FOODSERVICE TRENDS 2019

Social and environmental responsibility and technology-enabled customer service are key areas set to impact the US restaurant industry in 2019.
EDITOR’S NOTE

Beginning in 2016, Mintel has published annual foodservice trends that highlight industry developments, changes in consumer behavior, and market shifts that have altered foodservice in unique and exciting ways. With the 2019 edition of Mintel’s Foodservice Trends, we’re sharing our predictions for what will drive innovation in the US foodservice industry over the coming months and years.

The culmination of brainstorming and ideation involved experts within the foodservice sector, as well as food, drink and packaging among Mintel’s US analyst teams. Foodservice Trends address the topics of social and environmental responsibility and technology enabled customer service—all of which is backed by our proprietary consumer research.

On behalf of Mintel, we welcome the opportunity to discuss how these predictions can help to grow your business. We wish you the best in the year ahead.

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YOU ARE WHERE YOU EAT

Where you choose to dine says more about you than just your food preferences; it's a reflection of who you are. With more restaurants extending their reach beyond the dining table, diners are supporting restaurants with cultures and values that align with their own lifestyles.

SOURCE: www.prnewswire.com
WHAT IS THE OPPORTUNITY?

Restaurants today are showcasing more of their personalities. American diners are literally wearing their favorite restaurants on their sleeves as restaurants offer branded merchandise from hoodies to sneakers. Branded collaborations featuring limited-time-only items and contests used to boost brand appeal are programs that establish customer relationships and relevancy and build brand ambassadors.

Restaurants extend their brands with music and apparel partnerships

In 2018, Wendy’s dropped a 10-minute mixtape called “We Beefin?” that was aimed at rivals McDonald’s and Burger King via numerous streaming services. Auntie Anne’s partnered with six artists to create its “For the Love of Pretzels” Collection of apparel and accessories to raise money toward fighting childhood cancer.

Pizza Hut, a sponsor of the NCAA men’s basketball tournament, launched Pie Top IIs (a play on the high-top shoe style) in March 2018. The shoes’ top feature was a Bluetooth-enabled button to place a Pizza Hut order or pause the TV so March Madness fans wouldn’t miss the game when their pizza arrived.

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Brand activations can align with diners’ lifestyles

While limited-edition merchandise and mixtapes garner attention, some brands are finding ways to enter diners’ lives outside of traditional dining rooms by creating connections for life. Stir-fry and salad fast casual restaurant Honeygrow hosts pop-up fitness classes near some of its locations. The chain encourages customers to check into the hgAthletics exercise classes via Honeygrow’s app to earn credits toward future food orders.

In August 2018, one lucky McDonald’s fan was awarded a McGold Card, granting them free McDonald’s for life. In Russia, Domino’s Pizza offered customers 100 free pizzas a year for 100 years if they tattooed the company’s logo on their body and then shared the image to social media.

A designer restaurant experience

In 2019, housewares brand Crate & Barrel will launch a restaurant inside its Oak Brook, Illinois, store in collaboration with Chicago’s Cornerstone Restaurant Group. The concept is meant to take entertaining to a new level by offering cooking and entertaining demonstrations and special events.

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WHAT DO CONSUMERS THINK?

With new foodservice marketing ploys rolling out at a rapid pace, the question is: are these marketing gimmicks or marketing tactics? Limited-time promotions certainly drive buzz among diners, especially social-media-savvy young consumers who jump at the opportunity to share unique experiences with their peers. However, diners want to align themselves with brands they can relate to and are a reflection of who they are. The most successful brands will be those that are personable and form transparent relationships with diners.

Consumers want to share their restaurant experiences on social media.

- 28% of social media users say they would share a new restaurant experience on social media.
- 19% of social media users agree social media pictures influence their order at restaurants.
- 9% of consumers want restaurants to concentrate on social media engagement with customers in 2019.

Seeing others’ purchases, whether in person or on social media, factors into what Millennials (aged 24-41) choose to spend money on.

- 67% of Millennial consumers agree they prefer to spend on experiences instead of things.
- 48% of Millennials agree seeing what others have makes them wish they had those things.
- 45% of Millennials agree social media posts encourage them to buy things.

Source: Mintel
WHAT’S NEXT?
In the year ahead, expect restaurants to take customer engagement a step further by creating a sense of community with their patrons. Knowing that diners want to align themselves with brands that fit their lifestyle, restaurants can meet diners halfway by taking a stance on social and political issues and supporting organizations that are important to them.

1 / Restaurants create a sense of community
Operators can act as spaces to bring like-minded diners together. National or international restaurant brands have an opportunity to create a sense of community at the local level by allowing staff to engage with local organizations that support the communities in which they operate. Expect to see this idea of community engagement ultimately lead to long-term brand loyalty in the years ahead.

2 / Media brands expand their reach
In 2019, more media and entertainment companies will grow their businesses with the creation of branded food halls and fast casual dining operations. These concepts may be just what struggling media companies and large retail spaces (eg malls) need to stay relevant.

3 / Operators take a social and political stance
Expect to see more restaurants taking action in 2019 as American diners place importance on aligning themselves with brands they can relate to and personally support. More restaurant operators will take a stance on social issues, including racism and discrimination. Politics may be another area where restaurants take a public stand, similar to what we’ve seen with apparel brands outwardly showing their support for social and political causes.
SERVING THE EARTH

While consumers are looking for guidance on ways to be more environmentally responsible, at the same time, operators are realizing their impact and the role they can play by stepping up to the plate to be partners and educators in environmental and social responsibilities.
Straws become public enemy no. 1

The growing awareness of the impact of plastics has led environmentally minded diners to look for more sustainable everyday practices. While straws account for just a fraction of plastic waste, eschewing straws has become an easy way for consumers to take a stand and demand restaurants swap plastic straws for more environmentally friendly options.

Red Lobster announced it will begin offering plastic straws only upon request and by the end of 2020, will replace plastic straws with an eco-friendly alternative. In July 2018, Seattle became the first major US city to ban single-use plastic straws and utensils. California banned sit-down restaurants from automatically serving diners plastic straws in 2019. As a result, restaurants have introduced alternatives, such as Colectivo, a Milwaukee-based coffee company that packages its cold drinks in biodegradable cups.

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WHAT IS THE OPPORTUNITY?

Consumers are becoming increasingly concerned about the impact they are having on the earth. As consumers aim to incorporate better practices into their lives, they have begun to expect the same from the companies they buy from, including restaurants. From compostable straws to upcycled food scraps, diners depend on restaurants to draw on environmentally friendly business practices. At the same time, restaurants can also offer consumers greater education, becoming a guiding force that can enable consumers to feel good about the decisions they make, including where they get their lunch.
Alternatives have their challenges, while reusable packaging offers another option

While many brands have made the switch to compostable or biodegradable straws and other plasticware, consumers do not necessarily understand that finding places to compost may not be so easy and compostable plastics will not simply degrade on their own. The onus falls to restaurants to help consumers do better, both through education about how to properly dispose of packaging and by providing access to collection bins or on-site composting. More turnkey options could be found in reusable packaging schemes. Farmer’s Fridge is a Chicago-based vending concept dispensing freshly made salads and snacks in reusable containers that diners can return at any Farmer’s Fridge vending machine. New York-based Just Salad offers reusable bowls for $1, which entitle diners to free extra toppings on every visit.

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Restaurants find creative ways to help combat food waste

Food waste continues to be a hot button topic for consumers. Restaurants are being challenged to think creatively when it comes to finding ways to ensure they are maximizing all of the ingredients they procure. In some places, such as Austin, this practice is actually required by law; the city passed an ordinance in October 2018 mandating all restaurants compost their food scraps and paper materials.

Chicago’s Warm Belly Bakery partnered with Imperfect Produce on a carrot cake cookie that was made with ugly carrots and served on a compostable plate. Spice Kitchen & Bar in Cleveland transforms vegetable trimmings that would otherwise be composted or thrown away into a sauce it calls Compesto.
WHAT DO CONSUMERS THINK?

While consumers are concerned about how their choices affect the environment, many struggle with maintaining sustainable practices, citing a lack of information and outlets for properly disposing of recyclables. As an alternative, some consumers express interest in bringing in their own containers for takeout, opening possibilities for expanding how foodservice establishments can become more green.

Consumers are concerned about how their choices impact the environment.

- **49%** of consumers say they recycle most food packaging.
- **35%** of consumers say reducing packaging waste is important.
- **29%** of vegetable consumers say they are concerned about the amount of produce that goes to waste in their households.

Consumers are incorporating environmental responsibility into how they choose where they dine.

- **46%** of consumers agree environmental responsibility is an important factor in their food choices.
- **36%** of diners would like to see restaurants focus on reducing packaging waste in 2019 (eg straws, plastic utensils).

Source: Mintel
WHAT’S NEXT?

The emergence of consumer passion for sustainable practices while dining out is undeniable, most clearly illustrated by backlash against single-use straws. With more restaurants adopting environmentally friendly practices, sustainability will become the new normal, and operators will need to take more innovative steps to stand out. Expect to see restaurants make changes to the way they operate in 2019, including partnerships that put the greater good above competition and circular economies that benefit the environment and the people involved in the food systems.

1 / Create meaningful partnerships

There are lots of issues with today’s recyclable and compostable plastics. To create new solutions, companies will combine their resources to collaborate on viable alternatives. One way we’ll see restaurants create sustainable partnerships in the future is by employing circular economies, allowing restaurants to make sustainable, regenerative business decisions that maximize resources and benefit everyone throughout the supply chain.

2 / Be a leader in making composting more attainable

Compostable plastics can feel like a more sustainable alternative to single-use plastics, provided that consumers have access to suitable composting locations. Looking ahead, environmentally conscious restaurants will double down on the sustainable values they espouse by funding industrial composting stations across the communities in which they operate, reinforcing their commitment to doing what’s best for the earth even after consumers leave their stores.

3 / Focus on green design

Stocking stores with compostable straws and offering consumers greater education about the ways they can help protect the environment will become expected practices in 2019. Restaurants can go the extra mile in expanding green touches throughout their operations, down to the design of the buildings by incorporating LED lighting, recycled rainwater, solar panels, and smaller footprints.

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Rising labor costs and declining unemployment are creating challenges for restaurant operators to hire and retain top talent. Restaurants are not only focusing their attention on the well-being of their employees to reduce attrition, they are also focusing on their customers by giving back to the communities they serve.
WHAT IS THE OPPORTUNITY?

In 2018, unemployment rates hit a 10-year low, according to the US Bureau of Labor Statistics, profoundly impacting today’s foodservice operators. Labor is a top concern, if not a crisis, for the foodservice industry. Technology and robots are playing an increasing role in reducing labor costs, but foodservice will undeniably rely on humans for the foreseeable future. In 2019, restaurants will find even more creative ways to attract and retain top talent, and in turn, build loyalty in their own communities by backing causes that matter most to their customers.

Investing in education

Starbucks, McDonald’s, and Chipotle all made national headlines when they began rolling out GED, college enrollment and tuition support programs in 2014-15. According to the operators, McDonald’s and Chipotle are both seeing the positive retention results of their investments today. With labor competition more fierce than ever, restaurants need to invest in creating or enhancing education programs.

Emerging casual-dining chain Slater’s 50/50 launched a “Dishes to Diplomas” program upon opening its Las Vegas location. The program offers up to 100% tuition reimbursement for eligible employees enrolled in a full-time program at the University of Nevada, Las Vegas, or the College of Southern Nevada.

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Differentiating through maternity, financial planning, and paid volunteer policies

In 2019, qualifying employees of the Noodles World Kitchen Phase Out/Phase In policy will be able to work an 80% schedule the four weeks before and after maternity leave at 100% pay. Some positions already receive paid maternity/paternity leaves. Meanwhile, the KFC Foundation, a nonprofit funded by KFC franchisees, launched MyChange in April 2018, a personal finance program to help teach employees financial skills.

In August 2018, Starbucks launched a six-month test pilot of its Starbucks Service Fellows program where select employees receive full salary and benefits while serving at nonprofit organizations in their communities for half of each work week.

The many new faces of labor

Restaurants are tapping into more marginalized groups of people as previously underutilized sources of labor, in part due to discrimination. For example, fast casual chain Tender Greens offers six-month, paid internships to young adults from foster care, inviting them to apply for a job once the internship is complete. In October 2018, Starbucks opened its first sign language store in Washington, DC, employing both deaf and hearing baristas who speak American Sign Language.
WHAT DO CONSUMERS THINK?

Important employee benefits and rising minimum wages both come at a cost. This is perhaps the most true for price-sensitive quick service restaurants fighting to be the best in value. Employee retention programs and community outreach initiatives will be crucial for brands in 2019, but how much are customers willing to support these programs? Passing on additional costs to customers will likely be tough for operators, but some restaurants are finding creative ways of passing costs along with full transparency.

Consumers want benefits and higher wages for restaurant employees in 2019.

- 42% of consumers want restaurants to focus on better treatment of restaurant employees, such as benefits and higher wages.
- 28% of consumers would be willing to pay more at restaurants if it means employees are paid higher wages.
- 25% of consumers want restaurants to concentrate on giving back to communities.

Source: Mintel
WHAT’S NEXT?
Although mental health care and sexual harassment protections seem like they should already be basic necessities, these issues are ongoing in the restaurant industry. With major national awareness mounting for both, expect to see restaurants implement stricter procedures and protocols surrounding these issues in an effort to better protect and support their employees.

1 / Legislation in the #MeToo restaurant movement
Sexual harassment in the workplace, including the foodservice industry, is a widespread epidemic, from allegations of sexual harassment and assault made against celebrity chefs to foodservice workers striking for sexual harassment protections. We’ve even seen a one-day hackathon-style event with the goal of creating solutions. Some legislative measures are being taken, but there’s more to be done. In 2019, expect to see more systematic trainings and protocols around sexual harassment emerge on the company level, as well as through local and national legislation.

2 / Mental health advocacy
The need for better mental health care in the US is becoming increasingly more apparent. A survey conducted in 2017 by Mental Health America found that foodservice industry workers are more at risk than workers in other industries. Looking forward, more restaurants will enact Mental Health First Aid training, which will include training managers on how to look for warning signs of suicide, as well as how to help an employee going through a mental health crisis. Look for more restaurants offering paid time off for mental health treatment.
As technology continues to drive the changing face of foodservice, restaurants must strike the right balance between operational efficiency, a desire for human interaction, and excellent service to all customers.
WHAT IS THE OPPORTUNITY?

More than 70 years ago, fast food restaurants invented the drive-thru window, forever changing how customers define convenience. Today, restaurants are continuing to roll out technology innovations to enable time-strapped consumers to have quicker transactions, shorter wait times, and meals delivered straight to their door.

However, when leveraging new technologies, operators must ensure that new innovations benefit not only operational efficiency but first and foremost, customers. Technology can only drive growth if executed in ways that are inclusive of all customer needs and provide tangible benefits for use.

Fast food restaurants finesse kiosk ordering, but are consumers ready for it?

Major fast food chains, including McDonald’s and Wendy’s, are continuing to bring kiosk ordering to customers nationwide while working out kinks to improve the technology and guide consumers.

However, both Shake Shack and Wendy’s discovered that despite interest in kiosk payments, there are still customers who want human cashiers. To help kiosks appeal to a wider base, Wendy’s and Shake Shack have implemented hybrid kiosk-cashier structures where consumers can choose how they order, including lower investment countertop kiosks that accept cash.

Time will tell how responsive customers will be to the technology, but one benefit to entice utilization is increased customization and upsell options for orders placed via kiosk.
Ready to go cashless

A growing number of restaurants are doing away with cash altogether, only accepting credit and debit cards, contactless payment systems such as Apple Pay. Reasons for going cashless include faster transaction times, reduced theft and no armored-car fees.

Though it’s hard to determine how many restaurants are ditching cash, a 2016 Federal Reserve study found the number of non-cash payments, including credit and debit cards, totaled $144 billion in 2015, having grown 5% annually between 2012 and 2015. Fast casual salad chain Sweetgreen went cashless in 2017. Starbucks is also experimenting with the idea; in January 2018, it made one of its shops in its hometown of Seattle cashless.

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Third-party delivery companies rake in sales and investors

Third-party delivery companies enable operators to make delivery a possibility where their business model doesn’t support it. While five years ago the thought of hiring a stranger to pick up a burrito from Chipotle and bring it to your home seemed opulent or even absurd, today it’s a service many Americans take advantage of and even come to expect.

DoorDash is valued at $4 billion and bankers have estimated Uber Technologies Inc.’s food-delivery service Uber Eats could garner a valuation of as much as $20 billion—roughly twice the current valuation of GrubHub. Uber Eats also introduced a self-serve restaurant signup process, making delivery even more accessible for operators.
WHAT DO CONSUMERS THINK?

As restaurant technology continues to become more sophisticated, the way consumers order will dramatically change. However, before restaurants implement sweeping changes, they have to ensure consumers across generations are interested in utilizing these options. While usage of mobile ordering, cashless payments, and third-party delivery is on the rise, the majority of consumers still defer to traditional options.

Third-party delivery company usage is low.

- 44% of consumers have called and ordered carry-out/delivery directly from a restaurant.
- 34% of consumers have ordered carry-out/delivery using a restaurant’s own digital platform.
- 13% of consumers have ordered carry-out/delivery directly from a third party delivery company.

But consumers want restaurants to offer more ordering and delivery options.

- 72% of adult iGeneration consumers (aged 18-23) want more fast food restaurants to offer delivery.
- 30% of Millennial consumers (aged 24-41) want restaurants to concentrate on offering more delivery options.
- 23% of consumers want restaurants to concentrate on offering more ordering options.

Source: Mintel
WHAT’S NEXT?

In 2019, restaurants will utilize technology to heighten customer experiences and provide value through more personalized service. By implementing technology with tangible benefits for customers, such as greater customization and more intuitive recommendations, operators will be able to drive efficiency and better customer service.

1 / Technology-enabled recommendations act as your own personal dining concierge

Third-party delivery companies and reservation apps will go a step further in 2019 by offering curated recommendations for consumers based on prior behavior, becoming more than a logistical tool and serving as a discovery portal. White space exists for third-party delivery companies to offer customers another service and to better compete with restaurants’ own digital ordering platforms.

2 / POS integration will offer diners a personal touch

POS (point of sale) integration is a hot topic in delivery, with all the major players working to seamlessly integrate their order placement services into systems that restaurants use to manage and track food orders. Expect to see on-premise POS systems also gain traction by enabling data storage and freeing up wait staff time to allow them to concentrate on serving guests.

3 / Technology-enabled table service at fast food restaurants

In 2019, improvements in technology will enable QSRs (quick service restaurants) to free up employee time, allowing restaurants to offer greater customer service and staff interaction with guests such as table service.
Technology and socially-conscious brands are making the biggest splashes in the restaurant industry. But what’s next? Don’t get inundated by the fast-paced nature of new developments in US Foodservice. Menu Insights is your source for trends in the dining experience, menu optimization and new flavors, ingredients and food preparation.

Mintel offers the consumer and competitive research, local and global insights, and innovation expertise you need. If you’re a Mintel client, log in now to stay on top of all Mintel’s 2019 trend predictions. If you’re not a Mintel client, please get in touch. We'd love to hear from you.

Drill down into specific trends and segments within millions of menu items throughout the United States. Quarterly tracking of changes in price, menu items, ingredients, flavors and preparations informs your strategy in the fast-paced restaurant industry.