wavicle

UNLOCKING
RESTAURANT
POTENTIAL

With Analytics and AI-Driven Intelligence

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Introduction

In the competitive restaurant industry, those who want to stay ahead must focus on customer satisfaction. Modern diners prioritize value and pricing while seeking out dining experiences that meet their diverse needs—whether for convenience, special moments, indulgence, or quick refueling.

Understanding how well your restaurants fulfill these expectations is essential for outperforming competitors, increasing sales, and driving foot traffic. This requires full transparency into what your customers want and need, as well as your restaurant's ability to meet those requirements.

It's not merely about evaluating current performance but also uncovering untapped potential and identifying where service and operations fall short of customer expectations, resulting in missed revenue opportunities.

Analytics and AI are the secret ingredients that can help you understand your customers, optimize your operations, and improve your business performance.

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The state of data and analytics in the restaurant industry

The growth of data and advanced technologies has simplified the process of identifying underperforming restaurants and implementing targeted improvements to capture additional sales. Restaurants equipped to collect, manage, and analyze data gain valuable insights into their performance, enabling them to devise strategies to meet and exceed customer expectations.

In recent years, the restaurant industry has caught up to other sectors in data availability, especially for consumer and internal data. Where previously quick-service restaurants (QSRs) struggled to gather customer data due to cost and practical limitations, the prevalence of digital apps, loyalty programs, and external data sources such as social media has transformed the types of data available in the industry.

In addition, IoT technology provides valuable insights from kitchen equipment and employee data sources. Advancements across the board have enabled QSRs to understand their customers and operations better, enabling them to make informed decisions to enhance service and stay competitive.
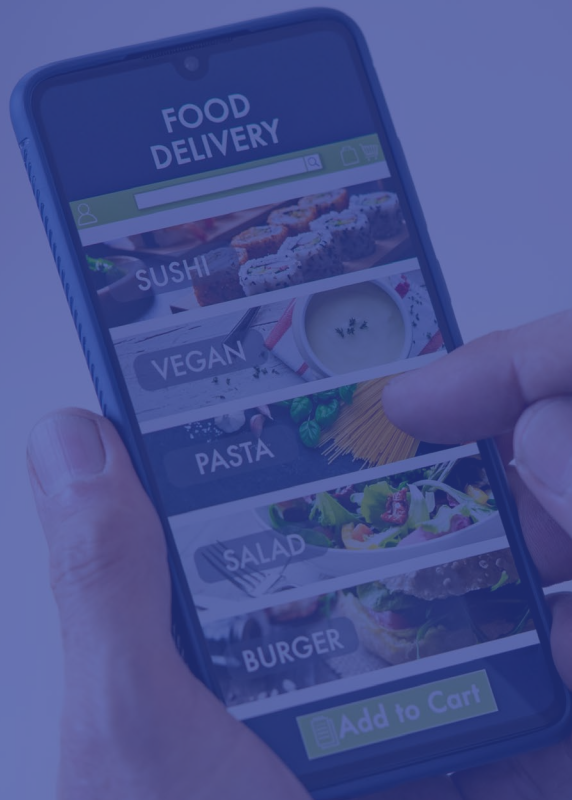
Furthermore, technological progress has made analyzing vast amounts of data more manageable, thanks to artificial intelligence (AI) breakthroughs like machine learning, deep learning, and generative AI. These technologies empower data scientists to identify operational challenges and drive continuous improvement in restaurant operations.

All of these factors come together to create an environment where data can be collected, processed, analyzed, and used to create better experiences, smoother operations, higher profit margins, and more strategic growth. With these new possibilities, restaurants see the value in data investments, and more and more are actively focusing on what their data can do.

The heightened focus on leveraging technology for data-driven decision-making is clear in the data, analytics, and technology investments restaurants are making. In the last few years (post-pandemic), IT budgets in the restaurant sector have doubled, now accounting for seven to 10 percent of revenue as restaurants invest heavily in creating the data and analytics systems they need to measure and evaluate performance and ultimately thrive.

Results of a performance-driven approach

Companies that effectively leverage the right analytics use cases can significantly enhance their operations. By using data and analytics to identify key opportunities, businesses can improve operational efficiency, customer engagement, growth, and profitability.

Wavicle's experience with QSRs has shown that a robust data and analytics strategy can lead to:

10 SECOND

improvement in service times

resulting in a one percent increase in drive-thru sales for a major QSR.

5%

increase in customer satisfaction

which translated to a $300,000 boost in sales for a leading restaurant.

21%

rise in profits for restaurants

with highly engaged staff due to increased customer satisfaction.

These examples highlight the substantial impact that a strong analytics strategy can have on a restaurant's success. Let's dive into methods for measuring restaurant performance, the pivotal role of data in this process, how to develop a performance measurement system, and strategies to uncover potential revenue opportunities that may have been overlooked.

How to measure restaurant performance

Restaurants are intricate ecosystems with people, processes, equipment, and technology all working together to provide delicious food and beverages with a memorable dining experience. Understanding the performance of this ecosystem, identifying strengths, and spotting areas for improvement is a challenging yet essential task.

In today's competitive market, it is essential to be able to track and measure restaurant performance, and customer data is a crucial part of this measurement. In fact, 39 percent of restaurant owners plan to leverage data insights to better understand their customers' preferences and remain competitive. By starting with a focus on customer data, you can identify KPIs for evaluating many critical areas of performance and then expand to a larger performance measurement system.

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Collecting and leveraging customer data

A crucial aspect of understanding customer behavior is identifying the factors that drive individuals to visit more frequently, experiment with new products, and increase their average spending. By leveraging data, you can pinpoint these factors.

Start by identifying the questions you want to ask – like what makes a customer visit your restaurant more frequently or leads to a bigger overall purchase – and work backward to develop the analytics you need to answer those questions.

To enable this, there are three critical places where your data infrastructure, tools, and team will need to be set up properly to help you achieve your goals:

Locating and integrating customer data sources:
This includes customer satisfaction surveys, social media, third-party delivery apps, POS transaction details, mystery shopper feedback, store-level sales, guest counts, and more. Collecting feedback from diverse sources is crucial to capturing the perspectives of frequent and loyal customers, new or infrequent customers, and those who visit competitors.

1

Analyzing customer feedback:
While customer satisfaction surveys and social media ratings offer quantifiable scores, the true value often lies in the text comments customers provide. These comments offer deep insights and context that numerical ratings cannot. However, analyzing thousands of comments meaningfully can be challenging. Utilizing text analytics, natural language processing (NLP), and generative AI to understand sentiment can significantly enhance this process and allow restaurants to analyze unstructured feedback at scale.

2

Investigating factors affecting customer experience:
Customers typically value quick and hassle-free service, accurate orders, friendly staff, and hot fresh food served in a clean restaurant. It's essential to validate that these are indeed the critical factors driving customer satisfaction for your locations. By leveraging data and analytics, you can test assumptions and determine links to increased sales and guest counts.

3

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Taking a data-driven approach guides strategic decision-making, fuels personalized marketing strategies, and ultimately enhances business performance and customer satisfaction.

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Focusing on customer data provides a roadmap for validating assumptions and understanding customer behavior, preferences, and trends. Taking a data-driven approach guides strategic decision-making, fuels personalized marketing strategies, and ultimately enhances business performance and customer satisfaction. Once you have your customer data and analytics strategy set up, it's time to expand to a larger performance measurement system.

Building a restaurant performance measurement system

Establishing a formal performance measurement system will help you locate underperforming restaurants and key drivers of customer satisfaction. While customers' needs and wants may seem straightforward, it is nearly impossible to ensure that every location or franchise in a restaurant chain is delivering stellar experiences without a robust performance measurement system in place.

A well-crafted performance measurement system will include:

1

Interactive dashboards:

While this may seem simple, interactive reporting that showcases actionable data about crucial metrics offers immense benefits to store teams within large chains. These types of dashboards empower teams to identify underperforming restaurants swiftly and address issues proactively to consistently meet customer expectations.

2

Automation:

An automated measurement system ensures all teams have access to consistent data and metrics and minimizes opportunities for manual error. It also decreases time to insight, providing rapid or even real-time analytics that allow teams to address problems immediately.

3

Customized views:

Each level of the store hierarchy needs access to relevant performance metrics. For example, regional managers need a comprehensive view of all restaurants in their region, allowing them to prioritize areas for improvement based on store ranking. Store managers, on the other hand, need insights specific to their individual store's performance.

As you build your performance measurement system, it's crucial to incorporate the diagnostic measures that support your key drivers of customer satisfaction. This ensures that your measurement systems are designed to determine what influences each metric's behavior and will be actionable for the teams that use them. While setting these systems up for success may seem complex and requires upfront time, effort, and investment, they are highly beneficial and yield valuable long-term results.
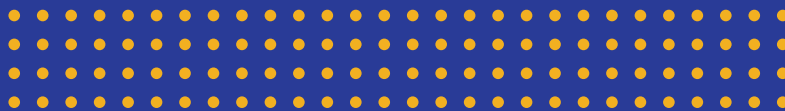
How to uncover missed revenue opportunities

Once your restaurant's performance measurement system is in place, you can begin identifying areas where potential revenue is being overlooked. This involves sifting through KPIs that gauge how effectively you're meeting customer expectations across each restaurant and using analytics and AI-powered intelligence to identify areas for improvement and drive optimization across your business. Here's how you can do it.

Determining key performance indicators

By first identifying the most relevant KPIs and then analyzing them to locate areas of underperformance, you can make informed, data-driven decisions that optimize restaurant operations and may enhance multiple metrics simultaneously.

Consider taking an inventory of available KPIs to facilitate performance diagnosis, particularly for underperforming locations. These KPIs should span many categories, including sales, profitability, customer experience, and operations.

Modern techniques and models can help to identify additional KPIs that offer sharper insights and provide context or comparison points for other data. For example, NLP and large language model (LLM) technologies can analyze text from employee surveys to reveal underlying issues, and computer vision technology can offer insights into customer wait times. Applying AI-driven predictive models can deliver some of the most effective metrics and insights across multiple areas, including:

Sales and demand:
By leveraging AI to analyze historical sales, weather patterns, events, and other relevant data, organizations can significantly increase the accuracy of sales forecasts. This enables restaurants to better manage inventory, purchasing, and menu planning to minimize waste and maximize profitability.

Equipment maintenance:
Applying predictive models to equipment sensor data can provide timely alerts for proactive maintenance and reduce equipment downtime to improve customer satisfaction and wait times.

Staffing:
AI algorithms can recommend optimal staffing levels for each shift, considering factors such as predicted demand, day and time, and special events. This ensures that restaurants have the right staff and skills at any given time for greater efficiency and superior customer service.

Menu items:
Using predictive analytics to evaluate the prep time and demand for various menu items can help to optimize menu options, promotions, and inventory to increase speed of service.

With all these tools and a complete set of KPIs that evaluate everything from high-level sales to location-level equipment performance, it is possible to fully evaluate performance on a macro- and a micro-level and compare expectations or predictions with realized revenue.

Identifying areas for improvement

Typically, a combination of tools is used to create a comprehensive view of restaurant performance. No single tool offers a complete 360-degree perspective, and each has its own strengths and weaknesses.

A performance measurement system may encompass diverse tools for gathering customer feedback, such as customer satisfaction surveys, contact center data (website or 800 numbers), social media comments, and reviews from mobile and third-party delivery apps. Also incorporating external data – data about area census information and income levels, weather, events and holidays, and more – can also be helpful for understanding trends and customer desires, such as which menu items customer segments gravitate to on a hot day or what flavor combinations may be most appealing to local demographics.

An effective approach involves evaluating different measures of store performance based on their ability to influence sales and guest count growth. This evaluation helps in ranking and assessing restaurants, separating top performers from bottom ones, and identifying improvement opportunities. At Wavicle, we have seen top-performing locations achieve five to six percent higher sales compared to bottom performers, which shows the value of targeted performance improvements.

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With a comprehensive performance measurement system, you will be able to explore why certain restaurants struggle to consistently meet critical drivers of customer satisfaction and compare them to top performers. This can include analyzing detailed diagnostic measures related to people, processes, and equipment performance.

Advanced analytics and AI capabilities are also essential in this process, enabling you to transform vast amounts of data into actionable insights, ensure a complete understanding of operational challenges, and drive continuous improvement. AI and generative AI provide new ways to analyze data and extract deeper insights.

Plus, with comprehensive customer and restaurant data at your fingertips, there are endless opportunities to use AI-driven optimization to improve performance. This can range from personalized digital marketing (promotions, recommendations, and messages targeted to a customer's tastes and behaviors or external factors like the weather or local events) to dynamic pricing (continuous pricing adjustments based on costs, competition, seasonality, inventory, and more), all designed to maximize customer satisfaction, sales, and profitability.

The next steps in your analytics journey
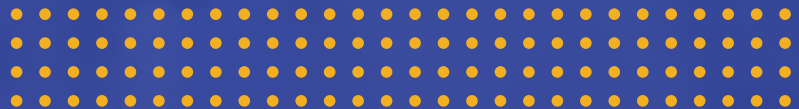
Wherever you are in your analytics journey, establishing a strong data ecosystem and business intelligence framework is crucial. Depending on your current position on the analytics maturity curve, this could involve:

Crafting and executing a modern data strategy → **Establishing a user-friendly reporting system for accessing and analyzing KPIs** → **Incorporating AI and generative AI tools to dig deeper into complex data**
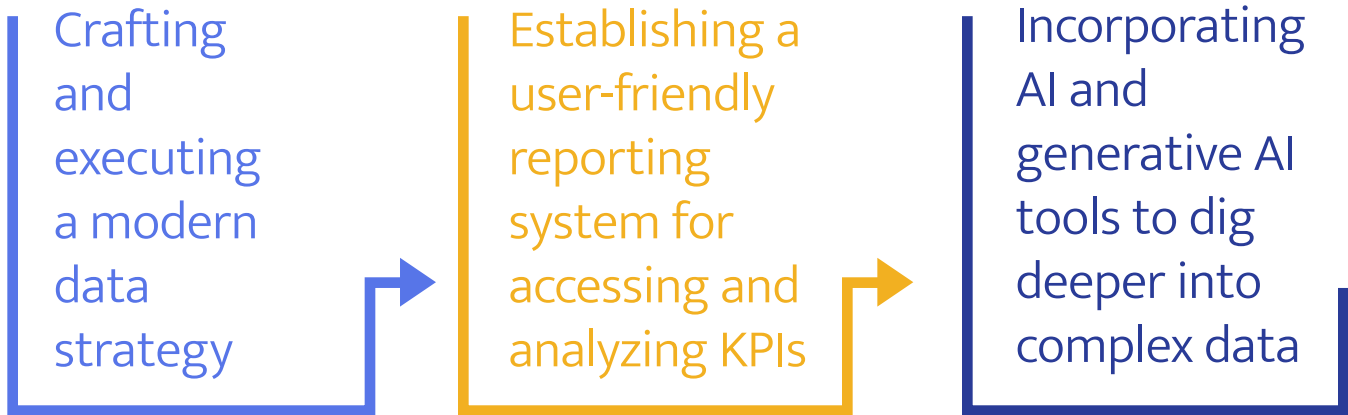
To kickstart this process, first take stock of existing data and metrics, identify any gaps, and develop a strategy to capture those metrics effectively. It will be helpful to establish clear accountability frameworks, align team efforts with overarching performance goals, and nurture a culture of continuous enhancement to keep improving over time.

These strategic steps can substantially enhance operational efficiency and pave the way for long-term success, leading to increased profitability, higher customer satisfaction, and overall business growth. As you look to plan, implement, or improve upon your data, analytics, and AI capabilities, it can be helpful to have trusted experts by your side.

At Wavicle, we ensure your analytics journey aligns with your restaurant's needs and goals. Our expertise in restaurant analytics and cutting-edge technology can empower your business to make data-driven decisions and stay ahead of the competition.

Let's collaborate to improve your restaurant's performance together. **Reach out** to Wavicle today for tailored analytics solutions that drive success.

Why Wavicle

At Wavicle Data Solutions, we understand that your organization is at a crucial crossroads, grappling with technological innovations, evolving service models, and core business objectives. The solution to accelerating your analytics maturity and harnessing these new innovations lies in embracing a holistic data strategy that seamlessly integrates the best technologies, service models, and governance frameworks into a value-led change agenda.

Wavicle provides customized support for leading organizations to empower them with the data, analytics, and AI capabilities they need most. Our data strategy consultants can help you align data initiatives with overarching business goals, design a data strategy that fits your company's current and future needs, and implement that strategy to unleash the power of your organization's data.

Wavicle stands as your dedicated partner in this transformative journey, offering data strategy approaches with optimal configurations designed to meet your specific needs.

Learn more about how Wavicle can help you upgrade your data capabilities and drive organizational success by visiting wavicledata.com

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