



A PERIOD OF ALMOST CALM

EXPECTATION SETTING AMID CALMER
WATERS

JUNE 11, 2020

A calmer week.

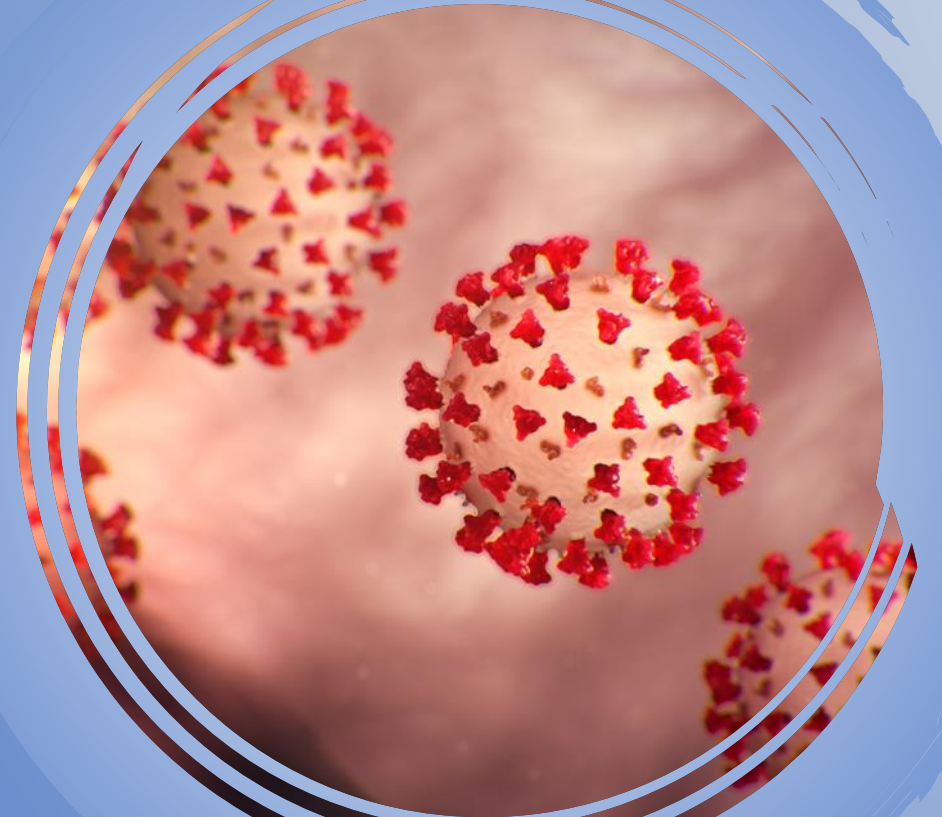
This week has seen its share of high-profile news but has been calmer than the last few weeks. Peaceful protests have replaced much of the more violent unrest occurring last week while coronavirus cases have increased in many states but, thus far, have not been directly tied to reopenings or Memorial Day activities.

It seems we've eased into a period of waiting...waiting for more concrete news on economic projections, industry recovery, infection rates, reopenings, equality legislation and the kickoff of the presidential election season.

Consumers, and the industry, need a period of relatively calm to adjust expectations, achieve greater confidence and calm, and prepare for what will likely be a dynamic summer.



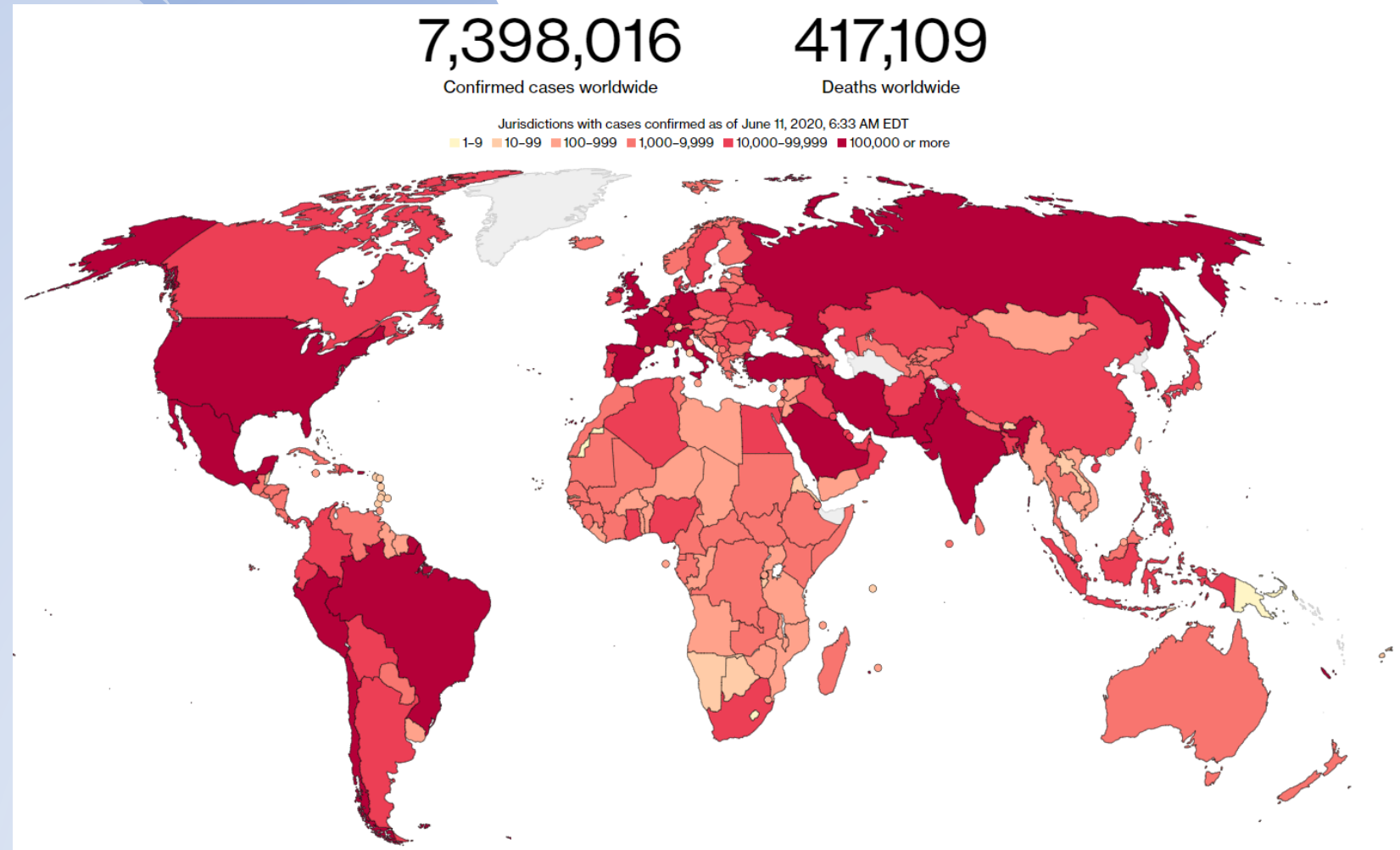
CURRENT STATUS OF COVID-19



Hot Spots Shift away from Europe and the U.S.

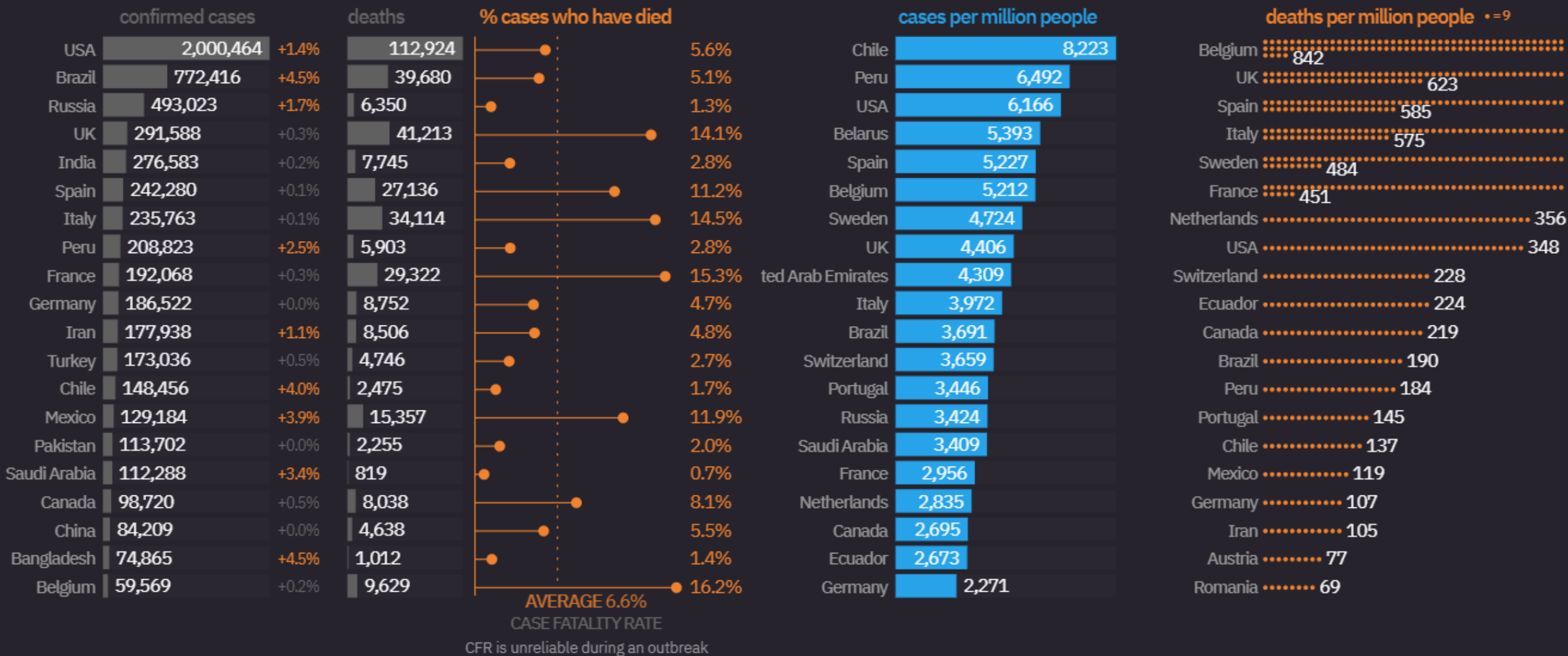
Central and South America have become the world's hot spot with cases and deaths rising most significantly in Brazil, Peru, Mexico and Chile.

Questions about infection rates in both Russia and Mexico have been raised due to a reported lack of transparency or classification inconsistencies.



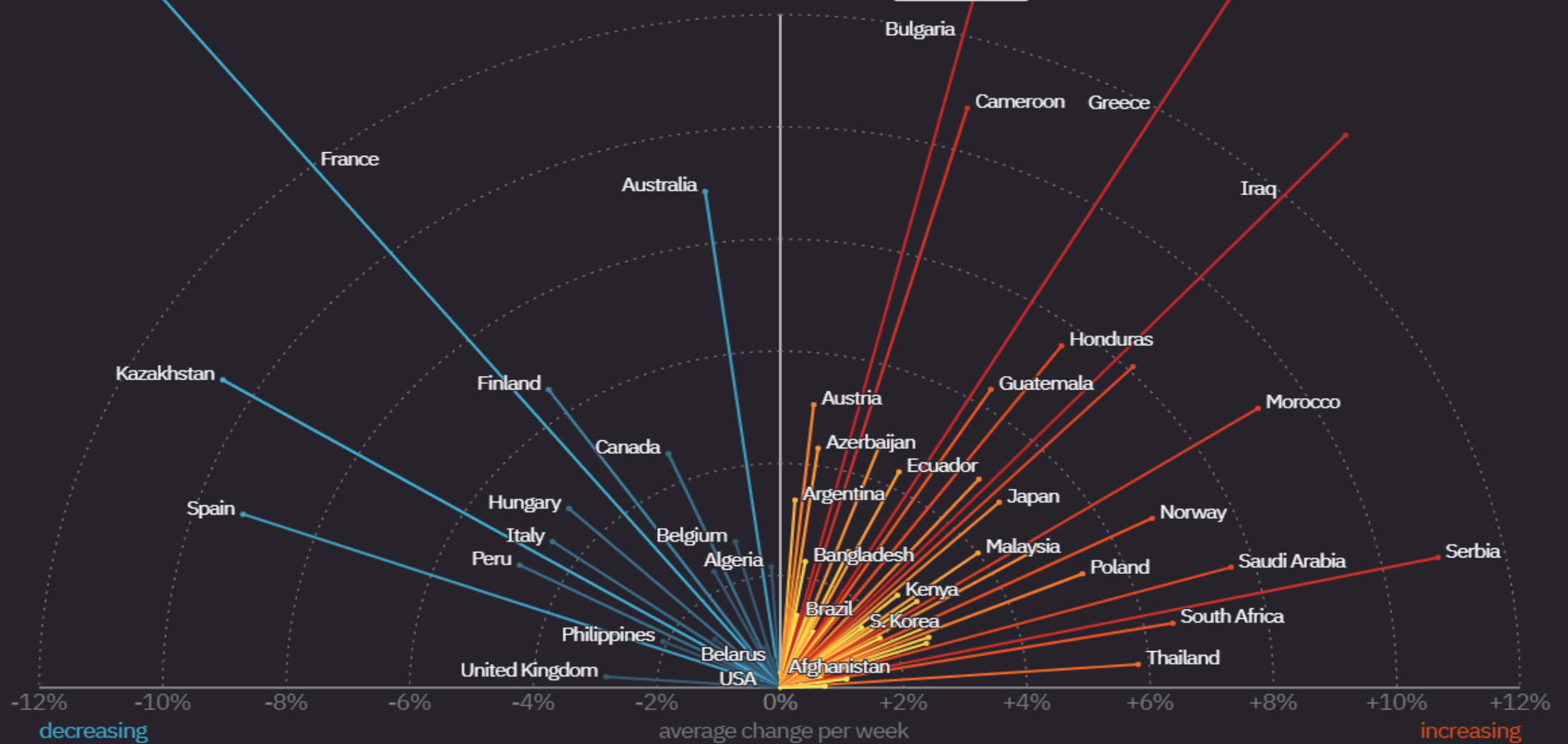
Infection & Fatality Rates Vary by Country

Quality of healthcare, average age of population – both factors



Where is Coronavirus Rising & Falling?

average % change in weekly cases



informationisbeautiful

moving average, countries with > 2,500 cases and > 50 deaths.
code: [Tom Evans](#) / data: Johns Hopkins University

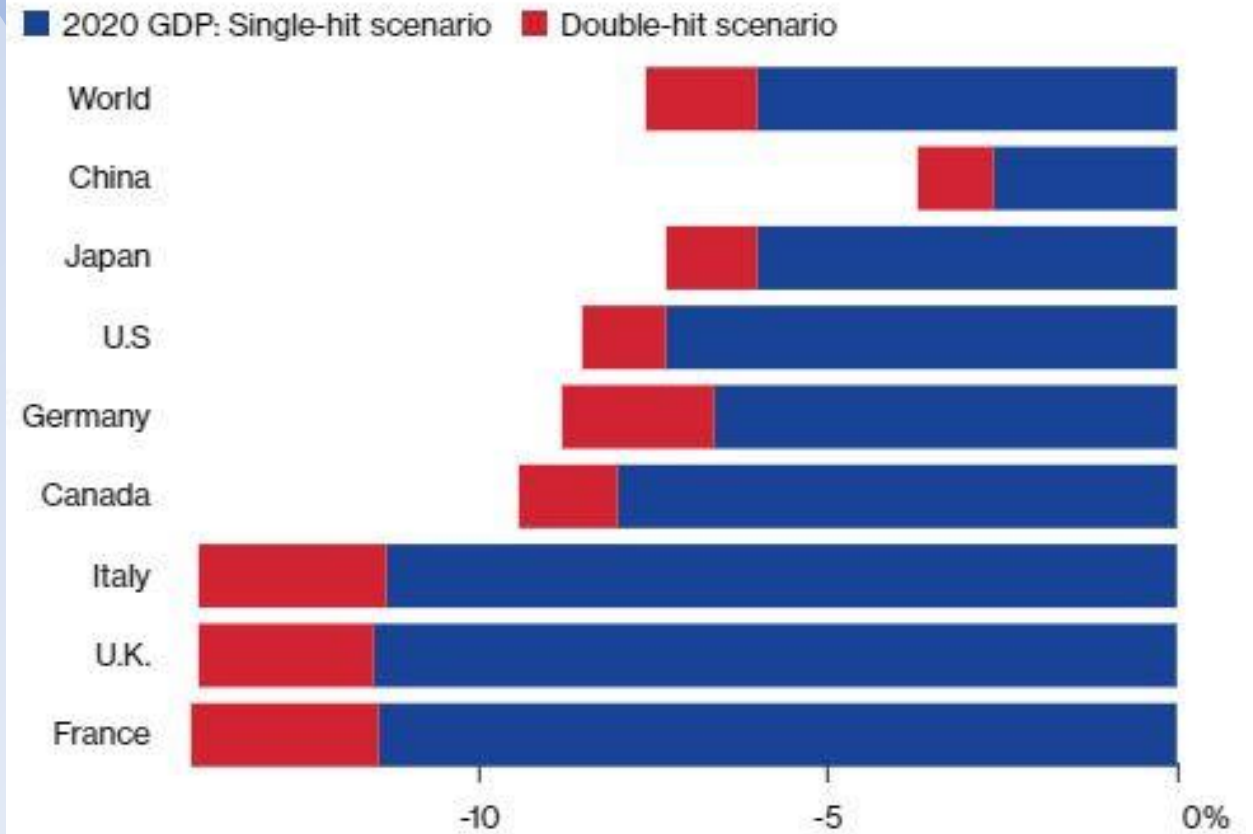
Pandemic Economic Impact

The OECD expects global GDP to drop 6% assuming the pandemic continues to recede but expects a decline of nearly 8% in the face of a global second wave.

Those countries expected to be hardest hit are the European nations with some of the highest infection rates including Italy, U.K and France.

Pandemic Fallout

European economies are likely to be among the worst hit this year



Source: Organization for Economic Cooperation and Development



Global stocks fell on poor predictions for U.S. jobs and the economy by the Fed. Other experts are predicting larger stock drops as the full impact of the pandemic unfurls over the coming months.



With older people worldwide representing the largest share of deaths due to the pandemic, many fear the collective loss of knowledge and memory of critical world events and crises including their impact and solutions.



Protests in solidarity with and inspired by George Floyd protests in the U.S. have occurred across the globe, often identifying racial injustices domestically.

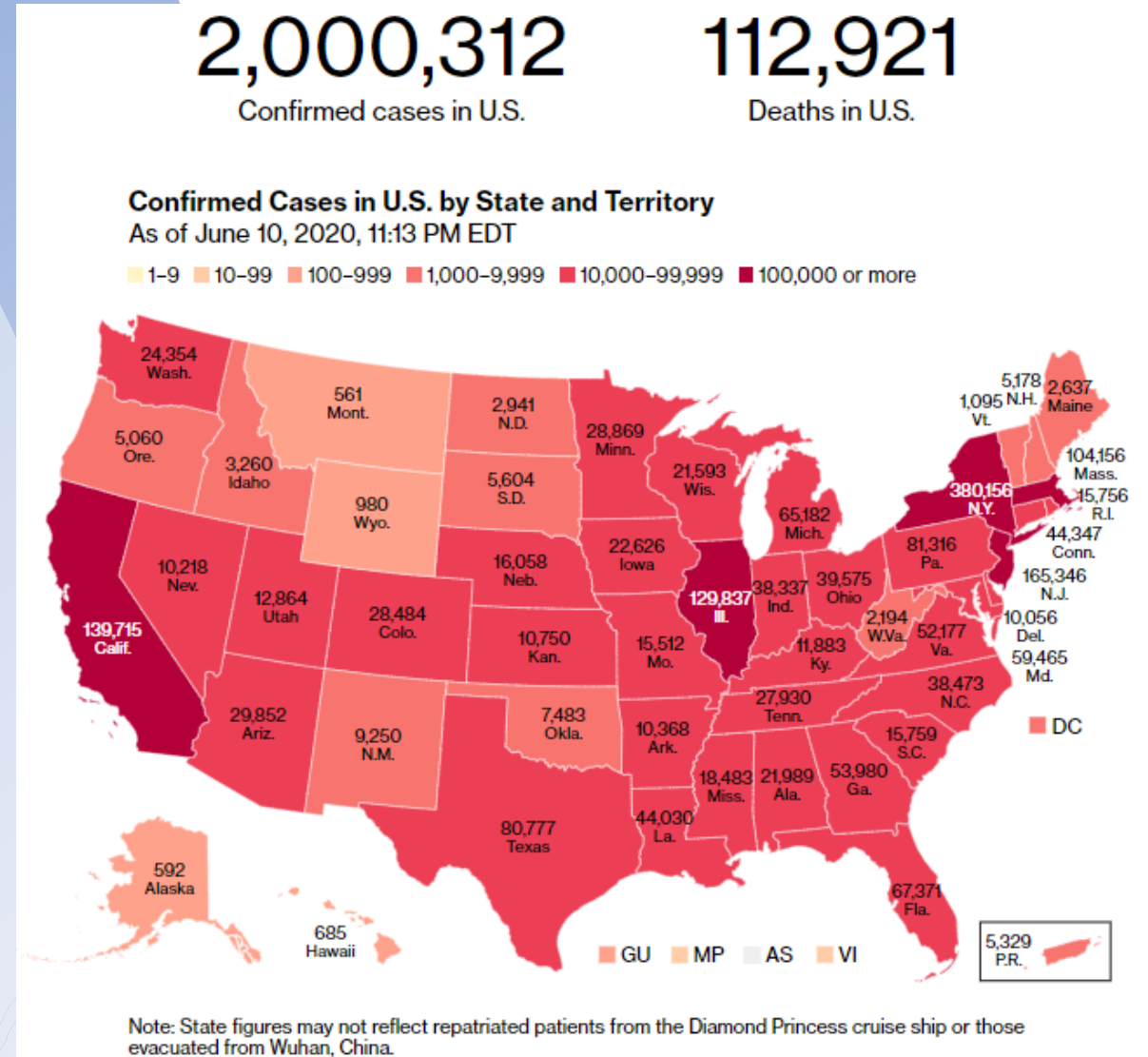


Proof that pets are indiscriminate with what meetings they interrupt as a cat made an unexpected appearance as evidence was given remotely to the U.K. House of Lords.

National Impact

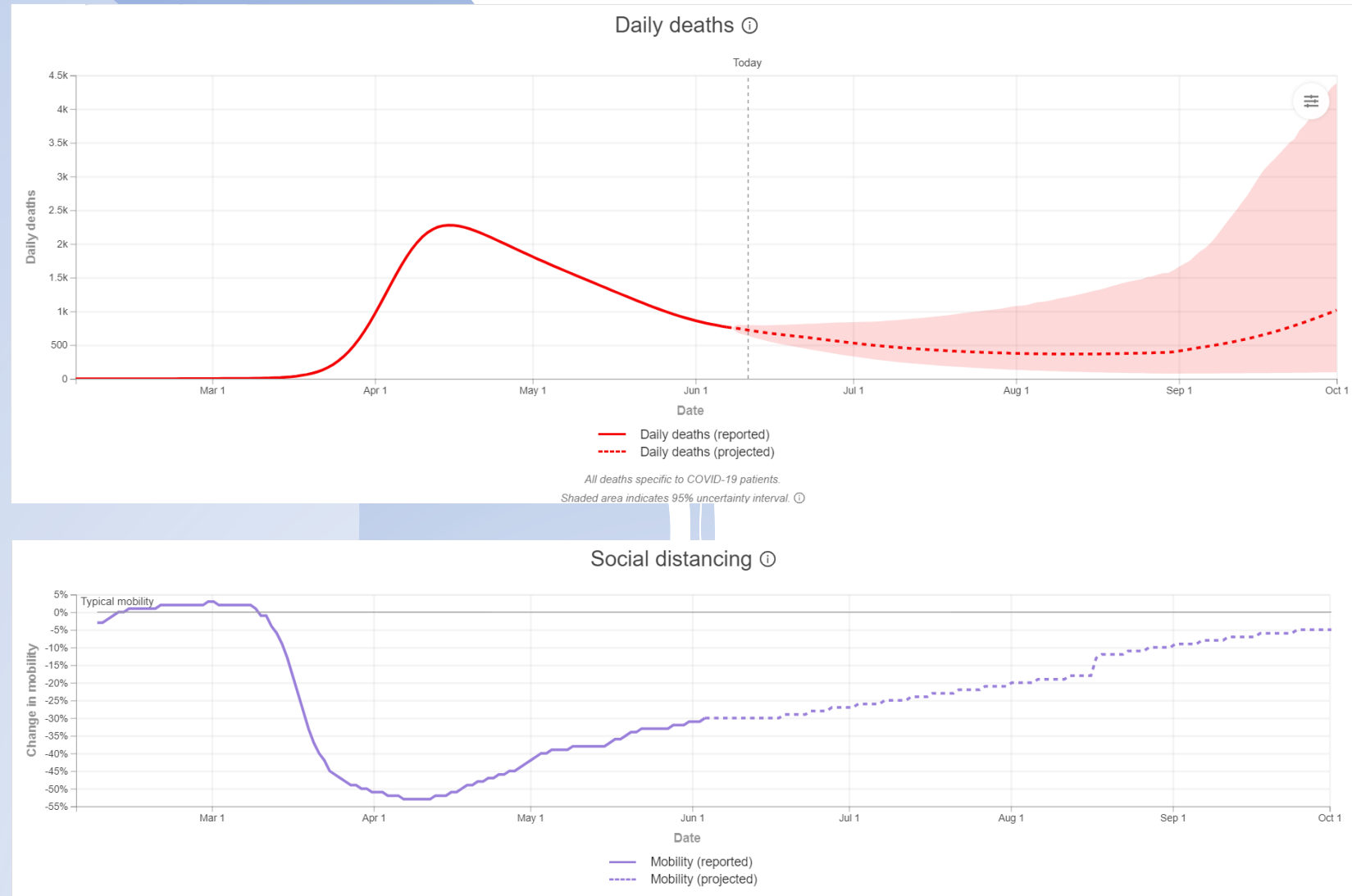
On June 11th, the U.S. officially breached the 2M case mark. Though isolated hot spots have cropped up in the South and Southwest, California, Illinois, New York, New Jersey, and Massachusetts remain the hardest hit states overall.

All but two states – Montana and Wyoming – have over 1,000 cases to date.



Second Peak Expected in September

IHME models now predict a second wave of infections and deaths spiking through September, likely driven by increased mobility and a decline in mandated social distancing nationwide.



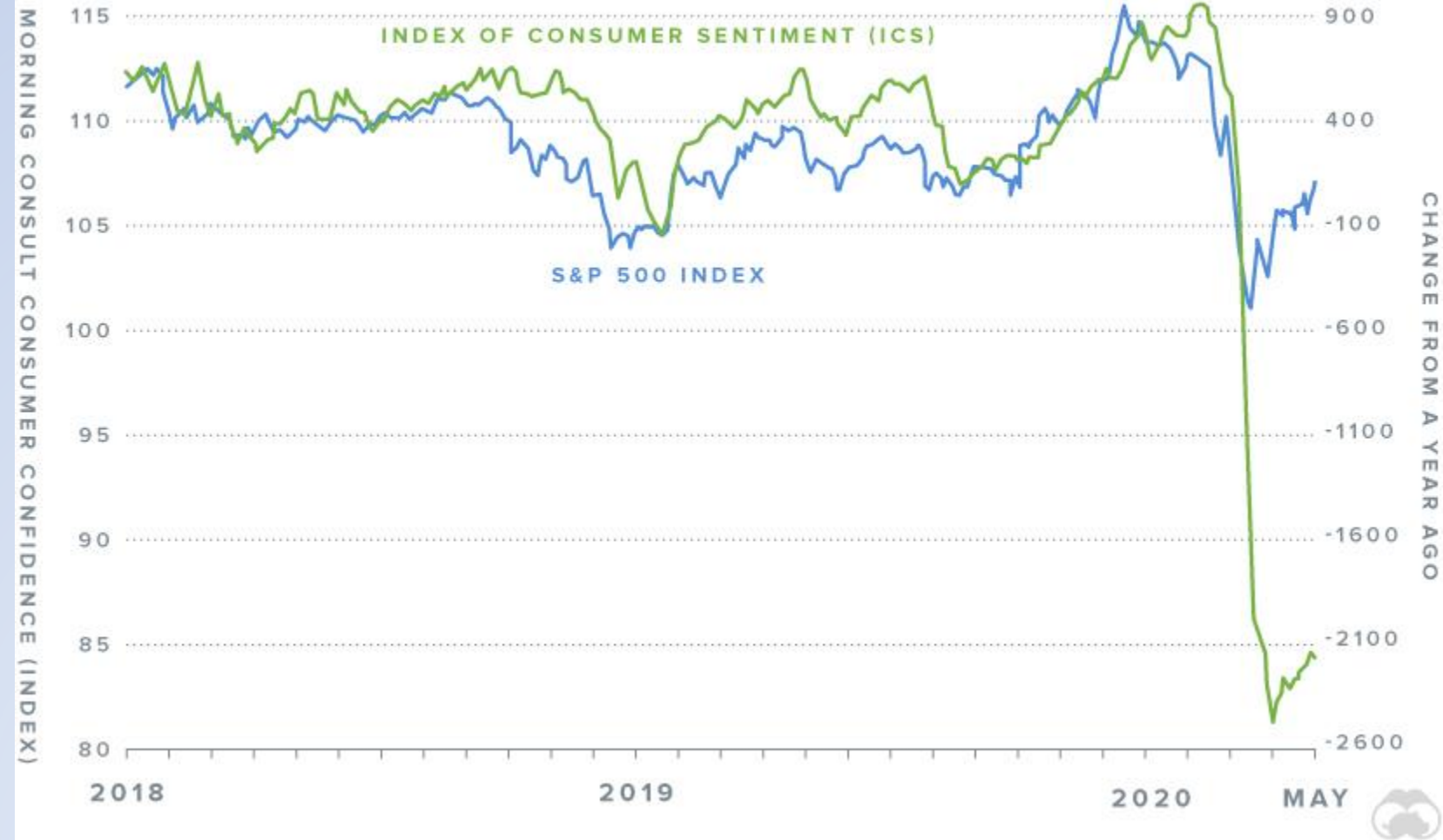
Mismatched Confidence

Despite ongoing coronavirus infection rates and expanding social unrest, Wall Street has exhibited optimism.

Consumers, on the other hand, are regaining some confidence though the ICS remains low after an historic drop from March through April.

Note: Due to concerns over the economy and dim predictions in recent days, the Dow dropped 1,000 points on Thursday, June 11th.

CONFIDENCE AMONG INVESTORS, CONSUMERS DIVERGES DURING COVID-19



Largely Reopened

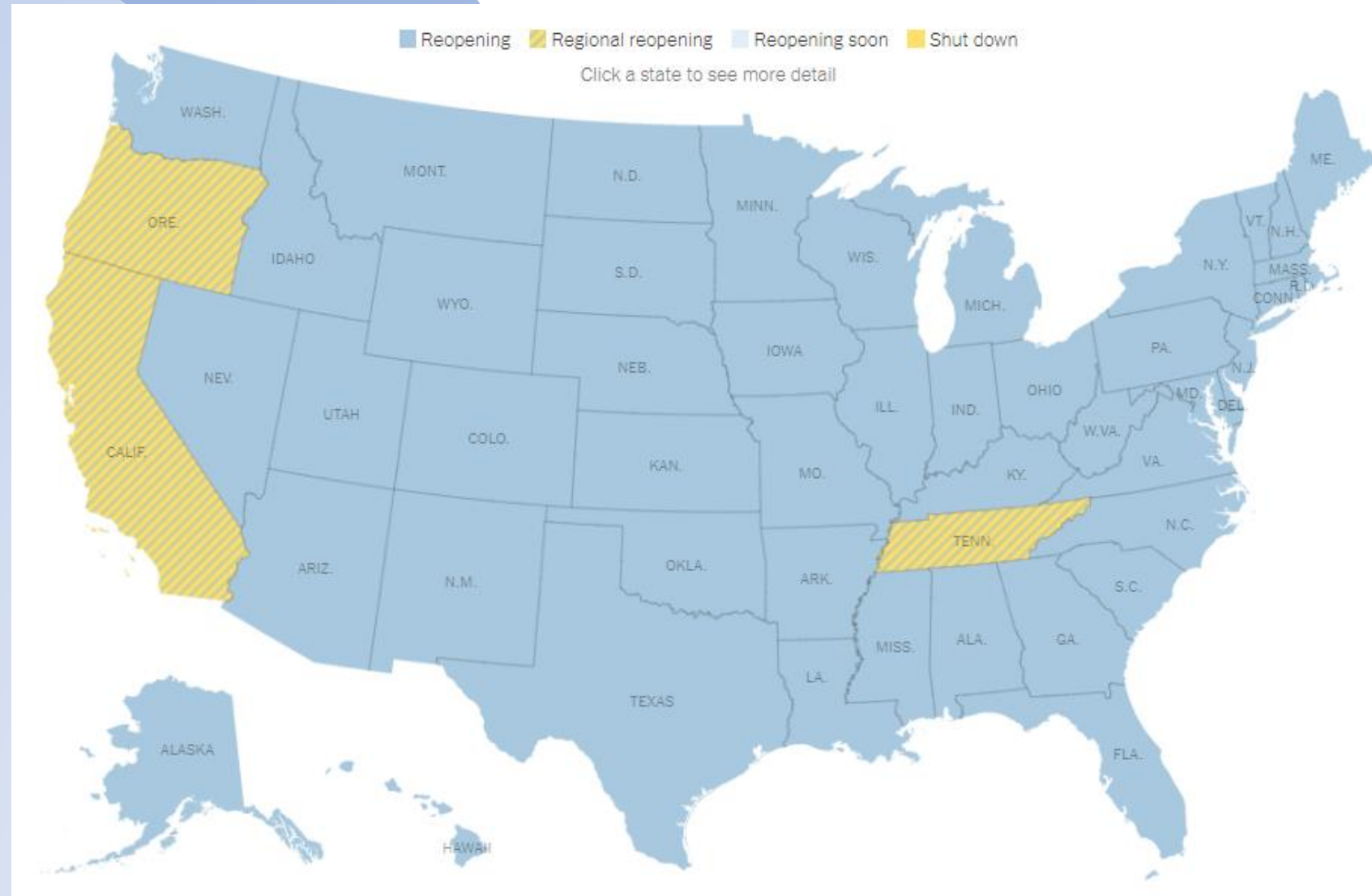
The country has largely reopened though restrictions remain in place for restaurants and other industries to varying degrees nationwide.

In California, Hawaii, New York, Oregon, Pennsylvania, Tennessee, Virginia and Washington, restaurant reopenings have occurred within some localities but not statewide.

Connecticut, D.C., Illinois, Maryland, Massachusetts, Minnesota, and New Hampshire have taken advantage of the improving weather to permit outdoor dining only.

In most cases, restaurants continue to face restrictions associated with capacity, social distancing and/ or party size.

Only New Jersey has yet to reopen restaurants to any degree. Bar reopenings have lagged restaurants and remain very inconsistent nationwide.






Tensions between the U.S. and China continued amid continued trade issues, the situation in Hong Kong, and activity in the Pacific.

WHY DOES THIS MATTER FOR HOSPITALITY?

Tensions between the two countries will create issues on several levels for hospitality including consistency of product availability, costs, tourist dollars, and growth potential for overseas units (or sales for suppliers). Ongoing tensions will complicate recovery across the entire food supply chain.



The WHO suggested earlier this week that the coronavirus could not be spread by asymptomatic carriers, which was immediately disputed by many high profile experts in the field of infectious medicine.

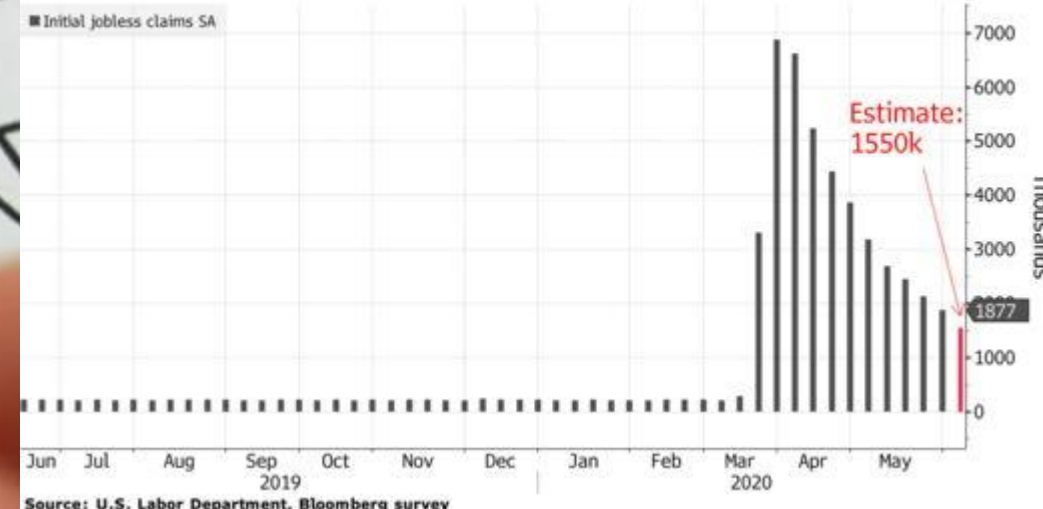
WHY DOES THIS MATTER FOR HOSPITALITY?

Continued confusion over the dangers posed by COVID-19 will only serve to complicate hospitality recovery. Consumer confidence is fragile and contradictory messaging from experts will increase anxiety and make on-point messaging about safety and sanitation more difficult for hospitality operators.

UNEMPLOYMENT BENEFITS APPLICATION

Lower But Still Elevated

Unemployment filings projected to have declined last week



Jobless claims continue to decline but remain seven times that seen prior to the pandemic. While some jobs are returning, many predict high unemployment through the early part of 2021. PUA payments are set to expire next month.

WHY DOES THIS MATTER FOR HOSPITALITY?

An improving job market bodes well for hospitality recovery across most segments. From increased disposable income to a return to commuting, hospitality recovery should track well with a consistent reduction in unemployment.



FedListens

The Fed has confirmed it plans to keep interest rates near zero through the end of 2022 to help support and spur economic recovery.

WHY DOES THIS MATTER FOR HOSPITALITY?

Confirming future plans will help create greater confidence among both businesses and consumers in addition to making money more accessible to businesses seeking additional support over the coming 18 months.

ATTENTION
Please **DO NOT ENTER** if you are currently experiencing a fever, cough, or shortness of breath, or if you have been in contact with a person who is ill with COVID-19.

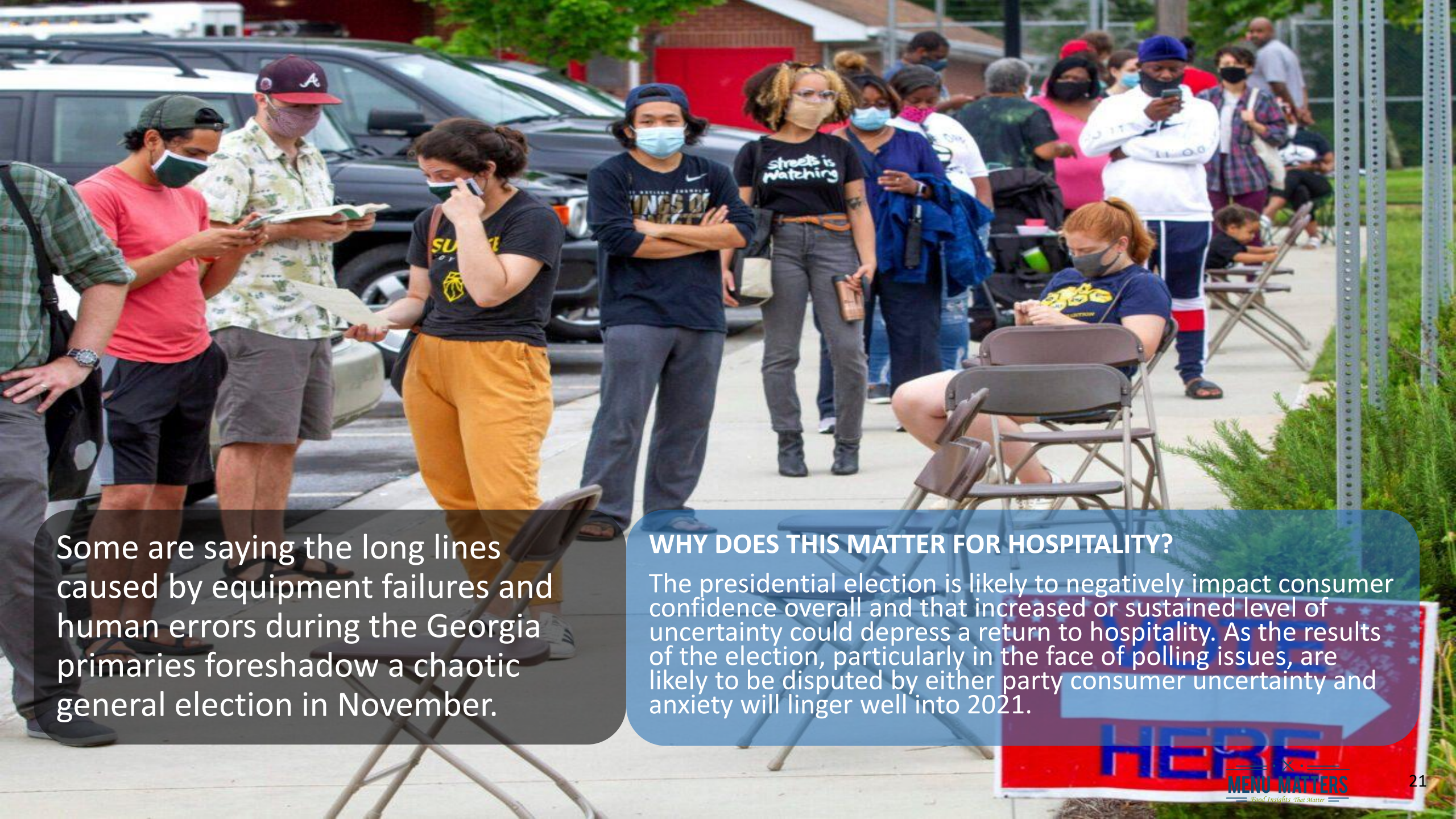
CUSTOMERS, PLEASE WEAR FACE MASKS
when entering, exiting, and walking within our restaurant.

LIMITED CAPACITY RESERVATIONS ONLY
Please make reservations by calling or visiting our website, do not come inside.
If you have a reservation: Please enter once you get a text that your table is ready.

Experts say the increase in cases in Texas, Florida, California and Arizona are foretelling a second wave but that these case increases cannot be tied directly to reopenings.

WHY DOES THIS MATTER FOR HOSPITALITY?

Concerns about a second wave of infections may negatively impact traffic recovery as some consumers become concerned again and self-isolate. Increased infection rates may result in new mitigation requirements which could further sour consumer return to hospitality segments, though future lockdowns are somewhat unlikely particularly with the presidential election looming in November.



Some are saying the long lines caused by equipment failures and human errors during the Georgia primaries foreshadow a chaotic general election in November.

WHY DOES THIS MATTER FOR HOSPITALITY?

The presidential election is likely to negatively impact consumer confidence overall and that increased or sustained level of uncertainty could depress a return to hospitality. As the results of the election, particularly in the face of polling issues, are likely to be disputed by either party consumer uncertainty and anxiety will linger well into 2021.

CORONAVIRUS

Johnson & Johnson moved up the date for human trials to begin on its coronavirus vaccine to July. Currently, there are 10 vaccines in human trials.

WHY DOES THIS MATTER FOR HOSPITALITY?

Positive vaccine news should serve to bolster fragile consumer confidence and help recovery of both traffic and spend in hospitality. Many consumers have noted in research work that a vaccine will make a significant difference in their likelihood to resume normal activities and return to hospitality spaces.

COACHELLA

Coachella announced it would be cancelled for 2020, one of the last major festival holdouts hoping to reschedule rather than cancel for the year.

WHY DOES THIS MATTER FOR HOSPITALITY?

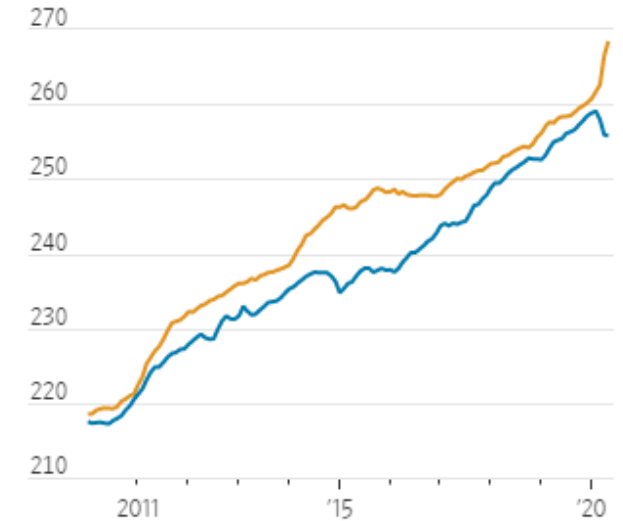
With events being cancelled into September, it's clear many large-scale organizers are concerned both with the complexities of social distancing logistics for large crowds, even with an outdoor event, and the potential for a second wave in the fall which will impact attendance. As more events cancel or postpone into 2021, several segments within hospitality including lodging, conference centers/ resorts, transportation and restaurants will feel the pain. How long these cancellations/ postponements continue will largely be driven by the breadth and depth of a second wave in the fall of 2020.



Climbing Food Costs

Consumer-price Index

■ All Items ■ Food



Note: 1982-84=100, seasonally adjusted

Source: Labor Department

Grocery prices continue to rise in nearly all categories as retail sales decline off of panic buying and the reopening of restaurants.

WHY DOES THIS MATTER FOR HOSPITALITY?


Increasing grocery prices will challenge deli/ bakery recovery but may offer an opportunity for restaurants to grab back share lost to retail during the lockdown.



Protests continued nationally, and spread globally, focusing on social, criminal and economic justice for African Americans.

WHY DOES THIS MATTER FOR HOSPITALITY?

As with the #MeToo movement, the impact of the George Floyd protests is likely to be felt by foodservice as part of a second wave of discussions about equity and justice. This conversation will impact every aspect of the food supply chain and could impact how the industry recovers and what efforts are made to improve inclusion.

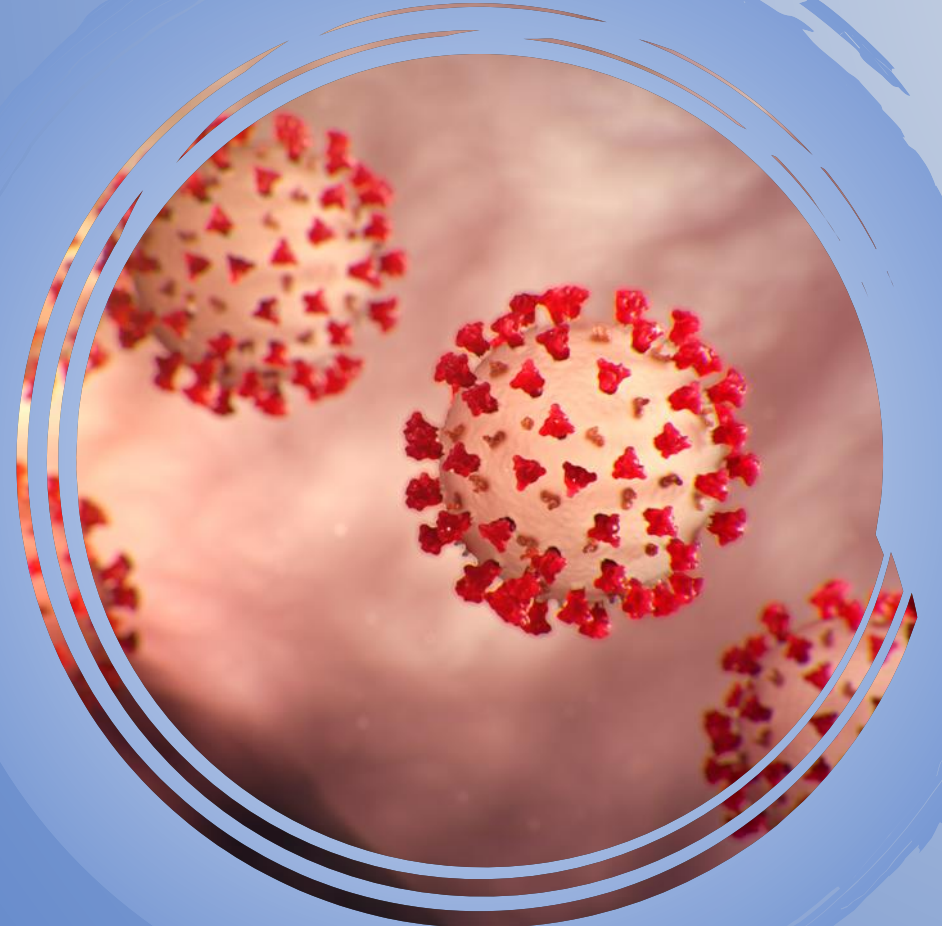
An elderly couple with white hair are sitting at a wooden table, looking down at a document held by the man. The woman is wearing a dark blue polka-dot shirt, and the man is wearing a grey sweater over a light blue collared shirt. The background is a blurred indoor setting.

The economic impact of the coronavirus has forced many to defer retirement or seek additional income to augment savings.

WHY DOES THIS MATTER FOR HOSPITALITY?

Though retirees have not accounted for a large share of traffic, modern retirees typically had more disposable income and were more interested than past generations in spending it in hospitality. Furthermore, retirees looking for extra income may begin to compete with younger consumers for seasonal hospitality jobs or full-time work in the industry.

RESTAURANT RECOVERY



Rocky but Recovering

Since mid-April when many states began to experience a decline in cases and consumers adjusted to the new normal, both retail and restaurants began experiencing traffic recovery.

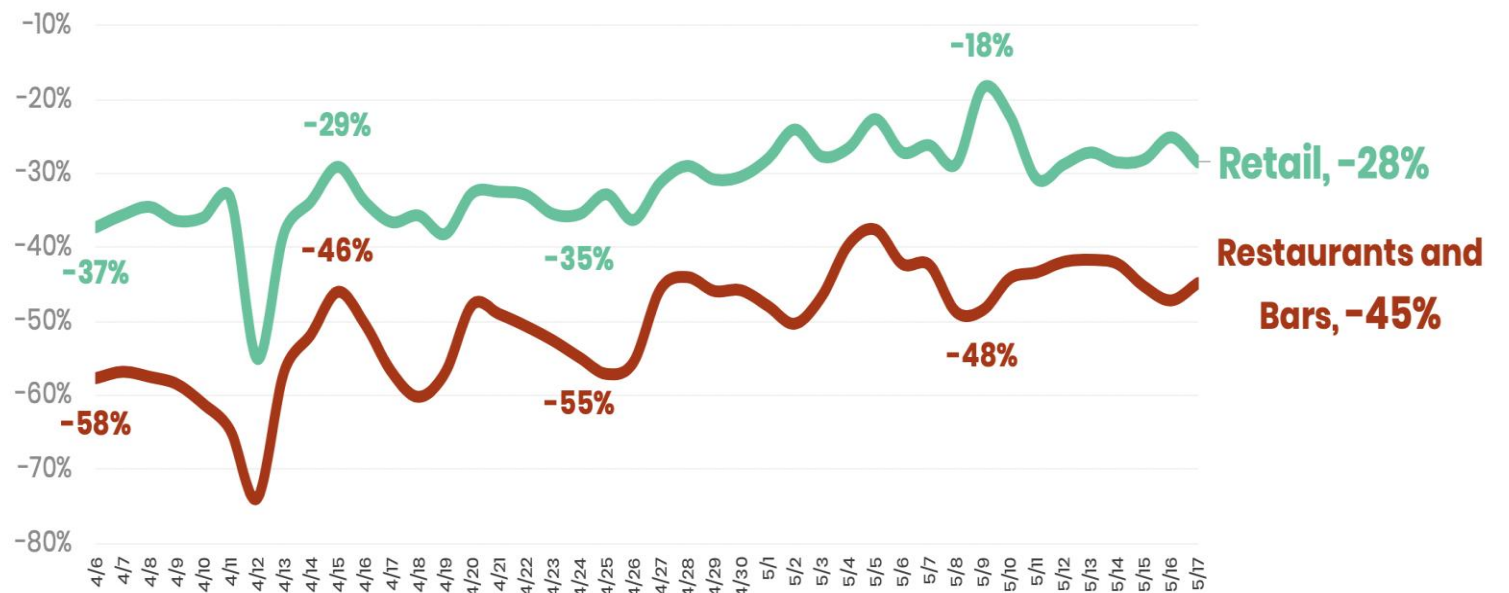
We can expect traffic overall to continue its recovery, but the rate and consistency of that recovery will be driven largely by consumer confidence in both the industry and safety in public spaces.

Outdoor dining, in addition to off-premise occasions, is having a significant positive impact. How traffic fares when the weather turns and consumers are driven indoors for their restaurant experiences will be impacted by the availability of a vaccine or effective treatment and the severity of the anticipated second wave.

Daily Foot Traffic Change vs. February 2020

National; Relative % Change vs. Equivalent Weekdates in Feb 1-28

Total Foot Traffic



Recovery Across Dayparts

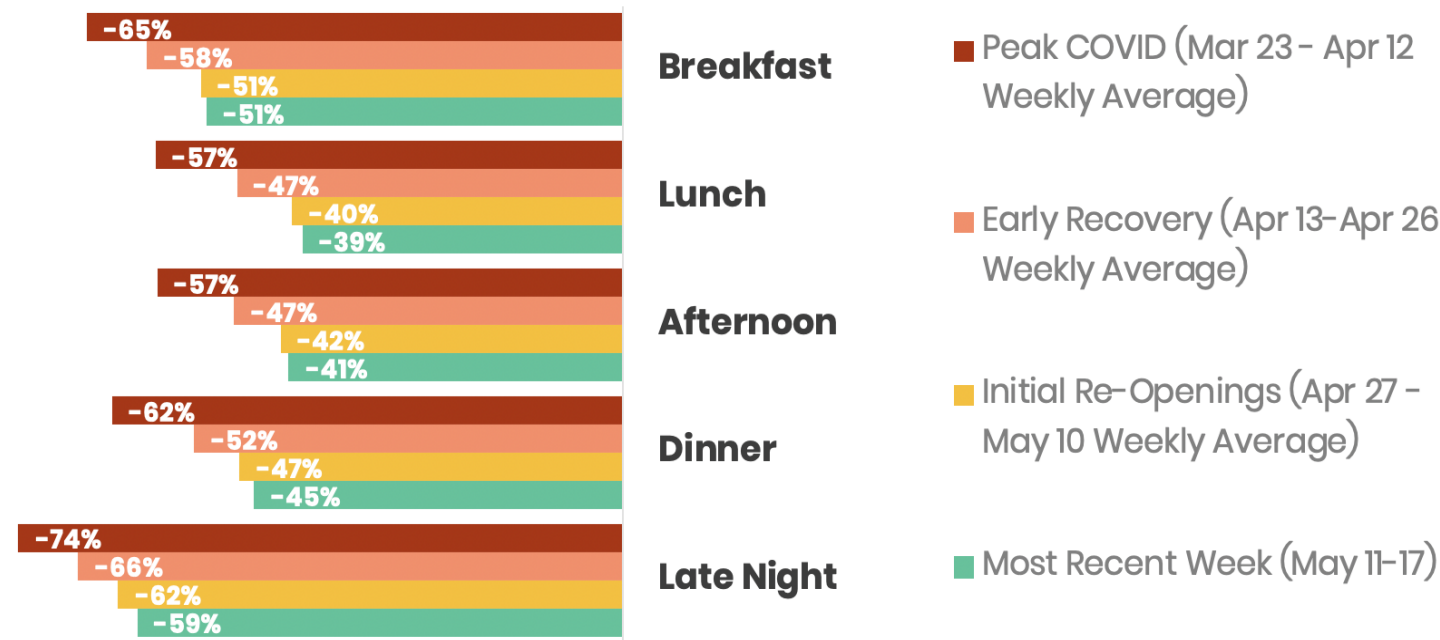
All dayparts have experience increased traffic since the peak COVID-19 period.

It's not surprising that lunch has enjoyed the greatest gains as more consumers return to typical behaviors and, in some cases, head back to work to some degree.

Breakfast and late night remain the hardest hit occasions due to significantly reduced commuting and a lack of nightlife (due to closed bars, nightclubs, movie theaters, etc.).

Bar and Restaurant Total Foot Traffic Change vs. February 2020

Relative % Change vs. Equivalent Weekdates in Feb 1-28



Weekends Bounce Back

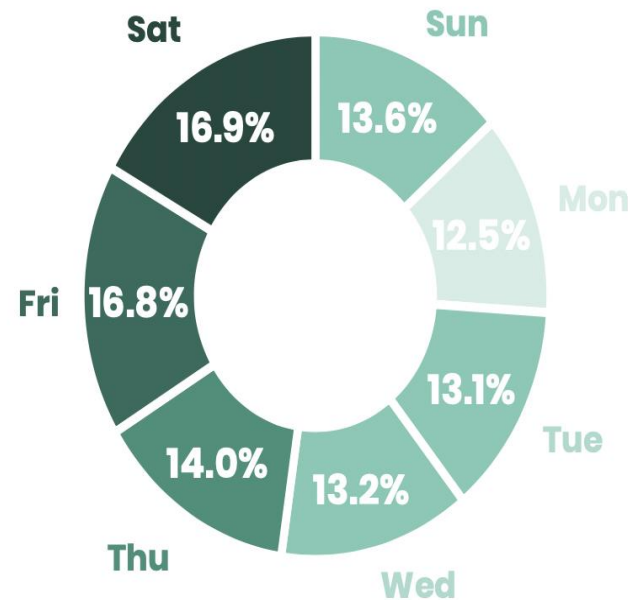
Though traffic bounced back across the week, weekends enjoyed the greatest gains.

Much of this is likely to due to increased comfort in socializing with family and friends at restaurants, many of which are now opened for outdoor seating at the very least.

As consumer confidence in socializing increases but work from home continues along with ongoing capacity and mitigation effort targeting working on-site, it's possible that weekends will account for an outsized share of foodservice traffic and, in turn, spending at least for the near term as the industry continues through recovery. This will likely help full service restaurants recover faster than anticipated.

Bar and Restaurant Foot Traffic by Day of Week and % Change

4/27-5/17 Weekly Average, & Relative % Change vs. Equivalent Weekdates in Feb 1-28



	Change vs. Feb	
	Peak COVID (Mar 23 - Apr 12 Average)	Recent Period (Apr 27 - May 17 Average)
Sun	-68%	-45%
Mon	-57%	-43%
Tue	-56%	-41%
Wed	-57%	-43%
Thu	-58%	-43%
Fri	-61%	-47%
Sat	-66%	-49%

Non-urban Traffic Ahead of Urban

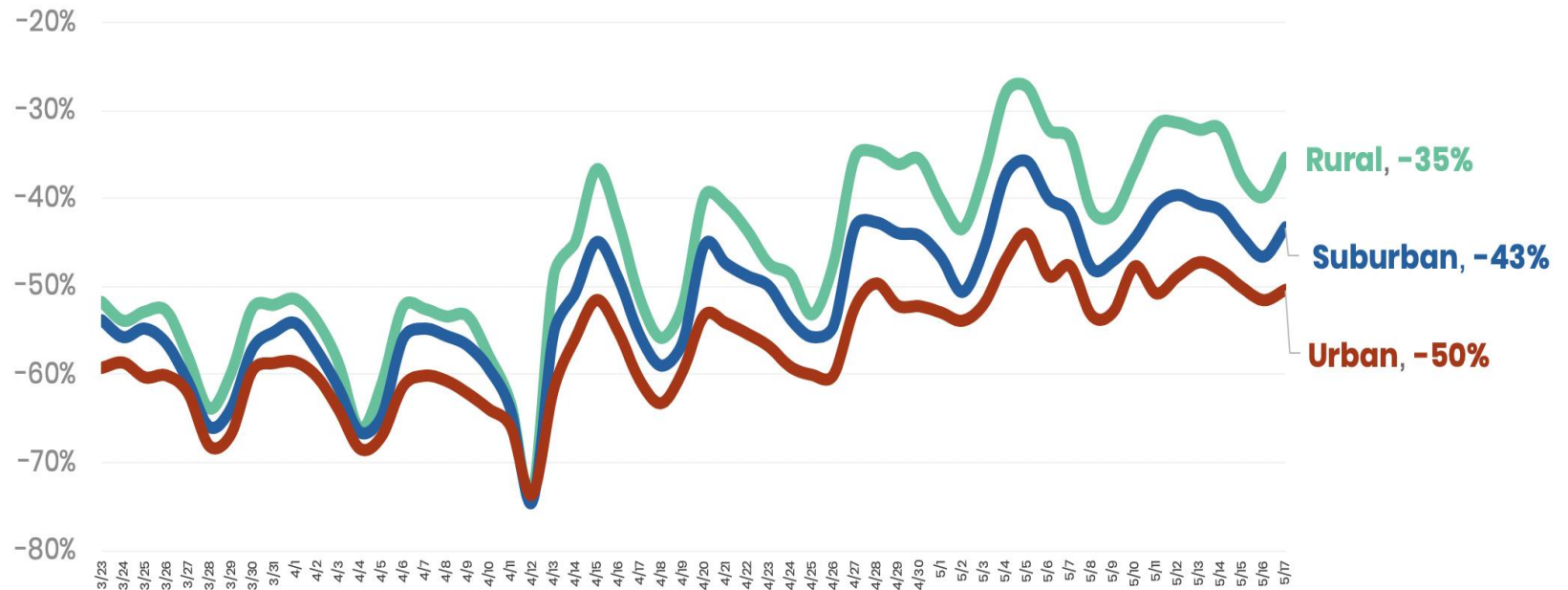
Urban areas, hardest hit by both the pandemic and mitigation efforts, are recovering at a slower rate than suburban and rural areas.

Rural areas, of course, were less significantly impacted as many were under limited or no lockdown mandates (in addition to many having far fewer restaurant units).

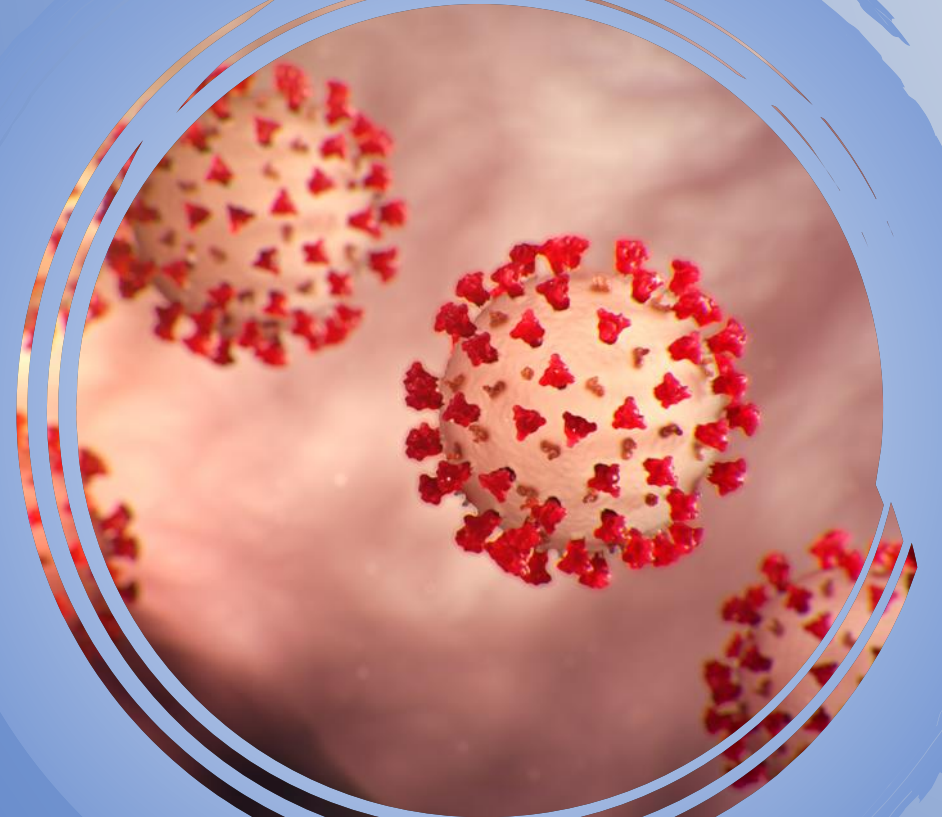
Urban areas, however, are likely to struggle longer than anticipated in part due to the protests, the rioting/looting, and anticipated population declines as people move to suburban and, to a more limited degree, rural areas.

Bar and Restaurant Foot Traffic Change vs. February 2020

National by DMA Grouping*; Relative % Change vs. Equivalent Weekdates in Feb 1-28

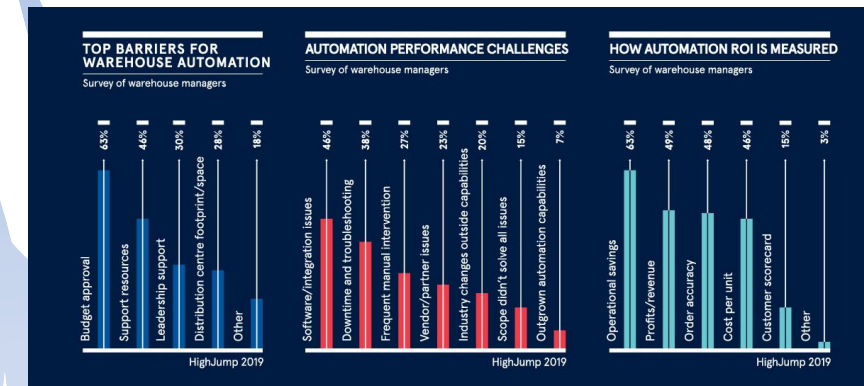
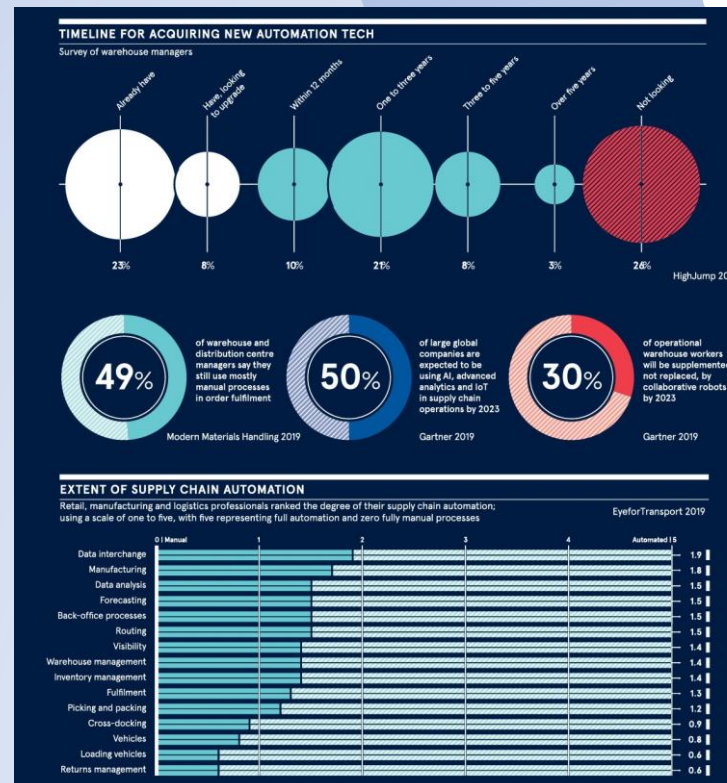
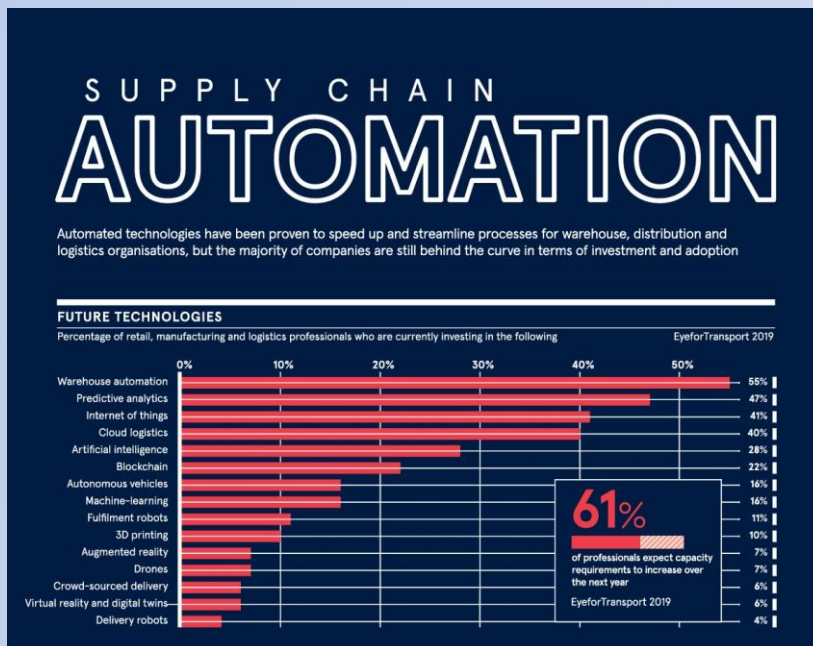


CURRENT STATUS OF COVID-19



Automating the Supply Chains

Technology is expected to provide a host of solutions for the hospitality industry going forward as it adjusts to new consumer needs and demands. Though much of the conversation has centered on in-unit (back and front of house) innovations, the food supply chain will need to make significant upgrades particularly in the face of ongoing shortages and inconsistent shipments/ product availability.



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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