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# Big food automation is making its way to Main Street's menu

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### KEY POINTS

- Chipotle has begun testing a robot chip maker, but automation in the food industry is also moving down from the biggest fast-food chains to small businesses.
- Local restaurants are investing in self-ordering kiosks; robots that track inventory are becoming less expensive, and packaging bots can be hired at a cost lower than temp workers.
- The search for cost savings is greater in a market with labor shortages and inflation in many costs, from raw goods to wages.



The Tally 3.0 autonomous mobile robot scans inventory in a grocery store.  
*Simbe Robotics*



Automation and robotics are typically associated with multi-million budgets at multi-billion dollar companies. But as the cost of technology has come down, it's become more affordable to smaller companies — even small businesses.

Outside of Atlanta in Jonesboro, Georgia, THAT Burger Spot!, a burger and wings joint with four locations, got tired of being slowed down by phone orders.

There's beef burgers, turkey, Impossible, black bean, fish, chicken and more. Then there's the matter of how many patties, sauces and other customizations. Given all the choices, a single phone order took an average of seven to eight minutes. And that's only if there was staff on hand to take those orders.

"Our menu is a little complex, there's a lot of options," said Cedric Pool, president of THAT Burger Spot Franchising, Inc.

"Staffing . . . it was a problem and continues to be a problem," Pool said. "We figured we will be able to automate the process of order taking, we wouldn't

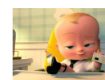
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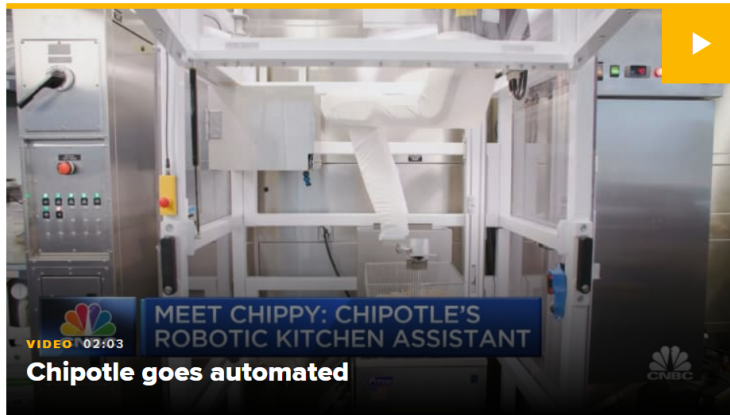


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have to pay somebody to do it.”

After a search, they found a solution in Grubbr, which sells free-standing kiosks that can take in-store orders and integrate those with online orders and a point-of-sale system. Pool started with two kiosks in just one location, costing \$14,400, which is about how much the company would pay someone over the course of a year to take orders by phone.

After easing customers into using the kiosk and online ordering, the restaurant’s average ticket order increased from around \$19 to over \$21. Average sales per labor hour moved up from the high \$50 range to \$85, Pool said.



“Restaurants have been notorious laggards when it comes to technology. And they’ve done this predominantly because they’ve had access to extremely low labor costs,” said Sam Zietz, chief executive officer of Grubbr.

According to a recent report by the National Restaurant Association, seven in 10 restaurant operators said they currently don’t have enough employees to support customer demand. The restaurant industry added [1.7 million jobs in 2021](#), but many restaurants are still severely understaffed and expect labor shortages will continue to constrain growth.

In the most recent [CNBC/SurveyMonkey Small Business Survey](#) for Q1, 17% of respondents in the accommodation and food services industries cited labor shortage as the biggest risk to their business.

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Dirk Izzo, president and general manager of NCR Hospitality, a technology provider for restaurants, said in cities including Denver and Jacksonville, Florida, customers cite costs for kitchen and front-of-house staff that are running 20%-40% higher than a year ago.

“If you’re taking on those costs, anything you can do to automate things is a big saving,” Izzo said.

One example of technology that’s become common and affordable for restaurants is contactless ordering and paying. More restaurants use QR codes at the table that push customers to order and pay from their phones. This is a time saver for staff, who would otherwise need to take the order and then enter it manually into the point-of-sale system.

### Technology is getting cheaper

The cost of robotics is being driven down by broader investments from the

The cost of robotics is being driven down by broader investments from the global smartphone industry and the self-driving car industry.

“The cost of this technology has come down quite drastically,” said Brad Bogolea, co-founder and chief executive of Simbe, which provides an autonomous robot that uses computer vision to track inventory in a grocery store, drug store or hypermarket.

For now, Simbe primarily works with large retailers, but Bogolea said the company also works with smaller retailers with 50 to 100 stores. Simbe’s robotic inventory taker can check an entire store’s inventory three to four times a day and place orders directly when items start to run low. “It’s not humanly possible to scan at that frequency or fidelity with human labor in these environments,” Bogolea said. Retailers traditionally spend anywhere from 30 to 100 hours per store per week on inventory.

In many cases, technology providers are offering automation as a service. Instead of being saddled with large upfront costs for equipment, companies pay a monthly fee. GreenSeed Contract Packaging, located outside of Chicago, implemented robotics to automate some particularly repetitive packaging functions, such as packing baby snacks into a box or moving packed boxes off the line onto a pallet. The company is billed monthly based on the number of hours the robot is working.

“Instead of using an agency to get a temp worker, you can get a robot in,” said David Gray, chief executive of GreenSeed. Depending on the structure of the contract, the cost of the robotics is 40% to 50% of what he would pay to hire a person, which costs at least \$17 or \$18 an hour, not including benefits or the costs to a temp agency. “So you can really reduce your costs and get better consistency,” Gray said.

While the cost of technology has come down, smaller companies — lacking economies of scale — still need to spend more as a percentage of their revenue than their larger counterparts. Outside of the food sector, one telling example comes from the world of accounting. According to a [recent survey by Ernst & Young](#), 70% of large companies with \$30 billion or more in revenue plan to spend between \$2 million to \$6 million on tax automation technology. By comparison, 81% of smaller companies with less than \$1 billion in revenue plan to spend between \$1 million to \$3.99 million — less, but not that much less.

“That’s a pressure on the smaller companies where they’re almost spending as much,” said David Helmer, global tax and finance operate leader at Ernst & Young.

## **Inflation and small business economics**

Inflation is impacting how small businesses look at the cost of automation relative to rising costs in other core areas of their business.

San Francisco-based Nana Joes Granola has been facing higher costs of raw goods and labor and is trying to figure out how to bring the costs of its premium granola down as consumers look more closely at pocketbook decisions.

Michelle Pusateri, owner of Nana Joes Granola, said options include reducing the volume in bags by a few ounces, or reformulating the recipe to cut down on ingredients costs, or figuring out how to use automation for its production process and equipment that can make it easier to pump out more volume.

The company, which has Whole Foods among its retail partners, is facing a highly competitive market and while it was able to pass along some costs to customers in 2021 as sale boomed, being a higher-cost granola during inflation is more challenging, Pusateri said.

The company received a Covid EIDL loan, which mostly went to stocking up on ingredients which have risen in price, an inflationary factor that required it to buy in higher volumes to secure better deals. But Nana Joes Granola has also set a small portion of that loan aside for automation on the packaging side of production, and it might also need to take out business loans for equipment.

“I don’t think inflation is going away any time soon. We will be stuck in this and having more volume to pump out with same staff and same overhead is what we are looking at now,” Pusateri said.



Pusateri, who said she supports the higher wages workers are receiving across the economy, adds that investing in automation wouldn't mean downsizing staff. "The women working for us since 2016 are doing the same things over and over again and there is fatigue in that," she said.

—CNBC's Eric Rosenbaum contributed additional reporting.



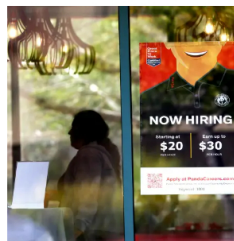
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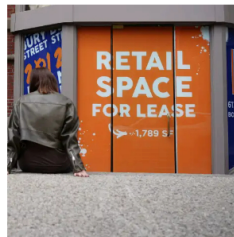
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