



PYMNTS



March 2023

Inflation Makes Technology Table Stakes for Restaurants

Money Mobility Tracker® Series

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Money Mobility Tracker® Series

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PYMNTS



Acknowledgment

The Money Mobility Tracker® Series is produced in collaboration with Ingo Money, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

Need to Know

Restaurants Are Out of the Frying Pan and Into the Fire

Since the pandemic hit, it seems the restaurant industry cannot catch a break. Almost overnight, it had to adopt digital channels and hybrid dining experiences to stay open amid restrictions on in-person dining and widespread health concerns. Restaurants hoping to find some respite now that these disruptions have ended, however, find their feet being held to another fire — this time fueled by macroeconomic factors.

High inflation and supply chain issues have increased eateries' operational costs, forcing most restaurant owners to [raise](#) prices. Elevated costs, in turn, appear to be harming customer satisfaction, as 29% of consumers say they are tipping less because they perceive a growing gap between the cost of a meal and their satisfaction, according to PYMNTS [research](#).

Rising costs are forcing restaurant owners to raise menu prices, [according to the National Restaurant Association](#).



92%

Share of restaurant operators that identify food costs as a significant challenge



87%

Share of restaurants that have increased menu prices as of December 2022

Need to Know

Staffing shortages are harming customer satisfaction.

Making matters worse, the restaurant industry is also experiencing a severe staffing crisis. Restaurants are struggling both to attract new employees and to keep their old ones, with PYMNTS [finding](#) that almost half of restaurant managers have encountered obstacles hiring or retaining staff. As a result, 62% of restaurants do not have enough employees to support existing demand, [according](#) to the National Restaurant Association.

Due to these staffing issues, the service at many restaurants has deteriorated. The lack of staff is causing longer wait times and worse service for a growing portion of restaurant-goers. During Q1 of 2022, for example, customers [noted](#) a lack of staff three times more often in their Yelp reviews than in 2021, and references to long waits shot up 23%.



Staffing shortages are wreaking havoc across the restaurant industry.

62%

Share of restaurants that do not [have](#) enough employees to support existing demand

76%

Share of consumers who [consider](#) staff stability as critical

Need to Know

Technology can help restaurants weather the storm, yet many have yet to adopt these tools.

In light of the economic challenges facing the restaurant industry, the importance of technology is growing. A [survey](#) revealed that 75% of restaurant operators planned to adopt new technology in 2023 to address their labor and cost challenges. From automated payroll and staff scheduling solutions to cloud-based point-of-sale (POS) systems, technology can help restaurants automate and streamline critical aspects of their business.

Many restaurants, however, have yet to adopt the needed solutions. According to the [survey](#), 81% of independent restaurants are still using legacy POS systems, which are often incompatible with solutions that could reduce staffing and cost problems. To be in the best possible position to overcome economic challenges, restaurants need to do more on the technology front.

Although technology can be used to help overcome economic challenges, many companies are still using legacy tools.



81%

Share of restaurants still using legacy POS systems



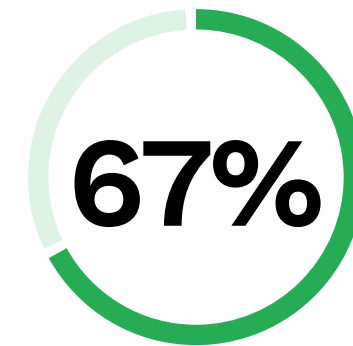
75%

Share of restaurants planning to adopt technology in 2023

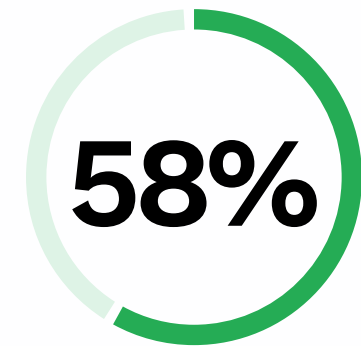
News and Trends

Pressure Mounts for Restaurants to Modernize

It appears that the restaurant industry would be under pressure to embrace technology even without the current staffing crisis. A recent [survey](#) found that although the majority of consumers prefer ordering in person at a quick service restaurant (QSR), millennial and Generation Z consumers prefer self-ordering at a kiosk. Fifty-eight percent of millennials and a striking 67% of Gen Zers preferred the kiosks, in contrast to only 41% of the general population. Those who preferred kiosks cited the ability to build their own orders and less stress while ordering, among other benefits.

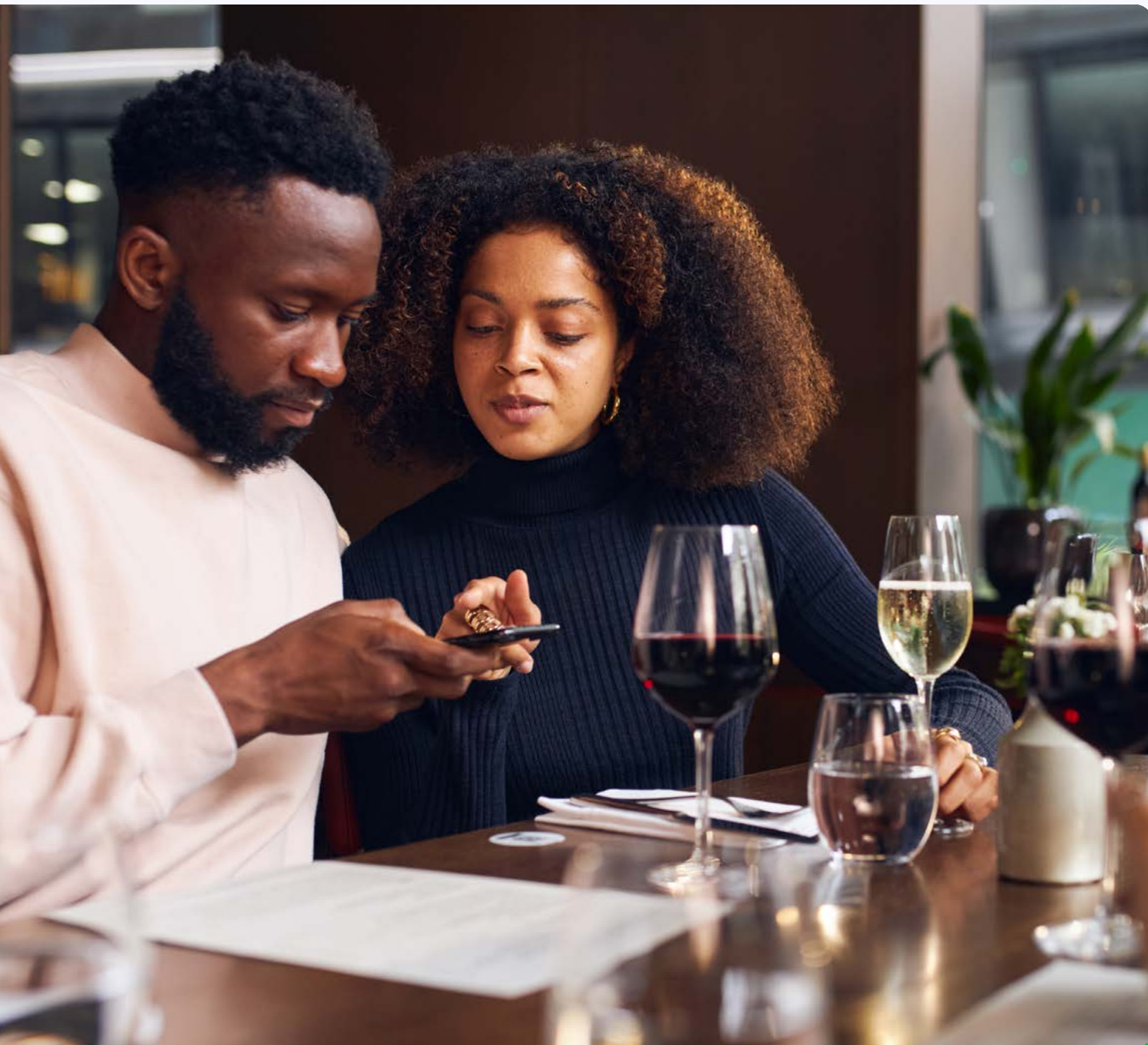


of Gen Zers prefer ordering at a QSR using a self-service kiosk.



of millennials prefer ordering at a QSR using a self-service kiosk.

News and Trends



Canadian restaurants are becoming more than just restaurants

Canadian restaurants are undergoing a fundamental transformation, according to the 2023 Future of Commerce [report](#). No longer content — or possibly able — to survive merely by selling meals, 89% of Canadian restaurants are planning to expand their non-core products and services in 2023 to include selling retail goods and offering cooking classes.

These plans are a continuation of a trend that is already underway. Last year, 54% of Canadians purchased retail items in restaurants, up from 49% in 2021. In fact, 21% of restaurants' revenue is currently from products and services distinct from their core restaurant offerings.

News and Trends

Burger King embarking on modernization efforts to combat declining revenue

Burger King has seen declining profitability in the United States since 2019, according to Patrick Doyle, executive chairman of the chain's parent company, during a Q4 2022 earnings call. With profits on the decline, the fast food chain closed 63 restaurants — 0.9% of its U.S. locations.

The chain is also working with store operators to improve restaurant operations. In a \$400 million program termed Reclaim the Flame, parent company Restaurant Brands International is working to modernize Burger King locations. Nearly \$200 million is going toward renovating an estimated 800 restaurants.



PYMNTS Intelligence

Technology Can Help Restaurants Through the Current Crisis

As many industries embraced modern payments systems and other digital capabilities in recent years, the restaurant industry largely [lagged](#) behind. This changed, however, during the pandemic as restaurants were forced to adopt digital tools to operate at a time of store closures and social distancing.

Restaurants benefited tremendously from the shift, with one [survey](#) finding the majority of restaurant owners in agreement that new technology adoption over the past two years has been critical to their businesses' survival. Now that the industry finds itself in another crisis, technology once again is poised to come to the rescue.



PYMNTS Intelligence

Many restaurants are already automating, yet additional automation opportunities exist.

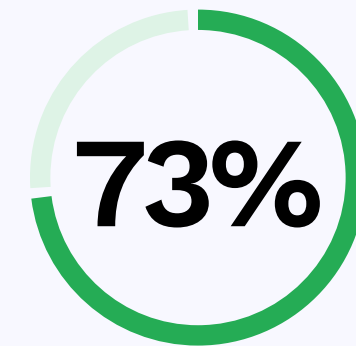
Automation saves restaurants time and money

Restaurant owners have a variety of software and other digital tools at their disposal to address rising costs and labor shortages. One primary way they can do this is through automation. Already, 75% of restaurants are [using](#) automation in at least three areas of operations, yet many restaurants have opportunities to innovate further — especially their back-office tasks.

According to one [estimate](#), restaurant operators are spending 20 hours per week on employee-connected administrative tasks that could easily be handled with software. Indeed, 90% of restaurant owners [view](#) increased automation of back-of-house operations as a way to free up time to focus on more important tasks. Solutions that could deliver these improvements run the gamut from labor management software to inventory management tools to better internal communication methods.



Share of restaurant owners that [view](#) increased automation of back-of-house operations as a way to free up time to focus on more important tasks



Share of consumers who [prefer](#) automation over interacting with staff members in at least one area of a business

As restaurants pursue automation, they should consider adopting cloud-based POS systems to help streamline operations. An effective cloud-based POS device [supports](#) third-party integration and application programming interface (API) standardization, allowing restaurants to create a centralized platform across all their ordering and payment methods. This reduces user errors, saves time and potentially drives additional revenue: In a [survey](#) of restaurants with such connectivity, 70% of respondents said that customer frequency and traffic increased due to the seamless connection between online and mobile ordering and POS systems.

PYMNTS Intelligence

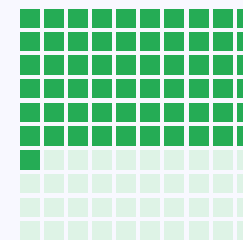


Restaurants can also expand ordering and delivery methods

Restaurants can also reach more customers without needing to hire additional staff by expanding their online ordering and delivery services. Many restaurants have already pursued such technology and have enjoyed the benefits: New or expanded online ordering systems were among the most adopted technology tools in 2022, according to a [survey](#), and were also cited as having improved business the most.

Restaurants can also adopt digital tableside ordering and payment capabilities to deal with staffing shortages. Implementing tableside ordering and payment technology helps reduce labor costs because customers can order and pay without the need of a server. Similar technologies can be brought to bear on the drive-thru experience — a development that many customers would welcome with open arms. A [survey](#) found that 70% of restaurant customers want technologies such as personalized menus, voice assistants powered by artificial intelligence (AI) and smartphone apps incorporated into the drive-thru.

61%
Share of fast casual restaurants in the U.S. that [adopted](#) or expanded online ordering options in 2022



70%
Portion of restaurant customers who [want](#) technologies such as personalized menus incorporated into the drive-thru

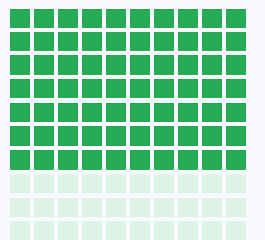


Chart of the Month

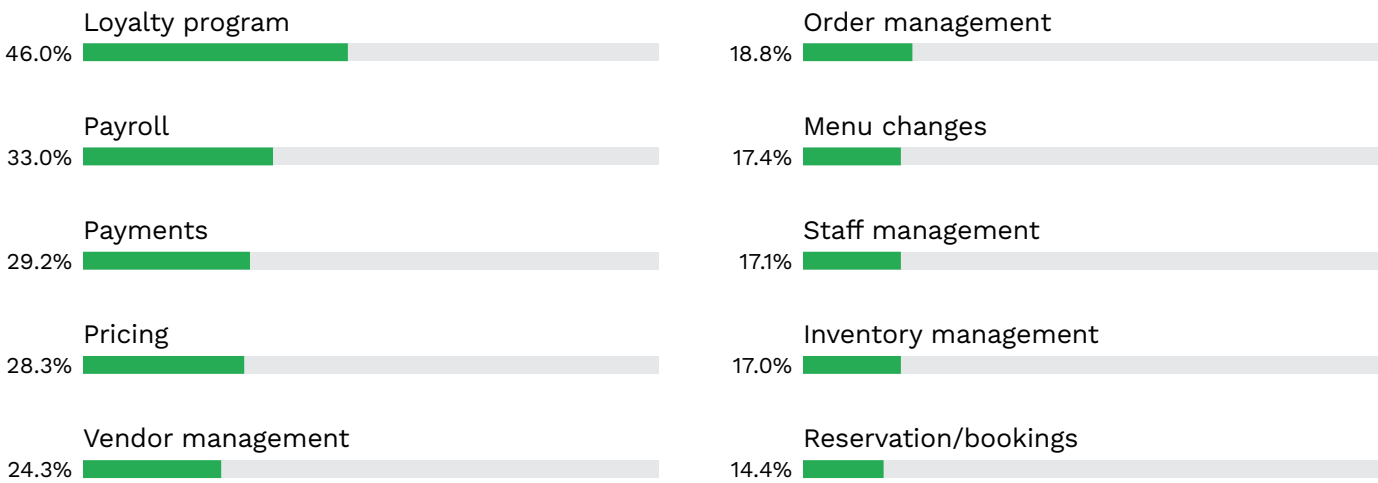
Restaurants Have Automation on the Menu

Many restaurants have already begun turning to automation to streamline their operations. As a [PYMNTS survey](#) revealed, automation is found in a variety of areas, showing just how many opportunities exist for restaurants to drive efficiency. Automation related to loyalty programs was the most common, with 46% of restaurants having mostly or fully automated in this area. Payroll came in second place, with 33% of restaurants having automated this process, while payments came in third, at 29%.



Restaurant automation

Share of restaurants with select aspects of operations mostly or fully automated



Source: PYMNTS
Restaurant Readiness Index, July 2022
N = 519: Complete responses, fielded April 7, 2022 – May 5, 2022

Insider POV

An Industry Insider on Tipping the Scales in Restaurants' Favor



BRIAN HASSAN
Co-CEO



“The total addressable market of digital tipping ... has grown in multiples. What used to be only in full service is now in full service, quick service, airports, stadiums, personal services and the list goes on. It touches our lives every day and almost every transaction we might encounter outside of retail.”

With the restaurant and hospitality industries mired in a staffing crisis, [Kickfin](#) co-CEO Brian Hassan explains why digital tipping platforms that enable instant payouts can help companies attract and retain employees.

At a time of widespread staffing shortages, restaurant and hospitality companies are searching for ways to retain employees and attract new ones. While there is no panacea for this problem, tipping-related platforms can make a big difference. In recent years, digital tipping culture has become more systemized and increasingly expected — and tipping has consequently surged, with a [report](#) from Square finding that total tips for full-service restaurants and QSRs shot up 25% and 17%, respectively, during the latest quarter compared to a year before.

Insider POV

In an [interview](#) with PYMNTS, Brian Hassan, co-CEO of [Kickfin](#), noted that consumers can hardly get a cup of coffee anymore without being asked to tip a few bucks, a trend that companies can take advantage of with digital tipping platforms that support instant payouts.

Hassan explained that with the right type of platform in place, the surge in tipping can be a boon for restaurants because they are able to pay workers right away, every single day, resulting in a higher take-home wage, which is what many employees are looking for.

“If there’s any way that they can reduce what is a multi-hundred percent turnover year over year on labor by saying ‘Instead of paying you \$15 an hour, perhaps you could take home \$20,’ [then that’s just smart business],” he said.

This can make a major difference because acquiring and retaining new staff can be a costly affair. Hassan estimated that employee acquisition and retention can cost eateries and coffee shops as much as \$5,500 per worker.

Digital platforms can also make divvying up tips far easier than traditional methods. Rather than manually counting tips and handing out physical money to employees at the end of their shifts, companies can seamlessly calculate and track who is owed what — and make payments directly into employees’ bank accounts accordingly.

Hassan noted that more restaurants are adopting digital platforms, often by integrating such capabilities into their POS and/or enterprise resource planning (ERP) platforms. To meet this demand, Kickfin added digital tipping and instant payout features into their platforms, tapping Ingo Money to embed this functionality.

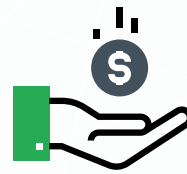
The key is to make it as easy and safe to use these platforms as possible. Kickfin, for example, can be deployed directly into POS or ERP platforms or, if a company prefers, in an unintegrated fashion so the solution can be used right away. The easier platforms are to adopt and use, the more restaurants will embrace them.

Insider POV

Digital tipping platforms can help promote staff retention.



Acquisition and retention costs eateries and coffee shops as much as an estimated \$5,500 per worker.



Total tips for full-service restaurants shot up 25% during the latest quarter compared to a year before.



During this time, total tips for QSRs increased by 17%.



Companies to Watch

Robots in Restaurants Are Becoming a Reality

McDonald's®

Fast food giant McDonald's is [testing](#) a fully automated, robot-run restaurant in Forth Worth, Texas. The first of its kind, this McDonald's branch requires no human involvement in meal ordering and pickup. Customers use automated screens to order and retrieve meals via machine.



Chipotle Mexican Grill is [testing](#) a robotic tortilla chip maker named Chippy at one of its locations in California. The robot, known as an autonomous kitchen assistant, was made by Miso Robotics and went live in October 2022.

Uber Eats

Since December 2022, Uber Eats has been [employing](#) autonomous robots to deliver orders to some customers in Miami. Using multiple sensors and cameras to navigate, the robots walk along the sidewalk and are supervised by human handlers.



Uber Eats

What's Next

Instant Payments Are Key to Modernization Efforts

Many of the restaurants that made it through the pandemic are still fighting for survival amid increased competition, rising inflation and severe staffing shortages. One way for restaurants to attract new workers and keep current ones is through real-time digital payments technology, according to Drew Edwards, CEO of Ingo Money. He explained that instant access to wages and tips, for both kitchen and front-of-the-house staff, is a compelling way to compete with the early wage access benefits that have become commonplace among gig and other service industry employers. Additionally, he said, restaurants that embrace these new payment platforms can realize ancillary benefits of time and cost savings.

“In an industry that lives and breathes on ‘hustle’ but is starved for staff, speeding up wage and tip payouts to real time is a powerful way to attract new workers while preventing turnover. Innovative restaurateurs can use real-time digital payouts to stand out in a crowded industry and join pioneering brands in other sectors like lending, insurance and gaming.”

DREW EDWARDS
CEO



About

PYMNTS [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



[Ingo Money](#) is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to fintechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo’s solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs over 200 professionals and serves some of the largest brands in North America.

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