

Coronavirus Impact on the Foodservice Industry

THE RESTAURANT OF THE FUTURE 5.0

Building New Revenue Streams



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THE RESTAURANT OF THE FUTURE 5.0 is about driving new revenue streams by leveraging what has been learned over the last seven months and creatively and aggressively applying it to build business. The creative approach to outside seating is one example that can continue to work in many markets, but at least half of the country will lose their outside cafes for the foreseeable future and dine-in business will be limited due to spikes in COVID and the continuity of proper social distancing.

Consumers want restaurant food and creative and innovative approaches will drive them in with great frequency. This is not a time to give up and blame the cold weather or COVID in general. It is a time to re-boot and get aggressive.

Earlier in the **Restaurant of Future series**, Kinetic12 discussed consumer behaviors and how these behaviors have changed as we all adjusted to our "COVID-normal". In effect, what has changed is that consumers have embraced and become educated to the options of off-premise Foodservice. Of course they would prefer to eat at a restaurant and have the experience of being with other customers and being served, but take-out from their favorite restaurants, with some close friends or family in the comfort of their homes is becoming a good option and getting better.



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"When COVID started, I was afraid to go out and was relegated to supermarket foods cooked at home with no interaction with the outside world. I am now am confident in ordering, paying and picking up my food safely at my favorite restaurants and enjoying it at home with my family and friends."

THE RESTAURANT OF THE FUTURE 5.0

In this edition we look at 10 emerging new revenue streams that can support brands through the winter and beyond.

These include:

1. The Farmer's Markets & Groceries
2. Curbside
3. Expanding Dayparts
4. Subscriptions
5. Family & Friends
6. Scheduled Events
7. Virtual Experiences
8. Community Engagement
9. Retail Partnerships
10. Premium Comfort Food

1. **THE FARMER'S MARKET & GROCERIES** - When groceries were first offered by restaurants back in April, it was a somewhat desperate attempt to boost revenue wherever possible. We now see this as a smart new revenue stream and a lasting and positive opportunity to sell products that have been part of the DNA of every restaurant. In the early days of COVID operators were addressing shortages of toilet paper and trying to meet the need for one-stop shopping. This has now evolved to target consumer's long term desires to take home their favorite restaurant ingredients in retail package formats. Rather than go to a supermarket, why not purchase a fresher, unique and wholesome ingredient from your local restaurant?

Here are some variations on how "Foodservice Groceries" are taking shape.

- **The Butcher** - If a restaurant is known for steak and other meats, there's an opportunity to promote these ingredients for take home use but they must be priced competitively and packaged professionally. There is also an opportunity to promote specific cuts of beef that have value and provide the restaurant's unique recipes and serving tips with every order.
- **The Fishmonger** - If fish and seafood are an operator's specialty, why not promote these products for retail/take-home use. Fish markets stand next to fish restaurants frequently. The opportunity now is for operators to create an in-restaurant fish market that allows them to sell the freshest products at a competitive price and help customers understand how to prepare recipes and plate dishes like the restaurant does.
- **The Baker** - If an operator is known for their bread or rolls then why not sell them for take-home? Whether it is crusty loaves of bread, cakes, pies or cookies, an operator must recognize the products that their customers cannot live without and then promote them. Variations can be developed from these items such as customized corn breads, partially cooked or parbaked breads, frozen cakes, and pies. Coffee houses have been selling donuts and pastries for take-home for years. Casual dining, Fine dining and non-commercial restaurants should look at this as a simple bolt-on business that creates 100% incremental sales.
- **The Greengrocer** - The same holds true with restaurants that focus on fresh produce. If it is clear to a consumer that the operator's products are fresher, crisper, and memorable compared to a supermarket, they will be ready to purchase them to take home. It is essential not try to



become “the supermarket” that has everything for everybody. Focusing on unique core items is the key to success.

2. **CURBSIDE** - In April, Kinetic12 predicted that “**Curbside would be here to stay**”. At that time, many operators were just starting to test curbside as an off-premises option. Since then we have seen curbside growth explode. This should not be a surprise as it directly hits on a consumer’s desire to minimize touch points associated with delivery, in-store take-out and even drive-through.

Curbside has now become established as a standard option for off-premise Foodservice and it continues to evolve as the best option for safe, restaurant quality food available beyond eating in the restaurant itself. Drive-through will continue to be the best last-minute “convenience” option but more consumers are beginning to order and pay before going through the drive-through line. For casual dining and QSR locations without drive-throughs, curbside is the fastest low-touch option and is now a “must-do” to maximize off-premise volume.

Curbside has forced consumers to become comfortable with paying on an app or website which provides greater customization and it’s good for the operator as it leads to a higher average check. People of all ages use curbside. It is clearly not as convenient as delivery, but it is significantly more reliable and touch points are reduced. We are seeing curbside incorporated into the prototypes for all restaurants from QSR to Fine Dining.

Now is the time to promote curbside even harder. With outside seating shutting down for the winter in many markets and dine-in business limited by COVID restrictions, curbside is more important than ever. Operators must embrace this and turn it into a revenue producing machine. Curbside is a year-round opportunity with enormous growth potential. We believe that new and exciting creative approaches will drive new revenue streams this winter and the growth of well executed curbside will be one of them.



3. **EXPANDING DAYPARTS** - Over the last 8 months we have seen restaurants expanding into new dayparts to maximize their revenue. Restaurants that were once open for dinner only, for instance, have now added lunch, but dayparts extend well beyond traditional breakfast, lunch, and dinner. It is not just about extending hours, it also needs to be about value and differentiation in order to be successful.

24-hour restaurants, for instance, are about convenience, but beyond that where is the value? Can an operator execute a menu with limited staff flawlessly 24 hours a day? If hours are extended, there needs to be a clear strategy as to what an operator is offering a consumer at a given time that is a differentiator. Starbucks is a great example of a brand that developed business during “fringe” time periods by providing an environment to work or socialize in between meal periods. That’s added value.

There are endless possibilities to add dayparts and extend hours and be successful at it with either off-premise or dine-in. Consumers today are not on traditional schedules as many are working remotely. They are looking for options to not only eat during a fringe period, but also to take home a second meal or snack. Creating innovative options during non-traditional dayparts can lead to significant revenue increases.

- 4. **SUBSCRIPTIONS** - In normal times, maximizing frequency and driving loyalty, has been crucial to the success of a restaurant. In the evolving new normal, it is even more important. Consumer loyalty is driven by many factors, including price, portion size, convenience, comfort, quality and overall value. The decision criteria that determines loyalty also differs considerably from customer to customer.

Consumers understand subscriptions. This started many years ago with magazines and now almost everything can be purchased through a subscription. All a consumer is doing is paying in advance, usually at a discount, for something they want on a regular basis. Why couldn't this work in Foodservice?

Subscriptions makes it easier for the consumer and build loyalty for the supplier. In the case of a subscription in Foodservice, Panera has proven that at an \$8.99 per month price (a great value), can build added loyalty (750,000 users have been added) and increase frequency and revenue through add-on purchases.

When combos began in QSR, a new value proposition was introduced. By including a low-cost beverage in the combo, the consumer was more likely to pay more for the combo vs just the sandwich. Subscriptions work in a similar way. They are an ingenious way to provide value to a customer and drive guaranteed loyalty.

We can expect that subscription offers in Foodservice will become more common and more creative.



- 5. **FAMILY & FRIENDS** - Consumers are now eating in larger groups at home than they were back when COVID first hit. Kids have moved back home from college and family and friend gatherings have expanded, even if social distancing is still in play. Instead of one or two people to serve, there may be 4-8 people. Many consumers aren't comfortable going out but still want food from their favorite restaurants to serve their group. Take-out orders for 4-8 people are essentially a form of "small-group-catering" – catering without the set-up service, special packaging or high price. Once the restaurant provides the food, either through curbside or delivery, the customer can warm it up and present it at their home as if they were the chef. Instruction on home preparation and even presentation can become an added value.



Bundles and family meals are also becoming more important. A meal bundle that supports the wishes of young children, but also their parents can

result in greater frequency and added revenue. These bundles must be complete and well thought out and priced right.

COVID has created this new long-term revenue stream for restaurants. Whether we call it family-bundles or small-group-catering, this is a smart and creative way to differentiate and build sales.

6. **SCHEDULED EVENTS** - Creating compelling reasons, beyond the menu, for consumers to choose a restaurant is good business. Special events such as concerts, book readings, games, antique car shows and movies have been proven to drive restaurant traffic and promote a restaurant. For off-premise business, event meal bundles and special event menus can drive business.

During holidays there has been a tendency in Foodservice to raise prices and take advantage of their customers. Consider New Year's Eve, which many consider the worst night of the year to go out. Still, many people do and they overpay and often get a below average experience. Considering that many holidays and special events are being celebrated at home and with potentially less people, a creative operator that is focused on maintaining standards, providing value (not just price) as well as the experience, can generate increased loyalty and drive significant new revenue streams.

Operators should also consider promoting multiple meals as part of events, for example: Valentine's Day dinner along with breakfast the next day or New Year's Eve dinner along with New Year's Day breakfast. An operator must stay focused on what they do well but still provide some things that are not expected. Exceeding expectations can win people over.

"Every night is New Year's Eve, and every day is New Year's Day!"



We expect to see more event marketing and event schedules to drive both in-restaurant eating and off-premise business.

7. **VIRTUAL EXPERIENCES** - Beyond "food" and "service", restaurant patrons have always valued great experiences. Eating at a restaurant is a special event for most consumers, regardless of where they choose to dine. They are spending their hard earned money and it is their chance to be "served".

If an operator can find ways to provide an off-premise experience they will have provided a missing link that consumers so desperately are looking for when they are dining at home. Here are a few at-home experiences that we see gaining traction.

- o **Virtual Culinary** - Consumers are enamored with cooking shows and enjoy watching and dreaming, or planning, to cook it themselves. So how can restaurants get in on this? Operators could sell ingredients of which some are fully or partially prepared. Everything would come as a package either for pick-up or delivery. Corporate chefs could tape virtual demonstrations for their customers once a month or more. The virtual presentation demo can be watched online when the customer is ready.

- o **Virtual Concert** - Most people enjoy music as they eat. Wouldn't it be great if a customer ordered a meal package on a specific day and the restaurant provided a download to a concert that they could enjoy while they ate?

8. **COMMUNITY ENGAGEMENT** - Consumers are remaining close to home as COVID persists but there are a great deal of things that consumers miss about the old normal. Restaurant operators can bridge the gap between the old normal and the road to the new normal by being active with their communities. For operators, it is important to know what's going on in their community and try to connect to it and support it. It may be school activities, local sports events, seniors homes or houses of worship. Some operators are successfully using pop-up tents and food trucks to take their food to the event. In addition, there is a great opportunity, even if it is cold, to support local entertainment by setting up a stage with heaters and allow people to listen by sitting in their cars. It will drive revenue for a restaurant and will create good will by promoting local talent.



9. **RETAIL PARTNERSHIPS** - For years, restaurants have partnered with real estate companies, pharmaceutical reps, car dealerships and others to help provide an extra stream of revenue to restaurants beyond the norm.

Retail partnerships should extend to any business that does not serve food - breweries, wineries, and any other non-food retail outlet, and incorporate the restaurant's food and brand into that business, either through cross-promotions, sponsorships or event catering.

Where there are consumers, there is business. In a previous article, Kinetic12 also discussed the value of parking lots. An operator can lead the charge by working with a retail establishment during a normally slow period and jointly promote an event in their otherwise empty parking lot. In the parking lot could be a trailer with your pizza oven or barbecue smoker, tables and chairs and even a music event.



10. **PREMIUM COMFORT FOOD** - When COVID started, comfort food became the go-to. The stress and uncertainty of the pandemic had a significant impact on what consumers wanted to eat to minimize their anxiety. It turned out that comfort food was also defined very differently from person to person. While some viewed comfort food as traditional mac and cheese, chicken pot pie and meatloaf, most viewed it as their "go-to" menu item at their favorite restaurant. These go-to items can now be expanded to provide consumers with new and exciting premium comfort food options.



It starts with a restaurant understanding what their menu items are that their customers cannot live without. Once there is clarity on that, it is time to expand and elevate the offerings. For instance, consumers may love chicken parmesan at a restaurant, but it may be the marinara sauce that they really love, and that sauce can be used in a variety of new and innovative dishes. The sauce could also be sold in bulk. A restaurant could have a great burger, but the pepper bacon is what the consumer is talking about. Using that bacon to develop premium comfort food items would be a clear opportunity for the restaurant to build greater frequency and drive new revenue.

These are 10 emerging new revenue streams that can support brands through the winter and beyond. Surviving and thriving requires creativity and experimentation. We look forward to seeing how our industry adapts and what new and interesting experiences and foods emerge.

Look for the next article from Kinetic12: Restaurant of the Future 6.0:

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Contact us to talk or learn more about the PIVOT PLAYBOOK and the 85-page comprehensive insight and solution report on the impact that COVID is having on our industry. [Kinetic12.com](https://kinetic12.com)

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