> Casual Dining vs. Quick Service

Key differences from a Process-IT standpoint

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Passion for building stronger businesses

white paper

The Restaurant Industry

The Restaurant industry is one of the most fragmented industries that accounted for more than $ 550 billion worth of sales and employed close to 13 million people in 2008. Food and Beverages establishments records close to $ 400 billion in sales, but is an extremely labor intensive industry. Although, the employment in this industry is quite high, the sales per employee stood at around $60,000 in the US, significantly lower than other industries.

Restaurants can follow various formats, but some commonly known formats are the Quick Service, Fast Casual and Casual Dining formats.

Among the most common Restaurants formats are the following:

Casual Dining: Serves moderately-priced food in a casual atmosphere. Except for buffet-style restaurants, casual dining restaurants typically provide table service. They usually have a full bar with separate bar staff and a limited wine menu.

Quick Service: Speed of service and low cost are key considerations in this format. A feature that distinguishes them from traditional restaurants is absence of crockery and cutlery. The customer is expected to eat the food directly from the disposable container it was served in.

Cognizant's Restaurants Practice works with some of the leading names in this space, including Casual Dining, Fast Casual and Quick Service customers, helping them build, integrate and maintain Front Of House, Back Of House and Corporate systems

Typical Restaurant Formats

Even though all Restaurants serve a combination of food and beverages to its customers, there exists some specific formats based on pricing, preparation methods and menu style. Additionally, there are two aspects that characterizes this industry:

a) Highly fragmented with innumerable single unit ventures

b) Presence of large franchisee operators that help propagate the Restaurant brand and menu type across the country and the world

Fast Casual: Promises a somewhat higher quality of food and atmosphere than Quick Service. Average prices charged are higher than quick service prices and non-disposable plates and cutlery are sometimes offered. This category is a growing concept that fills the space between fast food and casual dining

Fine Dining: These are full service restaurants with specific dedicated meal courses. Décor of such restaurants feature higher quality materials with an eye towards the ambience desired by the restaurateur. The wait staff is usually highly trained and often wears more formal attire.

For the purpose of this study, we have compared Quick Service with Casual Dining formats. Fast Casual and Fine Dining are not explicitly considered.

Methodology

Cognizant has worked across Fine Dining, Casual Dining, Fast Casual and Quick Service formats. While engaging with our customers to solve the various business and technical problems, it was evident that the Casual Dining and Quick Service formats faced some unique challenges. The solutions to these problems almost always required an understanding of the nuances of the specific domain and sometimes required application of different tools.
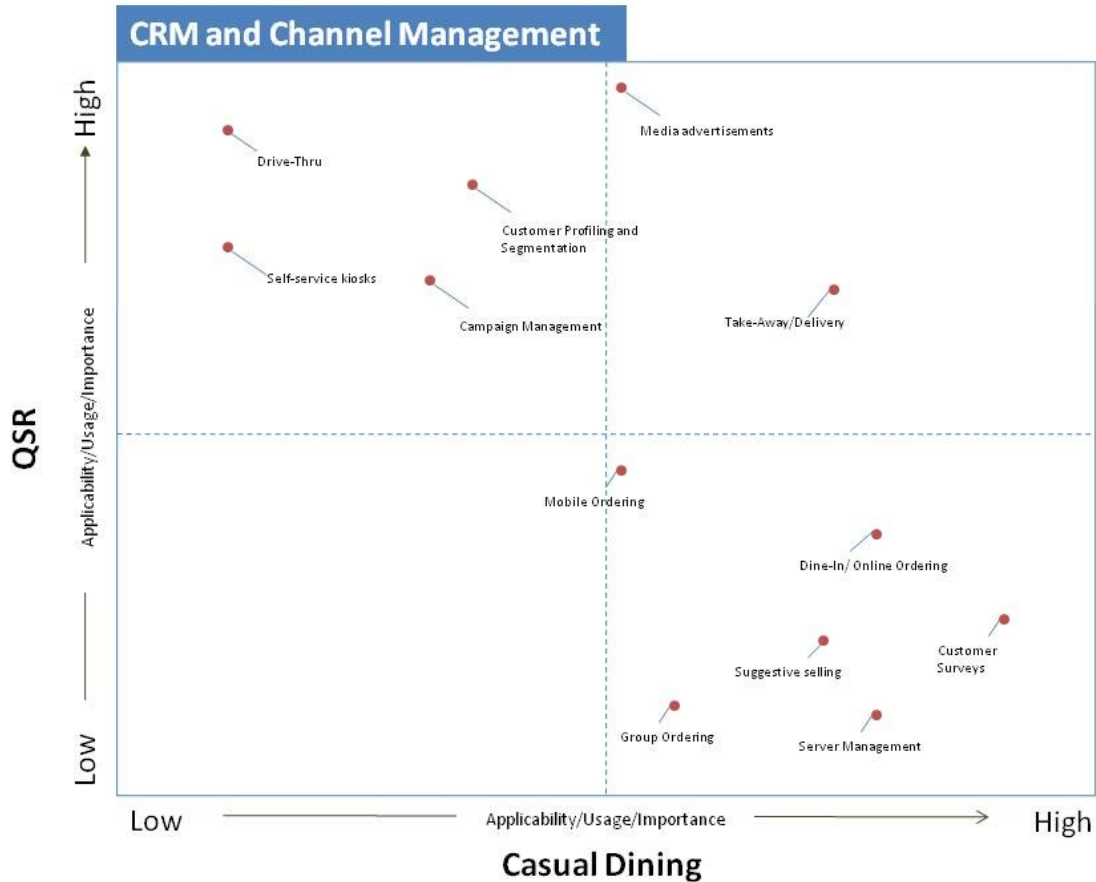
The functionalities are categorized into **Front Of House, Back Of House** and **Corporate** systems and processes.

FRONT OF HOUSE: POS and PORTALS
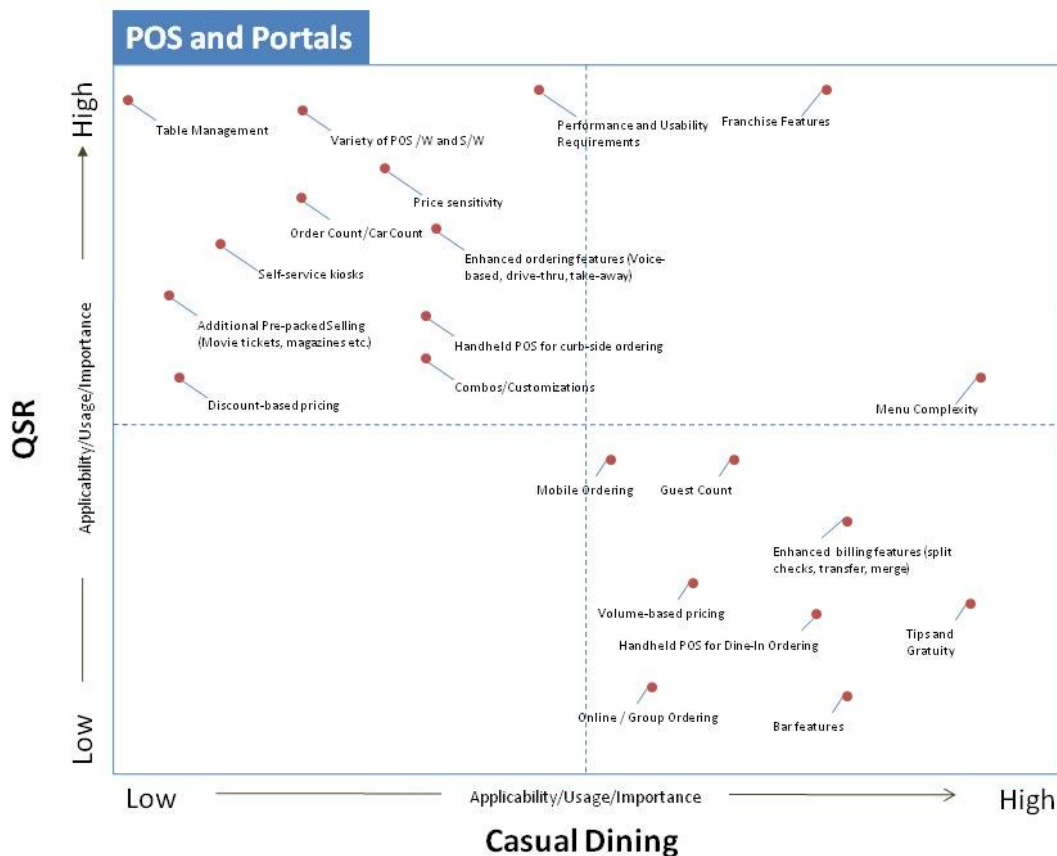
Front Of House (POS and Portals) - Key takeaways

- Quick Service menus are much more standardized than a Casual Dining menus. Even though Combos and customizations are a norm in Quick Service, the number of choices in a Casual Dining menu poses some challenges for mobile ordering and menu management
- Handheld POS is used in both formats but in different situations—Dine-In Ordering for Casual Dining as opposed to Curbside ordering for Quick Service
- Currently, self service kiosks are more common in Quick Service and is used mostly as a queue busting device. However, there is no restriction on Casual Dining restaurants to use it, especially with the advent of Microsoft's Surface Computing technology, for enhanced guest experience
- Online Ordering has taken off in Casual Dining and Fast Casual. Fast Casual formats such as Pizza Hut has pioneered the concept of Online ordering and delivery. There is a school of thought that Quick Service menu is not amenable to Online Ordering, however the jury is still out on that. Online ordering is becoming extremely popular as a sales channel

CRM and Channel Management

Figure axes:
- Vertical axis (QSR): Applicability/Usage/Importance — Low to High
- Horizontal axis (Casual Dining): Applicability/Usage/Importance — Low to High

Plotted items: Drive-Thru, Media advertisements, Customer Profiling and Segmentation, Self-service kiosks, Campaign Management, Take-Away/Delivery, Mobile Ordering, Dine-In/Online Ordering, Suggestive selling, Customer Surveys, Group Ordering, Server Management

**Front Of House (CRM and Channel Management) –
Key takeaways**

- Media (print and TV) advertisements and associated even sponsorships are much more common for Quick Service restaurants than their Casual Dining counterparts
- Customer profiling, segmentation and Campaign management is more common in Quick Service format. This seems to be an area of opportunity for Casual Dining restaurants to invest in
- Up-selling and cross-selling is prevalent in both formats, but is more effectively used in Casual Dining, given the broader menu range
- Group ordering is prevalent in Casual Dining and Banquets and has not been adopted in Quick Service
- The need to manage multiple channels is currently more important in Casual Dining and Fast Casual, given that restaurants have already started experimenting with New Age Ordering channels such as Online and Mobile. We believe that there is no restriction for Quick Service restaurants to start using these channels
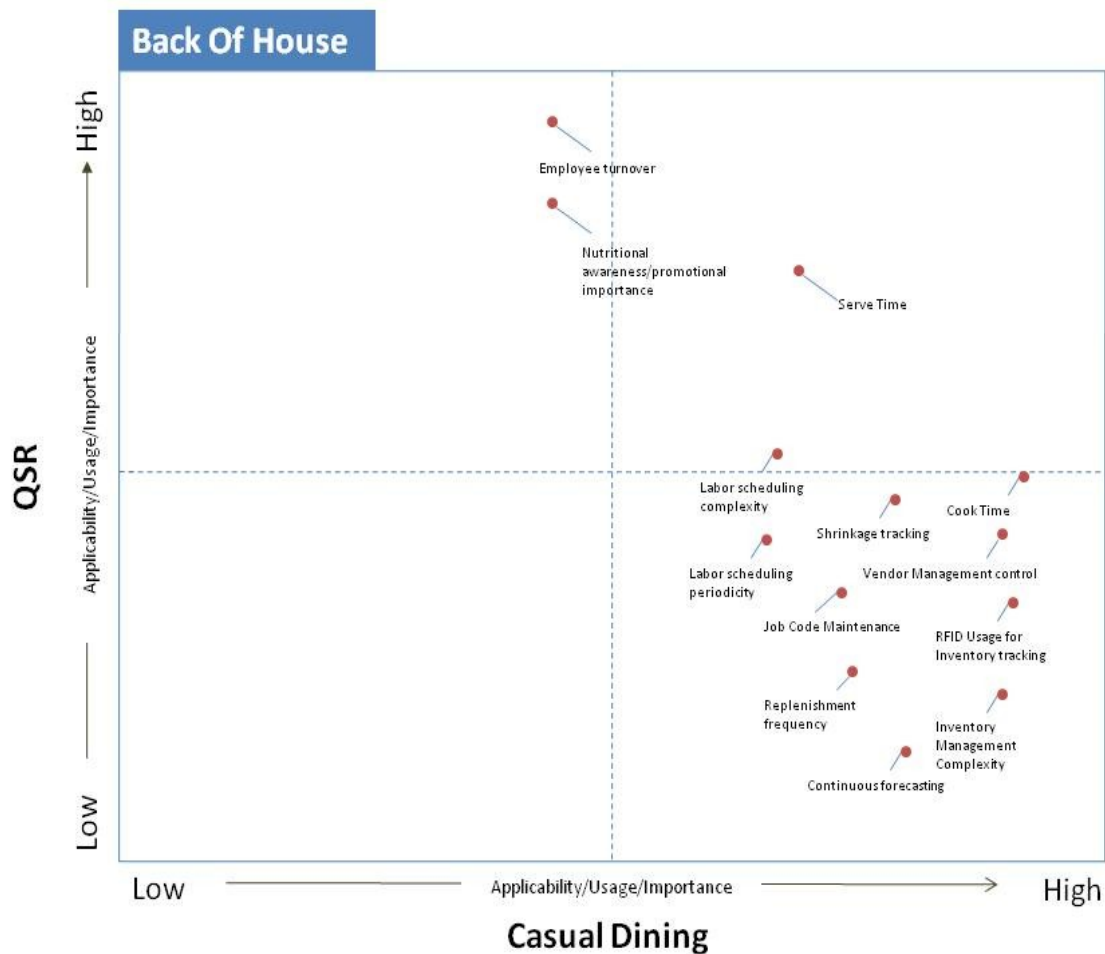
Back Of House

Chart axes: QSR — Applicability/Usage/Importance (Low to High); Casual Dining — Applicability/Usage/Importance (Low to High)

Plotted items: Employee turnover; Nutritional awareness/promotional importance; Serve Time; Labor scheduling complexity; Shrinkage tracking; Cook Time; Labor scheduling periodicity; Vendor Management control; Job Code Maintenance; RFID Usage for Inventory tracking; Replenishment frequency; Inventory Management Complexity; Continuous forecasting
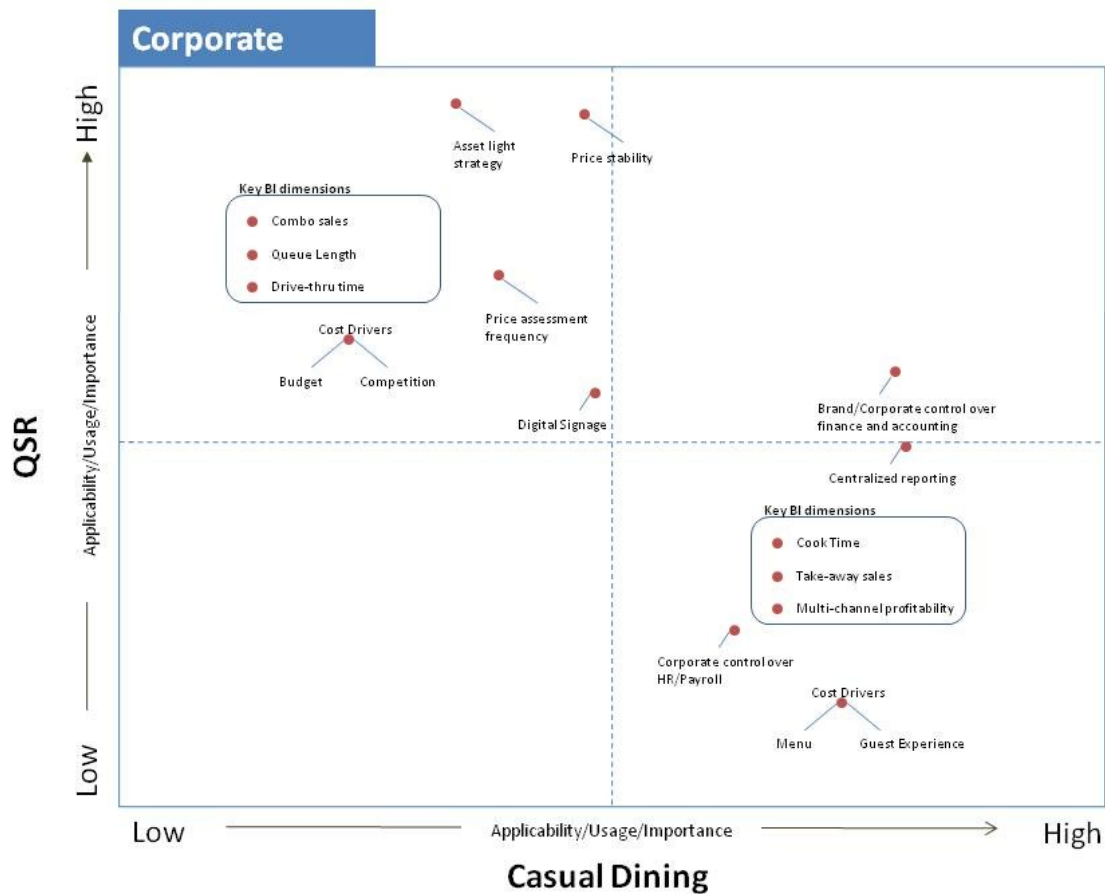
Back Of House - Key takeaways

- Inventory Management complexity is higher for Casual Dining given the number of menu variations possible. Additionally, Shrinkage tracking gains importance in Casual Dining because of high value items such as wine and some types of seafood. Conversely, Quick Service is in more advanced stages of RFID adoption for inventory tracking
- Owing to the nature of its format, Prep Projection is more scientific and regimental in Quick Service. Hence, continuous forecasting and higher replenishment frequency is a norm in this format
- Labor Scheduling complexity and scheduling periodicity are higher in the Casual Dining formats. This is because of the number of job code variants are higher and the nature of the task tends to be more non-standard than in the Quick Service formats. However, the routine nature of the job leads to a higher employee turnover in the Quick Service format
- Serve time is important in both formats, but assumes greater importance in QSR to reduce queue waiting time. Given the nature of the menu, the actual time to cook is lesser in QSR than Casual Dining and hence assumes lesser importance as a customer service metric

Did You Know?

Self Service Kiosks:
New age kiosks are not only used as a POS but are increasingly used to run hiring and training applications and to display nutritional and other promotional campaigns

Biometrics:
Fraudulent product giveaways through employees' inappropriate use of manager codes or keys can be big problems
for quick-service operators and a case to have POS terminals equipped with biometric authentication

Corporate

High — QSR — Low (Applicability/Usage/Importance)

Low — Applicability/Usage/Importance — High

Casual Dining

- Asset light strategy
- Price stability

Key BI dimensions
- Combo sales
- Queue Length
- Drive-thru time

Cost Drivers
- Budget
- Competition

- Price assessment frequency
- Digital Signage

- Brand/Corporate control over finance and accounting
- Centralized reporting

Key BI dimensions
- Cook Time
- Take-away sales
- Multi-channel profitability

- Corporate control over HR/Payroll

Cost Drivers
- Menu
- Guest Experience

Back Of House - Key takeaways

- Quick Service follow more of an Asset Light strategy than Casual Dining formats
- Key operational metrics are quite different between formats
- Given the economies of scale, competition and standardized menu, price stability over an extended period of time is a characteristic feature of Quick Service format

Conclusion

In order to design usable applications for Restaurant customers it is essential to comprehend the nuances of each format. While some differences are only in degree, there are some features that are typical of the format which it characterizes. It may be useful to be aware of these differences in order to better align requirements to the design, development and rollout of applications and products for the Restaurant industry.

About Cognizant

Cognizant (Nasdaq: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services. Cognizant's single-minded passion is to dedicate our global technology and innovation knowhow, our industry expertise and worldwide resources to working together with clients to make their businesses stronger. With more than 50 global delivery centers and approximately 63,700 employees as of March 31, 2009, we combine a unique onsite/offshore delivery model infused by a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a Forbes Global 2000 company and a member of the Fortune 1000 and is ranked among the top information technology companies in BusinessWeek's Hot Growth and Top 50 Performers listings. Visit us online at www.cognizant.com