2021
RESTAURANT INDUSTRY ASSESSMENT

NBCUniversal

WELCOME!

Introduction

Explore NBCUniversal's latest perspectives and insights into the Restaurant industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Restaurant brands and marketers as they navigate what's next.

Our Approach

At NBCUniversal, we have a legacy of working with a diverse range of Restaurant partners to build their brands. This report has been created based on NBCU's:

- Ongoing Industry Auditing
- Conversations with Restaurant Advertisers and Agencies
- Continual Marketplace Analysis
- Examination of Consumer Attitudes towards the Restaurant Industry

CONTENTS

WE HAVE
A UNIQUE
PERSPECTIVE

In 2021, NBCU worked with:

50 Restaurant Advertisers

QSR	Casual Dining	Fast Casual
Meal Kits	3rd Party Delivery	Coffee & Breakfast

Pizza

2021 YEAR IN REVIEW

A Look Back

THE **THEME** OF 2021 WAS
RETAINING CUSTOMERS & EMPLOYEES

CUSTOMERS & EMPLOYEES

Restaurants Try to Rebuild the Workforce

Conditions in 2020-21 forced restaurants to revamp their employment packages to attract and retain employees.

WFH Permanently Alters Dining Relationships

After a year of changing work environments, consumers are balancing having meals at home and eating at restaurants.

Restaurants Expand Pop Culture Partnerships

Restaurants are partnering with diverse celebrities (cultural & occupational) and capitalizing on trends, like nostalgia.

Challenged Supply Chains Impact Menus

As consumers want unique new menu options, restaurants are struggling to meet consumer demand due to supply chain & labor shortages.

LOOKING FORWARD

A Look Ahead at Key Trends

EVOLVED EMPLOYEE BENEFITS AND INVESTMENTS IN AUTOMATION

With the ongoing labor shortage, **restaurant brands are under pressure to evolve employee experiences.**

Companies are investing in automation to lower labor expenses while alleviating menial tasks from workers, while also creating improved benefits for their employees.

Advances in Automation

91% of restaurants are looking to kitchen automation technology to help streamline their operations in the U.S.

Since March 2020, restaurant operators across the industry are already devoting more resources to customer-facing technology:

Casual Dining **50%**

Quick-Service **39%**

Coffee & Snack **52%**

Better Benefits

Wages for hourly limited-service restaurant workers climbed **10% YoY in 2Q.**

New & upgraded benefits are being led by top brands across the industry:

Bonuses
(sign-on / referral)

Tuition
(coverage / assistance program)

Childcare, Paid Family Leave

LOCAL BUSINESSES TAKE A FRONT SEAT

Consumers are supporting community businesses as their locations change due to stay-home initiatives; social conversations around local business support also emerge.
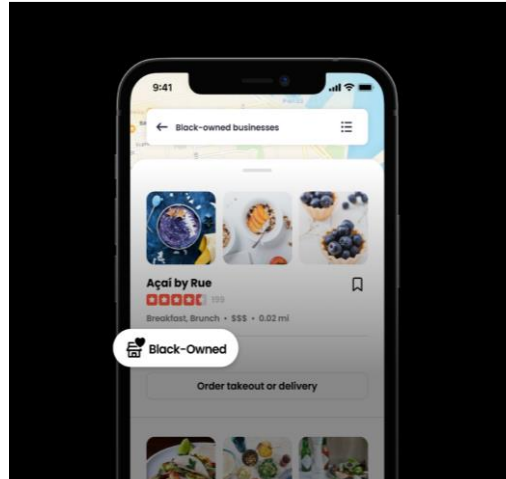
As restaurants look towards the future, they are re-assessing their footprint to align with what they see as permanent **consumer changes.**

43% of consumers say their activities have become **more local**

65% of respondents who WFH say they actively do more to **support local businesses**

(as of Feb 2021)
YoY growth in Yelp searches for businesses that are:

Women-owned **+264%**

Black-owned **+3,085%**

Latinx-owned **+4,077%**

Asian-owned **+3,404%**

Açaí by Rue
Breakfast, Brunch · $$$ · 0.02 mi
Black-Owned
Order takeout or delivery

BUSINESS INSIDER

"The American suburbs are getting a makeover, and these restaurant chains and companies want to move in next door"

THE RESTAURANT BUSINESS MODEL IS IN FLUX

Consumer and business pressures are forcing restaurants to test new formats in an effort for brands to unlock more sustainable profits.

These forces include:

- Lower margins as workers demand better benefits

- Supply chain challenges minimizing ability to push new LTOs & reducing ability to maintain sales through high quantities

- Expanded customer expectations of services (delivery, to-go, mobile apps, in-person dining), which is resulting in some loss of loyalty

Business Models:
Hub & spoke models

Centering the kitchen by making the kitchen the hub, and the spokes customer-facing services such as indoor dining, delivery, take-out, meal-kits, etc.

Formats:
Digital-first

In response to increased reluctance to interact with other people, brands are creating more frictionless tech-first services (menu kiosks, increased drive-thru lanes, smaller stores, ghost kitchens, etc.)

What's being tested?

New Brands & Products:
Virtual Brands

Brands that only exist on third-party delivery apps so that menus are focused on off-premise customers

Store-building/Operations:
Modular Restaurants

Building portions of the restaurant offsite, which are then transported to the store location

DELIVERY IS FORCED TO UPGRADE

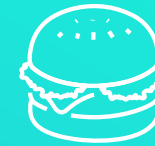An unprofitable delivery model has challenged consumers, restaurants, and delivery platforms alike.

With all relevant stakeholders unhappy, **the landscape is under extreme pressure to evolve.**

Consumers are dissatisfied
>70% of consumers reported experiencing an issue that requires customer service

+

Restaurants are losing margins at an unsustainable rate
Restaurant profit margins range ~7-22% while delivery commissions are ~15-30%

+

Delivery Platforms are still (mostly) unprofitable
On average, DoorDash ended up with 90 cents on an average order of $36 during the pandemic

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With all players under pressure, the landscape is set to change

More Dining in & Pick-up

Higher Menu Prices

Delivery & Food Tech

Drones

SUSTAINABILITY WILL BECOME PART OF THE MAIN MESSAGE

Sustainability affects a wide swath of the consumer experience in the restaurant industry; all the way from sourcing to packaging.

As restaurants increasingly integrate sustainability into their operations, we expect companies to begin externalizing the work they are doing **to win customers through marketing and messaging.**

Steps to a product, service, or message becoming a brand position

1.

Consumers Care

80% of consumers say sustainability is an important factor when deciding what food and beverage to order from restaurants

2.

Restaurants Take Note & Begin Adjusting their Business

- *March 2021: Chipotle ties 10% of executive's annual bonuses to ESG metrics*
- *March 2021: Starbucks announces it will achieve carbon neutral green coffee and conserve water usage in green coffee processing by 50% by 2030*
- *April 2021: YUM Brands announces it will decrease emissions 46% by 2030*

3.

Restaurants Externalize their Sustainability Initiatives and Make it Part of their GTM Messaging

KEY FORWARD-LOOKING TRENDS SUMMARY

Evolving Employee Benefits & Automation
In response to conversations around labor, restaurants are investing in improving working conditions and benefits

Local Businesses Take a Front Seat
Consumers are actively seeking out local shops to support

The Restaurant Business Model in Flux
Challenged profits and changing consumer preferences are forcing restaurants to test new formats, operations and services

Delivery is Forced to Upgrade
The current delivery model is unsustainable and is under pressure to change from consumers, restaurants, and delivery platforms

Sustainability Becomes Part of the Main Message
Restaurants will amplify their sustainability efforts within their marketing to consumers

KEY STRATEGIC RECOMMENDATIONS

1.
Power Your Brand with Purpose

Brands that showcase the work they are doing behind the scenes will win consumers as they increasingly look for brands that engage in social and global conversations.

2.
Localize Your Business at Scale

As consumers place attention on supporting the stores in their neighborhoods, national and global restaurants must look at how to localize their brands at scale.

3.
Drive Store Traffic & Digital Orders

Win every customer visit through mid and lower funnel tactics that drive orders in-person and online.

4.
Personalize your Positioning

Engage with growing audiences by personalizing your messaging to their interests, needs, location, and more.

5.
Engage with Pop Culture & Passion Points

Embed your brand within cultural conversations and moments to drive brand affinity as well as shine a light on your business priorities.

1.
POWER YOUR BRAND WITH PURPOSE

Why

Consumers care about what brands are doing environmentally, economically, and socially. For restaurants, this means communicating how brands are evolving their labor practices (better benefits, DEI), supporting communities, and responding to growing environmental concerns.

What

Leverage the storytelling capabilities of NBCU to amplify and externalize the work that brands are doing internally.

Custom Content

Mass Reach Media

Talent

Goals

Brand Love | Brand Affinity | Consideration | Awareness | Purpose | Loyalty & Retention

1.
POWER YOUR BRAND WITH PURPOSE

Consumers are 4-6x more likely to purchase from, trust, champion, and defend companies with a strong purpose.
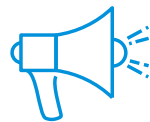
Amplify what you're doing around:

Social Justice	Employee Empowerment	Sustainability & Sourcing

Connect with your consumers via:

Storytelling
Tap into NBCU's brand equity and storytelling capabilities to fuel a cultural movement to externalize and amplify what your company is doing for the public.

Talent
Leverage talent ambassadors and their brand equity to drive trust, create conversation, and rally around a movement.

2.
LOCALIZE YOUR BUSINESS AT SCALE

Why

With work commutes and locations changing, some restaurant relationships are being broken while others are being formed. As this occurs, consumers are actively seeking out community and local businesses to support.

What

Use a combination of art (audience, cultural, and local insights) and science (geo-targeting and local capabilities) nationwide to talk to your consumers more personally while maintaining efficiency.

Local to National

Audience Targeting

Goals

Brand Love | Brand Affinity | Purchase Intent | Traffic
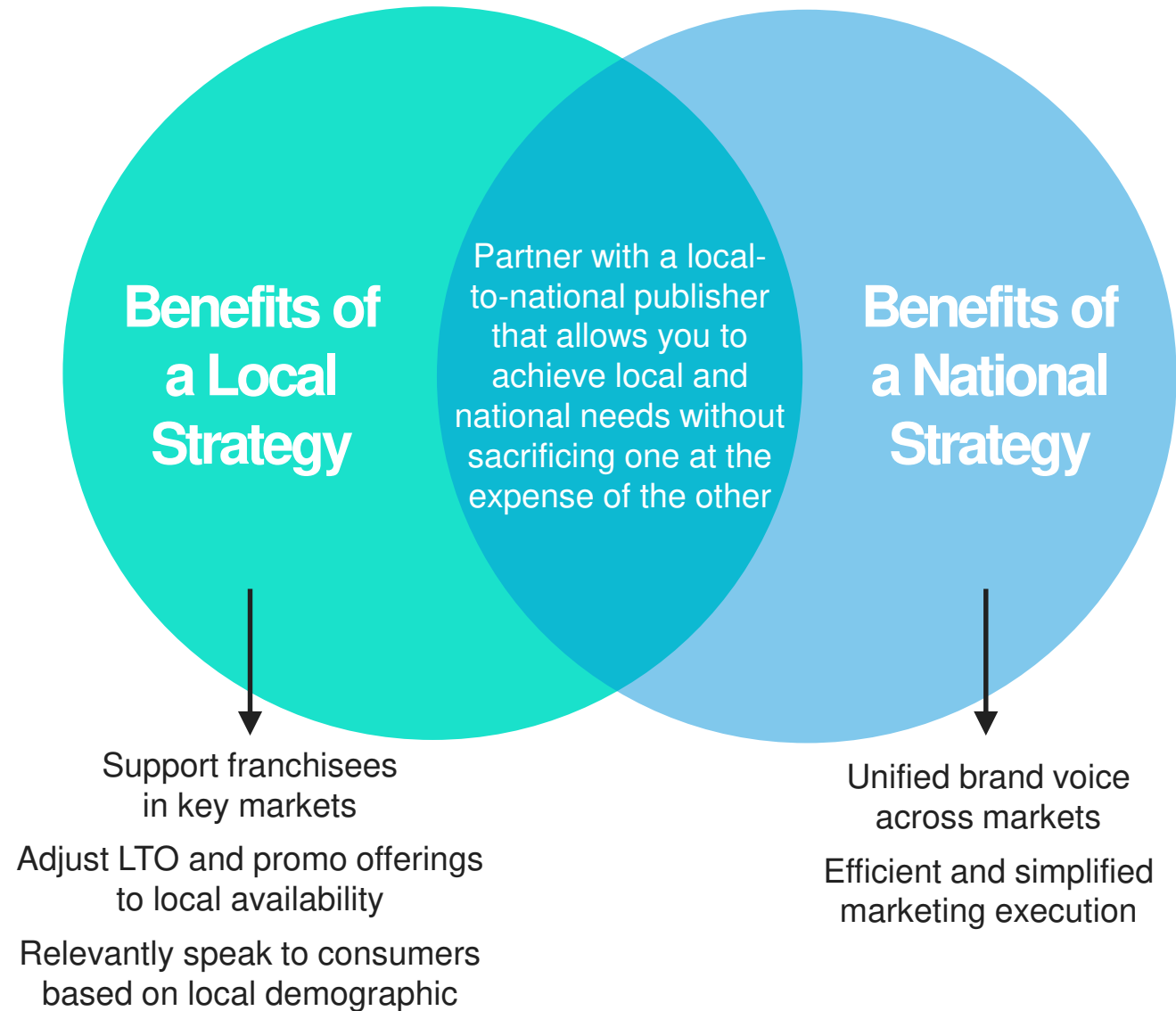
2. LOCALIZE YOUR BUSINESS AT SCALE

69%
Of marketers struggle to adapt messaging to local markets

90%
of marketers feel they aren't able to jump on market intelligence fast enough

Benefits of a Local Strategy

Partner with a local-to-national publisher that allows you to achieve local and national needs without sacrificing one at the expense of the other

Benefits of a National Strategy

Support franchisees in key markets

Adjust LTO and promo offerings to local availability

Relevantly speak to consumers based on local demographic

Unified brand voice across markets

Efficient and simplified marketing execution

NBC SPOT ON adsmart from NBCUniversal

3.
DRIVE STORE TRAFFIC & DIGITAL ORDERS

Why

After a challenging year of deflated traffic and changing consumer behavior, **winning every customer visit** – whether it's online or in-person – is crucial to maintaining profitability.

What

NBCU's One Platform offers mid and lower funnel solutions that remind, engage with, and convert consumers.

Audience Targeting

Innovative / Actionable Content

Goals

Driving Traffic | Orders | Conversion | Consideration | Efficiency | Loyalty | Customer Lifetime Value | Sales | App Downloads | App Usage

3.
DRIVE STORE TRAFFIC & DIGITAL ORDERS

3 in 4 restaurant customers **use a combination of both digital and analog channels to place orders**

Using tap-to-app capabilities and audience targeting (3rd party delivery users and competing QSR app users), one QSR brand saw 25k+ app installs in a 2-week period at a $5.87 cost per install

Source: PYMNTS Paytronix Delivering on Restaurant Rewards, 2020; NBCU Custom Research

AWARENESS

Mass Reach, Always-on Media

CONSIDERATION

Audience Targeting
Target by audience (competitive QSR customers, casual diner) and/or behaviors (on-premise diner, delivery user)

CONVERSION

Action-Oriented Creative
Drive orders and foot-traffic through tap-to capabilities (maps, app, site, etc.)

LOYALTY

1P Audience Targeting
Leverage CRM data to remind your core customers and encourage repeat visits

4.
PERSONALIZE YOUR POSITIONING

Why

Different consumer segments are engaging with restaurant brands in a range of ways – whether that is through in-person dining, mobile apps, online ordering, or more.

What

Personalize your messaging and distribution to reach different consumer segments based on their dining preferences, food inclinations, interests, geography, and more.

Contextual Alignment   Audience Targeting   National & Local

Goals

Loyalty | Conversion | Traffic | Basket Size | Consideration | App Usage | Orders

4.
PERSONALIZE YOUR POSITIONING

Personalization can reduce acquisition costs by up to 50%, lift revenues by 5-15%, and increase the efficiency of marketing spend by 10-30%.

39% of consumers say loyalty and rewards programs would encourage them to spend more at restaurants that offer them

2 4

Audience Targeting

Engage women, multi-cultural, and/or other **strategic targets** across screens throughout their decision journeys

Contextual Alignment

Connect with audiences by standing out in **content that aligns with consumer passion points** and/or your messaging

connect

Geo-Targeting

Offer **relevant products** based on product/service availability by location

Remind consumers depending on distance to your store

Meal Moment Targeting

Reach consumers when they are making **dining decisions**

5.
ENGAGE WITH
POP CULTURE
& PASSION POINTS

Why

Pop culture is increasingly part of the DNA of top restaurant brands.

What

As the home of premium entertainment, NBCU both follows and creates pop culture. Using the power of expert storytelling and the breadth of NBCU's portfolio, restaurant brands can embed themselves within cultural moments and conversations.

Cultural Moments/Tentpoles   Custom Content   Talent   Social

Goals

Brand Love | Social Mentions | Consideration | Search Traffic | Brand Perception | Memorability

5.
ENGAGE WITH POP CULTURE & PASSION POINTS

A brand's cultural involvement makes up 25% of a consumer's purchase decision

Flex different tools to embed your brand in cultural conversations and moments

Talent as Influencers
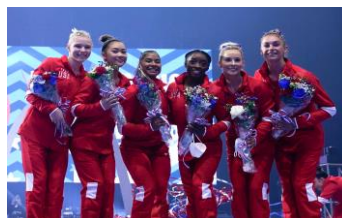Team up with individuals who lead, create, and anticipate the conversations audiences engage in

Social
Join in on watercooler conversations centered around recent topics of interest, passion points, or major moments

Fandoms
Create high-touch on the ground activations to engage fans (ie. Bravocon)

Tentpoles
Embed your brand within a cultural moment

NBCU RELEVANT MATERIAL
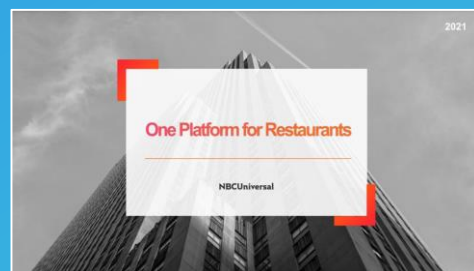
NBCU Restaurant Industry Content

NBCU RESTAURANT INDUSTRY CONTENT
TOGETHER SITE

Restaurant Category Content

Creative Impact

One Platform Opportunity

The Power of Tentpoles

Case Studies

AdSmart Data-Driven
Linear + QSR (Sales Lift)

AdSmart Data-Driven
Linear + QSR (Foot Traffic)

Top Chef Junior + Chuck E.
Cheese's

KEY PARTNERSHIPS FOR THE CATEGORY @ NBCU