CUSTOMER PLANNING
COVID-19 Impact, Preliminary Findings & Initial Hypotheses for the US Restaurant Channels

Jaime Friedman, Insights Director, Foodservice
April 1, 2020
### We Anticipate 4 Core Stages of Reaction to COVID-19

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Feeling</th>
<th>Doing</th>
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<tbody>
<tr>
<td>1. Preparation &amp; Prevention</td>
<td>Feb - March&lt;br&gt;ANXIOUS, FEARFUL, NEED FOR COMFORT, REASSURANCE &amp; SENSE OF CONTROL</td>
<td>Stockpiling Pantry Goods, e.g. Water, Sports &amp; RTD Coffee&lt;br&gt;Increase in Large Format, Club &amp; E-Com, fewer trips to C&amp;G and Foodservice&lt;br&gt;Increase in TV Consumption (News)</td>
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<td>2. Confinement &amp; Cocooning</td>
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<td>3. Restricted Recovery</td>
<td>September-October 2020 ??&lt;br&gt;RELIED, DESIRE TO MAKE UP FOR LOST TIME, BUT REMAIN WARY</td>
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<td>4. New Normal</td>
<td>2021 &amp; Beyond*</td>
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MANY FACTORS WILL IMPACT PERSONAL EXPERIENCES AND RESPONSES AS WE PROGRESS THROUGH THIS CRISIS

GEOGRAPHY
- Severity & speed of COVID-19 outbreak
- Local government restrictions
- Industry concentration (or diversity)

URBANICITY
- Exposure risk due to population density
- Ability to socially distance
- Availability of goods & services, especially eCommerce

INCOME LEVEL
- Financial resources to stock up on goods
- Ability to weather long-lasting recession
- Uncertainty of government financial assistance

OCCUPATION
- (In)ability to shift work to home
- Increased hazard of out-of-home work
- Unemployment risk due to closures

LIFESTAGE
- Potential significance of impact to health
- Belief in ‘realness’ of the threat
- Stress related to parent or children’s welfare
54% of Americans are more concerned about COVID than a week ago, with 71% now “very concerned” up from 47% two weeks ago. Groups most concerned: females, parents and Hispanics.

Double anxiety as many worry about the economy and their employment-- men are more worried than women about employment; Southerners and Westerners more worried than Midwesterners and Northeasterners (53% and 51% vs 43% and 44%)

44% of low income HHs in America are already experiencing difficulty affording groceries, and a fifth of American HHs overall

59% of consumers now believe the epidemic will last 3+ months; women more optimistic it will be resolved in 3 months than men (64% vs. 52%)

People are finding reasons to smile with family (kids/dogs) and watching funny videos while there are also some changes made of late consumers seek to carry into “new normal” such as enhanced hygiene, keeping the house organized, taking more time for self (esp to workout and cook) / with family and not taking day-to-day for granted

Sources: IRI COVID Survey, Suzy Syndicated & PEP Custom Study
EVEN BEFORE RESTAURANTS & OTHER VENUES STARTED CLOSING, CONSUMERS HAD ALREADY REDUCED FOODSERVICE VISITS

The Top Restaurant Choice Driver Shifted From “Taste” To “Cleanliness,” A Behavior Rarely (If Ever) Encountered

RESTAURANT VISITS

Prior to nation-wide mandated restaurant closures, it already became clear that the restaurant industry would be among the hardest hit.

DEMOf & DAYPART SHIFTS

Expectations of delivery usage were mixed: High Income consumers expected to use more & Gen Z less (as students moved home with mom & dad)

Dinner becomes the top restaurant daypart (replacing lunch)

CLEANLINESS TOPS TASTE

Consumer choice drivers shift from what was universally “great taste” (36%) to “cleanliness” (45%)

Half Of Consumers Very Willing To Use Off-Premise

Pivot to Off-Premise

As the industry turns to off-premise service, operators who have built capability most ready for a surge in demand

Address Safety Concerns

Sanitation and Safety are most important to consumers in this stage, communication and transparency are key

Add Confidence with Packaging

Plastics are perceived as less risky than other forms of packaging

IMPLICATIONS:

Consumers want to know what Operators are doing about food safety

Plastic packaging is perceived by consumers as least risky:
- sealed plastic utensils (46%)
- plastic food containers (37%)
- plastic wrap (35%)
- plastic straws rate highest as ‘too risky’ (19%).

* Kantar Monitor, 3/17-20, n=1,000

* Datassential, March 19, 2020

* Datassential, March 19, 2020
Connect At An Emotional Level
How can we help ease a burden, help friends & families ‘come together,’ forget about the stress?
Remind them that orders are helping others, even for major chains (jobs, charity)

- **Increased Consumer Need & Support**
  - Using delivery as a shelter-at-home strategy
  - Take-Out & Drive-Through may become welcomed reasons to leave the house
  - Need for ready-made workday lunch & feed the family solutions
  - Consumers are buying gift cards to support their favorite restaurant #SaveRestaurants (likely a short-term behavior)

- **Food & Delivery Safety Concerns**
  - Over 70% of consumers see takeout, drive-through, and delivery to each be at least somewhat risky *
  - 27% expect they will order less delivery (46% more, 27% same)**
  - Not a time for experimentation: many stick with who and what they know & trust.

- **Consumer Financial Constraints**
  - 74% are very/somewhat concerned about their job situation***
  - Americans affected by the crisis caused record unemployment claims last week to a surge of 3.28 million.

**IMPLICATIONS:**
- **Communicate Safety**
  Transparency of cooking & packing safety measures; be brief or be visual (as consumers have been bombarded by COVID communications)

- **Provide Clear Value**
  Minimize delivery fees
  Combos & family deals

- **Connect At An Emotional Level**
  How can we help ease a burden, help friends & families ‘come together,’ forget about the stress?
  Remind them that orders are helping others, even for major chains (jobs, charity)

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*Datassential, COVID-19, March 17
**IQ Poll, March 20, National sample
***Datassential, COVID-19, March 22
It only takes **66** days to build a new habit:*

Cooking more, connecting with others in new ways, unstructured/new day parts will become habit

While the initial reaction will be to celebrate, consumers will tend to then return to their (new) habits

**European Journal of Social Psychology, 2009**

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AS WE TRANSITION TO RESTRICTED RECOVERY, WE WILL NEED TO HELP CONSUMERS RE-EMBRACE ON-PREMISE

While An Initial “Celebration” is Expected, Consumers May Then Return to The Habits Developed During Cocooning

**Pent-Up Consumer Demand**
- Celebrating return to normal
- Need for social connection over food
- ‘Sick of’ cooking & being home
- Return to experimentation (after focus on known & trustworthy)
- NOTE that depending on COVID-19 length & severity, this stage may look more like relief than celebration

**Carry-Over Financial & Safety Concerns**
- Financial concerns will continue to influence behavior:
  - **3 years**
  - = the amount of time it took for consumer confidence to return to pre-2008 recession levels*
  - More hyper-awareness of seasonal illness could lead to seasonal shopping & away-from-home behavioral patterns

**New Habits**
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**Cleanliness, Cleanliness, Cleanliness**
- Ensure self-serve areas (coffee, fountain) address the new consumer concerns. Transparency on how operators ensure cleanliness/ safety

**Longer Term Value Strategy**
- Explore value offering beyond price to offer continued value without dilution (loyalty, elevated combos, unique offerings)

**IMPLICATIONS:**
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**Implied Value:**
- **Programs Focused on Celebrating “Back to” (School, Work, Sports, Travel), while sensitive to lasting loss from COVID period (incl. financial)**
Most of the long term trends at play before COVID will shift and/or accelerate.

**Pre COVID Long Term Trends* & Ways They Could Be Impacted**

**Ease**
Adapting to complex lives with solutions that make life easier

**Sustainable Lifestyles**
Growing social and environmental consciousness

**Holistic Betterment**
A proactive approach to health - mind & body

**Meaningful Connections**
Evolving approaches to connecting - from tech enabled to real life interactions

**Elevated Experiences**
Striving to make the most out of life with enriching experiences

**Authenticity**
Growing scepticism drives a fuel for products & ideas one can trust

*Subset of trends, PepsiCo North America Trend Framework, 2020*
## COVID-19 Reaction Stages and Implications for Restaurants

### OLD NORMAL
Jan & before

### PREPARATION & PREVENTION
Feb – March 2020

### CONFINEMENT & COCOONING
March – Summer??

### RESTRICTED RECOVERY
Sep-Oct ? 2020

### NEW NORMAL
2021 & Beyond

### 1. Cleanliness & Safety

**Short Term:** Off-premise safety communicate cooking, packing, and hand-over safety measures across drive-through, take-out, and delivery

**Long Term:** Refresh self-serve Re-think self-serve areas (coffee, fountain) address the new consumer concerns. Address the intersection of sustainability & safety, especially as it comes to plastics

### 2. Provide Clear Value

**Short Term:** Off-premise value Minimize/eliminate delivery fees; Offer combos & family deals; Consider weekly subscriptions

**Long Term:** Financial strain will continue through sustained recovery; offer back to school & back to work value deals & subscriptions; Consider clear loyalty rewards to offer long term value without diluting the brand

### 3. Win (Back) Hearts

**Short Term:** Define off-premise’ role in the new reality, how are we meeting new needs? (How do we ease a burden, help friends & families ‘come together,’ forget about the stress?)

**Long Term:** Plan beyond the celebration period, rebuild habit during restricted recovery; provide/communicate new benefits in social connection, to recapture share from in-home tech enabled connections
We are in a time of unprecedented change and disruption as a result of the COVID-19 pandemic. While there are more questions than answers right now, we are committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed on the other side of this challenge.

Due to the dynamic nature of the situation, this document will evolve as new information refines our hypotheses.

Special thanks for this edition go to Raluca Corobana and the entire Foodservice Insights Team.
We continue to look at COVID-19’s impact through the lens of 4 stages:

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**Estimated Timeframe**
- Most states are currently in this stage
SECTION 1
Setting the stage:
Industry update & Intro to This Week’s Topics

SECTION 2
Commercial Restaurants:
Off-Premise in Time of COVID

SECTION 3
Special Topic:
COVID Impact On Sustainability Attitudes
Our Industries have been hit hard...

Commercial Restaurants
• 97% of restaurant locations have been restricted to off-premise only¹
• Declines are driven by on-premise restaurants struggling to pivot to off-premise models
• The NRA estimates about 3% of restaurants have closed permanently, with another 11% anticipating closure within the next month.²

Non-Commercial
• The leisure and hospitality industry were hit hardest, accounting for about two-thirds of the overall drop in payroll employment in March, a loss of 459,000 jobs.⁴

![Graph showing business decrease across different industries](image)

Restaurants have been forced to transition to off-premise exclusively, and many are struggling to do so

- 97% of restaurant locations are restricted to off-premise,¹ many without the benefit of having a drive-through
- Struggling to transition, many are making the move with limited menu offerings
- Pizza is the exception! Already well-positioned in off-premise, consumers show high intent to order from pizza chains in the next month.²

To assist our restaurant partners, PepsiCo has built a COVID Restaurant Digital Stimulus Package providing free access to Ecomm tools: Toast Now, Mobivity, Rally for Restaurants

Take-out is up, but not enough to compensate for on-premise
(Operator survey)*

In this week’s update we look at:

COMMERCIAL RESTAURANTS

Off-Premise In Time Of COVID:
• Consumer barriers and drivers to Drive-Through, Take-Out & Delivery and implications

COMMERCIAL & NON-COMMERCIAL: SPECIAL TOPIC

COVID Impact On Sustainability Attitudes:
• Changes by COVID stage and impact on long & short term sustainability efforts

PepsiCo Foodservice Insights

Off-Premise In Time Of COVID-19
Consumers feel anxious, isolated, fearful, and overwhelmed

- **Anxious**: 73%
- **Isolated**: 46%
- **Fearful**: 44%
- **Overwhelmed**: 42%

**Concerned over**: health, COVID19 cases growing, the unknown length of social isolation, lack of work & money, and concern for how the government is handling things. 54% of Americans are more concerned than a week ago. Most concerned: females, parents & Hispanics.**

- **Double anxiety as many worry about the economy and their employment**: Southerners and Westerners more worried than Midwesterners and Northeasterners (53% and 51% vs 43% and 44%).**

- **44% of low income HHs are experiencing difficulty affording groceries** (and 1/5 of HHs overall).**

**Restlessness & boredom are kicking in**

- Feeling bored: 39%
- Feeling restless: 36%

Turning to TV, games, exercise, home improvement, & work to combat these

“I try to find something productive to do like clean house or work in the yard, but running out of things to do”

**KEEPING THEIR SPIRITS UP**

People are finding reasons to smile with family, kids & pets and watching funny videos.

**NOTE**: In the next report we will examine the types of feelings consumer want to feel from brand communications (ads, promotions, etc.)

There are new habits developing such as enhanced hygiene, keeping the house organized, taking time for self & with others, cooking, & not taking day-to-day for granted

**NOTE**: We will be examining new habits and possible impact on FS channels in a future report
Consumers spending less than 1 hour a day outside of their home

“We are supposed to be self isolating and not going out and potentially spreading or contracting the virus.”

And while 94% are cooking all or most of their meals at home, they miss not having to cook and the social interaction that restaurants used to provide them.

“I don’t like cooking at home all the time, because I always make the same stuff. I like going out & trying new things. I also like not having to clean up after myself.”

“I feel like I miss the option more than the actual practice. What I miss most is really the social element. It was a nice break to go out with friends and have a treat.”

Source: C Space Foodservice Community, N=300
Over half of consumers are already comfortable ordering off-premise

59% feel comfortable with at least one

46% feel comfortable with delivery
“They are doing everything they can to provide clean & safe ways to bring food to customers & I appreciate what they’re doing.”

46% feel comfortable with pickup
“I know businesses want to stay open, so they are disinfecting everything & keeping the inside of their restaurant very clean.”

47% feel comfortable with drive-thru
“The only interaction is between you & people at the drive thru. There is minimal risk if the restaurant is practicing safe procedures.”

Majority of those comfortable with off-premise feel comfortable ordering beverages as well (>60%*), perceiving the risk to be the same

“If I’m going to order food, the beverages aren’t any more risky.”

“Fountain drinks aren’t touched by the worker. All the workers are wearing gloves now and change them out to make sure they do not spread germs.”

“I’m more comfortable with bottled beverages as they are likely handled better where they are produced.”

*60% for delivery, 62% for pick-up, 63% for drive-through

Source: C Space Foodservice Community, N=300
Continuous communication & transparency around safety measures can help reassure those who are uncomfortable

38% feel uncomfortable with delivery
“I’m a little worried that it may get contaminated from a worker being sick & not knowing it, but I trust that they are taking extra precautions.”

39% feel uncomfortable with pickup
“I feel very uncomfortable because I am going in & I am exposed to the those inside & that is more of a risk than somebody just bringing me the food.”

34% feel uncomfortable with drive-thru
“Don’t know if the cashier or chef are clean, and I’m touching money and the bags they hand me..., even though I know it should be safe, I've avoided it.”

Source: C Space Foodservice Community, N=300
Of those who have used these channels, the majority are also ordering beverages

- **30%** Have used **DELIVERY** in the past 2 weeks
  - **61% Ordered beverages**
    - Customers ordered sodas, tea, juices, and coffee. Those who did not order beverages noted nothing interested them or they had drinks at home already.

- **40%** Have used **PICKUP** in the past 2 weeks
  - **47% Ordered beverages**
    - Customers similar to delivery; sodas, tea, juices, and coffee but more ordered alcohol options for pickup. Others had drinks at home already.

- **45%** Have used **DRIVE-THROUGH** in the past 2 weeks
  - **67% Ordered beverages**
    - Majority chose soda as their beverage, some noted tea, shakes, juice and coffee. Others either do not typically order drinks or had drinks at home already.

Source: C Space Foodservice Community, N=300
Growing interest in consumers supporting restaurants

Anecdotally, we are hearing that consumers are ordering delivery as much to support favorite restaurants, as it is to satisfy their cravings.

Consumers feel very positive about Take-out & Delivery

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<th>CONSUMER SENTIMENT TOPICS</th>
<th>Universe</th>
<th>Sentiment</th>
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<tr>
<td>Social Distancing</td>
<td>52m</td>
<td>64%</td>
</tr>
<tr>
<td>International Hashtags</td>
<td>27m</td>
<td>48%</td>
</tr>
<tr>
<td>CDC</td>
<td>14m</td>
<td>42%</td>
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<tr>
<td>WHO</td>
<td>13m</td>
<td>46%</td>
</tr>
<tr>
<td>Working from Home</td>
<td>7m</td>
<td>61%</td>
</tr>
<tr>
<td>Donations</td>
<td>2m</td>
<td>98%</td>
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<tr>
<td>Take-Out/Delivery</td>
<td>996k</td>
<td>76%</td>
</tr>
<tr>
<td>FEMA</td>
<td>474k</td>
<td>43%</td>
</tr>
<tr>
<td>Travel</td>
<td>283k</td>
<td>6%</td>
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<tr>
<td>Cooking</td>
<td>260k</td>
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<td>Hobbies and Entertainment</td>
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<td>80%</td>
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Many are proud to support local restaurants through their patronage

28% of consumers say "Supporting restaurants that need help" is a key criteria when selecting a restaurant.*

Source: *Datassential COVID-19 Webinar 'Refusing to Shut Down' 4/3/20

There are also increasing opportunities to donate directly to restaurants & their teams

Uber launched 'Click to Donate' with a match to the Restaurant Employee Relief Fund
Support is not a one-way street

Operators are supporting their consumers through new offerings & even groceries

**Del Frisco’s location offers to acquire groceries and cleaning products for loyal customers**

**Texas Roadhouse is offering steaks and meat at wholesale prices**

**Panera Bread is now offering grocery delivery for consumers**
IMPLICATIONS

Consumers seek safety reassurance from restaurants beyond delivery, pick-up & takeout

1. OPERATORS NEED TO HIT HARD(ER) ON SAFETY PROCEDURE MESSAGING

Consumers seek greater information around the whole process: from supply chain, to ingredient handling, to how the food gets delivered. Increased transparency and communication can reduce anxiety and lingering questions.

2. OPPORTUNITY TO DRIVE BEVERAGE PENETRATION OFF-PREMISE

As consumers try to avoid extra visits to the grocery store and struggle to book grocery delivery times they may be more open to buying beverages in foodservice. Building penetration now could help decrease the off-premise/on-premise incidence gap once COVID is over.

3. BEVERAGE FORMATS

While consumers feel restaurants are taking increased precautions with fountain beverages, some feel bottles and cans are safer as they trust extra precautions were taken at the bottling facility to ensure safety.

To read further, please visit our Foodservice Bureau of Insights (FBI) portal on MyPepsico.com. [Link to Foodservice Insights Portal]
PepsiCo Foodservice Insights

COVID Impact On Sustainability Attitudes
We expect that COVID’s impact on sustainability attitudes & behaviors will vary across the 4 stages.

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Starting In Stage 0, We’ve Seen Drastic Behavioral Changes Away From Sustainability... But There Is Some Good News...

CONSUMERS AND COMPANIES ALIKE HAVE SHIFTED FOCUS TO HEALTH & SAFETY, WHILE SUSTAINABILITY EFFORTS HAVE BEEN SET ASIDE

COVID pushing sustainable initiatives aside as consumers focus on health

As consumers focus exclusively on health & safety, initiatives such as plastic bans & reducing bottled water usage are no longer at the forefront. Empty water shelves in stores across the country stand testament to the drastic, almost over-night behavioral change.

Consumers shift to environmentally unfriendly cleaners amidst crisis

The rise in sales in household products like Clorox wipes & bleaches show consumers deprioritizing environmentally friendly products as their focus shifts to efficacy.

COVID could also impact sustainability commitments from companies

We could see major impacts on sustainability commitments as supply chains are being impacted. Even companies like Starbucks have paused reusable cups programs to reduce potential of the virus spreading.

Climate change bumped from the global conversation

China pollution shift since COVID

Factory shutdowns and transportation reductions leading to reduced carbon emissions

However, many are concerned that as economies struggle to recover, more lax environmental rules will be accelerating damage.

Shift in lifestyle by living locally

Social distancing measures are encouraging more local living by relying less on transportation and shifting focus to local community businesses.

CLICK UNDERLINED STATEMENTS FOR LINK

Source: PepsiCo Global Insights, Coronavirus Update Week 4
Consumers Will Enter Stage 2 With Heightened Environmental Concerns & Higher Expectations From Businesses; It Is Less Clear Whether They Themselves Will Make Any Behavioral Change
Consumers Are Increasingly Concerned Over Environmental Impact, With Some Connecting Human Health To The Health Of The Planet

Nearly 2/3 (63%) of consumers say they will be MORE concerned with sustainability after COVID than they were before, due to...

Why do you expect you’ll be more concerned post COVID compared to before?

“...Because of the over consumption of plastics & paper product right now”

“This pandemic has made me realize how fragile our world is and we need to take care of it better”

“The more eco friendly we are and concerned about the planet, the less likely something like this will happen”

“I have seen a lot of headlines about pollution being reduced due to quarantines and lockdowns which has piqued my interest.”

REASONS

- Concerns about how COVID behaviors are impacting the environment (plastic & paper waste, etc.)
- Noticing things more now that they slowed down: how much trash they are creating, lower pollution since the virus, etc.
- Seeing a connection between the virus and the health of the planet

Source: PepsiCo Foodservice Insights, 1Q, March 31, 2020, n=300 nationally representative sample
For many, heightened concerns over sustainability may not translate into action, as near-term focus will be on improving personal situations.

**BEHAVIORS**

Consumer environmental concerns will continue to fall behind other issues caused by COVID-19:

- **US & Global Economy**
- **Job Security**
- **Personal Health & Safety**
- **Interruptions in Kids’ Learning**

**EXPECTATIONS**

However consumers have high expectations of businesses delivering on sustainability.

55% of consumers say they will have **HIGHER expectations of businesses’ sustainability efforts** post-COVID.

“I am concerned because right now sustainability is not a priority for companies. For example, [forgetting about] reusable bags. The current precautions may help improve the health of humans but it will only harm our planet.”

*Source: Directions Research COVID-19 Consumer Response Tracker*

**Source: PepsiCo Foodservice Insights, 1Q, March 31, 2020, n=300 nationally representative sample**
1. Sustainability will continue to be an important issue for our channels and consumers.

2. However, the shape of the conversation will evolve.

3. Businesses will be expected to take action, and PepsiCo will continue to be on the forefront.
PepsiCo Foodservice Insights

We are in a time of unprecedented change and disruption as a result of the COVID-19 pandemic. While there are more questions than answers right now, we are committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed on the other side of this challenge.

Due to the dynamic nature of the situation, this document will evolve as new information refines our hypotheses.

Special thanks for this edition go to Raluca Corobana, Ashley Dodge, Amy Edler and the entire Foodservice Insights Team.
PepsiCo Foodservice Insights

COVID Insights

APRIL 17, 2020

Jaime Friedman, Director Foodservice Insights
Raluca Corobana, Senior Manager, Foodservice Insights
Ashley Dodge, Manager, Foodservice Insights
WE ANTICIPATE 4 CORE STAGES OF REACTION TO COVID-19

<table>
<thead>
<tr>
<th>Stage</th>
<th>Feeling</th>
<th>Doing</th>
<th>Estimated Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREPARATION &amp; PREVENTION</td>
<td>ANXIOUS, FEARFUL, NEED FOR COMFORT, REASSURANCE &amp; SENSE OF CONTROL</td>
<td>Stockpiling Pantry Goods, e.g. Water, Sports &amp; RTD Coffee</td>
<td>Feb - March</td>
</tr>
<tr>
<td>Confinement &amp; Cocooning</td>
<td>CONTINUED NEED FOR COMFORT &amp; REASSURANCE AND BOREDOM RELIEF</td>
<td>Shift to Comfort Food, e.g. Soda, Sparkling, Candy, Snacks</td>
<td>March – Summer 2020 ??</td>
</tr>
<tr>
<td>Restricted Recovery</td>
<td>RELIEVED, DESIRE TO MAKE UP FOR LOST TIME, BUT REMAIN WARY</td>
<td>Likely Return To Usual Buying Behavior, but More H&amp;W Focus</td>
<td>September-October 2020 ??</td>
</tr>
<tr>
<td>New Normal</td>
<td>RENEWED CAUTIOUSNESS OF HEALTH</td>
<td>Long Term Growth In Proactive Health, Nutrition &amp; Immunity</td>
<td>2021 &amp; Beyond*</td>
</tr>
</tbody>
</table>

Estimated Timeframe:
- Feb - March
- March – Summer 2020 ??
- September-October 2020 ??
- 2021 & Beyond

* Learning from China Post-SARS
Restaurants are rapidly re-opening, and continue to maintain strict hygiene standards

How It Is Playing out in China

Recovery from COVID-19: Restaurants Re-Openings

Re-opened restaurants are taking strict precautions to ensure high standard of hygiene

- **Restaurant disinfection:** restaurants are disinfected at least twice per day and employees have to take temperature measurement daily

- **Customers to show health code and measure body temperature:** before entering the store, customers must show the "code" which records his/her health condition and take temperature measurement. Moreover, customers who want to dine in must disinfect their hands before entering

- **Limit number of guests:** minimal space requirement between customers

- **Less human interaction:** usage of digital ordering & mobile payment to avoid contact

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Source: OC&C Strategy Consultants, COVID-19 - Impact on Food Service in China 20200405 vF EN
As the situation in China de-escalates, we are able to get a first glimpse of reactions emerging from the crisis

**How It Is Playing out in China**

**Most expecting to return to ‘normal’ behavior within 4 weeks**

**Time for Consumers to Go Back to the Normal Eating Out Pattern**

- **Already back to normal**: 21.0%
- **Will never go back to normal (before COVID-19)**: 8.0%
- **In <2 weeks**: 19.0%
- **In 2-3 weeks**: 25.0%
- **In 3-4 weeks**: 23.0%
- **In >4 weeks**: 0.0%

~75% expect a return to normal within 4 weeks

**However, cooking at home habits are expected to linger**

**Dining Habit Change, Post COVID-19 vs Before COVID-19**

- **Order take-out delivery**
  - More Frequently: 23%
  - Similar as Before the Crisis: 54%
  - Less Frequently: 23%

- **Dine in the restaurants**
  - More Frequently: 15%
  - Similar as Before the Crisis: 49%
  - Less Frequently: 35%

- **Home cook – fresh ingredients bought from off-trade**
  - More Frequently: 61%
  - Similar as Before the Crisis: 30%
  - Less Frequently: 9%

- **Home cook - semi-prepared food bought from off-trade**
  - More Frequently: 46%
  - Similar as Before the Crisis: 44%
  - Less Frequently: 10%

Here in the US, concern looks to be stabilizing and expectations are adjusting

Concern has stabilized, after spiking last week in the wake of White House grim projections for COVID-19 cases and fatalities

% very concerned with COVID-19

<table>
<thead>
<tr>
<th></th>
<th>Mar 10</th>
<th>Mar 14</th>
<th>Mar 18</th>
<th>Mar 22</th>
<th>Mar 25</th>
<th>Mar 29</th>
<th>Apr 1</th>
<th>Apr 3</th>
<th>Apr 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>49%</td>
<td>61%</td>
<td>61%</td>
<td>61%</td>
<td>60%</td>
<td>67%</td>
<td>65%</td>
<td>61%</td>
<td></td>
</tr>
</tbody>
</table>

Consumers are adjusting expectations, with ~60% now believing the health crisis will last 3+ more months

Source: Datassential, Report 11 Reinvention, Apr 10, 2020

Source: IRI Consumers Provide A Pessimistic View., April 9, 2020
Restaurant Industry Update

The National Restaurant Association updated their estimates, saying the industry has lost 3M jobs and $25B in sales since March 1. An estimated 15% of restaurants are permanently closed, or will be in the next two weeks.

- 22% of participating operators reported layoffs*
- 67% of participating operators reported furloughs*
- 67% of participating operators reported offering paid sick leave to hourly employees*
- 3rd party Delivery fees under scrutiny

More operators are being forced to make budget and staff cuts amidst bleak same store sales announcements:

- McDonald’s announces $1B in capital expenditure reductions in 2020, citing fewer Experience of the Future remodels and fewer restaurant openings.

- Darden Restaurants furloughs 20% of corporate staff and 150,000 hourly workers, cuts pay for corporate and executive staff.

- Papa Murphy’s parent company, MTY Group, announced temporary closure of 2,100 locations and layoffs of more than half of their global workforce.

Sources *: Black Box Financial Intelligence, Industry news; data release April 9, 2020
Restaurant Same Store Sales

- Total US same store sales declined 28.3% in March, with a notable 60% decline the last two weeks of the month.
- Total US same store traffic declined 29.2% in March, with a 70% decline in the last two weeks of the month.
- Late-breaking news: Week ending April 5th +4.7 points vs. prior week

Yum! Brands announced temporary closures of 7,000 units globally and expects Q1 global same store sales to decline 5-10%.

McDonald's reported U.S. same store sales declined 13.4% in March.

Papa John's estimates U.S. same store sales rose 3.6% from Feb. 24 to March 29.

Domino's estimates U.S. same-store sales rose 1% from Feb. 24 to March 22.

**OPERATOR ESTIMATES**

<table>
<thead>
<tr>
<th>Quick Serve</th>
<th>Fast Casual</th>
<th>Family Dining</th>
<th>Casual Dining</th>
<th>Upscale Casual</th>
<th>Fine Dining</th>
</tr>
</thead>
<tbody>
<tr>
<td>-14.0%</td>
<td>-20.1%</td>
<td>-34.5%</td>
<td>-31.9%</td>
<td>-28.3%</td>
<td>-38.2%</td>
</tr>
<tr>
<td>-19.0%</td>
<td>-21.7%</td>
<td>-36.0%</td>
<td>-32.0%</td>
<td>-29.2%</td>
<td>-39.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>March Same Store Sales</th>
<th>March Same Store Traffic</th>
<th>Total Same Store Sales</th>
<th>Total Same Store Traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>-14.0%</td>
<td>-20.1%</td>
<td>-19.0%</td>
<td>-21.7%</td>
</tr>
<tr>
<td>-20.1%</td>
<td>-34.5%</td>
<td>-21.7%</td>
<td>-36.0%</td>
</tr>
<tr>
<td>-34.5%</td>
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<td>-36.0%</td>
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<tr>
<td>-31.9%</td>
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<td>-28.3%</td>
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<td>-36.0%</td>
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<tr>
<td>-36.3%</td>
<td>-38.2%</td>
<td>-36.0%</td>
<td>-32.0%</td>
</tr>
<tr>
<td>-38.2%</td>
<td>-38.2%</td>
<td>-32.0%</td>
<td>-32.0%</td>
</tr>
</tbody>
</table>

Sources: Black Box Financial Intelligence Apr 10, 2020, Industry news
Restaurants are adapting...

1. **Reassure Me** – Many restaurants are implementing strict new guidelines to keep customers and employees safe

   **Employee Safety** – Fast food chains like Taco Bell, KFC, McDonald’s, and Burger King are promoting measures such as contactless service, employee temperature checks, increased mask & glove usage, more disinfection, etc.

   **Food Safety** – Restaurants are innovating new ways to “seal” orders with stickers & other tamper-proof packaging.

2. **Feed Me** – There are a wide range of new menu offerings like: Family Meals, Cook-At-Home Meal Kits, Cold-Prepped Meals

   A number of brands have created Family Meal Bundles:
   - **Red Lobster** – Meals to feed a family of 4
   - **Noodles & Company** – Pasta & Salad Combo Meals for 4
   - **Qdoba** – Taco meal kits for 5+
   - **Cracker Barrel** – Hot & Ready Family Meal Baskets with dinner entrees, sides & buttermilk biscuits

3. **Help Me** – Restaurants Pivot to Selling Staple Pantry Items for One-Stop Convenience

   Both large chains and small independent restaurants are using their supply chain to offer basic food items like bread, produce, proteins, deli meats & cheeses, etc.¹

   Notable examples:
   - Panera, Subway, CPK,
   - Moe’s, Denny’s, Just Salad

4. **Entertain Me** – Some restaurants are also trying to provide opportunities for family engagement and fun through food

   Chains
   - **Einstein Bros Bagels** – Take&Make Pizza Bagel Kit

   Independents
   - **Cranky Al’s Donuts** (Wisconsin) – Kids Quarantine Kit – Plain donuts with toppings
   - **Passeroto** (Chicago) – “DIY Quarantine Projects” like: make your own kimchi

Sources: ¹ Brand Eating ² NRN *Datassential Operator Survey, fielded March 25-27 with 426 decision makers.
Non-Commercial Update

Similar to Restaurant Channels, Business for C&U and Healthcare is down

• Nearly half (45%) of C&U operators said their sales have essentially gone to zero and another quarter said they are doing just 10% of their usual
  • Of those still open, 80% have narrowed their menu offerings and 96% have decreased purchasing

• 56% of healthcare operators report sales are down, while 38% report no change
  • With the pressure being put on the healthcare segment, operators can’t stress transparency of availability enough – limiting disruptions is more important than ever.

K-12 is down, but need for access to free meals is rising

• Only 30% of K-12 operators report business being down 100%, with many reporting business similar to summer levels
  • Of those still open, 76% have added curbside pickup to address the growing need for free meals for both children and adults in need.

  Fairfax County, Virginia public schools are offering students free breakfast and lunch, with meals available for adults at $2. School buses are also delivering meals at designated intersections along select bus routes.

Sources: Datassential, report 6: Healthcare Operators; Datassential, report 9: College & University Operators; Datassential, report 12: K-12 Operators
PepsiCo Foodservice Insights

Consumer Marketing In Time Of COVID
Restaurant messaging during the pandemic could have a lasting impression on consumers

What impact does messaging from restaurants during this time of COVID-19 have on your dining habits?

- **More loyalty, because I appreciate that restaurants are supporting their employees**
  - Mar 18, 2020: 39%
  - Apr 7, 2020: 44%

- **Greater likelihood to make a purchase from a particular restaurant because I feel safe eating food from there**
  - Mar 18, 2020: 27%
  - Apr 7, 2020: 28%

- **Annoyed because I’m getting many, many e-mails**
  - Mar 18, 2020: 9%
  - Apr 7, 2020: 10%

- **No impact**
  - Mar 18, 2020: 39%
  - Apr 7, 2020: 36%

Source: Cleveland Research Consumer Survey, April 2020. n=600
Consumers WANT to see ads and promotions from restaurants

- **45%** Restaurants should advertise **MORE**

- **39%** Restaurants should advertise **THE SAME AMOUNT**

- **16%** Restaurants should advertise **LESS**

Consumers want to hear how restaurants are handling the situation, and they note that doing so now will pay off in the long run:

- “For a sense of security that we can still count on our favorite foods!”
- “As long as they have safe, free delivery, they should promote this.”
- “To keep things normal but also show they’re behind us and in this fight. And understand and have compassion for the situation.”
- “To keep their customers engaged so that they come back when social restrictions are relaxed.”

A few are concerned ads may be ill-intentioned:

- “They should be very precise and specific with their advertising so as to not make it seem like they’re taking advantage of a horrible situation.”
- “It’s insensitive, I’m sorry. I find [advertising] greedy and desperate. People are dying for goodness sake.”
- “Advertising money should be used to pay employees & improve health.”

Source: C Space Foodservice Community, N=173
Many have not seen enough communication on how restaurants ensure food safety

Restaurants have been providing information about how they are ensuring the food is safe from COVID. Have you seen some of this information?

<table>
<thead>
<tr>
<th>Perception</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heard too much</td>
<td>8%</td>
</tr>
<tr>
<td>Heard the right amount</td>
<td>41%</td>
</tr>
<tr>
<td>Haven’t heard enough</td>
<td>10%</td>
</tr>
<tr>
<td>Haven’t heard at all</td>
<td>41%</td>
</tr>
</tbody>
</table>

I want to know they are actually thinking about this stuff. It shows they care.

You want to see that they’re preparing food in a safe manner and be reassured of that but I don’t want to be bombarded with nonstop ads. I’m going to remember which restaurants are taking extra steps for food safety.

64% feel existing messaging has done a good job making them feel comfortable to some extent:

- Provide security and assurance: “In these times of crisis you want to feel secure that food is well handled.”

- Tell them how you are being careful: “I still have to weigh the risk, but I feel more confident keeping my family safe if the restaurant identifies specific things they are doing.”

- Communicate information around employee safety & health: “I don’t think all employees are taking this seriously. The jobs are too low paying at most restaurants. They have to come to work sick because their companies do not provide sick time, or pay, or good enough health insurance.”

Source: C Space Foodservice Community, N=173
In addition to safety, successful communications show empathy & togetherness and provide information & deals

Show empathy and togetherness
“I'm looking for inspiration and a feeling that they are in this fight as if we all stand together it will be that much easier to win this battle. The tone should be understanding, compassionate, helpful, etc.”

Support their employees and local causes
“[I want to know] that they are paying and protecting their employee and that they are supporting charities or their community.”

Provide information and deals
“I want to hear positive things about the food. I want to hear that it’s prepared in a safe way. I want to hear that there are promotions that make me want to buy their food, and I would like the details to be clear as to what the promotion is, and how long it will last.”

For some, humor is welcomed during this overwhelmingly negative time:

“Just light hearted commercials with a funny tone. Just a break from all the negativity and stress in the world.”

“I want to hear something that is light hearted and encouraging during this time.”

Source: C Space Foodservice Community, N=173
What people need and want from an advertising message right now has changed

Restaurant guests want brand communications to make them feel calm, optimistic, confident, and assured

44% want to feel CALM
41% want to feel OPTIMISTIC
32% want to feel CONFIDENT
25% want to feel ASSURED
19% want to feel INFORMED

“This is an anxious time so feeling calm is even more valuable than usual.”
“It helps me to envision the future with a brighter light. A light at the end of the tunnel so to speak.”
“I want something that I know I can count on right now, something that I know won’t change.”
“I want to know they are taking my & their workers’ safety very seriously.”
“...to feel like a brand I’ve always trusted is still there for me.”
“I want to know the details about what specifically they are doing for health safety.”
“I want reliable information & not feel like I’m in the dark.”

Source: C Space Foodservice Community, N=173
80% of consumers remember seeing at least one restaurant ad or promotion in the past month.

From which of the following restaurants, if any, have you seen ads or promotions since COVID 19 started?

- Taco Bell: 38%
- McDonald's: 38%
- Papa John's: 34%
- Pizza Hut: 31%
- Little Caesar's: 30%
- Chick-fil-A: 28%
- KFC: 21%
- Panera: 20%
- Chipotle: 18%
- Jersey Mike's: 16%
- Applebee's: 13%
- Buffalo Wild Wings: 7%

Source: 1Q, April 13, N=250, National Sample
Well-received messaging provides both promotional information and COVID related messaging/reassurance:

- **Happy, informed, & excited** because of the great deal and contactless delivery.
- **33% ordered** because of the good deal and safe delivery.
- “They were advertising a $10 large any topping pizza for delivery or carry out, and also advertising their new contactless delivery option.”

- **Happy, confident, and informed** because it showed the handling of the food and had a sense of community.
- **30% placed an order** due to the good deal & pizza craving
- “It shows that pizza was never touched after it came out of the oven and it won’t be touched after.”
- **Informed & assured**, by the free delivery, but less engaged as there wasn’t more, esp. around COVID.
- **25% ordered**, for the deal.
- “I have seen a pop-up from Papa John’s that was offering contactless delivery.”

**Source:** C Space Foodservice Community, N=173
Well-received messaging provides both promotional information and COVID related messaging/reassurance:

**PANERA BREAD**

- Consumers feel happy, informed, curious, and optimistic, happy that a healthier favorite is still available.
- 30%* ordered because of the deal was a good value.
- “I got an email coupon for delivery and for rapid pick up. I was happy to receive the promo so I ordered for delivery three times that week”

**JERSEY MIKE’S**

- Consumers feel informed and happy for the good deal and free delivery.
- 31%* ordered because of the deal was a good value.
- “The promotion that I saw was that they were offering 50% off sub and also free delivery.”

**CHIPOTLE**

- Happy and informed because they’re taking precautions and have free delivery.
- 24%* ordered because of the free delivery.
- “It looked good and I thought the free delivery was a nice touch and showed that they were thinking about their customers in this time.”

*Source: C Space Foodservice Community, N=173; *Small sample size, n<50*
Well received messaging provided both promotional information and COVID related messaging/ reassurance:

- Consumers feel **curious and informed** due to information about how they’re handling COVID but wanted to know more about deals.
- **12% ordered** because their family likes BWW.
- “Talking about how they are handling the Coronavirus and helping their customers with to go orders”

- **Happy, excited, & informed** because of the deals and how they’re helping the community.
- **29% placed an order** to take advantage of the deal and to support Taco Bell.
- “It’s great food we love and many don’t realize there are delivery options available, so [the communication] reminds and assures people.”

- **Consumers feel happy and informed** because of the deals on family meals and information on takeout.
- **27% ordered** from here.
- “They have the right amount of information about how to get their food.”
- “They had deals on family meals.”

*Source: C Space Foodservice Community, N=173; *Small sample size, n<50*
IMPLICATIONS

1. COMMUNICATE SAFETY MEASURES AND PROMOTIONS
   - Communicate! This is not a time to go dark: restaurant brands need to remain physically available and top of mind.
   - Safety communication is cost-of-entry & the lack of it is keeping many away from restaurants (or your restaurant)
   - Promotions are welcomed, and bring some restaurants back into the consideration set

2. AT THE END OF THE DAY, PEOPLE WILL REMEMBER HOW YOU MADE THEM FEEL (Maya Angelou)
   - Design communication that helps consumers feel calm, optimistic, confident, and assured. Bringing about smiles in these tough times is also appreciated. But don’t forget to connect the message with your brand.

3. WHAT WE SAY NOW IS GOING TO MATTER LATER
   - 3 principles have been identified* as leading to successful communications during this time: Resilience (act with pace & agility), Bravery (make decisions that during normal times would have been impossible, and Kindness (people will remember how you engage with employees, consumers, and society):

*OC&C Strategy Consultants, After COVID-19: Food Service Sector, Lessons from China, April 2020 (available on the PepsiCo internal FBI portal)
PepsiCo Foodservice Insights

COVID Impact On C&G
Fewer consumers on-the-go means fewer fuel & in-store fill-ups

➢ As of 4/6, C&G store sales declines worsen (-10% vs. YA), as reduced traffic is slightly offset by some smaller basket, fill-in buying.

➢ Cleveland Research Company estimates 30-40% Y/Y same-store sales declines within the convenience store foodservice segment for the next 1-2 months (on average).

C&G is shifting focus to meet changing consumer needs

FROM IMMEDIATE OR SAME DAY CONSUMPTION TO GROCERY ESSENTIALS

- 52% are adding more cleaning and toiletry items
- 31% are emphasizing ready-to-heat meals
- 28% are showcasing multipack and bulk items

FROM SELF-SERVICE TO FULL SERVICE

Many large chains have suspended self-service, with some extending past just food and beverage:

At Wawa, all fountain, frozen, and hot beverages are required to be served by Wawa associates and bakery items are being individually bagged.

Kum & Go is testing full service gas & curbside pick-up in select markets.

Source: NACS Retailer Member survey was conducted from late March to April 1. A total of 105 companies responded, representing 1,828 stores.

Cleveland Research Company ‘Impact of COVID-19 on Front End Retail and Food & Beverage Business’
C&G operators are embracing off-premise

Reach of offerings is expanding…

7-Eleven is waiving the delivery fee for its 7Now service. Consumers are able to order grocery items, over-the-counter medicine, household goods, and food and beverage options including pizza and Slurpee drinks, beer and wine (in participating markets).

Casey’s General Store expanded its partnership with DoorDash to increase its delivery footprint. The c-store is delivering both food and grocery items.

…and consumers are taking notice

<table>
<thead>
<tr>
<th>Service Mode</th>
<th>Week beginning March 22</th>
<th>Week beginning March 29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takeout/ Drive-Thru/ Curbside Pickup</td>
<td>37%</td>
<td>49%</td>
</tr>
<tr>
<td>Delivery</td>
<td>37%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Q: Now, thinking about the past seven days, please select the service(s) you have ordered food/beverages from for each restaurant type. Select all that apply per row.

Sources: CSP ‘5 C-Stores Upping their curbside pickup game amid COVID-19’; CSP ‘7-Eleven Waives 7Now Delivery fee; Technomic ‘Foodservice Impact Monitor April 2020; NACS Retailer Member survey
25% of consumers miss stopping at C-Stores as part of their routine

What they miss includes snacks & beverages:

35% Miss treating themselves to a snack

25% Miss getting their usual cold beverage (i.e., fountain drink, frozen beverage)

13% Miss treating themselves to a frozen beverage

11% Miss trying new limited-time flavors of frozen beverages

Q1. What, if anything, do you miss MOST about going to a convenience store as it relates to food and beverages? Please select your top 3.

Source: 1Q, N=200 (consumers who were at a 7-Eleven, Circle K, Flying J, QuikTrip, Speedway, RaceTrac, Wawa, Sheetz, or Kum & Go at least once between 12/12/19 - 04/10/20
1. Need for continued evolution of essential product offerings in Stage 1 to accommodate shortages at large format stores

2. Increased pick-up and delivery offerings throughout Stage 1 will position C-stores for success

3. Consumers will be hungry in Stage 2 to get back in their routines with the food and beverages they’ve missed
PepsiCo Foodservice Insights

We are in a time of unprecedented change and disruption as a result of the COVID-19 pandemic. While there are more questions than answers right now, we are committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed on the other side of this challenge.

Due to the dynamic nature of the situation, this document will evolve as new information refines our hypotheses.

Special thanks for this edition go to Raluca Corobana, Ashley Dodge, Amy Edler, Nina Guest, Karen King and the entire Foodservice Insights Team.
PepsiCo Foodservice Insights

COVID Insights: Global Landscape

APRIL 17, 2020

Jaime Friedman, Director Foodservice Insights
Omar Sahi, Senior Manager, Foodservice Insights
Insights framework to cluster learnings and recommendations

This document synthesizes and builds upon insights provided by Global Insights, Global BI, AFH Europe team, and Foodservice insights team.

Anticipating The New Normal
Learnings From China
MOST MARKETS ARE SEEING A PEAK IN REPORTED COVID CASES DURING THE MONTH OF APRIL – WITH THE EXCEPTION OF CHINA

### Cumulative COVID Incidence by Month – Top 10 Markets by Incidence

<table>
<thead>
<tr>
<th>Country</th>
<th>Jan (8th Dec to 31st Jan)</th>
<th>Feb (Complete Month)</th>
<th>Mar (Complete Month)</th>
<th>April (till 9th April)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED STATES</td>
<td>461,437</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPAIN</td>
<td>188,173</td>
<td>68</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>ITALY</td>
<td>153,222</td>
<td>95,923</td>
<td>105,782</td>
<td>21,121</td>
</tr>
<tr>
<td>FRANCE</td>
<td>143,626</td>
<td>118,781</td>
<td>71,803</td>
<td>5</td>
</tr>
<tr>
<td>GERMANY</td>
<td>118,181</td>
<td>9,808</td>
<td>79,356</td>
<td>79</td>
</tr>
<tr>
<td>CHINA</td>
<td>82,279</td>
<td>82,883</td>
<td>0</td>
<td>693</td>
</tr>
<tr>
<td>IRAN</td>
<td>66,220</td>
<td>0</td>
<td>44,806</td>
<td>0</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>65,872</td>
<td>2</td>
<td>0</td>
<td>65,872</td>
</tr>
<tr>
<td>TURKEY</td>
<td>42,282</td>
<td>23</td>
<td>13,536</td>
<td>0</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>24,983</td>
<td>1</td>
<td>12,775</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Coronavirus COVID-19 Global Cases by Johns Hopkins CSSE (ending 31st March 2020)
MOST MARKETS ARE IN STAGE 1, WITH A HANDFUL OF COUNTRIES LIFTING LOCKDOWNS AND EASING INTO RECOVERY

Source: Nielsen

Thresholds are determined by the total number of reported COVID-19 cases, the increase in cases, government and market news including quarantine measures such as school closures, transportation restrictions, commercial closures, health campaigns and reports of death.
CONTAINMENT OF TRANSMISSION, LOCALY AND FROM ABROAD WILL MARK THE THRESHOLD INTO THE ‘NEW NORMAL’

Speed and reach of government reaction plays a key role in shape of curve and length of quarantine – eg US and S. Korea reported first cases within 2 days of each other, but S. Korea took measures 3 weeks earlier than US, avoiding quarantine.

Community transmission puts pressure on health care systems, which work to deploy space, equipment, and expertise despite often relying on legacy systems and disconnected supply chains. Concurrently, lockdown puts pressure on the economy, as unemployment claims spike and stimulus packages are readied.

Markets with the longest lockdowns will likely face the slowest recoveries. Some sectors will be contracted longer term as prolonged shutdowns force bankruptcy. High unemployment will limit spending.
PepsiCo Foodservice Insights

Human Impact
THE GLOBE IS LARGELY ANXIOUS/STRESSED AROUND COVID – FEAR OF THE DISEASE AND PERSONAL FINANCIAL IMPACT

<table>
<thead>
<tr>
<th>Emotion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxious / stressed</td>
<td>21%</td>
</tr>
<tr>
<td>Good / positive</td>
<td>13%</td>
</tr>
<tr>
<td>Neutral</td>
<td>9%</td>
</tr>
<tr>
<td>Scared / paranoid</td>
<td>9%</td>
</tr>
<tr>
<td>Sad / depressed</td>
<td>7%</td>
</tr>
<tr>
<td>Not affected</td>
<td>6%</td>
</tr>
<tr>
<td>Annoyed / frustrated</td>
<td>6%</td>
</tr>
<tr>
<td>Bad / negative</td>
<td>6%</td>
</tr>
<tr>
<td>Bored</td>
<td>4%</td>
</tr>
</tbody>
</table>

As markets emerge from lockdown, their mood shifts to positive optimism.

I’m nervous about how the government is handling this pandemic, and how I am going to pay my bills and rent when my job has been halted. The sheer amount of uncertainty is almost debilitating.

Female – 22 – UK

It has been almost two months since the COVID-19 outbreak, and now it has been controlled. I feel very good today and feel that the epidemic will soon retreat, and I can soon go out with friends and family.

Male – 55 – China

Source: Street Bees – 4/7/20

Source: Johns Hopkins Daily confirmed new cases (5-day moving average) – 4/6/20

*Latest 5 day average is up, but off a smaller base*
THE PANDEMIC HAS CHANGED HOW PEOPLE WORK

The lockdown has impacted workers and students globally:

- Downloads of Zoom have risen from 56,000 to 2.1m
- 6.6 million Americans filed for unemployment insurance in the week that ended April 4
- In LATAM users mention fear of losing employment more than fearing a reduction of work hours.
- In response to economic pressures, people are freelancing, saving, and selling
- +1.65bn students globally have had their education impacted

More than half of Chinese consumers indicated they have lost income due to the COVID-19:

- China: Yes 29%, No 60%, I do not work 1%, Don’t know 1%
- Germany: Yes 30%, No 50%, I do not work 2%, Don’t know 8%
- United Kingdom: Yes 43%, No 43%, I do not work 2%, Don’t know 2%
- United States: Yes 41%, No 32%, I do not work 2%, Don’t know 5%

Note: China, Germany, United Kingdom, United States; March 26 to April 1, 2020; 18 years and older; 290 Respondents
Source(s): Statista Survey
Focus: Public opinion

Source: IRI Social Pulse, Jan 1 – Mar 16 (USA)
THE PANDEMIC HAS CHANGED HOW PEOPLE PLAY

**Activities shifting to indoors**

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooking at Home</td>
<td>35</td>
</tr>
<tr>
<td>TV / Movies</td>
<td>30</td>
</tr>
<tr>
<td>Online / Social Media</td>
<td>29</td>
</tr>
<tr>
<td>Exercising at home</td>
<td>26</td>
</tr>
<tr>
<td>Gaming</td>
<td>17</td>
</tr>
<tr>
<td>Socialising at home</td>
<td>15</td>
</tr>
<tr>
<td>Shopping online</td>
<td>11</td>
</tr>
<tr>
<td>Food Delivery</td>
<td>10</td>
</tr>
<tr>
<td>Gym / Outdoor Exercise</td>
<td>-6</td>
</tr>
<tr>
<td>Spending time outdoors</td>
<td>-20</td>
</tr>
<tr>
<td>International Travel</td>
<td>-22</td>
</tr>
<tr>
<td>Socialising out of home</td>
<td>-23</td>
</tr>
<tr>
<td>Shopping in store</td>
<td>-23</td>
</tr>
<tr>
<td>Going to bars / pubs</td>
<td>-25</td>
</tr>
<tr>
<td>Public / Live Events</td>
<td>-38</td>
</tr>
<tr>
<td>Eating out</td>
<td>-39</td>
</tr>
<tr>
<td></td>
<td>-47</td>
</tr>
</tbody>
</table>

**Digital platforms are playing a larger role in households with consumers trying new online services**

<table>
<thead>
<tr>
<th>Service</th>
<th>% Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Consultation &amp; Health Advise</td>
<td>34%</td>
</tr>
<tr>
<td>Online Education Courses</td>
<td>33%</td>
</tr>
<tr>
<td>Telecommuting Software</td>
<td>29%</td>
</tr>
<tr>
<td>Paying for Online Services</td>
<td>26%</td>
</tr>
</tbody>
</table>

- Upsurge in TV viewership dampened by growth in streaming services while advertisers are cancelling most of their campaigns and promotions, which can open ad slots at a discount

*Source: PepsiCo Demand Acceleration: Covid19 External Report - Source: Streetbees HIT n= 3,841 to 28.03.28, Kantar EVA*
THE PANDEMIC HAS CHANGED HOW PEOPLE EAT

Blurring of mealtimes present new demand for snacking

Making and sourcing food is top of mind as consumers must solve for meals they would have regularly sourced away from home

- Demand for ready-made workday lunch & feed the family solutions
- Forced to cook at home
- Beverage needs during the pandemic shifting from enjoyment to nourishment as people look for more protection
- During confinement, people said they are eating and spending more on food than usual.
- Consumers seek comfort and familiarity instead rather than experimentation

<table>
<thead>
<tr>
<th>Meal type (%)</th>
<th>Stage 0</th>
<th>Stage 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>Lunch</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>Snack</td>
<td>24%</td>
<td>27%</td>
</tr>
<tr>
<td>Treat</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Dinner</td>
<td>23%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Streetbees HIT n=578
As we progress through the core stages: foot traffic and delivery capacity are key variables affecting foodservice.
HIATUS: RESTAURANTS CLOSED FOR DINE-IN AND OFF-PREMISE

Emotional State: anxious and fearful
Functional Needs: assurance and accurate information (news)

Redeploy Resources

Germany: Aldi and McDonald’s made a Staff-Sharing Deal to immediately redeploy interested McDonald’s workers at Aldi grocery stores.

USA: restaurants are selling merchandise, cook books, gift cards, cleaning supplies and raw ingredients like flour in-store and through partners such as eBay (which was waived fees to affected businesses)

Remain Relevant

UAE: Wagamama Dubai launches free online cooking classes aimed at both kids and adults

FRANCE: Le Whopper de la Quarantine ads show how customers can recreate Burger King products at home while branches remain closed.

Retreat Until After Recovery

UK: Nando’s and McDonald’s UK have voluntarily closed all restaurants - including drive thru and takeout and are donating inventory to local communities.

US: PepsiCo has partnered with Guy Fieri and the National Restaurant Association Educational Foundation to launch Employee Relief Fund

Source: Technomic, COVID-19 Apr 3, 2020
MALAYSIA: TGIFridays includes receipts with temperatures of all employees handling food and offers contactless delivery.

USA: When ordering delivery, half purchase extra meals for the days to come. Consumers seek meal solutions suitable for a variety of day parts, and households sizes.

EUROPE: In markets across Europe 47% of respondents said they currently use meal delivery and 12% indicate they will try for the first time during the breakout.

BRAZIL: Food delivery app iFood saw job applications double after the outbreak. The aggregator received 175k applications in March, up from 85k in April.

INDIA: Domino’s has partnered with consumer goods maker ITC Foods to deliver groceries through a service called ‘Domino’s Essentials’.

Bundling and Pairing

USA: 50% said when ordering delivery, they order extra meals for later.

USA: When ordering delivery, half purchase extra meals for the days to come. Consumers seek meal solutions suitable for a variety of day parts, and households sizes.

MALAYSIA: TGIFridays includes receipts with temperatures of all employees handling food and offers contactless delivery.

62% of US respondents believe cooking food kills COVID-19.

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**SOUTH KOREA:** Dalgona, whipped instant-coffee started as a food trend in Seoul and went viral worldwide. Baskin-Robbins and Caffe Bene both have added it to their menu at a time when most operators are simplifying and streamlining menus.

**GLOBAL:** the pandemic has created a dramatic uptick in searches for health and wellness foods across social media as people seek to proactively improve health and boost immunity.

**SINGAPORE:** KFC started putting tape on floors and an “X” on seats to help maintain social distancing.

**CHINA:** some restaurants are introducing plastic barriers between diners. Wearing masks is becoming normalized and even mandated in markets beyond Asia.

**EUROPE:** safety will remain the biggest concern for some time impacting sustainability initiatives and self-serve formats like fountain.

<table>
<thead>
<tr>
<th>Priorities Shift</th>
<th>New Codes and Regulations</th>
<th>Isolation Inspired Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miss the Most in Not Eating Out</td>
<td>KFC started putting tape on floors and an “X” on seats to help maintain social distancing</td>
<td>Searches for elderberry – an immune boosting superfood – have increased m-o-m</td>
</tr>
<tr>
<td>Spending time w/ friends: 32%</td>
<td><strong>SOUTH KOREA:</strong> Dalgona, whipped instant-coffee started as a food trend in Seoul and went viral worldwide. Baskin-Robbins and Caffe Bene both have added it to their menu at a time when most operators are simplifying and streamlining menus.</td>
<td>108%</td>
</tr>
<tr>
<td>Spending time w/ family: 26%</td>
<td><strong>EUROPE:</strong> safety will remain the biggest concern for some time impacting sustainability initiatives and self-serve formats like fountain.</td>
<td><strong>GLOBAL:</strong> the pandemic has created a dramatic uptick in searches for health and wellness foods across social media as people seek to proactively improve health and boost immunity.</td>
</tr>
<tr>
<td>Enjoying ambiance: 21%</td>
<td><strong>UK:</strong> 23% <strong>Spain:</strong> 38% <strong>Russia:</strong> 19% <strong>Italy:</strong> 38% <strong>Germany:</strong> 15% <strong>France:</strong> 36%</td>
<td><strong>Restaurants will remain risky places to be infected:</strong></td>
</tr>
<tr>
<td>A break for drink or snack: 11%</td>
<td><strong>EUROPE:</strong> Overall, people miss the socializing aspects more than functional aspects of eating out</td>
<td><strong>Restaurants will remain risky places to be infected:</strong></td>
</tr>
<tr>
<td>Daily lunch w/ colleagues: 7%</td>
<td><strong>Restaurants will remain risky places to be infected:</strong></td>
<td><strong>Searches for elderberry – an immune boosting superfood – have increased m-o-m</strong></td>
</tr>
</tbody>
</table>

**Restaurants will remain risky places to be infected:**

<table>
<thead>
<tr>
<th>Country</th>
<th>Risk of Infection</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>23%</td>
</tr>
<tr>
<td>Spain</td>
<td>38%</td>
</tr>
<tr>
<td>Russia</td>
<td>19%</td>
</tr>
<tr>
<td>Italy</td>
<td>38%</td>
</tr>
<tr>
<td>Germany</td>
<td>15%</td>
</tr>
<tr>
<td>France</td>
<td>36%</td>
</tr>
</tbody>
</table>

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NPD, COVID-19 Europe, Mar 2020

Tastewise - Superfoods, Mar 18 2020
As people become more aware of how the virus spreads, new seasonal cycles that oscillate between people splurging and sheltering in place may emerge. Erratic cycles and accommodated events create new complexities in everything from staffing to cashflow.

EUROPE: people are sheltering in place and putting off celebrating milestones, rituals and life events. Pent-up demand and a desire to make up for lost time may trigger a initial bounce back in demand.

Global demographics factors like age, gender, geographic location, household/dwelling type, profession and income level will all affect how people adjust lifestyles and outlooks post-covid.

**Shifts Across and Blurs Between Channels**

*Time it takes to build a new habit*

**GLOBAL:** As people cook more, eat out less and become accustomed to acquiring groceries, meals and alcohol through new channels like delivery – consumption behavior is likely to continue to shift from on-premise to at home

**South Korea:** traffic to stores and restaurants is yet to fully recover, but parks have surged in popularity in countries emerging from being locked down

-17% **Visits To Retail & Rec**
+46% **Visits To Parks**

-14% **Visits To Workplaces**
+14% **Visits To Grocery And Pharma**

**Demographic Discontinuities**

**GLOBAL:**

- Baby Boomers: Though most financially stable, this generation is especially vulnerable to contracting Covid and is worried about their retirement nest egg
- Gen X: Will be stretched especially thin as they must support aging parents and their own children through the crisis
- Millennials: Having entered the workforce during the global recession of 2008, this generation is already experienced with austerity measures and 'plan b'
- Gen Z: COVID-19 is the watershed event that shapes this generation's worldview, leading them to adopt a cautious mindset and re-evaluate imminent life plans like starting college

**Shifting Seasonality and Belated Occasions**

**GLOBAL:** As people become more aware of how the virus spreads—new seasonal cycles that oscillate between people splurging and sheltering in place may emerge. Erratic cycles and accommodated events create new complexities in everything from staffing to cashflow.

49% have already prepared a list of restaurants or bars they will visit once reopened

**EUROPE:** people are sheltering in place and putting off celebrating milestones, rituals and life events. Pent-up demand and a desire to make up for lost time may trigger an initial bounce back in demand

Kantar – Anticipating The Balance of 2020

NPD, COVID-19 Europe, Mar 2020
PepsiCo Foodservice Insights

Anticipating the New Normal: Spotlight on China
FURTHER ALONG ON ITS TRAJECTORY AND HAVING EXPERIENCED SARS - ASIA IS MORE OPTIMISTIC ABOUT ECONOMIC RECOVERY THAN THE WEST

Level of concern towards COVID-19 situation – Economic Recession

I believe the economy will recover quickly once COVID-19 situation has died down (4&5)

It will take a long time for the economy to recover and will have a long term impact in terms of job losses and Businesses struggling (1&2)

Source: Kantar

Q1. Listed below are some statements describing people’s concern towards the corona-virus situation. Please select the scale point that best reflects where your personal views fall between the 2 statements
**SPOTLIGHT: CHINA CONSUMER MINDSET**

### Market considerations:
- China tightly controlled by government
- Delivery already widely prevalent in market; contact-less delivery easy to implement
- Wuhan (start of epidemic) slow to recover – shock of epidemic still lingering

### Findings

#### POSITIVE OUTLOOK ON FUTURE

- **Steady increase in consumption** as want to return to ‘normal life’; in China, 60-70% expect reaching pre-COVID levels*
- Many focus on **building up immunity / health**
  - In China, 57% are exercising more; 43% drinking more beverages to ‘improve health’**
- Decline in long lasting grocery purchase in China and South Korea, as **fear levels decline****

#### FINANCIAL & JOB CONCERNS

- Nearly half in China **worry about risk of pay cut or career slow down** in near future – impacts perception of financial security
- Anticipate slower recovery than post SARS given economy is more entrenched in global markets

#### HESITATION TO REBOUND QUICKLY: MAINTAIN QUARANTINE HABITS

- **Learned behaviors / messages** re. dangers of mingling with others result in slower recovery:
  - Movement of citizens remains heavily restricted
  - Fear of another wave of infections remains high
  - Restaurant reopening varies by city:

### Implications

#### Market considerations:
- For markets cocooning, use time now to set up for future success, as markets will ‘reset’ – come out stronger when consumers ready to increase consumption
- Extend value or creative initiatives (i.e., combos, meal kits) to keep customers coming back
- What will visual cues for codes of conduct might emerge in your market?
  - Transparency in safety and employee health key for consumers to return to on-premise
  - Fear of another wave of infections remains high

---

*Ipsos, COVID-19, Mar 23, 2020
**Streetbees, COVID-19 Apr 3, 2020

** Streetbees, COVID-19 Mar 2020

Bernstein; 1 Survey conducted on 21st March 2020, based on survey of 240 restaurants
IN CHINA, CITIZENS MUST PRESENT THEIR LOCATION HISTORY AND TEMPERATURE TO AUTHORITIES MULTIPLE TIMES A DAY

**Day-in-the-life**

**Entering workplace**
- Before entering building, security at front-door will confirm temperature of employees

**Afternoon coffee / snack break**
- Masks worn at all times, even at work – normalized
- Distance kept between people or plastic guards used if eating in a group

**Dinner at home / delivery**
- If ordering delivery, consumers are asked keep their distance from delivery person

**Wake up & Commute to work**
- Consumers are asked to show their COVID-19 status before entering the subway – ‘green’ shows they are in the clear, and can move about the country
  - Population tracking through apps currently mandated; confirms consumers’ latest COVID-19 status – will send alerts about proximity to COVID-19 positive people

**Going to lunch**
- Temperature checked at restaurant door
- Ordering at QSR likely to occur on kiosk to minimize person-to-person contact
- After each order, staff wipes down each kiosk with sanitation wipe
- Distance must be kept while waiting in line

**Commute home**
- Transportation staff, sometimes dressed in full protective gear, will again ask for COVID-19 status on population tracking app before entering subway station
- Distance kept between people or plastic guards used if eating in a group
- Staff wipes down each kiosk with sanitation wipe
- Distance must be kept while waiting in line
HOW AND WHEN A COUNTRY REOPENS WILL DEPEND ON CULTURAL CONTEXT AND BUILT ENVIRONMENT

LEARNINGS FROM CHINA

<table>
<thead>
<tr>
<th>SMALLER FORMATS</th>
<th>STAGGERED OPENINGS</th>
<th>SURVEILLANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DECLINING</strong></td>
<td>• Cinemas briefly reopened with plans to lure customers back with Harry Potter in 3D, were ordered to shut again.</td>
<td>• Alipay Health Code - software for smartphones that dictates whether people should be quarantined or allowed into subways, malls and other public spaces</td>
</tr>
<tr>
<td>Hypermarket</td>
<td>• In Shanghai, indoor tourist attractions have again been suspended.</td>
<td>• Usage of the app in mandated by the government and shares information with police</td>
</tr>
<tr>
<td>-15%</td>
<td>• Businesses that had opened their doors again were told to suspend operations immediately.</td>
<td></td>
</tr>
<tr>
<td>Supermarket</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GROWING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Super</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-commerce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+22%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ADAPTATIONS ABROAD

**AUSTRIA:**
- Non-essential shops < 400 square metres to reopen on April 14 with only one shopper per 20 square metres allowed.

**BRAZIL:**
- E-commerce sales increased by 40 percent compared to march of last year**

**UNITED STATES:**
- Large venues like restaurants, movie theaters, sporting venues and places of worship would be allowed to reopen if they "operate under strict protocols"
PepsiCo Foodservice Insights

We are in a time of unprecedented change and disruption as a result of the COVID-19 pandemic. While there are more questions than answers right now, we are committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed on the other side of this challenge.

Due to the dynamic nature of the situation, this document will evolve as new information refines our hypotheses.
We continue to look at COVID-19’s impact through the lens of 4 stages:

<table>
<thead>
<tr>
<th>Stage 0</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREPARATION &amp; PREVENTION</td>
<td>CONFINEMENT &amp; COCOONING</td>
<td>RESTRICTED RECOVERY</td>
<td>NEW NORMAL</td>
</tr>
<tr>
<td>March - June (TBD)</td>
<td>March - June (TBD)</td>
<td>June - December</td>
<td>2021+</td>
</tr>
<tr>
<td>Estimated Timeframe</td>
<td>March - June (TBD)</td>
<td>June - December</td>
<td>2021+</td>
</tr>
<tr>
<td>Feb - March</td>
<td>March - June (TBD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANXIOUS, FEARFUL, NEED FOR COMFORT, REASSURANCE &amp; SENSE OF CONTROL</td>
<td>CONTINUED NEED FOR COMFORT &amp; REASSURANCE AND BOREDOM RELIEF</td>
<td>RELIEVED, DESIRE TO MAKE UP FOR LOST TIME, BUT REMAIN WARY</td>
<td>RENEWED CAUTIOUSNESS OF HEALTH</td>
</tr>
<tr>
<td>DOING</td>
<td>FEELING</td>
<td>DOING</td>
<td>FEELING</td>
</tr>
<tr>
<td>Stockpiling Pantry Goods, e.g. Water, Sports &amp; RTD Coffee</td>
<td>Shift to Comfort Food, e.g. Soda, Sparkling, Candy, Snacks</td>
<td>Likely Return To Usual Buying Behavior, but More H&amp;W Focus</td>
<td>Long Term Growth In Proactive Health, Nutrition &amp; Immunity</td>
</tr>
<tr>
<td>Increase in Large Format, Club &amp; Ecom, fewer trips to C&amp;G and Foodservice</td>
<td>Growth Of Ecom &amp; Delivery; Most On-Premise Closed</td>
<td>Continued Use of Ecom, Likely a Surge in Foodservice, incl. Entertainment &amp; Travel</td>
<td>Ecom Delivery Likely to Stick Among Older Generations</td>
</tr>
<tr>
<td>Increase in TV Consumption (News)</td>
<td>Shifts to Streaming &amp; Gaming</td>
<td>Financial State Will Impact Streaming Services</td>
<td>Likely a Return To Usual Media</td>
</tr>
</tbody>
</table>

Most states are currently in this stage.
Consumer behaviors that are likely to remain post COVID-19

1. **SAFETY/HYGIENE**
   - Safety and hygiene move from table stakes to differentiator

2. **VALUE**
   - Consumers move from defining value as added benefit to defined by money

3. **DIGITAL SOLUTIONS**
   - From limited adoption to fast growth, particularly among older cohorts

4. **SHIFTING SCHEDULES**
   - Growth in work from home, impacting needs and services

5. **PENT-UP DEMAND**
   - From stuck inside to reengagement with Foodservice channels
Amidst a flurry of mixed messages, consumer confidence has reached new lows this past week.

**CURRENT MOOD**
- The start of April saw the largest consumer sentiment drop in recorded history (-18.1 pts)

**INDEX OF CONSUMER SENTIMENT**
(7-day moving average)

**POSITIVE MARKERS**
- 171 million Americans are receiving stimulus checks
- On April 16, President Trump announced a 3-step plan to re-open the U.S. economy
- Western European countries are starting to lift lockdowns (Austria, Germany, Denmark, etc.)
- NY hospitalizations are down

**DIVIDED PATH FORWARD**
- New cases - curve not flattening
- We are divided on the path forward
- Last weekend, frustrated protesters across various states (UT, TX, MN, MI, PA, OR) held rallies to reopen their economies amidst strict social-distancing measures

2 Engine Group, CARAVAN Survey, Week 8 (Should the US start relaxing stay-at-home and social distancing requirements NOW in order to boost the economy?)
In Stage 1, consumers have changed how they work, live, and play... and almost entirely restricted their travel.

**WILL CONSUMERS CARRY-OVER SOME OF THEIR NEW BEHAVIORS INTO RECOVERY?...**

WORK  |  LIVE  |  PLAY  |  TRAVEL
HOW WILL THESE CHANGES IMPACT OUR FOODSERVICE CHANNELS?

Today’s Focus:

WORK
- B&I
- Education

LIVE
- Restaurants
- C&G

PLAY
- Recreation/Gyms
- Entertainment/Cinema
- Stadiums

TRAVEL
- Airlines
- Hotels
- Cruise lines
Let’s take a look at Workplace & Education

- B&I
- Education
Many consumers are navigating new territory when it comes to ways of working & learning

**Unemployment hits a new record, with 26 million Americans filing in the last 5 weeks**

**Weekly Initial Jobless Claims 2020**

- Feb 29: 215,000
- Mar 7: 211,000
- Mar 14: 282,000
- Mar 21: 6,870,000
- Mar 28: 6,620,000
- Apr 4: 5,250,000
- Apr 11: 4,427,000
- 18-Apr: 3,310,000

**WORK STATS**

**B&I:**
- 67% of consumers have been working from home since the COVID-19 pandemic
- Working from home has blurred the lines between home and work
  - The positives: No commute, more productive, more time with family
  - The negatives: Less work/life balance, isolated, lonely, frustrated.
  - 44% say they work any time that is needed

**Education:**
- Learning has moved online and parents have shifted to home schooling their kids, with the majority of state governors ordering or recommending schools stay closed the remainder of the academic school year

**C&U:** Online classes means increased flexibility and freedom

> “I like that I can do my class time and work whenever I wanted to versus a schedule.”

**K-12:** Parents are frustrated, juggling responsibilities and feeling ill-equipped to be their kids’ teachers.

> “My kids are learning at home on their laptops. It’s harder to get help and reach out to teachers.”

Source: 1 Forbes, 2 Harris Poll 2,029 U.S adults from April 18-20, 2020, 3 C Space Foodservice Community, N=300,4 Harris Poll 2,013 U.S adults from April 11-13, 2020, 5 CNN, 6 EdWeek
Work in their words...

**B&I**

Earlier I had a routine 9-5 job ... since you are working from home there is no end time for the job as well. It is difficult to maintain that gap.

I like being able to do be on my own to work and get things done, not having as many distractions.

It's a struggle and I feel isolated. The little interactions at work are gone and I stay in one place all day. The days blur together.

**FEELING…**

STRESSED, ISOLATED/ LONELY, FRUSTRATED, SAD, BUT ALSO ‘LUCKY TO HAVE A JOB’

---

**EDUCATION**

Going to school versus learning at home printing out materials and emailing completed work. Very different I am feeling more like a assistant teacher.

It is frustrating to try to explain work, print material & juggle this from different platforms for different grade levels.

**FEELING…**

OK, PRODUCTIVE, FRUSTRATED, STRESSED

Source: C Space Foodservice Community, N=300
To feel comfortable coming back, consumers look to B&I to shift their policies

Consumers will look to their companies for guidance on coming back

It will take at least 1 month after the COVID-19 curve flattens for a majority of Americans to return to work.

Companies will likely have employees will return to offices in waves as a way to maintain social distancing, though companies may shift to remote and WFH policies.

Consumers say...

- Number of cases should go down (74%)
- Proper testing should be in place (67%)
- A COVID-19 vaccine should be created (57%)

To feel safe returning to work, consumers want:

- Requirement that employees stay home if sick (61%)
- Cleaning services to wipe down seats (59%)
- A bottle of hand sanitizer at every desk (57%)
- Meetings no bigger than 10 people (48%)
- Desks spaced 6 ft apart (47%)
- Required temperature checks (employees & visitors) (47%)

...before people return to work

Education taking extra precautions in reopening

Government mandates impact speed of reopening:

Education to face slow re-openings as social distancing concerns linger

• Colleges and Universities are already considering the possibility of a virtual Fall 2020 semester¹
• K-12 eyeing a host of ideas to reduce gatherings, including: having students take all classes in one room with the same people, splitting school days into shifts, staggering lunch, gym and recess... even staggering in-school days²³
• 31% of parents are likely to continue homeschooling their children once the pandemic is over⁴

Source: 1 USA Today, 2 Politico, 3 Forbes, 4 Harris Poll 2,029 U.S adults from April 18-20, 2020
Post-COVID, Work is poised for an evolution

63% are excited to get back to the office/classroom

- 1 in 3 say they plan to work from home at least a little more than before COVID-19
- Companies that were slow to adopt teleworking and work from home policies will have implemented necessary technology and employees will have adapted to remote collaboration
- Increased adoption of technology is predicted to improve efficiency, innovation, and team bonding
- Companies will increase focus on supporting mental health & balance

Consumers will be paying more attention to foodservice practices and offerings

Most consumers don’t plan to decrease usage of FS at Work...

- 73% will eat from C&U dining halls as much or more
- 66% will eat at their B&I cafeteria as much or more

...however they’ll be more mindful about what they buy...

- 66% of consumers say they’ll avoid self-serve food (i.e., buffets, salad bars, etc.)
- Higher focus on:
  - Single use
  - Wrapped items
  - Hot foods
- Plan to seek out items that support overall health, including factors like immunity boosting

...though shifts in consumer schedules could impact offerings

As consumers return to Work channels in phases, there will be a need to adapt offerings to meet changing schedules and dissolving lines between mealtimes. New offerings could include:

- Take home meal kits
- Lunches for WFH days
- Greater variety of snack-sized offerings.

“"If I purchase any items at all it will be prewrapped versus buffet or self serve."" 

“I’ll change to an even more healthy diet to strengthen my immune system.”

Source: 1 1Q Poll C&U N=67, 2 1Q Poll B&I N=105, 3 Datassential Report 13 – Money Matters
IMPLICATIONS

1. To further support social distancing, Operators must identify and implement solutions that allow for decreased cafeteria capacity (ex., advanced ordering, delivery through digital).

2. Buffet-style FS should be reimagined or shifted to pre-packaged items.

3. Consider new product offerings (ex., snacks/small meals, meal kits, meals for next day) to meet the needs of consumers returning to Work channels with changing schedules and routines.
Let’s jump in to ‘Play’

- Recreation/Gyms
- Entertainment/Cinema
- Stadiums
Widespread stay-at-home orders heavily impacted sports, recreation, and entertainment venues

Sports Seasons Cancelled, Olympics Postponed

There are currently no LIVE major league sports available to fans
NBA first to suspend season on 3/12 - NCAA followed
MLB cancelled spring training with a chance of delayed opening in May
NHL suspended season, leaving the Stanley Cup in question
Tokyo Olympics postponed to July 2021

Entertainment & Recreation [Mostly] Closed

Entertainment & recreation venues are often deemed “non-essential” and closed in most states, including movie theaters, gyms, bowling alleys, malls, ski resorts, etc.

Outdoor venues where social distancing is possible can be open, but varies by state & location, e.g. golf courses, National Parks

Concerts & Other Events Postponed or Cancelled

Many music festivals are cancelled for this year, planning to return in 2021 and musical artists’ Spring/Summer tours have been postponed; Some artists have rescheduled for fall or 2021, but most have not yet announced new dates
Consumers miss visiting their favorite places

Consumers are MOST missing…

Dining out at a restaurant/bar 69%
Traveling within the US 41%
Going to a movie theater 30%
Going to the gym/workout class 20%
Attending music events/concerts 13%
Attending sporting events 12%
Traveling Internationally 10%
Going to a theme park 8%
Going to a casino 8%
Going golfing or bowling 6%

Q1. Which of the following have you been missing most since COVID started? Please select your top 3.

- Dining out in a restaurant! My wife and I usually dine out twice a month. I really miss that.
- Traveling in US because I enjoy visiting family and friends in person.
- Going to the movies. We like the big screens and the social experience.
- Music Concerts, I am a music lover and miss experiencing it live.
- Going to sporting events for the atmosphere.

Source: 1Q, N=280
Currently, Physical/Recreational Activities are at home or none at all

60% OF CONSUMERS HAVE CHANGED THE WAY THEY DO PHYSICAL ACTIVITIES

The current situation leaves consumers no option but to do workouts at home, since gyms are closed.

MORE ONLINE & AT HOME WORKOUTS

“Now all online and virtual classes. Used to go to gym and do cardio classes.”

TAking MORE WALKS

“I am taking more walks outside.”

NO PHYSICAL ACTIVITY ANYMORE

“My gym closed, and it’s still too cold to jog on the boardwalk. Now I’m doing nothing and gaining weight.”

THIS MAKES THEM FEEL: CONCERNED, BORED, UPSET, LESS MOTIVATED, FRUSTRATED, ANTSY

• “Concerned, thinking of others ways to allow myself to get into for exercise, the limited areas where I can exercise my pet. Its an adjustment.”

• “I just feel like it’s not as good. I feel like I got a better workout before. I’m more lazy now and don’t feel like working out.”

• “Extreme boredom and laziness. Our house it too small to do very many indoor exercises. So it becomes depressing and I’m anxious because I have nothing to do with my nervous energy.”

32% of consumers think COVID is not going to impact their fitness level. Of those who think it will, more than half of consumers think that COVID will have a negative impact on their fitness.²

Source: C Space Foodservice Community, N=300 ²PBN COVID Insights Pule 4-22/Suzy Custom
In their words...

“I used to go to a gym that was located very close to my house. Since then, I have had to switch things up. I try to walk every day that is nice (I live in the Midwest and it snowed today!) and am looking to add in some fitness classes on YouTube TV.

Before, I would do walks with friends. Now I do it alone when I can get myself motivated. I’m definitely less motivated to do anything. The weather doesn’t help.”
However, many miss their local gym and want to go back but are wary about safety and health concerns.

1 in 5 consumers miss going to the gym/workout class the MOST

Anticipated Physical/Recreational Activities Post-COVID

- **3%** Keep doing it this way to be safe
  - “It’s going to take me a long time to trust going.”

- **55%** Will go back to the gym but will be more cautious
  - “I will go back to how it was before. I was more motivated than I am now.”

- **29%** Will do both as they like some of the new activities
  - “I have been enjoying the walks & will continue walking around the neighborhood and parks.”

- **13%** Aren’t sure yet how they will feel once gyms open
  - “Right now, I’m not in the mood to go to the gym. I prefer my walks when it’s nice out...”

THEY’D FEEL COMFORTABLE RETURNING TO THE GYM IF...

**EXTERNAL FACTORS:**
Increase Testing/Reassurance
“Testing and numbers [of cases] maintain a steady decline.”

**INTERNAL FACTORS:**
Increase Cleaning
“...if the gym limited the number of people, maybe take reservations, if employees wiped down the equipment much more often...”

Source: C Space Foodservice Community, N=300; 1Q, N=280
Entertainment & Cinema

- Recreation/Gyms
- Entertainment/Cinema
- Stadiums
Media consumption has increased immensely during COVID19

Increased media consumption is due to extended periods of time at home, boredom, and using media as a distraction from the situation. Many look to the same channels as before (Netflix, Hulu, etc.) while some note watching more live TV.

**NO MOVIE THEATERS**

“I am only watching tv and movies while at home, we usually would go to the movie theatre quite often.”

**MORE STREAMING SERVICES**

“I'm streaming a lot more. I've added a subscription to Hulu and Disney plus so that I have more to watch.”

**MORE LIVE TV**

“I used to tape everything then watch it on DVR when I had time. Now I’m watching things more live on TV.”

*Source: C Space Foodservice Community, N=300*
Consumers would prefer more balance in their media consumption

Some are happy to be able to watch things they might not have had time for before, others are getting bored and depressed consuming so much media all the time.

In their words…

“Before COVID-19 I rarely watched TV or movies… I probably watched four or five hours of TV in the evenings all week… After COVID-19 I watch 30 to 40 hours of TV during the week.”

“Before COVID-19, I would watch one to two movies a week just out of boredom or needing some entertainment. During COVID-19 right now, I have now been watching three to six movies a week to really keep my mind both occupied and entertained from having fear from the coronavirus.”

THIS MAKES THEM FEEL:
DEPRESSED, HAPPY, LAZY, NEUTRAL, BORED

• “Can’t go anywhere I get tired of sitting around all the time so I just watch TV a lot... Kind of sad considering only watched a few hours of TV a week before.…”

• “I feel lazy and am starting to feel useless without much left for me to do around the house.”

• “I like that I’m able to enjoy all the media I have been, but at the same time I hate that this crisis is the reason.”

AFTER COVID… Half of consumers say they will go back to prior media behaviors, focusing on consuming less

3 in 10 consumers say they would mix current at-home media consumption and a return to cinema

Source: C Space Foodservice Community, N=300
Consumers miss and want to return to movie theaters

**Consumers still love the theater experience**

30% of consumers say going to the movies is one of the things they miss MOST, with 52% of frequent movie-goers that would LOVE to be going to the movies right now if not for COVID.

I miss the giant screen. I miss the sound and the ridiculously big popcorn and soda. I miss the audience reacting. I miss being completely uninterrupted through an entire movie. I like previews. The seats. Lounge or crap. Either way. I miss the dark cold theatre.

Source: 1Q, N=280 2Q, N=240
Sports & Stadiums

- Recreation/Gyms
- Entertainment/Cinema
- Stadiums
**Consumers are missing live sports too**

**OVER 1 IN 10 SAY THEY MISS ATTENDING SPORTS EVENTS THE MOST**

**WAYS SPORTS ARE FILLING THE GAP & ENTERTAINING FANS WITH VIRTUAL ALTERNATIVES**

- NBA players playing NBA 2K20, the basketball simulation video game, airing on ESPN2
- NASCAR & other motorsports are using an online racing simulator iRacing to put on virtual events
- Soccer teams across the globe are streaming FIFA 20 video game tournaments
- NFL & ESPN are broadcasting a virtual NFL draft
What re-opening gyms, movie theaters & stadiums could look like

GYMS

Social distancing will be key in gyms – capacity & class size limits, reduced staff interaction, floor markers, increased space between machines, and staggered equipment use, are likely.

Cleaning will also be a priority; measures may include new cleaning methods, increased use of disinfectant cleaners, employees sanitizing machines between patrons, or timeframes throughout the day the gym is closed & disinfected.

MOVIE THEATERS

Movie Theaters are optimistically looking at re-opening in July, before some big releases like Disney’s ‘Mulan.’ They would play prior released movies until new movies come back in force.

Staggered seating arrangements or lower theater capacity to allow space between moviegoers and shortened hours or only open certain days of the week could be among the steps that are taken to ensure social distancing.

PROFESSIONAL SPORTS

MLB is exploring many options for 2020, most notably playing the entire season in one location, with no spectators, among other contingency plans.

Empty stadiums and with teams strictly quarantined in hotels could be a reality.

Opening sports venues with increased safety measures could entail socially distanced lines for entry, seating fans 2+ seats apart, hand sanitizer at every aisle, reduced interaction with players & staff or temperature checks & masks.
1. Supporting social distancing measures, concession areas will need to be reimagined to reduce the crowding of patrons in these areas. Also add the capability to pre-pay or contactless payment to reduce interaction with staff.

2. Consider more bundled and pre-packaged concession items.

3. Identify opportunities to provide enclosed beverages for safety (i.e. lids for fountain sodas & beer and/or offer B&C)
JOIN US NEXT FRIDAY AS WE SPOTLIGHT THE LIVE AND TRAVEL CHANNELS

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We are in a time of unprecedented change and disruption as a result of the COVID-19 pandemic. While there are more questions than answers right now, we are committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed on the other side of this challenge.

Due to the dynamic nature of the situation, this document will evolve as new information refines our hypotheses.

Special thanks for this edition go to Ashley Dodge, Nina Guest, Raluca Corobana, Amy Edler and the entire Foodservice Insights Team.