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RESTAURANT RESILIENCE IN THE PANDEMIC AGE

How the industry has innovated in response to the challenges presented by COVID-19



From stay-at-home orders that forced many operators to pivot to exclusively off-premise offerings to indoor dining restrictions that made restaurants scramble for ways to continue to serve customers, 2020 was a year that most operators would likely love to forget. But it was also a year that showcased the resilience of the industry. Dining restrictions and safety guidelines changed almost daily, it seemed, ensuring that operators rarely had a calm moment to simply reflect, let alone prepare for, what might come next.



But despite the extraordinary circumstances and stress of the pandemic, the restaurant industry has still answered with unprecedented innovation and adaptation. To continue the recovery and rebuilding process, it will be crucial for operators to stay ahead of the curve both on what customers want now and what they'll be expecting in the future, in a post-pandemic landscape. Here are a few areas of focus.

BALANCING QUALITY AND VALUE

With the economic challenges brought on by the pandemic, one might expect that consumers shifted their priorities to place a higher importance on value. However, data shows that's simply not the case. Value remains important, of course, but across generations, price sensitivity has not increased amid the pandemic, according to data sourced from Technomic's flagship consumer usage and chain brand health tracking program, Ignite Consumer.

At the same time, however, consumers have shown their affinity for high-quality food and beverages remains, with 93% of consumers saying that food quality is important when selecting a restaurant for an order or occasion.

With that in mind, operators have had to pull operational levers—improving food quality while keeping prices low is difficult—by prioritizing strategies such as deal-based LTOs or

value menus, menuing premium add-ons (such as added premium cheese or bacon) at an upcharge and reassessing supplier relationships and pricing. This fluid strategy to balance quality and value will remain key in the future.

"As consumers weigh quality more heavily—and express increased willingness to pay more for trusted name brands—we describe this evolving behavior as 'impact purchasing,'" said Robert Byrne, Director, Consumer & Insights at Technomic. "We feel that decreased restaurant frequency will be replaced with fewer occasions that come with higher check averages, yet fewer occasions often leads to a choosier consumer."

DIGITAL ORDERING AND PAYMENT OFFERINGS

Offering a high-quality experience and good value involves more than just the food, of course. Digital demands surged in 2020, as consumers turned to ordering

takeout and delivery in place of dining. According to Technomic's Ignite Consumer Brand Metrics, in fact, more consumers in 2020 than in 2019 said it was important or very important for a restaurant to offer digital payment options and provide digital ordering capabilities—and this is especially true among younger Gen Z and millennial consumers.

For instance, in 2019, 45% of Gen Z and 47% of millennials said digital payment options were important when choosing a restaurant, but those numbers jumped to 58% and 64%, respectively, in 2020. And for digital ordering capabilities, 42% and 43% of Gen Z and millennial consumers said that was important in 2019, compared to 53% and 60% in 2020.

So what does this mean for the future? As consumers' preferences shift, restaurants will need to continue learning about those preferences and adjusting their offerings accordingly. Operators should learn about popular payment methods, for instance, or how consumers prefer to pick up their takeout orders, in order to tailor services to their specific customers.

GHOST KITCHENS/ DELIVERY KITCHENS

Part of this tailoring will mean shifting to a delivery/takeout only concept for some operators. Dine-in business isn't as lucrative for some brands as it is for others, but that doesn't have to be a bad thing. Not



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only can going delivery-only (operating as a ghost kitchen) offer far lower overhead costs—Oath Pizza CEO Drew Kellogg noted that the capital expenditure on its first ghost kitchen in Philadelphia, which opened in late October, was about 10% what it would have cost to open a traditional restaurant—but it can actually increase the likelihood that some diners will place an order.

Technomic's 2020 Delivery and Takeout Consumer Trend Report found that overall, more than half (55%) of consumers said it would have no impact on their delivery orders if a restaurant they used started preparing from a delivery kitchen, while about 16% said they would order more often.

By adapting to consumers preference—including increased delivery orders—restaurants not only set themselves up for success, but they also open up more opportunities for growth, as ghost kitchens require a lower buy-in. "Delivery kitchens offer operators greater access to potential growth in a way that didn't previously exist," says Byrne.

PLANNING FOR SAFETY IN THE FUTURE

Highlighting quality and value, ramping up digital efforts and considering going ghost have all been on the table this year, but when planning for 2021, operators will still want to keep consumer preferences top of mind.

Technomic data finds that nearly three quarters of consumers say that eating out at restaurants is one of the top activities they enjoy with friends, and roughly the same number say they enjoy the social aspects of dining out at restaurants. For these consumers, it'll be important for restaurants to highlight what they're offering to appeal to diners who are eager to get back to their favorite spots.

Health and safety will still be paramount—consumers have learned social distancing procedures and have taken to an increased level of sanitization, and will likely expect at least the latter to stay in place post-pandemic. Visible measures taken to keep employees and customers safe will be critical to ease diners' nerves about dining indoors after a



long period without doing so. During the pandemic, Quiznos eliminated its reusable trays, moved to keeping condiments, utensils, lids and straws behind the counter to minimize touching, and offered new cups for refills to limit the spread of germs. In a post-pandemic landscape, restaurants may consider keeping these practices in place to give diners peace of mind.

SOCIAL RESPONSIBILITY

Beyond safety, consumers will also expect restaurants to be socially responsible. The number of people who said it's important that a restaurant is socially responsible went up from 2019 to 2020—and it's not just young people who think so. In 2019, 56% of Gen X and 50% of baby boomers said so, and

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those numbers went up to 61% and 60%, respectively, in 2020.

Many diners believe that restaurants—both large and small, chain and independent, have an obligation to create a more inclusive and just world, and nearly half (47%) say they are more likely to visit a restaurant that they know is taking steps to do so, while 42% say they are more likely to visit a restaurant that takes a stand against racial inequality. While incorporating this messaging into marketing materials and brand missions takes work, it's worth noting that public support of these social issues is only going up—and operators should both carefully and seriously consider their stances and how they will tackle these types of issues going forward.

A CONTINUED INTEREST IN OFF-PREMISE DINING

Finally, while the promise of a COVID-19 vaccine has many business owners breathing a sigh of relief and looking with hope toward the future of onsite dining, operators shouldn't abandon the efforts they made on off-premise offerings. Interest in takeout and delivery is likely to stick around; Technomic's Delivery and Takeout report found that 36% of consumers anticipate ordering carryout the same amount and 43% say they anticipate ordering delivery the same amount even post-pandemic, but perhaps more importantly, 38% say they will order takeout and delivery more frequently.

With numbers like these, it's important for restaurants to keep a robust off-premise program; ceasing operations once restrictions lift could cost restaurants.

KEEPING UP WITH CONSUMER TRENDS AND INDUSTRY FLUCTUATION

Ensuring future success will hinge on how in-turn operators are with industry trends and consumer preferences. To keep abreast of what's going on—and to make the best strategy decisions—be sure to follow along with critical research and insights from Technomic and Restaurant Business.