New tech is changing the restaurant reservations game

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At noon on a recent Wednesday in May, San Francisco's Lazy Bear restaurant began taking reservations for June. Just 45 minutes later, nearly every seat for the entire month was sold out.

Not reserved. Sold. As in, every meal for almost every seat for an entire month bought and paid for in advance.

That's because Lazy Bear uses an increasingly popular ticketing system model for its "reservations" that asks diners to pay upfront for their meals much the way theater patrons pay for their seats. The tickets cannot be refunded or changed, though they can be given to someone else, much as one could with tickets to a concert or a baseball game.

Lazy Bear and other restaurants across the country are using technology to change the way we book and pay for restaurant meals, and maybe even the way we think about eating out.

"The main issue is trying to manage risk, trying to incentivize patrons to keep their reservations," says Northwestern University microeconomic theorist Jeffrey Ely, noting that ticketing systems transfer all the risk to the diner. "These are things that have always been goals or needs of the restaurant market. The only reason they're now manifesting themselves is that the technology is there to make it possible."

Restaurant goers have been making online reservations since the advent of OpenTable in the late 1990s. But platforms such as ticketing and a

bevy of new apps—think table auctions and a digital concierge—could mean more seats for eager diners and fewer empty tables for restaurants.

The ticketed reservations model was pioneered in 2011 by Nick Kokonas, co-owner with Grant Achatz of the innovative Chicago restaurants Next, Alinea and The Aviary. Kokonas says this summer he expects to release a commercial version of the computer software he uses called "Tock." Tock will allow restaurants to manage table inventory and create different types of tickets, from fully pre-paid meals to ordinary reservations. For example, one variation would let restaurants collect deposits during the reservation process that later would be applied to the food and drink tab.

"When people buy a ticket or put down a deposit they show up at a much greater rate," says Kokonas, who estimates the number of people who fail to show up for unpaid reservations at about 10 percent.

Restaurants in nine U.S. cities are currently testing the system, Kokonas says. When Tock is ready to go, he says he expects to offer the program to restaurants for a flat fee of $695 per month.

A bevy of new mobile apps also has begun serving the industry. Resy, created by social media entrepreneur Gary Vaynerchuk and Eater co-founder Ben Leventhal, says it charges about $25 to nab peak reservations at hot venues in New York, Los Angeles, Miami and Washington. Table8, currently in six U.S. cities, offers similar access to tables at prime, sold-out times for roughly the same fee. Reserve, launched by the high-profile startup lab Expa, offers a digital concierge for $5 per booking.

For restaurants, the new technology fixes a problem that technology helped create. The ease of online reservations means that diners often book tables at multiple restaurants, then decide where to eat at the last

minute. Mathew Freid, general manager of the 16-seat Boston steakhouse Bogie's Place, says his no-show rate drops to zero with Reserve. Apps that charge for reservations, such as Resy and Table8, also virtually eliminate no-shows, restaurateurs say.

In addition to helping restaurants' bottom line by reducing no-shows and filling seats that might otherwise go empty, the apps can generate revenue by charging patrons for prime time seats. Reserve allows eager diners to offer premium payments, for instance 30 percent above menu prices, if the night they want is booked, though such bids don't guarantee a table. Table8 and Resy also apply the ancient principles of supply and demand, charging more for a slot at 8 p.m. on Saturday than for one at 6 p.m. on Tuesday. While business travelers and last-minute diners may welcome the opportunity to pay more for an otherwise elusive seat, some restaurateurs say they are uncomfortable selling tables like airline tickets.

"I totally agree with people who say it feels inhospitable," says Megan Bailey, public relations director for Neighborhood Restaurant Group, which has listed three of its 16 Washington, D.C., venues with Table8. Bailey says the company hopes the app will drive more business and tourism traffic, but that the reservation fees are donated to Arcadia, a food and farming nonprofit created by company founder Michael Babin. "People can get a reservation through other means, or walking in, but if you want that seat and you're willing to pay for it, we feel like we've done the best we can by saying the restaurant won't be profiting off that. That's how we've reconciled it with ourselves and with our guests."

But some chefs and industry executives see nothing wrong with leveraging demand. Restaurants are now a form of entertainment, they argue, venues that sell an experience as much as a meal. Scaling prices follows the same strategy as other forms of entertainment, they say, such as movies, stage shows, concerts and sporting events.

"We have to be able to sell out Tuesday at 6 p.m., not just Friday at 8:15," says Lazy Bear chef David Barzelay, who does two 40-person seatings each night.

But even restaurants that have embraced these new approaches warn that diners must be ready for them. Last year, chef Jose Garces launched his 34-seat Philadelphia property Volver with a multi-course, fixed-price tasting menu and a pre-paid ticket system. But the ticketing system—Philadelphia's first—was the only thing the city talked about, says Garces Group vice president of operations Scott Steenrod. Volver soon retreated to a traditional reservations system.

"The people in the Philly market were not ready to accept the concept of pay-in-advance dining," Steenrod says. "But it's a movement that is very real... As ticketing gains awareness in the general public consciousness, combined with a platform that's simple and easier to do, it will become more accepted."

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