



## Why Digital Menu Boards are Good for Business

Digital menu boards are becoming increasingly popular in quick serve and fast casual restaurants, as well as in convenience stores. Why? Because the benefits of this technology to these businesses are far-reaching and can have a significant impact on sales and operational efficiency. The purpose of this paper is to provide restaurant and convenience store operators with some **real-world** data on the financial returns that can be expected from implementing digital menu boards.

The benefits of digital menu boards over static can be generally organized into two groups: hard (*quantitative*) benefits and soft (*qualitative*) benefits. Over the past several years, industry research, as well as our own customer experience, has shown measurable quantitative and qualitative benefits associated with implementing digital menus. Some key benefits include:

### *Hard Benefits of Digital Menu Boards*

- Average **sales lift of 3%-5%**
- Average **margin increase** per transaction of **2.5%-3%**
- Approximately **30%** of customers find digital menus **influential** for purchase of a product
- **1 in 5 people** make an unplanned purchase after seeing items featured on digital screens

### *Soft Benefits of Digital Menu Boards*

- Increase in **positive Brand Perception**
- **52% of customers** recall seeing content on digital displays (*more than TV, Radio, Online Ads, Magazines, Newspapers and Billboards*)
- **59% of people** who come into contact with digital displays want to learn more about the promoted content
- Different menu items can be promoted during the day through **Dayparting** and **Micro Dayparting**
- **Improve** customer speed of service by informing purchases with compelling content
- Provide a visually stimulating and engaging way to display content **captivates the customer**
- **Reduce perceived wait times** leads to higher customer satisfaction
- **Instantly update** content to allow proactive and reactive marketing
- **Improve** operational efficiency through centralized content management

## Estimating ROI of Digital Menu Boards

The Return on Investment of Digital Menu Boards is based on the following key factors: **sales lift**, **margin improvement** and **cost reduction**. In order to perform an ROI analysis, we must first make some assumptions based on average industry metrics:

### *Restaurant Metrics*

- Annual store sales: \$1M - \$3M
- Variable costs (food and packaging): 30%-35% of sales
- Percentage of business in the drive thru vs. in-store: 65-70%
- Annual cost of printed static menu POP per year per location: \$1,500-\$1,800
- Expected sales lift with Digital Menu Boards: 3%-5%

### Digital Menu Board Costs

- Four-screen indoor digital menu board utilizing 47-49" professional grade LCDs designed for 24/7 operation, including installation and software licenses: \$12,000
- Three-screen outdoor digital menu board utilizing 47-49" IP65 rated sunlight readable LCDs designed for 24/7 operation in harsh environments, including installation and software licenses: \$29,000
- Hosting and content management fees: \$25 per month per screen

For the purposes of our model, we have taken a conservative approach and used the following numbers where applicable so as not to be overly optimistic:

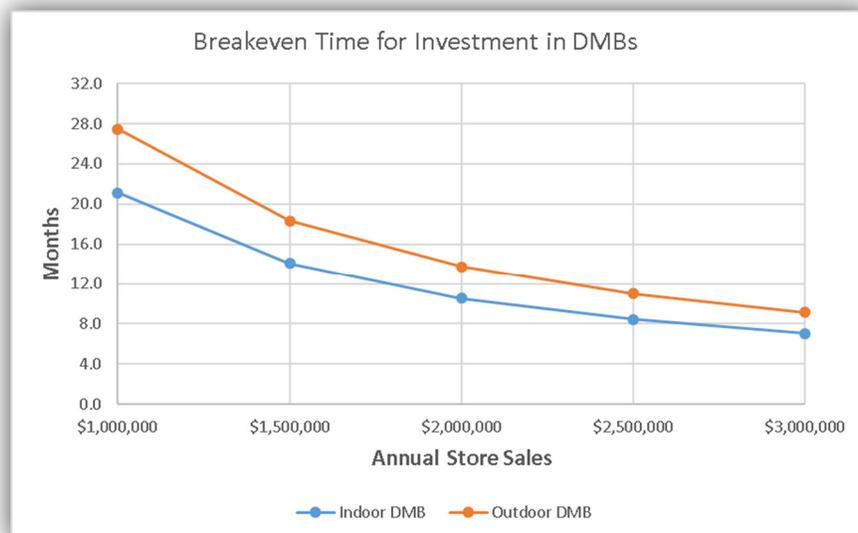
### Model Assumptions

- Variable costs (food and packaging): 35% of sales
- Percentage of business in the drive thru vs. in-store: 65%
- Annual cost of printed static menu POP per year per location: \$1,800
- Expected sales lift with Digital Menu Boards: 3%

To evaluate returns on stores without drive-through lanes using the data presented below, one can use 35% of the total revenue numbers as the total sales. For example, a store with no drive through and generating \$700,000 in annual sales would equate to a store with a drive through generating \$2M in annual sales.

### Breakeven Analysis

Using these assumptions, we can calculate the breakeven time in months based on a range of annual store sales assumptions.

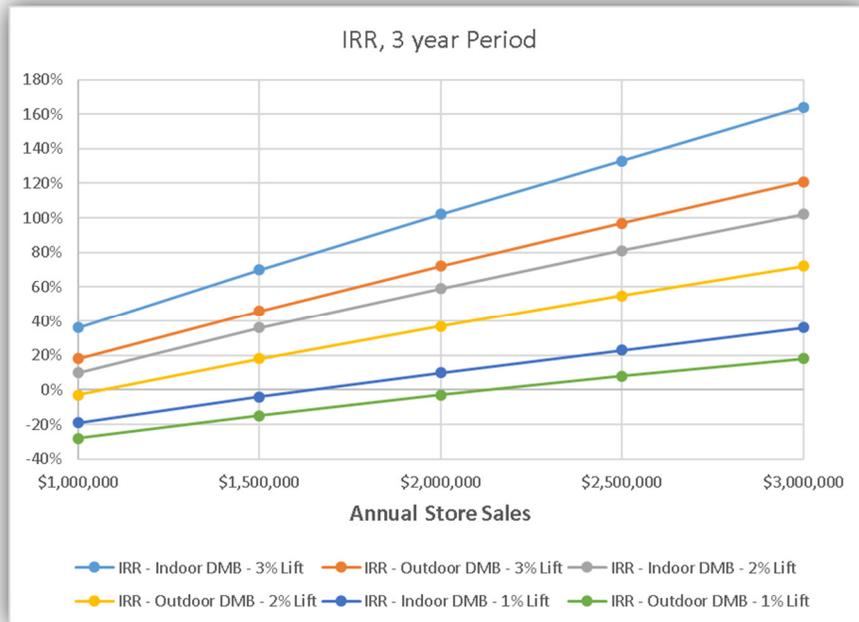


For example, a store with \$1.5M in annual sales, the expected breakeven period would be approximately 14 months for indoor digital menu boards and 18 months for outdoor digital menu boards. Similarly, if a store is generating \$2.5M in annual sales, the breakeven period for indoor vs. outdoor digital menu boards would be approximately 8 and 11 months respectively.

### IRR Analysis

Another method of evaluating the ROI on digital menu boards is to use calculate the Internal Rate of Return (IRR), which is the measure of profitability or rate of growth that a project is expected to

generate. For comparison, we included analysis for 1%, 2% and 3% expected lift in sales – all calculated based on a return over a three-year period.



For expected returns of 3%, the results are impressive for both indoor and outdoor digital menu boards. Once the results fall below these levels, positive returns become more highly dependent on annual store sales.

### Content is King

In order to drive the expected sales lift using digital menu boards, it is all about the **content strategy**. The effective use of **high quality product pictures, video** and **animation** can drive sales of high price and high margin items, which contribute to the overall **ROI** across the entire menu. Promoting the highest margin menu items will produce **higher** overall returns.

### Conclusion

At the end of the day, digital menu boards do generate an attractive ROI. On average, the ROI for a moderate sized foodservice chain is 1-2 years, which generally falls within the investment hurdle criteria of most brands. That said, the results can vary based on a lot of variables including **content, execution** and **relevance**. For a free detailed analysis of your specific store or brand, let our solutions specialists at Delphi Display Systems help you determine if Digital Menu Boards are good for your business.

### About Delphi

Delphi Display Systems, Inc. provides customized digital signage hardware, software and service solutions that enable businesses to engage with, interact with, influence, attract and retain their end customers. Delphi’s advanced analytics and business intelligence capabilities enable its customers to optimize the effectiveness of their digital consumer engagement strategy – and ultimately their profitability. Delphi provides solutions to the Quick Service Restaurant (QSR), education, convenience store and fuel retail and other industry verticals. Delphi has installed solutions in more than 35,000 locations in over 70 countries around the world. For more information on the company and its products, visit [www.DelphiDisplay.com](http://www.DelphiDisplay.com), call 714.825.3400 or email us at [sales@delphidisplay.com](mailto:sales@delphidisplay.com)