



Foodservice community pulls together to pull through

Comfort, convenience — think family meals, kits, and snacks — facility cleanliness, and physical distancing are what’s positioning foodservice operators who remain open during the COVID-19 pandemic to get by and get through this bleak period, according to market research firm Technomic Inc.

Messages of comfort and community are resonating with consumers. As of early April, dinner remains the top meal part consumers are ordering away from home. For the week beginning March 29, Technomic surveyed consumers on what kinds of food they were ordering out.

While 31%, 32%, 22% and 25% said they’d order “healthy food” for breakfast, lunch, dinner and snacks respectively, the top foods consumers say they want while they shelter in place are mainly burgers, pizza, chicken, sandwiches, pasta, taco kits and fries. Salads and soups were also listed. It will be important for the produce industry to pay attention to food choices and consumer preferences during this time of physical-distancing restrictions.

Operators are working to help families celebrate connections through shareable meals and meal kits, as well as promoting virtual shared meals or happy hours online. Some operators are providing adult beverage pairings and sealed premixed drink kits. “Focus on digital strategy and innovating with how you create new ordering

channels within digital commerce and social gathering platforms like Zoom,” says Technomic.

There are an increasing number of states closing schools’ doors for the remainder of the academic year. Parents with children in K-12 have essentially become homeschoolers, work-at-home parents, cooks, caregivers and more. There are comments galore on social media from folks self-declaring “parents are not okay.” So, foodservice solutions that give harried parents a reprieve are well received. Those that provide an opportunity for kids to engage in a make-and-eat meal have also been hits.

Consumers with children in the home are the biggest users of restaurants right now, followed by young singles. “This suggests that a key role of restaurants now is to help families with children balance work and family responsibilities,” says Technomic.

Nearly all the top 45 chain restaurants have closed dine-in services nationwide in the United States, and have pivoted to contactless delivery, pickup and drive through. Free and contactless delivery are becoming the norm. Some foodservice operators are taking extra measures, including turning parking lots into temporary drive-thrus and offering family value packs.

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In late March, Technomic surveyed operators who stopped dine-in operations and asked what services they offered that they did not have before. According to the “Technomic – State of the Industry Amid COVID-19” report from late March:

- 35 percent of businesses that already offered alternatives to dining in said they were adjusting staffing to focus on delivery/takeout only
- 30 percent added curbside pickup
- 22 percent added delivery
- 20 percent added takeout
- 8 percent said they already offered alternatives to dining in and were operating business as usual

The number of consumers making off-premises orders ticked up slightly in the week ending April 3, according to Technomic. “As consumers settled into a different routine, we saw the percentage of consumers who ordered delivery or takeout grow across all channels,” says Technomic’s COVID-19 “Foodservice Impact Monitor – Third Edition” report. In addition, third-party ordering increased and Technomic says this is a trend worth watching.

Datassential, in its [“COVID-19 Report 10: Making Money Move”](#) dated April 8, reports that “consumers are on a mission to find their “usuals,” regardless of brand or price. Restaurants can be consumers’ refuge amid all the disruption by staying on their radar with frequent reminders that they are still open and are still offering what people seek. Datassential says 64% of those surveyed are avoiding eating out, 21% are nervous but will still eat out, and 15% have no concerns whatsoever. Datassential is providing access to its [COVID-19 related research reports free of charge](#).

Cash Concerns – for Operators and Consumers

Timing of the COVID crises in the United States is particularly unfortunate for the foodservice sector. March is typically the month where restaurant sales start to rise for the year, the COVID-19 pandemic, which is effectively erasing seasonal travel and getting out in nicer weather to enjoy dining out, will impact annual sales.

According to Technomic’s “State of the Industry Amid COVID-19” report from late March, restaurants saw an 8 percent decrease the week of March 15 and a 50 percent decrease the week of March 22. According to National Restaurant Association survey data and Technomic’s operator survey, 3 percent of restaurants closed permanently by the end of March and 11 percent more were expected to close permanently in the next month.

Three million foodservice jobs were lost, with 70 percent laying off workers or reducing hours; 50 percent expect more layoffs. 86 percent of operators report sales/traffic declines and there’s a 45 percent decline in average consumer foodservice spending. Other sources like [Black Box Intelligence report](#) that sales fell 65 percent the back half of March. In short, the last two weeks of March 2020 were bleak for the foodservice industry overall.

Technomic indicates varying responses to the pandemic at the state and local levels will impact timing of return to normal. They expect it to occur in regional shifts. As of April 3, only South Dakota, Nebraska and Oklahoma had not yet issued dine-in closures. Both impact and subsequent recovery is expected to occur regionally in waves, says Technomic.

Technomic reports that from the four-week period beginning March 1 through the week beginning March 29, the percentage of consumers who planned to reduce visits to restaurants increased from 32 percent to 53 percent and 77 percent in each of the last two weeks. The percentage change in planned spending on foodservice all channels went from -10 percent to -19 percent, -20 percent and -23 percent.

“There are signs that the precipitous decline in sales is starting to level off and consumer behaviors are becoming a bit more predictable. Declines leveled off but remain uneasy in hotspots like New York City. “Seeing more stabilization of behavior in first-hit markets, but expect short-lived shocks to spending as caseloads peak from market to market,” Technomic reports in its “Foodservice Impact Monitor – Third Edition.”

The longer people are forced to stay home they are increasingly open to delivery. Grocery spending has remained strong. This trend could limit restaurant spending



going forward. As of early April, 6.6 million people in the United States are unemployed. Job disruptions continue to climb, which will have an impact on restaurant usage. Also, many across the foodservice supply chain need an influx of cash, and at present there are uncertainties around details of the CARES Act and how the Paycheck Protection Program applies to those in foodservice.

Food Trust

Due to economic and health concerns, Technomic expects a slow return to normal. Consumers who trust restaurants' ability to provide sanitary conditions and safe food are the most likely users now and the most likely to return to normal levels of spending once the outbreak passes. Consumers who are more optimistic about the coronavirus situation ending in three months are more likely to return to restaurants right away or shortly thereafter, according to Technomic, which indicates 58 percent of consumers surveyed report that it will take at least a month after the outbreak passes to return to normal restaurant spending.

International trends tell us that operators need to significantly expand sanitation practices, because consumers carry fear of contagion. Technomic suggests taking cues from Asian markets, including using signage for maintaining spacing, temperature cards. "Be creative with how we not only ensure safety but signaling it to our customers will be crucial in getting back to normal," researchers suggest.

Continued Solidarity and Collaboration

Despite business optimism falling, solidarity in the foodservice community is rising. Operators are forming partnerships, helping one another, and creating kits and catering to frontline responders as thank you for service.

Necessity certainly has been the mother of invention during the initial response phase to the tectonic shift in the foodservice industry caused the COVID-19. Yeoman's work is being done to try to minimize food waste to the extent possible and keep people fed. There are successes, as well as failures, to learn from.

Across the foodservice supply chain partnerships have been formed that in normal times might seem like joining the competition, so to speak. Instead, we are seeing those in the industry, including many PMA members, pulling together to pull through. They're sharing technologies, menu planning suggestions, how-tos for transitioning to pickup and delivery, and more.

Lines between foodservice and retail are further blurred than they were a few short months ago. For example, retailer H-E-B has partnered with James Beard Award-winning chef Chris Shepard and other Houston-area chefs to offer a selection of meals sold in stores through H-E-B's take-and-bake Meal Simple case. According to a Houston Business Journal article, Shepherd already planned to offer take-and-bakes and ready-to-eat meals from his temporarily consolidated restaurants, so he welcomed the opportunity for another sales outlet through the retail giant.

Hy-Vee Inc. announced April 9 that at more than 200 locations companywide, [customers will be able to order curbside meals-to-go online](#). Kroger's Houston Division is also partnering with several Houston restaurants to offer [chef-prepared meals at pop-up locations](#) at select stores. Other retailers have adopted similar programs.

Produce destined for noncommercial foodservice operations like cruise lines, hotels, and universities, has been largely redirected to retail, foodbanks, is even being sold direct to consumer in boxes. Restaurants have turned into mini grocery stores in some cases. Some K-12 schools are serving more meals now than they do normally to ensure those in need have regular, healthy meals.

According to a company press release, U.S. Foods, for example, has formed about 20 retail distribution partnerships with national grocery store chains, wholesale grocers, and CPG brands and has temporarily reassigned more than 700 associates to help ship produce to distribution centers or direct to retailers. The move keeps U.S. Foods employees working and helps maintain the nation's food supply. Partners include The Kroger Co., C&S Wholesale Grocers, Homeland, and Albertson's Safeway distribution centers.

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Distributors like U.S. Foods, Sysco, Pro*Act and Produce Alliance continue to serve foodservice customers who are operating. [Displaced Sysco employees are working for Kroger](#) under a new agreement, and at the same time Sysco has [launched its Sysco Knows Fresh campaign](#), designed to promote both the company's high-quality, fresh product offerings and its widespread availability to customers, consumers, and the industry. [Produce Alliance LLC has provided boxes of food to frontline responders](#) through its charitable arm. [Pro*Act is bringing produce direct to consumers](#) through foodservice outlets and have also donated product. In short, distributors are looking for innovative ways to keep produce moving to consumers and minimize waste.

What's Next for Foodservice

Predicting what's on the other side of the COVID-19 pandemic for foodservice is somewhat like asking a Magic Eight Ball to be a soothsayer, yet there are some knowns that can serve as guiderails. Technomic suggests some changes that might remain and what trends might accelerate as consumer sentiments both shift and seek a return to normalcy simultaneously. But given the level of uncertainty, possibilities outlined are more questions to keep in mind than answers for now.

Possible post-crisis scenarios, according to Technomic include:

- Short boom in restaurant sales post-crisis
- Fewer restaurants
- Industry will bounce back, possibly by 2021, driven by need for convenience and desire for dining experiences.
- Casual dining reinvention that would include a hybrid on- and off- premises
- Some distancing practices will linger
- Price importance intensifies due to unemployment spikes, recession, and value is important

- Free delivery could become the norm
- Shift to off-premises trend accelerates
- Menu streamlining remains
- Channel/segment blurring remains
- Self-service could be vulnerable moving forward, including salad bars, hot-food bars, beverage stations
- Relentless focus on sanitation and healthy environments
- Greater labor efficiency becomes standard
- And perhaps most important for suppliers, including produce suppliers, there may be a need to resell foodservice as a segment.

"For CPG suppliers that have both retail and foodservice businesses, this COVID-19 shock may have placed foodservice in a riskier business category compared to retail. Foodservice executives may need to resell the importance of foodservice to corporate executives in the company portfolio," says Technomic.

Other Resources

Food News Media's QSR and FSR magazines contain over [100 articles on navigating COVID-19](#) for operators, including [seven tips to convert to takeout and delivery only models](#). Winsight's B2B platform also contains resources and information. Winsight has also created a private Facebook Group, "Coronavirus in the Food and Beverage Industry," where participants share questions, insights and ideas for navigating the near term and future planning. The group has over 3,800 members as of mid-April.

The foodservice industry continues to collaborate through various engagement opportunities, including online forums, media platforms and through virtual gatherings like Produce Marketing Association's weekly Town Hall and Foodservice Roundtable Discussions.

