



# Restaurants Reimagined – Leveraging Digital, Social and Mobile to Transform Guests' Experience

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## 1. INTRODUCTION

Leading restaurants, especially quick service and fast casual<sup>†</sup>, are leveraging digital, social and mobile (DSM) capabilities, including people, process, technologies, and budget, to redefine "table stakes," e.g., what guests expect. In the process, they are transforming marketing, operations and every other aspect of their business to deliver not just table stakes but "just deserts," e.g., what guests expect and deserve. By reimagining their business strategies beyond channels and campaigns, restaurants are on the forefront of retail, redefining customer engagement, boosting loyalty, and creating advocates for their businesses.

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Together, table stakes and just deserts represent new "terms of engagement" for restaurants and their guests. To respond, restaurants are infusing DSM capabilities into their strategies, processes and organizations, as the following illustrate:

- **Redefining Ordering** – Touted by CEO Brian Niccol as "the biggest innovation in fast food since the drive-thru," Taco Bell's new location-aware [mobile app](#) allows guests to customize and place their order. With online and mobile ordering spreading rapidly, Taco Bell has raised the stakes with [innovative capabilities](#), allowing customers to "build their own" entrées with preferred ingredients; geo-fencing to recognize when a guest is near the restaurant so the team can begin preparing the meal; and others.
- **Enhancing Guests' Experience** – In 2014 Chili's Grill & Bar began [placing](#) some 45,000 tablets on tables in its restaurants, allowing customers to view the menu, place orders, play games and more. With wait staff freed up to "better serve customers," the platform has reduced guest wait times and increased sales of appetizers and desserts (up 20% and 30%, respectively). Applebee's, Buffalo Wild Wings are others are [following suit](#).
- **Rewarding Loyal Customers** – To remain top-of-mind for all meal occasions, McDonald's is engaging with customers throughout the day with its [Surprise Alarm](#) mobile app, which rewards customers "just for waking up." When the mobile alarm goes off, customers receive surprises that include free music downloads as well as giveaways available at McDonald's restaurants. The [award winning](#) app is boosting awareness, driving traffic, especially at breakfast, and yielding new insights into customers' behaviors.
- **Fostering Connections** – By creating compelling content and making it easy for customers to participate and share with one another, [Chipotle](#), [Chick-fil-A](#), and other restaurants are leveraging social media to engage consumers in and outside their stores.

As these examples suggest, from sit down to takeout, across all meal occasions and price points, restaurants are [leveraging](#) DSM capabilities in new and innovative ways. Part 1 of this whitepaper is designed to guide restaurant executives responsible for directing and implementing efforts to engage customers via DSM. The discussion highlights strategies leading restaurants are employing to achieve operational results and competitive advantage. Key trends fueling the opportunity and insights from research and interviews with innovators across the industry are summarized. Part 2 of the whitepaper examines provides a roadmap and 5 key frameworks to guide restaurants in using DSM to engage consumers.

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<sup>†</sup>The focus in the whitepaper is on Quick Service (QSR) and Fast Casual restaurants and their on-premise and takeout services, hereafter referred to collectively as restaurants. See Exhibit 1 for Definitions.



### Exhibit 1 – Quick-Serve and Fast Casual Restaurant Definitions

Type	Definition <sup>†</sup>	Top 5 Chains <sup>‡</sup>
<b>Quick-Serve Restaurant (QSRs)</b>	Offer fast food items with minimal table service. Menu is typically limited to pre-cooked items that are finished and packaged to order and usually available for take-out.	McDonald's Subway Starbucks Coffee Burger King Wendy's
<b>Fast Casual Restaurant (FCRs)</b>	Provide fast service in a casual setting akin to a casual dining restaurant. These restaurants offer higher-quality food and atmosphere and sometimes offer table service. Some fast casuals also serve a limited variety of alcoholic beverages.	Panera Bread Chipotle Mexican Grill Five Guys Burgers and Fries Qdoba Mexican Grill Einstein Bros. Bagels

Sources: <sup>†</sup>Deloitte; <sup>‡</sup>NRN (Nation's Restaurant News), based on U.S. systemwide sales

### Exhibit 2 – A Snapshot of Restaurants in the U.S.

191	Avg number of restaurant meals consumers purchased in 2014 (NPD)	14k	McDonald's locations in the U.S. (Flowing Data)
990k	Number of restaurant locations in the U.S. (NRA)	61b	Number of visits to restaurants in 2013 (NRN)
50%	Mobile users downloaded one or more restaurant-specific app (IAB)	16	Number of meals/month U.S. consumers purchased away from home in 2013 (NPD)
45%	Of all U.S. restaurants, percentage that are chains (GE Capital)	12.3%	Increase in Chipotle guest counts in Q2 2013 (NRN)
41%	18-24's interested in tabletop ordering technology (Market Force)	1/2%	Projected growth rate per year in restaurant traffic 2015-2022 (NRN)
47%	Likely to use an electronic payment system at their table (NRA)	Up	Traffic for fast-casual restaurants, sub shops and gourmet coffee/donut outlets (NPD)
\$683B	Total U.S. restaurant industry sales in 2014 (est; NRA)	📉 20%	Number of restaurant meals millennials (18-34) purchase (2014 vs. 2007; USA Today)
30%	Belong to two or more restaurant loyalty programs (Deloitte)	1/2	Restaurants open for breakfast (New York Times)
46%	Have looked up restaurant location or directions on mobile device (NRA)	16%	Percent of all U.S. Starbucks transactions paid via mobile
80%	Restaurants who plan to have a mobile app in 2015 (Hospitality Technology)	40%	Percent of Domino's U.S. sales ordered via digital (online plus mobile)
35%	Restaurants who have a mobile app in 2014 (Hospitality Technology)	44%	Millennials who have posted on social media photo of food or drinks purchased (own or others')
3x	Increase 2014-2015 restaurants offering table-side payments (to 44%) (Hospitality Technology)	1 in 3	Say they would pay for their meals via smartphone app if restaurants offered that option
8%	Increase in fast casual traffic Q3 - 2015 (NPD)		
40%	Percent of Starbucks' 6,800 company locations w/ drive-thru windows		

## 2. DSM – A PRIORITY FOR THE C-SUITE

In many businesses, not just restaurants, mobile, social and digital are viewed as channels, with campaigns and initiatives conceived and executed on an on-going basis. Leaders, however, have a broader view, recognizing the value of DSM as channels but also as a strategic platform for the business and a priority for senior management. Panera Bread's case illustrates the importance.

**Panera 2.0** – *The day after a leading analyst surveyed franchisees and voiced [concerns](#) about their commitment to Panera Bread's new \$42 million e-commerce platform, founder and CEO Ron Shaich issued a [statement](#) reassuring investors. In it he stated "over the last two years we've shared our vision for the guest experience with franchisees... their response to our request underscores how supportive they are." Getting franchisees to commit to share the capital investment (estimated at \$125,000 per restaurant, a little more than half annual per store [net income](#)) and roll out the platform were clearly critical steps in the company's plans to deliver on "Panera 2.0" (for more information see this [video](#) produced by Panera).*

While Panera's efforts are still underway, the case underscores a number of important lessons:

- Recognizing the imperative, leading restaurants are placing "big bets" on [technology](#) to enhance customer experience, especially related to ordering and customization.
- Given the sizable cost and promised benefits, [analysts](#) are scrutinizing restaurants' digital investments and monitoring their execution closely.
- Since QSR and fast casual restaurants are predominantly franchise businesses, cooperation is by no means guaranteed. Owners and operators need to be convinced that initiatives will be executed seamlessly and that their investment will pay off.
- DSM initiatives touch every part of restaurants' organizations and operations. New initiatives require careful planning and coordination across cross-functional teams, including strategy, IT, marketing, operations, guest relations, training and others.
- As Panera's CEO noted, "contrary to what people may think, Panera 2.0 is not about technology... it's a vision for how we evolve the guest experience." Getting alignment and buy-in, communicating and executing on the vision are clearly critical to success.

Leading restaurants are aligning their organizations and agenda to prioritize DSM efforts. Starbucks recently reorganized to free up CEO Howard Schultz so that he can focus more time on "the big prize around digital and mobile." Reeling from disappointing [results](#) in the U.S. and other key markets, McDonald's executives just [announced](#) a strategy dubbed "Experience of the Future" that [leverages DSM](#) to deliver "unparalleled convenience and memorable customer experiences." While some elements of the strategy – especially customization – are hotly [debated](#), analysts agree that DSM and redefining the customer experience are essential to restore the brand's lustre and appeal, especially to millennials.

DSM, of course, is no panacea – restaurants will always compete on the [fundamentals](#) (food, assortment, service, and price) that drive customers' choices. However, given the potential benefits, cost, and challenges, restaurants must elevate DSM efforts to the top of the C-suite agenda. While executive sponsors may come from any part of the organization, ultimately the senior executive team must own DSM and work closely together to prioritize and achieve success.

### 3. DOUBLING DOWN ON DSM TALENT

Recognizing that the convergence of digital, social and mobile presents enormous opportunities to transform and grow their business, leading restaurants are doubling down on DSM efforts. Capitalizing on the opportunity is fraught with significant [challenges](#) and risk. One of the biggest challenges is the [shortage](#) of execs and employees with deep digital skills and experience. To mitigate the risk, restaurants are enlisting existing employees, hiring new talent and partnering with outside firms with digital and customer experience in their DNA.

Chick-fil-A exemplifies these efforts. Known for its [focus](#) on quality and customer service, the Atlanta-based chain is ramping up on digital and mobile innovation, focusing on ordering, mobile payment and related initiatives. After more than a year of development and extensive testing, Chick-fil-A recently [announced](#) that it is rolling out a new mobile ordering and payments platform.

*Chick-fil-A – Chick-fil-A's [head of mobile strategy](#) exemplifies executives in restaurants with digital in their DNA. A millennial, he had worked for both Facebook and Google. After earning an MBA at Harvard Business School, while many of his peers were leaving large companies to join startups he rejoined Chick-fil-A to head up their mobile strategy efforts. Like other digital natives, he was attracted by the opportunity to work with cross-functional teams building innovative new platforms. Chick-fil-A's vision "to use technology to make guests feel welcome and at home" was also a draw.*

To enlist executives and employees with the experience and skills required for initiatives of this scale, restaurants are employing a number of strategies:

- **Establishing new leadership roles** – Following a broader trend, restaurants are creating new senior executive positions to focus and lead their digital efforts. In Oct. of 2013, for example, McDonald's named Amazon and Yahoo veteran [Atif Rafiq](#) as its first Chief Digital Officer. This past August the company named another outsider, [Julia Vander Ploeg](#), formerly senior VP at Ticketmaster, as its first VP - Digital for the U.S.
- **Reaching outside the industry** – For key leadership roles restaurants are also hiring individuals with proven digital capabilities and experience from other product categories. For instance, to lead its Digital Marketing efforts fast casual restaurant Wingstop brought in an [executive](#) from the gaming industry who had led marketing and digital for Vegas casinos and properties. To continue its torrid pace of growth (2013 sales were up 20% over 2012), Wingstop recognized the need to boost its capabilities and better leverage data to engage customers via digital.
- **Focusing on Consumers** – Restaurants are also enlisting and hiring individuals with intimate knowledge and understanding of target segments' needs, especially millennials and multicultural. Dunkin' Brands hired an experienced [multicultural marketer](#) to ensure that its efforts to engage a cross-section of consumers via marketing and social incorporate not just the right language but cultural sensitivities and norms as well.

- **Leveraging Partners** – restaurants are relying on partners with digital expertise to bolster their internal capabilities and resources. According to [execs](#), just three years ago Wendy's digital strategy was "virtually nonexistent" – to close the gap and leverage its resources, Wendy's works closely with Facebook, partnering with the social media giant on creative and using their data and platform to test concepts and messaging.
- **Enlisting Digital Natives** – to succeed on digital innovation and execution companies are also enlisting employees, new and existing, who are passionate about and immersed in technology. More often than not these are "[digital natives](#)" – millennials who have grown up with mobile and digital, understand the nuances of hashtags and social media, and for whom technology is second-nature.
- **Finding the Best Ideas** – To attract talent in this competitive market and generate fresh thinking, restaurant leaders understand the importance of innovating and being seen as a DSM innovator. Hosting three "Pitch Sessions" at SXSW in Austin, McDonald's is [engaging startups](#) and reaching outside its organization to help "reinvent the dining experience."

Reimagining the restaurant experience and integrating new technologies seamlessly are daunting but strategic challenges, as the investments and initiatives discussed in the next section illustrate. To capitalize on the digital opportunity, talent, along with c-level leadership, is a key prerequisite for any organization, but especially restaurants.

## 4. TAKING THE MEASURE OF DSM STRATEGIES

The scope and pace of DSM innovation in the restaurant space are staggering. While much of the attention is focused on mobile ordering, leading restaurants are leveraging technology in every aspect of their business to improve operations and better engage customers. The following cases illustrate the breadth of restaurants efforts to engage customers, create compelling experiences, and integrate DSM enabled payment and offers.

### 4.1. Engaging Consumers

In every category, restaurants included, brands spend heavily to create awareness, stake out their positions, and drive consideration among target audiences. Consumers, of course, are spending more and more of their time on social media, especially Facebook, Twitter and Instagram. Based on data from [Shareablee](#), in Sept. 2014 consumers on these three social media platforms alone took some 18 million "actions" (e.g., sharing, commenting, etc.) involving restaurants, with nearly two-thirds of them on Facebook. Interestingly, in the first nine months of 2014 Starbucks accounted for 34% of the actions taken by restaurant fans on social media. While Subway has many more fans and followers (29.6 vs. 12.4 million), Taco Bell achieved engagement levels that were more than four times that of Subway. Since the majority of social actions are not measured, these numbers are just the tip of the iceberg. 70% of all social exchange happens through "dark social" activities, "when people copy and paste content or links and send it to their contacts in a private message." Since content shared by peers is more likely to be noticed and believed, brands are shifting more of their focus to not merely reach consumers but to engage them as well via social media.

## Engaging Consumers – Selected QSR and Fast Casual Cases

	<p>Known for its commitment to <a href="#">Food with Integrity</a>, Chipotle produced the <a href="#">Scarecrow film and game</a> to educate and “change the way people think about and eat fast food.” The company’s goal is to raise awareness and inspire consumers to demand food that is responsibly raised, e.g., sustainably raised, without the use of antibiotics or hormones, and, where possible, organic and sourced locally.</p>
	<p>Taco Bell <a href="#">partnered</a> with ESPN and college sports to launch a promotional contest aimed at college students, awarding 3,000 tickets to the College Football Playoffs to the “most dedicated fans.” To enter the contest students followed @ESPNCFB on Twitter and Instagram and shared a photo that demonstrated their school spirit using the hashtag #livemasfans.</p>
	<p>Starbucks produced and posted a 5-second <a href="#">video</a> on Instagram that simply shows a swirling cup of tea. The video generated more than 81,000 actions (likes and shares), resulting in a 3.5% engagement rate, the fourth-highest during the week in which it was posted.</p>
	<p>First introduced in Singapore, McDonald's <a href="#">Surprise Alarm</a> mobile app rewards customers with a variety of compelling incentives. When the alarm goes off, consumers receive free music tracks and offers for treats that can be redeemed in any McDonald's restaurant. Following introduction the app was one of the most popular in the App store.</p>
	<p>Over the holidays 7-Eleven is <a href="#">promoting</a> its fresh and prepared food offerings via a pair of campaigns “encouraging customers to ‘pay it forward.’” Pledging to contribute \$.10 for every two bananas purchased, 7-Eleven donated up to \$100,000 to Feed America. Promoted on their webpage, on social media and in-store, select stores also encouraged customers to purchase a large pizza to donate to local food banks and charities.</p>

## 4.2. Guest Experience

Restaurants are using DSM to transform customers' experience, especially around ordering, payment and delivery. According to industry sources, 1 in 7 orders can contain an error, especially at busy lunch times. Speed of service is important to guests and restaurants, particularly for [drive-thru](#). Promoting additional items that match consumers' preferences also drives average ticket size. Finally, engaging consumers while they dine can mean the difference between a forgettable visit and an enjoyable, memorable experience. The following cases demonstrate innovative restaurants' efforts focused on customer experience.

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### Guest Experience –Selected QSR and Fast Casual Cases

	<p>Buffalo Wild Wings has <a href="#">introduced</a> a tablet solution that brings new kinds of guest entertainment to the table. The technology includes trivia, arcade-style games and music, as well as ordering and payment. Customers can play against guests in their party as well as guests in the restaurant and in other Buffalo Wild Wings.</p>
	<p>Domino's latest mobile app for smartphones and tablets allow consumers to <a href="#">order via voice</a>. The platform, dubbed Dom, can understand and respond to users' questions, providing a human-like experience. Dom also handles saved orders, suggests additions to a meal and finds coupons for the best deals.</p>
	<p>With tablets <a href="#">installed</a> at the table, Chili's Bar &amp; Grill guests can browse the menu, order, and pay their bill. Guests can also use the tablets to read news, play games (a paid option), and provide feedback about their experience. Customers are "20-30 times more likely to complete a guest satisfaction survey using the tablet vs. traditional feedback methods."</p>
	<p>Panera is <a href="#">deploying</a> kiosks in its restaurants to improve the accuracy and reduce the time guests required to place orders. Part of a \$42 million investment to enhance guests' experience, the per restaurant price tag for the technology is \$125,000, not including training and other costs.</p>
	<p>In 130 restaurants Chick-fil-A is <a href="#">piloting</a> a mobile ordering app that allows guests to customize their meal and save their order for easy reordering in the future. Upon arrival as a guest "checks in" on the app, their order is prepared and can be picked up in the restaurant or delivered curbside. With plans to expand the pilot to other cities in 2015, Chick-fil-A is targeting nationwide coverage by the end of 2016.</p>
	<p>Taco Bell's new <a href="#">app</a> includes the option to pre-pay, customize orders (e.g., add extra cheese, hold the sauce, etc.), redeem exclusive app-only offers and order exclusive menu items that are first announced in the app.</p>

### 4.3. DSM Payment and Offers

Despite competing platforms and lingering uncertainties re: consumer adoption, restaurants are deploying mobile payments at a fast pace. Spurred on by Starbucks' success, advances by Apple and other payment vendors, and growing consumer interest, leaders are rapidly moving beyond pilots to national rollouts, in some cases offering side-by-side multiple payments solutions, including mobile payment, proximity payment, remittances and gifts. While consumers have struggled to see the advantages of paying via mobile, their perspectives are quickly changing. Just seven weeks after the launch of Apply Pay, The Whole Foods reported that 1% of its revenues were processed through Apple's new payment platform.

Among restaurants adoption of mobile payment solutions is being driven by a number of factors:

- **Attribution for Offers and Rewards** – while offers and rewards can be stand-alone programs, integrating payments into the solution allows restaurants to “close the loop” and precisely measure the effect on consumer spending. With this capability, known as [attribution](#), restaurants can determine which offers and rewards work (and which ones do not), which consumers respond, which channels are most effective and more.
- **Beacon Integration** – by deploying and integrating [beacons](#) (tiny transmitters that signal to an app the customer is in close proximity), restaurants can [recognize](#) and present offers to guests through their own and third-party apps. When combined with beacons, mobile payments and attribution allow restaurants to target guests and present offers that they value and respond to.
- **Enhanced Mobile Ordering** – likewise, when integrated into mobile ordering, mobile payments allow consumers to pre-order and pay, eliminating waiting in line and simplifying the process of pick up and delivery.
- **Consumer Interest** – with some qualifications, [research](#) with consumers as well as the [response](#) to Apple Pay indicate a growing level of interest in mobile payments, particularly among younger consumers.
- **Lower Cost** – with the cost of processing credit and debit cards largely [controlled](#) by Visa, MasterCard and American Express, restaurants and other merchants are interested in potentially [lower-cost options](#) from MCX (the merchant-backed payment consortium) and other competitors.
- **Solution Innovation** – Leading providers, including Softcard (the payment consortium of three U.S. mobile carriers, formerly known as ISIS), MCX, Google, Apple, Paydiant, Mozido, and others, are enhancing security and other features, making mobile payments more attractive for consumers and restaurants.

Given these potential benefits, it's not surprising that restaurants are among the most active adopters and proponents of mobile payments. Shown in the table on the following page are a few cases illustrating restaurants' mobile payments efforts. However, given the factors above the playing field will continue to evolve, making mobile payments an area to watch.

## Mobile Payment – Selected QSR and Fast Casual Cases

	<p>In the U.S., McDonald's has enabled Softcard's mobile wallet and now <a href="#">Apple Pay</a> across its 14,000 locations, allowing customers to make mobile payments inside their restaurants and at the drive-thru.</p>
	<p>Subway began testing the Softcard platform in early 2013. This fall the chain announced it would roll out Softcard payment terminals at its 26,000 locations nationwide. Subway also supports Apple Pay, Paydiant and, in some locations, Bitcoin payment solutions.</p>
	<p>Dunkin Donuts has a dedicated mobile app that can be linked to a physical Dunkin Donuts card or to an actual credit card. The app, which has been <a href="#">downloaded</a> by more than 10 million users, also incorporates PayPal payment capability.</p>
	<p>Dairy Queen is integrating Mozido's mobile POS solution into its myDQ app, supporting payments and promotion redemption at the counter and drive-thru lanes. Upon completion of an <a href="#">expanded test</a>, the solution will be rolled out nationally.</p>
	<p>Burger King announced in November that it will add a PayPal mobile payments option to its mobile app. The BK app will include exclusive offers and discounts, a restaurant locator, menu and nutritional information.</p>
	<p>Starbucks is <a href="#">partnering</a> with Twitter, allowing customers to use the social media platform for gift giving. Patrons simply associate their Twitter handle with their Starbucks' loyalty card to "tweet a coffee" to their family, friends and co-workers.</p>

More at [QSR Payments Acceptance, 14 Stories from N. America](#), Let's Talk Payments, Dec. 8, 2014

For additional developments on mobile payments and analysis see [Mobile Payments Today](#) and [Let's Talk Payments](#).

#### 4.4. Mobile Rewards

Most restaurants have offered rewards programs – over the last several years, larger chains have been moving their programs to mobile to avoid the drawbacks of analog loyalty cards and capitalize on the “always on” feature of mobile. Capturing data on customer visits is another big plus. Working with platforms such as Tetherball, Punchh, LevelUp and others, smaller chains are also following suit. Valued by customers, mobile rewards also allow restaurants to personalize and communicate offers to participating customers.

With more than 8 million active loyalty members and mobile payments accounting for 16% of all transactions at its stores in the U.S., Starbucks is the gold standard for mobile loyalty and payment programs. The iconic brand is raising the bar even higher with compelling offers and rewards to engage even more of their customers. .

Mobile Rewards – Selected QSR and Fast Casual Cases	
	<p>Based in New York, Hale and Hearty Soups serves “lunch in a cup” with fresh, exclusively sourced ingredients. With a growing fanbase, they <u>partnered</u> with LevelUp to develop a mobile payment and rewards app for their loyal customers. When using the app to pay, customers receive a \$10 credit for every \$100 spent. Rewards also include VIP access to private soup tasting events. Customers receive \$2 just for downloading the app.</p>
	<p>Working with Punchh, the popular sandwich chain Schlotzsky’s <u>launched</u> its “Lotz 4 Me” loyalty app this past June. After seven visits the app offers \$7 off on the customer’s next visit. Incentivized by an offer of a free Original sandwich, more than 11,000 customers downloaded the app on the first day and 60,000+ in the first few weeks. Scholotzsky’s also plans to add a mobile ordering capability in the future.</p>
	<p>This holiday season customers who pay using a Starbucks Card or their Starbucks mobile app can enter the Starbucks It’s a Wonderful Card Ultimate Giveaway for a chance to win one of nearly 500,000 instant prizes. Ten customers in the U.S. will win the ultimate prize, Starbucks for Life, which gives those customers one free food or beverage item from participating stores every day for the next 30 years. USA Today estimates that Starbucks for Life is worth \$22,995 to each recipient. Members of Starbucks loyalty program will also have access this year to special events, like an upcoming Holiday Share Event.</p>

## 5. USING DSM DATA TO PERSONALIZE ENGAGEMENT

For restaurants and other businesses, the real value in DSM lies in capturing and using data from transactions and other sources to contextualize, personalize and add value to interactions with customers, both in- and out-of store. Consider the following scenarios:

- **Location Aware Push Notifications** – While approaching his favorite restaurant enroute to work, a customer receives a push notification asking if she would like “the usual.” Within the notification the customer can reply, confirm whether she would like to dine in or have her order delivered curbside, and pay for the order, all without opening an app.
- **Recognition via Beacons** – Using beacon technology integrated into the restaurant’s mobile app, the associate at the drive-thru recognizes the customer and confirms their preferences for condiments, napkins, age and gender-appropriate kids’ promotions, etc.
- **Personalized Offers** – Observing that a customer is a “regular” for lunch but rarely dines at dinner, the restaurant appends an offer to the customer’s digital receipt for 25% off on meals after 5pm, for dine-in or takeout. Knowing the customer usually chooses healthier breakfast fare, the offer highlights nutritional entree’s from the dinner menu.
- **Real-time Guest Service** – Detecting that a party’s order is taking longer than expected, the food server stops by the table to let them exactly when their order will be ready. The server also offers a free trivia game to the party, noting the best scores achieved by other guests playing the game. As they complete their meal, guests who are members of the loyalty program receive special offers on dessert which they can share with others. The party is then given the option of splitting the check and paying via the restaurant’s mobile app, all without waiting for the server to stop by their table.
- **Individualized Content and Services** – Offering free Wi-fi, the restaurant features free content and services tailored to the preferences a guest has displayed on previous visits – for example; news; music and entertainment; information services (traffic; weather; stocks; etc.); e-commerce; etc.

Each of these scenarios is being integrated in one form or another by leading restaurants. McDonald’s is betting its future on highly personalized, memorable experiences. Successfully executing on these scenarios depends on three prerequisites, however, all involving data. First is customers’ willingness to share DSM data, or “digital signals.” Second is the ability to use insights and deliver personalized experiences valued by customers. Third, and even more fundamental, customers must trust that their data will be handled securely, in ways that respect their privacy and are consistent with their expectations.

Of course, in the digital age every business a customer deals with – from physical and online stores to brands, search engines, content and payment providers, and others – is intent on capturing and delivering value in exchange for consumers’ data. When it comes to DSM data and personalizing experiences, restaurants are competing not just with each other but with other businesses as well. As they build DSM platforms and strategies, restaurants must address the challenges and choose partners, especially in the payments arena, with whom they are aligned around the capture and uses of data. With incumbents and emerging players jockeying for position, this is no easy task. Personalization also assumes a robust big data capability, which is discussed further in Pt 2 of the whitepaper.

## 6. CONCLUSION

More than any other vertical, restaurants are uniquely positioned to leverage DSM and engage with customers in a wide range of mutually beneficial interactions. Even though traffic remains down due to the economy, eating out and getting takeout from restaurants are popular pastimes for consumers of all ages. As evidenced by the enormous popularity on social media as well as television, consumers are passionate about food – however, as one observer noted, they are much more interested in having someone prepare their food than in cooking it themselves. Finally, leading restaurants have demonstrated that they are committed to and capable of innovating, using DSM to create experiences consumers value and reward.

These capabilities, however, are not evenly distributed across the industry. As a result, some (perhaps many) of the DSM initiatives being pursued today will fall short of their goals. To succeed, restaurant executives must answer four key questions:

- **Where Are DSM Efforts on My Restaurant's Agenda?** As we've argued, senior executives must "own" and lead their organization's DSM efforts. There is simply too much at stake to relegate DSM to any one part of the organization, whether it's marketing, guest services or any other functional group. C-level leadership is also critical to communicate the vision and demonstrate to investors and franchisees that the company is on the right path to capitalize on DSM opportunities.
- **Does My Restaurant Have the Right "Digital DNA"?** Restaurants must ramp up their investments in "digital talent" and DSM initiatives or risk falling behind. Customers' expectations are being shaped by their interactions with Starbucks, Amazon and other "digital masters" – today's innovations, such as mobile ordering, will be table stakes tomorrow. Restaurants are also competing with other companies – especially tech companies, startups, and other retailers – for digital talent. To compete for execs and employees passionate about digital restaurants must commit to DSM innovation.
- **Have We Prioritized and Aligned Resources for DSM Initiatives?** As the cases cited earlier suggest, there are many different opportunities to integrate DSM across restaurants' businesses. In many instances, however, the technologies are complex and the user experiences are new to both associates and consumers. Therefore, restaurants must identify, prioritize and focus on initiatives that yield the most significant benefits, while coordinating internally and working closely with external partners to "derisk" execution and achieve success.
- **Have We Embraced and Built a Test & Learn Capability?** It's important to recognize that the rate of change, and therefore opportunities in DSM will continue to accelerate, driven by new technologies (such as beacons), platforms (such as Instagram), new business models (like Uber) and consumers themselves, especially millennials. To succeed and gain competitive advantage, DSM-driven organizations will require sustained efforts to "test and learn" and, once validated, scale. However, as Starbucks, Taco Bell, Pizza Hut and a handful of others have shown, customers, employees and investors will reward restaurants that have DSM in their organization's DNA.

Part 1 has emphasized the role of DSM in restaurant's strategy. [Part 2](#) of the whitepaper provides a frameworks and playbook to help restaurants execute and capitalize on the DSM opportunity.