#FASTERFOOD

4 Key Trends From The National Restaurant Association Show

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This week, I attended my first National Restaurant Association show in Chicago, featuring over 2k vendors and 50k+ attendees. In between hot dog roller grills, "tater kegs," mist systems, and "paper straws that don't suck," I sat down with food technologists helping to shape the future of the restaurant industry. After clocking 40k steps over two days, I identified four major trends detailed below: disruption within restaurant procurement, POS/kiosks doubling down on fintech, the commoditization of automation and AI, and sustainability in the form of alt protein, beverage dispensers, and food waste reduction. Not to mention, the trend of booths like Square and Toast furnishing themselves as literal "cafes" and "kitchens" cooking up merch in lieu of actual food.

Square's booth mimicked a restaurant back-of-house with a KDS cooking up Square swag orders in order to position itself as a more restaurant-centric platform. (Source: HNGRY)

## Wedging into vendor payments, procurement, and inventory

Just as Toast has leveraged the front-of-house as a wedge to become a de-facto payments company, companies like Restaurant365 (R365) are seeking to do the same for the back-of-house, consolidating 5-7 different point solutions into a single platform. The startup, which has raised $288mm to date, focuses on three core modules: accounting, store operations, and workforce management on behalf of 40k restaurant customers. By gaining real-time connectivity into revenue, payroll, and purchase orders, R365 is becoming an indispensable system of record for restaurants. This unlocks real-time stock counting, inventory forecasting, and the ability to flag increases in per-unit inventory costs from vendor purchase orders.
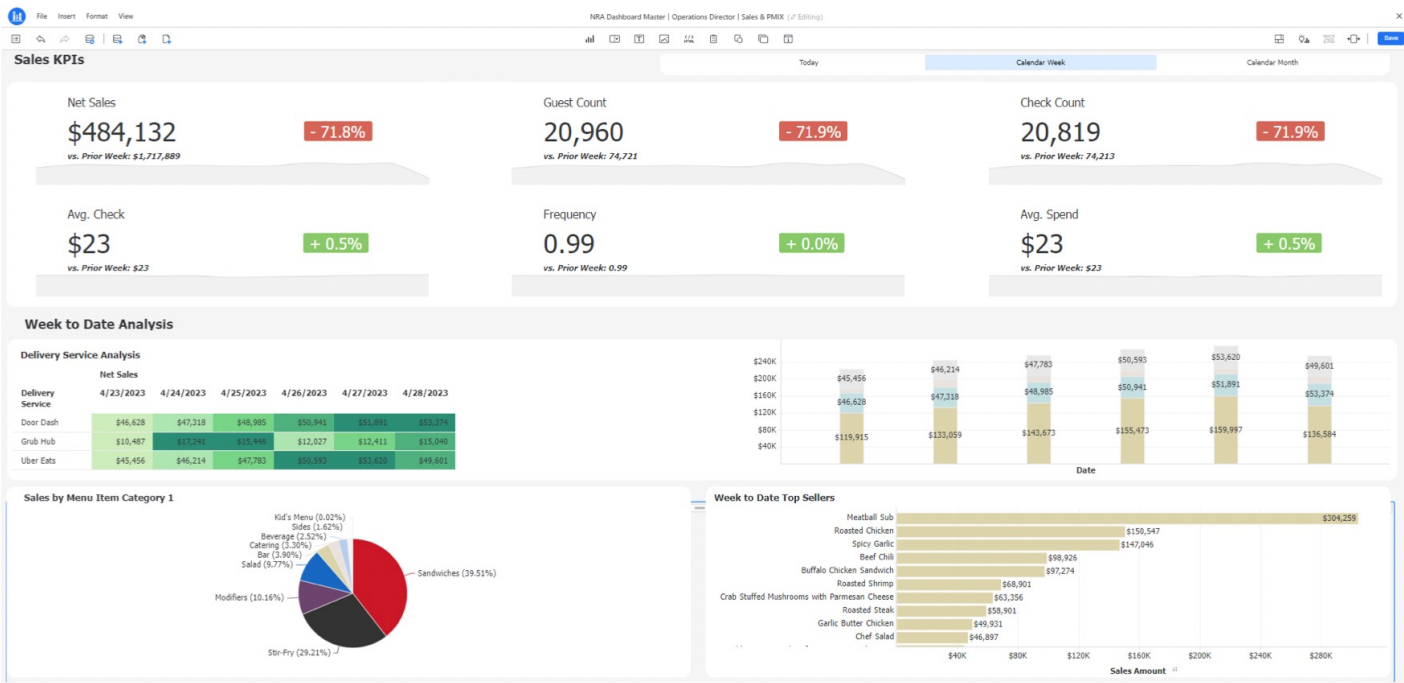
R365 screenshot (Source: Restaurant365)

HNGRY sat down with Co-Founder and CEO Tony Smith, who hinted at the platform's opportunity to become a group purchasing organization, negotiating better vendor terms for its restaurant customers just as Odeko does for coffee shops. While the company is largely focused on its SaaS model, it currently generates a small amount of transactional revenues by taking a few basis points on distributor rebate transactions. Within the $300bn+ domestic wholesale distribution market, there is a market opportunity worth tens of billions to disintermediate banks, issuing credit, and processing vendor purchase orders on behalf of restaurants. Private equity firms certainly agree as L Catterton and KKR led a $135mm round into the unicorn last week.

Zitti, which is less than a year and a half old, sees a similar opportunity but is taking a targeted approach by creating a product that brings "radical transparency" to vendor purchasing. The startup scrapes restaurants' distributor portal data on their behalf, surfacing where they are paying a premium above market on various ingredients using a broader pricing database. It claims it can save restaurants 3% on food costs. It also has a cloud-based invoice management system that ingests invoices via email or PDF, streamlining payments within each vendor's due date.
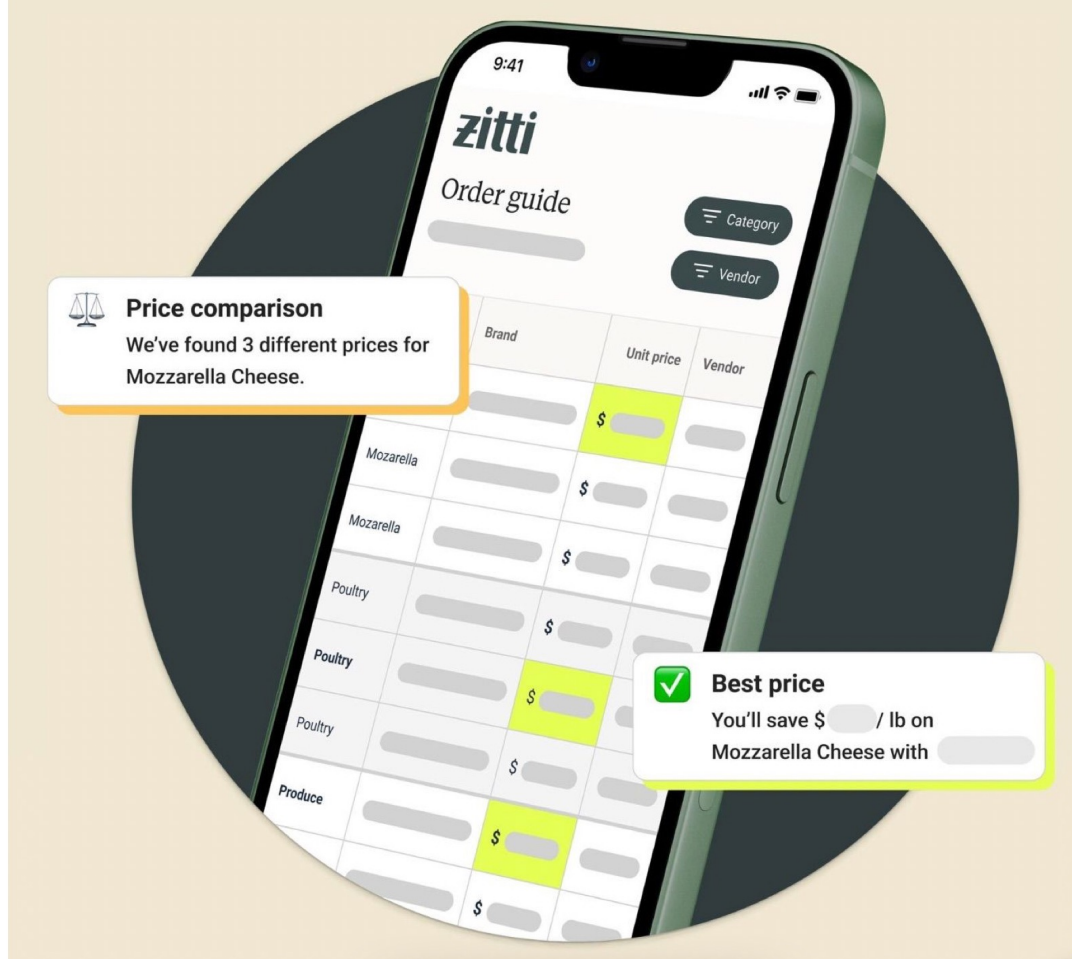
Kiosks & POS double down on transactional revenue

Similarly, front-of-house POS and kiosk startups are tightly integrating payments into their business models. SpotOn, which has raised over $900mm to date, forgoes long-term contracts in favor of a nominal monthly fee plus all-in transactional fees of ~4% to cover its payment, hardware, and cloud-based software costs for retailers, restaurants, and stadiums. The startup works with 65% of all domestic baseball stadiums and also counts fast casual, fine dining, and bars as customers within its restaurant segment. Just as R365 has built a suite of tools to entrench themselves within merchants' four walls, SpotOn has a comprehensive set of modules including labor, reservations, online ordering, loyalty, and marketing. 90% of its customers are independent operators.

Another example of integrated payments is self-ordering kiosk solution GRUBBRR, which is owned by TouchSuite, a two-decade-old payment processor that works with over 50k merchants. The company also works with NCR and Samsung as their exclusive kiosk partner but is agnostic when it comes to hardware and operating systems. GRUBBRR is designed as a progressive web app that can run on Windows, Samsung's Tizen, and Android. While merchants can provide their own payment processors,

GRUBBRR also serves as the merchant acquirer should a restaurant wish to use TouchSuite. The company is especially well-suited for multi-vendor food halls, stadiums, and ghost kitchens thanks to its ability to remit payments from a single check to multiple merchants. For example, CloudKitchens recently began rolling out its kiosks for walk-up orders at its ghost kitchen warehouses. GRUBBRR sees a future where cashiers become mostly obsolete, just as bank tellers have been replaced with ATMs and airline agents have been replaced with websites and check-in kiosks, which is a nice segue to our next trend...


Source: GRUBBRR

The commoditization of AI and automation

After raising nearly $100mm over the last seven years and attracting press from pilot announcements with QSRs like Jack In The Box and White Castle, Miso robotics generated less than $100k in revenue last year. Meanwhile, Sweetgreen has developed its own Infinite Kitchen technology via its acquisition of Spyce and Chipotle has invested in Hyphen. There were a handful of booths at the show who have either copied or improved upon Miso's automated burger flipper and french fryer, as well as novel use cases like sushi robots. Similarly, just as there once was a handful of pure restaurant-focused AI companies like ConverseNow and Kea, OpenAI and Google have created more advanced large language models suited to a wider set of use cases beyond drive-thrus and phone orders. Together, AI and automation are attempting to solve the major labor shortage facing the industry by reallocating human resources to less menial tasks.

Middleby, the publicly-traded owner of brands like Blodgett and Marsal ovens, hosted an Automated Burger and Chicken Bar in the South Hall featuring its own automated french fry arms and griddles. Korean automation startup Aniai also had its own robot burger bar in partnership with East Asian QSR Lotteria. Its double-sided grills can cook eight burger patties at a time without any human supervision, boasting a throughput of ~400 burgers per hour. The machines are leased for $3,500 a month and allow employees to focus on other prep-related tasks without having to worry about cooking burgers to the right doneness. Lastly, Autec demoed two types of sushi robots designed to perfectly roll and cut sushi rolls as well as form individual pieces of nigiri. The automation allows for any kitchen labor to seamlessly make sushi with minimal training.

On the AI front, I had a fun demo from Soundhound, the 18-year-old former Shazam competitor. The company has been piloting its large language model (LLM) AI at three White Castle locations and has seen above a 90% order completion rate. Outside of restaurants, the platform is selling to car companies, hotels, and smart devices. Unlike legacy restaurant AI tech providers, its LLM can quickly parse through unstructured sentences and worked nearly perfectly during my tests.
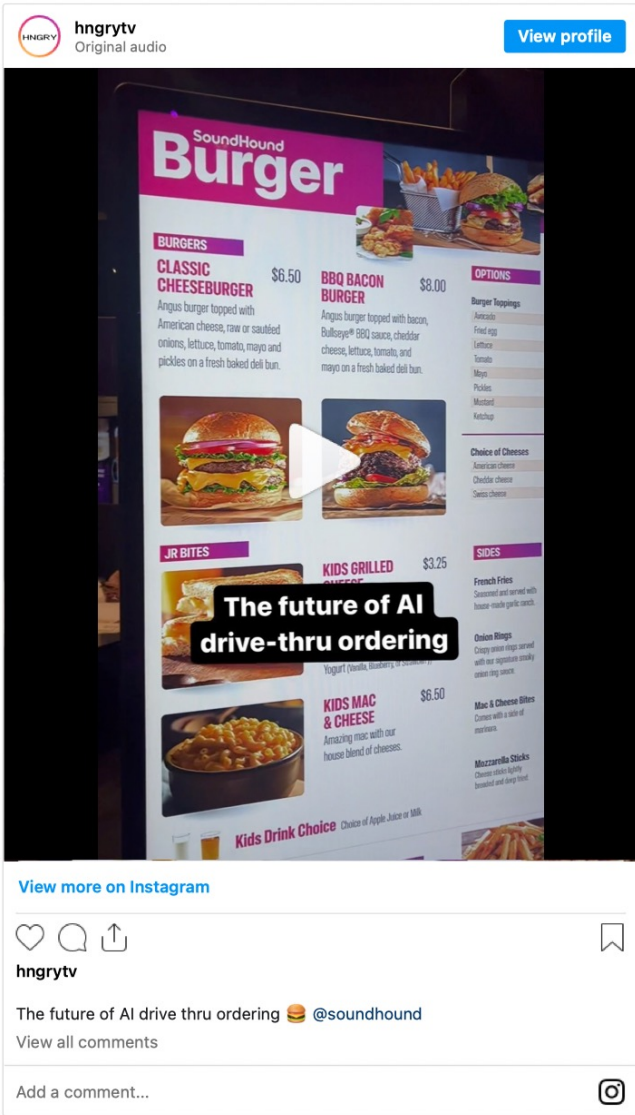
Sustainability: food waste, alt protein, beverages

Perhaps the highlight of the show was less restaurant tech and more food science. An Israel-based meat alternative startup called Chunk Foods has managed to create the best steak alternative I've ever tried when it comes to taste and texture, almost reminiscent of a tender brisket. Whereas Meati has raised over $620mm, Chunk has raised $17mm for a far superior-tasting product, most of which its Founder & CEO Amos Golan says was developed off of its initial $2mm round. It uses solid state fermentation

of flour, generating a medium that is 23% protein by weight with a full amino acid profile. According to Golan, Chunk features half the sodium and a third of the fat of Beyond Meat. In its next iteration, it will look to transition away from coconut oil to eliminate all saturated fats. Like Impossible, it is currently focused on building foodservice partnerships with restaurants like The Butcher's Daughter in LA and NYC and Anixi in NYC using the products as plant-based "Shish kebabs" and "beef tagliata" salads. It currently sells three SKUs of its plant-based steak in filet, cubed, and shredded forms that will soon be produced from what Amos called the world's largest fermented alt-protein facility.

I also got an interesting demo of Winnow, a hybrid hardware/software solution that helps larger commissaries and QSRs track and reduce food waste by 50%. The system consists of a scale, camera, and touchscreen that can recognize each item placed into the trash using computer vision AI. The startup is focused on helping 2k kitchens across 67 countries track three main waste streams: customer plate, preparation, and

overproduction waste. Plate waste use cases include identifying common items, like side salads, that customers are frequently not consuming and eliminating or replacing them with better ones. Preparation use cases include identifying improper food technique slicing of various vegetable, meat, and seafood products that lead to unnecessary waste. The UK-based startup claims it has helped its customers like Wynn Resorts, Ikea, and Compass Group save $42mm in food waste per year, lowering their food costs by 3-8%.

Lastly, I stopped by the Bevi booth to refill my water bottle and hydrate. The startup sells a next-gen water dispenser for $309-$374 per month that features five different flavors of water that can be infused with caffeine, electrolytes, and vitamin boosts into hot, sparkling, and ambient temperature water. While its bread and butter is offices, Bevi is currently in talks with restaurant chains to allow them to charge customers for cups of flavored waters as if they were buying a fountain drink. I'm bucketing this under sustainability assuming the dispensers encourage the use of reusable cups and water bottles. Cana's beverage printer may have never seen the light of day, but this is probably the next best thing.

In Conclusion...

Unlike pure tech conferences, I found the diversity of vendors and attendees at the show to be refreshing. Perhaps it's a good reminder that while tech is foundational, it's just one layer in the entire stack of operating a restaurant. As evidenced by POS companies like Lightspeed cross-selling scheduling startup 7Shifts at its booth, it is clear that point solutions in the restaurant tech stack will someday cease to exist on their own. Instead, startups must offer a full unified solution that threads together all the necessary functions within a domain– whether it's back-of-house prep, invoicing, or customer-facing point of sale.

The message is clear: be indispensable– not a nice-to-have (<u>or a trojan horse</u>)– or get off the pot.