Why Restaurants Should Turn to Self-Ordering Tech

There's major opportunity to reduce operating costs and improve the guest experience.

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Chains have made several operational changes lately that have negatively affected the customer experience.

A record 4.4 million workers quit their jobs in September, according to the Bureau of Labor Statistics. In the hospitality industry, 58 percent of workers said they were planning to quit their jobs before the end of 2021, with a third of those planning to quit the industry for good, according to a September survey by Joblist.

To accommodate The Great Resignation, restaurants have made several operational changes, including limiting hours of operation, reducing dining capacity, increasing menu prices, and removing menu items. All of these changes negatively impact the customer experience and are not sustainable in the long run. Meanwhile, self-ordering technology presents an opportunity for reducing operating costs while improving the customer experience.

Across the board, labor poses the greatest challenge for restaurant operators, both in terms of driving supply chain shortages and limiting operational capacity. To adapt, many restaurants are temporarily closing or cutting their hours. In practice, this often means opening later or closing earlier than usual, or eliminating a shift, such as breakfast or lunch, altogether.

For example, in an interview with Business Insider, the owner of Central City Tap House in Kalamazoo, Michigan, said it was closing its doors "until we can find a full enough roster in our kitchen to re-open to our customers." For restaurants struggling to retain staff, reducing operating hours is necessary without self-ordering technology, as employees cannot keep up with consumer demand. Consequently, this negatively impacts customers' access to your business and may decrease profits in the long term.

In addition to reducing operating hours, many restaurants are also limiting their dining capacity in order to adapt to smaller staff sizes. Limiting the number of tables served helps restaurants provide the same level of service even whilst understaffed. Three Chick-fil-A locations in Alabama closed their dining rooms due to lack of available staff, and several quick-service restaurants, including McDonald's and Noodles & Co., have followed suit. Subsequently, by limiting the number of customers your restaurant can serve, you also limit profitability over time.

The labor shortage has continued to place pressure on brands. McDonald's franchisees have experienced a 10 percent wage inflation year-to-date, and company-run stores have observed more than 15 percent.

To adjust to this inflation, restaurant operators have made two primary changes to their menus: removing items and raising prices.

Several of the companies have revealed that they are raising menu prices to offset rising costs from labor, raw materials, and other inputs. For instance, consumer brands such as Chipotle Mexican Grill are dealing with inflation by passing higher costs onto their customers through price hikes. Chipotle made headlines in June after announcing it would raise menu prices 3.5 percent to 4 percent to offset

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increasing its average hourly pay rate to $15. For the same reasons, Texas Roadhouse Inc. hiked menu prices up 4.2 percent.

Nevertheless, increasing prices has long been known to deter potential consumers. Implementing self-ordering technology gets to the root of the problem by decreasing operating costs while raising menu prices merely serves to offset the problem through an unsustainable quick-fix. As consumer preferences continue to shift post-pandemic, many customers may be less willing to pay higher prices for their favorite meals and thus take their business elsewhere.

In addition to raising prices, many restaurants have also limited their menu offerings to accommodate smaller crews. In an interview with CNN Business, Applebee's Neighborhood Grill + Bar President John Cywinksi said that the restaurant "trimmed its menu down to about 100 items last year, compared with about 160 before the pandemic, and plans to retain the simplified version going forward." This appears to be a logical solution, as more menu items mean more labor required to receive, prep, and cook ingredients.

However, as Daniel Bagnall of Sonder, a small wine bar and restaurant in Hudson, New York points out in Eater, many customers are disappointed when you remove items from your menu. Bagnall explains that he has tried numerous times to take mac and cheese off the menu at Sonder due to supply chain issues but says his regular customers complain whenever he does. "All we can do is just hope that our customers are okay with the offerings that we have," he says. "There's not really much else we can do."

Self-ordering technology addresses the direct effects of the labor shortage by decreasing operating costs while improving the customer experience. While all of the aforementioned fixes to the labor shortage negatively impact consumers and may decrease profits over time, self-ordering technology works to drive incremental revenue and streamline operations at the same time.

Given the ongoing labor shortage, restaurants have to adapt their business models; they will likely have to either increase prices or find other ways to maximize efficiency. The one-time cost of a kiosk is a fraction of the price of carrying an employee. On average, a cashier at a quick-service restaurant open 15 hours per day will cost more than $6,000 per month, whereas self-ordering systems are a fraction of that price, something made possible when Samsung entered the marketplace and helped democratize access to the kiosks. Because Samsung has the resources to provide a comprehensive solution at a significantly lower price, kiosks have become far more affordable than they have been in the past. Kiosks will also always show up, won't call in sick, and are ready to work 24/7.

In addition, managers often have little success pushing upsells with their cashiers. However, certain self-ordering kiosk platform is designed to offer the perfect upsell every single time. What's more, deploying kiosks allow operators to shift staff resources to improve other functions of the restaurant. For example, replacing a cashier with a kiosk in a quick service restaurant allows that staffer to be moved to the production line, thereby increasing throughput and driving more revenue.

Implementing kiosks also allows restaurants to streamline efficiency, leading to a reduction in average transaction time. Self-ordering kiosks minimize human contact, eliminate ordering errors, and allow businesses to implement integrations, such as loyalty programs and discount codes that reward consumers.

As restaurants struggle to adapt to the ongoing labor shortage, many have implemented operational changes that negatively impact the customer experience, such as increased menu prices, limited hours, and less dining capacity. Nonetheless, self-ordering technology gets to the root of the issue by reducing operating costs while actually improving the customer experience, providing a win for both consumers and operators.

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