

wi-Q TECHNOLOGIES

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# THE MOBILE ORDERING DEFICIT

How can hospitality catch up, improve the customer experience and boost revenue?



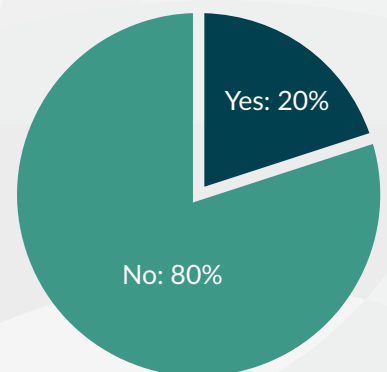
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## INTRODUCTION

Whilst the consumer demand for mobile ordering is well reported, research into the hospitality providers' perspective on the technology is lacking. Hence Wi-Q Technologies, in partnership with The Caterer, published their own survey, exploring how many hospitality providers offer mobile ordering, how many have it on the roadmap, and if neither, why? Interestingly the subsequent headline statistic published by The Caterer was that 80% of hospitality businesses surveyed do not offer mobile ordering. This whitepaper will dig deeper into the causes of this demand-supply lag, exploring what consumers and hospitality providers want from the technology, the shortfalls of the current 'go-to' solution and finally the emerging, industry transition to cloud technology, and how it will help forward-looking hospitality providers engage with Millennials and Generation Z, improve the experience for all consumers and boost revenue.

Do you currently offer a mobile ordering solution to your customers?



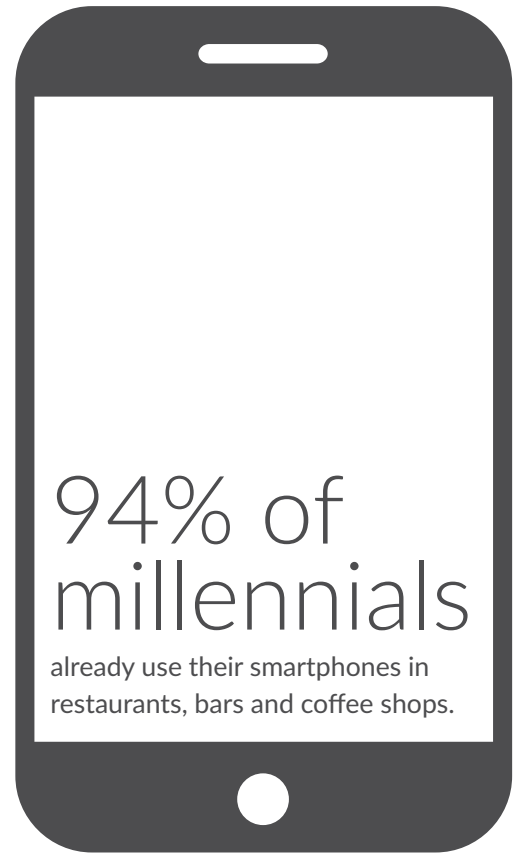
# CONSUMER DEMAND FOR MOBILE ORDERING

The major driving force behind this growth is the millennial and generation Z population. A recent Oracle Hospitality Survey found that 94% of millennials already use their smartphones in restaurants, bars and coffee shops, and that the majority want to be able to order food for delivery or takeout from their mobile device (Oracle Hospitality, 2016). The same survey also found that millennials eat in restaurants more often than non-millennials -3.4 times per week versus 2.8 times per week - and that 41% of them, want to use mobile ordering more liberally, for example, ordering from their table within the restaurant. The coffee shop chain, Starbucks, although in a very unique position, have also demonstrated the demand for mobile ordering via the success of their native mobile app.

Native mobile apps are installed through an application marketplace such as Apple's App Store or Google Play, and are developed specifically for one platform. Once they are installed they can access and utilise all of the mobile devices' functionality.

The company has 13 million active members in its Starbucks Rewards program, and overall, mobile order and pay represented 7% of U.S. company-operated transactions in the first quarter of 2017 (Forbes, 2017). Whilst it has recently been reported that the app is creating congestion in the 'pick-up zone', it has nonetheless proved there is a growing consumer demand for mobile pre-ordering. For all quick service restaurants (QSR), fast food outlets and coffee shops - venues millennials engage with the most (The Harris Poll, 2017) - mobile pre-ordering is expected to be a \$38 billion industry by 2020 (Business Insider, 2016). Interestingly, this growth is not just from new orders, but an increase in order value. Taco Bell reported that orders via mobile were on average, 30% greater than in store orders (Business Insider, 2016).

The demand for mobile pre-ordering within QSR, fast food outlets and coffee shops is however only one subset of the mobile ordering industry. The main challenge for hospitality providers outside of this subset, is to seamlessly integrate mobile ordering, whilst keeping the human element of service where consumers value it most. Whilst it is evident in Oracle Hospitality's survey of 9000 respondents that Millennials increasingly want to use mobile devices for mobile pre-ordering, in-venue ordering and to order hotel room service, a large proportion of them still favour human interaction and personal service (Oracle Hospitality, 2016). Whilst the consumer expectation of human interaction will vary between a QSR and a 5- star hotel, technology such as mobile ordering and data analytics, is nonetheless redefining what consumers expect in terms of the overall service. Not only do Millennials and Generation Z want more choice, faster, but they also want it personalised (Oracle Hospitality, 2016). A recent survey found that more than a quarter of young consumers value personalisation and customisation more than any other feature offered - coming in only second to prompt and convenient service (PYMNTS, 2017). Hotels already recognise this, often keeping files on guests, detailing their preferences and tailoring the service they provide them accordingly. However, millennials want to take it a step further. 55% of millennials said they want to connect their mobile devices in hotel rooms and 36% said they wanted to be able to access their own entertainment (Oracle Hospitality, 2016). Thus the demand for the technology is there, but it is a risk for providers. What if the technology becomes redundant? What do hospitality providers expect in return for this risk?



39% have also already ordered food via a mobile device

41% expressed an interest in using their devices more liberally - ordering from within the venue for example.

Infographic Source: Oracle Hospitality (2016).



# INDUSTRY EXPECTATIONS OF A MOBILE ORDERING SOLUTION

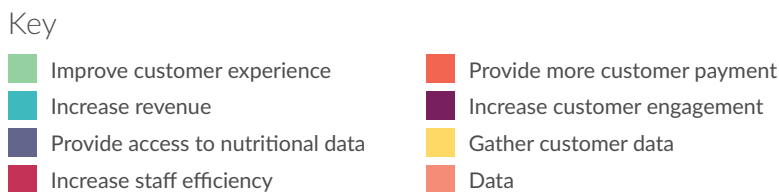
Before diving into their expectations, we first asked respondents about their existing technological infrastructure, to gauge their attitude towards technology more generally. In regards to Wi-Fi, 74% of respondents confirmed that they offer free Wi-Fi for their customers, and 33% agreed that 70-100% of customers use this service. Of the 20% of respondents who offer mobile ordering in their venue; the majority of them provide the service via their own native mobile app. However, almost a third of respondents (29%) said that they were considering investing in mobile ordering technology this year, after 45% agreed their business attracts millennials and 55% agreed their businesses attract international tourists.

What then do hospitality providers expect from a mobile ordering solution? What barriers have prevented a faster, more universal deployment of the technology? One of questions the survey asked was “What would you like / expect your mobile ordering solution to do for your business?” Respondents could then select multiple pre-determined answers or specify their own.

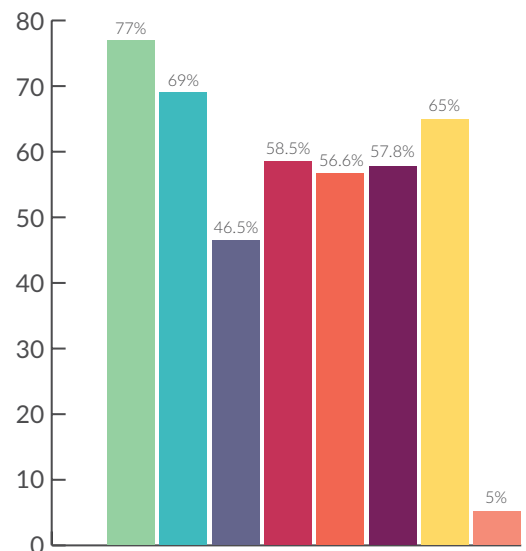
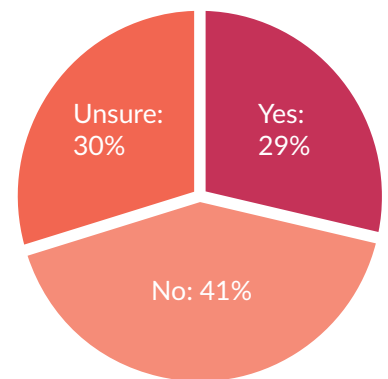
Contrary to many predictions, the most popular answer was not ‘increase revenue’. The most popular answer, selected by 77% of respondents, was ‘improve customer experience’. Respondents prioritised the customer experience over more measurable key performance indicators such as increase revenue, gather customer data or increase staff efficiency. ‘Increase revenue’ was however the second most popular answer. This ranking relates well with another section of the survey, where respondents agreed that the barriers to implementing a mobile ordering solution revolved around the initial investment i.e. app development. This barrier is of course not specific to the hospitality industry or mobile ordering technology. It is however a barrier which will be increasingly negated thanks to the rise of cloud computing and pricing models such as infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS).

Other expectations, as depicted in the graph, include an improvement in staff efficiency, more customer payment options and increased customer engagement. 65% of respondents said they would expect a mobile ordering solution to gather customer data. This is a vital ingredient in the provider’s ability to provide a personalised service for consumers and it is promising to see it as a popular answer.

## What would you like/expect your mobile ordering solution to do for your business?



## Are you considering investing in mobile ordering technology in 2017?



# LARGE ORGANISATIONS VS. SMALL ORGANISATIONS

Respondents, who worked for a large organisation of more than 1000 employees, generally had a stronger consensus about what they expected from a mobile ordering solution.

For example, 59% of all respondents agreed they expected mobile ordering to improve customer efficiency, however, amongst respondents from large organisations, this statistic was 79%. The most popular expectations from respondents from large organisations were improve customer experience and increase revenue, both obtaining 83% equally.

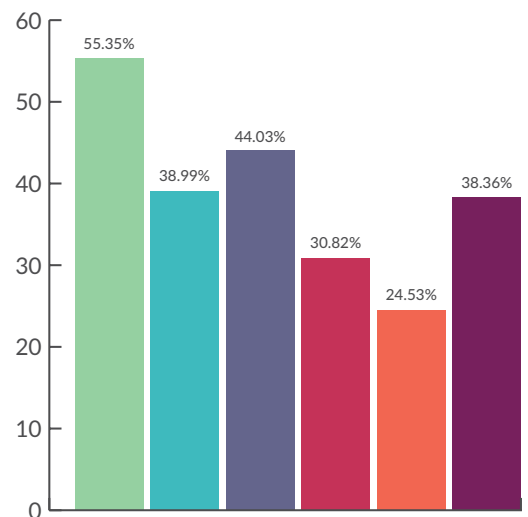
81% of respondents from small organisations expected mobile ordering to improve the customer experience, but then generally, agreed a lot less about their other expectations. In general it could be said that the respondents from small organisations expect less impact on the more quantifiable performance indicators valued by larger organisations, such as staff efficiency and customer data.

The larger organisations – who typically have more demanding stakeholders i.e. shareholders – expect with much more consensus, that a mobile ordering solution should improve and in some cases solve, a range of KPIs and issues; which is justifiable. Mobile ordering has redefined service and disrupted numerous well-established business models in other industries, and why should hospitality be any different? Companies such as Uber have shown consumers the capabilities of mobile technology and thus, in doing so, put in place an expectation of such capabilities across multiple industries. Whilst, hospitality is inherently a more difficult industry to standardise and construct within the framework of a native mobile app, a more ubiquitous solution is needed. Hospitality providers prioritise service, and this requires them to be agile in all facets of their business, including the technology they integrate into their operations.

# WHY AREN'T MORE HOSPITALITY BUSINESSES OFFERING MOBILE ORDERING?

The graph above displays what respondents feel are the barriers preventing them from offering mobile ordering. Despite consumer demand and promising reports from early adopters, 55% of respondents said that capital expenditure costs were the biggest barrier to introducing mobile ordering. Unfortunately this barrier is inherent to the industry's current, 'go-to' solution for mobile ordering, a native mobile app. However, the investment in a native app for some early adopters has produced a significant return on investment. These organisations include Starbucks, Domino's Pizza and other QSR, fast-food outlets or coffee shop chains. Native apps for these businesses have integrated well due to several factors. Firstly, these organisations benefit from higher than normal engagement with tech-savvy millennials (The Harris Poll, 2017). Secondly, these organisations operate thousands of individual stores that all profit from the same native app, spreading the initial investment. Thirdly, these organisations' products and offerings, due to their business model, are more standardised than the typical offering. Consumers know and expect this from these organisations, meaning that their expectation of service, i.e. interaction with employees, is also that of a more standardised social transaction. There is also an argument that these organisations benefited from the first mover advantage, as their native mobile apps had a 'wow' factor and faced less competition in the battle for app 'real estate' on consumers' mobile devices. The app economy in 2017 however, is very different.

## What do you feel are the biggest barriers to introducing mobile ordering technology to your business?



### Key

- Capital expenditure costs
- Integration with existing EPOs
- Maintenance and ongoing costs
- Management and staff training
- Payment integration
- Customer uptake



## THE INDUSTRY'S 'GO-TO' SOLUTION: A NATIVE MOBILE APP

The above statistics are from just one of several app marketplaces, Apple's App Store. Launched in 2008, Apple's App Store has generated Apple and app developers billions of dollars. It is however one of the most competitive marketplaces in the world. In this arguably saturated market, mobile ordering apps do not solely compete within a vacuum. They must fight amongst all apps - including games - for the same limited 'real estate' on a consumer's mobile device. The statistics around engagement also highlight how competitive it is - even once a consumer has downloaded your app. According to a study by technology expert Andrew Chen and mobile intelligence start-up Quetra, the average app loses 77% of its daily active users within the first 3 days. Within 30 days, it has lost 90% and within 90 days it has over 95% (Chen, n.d.).

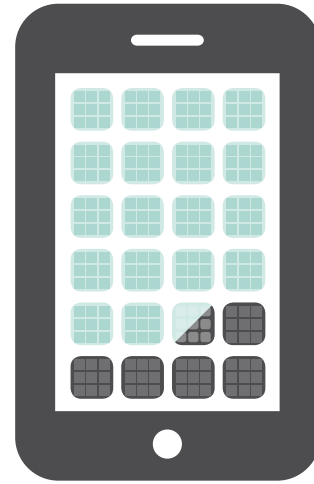
Even outside this saturated market, there is an argument that native mobile ordering apps - particularly on the first use - do not simplify the ordering process enough to make it more convenient than waiting for human service. The Fogg Behaviour Model specifies three elements that must converge at the same moment for behaviour to occur: motivation, ability and trigger (Fogg, n.d.). In a coffee shop queuing scenario, the consumer's motivation is to save time. The trigger in the same scenario could be a poster that informs the consumer the venue has a mobile ordering app.

The ability element determines how easy it is for the consumer to perform the target behaviour, which in this case is to download the app and place an order. Fogg also describes the six elements of simplicity that influence a task's difficulty: time, money, physical effort, brain cycles, social deviance and non-routine. If we look at time for example in the above scenario; to complete the target behaviour, after exposure to the trigger, the new user must:

1. search the relevant app marketplace,
2. find the correct app,
3. download it - which depending on size and internet connection can take several minutes,
4. sign up
5. familiarise themselves with another user interface
6. before finally, placing an order.

Not only is the process time intensive but also intensive on the brain cycle element of simplicity. The brain cycles element describes the amount of mental effort and focus required to complete the action, which in this case is significantly higher than browsing social media and waiting for service.

It may now not be surprising that there is an emerging band of literature on the demise of the app economy. The number of app store applications for 2017 is down significantly, ComScore data suggests that half of U.S. smartphone users download zero apps each month, and if a user does download, according to Flurry Analytics, only 36% of apps are retained after one month and only 11% for a year (Ernst, 2017). But where does this leave hospitality, how can businesses satisfy consumer demand and obtain the economic benefits of mobile ordering outside the constraints of a native mobile app?



Total Active Apps:  
**3,113,982**

As of 11/07/2017

**2,128**

In 2016 Q1 there was an average of 2,128 app submissions per day

**499**

In 2017 Q1 there was an average of 499 app submissions per day.

That's a **77%** decrease.

Infographic Source: Pocket Gamers (2017)



**36%**

According to Flurry Analytics, only 36% of apps are retained after one month

Infographic Source: Ernst B (2017)





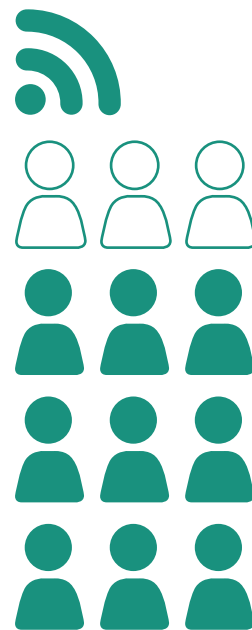
## CLOUD-BASED MOBILE ORDERING: AN INDUSTRY TRANSITION

As mentioned, 75% of the survey respondents provide free Wi-Fi for their customers. The point at which the customer connects to the Wi-Fi is an opportunity. At this point, the customer is already in the venue, they are connected to the Internet and they are on their mobile device, likely killing time whilst they wait for service. It is an opportunity to instantly send customers to a landing page containing the venue's interactive menu, hosted by a cloud-based mobile ordering app.

A cloud-based application is software that lives in and operates from the cloud. They are accessible via the Internet browser on any desktop, laptop, tablet, smartphone or Internet enabled device – without having to download and install anything.

Storing an app in the cloud makes it much more accessible than its native app counterparts. Cloud-based apps can be accessed on any Internet enabled device in the time it takes to load a web page. Whilst they do not have access to the full features of the mobile device, they give users much of the same interactivity and functionality of a native mobile app. In addition, cloud-based apps, which are managed by a service provider, can utilise application-programming interfaces (APIs) to integrate third party data sources or apps. Once the service provider has integrated or updated the software to include an additional functionality, it can instantly be released to all business users without them having to download and install an update. This removes the majority of maintenance, research and development costs from the business user, and allows the software to grow alongside additional emerging technologies and solutions. For mobile ordering, which is still in a relatively infantile stage, this feature is particularly important. There are emerging technologies, such as the Internet of Things and conversational commerce, that will continue to change the way consumers interact with businesses. It is therefore critical that any solutions invested in today, are flexible and powerful enough to work in unison with or even facilitate, future technologies.

This need to continuously innovate is perhaps why cloud-based technologies have been so successful in other industries. Another explanation is that they integrate so seamlessly with our current behaviour, even to the point where consumers and businesses are unaware that they are already using them. Examples include, Office 365, Salesforce, Slack, Quick- Books and Shopify.



75%

of survey respondents  
provide free Wi-Fi for  
their customers



The features and availability of cloud-based apps on a SaaS pricing model, allow businesses to sidestep many of the barriers associated with adopting a new technology. 55% of survey respondents said that capital expenditure costs were the biggest barrier to introducing a mobile ordering service. Yet, the developers of a cloud-based app have already completed the development work. In most cases, the software will only require rebranding.

39% of respondents agreed that an additional barrier was concern over integration with existing EPoS systems. 25% shared the same concern over integration with payment systems. Many cloud-based apps launch with and continually develop integrations relevant to their industry, and if enough users request integration with a system, it will often become a priority for the developers. Shopify for example, a cloud-based app for creating Ecommerce websites, regularly releases updates that enable its users to sell in additional marketplaces or integrate third party marketing software (Shopify, 2017). In regards to hospitality and mobile ordering, such updates could include an additional payment provider such as Apple Pay, the ability to display the menu in an additional language, support for the latest version of Oracle Hospitality software or an API for a new data-driven marketing tool.

Thus there is an opportunity for hospitality providers to make use of cloud-based mobile ordering outside of the subset of QSR, fast food and coffee shop chains whom are already capitalising on mobile pre-ordering via a native app. For some segments, such as stadia, theatres or clubs, where the experience is heavily focused on some form of entertainment, customer's may not miss the human element of service and thus it should not be a concern for providers. However, when the experience is largely dependant on human service, such as restaurants and hotels, it is important that providers implement an un-intrusive mobile ordering solution; one that integrates seamlessly with the overall experience, alongside existing consumer behaviour and employee-consumer interactions. Fogg uses his 'non-routine' element of simplicity, to ask the question "how much the action matches or disrupts existing routines?" Put simply, if the action is quick and simple enough it will not disrupt existing routines or expectations. By making the online ordering menu instantly accessible on any Internet browser, consumers can place an order within a matter of seconds and then get back to their conversation, entertainment, or pay their bill and continue to the next venue uninterrupted. The technology gives consumers unprecedented control over their own experience.

In *The Caterer*, Oli Ingham, head of marketing at Mexican chain Wahaca said "Customers want to be going on to the next bar or heading home, and restaurants are keen to be able to offer a table to their next customers, so it's a win for everyone. If we can ensure that it's a seamless process, there's no reason that anyone using the technology won't become an advocate.



For the first quarter of 2017, Microsoft has revealed that Office 365 commercial revenue is up **51%**



Office 365 users to surpass 100 million in 2017.

Infographics Source: Microsoft (2017) and Redmond (2016)





## CASE STUDY: THE ATLANTIS, THE PALM



At the heart of Dubai's booming tourist industry, the five-star Atlantis resort spans an incredible 46 hectares of The Palm, an idyllic manmade island shaped exactly as its name suggests. The resort's team of 3,200 staff caters for up to 20,000 guests each day, delivering 28 cuisines in 23 restaurants, bars and lounges.

The award-winning resort has, in a relatively short period, established itself as a world leader in the hospitality industry. The Atlantis recently adopted Wi-Q Technologies' cloud-based mobile ordering solution Mi-Room, for its pool and beach area. Anthony Lynsdale, vice president of IT at Atlantis, The Palm said:

“The majority of companies that we have been in conversations with are offering similar solutions to Wi-Q, but you have to download an app. I believe that apps have peaked and they are on their way out; customers just don't want apps clogging up their devices” before continuing, “the future is in web applications. We needed the agility of a web app to overcome integration challenges”.

With Mi-Room, The Atlantis, The Palm guests can access the full F&B menu, filter it according to any dietary requirements, review nutritional information, track their order, call a waiter, and pay via cash, card or charge to room – all without downloading an app. In the outdoor area, where it is often more difficult for hotel employees to spot and recognise demand for refreshments, Mi-Room allows guests to browse the menu, place an order or request assistance, without having to wait or awkwardly get the attention of an employee. To begin with, customer engagement was low, but Wi-Q Technologies and Atlantis quickly recognised a need for more languages. To solve this, Wi-Q Technologies updated Mi-Room to include functionality for the resort's three most commonly used languages, Arabic, Russian and English.

However, there was still one vital ingredient of Fogg's Behaviour Model missing, the trigger. To overcome this, a leaflet with simple instructions in Arabic, English and Russian, was implemented at a location that all guests visit as soon as they reach the beach or pool, the towel station. The resort's staff now hand out a leaflet with every towel. This simple trigger has since increased mobile orders by 300% on some days. External triggers should be implemented until guests are so familiar with the technology, that an internal trigger, i.e. “I'm thirsty” prompts them to order via their own mobile device, eventually making the technology - much like checking social media when you are bored - a habit (Eyal, 2014).

Anthony Lyndale, when asked about the next 12 months in regards to mobile ordering, replied:

“For Atlantis, The Palm, I would like to see a fully operational system across the outdoor outlets, where we have embedded processes and the technology is maturing. Personally, when I look at what myself and my peers are doing, we are already doing so much on our mobiles and I expect that we will extend those capabilities. As an industry, we are going to interact with guests and hotel staff more and more through our mobile devices, integrate systems and improve processes.”



# IMPROVING THE CUSTOMER EXPERIENCE

In directly connecting the customer to its back of house, The Atlantis, The Palm reduce the chance of a negative guest experience by removing the social interactions that can be likely to create them. Example social interactions include getting an employees' attention or the employee taking the customer's order. With a mobile ordering solution in place, guests can continue enjoying their environment without having to worry about obtaining the attention of an employee to order another drink. Even if a guest does want to interact with an employee they can tap the "Call a Waiter" button. Alternatively, if they do not want to interact with the employee, perhaps because of a language barrier, then they can view the menu and order in a choice of three languages. Not only does the ordering process from start to finish take seconds with Mi-Room, but there is less chance of an order error occurring, since the information is sent direct. The opportunity to enhance the guest experience is in the higher-quality social interactions such as welcoming the guests, or serving them their refreshments. Through this methodology, The Atlantis, The Palm, can increase the quality of the average guest experience; by simultaneously reducing the chance of a negative social transaction and also, improving the overall quality of positive social transactions with the increased time employees have to concentrate on fewer guest interactions.

# BOOSTING REVENUE WITH WI-Q TECHNOLOGIES

Award-winning, British start-up company, Wi-Q Technologies have developed cloud-based mobile ordering solutions, Wi-Q for F&B and Mi-Room for hotel guest services. The technology in both products has been developed alongside industry leading businesses, partners and experts. The ubiquitous, fully brand-customisable solutions allow venues to offer pre and in-venue mobile ordering via a cloud-based app, accessible on 3G/4G or Wi-Fi. Your customers access your menu via the internet browser on the their own mobile device and they do not have to download an app— one of the biggest barriers to customer engagement. Wi-Q and Mi-Room support multiple languages; integrate with Oracle Hospitality and offer payment options such as PayPal, and charge to room. Additional integrations include support for data driven marketing tools and several other emerging technologies, enabling hospitality providers to continue investing in technology, whilst concentrating on their #1 priority, the customer experience.

Put your menu in the palm of your customers' hands and give them the power to control their experience. Wi-Q and Mi-Room are available with little or no Capex, quelling the concerns expressed around initial investment. The revenue based, SaaS pricing models allows for a fixed cost control and an instant ROI.

For more information on Wi-Q or Mi-Room please email [info@wi-q.com](mailto:info@wi-q.com) or [info@mi-room.com](mailto:info@mi-room.com). For media and press enquiries please email [press@wi-q.com](mailto:press@wi-q.com)



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