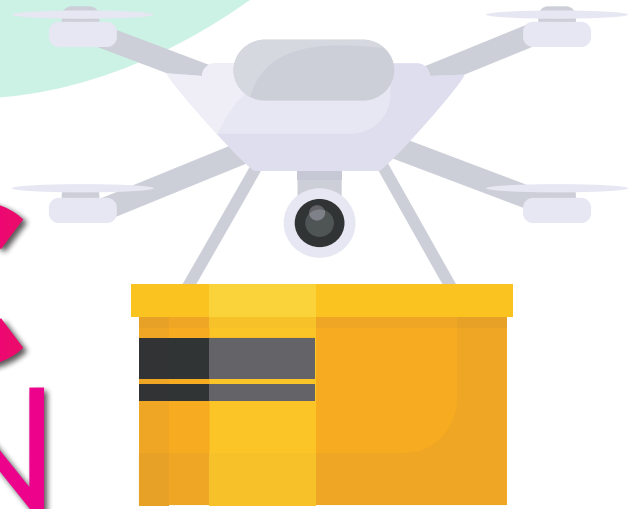
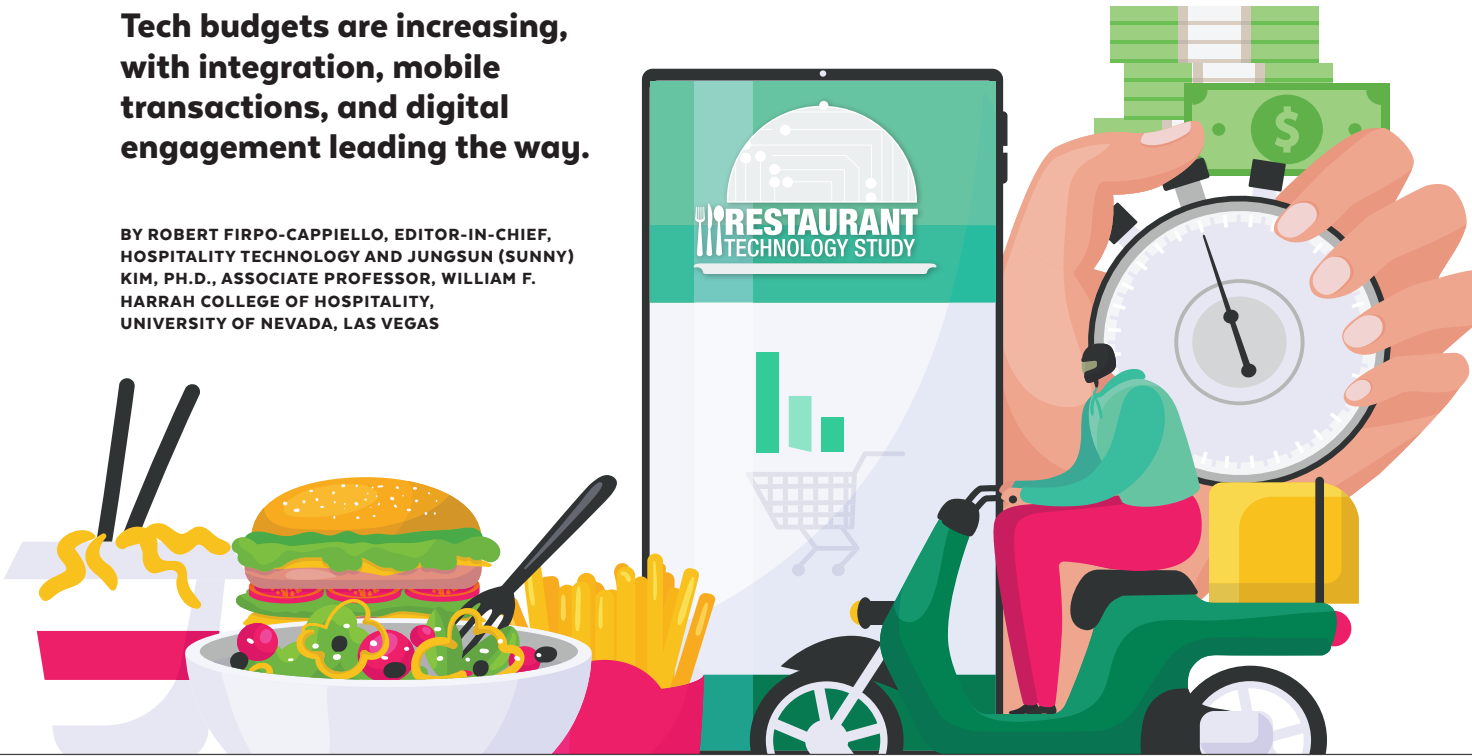


MAKING MAGIC HAPPEN



Tech budgets are increasing, with integration, mobile transactions, and digital engagement leading the way.

BY ROBERT FIRPO-CAPPIELLO, EDITOR-IN-CHIEF, HOSPITALITY TECHNOLOGY AND JUNG SUN (SUNNY) KIM, PH.D., ASSOCIATE PROFESSOR, WILLIAM F. HARRAH COLLEGE OF HOSPITALITY, UNIVERSITY OF NEVADA, LAS VEGAS



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When *Hospitality Technology* began surveying restaurant operators for our 24th annual technology study last December, we immediately noticed a change from last year: an uptick in the response rate, greater enthusiasm for emerging technologies, and a significant reported increase in spending.

Our hypothesis:

The magic is back.

After two years of disruption, we're not the only ones expressing cautious optimism for our industry. The National Restaurant Association's (NRA) "2022 State of the Restaurant Industry" forecasts the foodservice industry will reach \$898 billion in sales this year. To be sure, adjusted for the significant rate of inflation, that's still down by around 11 percent compared with pre-pandemic sales. But the upward trend is most welcome, with NRA also projecting the foodservice workforce to grow by 400,000 jobs in 2022.

Here, *HT's 2022 Restaurant Technology*



\$898B

The foodservice industry will reach **\$898B** in sales in 2022.

—National Restaurant Association

RESTAURANT IT BUDGETS REMAIN TIGHT

(Percentage of revenue spent on IT)

Modest

21% of IT budgets <.99% of revenue

Midrange

47% of IT budgets 1% - 1.99% of revenue

13% of IT budgets 2% - 2.99% of revenue

8% of IT budgets 3% - 3.99% of revenue

Heavy

11% of IT budgets 4% - 5.99% of revenue

Study: Making Magic Happen delivers data-driven insights for a restaurant industry navigating health and safety, rising costs, supply delays and shortages, and hiring and retention challenges.

WHO WE SURVEYED

Respondents to this year's study represent more than 53,000 restaurant locations across the U.S. 59 percent of respondents identified their restaurants as full-service, 50 percent answered quick-service/fast-casual, and 7 percent selected restaurant management firm — with some selecting more than one of the three categories. The ownership models of respondents' companies include independent/non-franchised restaurant operator (65 percent), franchisor (28 percent), and franchisee (7 percent).

Respondents are IT decision makers and gatekeepers.

When asked to identify their roles, respondents

1.97%

The average restaurant IT budget in 2021 was just **1.97% of revenue, slightly down from 2% in 2020.**



ALLOCATION OF IT BUDGETS



65%

Maintaining existing solutions



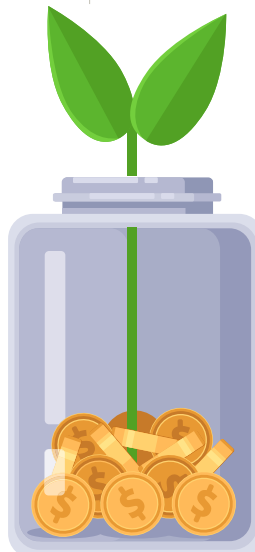
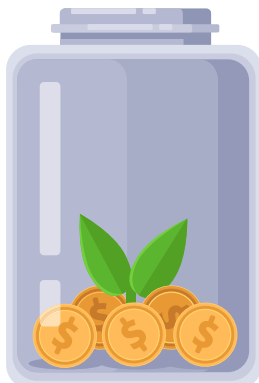
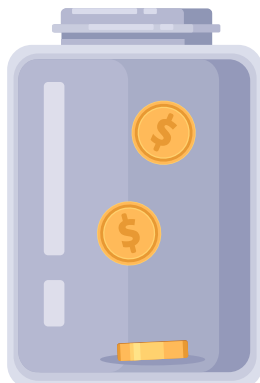
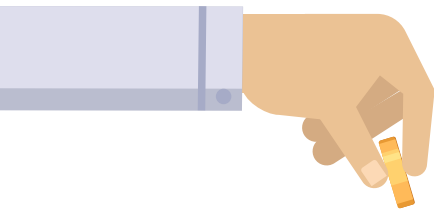
25%

Rolling out and implementing new solutions



10%

Research & Development



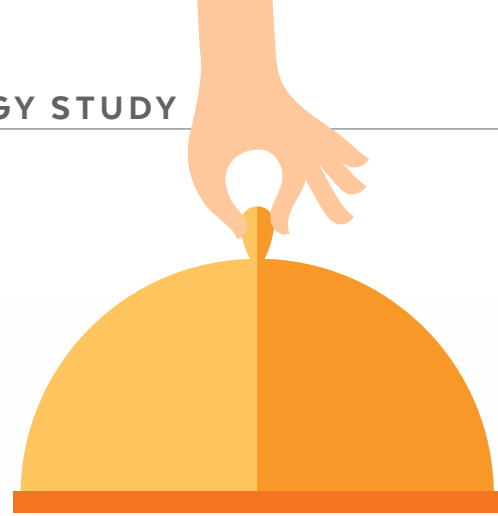
reported their primary job function as IT/Technology (41 percent), owner/operator (28 percent), corporate (17 percent), marketing and digital (9 percent), and restaurant operations (5 percent).

Restaurants participating in our study represent more than \$7.7 billion in annual revenue, with 9 percent reporting 2021 revenue of \$1 billion+, 6 percent reporting \$500 - \$900 million, 9 percent reporting \$100 - \$499 million, 26 percent reporting \$50 - \$99 million, and 50 percent reporting under \$50 million.

FINANCIAL OUTLOOK

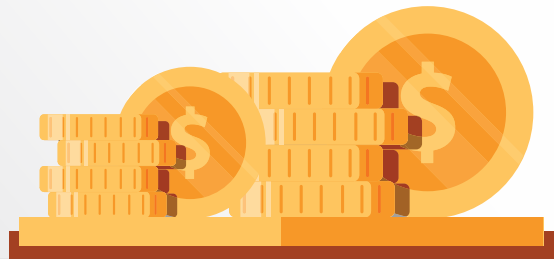
The best way to summarize restaurant tech's 2022 financial outlook is: There's room for improvement. And, our data suggests, there is also rising enthusiasm and commitment to making it happen.

The bad news, which isn't really news at all, is that 2021 spending was tight. Most respondents (47 percent) reported that their organization's overall IT budget for 2021 was 1 percent to 1.99 percent of their total annual revenue, followed by less than .99 percent (21 percent of respondents),

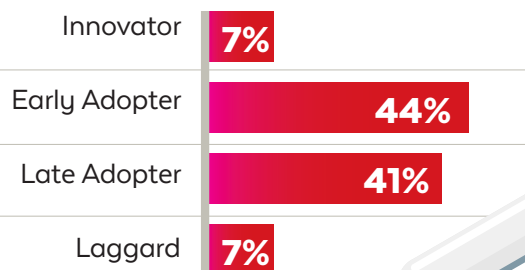


73%

of restaurant **IT budgets** will increase in 2022.



HOW RESTAURANTS RATE THEIR OVERALL TECHNOLOGY COMPARED WITH COMPETITORS



2 percent to 2.99 percent (13 percent of respondents), and 3 percent to 3.99 percent (8 percent of respondents).

The weighted average of IT budget percentage in 2021 is 1.97 percent, which is slightly lower than that of the previous year. This finding indicates that companies' overall IT budgets were slightly lower than that of the previous year, and this likely represents decreased revenue due to the pandemic, resulting in a decrease in IT-related expenses to increase profits or minimize losses.

Looking at how restaurants allocated IT budgets over the past year, we see a heavy emphasis on maintaining existing solutions, the top category at 65 percent, up from 54 percent the year before — not surprising, given tight budgets and uncertainty throughout most of calendar 2021 and a desire to get the most out of existing assets. Rolling out and implementing new solutions was next, at 25 percent (down from 31 percent the year before), with research and development holding steady year-

Only **19%** of restaurants consider their data/analytics strategy for customer insights **to be very or extremely effective.**



RESTAURANTS RATE THE EFFECTIVENESS OF THEIR DATA/ANALYTICS STRATEGY

(Percentage of respondents answering very or extremely effective)

Food quality/safety	48%
Menu performance	35%
Website analytics (e.g., traffic and log-ins)	34%
Promotions	32%
Pricing optimization	30%
Social media analytics	29%
Inventory/supply chain	28%
Workforce hiring, training, and retention	27%
Guest-check analytics (e.g., upselling)	27%
Customer insights (e.g., profiling/analysis)	19%
Employee productivity	19%
Sales and service prediction/optimization	19%

over-year at a modest 10 percent.

But here is where things start to look up: An extraordinary 72 percent of restaurants report that their IT budget will increase in 2022, including 22 percent reporting that they plan to increase their IT budget by more than 10 percent. Only 26 percent report that their budget will not change, and only 2 percent report that their budget will decrease. In Strategy (page 16) and Investments (page 26), we take a deep dive into where those extra IT dollars may be deployed.



STRATEGY

As noted above, a significant majority of restaurants plan to increase IT budgets in 2022. Our survey digs into some of the strategic goals and related factors that may be fueling budget increases.

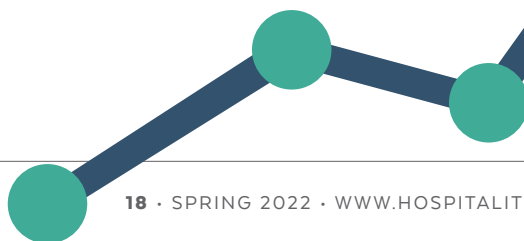
How restaurant brands perceive themselves in relation to their peers can have an impact on goals and investments. It is noteworthy that only 7 percent of operators rate themselves as leaders when it comes to overall technology innovation, with 44 percent rating themselves early adopters — leaving nearly half of respondents feeling they are either late adopters or laggards. We see a similar breakdown when respondents were

“Top strategic goals reflect restaurants’ ongoing efforts to bring customers into the digital ecosystem and gain insights into expectations and habits.”

TOP STRATEGIC GOALS FOR TECH INVESTMENT IN 2022

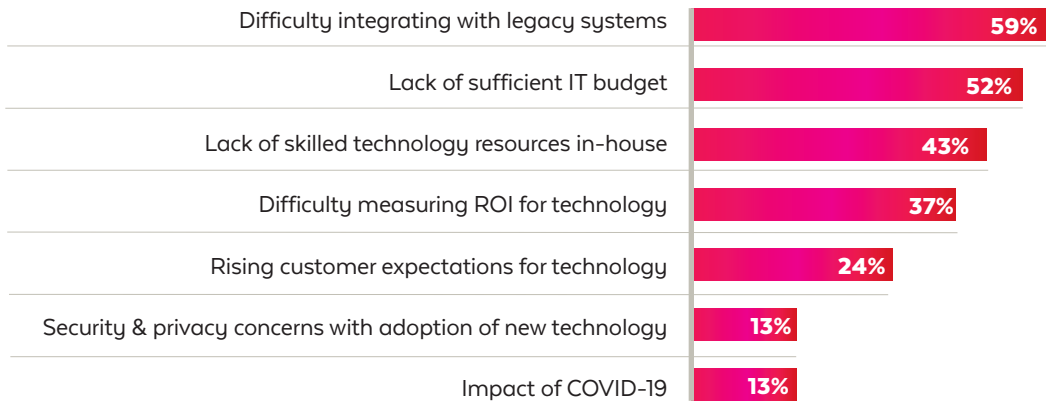
(Restaurants were asked to identify their three top strategic goals)

Improve digital customer engagement	59%
Improve business analytics	41%
Improve employee productivity and retention	39%
Reduce costs	35%
Support revenue-generating opportunities	35%
Improve eCommerce/Omni-Channel	31%
Enhance payment & data security	30%
Increase and drive off-premises business	17%



TOP CHALLENGES FACING RESTAURANT IT DEPARTMENTS

(Restaurants were asked to identify their top three IT challenges)



asked to rate themselves on other factors: In regard to using technology to aid COVID-19 safety and general cleaning practices, 59 percent rate themselves as leaders or close followers.

Regarding use of data/analytics, 50 percent rate themselves as a leader (13 percent) or early adopter (37 percent), which is slightly higher than the percentage from the previous year's survey, 46 percent.

But in order to gain more insight into restau-

rants' data/analytics strategies, we asked respondents to rate the effectiveness of their own strategies in several key areas. That data delivers a sobering snapshot of what we believe is one of restaurants' most critical initiatives — leveraging a variety of data to help make predictions that

“We believe the industry is evolving toward a more expansive view of technology, one that views tech initiatives not as a cost center but as a revenue generator.”

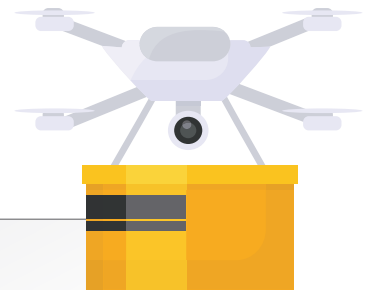
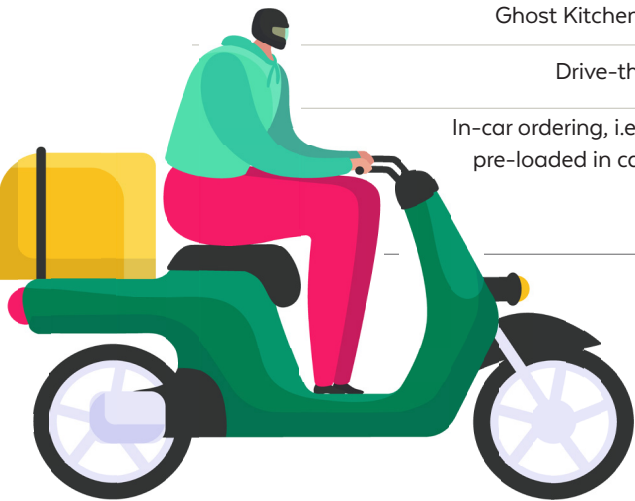
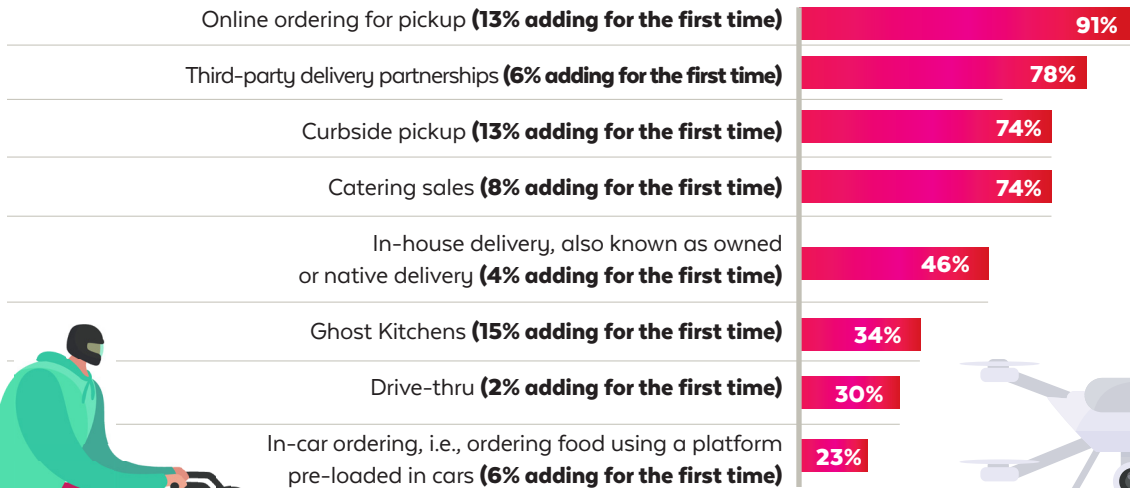


59%

of restaurants identify difficulty integrating with **legacy systems** as their top IT challenge.

OFF-PREM INVESTMENTS

(Percentage of restaurants who have adopted or plan to adopt)

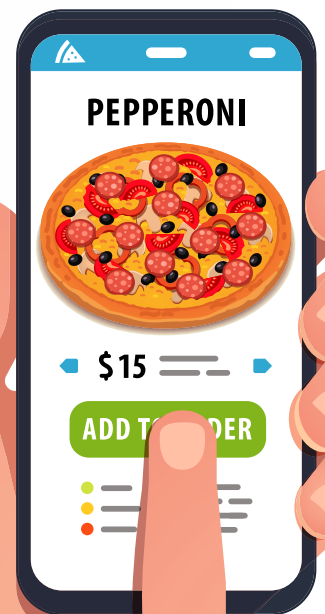


91%

of restaurants have either **adopted** or **plan to adopt** online ordering.

can enhance everything from customer satisfaction to inventory, pricing, and workforce. Data/analytics areas that restaurants consider very or extremely effective include food safety and quality, menu performance, website metrics, and promotions. But there is no area of data/analytics where more than half of operators report that high level of effectiveness. Perhaps most significantly, only 19 percent of restaurants consider their strategy for customer insights – arguably the most essential component of a data strategy – to be very or extremely effective.

We asked respondents to identify their top three strategic goals for 2022. The top two responses, improving digital customer engagement and improving business analytics, reflect restaurants’ ongoing efforts to bring customers into the digital ecosystem and gain insights into expectations and habits. While improving digital customer engagement also ranked number one on last year’s strategic goals, improving



ADOPTION OF TECH FEATURES THAT CUSTOMERS DEMAND

(Percentage of restaurants that have adopted, or plan to add)

Free Wi-Fi (4% plan to add for the first time)	87%
Ability for customers to pay via mobile device (24% plan to add for the first time)	81%
Ability for customers to preview menus & nutritional information (7% plan to add for the first time)	78%
Ability for customers to order via mobile device (19% plan to add for the first time)	77%
Your restaurant offers an alternative to a paper/physical menu (9% plan to add for the first time)	74%
Cashless tipping options (13% plan to add for the first time)	70%
Your restaurant has a mobile app (19% plan to add for the first time)	69%
QR codes are provided at the table to access menus via a customer's mobile device (19% plan to add for the first time)	66%

business analytics has risen in importance significantly – no doubt reflecting the attitudes demonstrated in the data table titled “Restaurants Rate the Effectiveness of Their Data/Analytics Strategy” (page 16). Improving employee productivity and retention has also risen significantly as a top strategic goal, as restaurants face the most serious hiring and retention challenges in a generation.

As a counterbalance to strategic goals, we also asked respondents to identify their top three IT challenges. The top answer, difficulty integrating with legacy systems, speaks to a number of challenges, including tight budgets and the

desire to leverage existing assets to the extent possible. This is a refrain we have heard all year: Legacy and integration challenges are holding us back. Other top challenges identified by operators are really part of the same problem: lack of sufficient budget and lack of skilled technology resources.

Difficulty measuring ROI for technology was ranked a top challenge by 37 percent of respondents. We believe the industry is evolving toward a more expansive view of technology, one that views tech initiatives not as a cost center but as a revenue generator.

INVESTMENTS

81%
of restaurants **have adopted or plan to adopt mobile payments in 2022.**

Key Takeaways

OUR 2022 RESTAURANT DATA CONTAINS AN ARRAY OF INSIGHTS AND STRATEGIC CONCEPTS. HERE ARE SOME OF THE MOST IMPORTANT LESSONS.



Despite tight budgets and uncertainty, the restaurant industry is still enthusiastic and committed to implementing innovative technology.



Challenges such as legacy and integration, labor, and lack of data analytics maturity are holding many restaurants back.



As auto technology becomes even more integrated into drivers' lives, there are opportunities for restaurants to reach customers in transit, with in-car ordering, offers, upsells, and deals.



We continue to see widespread adoption of mobile transactions, including ordering and payment, the development of mobile apps, and the ability to preview menus and nutritional information.



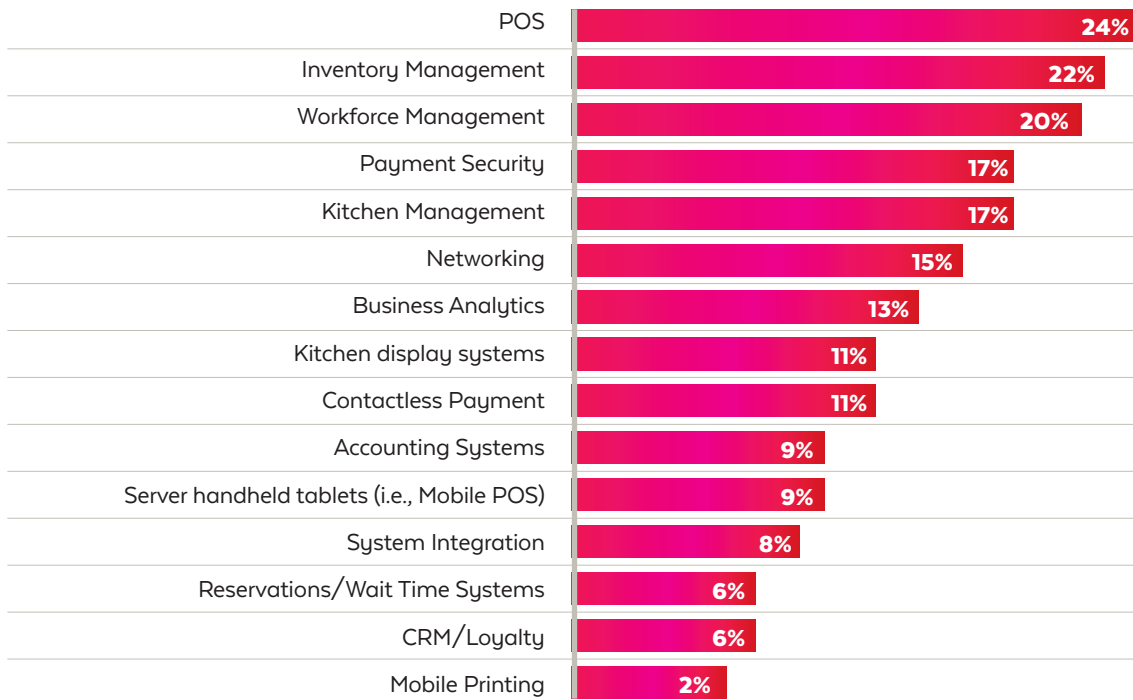
Guests expect magic — not just fabulous new tastes and dining experiences, but all the ways in which behind-the-scenes technology makes it all seem effortless.

We begin our exploration of 2022 investments with off-prem solutions. Over the past two years, drive-thru, curbside pick-up, and delivery have soared to the top of restaurant tech's to-do list. For many brands, the pivot to off-prem became not only a lifeline during the height of the pandemic but also a catalyst for extraordinary growth in the digital space, including contactless transactions, mobile ordering and payments, and digital engagement and data/analytics. As health and safety concerns appear to be returning back to pre-pandemic levels, we surveyed restaurant operators about their off-prem plans. The most heavily adopted solution

“Even a small percentage of restaurants switching suppliers represents potential millions in investment.”

is online ordering for pick up, but our data suggests that a significant chunk of restaurants, 13 percent, are adding for the first time. The ranking of off-prem solutions looks very much like our data from a year ago, with solutions such as third-party delivery, curbside, and ghost kitchens remaining essential to growth. An exception is the rise of in-car ordering — as auto technology becomes even more integrated into drivers' lives, there are opportunities for restaurants to reach customers in transit, with

RESTAURANTS PLANNING TO CHANGE TECH SUPPLIERS IN 2022



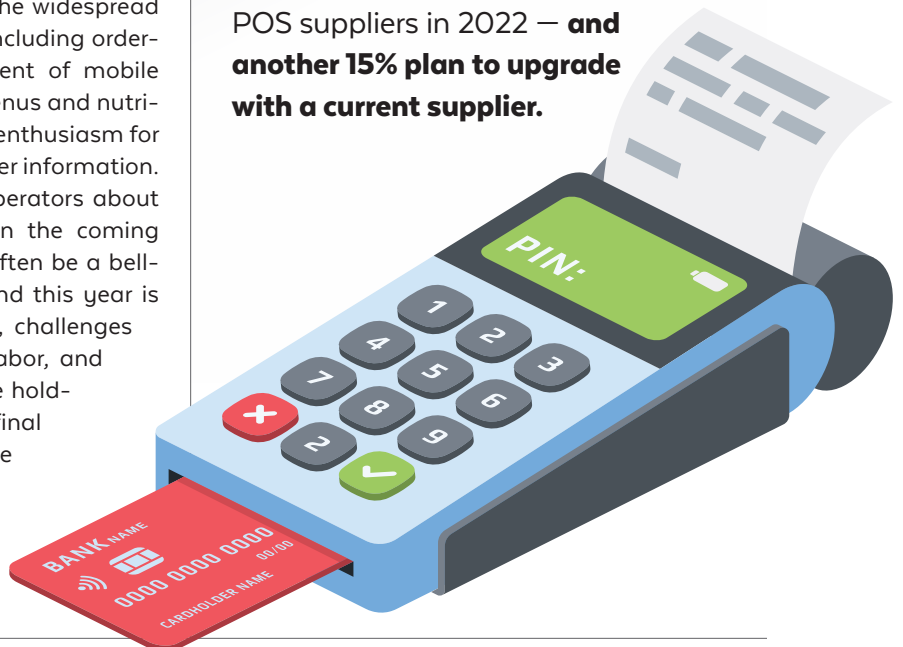
offers, upsells, and deals.

We also asked restaurants to report on their adoption of tech features that *HT's 2021 Customer Engagement Technology Study* suggests are preferred or expected by restaurant guests. Free Wi-Fi, a favorite among consumers and topping our list, has been adopted by most restaurants at this point. More noteworthy is the widespread adoption of mobile transactions, including ordering and payment, the development of mobile apps, and the ability to preview menus and nutritional information – and renewed enthusiasm for QR codes to access menus and other information.

Finally, we asked restaurant operators about plans to change tech suppliers in the coming year. Data around this topic can often be a bellwether of the industry at large, and this year is no exception. As we noted above, challenges such as legacy and integration, labor, and lack of data analytics maturity are holding many restaurants back. In this final data table, we see plans to change tech suppliers in point-of-sale, workforce management, analytics, and much more.

24%

of restaurants plan to change POS suppliers in 2022 – **and another 15% plan to upgrade with a current supplier.**





“Magic is that satisfying intersection of reliability and wow that keeps us coming back for more.”

It is worth noting that even a small percentage of restaurants switching suppliers represents potential millions in investment.

This year’s data suggests that, despite enduring budgetary pain points, the restaurant industry recognizes that customers expect magic — not just fabulous new tastes and dining experiences, but all the ways in which behind-the-scenes technology makes it all seem effortless. Magic is that satisfying intersection of reliability and “Wow!” that keeps us coming back for more. **HT**

Join Our Webinar!

2022 Restaurant Technology Study:

MAKING MAGIC HAPPEN

APRIL 13, 2PM ET / 11AM PT

Hospitality Technology’s Editor-in-Chief will moderate a lively exploration of data-driven strategic insights from this year’s study with industry thought leaders from Near, Tabit, and Viking Cloud.

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