

PLANNING FOR THE NEW FUTURE

MONITORING THE SITUATION AND
PLANNING FOR THE NEXT PHASE

MAY 5, 2020

It's evolution, not pivoting.

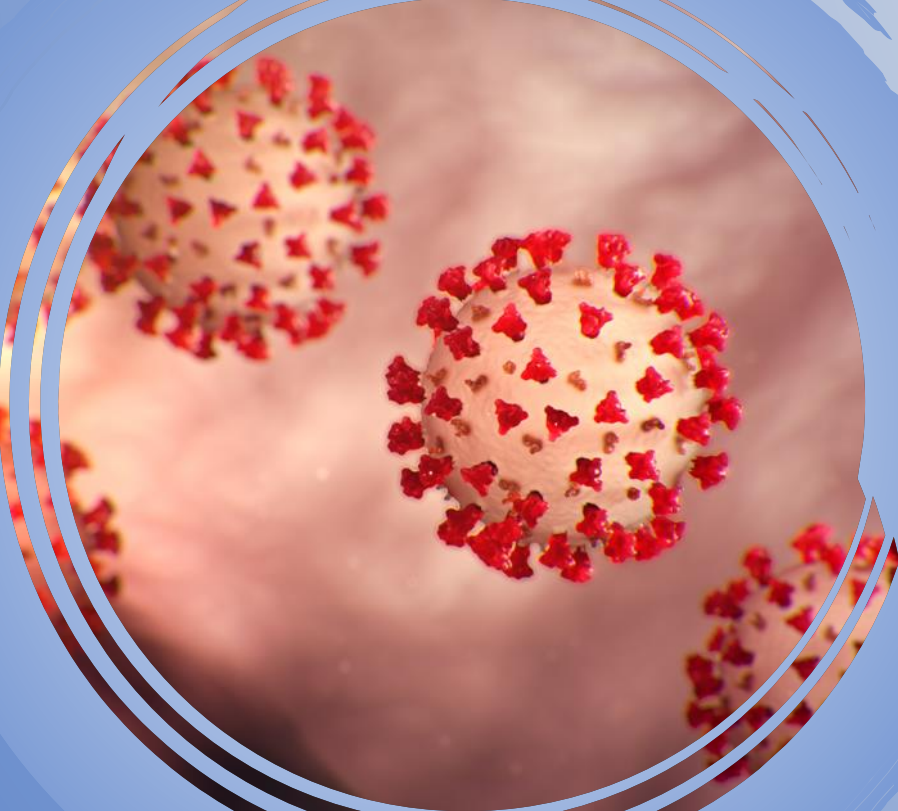
It may be just me, but the word “pivot” has been significantly overused during the past few months.

“Pivot”, to spin on a point or axis, may be what operators were doing as they shifted from business as usual to survival mode.

What we need to focus on, however, is evolution. The industry needs to evolve into our new reality to meet changed consumer needs and behavior.



CURRENT STATUS OF COVID-19





2020

2019

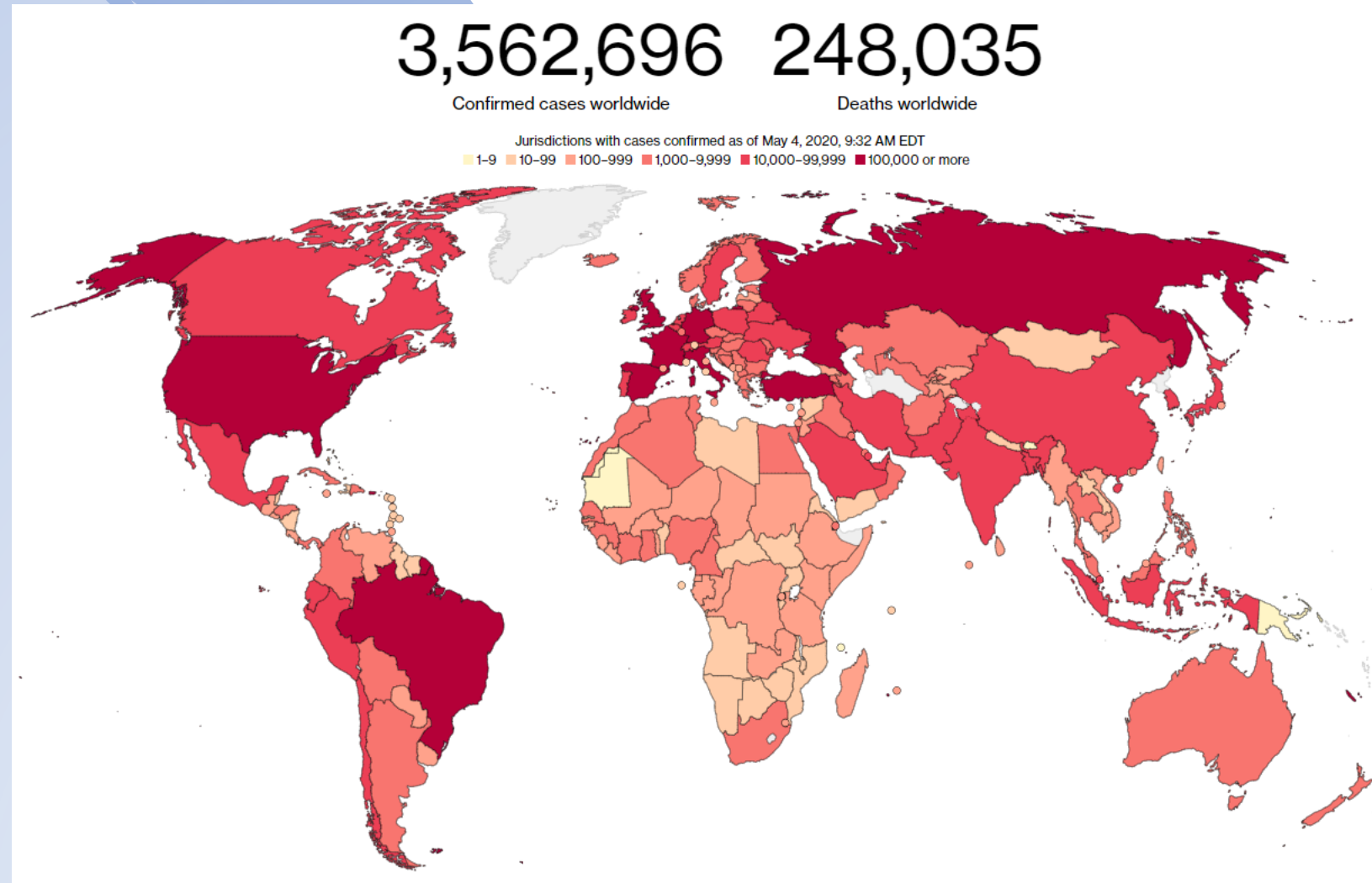
2018

It's safe to say no one thought this year was going to head in this direction, but with every unexpected twist and turn is the opportunity to re-evaluate and evolve. As the news consistently improves, the industry can finally focus more on the future.

Worldwide Involvement

Global cases, after topping 3M last week are now over 3.5M with nearly 250K deaths.

Issues in Mexico (where the extent of the virus appears to be under-reported) and other areas in South America will complicate the situation at the U.S.'s southern border and immigration via that route. Ongoing immigration issues will create labor issues for the hospitality industry.






Despite instituting one of the world's most restrictive lockdowns, India saw its largest increase in new cases this past week with infections jumping 7%. The lockdown was extended through May 18th when a phased reopening is planned.

MASKEN HIER




Lens2Go GmbH begrüßt Sie!



Achtung!
Falls Sie mit dem Tragen von Kontaktlinsen noch keine Erfahrung haben, wenden Sie sich bitte an Ihren Augenarzt zwecks Beratung und Anpassung.


So kaufen Sie:

1. Geld einzahlen.
2. Die gewünschte Nummer tippen.
3. "Vorgart" Drücken Sie auf jede beliebige Taste und wählen Sie Ihre Nummer wieder.
4. Zur Ausgabe die Taste "Ware" drücken.
5. Um den Kauf abzubrechen, drücken Sie "Storno".



Ware Storno

Kundendienst
Bei Fragen oder Störung des Automaten wählen Sie bitte folgende Nummer: 0172 172 98 70



6€ 10€ 20€ 50€

Geldscheineingabe

Germany has already installed vending machines featuring masks, an early indication of the role the vending industry may play in building consumer confidence and providing solutions. The opportunity for vending innovation in light of the crisis is significant with this segment poised to potentially gain share if it can move quickly.



The U.K. appears poised to become the new European COVID-19 hot spot with new cases and deaths from the coronavirus rising rapidly.





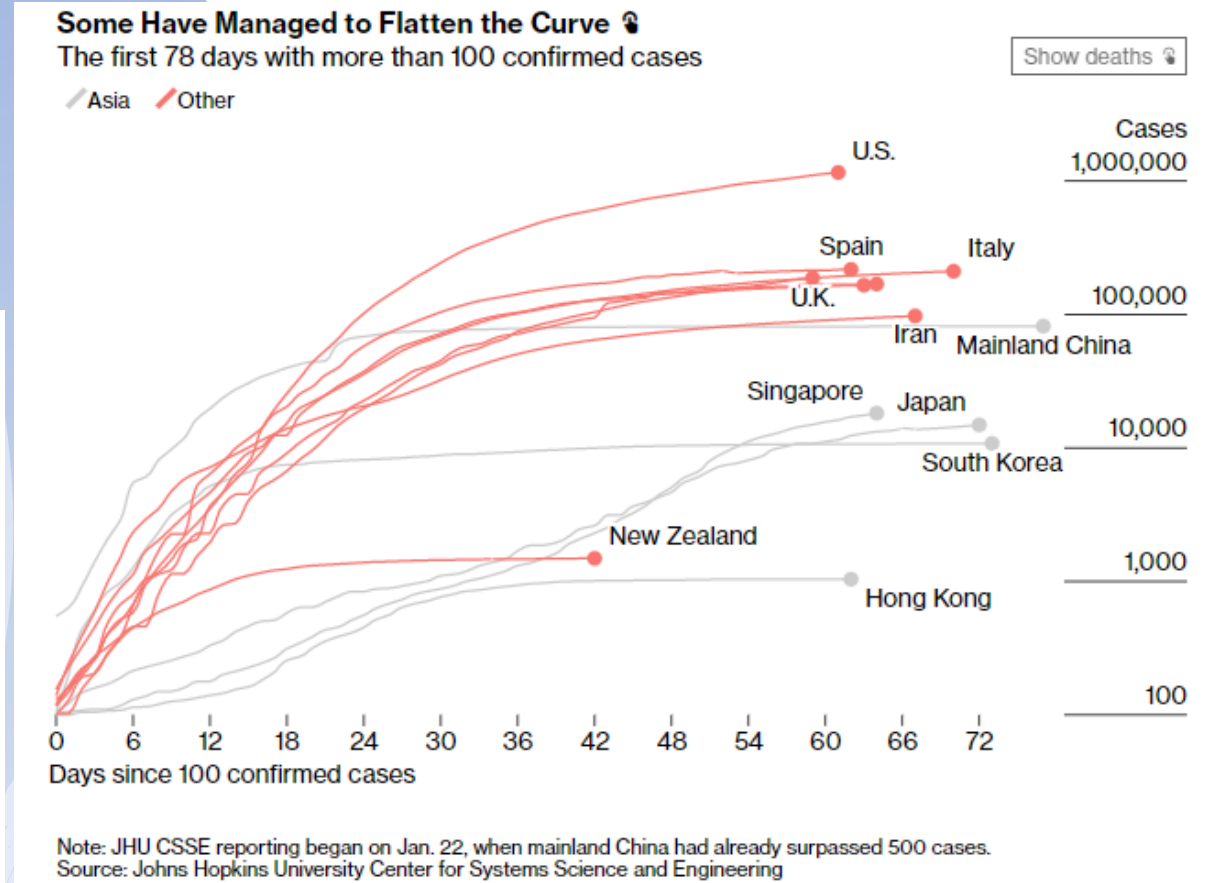
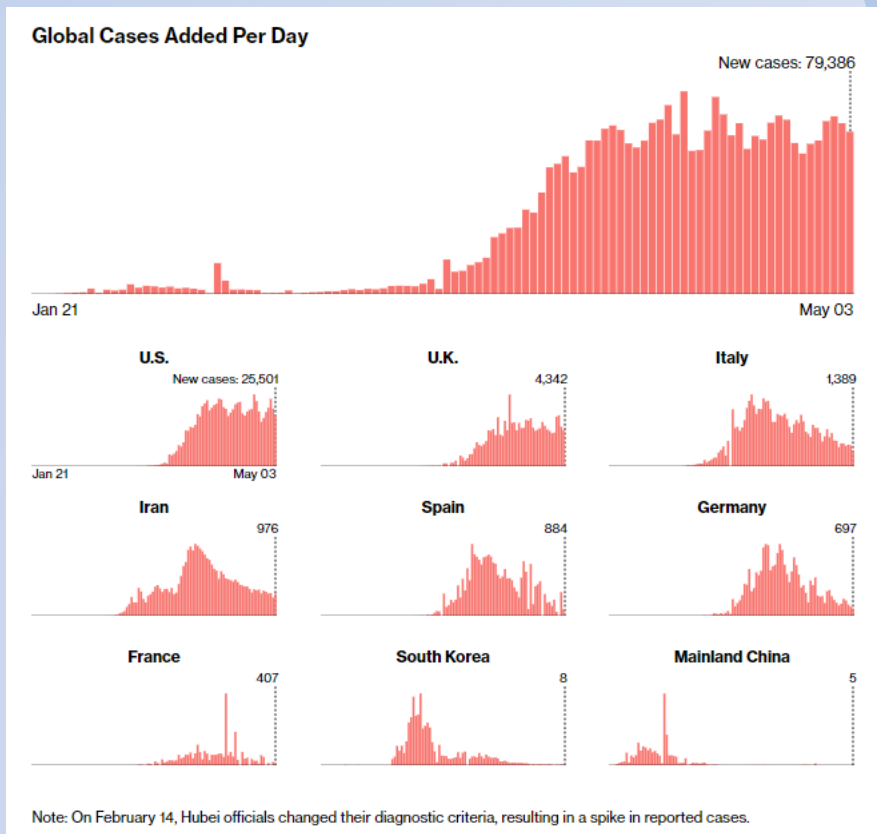
What a difference a month makes as St. Marks square was crowded this past weekend after Italy lifted most restrictions. Travel is still limited to Italians and family members of those living in Venice, with foreign travel banned.



Global tensions with China increased, particularly between the U.S. and China. There is a growing chorus of countries accusing China of hiding the severity of the initial outbreak, with the U.S. accusing China of hiding the outbreak to hoard medical supplies.

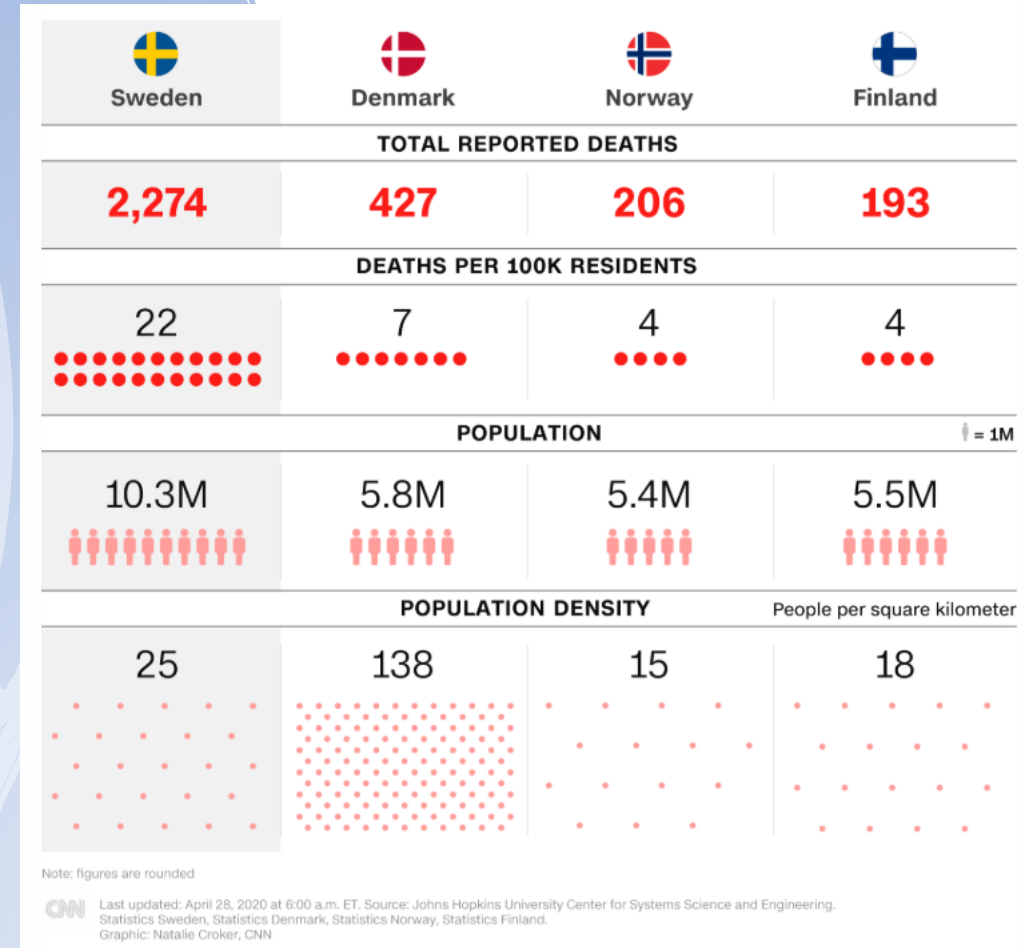
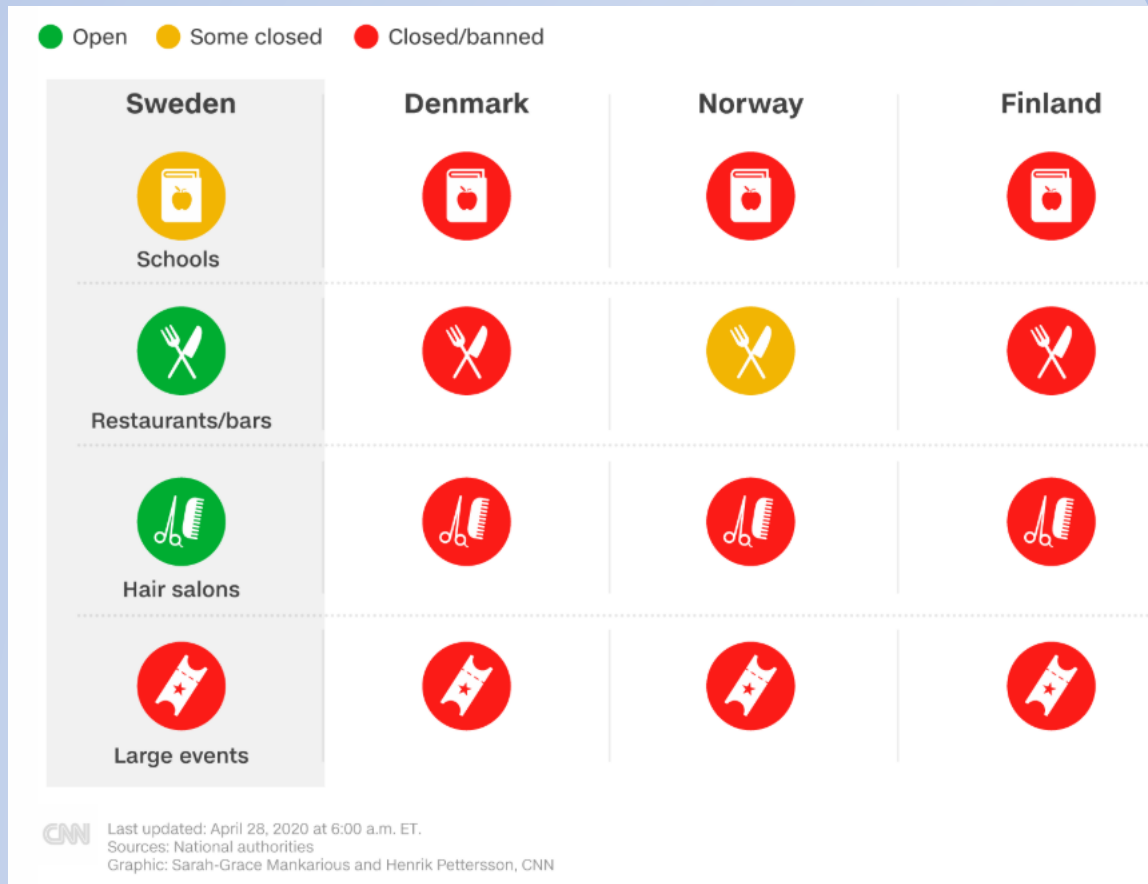
US Curve Close to Flat

There has been extraordinary progress made in flattening the curve in the U.S., and though it's close to flat it hasn't yet reached the degree of stabilization now seen in former hot spot Italy.



Sweden by the Numbers

Much has been made of Sweden's response to the pandemic, and while they avoided a national shutdown the country also experienced a significantly higher rate of infections and deaths.



National Impact

The U.S. surpassed 1.1M cases this past week and are closing in on 70K deaths from coronavirus.

Today (5/4/20), models revised up the projected number of deaths to 134K before the end of the year. Relaxed social distancing is being blamed for the significant increase in projected deaths.

1,159,311

Confirmed cases in U.S.

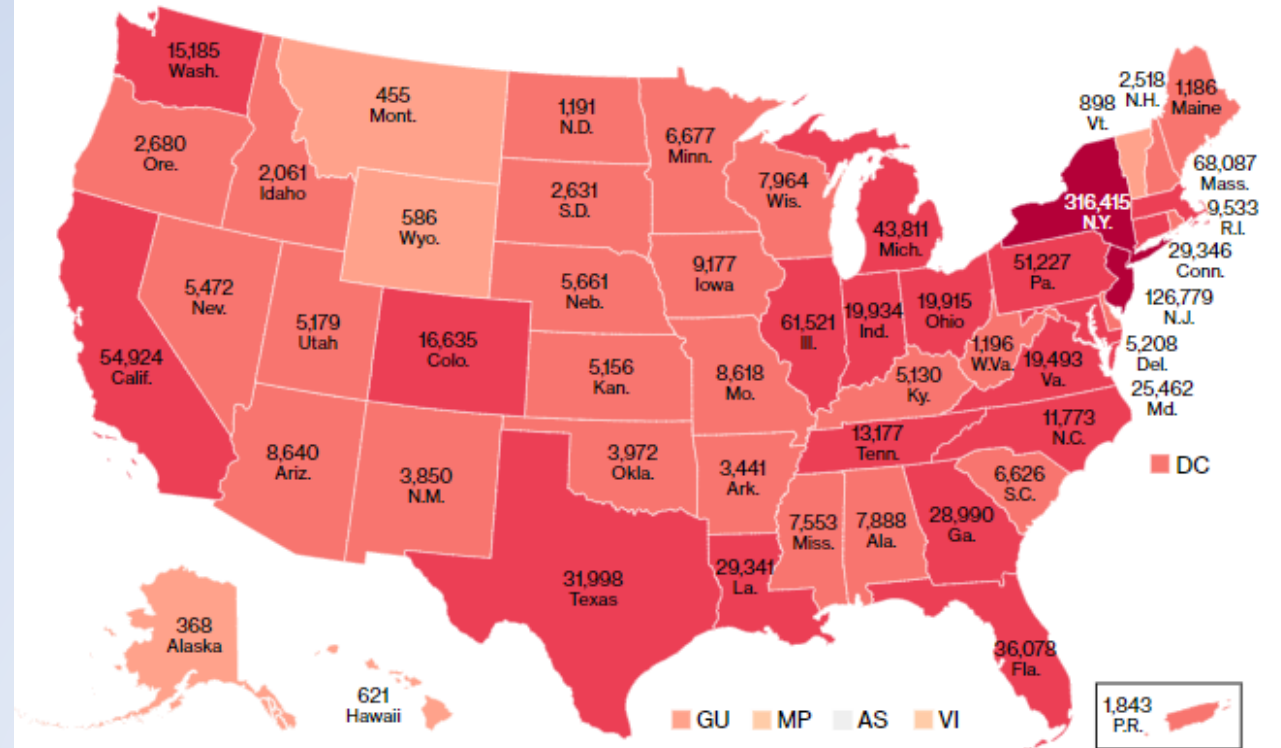
67,816

Deaths in U.S.

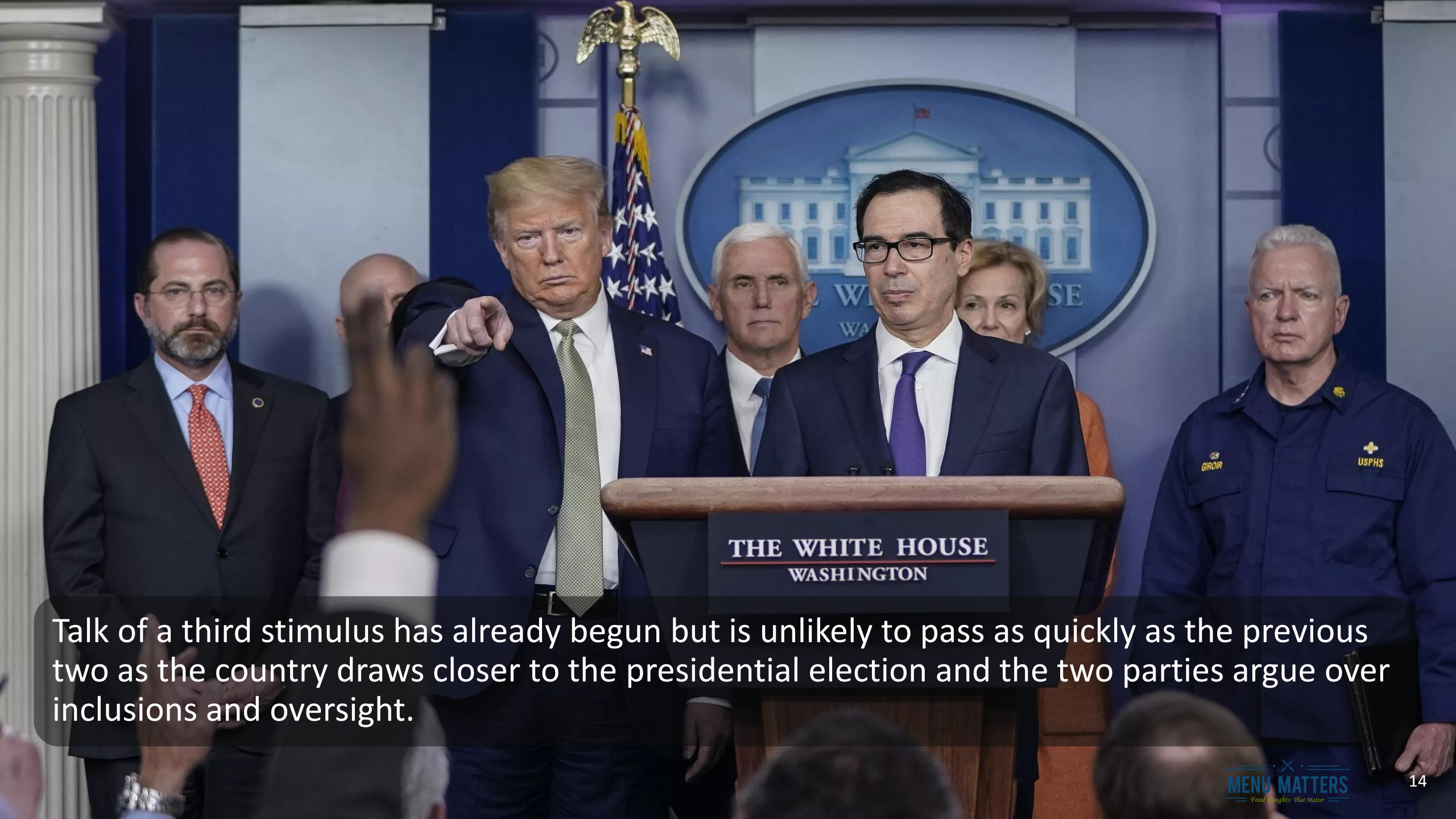
Confirmed Cases in U.S. by State and Territory

As of May 4, 2020, 9:32 AM EDT

- 1-9
- 10-99
- 100-999
- 1,000-9,999
- 10,000-99,999
- 100,000 or more



Note: State figures may not reflect repatriated patients from the Diamond Princess cruise ship or those evacuated from Wuhan, China.



Talk of a third stimulus has already begun but is unlikely to pass as quickly as the previous two as the country draws closer to the presidential election and the two parties argue over inclusions and oversight.



Unemployment is forecasted to reach 16% by the end of April with 22 million jobs lost, the equivalent of eliminating every job created in the past decade. *(source: WSI, 5/3/2020)*



FEAR
IS THE REAL
VIRUS

THIS "CURE"
IS **DEADLIER**
THAN COVID!

REOPEN
NOW

Protests against lockdowns spread across the U.S., with some outlets reporting anti-vaxxers are making up a growing share of protesters in many areas. Lawsuits against governors and state governments also picked up nationwide.

More Americans Venturing Out

As the weather improves and Americans chafe at continued lockdowns, mobile phone data shows more are venturing out of their home, a trend likely to continue. It's important to remember that while mobility increases the fear associated with the pandemic has not disappeared.

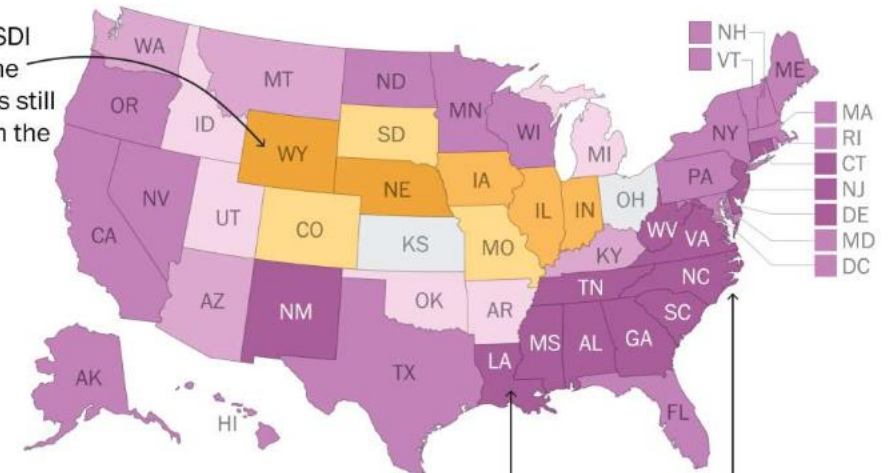
Social distancing decreasing across the country

Cellphone location data analyzed by University of Maryland researchers showed a decrease in many states' social distancing index (SDI), a measurement of the amount people are limiting trips outside their homes.

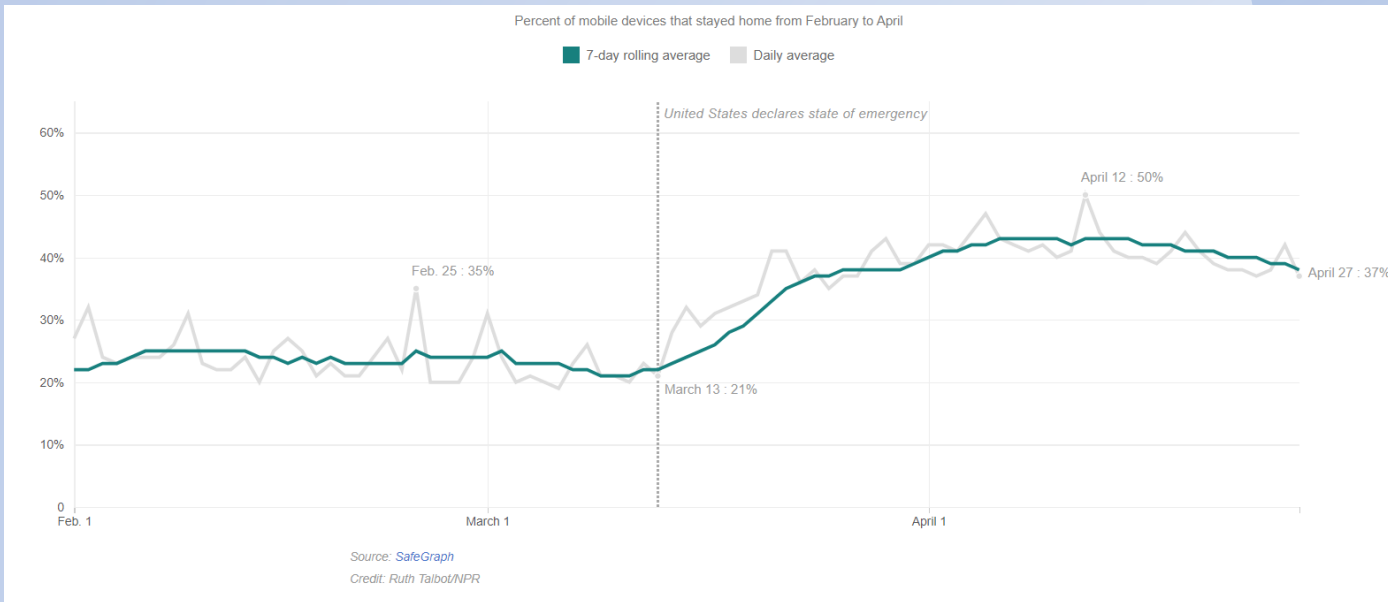
Change in social distancing index, April 10 to April 17

Decreasing social distancing  Increasing social distancing

Wyoming's SDI increased the most, but it's still the lowest in the nation



Louisiana and North Carolina tied for the largest drop in distancing



Source: University of Maryland

THE WASHINGTON POST



Warren Buffet made headlines by selling off all stocks in airlines, resulting in sinking stock prices for the carriers. Recovery may be more challenging for airlines and airports if financing becomes more difficult.

The image shows the storefront of a J. Crew store. The name "J. CREW" is prominently displayed in gold lettering on a dark, reflective horizontal band above the entrance. The entrance consists of a set of double glass doors with gold-colored frames and handles. To the left and right of the doors are large glass display windows. The interior of the store is visible through the glass, showing mannequins dressed in various clothing items, including a mannequin in a pink shirt and white shorts, and another in a white top with a red graphic. The store's interior is brightly lit with warm, yellowish lights. The building's facade is made of light-colored stone or concrete panels.

J. CREW

J. Crew will file for bankruptcy, joining several other retailers suffering from reduced sales due to COVID-19 and existing issues prior to the crisis.



Uber will require both drivers and passengers to wear masks in the U.S. until further notice.



Designers in California have introduced the Micrashell suit intended to allow individuals to return to concerts, festivals, clubs and sporting events without fear of infection.



Hilton is the most recent in a string of hospitality operators across all segments unveiling new sanitation programs to increase consumer confidence and welcome back guests. Partnering with trusted cleaner/ sanitation brands and healthcare groups can help operators build consumer confidence when paired with comprehensive and clearly communicated strategies and programs.

Extended Peaks

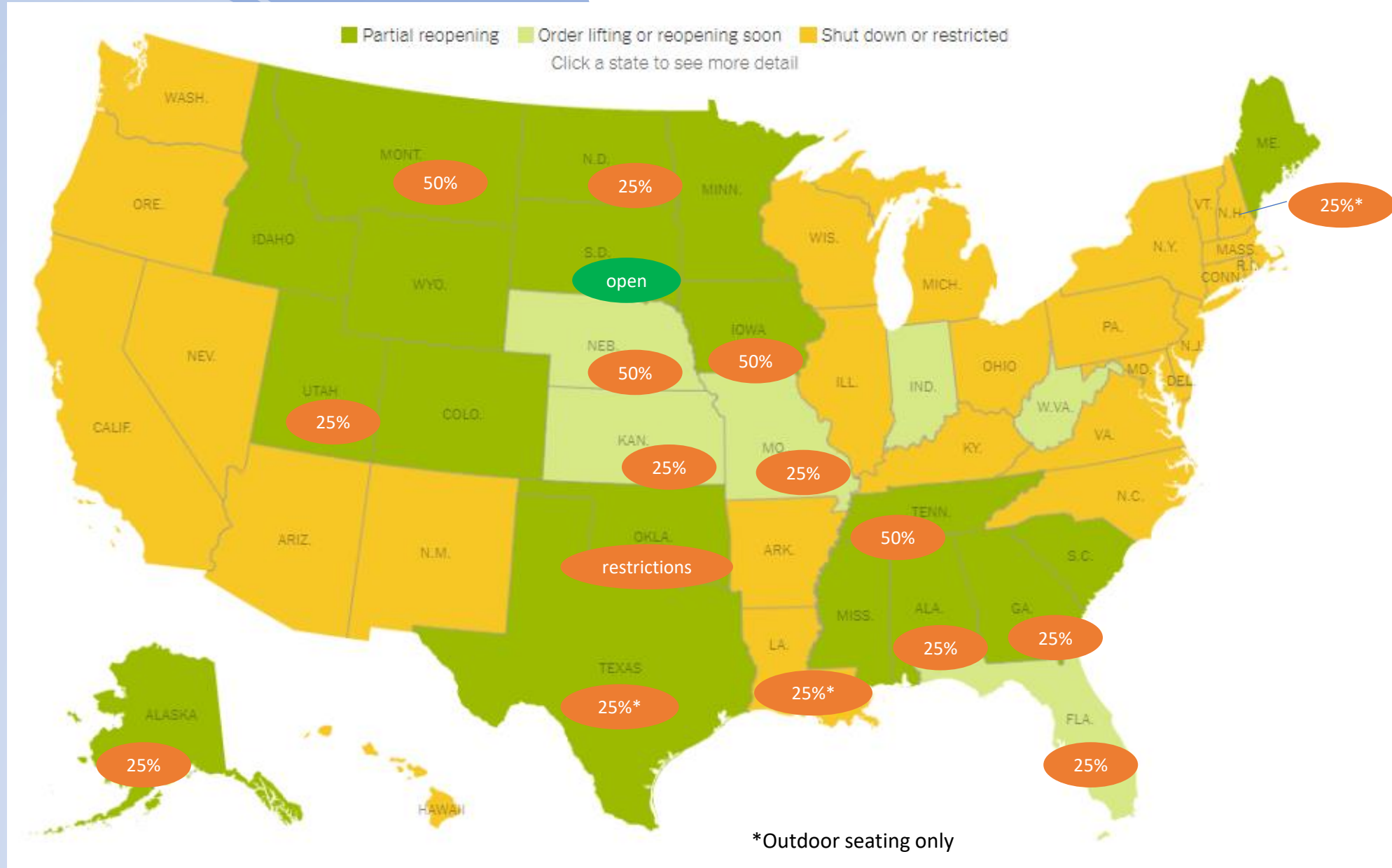
For the first time since publishing this report. The IHME model did not increase the projected deaths per day, which remained stable at 2,693.



Source: University of Washington's Institute for Health Metrics and Evaluation, May 4, 2020

State-by-State Restaurant Reopening

- Reopened with restrictions
- Fully reopened



State-by-State Reopening

Alabama

Stay-at-home order **expired 4/30**
Retail stores and beaches allowed to reopen with restrictions
Restaurants remain closed

Alaska

Restaurants open at 25% capacity and keep distance between tables

Arizona

Stay-at-home order extended through **5/15**
Despite extension, some businesses have been allowed to reopen
Restaurants may be allowed to reopen by 5/12

Arkansas

Some businesses have been allowed to reopen
Restaurants will be allowed to reopen with 33% capacity and other limitations by 5/11

California

Stay-at-home order initiated 3/19 with **no expiration date**
Gov. Newsom said Friday the state is “days, not weeks” away from lifting some restrictions
Restaurants remain closed

Colorado

Replaced stay-at-home order with “safer at home” phase on **4/27**
which will remain until 5/27
Restaurants remain closed

Connecticut

Mandatory shut down extended to **5/20**
Restaurants may be allowed to reopen for outdoor dining only by 5/20

Delaware

Stay-at-home order expires **5/15** or “until the public health threat is eliminated”
Restaurants remain closed

D.C.

Stay-at-home order extended to **5/15**
The expiration date is a point to “check in” rather than to reopen
Restaurants remain closed

Florida

Restaurants allowed to reopen for outdoor dining and indoor dining at 25% capacity

Georgia

Restaurants allowed to reopen dine-in on 4/27 with social distancing and health screening of employees
Bars, nightclubs, and music venues remain closed

Hawaii

Stay-at-home order extended to **5/31**
Restaurants remain closed

Idaho

Gov. Little announced state is moving into the first phase of reopening with some businesses allowed to resume with restrictions
Restaurants remain closed

Illinois

Stay-at-home order extended through **5/30**
Restaurants remain closed

Indiana

State has entered the first stage of reopening with critical businesses allowed to resume operation
Restaurants and bars serving food can reopen at 50% capacity by 5/11

Iowa

Restaurants may reopen at 50% capacity on 5/1 in 77 of the 99 counties. Restaurants will remain closed in the other counties until at least 5/15

Kansas

Stay-at-home order ends **5/4**
Restaurants allowed to reopen if 6 feet can be maintained between customers (approx. 25% capacity)

Kentucky

Will begin easing restrictions on businesses each week for four weeks beginning on 5/11.
Restaurants remain closed but will be part of the June reopening stage

Louisiana

Stay-at-home order extended to **5/15**
Some business restrictions have been eased, with **restaurants allowed to open outdoor seating without service**
Restaurant indoor dine-in remains closed

Maine

“Stay Healthy at Home” executive order extended to **5/31**
Restaurants remain closed

Maryland

Stay-at-home order issued 3/30 with **no expiration date**
Restaurants remain closed

Massachusetts

Emergency order requiring all nonessential businesses extended to **5/18**
Restaurants remain closed

Michigan

Stay-at-home order extended through **5/15**
Some restrictions have been relaxed, particularly with outdoor business and sports
Restaurants remain closed

Minnesota

State-at-home order extended to 5/18
Some businesses allowed to reopen with restrictions
Restaurants remain closed

Mississippi

Gov. Reeves signed new “safer at home” order expires 5/11
Some nonessential businesses allowed to reopen with drive-thru, curbside and delivery
Restaurants remain closed

Missouri

“Stay Home Missouri” order expired **5/3**
“Show Me Strong Recovery” plan enacted 5/4 with businesses opening with some restrictions
Restaurants allowed to reopen with 25% capacity and other limitations

Montana

Gov. Bullock announced a phased reopening for businesses beginning 4/27
Restaurants, bars, breweries and distilleries may begin dine-in services on 5/4 but must restrict capacity and maintain social distancing

Nebraska

Mitigation rules began to be rolled back 5/4
Restaurants reopened at 50% capacity
Bars remain closed until 5/31

Nevada

Shelter-in-place order extended to **mid-May**
Restaurants remain closed

New Hampshire

“Stay At Home 2.0” enacted, expiring **5/31**
Restaurants may reopen with outdoor seating only, 6 people to a table max, 6 feet between tables and servers wearing masks
Restaurant indoor dine-in remains closed

New Jersey

Stay-at-home order issued 3/21 with **no expiration date**
While there are no plans, Gov. Murphy suggested “the food chain” would be among the first businesses to reopen
Restaurants remain closed

New Mexico

Extended stay at home order to **5/15**
Making plans for a “gradual and safe” reopening
Restaurants remain closed

New York

“New York State on PAUSE” order extended through **5/15**
Gov. Cuomo said the state is planning a phased reopening, with decisions being made on a regional basis
Restaurants remain closed

North Carolina

Stay-at-home order extended through **5/8**
Planned reopening in three phases, with **restaurants and bars allowed to reopen in phase two with limited capacities**
Restaurants remain closed

North Dakota

Gov. Burgum signed executive order reopening most businesses on May 1
Restaurants reopened with 6 feet required between guests/ tables

Ohio

Stay-at-home order extended to **5/29**
Several businesses will reopen throughout May with restrictions
Restaurants remain closed

Oklahoma

Gov. Stitt announced the reopening of the economy in phases
Restaurants and dining rooms reopened 5/1 but maintaining strict social distancing
Bars remain closed

Oregon

Stay-at-home order issued 3/23 with no expiration date
No plans to reopen
Restaurants remain closed

Pennsylvania

Gov. Wolf wants to reopen in phases beginning 5/8
Restaurants remain closed

Rhode Island

Stay-at-home order extended through 5/8
Businesses will enter phase one of reopening on 5/9
Restaurants remain closed

South Carolina

Stay at home order switched to voluntary on 5/4
Restaurants reopening outdoor service on 5/4
Restaurant indoor dine-in service remains closed

South Dakota

No stay at home order in effect
Restaurants fully open

Tennessee

Restaurants allowed to reopen 4/27 at 50% capacity

Texas

Restaurants allowed to reopen 5/1 at 25% capacity

Utah

Executive order issued for “moderate risk” expires 5/16
Restaurants allowed to reopen with “extreme precautions” and delivery/ takeout deemed preferable

Vermont

“Stay Safe, Stay Home” order extended through 5/15
Many businesses allowed to reopen 5/4 with full operations “under stringent requirements” by 5/11
Restaurants remain closed

Virginia

Shelter-in-place order expires 6/10
“Forward Virginia” plan will reopen state in phases
Restaurants remain closed

Washington

Stay-at-home order extended through 5/31
Restaurants remain closed

West Virginia

Stay at home is now voluntary
Phased reopening of businesses beginning 5/4
Restaurants with outdoor dining allowed to reopen in week 2
Dine-in restaurants, bars, and hotels allowed to reopen weeks 3-6

Wisconsin

Extended stay at home order through 5/26
Restaurants remain closed

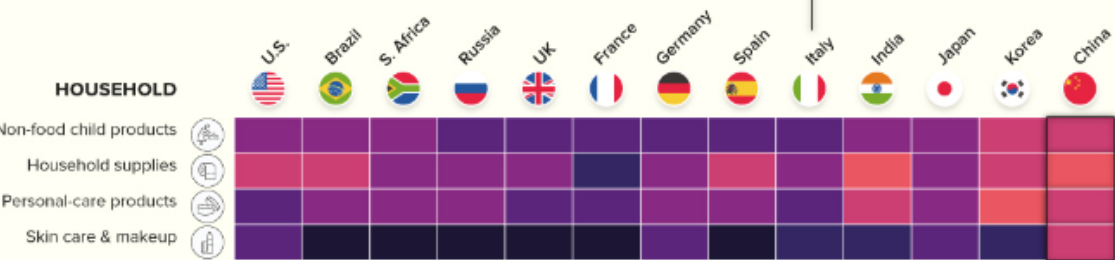
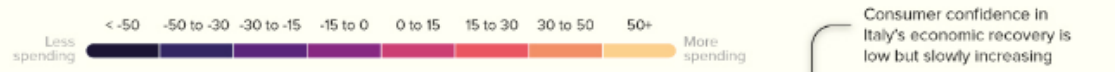
Wyoming

Businesses allowed to reopen in phases
Restaurants remain closed

Impact of COVID-19 on Consumer Spending

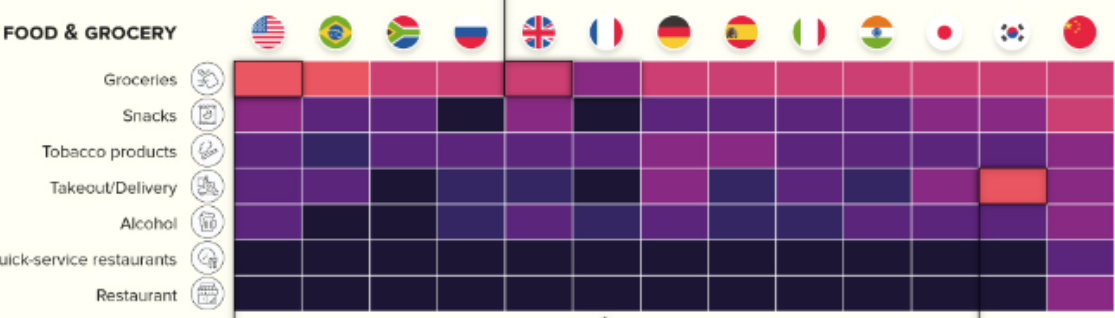
Expected spending per category over the next two weeks compared to usual

Net Intent (%)



Almost half of all UK consumers are cutting spending across most categories, but will increase their spending for groceries and at-home entertainment

Chinese consumers believe that household income, spending, and savings will improve in April



U.S. consumers are cutting back their spending across most categories excluding groceries, household supplies, and home entertainment

France is the only country that shows a decline across every category, which reflects the country's low levels of optimism

South Korean consumers will spend more on takeout over the coming weeks



TRENDS TO CONSIDER AS HOSPITALITY REOPENS



Hedonic Adaptation

Hedonic adaptation, or the tendency to return to a stable level of happiness despite extremely positive or negative events, is likely behind the steady increase in consumers ordering delivery/ take out away from home since the beginning of the crisis.

This adaptation can lead to consumers sticking with delivery/ take out as the new normal.

As such, operators need to give consumers an extreme positive event or reason to break with their currently stable level of happiness, drawing them into the restaurant either for increased visits or on-site dining.

Celebrations, reopening ceremonies, and other events can help to break the current cycle of hedonic adaptation and lure consumers back with the desire to increase their current happiness levels.

Focus on promotions that offer consumers excitement, an experience, joy, or some other benefit for them. Remember, dropping prices or price-based promotions are not the only way to attract customers and don't create the same bumps in happiness that other programs may.

A person's silhouette is shown in profile, looking out over a vast cityscape. The city is densely packed with high-rise buildings, and a body of water is visible in the distance under a hazy sky. The person's face is partially obscured by a dark, semi-transparent overlay that contains text.

Science of Nostalgia

Nostalgia is a powerful emotional response, often associated with foods, frequently leveraged by foodservice operators in multiple ways.

Science has shown that nostalgia counteracts loneliness, boredom and anxiety, at least one of which most consumers have experienced during the lockdown.

It's suggested two types of nostalgia exist: 1. making people feel young, innocent and secure, and 2. transporting people to a happy, secure and longed-for "elsewhere".

Understanding that nostalgia does not need to incorporate candy and other kitschy child-focused elements or flavors to effectively capture nostalgia is important. Therefore, most operators should be able to innovate against the concept of nostalgia by leveraging one or both definitions as appropriate to an operator's brand and menu strategy.

Increasing Time Affluence

Though often not a concept consumers can articulate, time affluence contributes more to individual happiness than does financial affluence.

Time affluence is something restaurants can help individuals achieve and something many consumers may have unexpectedly found themselves short on during the lockdown.

Convenience has often been a key message for restaurants, but rarely is it effectively tied back to the idea of time affluence or the time consumers gain back by not cooking, shopping for ingredients, etc.

Though time affluence communication should not outweigh communication focused at building confidence and addressing underlying fears, it can be a powerful message for consumers who may want to gain back more of their day particularly as we head into the summer months and return to work outside the home.

A person wearing a green uniform is holding a brown tray. On the tray, there is a clear glass with a red straw and another glass with a spoon. The background is slightly blurred, showing what appears to be an outdoor or semi-outdoor restaurant setting.

Rise of Restaurant Staff

Staff quality has always been a key element to a successful restaurant but in the post COVID-19 age staff will be more important than ever.

Contributing to visual sanitation and food safety cues as well as communicating enhanced sanitation and safety measures will be among their most critical tasks.

There will be an ongoing tension between reducing staff costs, limiting staff in the face of reduced traffic, and the need to increase staff to accommodate new roles and responsibilities.

Though many restaurants eliminated the role, busboys are likely to experience a comeback and play a key role in helping dine-in restaurants maintain more rigorous sanitation standards.

Perhaps more than anything else, staff will be on the frontline of offering returning patrons true hospitality which consumers will have missed after limited social contacts. Hospitality will be even more emotionally impactful given the greater sense of community and lingering concerns about venturing into public spaces.



The Breakfast Comeback

Breakfast has been particularly hard hit in hospitality after years of consistent growth. Bringing back this daypart will be key given its, typically, higher profit margins.

Despite innovation in recent years that opened consumers to unique new flavors and formats at breakfast, consumers are likely to retreat into habit-driven behavior during this daypart more so than any other.

Focus on the most popular items pre-COVID-19 and keep innovation relatively close in to those best selling options.

For operators without drive thrus, facilitating fast visits with pre-ordering through apps, etc. will be critical. Focus on solutions that eliminate crowds or patron bunching during morning rush periods.

Though all day breakfasts were largely abandoned to reduce back of house complexity during the crisis, some elements of the breakfast menu may be brought back as traffic increases (again, focusing on the most popular items first).

Don't forget coffee beverages can be some of the strongest draws for the breakfast daypart and work well for afternoon breaks or with lunch. Promotions pairing popular coffee with items outside breakfast can help consumers return to normal.

Entrée Resurgence

During the last recession, handhelds enjoyed increased attention, but that trend may not play out in the same way during the coming recession as consumers will be drawn to items that mesh with their heightened sense of community and pent up demand for social connectedness.

Though dishes that encourage sharing may fly in the face of concerns about high touch items, playing with pre-portioning of larger sharing sizes while serving in a community-oriented way can create that sense of interacting without contamination issues.

Shifting formats or plating may be most challenging for some authentic world cuisine operators but consumers are likely to forgive some inauthentic plating in the short-term.

Family or shareable sizes also create portion-focused value perceptions which could be attractive to groups looking to dine out but facing economic hurdles.

Family sizes have proven extremely popular with consumers ordering take out/ delivery during the crisis. Operators for which these types of offerings make sense operationally and financially should continue these offerings for the short and mid-term. Other operators should assess whether this type of service makes sense going forward.



At Home Cooking/ Baking Impact

Though consumers may not cook and bake as much post crisis, the knowledge gained won't be lost but rather is likely to heighten their interest in and awareness of craft, preparation, ingredient quality and the difficult of making certain dishes. Operators can use this to their advantage in images, descriptions, and promotions.

Many operators have created variations on the DIY kit for delivery and takeout. Interest in these options – ranging from fully scratch to elements created by the consumer – is likely to continue.

Operators should assess how they can incorporate DIY options into both on-premise and off-premise offerings as appropriate to the concept and brand strategy. Any iteration must incorporate appropriate sanitation considerations either on an individual or group basis.

Tablesides service was on the rise prior to the crisis, and this can serve – for those operators with the staff and expertise – as a moderated DIY option that allows for interaction without contamination concerns.

Consider how recipes, on-site classes, virtual instruction and other forms of education may allow and operation to leverage the DIY movement if not appropriate for on-site or off-premise item development.



Restaurant Special

As consumers became more adventurous in their at-home cooking efforts, many discovered how challenging many dishes available at restaurants can be to prepare.

Highlighting those dishes that are unique to a restaurant or particularly difficult for at-home preparation can be the centerpiece (assuming appropriate popularity) for “welcome back” promotions. These are the dishes patrons are most likely to have missed and crave when restaurants reopen.

Understanding the complexity of preparing some ingredients and dishes should help to support prices with value being underpinned by this knowledge. Highlight operation skill and uniqueness in communications to enhance this understanding and value perception.

For operators with more items that are easier or more commonly prepared at home, focus on quality of ingredients, consistency, nostalgia, convenience or returning to normal as key messages.

The same can work for beverages. For example, nitro coffee is likely not something consumers experimented with at home and may be one they are missing upon re-entry. Cocktails are another category for which restaurants have a special skill and unique offering.

Status of Some Pre-COVID-19 Trends

Reversing or Halting

Extreme Experimentation

Self-service

Shareable Plates

Lab-grown Foods

Sober Curiosity

Non-edible Inclusions (charcoal, gems, etc.)

Extremely Unique/ Unfamiliar Ingredients

Extreme Flavors (bitter, sour, heat)

Costly Ingredients

Brand Loyalty/ Impact

Gross/ Danger Factor

Unique Breakfast Innovation

Accelerating

Real Foods

Functional Foods

Very Safe Experimentation

Transparency/ Clean Labels

Plant-based/ Plant-forward

Hot/ Spicy Flavors

Cold Brew/ Nitro

Spice Blends

Bowls

Fermented & Pickled Beverages/ Ingredients

Cross-daypart Format Leveraging

Closer-in Mash Ups

About Menu Matters

Maeve Webster, President of Menu Matters, is a leading consultancy working with manufacturers, operators, agencies and commodity boards.

She has spearheaded hundreds of major industry studies during her 20 years as a foodservice specialist, and today runs a private consultancy focused on helping manufacturers and operators understand how trends in consumer behavior and operations can be leveraged for strategic planning. Maeve's expertise is in the areas of trend analysis and evaluation, opportunity assessment, consumer and operator behavior, concept testing, and menu optimization and strategy.

At all times, the primary purpose of Menu Matters is to contextualize findings for clients so the "so what" is apparent, relevant and actionable.



MENU MATTERS

Food Insights That Matter

THANK YOU



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