PEPSICO
foodservice

PepsiCo Foodservice Insights

COVID Insights

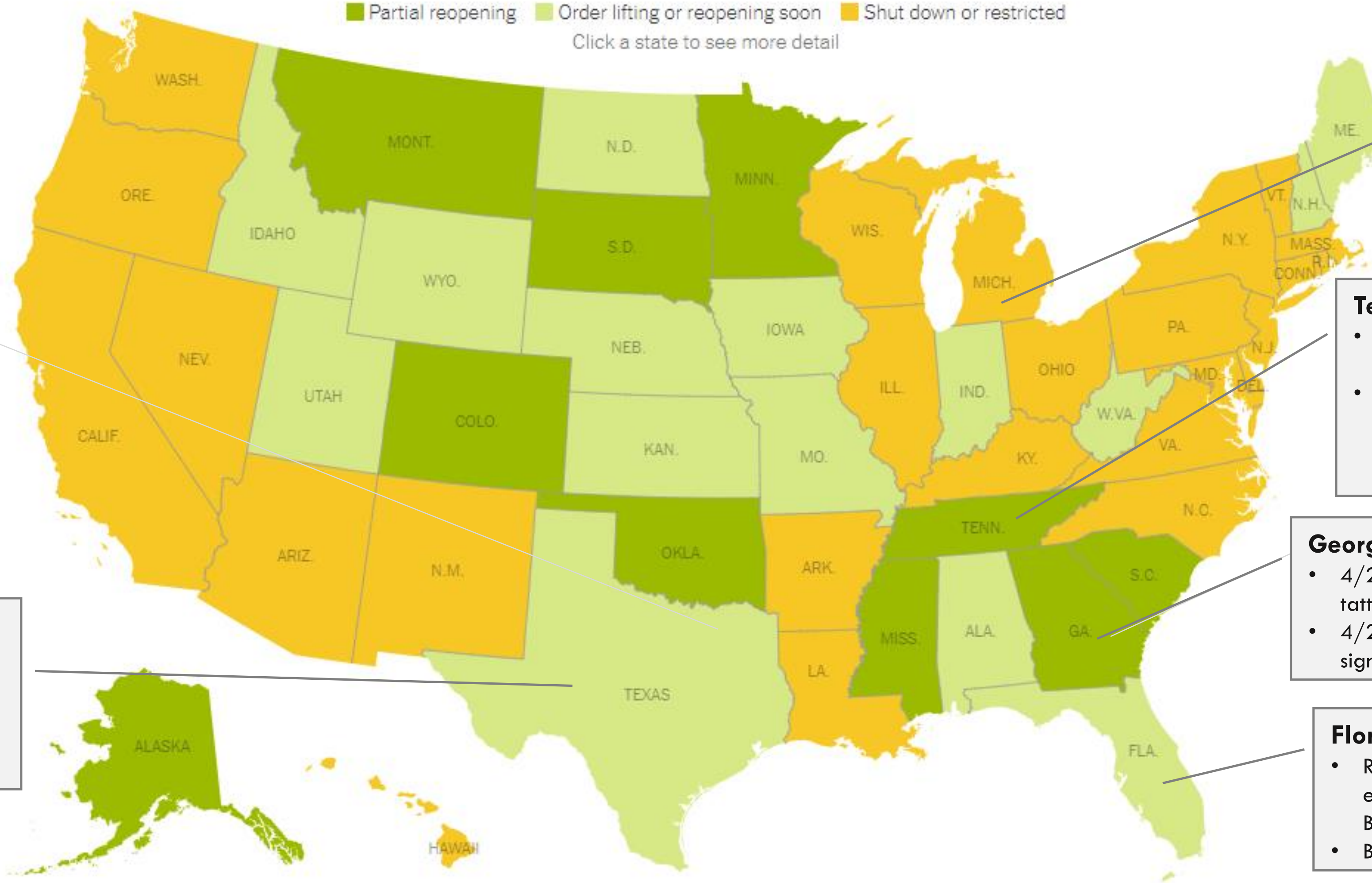
MAY 1, 2020

We continue to look at COVID-19's impact through the lens of 4 stages:

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

Most states are currently in this stage

Several states have started reopening this week, with a range of policies and timings. Some Highlights:



Michigan:
- 4/30: State of Emergency reauthorized, extending dine-in closures through 5/28.

Tennessee:
- 4/24: Statewide restrictions lifted, counties can override
- Restaurants limited to 50% capacity, physical distancing measures, customer temperature checks, employees PPE, no live music

Georgia:
- 4/24: beauty salons, gyms, bowling alleys, tattoo studios and massage therapists
- 4/27: restaurants and movie theatres with significant restrictions (next slide)

Florida:
- Restaurants can open May 4th at 25%, except hardest hit areas like Miami-Dade, Broward, and Palm Beach.
- Bars & Nightclubs will remain closed.

Texas:
- 5/1: restaurants can be open for dine-in, limited to 25% capacity.
- No valet services, except for disabled.
- Food courts and play areas must remain closed.

Sources: NY Times, April 30, 2020, NRN Article, Apr 29, 2020

Georgia was among the first to reopen, with restrictions starting to lift on April 24

APRIL 24: gyms, hair and nail salons, bowling alleys and tattoo parlors were allowed to reopen.

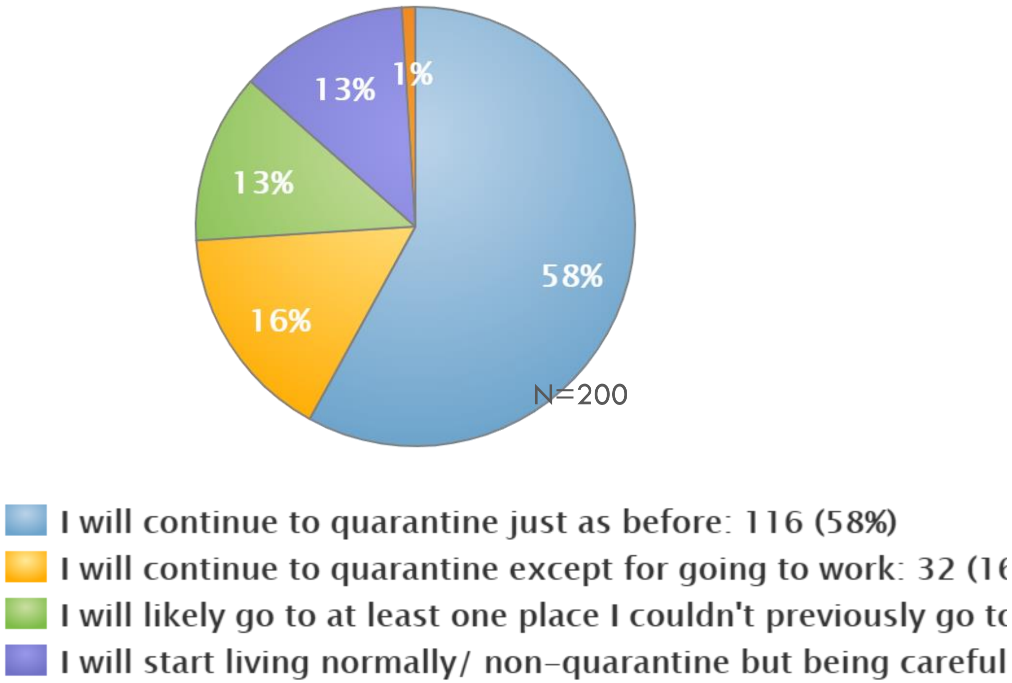
APRIL 27: restaurants can resume limited dine-in service, and movie theaters and other entertainment venues can reopen.

39 "Minimum Basic Operations" guidelines were set in place, including:
- Screening workers for fevers
- No more than 10 patrons per 500 square feet inside
- Parties limited to 6 per table
- Salad bars, buffets prohibited
- Pre-rolled silverware

Mixed Responses from Operators:
- >120 Atlanta restaurants decide to remain closed
- Others reopening slowly, e.g. Dinebrands

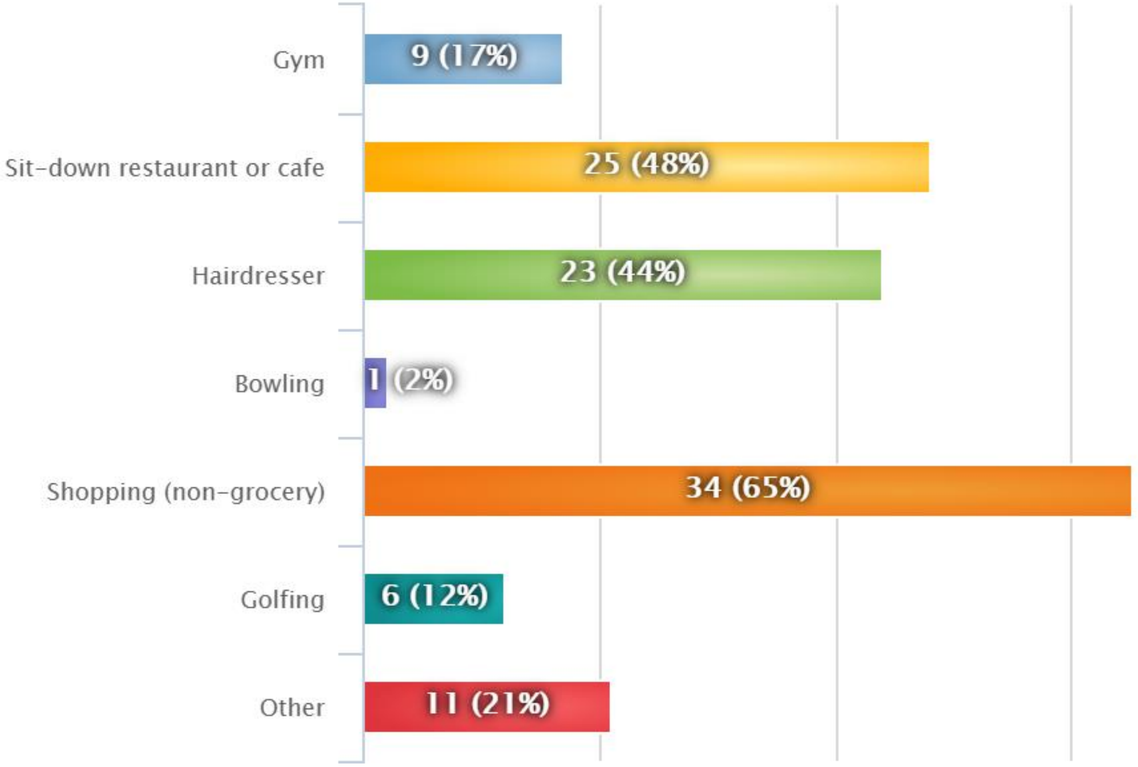
Georgia residents are not rushing back to 'regular' life, with most choosing to continue full quarantine

GEORGIA RESIDENTS' RESPONSE TO REOPENING



- 66%* believe reopened business are unsafe
- Gyms, movie theaters, tattoo parlors perceived as least safe

WHAT THOSE RELAXING QUARANTINE ARE DOING…



N=52 (those coming out of quarantine)

Once people are ready to transition, they will be facing some of the same realities

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

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

Today we examine only a subset of “Live” Occasions…

LIVE

OCCASION	NEED	CHANNEL
SOCIALIZING	Everyday enjoyment	RESTAURANT
CELEBRATIONS	Special occasions enjoyment	RESTAURANT + NON-COMMERCIAL
ON THE GO	Everyday convenience	C&G

LIVE

People acutely miss socializing in-person and the channels that facilitate it

88% OF CONSUMERS HAVE CHANGED THE WAY THEY SOCIALIZE

SOME POSITIVES
Easier, less hassle, less expensive
Frequency/ connecting more

"It's perfect for introverts like me and saves money, gas, time, etc. Less stress about what to wear, too."

"I like being around others but also like the experience with video -- brings out a fun spunky kinda moment."

BUT not as fulfilling as meeting in person

"Before I'd socialize in public or in person. Now I'm socializing 6 feet apart."

"As long as there is no health risk I would much rather go back to hang out with friends and family in person. It's much more personable and definitely miss that."

FEELING:
LONELY, DEPRESSED, SAD, FRUSTRATED, BORED

SOCIALIZING DURING QUARANTINE

TEXTING

SOCIAL MEDIA

VIDEO CALLS

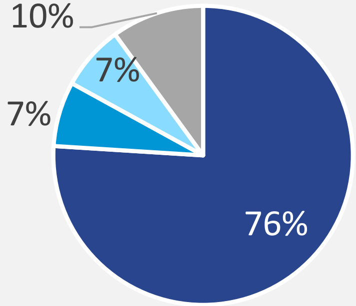
6 FT APART

Source: C Space Foodservice Community, N = 300

LIVE

Traditional celebrations are also deeply missed, in spite of the creative solutions triggered by the quarantine

76% LOOK FORWARD TO RETURNING TO TRADITIONAL CELEBRATIONS



- Looking forward to returning to traditional celebrations
- Will keep doing social distancing - type celebrations with people who live far
- Will keep doing some social distancing - type celebrations with people who live near
- Other

Virtual parties are cold. I need the physical warmth of people. I need to hug, talk in person and eat with other people outside my immediate family.

You lose out on a lot of the connection on digital: the pleasures of eating together, dancing together, hugging, or spontaneously meeting a new person.

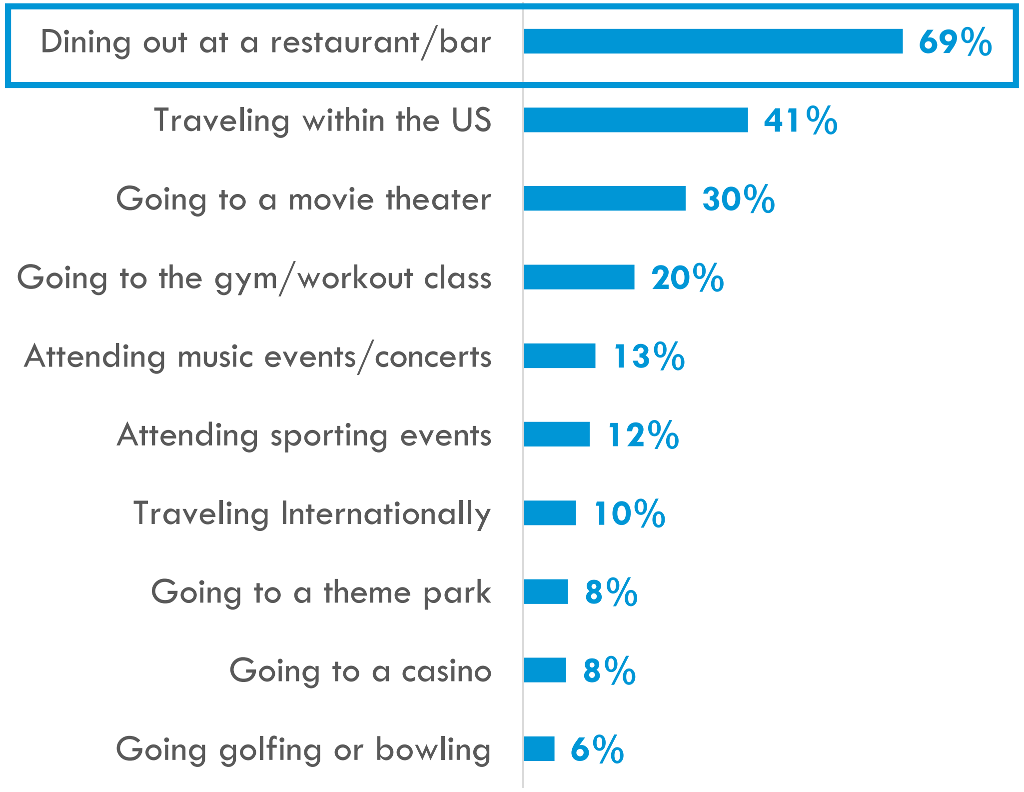
Source: C Space Foodservice Community, N = 300

LIVE

There is an opportunity for foodservice channels to re-establish themselves in socializing & celebratory occasions

Seen as a great place to socialize & celebrate, restaurants are among the top channels people are missing

Consumers are MOST missing…

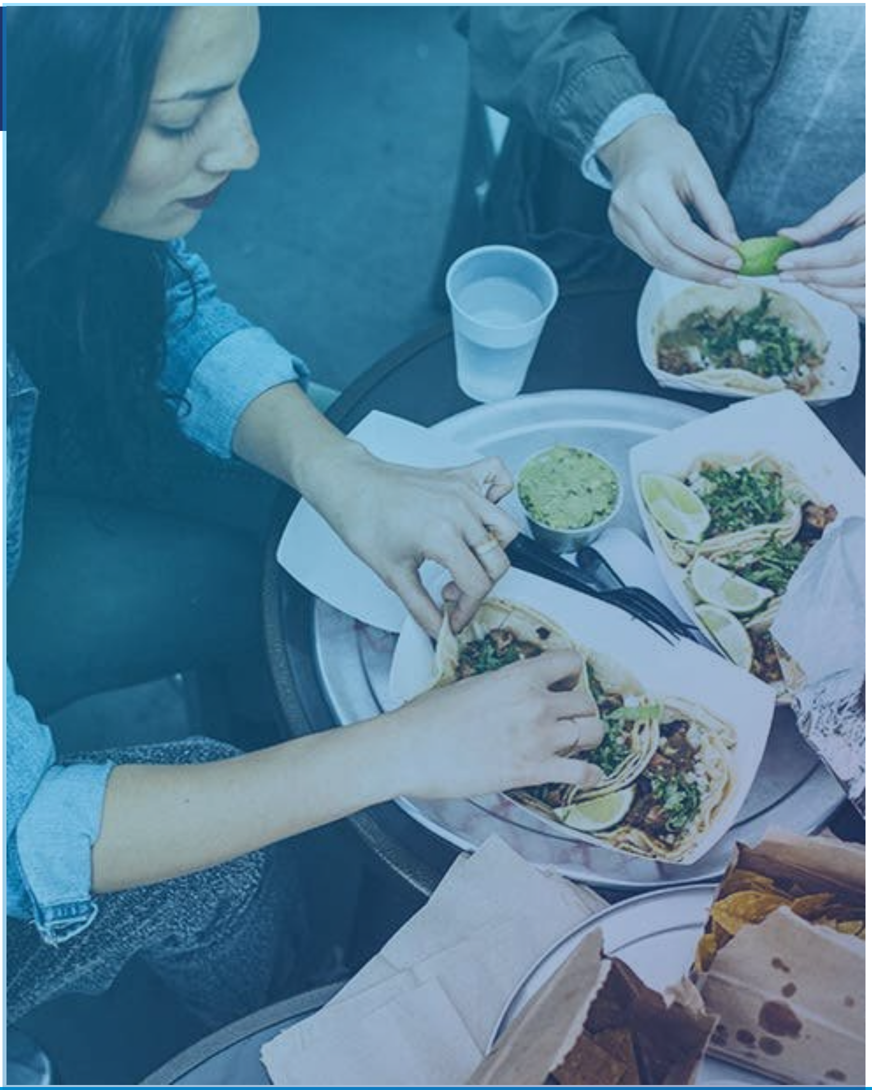


"*If I had to pick an activity it would be eating at a restaurant. That's usually where we would meet friends and family.*

My wife and I usually dine out twice a month. I really miss that.

Some days after work I like going to the bar & having a beer or martini and eat something, not having to cook. It's all about the freedom.

[I miss most] dining out. Takeout orders are often incorrect and/or subpar."



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

Source: 1Q, N=280

LIVE

...And some operators are already acknowledging the role of foodservice in post-COVID celebrations

ADWEEK

NEWS EVENTS WEBINARS CONNECT YOUR CAREER

Burger King France Will Throw 600 Birthday Parties for Kids After Lockdown Ends

Parties will come complete with food, cake, gifts, invitations and decorations

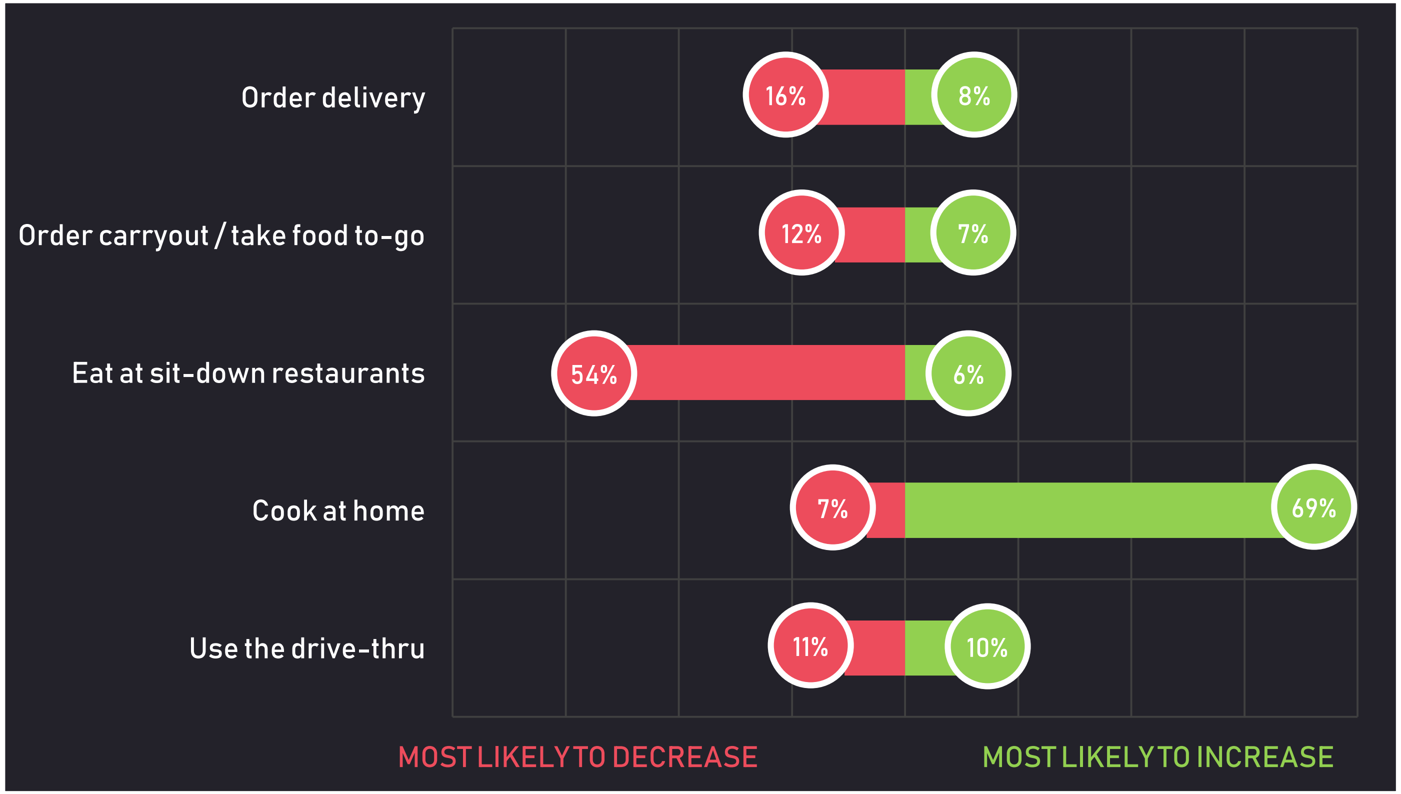
By Kathryn Lundstrom | 3 days ago

Burger King France added 100 extra birthday party giveaways after a strong response on social media.

LIVE

To be successful, FS brands will have to overcome consumers' fearful reactions

PEOPLE INTEND TO EAT OUT LESS THEN BEFORE….



Consumers look to foodservice to meet new needs:
Providing Emotional Relief & Normalcy

REASONS I WOULD VISIT RESTAURANTS WHEN THEY RE-OPEN

Needing to feel normal again	45%
Cabin fever - I've been stuck inside too long	38%
Change of scenery – tired of being in my house	35%
Needing to socialize in person and be around other people	34%
Supporting restaurants in my community	33%
Getting foods I can't make at home or easily get delivered	30%
I'm tired of cooking at home	26%
For special occasions I wouldn't normally celebrate at home	25%
Need a date night / romantic night out	20%
None of these – still nervous about restaurants and bars	13%
Need a night out away from the kids	9%

if dining rooms re-open, what are your top reasons for wanting to visit restaurants and bars again?

Consumers look to foodservice to meet new needs: Enabling Care-Free Living

EVERYTHING HAS TO BE THOUGHT OVER, NOTHING IS CARE-FREE ANYMORE

"Before I didn't even have to think about it. I'd just go out and talk to people. I can't do that anymore." (what do you miss when it comes to socializing)

Consumer Needs Are At Odds

EXTREME HEALTH & SAFETY

- Employee temperature checks and virus tests
- Masks, gloves, visible cleaning after every guest
- Turn away guests who are sick,… etc., etc.

LET GO & RELAX

- Return to traditional socializing & celebrations
- Feel a sense of normalcy
- Not having to think about, plan, and/or worry about everything

LIVE

OCCASION	NEED	CHANNEL
SOCIALIZING	Everyday enjoyment	RESTAURANT
CELEBRATIONS	Special occasions enjoyment	RESTAURANT + NON-COMMERCIAL
PIT-STOPS	Everyday convenience	C&G

LIVE

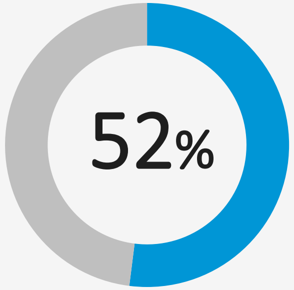
Consumer C&G needs have shifted during COVID

CONSUMERS LOOKING AT C&G FOR ESSENTIALS THAT ARE OUT OF STOCK AT LARGER FORMAT STORES

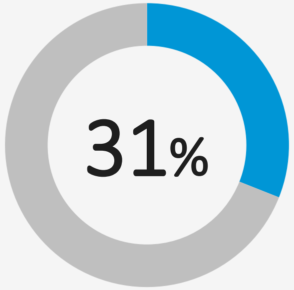
INCREASE IN DOLLAR SALES (in-store)
C-Store Operator-reported

DOWN IN DOLLAR SALES (in-store)
C-Store Operator-reported

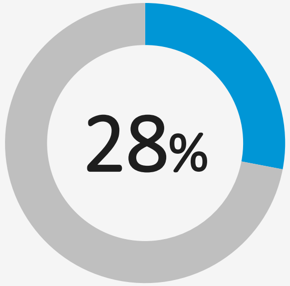
FROM IMMEDIATE OR SAME DAY CONSUMPTION TO GROCERY ESSENTIALS



are adding more cleaning and toiletry items



are emphasizing ready-to-heat meals



are showcasing multipack and bulk items

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'

LIVE

Operators have responded with expanded offerings

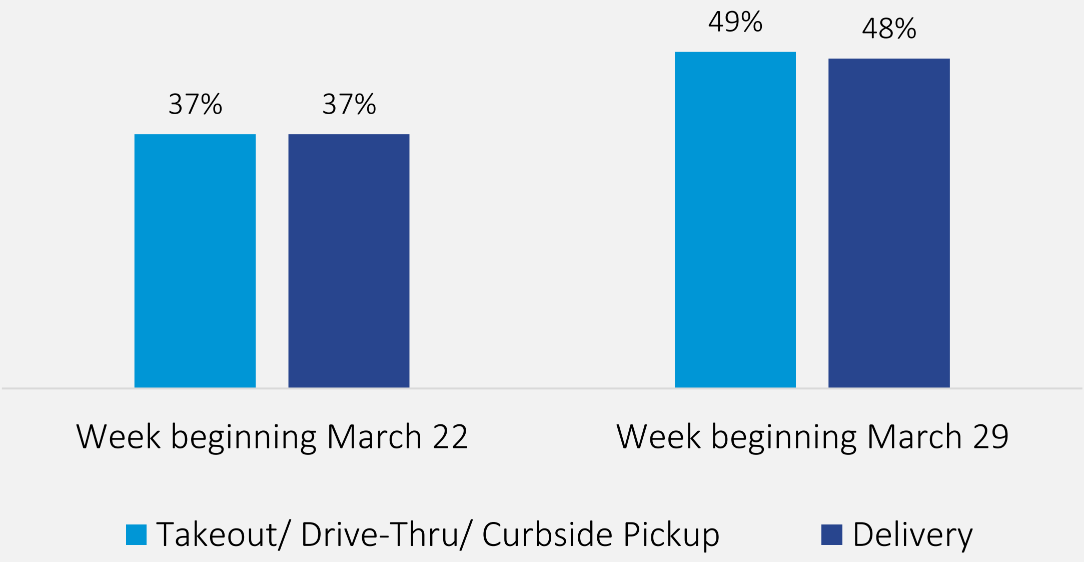
Operators are removing barriers to use….

7-Eleven is waiving the delivery fee for its 7Now service & partnering with restaurant delivery aggregators. Consumers can order grocery items, over-the-counter medicine, household goods, food & beverages including pizza, Slurpees, beer & 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

C-Store Prepared Food by Service Mode[1]



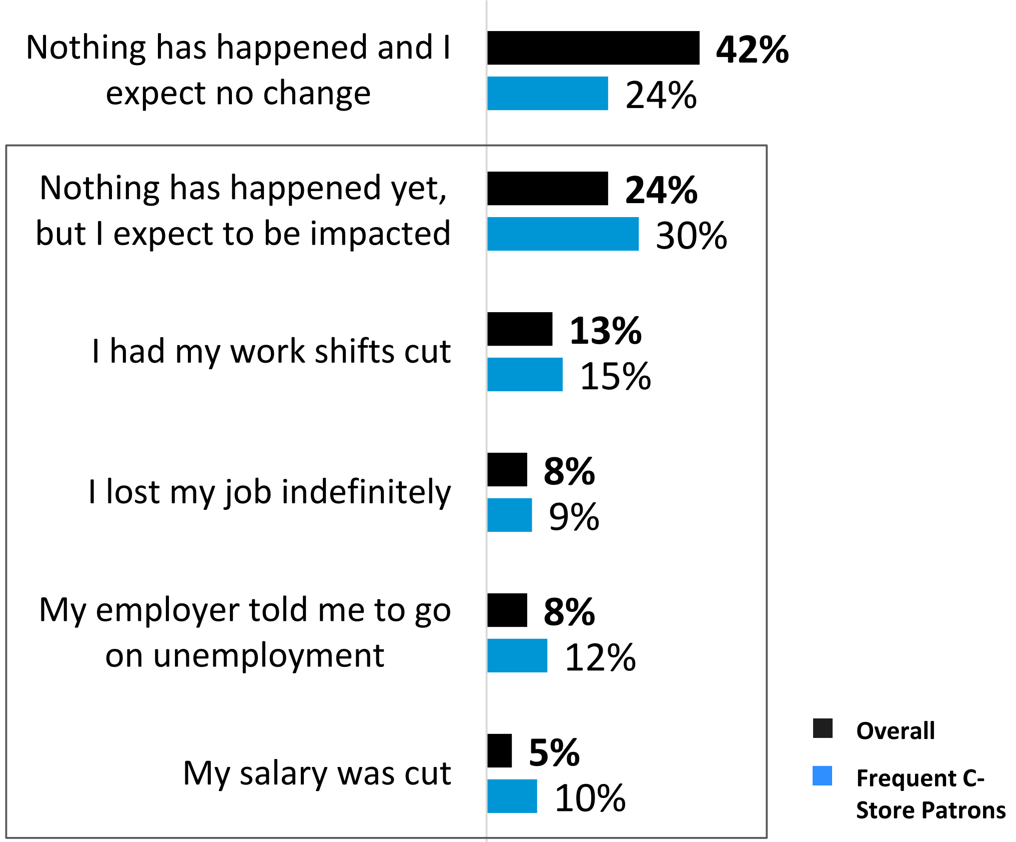
Q: Now, thinking about the past seven days, please select the service(s) you have ordered food/beverages from for each restaurant type. Select all that apply per row.

Source: 1 Technomic Foodservice Impact Monitor 4/3/2020

LIVE

Post-COVID success will rely on continued innovation, in a value-driven environment

C-STORE PATRONS ARE MORE IMPACTED FINANCIALLY



Which of the following has happened to you personally since the Cronavirus situation

LIVE

Delivering on emotional needs is also important

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 4/10/20, N=200 (consumers who were at a national convenience store at least once between 12/12/19 - 04/10/20

20

LIVE

Building a feeling of safety will require overt cleaning from operators

- Concern about germs **on high contact surfaces** (tables, chairs, door handles)[1]
- **Constant, high-visibility cleaning of high touch areas** is the strongest signal that the operator is protecting consumers' health
- Consumers prefer communications next to fountains **outlining new cleaning procedures** and highlighting the **touch-free Sani-Levers** on the machines

46%

Do not trust fellow diners in a restaurant to take necessary precautions to keep them safe[2]

44%

Do not trust fellow shoppers in a grocery store to take necessary precautions to keep them safe[2]

*"**Cleanliness is godliness**. Is there proof it's being cleaned. Someone is standing there; you can see them spraying down things. **Actively seeing people cleaning will make me feel safer**."*

C-Store Buyer

*"**Cleanliness, things that we're touching. Are they keeping up on that?** If things become more relaxed, that will be in the back of our minds. **I want to see people spraying everything down**."*

C-Store Buyer

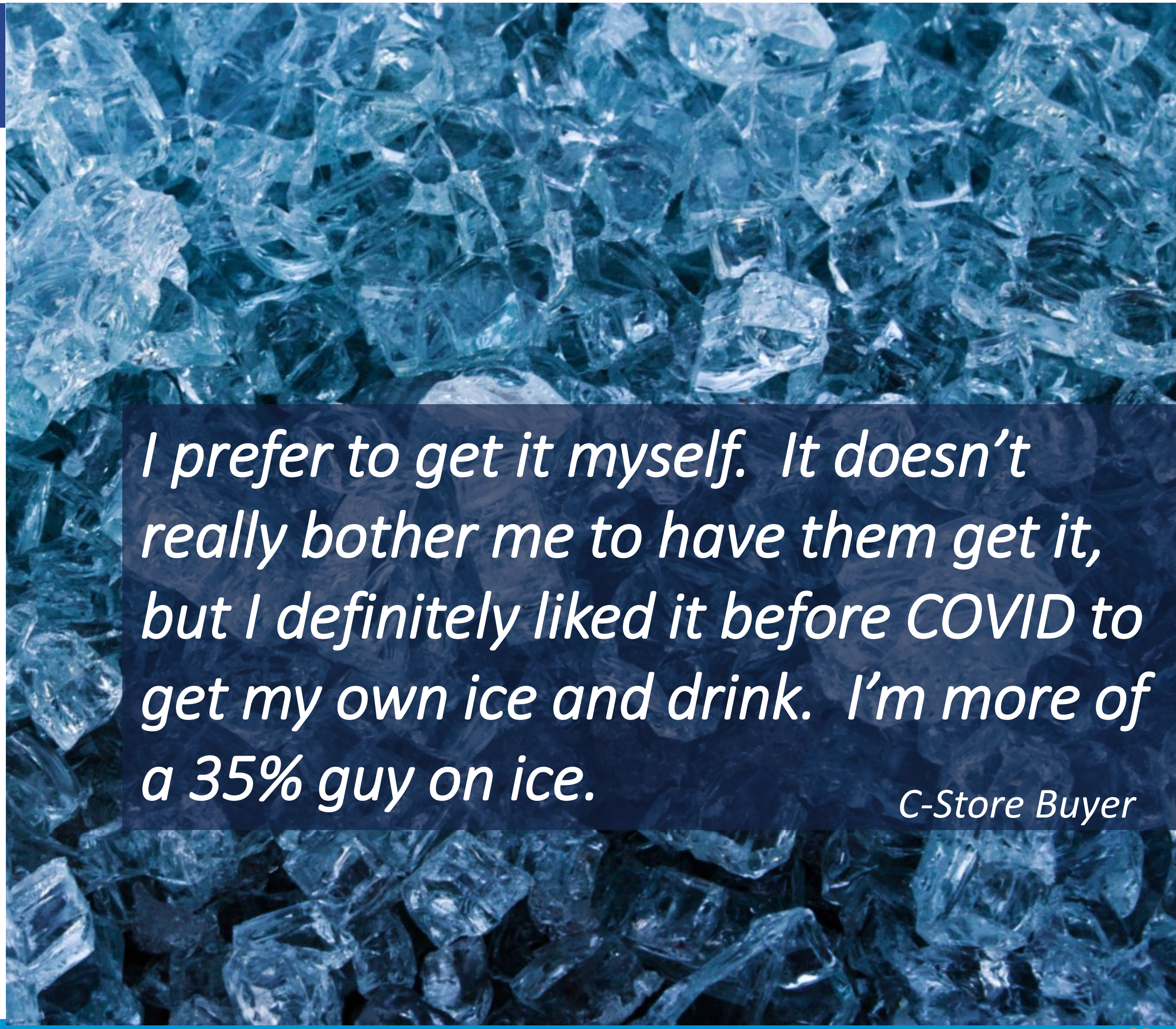
Source: 1 PepsiCo Equipment Safety Research April 2020, 2 Datassential COVID-19 report 14: THE TRUST ISSUE, fielded April 15 with 1,000 US consumers.

Despite The Current Environment, Consumers Prefer Fountain

In spite of overall safety concerns, C&G shoppers prefer fountain drinks:

- Customization & convenience
- “Made just the way I like it”: can customize the perfect ratio of ice/beverage, freshness, and drink mixes
- **They are not perceived as significantly less safe than bottles and cans**

Self-serve stations for cups/lids are **not acceptable** because of others touching them. Consumers feel cups/lids/straws are safer if handed out by staff.



Source: PepsiCo Equipment Safety Research April 2020

LIVE IMPLICATIONS

- Across channels, operators will need to stretch to help **overcome consumer fears** and **provide new reasons to visit**

- In on-premise channels: design a **safe environment** that offers some **feeling of normalcy**:
  - Provide clear health communication but **take the burden off your guests** as much as possible (hand-out masks, offer online pre-ordering, etc.)

- In C&G: continue evaluating adjusted business models to serve non-traditional convenience needs; value offerings are particularly critical in this channel

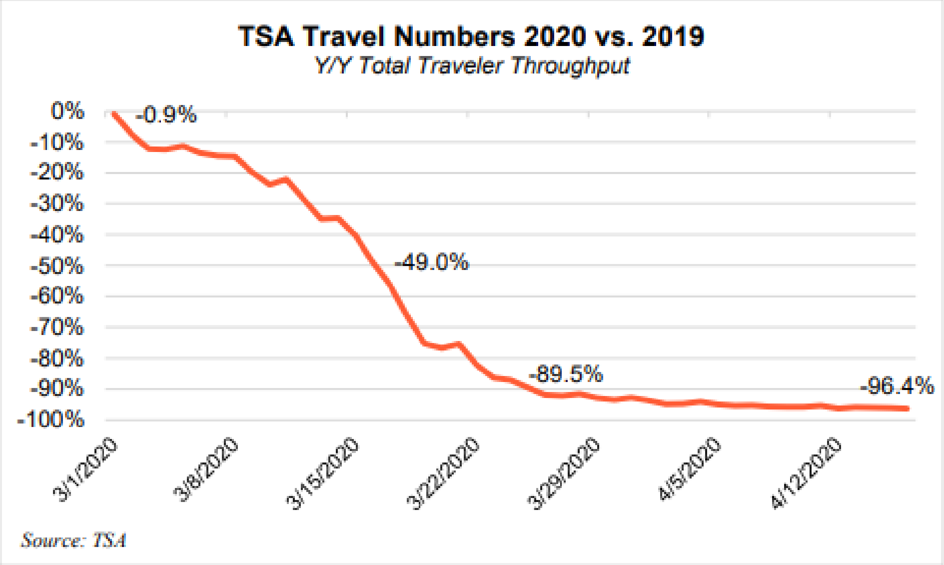
WORK

LIVE

PLAY

TRAVEL

Travel Reduction was among the first precautions taken against COVID, leaving the industry at a current near standstill



Airlines are cancelling a staggering number of flights in the US. due to COVID. In conjunction, the number of passengers flying saw a dramatic decrease indicated by the over 96% decrease in TSA Traveler Throughput YOY.

THE SITUATION

While there isn't a federal ban on domestic travel, state/local shelter-in-place orders & CDC guidelines have caused **Americans to avoid all non-essential travel**.

Airlines:

- **Flight capacity is down by about 58%** vs last year.
- Planes still flying at 5-15% capacity → impact on pricing
- In-flight food & drink offerings greatly reduced or removed entirely.
- Airports are now nearly empty, causing reduction of operations, closing of runways and consolidating of terminals.

Hotels:

- W/E April 4, **U.S. hotels had an occupancy of 22%**, showing a YOY decrease of 69%. Meanwhile, Average Daily Rate dropped to $76.51, down 42% YOY on average.
- Many hotels in hot spot areas are being used for COVID-related housing: converting to hospitals, providing shelter for patients with mild COVID-19 symptoms or those with known exposure, or housing frontline hospital workers to allow them to stay close to work.

Consumers feel anxious about travel

MANY CONSUMERS HAD TO CHANGE OR CANCEL TRAVEL PLANS DUE TO COVID

It will take at least

4-6 months

after the COVID-19 curve flattens for a majority of Americans to return to hotels and airlines.[1]

74% of consumers are avoiding making vacation plans for now[2]

Consumers communicate concerns about various elements of travel:[3]

- Taking a cruise - 73% Extremely/Very Concerned
- Flying on an airplane – 60% Extremely/Very Concerned
- Staying in a hotel – 43% Extremely/Very Concerned

Source: [1]The Harris Poll [2]Directions Research COVID-19 Consumer Response Tracker [3]1Q Weekly Tracker - Coronavirus

While consumers are wary, there is a strong desire to travel

41% OF CONSUMERS MISS US TRAVEL THE MOST[1]

In Their Words:

I miss traveling the most as I am super bored cooped up in the house and tired of looking at the same things everyday. There is no sense of adventure or fun.

AIR TRAVEL

- Airlines offering new flexibility for travel later this year
- Waiving change fees, extending frequent flyer-status & travel credits
- Most major airlines enacted policy changes

HOTELS

- Discounting room rates in the near term
- Offering flexible bookings
- Extending loyalty programs, status, points, etc. to offer additional flexibility to their best customers
- Selling discounted gift-cards for redemption later

CRUISES

- Positive Signs - Bookings for cruises on the rise of 2021
- 76% of consumers with canceled cruises re-booked instead of a refund

Source: [1]Q, N=280

But how consumers travel will be different Post-COVID

SHORT-TERM TRAVEL BEHAVIORS

More Road Trips

More Domestic travel

Longer stays in a single location to reduce exposure

Travel to visit family & friends, leisure travel before business & group/event travel

Luxury travel likely to drive leisure travel initially

- ✓ Searches for **'luxury hotel', 'luxury travel' less impacted** than other travel search terms
- ✓ For upcoming holiday in China, 55% of hotel bookings made with **4- and 5-star hotels** as perception these hotels **will follow safety / hygiene guidelines**

Staycationing a likely option given greater focus on localism

- ✓ 22% in US **converted their vacation to a staycation** to explore local attractions
- ✓ Given virus concerns, across the world, for 75% of consumers - **locally-sourced** is top-of-mind for trustworthiness: it is most familiar and perceived to be **less risky**

The Great Outdoors draw great demand

- ✓ As markets open-up, **consumers are flocking to national parks, golf courses, beaches** (i.e., +17% foot traffic to parks in South Korea)
- ✓ For upcoming holiday in China, **greatest number of bookings are for outdoor attractions** (Taiping national Forest Park, Great Wall of China)

Source: Google Trends – US (1/1/19-4/13/19 and 1/1/20 - 4/13/20), Staycationing: Phocuswright, Apr 2020, Localism: GlobalData, Apr. 27, 2020, South Korea Foot Traffic: *Google Community Mobility Reports, Apr 11, 2020*

Travelers will need reassurance across the whole journey, involving new social distancing and sanitation measures

DISTANCING

SANITATION

PROTECTION

AIRPORTS

Airports need to simplify & reduce crowding

- Need distance at every stage: Ticketing/Luggage Check, TSA, Gate, Concourses; May be new technology solutions to reduce staff interaction
- Constant disinfection of high-touch surfaces within the facility, sanitizing as much as possible between travelers (e.g. TSA bins)
- Health Checks possible: temperature readings or health verification certificate requirements; Masks for employees & travelers

AIRLINES

Airlines' actions will need to be visible

- Distancing measures on flights: blocking middle seats, limiting the number of passengers
- More antiviral cleaning on planes between and even during flights; Must assure customers their seat & other high-touch areas are clean
- Passengers staff, in-flight crews potentially required to wear masks and gloves from check-in through boarding and deplaning; Staff interaction reduced including in-flight food & beverage service

Within Hotels & Cruises as well

	HOTELS	CRUISES
	Hotels will be both a refuge and a risk	Cruises must convince travelers to return
DISTANCING	• Mobile solutions for check-in, room key, and ordering food to help ease crowding and lines; Distanced lobby areas; Elevator capacity limits	• Egress will need to be addressed by staggering boarding, or other measures; Reduced capacity at onboard entertainment/restaurants
SANITATION	• Partnering with experts and consumer cleaning brands to rollout new hygiene standards; New hospital grade technologies like electro-static sprayers being adapted for hotel use	• Increased cleaning of high-traffic and high-touch areas; Hand sanitizer or hand-washing required before entering dining rooms; Rigorous sanitation between sailings
PROTECTION	• Masks required for staff & guests in common areas	• Temperature scans or other health verification before boarding; Increased medical staff onboard; Travelers/Crew required to wear masks & gloves

And Casinos & Theme Parks

DISTANCING

SANITATION

PROTECTION

CASINOS

<u>Casinos concerns on both gaming & resorts</u>

- Distance will need to be maintained at gaming tables/machines, restaurants, pools, etc. with capacity limits & reduced seating
- Casino chips disinfected multiple times daily, Rigorous cleaning of machines & surfaces; Increased hand sanitizer availability; Buffets closed for the near term
- Masks & gloves required for staff, allow visitors to wear masks that do not cover the full face; Potential for temperature checks (employee & guest)

THEME PARKS

<u>Theme Parks face challenges throughout</u>

- Distancing on rides & transport, at restaurants & resorts by: reduced park/area capacity, queue floor markings, staggered ride seating, virtual queue technology, etc.
- Increased availability of hand sanitizer at exit/entry gates, ride entry/exit; Rigorous cleaning of ride vehicles, hand rails, other high-touch areas
- Masks & gloves required for staff, allow visitors to wear masks that do not cover the full face; Potential for temperature checks (employee & guest)

TRAVEL

Food & beverage offerings will also look very different in the skies, seas, and throughout the travel experience

Airline Refreshments

As travelers take to the skies, there will need to be a balance of providing amenities to passengers and reducing the contact with Flight Attendants.

Delta just announced the introduction of full snack kits that contain water, crackers, cookies, and hand sanitizer.

Hotel Food & Beverage

Hotels will need to be seen as "safe spaces" where travelers can take refuge during their journey.
So, there will be a shift to increased in-room food & beverage consumption and mobile ordering.

Thought will also need to be given to "free breakfast" self-serve bars and high touch in-room items (like coffee machines & mini-bars) to fit with traveler cleanliness expectations.

Cruise & Resort Dining

Like restaurants, dining experiences on cruise ships, at resorts & casinos will need to shift to accommodate social distancing and increased sanitation measures.

It will need to go beyond enforced hand sanitizer usage to make cruisers comfortable and safe.

TRAVEL IMPLICATIONS

1. Offer grab & go products to provide peace-of-mind along the journey.

2. Use food & beverage offerings as a way to show hospitality & reward loyalty.

3. Help consumers navigate evolving travel environment (e.g. food delivery to gates before boarding, food & beverage in hotel rooms, vending)

4. Consider where consumers will be sourcing food & beverage while traveling.

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, Nina Guest, Omar Sahi, Ashley Dodge, and Amy Edler, Karen King, Lydia Gau.***

PepsiCo Foodservice Insights

COVID-19 INSIGHTS

MAY 8, 2020

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We continue to look at the impact COVID-19 across 4 stages:

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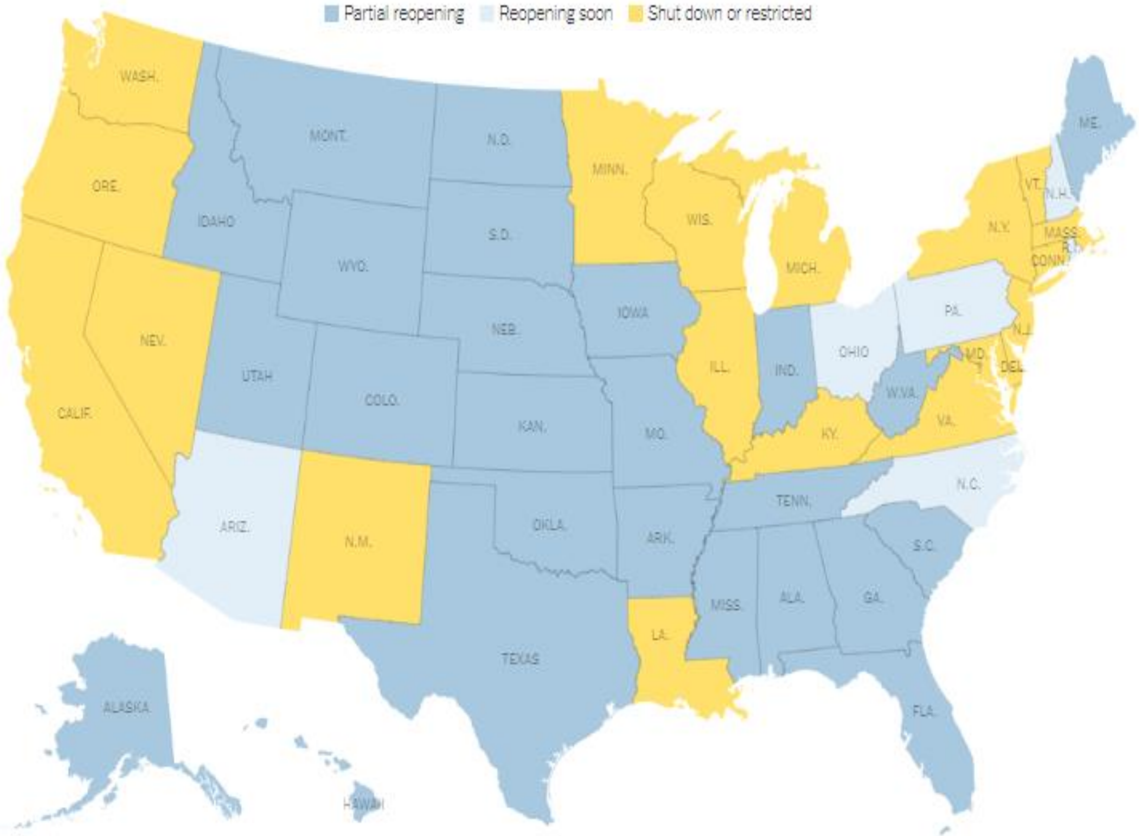
DOING	Stockpiling Pantry Items, Cancelling Plans	Shift to Working/Learning from Home	Partial Return, Testing Out Situations, Adapting to new Protocols	Adapting to Permanent Changes (i.e. post-9/11)
DOING	Increase in Large Format, Club & Ecom, fewer trips to C&G, Foodservice	Growth of Ecom & Delivery, most On-Premise closed	Continued Use of Ecom, Likely a short spike in Foodservice, incl. Entertainment & Travel	Ecom & Delivery become Permanent Behaviors
DOING	Increase in TV consumption (News)	Shifts to Streaming & Gaming Decrease in podcasts	Financial State Impacts Streaming Services	Likely a Return to Usual Media, with more streaming

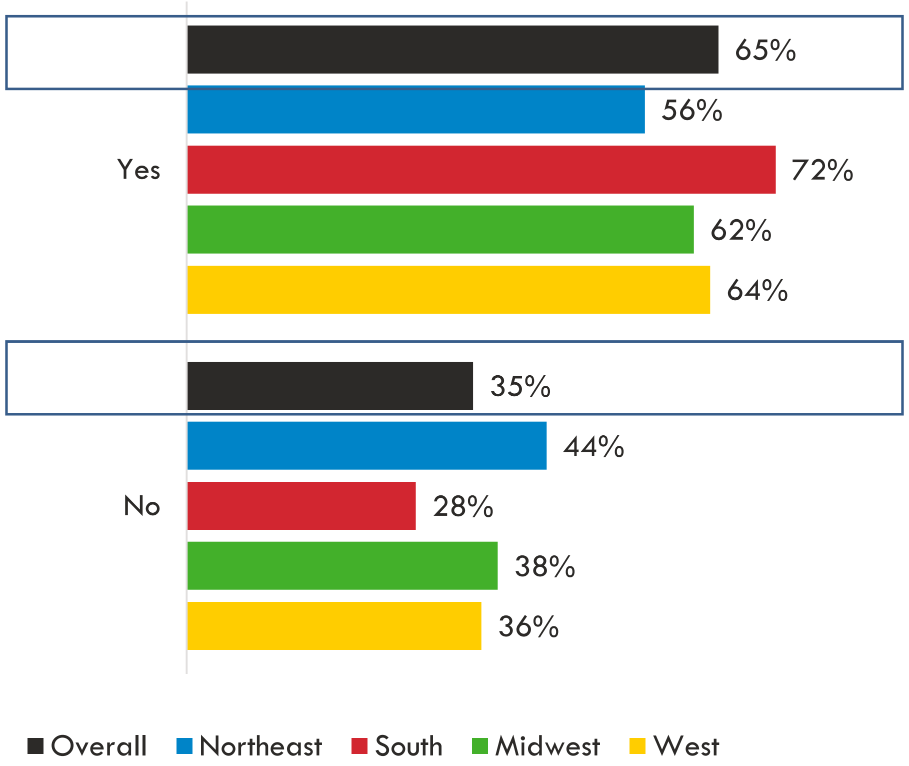
Most states are currently in this stage

States continue to open though some consumers are concerned about re-opening too quickly

STATE BY STATE STATUS, UPDATED MAY 7



ARE YOU CONCERNED THAT YOUR STATE OR COUNTY WILL REOPEN TOO QUICKLY?



However, quarantine fatigue is starting to hit consumers hard, making adhering to safety guidelines even more challenging

GEORGIA SAW AN ADDITIONAL

62,440 visitors daily

most from surrounding states, **one week after they allowed dine-in restaurants, hair salons and other businesses to reopen**, according to an analysis of smartphone location data

> *Many homebound* ***Americans hit the mental milestone of the fifth week [on April 13], technically entering a second month, with no clear end in sight****. Even with the boom in video calls and virtual cocktail hours, they say,* ***feelings of loneliness and isolation continue to mount…The isolation is real. The loneliness is real.***

Source: https://www.washingtonpost.com/local/trafficandcommuting/quarantine-fatigue-researchers-find-more-americans-venturing-out-against-coronavirus-stay-at-home-orders/2020/04/25/fa1f01b2-84a3-11ea-a3eb-e9fc93160703_story.html, https://www.washingtonpost.com/local/trafficandcommuting/smartphone-data-shows-out-of-state-visitors-flocked-to-georgia-as-restaurants-and-other-businesses-reopened/2020/05/06/b1db0056-8faf-11ea-9e23-6914ee410a5f_story.html

The reopening of Foodservice will be gradual…

WORK	LIVE	PLAY	TRAVEL
			
Workplace **Education**	**Restaurants** **Retail**	**Recreation/Gyms** **Entertainment/ Cinema** **Stadiums**	**Airlines** **Lodging** **Cruise Lines**
Staggered Re-Opening, Most Schools Postponed to Fall	Restaurants to fully re-open, with reduced capacities and strict safety protocols	Wide variation by state. Large venues slower to reopen, expect reduced capacities	Slower recovery as Travel restrictions remain in place

Today's Topics:

- **The Macro View** – What Will Demand Look Like Once Restrictions Lift?

- **Creative Territories** - What Messages/Tonality Can Help Welcome Consumers Back?

CONSUMER BEHAVIOR DURING COVID-19 CAN BE UNDERSTOOD BY EXAMINING 3 KEY MACRO-SHIFTS AND THEIR ALTERED TRAJECTORIES

FOOD AWAY FROM HOME

TO

EATING AT HOME

SOLO DINING

TO

“FAMILY” OCCASIONS

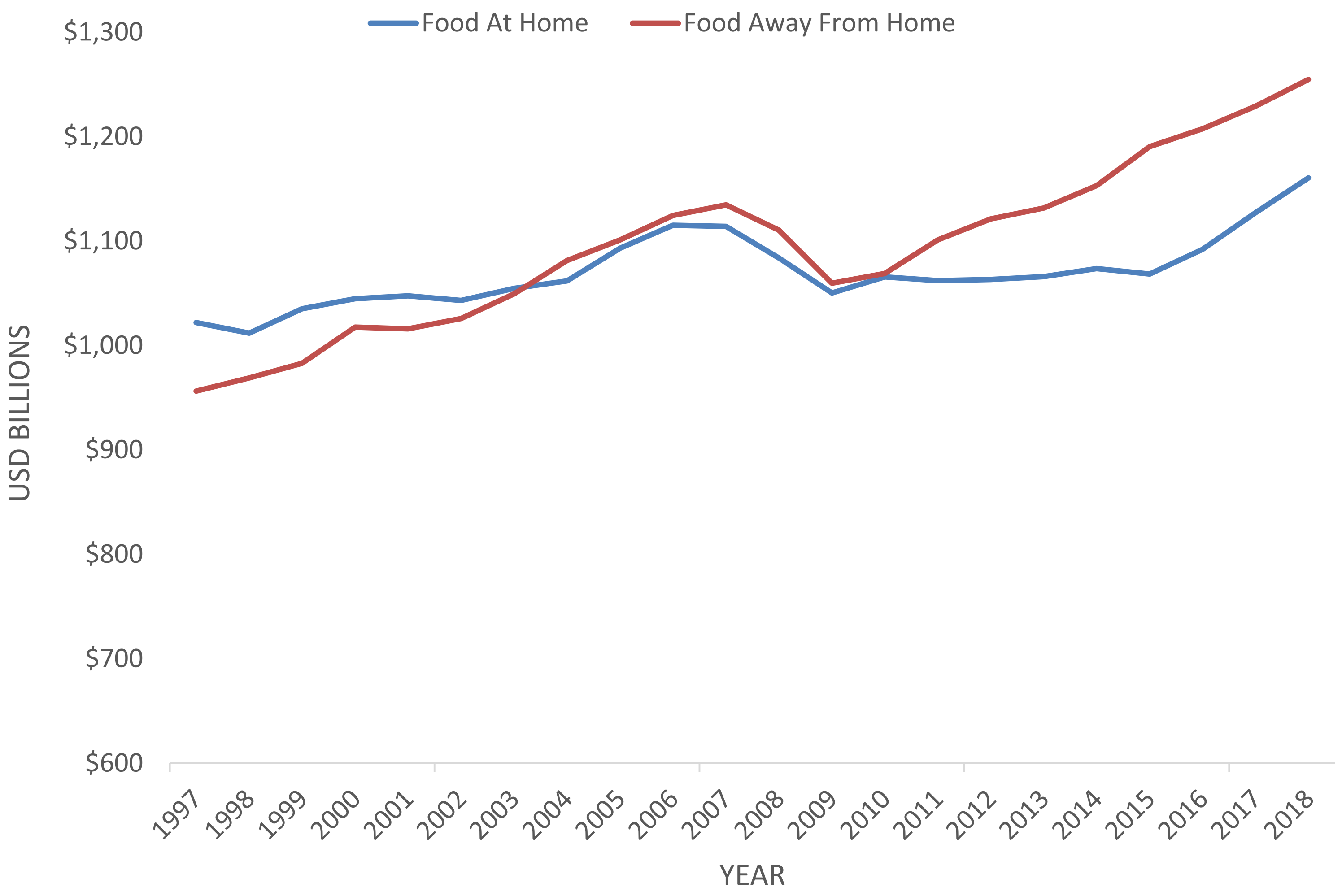
SUSTAINABILITY REVOLUTION

BUT

SAFETY FIRST

FROM EATING OUT AND ON-THE-GO TO MOST MEALS AT HOME

BEFORE COVID19: Food away from home expenditures surpassed food-at-home expenditures in 2010



DURING CONFINEMENT & COCOONING

Shift In Share Of Wallet

- Restrictions mean more food at home
- Uncertainty drives value-consciousness
- +/- Groce-taurants -> Resto-retail

Reliance On Delivery From Both Channels

- Omnichannel retailers saw online grocery sales up 200%+**
- 19% respondents said they grocery shopped exclusively online last week (week of 4/15)**
- 41.7% of respondents said they will order delivery from restaurants during lockdown**

Less Frequent Trips To Both Channels

After a brief period of panic and stockpiling, foot traffic remains lower than pre-COVID norms

- Grocery: -27% foot-traffic*
- Fast Food: -34% foot-traffic*
- Fast Casual -58% foot-traffic*

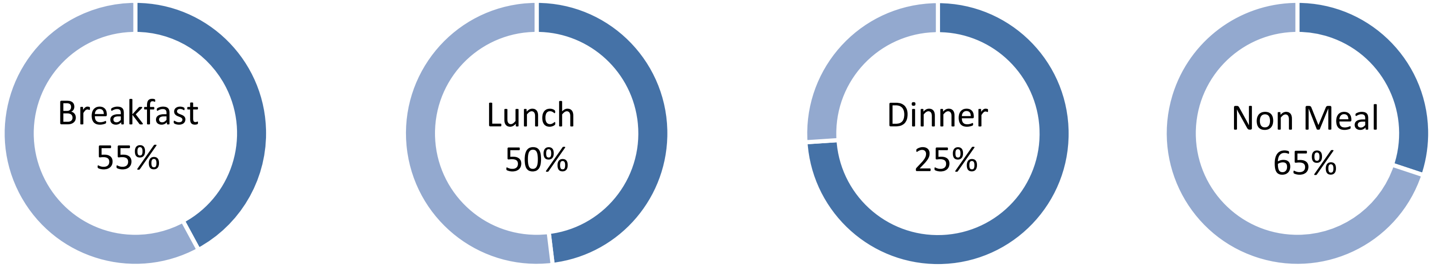
UNCERTAINTIES: Will people revert to spending on eating away from home? Is delivery here to stay?

Sources:: USDA Expenditure Data 2019 / PepsiCo eComm COVID Survey Wave 2 n=1000** / PlaceIQ Geolocation Data*

FROM SOLO DINING TO SHARING AND STRETCHING MEALS

BEFORE COVID-19: Non-family households were becoming increasingly common, and people ate most of their meals alone

Meals Eaten Alone



Family VS Non-Family Households

Year	Family Households	Non-Family Households
1962	85%	15%
1981	73%	26%
2001	68%	31%
2018	65%	35%*

DURING CONFINEMENT & COCOONING

Most Americans Are Sheltering With Others

- Only 26% of Americans live alone
- Many are sheltering with family/ extended family/ multi-generational households

Collapse Of Solo Dining Dayparts

- Most weekday breakfast and lunch outlets are closed (B&I, k12, CNU)
- Many restaurants are simplifying menus, focused on dinner

More Preplanned Meals

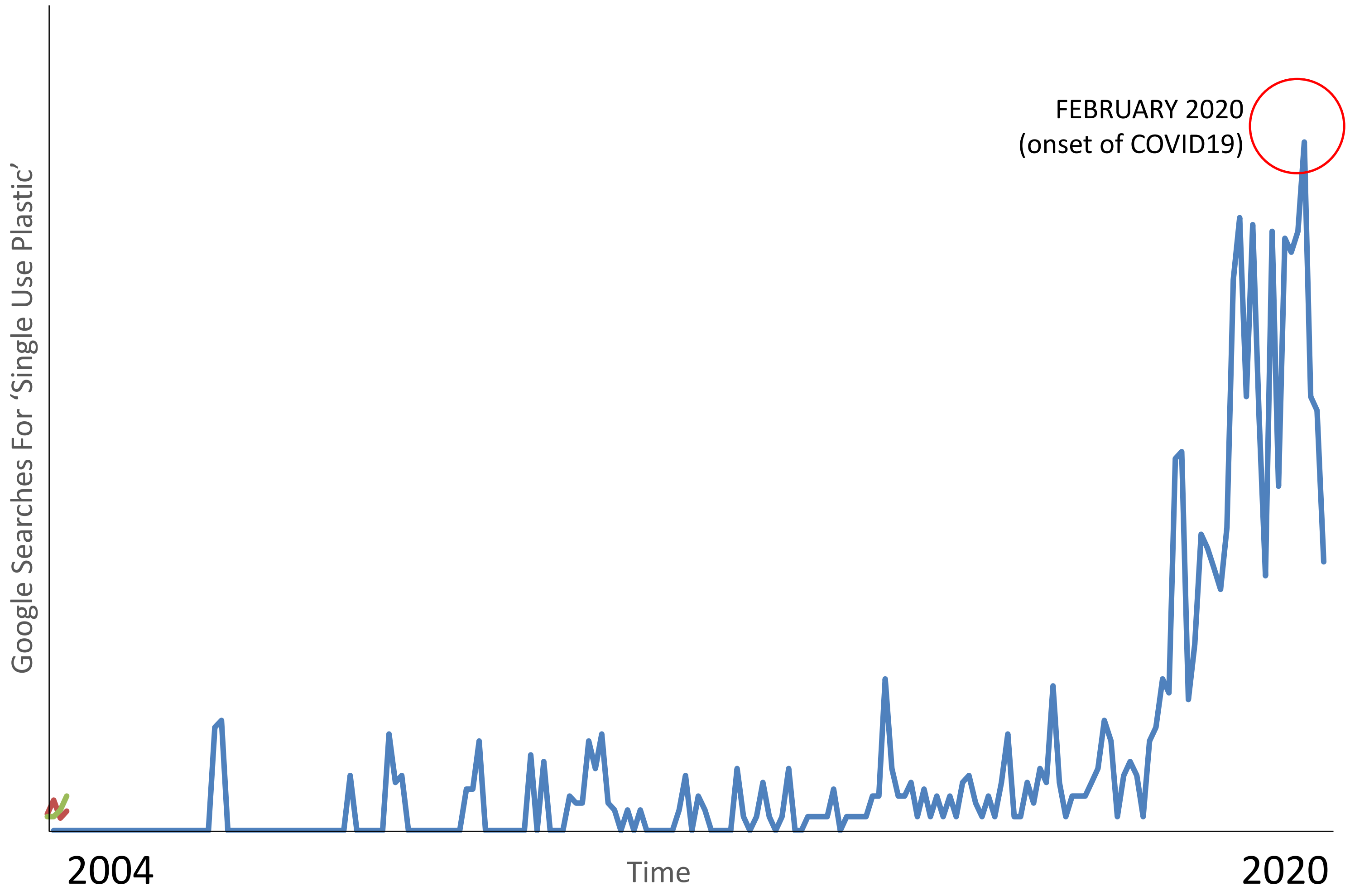
- Less impulse options along regular commute/routine
- Shift in favor of multipacks
- 50% of consumers say when ordering a delivery meal, they order extra for later**

UNCERTAINTIES: Will consumers revert to eating alone and "in-the-moment" or are large portions, group bundles and pre-planned meals a new expectation?

Sources: *US CENSUS 2018 / **Datassential COVID-19, MAR 17 2020 / NPD Eating Trends 2019

SUSTAINABILITY REVOLUTION, BUT SAFETY FIRST… FOR NOW

BEFORE COVID-19: Concern around single-use plastic grew exponentially over the last few years, but interest peaked right as the pandemic began



DURING CONFINEMENT & COCOONING

Consumers

- Perceived concern for self-service/fountain safety
- Single use plastics cue protection everyday
- Long-term, 55% say they will have HIGHER expectations of businesses sustainability efforts post COVID-19

Producers

- Constraints on supply of bottle and can
- Reduced oil prices make virgin plastic cheap – recycling less profitable

Regulators

- States, cities, stores are curbing plans on plastic bags and banning reusable bags
- Masks and other single-use PPE mandated by some cities and states. New hygiene regulations prioritize safety for now.

IMPLICATION: How can brands carry forward the momentum of the sustainability movement while remaining sensitive to the immediate consumer priority of safety?

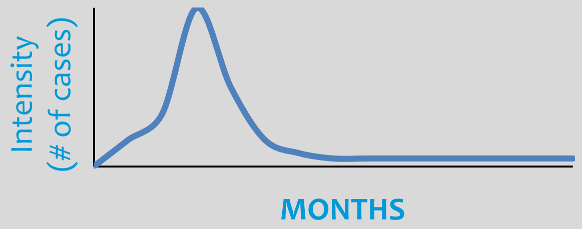
Sources: Google Trends 2020; PepsiCo Foodservice Insights, 1Q, March 31, 2020, n=300 nationally representative sample

HOW TEMPORARY THESE SHIFTS ARE DEPENDS ON HOW LONG THE PANDEMIC LASTS

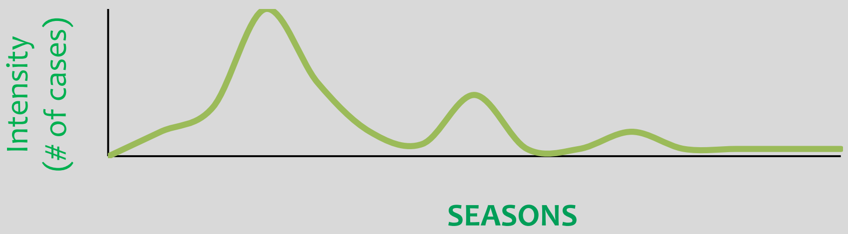
- Food At Home
- Adoption Of Delivery /Order Ahead / Curbside / Drive-thru
- Price Sensitivity
- Group Bundles
- Bottles / Cans
- Multiserve packs / Bigger Portions

- Food Away From Home
- Solo Breakfast
- Solo Lunch
- Impulse Purchases
- Safety Of Selfserve / Fountain
- Traffic

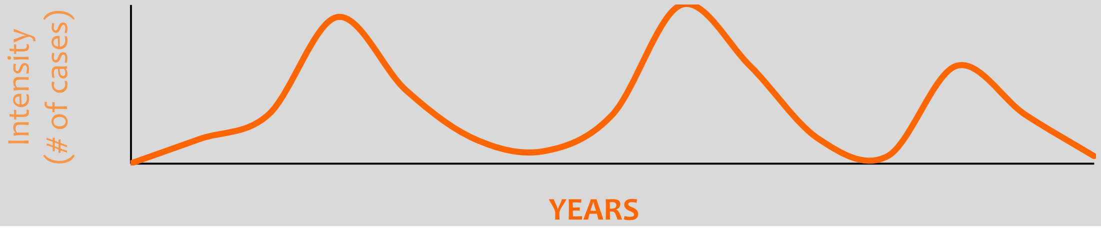
Near-term Recovery



Managed Crisis



Protracted Upheaval



THERE IS A RANGE OF POSSIBLE OUTCOMES AFTER LOCKDOWNS LIFT, WHICH OPERATORS MUST CONSIDER IN THEIR CONTINGENCY PLANS

	NEAR-TERM RECOVERY DEMAND: higher than capacity REGLATION: enforcement can't keep up	MANAGED CRISIS DEMAND: staggered REGLATION: restrictions on gathering size	PROTRACTED UPHEAVEL DEMAND: low REGLATION: political gridlock
CONSUMERS Behavior	ON THE HUNT	ROAM IN PACKS	SHELTER IN PLACE
Motivation	**FREEDOM** People will seek to release pent-up demand and satiate an increased appetite for adventure. Prolonged boredoms drive people to seek novelty and experimentation.	**FAMILIARITY** People will take cues on which activities are safe and when from their trusted social circles. Nostalgia drives people to visit familiar places/brands first.	**FEAR** Instinctual fear of infection and financial constraints will keep people at home - especially those in contact/living with immuno-compromised people
OPERATORS Implications	**REIMAGINE** Innovate on new white space and emerging trends. Define what is new in "new normal" – shape future of sustainability standards	**REASSURE** Message you core target / tribe. Convey normalcy and build a communal atmosphere (despite a more sterile/distant environment)	**REGROUP** Optimize for off-premise (at home/outdoors) continue delivery, take-out, drive-thru, curb-side, order-ahead and group/large order offers/bundles
Constraints	Supply-chain (there are signals of a meat-shortage)	Maintaining staff, consistency and social distancing	Simplified menus - focus on safety, sustenance, value

APPROACHING YOUR CUSTOMER WHEN CONSIDERING OPENING

REASSURE

Consumers will expect significant safety and hygiene protocol and to be communicated loud and clear

- Communicate safety measures along the journey
- Visible employee safety measures
- Clear indications of social distancing
- Minimize handling across all touchpoints

REGROUP

Restaurants will need to ramp up staff and facilities that have been dormant

- Restart supply chain
- Rehire/Retrain staff
- Reconfigure the space for social distancing
- Evaluate menu offering for efficiency

REIMAGINE

Adoption of new technologies, marketing strategies, and modalities will be crucial to succeed in the new normal

- Create new value offerings
- Consider new services modes (ex. Drive through, pick-up, delivery, digital)
- Optimize digital store front

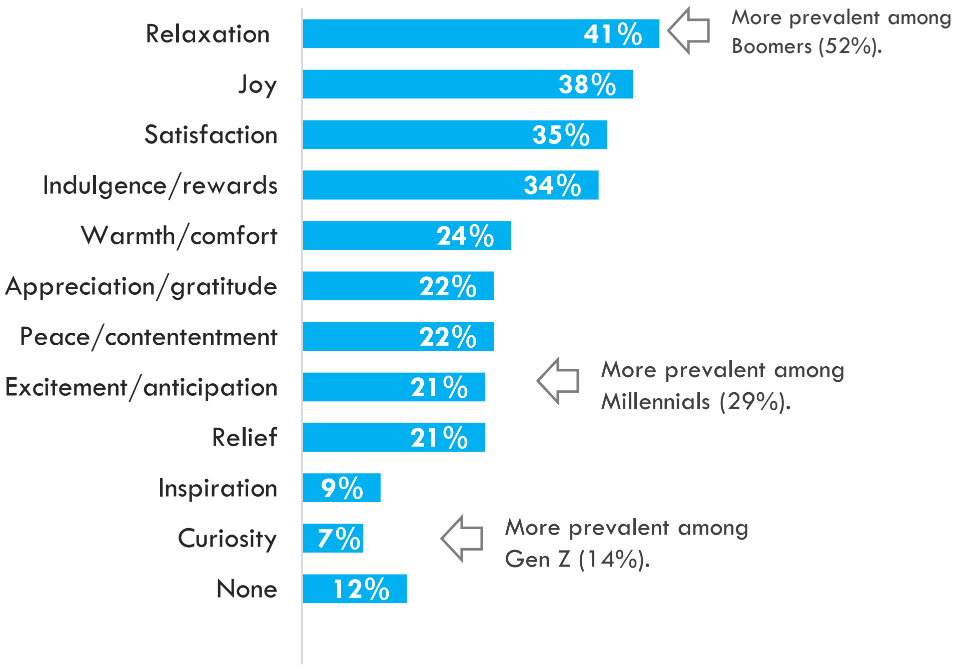
CREATIVE TERRITORIES:
OPTIMIZING CONSUMER MESSAGING FOR RE-OPENING

- There are a number of MESSAGES that resonate with consumers as things open up.
- SAFETY is, of course, essential. But we can't stop there. Consumers are also looking for RELIEF, for foodservice channels to provide an environment where they can ENJOY LIFE ONCE AGAIN.

Foodservice can be a light in the darkness

Familiar comforts will help consumers unwind when returning to their favorite establishments. For many, dining out will provide a well-needed boost as things move toward a state of normalcy

WHICH ARE YOU MOST LOOKING FORWARD TO REGARDING THE EMOTIONAL BENEFIT YOU GET FROM EATING AT RESTAURANTS?



But it’s important to remember that, in fact, we are not all in the same boat

Age
*Including life stage

OLDER
Concern of being at higher health risk
Stress related to parent or children’s welfare

YOUNGER
Uncertainty of future
Missing major milestones
Already ‘lonely’ cohorts further separated

Income

HIGH
Has the financial resources to stock up on goods; better positioned to weather a long-lasting recession

LOW
Less flexibility in WFH
Uncertainty of government aid
Less flexibility in stock-up behavior and discretionary spending

Location
*Geography is also a factor here

URBAN
Higher exposure risk due to crowded conditions
Access to a variety of delivery services

RURAL
Greater ability to social distance
Less access to online grocery & delivery services

Parenthood

KIDS AT HOME
Time poor due to additional responsibilities (childcare, home schooling, increased work hours while WFH)

NO KIDS AT HOME
Potential to explore new hobbies and interests while in quarantine

Source: Themes pulled from PepsiCo Global Insights COVID-19 reports, PepsiCo FS Insights COVID-19 webinars

We Uncovered A Number Of Emotional Needs and Messages that Resonate With Different Subgroups

TERRITORIES

1. Joy in the Ordinary
2. Making up for Lost Time
3. Let Kids be Kids
4. Some Things are Better Together
5. All My Favorite Things
6. Set Me Free
7. Can't be Replicated
8. There's Nothing Like Normal

JOY IN THE ORDINARY

CONSUMER INSIGHT

"JOY IN THE ORDINARY: More than looking forward to buying things, I can't wait to be in a store or restaurant, take in the place, the music, people watch",…

WHAT THIS LOOKS LIKE:

Soaking it all in, being inspired while window shopping, browsing stores freely, grabbing food, people watching, hearing your favorite song over a store's or pub's speakers

WHO FEELS THIS WAY:

44% of US general population

126 INDEX among STUDENTS &RETIREES

CONSIDERATIONS:

Amplify the experience through the details (environment cues, hospitality, etc.)

Monitor the experience with the new measures & identify ones adding stress (& adjust)

"Shopping is a great stress relief whether I'm goofing off trying clothes or finding something cool for my house, it's a way for me to distract and just kind of let go."

"It was amazing. It was so refreshing being back in a store. There was faint music in the background and everyone was really nice and helpful."

*1Q, May 6; Help us understand how people (will) feel as things start opening up. Bellow are human INSIGHTS that could be used in communications during this time. Which do you feel apply to YOU AND YOUR CIRCLE (friends and/or family)? Chose ALL the ones that you relate to.

MAKING UP FOR LOST TIME

CONSUMER INSIGHT

"MAKE UP FOR LOST TIME: I plan on celebrating some of the occasions we missed, like birthdays, Mother's Day, St Patrick's (if bars have a do-over), etc."

WHAT THIS LOOKS LIKE:

Going out to eat for belated birthdays & Mother's Day; Graduation parties (for the little ones too);

Rescheduling trips that had to be canceled

WHO FEELS THIS WAY:

1/3 of US general population

126 INDEX among GEN Zs

CONSIDERATIONS:

Offer on-premise combos for group celebrations

Host belated Mother's Day brunch/ dinner and St. Patrick's Day

Host a dressed up Graduation lunch

"I will make up for Mother's Day with my mom and mother in law at brunch. If a local bar has a redo for St Patty's day I will definitely attend with my husband and our friends."

"My sister's 18th birthday! I will take her on a trip anywhere she wants in the US."

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LET KIDS BE KIDS

CONSUMER INSIGHT

“LET KIDS BE KIDS: I can't wait to see the joy in kids' eyes when they go back to the playground, the ball park, or just allowed to play with others”.

WHAT THIS LOOKS LIKE:
Taking kids to the playground again to play with friends, taking them to theme parks or sporting events at the stadium and seeing the excitement on their faces… joy for both kids and the adults who are seeing them happy

WHO FEELS THIS WAY:

>1/3 Of general population

119 INDEX among PARENTS of kids < 18

CONSIDERATIONS:

Offer kid’s party kits for off-premise

Facilitate themed experiences as a first step in returning to theme-park experiences on-premise

“My kids are so bored! There's only so much we can do in our yard. Parks and playgrounds are closed so even a walk by them has been like taunting them”.

“I am excited to take my stepsons bowling when things open up. They have been home during this stressful time. They have never been bowling and cannot wait to go”.

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SOME THINGS ARE BETTER TOGETHER

CONSUMER INSIGHT

"SOME THINGS ARE BETTER TOGETHER: While cautious and keeping our distance, there is nothing like a concert or favorite sports event shared with fans just as excited as you."

WHAT THIS LOOKS LIKE:

A need for community: watching sports at a stadium or local bar with friends and fellow fans, singing along with fellow concertgoers, sharing a meal that introduces something new and different

WHO FEELS THIS WAY

1/3 Of general population

CONSIDERATIONS:

Offer smaller, personal experiences to facilitate connection while allowing for social distancing

Leverage digital to allow consumers to order food & beverage ahead to limit lines

"I love the communal experience of being around people who all enjoy the same music and are singing the lyrics collectively."

"The smells, the look, the atmosphere."

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ALL MY FAVORITE THINGS

CONSUMER INSIGHT

"ALL MY FAVORITE THINGS: I cannot wait to return to some of my favorites: my favorite restaurant or bar, my favorite place to connect with friends,... places that are 'mine' and where I feel like home."

WHAT THIS LOOKS LIKE:

The background noise of other customers, seeing regular staff, getting a favorite table or seat at the bar, and socializing with friends over favorite foods and drinks

WHO FEELS THIS WAY

Just under **1/2** Of general population

125 INDEX among STUDENTS

120 INDEX among GEN Zs

CONSIDERATIONS:

Welcome back with promotions on top items to facilitate moments of joy

Add value through celebration of 'regular' consumers returning

"I get to eat food from my favorite places again"

FIRST VISIT BACK	SECOND VISIT BACK	THIRD VISIT BACK
"I already know what I want, so just serve up my favorites"	"still sticking with my tried and true dishes"	"maybe I'll mix it up a bit with a different appetizer"

*1Q, May 6; Help us understand how people (will) feel as things start opening up. Bellow are human INSIGHTS that could be used in communications during this time. Which do you feel apply to YOU AND YOUR CIRCLE (friends and/or family)? Chose ALL the ones that you relate to.

SET ME FREE

CONSUMER INSIGHT

SET ME FREE: I can't wait to be able to feel free again, unrestricted, free to be me

WHAT THIS LOOKS LIKE:

Desire for a return to a pre-COVID-19 sense of normalcy – feeling free to go where they want, when they want, with whomever they want, without having to worry about safety and local mandates

WHO FEELS THIS WAY

43% Of general population

45% Of GEN Z say **FREEDOM** has been the hardest to give up

CONSIDERATIONS:

Help consumers embrace the new normal as businesses start to reopen by ensuring safety and celebrating moments big and small.

Amplify digital solutions to make the stay at home life less feel routine

"I'm excited to get out of the house and just get away to somewhere beautiful. After being restricted for so long we just want to be free!"

"Not having to worry about others & restrictions when I go out. I'm hoping to feel free to go to concerts and sporting events or out for drinks with friends, without worry that someone minds or I am violating a new order."

*1Q, May 6; Help us understand how people (will) feel as things start opening up. Bellow are human INSIGHTS that could be used in communications during this time. Which do you feel apply to YOU AND YOUR CIRCLE (friends and/or family)? Chose ALL the ones that you relate to., KANTAR US MONITOR , Fielded 4/23/20 - 4/29/20

CAN'T BE REPLICATED

CONSUMER INSIGHT

"IT'S NOT THE SAME: We can cook and we can watch movies at home, but some things can't be replicated, like sitting in a restaurant with friends or going to the movies."

WHAT THIS LOOKS LIKE:

Eating hard-to-make-at-home dishes – without having to worry about cleanup; hearing a whole theater 'gasp' while watching the latest blockbuster on the big screen, fans reacting and enjoying live sports or music together

WHO FEELS THIS WAY

47% Of general population

117 INDEX among RETIREES

CONSIDERATIONS:

Highlight unique aspects of the experience to pull consumers back

Celebrate one-of-a-kind, out of home moments while reinforcing safety to reduce anxiety

"Excited to see new movie in theaters to get the full movie experience. From the crowd, the snacks & large screen."

"I'm always excited to go to the movie theater because I like their popcorn and it's just a nice relaxing experience that I really want to get back to."

*1Q, May 6; Help us understand how people (will) feel as things start opening up. Bellow are human INSIGHTS that could be used in communications during this time. Which do you feel apply to YOU AND YOUR CIRCLE (friends and/or family)? Chose ALL the ones that you relate to.

THERE'S NOTHING LIKE THE NORMAL

CONSUMER INSIGHT

THERE'S NOTHING LIKE THE NORMAL: I am so looking forward to the feeling of normalcy: restaurants being open, playing mini-golf, or bowling or any of the nothing-special but normal joys

WHAT THIS LOOKS LIKE:

Longing for less uncertainty and a return to the places and activities once taken for granted – going to the office, spontaneous happy hours, weekend family outings at the local trampoline park

WHO FEELS THIS WAY

1/2 Of general population

51% Of BOOMERS say NORMALCY has been the hardest to give up

CONSIDERATIONS:

Offer value through group offers that bring families out together and help them celebrate stay-at-home orders being eased.

Aid in the transition to a new normal by amplifying the experience while maintaining new safety protocols

"Optimistic to see a sign of life as it once was."

"Being able to sit down at a restaurant & not have to always eat at home is what I'm most looking forward to. There's a sense of normalcy about it. Sitting and carrying on casual conversation, people watching & just the ambient noise will be so refreshing".

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SUMMARY & IMPLICATIONS

HEALTHY AND HAPPY

People want to be SAFE, but they also want to be HAPPY! Consumers want to be able to let go of the worry that has dominated their last 2 months and LIVE LIFE again.

- *RECOMMENDATION Ensure safety measures don't add stress; be creative in **building a safe but warm environment** (e.g. doctors holding up a smiling photo of themselves when wearing masks)*

WE ARE NOT ALL IN THE SAME BOAT

While we are all in the same storm, some of us are safer than others

- *RECOMMENDATION Avoid implying "the same" or even "shared experience"; **focus on common feelings and experiences** people are looking to have.*

CREATE NEW WAYS TO BE TOGETHER

We are social beings & people want ways to be together while maintaining safety

- *RECOMMENDATION Communicate around togetherness (Some Things Are Better Together, Can't Be Replicated) and **provide smaller group experiences***

HELP PEOPLE MAKE UP FOR LOST TIME

- RECOMMENDATION **Host celebrations** for belated holidays (pick the ones that align with your positioning) & make them bigger! Offer fun bundles for back-yard celebrations for those not ready for on-premise

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, Omar Sahi, Ashley Dodge, and Amy Edler, Nina Guest, Karen King, Lydia Gau.***

PEPSICO
foodservice

PepsiCo Foodservice Insights

COVID-19 INSIGHTS

MAY 15, 2020

PEPSICO foodservice

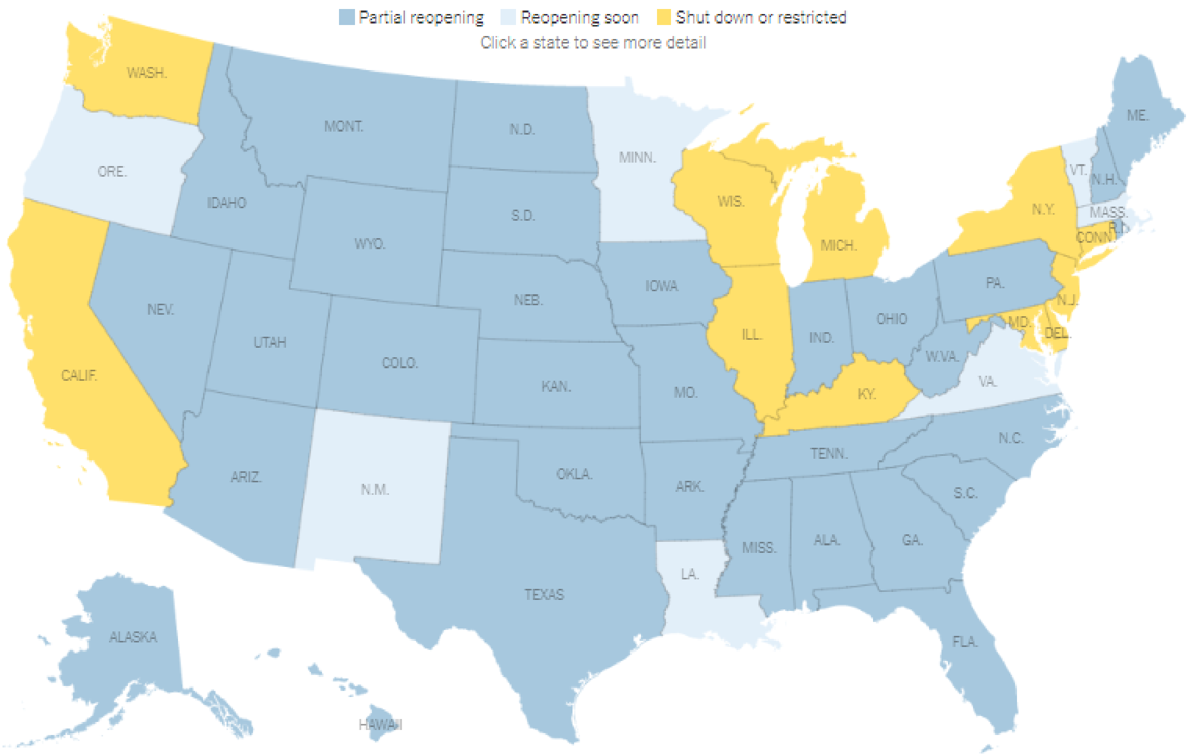
We continue to look at the impact COVID-19 across 4 stages:

	0 PREPARATION & PREVENTION	1 CONFINEMENT & COCOONING	2 RESTRICTED RECOVERY	3 NEW NORMAL
Estimated Timeframe	Feb-Mar	Mar-Jun (est)	Jun-Dec (est)	2021+
FEELING	ANXIOUS, FEARFUL, NEED FOR COMFORT, REASSURANCE & SENSE OF CONTROL	CONTINUED NEED FOR COMFORT, & REASSURANCE, AND BOREDOM RELIEF	TENTATIVE, CAUTIOUS OPTIMISM, CONFUSION ABOUT RULES	RELIEVED, DESIRE TO MAKE UP FOR LOST TIME BUT REMAIN WARY
DOING	Stockpiling Pantry Items, Cancelling Plans	Shift to Working/Learning from Home	Partial Return, Testing Out Situations, Adapting to new Protocols	Adapting to Permanent Changes (i.e. post-9/11)
DOING	Increase in Large Format, Club & Ecom, fewer trips to C&G, Foodservice	Growth of Ecom & Delivery, most On-Premise closed	Continued Use of Ecom, Likely a short spike in Foodservice, incl. Entertainment & Travel	Ecom & Delivery become Permanent Behaviors
DOING	Increase in TV consumption (News)	Shifts to Streaming & Gaming Decrease in podcasts	Financial State Impacts Streaming Services	Likely a Return to Usual Media, with more streaming

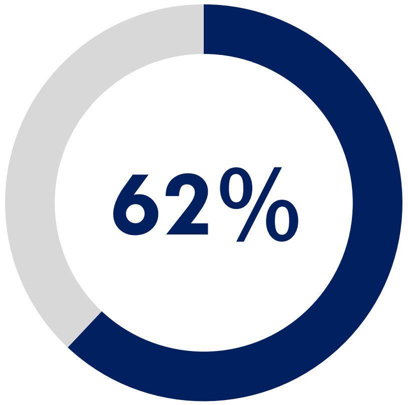
Most states are currently in this stage

With more states re-opening, consumer concern is on the rise

STATE BY STATE STATUS, UPDATED MAY 12

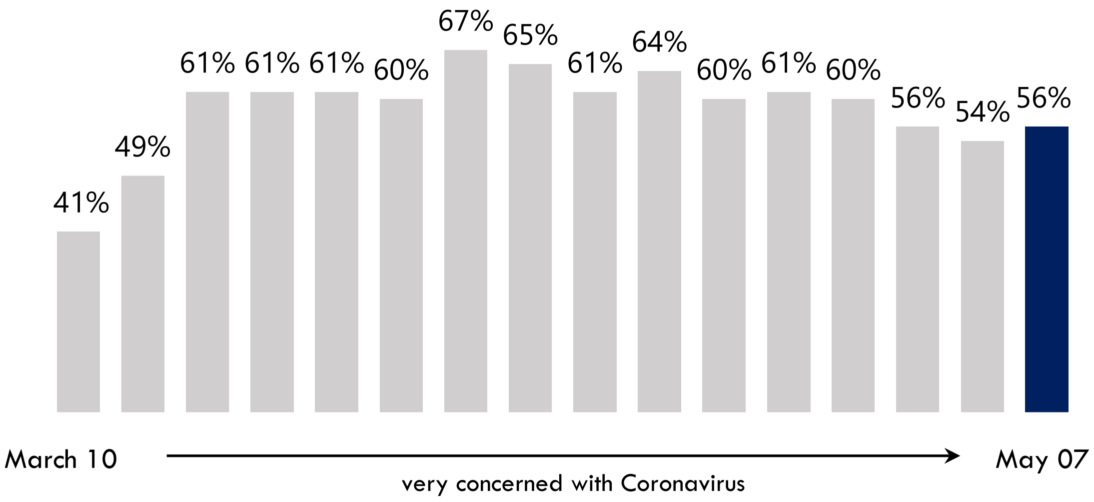


MOST FEEL THAT WE NEED MORE TIME…

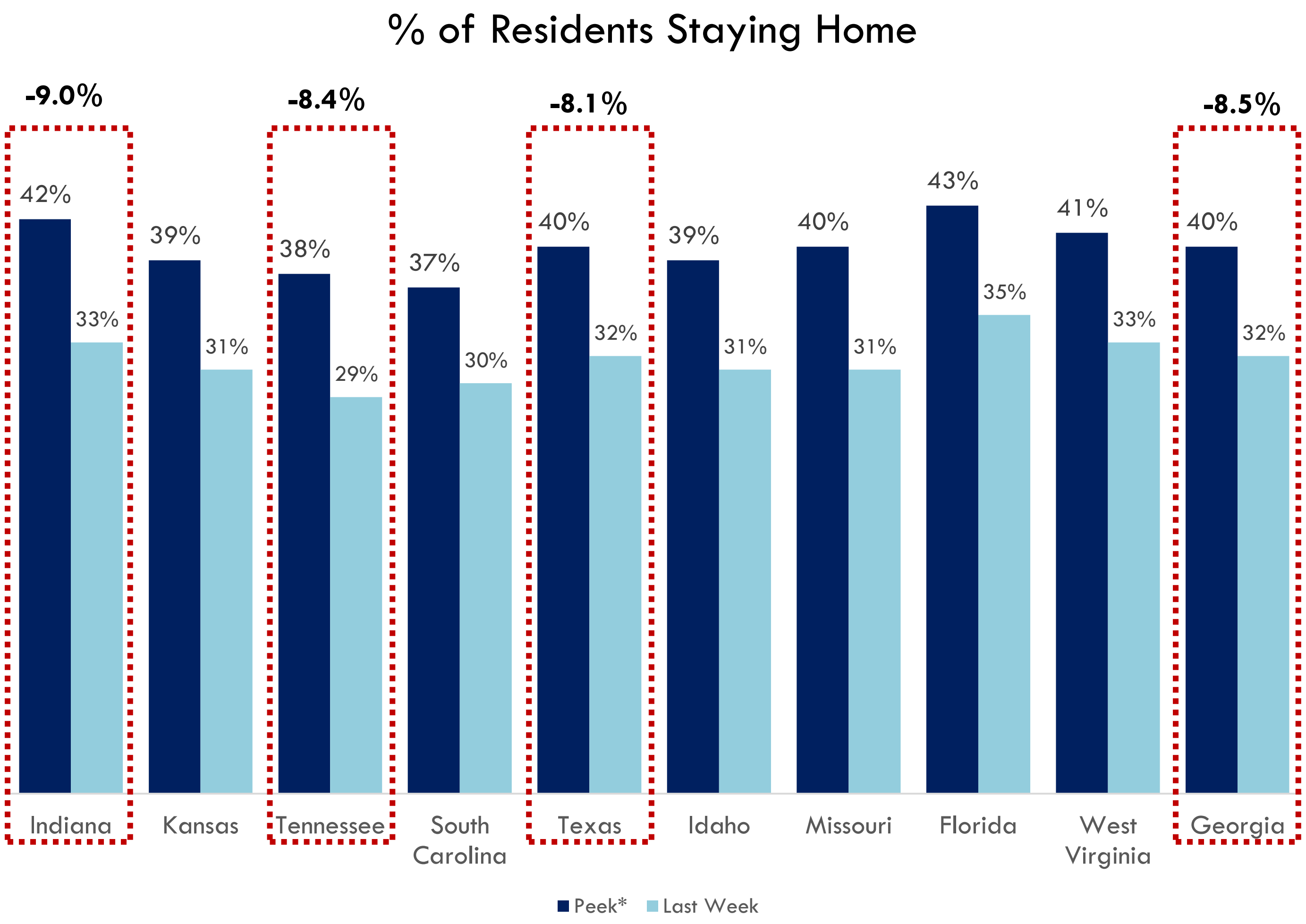


Of consumers agree we should take more time to reopen

…CREATING RENEWED CONCERNS



But in places that have already opened up, consumers are getting more comfortable



Source:; Link to NY Times Map, Link to Photo

*Peek = Average of Preceding 6 Weeks

Restricted Recovery: A Strange New World

HORIZON 2

Restricted Recovery

Cautiously optimistic and taking cues from others on how to balance our responses

FEEL

- Relief after weeks of shelter-in-place
- Potential grief and sadness
- Hesitancy/difficult choices / different signals
- Anger & fear about economic situation
- Increased stress and shock of crisis

ACT

- Gradual return to work, travel, and fun
- Maintain connections with loved ones – virtual or in-person
- Heightened awareness of sanitation and importance of health and wellness

Today's Topic:

We are taking a closer look into our Macro trends both before and after COVID– What are the key consumer trends to pay attention to in the short and long term?

PepsiCo Foodservice applies the Macrotrend lens in many situations

Drive PepsiCo Strategy

Total Portfolio Assessment
Innovation Territories
Channel Strategy

Support Customer Needs

Inform Assortment
Drive Innovation sessions
Create strong programming

Create Empathetic Brands

Consumer Tensions
Consumer Motivations
Brand Strategy

Macrotrends lets us understand societal shifts and how people respond

HUMAN DRIVERS represent our basic needs/desires and can be seen in early responses to the COVID-19 crisis

MACRO FORCES are big things that impact us but are beyond our control; shifts here will emerge after the COVID-19 crisis stabilizes

MACRO TRENDS represent how we respond to these forces; this is what's happening now and will continue to evolve

Source: '20 North American Trends, Kantar Consulting

PepsiCo MacroTrend Framework

CONTACT YOUR PEPSICO REPRESENTATIVE TO LEARN MORE

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 **Ashley Dodge, Amy Edler, Karen King and Raluca Corobana, Omar Sahi, Nina Guest, Lydia Gau.***

PepsiCo Foodservice Insights

COVID-19 INSIGHTS

MAY 22, 2020

PEPSICO
foodservice

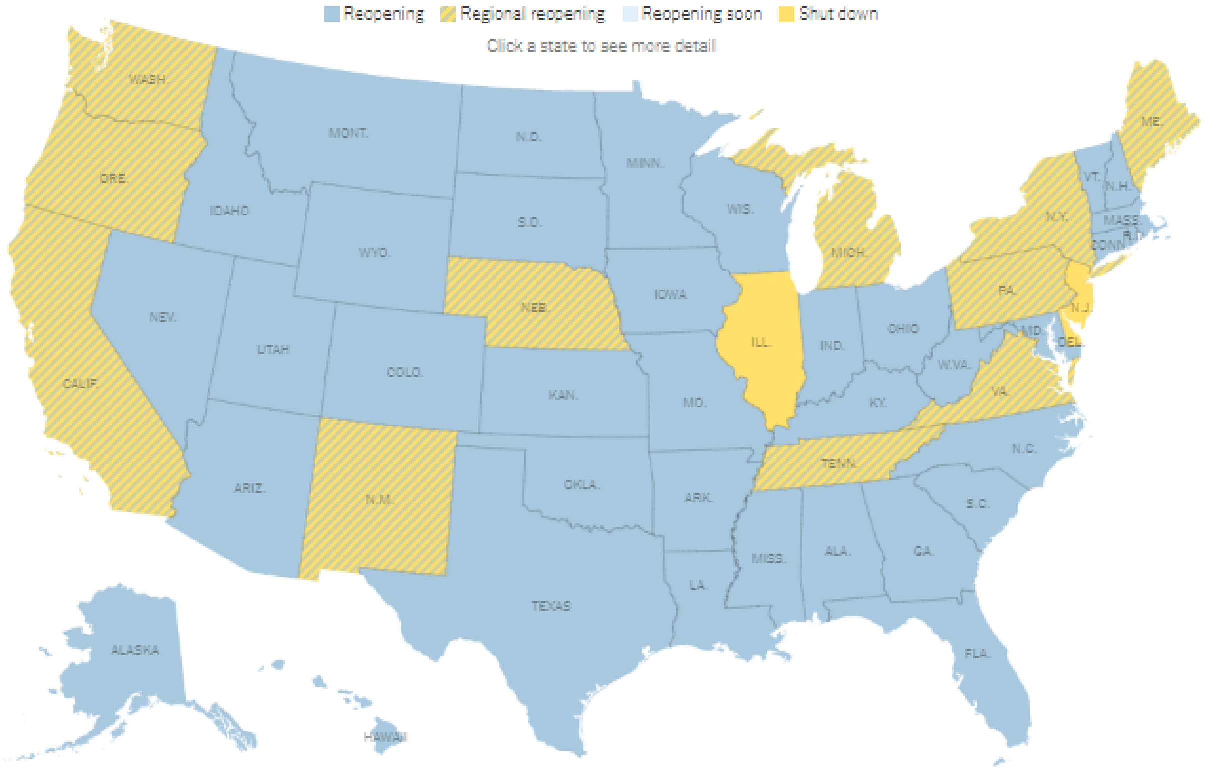
We continue to look at the impact COVID-19 across 4 stages:

	0 PREPARATION & PREVENTION	1 CONFINEMENT & COCOONING	2 RESTRICTED RECOVERY	3 NEW NORMAL
Estimated Timeframe	Feb-Mar	Mar-Jun (est)	Jun-Dec (est)	2021+
FEELING	ANXIOUS, FEARFUL, NEED FOR COMFORT, REASSURANCE & SENSE OF CONTROL	CONTINUED NEED FOR COMFORT, & REASSURANCE, AND BOREDOM RELIEF	TENTATIVE, CAUTIOUS OPTIMISM, CONFUSION ABOUT RULES	RELIEVED, DESIRE TO MAKE UP FOR LOST TIME BUT REMAIN WARY
DOING	Stockpiling Pantry Items, Cancelling Plans	Shift to Working/Learning from Home	Partial Return, Testing Out Situations, Adapting to new Protocols	Adapting to Permanent Changes (i.e. post-9/11)
DOING	Increase in Large Format, Club & Ecom, fewer trips to C&G, Foodservice	Growth of Ecom & Delivery, most On-Premise closed	Continued Use of Ecom, Likely a short spike in Foodservice, incl. Entertainment & Travel	Ecom & Delivery become Permanent Behaviors
DOING	Increase in TV consumption (News)	Shifts to Streaming & Gaming Decrease in podcasts	Financial State Impacts Streaming Services	Likely a Return to Usual Media, with more streaming

Most states are currently in this stage

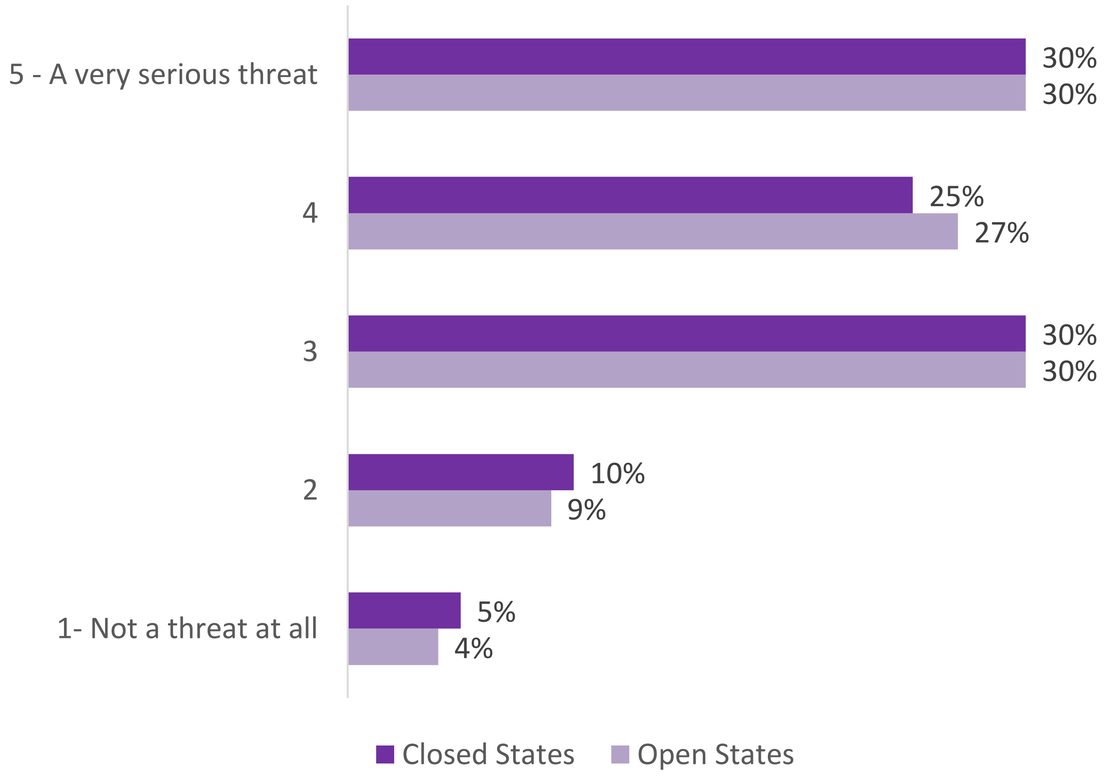
INDUSTRY UPDATE

As of this week, nearly every state has lifted stay-at-home or shelter-in-place orders in some capacity

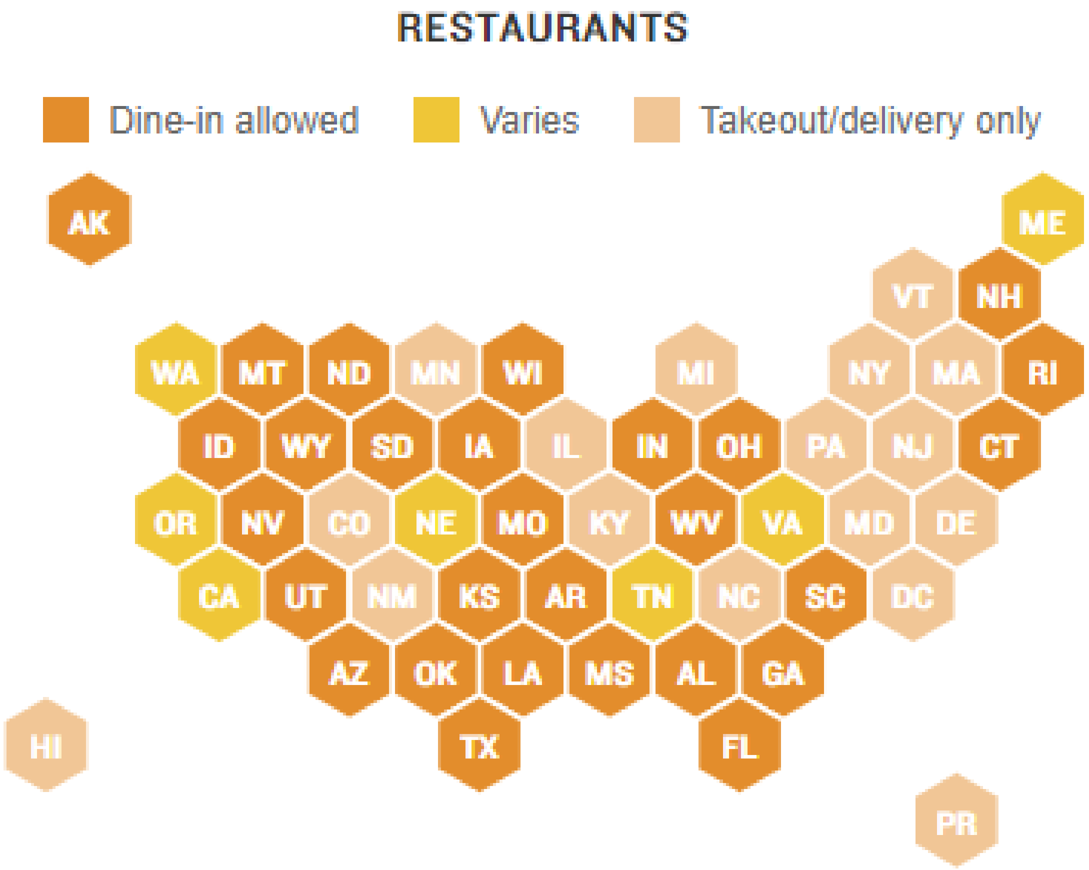


Regardless of state policies, the majority of consumers continue to perceive the virus as a threat

On a scale of 1 to 5, how much do you perceive the virus as a real threat to you and your immediate family?



Although the virus remains a concern, businesses and public space re-openings are forging ahead



- 35 states* have lifted restrictions on dine-in
- Texas and Florida are moving from 25% capacity in dining rooms to 50%
- Ohio, Kentucky and North Carolina are apart of the next round of states set to lift dine-in restrictions
- Major League Baseball has introduced a plan to return to the field in July, but without spectators
- Beaches in New York, New Jersey and Connecticut are set to reopen Memorial Day Weekend

* As of May 20, 2020

Source: NPR Restaurant Map, NYT Article, NRN

As states open up, consumers are finding a different world than the one they left

Restaurants

States that have reopened dining rooms are doing so with a variety of safety measures in place:

- **Capacity & Party Limits**
  - ✓ 25-50% occupancy caps
  - ✓ Min. 6 ft. distance between tables
  - ✓ Seating only reservations and call-ahead
  - ✓ Max. 10 people party limits
- **Hand Sanitizing Stations**
- **Removal of Self-Serve Areas or Conversion to Full Service**
- **Employee PPE & Health Screens**

Source: Eater

Work and education institutions are still thinking through what reopening realistically means

Colleges & Universities

Only 6% of colleges* are committing to virtual fall semesters. Campuses planning for in person are considering a range of measures:

- **Hybrid In-person & Virtual Instruction**
  - In-person instruction until Thanksgiving, virtual until Christmas break
  - Prioritizing student groups for in-person instruction (i.e. Freshman, Graduate Students)
- **Shortening Of Semesters**
  - Early start in fall to finish by Thanksgiving
  - No fall break to prevent community spread
- **Face Masks In Classrooms/Group Settings**
- **Quarantine Dorms For Students Who May Have Been Exposed**

Business & Industry

As companies think through what social distancing will look like in the workplace, many are rethinking office attendance:

- **Extended WFH Policies**
  - 67% Of "White Collar" Workers Are Still Working Remotely
  - Capital One – September
  - Amazon – October
  - Google and Facebook – 2021
- **Pivot to Permanent WFH**
  - Twitter – permanent WFH option
  - Nationwide Insurance – permanent WFH and shuttering 5 offices nationwide

* As of May 20, 2020

Source: The Chronicle For Higher Education, Eater, Photo, Forbes

Operators:

Same Storm, Different Boats

Just like consumers, operators are not all in the same boat

SMALLER

Less Resources
Generally more geographically concentrated

Size

LARGER

More Resources
Generally more geographically spread out

QUICK-SERVE

Less impact due to dine-in closures
Less team member interaction

Type

FULL-SERVICE

Greater impact due to dine-in closures
More team member interaction

RURAL

Lower risk due to less cases
Greater ability to social distance
Less competition

Location

*Geography is also a factor here

URBAN

Higher risk due to greater cases
Less ability to social distance
More competition

LESS DIGITAL

Lack of online ordering
Less or no digital presence
Pivot to off-premise difficult

Capabilities

MORE DIGITAL

Strong online-ordering presence
Strong digital presence
Pivot to off-premise easier

Source: Themes pulled from various sources

Restaurant Operators have adapted in different ways based on their circumstances

COVID REQUIRED RESTAURANTS TO PIVOT

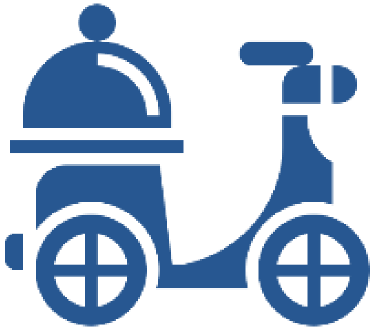
With dine-in restrictions, there were many ways Operators adapted:

- **OFF-PREMISE –** Delivery doubled in March 2020 (compared to previous month)
- **CONTACTLESS PICKUP –** curbside had strong adoption
- **GROCERY –** operators are offering wholesale of household grocery staples in addition to menu options
- **EXPANDED OFF-PREMISE OPTIONS –** operators are taking advantage of restrictions on alcohol delivery being eased; offering family-style meals

SHARE OF RESTAURANTS THAT ADDED[1]

Curbside Pickup

42%



Delivery

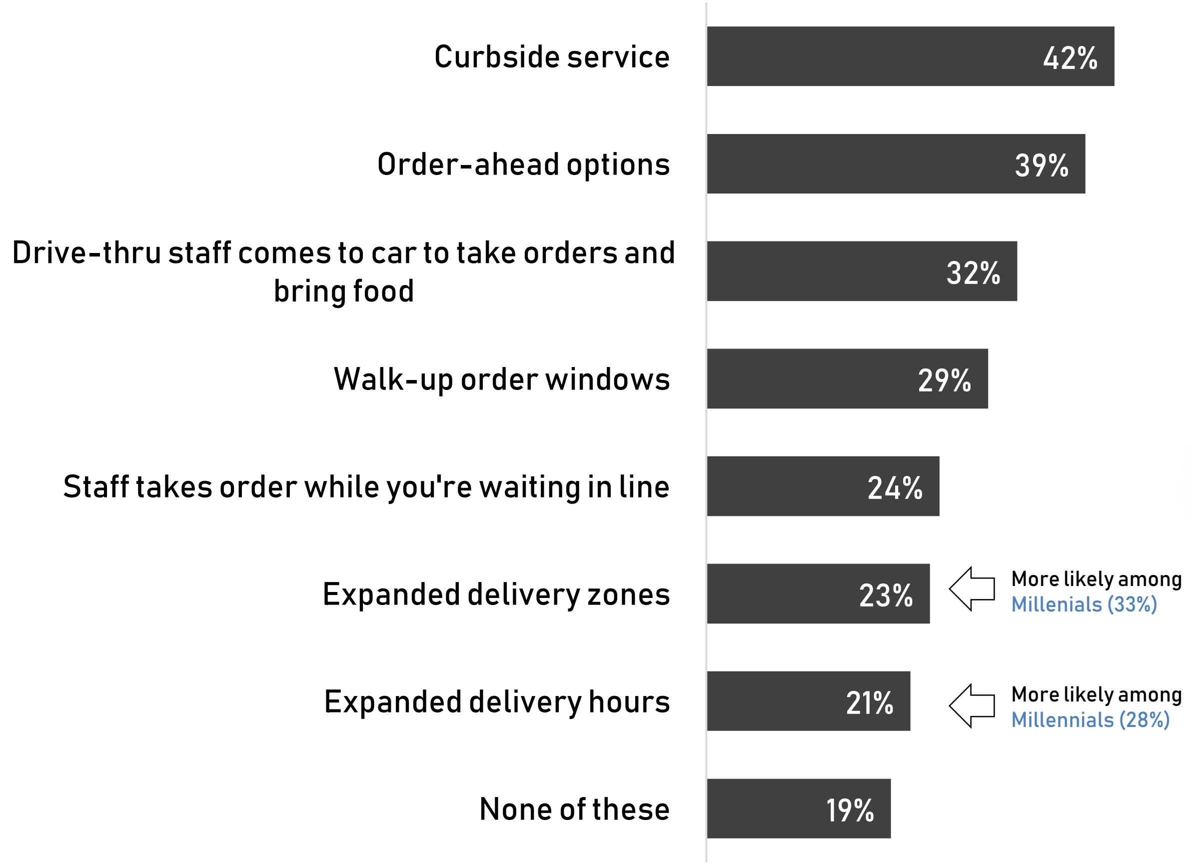
27%

Takeout

26%

Consumers want these new services to continue, even after dine-in reopens

which would you like counter service restaurants to continue offering even after they reopen for dining in?



Moving into the “new normal,” restaurants must re-think operations to accommodate both dine-in and off-premise

This new dual demand will create new challenges:[1]

- Labor for dine-in and curbside service
- Forecasting product and prep needs
- Restaurant design & guest flow
- Managing waiting patrons
- Guest expectations of service, timeliness, accuracy

And creative solutions…

- Take out windows, designated take out areas
- To-go only locations, with storefronts
- Shift to grab-and-go offerings
- To-Go only offerings, family meals
- Smartphone ordering/payment

Source: ‘Technomic Foodservice Impact Monitor —w/e 5/22

11

Ghost Kitchens were already an emerging trend

Demand for convenience has just been accelerated by the current circumstance.

Prior to COVID, Ghost Kitchens were gaining traction by key players ramping up in the marketplace:

kitchen united

ONE SPOT. ALL THE EATS.

REEF KITCHENS

CLOUD KITCHENS

zuul

Partnering with Ghost Kitchens is a popular solution for many operators in a post-COVID world

1 RELIEF

Ghost Kitchens can reduce the burden for restaurants struggling to meet off-premise demand with current locations

2 EXPANSION

To expand operations into new markets, brands are turning to ghost kitchen spaces with existing and new concepts

3 SURVIVAL

Some restaurants have closed brick & mortar locations and opened ghost-kitchen-only spaces

4 INCUBATION

New delivery-only and concepts and concepts adapted for delivery can be launched using ghost kitchens

Source: 'Technomic Foodservice Impact Monitor —w/e 5/8

A new crop of ghost kitchens

Many of the newest ghost kitchen concepts have been created for brands to reach customers who are searching delivery apps for specific menu items, such as wings.

PASQUALLY'S (AKA CHUCK E CHEESE)

- CEC Entertainment, Chuck E. Cheese's parent company, listed "Pasqually's Pizza & Wings" restaurants on delivery platforms across the country.

DOG HAUS

- Hot dog chain Dog Haus added multiple delivery-only concepts based on popular delivery search terms in its markets. E.g. chicken concept 'Bad Mutha Clucka,' plant-based burgers 'Plant B'

SMOKEY BONES

- Smokey Bones launched two virtual concepts—Wings Experience and Burger Experience—in 30 locations.

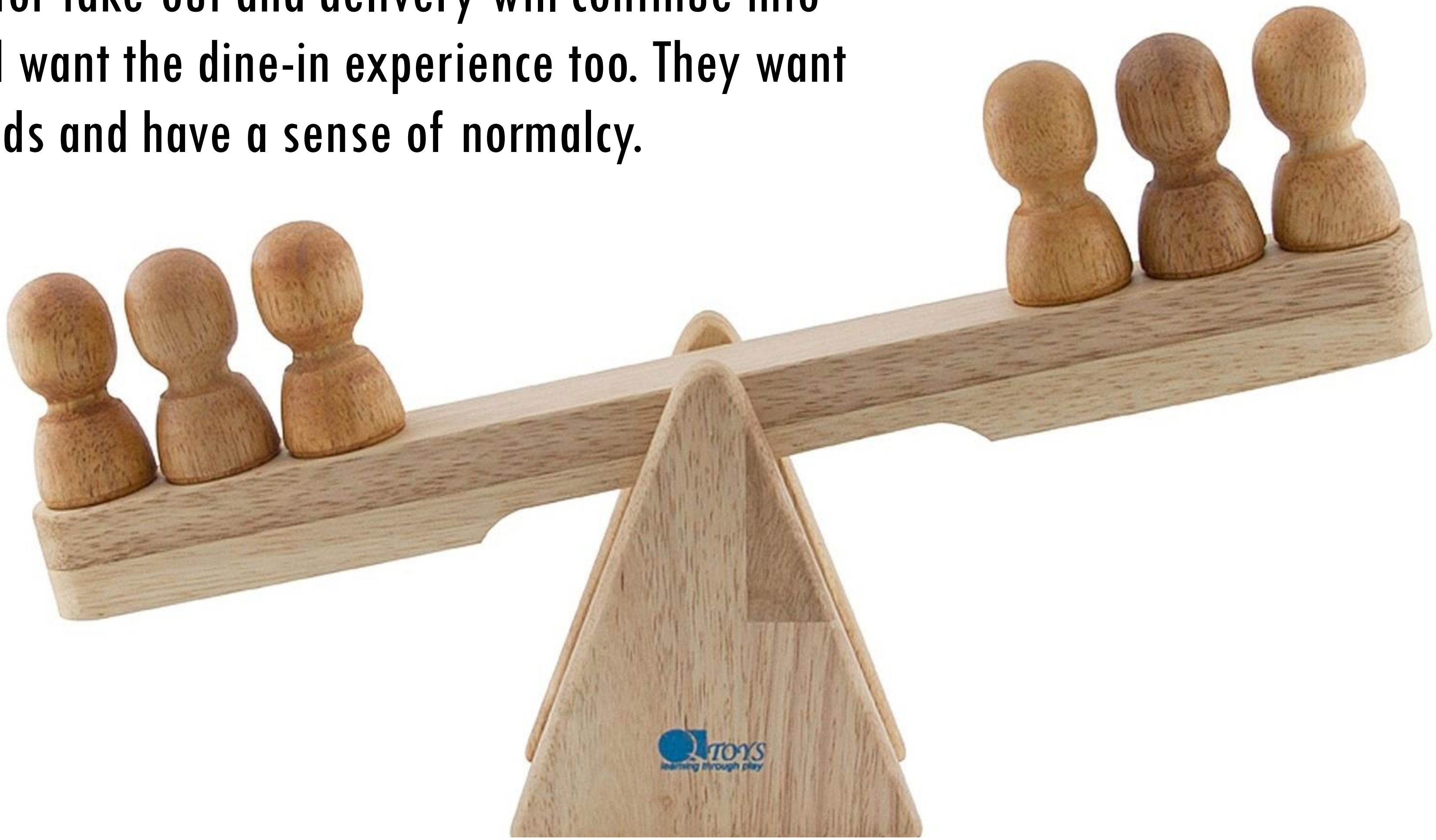
FATBURGER

- About a dozen units of the Fatburger fast-casual chain fulfill delivery orders from sister brand Hurricane Grill & Wings.

But it’s not all about the food, it is about the experience

Though some of the demand for take-out and delivery will continue into the long-term, consumers still want the dine-in experience too. They want to connect with family & friends and have a sense of normalcy.

But what does hospitality look like post-COVID?

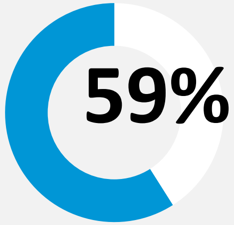


What is the role of Foodservice staff post-COVID?

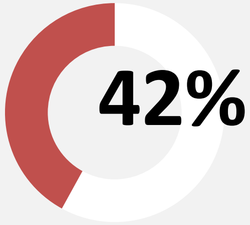
Prior to COVID-19, staff was welcomed for the human connection, the smile, & overall hospitality…

… will fear of germs change guests' perception of staff?

Hospitality has traditionally been key to driving FSR return traffic



*I remember for a really long time full-service restaurants where I've had outstanding service**



*There are restaurants I don't go to anymore because of one bad service experience (even though the food is good)**

PRE-COVID, STAFF'S FOCUS WAS ON HAPPY, FRIENDLY SERVICE THAT MADE GUESTS FEEL SPECIAL AND TAKEN CARE OF

GUEST DEFINITIONS & RANKING:

HOSPITALITY WAS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. Friendly service	**1. Attentive servers**	**1. Incorrect** orders
2. Catered to my **needs &** paid attention to **the details**	2. Suggesting items and replenishing drinks	**2. Rude** staff
3. Happy & welcoming staff	**3. Good food**	**3. Slow** service
	4. Staff **paid attention,** but **didn't hover**	4. Being **rushed**

Source: C Space, 5/18; What did hospitality mean to you in this channel pre-COVID? What was your favorite part and least favorite part about interacting with staff; *1Q Survey, 5/20

Post COVID, servers will have to work extra hard to convey closeness at a distance

FSR

GUESTS CRAVE HUMAN EXPERIENCE AND WANT SAFE DISTANCE

GUEST DEFINITION & RANKING:

HOSPITALITY MEANS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. Friendliness at a **respectful distance**	**1. Human interaction** and conversation	**1. Fear of COVID**
2. Helping them feel **safe**	2. Being **taken care of**	2. Touching & being **close to people**
3. Following regulations	3. Not having to **clean up**	**3. Wearing masks**
		4. Rude servers
		5. Having to **wait**

WANT LESS INTERACTION BUT PREFER STAFF OVER DIGITAL

61%
prefer a server over digital ordering while in full-serve

46%
want less interaction with servers and staff than before

SERVICE WITH A SMILE

Smiles on servers' masks (69% appeal)
Photo of their face *on their uniform* (58% appeal)

Source: C Space, 5/18

In QSR, staff expectations have been on the practical side…

QSR

BASIC FRIENDLINESS SUFFICED YET BAD ATTITUDE OFTEN RUINED THE EXPERIENCE

GUEST DEFINITIONS & RANKING:

HOSPITALITY WAS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. **Friendliness** – a warm, **quick** hello	1. **None-to-minimal** employee interaction	1. **Rudeness**
2. **Fast service**	2. **Correct orders**	2. **Incorrect orders**
3. **Correct orders**	3. **Quick service**	3. **Slow service**

QSRs HAD ALREADY STARTED LIMITING THE NEED FOR HUMAN INTERACTION WITH IN-STORE DIGITAL ORDERING

Source: C Space, 5/18

Post COVID, QSR guests are ready for on-premise ordering to shift from staff to digital

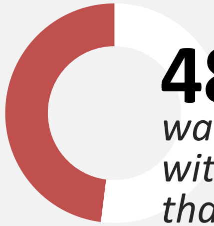
STAFF'S ROLE: CREATE A SAFE & COMFORTABLE ENVIRONMENT & PROVIDE ACCURATE ORDERS

GUEST DEFINITION & RANKING:

HOSPITALITY MEANS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. **Comfortable** environment 2. **Clean and safe** practices	1. A return to **normalcy** 2. **Quick** service and **correct** orders 3. **Human interaction** and conversation	1. **Fear of COVID** 2. **Rude** servers 3. People **ignoring** health standards 4. **Inaccurate** orders

LOOKING TO REPLACE HUMAN ORDERING WITH DIGITAL

62%
prefer digital ordering over employees taking orders



48%
want less interaction with servers and staff than before

In QSR, **staff friendliness/ attitude** is expected to be just as big of a challenge as COVID fears

Source: C Space, 5/18

Prior to COVID-19, good travel staff were friendly, welcoming, and provided specialized interactions that went above and beyond

...will traveler's fear of germs shift staff expectations?

What is the role of Travel staff post-COVID?

Airlines

Airplane hospitality has traditionally meant friendly, personal attention

GUEST DEFINITIONS & RANKING:

HOSPITALITY WAS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. **Friendly & welcoming**	1. Going **above & beyond** to help	1. **Cramped spaces** and physically being bumped into
2. Making **accommodations**	2. **Personal attention**	2. **Rude, unhappy staff**
3. **Prompt** attention	3. Being kept **comfortable**	3. **Getting hit** with the beverage cart
4. Being treated with **respect**	4. When staff is **funny & interesting**	4. **Staff not around to help**

Many travelers **had established their own rituals and routines** to reduce any travel anxieties and increase perceived control and comfort, helping them create their best possible flight experience.

Source: C Space, 5/18

Airlines

After COVID, flight attendants are expected to provide a feeling of normalcy, with limited contact

GUEST DEFINITION & RANKING:

HOSPITALITY MEANS:

1. **Only have contact when necessary**
2. **Clean & safe distance**
3. Making things feel **normal** again
4. Making travelers feel **safe**

MY FAVORITE PART:

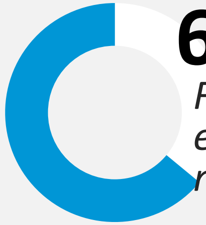
1. Providing **normalcy**
2. **Social interaction**
3. Being **strict** w/ those disobeying guidelines
4. **Personal connection** with staff (learning their stories, etc.)

LEAST FAVORITE PART:

1. **Fear of COVID**
2. **Lack of social distancing**
3. **Lack of attention**
4. **Masks**
5. **Awkwardness**

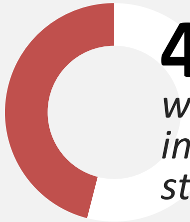
PEOPLE EXPECT CLEAN/SAFE FLIGHTS, BUT WORRY THAT ALL THE COVID MEASURES WILL KEEP THEM FROM FEELING NORMAL & RELAXED

“POLICING” THE PLANE WHILE FOSTERING A WELCOMING ENVIRONMENT



64%
Flight attendants should ensure people wear masks & keep a distance

63%
Flight attendants should help create a welcoming, friendly environment



46%
want less interaction with staff than before

Source: C Space, 5/18

In hotels, hospitality has meant welcoming, attentive, and specialized interactions

GUEST DEFINITIONS & RANKING:

HOSPITALITY WAS:

1. **Friendly, welcoming**
2. Good service; **makes me feel special**
3. **Quick but still pays attention to detail**
4. **Very clean**
5. **Staff goes above & beyond**

MY FAVORITE PART:

1. **Prompt** service
2. **Friendly, courteous, greeted with a smile**
3. **Order accuracy**
4. **Held a conversation,** even provided recom mendations for local attractions
5. **A la carte** items (omelet, etc.)

LEAST FAVORITE PART:

1. **Rude staff**
2. Fake friendliness, **ingenuine**
3. Being **disorganized**
4. Poor service, **inattentive**

Source: C Space, 5/18

After COVID, hotel hospitality and support of guests feels even more meaningful

GUEST DEFINITIONS & RANKING:

HOSPITALITY MEANS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. **Being there for the customer** in a meaningful ways	1. **Friendly** interaction with staff	1. **Fear of contagion**
2. Conscious of **distancing & safety**	2. **Being waited on**, room service	2. Cleanliness, **germs**
3. **Friendly and welcoming**	3. **Hearing staff recommendations**	3. **Rude staff**
	4. **Staff thoughtfulness**	4. **Incorrect orders**
	5. Getting away	5. **Poor service**
		6. Wearing a **mask**
		7. **Social distancing**

IN A WORLD OF GOOGLE SEARCHES & ELECTRONIC CHECK-INS, GUESTS PREFER TO LEAN ON THE HOTEL STAFF

78%*
It's important for hotels to have someone available to answer questions & make recommendations

38%*
Interacting with hotel staff is critical to feeling welcomed & comfortable

52%
want the same amount of interaction with servers & staff

Source: C Space, 5/18; 1Q survey among past year hotel guests, 5/21, n=120

Prior to COVID-19, workplace cafeteria staff were a familiar, friendly face consumers liked to interact with…

What will be the role of Workplace Cafeteria staff be post-COVID?

B&I

For cafeteria guests, hospitality used to mean quick, but friendly service from people they knew

GUEST DEFINITIONS & RANKING:

HOSPITALITY WAS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. **"Hot food with a smile"**	1. **Seeing familiar faces**	1. **Slow** service
2. Short lines & **quick, but friendly** service	2. Getting away from their desk	2. Long **lines**
3. Special treats (free food or customized orders) from **staff who they formed a friendship with**	3. **Friendly/funny customer service**	3. **Being rushed**
	4. **Getting to know the staff**	4. **Rude staff**

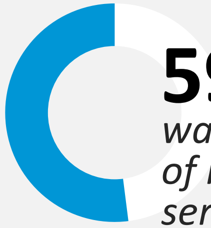
Source: C Space, 5/18

B&I

After COVID, workplace cafeteria hospitality is the same, but from a distance

GUEST DEFINITIONS & RANKING:

HOSPITALITY MEANS:	MY FAVORITE PART:	LEAST FAVORITE PART:
1. **Friendly, nice service** 2. **Smiles** (!) 3. **Good food** 4. Keeping a **clean and safe distance** 5. Taking food suggestions	1. **Interaction with the staff;** seeing how they're doing 2. Seeing **familiar faces** 3. A sense of **normalcy**	1. **Fear of COVID** 2. Concern of **cleanliness** 3. Touching and **being too close** to others 4. Long lines



59%
want the same amount of interaction with servers & staff as before

IN SUMMARY…

	FROM	TO
FSR:	Servers being **at the core** of a hospitable experience	Servers needing to **work harder to maintain their role** while keeping a distance
QSR:	**Practical role** of servers, often perceived as non-hospitable	Accelerated **shift to digital ordering** on-premise; staff focus on order accuracy
AIRLINES:	**Timely, personal attention**	Safety in a positive, nonintrusive way where the world does not revolve around COVID
HOTELS:	Friendly experience, make **guests feel catered to**/ all needs are met	Servers needing to **work harder to maintain their role** while keeping a distance
CAFETERIA:	Friendly service with **staff people have gotten to know**	Role **maintained** given familiarity element, though opportunity to create efficiencies in service

Across channels, staff has an increased role in ensuring and communicating cleanliness/ safety

IMPLICATIONS: Operators will need to adjust staff priorities & training to align with new hospitality definitions

FSR:

1. Servers need to **work extra hard to build rapport and 'closeness'** through the social distancing and masks

QSR:

1. Transition to in-store **digital ordering** (using personal phone)
2. Train & reward to **minimize 'attitude' complaints** & improve order **accuracy**

AIRLINES

1. Leverage staff hospitality to **build a feeling a normalcy** in the COVID environment
2. **Balance** the role of 'police' new regulations with friendliness & hospitality

HOTELS

1. Train staff to **provide friendly reassurance and confidence** regarding safety
2. Continue focusing on providing an **"all needs met" personal experience**

CAFETERIA

1. Keep **the same staff**, as much as possible.
2. Showcase staff to **further build familiarity & personal connection** (weekly profile, etc.)

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MAY 29, 2020

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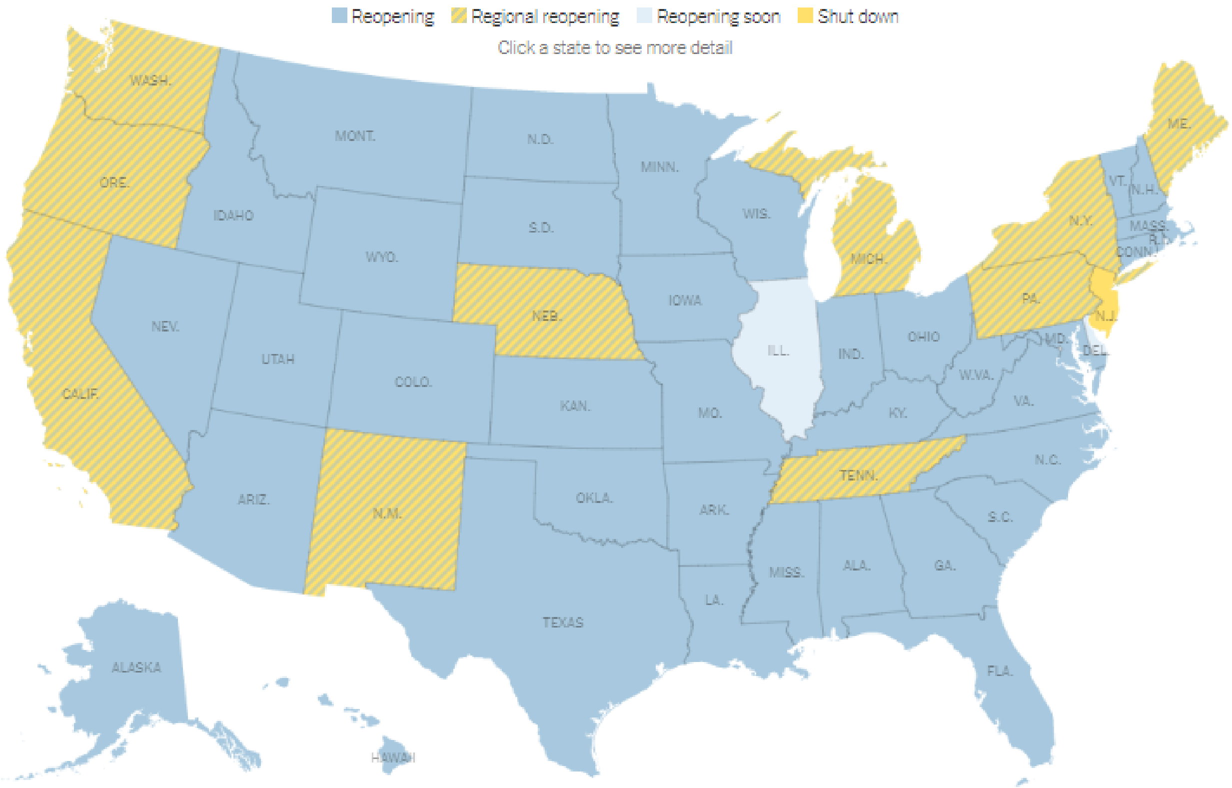
	Increase in TV consumption (News)	Shifts to Streaming & Gaming Decrease in podcasts	Financial State Impacts Streaming Services	Likely a Return to Usual Media, with more streaming

Most states are currently moving toward this stage

INDUSTRY UPDATE

All but two states, Illinois and New Jersey, have moved into a period of reopening



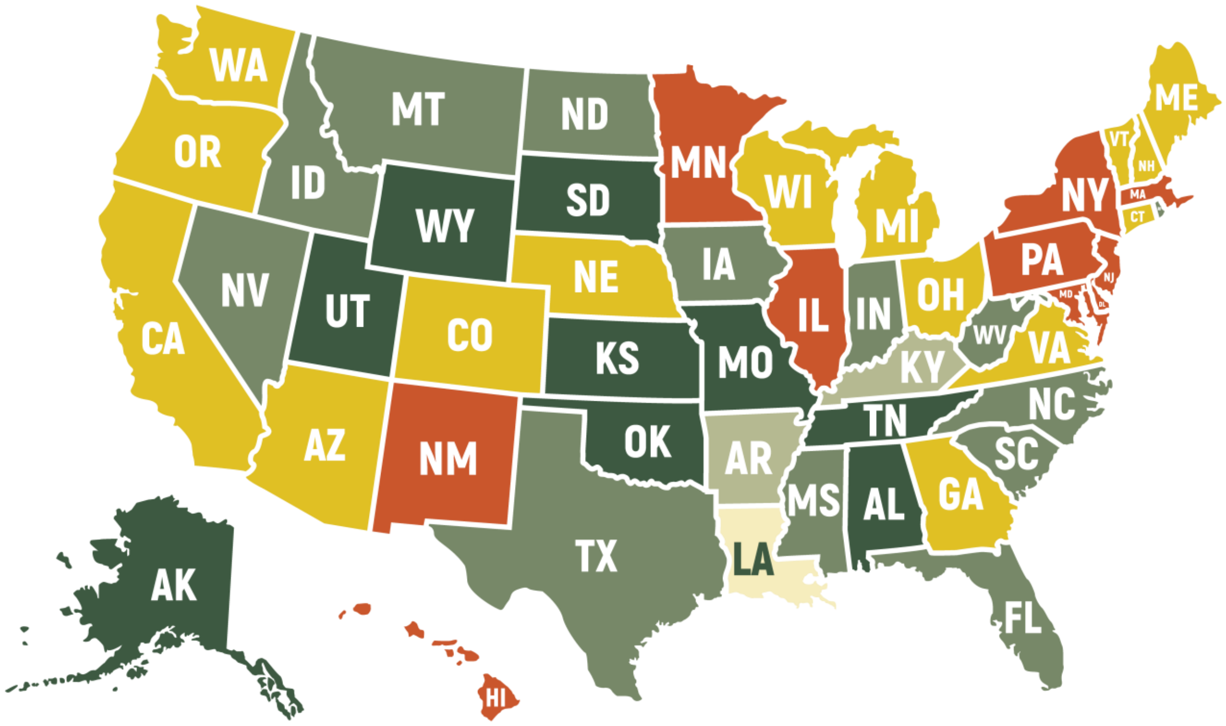
The restricted recovery we're seeing is more of a spectrum than a straight line

Some consumers are feeling that reopening is coming too soon, choosing to **continue self-isolate** at home…

… there are some that are beginning to dip their toes into the water, **venturing out for socially distanced gatherings…**

…And some consumers are beginning to return to their daily lives, **resuming life as normal**

STATES AND BUSINESSES CONTINUE TO OPEN AS WE TRANSITION INTO THIS NEXT PHASE



RESTAURANTS OPEN; NO DIRECT CAPACITY LIMIT

RESTAURANTS OPEN; MAX 50% CAPACITY

RESTAURANTS OPEN; MAX 25% CAPACITY

RESTAURANTS OPEN; MISC. GUIDELINES

RESTAURANTS OPEN; MAX 33% CAPACITY

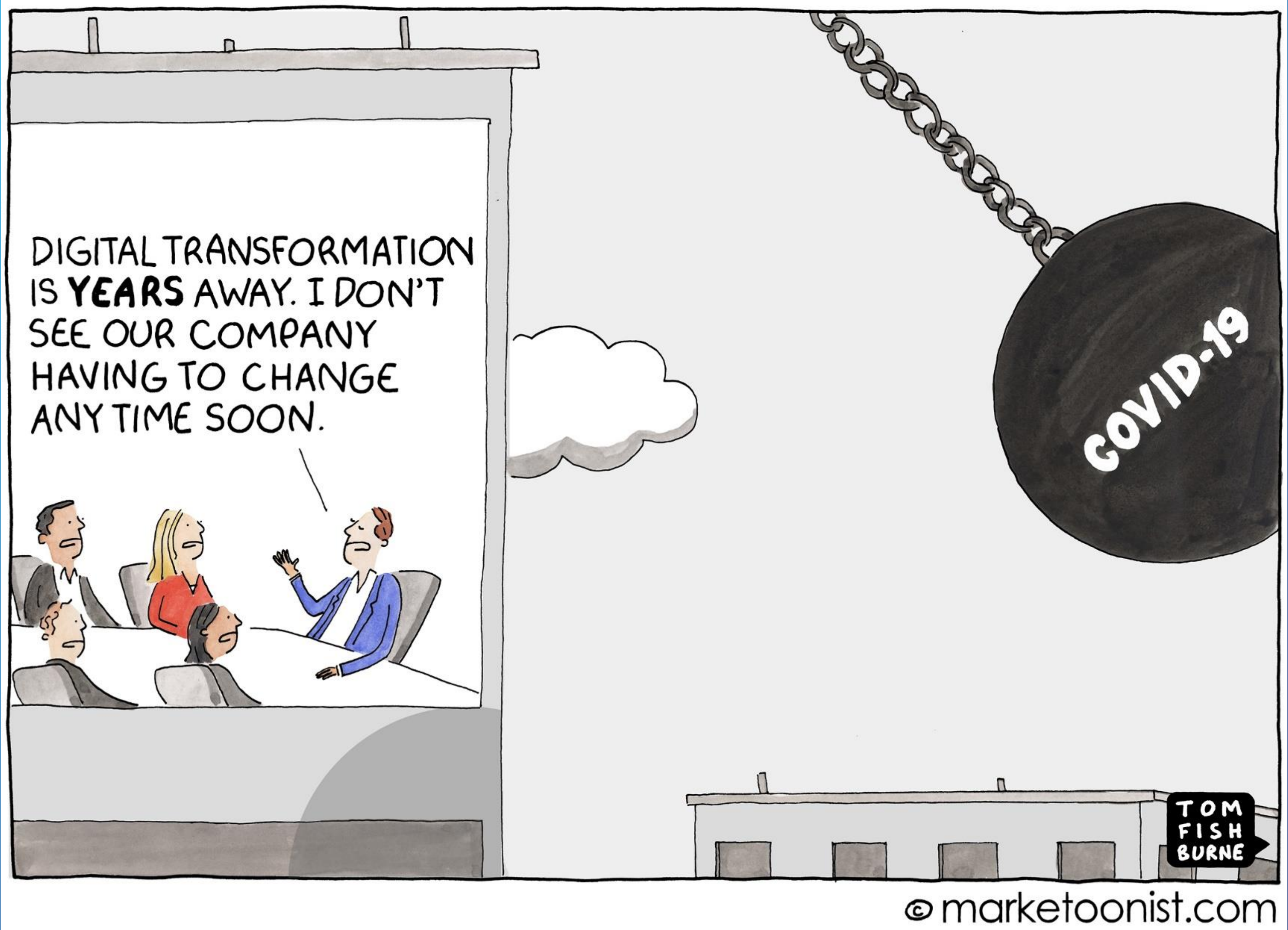
RESTAURANTS CLOSED

THIS WEEK'S HIGHLIGHTS:

- **Bars in 19 states** including Alabama, Louisiana, and Texas have **begun to reopen,** all with varying social distancing and/or capacity guidelines
- **OpenTable announced waived operator fees** through the end of 2020
- **New York City is waiving sidewalk fees** for outdoor dining through February 2021.
- **Third-party delivery fees were officially capped** in NYC and LA at 20% and 15%, respectively

COVID-19 HAS ACCELERATED THE ADOPTION OF TECHNOLOGY FOR BOTH CONSUMERS AND OPERATORS.

NOW IS THE TIME FOR INVESTMENT & INNOVATION IN DIGITAL TO POSITION BUSINESSES FOR LONG TERM SUCCESS



TODAY'S FOCUS: DEEP DIVE ON DIGITAL

ADAPTING TO OFF-PREMISE

Examining consumer behaviors pre and post COVID-19

DIGITAL INNOVATIONS

A look at new innovations in off-premise

CONSUMER EXPERIENCE

Understanding satisfaction drivers and opportunities

IMPLICATIONS

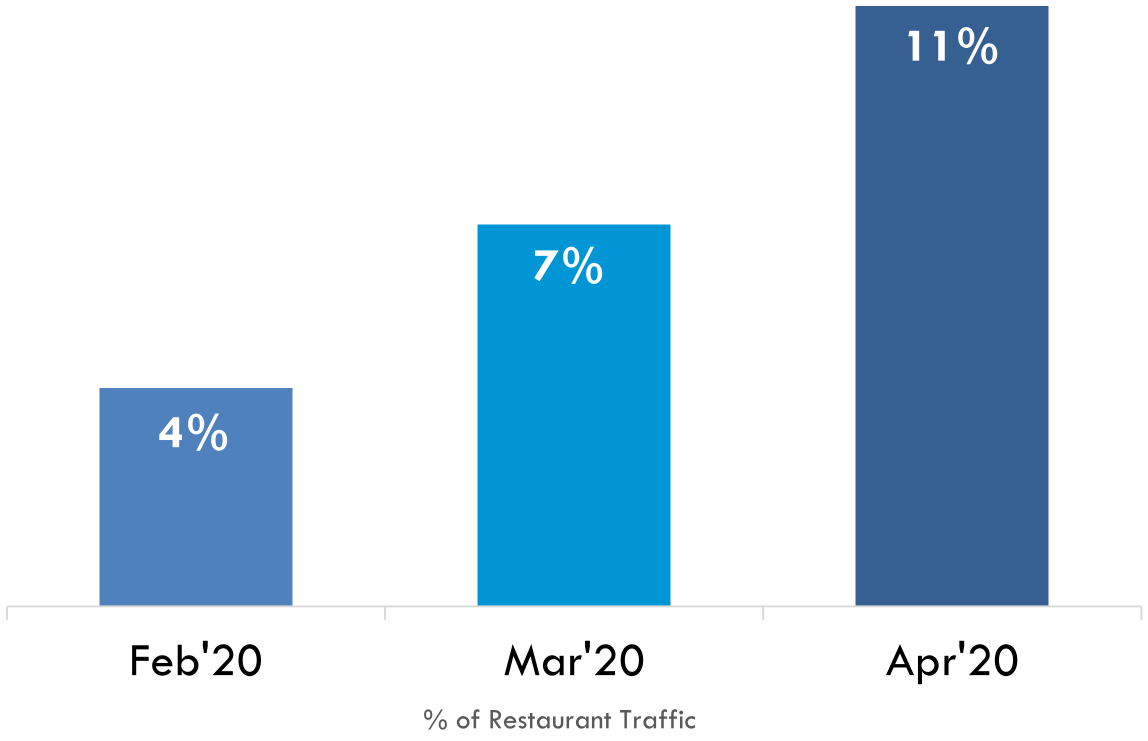
ADAPTING TO OFF-PREMISE

OFF-PREMISE HAS SEEN TREMENDOUS GROWTH DURING THE PANDEMIC…

DINE-IN RESTRICTIONS HAVE CONTINUED TO PUSH OFF-PREMISE TO THE FOREFRONT

- Off-premise accounted for 94% of traffic in April
- Digital ordering in April is up 105% vs. YA*
- Consumer likelihood to order delivery has seen sustained growth through April

DELIVERY TRAFFIC HAS GROWN 3X SINCE FEBRUARY



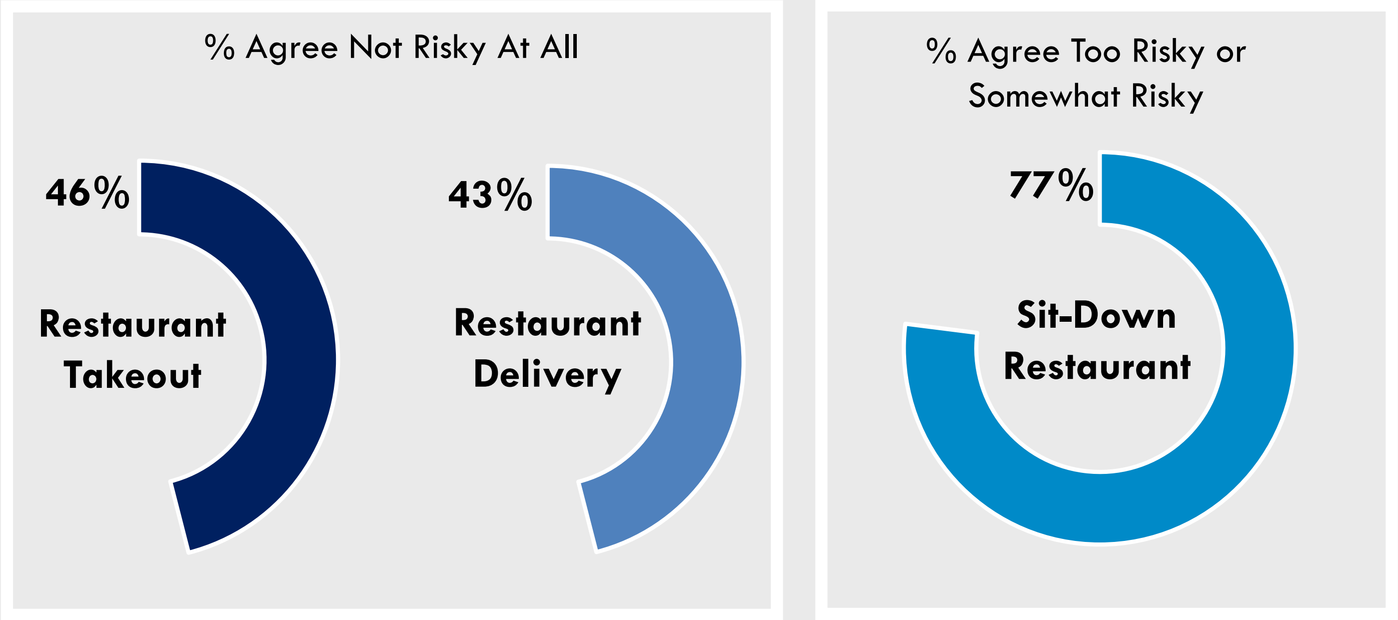
Source: NPD Crest – Flash Monthly Report; Technomic – Foodservice Impact Monitor 10th Edition

* = Total Commercial Foodservice

...AND IS BENEFITING BOTH CONSUMERS AND OPERATORS

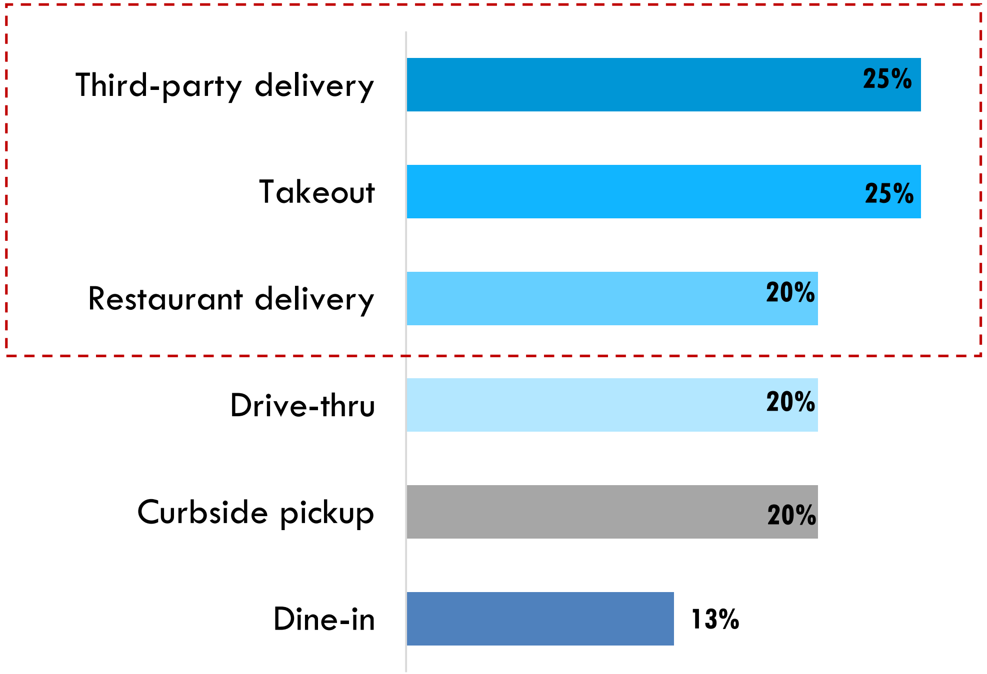
OFF-PREMISE SOLUTIONS = CONVENIENCE PLUS SAFETY

Consumers perceive takeout and delivery options as the least risky right now:



Off-premise remains the biggest revenue generator for operators:

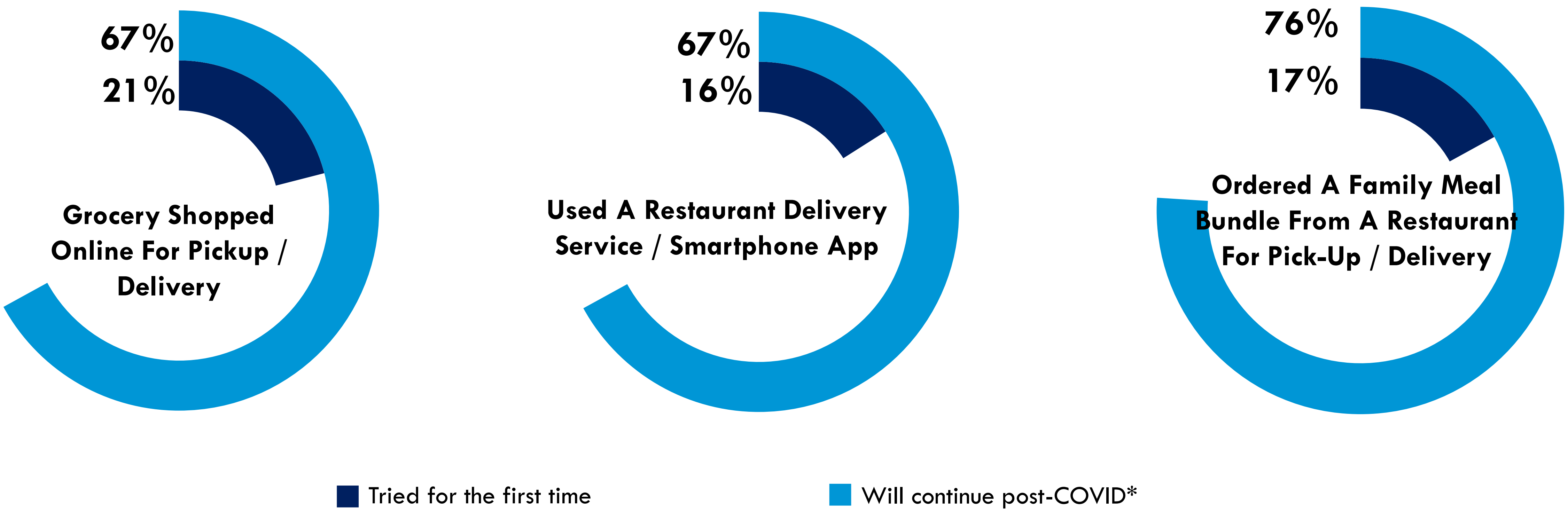
TOTAL RESTAURANTS - AVERAGE % OF SALES OVER LAST TWO WEEKS (May 17th – May 30th, 2020)



Source: Datassential: Report #19 – Here I Come, Technomic – Foodservice Impact Monitor 10th Edition

NEW DIGITAL & DELIVERY HABITS HAVE BEEN FORMED...

RETENTION OF THESE NEW ADOPTERS IS A CRITIAL OPPORTUNITY, AS THE MAJORITY OF NEW DIGITAL USERS EXPECT TO CONTINUE POST COVID-19

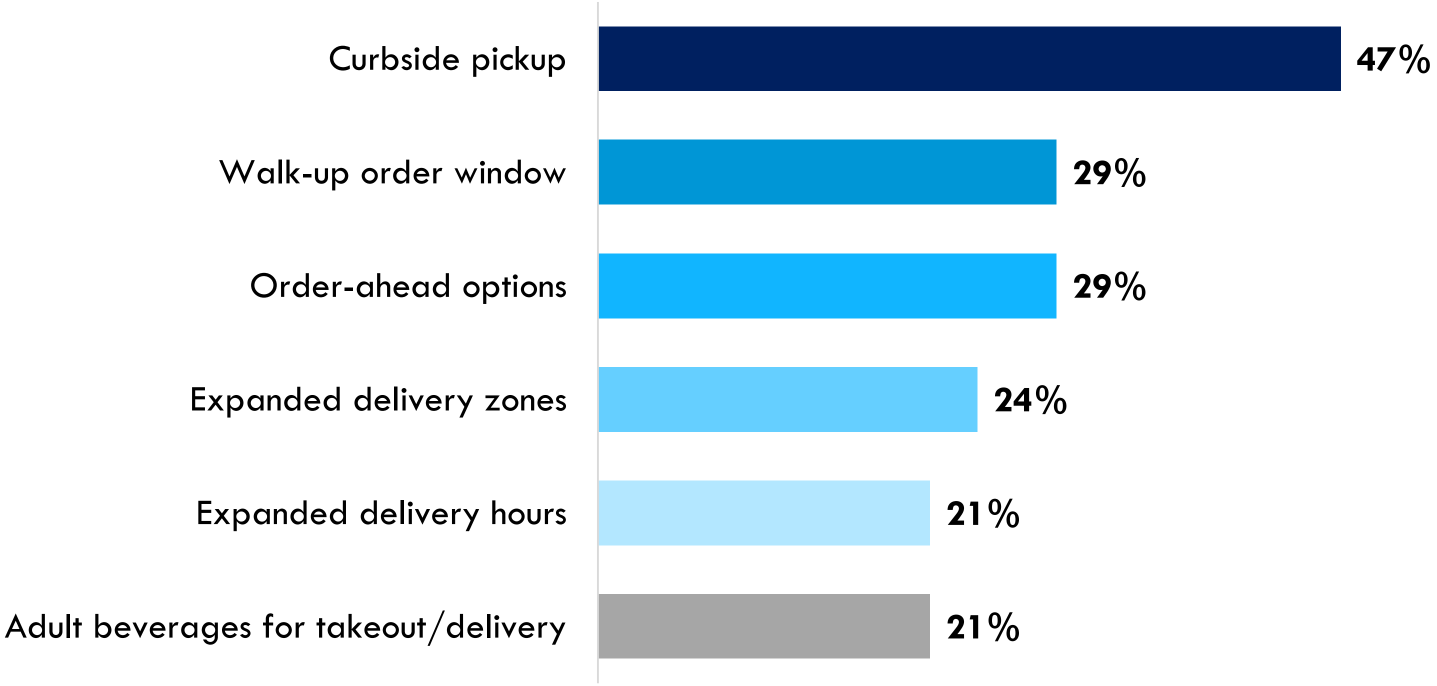


Source: Datassential: Report #19 – Here I Come

* = Of consumers who tried for the first time

…AND CONSUMERS LIKE & WANT THESE NEW SERVICES TO CONTINUE POST-COVID

Which would you like sit-down restaurants to continue offering even after they reopen for dining in?

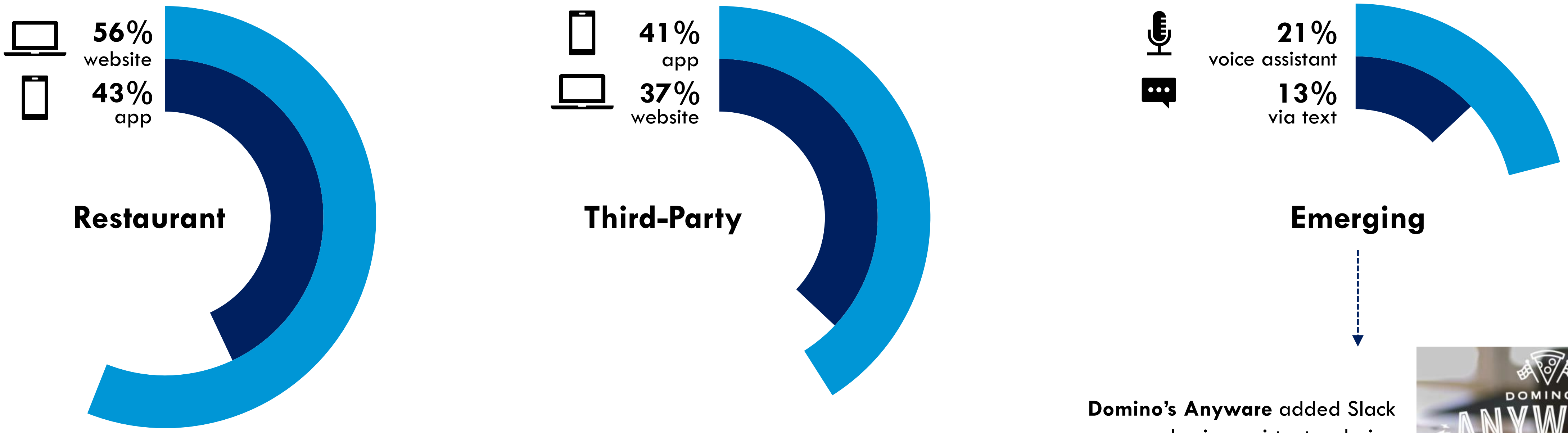


Source: Datassential: Report #19 – Here I Come

CONSUMERS ARE EVEN OPEN TO NEW, NOVEL ORDERING EXPERIENCES

TRADITIONAL DIGITAL REMAINS AT THE TOP, WHILE EMERGING IS AN OPPORTUNITY FOR ENHANCED EXPERIENCES

ORDERING METHODS USED IN PAST YEAR



Domino's Anyware added Slack and voice assistant ordering abilities to their already innovative lineup.

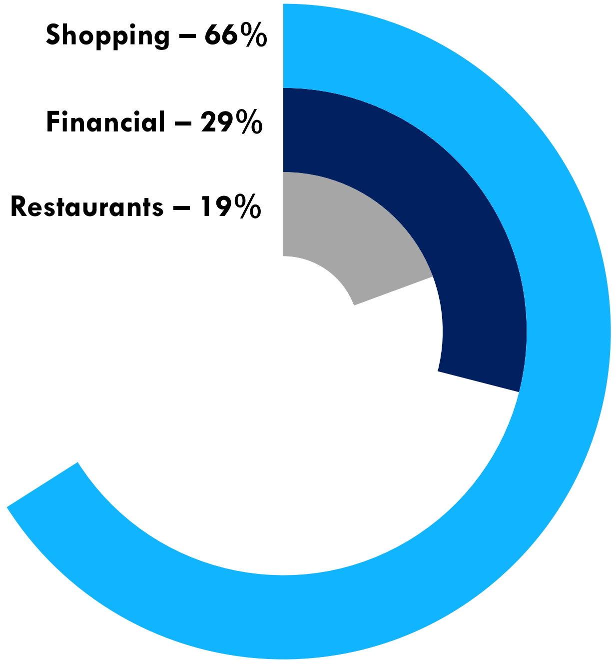
Source: National Restaurant Association and Technomic: 2019 Harnessing Technology to Drive Off-Premise Sales

PRIOR TO COVID-19, CONSUMERS' ENGAGEMENT WITH RESTAURANT APPS WAS ALREADY INCREASING

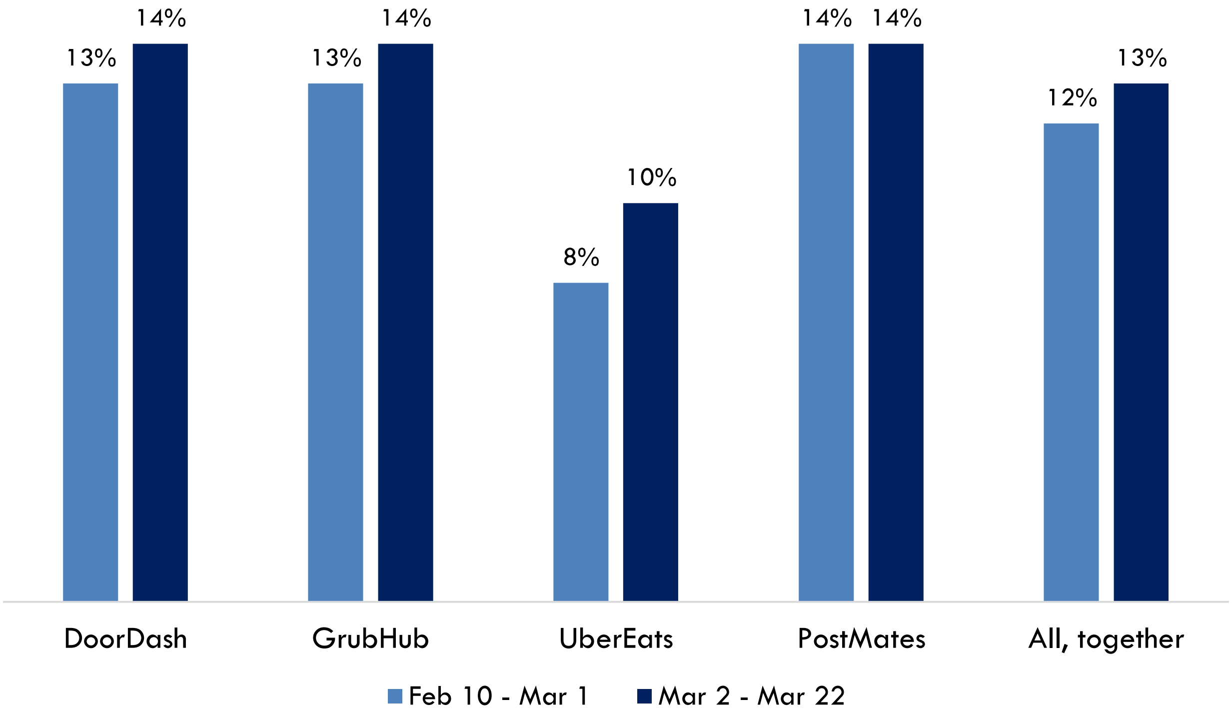
Pre-COVID, consumers were using shopping apps the most

At the start of the pandemic, we can see engagement with food delivery apps start to increase:

% of Consumers that use brand-specific smartphone apps

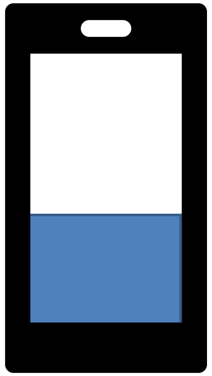


% of New Users



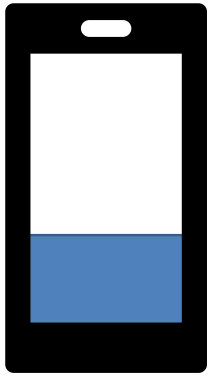
Source: Edison Trends – COVID-19 Impact on Food Delivery Sales, Statista

ENGAGEMENT WITH RESTAURANT APPS INCREASED TO A GREATER DEGREE DURING COVID-19



37%

of consumers downloaded RESTAURANT app(s) during the COVID-19 pandemic



29%

of consumers downloaded FOOD DELIVERY app(s) during the COVID-19 pandemic

COVID-19 DROVE ADOPTION:

- *"Local restaurant dining rooms were closed so downloaded several apps to place pick up orders."*
- *"Stay at home order and convenient way to support small local restaurants. Stimulus enabled ordering at restaurants."*
- *"Often got food deliveries during pandemic. Downloaded all food delivery apps to properly price shop/compare."*
- *"To see if they offered any family meal specials during COVID-19."*

Source: 1Q n=200

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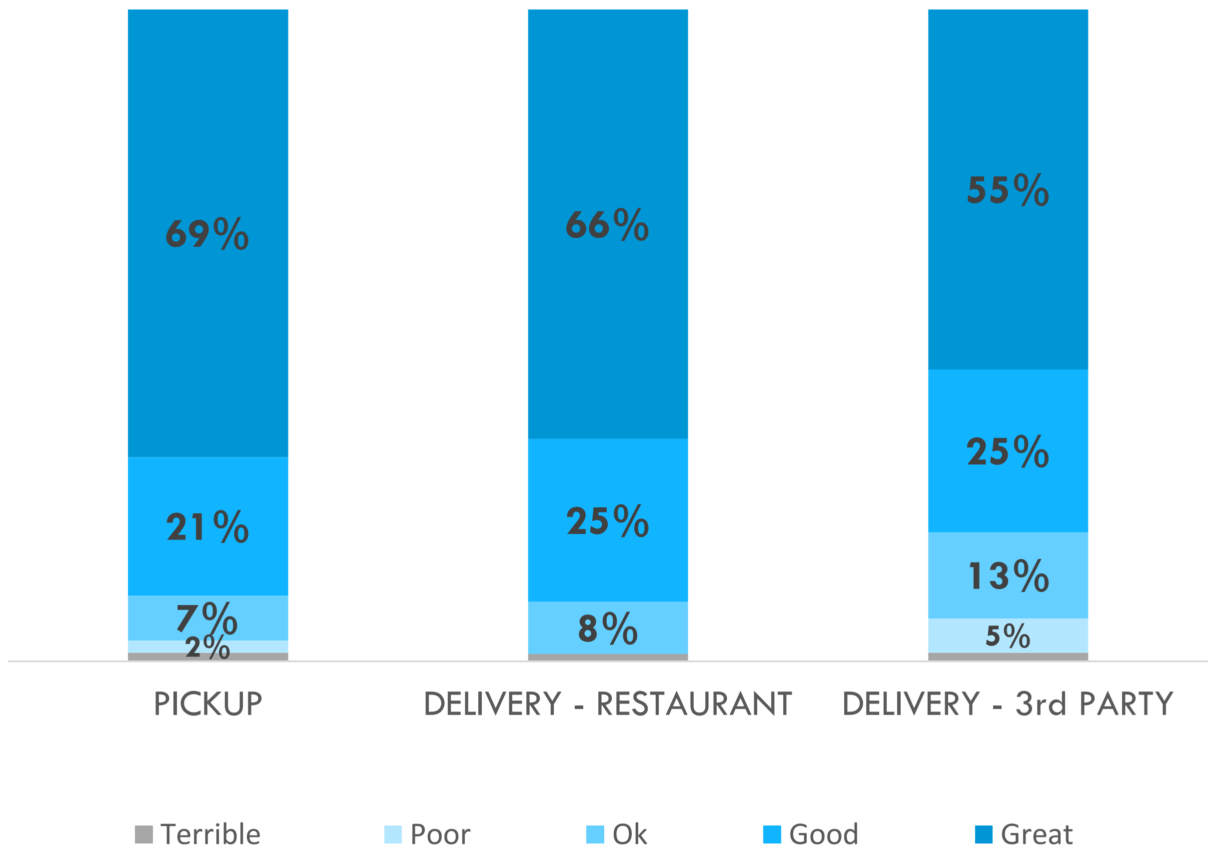
WEBSITE/APPS CURRENTLY MEET BASIC NEEDS, OPPORTUNITY TO ELEVATE

EASE OF ORDERING/PAYMENT & NAVIGATION GENERALLY PERCIEVED POSITIVELY

Experience Ratings with each option



ORDER TRACKING, DEALS, & LOYALTY ARE AREAS FOR IMPROVEMENT

- ***Order Tracking*** *is a strength within 3rd party delivery, opportunity to add or improve in many restaurant website/apps to reassure consumers about the status of their order.*
- *Consumer want and expect* ***Deals*** *to be available within digital ordering applications. Opportunities to drive trial and upsell items with promotions.*
- *There is a consumer desire for* ***Loyalty Programs*** *within digital platforms, which have strong benefits for both operators and consumers alike.*

Source: C Space Foodservice Community, N=300

DIGITAL INNOVATION IN FOODSERVICE

COVID-19 PUSHING OPERATORS TO THE FRONTIERS OF INOVATION

3rd PARTY AGGREGATORS ARE TAPPING INTO CORE NEEDS

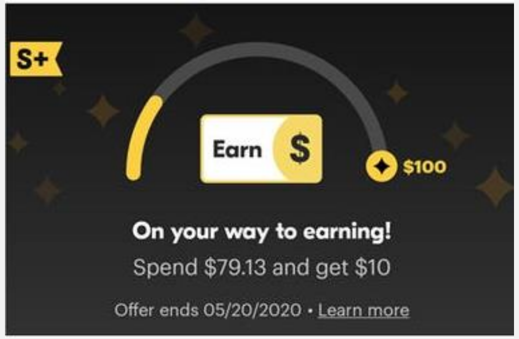
Third-Party Delivery apps have introduced features that **provide consumers greater order transparency & value.**

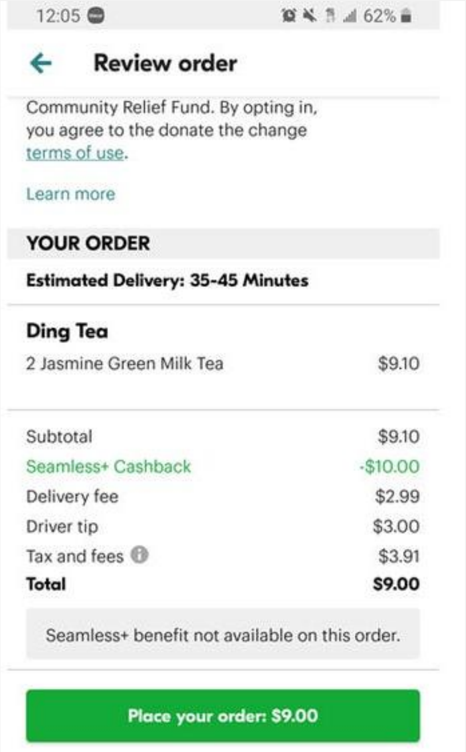
*“I **knew what was happening all along my digital order**. There was never a moment where I was left wondering what to expect from it at all.”*

*“I thought that the **ordering experience was very intuitive an easy**. It was **as if I was ordering from the actual restaurant…** I really **liked the notification and tracking of the food**, and the delivery driver was very nice.”*

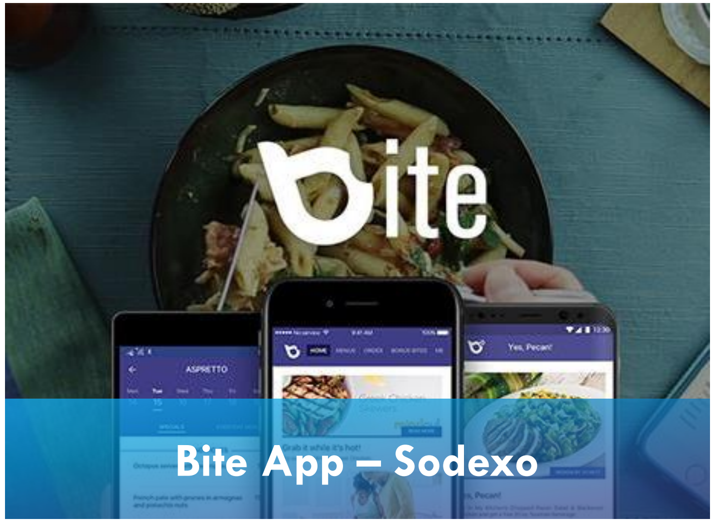
UNLOCKING ADDITIONAL VALUE

Like other aggregators, GrubHub recently rolled out Seamless+/GrubHub+ a monthly subscription service that offers free delivery on eligible restaurants, $10 cashback for every $100 spent, and premium customer support.





NON-COMMERCIAL OPERATORS ARE INCREASING THEIR DIGITAL CAPABILITIES TOO

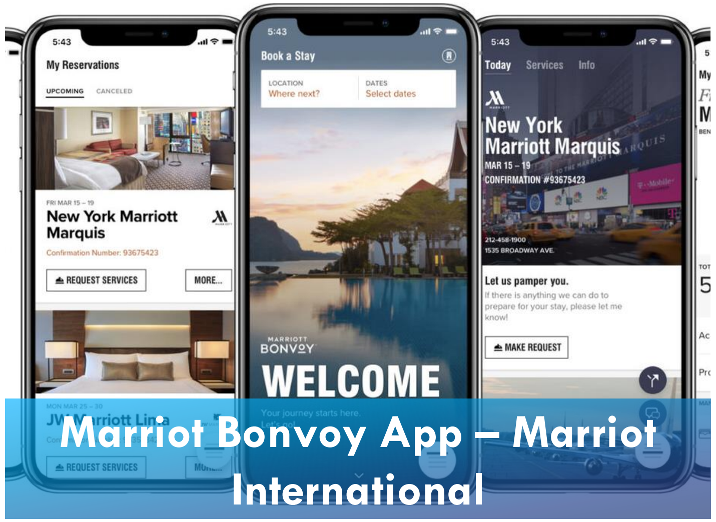


Bite App – Sodexo

- Sodexo's Bite App uses geo-location or traditional search functions to provide users with food options near them.
- Provides menu and nutrition information and is customizable to filter out menus or highlight allergens.

AtYourGate – Boston Logan International Airport

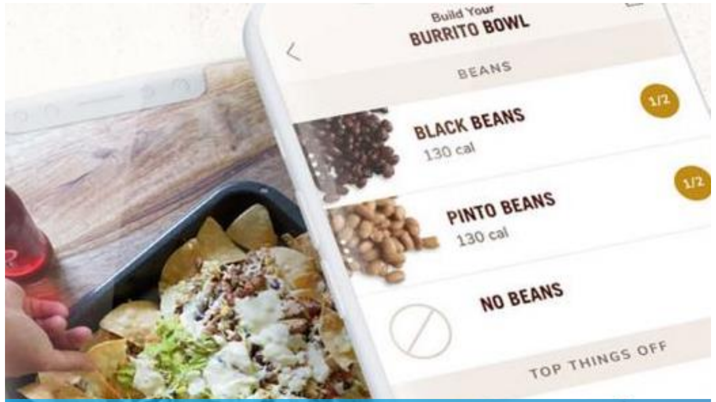
- Boston Logan International launched an in-gate delivery app called AtYourGate.
- Consumers at select terminals can choose from a range of restaurants and get their orders delivered to them right at their gate.



Marriot Bonvoy App – Marriot International

- Marriott's mobile app is a virtual one stop shop for a variety of functions including mobile check-in, mobile key, mobile ordering and more.
- Patrons can browse menus and choose to have their food delivered anywhere on the property.

WHILE OPERATORS START TO EXPLORE HOW TO EXTEND THEIR ON-PREMISE EXPERIENCE TO OFF-PREMISE



Chipotle Complete Customization

- Chipotle updated its app to include ‘Complete Customization,’ allowing consumers to customize any ingredient to light, standard or extra amounts.
- Chipotle released a series of menu ‘hacks’ on TikTok to promote the new features.

Taco Bell At Home Taco Bar

- Taco Bell rolled out a Taco Bar kit in time for Cinco de Mayo, allowing consumers to recreate their favorite menu items or make new combinations while at home.
- The kit feeds 6 and is available through delivery and drive thru for $25.

Waffle House Waffle Mix

- For a limited time, Waffle House made their signature waffle mix available for purchase in their online store.

THE FOODSERVICE SUPPLY CHAIN IS PIVOTING AS DISTRIBUTORS AND MANUFACTURERS LOOK TO REACH A LARGER AUDIENCE

PepsiCo

- Two new direct-to-consumer platforms, Pantryshop.com and Snacks.com, allow consumers to order their favorite brands shipped directly to their home

US Foods

- US Foods has struck new deals to support and sell goods directly to grocery stores, a segment that it has not traditionally serviced
- They have also partnered with C&S Wholesale Grocers to transfer workers to similar jobs with the grocery distributor

Sysco

- Sysco recently launched their Sysco@Home program in Canada, pivoting to selling bulk grocery items direct to consumers
- Shoppers order online then choose a curbside pickup time

THE FUTURE OF DIGITAL WILL BRING NEW INNOVATION

Panera Curbside: New Geofence Feature

- Panera added contactless curbside pickup to their rapid pickup service.
- The new service utilizes geofencing to automatically alert employees of a customers' arrival.

Buffalo Wild Wings 'GO': Hot Lockers

- Buffalo Wild Wings recently launched the 'GO' concept which focuses on off-premise.
- Customers can retrieve pre-ordered items for pickup from heated lockers, without having to interact with staff.

McDonald's: AI Drive-Thru Recognition

- Pre-COVID, McDonald's announced an experimental venture utilizing artificial intelligence to scan license plates
- AI would enable the drive-thru to recognize consumers and give menu recommendations

HOW WILL THIS CONTINUE TO EVOLVE?

THOUGHT STARTERS:

- **MENU MASHUP:** Complete customization of your third-party delivery order – a Baja Blast from Taco Bell, fries from Wendy’s, and wings from BWW

- **DYNAMIC MENUBOARDS:** Drive-thru menu boards would dynamically change the menu and highlighted promos based on the consumer’s preferences & order history

THE CONSUMER EXPERIENCE

THE GOOD NEWS IS MOST CONSUMERS REPORT POSITIVE EXPERIENCES WITH RECENT OFF-PREMISE PURCHASES

DIRECT ORDER PICKUP

90% satisfied

- Timely, efficient pick-up
- Quality food: hot, fresh, delicious
- Order accuracy
- Easy UX (seamless, customizable, etc.)
- **Safety precautions taken**
- **Brought it out to car (a couple mentions)**

7% dissatisfied

- **Restaurant overwhelmed (waits too long, too many orders, wrong orders, poor pick up communications, etc.)**
- **Poor value**
- **Poor UX**

DIRECT ORDER DELIVERY

93% satisfied

- Timely delivery
- Quality food: hot, fresh, *delicious*
- Order accuracy
- Easy UX (seamless, coupons available, etc.)
- **Contactless experience & payment**

4% dissatisfied

- **Wrong orders**
- **Takes too long/cold food**
- **Poor UX**

3RD PARTY DELIVERY

88% satisfied

- Timely delivery
- Quality food: hot, fresh
- Order accuracy
- Easy UX (ability to track order, etc.)
- **Contactless experience**
- **Well-prepared & packaged**
- **Polite driver (2)**

9% dissatisfied

- **Wrong orders**
- **Cold food**
- **Overcharged/missed opportunities for savings**

Bolded items are different across methods

Source: C Space Foodservice Community, N=300

FOOD QUALITY, EASE, TIMELINESS & ACCURACY ARE HALLMARKS OF A POSITIVE PICKUP/DELIVERY EXPERIENCE

"The food was ready quickly, handled well regarding social distancing, and tasted great!"

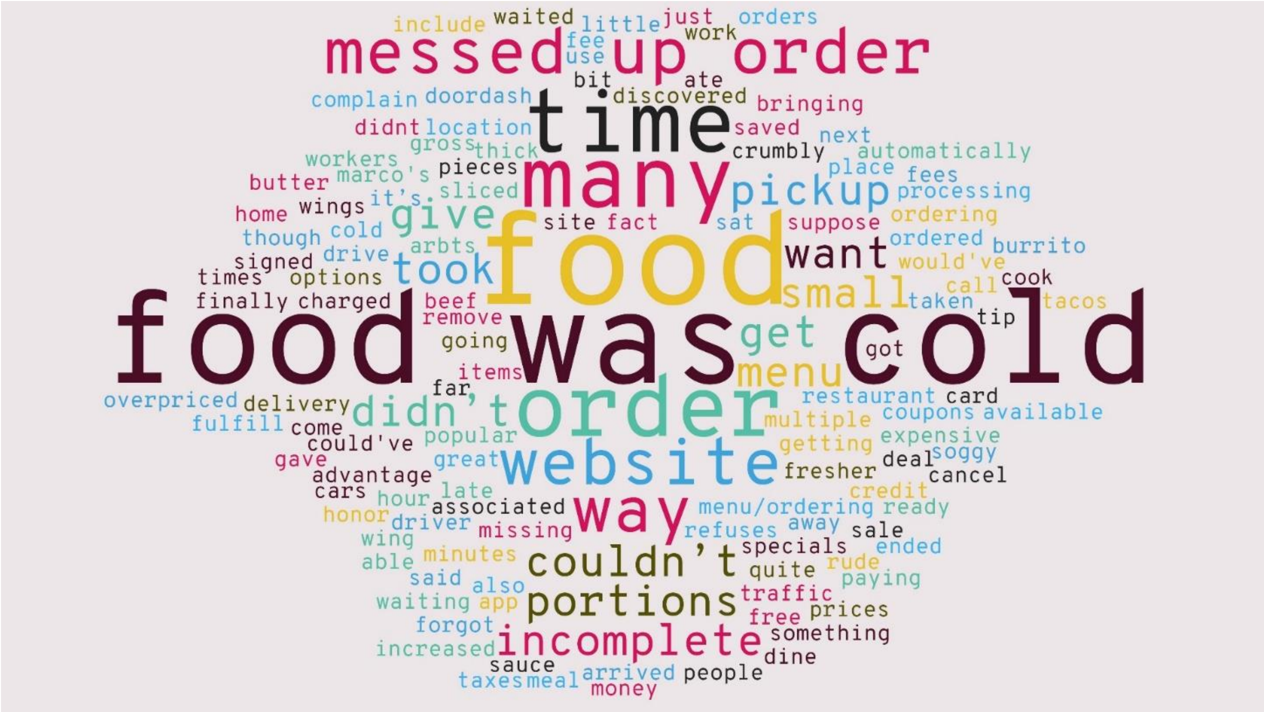
"The delivery person properly did contactless delivery. The food was delicious and arrived quickly."

"It was delicious and exactly what I ordered."

"It was quick easy and efficient. We did not have to wait we just pulled up and someone asked our name and our food was out in minutes. They gave us an ETA via text and we were there at that time. …They also got the order right no issues at all."

Source: C Space Foodservice Community, N=300

SIMILARLY, NEGATIVE PICKUP/DELIVERY EXPERIENCES ARE DRIVEN BY POOR QUALITY, WRONG ORDERS & LACK OF TIMELINESS



"The order was completely messed up and arrived very late. It was cold."

"The food was not ready at the time they gave up for pickup. There were many many cars waiting, as were we. And the food was soggy when we ate it."

"The food was cold when I got it and the driver sat in my drive way for 10 minutes before bringing my food"

"They some how messed up the order and charged us way more than they were supposed to"

Source: C Space Foodservice Community, N=300

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DIRECT ORDER HAD HIGHER MARKS FOR EMPLOYEE INTERACTION & ACCURACY, FOCUS ON THESE AREAS NEEDED IN 3rd PARTY DELIVERY

	employee interaction	order timeliness	order accuracy
DIRECT ORDER PICKUP	90%	91%	91%
DIRECT ORDER DELIVERY	80%	91%	95%
3RD PARTY DELIVERY	70%	88%	86%

In Their Words:

"*I believe they did a great job. Everyone is trying to do their best to make it the best experience possible.*

We specifically asked for it to be cooked a certain way and they went above and beyond."

Source: C Space Foodservice Community, N=300

THE VOICE OF THE CONSUMER UNDERSCORES THE IMPORTANCE OF EMERGING THEMES OF SAFETY, DIGITAL, VALUE

HYGIENE & SAFETY

- *"Keep sealing items."*
- *"I was impressed at how many precautions they had implemented for everyone's safety."*
- *"The employees are nice, they are taking every safety precautions for everyone."*
- *"If the majority of people have a positive experience with ordering thru an app there will be fewer lines and fewer crowds which will probably still be needed even after the country opens up."*

ONLINE ORDERING

- *"Keep improving your curbside pickup and delivery options via mobile app or website as they are incredibly convenient and less stressful than calling to place orders, not just because of COVID19"*
- *"Give your customers as many EASY options to choose your restaurant to eat at!!!!"*
- *"Keep it simple for online ordering"*

VALUE

- *"Make sure that [advertised] deals are offered on your website or in your app"*
- *"Make deals through the app to cut down on lines"*
- *"Keep food consistent and prices low"*
- *"Have lots of deals!"*
- *"Better loyalty programs"*
- *"It was great food for a great price and we got everything we wanted"*

Source: C Space Foodservice Community, N=300

IMPLICATIONS

POST-COVID, DELIVERY WILL FACE SOME PRESSURE

- **Decline in discretionary income**

  The COVID-19 pandemic impacted many consumers financially, resulting in a need to evaluate spending on ‘extras.’

- **Free delivery promos phase out**

  Consumers will feel some sticker shock as ‘free delivery’ promos during ‘confinement and cocooning’ phase out

- **Increased regulation of third party delivery**

  Cities like Chicago and San Francisco are imposing caps on the fees that 3PD services can charge restaurants.

- **Increased competition**

  New players like Toast and operator self-delivery have made an already crowded space even tighter.

YOUR DIGITAL FOOTPRINT IS AN EXTENSION OF YOUR BRAND & CAN BE A DIFFERENTIATOR

Optimizing the Digital Experience is Key

- **Great user interface** is necessary, the less clicks the better.
- Brands must **elevate the overall experience** with their website/app with value-added features like new ways for consumers to order, "remember my last order"…
- *RECOMMENDATION: Evaluate & optimize your current digital experience and explore other potential digital technology.*

Tailor Offerings for Off-Premise Consumption

- The needs of the off-premise consumer may differ, so careful consideration is needed to **create offerings for this occasion.**
- *RECOMMENDATION: Explore adding unique beverages to off-premise menus, increasing variety and potential purchase.*
- *RECOMMENDATION: Consider recent trends of family meals & meal kits.*

Ensure Guest Satisfaction in Digital and Off-Premise

Brand experience in both online ordering and pickup/delivery is an important factor for brand health. **Online review & reputation management** is also important for brands in the digital space.

- *RECOMMENDATION: Measure and maintain/improve guest experiences.*

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 **Nina Guest, Ashley Dodge, and Amy Edler.***

PEPSICO foodservice

PepsiCo Foodservice Insights

APPENDIX

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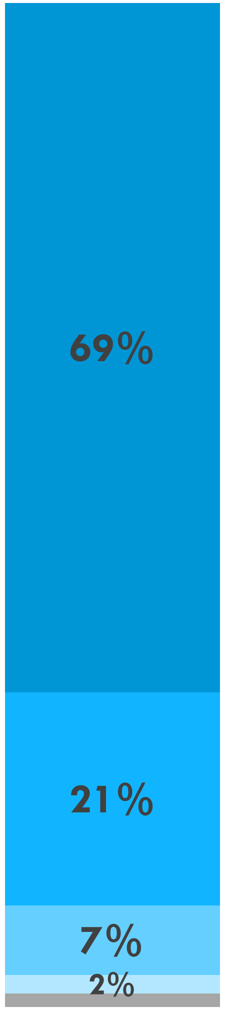
PICKUP FROM A RESTAURANT'S WEBSITE OR APP IS POSITIVE BUT POST-ORDER MESSAGING, TIMING & PICKUP PROCESS COULD IMPROVE



Great experience

Good experience

Ok experience

Poor experience

Terrible experience

"They were so busy with orders that they didn't text us when our food was ready so it just sat there for a long time before we finally called and found out it was done."

"I wish there had been updates along the way regarding the status of my order - not just a text when it was ready."

CONSUMER RANKING:

WHAT WORKED WELL:

1. **Paying for the order** (82%)
2. **Ordering items** (79%)
3. **Customizing items** (61%)
4. **Navigating the website or app** (59%)

WHAT NEEDS IMPROVEMENT:

1. **Nothing** (53%)
2. **Pickup/delivery process messages** (13%)
3. **Order tracker/timing messages** (13%)
4. **Deals and promotions** (11%)

Source: C Space Foodservice Community, N=300

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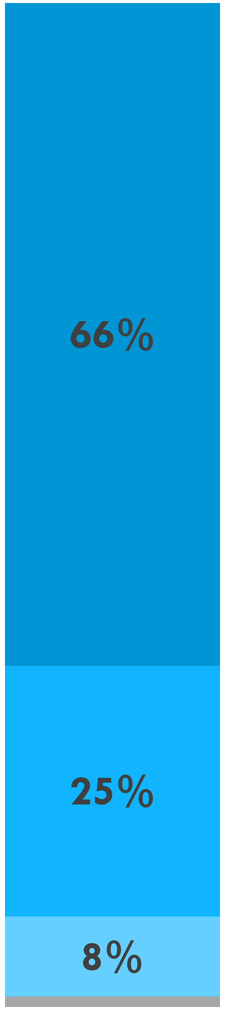
DELIVERY FROM RESTAURANT'S WEBSITE OR APP IS POSITIVE BUT DEALS, LOYALTY PERKS & POST-ORDER MESSAGES COULD IMPROVE



Great experience

Good experience

Ok experience

Poor experience

Terrible experience

"Can't pay with a gift card, can't add on everything you'd want with your meal."

"They tried to make it simple but the website had a problem with me entering my membership so I didn't get the points I should have."

CONSUMER RANKING:

WHAT WORKED WELL:

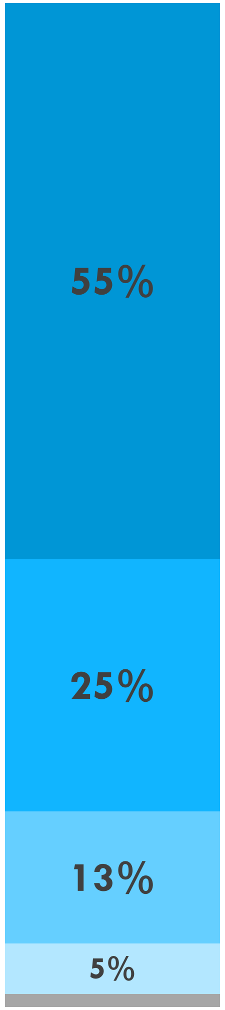
1. **Paying for the order** (83%)
2. **Ordering items** (75%)
3. **Navigating the website or app** (66%)
4. **Customizing items** (61%)

WHAT NEEDS IMPROVEMENT:

1. **Nothing** (53%)
2. **Deals and promotions** (18%)
3. **Loyalty program** (16%)
4. **Order tracking/messages** (13%)

Source: C Space Foodservice Community, N=300

DELIVERY FROM 3RD PARTY APP IS LESS POSITIVE AND THERE'S DESIRE FOR MORE CUSTOMIZING ORDERS, MORE DEALS & LOYALTY PERKS



Great experience

Good experience

Ok experience

Poor experience

Terrible experience

"They included an option to leave my food at my doorstep without interacting with the delivery person due to COVID-19. I thought that was neat."

"I knew what was happening all along. There was never a moment where I was left wondering what to expect from it at all."

CONSUMER RANKING:

WHAT WORKED WELL:

1. **Paying for the order** (72%)
2. **Order tracker/timing messages** (72%)
3. **Ordering items** (67%)
4. **Adding a tip** (62%)

WHAT NEEDS IMPROVEMENT:

1. **Nothing** (53%)
2. **Deals and promotions** (20%)
3. **Customizing items** (17%)
4. **Loyalty program** (17%)

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