56 DAYS
That Forever Changed the Restaurant Industry

Special Report

by

BLACK BOX INTELLIGENCE

workforce • guest • consumer • financial

Solid Sales to Pandemic Recovery - a Restaurant Industry Timeline

March 1

Sales dropped in Seattle DMA
To-go sales jumped

Spending grew for online grocery

Sentiment showed heightened attention to food safety & cleanliness

March 13

70% of restaurants attribute additional traffic declines to COVID-19

1/3 of restaurants experienced additional staffing difficulties

Restaurants started closing dining rooms

March 20

Online COVID mentions related to restaurants peaked

March 23

Off-premise sales reached over 60% growth YOY for full-service, and nearly 30% for limited-service brands

Industry comp sales bottomed out at -66%

March 24

Consumers shifted 10% of share-of-stomach spend away from restaurants to groceries

March 27

Limited-service brands experienced increase in share of consumer food spend by 3% week over week

April 15

67% or restaurants furloughed employees; 22% laid off employees

First signs of sustained improvement for industry comp sales

April 23

Number of guests using third-party delivery apps for limited-service grew by about 60%

April 29

All industry segments experienced improvement in comp sales results

May 9

Almost 30% of restaurants reopened dining rooms in some capacity

May 17

Full service brands in states that reopened (TX, GA) averaged between 10 to 20 percentage points better than at the national level

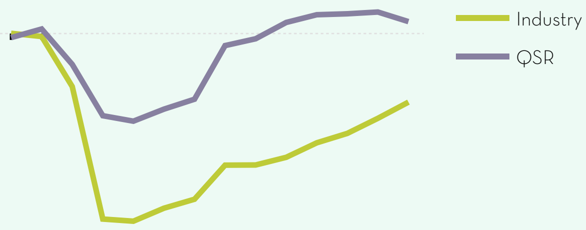
May 20

Positive guest sentiment around ambiance and cleanliness increased in those states reopening dining rooms

May 24

Family dining started to experience acceleration in recovery

Quick Service Brands Faring the Best So Far



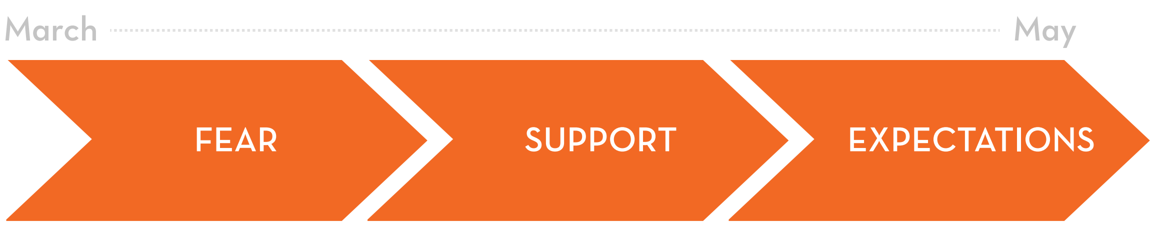
Quick service brands were able to achieve positive comp sales during the first week of May. So far, quick service is the only segment to move into positive sales territory. In fact, comp sales in Quick Service since the beginning of May has been better than the sales growth experienced by the segment for years.

Full-service brands have struggled, understandably compared to limited-service restuarants (quick service and fast casual), that are already built to operate with drive-thrus and to-go offerings. Fine dining was hit especially hard; however, comp sales started to trend back up for the segment in the middle of May. Innovative pivots such as offering family meal kits have helped all segments capture sales during the pandemic.

The industry also experienced an uptick in comp sales during the first week of May, hovering around -45%. This coincides with the reopening of dining rooms in some states.

As more restuarants reopen and consumers are more comfortable going out to eat, the total sales will continue to rise for all segments.

Online Chatter about Restaurants Shifted from Fear to Expectations



"There's a coronavirus going around and it's already on the west coast of FL. Please tell your employees to cover their mouths when coughing or sneezing or stay home."

"I LOVE this Perkins! Besides the menu food, I have been buying all my toilet paper, paper towels and some grocery items here... they are HELPING OUR COMMUNITY."

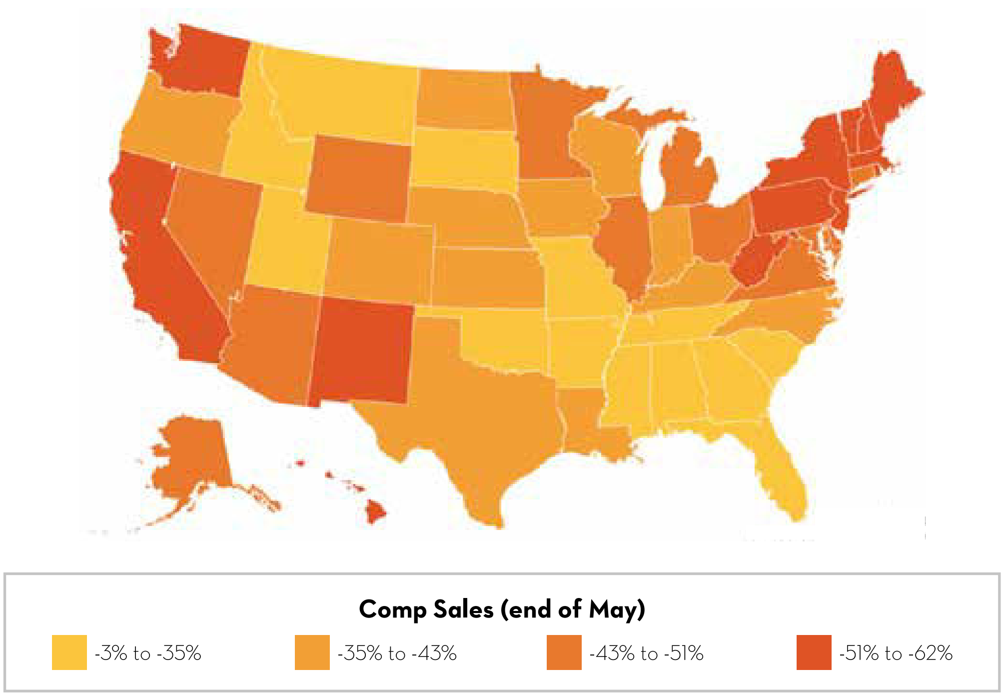
"Tables are not being seated 6ft apart and server was wiping down different tables with same cloth. Not a good COVID-19 rule experience for a reopen of dining area."

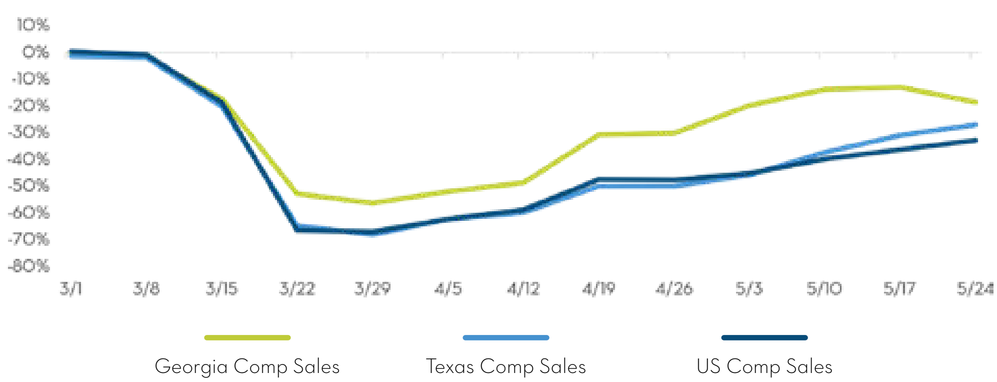
Online guest feedback has been dominated by coronavirus chatter. But the focus themes shifted as consumers adapted to the rapidly changing environment. Initially, the chatter surrounded fears about catching the virus and worry about sanitzation and cleaning procedures. Guests were hyper aware of employee bahavior and did not hesitate to call out when staff appeared sick.

As it became clear how hard the restaurant industry had been hit, guests started showing their support towards restaurants and highlighted creative things they did such as sell groceries or cleaning supplies. Heading into May, expectations are clear as to how guests believe restaurants should operate in a COVID world.

It is extremely valuable for restaurants to maintain an understanding of these emergent themes to better understand the state of mind of their guests during each stage, especially with efforts to reopen underway.

Major Outbreak States Suffered the Largest Sales Declines





Black Box Financial Intelligence™ clients have access to a wealth of restaurant performance data and are able to benchmark against 6 segments and the entire industry on a variety of metrics including:

- Sales & traffic
- Sales per labor hour
- PPA/PTA
- Food and beverage mix
- Off-premise
- Market share reports

Not a client yet?

There are a few ways to get a peek at the most comprehensive dataset in the restaurant industry.

Participate in the weekly **Restaurant Recovery Sales Flash**, currently open to all operators.

Receive YOY comp sales & traffic, dine-in performance for full and limited service brands and off-premise performance data.

Subscribe to the monthly **Restaurant Industry Snapshot™**, featuring sales & traffic performance, topline workforce trends, economic conditions and expert commentary and insights.

States that had initial outbreaks are still struggling the most to gain comp sales growth. The deep declines in comp sales were offset some by to-go and off-premise growth, however, full-service brands were hit harder than limited-service. Full-service brands that were able to pivot and find innovative ways to meet guests demands were able to encourage more sales. Offering groceries and meal kits are two examples illustrating the creativity of restaurants during the pandemic.

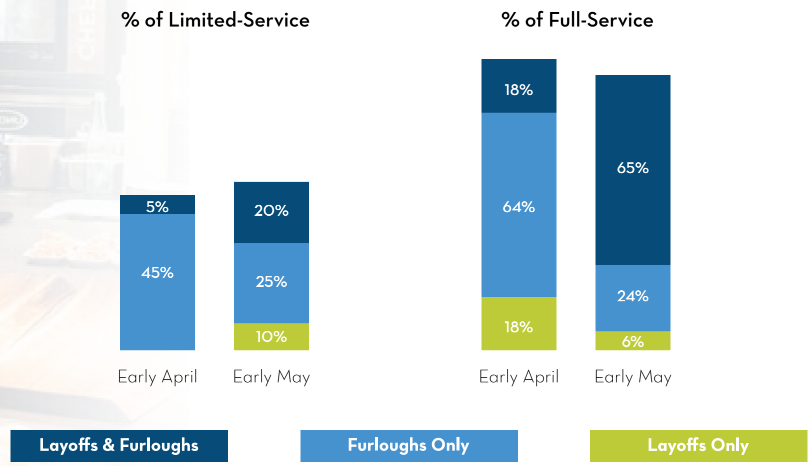
Comp sales for the industry hit rock bottom in March, falling below 65%. The week the first stimulus checks went out mid-April, resturants experienced an uptick in sales, and industry same-store sales has continued to improve since then.

Texas and Georgia offered early clues as to the behavior of comp sales upon reopening. During the second week of March, average comp sales for those two states were -26%, compared to -40% for the entire industry.

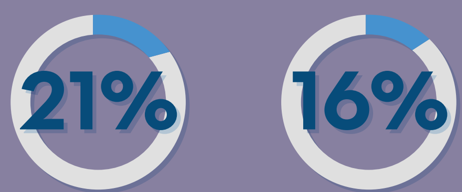
Demand for dining in by consumers will help improve comp sales for the industry, but operators should proceed with caution. As cases continue to rise in densely populated areas, or places with heavy tourism, guests may still be extra cautious about going out to eat.

It's not likely the industry will snap back to pre-pandemic levels quickly, rather a slow and steady climb.

Employee Layoffs Increased After April



Companies Are Rehiring Managers at Lower Starting Salaries, But Are There Enough Employees to Hire?



Restaurant Managers (non-GM)

General Managers

**Percentage of companies offering lower starting pay*

1 in 4 furloughed employees and 2 out of 3 laid off staff members are not expected to return, although hourly staff are mostly expected to come back at the same base salary.

In March when initial furloughs and layoffs began, only 22% of managers were affected. Given the historical sales loss, almost half of companies have adjust criteria or performance goals used to calculate the bonuses for all their levels of restaurant management (including GMs), to maintain the validity of their incentive pain in these unprecedented times. Additionally, corporate executives, on average, also received 45% cuts in their base pay.

Pandemic Fueled Third-Party Delivery (3PD) Adoption, Especially for Full Service

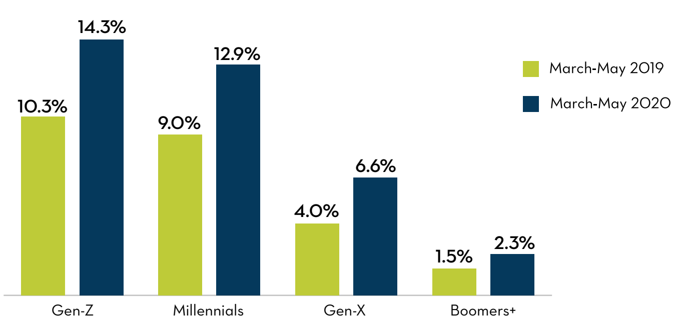
36% YOY Guest Growth for all 3PD

64% YOY Guest Growth for Limited-Service

105% YOY Guest Growth for Full Service

Off-premise sales experienced a huge boom, driven by the COVID pandemic. Full-service brands saw the biggest increase in third-party delivery adoption as well, as consumers sought to broaden their food options while sheltering at home. The number of consumers ordering from third-party apps doubled in April 2020 compared to April 2019.

Growth of 3PD Adoption by Age Group



According to the **Restaurant Industry Snapshot**, limited-service off-premise sales has plateaued in recent weeks. A slowdown in states that opened earlier (TX and GA) suggests that off-premise sales growth will taper off.

Opening dining rooms at limited seating capacities will continue to encourage off-premise growth. However, the initial boom in third-party adoption and sales growth for off-premise channels will likely slow down while pent up demand for dine-in is currently strong for consumers.