



# From DMBs to Self-Serve Kiosks

## Digital Signage in the QSR and Fast-Casual Restaurant

Gene Ornstead 06.30.2014

Digital signage is changing the way QSR and fast-casual restaurants do business. While the exact timeline is uncertain, this trend will no doubt continue as digital menu boards become the norm, followed by a proliferation of self-serve kiosks, digital promotional signage, and other creative implementations of the technology.

## Introduction

Added to the dictionary in 1951, the term "fast food" has long been ubiquitous in the United States. Today, the U.S. fast food market boasts over 200,000 restaurant locations, and franchised quick serve restaurants (QSRs) are proliferating in over 100 additional countries worldwide. Revenue in the U.S. has grown from \$6 billion in 1970 to \$160 billion in 2013, an 8.6% annualized rate.<sup>1</sup> In this notoriously competitive industry, with a fierce focus on high volume, low cost and high-speed product delivery, today's QSR business owners are looking to adapt and remain competitive in an ongoing climate of economic uncertainty, changing consumer eating habits and increased regulation. Advances in technology offer numerous advantages in the struggle to remain relevant, with digital signage emerging as a key player in the QSR of today and tomorrow. From the biggest names in quick service franchises to local one-off eateries, restaurants have been dabbling in digital menu boards (DMBs) for the past several years, and this execution of digital technology continues to take the lead in fast-food installations. The potential offered by digital signage in all its forms however, goes far beyond behind-the-counter menus. In the months and years ahead, as costs continue to decline and technology advances deliver greater reliability, control, and ease of implementation, expect to see digital signage proliferating in its various forms, including:

- Menu boards – indoor/outdoor
- Promotion boards – indoor/outdoor, behind the counter and throughout the store
- Interactive self-serve kiosks
- Drive-through menu boards
- Order confirmation screens
- Outdoor marquees – on premises/surrounding environment (i.e. food courts, malls)

Each of these digital signage applications offers distinct benefits for QSR and fast-casual restaurants. Together, they represent the convenience restaurant of the future – one that promises substantial business advantages and greater enjoyment and ease for customers.



## Digital Menu Boards

Step into a major market Dunkin Donuts, McDonalds or Burger King and chances are you'll come face-to-face with mouth-watering graphics displayed on a digital menu board (DMB) behind the counter. Deceptively simple and attractive to the customer, that digital menu that makes their choices look so appetizing is also – when used to its full potential – tempting them with time/weather/market-appropriate treats, bringing their attention to high margin items, suggestively selling add-ons, and displaying required nutritional content in an unobtrusive manner. All of which can be changed at a moment's notice should the weather turn cold (swap out the iced coffee for a steamy latte) or an item go out of stock (why keep it on the board if it can't be ordered?). Also unbeknownst to the customer, the vibrant, cool-looking displays can also help speed their decision making and keep lines moving along quickly.

Somewhat surprisingly, implementation of DMBs in the U.S. has lagged behind Europe and other markets, which some analysts speculate is due to the ease of trial and testing in smaller, more contained markets. KFC South Africa, for example, has taken the lead in DMB deployment for the brand, with more than 5,000 DMBs deployed there and 1,200 additional installations planned for 2015. Each restaurant displays up to nine screens, with each screen serving as a menu board that can be updated within minutes.<sup>2</sup>

Tim Horton's, Canada's largest food service operator with a growing U.S. presence, has been deploying DMBs to speed up service, help introduce new products, and influence promotions.<sup>3</sup>

"It's about taking these menu boards and driving them like the Ferrari they are," said Tim's COO David Clanahan. "They give us the ability to take new product introductions to a new level. Our restaurants, on a regular basis... will be able to introduce new products and focus on quality and say 'buy me now.' They can also influence promotions. They are literally talking to our guests while they're in our restaurants."

Case studies of successful DMB implementations are proliferating on the Internet and U.S. restaurateurs are taking note. One of the most prominent examples in the U.S., Dunkin' Donuts is in the process of a full system-wide DMB deployment. The chain kicked off with a 100 location pilot, has currently rolled out around 2,000 locations, and is expected to have around 3,000 Dunkin' locations outfitted with dynamic menu technology by the end 2014.<sup>4</sup>

### 8 Reasons for Getting That New Digital Menu Board System

- Central control of all franchise locations
- Menu scheduling by day part
- Easy online updating of items/prices
- Facilitate regulatory compliance
- Increase sales by cross selling and up selling
- Eliminate printing costs & delays
- Stronger visuals engage customers
- Vehicle for new advertising revenue

- Ty Bartels<sup>5</sup>



## Advantages of DMBs

The benefits of digital menu boards can be looked at from many angles. For some organizations, cold, hard sales data will drive decisions around digital signage; for others, less quantifiable benefits such as branding and customer engagement will also be a factor.

The primary advantages offered by DMBs can be summed up under the following categories:

- Menu optimization
- Adaptability
- Customer engagement
- Branding
- Eco-friendly cost savings
- Increased sales

### ***Menu optimization***

Going digital empowers restaurants to use their menus in an entirely new way, as an agile business tool for introducing new products, promoting high margin items, speeding up service, and adapting to changing circumstances.

Infinitely changeable, DMBs offer unprecedented flexibility for virtually instantaneous, cost-effective content updating, including the ability to:

- Remove out of stock items from the board
- Highlight and draw attention to overstock items
- Adapt to price fluctuations
- Promote top-sellers by time of day, weather conditions, etc.
- Adjust content based on demographic data
- Comply quickly and cost-effectively with regulatory requirements



According to the retail branding firm King-Casey, menu board optimization can deliver sales increases as high as 10% for key products. They also note that 74% of customers say that an easy-to-read menu board is of top importance.<sup>6</sup>

### ***Adaptability***

Strategies and objectives for menu optimization will vary by market and circumstance. One consistent goal is to aid customer decision making and reduce wait times. As the "foodie" culture has expanded its reach into QSRs, restaurants have adapted their menu offerings accordingly. While good news for customers' taste buds, these expanded menus

can introduce information overload, indecision, increased order times, and longer lines. Digital menu boards can be easily optimized to steer customers toward specials and mealtime-appropriate options, adapted as needed based on real-time experience to aid decision-making and speed time to service.

Similarly, content on DMBs can be easily adjusted to comply with regulatory requirements for nutrition labeling or to accommodate customers' evolving needs. Just one recent example, Bob Kraut, senior vice president of brand marketing and advertising for Arby's Restaurant Group Inc., notes that many QSRs are moving away from the traditional value menu and shifting toward snacking and off-peak occasions.<sup>7</sup> As QSRs take note of this trend, DMBs make it easy to test new items and new time slots.

### **Customer Engagement**

Revisit frequency is an important metric for success of quick-serve and fast-casual restaurants. Many factors contribute to a guest's likelihood of returning. Offering an enjoyable environment and delivering an outstanding customer experience are clearly high on the list. Forward-thinking restaurateurs are exploring the ways in which well-designed DMBs (and other digital signage) can enhance ambiance, customer service and, ultimately, bring customers back through the door time and time again.

Dynamic digital menus can go a long way toward engaging and impressing customers. The always-fresh images of menu items capture attention, while added video, live TV, and data feeds on menus or other dynamic signage can further entice, entertain, and reduce perceived wait times.

In 2012, Burger King rolled out DMBs to over 6,500 locations – nearly all of its U.S. stores. The move was part of a major rebranding effort, and among the results was a more appealing presentation of menu items.

"I think one of the biggest benefits [of DMBs] is the imagery of the actual food and products that we're merchandising," said Ernesto Smith, senior director of U.S. merchandising and calendar planning at Burger King. "With conventional, static menu boards, one, the image isn't as crisp to begin with, and, two, over time a lot of those materials tend to fade or break, and it doesn't really do a lot of good for the showcasing of your product. With digital, from the get-go it's just a much better

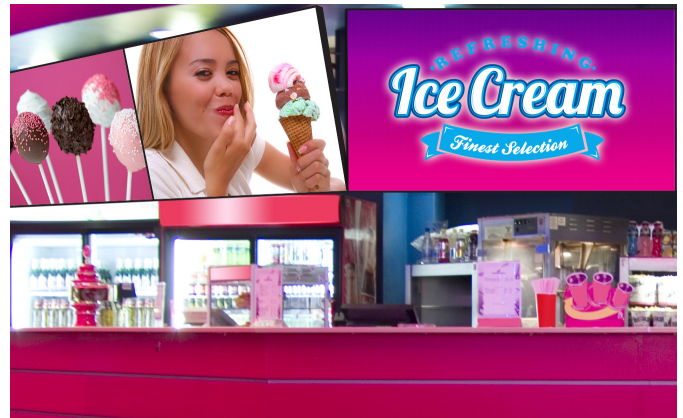


image of the product; there's much more appetite appeal; and I think that is the number one benefit that we see from a consumer standpoint – we're showcasing our food in the best light."<sup>8</sup>

### **Branding**

The manner in which a QSR chooses to showcase its food is integral to its brand identity. Replacing static menus with digital menu boards not only presents the food items in a better light, it's a surefire way to upgrade an eatery's overall image – and being on the forefront of what's vibrant, youthful, and new is inherent to the brand identity many QSRs seek.

As noted by Jason Stuehmer, IT product manager for Dunkin' Brands, when the company made the move to digital it had the big picture in mind. Beyond increasing sales lift and getting ready for impending menu labeling regulations, the company sought to stay brand-relevant in the competitive restaurant space. "It's keeping up with the Joneses," said Stuehmer.<sup>9</sup>



With their natural ability to capture an audience's attention, digital menu boards and their promotional counterparts are ideal tools for shining a light on a store's brand initiatives. According to one analyst, "When McDonald's rolled out its McCafé displays to a little more than 10,000 locations, it wasn't thinking ROI as in selling more burgers, it was thinking ROI in terms of making its brand competitive with Starbucks." Similarly, Dunkin' Donuts is using its digital signage initiative to support the transition of its stores from a morning destination to an all-day dining option.<sup>10</sup>

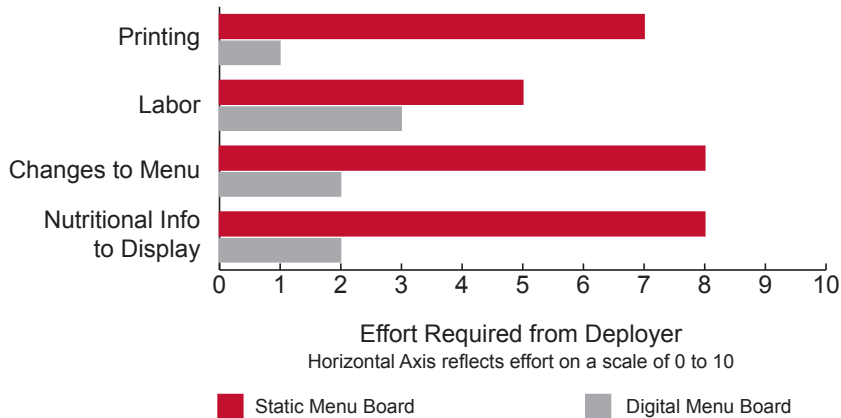
### **Eco-Friendly Cost Savings**

Along with amped up visual appeal and infinite adaptability, digital signage is more efficient than print, offering a significant reduction in production and labor costs associated with traditional forms of signage. It's also safer. As one observer put it, "Instead of employees climbing up rickety ladders to update menu offerings, now it's all done safely from the comfort of a keyboard or, increasingly, a touch screen. That's not only safer, but over time it's also cheaper."<sup>11</sup>

Repetitive production of traditional forms of signage is cost and labor-intensive – as well as bad for the environment. As one QSR noted, with traditional menu boards they purchased 1-2 shipments of magnet-backed menu strips a month, each strip at a cost of \$4 or \$5 apiece, plus shipping charges for the heavy boxes. They would then spend a day or two driving around to deliver the strips to their 30 restaurant locations.<sup>12</sup> And every time those strips (or an outdated paper or plastic

## Digital Signage in the QSR and Fast-Casual Restaurant

sign) are replaced, the discards end up in a landfill. Notable as an eco-friendly option that fits many companies' green goals, digital signage reduces the waste, energy, water, ink, and solvents involved in the production, transport, and disposal of print signage – a win-win for the organizations that deploy them, and the environment.



Source: © 2013 Network Media Group | Digital Menu Boards and ROI

### **Increased Sales**

For many restaurants, quantifiable bottom line benefits are the key driver behind implementation of digital signage. There's been a great deal of hype and speculation about just how effective DMBs are at achieving sales lift, with numbers from 20 to 300% tossed around in the earliest days of DMB implementation.

Realistically, industry insiders cite an average, across-the-board sales lift of 3 to 5%, but caution that significant variations exist based on factors such as number of boards deployed, content effectiveness, corresponding use of promotional boards and location of the DMBs.<sup>13</sup>

A 2013 white paper from the Network Media Group, Digital Menu Boards and ROI, offers many interesting insights into the subject. According to one source cited, if a typical QSR with roughly \$1.2 million a year in gross revenue and 40% of their business (\$500K) taking place indoors, earns a 70% margin and achieves a 3% boost in revenue from the DMBs, it will add around \$10,000 a year to the bottom line, delivering a payback in approximately 18 months.<sup>14</sup>

It is important to note however, that achieving that 3 to 5% sales lift will often actually involve getting, say, a 300% lift on a specific item.

### **Snapshot:**

#### **McDonald's U.K.**

##### **Objectives**

- Increase foot traffic
- Communicate broader menu options
- Boost average customer spends

##### **Deployment**

- Hundreds of locations throughout the UK

##### **Results**

- Sales lift up to 11% on some items
- Increased average transaction amounts



## Digital Signage in the QSR and Fast-Casual Restaurant

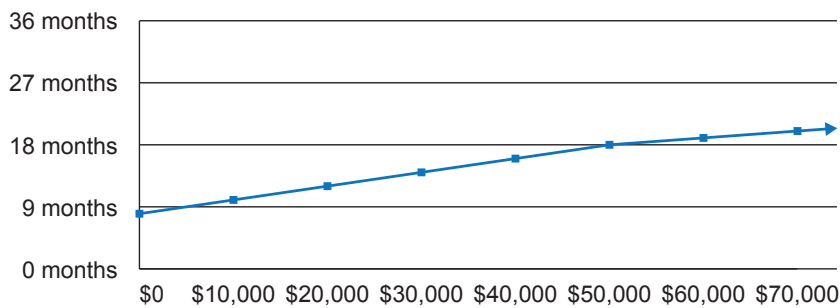
As noted by industry blogger Dan Wilson, "Although a restaurant implements a DMB for its entire menu, the ROI gains aren't spread so evenly. Many of the major gains in ROI are likely to come when the menu boards are adapted to promote sales of slow-moving but high-margin items."<sup>15</sup>

Another way to slice and dice the picture is to look at how DMBs impact margin-per-transaction. Rather than assessing overall sales lift, or even sales increases on individual items, some restaurateurs gauge the success of their DMB installations by how well they increase margin per transaction. Because DMBs can so effectively steer customers toward more profitable purchases, studies have indicated that margin-per-transaction can be boosted by around 2.5 - 3%.<sup>16</sup>

Whichever way one approaches the analysis – sales uplift or margin-per-transaction – the white paper states that return on initial investment for the typical QSR digital menu board installation is generally fewer than 18 months, with some restaurants recouping their investment in as few as 9 months.<sup>17</sup>

A restaurantnews.com article examining the use of DMBs in Fortune 500 QSRs concurs with this analysis, stating that, "Typically, it takes between 9 and 18 months to recoup the initial investment in a digital menu board system," and that, "Most industry leaders agree that the average sales uplift is 5%, but many have seen 18–20%." The article further advises considering variables such as recurring costs of deployment, number of boards deployed, and outdoor menu boards (longer ROI due to added costs) when calculating ROI.<sup>18</sup>

AVERAGE TIME TO RECOUP INVESTMENTS IN DIGITAL MENU BOARDS



break-even point

Typically it takes a deployer between 9 and 18 months to recoup the initial investment in a digital menu board system.

\*Original data from DigitalSignageToday.com copyrighted 2011 by NetWorld Alliance LLC



### Self-Serve Kiosks

Digital kiosks are likely to be the next wave of digital signage taking root in QSR and fast-casual environments. Offering a convenient way to bypass lines at the counter to order and pay, kiosks appeal to a youthful demographic accustomed to interfacing with the world via screens. As infinitely adaptable as their behind-the-counter cousins, kiosks enhance the customer experience by speeding up service, reducing wait times and providing a more personalized experience.

Ron Rugless, Nation's Restaurant News reporter, foresees a time in the not-too-distant future when self-ordering via interactive kiosks will become the norm. "As technology becomes more deeply embedded in the restaurant industry, the chasm between restaurant service styles will grow." says Rugless.

By 2020 service will fall into two categories: served-service and self-service. Quick-service, fast-casual, and lower-end casual-dining eateries will continue to push service duties away from people and onto technological platforms such as kiosks, tabletop devices and tablet computers, while the upper-end restaurants will foster an even more sophisticated and polished hospitality culture.<sup>19</sup>

Kiosks offer additional business advantages, including the opportunity to leverage screen space to promote seasonal, high-margin, or overstock items as well as to generate revenue via ad sales. Information captured from promotional offers can also be used to build direct marketing lists and drive repeat business.

### Outdoor signage

Digital Menu Boards deployed at the drive-thru offer many of the same advantages delivered by their indoor counterparts. Well-designed content displayed on drive-thru DMBs visually guide customers to quickly select items, keeping traffic flowing for improved speed of service, while focusing attention on high margin products and other key items. Content can be quickly adapted as needed as nutrition requirements or other circumstances dictate. Paired with order confirmation screens, drive-thru signage delivers improved order accuracy and faster service for more satisfied customers more likely to return.

# Digital Signage in the QSR and Fast-Casual Restaurant

Outdoor marquees, positioned to draw attention as customers approach a restaurant, can plant the seeds of interest for high-margin and overstock items before a customer even walks through the door. More enticing than static window posters, dynamic signage invites patrons to enter with vivid imagery: steamy hot items on cool mornings or rainy afternoons; ice cold beverages and frozen treats when the temperature rises.

## Conclusion

Digital signage is changing the way QSR and fast-casual restaurants do business. While the exact timeline is uncertain, this trend will no doubt continue as digital menu boards become the norm, followed by a proliferation of self-serve kiosks, digital promotional signage, and other creative implementations of the technology. Because it is infinitely adaptable and testable, when well-integrated into a store's business, digital signage promises to consistently perform as a powerful tool for improving the customer experience and boosting sales.

**For more information about ViewSonic's complete line of Digital Signage for QSR and fast food restaurants, call one of our sales representatives at 1-888-881-8781 or visit [www.viewsonic.com](http://www.viewsonic.com)**

1 Sena, Matt, Fast Food Industry in 2014 at a Glance <https://www.franchisehelp.com/industry-reports/fast-food-industry-report/>

2,3 Digitalsignagetoday.com, QSRs driving digital menu boards 'like the Ferrari they are' March 20, 2014 <http://www.digitalsignagetoday.com/articles/qsr-driving-digital-menu-boards-like-the-ferrari-they-are/>

4 Hall, Christopher, DSE14: Dunkin' Donuts serves up digital menu boards Feb. 20, 2014 <http://www.digitalsignagetoday.com/articles/dse14-dunkin-donuts-serves-up-digital-menu-boards/>

5 Bartels, Ty, 8 Reasons to Get that New Digital Menu Board, Right Now!, October 31, 2012 [http://www.franchise-info.ca/supply\\_chain/2012/10/8-reasons-to-buy-that-new-digital-menu-board-now.html#.U4dXxnJdWSo](http://www.franchise-info.ca/supply_chain/2012/10/8-reasons-to-buy-that-new-digital-menu-board-now.html#.U4dXxnJdWSo)

6 Harvey, Megan, Order Up! Dynamic Digital Signage in QSR, March 10, 2014 <http://www.mounts.com/blog/dynamic-digital-signage-in-qsr/>

7 Dostal, Erin, The new QSR value menu, Mon, 2013-04-22 17:35 <http://www.sandelman.com/news/pdf/2013-04-The-new-QSR-value-menu.pdf>

8, 9, 12, 14, 16, 17 Network World Media Group | Digital Menu Boards and ROI, Finding the break-even point for digital signage in foodservice. © 2013

10, 11, 13, 15 Wilson, Dan, For Real World ROI in Digital Signage, See What Restaurants Are Doing April 21, 2014 - 06:57 <http://www.solutionprovidersforretail.com/article/real-world-roi-digital-signage-see-what-restaurants-are-doing#sthash.OpzD50GX.dpuf>

18 Restaurantnews.com, Fortune 500 Quick Service Restaurants See Boost in Bottom-line Profits By Implementing Affordable Digital Menu Board Technology <http://www.restaurantnews.com/fortune-500-quick-service-restaurants-see-boost-in-bottom-line-profits-by-implementing-affordable-digital-menu-board-technology/>

19 Ruggless, Ron, Exploring the future of restaurant service, Oct. 11, 2013 <http://nrm.com/service/exploring-future-restaurant-service>

