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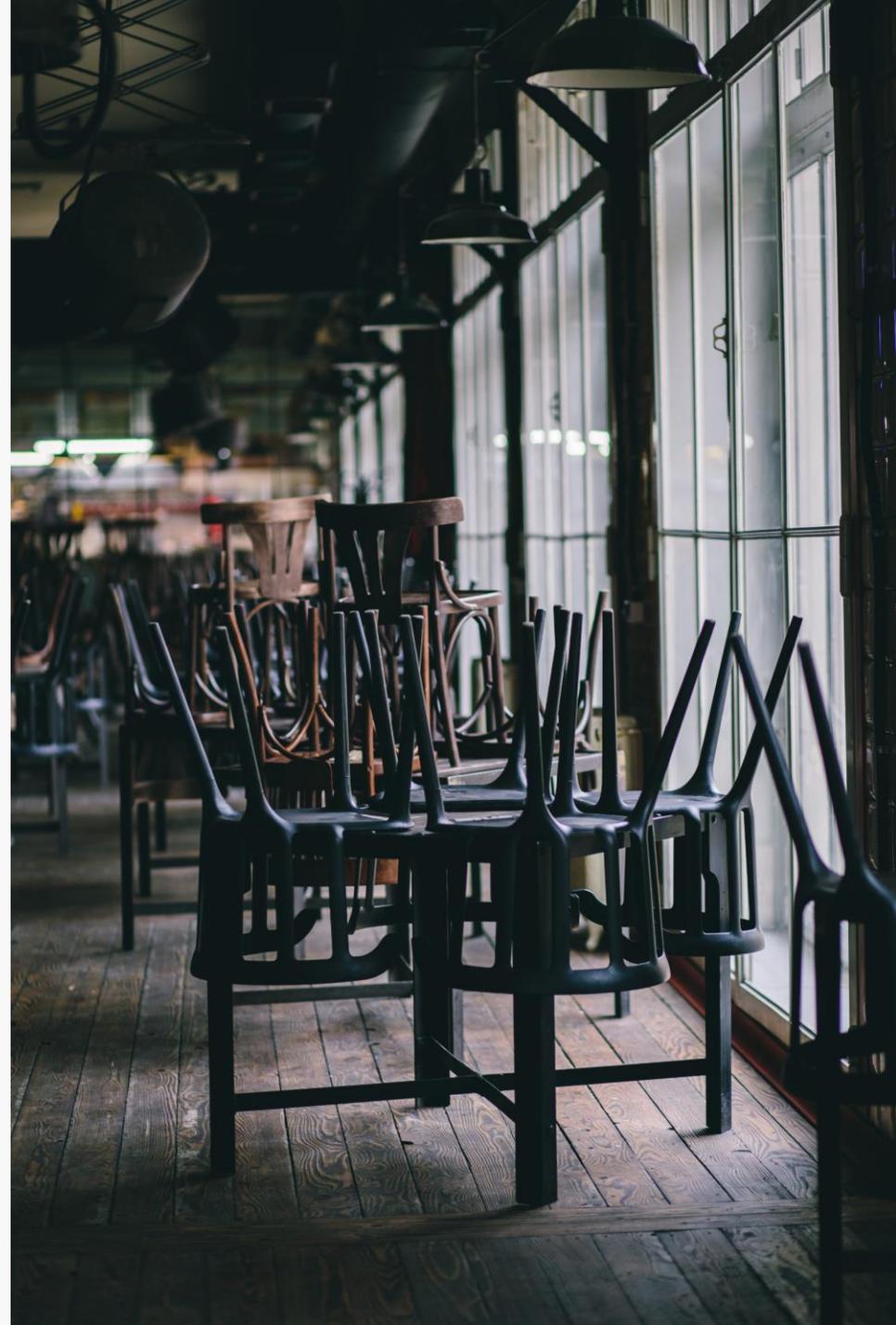
8th Edition—Week Ending May 8, 2020

Foodservice Impact Monitor

Ongoing, Fact-Based Insights on
COVID-19 From a Trusted Source

Abbreviated version
Tyson Foods

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Innovative Operator Responses and Reopening Changes

Innovative Operator Responses

Restaurants ramp up off-premise offerings

As the pandemic continues, operators are realizing how essential off-premise service is to restaurants. This week, Shake Shack acknowledged the need for pick-up windows given that most locations are in densely populated metropolises and none of the locations have a drive-thru. With the installation of pick-up windows, Shake Shack hopes to improve flow and encourage ordering online in advance. At some locations, the pick-up lane might be open to delivery drivers as well.

Ghost kitchens appear

As operators begin to ponder reopening, they are realizing consumers will likely continue to be cautious of dining in. Ghost kitchens are becoming popular solutions for

operators in the face of social distancing. Fat Brands opened its first ghost kitchen in Chicago. Consumers will now be able to simultaneously order menu items from Fat Brands' Fatburger, Buffalo's Express and Hurricane Grill & Wings concepts. This ghost kitchen is part of larger development between Fat Brands and Epic Kitchens, which is set to open 20 ghost kitchens throughout Chicago, Boston, Philadelphia and New York over the next two years.

Prior to COVID-19, Square Pie Guys, a Detroit-style pizza concept, was looking to expand its business through ghost kitchens. Now during the coronavirus, in an effort to keep their staff working, chef and owners of Square Pie Guys started Hetchy's Hots. The ghost kitchen offers Nashville-style hot chicken sandwiches and launched April 27. Nashville hot chicken has become increasingly popular in the Bay Area, but the chefs

added an Italian twist to complement their pizza operation. Their version of chicken sandwiches uses Calabrian chiles to add heat.

Instagram takeover

Instagram continues to be a powerful tool of connection between operators and consumers. A small chain based in New York City, Black Tap, is known for its extravagant milkshakes. Although Black Tap had to close its doors, its still engaging with customers through a milkshake creation competition on Instagram. The chain is asking consumers to download a template, sketch their shake invention and post it to Instagram with the chance to win Black Tap swag.

In Chicago, the wine director of Spiaggia, a fine-dining Italian concept, is engaging with customers via

Instagram wine classes. Each week a new topic is covered and is saved to the Instagram account. This week, the topic was the history and use of the spouted wine vessel as well as a discussion and tasting of Spanish Tzakoli wines.

Zoom dinner parties

This week, Spago in Los Angeles sold out a virtual dinner party for which tickets were \$175 per person. Guests preordered their meals and then had the option to pick them up or have them delivered between 2 p.m. and 4 p.m. The dinner began at 6:30 p.m. with a mixologist demonstrating how to make cocktails with the provided ingredients. Chef and owner Wolfgang Puck then did a cooking demonstration, and guests enjoyed appetizers, a main course and desserts.

Shifting to Reopening

Starbucks aims to open 85% of stores this week

Starbucks is adjusting to make the transition to the “new normal” easier on customers. The chain is optimizing the app experience for curbside pickup and entryway handoffs. Starbucks is planning to improve the drive-thru experiences by enabling ordering through Siri and primarily operating with cashless transactions. The coffee chain is also hinting at further investment in the Starbucks Deep Brew program, which focuses on artificial intelligence innovations.

Tampa gets creative with street closures

During typical spring seasons, dining outside is commonplace for customers in Tampa, Fla. In order to help restaurants recover while maintaining social distancing, the Tampa mayor closed six different areas of the city so

that restaurants could expand their outdoor dining spaces. The streets will remain closed for 14 days as the city has suspended certain code and permit requirements temporarily. Some areas of the city decided not to close streets as restaurant owners in those areas shared their plans to use parking spaces for open-air dining.

Reading the room leads to rebrand

In Grand Rapids, Mich., the Essence Restaurant Group has decided to rebrand one of its concepts. The once high-end, farm-to-table restaurant Grove is being replaced by Jimmy Berger’s Chicken Shack. The restaurant group’s managing partner realized that with social distancing protocol and the small interior of the restaurant, Grove wouldn’t be able to survive post-pandemic. Additionally, Grove’s menu was better suited for dining in as opposed to carrying out, whereas a

roasted chicken concept aligns well with traditional off-premise service.

In Kentucky, the owners of the Agave & Rye Tequila and Bourbon Hall are opening an entirely new concept they feel will succeed. The concept, Papi Jocho’s Street Dogs, opened on Cinco De Mayo with a carryout- and delivery-ready menu featuring Mexican-inspired street hot dogs. The owners decided to launch the restaurant amidst the pandemic due to the current consumer preference of carryout and delivery.

Nashville pizzeria prepares to reopen

Thursday it was announced that Nashville restaurants will be reopening on Monday. The owner of DeSano’s Pizzeria has been working on multiple initiatives to ensure reopening goes as smoothly as possible. In order to create a comfortable atmosphere for customers, DeSano’s is planning to use

blue gloves instead of clear gloves, as blue is easier for customers to see from a distance. Staff will also be required to wear masks. Keeping the consumer journey in mind, DeSano’s also plans to place hand sanitizers in high-touch areas such as near the front door and near the cashiers.

Impact on Services Offered

OPERATOR IMPACT

Many operators will likely have to rethink FOH self-service stations in a post-COVID world

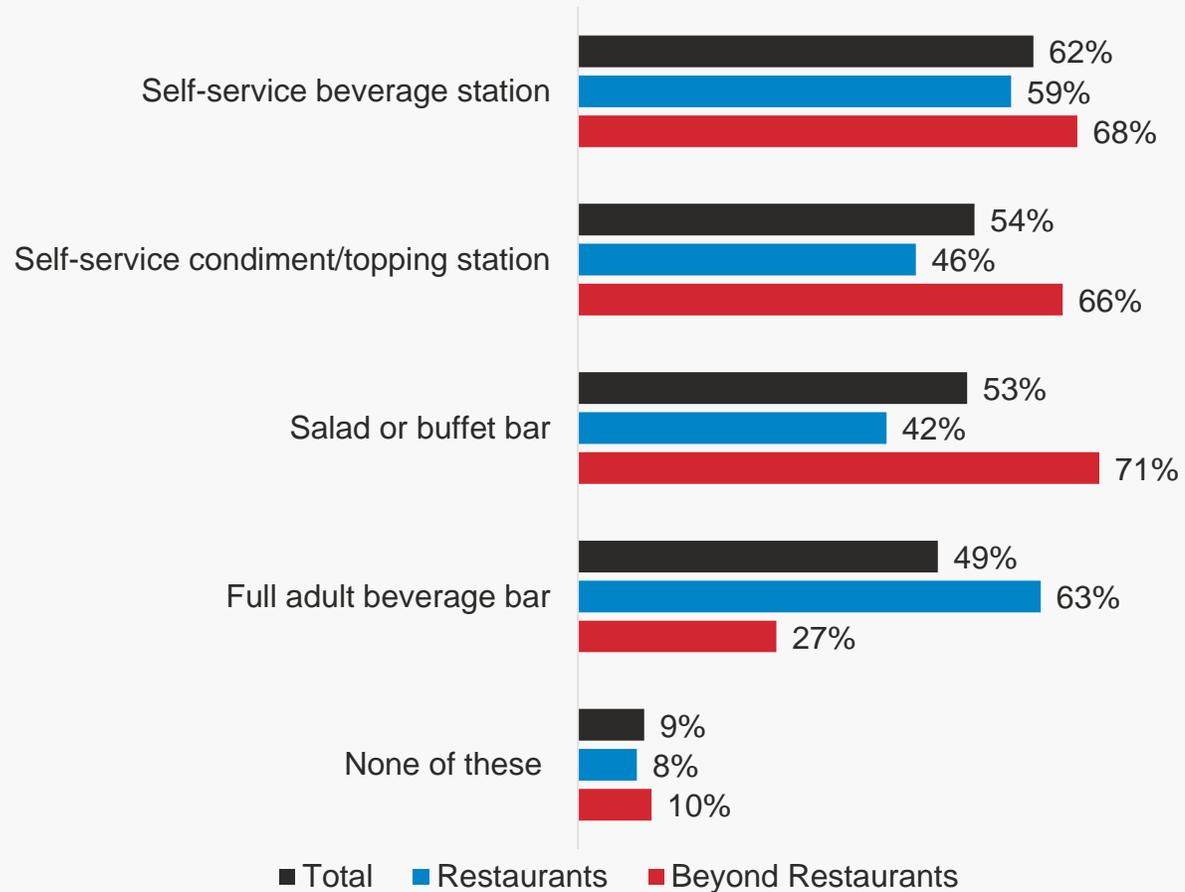
With self-serve beverage stations, self-serve condiment stations, and salad/buffet bars being utilized by at least 50% of operators surveyed, many operators will have to address removing or altering at least one component of their front-of-house.

Base: All operators

Q: Which of the following services did you offer your patrons in your operation in 2019?

Note: Question asked week beginning May 3

% OF OPERATORS OFFERING THE FOLLOWING SERVICES IN 2019



OPERATOR IMPACT

Half of operators are utilizing ghost kitchens for delivery orders

With a turn to off-premise dining and the long-term repercussions of COVID-19 on the dining experience, operators are rethinking their footprint and overhead costs and increasingly utilizing ghost kitchens. Twenty-seven percent (27%) of operators say they operate their own ghost kitchen, while slightly less (24%) have partnered with a ghost kitchen operator

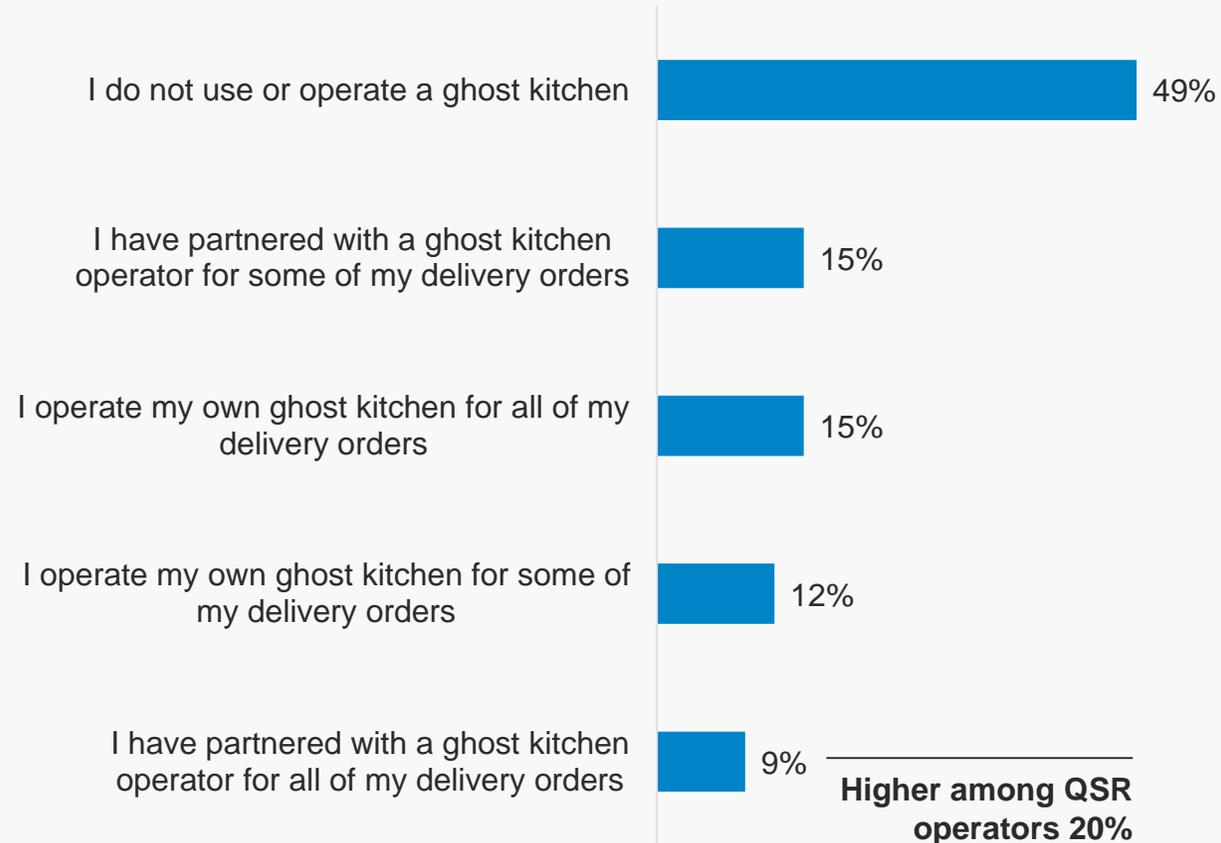
Although less than 10% of operators have partnered with a ghost kitchen for all of their orders, QSR operators are more likely to have done so.

Base: All operators

Q: Are you currently using a ghost kitchen for some or all of your delivery orders? Please select one.

Note: Question asked week beginning May 3

% OF OPERATORS USING GHOST KITCHENS FOR SOME OR ALL DELIVERY ORDERS



Food and Adult Beverage Promotions

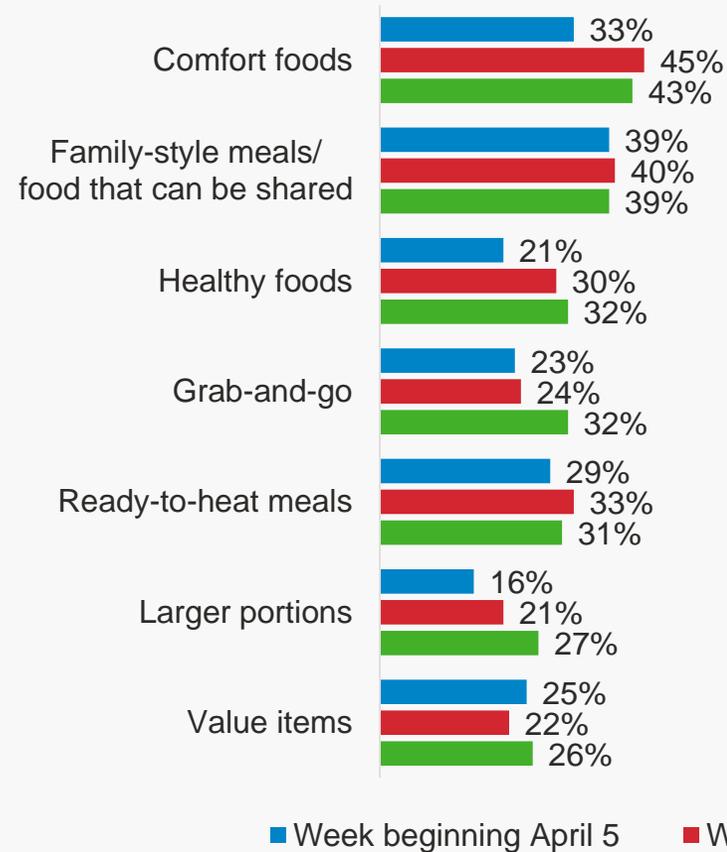
OPERATOR IMPACT

Operators continue to promote comfort foods and family-style meals to their guests

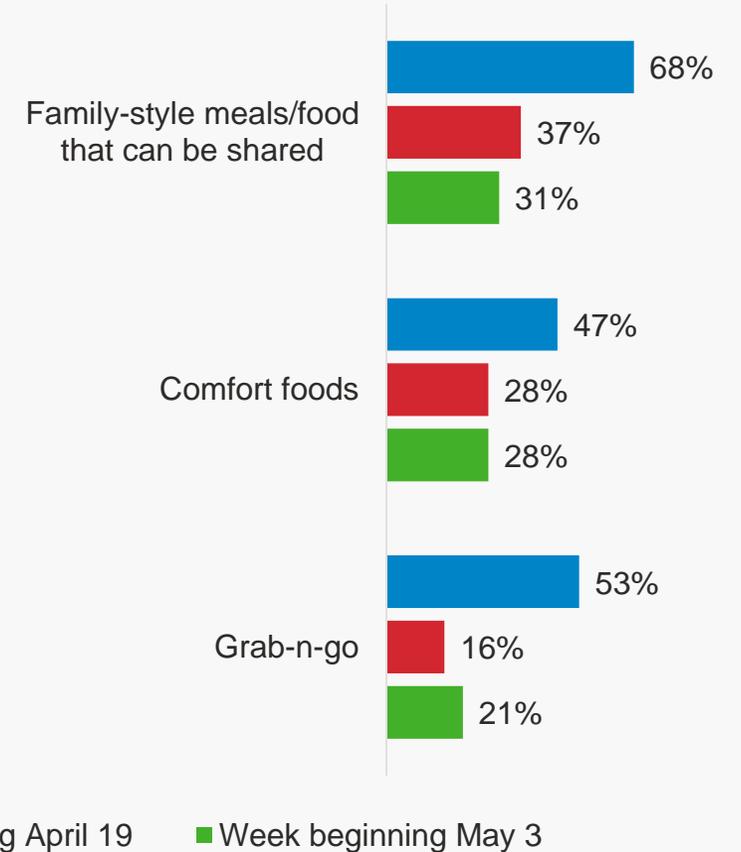
Since the start of April at least a third of operators have consistently promoted comfort foods or family-style meals.

Despite initial success with these promotions, operators may be seeing diminishing returns on them, as the number of operators pointing to these styles of food as their most successful menu promotion has seen a steep decline. However, this is likely due to operators experimenting with multiple promotions as shown by an increase in promotions across product types.

TOP SEVEN FOOD/MEALS OPERATORS ARE PROMOTING



MOST SUCCESSFUL MENU PROMOTIONS



Base: All operators

Q: How would you describe the types of food and meals you are promoting/offering specifically in response to the COVID-19 crisis? Select all that apply.

Q: Which of the following food promotions/offerings have been the most successful for your business? Select up to three.

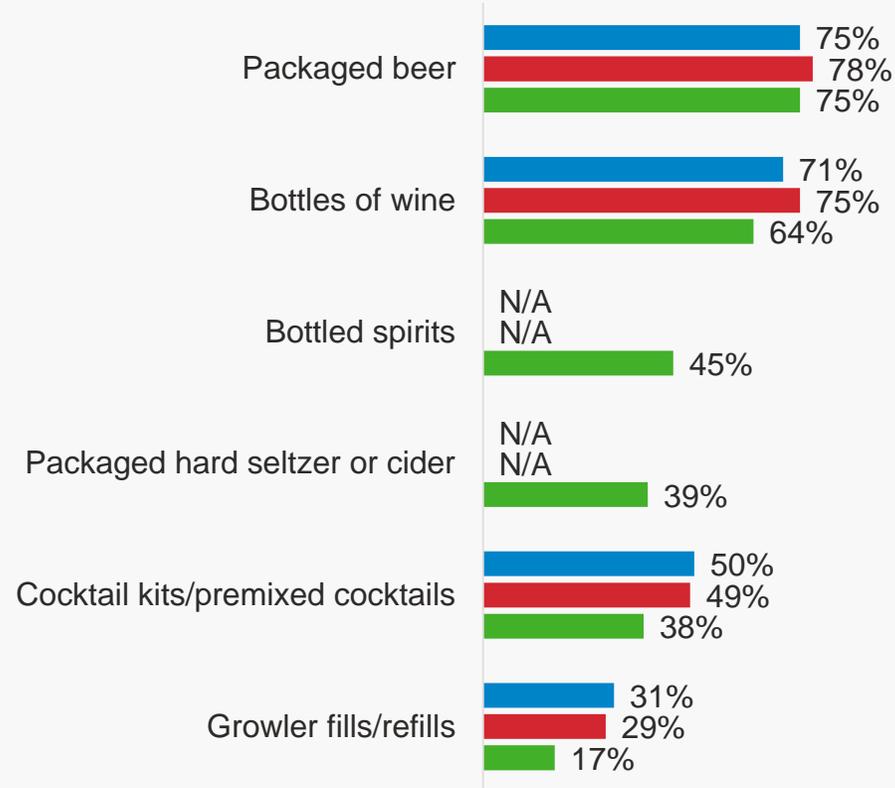
OPERATOR IMPACT

Adult beverage offerings for off-premise flatten or decline

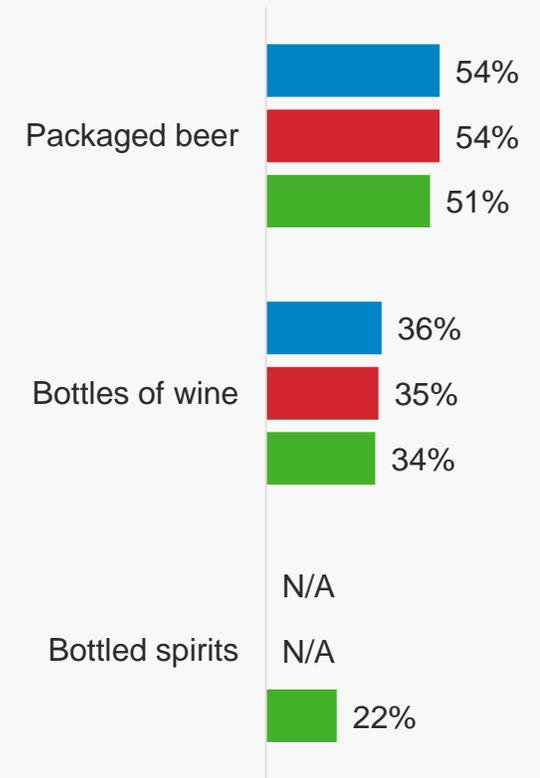
Compared to the week beginning April 19, more popular adult beverage offerings have flattened or slightly declined this past week.

Packaged beer and bottles of wine continue to be a successful promotion among restaurant operators.

ADULT BEVERAGE OFFERINGS FOR TAKEOUT/DELIVERY



MOST SUCCESSFUL ADULT BEVERAGE PROMOTIONS



■ Week beginning April 5 ■ Week beginning April 19 ■ Week beginning May 3

Base: Operators offering adult beverages for takeout or delivery

Q: How would you describe the types of beverages you are offering for takeout or delivery in response to the COVID-19 crisis? Select all that apply.

Q: Which of the following alcohol beverage offerings have been the most successful for your business? Select up to two.

OPERATOR IMPACT

Operators reconfiguring dining rooms

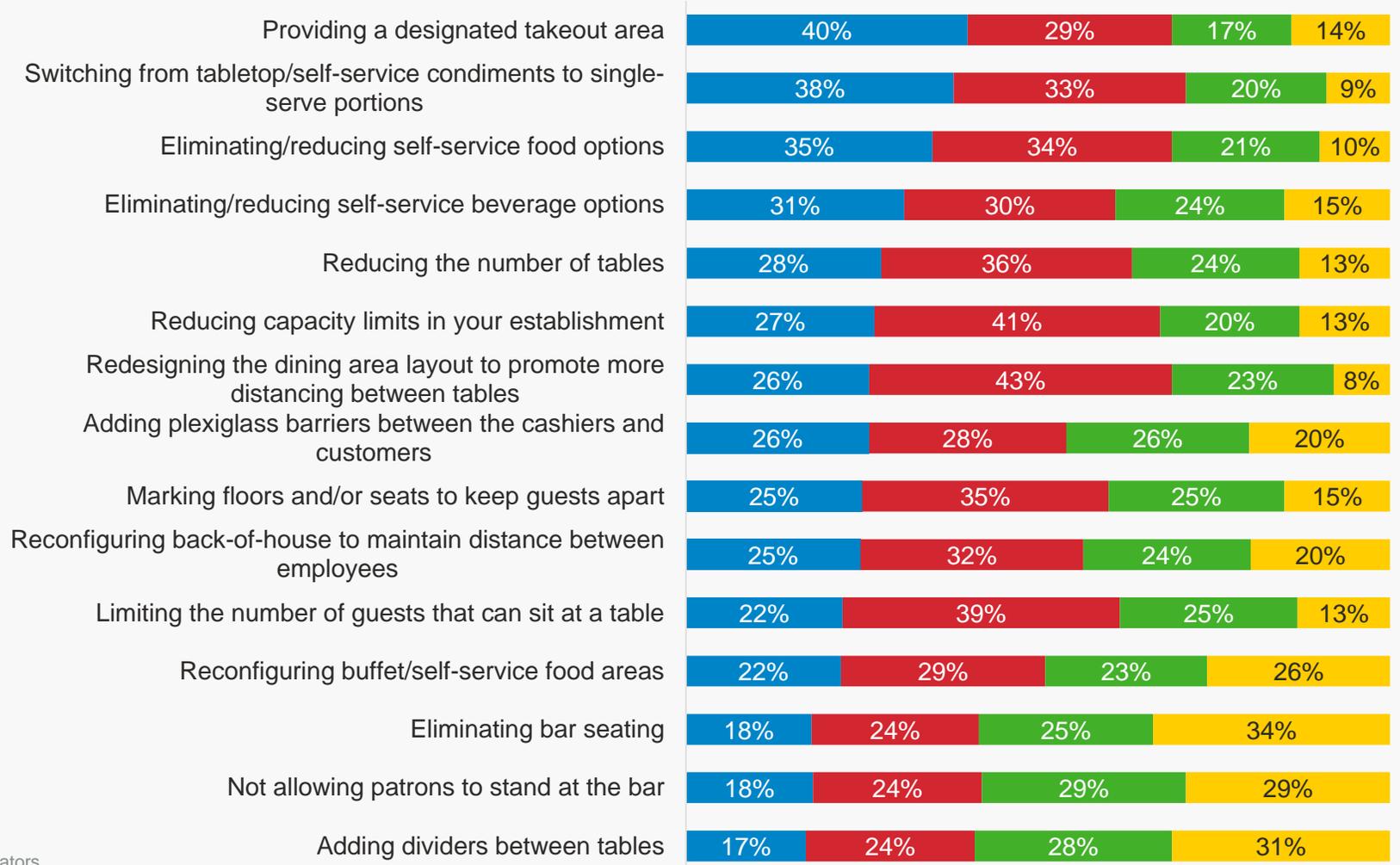
This includes implementing distancing between tables, eliminating or reducing self-service options and designating a takeout area.

A number of restaurants have yet to fully reopen and implementation of these procedures will be put into place once they do reopen.

Less operators are considering eliminating bar seating or adding dividers between tables.

Base: All operators
 Q: Below is a list of potential procedures, policies or initiatives that operators are implementing or considering implementing due to COVID. Once your business reopens, please indicate what your plans are regarding each of these due to COVID.
 Note: Question asked week beginning May 3

% OF OPERATORS ARE IMPLEMENTING OR CONSIDERING IMPLEMENTING DUE TO COVID-19 DINING AND ORDERING AREA RECONFIGURATION



■ Already implemented ■ Will implement ■ Considering implementing ■ Not considering implementing

OPERATOR IMPACT

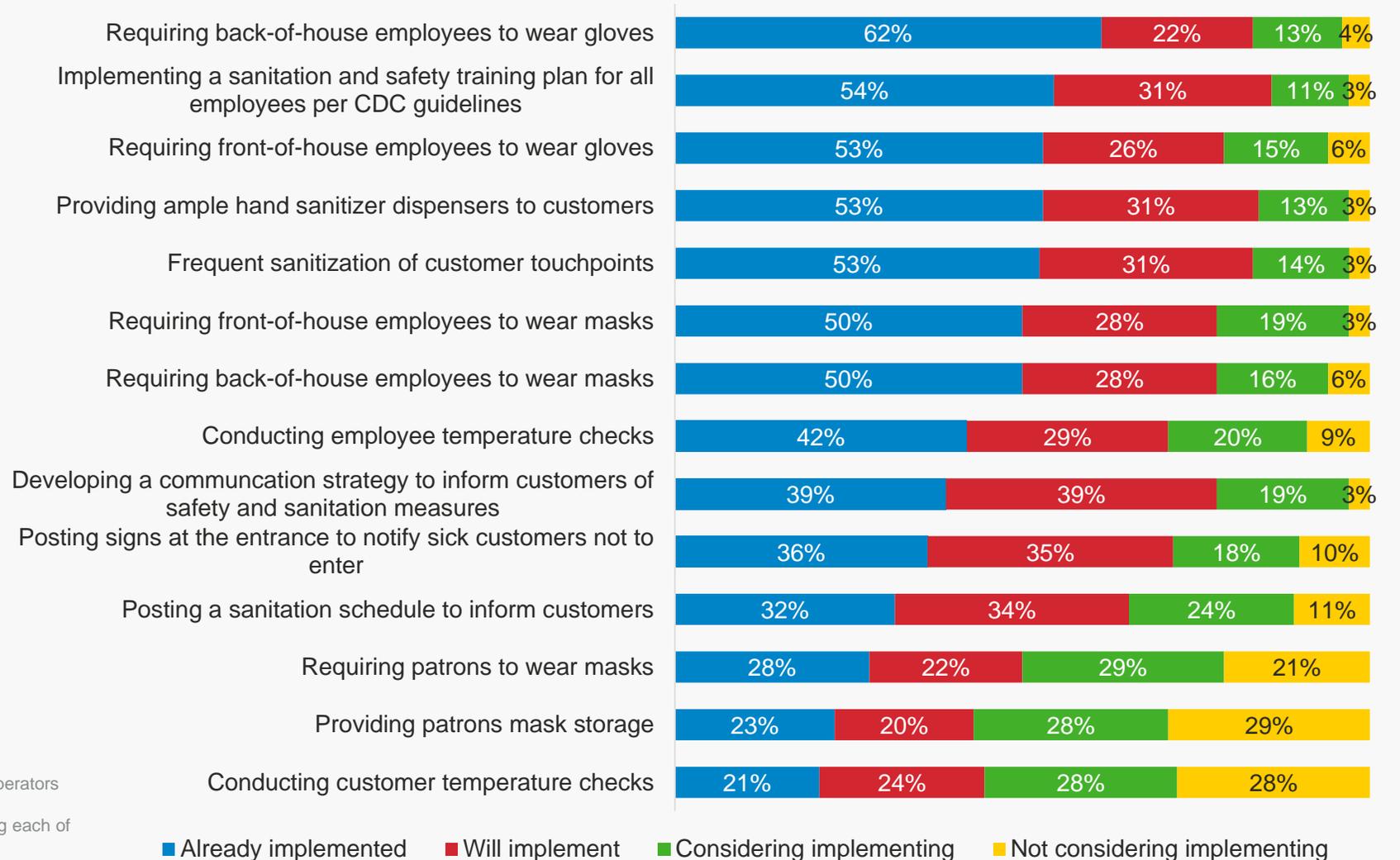
Majority of operators have or will implement safety and sanitation procedures

At least half of operators have required front-of-house and back-of-house staff to wear gloves and masks.

However, less operators have or will implement customer temperature checks, customer mask storage and requiring customers to wear masks.

Base: All operators
 Q: Below is a list of potential procedures, policies or initiatives that operators are implementing or considering implementing due to COVID. Once your business reopens, please indicate what your plans are regarding each of these due to COVID.
 Note: Question asked week beginning May 3

% OF OPERATORS ARE IMPLEMENTING OR CONSIDERING IMPLEMENTING DUE TO COVID-19 SAFETY AND SANITATION



OPERATOR IMPACT

Operators have already implemented a number of menu, operations and payment procedures

Among these are laminating menus, encouraging more pre-orders for pickup and eliminating paper menus.

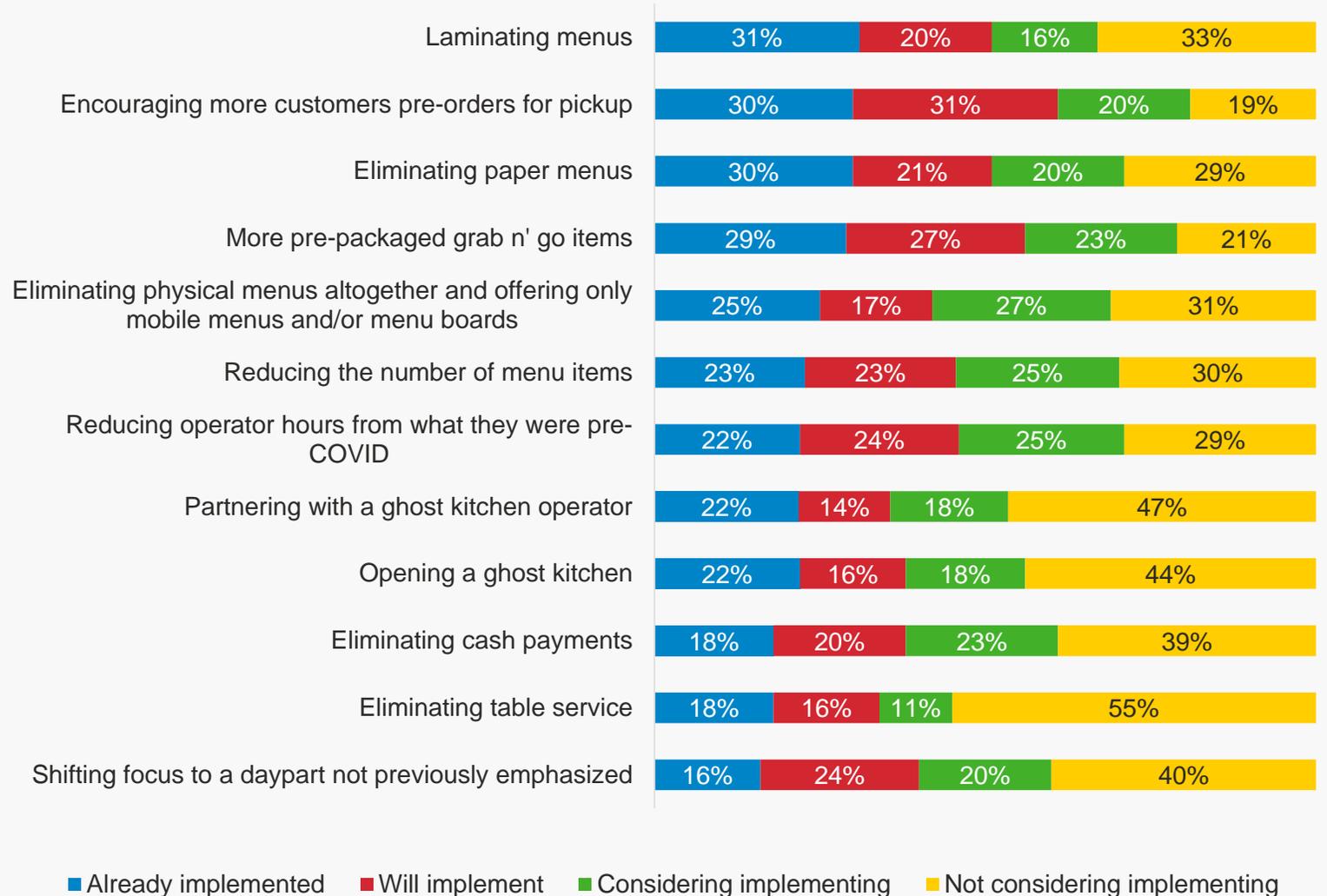
Although not out of the question, most FSR operators are not interested in eliminating their distinguishing feature – table service.

Base: All operators

Q: Below is a list of potential procedures, policies or initiatives that operators are implementing or considering implementing due to COVID. Once your business reopens, please indicate what your plans are regarding each of these due to COVID.

Note: Question asked week beginning May 3

% OF OPERATORS ARE IMPLEMENTING OR CONSIDERING IMPLEMENTING DUE TO COVID-19 MENU, OPERATIONS AND PAYMENT



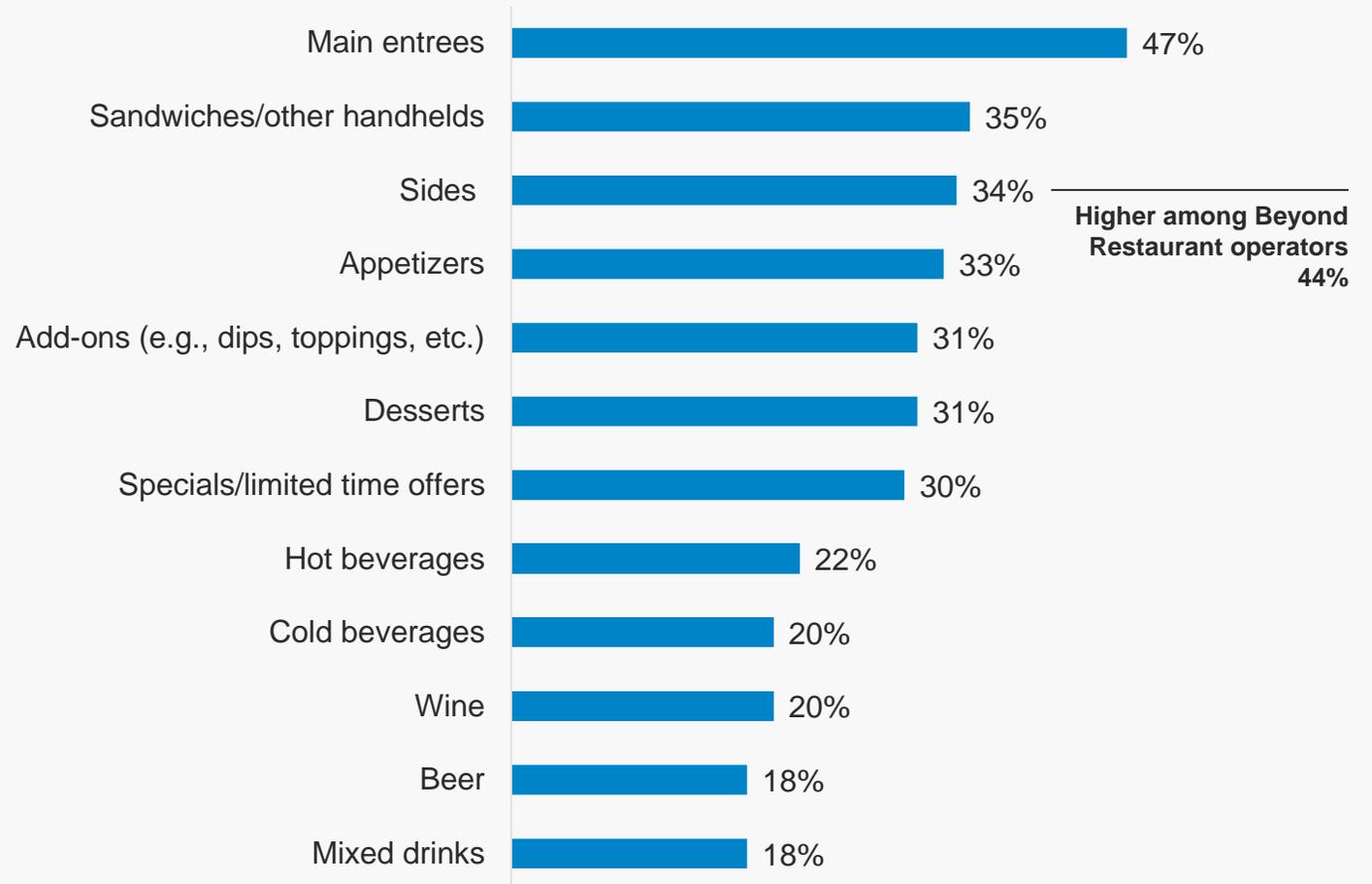
OPERATOR IMPACT

Operators reducing the number of menu entrees

Among the operators who said that they are or are considering implementing menu reductions, almost half (47%) indicated that they reduced or will reduce main entrees.

Beyond restaurant operators are more likely to reduce the number of sides offered.

% OF OPERATORS REDUCING MENU ITEMS IN THE FOLLOWING CATEGORIES



Base: Operators who have implemented or considered implanting reduced menu items

Q: In which categories are you considering reducing the number of menu items?

Note: Question asked week beginning May 3

PPP and EIDL Updates

PPP and EIDL Updates

SBA reduces EIDL loan limit and shuts out new applicants

In response to funding shortages and high demand, the SBA has reduced the loan limit for its Economic Injury and Disaster Loans from \$2 million to \$150,000. It has also limited the applicants who can apply and is currently accepting new application only from agricultural interests.

New SBA guidance on PPP loan forgiveness

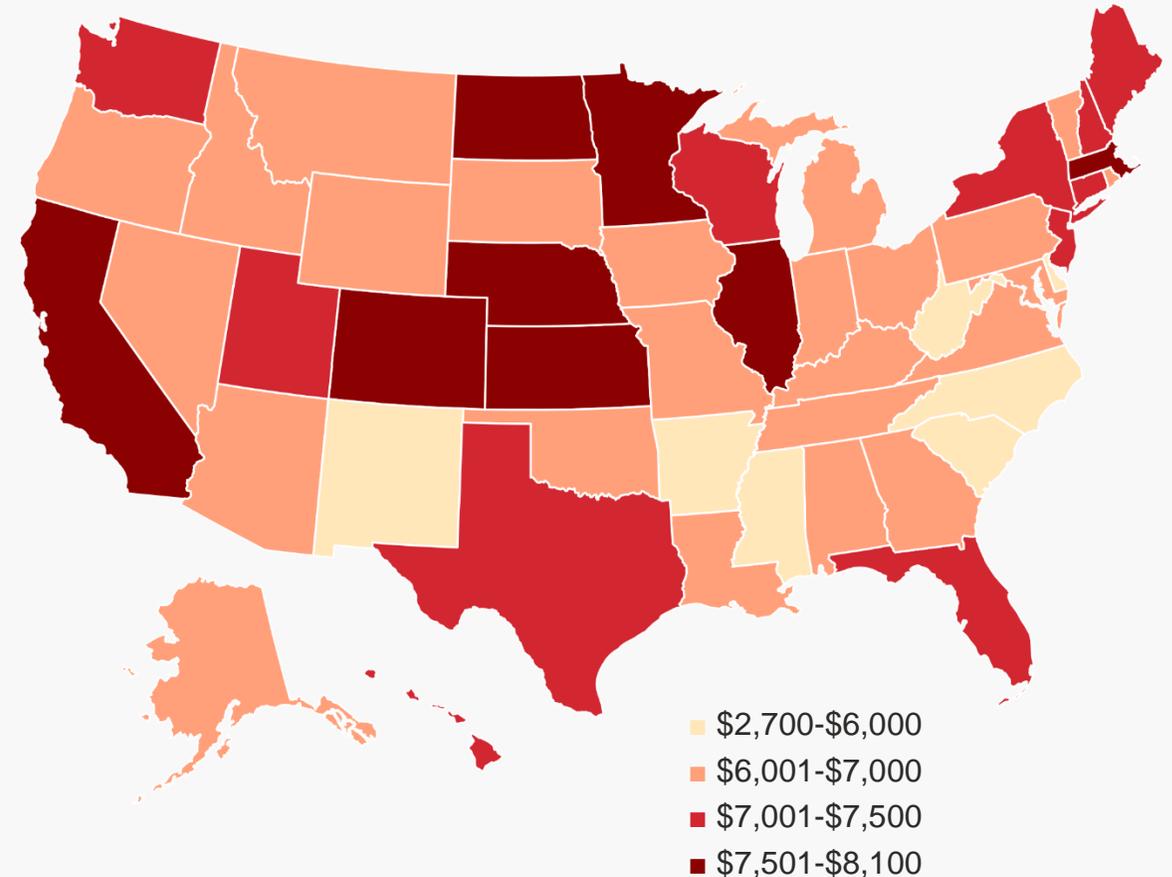
In response to concerns that not all employees would accept an offer to

return to work, the SBA has stated that employers can exclude employees from loan forgiveness calculations who turned down a good faith offer to return to work. In short, this means that an employee who refuses to return to work will not hurt the employer's ability to receive PPP loan forgiveness.

Second round of PPP loans sees smaller loan averages

Loans of over \$1 million made up about half of all money lent out during the first round of funding. So far, these loans only make up about 25% of the total money lent out in the second round.

DISTRIBUTION OF PPP LOANS: TOTAL VALUE OF LOANS PER SMALL BUSINESS EMPLOYEE IN EACH STATE*



Source: <https://www.nytimes.com/interactive/2020/05/07/business/small-business-loans-coronavirus.html?action=click&module=Top%20Stories&pgtype=Homepage>