

• FIRST BITE EDITOR'S LETTER •

STANDOUT STAT



62%

AGREE THAT
RESTAURANT FOOD
IS A TREAT/ESCAPE
FROM WORRYING
ABOUT COVID-19

DATASSENTIAL COVID-19 REPORT 27: FINDING OUR WAY

LEARN HOW YOU CAN SUPPORT OPERATORS

Each of Datassential's 14

Segment Recovery Guides
offers insights into operators'
mindsets coming out of the
bandemic's initial stage, so you
can provide what they want
and need to begin recovery.

OPPORTUNITY

63%

OF CONSUMERS FEEL IT'S SAFE
TO GO TO A RESTAURANT WITH
OUTDOOR SEATING AFTER
SHELTER-IN-PLACE RESTRICTIONS
ARE LIFTED, SHOWING THAT IT
COULD BE WORTHWHILE TO ADD
OUTDOOR SEATING OPTIONS

ATASSENTIAL COVID-19 REPORT 27: FINDING OUR WA

DID YOU KNOW?

Pre-COVID-19 food and beverage trends haven't lost their appeal. A few trends that are still going strong include plant-based concepts, functional foods, kombucha, gluten-free options, and Instagrammable dishes.

DATASSENTIAL COVID-19 REPORT 27: FINDING OUR WAY





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RESTAURANT EXPERIENCES

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Evviva Bar & Eatery is a local restaurant in Lisle, IL, that offers Italian cuisine and happy hour drink menus from the comfort of a patio/parking lot. The server I had wore a mask and made a point of never invading my personal space when she was setting out the food, which helped make the experience a positive one.

With summer in full swing, some food trucks have reemerged in downtown Naperville, IL, and when it's over 80 degrees, shaved ice from Sno Problems really hits the spot. The truck asks patrons to wear masks when approaching to order and pay, and there's a sign posted on the side letting customers know that some of the proceeds will go towards supporting Black Lives Matter.

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t's not an understatement to say that COVID-19 has upended the foodservice industry. Operators are dealing with everything from government regulations and restrictions to consumer fears and employee worries. While the following phrase may be a little overdone at this point, it still holds true: this is an unprecedented time, and we're in unchartered territory. As we look to navigate how we can move forward as an industry (remember, as clichéd as it may sound, we're all in this together), Datassential has designed a series of Segment Recovery Guides to give you the data needed to make smart decisions going forward. What's more, since each segment is unique, and the response and plan toward recovery will also be unique, there's a separate guide for each segment. As restaurants start reopening and encountering new challenges, consumers largely are understanding that their experiences will be different — in fact, according to our COVID-19 Report 27: Finding Our Way, 72% of consumers say they'll do what's necessary when it comes to any new precautions restaurants choose to follow because they feel that it's important to support the restaurants in their community. Additionally, 68% of consumers say that they don't mind that there are new precautions and they're willing to make some sacrifices if it means being able to eat at restaurants again, showing that the industry is still important to consumers.

What segments will we look at in this FB issue?

In this month's issue of FoodBytes, we're going to uncover some insights that may aid in the recovery of a variety of segments, ranging from fine dining to QSRs to lodging to K-12, but to get an even clearer picture of what the future of different segments could look like (in this issue, we're giving you just a taste), reach out to us at hello@datassential.com and ask about our full suite of Segment Recovery Guides, and remember that Datassential also has an entire complimentary COVID-19-related resource library created specifically for the foodservice industry found on our website (datassential.com/coronavirus).

Jaclyn Marks, Senior Publications Specialist

DATASSENTIAL TS 3

FINE DINING

With fine dining operators traditionally focused on high-end food, ambiance, service, and plating, it shouldn't come as a surprise that this segment in particular has been struggling with the onset of the pandemic.

As restrictions are lifted in some states or adjusted and dining rooms start to reopen, fine dining operators will face the challenge of maintaining an upscale feel while having masked waitstaff, spaced out tables, and clear sanitation procedures that comply with state regulations and help patrons feel safe. In our *Fine Dining Segment Recovery Guide*, we note that fine dining may be a slower segment to reopen, as it has more complex needs. Additionally, with some states going back and forth on whether or not to stay open or closed based on spikes in COVID-19 cases (California recently shut down indoor dining again), in lieu of dining room experiences, fine dining operators may need to continue relying on concepts like meal kits, cocktail kits, delivery, and chef experiences via Zoom for a while longer. When it comes to fine dining, it's worth noting that food and beverage trends will continue to be relevant, with 57% of fine dining operators saying these trends are equally important today as they were before the pandemic and 24% saying they're even more important.



NEW 2020
FINE DINING
FORECAST

OVERALL IMPACT

-38%

CONSUMER SPEND

\$5.8 billion

A DECREASE OF \$3.6 BILLION

OPERATOR SPEND

\$2.1 billion

A DECREASE OF \$1.3 BILLION

CASUAL DINING

Among restaurant segments, casual dining operators are the most likely to be pessimistic about their future, according to our Casual Dining Segment Recovery Guide — 28% say they're very nervous their operation will not bounce back, and 1 in 6 thinks business levels will never return to pre-COVID-19 levels.

Today's casual dining patrons will be on high alert for health- and safety-related signals like face masks and increased sanitation efforts, a major shift from pre-COVID consumer wants that focused on quality, taste, and value. With the rise of third-party delivery in recent years, major casual dining chains did react before the pandemic even hit by establishing curbside pickup programs, and in some cases, partnering with delivery services. Their early adoption of those services proved to be a lifeline during the pandemic, and they're concepts that casual dining operators will likely continue capitalizing on as consumers are still far more likely to order ahead than dine in, even in states where dine-in is permitted. With new operational constraints such as social distancing in the kitchen, casual dining menus will likely be condensed: according to our Casual Dining Segment Recovery Guide, 4 in 10 casual dining operators expect to offer fewer items going forward. Some bright spots for casual dining that operators could look to capitalize on, though, include craveability, an element they can build on across appetizer, entree, and dessert lists, as well as alcohol, with craft beer and premium cocktails continuing to resonate among consumers.





CONSUMER SPEND

\$106.5 billion

A DECREASE OF \$47.5 BILLION

OPERATOR SPEND

\$38.3 billion

A DECREASE OF \$17.1 BILLION

NEW 2020

CASUAL DINING **FORECAST**

OVERALL IMPACT

-31%

OPERATIONAL STATUS

CONSUMER SPEND

\$43.2 billion

OPERATOR SPEND

\$15.5 billion

A DECREASE OF \$7.2 BILLION

NEW 2020 MIDSCALE **FORECAST**

OVERALL IMPACT

-32%

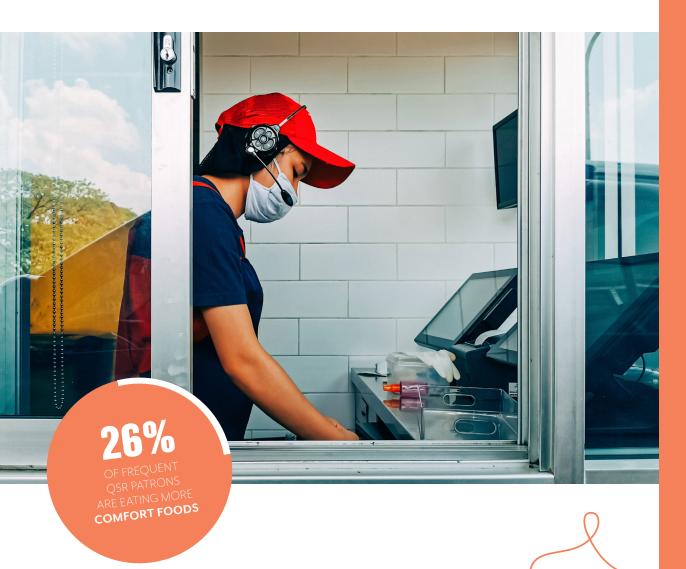
OPERATIONAL STATUS



MIDSCALE

Midscale operators in general are less optimistic than limited service restaurants that business will come roaring back, but three-fourths say they are fairly confident they'll come out of this in one piece.

Although breakfast was a core part of pre-COVID-19 business for many midscale operators, lunch and dinner were seeing growth. That doesn't mean pancakes and omelets disappeared after noon, since many breakfast concepts have fared well with the "breakfast for dinner" trend as well as the rise of daypart-blending items such as chicken and waffles or fried eggs on burgers. While midscale operators, anchored by diners and "American" cuisine, have not traditionally been innovators, today patrons seem ready to embrace the more trend-forward concepts and variety some midscale chains have been experimenting with — according to our Midscale Segment Recovery Guide, one in four midscale operators expects food trends to become even more important post-COVID-19



QUICK SERVICE RESTAURANTS

QSRs, like every segment, have seen major changes to their business, but compared to full-service restaurants they are much closer to "business as usual."

Before the COVID-19 pandemic took hold in the U.S., QSRs were already relying heavily on off-premises dining and the in-person experience wasn't a main focus. Rather, QSRs have tended to look to drive-thrus, which have allowed them to stay open and follow social-distancing guidelines throughout the pandemic. Since QSRs generally have more streamlined menus to begin with, most of them haven't condensed their menus. As a result, purchasing behavior has remained largely unchanged beyond greater demand for sanitation products. However, given a new competitive landscape and the halt of most innovation pipelines, suppliers should prepare to begin conversations with QSRs around new products, as 9 out of 10 QSR operators say food trends are either as important or more important than before the pandemic (QSR Segment Recovery Guide). Meeting the wants of frequent QSR patrons will require balancing comfort food with trending platforms and ingredients that offer value with a twist as well as putting an emphasis on snacking and more health-forward beverages.

OVERALL IMPACT

-19%

CONSUMER SPEND

\$47.8 billion

A DECREASE OF \$11.2 BILLION

OPERATOR SPEND

\$16.2 billion

DECREASE OF \$3.8 BILLION

OVERALL IMPACT

-13%

CONSUMER SPEND

\$173.8 billion

. DECREASE OF \$24.9 BILLION

OPERATOR SPEND

\$59.1 billion

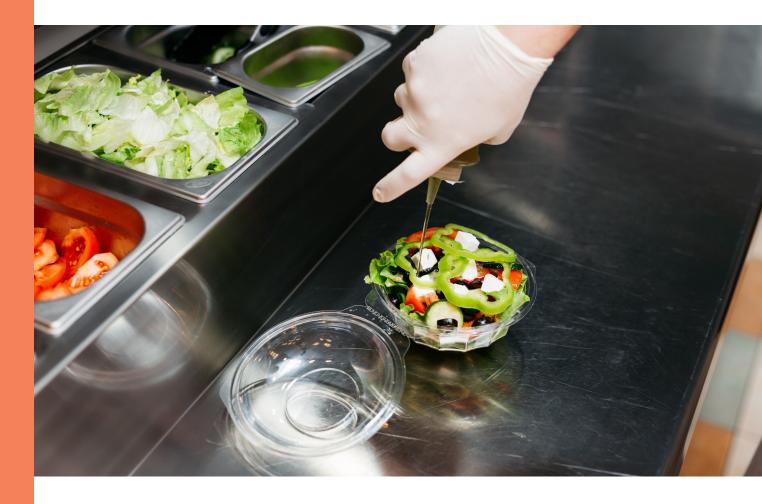
A DECREASE DE \$8.5 BILLION



FAST CASUAL

Fast casual restaurants have stayed open throughout the pandemic — according to our Fast Casual Segment Recovery Guide, the fact that fast casuals are primarily off-premises businesses has served them relatively well. 20%
OF FREQUENT FAST
CASUAL PATRONS
ARE EATING MORE
HEALTHY FOODS

However, there are, of course, some challenges remaining. The segment is characterized by freshness, customization, and assembly lines, which aren't well-suited to a post-COVID-19 environment. Operators may need to re-evaluate these aspects of their business and make changes, such as pushing for app-based pre-orders or using more speed scratch and pre-prepped items. Since their emergence, fast casuals have led the industry in balancing innovation and quality with value and convenience, which does position them for a strong recovery in this uncertain economy. Fast casual customers are generally younger and more likely to identify as foodies. They're drawn to the global flavors and better-for-you foods that have historically anchored fast-casuals' menus. And with the segment also homing in on fan favorite concepts like burgers, pizza, and wings, it's well-positioned to also reach consumers who may be seeking out more craveable comfort foods and snacks.



LODGING

Lodging operators have been hit especially hard by this crisis as consumers largely have stopped traveling and hosting special events, conferences, and weddings.

For many years now, free breakfast has been a pillar of the lodging segment, but it hasn't been a revenue driver. As we look to the future, the lodging segment will benefit from room snacks. In our Lodging Segment Recovery Guide, we note that consumers are open to changes in the lodging segment, such as takeout/room service-only models, smaller menus, and more pre-packaged items. Operators who have historically featured a free breakfast buffet could pivot to offering fresh fruit or pre-packaged bakery items to-go or

CONSUMER SPEND

\$29.9 billion

OPERATOR SPEND

\$10.1 billion

NEW 2020 LODGING **FORECAST**

OVERALL IMPACT

-44%

OPERATIONAL STATUS



In our Creative Concepts: Next-Generation Hotels issue that was released this past July, we explored the impact COVID-19 has had on the segment as well as how some hotel operators are re-opening and capitalizing on current trends, including locally-sourced ingredients and products, interactive experiences like s'mores-roasting, and more.

In our 2020 Lodging Keynote Report, we also note that room <mark>consumers</mark>, and the appeal of that concept could potentially continue to increase as those who aren't comfortable eating in a restaurant yet might opt simply to have meals delivered to their rooms instead.



SENIOR LIVING

Senior living operators may not be as hard hit financially as other segments of the industry, but business is far from usual, as this segment has been particularly hard hit by COVID-19 cases.

Most facilities have eliminated guest dining, and the focus has shifted toward resident feeding and keeping their high-risk patron base safe from COVID-19. Operators who previously turned to foodservice to create a sense of community and belonging will likely shift to in-room feeding and may be limiting dining hours or seating layouts among remaining residents. Nonetheless, historically, food has played an important role in senior living residents' decisions on where to live, and operators have taken note by offering increasingly on-trend and varied foods that still capitalize on health-forward attributes. Many senior living locations have multiple dining formats, such as cafeterias and full-service restaurants, and although residents get most of their meals on-site, many also have the option to go to local restaurants or cook in their own apartments/houses. In general, senior living residents tend to prefer traditional comfort foods like nostalgic desserts and old-world European cuisine. In our Senior Living Segment Recovery Guide, we suggest focusing on one element that makes a dish special, such as featuring a trending cheese in the familiar platform of mac & cheese — at Datassential, we like to refer to this as safe experimentation.

OVERALL IMPACT

-4%

CONSUMER SPEND

\$5.0 billion

A DECREASE OF \$0.2 BILLION

OPERATOR SPEND

\$3.4 billion

A DECREASE OF \$0.1 BILLION

CONSUMER SPEND

\$3.2 billion

A DECREASE OF \$0.1 BILLION

OPERATOR SPEND

\$2.2 billion

A DECREASE OF SO I BILLION

-4%

OVERALL IMPACT

LONG-TERM CARE

Long-term care facilities have taken a hit when it comes to traffic, as many have seen a reduction in elective procedures, which has reduced resident numbers. Additionally, most LTC facilities have stopped allowing visitors.

According to our *Long-Term Care Segment Recovery Guide*, food offerings usually play a small role in where consumers choose to get care, but once a resident, most get all their meals on-site. As COVID-19 has upended many things, consumers are largely understanding that there may be service changes in LTC facilities. The population is OK with disposable table linens and temperature checks, and they're open to many menu changes in the short term, including in-room-only feeding and limited customization. Operators have been looking for ways to still offer patrons on-trend, health-forward dishes, though.



NEW 2020 HOSPITALS FORECAST

OVERALL IMPACT

-1%

CONSUMER SPEND

\$21.0 billion

A DECREASE OF \$0.2 BILLION

OPERATOR SPEND

\$9.6 billion

A DECREASE OF \$0.1 BILLION



HOSPITALS

Long before the industry was dealing with the fallout of COVID-19, hospitals were managing complex operations. Most of them (85%) were serving patients, but also had offerings for employees and visitors, according to our *Hospital Segment Recovery Guide*.

It's worth noting that two-thirds of hospital operators are prepping in the same kitchen, but only 39% are serving the same menus to their patients, visitors, and employees. Currently, when it comes to visitors and employees, consumers feel that vending and retail-like formats are safer than cafeterias and food-hall-type dining. In the short term, consumers say they can roll with pre-packaged grab-and-go items, smaller menus, and reduced customization. Regional American and Mexican dishes are trending on restaurant menus and hospital menus alike, and as we note in the report, these trends could evolve into modern comfort foods that offer a welcome distraction in difficult times. Hospitals could also look to reach employees by offering on-trend, premium, ready-to-drink options to fuel their day — Bulletproof coffee (a percieved health-forward concept that's infused with grass-fed butter or ghee), passion fruit iced tea, and blended juices all have high appeal and could be easily added to grab-and-go coolers in hospital dining settings.

NEW 2020 **B&I FORECAST**

OVERALL IMPACT

-30%

CONSUMER SPEND

\$10.3 billion

A DECREASE OF \$4.4 BILLION

OPERATOR SPEND

\$4.8 billion

A DECREASE OF \$2.1 BILLION

BUSINESS & INDUSTRY

Before this crisis, B&I operators worked hard to create a sense of community and offer more than just food.

They also focused on self-serve options, with coffee and tea stations and salad bars prevalent features. In our current environment, however, communal feeding won't resonate with patrons. In fact, according to our *B&I Segment Recovery Guide*, B&I operators are nervous that they're not going to come back from this crisis, as many offices have transitioned to work from home, and even when it is safe to return to office buildings, that return will likely be slow and in phases. Some businesses may even be more open to employees permanently transitioning to remote work. A few of the major changes we note in the report that B&I patrons may be open to in the short term include staggered mealtimes, more limited menus, and the elmination of reusable trays and communal dining. When it comes to safety perceptions, over 40% of consumers say cold grab-and-go stations with pre-packaged cold foods would be safe to consume as well as items from vending machines.





Of all the segments impacted by COVID-19, K-12 operators have likely seen the greatest shift in their business. Many are now running grab-and-go meal pick-up areas - sometimes giving out shelf-stable and pre-packaged items for multiple meals.

When K-12 school dining closed, the need for those students who rely on free and reduced meals didn't end. In fact, some districts saw rising participation as families experienced layoffs and furloughs. Many of the restrictions regarding when, where, and to whom K-12 food can be served have been lifted, making some logistics easier. Versatile, prepackaged, and convenience-oriented foods and beverages are especially important to K-12 right now, as they've had to pivot to a more grab-and-go-style environment. Before COVID-19, K-12 menus were adding to beverage and dessert programs and expanding ubiquitous flavors into new mash-ups like chicken bacon ranch and honey BBQ that work across menu staples like chicken tenders and pizza, and in the long-term these are trends to keep in mind and consider coming back to in the future.

NEW 2020 K-12 **FORECAST**

OVERALL IMPACT

-36%

\$10.0 billion

OPERATOR SPEND

\$6.8 billion

NEW 2020 C&U FORECAST

-48%

\$10.3 billion

\$4.6 billion

COLLEGE & UNIVERSITY

As schools look to the fall, many still don't know how many (if any) students will return.

COVID-19 will likely have a lasting impact on C&U, as students may come to expect more campus dining delivery even after the pandemic subsides, as it does increase convenience. Historically, on-campus dining has played a big role in where students decide to go to college, which has led many institutions to invest heavily in their foodservice offerings. With the onset of the COVID-19 pandemic, the service format at C&U may change and menus might be condensed, but operators are saying that students. In recent years, spicy global flavor profiles like chili garlic and sriracha have grown on menus at C&U operations, with their versatility a key component, as they can in college?), C&U operators could also look to trends like plant-based and leverage them for grab-and-go formats that work in retail micromarkets at a time when students



SUPERMARKETS

Supermarket prepared food departments are in a unique position compared to their foodservice peers. They have perhaps benefited from the pandemic as consumers shifted almost entirely away from on-site dining at restaurants and turned to more at-home cooking, which meant larger and more trips to the grocery store.

It probably goes without saying, but over the course of the pandemic, consumers have increased their grocery purchases at supermarkets and are spending more on each visit. In general, they're seeking out variety and also checking out the prepared offerings. It helps that prepared food departments overall have good safety perceptions among consumers and that the overwhelming majority of prepared food departments are part of chains with corporate resources to help with safety and sanitation improvements, messaging, and distribution. In the near-term, though, supermarket concepts like self-serve buffets and salad bars rate much less safe among consumers, while comparatively deli meats and other items served by staff from behind a counter get higher safety ratings. Similar to how we've seen a spike in online grocery orders, the prepared food department at supermarkets could also potentially see a shift to digital. Apps that let you know when an order is ready for pickup, special pickup areas, drive-thrus, and even delivery of prepared foods have high longer-term acceptance among consumers.

NEW 2020 SUPERMARKETS FORECAST

OVERALL IMPACT

+2%

CONSUMER SPEND

\$34.7 billion

AN INCREASE OF \$0.5 BILLION

FORMAT ATTITUDES

51% OF IT'L

OF CONSUMERS THINK IT'D BE SAFE TO GET PREPARED FOOD FROM A SUPFRMARKFT

OPERATOR SPEND

\$20.1 billion

AN INCREASE OF \$0.3 BILLIO

NEW 2020 C-STORES FORECAST

OVERALL IMPACT

-16%

CONSUMER SPEND

\$33.4 billion

A DECREASE OF \$6.2 BILLION

FORMAT ATTITUDES

OF CONSUMERS THINK IT'D BE SAFE TO GET FOOD FROM A C-STORE

OPERATOR SPEND

\$13.7 billion

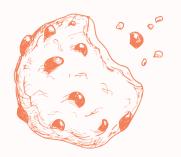
A DECREASE OF \$2.5 BILLION

CONVENIENCE STORES

C-store foodservice offerings were in a strong position prior to the pandemic — a variety of c-stores were moving past roller grill hot dogs and turning to on-trend concepts like fresh mini-markets and kombucha slushies. With the onset of the pandemic, however, consumers have been quarantined at home and had their commutes and travel plans slashed, leading to a decline in c-store foot traffic.

What's more, when consumers do venture out and go to a c-store, packaged snacks and beverages are seen as safer and are more likely to be purchased, according to our *C-Store Segment Recovery Guide*. The good news is that in this time of change, consumers are open to things from c-stores that they may have never previously considered, such as curbside pickup, delivery, and even take-and-bake options that make putting dinner on the table a little easier. New technologies that ease any part of the prepared foods purchasing process are ripe for acceptance and should also be on operators' radars.





A FEW FINAL TREND BITES

As the foodservice industry looks to move forward amidst a pandemic and continues to face unanticiapted challenges of all sorts, we want you to know that Datassential is here for you — in fact, we're going to start releasing complimentary COVID-19-related reports again, which will be posted to our website bi-weekly in correspondence with our bi-weekly webinars. Before we close out this issue of *FoodBytes*, we have a few final trend bites to offer below:

WONDERING HOW YOU CAN STAY ON TOP OF INDUSTRY TRENDS AND COVID-19 PIVOTS?

As we look toward a new normal with restaurants across the country reopening, Datassential can help you navigate pivoting strategies as well as understand the trend landscape and what that looks like. Some trends certainly have carried over from before the pandemic — consumers are still gravitating toward plant-based items and health-forward options with functional benefits like immune-boosting properties, and Instagrammable concepts won't be going away any time soon. Trends like the rise of ghost kitchens and contactless payment are also really growing in this environment, and without a doubt, sanitation has become a central focus. To stay on top of current trends and how operators are pivoting to keep up with government regulations as well as safety concerns, tune into our complimentary biweekly webinars that take place on Thursdays at 12:00 p.m. CST, become an Ahead of the Trends subscriber to receive not just our TrendSpotting reports featuring proprietary data and insights but also a monthly newsletter from Trendologist Mike Kostyo (among other perks and insights), or ask us about conducting a custom study geared specifically toward your needs.

ONE OF THE DATASSENTIAL EXPERTS ON COVID-19 TRENDS



MEET LESLIE RABIN

What's a new food product you tried during quarantine?

Strawberry Clio Yogurt Bars, which feel decadent and healthy at the same time, so I feel a little less guilty about eating something sweet.

What changes did a restaurant you recently visited make to help you feel more comfortable dining there with the ongoing pandemic?

I recently visited the fine dining restaurant Palm Court in Arlington Heights, IL, and they gave us a private room to dine in and all the staff wore masks.

THE CHALLENGE:

As states start to reopen, restaurants across the country are having to reconfigure and reconsider systems and service in front and back of the house to keep staff and customers safe. It's a balancing act that requires staying up to date on the latest information coming out of the CDC as well as state guidelines, educating staff and guests, and implementing new measures to keep everyone safe all while bringing in enough money to stay open.

- FOOD & WINE MAGAZINE

WHAT'S COMING UP NEXT MONTH?

In next month's FoodBytes, we're going to home in on what it what opening a restaurant during a pandemic can look like. We'll explore how these restaurants have had to adapt to a new normal where sanitation is a priority and what's worked well for them so far, along with what hasn't. The restaurants we'll be looking at are from across the country and segments and will give readers a taste of how COVID-19 has impacted restaurant openings as well as inspired restaurateurs to get creative and move forward.



HUNGRY FOR MORE TRENDS? Check out last month's TS issues!



CC: Next-Generation Hotels

Last month's <u>Creative Concepts</u> checked into next-generation hotels.

As many brands start to tentatively open up again, we thought it was time to take a virtual trip to the hotels across the country that are redefining hospitality. Discover the latest spinoff concepts from major brands (and what they have in common), check out both the independent and luxury operators that are upping their game, and see how COVID-19 has impacted the segment.



TW: July 2020

Explore the next iteration of On the Menu called Trend Watch.

In this new issue, which debuted last month, we uncovered six trends to know, including Kurdish coffee (spoiler alert: it's not really coffee), celtuce (a vegetable that looks like a marrriage of celery and lettuce), and dove deep into literally cheesy trends that featured an interview with Suzanne Fanning, Senior Vice President of Dairy Farms of Wisconsin and Chief Marketing Officer of Wisconsin Cheese.



FB: TrendSpotting Redesigned

Get a feel for the next evolution of TrendSpotting.

Last month's FoodBytes explored some of the changes made to TrendSpotting, ranging from the addition of Bottom Line takeaways to data dashboards to deep dive stories. We also got insight into some of the TrendSpotting editors' favorite features in these redesigned reports as well as how subscribers have leveraged TrendSpotting as a resource at their companies.

FB SEGMENT RECOVERY GUIDES SNEAK PEEK



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