

PepsiCo Foodservice Insights

COVID-19 INSIGHTS





AUGUST 7, 2020



PEPSICO
foodservice 

We continue to grapple with how to move toward a “new normal”

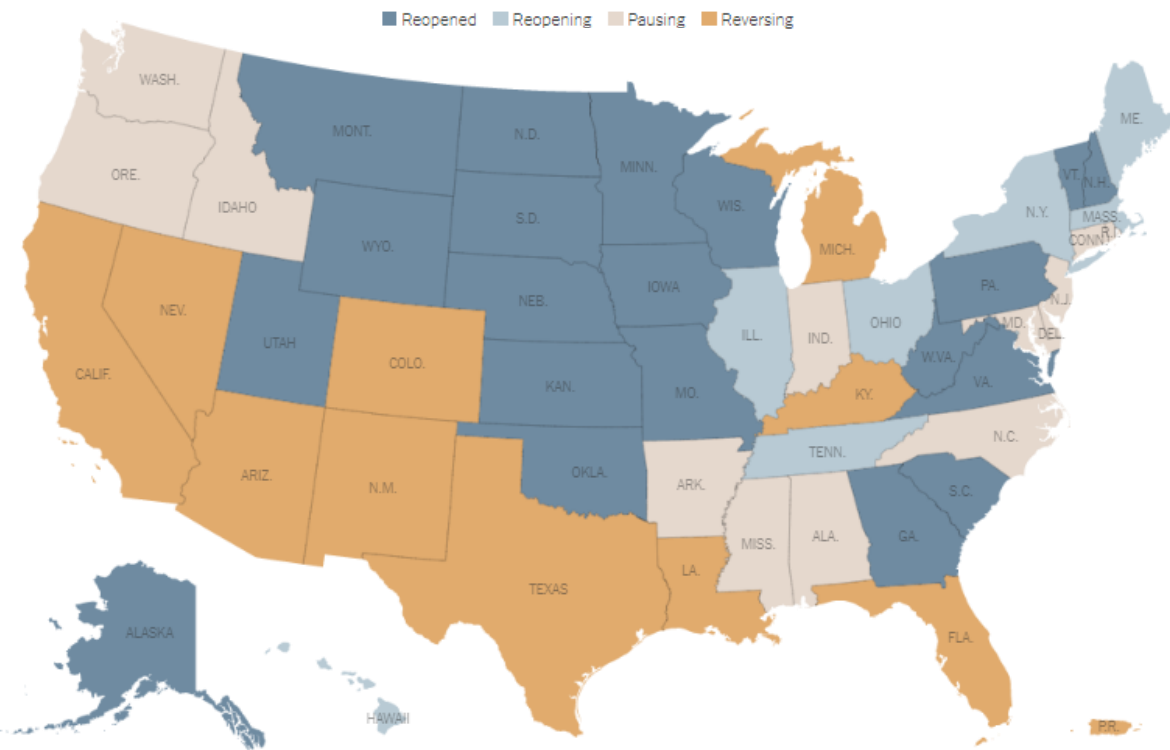
Possible return to restricted living if
COVID-19 cases spike

HORIZON 0 Prevention & Preparation	HORIZON 1 Confinement & Cocooning	HORIZON 2 Restricted Recovery	HORIZON 3 New Normal
Feb-Mar 2020	Mar-Jun 2020 (est.)	Jun-Dec 2020 (est.)	2021+
			
Rapid shift to fear and uncertainty about the seriousness of the virus and how to prepare for “shelter-in-place”	Going through stages of adapting to a new, stressful lifestyle and restless for a return to normalcy	Cautiously optimistic and taking cues from others on how to balance our responses	New behaviors form if finances, desire, and/or opportunity dictate; old behaviors return otherwise

Varies by market based on COVID-19 impact, government actions and human response

The pandemic is not over, just because we're over it.

24 states & territories have paused or reversed their reopening



Consumers are still concerned about COVID-19, and are tracking it more than any other major national event

- COVID-19 remains the **top concern** among consumers (over the presidential election and the economy), as 4-in-5 consumers fear a new wave.
- With continued social distancing and limited dine-in, Technomic estimates that **consumers are spending an estimated 27% less on Foodservice** than they were pre-pandemic
- The **CARES Act**, providing \$600 a week of enhanced unemployment benefits **officially expired July 31**, which we expect to negatively impact foodservice spend in early August.

REALITY CHECK:

It's becoming more difficult to retain our optimism.

Update: Foodservice Landscape

DINE



- Restaurant industry **transactions plateaued in late July** running at 10-12% declines, as states slow re-openings in response to virus spikes
- **Drive-Thru** continues to be the top ordering method, and we are starting to see a **building boom** for restaurant drive-thru lanes.

PLAY



- Several **MLB players tested positive for COVID-19** since opening 2 weeks ago. **58% of adults** feel the league won't be able to finish the season.
- Disney announces Mulan release on it's **new Disney Plus streaming service for \$29.95**, bypassing theatres. CEO calls it "one time event" but open to learning

TRAVEL



- U.S. State Dept **lifts 5-month international travel advisory**, returning to country by country ratings.
- As of 8/5, **\$25B in additional stimulus for airline jobs** is looking more likely. Major airline stock prices rise sharply as a result.



As WFH continues to be the norm, workplaces see a drop in visitors of -38%

EXTENDED WFH

Some major companies have announced plans of permanent or extended WFH policies



Google announced extended WFH policy thru **July 2021**



Zillow employees have the option to **work remotely indefinitely**



MasterCard has no formal re-opening policy, employees **can return, or not, when they are comfortable**

RETURNING TO WORK

Some industries and companies have returned to work, or announced intent to do so, and are feeling the heat as a result

L'ORÉAL

- **L'Oréal** reopened their NYC office in July at 25% capacity, with plans to increase to 50%.
- All employees are expected to be on-site, sparking safety & job security concerns



- The United Federation of Teachers threaten **protests, walk-outs** in districts around the country including NYC & LA planning in-person learning for Fall 2020.
- 20% of teachers say they are unlikely to return in Fall 2020.



Empathy For Our Operators

**This is a tough time for B&I
operators and the future
outlook is murky**

Our vision for today's Insights Briefing
on The Future of B&I is to:

- Keep us up to date with the latest trends in this channel
- Provide a deep understanding of how consumers are feeling about work
- Offer a peek into the future, so we can anticipate, and be ready with creative solutions



COVID Aug 7 Report | Table of Contents

SECTION:

1

Setting the Stage

2

Deep Dive on Covid Impact

3

Future Scenarios

PepsiCo Foodservice Insights

Setting the Stage

Trends that we were seeing in the workplace pre-COVID have accelerated & shifted due to the pandemic



LABOR FORCE



PRE-COVID-19: Youthful Workforce

- Millennials surpassed Gen X as the largest % of the labor pool in 2016

POST-COVID-19: On-Demand Workforce

- Nearly 1/3rd of orgs are replacing full-time employees with contract workers to cut costs



OFFICE TECH



PRE-COVID-19: WFH is Luxury

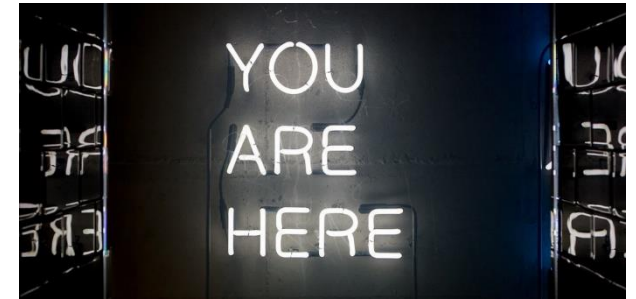
- Only 7% of workers in the U.S had access to a “flexible workplace”/telework benefit pre-COVID

POST-COVID-19: WFH is Reality

- 79% of WFH-ers are participating in video conferencing



REIMAGINATION OF WORKPLACE



PRE-COVID-19: Maximizing Office Space

- 80% of businesses used the “open-office” layout / concept

POST COVID-19: Office Ecosystem

- 98% of people currently WFH would like to continue to, at least some of the time post-COVID

PepsiCo Foodservice Insights

Deep Dive on Covid Impact



Four key consumer needs emerge as we anticipate the future of workplace



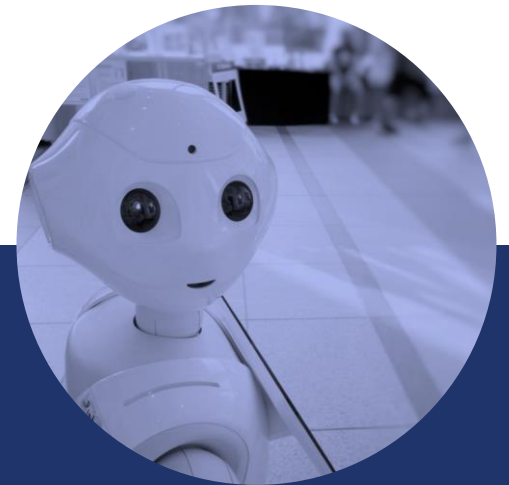
Feeling Safe



Mental & Physical
Well-Being



Home as Hub



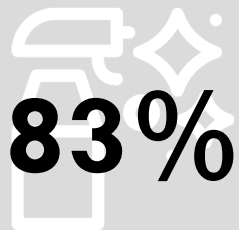
Virtual
Collaboration



Feeling Safe

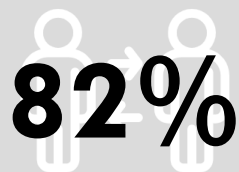
People are looking for workplaces to provide safe environments in order to return

The top three needs are consistent with what we have seen across all the channels we support



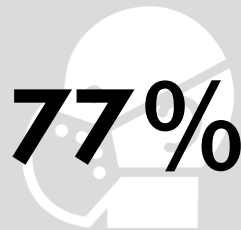
83%

Visible cleaning and disinfecting of high-touch, high-traffic areas like bathrooms and kitchens



82%

Social distancing requirements (i.e. at food bathroom lines, entering and exiting the office, conference rooms, etc.)



77%

Mask requirements at all times for employees

Workers also anticipate making some changes to their personal office routines

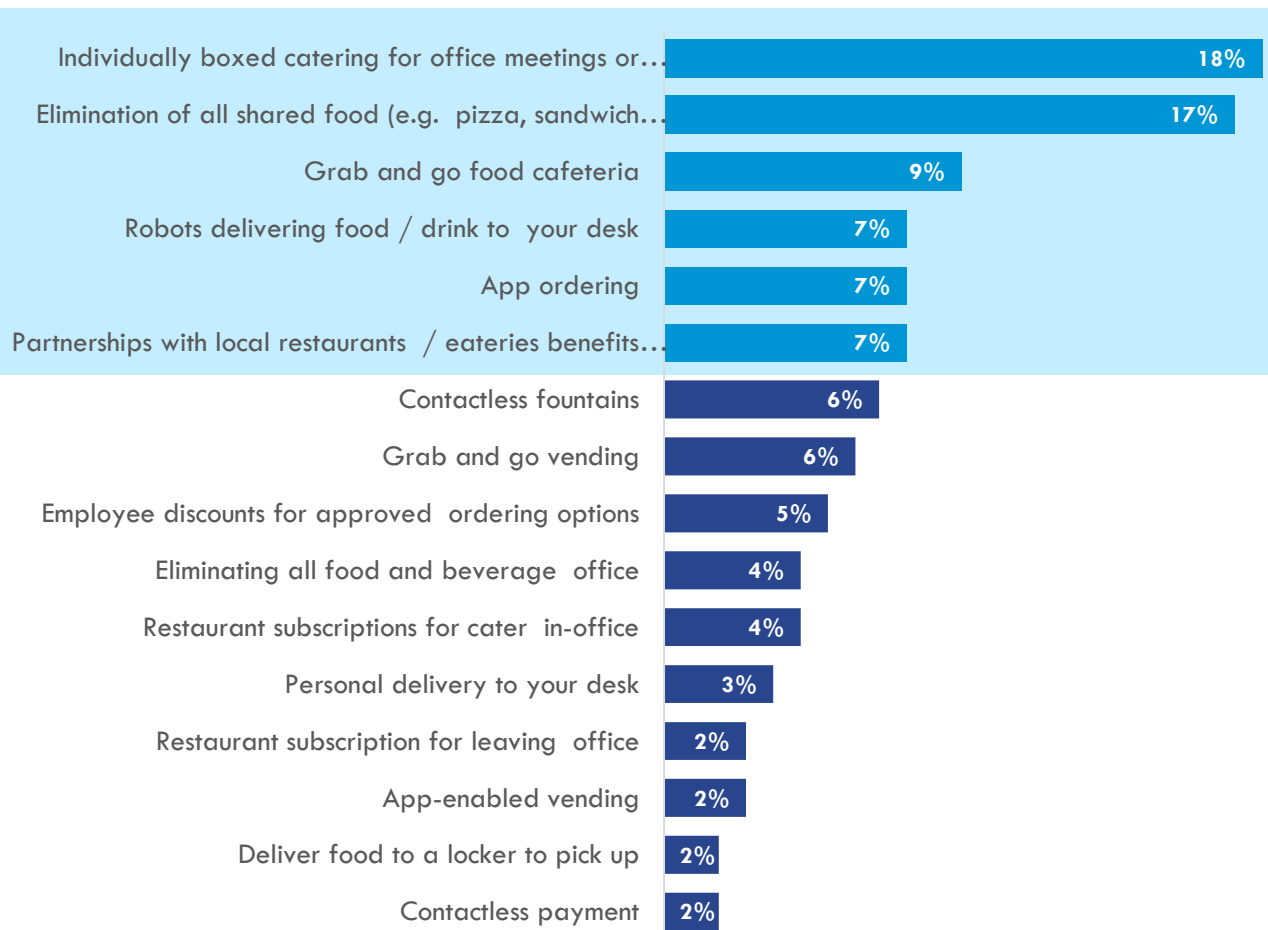
- 80% of workers will **avoid shaking hands** with clients or colleagues
- 61% will avoid using **communal kitchen equipment**
- 41% won't take treats or snacks from colleagues
- 27% of people will try to avoid using the **company toilets**



Feeling Safe

When it comes to food and beverage, sharing is no longer caring

#1 thing people are looking for from food and bev when they return to the workplace



When asked, consumers highlighted individually wrap snacks, beverages, and other food items



Single serve items

Individually wrapped snacks

Vending machines to serve water and snacks

Bottled Beverages

Allowance for own purchases

Pre-wrapped, cold sandwiches

People just to be in charge of themselves

Catered box meals

Increased cleaning supplies accessible for my use

More prepackaged options

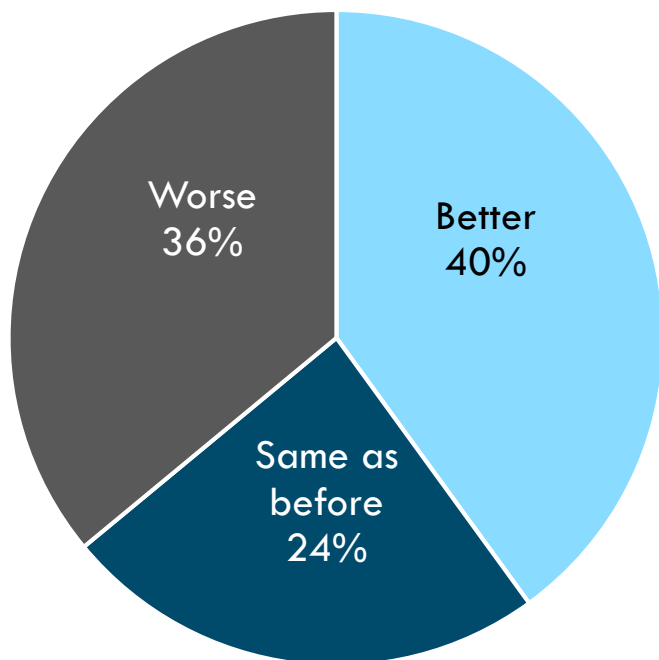




Working through the pandemic has increased pressure on workers

Mental & Physical Wellbeing

Since I've been working from home during the Pandemic, I feel that my mental and physical wellbeing is:



Work has crept into personal time more than usual...

↑ 8%

Afterhours emails

↑ 48

Minutes in the workday

↑ 13%

More meetings

...and people are having trouble turning off

54%

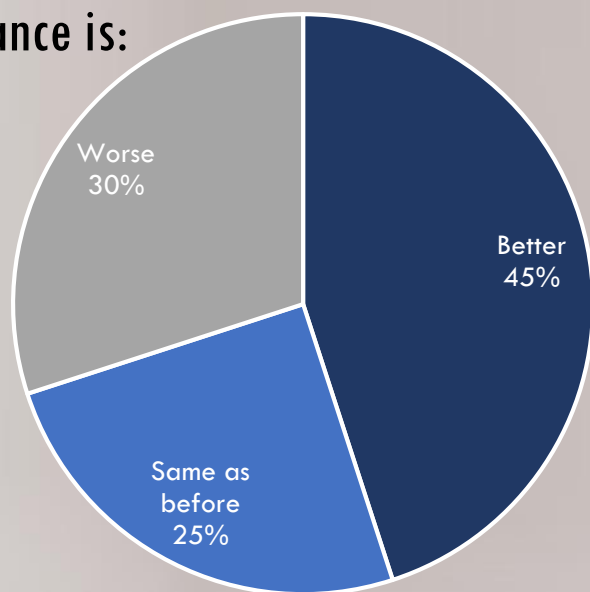
seeking clear separation between work and home



Mental & Physical
wellbeing

...and though productivity is better overall, many are still struggling

When working from home, I feel that
my own job performance is:



"I feel like I can focus down on my work with less interruptions and I feel like I have more leisure time because I don't have to commute."

Gen Z and Millennials are more stressed due to their current life stage

70% **69%** **55%**

Gen Z

Millennials

Boomers

Face challenges in working from home



"I work from the bedroom of our one bedroom condo while my partner works from the living room. I wish we had a little more space for a more dedicated working area, but we're limited by our small apartment"

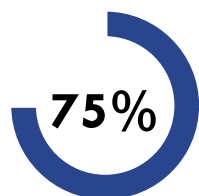
"I work at my kitchen table. Or my bedroom upstairs. Depending on how distracting and difficult my kids are being"



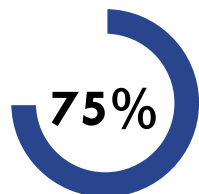
Job satisfaction is high, but people miss social interactions

Mental & Physical
wellbeing

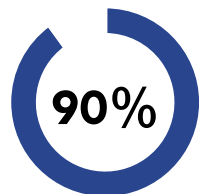
Professional engagement is flourishing



agree that they have been collaborating effectively



feel trusted by their manager to carry out their work



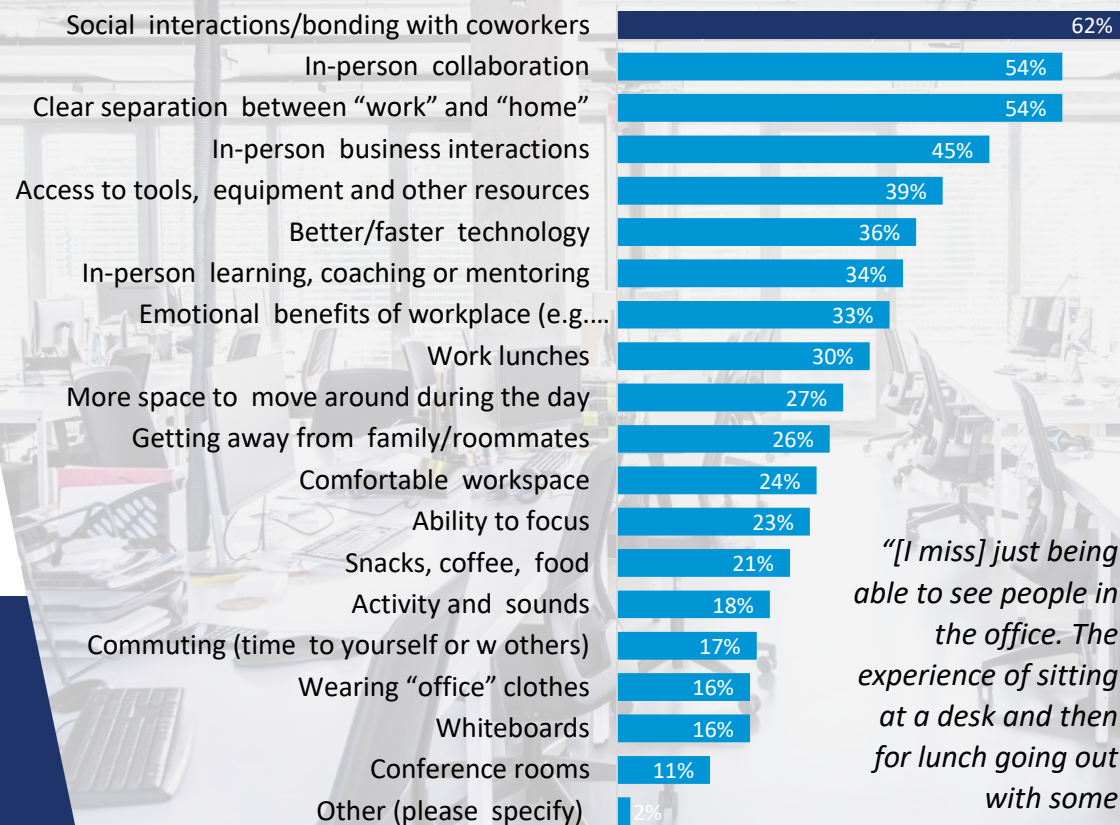
feel productive when they need to focus

"I feel like I can focus down on my work with less interruptions and I feel like I have more leisure time because I don't have to commute."

"I work longer hours without minding working longer hours and I am less distracted by other people.."

"I'm getting more sleep and have become more productive"

Which of the following do you miss about working in an office?



"[I miss] just being able to see people in the office. The experience of sitting at a desk and then for lunch going out with some coworkers."



Companies are finding new ways to encourage bonding

Mental & Physical Wellbeing



Lighten the Load



A stipend for cleaning services or virtual nanny allows workers more time for relaxing

"Sending food to our entire families, providing rebates for haircuts, gifts to our children...a lot"



Online Networking

DeSantis
Breindel

Team show and tells allow us to continue to get to know each other in a more personal way than we otherwise might, even in an office

"Having regular check in calls and some social video calls to replace after work drinks, lunches, and such."



Wellness activities



Headspace reported a 500% increase in corporate requests for their services since COVID-19

"Mindfulness sessions and Wellness Wednesday's giving breathing techniques, stress relief, healthy ideas for meals."

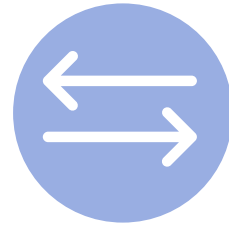


Home as Hub

With Work From Home more normalized during the pandemic for white-collar workers, many are hoping the flexibility is to stay...

"I am working from home... I can basically work from wherever... As long as I have access to a computer. Honestly at first I was feeling a little restrained, but I actually like working from home now."

"I get to produce significant results without the constant distraction from people I work with at a physical work location."



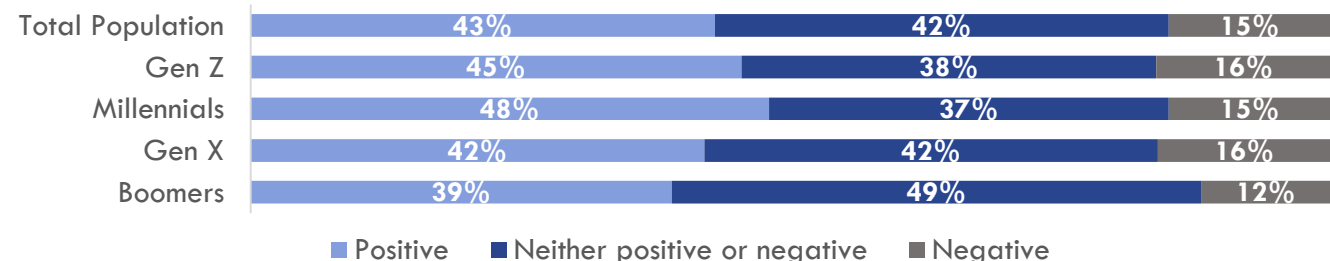
57% believe Work Life will change due to the pandemic

How the pandemic is seen to change consumers' lives



Many feel positive about spending more time at home

Feelings about spending much more time at home

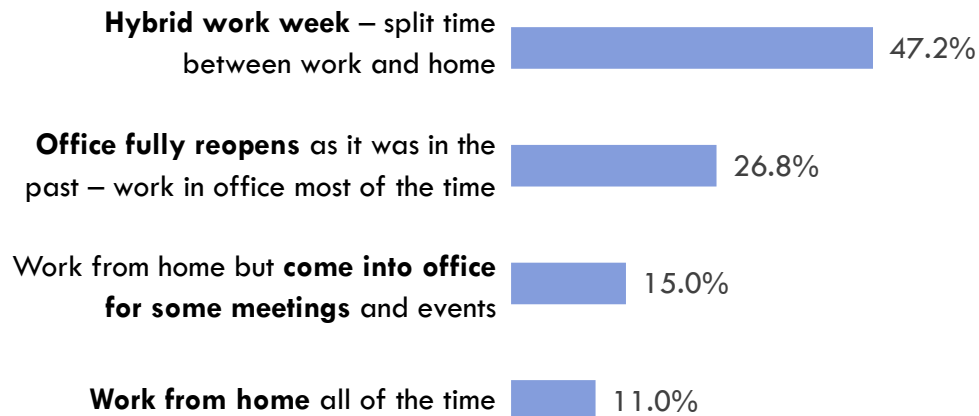




Home as Hub

...and planning for 'Home as a Hub'

About half expect hybrid workweek: split time between work & home



Given anticipated future with hybrid working models, some are looking to **reconfigure their homes** to ensure it is optimized for both Work Life & Home Life.

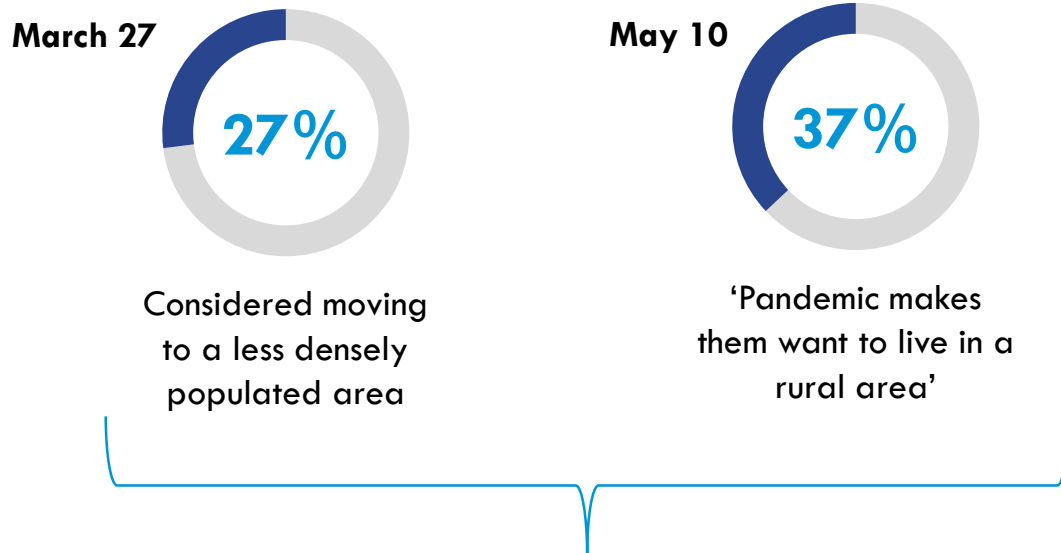
- *"I anticipate continuing to work from home through at least the end of the year or possibly go in 1-2 days a month."*
- *"I will continue working from home as usual. My company is considering allowing people to continue working from home as long as they want. That has implications for our physical office space. We may have to reduce our office."*
- *"I'm expecting a new model of cohabiting between office and work-from-home procedures for the months to come."*
- *"In the fall we are doing a hybrid model where we go to work one day, have the next off, then Friday all online."*



Home as Hub

Bracing for 'reverse urbanization' – remote working may lead to a 'rural renaissance'

Pandemic has some rethinking benefits associated with city living



WFH challenges a quick return to typical offices

- Consideration for **well-connected suburban/rural communities** ideal for split work weeks is growing
 - Online searches** for suburban/rural housing has **spiked in popularity** (43% of urbanites)
 - Demand for **outdoor space** surges for larger properties in greener, safer environments
- Restrictions on movement had people **reassess their daily commute** and consider greater emphasis on **self-sufficiency, independence, and their local community**



Home as Hub

New ways of interacting with food & beverage emerge

Typical work meals

With unstructured days, leads to **blurred dayparts**; meals include:

- Snacking throughout day
- Leftovers
- Minimal cooking required / grab and go from kitchen (i.e., cereal, yogurt, sandwiches)
- Ordering delivery



*Cafeterias will need to **cater to unstructured eating times***

What is working

Many enjoy the **flexibility** of choosing what they can eat and when:

- With no commute time, more time to make meals after work
- Later breakfasts, earlier dinners
- Freedom to eat at any time



*Companies can incentivize employees to return to the office cafeteria at **off hours** to stagger footfall*

Given **repeat meals are tiring**, many hope for new options mostly centering around **variety and ease**:

- **Subscription boxes** for lunch & dinner (pre-prepped or cooked), snacks, coffee pods / tea bags, beverages – all with rotating, **customizable options** (i.e., healthy)
- Subscription / budget to spend at local restaurants
- Groceries delivered to save time

"I need new meal ideas. I'm tired of everything."

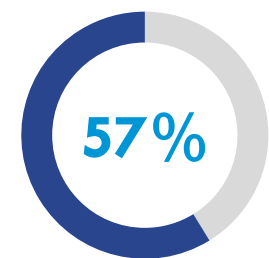


Companies are taking steps to accommodate remote working through technology...

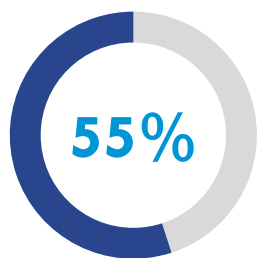
Flexibility in hours a driver to boost productivity

With employees adapting to a new work paradigm, employers look for ways to enhance remote working:

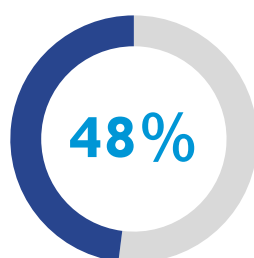
Steps US executives plan to take to boost remote worker productivity



Greater flexibility in work hours



Better hardware & equipment

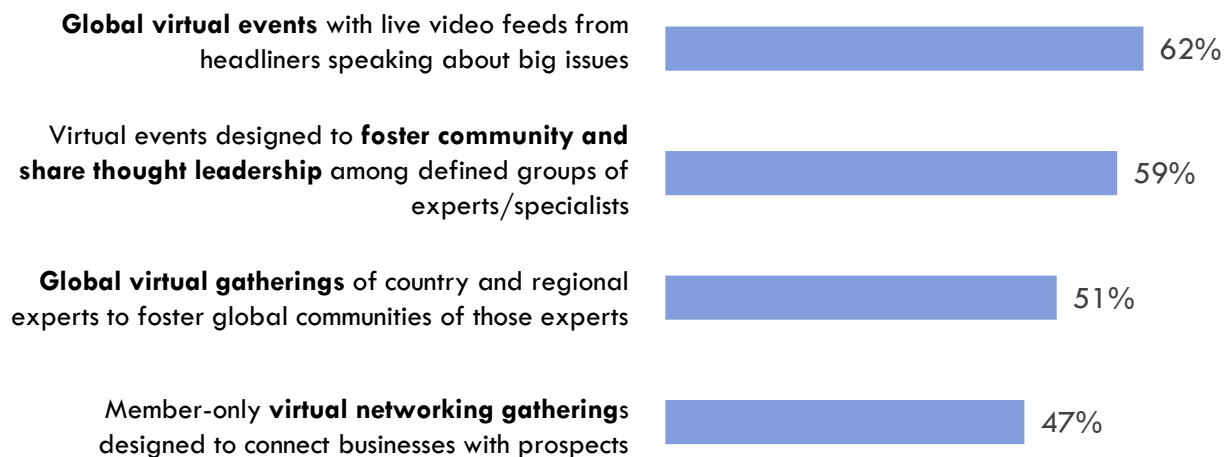


Reward new experiences, training, and learning

Creative virtual events are here to stay

Companies have paved the way to host creative large events – may be a mainstay post-pandemic:

Types of events very likely to occur regularly post-pandemic





...but they are not without their shortcomings

Lack of equipment at home

Some struggle, as home technology setup differs, and where people are working:

- Bedroom
- Kitchen table
- Dining room table
- Living room
- Guest bedroom
- Home office

Technology Wish-List



66% wish for a budget for **home office equipment**



18% wish for improved **communication tools**



14% wish for improved **collaboration tools**



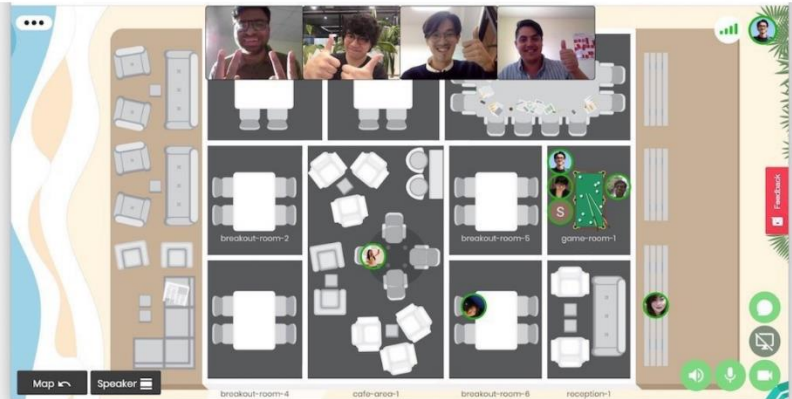
13% want **remote learning** options

"I do not have access to all the equipment and supplies and everything I have in the office and it's a different environment and very distracting with 3 kids in the house too."



“Futuristic” forms of technology as solutions may lead to new ways of working

Virtual Collaboration



Enhancing collaboration

- By resembling physical workspace, **virtual offices** (like Remo.co pictured) may help remote employees feel connected to their team
- **Avatars** of employees may help recreate client/customer relationships – example: UBS Companion for guiding customers through research findings



Minimizing human contact

- Greater reliance of **voice-activated command** to avoid touching objects / sharing germs predicted post-pandemic
- **Digital portals/apps** may be adopted as one-stop shops for all employees' needs (i.e., ordering food, reserving spaces, etc.)
- **Tracing and surveillance** through technology may be used in some settings (i.e., blue collar)



Recreating reality

- Some companies are using **AR/VR** to recreate employee trainings or other shared remote events – may not be difficult to adopt as people are gradually more willing to speak to AI
 - Example: KFC's 'The Hard Way' VR training program to teach the Original Recipe



Virtual Collaboration

Food & beverage to partner with new technologies to enhance virtual meetings



Catering to virtual meetings on the rise

Although seemingly futuristic, some US Marketing Professionals are starting seeing the rise of creativity around Work Events, with some expectation of these continuing in the future:



Virtual client dinners created by boutique event producers who oversee **delivered-to-the-door catering** and special **decorative sets for background** will likely occur regularly



Virtual cocktail hours with clients that include **custom video feeds** of performers/concerts likely to occur regularly



PepsiCo Foodservice Insights

Future Scenarios

Potential future scenarios in the aftermath of COVID-19



Back To The
Office



A Flexible
Arrangement



Entirely Work
From Home



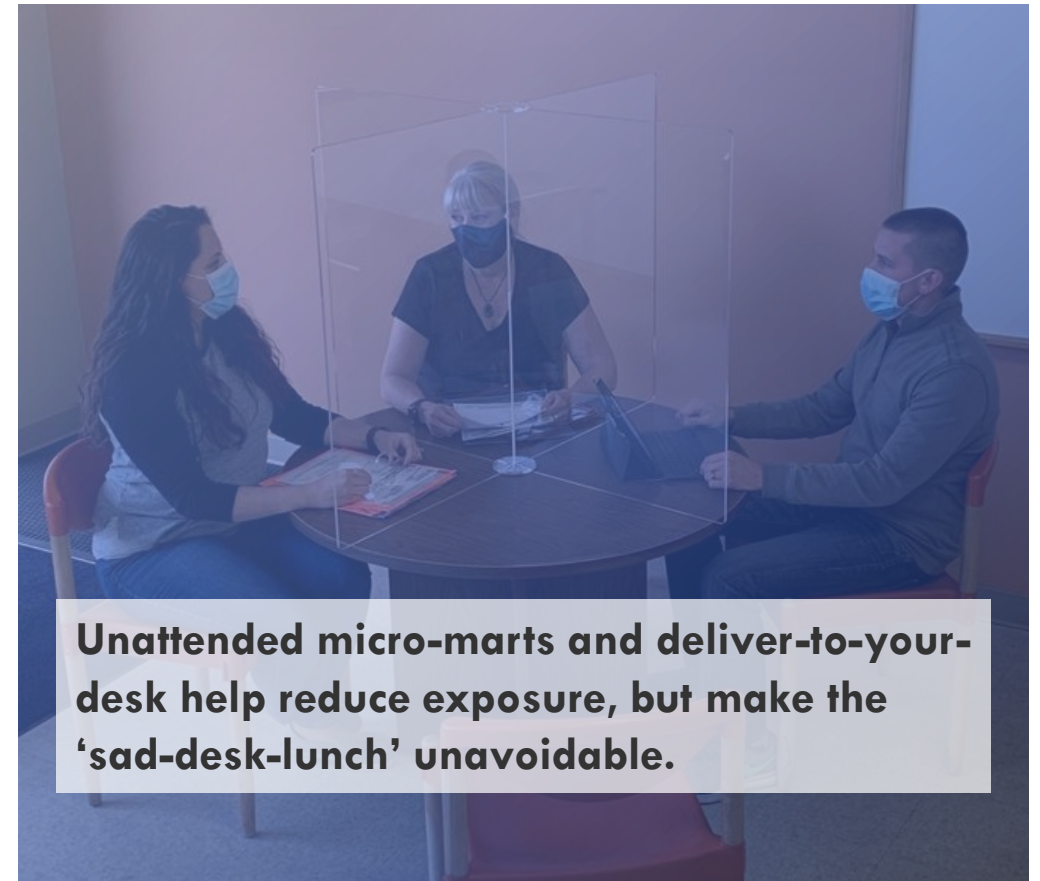
Business As (Un)usual

A renewed appreciation for the old ways of working and a need to separate work and personal lives drives people back to the office and students back to schools

WHAT THE OFFICE MIGHT LOOK LIKE

A lingering fear of the next cyclical wave of infections pushes companies to abandon the open office floor plan and shrink communal spaces.

Staggered shifts/vacations help reduce crowding during COVID season and ambient technologies like voice assistants and infrared sensors are deployed to minimize high-touch surface areas and monitor employee health.



Unattended micro-marts and deliver-to-your-desk help reduce exposure, but make the 'sad-desk-lunch' unavoidable.



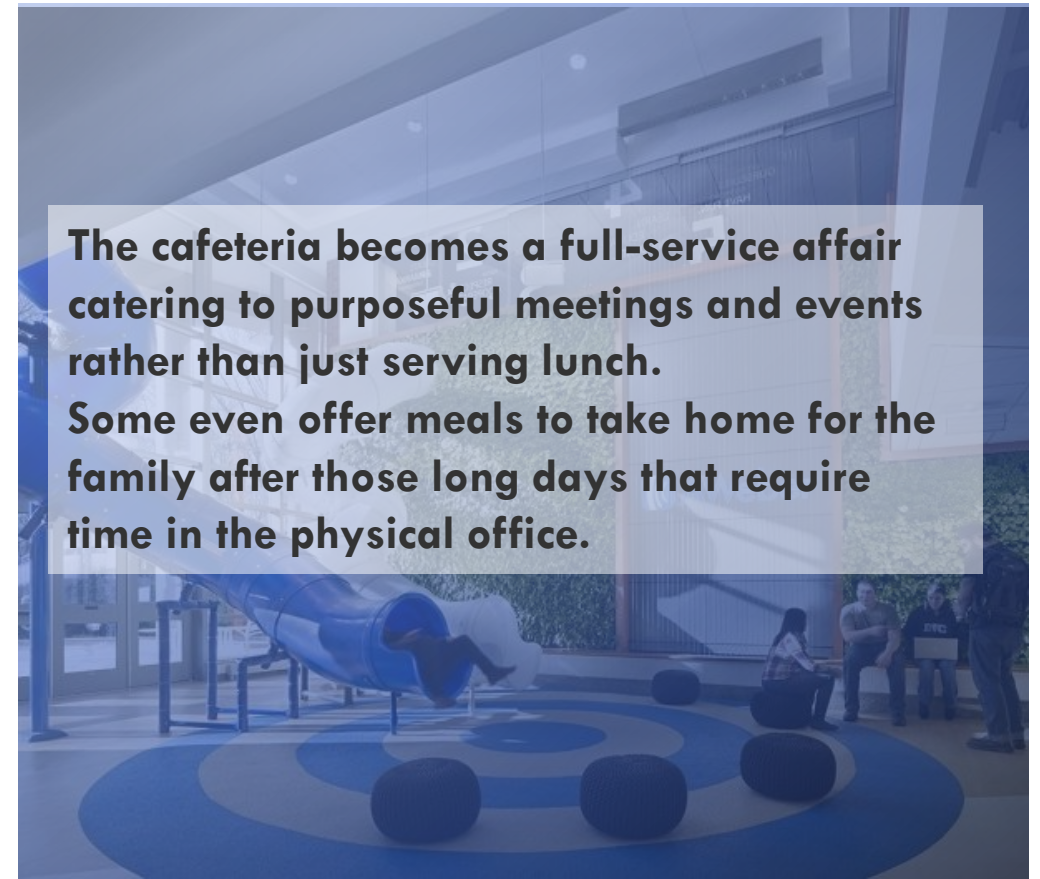
The Office Becomes An Offsite

A hybrid future where people mostly work from home and commute to the office for concentrated work sprints and resources

WHAT THE OFFICE MIGHT LOOK LIKE

With seat allocations and desk space becoming less important, the office space is reimagined around all the activities people missed while working remotely; “face time” with the boss, mentorship, collaboration, networking and community building.

Facilities like dedicated project studios, training spaces, abundant conference rooms, an IT help desk and on-site childcare are what make the office worth the commute a few days a week.





En Suite Office Spaces

Realizing employees are just as effective working remotely, companies shutter offices and invest in directly linking employee homes to the enterprise network

WHAT THE OFFICE MIGHT LOOK LIKE

Employees dedicate portions of their homes to their professional lives to maintain some distinction between work and personal time. Prefabricated backyard office sheds and third spaces in under-utilized hotel rooms emerge as options for those that need more separation. With in-person business interactions becoming a rarity, "zoom waves" permanently replace handshakes.

For employers; bandwidth, network security and keeping up with the newest AR and VR technologies are additional costs that off-set savings from no longer leasing office space.



The office cafeteria is replaced by lunch subscriptions to delivery aggregators. Direct-to-consumer platforms partner with employers to stock your pantry as a WFH perk.

PepsiCo Foodservice Insights

Implications for Workplace



PEPSICO³¹

foodservice A series of small white icons representing various foodservice products: a can, a bottle, a cup, and a box.

Workplace Implications



Employers should think about:

- ✓ Purpose of the physical office
- ✓ Reduction in shared spaces
- ✓ Maximized safety



Employees want:

- ✓ Continued flexibility to connect from anywhere
- ✓ Safer environments (less shared & more personal spaces)



For the office, consider additions of safety tech like:

- ✓ UV lights & anti-microbial surfaces
- ✓ Contactless solutions for high-touch areas

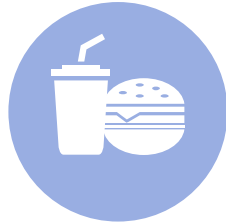


For WFH, consider addition/investment of:

- ✓ Employee collaboration & communication tools
- ✓ Increased network capacities
- ✓ Heightened security infrastructure

Workplace Food and Beverage Implications

COVID has indelibly changed food in the workplace



Optimizing cafeterias

- **Pre-packaged, single serve options** delivered with minimal human contact are among the options people find most attractive
- **Move to contactless payment:** vending or investing in micro markets to meet expectations of minimal human contact
- Given the workplace kitchen is open, there is an **opportunity to expand service to surrounding local area**



Connecting with those working from home

- People miss social interaction, much of which used to be done over food; **Foodservice will need to recapture these occasions**
- Offer rotating, customizable **subscription boxes** of meals / beverages / snacks
 - There is an opportunity to also **deliver groceries** with subscription boxes
 - If not delivering to the home, consider **delivering to outpost for pick-up**
- Opportunity to cater to virtual meetings / events to meet the needs for elevated experiences

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 go to **Omar Sahi, Karen King, Lydia Gau, and Amy Edler.***



PEPSICO
foodservice The icons represent various foodservice products: a bottle of soda, a cup of coffee, a bowl of food, and a box of snacks.

PepsiCo Foodservice Insights





COVID-19 INSIGHTS

The Beverage Story

AUGUST 21, 2020

We Continue to Grapple with How to Move Toward a “New Normal”

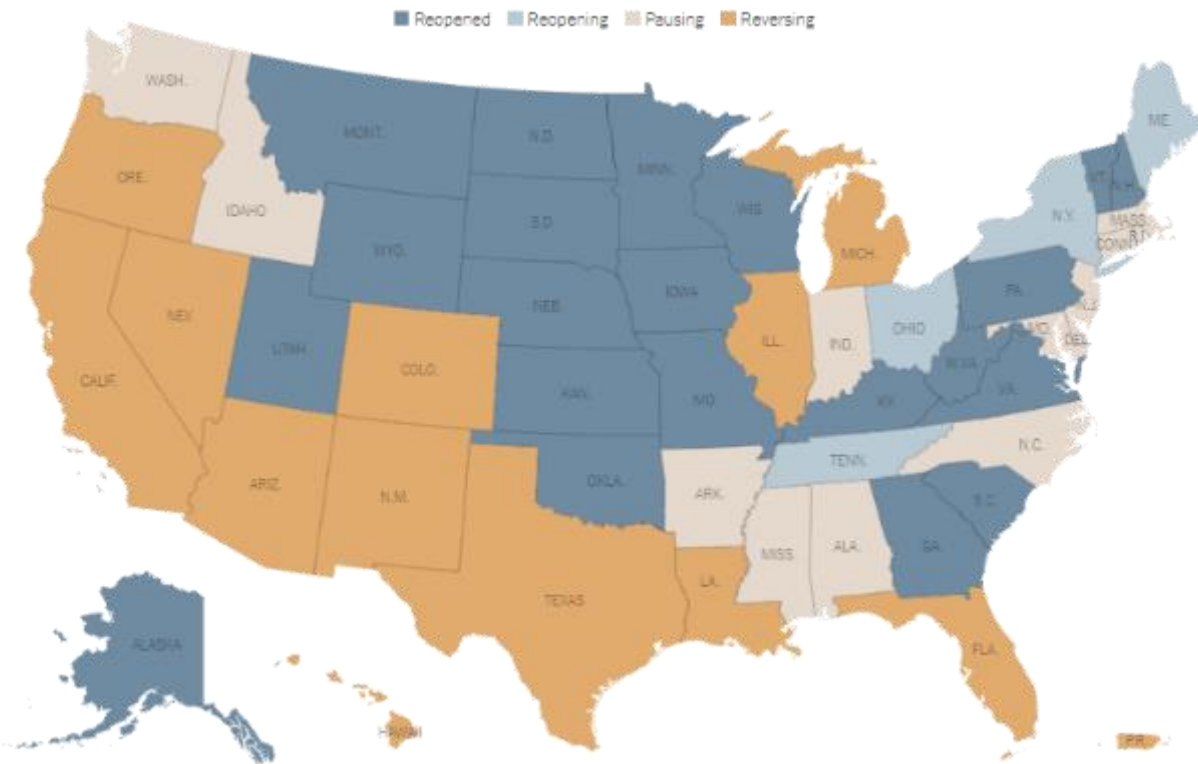
Possible return to restricted living if
COVID-19 cases spike

HORIZON 0 Prevention & Preparation	HORIZON 1 Confinement & Cocooning	HORIZON 2 Restricted Recovery	HORIZON 3 New Normal
Feb-Mar 2020	Mar-Jun 2020 (est.)	Jun-Dec 2020 (est.)	2021+
			
Rapid shift to fear and uncertainty about the seriousness of the virus and how to prepare for “shelter-in-place”	Going through stages of adapting to a new, stressful lifestyle and restless for a return to normalcy	Cautiously optimistic and taking cues from others on how to balance our responses	New behaviors form if finances, desire, and/or opportunity dictate; old behaviors return otherwise

Varies by market based on COVID-19 impact, government actions and human response

The Pandemic Persists

Most of the “closed” states are at a standstill – Oregon & Illinois have joined the long list of states reversing reopening



With back to school ramping up and flu season around the corner, new concerns of a second wave are emerging

- An extension to the **CARES Act** was passed in August, which will provide \$300 a week of enhanced unemployment benefits, with state option to supplement an additional \$100 (compared to \$600 a week previously offered).
- With concerns about what Flu season will look like amid COVID-19, **Massachusetts has mandated a Flu vaccine for all public school students** aged 6 months and older
- **Johnson & Johnson** is the latest company to announce late-stage clinical trials in the race for a COVID-19 vaccine
 - There are more than 160 under development worldwide

Foodservice Landscape: Trend Tracker

DINE



- **QSR** remains the top performing segment based on sales growth, achieving its fifteenth week of positive comp sales growth.
- **Gaining Momentum** – The latest addition to the Ghost Kitchen scene, **Dickey's Barbecue Pit** announced the launch of a ghost kitchen network – money-saving incentive for franchisees

PLAY



- **Tiptoe Forward: AMC** reopened theatres Aug. 20 with a “movies in 2020 at 1920 prices” promotion, selling **opening day tickets for just 15 cents**, and \$5 tickets starting Aug. 21 thru October
- **Fan Favorites: Delaware North's Amalie Arena**, launches “**Lightning Gameday Eats To Go**” takeout experience. Arena classics to enjoy the NHL Stanley Cup at home in Tampa Bay.

TRAVEL



- **Interesting Pivot: MGM Resorts** introduced “Viva Las Office” program encouraging WFH, with benefits like extended check-in/out & dedicated executive assistant
- **Staying the Course: Delta** has committed to block off middle seats through Jan. 6, 2021, a strategy that is paying off for them with consumers

Foodservice Landscape: Trend Tracker

WORK



- **Two Steps Forward/One Step Back:** **UNC** at **Chapel Hill, Notre Dame, and Michigan State** have all announced shifts to remote learning to quell outbreaks of COVID-19 during the first week of classes
- **Preparing for a New Normal:** **Uber** extended WFH policy through June 2021, & is giving employees a \$500 stipend to furnish home offices

SHOP



- **C&G Consolidation:** **7-Eleven and Marathon Petroleum Corp.**, parent company to Speedway LLC, reached a \$21B agreement for 7-Eleven to buy 3900 Speedway stores, growing 7-Eleven's reach to 14,000 stores in the US.

PEP Beverage Story



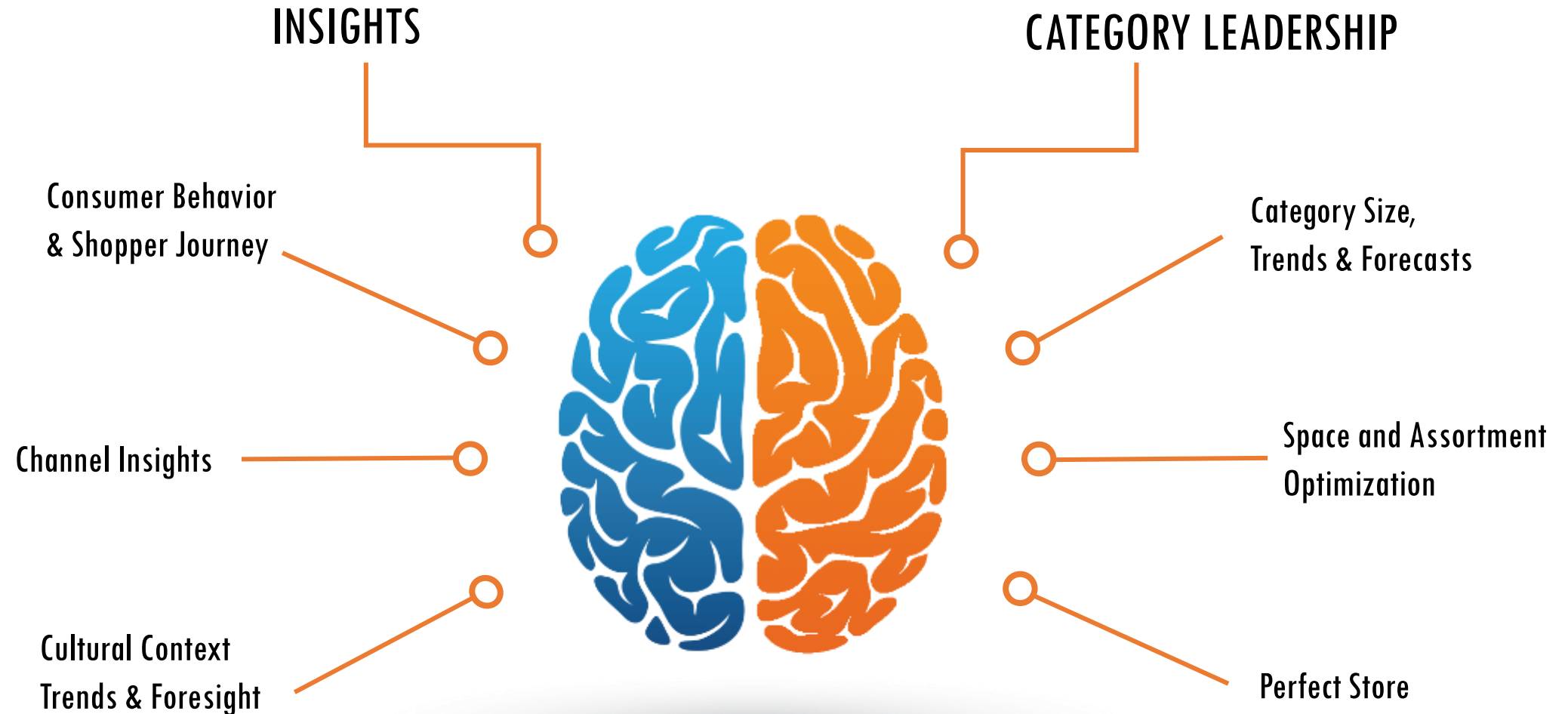
Jaime Friedman
Director, FS Consumer Insights



Meher DMello
Director, FS Category Leadership



Our Beverage Story is Built on Deep Insights



Today's Agenda

UNDERSTANDING CONSUMER NEEDS



BEVERAGE CATEGORY MIX AND TRENDS



OUR BEVERAGE STRATEGY



Today's Agenda

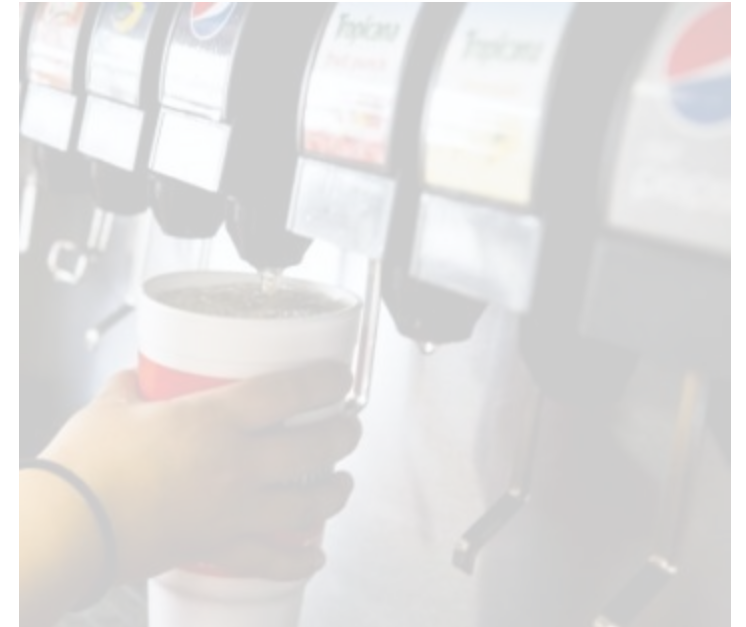
UNDERSTANDING CONSUMER NEEDS



BEVERAGE CATEGORY MIX AND TRENDS



OUR BEVERAGE STRATEGY





**CONTACT YOUR PEPSICO
REPRESENTATIVE TO LEARN MORE**



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 go to **Meher Dmello** and **Amy Edler***