

# Food for Thought: COVID-19 and QSR

August 2020

## Return to Life

\*Please note that due to the ongoing COVID-19 pandemic crisis, the situation across markets continues to change rapidly. Data reported in this update covers up to and inclusive of 18th August 2020.



# An industry under threat

Every single industry there in the world has been impacted by the pandemic - some for better, but most for worse. In fact, the UN reports that in the second quarter of 2020, COVID-19 may cost the equivalent of 305 million full-time jobs. Many of these jobs come from the restaurant industry - as these businesses have been hit particularly hard.

Lockdown and lack of footfall caused major cash flow and operating cost issues for restaurants, particularly in the quick-service restaurant (QSR) space - The Local Economic Impact Report from review site Yelp suggests that **60% of the restaurants that temporarily closed due to the pandemic have since shut for good**. According to the report, there were 26,160 total restaurant closures on Yelp as of July 10 and 15,770 of those have made the decision permanent. A harrowing proportion.

“

The QSR has been a little less intense than the entire industry as a whole, as a key reason for that is the fact that we were prepared for delivery. As lockdown started to take-over, QSR was one of the few segments of the industry that already had a viable delivery operation, so in that sense, they have a lot to teach the rest of the food industry.



**Rashmi Noronha**

Global CMI Director, Unilever Food Solutions

“

It was actually tough in the MENA region - the only channel that opened up was the delivery sector. Contactless delivery played a vital role in giving some assurance to consumers. We have also seen some initiatives from QSR companies promoting home-cooking - packaging and delivering ingredients so people at home can cook them, opening a new revenue stream. After all, delivery was the only channel that was working.



**Ahmed Hatem**

Regional Marketing Lead KFC Americana

“

There's a lot of restaurants I've seen that have done Instagram live videos, where you're actually cooking with the chef. This is a time where people are anxious and people are scared and stressed. I think brands are recognizing the role they can play in people's lives, where they can be your friend in a way.

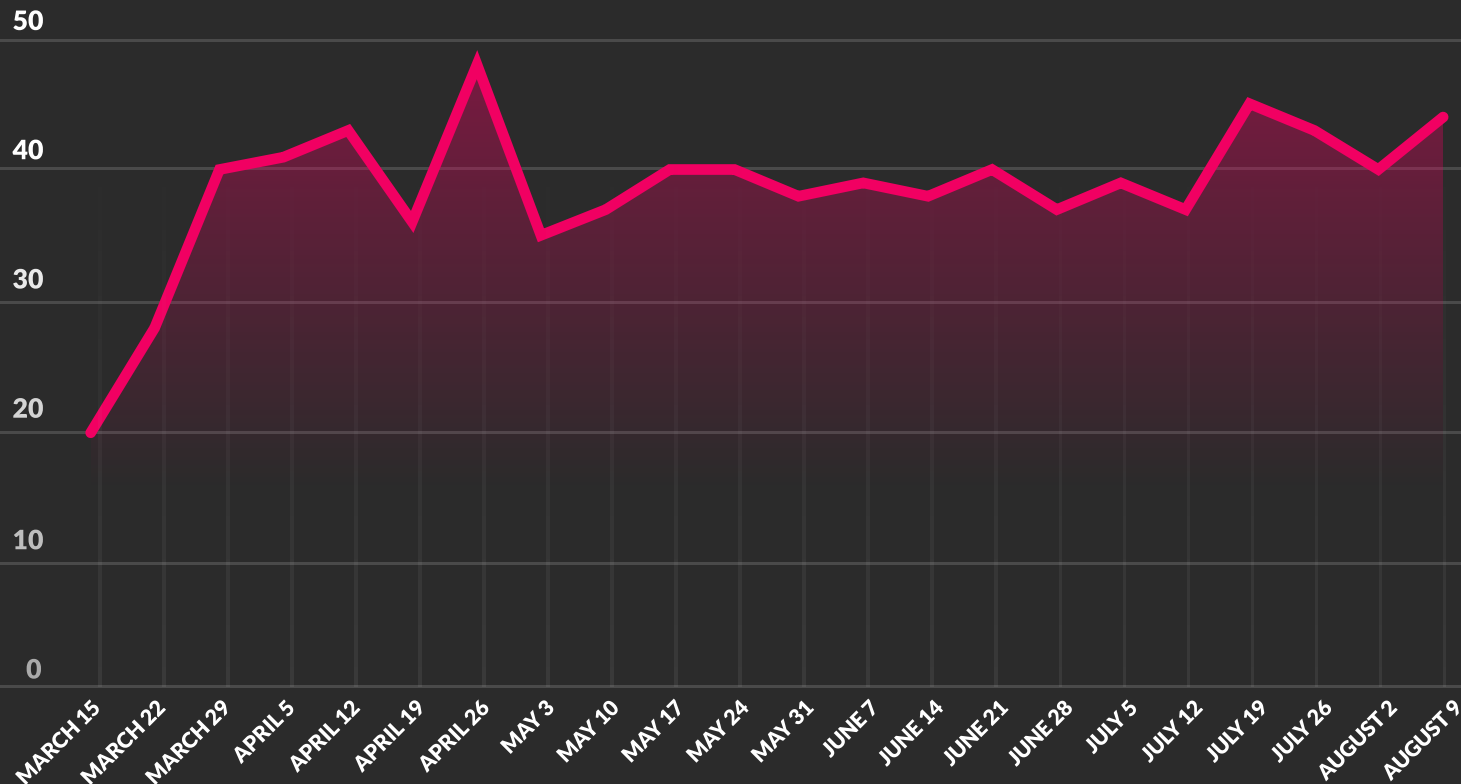


**Sam Oches**

Editorial Director QSR Magazine

On top of this, public fear remains high - with no significant drop since March, impacting how consumers are spending both their time and money. And as countries report a resurgence of cases, fear starts to creep further up - which is likely to continue for some time.

FEAR INDEX (% WHO ARE AFRAID - % WHO ARE NOT AFRAID)



“

Tech has played a large role in both QSR and FMCG. Brands who were tech ready have a great advantage - those who had the tech infrastructure ready pre-covid have seen increased adoptions from their consumers and have taken advantage of this to engage with consumers at the right time. There are a lot of lessons to learn from QSR as the industry has shown its resilience during this time.



**Ankur Arora**

Director of Digital Transformation & Innovation, Sodexo India

“

Not only do consumers miss dining out, but they're really fearful that their favorite restaurants are going to close. There's a lot of opportunity in that because the community is very strong. People love eating out - they love food now more than ever. So despite there being a lot of struggles within the industry as a whole, it's something that people want to save. There's a lot to go or a lot of room to grow, but at least it's an industry that people care about and between, you know, gift cards and just even smaller meals at different day parts, people are wanting to do their part to support their local establishments.



**Emily O'Hara**

Director, Shopper Insights  
Sodexo



# A helping hand

Streetbees has been tracking the impact of COVID-19 from beginning, although it isn't hard to see that the eating out sector grinded to a halt in many countries. **Typically, about 20% of all our meals are eaten out of the home**, from grabbing something quick from a convenience store to sitting down with family at a restaurant. This all but went down to zero thanks to COVID, meaning consumers were - and still are - to recreate these experiences. Now, restaurants have opened, people want to socialise, meet up, and rush back... or do they?

Some governments are introducing policies to support the dining and QSR industry, like the Eat Out to Help Out Scheme in the UK where the government pays half your bill. Although it only equates to a maximum of £10 discount per diner, this has already proved incredibly popular in drawing consumers back in.





According to chancellor Rishi Sunak, more than 72,000 eateries have signed up to the scheme. **Within the first few weeks, over 35m meals had been claimed on the scheme,** and chains such as Franco Manca saw sales up 130% compared to normal figures. But is this something other countries can - or should - follow?

**According to Sam Oches, Editorial Director at Food News Media, this isn't necessarily replicable, particularly in much larger countries like the US.**

“

Here in the USA, (pre-pandemic) we have 1 million restaurants - it would be too complicated to create a plan for all these restaurants. We also have some trust issues with the government at the moment, but, there is trust in brands to enact the plans themselves. It is in everyone's best interests if restaurants stay open.

There is something called the Great American takeout started by a CMO, many brands joined in, every Tuesday they encouraged people to go back for either delivery or takeaway from their favourite places. There are ways you can do this through your marketing channel or social media. There are a lot of local level things taking place - when the government gets involved, it gets messy.



“

I'm really concerned about my local restaurants shutting down - there's still not a lot of people going out where I live and I worry they won't make enough money to survive. I've been trying to visit as many as possible, even if it's just a takeaway, but can only afford one trip a week maximum. I want to help where I can but I just don't think it's enough.

Female, 50, Spain

# Craving social interaction

Eating a meal was once an incredibly social experience, and in many countries - particularly urban settings - our fast paced, on-the-go lifestyles meant that eating became more of a solo activity. Chances are that during the day you'd probably have a quick breakfast on your own, go grab something for lunch and come back to your desk and eat by yourself. After all, **before the pandemic between 40-60%+ eating occasions were spent alone** (depending on the country). This was a very important trend, happening on a global scale - to the extent that many restaurants started changing their menus to cater to solo diners.

However, COVID-19 forced people around the world to stay in, unable to spend time with friends and family outside of their household. This meant that when economies started opening up again, socialising became the primary purpose of dining out.



In countries that have been able to ease their restrictions, 15% of all out of home occasions are specifically to see friends and family and **62% of out of home eating occasions since COVID have been for the sole purpose of spending time with friends, family, colleagues and partners.**

This is great news for the QSR industry - but one very big challenge remains that could thwart a speedy recovery: social distancing. The pandemic isn't going away anytime soon and there's a good chance that social distancing restrictions will remain in place for months, if not years. How can brands provide the social experience when people can't actually sit close to each other?

On top of this, social distancing requires restaurants with seating are forced to operate at reduced capacity - with most markets will only allow a maximum of 50% what the venue would normally offer. So the good news is that people can still go out and eat with their loved ones, bad news is that the restaurant may have to rejig its setup.



**62%**

of out of home eating occasions since COVID are driven by the desire to spend time with loved ones.



**50%**

maximum capacity  
most venues will offer





# Talk to the consumer

Communication is more important now than ever - particularly when it comes to **how QSRs have adapted their safety and hygiene procedures**. This is where social media can play a vital role - showing consumers how they measure the temperature of their staff, the PPE and uniforms employees wear, how people can queue and order while social distancing, etc. The challenge is how to make it different and stand out from the crowd.

One restaurant in London chose to seat giant teddy bears at tables that had to remain empty of diners - creating quite the buzz on social media. Not only does this show a commitment to following the recommendations outlined by the government, but provides consumers with an added experience. **Brands will need to experiment and find which visual cues resonate the most with consumers** - is it the number of hand sanitizing stations, signs explaining the new measures implemented, or actually seeing the staff cleaning?



**Emily O'Hara, Director of Shopper Insights at Sodexo, says,**

“

You can put a sign outside saying that we clean X,Y and Z every 15-30 minutes, but if I come once a week and never see you do it, how do I know it's actually happening? I need to see the evidence of that happening.

Yes, that requires labour and effort, but seeing is believing - consumers are putting more faith in restaurant workers, so there is an opportunity to really emphasize the extra care that is going in to keep them safe.

For consumers who simply don't feel comfortable at all going to restaurants yet, it comes down to helping them recreate the experience at home. Some restaurant chains like Burger King are revealing their 'trade secrets' like recipes to signature sauces to make their burgers at home - while others have released meal kits that allow consumers to get their favourite items and cook it themselves. This is a powerful way to keep the connection between you and your consumer alive, and understand what they really want from you.

“

I live on my own so have really missed seeing my friends. Before COVID we would usually go to a pub or bar for drinks to catch up but now I'd rather us sit down and enjoy a meal together. I trust restaurants more than bars anyway as I feel they're held to a higher hygiene standard and if I'm going to a public place I want to make sure it's as safe as possible.

Female, 39, US

“

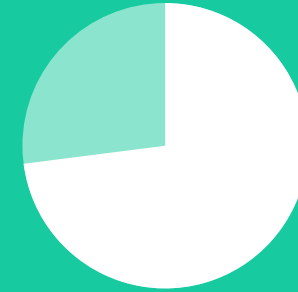
I was craving McDonald's for so long during lockdown. I missed it more than I'm proud to admit, so when they started doing delivery again I wasted no time in ordering everything I wanted. It was so good. I'm going to try and not let it become a habit but at the same time, we're still not going out and doing as much as before so I can treat myself with a Maccie D's every now and then.

Male, 23, UK

# WFH: Winning Food at Home

The proportion of people being told to work remotely/from home has stayed relatively consistent since March - with **around 1 in 4 still been encouraged to do so**. Many businesses have extended their WFH policies until the end of this year - Google, Facebook, etc, - while others have said employees can do so permanently. Some offices will disappear completely, with employees having (or getting to) to stay remote indefinitely.

However, a common employee benefit is food at work - free snacks, drinks, fruit or even subsidised canteens. This benefit will have to continue - organisations will simply have to adapt the way they provide it. Businesses have been experimenting with how to do this throughout lockdown - sending snack boxes, allowing employees to expense lunches, even providing subscriptions to meal kit services... There are endless opportunities to retain the perk of 'free food' while changing the definition of what that means.



**73%**  
of consumers have  
had their jobs  
impacted by the  
pandemic





Virtual happy hours, dinner parties and pub quizzes were a common choice for how companies kept their employees socialising and having fun together - even when remote. Providing these virtual touchpoints is essential for staff morale and happiness, and bringing people together (without being together!) through food and drink provides that valuable social interaction.

But food isn't just a work perk - it's a part of our daily life. From grabbing a breakfast baguette from Pret or a salad from the local cafe - QSRs played an important role in the work day, particularly in areas with a high proportion of office buildings. With millions of people working from home, many of these sites will never be able to reopen, as they were reliant on the footfall. This is where brands will have to be strategic about the role of these locations and utilise delivery where possible - one thing's for sure, city life as we know it is changing.



“

**I felt like having a long and leisurely breakfast today but I didn't feel like eating eggs or bacon and salami. so I am having my favourite cereal with milk and honey. I love that and then toast some bread. This is the mango season in India and I love mangoes so today I decided to have a mango instead of a banana with my breakfast. This is food which is easy to make easy to eat and fun**

**Female, 59, India**

# The so-called 'new normal'

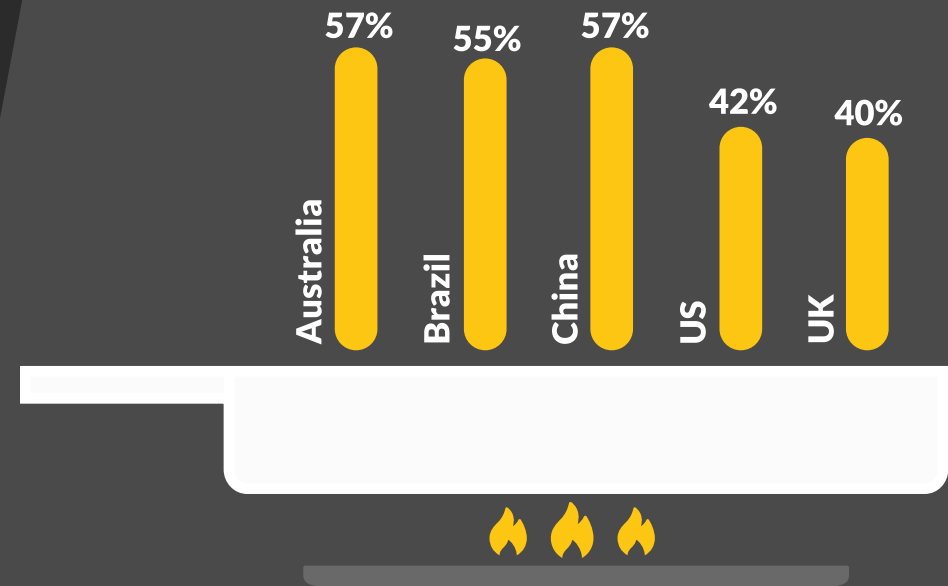
Although we still don't know how long the pandemic will last - and what future twists and turns it will bring - it's clear that there will be permanent changes to the QSR industry. Here are a few that have already emerged:

## Delivering results

Drive through and delivery have been an important lifeline for QSRs during the pandemic - those already set up for these saw far less of a dip in sales. With these tools you can still cater to the needs of different consumers - whether it's older age groups who still don't feel comfortable leaving the house or someone who would happily drive up to a window as long as there is no contact. **Consumers don't forget the effort you put in as a business to support them -** and supporting them can simply be ensuring they have access to your food.

Delivery operators are also putting in a lot of effort to allow restaurants to share vital information with the consumer - their new hygiene routines, temperature checks, contactless deliveries etc. Deliveroo, Uber Eats, Postmates, etc - these services have been incredibly popular during this time, and how they work with restaurants and QSRs can determine the trust levels consumers will have with your brand.

PROPORTION OF MEALS COOKED FROM SCRATCH (JULY 2020)



**Ankur Arora, Digital Transformation & Innovation Director for Sodexo India, knows a thing or two about leveraging the role of digital and delivery.**

“

QSRs are reducing their physical footprint. There are a lot of virtual brands or delivery only brands that are coming in, which are low on infrastructure, but really high on demand. This is also a challenge for the industry - how to reinvent themselves and create unique brands which resonate with people who are dining in rather than dining out.

We'll have to develop that language that resonates with the consumers and of course leveraging technologies is a big part of that. We wouldn't be able to do it 10 years ago, but right now I think a lot of brands have taken advantage - not just with delivery, but also from the perspective of giving the confidence to the consumer.



**59%**

of food occasions  
are accompanied  
by a drink

## **Adding extra value**

Over half the world experienced some form of lockdown restrictions since the beginning of the pandemic, we've all had to start preparing our own meals more - in fact just under **half of consumers around the world have increased the time they spend cooking from home.** But that doesn't mean we could make everything we wanted...

We know that 59% of food occasions are accompanied by a drink and **63% of the time, other food is considered before making the final decision.** How can brands leverage this to create opportunities for growth? It comes down to understanding what diners have really missed - in particular, the drinks and desserts they can't make at home and can't get through takeaway.

Consumer spending is continuing to decrease, so how can brands ensure they're providing enough value to them?



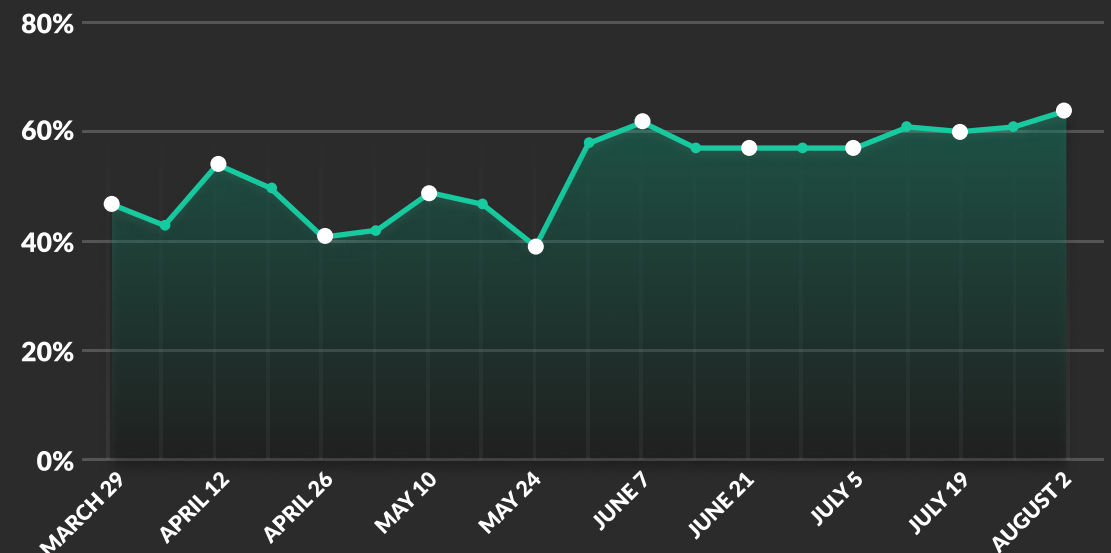
## How we use data

As restaurants begin welcoming back customers, they're having to do so at reduced capacity and resource - this means that businesses have scaled back their menus to focus on their core products. But do they know what to prioritise?

Data can tell us the food ingredient people want, the experiences they're looking for - this has far reaching implications as it can be applied to consumers' takeaway choices, hygiene expectations and menu choices. Without optimising for this, you could end up cutting a fifth of your menu which could lead consumers to go elsewhere to get what they really want.



PROPORTION SPENDING LESS MONEY THAN USUAL

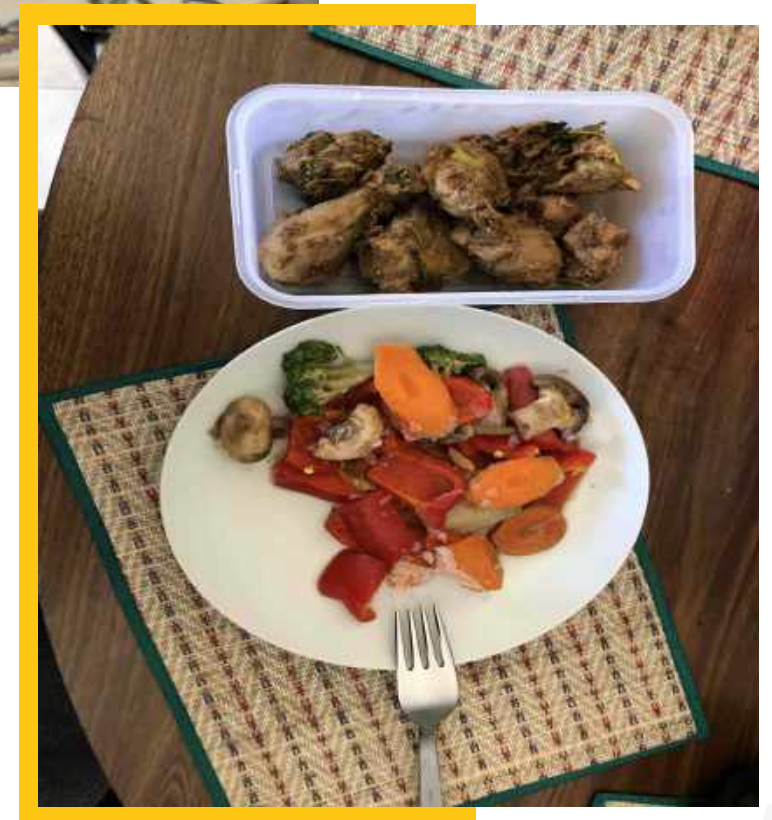


Rashmi Norona is the Global CMI Director at Unilever Food Solutions and understands the value of data and creating a deeper connection with the consumer.

“

Data is the new way to do everything, and how we've been working with the team at Streetbees is a great example of that. We're in touch with what people are feeling and the choices they're making, which actually does predict directly the picture of what the QSR experience is going to be like.

I think the phenomenal advantage of data is that you have a real connection with your consumers through their smartphone - you know what they're looking for, you know when they're disappointed, you know when they're happy, you know what they think about the experience they're having. The more QSR brands that tap into that and really keep that live and ongoing, the better prepared they will be for the future.



## **Know your brand**

Since the start of COVID, **53% of consumers have changed their eating habits**, the most common shifts being: eating more healthily, more home cooking, and more fruit & veg. Even looking at individual markets - China, the US, the UK, Brazil and Australia have all had a minimum of 47% change in habits. The impact on people's food choices is global.

While these trends must not be ignored, at the end of the day, it's important to stay true to your business and brand. There's no point bringing in a whole new 'healthy' menu if it doesn't fit with your image. So the trick is to stick to your signature items - this is where menu optimisation comes in. By taking out items that don't move as well, and introducing products that have a stronger margin that might also be seen as slightly 'healthier' - operators can reduce their costs and attract a wider audience.

“

**This is where actually it's critical to address this trust strategy - how are you going to display that and how you're going to communicate it, and in terms of how it fits within your brand itself.**

**At the end of the day, it has to be genuine, right? Try to maintain this balance between what you want to do, and then what the consumer expects - just play around with the creative piece of it but avoid trying something that the consumer will not believe in.**

**Ahmed Hatem,  
Regional Marketing Lead KFC Americana**

Brand trust and brand affinity is more important than ever right now - you've spent years, if not decades, building up a relationship with your consumers and now is the time to lean on that.



# Advice from the experts

“

The big opportunity is don't lose focus on delivery takeaway experience 2.0. You know, give it a great price strategy. And yeah, I would say don't focus on getting dining in as much, instead transfer a lot of your income from getting the delivery experiences to the next level. People are getting bored at home and they're looking for ways to entertain themselves. Delivery is going to enable that and it would be great to really draw out the challenge to the industry at this stage to create that experience. it can be enormously exciting this change, you know, those are people are saying at home is, you know, making that really exciting and something, I see really a distinct possibility.



**Rashmi Noronha**

Global CMI Director,  
Unilever Food Solutions



“

My key tip is to focus on off-premise and as we call it - the convenience challenge. Leverage all digital, all technology, everything on digitizing those off-premise channels when it comes to drive through as this is the channel that's picking up. How can we leverage the delivery to increase our average ticket as well? By different bundling and leveraging the data. Some of the basket analysis, some of the data that we can capture from our own platforms that can actually drive the cheque. Digitizing the optimised channels, like the click and collect again, is an opportunity for different indices and in QSR.



**Ahmed Hatem**

Regional Marketing Lead  
KFC Americana



“

Technology has given all of us a tool to experiment, and we really have to maintain that positive outlook towards change. That's the only thing that is permanent and we really need to experiment - experiment with the price points, the menu, etc. You know, we usually say fail fast, fail cheap, and technology has really enabled us to do that. And of course health and hygiene is the second biggest issue - you know, not all markets are playing equal when it comes to maintaining hygiene or health practices in store operations. Of course leaving visual clues of whatever you are practicing internally is going to be important. But really having an all encompassing view of having all employees adhere to that practice is going to be the key.



**Ankur Arora**

Director of Digital Transformation  
& Innovation, Sodexo India



“

The focus should be about building trust and utilizing this time to create relationships with our consumers - and realize that the competition is fierce. That opportunity to build relationships is absolutely critical while also emphasizing quality. If you can create a little bit more brand loyalty, developing that trust and making sure that quality is absolutely supreme. Even if you're cutting down on menus and focusing on a more limited selection, that quality is the ultimate priority - so that there's always that association with your brand of quality that keeps people coming back. They know it's a safe place to eat and that everything aligns with the brand proposition and the consumers' needs.



**Emily O'Hara**

Director, Shopper Insights  
Sodexo



”

My advice would be to try and rewind your thinking of the traditional food service QSR experience from brick and mortar. There's no doubt that there's going to be a role for dining, for the restaurant experience of going to socialize that won't ever go away - but it might come back at a smaller scale. So it's important to think about the fact that we are only in the infancy of the digital tools available to the restaurant industry that are taking this whole industry virtual. These are just the early times, and it's never going to change. Continue to invest in your virtual presence and your digital capabilities because that's not going to go away.



**Sam Oches**

Editorial Director  
QSR Magazine



*Streetbees' Return to Life Monitor is capturing over 100,000 real life moments from our bees across dozens of countries around the world to identify the growth opportunities for the world's leading brands. If you want more information about how Streetbees can help you navigate the evolving consumer landscape, get in touch via [www.streetbees.com/RTL](http://www.streetbees.com/RTL)*



**Streetbees helps the world's leading brands grow by building an Always ON connection with consumers.**

**Observe the moment of truth**

Real life behaviour captured at the moment a consumer makes a decision. Never rely on claims.

**Get close to consumers at scale**

Access rich data with photos and videos from millions of demographically representative consumers.

**AI driven growth**

Streetbees identifies hidden growth opportunities by applying AI to millions of real life observations from real consumers.

**3.5 Million**

BEES

**2.2 Billion**

DATA POINTS

**189+**

COUNTRIES

MARKET LEADING BRANDS USE STREETBEES TO UNLOCK GROWTH



L'ORÉAL



MARS

BBC

GET IN TOUCH



**Streetbees' Solutions**



**Brand X**



**RTL**

Return To Life



**LAP**

Life At Play