

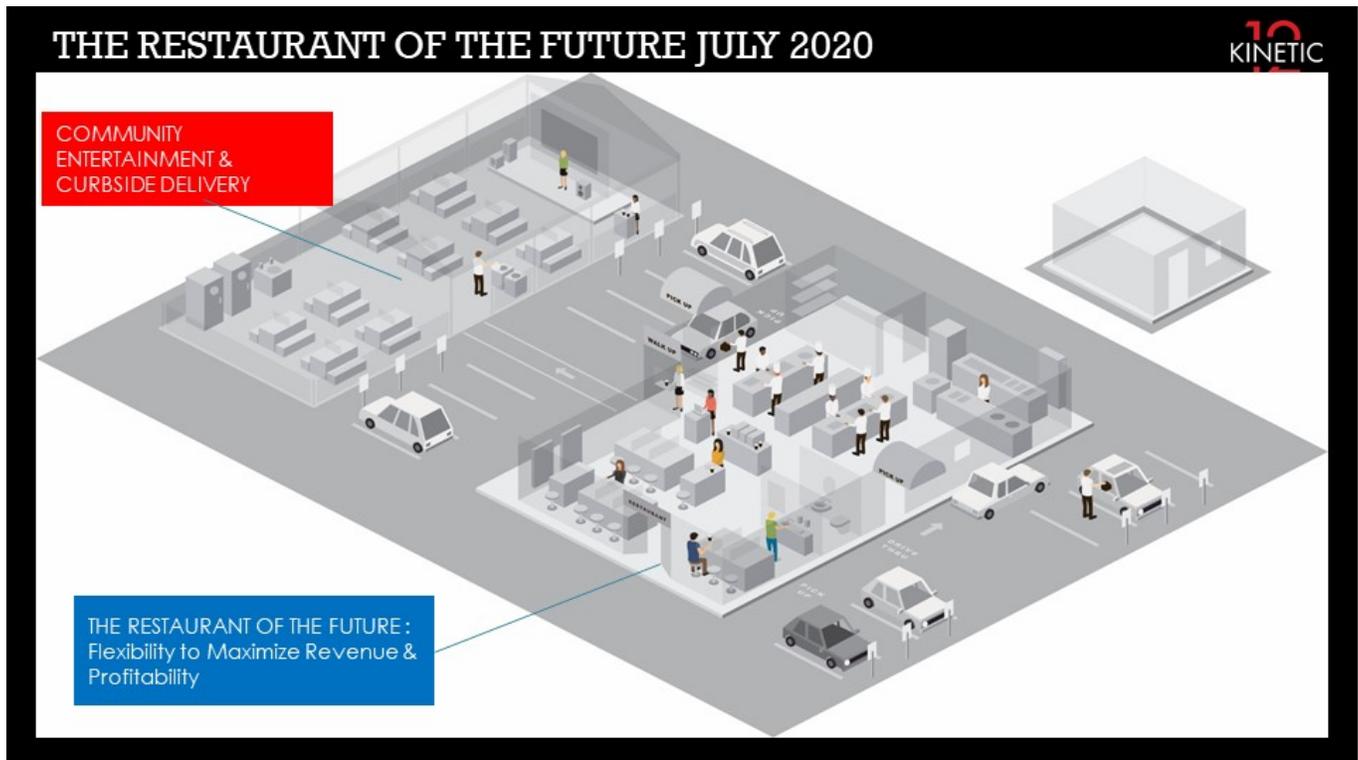
Coronavirus Impact on the Foodservice Industry

THE RESTAURANT OF THE FUTURE 2.0

Off-premise, Simplification &
the Evolution of Dine-in



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THE RESTAURANT OF THE FUTURE 2.0 will appeal to both consumers and operators

In our first article, Kinetic12 identified what the Restaurant of the Future may look like and reviewed 15 components that we identified as crucial to success moving forward. We now all understand that Post-COVID has minimal clarity and the adjustments that have been made to existing restaurants have been, in many cases, defensive but have also allowed sales to improve. While we have seen some great positive impacts, we have also seen the COVID situation continue. COVID is fluid and it is not going away anytime soon. Some behaviors for consumers have permanently changed while others

are in a state of flux. What we do know is that consumers want to eat at restaurants, socialize with their friends and families and want to move on to whatever the “New Normal” will be. There are components of the Restaurant of the Future that will need to be standard and others that will be differentiators. There will also be some that will challenge your imagination.

Operators need to adapt now so that in their future they can exceed customer expectations, drive projected revenue, and keep costs in line.

We have taken our original Restaurant of the Future diagram and made some new adaptations. These predictions continue to evolve from our experience, insights and “forward thinking” view. There is, no right or wrong and there are only ideas for everyone to use to conceptualize what their Restaurant of Future will be, both short and long-term.

The Menu of the Future

The menu of the future will need to follow the new behaviors which consumers have adopted during COVID. Restaurant patrons want what “they” want – NOT what the restaurant wants to sell them. Bloated menus that try to be everything to everyone will not be successful moving forward.

If you cannot execute a menu item, do not sell it. If it does not travel well, do not offer it.

Restaurants need to understand what their “go-to” items are. Those are the perceived comfort food items that their customers are craving. Doing variations of those items is a great way to innovate and expand your menu. Family meals and bundles are a natural adjunct to promoting these “go to” items.

You May Not Have All the Answers

No doubt running a successful restaurant or supplier business was complicated before COVID. You do not have to have all the answers. It starts with an open mind and the willingness to listen to others who have ideas that can support industry leaders with the tweaks necessary to be successful in the evolving new normal. Collaboration and seeking help from trusted partners and suppliers makes good business sense.

Contact Kinetic12 to learn more about our Restaurant of the Future Scorecard which quickly highlight the areas in your business that Must Change, Should Change and Can Wait.

THE RESTAURANT OF THE FUTURE 2.0

Here are 10 key Focus Areas of our updated Restaurant of the Future:

1. Flexibility – The Restaurant of the Future will require flexibility within the whole footprint of the space. Things will change over the course of the life of the restaurant and operators will need to be prepared for that.
 - a. Flexible Kitchens - Kitchens, in the future, will be designed to execute a quality, properly sized menu that is innovative and can be serviced by most employees in the restaurant. Totally scratch cooking will become more focused on RTI (Ready to Innovate) ingredients that are quality, scratch starters that turn into fabulous, flexible recipes. Kitchens will be modular which will allow for stations to close during certain dayparts as well as be totally replaced (i.e., burritos to stir fry) as necessary with the cost of the change primarily being in the equipment.
 - b. Flexible Seating - Social distancing will continue to remain a factor and operators will want to maximize the capacity of their dining rooms. Flexible barriers made of a material, similar

to movie screens, that can adjust up or down as needed can take a table of eight down to four 2's or any combination. Safety for the customer will be accomplished and maximizing revenue for the operator will as well.

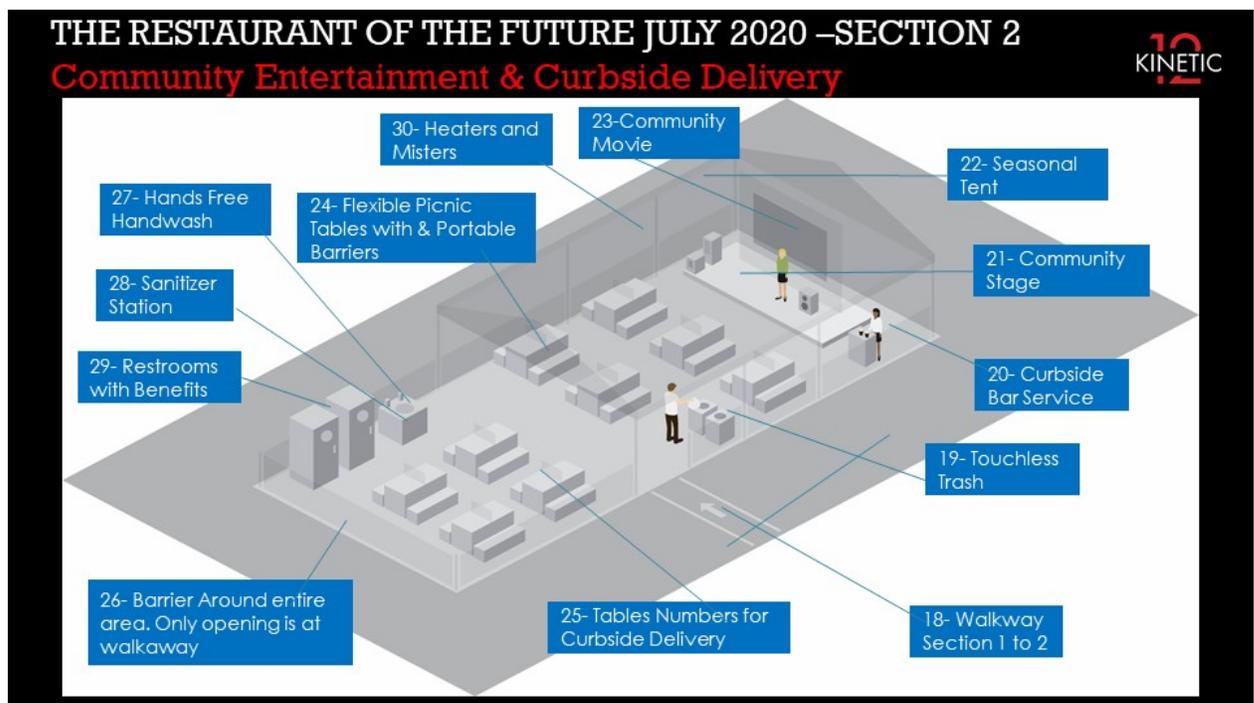
- c. Flexible Everything - Before anything is bolted to the floor, the operator must be confident that no changes will "ever" happen. It is essential to build for today but be ready for tomorrow. If you are nimble and can adjust and will avoid the down time that many operators faced when COVID started.
2. Off-Premise & Portability - Off-premise will continue to grow as a percentage of overall sales. Operators should embrace this change and not fight it. For many restaurants, off-premise became a defensive posture to generate any revenue they could. What they learned is that their consumers have embraced this as an option. It is not meant to replace dine-in, but instead provide quality options to increase frequency. Off-premise has evolved from take-out to a plethora of options to fit each consumer's specific desires. The Restaurant of the Future will have more than one of these off-premise option:
 - a. Curbside Pick-up
 - b. Curbside Delivery to Outside Tables
 - c. Drive-Through Pick-up
 - d. Walk-up Pick-up
 - e. Delivery

To execute Off-Premise effectively, the menu items will need to be portable which combines the right food and the right packaging. Serving below standards food for Off-premise dining is a stop gap and ultimately only those who flawlessly execute will be able to maintain and grow this business. The size of the Off-premise menu should be sufficient to satisfy customer's cravings, but at the same time be simple enough to execute flawlessly.

3. Hands Free/Frictionless - Consumers, operators and suppliers are all pivoting and will continue to pivot as the "new normal" evolves. It starts with the customer having the options to get what they want, when they want it without concern for their safety. Self-serve anything may be a concern for the consumer and touchless everything will result in some added costs for the operator, but better efficiencies will reduce costs. Touchless self-serve beverages, condiments, doors, trash, ordering/payment, and much more are here and evolving. The restaurant of the future will require this. Manufacturer partners will be working hard to support this new "touchless" phenomenon if they want to be part of the solution.
4. Technology - The Restaurant of the Future will require technology to make the customer experience safer, faster, and more efficient. The Restaurant of the Future will not have anyone taking orders or payment. The customer will have options to choose what they want, when they want it and then how to pay for it.
 - a. APP and Website Improvement - Setting up your APP or website with the ability for customers to order and pay from home or anywhere else provides convenience, speed and efficiency and higher average checks for the operator.
 - b. 3D Cameras added to Kiosks - Touchscreen kiosks will become no-touch kiosks by adding facial recognition which is enabled by 3D cameras.
 - c. Kiosks with QR Codes and/or NFC chips - Another possible option for frictionless ordering and payment is to add QR codes or chips to download menus with no touch.
 - d. Voice Activation - The Restaurant of the Future will use voice activation for placing and paying for orders as well as controlling kitchen equipment.

5. Simplification/Differentiation/Innovation - There will be no value in complexity in the Restaurant of the Future. Setting up systems, menus and processes that are simplified is the foundation moving forward. Differentiating will be crucial to success and keeping it simple and continuing to innovate will be the key to being different.
 - a. Simplification - Trying to be everything to everybody is a recipe for failure. Menu development for instance may be driven by defensive moves triggered by competition. Keeping menus simple will result in SKU reduction and from that less ordering, storage, production, waste, and most important, less mediocre menu items going to your guests. The Restaurant of the Future requires efficiencies to maximize sales and keep costs in line.
 - b. Differentiation - Why does a customer come to a given restaurant or brand? Once that is understood everything else will fall in line. Taking emotion out of decisions and focusing on the customer increases the potential of success exponentially. The idea of being better has no merit and is strictly personal. Differentiation defines a brand and it may be the small details that a customer identifies with.
 - c. Innovation - Great operators and suppliers innovate, but innovation does not have to be complex. It starts with variations on what your customers view as your "go to" products. Collaboration between partners will drive greater innovation with bold products being incorporated into multiple menu items.

Below is Section 2 of the Restaurant of the Future (Contact Kinetic12 for Section 1):



6. Community and Events - We see the future of in-house dining as still unclear but we predict the Restaurant of the Future will have limited indoor seating. On the other hand, outdoor seating has been more successful. We see great potential to drive greater visit frequency and significant revenue by creating an outside seating experience which includes a small stage showing movies, individual entertainer, culinary presentation and more. Seating will be flexible tables that can seat a table of six or multiples of two. You can order and pay at the table with the table number

acknowledged. Orders are brought out to the tables via "Curbside Seating". Touchless trash, handwash/sanitizer stations and more will focus on safety and sanitation. Heaters and misters will make this area usable most of the year.

7. Staffing and Roles - Doing more with less will be the mantra of the Restaurant of the Future. There cannot be excess staff and the team will need to be cross-trained to be able to execute with precision and efficiency. A great team member will be rewarded based upon station certifications and their level of productivity and adherence to brand culture. With the elimination of order taking and payment, the operation becomes simpler. The layout of the restaurant will allow for opening and closing of stations based upon levels of business. A brand ambassador can be appointed for each shift to communicate with guests and staff, make sure that safety and sanitation are in play and fill in anywhere that there is a bottleneck. They will be certified in each station.
8. Safety and Sanitation - Safety and Sanitation will need to come first if a restaurant is to be successful. The consumer will dictate it and it will become a key element in their choice of a restaurant regardless of the quality of the food and service. Handwashing/sanitizer stations will be easily accessible for both customers and employees. Keeping everything touchless will limit the possibility of safety issues. Getting lax on safety and sanitation will have a tremendous negative impact. Processes and procedures including a cultural component will be required. Using proper chemicals and disinfecting regularly is paramount. Telling the story of safety and sanitation will also be an important element of an operator's success.
 - a. Addition of Technology - There is now technology to monitor hand washing of employees as well as other cleaning processes to ensure that compliance is being met.
 - b. Air Purification - Pre-construction solutions can help negate issues.
 - c. 3D Camera Technology - This technology can reduce the number of items and surfaces customers must touch. Other customers are the ones who create the biggest issues and trust in the operator is dictated by seeing issues and fixing them.
9. Maximizing Space/The Footprint of the Future - Delivery only "Ghost Kitchens" are hot right now. We believe that the Restaurant of Future will be multi-faceted and can be the size of a ghost kitchen but offer flexible options that will allow the customer to have more of a say in the process. Not everyone wants delivery and in fact, many have become accustomed to Curbside where they can get restaurant quality food that is safe and picked up at a specific time. Footprints will allow for total flexibility based upon the location which could include some outside seating and limited entertainment and bar business.
10. New Ways to Drive Revenue/P&L Management - Revenue opportunities for operators continue to evolve. Where it used to be dine-in or take-out, there is a whole new world to drive sales, but it requires forward thinking and avoiding going back to "what was". Optimization of the physical space and cross-functional staff throughout the day will produce the greatest rewards. Off-premise is here to stay, but there are twists to make off-premise more inviting. Curbside delivery to outside tables is a great option. Imagine a seating area where there is a movie, culinary presentation or musician entertaining your guests and they sit at a picnic table with barriers and they place and pay for their order and have it delivered to your table number. Frictionless dining outside with entertainment and a limited bar menu along with hands free amenities. There is a lot of potential in the Restaurant of the Future.

The Restaurant of the Future is evolving

Consumers want to go out and are looking for ways to socialize. Restaurants remain their best option, but their behaviors have changed, and operators must adjust their operations to reflect these new habits. There is so much opportunity to be creative and develop more customer loyalty.

Safety and sanitation will remain at the forefront, but a new and exciting guest experience can be generated and should be part of the “new normal”.

The Restaurant of the Future will be exciting. It will be more efficient and will provide consumers with options that were not available to them pre-COVID. Different is better than better and the Foodservice industry needs to embrace what is next.

WHAT NEXT: Restaurant of the Future 2.0 Scorecarding

What to do next? Suppliers and operators must prepare for the future today by understanding how the industry is evolving and immediately make changes to their business models. [Kinetic12 has built a scorecard for assessing and understanding the Restaurant of the Future](#) and can help by guiding your management team through an assessment to identify where to start. We will identify those areas in your business that Must Change, Should Change and Can Wait.

It's time to pivot and focus on the opportunities represented by the Restaurant of the Future.

Bruce Reinstein and Tim Hand are partners with Kinetic12 Consulting, a Chicago-based Foodservice and general management consulting firm. The firm works with leading Foodservice suppliers, operators and organizations on customized strategic initiatives as well as guiding multiple collaborative forums and best practice projects. Their previous leadership roles in restaurant chain operations and at Foodservice manufacturers provide a balanced industry perspective.

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.

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