted more convenience and digital connections. A new focus on safety only amplifies these demands.

Imagine walking into a restaurant where the tables are conspicuously few, but there are two large counters with separate assembly lines behind them: one labeled "Dine-in/Takeout" and the other "Delivery Drivers." The kitchen is bustling, but the dining room feels quiet—until you notice the queue of drivers watching screens for their customers' orders. The restaurant detected your presence when you drove into the parking lot. A notification confirms with you that you're dining in; as the app directs you to an open table, it asks you if you'd like your usual order. Based on that prediction, the kitchen already began initial preparations the moment you walked in. As you're leaving, you notice one of the drivers has an unusually large bundle. He's headed for a "delivery hub"—a central spot where warmed lockers hold food until customers arrive with codes to pick up their meals.

It may seem strange, but it was all your idea. Or at any rate, the restaurant is operating this way in order to serve customers exactly as they want to be served—with an experience that meets a new standard for technology and convenience.

The most recent and dramatic disruption in the restaurant world was the COVID-19 pandemic. At first, it forced global business shutdowns. Then it propelled a wave of ad-hoc innovation. The pandemic has led to changes that will endure, but other important shifts in the industry are the result of forces that were already in play before the crisis began. Some, like digital customer enablement and off-premises consumption of food, will be reinforced or accelerated. Others, like touch-based kiosks or high-capacity dining rooms, may slow or even reverse.

To research this trajectory, Deloitte's Restaurant and Food Service Industry Group conducted consumer surveys both before and after the emergence of COVID-19, which has made it possible to measure existing trends and the impact the pandemic has had on their trajectory. To complement this survey data, we also conducted one-on-one interviews with brand executives—to learn more about

where these trends are showing up across restaurant segments and categories and to collect first-person accounts of the ways brands are adjusting to meet their customers' needs. There was plenty of variety in their perspectives, but widespread agreement on how important it is to recognize the scope of this change and tackle it with deliberate steps. Based on this research, Deloitte has identified insights into three key trends that are shaping consumption patterns among restaurant guests:

- *Ultimate convenience:* Consumers always demand convenience, and in a more off-premises world, that means drive-through, takeout, and delivery are crucial

- *Frictionless digital experiences:* Tech-savvy consumers demand digital engagement from restaurants and want cutting-edge technology options that recognize them and know their preferences

- *Heightened safety in the wake of COVID-19:* Remote work models and crowd avoidance are among the trends reshaping people's dining habits

The ingredients for change are in place. Let's look at them in more detail, then examine the recipe that restaurants can follow as an action plan for the future.
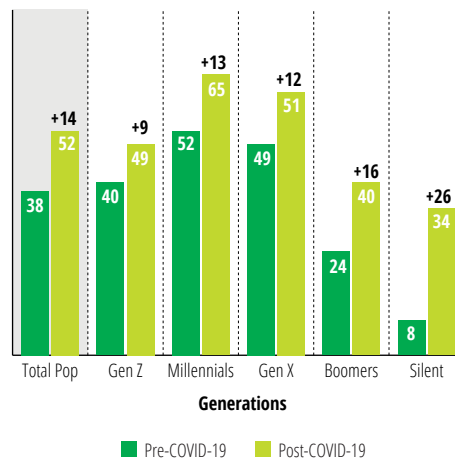
3

Customer trends:

Ultimate convenience

Meet me more than halfway
Convenience has always been an important part of a restaurant's appeal, but more than ever, customers just want to get their food and go. During COVID-19, they've started ordering takeout and delivery more often, and almost half (46 percent) of our survey respondents say they don't see their habits going back to pre-COVID-19 levels anytime soon.
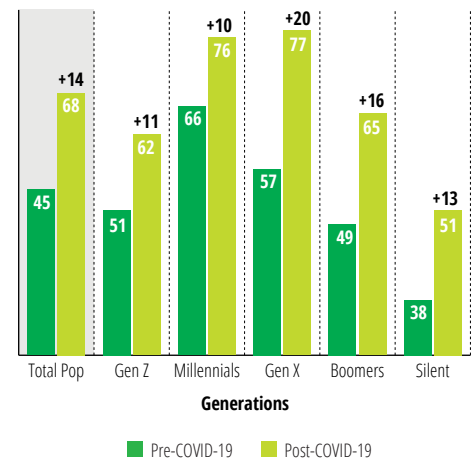
Delivery
Ordering delivery at least once a month
(percentage)

Generations	Pre-COVID-19	Post-COVID-19	Change
Total Pop	38	52	+14
Gen Z	40	49	+9
Millennials	52	65	+13
Gen X	49	51	+12
Boomers	24	40	+16
Silent	8	34	+26

■ Pre-COVID-19 ■ Post-COVID-19

Takeout
Ordering takeout at least once a month
(percentage)

Generations	Pre-COVID-19	Post-COVID-19	Change
Total Pop	45	68	+14
Gen Z	51	62	+11
Millennials	66	76	+10
Gen X	57	77	+20
Boomers	49	65	+16
Silent	38	51	+13

■ Pre-COVID-19 ■ Post-COVID-19

### What is driving the increased demand for convenience?
Certainly the suspension of on-premises dining was a major factor that required customers to focus even more on convenience. Even where dining rooms remained open, safety concerns kept many consumers away. The result has been spiking delivery and takeout rates. Many consumers say this change is here to stay, and indeed convenience is the reason customers cite most often (62 percent) for patronizing restaurants. What makes people feel a restaurant experience is convenient? Delivery costs and wait times, pickup locations—and now, contact. Or a lack thereof.

Who can make it easiest? The race is on
Customers want a convenient experience, one where they can get their food on their terms—in the quickest and most convenient way possible. They are willing to pay for it, too—on average, we found that consumers consider a $4 delivery fee to be fair. Wait time is still important: People are flexible, but customers of all generations will flock to quicker options.

Remember that driver taking a pallet of meals to a delivery hub? Almost two-thirds (62 percent) of customers say they're willing to pick up food from a convenient location other than the restaurant itself. Imagine shelves arranged by restaurant and patron name, one friendly attendant, or even your own personal locker—along with reduced or eliminated delivery fees for customers who use the hub. In addition, 44 percent said they'd order delivery of uncooked meals they finish prepping at home. For some consumers, the restaurant of the future may not look like a restaurant at all.

What's a reasonable wait time?

75% Up to 30 minutes

20% Up to 45 minutes

5% Up to 60 minutes
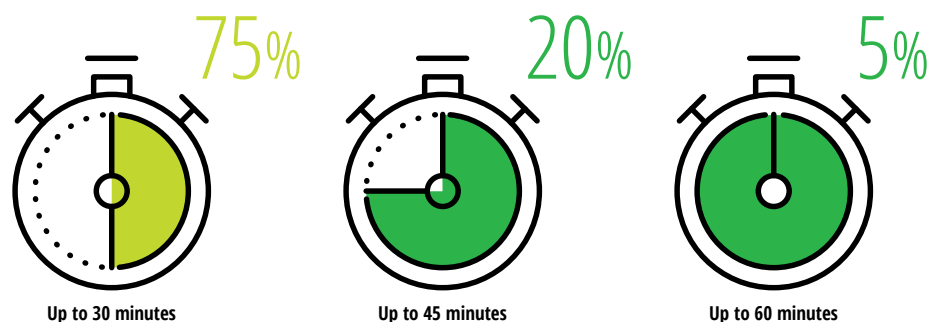
How restaurants should respond:

Catering to convenience

This is a time for innovation and investment. But a brand that applies that energy too broadly may end up with scattershot adjustments that don't drive to the core of this new reality. What now?

Dining out no longer means dining in
COVID-19 has accelerated a trend that was already in place of investment in technology, operations, and resourcing with the aim of improving the speed and convenience of off-premises dining. The massive shift we've seen in 2020 to takeout, delivery, and drive-through is likely to be "sticky" in the longer term, and it's no wonder restaurants are changing their store layouts in ways that reflect that. Quick-service restaurant (QSR) footprints are shrinking, and digital and off-premises orders command a greater share of the available space.

Two national fast-food brands told us they're experimenting with stores 40 or 50 percent smaller than before, with less space for dining and more capacity for curbside, drive-through, and pickup business. QSRs are also exploring updated location designs that allow employees to bring food from the kitchen straight to customers or delivery drivers. Meanwhile, the salad bar and buffet have all but disappeared. Some franchises are even evaluating whether to close dining rooms altogether—and permanently. Casual dining is following this trend too, but not as quickly as QSR.

As things change inside restaurants, they're changing outside as well. More QSRs are placing bets on drive-through business by adding lanes and staff in the wake of COVID-19, and all the QSR executives we spoke with say their brands are discussing future moves to expand or improve their drive-through operations. Anecdotally, even places that had only 20 percent drive-through business before the pandemic are finding it has shot up as high as 90 percent.

What does drive-through innovation actually look like? It's an experience that hasn't changed much in 70 years, so there must be room for improvement. Some stores are experimenting with express lanes that allow the "just want a coffee" customer to finish and go while the minivan driver is still sorting out seven different value meal orders. One brand has established a location that is nothing but drive-through—five lanes, like a bank. A few brands are allowing customers to pre-order and breeze through the drive-through, with some even using computer vision to recognize their car or license plate, eliminating the need for

ordering or payment interactions. Others are making a foray into using intelligent voice recognition algorithms to beef up their drive through experiences.

What does drive-through innovation actually look like? It's an experience that hasn't changed much in 70 years, so there must be room for improvement.

Catering to convenience

How to serve a different demand

Smaller dining rooms and expanded delivery and takeout channels require changes to the back of house, where kitchen and customer-facing staff need to work together in new ways. Multiple QSRs are adding parallel order preparation lines in their stores, some of them dedicated solely to off-premises needs, sometimes at the expense of unused dining room space.

More off-premises dining requires a new approach to freshness, because the food customers take home has to stay appetizing for longer than 30 feet or 30 seconds. Improvements that maintain freshness permit a wider delivery radius and more business. That can mean packaging updates, delivery-only menus that omit foods that don't travel well, and digital advances such as algorithms that precisely time cooking—for example, having a pizza come out of the oven based on when the delivery driver is ready to pick it up.

Delivery is out of control

Meanwhile, the fast growth of third-party delivery is also proving to be a mixed blessing for restaurants. It's providing a lifeline to convenience-starved customers, but it's also taking a bite out of margin, and threatening relationships by interposing a new brand between the restaurants and the customers. Because of this, many brands are working to bring delivery back to a store-led basis and away from third parties so they can wrestle back control of the ordering experience, marketing to the customer, and ownership of customer data they need to inform digital and loyalty experiences.

To reduce fees, own that data, and re-establish a direct brand experience, some restaurant brands are trying to step up their own delivery functions to operate at the same level third parties have established. This requires an additional measure of operational complexity and the liability associated with employing delivery drivers, but to some brands, the trade-off is worth it. As one executive said, "It's about guests having trust in us."

Others are opening their offerings to multiple third-party delivery providers, doing away with exclusive contracts that cede large amounts of control. And some brands are angling to have the best of both worlds—using third parties to drive incremental sales while working to make sure first-party delivery by the restaurant itself remains the preferred digital ordering method.
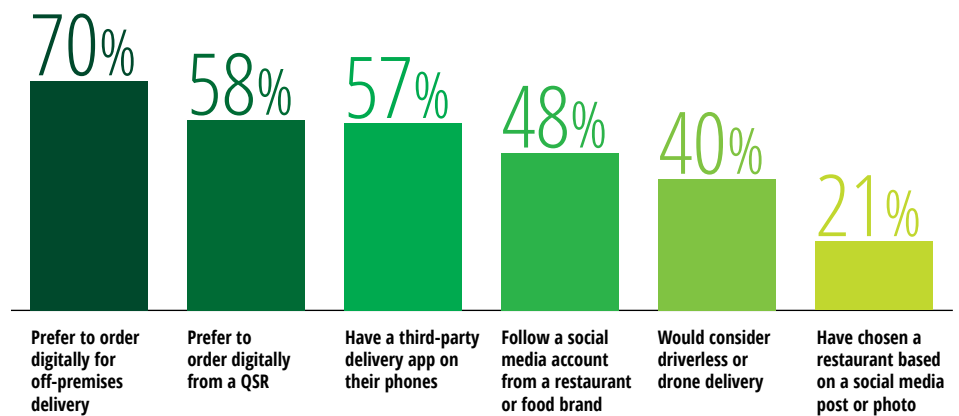
The tools the restaurant industry has relied on for generations—quality, service, and in-person experience—can carry them only so far in answering this rising demand for convenience. To win the battle for differentiation and market share, the new frontier is digital.

The tools the restaurant industry has relied on for generations—quality, service, and in-person experience—can carry them only so far in answering this rising demand for convenience.

Customer trends:

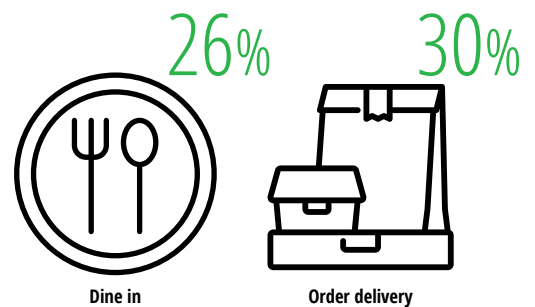# Frictionless digital experiences

Technology preferences

Some consumers live to love technology. Some use it because there's little choice these days. But they're all accustomed to interacting that way with their retail, banking, and other activities—and they want restaurants to join them on the leading edge.

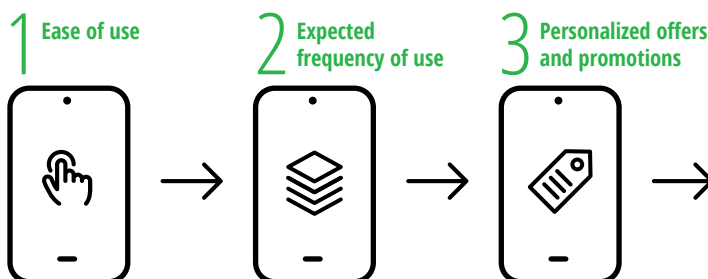| 70%	58%	57%	48%	40%	21%
Prefer to order digitally for off-premises delivery	Prefer to order digitally from a QSR	Have a third-party delivery app on their phones	Follow a social media account from a restaurant or food brand	Would consider driverless or drone delivery	Have chosen a restaurant based on a social media post or photo

A side of silicon

Before COVID-19, QSR, fast-casual, and casual dining consumers preferred dealing with cashiers to using apps. After COVID-19, those options switched places in the rankings. Options like voice assistants and wearables are also gaining in popularity. Whatever their preferred method of ordering, consumers said they would pay an average of 14 percent more for the chance to use it—and since 70 percent prefer digital interactions, digital equals dollars.

Customers who say technology options make it more likely they'll:

26%

Dine in

30%

Order delivery

Survey results

How can a restaurant get its branded app on more phones?

1 **Ease of use** → 2 **Expected frequency of use** → 3 **Personalized offers and promotions** →

Meet those needs and you may be more likely to win a place on their phones. But note that people delete restaurant apps they don't use—so keeping users engaged will require giving them what they want.

Frictionless digital experiences

Customers are ordering a different experience

How do customers want to interact with restaurants in a digital world? There's a lot of room for innovation. The survey results revealed consumer attitudes about several possible approaches.

Ordering

When customers choose how to get their food, their greatest drivers are convenience (58 percent) and speed (49 percent). Any alternate ordering method should honor this twin mandate. A smart home device, text, or even a virtual reality app may seem cool, but the minutes that pass while patrons await their food are the same minutes they counted when they used to order from the yellow pages.

Kitchen location

If you're ordering takeout or delivery, does the food have to come from a traditional front of house? A "ghost kitchen" can replace a physical presence with a digital one. More than half (56 percent) of respondents said they'd be willing to order from a restaurant with no customer-facing front of house. If there are more locations preparing food, that opens the possibility of shortening delivery distances and times.

Service areas

A smaller or more precisely defined delivery area can make using driverless cars or even drones more feasible, reducing costs and delivery times. More than half (48 percent) of consumers say they'd be fine with one of those options.

Centralized go-to areas

Sometimes you go to the restaurant. Sometimes it comes to you. What about a handoff in the middle? Consumers are familiar with retail locker delivery in many places, and 65 percent of people said they'd be willing to pick up food that way if the location were less than a 10-minute walk or drive away or if the location was along a commute. A digital app can help identify those convenient locations based on people's driving routes and make the necessary connection.

How restaurants should respond:

Delivering on digital

Compared with other consumer products and services industries, are restaurants behind in delivering a next-generation digital experience? Customers are ready to embrace it when it's there, and brands that are nimble and experimental have a chance to attract the digital customer.

Digital table stakes

Some digital offerings are just about de rigueur. A user-friendly, frictionless digital platform that brings useful interaction—including payments—to web and mobile environments is the bare minimum required to capture customers and the market share they represent.

When it comes to apps, the "gee-whiz" factor is over, and good enough is no longer good enough. A branded app must be reliable and easy to use. For the customer, it should permit "order anywhere" functionality, not just ordering at the point of sale. For the enterprise, the app and its functions should integrate with the existing customer relationship management (CRM) system. Payment registration with a restaurant should make it possible for a guest to pay from within the branded app no matter how the food is delivered or where it's eaten.

One experience, many ways

On a future-ready platform, the context of a digital experience will depend on the ways a customer interacts with the brand, not by the channel the interaction flows through. The customer wants a consistent, pervasive digital experience across all possible touchpoints—so delivery, drive-through, apps, and websites should all offer a seamlessly familiar user experience.

These digital interactions should be tailored to what the user might want to see at each moment. For example, if a user selects a "delivery" tab on a menu on an app, the app may automatically display the current predicted delivery time at the top of the screen. If they select "curbside," it might offer the news that curbside spots are on the south side of the closest location's parking lot. For consumers inside the restaurant, the app could allow a table number input. These customized but consistent digital experiences strengthen digital engagement and are likely to increase customer confidence in the brand.
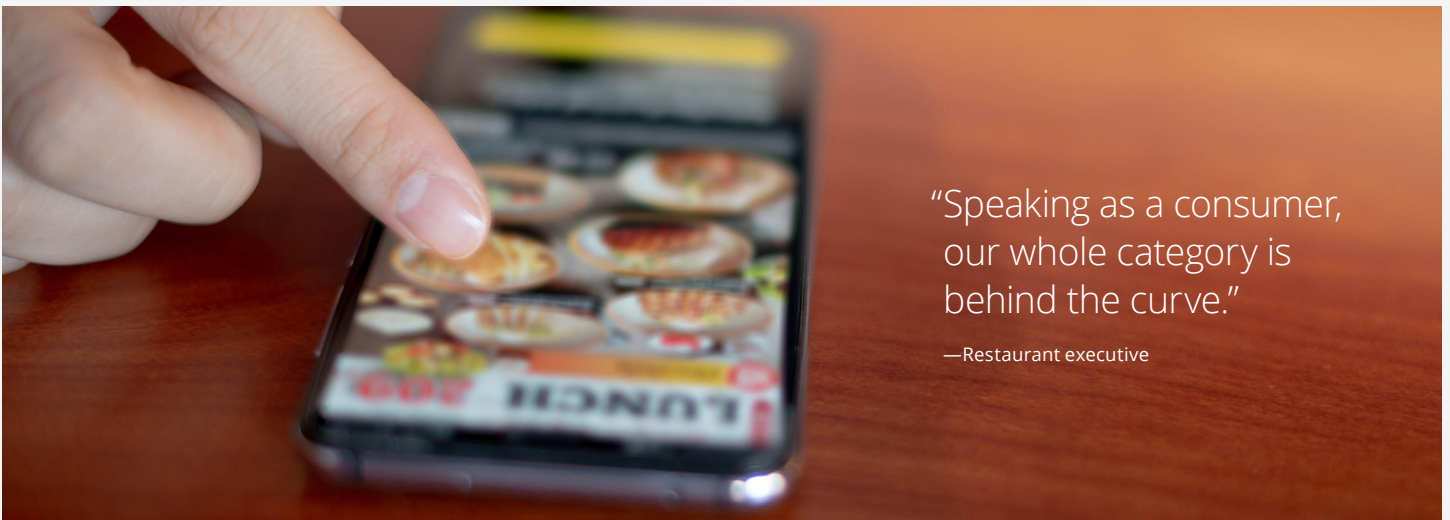
"Speaking as a consumer, our whole category is behind the curve."

—Restaurant executive

Delivering on digital
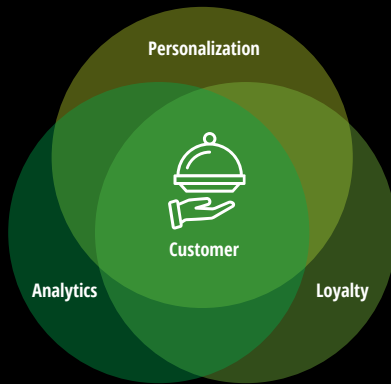
Personalization, loyalty, analytics: It's all about the customer

Among the key reasons it's important for digital point-of-sale technology to connect with the company's back-end functions are to fuel customer analytics, to inform loyalty program enhancements, and to come back to customers with an experience that's truly personalized. If all that happens is an order, a payment, and a delivery, the restaurant loses an opportunity to make each interaction additive to a long-term customer relationship.

As customers interact with restaurants in new digital ways, it's more important for the restaurant's systems to maintain a single, informed view of each customer no matter which ordering method they use next. With this knowledge, they can adopt one of digital retail's signature moves: the "you might also like" menu offering, or, as one fast-food brand is trying, an order process that varies based on a customer's past behavior.

With the increasing power of personal data and analytics, a restaurant's digital platform can push "smart upsells" at the time of transaction. When a brand understands the guest and his or her trends, frequencies, and patterns, it doesn't just open the door to more sales. It allows a deeper integration into the customer's life. That's the beginning of a relationship.

Well-informed loyalty programs can be profitable if they have the information to offer mutually beneficial deals, not just to give things away for free. Loyalty is also moving away from a directly transactional model as restaurants explore ways to enhance program efficacy, exploring rewarding customers outside of the bounds of the visit. As new technologies proliferate, don't forget about reliable old email—the list you have is already made up of loyal customers, and personalizing appeals to them can drive traffic. Timely, personalized communications via a customer's preferred channel can increase dining frequency even if there is no monetary incentive (i.e., promotion, coupon, discount, etc.) attached to that communication. As one executive noted, "It's a whole lot cheaper to retain a guest than to acquire a guest. The better we know our guests, the better we can care for our guests, and the more we develop trust."

Convenience is the main attribute consumers want from restaurants. Digital is the way they want to receive that convenience—and their food.

Delivering on digital

Payments redefined

In casual dining locations, table-based kiosks can let customers interface directly with ordering and payment systems. Kiosks may be among the losers in the COVID-19 realignment, though. With in-person dining on the wane, there's less demand for them on site. No matter how strong a restaurant is on cleanliness, customers are hesitant to use them. It is more likely customers will see connected tablets in the hands of "augmented" attendants or at drive-through and curbside points of sale.

Restaurants are questioning the future of their previously essential POS systems in a world where the sale can happen anywhere. Some restaurants are integrating their POS and their digital assets onto a single technology platform that consolidates ordering, restaurant operations, and information about customers, while others are redefining business processes to welcome the new points of sale. Yet other even more forward-thinking organizations are exploring getting rid of their legacy POS systems altogether and focusing on cloud-based solutions—or even extending their ecommerce functionality to the physical restaurant to process orders.

Payment via digital means isn't new, but there are new ways to make it easier. One fast-food brand is registering users along with their cars' license plates so drive-through payment can be truly seamless. Touchless payment via near-field communication (NFC) on mobile phones is moving from innovative to table stakes.

Catching up with the tech

Where else can high-tech innovations help drive next-generation experiences that get customers talking? Despite recent attention on the prospect of robotic and drone delivery, the executives we talked to say that isn't an immediate focus. Where we may see inroads sooner is in voice technology—like AI-driven natural language processing that can let machines handle text and voice orders, or integration with in-car or in-home digital assistants for ordering on the go.

Sensing technologies such as Wi-Fi, GPS, Bluetooth beacons, and NFC are all potential pathways for personalizing customer experience. For example, geofencing can match certain offerings to certain physical locations. Sensing paired with blockchain can enhance supply chain visibility. That can help deliver peace of mind when people know their ingredients are safely sourced and handled.

The other frontier for digital technology is in the back of house. Automation there may not interact directly with customers, but it can help deliver a consistent customer experience. For example, demand management and automated forecasting can drive robotic production sequences so every morning finds the right amount of pancake and omelet fixings ready to use, or so the fryer heats up in anticipation of a spike in french fry orders. Driver routing

mechanisms can take traffic and weather into account in real-time, allowing a driver to make more deliveries more quickly.

Not every challenge calls for automation and robotics, and they can be a prohibitive investment for some. If a restaurant is already getting its pizzas to people's doors hot and fast, it may not need to invest in a new suite of technology. If robotics offer faster prep or mise, that may add speed but erode chefs' pride in their work. And some advancements don't filter back to the customer experience. Some things need innovation, some things have room for it, and some things should never change. As one executive told us, "Nobody has ever said, 'I love the way you guys unload a truck.'"

Convenience is the main attribute consumers want from restaurants. Digital is the way they want to receive that convenience—and their food. The emphasis on touchless service and off-premises dining spiked with COVID-19, but it's unlikely to return to old levels. Let's take a deeper dive into some of the other enduring changes the pandemic has brought to the relationship between restaurant brands and their consumers.

Customer trends:

Heightened safety in the wake of COVID-19

Are changing habits here to stay?
The pandemic has changed the rhythm of everyday life, including meals. Deloitte's Center for Consumer Insights found that as of late July 2020, restaurant spending was down more than 20 percent compared to the previous year, but that gap was beginning to narrow. At the same time, data from June and July showed year-to-year increases in the size of the average restaurant check—which indicates more customers are looking for family or multi-portion meals, and validates some restaurant brands' move toward that kind of service.

One of the first social effects of the pandemic lockdown was that people turned back to their own kitchens. Half of our respondents say their dining-out habits won't go back to normal for at least six months. However, when their cooking versus ordering patterns do go back to normal, almost a quarter (23 percent) say their new, more frequent takeout and delivery habits will be permanent. This means the arena where restaurants need to win, right now, is off-premises dining.

Average check size
(in US dollars)

■ 2020   ■ 2019
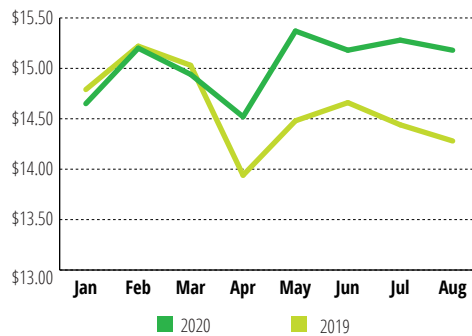
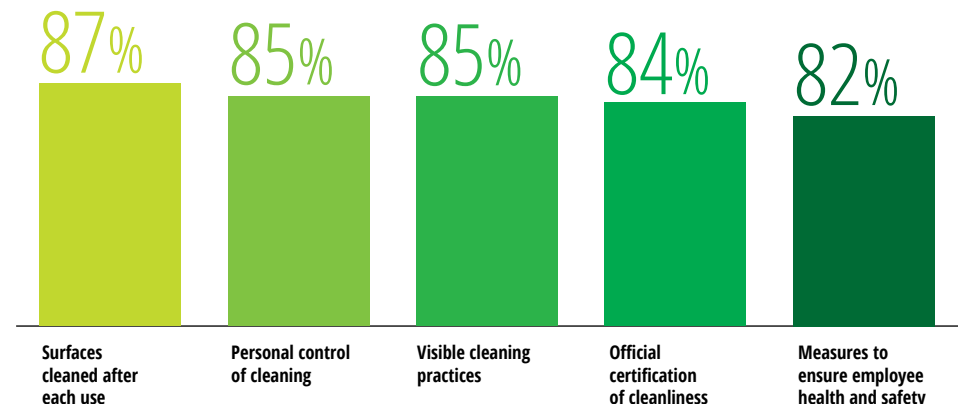**Year-over-year change in total spend**
(percentage)

■ 2020   ■ 2019
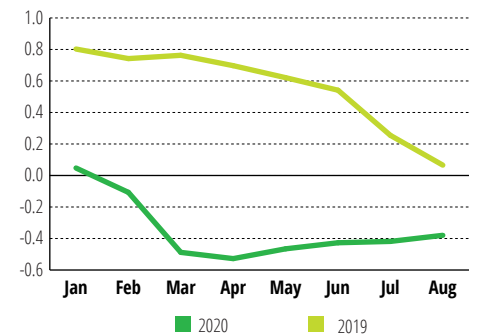
Communication is key
The winning formula isn't just providing safety—it's making safety consistently visible. Four out of five people said they'd be more likely to patronize a restaurant if they knew what steps it was taking to enhance cleanliness, food safety, or guest safety, and when they did they would be willing to pay an average of 10 percent more. This puts a premium on communication and transparency, and frequent diners are more likely (56 percent) to trust brand websites than the general clientele (43 percent).

How many of these effects are temporary? Half of people who stopped going to a restaurant say it's not because of delivery options or safety practices, but simply because the location closed due to COVID-19. Half said they would visit a business that returns to pre-crisis norms even without visible changes. The thread of hope brands can take from this is that as locations reopen, customers will have a desire to return.

What do consumers want from restaurants in the wake of COVID-19?

87%	85%	85%	84%	82%
Surfaces cleaned after each use	Personal control of cleaning	Visible cleaning practices	Official certification of cleanliness	Measures to ensure employee health and safety

How restaurants should respond:

Delivering on safety after COVID-19

Cleanliness and safety are the first things many people think of when they consider restaurants in the age of COVID-19, and the industry has definitely responded in those areas. But the pandemic has also permanently changed other things about how restaurants operate and what they offer.

Signaling safety
Many of the visible changes restaurants have made serve a dual purpose: they not only promote safety and cleanliness, but also signal to customers how seriously management takes that responsibility. The impressions customers get from these measures will shape their trust of a brand—and they're most likely to dine at places they trust.

For example, one brand is asking both front- and back-of-house employees to wear gloves not only for their actual effect on safety but also for the perception they reinforce. Another executive told us his brand had made team members wear masks before it became a government mandate because it made customers feel safer. And cleanliness activities can have a greater effect when they happen in front of guests—for example, wiping down a table as people take their seats.

Because many brands operate across political boundaries where COVID-19 safety rules are different, they can standardize their approach only by setting a high standard of their own. That has spurred wider, quicker adoption of measures such as plexiglass shields, face shields in the kitchen, and frequent surface cleaning. Even if some restaurant executives believe the industry is behind on digital, its brands are leading the way when it comes to safety signaling.

"We have to demonstrate safety not only for our customers, but for our employees as well, as this can send a signal to the market," one executive said. "Safety is not just an investment in securing today's order, but also a future order."

Accelerating existing plans
Of course, many of the other operational changes we discuss in this paper—emphasis on delivery, less space for dining rooms—were accelerated by COVID-19. Other changes are just starting up. Some brands are paring back their menus to a core of best-loved items, so they can streamline their supply chains and kitchen operations for faster, safer service. This move also reduces the impact of potential supply chain interruptions. Other menu changes are designed to accommodate the rise in family bundles and the decline in single-meal orders. Like changes to the physical layout, menu changes are likely here to stay.

> Cleanliness activities can have a greater effect when they happen in front of guests—for example, wiping down a table as people take their seats.

Different.
Disrupted.
But heading in the
right direction.

It may sound odd to end this litany of stresses and challenges on a high note, but that's just what the industry is doing: rebounding. The outlook for restaurants is strong, and as the post-pandemic world takes shape, the industry will thrive again.

That long-term outlook represents a trade-off. Best-laid plans are out the window and many brands are finding their way month by month. But, as one executive summed up, "We're gonna be better after this than we ever were before."

In the end, that's because COVID-19 did more to accelerate existing industry trends than it did to create new ones. And by spreading the desire for change from operators to the customers themselves, it has added the support of transaction growth to the financial underpinning of some new strategies that might have been harder to fund otherwise.

The survey findings and other data we've examined paint a clear picture: Even before the pandemic, consumers were increasing their demands for convenience and digital engagement. Now the ball is in restaurants' court. What they do to respond will shape the future of each brand.

Restaurants that emerge from this unplanned inflection point in the industry's history will be set up to provide a new standard in customer convenience, responsiveness, and safety that will pay off long after the tumult of this pandemic is over. The data that has defined the path forward is clear. And from the executives we've talked to, the will to make it happen is strong.

Authors

Jean Chick
Principal
US Restaurant & Food Service Leader
Deloitte LLP
jchick@deloitte.com

Ken Duffy
Senior Manager
Deloitte LLP
kduffy@deloitte.com

Steven Seligsohn
Senior Consultant
Deloitte LLP
sseligsohn@deloitte.com

Deloitte.

About Deloitte
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.