AlixPartners

Restaurants, Hospitality & Leisure
AUGUST 2020

DINING IN THE US TODAY: A RESTAURANT CONSUMER PULSE SURVEY

Conducted July 2-7, 2020

Amid the ongoing COVID-19 crisis, consumer relationships with restaurants continue to evolve. As consumers gain more confidence in the industry, expectations are rising. Although restaurants appear first in line for the discretionary dollar across the hospitality and leisure sector, many restaurants will need to continue pivoting to keep pace with evolving consumer sentiment.

AT A GLANCE

1. Pickup continues to beat out delivery
2. Consumer sentiment toward dining out has worsened during reopening
3. The habits of diverging consumer groups are solidifying

MORE PEOPLE ARE ENGAGING WITH RESTAURANTS

- In July, 80% of consumers are ordering takeout and/or delivery, compared to 69% in April.
- Now, 22% of meals are sourced via restaurants, up slightly from 18% in April.
- Off-premise meals are being purchased at least once weekly by 57% of consumers, with fast food and pizza continuing to dominate takeout and/or delivery occasions.
- However, there are marked gains in consumer interest in takeout and/or delivery for the fast casual, Asian, and coffee segments since April.
- Additionally, consumer sentiment toward takeout and/or delivery has improved over the past few months, with consumers intending to keep their usage of off-premise meals relatively stable.

KEY TAKEAWAYS

As adoption of off-premise meals has grown during the pandemic, consumers are beginning to branch out into other segments. Operators should reevaluate their off-premise channels for continuous improvement, as tactics that were not successful in April may gain more traction in today's environment. There is significant opportunity for restaurants to continue to build share back from at-home via off-premise models, as consumers feel more confident around exposure risk and the end of the crisis runway looks long.

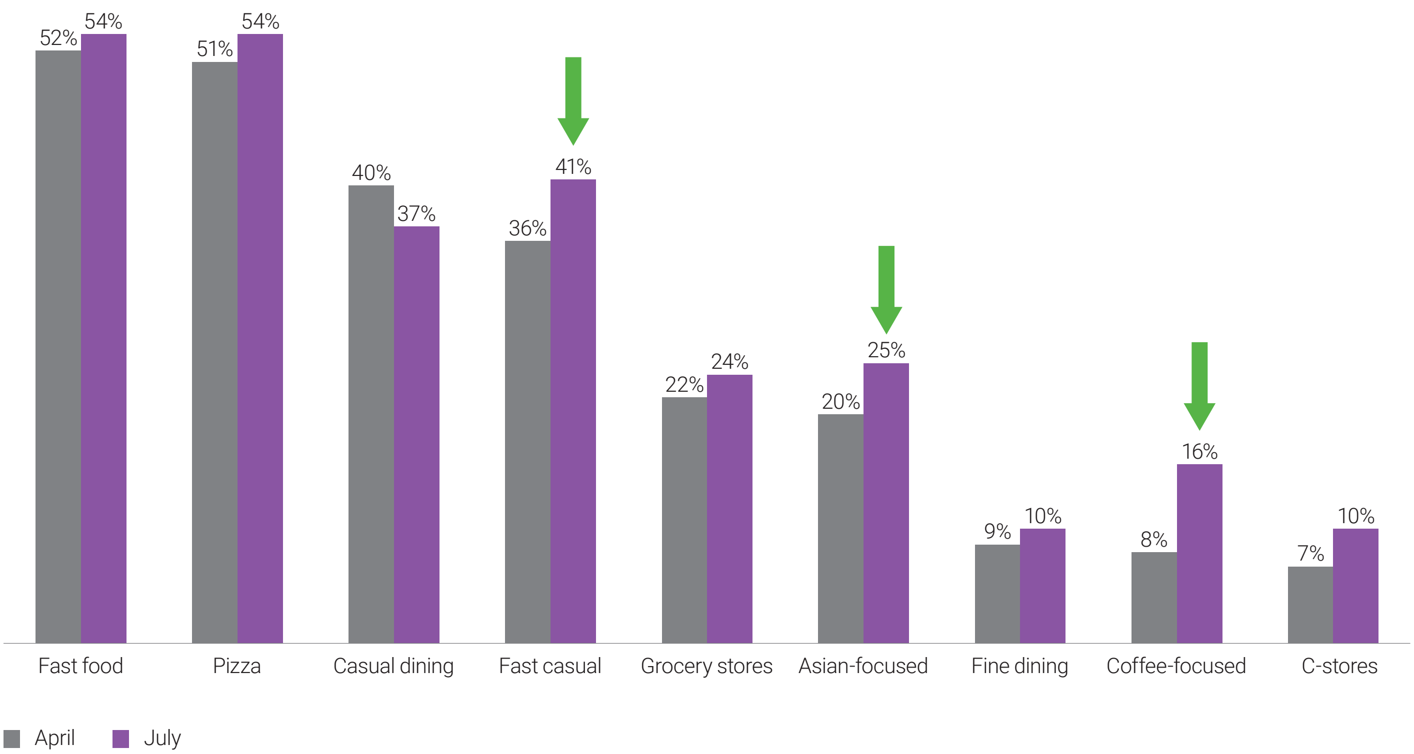
NOW

80%

of consumers are utilizing restaurants for takeout and/or delivery.

FIGURE 1: FAST FOOD AND PIZZA CONTINUE TO DOMINATE OFF-PREMISE MEALS, BUT THERE ARE ALSO MARKED GAINS IN FAST CASUAL, ASIAN, AND COFFEE SEGMENTS

What type of meals and restaurants did you order from or plan to order delivery and/or takeout from during the crisis?



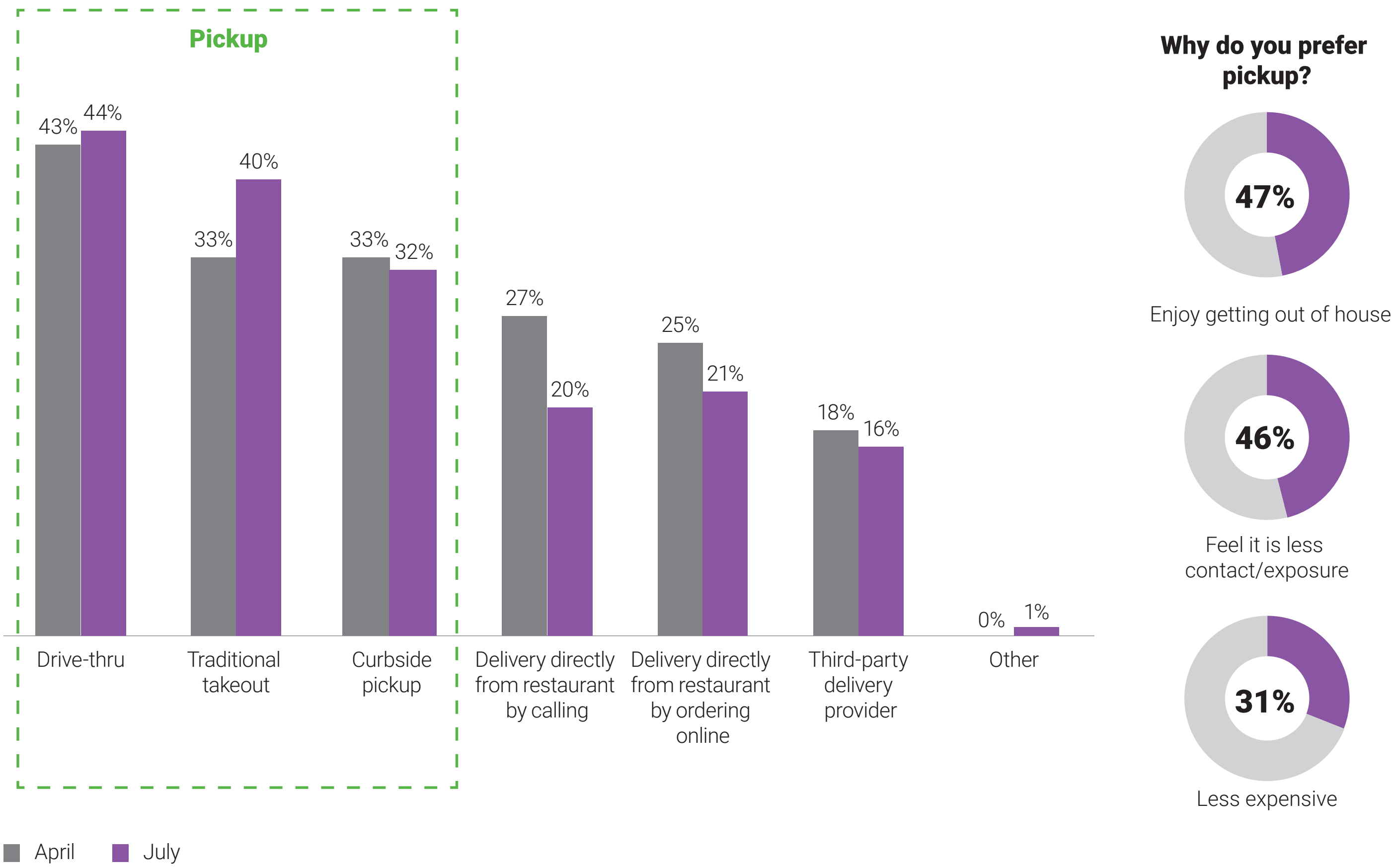
N=860 Responses' total may be more than 100% as respondents could choose more than one answer

DESPITE GROWING OFF-PREMISE ACTIVITY, BAD NEWS CONTINUES FOR THIRD-PARTY DELIVERY PROVIDERS

- Off-premise pickup (drive-thru, curbside, traditional takeout) continues to gain traction while consumers are preferring restaurant delivery less than in April.
- Third-party providers continue to be the least-preferred delivery method by far with only 16% of consumers saying it's a preferred method for off-premise meals, down from 18% in April.
- For those consumers preferring pickup, "desire to get out of the house" (47%) and "reduce contact/exposure" (46%) beat out "avoid delivery cost" (31%) as the reason to prefer pickup methods.

FIGURE 2: PICKUP CONTINUES TO OUTPACE DELIVERY

What are your preferred methods for ordering takeout/delivery over the past month?



N=860 Responses' total may be more than 100% as respondents could choose more than one answer.

KEY TAKEAWAYS

Pickup tactics that have gained traction throughout the crisis are persisting during reopening. Delivery methods will struggle to compete with the reasons why customers say they are flocking to pickup: overall desire to get out of the house and exposure reduction. While it is important to nail down the best strategy for delivery costing for an operator, it is equally and potentially more important to ensure that pickup channels are not neglected in the process or overlooked for efficiency and experience improvement.

43%

of consumers have dined out (where available) since the US began to reopen.

CONSUMER SENTIMENT TOWARD DINING OUT HAS WORSENED

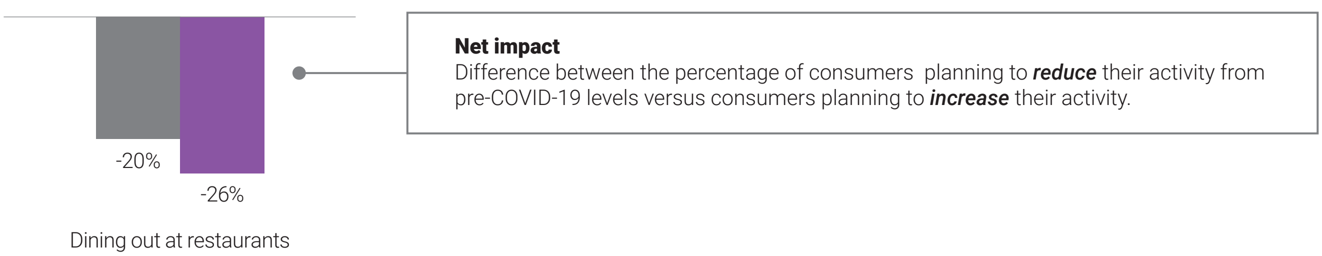
- Although 43% of consumers have dined out since the US began to reopen, only 15% say they plan to dine out "over the next few days."
- Overall, 26% of consumers now say they will be cutting back on dining out, compared to 20% in April.
- Declines in consumer sentiment are persistent across all dayparts and segments versus the April survey.
- Despite planned cutbacks, "eating at restaurants" still leads in consumer sentiment across other sectors of hospitality and leisure, with nearly 40% of consumers extremely likely or slightly interested in dining out over the next three months.

FIGURE 3: AS THE PANDEMIC PROGRESSES, CONSUMERS ARE LESS CONFIDENT ABOUT DINING OUT

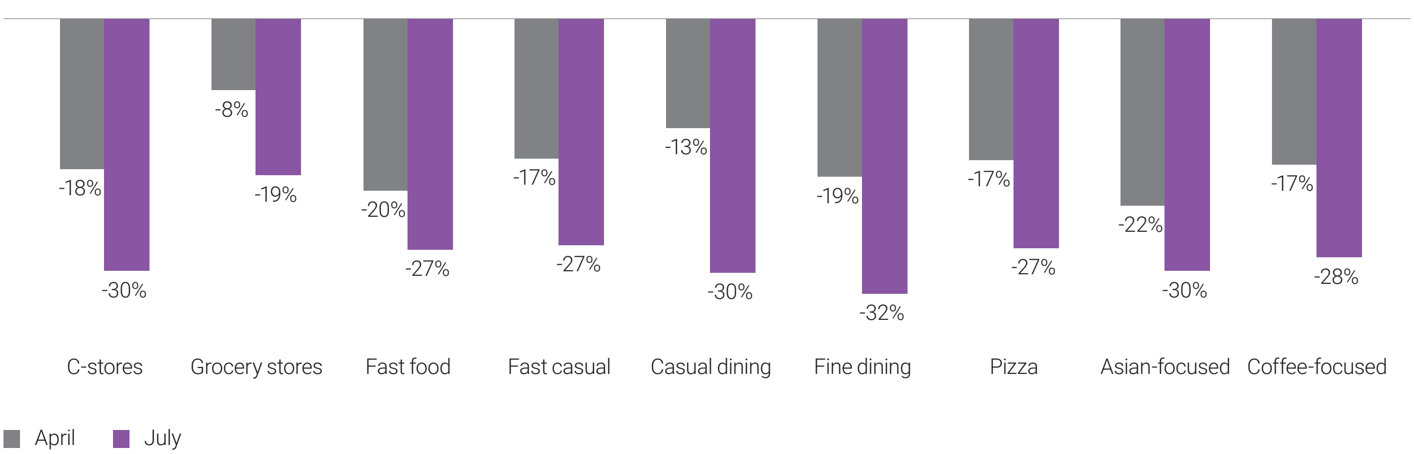
After restrictions related to COVID-19 ease and restaurants return to offering dine-in service, how do you expect your dining habits to change from before the crisis started?

NET SENTIMENT

Dining out



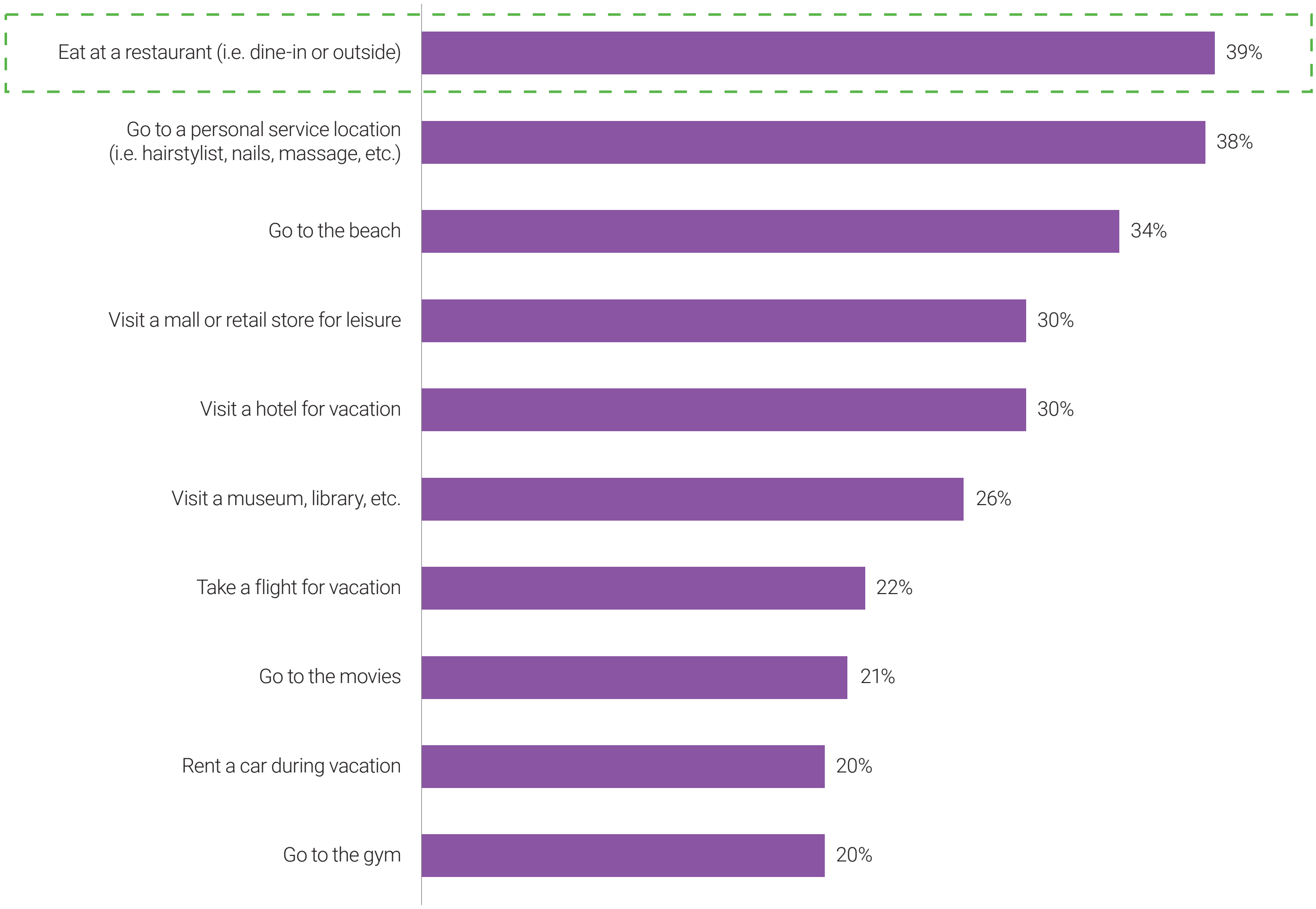
...and restaurant segments



N=1001

FIGURE 4: "EATING AT RESTAURANTS" LEADS IN CONSUMER SENTIMENT COMPARED TO OTHER ACTIVITIES ACROSS HOSPITALITY AND LEISURE

People extremely likely or slightly interested in doing the following activities in the next three months



Other areas surveyed:

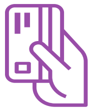
19%	Indoor entertainment	**19%**	Outdoor concert	**18%**	Casino	**17%**	Theme park
16%	Home-sharing	**16%**	Indoor concert	**14%**	Go on a cruise	**14%**	Ride-share

N=1001 Responses' total may be more than 100% as respondents could choose more than one answer

KEY TAKEAWAYS

On a positive note, consumers still look forward to dining out. Yet, despite significant pent-up demand, they are reluctant to return to dining out in a routine way. While consumers are more accepting of dining-out revisions due to health and safety protocols (i.e. disposable menus, limited offerings, mask mandates), service and value have potentially never been this important. Operators must not lose focus on their off-premise models as they wrestle with the demands of offering dine-in services in this new environment. As a near-term rebound in dining out looks more unlikely, operators must initiate longer-term and more permanent cost management and sustainability programs.

AS MANY AS



58%

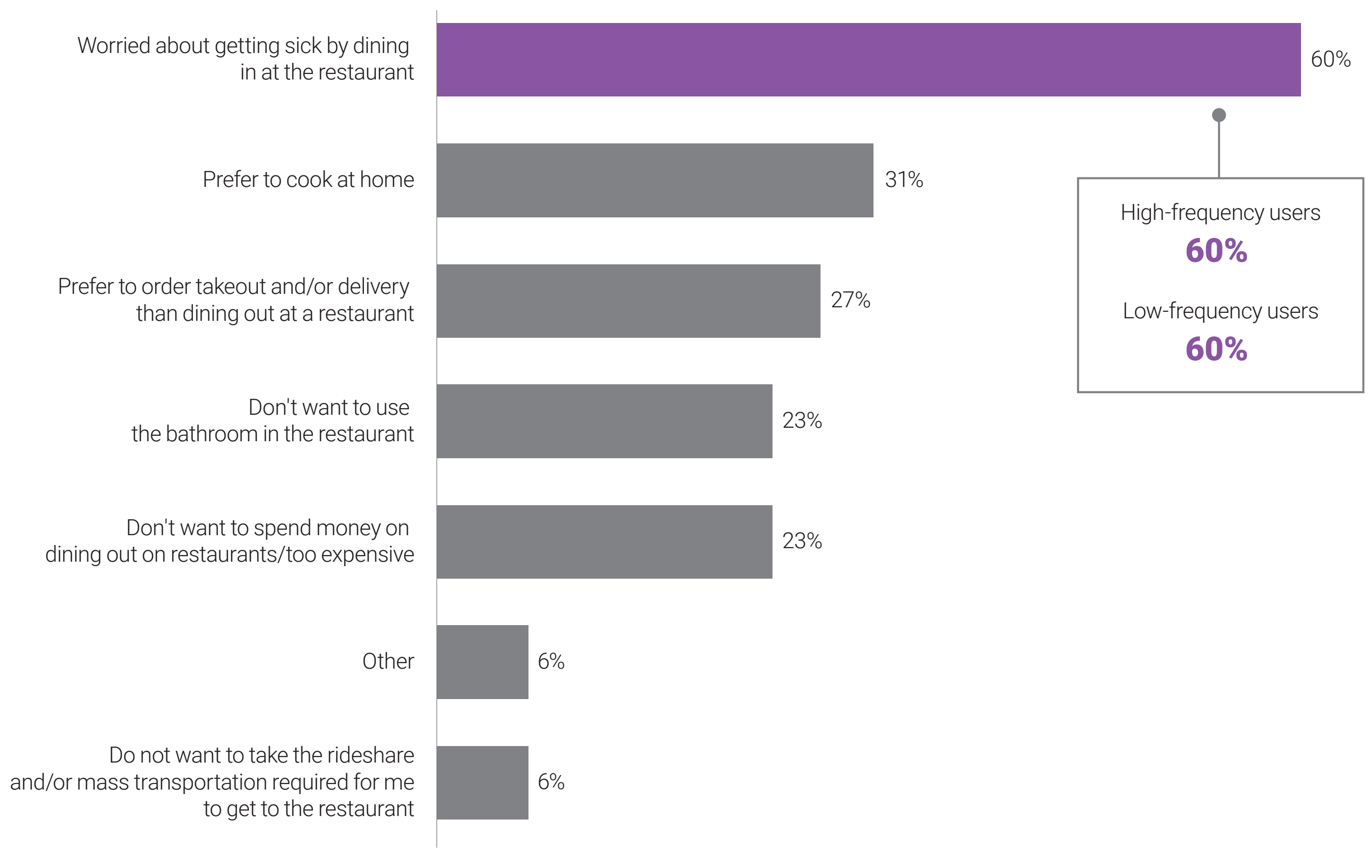
of consumers say the crisis has or will financially harm them.

DESPITE THE FINANCIAL IMPACT OF THE CRISIS, REDUCTIONS IN DINING OUT CONTINUE TO HINGE ON HEALTH AND SAFETY

- Fear of getting sick is the main driver for resistance to dining out, cited by 60% of consumers.
- Of those who have dined out, 37% have only engaged in outdoor dining.
- Outdoor seating, mask mandates, and disposable menus lead in restaurants' tactics to drive dine-out trips.
- States with high community spread have lower consumer sentiment toward dining out.
- But, 59% of those who plan to dine out soon say their dining habits will change, with the majority planning to order fewer items due to personal finances, health, or the desire to limit visit time.

FIGURE 5: FEAR OF GETTING SICK LEADS CONSUMER RESISTANCE TO DINING OUT

You mentioned you don't intend to return to dine-in services within the next month, why?

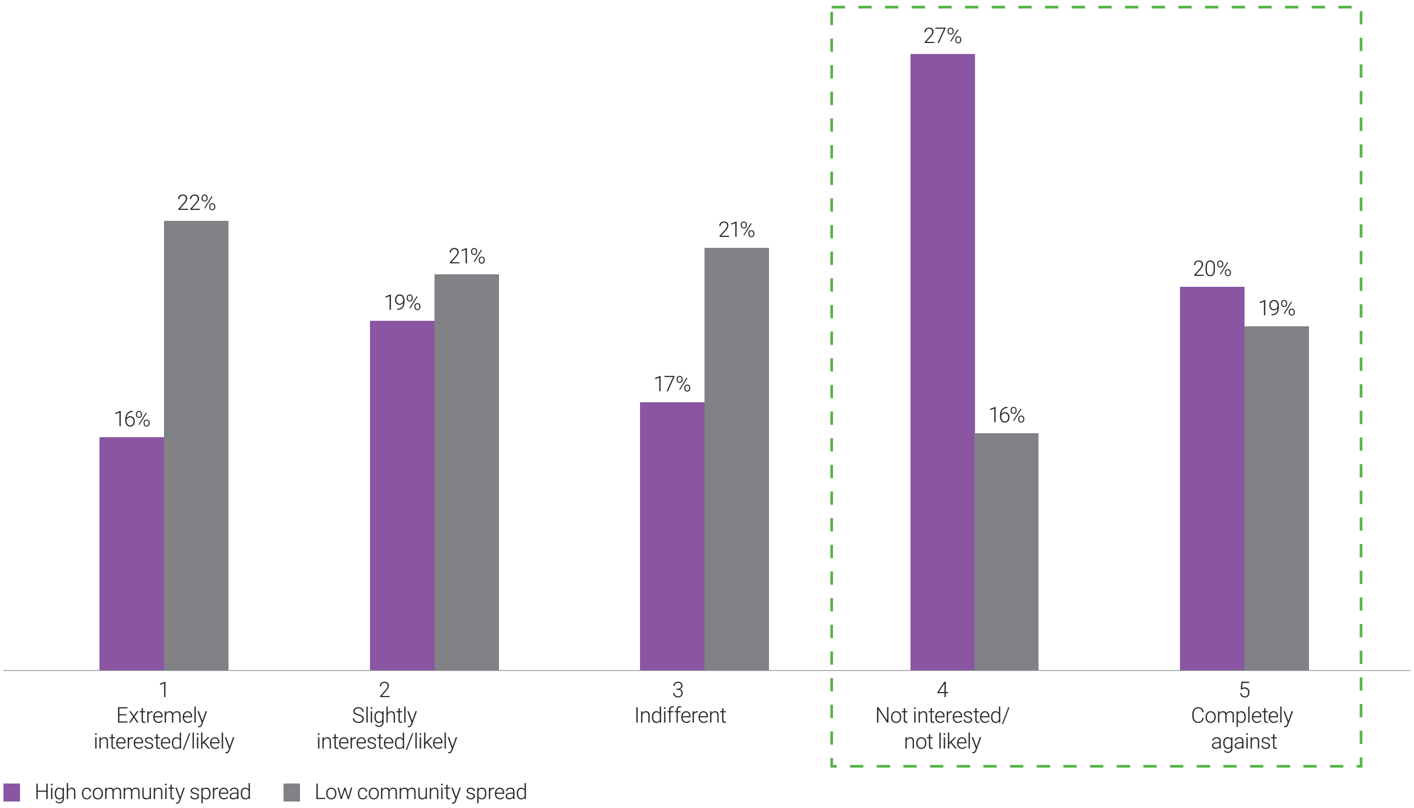


N=624 Responses' total may be more than 100% as respondents could choose more than one answer
High-frequency user = off-premise order of more than once weekly
"Other" included responses such as accepting EBT/SNAP funds and explaining virus protocols

FIGURE 6: STATES WITH HIGH COMMUNITY SPREAD HAVE LOWER CONSUMER SENTIMENT TOWARD DINING OUT

Please rate your interest in doing the following over the next three months (as things reopen) on a scale of 1-5 (1 - Extremely interested/likely to 5 - Completely against)

Interest in eating at a restaurant – high community spread states versus low



High community spread states – Arizona, California, Florida, Georgia, and Texas, N=319
Low community spread states – Connecticut, New Jersey, New York, Massachusetts, N=140

KEY TAKEAWAYS

The need to aggressively communicate health and safety measures continues, as does the need to actively enforce such measures within the restaurant environment. Although the financial impact of the crisis may not drastically prevent consumers from visiting restaurants, it will most certainly shape their behavior while dining and what they are willing to pay. While limited menus should drive operational efficiency and improve sanitation protocols, these offerings must be evaluated to avoid limiting value propositions and thereby allow consumers to choose satisfying options that will also meet their guest check expectations.

HIGH-FREQUENCY OFF-PREMISE USERS HAVE UNIQUE HABITS

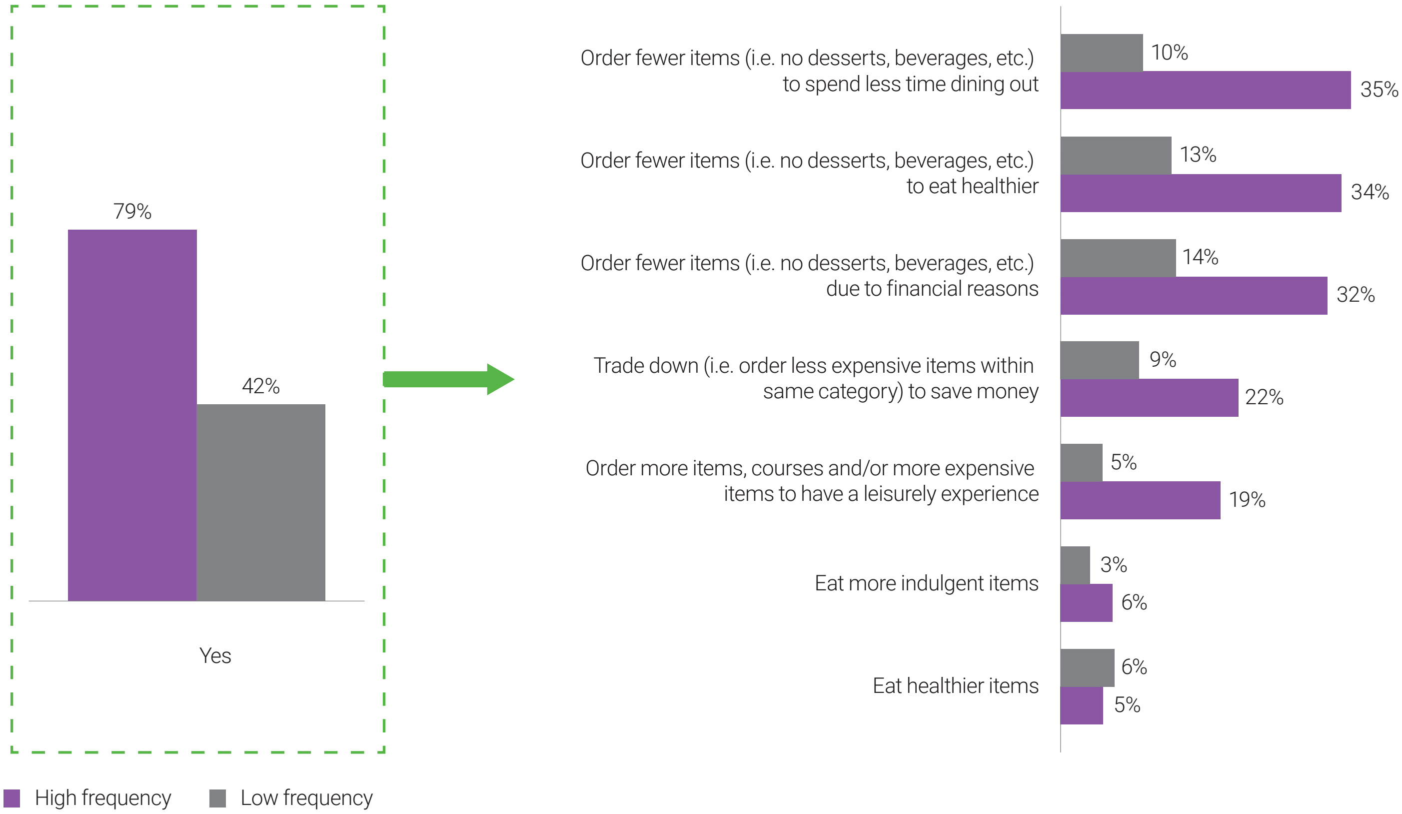
- Nearly 30% of consumers order takeout and/or delivery more than once a week (i.e. high-frequency users).
- These high-frequency off-premise users have significantly different dining behaviors compared to other consumers surveyed.
- Despite maintaining significantly higher consumer sentiment and intent to dine out, they are more financially impacted, more swayed by health and safety protocols, and more likely to have changed their dining habits.

In the near term, success for many operators will hinge on accommodating the habits of diverging consumer groups

	HIGH-FREQUENCY USERS (off-premise order more than once per week)	**LOW-FREQUENCY USERS** (off-premise order once per week or less)
More financially impacted by crisis	✔	
More influenced by restaurants' sanitation protocols	✔	
Utilize a wider variety of restaurant segments	✔	
Prefer pick-up methods over delivery	✔	✔
More likely to have returned to dining-out	✔	
More likely to dine out at restaurants not being utilized for off-premise meals		✔
More likely to have changed dining habits when dining out (i.e. order fewer items)	✔	
Worried about getting sick at restaurants	✔	✔
Intend to cut back significantly on dining out		✔
Maintain higher consumer sentiment across the entire hospitality and leisure sector	✔	

FIGURE 7: HIGH-FREQUENCY USERS ARE MORE LIKELY TO HAVE CHANGED THEIR DINING HABITS

You mentioned you intend to dine out soon. Do you expect that your dining habits while dining out will have changed since before the COVID-19 crisis began?

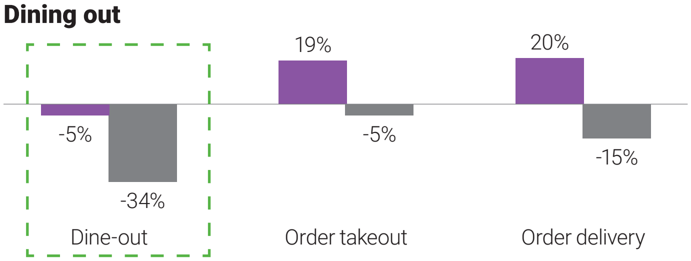


N=377 Responses' total may be more than 100% as respondents could choose more than one answer
High-frequency user = off-premise order of more than once weekly

FIGURE 8: HIGH-FREQUENCY USERS MAINTAIN SIGNIFICANTLY MORE POSITIVE SENTIMENT TOWARD DINING OUT

After restrictions related to COVID-19 ease and restaurants return to offering dine-in service, how do you expect your dining habits to change from before the crisis started?

Dining out



N=1001
High-frequency user = off-premise order of more than once weekly

KEY TAKEAWAYS

In the near term, success for many operators will hinge on accommodating the habits of diverging consumer groups. High-frequency off-premise users represent the biggest opportunity for many restaurants, but they also are the most fickle. It is important for restaurant operators to link messages around their dine-in services with their off-premise channel, whether that be promotions for dining in, delivery, or takeout. Accelerating the delivery of consumer insights continues to rise in importance as those who clearly identify and tailor their marketing to different consumer groups are more likely to gain better traction in this environment.

FOR MORE INFORMATION OR TO RECEIVE A COPY OF THE DETAILED REPORT, CONTACT:

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ABOUT THE SURVEY

Fielded online on July 2-7, 2020, this is the second of three surveys AlixPartners plans to conduct in the US during the coming months. For this second survey, we received responses from 1,001 consumers nationwide, age 18 or older. At the time of the survey, ~18% of respondents were living under shelter-in-place restrictions, 71% were living in localities where restaurants and foodservice establishments had reopened, and 8% were residing in localities that had no restrictions on restaurants and foodservice establishments.

Important dates for understanding the context of the survey include March 13, when President Trump declared a national emergency related to the coronavirus outbreak, and March 27, when the $2.2 trillion economic stimulus bill (CARES Act) was signed into law, providing $1,200 for single individuals, $2,400 for married couples, plus an additional $500 for each child.

ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.