The Future of Restaurant Management

A View from 2025

To meet customers' evolving needs and prepare for whatever is around the corner, operators must bridge the gap between front- and back-office operations.

Agility was the great differentiator during the acute phase of the COVID-19 pandemic, and restaurants that quickly pivoted to meet new consumer expectations came out on top. But the ones that remain there are those that have resisted settling back into the status quo. Instead, they've made the multichannel approach deployed as a pandemic stop-gap into standard operating procedure—and continue to fuel agility through the embrace of digital acceleration and automation.

While pandemic restrictions and supply chain upheaval upended front-of-house operations, a historically tight labor market has turned talent management into a battle royale. With 7 out of 10 restaurant operators reporting they didn't have enough workers to support demand (and don't expect a reprieve anytime soon), prioritizing employee engagement and retention is more essential than ever.

"Employees are demanding greater compensation and varied skill sets, and restaurants have been forced to hone in on what the employee experience is," says Justin Guimond, a senior manager at Deloitte.

Nimbly meeting the ever-evolving needs of both consumers and employees can't happen when back-office functions, such as finance and human resources, are managed as discrete and largely disparate silos from front-office operations.

"This is where the middle office becomes so critically important for the hospitality industry," says Eric Washer, vice president, Industry Product Strategy at Workday. Unifying data and insights across all functions gives operators a distinct competitive advantage during times of change, Washer notes.

Faster, more informed insights have also become table stakes for company leaders and boards of directors. While those hamstrung by legacy systems and manual processes struggled to make confident, swift decisions during the pandemic, those finance teams already primed for speed through digital enablement and predictive analytics were able to better seize opportunities and sidestep risks. Even in a post-pandemic landscape, leaders recognize that there's no going backwards.

And while the pandemic created unprecedented challenges for restaurants, the reality is that the hospitality industry will always face disruption. Here are five imperatives for future-minded operators determined to be ready for 2025 and beyond.

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> **Justin Guimond**
> Senior Manager,
> Deloitte

Streamline and strengthen multichannel management.

From curbside pickup and at-home meal kits to third-party delivery apps and "ghost kitchens," restaurant operators multiplied their revenue streams during the pandemic—each with its own margins, inventory mix, labor needs, and capacity planning. Even as the pandemic wanes, consumer appetite for myriad options isn't going anywhere.

"Multichannel will persist, especially curbside pickup and online ordering— they're real game changers," says Francine Lebel, a managing director at Deloitte. Indeed, Deloitte research shows that nearly half of diners (46%) say they don't expect their takeout and delivery habits to return to pre-COVID levels in the near future.

But while the multichannel mix will endure, the balance of each may be highly dynamic, as customer preferences, economic forces, and new technologies evolve. Whether consumers are suddenly flooding the drive-thru, clamoring to make reservations, or demanding more frictionless ordering options, restaurants must be ready to pivot.

That agility requires real-time, at-your-fingertips financial and talent data that allows operators to compare channel revenues against differentiated labor, food, and overhead costs. Innovative brands have been inching toward this type of multichannel capacity flex even before the pandemic hit, but the past two years dramatically accelerated that momentum.

Chipotle, for instance, leaned into third-party delivery capabilities back in 2018 and launched its highly personalized cross-channel loyalty program shortly after. Those digital investments meant the quick-serve restaurant was better poised to pivot during chaotic times. When in-app ordering surged during the early days of the pandemic, business leaders were able to swiftly allocate underused square footage to create a second dedicated prep line that could speed fulfillment without sacrificing the customer experience of in-store diners.

"The companies with full-stack integration are able to speed their operational awareness and are more successful in tracking their experiments with delivery, different methods of operations, and controlling labor costs," says Rich Bye, vice president of Human Capital Management and Workforce Product Strategy at Workday. "Agility and being able to make data-driven decisions is going to define success."

Case in point: delivery drivers. Third-party delivery apps proliferated during the pandemic, but also took a substantial bite out of operators' margins. With some 40% of customers preferring to order from a restaurant directly, there's pressure on all sides to consider bringing delivery in-house, where operators can also better control the branding and customer experience.

"Forward-looking restaurateurs will incorporate workforce spend into that planning, rather than allowing that work to be farmed out to the DoorDashes of the world," says Lebel.

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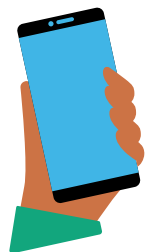
But hiring, training, and managing in-house delivery drivers isn't without costs or risks—and measuring the ROI of such experiments is easily hampered if CFOs and CHROs are still relying on data silos. To be able to identify opportunities, lean into new possibilities, and react swiftly as those experiments unfold in the future, these leaders must adopt the right digital solutions now.

Speed successful hiring with smart automation.

While the Great Resignation and a historically tight labor market have affected almost all industries, perhaps none has been harder hit than hospitality. Nearly half of restaurant operators—across all industry segments—expect recruitment and retention to be their biggest challenge of 2022, according to the National Restaurant Association.

The impact of those open positions threatens nearly every aspect of operations, from increased overtime costs to lower customer service to partial restaurant closures.

Operators that embrace cloud-based enterprise-wide solutions will be a significant step ahead of the competition. Real-time data that supports the full hire-to-retire lifecycle of a restaurant's workforce allows operators to more quickly and easily identify skills and strengths, reallocate resources, monitor morale, give anytime feedback, and assess retention risk. To more swiftly and successfully fill openings, operators are able to identify top talent, then hone in on that talent's underlying skills and experience to better identify suitable candidates—even en masse.

"Machine learning and artificial intelligence can power high-volume resume scraping to surface candidates that will be the best fit for positions," says Bye.

That's the case at Shake Shack, which doesn't scout specifically for restaurant experience. Instead, the fast-growing brand with more than 7,700 workers aims to spot candidates with a growth mindset who are looking to develop new skills and contribute to a greater good.

Restaurants can move candidates from hopeful hire to employee more quickly, too, if they understand what workers want. For many, scheduling concerns are front and center: 31% of hourly workers say variable schedules cause financial hardship, and nearly half (44%) say they want a consistent number of hours each week, according to Gallup.

"Often, hiring is more focused on the business trying to force fit the worker into doing what the business wants," says Bye. "But what's going to provide the most long-term success is being able to balance business needs with worker needs."

Promoting employee-facing mobile tools to make schedule requests and snag open shifts may help get potential hires onboard. And such tools can get them to stick around once on the job: Deloitte research shows employee turnover is 174% more likely in the absence of real-time work-scheduling capabilities. Importantly, empowering frontline workers doesn't come at the expense of business drivers. Such tools actually help optimize labor resources and efficiencies. In other words, a win-win.
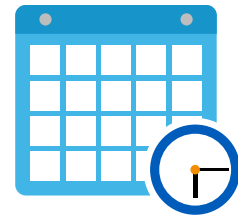
A back-up plan for the back-up plan.

Rare is the restaurant that hasn't been pummeled recently by supply-chain upheaval and soaring inflation. Producer prices for food rose 13% over 2021, driving restaurant menu price increases to their highest rate in 40 years, as of January. At the same time, 96% of restaurants surveyed by the National Restaurant Association reported experiencing supply delays or shortages in key ingredients.

Too often, reacting to those challenges involves navigating multiple legacy data systems and one-off solutions, cobbling together disparate data sources in search of insights. But operators looking to get off their heels and take a more proactive stance are flocking to technology that bridges the front and back office—and everything from inventory management and menu planning to cash flow analysis and scenario planning—in one intuitive, trusted source.

When Boston Pizza ditched its manual system of email and spreadsheets for Workday Strategic Sourcing, it was able to organize responses from more than 70 suppliers automatically. The operator is now able to run more events with shorter timelines. With greater speed came greater savings, as the procurement and finance teams can more clearly visualize ROI for their sourcing efforts.

Creating a cohesive data environment doesn't have to mean limited choices, either. Panera uses Workday to power both its finance and human capital management functions, along with its own proprietary inventory software, which integrates seamlessly. Likewise, P.F. Chang's relies on a third-party inventory system, integrating that tool directly into Workday so managers—across all relevant departments—can see accurate, detailed inventory consumption in weekly reports, and respond more swiftly to market disruptions.

"Operators are taking a much more strategic approach so they can react quicker and better, with stronger scenario planning and multiple back-up plans," says Washer. "With everything going on in the world, we expect that organizations will only be looking further out, no longer content to have just one or two options for a certain supply or a certain region."

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Supercharge employee engagement.

High turnover rates have long plagued the hospitality industry—even before the pandemic exacerbated employee retention, fast-food restaurants were seeing anywhere from 100% to upwards of 150% turnover annually. (Turnover across the hospitality industry around that same time period was topping 70%, according to the Bureau of Labor Statistics.) Of course, some industry churn is inevitable. Restaurants employ a high number of teenagers, seasonal workers, and college students who may not hold jobs year-round. But turnover has been particularly bleak during the pandemic: in November 2021, a record 1 million restaurant and hotel workers quit their jobs, citing everything from limited growth opportunities to scheduling frustrations.

Against that bleak backdrop, future-minded operators actually see an opportunity to rethink employee engagement and build a workforce centered less around filling open slots and more around continuous skills development.

While investing time and resources in potentially high-churn employees may seem counterintuitive, the rewards often outweigh the risks: studies show that engaged employees are more effective at work and less likely to leave. And a restaurant employee's level of engagement heavily influences a customer's attitude toward the brand. A recent Deloitte survey found that 60% of diners would visit a restaurant more frequently following a positive experience—and employees were a primary driver of both positive and negative experiences.

KFC was able to better connect the dots between employee engagement and sales, thanks to Workday Peakon Employee Voice, which captures real-time employee sentiment, facilitates ongoing feedback, and measures the impact of employee engagement on core business KPIs. The digital tool surfaced a clear correlation at KFCs across the United Kingdom between high employee satisfaction scores and both customer satisfaction and customer sales.

Skills development is a powerful and proven tactic to seed stronger engagement. Studies show that learning opportunities, professional development, and career progression are among the top drivers of employee satisfaction, particularly for younger employees. And a 2021 Deloitte report points to real-time performance management—including identifying employees' development needs in real time, tracking toward goals, and leveraging data analytics to uncover potential hot spots for further skills development—as the new direction restaurants must take to outpace competitors for industry talent.

Of course, strengthening and diversifying workforce skills does more than simply keep employees content to stick around. As Deloitte's Guimond points out, "By teaching new skills, you're not only upping the employee's engagement at the business, but also allowing for increased flexibility across multiple roles. That allows restaurants to better react to turnover and lack of staffing."

Among diners, 60% say a positive experience at a restaurant would make them want to dine there more often.

Elevate the customer experience.

Good food and a clean, comfortable place to sit will always matter. But modern diners have exponentially raised the bar on what they expect from restaurants—wanting to be engaged, empowered, delighted, and rewarded while being fed, a recent Deloitte analysis shows. Most restaurants aren't yet stacking up, with fewer than half of diners reporting they're very satisfied or better with how restaurants are doing.

Digital tools enable high-performing restaurants to meet most customer demands at scale. They're removing the friction of nearly every diner touchpoint, from requesting a table and ordering to preparation, payment, and delivery; to soliciting guest feedback and enticing them to return with personalized promotions and loyalty programs.

With so many digital touchpoints comes so much customer data—a boon for businesses that know what to do with it, says Andrew Clark, a senior manager at Deloitte. "We'll see more operators using that information, at the right moments, to nudge customers," Clark says.

But just as a customer's experience doesn't track to a single element, operational insights can't be unlocked by a single metric. Instead, future-ready restaurants are turning to powerful data hubs such as Workday Prism Analytics, which is capable of tracking blended metrics from disparate internal and external data sources to fuel stronger operational decisions. For example: fine-tuning a loyalty program promotion by drawing on rich, high-volume data around everything from channel-specific customer satisfaction scores to marketing spend and labor cost to food waste and employee performance.

The result is a more personalized, highly effective promotion—one that's capable of getting that customer through the door (or delivery app), yes, but one that also leaves that customer feeling more seen by and connected to the brand.

Future-proof financial planning.

No one could have planned for the pandemic, of course. But how quickly finance teams were able to recognize the bottom-line impacts and weigh in on possible pivots came down to the financial systems they had in place.

"Some organizations took weeks to get a handle on where they were, while those that were more mature in their digital journey were able to get results almost immediately so they could start making changes," says Bryan Gates, a digital finance manager at Deloitte.

From C-suites to boards of directors, company leadership took note of how they stacked up with competitors—and quickly recognized that even a one-day delay can be crippling when it comes to financial planning in times of flux. Scenario modeling—on everything from long-term footprint planning and capital management to the impact of mobile ordering on margins—demands accurate, comprehensive data. And the bar has risen on how quickly leadership expects financial data to drive insights.

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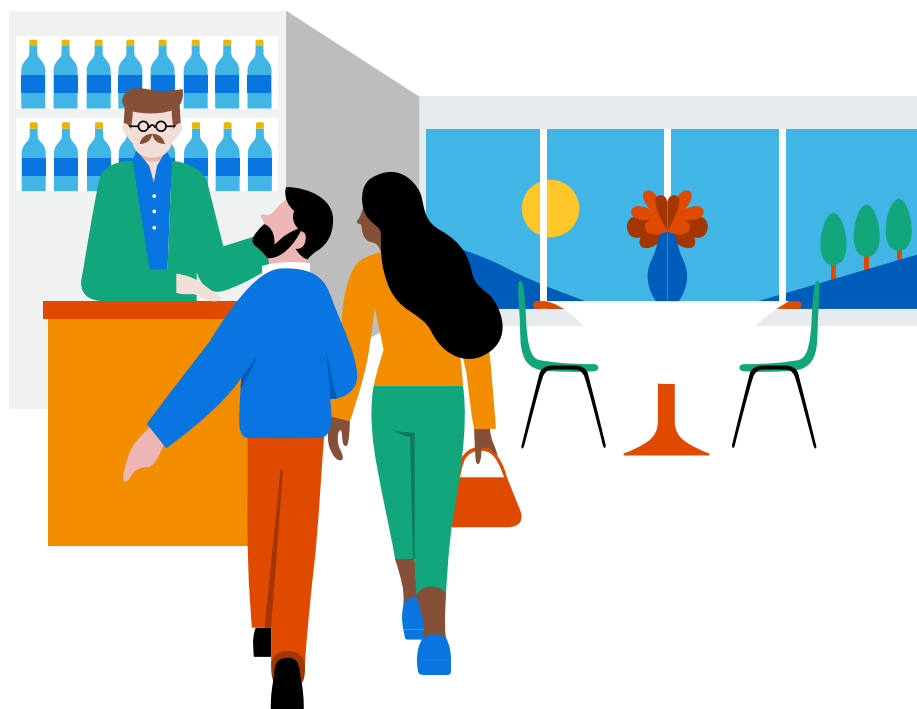
Bryan Gates
Digital Finance Manager,
Deloitte

"Those operators who came through the pandemic feeling like they just scraped by know they can't rest; they need to fix this," says Gates. "The world's been trained at this point, and there's no going backwards."

Serving up the future.

The restaurant industry has experienced a seismic shift: how and where diners eat, what restaurants look like, what customers expect to experience, how staff want to work—it's all been shaped and reshaped by recent upheaval. But the industry's appetite for change has also been stoked.

Rather than crave a "return to normal," operators are leaning into the traits and tactics that will help them thrive in the future: agility, a sense of experimentation, and bridging the front and back office into a cohesive, data-driven powerhouse for strategic insights.

To learn more about how Workday can help your organization, visit workday.com/hospitality.

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