

Why More Restaurants Need to Bite Into Digital Transformation

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There's room at the table for restaurants to offer more payment options to diners who are hungry for digital.



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Today's restaurant customers crave the convenience of contactless payments, and opportunities abound to provide them. However, the comfort of conventional payment methods, coupled with the challenges of staffing shortages and broader macroeconomic factors, is impacting adoption rates, leaving some restaurants at risk of losing diners to more innovative competitors.

Newer technologies such as digital wallets, mobile apps and QR codes can not only satisfy tech-savvy diners but also help streamline operations, reduce errors and, critically, free up staff to focus on enhancing the overall dining experience. To thrive in this competitive, increasingly digital-first landscape, restaurants will need to embrace these modern payment solutions — the missing ingredients for seamless dining experiences.

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Contactless and Digital Payments: The New Table Stakes in Dining

Greater adoption of frictionless digital payment options represents an important business opportunity for restaurants.

Contactless offers speed and satisfaction to limited-service restaurants.

Limited-service restaurants live by quick service and high customer volume, making them excellent candidates for contactless payments. Diners in the United States agree: 68% of customers in this segment would pay using contactless or mobile options if available, including smartphone apps (65%), self-service kiosks (63%), digital wallets (61%) and QR codes (48%), according to the National Restaurant Association. More than just payment methods, these offerings can shake up workflows in ways that could drive measurably higher throughput during peak hours.



Sit-down diners have tasted contactless convenience — and like it.

The National Restaurant Association also found that 62% of full-service U.S. restaurant diners would choose contactless or mobile payment options if available, with 57% opting for digital wallets, 55% for smartphone apps and 46% for QR codes. In other words, even at sit-down restaurants, where human interaction is central to the dining experience, more than three in five diners prefer a digital or contactless payment process. This trend offers full-service restaurants a significant opportunity to score big on customer satisfaction and optimize staff allocation, thereby boosting efficiency and loyalty.

Diners want more contactless options, and restaurants can benefit too.

A recent survey by Square across four key restaurant markets — the U.S., Canada, the United Kingdom and Australia — reveals a 7% year-over-year jump in diners preferring contactless payment methods. Usage of digital wallets surged by 42%, while that of contactless payment kiosks climbed 15%. Satisfying consumer demand is only half the story. Integrating these methods also mitigates transaction reconciliation pain points. The knock-on effects are substantial, including speeding up end-of-day closing processes and improving overall accounting accuracy. Perhaps more importantly, preference for a digitally transformed restaurant industry is gaining momentum, suggesting that restaurants hesitating to adapt may find themselves at a competitive disadvantage.

Payments Technology Appetites Outstrip Adoption

Restaurant payment innovation still has a way to go to keep up with diner preferences and persistent staffing shortages.

Next-gen POS systems enhance restaurant efficiency.



Incisiv's 2024 State of the Industry report shows that just 38% of restaurants in the U.S. and Canada have integrated POS systems for both in-store and digital ordering, but others may wish to consider investing as well. More than half of U.S. food and beverage businesses using these systems cite efficient order and payment processing as their top benefit. Additionally, 65% of the fast casual and quick-service restaurant (QSR) segment in the U.S. is prioritizing a move to next-generation unified POS platforms, likely aiming to leverage granular data analytics on diner behavior and operational bottlenecks for strategic decision-making. This is a start, but with restaurant off-premises and digital sales showing an 11% increase from 2022, there is room for more adoption.

Restaurant investment in contactless payment solutions is still moderate.

Despite the strong demand from diners, only 41% of full-service and 42% of limited-service restaurants plan to invest in contactless payment solutions in 2024. Investments in self-order and self-pay solutions are even lower, with just 30% of limited-service and 20% of full-service restaurants including them in their innovation agendas. Delays may stem from concerns over initial costs, integration challenges and uncertainty regarding return on investment. Nevertheless, the popularity of digital and contactless payments continues to rise, ensuring their top billing on the menu of the future.

When kitchens are short-handed, automation steps up.

Four years after the pandemic's onset, the restaurant industry is finally seeing a return to pre-pandemic employment levels, but only by less than 1% as of May 2024, despite high demand. The ongoing staffing crunch is pushing restaurants to reach increasingly for technology and automation, including for payment processing. Among those using automation, 67% report direct benefits to diner experiences, with more than one-third specifically citing payment acceptance as a key area of impact.

Why Digital Innovation Is the Secret Sauce for Restaurant Success

PYMNTS Intelligence interviews Toast's Michel Rbeiz, General Manager of FinTech, and Susie Riley, Vice President of New Ventures, on why innovations in payment variety and the use of data promise to serve up a growing feast for restaurants well into the future.

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Four years after the pandemic prompted an immediate pivot, the demand for digital payments is growing strong in the restaurant sector.

Both restaurant consumers and staff are increasingly valuing convenience and flexibility in their payment preferences, Rbeiz told PYMNTS Intelligence in a recent interview. This applies to both sit-down and takeout options.

"Consumers are embracing contactless payments like tap-to-pay and mobile wallets [that help] restaurants serve guests more efficiently," he noted. "Additionally, consumers want seamless payment options for digital orders, such as using a card on file or a mobile wallet, to make completing a takeout or delivery order quick and easy."

According to Rbeiz, restaurants are responding to these changes in guest expectations by adopting digital ordering platforms that are designed to improve the payment experience and shopping cart-to-order conversion. A prime example is Toast's online ordering platform. Moreover, he said, the use of digital applications is growing on the staff side of the restaurant equation as well.

"We've found that only a small minority of employees prefer to be paid via check," he said. "Instead, employees are motivated by having earlier access to their wages and tips instead of the traditional paycheck every week or two."

For example, Toast payment methods such as its pay card and tip payout options are a great alternative to direct deposit, Rbeiz said, as they allow employees to have early access to a portion of their earned wages and tips before payday.

"This also means that restaurants don't need to keep cash on hand to pay out daily tips, and it allows them to fully automate the pooling of tips, which can save them up to 60 minutes per day," he explained.

In addition, he noted, offering on-demand pay and tips is a benefit that can attract employees and support retention by allowing them to reap the benefits of greater financial flexibility.

Providing multiple payment options to their customers and staff makes a crucial difference for restaurants.

"Restaurants are generally in the business of hospitality, and meeting the customer with their preferred way to pay aligns with that," Rbeiz observed.

For example, he enumerated, Toast's handheld mobile point-of-sale (POS) device allows restaurant staff to take orders anywhere on premises and consumers to pay with multiple payment methods at their tables — whether by tapping their phones, leveraging contactless cards, or using the typical chip or card swiping. Mobile payments via QR codes also allow consumers the flexibility of paying quickly via their phones. Finally, he said, offline processing on the company's hardware provides additional flexibility, ensuring that restaurants never skip a beat with a consumer's payment.

"These various consumer payment options help keep service moving, boost sales and enhance customer satisfaction by allowing them to pay in the way that is most convenient to them," Rbeiz explained.

Restaurants still face challenges when implementing and managing multiple payment options. Platforms can help.

One of the challenges that comes with multiple payment options, Rbeiz stated, is the need to train staff on how to serve guests and provide a positive customer experience with a variety of options.

"For example, if there is an option to order and pay via a digital ordering app and alternatively order and pay via the traditional way, the staff need to adapt to a variety of service models throughout a shift," he observed.

Another challenge is the lack of integrated systems if different platforms are used across different ordering and payment options for a consumer. Unified systems can overcome this challenge.

"With Toast, our customers benefit from a single system that takes care of it all," he said.

Innovation around data is set to have a transformative impact on the restaurant industry over the next few years.

While Rbeiz described the importance of restaurants offering payment variety, Riley explained how data is key to running a successful restaurant and her belief that Toast is well positioned to lead the charge in this area.

Data has always been critical to the restaurant industry, she noted, but the ways restaurants can harness data have remained largely the same since the advent of cloud-based POS systems. This, she asserted, is about to change.

"One area that has been especially challenging for restaurateurs is understanding price, menu and sales trends in their specific markets," she explained. "Despite all the data from the millions of restaurant transactions that happen every day, there has been a need for a better way to harness this data for restaurant owners to look beyond their own four walls."

With this critical need in mind, Toast recently launched a reporting tool that helps restaurants view sales, price and menu trends in their local markets based on aggregated data from more than 100,000 restaurant locations on the Toast platform. The data is categorized and analyzed leveraging an artificial intelligence (AI)-based classification tool.

Riley said the tool provides restaurateurs with valuable insights, thanks to the AI-based feature that helps categorize more than 500 million menu items and decide, for example, whether a "Whiskey Donut" is a dessert or an alcoholic beverage.

"[Our AI benchmarking tool is] an industry-first comprehensive solution that pairs data at scale with an easy experience," she elaborated. "As we see how these trends play out over the next few years, we believe Toast will continue to lead in this space, given the combination of proprietary technology and the power that comes from the unique mix of restaurants on our platform. Our goal is to help restaurants thrive, and we believe we can leverage data and AI to help them do just that."

Harnessing Technology to Satisfy Diners and Boost the Bottom Line

For the restaurant industry, diners are the only critics who matter — and their reviews are in: More contactless and digital payments, please. Adoption rates among restaurants are trailing an demand, a lag that is felt especially keenly given the staffing challenges many restaurants continue to face. These factors make payment efficiency even more crucial for maintaining smooth operations. Restaurants can no longer afford to serve anything less than a modern payments experience. It's time to plate up the future of payments and give customers the fresh experience they crave.

- PYMNTS Intelligence prescribes the following actionable roadmap for restaurants:
- **Integrate an advanced POS system for unified operations:** Implement cutting-edge, unified POS systems that process both in-store and digital orders and harvest robust analytics on diner behavior. Use these insights to refine service strategies and optimize menu offerings, ultimately driving improved operational efficiency and enhancing the overall dining experience.
 - **Modernize and diversify payment options:** Expand the range of accepted payment methods to include multiple digital and contactless options. Variety is the secret ingredient for enhanced customer engagement and streamlined transaction processes, contributing to increased sales and customer loyalty.

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