THE RESTAURANT OF THE FUTURE 4.0

HYBRIDS-CONCEPTS: Combining the best concept solutions to be successful in the new normal

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THE RESTAURANT OF THE FUTURE 4.0 is about the creation of hybrid concepts that better meet the current consumer and operational needs but still have the potential for long-term growth. Some of these concepts may have seemed a little crazy back in March but creativity and innovation have no rules. As an industry we are continuing to pivot towards the new normal, but we still do not exactly know what that will be. What we do know is that change is upon us and therefore we must also change.

In prior versions of “The Restaurant of the Future”, Kinetic12 identified what the Restaurant of the Future may look like and reviewed 15 components that we felt were crucial to success moving forward. We then detailed 10 new future-focus areas and also provided a visual look at a pop-up outside dining area where curbside delivery would be used. In our 3rd article we looked at 8 drivers of change and 4 areas that would not change. In this article we dive deeper into the restaurant of the future to look at hybrid concepts.

Many brands are now introducing and testing new hybrid concepts. They are well thought out and have been designed to incorporate elements of multiple restaurant segments in a smaller, more efficient footprint.

“I used to focus on trying to differentiate my brand by calling it polished, now I focus on just making it successful.”

It’s now Fall, and cold weather is coming. Talking about what to do will not, unfortunately, generate sales. Consumers are resilient and they want to eat at restaurants or at least, get take-out from a restaurant. Those operators that pivot can make it happen and creativity is an essential ingredient.

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Here are 10 hybrid concepts that are being tested, evaluated, and implemented. It is not just about surviving, but also about thriving.

1. TAKING THE BEST OUT OF EACH SEGMENT – It was not that long ago that we were classifying restaurants in the same old QSR, Fast Casual, Casual Dining and Fine Dining segments. Next, there
became multiples of each segment with everyone trying to one up each other. What is “Polished Casual” anyway? How can you really be quick service while still delivering great food? COVID has opened our minds and led to new creative streams of revenue through unique hybrid ideas.

Flexibility continues to be crucial to the success of restaurants. The consumer remains the one that dictates change. They want restaurant quality food served how they want it, and when they want it, both at the restaurant and off-premise. They expect their favorite restaurants to be versatile and accommodate their needs.

“If you can’t execute it well, don’t do it! You may not get a second chance.”

2. PARKING LOTS AND WHAT DO WITH THEM - Vacant parking lots are everywhere right now and they can be used to re-invent and re-energize current restaurants. We’ve seen the introduction of pop-up retail over the last few years which provided opportunities to fill vacant spaces in the short-term which benefited retailers, landlords and consumers. We are now looking at pop-up outside cafes, dining areas, entertainment venues and express take-out areas.

“My restaurant was going to go under! I had no space for outside seating and then I looked across the street at a vacant auto repair space with a large parking lot in front. My sales now are greater than they were Pre-COVID.”

Consumers will go out of their way to frequent establishments if given a reason to be there. Outside cafes, for instance, with heaters and pleasant inviting environments will now work significantly longer into the season, which is clearly crucial for many operators this year.
3. DRIVE-IN MOVIES AND ENTERTAINMENT - If operators have the extra parking space or have a location close by that has the space, they may have the opportunity to expand their revenue stream. Consumers are looking for entertainment and going to a movie inside of a building is not ideal. They want to eat restaurant quality food while they watch the movie and want to do both in a safe environment. What is better than getting food at your favorite restaurant and eating in the comfort of your car while watching a movie?

“As a casual dining restaurant, we were struggling to maintain our revenue. There was a big box store close by with an oversized parking lot. We collaborated with them to create an outside entertainment opportunity where our customers could purchase our food and eat in their cars while being entertained.”

The Restaurant of the Future can be built to accommodate outdoor dining year-round and some of that will be in a car. Offering entertainment makes it a fun and unique and can drive revenue.

4. YURTS - A yurt is a portable igloo that can provide restaurants with outdoor dining during cold weather. Heat lamps keep patrons warm and operators can provide blankets to make the experience even more comfortable and unique. There is clearly a cost to these, but the upside is that they create year-round seating and a creative point of difference.

What is a Yurt? - A dome-shaped igloo that is 8-12 feet in diameter that can accommodate 4-8 guests. They are 7 feet high and have a heater, carpets, tables and chairs with cushions. A reservation is taken for a 90 minute time slot, and then there is a 30-minute opening for staff to do a deep clean of each igloo. The cleaning involves electrostatic sprayers to make clean, fresh and sanitized.

5. KITCHEN PODS - If you are looking to open a restaurant that is somewhere between brick and mortar and a food truck, kitchen pods are the way to go. A typical sized pod is 8 1/2 by 40 feet, costs approximately $150,000, plus equipment that is estimated a $75,000 to $100,000. All in, a lower cost than a traditional restaurant, and no costs to lease expensive real estate. Whether the pod is destined for leased or owned space, getting up and running is just a matter of connecting to utilities.

The beauty of kitchen pods is that owners have the flexibility to move the restaurant at any time. Unlike a truck, there is a sense that the pod is permanent. With seasonality and event contracts, the flexibility to move the restaurant allows operators to maximize their revenue.
6. GHOST KITCHEN / VIRTUAL KITCHEN / CLOUD KITCHEN / DARK KITCHEN - Most of these kitchens (more names to come..) were designed to be delivery-only restaurants that operate out of lower cost commercial kitchen spaces. Many of these restaurants use third-party delivery services like Uber Eats, Grubhub and DoorDash to facilitate delivery, but others have begun to do their own deliveries.

Some companies are building out warehouse spaces to house several virtual brands to drive greater scale. This allows consumers to order from multiple brands and for third-party delivery services to deliver multiple orders that are picked up from one place.

Existing brick and mortar brands are also outsourcing their delivery production to ghost kitchens. This decreases the complexity that delivery and curbside creates in an operation that’s not designed for it.

Ghost Kitchens are an interesting new segment that is still early in its evolution. Time will tell how well they ultimately do or whether they evolve into something else.

“The branding and food are real, but the restaurants do not exist elsewhere in the physical world.”

7. GHOST KITCHEN TO ENHANCE CASUAL AND FINE DINING EFFICIENCY – There is downtime between meals periods and with COVID hurting revenue there is a need to bring in new sales and make use of under-used kitchen space. Some savvy operators have chosen to develop new virtual brands where menu items are prepared in the restaurant’s kitchen and offered only online and only through delivery. The new brand and menu is strictly virtual but still linked in some way the products sold in the restaurants themselves.

Wings are an ideal virtual brand product; popular and easy. They have been a hot restaurant item for years and many companies have taken advantage of the simplicity of the product and consumer popularity. Wings require only one protein SKU with menu variety coming from the availability of different sauces. They also travel well, can be eaten hot or cold and re-heat easily.

There is limited investment to develop and implement ghost kitchens at existing restaurants with only the addition of some specific equipment and technology, but overall, it has been a clear opportunity to ramp up sales for brands who have lost dine in business.

8. HIGH END FOOD TRUCKS - When faced with limited indoor dining and no outside dining, many “chef-driven” brands were forced to close. At the same time, their loyal customers still wanted their
food and these chef-operators decided to customize trucks that sold only their most popular items yet still delivered on many elements of their previous high-end experience.

“I purchased the truck on my own, and it was 75% a turnkey operation,” said one chef-owner.” To create a COVID-safe environment, he invested in POS equipment and an outward-facing terminal that enabled contactless payment. A computer screen inside the truck posts orders for the cooks. Total cost to get the concept up and running: $70,000.

9. CURBSIDE & PICK-UP - Not all restaurant consumers want their food delivered! There is still a certain level of experience consumers receive from going to a restaurant to pick up their order, even if the level of service is limited. As discussed previously, consumers also believe that their food will be hotter, safer, and higher quality if they pick it up themselves. In addition, food hygiene is a major issue for consumers. Removing the hand-off from the restaurant to the delivery driver, removes one of the potential areas of concern for the consumer. Consumers overwhelmingly like curbside pick-up and we will see this service continue to grow post-COVID.

We may also see curbside pick-up added to ghost kitchen hybrids. They may be more limited than Kinetic12’s Restaurant of the Future design but will incorporate curbside into the mix along with delivery. Success does not require AAA real estate or large footprints, but if it’s easy and good, the consumer will come back again.

10. SUBSCRIPTIONS - Panera took the initiative to provide a key benefit to loyal customers with their $8.99/month unlimited coffee offer. Clearly the goal was to drive additional food revenue when the customer came in for their coffee. “Loss leader” is not a new promotion concept but this clearly was aggressive and different.

“I tried Panera’s new unlimited coffee subscription and found it was too good to be true.”

Loyalty programs have long been considered the way to get customers into restaurants on a regular basis, but the difference is that they did not pay in advance to be part of something. The key is to provide subscriptions that are an overwhelming value on “go-to” products. We are now seeing more new subscription-based programs emerge and predict these will become even more popular in the future.

WHAT NEXT: Restaurant of the Future 5.0: Winter approaches, what will work as the weather turns colder?

COVID is changing our industry. We have discussed the need to pivot and the importance of flexibility as we evolve into our new normal. We are making progress but the cold weather threatens to bring us back to when COVID started. What have we learned that will make the next 3-6 months work? In our next article we will look at off-premise, creative outside dining and new revenue streams for now and for the future.
Bruce Reinstein and Tim Hand are partners with Kinetic12 Consulting, a Chicago-based Foodservice and general management consulting firm. The firm works with leading Foodservice suppliers, operators and organizations on customized strategic initiatives as well as guiding multiple collaborative forums and best practice projects. Their previous leadership roles in restaurant chain operations and at Foodservice manufacturers provide a balanced industry perspective.

Contact us to talk or learn more about the PIVOT PLAYBOOK and the 85-page comprehensive insight and solution report on the impact that COVID is having on our industry.

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