14th Annual

RESTAURANT TECHNOLOGY STUDY

• A SUPPLEMENT TO HOSPITALITY TECHNOLOGY •

- IT Budgets in 2012: Positive growth drives tech investments
- Technology & the Business: How IT buying decisions are made
- POS System Trends: Most important features, plus trends in mobility
- Payment Security: Self-reported PCI compliance hits record highs
- Marketing Technology: Restaurants engage in social media and more

Interest in Technology Innovation on the Rise across Foodservice Industry

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HOSPITALITY TECHNOLOGY®
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CONTENTS

[INTRODUCTION]

4 | Restaurant Technology in 2012
For the 14th consecutive year, the Restaurant Technology Study sheds light on IT trends and buying priorities. Restaurants have woken up from the recession in a period of technology innovation, and are now funneling funds back towards IT efforts.

[CHAPTER 1: RESPONDENT PROFILE]

6 | Inside the Survey Sample
Restaurant executives from QSR, family/casual and fine dining participated in this year's study, encompassing a total of 177,503 units. Get the complete breakdown of company types, job roles and annual revenues represented.

[CHAPTER 2: TECHNOLOGY & THE BUSINESS]

8 | How IT Buying Decisions are Made
Average guest checks and gross revenues are on the rise in 2012, and as such restaurants are investing greater percentages of overall revenue toward their technology spending. But the restaurant industry needs to do a better job of empowering IT decision makers through both strategic and tactical tools.

[CHAPTER 3; POS SYSTEM TRENDS]

12 | Change Comes to the Point of Sale
Although implementation rates have yet to move forward, restaurants express a growing interest in both mobile POS and cloud-based apps. Attitudes towards wireless POS devices in particular show strong interest in adoption. Meanwhile, accounting and financial functionality are rated most important, and the top must-have features continue to be touch screens and integrated credit card swipes.

[CHAPTER 4; PAYMENT SECURITY]

16 | Marked Improvement in PCI
The restaurant industry hits record self-reported compliance levels across all 12 PCI DSS requirements. This, as card brands announce plans to overhaul payments in the U.S.

[CHAPTER 5: MARKETING TECHNOLOGIES]

18 | e-Tools Becoming Mainstream
The use and importance of social media is on the rise among restaurants. Respondents rate Twitter, Facebook, cell phone messaging and 12 other tools.

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Restaurant Technology in 2012

Interest in technology innovation on the rise across foodservice industry

The restaurant industry and commerce in general are in the midst of a technological revolution, as rapid innovation and consumer acceptance have changed the way companies do business in a matter of months. From consumer-friendly tablet hardware and social media engagement, to game-changing cloud-based applications and the imminent changes coming in payment technology, it's a very exciting — and risky — time to be a technology executive. The right investment can make a company leading-edge, while lack of innovation or poor investment choices can leave a company struggling to survive.

In the hospitality industry, and in particular in the restaurant business, technology is changing from an after-thought to a make-or-break application. To track the progress of technology in the foodservice industry, *Hospitality Technology* produces its annual Restaurant Technology Study, the single most comprehensive report on restaurant technology trends. The 2012 edition is the 14th consecutive year for this study, and results from the survey show not only significant movement in several areas of IT innovation, but also overall industry-wide recovery from the recession that all but strangled IT budgets in 2009 and 2010.

An online survey was sent to *Hospitality Technology* subscribers in late 2011 and presented a variety of questions on topics including: budgets and business drivers; technology integration into overall business strategy; point of sale, kitchen and operational technologies; payment security; marketing technologies and more. Several new topics were added to this 14th annual edition of the survey, including usage and importance ratings for cloud-based technologies, near field communication capabilities, and social media/POS integration.

The findings of this study show several positive trends: business metrics continue to improve, technology budgets are increasing, and restaurant operators are growing increasingly more sophisticated about their use of technology. In a larger sense, the National Restaurant Association predicts a 3.5% increase in sales for 2012 and the Federal Reserve forecasts Gross Domestic Product growth of 3.3%. These metrics show positive growth for the U.S. economy, and the restaurant industry, which with 12.9 million employees, is one of the largest private-sector employers in the nation.

Technology is a critical enabler to restaurant operations and focusing on its importance will continue to empower a successful industry. In an industry where profit margins are between 5% and 8% percent and the failure rate is about 60% within the first five years of operation, IT may come to rescue. This study has revealed technology budgets to be particularly vulnerable during times of economic hardship, and shows that technology initiatives are still not integrated into overall business mission statements. Shedding light on its benefits and overall industry benchmarks may help to protect IT investments in the future.

Hospitality Technology thanks the survey respondents whose input make this report possible, and thanks its research team of top educators from across the U.S. for their support.

2012 Study Highlights:

- **Business metrics improved for 4 out the 5 measured categories: average guest check, gross revenue, net profitability and same store sales.**
- **IT spending increased in 2012 over 2011. Overall approximately 30% of restaurant operators have an annual technology budget in excess of $300,000.**
- **With 29.5% of the budget, the biggest share of IT spending in 2012 goes to hardware.**
- **Improving productivity and efficiency continues to be the number one driver for IT projects in 2012.**
- **There appears to be a disconnect in operators embracing the role that technology can play in business innovation. Six out of 10 restaurant executives in this study rate their companies as business innovators; but nearly half as many (31.3%) consider their companies to be technology innovators.**
- **For the first time this year, the study included cloud-based applications and real-time, web-based reporting as part of the POS system functions. For both capabilities, 61% of respondents report that they are important.**
- **Acceptance of handheld POS is on the rise: the number of restaurant companies that do not see value in investing in handheld POS terminals dropped to 20% in 2012, from 69% three years ago.**
- **While just 13.4% of respondents currently integrate social media into the POS, its importance rating is markedly higher, at 36.8%.**

Abigail A. Lorden, Editor-in-Chief,
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Inside the Survey Sample

A breakdown of company types, job roles and annual revenues

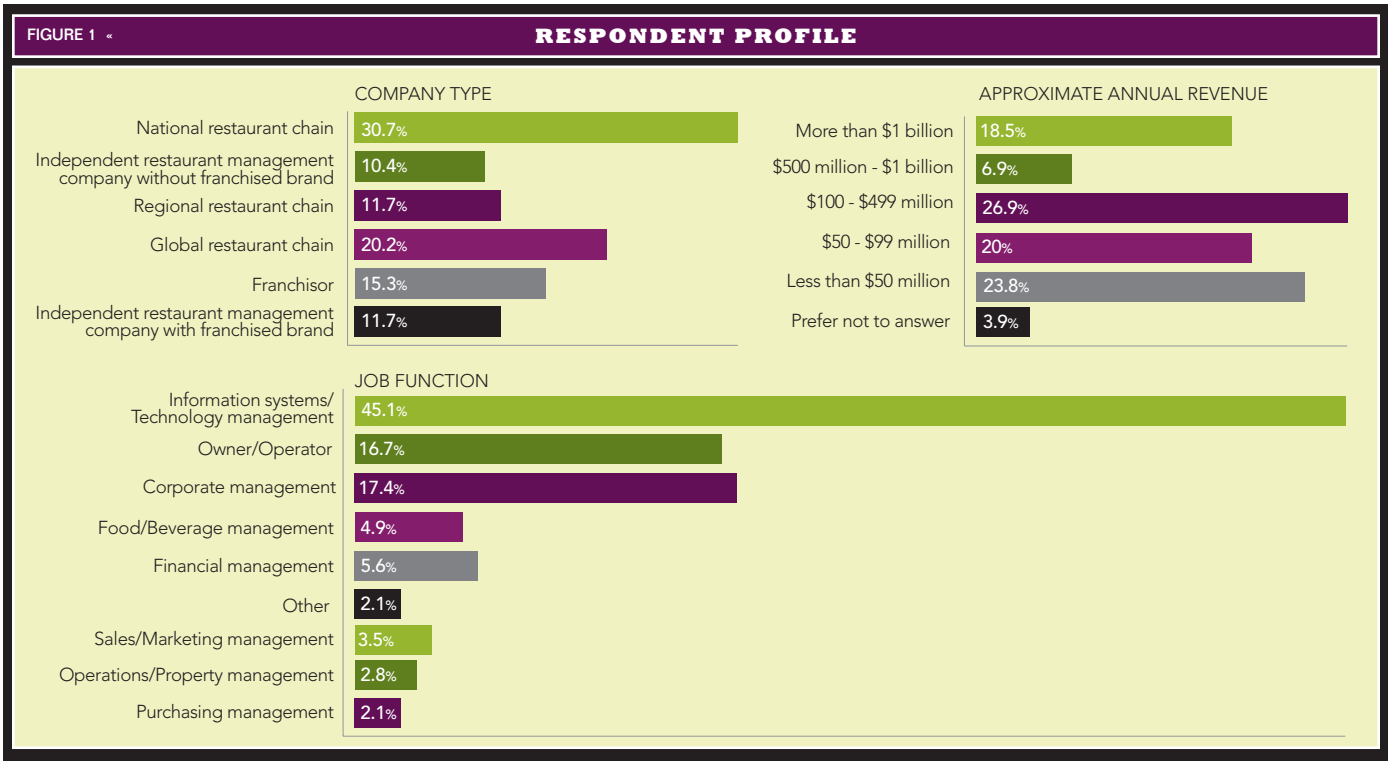
This year's study represents 177,503 units. Of this number, 156,998 are quick service restaurants, 12,072 are casual/family restaurants, 686 are fine-dining restaurants, and 7,747 are fast casual. Compared to the previous year's study, the number of units representing quick service, fast casual and fine dining restaurants has increased, while this number has decreased for casual and family segments.

Figure 1 gives a full snapshot of company types, job functions and approximate annual revenue of survey respondents. Just under one third of the respondent pool (30.7%) are national restaurant chains, representing the largest portion; independent management companies (including both those who do and do not operate a franchised brand) account for another 22.1%; 20.2% are global restaurant chains; and 15.3% are franchisors. Forty-five (45.1%) percent of the respondents are information system/technology managers; 17.4% are in corporate management; 16.7% are owners or operators; 5.6% are financial managers, and 4.9% are food and beverage managers. However, all respondents had information technology responsibility as part of their jobs at their companies.

In terms of annual revenue, 23.8% of the respondents reported yearly revenue less than $50 million; 20% reported $50 million to $99 million; 26.9% reported annual revenue of $100 million to $499 million; 6.9% reported $500 million to $1 billion; and 18.5% reported more than $1 billion. About 4% of respondents preferred not to answer this question.

To verify against non-response bias, (that is, the likelihood that non-respondents' responses would differ from those of respondents), we conducted a non-response wave analysis comparing early versus later respondents to the study (who statistically answer similarly to non-respondents). Our analysis indicated that there was no significant difference in the answers between these two groups, leading us to conclude that this study did not suffer from non-response bias and is representative of the population of *Hospitality Technology* subscribers who are key decision makers for technology in restaurants. •

FIGURE 1 «



How IT Buying Decisions are Made

Business metrics and IT budgets improve, but strategic decision making leaves room for improvement

This section reports on the overall health of the industry, and examines how technology decisions are made. To do this, a variety of areas are examined, including: overall business metrics; IT budgets (as both a percent of revenue and actual dollar amounts); attitudes towards innovation; what drives technology spending; and the use of strategic decision making tools. What we've found is that average guest checks and gross revenues are on the rise in 2012, and as such restaurants are investing greater percentages of overall revenue toward their technology spending. But the restaurant industry needs to do a better job of empowering IT decision makers through both strategic and tactical tools.

Business metrics improve

One key way that this study measures the health of the industry is to ask respondents to report their companies' overall trends across five key business metrics. We measure positive and negative movement, in a year-over-year comparison, in the areas of average guest check, gross revenue, same store sales, net profitability, and guest counts. Four out of the five metrics in 2012 report positive growth when compared to 2011.

Figure 2 gives the complete picture of these business metrics over the past 4 years. In 2011, business metrics began to recover from the recession-impacted numbers reported in 2009 and 2010. Figures for 2012 support the development of this positive trend: in 2012, 69% of respondents report a positive change in average guest check, compared to 58% in 2011, 35% in 2010, and 59% in 2009. In the area of gross revenue, 75% of respondents in 2012 report growth, compared with 67% in 2011, 34% in 2010, and 54% in 2009. The true measurement of recovery comes in comparing the five metrics to the 2008 study, when survey data was collected well before the October 2008 stock market crash. In 2008, business metrics were as follows: positive growth in average guest check, 86%; positive gross revenue, 79%; growth in same store sales, 72%; growth in net profitability, 72%; and growth in guest counts 60%.

The one metrics that's down from 2011 is the number of guests coming through the doors (guest count). However, even with the slide to 51% in 2012 (compared to 60% in 2011), the 2012 numbers are still significantly improved over 2010 (at 25%) and 2009 (at 32%). Overall, business metrics reported in 2012 are approaching 2008 numbers.

IT budgets loosen as business improves

Technology budgets were in an upward swing through the better part of the 2000s, and then in 2009 and 2010 took a negative turn. In 2011, budgets began to recover slightly and we see this trend continuing in 2012. The percentage of restaurants that dedicate just 1% or less of their revenue to the IT budget decreased to 18% as compared to 24% in 2011, 43% in 2010, 36% in 2009 and 38% in 2008. Furthermore, the percentage of respondents' companies who dedicate 2% of their revenue to IT budget increased to 22% from 21% in 2011, 14% in 2010, 15% in 2009 and 22% in 2008. The percentage of companies spending 5% of their revenue on IT increased significantly to 10% in 2012 from 8% in 2011, 3% in 2010, 10% in 2009, 5% in 2007 and 3% in 2007.

For additional insight into technology spending, respondents are asked to identify the size of their overall budgets, in dollar amounts, for both operating and capital expenditures. As shown in Figure 3, about one third of respondents will spend over $300,000 on operat-

FIGURE 2 « **DIRECTION OF CHANGE IN BUSINESS METRICS**

	2009 (%)			2010 (%)			2011 (%)			2012 (%)			2012-2011 DIFFERENCE (%)		
	POSITIVE	NONE	NEGATIVE	POSITIVE	NONE	NEGATIVE	POSITIVE	NONE	NEGATIVE	POSITIVE	NONE	NEGATIVE	POSITIVE	NONE	NEGATIVE
AVERAGE GUEST CHECK	59%	26%	15%	35%	25%	40%	58%	21%	21%	69%	15%	16%	11%	-6%	-5%
GROSS REVENUE	54%	10%	35%	34%	11%	55%	67%	8%	25%	75%	7%	18%	8%	-1%	-7%
SAME STORE SALES GROWTH	42%	13%	45%	24%	18%	58%	62%	13%	25%	64%	14%	22%	1%	2%	-3%
NET PROFITABILITY	40%	15%	45%	48%	18%	35%	60%	16%	24%	67%	10%	24%	7%	-7%	0%
GUEST COUNTS	32%	14%	54%	25%	14%	61%	60%	16%	24%	51%	16%	33%	-9%	0%	8%

ing (29.3%) and capital expenditures (35.4%) for IT projects. Approximately another 40% of respondents will spend between $50,000 and $300,000 for both operating (42%) and capital (39%) expenditures. The remaining 30% will spend less than $50,000 on technology in 2012. These figures indicate a slight increase in operating and capital expenditures and support the positive change in the business metrics.

What drives tech spending?

Where are restaurants spending their technology dollars? The biggest share of IT spending in 2012 goes to hardware (29.5% in 2012, compared to 14.5% in 2011, as shown in Figure 4). This is followed by software (20.2%), internal personnel (18.3%), external service providers (11.1%), and networks & telecom (8%). These findings suggest that many of the restaurants included in this study invested in hardware upgrades over the past year.

Understandably, the main drivers for these investments continue to be productivity and efficiency (66%), and enhanced guest service (53%). Figure 5 shows the trend over time for IT investment drivers. The good news is that drivers for 2012 are beginning to level off, compared to 2009 and 2010, when improving productivity and efficiency, as a result of the recession, were top priorities.

Overall, study data from across the past six years shows clearly that when the business metrics increase, the percentage of revenue dedicated to IT budgets also increases. However, IT spending is very elastic, meaning that when business metrics decrease, one of the first areas to be cut is IT investments. With business metrics improving in 2012, we anticipate that companies will dedicate increasingly more monies towards their technology budgets.

FIGURE 3 « SIZE OF TECHNOLOGY BUDGETS

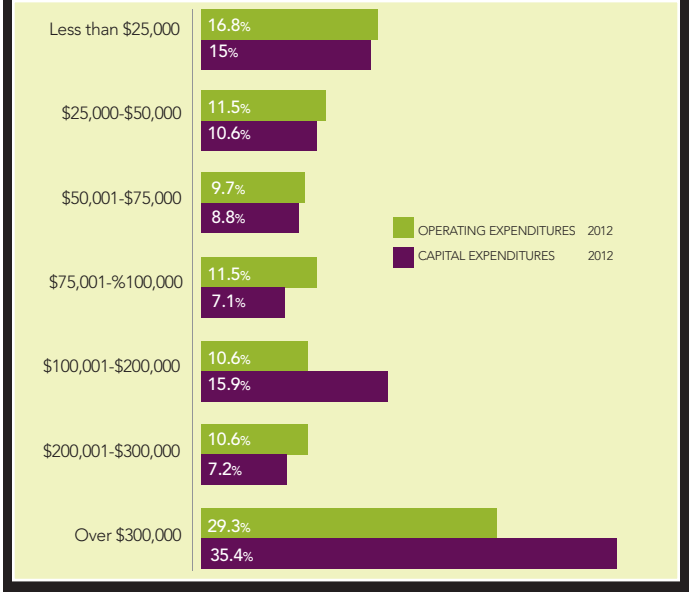
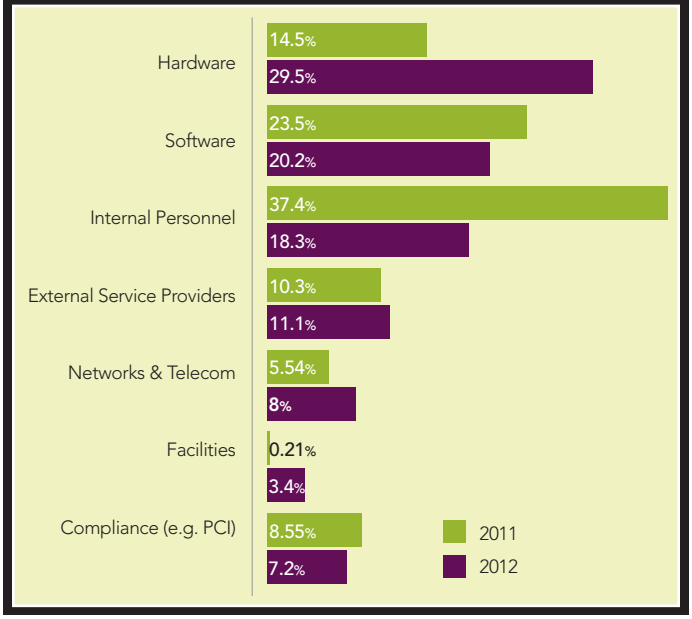


FIGURE 4 « IT SPENDING BY TECHNOLOGY TYPE



Attitudes toward innovation

Another telling indicator of the health of a company, and its willingness to invest in strategic technology, is if the company considers itself to be an innovator, follower or reactor in relationship to emerging technologies. To uncover trends, this study examines the self-reported IT innovation of restaurants over the last nine years. Overall, the ratio of companies that identify themselves as "innovators" or "close followers" to technology innovation closely follows patterns in business metrics. However, the restaurant industry is consistently slower to test and adopt new technologies, and in fact may view their technology leadership as incongruent to overall business leadership. To understand how the two variables are perceived in relationship to each other, restaurant executives were asked to rate their companies' innovation positioning in both business strategy, and in technology strategy. The number of respondents that rate their companies as technology innovators is 31.3% in 2012; this is nearly half the number that rate their companies as business innovators (60%). This suggests an industry belief that overall business innovation is neither dependent on nor directly relational to technology innovation. As technology becomes an increasingly significant part of the dining experience, the most successful companies will be those that see a closer relationship between technol-

ogy and business innovation.

The overall trend of technology innovation is improving, however. A scan across the past four years provides the following metrics: In 2012, 31.3% of the respondents reported that their companies are innovators/leaders from an IT perspective as compared to 32.9% in 2011, 22% in 2010, 21% in 2009 and 27% in 2008. The percentage of companies indicating that they prefer to be close followers dropped to 43% in 2012 from 50% in 2010, 48.1% in 2009 and 43.8% in 2007. The number of companies indicating that they prefer to be reactors remained at 7% in 2012 compared to 9.4% in 2010, and 13.3% in 2009.

Mission statements & steering committees

To further track the recognition of the value of IT within the restaurant industry, this study asks a number of questions related to technology and business integration. Specifically, respondents are asked to reveal the extent to which technology is incorporated into their organizations' mission statements; to provide insight into the organizational levels at which IT decisions are made; and to report on their use of IT steering committees.

Lamentably, most restaurant companies exclude any reference to IT from their mission statements. Following the trend recognized in previous studies, only 14.5% of respondents report having a reference to IT strategic planning within the mission statements of their respective organizations. The 2012 study shows slow improvement compared to 12.3% in 2011, 11.5% in 2010 and 10.7% in 2009. It should be noted that 8.2% of the respondents work for restaurant companies that don't have a mission statement at all, compared to 5.4% in 2011 and 12.5% in 2010.

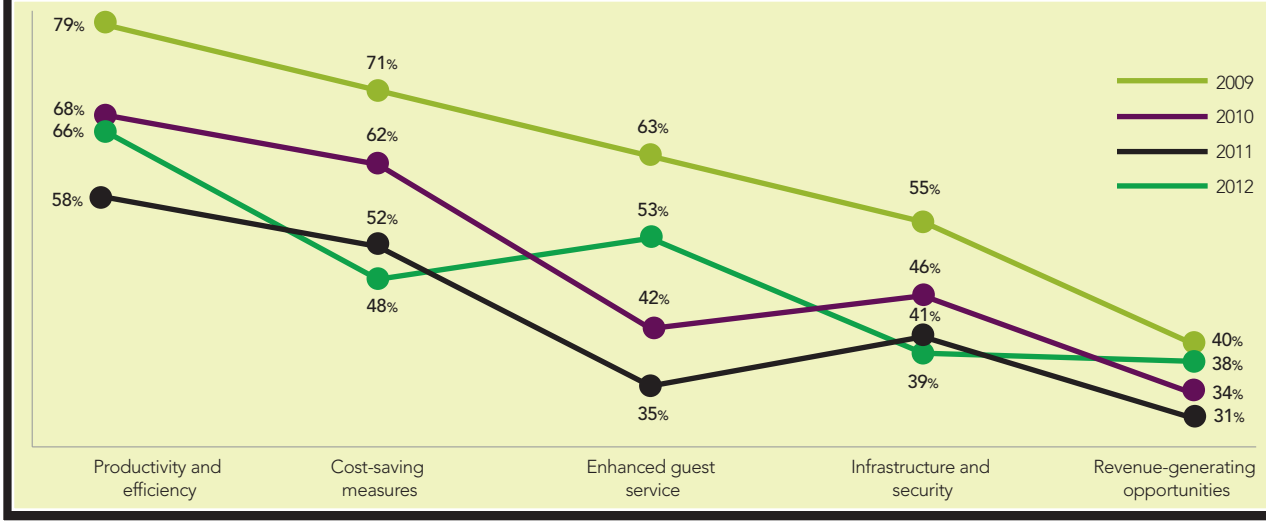
Restaurants should craft clear mission statements for their establishments. Doing so can powerfully communicate the company's intentions and motivate team members to realize a common vision of the future. In addition, it is easier to screen technology investments when such decisions can be made in the context of the company's mission statements.

Other potential indicators for the perceived role and importance of IT include the level at which decisions are made, and the use of management tools to assist the decision making process. When asked whether IT decisions are predominately made at the corporate, unit or some other level, an overwhelming majority (92.7%) of the respondents report that IT decisions are made at the corporate level. As a follow up, respondents were asked if their companies employ IT steering committees (groups of executives from across the enterprise, in varying roles and areas of responsibility, to help guide technology investments). A full 38.2% have IT steering committees in their companies, a slight increase over the 33% reported in 2011 and the 30.8% reported in 2010.

These findings reveal significant potential, and represent low-hanging fruit, for restaurants to achieve greater operational benefits from technology investments. IT projects can consume a significant amount of resources, making it imperative that all organizations create an IT steering committee at the unit and corporate level. Restaurateurs often purchase information technology solutions that do not fit with their company's needs. They often overpay for features that they never use, or do not get the features that they must have. Buying the wrong technology can be prevented with the use of IT steering committees. In addition, such committees can investigate the strategic importance and impact of potential systems. •

FIGURE 5 «

WHAT'S DRIVING IT PROJECTS?



Change Comes to the Point of Sale

Restaurants express growing interest in mobile POS, cloud and more

The point of sale (POS) system is an indispensible tool to restaurant operations, and technology is becoming increasingly sophisticated. Certainly the core function of a POS is to process transactions, but the technology is becoming ever more important to other major business functions. To gauge the role of the POS in these extended business functions, this study asks restaurant executives to rate the importance of a function to a restaurant's overall success, and report on if that specific function is in use at their organization. (Note that respondents rank an item's perceived importance regardless of whether or not it is used, revealing that some items are under-utilized in comparison to their importance to the industry.) The seven functions evaluated in this study are: accounting/financials, labor management, enterprise management, customer relationship management/loyalty, business intelligence, cloud-based applications, and real-time web-based reporting.

Looking across a six year period of time, from 2007 through 2012, accounting/financial capability was perceived as the most important function (currently at an 83% importance rating). Also, labor management functionality gets rated as the second most important function across the 4 years (at 80% in 2012). In contrast, customer relationship management ranked last in 2012, at 60%. It is important to note, however, that customer relationship management has increased in importance over the years: in 2010 it had an importance rating of just 33% and ranked in the mid-50th percentile in both 2008 and 2009. Our findings suggest that restaurateurs are gaining a greater appreciation for the value CRM technology, but there's certainly room for improvement.

The 2012 study includes cloud-based applications and real-time, web-based reporting. For both capabilities, 61% of respondents report that they are important. Actual use rates of cloud-based applications (at 46%) and real-time, web-based reporting functions (at 50%), however, are still below importance ratings. These findings suggest that cloud-based applications and real-time, web-based reporting capabilities are important to operators and we expect their use to increase and eventually become mainstream.

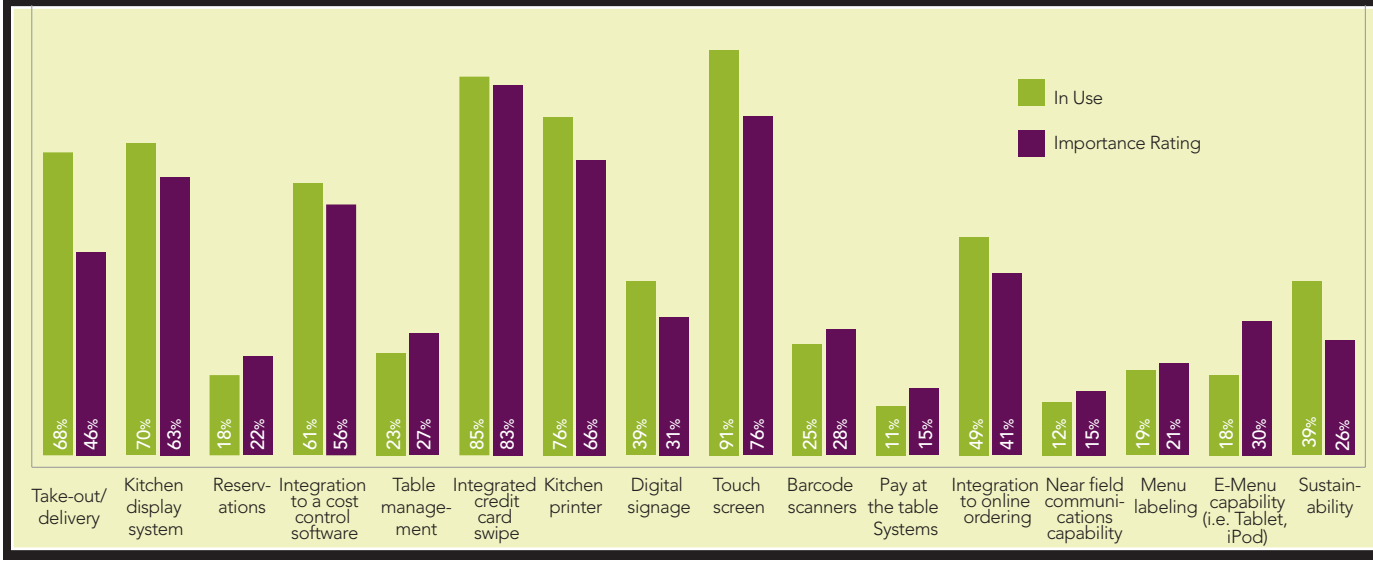
POS capabilities expand

Beyond the core functionality areas, the POS is expanding to include a variety of specific innovations, among them NFC-payments, menu labeling, tablets and more. To help restaurants benchmark their POS technology against industry trends, this study tracks a variety of specific features and compares their current use to overall perceived importance of such a technology to the foodservice industry, regardless of whether or not it's currently being used at the restaurant.

FIGURE 6 « **IMPORTANCE OF POS SYSTEM FUNCTIONS (5-YEAR COMPARISON)**

	% INDICATING SYSTEM IS IMPORTANT						% USING SYSTEM
FUNCTION	2007	2008	2009	2010	2011	2012	2012
ACCOUNTING/FINANCIAL	78	89	77	63	79	83	95
LABOR MANAGEMENT	81	83	71	62	72	80	85
ENTERPRISE MANAGEMENT	55	58	67	41	63	71	71
CUSTOMER RELATIONSHIP MANAGEMENT/LOYALTY	58	55	55	33	46	60	53
BUSINESS INTELLIGENCE	74	71	64	32	58	66	66
CLOUD-BASED APPLICATIONS						61	46
REAL-TIME, WEB-BASED REPORTING						61	50

FIGURE 7« **POS SYSTEM FEATURES: CURRENTLY IN USE VS. PERCEIVED IMPORTANCE**



Not surprisingly, some of the most important features of a POS system are mission-critical applications such as touch screen technology (in use by 91%, and with an importance rating of 76%) and the ability to accept integrated credit card payments (with a usage rating of 85% and an importance rating of 83%). Kitchen printers round out the top three most used POS-related features, with a 76% use rating and a 66% importance rating.

The next tier of POS features includes such technologies as kitchen display systems, take-out/delivery, and cost control technology. Several new technologies are added to the 2012 study, among them: e-menu capability (with an 18% use and 30% importance rating), menu labeling (with 19% in use and 21% importance rating), and near-field communication capability (with 12% in use and 15% importance rating). Figure 7 gives the full overview of current in-use ratings, as compared to a technology's overall perceived importance to the restaurant industry.

With all of these new innovations flooding the market, it begs the question, how quickly are operators planning to replace their point of sale? This study provides a year-over-year comparison (Figure 8) and findings show that the largest portion of survey respondents (30.1%) expects to replace their POS in a 3- to 4-year timeframe. Nearly the same number (28.2%) has an even longer time frame, at 5 to 6 years. Overall, nearly 50% of study participants expect to replace their POS within four years.

Strong support for mobile POS

One of the most interesting components of restaurant POS is the industry's evolving attitude towards wireless/mobile point of sale. This study shows significant improvement in restaurant executives' perceptions of tableside ordering and/or payment devices, although use of the technology hasn't yet changed much and hovers at approximately 15% (Figure 9).

The perception that wireless handheld terminals are too expensive has reduced significantly over the years.

The perception that wireless handheld terminals are too expensive has reduced significantly over the years, at 41% in 2012, down from 46.8% last year and 90% in 2009. As for ruggedness, wireless handheld POS terminals are considered easy to break by just 27% of respondents, down from 39.7% last year and 75% in 2009. The concern that such devices are easy to lose has dropped to 24% in 2012, down from 32% one year ago and 62% in 2009. In conclusion, the study reveals an overwhelming change in attitudes: in the past

FIGURE 8 « **TIMELINE FOR POS SYSTEM REPLACEMENT**

PROJECTED TIME FRAME FOR NEXT REPLACEMENT	2009 %	2010 %	2011 %	2012 %
1-2 YEARS	31.6	23.2	22.3	19.4
3-4 YEARS	28.2	34.3	23.4	30.1
5-6 YEARS	23.9	19.2	24.9	28.2
7-8 YEARS	8.5	6.1	6.1	10.7
MORE THAN 8 YEARS	7.8	17.2	23.3	11.6

restaurateurs were dissuaded from adopting wireless POS systems because of concerns over cost, durability and loss/theft. As POS systems advance technologically, more and more restaurants are accepting the benefits of mobility. Further supporting this notion, when respondents were shown the statement, "my company does not see the value in investing in wireless handheld POS terminals," only 20.2 agreed in 2012, compared to 40% just one year ago and 69% in 2009.

In 2012, just 30.6% of respondents believe that a wireless POS increases security.

One area that remains in question is security associated with mobile POS. In 2009, 69% of survey respondents believed the technology is safer than traditional, wired POS, likely because mobile POS technology reduces credit card skimming. Perceptions about security have suffered, however, as protecting the network itself has become a concern. In 2012, just 30.6% of respondents believe that a wireless POS increases security. Also of note, the wow-factor associated with such devices is beginning to wear off.

A reasonable conclusion is that the significant decline in negative attitudes toward wireless POS is a likely precursor to an increase in adoption. However, restaurant executives are looking for devices that don't open up additional holes in their security fabric. •

FIGURE 9 « **WIRELESS POS TERMINALS: RESTAURANT OPERATORS' PERSPECTIVES**

	2009 AGREE %	2010 AGREE %	2011 AGREE %	2012 AGREE %
WIRELESS HANDHELD POS TERMINALS ARE TOO EXPENSIVE.	89.8	63.3	46.8	41.3
WIRELESS HANDHELD POS TERMINALS ARE EASY TO BREAK.	75.2	62.9	39.7	27.0
WIRELESS POS TERMINALS HELP SERVE GUESTS MORE QUICKLY	69.4	58.6	34.4	30.3
MY COMPANY DOES NOT SEE THE VALUE IN INVESTING IN WIRELESS HANDHELD POS TERMINALS.	68.8	70.7	40.0	20.2
WIRELESS CREDIT CARD TERMINALS INCREASE GUEST CREDIT CARD SECURITY.	68.7	56.0	29.3	30.6
WIRELESS HANDHELD POS TERMINALS ARE EASY TO LOSE.	61.6	63.3	32.6	24.4
WIRELESS HANDHELD POS TERMINALS INCREASE GUEST SATISFACTION.	58.0	63.0	73.0	61.9
WIRELESS HANDHELD POS TERMINALS 'WOW' GUESTS.	56.2	64.0	73.0	40.8
MY COMPANY USES WIRELESS CREDIT CARD AUTHORIZATION TERMINALS.	19.6	17.0	15.7	14.5
MY COMPANY USES WIRELESS HANDHELD POS TERMINALS.	15.3	27.0	14.6	16.3

Marked Improvement in PCI

The restaurant industry hits record compliance levels across all 12 requirements

During the early stages of Payment Card Industry Data Security Standards (PCI DSS), restaurant operators focused on comprehension, followed by action. First they sought to understand this complex set of best practices and then invested in technology that would decrease their likelihood of suffering a data security breach. Moving forward, the industry is looking toward technology innovation — which is now on the horizon — to create a safer payment environment.

PCI Perspectives

Each year, this report seeks to understand industry attitudes regarding payment security. Respondents were asked to indicate their agreement or disagreement with ten PCI-related statements (Figure 10). Overall, the majority report high levels of PCI DSS knowledge and compliance: 79.3 percent report being fully aware of PCI standards and 71.3% report that their companies are fully compliant. These numbers are within a few percentage points of 2011 study data (75.1% and 75.4%, respectively.) There was a decrease in the amount of progress made towards compliance over the past year in comparison to previous years (at 75.6% in 2012, 87.5% in 2011 and 82% in 2010), however, progress is typically measured in relationship to a starting point. For the vast majority who made progress in 2010 and 2011, the 2012 study shows a leveling off that may represent a status-quo in compliance.

Across the board, for each of the 12 requirements, self-reported compliance levels have moved into the 90th percentile.

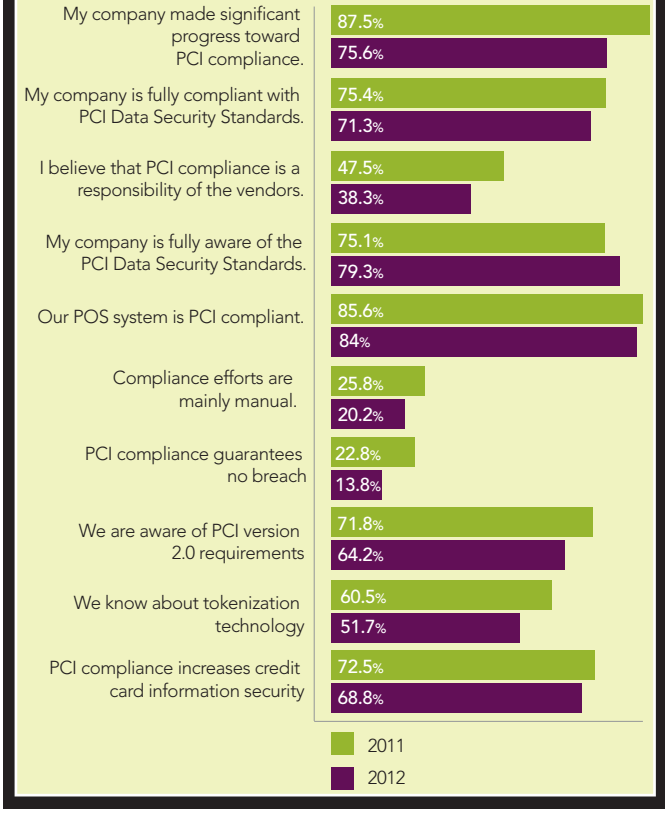
It's also likely that confusion still remains in the industry around PCI DSS requirements. Despite the fact that nearly 8 out of 10 restaurant executives classify their companies as fully aware of PCI standards, a noticeably smaller number (64.2%) report being fully aware of PCI version 2.0, which as the current version of the standard, represents a disconnect. Even fewer respondents confirm their awareness of tokenization technology (61% in 2011 and 52% in 2012).

This year's results show a continuing trend in moving away from the belief that PCI compliance is the responsibility of a vendor (48% agreed in 2011, 38% agreed in 2012). We see the same trend in the belief that PCI compliance guarantees there will be no breach, down by 9 percentage points in 2012 (13.8%) compared to 2011 (22.8%). These trends show healthy attitudes: restaurant operators understand that technology vendors, per the PCI DSS standard, are not solely accountable, and they realize that compliance with the standard is a best practice but not a guarantee of protection.

Self-reported compliance reaches 90%+

Across the board, for each of the 12 requirements, self-reported compliance levels have moved into the 90th percentile. This is

FIGURE 10 « PCI PERSPECTIVES



a great improvement from 2009, when not a single requirement was in the 90th percentile and some had self-reported compliance rates as low as 44%.

As in prior years, the last three requirements (as shown in Figure 11) have consistently been the most challenging for restaurants. These are what can be referred to as the "monitoring and compliance maintenance" standards. This set of standards received the lowest compliance scores for each year this study has tracked such data. This year marks the first that compliance level for these requirements is now in the 90th percentile.

Complete, ongoing compliance with PCI DSS is not an easy task and in some cases, may not be even possible. However, the findings of this study show that the restaurant industry has made significant strides in protecting their organizations and their guests.

A whole new world of payments

Processing payments will undergo significant change in the months ahead, with both Visa and MasterCard announcing plans to migrate away from magnetic stripe to EVM technology, the global standard for inter-operation of integrated circuit (IC or "chip cards") and IC card-capable POS terminals.

Visa plans to accelerate the migration to EMV (which stands for Europay, MasterCard and Visa) contact and contactless chip technology in the U.S. According to the company, the adoption of dual-interface chip technology will help prepare the U.S. payment infrastructure for the arrival of NFC-based mobile payments by building the necessary infrastructure to accept and process chip transactions that support either a signature or PIN at the point of sale.

Visa has agreed to eliminate the annual validation of PCI compliance for any merchant that has at least 75% of their transactions originating from IC card-capable terminals. However, it won't completely eliminate the need for PCI compliance assessments and reporting. •

Processing payments will undergo significant change in the months ahead, with both Visa and MasterCard announcing plans to migrate away from magnetic stripe to EVM technology.

This year's results show a continuing trend in moving away from the belief that PCI compliance is the responsibility of a vendor.

FIGURE 11 « **COMPLIANCE WITH PCI SECURITY REQUIREMENTS**

	FULLY OR MOSTLY COMPLIANT (%)			
	2009	2010	2011	2012
INSTALL AND MAINTAIN A FIREWALL CONFIGURATION TO PROTECT CARDHOLDER DATA	76.8	96.6	92.4	97.7
DO NOT USE VENDOR-SUPPLIED DEFAULTS FOR SYSTEM PASSWORDS AND OTHER SECURITY PARAMETERS	64.3	93.2	86.8	89.7
PROTECT STORED CARDHOLDER DATA	70.6	96.6	90.5	97.7
ENCRYPT TRANSMISSION OF CARDHOLDER DATA ACROSS OPEN, PUBLIC NETWORKS	76.6	94.3	91.7	95.4
USE AND REGULARLY UPDATE ANTI-VIRUS SOFTWARE	82	95.5	94.1	96.6
DEVELOP AND MAINTAIN SECURE SYSTEMS AND APPLICATIONS	57.8	94.3	91.8	96.5
RESTRICT ACCESS TO CARDHOLDER DATA BY BUSINESS NEED-TO-KNOW	70.6	95.4	90.6	96.5
ASSIGN A UNIQUE ID TO EACH PERSON WITH COMPUTER ACCESS	57.1	78.4	92.4	96.6
RESTRICT PHYSICAL ACCESS TO CARDHOLDER DATA	65.6	96.5	91.1	95.4
TRACK AND MONITOR ALL ACCESS TO NETWORK RESOURCES AND CARDHOLDER DATA	54.6	81.8	87.5	92.1
REGULARLY TEST SECURITY SYSTEMS AND PROCESSES	43.9	77.3	86.1	93.1
MAINTAIN A POLICY THAT ADDRESSES INFORMATION SECURITY FOR EMPLOYEES AND CONTRACTORS	49.7	84.1	87.1	93.1

e-Tools Becoming Mainstream

Use and importance of social media is on the rise among restaurants

Mobility and user generated content have launched entirely new executive positions with responsibilities that straddle technology and marketing functions. Corporate restaurants are adding such titles as "director of social media" or "marketing technology manager" to their rosters. Evident to this trend are the increasing numbers of restaurants in our study that manage Facebook accounts, leverage search engine optimization, and communicate with customers via text messaging.

Respondents were asked to provide usage and importance ratings for 15 marketing technologies. Figure 12 provides a comparison for 12 of these variables from 2010 to 2012. Respondents also ranked an item's perceived importance in terms of marketing effectiveness regardless of whether it is used, revealing in fact that some items are under-utilized in comparison to their importance to the executive.

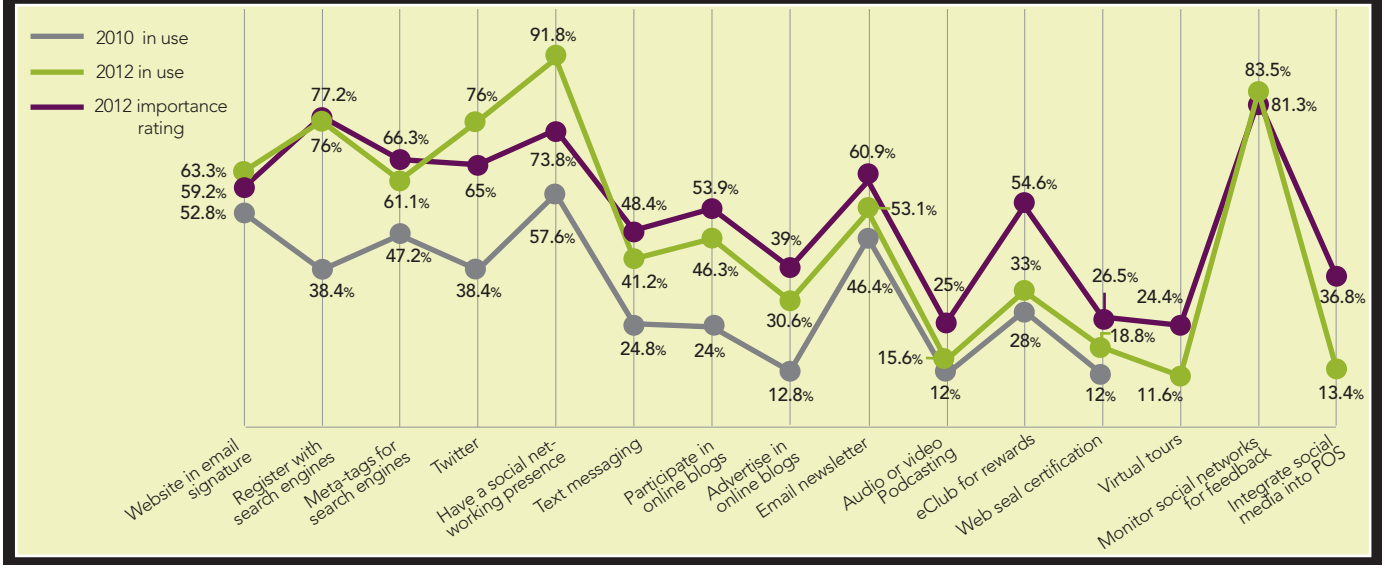
Both the reported use of, and perceived importance of, marketing technologies are on the rise in 2012. Registering with search engines as a practice has increased from 38.4% in 2010 to 76% in 2012. Similarly, there is an increase in the use of meta-tags for search engines, Twitter for marketing, text messaging (SMS), online blogs, and email newsletters. In fact, in a 2010 to 2012 comparison, all 12 of the marketing technology tools tracked both years have increased in their use.

The true payoff for innovative marketing techniques may come with their direct integration into the organization's POS. 2012 is the first year this study has tracked the specific integration of social media into the point of sale. While just 13.4% of respondents report a social media-POS integration, its importance rating is markedly higher, at 36.8%.

The ubiquitous use of two items on the list is quite noteworthy: having a social networking presence (a practice employed by 91.8% of respondents) and actively monitoring social network chatter for feedback purposes (a practice employed by 83.5%). Consumer driven technologies and user generated content are indeed capturing the attention of restaurateurs. What's more, the importance rating in 2012 skyrocketed for many marketing technologies: Twitter had an importance rating of 45% in 2011, and is at 65% in 2012. Advertising in online blogs had an importance rating of 23% in 2011, and jumped to 39% in 2012. Registering with search engines had an importance rating of 45% in 2011, and spiked to 77% in 2012.

Despite these positive results, two important findings reflect that the value of social media is still unclear. Although the vast majority of respondents have a social networking presence (91.8%), a smaller number (73.8%) perceive this practice as being important. As for using Twitter for marketing purposes, 76% of the participants in this study report doing so yet only 65% of them believe this exercise to be important. Perhaps internal data shows that these efforts have yet to yield results. More likely, however, the metrics to support and document the marketing effectiveness of such practices are simply not available, which is further cause to integrate social media marketing efforts into the POS. •

FIGURE 12 « USE OF MARKETING TECHNOLOGIES



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RESTAURANT TECHNOLOGY STUDY

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