ONE TABLE

2022 EDITION

The State of the Operator & the Road Ahead

When unprecedented challenges all come together, so does the food industry.

Out of the pandemic, into the fire

Foodservice operators probably envisioned that 2022 would be a boom time of pent-up demand and sales recovery while they adapted and improvised for two-plus years to overcome the COVID-19 crisis.

Instead, they face a three-part challenge that forces them to keep up the pace of change and reinvention. Labor shortages and supply chain disruption, made worse by levels of inflation not seen since the 1970s, have raised the degree of difficulty even higher on an operating environment already shaking out from the pandemic.

Like the past two years, operators must work with their supplier and distributor partners — who have their own challenges resulting from the unholy trinity of inflation, labor, and supply chain issues — to chart the path forward. In this edition of One Table, more than 100 companies have done just that, collaborating on a study to uncover which pain points are impacting the foodservice industry the most.

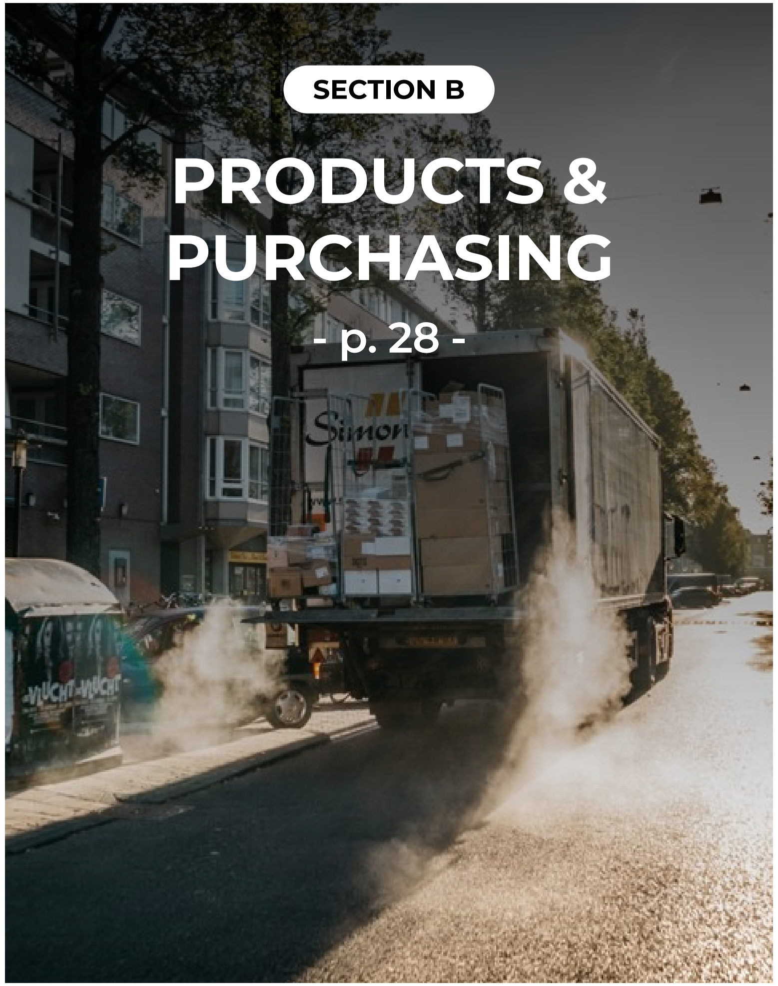
Datassential funded and conducted this study itself, recognizing that operators and their partners most need insights that reveal the considerable opportunities for growth that lay in all this upheaval. Inflation and shortages of workers and ingredients are not likely to go away in the near term, but the choices our industry makes now in response can set every stakeholder up for long-term success. Read on to see what Datassential has learned about how to help operators get back to growth.

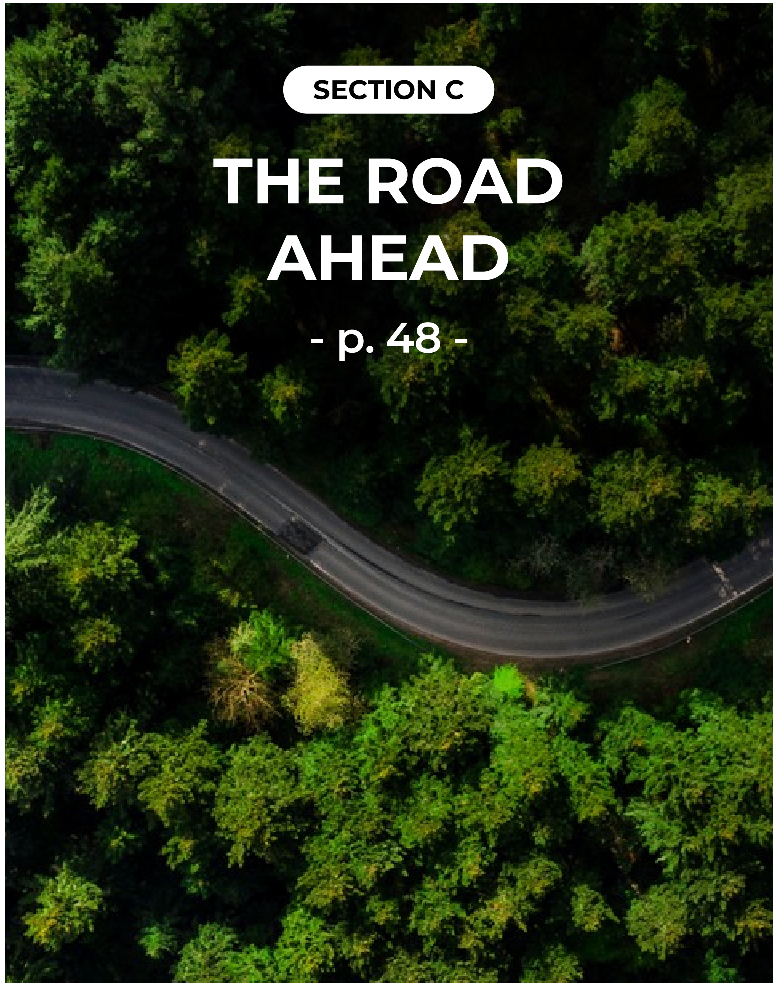
In this report:

01 In an overview of the State of the Operator, learn how inflation narrowly tops the list of challenges operators face and how it compounds other problems like labor difficulties and supply chain shortages.

02 The Purchasing & Planning chapter details how menu makers are adjusting their pantries and moving toward versatile, value-added products that enable innovation while accounting for lower culinary skill in the back of house.

03 In Datassential's view of The Road Ahead, uncover what decision makers need from their partners to navigate the new normal — namely transparency when the same challenges they face also complicate business for suppliers.





SECTION A

THE STATE OF THE OPERATOR

HOW WOULD YOU DESCRIBE THE STRENGTH OF THE YOUR TRAFFIC TODAY, COMPARED TO BEFORE THE PANDEMIC?

47%

say their business traffic is HIGHER compared to pre-COVID levels.

14%

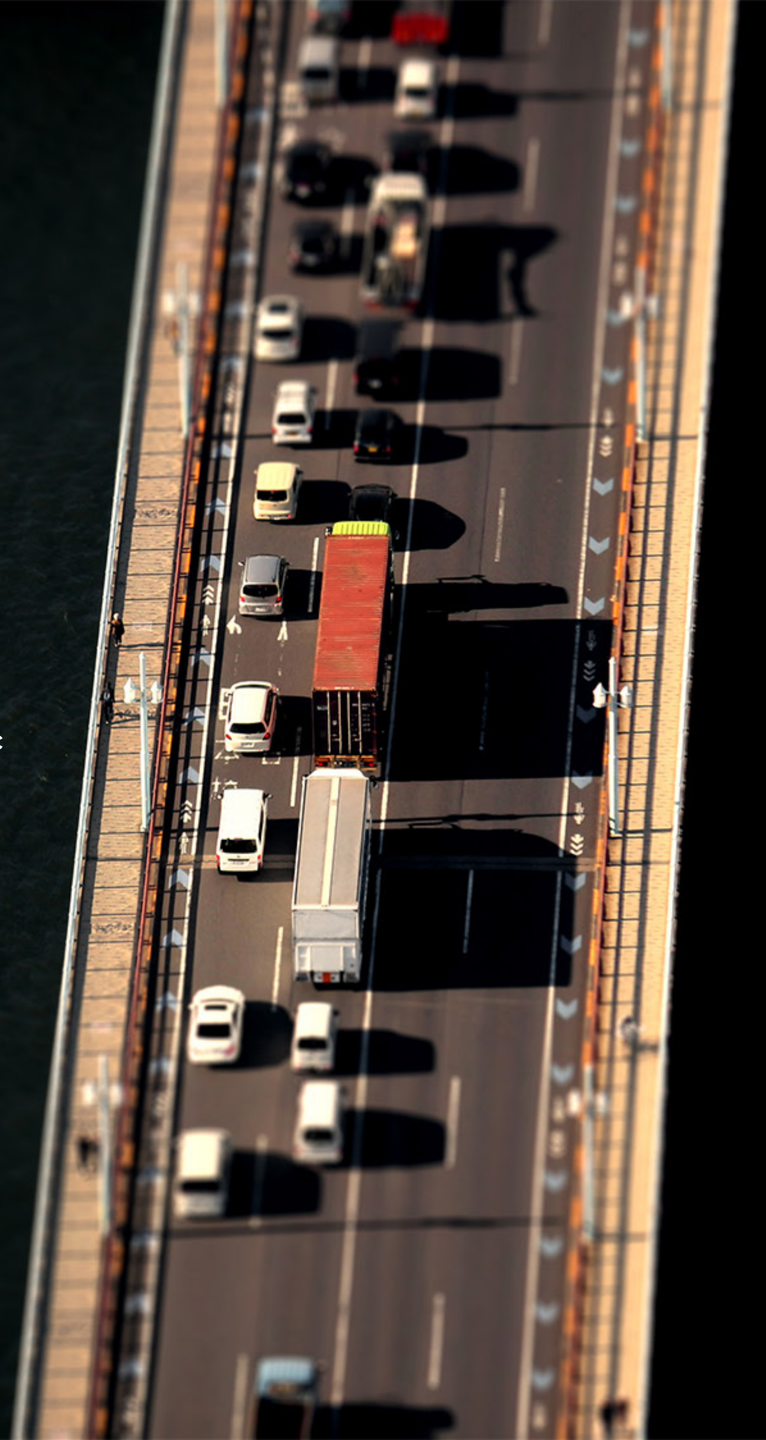
say their business traffic is THE SAME compared to pre-COVID levels.

39%

say their business traffic is LOWER compared to pre-COVID levels.

Traffic has mostly bounced back, though some on-site segments are still in a jam.

Restaurant leaders were more likely to report increased than decreased guest counts, but some nontraditional locations have idiosyncratic challenges. For example, a bare majority of B&I operators say traffic is still lagging, likely due to significant shifts in commuting and remote work, while business at lodging venues has recovered more than any other segment, thanks to an overall rebound in travel.



HOW WOULD YOU DESCRIBE THE STRENGTH OF THE YOUR SALES TODAY, COMPARED TO BEFORE THE PANDEMIC?

Sales figures have recovered for most operators, with many now exceeding their pre-COVID performance.

Inflation cuts both ways in foodservice, and so most locations have had the leeway — or the obligation — to raise prices to counter significantly higher costs. Limited-service outlets have grown sales faster than full-service restaurants, even as they tend to adopt or consider fewer operational moves (as seen in Section B). Meanwhile, healthcare and B&I appear to be a drag on sales growth for the on-site sector.

51%

say their sales figures are HIGHER compared to pre-COVID levels.

14%

say their sales figures are THE SAME compared to pre-COVID levels.

35%

say their sales figures are LOWER compared to pre-COVID levels.

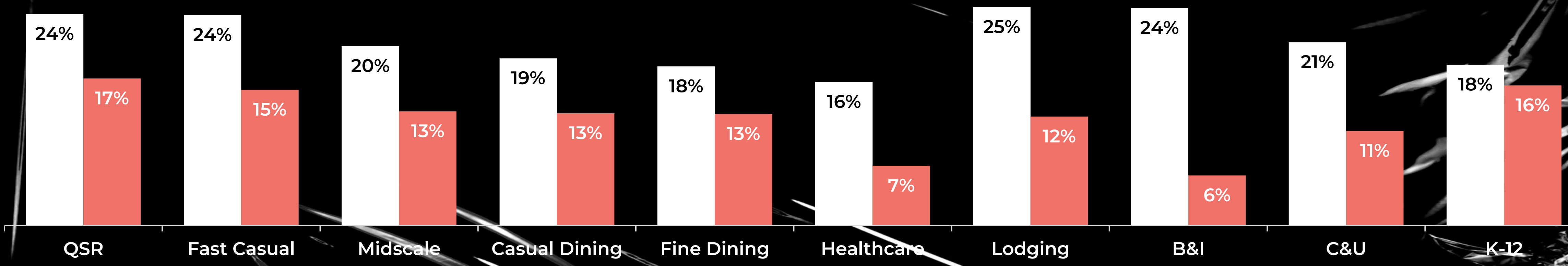
Margins are shrinking for most operators.

WHAT WAS YOUR OPERATION'S TYPICAL PROFIT MARGIN BEFORE THE COVID-19 PANDEMIC COMPARED TO NOW?

Note: *"Profit margin" refers to operating profit, which is income after accounting for all food, labor, rent, and other expenses. Respondent self-reported these figures as a percentage of their average monthly revenue.*

PRE-COVID
21%

NOW
13%



HOW WOULD YOU DESCRIBE THE STRENGTH OF THE YOUR BUSINESS TODAY, COMPARED TO BEFORE THE PANDEMIC?

TRAFFIC	Total	QSR	Fast Casual	Midscale	Casual	Fine Dining	Healthcare	Lodging	B&I	C&U	K-12
Up more than 25%	11%	10%	16%	10%	9%	10%	5%	17%	10%	9%	17%
Up between 10% and 25%	16%	18%	20%	20%	18%	22%	9%	25%	10%	7%	8%
Up between 0 and 10%	20%	23%	19%	24%	22%	18%	18%	15%	3%	21%	20%
Flat	14%	13%	13%	11%	7%	16%	20%	8%	21%	14%	24%
Down between 0 and 10%	17%	18%	15%	17%	20%	16%	21%	19%	3%	14%	14%
Down between 10% and 25%	13%	13%	13%	14%	14%	14%	16%	11%	10%	11%	8%
Down more than 25%	9%	8%	4%	4%	10%	6%	11%	6%	41%	23%	9%
UP IN GENERAL	47%	50%	55%	54%	49%	49%	32%	57%	24%	38%	45%
DOWN IN GENERAL	39%	38%	31%	35%	44%	35%	48%	36%	55%	48%	32%

SALES	Total	QSR	Fast Casual	Midscale	Casual	Fine Dining	Healthcare	Lodging	B&I	C&U	K-12
Up more than 25%	10%	11%	13%	8%	11%	12%	4%	9%	17%	4%	13%
Up between 10% and 25%	20%	25%	30%	22%	18%	20%	8%	30%	10%	13%	13%
Up between 0 and 10%	21%	25%	24%	26%	23%	16%	16%	23%	3%	25%	20%
Flat	14%	11%	8%	10%	11%	20%	27%	6%	10%	13%	18%
Down between 0 and 10%	14%	8%	11%	17%	17%	10%	21%	17%	0%	11%	17%
Down between 10% and 25%	12%	15%	9%	14%	10%	14%	12%	8%	7%	21%	8%
Down more than 25%	10%	5%	4%	4%	9%	10%	12%	8%	52%	14%	11%
UP IN GENERAL	51%	61%	67%	56%	52%	47%	28%	62%	31%	41%	46%
DOWN IN GENERAL	35%	28%	25%	34%	36%	33%	45%	32%	59%	46%	36%

WHAT FACTORS ARE SPECIFICALLY PRESSURING MARGINS MOST TODAY, COMPARED WITH TYPICAL MARGIN THREATS IN THE PAST?

"Costs are rising, and there is no end in sight for the continuing costs of inflation. For our industry, lower reimbursements and decreased sales due to the discontinuation of universal free meals for all will impact our revenue. Rising labor costs will significantly impact our margin."

- an F&B Purchasing Director at a K-12 institution in the West

"Our customers are feeling the pinch at the gas pumps and don't come out to eat as much. This causes us to have slow days, and it's hard to predict how much food to make per day and causes us to waste food."

- an Executive Chef at a C&U institution in the Midwest

"Due to the supply situation, we had to start buying more premade foods, which cost a little more than making it ourselves. We decided not to raise our prices to keep people coming back."

- a Manager at an independent midscale restaurant in the Midwest

"Inflation is brutal, and I don't see it improving in the next 12 months. More so, though, are shortages and supply chain issues. Forecasting is really difficult. In a hospital setting, where all menus must meet [dietary guidelines], I find myself shopping at local markets for purchases to ensure my menus are meeting the certifying standards set by the state."

- an F&B Purchasing Director at a healthcare institution in the West

"Today, we're still dealing with COVID. If one person gets infected, either staff or customers, we'd have to close our doors in fear of giving it to somebody else. We lack customers because they're also afraid they'll catch COVID – it's killing us out here."

- the Owner of an independent midscale restaurant in the Midwest

"Beef, chicken and fish have all jumped in pricing, and they continue to rise. We struggle to bring in regular menu items at times but try to keep pricing consistent to the best of our ability. California's minimum wage and benefit premiums continue to rise."

- a General Manager at a casual-dining chain restaurant in the West

"Repair costs have gone up as well as equipment costs. If something breaks, we are paying top dollar for repairs or replacement. We are paying higher wages, but we have also hired additional people. My labor is 1% higher than my proforma."

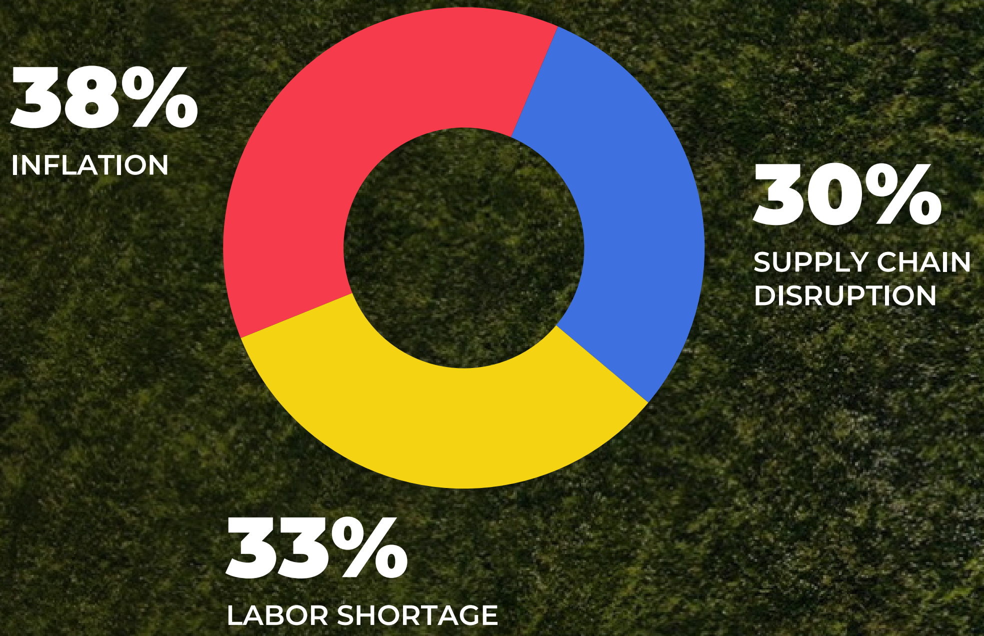
- the Owner of a franchised QSR chain location in the West

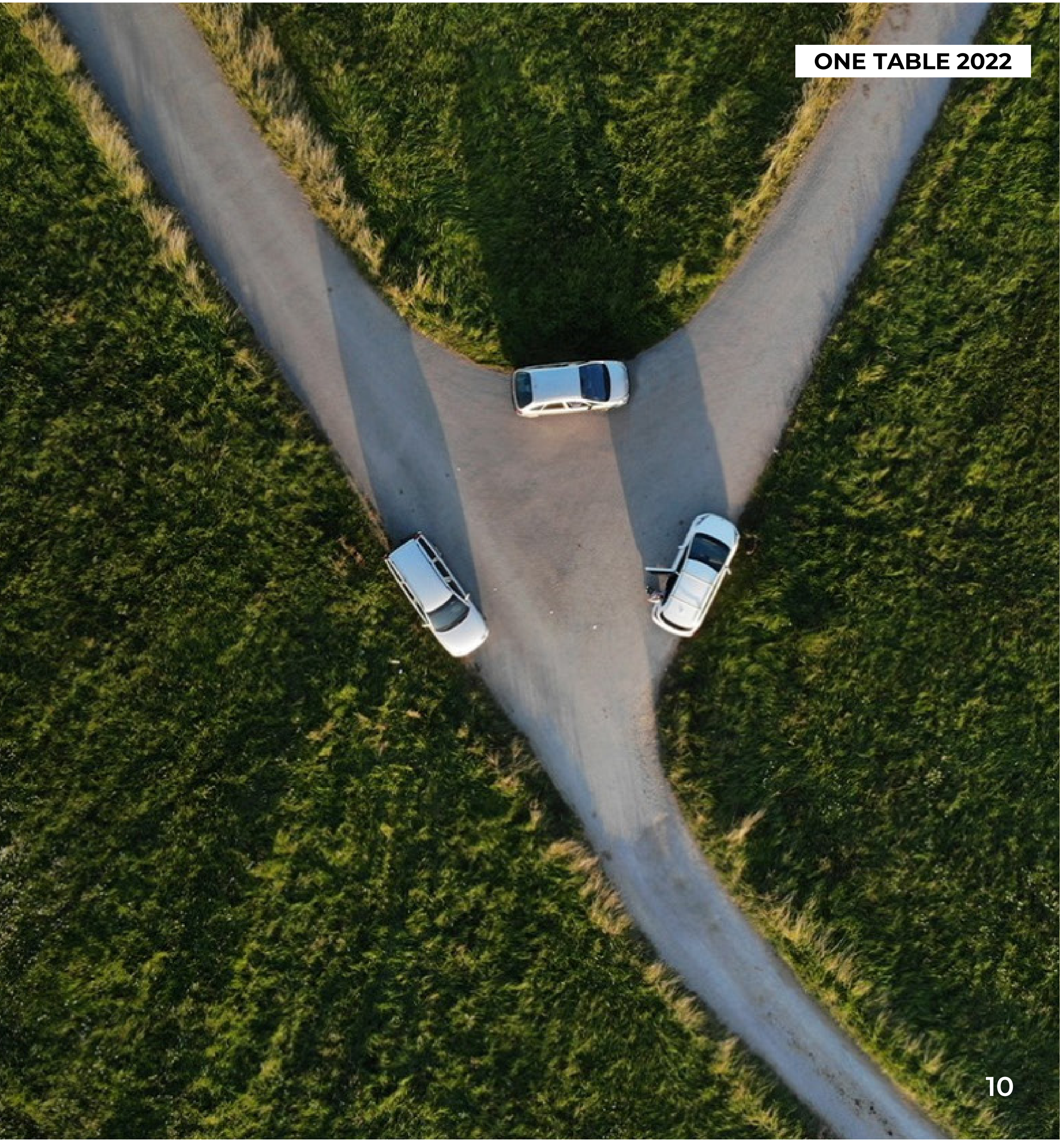
"Our wings costs are unreasonably high compared to pre-COVID rates, and every item I have tried to substitute them with something else, it has increased in price or is not available. Even the cost for simple stuff like Styrofoam has increased to be almost out of reach if I want to make a profit. Utility price increases are now impacting in a major way: Both gas and power are way up. "

- the Owner of an independent fast casual restaurant in the South

Operators give inflation the slight edge as the most vexing part of 2022's triple-threat industry crisis.

HOW WOULD YOU RANK AND CHARACTERIZE THE MAGNITUDE OF THE FOLLOWING ECONOMIC CHALLENGES?





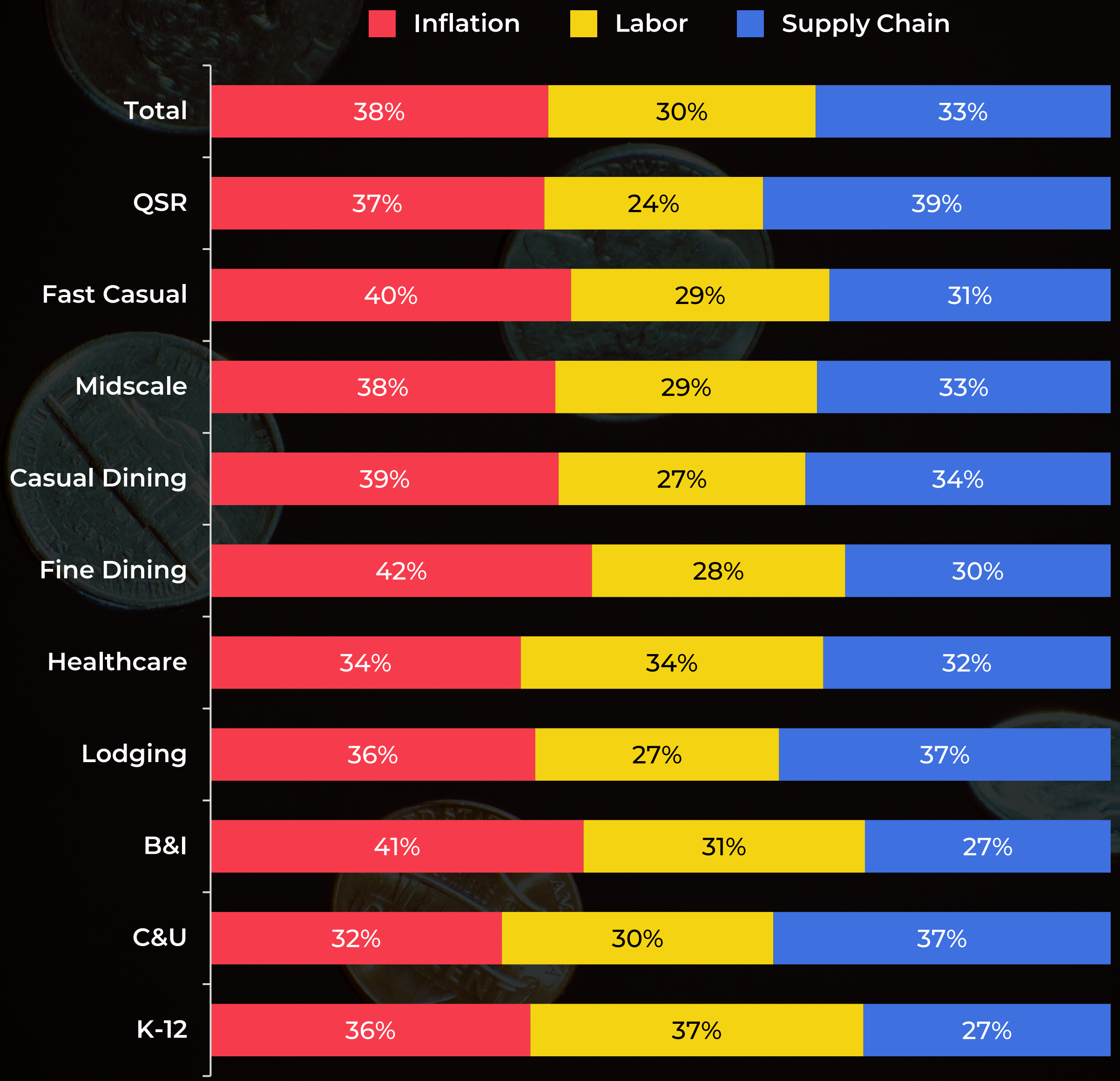
A three-way challenge confounds the foodservice industry and eludes a simpler, one-size-fits-all solution.

Operators tend to rate all the components of the three-headed monster — inflation, the labor shortage, and ongoing disruption to supply chains — with similar levels of trepidation. But when they were asked to rank which aspect caused them the most problems (expressed as percentages that totaled to 100%), inflation came out on top on average.

The post-COVID situation defies easy explanations, and regardless of segment, operators must solve the confluence of these three problems. Targeting just one component won't automatically yield progress on the other two. Consider, for instance, that fast casual, the full-service restaurant sectors, and B&I over-index for concern about inflation (compared with the industry in total), but very little else comes to mind about what could unite such different segments.

When suppliers and distributors develop their solutions for this environment, they also must address the simultaneous challenges posed by inflation, labor, and the supply chain.

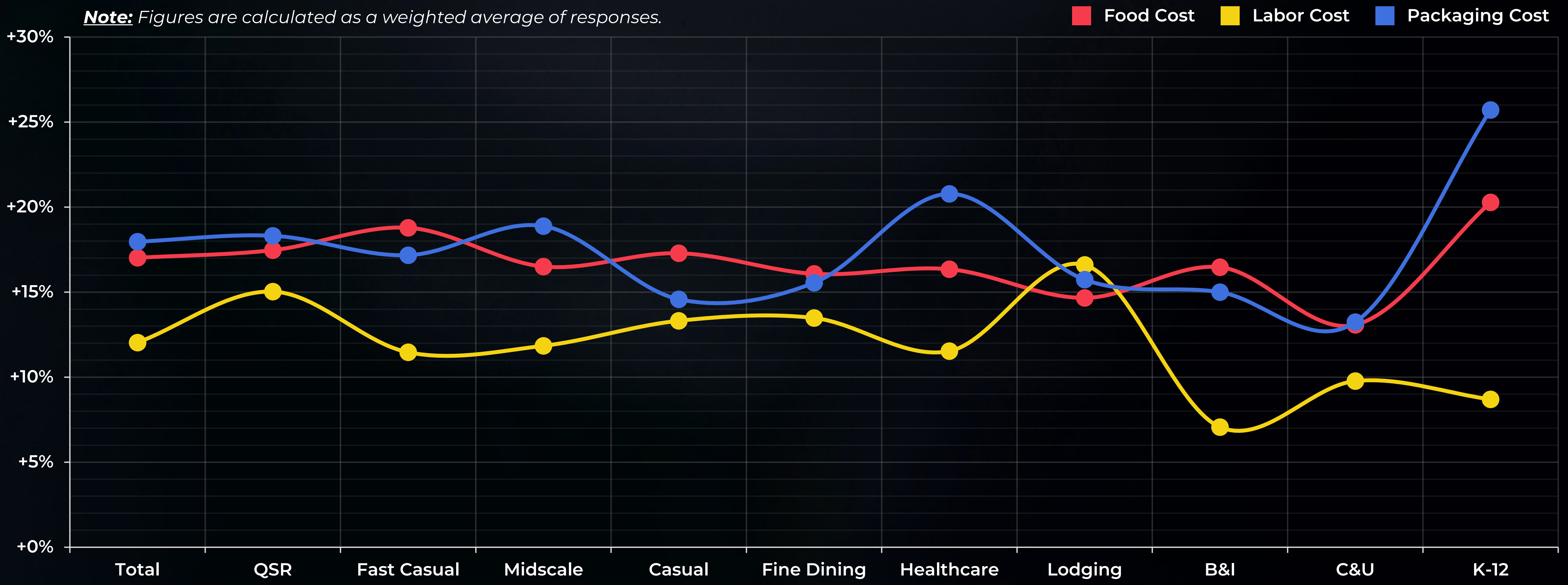
HOW WOULD YOU RANK AND CHARACTERIZE THE MAGNITUDE OF THE FOLLOWING ECONOMIC CHALLENGES?



Operators report that food, labor, and packaging costs have all increased by 15 to 20% over just the past 6 months.

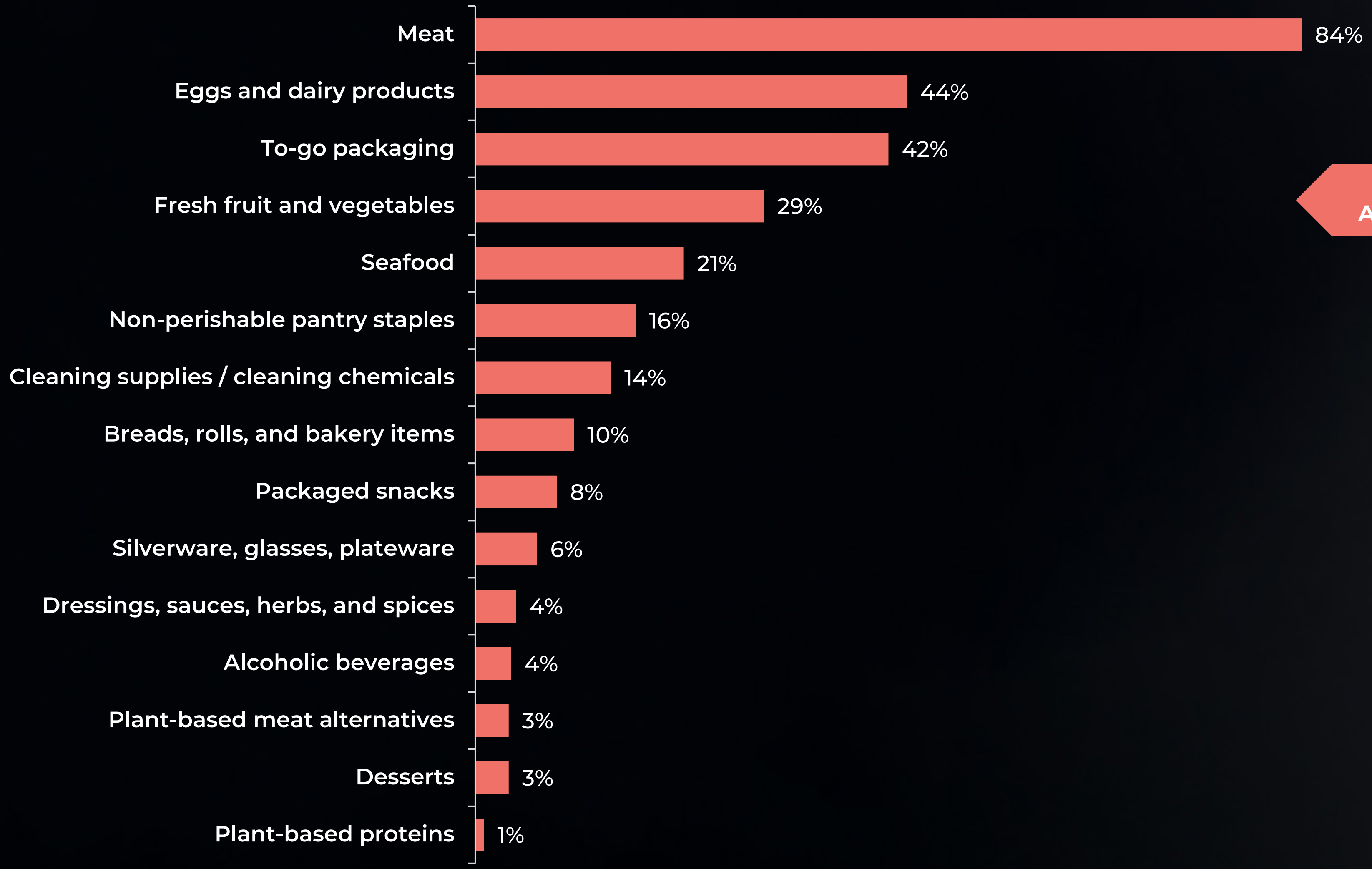
HOW MUCH HAVE YOUR COSTS CHANGED IN THE PAST 6 MONTHS, ON A PRICE-PER-UNIT BASIS?

Note: *Figures are calculated as a weighted average of responses.*



Operators report the highest levels of price inflation when sourcing meat, pantry staples, and to-go packaging, as they have throughout 2022.

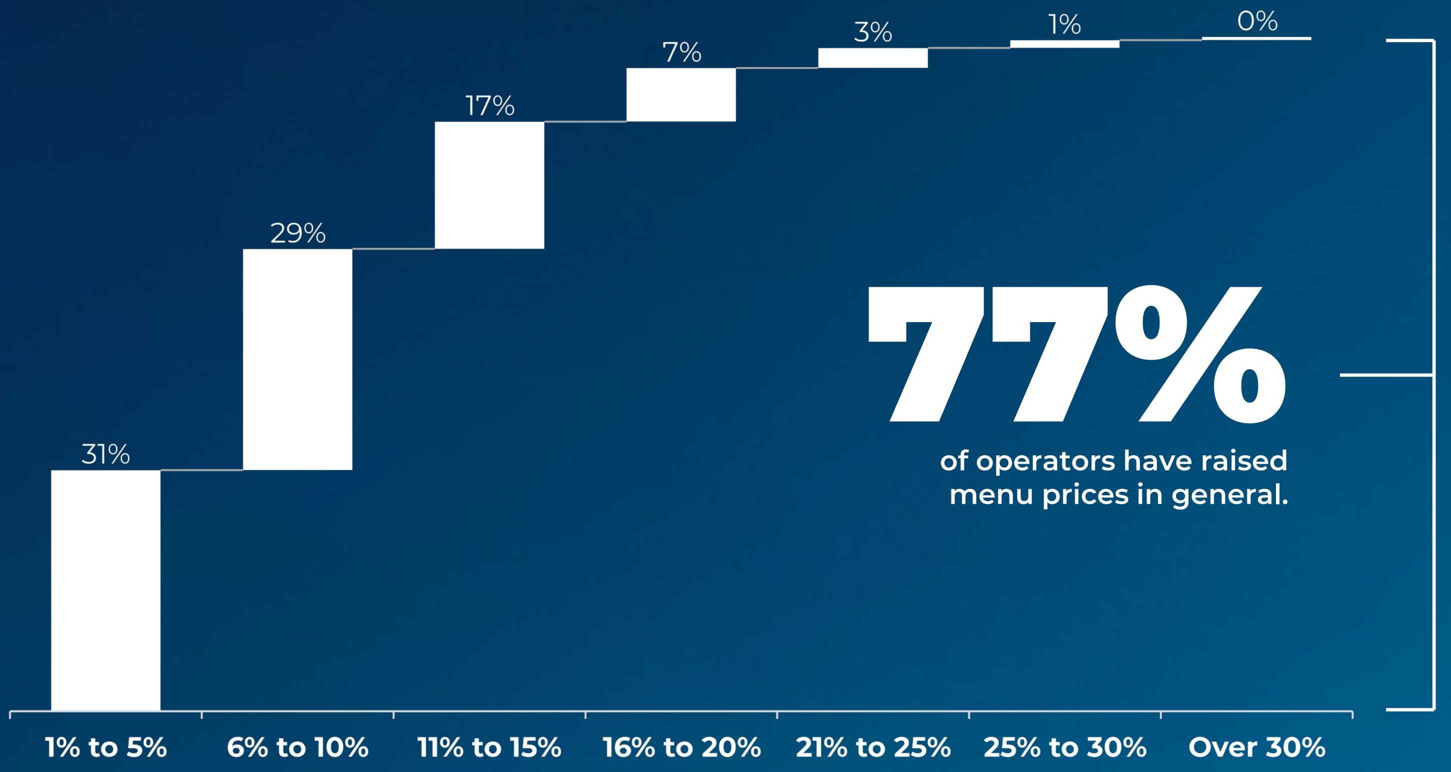
WHICH INGREDIENTS OR PRODUCT CATEGORIES ARE CURRENTLY SHOWING THE MOST INFLATION?



Price increases are beginning to stack up for operators.

More than three in four operators have had to raise menu prices at least once this year, with most trying to be judicious and keep total cumulative price increases in the single-digit percentage range.

HOW MUCH HAS YOUR OPERATION HAD TO RAISE MENU PRICES IN THE PAST 12 MONTHS?



If food costs keep rising, two in five operators are likely to raise prices across their entire menu, instead of just a narrow subset.

IF YOUR LOCATION'S FOOD COSTS CONTINUE TO RISE OVER THE NEXT 6 MONTHS, WHAT ARE YOU LIKELY TO DO IN RESPONSE?

Raise prices across all menu items	43%
Substitute ingredients in menu items with less expensive ingredients	30%
Raise prices on a targeted subset of items	27%
Reduce portion sizes	24%
Switch to new suppliers of my ingredients offering better prices	19%
Extend lifespan of equipment through repairs rather than buying new	19%
Adjust the ratio of ingredients in builds / recipes	15%
None of these	7%

5.6%
MENU PRICE INFLATION

10.8%
FOOD AT HOME INFLATION

8.3%
GENERAL INFLATION (CPI)

PRELIMINARY ESTIMATE ONLY

12 months ending April 2022

Menu prices have increased over the past year, but not as significantly as other domains of consumer life.

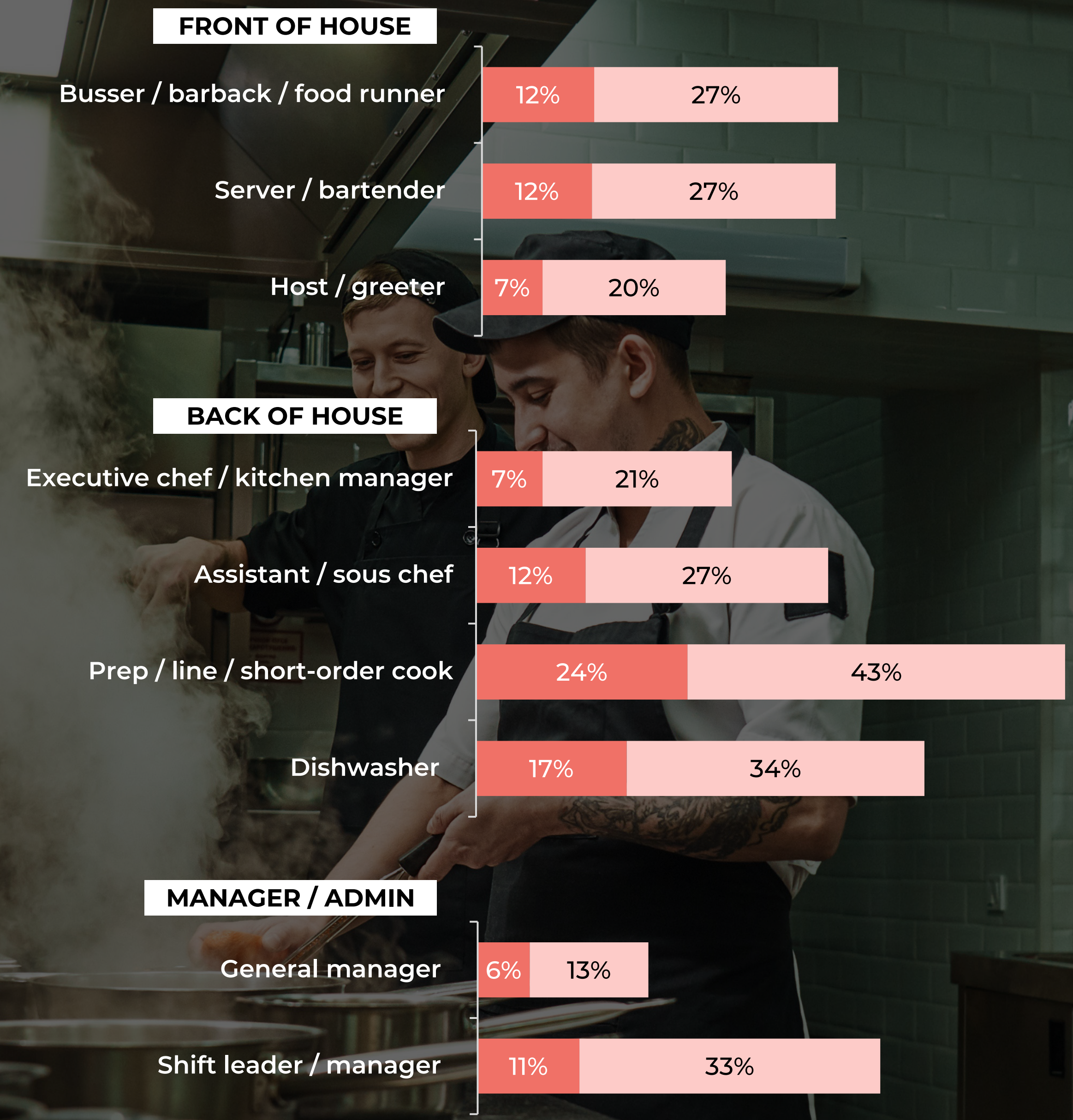
According to quarterly estimates from Datassential MenuTrends, consumers are encountering higher price increases at grocery aisles and other venues than on restaurant menus. Operators are passing some of their inflating costs to consumers to alleviate tighter margins, but perhaps not all of them.

The labor shortage is most acute in the kitchen — two-thirds of outlets don't have enough hourly cooks.

Overall, operators report that a relatively easier time hiring front-of-house staff, with significant differences by channel.

Restaurant segments are collectively more likely than their on-site counterparts to indicate they were fully staffed at positions like server, bartender, or host, as well as FOH team members in support roles like busser or food runner. Leaders at non-restaurant segments are more likely to report full strength in management jobs like GM or executive chef.

Operators of all stripes broadly agree that the toughest roles to fill right now are hourly positions in the kitchen, from prep cooks and line cooks to dishwashers.



HOW WELL-STAFFED WOULD YOU SAY YOUR BUSINESS IS FOR EACH OF THE FOLLOWING ROLES?

Significantly Understaffed

Slightly Understaffed

One in three operators report a drop in the total level of culinary skill in their kitchen staffs.

Locations lacking experience, or the time and resources to train new cooks, likely will need to explore value-added or convenient products that reduce the need for scratch cooking.

HOW WOULD YOU COMPARE THE CULINARY SKILL OF YOUR BOH STAFF NOW TO WHAT IT WAS ONE YEAR AGO?

32%

"Our culinary skill is LOWER today than it was a year ago."

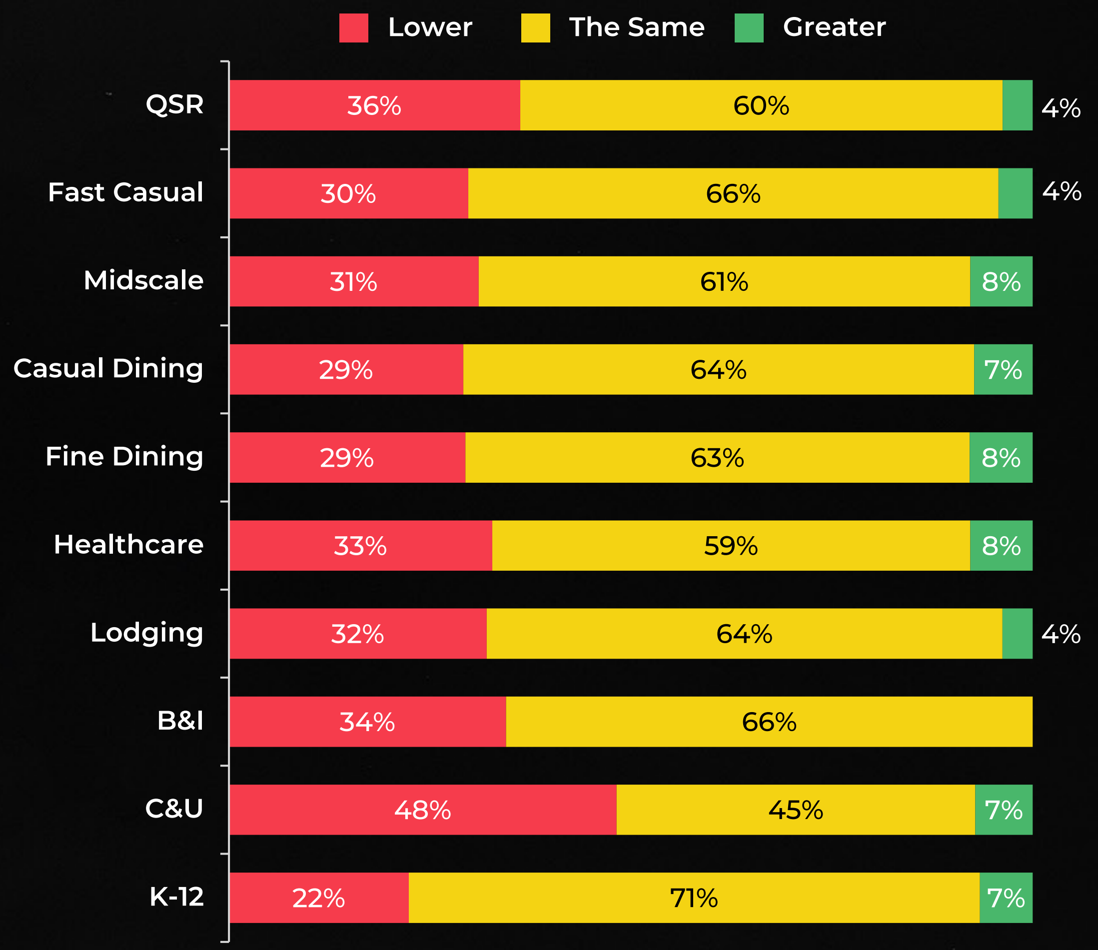
63%

"Our culinary skill is THE SAME today as it was a year ago."

6%

"Our culinary skill is HIGHER today than it was a year ago."

The need for convenience products that address a skill shortage in the kitchen will extend to all segments, particularly C&U.



HOW WOULD YOU COMPARE THE CULINARY SKILL OF YOUR BOH STAFF NOW TO WHAT IT WAS ONE YEAR AGO?

Pre-make the difference with convenience products.

About one in four operators plan to shake up the way they develop and prepare items on their menu. About twice as many menu makers plan to transition toward using more premade products as those who would lean toward more scratch cooking.

Not every kitchen staff is slowing down or trying to maintain how often they introduce new dishes either. Nearly a quarter of fine-dining and educational foodservice accounts are speeding up their menu launches, compared with 18% of operators overall who also are accelerating.

PREP METHODS & CULINARY INNOVATION

LEFT:
In response your current challenges, are you more likely to transition toward more scratch preparation or premade products?

RIGHT:
Compared to before the pandemic, how quickly are you introducing new menu items today?

Food cost inflation is first among equals when menu makers rank challenges.

Cost of goods sold is far and away the industry's top challenge and affects on-site segments and restaurants to the same degree. Labor presents different challenges: Restaurants are more likely to struggle with higher costs for wages, but the on-site segments were more likely to list hiring and recruiting staff as a major headwind.

TOP 5 MOST PRESSING OPERATIONAL CHALLENGES

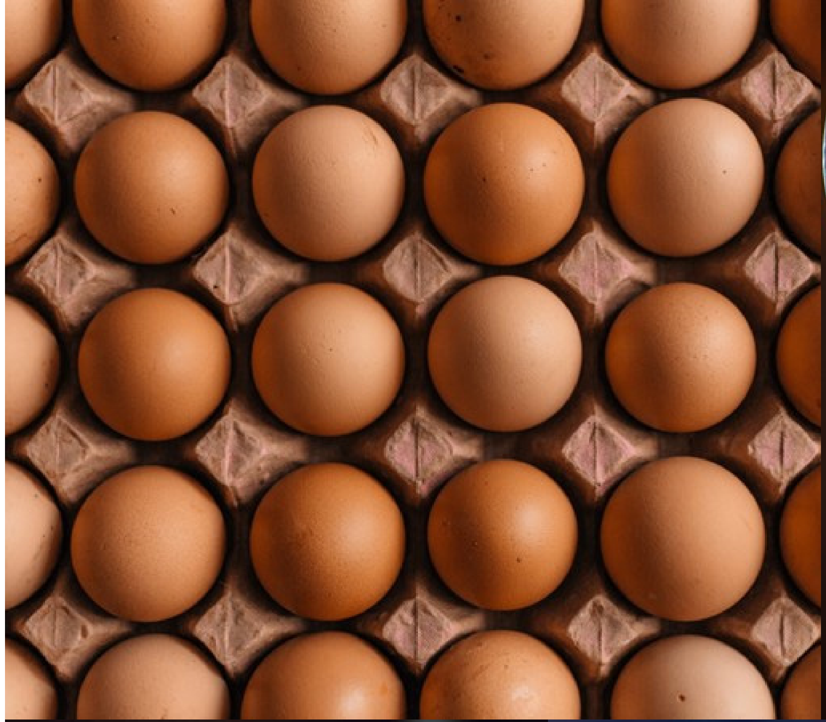
01 Rising food costs (63%)

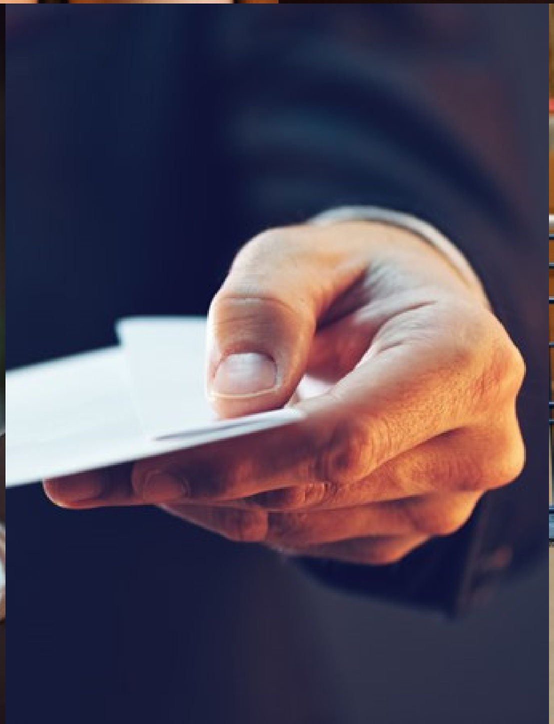
02 Inflation (39%)

03 Recruiting & hiring hourly staff (38%)

04 Rising labor costs (36%)

05 Ingredient shortage or unavailability (32%)





Prices have jumped at most locations, but operators also look to streamline menu and portion sizes.

Menu makers are staying afloat largely by raising prices to counter challenges with inflation and a disrupted supply chain. They appear sensitive to consumers' perceptions of shrinkflation, and so they have been more judicious with how much they trim or taper menu items, dayparts, or portion sizes.

IN RESPONSE TO YOUR OPERATIONAL CHALLENGES, HAVE YOU IMPLEMENTED ANY NEW OPERATIONS STRATEGIES?

Raised menu prices	60%
Reduced our menu size	40%
Focused on value	27%
Launched more new items and LTOs	26%
Eliminated a daypart or part of the menu	25%
Reduced portion sizes	18%

Reaching more guests via off-premise tactics has been a common move, yet nearly as many operators have made tough decisions to reduce customer access in some way.

IN RESPONSE TO YOUR OPERATIONAL CHALLENGES, HAVE YOU IMPLEMENTED ANY NEW STRATEGIES TO BROADEN OR RESTRICT CUSTOMER ACCESS?

Transitioned toward more off-premise ordering (delivery, takeout, etc.)	27%
Eliminated third-party delivery	23%
Closed for a specific day	21%
Reduced seating capacity	21%
Added seating capacity (patio, rooftop, or sidewalk seating)	17%

For now, equipment upgrades, remodels, or expansion can wait.

More than one in three operators are delaying or outright canceling plans to purchase new equipment, and many will also get by in the near term without remodeling or reimaging their locations. Most decision makers say they are not considering major operational moves, even labor-saving ones like layoffs or investments in automation.

IN RESPONSE TO YOUR OPERATIONAL CHALLENGES, HAVE YOU IMPLEMENTED ANY NEW OPERATIONS STRATEGIES?

Canceled / postponed purchase of new equipment	36%
Canceled / postponed plans to expand or remodel	29%
Began buying more online, directly from suppliers	27%
Switched distributors / added new distributors	26%
Invested in new technology or automation	20%
Laid off staff	16%
Contracted with commissaries / centralized kitchens	4%

IN RESPONSE TO YOUR OPERATIONAL CHALLENGES, HAVE YOU IMPLEMENTED ANY NEW OPERATIONS STRATEGIES?

	Total	QSR	Fast Casual	Midscale	Casual	Fine Dining	Healthcare	Lodging	B&I	C&U	K-12
Raised menu prices	60%	81%	78%	76%	70%	76%	24%	47%	52%	64%	26%
Reduced our menu size	40%	31%	29%	45%	42%	49%	35%	53%	76%	54%	34%
Cancelled / postponed purchase of new equipment	36%	35%	35%	37%	34%	45%	36%	47%	41%	38%	22%
Cancelled / postponed plans to expand or remodel	29%	24%	26%	27%	29%	37%	27%	40%	41%	43%	21%
Transitioned toward more off-premise ordering	27%	50%	41%	41%	31%	33%	7%	8%	17%	20%	5%
Focused on value	27%	38%	33%	31%	25%	22%	22%	38%	34%	27%	5%
Began sourcing more online directly from suppliers	27%	25%	25%	27%	40%	27%	25%	25%	31%	21%	26%
Launched more new items / LTOs to drive traffic	26%	36%	25%	32%	27%	33%	16%	6%	52%	34%	21%
Switched distributors / added new distributors	26%	25%	25%	26%	34%	41%	16%	25%	24%	14%	30%
Eliminated a daypart or a part of the menu	25%	20%	21%	21%	31%	33%	20%	26%	48%	41%	21%
Eliminated third-party delivery	23%	15%	23%	30%	25%	35%	22%	28%	28%	30%	4%
Closed for a specific day	21%	18%	21%	33%	32%	37%	7%	21%	21%	23%	5%
Reduced seating capacity	21%	15%	16%	24%	22%	25%	21%	32%	41%	30%	5%
Invested in new technology or automation	20%	19%	29%	19%	23%	24%	14%	6%	28%	29%	7%
Reduced portion sizes	18%	15%	13%	18%	20%	25%	16%	34%	21%	23%	8%
Added seating capacity	17%	18%	15%	23%	27%	41%	8%	8%	17%	5%	9%
Laid off staff	16%	8%	15%	18%	11%	20%	10%	28%	48%	21%	8%
Contracted with commissary / centralized kitchens	4%	6%	4%	4%	4%	6%	4%	0%	0%	5%	5%

Operators are split on how best to make money, so solutions must build the top and bottom lines.

Shortages and higher costs likely complicate the marketing strategies or investments needed to drive the top line, and so decision makers need to satisfy regular customers and entice them into repeat visits. Bottom-line-focused operators likely need versatile convenience products that help them operate the same as before but under pressure.

WHICH OF THE FOLLOWING STATEMENTS DO YOU AGREE WITH MORE?

56%

"For our location to be profitable, it is more important to satisfy and retain our current customers."

44%

"For our location to be profitable, it is more important to attract new guests and win back lapsed customers."

40%

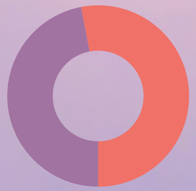
"For our location to be profitable, it is more important to increase the average check from each visitor we already get."

60%

"For our location to be profitable, it is more important to increase the number of guest transactions we get each day."

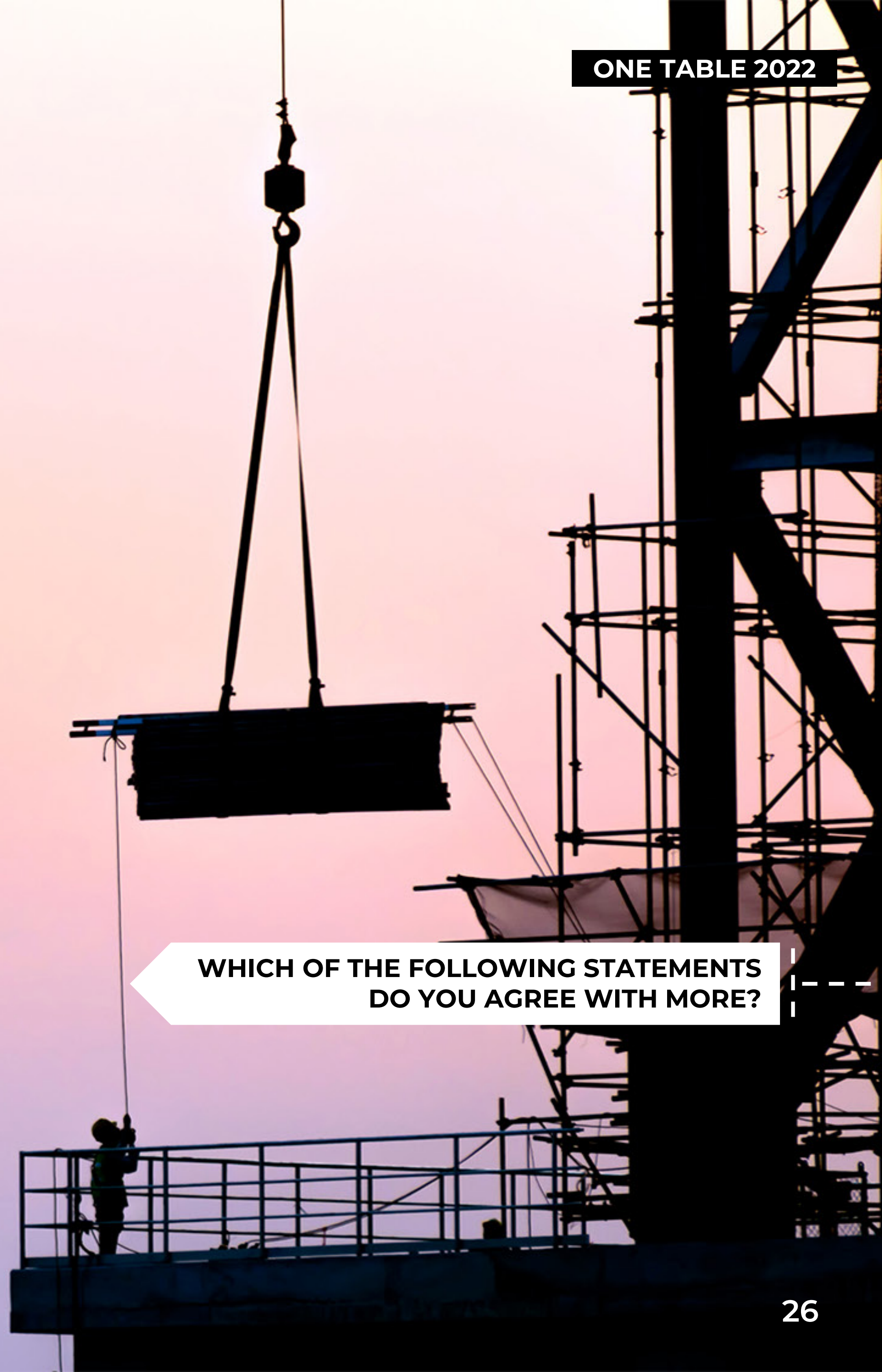
47%

"I devote most of my time to thinking about ways to build revenue."



53%

"I devote most of my time to thinking about ways to increase profitability."



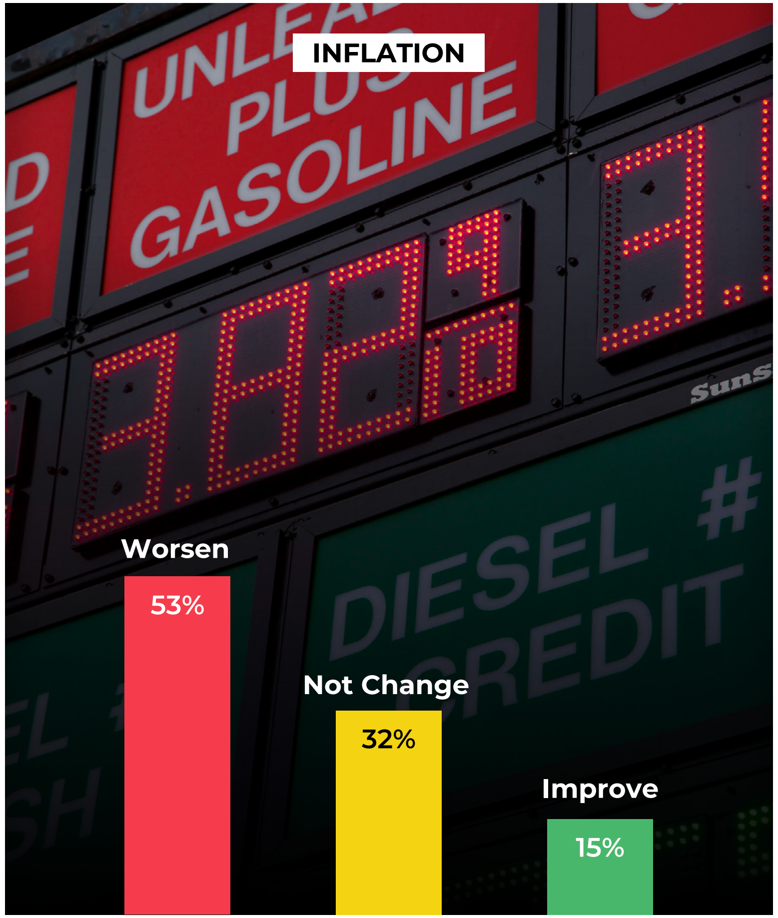
WHICH OF THE FOLLOWING STATEMENTS DO YOU AGREE WITH MORE?

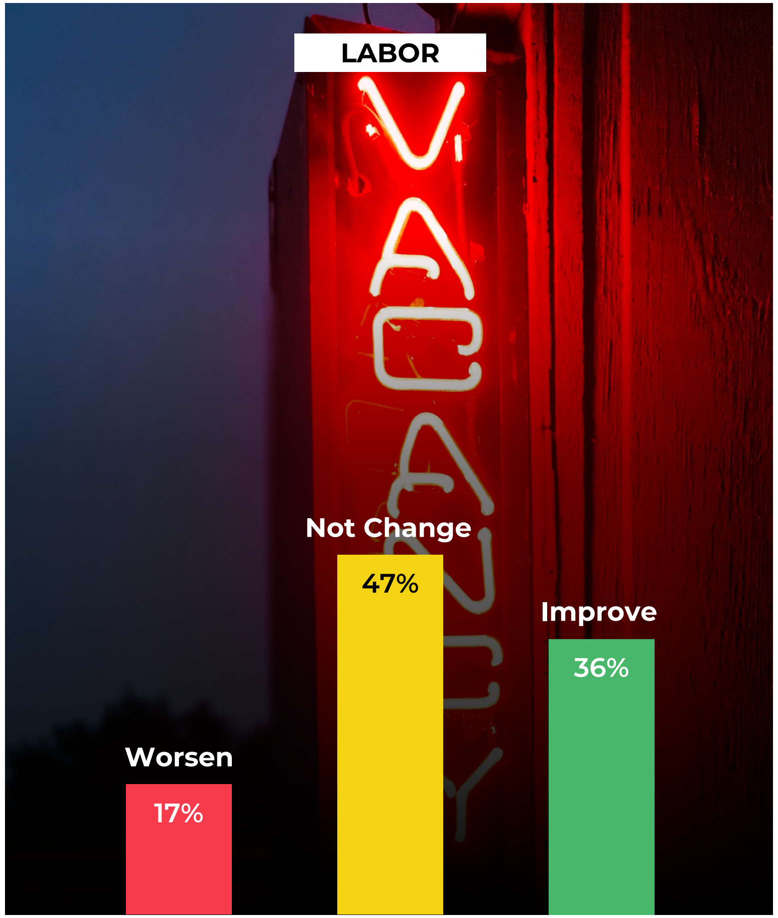
	Total	QSR	Fast Casual	Midscale	Casual	Fine Dining	Healthcare	Lodging	B&I	C&U	K-12
"For our location to be profitable, it is more important to satisfy and retain our current customers."	56%	51%	55%	48%	56%	47%	72%	47%	66%	59%	61%
"For our location to be profitable, it is more important to attract new guests and win back lapsed customers."	44%	49%	45%	52%	44%	53%	28%	53%	34%	41%	39%
"For our location to be profitable, it is more important to increase the average check from each visitor we already get."	40%	38%	44%	45%	48%	57%	36%	38%	52%	27%	25%
"For our location to be profitable, it is more important to increase the number of guest transactions we get each day."	60%	63%	56%	55%	52%	43%	64%	62%	48%	73%	75%
"I devote most of my time to thinking about ways to build revenue."	47%	50%	46%	41%	50%	45%	41%	38%	55%	54%	57%
"I devote most of my time to thinking about ways to increase profitability."	53%	50%	54%	59%	50%	55%	59%	62%	45%	46%	43%

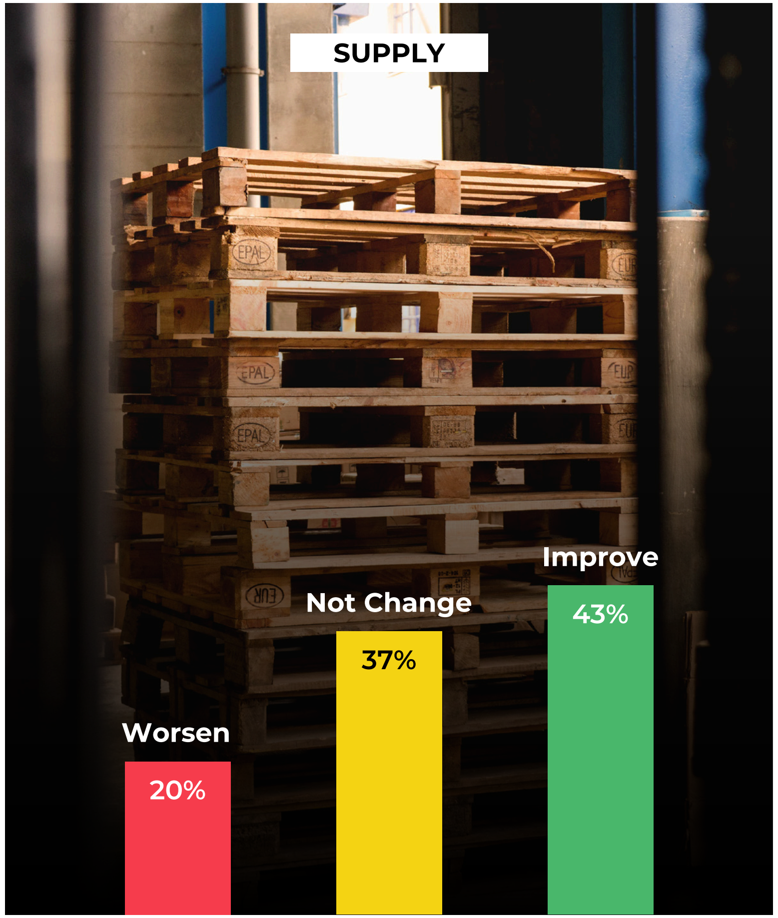
IN THE NEXT 12 MONTHS, DO YOU EXPECT THESE ECONOMIC CHALLENGES TO IMPROVE, WORSEN, OR STAY THE SAME?

What will the future hold?

Inflation also stands out for operators' pessimistic view that it will worsen in the year ahead. Decision makers are more likely to expect that supply chain pressures will ease over the course of the year, and nearly half of them say the labor shortage will not change in its severity.







SECTION B

PRODUCTS & PURCHASING

IN THE PAST **SIX MONTHS**

48%

had a distributor partner pass along a price increase

27%

had a manufacturer partner pass along a price increase

8%

had a distributor partner cancel or terminate a contract due to labor or supply issues

7%

had a manufacturer partner cancel or terminate a contract due to labor or supply issues

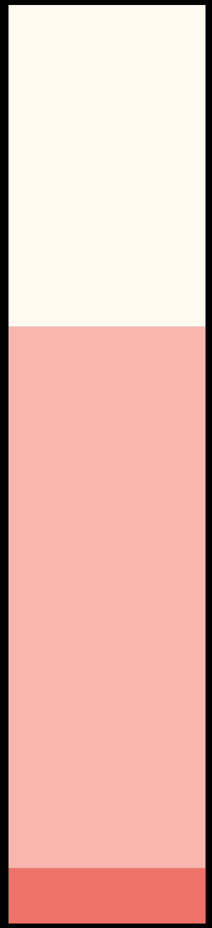
Many operators have also experienced the indirect effects of inflation, labor, and supply shortage **passed down from their service partners** – inflation most of all.

IN THE PAST 6 MONTHS, HAVE YOU EXPERIENCED ANY OF THE FOLLOWING SCENARIOS?

Operators can mostly deal with **substitutions.**

(But they're still annoying.)

IN THE PAST 6 MONTHS, HAS YOUR OPERATION HAD TO RE-EVALUATE AND SWITCH THE WAYS IT BUYS CERTAIN PRODUCTS & CATEGORIES?



35%

It's **generally fine** if our preferred brands or products are not available; we can substitute another product without changing too much else

59%

It's an **inconvenience** if our preferred brands or products are not available; it causes some issues for us, but we can get by

6%

It's a **deal breaker** for us if our preferred brands or products are not available; we have very specific requirements for our menu

Shortages are driving reliance on alternative channels.

Despite being generally able to work through product substitutions, many operators are turning more to club stores, cash & carry, and other alternative buying channels.

(but please note that broadline distributors still drive the vast majority of foodservice volume)

	More Often	Less Often	Net
Club stores	43%	16%	+27%
Third-party websites	41%	16%	+25%
Cash & carry stores	37%	17%	+20%
Grocery stores	34%	19%	+15%
Local farms	25%	21%	+4%
Direct from manufacturers	20%	17%	+3%
Broadline distributors	14%	13%	+1%
Specialty distributors	17%	20%	-3%

Out-of-stocks have become far more common.

Over the past year, operators report product shortages and out-of-stocks as happening...

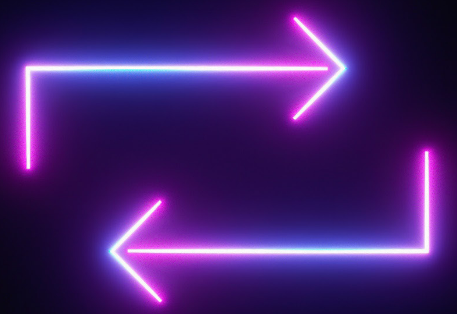
IN THE PAST 12 MONTHS, HAVE PRODUCT SHORTAGES OR OUT-OF-STOCK NOTICES BEEN...

75%
MORE often than before

21%
THE SAME as before

4%
LESS often than before

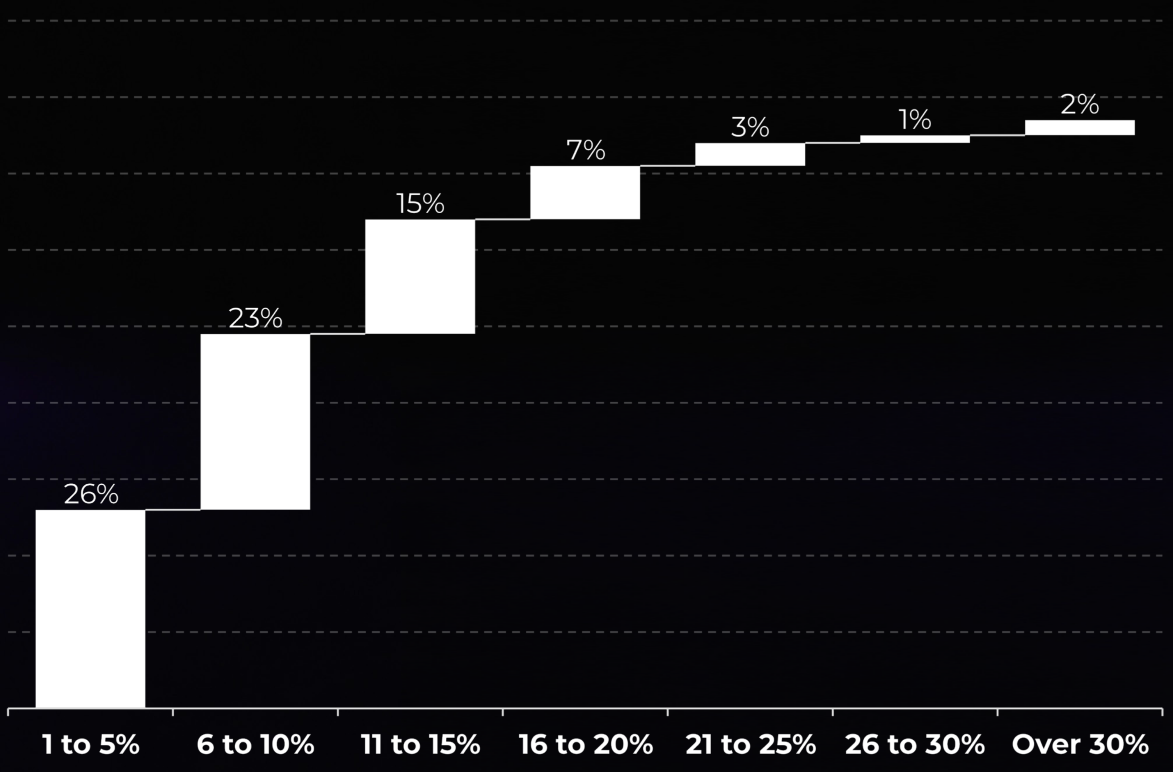
Operators’ purchasing patterns currently are **in flux** due to the challenging environment.



IN THE PAST 6 MONTHS, TO WHAT EXTENT HAVE YOU CHANGED THE PRODUCTS YOU BUY?

77%

have switched products in reaction to current challenges with supply chain, labor, and inflation



IN THE PAST
SIX MONTHS

28%

are buying new brands from existing suppliers

26%

started buying from new suppliers entirely

24%

have started to dual source products

14%

switched or added distributors

Operators have **broken free from their existing purchasing routines,** with significant numbers changing their suppliers and dual sourcing.

IN THE PAST 6 MONTHS, HAVE YOU EXPERIENCED ANY OF THE FOLLOWING SCENARIOS?

HOW OPERATORS ARE REACTING
TO THE CURRENT ENVIRONMENT

IN THE PAST 6 MONTHS, HAS YOUR OPERATION HAD TO RE-EVALUATE AND SWITCH THE WAYS IT BUYS CERTAIN PRODUCTS & CATEGORIES?

26% shifting to VALUE TIER products

17% shifting to MID TIER products

6% shifting to PREMIUM TIER products

The flight to value products extends across all segments.

Many operators have increased their purchases of value and mid-tier products, while few are shifting toward premium items.

IN THE PAST 6 MONTHS, HAS YOUR OPERATION HAD TO RE-EVALUATE AND SWITCH THE WAYS IT BUYS CERTAIN PRODUCTS & CATEGORIES?

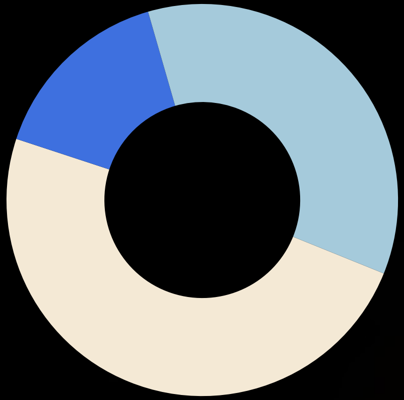
	Value Tier	Mid Tier	Premium Tier
TOTAL	26%	17%	6%
QSR	27%	12%	8%
Fast Casual	24%	18%	5%
Midscale	30%	20%	5%
Casual	28%	25%	9%
Fine Dining	23%	13%	8%
Healthcare	30%	18%	5%
Lodging	35%	18%	8%
B&I	33%	14%	0%
C&U	17%	15%	2%
K-12	17%	12%	7%

Going forward, if economic conditions remain tough, even more operators will consider switching to mid- or value-tier products.

IN RESPONSE TO CURRENT CHALLENGES, HAS YOUR ATTITUDE TOWARD BUYING PRODUCTS FROM DIFFERENT QUALITY TIERS CHANGED?

15%

More likely to consider PREMIUM & UPPER-TIER products than we were before



36%

Want to buy the SAME QUALITY PRODUCTS as we did before

49%

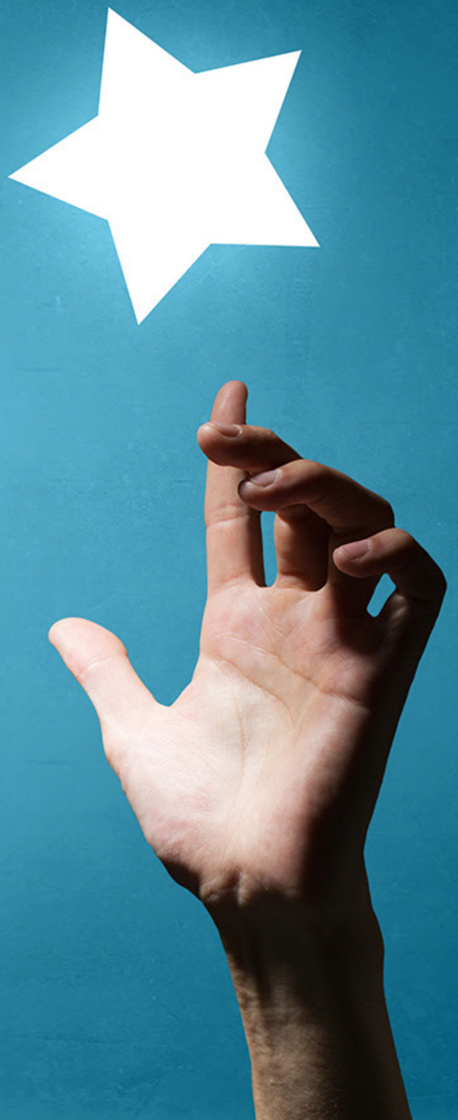
More likely to consider VALUE-PRICED & MID-TIER PRODUCTS than we were before

Brands still matter in a value-minded world.

IN THE PAST 6 MONTHS, HAS YOUR OPERATION HAD TO RE-EVALUATE AND SWITCH THE WAYS IT BUYS CERTAIN PRODUCTS & CATEGORIES?

22% of operators have increased their reliance on MANUFACTURER BRANDS

14% of operators have increased their reliance on PRIVATE LABEL BRANDS



Operators are **tilting smaller** when buying.

While inventory levels are mostly unchanged, a slight preponderance of operators are opting for smaller pack and case sizes to combat the current environment.

20% growing	INVENTORY LEVELS	22% shrinking
12% larger	PACK SIZES PURCHASED	17% smaller
11% larger	CASE SIZES PURCHASED	16% smaller

what operators have done over the past six months in response to challenges with supply chain, labor, and inflation

Many are also opting for **convenience formats.**

with less available culinary talent and the need for better inventory management, the migration toward frozen and prepared foods is unsurprising

OVER THE PAST SIX MONTHS

15% have shifted more toward **frozen products**

10% have shifted more toward **fully-prepared products**

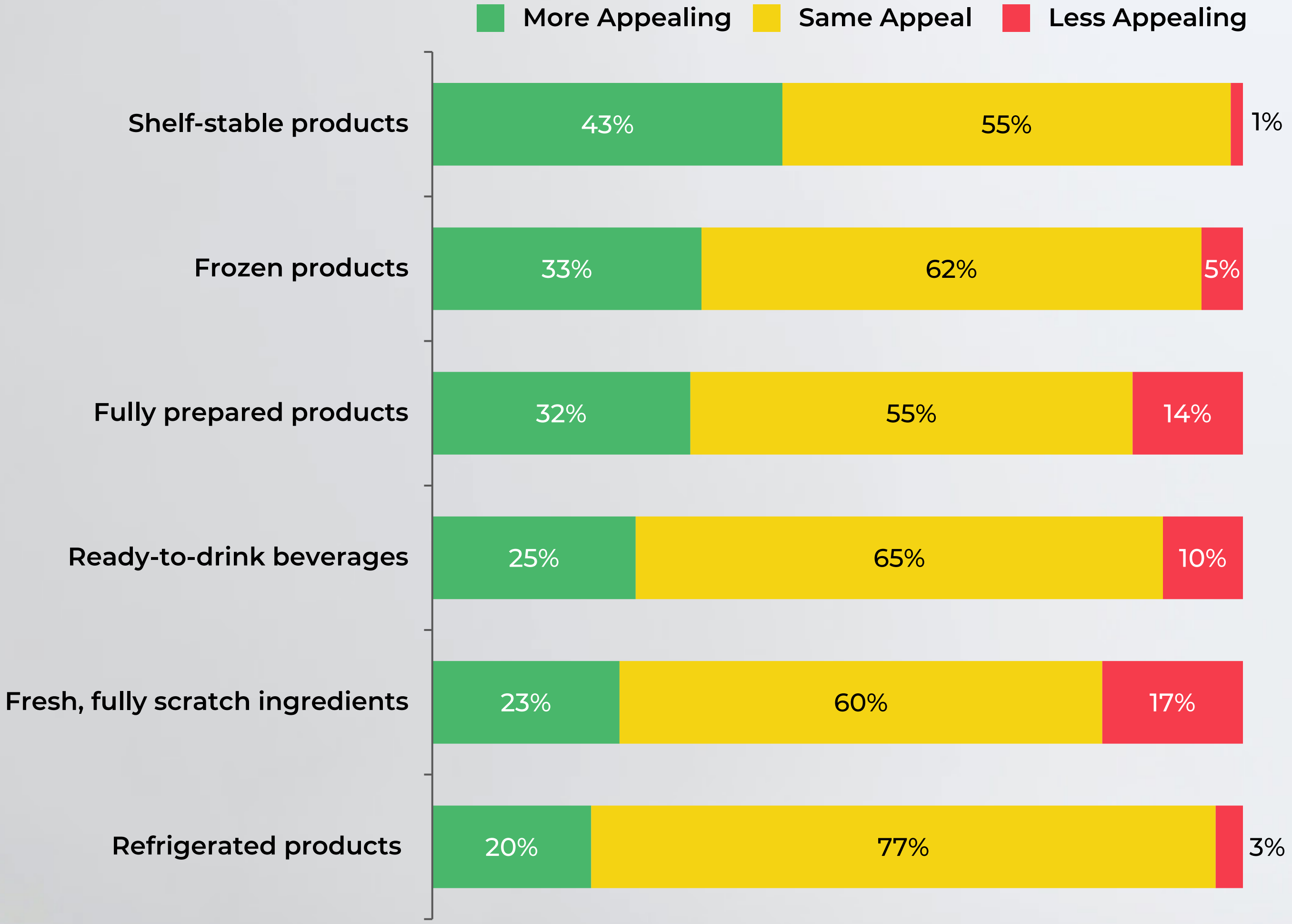
PLUS A FEW MORE THINGS OPERATORS ARE DOING

10% have chosen to buy refurbished over new equipment

3% have begun buying more alternative proteins

To alleviate their economic pressures, operators will turn first to product formats that are versatile, long-lasting, and convenient.

IN THIS OPERATING ENVIRONMENT, HOW DO THE FOLLOWING PRODUCT FORMATS APPEAL TO YOU?



FOR EACH OF THESE INGREDIENTS, DO YOU PLAN TO REDUCE, LEAVE INTACT, OR EXTEND THEM ACROSS THE MENU?

Operators are rebalancing the products they buy.

The current environment has led many operators to contemplate changes to their protein schedule, with planned net reductions in their usage of seafood, beef, and pork.

While substantial numbers of operators plan to reduce their plant-based focus, there are nearly as many that plan to increase them

Chicken bucks the trend seen by other proteins, with just 10% of operators planning a reduction

	Plan to Reduce	Plan to Extend	Plan to Leave Intact
Seafood	34%	8%	58%
Alternative cooking oils	31%	9%	60%
Plant-based dairy alternatives	29%	18%	53%
Plant-based proteins	27%	21%	52%
Plant-based meat alternatives	25%	26%	49%
Beef	20%	8%	72%
Pork	19%	9%	72%
Dressings / sauces / marinades	18%	8%	74%
Fresh fruit	18%	15%	67%
Condiments	16%	5%	78%
Alcoholic beverages	15%	24%	61%
Wheat / flour	13%	6%	81%
Common cooking oils	13%	5%	82%
Eggs	13%	8%	80%
Cheese	13%	8%	80%
Fresh vegetables	12%	18%	69%
Herbs / spices / seasonings	12%	9%	80%
Non-alcoholic beverages	11%	16%	73%
Milk and dairy	11%	6%	83%
Chicken	10%	15%	75%
Frozen potatoes	8%	16%	76%

ARE YOU EXPLORING OR LOOKING TO PURCHASE DIFFERENT BRANDS FOR THE FOLLOWING INGREDIENTS?

Plant-based proteins	46%
Plant-based meat alternatives	46%
Plant-based dairy alternatives	46%
Frozen potatoes	40%
Alternative cooking oils	40%
Dressings / sauces / marinades	39%
Chicken	39%
Alcoholic beverages	39%
Seafood	39%
Beef	37%
Condiments	36%
Common cooking oils	36%
Pork	33%
Cheese	33%
Herbs / spices / seasonings	32%
Fresh vegetables	32%
Fresh fruit	31%
Non-alcoholic beverages	30%
Wheat / flour	30%
Milk and dairy	30%
Eggs	28%

Operators plan to grow key areas of their menu.

Operators most aspire to increase their general entrée and salad offerings, with fewer planning to grow their selection of soups, desserts, or bakery goods.

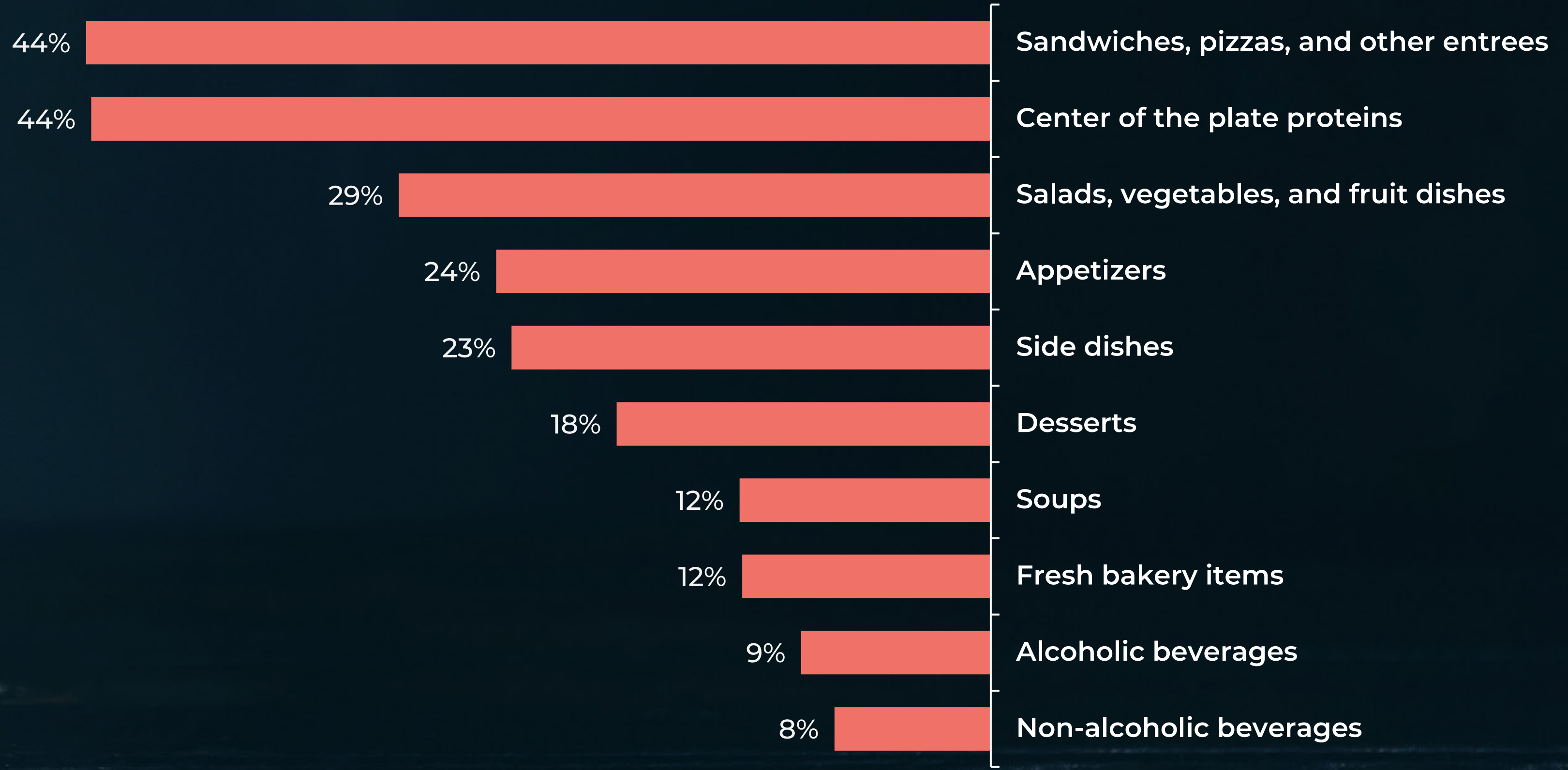
FOR WHICH OF THE FOLLOWING AREAS OF THE MENU ARE YOU PLANNING TO INCREASE OFFERINGS, MAINTAIN, OR DECREASE OFFERINGS?

	Plan to INCREASE	Plan to DECREASE	NET	Plan to Maintain Size	Don't Offer
Sandwiches, pizzas, and other entrees	29%	9%	+19%	54%	8%
Salads, vegetables, and fruit dishes	25%	10%	+15%	58%	6%
Alcoholic beverages	12%	6%	+7%	26%	56%
Side dishes	19%	13%	+6%	63%	5%
Appetizers	19%	13%	+6%	45%	23%
Non-alcoholic beverages	13%	9%	+4%	63%	15%
Center of the plate proteins	15%	13%	+2%	63%	9%
Soups	14%	14%	+0%	52%	20%
Desserts	17%	18%	-1%	56%	10%
Fresh bakery items	13%	15%	-2%	50%	22%

Operators look first to entrees for future menu innovation.

Despite rising protein costs, operators are focusing their innovation efforts primarily on the entrée sections of their menu: pizzas, burgers, center of plate proteins, and beyond. While salads, appetizers, and sides are also significant areas of focus, relatively few operators are prioritizing new beverage innovation.

IN WHICH OF THE FOLLOWING CATEGORIES ARE YOU LIKELY TO FOCUS YOUR INNOVATION EFFORTS?



IN THE COMING YEAR, WHICH MENU CATEGORIES DO YOU EXPECT TO FOCUS ON FOR CULINARY INNOVATION?

	Core Menu Items	Value Items & Promotions	Premium Items & LTOs
TOTAL	55%	39%	18%
QSR	55%	31%	23%
Fast Casual	52%	41%	24%
Midscale	48%	43%	22%
Casual	59%	34%	21%
Fine Dining	55%	29%	27%
Healthcare	57%	45%	9%
Lodging	47%	42%	13%
B&I	55%	59%	17%
C&U	54%	48%	16%
K-12	68%	30%	4%

Supply and labor challenges will necessitate changes to menu development, mostly around core offerings.

Many on-site operators, particularly in B&I and C&U, are also planning on directing their innovation efforts toward value items and promotions.

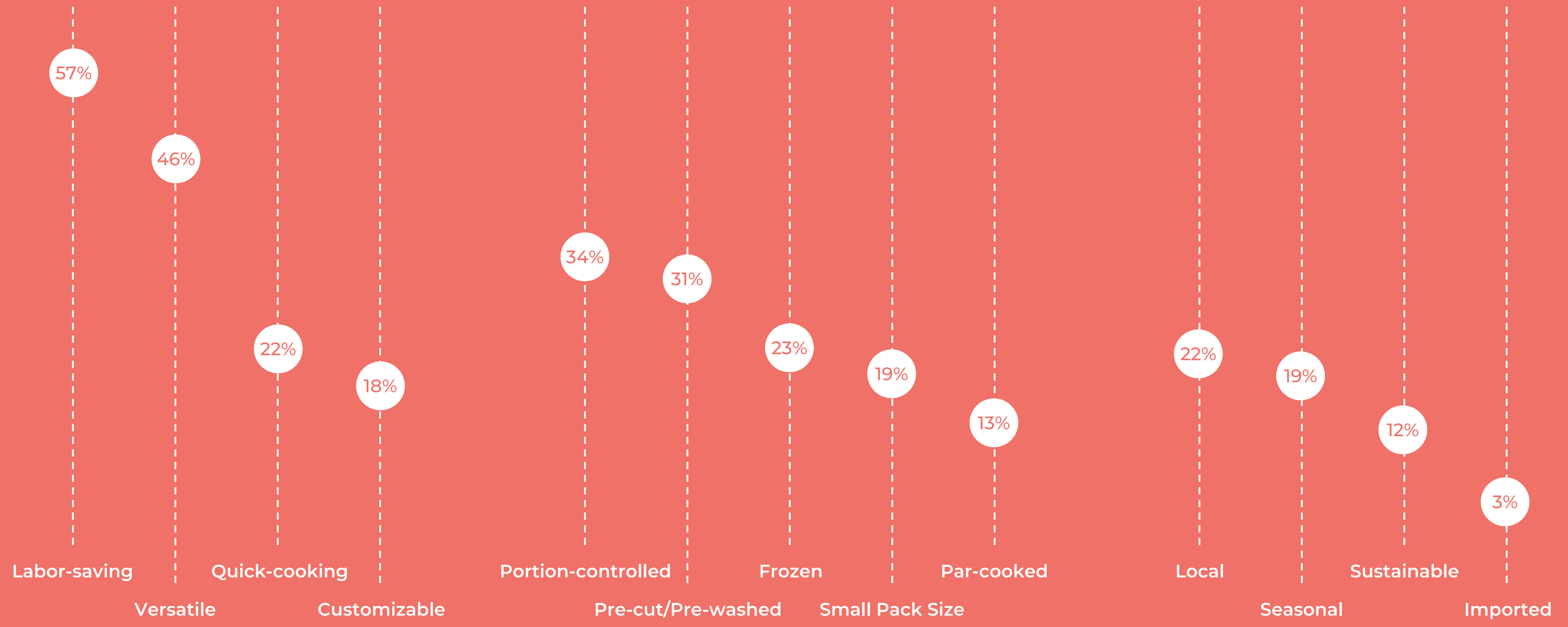
SECTION C

THE ROAD AHEAD

DATASSENTIAL

In the short term, operators will naturally look first to products that can save time, money, and especially labor.

WHICH ATTRIBUTES HAVE BECOME PARTICULARLY APPEALING TO YOU IN THIS OPERATING ENVIRONMENT?

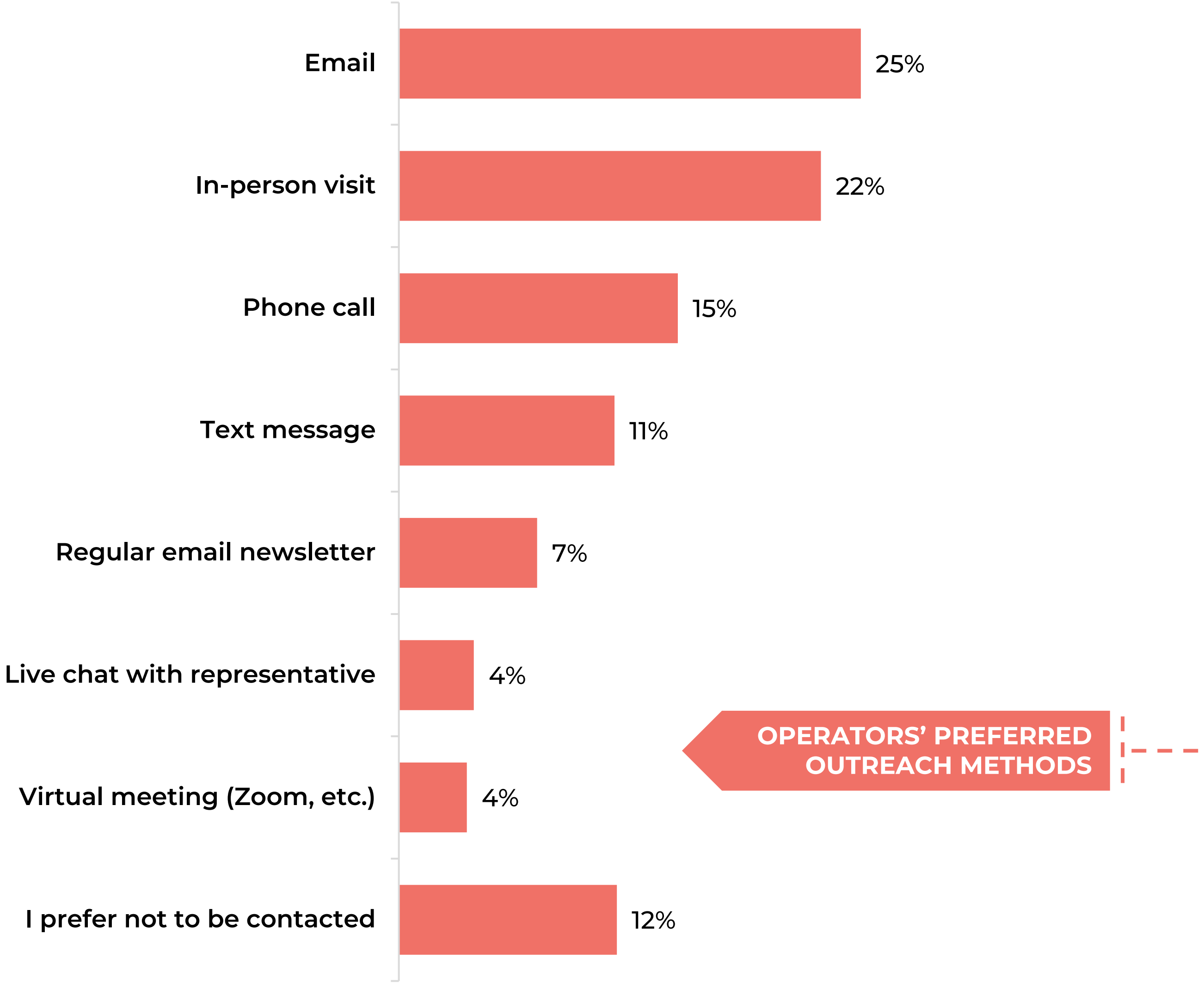


WHAT SERVICES DO YOU CONSIDER MOST IMPORTANT WHEN YOU DECIDE WHERE TO SOURCE PRODUCTS?

Online ordering for our purchases	40%
Menu analysis and costing	26%
Nutritional information & labeling	26%
Product comparison tools	25%
Recipe ideas & menu suggestions	23%
Loyalty program assistance	19%
Inventory management tools	18%
Budget management tools	17%
Staff training	13%
Marketing assistance	13%
Industry trends & competitive analysis	13%
Menu design assistance	8%
Store design assistance	4%
None of these	15%

Nearly 90% of operators will appreciate some form of assistance or service improvement, especially if these services can streamline the product ordering process or yield relevant and applicable insights.

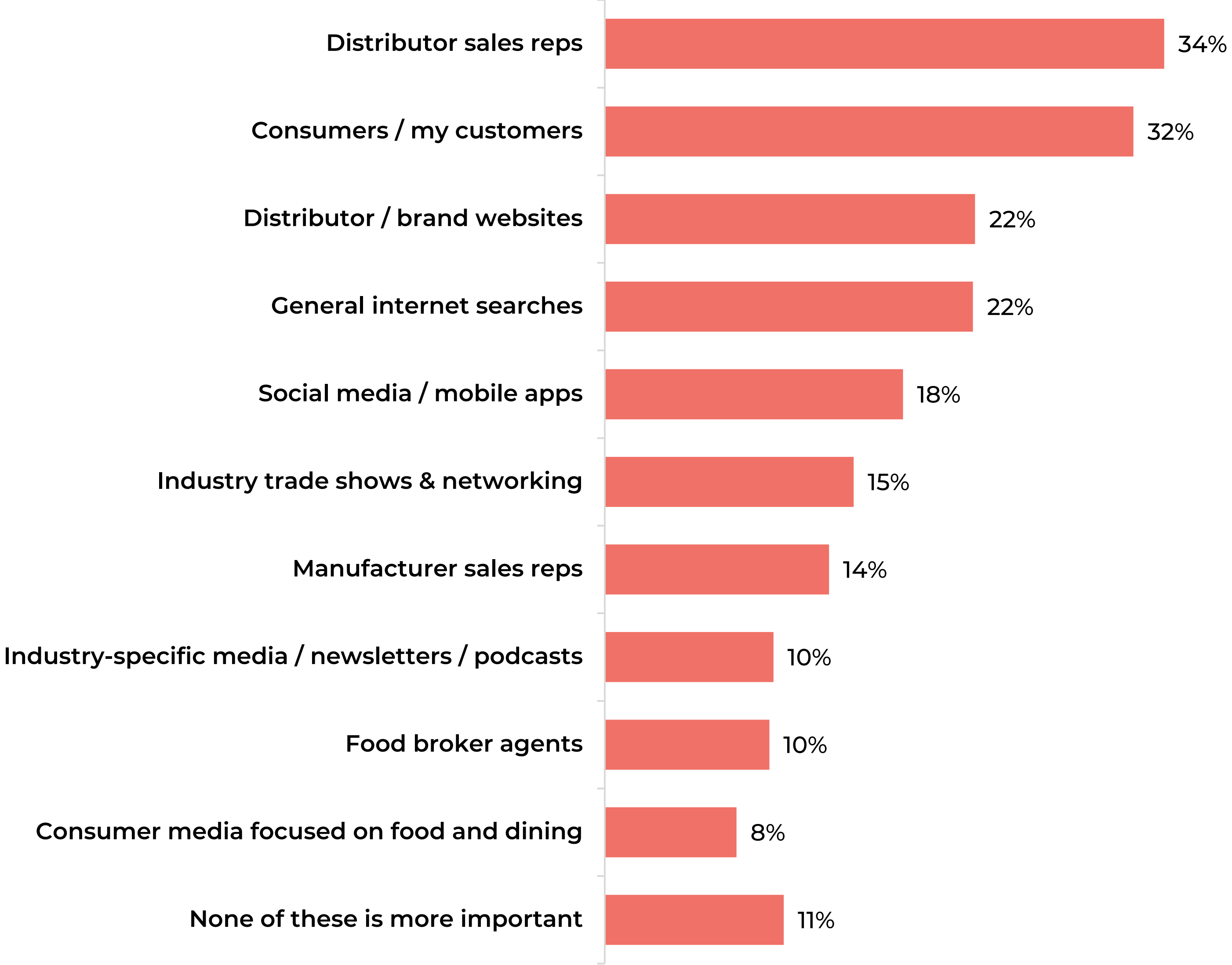
When it comes to preferred outreach methods, the more direct, the better.



DATASSENTIAL

WHICH INFORMATION SOURCES HAVE BECOME MORE IMPORTANT IN THIS OPERATING ENVIRONMENT?

The current crisis has reinforced how much operators turn to their DSRs for insights.



WHAT CAN YOUR SUPPLIER PARTNERS DO TO HELP YOU THE MOST THROUGH THE CURRENT OPERATING ENVIRONMENT?

"We really enjoy the food demonstrations locally at our restaurants. We like to see what's new and try out samples of food. Food shows are key to our purchasing of new products."

- an Executive Chef at a C&U institution in the Midwest

"One thing I would love to see is better descriptions and pictures when looking at product information, especially when I'm looking at a distributor website. Most of the time, all I see is a box. That is not helpful."

- an Accounts Coordinator at a C&U institution in the Midwest

"Keep us in the loop of what products they may have difficulty filling orders for or may have to ration with their customers. Let us know the 'behind the scenes' story of why things may not be running smoothly so we can explain to our customers why this disruption is temporary."

- an F&B Purchasing Director at a K-12 institution in the Midwest

"Realize that every single penny counts. Sending us damaged or inferiorly handled products are EXTRA costly during this time. The margins are tighter, labor shorter, customer lines thinner. Stop raising prices and allow us to recover and focus less on their issues and excuses and more on our needs. Price gouging is noticed and will result in a shift in where we choose to do business."

- an F&B Purchasing Director at a healthcare institution in the West

"A tool that can actively display similar products at competitive or lower pricing could be useful. For example, when ordering through my phone, let's say I was ordering chicken, the tool could immediately show similar portion sized offers with different pricing."

- the General Manager of a midscale chain restaurant in the Midwest

"Understanding! I realize the shortage information is a trickle-down effect, but a last-minute notice to say, "Sorry, it's not on tomorrow's truck," can be rough. I personally try to keep extra items on hand just in case of outages. We all need to have compassion towards each other. If one item is out, try to find a similar alternative. These times have been hard on all of us."

- a Kitchen Manager at a K-12 institution in the Midwest

"Be prepared with substitutes and offer compelling value-oriented products. Suggestions for increasing profitability in areas we may have overlooked. Compare our menu prices to nearby similar businesses to give us an idea if we're charging too much or too little in comparison. "

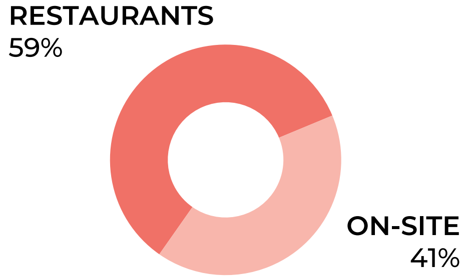
- the Owner of an independent casual-dining restaurant in the Midwest

"Nothing. We are all in the same boat waiting to ride out the storm. "

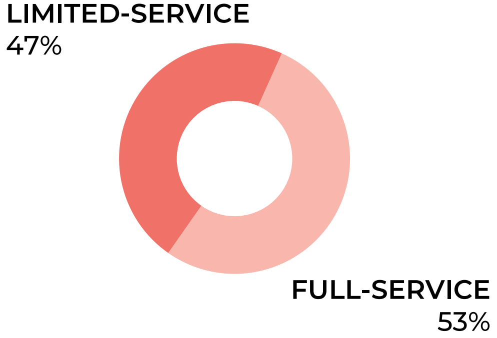
- an F&B Purchasing Director at a lodging institution in the Northeast

RESPONDENT PROFILE (n = 801)

CHANNEL



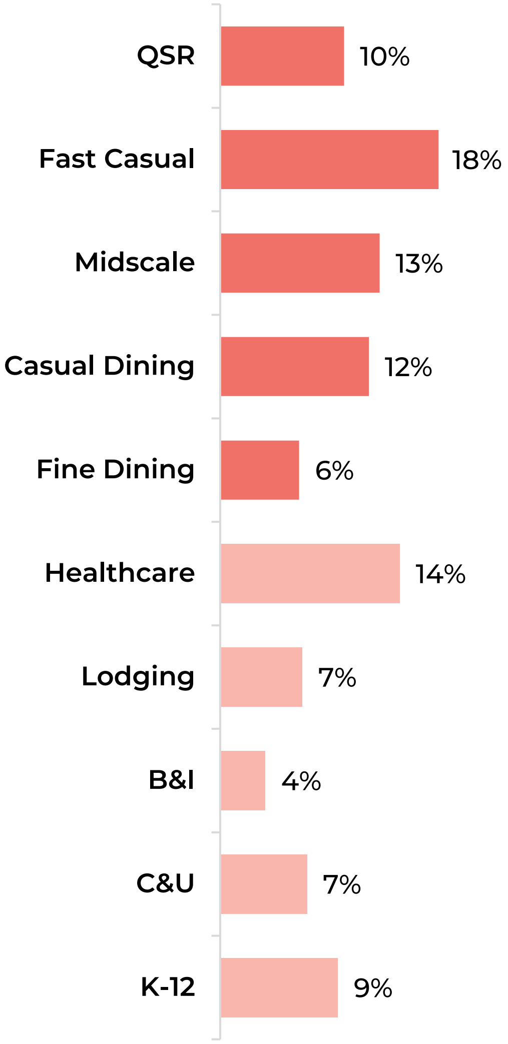
SERVICE FORMAT



RESTAURANT TYPE

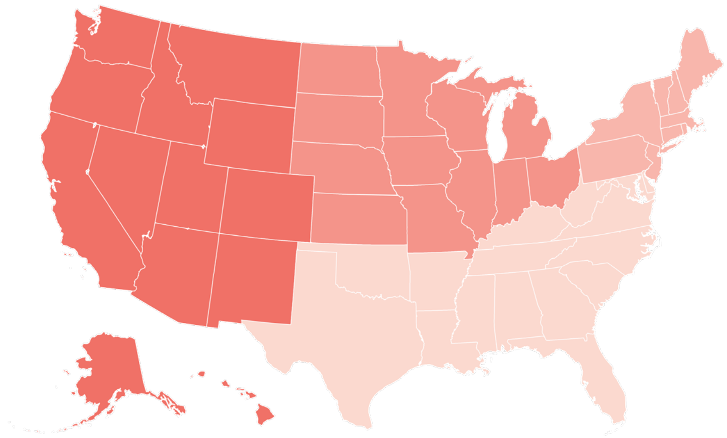
INDEPENDENT	CHAIN	FRANCHISE
71%	15%	14%

SEGMENT



REGION

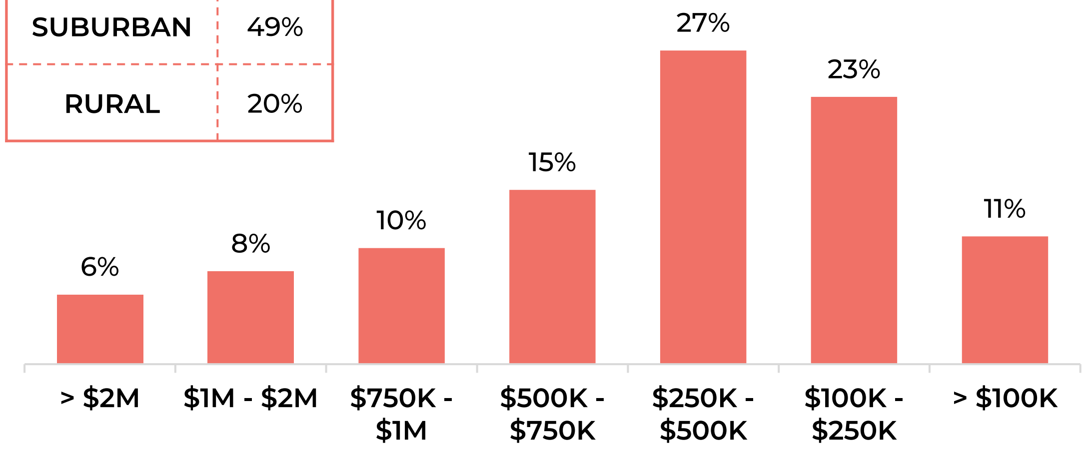
WEST	20%
MIDWEST	29%
SOUTH	30%
NORTHEAST	21%



GEOTYPE

URBAN	31%
SUBURBAN	49%
RURAL	20%

F&B PURCHASING



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