

## WHITE PAPER:

# The New Economics of Drive-Thru Technology

*Cost-Effective Outdoor Digital Signage Is Now Delivering Significant Value in the Drive-Thru*





## EXECUTIVE SUMMARY

The drive-thru is where the rubber meets the road for quick-service restaurants (QSRs). Because a significant percentage of revenue is generated in the drive-thru, sales and marketing tactics that prove successful there have a big impact on profitability.

For several years, QSRs have been replacing static menu boards with digital signage inside their restaurants. Digital menu boards allow QSRs to display multimedia content and change the content on the fly according to time of day, inventory, promotions and other criteria. Digital signage saves the cost of updating printed menus and can boost sales by creating a more engaging customer experience.

Until recently, it was not economically feasible to install digital signage in the drive-thru. Only the most expensive displays were bright enough to be seen in daylight. In order to protect the signs from the elements, QSRs would have to install bulky enclosures with HVAC units that have significant power requirements.

Today, those issues have been resolved with relatively inexpensive displays that are bright and capable of withstanding heat, cold, moisture and dust. System-on-chip technology and new cabling standards have further reduced costs and simplified implementation.

This whitepaper explains the value of digital menu boards in the drive-thru and how the latest technologies overcome the implementation challenges associated with legacy systems. It also discusses the return on investment (ROI) that QSRs can expect from outdoor digital signage, and SageNet's experience designing, implementing and supporting digital signage solutions.

## WHY DIGITAL SIGNAGE MAKES SENSE FOR THE DRIVE-THRU

Drive-thru sales account for as much as 70 percent of a QSR's revenue. The time period in which that revenue is generated is very short — usually just three or four hours at lunchtime, and two or three hours at dinnertime. Brands that also serve breakfast see a couple hours of benefit in the mornings. In light of that, QSR operators are constantly looking for ways to boost sales in the drive-thru throughout the day by modifying buying behaviors, particularly during the high-traffic periods. That means encouraging customers to purchase more items overall and those with a higher profit margin.

The menu board plays an enormous role in drive-thru sales. Inside the restaurant, there typically are multiple customers coming and going at any given time, making upsell and cross-sell promotions difficult. In

the drive-thru, there's a one-on-one relationship between the menu board and the driver or group in the car placing the order. What's displayed and how it's presented has a direct impact on the customer's purchase.

Static menu boards offer limited opportunity to influence buying patterns in the drive-thru. The layout of the menu and the promotions offered are certainly designed to maximize sales as much as possible. However, changing the menu board is expensive and time-consuming, and customizing menus for different locations and times of day is cumbersome.

Digital signage is made to order for drive-thru menus. Digital menu boards are remotely programmed and updated through a content management system, providing the flexibility to add or remove menu items and adjust prices as needed. Video can be used to showcase specials and introduce customers to new products. Automatic dayparting makes it possible to change the display — both menu items and promotions — based upon the time of day. Digital menu boards can even be integrated with inventory and point-of-sale systems to discount slow-moving items and remove out-of-stock items from the menu.

These capabilities help QSRs increase drive-thru sales and profitability. Until recently, however, digital signage was simply too expensive for outdoor use.

## Convenience Stores Begin Adopting Drive-Thrus

Most customers come to convenience stores for gasoline. That's why c-store operators traditionally have focused their marketing efforts on getting customers to come inside the store and purchase higher-margin items. However, third-party fast food delivery, home delivery of grocery items and other services are now competing for the "convenience" dollar. C-store operators are looking for new ways to appeal to today's consumer and capture more revenue. Increasingly, this means adding drive-thru service. Because many c-stores now offer made-to-order food, a drive-thru can entice customers to purchase food even if they don't need gas. C-stores can differentiate themselves from QSRs by also offering non-food items in the drive-thru.

## COSTS AND DEPLOYMENT CHALLENGES HAVE LIMITED OUTDOOR DEPLOYMENTS

Digital signage with adequate brightness for outdoor use has been available for a number of years. However, these displays were expensive and didn't have the environmental characteristics of today's technology. The screen had to be installed in an enclosure with a heat pump, which required a 220-volt circuit.

The setup was huge, clunky, ugly and cost more than \$50,000 to implement. It also required QSRs to have someone who could maintain the HVAC units or pay for extended service. The availability of heating and cooling systems that would run on a 110-volt circuit reduced the electrical wiring costs, but drive-thru digital signage was still too expensive to be practical.

In recent years, digital signage manufacturers have developed brighter displays that are IP65-rated and have simplified enclosures that ease installation and further protect the screens. This eliminates the need for a complex enclosure with an HVAC unit. What's more, the price of displays have dropped significantly, with three-foot by five-foot digital menu boards costing around \$25,000. The latest outdoor digital signage also has a lifespan of up to five years, compared to three years for older units.

System-on-chip (SoC) capabilities further reduce the cost of outdoor digital signage. SoC technology embeds media player functionality within the display itself, eliminating the need for an external media player or PC in certain scenarios.

In addition, the HDBaseT standard introduced in 2010 streamlines cabling. HDBaseT can simultaneously support the delivery of HD video, audio, 100BaseT Ethernet, control signals, and up to 100W of power. This makes it possible to run a single Cat 6 cable to each display as opposed to multiple high-end video cables, serial cables and Ethernet. HDBaseT also overcomes the distance limitations of HDMI cables, supporting runs of up to 100 meters (328 feet).

These technologies have combined to reduce the cost of outdoor digital signage and simplify implementation. Digital signage in the drive-thru now makes economic sense in light of the value it can deliver.

## OUTDOOR DIGITAL MENU BOARDS ENABLE COST SAVINGS AND INCREASED PROFITABILITY



The light box menu boards used by most QSRs today cost \$12,000 to \$13,000 on the high end. A digital menu board is roughly twice that, yet QSRs are seeing an ROI in 12 to 18 months, along with reduced total cost of ownership (TCO) over the normal life of the equipment.

According to a Forrester Total Economic Impact (TEI) study of outdoor digital menu boards, a QSR could save \$30,000 in printing costs per year per location while eliminating the labor expenses associated with updating traditional menus. More importantly, digital menu boards can increase the average value of orders by 2.5 percent, and the conversion rate on promotional items by 2 percent. The technology also increased overall traffic volumes by 9.1 percent and decreased

drive-thru wait times by 5.75 percent through greater efficiency. Together, these factors increased profitability by almost \$1.5 million over a five-year period for the composite QSR used in the study.

The results can be even more dramatic for high-margin items such as beverages. Typically, just 20 percent of customers who come through the drive-thru purchase a drink with their order. If digital menu boards double that number to 40 percent, overall sales would increase by 5 percent to 7 percent.

Achieving these results requires a strategic approach. QSRs should focus on developing content that will drive increased sales. Because few QSRs have expertise in outdoor digital signage and the infrastructure required to support it, it makes good business sense to partner with an experienced technology provider for design, maintenance and support.

SageNet has successfully implemented indoor and outdoor digital signage for QSRs nationwide. Our team helps customers select the right digital signage solutions and implements local and wide-area networks with the bandwidth and reliability needed to deliver multimedia content. We also offer a cloud-based content management system that's ideal for multisite operations.

Because reliability is critical, SageNet provides 24x7 monitoring of displays, media players and the network, along with comprehensive maintenance for digital signage systems. Our highly trained and certified staff has deep experience in digital signage, enabling us to rapidly troubleshoot issues. A network of field technicians provides onsite maintenance and responsive support.

## The Next Frontier: Interactive Suggestive Selling

The phrase, "Would you like fries with that?" is almost a cliché. However, successful QSRs have always tried to upsell by suggesting add-on items to customers. This can be difficult to do in the drive-thru setting.

Advances in digital signage technology coupled with artificial intelligence are enabling interactive suggestive selling. Future digital menu boards will be capable of analyzing the customer's order and recommending other items the customer might like to add.

## CONCLUSION

Digital menu boards have always held promise for the drive-thru, but high costs and implementation challenges made the solution impractical. Legacy outdoor displays that required separate enclosures and HVAC systems were also difficult to support and maintain.

The latest digital signage technologies are much less expensive and easier to deploy. QSRs are also finding that outdoor digital signage can deliver a rapid ROI. In addition to eliminating printing costs, digital menu boards boost drive-thru sales through greater upsell and promotional opportunities and increased traffic flow.

SageNet is helping QSRs take advantage of state-of-the-art displays that are bright, rugged and intelligent, along with new cabling standards that simplify implementation. SageNet also provides expert maintenance and support that helps ensure digital menu boards continue to deliver value in the drive-thru.