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The restaurant of
the future:
A vision evolves

**Post-pandemic trends toward safety,
convenience, and digital**

Introduction

The restaurant industry is grappling with questions that used to be certainties. What does a modern-day ordering experience look like? What does it mean to operate a restaurant in 2021? What counts as a restaurant, anyway? In late 2019, the answers to those questions were already in flux. Since then, many forces have accelerated change in the restaurant industry, and the shifts are not always obvious.

Across the industry, changes fueled by the COVID-19 pandemic are still unfolding at breakneck speed. For the past two years, restaurants were taken on a roller-coaster ride that saw unprecedented highs and lows of both confidence and uncertainty. From the total shutdowns early in the pandemic and accelerated innovations in remote and contactless service, to the emergence of widely available and effective vaccines, an early return to in-person dining, and then the renewed apprehension brought on by the Delta variant, the only constants in the restaurant industry have been volatility and adaptation.

Similar to early pandemic trends, there are three main vectors at work influencing restaurants: convenience, digital, and safety. These catalysts overlap and influence each other greatly, but together they point toward a single, overarching mandate for restaurant brands to fundamentally change their business models. And, as fresh research indicates, the comparative strength and velocity of these three forces can and will change over time as well.

In our 2020 study, *The restaurant of the future arrives ahead of schedule: Time to get on board*, convenience was clearly the most active frontier. Safety was an unquestioned imperative—a reaction, not yet a strategy—and digital was adapting quickly to those needs as part of a course of evolution that was already well underway. Now, it appears convenience has continued its rapid maturation and taken its place as a permanent fixture in the restaurant landscape. Digital still plays a greater, evermore-central role, by nature. And

the most active front today, safety, where measures were in reaction to the COVID-19 pandemic, is giving way to more consistent and enduring approaches.

The pressures on the restaurant industry are not limited to these three areas, however. COVID-19 has created uncertainty in areas like supply chain, safety-related costs, and the cost availability of labor. Whatever the catalyst, the only thing that is consistent in the restaurant industry is

change, and the ability for restaurants to survive and thrive will be entirely dependent on how quickly and effectively they adapt to these changes.

So where does the restaurant industry go from here? To pursue insights, Deloitte turned to 1,000 consumers who had dined in a restaurant within the past three months. The Restaurant of the Future (September 2021) survey took a fresh pulse of their attitudes and perspectives.

Figure 1. Year-over-year change in total spend (percentage)

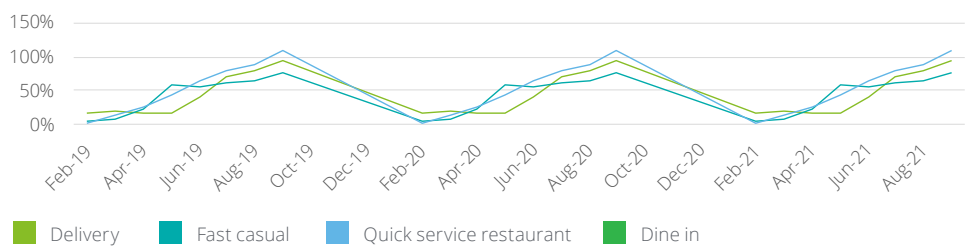
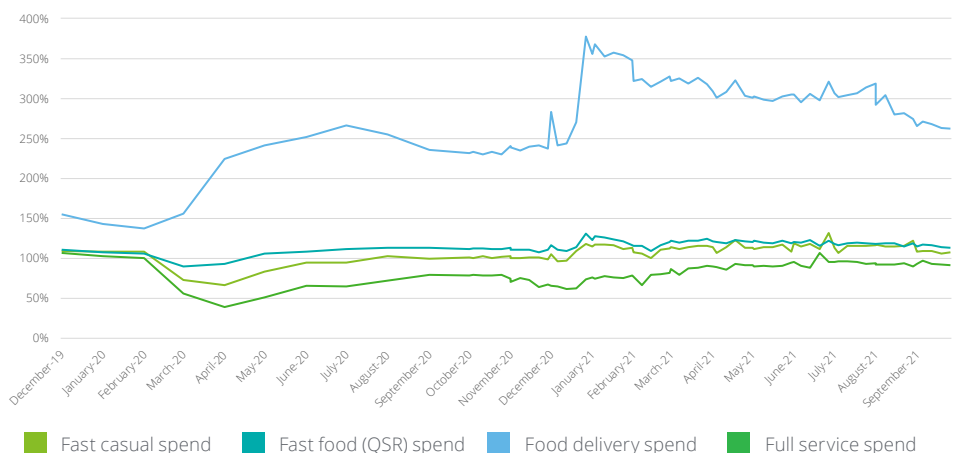


Figure 2. Out-of-home dining spending trends (indexed vs. comparable week in 2019)



Heightened safety

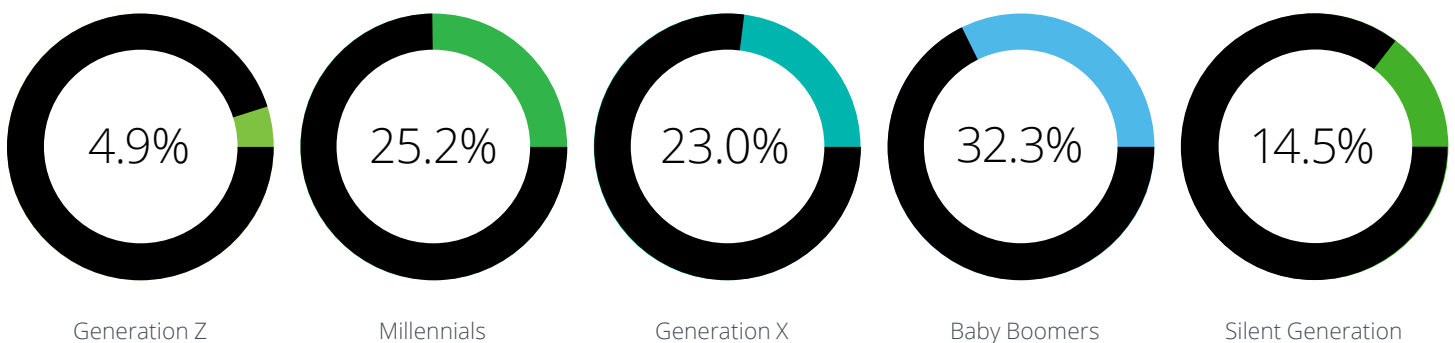
What customers say

Safety has always been central to the restaurant experience. That is why so many jurisdictions not only employ health inspectors, but also require restaurants to display their inspection status—it's fundamental that people want to feel safe eating food they didn't prepare themselves. Yet, there is a continued spotlight on safety as the pandemic and its aftershocks shape customers' feelings about frequenting restaurants. One-third of respondents said enhanced cleanliness and safety will make them more likely to return to on-premises dining sooner and to dine out more frequently. This was particularly important to boomers, Gen X, and millennials. Safety is and will remain a prominent factor in the modern restaurant experience.

The traditional measures of cleanliness and the more timely indicators of safety are some of the first things customers notice when they enter a restaurant. Survey respondents said they place special importance on in-store spacing, surface cleansing, food preparation, and employee safety measures. Restaurants may find it one thing to say they adopted cleanliness and safety policies and another for them to visibly display these procedures. More than half of survey respondents (55%) said they would be willing to pay between 10% and 50% more to know about the safety and cleanliness that surround the preparation and transport of their food. It goes to show, customers strongly value clear evidence of safe practices, and indications are they will continue feeling this way over the long term.

The food itself and where it comes from are also important. Almost half (45%) of survey respondents said they are unlikely to return to a restaurant that had a food safety incident, which casts an important new light on sourcing, staff training, and supply chain traceability. But what customers prioritize above all other food considerations is origin: The average customer in our survey said knowing details surrounding where their food comes from would be worth as much as paying 6% more for their meal—a potentially large area for margin growth.

Figure 3. Consumer demographics of those who prefer enhanced cleanliness and safety



Source: Deloitte Restaurant of the Future Survey, N = 1,000 consumers



How restaurants can meet changing expectations

The regulations that govern restaurants can vary widely from one country, state, or even municipality to another, meaning it's up to the restaurant brands to set standards that will keep employees and customers comfortable, all the while projecting consistency across broad geographies.

As we learned, those standards have the desired impact on customer peace of mind when they're readily visible. For restaurants,

this puts a premium on practices that are easily noticeable, like wiping down surfaces, moving tables farther apart, and requiring employees to properly use personal protective equipment (PPE) like masks and gloves.

Other safety practices, such as those that involve food preparation, might not be readily apparent to guests, but workers can and should take steps to demonstrate them. An exception to closed kitchen food preparation might be the buffet or salad

bar—fixtures that are front and center when customers enter a storefront. In this case, the visible evidence of change may simply be that communal, self-service options may no longer exist. In any case, the consumer attitudes we heard suggest these priorities are here to stay.

Ultimate convenience

What customers say

The shift in focus to off-premises dining identified in last year's survey remains strong. Consumers continue to favor experiences outside the traditional dining room that provide restaurant-style quality and variety, while balancing the experience with convenient ways to choose, order, receive, pay for, and consume a meal. Almost two-thirds (64%) said they don't anticipate returning to their pre-pandemic habits of dining in restaurants within the next six months—forcing restaurants to tweak convenience strategies to adapt to changing customer demands.

What habits are customers pursuing if they are no longer dining in? Takeout and delivery remain sharply higher—not only compared to pre-pandemic levels, but also linked to early pandemic levels seen in mid-2020.

In addition to ease of ordering and receiving a meal, speed remains a critical element of convenience. Customers may be interacting with restaurants in different ways, but that doesn't mean they are willing to compromise on speed of service. The ratio of survey respondents who said they don't want to wait more than 30 minutes for their food is unchanged at nearly three out of four respondents.

Figure 4. How many order delivery/takeout at least once a week?

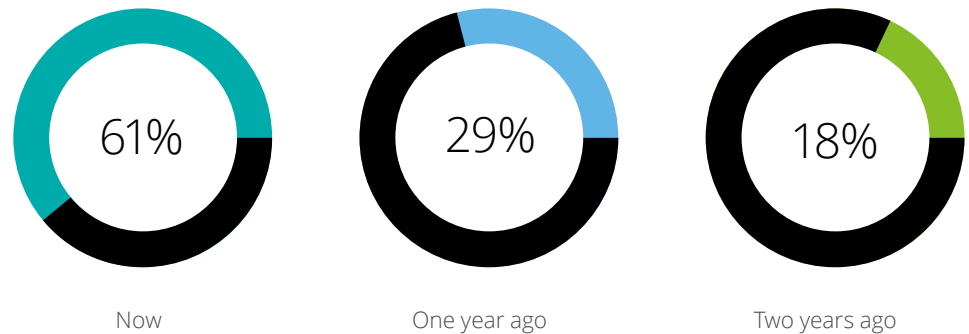
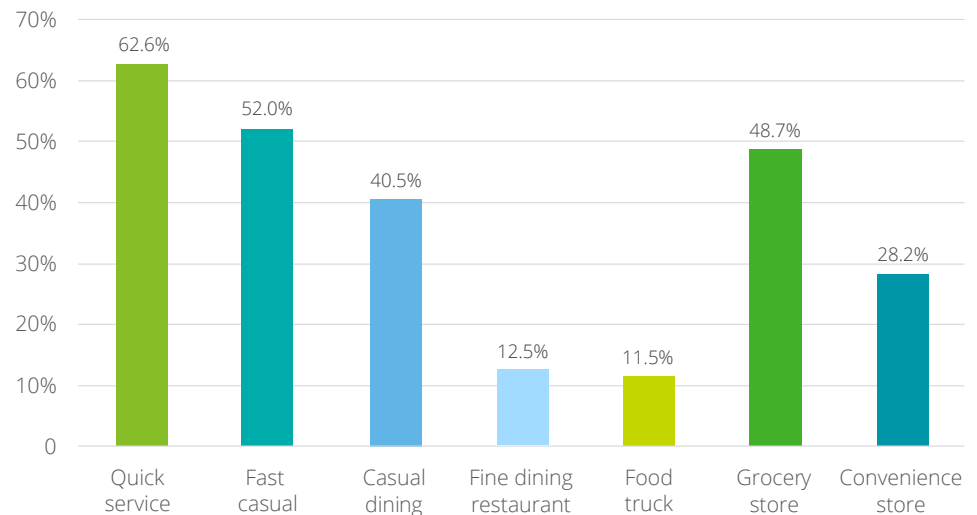


Figure 5. Consumers' restaurant preference to order from at least once a week



Source: Deloitte Restaurant of the Future Survey, N = 1,000 consumers

How restaurants can continue to evolve with the customer

The standards customers demand continue to shift, and restaurants need to renew their commitment to meeting those expectations. As the race to win the quickly growing off-premises market intensifies, brands should prioritize investment to help ensure the experience is efficient and simple for customers—even if that means fundamental shifts to operating models. As we noted in our earlier report, restaurants may want to consider adopting kitchen models that feature dedicated spaces to prepare food for off-premises orders. In comparable ways and for similar reasons, restaurants may opt to expand drive-thrus or shrink dining rooms to meet rising demand. They can also experiment with smaller store formats, or ones with no dining space at all. Among the

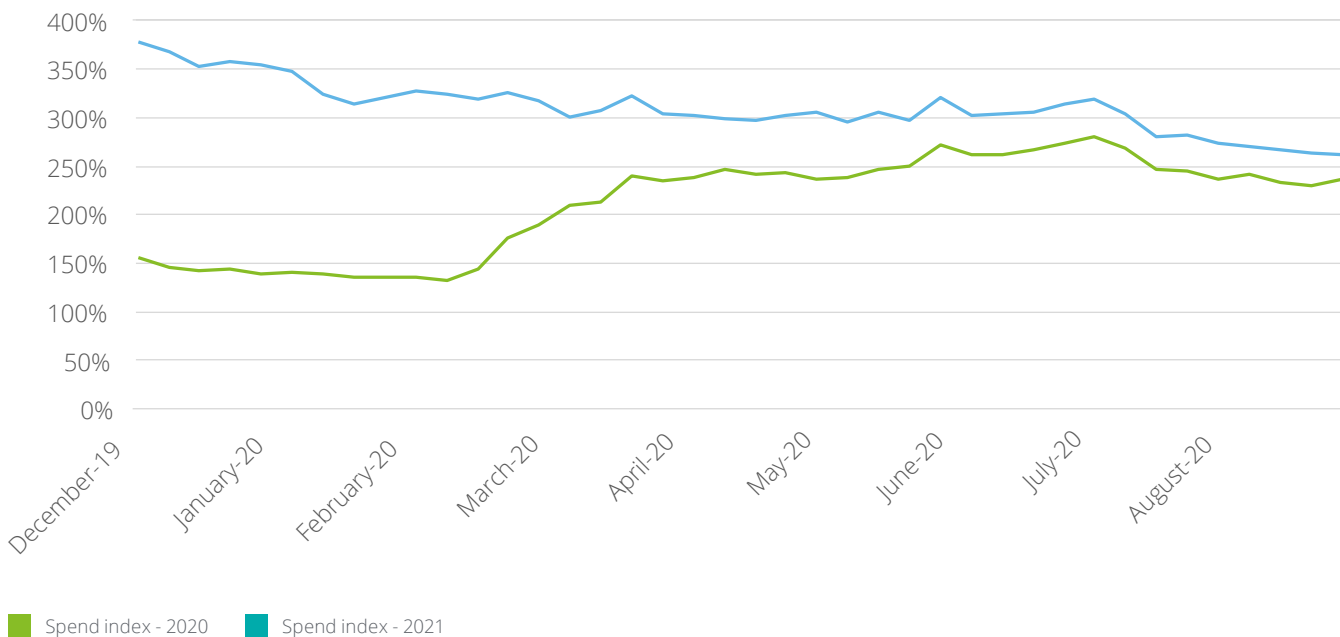
Almost four out of five (79%) customers said they are likely to order from ghost kitchens, a trend which is 20% higher than a year ago and 32% higher than two years ago.

options for restaurant ordering, the most popular—the preference of more than a third of respondents (37%)—was the drive-thru.

These changes mean today the “smallest” restaurant isn’t a cozy bistro, but rather one you can’t visit at all. Restaurants should be finding an advantage in customers’ willingness to order this way—many ought to consider introducing single locations that provide more than one dining option, or contemplate launching new ghost-only concepts in existing physical stores, all of which lets restaurants realize increased sales volume from less real estate.

Customers continue to demand delivery—but they expect quality when the food arrives. Traditional delivery methods that gave a pass to mushy fries and cold soup won’t cut it anymore. Three out of five customers said they expect the same food quality and freshness in delivery and takeout as they do in the dining room. This means it’s up to restaurants to answer the call. Areas of investments and exploration could include menu customization to optimize for off-premises transit time, updated packaging technology for freshness, and new food preparation methods.

Figure 6. Food delivery - spend indices (indexed vs. comparable week in 2019)



Frictionless digital experiences

What customers say

Digital experiences make frequenting restaurants easier. In recognition of this fact, restaurants are making digital experiences easier to access, understand, and use. Not surprisingly, customers are flocking to this new way of eating out.

Digital touches every aspect of the customer journey from ordering through preparation, payment, and delivery. When customers order their food for off-premises occasions, more than half consistently do so using a digital app.

For customers who prefer and still take advantage of on-premises dining, their preference for digital ordering continues to grow—even if that means less interaction with traditional wait staff.

For customers who prefer to stay in their cars, four out of five people (81%) would opt for an automated voice system built into the drive-thru lane.

It is obvious digital ordering is a priority, but through what channel? Among customers who order off-premises, two out of five (40%) prefer to use a restaurant's own branded website or app. Only about one in ten (11%) prefer a third-party tool such as a food ordering and delivery platform. The lesson here: If restaurants give their customers a way to order directly from them, they will do so time and time again.

Not all digital advances touch the customer directly. The digital revolution is changing food preparation as well. As kitchen automation advances, it holds the potential to reduce errors and improve accuracy in addition to boosting efficiency and cost control. More than half of survey respondents (54%) are willing to order from a partially or fully automated kitchen. In response, some restaurants are planning to allocate some of the shrinking footprint to automation.

Payment for food is another avenue where digital is advancing. Twenty-five percent of customers prefer a digital or contactless payment method to a physical one. Delivery was the preferred method of receiving food early on in the pandemic. During this time, restaurants innovated and shifted to contactless delivery. Last year, 57 percent of survey respondents used contactless delivery at least half the time, which has remained consistent, driving the number of consumers who are willing to receive food delivered by a drone or driverless car up by 10% over the past year. Technology is changing each phase of the customer journey, and it's up to restaurants to make sure they measure up.

Figure 7. Use of digital app to order food for off-premise occasions

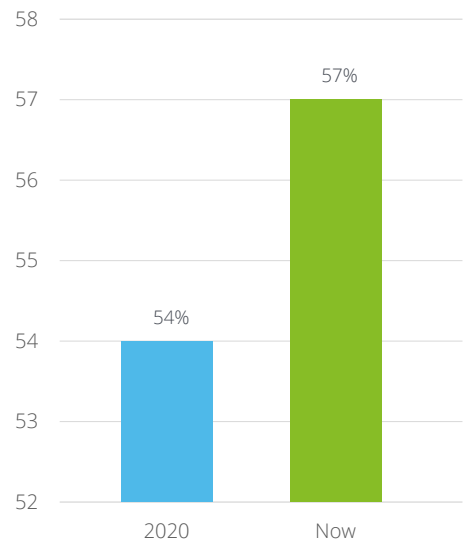
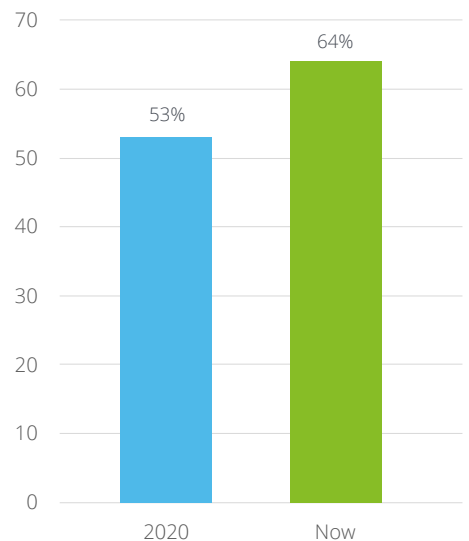


Figure 8. Digital ordering growth



Source: Deloitte Restaurant of the Future Survey, N = 1,000 consumers

What restaurants can do

Customers' growing preference for digital interaction is one reason restaurants can inspire efforts to digitize. It can also be an effective way to reduce long-term costs through investing in technologies like automation and driverless delivery. Among the modernization tactics brands should evaluate are investments in mobile applications and consistent cross-platform digital experiences.

Loyalty programs will likely continue to play a key role in maintaining the customer experience in the restaurant of the future. Today, many restaurants are making plans to launch and revamp current programs—so that as traffic continues to increase, restaurants will be poised to capture and maintain loyal customers. Though these

More than three-quarters of survey respondents (79%) said their participation in a program plays a role in deciding where to dine.

Source: Deloitte Restaurant of the Future Survey, N = 1,000 consumers

programs are effective in the long term, the restaurant of the future should emphasize an effective program, as the real challenge is getting customers signed up. The average consumer participates in only two restaurant loyalty programs, so the brands that capture customers early may be the ones that hold onto them.

Which enticements work? In order of preference, consumers told us they look for the following in a loyalty program: coupons or reduced prices, free items, and exclusive products not available to others. Once customers are members of a loyalty program, it appears to be effective.



To meet demands, know demands

Safety, convenience, digital. These aren't the only forces shaping the restaurant industry today, though repeated studies find they are the vectors of most dramatic change. The trend line for progress in each of the identified areas is bumpy as pandemic-related pressures continue to ebb and flow on top of longer-term imperatives. The one constant is change and the importance for restaurants to adapt to ever-dynamic customer demands.

These are the frontiers along which the restaurant industry of tomorrow will grow. Now they should decide where to invest time and resources exploring those frontiers—how aggressively and how quickly. What the latest sounding of consumer sentiment shows is that customers' appetite for innovation is far from satiated, and growth in this evolving environment won't come to those who stand still.



About the research

Deloitte conducted three surveys of restaurant customers—one in December 2019, one in June 2020, and the most recent survey in September 2021, totaling 1,550 respondents—and also conducted individual informational interviews with high-ranking executives from ten different quick service restaurant (QSR), fast casual, and casual dining brands.

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