With restaurant tech spending on the rise, annual study shows how innovative firms do things differently

INSIDE

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• Top business drivers and challenges in restaurant tech
• R&D plans, software upgrades and competitive evaluations
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Profiling Innovation: 2016 Study Shows how Restaurant Tech Leaders do Things Differently

[CHAPTER 1 | TECHNOLOGY BUDGETS]

IT Budgets Grow as Software Dominates Spending

Restaurants invested between two and three percent of revenue on technology last year, and plan to increase that in 2016. Software will be the biggest line item. This study offers a detailed look at how IT budgets are allocated. Plus, a new comparative analysis offers a benchmark of Restaurant Innovators.

[EKN INSIGHT]

Building the Next-Generation Restaurant Experience

How can restaurants be relevant in this age of the “what I want, when I want it” consumer? Leaders are focusing on two core principles: remove friction from their experience and deepen customer engagement. EKN’s SVP of Research, Gaurav Pant, shares insight on how to accomplish this goal.

[CHAPTER 2 | TECHNOLOGY STRATEGY]

Business Efficiency a Top Goal and ROI a Top Challenge

Restaurants rate their top objectives and challenges for technology in 2016. Efficiency is in the crosshairs and is followed by customer engagement, but three major challenges stand in their way. Plus, restaurants share who is, and isn’t, in their C-suite.

[CHAPTER 3 | TECHNOLOGY INVESTMENTS]

Cloud Computing and Customer Engagement to Lead R&D

A detailed look at top R&D efforts shows that restaurants will focus on cloud computing and a suite of customer engagement applications. Restaurants also rank their software footprint against their competitors, and it’s overwhelmingly sub-par. Find out about the changes in store for 2016.
Profiling Innovation: 2016 Study Shows how Restaurant Tech Leaders do Things Differently

In just a few years’ time, restaurant technology has leaped off the sidelines and into the playing field. Long refresh cycles are being replaced with a fail fast mentality. The spotlight is shifting from back-office systems to customer-facing experiences. Restaurants agree that all things digital are important. Under pressure to add mobile solutions, online ordering, integrated loyalty programs, and analytical platforms that manage the data created by these new systems, the industry is experiencing growing pains.

We see these pains playing out in the findings from the 2016 Restaurant Technology Study. Restaurants are looking for ways to shift resources away from system maintenance towards new solutions. Standing in the way are several challenges. Restaurants struggle to justify ROI, they’re bogged down with legacy systems, and many still feel that technology is under-funded. To get ahead, restaurants will increase their technology budgets in 2016, they’ll look to cloud-based applications to ease infrastructure burdens, and they’ll increase the amount of money allocated to customer engagement solutions.

To help with these and other technology decisions in 2016, we’ve compiled data that spans more than 30,000 restaurant locations across a variety of topics: technology budgets, challenges, business drivers, top R&D trends, planned software changes and more. We also offer a useful new profile: the Restaurant Innovators, who account for about one third of the responses in this study. Their benchmark shows how self-proclaimed innovators do things differently — and there are several differences. Chief among those differences is the “chief” itself — innovative firms, the data bears out, are twice as likely to have a CIO on staff as those who lag behind their competitors.

Leading edge is not for everyone, but laggards will quickly become invisible to today’s consumers, who make most of their decisions on a 4-inch screen. Secure mobile payments will be assumed. Relevancy will win share of mobile wallet. The profile of innovators shows us that progressive companies are focusing on integration and speed-to-market. If you aren’t keeping pace, your profile may only be visible in the rear view.

About the 2016 Study
The 2016 Restaurant Technology Study is the 18th annual publication of this report. It is published by Hospitality Technology magazine with support from EKN Research. The survey for this 2016 report was sent to e-mail subscribers of Hospitality Technology magazine in late 2015. In all, respondents have IT decision-making involvement for 32,796 restaurant locations across QSR, family/casual and fine dining brands. The data set offers balanced representation between QSR (51%) and table-service establishments (48%). Annual revenues are as follows: 37% have less than $50M, 19% have between $50M and $99M, 27% have between $100M and $499M, and 17% have $500M or more. About half (51%) are regional brands, 24% are national and 25% are global. About half (53%) are non-franchised brands, 37% are franchisors, and 10% are franchisees.

Abigail A. Lorden
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EKN Research
IT Budgets Grow as Software Dominates Spending

The 36,000 foot view of technology spending in restaurants looks like this: IT budgets are 2.5% of revenue; allocations are heavy on system maintenance at the expense of innovation; software is by far the biggest line item; and enterprise systems get the lion’s share of those software budgets, while CRM, digital and mobile solutions jockey for more capital. These findings suggest that many organizations remain bogged down by cumbersome or costly infrastructures, and indeed most of the restaurants in this year’s survey feel that they’re not particularly innovative in how they stack up against competitors. But there’s a plan for progress: increase technology spending in 2016, look for cloud solutions to alleviate the burden of costly maintenance, and create better tools for customer engagement via loyalty, mobility and CRM.

In this section, we take a detailed look at the size of restaurant technology budgets and the allocation of those budgets across a variety of areas. We also offer a new benchmark: a group of self-proclaimed restaurant innovators. We hold up industry averages against their profile to see how innovators do things differently.

Comparative Analysis: What do Innovators Do?

To capture the competitive benchmark of restaurant innovators, survey takers were asked if their companies are better than, at par with, or lagging behind their competitors in three areas: the effectiveness of their technology infrastructure, ROI on technology investments, and technology innovation. Restaurant technology confidence in general is not high, with only one-third of the industry doing better than competitors in any of the areas we measured. Overall, most restaurants consider themselves on par with competitors — nearly half put themselves in this category. Beliefs around technology infrastructure and ROI are consistent: 47% rated themselves on par, 34% rated themselves as better than competitors, and 19% said they’re lagging behind. When it comes to overall IT innovation, however, there’s a change in attitudes. A larger number of restaurants (27%) believe they lag behind. This tells us that restaurant IT executives have less confidence in their ability to be innovative than in their ability to maintain and measure existing infrastructures.

KEY TAKEAWAY:

Restaurants see themselves as on par with the industry in terms of their IT infrastructure, but are less confident in how their ability to innovate measures up.

Competitive Analysis: How does your restaurant stack up?

- Better than competitors
- On par with competitors
- Lagging behind competitors

Effectiveness of technology infrastructure

ROI on technology investments

Technology innovation

Restaurants have less confidence in their ability to be innovative than in their ability to maintain and measure existing infrastructures. The 32% are “Restaurant Innovators.”
RESTAURANT TECHNOLOGY BUDGETS AS A PERCENTAGE OF REVENUE

IT Budget Benchmarks
Restaurant technology budgets in 2015 were 2.5% of revenue, and this average is consistent across all segments (QSR, family and fine dining). Looking ahead, we expect growth. Two thirds of restaurants will spend more on technology in 2016 than the year before, although for most it will be a modest bump: 44% expect their budget to increase by 1% to 5% over last year. Another 30% will spend the same amount. A small group (6%) will spend less. The innovator restaurants (those who rated themselves as better than competitors at technology innovation) have larger technology budgets, averaging at 3.1% of revenue. Similarly, the laggard restaurants have smaller IT budgets at 2.2% of revenue. This correlation suggests that restaurants that invest larger portions of their revenue on technology also feel that they are outpacing their competitors when it comes to technology innovation.

Technology Allocations
With a magic number of 2.5%, restaurant technology teams are tasked with spreading those dollars across both old and new priorities. On the one hand is process and efficiency, and on the other is engagement and innovation. To find out how technology dollars will be spent in 2016, we looked at two unique allocations: the split between maintaining and innovating; and the split between hardware, software and services.

In the first allocation, system maintenance takes up the majority of technology spending (60% of the budget), and it’s a reality that most restaurants aren’t pleased with. Their ideal distribution would be to spend less on maintenance, freeing up dollars to roll out new tech and to experiment with R&D. Currently, 24% of the budget goes towards new system development, and 15% towards R&D. The ideal allocation, they say, would look like this: 42% to maintain existing systems, 36% to develop new ones, and 22% on R&D. Innovation clearly suffers at the expense of costly ongoing maintenance. For additional benchmarking, the graph above depicts IT budgets across a scale that ranges from modest investors (less than one percent of revenue) to heavy investors (4 percent of revenue or more).

KE Y TAKEAWAY:
Technology budgets in 2015 averaged 2.5% of revenue, and are expected to grow in 2016. Restaurants that invest larger portions of their revenue on technology also feel that they are outpacing their competitors when it comes to technology innovation.

RESTAURANT INNOVATORS:
- Make up about one-third of the industry
- Invest more of their revenue on technology than average
- Spend less of their IT budget on system maintenance

AVERAGE RESTAURANT TECHNOLOGY BUDGET IS 2.5% OF REVENUE
is eating the world (wrote Netscape co-founder Marc Andreessen in a 2011 WSJ op-ed). For at least the last five years, software has been regularly noshing on restaurant IT budgets. Today, 32 cents of every IT dollar is spent on software, compared to 20 cents in 2012. Slicing up those 32 cents further, the biggest chunk of the software budget goes towards corporate/enterprise systems (at 34%).

FOH gets another 27%, followed by BOH software at 23%. The least-funded area for software includes the customer engagement package of CRM, loyalty, mobility and digital software applications. Together, they account for just 17% of software spending. The appetite for software will increase across the board in 2016, but this last category — platforms for CRM, loyalty, digital and mobility — will be the fastest growing segment, with 5.3% growth. FOH and BOH software will grow by 4.2%, and corporate enterprise will grow by 3.4%. This trajectory suggests that, within a few years, spending for customer engagement platforms will start to catch up with enterprise software projects. Keenly aware that software is eating the world, the technology laggards plan to invest heavily this year, with higher-than-average increases across all the software categories we measured.

Hardware allocations have been on a steady decline, although we anticipate a modest spike for 2016, likely as restaurants upgrade payment terminals and POS hardware in preparation for EMV. Networks and telecom systems have consistently accounted for 15% of technology budgets for three years running. We don’t see any dips or spikes in the amount of money allocated to internal personnel — hovering around 20% of the budget, there are no big hiring plans on tap. •
Building the Next-Generation Restaurant Experience

Reduce friction from the customer experience and deepen customer engagement

Gaurav Pant, SVP Research & Principal Analyst, EKN Research

Customer journeys look nothing like they did a decade ago, five years ago, or for that matter even a couple of years back. The dining experience today starts long before a guest enters a restaurant — they’re reading reviews, exploring menu options, and reserving tables. It could even start and end from their couch via a mobile app.

Disruption knocks down your door when you are not looking. It’s important for restaurant operators to realize that new consumer behavior and technology can fundamentally change their business models in ways they wouldn’t have imagined.

This non-linear, time-and-place shifted, channel-agnostic behavior is affecting consumer behavior across all the industries we study (retail, consumer goods, restaurant, and lodging). There’s a common, critical, business challenge: How can my business be relevant in this age of the “what I want, when I want it” consumer? Leaders are focusing on two core principles to address this challenge:

• Reduce friction: Make it convenient for customers to do things on their time and at their pace.
• Deepen engagement: Invest in experiences that drive an emotional connection with the customer.

Irrespective of which restaurant format you belong to, you need to serve customers across the experience continuum, not just during in-restaurant moments. This very difficult transition requires transforming across multiple parameters.

Immediate Priorities: Where is the current transformation focus?

• Integrated Digital Ordering: Enabling seamless digital ordering (restaurant, online, mobile, partners) will be a top priority.

Expansion into delivery ecosystems (Amazon, Uber) is a longer term goal.

• Mobile (Consumer App): Most players have launched consumer apps (75%+ of the top 30 QSR brands, 60% of top 50 QSR brands) but they are largely undifferentiated and offer limited value. Restaurant brands have to focus on building features that are aligned to the new customer journey and help drive both commerce and engagement.

• Mobile Payments: For once activity in payments is driven voluntarily by brands rather than mandates (PCI, EMV). The new payments ecosystem is complicated and diverse but it’s a great pill for reducing friction. Experiments and rollouts in Apple Pay, Google Wallet and Samsung Pay will lead the way.

• Personalization (Loyalty/CRM): This is still in the domain of the few, because it was never a critical issue for most operators and it seemed to get deprioritized for other areas. We hope that the planned investments reported in this study materialize over the next 12-18 months.

Beneath the Surface Issues: What do we not see?

• Franchisee-Franchisor Relationship: Why do I pay so much for technology?

As brands try to invest in their digital future, they will be faced with their biggest challenge yet — selling the technology cost of this transformation to franchisees. This is a very tough sell, because operators aren’t clear about the value that their technology infrastructure provides them and any additional fees will be challenged. Franchisors have to work on improving collaboration by initiating fact-based conversations on technology.

• Integration & Infrastructure: Unsexy yes, critical yes!

Enabling frictionless experiences requires that systems talk to each other seamlessly and that new technologies can be added with relative ease and nominal cost. Brands will need better integration and less costly maintenance. As digital becomes a core part of the restaurant experience, the importance of a strong and smart restaurant network will only rise. A failure of the network can become a failure of the customer experience.

• Customer Insights: Do you know your customers?

The restaurant industry is a laggard when it comes to using data and analytics, but this will and has to change. Industries that are on the frontlines of customer interactions have to realize that customer insights are their single biggest weapon in the relevancy war.

• Pragmatic Innovation: Don’t chase hype-cycles, focus on value.

Disruption knocks down your door when you are not looking. It’s important for restaurant operators to realize that the new consumer behavior and technology can fundamentally change their business models in ways they wouldn’t have imagined (third-party ordering, home-delivery, made to order fast food, 3D printed food?). Adopt a pragmatic fail-fast, fail-cheap innovation strategy that categorizes technologies into learn/track, experiment and execute based on business outcome. •
Business Efficiency a Top Goal and ROI a Top Challenge

Whether a restaurant is an IT leader or laggard starts with business culture. Are technology teams keeping the lights on or helping to drive innovation and revenue? Do they have a leadership team in place to champion projects, or is IT buried in an operational silo? Overwhelmingly, restaurant technology is focused squarely on business efficiency, and the need to justify ROI can stall an innovative new project. However, there’s a clear difference in the way that the innovative firms do things, and it often starts at the top.

KEY TAKEAWAY:
87% of restaurants said that business efficiency will drive technology projects in 2016. Innovators put more focus on customer engagement, and laggards will be playing catch-up with security solutions.

Efficiency is Major IT Goal for 2016
Operations and process efficiency have long been the primary drivers for restaurant technology, but this year “efficiency” has pulled far ahead of other goals. Nearly nine out of ten restaurants say their technology projects are driven by a need for business efficiency, jumping up to 87% this year compared to 66% one year ago. One possible reason for this increase is the migration to cloud-based software, which came in as the number-one area for technology R&D in 2016 (and we’ll cover more R&D priorities in Chapter 3). It also carries a darker scenario, however — that despite the promise of digital technology, IT is still in the corner overwhelmed with running the business. The large portion of funding that goes towards system maintenance would support this possibility.

In all, executives evaluated a list of 10 possible objectives for IT in 2016 that also included security/compliance (35%), employee productivity (37%), better business insight (30%), and driving more revenue (15%). Improving custom-

WHAT WILL DRIVE TECH PROJECTS IN 2016?

- Improve operational / process efficiency: 87%
- Improve customer engagement / guest loyalty: 55%
- Increase employee productivity: 37%
- Ensure high degree of security / compliance: 35%
- Improve business insights: 30%
- Reduce the cost of managing technology: 20%
- Support new business models / revenue-generating opportunities: 15%
- Keep up with the competition: 7%
- Keep up with franchisee expectations: 5%
- Social responsibility / green initiatives: 2%

68% of innovators focus here
50% of laggards focus here
26% of innovators focus here
er engagement lands a distant second place in this year’s ranking — perhaps because restaurants only have 17% of the IT budget to make that happen. Customer engagement platforms (CRM, loyalty, digital and mobile tools) do represent the fastest growing software projects for restaurants, but they could continue to struggle in the absence of IT-business alignment.

Here’s the kicker: innovative restaurants will focus more on customer engagement and loyalty than the overall average (68% compared to 55%) and will be less concerned with efficiency (79% compared to 87%). They’ll also focus more on revenue generating opportunities (26%). Meanwhile, laggard restaurants will be playing catch up in the security department — about 50% of their projects have this as a focus (compared to the overall average of 35%).

**What’s Holding Back Tech?**

When asked about the obstacles that technology projects face, the age-old problem of ROI rears its head, coming in first place on our list of “challenges” in 2016. The burden associated with running legacy systems came in a close second. As we know from the budget allocation findings, system maintenance is costly and comes at the expense of new projects. Rounding out the top three challenges is the mighty coin, or lack thereof. These three challenges create an anti-innovation trifecta that becomes clear when we look at how progressive restaurants stack up differently. The innovators ranked those same three chal-

**KEY TAKEAWAY:**

Many restaurants struggle with a trifecta of challenges that clearly hinder innovation: inabil-

ity to justify ROI, the burden of legacy system maintenance, and a lack of IT funding.

**TOP CHALLENGES FACING TECHNOLOGY**

- Justifying ROI for technology: 42% of innovators have this challenge
- Managing legacy systems: 40% of laggards have this challenge
- Lack of sufficient IT budget: 37% of laggards have this challenge
- Delivering technology projects faster: 35% of innovators have this challenge
- Lack of skilled resources in-house: 28% of laggards have this challenge
- Company philosophy does not embrace technology innovation: 23% of laggards have this challenge
- Effort required to integrate systems: 23% of innovators have this challenge
- Resistance to change in the organization: 20% of laggards have this challenge
- Resistance from franchisees to invest in new technology: 17% of laggards have this challenge
- Poor IT-business alignment: 12% of innovators have this challenge
- Guests expect greater technology than we can keep pace with: 7% of laggards have this challenge
restaurant technology: one out of two restaurant companies does not have a CIO. The presence of a CIO, or lack there-of, is also one of the single most compelling characteristics that separates the haves from the have-nots (or rather, the innovators from the laggards). Of those restaurants that rate themselves as ahead of the industry in innovation, 68% have a CIO on staff. Among restaurants that rate themselves as lagging the industry, only 38% have a CIO. Having a CIO on staff can help to alleviate many of the other characteristics that plague laggard firms — ROI challenges, integration issues, not enough funding, etc. A CIO alone can’t solve these, but without one, technology lacks its champion.

In general, innovators also rated each challenge an average of 15% less likely to occur in their organization. On the other end of the spectrum, those who lag behind the industry in terms of overall innovation feel a significant pinch in the pocketbook (56% said they lack funding for IT projects) and for many the problem is cultural — 44% said their company philosophy does not embrace technology.

Lessons in Leadership

As the adage goes, technology should not be rolled out for technology’s sake. IT projects need to align with business objectives and have the support of leadership. A CIO, it would stand to reason, is a critical link in that leadership chain. HT’s research reveals an unsettling reality for restaurant technology: one out of two restaurant companies does not have a CIO. The presence of a CIO, or lack thereof, is also one of the single most compelling characteristics that separates the haves from the have-nots (or rather, the innovators from the laggards). Of those restaurants that rate themselves as ahead of the industry in innovation, 68% have a CIO on staff. Among restaurants that rate themselves as lagging the industry, only 38% have a CIO. Having a CIO on staff can help to alleviate many of the other characteristics that plague laggard firms — ROI challenges, integration issues, not enough funding, etc. A CIO alone can’t solve these, but without one, technology lacks its champion.

In other C-suite leadership areas, about 48% of all restaurants have a CMO, 15% have a chief analytics/insight officer, and 7% have a chief digital officer. Perhaps the single most important guidance this research provides is that organizations need leaders — and in particular CIOs — to direct the course of innovation that is now inexorably tied to the overall guest experience.

**KEY TAKEAWAY:**

The presence of a CIO, or lack thereof, is one of the single most compelling characteristics that separates the haves from the have-nots. 68% of innovative restaurants have a CIO; 62% of laggard firms do not.
Despite the fact that 60 cents on the IT dollar goes towards maintaining systems, restaurant technology executives are eager to move the needle in favor of innovation. Their research and development efforts in 2016 will be dominated by cloud migrations and mobile customer engagement tools. This lines up with the top two business goals they’re looking to meet: improving efficiency (in first place by a wide margin) and customer engagement. In this section, we take a detailed look at these and other R&D projects in 2016. We also put a spotlight on software, given its dominance over IT budgets.

**Top Areas for R&D in 2016**

Having established that too much time and energy goes into costly system maintenance, restaurants are looking at cloud solutions as a way out of the mire. When asked to evaluate a list of 18 technologies for R&D focus in 2016, 40% are looking at cloud software, landing this technology at the top of the list. In a related exercise, restaurants were asked to evaluate the importance of the same 18 solutions. Cloud software performed very well: 72% of restaurants said enterprise cloud was either “important” or “extremely important”, and 66% said the same of cloud software at the restaurant-unit level.

Rounding out the top five technologies for R&D, all fall squarely into the customer engagement category – CRM/loyalty, mobile payments, integrated digital ordering (via mobile web and/or app), and customer mobile app. This aligns with what restaurants have told us will be the fastest-growing segment of software in 2016. These same customer engagement solutions also received high importance rankings. Mobile payments, guest Wi-Fi, social media management, and interactive kiosks are all top technologies for R&D in 2016.

### TOP R&D PROJECTS FOR RESTAURANTS IN 2016

<table>
<thead>
<tr>
<th>Technology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud-based software</td>
<td>40%</td>
</tr>
<tr>
<td>CRM/Loyalty</td>
<td>35%</td>
</tr>
<tr>
<td>Mobile Payments</td>
<td>33%</td>
</tr>
<tr>
<td>Integrated Digital Ordering (Web, App)</td>
<td>28%</td>
</tr>
<tr>
<td>Customer Mobile App</td>
<td>23%</td>
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<tr>
<td>Analytics</td>
<td>22%</td>
</tr>
<tr>
<td>Tableside Ordering Devices</td>
<td>17%</td>
</tr>
<tr>
<td>Mobile Device for Manager Use</td>
<td>15%</td>
</tr>
<tr>
<td>Guest Wi-Fi in Restaurants</td>
<td>15%</td>
</tr>
<tr>
<td>Social Media Management</td>
<td>12%</td>
</tr>
<tr>
<td>Interactive Kiosks</td>
<td>7%</td>
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<tr>
<td>Beacons/Location Sensors</td>
<td>7%</td>
</tr>
<tr>
<td>Food Traceability</td>
<td>7%</td>
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<tr>
<td>Delivery Services (Postmates, Seamless, etc.)</td>
<td>7%</td>
</tr>
<tr>
<td>Social CRM (Integrated into POS/Crm)</td>
<td>3%</td>
</tr>
<tr>
<td>Internet of Things</td>
<td>2%</td>
</tr>
<tr>
<td>3D Food Printing</td>
<td>0%</td>
</tr>
<tr>
<td>Virtual Reality/Augmented Reality</td>
<td>0%</td>
</tr>
</tbody>
</table>

**KEY TAKEAWAY:**

40% of restaurants are looking at cloud-based software, landing this technology at the top of the R&D list. Customer engagement solutions also dominate the top five projects. Analytics will be crucial to making sense of new mobile solutions, but only 22% of restaurants are prepared to focus here.
integrated digital ordering and CRM/loyalty programs all received high marks for importance by 68% of the industry.

Analytics comes in sixth place on the R&D list, with 22% of restaurants focusing here. The mobile and engagement tools that will dominate R&D in 2016 will provide restaurants with greater opportunities for revenue, but they will also bring more complexities to the data environment. We expect to see demand for analytics grow quickly as a result. In fact, when asked about importance, analytics came in number one. This tells us that, although restaurants are aware of the importance of analytics, they’re not ready to solve this challenge. Instead — and somewhat ironically — they’re more ready to add transactional capabilities that create more data. It’s a bit like putting the cart before the horse, although it’s easy to see why they’ve ended up here: the cart is easier to build, but the horse is running wild. Still, many restaurants are not planning to add C-suite executive staff to support analytics.

Moving farther down the list of R&D projects, many of the technologies that are hyped as the next-generation of innovation in restaurants won’t be a focus this year. Namely, these are location-based technology, Internet of Things, and augmented reality. Restaurants are telling us that they have to lay the groundwork first with proven mobile solutions — they need to get on board with integrated web ordering and mobile payments. Similarly, IoT and beacons ranked low on the list of emerging technology importance.

Looking at the profile of innovation leaders and laggards, there are a few noteworthy differences. The innovators
rank mobile payments as their top R&D focus area (with 53% focusing here). Another key difference: across nearly all the technologies we measured, innovative restaurants report higher-than-average R&D focus by several percentage points or more. The only exceptions were cloud computing, which is a focus for 32% of innovators; and 3D food printing and augmented reality, which, like the rest of the industry, will see zero attention in 2016.

We’ve already learned that innovative restaurants are under less pressure to drive process and operational efficiency; we can surmise that, in part, it’s because they’re further along with cloud rollouts. Laggards will focus heavily on integrated digital ordering. Laggards also have to play catch-up in putting mobile devices in their managers’ hands. Also telling are the leaders’ importance ratings. They place mobile payments and the ability to provide integrated digital ordering at the top, reinforcing that it’s wise for laggards to focus here.

Software Perceptions and Plans
Software will be the largest single budget line item in 2016, and much of that goes to enterprise systems. This begs the question: Do current solutions lack competitive advantage? In terms of spending, will they be rolling out new solutions or upgrading existing? Here’s what we found out: overall, a larger portion of restaurants feel they lag behind competitors rather than lead them. This skew is visible on the graph pictured above.

Restaurants have particularly low confidence in CRM/loyalty, where 47% believe their existing platform lags behind the industry (and 12% don’t have the technology at all). About a third of restaurants don’t have a consumer mobile app, and another 30% says their offering is sub-par. Again, it reinforces why the suite of customer engagement software products will be a high priority in 2016. And, again, it creates concern when we see how little of the budget will be dedicated to these projects. The area where restaurants have the most confidence is in analytics — 25% feel they are ahead of competition, although even here a still larger portion (33%) lags behind.

In terms of software rollouts, the most activity will take place in pay-
ments. There, more than one third of restaurants will upgrade their existing software, 12% will switch to a new supplier, and 13% will add first-time capabilities. About half of restaurants have POS changes planned: 40% will upgrade their existing system and 10% will switch to a new supplier. Elsewhere, 54% will make changes to their analytics software, and again the most activity will be existing system upgrades. In terms of new rollouts, the most activity will take place in the customer engagement suite: CRM/loyalty (18%), digital ordering (17%), and consumer mobile app (16%). Recall, restaurants ranked themselves low in industry comparisons for these solutions, and the pressure is on.

Overall, there’s little disruption in terms of switching to new suppliers. The biggest area for this change will be in CRM/loyalty, where 15% of restaurants plan to change their service provider. Again, these planned changes align with the business objective to deliver better customer engagement solutions. The concern underlying all of this activity is that budgets and leadership resources are not yet in place to see these projects through to a successful end game. •

### SOFTWARE CHANGES PLANNED FOR 2016

<table>
<thead>
<tr>
<th>Software</th>
<th>Add software for the first time</th>
<th>Change to a new supplier</th>
<th>Upgrade existing system</th>
<th>No changes planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM/Loyalty</td>
<td>18%</td>
<td>18%</td>
<td>15%</td>
<td>48%</td>
</tr>
<tr>
<td>Digital Ordering</td>
<td>17%</td>
<td>27%</td>
<td>12%</td>
<td>45%</td>
</tr>
<tr>
<td>Consumer Mobile App</td>
<td>16%</td>
<td>24%</td>
<td>9%</td>
<td>52%</td>
</tr>
<tr>
<td>Payments</td>
<td>13%</td>
<td>35%</td>
<td>12%</td>
<td>40%</td>
</tr>
<tr>
<td>Marketing &amp; Promotions</td>
<td>8%</td>
<td>31%</td>
<td>8%</td>
<td>53%</td>
</tr>
<tr>
<td>Kitchen Management</td>
<td>8%</td>
<td>18%</td>
<td>10%</td>
<td>63%</td>
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<tr>
<td>Restaurant Back-Office</td>
<td>8%</td>
<td>27%</td>
<td>13%</td>
<td>52%</td>
</tr>
<tr>
<td>Inventory Management</td>
<td>8%</td>
<td>30%</td>
<td>10%</td>
<td>52%</td>
</tr>
<tr>
<td>Digital Content Management</td>
<td>8%</td>
<td>23%</td>
<td>7%</td>
<td>63%</td>
</tr>
<tr>
<td>Analytics</td>
<td>5%</td>
<td>37%</td>
<td>12%</td>
<td>47%</td>
</tr>
<tr>
<td>POS Software</td>
<td>2%</td>
<td>40%</td>
<td>10%</td>
<td>48%</td>
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</tbody>
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**Closing Thoughts**

Restaurants are planning to increase their IT spend in 2016. Overall, business efficiency via cloud solutions and customer engagement technologies will be their top priorities in 2016. The burden of system maintenance must be alleviated and cloud software is clearly emerging as a way out of the mire. Restaurants also believe that all things digital are important, and are investing. Their existing suite of digital/mobile/CRM software solutions leaves them wanting, and change is afoot. But from a leadership perspective, who will own and manage these projects? Who will set the strategy? The same questions need to be asked of analytics, which is quickly becoming a must-have and a massive undertaking.

Restaurants must be careful not to simply deploy new tech in a case of follow-the-leader. Our focus on innovators and laggards in this report is not to encourage reckless investment, but rather to shine a spotlight on how progressive firms do things differently. Here’s what the findings bear out: innovators are heavier investors in technology, they are less burdened by system maintenance and therefore can spend more on R&D, and perhaps most importantly they have IT leadership in place to spearhead success. If you’re feeling stricken by chicken-and-egg syndrome — does the CIO drive innovation, or do progressive firms realize they need a CIO and therefore invest in one? — consider this. Why does it matter? In the end, one clearly begets the other. •