



**PEPSICO**

foodservice Four small icons representing different foodservice items: a glass, a bottle, a can, and a cup.

*PepsiCo Foodservice Insights*

# COVID Insights

**JUNE 26, 2020**

# We continue to look at the impact COVID-19 across 4 stages:

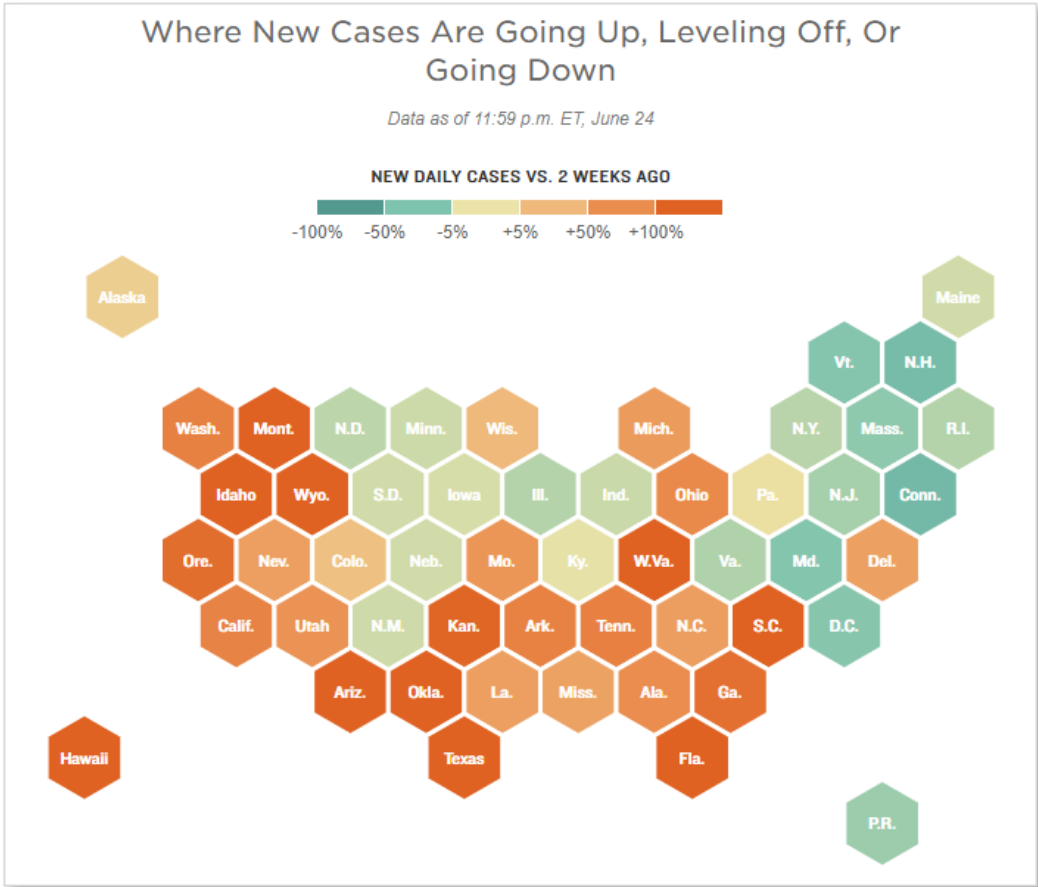
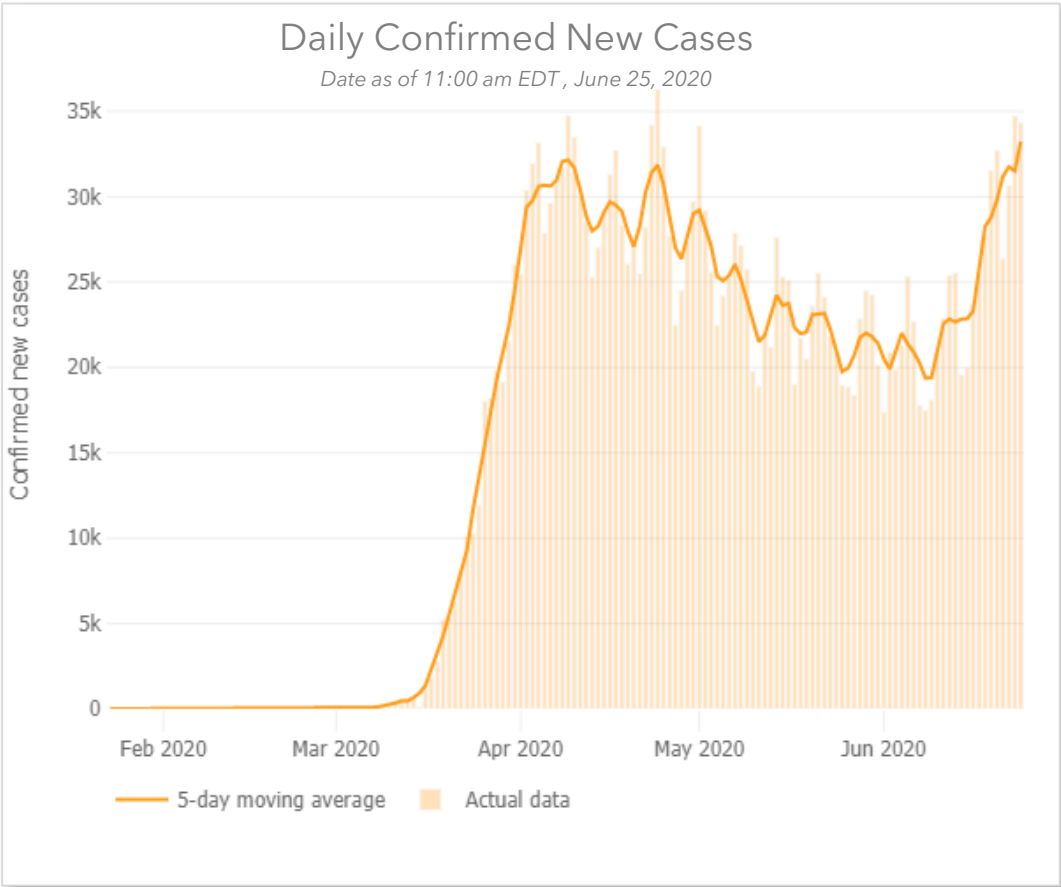
0 PREPARATION & PREVENTION	1 CONFINEMENT & COCOONING	2 RESTRICTED RECOVERY	3 NEW NORMAL
Estimated Timeframe Feb-Mar	Mar-Jun (est)	Jun-Dec (est)	2021 +
 <p>ANXIOUS, FEARFUL, NEED FOR COMFORT, REASSURANCE &amp; SENSE OF CONTROL</p> <p><b>FEELING</b></p>	 <p>CONTINUED NEED FOR COMFORT, &amp; REASSURANCE, AND BOREDOM RELIEF</p> <p><b>FEELING</b></p>	 <p>TENTATIVE, CAUTIOUS OPTIMISM, CONFUSION ABOUT RULES</p> <p><b>FEELING</b></p>	 <p>RELIEVED, DESIRE TO MAKE UP FOR LOST TIME BUT REMAIN WARY</p> <p><b>FEELING</b></p>
<p><b>DOING</b></p> <p>Stockpiling Pantry Items, Cancelling Plans</p>  <p>Increase in Large Format, Club &amp; Ecom, fewer trips to C&amp;G, Foodservice</p>  <p>Increase in TV consumption (News)</p> 	<p><b>DOING</b></p> <p>Shift to Working/Learning from Home</p>  <p>Growth of Ecom &amp; Delivery, most On-Premise closed</p>  <p>Shifts to Streaming &amp; Gaming Decrease in podcasts</p> 	<p><b>DOING</b></p> <p>Partial Return, Testing Out Situations, Adapting to new Protocols</p>  <p>Continued Use of Ecom, Likely a short spike in Foodservice, incl. Entertainment &amp; Travel</p>  <p>Financial State Impacts Streaming Services</p> 	<p><b>DOING</b></p> <p>Adapting to Permanent Changes (i.e. post-9/11)</p>  <p>Ecom &amp; Delivery become Permanent Behaviors</p>  <p>Likely a Return to Usual Media, with more streaming</p> 

Most states are currently in this stage

# Tracking COVID-19

Unfortunately, cases of COVID-19 are back on the upswing in the US

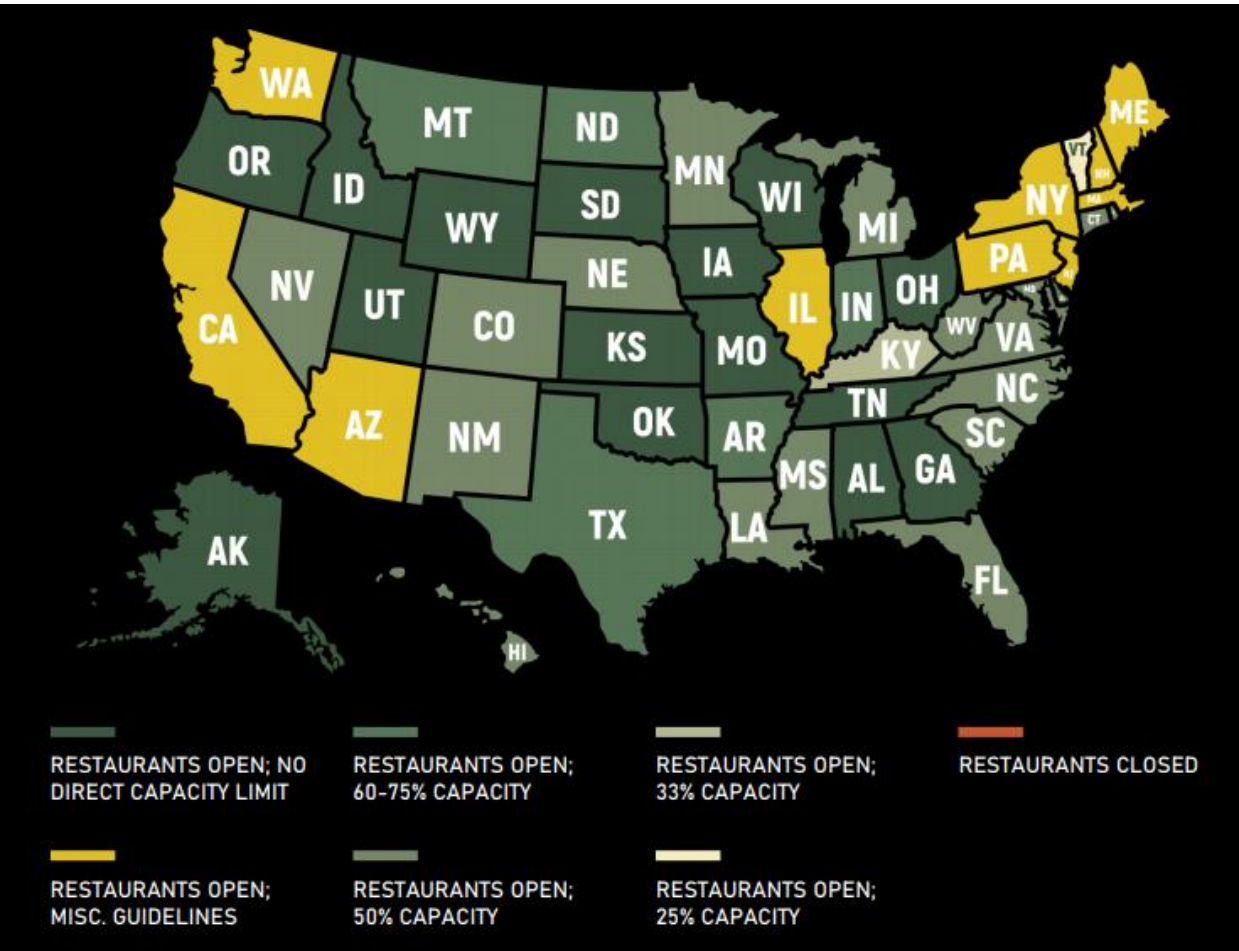
Cases are rising in 29 states, primarily in the South and West





# Industry Update

Since the onset of COVID-19, all 50 states have re-opened restaurants, to at least some degree.



People will make sacrifices to dine in, even if it detracts from the experience

How do you feel about these new precautions at restaurants?		Agree
Seeing precautions at restaurants makes me feel they <b>take my safety seriously</b>		78%
I'll do what's necessary because it's <b>important to support restaurants</b> in my community		72%
I don't mind new precautions – I'll <b>make some sacrifices</b> to eat in restaurants again		68%
I wouldn't feel comfortable eating in restaurants <b>without these new precautions</b>		68%
I'd rather <b>wait until things are more normal</b> to enjoy a regular restaurant experience		62%



In Stage 2, consumers are slowly returning to work, dine, play and travel, but things are different...

## WHAT DOES RESTRICTED RECOVERY LOOK LIKE IN...?



WORK



DINE



PLAY



TRAVEL



# ♥ Empathy For Our Operators

69% are **WORRIED**

11% are very nervous they won't be able to reopen

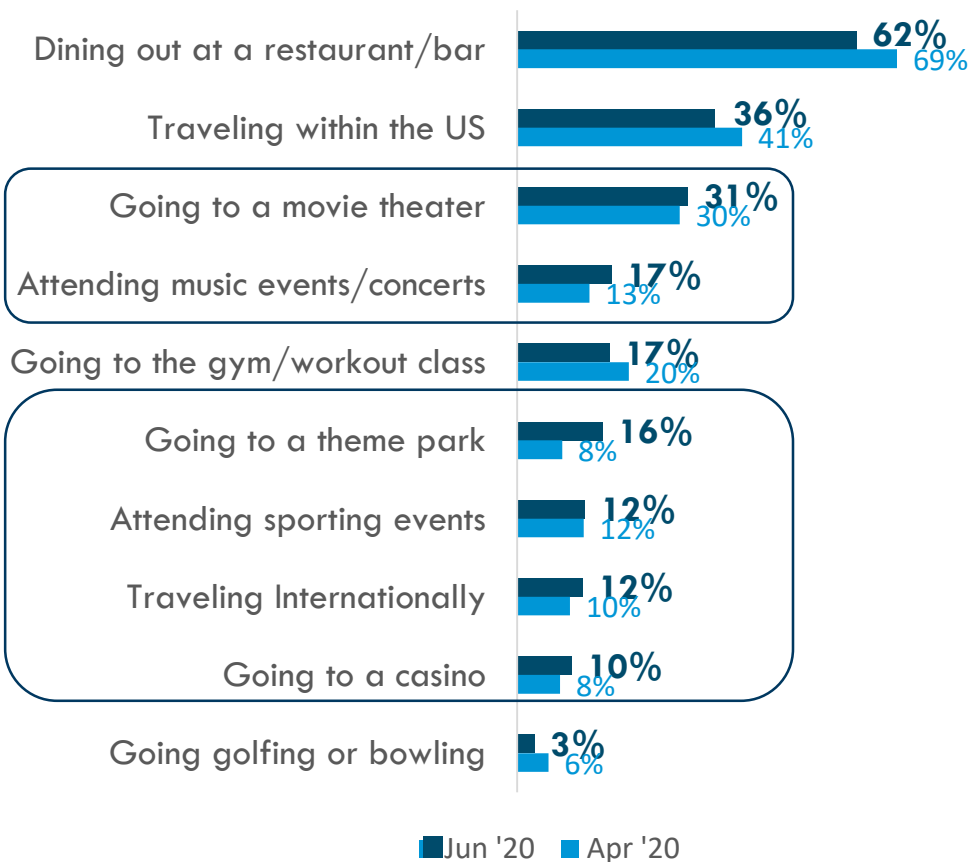




# Consumers Still Miss Visiting Their Favorite Places



## Consumers are **MOST** missing...



“

*I miss going to dinner and events with my friends. I miss them so much. They are an integral part of my life but we must remain safe*

*I miss traveling in the USA because I had some fun trips planned but a lot of the places we wanted to see will be closed*

*Going to the movies. I love movies and the escape it brings mentally*

*I miss going to the theme parks with my kids getting on rides, just spending quality time with them*

*Going to concerts. I miss the music, the excitement, the crowd, and the camaraderie*

*Sports events, I love the atmosphere and people*

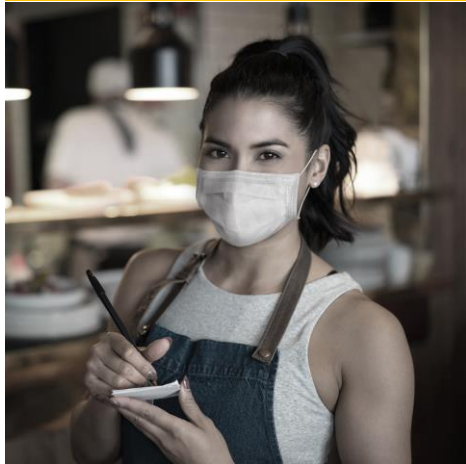
”

Q1. Which of the following have you been missing most since COVID started? Please select your top 3.

# Leveraging Deep Consumer Research, 5 Key Trends Emerge That Impact The Foodservice Consumer & Channels



## SAFETY FIRST



## OFF-PREMISE SHIFT



## VALUE FOR MONEY



## STRESS RELIEF



## GIVING BACK





# Let's Jump In To 'Play'



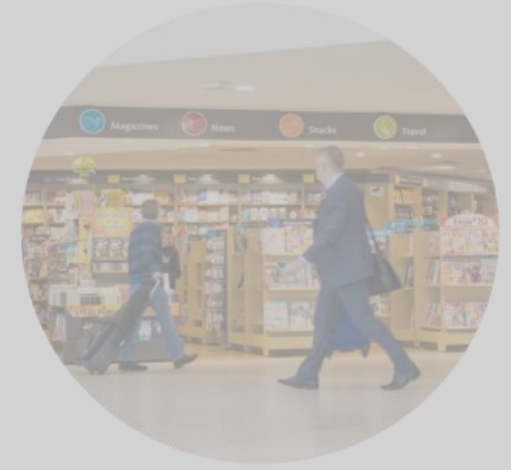
WORK



LIVE



PLAY



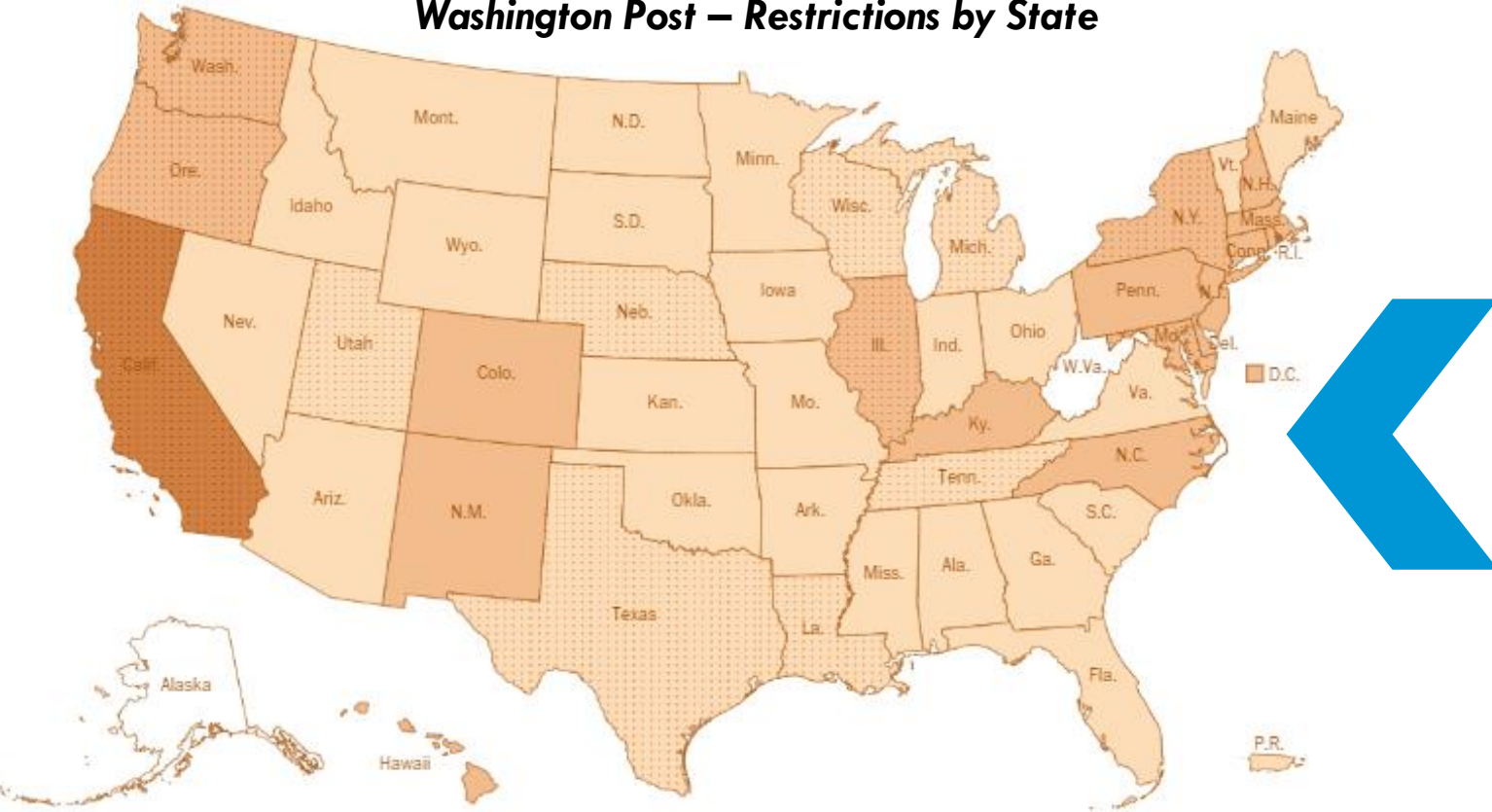
TRAVEL

- **Recreation/Stadiums**
- **Gyms**
- **Movie Theaters**



# Sports & Recreation facilities, Gyms face restricted openings Music venues & Stadiums remain closed in many states

*Washington Post – Restrictions by State*



*Restrictions Present in State*

Major
  Moderate
  Minor
  None
  Vary by Region

**All States have now eased restrictions on businesses and social activity**

- Location types in “Play” are considered in the later phases of re-opening due to risk factors associated with interpersonal contact
- Venues that involve large gatherings are often still restricted

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# Sports, Recreation & Gyms





# Professional Sports are back! Planning adapted seasons



## Major League Sports Seasons Adapted, No Fans

- *NBA to play a 22-team, 8-game wrap-up season at Disney starting 7/30*
- *MLB will play a 60-game season to begin around 7/24, teams using home stadiums*
- *NHL plans to return with 24 team playoff in 2 hub cities, date TBD (Aug?)*
- *MLS to play 26-team tournament, also at Disney, 7/8 – 8/11*



## Other Sports Leagues Also Beginning, No Fans (Yet)

- *PGA Tour Golf started June 11, limited fans at Memorial Tournament (Jul 16-19)*
- *US Open Tennis Tournament to start 8/31, French Open scheduled Sept, with fans*
- *WNBA to play 22-Game Season in Bradenton, FL location in late July*
- *National Women's Soccer Team will play an 8-team tournament in UT starting 6/27*



## Racing Starting Back Up, With Fans

- *NASCAR Cup Series returned May 17<sup>th</sup> & allowed fans at 2 races, 1,000 ppl at Dixie Vodka 400 Miami (FL) and 5000 ppl at Geico 500 Talladega (Ala)*
- *IndyCar returned Jun 6, beginning mid-July, some races will allow fans*



# Physical/Recreational Activities have moved outdoors

**74% OF CONSUMERS ARE EAGER TO GET BACK TO OUTDOOR ACTIVITIES<sup>1</sup>**



## Factors that have increased outdoor activities:

- Belief that COVID-19 spreads less easily in open spaces
  - Ability to social distance recommended 6-feet
- Sports like golf & tennis are individual or small party
  - Pleasant Summer weather

Many consumers feel **Very/Somewhat Safe** visiting the following outdoor recreation areas<sup>3</sup>:

- Hiking Trails – **91%**
- Campgrounds – **75%**
- Public Parks – **74%**
- Beaches – **70%**

**PARKS VISITATION is**

**+60%**

In the Total US  
vs baseline (Jan/Feb 2020)

Per the Google Mobility Report<sup>2</sup>



# Gyms are opening in some states with severe restrictions



- Safety Regulations = social distancing & hygiene measures:
  - Capacity & class restrictions, distanced/blocked machines & equipment
  - Masks, temperature checks for patrons in some locales
  - Shorter hours, pre-scheduled workout timeframes
  - Locker rooms, self-serve amenities closed
  - Stringent cleaning routines, abundant hand sanitizer/wipes
- Extra Precautions are being taken by some locations:
  - Installing extra air-filtration systems
  - Plexiglass or other physical barriers
  - Creation of personal “mini gym” spaces

## COVID-19 MAY CAUSE CONTRACTION IN THE INDUSTRY

- Variation in how membership charges/suspensions/freezes were handled during closures may impact patron continuation of services
- Multiple gym chains have filed for bankruptcy and/or have determined to close locations due to COVID-19 challenges





# Beverages & Food will be a challenge in this space

In addition to the other safety measures, beverage & food in gyms also impacted:

- Water fountains often turned off, requiring water to be self-provided
- Any cafés would be subject to similar restrictions as restaurants

**NO WATER  
FOUNTAINS**



**AREAS OF OPPORTUNITY**

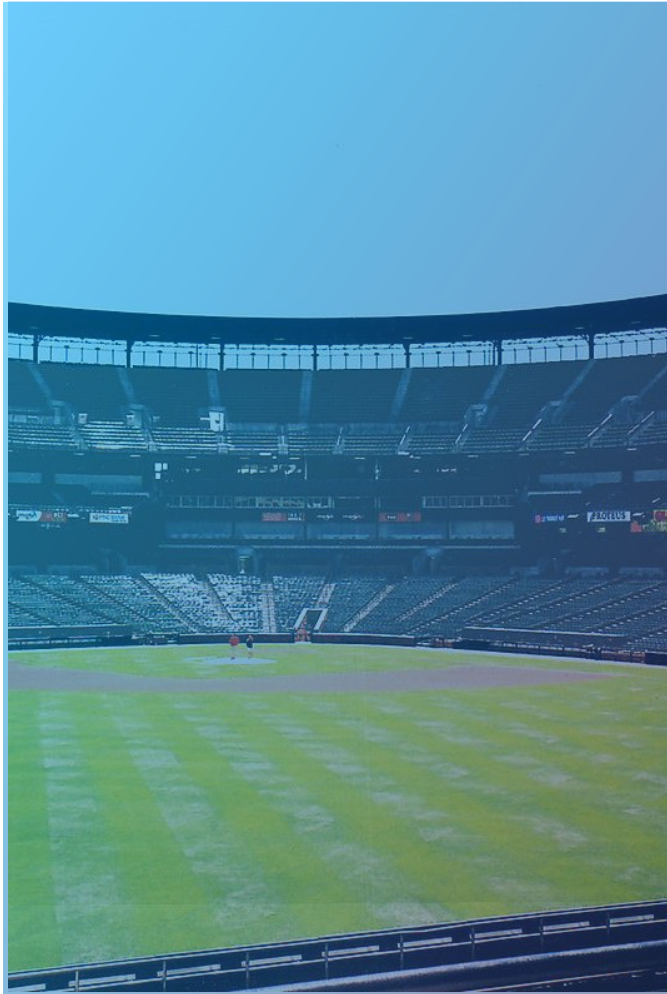


- Increased availability of cold Bottle & Can beverages
- Contactless payment or pre-payment for pre-packaged food & beverage
- Hydration subscriptions as part of membership
- Pre/Post-Workout drinks & snacks - one-stop shopping
- Focus on premium vending





# Stadiums will be slow to re-open & are starting to plan the new normal



## ENVIRONMENT

**As the potential for re-opening emerges, stadiums consider safety measures:**

- Overall capacity decreases
- Stadium Entry: temperature checks, contact-free ticketing, virtual queues, scheduled/staggered entry/bag check
- Seating Modifications w 6 ft allowance, alternate viewing areas
  - Masks for employees & fans
- Socially distanced restroom lines, parking/pedestrian areas, elevators
  - Sanitation of high-touch areas
  - Communication of new policies

## CONCESSIONS

**Possible Food & Beverage Changes:**

- Ordering & purchasing on apps and/or pre-payment
- Distanced concessions lines
- Designated pick-up stations
- Pre-packaged or individually wrapped food & beverage items

**58%**

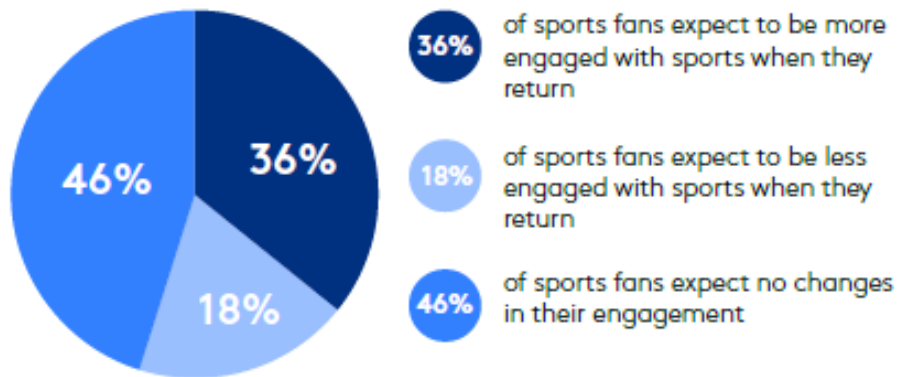
**of consumers expect food and/or beverages will be served in individual, single serve packs when visiting a large stadium or arena\***



# Fans are excited about sports, but cost & safety are potential barriers

## Sports Fans are excited about a potential return of professional & college sports

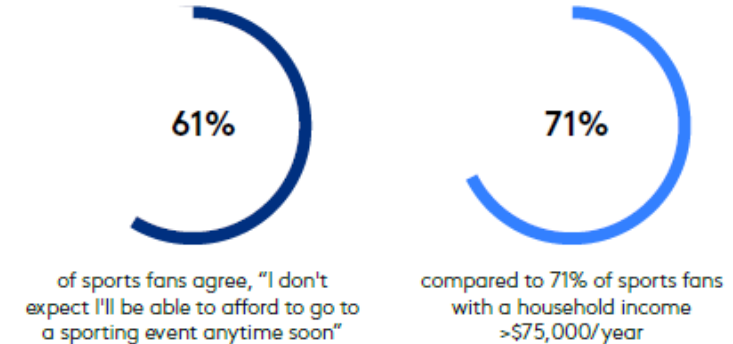
More than 4 out of 5 sports fans expect to be equally or more engaged with sports upon their return



*But...*

## Many Sports Fans are Concerned about affording to attend sporting events

(particularly among those with HHI < \$75k/yr)



*And...*

## Concerned about Safety

**56%** of Sports Fans view going to live events that limit capacity to ensure social distancing as **RISKY**

(Perceptions of risk should decrease over time, assuming the severity of COVID-19 also continues to decrease)



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# Movie Theaters



# Hollywood coming back to life

- Officials gave green light for film and TV productions to resume in early June
- But it will take time for most productions to start back up, with many hoping to start filming later in summer
- Productions must follow new health and safety protocols: only essential cast & crew, virus testing, limited talking, no craft services buffets, sets & props disinfection, masks, social distancing, etc.



## OSCARS 2021 POSTPONED

**The event will move from Feb to Apr 2021 for safety reasons and to extend the film eligibility timeframe due to COVID-19**





# Movie Theaters planning July re-opening



## MOVIE THEATERS FACE COMPLEX ROLL-OUT

- Openings will vary widely by state/city due to local regulations, phased re-opening plans
- Theaters will re-open with only a few new major motion pictures, many movie releases were relocated to later in the year and 2021
- Most theater chains will require patrons to wear face masks, and will open with reduced theater capacities & social distancing measures in place



***What movies are  
“mask-worthy”?***





# Expect Limited Menus & No Refills at Theater Concessions



## SIMPLIFIED MENUS

- Many theaters will open with reduced menus, mostly less hot foods
- Popcorn, Candy, Soda noted to be available at most locations
- Dine-in service, in-theater ordering suspended



## NO REFILLS & SELF-SERVE REMOVED

- Popcorn and Soda refills suspended
- Removal of self-serve condiments, individual packets available
- Lids/straws/napkins provided at counter



## DIGITAL ORDERING

- Theaters likely to ramp up or implement the ability to pre-order concessions via an app, for pick up in a designated area



## INCREASED SAFETY & SANITATION

- Contactless payment of concessions where available; Credit only, no cash
- Increased cleaning of high touch areas like counters
- Physical distancing at registers; Plexiglass barriers at counter





# Nostalgia is enhancing current movie-going experiences



## DRIVE-IN THEATERS SURGING IN POPULARITY

- Old-school & Pop-ups Drive-in's are a fun option that allows for social distancing while enjoying the communal movie-going experience when theaters are still closed
- Visitors can experience the movie from the safety of their own vehicle, often bringing their own food from home



## “OLD” FAVORITES AT THEATERS

- To draw an audience, some theaters are opting to show some nostalgic favorite movies upon reopening, often at discounted ticket prices
- This will likely be temporary until new releases begin to come out in July
- They are playing classic movies like “Back to the Future,” “Jaws,” and “Jurassic Park,” “Goonies”





# PLAY IMPLICATIONS

1. Maximize opportunities on digital platforms to increase beverage & snacks incidence
2. Ensure patron understanding of any new concessions procedures
3. Consider packaging on F&B items to maximize safety & convenience
4. With limited menus likely, offer value-forward & crowd-pleasing F&B menu items





# Moving into 'Travel'



WORK



LIVE



PLAY

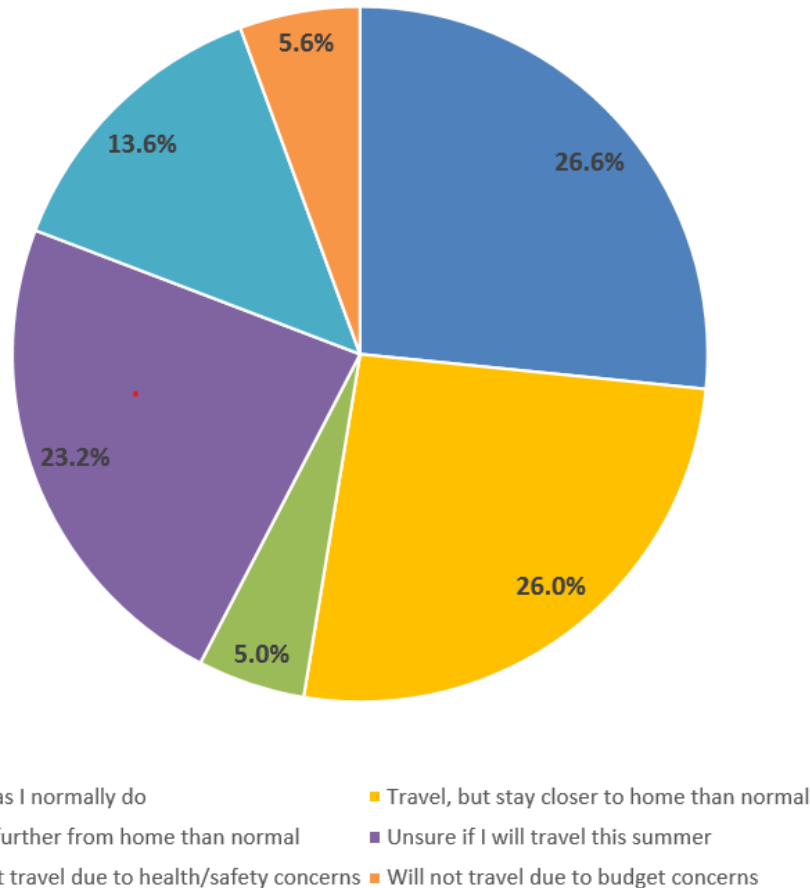


TRAVEL

- **US Travel**
- **Airlines**
- **Hotels**



# People want to travel, but travel safely



## THE SITUATION

While the US hasn't imposed travel bans, state to state travel is becoming more difficult with some regions reinstating quarantine requirements as new hotspots appear

### Airlines:

- **Flight capacity is down by about 45%** vs last year.
- On June 11, TSA screenings broke half a million for the first time since March 21
- In-flight food & drink offerings greatly reduced or removed entirely.
- Airports are now nearly empty, causing reduction of operations, closing of runways and consolidating of terminals.

### Hotels:

- As of June 24th, **U.S. hotels had an occupancy of approximately 40%**, showing a YOY decrease of 50%. Meanwhile, Average Daily Rate dropped to \$79.57, down 40% YOY on average.
- Hotels are making significant shifts to highlight cleaning and sanitation practices in communication
- TripAdvisor is now including a filter allowing consumers to search for accommodations and attractions according to sanitation practices.

# 2020 is the Year of the Roadtrip



## Airline travel comes with some risk

- Air travel is down significantly
- **48%** of people don't intend to fly for a year or more



## But that doesn't mean that people want to stay home

- **73%** of consumer are still planning to visit family and friends, but they will travel by car
- **93%** of Consumers are avoiding crowds



## Road trips are becoming the best option for socially distanced vacations

- RVshare bookings have almost tripled YoY, up **1600%** since April.
- With gas prices low, this is more possible than ever







# Interest in vacation travel to National Parks making a comeback

- **Outdoor locations safer than indoor-** In a study of more than **7,300 cases** in China, just **one** was considered an outdoor Transmission
- **National Parks ideal for road trips-** Three of the top ten RVing trips according to RVshare.com are national parks:
  - Yellowstone
  - Grand Canyon
  - Zion National Park
- **Social distancing remains challenging** - National Parks are struggling to maintain social distancing and safety measures, especially around well-known sites





# Theme parks and casinos are focused on cleanliness and social distancing as they open their doors

Amusement parks are beginning to reopen. Soft openings first to season ticket holders. Restrictions including wearing masks and social distancing.



Reservations  
Online Health Screening



Staged Opening  
Parades Canceled  
No Meet & Greets



Staged Opening based  
on local rules  
Mobile food ordering



Strip opened on June 4th

**Venetian** and **Palazzo** announced an opening plan with 800 steps including 24/7 EMT staff, thermal cameras, and face masks.

**Wynn** Vegas opening the buffet with new rules including time limits and table service

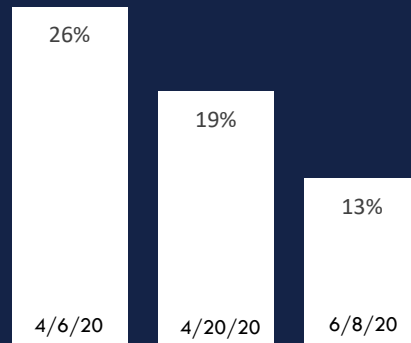
Vegas social distancing tagline:  
“Think dirty thoughts, but keep your hands clean”





# While consumers are growing more comfortable with hotels, the experience may be different than expected

% very concerned about staying in a hotel



Consumer Concern is dropping off when it comes to staying in hotels

**At traditional hotels we can anticipate big changes to food and bev programs**

**Future of the breakfast buffet?** – **Hilton** is moving away from buffets toward grab and go meals

**Conveyer Belt Breakfast-** the **Four Seasons** is experimenting with a concept familiar to sushi restaurants, small plates on a conveyor belt

**Branded Room Service Experience** – Boutique hospitality group **EOS Hospitality** is working with a design consultant on a branded room service experience, including personal notes and custom packaging



**While business is down overall for AirBNB, some consumers feel the roomshare option is safer**

**Medical Experts weigh in** – Some experts are now suggesting that AirBNB is a safer option because there are fewer public spaces

**Do it Better Myself** – some consumers feel they have more control over the cleanliness in an AirBNB

**AirBNB Booking Buffer** - guarantees 72 hours between bookings for an upcharge, to help ensure that any virus remaining after cleaning dies

Richard Schuetz  
@Schuetzinc

It is unclear to me if I am emotionally ready to accept that the Hampton Inn waffle maker in the dining room is a thing of the past.



28 11:19 AM - May 12, 2020

See Richard Schuetz's other Tweets



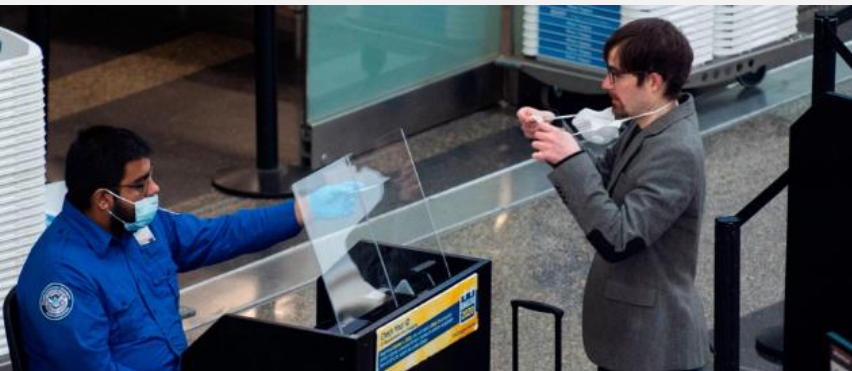


# Air Travel is coming back, but travelers will face significant changes

## Temperature checks

**Airports and airlines seem to agree that temperature checks are a necessary step to passenger safety**

However whose responsibility it is to screen remains a question



## Creating barriers between travelers

**Airlines are looking for clever ways to prevent COVID transmission between passengers**



Airlines in Europe are testing actual physical barriers



US airlines claim center seats will be empty, but make no guarantees

## Food and beverage offerings will see drastic changes

**Most airlines limit services by flight length and cabin**

**Delta** will not offer any alcohol, plastic cups or ice. **American** will only offer alcohol in premium cabins

**Southwest** has suspended all food and beverage services

**United** and **Delta** are serving all in one snack bags that include a sanitized wipe



# TRAVEL IMPLICATIONS

1. Take advantage of new mobile ordering platforms and ensure that any upselling opportunities are covered
2. Highlight the safety of our prepackaged snack and beverage solutions
3. Leverage solutions across the entire portfolio to create complete and personalized prepackaged snack/meal solutions for our partners
4. Consider premium snack and beverage in flight packages to offer additional value and experience that consumers might be missing



# Getting in on Giving Back

Our partners are doing incredible things to support the community during COVID-19; amplifying their efforts is one way to both give back and support our business



Our airline partners have been providing free flights to medical workers through a variety of programs



The ski community has created Goggles for Docs, a non-profit that collects new and used ski goggles to protect vulnerable medical personnel



Marriott shifted empty hotel capacity to accommodate healthcare workers, as well as donating 100,000 free nights through their Bonvoy Program.



# JOIN US NEXT TIME AS WE SPOTLIGHT THE WORK AND DINE CHANNELS

## WORK



- **B&I**
- **Education**

## DINE



- **Restaurants**

## PLAY



- **Recreation/  
Stadiums**
- **Gyms**
- **Movie Theaters**

## TRAVEL



- **US Travel**
- **Airlines**
- **Hotels**



**PEPSICO**

foodservice The icons represent various foodservice products: a cup, a bottle, a can, and a box.

# *PepsiCo Foodservice Insights*

We are in a time of unprecedented change and disruption as a result of the COVID-19 pandemic. While there are more questions than answers right now, we are committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed on the other side of this challenge.

Due to the dynamic nature of the situation, this document will evolve as new information refines our hypotheses.

*Special thanks for this edition to **Nina Guest, Karen, King, Amy Edler, and the entire Foodservice Insights Team***