

**Navigating rising costs:
How tech can make
your hospitality brand
more resilient**

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Introduction

As the hospitality industry approaches one of its biggest financial challenges yet, with April's higher minimum wage, increased National Insurance Contributions (NICs) and business rate changes, it is no longer sustainable for brands to simply cut costs and reduce staffing.

To mitigate the rising operational costs and the expected decline in discretionary spending, hospitality businesses are taking a strategic, tech-driven approach to improve efficiency and increase margins.



In this guide, we'll highlight how existing brands are responding to this cost challenge by:



Leveraging technology and innovative efficiency driving solutions



Focusing on sustainable, scalable growth instead of rapid expansion



Prioritising tech partnerships with vendors who align with their long-term vision

Brands that successfully navigate the National Insurance and minimum wage increases recognise technology as a growth enabler and a powerful tool to support resilience.



Key takeaways

QSR brands remain the most resilient to rising labour costs and a reduction in discretionary spending. However this consumer sensitivity to price increases means that all brands must consider sustainable mitigation strategies.

Leveraging technology is no longer negotiable to build resilience, boost efficiency and protect your bottom line. Automating repetitive tasks, reducing labour costs, and managing waste are crucial strategies to navigate the new budget.

Tech-driven solutions should promote sustainable, scalable growth for operations from day one. This includes diversifying revenue streams, focusing on building consumer loyalty and providing strong reporting.

Giving your customers the choice about how they interact with your brand e.g. self-ordering kiosks versus ordering with a cashier, will positively impact customer sentiment and profit.

Brands need to prioritise tech partners over tech providers. Partners build and manage multiple solutions customised to your operation and innovate alongside your business as it grows.



The cost challenge in hospitality

Many brands are already in a good place to meet the challenge head-on, while others are mitigating damage as best as they can. Here is the current state of play for the industry.

The impact of the budget

Sector-specific trends

Our research shows that quick-service restaurants (QSR) are performing well, despite the budget, due to their infrastructure and consumer demand for 'value' offerings. In fact, large QSR brands are currently in a good position to expand.

Conversely, casual dining brands face harsher growth restrictions due to resistance in consumer discretionary spending. Additionally, despite many businesses embracing tech in their operation, casual dining brands generally aren't keeping pace with their QSR counterparts with digital transformation.

Raising prices vs. consumer expectations

To offset rising costs, some operators are opting for a 12% - 15% price increase to recover lost margin. While this strategy may have short-term benefits, there is growing concern that consumers will be resistant to inflated prices due to the cost-of-living crisis and the widespread media narratives surrounding it.

A reduction in discretionary spending is likely to negatively impact business revenue, so brands must strike a balance between upholding consumer expectations and protecting their bottom line.

The path forward

Most operators are already working with a razor-thin labour model, so reducing staff isn't a sustainable option. There's no need to reinvent the wheel; simply optimise what you already have:



Reallocate staff where they provide the most value to the guest



Leverage technology to create greater efficiency and higher throughput



Plug revenue leaks with automation, such as smarter inventory management and labour scheduling



Businesses will face a reduction in EBITDA by 20-50% before any mitigation



Payroll costs will increase by 12%-14% across the board



Some hospitality businesses are cancelling growth plans, including expansions, acquisitions and refurbishments, to mitigate cost pressures



The role of technology in driving efficiency

With employee costs reaching record highs and most brands already working with minimal staff, hospitality operators need to look at new ways to save costs and increase margins. That's where technology comes in.

A key way to improve efficiency is by automating certain customer service tasks, such as ordering and making payments. You can then reallocate staff to where they can add better value to the customer experience.

Three ways technology is enhancing efficiency in hospitality

Self-ordering Kiosks

Kiosks reduce reliance on staff, speed up service and improve average transaction value (ATV). Customers are typically more receptive to up-sells via Self-ordering Kiosks thanks to intuitive basket and bundle recommendations.



Pay at Table functionality

Digital menus are massively favoured by younger generations (95% of Gen Z). Offering more digital order and pay options can increase table turns and improve customer sentiment since they remove the necessity to wait for staff.



Click & Collect options

Diversifying and expanding your ordering channels improves customer convenience, increases engagement and supports revenue growth.





How real businesses are adopting tech-driven efficiency



According to our research, most medium and large businesses are conducting thorough tech-stack reviews to identify bottlenecks or inefficiencies in their operation. This is a fundamental step in ensuring your tech is fulfilling critical business goals.



Many large operators are beginning to implement and invest in various tech-based strategies ahead of the April budget, with a strong focus on operational efficiency and productivity tools that streamline processes.



Importantly, our research clearly shows that kiosks remain a critical investment for quick-service restaurants (QSR) aiming to future-proof their business. They speed up ordering, improve ATV, and promote a slimmer labour model.



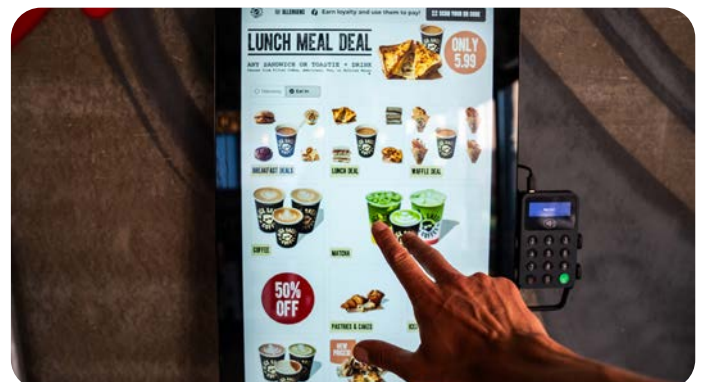
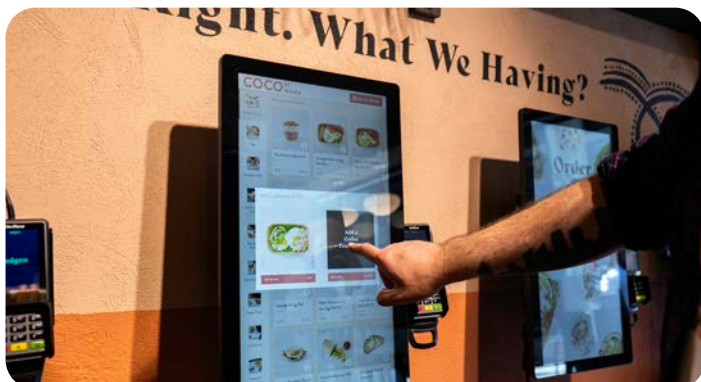
I think technology gives you an option to rethink your model. Instead of having three or four people take orders and one or two people actually make the orders, you could replace those people taking orders with kiosks.

Apart from adding a little bit of a human touch, they're not actually contributing much to the experience. This is especially true in London, where people are used to not wanting to talk to you; they'll just go to your kiosk.

We know for a fact that kiosks increase the average spend because people tend to feel less judged.

Tommy Giroux, Head of Systems, Honest Burgers

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Sustainable growth strategies for hospitality

Operational efficiency is only part of the puzzle. Your tech stack also needs to create a scalable foundation for future expansion. In these challenging times, successful businesses are prioritising sustainable growth over rapid, reactive expansion.

Some growth strategies involve a careful review of profitability per site. Other operators are looking to maximise the performance of their existing sites before expanding further.

Here are three sustainable growth strategies:



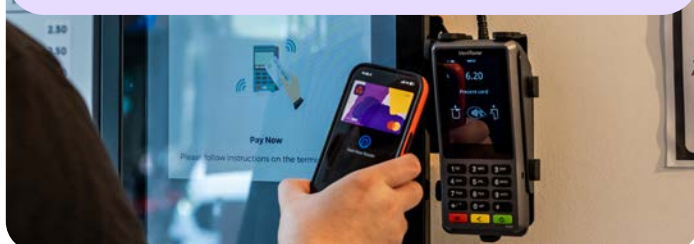
Technology as a growth enabler

Despite numerous operations cancelling their growth plans as a result of the budget, forward-thinking brands are leveraging technology to streamline current operations and facilitate strategic growth:

An Ireland-based coffee brand is exploring KDS (Kitchen Display Systems) to diversify and expand its offering to include office catering.

Another coffee operator is aiming to add 15-20 new stores over the next three years and emphasises the need for scalable systems with the importance of back-end reporting.

A mid-market pizza brand is focused on long-term partnerships with tech providers that align with their vision rather than rushing decisions.



Tech-driven revenue boosts

To sustainably scale despite the budget, brands are implementing reliable, technology-driven strategies to boost revenue across their entire estate during peak periods:

Expanding sales channels: Brands are diversifying their revenue streams with online ordering and third-party delivery partners to take advantage of peak periods.

Intelligent upsells & basket recommendations: In addition to driving higher average transaction value (ATV), smart up-sells and basket recommendations aid in mitigating waste through clearing short dated stock.

Pay-at-table functionality: Speeds up service and reduces table turnover time, freeing up space for more customers and higher revenue.

Customer retention & engagement: Since all hospitality brands rely on discretionary spending, most operators are focusing on increasing customer loyalty to encourage repeat customers.



Data-driven decision-making

A common trend shows brands adopting a careful, phased approach to scaling their businesses. To sustainably scale across new sites, real-time data and strong reporting are essential.

Tech-based solutions like online ordering, for example, are seen as critical for handling volume and improving reporting.

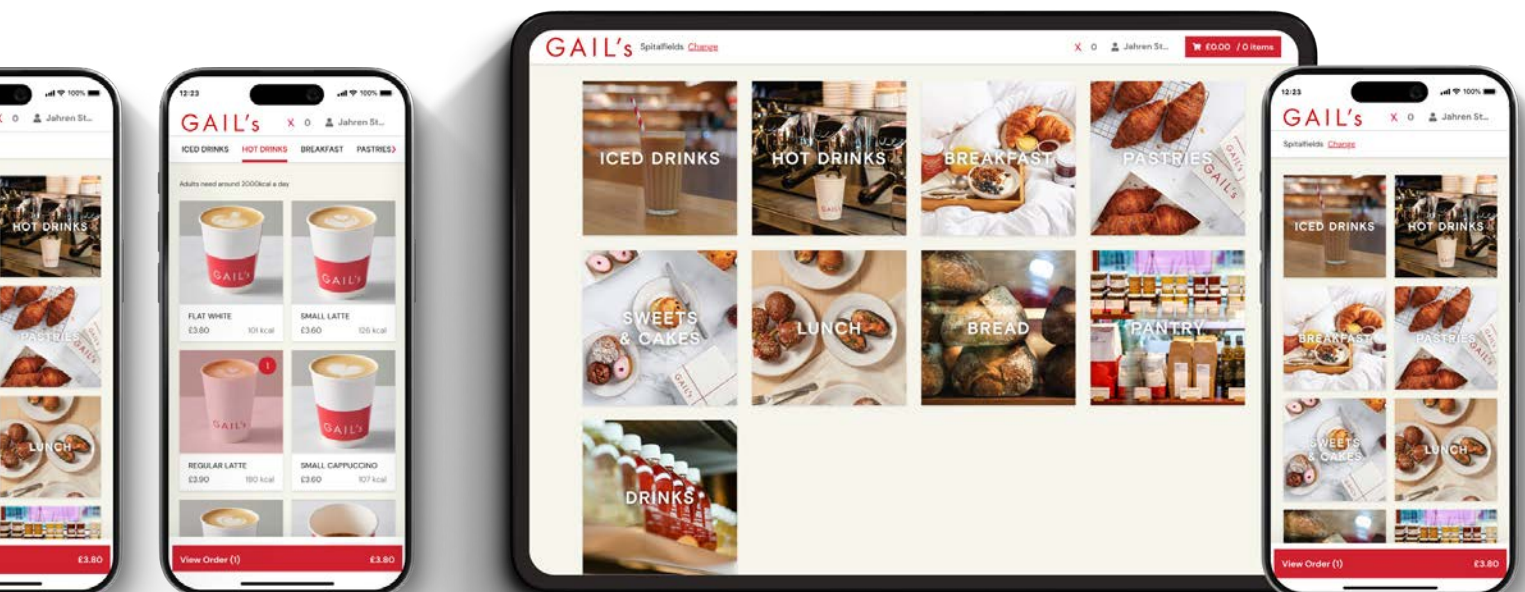


Take some time up front to think about where you want to go in three to five years. A lot of what we did in the early years, we picked partners that weren't scalable or didn't quite align to the needs that we had even then, let alone needs as they changed.

But that's something Vita Mojo were great at: building flexibility into the systems. We knew we could input into the road-map and would end up with a product that we were going to be genuinely proud of and that would actually solve problems

GAIL's

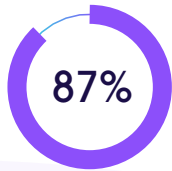
Rosie Hill, Head of Ecommerce at GAIL's Bakery.





Choosing the right hospitality tech partner

Operators who thrive in a challenging economy recognise technology as a growth enabler and understand the importance of choosing the right partner to deliver it.



87% of larger businesses have reported frustrations with their current POS; a concerning number given the present importance of tech efficiency.

What is a technology partner?

Unlike tech providers who offer “out of the box” solutions, tech partners provide a more consultative approach; they build and manage multiple solutions customised to your operation, and innovate alongside your business as it grows:

Streamline your operations

Centralise your tech stack and remove the headache of siloed data.

Enhance your customer experience

Diversify your ordering channels, reduce wait times and improve ATV.

Keep you competitive

Stay ahead of industry trends with automation and real-time data-driven reporting.



Attributes of a good tech partner

A common trend throughout our research is cautious, strategic growth. Good tech partners should facilitate sustainable and scalable growth, whilst valuing technological innovation and being able to handle more complex business operations over time.

Brands are putting strong emphasis on choosing partners, technology and strategies that align with these long-term goals.



How do you choose the right tech partner?

Every tech partner will claim that their solution will benefit your operation; it's up to you to vet their claims. Here's some questions to ask your potential technology partner:

1. How quickly can the tech provider launch new order channels?
2. Will adding new locations or menus cause additional complexity in the back end?
3. How many product updates has the tech provider made in the last year?
4. How easy is the tech to install and launch, and how quickly can new teams be trained on it



For an in-depth look at choosing the right tech, check out our [Hospitality Tech Buyer's Guide](#).



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Vita Mojo's powerful digital ordering platform and obsessive approach to client success make them an exceptionally valuable partner for any restaurant brand.

Hugo Engel, Head of Digital

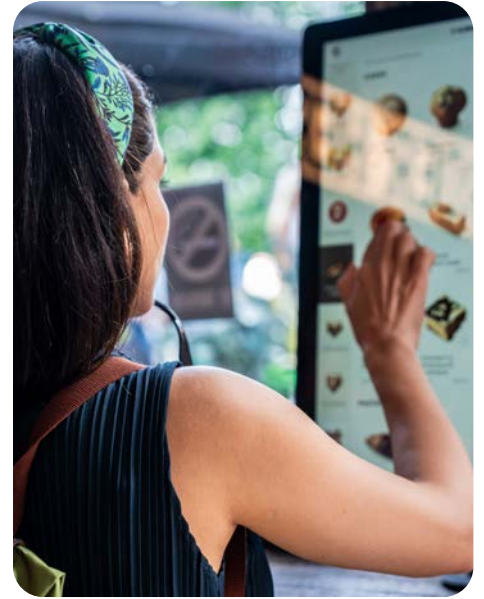


Key takeaways and actions for your hospitality business

The hospitality industry is facing one of its greatest challenges yet, but the most successful brands are navigating these uncertain times by remaining forward-thinking and embracing innovative technology.

By implementing tech-based efficiency strategies, choosing partnerships committed to your long-term goals, and prioritising sustainable growth, your operation will be well-equipped to survive the coming budget and beyond.

We've put together a quick checklist summarising the key points of this paper for you to implement into your operation today:



Audit for efficiency

- ✓ Conduct a thorough review of your existing tech stack to identify bottlenecks and inefficiencies in your operation
- ✓ Consider where your staff add the most value to the guest experience and what tasks can be automated for increased productivity
- ✓ Explore which tech-based solutions are best suited to your operation (e.g. QSR brands should consider self-ordering kiosks and casual dining brands should consider Pay at Table functionality)
- ✓ Prioritise exploring tech options that support sustainable, scalable growth



Tech and scalability

- ✓ Identify whether you have the capital to continue expanding, and if not, focus on maximising the performance of your existing sites first
- ✓ Consider diversifying your revenue streams to support revenue growth (e.g. QSR brands should consider Click and Collect, and casual dining brands should consider third-party delivery partners)
- ✓ Focus on customer engagement and retention through personalised loyalty programmes and using tech to improve guest experience



Choosing the right tech partner

- ✓ Focus on finding a tech partner, not just a tech provider
- ✓ Prioritise a partnership that aligns with your operation's long-term vision
- ✓ Focus on partners that facilitate sustainable, scalable and cautious growth over hasty, reactive expansion
- ✓ Ask the right questions before committing to a tech partner

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"We genuinely feel the love and the interest in making sure that Honest Burgers is successful and making the most of the technology. Having that relationship with the entire Vita Mojo team just makes everything easier."

Tommy Giroux, Head of Systems



The ultimate tech partner

Book a chat with one of our hospitality tech experts to learn more about how a partnership with Vita Mojo will help you streamline your operation and effectively navigate the cost pressures in the hospitality industry.

[Book a chat](#) 