

LOOKING FORWARD

THE ROAD TO RECOVERY

VOLUME 3, ISSUE 1



WEATHERING A CRISIS IS HARD ENOUGH FOR YOUR BUSINESS, YOUR STAFF, AND YOUR CUSTOMERS. COMING OUT STRONGER ON THE OTHER SIDE WILL TAKE ALL OF US.

At the beginning of 2020, foodservice was strong. Unemployment low. Consumer spending healthy. Then it all stopped. Today, we find ourselves recovering from an unprecedented time. 81% of consumers have decreased their restaurant spending and 64% of consumers plan to avoid eating out. Yet, nearly half of consumers are eager to dine again.

As we travel the road toward recovery, the consumer desire to return to a version of normalcy may provide the optimism we need.

- 41% of consumers are looking forward to dining out at their favorite sit-down restaurant.
- 34% of consumers are expecting an economic rebound within two to three months.
- 74% of Gen Z, consumers aged 18-25, believe they will revert to their normal spending levels at restaurants once the virus is under control.

In only 2 months, the downturn caused by Covid-19 surpassed the Great Recession of 2007. A look at the numbers is telling.



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38 million initial unemployment claims filed in a 9-week period due to Covid-19.

This number is higher than the total number of cumulative initial claims during the entirety of the Great Recession.

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14.7% unemployment rate high in April 2020 as a result of Covid-19.

During the Great Recession-era, the peak was 10.0% in October 2009, 2 years into the recession.

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25% fall of retail & foodservice sales in a 12-week period during Covid-19 pandemic.

This number is more than 10% lower than the lowest sales drop experienced 15-months into the Great Recession.



Consumers are eager for the day they can begin socializing over a meal again. Dining out is the top activity they want to resume.

HOW CONSUMERS FEEL RIGHT NOW

CONSUMERS ARE CRAVING COMFORT FOOD.

In a time of crisis, consumers gravitate to familiar foods, nostalgic favorites, and approachable classics. The top five menu items customers want from restaurants right now are pizza, burgers and sandwiches, meat entrees, pasta, and side dishes. Hearty, classic dishes are the top picks of the moment, especially those able to withstand takeout and delivery.



2 out of 3 consumers are likely to order pizza at this time and about half say they want burgers and sandwiches.

YOUNGER CONSUMERS ARE DRIVING DELIVERY GROWTH.

Reliance on delivery has grown quickly with the largest increase driven by the 25-34-year old cohort. In fact, 31% of this group has used delivery more during the crisis. New habits are predicted to stay true, especially for young, urban, and high-income consumers who are likely to use apps and websites to order in the future.

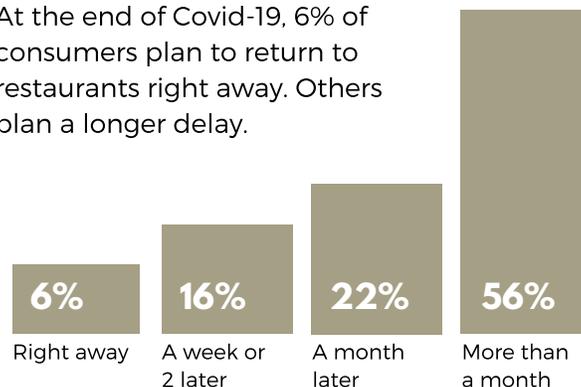
“ Although it’s a fact that a larger portion of food and beverage consumption has shifted to in-home, it’s clear that consumers are not willing to give up on the convenience and experience a restaurant meal brings to them and their families regardless of the barriers. ”

David Portalatin
NPD Food Industry Advisor

CONSUMERS ARE EAGER TO DINE OUT.

71% of consumers said eating at restaurants reminds them of better days. Even more, 70% mentioned dining in restaurants will help in feeling normal again, especially when they're able to dine in.

At the end of Covid-19, 6% of consumers plan to return to restaurants right away. Others plan a longer delay.



Planned time of return to restaurants after Covid-19 ends, according to a recent Technomic survey.

SUPPORTING LOCAL RESTAURANTS & THE NEED TO FEEL NORMAL TOP THE LIST FOR REASONS TO VISIT RESTAURANTS AND BARS AGAIN.



CONSUMERS ARE READY TO RETURN TO SOME BUSINESSES, BUT NOT ALL.

While 51% of consumers feel it's appropriate to return to public parks and playgrounds, libraries, and beaches, the numbers decline quickly for businesses such as gyms, movie theaters, and bars, at 26%, 18%, and 16%, respectively.

CONSUMERS ARE BRACING FOR A SLOW RECOVERY.

3 out of 4 of consumers expect their finances to be impacted for at least two months following Covid-19. Others are estimating a longer recovery, with many expecting to feel the effects for six months or more.



NEARLY 50% OF CONSUMERS WILL ORDER THEIR FAVORITE ITEM WHEN THEY DINE IN A RESTAURANT THE FIRST TIME.

ONLY 20% WILL ORDER SOMETHING NEW WHEN THEY RETURN.

HOW CONSUMER EXPECTATIONS HAVE CHANGED

Taste has long been the reason for choosing a restaurant. Now cleanliness has moved into the top spot and may remain there into 2021. Truthfully, consumers may not feel safe to dine inside restaurants for at least another 6 months.

As routines shift, drive-thru restaurants have an advantage. The ability to limit contact while enabling convenience has kept quick-serve restaurants less exposed than other segments. In fact, 57% of consumers are very willing to pick up meals through a drive-thru window.



57% of consumers will pick up meals through a drive-thru window

While caution remains high, optimism is growing. Two-thirds of consumers are not ready to dine out just yet, but 28% of consumers, while nervous, are willing to return. This number is up +4% since the middle of April 2020. Other signals are pointing toward progress, such as plans to increase spending on food delivery and takeout even while sheltered at home.

AS STATES REOPEN, WHAT'S TO COME?

We're headed into a time of recovery with restrictions. Some operators are choosing to wait to open, while others are diving in and learning as they go. With the reality that 1 out of 5 restaurants will not outlive the crisis, operators are taking it day by day, week by week, and adapting in real-time.

Mostly, operators are feeling the pressure of the new guidelines, operating in an ever-changing environment, and working to stay healthy while they're at it.

WHAT TO EXPECT:

- Cautious consumers with an eye on those around them
- Heightened awareness of sanitation and an emphasis on health and safety
- Feelings of optimism after being sheltered in place for weeks
- Renewed focus on value for money
- Gradual return to work, travel, and leisure activities
- Desire to maintain connections with family and friends, both virtually and in-person

HOW TO WEATHER THE STORM: TIPS & TAKEAWAYS



FOCUS ON SAFETY & HYGIENE

Consumers will be particularly cautious as they reenter the marketplace. With cleanliness taking the top spot as the primary visit driver, transparency and communication are more important than ever before. As you employ safety measures, your primary focus should be on putting guests at ease.

In Georgia, about 59% of the state's restaurants have pivoted to off-premise-only operations during the crisis.

“ In the coming months, the #1 priority will be food & guest safety. It's always been critical in our industry, but now more than ever we need to go over and above the norm. Guests want to see that the restaurant environment is very clean and safe.

Chef Mike Speranza
Custom Culinary®



Tips

- Ensure your focus on cleanliness is visible to your guests and paired with heightened communication
- Employ, promote, and uphold social distancing measures with visual cues and employee prompts
- Reinvent service styles to put your guests and employees at ease, such as disposable menus, wrapped silverware and pre-portioned condiments
- Emphasize the importance of safety and hygiene with your staff and involve them in your efforts
- Utilize resources through the National Restaurant Association to stay abreast of current restrictions and changes

Take a note from restaurants who have embedded safety protocols into their daily operations.

Goiko, a full-service burger chain in Spain, introduced an online order completion tracker to reduce the frequency of guests and delivery drivers entering its restaurants to check on their order status.

Banu Hot Pot, a popular restaurant in China, is reopening for dine-in with tape on floors to guide guests and staff along preferred walkways.

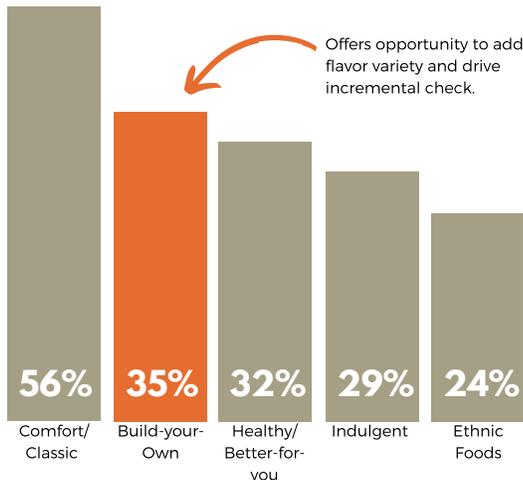
Zoup, a U.S.-based soup, salad & sandwich spot, is planning to evolve their catering menu to feature more boxed lunches and individual soups to increase business catering sales and meet stricter safety standards and customers' new expectations.



FOCUS ON VALUE FOR THE MONEY

As we head toward the New Normal, predicted to occur in 2021, there is an expectation that we'll return to pre-COVID trends. Until we arrive, the emphasis on value will be pronounced. Consumers will feel financial stress, a need for comfort, and a desire to return to some sort of routine. The 2008 recession brought a new view of value and it will likely reappear, even if short lived. Balancing price, quality, and quantity will be important. And with emotions high, factoring the experience component into execution planning will make a difference to customers.

FAMILY MEAL BUNDLES HAVE LASTING APPEAL. CONSUMERS ARE SEEKING EASY-TO-PLEASE OPTIONS



Consumers are seeking meal bundles with broad family appeal, flexibility, mix-and-match choices, and ability to customize.



1 in 3

consumers are craving Mexican food right now. Other cravings include seafood, Asian food, and Italian food.

Tips

- Emphasize and promote familiar favorites on your website and signage to attract and retain loyal customers
- Reduce menu size and focus efforts on the most profitable items with the highest reach
- Define opportunities for customization and easy add-ons to build check
- Offer family meal deals at a value price to feed sheltering families
- Explore occasion-based bundles, such as homebound date night, family movie night, or digital dates, to encourage repeat orders

Restaurants are exploring bundles, take-out experiences, and limited-time offers.

Fogo de Chao, Brazil, is offering its upscale churrascaria experience in a take-home meal-kit.

BreadTalk, Singapore, rolled out a Cake Freestyle Home Kit that allows families to decorate premade cakes using provided frosting and toppings.

Pizza Cosy, France, is trying to support suppliers who may have excess inventory by creating special Market Pizza LTOs based on those ingredients.



Managing incremental costs will be a challenge post-Covid. Strike a balance by finding savings in other areas, such as reducing SKUs, optimizing recipes, and seeking alternative suppliers. If menu prices must be raised, be clear and transparent with customers.

FOCUS ON ALTERNATE REVENUE STREAMS

In the early days of the 2020 shutdown, restaurant owners and operators pivoted their business model in a matter of days. Now they've found their footing just as the marketplace moves into recovery mode. While there may be a desire to open the doors and welcome guests back in, the return to pre-COVID levels will be slow. To stay top of mind, consider alternative revenue streams in this time of rebuilding.



Takeout & Delivery: The bar on convenience has raised, and as a result, consumers will expect the same level of service in the future. While there isn't one right way to approach takeout and delivery, there are several factors to consider. Packaging, travel time, staff protocols, curbside pickup, delivery platform, and family-sized portions, to start. While it is an investment, the desire will grow.



Ghost Kitchens: A professional cooking facility set up for the preparation of delivery-only meals, ghost kitchens are expected to expand. Frictionless, cashless, and built for delivery-only, this model could expand at the same level of speed that food trucks once did. Look for hybrid models with drive-thru windows and curbside pickup, where orders and payment are made in advance.



Daypart Development: Operators have learned about their customers during unprecedented times and have the opportunity to apply those learnings. Capitalizing on nontraditional dayparts and utilizing their kitchens and dining rooms to drive incremental revenue may be in order. Think early morning, mid-morning, late afternoon, and late-night—a time to drive sales where there once were none.



Retail Revenue: Many operators sought additional revenue streams while closed. T-shirts, jams, gallons of milk, and local produce filled shelves of empty restaurants to feed communities and support a skeleton staff. While it may have felt foreign to some, the ideas have merit. Proprietary goods, such as cocktail kits, dressings, sauces, and soup bases, have appeal as consumers return to the pace of life.

CONSUMERS ARE CREATING NEW HABITS

Curbside pickup from local favorites, virtual dinner clubs featuring local purveyors, and tasting menus to-go from fine dining establishments have been a welcomed respite. Moderated beer tastings with local breweries and partnerships between the entertainment and restaurant communities have unearthed connection opportunities. Off-premise has become a viable and promising business model. Operators have recreated their business model in a matter of weeks and new consumer pathways have formed. Mostly, people are ready to reconnect over food.



“ Consumers want to return to their normal social lives. They're craving interaction. Simple, delicious meals prepared with quality ingredients will be key when they return.. ”

Chef David Russell
Custom Culinary®

As we move into recovery, some trends will stick. Here are a few predictions:

- Cuisine diversification will be a leading trend
- Off-premise orders will continue to grow through 2020
- Local sourcing and restaurant loyalty will be a renewed consumer driver
- Barbell strategies will be in full effect as operators promote low-priced items to balance their premium options
- Focused menus with limited options will reign over large varied menus

WE'RE READY TO CONNECT, TOO. WORKING WITH PARTNERS COMMITTED TO SAFE AND SUSTAINABLE PRACTICES WILL HELP YOU STAY TRUE TO YOUR MISSION, REGARDLESS OF HOW YOUR MISSION HAS EVOLVED. CONSUMERS ARE CONCERNED ABOUT THEIR SAFETY, CLEANLINESS, AND WELL-BEING, AND NOW MORE THAN EVER, THEY ARE SEEKING TRANSPARENCY, CONNECTION, AND COMMUNITY. SHOWCASING HOW YOU PLAN TO PARTICIPATE IN A RECOVERING ECONOMY IS ONE WAY TO LET YOUR GUESTS KNOW YOU CARE ABOUT THE SAME THINGS THEY DO.



At Custom Culinary®, we believe supporting the industry we serve is as important as the products we make. It's the promise we've made to ourselves and our customers. That's why we're committed to promoting food safety in our practices, innovating with wholesome ingredients, and giving back to our surrounding communities.

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