

The Digital Transformation of Hospitality Report 2021

Exploring digitalisation within the hospitality industry. Where are we now and where do we need to be?



Introduction



Nick Popovici
CEO / Founder
Vita Mojo

“

The pandemic brought on a rush of technological innovation and adoption that has been lifesaving for many hospitality businesses. As the dust starts to settle on the Covid crisis, operators are now taking a step back and starting to think about how technology can support and complement their business in the long run. As ex-operators, Vita Mojo always wants to keep a finger on the pulse of the industry.

We joined forces with Hospitality Mavericks and KAM Media to conduct in-depth research into the digital transformation of hospitality to understand how we can drive innovation while maintaining the human element at the core - improving the experience for employers, staff and customers.

”

The following report is built upon a series of interviews and surveys conducted with hospitality businesses, including pubs & bars, coffee shops & cafes, casual dining restaurants, fine dining restaurants, QSRs, hotels and nightclubs. These included single-site operators through to those with 100+ sites. There were 102 respondents in total, throughout March - May 2021, representing over 4,000 sites.

Contents

- Page 4** **State of the nation | Where are we now?**
- Page 5** **Digital tools and cohesion | How to integrate a digital strategy**
- Page 6** **Investment and resources for digital**
- Page 7** **The value of data**
- Page 8** **How ready are you for digital transformation?**
- Page 9** **Business strategy for digital**
- Page 10** **Digital transformation in action | Case studies**
- Page 11** **Successful implementation | Operator 'wins'**
- Page 12** **Guide to digital transformation | Begin your journey**
- Page 13** **Your journey towards digital transformation**
- Page 14** **About us**

State of the nation



According to a study from Harvard University, hospitality is far behind other industries when it comes to digital transformation. The study found that digital leaders stand out from their competitors in two ways: how they put digital to work, especially in engaging with clients and suppliers, and how intensively their employees use digital tools in every aspect of their daily activities.

Industries with rich heritages often struggle with major change and there may be a danger that historical attitudes and traditional 'ways of doing things' are a potential barrier to bring digitalisation to the forefront of business strategy. One of the key challenges around implementing a digital strategy is the fundamental understanding of what digitalisation means.

50%
of consumers think that hospitality venues are behind other leisure and retail operators when it comes to their use of technology**

Digitalisation is the use of digital technologies and data to create revenue, improve business, and create a digital culture with digital information at the core. It converts processes to be more efficient, productive, and profitable.

Source: NetGuru

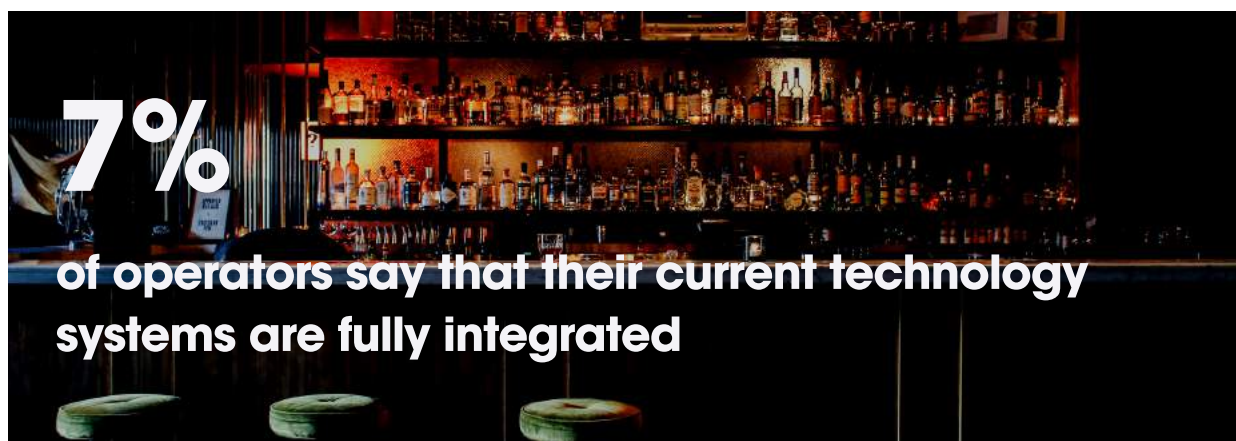
If we look at the industries that were early adopters in digital transformation there is a huge difference in general business performance among them. What really sets the leaders apart is the degree to which they put digital tools in the hands of their employees to ramp up productivity.

It's all well and good implementing some digital tools (be that order & pay, EPOS or a CRM system) but the key to future-proofing a digital strategy is to ensure that each individual digital element connects seamlessly. We may have digital tools but do we have a digital strategy to survive and thrive in the future?

*Source: Harvard Business Review April 2016

**Source: KAM Media 'Technology Enhanced Hospitality' Oct 2020

Digital tools and cohesion



Our research shows that digital transformation IS happening within the industry. Interestingly, most technology adoption has been in customer-facing solutions, as opposed to improving back-of-house operations. But, it's this operational technology that has the most potential for saving time and money.

Using digital tools for both customers and back-of-house is essential for streamlining your operations. However, if those tools aren't integrated, you'll still face challenges. Using multiple solutions from multiple suppliers is inefficient and complicated. Nowadays, operators are using as many as five different suppliers across their suite of digital tools.

From customer experience to speed of service and staff workload, having an integrated suite of tools will help your business run faster and more efficiently. Implementing digital technology is a no-brainer.

Operators are using the following digital solutions:

- EPOS | 75%
- BOOKINGS | 65%
- CUSTOMER INSIGHT | 58%
- MOBILE ORDER & PAY | 55%
- CRM | 54%
- CLICK & COLLECT | 48%
- PROCESS MANAGEMENT | 51%
- LOYALTY PROGRAMME | 41%
- AGGREGATOR DELIVERY | 32%
- KITCHEN MANAGEMENT | 27%
- OWN DELIVERY | 22%
- SUBSCRIPTIONS | 16%
- KIOSK | 5%

Investment and resources for digital

80%

of operators don't have a set budget for digitalisation

When asked what the biggest obstacles were in implementing a digital strategy, it highlighted two key factors: budget and resource. While 60% of operators have a dedicated person responsible for their digital strategy, just 20% have a set budget. But despite the lack of investment, it's still on the agenda for many operators; 63% feel they haven't invested enough in digitalising their business and 93% plan on increasing their spend over the next three years.

63%

of operators feel they haven't invested enough in digitalisation for their business to date

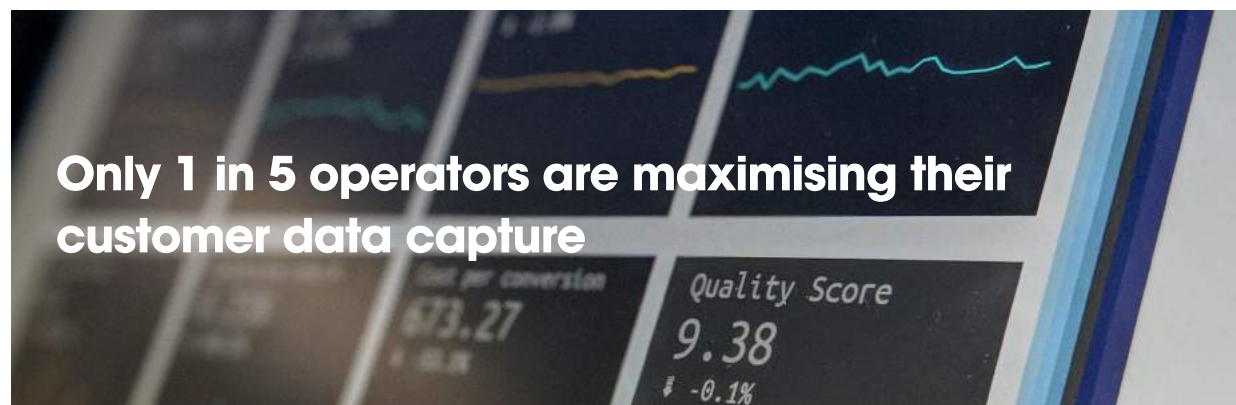
Of those responsible, nearly 80% have a separate full time job, meaning digitalisation is not a core function of their role, and suggests it's implemented on an ad-hoc basis as an additional responsibility or side project. This disparity highlights that while operators recognise the benefits of digitalisation, it's still not considered a core part of the wider business strategy.

60%

of operators have a dedicated role responsible for digitalisation

Lack of up-front commitment to both the overall strategy and resources needed to go beyond the initial set-up phase are some of the key reasons why digital transformation fails. A forward thinking management approach is required to ensure that the wider business is structured in a way that allows digitalisation to integrate across all levels of the business and ensure buy-in at each level too.

The value of data



Customer and business data is one of the most valuable commodities for any business, and the hospitality industry is no different. While we found that operators are gathering data using digital tools and systems, they're not capitalising on it. When questioned, 58% of operators believe that technology can help them in their quest to better understand their customers.

Having data is one thing but knowing what to do with it is another. And it only gets harder the more technology you use, especially if that technology isn't integrated. Without a central data point, it becomes impossible to effectively analyse and make the most of your data across multiple systems. With nearly two thirds of operators using two or more technology suppliers and one third using more than six, it comes as no surprise that 74% of respondents list 'better data insight' as a key goal for digitalisation.



Customer data, when integrated and analysed, provides the intelligence that marketers need to drive short-term sales and the whole business needs to power brand development and build long term business resilience. Investing in technology and the data it generates is a sound and measurable investment with an increasingly proven ROI.

We've seen it in other industries but hospitality has been slow to recognise that we live in the era of personalisation and data enables us to deliver that.



Victoria Searle
Founder, DataHawks

How ready are you for digital transformation?



For many senior leaders, they're simply not ready for the level of digitalisation now required, which isn't surprising given the speed at which the pandemic catapulted the industry into the digital world. The lack of digital know-how means gaining buy-in has proved difficult.

The fact that senior managers said they were too busy keeping their business open and operating during the pandemic, highlights that they just don't see digital technology as an enabler.

Having said that, many operators recognise that they can no longer put off digitalising their business, which means investing time and money. The pandemic has forced many operators to reprioritise digital in their strategy and do so quickly. Educating themselves while juggling the running of the business is proving challenging.

“

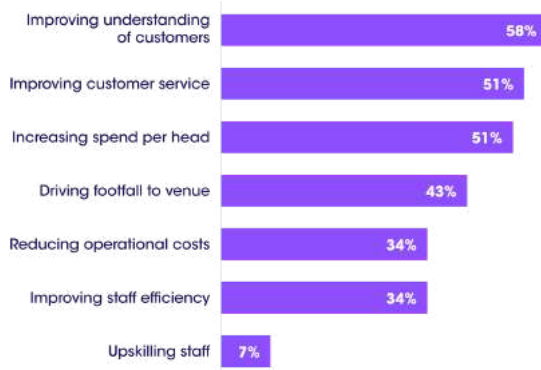
We have a lack of know-how and knowledge of digital in general. We are too busy with running the business to learn digital skills and we're terrified of making mistakes. We also struggle to find the right personnel who are sufficiently competent to handle digital technology. Services from digital marketing firms are too exorbitant and they tend to let you down.

”

Operator quote

Business strategy for digital

What do operators see as the potential upside to a good digital strategy?

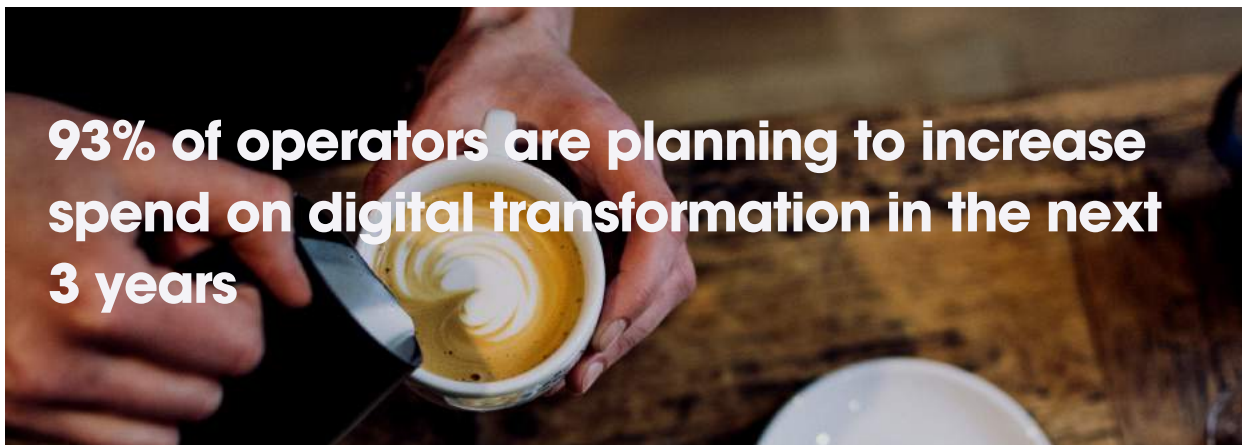


Despite current shortcomings with a fully integrated digitalisation strategy within hospitality, there is a strong desire to drive improvement and innovation: 93% of operators are committed to increasing investment in digital over the next three years. The challenge now is to ensure that investment is backed with a clear strategy. Without it, there is a danger that investment might only focus on the short-term, rather than forming a part of the wider strategy that creates a step-change in the business for future success.

What is the key goal for digitalisation?



Operators understand the benefits of a sound digital strategy and that on a basic level, it can improve efficiency and reduce operational cost. But beyond that it can give you insight into your customers and what they want. And that's where the real value is. Not only will this help you better manage your stock, you'll be able to tailor your offering to improve the customer experience, while boosting loyalty and spend.



93% of operators are planning to increase spend on digital transformation in the next 3 years

Digital transformation in action



Recognising a shift in customer behaviour, in 2020, LEON developed its digital strategy to ensure they could offer smart digital ordering to customers in every restaurant. Now they have a digital infrastructure in place, LEON is focused on using the data gathered from those digital channels to deliver more value to customers, while continuing to grow as a multi-channel business.

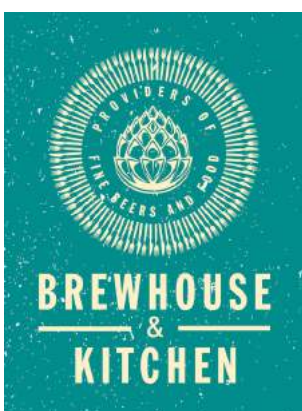
“ Before digital ordering, LEON had 250K customers coming through its doors each week, but we had no transactional data for any of them. Now we have data for every transaction and we’re using that data to deliver more value to our customers. ”

Hugo Engel, Leon Restaurants.



When the UK went into lockdown for the first time, YO! seized the opportunity to innovate its operations and accelerate its digital transformation. They worked with the Vita Mojo team to create a single, fully integrated tech ecosystem for their restaurants, which was then rolled out in just six weeks.

Through its digital transformation, YO! has achieved a significant reduction in labour costs and decreased food waste in their restaurants, while evolving the customer experience to meet the needs of their customers and the market.



In the wake of the 2020 Covid-19 crisis, UK pubs were amongst the hardest hit. The Brewhouse & Kitchen team, headed by CEO Kris Gumbrell, were quick to look at how behaviour was changing and planned how they could adapt to meet customers' needs.

After using one mobile order & pay platform as a short-term solution, they soon realised they'd need something more robust to serve their business over the long-term, both during the pandemic and beyond. Partnering with Vita Mojo to develop a digital solution that met their specific needs, Brewhouse pioneered a whole new digital approach for their pubs. They successfully adapted their business to keep trading during the pandemic, while increasing their average spend per head by almost 30%.

Successful implementation

Some recent successes from operators within their digital strategy include speeding up processes, improving staff efficiencies and increasing customer awareness and spend. These successes clearly demonstrate the halo impact of an integrated digital solution on the total success of a hospitality operation.



“

Swift implementation of e-commerce and order and pay solutions as a result of the pandemic actually sped up our delivery of these products to customers and in turn improved productivity and spend.

”

“

The digitisation of table bookings provides the business with enhanced customer data, such as visit behaviour and database sign ups, while also helping staff with labour planning. This also eases pressure on pub teams by reducing phone calls to the pub at busy times.

”



“

We have improved efficiency and saved time. We've also improved the guest experience, reduced waste and delivered higher standards of service.

”



Operator quotes

Guide to digital transformation

1 Create a digital strategy

Create a digital strategy that supports your overarching business goals. It's important to start with clear and measurable objectives to keep you on track. Get crystal clear on your vision. Know what outcomes you're seeking, where you want your business to go and explore how digital can help you get there. Clearly outline what you want to achieve through digital over the next 12-18 months. Consider your big picture goals for areas such as labour efficiency, data, marketing, user experience, sustainability and scalability. Once you have a strategy in place, you'll have a clearer idea of what you need to support it and can start to source and assign the right level of resources to execute on your strategy.

2 Less is more when it comes to tech providers

The fewer providers you have to deal with, the quicker you can grow, while achieving cost savings along the way. Choose a tech partner you can trust and who is constantly innovating. When designing your business' tech stack, prioritise simplicity in your operations. As far as possible, look to get a single system for managing and fulfilling all orders, and build the rest of your tech ecosystem from there.

3 Empower your workforce with technology

The initial driver for change typically starts with serving your customer, but don't underestimate how digital can transform your business as a whole. Technology can transform every part of your business so it's important to look at how it can empower your workforce and increase labour efficiency in addition to optimising space usage, managing order capacity, maximising production and reducing waste.

4 Tap into your data

If you're already using digital tools in your business, you'll have data at your fingertips that you can start to use. Start by looking at simple things like how many customers have opted into your mailing list? What are the top items ordered from your menu? How many of your customers are regular repeat visitors? Based on this information you can start to develop campaigns to encourage more customers to subscribe to your mailing list, upsell menu items, and reward loyalty with special offers.

5 Join a network, get a mentor for peer-to-peer learning

Hospitality has and always will have people at its core. In an industry like ours, peer-to-peer sharing and learning is more important than ever. Tap into your network, set up groups with other operators or grab a coffee to share ideas, knowledge and learnings on digital transformation. This doesn't mean just copying and pasting what your neighbour does, but taking best practices that can be applied to your organisation.

Your journey towards digital transformation

No one could have predicted where the hospitality industry would be in 2021. The global pandemic accelerated the introduction of digital ordering and the growth of delivery marketplaces. Restaurants, pubs and cafes have found new customers to serve and new revenue streams to explore. Some businesses have been entirely transformed as a result.

However, this digital tech rush hasn't been without its downside. Finding quality digital solutions in a sea of look alike providers has proven a frustrating and time-consuming process for operators. Many have added a myriad of systems to their tech stack, fitting them together like Lego blocks, bolting on new technology to meet each fresh need. Operators are now starting to take a step back and starting to think with a long-term view on how technology can support and complement their business.

“

The challenge with customer data and the other key pillars of a digital strategy will be to make it 'sticky' - to get customers and employees to fully engage with it.

”

Even with great technology, effective digital transformation requires a lot more than just turning it on. If the process is going to have a truly transformative impact on your business then a holistic approach is essential. In order to transform your business, the decision to implement any digital solution or new technology should be strategic, not reactive.

Before you embark on your digital transformation journey, consider your big picture business goals. Choose technology partnerships that will support you in your journey towards those goals over the long-term, rather than as a short-term fix, because the industry as we knew it has changed. The digital transformation of hospitality is happening and it's time to get on board.



About us



Vita Mojo is the technology company powering the best food and drink businesses in the UK and Europe. Trusted by 80+ brands including Nando's, Brewhouse & Kitchen, YO! and LEON, we're constantly innovating to bring the magic of hospitality to life through digital.

As ex-operators we truly understand what hospitality operators need because your business has always been our business.

From casual dining and QSRs, to pubs and cafes, operators use our technology to transform their operations, and connect with customers to supercharge their growth and success.



Hospitality Mavericks is an advisory business that helps leaders and their teams to become unshakeable by unleashing their true potential to achieve a competitive edge and make a positive impact on their people, communities and the planet.

We've worked in the sector from start-ups to multinational chains improving people and technology processes - fixing today's problems and future-proofing tomorrow. So if you're prepared to think differently, to challenge accepted norms in search of a competitive edge then we should be talking.



KAM Media are research and insight experts, providing the tools to understand your customers' journeys. Using consumer and operator research and insights to help identify the ways in which your business can improve.

Whether your customer is the end consumer, an independent retailer or a hospitality operator, understanding and influencing their journey is vital to any business. Our research and insight tools and services are designed to help you better understand why, where and how to create impactful and engaging customer experience.