

PepsiCo Foodservice Insights

Channel Update: Rec & Travel

January 15, 2021



Jaime Friedman
Director, Foodservice Consumer Insights

COVID-19
Testing

Located at Aisle C

No Appointment Necessary
8 am to 8 pm - 7 days/week

For more information visit:
www.FlyLAX.com/TravelSafely

Welcome to 2021!

Happy New Year!

A few words before we begin...

Thank you so much for your continual engagement and support of our Insights Briefings series. We never could have imagined the impact our work has made over the past few months and could not be prouder.

We remain committed to delivering best-in-class insights and perspectives that will provide a more informed approach as we jointly build plans that can succeed as we begin to move into the 'New Normal.'

We will continue to cover a range of topics across Consumer, Channels, Categories, Customers, and Culture, and welcome feedback on new topic areas anytime.



Bracing for more...

COVID-19 Cases Surge

Updated January 15, 2021, 7:48 A.M. E.T.
Leer en español



- Since only September, daily cases have increased 7x to 250,000+
- This past week was the deadliest 7 days, with >23,000 reported deaths
- Los Angeles hit hard, 1 in 3 infected
- China imposes new lockdowns on 22million around Beijing

Vaccines Roll Out, behind Plan

US VACCINATIONS
BY THE NUMBERS:

TOTAL DOSES DISTRIBUTED: **30,628,175**
TOTAL 1ST DOSES RECEIVED: **11,148,991**

CDC
Jan 14, 2021



- Vaccine logistics: complex & challenging
- Only one-third of vaccines distributed have been administered
- Mass vaccine centers begin to open, like Disneyland, Dodger Stadium, and NYC's Javits Center.

The plot thickens...

Crisis at the Capital



- Jan 6th riot at the capitol in Washington DC brings resignations, arrests, and a 2nd presidential impeachment.
- Unprecedented threats against members of congress has put Washington DC on high alert as the inauguration approaches on January 20th.

President-Elect Biden Announces Stimulus Proposal



- Proposal: \$1.9T Emergency Relief Plan
- \$1400 Stimulus checks, Unemployment \$300 → \$400/wk
- \$440B commercial and small business support
- Bump in Minimum Wage to \$15/hour

WHERE ARE WE NOW?

PLAY, DINE & TRAVEL CHANNELS

WORK



DINE



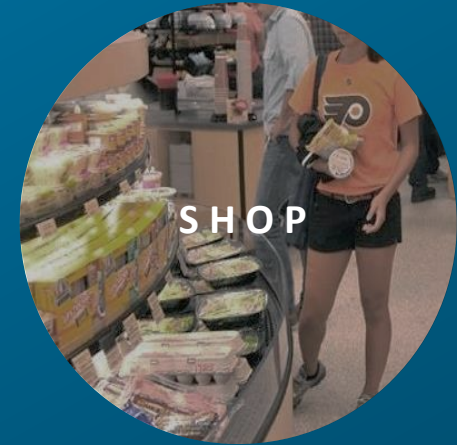
PLAY



TRAVEL



SHOP



PLAY

WORK



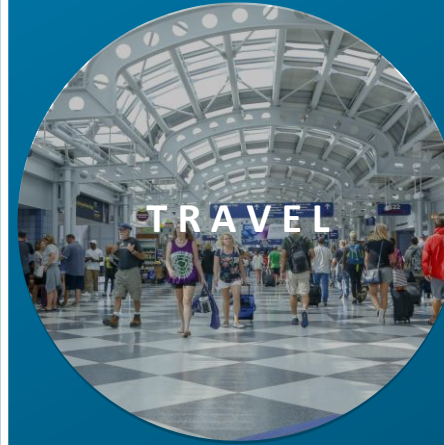
DINE



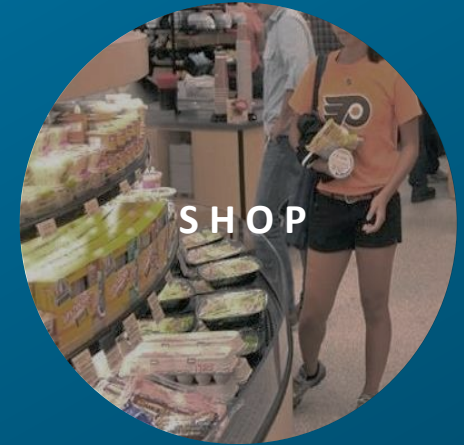
PLAY



TRAVEL



SHOP



The road ahead will be a bumpy one for recreation segment...

CURRENT STATUS

2020 SEGMENT GROWTH

(Real) (% Change in Retail Sales Equivalent)

TOTAL FOODSERVICE

-28.6%

TOTAL T&L

-61.4%

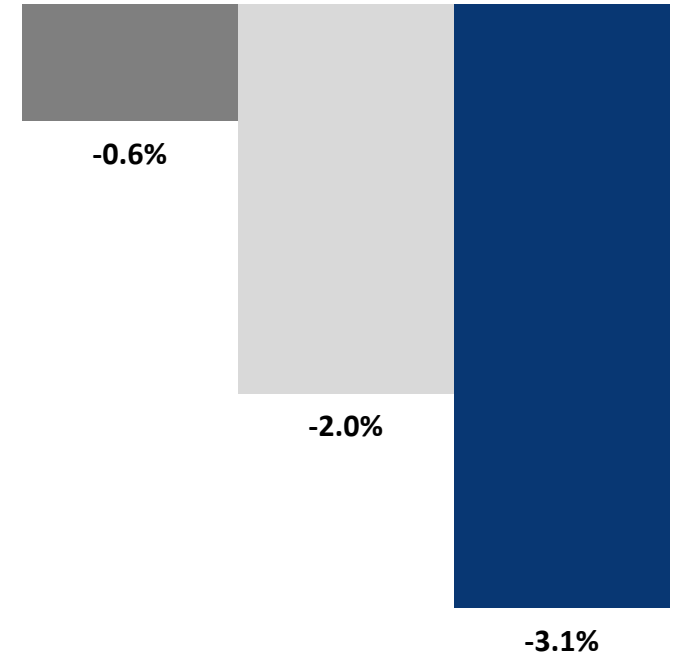
RECREATION

-65.8%

MOVING FORWARD

SEGMENT CAGR 2019-2025

(Real) (% Change in Retail Sales Equivalent)



■ Foodservice ■ Travel & Leisure ■ Recreation

Consumers are excited for future visits to recreation venues, but guarded about when they will return

What are you looking forward to, once vaccinated?

Going to a movie theater 43%

Attending a live show at a club, music hall, or public theater 32%

Attending a live sporting event 28%

Working out at a gym 27%

'Going to a movie theatre' was the #3 answer overall after visiting family, going to restaurants

64% of consumers are not yet resuming 'normal' out-of-home activities

73% Of consumers say they're avoiding places where people gather in large crowds

'It will be more than 6 months before I...'

Visit a casino 51%

Go to a sporting event 48%

Go to the movies 40%

Gym operators are battling gov. restrictions, as well as consumers adapting 'out-of-home' to 'in-home'

76%

of people have tried working out at home during the pandemic

66%

of people prefer working out at home

59%

of Americans don't plan to return to the gym after the pandemic

As of January 2021, only CA, OR & WA have not reopened gyms

For operators that are open, the list of limitations/regulations to follow include:

- *Guest capacity restrictions*
- *Minimum 6 ft. social distancing*
- *Required health screens*
- *Restrictions/elimination of group classes*
- *Increased stockpile of PPE*
- *Sign in records for contact tracing*



15%

of health and fitness centers have permanently closed

NOTABLE BANKRUPTCY FILINGS



“

We once played video games in malls, but then people discovered they could play at home and experience the same connection. Now everyone is asking for an Xbox or PS5 for Christmas...The same is happening for fitness.

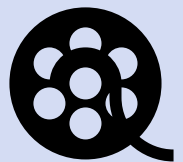
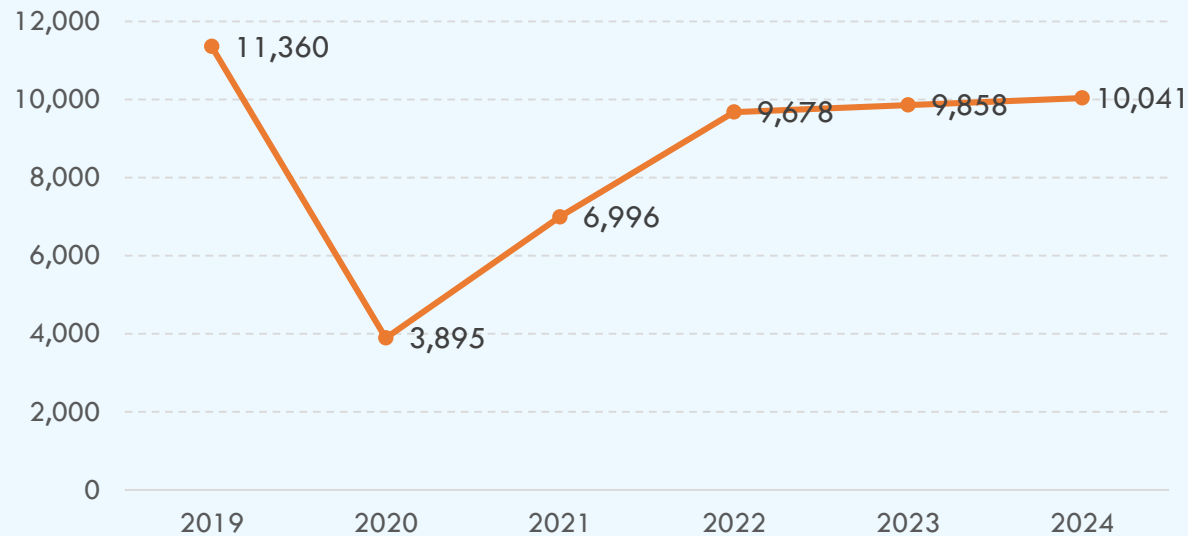
Brad Olson, Peloton
Chief Membership Officer

”

After an initial reopening this summer, movie theatre doors are once again shuttered in most areas

The global cinema market is projected to retract -65.6%, as theatres remain closed and releases pushed back

Projected US Total Cinema Revenue
(US \$M)



65%

of U.S. theatres remain closed as of Jan 2021

Increase in SVOD and a changing landscape of how studios reach consumers spells a challenging road ahead

New Release Structures



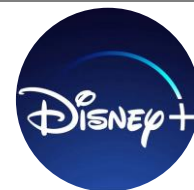
- Warner Bros announces plans for release of films in 2021 in theatres and on HBO max concurrently
- Disney is touting new release structure that “gives maximum flexibility when on which platform content will be available,” to release 2021 blockbusters like ‘Raya and the Last Dragon’ in theatres and on Disney+

Competitive Content



- Netflix will release new features every week in 2021

Explosive Growth

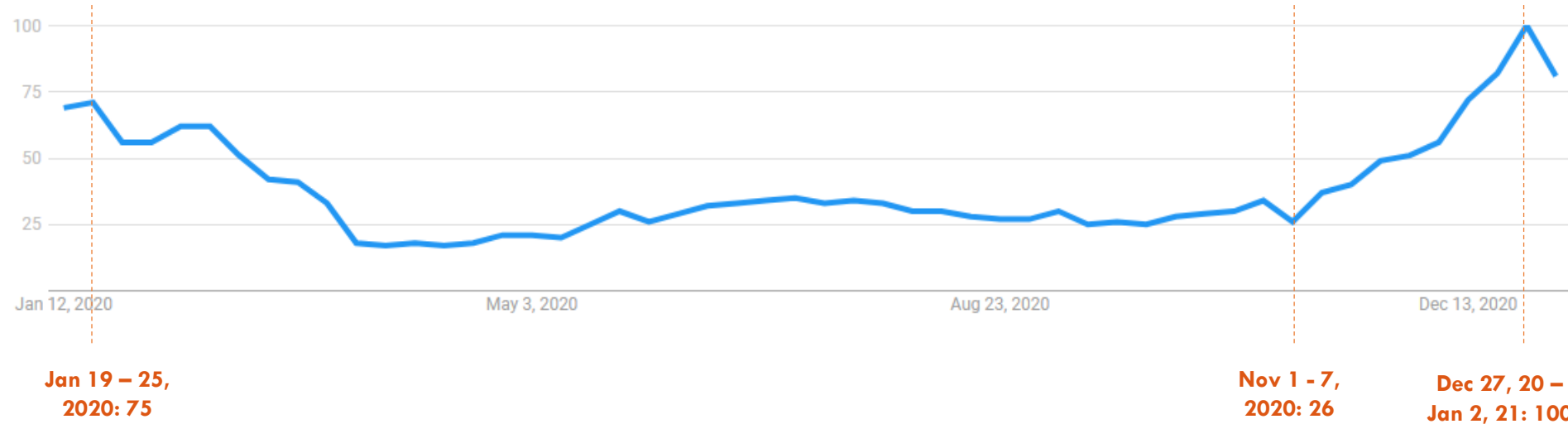


- 86.8M active users in just over 1 yr. since release
- Projected to grow to between 230M-260M users by end of 2024

Winter sports, specifically skiing, is having a moment

69% OF SKIERS ARE AT LEAST SOMEWHAT CONFIDENT NEW SAFETY PROCEDURES WILL KEEP THEM SAFE AT THEIR PRIMARY SKI AREA

Google Search Trends : Keyword Ski
January 19, 2020 – January 2, 2021



+51%

Ski equipment sales (boots, bindings, and skis) seeing surge



+20%

Vail sold a record 1.4M 'Epic Passes' for the 2020-2021 season, up from last year

Earnings flat compared to YA as Vail set aside \$121M to reimburse passholders for early end to last season

How recreation operators are adapting their business to attract consumers



- Equinox opened its newest “open-air” concept gym in NYC, Equinox + In The Wild featuring hand-sanitizing stations as well as signs reminding guests to social distance
- Equinox members must book classes or 45 min time slots in advance on their app. Guests must sign a health declaration and have temperature checked on arrival.



- Movie theatre chains including AMC, Alamo Drafthouse and Cinemark are offering private viewing experiences for incredibly affordable prices
- AMC - *PRICE*: \$99 for Old Releases; \$149 to \$349 for New Movies
- Alamo Drafthouse – *PRICE*: \$163 with a minimum required \$150 charge for food and drinks
- Cinemark – *PRICE*: \$99 to \$149



- Season passholders for the 2020-2021 season at Sugarloaf & Sunday River are backed by the ‘Worry-Free Winter Assurance’ program which guarantees them with 150 days of collective skiing at either location
- Passholders also have the option to roll over the value of their 2020-2021 season pass toward a pass for the 2021-2022 season

Big ticket events in 2021 aren't escaping from COVID



"At Any Cost"

"With or Without COVID"

- Athletes must test negative for **COVID twice (before & after arriving)**
- **Simplification** of ceremonies
- **Olympic Village 'Bubble':** 14-day quarantine for athletes, immediate departure once their event has ended
- **Reduction** in the number of **staff and delegations** from each country
- Possible **restriction/prohibition** on **overseas spectators**



"Super Bowl or Bust"

- Originally meant to be held **in LA**, but moved to Tampa Bay due to tight COVID restrictions in CA I
- Could **be pushed back** and played as late as March
- **Cashless** Super Bowl
- **Capacity limits** at 20%
 - Will significantly affect revenue from ticket sales, concessions, brand sponsorships, etc...



"2021 version of March Madness will be one to remember"

- **Entire 67 game tournament to be held in Indiana** in efforts to cut down travel
- **Restrictions on spectators** to only limited number of player family members
- **NCAA 'Bubbles'** – NCAA to partner w/ local health officials to administer tests & create a controlled environment
- **'Mask Madness'** - initiative to promote social distancing and wearing a mask

Events with big focuses on food and beverage are being reimagined for a COVID world



- Meal kit service Blue Apron has teamed up with Stella Artois to create the Stella Stadium Bites box ahead of the 'big game'
- The collaboration gives consumers the opportunity to "bring the game day spirit home" with their take on game-day snacks as well as beer chalice



- Taste of the NFL, one of the Super Bowl's longest running events, is going virtual in 2021
- The charity event which features celebrity chefs and players from each NFL city will live-stream on Super Bowl Sunday and will benefit GENYOUth, a charity that fights food insecurity in schools by sending children emergency meals.



- The Milwaukee Bucks are investing long-term in a post-COVID world, working on re-imagined tailgating spaces for fans
- The new space would allow fans tailgate in a socially distanced way utilizing parking garages, shipping containers, drive in movie experience with projectors and food trucks.
- A premium "opera-box" option would be available that could also include catering.



PLAY IMPLICATIONS

1. **Cashless is King - Maximize opportunities on digital platforms to increase beverage & snacks incidence**
2. **Recreation events are going to look different for some time. For events that allow guests, ensure patrons understanding of any new concessions procedures**
3. **Consider packaging on F&B items to maximize safety & convenience**
4. **With limited menus and occasions likely, offer value-forward & crowd-pleasing F&B menu items**



TRAVEL

WORK



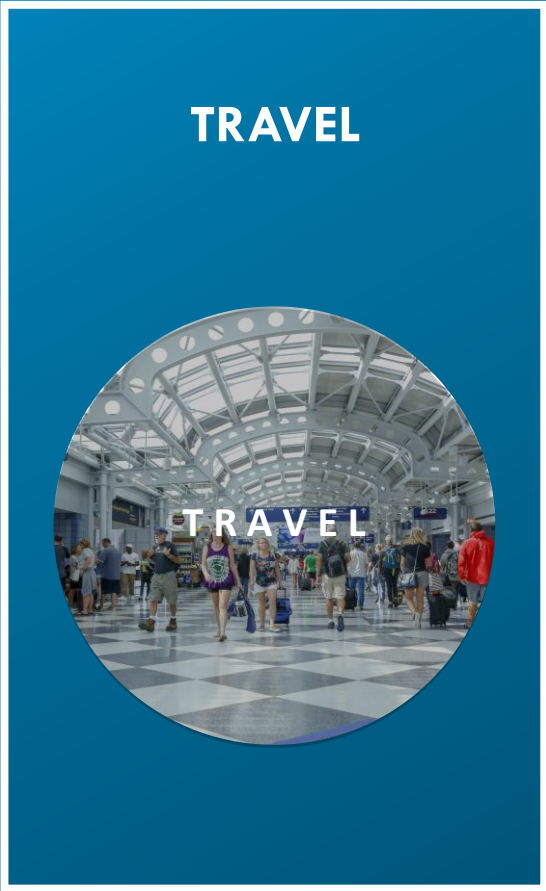
DINE



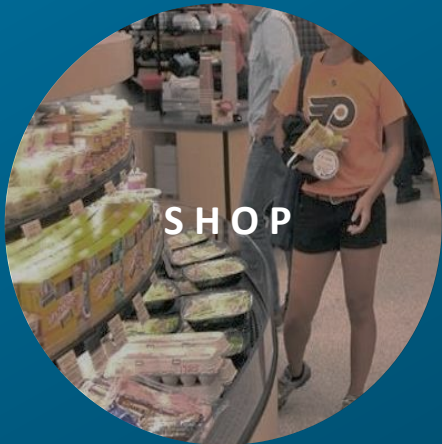
PLAY



TRAVEL



SHOP



Lodging and Transportation will need time to recover

CURRENT STATUS

2020 SEGMENT GROWTH

(Real) (% Change in Retail Sales Equivalent)

TOTAL FOODSERVICE

-28.6%

TOTAL T&L

-61.4%

LODGING

-55.4%

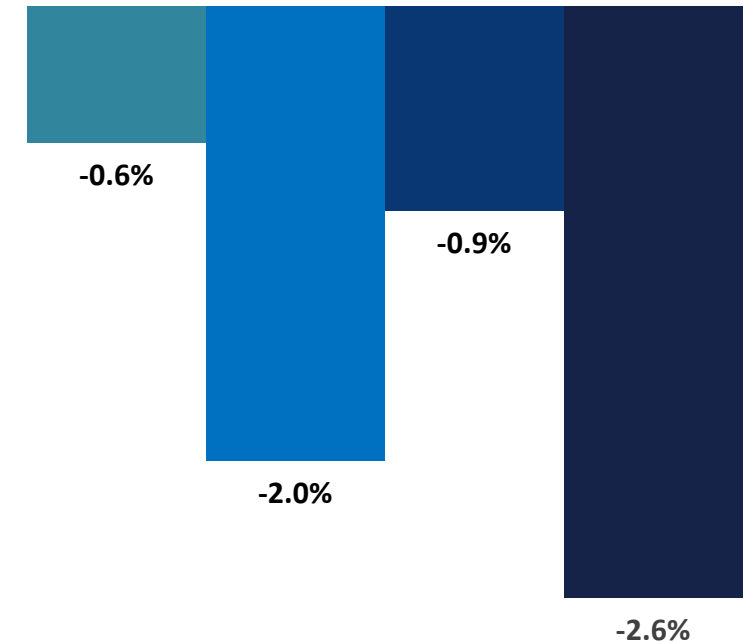
TRANSPORTATION

-71.7%

MOVING FORWARD

SEGMENT CAGR 2019-2025

(Real) (% Change in Retail Sales Equivalent)



■ Foodservice ■ Travel & Leisure ■ Lodging ■ Transportation

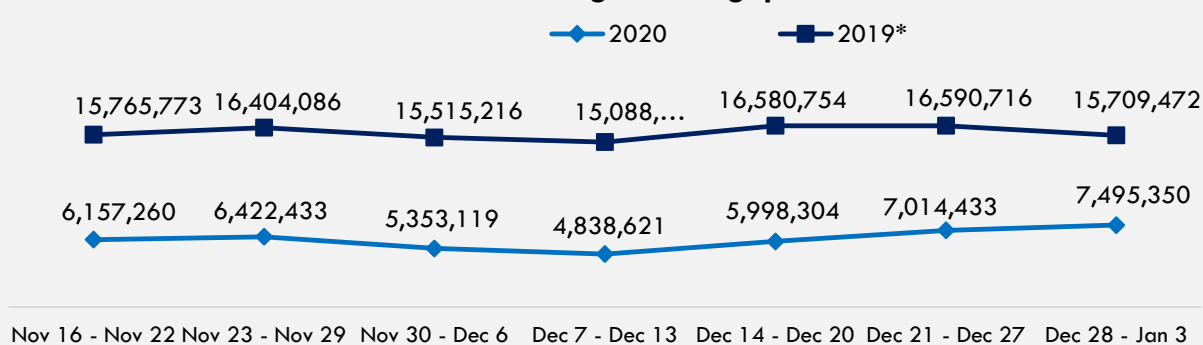
Although travel boosted over the holidays, still not back to pre-pandemic levels

Recent numbers optimistic, but is still down YoY



- 6.8M people traveled the 7 days leading up to Thanksgiving
- Day before Christmas Eve, **more than 1.1M** people boarded planes – the **most since March 2020**
 - However, these numbers are still not close to typical holiday season travel

TSA Passenger Throughput



Consumers are still hesitant, leading to further impact on industry

Because of COVID:

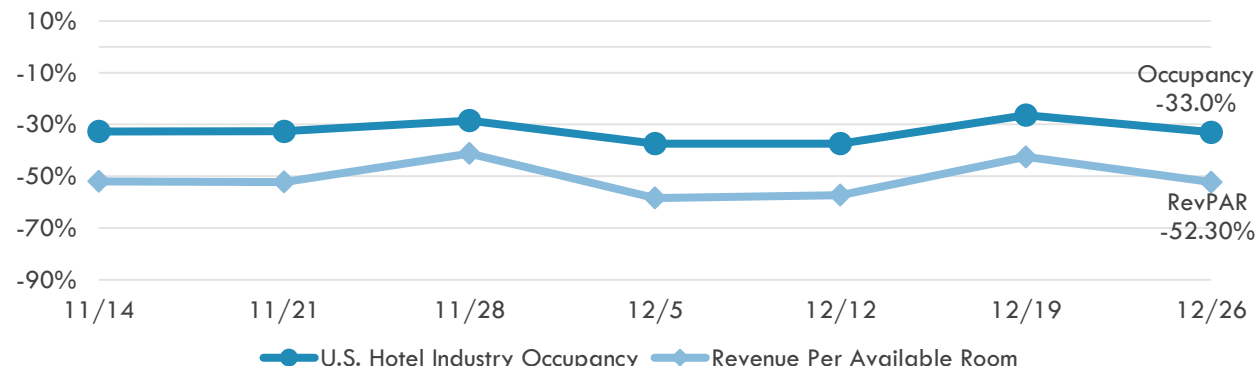
75%

say "I did not travel for the holidays like I traditionally do"

72%

say "I did not celebrate like I normally would for New Year's Eve"

LODGING INDUSTRY OCCUPANCY AND REVENUE PER AVAILABLE ROOM
YOY CHANGE %



Vaccine distribution a bright spot; further optimizations of safety measures continue to allay fears

Hotel bookings spike with positive vaccine news

9,512

number of bookings on day Pfizer vaccine was approved

- **Largest number of daily bookings** across Marriott, IHG, Kayak, Priceline **since pandemic** began in March
- On par with typical sales in Nov/Dec 2019 8,500-10,000 bookings



Bookings represent **warm-weather domestic destinations**



Most are '**last minute bookings**' – within 10 days of departure – to avoid cancellation costs or fast-changing lockdown measures

New safety offerings to bring travelers back

Ordering & delivery to gate



Contactless ordering and delivery available at Chicago Midway in Dec 2020 through accessing QR codes throughout the airport to order off restaurant menus

Rapid COVID testing on-site



New Covid testing site at LAX to provide results in 3-5 hours; results can be used to travel to sites requiring negative test – i.e., Hawaii

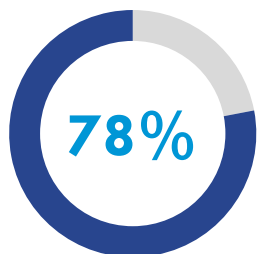
Middle Seat Ban



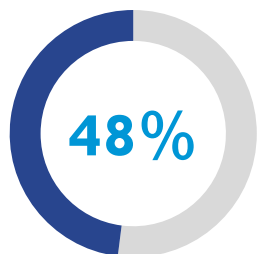
Delta Air Lines will keep middle seats empty at least through March. The ban has created a meaningful premium – a differentiator for the brand

Pent up demand for leisure travel

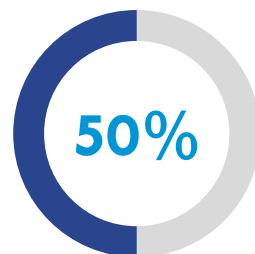
Lack of leisure travel is taking an emotional toll on consumers



Say traveling is one of the top activities they miss most right now



Believe not being able to travel is making them anxious and stressed



Would be willing to travel and live somewhere else for a year if given economic and health incentives

Vaccine administration and HH income/employment will dictate recovery

In a recent Harris Poll survey:



Vaccination Status

- **Half** plan to travel out of state within 6 mo. of their vaccines
- **61%** would not feel comfortable traveling without their shot



Disposable income

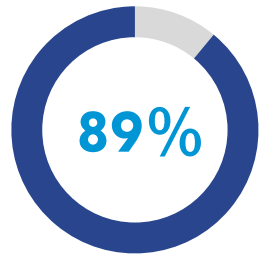
- **2/3** of families with income >\$100k plan to travel
 - Affluent travelers have begun making reservations for blow-out vacations
- **37%** of families <\$50k will travel
 - Anticipate more vacations to visit family, economical travel

Experts **estimate a 2021 Summer recovery** assuming in a best a scenario: **vaccines** and **risk-based safety measures** are rolled out widely, and **Covid cases fall** around the world

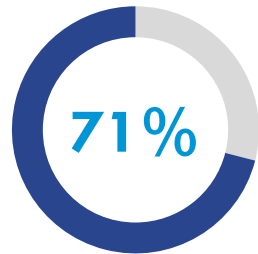
A different story for business travel

Business Travel will take more time to return

In a recent Global Business Travel Association survey (Dec 2020):



Of companies have canceled or suspended most of their **international** trips



Of companies have canceled or suspended most or all **domestic** trips

If canceled or suspended most or all trips

6%

Plan to resume **international** business travel in the near future (1-3 months)

24%

Plan to resume **domestic** business travel in near future (1-3 months)

About half of business travelers want to stay grounded

In a recent Harris Poll survey conducted:

40%

of respondents want to resume business travel **less often, or never again** after pandemic

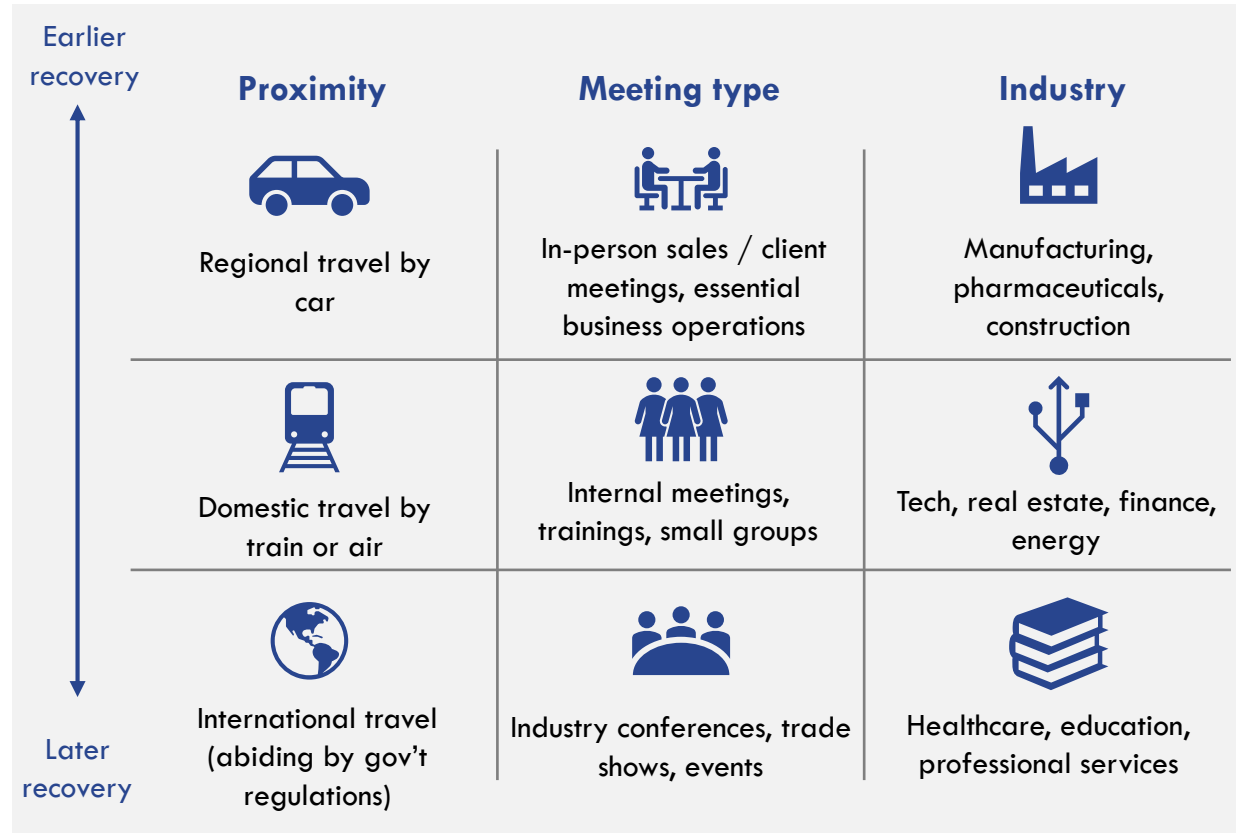
51%

of respondents would probably travel only '**a few times a year**' for business

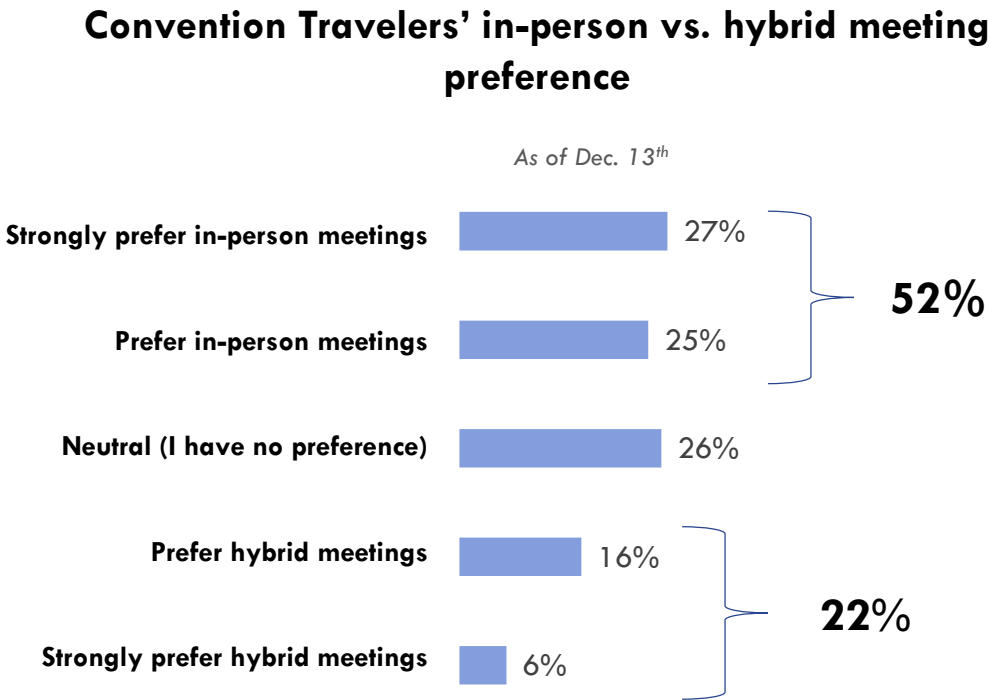
Business Travel anticipated to return slowly by meeting type & industry

Experts predict several factors will dictate return

Travel manager predictions for when various business travel activities will resume



And, people do miss in-person meetings



Thus, operators anticipate a slow recovery



Lodging



Cruises



Flights & Concessionaires

Current situation

- STR predicts **room rates will remain below 2019 levels until 2023**
- Given a bleak outlook, hoteliers are **focusing on new demand in the current market**

- Carnival, Princess Cruise, and others **have canceled all operations in Q1** and longer
- CDC is asking ships to have **testing, quarantine, and isolation areas** at limited capacities
- **Occupancies are down as much as 50%** on some itineraries

- Recovery in demand will need to be sustained before boosting airfare
- **Continue to drop unprofitable routes** to stem losses
- May see more bankruptcies if pandemic persists
- **Concessionaires suffer** with fewer travelers

Moving forward

- Many are **focusing on local market, increased communications with guests re. Covid**, maintaining **heightened sanitation efforts**, and **adapting to tech** whenever possible

- In a survey by Cruise Lines Intl. Assoc., **82% of people that have cruised before will still book a cruise** once pandemic is over
- Royal Caribbean, Norwegian, Carnival made statements recently that **2021 bookings are high**

- Starting Jan 26, all international travelers into the US must have a negative Covid test
- Airlines will **continue to use low prices**
- 2021 likely to be the year **private flying takes off**
- **Hudson concessionaire plans to open contactless stores**, making use of Amazon's technology

Food and beverage offerings will need to continue to prioritize cleanliness, but can come in creative ways



- Singapore Airlines turned their planes into temporary high-end restaurants
- Fliers were able to watch a film on board while eating
- Experience was so popular, the airlines had to extend the number of dates available
- The airline also offers a home delivery service, high end tableware, a playlist, and for an upgraded fee – a private chef



- Finnair offers their selection of business class meals in one of the country's supermarkets – i.e., reindeer meatballs
- Creates work for airline employees, and taps into the fusion cuisine Finnair is known for



- Thai Airways now offers “Be Our Guest, Be Our Crew” program – includes four-day pilot simulator course, a Thai cooking masterclass with onboard chefs, and other behind the scenes

Lodging brands adapt offerings to stay relevant during the pandemic



Hotel as Private Health Center

- Le Bijou – a boutique hotel – has turned their rooms into luxury quarantine apartments
- Each stay comes with a personal chef, daily nurse visits, and in-room Covid tests



Relationship Respite

- Tokyo-based company promoted short-term rentals as a place of respite for those who may be experiencing relationship strains during the pandemic
- Stays are fully furnished – Airbnb-style apartments



Hotel as Resort in City

- Langham Hotel in Hong Kong understands that people are coming to their hotel to be completely removed from the grim reality of outside
- They've transformed ballrooms to large viewing rooms, with hotel beds (6 ft apart) facing a projection screen as an alt to Netflix
- Turned chefs into teachers offering workshops for family-friendly programming



TRAVEL IMPLICATIONS

1. Safety and cleanliness continue to be key in bringing consumers back; maintain messaging and efforts to assuage consumers' concerns
2. Keep up with offering packaged food and beverages to-go, as travelers now expect this as standard
3. Work with operators to ensure digital enhancements are used throughout the travelers' journey (i.e., where human contact can be minimized)
4. Use food and beverage to bring unique, elevated/premium experiences
5. Find opportunities among consumers in local driving distance



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

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Testing

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foodservice