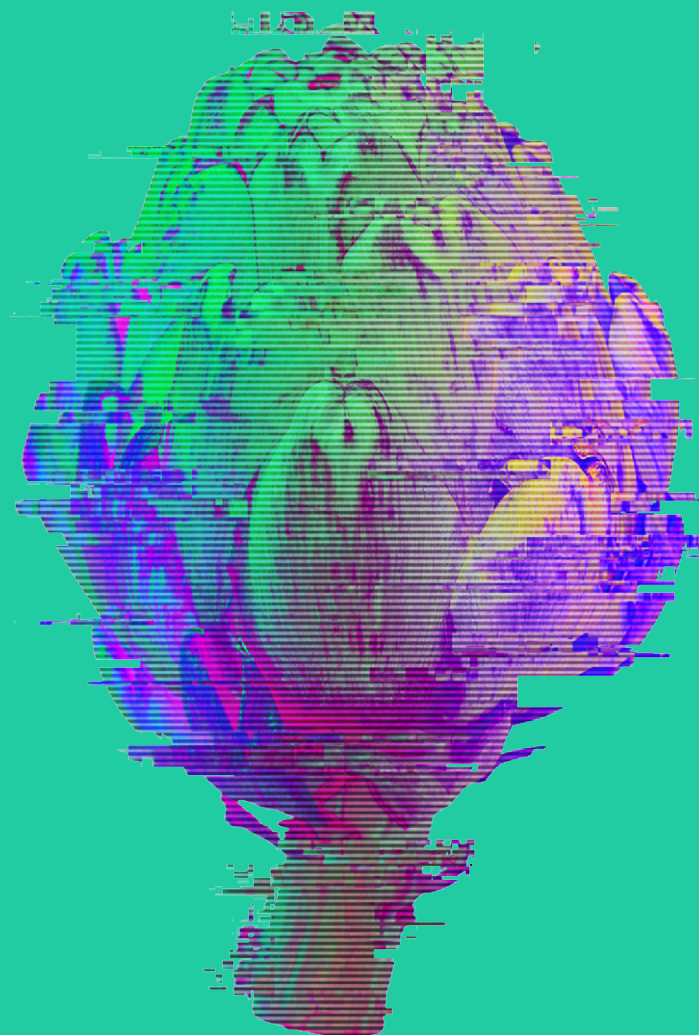


European Parliament Pilot Project

RESTwithEU

Facing The Restaurant Industry Challenges

Report
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RESTwithEU, a European Parliament Pilot Project

Supporting the implementation of digital tools for the restaurant sector

RESTwithEU is an 18-month project initiated by the European Parliament and commissioned by the Directorate General of Communication Networks, Content and Technology (DG CNECT) of the European Commission to support the implementation of digital tools for tourism and more specifically the restaurant sector.

The overall objective of the project is to identify and develop digital tools and solutions that meet the needs and diversity of the restaurant sector and to promote innovation by generating strategies for the future so that the sector remains competitive and succeeds.

This pilot project promoted by the European Parliament aims at initiating the development of user-centric digital innovations for SMEs in the restaurant industry around the EU for the following three topics:

- Changing leisure and travel behaviour
- New ways of working
- The sustainable management of food



Lyon, the gastronomic capital of France

Choosing the host city for the Facing The Restaurant Industry Challenges Stakeholders Workshop

We wanted to highlight a European location motivated by the idea of taking advantage of SIRHA - The World Hospitality & Food Service Event scheduled on those dates, an event related to the Food Sector in order to give more visibility, affluence and success to our workshop.



Lyon is the bastion of French haute cuisine. The late Paul Bocuse (chef of the century, according to some) was the city's most famous son, but many locals are just as committed to their craft. You see the same passion for fantastic produce in the baker, the fishmonger and, indeed, in the customers at restaurants all over town. Lyon's proximity to Alpine farms, the vineyards of Burgundy, even the day's catch from the Med, means that only the finest and freshest ingredients are selected.

Often hailed as the gastronomic capital of France, Lyon was the center of the French nouvelle cuisine movement led by legendary chef Paul Bocuse that sought to "lighten up" French cooking—in terms of both calories and pretention. (Of course, "light" is a relative term; while heavy cream sauces fell out of favor, this is a far cry from spa food.) If you want to splurge, you have 16 Michelin-starred restaurants to choose from.

However, traditional local restaurants known as bouchons offer great value, and the best are officially recognized by the Chamber of Commerce and easily identified by a seal in the window. Open-air markets also offer opportunities for inexpensive dining—and excellent people-watching. A great European city to bring together and strengthen the relationship between the experts, where we could share time, exchange impressions, knowledge and contacts for this and future projects.

Facing The Restaurant Industry Challenges

A workshop to connect all European countries for the project's success, increasing support for future initiatives

RESTwithEU has considered from its beginning the necessity to make a good network among all European Countries for the project's success and increase support for future initiatives.

Knowing that, when stakeholders are identified, and their needs are taken into consideration, the project outcomes are more likely to meet their expectations. This as well can lead to increased satisfaction with the project's results and increased support for future projects. Engaging stakeholders and their interests in the project planning and execution process can increase their greater participation and contribution which finally can result in a more understanding, trustful and successful project.

For a project like RESTwithEU where the capillarity of restaurants is so immense and the difficulty of reaching them is a challenge, managing a good network of stakeholders from the start is fundamental. Therefore, one of the first objectives of the project has been to bring together the best experts from the outset and to build up a network of international experts to cover the objectives of the project in all its phases.

One of the main goals of this Stakeholders Workshop is to validate the conclusions of the research of the industry. The workshop provides an opportunity for stakeholders to review the findings and provide feedback on their validity, relevance, and potential implications.

Another key achievement is to identify potential opportunities and challenges related to a specific topic or issue. The workshop can facilitate discussions and new innovative approaches to address the restaurant sector challenges. Stakeholders workshop can help build consensus and collaboration among experts with diverse perspectives and interests, providing the opportunity to share experts' views and concerns, exchange ideas and work towards a common goal: the project foster greater trust and succeed.





The Enriching and Validation of the Final Results

The motivation for sharing handouts and resources with experts is to provide them with the necessary information and tools to effectively contribute with their views and concerns in the workshop. By providing experts with the relevant information and tools, they can make informed decisions, coming up with valuable insights, and contributing to the project's success. Sharing handouts, information, and resources also helps to ensure that all stakeholders are working towards a common goal.

Performing a SWOT analysis for the Restaurant Industry was one of the key points of the Research Work Package as it allows the scope of the project, the Restaurant SMEs to understand their external and internal environments, identify areas of opportunity, and mitigate potential risks.

By identifying the strengths of an industry, businesses can build on their competitive advantages and leverage them to gain market share. By recognizing the weaknesses of an industry, businesses can take steps to address these shortcomings and improve their overall performance. By seizing opportunities in the industry, businesses can develop new products or services, expand into new markets, and capitalize on emerging trends. By mitigating threats, businesses can take proactive steps to minimize risks and protect their operations from external factors such as economic downturns, natural disasters or changes in consumer behaviour.

For this reason, the SWOT Analysis for the industry provide valuable insights to support Restaurants SMES stay ahead of the competition, adapt to changing market conditions, and make well-informed strategic decisions.

The RESTwithEU SWOT Analysis

Scoping the project and their external and internal environments to identify areas of opportunity, and mitigate potential risks



Enriching and Validating the S quadrant: Strengths

- Great resilience in the sector in terms of creativity and adaptability due to the diversity of existing businesses and value propositions.
- Being a leisure sector means that restaurants can create different value-added proposals.
- Digitalisation is a tool that promotes the generation of personalized experiences.
- It is a sector that is prone to sharing its own experiences and adopting external ideas.
- A wide variety of solutions on which to build customer experiences and the internal management of restaurants.
- It is a very permeable sector to innovative solutions (digital tools) once they confirm that it works.
- Relation with other industries (diplomatic view of the sector and cultural diversity).
- Diversity of the workforce and job opportunities.
- Sustained demand.
- Digitalisation as a whole (not only with customers).
- Resilience of the sector.
- People in the industry should be the focus.
- Creativity and adaption capacity.

Enriching and Validating the W quadrant: Weaknesses

- As it is not a sector of first necessity when there are economic shocks, it is the first to suffer.
- A priori, resistance to change due to the lack of innovative culture and the low margins of the sector that prevent risks from being taken.
- All of this makes the sector have a low level of digitalization in general.
- Lack of competencies adapted to the digital world.
- Unqualified staff for the professional needs of the sector.
- It is a sector with low productivity.
- High regulatory burden and complex administrative processes.
- High presence of informal and undeclared work.
- Reputational risks of the sector associated with the perception of workers.
- The high fragmentation of the sector makes coordination efforts difficult.
- This makes there a lack of negotiation power with the rest of the value chain.
- Inability to develop their solutions due to a great dependence on third parties.
- Not always the first front to experience negative economic effects (it has been severely impacted by COVID, but not always in the same way).
- Skills are variable across the sector (young people bring new digital skills) and it's connected to the workforce wellbeing and how much time restaurants spend on training
- Labour shortage, low wages and lack of training opportunities
- Low profitability, in terms of not only reduced productivity, it increased labor costs and a decline in the quality of service.
- Dependence on other players such as suppliers, customers, competitors.
- Lack of financial channels, limited access to funding for expansion or renovation, managing cash flow.
- The high failure rate and the seasonality of some of the businesses.

The lack of diversification in the restaurant industry can have both advantages and disadvantages for restaurants. The main advantages are specialization, focusing on a specific type of cuisine and differentiate themselves from competitors, building a strong brand identity or limiting their menu offerings they can better manage their costs. It has, as well, disadvantages such as a limited customer base, limited revenue streams and the lack of diversification can also increase competition among restaurants that offer similar dining experiences.

To conclude, this is a challenge for restaurants to differentiate themselves from competitors and attract new customers.

The other items on discussion were the High fragmentation as some experts commented it should not be only a weakness, as it has some good points such as:

- **Diverse options:** With so many restaurants operating in the industry, consumers have a wide range of dining options to choose from. This can be a significant advantage for restaurants that offer unique menu items or dining experiences.
- **Lower barriers to entry:** The high fragmentation in the restaurant industry means that it is relatively easy for new restaurants to enter the market. This can provide opportunities for entrepreneurs who are looking to start their own businesses.
- **Local focus:** The high fragmentation of the restaurant industry also allows restaurants to focus on the needs and preferences of their local communities. This can help restaurants build strong relationships with customers and establish themselves as important members of their communities.

Enriching and Validating the O quadrant: Opportunities

- Wide potential for automation in both management and administration.
- Continuation of the trend towards the development of gastronomic culture.
- Increasing professionalization and training in the sector.
- New training solutions taking advantage of the offer provided by startups.
- Possibility of improving efficiency with the value chain, promoting greener businesses.
- Leveraging digital technologies to develop new business models and new experiences for consumers.
- Understanding and adapting to new channels of communication and bidirectional interaction.
- As it is a strategic sector for the economies of many European countries, governments support its development by promoting cooperation between companies, universities, and research centres.
- Take advantage of lifestyle changes to generate new business models and new experiences.

- Automation and digitalisation (management, saving costs, creating new business models, data-driven economy, social media, ...)
- Social economy.
- Training is a big challenge in this sector (digital tools could be a great help). Time is important and e-learning is helpful. New programmes focus on the sector.
- Partnerships and collaboration between restaurants and schools-
- Sustainable solutions (greener business, for real).
- To increase profitability.
- To increase market share.
- B2B opportunities.
- User-centric solutions (to bring new customers, based on digital tools, being more accessible, lifestyle changes, but also for the workforce, ...).
- Improve efficiency, transparency and quality in the value chain.
- Standardization.

Enriching and Validating the T quadrant: Threats

- Difficulty in accessing digital solutions in terms of costs and training.
- The speed of technological change makes it difficult for businesses with fewer resources to adapt.
- Vulnerability to disruptions in the supply chain.
- Lack of financing channels that promote innovation.
- Absence of regulation on delivery platforms.
- Disconnection between new legislation and the reality of companies.
- Big chains could outcompete smaller businesses due to cost (in raw materials, marketing, margins, etc.) and productivity.
- Difficulty accessing digital solutions regarding costs and training (related to the next one).
- Lack of financing channels (and their access) and proper investment.
- Vulnerability to disruptions in general not only in the supply chain.
- There is a gap between restaurants' necessities and external solutions.
- Speed of technological change.

- Disconnection between new legislation and the reality of companies.
- Unfair competition (high charges from delivery companies).
- Inflation and energy costs.
- Disconnection between new legislation and the reality of companies.
- Unfair competition (high charges from delivery companies,
- Inflation and energy costs.



GAP Analysis

Final Conclusion

Sector costs, inflation and rising resource prices are an issue corroborated by quantitative data and expert opinion

Inflation refers to a general rise in prices over some time. When inflation occurs, the cost of goods and services increases. This can affect restaurants in several ways, such as purchasing ingredients and supplies more expensive and potentially raising prices for customers. The declining purchasing power of consumers in these years, and their power about the perceived value of a restaurant's service and experience, may affect restaurant business models.

Digital solutions to improve the user experience and productivity of small businesses in the sector are key to facing strong competition

There are many tools that help automate processes. Digital solutions can also help restaurants collect valuable data and insights about their customers, which can be used to improve their marketing and operations. By using digital technologies, restaurants can improve the convenience and efficiency of their operations and offer customers a more engaging and personalised experience.

Users increasingly value the user experience and sustainable processes in a company's culture

We all need to become more sustainable, and it is vital to react, find solutions and act. By prioritising sustainability, restaurants can benefit the environment and enhance their reputation and attract customers looking for socially and environmentally responsible dining options. Therefore, a positive user experience and a focus on sustainability can work together to create a valuable and unique dining experience for customers.

Workforce and people

Not only customers. Reduction of labour and substitution by technology and just as a change in the business model to make it more profitable. Everything rounds it. If your business is not profitable, that would imply changes.

Digitalisation is key

Digitalisation is only a part of the solution, but it can change the business model completely.

Users increasingly value the user experience and sustainable processes in a company's culture

However, user experience and sustainable practices are greater. Some of these sustainable practices are even mandatory so they will not be able to negotiate.

Sustainability

Sustainability will not always save money and its more related to risk management. Maybe there is a need of creating white standards.



And finally, to sum up all the insights, time, climate change, diversity, and economic shocks are some of the big concerns of the restaurant industry. Here is an overview of each of these concerns:

Time

In today's fast-paced world, consumers often have limited time to dine out, which can put pressure on restaurants to provide quick and efficient service. Many restaurants are exploring ways to streamline their operations and reduce wait times for customers.

Climate change

The restaurant industry is also grappling with the impacts of climate change, which can affect food production, supply chain logistics, and consumer preferences. Restaurants are exploring ways to reduce their environmental footprint, such as sourcing ingredients from local and sustainable sources, reducing food waste, and implementing energy-efficient practices.

Diversity

The restaurant industry is increasingly recognizing the importance of diversity and inclusivity, both in terms of hiring practices and menu offerings. Many restaurants are exploring ways to create more inclusive environments for employees and customers, such as implementing diversity and inclusion training, offering diverse menu options, and promoting diverse cultural traditions.

Economic shocks

The restaurant industry is also vulnerable to economic shocks, such as recessions, changes in consumer spending habits,

and fluctuations in commodity prices. Restaurants must be prepared to adapt quickly to changes in the economic landscape, such as by adjusting menu prices, reducing costs, and exploring new revenue streams.

Participants also emphasized the importance of collaboration among stakeholders in the restaurant industry, including collaboration between restaurant owners and chefs, suppliers, regulators, and consumers to promote innovation, best practices, and growth in the industry.



Another important topic is sustainability such reducing waste and emissions, sourcing local and organic ingredients, and minimizing environmental impact. Sustainability is becoming an increasingly important factor in consumer decision-making and that restaurants should prioritize sustainable practices.

The role of technology in the restaurant industry, particularly in areas such as online ordering and payment, customer loyalty programs, and data analytics creates a need for restaurants to adapt and integrate technology solutions to improve the customer experience and streamline operations.

To address these concerns, the restaurant industry is exploring innovative strategies and technologies, such as automation and artificial intelligence, to improve efficiency and reduce costs. Restaurants are also increasingly focused on sustainability, diversity, and inclusivity, as these values are important to many consumers. Additionally, the industry is exploring new business models, such as ghost kitchens and delivery-only restaurants, to adapt to changes in consumer behavior and preferences.

