

CORONAVIRUS IMPACT ON THE FOODSERVICE INDUSTRY

Pulse Survey of Operators, Manufacturers and Consumers

March 17, 2020

Published by IFMA in conjunction with Kinetic12 Consulting





BRACING FOR IMPACT

Over the past several weeks the Foodservice Industry has been bracing for the impact of the Coronavirus. The situation is evolving rapidly, and it is impossible to predict how the next few months will unfold. Since these surveys were completed a few days ago, we have seen governments and companies announce numerous cancellations and restrictions. One thing we know is that the Foodservice industry is being severely impacted.

FOODSERVICE SIT-DOWN/BAR CLOSURES

Given the recent city and state announcements of restaurant and bar closures, it is clear the impact of COVID-19 on the industry ecosystem is significant. For independent restaurant owners, the concern about cash-flow, business survival and the impact on their employees is likely higher on their priority lists than restaurant sanitization procedures. For chains, maximizing take-out/delivery and drive-through will be the priority, particularly as recent mandates have forced dine-in service to cease. Additionally, there are concerns about ensuring that staff will be available when it comes time to re-open and whether there will be government reimbursements to cover their losses.

It is logical to look at the industry in four buckets.

- 1. Restaurants with Greater than 50% Take-out/Delivery and Drive-through** - For these operations, such as QSRs, maximizing these “non-social” transactions will be important to minimizing the revenue impact. We expect to see additional promotions and deals to drive this portion of the business.
- 2. Restaurants with Minimal Take-out/Delivery and Drive-through** – Operations such as family casual will see a greater negative impact on sales but will look to maximize their take-out/curbside and delivery business and run their operations with a reduced staff count.
- 3. Restaurants with Only Some Take-out/Delivery** – Operators with little to no take-out and delivery will be hardest hit, including fine dining establishments. We expect that many of these locations may close entirely during the restriction period.
- 4. Non-Commercial** – We expect that most non-commercial operations, such as K-12, C&U, B&I and Recreation will be significantly impacted. Clearly the closure of schools and cancelling of sporting events and concerts, etc., will shut down the associated Foodservice operations. Healthcare Foodservice will experience a unique set of issues as staff and visitors make their own assessments on where it is safe to eat.

Kinetic12, along with IFMA and Datassential, conducted surveys of Foodservice operators and manufacturers to understand the areas of impact these companies are focusing on related to COVID-19. Additionally, a consumer study was conducted to understand potential changes in Foodservice eating behaviors as a result of the Coronavirus. These surveys were conducted during the week of March 9-13, 2020. Below are the results of this research.

In this report we will cover the following topics:

- Operators’ top areas of concern and focus
- Manufacturers’ top areas of concern and focus
- What manufacturers are being asked for, by operators
- What operators are hearing from distributors
- What operators are hearing from patrons
- What operators are hearing from operators
- Consumers concerns about visiting Foodservice establishments

If you have comments or questions on this report please contact Tim Hand, Partner, Kinetic12, tim@kinetic12.com, or Mike Schwartz, SVP Member Value, IFMA, mike@IFMAworld.com



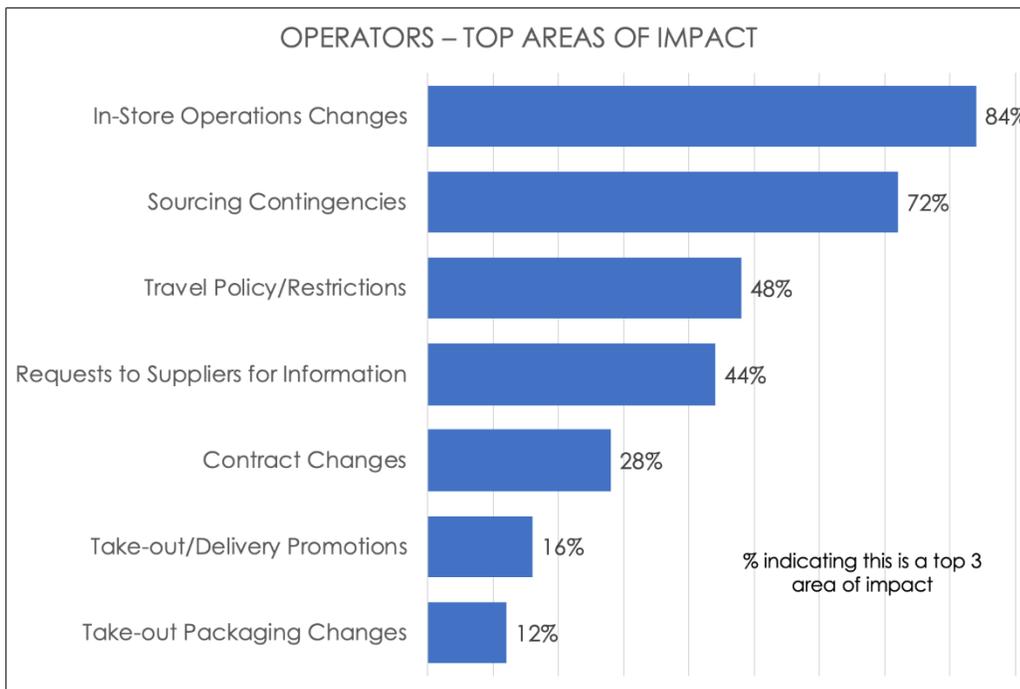
SURVEY RESULTS

OPERATORS' TOP AREAS OF FOCUS

The vast majority of operators surveyed (84%) have been focused on changes to their In-store Operations around food handling, storage procedures, store cleaning and employee procedures. The importance of operators taking these steps is supported by our consumer research as 57% of consumers felt regular / visible wiping down of tables, kiosks, other areas people touch would make them more comfortable about dining out in the wake of the Coronavirus outbreak.

72% of operators indicated Developing Sourcing Contingencies related to potential ingredient and product sourcing disruptions and / or identifying alternate suppliers. This concern provides manufacturers an opportunity to differentiate themselves by being proactive with their operators about supply chain solutions and communications related to contingency planning.

Of course, given the news over the weekend by many municipalities and states to close down table-service, many operators around the country – particularly in large metro areas – are concerned about cash flow and weathering the storm.



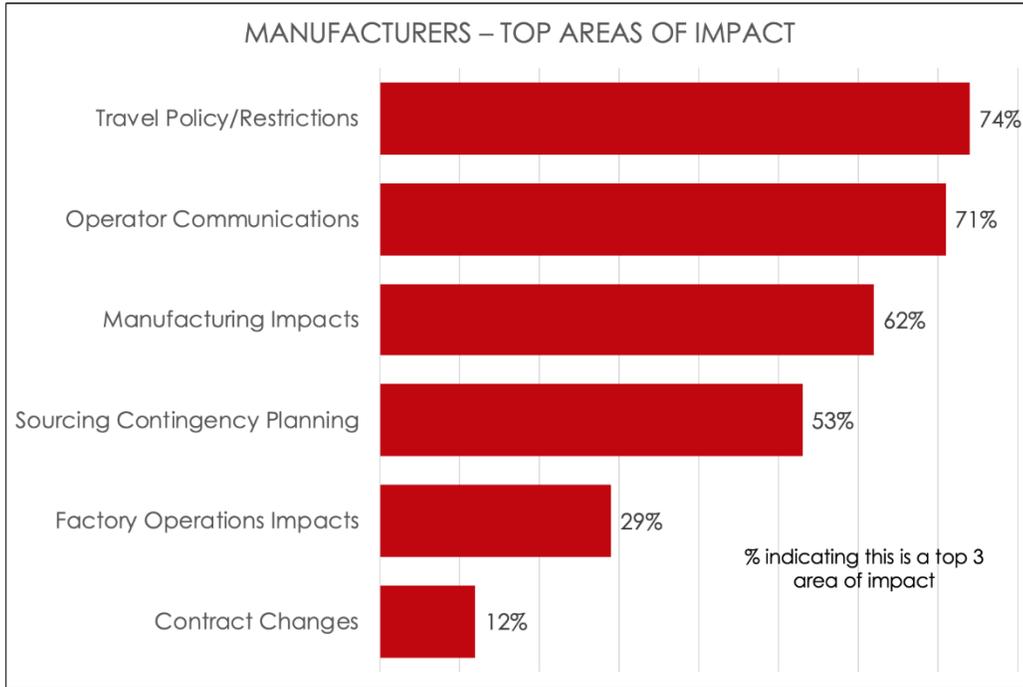
MANUFACTURERS' TOP AREAS OF FOCUS

Manufacturers' top area of focus is Travel Policies and Restrictions (74% indicating this as a top 3 focus area) which will prevent them from engaging face-to-face with customers and potential targets. As Foodservice is regarded as a relationship business, it is important to continue to engage customers and targets even when you cannot get together in-person. We foresee more use/ investment in collaboration technology by manufacturers as a result of the situation.

Working with top operator customers to Communicate Supply Availability, Identify Risks and Contingency Planning was the second top area of focus (71%). This supports the finding on the operator survey and is clearly one value-add that manufacturers can provide operators. One interesting challenge for manufacturers is how to communicate that information more broadly across the value chain.



Manufacturing Impact (62% of manufacturers) and Sourcing Contingency Planning (53% of manufacturers) were the next highest areas of focus and are a key element of the communication to top operators. As noted above, operators want to know of any potential disruptions in their supply chain and what the manufacturer’s contingency plan is, as soon as possible.



WHAT MANUFACTURERS ARE BEING ASKED FOR?

Manufacturers were asked to identify the top questions they have received from their operator customers. These are consistent with what we heard above and are mostly related to supply chain disruptions and sourcing and production contingency planning.

“Our customers are concerned about supply chain disruptions due to factory closures or raw material shortages”

“What are our contingency plans related to supply?”

“What are our back-up plans if our facility is shutdown or affected?”

“Can we provide logistical assistance, including demand planning?”

WHAT OPERATORS ARE HEARING – FROM CONSUMERS

Operators across all segments in the industry were asked to identify the top questions and concerns they have received from their customers. Given the recent industry restrictions, responses will likely change from questions about sanitization to also include questions about opening times and menu availability.

“Fear of lack of sanitization”

“Safety of the kitchen operation in general”

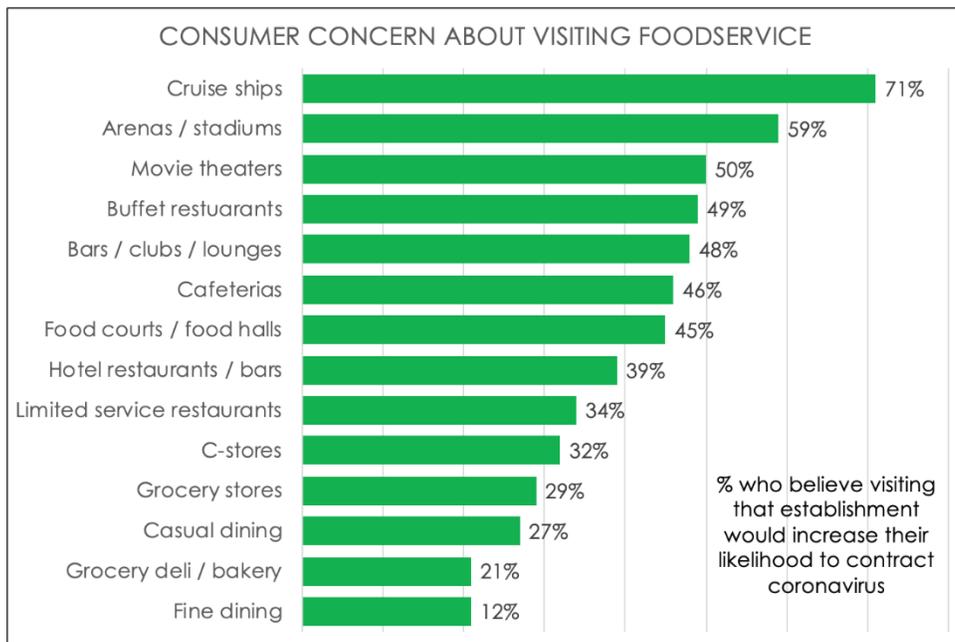
“Is my food safe?”

“What are you doing to protect the food and the employees?”



CONSUMER CONCERNS ABOUT VISITING A FOODSERVICE ESTABLISHMENT

Ultimately, consumers are going to decide the length and severity of impact on Foodservice, obviously within the guardrails that restaurant closings/restrictions create. Per our research, consumers indicated they are concerned about contracting Coronavirus from an array of food establishments – arenas, movie theaters, buffets, bars, cafeterias, and anywhere else they could be exposed to large crowds. However, given recent closures around the country, many consumers no longer have a choice and will likely be utilizing third-party delivery apps such as UberEats, Grubhub and Doordash.



In contrast, many Healthcare operators are expecting a surge in demand but will need to take extra precautions to keep staff and visitors safe.

KEY MANUFACTURER TAKEAWAYS

While this situation remains very fluid, below are some key takeaways for manufacturers from our research to date:

1. Continue to engage key operators with **communications on potential disruptions to your supply chain** and your organization’s contingency planning
2. Be **proactive with operators about supply chain solutions and products** that can help in unit operations and/or reinforce food safety to consumer
3. Develop **new ways to communicate and collaborate with customers** and targets due to travel disruptions
4. **Evaluate potential shifts in demand** in your current customer base as well as assess potential new operator targets

CORONAVIRUS IMPACT ON THE FOODSERVICE INDUSTRY - March 17, 2020



IFMA will continue to post updates, hold webinars and provide resources as the situation progresses. Visit us at IFMAworld.com for more information.