

WHY INVESTING IN INNOVATION

is More Important than Ever Post-Quarantine



As operators continue to reopen, they have a lot to consider.

From new safety equipment purchases to new cleaning procedures—and even new employee policies—companies in the foodservice industry are adjusting to many changes.

Amid all these changes, especially when inventory shows that consumers are eating tons of comfort foods and old favorites right now, **why should operators and retailers invest in innovation?**

Consumer preferences and generational dining habits have shifted dramatically.

The global pandemic instantly impacted consumers' daily lives. Happy hours moved from the neighborhood bar to video calls. Grabbing food from a drive-thru on the way home from work shifted to app-based delivery services. Leaving the house for a meal went from being an event to a safety hazard.

As a result, consumers' dining habits have shifted dramatically. During the first weeks of the pandemic, we saw a rise in in-home cooking from scratch, pre-prepared meal assembly, comfort food, and snacking.

But that was six months ago. More recently, boredom with coronavirus-era eating habits has set in: Nearly four out of five consumers indicated in an August survey that they were "craving something new," more than the 65% of people who reported being "tired of cooking at home" and the 58% who were "bored with comfort foods."



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Making do with their culinary skills and what they could access at grocery stores left many home chefs longing for different cuisines such as including Asian, Mexican, Italian, and more. Global flavors overwhelmingly are what consumers want to get from restaurants, according to the latest data from Datassential's [FLAVOR](#) database.

While people rated the highest cravings overall for cheeseburgers, steak, and pizza, familiar yet global items were close behind, including Chinese food, sushi and sashimi, and Mexican food. When those craving responses were filtered by what people most wanted from outside the home (rather than making themselves in their own kitchens), global flavors -- especially Asian dishes -- topped the list: Japanese food, wonton soup and Kung Pao, Cuban sandwiches, calzones, and chalupas, to name a few.

Millennials are more willing to experiment with new foods and trends than other generations upon adjusting to post-quarantine life, having spent their recent months perfecting sourdough bread and growing victory gardens.

However, as culture evolves amid the pandemic, consumer interests will continue to evolve as well. **Investing in research and innovation is the only way to fully understand how these shifts in consumer preferences and habits will impact your business.**



Nearly 3 out of 4 people agree that safety measures are worth the extra effort to go back to dining out.

Dining out has gained cultural and social significance after quarantine.

The pandemic has shone a light on how much we take for granted. The daily activities we never thought about, like seeing friends, going to the grocery store, and even eating dinner, are no longer possible. Through its recent absence in consumers' lives, dining out has become one of the activities consumers are most looking forward to post-pandemic.

With financial uncertainty on the rise and many small businesses on the brink of collapse, consumers now associate dining out with a new level of civic responsibility. Diners feel their money spent at local restaurants is a form of building community and even supporting those in need.

In fact, consumers surveyed in June showed the most agreement with statements that indicated safety precautions like masks and social distancing were worth the extra effort in order to go back to dining out. Nearly three in four people agreed with, "I'll do what's necessary because it is important to support restaurants in my community," including 80% of boomers.



Apart from being good Samaritans, people are desperately seeking activities that will help them feel as though they're returning to normalcy. Going out to eat has become one of the top activities people use to escape from the current reality. More than half of consumers agreed with statements like "restaurant food is a treat or escape from worrying about COVID" (62%) and "dining in restaurants has helped me feel normal again, even if it's just the patio" (56%). Millennials were more likely than other age groups to feel this way, according to the same June survey as above.

That rise in significance creates a great opportunity for brands. Use this time to create mouth-watering, limited time offers so that as consumers look forward to their precious trips out to eat, they're thinking about your latest irresistible dish. Operators and manufacturers should continue investing in innovation and new product development to attract and retain consumer loyalty.

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(62% of consumers)

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(56% of consumers)



Regulations and changes to the foodservice landscape will significantly impact where and how consumers spend on food & beverage.

The spread of COVID-19 continues to keep Americans concerned about their health and the health of others. As a result, many are avoiding potentially dangerous activities that involve interacting with the general public. Our [Coronavirus Foodservice Impact Model](#) anticipates that Fine Dining, Casual Dining, and Midscale restaurants will see the most significant revenue losses from COVID-19 (-38%, -31%, and -32%, respectively).

These are segments that are difficult to replicate in a post-COVID world. It's hard to feel like you're at an upscale restaurant when dishes are disposable and everyone is wearing masks. As a result, more spending will continue to flow to limited service restaurant operators with established drive-thru, to go and delivery operations. Many leading brands, like [Taco Bell](#) or [Chipotle Mexican Grill](#), are altering their development plans and

store designs to enable even more convenient digital ordering and rapid pick-up or delivery.

Additionally, the regulatory outlook is an uncertain one. Many segments will be impacted operationally, from a reduction in capacities to new cleaning procedures, and even required equipment purchases. This gives a significant advantage to restaurants with cash on hand that can afford to make the investments needed to stay in business.

The competitive landscape is changing dramatically, and these changes will influence where and how consumers will spend their hard-earned dollars.

It's essential that foodservice companies invest in research and innovation to formulate strategies that align with significant shifts in service methods, product and menu designs, and consumer purchasing patterns.





82%

of operators
recognize the
importance of
keeping up with
recent food and
beverage trends

Top trends remain a priority for operators & consumers.

Despite significant changes in the industry, 82% of operators feel it's just as important — or even more important — to keep up with recent trends in food and beverage. Similarly, consumers' pre-COVID interests largely remain, with more than 75% of consumers maintaining an interest in overnight oats, kombucha, plant-based meats and foods, functional foods, smoothie bowls/acai bowls, and basic ingredients.

Operators balance that need to remain on-trend with the reality of having to shrink the size of their menus. In a survey from early July, 58% of foodservice operators said they had narrowed the menu in response to what COVID-19 had done to their traffic and sales. That was an 8% increase from the same question asked in early May.

Interestingly, 95% of respondents who had trimmed their menus said the move had been effective. They were nearly evenly split, however, on whether they would continue with a narrower menu or would build it back up once the coronavirus crisis is over.

Major operators and brands have continued to invest in innovation. If you aren't, you're placing your business at risk of missing a big opportunity and losing market share to other brands/products.

INSTILL INNOVATION.

In response to the 2008 recession, much of the foodservice industry made the dramatic shift toward implementing strategies centered around consumer value; from discounted volume bundles, to daily deals and minimalistic “comfort food” menu items. This created an innovation vacuum that contributed to a broad increase in negative brand perception among consumers, which took years to mitigate and reverse.

Using historical data from its MenuTrends and SCORES databases, Datassential found that combo and value meals accounted for 15% of all new menu introductions at restaurant chains in 2009, and 11.1% in 2010, after accounting for as little as 2.8% of all new menu items in 2006.

When innovation around high-margin categories like appetizers or alcoholic beverages began to wither, chain restaurants were caught in a “self-fulfilling” cycle where fewer people ordered beverages because there were fewer cool, new beverages to try.

We have already begun to see similar trends and reactionary strategies emerge in response to the pandemic, but these will not prove to be sustainable long-term.

As operators continue to reopen in the coming weeks, they need to not only fulfill consumers’ desires for comfort foods and old favorites, but also maintain a healthy innovation pipeline for when consumers are ready to experiment again. (Even if they order mac & cheese for their first 12 visits back, they *will* get there.)

