

THE DIGITIZATION OF RESTAURANTS:

UNDERSTANDING THE 5 FACES OF DIGITAL EATING

Order your food
online now!

24/7

30'

Who delivers in
your neighborhood?

Street address



What do you want?
Sushi, hamburger, pizza, thai...



Find your favourite restaurant
More than 3,000 restaurants to choose



Special offer
Find the best deal

Digitization is changing everything: the way we interact, how we spend our time and, increasingly, how we eat. Restaurants and grocery are on the cusp of radical change as their offer becomes increasingly digitized. New England Consulting Group founder Gary Stibel has gone so far as to quip “It’s not the food, stupid. It’s the tech that matters.”

A glimpse of the future

Online ordering, after tripling over the past 5 years, this year surpassed telephone orders as a percentage of all restaurant orders. The average American has 9 food related apps on their phone, and 8 in 10 have planned out restaurant visits online. Already 4 in 10 have used a restaurant app or website to order food. Many are embracing digital food, and this study outlines key digital eater segments, as well as those that are unengaged—representing powerful growth opportunities for food service operators nationwide.

Understanding digital eating

To understand who is doing what with digital food, we explored with U.S. consumers what digitization means for restaurants and grocery.

Our investigation revealed two important facts. Firstly, that consumers vary widely in their relationship with digital food: hence we segmented them on the nature of their engagement. Secondly, we saw that how people related to the role of technology in both grocery and restaurant are tightly intertwined. We therefore grouped people on both aspects of digital food.

In this report, we introduce the five faces of digital eating in America, and point to opportunities to innovate in ways that produce winners. Our investigation is ongoing and we have profiled the members of our [Springboard America](#) and [Angus Reid Forum](#) market communities in the U.S. and Canada. And with a few short questions these segments can be identified in any research activity with any sample. They can also be incorporated into existing insight communities or communities focused specifically on digital eating.



Bold, tightly integrated digital strategies will be the biggest differentiator between companies that win and companies that don't, and the biggest payouts will go to those that initiate digital disruptions. Fast-followers with operational excellence and superior organizational health won't be far behind.

*The case for digital reinvention.
McKinsey Quarterly Feb 2017*





THE FOOD SERVICE INDUSTRY IS ONE OF THE LARGEST INDUSTRIES IN THE WORLD AND, IN MY VIEW, ONE OF THE LEAST PREPARED IN TERMS OF EMBRACING TECHNOLOGY. IT LEFT ITS DOORS WIDE OPEN, RIPE FOR DISRUPTION. IT IS IN GOOD COMPANY—PAYMENTS, AIRLINES, HOTELS, RETAILERS ALSO FAILED TO SEE IT, PERHAPS CHOOSING NOT TO SEE THE QUANTUM SHIFTS IN THE WAY THE WORLD WORKS, FUNDAMENTAL PARADIGM SHIFTS, WHICH IN HINDSIGHT, ARE OBVIOUS TO THOSE WHO CARED TO LOOK. THE GROUND SHOOK BENEATH OUR FEET, AND MANY MISSED IT.

Ian Oran, Founder Freedom Pizza





Let's meet the segments.

INTRODUCING THE 5 FACES OF DIGITAL EATING

Digital Food Enthusiasts live a life in which digital is inextricably intertwined in everything they do. And they love food, so food and technology go together as naturally as salt and pepper. Whether it be ordering groceries, finding the perfect restaurant, or just getting takeout, using digital channels to connect to food is second nature. There are currently about 30 million American adults who fall into this early adopter category.

Digital Diners love their restaurants and are quite happy to use digital means to connect with them, whether it be ordering takeout, reading reviews or perusing menus in search of that next great meal. Many Digital Diners remember when phones were on a desk and only used for talking, so it is not necessarily instinctive to order groceries online or open an app when they get hungry. There are roughly 40 million Digital Diners in America.

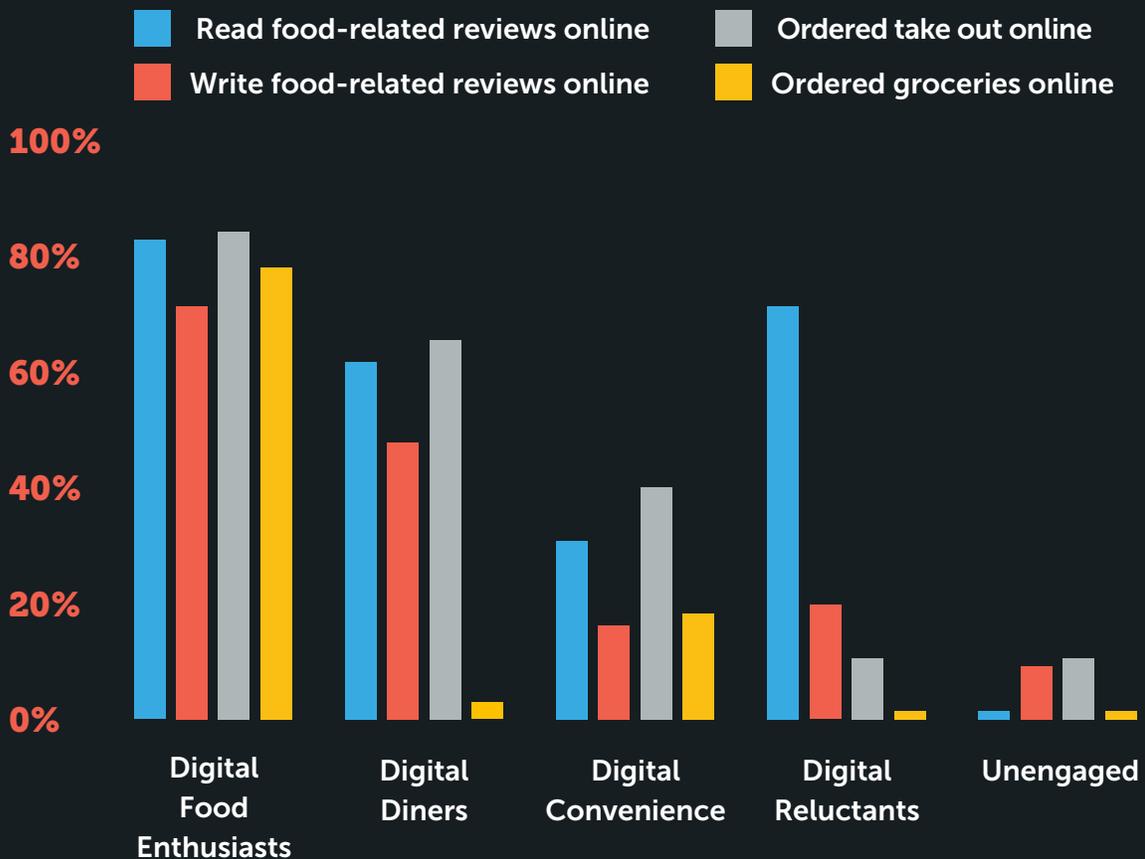
Digital Convenience Buyers are digital natives, happy to embrace technology in all aspects of their life. They love the convenience of having an app to order takeout, but food is not their passion. Despite their embrace of all things digital, they are less likely than other groups to order groceries online or read restaurant reviews, because food is not a priority. They number about 25 million in the U.S.

Taken together, these three digital eating segments total almost 100 million Americans—a large and growing opportunity.

On the other side of the divide are **Digital Reluctants**. They are happy to fire up their laptop and Google a restaurant they have been thinking about visiting, but they are unlikely to have an app for it. For Digital Reluctants, groceries are something you find in a store, a restaurant is a place you go and an app is something you eat as a starter. In the U.S. there are currently 45 million Digital Reluctants.

The **Unengaged** live in a different world than groups like the Digital Food Enthusiasts. Neither food nor technology really interest them. They eat to live, not live to eat. While technology is a tool they might use, they still reach for the phone book when they want a pizza. And they go to a store when they need groceries. There are a whopping 110 million Americans who don't know and don't care, when it comes to digital eating.

Select online behaviors past 6 months



THE DIGITAL DIVIDE IS A GENERATIONAL DIVIDE

There is no starker divide than that of age, when it comes to digital eating. The future of food clearly has a profoundly important digital component—because those who are younger have already embraced it. But those who remember life before every home had a computer are unlikely to radically change their habits. That means restaurants, retailers and manufacturers will have to fight a war on two fronts—digital and in person—or miss a large portion of the market.

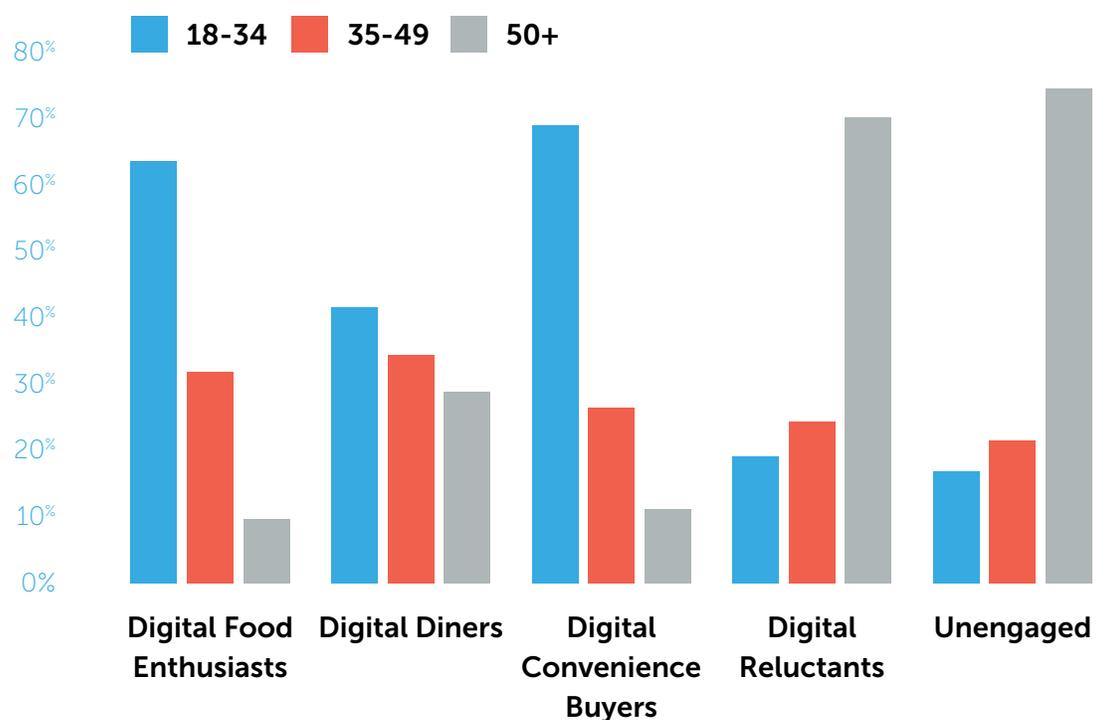
Millennials are generally enthusiastic about technology and food, and Baby Boomers (50+) tend to be more reluctant. Generation X (35 – 49) represent

the swing vote. Currently, they are found in all five segments in roughly equal proportions. As new digital offers emerge, how this demographic cohort responds could well determine winners and losers in the realm of digital eating.

Because the age divide is so critical, we also included a sample of 15-17 year olds. While at this age they are more likely to be a recipient than a buyer of food, they still give us hints about the future.

Intriguingly, this group—in their formative years—are divided across all of the segments roughly in proportion to their size in the population. It would appear they are a work in progress.

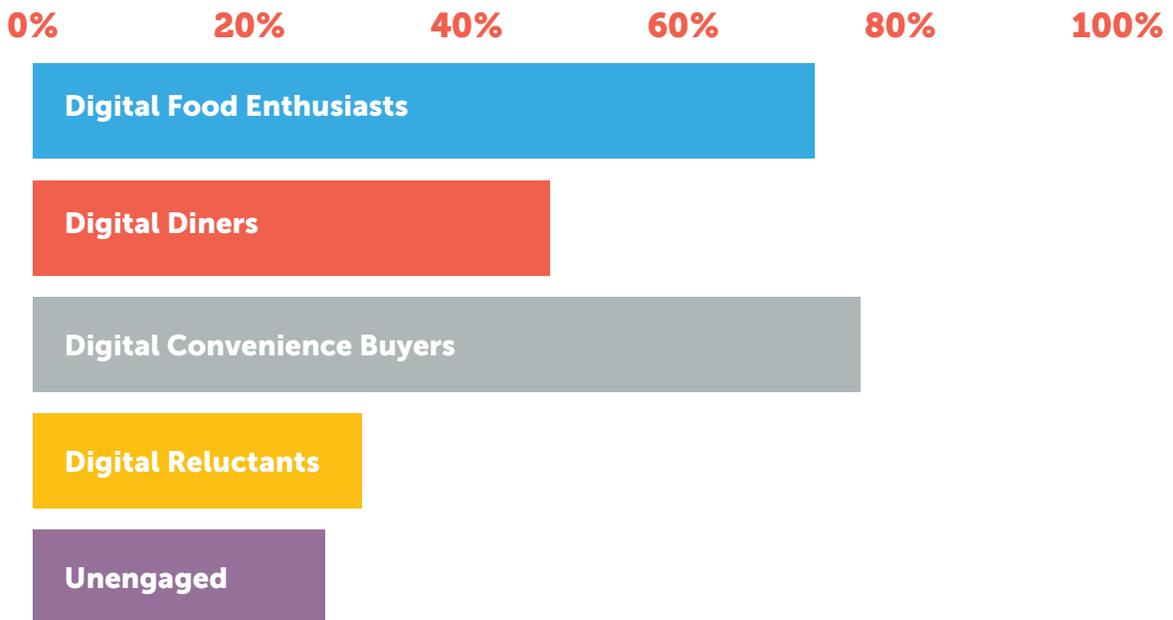
Age of the Digital Eating Segments

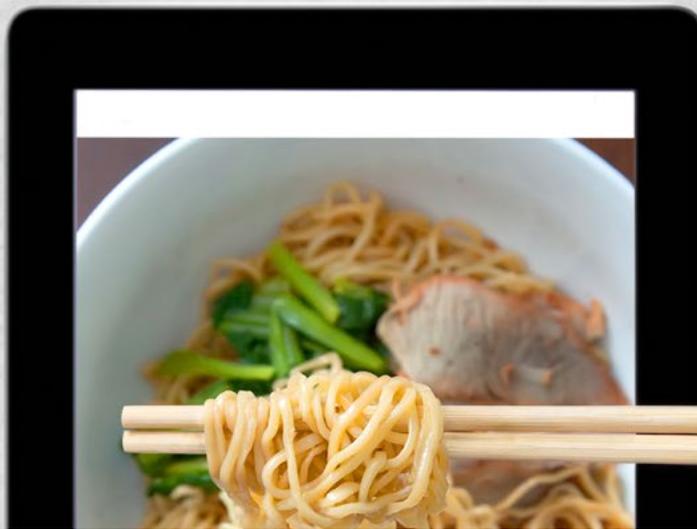




CHILDREN AT HOME

A significant majority of Digital Food Enthusiasts and Digital Convenience buyers have children at home. While that goes hand in hand with them being younger, it also means they have more mouths to feed. That makes them more valuable, and more likely to be looking for the benefit of convenience.





TECHNOLOGY IS THE KEY TO ADOPTION

While it might seem obvious that the adoption of digital eating is very much linked to the adoption of technology in general, it is the exception to the rule that suggests opportunity.

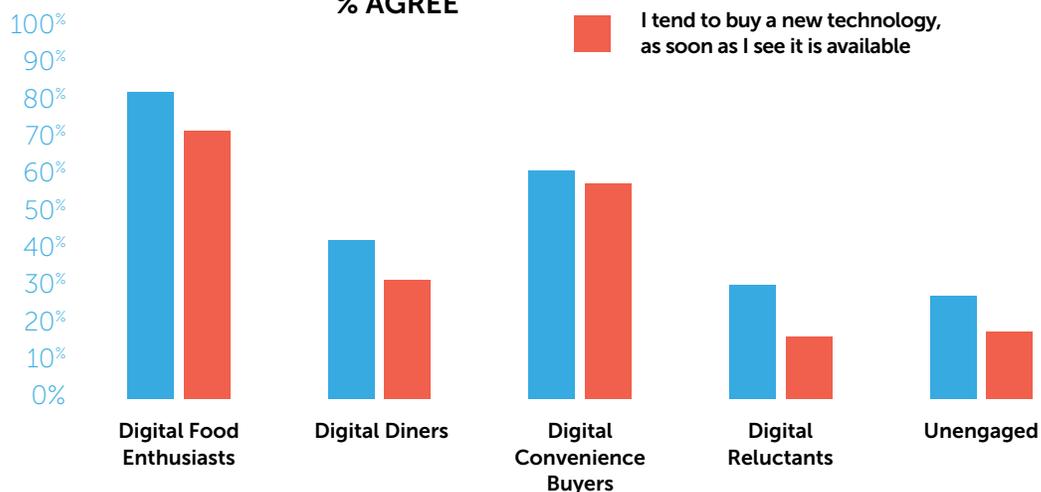
For the most part, the degree to which one is an early or late adopter of technology is very predictive of how involved one is in digital eating. The Digital Diners are the exception.

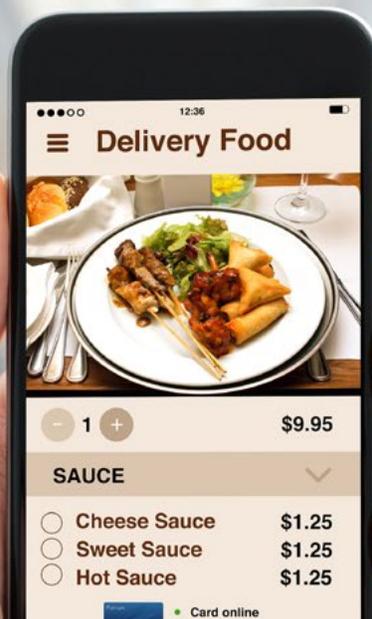
Their love of restaurants in general, and delivery in particular, has led them to be at the forefront in the adoption of

digital technology that is restaurant related. This shows that desire can drive a change in behavior and, if technology is optimized, barriers to adoption can be eliminated.

It is also important to note that the domain of the early adopter can quickly become mainstream. Consider mobile phones: once the exclusive domain of technology geeks and business travelers, they are now found in the vast majority of pockets and purses. The same thing will happen with digital eating.

TECHNOLOGY ADOPTION % AGREE





APPS THAT ADD VALUE

The more digitally active segments currently have a number of food related apps. For example, the Digital Food Enthusiasts have, on average, 7 restaurants specific apps and 5 for food delivery. The Digital Diners and Digital Convenience Buyers post numbers that are not that far off. The problem is few of those apps get used very often. And then they get forgotten or deleted.

It's tough to be an app. Not only are there millions to compete with, the few that get downloaded are typically abandoned within days.

People have an average of 27 apps on their phone, a number that appears constant. According to Nielsen, "Despite rapid evolution throughout the marketplace, including new apps, additional device functionality and broadened device capabilities, the number of apps used has remained relatively stable since the end of 2012."¹

In this hypercompetitive landscape, apps must be made stickier by adding value—

either through the delivery of content, the addition of a social dimension or integration with other apps. Part of the reason that China's digital economy has double the share of retail sales than it does in the U.S. is that apps like WeChat—with close to a billion active users—offer integrated social media, payments, communication (voice and text), gaming, video conferencing, etc. The message is, apps that do more than one narrow thing get used more often.

There is great return in a research stream that is focused on continuously testing ways to add value to an app. [Idea Filter](#) is an ideal tool for the quick assessment of ideas. It is streamlined to the point that it takes a minute or less to test an idea and get feedback that is equivalent to standard [concept testing](#). With this solution you can test thousands of ideas, features, benefits, rewards, as they are generated, and find the gems that make the difference between an app being sticky or destined for the delete bin.

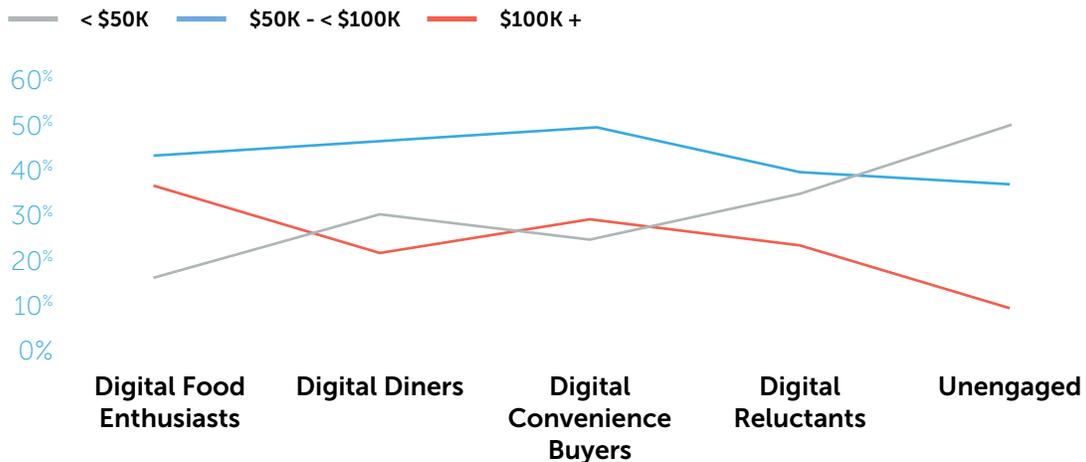


MONEY MATTERS

The amount of money a person has can either constrain choices or open the door to possibilities, for both technology and eating. We see that play out very clearly in our digital eater segments.

The Unengaged are much more likely to have lower incomes, and therefore less access to technology and fewer choices when it comes to food. And the Digital Food Enthusiasts are somewhat more likely to have higher incomes, giving them a greater ability to embrace their interests.

Household income and digital segment membership





GENDER DRIVES CHOICES TOO

Women have a large influence on food decisions—both in groceries and restaurants. So it is important to note a strong gender difference in the Digital Food Enthusiasts and Digital Convenience Buyers and the Digital Reluctants.

The fact that fewer women are Digital Food Enthusiasts, and more are Digital Reluctants, suggests there is an important barrier to be addressed in the adoption of digital eating.

A large body of research has shown foods are “gendered” and that cultural cues have a strong effect on what people buy and eat. Think “real men don’t eat quiche.”ⁱⁱ

We also know that technology is traditionally perceived to be a more “male” field of interest. Google’s workforce is, for example, 69% male.ⁱⁱⁱ

So what happens when the female dominated realm of food meets the male dominated realm of technology? Is this a clash of domains? Are the cultural cues mixed? Why are women not more engaged in digital eating?

These are all important questions to explore, because finding ways to make digital eating more female-friendly is key to grabbing a dominant early position in this market.

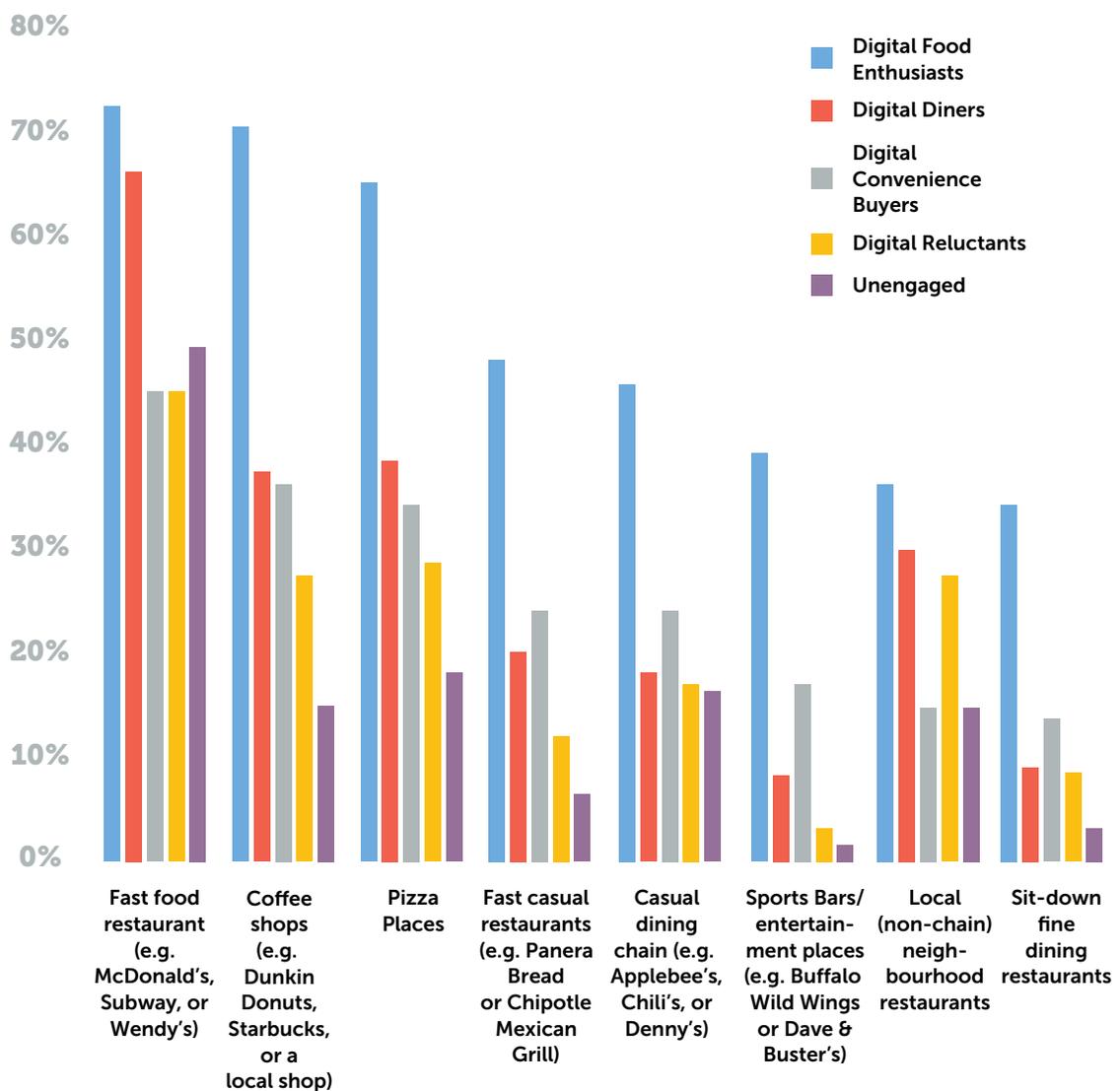
% of each segment who are Women



DIGITAL EATING AND RESTAURANTS

Digital Food Enthusiasts are restaurant enthusiasts. Not only are they likely to have eaten out in the past week, they are likely to have done so at a variety of types of places. This makes them very valuable customers—underscoring the significance of providing them the digital tools they desire.

Types of Restaurants visited past week, by Digital Eater Segment





DELIVERY AND TAKE-OUT

Overall, about 4 in 10 restaurant meals were purchased to go—with no real variation by segment. Digital Food Enthusiasts and Digital Convenience Buyers were, however, much more likely to have a significant portion of their restaurant food delivered—roughly 30%. And they order a variety of types of foods, including fast food, fast casual, casual dining and even salads and snacks, while the others are more likely to stick to the classics of pizza and Chinese food. This diversity of interests is certainly one reason we see higher use of third-party apps like [Grubhub](#) and [UberEATS](#) in these segments.

These third-party apps pose a unique challenge to restaurants. They take a portion of their profits and all of the data on their customers. Then they resell that data back to the restaurants as targeting information for in-app promotions. It's a great scheme if you're UberEATS, but not so much if you are a restaurant that has to give up both profits and control.

A company like Domino's Pizza has avoided that conundrum by having their own app, but they were pioneers in the field and helped shaped the market. They have also been relentlessly inventive in how they evolve their technology. In an analysis of 126 U.S. restaurant's "Digital IQ," Domino's was one of 4 brands that got a "Genius" rating.^{iv} For brands like Freshii and Au Bon Pain—who got a "Feeble" rating for their digital IQ, imitating their success is a tall order. But that leaves them very vulnerable to the third-party apps that Digital Food Enthusiasts and others love.

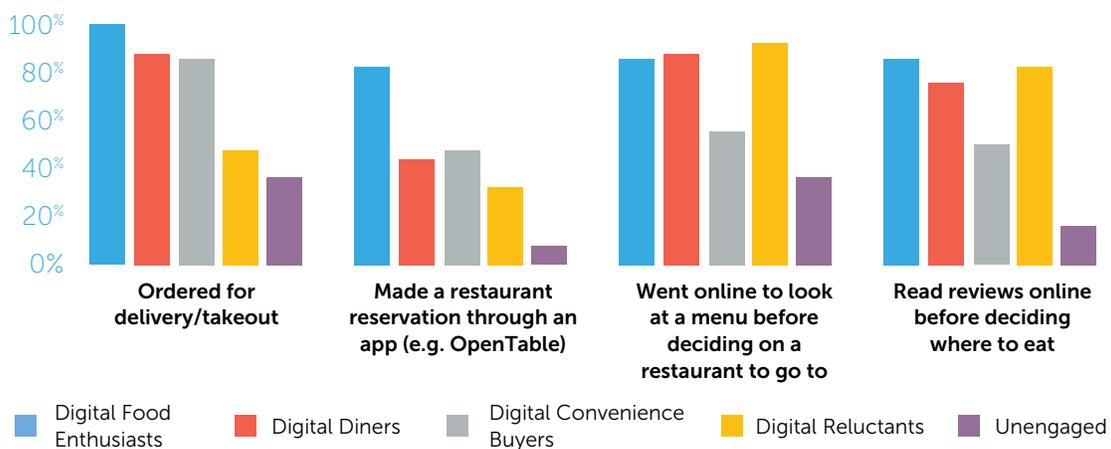
Siri, order me a...

Digital Food Enthusiasts and, to a lesser extent, Digital Convenience Buyers also stand out from the others in their use of a variety of digital means to order including websites, apps (both third-party and specific), self-serve kiosks, social media and even virtual assistants. If it's digital, they probably use it. And they will be first in line to get their food delivered by drone.

RESEARCH AND RESERVATIONS

Doing research online—whether it be reading reviews or perusing menus—is a much more common practice than other digital food activities. This is something even the Digital Reluctants embrace. Review and restaurant sites are therefore critical gateways for reaching people currently less engaged in ordering or reserving online. Finding alternative approaches to getting Digital Diners and Digital Reluctants to move from research to buying will be one way to open the door to a larger digital user base.

Restaurant research, reservations and orders



We asked people in each of the segments an open-ended question about what people thought was the greatest technological advancement in ordering food. Their responses reflect the nature of each segment:

“I think that apps for third party delivery are great. They give me more choices and allow me to try new things. I try new restaurants and I am excited when a new restaurant I want to try is added.” – Digital Food Enthusiast

“I like to be able to order automatically via an app. It’s nice that the app remembers my previous orders and favorites, and that I can easily order and customize my items.” – Digital Diner

“Easier to tell the computer, they get my order right all the time.” – Digital Convenience Buyer

“Websites like Yelp that have menus, pics and feedback from customers make it easier to find new places to eat.” – Digital Reluctant

“I don’t know, because I have never ordered any other way besides by phone or when I enter the restaurant.” – Unengaged

IDENTIFYING DIGITAL OPPORTUNITIES IN RESTAURANTS

We can see from the five faces of digital eating that there is incredible opportunity. What's needed are deeper insights into specific markets and learning streams fine-tuned to invigorate innovation. Here are a couple of opportunities we want to call out as thought starters.

Ask the expert

There is tremendous opportunity in tapping into the expertise of Digital Food Enthusiasts. They are extraordinarily well informed, through their regular exposure to a wide variety of restaurants and methods of ordering food digitally. Their knowledge of what works and what doesn't make them ideal candidates for generating or evaluating new ideas.

A community of Digital Food Enthusiasts, having an ongoing discussion about something they are passionate about, would be a very fertile environment for a repeating cycle of co-creation, evaluation and feedback. If anyone will "geek-out" over improvements to an ordering app, it will be the Digital Food Enthusiasts.

Bridging the gap to action

There is also opportunity in understanding what prevents Digital Reluctants from making the leap from learning to acting. Right now, they will read menus and look up reviews at a rate that rivals Digital Food Enthusiasts. But their conversion rate to online action is roughly just one third. That's a huge opportunity gap.

That gap is unlikely to be bridged simply by a better "order now" button. However, there is more to this gap than ease of use. A deep dive into their reluctance to click to order or reserve must start with a qual-

itative exploration of the role restaurants play in their lives today. Is it an occasion to go out? A guilty pleasure? How do they feel about delivery? Why is their use of delivery limited to more traditional delivery foods like pizza and Chinese food?

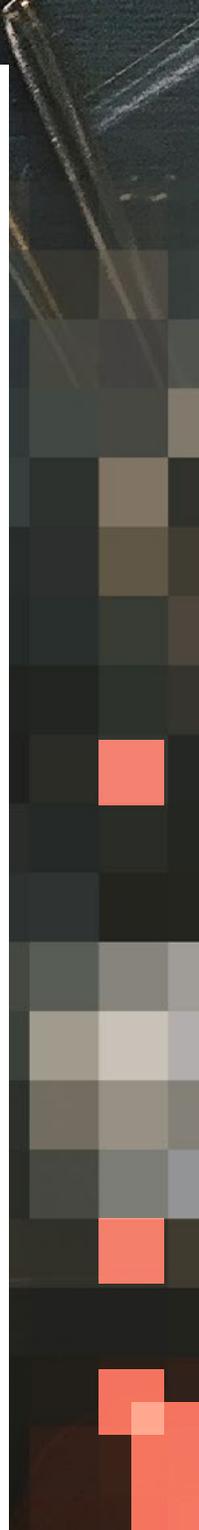
The answers to these questions, and others, will provide the insights required to generate ideas for how to convey the benefits of delivery in ways that make this segment less reluctant to embrace digital eating.

Offline opportunities too

While this segmentation is very focused on digital, it also highlights opportunities to target offline initiatives as well. Mail drops of coupons and promotional offers might not get much love from Digital Food Enthusiasts—because they already have the e-version. But mail will be very much of interest to Digital Reluctants and others.

When testing offers with a tool like [Mailbox](#)—a system for virtually testing promotional offers—it is possible to focus only on the segments who still are heavily influenced by mail. Mailbox simulates real world interaction and consideration by uncovering how consumer facing communications perform with detailed evaluation of the value proposition, messaging and communication levers. Participants complete an online virtual exercise of sorting and stacking mail as they would at home. They can open each piece, review all pages (front/back), evaluate each piece and choose to keep or discard.

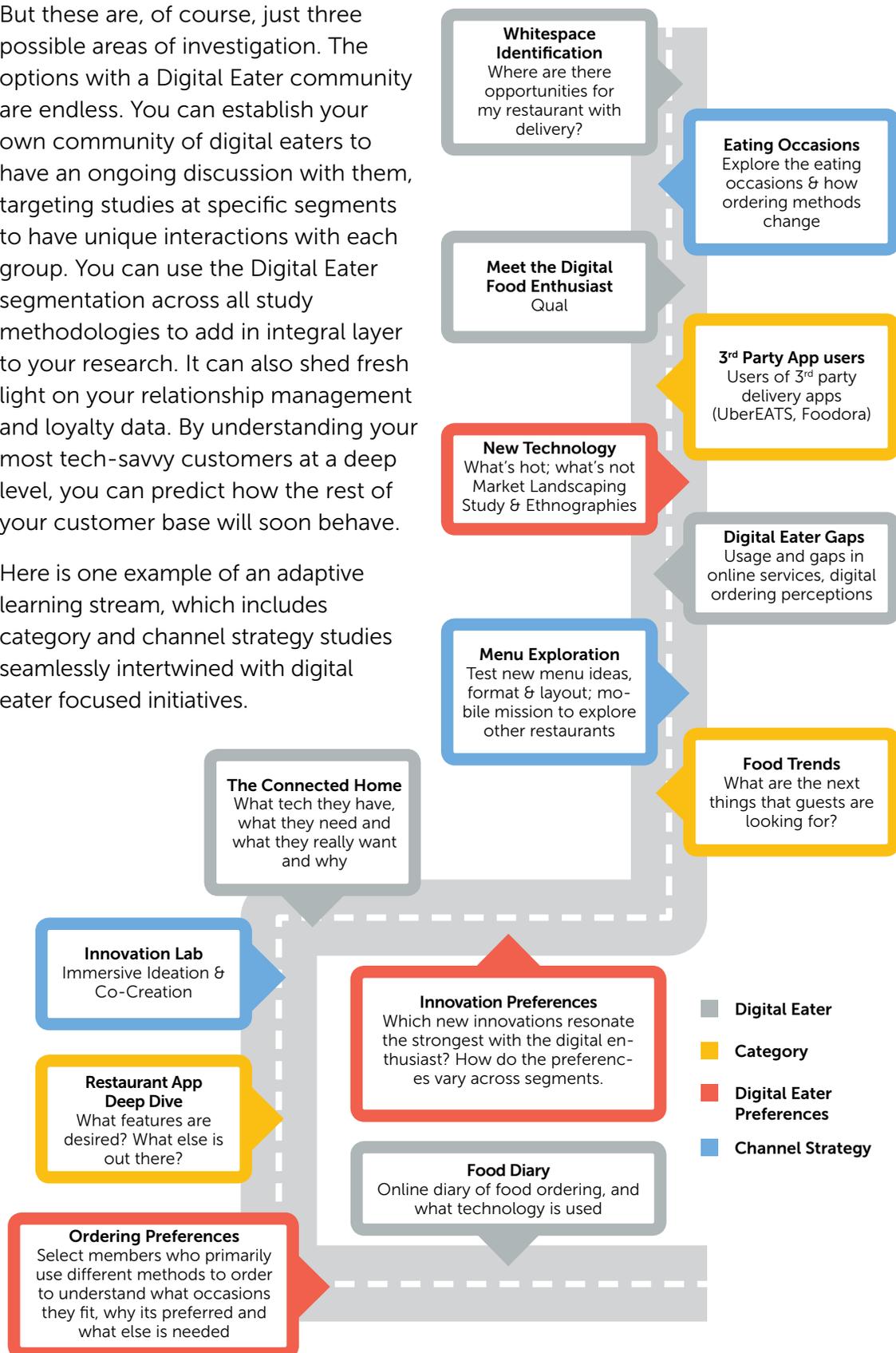
For Digital Reluctants mail will continue to be important for some time to come.



Adaptive learning streams

But these are, of course, just three possible areas of investigation. The options with a Digital Eater community are endless. You can establish your own community of digital eaters to have an ongoing discussion with them, targeting studies at specific segments to have unique interactions with each group. You can use the Digital Eater segmentation across all study methodologies to add in integral layer to your research. It can also shed fresh light on your relationship management and loyalty data. By understanding your most tech-savvy customers at a deep level, you can predict how the rest of your customer base will soon behave.

Here is one example of an adaptive learning stream, which includes category and channel strategy studies seamlessly intertwined with digital eater focused initiatives.



WHAT'S NEXT?

The world of restaurants is on the cusp of dramatic change. Digitization is poised to rearrange the market, creating new winners and losers. Earlier we quoted Freedom Pizza founder Ian Ohan as saying “The food service industry is ...one of the least prepared in terms of embracing technology. It left its doors wide open, ripe for disruption.”^{iv} He pointed out how other industries had missed the coming change earlier. They were oblivious to the “quantum shifts in the way the world works, fundamental paradigm shifts, which in hindsight, are obvious to those who cared to look. The ground shook beneath our feet, and many missed it.” The question is, will you?

Our dissection of digital eating opens the doors to an excellent understanding of what the consumer wants. We have pre-identified these segments on our market communities in the U.S. and Canada and these segments can be identified in any insight community as well. We'd be happy to apply this segmentation to your next study, so that you can explore the opportunities. To learn more, contact [us](mailto:sales@marumatchbox.com).



TO LEARN MORE, CONTACT:

sales@marumatchbox.com

ⁱ [Wanna get away?](#) Travel App Usage Increases Among Americans Who Wish To, Nielsen, May 2016

ⁱⁱ See, for example, [Macho Nachos](#): The Implicit Effects of Gendered Food Packaging on Preferences for Healthy and Unhealthy Foods, L. Zhu, V. Brescoll, G. Newman, and E. L. Uhlmann, Social Psychology, June 2015

ⁱⁱⁱ [Segregated Valley](#): the ugly truth about Google and diversity in tech, J.C. Wong, The Guardian, August 7 2017

^{iv} The Most Digital Savvy Restaurants in America, Ranked, D Klein, QSR Magazine, October 20 2017

^v [Going Deep On Food Tech: A Look At Digital Disruption In The Food Industry](#), Ian Ohan, Entrepreneur.com