

Foodservice Digest™

August 2020

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Technomic®



Revisiting Our 2020 Trends

Last winter, we forecasted what would most influence our industry in 2020. What we couldn't know at that time is that COVID-19 would be the defining event of the year. Our experts recently revisited our trends to see how they've changed since the pandemic. Here's an update on where they stand today.

1. Cool Colors Heat Up. The purple, blue or green ingredients from nature that have both nutritional and functional benefits are more relevant today. Because we're in a pandemic, immunity-boosting ingredients most especially are and will continue to be sought after by consumers. Expect to continue to see operators turn to ingredients such as leafy greens to help relieve stress and anthocyanin-rich plants to boost immunity.

2. The Year of the Fad. Although headscratcher fare, "mouth magic" ingredients and components that toe the legal line aren't entirely what we've seen trending, it certainly has thus far been the year of the fad in other ways. Food and beverage trends that have risen quickly through social media then gone away just as fast

during the pandemic included home-cooked creations, such as banana bread and Dalgona whipped coffee. And while current LTOs are driven much more by basic comfort foods and value, funky innovation can still come from low-cost/high-profit-margin fare. Further, social media will continue to drive these fad food trends as many consumers continue to opt to stay home.

3. New Forces of Nature. The plant-forward momentum transitioned from foodservice to retailers over the past few months as restaurant operators turned their attention to core offerings. However, innovation is beginning to pick up again, namely with recent plant-based protein launches at top chains. As independent restaurants reopen, expect to continue to see operators using new parts of familiar plants as a way to reduce waste and promote sustainability.

Patrick Noone
Executive Vice President



4. Eco-Everything.

Sustainability priorities have changed for the industry. For example, early on during the pandemic, restaurants had to swiftly recalibrate their eco efforts to prevent food waste in an environment where dine-in occasions had stopped. To that end, we saw many restaurants become pantries that sold grocery supplies, creating a new model of sustainability. Technomic's "Four S" recovery roadmap calls out sustainability in the final "Surge" phase, and when we reach that stage, we'll see a reinvestment into eco-friendly sustainability in terms of packaging, as well as a measured shift away from single-use packaging back toward reusable cups, plates and utensils.

5. Locking Into Lifestages.

While all consumers have overarching needs that have been directly influenced by COVID-19, each generation's individual life stages remain a relevant consideration. This is particularly true for millennials, who are in the midst of the parenting life stage. The tricky balance of months-long stay-at-home orders, working remotely and home-schooling children has created new need states for many foodservice consumers or, at the very least, has fostered a heightened need for convenient, value-oriented, easily sourced, at-home meal bundles and heat-and-serve kits that feed an entire family.

6. Offsetting Off-Premise.

This is perhaps the operational trend that has been turned

upside down the most, since off-premise initiatives have essentially kept restaurants alive, and reviving dine-in occasions depends upon outside factors. In this climate, dine-in revitalization is now hinging upon whether states and cities remain open; how confident consumers feel about visitation and face-to-face interactions; the consistent implementation of health and safety practices; and the execution of social distancing guidelines. While restaurants will have to do more to get foot traffic to accelerate, how they go about that will depend upon regulations and concerns that remain ambiguous.

7. The Pre-Recession Jitters.

Initial nervousness about an impending economic recession has given way to the reality of widespread unemployment, business shutdowns and, in our industry, permanent restaurant closures. However, the implication that we originally stated for this trend at the start of 2020 remains the same: the foodservice consumer will increasingly seek out value with low price as the determining factor of that equation, and the takeout/drive-thru/pickup/delivery format will thrive.

As I see it, many of the trends our experts predicted held true in some form. Our team will continue to provide transparency and insights as we see shifts to ensure you have the best information to make informed decisions for your business.

Front-Page Headlines

California Pizza Kitchen files for Chapter 11 bankruptcy

McDonald's and **Pizza Hut** permanently close locations

Dunkin' launches fall-inspired LTOs

Wendy's debuts a Spicy Crispy Chicken Sandwich

Cinemark USA Inc. offers private watch parties



Industry News

Operations

Bloomin' Brands promoted Sheilina Henry to group vice president, diversity & inclusion—a newly created role. Henry will lead efforts toward furthering equality and inclusion in the areas of leadership, talent, training and education, as well as lead the Bloomin' Brands Diversity & Inclusion Council, which advises strategies to advance diversity, equality and inclusion among its employees, customers, suppliers and communities.

California Pizza Kitchen announced that it filed for Chapter 11 bankruptcy protection. It has entered into a restructuring agreement with its lenders, which will allow it to reduce long-term debt.

Chipotle Mexican Grill is requiring that all customers in its U.S. locations wear face masks or coverings.

Del Taco said it will not reopen dining rooms in the near future. The chain said it is doing well with drive-thru service and is in no hurry to open dine-in service during the coronavirus pandemic.

Denny's is providing free delivery to rewards members through its Denny's on Demand platform through the end of the year. Rewards members could place an order from July 27 to Aug. 9 to receive a weekly coupon via email to be redeemed for free delivery

once a week until the end of 2020.

Domino's is looking to hire 20,000 people across both corporate and franchise stores for roles as delivery experts, pizza makers, customer service representatives, managers and assistant managers.

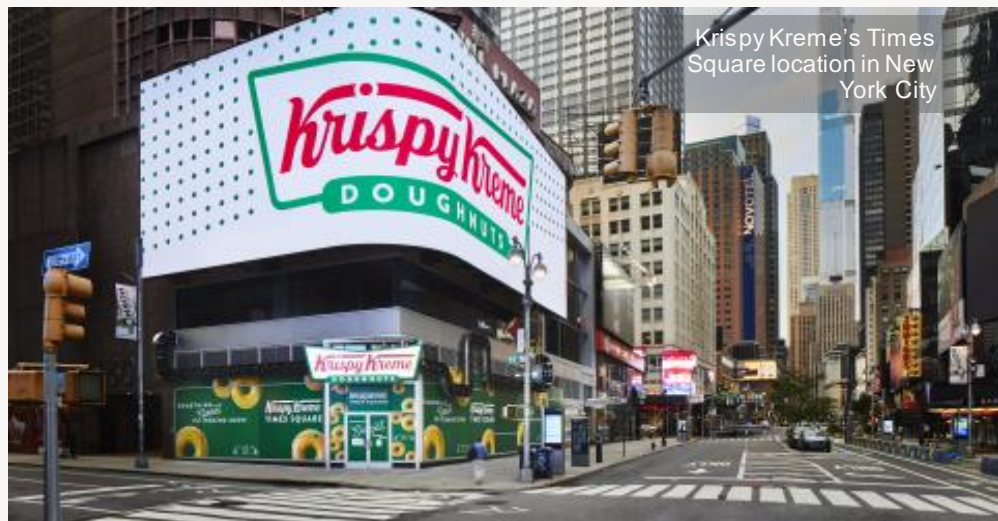
Domino's partnered with its box supplier West Rock to launch a website with recycling information. The site shares details on pizza box recycling, including instructions on how to recycle pizza boxes and a guide for what to do if a customer's city does not accept pizza boxes for recycling. The site was built partly to dispel the myth that pizza boxes are not recyclable if they have grease on them.

Fazoli's opened its first ghost kitchen location at PREP Atlanta in partnership with Impact Hospitality Group. Customers can order from the kitchen for delivery through 11

delivery partners in the metro Atlanta area.

Krispy Kreme is opening a 4,500-square-foot location in Times Square in New York City, with features including the world's largest Hot Light, the world's largest glaze waterfall, a doughnut-making theater, stadium-style seating and more. It will also serve a special Big Apple doughnut. The store is expected to serve more guests than any other Krispy Kreme location, and will be open 24 hours a day, seven days a week. It was set to open in May but was delayed due to the coronavirus pandemic.

Landry's Inc. launched Landry's Kitchen, which ships packages of raw steak and seafood. The food is sourced from the same suppliers as Landry's restaurants. Order options will vary by season and come packed in dry ice. There is a minimum of \$75 per order. Customers can also order



Krispy Kreme's Times Square location in New York City

seasonings from Saltgrass Steak House, King Ranch Saddle Shop, Bubba Gump Shrimp Company Restaurant & Market and Joe's Crab Shack.

McDonald's now requires that all customers in U.S. restaurants wear masks or face coverings.

McDonald's plans to permanently close 200 locations across the U.S., with more than half of them in Walmart stores. The move is part of a shift away from big-box stores and toward drive-thru locations.

McDonald's vowed to improve inclusion as well as reduce hiring bias and equality barriers to attract a more diverse workforce and set of franchisees. The chain also announced that it would start working with the Mayo Clinic to identify best practices to help stop the spread of the coronavirus in its stores.

McDonald's sued former CEO Steve Easterbrook for severance, and claimed he lied about the number of romantic

relationships he had pursued with his subordinates. The board said it would not have approved Easterbrook's separation agreement if it had known he conducted more than one relationship with employees.

Noodles & Co. plans to open smaller-footprint stores in the second half of 2021, as well as stores with limited-contact pickup options. It is currently adding drive-thru windows to some existing stores. The new stores will be about 2,000 square feet, compared to current units that are around 2,600 square feet. The changes are meant to help the brand cope with new customer behaviors due to COVID-19.

Pizza Hut permanently closed 17 locations in western New York due to fallout from COVID-19. The stores were owned by franchisee Pizza Hut Realty, NY.

Pizza Hut franchisee NPC International plans to close up to 300 locations after declaring bankruptcy. The franchisee hopes to close financially

unhealthy stores and strengthen its portfolio for the future.

Portillo's is hiring several hundred employees to launch an in-house delivery program. It will soon pivot to using its own drivers for orders that come in through its website and app.

Potbelly Sandwich Shop named Robert Wright as its president and CEO. Wright previously ran operations for more than 6,000 Wendy's units, as well as holding corporate roles at Charley's Philly Steaks, Checkers Drive-In Restaurants and Domino's Pizza. He is taking over for Alan Johnson.

Pret a Manger pulled out of the Boston and Chicago markets, closing 17 locations between the two cities. It is now looking into retail coffee offerings and more delivery services in other markets. One store will stay open on the University of Chicago campus.

McDonald's is closing Walmart store locations to focus on drive-thrus



Restaurant Brands

International, the parent company of Burger King, Tim Hortons and Popeyes Louisiana Kitchen, plans to close hundreds of underperforming units across all three brands in the U.S. and Canada. It will eventually replace the stores with new locations in better-performing areas.

Starbucks released a new coffee tracing tool. Customers can now visit a special website (traceability.starbucks.com) and scan the number on the back of any bag of whole-bean Starbucks coffee in the U.S. to trace where the coffee came from. The tool will show where the coffee was grown and provide information about some of the farmers and roasters. It was developed in partnership with Conversation International, a nonprofit environmental organization.

Starbucks said it is repositioning its store formats by opening more smaller-footprint, walk-through stores in urban markets. Most new stores will be located within a three- to five-minute walk of more traditional Starbucks stores to give customers both

sit-down and grab-and-go options. Starbucks will open more than 50 of these small-format stores over the next 12-18 months.

Steak 'n Shake will revive its drive-in service across the U.S. Customers can pull into a space marked with a 45 RPM record sign, place their orders on the Steak 'n Shake app and a carhop will deliver the order on a tray and attach it to an open car window. The chain previously offered carhop service in the 1950s.

Taco Bell announced it is introducing a new, smaller-format store design with expanded drive-thru lanes. The concept, which has two drive-thru lanes instead of one, will debut next year. It is designed for guests to order ahead through the mobile app or utilize the drive-thru.

Texas Roadhouse is resuming the development of all of its concepts now that sales have stabilized to pre-coronavirus pandemic levels. All new branches will have a reconfigured layout that prioritizes takeout and delivery. The chain suspended development in March.

Whataburger released its first-ever food truck, which it is calling "Goodness on Wheels." It was created in honor of the chain's 70th birthday and will tour the United States in 2021. The truck is 36 feet long, with 24 feet of cooking space and a 4-foot grill powered by a 30,000-watt generator. A schedule of the stops it will make on its U.S. tour has not been released.

Key Theme

Mandatory Face Masks:

Chains are implementing stricter safety procedures in stores by requiring both staff and guests to wear face masks at all times. Chipotle and McDonald's are leading brands that now make face coverings a requirement.

Menu

Burger King brought back the limited-time Steakhouse King sandwich, featuring two flame-grilled beef patties topped with two slices of American cheese, crispy onions, mayonnaise and steakhouse sauce on a sesame seed bun. It is available in both double and single patty options. The chain also removed Apple Pies from its menu nationwide.

Carl's Jr. debuted the A.1. Double Cheeseburger. The new limited-time burger features two charbroiled beef patties seasoned with Canadian steak seasoning, A.1. Steak Sauce, melted Swiss cheese, crispy onion rings and mayonnaise on a toasted plain bun.

Dunkin' rolled out seasonal menu items, including a Pumpkin Donut, Pumpkin Munchkins, Pumpkin Muffin, Apple Cider Donut, Apple Cider Munchkins, Signature Pumpkin Spice Latte and Chai Latte. Savory offerings include:

- Stuffed Bagel Minis—mini bagel rounds filled with plain cream cheese and served warm, available plain or with everything topping
- Steak & Cheese Rollups—steak and American cheese rolled up in flour tortillas
- Maple Sugar Bacon Breakfast Sandwich—five half slices of maple-sugar-seasoned bacon, egg and white cheddar cheese on a warm croissant.

Dunkin' partnered with Planet Oat to offer plant-based oat milk at all locations. It can be ordered in place of milk, almond milk or cream, and is also featured in the new Iced Oatmilk Latte, made with a blend of espresso and oat milk.

El Pollo Loco introduced the Familia Dinner. The \$20 meal features 10 pieces of fire-grilled chicken thighs and legs, two large sides, salsa and a choice of flour and corn tortillas or chips. Guests can also upgrade to mixed white-meat chicken for an additional charge.

Famous Dave's rolled out Grill Your Own Feast packs. The limited-time, ready-to-grill meal packs serve five and are available in the following options: Ribs + Chicken + Burgers with one slab of St. Louis-style spare ribs, five chicken breasts, five burger

patties, five buns, a quart of Wilbur beans, a quart of potato salad and one retail sauce bottle; Chicken + Burgers + Sausage with five chicken breasts, five burger patties, a pound of smoked jalapeno cheddar sausage, five buns, a quart of Wilbur beans, a quart of potato salad and one retail sauce bottle; and Ribs + Chicken + Sausage with one slab of St. Louis-style spare ribs, five chicken breasts, a pound of smoked jalapeno cheddar sausage or hot link sausage, a quart of Wilbur beans, a quart of potato salad and one retail sauce bottle.



Burger King's
Steakhouse King
sandwich

Hardee's introduced new breakfast items. The chain debuted the Hot Cakes Breakfast Sandwich, featuring sausage and folded egg served between two maple hot cakes with a side of syrup, and the Hot Cakes Breakfast Platter with three hot cakes, two folded eggs and a choice of sausage or bacon, served with syrup and butter on the side. Hardee's is also testing the Hand Breaded Chicken & Waffle Sandwich, made with a breaded white-meat chicken fillet on a toasted Belgian-style maple waffle, topped with maple butter sauce, and Biscuit Double Cheeseburger, featuring two charbroiled all-beef patties and melted American cheese on a biscuit, for a limited time in select markets in Arkansas and Iowa.

Luby's launched new Family Packs To-Go. Available for pickup, each meal serves up to

six and includes a shareable entree, two sides and a bread of choice. Entree options include Chicken Tenders, Chicken Tetrizzini, Italian Spaghetti with Meat Sauce, Cheese Enchiladas, Chicken Fried Chicken, Bacon Cheese Steak, Chicken Fried Steak, Fried Fish, Roast Turkey Breast, Angus Chopped Steak, Pan Grilled or Blackened Tilapia and Grilled Salmon Fillet. Side selections are Mashed Potatoes, Fried Okra, Green Beans, Buttered Corn, Corn on the Cob, Mac and Cheese and Slow Cooked Beans. Luby's is also offering smaller Family Packs that feed up to four and include one side and bread in Chicken Tetrizzini or Chopped Steak options.

Moe's Southwest Grill introduced new meal kits. The kits, which serve four to six people and are available to go,

include the following options: the Nacho Meal Kit with a choice of two proteins, beans, pico de gallo, jalapenos, sour cream, salsa, queso and chips, and the Fajita Meal Kit with a choice of two proteins, tortillas, beans, rice, lettuce, cheese, pico de gallo, grilled peppers, grilled onions, guacamole, sour cream, queso and chips.

Shake Shack launched SmokeShack Kits. Available exclusively for delivery through Goldbelly, the ready-to-cook kit includes step-by-step instructions and ingredients to make eight or 16 burgers. Ingredients include Angus beef from Pat LaFrieda, Niman Ranch applewood-smoked bacon, chopped cherry peppers, American cheese, ShackSauce and Martin's Potato Rolls. An eight-pack kit is priced at \$59 and a 16-pack costs \$109.



Moe's Southwest Grill's Nacho Meal Kit



Smashburger partnered with The Coffee Bean & Tea Leaf to launch the following new beverage options: Cold Brew, featuring The Coffee Bean & Tea Leaf's cold-brew coffee poured over ice; Vanilla Cold Brew Latte, made with The Coffee Bean & Tea Leaf's cold-brew coffee topped with whole milk and vanilla syrup, served over ice; and Coffee Shakes, featuring a blend of The Coffee Bean & Tea Leaf's cold-brew coffee and Haagen-Dazs ice cream, available in Coffee, Salted Caramel Coffee and Mocha Coffee flavors.

Sonic Drive-In debuted the Toasted S'mores Shake. The new limited-time item features vanilla ice cream blended with chocolate chunks and graham cracker crumbs, all topped with marshmallow and more graham cracker crumbs.

Starbucks added the Kiwi Starfruit Starbucks Refreshers Beverage, made with starfruit-

flavored juice and kiwi pieces shaken with ice, and the Star Drink, featuring a blend of starfruit-flavored juice, kiwi pieces and coconut milk.

Taco Bell is testing Crispy Chicken Wings. Available at participating locations in California, the new items are coated in a Mexican seasoning and served in a box with a side of spicy ranch sauce for dipping. They are priced at \$4.99 for an order of five bone-in wings.

Wendy's rolled out the Spicy Crispy Chicken Sandwich. The new option consists of a spicy white-meat crispy chicken patty topped with lettuce and mayonnaise on a warm bakery bun. It is being featured on the chain's 4 for \$4 value deal menu for a limited time.

Key Theme

Meal Kits Remain Prevalent:

With restaurants in some states currently closed for dine-in service due to the spike in COVID-19 cases, operators are continuing to rely on off-premise occasions to drive sales. Famous Dave's, Luby's, Moe's Southwest Grill and Shake Shack and are among the chains with new meal kits for consumers to pick up or have delivered and assemble at home.

Noncommercial & Retailer

Cinemark USA Inc. is offering private watch parties. Available at participating theaters, the limited-time option allows guests to host a private movie screening for up to 20 guests at a Cinemark auditorium for \$99. Guests who book a screening can also receive discounts at the concession stand, including \$5 for a large popcorn, \$3.50 for a large fountain drink or Isee frozen drink and \$2.50 for candy.

robots to deliver food from on-campus dining locations to designated pickup locations. The robots can deliver food ordered on the Starship app from university dining facilities and places such as Starbucks, Market Street Deli and Sushi with Gusto to students, faculty and staff around campus. Deliveries usually take about 30 minutes or less and the robot's location and delivery time can be tracked by recipients through the app. At the time of delivery, the robots can only be unlocked by the recipient on the Starship app.

go food selections as well as incorporated an area at the front desk where guests can purchase prepackaged breakfasts or snacks. Guests can also order housemade bottled cocktails and cocktail kits for in-room or takeout consumption from many of the hotel restaurants.

Kroger has stopped giving coins as change to customers during cash transactions, instead putting the money on loyalty cards or giving it to charity due to the coin shortage in the United States.

Northwestern University announced changes to its dining services. The Evanston, Ill., university intends to offer primarily grab-and-go food options during the fall quarter. Mobile ordering will also be available.

The University of Tennessee at Knoxville launched a food ordering app. The Get Food app allows students and employees to order food in advance at restaurants and cafes on campus and pick up their meal to help limit traffic flow in dining areas. Along with the mobile app, the university plans on implementing the following physical changes and protective measures in dining facilities: adding signage, floor markers and physical barriers to maintain social distancing; limiting in-person seating; and implementing 45-minute time slots for breakfast, lunch and dinner.

Clark County School District intends to open its cafeterias during distance learning and allow school bus drivers to pick up students who need transportation, take them to a school cafeteria to pick up food and take them back home. Students who live close enough to a school can walk to their nearest location to receive their daily breakfast and lunch meals.

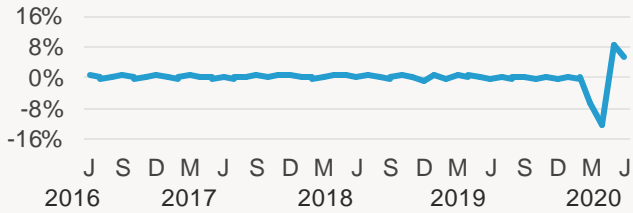
Georgia Southern University in Statesboro partnered with Starship Technologies to roll out 20 autonomous delivery

Kimpton made changes to its dining services. All properties are offering contactless delivery and payment options for room service with a knock-and-drop style of transport, and the staff member delivering the food must stand 6 feet away until the guest opens the door to receive the order. All silverware, dishes and condiments are single-use options, and food items are labeled and sealed for delivery. Menu offerings have also been condensed in order to simplify operations. Some properties have expanded their grab-and-

Economic Update

Personal Consumption Expenditures—Real

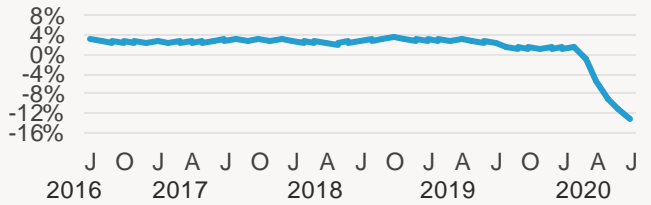
June up 5.2% from prior year



Source: Bureau of Economic Analysis

Foodservice & Drinking Place Sales

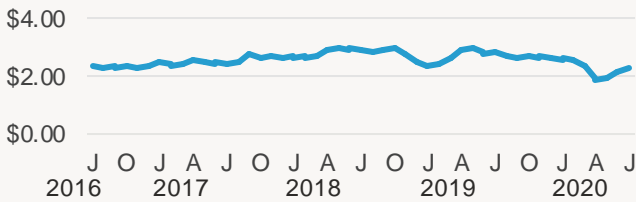
12-month average sales down 13.1%



Source: U.S. Census Bureau; Monthly Trade Report

Gasoline Fuel Costs

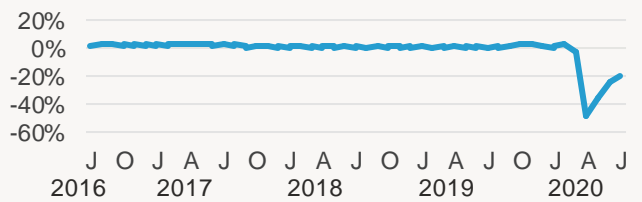
June's national average: \$2.27 per gallon



Source: Energy Information Administration

Foodservice Industry Employment

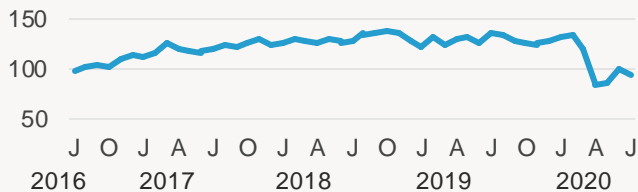
July down 19.7% from prior year



Source: Bureau of Economic Analysis

Consumer Confidence

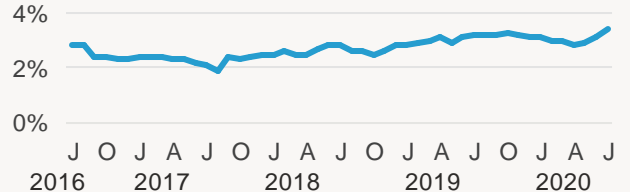
July index: 92.6



Base: 1985 = 100
Source: Conference Board

CPI—Food Away from Home

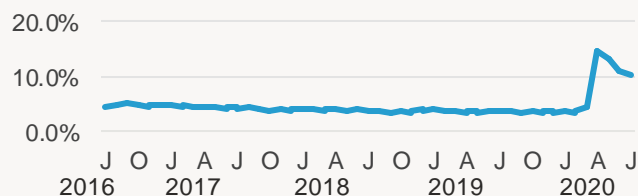
12-month average increase: 3.4%



Source: Bureau of Labor Statistics

National Unemployment Rates

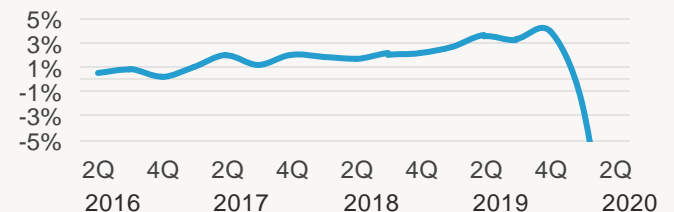
July unemployment rate: 10.2%



Source: Bureau of Labor Statistics

Total Restaurant—Same-Store Sales

Second quarter weighted average -17.9%



65 chains reporting for Q3
Source: Public Company Reports, Technomic, Inc.

Fine Print

Technomic, Inc. prepares *Foodservice Digest*™ monthly to keep foodservice executives aware of industry changes and trends by monitoring primary and secondary sources, including company content, trade publications and other news outlets. Subscriptions are \$595 annually. We welcome your comments. Please contact us at (312) 876-0004 or foodinfo@technomic.com.

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the foodservice industry.**

**We provide insights into consumer, industry and menu trends
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team of experts helps leaders in the industry make complex
business decisions, set strategy and stay ahead of the curve.**