



Prepared by Celeste Milner & Ann Saunders

# DISCOVERY AGENDA

## Background: 2022 Overview

- Experiential
- Sustainability: Regenerative Agriculture & Packaging
- Plant-based
- Artificial Intelligence
- On the Radar



# IN 2022, **INFLATION** TRUMPED EVERYTHING

Study: Over 66% of independent restaurants seeing **sales declines** from **inflation**

How 6 restaurant giants are hiking **menu prices**

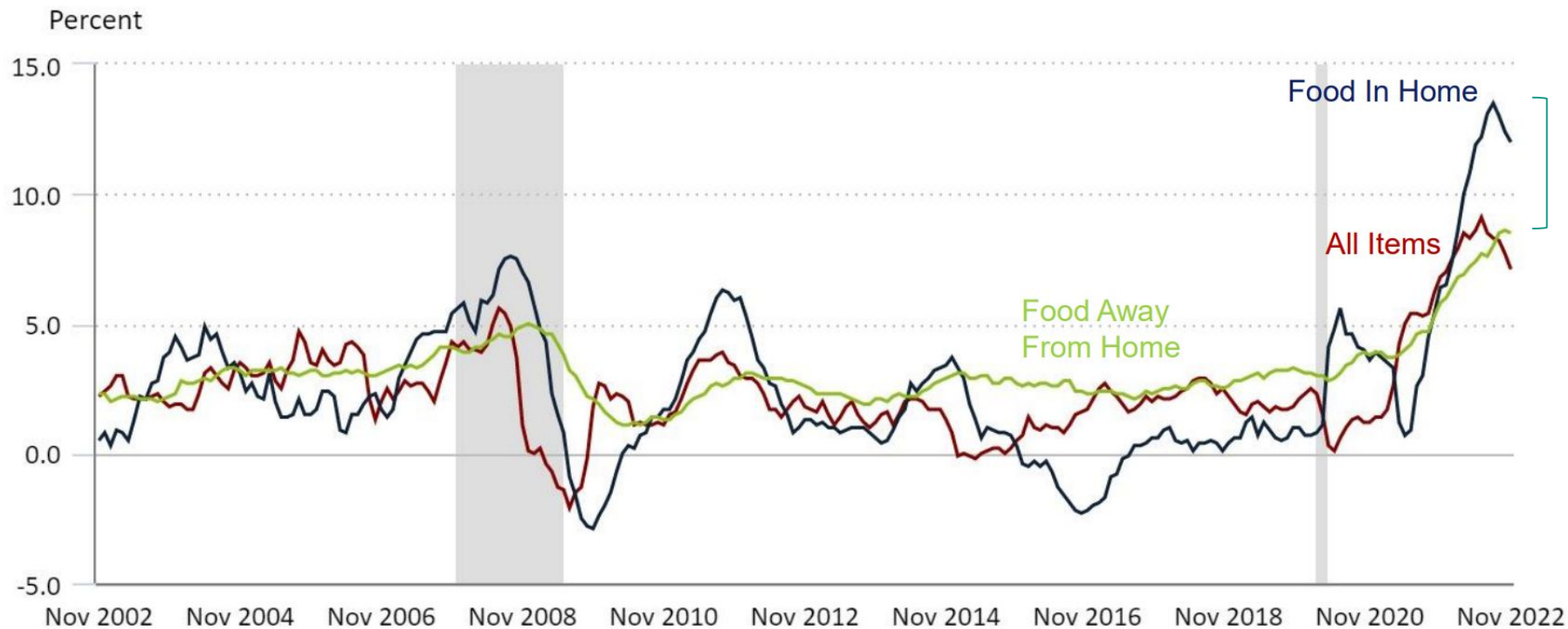
Navigating the Restaurant **Labor Shortage** Requires a NextGen Approach

**Supply chain disruptions** giving the food and beverage industry food for thought

How Restaurants Can Beat The **Supply Chain Blues**

**Job openings fell in May but still outnumber available workers by almost 2 to 1**

# Consumer Price Index







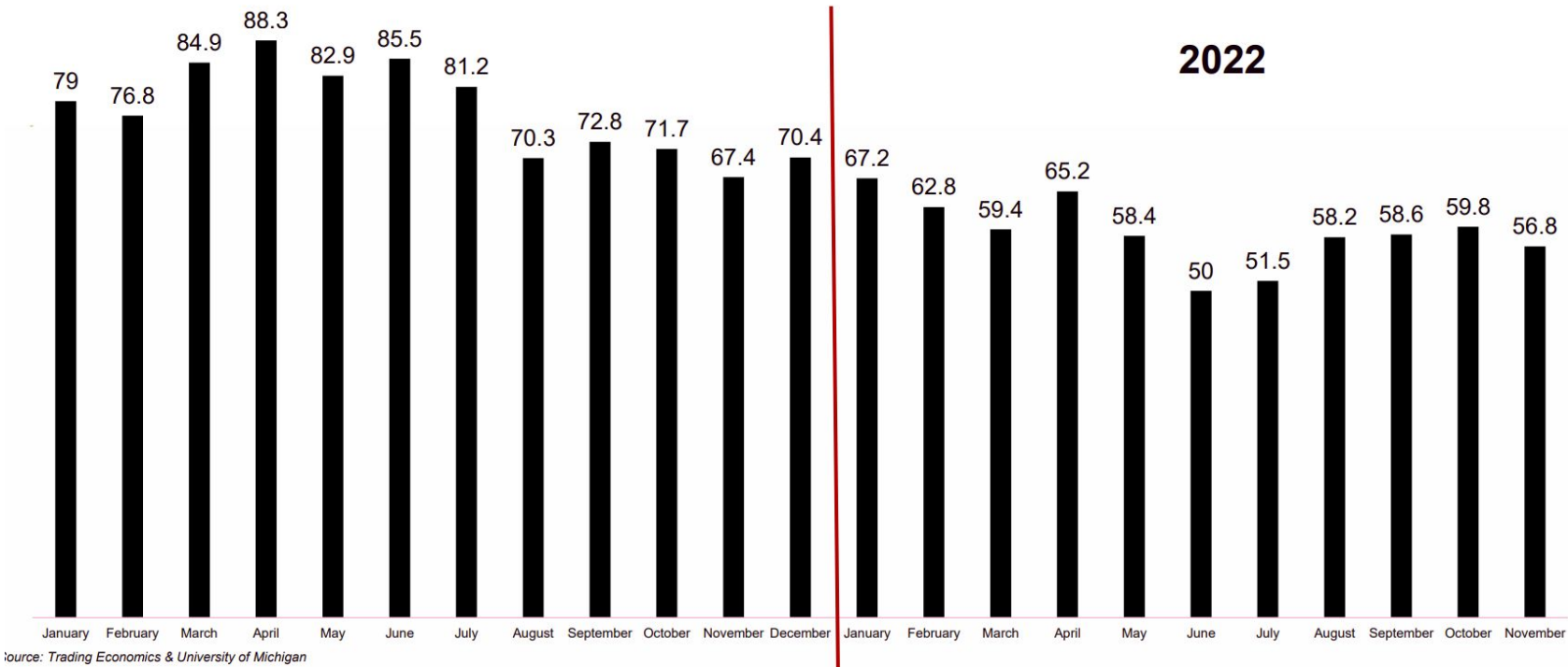
## 2022 Year in Review

- Per the Bureau of Labor and Statistics:
  - Food at home rose 12.0% over the last 12 months (November to November)
    - Cereals and bakery products as well as dairy and related products both rose 16.4%
    - Remaining major grocery store food groups posted increases ranging from 6.8% (meats, poultry, fish, and eggs) to 13.9% (other food at home)
  - Food away from home rose 8.5% over the last year
    - Full-service meals rose 9.0%
    - Limited-service meals rose 6.7%
  - This is compared to all items increasing at 7.1%



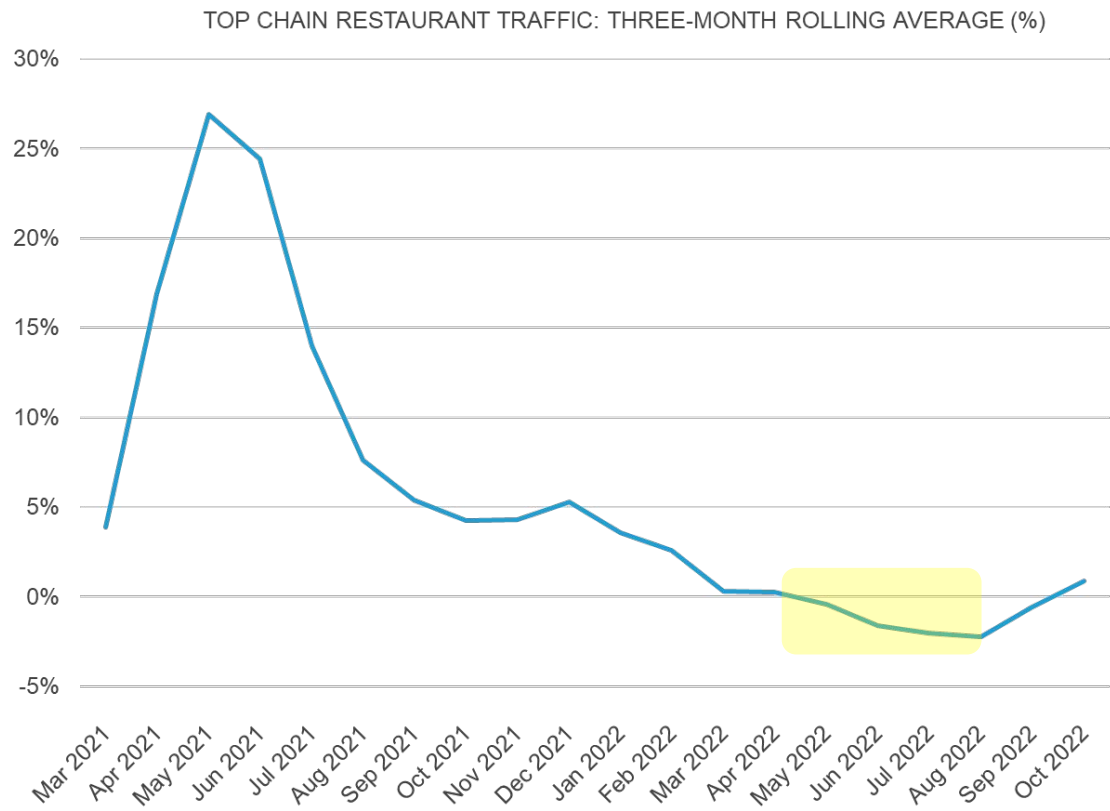
# 2022 Year in Review

## Consumer Sentiment Index (ICS)





# 2022 Year in Review



## 2022 Year in Review



	Q4 2021	Q1 2022	Q2 2022	Q3 2022
McDonald's	7.5%	3.5%	3.7%	6.1%
Sonic Drive-Ins	6.1%	1.1%	2.3%	6.4%
KFC	4%	1%	(7%)	2%
Panda Express	8%	5%	8%	7%
Starbucks	18%	12%	9%	11%
Chipotle Mexican Grill	15.2%	9.0%	10.1%	7.6%

## 2022 Year in Review



	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Applebee's	34.8%	14.3%	1.7%	3.6%
IHOP	39.2%	18.1%	3.6%	1.9%
Santitas	11.5%	9.9%	0.1%	3.4%
Olive Garden	29.3%	29.9%	6.5%	2.3%
Cracker Barrel	1.9%	10.9%	6.1%	7.1%





## 2023 Prediction

- Restaurant margins were squeezed in 2022, but they were still profitable and are in okay position to face a recession
- Challenges will continue, but there's some good news
  - Commodity costs are starting to ease
    - Beef may still be short
    - Poultry still facing high feed costs but supply straightening out
    - Egg supply improving
    - Good dairy availability so potential for price softening
    - Pain still related to edible oil, but hope to see rate of appreciation drop
  - Saw labor gains in November; with manageable wage gain, hope to see labor pains lessen
  - Freight costs should improve
    - Diesel getting cheaper
    - Driver wage increases leading to more drivers
    - Slack demand around retail offers opportunity for foodservice



## 2023 Prediction

- Big question – will consumers keep going out to eat? Differing schools of thought...
  - Version 1
    - If food-away-from-home costs are not increasing as fast as food-at-home costs...
    - And if what is often true during a recession – avoid larger expenditures, reduce debt, but still spend on smaller luxuries – food away from home is potentially safe
    - Still want to feel good when we spend, so will likely see trading down – choosing fast casual over full service, skipping appetizers and desserts
  - Version 2
    - The strain of food at home costs finally tips the scale and keeps people from going out to eat

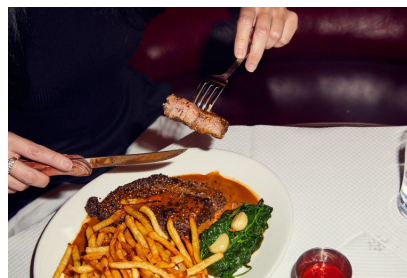


## Experiential

### 2023 will continue to be the year for experiences

One of the top trends for the new year will be the prioritization of **experiences**.

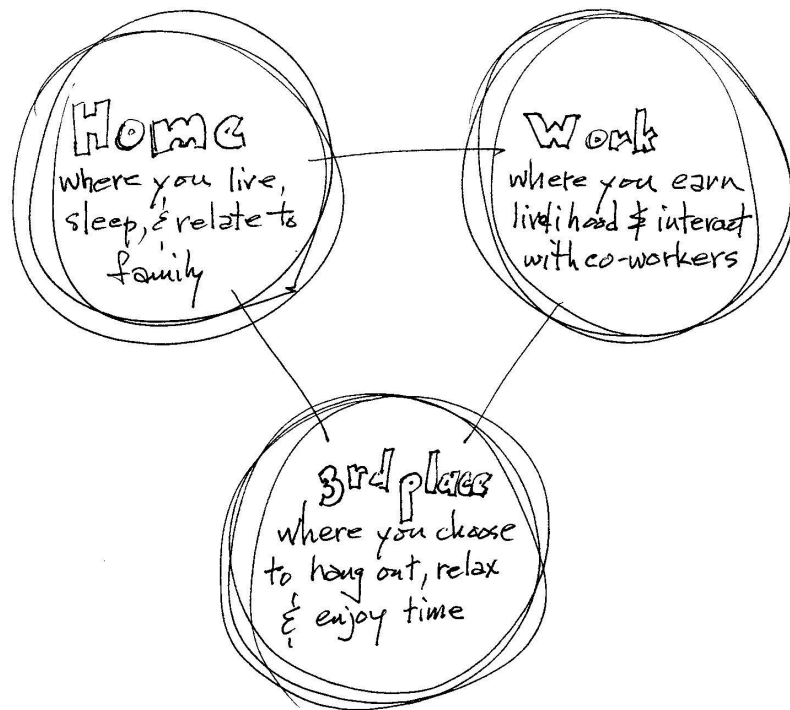
Similar to last year coming out of the pandemic, Americans are still seeking the opportunity to gather with friends and family to create unique and memorable moments together.



## Consumers need a “Third Place”

Over the past several years of only being social through apps or FaceTime, a new “Third Place” emerges

- The idea of a public, social place outside of home and work
- “The Great Good Place” by Ray Oldenburg
  - Ex: your local coffee shop, corner bookstore, or neighborhood park
- Seeing a reemergence following the pandemic with the need for a new place to connect





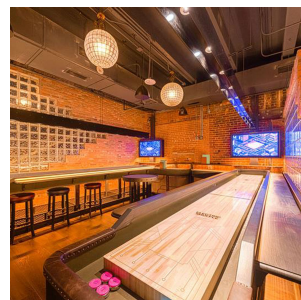
## “Eatertainment” venues create special dining experiences

- Increasing in popularity across the U.S. as consumers seek an outlet to gather and socialize
- “Eatertainment” is defined as the combination of food/beverage dining with other activities before, during or after
  - **Chicken N Pickle**, 12 locations in the U.S.
  - **Electric Shuffle**, Austin and Dallas
  - **Foreign Cinema**, San Francisco

70%

of operators agree that customers want to gather on premises, hungry for connection as they are for sustenance

*NRA's 2022 What's Hot Report*



## Traditional dining concepts are evolving to meet demand for something new

- Experiential restaurants have earned a more permanent place in the culinary world
  - Inventive menus
  - Sensory-focused dining
  - Eccentric/thematic decoration
  - Pop-up restaurants
  - Secret speakeasy bars
  - Unique locations/activities
- **O'noir**, a complete dining-in-the-dark experience
- **Please Don't Tell**, a hidden speakeasy bar in New York



**75%** of people believe that unique dining experiences are worth paying more for

**Recent travel trends indicate increased interest toward places and activities that enable travelers to feel something authentic and new**

- Immersion in local culture
- Connecting with nature
- Niche experiences
- Nostalgic getaways
- Meditation and mindfulness trips
- Food Trails
- TV Tourism

**81%**

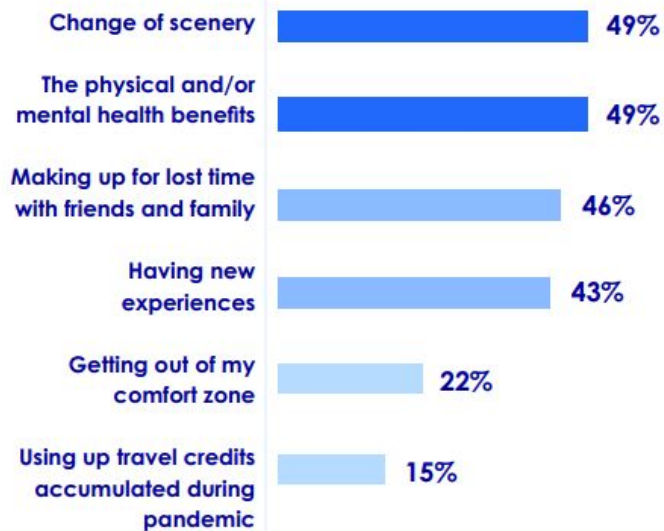
**of travelers say they are interested in visiting places where they can immerse themselves in local culture**

*2022 Amex Trendex Poll*





Since the start of the pandemic, which of the following have become more important when consumers make travel decisions?



2022 Expedia Traveler Value Index Report  
Data from Jan 2019 - Sept 2022

## Travel remains a top priority for many Americans in 2023

- Inflation and impending recession having little impact
- Seeking moments of happiness and escape
- Self-care, mental health and wellness continue to be important
- Revenge travel remains a motivator

**50% of travelers intend to prioritize wellness-based travel in 2023**

*Hilton's 2023 Traveler Report*

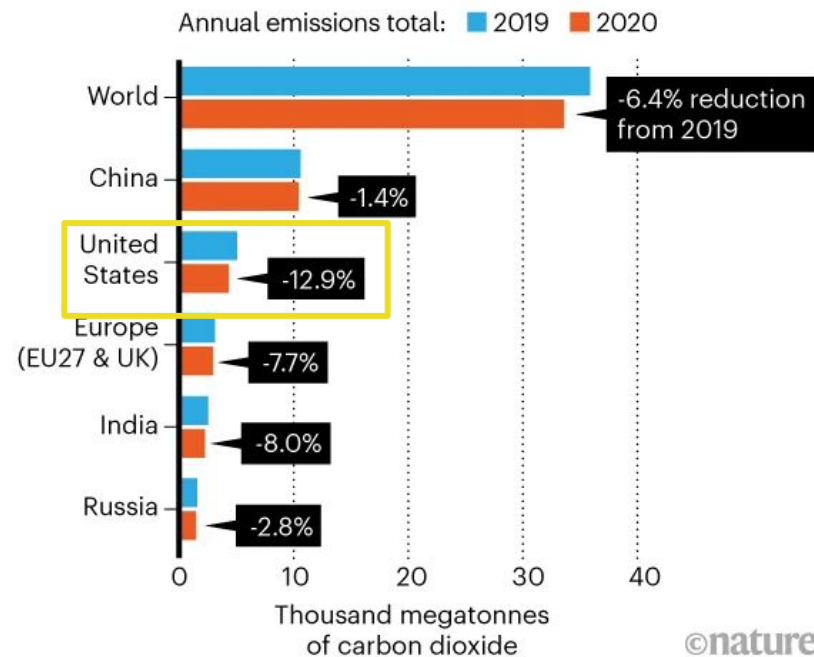


## Environmental Sustainability



## Positive effects on the environment were measurable, but short-lived

- Economic slowdowns and global lockdowns contributed to a record decline in global CO2 emissions
- These restrictions on economic and social activities led to significant decreases in energy demand, but ultimately were short-lived
- By September 2020, emissions levels globally had already recovered





## Substantial collective action is required to make effective strides

- Global CO2 emissions rebounded to their highest levels yet in 2021 (per the IEA)
- Areas of immediate opportunity
  - Travel arrangements
  - Transportation/transit
  - Consumerism
  - Choice of energy
  - Volunteering

**85%**

**of adults state willingness to take personal action to combat climate and sustainability challenges**

*2021 Mastercard Survey*

## Conscious & Caring

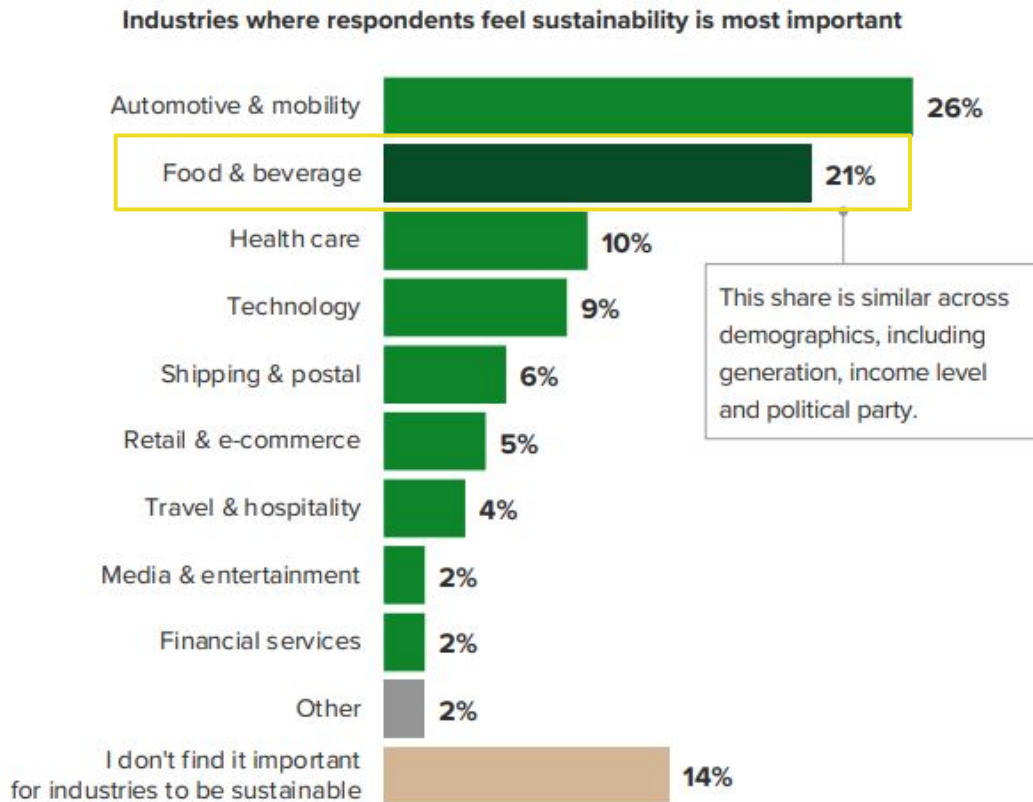
- 49% of consumers globally claim to have changed their diet in the last two years to lead a more environmentally friendly lifestyle
- 72% of consumers have become more conscious about their level of food waste post pandemic



**45%** of the world's emissions come from **making products and consuming them**

## Conscious & Caring

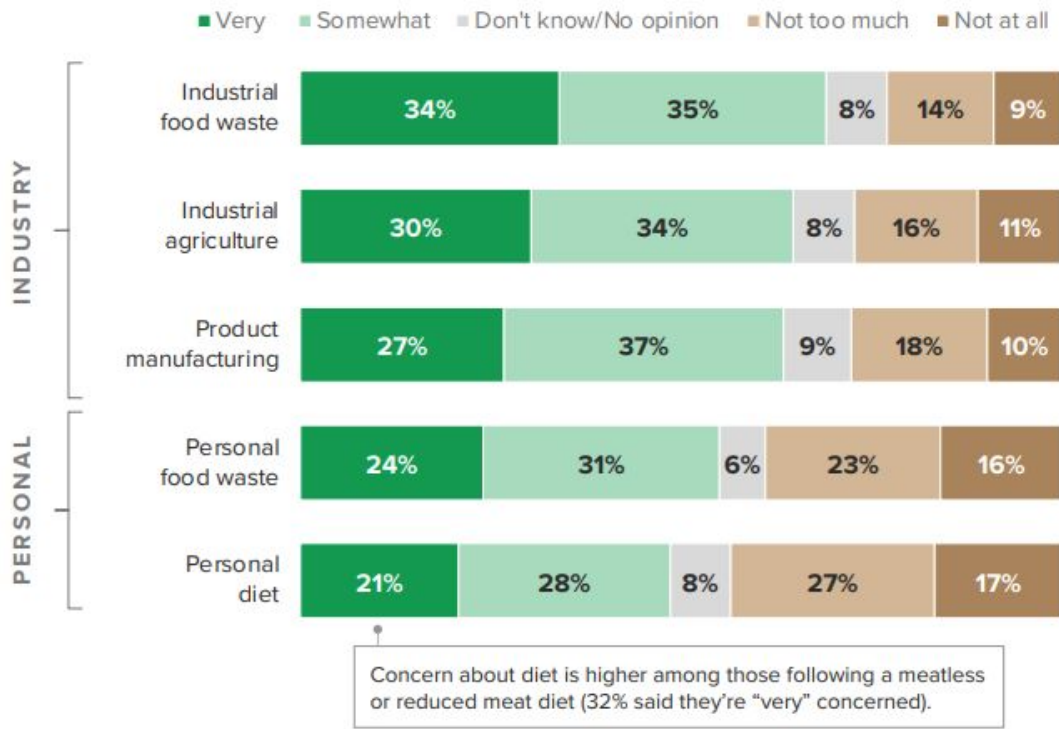
- 52% of consumers said they are especially interested in supporting sustainable brands
- They consider food and beverage one of the most important industries when it comes to sustainability



## Conscious & Caring

- 1 in 4 adults can't articulate what makes a food and beverage product sustainable
- They are more concerned about what companies are doing than what they themselves are doing
  - 69% - Industrial food waste
  - 64% - Industrial agriculture
  - 64% - Product manufacturing

Respondents' level of concern about the environmental impact of the following:







**PepsiCo gets A for net-zero emissions efforts**

**Nestlé pledges net zero emissions by 2050**

**Tyson pledges to achieve net-zero emissions by 2050**

**Mondelez International sets agenda for net-zero strategy**

**Kraft Heinz sets goal of net zero GHG emissions by 2050**

## Regenerative Agriculture

A holistic approach to farming practices that uses technologies and processes to revitalize the soil and the environment

- **PepsiCo** – by 2030, will deploy regenerative farming practices across 7 million acres and sustainably source 100% of key ingredients
- **Walmart** – partnership with Midwest Row Crop Collaborative to bring regenerative farming practices to 30 million acres in the Midwest
- **General Mills** – committed to advancing regenerative agriculture across 1 million acres of farmland by 2030





## Consumer awareness of regenerative agriculture remains low, despite buzz

30%

view products made with regenerative agriculture as having the **most beneficial impact** on the land food is grown on

19%

have heard of regenerative agriculture

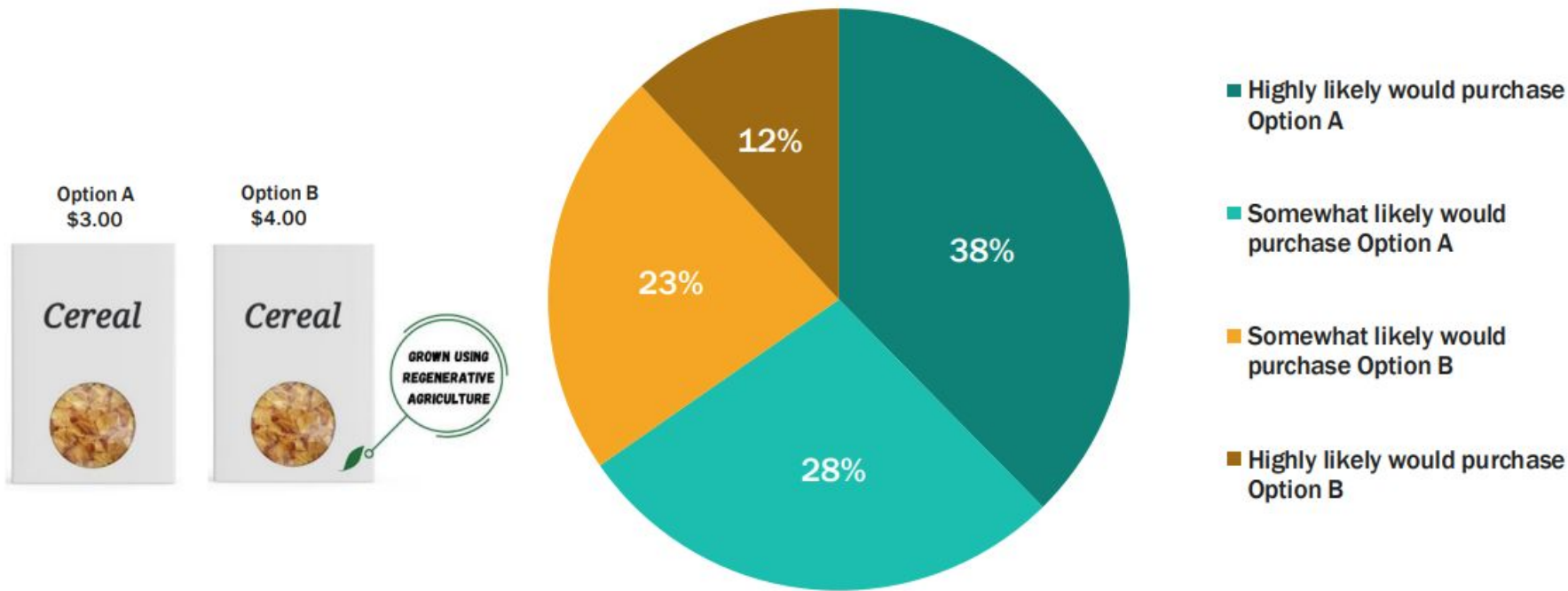
42%

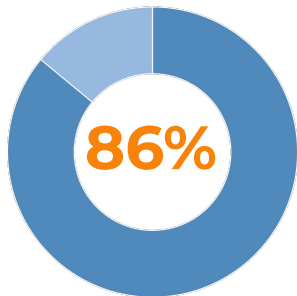
of Americans believe that their individual food and beverage choices have a moderate impact on the environment

*IFIC 2021 Food & Health Survey*

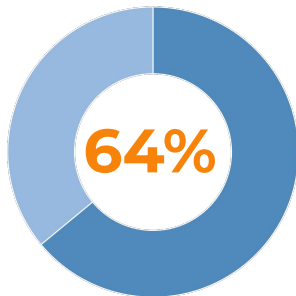
- 59% – Organic farming
- 55% – Crop rotation
- 52% – Sustainable farming

## Most people are not willing to pay more for a product made with regenerative agriculture

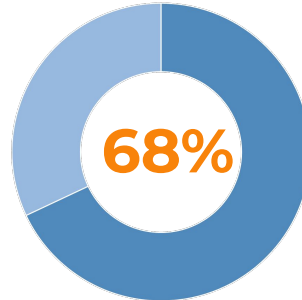




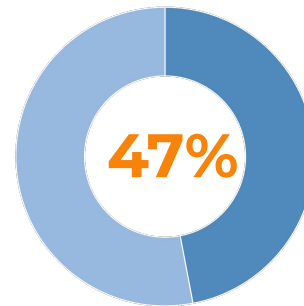
**are more likely to purchase a product from a brand or retailer if the packaging is considered sustainable**



**said sustainable packaging is a factor in their product selection process**



**would be open to switching from a brand that they're loyal to, to another brand because they offer sustainable packaging**



**are willing to pay more for a product that offers sustainable packaging**

## Sustainable Packaging

- Key claims for packaging sustainability
  - Recyclable packaging (64%)
  - Made from recyclable material (60%)
  - Minimal packaging (60%)
  - Biodegradable (45%)

**50%**

of respondents say they consider sustainable packaging to be **the most important sustainability initiative** for brands at this time

*Shorr's 2022 Sustainable Packaging Report*



## Organizations with a platform are crucial to drive impactful change

- Responsibility is placed on large organizations (57%) and governments (54%) to drive change
- CPG companies taking action:
  - **Good Culture Dairy** products are made with a paper outer-layer and a 100% recyclable plastic container
  - **Kenko's** freeze-dried fruit/vegetable powders are made from fully compostable packets made from plants



**3 in 4 consumers** expect companies to invest in sustainability





**sustainable travel**

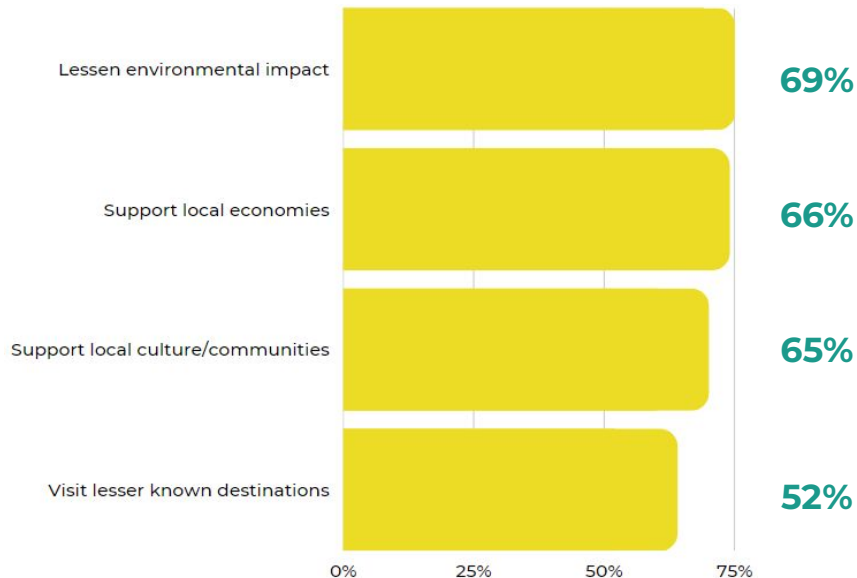


**regenerative tourism**



## Sustainable Travel

- Traveling sustainably can come in different forms, but most associate it with lessening environmental impact
- Additional considerations when trip planning:
  - Buying from local restaurants versus chains
  - Eco-friendly transportation
  - Lodging committed to lessening environmental impact
  - Using providers committed to sustainable practices



**7 in 10 consumers** have avoided specific destinations and transportation options due to skepticism of their sustainability promises

## Regenerative Tourism

A concept of growing importance in mainstream conversation that involves travelers to be **active in their acts of sustainability**



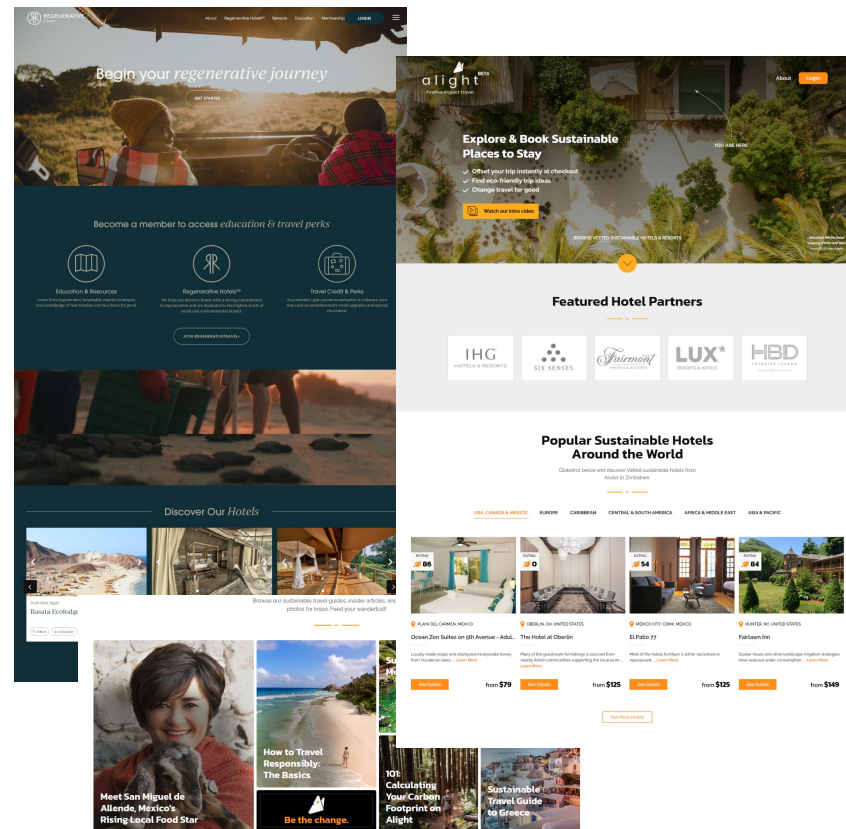
71%

of travelers want to lessen the  
environmental impact of their  
next trip

2021 Booking.com Survey

## New booking engines emerge to offer resources and assist travelers in making sustainable lodging decisions

- **RegenerativeTravel.com**, a booking platform for independently owned hotels dedicated to social and environmental impact
- **Alight** only features hotels that have been awarded a Hotel Sustainability Rating based on their seven-criteria grading system
  - The only booking platform that allows travelers to book a carbon-net-neutral trip





*Arenas del Mar, Costa Rica*



*Kwitonda Lodge, Rwanda*



*Oasy Hotel, Italy*

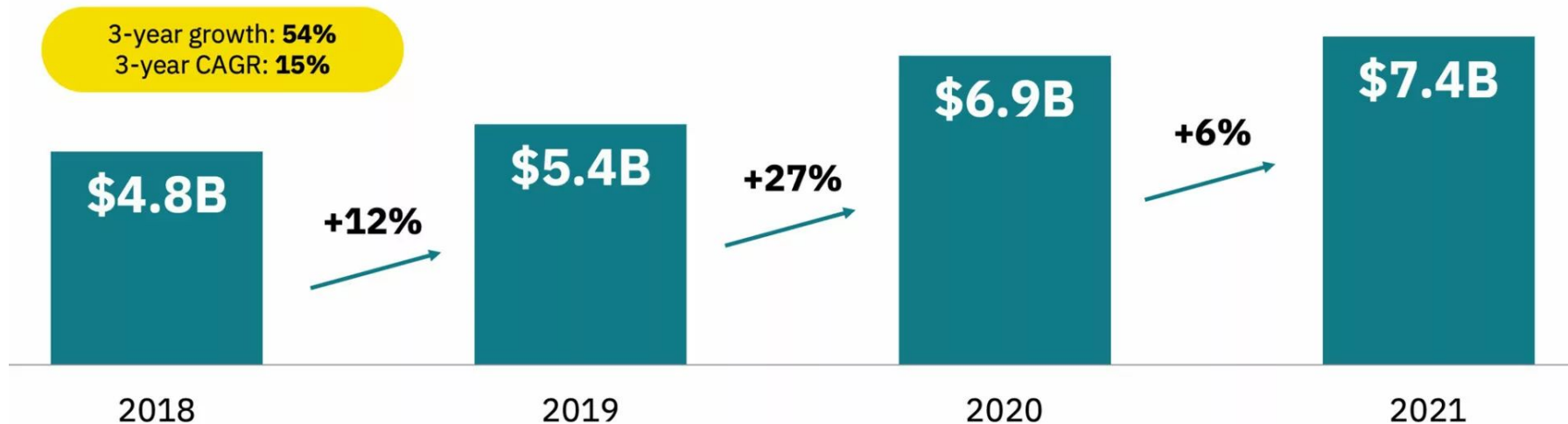
## The hospitality industry is embracing regenerative tourism

- Arenas del Mar's conservation efforts (Costa Rica)
- Kwitonda Lodge's preservation efforts (Rwanda)
- Oasy Hotel's WWF-protected reserve and undisturbed land (Italy)

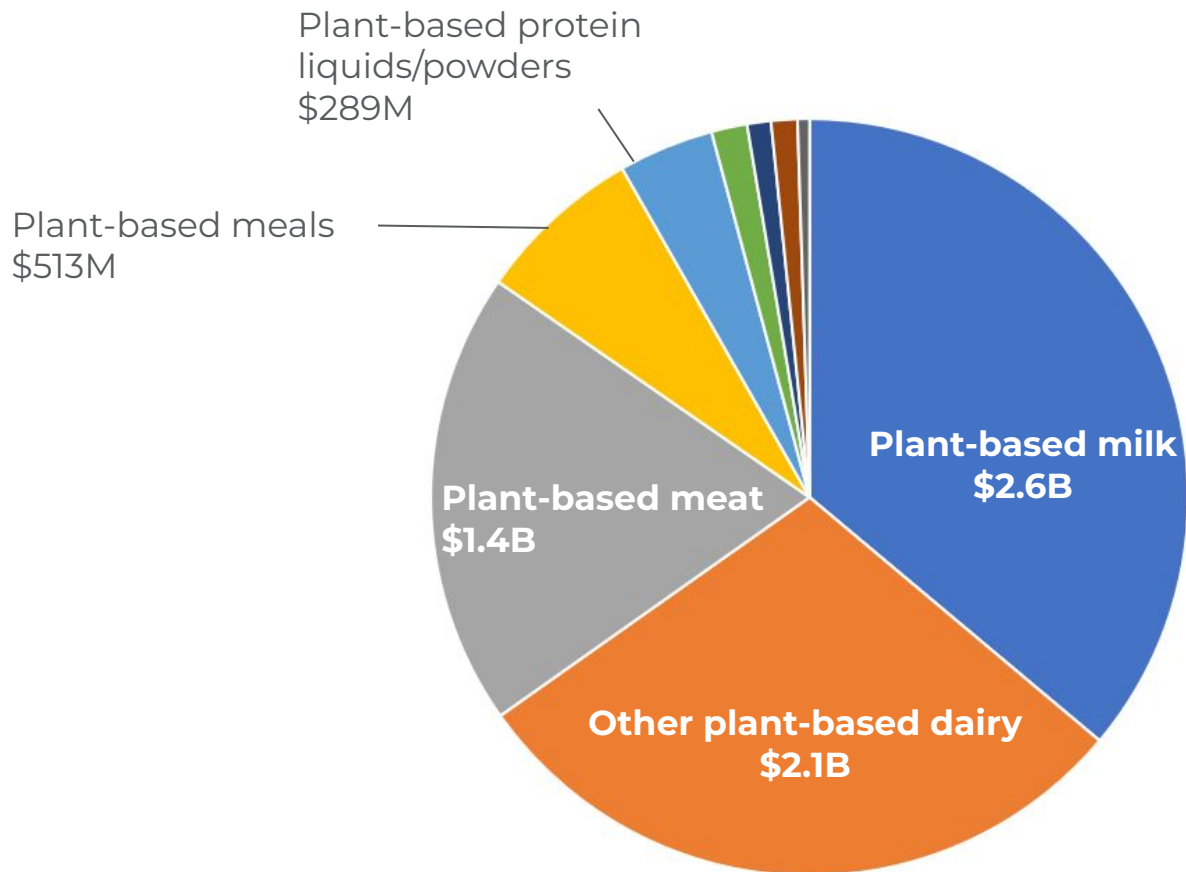


## Plant-Based

## Total U.S. Plant-Based Food Dollar Retail Sales, 2018-2021



## Plant-Based | Current Landscape

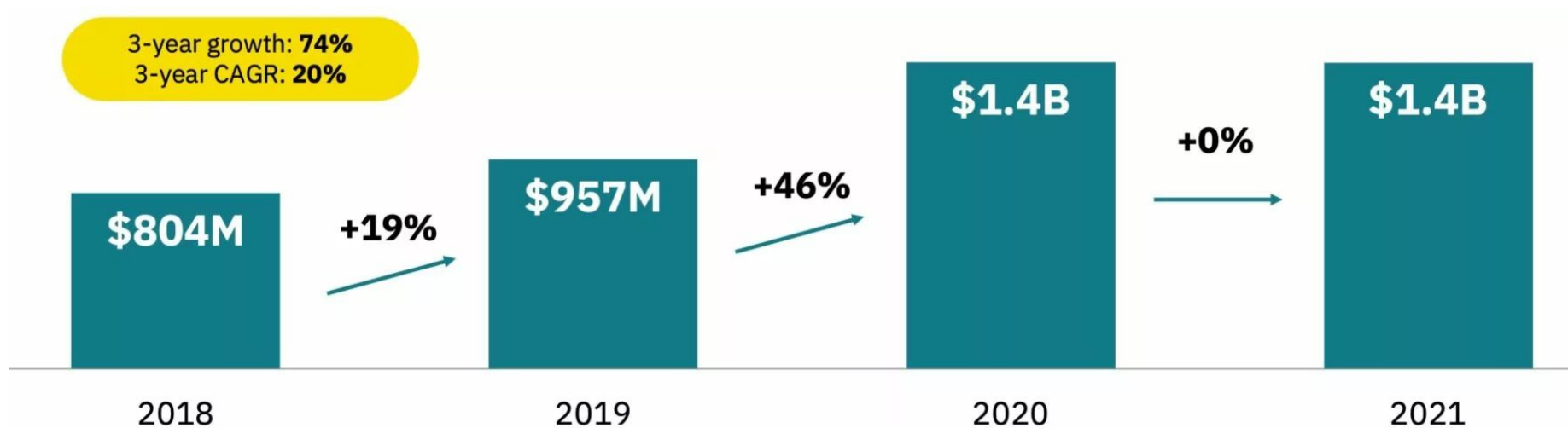




## Plant-Based Category Dollar Sales and Dollar Sales Growth, U.S. Retail, 2018-2021

Category	1-year dollar sales growth (2020-2021)	3-year dollar sales growth (2018-2021)
Plant-based eggs	42%	1076%
Plant-based creamer	33%	134%
Plant-based ready-to-drink beverages	22%	87%
Plant-based dairy spreads, dips, sour cream and sauces	20%	280%
Plant-based protein liquids and powders	10%	29%

## Plant-Based Meat Market, U.S. Retail, 2018-2021



**19% of households purchased  
plant-based meat in 2021**

**↑ only 1%  
from 2020**

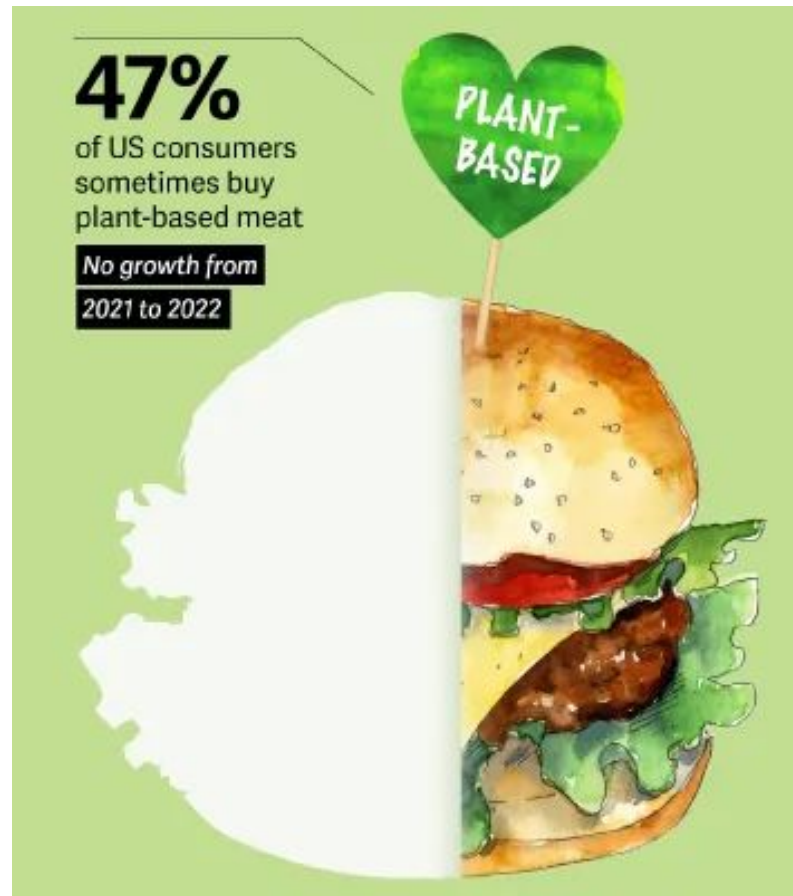
**Per Datassential,  
1 in 5 consumers say they  
previously purchased  
plant-based meat, but don't  
plan to continue**

### **Reasons people gave for NOT repurchasing plant-based meat**

- Satisfied curiosity/tried but didn't need to continue
- Didn't taste better/as good as traditional meat
- Too expensive

## Sales of refrigerated meat alternatives

**↓ 10.5%**  
September 2021 to 2022



## Positive perceptions are declining

2021  
↓ -9pp  
2022

In 2022, 46% claimed they were willing to **pay a premium** for plant-based meat

2021  
↓ -8pp  
2022

In 2022, 60% of consumers said plant-based food is generally **healthier** for them than eating fresh meat

2021  
↓ -5pp  
2022

In 2022, 65% considered plant-based food more environmentally **sustainable** than fresh meat

Plant-based 'meat' not necessarily healthy

Whole Foods CEO says plant-based 'meat' is unhealthy

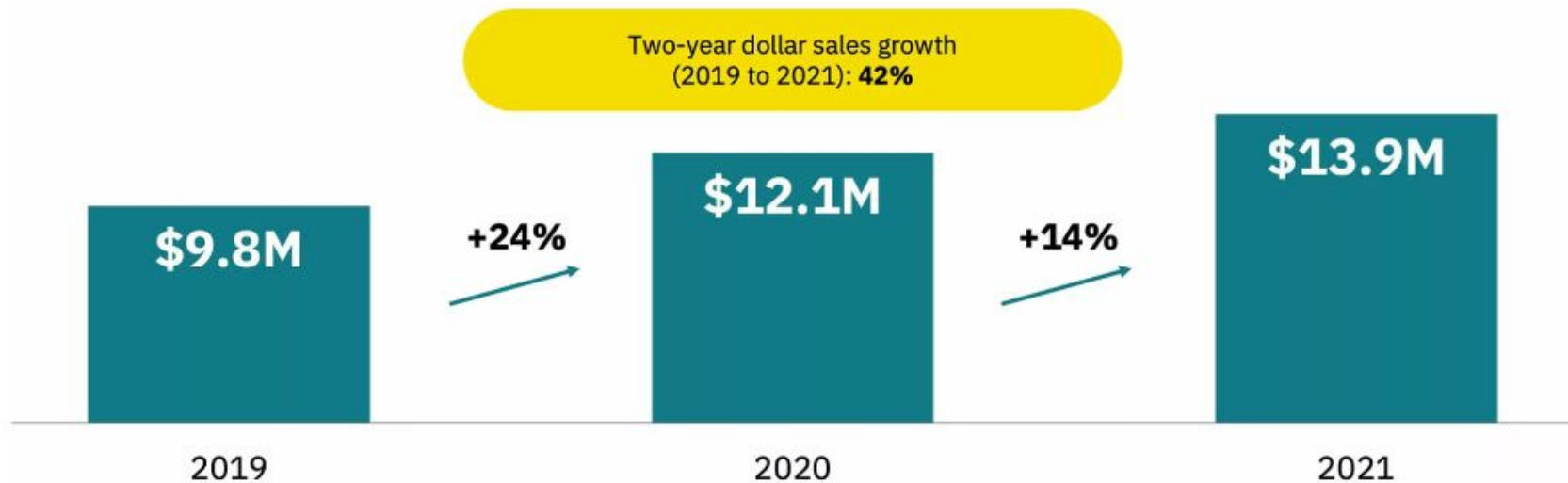
**Why is plant-based protein still more expensive than meat?**

**How Healthy Are Fake Meats Like Impossible and Beyond, Really?**

Plant-based meat substitutes lack nutritional quality of the real thing, study reveals

Meat prices are up, but plant-based alternatives still cost way more, study finds

## Total U.S. Plant-Based Seafood Market, 2019-2021





## Innovation occurs as the future of the marine population is threatened

- Since 1998, global fish consumption has nearly doubled
- Fish supply cannot meet demand
  - More than 90% of wild fisheries are classified as overfished or harvested at maximum capacity
    - Rising ocean temperatures
    - Pollution



**46%** of seafood consumers are likely to try plant-based seafood

**25%** increase in plant-based seafood products sold in U.S. retail in 2021

Top three alternate seafood applications are shrimp, salmon and tuna

**shrimpish.**



**Finless**  
FOODS





## Technology

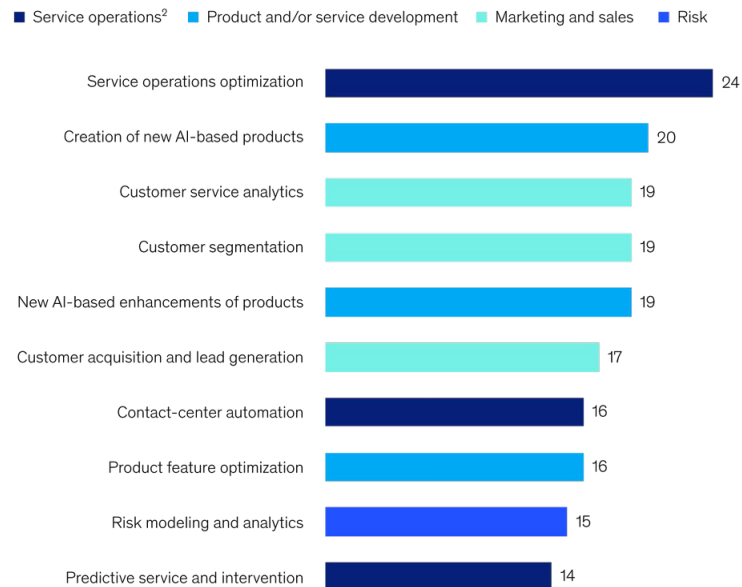
## Global adoption of AI has more than doubled since 2017

- 50% of organizations have implemented at least one AI capability in a function/business unit
  - Service operations
  - Product development
  - Marketing and sales
  - Risk
- 52% said they spend more than 5% of their digital budget on AI
  - Up from 40% in 2018

### The most popular AI use cases span a range of functional activities.

Top use cases   Use cases by function

Most commonly adopted AI use cases, by function, % of respondents<sup>1</sup>



<sup>1</sup> Out of 39 use cases. Question was asked only of respondents who said their organizations have adopted AI in at least one function.

<sup>2</sup> Eg, field services, customer care, back office.

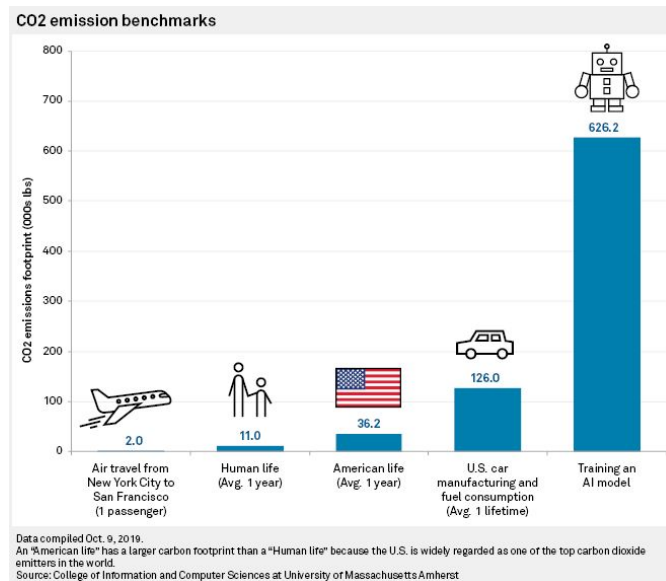
McKinsey & Company

## Some companies are leveraging AI to aid with sustainability efforts, while trying to minimize environmental impact

- Balancing electricity supply and demand in real time
- Energy emission reductions
- CO2 removal
- Developing greener transportation networks
- Monitoring deforestation
- Predicting extreme weather conditions

43%

claim that their organization is using AI to assist in sustainability efforts



## 2022 was a big year for innovations in AI

- Generative AI (DALL-E, Museformer)
- Science-based applications
  - Google's Minerva
  - Meta's Galactica
- Biomedical science applications
  - AlphaFold2

TEXT DESCRIPTION

An astronaut Teddy bears A bowl of soup

that is a portal to another dimension that looks like a monster as a planet in the universe

as a 1960s poster as mixed media with needlework as digital art

DALL E 2



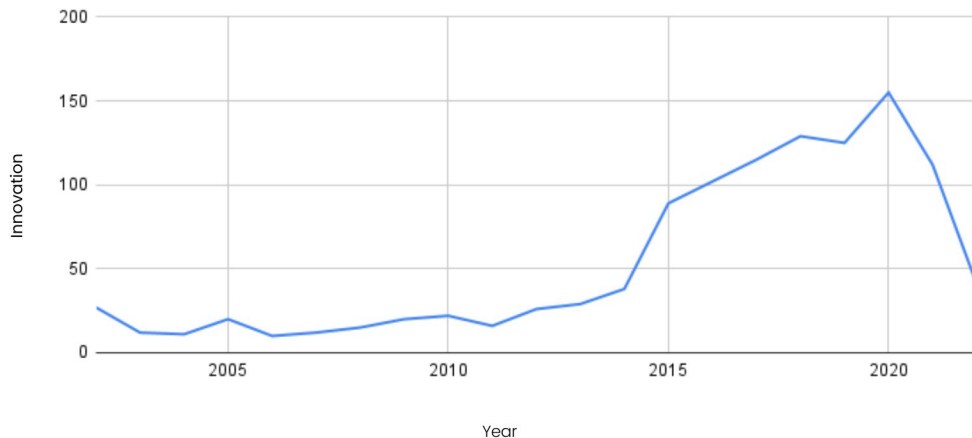


- Generative AI technologies pose the opportunity to revolutionize the marketing world
  - Automated content generation
  - Improved content quality
  - Improved variety in content
  - Personalization of content
- Generative AI technologies require massive amounts of data and computing power, limiting accessibility to this technology
  - Heinz
  - Nestle





### AI-based Innovation Trends in F&B Industry (2002-2022)



## Areas in which Nestlé is using artificial intelligence

- Customer engagement through their AI-assisted “Cookie Coach,” Ruth
- Personalized diet recommendation for their portfolio of clinical tools
- Digital asset tracking for campaign optimization
- Connecting employees with opportunities across the entire organization through Talent Marketplace



## Prevalence of AI continues to grow in the foodservice landscape, too

- **QSRs** - Integrated into drive through models; monitoring ingredient supply and inventory levels
- **Non-Comms** (C&U, Healthcare) - Automated robots for salad making, delivery robots on campus, patient meal deliveries
- **Full Service** - Semi-automated robots for BOH efficiencies, serving robots, customer assistance (reservations, takeout/delivery orders)

## AI creates possibilities for operators

- Front of House applications
  - AI phone answering
  - Voice ordering
  - Self-serve kiosks
- Back of House applications
  - Integrated inventory and purchasing
  - Efficient staffing and scheduling
  - Recipe creation
  - Optimize delivery processes

**50%** of U.S. restaurants plan to implement the technology in the next two to three years



McDonald's believes that AI can **boost business productivity by 40%**

## AI creates possibilities for operators with AI-based recipe creation

**77%** of consumers say they'd be open to trying a dish or product created by a computer





AI can take this original cheeseburger concept...



...and add pizza sauce...



...and jalapenos...



...or transform it into a chicken sandwich...



...or a "taco sandwich"...



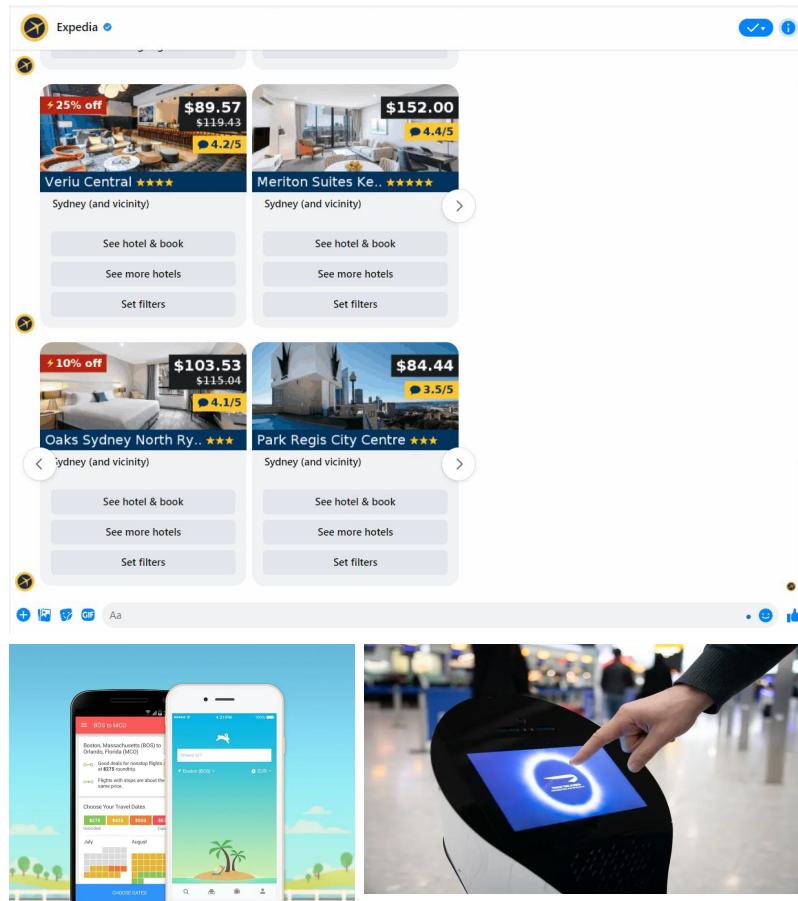
...or even a fried baloney quesadilla sandwich with kale, queso, red onion, and mayo.



## AI for Tourism

- AI assistants and Chatbots allow travelers to book flights and accommodations online
- Hopper's AI-driven flight forecasting
- AI facial recognition systems for airport security
- AI airport security scanning devices
- Robots for customer service interactions
- AI-based sentiment analysis tools

**\$600M** worth of flight tickets sold through Hopper since its invention





## On the Radar



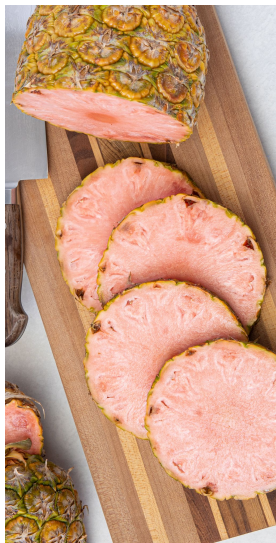


78%

of consumers say they enjoy eating products that remind them of their childhood

FONA's 2020 State of Snacking Report

## On the Radar | Variations of Pink



## On the Radar | Sweet Plus Heat



Mintel reports a **138% increase** in spicy flavors on bakery menus this year

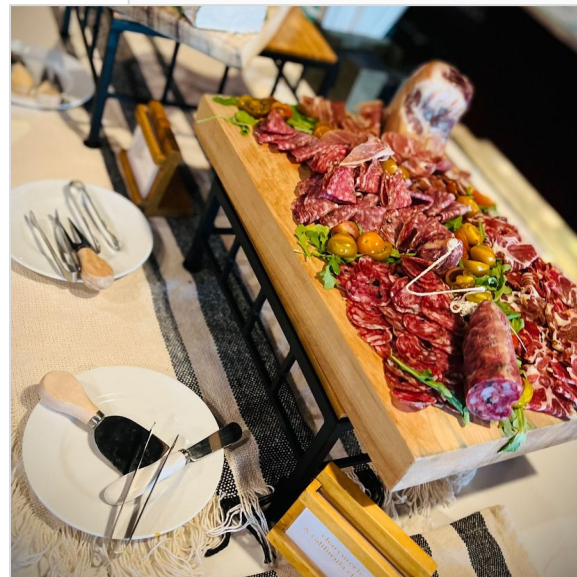
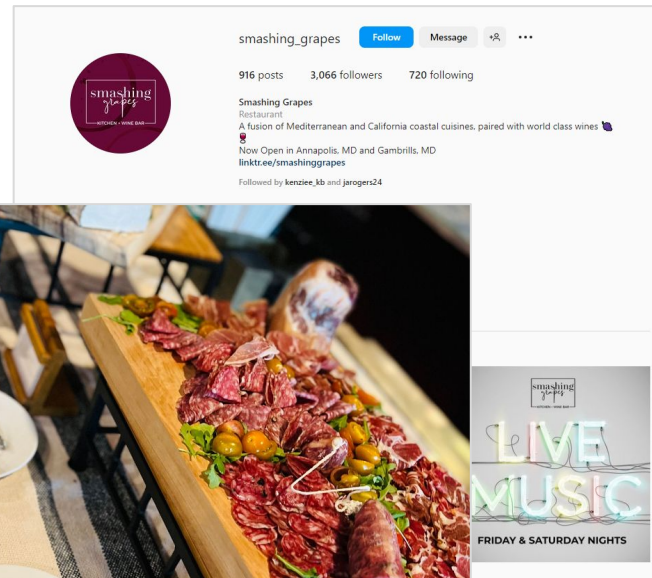




## On the Radar | Food Boards



Butter board  
Breakfast board  
Melted cheese board  
French fry board  
Salad board  
Wellness boards



**Smashing Grapes restaurant**  
Locations in Gambrills & Annapolis MD



Bourbon Street Mushroom Swiss  
Burger  
Applebee's



Mushroom-Based Crabcake  
Foraged, Baltimore MD



IZZIT CHIK'N,  
Mush DC





Kamikaze Fries,  
Koja Kitchen



Sushi Burrito,  
Poke Burri



Mongolian Chicken  
Nachos,  
Pei Wei

Per Datassential,  
**nachos** are a  
top-growing dish at  
restaurants serving  
Asian cuisine. **Up 110%**  
in the last four years.





thank you :)





## 2023 Trends | Key Takeaways

- 2023 will continue to be the year for experiences - whether it's finding your new Third Place, trying out a new experiential dining restaurant, or taking a trip inspired by your favorite TV show, it's clear that new and exciting experiences will be a top priority for consumers this year
- Collective action is required to make effective strides when it comes to Sustainability - consumers can do their part to evaluate more environmentally friendly ways to travel, purchase products that are sustainably packaged, but we'll ultimately look to large corporations to help propel this effort forward so that we can get behind them and make change together
- The plant-based category is seeing decreases in overall sales and positive perceptions, but it's not going away - we'll see how it continues to evolve this year as a result of new emerging sectors
- AI will continue to be a large part of mainstream conversations, especially within foodservice - operators have so many FOH & BOH opportunities to maximize efficiencies while improving the customer experience
- Operators & chefs in today's foodservice landscape can take note of consumers gravitating towards nostalgic classics, mushroom-based dishes, variations of pink, and "swicy" flavor profiles as avenues for menu inspiration in 2023`