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THE DRIVE TOWARD BOUNDLESS HOSPITALITY™

*Technology's Role in Enabling
Next-Generation Restaurant Operations*

*A PAR Tech White Paper
February 2010*

Solutions Beyond the Expected.

A Note To Restaurant Operators



As we say goodbye to 2009 and one of the most challenging years in memory for our industry, the opportunities we see in a potential 2010 recovery are surrounded by an ever-increasing list of changing market and industry dynamics.

Whether from consumer spending shifts, changing eating habits or the rapidly expanding landscape of social media, operators in the hospitality industry must be able to navigate these evolving new patterns and react with an enhanced level of nimbleness and agility.

We at PAR Tech, Inc. have spent over forty years matching hospitality technology to specific operator needs. We see broad revenue and profit growth possibilities for those operators willing to recognize that the standard rules have changed - and that a new business strategy combined with the latest supporting technology will be at the heart of staying ahead of these changes.

We call this IT-led market vision **Boundless Hospitality™**.

Boundless Hospitality represents the full breadth and depth of our industry knowledge, strategic insight, and product development strategy. It also embeds the leadership thinking of many of our successful customers and partners.

We hope you find value from our industry leadership on this topic, look forward to your feedback, and are excited about the opportunity to assist you in your own quest for operational and financial success.

A handwritten signature in black ink that reads "Ed Soladay". The signature is fluid and cursive, with the first letters of "Ed" and "Soladay" being capitalized and prominent.

Ed Soladay
President
PAR Tech, Inc.

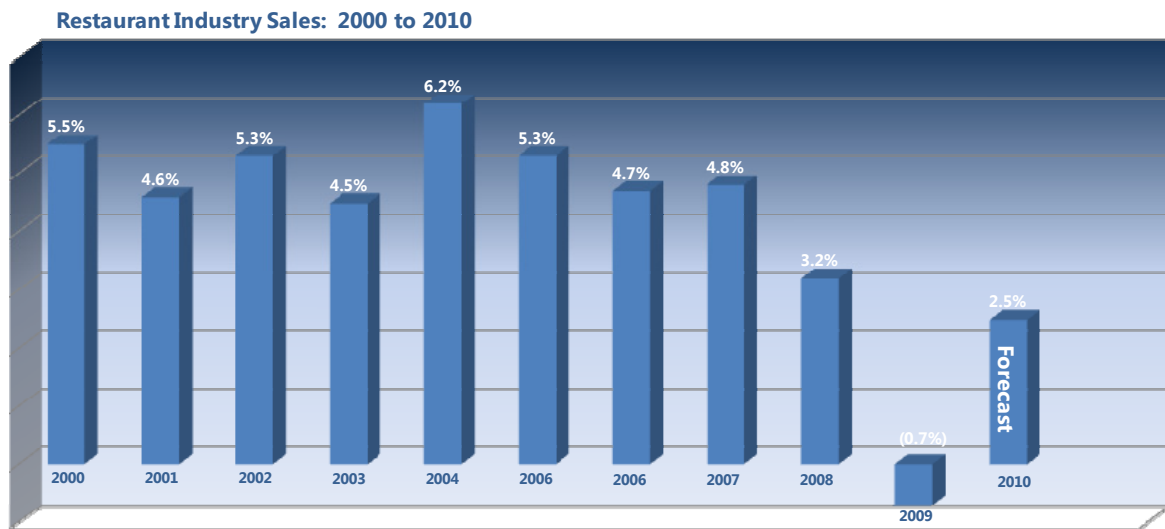
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For Restaurants, The Only Certainty is Uncertainty

Entering 2010, the appearance of improvement in the global economy has lifted the spirits of most restaurant operators who want nothing more than to move beyond the challenging business climate and defensive strategies of the last 18 months.

After two of the most difficult years on record, the National Restaurant Association's forecast for 2.5% sales growth in 2010 should be seen as welcome news. However, operators have become acutely aware that the competitive chase for not only growing, but even maintaining market share will require more marketing agility and execution efficiency than ever needed before.



Source: National Restaurant Association Industry Forecast: 2010

Why?

The mix of declining (post-meltdown) consumer confidence, new food and eating preferences, and explosive growth surrounding Internet-oriented social media is creating seismic shifts in demand and frequency patterns – shifts that effects all restaurant formats, geographies, and business sizes.

Simply put, it will be the operators who rapidly adjust to these detected changes that will not only survive – but thrive.

Eating Out is Changing – Quickly

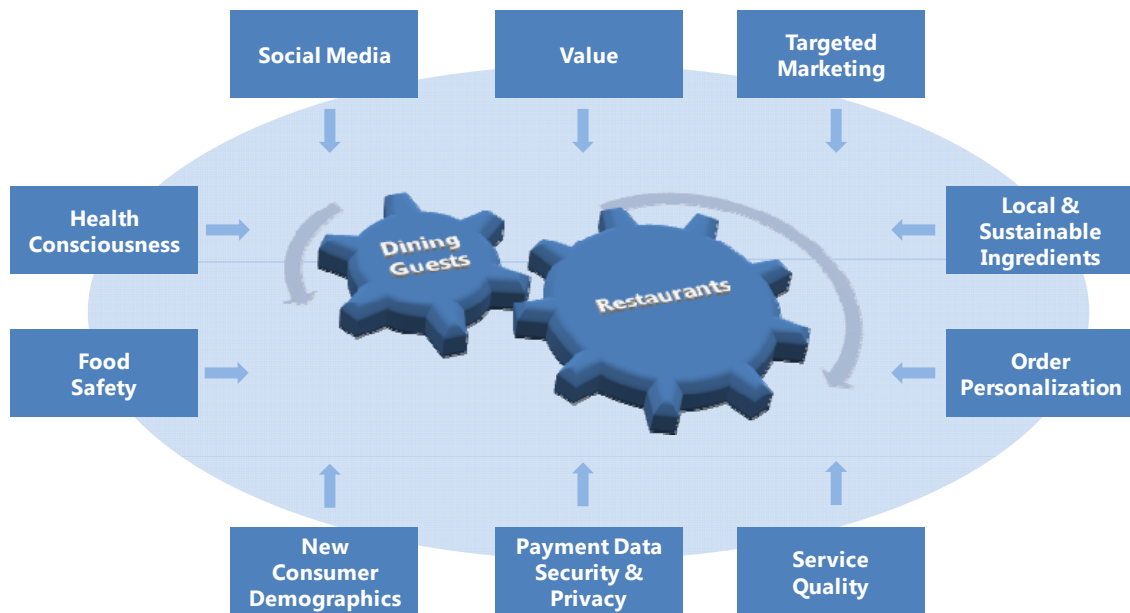
To those most famous two “guarantees in life”, death and taxes, we venture to add a third – the ever-evolving restaurant dining experience. Global chains and single site operators across all formats are regularly fine tuning their image and front-of-house offering to attract and retain the dining public – all with an obvious eye toward increasing sales and profitability.

So it’s 2010. What is different now?

At the heart of today’s eating-out experience is the sheer expansion of influencing decisions operators must understand that can quite simply make or break the dining experience in the eyes of today’s consumer - . Some of these new impact factors are readily visible, others not as much. They include:

- **Shifting formats to meet shifting demand.** Current growth rates for quick service formats are expected to outpace fast casual and table service as consumers continue to seek value as a core demand driver. However, the dividing lines between these traditional formats are expected to blur as new menu, ordering, and service capabilities help broaden the dining appeal.
- **Demand-driven menu management.** Consumers will direct more of their spend toward restaurants that not only focus on delivering a wider variety of healthy, safe, and socially conscious menu choices, but also to those that provide new levels of order methods, personalization and efficiency.

The Growth in External Influences on the Restaurant Industry



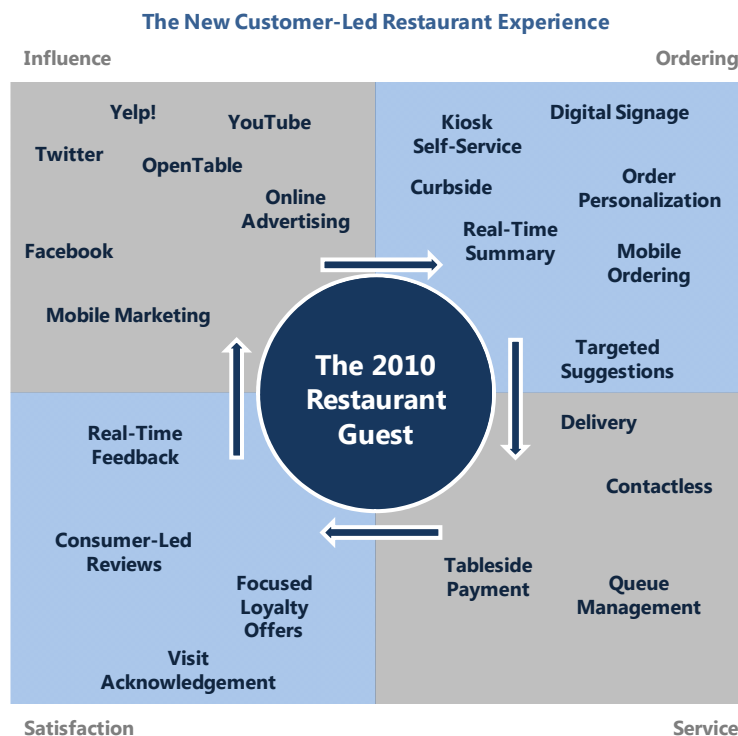
- **Personalized marketing that actually creates guest loyalty, frequency and profitability.** It has been extremely difficult for operators to quantify their marketing spend using anything other than macro-level sales and profitability. As the advertising world shifts quickly from broadcast to narrowcast, restaurants must also move toward more granular levels of influence – offering promotions to specific customers (and likely prospects) that have the highest potential for increased frequency and lifetime value.

These key trends, along with other macro industry drivers like an increasingly empowered workforce and sustainability-focused supply management, will require restaurants to become more adaptive in the way they optimize operations while delivering their brand-driven dining experience to customers.

Consumers Expect a More Flexible, Personalized Experience *Moving From Traditional Point-of-Sale to Advanced Interaction*

When it comes to placing an order in almost any restaurant today, the average time-starved, tech-saavy consumer wants it all – complete personalization, more choice and control over the order itself, and guaranteed accuracy – all without sacrificing one single second of order speed. For restaurant operators, this means:

Providing customer-facing employees with the technology tools to quickly process any order with any required menu choice modification or special request. This usually is an extension of the typical POS order entry process flow, allowing for detailed (and prompted) menu information and explanation, along with instant order adjustments. The use of cashier-driven usability principles helps drive the goal of lower initial training costs, faster transactions, improved order accuracy and higher customer satisfaction.



Empowering an “any-channel interaction” strategy through leverage of advanced customer-directed technologies like kiosk self-service, mobile and internet-based ordering and reservations. The use of online reservations by table service restaurants far exceeds current adoption of restaurant self-ordering technologies, but the rapid shift to the mobile internet and increasing technical skills of the average consumer make the value of supporting ordering “choice” through different channels a potential key differentiator. There is additional benefit from self-directed ordering platforms can also serve as marketing and advertising platforms – both as passive information displays and as active, data-driven influencers throughout a typical ordering process.

Allowing any cash, card, or contactless method of private and secure payment – tableside. Guest fears surrounding data privacy and information security continue to grow, regardless of any payment card industry (PCI) enhancements. As new contactless cards and phone-based near-field communication (NFC) payment applications become pervasive, operators will be required to provide comprehensive, closed-loop payment processing – always in the full presence of the customer.

Ensuring that frequent-dining customers are constantly informed of their value and transparently rewarded for their business. As customers increasingly realize the promotional benefits from early opt-in identification, ordering systems must blend with marketing systems to provide meaningful, targeted, real-time offers that truly reward frequent (and profitable) visits. The financial value and market effectiveness of these more personalized promotions become much easier to quantify the more guest-specific they become.

For Operators: It's About Agility, Optimization, and Brand Value

The American Heritage Dictionary defines hospitality as:

The cordial and generous reception of or disposition towards guests

Many operators, especially during turbulent times, forget this key precept and execute on a reactive, “head in the sand” strategy heavy on cost controls and light on new concepts. In our minds that is a guaranteed, long-term recipe for failure.

Fortunately we see a new breed of operators putting their strategic investments toward the plans, tools, and technologies that work to stay ahead of the expanding demand influences of today's dining guest, including new social media, ordering channels and levels of personalization. These are industry players that rapidly effect marketing, menu, and operational changes at the time they are needed – not after the guest is lost and competitive damage is done.

These same operators are putting advanced decision support tools in place designed to empower the kind of data-driven **analysis to action** that drives improvements in menu planning, food cost optimization, labor expense reduction, and marketing effectiveness. The result – higher guest satisfaction, larger transaction sizes and increased visit frequency – contributing to increase top line revenue and competitive market share.

The Right Criteria for Selecting Restaurant Technology

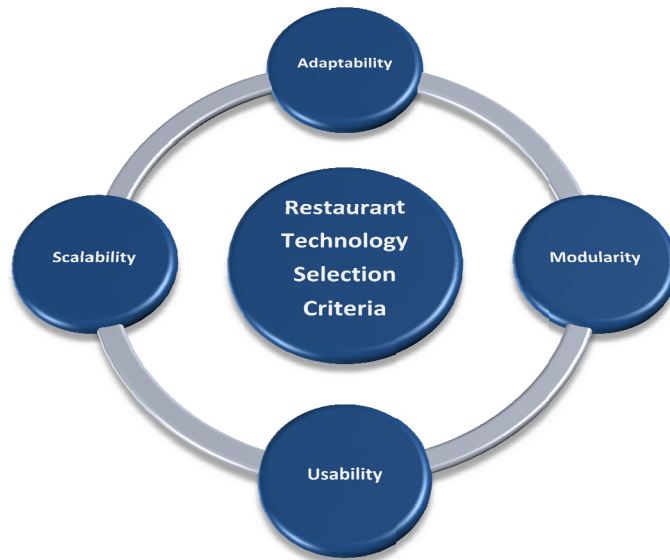
It has been the long-standing practice of most restaurant industry technology vendors to orient their product marketing around “helping restaurant operators cut costs and become more efficient”.

That is so 2005.

Today, when evaluating technology vendors, the ability to drive improved operational efficiency for a restaurant owner or global chain IT organization is in no way an optional feature - it's a fundamental requirement. No vendor should ever be allowed to compete if they can't immediately quantify the financial role they play in supporting a customer's cost containment. Rather, the competitive landscape restaurants operate in today require technology vendor partners to center their solutions on the creation and support of improved traffic flows, loyal customer satisfaction and increased frequency – all which drive top line revenue growth.

While the review of restaurant IT vendor solutions and capabilities is often very unique to the requirements of a given operator, there are always four key assessment areas that play a central role in determining the tactical and strategic advantages of any potential technology partners.

- **Adaptability.** The mantra must be “configuration, not customization”. Long gone are the days when newly acquired restaurant POS solutions should require core code modifications to support a particular restaurant's workflow or business requirements. An assessment should examine both format-specific capabilities (e.g. QSR, Fast Casual, or Table Service) and even broader enterprise, chain-level platforms that logically support multiple restaurant formats simultaneously. The most successful solutions are those that allow for parameter-driven configuration of unique business requirements in support of out-of-the-box, “industry best practice” functionality.



- **Modularity.** Interest in “enterprise” or “big bang” IT platforms is driven from a desire for system consistency not seen in multiple point solutions, but often leaves operators buying more than they need or want simply to ensure platform cohesion. The best vendor software solutions are those that provide not only a standards-based IT architecture supporting core functionality, but one that can easily integrate new applications or functional from the same vendor or potential third parties without significantly increasing deployment or operational complexity.
- **Scalability.** Operators should align their business growth plans alongside any newly selected system - even to levels far beyond initial usage. The effects of “hitting a system wall” just as your business is growing and needing the additional capability are usually quite painful. This scalability should be assessed from both a single location and chain-oriented perspective.
- **Usability.** One of the most overlooked areas in restaurant IT system evaluations is the physical design of the perspective platform(s) from a purpose-fit, workflow and transaction efficiency perspective. Solutions must be ergonomically correct for their operating environment, and should be

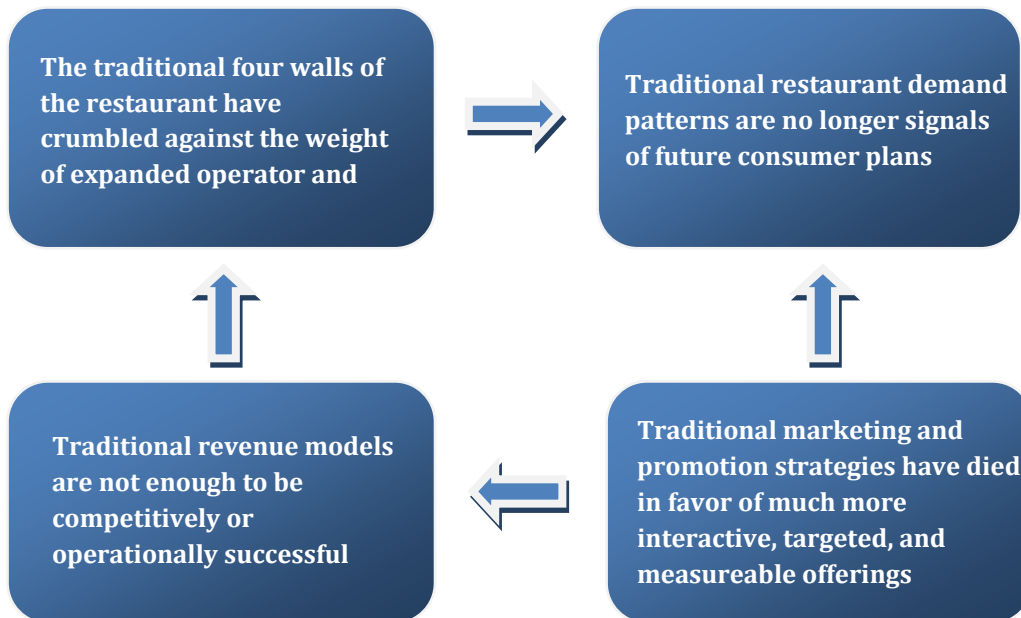
workflow-configurable to allow completely personalized customer interactions with the least amount of operational training.

Introducing Boundless Hospitality™ by PAR

As we have noted, the restaurant industry landscape has shifted quite dramatically in the last two years – through a dramatic convergence of near economic calamity, demanding social shifts, and rapidly expanding and improving technology.

This shift has led to the creation of an entirely new restaurant customer – one who eats and spends differently, one who evaluates restaurant choices differently, one who interacts with media and is influenced differently, and one who offers their loyalty differently.

The New Hospitality Marketplace: Key Factors



This market shift and new customer perspective has also led to a new set of requirements for restaurant operations as well – one that requires much more responsiveness to changing demand patterns. One that seeks to provide a more personalized, immersive experience. One where new marketing and positioning initiatives can happen immediately in response to competitive moves. And one where IT is no longer only about cost containment but about top line revenue growth and competitive positioning

The destruction of these long-standing operational and technology constraints creates a near-limitless, or boundless, set of opportunities for defining the next generation of industry leaders. With this in mind PAR Tech, who for 3 decades has provided focused hospitality technology solutions to global restaurant chains and operators worldwide, has become the driving force behind a new market vision and technology strategy called ***Boundless Hospitality™***.

PAR EverServ™ Solutions: Defining PAR's Leadership In Boundless Hospitality

PAR Tech, Inc. (PAR) has built its four decades of success around delivering advanced point of sale solutions and enterprise backoffice solutions for restaurant operators worldwide, including such global brands as McDonalds, YUM!, and CKE.

PAR is now offering its entire product portfolio as a part of the EverServ™ solution, and is directing much of its development spending and product roadmaps toward further alignment with the Boundless Hospitality vision. The EverServ™ solutions consists of these major solution categories:

EverServ Software – PAR provides feature rich Point-of-Sale (POS) applications that support the unique operating requirements of each core restaurant format. Each solution can scale between the smallest operators and the largest chains, and all solutions can integrate together in support of multi-format chains. EverServ POS is fully supported by EverServ POS Backoffice, an enterprise platform that can manage and report on core business operations. Also available is comprehensive food safety monitoring and tracking capabilities.



EverServ Hardware – PAR offers the *EverServ Series 6000* and *EverServ Series 2000* point-of-sale terminals in deployment models easily configured for different restaurant formats and business

requirements, supporting all the critical operational, ergonomic, and market-related business functionality. The *EverServ Kiosk* provides a self-service and self-ordering platform that adapts to vary installation needs and form factors.

EverServ Services – PAR provides a broad suite of service and support solutions that when fully integrated can provide a managed “lifecycle service” support model from the early deployment through all operations to eventual replacement. These services include Implementation, Integration, Consulting, Software Maintenance, Field Support, Help Desk, and Managed Services.

For those advanced restaurant IT solutions that extend beyond our current product portfolio, PAR works closely with a number of leading, uniquely positioned industry players as part of its own partner network. These solutions compliment PAR’s core POS and backoffice-oriented product capabilities and can be designed as a part of a PAR-designed comprehensive solution strategy.



The Value of Integrated Service Solutions

With the growth in capabilities provided by new restaurant technology platforms comes increased implementation and ongoing support complexities. The traditional, tactical IT support approaches used by restaurant operators don't typically cover the full spectrum of required services – leaving them without the required "one throat to choke" when something isn't implemented or operated correctly.

In today's world of restaurant IT support, there is a greater need to link important requirements such as consulting, implementation, integration, field service, help desk, software maintenance, and ongoing managed service. This "lifecycle" oriented approach to service and support for one to many locations provides many strategic and financial advantages, including:

Centralized management. The ability to direct all service and support related needs through a single contact, who will align vendor resources to customer expectation. These interactions are then measured against both service level agreements and customer satisfaction levels, helping to quantify the cost and value of the provided support.

Utility-based scalability. As business growth or service demand adjust up or down, the availability of required support and service resources can adjust dynamically – without the risk of fixed cost support resources.

Adherence to corporate and regulatory requirements. A service and support function can help ensure that mandates such as PCI, software upgrades or marketing campaigns are executed consistently and accurately.

Proactive and preventative maintenance quantification. With both vendor and restaurant operator benefiting from lower actual support costs, a lifecycle support model can deploy remote monitoring and preventative maintenance that will reduce support calls and increase availability.

The value of lifecycle IT support applies universally across all restaurant formats and sales volumes – from the largest global chains to the single operator environment.

The Road Ahead: Restaurant Technology in 2020

While the primary objective for restaurant operators to provide the consumer an enjoyable, valued, and quality dining experience shall go unchanged into 2020, the role of restaurant technology in the delivery of those objectives will most certainly transform. Some examples of what we might see include:

- Today's early stage technologies like social media and personalized promotions are certain to reach critical mass in restaurant marketing in the next decade – as the nearly \$600 Billion spent yearly on worldwide advertising in all markets shifts away from broadcast mediums and into targeted, online-oriented delivery.
- The usage of mobile-oriented ordering and loyalty applications will become ubiquitous as Internet traffic from smartphones and other devices is predicted to pass levels driven by traditional computing platforms (Morgan Stanley 2009).
- There will be new touch points of consumer influence, including pervasive in-auto Internet connections that can deliver marketing messages along with associated restaurant locations directly from embedded navigation systems.

- Unique Vehicle Identification (UVI) will allow for Quick-Service locations to have personalized communication with participating drive-thru customers as well as support inbound arrival time measurement for accurate curbside order planning.
- Much more granular, daypart-oriented demand data that will help optimize restaurant food preparation and inventory levels – not to mention ad targeting and promo pricing.
- Dramatic global expansion of self-service food vending outside of traditional Asian markets. Vending machines can be integrated with real-time data to match machine-specific offerings to walking-distance customers.

Summary

The competitive opportunities that have been created for restaurant operators following the market turmoil and now slow economic recovery are significant. These will be the companies that see traditional operating constraints are no longer in place or needed.

Operator Action Plan

- Develop your restaurant technology investment strategy with an eye toward supporting new order experiences, marketing agility, efficient operations, and scalable growth
- Choose technology solutions that meet the most stringent standards of adaptability, modularity, scalability and usability
- Select technology vendor partners with the proven industry experience, strategic vision, and broad product portfolio to help you develop and deploy your own version of next-generation restaurant operations

It will be this new foundation of restaurant technology affords a dramatic opportunity to change the customer experience. It will be the companies executing on a **Boundless Hospitality** vision that will be rewarded with increased customer counts, improved frequency, effective execution and expanding profitability.

Will it be you?

About PAR Tech

PAR Tech, Inc. (PAR) is an industry leader in systems and service solutions for the hospitality industry. We offer technology solutions for the full spectrum of hospitality operations, from boutique hotels and independent table service restaurants to international QSR chains, all backed by PAR's global service network.

With point-of-sale systems in more than 50,000 restaurants in over 105 countries, PAR is redefining the point of sale to bring technological innovation to all corners of the enterprise. We have expanded our product line to include ingenious solutions for back office, operational reporting, wireless ordering and payment, kitchen management and food safety. Our software is complemented by reliable hardware and is backed by Par's international services infrastructure.



This white paper is the first in a series being authored by PAR Tech in support of its Boundless Hospitality™ industry vision and focuses primarily on restaurant operations. Other white papers in development highlight additional hospitality segments, technology models, and industry best practices, including:

- *Boundless Hospitality™ for Hotels and Spas*
- *Boundless Hospitality™ in a Social Networking World*
- *Boundless Hospitality™ : Technology Usability as a Strategic Priority*
- *Boundless Hospitality™ : Multiple Format Support from a Single POS Platform*

Please contact your PAR Tech representative for more information