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Technology Revamp On Order At Olive Garden, Red Lobster Chains

--Darden plans new technology platform for Olive Garden, Red Lobster, LongHorn

--Will offer e-gift cards, text-ahead seating, potentially a loyalty program

--Implementation will be multiyear process beginning in fiscal 2013

By Annie Gasparro

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NEW YORK --(Dow Jones)-- Olive Garden and Red Lobster are getting a technology makeover, as parent company Darden Restaurants Inc. ([DRI](#)) fights to stay relevant with younger guests and its own employees.

Darden--which also owns LongHorn Steakhouse and a few small, specialty chains-- is consolidating all of its brands on to a single new digital technology platform, in a multiyear process that will began as early as the summer. Its plan is to allow for the sharing of guest data across brands for marketing purposes; improve its "to-go" ordering systems; offer online and text-ahead seating; sell e-gift cards; and potentially create a customer loyalty program.

To some industry watchers, it's odd that Darden doesn't already have a unified platform with these capabilities. Darden is the long-time industry leader for casual dining, with its organic sales growth outpacing its competitors' for years. Plus, it has the strong cash flow to support such projects. Yet as it stands, the company admits it has lost much of its appeal to consumers in their 20s and 30s.

"As we look ahead, in order to remain relevant, we have to have an even more robust ability to interface with consumers and with employees digitally, and so it means some incremental investment in our current platform," said Chief Executive Clarence Otis on a conference call last week. "We don't think that without this kind of platform, we're going to stay relevant to the younger demographic as guests, or as employees."

From an employee perspective, the software changes will allow them to view their schedule and request time off online.

"Right now, they have a demographic problem," said John Gordon, chain restaurant analyst at Pacific Management Consulting Group, particularly in that their most loyal consumers at the core chains are in their mid-50s.

Casual-dining analyst Malcolm Knapp agrees Darden is "a little late" to the game. But it's not as if competitors like DineEquity Inc. ([DIN](#))--the parent company of Applebee's and IHOP--or Brinker International Inc.'s ([EAT](#)) Chili's boast all these features yet either.

"Usually that technology innovation comes out of the fast-food industry first," he said, pointing to Domino's Pizza Inc. ([DPZ](#)), whose online ordering system drives a large share of its sales. "It wouldn't surprise me if they took a look at other chains and said: 'Hey you know, we really need to step up our game,'" Knapp added.

Darden generates nearly \$1 billion in annual operating cash flow and plans to spend some \$500 million on building and remodeling restaurants in fiscal 2013, which starts May 29. It has allocated another \$175 million to \$190 million for "other" projects, like restaurant maintenance and the tech overhaul.

Chief Operating Officer Drew Madsen said "it's going to take a while to build," and the benefits are likely to come over several years. The company wouldn't provide more specifics on the cost but said it plans to elaborate on its June conference call.

Darden's move to a single technology platform is in line with its plan to extend "best practices" across its platform, as it recently consolidated each of its brands' headquarters under one roof in Orlando, Fla.

"One of our competitive advantages today is the strong media budgets that we use to drive limited-time-offers and build brand equity," Madsen said. "We'll continue to do things like that, but this will allow us to be much more targeted and do things that could be specific to individual guests, and certainly affinity-based [or like-minded] groups of guests."

Casual dining chains have traditionally focused on mass appeal rather than targeted marketing, so loyalty programs are relatively untapped in the industry. Now that Starbucks Corp. ([SBUX](#)) and Panera Bread Co. ([PNRA](#)) have seen major benefits from theirs, such as more guest visits and higher spending with each check, fan clubs that give guests discounts for birthdays or other special offers are becoming more popular in the casual-dining industry.

Otis said that down the line, the new platform has the potential to include a loyalty program "that makes a lot of sense for guests and gives them whatever they think is value, whether that's just the ability to jump to the front of the line on a Friday or Saturday night, or something else."

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