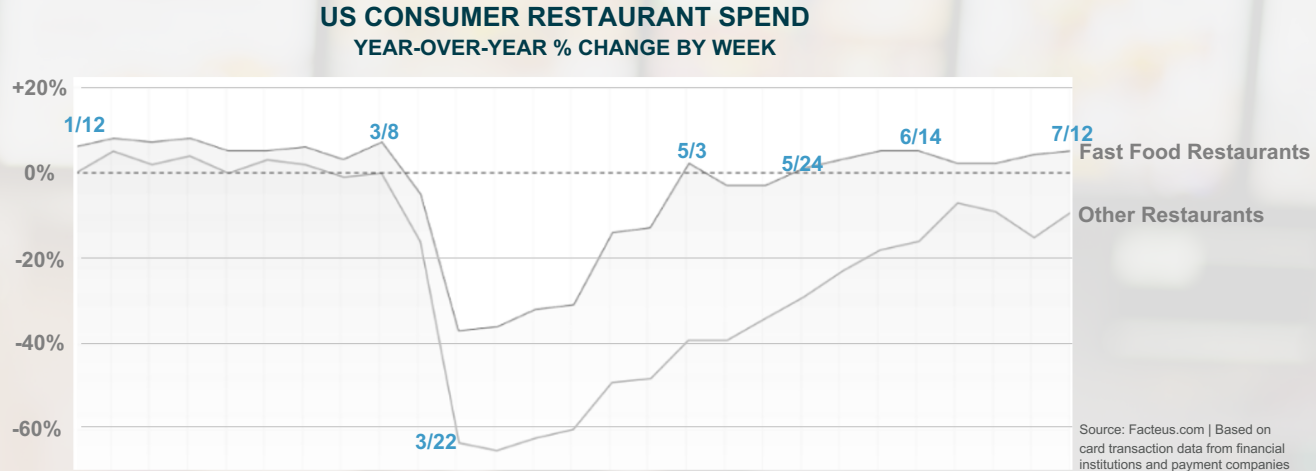




**SHUT-DOWNS, REOPENINGS, AND NEW
BEHAVIORS: THE SHIFTING LANDSCAPE IN THE
RESTAURANT SECTOR**

HOW THE RESTAURANT INDUSTRY LANDSCAPE IS BEING RESHAPED BY COVID-19

RESTAURANT SPENDING HAS STEADILY INCREASED SINCE A DEEP DROP AT THE START OF THE SHUT DOWN. HOWEVER, IT LAGS BEHIND GENERAL CONSUMER SPENDING, WITH ONLY FAST FOOD ATTAINING POSITIVE GROWTH.



Restaurants are among the businesses most heavily impacted by COVID-19. The potential for a continuing cycle of reopenings and reversals, and dampened discretionary spending, will likely slow industry recovery.

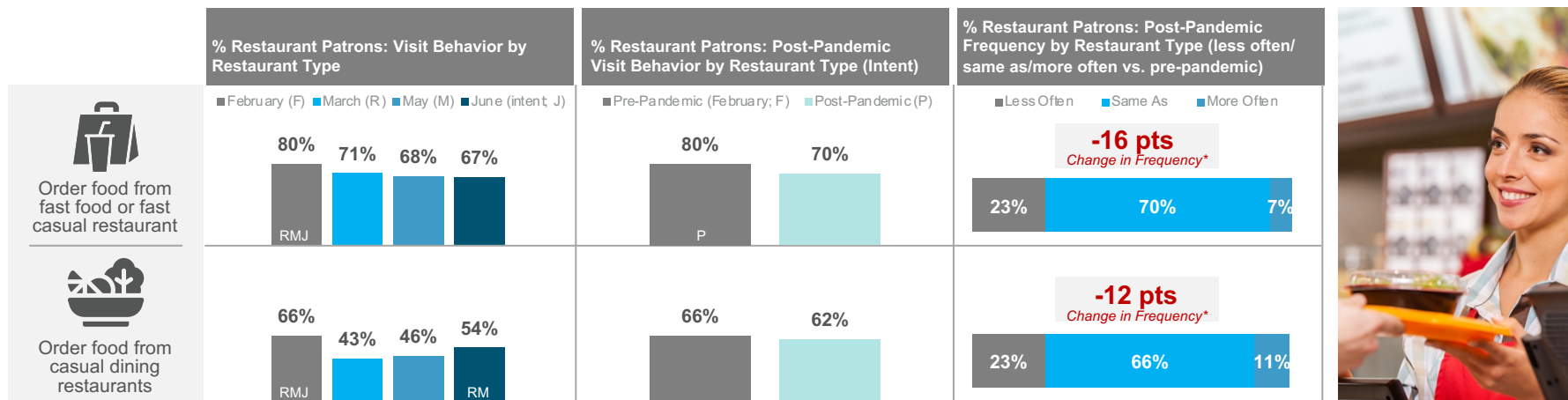
LONG TERM, THE INDUSTRY WILL LIKELY STRUGGLE WITH OVERALL CUSTOMER BASE SIZE AND VISIT FREQUENCY.

The customer base for fast food/fast casual dropped 9 points at the beginning of the pandemic and has remained essentially flat.

The customer base for casual dining restaurants saw a greater initial drop but has recently shown some recovery.

Longer-term, though, there are indications these customer bases may not fully recover.

Frequency is also likely to be lower in the longer-term. Those saying they will visit “more often” than pre-pandemic does not balance out those saying they will visit “less often.”



Point Change in Frequency: % of patrons saying they will do the post-pandemic activity “More Often” than they did pre-pandemic minus those who will do the activity “Less Often” than they did pre-pandemic.

Note: Similar numbers are shown without the detail graph on other pages.

Source: Burke COVID-19 March R&D, sample size: n=304; Burke COVID-19 June R&D, sample size: n=301

Q: Which of the following did you do in the month of [February, March, May] this year? Q: Which of the following did you do/plan to do in the month of June this year?

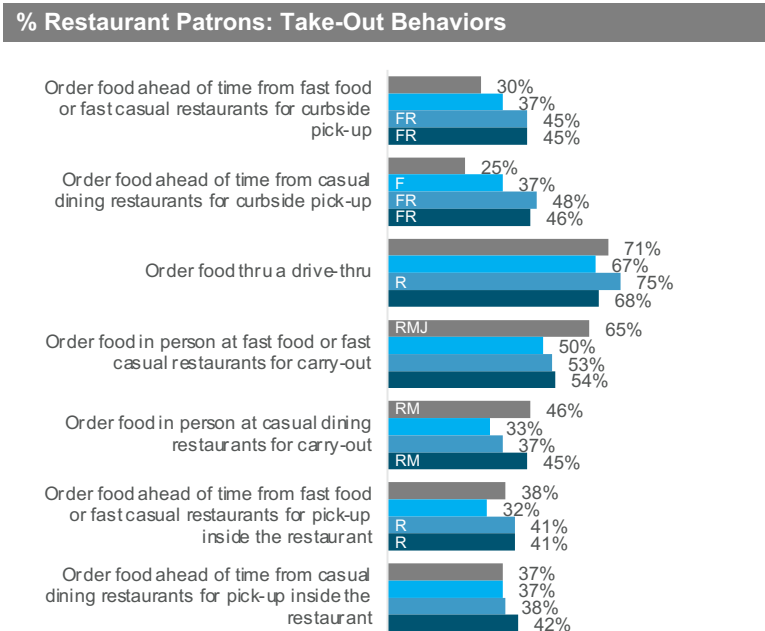
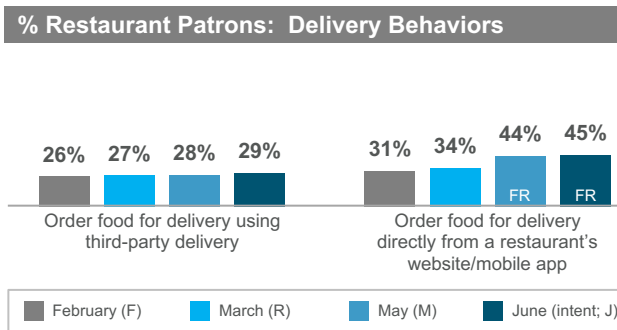
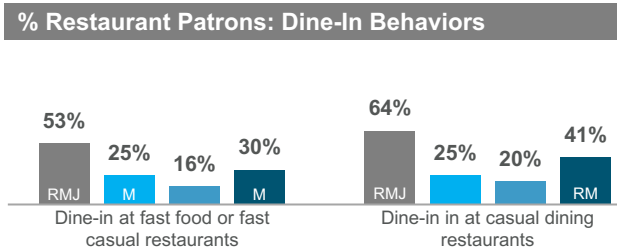
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THE PANDEMIC IS RESHAPING THE RESTAURANT LANDSCAPE: LESS DINE-IN BEHAVIOR IS BEING PARTIALLY OFFSET BY MORE DELIVERY AND PICK-UP.

DRIVEN BY THE SHUT DOWN, DINE-IN BEHAVIOR HAS DECLINED WHILE DELIVERY VIA RESTAURANT WEBSITES AND A NUMBER OF TAKE-OUT OPTIONS HAVE INCREASED.

With reopening, dine-in behavior shows some recovery. Delivery behavior also continues to grow as do some pick-up and carry-out options.

One bright spot for restaurants even if reopening slows or reverses: restaurants are better situated to support eat at home options than they were at the beginning of the pandemic. And, customers are more comfortable with using the process.



Source: Burke COVID-19 March R&D, sample size: n=304

Burke COVID-19 June R&D, sample size: n=301

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POST-PANDEMIC, SOME OF THESE SHIFTS IN THE LANDSCAPE ARE LIKELY TO STAY.

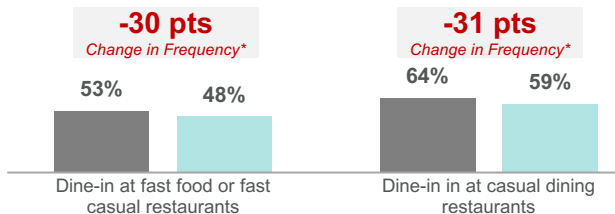
THE INCIDENCE OF DINE-IN SHOULD MOSTLY RECOVER, THOUGH AVERAGE FREQUENCY WILL LIKELY DROP. IN CONTRAST, THE INCIDENCE OF DELIVERY AND CURBSIDE PICK-UP WILL LIKELY SURPASS PRE-PANDEMIC LEVELS AND KEEP AVERAGE FREQUENCY LEVELS ESSENTIALLY FLAT.

Restaurant patrons are signaling their behavior is likely to change in the long-term. Generally, there will be fewer dine-in visits and more delivery and pick-up visits.

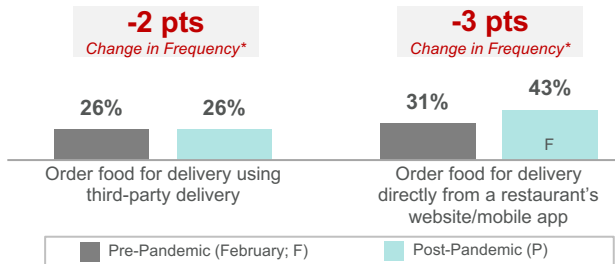
The longer the pandemic continues, the more deeply encoded these preferences will become.

Investment in delivery and pick-up options are not a temporary requirement. Being able to competitively leverage these options, even post-pandemic, will be key to grabbing a higher share of a diminished pool.

% of Restaurant Patrons: Dine-In Behaviors
Post-Pandemic Use and Change in Frequency



% of Restaurant Patrons: Delivery Behaviors
Post-Pandemic Use and Change in Frequency



Source: Burke COVID-19 March R&D, sample size: n=304

Burke COVID-19 June R&D, sample size: n=301

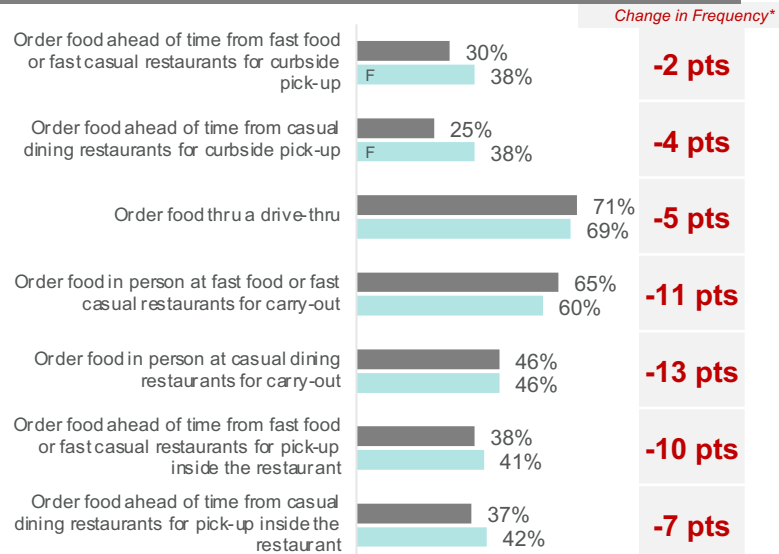
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% of Restaurant Patrons: Take-Out Behaviors
Post-Pandemic Use and Change in Frequency



* Point Change in Frequency: % of patrons saying they will do the post-pandemic activity "More Often" than they did pre-pandemic minus those who will do the activity "Less Often" than they did pre-pandemic.

DINE-IN

“We’ll go back to what we used to do [dining-in]. If not more, because the kids will be older.” –Male, age 45-54

“We like to go out to eat so we will go back.” –Female, age 45-54

“I have made dinner every other night... yikes. I used to meet friends at a restaurant or bar once per week and I miss that terribly... but it’s the social experience vs. the dining experience that I’m longing for” –Female, age 35-44

“If we’re talking post-pandemic, as in after a vaccine, it will be the same as before [for dining-in vs. pre-pandemic]. We didn’t eat out a ton anyway, but it’s not like I’ll be thinking back about COVID every time I eat at a restaurant after this. We have short memories.” –Male, age 35-44

“We will go back to less curbside service because there won’t be a need to. It worked out, but by the time you get it home, it might not be hot. The restaurants will be safe. And you want the atmosphere.” –Male, age 45-54

“I moved to a new area last year and I wanted to meet people but I couldn’t now; I wouldn’t know how without restaurants and bars. I missed smiling at people and being smiled at.” –Female, age 55-64



Source: Burke COVID-19 July Qualitative

TAKE-OUT

“We will use curbside more...Mainly because it was convenient and I learned how to do it. They had it before, but I never really utilized it. But now I know how.” –Female, age 35-44

“We will dine out less often because if they continue the curbside and stuff it’s easier. And it’s cheaper. I like the family style stuff they’ve done. We’ve learned to adapt.” –Female, age 35-44

“We were already becoming more take-out people because it’s expensive to dine-in, so now we’ll probably just continue carrying out like we are now. I can’t imagine we’ll all go into a restaurant soon and feel good about it. And then we’ll probably just be used to our routine of picking up food to bring home. We eat out quite a bit, so dining-in does become really expensive.” –Female, age 45-54

“I never thought about it [curbside] before. But now we just get online and order.” –Female, age 35-44



DELIVERY

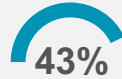
“My husband doesn’t like to pay the fees. So we won’t do delivery.” –Female, 45-54



GRASS ROOTS CAMPAIGNS FOCUSED ON THE PLIGHT OF LOCAL BUSINESSES HAVE BEEN SUCCESSFUL IN SHIFTING MORE PREFERENCE TO LOCAL RESTAURANTS AND AWAY FROM NATIONAL CHAINS.

THE SHIFT IN PREFERENCE IS BOTH ATTITUDINAL AND BEHAVIORAL; THE SHIFT IS LIKELY TO STAY IF NOTHING DISRUPTS CURRENT THINKING

Importance of buying food from a local restaurant instead of national chain (% rating extremely/very important)



Over Next 3 Months



Over Next 3 Months if COVID-19 were not an issue

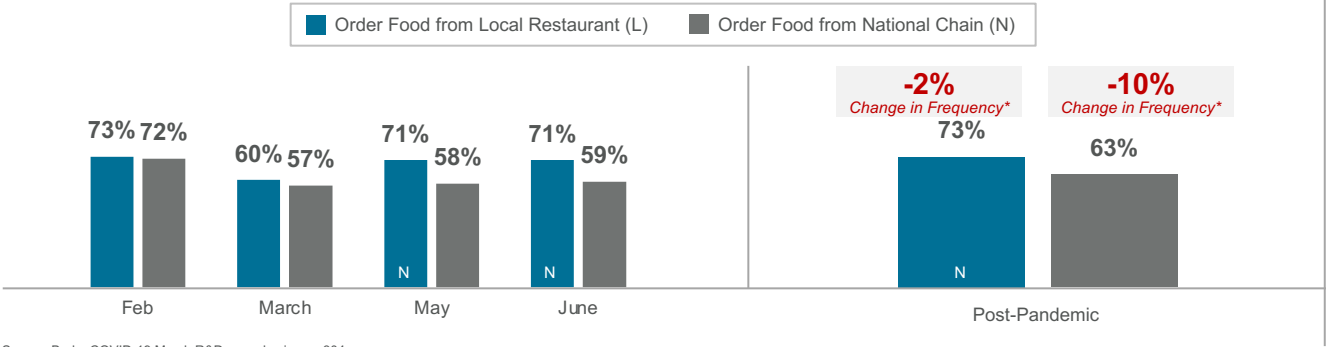
Source: Burke COVID-19 June R&D, sample size: n=301

Q: Thinking about the next three months when restaurants re-open, how would you rate the importance for you, yourself, for each of the following?

Q: Now pretend that tomorrow COVID-19 is not an issue (either due to a COVID-19 vaccine or a cure). Thinking about the next three months, how would you rate the importance for you, yourself, for each of the following?

While being careful not to appear predatory, national chains would benefit from reminding patrons that all restaurants are local: local employees, local franchisees, local community involvement.

Local Restaurants vs. National Chains: % Restaurant Patrons Using



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* Change in Frequency: % of Patrons saying they will do the activity "More Often" minus those who will do the activity "Less Often" in a typical month.

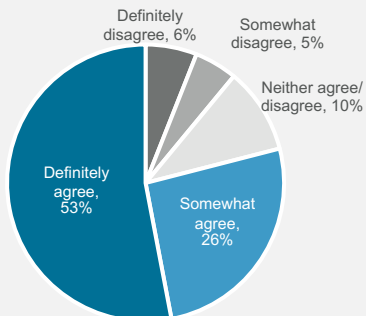


REOPENING RESTAURANTS IN THE MIDST OF A COVID-19 SURGE REQUIRES CONTINUING FOCUS ON SAFETY TO MAKE PATRONS FEEL COMFORTABLE.

SOCIAL DISTANCING AND OTHER SAFETY MEASURES ARE IMPORTANT TO A MAJORITY OF PATRONS

“Social Distancing is Important to Me”

Top Two Box
79%



The pandemic appears to have made some patrons more sensitive to “safety” and controlling the spread of germs. So, even after the COVID-19 threat has subsided, there will likely be a need to signal that restaurants’ safety practices are still in place.

Source: Burke COVID-19 June R&D, sample size: n=301

Q: How much do you agree or disagree with the following statement? As life in the United States opens up over the next three months, social distancing will be important to me.

Q: Thinking about the next three months when restaurants re-open, how would you rate the importance for you, yourself, for each of the following?

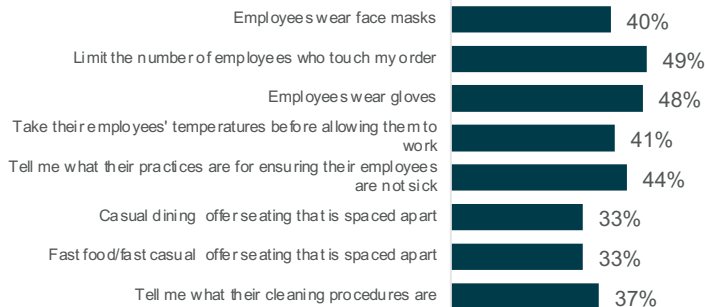
Q: Now pretend that tomorrow COVID-19 is not an issue (either due to a COVID-19 vaccine or a cure). Thinking about the next three months, how would you rate the importance for you, yourself, for each of the following?

Importance Over Next 3 Months as Restaurants Reopen (Top 2 Box)



AND THE DESIRE FOR THESE PRACTICES WILL NOT IMMEDIATELY DISAPPEAR

Importance Over Next 3 Months if COVID-19 Were Not an Issue (Top 2 Box)





Source: Burke COVID-19 July Qualitative

SAFETY



"We've actually started dining-in...only a couple times... I think restaurants may be more hygienic than they were before. There's less people, tables are spaced out, workers are wearing masks, they clean everything frequently. After we left the first time, I debated if that was the wisest thing to do for our family. But honestly, this is probably the cleanest the restaurants have ever been."

–Female, age 35-44

"Safety! It's essential that I see masked chefs and servers or I will not step foot in a restaurant." –Female, age 35-44

"I miss eating out... a lot. But I don't want to go and not have it be the full experience. I don't want to have my waiter in a mask. Eating out is a treat of sorts and all the things that would have to be in place to make it safe would detract from that." –Male, age 25-34

"I just wasn't comfortable before the pandemic in my area subsided a bit and felt that the anxiety about the safety of the experience (whether contaminated take-out containers or sick chefs) made me feel the benefit of not cooking yet another meal wasn't worth the risks."

–Female, age 35-44

"I like to see servers wipe down tables, surfaces and door handles - in fact, when I walk by places and see that happen I make a mental note that I'd consider going back there."



"I don't want to be eating in a restaurant and feel like I need to be conscientious of the people dining around me, and that it might not be 100% safe." –Male, age 25-34

"I like to see 6-foot spacing for the tables. We went to dinner the other night and they had hand sanitizer spray at the table... I liked that."

–Female, age 35-44

"With kids, I actually need more safety measures because they touch everything, especially the things they shouldn't touch! When thinking about COVID and safety, if one of us is exposed, we are all exposed."

–Female, age 35-44

KEY TAKE-AWAYS AND OPPORTUNITIES

TAKE-AWAY

01.

Uncertainty about the length of the pandemic, the trials of balancing reopening the economy with controlling outbreaks, and the difficulty in divining the long-term impact COVID-19 will have on consumer and social behavior makes it difficult to plan for both the short- and the long-term. This is especially true for the restaurant sector since it is among the hardest hit by the cycle of shut-down, reopenings and reversals.

02.

The COVID-19 pandemic is changing the Restaurant landscape. From a customer service standpoint, there will likely be some permanent shift toward delivery and take-out and away from dine-in.

03.

The grass-roots movement to support local businesses is having an impact on national chains.

04.

The majority of restaurant patrons see safety steps and best practices, such as social distancing, as important. Even after the threat has passed, some of these practices will still be important to patrons now more sensitive to the potential for transmitting illness.

OPPORTUNITY



Hope for the best but plan for the worst. Strategize what changes need to be in place to best manage and even thrive in the ongoing crisis. Rather than look at these measures as temporary, consider what pandemic-based behaviors could be here to stay in the “new normal” (social distancing, more time at home, explosive growth of online transactions) and be prepared to lean into and even leverage those behaviors.



Future success will be built on leveraging both the dine-in and delivery/take-out experiences. The infrastructure needed to support delivery and take-out is not a temporary measure to survive in the pandemic. Investment in strong delivery and take-out programs is necessary to maintain future revenue streams.



All restaurants are “local”. While being careful not to appear predatory, national chains would benefit from reminding patrons that all restaurants are local: local employees, local franchisees, local community involvement. Remind them that visiting a national chain directly benefits their neighbors and their community.



Safety precautions are the current cost of doing business. Handled correctly, they could be a leveragable advantage. While safety should not be the primary message to customers, reassurance that safety measures are in place will help attract/retain customers during the pandemic. Also, consider planning for what practices should be kept in place post-pandemic.