

guest XM

by Black Box Intelligence

What Customers Want from Quick-Service Restaurants Now & in the Future



Table of Contents

Introduction.....	3
Quick-Service Challenges.....	4
QSR Core Advantages.....	5
Strategize for the Future: QSR Dos & Don'ts.....	6
Beating the Odds.....	18

Quick-service restaurants (QSRs) still reign supreme.

In the US alone, this sector has seen a near year-over-year (YoY) growth since 2004, with its peak consumer spending exceeding \$320 billion in 2022, according to [Statista](#). And the demand for convenience and on-the-go meals continues to trend upward, as is typically seen in an accelerating world plagued by economic uncertainty.

Nonetheless, if a recession does in fact decide to pay a visit, it is likely to be a relatively short and, hopefully, uneventful stopover. Besides, QSRs have an impressive track record of weathering economic troubles.

In the 2008 recession, quick-service brands saw consistent growth as opposed to other industries. Still wanting to experience the convenience of dining out, price-conscious customers opted for more affordable options, particularly fast food. According to recent GuestXM Market Intelligence data, customers are repeating the same pattern at this very moment, trading down to alleviate the strain of inflation.

Aside from surviving past recessions, QSRs showed remarkable adaptability during COVID-19 lockdowns and social distancing orders, emerging from the global crisis as a hotbed for innovative restaurant technology.

However, while QSRs may be enjoying the limelight for now, they can't afford to sit idle in a dynamic environment where competition for share of stomach never stops.

According to a recent [report](#) by the National Restaurant Association (NRA), 47% of operators expect competition to be more intense as the year progresses. The increase in demand for quick-service food is prompting more brands to actively pursue expansion.



Apart from fierce competition, QSRs face many other challenges:

Labor shortages: GuestXM Market Intelligence analysis indicated that QSRs are operating with just under 10% fewer hourly employees on average per location than they did in 2019, emphasizing the need for more strategic employee-retention solutions.

Food inflation: 92% of operators say the cost of food is a significant issue for their restaurants.

Although inflation has cooled down in the past year, food prices continue to rise. The Bureau of Labor Statistics recently reported that food prices rose 5.7% between June 2022 and June 2023 and limited-service meals rose 7.8% YoY, while full-service meals rose 6.2%.

A decline in profit margins: According to QSR Magazine, restaurants have experienced a drop in profit margins over the last couple of years, largely as a result of new competition, a rise in health-conscious customers pushing restaurants to create healthier menu items that are typically less profitable, and the pressure to enhance service standards, leading to more investments in new technologies.

Working against the clock: Today, customers want exceptional experiences when it comes to patronizing either full-service or quick-service establishments.

For QSRs, the challenge lies in finding ways to enhance the guest experience despite having substantially less time to do so compared to other sectors.



CORE ADVANTAGES FOR QUICK-SERVICE RESTAURANTS

- Accessibility, Convenience & Speed
- Affordability
- Established Market
- Consistency, Comfort & Nostalgia
- Tenacity, Adaptability & Innovation



Core Advantages

The QSR market is highly saturated. Brands have to continuously search for ways to differentiate their businesses to stay afloat and excel in an environment rife with economic uncertainty.

Even so, QSRs can overcome these challenges by leveraging the many unique advantages that set them apart from other sectors:

1. Accessibility, Convenience & Speed: There are 201,865 fast food restaurant businesses in the US today; in other words, QSRs are often within sniffing distance of hungry and time-pressed customers, making them an easily accessible and convenient choice for quick bites.

2. Affordability: The widespread appeal of quick-service food can be largely attributed to its low cost.

Moreover, as we highlighted previously, the latest GuestXM Market Intelligence data showed that, in response to economic pressures, there continue to be signs of guests trading down toward limited-service restaurants, in particular, quick-service brands. This is an opportune time for QSRs to optimize operations to successfully manage an influx of inflation-weary customers.

3. Established Market: Based on data from Statista, in the US, the QSR industry is one of the most well-established in the world, with fast food restaurants in all 50 states. The fact that many of these QSRs are chains gives operators the advantage of leveraging existing brand equity to drive overall success.

4. Consistency, Comfort & Nostalgia: QSR brands tend to have standardized operating procedures, including food preparation, customer service protocols, and overall branding. This consistency can be reassuring and comforting for customers traversing uncertain times.

Additionally, most big-name fast food brands have been around for quite some time and enjoy a loyal following consisting of millennials, Gen Xers, baby boomers, and even Gen Z diners. For these customers, the familiarity of the food and experiences tends to evoke fond memories and feelings of nostalgia.

5. Tenacity, Adaptability & Innovation: The pandemic and the associated restrictions and safety measures triggered a great need for off-premises dining, pushing the quick-service industry to invest significantly in technological solutions to keep up with rapidly changing customer and industry needs. This began an inexorable march of digital innovation.

And as customers continue to embrace technology, the desire for frictionless experiences increases. Fortunately, QSRs have long since embraced a forward-thinking mindset, making them well-equipped to meet and exceed their customers' expectations expeditiously.

This is in part due to breakthroughs in AI-powered data technology solutions over the past few years. These solutions provide brands with the ability to collect and dissect enormous amounts of restaurant performance data to reveal valuable real-time insights that can be used to make highly informed decisions.

Strategize for the Future: QSR Dos & Don'ts

To find a way through the chaos, brands need to be able to seize every opportunity with confidence to amplify employee performance, customer experience (CX), and organizational growth—even when faced with adversity.

Dos

Trust the Power of (the Right) Technology

Data Technology Solutions

For most QSRs, the challenges they face involve working with outdated tech stacks, investing in digital solutions that offer little practical value, lacking the know-how to extract meaningful insights from raw data, feeling overwhelmed by the number of data solutions available today, and overcoming cost fears.

According to a survey study by [Nation's Restaurant News](#), 74% of respondents said that cost is among their top three considerations when vetting or investing in new technology.

The study also revealed that 7 out of 10 operators question whether they're optimizing the customer data they already source. Only one-third of operators believe that they're definitely or probably optimizing data overall, while 43% of operators say the opposite.

Furthermore, restaurant operators are grappling with information overload.

Information overload happens when someone faces an overabundance of information that is often complex, contradictory, and inconsistent, making it difficult for them to make the best decision. This is generally due to a lack of resources that prevents them from effectively processing all the information. Hence, the quality of their decision is decreased.

QSRs can conquer these challenges and overcome decision paralysis by (1) evaluating all operational requirements, including financial, customer, and workforce needs; (2) assessing existing data technology to see what is working and what is not; (3) identifying critical and prospective pain points; and (4) exploring solutions that address operational inefficiencies and unlock the messaging contained within the data.

The best data technology solutions today are driven by intelligence analysis for the simple reason that AI has the power to ingest massive amounts of data and provide usable insights in near real time.

AI-driven data solutions offer restaurants the ability to truly comprehend and predict customer behavior, market trends, and more as well as evaluate relationships between variables to identify patterns, dependencies, or potential cause-and-effect relationships. Did a recent limited-time offer (LTO) result in more customer traffic, or was the increase a result of inflation cooling down?

Innovative Technology

Next-gen technology is reshaping the future of QSRs. Brands are actively exploring the latest tech innovations to enhance the guest experience, optimize business processes, and maintain a competitive edge. Here are just a few examples:

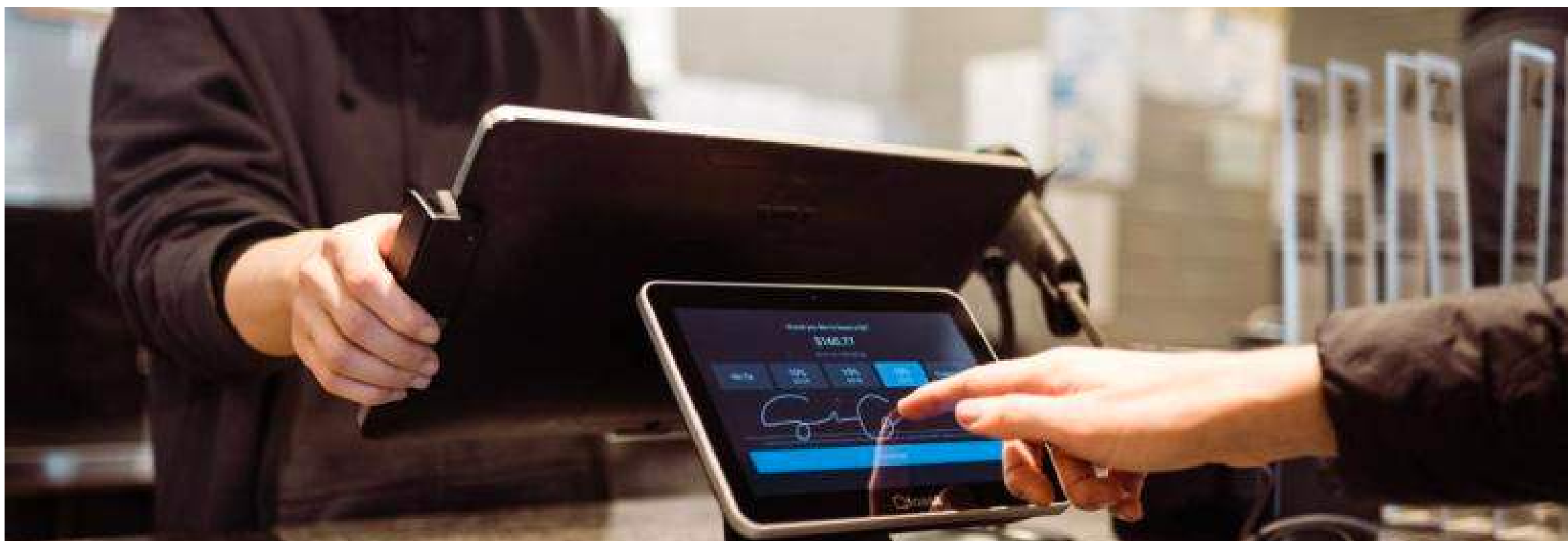
- AI-integrated self-service kiosks can collect customer data and enhance personalization by, for instance, providing tailored menu options. These kiosks also allow for mobile integration, resulting in a more convenient, streamlined, and frictionless ordering experience.
- Digital menu boards have revealed "hot spots" using eye-tracking technology. Brands can leverage this information to place their most popular and profitable items in these hot spots, which can increase average check size, provide ease-of-ordering, and enhance speed of service (SOS).
- Robotic chefs, or robotic arms, can be used to prepare menu items, often to perfection, in record time.
- Additionally, some brands are testing out autonomous robots to transport orders to customers waiting in their cars and robotic waiters to reduce front-of-house employee workload.
- QSRs are even beginning to incorporate VR/AR features within their stores or through their mobile apps.

A word of caution, though: While some of these technologies can genuinely help enhance business processes, reduce employee workload, alleviate the labor shortage, and lower costs in the long run, brands must avoid falling into the novelty trap. QSRs investing in the "newest, greatest" tech without doing their due diligence is an example of something called the "novelty fallacy," where potential shortcomings are overlooked, resulting in wasted time and resources.

Before investing precious time and money into new technology, QSRs need to take the time to define business goals and shortcomings, evaluate the true value and reliability of a new product, and estimate its impact.

Drastic changes can lead to customer and employee pushback, so balancing technology with the human touch is essential for smooth transition.

After all, slow is smooth; smooth is fast.



Aim for Accuracy

According to [QSR Magazine's 2022 QSR Drive-Thru Report](#), 58% of customers say order accuracy is the most important factor regarding intent to return. As such, QSRs are considering investing in newer technology solutions:

- Self-service kiosks allow customers to put in their own orders, decreasing the chances of inaccuracy.
- Easy-to-read menu boards and clear communication play a significant role in order accuracy, and brands are currently experimenting with menu boards that include AI voice software to collect orders, potentially reducing human error.
- Order confirmation boards make it easier for customers to review their orders in real time.

Accelerate Speed of Service

SOS plays a significant role in determining customer satisfaction rates. Slow SOS is often a result of staffing shortages, inadequate employee training, increased workloads, insufficient management, outdated front- and back-of-house technology, a lack of operational, workforce, and customer insights . . . the list goes on.

QSRs have many options to address SOS issues:

- Self-service kiosks, mobile apps, AI speech recognition, and order confirmation screens can reduce the time customers spend in line and minimize the chance of order errors caused by poor communication.
- Kitchen display systems automatically display orders in the proper food-preparation areas, ensuring timely food delivery.
- Proper data analysis on customer flow, order patterns, and wait times can identify bottlenecks and areas of improvement. This information guides informed decision-making in tech investment and process optimization.
- Digital menu boards can integrate with point-of-sale systems and inventory management software, allowing real-time updates on item availability. This ensures accurate information is displayed to customers.
- Customers placing orders via mobile expect fast pickup. As a result, quick-service brands are adding additional drive-through lanes wherever possible. More lanes also mean faster drive-through experiences.

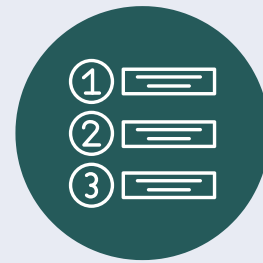


Boost Value Perception

Earlier, we mentioned customers trading down to limited-service restaurants as a way of relieving the pinch of inflation. This, however, does not mean they are downgrading their expectations when it comes to value and experience.

GuestXM Market Intelligence insights showed that value will be a key factor driving customers' dining behavior for the rest of 2023. And, during our latest [State of the Industry webinar](#), we asked industry leaders to rate their most important focuses in 2023; 40% listed improving their brand's value proposition as one of their top initiatives.

Customers will seek out brands that offer enticing deals, coupons, or offers along with superior experiences worth their hard-earned money. A survey study by [Vericast](#) revealed 53% of all survey consumers say coupons and discounts entice them to try a new restaurant and 62% of frequent QSR diners will spend more at a fast food restaurant when offered a coupon or discount.



40%

of industry leaders list
value proposition as one
of their top initiatives



Extend Partnerships

First, partnerships between QSRs and celebrities are nothing new. Fast food brands often leverage stars' influence to help promote and create a level of excitement around limited-time deals.

Second, QSRs are continuing to establish cross-brand partnerships. By tapping into the resources provided by these established partners, QSRs can introduce innovative menu items to attract more customers and decrease the costs linked to advertising.

Third, brands should also consider partnering with nonprofit or charity organizations to generate positive publicity. The practice of corporate social responsibility is especially appealing to socially conscious Millennial and Gen Z diners who prioritize the values of a brand.

Optimize Menu

Summer is here, which means fresh concepts are on the menu.

One trend that has been popping up involves value menus with a twist. Whereas value menus typically consist of smaller-sized items or select menu items that can be offered at a lower price point, brands have been introducing more variety and flavors, allowing them to raise prices ever so slightly since the added flair amplifies customer value perception.

Limited-time specials continue to be popular, adding to the summer excitement. And as we mentioned earlier, some brands are partnering with celebrities to promote LTO menu items.

According to the [NRA's 17th annual What's Hot Culinary Forecast survey study](#), top menu trends for 2023 include:

- Comfort foods with a global or signature twist
- Menu streamlining: pairing less popular items with best sellers
- Dishes and condiments: ghost pepper or hot honey loaded fries; Sriracha variations; Southeast Asian, Caribbean, West African, and South American fare; and globally inspired salads
- Breakfast trends: value meals, unique handhelds like French toast sticks, and vegetarian dishes
- Lunch trends: spicy and sweet-heat fusion chicken sandwiches as well as fried chicken sandwiches

Other popular items are churros, shoestring fries, seasonal wraps, candied bacon, breakfast tacos, French pastries, and refreshing frozen drinks.

Additionally, customers are more environmentally conscious than ever. To meet expectations, restaurants should consider using sustainable ingredients, meaning ingredients obtained or produced in a manner that minimizes negative environmental impacts, promotes social responsibility, and ensures long-term viability.

Customers are also adding more plant-based food or meat alternatives to their diets. A study by [McKinsey](#) revealed more than half of consumers in the US consider themselves flexitarians. Flexitarianism, a dietary approach that emphasizes a primarily plant-based diet while allowing for occasional consumption of meat and other animal products, has become increasingly popular among conscious consumers. Furthermore, the survey showed that 73% to 93% of respondents plan to further reduce their meat consumption.



Empower Employees

Retaining employees remains a formidable challenge for the restaurant industry. Despite the subtle improvements in retention over the past couple of months, employee turnover is still much higher than it was in 2019.

Given the current circumstances, it makes sense that 55% of our Q2 SOTI survey respondents consider employee retention as a main initiative in 2023. According to [The Wall Street Journal](#), some restaurant brands, including Domino's Pizza and Chipotle Mexican Grill, are already actively working to improve their service levels, aiming to reinstate more in-person training after shifting to virtual courses during the pandemic and stabilize their workforce.

QSRs need to have a panoramic view of their restaurant workforce; without the complete picture, there's no way to accurately determine whether they are meeting the changing expectations of their employees. This entails collecting and contextualizing workforce data to gain an unprecedented look into the inner workings of their restaurants as well as their competitors.

For instance, our most recent findings suggest that employees will be more likely to choose companies that offer benefits beyond just pay, placing equal emphasis on factors such as personal development, chances for career progression, flexible scheduling, and maintaining a healthy work-life balance.

A well-functioning and satisfied workforce directly impacts the guest experience. By using these insights to address skill gaps and foster a positive work culture, operators can elevate the overall guest experience. Our research determined that guest net sentiment improves with less employee turnover. So before brands welcome automated robots, they must first make sure that it is in fact something they need.



Fine-Tune Customer Experience

With today's customers having the luxury of choosing from endless fast food options, delivering a superior guest experience compared to the competition has become a crucial differentiator.

Brands that implement robust CX strategies experience high ROI. [McKinsey](#) research revealed restaurants that focus on CX grow their revenue 1.7 times faster than businesses that don't—they also grow their customer lifetime value by 2.3 times on average.

GuestXM Market Intelligence research adds to this:

- Guest sentiment and review sites remain key drivers of YoY increase in guest traffic.
- Brands in the top quartile of service net sentiment have a 1.5 times better four-year sales growth and 6 times better traffic growth than their competitors.
- Brands that saw the most improvement in their value net sentiment scores over the past four years saw 1.5 times better sales growth and 8 times better traffic.
- Restaurant chains that capture 5 times more customer reviews see a 3.5 percentage-point increase in YoY traffic growth compared to their peers.
- Businesses that respond to reviews are seen as 1.7 times more trustworthy than those that don't.

For QSRs looking to adopt a more customer-centric mindset, the most vital step involves collecting guest feedback, whether solicited (received through surveys) or unsolicited (received through channels like social media, online reviews, or customer emails).

But trying to keep track of a torrent of feedback data streaming in from multiple channels without the time or resources to make sense of it all is like drinking from a fire hose. And again, the overwhelming amount of data solutions out there is enough to leave any restaurant operator dazed.

For this reason, it's critical restaurants choose the right data technology solution that meets their unique needs while also being cost-effective.

In short, by utilizing customer analytics, QSRs can tap the ultimate opportunity to advance business performance. Case in point: With more than 946 locations across 14 states, a Southern fast food favorite leveraged customer insights to optimize their CX strategy across all locations.

As a result, this fast food burger maven saw their sales growth rate go from negative 40% YoY to 2.6% higher than the benchmark.



Businesses that respond to reviews are seen as

1.7x

more trustworthy than those who don't

Center on Customer Surveys

Surveys are not only an effective, inexpensive method of obtaining direct customer feedback but also a practical solution that exposes blind spots in the customer experience journey concerning food and service quality, speed of service, value, etc.

In general, customers are more likely to leave reviews after visiting a full-service establishment. Full-service restaurants often provide a more extensive dining experience and carry higher price points, so increased interaction between customers and staff and higher customer expectations may be why guests feel more inclined to share their experiences through reviews.

To maintain a competitive edge and ensure they deliver the quality and consistency their customers expect, QSRs need to leverage the power of solicited customer feedback. This feedback can be collected via Net Promoter Score (NPS) surveys, which can be used as a benchmarking tool to compare a company's performance to industry standards or competitors; Customer Satisfaction Score (CSAT) surveys to assess the level of satisfaction among customers regarding a particular product, service, or interaction; Customer Effort Score (CES) surveys to determine the level of effort required by customers to accomplish a task or resolve an issue with a brand; and so forth.

And although surveys may seem like a tedious undertaking, with a quality feedback and sentiment analysis tool, quick-service brands can create, send, and manage surveys effortlessly across all channels, decipher the feedback with the help of an AI natural language processor, and uncover insights that allow them to make educated decisions and implement proactive measures.



Don'ts

Economic uncertainty often forces restaurant operators to face the daunting task of deciding where to allocate resources. Brands that rely on both qualitative and quantitative performance data instead of gut decisions are more likely to successfully weather the storm.

Skimp on Sustainability

In the US, food waste is estimated at between 30% to 40% of the food supply. To reduce food costs and waste while maintaining profitability, restaurants can start by:

- Calculating food cost percentage and inventory and determining how much food is used on a regular basis.
- Exploring options from competing suppliers, or negotiating better prices by requesting discounts or price matching from existing suppliers. Switching suppliers does come with some caveats, though. If a restaurant replaces an ingredient with a more cost-effective alternative without considering whether the switch will alter the quality of their food, it could reflect negatively on customer reviews and reduce guest traffic.
- Buying in bulk. However, restaurants should be careful of food spoilage. Supporting local suppliers ensures fresher products and boosts the local economy.
- Looking into the benefits of leveraging sustainability software. For example, GreenPlaces, an all-in-one sustainability platform, aims to empower businesses with actionable insights so they can meet their "green" goals—from carbon reporting to emission reductions to measurable ROI.
- Experimenting with eco-friendly packaging alternatives like compostable and biodegradable materials.

Underestimate the Full-Service Sector

Despite the fact that guests are trading down to QSRs, the demand for experiences centered around socialization, celebration, and culinary exploration persists.

A new list of Americans' favorite food and retail brands revealed that full-service restaurants are the most popular brands on Yelp.

In fact, a 2023 survey study by the National Restaurant Association targeting thought leaders in the culinary field showed that “more than 70% of respondents agree that customers want to gather on-premises—as hungry for connection as sustenance.”

Aimlessly Raise Menu Prices

Restaurant brands that increased menu prices in the past few quarters benefitted from short-term financial gains. However, our research revealed that over the course of three years, QSRs with the lowest check growth had better traffic, guest sentiment, and customer retention. Simply put, brands that practice caution in terms of raising prices are more likely to experience sustainable, long-term growth.

In essence, the customer becomes a restaurant's most trusted advisor. Their often unbiased opinions pinpoint what restaurants should prioritize and where they should allocate or reallocate resources—brands just need the ability and tools to listen and act on their guest feedback.

Squash Marketing Budgets

It may be tempting to put marketing initiatives on the back burner when operating under a tight profit margin. As it happens, marketing plays a crucial role in generating brand awareness, fostering credibility, nurturing trust within an intended audience, and delivering substantial value to customers.

A study by [Harvard Business Review](#) found that businesses that did not cut their marketing spend were able to bounce back from previous recessions. They did, however, modify their marketing strategies to adapt to changing industry trends.

If costs are the issue, QSRs can, for instance, focus on more affordable methods to attract customers and maintain visibility: [Email](#) remains the most effective marketing tool, generating an impressive \$36 for every \$1 spent, and regarding social media, [Instagram](#) provides the highest ROI.

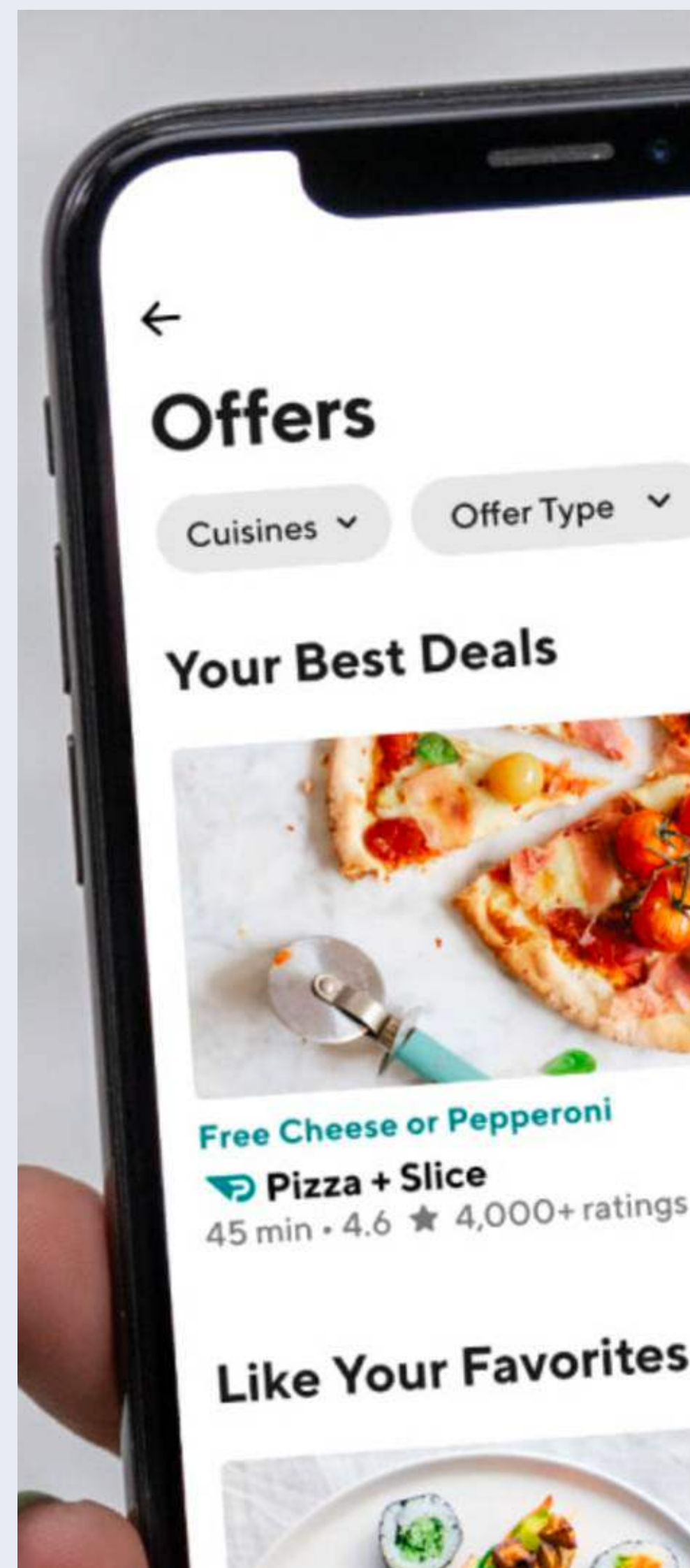
Although email and Instagram may provide high ROI, QSRs shouldn't overlook the benefits of using other social media platforms:

The reach and influence of social media is astronomical, and it seems quick-service brands are ruling the social media restaurant scene with their often viral-worthy, witty, interactive, and unconventional marketing campaigns.

To expand their reach even further, QSRs can partner with popular influencers and create additional buzz around their brands.

An [MGH](#) survey study concerning TikTok marketing revealed an astonishing 36% of respondents have visited or ordered food from a restaurant after seeing a TikTok video about the restaurant. Brands can capitalize on the platform's popularity, especially to draw in younger customers.

Besides providing an avenue for reaching customers, social media is a customer feedback treasure trove. With the right social listening tools, QSRs can have a clear view into customers' exact needs and wants.



Fail to Deliver on Delivery

Customers continue to enjoy the benefit of ordering food and getting it delivered right to their doorsteps. It's the ultimate convenience.

The ultimate inconvenience is slow delivery times and cold, soggy food. And customer disappointment means more negative reviews.

Delivery prices are often steep; for that very reason, customers expect to receive impeccable value for their money.

According to a [survey](#) conducted in 2022, more than half of global consumers expect online food orders to be delivered within 30 minutes or less. For a third of respondents around the world, long delivery time is a top frustration.

To ensure customer satisfaction, brands can:

- Invest in a robust order management system to streamline the entire delivery process, from order placement to delivery tracking.
- Consider partnering with reliable third-party delivery services if they don't have a dedicated brand app.
- Implement real-time order tracking, which allows customers to monitor the progress of their delivery.
- Invest in quality, preferably eco-friendly, packaging that maintains food temperature, prevents leakage, and preserves freshness.
- Provide personalized offers—by leveraging data analytics, QSRs can tailor promotions and discounts based on customer preferences and order history.
- Regularly seek customer feedback and analyze delivery performance metrics to identify areas of improvement.



Ignore Neutral Reviews

Engaging with positive and negative reviews plays a vital role in establishing trust with customers. However, many businesses tend to overlook neutral feedback. Impartial customers may be on the fence and can be persuaded in either direction: neglect their remarks and potentially turn them into detractors, or implement proactive, strategic measures to address their feedback to turn them into promoters.

Moreover, these reviews can be a gold mine for restaurants. They generally contain both negative and positive feedback, meaning brands can extract a great deal of useful information.

Lower Quality of Food

TouchBistro's 2022 Diner Trends Report showed that 68% of those surveyed ranked food quality as the most important factor when deciding where to dine, indicating that customers expect consistency and value for their money. So cutting corners on ingredients or compromising the quality of food can prove damaging.

Fail to Meet Changing Customer Expectations

The demands of customers change in tandem with technological advancements. Today, they have access to multiple digital channels to learn from reviews or voice their own opinions, leading to heightened expectations or stronger preconceived notions of what the restaurant experience will be like before making a dining decision.

One thing is for certain—potential guests are going to conduct their own research, and it's each brand's responsibility to keep online reputation integrity intact.



Beating the Odds

Considering all these dos and don'ts, one question still remains: How can QSRs do all this while facing the pressures of an ever-evolving economy and industry?

The idea of collecting unimaginable amounts of data and miraculously transforming it into usable insights may seem extremely daunting. But in truth, the technology to do so has evolved to become more accessible, to make life easier for individuals, and to become an integral part of business operations. All it takes today is an open mind; a clear understanding of immediate and future operational needs, including truly understanding customer and workforce needs; and the confidence to innovate.





Empowering leading restaurant brands in their relentless pursuit of best-in-class hospitality with the industry's greatest source for experience intelligence.

About GuestXM

Gain full control of your brand—from how it's perceived to how it performs—so you know exactly what impact your team can make to transform your brand's hospitality and deliver remarkable restaurant experiences.

Visit guestxm.com to discover what's possible.