FUTURE OF RESTAURANTS

WHAT'S AHEAD FOR THE
RESTAURANT INDUSTRY

2022



TREND REPORT

Square

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INTRODUCTION

Australia's restaurant industry is evolving rapidly, accelerated by the pandemic and access to new technology. To understand the future possibilities for restaurants, we worked with YouGov Research to survey 500 restaurateurs and 1,000 diners across Australia for our first Future of Restaurants report. We dug into industry trends, sharing insights from local restaurants and industry insiders who use Square. Restaurateurs have shared their experiences of the past two years, giving us a rare glimpse into what's next for the industry, as consumer demands and behaviours continue to shift.

Every business has faced its own unique challenges in recent times. This is against a backdrop of staffing shortages, supply chain disruptions and the lingering effects of pandemic restrictions. We found that Aussie restaurant owners are incredibly resilient and up for the challenge. 77% of businesses surveyed said they felt optimistic about their restaurant being able to thrive over the next 12 months. For 25% of the optimists, the major reason was strong repeat business from regulars.

In this report, we'll assess why technology and data-informed innovation are cause for optimism for so many restaurants – in spite of all the challenges. Read on for all the insights, plus tips and tricks that you can put into action in your restaurant.

By Colin Birney
Head of Business Development, Square

"Throughout the pandemic, we saw restaurants lean into technology in order to build greater resilience: tableside QR code payments helped boost sales and upsell products, while solutions like electronic invoicing and inventory management software reduced admin time and interruption to service. Based on my experience at Square I see three key areas of opportunity in the industry:"

THREE PREDICTIONS FOR THE FUTURE OF RESTAURANTS

01

Restaurants will invest in automation systems

As labour shortages ebb and flow, many restaurants will turn to automation as a necessity rather than a novelty. Those restaurants looking to adapt quickly will seek out solutions that sync back-of-house to front-of-house, providing much-needed support for busy teams.

02

Omnichannel will be the new standard

We've all witnessed the pandemic accelerate existing trends in business. For restaurants, the rise of omnichannel has been particularly fast. Omnichannel solutions have provided an invaluable boost for restaurants that have had in-house dining restrictions over the past two years, and today, this flexibility is still providing value and opening revenue streams.

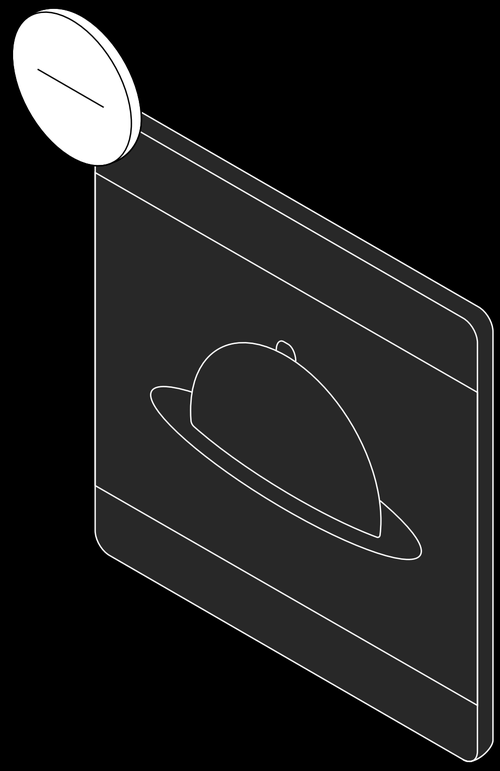
03

Restaurants will think resourcefully to ease supply chain issues

Survey data shows a surprising trend towards restaurants taking supply gaps into their own hands – through growing a selection of their own produce, for example. Though this isn't always practical, it may be something more restaurants start to embrace in uncertain and demanding times.

“Restaurants, to stay relevant, must continue to evolve outside their four walls, and be where, what and who their customers perceive them to be. This means crafting unique and memorable experiences spanning right across the entire consumer journey, and re-thinking operations to allow for this, in order to continue growing. Competition is always fierce in this industry, and consumer demands are ever-changing, so it’s imperative that restaurants do a few good things really, really well, and adopt technology to help them own their space, quite literally.”

Johnny Bhalla
Head of Brand, Strategy & Consumer Experience, KOI Dessert Bar



Ongoing staff shortages hitting hard



INSIGHT

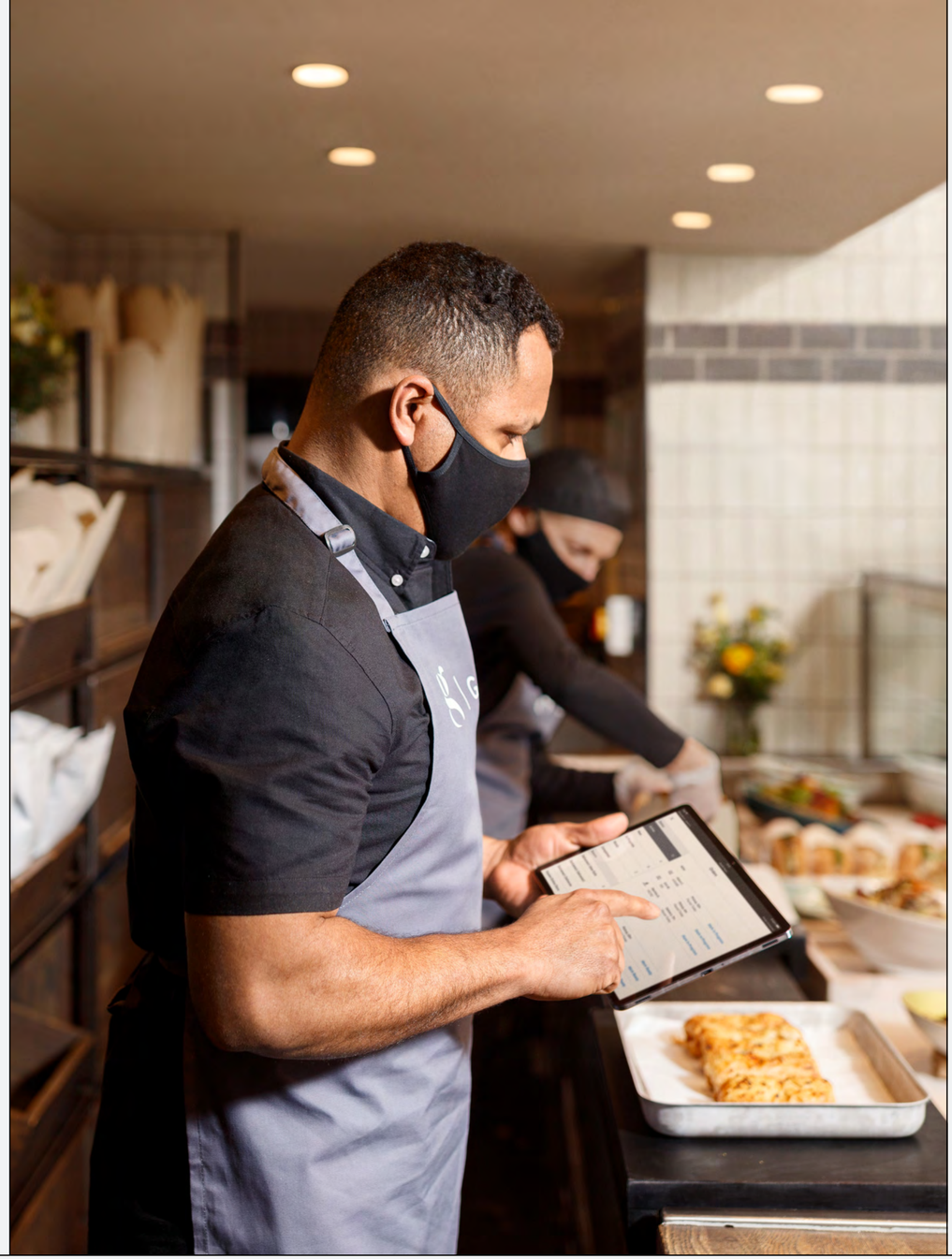
→ Staff shortages could be a new normal for restaurants in Australia, and we'll need to find ways to adapt.

COVID-19 triggered a cascade of challenges for the hospitality sector in Australia, and it isn't back to smooth sailing just yet. At the time of our survey, three quarters (75%) of restaurant businesses said they were faced with a staffing shortage, with an average of one in five positions currently unfilled. As international and interstate border restrictions ease, hope is on the horizon for many businesses struggling to fill roles. More than ever, employees will be weighing up opportunities and futures within the industry. This of course means that restaurants will need to continuously adapt how they operate to attract and retain the right staff.

Nearly half (45%) of businesses with unfilled staffing positions surveyed said they currently have more than 20% of their positions unfilled.

DID YOU KNOW?

With Square for Restaurants, you can see live sales and shift reports to help inform your staffing approach.



Tips

- Review the benefits you offer employees. Are they competitive enough to successfully attract and retain employees? What is it about the working environment you provide that makes you a top pick over another restaurant?
- Employees are seeking the right balance of flexibility, security and a supportive culture. Industry support groups, confidential counselling and wellbeing programs are all potential ways to help support the mental health of your team.
- Use our integrated software solution, Square Team Management to help streamline your rosters and stay on top of last-minute changes. Team Management allows you to set rosters quickly, sharing with your team at the click of a button. You can see your entire team's hours at a glance and onboard new staff quickly.



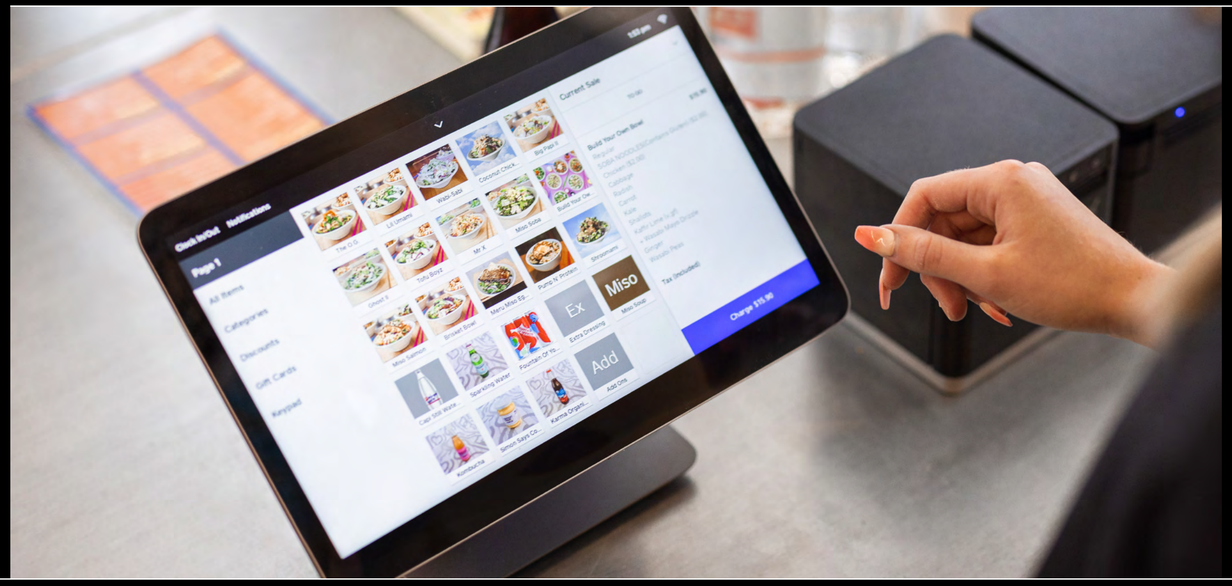
"We re-opened on Monday. By the time we hit Friday we had lost 75% of our staff, both our managers and our most experienced cook. We were left with a sum total of one kitchen hand, and three front of house staff, none of whom had yet celebrated their twenty-first birthday."

Tom Davies
Owner, Mission District, VIC

Technology is helping to ease the hospitality staff shortage

INSIGHT

→ At this time of unpredictability, restaurants are turning to automation to help bridge the labour gap and maintain smooth operations.



The hospitality industry is at a critical turning point where restaurants are turning to back-of-house and front-of-house automation tools to help manage gaps in their business. There are a variety of automation methods that are proving useful for restaurants of all sizes. Square for Restaurants Plus features automation features include auto86ing, straight fire categories, coursing, table management timers and more. These tools save back-of-house and front-of house teams precious time during the lunch or dinner rush. By having these tools connected with your POS, there's no need to waste time reconciling data from disconnected spreadsheets or paperwork.

Technology and automation can be leveraged to assist with staff workloads, giving them time back for the valuable, high-impact work that makes a difference. This means that you can provide an even better customer experience in the dining room, but also expand and launch new channels, order fulfilment methods, sell online and experiment with new business lines.

97%
of restaurateurs surveyed believe automation technology will help fill critical gaps in their business.

73%
agreed that investing in new automation systems for BOH operations would allow staff to focus on more important tasks, with 30% strongly agreeing.

55%
have already made investments in technology for kitchen automation, while 30% plan to do so within the next six months.

"From a behind-the-scenes standpoint, Square has been a saviour in terms of checking on how our stores are going. You know, you can't be everywhere at once, but we can just go on our phones and see performance across thirty locations. We know which products are working and not working in real-time. I can see how sales are tracking minute-by-minute, hour-by-hour, week-on-week, month-on-month or year-on-year. It allows us to scale with the same attention to detail that we could have when we had one store."

Nicolas Pestalozzi
Co-Founder, Fishbowl

“Leaning on technology in your restaurant takes courage. We know that service is the number one priority, and adjusting your technology providers comes with a bit of risk in implementation, but the efficiency gains that can be made are huge.

If I had my time again, I’d invest in technology that integrates with one another. It’s something we’ve done with Square which integrates with all of our other tech providers, and it makes running a restaurant so much simpler.”

Michael Bascetta
CEO, Worksmith and Owner of Made Well Group (Bar Liberty, Capitano & Falco Bakery).

"One of the key focuses has been on efficiency, obviously the more efficient we are, the leaner our operation can be. The real time analytics and reporting from Square has been key to this. The kitchen can use data from the past week or month to forecast quantities they need to prep, we also use the integration with Deputy to assist with rostering based on sales.

Tom Davies
Owner, Mission District, VIC



Tips

- Find ways to help staff be more efficient with their time. For example, if you have introduced outdoor dining during the pandemic incorporating QR code ordering, tableside ordering and tableside payments with Square Terminal can cut down on the time spent covering the footprint from customer to POS.

- An integrated Kitchen Display System (KDS) can also help with back-of-house efficiency, keeping all of your orders in one place and minimising room for error. By centralising your kitchen technology you can streamline your data and integrate your KDS with your POS and Online Store.

- With global supply chains constrained, it's never been more important to easily track and manage inventory. This works best when it's connected as part of your POS and KDS. With automated tools like item availability tracking, you can set an item count at the beginning of the night, and when the food runs out, make it clear in your POS that the item is no longer available. Your staff will stay informed and so will diners.

Section — 03

Restaurants redefined: why omnichannel is here to stay



INSIGHT

→ Even as in-person dining ramps back up, restaurants are turning to omnichannel strategies that include online ordering and delivery. Of the services introduced during the COVID-19 pandemic almost two thirds (64%) of Australian adult consumers have continued using these services in the past 12 months, with the service they will continue using the most being online ordering & delivery (40%).

"The online store is one component we use that integrates with the whole system. That's been fantastic to use. Customers can place an order and we can have it flow neatly into the POS – whether from a QR code or from the website, Square can accommodate for that."

Casper Ettelson
Co-Founder, Fishbowl.

87%

of Australian consumers who have purchased from a restaurant in the last 12 months will continue to purchase off-premises once life returns to ‘normal’, with the most popular method being:

- Online ordering and delivery (57%)
- Click/call-and-collect (37%)
- Purchasing pre-made meals (20%)

67%

of full-service restaurants plan to continue offering food delivery in-house.





Image: KOI Dessert Bar

"Synchronising our in-store inventory with Square Online, as well as using the reporting tools provided on the digital platform, has given us a completely robust snapshot on key performers and growth drivers to optimise our product and user experiences for a more refined and focused strategy. Square Online has been our best investment – particularly since now all our customer data is unified across every transaction point."

Johnny Bhalla
Head of Brand, Strategy & Consumer Experience, KOI Dessert Bar



Tips

- Your website should reflect your brand and style, but also needs to be easy to navigate so that your customers can order online and select their pickup or delivery method with ease.

- Social media platforms like Instagram and Facebook are great for engaging people in conversation and learning more about your customers. Consider running fun polls and competitions and use the results for menu inspiration. You can also use social media to advertise events or new specials that you've added to your menu.

- Add Order Food buttons and stickers to your Facebook and Instagram profiles and stories to drive orders directly to your Square Online site. These buttons are an intuitive way for your customers to order at the perfect moment: when they're hungry and engaging directly with your content.

Section — 04

Fresh revenue streams in the restaurant

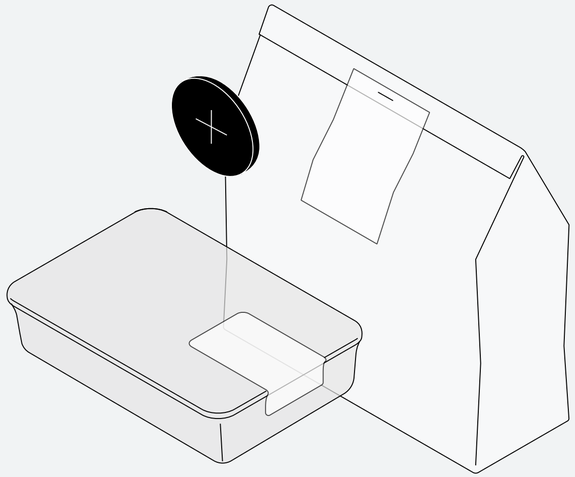


→ Restaurants are expanding their revenue streams and investing in marketing automation to suit evolving customer preferences.

For Australia's hospitality industry, the pandemic forced a mass pivot away from business as usual into new operating territory. With restaurants now deep in rebuilding mode, services and practices born out of necessity are becoming the standard. Restaurants are selling retail items alongside services like meal kits, bottled cocktails, limited edition merch and collaborating with other businesses to keep regulars engaged.

“The writing is on the wall: a retail revenue stream within restaurants is the future. Offering a product to sell alongside a restaurant service is scalable and can help restaurants reach a far broader audience.”

Michael Bascetta
CEO, Worksmith and Owner of Made Well Group (Bar Liberty, Capitano & Falco Bakery).



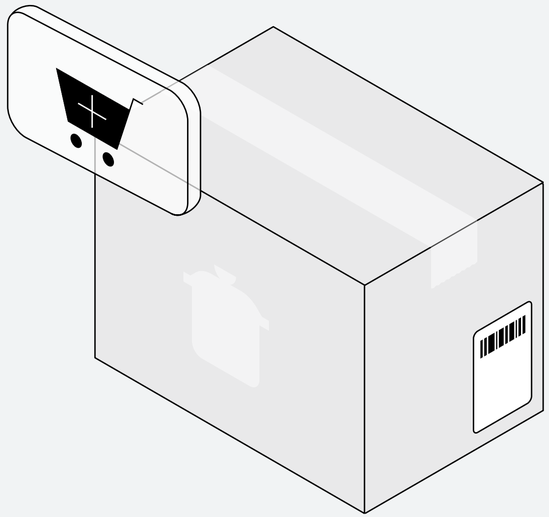
More than a third of Australian consumers surveyed (37%) have bought retail items from a local restaurant, with 17% purchasing more than twice over the past two years.

Almost all restaurateurs surveyed, (99%) had changed their business to suit the new ‘COVID-normal’. Of those, 24% started selling retail items and 22% increased their digital marketing.

Over two thirds (69%) of operators surveyed agree that investing in marketing would help them streamline business operations and focus on day-to-day operations.

38% of operators are likely to send an email newsletter with promotional updates while 36% may launch new or expanded loyalty programs.







Tips

- Today’s customer is likely to discover your restaurant online before they interact with your physical location. Marketing automation is software that uses your existing data to save you time and stress on the laborious aspects of marketing your restaurant. This can include the creation of email campaigns designed to target and communicate a message to specific customers in your database.

- Marketing automation technology like Square Marketing will scale alongside your business. As your business grows, the efficiencies, cost-savings and ROI of marketing automation only increase!

- For smaller restaurants just starting out, selling online doesn’t have to be costly or difficult. If you’re already using Square for your payment processing, you can set up a free Square Online site in minutes. Items sold online will sync with your in-person sales making everything flow efficiently.



INSIGHT

→ Self-serve ordering is here to stay and can benefit restaurants and diners alike.

The way we dine as a nation is changing. Over a third (35%) of Australian adults' preferred dining method is now takeaway/delivery, followed by dining outdoors (30%). The surge in demand for a variety of fulfilment options will come as no surprise to many restaurants. Of those we surveyed, approximately 44% had introduced takeaway/delivery options for the first time during the pandemic.

Section — 05

Serve on your own terms

"It gets pretty cold in Tassie over winter, so this year I'm going to hop in my van and make deliveries myself. We have a really supportive local customer-base who want to order directly through us. That means we can provide a more personal service, control the entire customer experience and save on third-party delivery costs that we can instead invest in improving our products."

Ian Chan
Owner Oryza, Hobart TAS

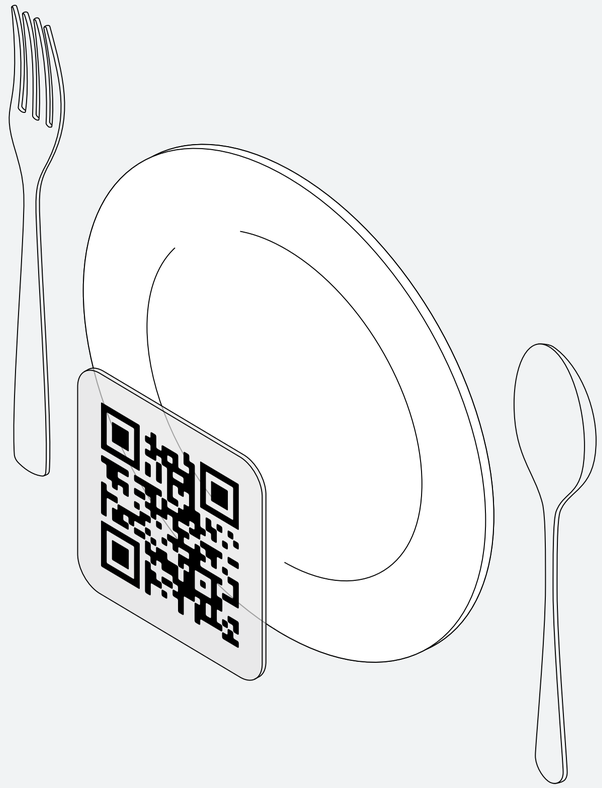
Almost half of the Australian adult consumers surveyed (45%) prefer food delivery via a restaurant's own website or app (if available). Where only a quarter of diners prefer delivery through third-party apps such as Uber Eats and Menulog.

In 2022, almost all (97%) restaurants operators surveyed will continue to offer options that were introduced during COVID-19, with takeaway and delivery from third-party apps being the services most likely to stay.



“The pandemic completely changed the way that consumers interacted with our business. Rather than dining in, takeaway became the default method for many customers. We already had a takeaway option, but because the volume grew so much we transitioned to a complete takeaway model. To manage that, we had to rely on technology. We quickly introduced a pre-ordering app, which integrates directly with our Square Point of Sale.”

Dave Rugendyke
Owner, Convoy Commune, NSW



DID YOU KNOW?

Square offers easy integration with the most popular food delivery apps via Deliverect, Doshii or Cuboh. With online orders automatically pushed to Square KDS, there’s no need to manually re-enter order receipts, saving time and reducing errors.

Tips

- Self-serve ordering through Square Online offers a contactless ordering option that keeps workflows efficient. Instead of browsing a paper menu and placing orders with a team member, customers use their mobile devices to scan a QR code at their table.

- Self-serve ordering QR codes are easily generated once you create your Square Online ordering page with your menu items, images and descriptions. From there, it’s easy to generate and print your QR codes for display on your tables or preferred dining areas.

- QR codes are a powerful way to free up time for your team and provide an enjoyable dining experience for your guests. The open tabs feature allows a table to keep their tab open throughout the duration of their meal. This makes ordering another round of drinks or extra items easier and simplifies settling the bill.

Section — 06

More ways to pay



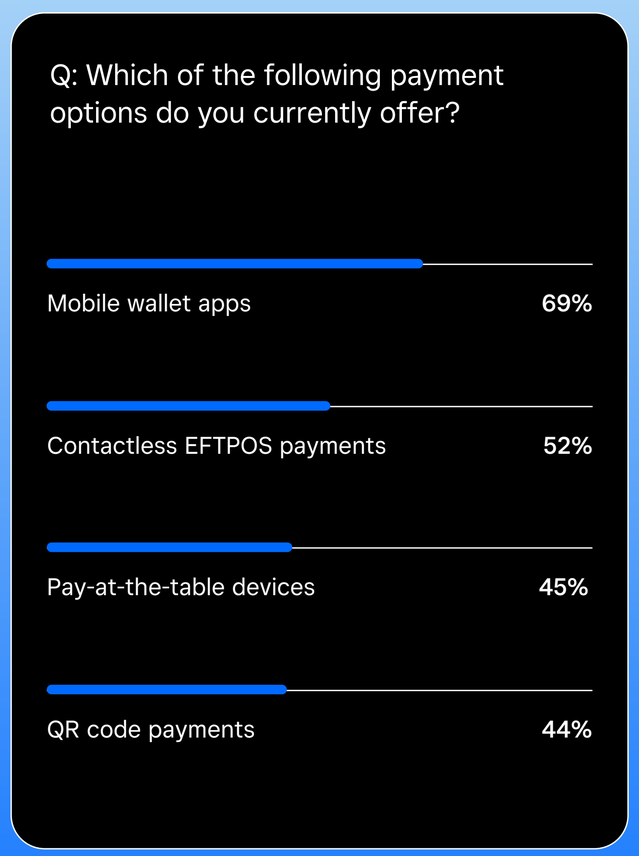
INSIGHT

→ Over half of Australian adults we surveyed, (45%) say some form of digital payment for example contactless, pay-at-the-table or QR codes is their preferred way to pay.

"While BNPL for restaurant dining is still an emerging use case, we are seeing some of our restaurant partners report higher order values and an increase in return diners. This is great news for our partners following the devastating impact of the pandemic on the hospitality industry. BNPL has proven its value for retailers, and we believe it's going to have a similar impact on the restaurant industry."

Katrina Konstas
VP for APAC Sales, Afterpay

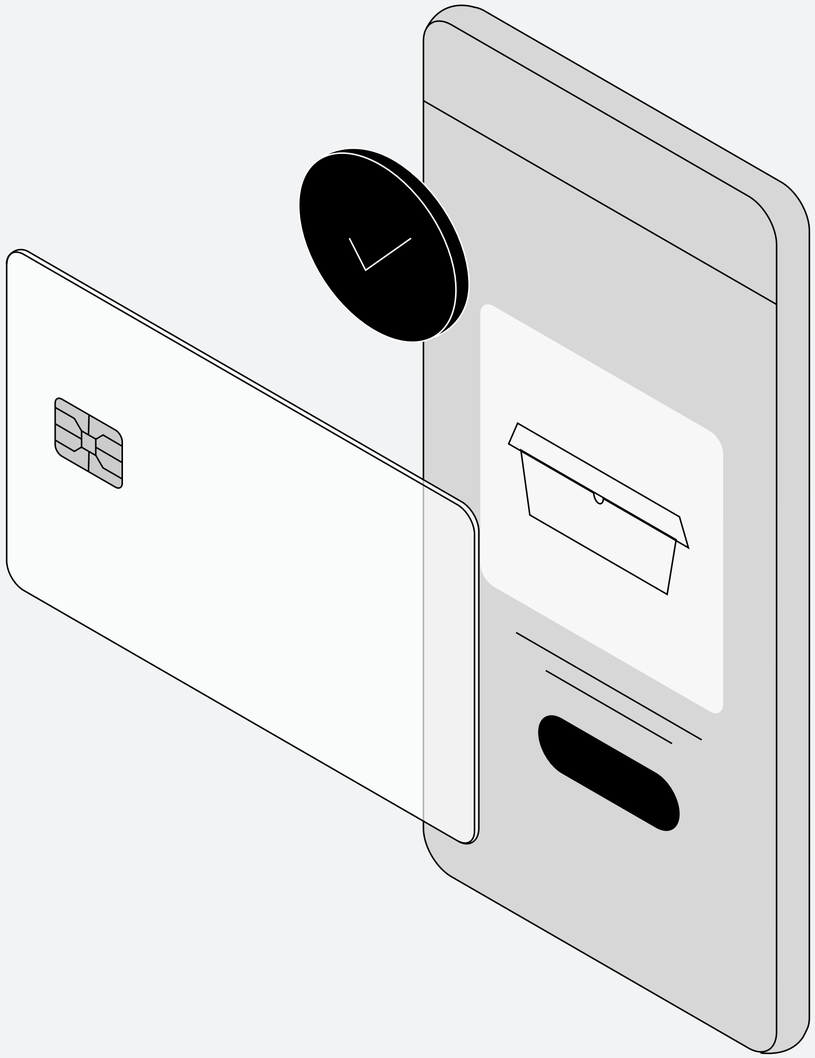
Aussies have often been early adopters of new payment technologies, like tap-and-go, and being able to accept a wide variety of payment methods can help future-proof your restaurant. The trend continues with many Aussie consumers moving away from traditional cash payments towards mobile transactions and even buy-now-pay-later (BNPL) payments.



Cafés and bakeries (76%) are more likely to offer contactless payments than quick-service (45%) and full-service restaurants (52%). While fast-casual (59%) and full-service restaurants (48%) are more likely to offer QR code payments than hotels/pubs/bars (29%).

Almost one in four businesses (22%) surveyed have a buy-now-pay-later (BNPL) option available.

Over two-thirds of restaurants surveyed (69%) offer payment options via mobile wallet apps, more than half (52%) offer contactless EFTPOS payments and almost half offer pay-at-table devices and QR code payments (45% and 44% respectively).



Tips

- To set up self-serve ordering at your restaurant, you can place a printed QR code somewhere on or near the table – they're easily generated with Square Self-Serve Ordering. Make sure there's enough contrast between the QR code and the background so it can be scanned in dim light.

- Your QR code menu allows you to instantly remove any sold-out dishes, or add in last-minute specials like happy hour cocktails and new dishes.

- Consider letting customers pay at the table too. Square Terminal can be used to make tableside ordering and payments quicker and easier, all on one portable device. Pay-at-table devices offer a private customer display for payment. They can also help encourage diners to leave a tip, if this is something you'd like to encourage in your restaurant.

Section — 07

Growing solutions to a supply chain crunch

96%

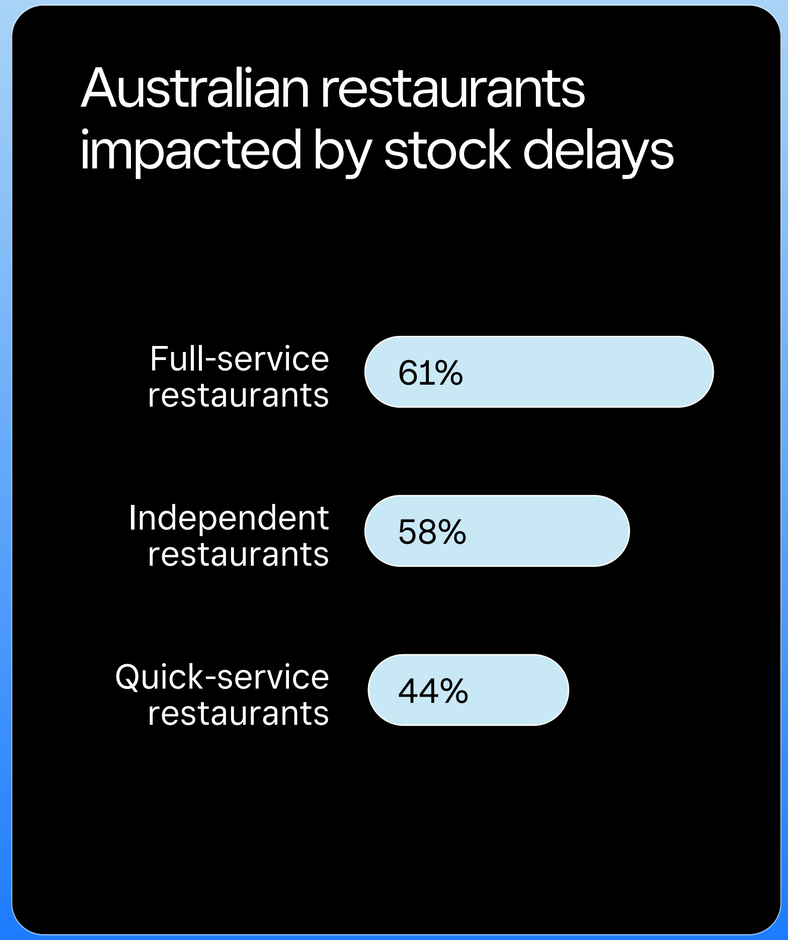
of businesses we surveyed claimed to have experienced supply chain disruptions in the past 12 months. Like many industries, food wholesalers and suppliers were severely hit at various points during the pandemic and continuing today. From freight driver shortages through to import delays – nothing has been immune to disruption. Restaurant operators are being challenged to think laterally, with many even taking supply/growing into their own hands.



INSIGHT

→ Labour isn't the only thing that's been in short supply for the hospitality industry. Many restaurants have also been grappling with supply chain disruptions accelerated by the pandemic. It's forced business owners to be more proactive and flexible than ever.

61% of full-service restaurants and 58% of independent restaurants have been hit with stock delays in the last 12 months compared to 44% of QSRs.



As a result of these supply issues, seven in ten restaurants (71%) have sourced or plan to source produce from local Australian suppliers, with 43% already having done so and 43% planning to do so in the next 6-12 months.

Interestingly, over half of these restaurants have already grown (25%) or plan to grow (40%) their own produce over the next 6-12 months.

30% of restaurants removed or plan to remove hard-to-source menu items, while 27% increased or plan to increase their prices in order to overcome supply issues.

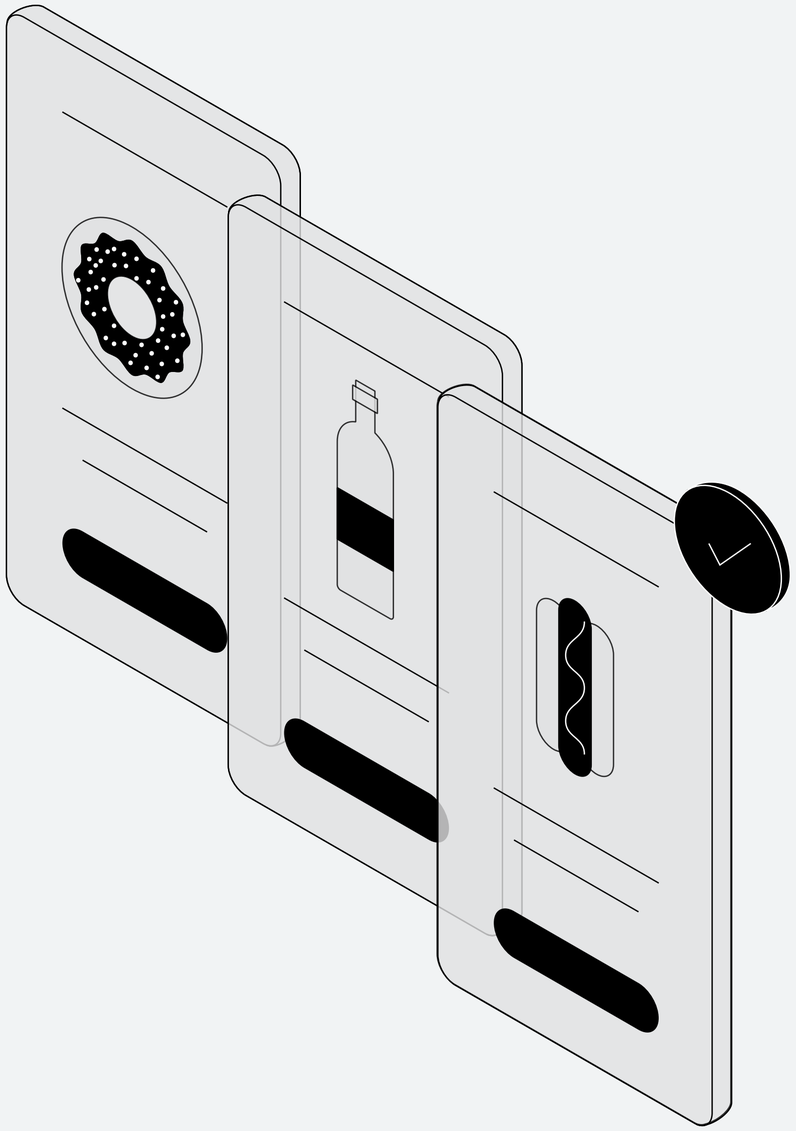


"At Oryza, we want to create the most amazing food experiences and to do that we need the very best produce. Because of the recent supply chain issues, that's been incredibly difficult and we've taken to growing our own produce."

Ian Chan
Owner, Oryza, Hobart TAS

"The cost of running a restaurant is growing: as ingredients become more expensive, and there's increased pressure on wages, restaurant owners need to find ways to maximise sales and reduce unnecessary costs. That's where tech can play a role."

Colin Birney
Head of Business Development, Square



DID YOU KNOW?

The Square ecosystem of tools allows you to sell many different ways. Easily create subscriptions and loyalty programs, sell gift cards – both physical and digital, set up an online store and more.

Tips

- Never be caught short during service. If you have the right automation tools to help track your menu item inventory, you'll be able to remove items smoothly and keep your diners happy. With Square for Restaurants Plus, menu management is made easy with Item Availability Tracking. Set an item count at the beginning of the night, and when the food runs out, it will be clear in your POS that the item is no longer available.
- When you're dealing with supply delays, you need reassurance that service will still run smoothly. Keep your front-of-house and back-of-house in sync with the appropriate POS and KDS tools. With Square KDS and Square for Restaurants, your FOH and BOH will work in sync, across multiple displays and are customised to your kitchen.
- Lean on your community for support. Local business groups and associations can be a major source of support and knowledge sharing, no matter where you're at in your business journey. There's also a whole community of restaurant and business owners who you can access in the Square Seller Community: your space to learn from others who use Square.

Section — 06

Aussie business camaraderie shines through



INSIGHT

→ Restaurants play an important role in local communities. Over the past two years we've seen the hospitality industry go above and beyond to support fellow restaurateurs and hospitality workers, making sure that even in the depths of lockdowns, nobody was left behind.

If ever there was a time when restaurant owners needed help from a mate or support from the local community, it's now. Our restaurants, pubs, cafes and bars are so often the lifeblood of the local community and their physical presence was widely missed during lockdowns. Our survey showed that during this time Aussie communities rallied around local businesses, with nearly all restaurant operators feeling the direct support of their local community, both through increased interest from new customers (49%) and repeat business from existing customers (48%).

"The Newcastle community not only showed up, but they brought their friends too! Honestly, the support Convoy Commune has received from the local community despite the craziness of the last two years, has well and truly exceeded all of my expectations. I seriously can't describe how genuinely grateful I am for the support we've received."

Dave Rugendyke
Owner, Convoy Commune, NSW



Almost four in five Australians say they will continue to support their favourite local restaurants, with the most common ways being word-of-mouth recommendations (45%), dining in when possible (39%) and continuing to purchase takeaway options if not comfortable dining in (37%).

Other ways Aussies plan to show support are through positive online reviews (21%), sharing and supporting the restaurant on social media (18%), tipping more (12%) and subscribing to a restaurant's email newsletter (6%).

43% of operators surveyed were given a boost during the pandemic by receiving personal messages of support (43%), donations or grants (37%) and gift card purchases (35%).

Regional businesses have received more personal messages of support from the community (48% compared to 39% for metro) and more support in donations and grants (45% compared to 31%) in the last year.

DID YOU KNOW?

Gift Cards are a simple and effective way to bring new diners into your restaurant, and Loyalty can keep them coming back. Square offers free eGift Card options as well as physical Gift Cards that you can customise and sell directly from your restaurant.

"A lot of my guests I've known for years. The fact that they've supported me for so long. I remember one night we were extremely quiet. I wasn't at the restaurant, but one neighbour called the other neighbour, and the other neighbour called the next neighbour, before we knew it there was a whole street that just came into the restaurant and they just kept on repeating that until my business was afloat. I know they didn't have to come in, but they did, and I find that very endearing."

Ian Chan
Owner, Oryza, Hobart TAS



Tips

- Analyse your customer data to understand what they are ordering, and how often. This can help inform how you can continue to delight them and drive repeat visits.
- The meaning of community has evolved beyond the limit of your immediate local area. It now includes a virtual community of enthusiasts who love your restaurant and your brand. Bring them into your world with social media, email newsletters, shareable eGift Cards and loyalty offers that can be accessed from anywhere.
- Consider creating branded merch so your best customers become walking ambassadors for your restaurant.
- Create a loyalty rewards program for your frequent diners. Loyalty can be so much more than a punch card for free coffees. You can personalise any perk, give VIP access to events and much more.

"

"Takes a village" is more applicable in this day and age to a business than anything else. Community is the reason why we exist today, a passion and culture shared among many, and a motivation to invite others in. When times got tough, it was our community that spent more with us and our industry peers, to keep us alive and thriving. The love they show us every day keeps us striving to be our best, every day."

Johnny Bhalla
Head of Brand, Strategy & Consumer Experience, KOI Dessert Bar



Image: KOI Dessert Bar

METHODOLOGICAL NOTES

The Square Consumer Survey was conducted by YouGov Research among 1,010 nationally representative Australian adults ages 18+, between January 20th and January 24th, 2022, using an email invitation and an online survey. The data was weighted to ensure reliable and accurate representation of the Australian adult population, ages 18+.

The Square Restaurant Survey was conducted by YouGov Research among 512 nationally representative Australian restaurant owners and managers, between January 18th and January 25th, 2022, using an email invitation and an online survey. The data was weighted to ensure reliable and accurate representation of the Australian restaurants industry.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 3.1 percentage points for the consumer audience, and 4.4 percentage points for the business owners/managers audiences, from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

About Square

Where others see challenges, business owners see possibilities. Square builds tools that let businesses bring those possibilities to life by enabling them to reach customers online and in-person, manage their front and back-of-house operations and access financing. Square can help your business succeed — on your own terms.

Learn more at squareup.com or contact your local Sales representative to find out more about Square's solutions.