— Restaurants —

How tech is shaping the future of restaurants

As masks, latex gloves and plastic partitions slowly fade from our day-to-day existence, we constantly have been asking ourselves how consumer behaviors have been influenced by the pandemic and how we can adjust to stay ahead of them. Restaurants arguably experienced the most dramatic and abrupt change as indoor dining was shuttered during the pandemic. Although the economy largely closed down in March 2020, U.S. fast-food drive-thru sales increased by $300 million for the month compared with the same period in 2019, according to data from the NPD Group, a market research firm. Studies have shown that other off-premises food options also soared, with one suggesting that 53% of adults now view takeout or delivery food as "essential to the way they live" and 68% of customers saying they are more likely to purchase takeout and delivery food now than before the pandemic, according to data from a January National Restaurant Association report. Such a historic shift away from traditional on-premises dining certainly will have lasting implications to the industry, and the customer preference for the newfound convenience is not going away.

■ Tech driving drive-thru throughput. The most visible example of this shift came during the early days of the pandemic when drive-thru lanes overflowed onto arterial streets across the country and drive-thru restaurants scrambled to implement opera-

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tional efficiencies and ramp up technology to improve the customer experience. In addition to its new prototype restaurants, which include two full-length drive-thru lanes around the entirety of the building, Chick-fil-A ramped up its integration of tracking cameras and artificial intelligence technology to better manage inventory and food safety. The new AI systems rolling out can anticipate restaurant-specific demand curves and compare them with other external data along with real-time inventory levels to proactively take steps to accommodate previously unpredictable order fluctuations.

Burger King also is continuing to develop its "Blue Flame" AI menu board system, which uses predictive technology to upsell customers in the drive-thru lane by suggesting foods based on customer traits, weather patterns or what is popular in the area at the time. Several retailers have made the news lately for their use of facial recognition inside stores, but many restaurant concepts are experimenting with technology that can identify repeat customers in the store and instantly access their profile and order history using a smartphone's Bluetooth signal, Wi-Fi ping or biometrics.

■ A race to frictionless ordering.

Although digital ordering and pickup have existed for some time, their adoption in the U.S. market has been relatively slow … until last year. Restaurants rushed to make sure their ordering systems could handle the increase in online takeout and delivery orders and have honed them through COVID-19.

For example, Olive Garden focused on perfecting its digital ordering platform as soon as its dining rooms closed, and its efforts seem to be paying off. Takeout orders in the most recent quarter represented 33% of its total sales, an impressive doubling of its pre-pandemic level of 15%, according to the most recent annual report guidance from Darden, the parent company for Olive Garden. A nice side effect of its digital platform development is that a record 64% of all takeout orders in the most recent quarter were made online, freeing up valuable staffing resources and reducing the cost of order mix-ups from human error. Still, the increase in digital sales didn't outpace the loss of dine-in revenues as Darden reported a dip in comparable revenue of 7.8% over the prior fiscal year due to disruption in traffic and indoor dining restrictions.

Even with the diminished top-line sales, however, earnings before interest, taxes, depreciation and amortization during the same period improved by 27.3% as the company underwent several cost-cutting, order processing and menu simplification programs designed to improve margins. Restaurants have spent a significant amount of time and money updating their

systems and investing in tech over the last 18 months, but the operational efficiencies and profitability gained in the process should generate long-term improvements to their bottom lines.

■ The future of restaurant demand. As advancements in tech continue to push the envelope for sales achievable within a given square footage of restaurant space, the price of well-located, well-managed shopping center space and the increasingly rare drive-thru will continue to increase. Indoor dining is coming back slowly, with most restaurants in Colorado only just reaching their 2019 visit levels two or three months ago, based on our analysis of data from Placer.ai. Savvy shopping center landlords will continue to work with their restaurant tenants to find designated areas for contactless pickup, expanded outdoor dining areas, and provide more community messaging and events focused on keeping customers on-site and restaurants tenants happy.

The increased adoption of tech in the restaurant industry is no different than what we have seen in the larger retail arena over the last decade. Takeout and delivery aren't going to kill the traditional brick-and-mortar dining industry, but they will place more pressure on a restaurant demand for convenient, unique and high-quality locations, further increasing the value of curated and well-managed shopping center destinations. ▲

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