

Consumer Food Trends™



August 2020

Consumers & Their Needs | 02

Foodservice Happenings | 04

Horizon Scan | 06

Consumer Trend Tracker | 07



Technomic®

Consumers & Their Needs

Foodservice Behavior by Generation

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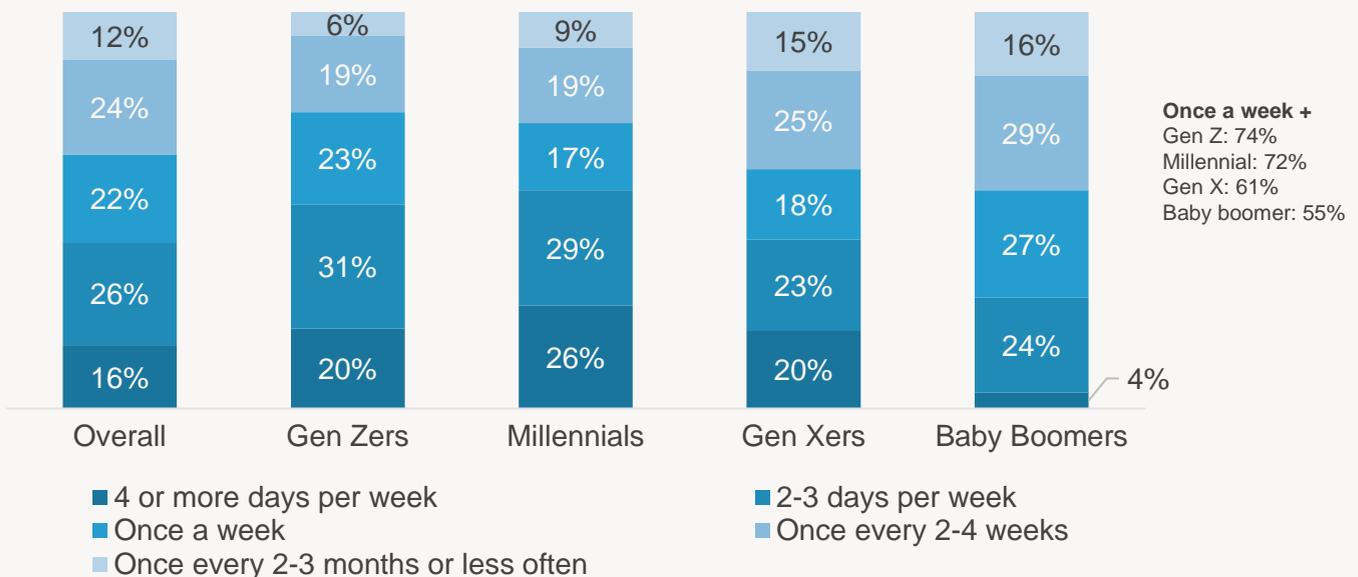


The foodservice customer base comprises multiple generations, each with their own distinct characteristics. In the latest *Generational Consumer Trend Report*, Technomic takes a look at how four generations—from Generation Z to baby boomers—are evolving, and the implications for the foodservice industry.

Millennials have long been a key target for brands due to the large size of the generation, their spending power and their proclivity for dining out. While millennials continue to be heavy foodservice users, Gen Zers now slightly top millennials for restaurant patronage. This could

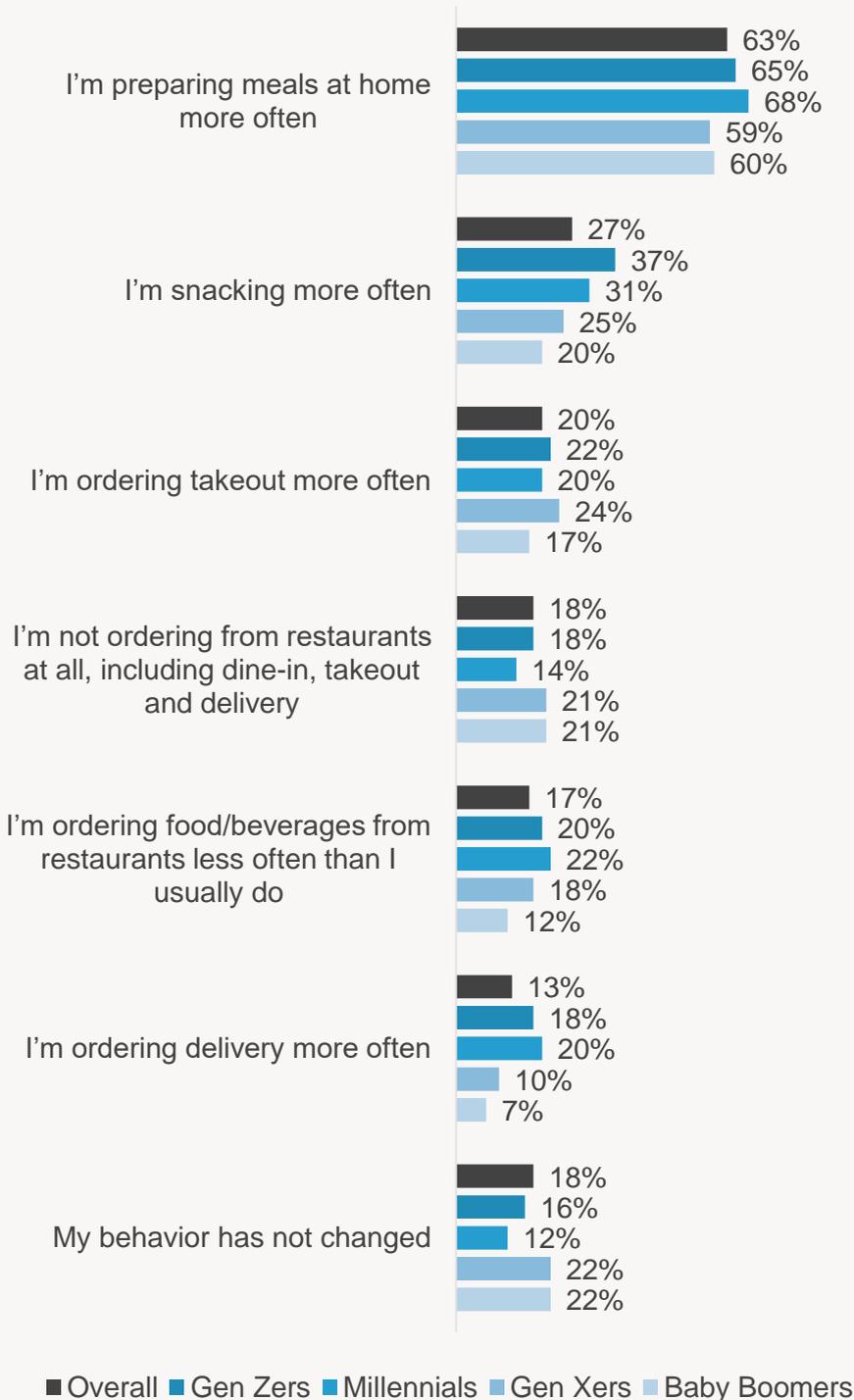
be due to shifts in life stage. Gen Z's spending power is on the rise, as more consumers within this generation enter the work force. On the other hand, more millennials are settling down, starting families and raising young kids.

RESTAURANT PATRONAGE FREQUENCY



Base: 1,617 consumers ages 18-74; survey fielded April 2-19
 Source: Technomic 2020 Generational Consumer Trend Report

HOW HAS YOUR BEHAVIOR CHANGED AS A RESULT OF COVID-19? SELECT ALL THAT APPLY.



COVID-19 Impact

The coronavirus pandemic is a defining moment for all generations and is expected to hit younger generations harder economically.

Younger generations that are more reliant on foodservice—Gen Zers and millennials—are more likely than older generations to have changed their behaviors as a result of the coronavirus pandemic. Most are cooking more often and either reducing or completely cutting out restaurant visits. But there are opportunities for brands that adjust to consumers' shifting behaviors such as snacking and off-premise occasions.

Takeaway

Gen Zers and millennials have spurred many trends in the industry and they are once again driving shifts in behavior. As brands adjust to the new reality of COVID-19, they can tailor pricing and menu strategies by generation and/or create strategies with cross-generational appeal. For example, family meal bundles or meal kits with kids menu items can help appeal to millennials. While low prices will help drive traffic across the board, deals on delivery will resonate most with Gen Zers and millennials, while deals on takeout will resonate with Gen Xers.

Base: 1,350 consumers ages 18-74; Survey fielded April 2-19
Source: Technomic 2020 Generational Consumer Trend Report

LSR Menu Balance Simplification & Innovation

Charles Winship

Manager, Consumer Insights

The COVID-19 pandemic has ushered in two seemingly contradictory trends at limited-service restaurants: operators cutting their menus to reduce costs, and brands quickly innovating to introduce new items and product categories at a rapid pace. Here, we'll use some data and insights from Technomic's recent *Future of LSR: Fast Food & Fast Casual Consumer Trend Report* to explain the effects these trends are having and what they mean going forward.

Simplified Operations

LSRs have put into place strategies to make their restaurants run more efficiently during the pandemic, from keeping dining rooms closed to reducing the number of menu items. This has helped keep prime costs in check amid a challenging environment and has improved service times for some brands. Further, having streamlined menus allows operators to better market their core, signature offerings.

Rapid Innovation

As the pandemic upended typical customer behavior, LSRs quickly pivoted, bringing out new items and product categories in seemingly record time. Indeed, consumers are still looking for new fare, with the *Future of LSR CTR* showing that fast-food consumers are increasingly likely to demand new and unique flavors at these concepts.

SIMPLIFIED OPERATIONS



McDonald's removed all-day breakfast offerings from its menu, in addition to other changes, to cut costs. Some franchisees have argued that the pandemic is a unique chance to reshape the company's menu.

RAPID INNOVATION



Sweetgreen introduced Plates to appeal to the dinner crowd. The company detailed the process of introducing the new lineup, saying the month that it spent on finalizing the product line would typically have been about a year-long process instead.

PLANT-BASED MENU TRENDS

200%

increase in the number of limited-service restaurants offering plant-based burgers in the last two years



Starbucks expanded its plant-based offerings with the addition of the new Impossible Breakfast Sandwich. The company also introduced a variety drinks featuring plant-based dairy alternatives such as almond milk and coconut milk.



KFC began testing Beyond Fried Chicken in Southern California in late July.

Plant-Based Gains More Momentum

Going into the pandemic, plant-based options were on the rise at LSRs. Ignite menu data shows a particular increase in burgers, but plant-based alternatives have continued to grow outside of this category, even during the pandemic. For instance, Starbucks, Burger King, Dunkin' and Carl's Jr. have recently added plant-based breakfast sandwiches. Additionally, plant-based options appear to be gaining traction not just in restaurants but in retail locations as well. Consumers' increased exposure to plant-based options in a retail setting might result in increased demand at restaurants.

Takeaway

Limited-service restaurants have been and will continue to be nimble to navigate the pandemic. Having more streamlined operations, in particular, will allow LSRs to more easily adapt as needed, whether by adding more limited-time options or emphasizing particular order formats. But as the ongoing plant-based proliferation shows, some trends not directly tied to the pandemic, such as sustainability, will continue to progress despite the disruption caused by the outbreak.

Trend or Aberration?

Kevin Thacker

Research Analyst, Consumer Insights

Yearning for Comfort

Due to COVID-19, there has been a growing demand for comfort. Consumers want simple food items that will satisfy their cravings. As a result, some operators have changed their menus by adding more craveable items like burgers, pizza and macaroni and cheese. Kachka, an Oregon-based restaurant specializing in upscale Russian cuisine, has pivoted by adding items like burgers, stuffed potato skins and chocolate cake.



Adapting to Regulation

Operators are thinking outside the box to remain open and keep customers safe amid COVID-19. Bars have an added challenge because health officials believe they pose a greater risk than restaurants and governors are hesitant to allow them to reopen. When New York reopened dine-in service, it applied only to operators that served food. As a result, some bars began selling cheap food to encourage customers to still come out for drinks. Satirical dollar menus with simple food like “Cuomo Chips” or “Handful o’ Croutons” helped some bars overcome the restrictions. While these menus poke fun at the imposed rules, they also keep patrons at their tables and promote social distancing. This demonstrates one of the many ways that operators are adapting to fit new norms and regulations.

| THE LAFAYETTE 1\$ MENU | |
|--|--------|
| Dollar Value Menu | |
| FOOD | |
| House Chips Chips made in House | \$1.00 |
| A piece of meat One piece of our Sliced Charcuterie Meat, Chef's Choice. Try substituting for a piece of cheese, also Chef's Choice. | \$1.00 |
| Grapes Just a few grapes, not sure the color | \$1.00 |
| Smallest Piece of Cheesecake in Buffalo Literally the smallest piece of cheesecake you'll ever see | \$1.00 |
| 9 French Fries 1, 2, 3, 4, 5, 6, 7, 8, NINE FRENCH FRIES!!!! | \$1.00 |
| Handful o' Croutons Housemade croutons, a whole handfull | \$1.00 |

Embracing Racial Justice

Restaurants are taking steps to remove hateful or racially charged images associated with their brands. In July, Santa Barbara, Calif., restaurant Sambo's changed its 63-year-old name to Chad's. Founders Sam Battistone and Newell “Bo” Bohnett initially created the name “Sambo’s” by combining their two names, but the new owner recognized the racist history of the word and changed it. Similarly, there is a petition in Oklahoma to change the name and logo of Eskimo Joe's. The push for racial justice does not just stop at the name though. Operators across the country are changing hiring procedures, removing prejudiced dress codes, implementing racial justice training and holding employees accountable for inappropriate behavior.

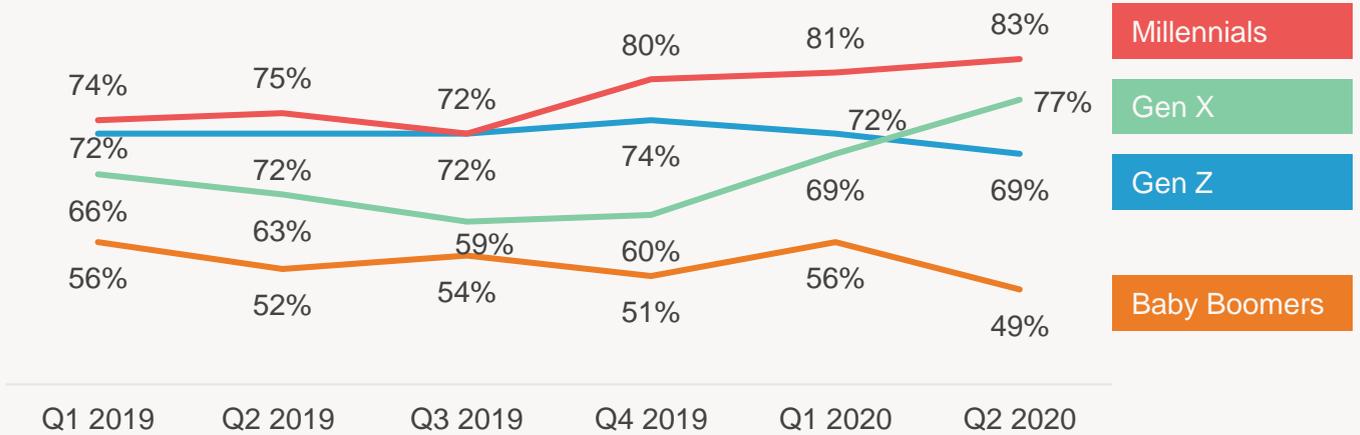
Technomic's whitepaper, titled “A Restaurant's Role in Racial Justice,” found that 52% of consumers agree that restaurants have an obligation to create a more inclusive and just world.



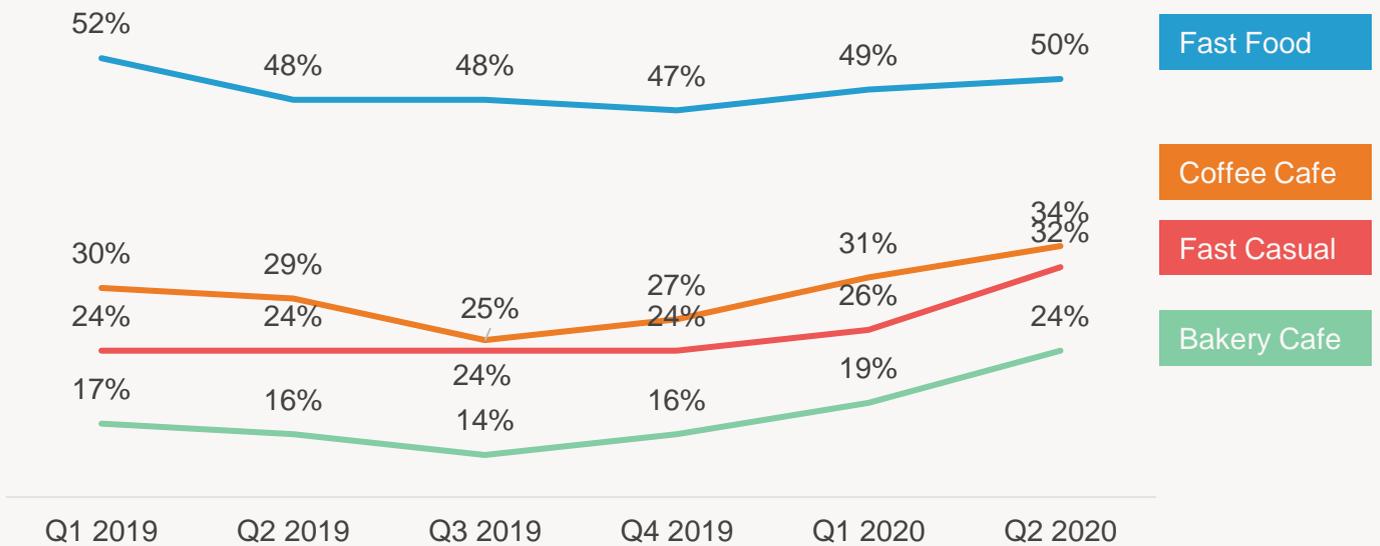
Consumer Trend Tracker

Consumer Behavior and Attitudes Tracked Across Time

WEEKLY+ RESTAURANT PATRONAGE BY GENERATION



WEEKLY+ PATRONAGE AT LSR SEGMENTS



Source: Technomic online survey

Base: Approx. 1,450 consumers ages 18-74 per quarter

Q: How often do you consume food and/or beverages from a restaurant for dine-in service, takeout or delivery?

Q: How often do you consume food or beverage from the following types of restaurants? Please include all occasions, including those for dine-in, takeout or delivery, as well as occasions at both chain restaurants and independents with only one location.



Technomic, Inc. prepares Consumer Food Trends™ six times a year to assist food industry professionals in gaining early insights from a variety of research and events that shed light on consumer perspectives on food, menu and taste trends. Annual subscriptions are available at technomic.com. Comments are welcome.

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Technomic®

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We provide insights into consumer, industry and menu trends in the U.S., Canada and 23 countries around the world. Our team of experts helps leaders in the industry make complex business decisions, set strategy and stay ahead of the curve.