



State of the Industry

Future of In-Restaurant Dining

IN PARTNERSHIP WITH

TOSHIBA

Is this report for me?

Incisiv's 2023 State of the Industry "Future of In-Restaurant Dining" presents key findings and analysis from a study of 141 restaurant industry executives.

The study was designed to understand:

- The impact of the shift towards online ordering on in-restaurant experiences
- Priorities for improving specific aspects of the in-restaurant experience, as well as adoption plans for various customer-facing and restaurant operations technologies.
- Plans to address key challenges such as lack of skilled labor, and loss of customer proximity due to third-party delivery platforms



You will find this report especially valuable if you are focused on one or more of the following:

- Understanding the impact of digital transformation on the in-restaurant dining experience, and the evolving needs and expectations of customers
- Identifying key strategic imperatives to help improve operational efficiency, customer satisfaction, and competitive differentiation
- Developing the roadmap or requirements for your next-generation of customer experiences and restaurant operations technologies

Let's dive in.

Incisiv's 2023 State of the Industry: Future of In-Restaurant Dining
in Partnership with Toshiba Global Commerce Solutions



Revolutionary changes are underway in the restaurant industry. **What does the future hold for in-restaurant dining, and what strategic moves should operators make to stay ahead of the curve?**

Incisiv surveyed senior restaurant executives to understand their outlook and readiness for the future of in-restaurant dining.

141

Total respondents

61% from companies with more than 250 restaurants

95% director level or above



Findings from this survey form the basis of the analysis presented in this State of the Industry report. Unless stated otherwise, all data in this report is from the "State of the Industry Survey: Future of In-Restaurant Dining". [Detailed survey methodology](#), convenience segments covered, and respondent firmographics are available at the end of the report.





Digital and Physical, Meet in the Middle.

As online ordering accelerates, restaurants must fuse digital and physical experiences furiously. The combination of the digital and the physical can set a new standard for dining. From pre-ordering meals to in-store digital menus and contactless payments, the possibilities for enhancing convenience are endless.

Dominos' "Mind Ordering" campaign, including deep integration with Netflix's Stranger Things series, offered customers a \$3 "tip" for carrying out their own order. The campaign raised same-store carryout sales by 14.6%.

Strategic imperatives for restaurants to fuse the digital with the physical:

Focus on integrating digital and physical interactions: To create greater stickiness and drive multi-channel behavior, incentivize diners to move seamlessly between digital and physical interactions. For example, offer exclusive in-restaurant menu items, loyalty rewards for both online and in-person orders, and personalized offers based on ordering history. **75%** of restaurant executives say personalized recommendations and experiences are important for their customers.

Rethink restaurant design for a digital-first experience: Revamp your restaurant design to prioritize digital experiences, such as interactive menus and real-time order updates, to enhance the in-restaurant experience for tech-savvy diners. **28%** of restaurants are testing or exploring an in-restaurant real-time order tracking system, and **20%** are testing or exploring multi-sensory experiences such as augmented reality.

Offer a complete flywheel of ordering and payment options: Digital will increasingly be the first entrypoint for ordering and payment, be it when the diner is at home or in the restaurant. Restaurant executives say ordering and payment convenience is **their most important priority** in terms of improving in-restaurant experience over the next 2 years.



Elevate Dining Experience Beyond Convenience.

To truly differentiate, quick-service and fast-casual restaurants must go beyond just offering convenience, and focus on providing unique, memorable, share-worthy experiences that customers carry with themselves beyond the meal. Even value-conscious customers are willing to pay more for premium experiences that elevate the act of eating into something truly unforgettable.

The Alchemist in Copenhagen is a high-end restaurant that offers a multi-sensory dining experience, combining art and science with gastronomy.

Strategic imperatives for restaurants to go beyond convenience:

Cater to health and wellness needs with menu innovation: **87%** of restaurant executives believe quality and variety of menu options is an important consideration for their in-restaurant customers. Restaurants must use technologies such as advanced inventory management, business analytics, and easily configurable front-end ordering systems to offer diners healthier food that aligns with their dietary and lifestyle preferences.

Design your way to memorable dining experiences: Create unique experiences through a blend of innovative design, thoughtful layout, and innovative technology. **62%** of restaurant executives are planning on investing in new technology and equipment to improve the in-restaurant experience over the next 2 years, and **17%** plan on making renovations to enhance the overall aesthetic and atmosphere of the restaurant.

Get serious about sustainability: Only **35%** of executives consider sustainability an important priority for in-restaurant experience over the next 2 years. With growing consumer concern around sustainability, restaurant executives must enhance their focus and investments in this area. This includes reducing food waste, sourcing sustainable ingredients, and adopting eco-friendly practices in restaurant operations.



Turn Self-Service Into an Operational Advantage.

Restaurants have long struggled with high staff turnover and limited availability of skilled workers. At the same time, diners are increasingly looking for greater control over their dining experience, including the ability to order and pay on their own. By embracing self-service technology, restaurants can turn these challenges into opportunities and create a win-win situation for both customers and staff.

McDonald's offers self-service kiosks and a mobile app that allow customers to order, customize, and pay for their food without needing to interact with staff, both for dine-in and takeout orders.

Strategic imperatives for restaurants to supercharge self-service:

Streamline experience with contactless ordering & service: As restaurants look to streamline service, reduce wait times, and increase efficiency, they must consider scaling investment in contactless ordering and self-service kiosks. Contactless ordering and payment is set to achieve near **industry-wide adoption** over the next 2 years, and **1 in 2** restaurants are already scaling, testing, or exploring self-service kiosks.

Empower diners with menu customization: **1 in 5** restaurant executives believe personalization and customization of menu items will have a high impact on their in-restaurant experience over the next 2 years. With a well-designed app and in-store self-service kiosks, restaurants can make menu and order customization simple and efficient. This not only enhances the dining experience but also removes bottlenecks from the ordering process if it remained overly reliant on staff.

Optimize operations by making staff more efficient: Maximize productivity and guest satisfaction by investing in training and technology that empowers staff to provide faster, personalized service. **56%** of restaurant executives are prioritizing improvements in staff training and customer service over the next 2 years.

The Double-Edged Sword of Online Ordering.

Online ordering has been a growth driver for many restaurants, but it comes with a cost. The acceleration of online ordering can lead to issues with profitability and customer experience if not managed properly. Restaurants must balance the benefits of this trend with the potential downsides to stay competitive in the industry.

Panera's "Panera at Home" line sells grocery store products to keep customers connected to the brand, providing the company with value data, and greater control over customer relationships.

Strategic imperatives for restaurants to navigate the shift to online ordering:

Improve online order profitability: Maintaining online order profitability is the **topmost challenge** for 1 in 5 restaurant executives. To improve online order profitability, restaurants should consider offering limited-time offers and exclusive deals to incentivize online ordering, optimizing menu items for takeout and delivery, and implementing dynamic pricing based on demand and capacity to increase revenue.

Reduce wait-times and improve order accuracy: The economics of online ordering, especially delivery via third parties, demands that restaurants do everything in their power to reduce churn by eliminating friction from the ordering, delivery and/or pick-up experience. Only **17%** of restaurants are currently mature at being able to manage expectations with customers by setting clear wait times or order acceptance limits during peak store hours.

Strive to retain the customer relationship: Missing important customer data and context due to third-party delivery services owning the customer profile is one of the **top 3 challenges** facing restaurant executives due to the shift towards online ordering. Restaurants must protect against commoditization as delivery platforms become the custodian of customer data and introduce private label food.



sweetgreen  OUTPOST™

Reconfigure Restaurant Operations.

As the restaurant industry evolves, the need to reconfigure operations has become more pressing than ever. Restaurants must now manage multiple order types and prioritize online order prep and pick-up, all while ensuring that in-restaurant diners receive a seamless experience. To address these challenges, restaurants must invest in new technology and rethink their inventory and ordering systems.

Sweetgreen has opened several "outpost" locations that function as cloud kitchens for online orders only, allowing it to expand delivery reach without the overhead costs of a full restaurant.

Strategic imperatives for restaurants to reconfigure restaurant operations:

Balance supply through multi-use and cloud kitchens:

Restaurants must find the optimal balance between retrofitting existing kitchens to accommodate new order types and volumes, and adopting cloud kitchens to handle overflow. **54%** of restaurants are currently mature at or scaling the ability to manage multiple order types from the same kitchen, whereas **57%** are testing or exploring cloud kitchens.

Create dedicated spaces for digital orders: Restaurants should optimize space for preparation and pickup to accommodate for increasing online orders, while maintaining a pleasant experience for in-restaurant diners. **37%** of restaurants plan on dedicating a separate area within the restaurant for online order pick-up.

Embrace modern supply chain and inventory management practices: Restaurants must implement innovative inventory management and ordering systems that work across channels, making the entire experience from ordering to dining unified across channels. Even though inventory and ordering systems are pretty standard in the industry (**48%** of restaurants have mature adoption), an almost equal number (**44%**) are testing or scaling new inventory management and ordering systems - perhaps signaling this shift towards next-gen technologies.



Build a Stronger, Smarter Technology Foundation.

Restaurants that invest in technology infrastructure are poised to gain a competitive advantage. With the ability to turn physical interactions into actionable data, they can optimize operations, reduce costs, and improve the overall dining experience. Automation is a critical component of this infrastructure, as is the creation of sensory infrastructure that enables more sophisticated data collection and analysis.

White Castle's "Flippy" robot is an example of automation improving restaurant efficiency through its ability to cook up to 360 hamburgers per hour.



Strategic imperatives for restaurants to build a smarter technology foundation:

Incorporate artificial intelligence and automation: From personalized recommendations to kitchen automation for faster and more accurate order preparation, restaurants must use AI and automation to enhance the customer experience and optimize operations. **32%** of restaurant brands are exploring targeted artificial intelligence use-cases – such as conversational interfaces for recommendations and ordering.

Manage energy consumption and asset life: By using data to monitor and manage energy usage, and regularly maintaining equipment to prevent failures, restaurants can save on operational costs, minimize downtime, reduce energy consumption, and extend the lifespan of their assets. Approximately **2 in 5** restaurant brands are exploring or testing energy management systems.

Convert in-restaurant behavior into actionable data: Develop sensory infrastructure in the restaurant to convert physical interactions into a digital footprint. This can include utilizing data from cameras, sensors, downloaded apps, and in-restaurant WiFi to understand customer preferences and behaviors in a privacy-conscious way. **53%** of restaurant brands are scaling, testing or exploring location-based promotions.

Survey methodology.

Incisiv conducted a hybrid online + Computer Aided Telephonic Interview (CATI) survey of 141 restaurant executives in the United States. The study was conducted from February 13, 2022 – February 28, 2022.

Respondent Distribution by Number of Stores

51 - 250	39%
251 - 1,000	42%
1,001 and more	19%

Respondent Distribution by Annual Revenue

Information Technology	41%
Restaurant Operations	25%
Digital / eCommerce	14%
Owner / Operator	11%
Marketing / Strategy	9%

Respondent Distribution by Designation

C-Level	24%
SVP/EVP	23%
VP	21%
Director	27%
Manager	5%

Respondent Distribution by Restaurant Format

Quick Service Restaurants	41%
Fast Casual Restaurants	36%
Family Restaurants	23%



ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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