



The Order & Delivery Report 2022

Navigating the Digital New Normal

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A Message from Paytronix CEO, Andrew Robbins



Change brings with it amazing opportunities. When it comes to digital ordering, early adopters were implementing solutions well before we ever heard about COVID-19. If the pandemic had a silver lining, it was the speed at which consumers adopted new technology to continue their connection with their favorite brands.

The story that became clear in this year's Order & Delivery report is that consumers will continue their digital ordering behavior and expect personalization throughout their journey.

In moments like this, Bob Dylan's words resonate with me:

"As the present now
Will later be past
The order is rapidly fadin'....
For the times they are a-changin'"

Digital ordering technology is changing. Our engineers are busy moving the technology to a place that will help brands exceed the customer's expectations from the time they begin placing an order through the post-delivery or pickup experience.

We are using artificial Intelligence to recommend menu items to increase order size and understand behavior segments within online ordering audiences to quickly motivate subsequent orders. For example, customers who order delivery are incredibly loyal, with 31% of delivery orders coming from repeat customers. They tip better and more often, too. Offers sent to delivery customers may not need to be as rich as pickup customer offers. Insights like these, found throughout this one-of-a-kind report – help brands make more efficient use of their marketing investment.

With the proliferation and growth of digital ordering, operators need more information on the front line. So often delivery can go wrong, and this error is compounded by the difficulty of correcting mistakes off-premises. And, when something does happen, getting the information quickly and directly to the manager so that they can recover the guest is the difference between winning a guest back and increasing the CLV or losing them forever. Take a look at the impact a fast feedback loop and coupon system has on guest recovery and smoothing out operational issues. The data speaks volumes on how critical this is to a successful digital ordering channel.

In this report, we've uncovered many important digital ordering trends, opportunities, and have recommended areas of focus. We couldn't be more excited about working with you to shape the future of digital ordering.

- **Andrew Robbins**

The Paytronix Order & Delivery report examines industry trends across the digital ordering landscape, from multiunit brands to independent restaurants and c-stores. The primary areas of focus are sales, guest experience, fulfillment method, and guest retention.

The COVID-19 pandemic was extremely disruptive to the restaurant and c-store industries highlighted in this report. Consumer behaviors toward dining and restaurants shifted quickly at the pandemic's onset in early 2020, and even as pandemic restrictions begin to ease, consumers don't appear keen to go back to the previous way of doing things.

Still, there is a clear desire for people to get out of the house and have a one-to-one interaction, even if just to pick up takeout orders rather than having those delivered. Delivery numbers increased sharply over the past two years and remain strong, but takeout order numbers are currently even stronger. Curbside pickup, which received a lot of attention during the early days of the pandemic, seems to be waning.

Certain habits appear to have changed permanently. Customers clearly want to place orders digitally, a technology trend that picked up steam just as the pandemic took hold. Third-party ordering services have become a restaurant and c-store fixture, and savvy brands have both embraced these technologies as well as tools that allow them to simplify operations.

Increased digital orders have also opened the door for more guest reviews. Customers want to share their feedback and, in turn, feel that they are heard. This provides brands with a huge opportunity to influence future customer visits and lifetime value by proactively responding.

As companies look to the future, there are exciting opportunities to explore programs that drive sales by learning and adapting to customer behavior. This use of artificial intelligence to drive individual action, referred to as AI to IASM by Paytronix, represents a chance to provide superior customer experience and a way for restaurants and c-stores to increase top-line revenue.

The future of digital ordering translates to a better customer experience, and that's a bright future for restaurants and c-stores and guests alike.



2022 Digital Ordering Trends: By the Numbers

The New Normal



33%

of all orders were received digitally in March 2022



55%

of all digital orders were for takeout as opposed to delivery or curbside in March 2022



42%

Dip in dine-in sales when comparing January 2022 to January 2020

What's in a Review?



4X

ROI in lifetime spend of a customer who receives a coupon (compared to cost of coupon)



13%

Increase in the likelihood of a 1-star reviewer returning after receiving a coupon



15%

Reviews with a negative sentiment still gave a rating over 4.5 out of 5



Survey result that most highly correlates with likelihood to return:

VALUE



12.8%

Average tip paid by a delivery customer in March 2022 (vs. 5.0% for takeout)



74.6%

Delivery orders that included a tip in March 2022 (vs. 33.6% for takeout)

AI is the Future



2X

Increase in effectiveness of AI-powered recommendations vs manual recommendations

The New Normal

It's no secret that the restaurant and c-store industries and the way customers interact with them fundamentally changed as a result of the COVID-19 pandemic. Guest behavior quickly and significantly shifted to online ordering, establishing a new "normal" for the proportion of sales generated by off-premises channels. This unprecedented benchmark — a more than threefold increase — defined the restaurant and c-store industries in 2020 and carried over into 2021. We detailed the magnitude of this shift in the Paytronix Order & Delivery Report: 2021, available at Paytronix.com.

While on-premises ordering is resuming, it is still far below pre-pandemic levels. In the meantime, digital ordering continues to offer restaurants and c-stores a lifeline, thanks in part to how easy it is to complete a digital order today. Paytronix data shows that digital ordering will continue to exist alongside in-store options, perhaps for good.

The graph below tells the story of a sampling of 25 brands who operated continuously during the pandemic. The first graph represents their in-store sales while the green shows digital orders. In-store sales remained down 42% from their peak in January 2020; digital orders were up 113% during that same time period.

ONLINE ORDERS CEMENT THEIR PLACE IN THE NEW NORMAL

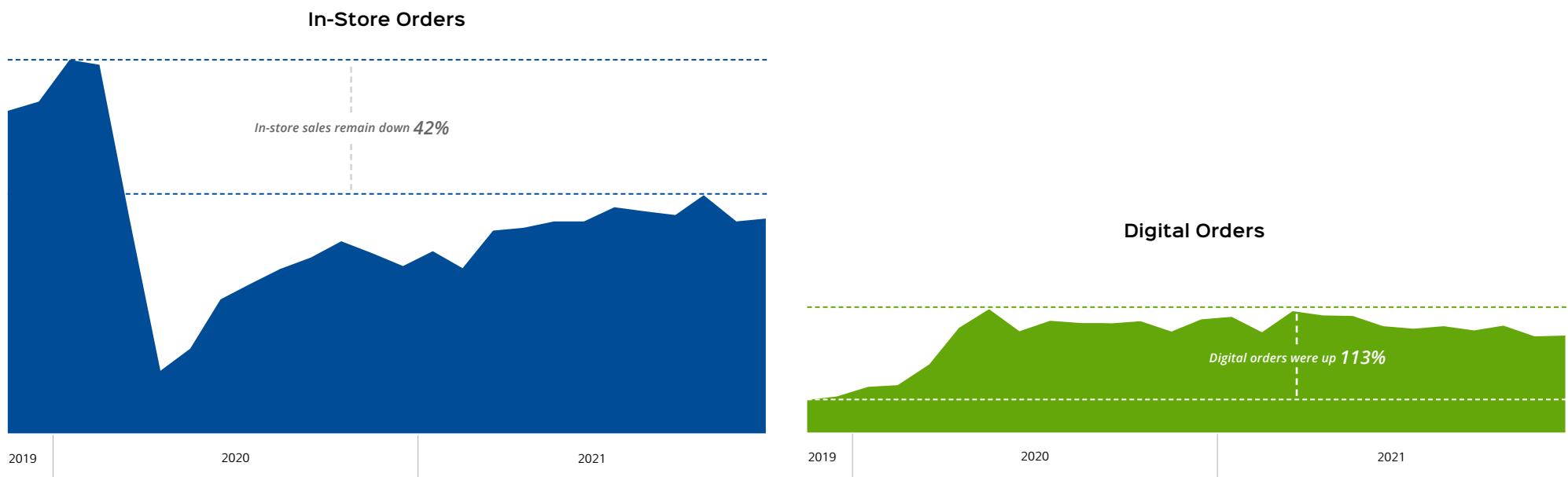


Figure 1.1: Online Order vs. In-Store Order Volume 2019-2021

This data shows that while digital orders have not replaced in-store orders, they now reliably constitute approximately 1/3 of the total, up from just 12% pre-pandemic. And, as described in our last O&D report, most of these customers are new, meaning many restaurants have seen a reset of about half of their customer base.

Some in the food service industry feared that online ordering would “kill restaurants,” but it’s becoming increasingly clear that these orders have done just the opposite, acting as a lifeline and helping them thrive.

1/3 Digital orders now constitute
1/3 of all restaurant orders.



The nature of digital orders has changed as well. While delivery was king before and during the height of the pandemic, more recent data indicates that takeout orders now dominate online orders, with numbers even higher than they were pre-pandemic. Takeout jumped from approximately 35% of orders in January 2020 to a majority in March of 2022, a trend that appears to be increasing.

Brands are facilitating this upswing in takeout orders through third-party services and finding a new, receptive client base waiting for them. Google Ordering is one example, with concepts who implement Google Ordering achieving a 0.08% lift in orders.

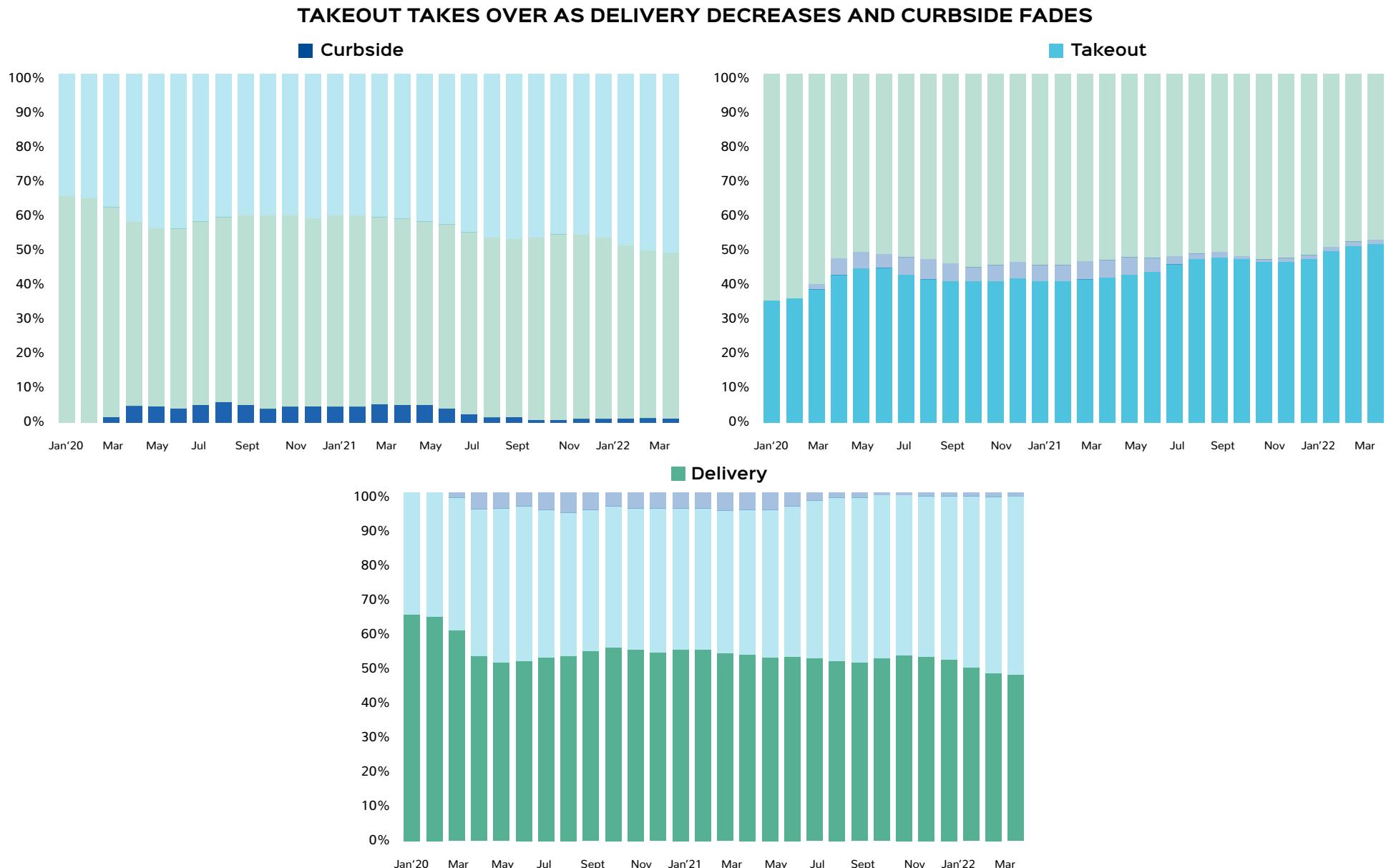


Figure 1.2: Share of digital orders by curbside, delivery or takeout, 2019-2021

While there are clearly advantages to partnering with third-party delivery services, there have been some growing pains as well. During the height of the pandemic, it was normal for a restaurant or c-store to have multiple tablets cluttering their order counter to accommodate the various services they were utilizing, a system that could quickly become confusing and overwhelming, particularly to burned out and overwhelmed staff.

Now that it's clear these third-party services have staying power, vendors are taking back control with tools such as Paytronix HandoffSM, a system that takes orders from third-party marketplaces and automatically inserts them into a point-of-sale system, eliminating the need for "tablet farms". It also allows restaurants and c-stores to make changes to their online menu and propagate those changes to all third-party delivery services. This gives brands the flexibility to customize offerings and pricing, as well as ensure that the services have the most current menu.

Third-party delivery is not going anywhere and will continue to be a viable channel in the future. Even if restaurants and c-stores are successful at converting third-party delivery customers to first-party delivery customers, third-party services will continue to play an important role in a customer acquisition strategy. Success in today's "new normal," means embracing new sales channels, and new technology.

Go from this...



...To this!



Delivery Customers Are Different

Although customer tastes are trending toward takeout, delivery customers remain a critical segment to embrace. That's because one key learning from the last two years is that delivery customers are different, and in a good way.

While both takeout and delivery subtotals increased roughly 15% in the wake of the pandemic, delivery subtotals have consistently remained about 12.5% higher, contributing substantially to restaurants and c-stores' bottom lines.

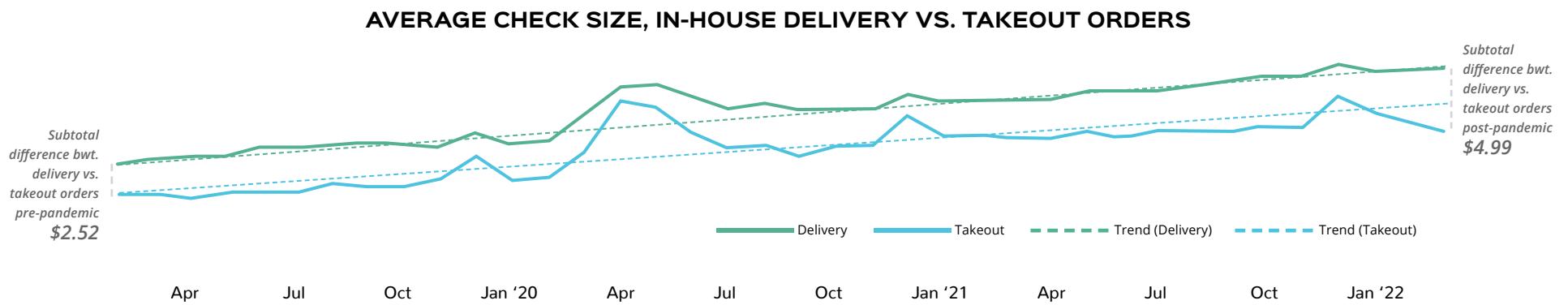


Figure 2.1: Average subtotal on orders placed for delivery and takeout at brands offering in-house delivery services from 2019-2022



Moreover, delivery customers tip better and more frequently. The data below shows that for much of 2021, the average delivery tip was 12.5% of the subtotal, more than double takeout order tips. And 2021 takeout orders included a tip just 37% of the time compared to nearly 73% of delivery orders. These trends held steady throughout 2021, indicating an existential and fundamental difference between the two groups.

AVERAGE CHECK TIP PERCENT OVER TIME

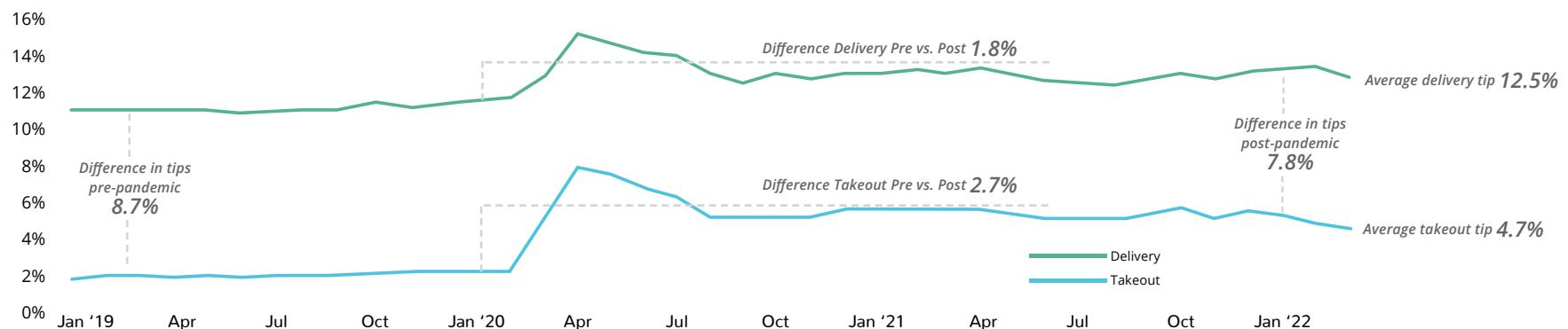


Figure 2.2: Change in Check Tip Percent, Delivery vs. Takeout, January 2019 – March 2022

AVERAGE NUMBER OF ORDERS THAT INCLUDED A TIP

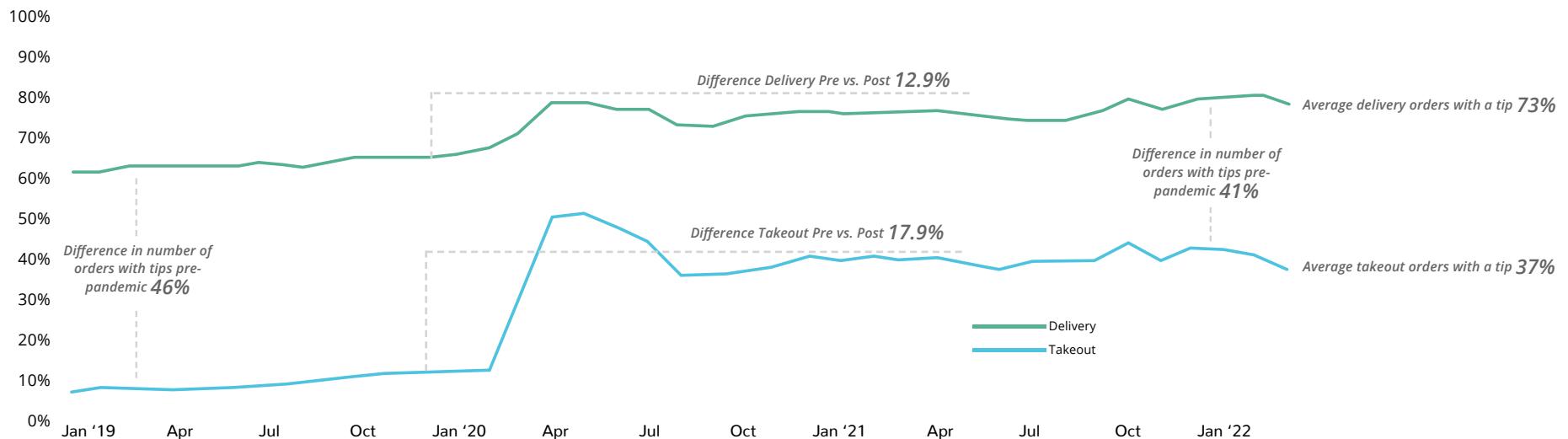


Figure 2.3: Change in Percentage of Digital Orders with Tips, Delivery vs. Takeout, January 2019 – March 2022

Delivery guests are also more loyal and order repeatedly from the places they love. Approximately a third of orders from delivery customers are from guests who order multiple times a month, while takeout customers tend to be more sporadic, with only about a quarter of orders coming from customers who order multiple times a month. Since pickup customers order less frequently, brands should strive to be memorable. A special experience for pickup customers can do a lot to make a customer feel appreciated.

CUSTOMER ORDERS FREQUENCY: TAKEOUT VS. DELIVERY

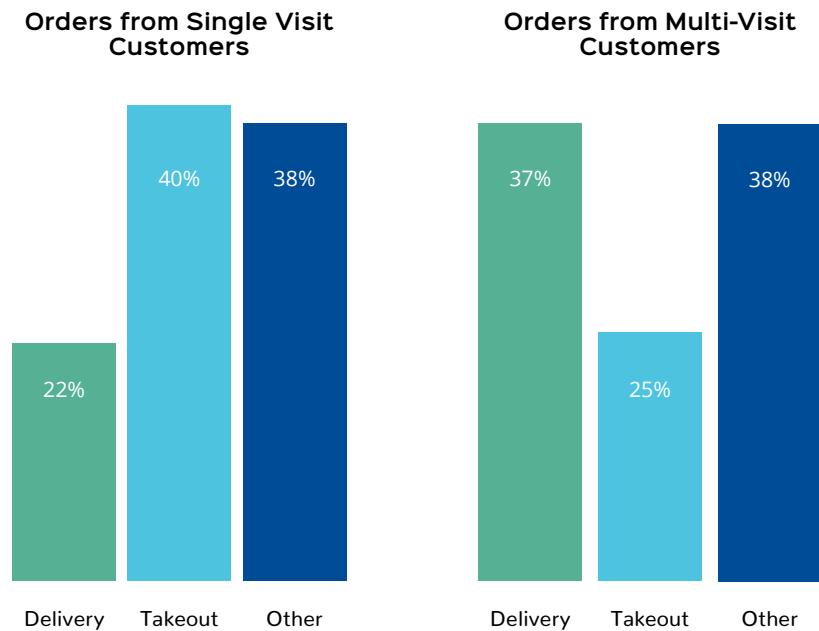
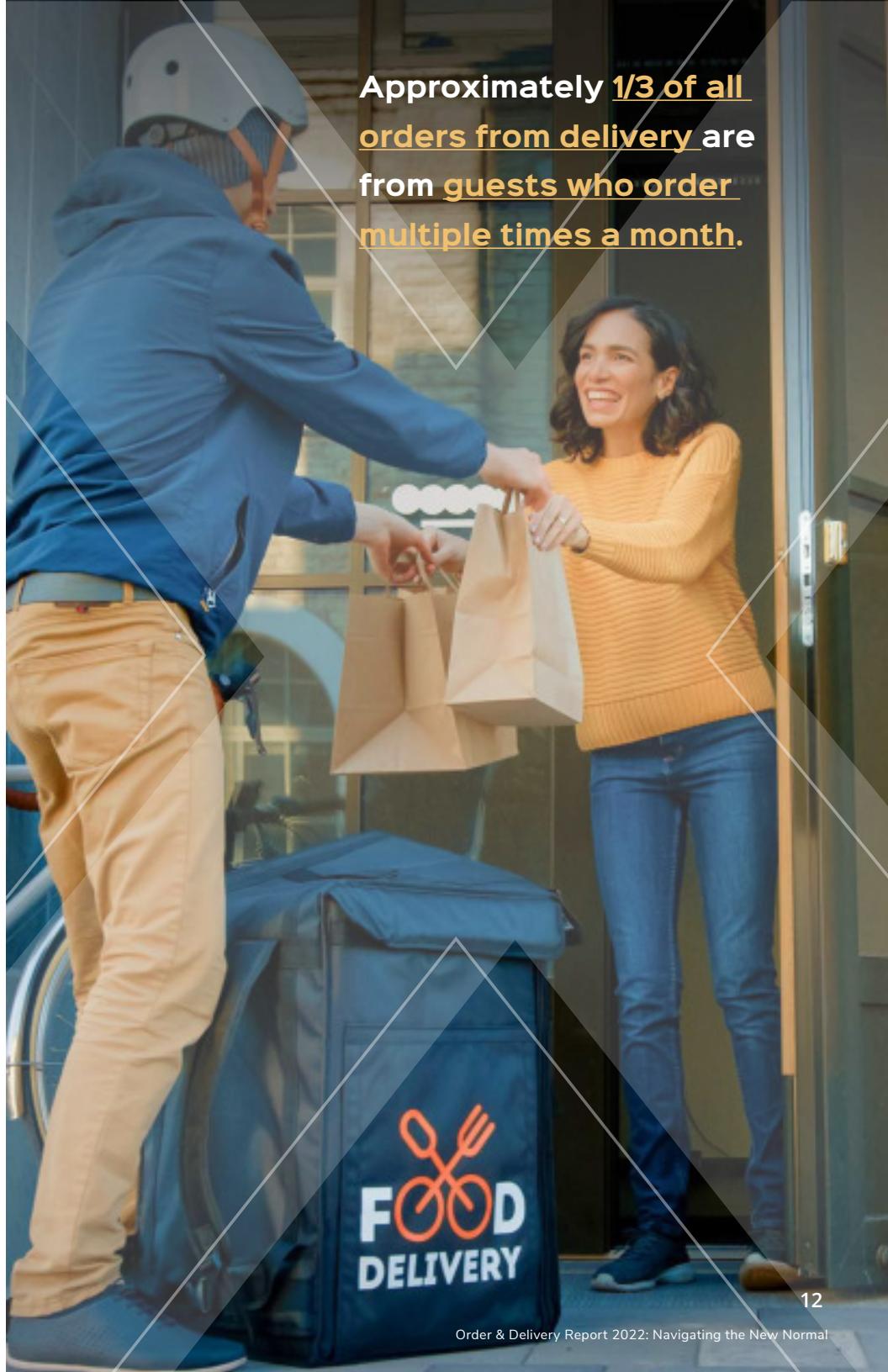


Figure 2.4 Comparison of visit frequencies of takeout vs. delivery customers as of March 2022





Finally, delivery guests leave either very high or very low ratings. This is likely because, while the population of guests who order delivery is more loyal, there is a higher likelihood for order mistakes to occur when delivery is added to the mix. Delivery gets pretty much the same score as takeout, except for the categories of Service and Food, which tend to be the feedback questions most impacted when there is a slow delivery or missing item. This error is compounded by the difficulty of correcting mistakes off-premises. Delivery customers also understand they are valuable, and they demand great food and service to stay.

DISTRIBUTION OF CUSTOMER RATINGS, DELIVERY VS. TAKEOUT

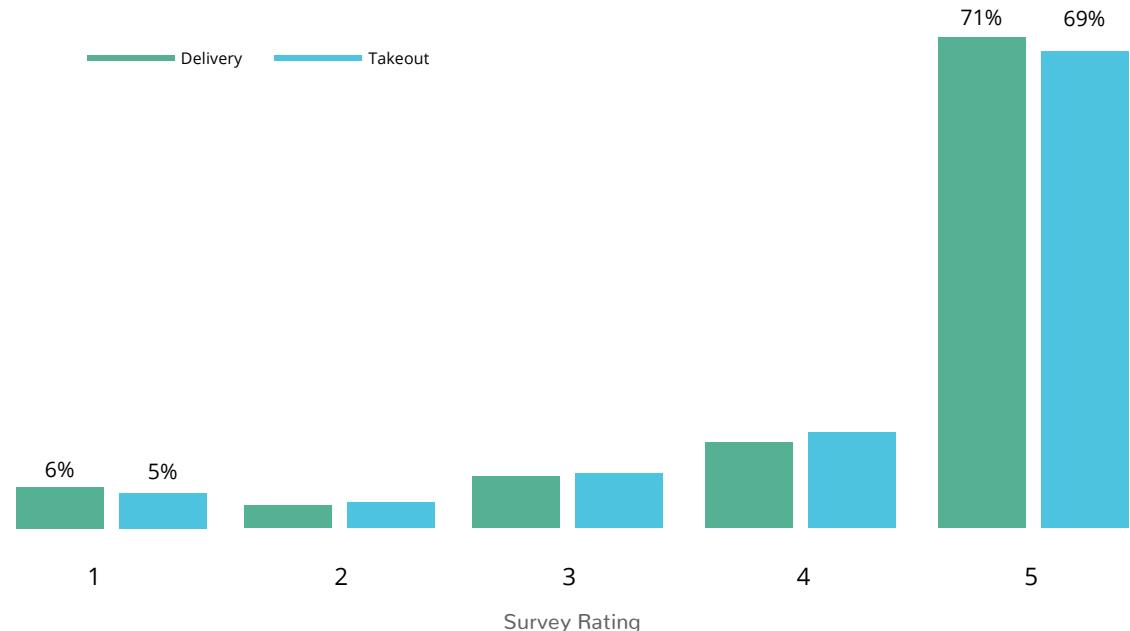


Figure 2.5: Feedback from delivery vs. takeout

While there's no question delivery is operationally difficult, when it goes right, it goes really right. These customers are generous and loyal, and it's worth making changes to your order and delivery process to accommodate them. Because if you don't, your competitors will.

What's in a Review?

The risk of poor reviews may cause some establishments to shy away from digital ordering. While this is a legitimate concern, there are proven strategies restaurants and c-stores can implement to bounce back from a poor review and solidify customer loyalty.

First, it's important to consider the potential implications of a review. Not surprisingly, customers who give the restaurant or c-store a rating of 4.9 or higher are most likely to return. While 1-star ratings may not be the most pleasant to receive, they're not necessarily indicative of a customer's behavior, as customers who leave 1-star ratings are as likely to return as those who leave a 2.4-star rating. Customers leaving a 1-star review may be acting in the heat of the moment or reacting without consideration, or may even be leaving simple reviews to speed through the process. Reviews with more nuance are typically written with more scrutiny.

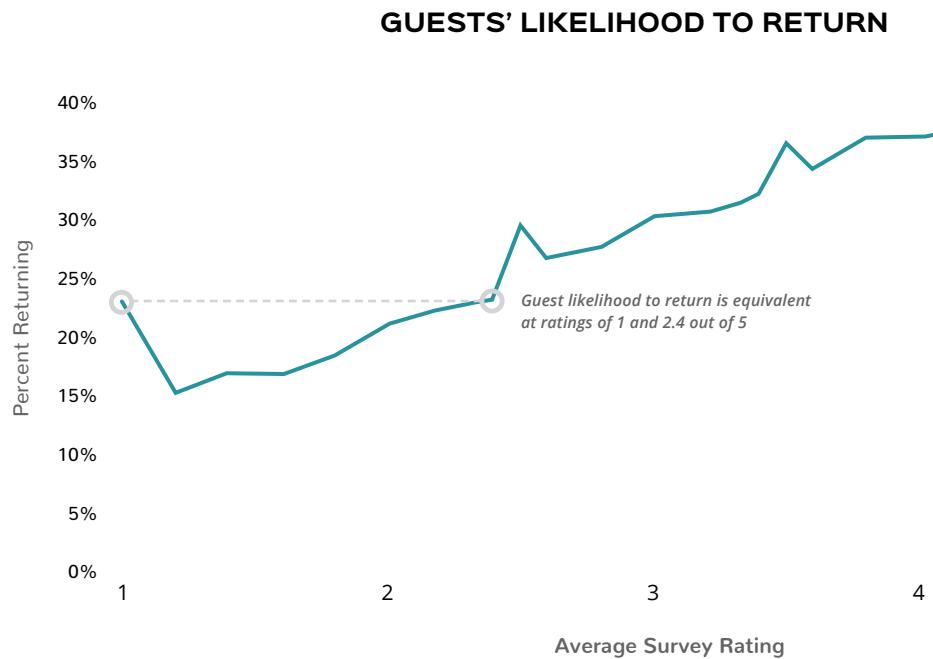
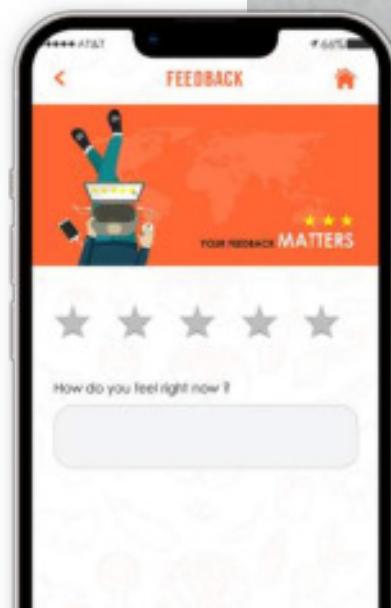


Figure 3.1: Guests' likelihood of making a return visit based on their average review score in 2022



**Customers who leave
1-star ratings are as
likely to return as
those who leave a
2.4-star rating.**

**Customers will be most
satisfied knowing they got
their money's worth if the food
and service are marginal.**



The best indicator of whether a patron will return is if they received exemplary food, service, and value. Customers who give 5-star reviews in those particular categories are the most likely to revisit, and the three categories correlate with likelihood to return almost exactly.

However, as the ratings drop, value becomes more important than both food and service. At 1- and 2- star ratings, customers are more forgiving of poor food and service experiences than they are if they feel their dollar was not well-spent. Customers require high marks across the board to give an establishment a top rating, but they will be satisfied knowing they got their money's worth even if the food and service are marginal.

LIKELIHOOD TO RETURN BY RATING CATEGORY

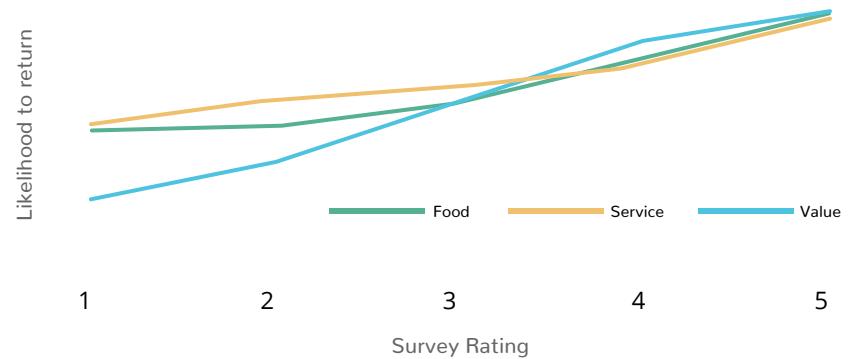


Figure 3.2: Guests' likelihood of making a return visit based on how they answered survey questions about their experience with the brand in 2020

DISTRIBUTION OF FEEDBACK RATING

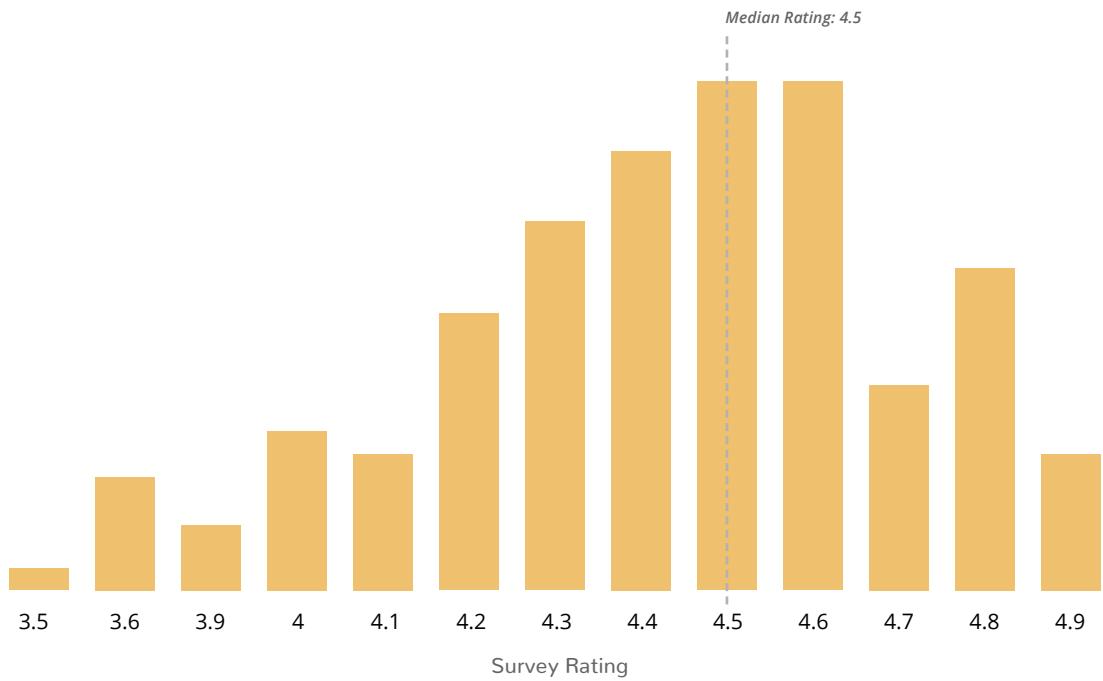
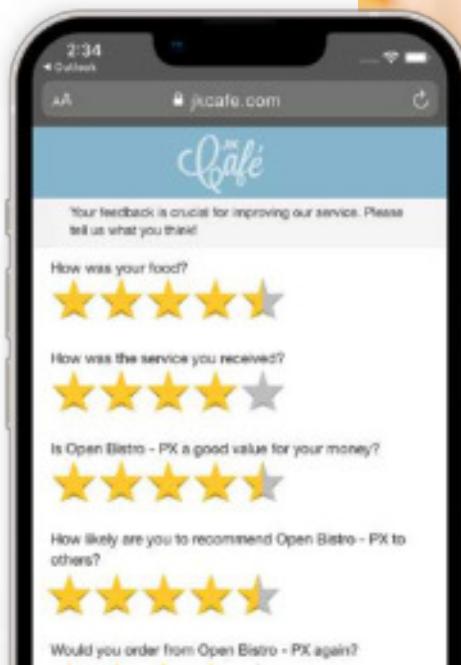


Figure 3.3: Distribution of feedback rating by brand in 2021

Restaurants and c-stores should also be humble in the face of high ratings. While it may be tempting to boast about a rating in the upper quintile, our data shows that the median and average rating of a restaurant or c-store is 4.5 and 4.42, respectively. A rating of 4.1 places a restaurant or c-store in the bottom 25% — not exactly worthy of bragging rights!

The median and average rating of a restaurant is 4.5 and 4.42, respectively.



Receiving a poor review should be viewed as an invitation, not a dismissal. Our data indicates restaurant and c-store operators can provide positive guest experiences in the wake of a bad review. To salvage the guest relationship after a less-than-stellar review, offering a coupon may be the best move a restaurant or c-store can make. Not only does it improve the chance a guest will return, but the marketing investment for this type of incentive makes sense.

Time is of the essence when a customer has a poor experience. The Paytronix FEEDbackSM tool relays customer reviews to the store manager immediately. The store manager can then change a quality control issue and send a guest recovery coupon and message right away.

GUESTS' LIKELIHOOD TO RETURN AFTER COUPON WAS OFFERED

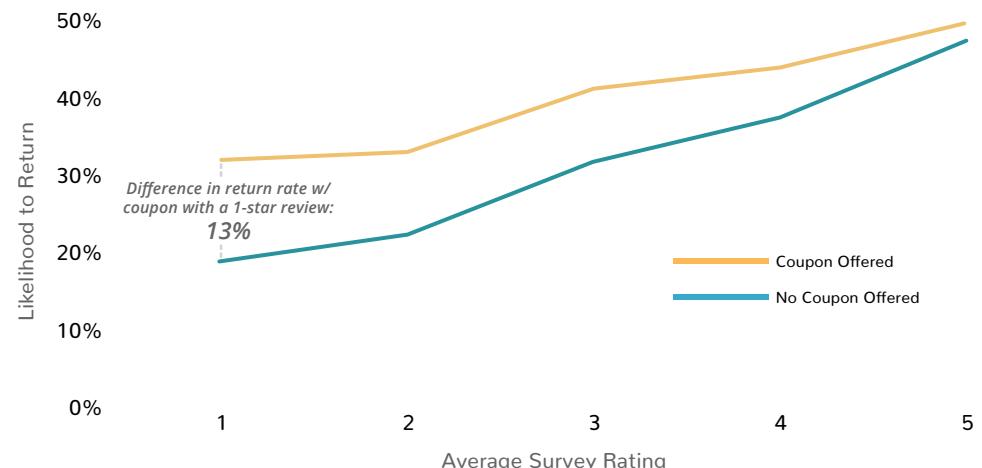


Figure 3.4: Guests' likelihood of making a return visit based on average review score and coupon receipt

By implementing a guest recovery coupon strategy for online ordering, restaurants and c-stores can win back up to 13% of customers who left a 1-star review.



Moreover, the coupon results in an average increase in Customer Lifetime Value (CLV) of \$9.20 – a 4x return – meaning that as long as a restaurant or c-store's profit margins are greater than 25% (as we know from experience most are), then the coupon is more than worth its cost.

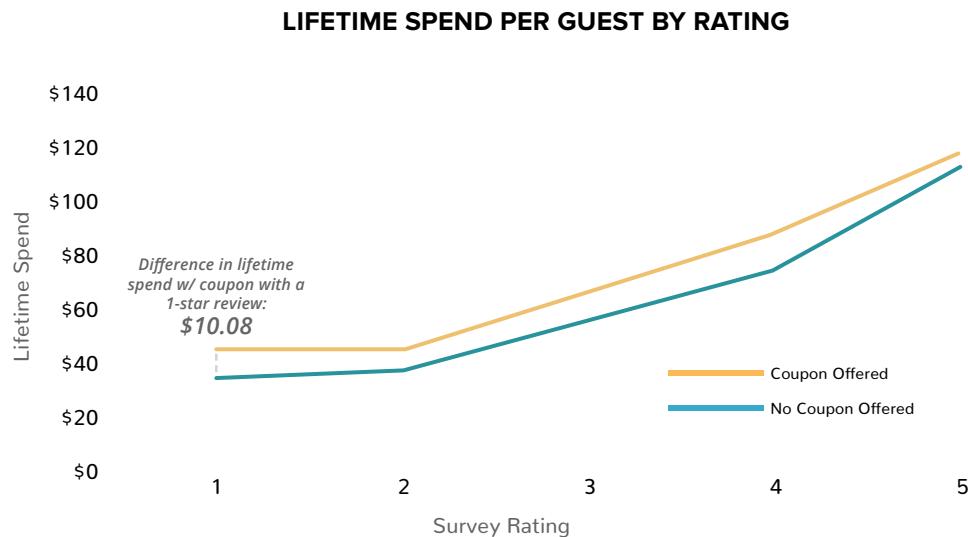
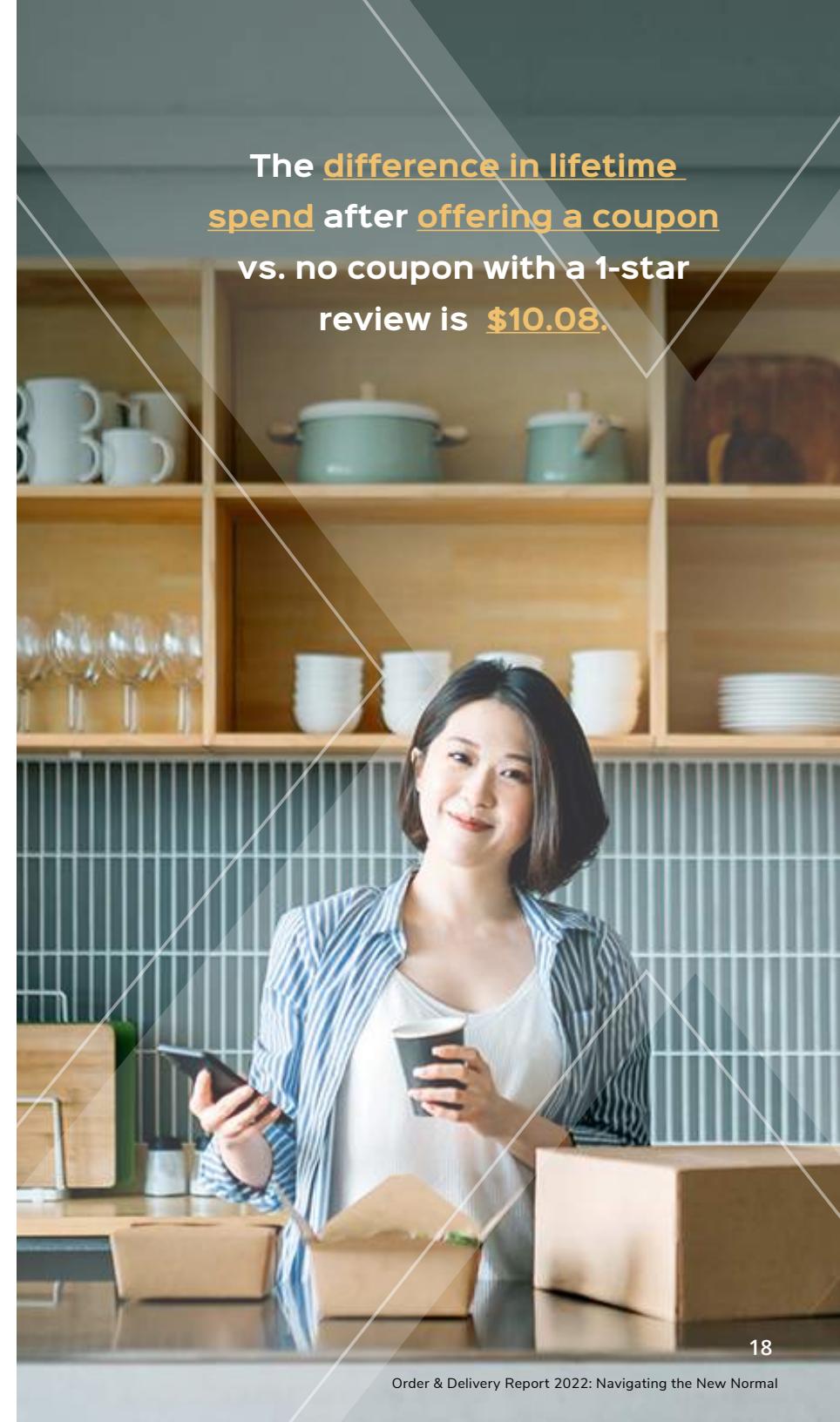


Figure 3.5: Guests' likelihood of making a return visit based on average review score and coupon receipt

No one wants to see a 1-star review. But with a planned coupon strategy and the right technology to put control in the front-line manager's hands, brands can flip the script and help turn negative reviews into profitable customers.



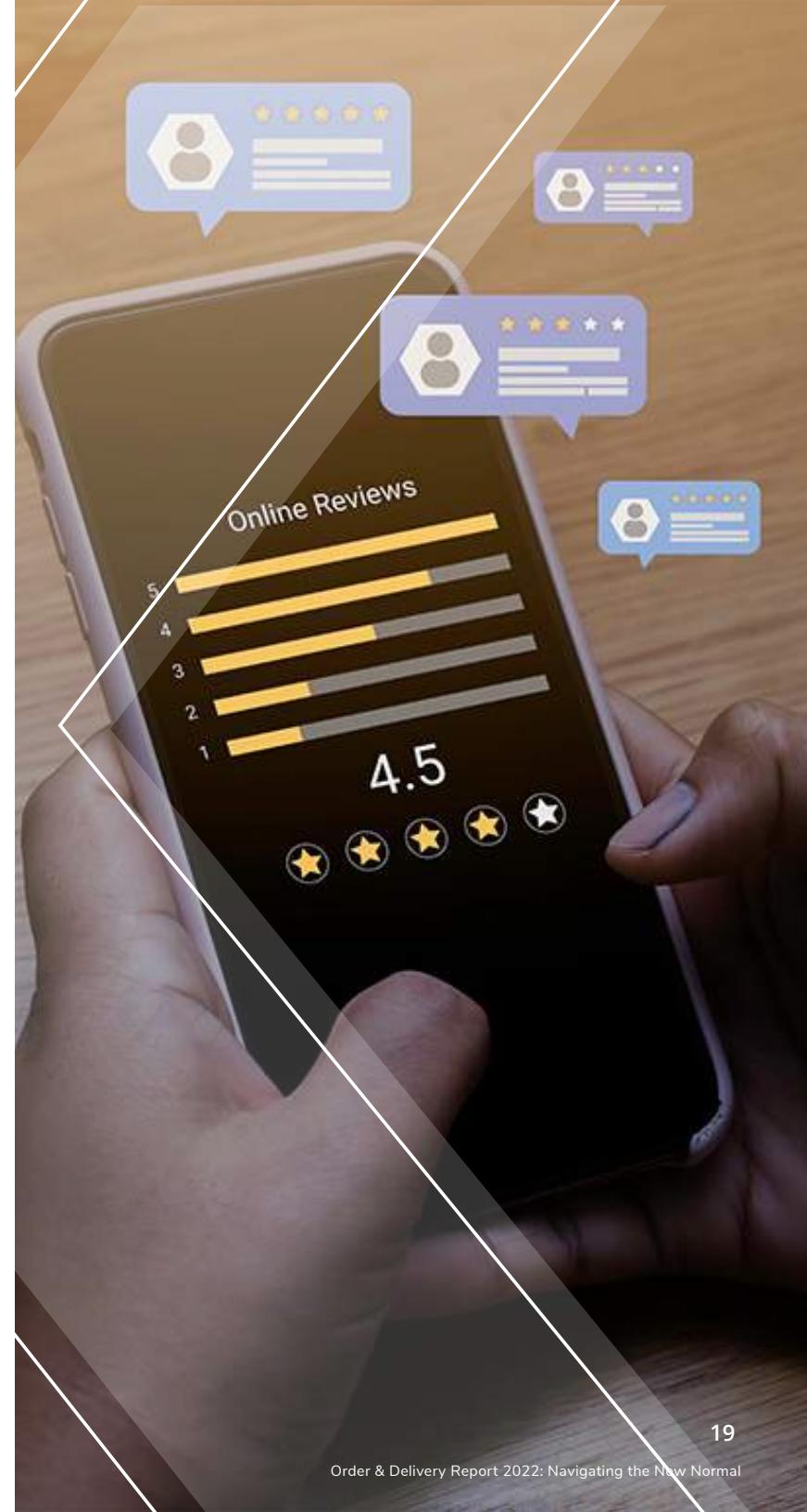
IV The Artificial Intelligence to Individual Action (AI to IASM) Future

While most of this report covers the present state and “new normal” for the hospitality industry, it’s critical to look at where the industry is headed. As customers’ tastes lean increasingly digital, with an emphasis on ease of use, brands can take action now to capitalize on these trends. That means not only making the ordering and reviewing process easier but enabling the process to intelligently adapt to the customer.

The solution: a smart order-and-delivery process, which can be facilitated through artificial intelligence (AI).

For instance, what if your technology could bring a more in-depth understanding to your reviews? Consider the role that sentiment plays. The rating an establishment receives and the words that accompany that rating may actually tell two very different stories. Paytronix data shows that 15% of orders with a rating of 4.5 or better actually have a negative sentiment and could benefit from action, while 3-star reviews most frequently contain negative sentiment.

15% of orders with a rating of **4.5 or better** actually have a **negative sentiment**.



Sentiment analysis, which can be accomplished using AI, is one tool that can help. Sentiment analysis enables the store manager to identify negative reviews that otherwise would have been missed and act quickly to recover the situation. This is important because sentiment scores are nearly as accurate a predictor of whether a patron will return as the ratings themselves.

EXAMPLE 1



Rating: 4.8



Sentiment negative rating: 99.9%

I was really disappointed with the fruit salad. Tiny pieces of fruit, soggy and although it said grapes included their were none. I respectfully suggest stepping it up for a \$5 package. I'm pretty sure you guys can do better than just pineapple, honeydew and cantaloupe. I understand selection may vary but it definitely wasn't worth what I paid. (SIC)



Action:

The store owner issued a \$5 refund, and the customer ordered from the restaurant four additional times.

DISTRIBUTION OF NEGATIVE SENTIMENT BY RATING

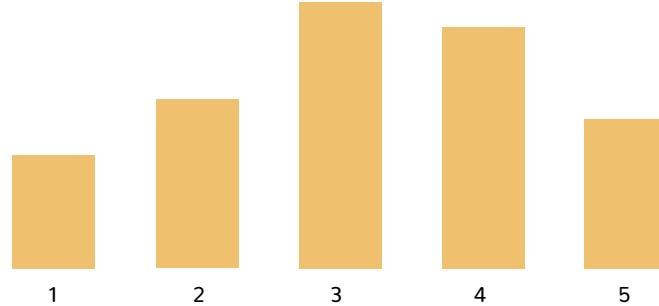


Figure 4.1: Distribution of negative sentiment by rating

EXAMPLE 2



Rating: 4.2



Sentiment negative rating: 99%

I would like this to be made right. This was very disappointing. I only got one basket and I order 2 and they was wayyyy over cooked. (SIC)



Action:

The store owner responded with one feedback action by giving a coupon; however, the customer didn't come back.

LIKELIHOOD TO RETURN BY SENTIMENT

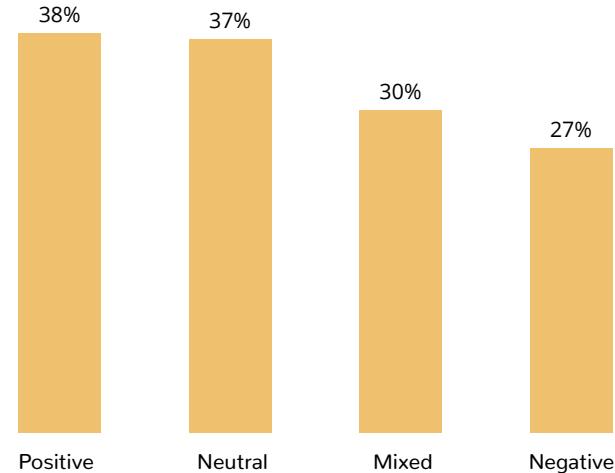
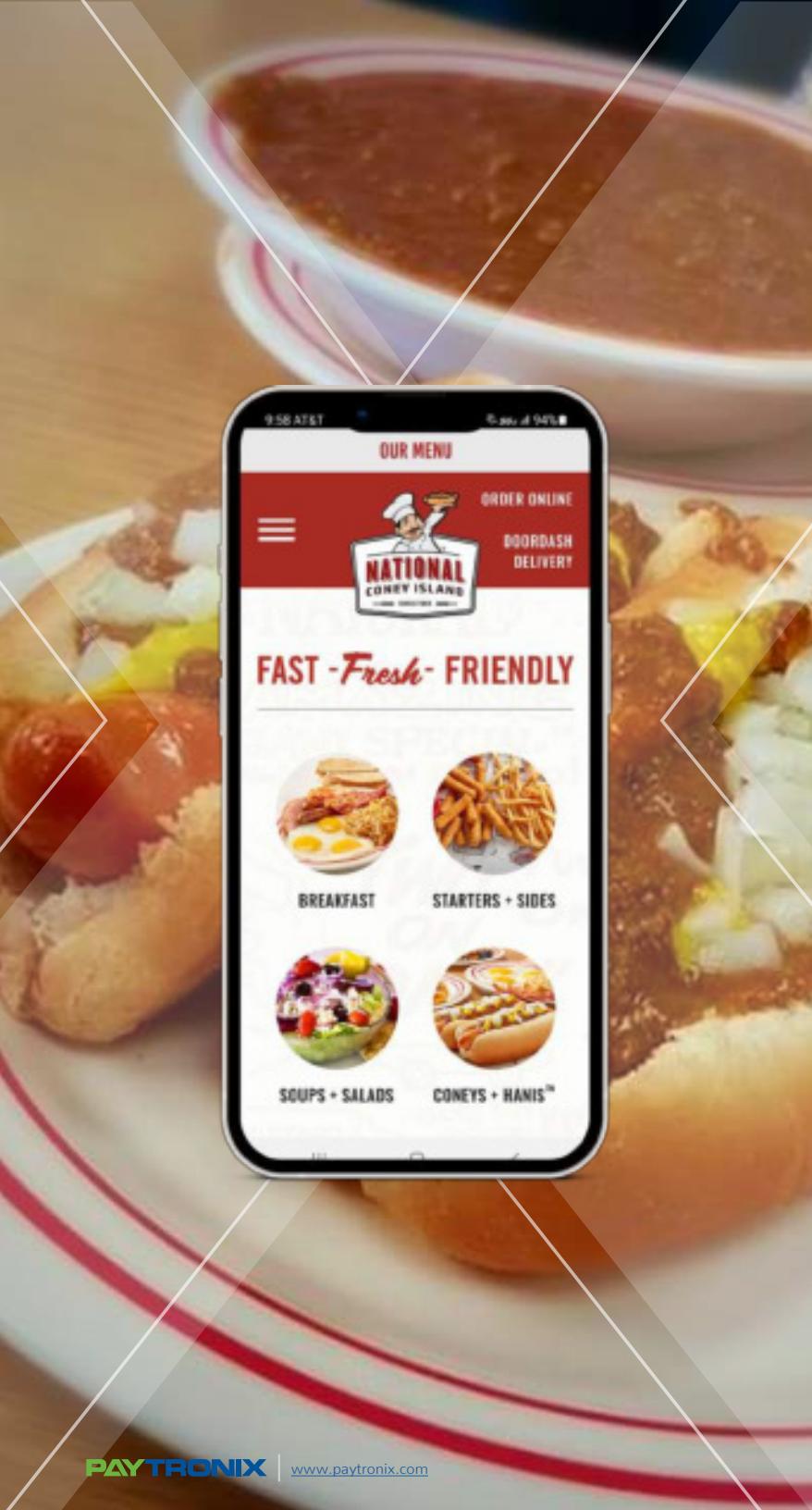


Figure 4.2: Likelihood of guest returning by sentiment



Another exciting implication of AI is the potential to influence customer ordering choices through smart menu design and recommendations.

Some establishments have long or complex menus, causing customers to gloss over some options or potential add-on items. Understanding where to place options on the menu and when to suggest an additional item can make a big difference in the order total.

Multivariant menu testing can determine how to help customers make sense of large menus in a way that's beneficial for restaurants and c-stores. Working with Paytronix, National Coney Island — well-known for their large, detailed menu with plenty of options for everyone — utilized multivariant menu testing to determine if AI to IASM could reduce customer frictions with the menu.

The results were eye-opening, delivering an additional 3.5% conversion rate and \$300 monthly sales lift per store.



The Results

 **375**
Menu Views

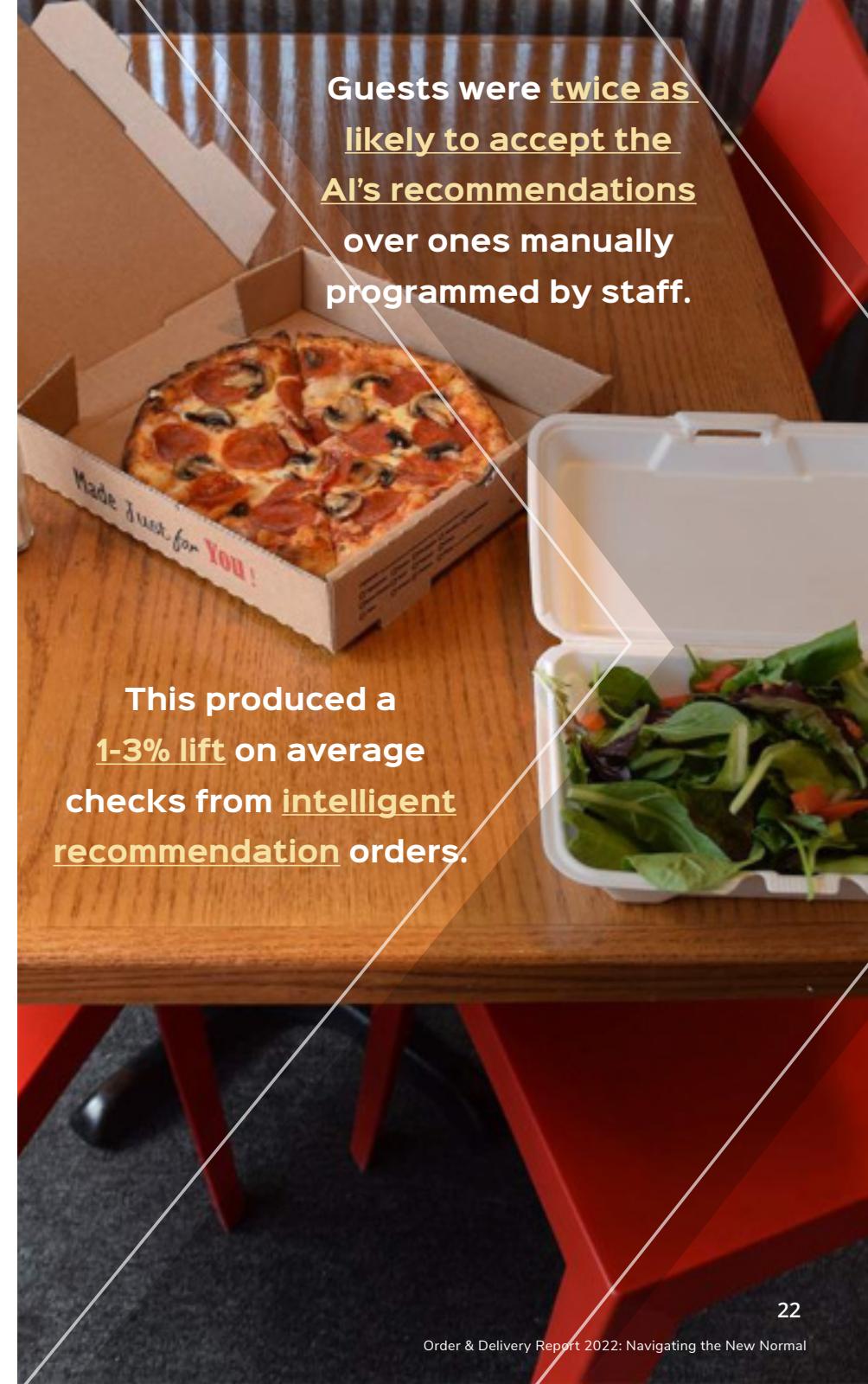
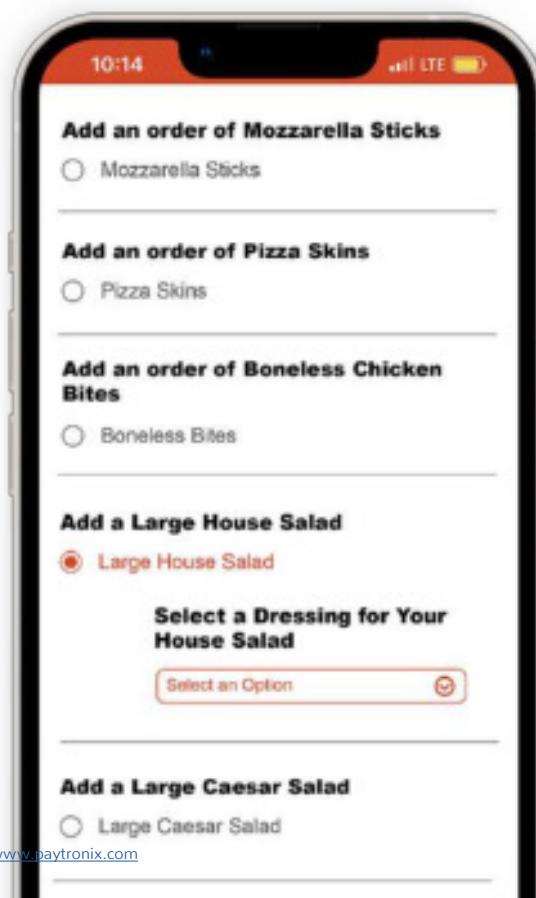
 **+3.5%**
Conversion Rate

 **13**
Extra Orders

 **\$300**/mo Sales Lift

Another example of helpful AI to IASM is intelligent recommendations. Recommendations are not a new feature: "Would you like fries with that?" has been a staple for a long time. But adding intelligent recommendations to digital orders provides customers a superior ordering experience while increasing revenue.

Uno Pizzeria & Grill is running a trial of intelligent recommendations, and early results have been encouraging. Uno reported that guests were twice as likely to accept the AI's recommendations over ones manually programmed by staff. This produced a 1-3% lift on average checks from intelligent recommendation orders in comparison to no-recommendation orders, increasing Uno's orders by between \$100 and \$150 per store per month.



A Smarter, More Rewarding Customer Experience

There is no denying the ongoing challenge to the hospitality industry. In the wake of a global pandemic that brought the loss of over 6 million people worldwide and wreaked economic havoc, restaurants and c-stores are now wrestling with supply chain and labor disruptions amid a customer experience revolution. The world has not stopped changing, and, to succeed, the hospitality industry must embrace our new circumstances.

What is clear is that the customer experience of the future will be different than it was in 2019, before the pandemic. C-stores and restaurants will need to use technology to cater to guests wherever they are and give those guests the flexibility to receive their food through different channels. Payment must be effortless, with preferred selections front and center. And the experience of the future will enable guests to be heard when things don't go right.

As a technology partner to restaurants and c-stores, Paytronix celebrates when brands embrace this vision of an invigorating customer journey and the rewards that come along with it.



Give your guests an exceptional online ordering experience with Paytronix.

Your guests will love your brand when they can:



Order online on-the-go or at home. Enabling guests to order from anywhere with ease on a user-friendly menu reduces cart abandonment.



Earn and redeem loyalty currency and gift cards. Whether redeeming loyalty items or gift cards, the redemption process is a breeze, online and in person. Guests can see account balances and can redeem multiple offers in a single order.



Store transactions for ease of reordering. Just like with Amazon, guests can reorder with a single click, helping to boost orders. This convenience helps boost orders every day.



Give FEEDbackSM on their experience. Make your guests feel heard with automatic surveys that enable them to share their experience.



Customize their orders. Easily structure modifiers and add-ons, making it simple for guests to order.



Expand their palate. Intelligent cross-selling, customized based on guest preferences and order history, will recommend additional items they are likely to enjoy.



Taste with their eyes. Excellent food shots sell more food, making it easy for guests to see their options.



With over 450 integrations, including over 30 integrations with POS systems alone, the Paytronix platform expands your ability to surprise and delight your customers.



Manage your menu across all platforms from one place.

Automatically map menu items from your POS, mark items as "out of stock," make system-wide menu changes across first and third-parties, create bundle offers, and provide local store access.



Increase transaction size. Relevant cross-sell offers boost transaction size, and preselected options enhance the ordering experience for your guests.



Acquire new customers with offers and specials. Easy-to-redeem offers are a standard part of the ordering and payment flow.



Set delivery preferences. You can make delivery work perfectly for your concept by customizing delivery zones, fees, and time estimates, whether you have in-house couriers or are using third-party delivery services.



Keep your kitchen on track. Easy-to-use dashboard enables you to track order volume, view sales and order history, including sales by store, average order size, and FEEDbackSM score.



Expand your reach with Google ordering. Included with Paytronix Payments, Google ordering has generated an average of eight additional orders per location per month for our customers, amounting to an average of \$240 per location.

For more information, visit www.paytronix.com or call 617-649-3300, ext. 5. Or visit www.paytronix.com/resources for more tips on how to boost your online sales.