Panamoure

# Casual Dining

## How technology and partnerships can help to restore profitability across the casual dining sector

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Philip is a highly experienced senior executive level professional with extensive experience in manufacturing, consumer goods, retail and financial services, with a focus on driving improved customer experiences to increase advocacy and reduce cost. With over 30 years' experience in consulting and executive management, Philip has successfully led transformations across many start-up, unicorn and blue-chip organisations, adding value across programme management, business and data strategy, regulatory change, acquisition and integration, and supplier management.

# 01

## In brief

The last five years have presented significant headwinds for the casual dining sector, resulting in dramatic reductions EBITDA and cash flow for many. This has created a challenge across the Private Equity funds invested in the sector, resulting in extended holding periods and the need to look for transformation solutions to drive incremental value.

In this taxing environment, innovations used across other sectors, such as consumer goods and manufacturing, have provided proven approaches that can be leveraged effectively for casual dining.

With every indication that times will become more challenging in the short term, can any organisation in the hospitality sector defer the potential benefits from these approaches and the positive impacts on EBITDA and cashflow?

This paper covers:

- **Why has casual dining become so much more challenging?**
- **How have other sectors faced into similar challenges?**
- **How have casual dining organisations already benefited?**
- **How can you quickly drive improvements to EBITDA, cashflow and service?**

# 02

# Casual dining under siege

Even before the pause button was pressed on the hospitality industry in March 2020 due to Covid-19, casual dining was not on the strongest of foundations. However, the cumulative impact of the pandemic, combined with a surprising smorgasbord of developments, has created one of the most challenging trading environments in a generation.

## These challenges include:

### 1 Rising costs

In addition to general inflation challenges impacting ingredients, significant increases to interest rates have not only increased the cost of capital, but also resulted in rent increases. Furthermore, with overall wage inflation, the increase in the minimum wage of c.36% over the past 5 years and with the increase in employer national insurance contributions from April 2025, the pressure of rising costs does not appear to be abating.

### 2 Brexit

The UK's exit from the EU has raised the cost of imported ingredients and resulted in a more challenging supply chain, affecting availability and freshness. Additionally, the reduced availability of EU nationals has created labour shortages, compelling restaurants to offer higher wages or face understaffing.

### 3 Post-Covid reset

Whilst the UK's furlough and 'Eat out to help out' schemes provided some relief, the loss of revenue for the hospitality sector was unsurprising but staggering. Additionally, the post-pandemic world has seen behaviours and attitudes to dining out materially change, not least because of the increased choice of available delivered food. Furthermore, sustained hybrid and fully home working has materially changed the profile of demand, especially for city centres – turning previous star performers into loss making sites.

### 4 Consumer behaviour

The general approach to dining has materially changed, especially for younger generations (such as Gen-Z). In addition to the increased trend for eating in, there is a marked difference in the approach to alcohol, a key component to maintaining desired margin levels. When combined with collective social movements, such as dry January, this has created a material gap in revenue and contribution.

### 5 Supply chain disruptions

In addition to the wider challenges of Brexit, supply chains within the UK have become more fragile due to issues with staff availability and the cost of fuel. When combined with the environmental agenda, reducing the frequency of deliveries and the access to city centres, this has necessitated increased stock holdings, putting further strain on working capital.

### 6 Reducing disposable income

The economic challenges highlighted above have also impacted customers themselves, reducing disposal income and discretionary spend. This has not only reduced the frequency of dining out, but also the scale of purchases on each occasion.

**In summary, few of the above are transient and, regrettably, appear to reflect a challenging "new normal".**

# 03

## You are not alone

The majority of challenges highlighted above are not the sole preserve of the hospitality industry and impact multiple other industries from retail and consumer goods manufacturing, through to financial services, healthcare and even charities.

Facing a similar challenge, these different sectors have adopted a range of transformation approaches, the learnings from which are potentially of significant benefit to the hospitality and casual dining sectors

**These include:**

1. **AI:** Adoption of technologies such as machine learning (ML), robotic process automation (RPA) and Generative AI (Gen-AI) to automate processes and drive consistency.
2. **Supply chain optimisation:** Reducing lead times and increasing product availability through mechanisms such as open data sharing and vendor managed inventories.
3. **Customer relationship management (CRM):** Establishing a single, collated view of customer behaviour and interactions, potentially across multiple brands and channels, to enhance insight and sales conversion.
4. **Enterprise resource planning (ERP):** Integrating cross business technology platforms, such as Finance, Stock Management and Procurement to enhance insight and reduce administrative tasks.
5. **Digital transformation:** Enhancing the use of data across the organisation to accelerate speed to market, improve customer experiences and reduce operating costs.
6. **Outsourcing:** Accessing lower operating costs either onshore or offshore whilst driving consistency, reducing risk and enabling focus on core business processes.
7. **Data syndication:** Combining internal and external data sources to improve revenue and reduce risks such as fraud.



# 04

## Transformation examples

To identify potential areas of focus, one reference point is to consider recent successful developments where restaurant chains have adopted a transformational approach.

Examples include:

- **In-store self-ordering**
- **Outsourcing for complaints**
- **Sourcing and supply chain partnerships**
- **Robotic food preparation**

## In-store self-ordering

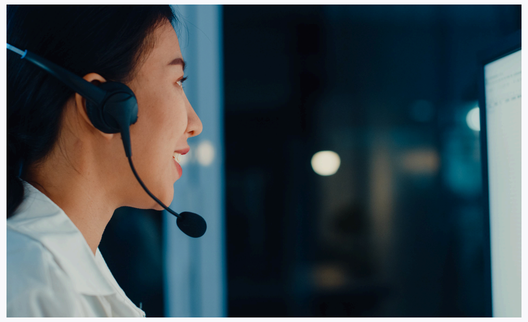
The introduction of in-store kiosks, tablets and mobile applications is not only reducing operating costs, but also can be shown to be driving increased revenues and, ironically, perceptions of customer service.

The key to successful adoption appears to be to offer the customer a choice rather than mandating a non-staffed channel.

The potential application extends to both ordering and payment, with many benefits beyond staffing costs. For example, customers with allergies and intolerances can more easily see ingredients and upsell opportunities can be presented throughout the order journey.

In addition to international brands such as KFC and McDonalds (who piloted in store kiosks first in the UK), table ordering via smartphone has been successfully deployed across Nandos, BrewDog and Greene King.

## Outsourcing for complaints



Whilst complaints would ideally be managed locally at an individual site level, for larger chains there are significant potential advantages from consolidating complaints management processes and outsourcing them to a suitable organisation.

The potential benefits are probably best illustrated by McDonald's strategic partnership with Ventrica (Customer management business process outsourcer) and ZenDesk (Customer service technology platform) which, in summary, has not only enabled the lead time for complaints resolution to be reduced from days to seconds, but also reduced operational costs. Furthermore, the centralised data allows more effective fraud detection and management and provides richer insight into trends and potential root causes.

## Sourcing and supply chain partnerships

Recognising the importance and cost of ingredients, for many years larger chains have used sourcing and supply chain partnerships to access scale benefits, ensure consistency and availability. Depending on the partner used, additional potential benefits include unattended deliveries (where deliveries are made and put-away by the partner outside of normal trading, for example overnight) and the redistribution of surplus food and drink, that would otherwise be wasted, through organisations such as FareShare.

## Robotic food preparation

In order to stem the rising cost of labour, the German Doner Kebab chain have piloted the use of robots to prepare food, specifically robotic kebab shavers to slice doner meat. Whilst initially only installed across 3 UK locations, the potential benefits are significant - not only through reduced cost, but also quality and consistency.

# 05

## Where to start?

**The maximum areas of potential benefit will be dependent on multiple factors such as the number of sites, variety of menus, available data and technology that has already been deployed. However, an initial opportunity scan should include as a minimum:**

**In-restaurant ordering:** From tablets for waiting staff, through to kiosks, tables and apps for customers to order directly, the application of technology to in-store ordering could not only unleash operational benefits, but it could also drive increased revenue per cover and an improved customer experience.

**Complaints management outsourcing:** Outsourcing of complaints management could provide a significant opportunity to not only reduce resolution times, but also to establish a more comprehensive understanding of the reasons for complaints and to identify and address potential fraudulent customer behaviour.

**Customer relationship management (CRM):** Leveraging CRM to capture and understand customers, their behaviour and preferences, represents a significant opportunity for restaurants, both in terms of promotion and attraction marketing as well as improving customer understanding and customer experiences.

**Tactical application of AI and IA:** Whilst everyone may not be ready for robots to undertake the activities required to prepare and serve food to customers, there are a range of tactical ways in which artificial intelligence and intelligent automation can be used to reduce operating costs. Examples include enabled accelerated stock-counting, automated invoice matching and dynamic staff rostering.

*..however, whilst the opportunities for driving business benefit through technology and transformation are significant, many organisations are challenged with where to start, fearful of the investment required in both expertise and technology.*

*To overcome this challenge, Panamoure can provide you with access to not only qualified resource and proven solutions, but also to insight into the use cases that will rapidly create value in your specific circumstances.*

# 06

# How can we help?

Having supported organisations across multiple sectors, we can provide a comprehensive review of costs and identify the opportunities to accelerate both revenue generation and the preservation of cash.

**Typical areas on which clients ask for our support:**

## IT strategy and roadmap

Supporting the development of, or reviewing, the current IT strategy and development roadmap, to provide objective, accelerated insight into related risks and opportunities.

## CTO as a service

Access to strategic technology leadership for smaller organisations without a board level IT lead - to drive IT strategy, optimise architecture, and scale your team.

## AI and IA application review

Accelerated assessment of potential opportunities to leverage proven applications of artificial intelligence and intelligent automation to reduce cost, enhance revenue and improve service.

## ERP & CRM selection and implementation

Supporting and guiding the selection of key business platforms such as ERP and CRM to enable successful adoption and supporting the implementation of the platform.

## Outsourcing support

Identifying options to drive transformation, value and make fixed costs variable through effective outsourcing of IT and customer management operations.

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