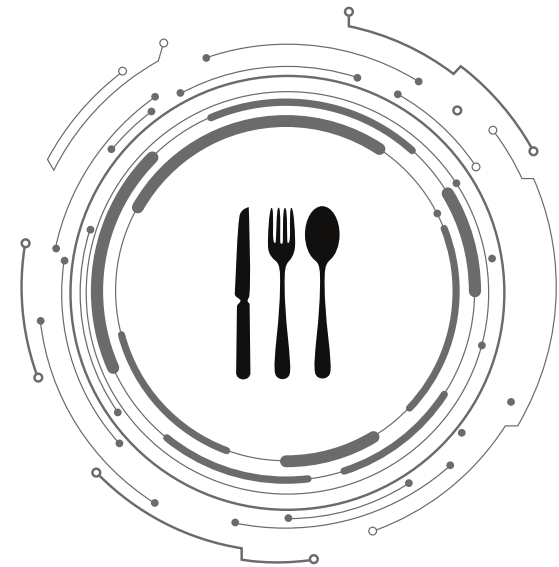


DELIVERING

THE DIGITAL RESTAURANT

YOUR ROADMAP TO THE FUTURE OF FOOD



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amplify
an imprint of Mascot Books



www.amplifypublishing.com

Delivering the Digital Restaurant: Your Roadmap to the Future of Food

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Cover design by Westwords Consulting

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Herndon, VA 20170
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Library of Congress Control Number: 2021910020

CPSIA Code: PRFRE0721A

ISBN-13: 978-1-64543-948-6

Printed in Canada

To Melissa Lora, who introduced me to the business of restaurants.

and

To my wonderful husband, Scott, who made writing this book and so many things possible.

—*Meredith*

To Betty and Mike, whose imaginative stories and encouragement to try any dish once led me to a life full of exploration, curiosity, and love of all things food.

and

To my darling Elicia and the moments we cherish in the world's most amazing restaurants and those we share in the comfort of our home.

—*Carl*



INTRODUCTION

In normal times, running a restaurant is one of the most rewarding—and challenging—business endeavors out there. The pride of service, atmosphere, recipes, and hospitality inspire many people to open a restaurant of their own. Maybe you are one of those people who took the leap and opened your own local version of hospitality. There are probably also people you know who have the scars to prove that a restaurant is no easy undertaking. Consumers are finicky, competition is heavy, and running a restaurant requires responses to a hundred different demands each day. These challenges have always been true, but the role of a restaurateur has never been as hard as it is today.

The accumulation of millions of people making small changes in their daily lives lead to seismic shifts in our economy. These shifts are most apparent in sectors where they have progressed the furthest, like department stores making way for online shopping. These shifts are less apparent where they are just starting, like restaurants. It has taken a global pandemic and twenty years since digitization began for the restaurant industry to face the same existential threat as many retailers did back at the turn of the twenty-first century.

The revolution that began in retail with the birth of mainstream e-commerce has arrived on the doorstep of the restaurant industry. Over time, the outcomes will be all the amazing things that have already transformed retail and consumer products: one-to-one marketing, micro-niche products, digitally-native brands, the subscription economy, the gig economy, massive logistics networks, bankrupt storied brands. In the short term, the disruption created by this innovation will create opportunities and perils for every operating restaurant.

At the time of writing this book, the restaurant industry is facing the most significant challenge in its history. The more than six hundred thousand restaurants the United States boasted at the start of 2020 were decimated by one hundred thousand casualties in just six months, with many more expected to follow.¹ The industry laid off three million workers and lost a quarter of a trillion dollars in revenue in 2020. The COVID-19 pandemic hit the restaurant industry particularly hard, but in truth, the restaurant industry was primed for disruption long before COVID-19 became part of our everyday vernacular. Restaurant profit margins, already squeezed thin by a hugely competitive environment and increasing minimum wage, now have the promise of off-premise growth and the challenge of third-party fees to deal with. Much as the 2008 recession sped the disruption of retail, the COVID-19 pandemic has accelerated the digital disruption of restaurants.

We are going from an era in which people go to food to an era in which food goes to people.

When we each left our corporate jobs running large chains behind us, we did so believing that the future of food was changing in front of our eyes. We each wanted to be a part of the change. We joined Kitchen United, one of the country's leading ghost kitchen providers, and established the operating model to scale the concept across the country. Along the way, we witnessed the challenges many restaurateurs were facing as they worked to adopt new approaches to win in a digital landscape.

And there is so much more change yet to come. As we have seen in retail, there are likely to be many business casualties brought down by their reluctance to change or their blindness to how both sociological shifts and

technological advancements are transforming the restaurant business model and the desires of the everyday consumer.

Those who understand the elements, process, and direction of this disruption will be better positioned to survive and thrive by embracing the innovation that consumers are demanding. Those who resist will surely be left behind. The purpose of this book is to make it easy for restaurant owners, landlords, investors, and patrons to understand what's happening, why it's happening, how we all can navigate the changes we're facing—and together, shape the future of food.

—*Meredith and Carl*

Chapter 1

WE EAT AS A NUCLEAR FAMILY NO MORE

“Late again,” Jessica Gray chided herself as she turned out of the office parking lot toward home. Her 5:00 p.m. meeting had run over; it was 6:35 p.m., and her day had not ended. Now she faced the long commute to her home in the suburbs of Columbus, Ohio, and it was her turn to make dinner when she got there. She had promised her husband, Andrew, and their nine-year-old son, Jackson, that she would cook. Considering how long it would take her to get home, figure out what to prepare, and actually make it, that home-cooked meal was looking increasingly unlikely.

You probably know a family like the Grays. Maybe you are like the Grays. After all, they’re a typical American Millennial family. Jessica and Andrew married twelve years ago, when they were in their late twenties. Jackson was born a few years later. Six months into her new role as VP of Digital Advertising for an advertising agency, Jessica works long hours. But the job comes with a full benefits package, and she provides the primary regular income for the family. Even

though they are a dual-income household, Andrew's work as a Realtor combined with Jessica's job doesn't generate enough to upgrade from their townhouse rental to buying their own home. It isn't so much that they don't earn enough to cover a monthly mortgage payment—it's that their student debts have held them back from saving up enough for a down payment.

"Call Andrew," Jessica says, using voice command in her car. When her husband answers, she tells him, "I'm going to order delivery."

"Sure," Andrew agrees immediately, even as he mentally calculates the hit to their monthly food budget. Seems they've been ordering takeout a lot more often since Jessica got her promotion. Sure, she was earning more now, but the costs stacked up pretty fast. To be fair, Andrew would be the first to agree that he was not the best of cooks. "Functional" was the most complimentary word to use for the meals he prepared. Sometimes they weren't even that—Andrew found it hard to figure out what to cook that their gluten-free son could eat. The one or two recipes his grandmother taught him seemed to require much more planning and time than he ever seemed to have.

At the next set of red traffic lights, Jessica opens an app on her phone, finds a restaurant she has been meaning to try out, ticks a few boxes next to options she knows will work for her family, clicks through to checkout, and presses her fingerprint against the phone sensor to authorize payment. The meal will be on her doorstep in thirty-five to forty-five minutes. Her GPS tells her she will be home in thirty minutes. "Perfect," she whispers in relief and returns to the podcast she was listening to on her commute that morning.

For the Grays, time is the one commodity they always seem to lack. That's true of many—if not most—families in twenty-first-century America, no matter where they sit on the income spectrum. It's true because, like it or not, families are not what they used to be. And maybe the typical family never was what we imagined it to be anyway.

The romanticized ideal of the nuclear family—mom, dad, and two kids in a home of their own—belongs to past generations. Family looks different now, and the nuclear family model is losing ground.

Ask almost any American—married with children, empty nester, or twentysomething—if they feel stretched, and they would agree: there isn't enough time in a day. Part of the squeeze is real: more Americans are working more hours, children are more "programmed," and lots of us have side hustles—even our kids. Another part of the squeeze is perceived, but no less palpable for that. We live in an "always on" technology-enabled world, and it is hard to protect any time as our own. The phone is constantly buzzing with a notification of some kind—call, text, email, message, an app requiring attention. Combine the real with the perceived, and you end up with a time-starved society.

No wonder convenience reigns supreme in many parts of the consumer economy: think smartphone check deposits, dry cleaning pickup services, or electronic signatures replacing notary visits. In food, too, convenience has become paramount. With the increase in demands on our time, something had to give, and that "something" is the time we used to spend shopping for food, preparing meals, eating together, and cleaning up.

You could say that the transformation of family life in the United States all boils down to time. Or timing, to be more precise. Young adults today are slower to marry than their parents and grandparents. Just 22 percent of Millennials (born after 1980) are currently married. Back when Gen Xers were the same age that Millennials are now, three in ten were married. For Baby Boomers, four in ten were married at that age, and for the Silent Generation (ages sixty-five and older) more than half were married.¹

As a consequence, for the first time in American history, "singles now outnumber married adults," according to the *Christian Science Monitor*. "In 1950, married couples represented 78 percent of households in the United States. In 2011, the US Census Bureau reported that the percentage had dropped to 48 percent."² Marriage and cohabiting are no longer life events that we can necessarily take for granted. In 2018, there were 35.7 million single-person households, representing 28 percent of all households

in the US. Back in 1960, by contrast, only 13 percent of all households were single-person arrangements.

Fertility is following a similar downward curve, with babies arriving later or not at all.³ The National Center for Health Statistics reported, “The general fertility rate declined to 58.3 births per 1,000 women aged 15–44 in 2019, another record low for the United States.”⁴ At the same time, mothers starting families are doing so later than at any point in history. A recent article in *USA Today* studying the CDC data found that the only age group for whom birth rates are increasing is women over forty-four years of age.⁵

Old is the new young. As a society we are having fewer children, later, but we are also living longer than ever before. According to the CDC’s findings, life expectancy rates increase more than two months every year. A baby born in 2018 could expect to live 78.7 years (averaged out for male and female life spans).⁶ This means that, even for those who grew up in a traditional two-parent household and subsequently have a nuclear family of their own, the portion of their life lived in this arrangement is declining.

In a recent article for *Quartz*, social psychologist Bella DePaulo noted, “In 1970, more than 40 percent of households were comprised of nuclear families; today, that figure is not even 20 percent.”⁷ As the author of *How We Live Now: Redefining Home and Family in the 21st Century*, DePaulo spent years traveling the US, scouring government reports, reviewing scholarly writing, and interviewing people about their home lives. She found that the nuclear ideal is not only on the wane—it was only ever a fleeting phase in the history of civilization.

Commentator and columnist David Brooks agrees. Writing in *The Atlantic*, he observed:

When we have debates about how to strengthen the family, we are thinking of the two-parent nuclear family, with one or two kids, probably living in some detached family home on some suburban street. We take it as the norm, even though this wasn’t the way most humans lived during the tens of

thousands of years before 1950, and it isn’t the way most humans have lived during the fifty-five years since 1965.⁸

So what is going on?

We are living longer and living in very different circumstances than those of our parents. As the “mom and dad and two children” model fades away, many of us are living with parents, friends, or alone rather than with a spouse and children. The American Community Survey has shown that following the Great Recession of 2007–2009, the rate of young adults living with parents or roommates increased to higher levels than any previous generation. But it would be wrong to see this as a new phenomenon. “The ways that many present-day Americans are pushing back on modern living arrangements closely resemble what came centuries, even millennia, before in other parts of the world,” writes Ilana E. Strauss for *The Atlantic*. “Family members, relatives, neighbors, and strangers are coming together to live in groups that work for them—a bit like medieval Europe.”⁹

Here, however, the comparison with medieval households ends. Today’s Millennials are blessed with education and cursed with debt in a way other generations could never imagine. “American tuition fees have increased faster than wages, with the average annual cost for attending a public four-year university at just over \$19,000 (2015–2016),” Kevin Dickinson observed in *Big Think* in 2019.¹⁰ “At \$1.5 trillion, today’s student debt has surpassed loans for cars and credit cards, stymieing those who hold it from putting that money toward asset accumulation.”

People hold far more debt far earlier in life than would have been the case even fifty years ago. As a result, many Millennials cannot afford to buy homes or even start families as their parents did at the same age. Looking at that fact in the most optimistic light, it does at least reduce the pressure for young professionals to save for the purchase of a house. Homeownership may simply seem an impossibility. With interest rates close to an all-time low, saving for the future is not necessarily at the front of a young person’s mind. There are so many temptations and distractions in the here and now that seem much more appealing too. Our ancestors and even our parents

could never have dreamed of the abundance of choice we now enjoy in retail channels, travel experiences, and leisure activities offered through the Groupons of this world. Even if they had, providing for a young family's needs and a roof over their heads would have prevented our predecessors from clicking "buy now" (or its historical equivalent).

With the incentive to save so low, Millennials and Gen Z are the opposite of "house poor." These young people are what we call "renting rich." While their overall income and wealth lag behind that of prior generations, their disposable income is higher. No mortgage payment, no car lease, no insurance, and no maintenance on assets they do not own opens up a significant portion of their take-home pay to spend on "experiences."

Which brings us to food.

Chief among these experiences is eating at restaurants. Forty-nine percent of Millennials spend more on restaurant meals each month than they save for retirement. In 2013, Millennials spent 10 percent more each year on restaurants than Boomers did—in spite of their lower incomes and debt-saddled negative wealth. A Millennial today spends \$1,000 less per year on groceries than someone in their age cohort did just ten years ago.¹¹ Where is that \$1,000 going? Well, a good portion of it is now redirected toward restaurants, delivered food, and ingredient or meal-kit subscriptions.

When one of us (Meredith—not a Millennial) started seeing delivery affect the business she was working in, the appeal of delivery wasn't obvious to her. What was the draw for a Millennial market that was meant to be so in love with experiences? Luckily, she had a Millennial on hand to ask: her husband, Scott.

"If you guys love experiences so much, why do you want to sit at home bingeing on Netflix while you eat something that was brought to your door?"

"You're misdefining the word *experience*," he explained. "An experience isn't just about going somewhere. It's how I'm choosing to live at a particular moment. If the choice I have made is to run around in the backyard with my kid or play an online video game with my friend who lives two hundred miles away, I don't want to be interrupted from that experience to go get—or even worse, make—something to eat."

Point taken. Scott's words made her reflect on how different their lives were from those of previous generations in her family. Meredith's grandmother was a stay-at-home mom who cooked every meal for her husband and children. She would never dream of going to a restaurant on a weeknight. For her, eating out was reserved for a special occasion. Meredith's mother worked as a teacher, yet she was still expected to serve up a home-cooked meal every night. When Meredith was growing up, her family tended to eat out more often than her grandparents, but it was definitely not the norm.

Now she is married with a child of her own. Scott and Meredith both work, and they tend to eat out or get food delivered most weeknights. When they do cook, it's more of a special weekend event so they can plan for it and set aside some time.

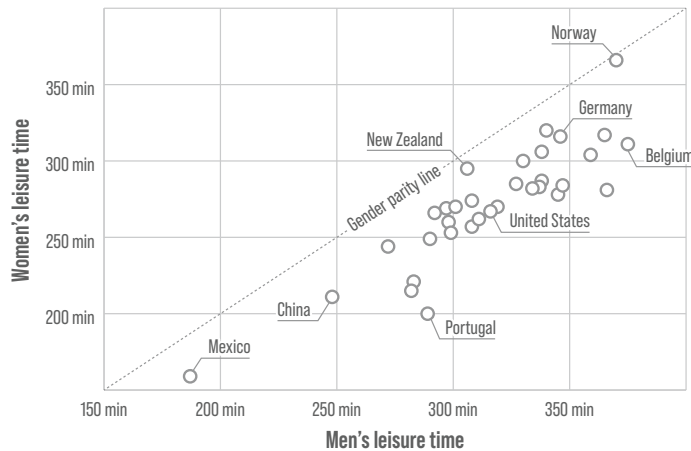
Theirs is a familiar story that exemplifies the trends we're talking about in this chapter. In the last few years, the number of restaurants has expanded in line with the rise of women entering the paid workforce. Only two generations ago, women such as Meredith's grandmother were largely restricted to the homemaker role, supporting male breadwinners and their families as their full-time job. "Homemaking" is no longer a presumed role for women but one choice among many careers both parents can consider—if they are lucky enough to afford it. According to the Pew Research Center, in 1960, 50 percent of children under 18 lived in a home with both parents where the father worked and the mother stayed at home. In 2014, that number had dropped to 14 percent.¹²

"Women outnumbered men in the US paid workforce, with their new majority buoyed by fast job growth in health care and education over the past year, as well as the tight labor market," wrote Rachel Siegel for *The Washington Post* in 2020. Furthermore, she says, "Of the 145,000 jobs picked up in December throughout the economy, women won most of them—139,000, according to Labor Department data."¹³

In their move from the informal to the formal economy, women are also fast displacing men on the income front. According to a 2017 *Daily Beast* article, "A new study says that young, single, and childless women under

30—who live in cities—make more money than their male counterparts.”¹⁴ Though Equal Pay Today reports American women earn eighty cents to every dollar earned by their male peers today, they are catching up fast. Already, the National Bureau of Economic Research reports female college graduates outnumber males. And according to the American Enterprise Institute, “Women earned the majority of doctoral degrees in 2017 for the 9th straight year and outnumber men in grad school 137 to 100.”

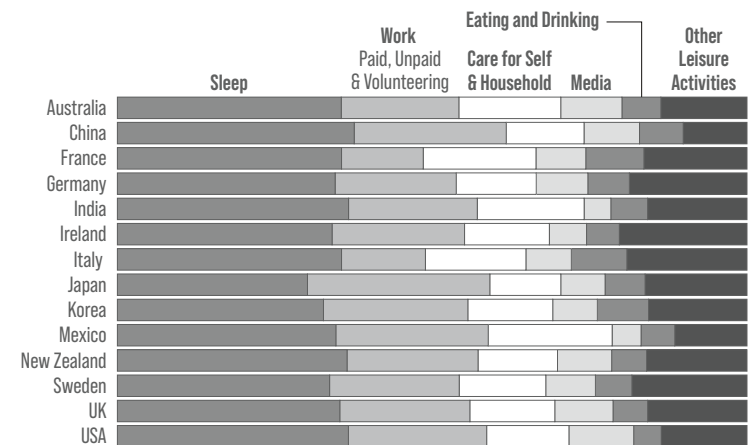
It’s not surprising, then, that women are playing a bigger role in household budget allocation. Men, meanwhile, have taken on more household chores—though not so much that there isn’t a gap. A US Bureau of Labor Statistics study in 2015 found that women engage in about an hour more a day on household activities than men do.¹⁵ As women increasingly work outside the home, the shortfall is covered by outsourcing to cleaning services, gardening services, and home maintenance services, as well as delivery services and restaurants. Even with outside help, according to OECD Gender Data, the gender gap in leisure time still sits more significantly in American men’s favor relative to other countries.¹⁶



1.1 Gender Gap in Leisure Time

There’s really no time to handle the shortfall any other way. The Gray family, whom we met at the start of this chapter, are by no means an exception. Instead, their story is reasonably representative of an overworked and overscheduled country. According to the Institute for Women’s Policy Research, women on average worked just under forty hours per week while men worked just over forty, but a staggering one in five women and one in three men worked well above forty hours per week.¹⁷

At the same time, in between sports, enrichment activities, and work obligations, most Americans now spend most of their time consuming media as opposed to other leisure activities like spending quality time with their family or friends.¹⁸ Longer work commutes compound this problem further and prevent parents from having the bandwidth to cook. As Christopher Ingraham explains for *The Washington Post*: “The average American commute grew to just over 27 minutes one way in 2018, a record high, according to data released in September by the US Census Bureau.”¹⁹ As a result, Americans spend only sixty-six minutes a day eating food—some thirty-seven minutes less than China or sixty-seven minutes less than the French.



1.2 How Do People Spend Their Time?

The uptick in women working, the housework that still needs to get done, and busier schedules for everyone (toddlers and teens as well as parents) has led to fewer in-home meals prepared from scratch. As we've seen in this chapter, the nuclear family sitting around the dinner table most nights of the week has become the exception rather than the norm. The reality for most families is this: we are time and asset poor, live in unconventional settings, and depend on both parents working inside and outside the home. In place of the home-cooked meal, we are turning to dining out and, increasingly, delivery services.

Restaurants who understand their customers are responding to this new reality. Convenience alone isn't enough: families also expect more choice, higher quality, speed, and value for money. For all of that, they are willing to pay.

The rise of e-commerce has brought us a phenomenon called "I Want What I Want When I Want It," or IWWIWWIWI for short. Millennials are creating an on-demand economy—same-day delivery, anyone? IWWIWWIWI is a mantra for retail shoppers growing ever-more accustomed to instant gratification. It also represents a demand for a seemingly endless array of choices in other areas of life too. Food is no exception. We want what we want to eat, and we want it on our plates now.

As we're about to see, fulfilling that desire isn't as simple as putting food on a plate (or in a box). In this new world of eating, food has become much more than a means to service a twang of hunger. Now, food reflects your identity, your values, and your consciousness of the direct effect of food upon your health.