

KEY CONSUMER TRENDS IN FOOD & AGRICULTURE

WE'RE STILL EATING!

COVID'S IMPACT ON CONSUMER FOOD TRENDS

PART 3: THE DIGITAL TRANSFORMATION IN FOOD SERVICE

85%

say their shopping habits have been impacted by COVID-19¹

9 IN 10

Canadians are concerned about COVID-19¹

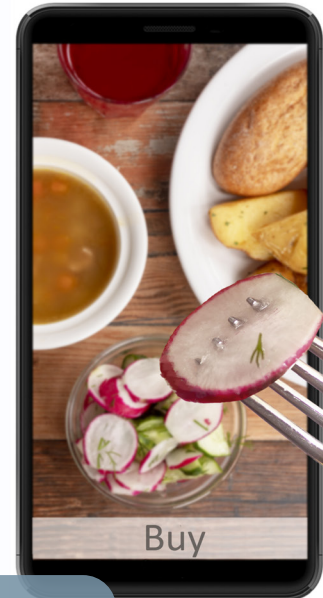


The COVID-19 Pandemic has drastically changed our lives.¹



62%

are worried about stores selling out of products they need¹



INSIGHT FROM ORIGIN MERCHANT PARTNERS
SENIOR ADVISOR, STEVE BROMLEY

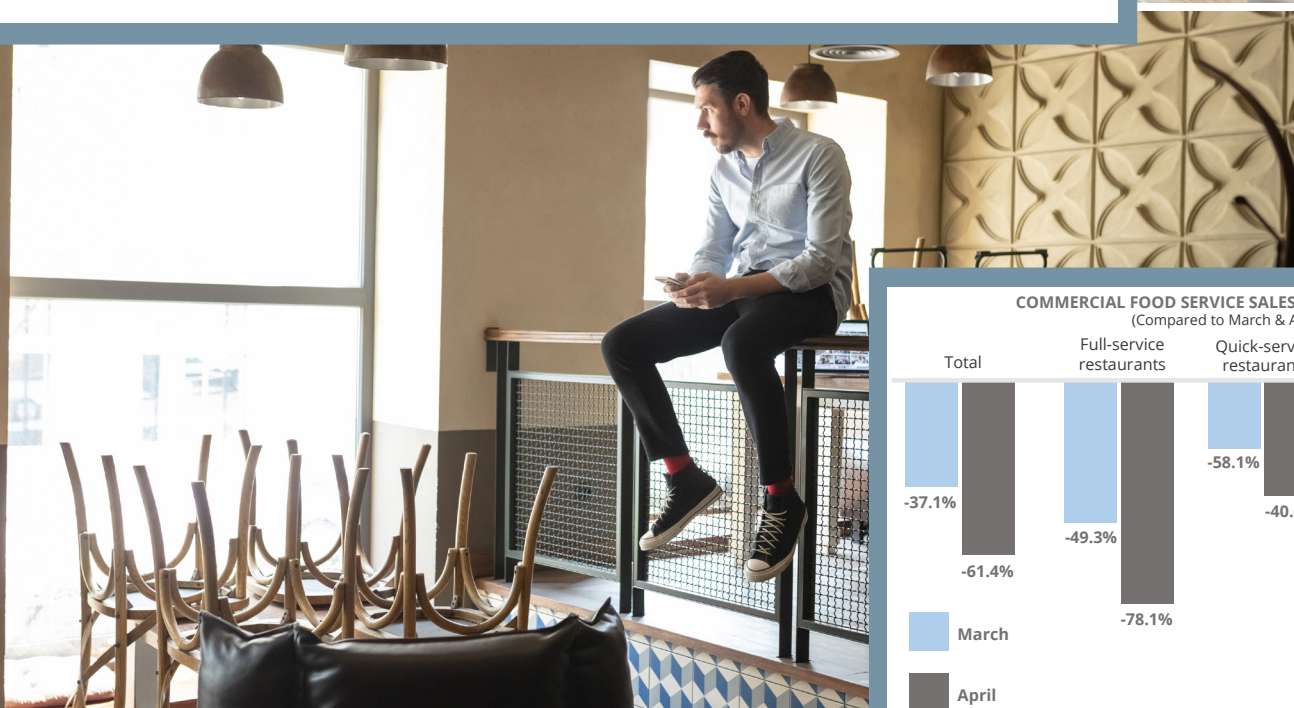
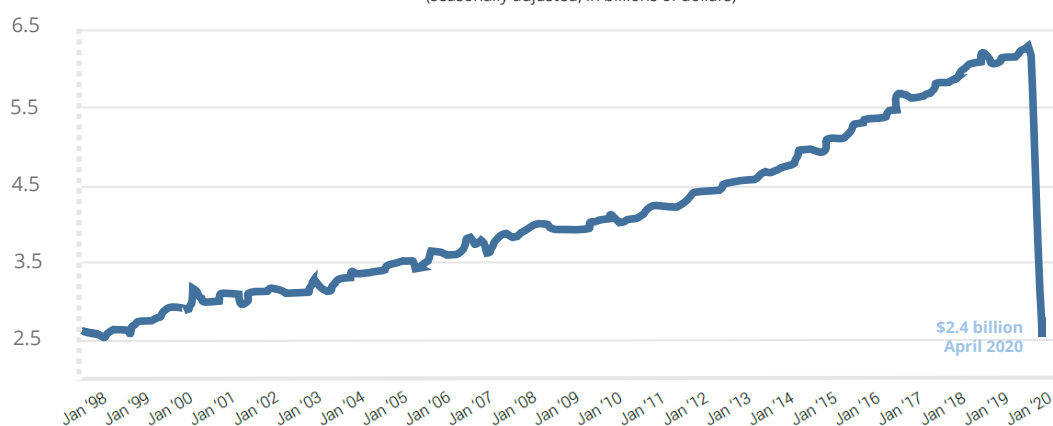
THE PANDEMIC HAS DRIVEN THE RAPID ACCELERATION OF DIGITAL SOLUTIONS, AND THESE HAVE HAD AN IMPACT ON BOTH GROCERY AND FOOD SERVICE. WE PREVIOUSLY DISCUSSED THE LASTING IMPACT OF THIS SHIFT ON RETAIL; IN THIS INSTALLMENT, WE FOCUS OUR SIGHTS ON THE ACCELERATION OF ONLINE ORDERING AND OTHER DIGITALLY-BASED SOLUTIONS IN FOOD SERVICE, THE CONSUMER BEHAVIOURS THAT ARE DRIVING THE CHANGE, AND THE EXTENT TO WHICH THESE CONSUMER PREFERENCES ARE HERE TO STAY.

SETTING THE STAGE

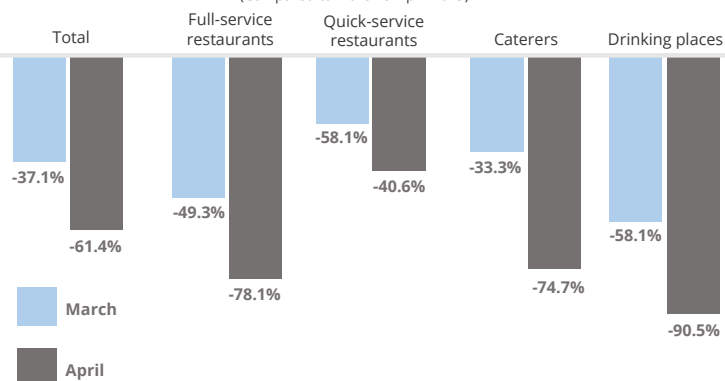
Pre-COVID, consumers were ramping up their spending at bars and restaurants at twice the rate of grocery spending. Then along came the pandemic, and everything changed. Food service sales plummeted in all formats, in Canada and globally.



COMMERCIAL FOOD SERVICE SALES²
(seasonally adjusted, in billions of dollars)



COMMERCIAL FOOD SERVICE SALES, MARCH & APRIL 2020³
(Compared to March & April 2019)



² Source: I. Bain & company: Shaping the Consumer of the Future, September 2020*

*2 - Statistics Canada 3 - Statistics Canada

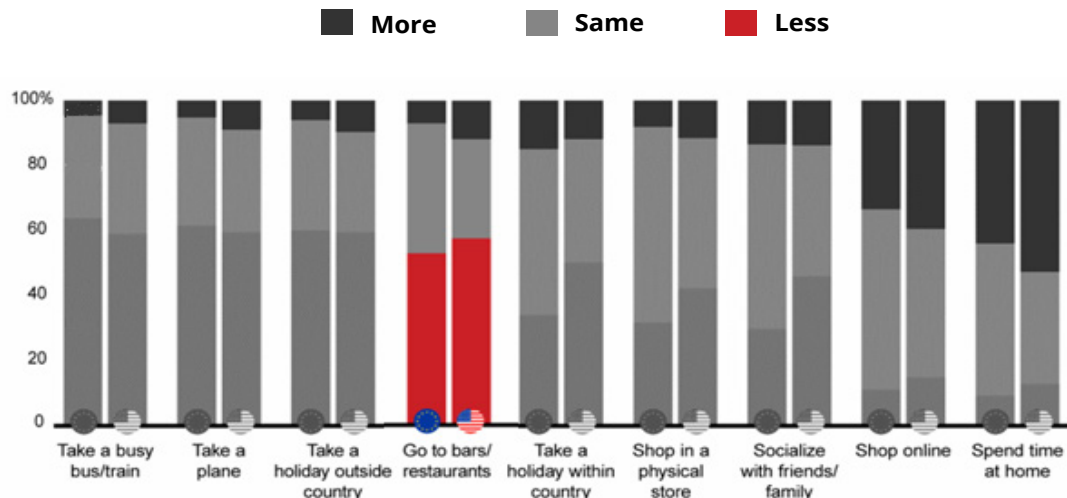
INTRODUCING THE RELUCTANT CONSUMER

It's likely that many of the new behaviors we have developed through the pandemic are here to stay.

Experts project that the COVID-19 crisis will **push food service gains back by three to five years**, as consumers will be slow to return to out-of-home spending¹. This slow return is resulting from the emergence of "the reluctant consumer".

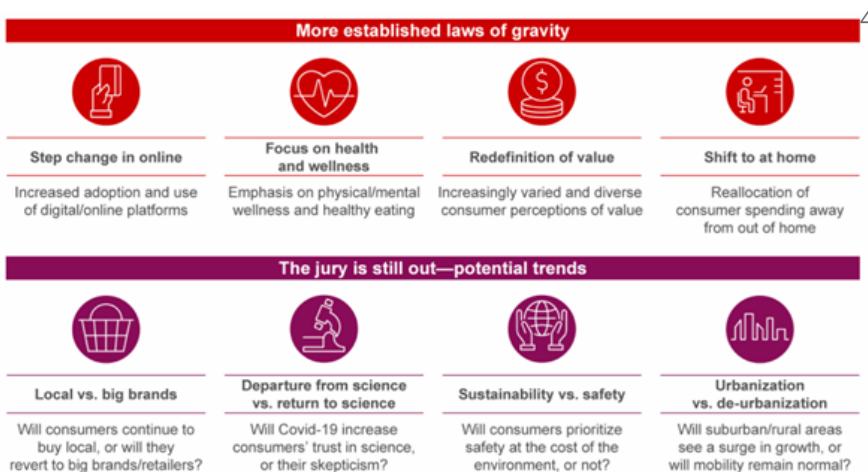
A recent Bain & Company article reported on the results of a survey of 9,500 consumers in the US, UK and Europe which exposed the "emergence of the 'reluctant consumer'". According to the authors, these consumers are hesitant to engage in activities with close social contact, and are expecting to feel this way for the next 12-18 months. Food service businesses – bars and restaurants – fall squarely into the category of close social contact environments. Consistent with this desire to minimize close social contact, a significant majority surveyed reported that they would continue to replace in-person experiences with online substitutes.

LIKELIHOOD TO PARTICIPATE IN THE FOLLOWING ACTIVITIES OVER THE NEXT 12-18 MONTHS²



"DECADE IN DAYS" ADOPTION OF DIGITAL SERVICES

Covid-19 is accelerating established trends and others are emerging



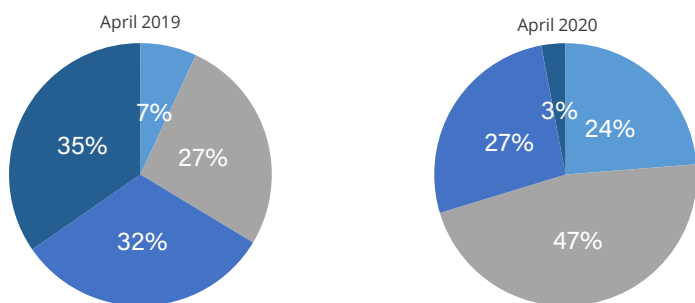
Given Bain's survey findings, it is unsurprising that the pandemic-driven transformation of consumer lives has spurred a rapid acceleration in the adoption of digital solutions³. And this shift to digital is likely here to stay, at retail, food service and in our day to day lives. When combined with a "focus on health and wellness" and "shift to at home", the challenges for food service are clear.

THE DIGITAL TRANSFORMATION OF FOOD SERVICE

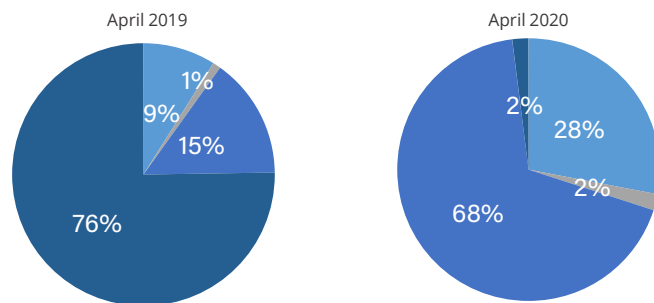
As noted, with the onset of the pandemic and resulting lockdowns and physical distancing measures, commercial food service has been severely impacted. While conditions improved as measures were eased throughout the summer, the industry remains well behind historic levels, with operators now assessing what business will look like through the second wave and beyond.

The impact has been felt across many channels: from full-service restaurants to quick service, caterers and drinking places. Like retail, technology-driven options are revolutionizing the “eating out” experience with new delivery, drive thru and pick-up options. While some form of dine-in will recover, this will take time. In the meantime, adapting to the new reality will be critical for food service operators navigating this difficult time.

QUICK-SERVICE SHARE OF DOLLARS BY ON - AND OFF-PREMISE



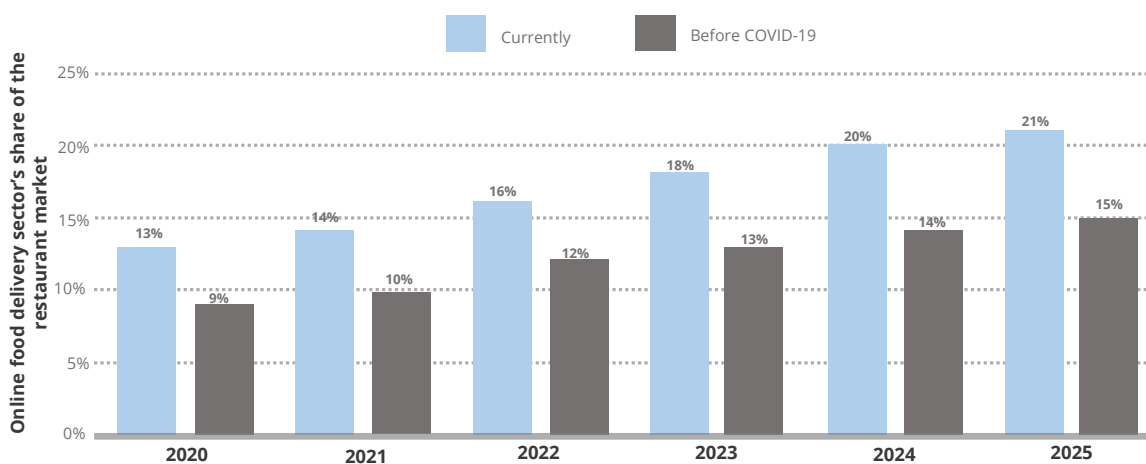
FULL-SERVICE SHARE OF DOLLARS BY ON - AND OFF-PREMISE¹



■ Delivery ■ Drive Thru ■ Takeout ■ Dine in

The shift in consumer preferences through the pandemic is expected to accelerate online food delivery penetration well into the future

IMPACT OF COVID-19 ON ONLINE FOOD DELIVERY MARKET SHARE IN THE U.S.²

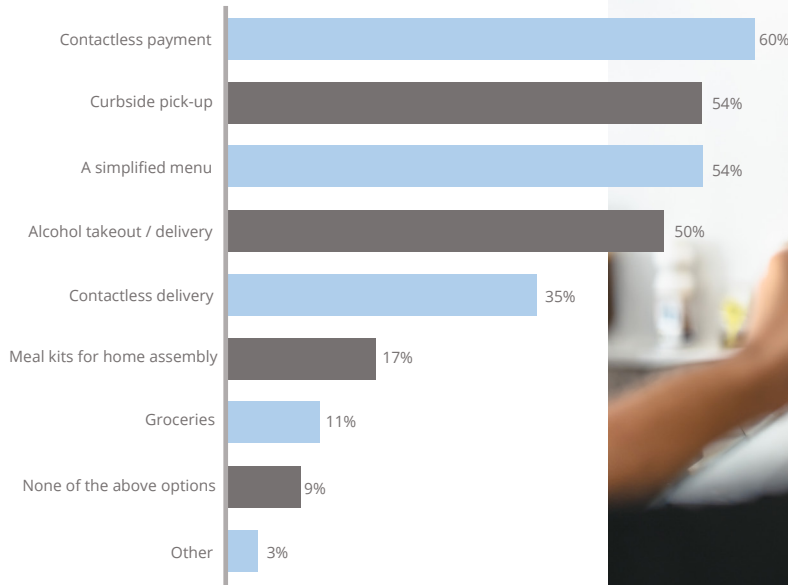


And this lasting shift to online delivery is not limited to North American consumers. In the UK, a recent CGA study reported that of those who ordered delivery for the first time, or more often than usual, 60% said they would maintain their frequency of ordering delivery from restaurants.³

RESTAURANT OPERATORS RESPOND

There is recognition within the food service sector that an array of COVID-driven changes, many fueled by digital transformation, will be sustained. A recent Restaurants Canada survey suggests that operators will continue to offer a number of pandemic-generated options well into the future, including enhanced pick-up and delivery options, simplified menus, take-away meal kits and a contactless experience, the latter representing quite a profound change for commercial food service.

RESTAURANT OPERATORS PLAN TO PROVIDE THE FOLLOWING OPTIONS ONCE EMERGENCY MEASURES ARE LIFTED



Burger King exemplifies this post-pandemic planning in designs for its new touchless restaurant designs with solar panels, conveyor belts that deliver orders to customers, curbside pick-up, mobile pick-up lockers and outdoor seating.



Image Source: Burger King

And a number of foodservice operators are leveraging technology and moving to multi-brand delivery options using smaller "ghost kitchen" concepts to bring food closer to their consumers with increased efficiency and at a lower cost.

The ghost kitchen concept is gaining traction with larger players. According to the Wall Street Journal,² entities tied to Uber Founder Travis Kalanick's startup, Cloud-Kitchens, which rents out ghost kitchen spaces, has spent more than US\$130 million acquiring properties. Other former Uber execs, Ken Chong and Matt Sawchuk, are also betting on the ghost kitchen model, recently raising US\$20 million in funding for their startup, Virtual Kitchen Co.

WHAT DOES THE FUTURE HOLD?

Our return to the dine-in experience

Ultimately, we believe that digital transformation and online delivery will continue to play a significant role in the food services space. The option meets at least a couple of criteria that promote "stickiness" in consumer behaviour:

- Its ease and (in many cases) frequency of ordering at home, such that it becomes habitual
- An investment by service providers that supports online ordering for home dining

Over time, however, even the most "reluctant consumers" are likely to feel comfortable returning to restaurants once again. And ultimately, no matter how efficient the food delivery service, online ordering simply can't replace the in-restaurant dining experience. So, while there is no doubt that many new offerings born out of the accelerated digital transformation are here to stay alongside new formats reflecting lessons learned, we are confident that we will eat out once again!

FOR MORE INFORMATION *on our insights into the food & agriculture sector or to discuss this report further,*
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