COVID-19 report 21: OPERATORS ADJUST 5.27.20
Almost two months have passed since Datassential checked in with the state of foodservice operators’ businesses. During that time, the initial shock of COVID-19 regulations has worn off, revealing operators’ battle plans for the long haul. While the industry is preparing for at least another three to six months of altered dining experiences, a growing faction sees this pandemic as the impetus of a “new normal.” The fear that these changes would result in irreparable damage has lessened some in the past two months, making way for growing confidence in survival. That said, the uneven distribution of COVID-19 impact across the industry remains intact as some segments continue to struggle.

While healthcare and K-12 remain all-hands-on-deck, other non-essential on-site segments continue to hurt. Lack of travel and workplace commuting cause problems for lodging and B&I. C&U campuses remain closed, likely extending through the summer or longer.

Restaurants were forced to pivot to a takeout / delivery environment. Slow to adapt, fine dining has finally started to see some relief as they modify menus to allow for this new reality. Conversely, as dining options and comfort levels grow among consumers, quick-service restaurants are now under more pressure they were previously spared due to their easily adaptable business model.

All operators remain focused on the task at hand: staying open and serving customers via the few methods left open to them. Job one for the supplier and manufacturer community is to be flexible and communicative. Right now, operators need partners as they navigate this new environment.

Here are highlights from Datassential’s second wave of operator-focused Coronavirus research, fielded April 30 to May 5 with 502 decision makers.
Operator outlooks are becoming less grim.
Except for B&I, on-site segments continue to remain optimistic they'll recover from COVID-19 stronger. While restaurants remain discretionary for all consumers at this point, many have adapted well to the new off-premise environment and are more confident that business will emerge stronger than before. This is especially true with limited-service restaurants, who were well-equipped to handle the new takeout / delivery culture quickly.

11% are feeling very nervous that their operation will not be able to come back to business
58% are worried, but fairly confident their operation can get through this in one piece
31% are feeling cautiously optimistic and expecting to emerge stronger than ever
Operators continue to settle in for a long fight.

Foodservice leaders were among the first to see the true impact of the COVID crisis on their businesses and continue to feel its serious effects. Most continue to take a more conservative stance, preparing to deal with the effects for the next three to six months. A growing faction believe they may never return to the businesses they once knew.

**what is your outlook on your business as it relates to the Coronavirus crisis?**

- **33%** WILL BE OUR "NEW NORMAL" +20% since April 3
- **54%** PREPARING FOR 3-6 MONTHS -7% since April 3
- **13%** OVER IN 30-45 DAYS -13% since April 3
Dining rooms remain closed.

Some segments, like limited-service restaurants and healthcare facilities, made the transition to takeout and delivery very early on. Fine dining, on the other hand, took a bit more time to modify their offerings enough to work in a takeout/delivery environment. As corporate employees continue to work from home, more corporate foodservice operations are closing their doors completely.

28% closed completely for the time being
65% closed dine-in area, but offer delivery/takeout
6% open for business completely

What is your operation’s status in response to COVID-19?

- 28% closed completely for the time being
- 65% closed dine-in area, but offer delivery/takeout
- 6% open for business completely

Since April 3:
- QSR: 83% closed, 9% open for business, 6% open for delivery/takeout
- Fast Casual: 87% closed, 6% open for business, 6% open for delivery/takeout
- Midscale: 78% closed, 9% open for business, 6% open for delivery/takeout
- Casual Dining: 66% closed, 6% open for business, 6% open for delivery/takeout
- Fine Dining: 68% closed, 6% open for business, 6% open for delivery/takeout
- Healthcare: 67% closed, 3% open for business, 6% open for delivery/takeout
- Lodging: 55% closed, 6% open for business, 6% open for delivery/takeout
- B&I: 45% closed, 4% open for business, 6% open for delivery/takeout
- C&U: 33% closed, 6% open for business, 6% open for delivery/takeout
- K-12: 33% closed, 6% open for business, 6% open for delivery/takeout

Closed dine-in, open for delivery/takeout
Closed completely

"I know things are on limited supply due to delivery concerns and such, but it would be nice if there were alternates offered for foods that aren't going to be available and not wait to find out at the last minute."
- a dietary manager at a healthcare facility in OH

"Just lower order minimums. We are ordering 15 percent of our usual volume, and we do not see anything coming back quickly."
- a purchasing manager at a fine-dining restaurant in IL

"Consistent delivery times. We are running on a much smaller scale, and when product is ordered, we need it to open for business that day."
- a foodservice manager at a business in TX

"Having a lot of issues with things being out of stock. Please be ready to offer an alternative. Also let me know UP FRONT if something is out of stock so I can make a back-up plan. Don't let me find out when the truck arrives that the product is not there."
- a manager at a casual dining restaurant in NM

"No sales pressure. We small businesses have been rocked and are just trying to figure out a way to stay afloat."
- an owner at a fast casual restaurant in CA

"Make sure that plants are safe and safety protocols are being followed so that we receive clean, non-tampered products."
- a cafeteria manager at a school in UT

"Try to make sure to communicate. Obviously, the supply chains are somewhat compromised, but it's challenging when you find out late night / early morning that something you need is unavailable."
- a chef/owner at a midscale restaurant in IL
weighted average sales decline for all industry segments

-55% May 26

-65% April 3
How much has your overall business decreased since the outbreak of COVID-19?

- QSR: -33%
- Fast Casual: -29%
- Midscale: -55%
- Casual Dining: -62%
- Fine Dining: -65%
- Healthcare: -17%
- Lodging: -79%
- B&I: -73%
- C&U: -80%
- K-12: -61%

April 3
Takeout alone still isn’t cutting it.

By and large, operators across all segments have had some increase in take-out, but not enough to offset dine-in losses.

Since the COVID-19 outbreak, which have you experienced?

- 20% Enough increase in take-out to mostly offset dine-in losses
- 80% Some increase in take-out, but not enough to offset dine-in losses
Full-service restaurants getting some relief from staffing pressures.

Some restaurants, which laid off most staff by early April, have been able to re-hire some of their people. This likely stems from a difficult and slow transition from dine-in to off-premise. Quick-service restaurants, on the other hand, are now feeling some of the staffing pressures felt by full-service restaurants early in the pandemic. Healthcare and K-12 segments continue to be all-hands-on-deck as they serve an influx of patients and food-insecure children.

have you laid off staff in response to COVID-19?

<table>
<thead>
<tr>
<th>Option</th>
<th>April 3</th>
<th>May 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>No staff cuts due to coronavirus so far</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>We let go of more than 75% of our staff</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>We let go of up to 75% of our staff</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>We let go of up to 50% of our staff</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>We let go of up to 25% of our staff</td>
<td></td>
<td>12%</td>
</tr>
</tbody>
</table>
COVID-19 is forcing menu modifications. Increasing amounts of operators are working with a shortened menu, focusing on best sellers and offerings that travel best.

<table>
<thead>
<tr>
<th>Menu Modification</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Narrowed / limited your menu offerings</td>
<td>50%</td>
</tr>
<tr>
<td>Added large / family-size / bulk size options</td>
<td>22%</td>
</tr>
<tr>
<td>Added more &quot;comfort food&quot; type menu items</td>
<td>21%</td>
</tr>
<tr>
<td>Added price discounts / coupons / meal deals</td>
<td>19%</td>
</tr>
<tr>
<td>Added refrigerated, frozen &quot;take and bake&quot; items</td>
<td>16%</td>
</tr>
<tr>
<td>Added full meal bundles</td>
<td>16%</td>
</tr>
<tr>
<td>Added &quot;indulgence / treat yourself&quot; menu items</td>
<td>14%</td>
</tr>
<tr>
<td>Added &quot;healthy / better-for-you&quot; menu items</td>
<td>9%</td>
</tr>
<tr>
<td>Added multi-day meal options</td>
<td>6%</td>
</tr>
<tr>
<td>None: We have not made any menu changes</td>
<td>24%</td>
</tr>
</tbody>
</table>

- 10% since April 3
Most businesses, regardless of segment, remain limited.

Compared to on-site segments, restaurants (especially full-service locations) have an opportunity to add a curbside pickup offering to help mitigate the losses of closed dining rooms.

The table below shows the percentage of TOTAL, Restaurants, and On-Site businesses that have implemented operational changes in response to COVID-19.

<table>
<thead>
<tr>
<th>Change</th>
<th>TOTAL</th>
<th>Restaurants</th>
<th>On-Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed off seating / stopped dine-in service</td>
<td>69%</td>
<td>63%</td>
<td>75%</td>
</tr>
<tr>
<td>Reduced hours of operation</td>
<td>60%</td>
<td>68%</td>
<td>51%</td>
</tr>
<tr>
<td>Updated food safety procedures</td>
<td>58%</td>
<td>62%</td>
<td>54%</td>
</tr>
<tr>
<td>Added curbside pickup</td>
<td>45%</td>
<td>66%</td>
<td>20%</td>
</tr>
<tr>
<td>Shuffled / re-purposed staff to help in other areas</td>
<td>33%</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>Began offering contactless delivery</td>
<td>29%</td>
<td>37%</td>
<td>19%</td>
</tr>
<tr>
<td>Contacted customers directly about policies / updates</td>
<td>24%</td>
<td>28%</td>
<td>20%</td>
</tr>
<tr>
<td>Added online ordering and/or pre-pay functionality</td>
<td>17%</td>
<td>24%</td>
<td>9%</td>
</tr>
<tr>
<td>Signed on to new third-party delivery services</td>
<td>16%</td>
<td>27%</td>
<td>2%</td>
</tr>
<tr>
<td>Begun offering paid sick leave to staff</td>
<td>9%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>None: We have not made any operational changes</td>
<td>5%</td>
<td>4%</td>
<td>7%</td>
</tr>
</tbody>
</table>
New safety protocols and focus on online ordering may be part of a “new normal.”

On the other hand, responses like shortened menus, multi-day meal offerings, re-purposing staff, and reduced hours have helped get operators through this difficult time, but will likely be discontinued as soon as it's possible. Interestingly, COVID-19 may have opened a direct line of communication between foodservice operators and customers, which could help build sales now and in the future.
Visit Datassential’s Coronavirus Resource Library at datassential.com/Coronavirus, your one-stop shop for all COVID-19 research reports, video interviews, restaurant closure maps, and Traffic Briefings, all updated daily as new data come out of the field.
Help us help you.

As the Coronavirus situation continues to evolve rapidly, just tell us what you want to know. If it's something that benefits the food industry, we'll do our best to incorporate it into an upcoming report and provide the results to everyone for free.

And if you have a need that's specific to your company or brand, we would love to design a custom research solution for you.
America’s chain restaurant landscape, reframed in the age of COVID-19.

Datassential’s recently-released Firefly 500+ Report dives deep into the metrics of chain restaurant success: annual sales, unit counts, and AUVs; year-over-year growth numbers; and consumer insights from SCORES and BrandFingerprints. This year, the report also includes custom research about COVID-19’s impact on the chain restaurant landscape, compiled from March to early May.