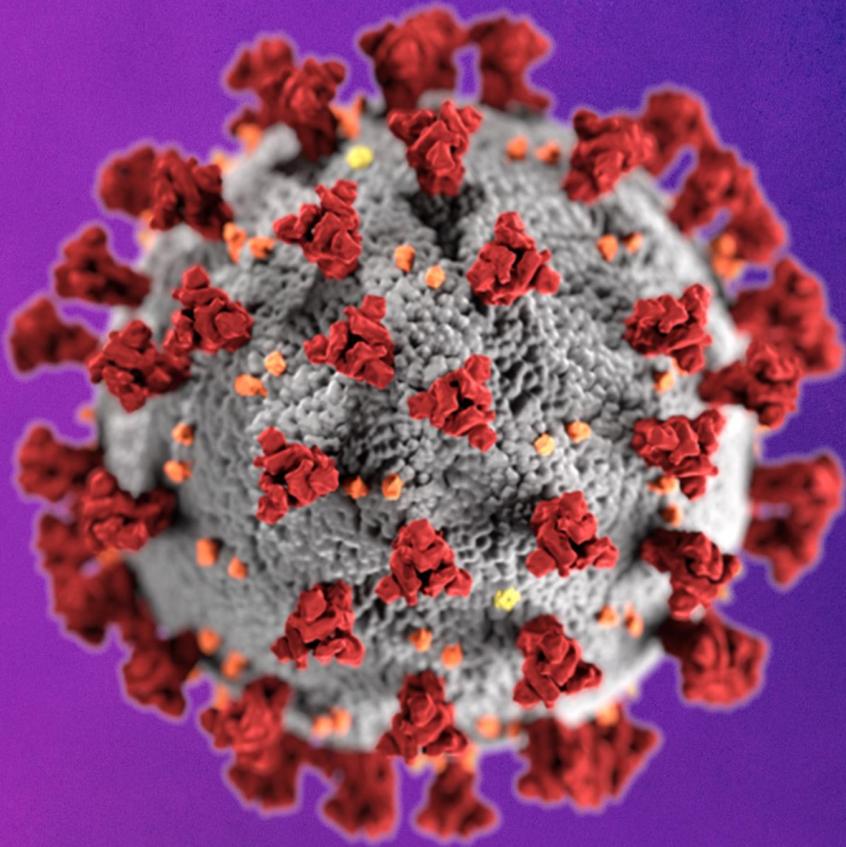


COVID-19

report 8: THE OPERATOR STORY

4.03.20





It goes without saying that Coronavirus doesn't discriminate: Everybody from any country, young or old, is vulnerable to the disease and needs to keep a safe distance from others to slow the spread. For foodservice operators, even though the effects of COVID-19 and social distancing have been felt throughout the industry, they're not so evenly or randomly distributed. Fears of irreparable harm are building more significantly among restaurant operators, particularly those leading full-service locations less equipped to pivot to takeout and delivery quickly.

Not all on-site segments are carrying on seamlessly. Lodging has a huge vacancy problem right now, and many C&U campuses are closed. But others have kept moving right along, even if their dining rooms must close, because they have essential jobs to be done, like caring for patients or being some kids' only reliable source of breakfast or lunch.

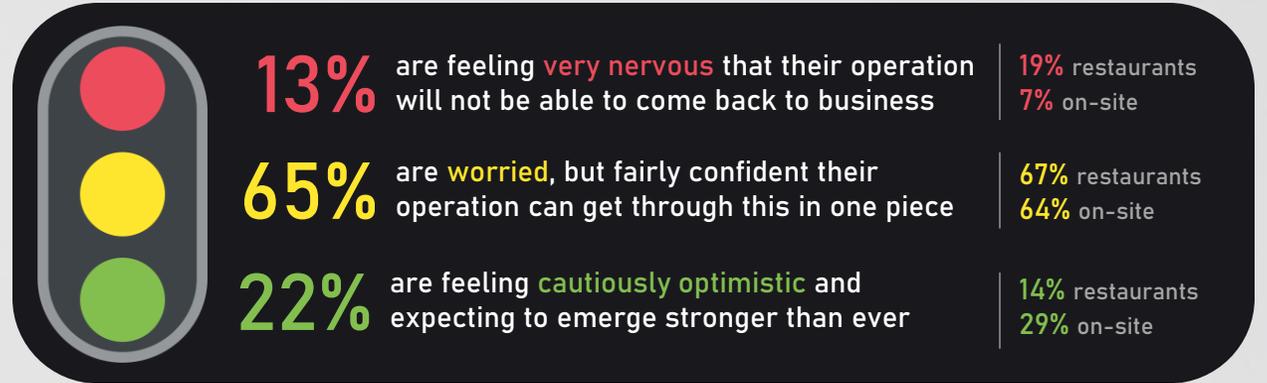
All operators are focused on the task at hand, which is to stay open as much as possible and serve customers via the few methods left open to them. Job one for the supplier and manufacturer community is to be flexible. Right now, operators need to be supported, not just sold to.

Here are highlights from Datassential's first wave of operator-focused Coronavirus research, fielded March 25-27 with 426 decision makers.

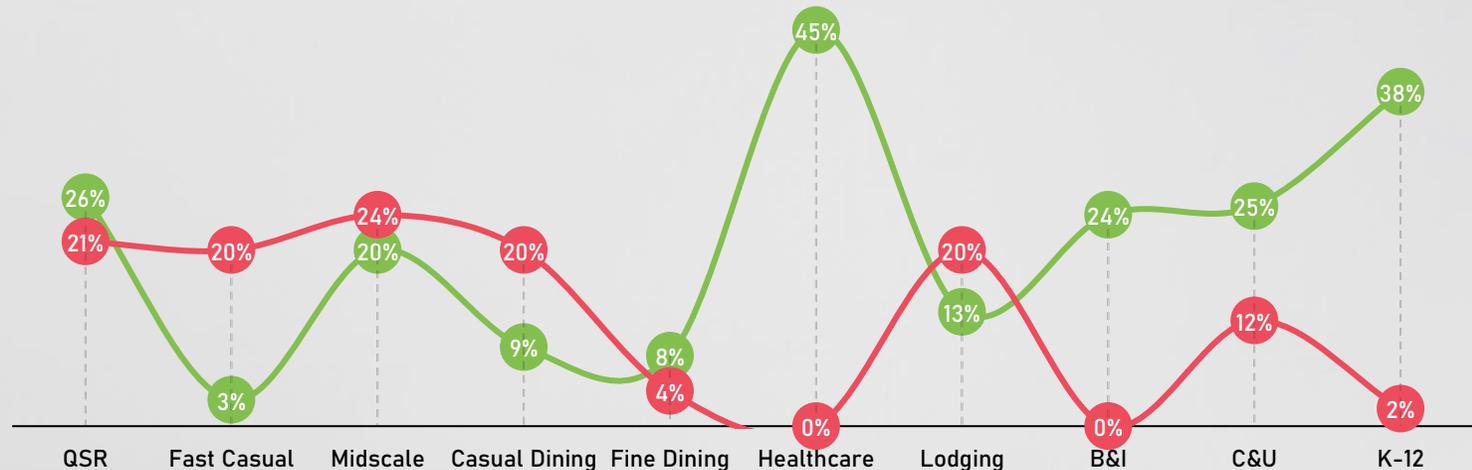


Restaurants are far more worried this crisis may break them.

Some on-site segments are significantly more optimistic they'll recover from COVID-19 stronger, like healthcare and K-12 foodservice, because they have essential roles to play right now. Restaurants are completely discretionary for all consumers at this point, which is why they're significantly more worried about permanent closures.



very nervous or cautiously optimistic



Most operators are girding for a long fight.

Foodservice leaders were among the first to feel the true impact of the COVID crisis on their businesses. Most are taking a more conservative stance, preparing to deal with the effects for the next three to six months. One in four are optimistic that it will be over in a month or so. The healthcare segment, probably closest to evolving medical news, sees it as lasting longer, but not as something permanent.

what is your outlook on your business as it relates to the Coronavirus crisis?

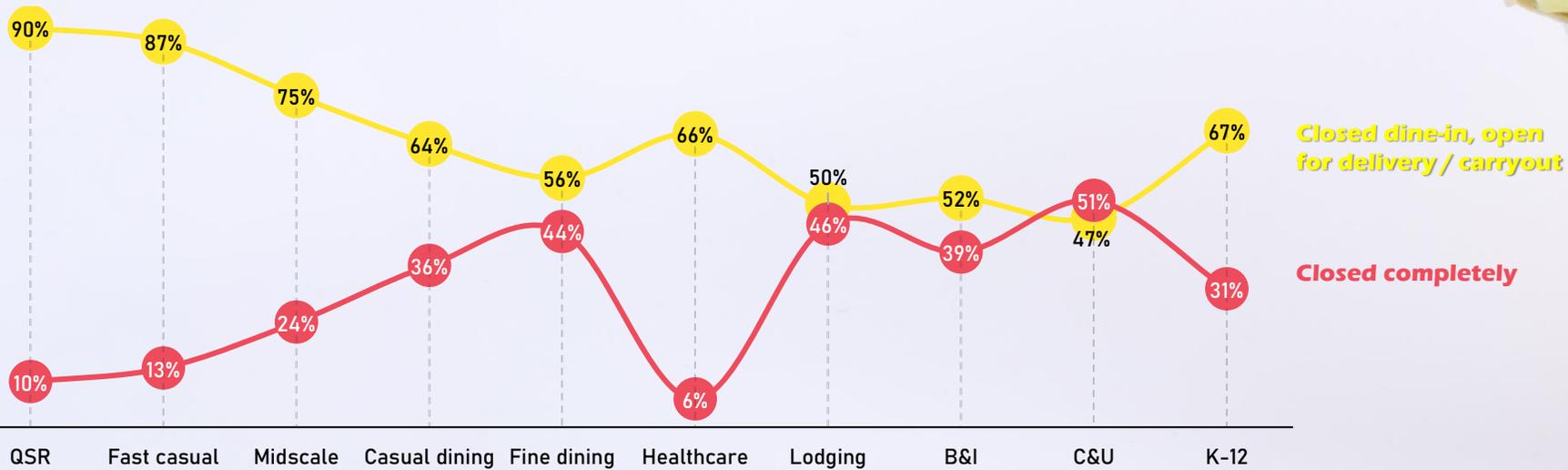


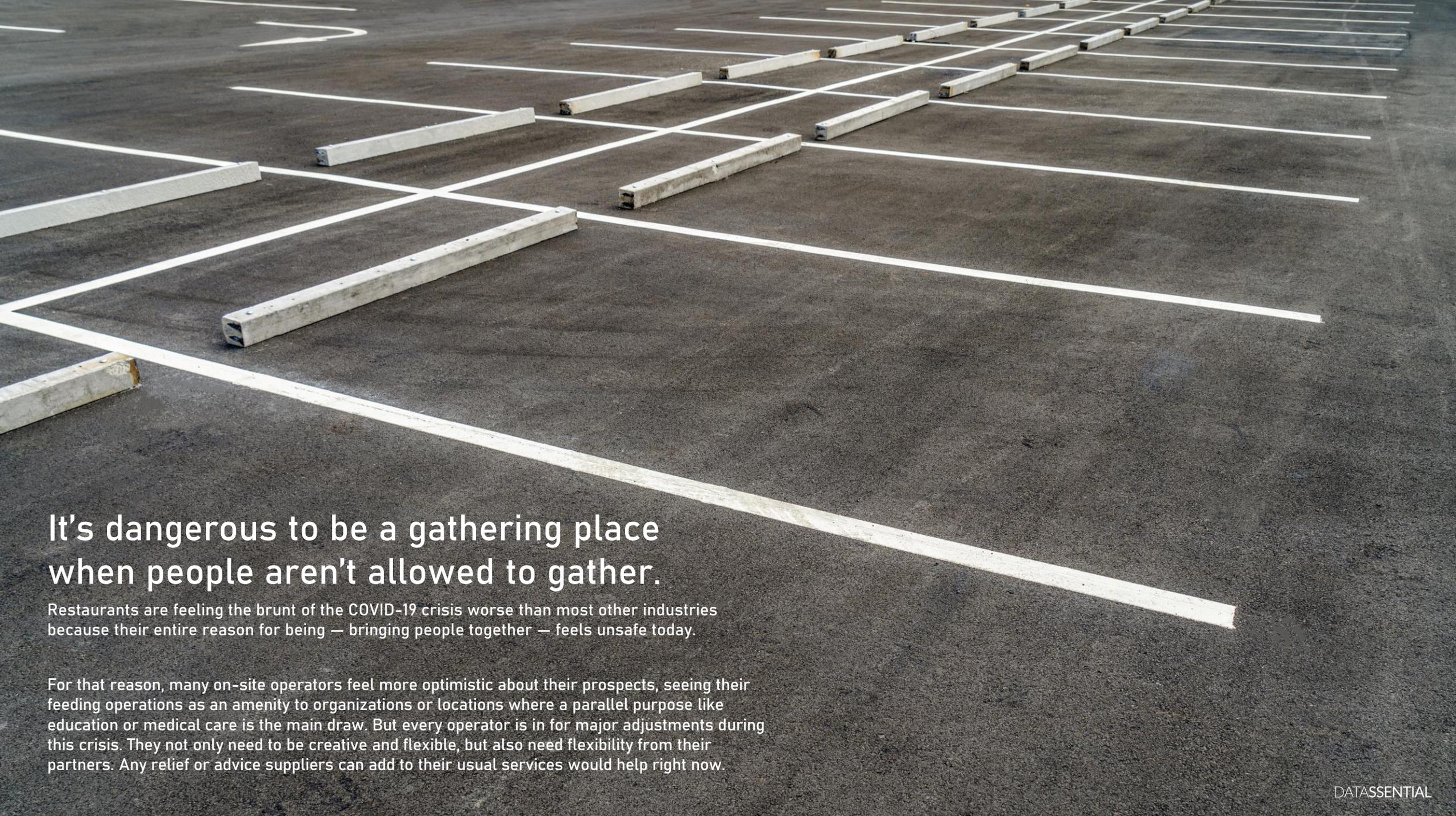
Most operators have shut down their dining rooms.

Some segments are making the transition to takeout and delivery more easily: limited-service restaurants because of their structural advantages, and healthcare venues by necessity.



what is your operation's status in response to COVID-19?





It's dangerous to be a gathering place when people aren't allowed to gather.

Restaurants are feeling the brunt of the COVID-19 crisis worse than most other industries because their entire reason for being — bringing people together — feels unsafe today.

For that reason, many on-site operators feel more optimistic about their prospects, seeing their feeding operations as an amenity to organizations or locations where a parallel purpose like education or medical care is the main draw. But every operator is in for major adjustments during this crisis. They not only need to be creative and flexible, but also need flexibility from their partners. Any relief or advice suppliers can add to their usual services would help right now.

Restaurants need a helping hand.

Most operators would welcome some type of help or guidance during the COVID crisis, but the degree to which they want it varies by channel. Restaurants have endured the greatest challenges, needing to adapt on the fly to takeout-focused businesses, while still operating through the crisis. As you might expect, they are most open to help from multiple sources and least likely to feel confident in how to proceed. Apart from healthcare — which prepares for disaster response as part of its operating standards — most on-site venues have completely closed or are operating at extremely low capacities, so the down time has allowed for dedicated planning. While they are also open to help, one in three operators feel confident on how to move forward once they reopen.

would help from suppliers and
manufacturers be beneficial?

Restaurants		On-Site
41%	Yes, would appreciate help	32%
42%	Could use help, but not from suppliers or manufacturers	33%
17%	No, confident in next steps	35%

Employee welfare is at the forefront of financial concerns.

While America has rallied around foodservice workers impacted by the COVID crisis, with grassroots campaigns and a little extra carryout, operators on the front line know it's not enough. When thinking about where they could use financial support, front and center is government relief for their employees. The recently passed CARES Act will be a good initial step.

Suppliers can help by loosening minimal-order requirements and offering more flexible payment terms as demand and cash flow are squeezed and more difficult to predict. While on-site operators feel they would benefit from financial help, it is at much lower levels versus their restaurant counterparts, who have nothing to pivot to that doesn't involve serving food.

which types of financial support from business partners would be most helpful to navigate the Corona Virus crisis?

	Total Operators	Restaurants	On-site
Federal/state relief to help my employees	63%	73%	55%
No minimal order requirements	46%	47%	45%
Rent/mortgage relief	42%	64%	22%
Flexible/extended payment terms for orders	35%	43%	27%
Relief from payment processors	34%	48%	21%
Relief from fees to franchisor	16%	18%	15%
Cap/waiver commissions with 3rd party delivery providers	16%	25%	8%
Ability to order out-of-stock delivery items for later	15%	12%	17%
None of these	13%	7%	19%





Back to the basics.

Retailers aren't the only ones experiencing a run on everyday products. Operators are voicing the same concerns, with difficulties obtaining the basics like cleaning supplies, food safety products and essential ingredients. And with so much of restaurant business now moving to carryout, to-go packaging and supplies are getting scarce. Marketing materials and guidance around making the transition to carryout are much less of a priority. Anything business partners can do to help make it easier to secure product, will not only add value, but help operators keep what business they still have.

which types of product support from business partners would be most helpful to navigate the Coronavirus crisis?

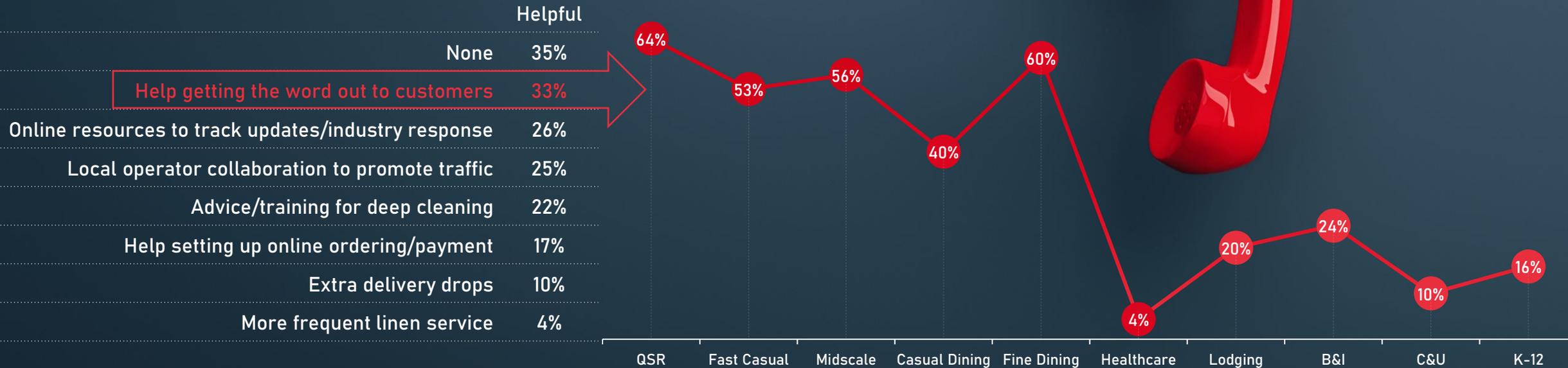
	Helpful
Unlimited access to cleaning supplies/food safety necessities	44%
Unlimited access to "to-go" packaging/supplies	38%
Unlimited access to my essential ingredients	31%
Help donating perishable food somewhere needed	25%
Advice to help pivot to off-premise sales	17%
Marketing materials/content I can share	12%
None	24%

Help spread the word.

With foodservice operating in limited capacity and vague definitions of what's essential, it's pretty safe to assume that Americans are still trying to figure out what's even open during the COVID crisis. Couple this with operators' need to make up for lost dine-in revenue, and it's no surprise that first on their wish list is help with driving customer traffic. This could mean getting the word out that they are still open, driving awareness of menu options, or even collaborating with other local eateries on "Takeout Week"-type promotions. And they are voicing this need much louder than on-site segments, many of which have shut down — healthcare being the notable exception. Online COVID resources such as updates and examples of industry response are also considered helpful by some. Operations-related services fall low on the list.



which types of service support from business partners would be most helpful to navigate the Coronavirus crisis?



WHAT COULD A SUPPLIER, MANUFACTURER, OR DISTRIBUTOR PARTNER DO TO MAKE THE BIGGEST DIFFERENCE IN YOUR OPERATION RIGHT NOW?

“Share information on how to handle our new ‘takeout’ business. For instance, more information on takeout containers would be helpful. Because this is new to us, we don’t quite know what is available. This week I was looking for a microwavable one-compartment, entree-sized to-go container and asked my distributor rep for help.”

- a chief manager at a business in IL

“As it relates to traffic, it would help tremendously to advertise online and Uber Eats and DoorDash business.”

- a manager at a casual dining restaurant in GA

“Sysco has given us a list of prepackaged items that we can use in school. Also, I have received an abundance of emails from vendors who represent pre-packaged items.”

- a foodservice director at a school in TX

“Innovative sanitation options for restaurants.”

- a foodservice manager at a midscale restaurant in LA

“We are all currently struggling and those that are open for delivery or takeout have very little funds coming in, in general. The delivery minimum should be dropped during this time, as people only need less essential items.”

- a general manager at a midscale restaurant in NC

“Just let us know that they are taking proper precautions on their end so we can reassure our customers that from start to finish the products we are preparing them are completely safe.”

- a manager at a casual dining restaurant in WI

“Reaching out and offering us payment flexibility without penalty if needed. Credit card companies should not charge us fees for the duration of covid-19.”

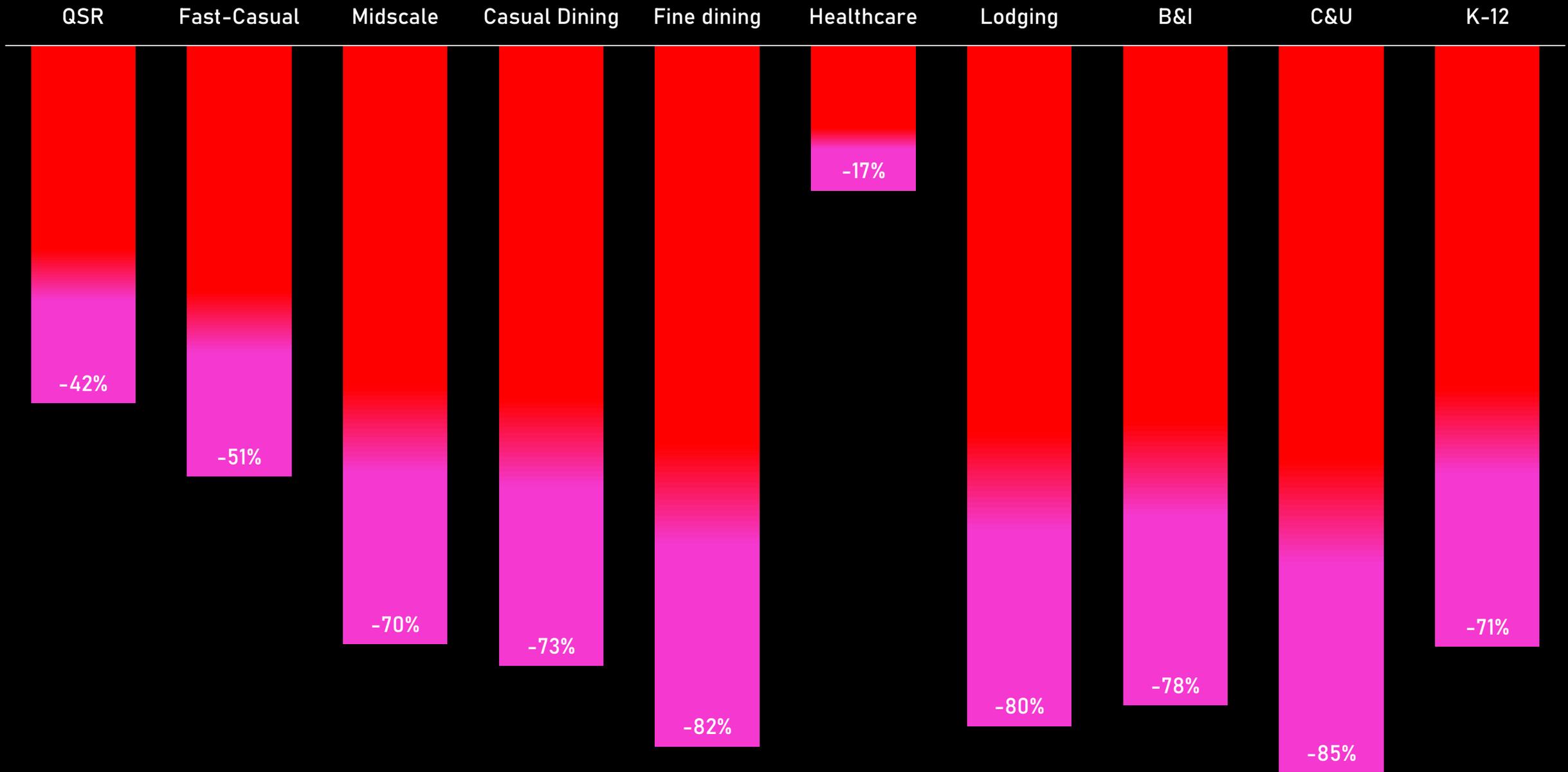
-Chef, Fine Dining in VT



-65%

weighted average
sales decline for all
industry segments



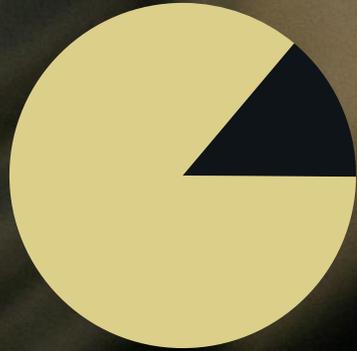


How much has your overall business decreased since the outbreak of COVID-19?

Takeout alone doesn't cut it.

By and large, operators across all segments have had some increase in take-out, but not enough to offset dine-in losses.

86%
SOME INCREASE IN TAKE-OUT,
BUT NOT ENOUGH TO
OFFSET DINE-IN LOSSES



14%
ENOUGH INCREASE
IN TAKE-OUT TO
OFFSET DINE-IN
LOSSES

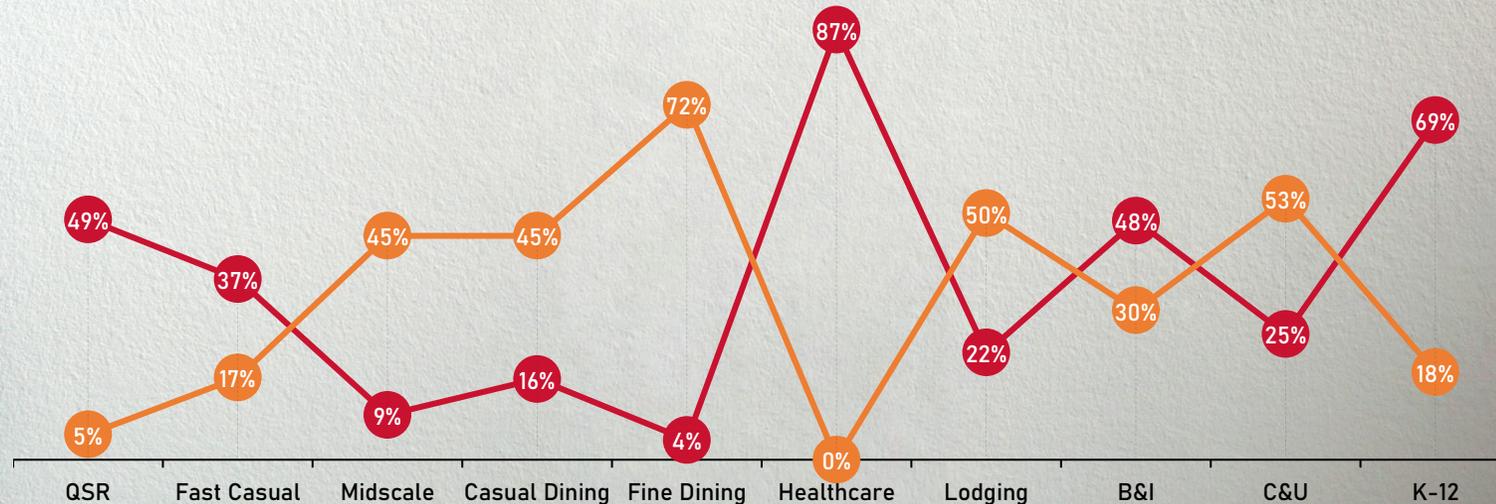
since the COVID-19 outbreak,
which have you experienced?

Healthcare and K-12 foodservice need all hands on deck.

Those segments still have essential work ahead feeding an influx of patients and food-insecure children. But other segments, especially full-service restaurants, are faced with layoffs and staffing cuts stemming from the sharp fall in demand for dining in and the harder transition to carryout / delivery.

No staff cuts due to coronavirus so far	37%
We let go of more than 75% of our staff	34%
We let go of up to 75% of our staff	11%
We let go of up to 50% of our staff	9%
We let go of up to 25% of our staff	10%

have you laid off staff in response to COVID-19?



Nearly half of all foodservice locations are paring down food and beverage offerings.

Narrowing the menu to best sellers and what travels the best is the most common move, otherwise operators are selective about adding complexity.

	TOTAL
Narrowed / limited your menu offerings (fewer menu choices)	43%
Added price discounts / coupons / meal deals	17%
Added large / family-size / bulk size options (full trays of dishes, etc.)	12%
Added more "comfort food" type menu items	11%
Added refrigerated or frozen "take and bake/heat" items	10%
Added full meal bundles (comes with appetizer, entrée, sides, dessert)	9%
Added more "healthy / better-for-you" type menu items	6%
Added more "indulgence / treat yourself" type menu items	6%
Added multi-day meal options (12 individual-sized servings of a dish, etc.)	4%
None - we have not made any menu changes because of coronavirus	34%

have you made any changes to your menu in response to COVID-19?



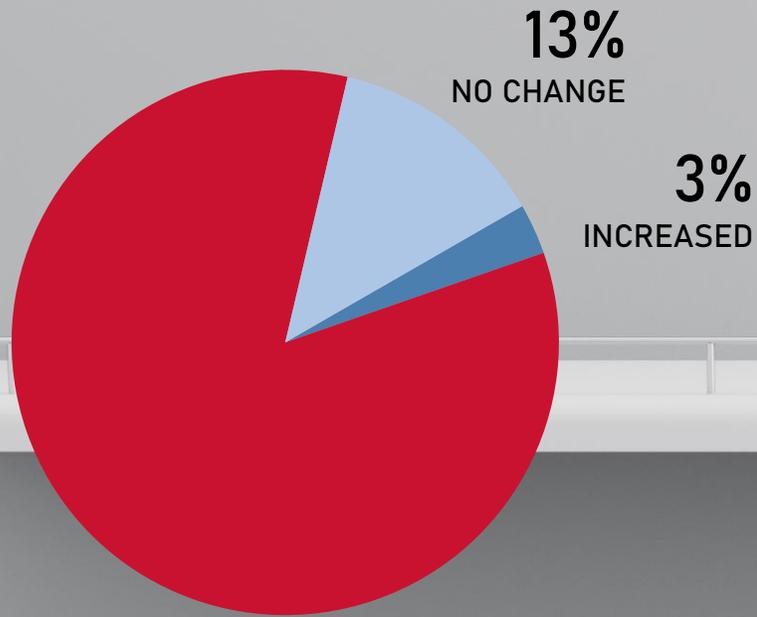
**have you implemented any other operational changes
specifically in response to COVID-19?**

	TOTAL	Restaurants	On-Site
Closed off seating / stopped dine-in service	71%	74%	68%
Reduced hours of operation	55%	66%	43%
Updated food safety procedures (wearing / changing gloves, scheduled cleaning / deep cleans, etc.)	54%	56%	52%
Added curbside pickup (staff delivers order to customer's cars)	41%	59%	23%
Contacted customers directly (via website, email, social media, etc.) about policies / updates	27%	34%	21%
Began offering contactless (no touch) delivery	26%	30%	22%
Shuffled / re-purposed staff to help in other areas (servers / bartenders handling delivery, etc.)	24%	27%	21%
Added new online ordering and/or pre-pay functionality	14%	20%	8%
Signed on to new third-party delivery services (Grub Hub, UberEats, etc.)	12%	22%	1%
Begun offering paid sick leave to staff	12%	7%	18%
None - we have not made any operational changes because of coronavirus	8%	5%	12%

Most operators, regardless of segment, acted quickly to update food safety protocols and close dine-in service.

Restaurants, especially full-service locations, are significantly more likely than on-site venues to have reduced hours and added curbside pickup, while most places have had to shut dining rooms.

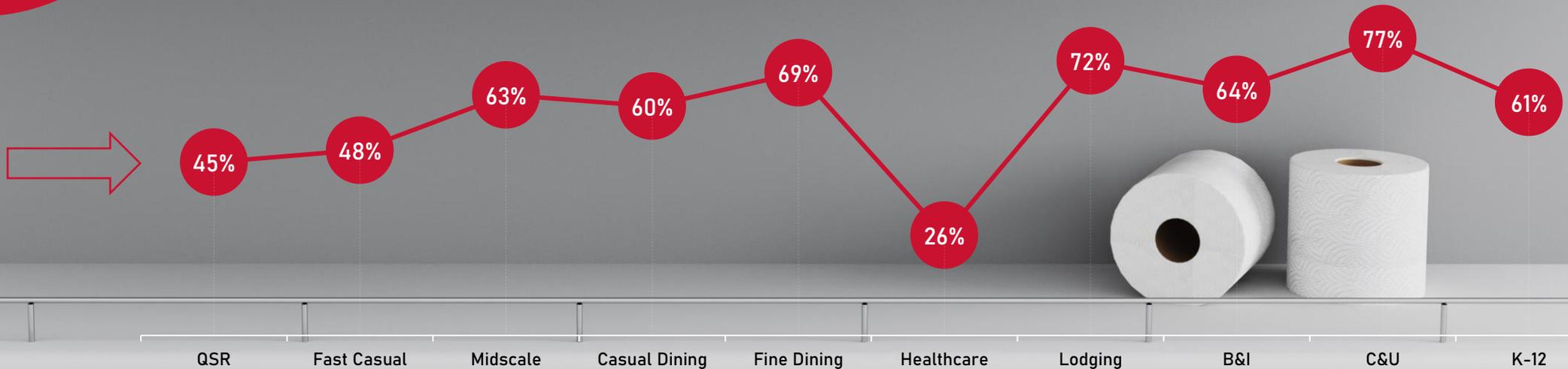
has your overall purchase volume....



Purchase volumes are falling fastest at venues with the hardest time staying open.

Hotels are vacant, schools are closed, and workplaces are encouraging all to work from home, leaving healthcare as the sole on-site segment keeping anything near business as usual. Limited-service restaurants are narrowing their menus for the transition to takeout / delivery, and they appear set up better than full-service locations, if purchasing levels are another indication.

84%
DECREASED



It's going to be harder to keep things fresh.

Nearly half of foodservice locations have cut back on purchases of fresh produce, with nearly as many reducing their intake of dairy, fresh meats, and bakery items. With their dining rooms ordered closed, full-service restaurants have even less need than other segments right now.

		LSR	FSR	On-Site
Fresh produce	46%	41%	59%	40%
Dairy	44%	33%	57%	41%
Fresh center-of-plate proteins	38%	18%	52%	39%
Basic pantry ingredients	37%	28%	45%	37%
Fresh bakery items	37%	30%	44%	35%
Non-alcoholic beverages	34%	30%	54%	24%
Alcoholic beverages	32%	15%	60%	21%
Frozen center-of-plate proteins	31%	18%	35%	34%
Frozen bakery items	31%	18%	31%	36%
Frozen produce	29%	13%	32%	34%
None: have not stopped or reduced purchases	26%	31%	9%	35%

have you STOPPED or REDUCED PURCHASES of any categories as a result of COVID-19?



Packaging and packaged goods are in high demand for the foodservice industry's transition to Takeout Nation.

Limited-service restaurants appear to have had a head start over full-service peers in the move toward off-premise; on-site segments are also catching up on being a grab-and-go proposition.

		LSR	FSR	On-Site
None - we have not shifted our purchasing	44%	59%	43%	39%
Disposables	37%	26%	44%	38%
Packaged foods I can easily sell on-the-go	19%	3%	9%	31%
Products with longer shelf lives	16%	13%	14%	19%
Smaller pack / case sizes	11%	8%	16%	10%
Frozen center-of-the-plate proteins	5%	3%	7%	5%
Larger pack / case sizes	5%	3%	7%	5%
Frozen produce	5%	0%	4%	7%
Fresh produce	4%	0%	3%	7%
Fresh center-of-the-plate proteins	3%	0%	5%	3%

have you **SHIFTED TOWARD** or **INCREASED PURCHASES** of any items as a result of COVID-19?



WHAT TYPES OF PRODUCTS DO YOU NEED BUT ARE UNABLE TO SOURCE RIGHT NOW?.

“We haven’t had any problem getting our usual supplies.”

- fast-casual restaurant manager in Portland, OR

“Large to-go boxes, nitro brew coffee, and select artisanal cheese and meats.”

- casual-dining restaurant manager in Redmond, WA

“Anything that can be individually wrapped and heated to avoid contamination.”

- hotel F&B manager in Stafford, VA

“Hand sanitizer was hard for businesses to attain, even with commercial services. We also struggled to source chuck roast and a few of our bakery items.”

- beer hall general manager in Durham, NC

“Nothing at this time. If we look hard enough, we can find what we need, just maybe not from the same supplier.”

- pizzeria owner in Terre Haute, IN

“Flour has been out twice. Hand sanitizer and antibacterial soap are running low at our restaurant, and we have not found them at our local suppliers.”

- fast-casual pizza restaurant manager in San Diego

“Antiseptic wipes, hand sanitizer, masks, and personal protective equipment (PPE).”

- hospital administrator in Bloomington, IN

“We are still getting the product needed but are experiencing a lot of subs.”

- K-12 school foodservice director in Bowling Green, VA

“We have been lucky to be getting everything we need. Being a long-term care facility, it has been very important to be able to provide menu items your residents expect.”

- LTC manager in Pinellas Park, FL

“I haven’t had any problems with supply. I’ve only had to switch suppliers.”

- Baker at on-site quick-service restaurant at a college in Mechanicsburg, PA





Operators need staples with greater application for narrower menus now.

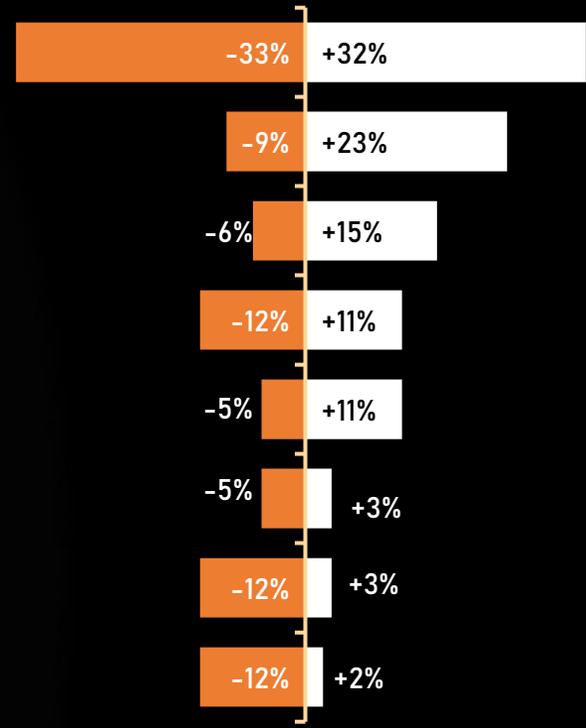
With restaurants limiting their menus and pivoting to carryout, specialty distributors and manufacturer direct sales are likely to lose share from the operators that have had to shift their purchasing. Most are holding their sourcing patterns.

have you shifted where you source your products due to COVID-19?



where have you shifted where you source your products due to COVID-19?

- Broadline distributors
- Warehouse / club stores
- Supermarkets / grocery stores
- Cash & carry stores
- Third-party websites
- Local farms / farmers markets
- Direct from manufacturers
- Specialty / ethnic / local distributors



DECREASED most INCREASED most

Help us help you.

As the Coronavirus situation continues to evolve rapidly, just tell us what you want to know. If it's something that benefits the food industry, we'll do our best to incorporate it into an upcoming report and provide the results to everyone for free.

And if you have a need that's specific to your company or brand, we would love to design a custom research solution for you.

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