

After weeks of confinement and cocooning, the country is GRAPPLING with how to move toward a "new normal"

Possible return to restricted living if COVID-19 cases spike

HORIZON 0 Prevention & Preparation

Feb-Mar 2020



Rapid shift to fear and uncertainty about the seriousness of the virus and how to prepare for "shelter-in-place"

HORIZON 1 Confinement & Cocooning

Mar-Jun 2020 (est.)



Going through stages of adapting to a new, stressful lifestyle and restless for a return to normalcy

HORIZON 2 Restricted Recovery

Jun-Dec 2020 (est.)



Cautiously optimistic and taking cues from others on how to balance our responses

HORIZON 3 New Normal

2021+



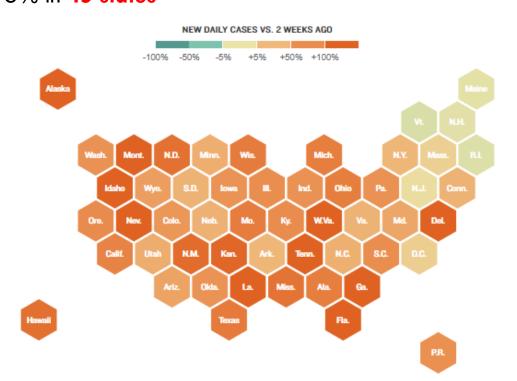
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Varies by market based on COVID-19 impact, government actions and human response

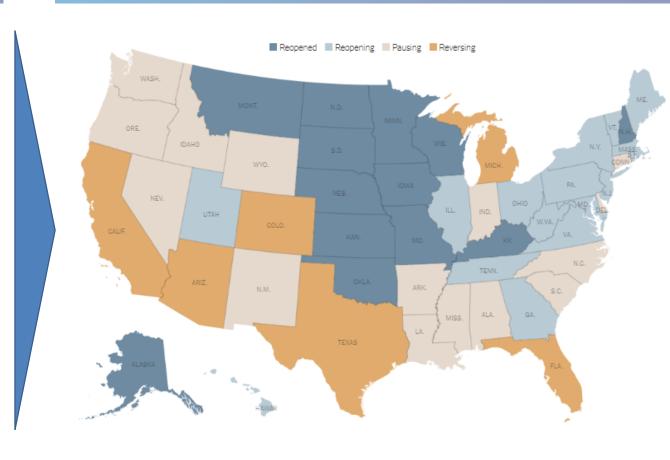
Some states are pulling back on reopening plans as covid-19 cases surge to record levels

U.S. TOPS 3 MILLION CONFIRMED CASES AND CONTINUES TO REPORT RECORD DAILY CASE COUNTS

Number of confirmed COVID-19 cases rising by at least 5% in 45 states



20 STATES HAVE PRESSED PAUSE OR REVERSED THEIR REOPENINGS



Around the country...

...JULY 4TH TRAVEL VARIED

July 4th travel busier than expected

- July 3rd busiest day for road trips so far this year
- U.S. air travel up 90% vs. last month, but still down 70% vs. YA

States' COVID-19 rates impacted the amount of travel happening

- States currently seeing surges of infections saw travel rates 10% below national avg.
- States with low or decreasing Covid-19 cases nearly doubled rates of travel

...AS CASES CONTINUE TO RISE, STATES ARE RESPONDING

- Texas ordered re-closure of bars & restaurant capacity reduction to 50%
- Restaurants in Miami-Dade County in ordered to shutter dine-in services
- Governor of NJ signed executive order mandating face coverings outdoors
- Arizona orders gyms, bars/nightclubs and entertainment venues including cinemas & waterparks to reclose

...AS FALL 2020 COMES INTO VIEW, SCHOOLS ARE LEFT IN LIMBO

Schools are lacking a clear consensus of what the Fall 2020 school year will look like sparking major debates:

- Some states have announced reopenings plans, but vary widely
- The administration threatens to cut federal funding to schools that do not open in the fall
- Strong backlash to new policies affecting International students, Harvard & MIT suing Trump administration

HOW WILL THESE CHANGES CONTINUE TO IMPACT OUR **FOODSERVICE CHANNELS?**

Today's Focus:



- B&I
- **Education**



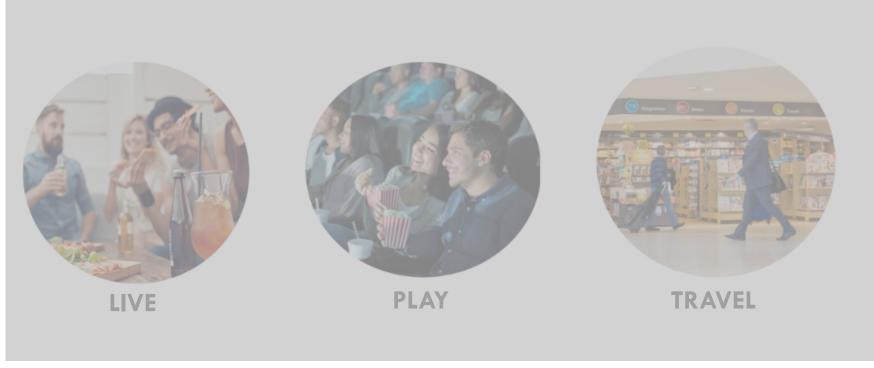
PLAY



- US Travel
- Airlines
- Hotels

Let's take a look at Workplace & Education





- B&I
- **Education**

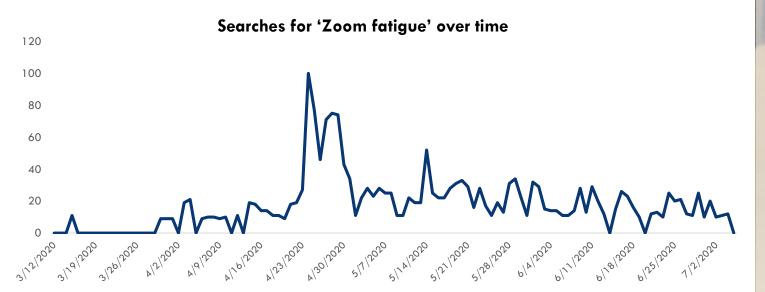


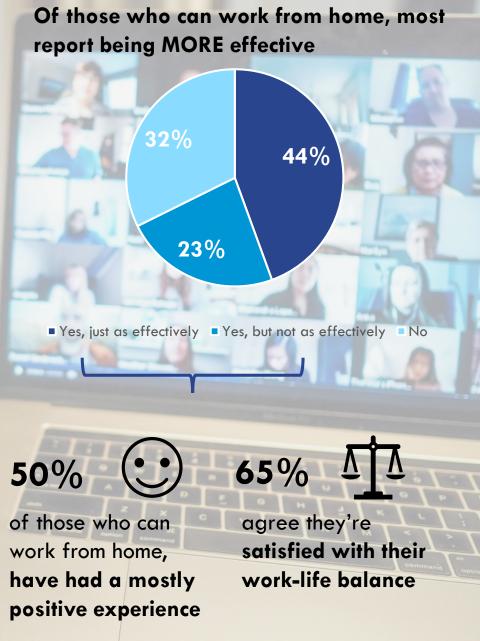
As consumers get more used to WFH, some say 'pros' outweigh 'cons'

1IN 5 CONSUMERS ARE WORKING MORE SINCE COVID-19 STARTED

"Video chats mean we **need to work harder to process non-verbal cues** like facial expressions, the tone and pitch of the voice, and body language; paying more attention to these consumes a lot of energy... You cannot relax into the conversation naturally."

BBC Interview with Professor Gianpiero Petriglieri







Offices are starting to reopen...but is it worth it?

AS OF MID-JUNE, ONLY 15% OF CONSUMERS REPORT THEY'VE GONE BACK TO THE OFFICE

> 153 INDEX **GEN X**

67 INDEX **FEMALES**

Blue collar workers have returned with distancing & PPE, white collar offices starting to slowly open.

Locations that are open must practice social distancing, extra hygiene, including:

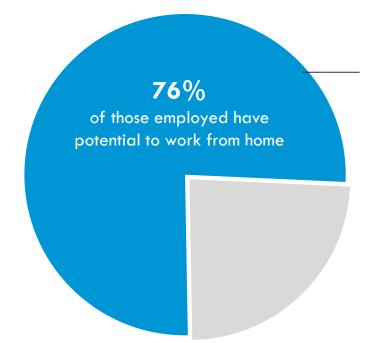
- Mask requirements
- Temperature checks
- Limited occupancy





EMPLOYEES AND EMPLOYERS ARE GETTING MORE COMFORTABLE WITH LONGER-TERM FLEXIBLE SCHEDULES

ONLY 19% OF CONSUMERS ARE READY TO GO BACK TO THEIR OFFICE IMMEDIATELY AFTER SHELTER-AT-HOME



48% think their employer will allow it or already are working from home

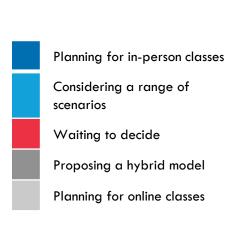
75% want to work from home at least some of the time

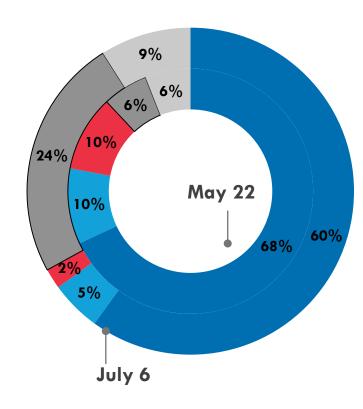


C&U operators are in the midst of planning for a variety

While most are planning to be in-person in the fall, some are proposing hybrid models

of scenarios...





Recent announcements



Harvard University

- 40% of undergrads on campus each semester
- Freshmen will get priority in the fall and seniors in the spring
- On campus students will live in single bedrooms
- There will be restrictions on access to dining halls and nonresidential buildings.
- Students will be required to take a COVID-19 test every 3 days
- Tuition will not be discounted (despite all classes being taught remotely)

Princeton University

- 50% of undergrads on campus each semester
- First-year students and juniors will be on campus in the fall, sophomores and seniors return in the spring
- Breaks will be shortened to long weekends and students will leave campus before Thanksgiving, having reading periods and exams online
- In addition to regular testing and requirement of masks, social distancing will be the norm, including that "parties will be prohibited"
- Tuition will be discounted 10% and most instruction will be remote





lvy League schools announced the cancellation of all fall sports.



...but long-term headwinds exist for C&U



Students Staying Closer to Home

- 49% of the class of 2020 have changed their post-grad plans as a result of COVID-19
- Some state Universities saw spikes in commitments from in-state residents compared to last year
- To save on costs, students and families are considering options such as commuting vs living on campus or starting out at a 2-year school



International Student Enrollment Expected to be Lower

- This week, it was announced that International students attending colleges & universities that will have 100% online learning will not be issued student visas. While active students can remain enrolled, they must return home or transfer to school offering in-person instruction.
- Colleges & Universities were already predicting worst-case scenarios when it comes to international student



Dining Halls Changing Roles

- Greater emphasis will be put on to-go and Grab & Go options, as seating capacity will be reduced to accommodate distancing
- Some Colleges & Universities have announced that dining halls will only serve on-campus residents and staff
- 80% of students said they would be more likely to get food from an on-campus dining venue that offers digital ordering and payment options

Source: Wakefield Research May 2020 PEPSICO FOODSERVICE INSIGHTS 10



K-12 school re-opening also on uncertain footing

OUTLOOK FOR FAL

SOME STATES HAVE REOPENED SUMMER CAMPS

Safety measures a potential indicator of what's to come in the fall:

- ✓ Fewer campers allowed per session and those at camp are split into smaller groups they stay with for the session
- ✓ Social distancing through plexiglass barriers, marked off personal spaces, assigned seats, and eating meals in shifts
- √ Hand sanitizer widely available and required upon entry
- ✓ Daily temperature checks and health screenings upon drop-off
- Designated pick-up and drop-off spots to minimize the number of people coming in





NBC News

4

Schools aren't aligned on their decisions to re-open

- Some schools will limit in-person attendance to a few days/week, others will leave it up to parents to decide
- The CDC will provide more direction on school guidelines yet won't change them despite Trump claims they're too tough/expensive



Balancing safety with normalcy & peer interaction

- 1 in 5 teachers say they are unlikely to return to school if their classrooms reopen
- Engagement in proper activities, access to right resources, & fear of children falling behind academically are top concerns for continuing at-home learning in the fall.



Increased need for access to free or low-cost meals

- Parents of students experiencing higher rates of unemployment than ever before
- Lunch debt concerns



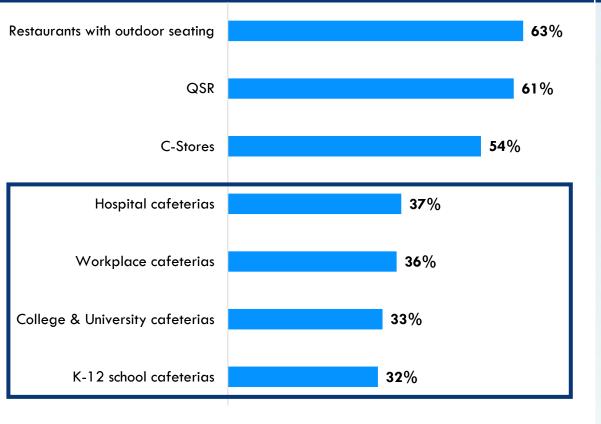
Lunch likely won't take place in the cafeteria

- 69% of K-12 operators plan to have students eat in classroom or at desk only
- > 37% are considering shortening school days and eliminating the lunch period for the near future



Overall, consumers have concerns about the safety of Workplace foodservice

CONSUMERS FEEL LESS SAFE RETURNING TO WORKPLACE FOODSERVICE...



% who feel safe going there after shelter restrictions are lifted

...HIGHLIGHTING A TRUST ISSUE

33% of consumers DO NOT TRUST cafeterias (schools, offices, hospitals) to take the necessary precautions to keep them safe

what would need to happen for you to feel safe dining in again?

\checkmark	Spaced out tables	40%
✓	Employees wearing masks	39%
✓	All common areas are visibly wiped down regularly	39%
✓	Restrooms are extremely clean	39%
✓	Employees wearing gloves	38%
✓	Sanitizing products provided to customers	38%
✓	Smaller capacity	36%
\checkmark	No self-serve buffets	25%



That leaves Workplace foodservice in new territory

GRAB & GO IS A TOP MENU PRIORITY

MENU FOCUS FOR REOPENING

B&I Grab & Go Healthy Comfort

C&U Grab & Go Comfort Healthy

K-12 Grab & Go Healthy, Good Supply, Ready-to-Heat

Kits

Hospitals Healthy Grab & Go Comfort



Boston College plans to streamline menus to focus on its most popular menu items, "comfort foods that intersect with ethnic preferences."



Aramark opened pop-up convenience stores for healthcare workers across the country to serve as one-stop shops for groceries and other necessities.



Nearly 9 in 10 will continue meal kits



2/3 will continue to-go family meals



2/3 will continue pantry

Source: Technomic, Inc. Planning Program 2020



IMPLICATIONS

- 1. As consumers start to return to Work channels for potentially the first time in months, consumers will have a strong need to have safety concerns addressed
- Operators should consider revisiting the footprint of cafeteria spaces to accommodate for social distancing, desire for grab & go, and growing need for solutions that allow for contactless experiences (i.e., digital order ahead for pick-up and delivery)
- 3. New product offerings like family meal kits and meals for the next WFH day are potential tactics for revenue



Getting deeper into restaurants...



Restaurants

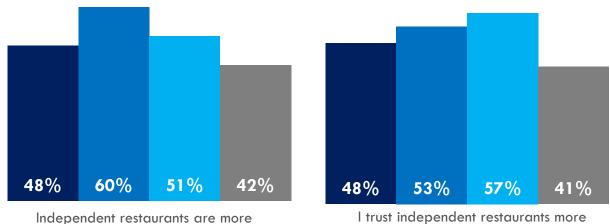


Consumers desire to support local businesses, especially restaurants during the time of COVID-19

YOUNGER CONSUMERS PLACE MORE TRUST IN THEIR LOCAL ESTABLISHMENTS...

66%

of consumers say they try to buy from local companies when possible



Independent restaurants are more transparent than chain restaurants

■ Total ■ Gen Z ■ Millennials ■ Gen X & Older

...AND ALL CONSUMERS WANT HELP THEIR COMMUNITIES THROUGH LOCAL RESTAURANTS ²

62% of consumers

Feel "Eating at restaurants allows me to do my part in helping my community"

54% of consumers

Feel "Eating at restaurants makes me feel connected to the community again"

31% of consumers

Say "Seeing my local community support local restaurants" is one of the most positive food-related outcomes of COVID-19

15% of consumers

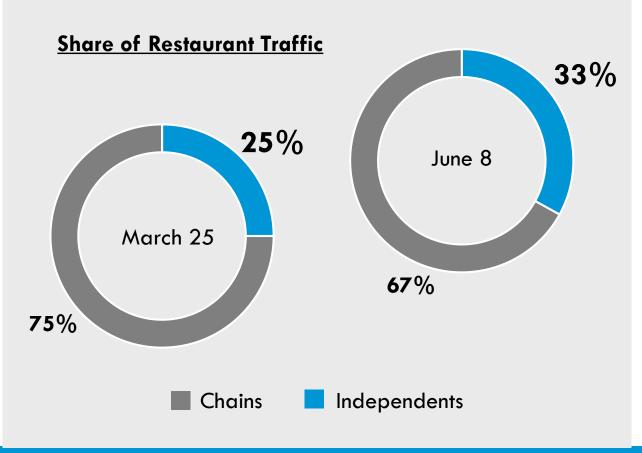
Say "Knowing I support employees in my community" encourages them to visit/order food from restaurants³

than chain restaurants

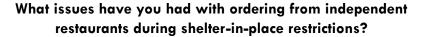


Interest in independent restaurants is reflected in a recent uptick in traffic share but some barriers exist

INDEPENDENT RESTAURANTS ARE SEEING AN INCREASE IN RESTAURANT TRAFFIC SHARE SINCE THE BEGINNING OF COVID...¹



...BUT LACK OF ACCESS CAN KEEP CONSUMERS FROM ENGAGING²









SPACE & OPERATIONS

- Physical changes like:
 Re-spacing seating,
 plexiglass barriers,
 contactless fixtures, air
 purifiers, removed
 tabletop items...much
 more
- New processes:
 reservations-only, virtual
 queues, ordering process
 changes, digital menus,
 etc.



LABOR ISSUES

- Labor pool widened but challenges remain in finding skilled, longterm labor
- Retraining employees
 with new processes and
 training new COVID related positions
- Creation of a new work culture post-COVID-19



SUPPLY CHAIN

- Restaurants must stabilize supply chain in the short term, look to reorganize operations & supply chain to match new realities
- Supply issues persist as distributors recover from the drop in Foodservice demand & food supply disruptions continue



SHIFTING OPENINGS

- Initial closures caused restaurants to pivot quickly to off-premise-only operations
- Re-opening starting with outdoor dining, required further adaption
- Re-closures now looming may require restaurants to pivot operations again



What does dine-in actually look like in re-opened states?

As the country began to peel back stay-at-home orders and restrictions, operators excitedly reopened their doors to welcome back guests. What did guests find in their return?

Seating Blocked Off



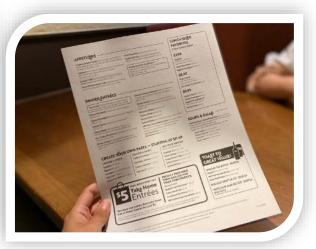
Social Distancing Signs



Masks on Team Members & Guests



Paper Menus



Reservations required

Fewer Customers

Limits on Party Sizes

No Indoor Waiting Areas

Contactless Payment

Individually Packaged Silverware

Noticeable Cleaning & Hygiene

No Salt & Pepper, Nothing on Tabletops

"While everything looked the same at the surface, there were precautions and reminders everywhere that we're still in the middle of a pandemic."

Source: Business Insider PEPSICO FOODSERVICE INSIGHTS 19



Restaurants are implementing & optimizing outdoor dining

Outdoor dining has been the first step in reopening around the country.

Many operators did not have an existing or large enough outdoor dining space, causing restaurants to create inregulation spaces & operationalize very quickly, maximizing the space for revenue & guest comfort

There are many forms based on restaurant locations and layouts:

- Existing Patio Seating
- Sidewalk/Parking Lot Seating
- Open Streets Seating (closed off street areas)
- Pedestrian Plaza Seating (urban areas)

Good

Examples of outdoor dining done properly include safety measures for social distancing & crowd reduction and mask-wearing

Boston, MA



Not-So-Good

Issues arise when outdoor dining leads to crowding/no distancing or mask-wearing;
There are questions surrounding who polices guidelines & varies by location

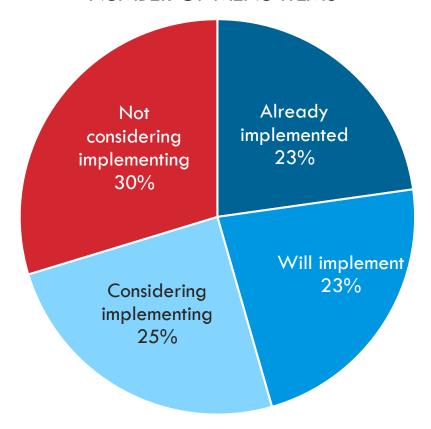
Columbus, OH





In Recovery, operators will balance simplified menus & innovation

PERCENT OF OPERATORS REDUCING THE NUMBER OF MENU ITEMS¹



OPERATOR CONSIDERATIONS



- Restaurants are currently implementing streamlined menus for ops efficiency & service speed, reduced costs/complexity
- In Mar/Apr, Technomic reported fewer product LTOs than normal due to fewer resources for product innovation; Most LTO's were value-based²
- Value LTO's, Family Meals, and Comfort Food will continue into recovery as restaurants try to entice consumers back
- But innovation pipelines remain important, as trends reemerge post-COVID and consumers seek variety³

Menu Impacts Across the Stages⁴

	Confinement	Initial Recovery	Recovery	New Normal
Menu Actions	Menu Rationalization	Menu Revitalization	Menu Optimization	Menu Reinvention
What's Happening	Menus shrink, with items tailored to off- premise	Craveable, value-driven items prevail	Low-cost, high- profit-margin items that drive check averages	More advanced culinary innovation



Guests will accept short term menu changes, but still want variety from restaurants

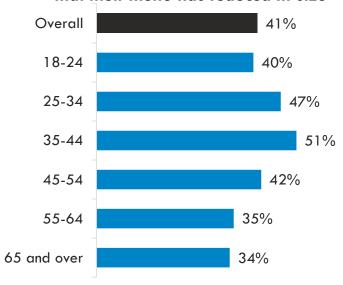
Many consumers are **empathetic** to current operator challenges and will accept some change in the short term

What would you think if your favorite restaurant did any of the following during this period of shelter-in-place restrictions? immediately after?¹

	ACCEPTABLE
Adds many new menu items	84%
Shortens menu to only most popular items	69%
Reduces options / flexibility for customization	63%
Increases menu prices slightly	52%
Offers / sells lower quality alcohol	49%

BUT... Not all consumers feel this way, as some note they would be upset with reduced menu sizes **AND...** Consumers will desire variety as we move back into the New Normal

It would be upsetting to visit a restaurant to then find out that their menu has reduced in size²





Catering is shifting to smaller events with individual items

FROM: LARGE GATHERINGS



TO: FAMILY/INTIMATE GATHERINGS

- A majority of catering programs saw significant decreases during COVID-19 due to the cancellation of large group events and workplace shutdowns
- Focus is now on new customers (e.g. families, essential businesses) with a higher number of deliveries with smaller event sizes and lower ticket averages
- Shift from sandwich platters, family-size salads, shared party trays to individually wrapped sandwiches, boxed lunches, individually portioned entrees/sides/dessert to prevent contact and potential contamination at group gatherings; Strong opportunity to provide individual-size chips as a side for this occasion as they travel & pair well.
- These shifts require operations & logistics changes, as well as incremental costs such as labor, packaging, and delivery that must be considered
- Potential Future State Catering "virtual events" is an idea being explored by Panera Bread; creating a singular, private menu that participants can order from at any Panera around the country and have that product delivered at a specific time



PEPSICO FOODSERVICE INSIGHTS 23



The growth in the delivery space is leading to change for both restaurants & 3rd Party Delivery

NOTABLE MERGERS/AQUISITIONS

GrubHub to merge with European food delivery company Just Eat Takeaway in \$7.3B deal





Uber to buy Postmates for \$2.65B, combining US networks of restaurants & delivery people; separate apps will remain active





DELIVERY NEWS

DELIVERY ONLY/GHOST KITCHENS

Brinker launched national deliveryonly chain "It's Just Wings," delivers through DoorDash; Orders fulfilled via Chili's & Maggiano's kitchens

WingStop opened 1st US Ghost Kitchen in Dallas, TX; future goal of digitizing 100% of transactions

REGULATION

NYC, LA, Portland join list of large US cities capping 3rd party delivery fees to help restaurants

IMPLICATIONS

Speculation on long term impact of delivery consolidation Commission fees a big question.
Potential for more choices for consumers, more work for delivery drivers. Consumer loyalty to one app/company may increase.

Delivery-Only businesses will continue to grow near term as restaurants fight for survival; Offers flexibility for new & established brands to bring in revenue at a crucial time.

DINE

Opportunity in the future of alcohol to-go

Many states relaxed liquor laws as a temporary COVID-19 relief measure, allowing restaurants & bars to sell alcohol to-go, increasing off-premise revenue in recovery & beyond while consumers safely enjoy their alcoholic beverages at home. Now, some are making the changes permanent.

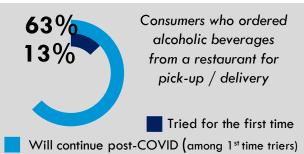
A FIGHT A' BREWIN'

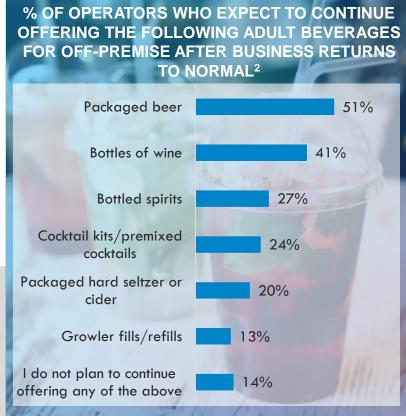
IOWA governor signed a bill into law permanently allowing cocktails to go on menus, MICHIGAN extended through 2025.

States currently considering making temporary cocktails to-go policies permanent: FLORIDA, OHIO, OKLAHOMA, TEXAS, DC

BUT... There is potential legislation opposition from alcohol retailers, as well as groups concerned with upholding alcohol safe-serving policies.

OPPORTUNITY: Retention of the new adopters of alcohol to-go is an opportunity area for restaurants (if permanent). And early indicators show it is incremental to off-premise beverage sales. Innovation and menu planning for this offering could be a differentiator.

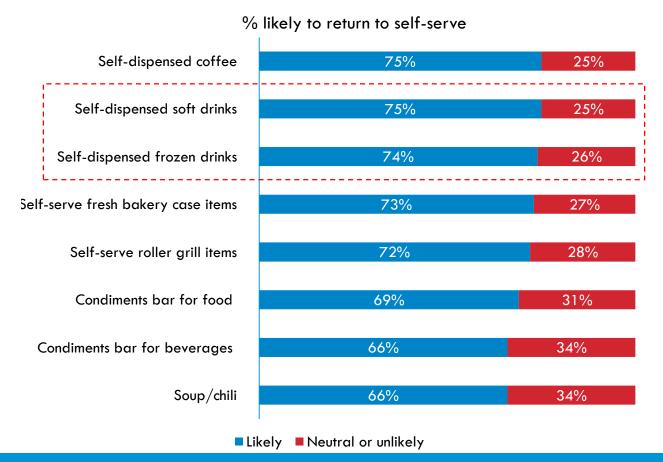






POST-COVID, CONSUMERS WANT TO RETURN TO SELF-SERVE AT C-STORES

CONSUMERS ARE MORE INCLINED TO RETURN TO SELF-SERVE BEVERAGE OPTIONS, BUT OPERATORS WILL STILL NEED TO REASSURE & DRAW THEM IN





After closing them in March, Wawa has reopened self-serve areas in 60 locations with added safety measures including tissue paper to cover handles & wrapped stirrers.

As a welcome back to customers,
7-Eleven is offering seven free any
size hot coffee and/or any size
fountain drinks for 7Rewards loyalty
members per day via the 7-Eleven
mobile app.



Source: Technomic C-store Monitor Q2 2020 PEPSICO FOODSERVICE INSIGHTS 26



TECH ENABLED SOLUTIONS ALLOW OPERATORS TO STAY ENGAGED WITH THEIR CONSUMERS



- Country Garden, a developer in China has opened up a restaurant completely operated by robots, eliminating most human-to-human contact.
- The space is 20,000+ sq. ft., can handle 600 diners at once, and has 200 menu items available within 20 secs of ordering.



- Domino's has unveiled the "Domino's Rain Check Registry" targeting couples who have had to postpone their weddings due to COVID-19.
- Friends & family can send gift card packages to couples who register on the website.



- Chipotle has created an online platform connecting farm suppliers directly to consumers.
- The platform allows consumers to buy items directly from farmers, and was created with the intention of generating a new revenue stream for farmers amid COVID-19.



INNOVATION IS BACK ON THE MENU



- The Capital Grille introduced "The Capital Butcher," offering consumers a way to enjoy their signature steaks at home.
- Consumers can choose from 4 Steak
 Grille Boxes which include 4 steaks cut
 daily by the in-house butcher and
 include a Signature Steak Sauce.



- Blaze Pizza introduced a new menu innovation, the Mango White Claw Pizza which was available for one day only.
- Blaze Pizza's executive chef infused the crust of the pizza using Mango White Claws to replace filtered water in the dough.



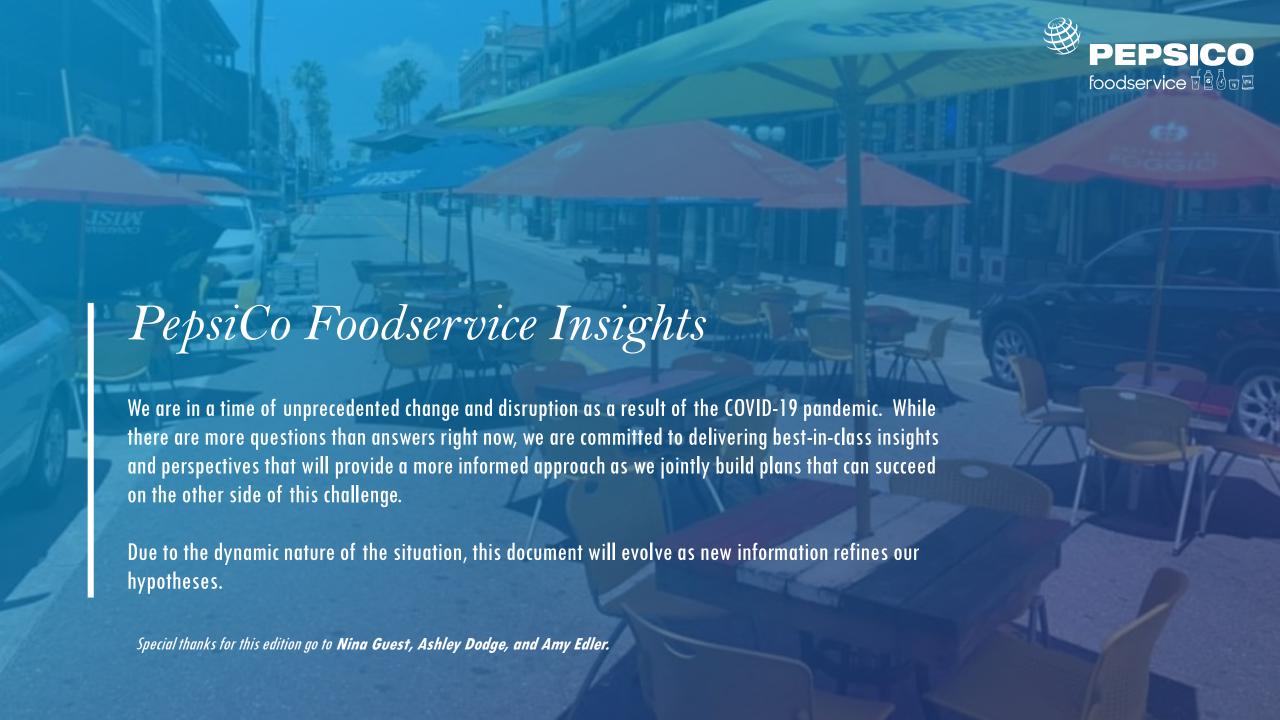
- Curry Up Now is hopping on the chicken sandwich bandwagon, launching the Tandoori Fried Chicken Sandwich
- This permanent menu addition features a crisp-fried tandoori-marinated chicken topped with Bombay-dust aioli, pickled onions and a chutney made with curry leaves, pineapple and jalapeno on a brioche bun.



DINE IMPLICATIONS

- 1. Especially in Independent Restaurants, evaluate any guest pain points and remove barriers to visitation as much as possible to capitalize on positive consumer sentiment.
- 2. Take care if/when simplifying menus to ensure retention of key guest-satisfying and value-focused items, while filling the innovation pipeline for the New Normal.
- 3. Focus on off-premise beverage menus, with a mix of non-alcoholic beverage and alcohol to-go (where legal) to maximize revenue opportunities.







After weeks of confinement and cocooning, the country is GRAPPLING with how to move toward a "new normal"



HORIZON 0

Feb-Mar 2020



Rapid shift to fear and uncertainty about the seriousness of the virus and how to prepare for "shelter-in-place"

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Mar-Jun 2020 (est.)



Going through stages of adapting to a new, stressful lifestyle and restless for a return to normalcy

HORIZON 2 Restricted Recovery

Jun-Dec 2020 (est.)



Cautiously optimistic and taking cues from others on how to balance our responses

HORIZON 3 New Normal

2021+



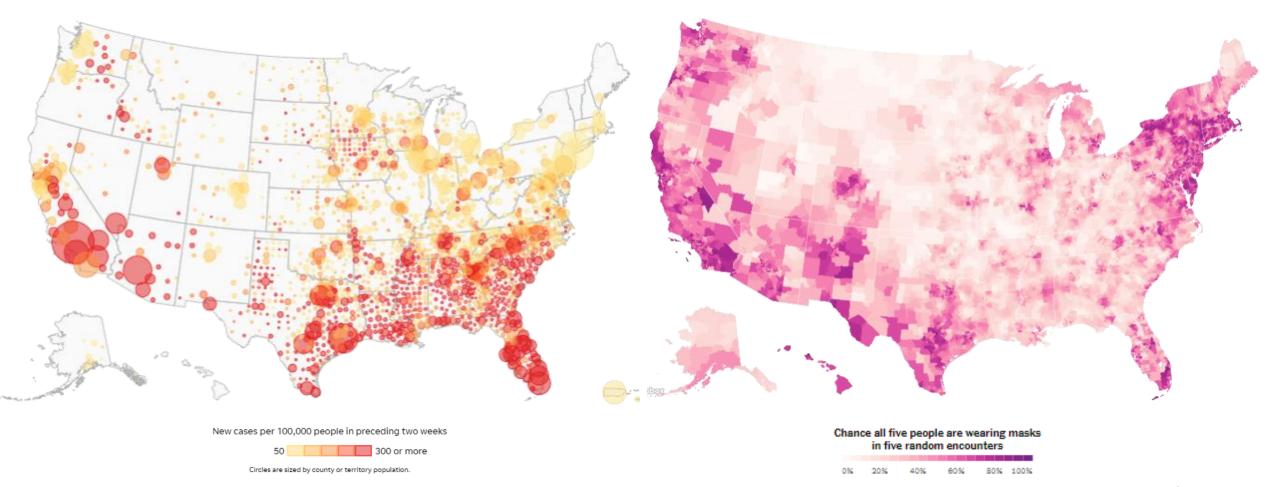
New behaviors form if finances, desire, and/or opportunity dictate; old behaviors return otherwise

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

Latest COVID News

21 STATES HAVE PRESSED PAUSE OR REVERSED THEIR REOPENINGS AS NEW HOTSPOTS SPIKE

MASK USAGE VARIES WIDELY STATE BY STATE AS THE DEBATE CONTINUES TO POLARIZE THE COUNTRY



What's Happening Across Channels?

WORK



- The ban on international student visas was reversed.
- More large school districts like LA, Houston, Phoenix announce remote learning plans for Fall 2020.
- 88% of states measured are indexing < 50 on office space foot traffic.

DINE



- According to Yelp, 55% of restaurants previously marked "temporarily closed" have now permanently shut their doors.
- Traffic in June saw a +16% swing compared to May, QSR reporting positive traffic figures for 2nd straight month

PLAY



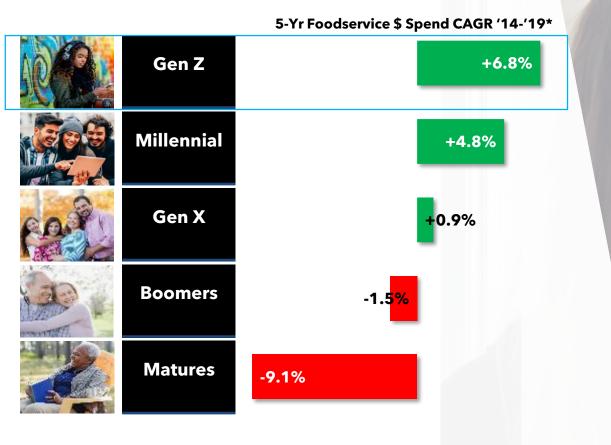
- MLB resumed play on July 23rd.
- Blockbuster movie **Tenet** delayed for the 3rd time, new release date yet to be announced.
- AMC, Regal Cinemas & Cinemark have all pushed back nationwide re-opening of theatres.

TRAVEL



- Airlines tightening up mask policies, guests risk lifetime ban for violations
- Southwest & American mask required over age 2, no medical exceptions
- United & Delta added mask requirement throughout complete airport journey (check-in, lounges, etc.) to board flights.

Pre-COVID-19, Gen-Z was driving the largest source of FS spend growth



GEN Z REASONS TO BELIEVE

Most reliant on foodservice

for all meals except lunch

80%

say they typically decide which restaurant to order from

68%

say eating out at restaurants is one of the top activities they enjoy with friends — highest of generations (110 Index)



The Generations At A Glance

Key Differences Among The Five Major Generations

	GEN Z	MILLENNIALS	GEN X	BOOMERS	MATURES
Birth Years	~1997-2010	~1979-1996	~1965-1978	~1946-1964	~Before 1945
Also Known As	Zoomers	Gen Y	MTV Generation	"Me" Generation	The Greatest Generation
Words To Live By	You Do You	You Only Live Once	You're On Your Own	Forever Young	The American Way
Stereotyped As	Distracted Techies	Entitled Whiners	Cynical Slackers	Selfish Narcissists	Docile Traditionalists
In Pursuit Of	A Purposeful Life	An Interesting Life	A Balanced Life	The Meaning Of Life	The Middle-Class Life
Consumption Style	Creation	Curation	Compromise	Choice	Conformity



There are

58.9 Million

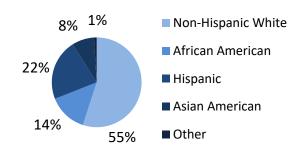
Gen Zers in the U.S.

Aged $\sim 10 - 22$

Making up

18% of the U.S. Population

They are



Nearly a majority-minority generation

They account for

an estimated

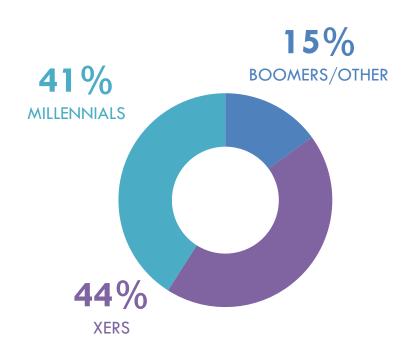
\$198 Billion

in consumer spending

Millennials - \$4.64 TRILLION
Generation X \$5.11- TRILLION
Baby Boomers - \$5.03 TRILLION

Gen Zs upbringing centers autonomy

Generations of GenZ Parents*



Millennials' parents were likely to shield them from the harsh realities of the world – as parents they don't want their kids to feel unprepared for the "real world"

Gen X grew up as independent "latch-key" kids and are keen on passing down resilience and grit to their kids

Gen Z - When I mess up, my parents...



58%

Tell me to try harder next time



21%

Tell me it's not my fault



20%

Fix it for me

Gen Z came of age amid some of the fastest social change in American history...



Gen Z does not remember a time before instant global connectivity

- and learned early not to blindly trust the Internet.

Platforms Used By Gen Z To Stay Connected During The Pandemic

	Gen Z	Total
YouTube	81%	54%
Text messaging	81%	72%
Instagram	68%	34%
Snapchat	60%	21%
TikTok	45%	16%
Facetime	52%	35%
Zoom	50%	28%
Facebook	37%	60%
Facebook Messenger	30%	49%



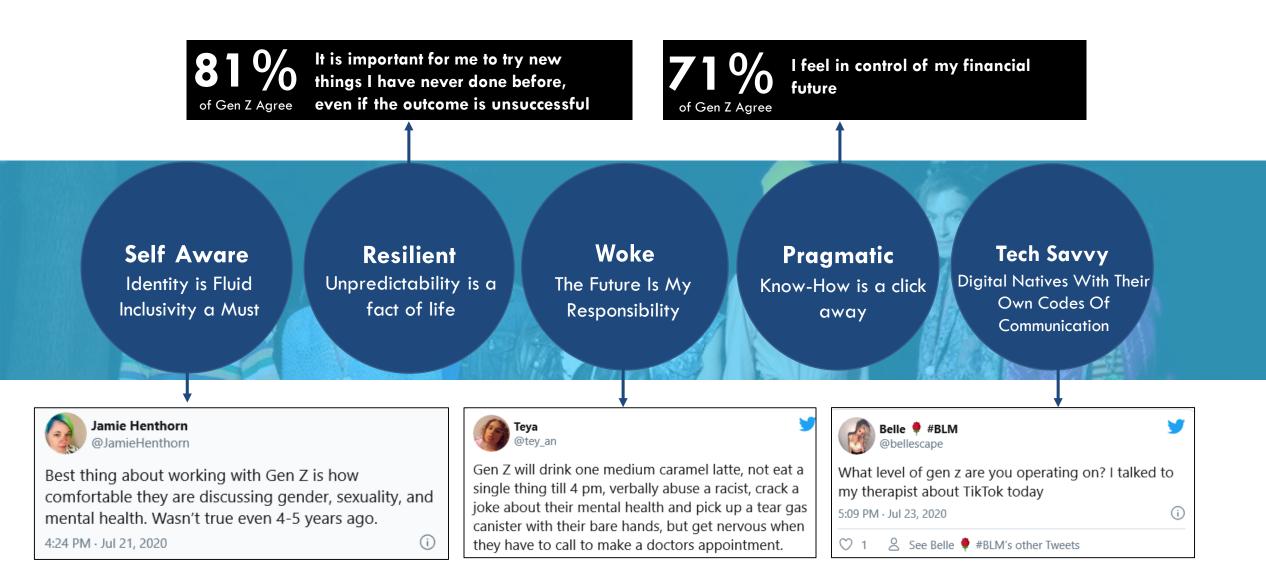
A major cultural difference between gen z and every other generation is the acceptance of no privacy. We were born into a post-9/11 world full of technology.

We are more shocked when an app isn't spying than when they are

5:59pm · 9 Jul 2020 · Twitter for iPhone

1 Reply 3 Retweets 35 Likes

Gen Z's defining attributes:



Source: Kantar Futures, Gen Z: Infographic Jan 2020
PEPSICO FOODSERVICE INSIGHTS

The 2008 recession delayed Millennials journey to "adulting" but the pandemic presents an even bigger developmental block for Gen Z

MILESTONES AND RITES OF PASSAGE GEN Z IS MISSING OUT ON: **Cultural / Social** Freshman Experience **Entering the Workforce** Rebellion Prom / Senior Year Dating / Co-Habitation **Campus Life Sports / Extra Curriculars** Financial Independence **Turning 21 / Nightlife** Graduation Travel / Study Abroad **Independent Living**

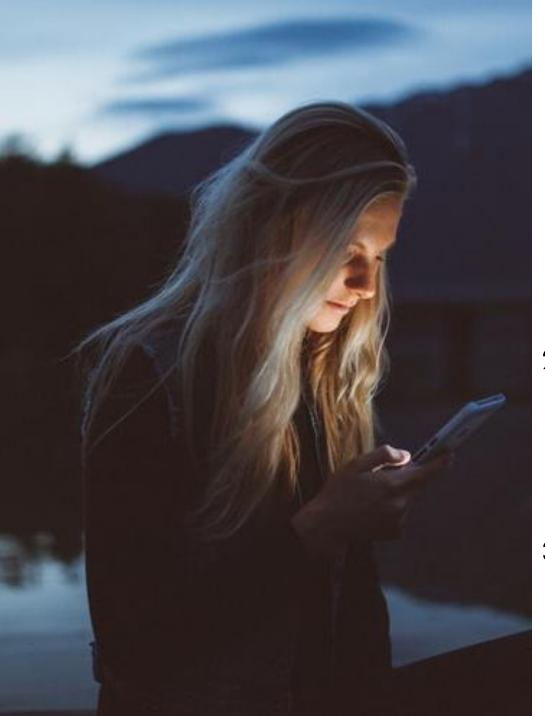
11 think my generation are incredibly loud and demand change constantly. We've got a lot of problems (that we didn't start) to deal with — climate change, gun control, police brutality, etc. [..] I think change will happen with us."

— 17-year-old, Illinois

"We have the tools and language to understand identity in ways our parents never really thought about."

— 23-year-old, Albuquerque





OPERATORS' CHALLENGE

- 1. With fewer opportunities and less financial stability, Gen Z is especially value conscious. Does your value strategy align with their fiscally responsible outlook?
- 2. Gen Z know what their data is worth and are willing to exchange it for tangible returns. Do your digital touchpoints reward them with personalized experiences?
- 3. Gen Z is missing out on some of the most formative experiences of their life. Can operators help recreate or introduce new rites and rituals?

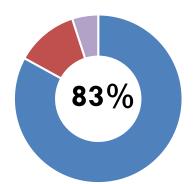


There has been a dramatic shift in how Gen Z spend their time, from a daily presence in Foodservice to in-home video games and Netflix



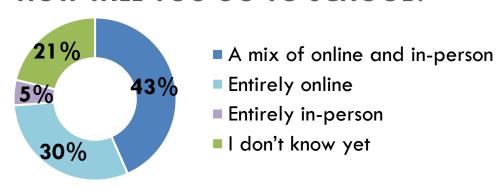
In the fall, most will return to their same school, but colleges will need to close a significant trust gap

WHERE WILL YOU BE GOING TO SCHOOL?



- > 83% are going to the same school, full time
- > 12% postponing or going to different school due to COVID

HOW WILL YOU GO TO SCHOOL?



> NERVOUS:

"I don't trust the school or my peers when it comes to COVID"; "I'm sad I'm worried my plans are derailed. I'm also terrified of getting sick".

UNSURE:

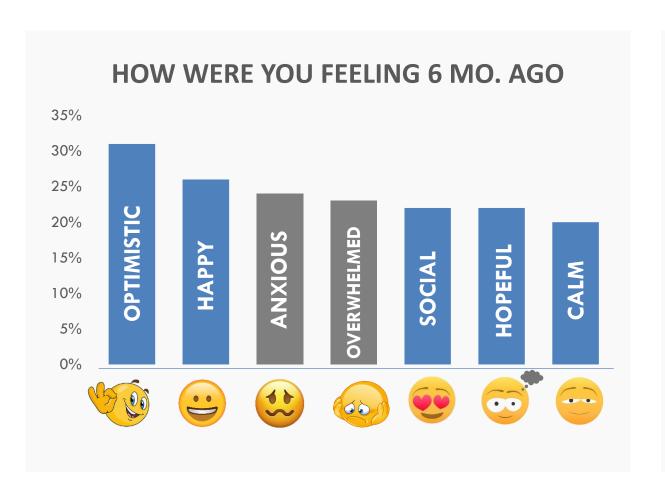
"I think school this year will be more difficult - harder to pay attention with everything going on. I am excited to go back but nervous about how it will affect my education."

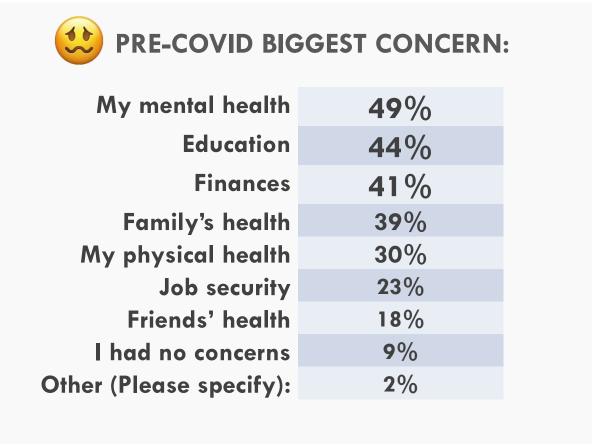
> DISSAPOINTED:

"It will be very strict with rule and regulations. All school events are canceled so it won't be much fun. Paying full tuition when things are like this feels like a bad deal"

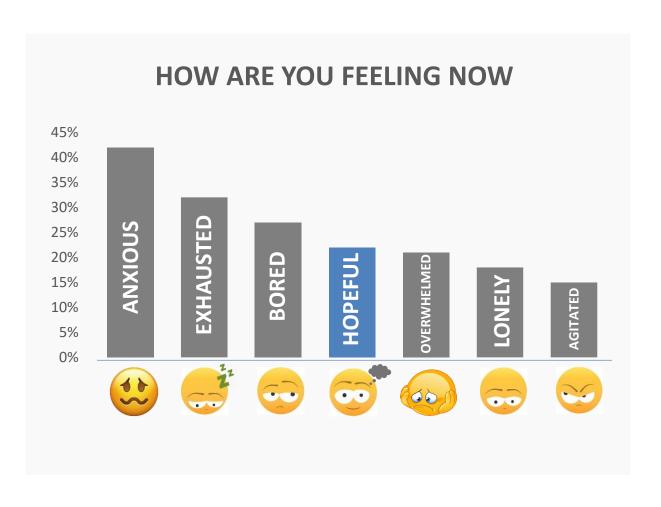
A very small number are EAGER/EXCITED to be going back to campus

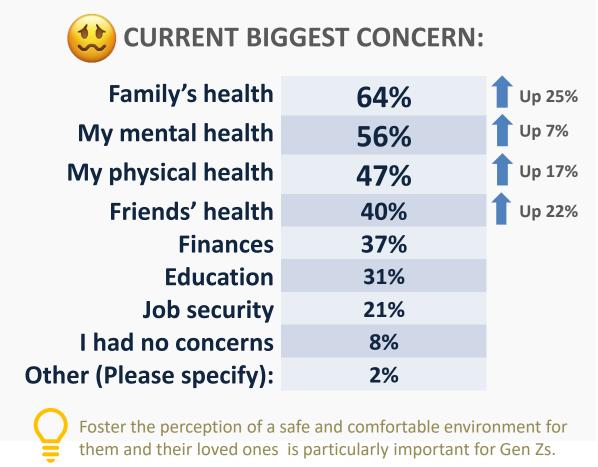
Pre-COVID, Gen Zs were happy and optimistic, focused on mental health, education & finance





Since COVID, Gen Z are feeling anxious, exhausted, and bored, with high concerns about their health and the health of loved ones

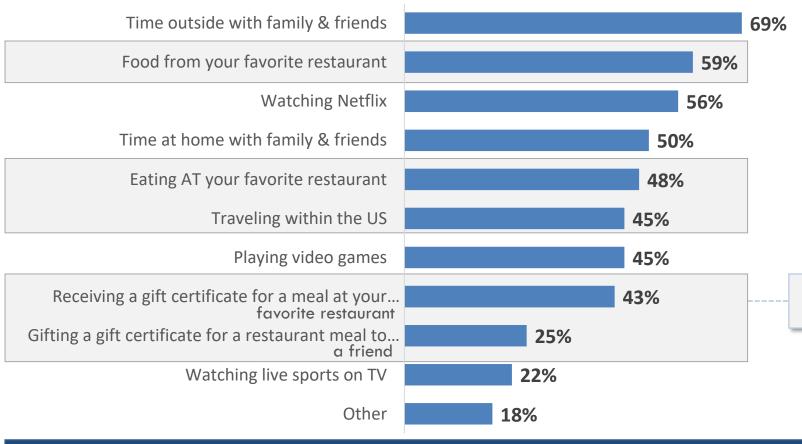




Foodservice can help Gen Zs and draw back traffic by offering small moments of joy



WHAT GIVES/ WOULD GIVE YOU A MOMENT OF JOY DURING THIS TIME...





Beverages can also provide moments of joy by focusing on Gen Z's new needs

BEVERAGE OCCASIONS & NEEDS WHERE GEN Zs OVERINDEX

OCCASIONS:

During COVID, 'WITH SNACK' occasions grew in relevance with Gen Zs (130 index to gen pop)

NEEDS:

- "QUENCHES THIRST", "REPLENISH MYSELF" & "ENHANCES MY FOOD" remain Gen Z's top beverage needs, similar to older cohorts.
- With less SOCIAL & ON THE GO needs, some focus shifted to emotional ones: "TO STAND OUT", "TO LET LOOSE", "TO PUT ME IN A BETTER MOOD"

BEVERAGE CATEGORIES OVERINDEXING WITH GEN Zs (Q2 2020, index to Gen Pop)



There are a number of communication territories that resonate particularly with Gen Z ...

COMMUNICATION PLATFORMS OVER-INDEXING WITH GEN Zs*



"JOY IN THE ORDINARY: More than looking forward to buying things, I can't wait to be in a store or restaurant, take in the place, the music, people watch",...

440/n of US general population lndex among STUDENTS



"MAKE UP FOR LOST TIME: I plan on celebrating some of the occasions we missed, like birthdays, Mother's Day, St Patrick's (if bars have a do-over), etc."

of US general population



"ALL MY FAVORITE THINGS: I cannot wait to return to some of my favorites: my favorite restaurant or bar, my favorite place to connect with friends,... places that are 'mine' and where I feel like home."



"SET ME FREE: I can't wait to be able to feel free again, unrestricted, free to be me"

430/n Of general population



OPERATORS' CHALLENGE

- COVID has turned Gen Z's mood from optimistic to anxious, unsure of their hopes for a good future. How can Foodservice bring them moments of joy & help them rediscover their optimism?
- ➢ Gen Z don't trust their College and classmates for a safe COVID-free environment. Colleges will need to amplify safety cues, and strictly enforce rules on campus.
- ➤ Gen Z's needs differ as do their reception of brand communications. **Ensure targeted communication & portfolio highlights.**



What was important to Gen Z pre COVID-19 is now a must have for everyone else

Their expectations of foodservice have only been amplified as a result of COVID-19



AUTHENTICITY
Ingredients & transparency



CONVENIENCE
Off-premise solutions & digital



Companies solving the problems they're perpetuating

SUSTAINABILITY

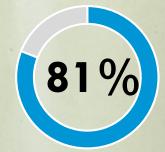




FROM: FLEXIBLE DIETS

What's Healthy to Gen Z

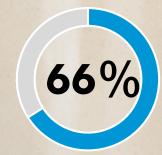
- ✓ Does not sacrifice sweet
- ✓ Dairy substitutes
- √ Functional



Of Gen Z say craveable a driver

Most important attributes:

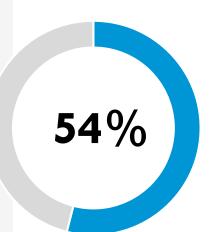
- √ Clean
- ✓ Made from scratch
- ✓ Natural
- ✓ Local



Of Gen Z find fruity flavors appealing

TO: ADDED FOCUS ON TRANSPARENCY

Gen Zers aren't necessarily looking for completely "healthy" options, but are looking for information on ingredients & sourcing. Craveability is ultimately still a major driver.



Of Gen Z strongly
agrees that they're
more likely to visit a
restaurant that is
transparent about what
is in their menu items





FROM: SETTING THE NEW STANDARD FOR DIGITAL

INFLUENCES ON WHERE TO DINE

- √ Free Wi-Fi
- √ Mobile ordering
- √ Mobile payment options

DIGITAL AMENITIES THEY'RE INTERESTED IN

- √ Track order progress online
- √Online ordering via mobile
- √Online ordering via computer
- √Order at kiosk
- √ A system that registers favorites for easy ordering

TO: LEADING THE CHARGE & RE-SETTING THE BAR



51% of Gen Z got restaurant food for delivery (134 Index)



45% of Gen Z got groceries for delivery (150 Index)



42% of Gen Z say they'll continue using contactless delivery in the future (150 Index)



Gen Z is more likely to prefer self-serve fountain drinks over crew-serve (Index 125)



SUSTAINABILITY



FROM: HIGH PRIORITY

INFLUENCES ON WHERE TO DINE



uses local ingredients



uses sustainable foods



recycles/reduces waste

TO: ZEROING IN ON IMPACT & ISSUES

40% of Gen Zers, would be more likely to visit restaurants that make an effort to be sustainable (Index 133) (i.e. conserving water, reducing plastic waste and reducing their carbon footprint)

Their commitment to sustainability remains, despite concerns of COVID-19's impact on the sustainability agenda:



I feel the same as I did

before COVID about sustainability because...

"It hasn't changed my views on sustainability. COVID hasn't brought up any new opportunities for me to be sustainable."



I feel more defeated -

Sustainability has taken a backseat because...

"People are worried about being safe, are using plastic to protect themselves from germs even more than before the virus, and it hurts the environment."



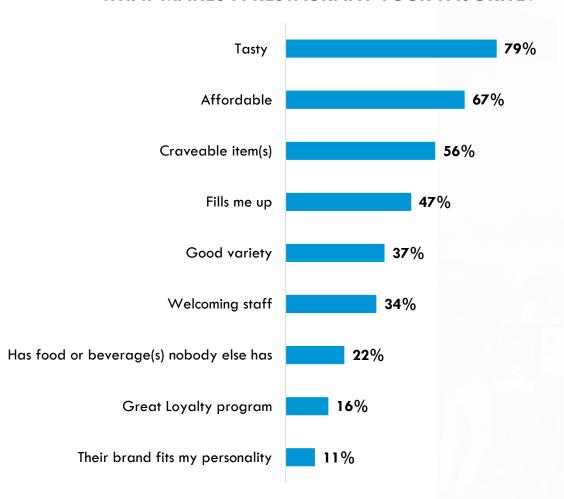
I feel more energized -

Sustainability is more important than ever because...

"Being at home makes me feel like I have more control over how much waste I produce since I am controlling all my purchases & trash."

Favorite restaurants brands reflect these attributes

WHAT MAKES A RESTAURANT YOUR FAVORITE?



GEN Z'S FAVORITE RESTAURANTS (RANKED):













QSR GEN Z BRAND SKEW











FSR GEN Z BRAND SKEW













OPERATORS' CHALLENGE

- Transparency is more important than ever to Gen Z—
 they're hungry for information. Are you clearly highlighting
 the ingredients in the foods & beverages being sold? How are new
 products/LTOs address craveability & health halo?
- 2. Gen Z had the answers to digital listen to them going forward. Are you meeting the table-stakes digital needs of Gen Z? What does the next step up look like? Do you have the right solutions to ensure food & beverage quality in off-premise?
- 3. Sustainability still a priority don't take your foot off the gas. How are you both showing and telling your commitment to sustainability?

5 MOST IMPORTANT TAKEAWAYS

- Gen Z has been uniquely impacted by COVID-19 in terms of key milestones. Opportunities exist for operators to create new meaningful and joyful moments
- Despite setbacks, Gen Z will remain passionate advocates for the issues and causes they care about. They will value brands that acknowledge what they say
- Coming out of COVID-19, brands can reach Gen Z by leveraging 4 key communication messages: 'joy in the ordinary,' 'making up for lost time,' 'all my favorite things,' and 'set me free'
- Foodservice previously provided a 'third space' for Gen Z, that they're now lacking. Reinforcing the safety and hygiene of new dining options will entice Gen Z to come back.
- All the elements that drew Gen Z to foodservice pre COVID-19 (i.e., tech abilities), are now lifelines to everyone else. Gen Z will be the True North for innovation in this space



