How Conversational AI Is Disrupting The Food & Beverage Sector

Digital disruption has impacted nearly every sector, from financial services to healthcare - and the food and beverage (F&B) industry is no exception. Businesses are focusing on trying new and innovative ideas to stay competitive and increase their customer base. Gone are the days when customers had to wait in long queues over the call or in the restaurants to place an order. The power of artificial intelligence (AI) and machine learning (ML) tools, which learns and mimics human behaviour by collecting and analysing millions of data, has changed how the F&B industry functions today.

Given that customer retention and loyalty is at the core of any service-based business, it is paramount for the F&B industry to fulfil and exceed expectations when it comes to customer service. Everything from running marketing campaigns, their website to online and offline services is a means of attaining the ultimate goal of impeccable service. However, be it ordering food, making a reservation or even getting recommendations, it is impossible for the service staff to meet everyone's standards consistently, which can result in a negative brand image for the F&B business.

A Conversational AI-powered chatbot can simultaneously take care of all these things for thousands of customers. Chatbots are increasingly becoming popular - 69% of users prefer a chatbot over any other channel of communication as they give instant and accurate responses 24/7.

Whether it's ordering food online, booking a table, giving feedback, registering a complaint or seeking responses to an FAQ, chatbots enable customers to avoid going through the long email chains and speed up the entire process. Chatbots are adept at engaging customers and building a loyal customer base through their personalised services.

Keep reading this guide to understand how Conversational AI can be a gamechanger for the F&B industry.

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How Has The Ordering Process Changed Over The Years

The F&B industry has gone through a significant revolution over recent years. Earlier, customers used to go to a restaurant directly for dine-in or make table reservations before showing up. Then came a time, where customers went to the restaurant, ordered their favourite food, waited for it to be prepared, and took it to their home. With the advent of appealing, user-friendly apps and tech-enabled driver networks, coupled with changing customer expectations, ready-to-eat food delivery became a major category. COVID-imposed lockdowns and social distancing norms gave the category an enormous boost.

However, there is something amiss in the overall experience amid all these delivery options. Is it the human interaction and personalisation that got diminished? The automation and mechanical behaviour in which the food and beverage industry has evolved has created a pretty sombre ambience for diners and hoteliers alike.

Is there any solution to solve this problem?

Of course! Restaurant businesses can only benefit from integrating conversational experiences into their workflows and better engaging their customers. Conversational AI-powered chatbots are the significant game-changer in this segment. The general idea is to take the help of a messaging-based communication platform where a customer can 'talk' and interact with the business. The experience should be simple and easy enough, just like talking to your close friend.

Challenges Faced By The F&B Industry

› Operational Challenges Due To Pandemic

More than 110,000 eating and drinking establishments shut shop in 2020, either temporarily or for good, and the businesses that survived the COVID-19 pandemic have prompted massive changes in how they operate. Some F&B establishments were forced to pivot quickly to off-premises channels to deal with local business restrictions, changing menus toward a delivery focus. Other restaurants had to shift operations to a limited-capacity model, adjusting labour and food costs to match new sales levels.

› Financial Loss During The Pandemic

Social distancing measures and general caution towards public places caused many consumers to dine out less, leading to a seismic drop in sales with billions in lost revenues. According to a survey conducted by the National Restaurant Association, the restaurant and foodservice industry likely lost nearly $120 billion in sales during the first three months of the pandemic. Since dine-in service was halted virtually nationwide in mid-March, restaurants missed $30 billion in sales for that month, $50 billion in April and $40 billion in May, when a number of states okayed the partial reopening of dining rooms.

Smaller platter

25% of food business operators shut down permanently

Nearly **2.4 million** jobs lost

Indian food market size shrank to **INR 200,762 crore** from **INR 423,624 crore** in FY2020

Average revenue post-lockdown seeing de-growth of **46%** compared to pre-Covid levels

Average profitability falling **88%**

Source: Business Standard

› Product Traceability

Product traceability is one of the prime challenges in the F&B industry. Thanks to the internet and technology, consumers are more educated and informed today. They take a lot of interest in knowing how many calories they consume, what ingredients are in their food, what goes into their food. This situation has led manufacturing and supply chain departments to adopt ingredient labelling for packaging products.

› The Advent Of Contactless Dine-In

The effect of COVID has impacted the restaurant and foodservice industry dramatically. The pandemic has forced restaurants to adapt, pivot, and move quickly to keep up with the government regulations and consumer expectations. One of the ways business owners have done this is through embracing contactless dining technology. A contactless experience has become a necessity as research shows that 57% of consumers say they are more likely to do business with those who offer contactless payment options. With restaurants jumping on the bandwagon of contactless dining technology, it doesn't appear to be going away anytime soon.

Digital ordering is growing 300% faster than dine-in traffic, and some restaurants on the cutting edge are looking beyond ordering capabilities on their website or mobile applications to offer conversational ordering. Chatbots let customers place an order by 'chatting' with a robot, either through their own app or website or through messaging platforms like SMS, WhatsApp, Meta Messenger, Instagram, Telegram etc.

> ## 80% of all ordering, payment, and checkout services will be contactless by 2024, according to *Gartner*.

What Is Conversational AI In F&B

Conversational AI involves a set of technologies that enables the software to comprehend and engage in human interactions, either spoken or written language. Put in another way, "*...it allows us to use natural language to interact with intelligent assistants, chatbots and smart speakers. Through conversational wake words that instantly deliver information and services on command, voice-driven interactions provide deeper insights into users' intent and moods by recognising behavioural patterns and preferences.*" (Forbes)

By 2025, the Conversational AI market is poised to grow to a massive $13.9 billion. But even before that, virtual agents will handle up to 90% of customer service queries (2022), and businesses will save 5 billion hours (2023).

With chatbots becoming mainstream, several industries are utilising them as they offer greater and less intrusive opportunities when it comes to customer engagement. The chatbot can display menus, take orders, answer questions, share business information, and even manage payments.
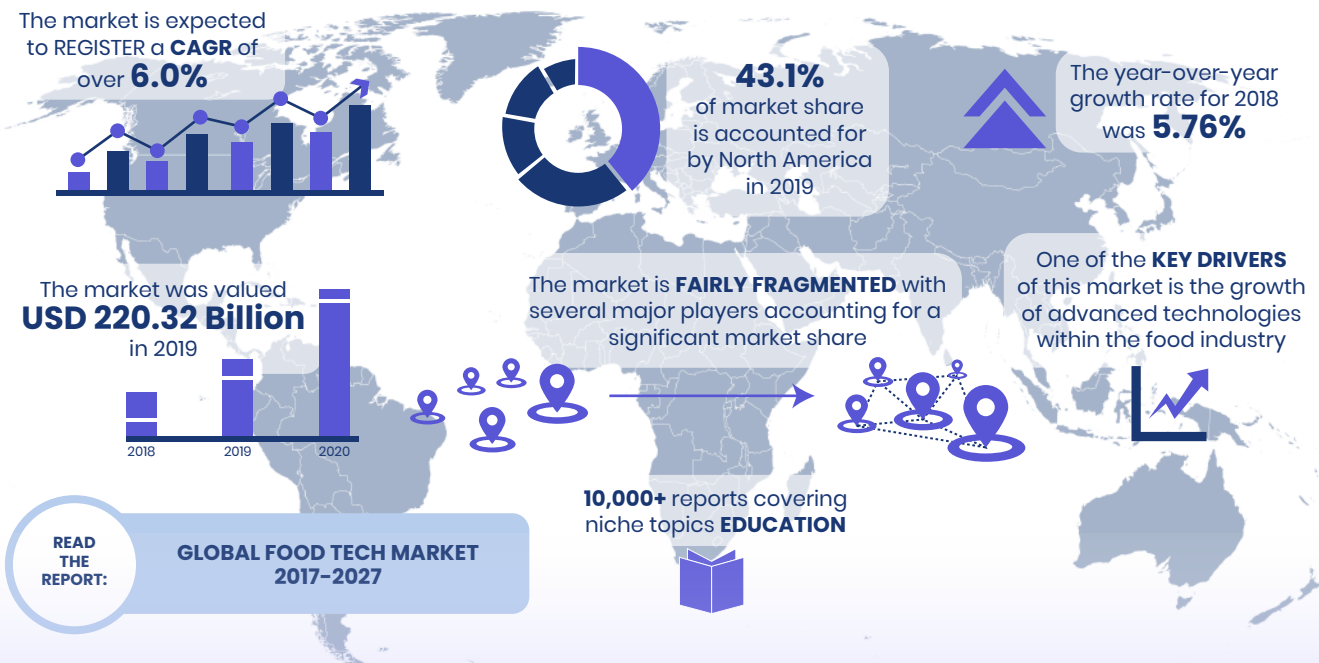
Chatbots gather and organise sales and customer behaviour data, then strategise their marketing efforts based on location and customer interests. This helps managements deliver personalised marketing plans, push notifications (about loyalty programs or new items) and customised dining experiences. This instils a feeling of community, which ultimately helps retain customers and increase satisfaction.

With a significant number of restaurants increasingly operating with a skeleton staff to keep costs down, chatbots can simultaneously remove pressure from understaffed crews while also opening up additional avenues through which customers can order meals, thereby increasing sales.

Conversational AI-powered chatbots can be programmed to assist customers quickly, and these technology platforms never get frustrated - they are polite and professional. A Zendesk survey revealed that 35% of disgruntled customers would stop doing business with a company altogether in light of a lousy customer experience; guest service is more crucial than ever before. Food chatbots wipe away these concerns. Chatbots for F&B are quick; they book in a matter of seconds, and today, easiness and speed are all on the web.

Designed to communicate in a meaningful way with customers, chatbots for F&B can be easily deployed across any platforms or apps such as SMS, WhatsApp, Instagram, Meta Messenger, Telegram, Google Business Messages etc, using a single messaging API.

As per Emergen Research, the global food tech market size is anticipated to reach $342.52 billion by 2027, at a CAGR of 6.0%. There is a lot of scope for technological improvements. And the data scientists and business experts have predicted that Conversational AI will change the restaurant and foodservice industry and prepare it to thrive in the post-pandemic era.

The market is expected to REGISTER a **CAGR** of over **6.0%**

43.1% of market share is accounted for by North America in 2019

The year-over-year growth rate for 2018 was **5.76%**

The market was valued **USD 220.32 Billion** in 2019

2018   2019   2020

The market is **FAIRLY FRAGMENTED** with several major players accounting for a significant market share

One of the **KEY DRIVERS** of this market is the growth of advanced technologies within the food industry

10,000+ reports covering niche topics **EDUCATION**

READ THE REPORT: **GLOBAL FOOD TECH MARKET 2017-2027**

What Conversational AI Brings To The Table

From agriculture to defence, artificial intelligence is gaining prominence worldwide. AI is about applying powerful ML and NLP algorithms to depict human intelligence and involves self-learning by utilising the data. AI can empower all segments of the F&B industry and is the way forward to take this industry to new heights. From automating food manufacturing and supplying to gathering customer feedback and informing agriculture resources for more efficient production, AI can serve various purposes.

Here is a list of benefits that AI can bring to the food and beverage industry.

› Safety and Quality

AI algorithms have the power to deliver quick, secure, consistent, and precise production results than human beings. Businesses can utilise AI algorithms and AI-based detection solutions to keep their staff and equipment safe by recognising danger. For example, a device can sound an alarm if a staff member forgets to put on safety gear.

› Waste Reduction and Transparency

Wastage of raw material or processed food is the most discussed and scrutinised part of the F&B industry. The wastage does not come from a single source. Wastage comes from various sources like overproduction, fluctuations in raw materials, etc. Businesses can apply AI to entire production chain facilities. AI can be implemented in each stage of the manufacturing and supply chain process – production, tracking cost, measuring raw material requirement, overseeing stock level, etc.

› Production Optimisation

AI is proving to be a key in streamlining production and making it more efficient. It empowers machines to administer themselves to reduce downtime, optimise asset utilisation, manage inventory, forecast estimated delivery time, and predict failures. With AI in place, production can operate at an exceptional speed while reducing costs and enhancing staff experience.
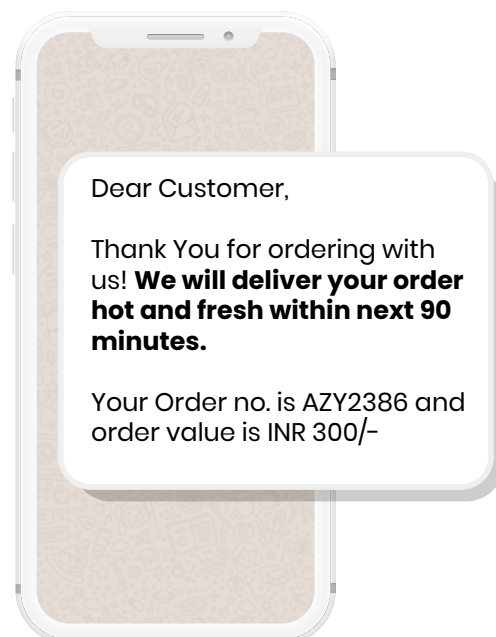
› Packaging

The sudden surge in food delivery demand is proving to be a bottleneck for the F&B industry. It does not have enough staff members to fulfil the increasing demand. Many companies are utilising AI to help teams achieve better results while reducing time and cost.

Popular Messaging Channels For F&B Industry

As the takeout trends, the demand for digital touchpoints in F&B was growing before the pandemic. Traditional offline touchpoints such as calling in order had been falling out of favour with consumers; 67% of consumers who had previously ordered online via a website or app said they preferred the digital experience.

› WhatsApp

WhatsApp is used by over two billion people every day to chat, meet and increasingly, order and pay for items - including food orders - all from within the app. WhatsApp Business enables food chains to take advantage of a fast, intuitive and friction-free platform for customer takeout orders. It allows food chains to send rich media such as images, PDFs, and maps, enabling brands to display menus, send out receipts/delivery notifications, and more. Also, if a complex issue should arise - say, the order is wrong - the customers can reach out via WhatsApp and connect to a live agent in an instant for swift complaint resolution.

Dear Customer,

Thank You for ordering with us! **We will deliver your order hot and fresh within next 90 minutes.**

Your Order no. is AZY2386 and order value is INR 300/-

Furthermore, to combat consumer fears about their security on the internet, WhatsApp offers end-to-end encryption with only the customer and the business being able to view any messaging. To further increase customer confidence, two-factor authentication (2FA) can be deployed of required plus verification badges displayed to reassure the customer that they are talking to a bonafide company and not a scammer.

› Instagram

From changing the restaurant conversation to free foodie advertising, Instagram is evolving the game for customers and restaurants alike. With Instagram, businesses owners go out of their way to ensure that every experience is the best for their diners. It enables F&B establishments to better understand what their customers want, which dish is most popular, and maybe even which dishes need to up their game to be more visually appealing.
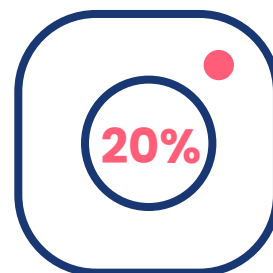
Restaurants & Technology

69%

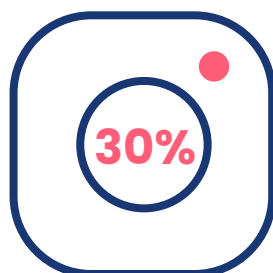...of millenial diners take a photo of their food before eaing it.

59%
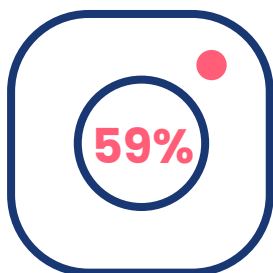
...of millenial diners say they review menus online often or very often.

20%

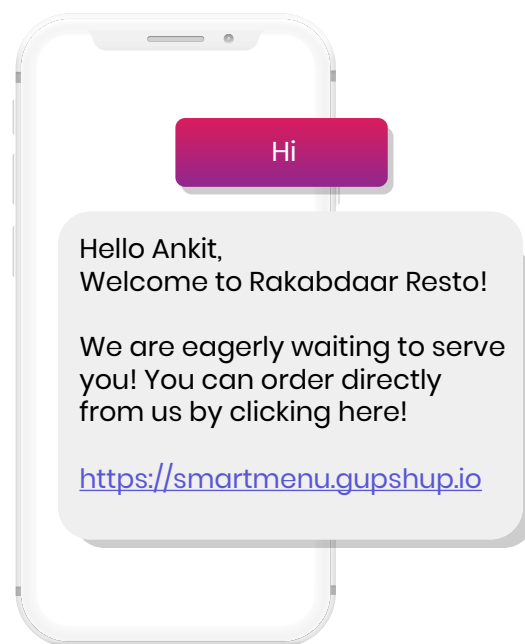...more millenials dine out than their generational predecessors.

50%

...of Gen-Z prefer limited-service and fast-casual over full service restaurants.

30%

...of millenial diners actively avoid restaurants with a weak Instagram presence.

Source: SocialMediaToday

With [500 million](#) daily active users, Instagram has emerged as a highly engaging social media platform that has attracted several businesses, celebrities and influencers. It helps businesses to provide exceptional customer service to earn their loyalty. [Instagram API](#) enables businesses to increase their engagement, reach, facilitate better product placements, increase product knowledge and create more demand for your products. By integrating the [Messenger API for Instagram](#), F&B businesses will be able to effectively scale messaging workflows to better their user experience, build more authentic relationships and monetise their follower base.
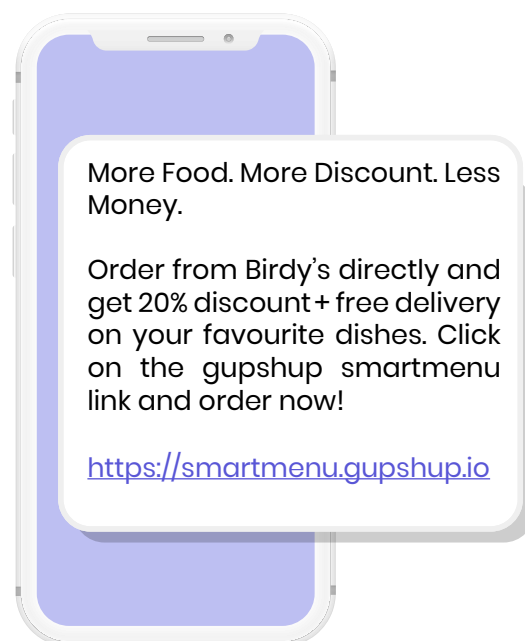
Hi

Hello Ankit,
Welcome to Rakabdaar Resto!

We are eagerly waiting to serve you! You can order directly from us by clicking here!

https://smartmenu.gupshup.io

› SMS

Among several marketing tools, CRM software and smart restaurant POS available for restaurateurs, [SMS](#) is the easiest, cheapest and most effective one to attract and nurture both old and new customers. And there are stats to prove its effectiveness.

According to a report, text message open rates are 99%, and 90% of all text messages are read within the first 3 minutes of being received. Another study by Tatango revealed that a considerable proportion of SMS responses from brands happened within the first 15 minutes of a customer receiving the message. These numbers are too good for F&Bs to not venture into SMS marketing for their business.

[SMS](#) messaging can help F&B establishments to engage patrons and customers in new ways. It can help let your customers know they can order delivery and where to find you online.

Furthermore, effective use of [SMS](#) marketing contributes to a smooth delivery experience. Businesses could reward their existing customer base for their loyalty with special deals or broadcast limited offers to attract potential customers. SMS alerts also reduce dining no-shows with automated text confirmations and reminders sent one day before their reservation. SMS marketing is a great tool for F&B businesses to find their way with customers.

More Food. More Discount. Less Money.

Order from Birdy's directly and get 20% discount + free delivery on your favourite dishes. Click on the gupshup smartmenu link and order now!

https://smartmenu.gupshup.io

Examples Of Some Top Brands' Chatbots

Here are a few examples of the restaurants leveraging chatbots:

Burger King's chatbot for Meta Messenger enables users to place meal orders, select a pick-up location and pay for their purchases. Among its advanced options, the carousel menu, and other functionalities create engagement and fun.

Domino's is one of the top restaurants leveraging chatbots known as Dom to order from the existing menu. Customers can use this chatbot to order food when Dom itself asks for any order, takeout or delivery, and personal information to place the specific order. This has helped to reduce the pressure from the website, phone number and mobile app of Domino's.

McDonald's chatbot Gaia provides recommendations, responds to complaints and books a reservation according to vacancies. If needed, it also answers different questions and transfers the call to the right employee.

Starbucks's My Starbucks Barista enables customers to order and pay through voice-based computing. Customers can also modify their previous orders through this chatbot.

Pizza Hut's chatbot for Meta Messenger and Twitter can handle pizza and other food delivery orders from customers who have Pizza Hut accounts, streamlining the process, improving accuracy, and eliminating wait times. The chatbot also provides an extra layer of customization and personalization to all orders.

KFC India's voice chatbot built on Amazon Alexa automates the food ordering process. The chatbot understands what the customer wants and tries to complete the order process in an automated and seamless manner.

Taco Bell's chatbot for Slack allows customers to add and remove ingredients, ask for prices, review orders and checkouts, while the bot keeps conversations light and casual.
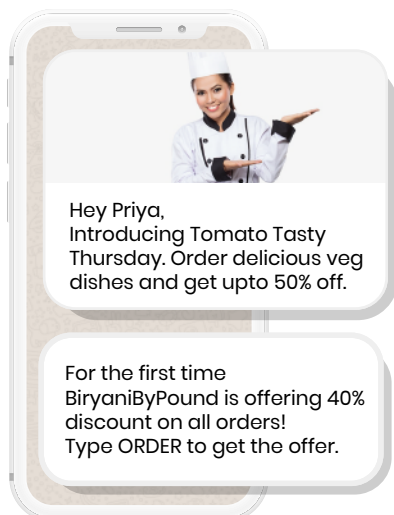
Conversational AI In F&B: Popular Use Cases

› Manage Reservations And Take Orders

A chatbot deployed on the business website or messaging apps can interact with your customers and perform these monotonous tasks with 100% accuracy.

› Connect with Customer Better

Chatbots enable restaurants to engage better, reduce the need for additional manpower and improve customer experience. Recommendations, taking orders, offering deals and answering FAQs can all be done through a conversational interface.

Welcome to McDonald's Bot!

We are ready to accept your favourite MEALS orders.

Hey Priya,
Introducing Tomato Tasty Thursday. Order delicious veg dishes and get upto 50% off.

For the first time BiryaniByPound is offering 40% discount on all orders!
Type ORDER to get the offer.

› Promote Deals And Offers

Chatbots for restaurants can easily recognise regular customers and bring them back for more business through automated deals and offers sent to them via emails or messaging channels.

› Rewards and programs

Chatbots give visitors an insight into rewards programs by providing relevant information, helping enrol guests in programs, providing redemption options, etc.

› Easier Delivery and Takeaway

Chatbot enables restaurants to reduce the effort it takes for customers to place orders from their favourite restaurants. The customer can simply place an order via a website's chat window or messaging channel.

Welcome to GuestIn!

Please rate your dining experience with us.

5/5

Tips and Best Practices to Implement a Food Chatbot in Restaurant

If you want to get more patrons into your restaurant, create enjoyable dining experiences for every customer and increase customer loyalty – keep these tips and best practises in mind when deploying your restaurant chatbot:

❯ Get started fast with built-in templates in the Gupshup bot builder [template wizard](#)

❯ Set the bot to auto-reply to comments made to any posts on your Facebook or Instagram page

❯ Add a "click to chat" button next to every offer or post on Facebook or Instagram to make it easier for customers to chat with your bot

❯ Create a list of predefined questions and answers so your bot can answer all routine questions

❯ Create a multilingual bot if your restaurant or food business caters to customers from different linguistic or national groups (e.g. tourists)

❯ Include custom images and/or greetings ("Hello John!") to personalise bot-customer communications.

❯ Leverage the data gathered by the bot to guide your recommendation/discount/offers strategy.

Future Possibilities with AI

❯ **Enhance Customer Experience**
The F&B industry can deploy AI-based solutions to enhance the customer experience. They can collect their feedback to improve their services or products. They can also offer them loyalty points, rewards, complimentary meals based on their behaviour and experience.

❯ **Deploying Bots for Order Placement**
Conversation AI will allow restaurants to deploy a bot and automate the order placing process. Customers don't have to wait in a long queue to place an order or make a [payment](#). They can use their smartphones to choose what they want to eat and make an online payment. It will increase the value of orders by reducing waiting time and driving significant satisfaction and loyalty from existing customers.

❯ **Take Advantage of the Customer Data**
Restaurant staff can maintain a customer database to store vital information about their customers. Next time when the customer visit their restaurant, they can suggest options based on their previous orders.

Conclusion

It is a fact that the way people order food and experience restaurants is rapidly changing and will keep changing henceforth too. Making sure your restaurant stays up-to-date with the latest and ever-evolving technology will not only increase sales but also keep your steady stream of customers coming in.

As a food and beverage industry business owner, do you wish to build and implement a digital menu for your restaurant? If getting your restaurant online is something you are looking at, getting a digital menu for your restaurant is one of the essential steps.

Learn how to build an interactive digital menu and make it more accessible for your customers with Gupshup. Experience contactless dining by smoothly integrating with your existing order management system with no additional hardware costs. Get insights on creating a contactless menu, implementing contactless orders, enabling contactless pay, etc. Click here to get started.

#LetsGupshup to know more.

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