



Technomic®



CORONAVIRUS

CANADIAN FOODSERVICE VIEW

By Joseph Pawlak, Managing Principal

Technomic's Take

When news of the coronavirus (COVID-19) outbreak in China first broke, it was impossible to fully comprehend the global devastation that would follow. Canada confirmed its first case of COVID-19 on Jan. 25 and, as of April 15, the country's surge of confirmed cases had reached 28,364. While a national mandatory stay-at-home order has yet to be enacted, most provinces have ordered nonessential business workers to self-quarantine until virus concerns subside.

For restaurant operators, consumers' fears of public spaces as well as government recommendations and regulations have been damaging to business. Suspended dine-in service has forced operators to pivot to takeaway, drive-thru and delivery models only, but even those changes haven't prevented more drastic measures from going into effect. Revised operating hours, staff reductions and temporary and permanent restaurant closures are some of the unavoidable outcomes facing restaurants during this pandemic.

Technomic has prepared this whitepaper to provide insight into how the spread of COVID-19 is affecting Canada's foodservice industry, how consumers' views of foodservice have altered since the outbreak, how operators are coping and giving back, and what recovery will look like. Consumer research was launched through a partnership with Caddle on April 4 to best understand behaviours, attitudes and reactions to the coronavirus. Technomic will stay on top of the rapidly evolving situation and will provide ongoing thought leadership.

The New State of Foodservice

It's evident that Canada's restaurant landscape has been drastically altered in the wake the COVID-19 outbreak. It's not a matter of whether foodservice establishments will take a substantial loss from consumers curbing their foodservice spending but rather how big that loss will be. Based on Technomic's forecasts and modeling for the Canadian business, the total foodservice industry will contract by 26% to 32% in 2020, with restaurants and bars alone down 24% to 28%. No segment of the industry is spared as this outbreak is devastating many underlying business sectors.

2020 CANADA FOODSERVICE INDUSTRY YOY SALES FORECASTING

Restaurants and Bars
2020 YOY Change
-24% to -28%

Total Foodservice
2020 YOY Change
-26% to -32%

Note: As of April 17, 2020
Source: Technomic, Inc.

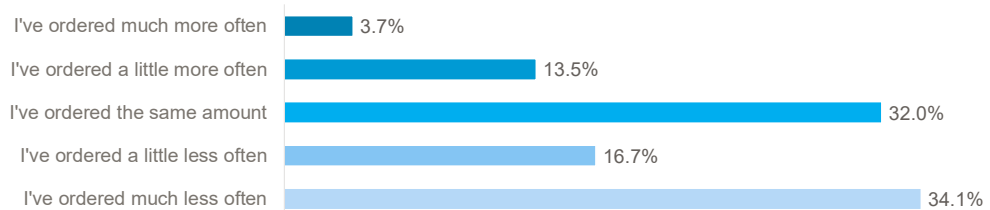
CONSUMER BEHAVIOURS DURING THE PANDEMIC

Sourcing of food and beverage has changed greatly for consumers, as many restaurants and other facilities have stopped or altered foodservice. More than two in five consumers have been cooking meals at home much more often, while just over a third have ordered takeout from restaurants much less often. This is not expected to change throughout the isolation period. In fact, if similar isolation measures continue for another month, 40.4% of consumers say they will never order takeout from a restaurant in that time. The biggest impediment for ordering takeout is safety/cleanliness concerns, with 43.7% of consumers agreeing.

THINKING ABOUT THE CORONAVIRUS PANDEMIC, HOW HAS THE AMOUNT OF TIMES YOU PREPARE A HOME-COOKED MEAL BEEN IMPACTED?



THINKING ABOUT THE CORONAVIRUS PANDEMIC, HOW HAS THE AMOUNT YOU'VE ORDERED TAKEOUT FROM A RESTAURANT CHANGED?



Base: 510 consumers
Source: Caddle consumer survey conducted April 4, 2020

Motivators for which restaurant to visit have also changed significantly over the past few months. While love of the food (27.3%) was by far the top motivator for choosing specific restaurants prior to the coronavirus, facets that consumers are now looking for with restaurants are quite different. More discounts, coupons or deals (34.3%) is the leading motivator to order more frequently from restaurants during the self-isolation period, unsurprisingly considering the more than 1 million Canadians who lost their jobs in March alone and are looking for value offerings. Communicating transparent health and safety policies as well as creating touch-free takeout options round out the top three influences.

PRIOR TO THE CORONAVIRUS PANDEMIC, WHAT WAS YOUR PRIMARY MOTIVATOR FOR CHOOSING A SPECIFIC RESTAURANT?



WHAT CAN RESTAURANTS DO TO MOST MOTIVATE YOU TO ORDER MORE FREQUENTLY DURING THE CORONAVIRUS SELF-ISOLATION PERIOD?



Base: 510 consumers
Source: Caddle consumer survey conducted April 4, 2020

OPERATOR BEHAVIOURS DURING THE PANDEMIC

Despite consumers cooking at home more during isolation, operators aren't just idly standing by. We've seen swift action from all foodservice segments over the past few months to support business both within and outside the industry. Here are some shared pandemic responses from restaurant operators.

Contactless and clean operations. Promoting contactless takeout, drive-thru and delivery services, as well as increased cleaning and sanitation protocols, are key measures that full- and limited-service operators have taken since the outbreak to assure consumers that ordering from restaurants is safe. The “no-contact” operations put into place also extend to customer payments. Second Cup Coffee Co. and St-Hubert both stopped taking cash but still accept other payments, such as debit and credit cards, gift cards and online payments.

Pivoting beyond foodservice. Restaurants are implementing alternative ways to supply food and beverage to customers during the quarantine by expanding their services to include groceries and meal kits. Contemporary casual-dining chain Earls is selling grocery bundles that include dairy, eggs, produce, meat and pantry items for pickup or delivery, and it is marketing the service as a way to avoid lines at grocery stores. The brand is also selling do-it-yourself chef kits for guests to cook at home. Further, full-service operators are offering cocktail kits, as well as discounted bottled wines and beers, for consumers to enjoy.

Protecting their own. Operators are finding ways to help their employees during this time, such as revising sick-leave policies to support those with virus symptoms and providing additional income streams (e.g., Starbucks Canada adding a tip option to its iOS app so customers can thank employees working through the pandemic, etc.). They are also looking after foodservice industry workers who lost their jobs due to restaurant and bar closures. For instance, Nando's in Canada is allocating a number of free meals per day for laid-off members of the restaurant industry and is offering free family meals to current employees' families in need.

Giving back to front-line workers. Despite their struggles, many operators are showing support for those whose work puts them most at risk of contracting the virus. This includes providing discounted and free fare to healthcare, postal and retail workers. Both Starbucks and McDonald's stores in Canada announced free beverages for healthcare workers for a limited time.

Helping cash-strapped customers. With more Canadians carefully watching their spending, operators are lending a hand by feeding consumers in need at no or discounted cost during this distressing economic time. For some, such as Lebanese chain Basha, support involves giving away complimentary meals to those struggling financially due to COVID-19. Others are aiding through free services and discounted fare. Subway and Little Caesars in Canada are among the brands that have promoted free delivery since the start of the pandemic.



The Outlook for Restaurants

There's much uncertainty in the months to come as Canadians wait for virus cases to dwindle and businesses to eventually reopen. In the meantime, restaurant operators will continue to struggle paying rent and other costs. Government relief measures will help some survive this period, but many restaurants may never reopen their doors.

However, hope is on the horizon as we see countries that have previously battled the pandemic return to work and reopen restaurants. Another positive is consumers' outlook for restaurants in a post-pandemic environment. Most consumers believe their normal takeout (52.4%) and dine-in (52.9%) foodservice habits prior to the coronavirus outbreak will go back to normal once the pandemic is resolved. But restaurants will have to continue to break through consumer barriers created by COVID-19 to win back traffic. Important steps should include:

PUSHING VALUE OFFERINGS.

Just because restaurants reopen doesn't mean consumers will return to spending at restaurants as they did before the coronavirus. When asked what change consumers would most like to see in restaurants to make them order more frequently after the pandemic, 23.1% said a decrease in prices and 19% noted more discounts and coupons. Since unemployment and underemployment will continue to restrict consumer spending, operators will likely have to offer price incentives in the long term to drive traffic.

PROMOTING CONTINUED SAFETY AND CLEANLINESS PRACTICES.

One of the biggest barriers that operators will face in winning back traffic after the coronavirus pandemic is making consumers feel safe eating at restaurants again. In fact, 17.3% of consumers say cleanliness will be their primary motivator for choosing a restaurant in a post-COVID-19 environment. Operators will need to continue to tout elevated cleaning and sanitation protocols beyond the end of the outbreak.

EMPHASIZING EXPERIENCE.

The second-highest motivator that consumers cite for choosing a restaurant after the pandemic is friendliness and experience (11.8%). Experience has always meant different things to different people, but the definition after the pandemic resolves will likely involve the social environment, given the fact that most consumers are currently practicing isolation measures. Operators should market their restaurants as good places for groups of family and friends to spend time with one another, something that may have previously been taken for granted.

17.3% of consumers say cleanliness will be their primary motivator for choosing a restaurant in a post-COVID-19 environment

