



VIBE CONFERENCE

VERY IMPORTANT BEVERAGE EXECUTIVES

September 27-29, 2021 | Omni La Costa Resort & Spa, Carlsbad, CA

bar &
restaurant

AN EXPERIENCE FROM

questex

Now & Next: Reinventing the On-premise Drinks Business

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The landscape has changed

On-premise composition shift



The bar is evolving

Bar areas, drink programs and
occasions



New pain points are emerging

Pandemic-related challenges
shape the on-premise



Outlook calls for growth

Slow recovery, uncertainty
remains



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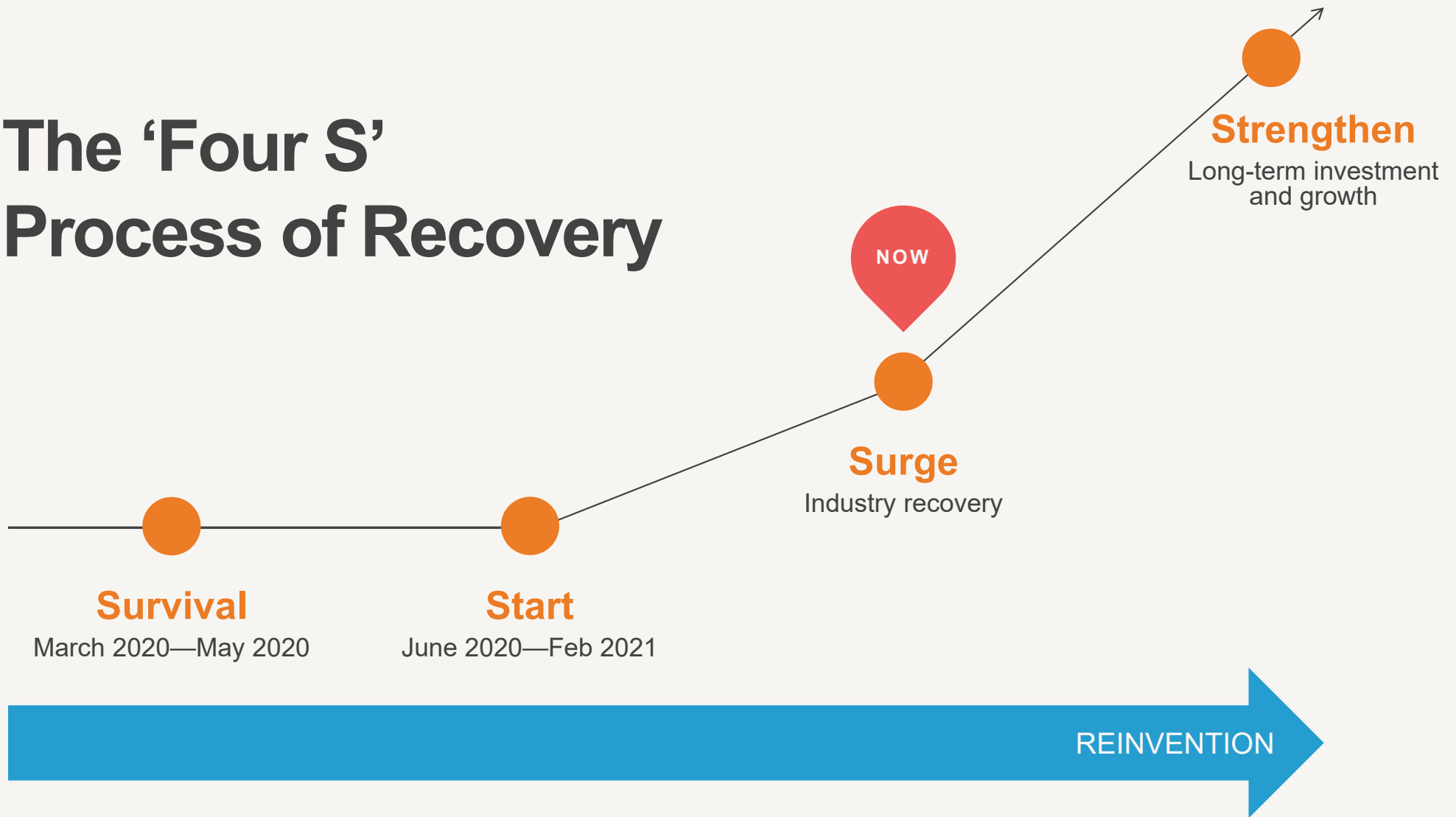
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The 'Four S' Process of Recovery



The landscape has changed

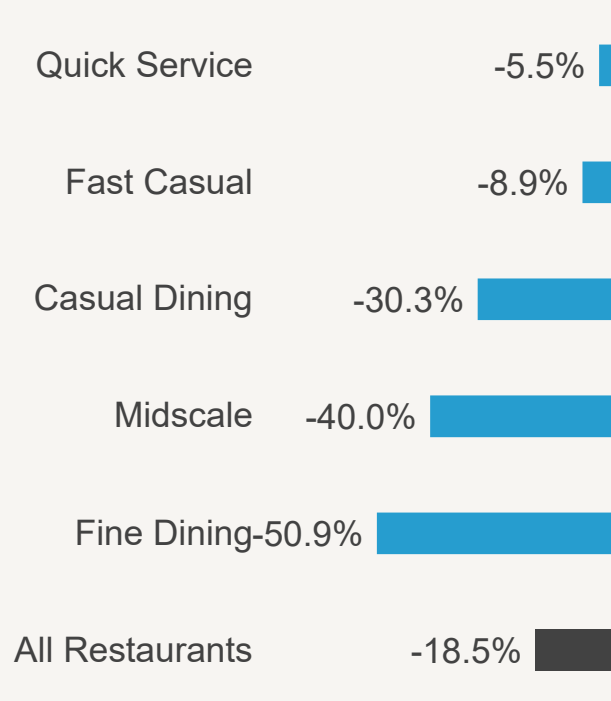
On-premise composition shift in favor of chains

PERFORMANCE TRENDS & ANALYSIS

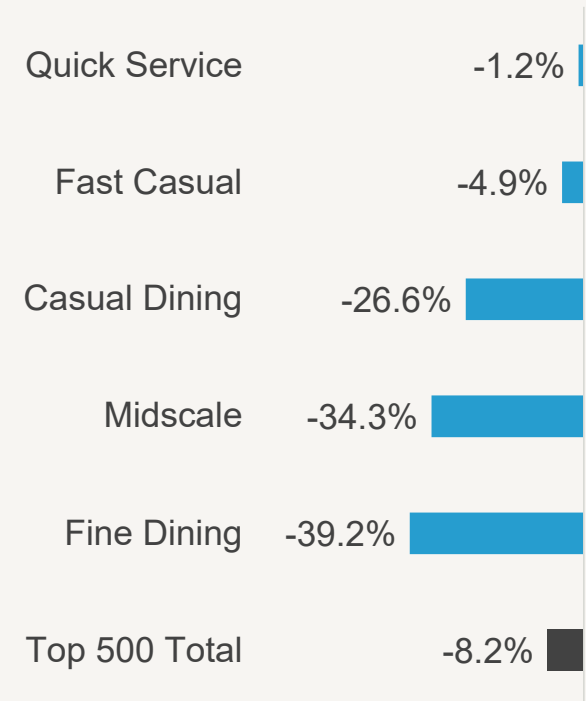
Chains
significantly
outperformed
the industry in
2020

SUBSEGMENT SALES PERFORMANCE

2020 ANNUAL SALES CHANGE TOTAL INDUSTRY



2020 ANNUAL SALES CHANGE TOP 500 CHAINS



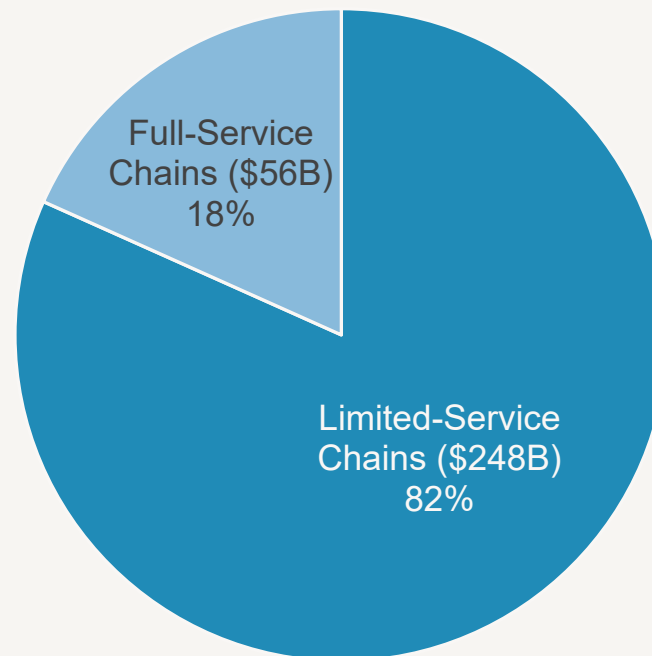
Source: Technomic Ignite Company

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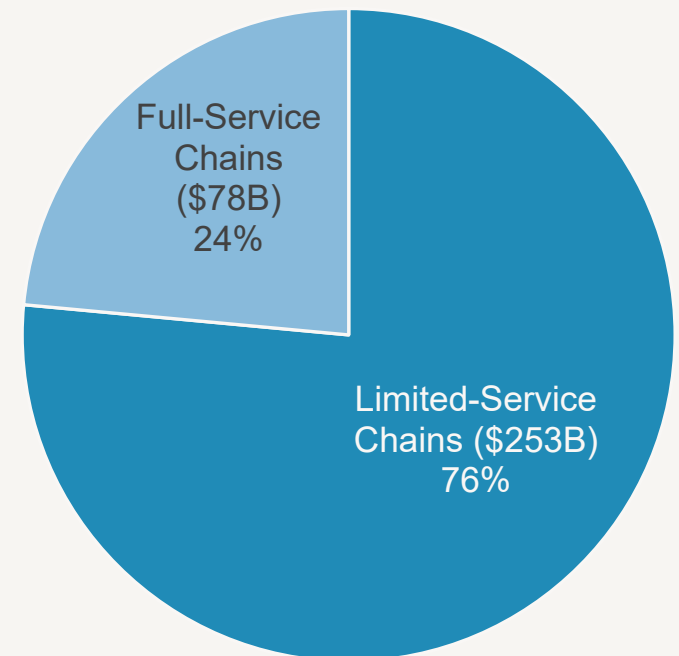
PERFORMANCE TRENDS & ANALYSIS

As full-service chains struggled, limited-service grew its sales share

2020 TOP 500 SALES SHARE
BY SEGMENT



2019 TOP 500 SALES SHARE
BY SEGMENT



Source: Technomic Ignite Company

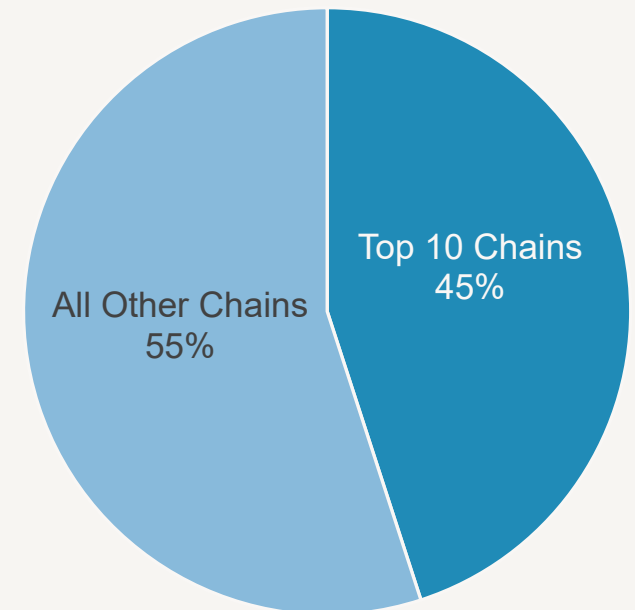
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FULL-SERVICE SEGMENT OVERVIEW

TOP 10 FULL-SERVICE
CHAINS (RANKED BY 2020 U.S. SALES)

Chain Name	2020 U.S. Sales (\$M)	Change %	2020 U.S. Units	Change %
Olive Garden	\$3,407.3	-20.5%	868	0.2%
Buffalo Wild Wings	\$3,113.7	-15.1%	1,204	-0.2%
Applebee's	\$3,101.0	-24.1%	1,600	-3.9%
Chili's Grill & Bar	\$3,082.0	-13.5%	1,233	-0.7%
Texas Roadhouse	\$2,694.2	-13.4%	572	3.4%
IHOP	\$2,137.7	-34.6%	1,670	-2.3%
Outback Steakhouse	\$2,087.1	-20.8%	706	-2.5%
Cracker Barrel	\$1,770.0	-29.7%	663	0.5%
Red Lobster	\$1,755.0	-29.5%	675	-0.6%
Denny's	\$1,744.4	-35.2%	1,534	-2.0%

FULL-SERVICE SEGMENT
SALES SHARE %



Source: Technomic Ignite Company

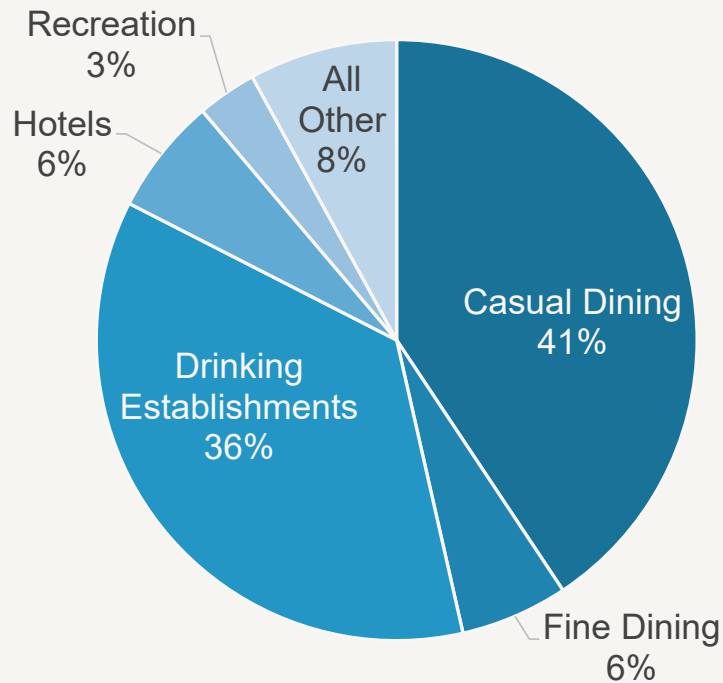
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PERFORMANCE TRENDS & ANALYSIS

Despite its challenges, casual dining gained share as other segments declined to a greater degree

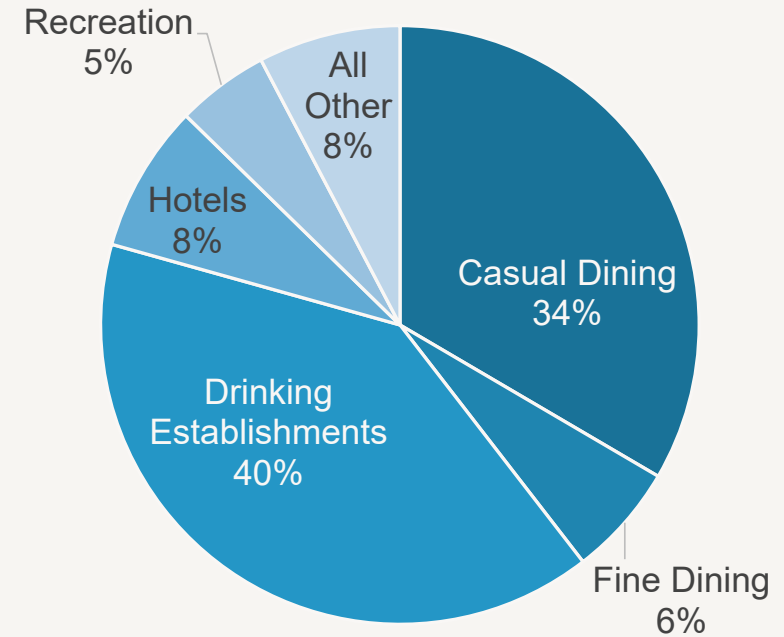
**2020 TOTAL ALCOHOL BEVERAGE SALES
BY SEGMENT**

TOTAL CONSUMER SPENDING 2020
\$64.9B



**2017 TOTAL ALCOHOL BEVERAGE SALES
BY SEGMENT**

TOTAL CONSUMER SPENDING 2017
\$112.6B



Source: Technomic Ignite Company

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The bar is evolving

Bar areas, drink programs and occasions

- Reinvention necessitated by COVID disruption

84%

Of on-premise operators made changes to their bar/bar area during the pandemic



Image source: Shutterstock
Source: Technomic 2021 Future of On-premise Report

From pandemic fixes to permanent fixtures



Image sources: Shutterstock

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Concept flexes— what role does alcohol play?

- Smaller footprints
- Increased off-premise focus
- Virtual brands as growth vehicles

Image source: Shutterstock

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Concept flexes— what role does alcohol play?

- Smaller footprints → **59%** More space devoted to the drinks program
- Increased off-premise focus → **56%** Drinks to go is strategic growth driver
- Virtual brands as growth vehicles → Potential for alcohol sales unclear



Image source: Shutterstock
Source: Technomic 2021 Future of On-premise Report

Virtual brands
to expand—
lots of chicken
wings, but
where are the
drinks?

TOP 500 CHAINS: VIRTUAL BRAND LAUNCHES

Company Name		Virtual Brand Name(s)
Bad Daddy's Burger Bar	✓	Bad Mama's Chicken
Bloomin' Brands	✓	Tender Shack
Brinker International	✓	It's Just Wings
Chuck E. Cheese	✓	Pasqually's Pizza & Wings
Denny's		The Burger Den and The Melt Down
Dine Brands Global	✓	Cosmic Wings and Neighborhood Wings
Famous Dave's	✓	Hayward's Hen House
Just Salad		Health Tribes
Lazy Dog Restaurant & Bar	✓	Jolene's Wings & Beer
SPB Hospitality	✓	Twisted Tenders
Nathan's Famous	✓	Wings of New York
Red Robin	✓	Chicken Sammy's, Wing Dept. and Fresh Set
Smokey Bones Bar & Fire Grill	✓	The Wing Experience and The Burger Experience
TGI Fridays	✓	Conviction Chicken

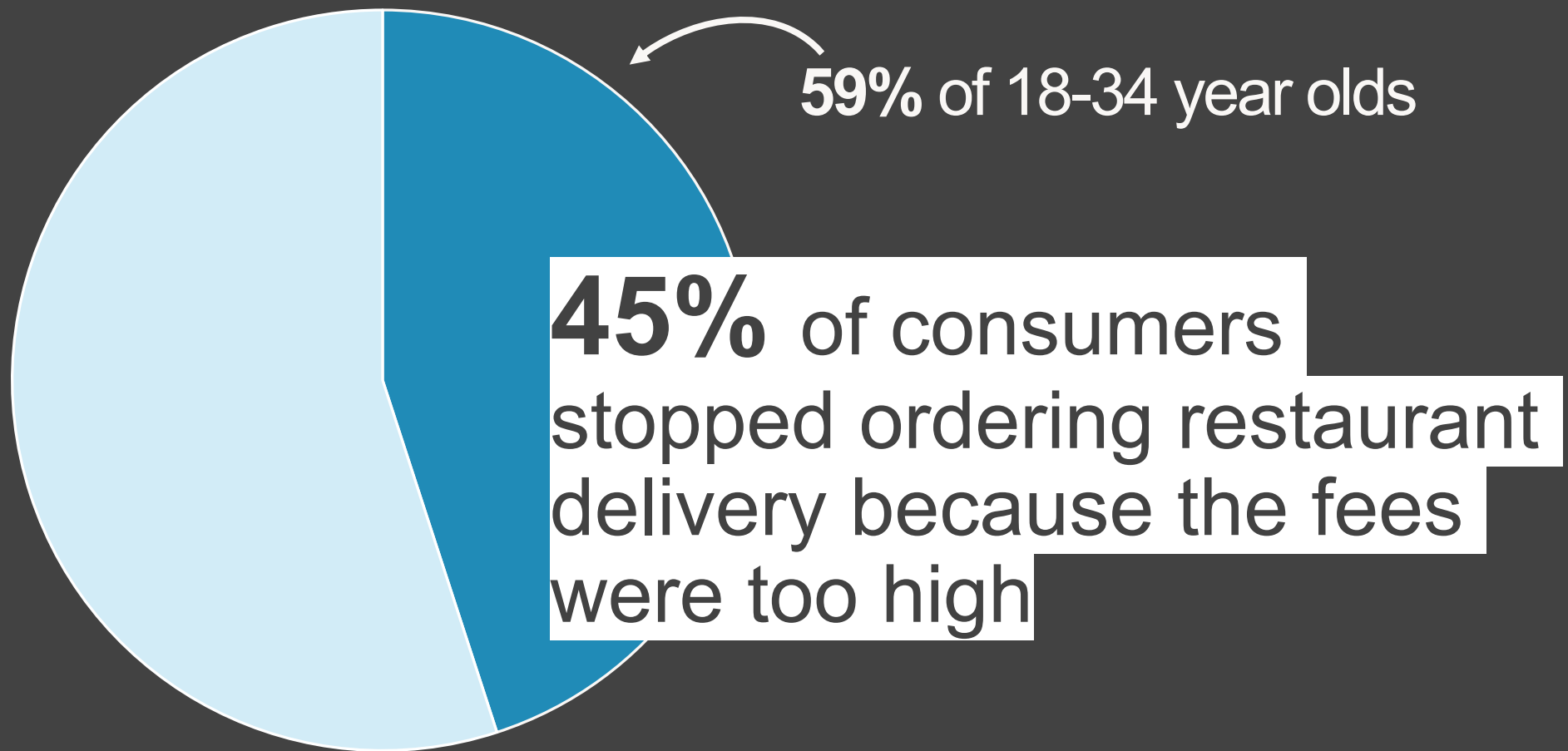
Delivery landscape— constant change, increased competition



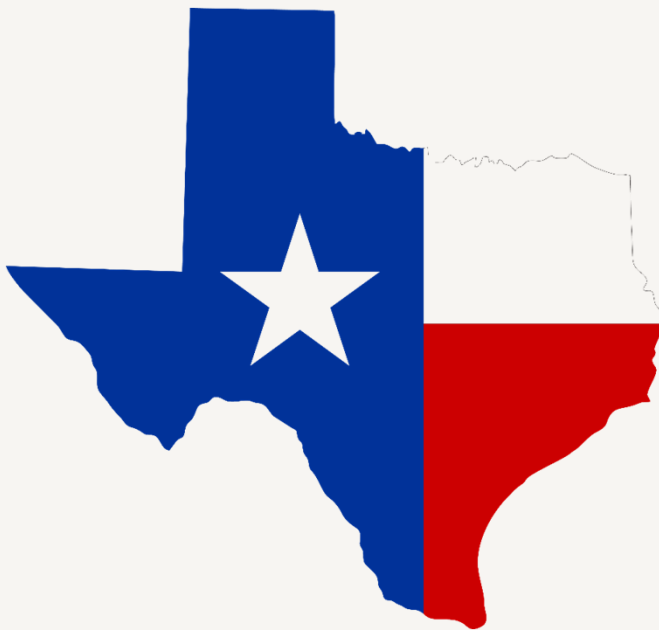
Image source: Shutterstock

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- Despite significant growth, few 3rd-party delivery firms are profitable
- Delivery fee caps becoming permanent in a number of markets
- Chicago sues Doordash and Grubhub
- Doordash, UberEats and Grubhub sue NYC
- 7-Eleven and Minibar partner



Restaurant drinks to-go permissions find support and opposition



NOW PERMANENT



NOW PROHIBITED

Consumers are releasing pent-up demand but
still need a reason to return to the bar

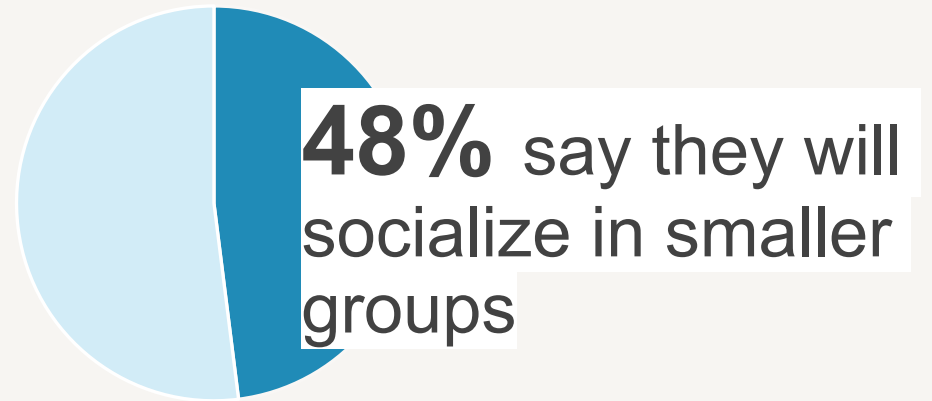
Needs and expectations have changed

Consumers want pandemic protocols to remain in place

- Frequent, visible sanitation
- Outdoor/patio dining
- Space out seating/fewer seats in the bar
- Space out seating/fewer seats in the dining room
- Covered/enclosed outdoor dining space with heaters in winter
- Require employees wear masks
- Offer alcohol to go
- Maintain plexiglass between patrons and bartenders
- Maintain plexiglass between dining parties/tables

Source: Technomic 2021 Future of On-Premise Report:

Consumers want to connect over drinks in restaurants and bars but occasion dynamics have shifted



Source: Technomic Adult Beverage Planning Program consumer survey January 2021

On-premise Alcohol Purchase Priorities



Source: Technomic Adult Beverage Planning Program consumer survey April 2021

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Important to more than
75% of consumers

Quality/taste

Friendly service

Overall experience

Safety/sanitation

Favorite/familiar brand

Price/cost

Pour size/portion

Speed of service

Variety

On-premise Alcohol Purchase Priorities



Source: Technomic Adult Beverage Planning Program consumer survey April 2021

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Important to more than **75%** of consumers

Increased importance in the past year

Quality/taste	49%
Friendly service	42%
Overall experience	42%
Safety/sanitation	55%
Favorite/familiar brand	34%
Price/cost	42%
Pour size/portion	36%
Speed of service	36%
Variety	31%

ACTION ITEM

The bar area and alcohol occasion is changing, unevenly. Adopt a future-focused approach with a back-to-basics mentality.

RECOMMENDATIONS

- COVID safety measures will be mandated and executed differently across markets—be flexible (and don't throw out the plexi!)
- More space, attention devoted to the bar translates to stronger overall restaurant performance—secure necessary resources to ensure those gains
- Consumer cost of entry attributes—quality, service, experience, price—are more important; nailing the basics is crucial
- Off-premise environment evolving—prepare for drinks to go becoming controversial in some markets, more competitive in others

New pain points are emerging

Pandemic-related challenges persist—are they permanent?



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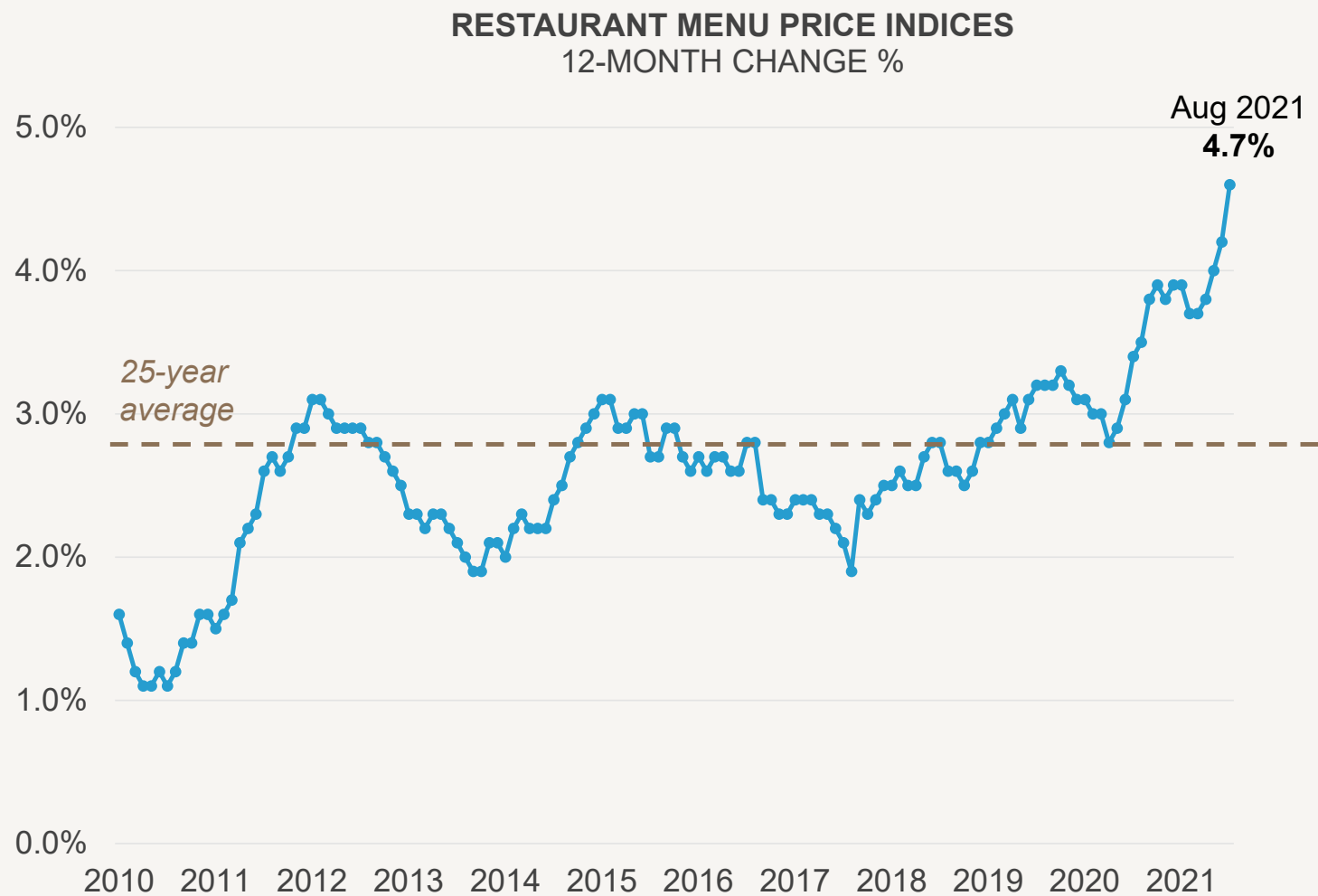
© 2021 Technomic, Inc. | U.S. Foodservice Planning Program

**Challenges
that will linger**

Labor

Supply

Higher input
costs =
higher menu
prices



Source: US Bureau of Labor Statistics and Technomic analysis

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Supply Chain Chaos

- Demand surge
- Rehiring difficulties
- Slow rebalancing from retail
- Spiking categories
- Raw material shortages

Image Source: Shutterstock

5.4%

July Unemployment

9.0%

July Leisure and
Hospitality
Unemployment

YTD July Average Hourly Wage Change*

Source: Bureau of Labor Statistics and Technomic analysis
*Dec 2020 v. July 2021 Non-supervisory and production personnel

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All private industries

+3.0%

Leisure/Hospitality

+13%

43%

of employees
report that their
restaurant is
understaffed*

65%

The stress level on
our staff is high

55%

Some of my co-workers
are considering leaving
their job

56%

It's very difficult to
take time off

35%

I am considering
leaving this job

40%

It's less enjoyable
to work here

51%

Our customers are
sometimes annoyed
by slow/poor service

Source: Technomic 2021 Crisis on the Front Lines

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Fewer bartenders on staff detracts from guest experience

- Slower service times
- Bartenders are overworked
- Lower service levels
- Inability to offer full drink menu
- Revert to simpler drinks



Image source: Shutterstock

ACTION ITEM

Supply chain and labor challenges here for foreseeable future—focus on mitigating impact on employee and guest experience

RECOMMENDATIONS

- Communication and transparency key to managing supply chain/product availability issues—creative solutions required to maintain relevant, profitable drink menus
- Address industry's image problem to increase hiring—showcase competitive pay/benefits, flexible but predictable schedules and professional work environment
- Optimize drink menus for consumer appeal, operational efficiency—simple drinks and formats, balance familiarity with innovation

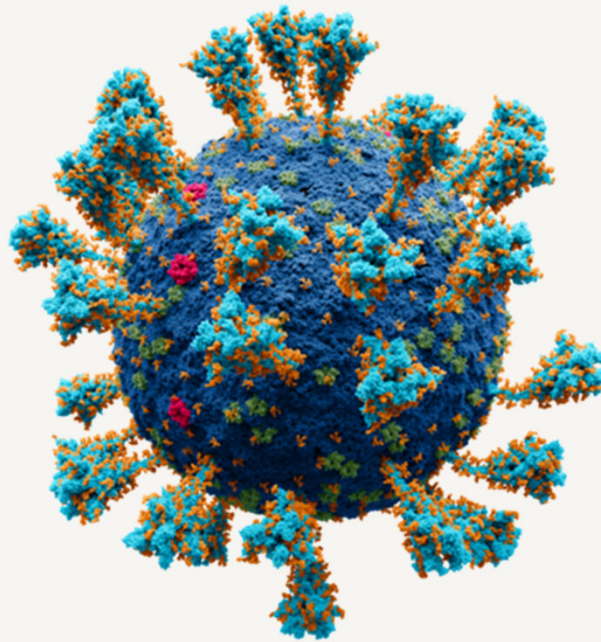
Outlook calls for growth

Surging now, but slow recovery—uncertainty remains the norm

DELTA VARIANT | ATTITUDES

59%

say the delta variant has caused them to become more cautious in terms of where they go and what they do



18%

say they don't care about the delta variant and are done being cautious at this point

17%

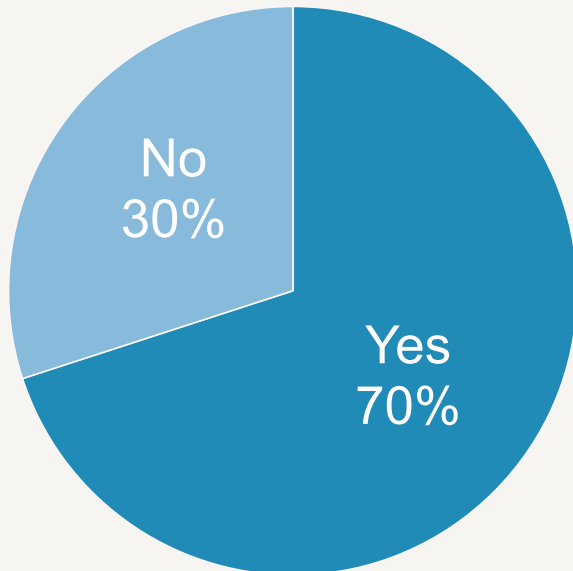
Say they refuse to go back to wearing a mask in public

Source: Technomic U.S. Foodservice Planning Program

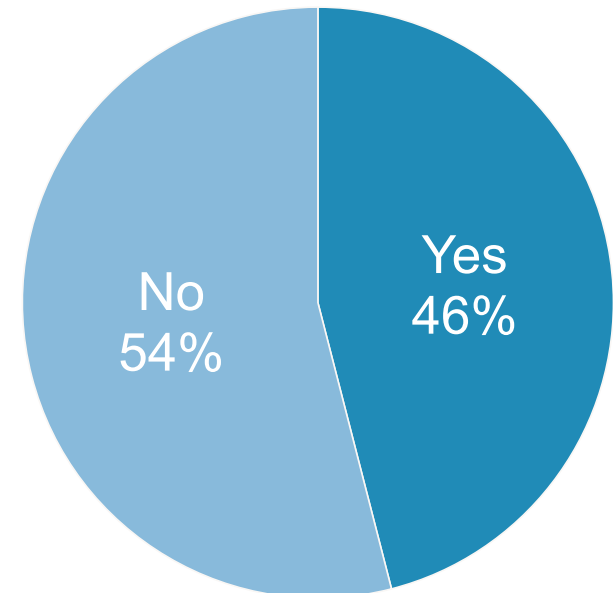
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DELTA VARIANT | ATTITUDES

A month ago, when COVID-19 cases were very low, did you feel comfortable dining in at restaurants?



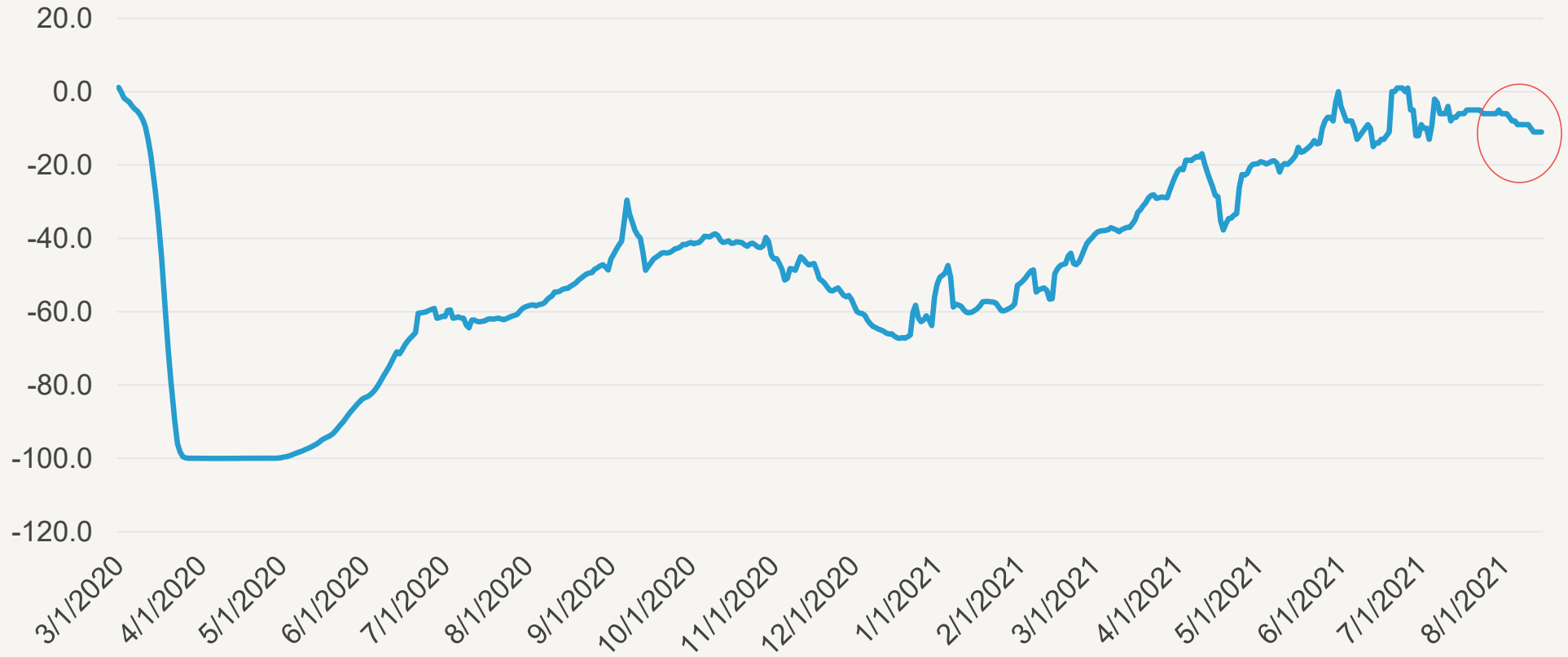
Now that COVID-19 cases are surging due to the delta variant, do you currently feel comfortable dining in at restaurants?



Source: Technomic U.S. Foodservice Planning Program

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RESTAURANT RESERVATIONS
SEVEN-DAY AVERAGE % CHANGE VS. SAME PERIOD 2019
(THROUGH AUG 15 2021)

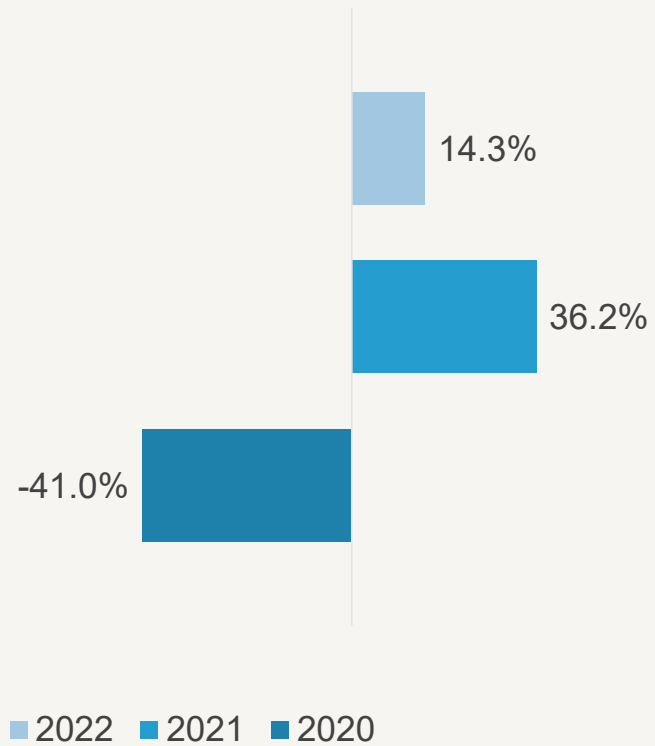


Source: Technomic analysis of Opentable.com data

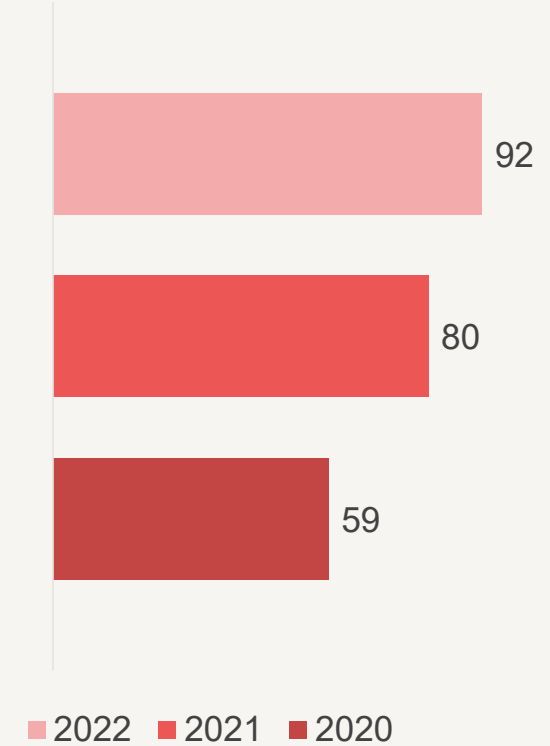
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CORE ON-PREMISE INDUSTRY FORECAST SCENARIOS

2019-21 CHANGE



2021 INDEX (2019=100)



Note: Nominal=growth including inflation; includes core on-premise segments only
*Previous is forecast from June 2021; Current is September 2021 updated forecast
Source: Technomic projections, September 2021

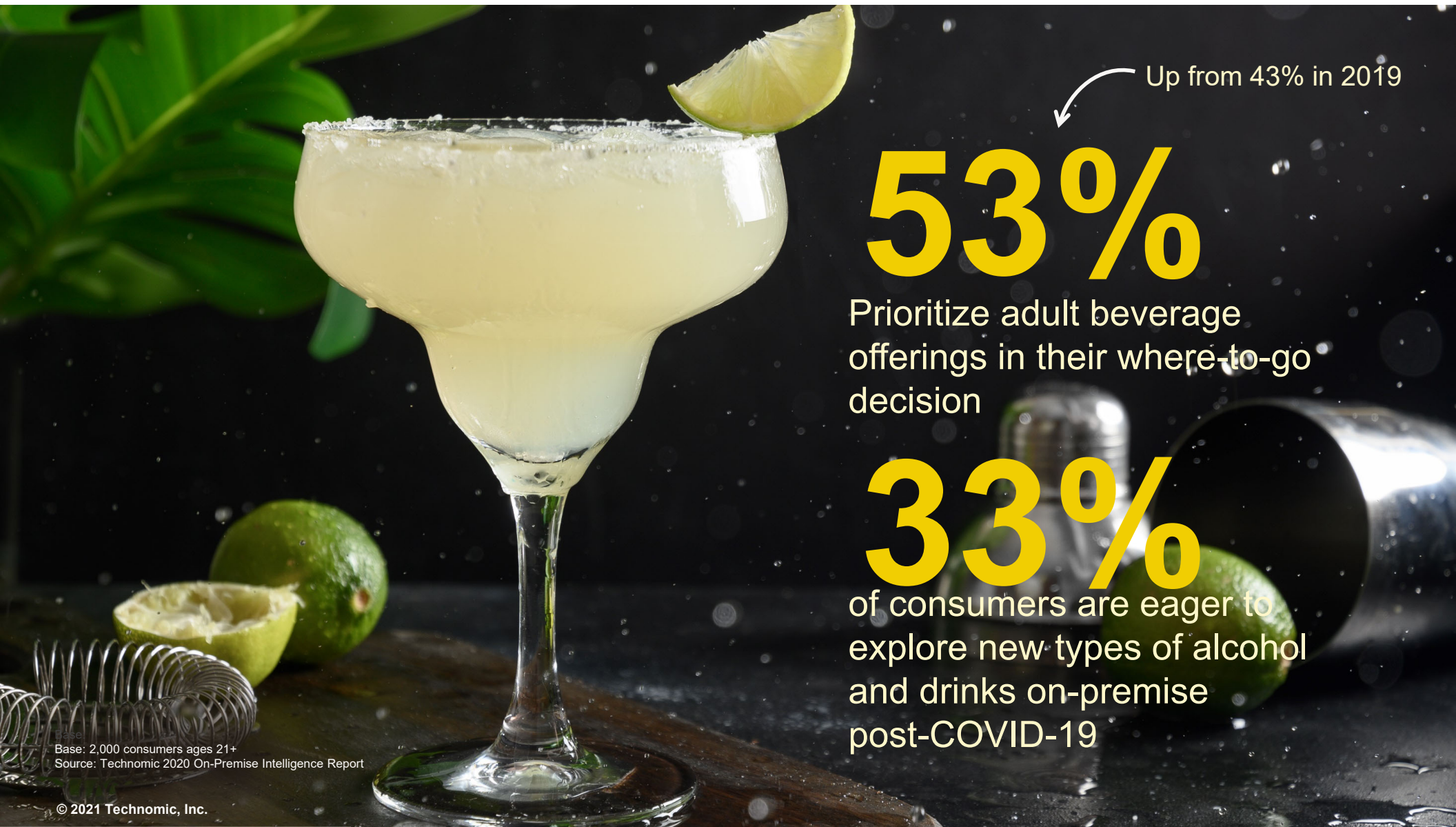
Outlook

- Pent-up demand driving current spike
- Boom has created new problems, magnified others
- Inflation not a big concern now, but will be if continues
- On-premise surge will like slow in Q4/Q1



Final thoughts

Predictions of the death of on-premise were misguided



Up from 43% in 2019

53%

Prioritize adult beverage offerings in their where-to-go decision

33%

of consumers are eager to explore new types of alcohol and drinks on-premise post-COVID-19

Base: 2,000 consumers ages 21+
Source: Technomic 2020 On-Premise Intelligence Report

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What's Next



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- Chains are well-positioned in the new environment
- Importance of bar and adult beverage programs—to consumers, to operators—elevated by the pandemic
- Consumers look for safety cues, seek familiar drinks and crave innovation—can be impatient with slow, low service levels
- How the labor issue is resolved will shape the future of on-premise drinks business—proactive approach recommended

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