The Road to Recovery

FOOD & FOODSERVICE AFTER COVID-19
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
<th>Section Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Intro</td>
</tr>
<tr>
<td>4</td>
<td>Section 1: Operators</td>
</tr>
<tr>
<td>15</td>
<td>Section 2: Labor</td>
</tr>
<tr>
<td>19</td>
<td>Section 3: Manufacturers</td>
</tr>
<tr>
<td>22</td>
<td>Section 4: Food</td>
</tr>
<tr>
<td>34</td>
<td>Section 5: Consumers</td>
</tr>
</tbody>
</table>

Note: Unless otherwise indicated, all statistics culled from proprietary custom research by Datassential collected since start of shelter of place, as well as syndicated tools. For full reports, please visit datassential.com/coronavirus.
Maybe your state has opened back up, maybe it is a few months out. One thing for sure is that the great restart is happening. This global pandemic is like no other, and the “new normal” is still very much a work in progress, affected by how we act right now.

Despite many unknowns, if this crisis has proven anything it is that consumers remain passionate about food. People have been making sourdough bread at home, ordering in Mother’s Day brunch from their favorite local restaurants, and having an interactive Zoom meal with a chef—among many other ways to hold on to our old routines or try something new. Food is still what unites us.

Foodservice will look different. As you prepare and react, here are Datassential’s thoughts on the critical touchpoints that will shape our ecosystem moving forward.

Stakeholders across the value chain including operators, labor, food, manufacturers, and consumers all have their own unique COVID reality. More importantly, changes in one environment impact the whole industry. We’ll walk you through the latest thinking from the Datassential hive mind. Enjoy!
As if the shut down did not cause enough financial havoc, operators that survive the COVID-19 pause will also be dealing with longer term financial pressures. Remaining financially solvent will require new ways of doing business.

While there may be some variables that can offset financial losses, there are not many. Restaurant closures may drive down rent prices, but labor costs (already a concern) could ratchet up. Automation may scale faster as operators look for cheaper, more readily available labor. Consumers also may be more receptive to the socioeconomic implications if it ensures their safety.
FOCUS ON CLEANLINESS

In the months ahead, cleanliness and service will be paramount—including and especially for dine in experiences. Cleanliness comes with a cost, and for some operators it may require infrastructure changes. Restaurant locations with open kitchens, assembly-line styles like fast casual, and buffets all will have to rethink.

The summer may offer some relief as outdoor dining opens, but predictions of a second wave of Coronavirus in the fall may result in more social-distancing measures or additional lockdowns.

State and local requirements will dictate what reopening looks like for most. One future reality may be implementing contact tracing measures, not only for staff but also for customers.

BRAVE NEW WORLD

Change is never easy when you are going through it, but some exciting things can happen during times of change. COVID-19 recovery offers operators the chance to re-define their concept, bypass third party ordering via their own app, or reboot to an emerging cost-effective model like ghost kitchens. New models can also focus on areas we don’t always consider for delivery, like alcohol. Nostalgia and practicality will also bring back things like carhops or drive-in movies.

Top-of-mind concerns for consumers are different now. As restaurant dining rooms reopen they will need to respond to new sanitary and social distancing guidelines, as well as adopt menu strategies that get consumers excited to come back to restaurants.
FINANCIAL CONCERNS

Closures
- Available space may increase and rents may drop due to increased supply.
- Mass closures could result in an influx of equipment in the marketplace.

Infrastructure
- If the physical space is no longer suitable for dining (e.g. open kitchen) or optimized for delivery, there could be substantial costs to refurbish kitchens.

Labor
- Essential workers could take this moment in time to unionize and increase their negotiating power, leaving longer-term financial headwinds for operators.
- Automation may scale faster as operators look to offset higher labor costs.
- Another growth driver of automation will be a shortage of workers who may not return to foodservice.

7.4% of restaurants are temporarily closed*

3.5% of restaurants are permanently closed*

*(as of June 3, 2020)
Delivery 2.0

- Many consumers discovered during lockdown that there were way more delivery options than they knew; keep up the momentum and make sure delivery (or curbside pick up) is part of your long-term plan.

- Whether dining in, picking up, or getting delivery, the experience should always be stress-free for the consumer.

- Consider offering items that you may not have considered for delivery before COVID-19, like alcohol, family meal bundles, and even celebratory promotions for events like Mother's Day brunch.

- Bypass third party fees by developing your own app for customers and growing your loyal customer base.
REDEFINING RESTAURANTS CONT.

Emerging Concepts

- Ghost kitchens—or delivery only brands—are thought to be the future. Growth has been fueled by the explosion of delivery, closures providing equipment and space, the money saved with reduced overhead, and new investments by private equity and others.

- Designed around delivery from the ground up, these operators will be more efficient at generating high volumes of meals to go without having to pivot like traditional operators.

- A few ghost restaurants have carved out a niche for themselves by catering to specific lifestyles like vegan, paleo, or keto.

- New revenue streams from meal kits, baking kits, cocktail kits, groceries, and proprietary products like bottling a special sauce, are all fair game during this time.

- Old school concepts that allow for social distancing, like carhops, may make a comeback.
Help Guests Feel Safe

- Consumers are feeling more comfortable, but plan for the paranoid among us and let guests know what plans you have in place.

- Consider additional partitions between guests, hand sanitizer stations, marking spots to wait in line at the front of the restaurant, and creating lots of space between tables.

- At a minimum, spaced seating and eliminating exposed food completely are recommended.
PREPARING FOR RE-OPENING CONT.

Ensure Your Team’s Health

- Make sure your customers know how seriously you’re take the safety of your team with messaging and visible actions.
- Protect your team with masks, gloves, and other personal protective gear.
- Prevent the spread of Coronavirus with frequent wellness checks.

Think Beyond Summer

- Outdoor seating may offer some relief in summer months, but as the weather cools off, consumers may become more nervous. Some operators have even converted their parking lots to outdoor dining areas.
- Start planning for fall/winter now to prepare for these headwinds.
Consider Your Menu

- For some concepts, this may mean a pivot on the menu from cold foods to hot foods, or pre-wrapped items at c-stores.
- If you are shifting to delivery, items that travel well are important to continue the restaurant experience at home.
- Value strategies may be short term traffic drivers, especially for large chains, but consumers are passionate about food. Satisfy their foodie passion with innovative menu items.
- Shareable apps may be a thing of the past; consider portioning the dish back-of-house.

Operators plan to maintain or reduce their menus after shelter-in-place restrictions are lifted.

- 35% plan to reduce the number of items on their menus
- Only 4% plan to increase the number of items on their menus
- 61% plan to offer the same number of items on their menus
The Great Recession was at its peak in 2008, and it is the most recent barometer of what recovery may look like. The nation started to come out of the recession mid-2009, and in the same year, Datassential’s MenuTrends showed a decrease in average menu size.

Menus may have shrunk, but the last major recession kick-started what we consider modern food culture defined by constant innovation. The trends we know and love—and can find today on chain and independent menus alike—like Korean barbecue, were new and daring back in 2008.
When consumers are asked what they are looking forward to most when they’re able to return to restaurants, both craveable favorites and unique, globally inspired dishes rank highly.

Remember the principle of safe experimentation when creating menus and dishes alike, balancing the need for familiar dishes with exciting, unique flavors that add a new twist.

### What are consumers most looking forward to from restaurant food that they haven’t been able to get from home since the pandemic began?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>Craving specific dish from certain restaurant</td>
</tr>
<tr>
<td>32%</td>
<td>Variety: more options than I have at home</td>
</tr>
<tr>
<td>30%</td>
<td>Craving dishes that are hard to make at home</td>
</tr>
<tr>
<td>21%</td>
<td>Global foods and flavors</td>
</tr>
<tr>
<td>20%</td>
<td>Craving indulgent foods</td>
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Consumers are most looking forward to cravings and variety, so don’t slow down innovation!
Not only did new flavors and formats start to emerge during recovery periods, so did new operators. Culinary-driven independents, food trucks, gastropubs, and modern fast-casual concepts all began to emerge at this time.

Chain operators embraced traffic-driving combo and value meal strategies after the Great Recession. Sandwiches, Mexican dishes, and pizza items also had above-average introductions post-recession.

April and May 2020 featured many two-for combo meal deals and family meal bundles from the largest chains, mostly in limited service.
Labor concerns are nothing new in foodservice. COVID-19 brings those issues front and center as foodservice workers find themselves newly unemployed or working the front lines as “essential workers” while operators pivot to delivery or drive-thru.

We hit fast forward on the employee benefits discussion during the crisis. The conversation is no longer about $15-per-hour minimum wage but also about benefits like paid sick leave and insurance. As noted previously, this could lead to a rise in unionization among foodservice workers.

The fate of many operators remains to be seen, and many workers have sought opportunity in other industries for fear of job insecurity or concerns about their own safety on the job.

*Bureau of Labor Statistics

5.5M restaurants jobs were lost during April 2020*

1.4M restaurant workers rehired in May 2020*
Operators are embracing changes to keep both employees and customers safe

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Measure</th>
</tr>
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<tbody>
<tr>
<td>80%</td>
<td>Providing employees gloves</td>
</tr>
<tr>
<td>79%</td>
<td>Providing employees masks</td>
</tr>
<tr>
<td>56%</td>
<td>Adding additional employee safety training</td>
</tr>
<tr>
<td>53%</td>
<td>Instituting social distancing in the workplace</td>
</tr>
<tr>
<td>46%</td>
<td>Daily employee temperature checks</td>
</tr>
<tr>
<td>39%</td>
<td>Installing clear coverings (barriers) at registers</td>
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Automation in foodservice may see some significant breakthroughs in the months and years ahead as the industry balances contactless operations and labor-related concerns.

QUICK BITE: Almost a third of consumers think that facial or voice recognition software and integrating robots to reduce human contact are acceptable in the long term across foodservice industry segments.

Consumers are willing to accept automation in hospitals and C&U but would be least receptive to this when buying supermarket prepared foods.

Clockwise from top left:

PENNY BY BEAR ROBOTICS, Robotic server and busser

FLIPPY BY MISO TECHNOLOGIES, Autonomous robotic kitchen assistant, learns over time

CREATOR BURGER, Fully automated restaurant
Robots have mostly been a novelty. If there is a larger labor pool, they may be put on the back burner, but if workers are lost to other industries, robots could then be essential for both back- and front-of-house operations. Front-of-house has long been the primary challenge, as humans are not used to interacting with robots.

Whether or not a robot is preferable to a masked server remains to be seen. Also, robots may be cost-prohibitive to many operators, as they are very expensive on the front end. Tech investment may accelerate to solve these challenges.

Electronic kiosks and tech-driven restaurants have been fast-tracked in recent years, from automated vending to AI-driven ordering apps. But not all automation will benefit during a pandemic. Touchscreens will be called into question due to sanitation concerns, especially as contactless becomes the new goal.
All manufacturer touchpoints in the foodservice value chain will be reassessed as we all rally to lift the foodservice industry back up.

The two most paramount considerations in the value chain are operators and supply chain.
Operators grappling with new models like ghost kitchens or delivery will need help with everything from packaging to potentially commissary-style distribution options. Distributor relationships will have to be considered in the new foodservice reality, as will broker relationships. Reaching out to operators directly will be more important than ever before to support their recovery.

Supply chain disruptions—such as meat shortages and changing availability of imports due to supply chain issues and/or tariffs—will necessitate changes on menus.

Innovative and versatile products will help drive both traffic and efficiency in foodservice during and post recovery.
HOW TO SUPPORT OPERATORS DURING RECOVERY

- Provide your insights and product development support to develop recovery tactics for the near and long term.
- Create versatile products that will allow them to scale back the items in their pantry and re-align their menu.
- Help customers navigate local regulations and pave the way for delivery of higher-ticket items like beer, wine, and cocktails.
- Support product innovation with an increased focus on prepared foods and flexible ingredients.
- Develop new approaches to sampling to get operators to try or adopt your product.
- Offer delivery packaging innovations like tamper-proof and spill-proof to help operators support ongoing delivery demands. As a general rule of thumb, sealed feels safe.

QUICK BITE: The top three areas where most foodservice operators would like help from manufacturers and distributors are 1) lower purchase minimums, 2) new products and solutions that increase sanitation and safety, and 3) purchasing discounts or rebates.

41% of operators have switched to new to-go packaging due to COVID-19.
Consumers’ passion for food has not slowed down at all. Now is the time to remind consumers of the foods they love—and introduce them to the foods they have yet to love.

Consumers have been experimenting with new ways of eating during quarantine, giving rise to more time-consuming goals like making sourdough bread or homemade pasta, or buying a pizza kit from their local pizzeria to make at home.
Consumers are cooking again and thus being exposed to a wider variety of products in the grocery store. There is sure to be an uptick in retail innovation to keep shoppers satisfied, which will not make it easy on foodservice if consumers prefer to stay home.

While home cooks are a talented bunch, many craveworthy restaurant favorites or authentic dishes are just impossible to replicate at home. Consumers remember P.F. Chang’s lettuce wraps, Red Robin’s bottomless fries, or Bonefish Grill’s bang bang shrimp. And for every chain favorite, there are loved items from neighborhood places as well. Craveability is still king!
BREAD-MAKING EXPLODES AT HOME

March 11 was a memorable day when the impact of COVID-19 started to feel much bigger in the US: the NBA suspended its entire season and Tom Hanks announced that he had the Coronavirus.

Shelter-in-place sparked an explosion of DIY cooking, with the most emblematic trend being making bread at home—especially sourdough.

From March 11 to April 11, Google searches for “bread” increased +257% and “sourdough” increased +650%.
Limited service operators tend to focus on craveable products, but the experience can be transactional, which is fine if you have strong delivery or drive-thru. Full service operators, who traditionally focus more on creating an experience, have hustled during the COVID-19 crisis to bring experiences into consumers’ homes with kits for every need—cocktails, sundaes, pizza. Even Michelin star restaurants are delivering family meals and meals that people can cook at home.

As a testament to the passion consumers have for food—the comfort and the experience—they have embraced these pivots from their favorite operators. Partnering with retailers on chef-driven meal kits could resuscitate both the grocery prepared food area and local restaurants.

Clockwise from top left:
Decorate-your-own donuts from Dunkin’, grocery offerings from Girl & the Goat (Chicago but delivered nationally), margarita kit from El Arroyo (Austin), and family meal kit from fast-casual Junzi (NYC).

These offerings are still going as of June 2020.
THE LONG HAUL

New COVID-19 offerings have staying power. For many of these new offerings, more than half of operators who added them will continue to offer them after restrictions lift. Family meals and meal kits especially have the potential to become standard offerings.

16% of consumers are drinking more alcohol since shelter-in-place began.
PRE-COVID TRENDS ARE RELEVANT

Consumers have been expecting more from their food for years now, whether its in terms of craveability, interesting new flavors from different regions and countries around the world, or impact on health.

These trends are not expected to slow down due to COVID-19. If anything, they may accelerate.
COMFORT FOODS

Comfort foods thrived for a reason during both the Great Recession and now COVID-19. During times of stress, food can provide emotional comfort and provide a sense of normalcy. Classic comfort foods like burgers and pizza are often best sellers on menus in general, and now will be leaned on even more heavily.

QUICK BITE: 26% of consumers have eaten more comfort foods, and 15% have eaten more indulgent and treat foods since the start of shelter-in-place.
Classic dinner comfort foods like mac and cheese are ubiquitous and familiar, and they can be made new again with a new globally inspired spicy sauce or innovative protein topping. New riffs on comfort, like plant-based burgers and hearty bowls provide a new, sometimes more healthful twist on the warm, craveable dishes consumers love.

As restrictions lift, routine may be a comfort. Daily activities signaling normalcy, like picking up a breakfast sandwich and a cup of coffee, or a late afternoon sweet treat or frozen beverage, may provide an affordable escape for consumers.
GLOBAL AND REGIONAL CUISINES

Emerging cuisines and food trends, like regional American and emerging global, will continue. Consumers report missing Mexican and Asian food the most from restaurants, likely because those dishes may be more difficult to prepare at home than pasta, for instance.

A lot of culinary innovation and excitement is driven by global flavors—particularly spicy sauces like gochujang, harissa, and of course sriracha—and consumers are excited to get back to restaurants to try new things.

Spice up more basic menu offerings with a new flavor to give it a new twist and add interest with consumers.
FUNCTIONAL FOODS

The growth of functional and wellness ingredients particularly those that improve immunity, may see an uptick on menus due to concerns around COVID-19. While retail has traditionally led the way in terms of healthful trends, foodservice still has seen exponential growth in superfoods on menus in recent years.

Speaking of healthful foods, salads have long been the dish of choice, but green salads are typically served cold. Consumers’ greater trust in warm foods over cold right now may lead to further growth of bowls, which often contain many superfoods but are typically served warm.
Beverages are the real superstar format of the functional realm, with drinks like turmeric lattes (or golden lattes), kombucha, bone broth, and matcha lattes all experiencing triple-digit growth in penetration on menus in the past few years.

**QUICK BITE:** 16% of consumers have eaten healthier/better-for-you foods since shelter-in-place began, and 85% of those who were interested in functional foods prior to COVID-19 are still interested in this trend.
SPOTLIGHT ON MEXICAN CUISINE

The #1 food from restaurants that consumers miss is Mexican food, which isn’t surprising given that 52% of consumers love it. Mexican cuisine thrived post-recession in the past, establishing itself beyond just Mexican cuisine.

Despite their ubiquity, tacos have grown +40% on menus over the past decade, with varieties like breakfast tacos and street tacos showing the fastest growth. Tacos also have proliferated across menu types—becoming staples at American casual-dining operators—and more recently appearing in taco kits to-go.

With Mexican flavors like chili lime and ancho pepper also trending, there are endless ways to incorporate a Latin flare into your menu and tap into that unique flavor offering to consumers.

Mexican dish LTOs among the top 200 chains
Consumers are navigating the pandemic in their own ways—and there are varying levels of concern based on their own individual circumstances. For those furloughed or indefinitely out of work, there will be a tightening of the purse strings. All consumers are experiencing anxiety as they figure out their own normal.

- **45%** of consumers will definitely avoid eating out*
- **32%** of consumers are nervous, but will still eat out*
- **24%** of consumers have no concerns about eating out*
While many consumers are still concerned about eating out, these numbers are falling. Nearly two-thirds of consumers expect a slow return to a “new normal.”

The new normal may look different to consumers—while 71% plan to cook more at home post-reopening, 63% still look forward to dining out again, making it the top activity consumers look forward to returning to. It remains to be seen how much cooking habits stick in the long term.
It’s going to be important to understand what consumers need to see or have in order to feel safe outside their home. Consumers now value cleanliness above all when selecting where to eat. This will differ by segments such as grocery stores, restaurants, hotels, and recreational venues. As discussed in the operator section, contactless operations, rigorous sanitation policies, and communication about all of the above are table stakes to help consumers ease back in.

**QUICK BITE:** 76% of consumers say that a restaurant’s cleanliness and food safety procedures will always matter more to them now than it did before.

Consumers plan to continue many new habits after shelter-in-place restrictions are lifted

<table>
<thead>
<tr>
<th>Habit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More frequent hand washing</td>
<td>68%</td>
</tr>
<tr>
<td>Avoid large crowds</td>
<td>62%</td>
</tr>
<tr>
<td>Avoid shaking hands</td>
<td>58%</td>
</tr>
<tr>
<td>Sanitizing surfaces more often</td>
<td>56%</td>
</tr>
<tr>
<td>Keeping 6 feet away from others</td>
<td>49%</td>
</tr>
<tr>
<td>Avoid touching my face</td>
<td>49%</td>
</tr>
<tr>
<td>Wearing a mask in public</td>
<td>40%</td>
</tr>
<tr>
<td>Avoid sharing food and drinks</td>
<td>39%</td>
</tr>
<tr>
<td>Only going out when necessary</td>
<td>39%</td>
</tr>
<tr>
<td>Using contactless payment</td>
<td>21%</td>
</tr>
<tr>
<td>Ordering delivery more often</td>
<td>15%</td>
</tr>
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</table>
When ordering delivery, tamper-proof, sealed containers are table stakes, and 82% of delivery users have used contactless delivery since the start of the pandemic.

Out in restaurants, numerous habits and desires will persist for a while—from avoiding large crowds to washing hands frequently.
CHANGES TO WORK LIFE

Many consumers have been laid off or furloughed, drastically changing the amount of expendable income in their pockets. Price-sensitive consumers will respond to value promotions from major chains, and chain loyalists will return for their favorite foods.

Other consumer groups have started working from home en masse, with many companies planning on adopting work from home or partial work from home arrangements indefinitely. This has huge implications for any operator that relies on business lunches, as well as habits, as we have seen the main eating-out daypart shift from lunch to dinner under these new conditions.

Of those workers that can, 75% want to work from home at least some of the time. It remains to be seen how permanent these changes will be, or if people will return to offices once they can safely.

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Dinner is now the top restaurant daypart (before Coronavirus, lunch had always been #1)

% of consumers who ordered from a restaurant yesterday*

<table>
<thead>
<tr>
<th></th>
<th>March 25</th>
<th>June 8</th>
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<tbody>
<tr>
<td>Breakfast</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Lunch</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Dinner</td>
<td>16%</td>
<td>23%</td>
</tr>
<tr>
<td>Snack</td>
<td>3%</td>
<td>5%</td>
</tr>
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*Datassential Traffic Briefing 6/8/2020 fielded with n=1000 consumers
Despite these changes and challenges, consumers are really looking forward to eating out again and supporting their local restaurants.

Craveability and convenience remain the top drivers in eating out, which haven’t changed much due to COVID-19.

When thinking about going out to eat again, consumers are seeking to relax and enjoy themselves emotionally, and what they miss most about dining out isn’t the food—the top reason by a large margin is going out with friends and family. Socializing is not only a key reason to eat out, but also sheltering in place and social distancing have left people feeling more isolated than ever. Emphasizing the social, celebratory nature of eating out and how food brings people together is key when re-engaging consumers and enticing them to eat with you.
2020 Segment Recovery Guides

The essential look at how foodservice recovers and rebuilds after COVID-19

DEEP DIVE INTO 14 INDUSTRY SEGMENTS
Every foodservice sector, including commercial restaurants and on-site, gets a profile with key facts about market size, runway for growth, and the characteristics of core customers.

UNCOVER CONSUMERS’ NEW EXPECTATIONS
Learn what patrons will demand in each foodservice segment, including which safety measures and menu innovations will bring them back through the door after COVID.

LEARN HOW TO BEST SUPPORT OPERATORS
Each of the 14 Segment Recovery Guides offers insights into operators’ mindset coming out of the pandemic’s initial stage, so you can provide what they want and need to begin recovery.

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