RESTAURANT OWNER'S GUIDE
TO ONLINE ORDERING

ONLINE ORDERING, SETTING UP FOR SUCCESS

Most QSR and fast casual restaurant owners are aware that an online/mobile ordering presence must be part of their business model if they want to stay relevant, but many restaurants, regardless of size, are either struggling to integrate online ordering into their business or failing to profitability serve the channel.

The challenge then becomes how to implement the online/mobile channel profitably.

With the addition of any new process, integrating a new procedure, technology or flow into existing workstreams must be approached methodically. Integrating a restaurant's already complicated workflows become even more challenging when the workflows support multiple, often competing, channels. For example, consider a single prep line that has to fulfill both the online channel and the dine-in channel. When the orders stack up during lunch, that prep line will need to prioritize orders and you will want to have planned for that scenario ahead of time.

Industry veterans may contend that they've been processing phone orders, take out and delivery for decades! Why should online be

any different? Today's offsite ordering is not your grandfather's offsite ordering. Today's consumers have seemingly countless dining options vying for attention on their phones, they are more demanding in terms of personalization and choice, and they maintain very high quality of service expectations. In addition to being responsive to these market drivers, the online channel introduces hidden cost drivers that make it challenging to accurately calculate the cost of the channel. Further, these costs tend to be variable. Take delivery for example. Delivery costs will vary depending on time of day, traffic patterns, weather and route configuration. In many areas, a 10-minute drive across town at 9:00 a.m. becomes a 45-minute parking lot at evening rush hour.

It's important to examine online ordering from the following angles:

- Strategy Definition

- Guest Lifecycle Analysis

- Sequential Growth

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DEFINE AN ONLINE ORDERING STRATEGY

When considering online ordering, it's a good time to revisit the founding principles of your brand, especially calling to mind how you bring value to the market and your target guest personas. What is uniquely 'you' in the market and how do you interact with your guests? For example, if your customers value speed over experience, then outsourcing all of delivery might make sense. However, if you feel it is critical to your brand that you control the final customer touchpoint, then it may make sense to bring delivery in-house.

After brand considerations, the next step to defining your online strategy is to identify any online ordering or mobile ordering platforms that are currently feeding into your operations. Get as much information as you possibly can in terms of revenue generated, costs associated with each platform and product/menu mix. This will likely take some time to really sharpen the pencil, so gather as much broad information as you can upfront and then iteratively refine your numbers.

Next, examine any logistical and operational factors that support order preparation and fulfillment including staffing, physical kitchen or building constraints and specific technical constraints you may have to work around. Each location will have strengths and limitations around ingress and egress, parking, traffic flow and queueing. These must be considered, and we will look at some from the customer's point of view in the next section.

Your online ordering strategy should also take into account the specific level of technical expertise you either have available or are willing to acquire/hire. How you choose to engage your guests will drive which apps you use, which in turn raises the question of whether you have the IT expertise necessary to integrate online ordering successfully into your business. The technology landscape can be daunting, so for the purposes of defining an online ordering strategy, start with those applications that are closest to the customer and move outward. For instance, understand

which customer relationship management (CRM) system, reservation system and loyalty system you will use before focusing on kitchen display system (KDS) order queuing or delivery route optimization.

A third area to scrutinize is your governance and reporting capabilities. Can you, for instance, capture and report on tips given to delivery drivers? Do you have systems in place to measure profitability? Can you efficiently move from theoretical to actual and from plated to prime cost? You will want to prepare a closed loop feedback system that is rigid enough to provide period-over-period reporting but flexible enough to respond to changes in strategy.

Finally, it never hurts to glance at what your competitors are doing in the space, quickly returning the focus to your relationship with your guests.

Chapter **2**
CUSTOMER LIFECYCLE ANALYSIS

Having just mentioned guests, let's take a moment and unpack each step in this customer lifecycle as it relates to a successful online experience. Restaurants should evaluate online ordering in a similar context to the traditional dining experience.

Decide

With online ordering, consider how your customers will find you among the other options available to them. What does that experience look like? Which parts will you own? Will guests be arriving from search engines, landing on a mobile optimized site or will you partner with an aggregator such as GrubHub. Alternatively, you may have decided when reviewing your brand that a highly controlled digital experience was

core to your strategy, and as such, your focus will be on custom mobile application development. These will become important conversations to have because the landscape can become very complicated in terms of platform and the cost of reach. You must factor recurring monthly platform costs into the unit profitability of each online order from the start.

We will explore ways to add sequential expansion a bit later, but it's worth mentioning that even updating location information, hours, address and map online is a small but useful step. For example, with this information alone, a restaurant can add incremental customer value by displaying total time to dine whether via pick up or requesting delivery.

Traditional dining experience, goes like this:

- A Guest **DECIDES** to go to a restaurant after an evaluation of her options.
- At this point, her next major interaction with the restaurant is the **ARRIVAL**. This can entail ingress/egress, parking, traffic flow.
- Once inside, she meets her third milestone and completes a **PURCHASE**, having navigated the menu, ordering, table service, tipping, etc.
- After **DINING** with hunger satisfied,
- Our hero **LEAVES** and **ADVOCATES**.

1 DECIDE / 2 ARRIVE / 3 PURCHASE / 4 DINE / 5 LEAVE
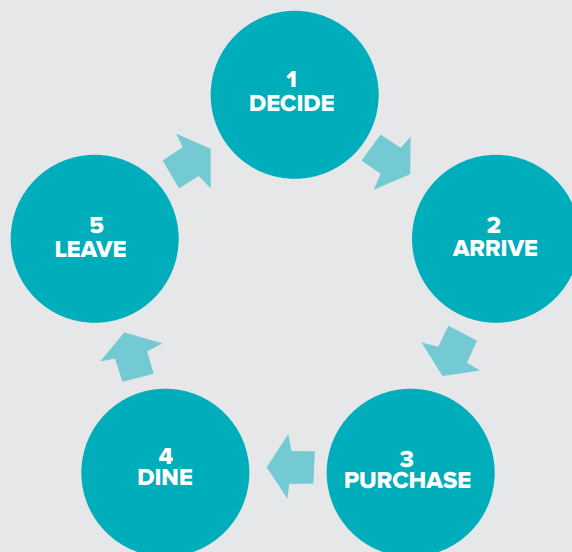
Finally, consider how your menu will display online. Which pictures will you choose, if any? Do you have menu item descriptions? Are options clear? Is your menu searchable? Are you able to display allergen information? Can you update the online menu if an item is not sellable for some reason? Even answering simple questions like these will often uncover gaps in your technology and/or procurement supply chain. Depending on your online ordering strategy and which vendors you have chosen to support that strategy, you may find a menu management system in your current software ecosystem. Alternatively, if you have chosen several point solutions, it will be beneficial for you to build an asset management system from the start.

Arrive

Here you will want to classify the customer quickly: Is this an online order pickup? Have they paid? Are they a third-party delivery driver here to pick up? You will want to inject the guest into the process at the furthest point down the line, otherwise, you risk upsetting the customer. For example, we've all had the experience of ordering online, then getting to the restaurant to find there is a single, long line to assist customers. Certainly, if they have paid, don't make them wait in a register line, this violates our sense of fairness.

Purchase

If you have opted for a restaurant-controlled experience, you will have unlimited flexibility in the purchase and payment process, but if you are working with an aggregator like DoorDash, the purchase experience will be largely out of your control, save the menu items and pricing. In either scenario, it is important to consider how these orders are paid for, how they reach your kitchen and how they are queued for fulfilment.

Dine

It's likely that the guest will handle their phone while consuming their meal. You may choose to use this opportunity to engage the customer with online reviews, surveys, CSAT activities or perhaps this will become a good opportunity to involve them in other social activities. They are already sharing pictures of their food, the ambiance, their servers and every other nuance of their meal, so you should not only take part in the online conversation but also lead it with aptly-placed hashtags and guest dialog.

Leave/Advocate

This is your opportunity to engage the CRM system identified during the strategy phase. Based on the technical analysis that you performed earlier, you should have a good understanding of the marketing automation and guest engagement tools at your disposal, as well as how these systems integrate into your order management solution.

SEQUENTIAL GROWTH

Let's define sequential growth as what it is not: sequential growth is not jumping in with both feet and leaping to a new position. Rather, it is steady progress made from one stepping stone to the next along a calculated route (see part one, Defining an Online Strategy). It's a little less glamorous than the hockey stick, but it is also much more reliable and much less stressful.

And the growth from adding a new channel will stress each part of your business, from operations to finance. Unfortunately, launching online/mobile ordering too aggressively often leaves your employees, your customers and your brand a bit battered and bruised unnecessarily.

Remember 2017 when the Starbucks mobile app "swamped the system"? Essentially, mobile orders jumped to the front of the line so quickly that they created their own line. Starbucks can weather a PR storm like that, but their brand took a beating.

So what are some strategies for entering into online/mobile ordering incrementally? Perhaps you can open only a single day part to mobile ordering, say lunch. This allows for plenty of time before to prep, and closes the window with enough time left in the afternoon to recover successfully before end of day. Maybe, it's starting with a specific online menu that you know your kitchen can produce effortlessly.

It may be that you choose full menu, full day to start, but limit the rollout to one store or region. This also allows you to test marketing and other go to market activities before you scale. It may also be possible to limit delivery range until you get that cost center figured out. Again, many of these decisions will flow from your online strategy.

When do you move to the next step? When the unit economics of a landed order have achieved the KPIs you set in your strategy, then you can expand the scope of your offering. Again, move incrementally up (or out as the case may be). So if you recently offered delivery within five miles, then expand that to a seven- or 10-mile delivery radius and test again. Is the channel executing to your plan? If it is, then it's time to start looking for incremental value in your online system.

CONCLUSION

This white paper has examined online ordering in terms of strategy, explored the online order guest lifecycle and proposed a path towards profitable growth, but this is just the beginning of what should be considered an ongoing journey. Online ordering and delivery is not something that can be bolted onto an existing business as an afterthought. Rather, successful businesses take a ground-up approach to incorporate this channel. This starts with having inclusive software that offers increased visibility into business on both financial level and operational level. A solution like NetSuite that can provide customizable reports and increased data insight builds a strong foundation for restaurants to evaluate new business models and explore new ways to serve their customers.