QikServe

Coming out of lockdown: Digital Transformation for Hospitality Operators

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Introduction
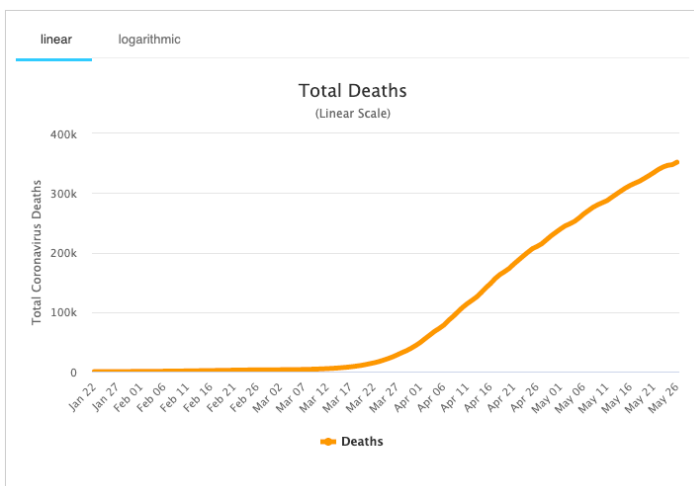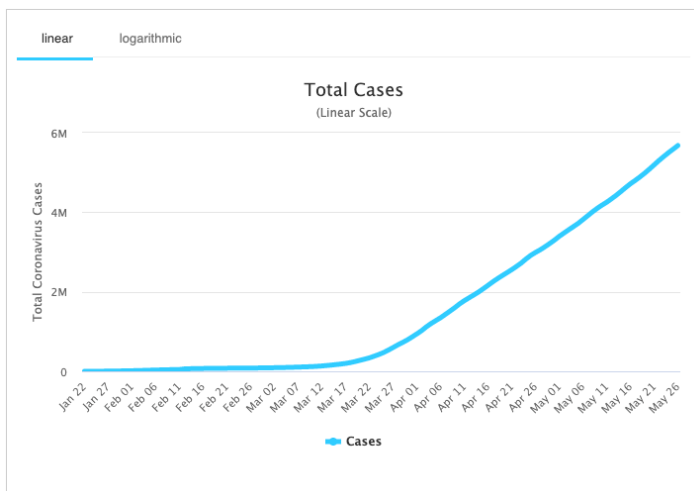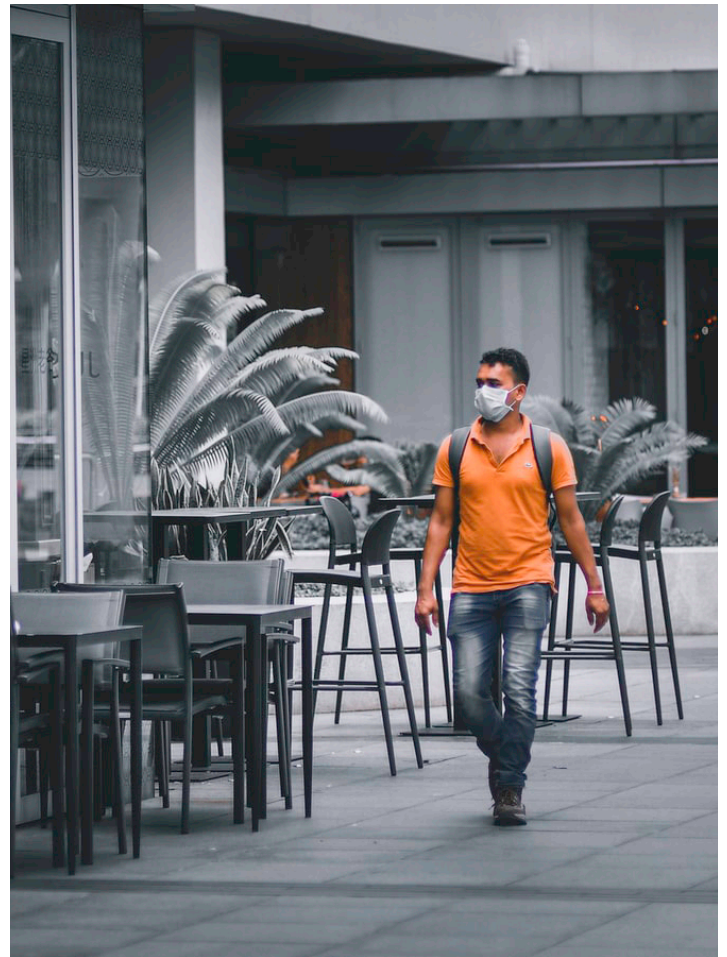
I n late December 2019, a previously unidentified coronavirus emerged from Wuhan, China. The virus named COVID-19 or the '2019 novel coronavirus', is a potential zoonotic (animal-to-human transmission jump) viral infection, with human-to-human transmission, probably occurring through droplet dispersal and close personal contact. The current mortality rate is estimated to be between 2% - 5% and, whilst there is no defined treatment, the prompt identification of infected persons and restricting movements of the general public to prevent further spreading are deemed the most appropriate way forward.

Within three weeks of the initial Wuhan outbreak, there was a dramatic rise to almost 50,000 cases across China before the inevitable expansion outside of the country´s borders. Initially, countries in relative proximity to China were next to be impacted, with Thailand, Japan, Taiwan, South Korea, Vietnam and Singapore all experiencing high case levels throughout February.

The United States and Europe soon followed with the COVID-19 virus taking hold in these countries during the first two weeks of March. Within Europe, the rate of expansion of COVID-19 has varied dramatically by country, assisted or impacted by different governmental approaches. These approaches included mass testing of the public such as in Germany and Iceland, lockdown of whole cities and communities (Italy and Spain) and herd immunity in Sweden and the UK before the latter changed policy and turned to a lockdown approach. The outcome in most European countries and the US States, reached the same result: enforced lockdown of the general public with social distancing measures introduced and personal activities and movements restricted. Hospitality, Retail and many other businesses sectors were significantly curtailed, and mass unemployment became prevalent, whether on a temporary or permanent basis.

Graph source: Worldometers, 2020

COVID-19 is not the first Coronavirus to have emerged in recent years. In 2002, and also originating in South-East China, the coronavirus SARS (Severe Acute Respiratory Syndrome) took hold. SARS, which is thought to be another animal-to-human based virus, expanded to several other cities and countries including Toronto in Canada, Hong Kong, Taipei, Singapore, and Hanoi in Vietnam. Transmission of SARS was primarily from person-to-person and most cases of human-to-human transmission occurred in the healthcare setting due to the absence of adequate infection control precautions. Implementation of appropriate infection control practices brought the outbreak to an end. SARS mortality rate was around 15%; however, only 774 deaths were reported worldwide between 2002 and 2004.

The next coronavirus outbreak, MERS (Middle East Respiratory Syndrome) emerged in the Middle East in 2012 and shared similar traits as the SARS outbreak ten years prior. Thought to initiate from a non-human source, and most probably a dromedary camel, MERS mortality rate was around 35% with 858 related deaths on a worldwide basis. Again, unprotected hospital staff who were exposed to patients' droplets or through contact were more likely to be infected.

All three outbreaks, including COVID-19, have similar features, with infection caused by airborne droplets and close contact, spreading rapidly across multiple borders through the ease of international business travel and tourism, and front line healthcare workers prone to infection through inadequate resources and the lack of requisite procedures being in place.

SARS and MERS had nowhere near the impact of COVID-19, which currently has over 350,000 deaths attributed to it. For comparative events, one must look to the last century and the Spanish Flu of 1918 and the H2N2 virus of 1957. The Spanish Flu, which lasted for 36 months and affected about a third of the world's population at the time, with 500 million infections and between 17 and 50 million deaths. H2N2, whilst less deadly, was still attributed to over 1 million deaths

worldwide, with as many as 30% of frontline health care workers infected, 9 out of 10 children infected and hospitality and retail outlets closed. However, an interesting perspective, post both the 20th-century events, was that behaviours after this period saw restaurants' takings shoot up, people sought out luxury items and effectively started to spend today rather than save for tomorrow.

The restrictions implemented to help deal with COVID-19 have had a dramatic impact on the Hospitality sector. The travel ban impacted travel hospitality first followed quickly by citizen and worker lockdowns and social distancing affecting restaurants being able to offer dine-in, drive-thru, collection and home delivery services. These services, in the majority of countries, got turned off one-by-one and social distancing and maximum group sizes led to similar impacts in other hospitality outlets.

Generally, the public is resilient and have short memories; the hospitality sector will get back to some form of normality (a new normality?) with varying procedural and technological changes. After 9/11, many people said they would never fly again, but with increased security procedures the airline industry did come back, albeit taking six years to return to profitability. For the hospitality sector, the outlook for recovery is not such a protracted time; shopping can be undertaken in isolation or online, bars and restaurants, however, are meant to be sociable, not functional. Customers want to be able to return to hospitality outlets.

Initial impact

In Europe, the impact of COVID-19 on the hospitality sector was first seen in Italy around the beginning of March 2020 with many other European Countries and the USA following from the second week of March. During the same period, more severe restrictions on the public were put in place, as previously governments had been implementing "delay phases" where citizens were being asked to self-isolate if they had COVID-19 like symptoms.

By the end of March, 2.4 million hospitality workers had been furloughed in the UK, rising to 3 million by the end of April. Similarly, in the US two-thirds of restaurant employees, approximately 8 million workers, had lost their jobs or been furloughed by mid-April 2020 along with a projected $80 billion loss of restaurant sales by the end of the same month. This impact was despite the fact that 60% of restaurants remained open, the implication being, to survive, restaurants were forced to cut staffing levels.

A further impact of government "delay phases" and the furloughing of staff in the hospitality sector, led to many foreign workers returning to their home country before travel bans were imposed. Not only did these actions risk spreading the Coronavirus in these home nations further, but these staff would not be available when the hospitality sector starts to reopen. This lack of human resource in conjunction with social distancing in hospitality outlets will inevitably lead to the adoption of more technological solutions and particularly self-ordering solutions to ease staffing pressures.

In the UK, a Coronavirus Business Interruption Loan scheme was announced on 23rd March with a total of £330 billion being made available, however by mid-April less than 2% of eligible businesses had been in receipt of such loans, with just a fraction of these in the hospitality trade. A different approach was implemented in the US, on the 3rd April, the Small Business Administration Paycheck Protection Program was launched with $349 billion of funding. By 16th April, these monies had run out with one single bank, JPMorgan Chase, still having a backlog of 40,000 applications. In both the UK and US schemes, implementation was generally via banking entities. In the UK, banks had exposure to 20% of the risk, one of the primary reasons for the low acceptance rate of such loans. Whilst in the US, due diligence requirements led to lenders favouring existing customers over new applicants, and often larger enterprises rather than the Small Businesses
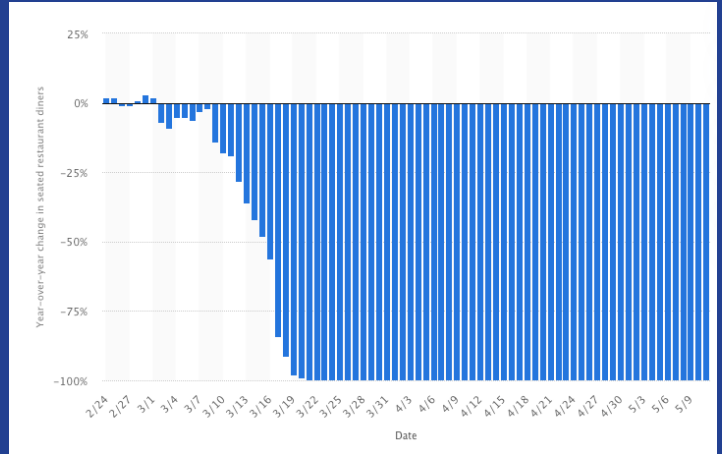

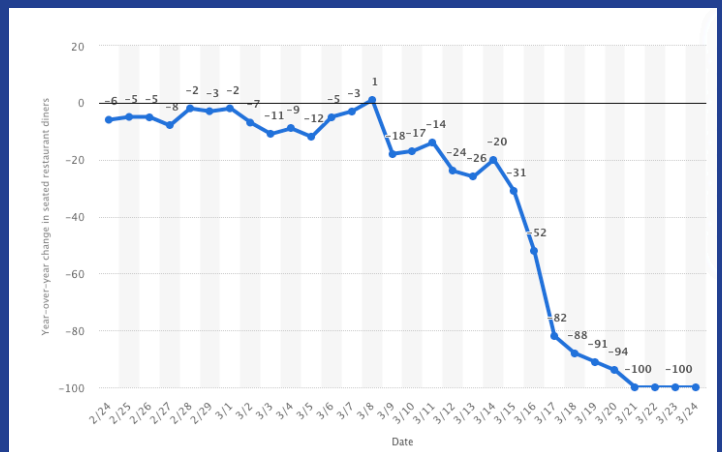Fig. 1: US year-on-year daily change in seated restaurant diners (Source: Statista, 2020)

Fig 2: UK year-on-year daily change in seated restaurant diners (Source: Statista, 2020)

for whom the loans were intended. On the 26th April the US government approved a further investment of $322 billion into their Small Business Scheme, and the UK government on the 4th May updated their initiative to aid smaller businesses. The overall impact of both these initial schemes though was that the response to the needs of the hospitality sector was slow, leading to further job cuts and restaurants to close.

The number of UK hospitality bankruptcies are still to be determined but a recent survey of hospitality businesses shows an industry urging the government for more support to safeguard more than a million jobs as the country's third largest employer. Kate Nicholls, CEO of UKHospitality commented on the survey saying, "A bleak outlook for hospitality operators should send shock waves through the UK Government and the economy.

Hospitality is a key economic force for the UK, with 3.2 million jobs reliant upon it in normal times."

Total US hospitality bankruptcies are also still to be determined, although the American hotel industry is approaching job losses of 4 million and a loss of $2.8 billion every week. Bloomberg Intelligence analyst, Michael Halen commented, "You're going to see a lot of bankruptcies. You're going to see more chains go under." He added that smaller chains that managed to hang on because of cheap debt would be most at risk. The National Restaurant Association (NRA) has also

Luxury, leisure and travel among the biggest losers during Sars

MSCI China sectors (%)

Legend:
- Dec 2 2002 to April 24 2003
- Apr 24 2003 to July 14 2003

Sectors (top to bottom):
Consumer durables, Software & services, Hotels, restaurants & leisure, Diversified financials, Real estate, Telecoms Services, Airlines, Technology hardware, Retailing, Capital goods, Chemicals, Transport, Automobile, Metals & mining, Utilities, Energy, Food, beverage & tobacco, Healthcare

Source: JPMorgan
© FT

Fig 3: MSCI China Sectors during SARS outbreak

called on the government for relief in the form of tax credits and funding. The group sees a decline in sales by $225 billion in the next three months to June 2020 leading to between 5 and 7 million job losses. The NRA also reported that restaurants have lost nearly three times more jobs than any other industry since the beginning of the outbreak.
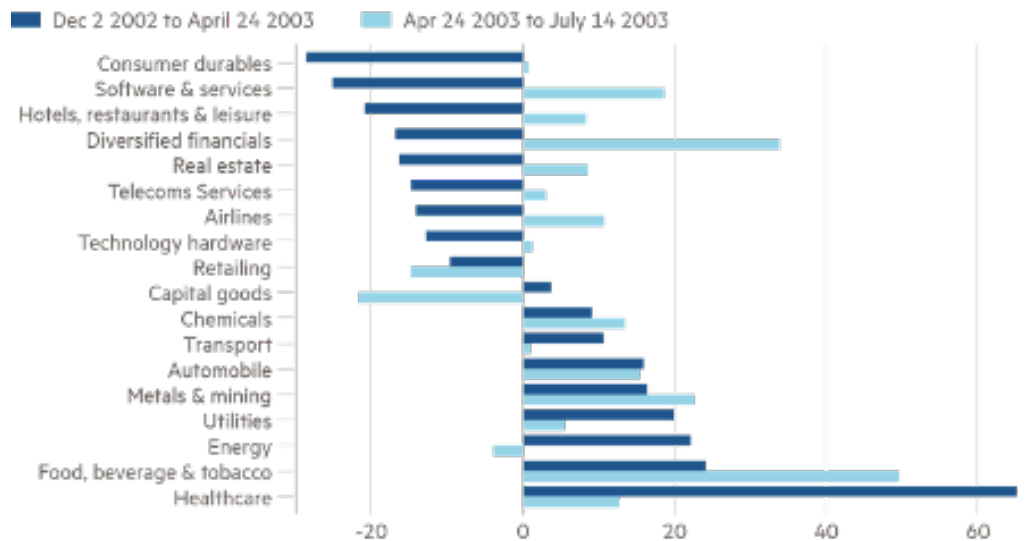
Sweden, which was widely seen as taking a softer approach in trying slow COVID-19, by not enforcing lockdown of their population or closures of hotels and restaurants, still witnessed a 123% increase in bankruptcies from the hospitality sector in March 2020.

Two other noticeable effects caused by the Coronavirus pandemic, have been the rise of home working and closures of restaurants due to fear of litigation. In the case of home working, this further reduces potential

spend in high street restaurants and hospitality outlets that could otherwise have remained open. Concerning litigation, this was a legitimate concern and could have been raised by members who felt they could not safely undertake their work duties due to lack of social distancing with other staff members or the general public. This secondary point was evidenced in France, where Amazon had to close their warehouses, after much-publicised court action by unions representing Amazon workers.

This fear of litigation and reassuring the general public has led to those hospitality outlets who closed and have reopened, such as Domino's in the UK, making clear statements about safety measures put in place for their staff. These measures often include Personal Protective Equipment, Perspex screens between staff and customers, Perspex screens in customer seating areas and clearly determined individual working areas.

As stated previously, the Hospitality sector will bounce back. There is a demand from the wider population for the hospitality sector's services and for the brands themselves to get back to business. Fig. 3 above, shows the impact the hospitality sector (Hotels, Restaurants, Leisure), and others, took during the SARS epidemic. It is also evidenced that the hospitality sector made a comeback in the following three month period. In relation to COVID-19 and China, there are already some optimistic signs. Around 90% of larger hotel chains have reopened with occupancy level rising from virtually 0% as of mid-March to around 30% as of mid-April. People want to get out and back to normality.

Operational Timeline

With different governmental policies across Europe, the impact on the hospitality sector varies significantly; however, the timeline and outcomes typically follow a similar path.

The restrictions on non-essential international travel led to the first hospitality sub-sector casualty, in airport hospitality outlets. This international scenario was quickly followed by domestic travel restrictions

Fig. 4: Impact Timeline

affecting hospitality outlets such as motorway services and railway stations. Along with domestic travel restrictions, the maximum size of groups people could congregate in was enforced, severely impacting bars and nightclubs. Thereafter, restaurant dining areas were closed, but other foodservice streams including Drive-Thru, Collection and Home Deliveries were still operational. A number of countries, including Finland and Ireland, stopped restrictions on the hospitality sector at this stage, however, most countries went further. Countries close to a full lockdown included the UK where some outlets, but by no means the majority, still offered takeaway services. At the extreme were Italy and Spain, who initially undertook a complete lockdown with citizens restricted to their homes and hospitality outlets completely closed.

The speed of movement from one stage to the next was dramatic, with barely a week between phases. Governments needed to act as they saw the rapid rise of COVID-19 cases throughout their country's population, which, at its peak in late March, was doubling every 3-4 days.

The recovery period, which is likely to happen in the reverse order of how hospitality outlets and services closed down, will not be as swift and will vary dramatically by country. There is likely to be a loosening of restrictions on a country's hospitality sector, followed by an enforced or voluntary tightening of restrictions if infection rates rise. There is a high level of public concern over safety or questions over a business' viability through lack of revenues. These scenarios may lead to different food services, such as takeaway collections and eat-in, and different hospitality types
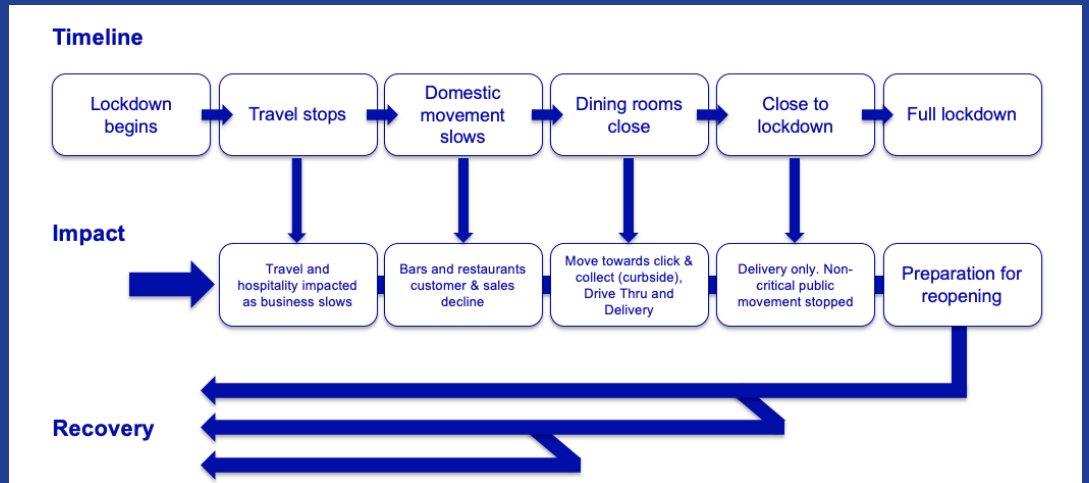
such as food courts, bars and travel hospitality outlets being turned on and off, opened and closed as the recovery continues.

Current forecasts predict a reopening of European restaurant indoor dining areas occurring around late June/early July , with reduced capacity and distancing between customers. The question then becomes, will this reduced capacity bring sufficient revenues to ensure the brands survive, in a sector that was already operating on very thin margins pre-COVID-19.

The needs of governments to ensure there is no repeat rapid rise in COVID-19 cases along with balancing the mental strains of their citizens by prolonged confinement and restricted services is a double-edged sword. The safety of the general population is paramount, and the hospitality sector has to take a leading role in this recovery. Hospitality brands will need to ensure customer and staff safety, with quality and highly publicised measures put in place so that services can be fulfilled, and revenues restarted. It will be a long recovery, and possibly early 2021 before a new normality of how the hospitality sector interacts with its guests is in place.

For the hospitality sector to recover, it must ensure customers are safe in the knowledge they can relax while socialising with family and friends. Customers, during the recovery stage, will ultimately be looking for the brands they trust to offer a safe experience, with the food they desire and at a cost they can afford. In many downturns, mass-market brands such as McDonald's and KFC benefit, as customers trade down from mid-

market family outlets. It is no coincidence that these brands offer more dine-out experiences than traditional restaurants. There are also opportunities at the higher end of the hospitality sector, as more privileged customers pay for exclusivity for their families and friend's well-being.

Different governments will take alternative approaches and vary the speed of restriction lifting in the reopening of the sector. It has already been witnessed at the end of April 2020 that Denmark and Germany had eased restrictions in the retail sector and in the latter's case, started to tighten again as infection rates rose by 40% over mid-April's infection levels.

What is evident, though, is the pent-up demand of citizens. At the end of April, the UK company Greggs the Bakers stated they would open 20 Outlets, and within a few days revised their plans and delayed the re-openings due to fears of too many customers, risking a rise in infections. At the same time, McDonald's UK had to publicly quash rumours on Twitter that they were opening their restaurants again . Whilst demand for quick service style brands remains high, the sentiment of consumers towards re-patronizing hotels and dine-in restaurants, particularly in the US, remains cautious. A recent survey by the Carson College of Business at Washington State University in May 2020 found 66% were not willing to dine in at restaurants immediately. 48% would wait 1-3 months or longer to dine in with a friend at a restaurant with family style and casual dining restaurants, the first type of restaurants they will visit.

When outlets do start to reopen, stringent controls will be in place. The pacing of customers to ensure outlets are not too crowded, booking to control numbers in dine-in restaurants, directional and spacing lines on the floor for customers to follow, and a high visibility of cleaning and safety measures, will be evidenced. These safety measures will not only be in the back-of-house where gloves and masks will be commonplace but also front-of-house in efforts to reassure customers.

In contrast to the consumer demand shown in figure 5 and with many restaurants closed during March 2020, delivery companies such as Just Eat, and Deliveroo reported a drop in usage. Customers simply could not place orders at their desired outlets, and other takeaway outlets were overwhelmed by demand and not able to process additional orders. These capacity issues started to reverse in early April as outlets reopened and restrictions lifted. In the United States, Grubhub CEO Matt Maloney stated that demand for takeout appeared to be recovering in some parts of the country, but it was a different picture in places like New York "which is not doing well because residents have fled, restaurants are closing, and people are scared".

A further indicator of safety measures and hospitality brands' expectations of what is required on reopening their outlets has been in their demands for no-touch payment solutions. These solutions will undoubtedly include contactless payments through their own mobile devices. Mobile wallet usage in the US, pre-corona virus had, after much fanfare in previous years, still not been widely adopted. US usage in 2019 was around 6% with Credit and Debit cards by far still the most significant payment method. Technical barriers have played a historic part in keeping adoption low; however, now around 93% of all iPhones can use Apple Pay, and an ever-increasing number of hospitality outlets and retailers (circa. 65%) have the technology to accept mobile wallet payments. The COVID-19 pandemic, which requires distancing between staff and customers, will undoubtedly drive mobile wallet usage and other distancing solutions such as contactless payment through QR codes. Customers will seek protective ways of interacting with the brands they desire and more so as the technology becomes familiar to use.
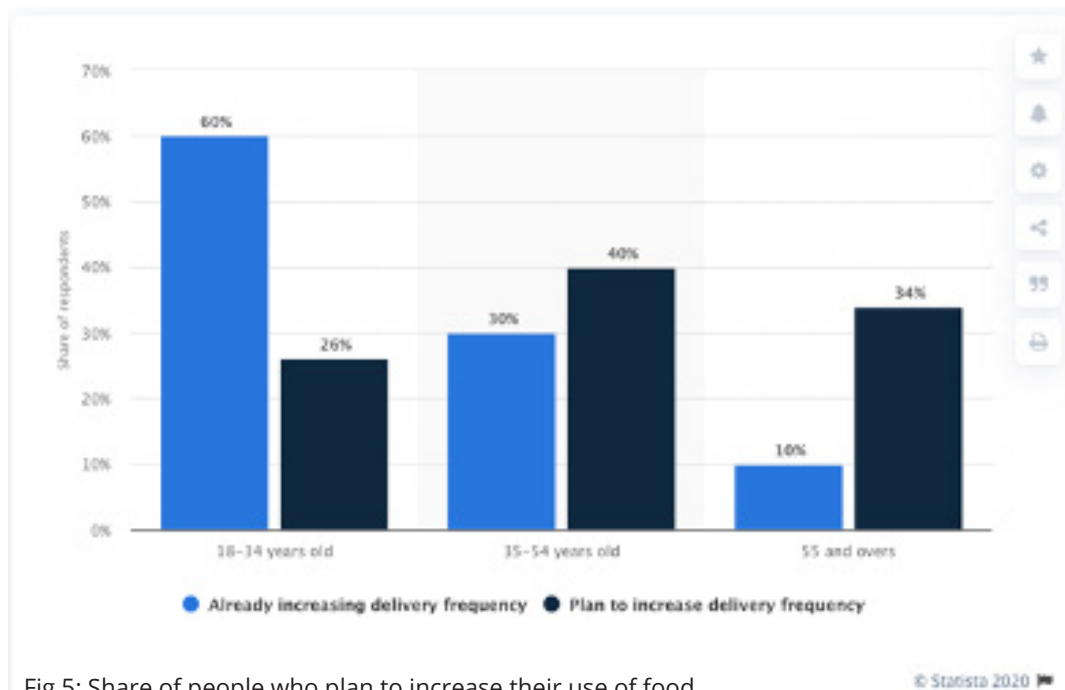

Fig 5: Share of people who plan to increase their use of food delivery services due to corona virus pandemic in UK, March 2020

Covid market adaptation

Responding to the pandemic will result in fundamental restructuring of operations. Without a cure or vaccine stopping transmission, it has become a key global health and safety concern. Operators now need to consider minimising the risk of transmission between staff and consumers. Much in the same way as the industry has dealt with allergens, it is likely to be a combination of voluntary changes that will be driven by a need to instil consumer confidence and primary government legislation. Some of that legislation already exists in the form of Health and Safety at work. In sectors like hospitality, it is unlikely that the risk can't be completely eliminated, instead most actions will be to mitigate risk. Social distancing will impose serious constraints on restaurants and bars that will likely result in significant reductions in capacity. Many restaurants will not be able to remain profitable and they could potentially lose 50% of their covers. Certain processes in hospitality will need to be adapted. These include:

Cash Handling

Cash and payment devices are well regarded as being particularly 'dirty'. In recent studies, a £1 coin was found to have 26,000 different kinds of bacteria, and payment devices (chip and pin terminals) more than 3,000. A typical payment device will be involved in 600 transactions a month. For each transaction, we can assume the payment device is handled at least 3 times. That would be a minimum of 1,800 touches a month. Reducing the necessity to interact with these items will help protect customers and staff. The use of cash has been on the decline for many years anyway. In the UK for example, cash accounts for only 27% of transactions and across Europe Middle East and Asia (EMEA), cash transactions are expected to reduce from 44% in 2019 to just 29% in 2023. According to WorldPay data, in 2019 cash accounted for less that 15% of payment, with Credit and Debit making up the bulk of transactions. Hospitality, in North America has higher cash usage from data collected across QikServe's digital channels we've seen cash usage as high as 40%.

Aversion to touch

COVID-19 has become *the* major health and safety issue for the industry and operators will need to focus on staff safety as much as their customers'. They'll need to think

about how to limit the use of items staff touch the most for example, the till or payment devices that can get handed to hundreds of people a month. Operators might also consider supplying face masks and additional cleaning materials such as hand sanitizer and wipes and some brands like McDonalds are even taking the temperature of their staff before each shift to ensure safety.

Physical contact points are a potential source of transmission particularly when handling contaminated tender types. However, touch goes way beyond just payments. Menus, bill folds and bill presenters, tables, ordering devices and door handles are all potential sources of infection. A report issued by UKHospitality suggested salt and pepper shakers should be removed from tables and bought to customers along with cutlery instead of being at the table when they sit down. Operators will have to conduct comprehensive risk assessments on touch points in hospitality setting. They will need to implement enhanced clean regimes and communicate their new standards widely to ensure both compliance and consumer confidence.

Social Distancing

Keeping at least two meters apart once lockdown is over, will prove at best difficult and, at worst impossible for some restaurants, especially those with limited floor space. Some restaurants have indicated that they will be 'booking only' to ensure limited numbers onsite and won't allow people to stand at their bars whilst waiting for their tables. By going booking-only, there'll be a knock-on effect on revenues meaning profitability will have to be protected. Brands will need to think carefully about staffing levels and how automation

can help them save money. Looking at it another way, booking-only could also present a paid for wait-list opportunity for particularly sought-after brands.

Customer flow through premises will be an important consideration. For example, quick service restaurants could deploy self-service kiosks to prevent lines at the counter and reduce contact with staff. Of course, to ensure customers' confidence, stringent cleaning measures will need to be in place and hand sanitizer and disinfectant wipes made clearly available. All restaurants will need to think about narrow corridors leading to restroom facilities for example and how to ensure safe distances through those areas. Even very simple measures such as keeping doors wedged open so people don't have to touch the handle to move through areas will help reduce potential cross contamination. However, this won't be possible with dedicated fire doors.

Tables within restaurants and even in outdoor seating areas will have to be moved further apart which means reduced covers for operators. Hotel buffets will be strongly discouraged meaning the morning breakfast buffet where guests help themselves will no longer be available. Restaurants can minimise the impact of this by increasing tables turns by speeding up service through mobile order and pay or offering click and collect as an alternative revenue stream. Curb-side collection could also increase post lock-down as restaurants try and keep the number of people in-store to a minimum.

Restaurants can reduce contact further by allowing guests to browse disposable menus or - a less wasteful solution - view digital menus on their own phones, letting them order and pay themselves, without the need to touch a physical menu, cash or even a Pin Entry Device (PED) device.

Quick service brands that were previously focussed on their drive-thru and drive-up initiatives will likely accelerate these programs as they provide a neat way of trading yet maximising distance between staff and customers and between customers themselves. By allowing guests to use their phones to pay at drive through services, they'll only ever have to interact with staff once when their food is handed to them. Drive-up is the same. Customers can drive into a parking bay, order and pay for their meals using their own devices and when their meal is ready, the server can hand it straight to them.

Extended service areas

As dine-in capacity is reduced, operators may look to extend their service areas beyond their four walls to mitigate its impact. Quick Service and Fast Casual restaurants could look to capitalise on their parking lots more, allowing guests to drive up, order and pay on their mobile or through staff using a mobile Point of Sale (POS) device, then when their food is ready it's delivered to their car. By making the most of outdoor areas such as car parks and gardens and converting them into service areas - whether for pick-up, preparation or ordering and payment - operators can continue to drive revenue whilst adhering to social distancing and other safety measures.

Hygiene and consumer confidence

As mentioned previously, operators will have to risk assess, follow official guidance and implement new, strict hygiene processes in order to keep their staff and guests safe as well as build consumer confidence. Operators may provide staff with the appropriate Personal Protective Equipment (PPE), they'll have to consider reduced shift numbers, taking temperatures before shifts, assess whether staff fall into any at-risk groups, how to practically maintain social distancing within areas such as the kitchen, staff communal areas, POS areas and so on.

Staff will have to spend significantly more time cleaning and upholding the new safety standards which will have an impact on time to serve and completing other duties. Not only will they have to clean tables and floors more often, they'll have to make sure self-service kiosks, tills, PED devices, door handles, rest rooms, menus, tip trays and any other high-touch items are wiped down more frequently as well as ensure hand sanitizer, soap and disinfectant wipes are continually re-stocked in public areas.

Very visible hand washing stations have already been implemented by some Quick Service Restaurants and even some full service restaurants are considering installing hand washing basins near the entrance so staff and customers can wash their hands the moment they step through the door.
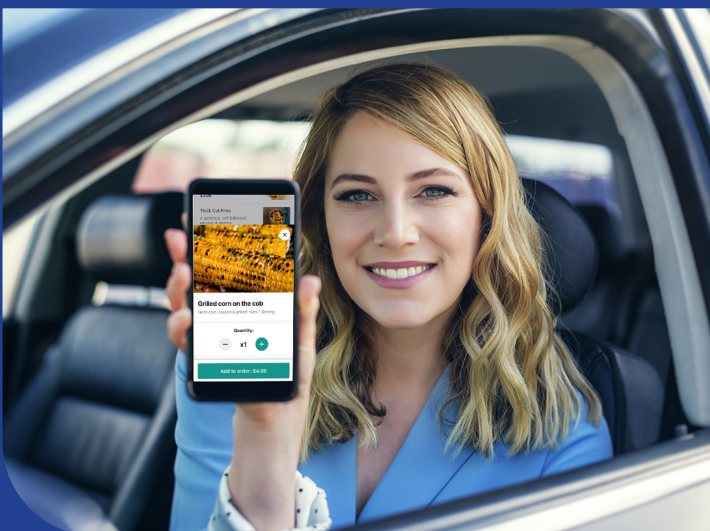
Post Covid
Digital transformation

Hospitality businesses in every market need to rethink how they engage and serve consumer needs post-COVID-19. Digital transformation in the food and hospitality sectors had begun prior to COVID-19, but in a post-pandemic world, we can expect an acceleration of movement. This is a market that is historically reluctant to implement technological advancements, whether because of CapEx or OpEx, it has previously been noted as lagging behind industries such as retail. Now there's a growing belief that companies which fail to make digital advancements may be those that struggle to survive when faced with a market, and society, that is permanently altered.

Businesses face tough decisions in the coming months, and while some face a brighter future than others, success may depend on their starting point and their willingness to evolve. This evolution will involve the expansion of off-premise ordering solutions, as well as a growth in digital sales and loyalty programmes. Moreover, digital growth, as well as consumer wariness, will undoubtedly lead to an increase in contactless payments.

Online presence
Changes will be seen at every stage of the customer journey, starting at the point which sales teams typically call 'Discovery' and 'Evaluation'. It's surprising how few brands, prior to the pandemic, had a strong online presence. That's despite knowing that online shoppers were less likely to buy items on impulse than their in-store counterparts. Prior to COVID-19, 92% of consumers visited a brand's website for the first time without any intent to make a purchase. That's why online presence was so important, if it's not strong, the consumer won't make a repeat visit to spend.

Post-COVID-19 an online presence becomes critical. A website and social channels not only bolster a company's brand, enabling it to differentiate itself from competitors, they are the clearest opportunity a company has to communicate its health and safety policies. Consumers are going to expect more transparency and flexibility from companies after the pandemic. Here is the chance for brands to explain how they plan to look after customers, online and in-store. Fail online and, with less 'walk-up' custom, a second chance won't be given.

Digital ordering
Once a decision to purchase has been made, technologies like those provided by QikServe and others come into play. Until now the market penetration for digital ordering technologies has been limited; large and international companies such as Starbucks, HMS Host and TGI Fridays have been leading.

On the 6th May 2020, TGI Fridays UK, launched a new online ordering system allowing guests to ordered from a tailored menu for collection at 24 carefully selected restaurant locations. The sites were chosen by TGI Fridays because they either own and control the car park for pick-up or the landlord had given them dedicated access. Their plans are to extend the click & collect service as soon as it is safe to do so. What the launch of TGI Fridays click & collect service showed was that consumer demand was high. Evidence of this can be seen on their Twitter channel:

Image: courtesy of Twitter @TGIFridaysUK

Moto, Britain's largest motorway service operator also launched its plans for a click & collect at 48 of its sites. Ahead of a stop at Moto, customers will be able to use their mobile to browse the menus of Moto's food brands, select a site and pick-up time and pay for their order. Their food will be ready at a specific time and collection point or can be delivered straight to the vehicle to minimise interaction with staff and volume within stores.

In order to meet social distancing standards and build consumer confidence, many brands have turned to service channels they previously either hadn't considered or were lower down their list of project priorities. By giving consumers choice and implementing different types of services points, both on and off-

premise, brands can hope to get off to the best possible start when restrictions are lifted. And importantly, do it safely whilst giving their customers a convenient and enriched experience.

Types of on-premise ordering and payment solutions might include:

- **Self-service kiosks.** Customers can order and pay for their meals on a kiosk and pick their meal up from the counter when ready to either eat in or takeaway. Despite being a touch ordering process, kiosks will continue to have a key role in reducing cash and staff contact. Operators will need to provide confidence around hygiene. The capital outlay required for kiosks is likely to mean that new large-scale deployments will be unlikely in the short term with operators more likely to focus on web and mobile channels.

- **Mobile order and pay at table or counter.** Guests can use their own mobile device to scan a QR code, tap an NFC tag or enter a url to view a menu, order and pay. They can do this at their table for dine-in operations or pay at a counter when ordering through staff. As well as a web app option which involves no download, brands might also opt for a native application to enable order and payment.

- **Tablet ordering.** Guests can browse the menu and order using a tablet at their table. These have similar issues to kiosk although smaller devices can reduce initial capital outlay.

- **Mobile digital menus.** Instead of touching shared menus, guests can scan a QR code or tap an NFC tag to pull up a menu on their own mobile device.

- **Order ready screens.** Informs guests on a large display screen when their order is being prepared and is available for picking up at the counter. This can help with social distancing and queuing.

- **PED payments at table or counter.** Using a PED device, customers can pay either through contactless or using the chip and pin pad at their table or the counter.

Types of off-premise ordering and payment solutions include:

- **Online ordering for pick-up or delivery.** Customers can use their mobile, tablet or laptop to order and pay for their meal for pick-up or delivery.

- **Curbside pick-up.** Low-touch or no touch pick-up and delivery will be something brands are considering or have already implemented. Curbside being one of them. Similar to online ordering, customers can use their own devices to order and pay for their meal. They can input their vehicle registration details and a description of their car when ordering for curbside pick-up.

- **Drive-thru.** Guests can order their meal through an intercom system or in person with staff and pay using their own mobile device to avoid touching PED devices.
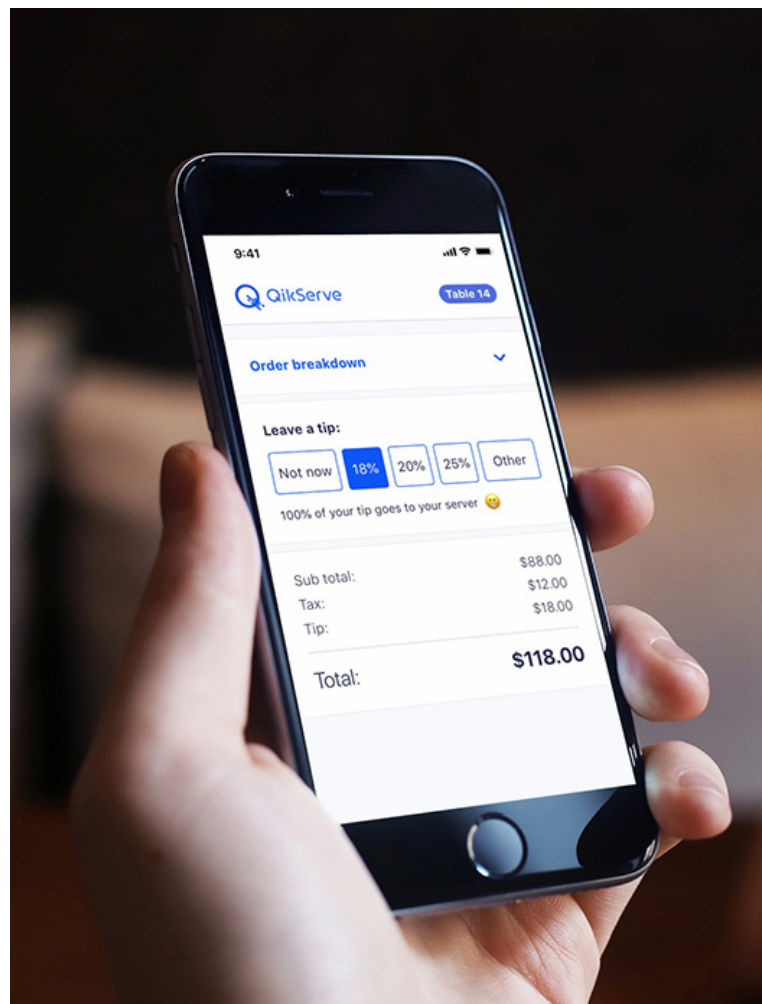
- **Drive-up.** Guests can park up in a bay, order either through staff or on their mobile device and then pay for their meal using their mobile device too.

- **3rd party delivery.** Brands can make their menus available through 3rd party delivery aggregators that also handle delivery logistics.

For many restaurants, pre-lockdown release is the time to fast-track an multi-channel initiatives with narrow scope and specific use cases to support consumers who continue to be cautious of dining out. Careful consideration should be given to the ordering, payment and preferences/personalisation process to meet consumers' higher digital demands. As more consumers turn to online ordering for everyday purchases like groceries, it will create customers with more discerning digital palettes. Some consumers are likely to grow impatient by how repetitive the process is. For example, if your grocery order is mostly the same most of the time, why should you have to enter it anew every time you order? Vendors offering digital services are going to be held to much higher standards, any company providing a disappointing online ordering and payment experience will be shunned. Now is the time for companies to overhaul their solutions and fix gaps while possible. Features such as being able to re-place last order or remembering most frequently ordered meal to being able to pay with stored Google Pay and Apple Pay credentials all help to streamline the consumer journey and ultimately drive usage and adoption for the long term.

Loyalty

More than ever before, loyalty is closely tied to a brand's online presence. As has been noted, consumers want greater transparency from companies and will continue to want it. The biggest opportunity for brands is to shift from transactional experiences to deeper and more meaningful relationships. Mladen Vladic, General Manager of the Loyalty Division at FIS has said of COVID-19, "It will re-shape the way we think about necessities versus nice-to-haves. We will question whether we had become a little too comfortable. And perhaps make us more realistic about our needs. After this, the concept of loyalty engagement will look radically different."

With Vladic's comments in mind, companies might consider switching up the way loyalty points and stamps are posed. Rather than emphasising points = rewards, there's an opportunity to present points as an alternative currency, something people can collect and trade in for goods with a monetary value.

Loyalty programs will become more robust as QSRs look to increase "stickiness" among customers. Early data focusing on the return of people to some QSRs in the US show loyalty is still in abundance for restaurants that are beginning to reopen. The promising numbers are partial proof that reopening QSRs is already showing bounce back. placer.ai's Vice President of Marketing, Ethan Chernofsky commenting for QSR Web explains, "Fast food has always been one of the best-positioned industries to have a relatively strong performance during the pandemic and rapid bounceback post. This centers around their multitude of channels including takeaway, delivery and drive-thru, and their value orientation – a huge asset during a period of economic uncertainty."

Loyalty platform company, Antavo highlights that a major lesson in loyalty that should be taken from the recession of 2008 is that it is customer experience that differentiated the leaders from laggards. They provide examples of some activities brands have been engaged in throughout the lockdown period that have managed to connect with customers. These include providing better, COVID-tailored services such as curbside pick-up and extended returns, showing visible efforts to support healthcare, staying close to customers and involving them in digital brand activities, and keeping customers and employees safe.

With these digital ordering channels coming to the fore and changing customer touchpoints, brands will need to reconsider how they communicate and promote to customers. Take digital signage for example, with numerous benefits, from increased recall and retention rates, to boosted revenues and the ability to change promotions instantly throughout the day, this channel brings about better brand awareness and a greater customer experience.   But as customers are being moved from the front counter to curbside collection or order and pay at bay for example, brands need to think about how promotional messaging is now distributed.

Deloitte's recent report into loyalty during the pandemic urges brands to look ahead. They emphasise that, "...we have faced crises like this in the past and will in the future. What moments in people's lives can you improve via your offerings? What new improved and innovative offerings can you launch into the market now that will give you momentum as we come out of COVID-19? Now is the time to look at that and to factor that into your future offering roadmaps. Let your customers know how important they are to you by keeping their interests first and foremost. You will be rewarded by customer loyalty and trust ."

Cashless society

The transition from cash to digital payments will accelerate as a result of the COVID-19 pandemic. Visa saw an 18% rise in digital commerce spending in April 2020 as face-to-face transactions fell 45%. They also saw a 150% rise in tap-to-pay transactions in March 2020 relative to the previous year. In April 2020, Mastercard and Visa increased tap limit to $250 so fewer consumers needed to touch payment machines. Digital payments have allowed people to continue accessing goods and services while social distancing. Members of society, such as the elderly, that hadn't used digital payments and banking prior to the outbreak, have now been forced to adopt them.

The shift was sparked in March 2020 by a report saying the WHO had warned banknotes may spread coronavirus and had recommended using contactless payments where possible. This was later refuted , yet the Fake News led to dip in consumer trust and has been a driving force for a rise in digital payments.

From e-wallets and online payments to EMV/NFC solutions, the payments industry offers plenty of options for those looking for secure, safe money transfers. Chris Kronenthal, President and CTO of FreedomPay explains how the pandemic has affected the use of cash in the industry, "Globally the use of cash is still very popular in the developing world but there is no doubt that in the developed world we are fast moving away from cash. Cash is no longer king in many countries; payment innovation is. During the onset of COVID-19, businesses and millions of Americans were forced to shift gears and pay very differently. Merchants had to ensure they were meeting the needs of their valued customers while consumers wanted reassurance of safety. Many consumers now rely on mobile and eCommerce platforms to purchase goods and services, especially in the hospitality industry. As the economy begins to reopen, eCommerce and mobile solutions provide consumers with a much faster, secure, and frictionless checkout experience, making it the preferred way to pay".

Post-pandemic EMV and NFC card payments will likely remain popular in the retail industry, yet this channel proves problematic in the food and hospitality market
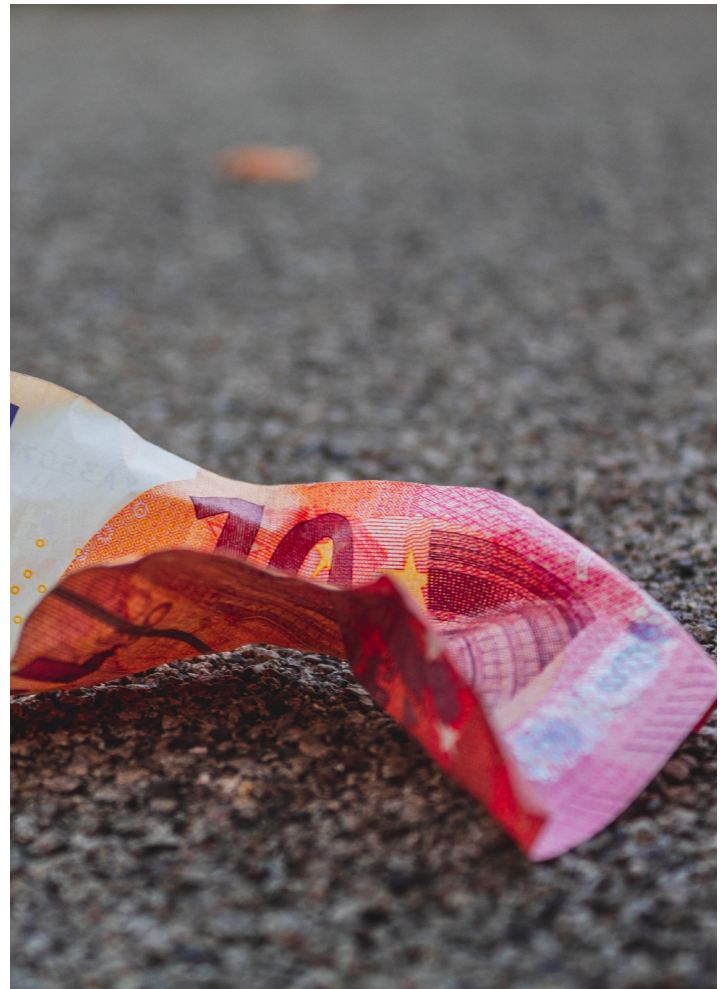
where businesses rely on discreetly added gratuity payments. Rather, food operators will look to online payments, via mobile wallet or payment platforms to settle bills. A more tasteful medium, they allow guests to add their tip without discussing amounts with a server. What's more, online payments are easily linked with the digital ordering technologies earlier discussed, thereby creating a single, simple 'order, pay and receive' experience for the user.

For payment processing companies like Stripe, and online payment such as PayPal, COVID-19 has presented a huge opportunity. The company's CEO Dan Schulman has commented on the huge surge in customers setting up accounts since COVID-19 became a global pandemic and laid out three areas where the company is now looking to accelerate its roadmap. It intends to offer more in-store digital payment capabilities, integrate Honey into PayPal, and increase the utility of its peer-to-peer payments.

Kronenthal expands on the accelerated trends in digital payments and the benefits they offer both vendor and consumer, "A major trend we are seeing in North America is Touchless Commerce which includes the use of touchless and contactless payment. Checkout is made safe and easy with many touchless options including contactless payment, digital wallets, eCommerce solutions, touchless drive-through support and Bring Your Own Device (BYOD) support for in-store payments. These touchless payment options give consumers full control over their payment information and prevents

from handling devices and touching keypads. "Going cashless benefits operators in terms of speed, safety, and security. Merchants can eliminate long checkout lines by limiting cash and promoting contactless solutions. Cash also has many hidden costs in terms of cash management, leakage and additional accounting overhead. Finally, Touchless Commerce is data driven, meaning the merchant has much more visibility over the consumer such as their habits, likes and preferences.

"Touchless Commerce gives customers complete control of their checkout experience and payment data. Instead of carrying cash, making perfect change, and exchanging cash by hand with cashiers, a touchless payment can be completed in seconds by the tap of a contactless card, smartphone, and even other wearable such as watches."

Speaking to Hospitalitynet, Saar Fabrikant, President and CEO, b4 commented, "I believe contactless will be the new currency in hospitality for a while. Integrations are also going to assist hotels – the more systems integrated, the less human involvement needed."

Once the pandemic has settled, it is unlikely that it will immediately end the use of cash everywhere. For one thing, the transition from cash to digital isn't a straightforward one; a lack of industry standardisation frequently delays payments and creates bottlenecks. The publication, Euromoney, summarised it by saying "until application programming interfaces are much more commonly used, the fragmentation in the payments space will be another barrier to fully cashless societies."

Added to that, consumer attitudes to payment are affected by regional cultures. While Britain began embracing contactless payments long ago, societies like Germany are notoriously risk averse or pro-cash. Technology firms will have to work hard to alter ingrained attitudes. Nonetheless, COVID-19 has propped the door open to the possibility of change. A challenge has been set, and the payments industry is going to be keen to meet it.

Conclusion

The pandemic has fundamentally changed both consumer behaviour and hospitality operations forever. Although there is appetite for returning to restaurants, there is still a large proportion of the population who will be wary of dining out immediately. Consumer behaviour has also been shaped by lockdown as they have been essentially forced into digital ordering, payment and communication or face being even more isolated than they already are. The rise of consumers' digital behaviour and the strict social distancing restrictions operators will need to enforce has led to brands diversifying both their on and off premise digital ordering capabilities.

Technologies that lend themselves particularly well to the 'new normal' of restaurant operations include mobile ordering and payment which meet both social distancing and cashless demands. The mobile channel also offers brands a more direct route to market to customers as loyalty and promotions start to play an increasingly important role in customer attraction and retention.

Loyalty will continue to be of huge importance to an industry that has been particularly hard hit by this pandemic. The foundations many brands have laid down during the lockdown will serve them well as countries start opening up. The more price conscious consumer will have to balance their desired to go out and eat with both safety and cost with restaurants able to influence each of these factors.

Whilst we're still witnessing the impact of the pandemic as countries open up in different ways and times, what is certain is that digital transformation will be the hospitality industry's life-line. Going digital has the potential to solve many of the operational challenges brands face under restrictions as well as the address the more pressing loyalty, customer experience and safety aspects of re-opening and stimulating business once again. Operators that are quick to diversify their channels, be more flexible with their service and innovative with their operations will lead the biggest evolution in the industry for generations.

QikServe

About QikServe

QikServe is the enterprise platform for guest self-service in hospitality. Using any channel from kiosks and tablets to web and mobile apps, hospitality operators can provide powerful in-store and off-premise solutions from ordering to payment, giving guests the convenience to order and pay for their food and drinks whenever and however they want.

In January 2020, QikServe acquired Preoday, the branded mobile application and online ordering technology provider.

www.qikserve.com