Technology and Experiences Will Shape the 2019 Restaurant Industry

Anyone familiar with retail knows that internet sales are threatening brick-and-mortar stores. However, in the service retail category, restaurants continue to grow and thrive. Along with other service retail, like fitness, tutoring, spas and salons, restaurants have been consistently in demand over the last decade, regardless of technological disruption or economic ups and downs.

Our currently robust economy, which is expected to remain strong through 2019, has only increased American consumers' desire for new and interesting dining experiences.

According to the National Restaurant Association, roughly half of Americans' food dollars go toward eating out. Why are Americans spending so much on dining? First, a majority of adults report they prefer to spend their money on experiences rather than tangible goods. Where better to spend time with loved ones (and spend disposable income) than at a restaurant? Second, consumers, especially millennials, value convenience above all else. Whether dining in, picking up takeout or ordering delivery, fast food and casual dining chains are thriving, but where consumers are choosing to go is fundamentally changing.

This convenience also makes restaurants competitive with grocery stores. As reported by Supermarket News, when consumers do grocery shop, they spend a significant amount on pricey prepared foods that rival the cost of a restaurant meal, so savings are minimal. In addition, eating in restaurants reduces the waste associated with food preparation at home. Restaurant meals can be tailored exactly the way a diner wants, with no leftover ingredients to spoil. Considering that, restaurants can be a good value, even when compared to grocery shopping.

Overall, service retail shows no sign of slowing down, and restaurants are leading the pack in this category. Owners and operators should feel confident that demand will continue but should pay attention to factors that could impact success.

Technology and the Convenience Factor

Whether technology has created a demand for increased convenience or vice versa is a bit of a chicken-or-egg question. Regardless of the answer, technology has fundamentally changed how restaurants operate and how diners interact with them. While full tables are a good problem to have, restaurants must continue to refine their management of reservations, notification of available tables, optimization of table turnover and access to the restaurant to increase revenue.

Reservation apps, which came onto the market in 1998 with the release of OpenTable, have made it significantly more convenient for customers to dine out. Users can compare restaurants, find specials and reserve tables with just a few taps, removing virtually every barrier that might prevent a diner from booking a table. Evidenced by new reservation start-ups that have gained popularity in the last year, which include features like being able to select a restaurant and time to eat, order the meal and pay in advance, it's clear these apps will continue to be an important resource for consumers.

Reservation apps also give restaurants valuable marketing and data tracking opportunities. From how many tables can be filled in a night to what discounts motivate a consumer to dine at a particular restaurant, owners should take advantage of the insight apps provide.

Ridesharing services like Uber have affected the restaurant industry in perhaps the most far-reaching and unexpected ways. A study initiated by Lyft showed that in the short time these services have been available, they have already reduced individual car ownership, and the number of car owners will only decrease further. This has significant implications for restaurants, ranging from a potentially reduced need for parking to an increased demand for alcohol, since diners who aren't driving tend to drink more.

Enabled by ridesharing and compounded by consumers' demand for convenience, home delivery is on the upswing. Off-premises dining is expected to grow 12 percent per year over the next five years, and there has been a proliferation of delivery service companies, like Uber Eats, which allow restaurants to take advantage of the demand even without in-house drivers. Additionally, this has paved the way for delivery-only "satellite" restaurants. These establishments are essentially commissary kitchens that rely on third-party services to deliver food to customers. The restaurant's online presence and main location create visibility and establish the brand, while the lack of a dining room cuts hassle and overhead costs.

Expect to see more of the Uber Eats delivery concept, especially in major cities where consumers want to enjoy food from their favorite restaurant without braving traffic and lines of people to get it. This is also a strategic marketing tactic for restaurants that may only have one or two locations and want to extend their visibility and reach to consumers that don't live in the same neighborhood and wouldn't hear of or visit the restaurant otherwise.

Marketing and Menu Trends to Watch

As always, chains have the advantage of brand recognition and bigger advertising budgets. Franchises also generally have more money to invest in technology like online ordering systems and proprietary apps. Still, independent restaurants can create an edge with unique and unusual menu offerings, which can be added quickly and without much hassle. Independents can also take advantage of social media marketing, which can reach thousands of people at a very low cost.

As far as menus go, there will always be a market for mainstream menu variety. However, diners, especially millennials, are more open-minded than ever. Consumers are happy to try new flavors and ethnic cuisines, a mindset made clear by recent menu trends like poke and global street food inspired items. Americans are also increasingly looking for healthy options as they become more aware of the effects of eating red meat, dairy, sweets and fried foods. Younger consumers, in particular, are interested in organic, sustainable and local foods, and often include them in their definition of "healthy." This trend doesn't seem to be waning, so it's good practice to have at least a few healthy options on the menu.

Interestingly, although brick-and-mortar is struggling overall, restaurants are still doing well in shopping centers across the U.S. Successful centers are rethinking the way they operate and transforming into community engagement spaces with movie theaters, green spaces and, of course, dining. In the same vein, experiential dining continues to grow in popularity. If waiting for a table is unavoidable, offering diners a distraction can go a long way in keeping them patient and happy. From quick service to fine dining, restaurants that engage customers' senses or provide social media-worthy photo opportunities have found much success in the past few years.

The current economic outlook and consumer attitudes bode well for the industry, but restaurants can't coast on these factors alone. To keep up in the competitive landscape, restaurant operators need to keep a close eye on trends and embrace the new opportunities they bring, in addition to providing delicious food and efficient service.