



**ParTech, Inc.**

8383 Seneca Turnpike | New Hartford, NY 13413  
800.448.6505 | [www.boundlesshospitality.com](http://www.boundlesshospitality.com)

# **The Dining Customer's View on Emerging Technologies & Restaurant Operations**

*2011 Benchmark Study*

*A ParTech White Paper  
February 2011*

Solutions Beyond the Expected.

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## A Restaurant Industry Message



Whether viewed from the perspective of a global chain concept, independent operator, or even an industry IT vendor, the value propositions presented today by rapidly advancing restaurant technologies are both exciting and daunting. It has been our strong belief that traditional methods of restaurant marketing, order taking, payment, supply chain management, and operations are imploding, replaced by entirely new approaches to managing and influencing a dining customer’s behavior. This new reality starts long before they venture to place their order, and extends to long after they have finished their meal. We also knew the “keys to the lock” of this transformation were grounded in emerging technologies.

But we wanted to quantify our thinking - and publish the results to the industry.

This white paper is the culmination of a comprehensive study conducted by ParTech in the Fall of 2010 to assess the broad impact of current and future restaurant technologies - entirely from the view of the paying customer. We asked over 1,200 consumers in North America to take our survey, and we made sure to enhance our data with additional demographics including geographic region, dining frequency, age, gender, and preferred restaurant type.

The results provide incredible insight into the real-world technology requirements for implementing a dining experience based on **Boundless Hospitality™**, and furthers the argument that operators who move slowly (or not at all) toward enabling these new consumer influences and restaurant operations risk competitive irrelevance – or worse.

We hope you find value in these findings and we look forward to your feedback.

A handwritten signature in black ink, appearing to read "Scott M. Langdoc".

Scott M. Langdoc  
Chief Technology Officer  
ParTech, Inc.

## Executive Summary

The influence factors impacting restaurant customer behavior have been accelerating in number and complexity for some time. The most direct contribution to this rapid change has been the near-universal adoption of new, easy-to-use, socially-oriented technologies by consumers across all demographics. More difficult to discover is which specific technologies (available equally to both consumers and restaurant operators) are enabling the best combination of positive dining experience for consumers and profitable execution for operators - both inside and outside the traditional four walls of the restaurant.

The resulting analysis from this study of 1,277 dining consumers shows conclusively that technology’s impact on the restaurant consumer is more effective and valuable than ever. While there are macro-level findings that seem to apply to all the consumers in the study, it’s the intriguing variances within the lower-level respondent demographics that highlight some of the most interesting findings. The survey analysis highlights five significant trends which will be detailed in this white paper:

- **The successful shift toward targeted restaurant promotions**
- **The technology opportunity with frequent diners**
- **Social networks are changing restaurant marketing – forever**
- **Real-time order influence works**
- **“Millennials” as restaurant customers – influence them differently**

When assessing these trends together, it highlights just how early technology now becomes involved in the dining consumer’s thought process, and how many more times technology shows itself in what is a much more interactive dining experience. This validates the contention that focusing traditional investments in restaurant marketing, loyalty, and point-of-sale (POS) will simply not be enough to maintain competitive positioning and existing market share, and that those operators who broaden interactions with their consumers with advanced technologies are set up to win – big time.



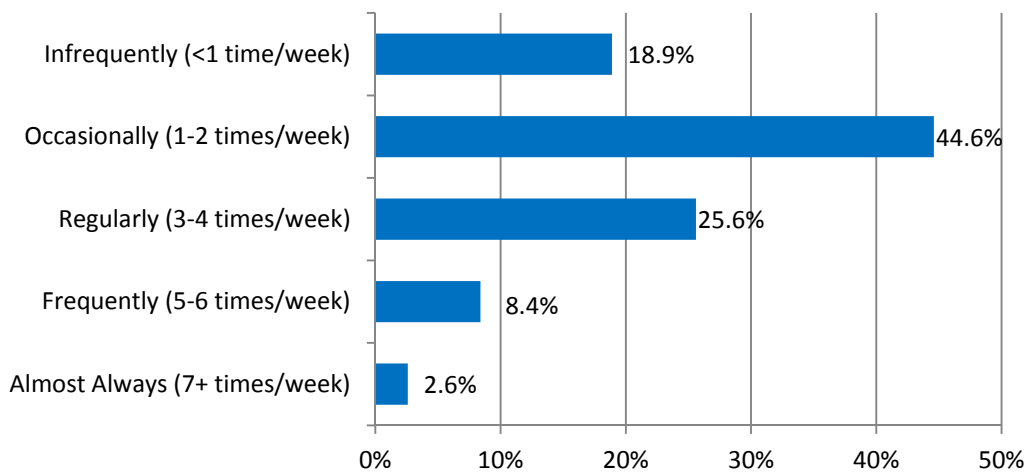
## Methodology

In Fall 2010, ParTech commissioned an external market research firm to survey a significant sample of dining consumers to assess their views on new technologies and their impact on restaurant operations.

A total of 1,277 consumers from the U.S. and Canada were interviewed, of which 80% were from the U.S. Each gender was equally represented, and ages were representative of the U.S. population. In addition to age and gender, the survey results included demographic segmentation on dining frequency, U.S. geographic region, and restaurant segment preference.

Among survey respondents, 36.6% dined out at least three times a week. Nearly 60% of the respondents selected dinner as the primary meal when eating out, with 31% selecting lunch. Almost 48% selected table service (casual or fine) as their primary restaurant selection, with 38% selecting quick service. Nearly 15% selected fast casual. The survey has a maximum margin of error of 2.65% with a 100% confidence level for results including all respondents.

**Figure 1:** Survey Respondant Distribution by Dining Frequency



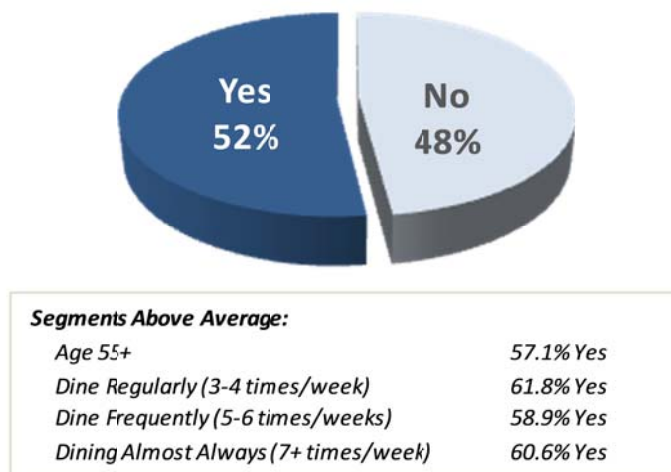
Source: ParTech, Inc., 2011

## Trend #1 – The Successful Shift Toward Targeted Restaurant Promotions

In 2005, the global advertising spend across all markets was approximately \$650 billion, of which nearly 94% was spent on traditional media such as newspapers, television, and radio. Six years later the wholesale shift of that spend to more targeted, measurable media such as online advertising is accelerating.

Consumers in this survey have shown not only an interest in seeing this expansion of targeted offers, but are using them. Over half (52%) of the survey respondents have chosen to dine at a specific restaurant solely due to an online offer made to them. Among frequent diners eating out at least 3 times a week, 61% have selected a restaurant destination entirely because of a targeted promotion. Of those that responded “yes,” 69.6% had made this type of selection two or more times, and 22.2% made the same selection more than five times.

**Figure 2:** Have you ever selected a restaurant SOLELY because of an online (banner) advertisement or email offer?



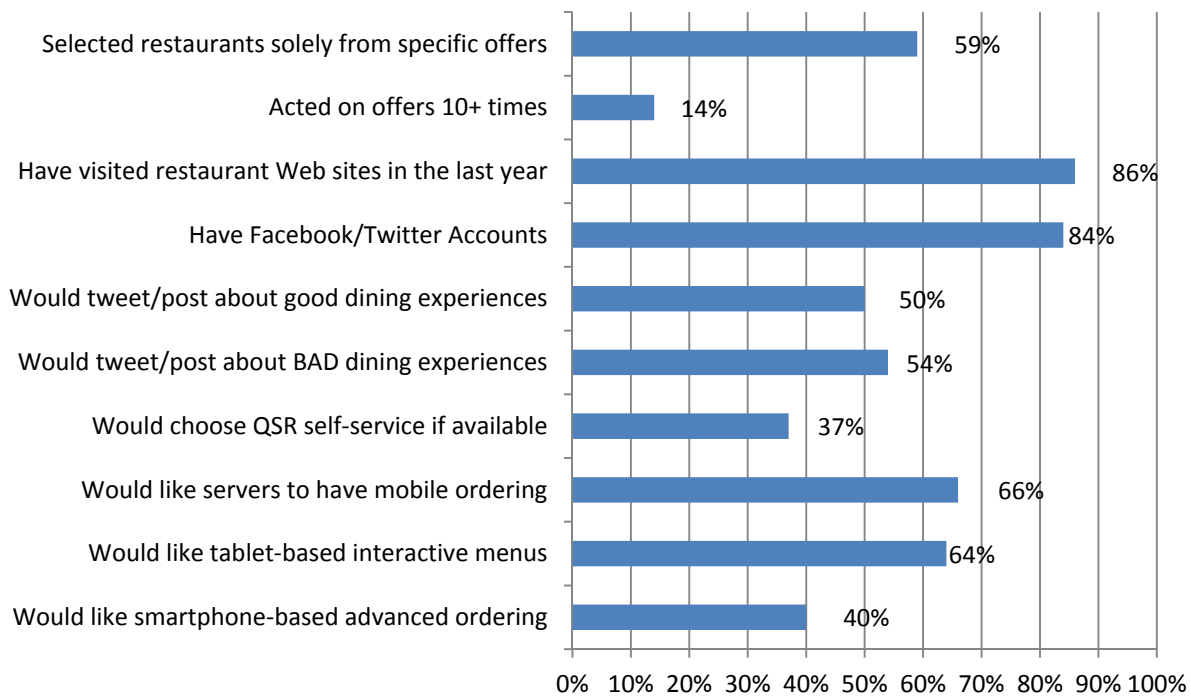
Source: ParTech, Inc., 2011

Consumers are not always waiting for the restaurant offers to come to them. Nearly 78% of respondents said they had proactively visited a restaurant’s Web site in the last 12 months, with the highest percentages concentrated in the Western U.S. and among frequent diners. While 87% of those visiting did so to review menu choices, 51% did so to seek information on promotions and specials that the restaurant might be offering.

## Trend #2 – The Technology Opportunity with Frequent Diners

It should not be surprising that consumers who eat out more than five times per week would place greater importance on the quality and efficiency of their dining experience. With frequent diners having above-average check size, profitability, and brand loyalty, these are the customers to land and to keep. Survey respondents for this demographic left a clear impression that they would take advantage of ANY technology-oriented capability that would positively impact their visit, and would shift loyalties rather easily if an alternative satisfied their needs. The analysis on high-frequency (5+/week) diners in the survey concluded:

**Figure 3:** Responses From High-Frequency Diners (5+ times/week)



Source: ParTech, Inc., 2011

Frequent diners represent the clearest case by far of how expanded consumer interaction, starting and ending outside the restaurant and the meal, can directly influence dining and spending decisions. High frequency diners will spend more time selecting a restaurant, be influenced by in-restaurant offers, leverage self-service technologies, and insist on technology capability that makes their efforts flexible and more efficient.

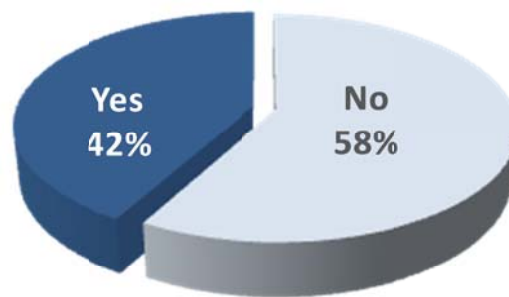
### Trend #3 – Social Networks are Changing Restaurant Marketing - Forever

A major metropolitan newspaper might have a circulation of 2 or 3 million. A top-rated television show – maybe 20 million viewers. Total Facebook subscribers – over FIVE HUNDRED MILLION worldwide.

The sheer magnitude of social networking’s explosive growth as indicated by this number is hard to comprehend. It reflects, along with digital media, the most profound shift in information exchange and influence management ever seen in the technology marketplace. The rapid adoption of social networking among the masses, and its impact on the dining experience, is also reflected in the survey results.

Seventy five percent of total respondents were users of Facebook and/or Twitter, with higher usage in the Western U.S. and with younger consumers. Nearly one-third (32%) said they would “definitely” or “likely” use social networking to communicate a very good restaurant experience, while 43% said they would do the same for a very BAD experience. But most interesting of all was that 54% of frequent diners eating out at least five times a week said they would post or tweet a bad experience – signaling to restaurants everywhere that the exponential growth in the “casual reviewer” community has potentially massive ramifications if not properly managed. Because these casual reviews are being read and dining decisions made because of them – a lot.

**Figure 4:** Have you ever eaten at a previously unvisited restaurant solely because of information gathered online from user-generated reviews at sites like Epinions, OpenTable, Yelp or Zagat?



Source: ParTech, Inc., 2011

Similar to the positive influence seen with targeted online promotions, 42% of survey respondents said they had made a restaurant selection based solely on a casual review posted on a social networking site. The shift away from the long-standing newspaper review or restaurant guide as the primary source of information about restaurants is well underway.

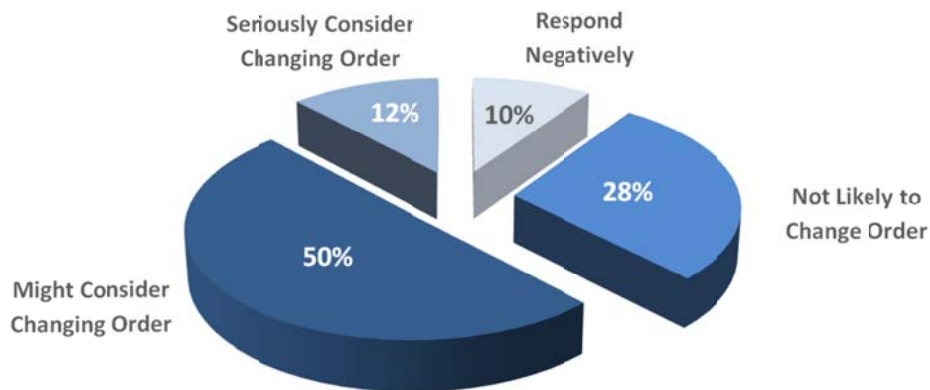
## Trend #4 – The Benefits of Real-Time Order Influence

It’s long been thought that if restaurant POS technology focused on the “speed” and “efficiency” of the order process between customer and server/cashier, all the tangible benefits and return on investment would naturally result.

Not so.

The strategic foundation of any next-generation restaurant POS is a flexible workflow model that provides universal interaction and influence at every stage of the current customer request. Why? Because 69.5% of dining consumers in the survey still have not made up their mind about what to order until the order itself is underway. That leaves a wide opportunity to passively (not intrusively) influence purchase behavior during the order itself. Respondents were asked about specific technology options that play a role in influencing order behavior.

**Figure 5:** How likely are you to respond to specific offers (e.g. combos, discounts, additional add-ons) being made to you during an in-process order based on the items you already selected?



Source: ParTech, Inc., 2011

**Promotional offers during active orders.** 62% of total respondents said they “might consider” or “seriously consider” changing their order based on a specific discount, combo, or promotional offer made during the creation of a restaurant order (via either POS terminal or server). But actual acceptance of an offer would be based on the offer itself, not on items already ordered. Just over 28% would not likely respond to an in-order promotion, but would not be upset at the restaurant for trying.

**Digital menu boards.** While only 23% of total respondents could confirm seeing a digital menu board before ordering, 47.2% of that group acknowledge their order was influenced either by a specific promotional offer or by more generalized interactive advertising. Digital menu boards could backfire, however, as 32.3% of the survey participants said they would immediately stop eating at any restaurant that used digital menu boards to change item prices multiple times a day.

**Self-service order kiosks.** While some industries have achieved tremendous success with self-service technology (hello, airlines), customers’ use of restaurant-based kiosks is on a slow but improving pace to acceptance. While just 25% of total respondents had ever used a restaurant ordering kiosk, usage was higher among younger customers and frequent diners. Most customers in the survey were clear about their position on kiosks – over 63% of those that used them said that self-service ordering was “nice as a choice,” but did not believe that the technology could itself replace assisted ordering. An exception to this rule applies to frequent diners, where 38.5% of respondents eating out 7 times or more per week would prefer to place a self-service restaurant order.

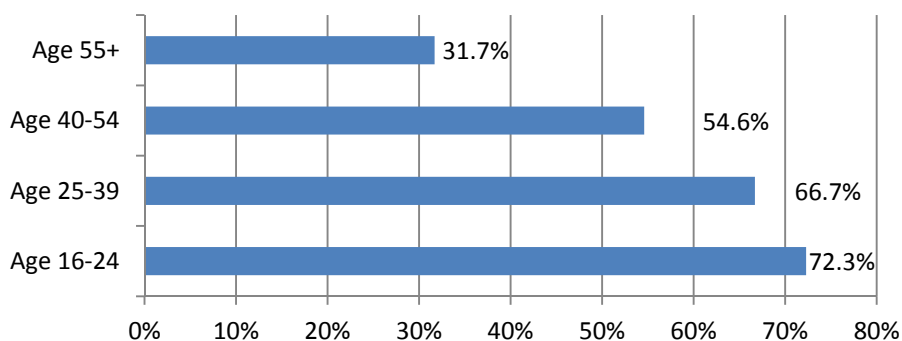
**Mobile ordering (table service).** With the topic of mobile device-based order taking by restaurant servers, most consumers react positively to the idea. Nearly 54% of respondents responded positively to the concept of their server using mobile ordering (if it speeds the order and improves accuracy. Another 38% were neutral and only 9% responded negatively because they preferred traditional restaurant ordering methods.

## Trend #5 – “Millennials” as Restaurant Customers – Influence Them Differently

The press calls them “Generation Z,” market researchers often refer to them as “Millennials,” to most parents it would just be “exhausting.” We are talking about the current batch of 16 to 24 year olds who make up the youngest consumer segment rewriting the play book on people interaction, instant communication, and mobility armed with a level of universal technical skill not seen at any point in history. Radically new technologies are being invented to satisfy the insatiable thirst for information by this generation, and entirely new influencing systems will need to be leveraged by restaurant operators to have any hope of grabbing their attention and taking a piece of their spending – especially in the next decade as Millennials emerge as one of the largest and most complex segments of the consumer marketplace.

In our study findings, Millennials are living up to their reputation. 92% of survey respondents (in the Millennial demographic) use Twitter and Facebook today. Another expectation confirmed by our study – Millennials live and breathe through their mobile phone. While 44.9% of the total study respondents said they had “no interest at all” in receiving location-based restaurant offers on their mobile phones, 72.3% of the 16-24 year-old demographic said they had “some interest” in those types of promotions. When asked about future technology that would address both coupon/promotion redemption and payment processing on their own mobile phone, 37% of Millennials saw that as a positive idea, compared to 29% for the total survey and only 11.2% of the 55+ demographic.

**Figure 6:** Respondents who expressed “some interest” in receiving targeted, time sensitive offers being sent to their mobile phone based on their immediate proximity to the offering location (GPS-based opt-in program).



Source: ParTech, Inc., 2011

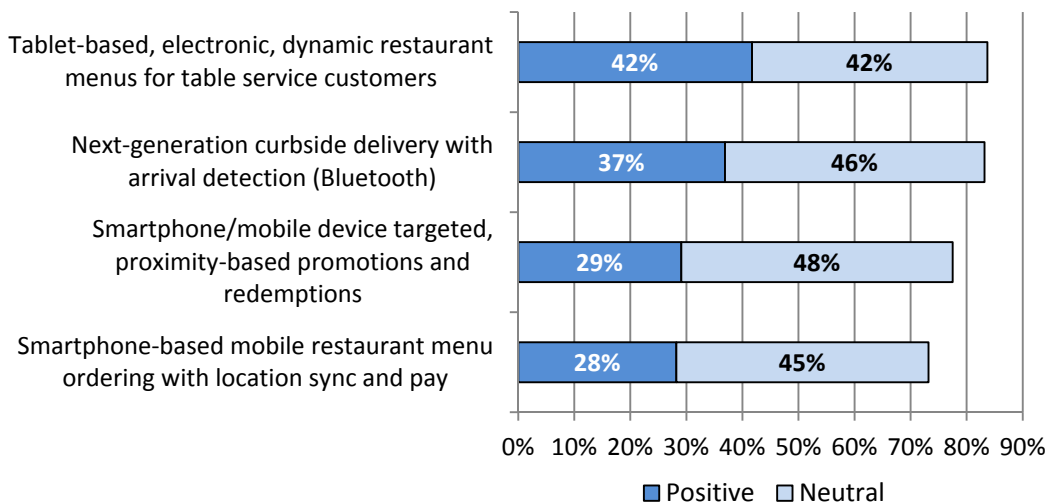
In our study findings, this “mobile phone obsession” theme extended to the use of gift cards. When asked about interest in restaurant gift cards delivered via SMS and used from a mobile phone, 72% of Millennials saw that as positive, compared to 57% of the total survey sample.

Self-service technology was another interesting priority for this tech-savvy generation. When asked if they had used kiosks to order food in a QSR restaurant, 37% of Millennials said yes, compared to only 25% for all respondents. That same percentage of Millennials remembered seeing digital menu boards for interactive advertising and offers – in stark contrast to the senior age demographic of 55 or older where only 14.5% remembered seeing digital signage inside a restaurant.

## The Road Ahead: How Consumers View FUTURE Restaurant Technology

While much of this consumer-oriented study was directed at assessing opinions on currently available or deployed restaurant technology solutions, there were also questions that outlined “potential scenarios” designed to see how different groups would react to new technologies and new approaches effecting the dining experience.

**Figure 7:** Overall Responses to Potential Technology Scenarios (% Positive and % Neutral)



Source: ParTech, Inc., 2011

- Survey participants were asked about a table service restaurant environment where all menus were presented on tablet-like interactive digital devices, and where menu and promotion content could be personalized for frequent or loyal customers who opted in. Overall 41.7% of those surveyed saw this as a “positive” idea, including 59% of Millennials and 73% of very frequent (7+/week) diners. Only 16.4% of respondents looked at this as a “bad” idea.
- The survey asked a question that extended the idea of curbside delivery – allowing a customer’s mobile phone to be auto-identified by Bluetooth as they arrive in the delivery area, instantly signaling the restaurant to walk the order out to the customer, providing confirmation and mobile phone-based payment carside. While 46% of respondents were neutral to the concept, 37% saw it as positive while only 17% described it as “bad.” The idea was especially intriguing to very frequent diners (69.7%) and those in the Southwestern U.S. (47%).

- Survey participants were luke-warm about the idea of restaurants delivering uniquely identified offers via bar-coded coupons to opt-in customers who are in close proximity to the restaurant. Only 29% thought this was a positive idea, 48% was neutral about this concept and 23% felt this was a bad idea. The greatest positive response for this idea was from respondents in the Southwest U.S. (42%) and those who dined 5+ times/week (41%).
- Feedback was less positive on the idea of a mobile-phone based restaurant ordering application that would allow scheduled pickup (with advanced payment) or your order to be made once you arrived and were seated at the restaurant. Only 28% thought this was a positive idea, 45% really didn’t care or share an opinion, and 27% saw this was a bad solution. Even the tech-oriented Millennial crowd was lukewarm, with only 36% saying they saw mobile phone ordering as a positive idea.

While these “future state” concepts were only meant to highlight potential capabilities that restaurant operators might consider, our findings conclude that ANY tech-oriented idea, however radical, that works to enable flexibility, mobility, and efficiency in the dining experience is going to receive a welcome audience – especially among the younger and more frequent diner demographics.

## The Call to Action (and the Cost of Complacency)

This white paper has presented a wide array of statistical data designed to quantify the current mindset of the restaurant customer, and to help highlight differences in beliefs or ideas across specific demographics. The data supports a number of important takeaways, including:

- The strategies to influence dining consumer’s behavior have changed, and will continue to change -- dramatically
- The true scope of the “dining experience” extends before and after the four walls of the restaurant
- Traditional order taking is becoming obsolete
- There is zero dispute that technology is a critical component of the changing dining experience

As a restaurant operator, you might be in general agreement with these points, but you still feel compelled to ask the very simple question:

*“Yeah, OK, I get what you are saying about my current and future customers. So what do I do now?”*

While every operation is different, there are important priorities that **MUST** be part of any restaurant’s strategic plan to both orient company thinking toward this emerging customer experience concept, and to technically-enable the kind of efficient, flexible, and profitable execution that will create market leaders for this industry.

- **Embrace fully interactive ordering.** In all restaurant segments and concepts, customers simply want the flexibility to order the way they want to order, and operators want the ability to influence buying behavior. Neither happens without a front-of-house POS solution that enables different order touch points (terminal, self-service, mobile) and allows for complete “conversational” order flows. As promotional offers can be embedded into the natural approach to ordering, they will resonate with many customers, creating both increased per-check profitability and enhanced customer loyalty.
- **Pay close attention to non-traditional marketing methods.** The era of the user-oriented review is upon us, and your current and potential customers are reading them. You must take advantage of every social networking and targeted marketing opportunity, before and after a transaction, to expand your brand value and potential reach.
- **Mobile, Mobile, Mobile.** Every restaurant technology plan must incorporate investments in server-oriented mobile ordering, self-service ordering, mobile payment, and mobile business intelligence – not to mention being prepared for every single consumer-held smartphone becoming a part of your operating framework.

- **Know thy current and potential customer, and (quietly) personalize your offering to them.** There is a fine line between influence and intrusion, but the quantified benefits of well-orchestrated offers to dining customers are well established. Real traffic flow and guest check increases are available to those restaurant operators who fully optimize their targeted promotion strategies – including making sure that redemption is as easy and efficient as possible.
- **Provide a restaurant technology platform that focuses on “nimble,” “enabling,” and “revenue generating,” not just on efficiency and cost.** Of course you want your POS and technology spending to be cost-effective – that’s a given. But to compete in this environment it won’t be the cost-cutter or most efficient that wins – it will be the operator that gives their customers choice, responds fastest to changes, and stays ahead of the curve on the next-generation customer dining experience.

Any combination of these actions, properly deployed, has the potential to establish the level of brand value, customer satisfaction, and positive financial performance any restaurant operator would cherish.

## Boundless Hospitality™

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

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

**PAR EverServ Software** – PAR provides feature-rich POS applications that support the unique operating requirements of any restaurant format. Each solution can scale from the smallest operators to the largest chains, and all solutions can integrate together in support of multi-format chains. PAR EverServ POS tightly integrates with a number of enterprise applications, including POS Back Office, as well as cloud-based configuration management and reporting platforms. PAR also offers PDA-enabled solutions for automated food quality compliance monitoring and real-time employee task management.

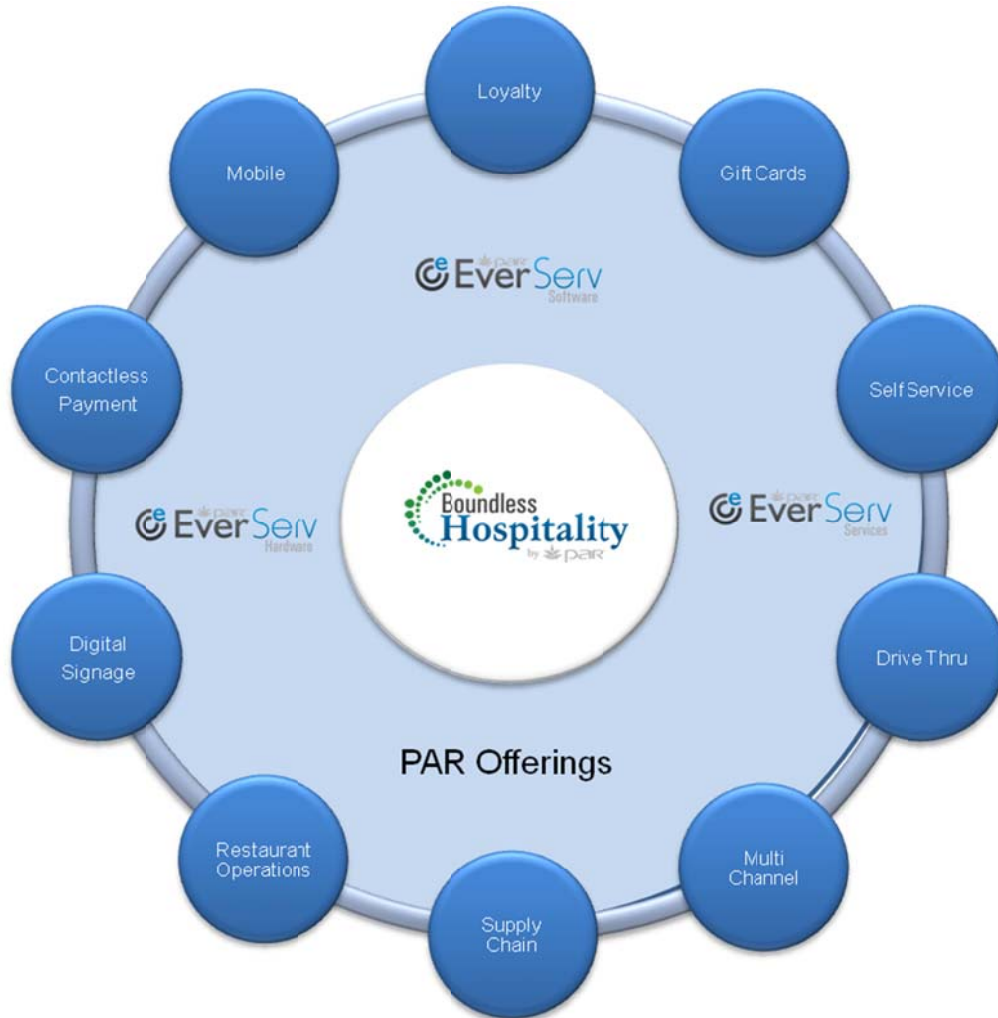


**PAR EverServ Hardware** – PAR EverServ 6000 and PAR EverServ 2000 are offered in deployment models easily configured for different restaurant formats and business requirements, supporting all the critical operational, ergonomic, and market-related business functionality. The PAR EverServ Kiosk 6000 provides a self-service and self-ordering platform that adapts to varied installation needs and form factors.

**PAR 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 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 complement PAR’s core POS and back office-oriented product capabilities and can be integrated as a part of a PAR-designed comprehensive solution strategy.

### PAR EverServ Ecosystem



## Summary

The hyper-competitive landscape that defines the restaurant industry mandates a “think different” strategy if any level of differentiation is to be achieved. Only those operators that fully embrace the wants and needs of the consumers, as outlined in the data from this study, are going to have any hope at all of surviving over the long-term. Small adjustments to tactical plans and maintaining a focus on entirely traditional methods of order management, marketing, and promotions will only guarantee one thing – mediocrity.

Market success and leadership will only come to those restaurant operators who enable an operating platform that gives their customers (and their competitor’s dissatisfied guests) the dining experience they want and deserve. There is no more time to wait. Leaders and laggards are being defined right now.

Which one are you?



## **About ParTech**

ParTech, Inc. (PAR), a wholly owned subsidiary of PAR Technology Corporation, has built its more than three decades of success around delivering advanced point-of-sale and enterprise back-office solutions for restaurant and retail operators worldwide. PAR has provided hardware, software and services to the world's largest restaurant chains and their franchisees. The Company's extensive offerings are backed by PAR's global service network and its Boundless Hospitality™ vision for enhancing restaurant operations in a new era of dining out. The Boundless Hospitality vision drives the development of game-changing solutions, and is supported by a partner ecosystem that accelerates innovation more quickly than possible for any single company working independently. The Company has more than 50,000 installations in 110 countries worldwide. In addition to solutions for the restaurant industry, PAR products are improving the customer experience in retail, including the cruise, hotel, casino and entertainment industries. PAR Technology Corporation's stock is traded on the New York Stock Exchange under the symbol PAR. For more information visit the Company's Web site at [www.partech.com](http://www.partech.com).

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