

# Order Up: Dramatic Change in Consumer Behavior Drives Accelerating Need for Restaurant Technologies

When pandemic-induced lockdowns began, restaurants faced the ultimate test: find new avenues to generate revenue to survive. Many pivoted quickly to technology solutions, the key to achieving efficiency and maximizing profitability while consumers sheltered at home due to COVID-19.

Restaurants have selectively used technology for many years, but the disruptions caused by the pandemic have made technology solutions and data analytics imperative to successful, profitable operations in a constantly evolving environment.

Additionally, as consumer habits are fundamentally altered by COVID-19, the need for personalized communication and direct connections between restaurants and their customers cements the necessity for technology solutions that can do it all—from the front-of-the-house to the back-of-the-house.

### Imperative to Have Dynamic Technology to Operate Profitably



The permanent changes from COVID-19 means restaurants and venues must implement dynamic, sophisticated technology solutions to power their business and drive profitability

### Increased Third-Party Delivery Activity



Third-party delivery services are scaling to meet consumer demand and partnerships are becoming increasingly popular to expand third-party delivery footprints

### Prioritizing Delivery Data Tracking



Companies are seeking to gain a competitive advantage to utilizing real-time data analytics to improve performance

### Emphasis on "Owning the Customer" Via Enhanced Marketing / CRM



Platforms are working towards managing across multiple vectors of multiple reservation types, walk-ins, delivery, events and more

## Restaurant Sales are Expected to Post Double-Digit Growth in 2021, but Full Recovery Will Take Time

Overall, total restaurant and foodservice sales were down \$240 billion from expected levels in 2020. Sales growth during the first half of the year was constrained by on-premises capacity restrictions that stemmed from elevated virus case levels in some parts of the country. As the vaccine rollout becomes more widespread by mid-year, business conditions will steadily improve. As local economies reopen and restrictions are eased, consumers will be poised to burn off their accumulated pent-up demand for restaurants.

**Large, Growing U.S. Restaurant Sales Volume<sup>(1)</sup>**  
(\$ in billions)



## Fragmented Market Across Subsectors and Technologies

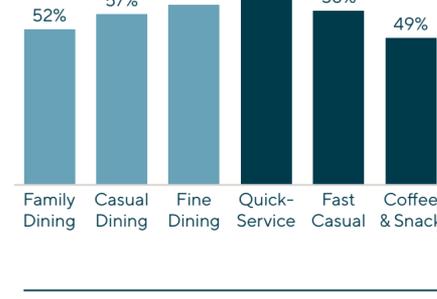
Hospitality establishments today must juggle the use of multiple point solutions for front-of-house, back-of-house, payments and online ordering to effectively manage their businesses. Winning technology providers will provide a purpose-built, holistic solution platform that solves for all these necessary functions. Investors have the opportunity to back next-generation solutions and / or capitalize on consolidation opportunities that will become the underlying enablement technology standards for the hospitality sector of the future.



## Meaningful Acceleration in Technology Adoption as Result of the Pandemic

### Restaurant Tech Investment

% of restaurant operators who say they devoted more resources to customer-facing technology since the beginning of the outbreak in March<sup>(2)</sup>



### Efficient by Necessity

% of restaurant operators who say their operation has become more efficient and productive since the beginning of the outbreak in March<sup>(2)</sup>



What might have previously been "nice to have" became "need to have" during COVID-19. Restaurants implemented technology with increasing focus on safety and convenience to help attract customers, provide an excellent experience and keep the restaurant open.

Technology drives efficiency in operations, providing key insights into driving revenues and profitability.

To help restaurants deliver a stellar customer experience, software providers should migrate from point solutions. Investors should consider consolidating offerings, including:



## Focus on Off-Site Sales Increase

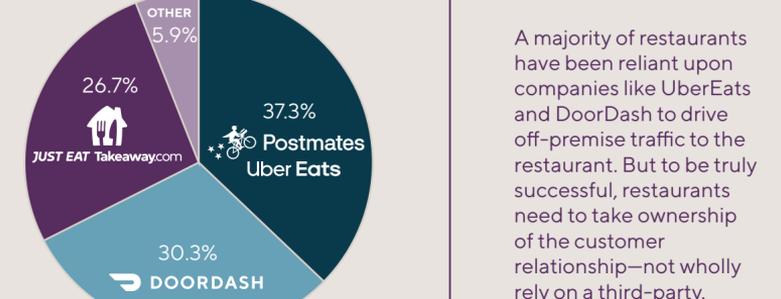
With on-premise capacity limited—and sometimes nonexistent—during most of 2020, restaurant operators had no choice but to focus on their off-premises business.

### Consumers Rely on Takeout & Delivery

**53%** % of all adult consumers who say purchasing takeout or delivery food is essential to the way they live<sup>(2)</sup>

### Takeout Takes Off

**68%** % of all adults more likely to purchase takeout food from a restaurant than they were before the outbreak<sup>(2)</sup>



## When it Comes to Delivery Solutions, Third Parties Dominate

Delivery providers have established the largest footprint in restaurants but have also taken over the customer relationship.



A majority of restaurants have been reliant upon companies like UberEats and DoorDash to drive off-premise traffic to the restaurant. But to be truly successful, restaurants need to take ownership of the customer relationship—not wholly rely on a third-party.

## Lincoln Perspective

In recent years, over investment in commodity sectors within the restaurant technology landscape has led to a multitude of point solutions in the marketplace. Restaurants are in need of full-service solutions that address back-of-house efficiency, front-of-house effectiveness and customer relationship management.

Investors have the opportunity to consolidate these point solutions—building economies of scale through purpose-built, holistic platforms. Moreover, the mass of point solutions has created scarcity value for cutting-edge platforms, giving them an edge.

The highest caliber platforms have the opportunity to continue to serve as consolidators of point solutions, but also to look upstream to compete with legacy offerings in the market and become the new industry standard.

For private equity and strategic investors looking to make acquisitions in the fragmented restaurant technology landscape, several characteristics set offerings apart from the crowd:

### Brand Equity

Technology offerings associated with high-quality, reliable results hold the ability to grow quickly. Brands that are too commoditized, on the other hand, are easily overlooked among the crowded market.

### Scale

Players with brand equity are also those with the ability to reach scale. Investors should consider identifying technology assets with a proven history of success among the restaurant community and significant revenue over time.

### Flexibility

Investors are looking to seamlessly plug in their latest acquisitions with existing operations. Technology solutions with the ability to quickly integrate with other services throughout the restaurant ecosystem are winners.

Lincoln International's expertise in the restaurant technology sector delivers best-in-class outcomes for clients. Contact us at [contact@lincolninternational.com](mailto:contact@lincolninternational.com) to learn more about our TMT and business services experience and find out how we can help you with **Real Connection and True Perspective**.



<sup>(1)</sup> Brings Food Delivery Report, IBISWorld, National Restaurant Association, Pitchbook, Volition Capital and Wall Street Analyst Research  
<sup>(2)</sup> National Restaurant Association, Restaurant Trends Survey, December 2020