



Datacomm

Research

Company

Good Food and Drink and Connected Technology, 2014-2019

A Case Study for the Future of Retailing

**David Strom
Ira Brodsky**

Version 1.0
Date: May 20, 2014

© 2014 Datacomm Research Company

All rights reserved. No material contained in this report may be reproduced in whole or in part without the written permission of the publisher. Information on existing and planned products and services was provided by the manufacturers and is subject to change. Conclusions and recommendations presented are the opinions of the authors and are subject to risks.

Website: <http://www.datacommresearch.com>

Datacomm Research Company, 9220 Old Bonhomme Road, St. Louis, MO 63132 USA

Telephone: (314) 709-1581 • Facsimile: (314) 667-3010 • e-mail: info@datacommresearch.com

Table of Contents

- 1. Executive Summary..... 1
 - 1.1 How Connected Technology Benefits Retail Consumers and Merchants..... 1
 - 1.2 The Future of Retail 4
 - 1.3 Key Conclusions 10
 - 1.4 Key Recommendations 11
- 2. The Restaurant Chain Business & Connected Technology 12
 - 2.1 How Connected Technology is Changing the Restaurant Business 13
 - 2.1.1. The website as a window menu and quick tour 14
 - 2.1.2. Loyalty programs and email clubs..... 14
 - 2.1.3. Social media 15
 - 2.1.4. Customer engagement..... 17
 - 2.1.5. Apps mean more than appetizers..... 18
 - 2.1.6. Online ordering 19
 - 2.1.7. Keeping them entertained 20
 - 2.1.8. The restaurant of tomorrow 20
 - 2.2 Which Strategy is Best: Pioneer or Follower?..... 21
- 3. Restaurant Websites 23
 - 3.1 The Essential Website Features 24
 - 3.2 Making the Best Use of Webpage Real Estate 30
 - 3.3 Mobile Devices 31
 - 3.4 Additional User Interface Design Issues 32
 - 3.5 Feedback and Comment Areas 33
 - 3.6 Website Extras and Extra Websites 35
- 4. Restaurant Chains and Social Media Engagement 37
 - 4.1 Facebook Engagement..... 39
 - 4.2 Twitter Engagement..... 42
 - 4.3 YouTube Engagement 48
 - 4.4 Google+ Engagement..... 49
 - 4.5 Other Social Media Engagement 50

4.6 The Seven Keys to Social Media Success for Restaurant Chains.....	51
4.6.1. Claim your brand name on every social network you can find as soon as possible.....	51
4.6.2. Employ at least one of the dozens of social media tracking tools to monitor how people are responding	52
4.6.3. Don't just post messages, interact with customers.....	52
4.6.4. Take criticisms and complaints in stride	53
4.6.5. Create your own social media playbook.....	53
4.6.6. Avoid common social media faux pas.....	53
4.6.7. Grow your social media network carefully	54
5. Restaurant Chain Mobile Apps	55
5.1 Pizza Chains.....	59
5.2 Sub and Sandwich Chains	60
5.3 Coffee and Breakfast Chains	61
5.4 Fast Food – Burger Chains.....	63
5.5 Fast Food – Chicken Chains.....	64
5.6 Casual Dining - Steak Chains	65
5.7 Casual Dining - Seafood Chains.....	66
5.8 Casual Dining – Mexican Chains.....	67
5.9 Casual Dining - Asian Chains	68
5.10 Ice Cream and Smoothies Chains.....	68
5.11 Convenience Store Chains	69
5.12 Casual Dining – Other Chains.....	69
5.13 Taking Restaurant Mobile Apps to the Next Level.....	71
6. Restaurant Chain Use of Interactive Digital Technology	72
6.1 Coffee and Breakfast Chains	74
6.2 Pizza Chains.....	77
6.3 Fast Food – Burger Chains.....	79
6.4 Fast Food – Chicken Chains.....	81
6.5 Steak Chains	82
6.6 Casual Dining – Seafood Chains.....	83
6.7 Sub and Sandwich Chains	84
6.8 Mexican Chains	85

6.9 Asian Chains	87
6.10 Ice Cream and Smoothies Chains.....	88
6.11 Casual Dining – Other Chains.....	89
6.12 Convenience Store Chains	92
Appendix A: Digital Interactive Scoring Legend.....	93
Appendix B: Restaurant Loyalty Programs.....	93
7. Technology Solution Providers.....	96
7.1 Altametrics	96
7.2 Belly.....	96
7.3 Bite Squad	97
7.4 Clinkle.....	97
7.5 Dining Circle	98
7.6 Eateria	98
7.7 E la Carte Inc.	98
7.8 Fishbowl	99
7.9 Ford SYNC System	99
7.10 Front Flip	100
7.11 GiftCardRescue	100
7.12 GrubHub.....	101
7.13 Hubworks	101
7.14 iMenu360.....	102
7.15 iSIGN Media Corp.....	102
7.16 Kokley.....	103
7.17 LevelUp	103
7.18 Madison & Fifth	104
7.19 Mahana	104
7.20 Main Street Hub.....	104
7.21 MasterCard PayPass.....	105
7.22 Mogl	105
7.23 Moneris Solutions	105
7.24 Mowingo, Inc.	106
7.25 Mozido	106

7.26 NCR Aloha	107
7.27 Nextep Systems.....	107
7.28 No Fuss Dining.....	107
7.29 OLO.....	108
7.30 Onosys.....	108
7.31 OpenTable.....	108
7.32 Paydiant	109
7.33 PCAmerica.....	109
7.34 PlayNetwork.....	110
7.35 Posiq.....	110
7.36 Real Digital Media	110
7.37 Sociallybuzz	111
7.38 Snapfinger	111
7.39 Splick-it.....	111
7.40 TabbedOut	112
7.41 Tillster.....	113
7.42 Venga, Inc.....	113
7.43 Viableware, Inc.....	114
7.44 Wand Corp.	115
7.45 Where 2 Get It.....	116
7.46 Yelp.....	116
7.47 Ziosk	117
About the Authors	119

Tables

Table 1: The twelve most popular restaurant chain mobile apps	3
Table 2: The twelve most interactive restaurant chains.....	3
Table 3: YouTube stats for select restaurant chains.....	16
Table 4: Facebook stats for restaurant chains with 5 million or more “likes”	17
Table 5: Facebook page popularity and engagement, select restaurant chains	41
Table 6: Most active restaurant chains on Twitter (tweets, followers, followers-to-tweets).....	44
Table 7: The twelve most popular restaurant chain mobile apps (same as Table 1)	55
Table 8: Mobile apps of the top pizza chains.....	59
Table 9: Mobile apps of the top sub and sandwich shops.....	60
Table 10: Mobile apps of the top coffee and breakfast chains	61
Table 11: Mobile apps of the top fast food - burger chains	63
Table 12: Mobile apps of the top fast food - chicken chains.....	64
Table 13: Mobile apps of the top casual dining - steak chains	65
Table 14: Mobile apps of the top casual dining - seafood chains.....	66
Table 15: Mobile apps of the top casual dining - Mexican chains	67
Table 16: Mobile apps of the top casual dining - Asian chains.....	68
Table 17: Mobile apps of the top ice cream and smoothies chains	68
Table 18: Mobile apps of the top convenience store chains.....	69
Table 19: Mobile apps of the top miscellaneous casual dining chains	70
Table 20: The twelve most interactive restaurant chains (Same as Table 2)	73
Table 21: Coffee/breakfast chains’ use of interactive technology	76
Table 22: Pizza chains’ use of interactive technology.....	78
Table 23: Quick service burger chains’ use of interactive technology	80
Table 24: Quick service chicken chains’ use of interactive technology.....	82
Table 25: Steak chains’ use of interactive technology.....	83
Table 26: Seafood chains’ use of interactive technology	84
Table 27: Sub and sandwich chains’ use of interactive technology.....	85
Table 28: Mexican food chains’ use of interactive technology	86
Table 29: Asian chains’ use of interactive technology.....	87
Table 30: Ice Cream and Smoothies chains’ use of interactive technology	89
Table 31: Casual dining chains’ use of interactive technology	91
Table 32: Convenience store chains’ use of interactive technology	92
Table 33: Points for restaurant chains’ interactive capabilities.....	93

Figures

Figure 1: Bricks and mortar retailers must embrace connected technology as online retailers add physical presence.....	5
Figure 2: Forecasted digital business for the U.S. restaurant industry, 2013 – 2019 (in billions of U.S. dollars)	7
Figure 3: Dunkin Donuts’ menu bar	26
Figure 4: Outback Steakhouse’s store locator detail screen	27
Figure 5: Outback Steakhouse’s store locator detail screen as displayed on a mobile device.	28
Figure 6: Denny’s store locator detail screen	29
Figure 7: Chick-fil-A’s store locator with selectable criteria at the top of the screen	32
Figure 8: Denny’s contact page gives customers plenty of options for submitting feedback.....	34
Figure 9: Church’s Chicken’s plain-looking contact page may discourage feedback.....	34
Figure 10: Outback Steakhouse’s fraud alerts page	35
Figure 11: In-N-Out Burger’s downloads page.....	36
Figure 12: Jamba Juice’s tweets per month.....	38
Figure 13: Hooters’ tweets per month	38
Figure 14: McDonald’s tweets per month and tweet density by time of day	45
Figure 15: Panera’s tweets per month and tweet density by time of day	46
Figure 16: Applebee’s tweets per month and tweet density by time of day	47
Figure 17: Jamba Juice’s home page doesn’t include a link to its YouTube channel.....	48
Figure 18: Posiq’s loyalty program analytics dashboard	95

1. Executive Summary

The days when restaurants could rely exclusively on good food, an enjoyable ambience, and word-of-mouth advertising are quickly coming to an end. More and more restaurants are discovering that they must use consumer-facing connected technologies such as websites, social networks, and mobile apps just to stay competitive. **In fact, the evidence is overwhelming that connected technology for the restaurant business is here to stay.**

We define *connected technology* as the digital devices and systems that enable restaurants to interact electronically with consumers. The most popular platforms are websites, smartphones, tablets, and table tablets. Electronic signage and free WiFi service are also part of the connected technology ecosystem. Point of sale (POS) systems and restaurant intelligence software become part of that ecosystem when they touch customers—such as when they are used to accept mobile payments or conduct targeted email campaigns.

1.1 How Connected Technology Benefits Retail Consumers and Merchants

Connected technology empowers restaurant customers. Consumers want to locate restaurants, make reservations, browse menus and nutrition information, order food for delivery or pickup, pay for meals, and instantly redeem rewards. Connected technology can free consumers from having to carry around an assortment of credit cards, debit cards, loyalty cards, gift cards, and printed coupons. All they need are smartphones and the appropriate mobile apps.

Connected technology empowers restaurant merchants. Owners and managers want to keep in touch with customers, accept online and mobile orders and payments, increase sales and tips, and respond quickly and effectively to complaints. Increasingly, they have no choice in

these matters. When competitors are constantly showing up on their customers' screens and are providing digitally-enhanced dining experiences, then they must up their game as well.

The value of connected technology for restaurants is no longer in doubt. There are successful implementations producing impressive results. However, many solutions lack reliability and ease of use. In this report we explore the various connected technologies for restaurants, show how pervasive they are becoming, and look at some of the best and worst examples based on research that ranges from hands-on experiences to interviews with company executives.

The success of connected technology is demonstrated by the growth of online and mobile ordering, mobile payments, and online loadable plastic and electronic gift cards.

Though the percentage of restaurant industry revenue generated digitally is still small, it already amounts to tens of billions of dollars per year and is growing. Online ordering is big business for chains including Pizza Hut, Domino's, and Papa John's. Mobile payments account for a significant percentage of Starbuck's revenue. A growing number of restaurant chains offer electronic gift cards and online management of plastic gift cards.

Online ordering has taken off in the pizza market. Carryout and delivery customers say that online ordering is faster and more reliable. Restaurants benefit from ordering automation (less time spent on the phone and fewer errors). Underscoring their commitment, the top three pizza chains continue to innovate: Papa John's launched a Kindle Fire ordering app in 2012; Pizza Hut introduced an Xbox 360 ordering app in 2013; and Domino's recently teamed up with Ford to develop voice-activated pizza ordering for vehicles equipped with the SYNC communications and entertainment system.

About half of the top 100 restaurant chains (by revenue and/or number of locations) offer mobile apps, but only about one quarter of the apps support mobile ordering. In part, that's because there is little demand for mobile ordering in market segments such as coffee and ice cream. Even fewer apps support mobile payments, though potentially all chains could benefit from it, because the industry is still trying to find the best approach.

Rank	Chain	Ratings
1	Dominos	388,015
2	Pizza Hut	173,259
3	Starbucks	94,395
4	Chipotle Mexican	35,277
5	Papa John's Pizza	8,912
6	Hardee's	4,682
7	Dunkin Donuts	4,596
8	Culver's	2,127
9	TGI Friday's	2,091
10	In-N-Out Burger	1,959
11	7-Eleven	1,878
12	Five Guys Burgers & Fries	1,865

Table 1: The twelve most popular restaurant chain mobile apps

Based on the number of customer ratings in the iTunes and Google Play stores (January, 2014).

Rank	Chain	Score
1	Starbucks	8.5
2	Chili's	8.5
3	Applebee's	8.5
4	Dunkin Donuts	8
5	Domino's	8
6	Pizza Hut	8
7	California Pizza Kitchen	8
8	Chipotle	8
9	Qdoba	8
10	On the Border	8
11	Bob Evans	8
12	P.F. Chang's	7.5

Table 2: The twelve most interactive restaurant chains

Points for capabilities including email clubs, eGift cards, online ordering, and mobile payments. See Table 33 for scoring system details.

Gift card customers now have the option of buying eGift cards that can be delivered via email. Though eGift cards only represent about 5% of restaurant gift card sales, eGift card sales are growing faster than plastic card sales. Mobile gift cards, loyalty programs, and payments are variations of the same thing offering consumers added convenience, speed, and security.

1.2 The Future of Retail

Restaurant chains' adoption of connected technology is leading the way for other retail segments. Retail stores have lost business to online competitors over the past decade. Retail stores will never completely disappear, however. You can download a movie, but you can't download supper. People like to try on clothes before they buy. There are many household items that consumers want to buy on-the-spot. And there are other items that people want to see up close before they buy (though more effective strategies are needed to counter "showrooming"—shopping in bricks and mortar stores and then buying online based on price.) For many people, shopping in stores is a form of entertainment and/or a social activity.

Restaurant chains are slowly learning how to use connected technology to attract customers, deliver better customer experiences, and convince customers to return again and again. Most of the lessons learned by restaurant chains—from both their successes and their mistakes—can be applied to other retail segments.

The goal of every retail chain should be to give consumers compelling reasons to buy from local stores. Food has a built-in reason, but consumers have many restaurant choices. Shopping online is also a choice: customers typically trade instant gratification for a wider selection and lower prices (on orders qualifying for free shipping). Local retailers must use connected technology to draw customers back into their stores.



Figure 1: Bricks and mortar retailers must embrace connected technology as online retailers add physical presence

The future belongs to hybrid marketing. Online merchants need some physical presence and physical stores need some online presence. Amazon is pursuing faster and less expensive delivery methods such as small, unmanned helicopters and lockers located in supermarkets. Likewise, many retailers are offering different in-store and online deals. Wal-mart recently reported that its annual global Internet sales rose 30% to \$10 billion. Restaurant chains are using websites, mobile apps, and table tablets to bring the physical and online worlds together for a best-of-both-worlds solution.

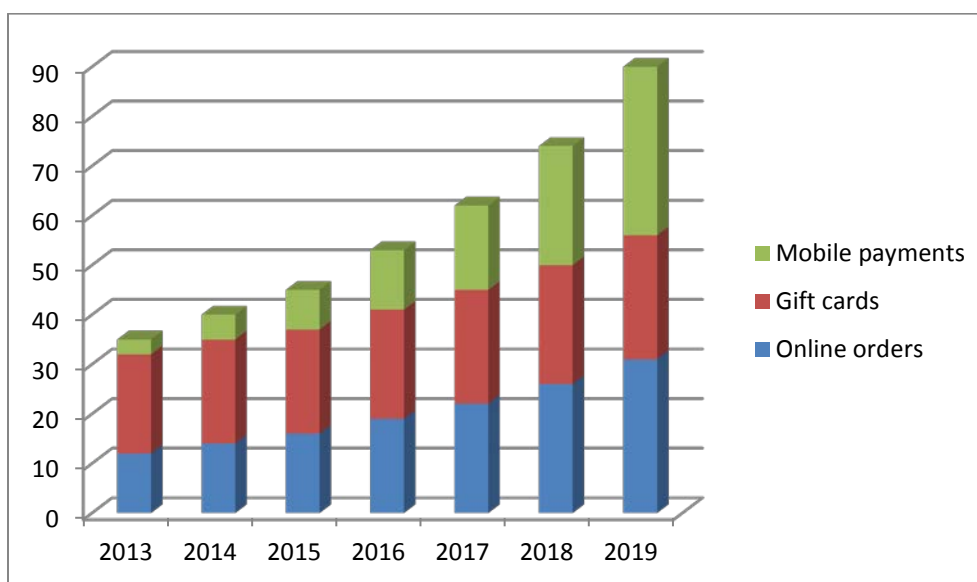
A new restaurant would be as lost without a website as without its cutlery. The restaurant website (often filled with mouth-watering food photography) has become an essential marketing tool. Many restaurant websites are portals to other aspects of the business. It's not only a place to browse the menu; it's a place to apply for a job and checkout the restaurant's favorite charitable causes.

There are big differences in the overall website quality, usability, and information content among the top restaurant chains. Some see their websites as online billboards, with lots of fluff, cute graphics, and little in the way of utility for customers. Others pack the page with features to help customers find the closest store, peruse a typical menu, order online and have it delivered, send questions or comments to management, and download their latest smartphone app.

The restaurant business is not monolithic and it's important to identify and understand the market segment before applying connected technology. This report looks at segments including coffee/breakfast, pizza, fast food-burgers, fast food-chicken, steak/fine dining, seafood, subs & sandwiches, Mexican, Asian, ice cream/smoothies, other casual dining, and convenience stores. For instance, online ordering is crucial in the pizza segment because of the preponderance of carryout and delivery business. Table tablets, on the other hand, make most sense in the casual dining market but could expand into other segments as they gain acceptance and mature.

Online and mobile ordering, online loadable plastic and electronic gift cards, and mobile payments will all grow over the next several years.

Online ordering will grow at a moderately rapid pace as more chains roll out this capability nationwide. However, the value of online ordering isn't just in the additional business generated. Online ordering is more efficient, convenient, and reliable for both customers and merchants. Expect a growing percentage of online orders to be placed via mobile devices and devices supplied by the restaurants (such as table tablets and drive-thru touchscreens).



	2013	2014	2015	2016	2017	2018	2019
Online orders	12	14	16	19	22	26	31
Gift cards	20	21	21	22	23	24	25
Mobile payments	3	5	8	12	17	24	34

Figure 2: Forecasted digital business for the U.S. restaurant industry, 2013 – 2019 (in billions of U.S. dollars)

Indeed, this is where some of the most disruptive innovation is taking place. Chili's and Applebee's are deploying table tablets for ordering select items (appetizers, drink refills, and desserts), paying (without waiting for a restaurant employee to bring the check and pickup/return a credit card), and playing games (for a small fee). Pizza Hut is testing an innovative "interactive table" that behaves like a large tablet and can be used to order and to pay. These devices may take some getting used to, but once customers experience paying at the table they are unlikely to go back to the old methods.

About the Authors

[David Strom](#) is one of the leading experts on network and Internet technologies and has written and spoken extensively on topics such as VOIP, convergence, email, cloud computing, network management, Internet applications, wireless, and Web services for more than 25 years. He has written two books and hundreds of magazine articles, opinion columns, reviews, feature stories and analyses for dozens of publications and web sites. Strom is a sought-after speaker and has appeared at technology conferences around the world.

[Ira Brodsky](#) has written five books on technology topics. He was a regular columnist for *Network World* for ten years. He has published dozens of reports on new technologies and markets in telecommunications, life sciences, and power generation. His work has included identifying new markets, defining new products, developing competitive strategies, and influencing government policymakers. Brodsky has consulted for clients in North America, South America, Europe, Asia, and the Middle East.