THE STATE OF BUSINESS DINING

Q4 / 2021

Presented by

dinova | Technomic.

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Foreword

While much of our personal lives slowly start to return to normal, it may be hard for anyone outside of corporate America to fully appreciate just how COVID-sensitive the business world still is. Virus-related concerns continue to factor into daily operations, further shifting employee expectations around everything from workplace culture to business travel – and yes, dining, too. For the record, these aren't just issues for large enterprises, either. Small business owners are dealing with these changing workplace dynamics, as well.

Yet despite these issues – and COVID's continued evolution as an unpredictable source of rippling disruptions (we're looking at you, delta variant) – we can't deny feeling cautiously optimistic. When all is said and done, we've had to ask ourselves, does the "return to normal" for business dining sales really hinge on completely eradicating this virus?

After reviewing our most recent data, we strongly believe the answer to that is no. Business dining sales are climbing back up even without COVID's defeat. (That said, anyone who thinks the pandemic isn't still the biggest influence on business dining activities has got another thing coming!)

Here's what we think is important to focus on right now – namely, that navigating this COVID-present reality is both a personal and a communal experience, even when it comes to business dining. **Throughout this report you'll note us touching on two things that our enterprise and small business partners have cited as important topics to return to pre-pandemic business dining levels:**

1) as much widespread immunity as possible, supported by

2) changes in individual action.

How that immunity may spread within the business dining community and what individual behavioral shifts are catching on in the business world are relevant topics that directly feed into the valuable data and insights we have to offer.

So yes, the good news is that the outlook for business dining recovery right now is positive. Business dining sales have recovered faster than we expected through Q3, but we are projecting a slight decline in recovery in Q4. If the delta variant surge threw off the pace of sales gains enjoyed this summer, it also served a wakeup call about the ongoing sensitivity of market conditions – something that should help us all prep better for what we need to watch out for moving forward.

Once again, thank you for offering us a seat at your table. Now, let's dig in!

Alison Galik
Dinova President & CEO

Introduction

In Q2, vaccinations rates were rising, COVID hospitalization rates were falling, government restrictions were scaling back, and business dining sales were going up, up, up – achieving 129% growth over the same period in 2020. Then the highly transmissible delta variant arrived on the scene; having surfaced in the U.S. in March, it became the dominant strain (51.7%) of nationwide COVID cases by July. At the end of August, COVID hospitalization rates across the country exceeded 100,000 for only the second time since the start of the pandemic. Companies began postponing return-to-office plans, canceling nonessential business travel, and re-thinking the need for large in-person gatherings. The only question we heard from our restaurant partners was "What is the impact of Delta on business dining?" The good news is the impact of the delta surge on business dining sales was more limited than these conditions might otherwise suggest.

Dinova data clearly shows that while business dining recovery contracted slightly in Q3, sales continued to grow; business diners were still patronizing restaurants, regardless of hospitalization rates and larger debates around vaccination mandates. Why this was the case and – even more importantly – what this means for the rest of 2021 and heading into 2022, are a couple of key focuses in this State of Business Dining Report.

dinova™ **Technomic.**

We're pleased to introduce a valuable new partnership with Technomic, the leader in foodservice industry data and insights.

Additionally, we're pleased to introduce a valuable new partnership with Technomic, the leader in foodservice industry data and insights. By incorporating Technomic's overall restaurant data for context, we can highlight where business dining behaviors, recovery and trends are consistent with consumer dining behaviors, recovery and trends – and where they diverge.

For restaurants that value business diners, recognizing the unique opportunities these divergences represent – and strategically acting on them – continues to be the key to increasing business dining sales.

This Q4 edition dives into the influence of the delta variant on our business-dining-specific slice of restaurant industry data and shares insights and projections related to:

A Fork in the Road to Recovery, in which we define standard recovery measures and revisit three critical business dining health indicators;

Three Trending Topics for Business, in which we check in on developments around Duty of Care, Return to Office/Remote Work, and Corporate Culture as they pertain to current business dining activities; and

Benchmarks, in which we present business dining spend sales performance through six key datasets.

Section 3
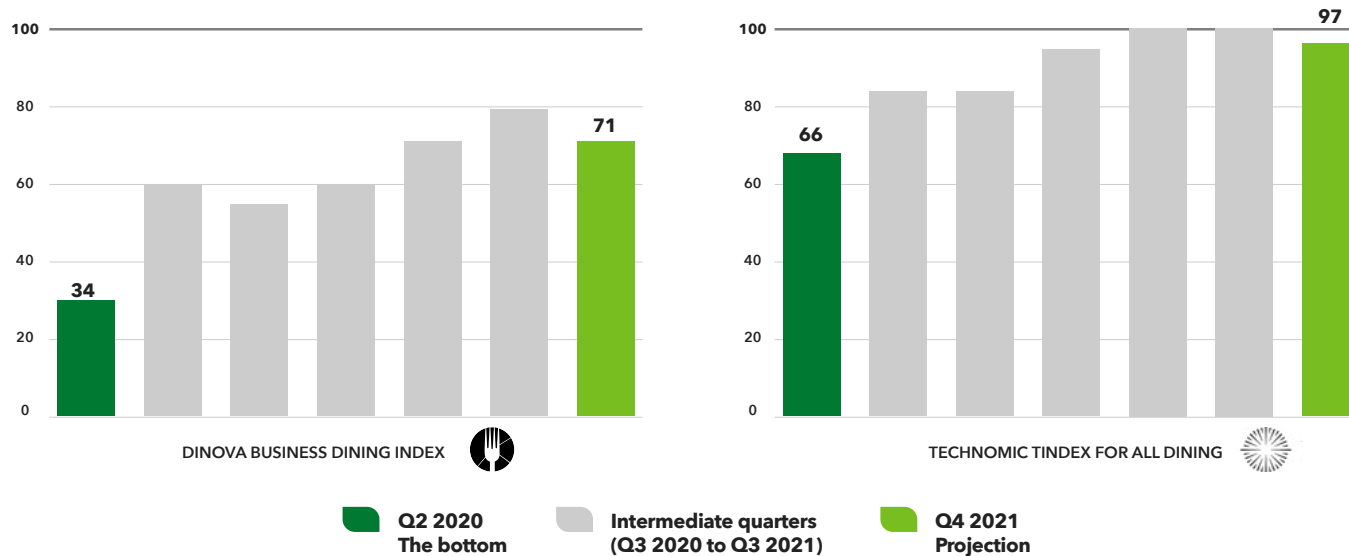
A Fork in the Road to Recovery

How We Measure Recovery: The Dinova Business Dining Index

Dinova's Business Dining Index (BDIndex) expresses business dining sales for a specified time period as a percentage of the sales total for the same time period in 2019. When this measure reaches 100, that means business dining has returned to pre-pandemic levels.

Given the seasonal variances in typical business dining activities, offering year-over-year, same-period indices like these offer the most helpful measure of business dining recovery status.

Technomic uses a similar measurement to the BDIndex, the TIndex, to measure the rate of recovery in the overall market. By examining these two against each other, we can see just how business dining fared compared to the overall market at the Q2 2020 low point and how quickly it has recovered.

Business Dining Recovery vs. All Dining Recovery

DINOVA BUSINESS DINING INDEX

TECHNOMIC TINDEX FOR ALL DINING

- **Q2 2020 The bottom**
- **Intermediate quarters (Q3 2020 to Q3 2021)**
- **Q4 2021 Projection**

In 2020, business dining activity dropped much further than overall dining activity, almost certainly due to its large coincidence with business travel and in-person meetings and events. However, the good news is that despite hitting a lower base in 2020, business dining recovery has achieved a faster rate of recovery than the overall market.

In Q2 of 2020, the BDIndex hit a low of 34 before slowly starting to improve for the rest of the year. By summer 2021, business dining sales were accelerating rapidly. The Q2 2021 BDIndex reached 69. Even when the Delta variant started to spread in early Q3, business dining sales continued a steady recovery and the BDIndex reached 79. We now project that the BDIndex will contract slightly in Q4 to 71. This is partially due to a slowing in the rate of growth towards the end of Q3 and partially due to a very high level of business dining spend in Q4 2019. Q4 has historically been a very strong season for business dining spend due to holiday parties and pre-holiday business travel. The current rate of growth is good, but not strong enough to match the typical Q4 spike in business dining.

Enterprise and SMB: Two Very Different Business Dining Segments

Within our preferred business dining program, Dinova harnesses two different streams of transaction data: **enterprise diners**, the meal-charging, expense-report-filing employees of our large corporate partners, and **SMB diners**, the small- and medium-sized business owners and employees that form the backbone of local economies throughout the country.

While both types of business diners are charging meals to further their professional goals, they also have very different business travel behaviors and risk profiles, so we believe it is often valuable to measure their recovery independently. Throughout this report, you will see the BDIndex referenced as **BDIndex (Enterprise)** when only enterprises diner activity is being assessed and as **BDIndex (SMB)** when only SMB diner activity is being assessed.

Enterprise vs. SMB Business Dining Recovery

BDINDEX (ENTERPRISE)

BDINDEX (SMB)

Q2 2020
The bottom

Intermediate quarters
(Q3 2020 to Q3 2021)

Q4 2021
Projection

By comparing the BDIndexes of the two segments, it is obvious that throughout the pandemic, small businesses by and large were afforded no choice but to continue operating, even while large enterprises were being forced to pause. However, despite the differences in the amount of recovery ground each started the year with, both SMB and Enterprise dining activities are now recovering at a similarly rapid pace.
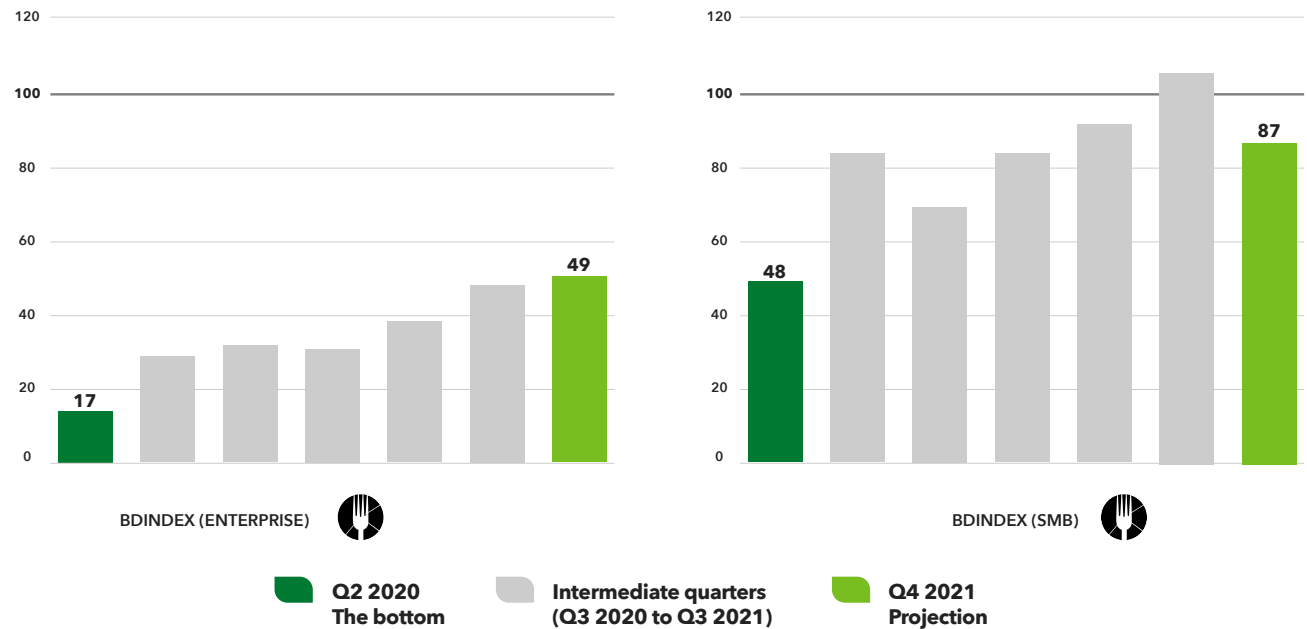
For a deeper dive into the BDIndex across business and restaurant types and how it compares to the overall market recovery, see the Benchmarks section at the end of this report.

That the delta variant surge has influenced shifts in individual behaviors, public regulations, and employer policies is well documented. But to understand how these delta variant-related shifts are specifically affecting business dining recovery, we turn again to the variables first identified in Festive Road's (now award-winning) Permissible Travel Framework, which we have borrowed and tweaked for our purposes here:

Government Influence
+
Employee Readiness
+
Company Readiness
=
Business Dining Recovery

1

Business Dining Recovery Variable No. 1:

"Government Influence"

OUTLOOK based on "Government Influence"

Positive

Government Influence has Shifted from the Restaurant to the Workplace

When state and local governments' initial COVID mandates directly addressed restaurants' service operations, hours, seating capacities and so on, the connection between government influence and business dining was simply a matter of access: no (or limited) access to restaurants meant no (or limited) business dining-related sales. And when governments lifted those restrictions – as they did in 43 states through June 2021 – business dining sales grew accordingly.

Interestingly, however, when the delta variant caused COVID hospitalization rates to spike again in late summer only seven states reimposed restaurant restrictions. The difference, it seems, had to do with vaccines. With vaccines available, the government took the approach that a policy of increasing the population of immunized citizens was more effective than restrictions on restaurant in-person dining. With the relatively low number of state mandates requiring diners to show proof of vaccination and the growing number of state mandates addressing workforce vaccination (see chart below), it's safe to conclude that the sphere of government influence over business dining activities has largely shifted away from restaurant-specific/general consumer requirements and toward workplace-specific/employer vaccination policies.

All that to say, indications from Q2 and early Q3 dining behaviors point to this: that current state of government influence, insofar as the mandates being issued are intended to *increase the population of immunized workers*, should lead to higher overall consumer confidence and another jump in business dining sales.
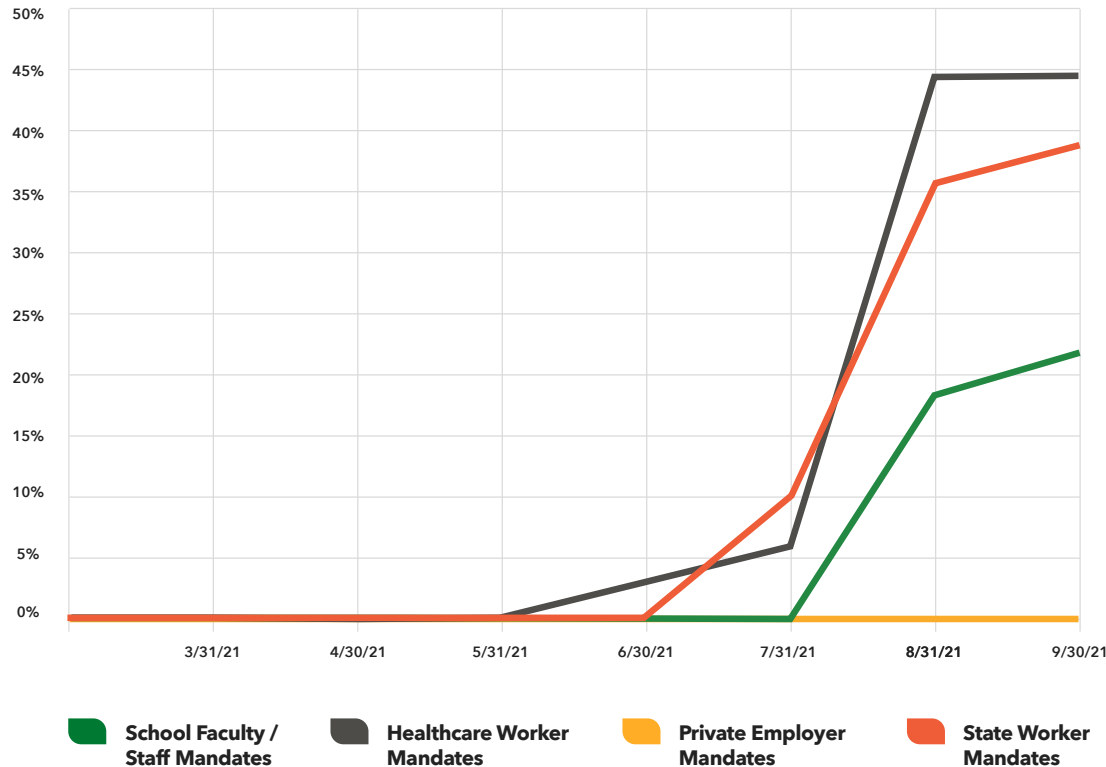
1 cont.

Here are some datapoints to consider.

Measure 1: State Mandates Regarding Vaccinations for Specific Groups of Workers

Percentage of States with Workforce-Related Vaccination Mandates Q2-Q3 2021

While some states issued bans on vaccination mandates for various employment sectors as early as Q2 when vaccines were first being rolled out, most state mandates requiring vaccination for those groups were issued only as delta variant hospitalizations began to surge in Q3.

School Faculty / Staff Mandates **Healthcare Worker Mandates** **Private Employer Mandates** **State Worker Mandates**

Sources:
https://www.nashp.org/state-lawmakers-submit-bills-to-ban-employer-vaccine-mandates/

What's more, the federal government mandates announced by the White House on September 9, 2021, are still being enacted by the Occupational Health and Safety Agency (OSHA), the Centers for Medicare & Medicaid Services (CMS), and the U.S. Department of Health & Human Services (HHS), with in-effect deadlines expected before the end of the year. **As planned, these federal mandates have vaccination implications for more than 100 million workers, including 80 million workers in the private sector (workers at companies with more than 100 employees), 17 million healthcare workers, 3.5 million federal executive branch employees (including the U.S. military) and federal contractors, and roughly 300,000 educators and staff.**
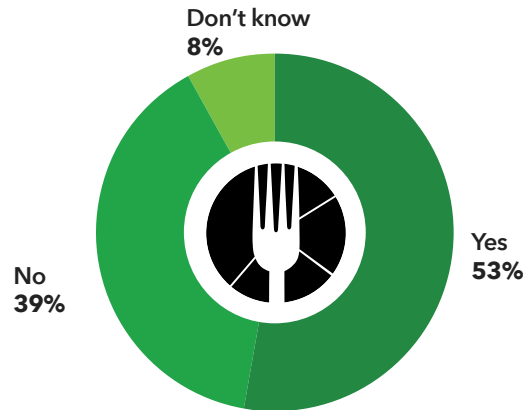
Government Influence Pulse-Check from Business Travelers

According to results from the Global Business Traveler Association's October 21, 2021, member poll, the majority of business travelers today share a positive response to government influence over vaccination requirements. Given the high vaccination rate among respondents (90%), it appears likely that business travelers – an important subset of the business dining community – view certain types of government influence as an enabler of business-critical activities, rather than as a barrier to them.
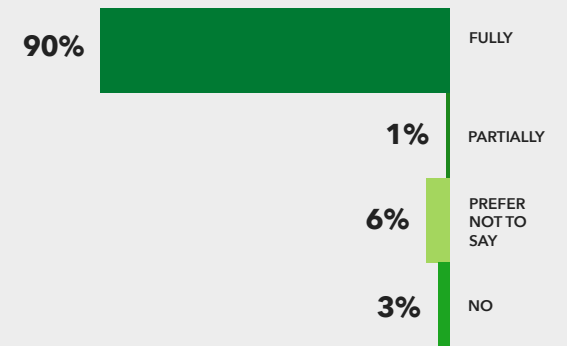
Want more data around this point?

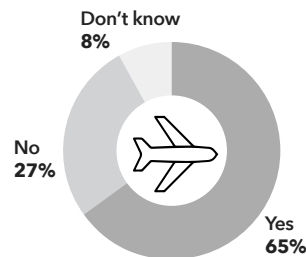**Do you support government policies that require full proof of vaccination to:**

Eat in a restaurant

Don't know
8%

Yes
53%

No
39%

Are you vaccinated against COVID-19?

90% — FULLY

1% — PARTIALLY

6% — PREFER NOT TO SAY

3% — NO

Fly domestically

Don't know
8%

No
27%

Yes
65%

Stay in a hotel

Don't know
10%

Yes
51%

No
38%
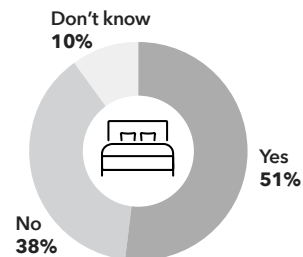
Attend conferences, larger meetings and events

Don't know
7%

No
24%

Yes
69%
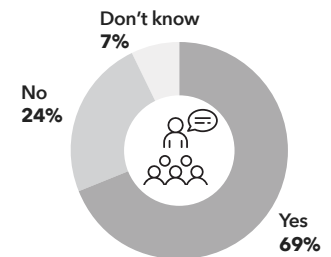
2

Business Dining Recovery Variable No.2:

"Employee Readiness"

OUTLOOK based on "Employee Readiness"

Positive

When will employees be ready to get back to wining and dining? Meeting up for a working lunch or coffee break? Treating the team to happy hour? Most of these in-person dining activities were increasing in late Q2/ early Q3 when the delta variant surge shook business diner conf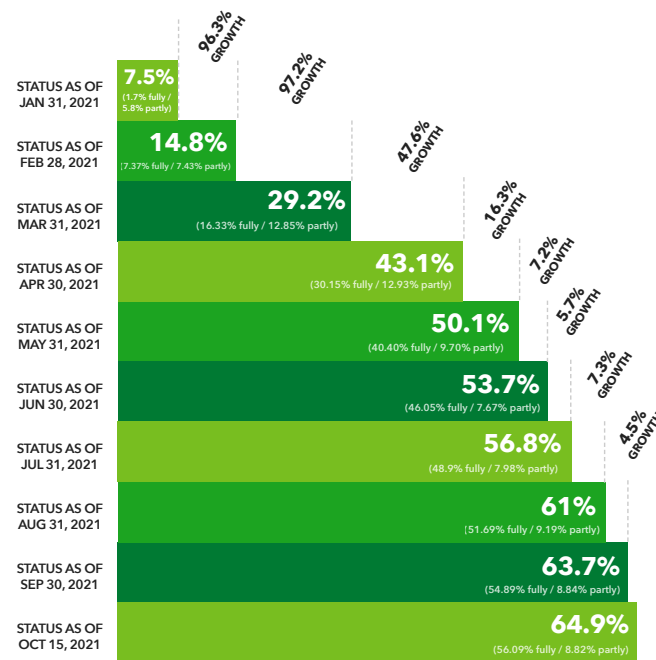idence and recovery rates stumbled. Even with vaccination status becoming a hotbed of political friction, however, the connection between the overall population's progress toward COVID-immunity and individuals' comfort levels with dining activities has remained strong. When infection rates are down, willingness to engage in business-boosting activities like travel – and by relation, dining – increase. Here's the latest on these two key "employee readiness" indicators: vaccination rates and business travel willingness.

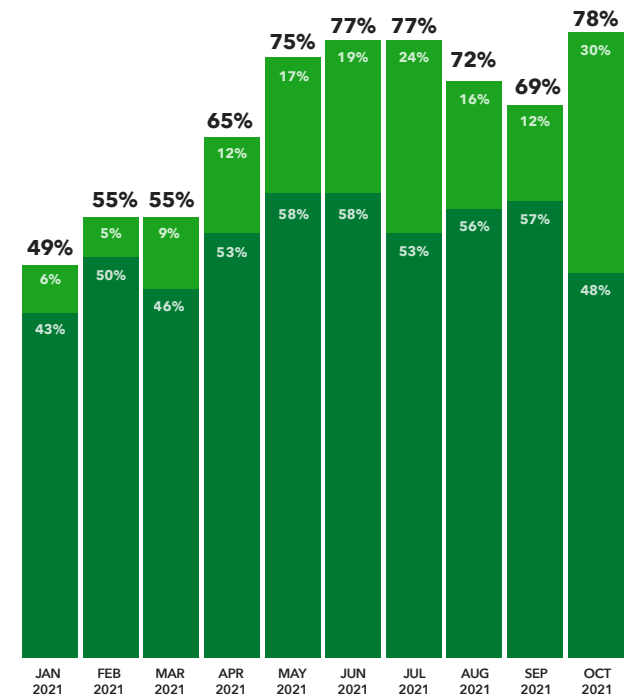### Measure 1: Vaccination rates of total U.S. population (328.21M)

STATUS AS OF JAN 31, 2021	**7.5%** (1.7% fully / 5.8% partly)	96.3% GROWTH
STATUS AS OF FEB 28, 2021	**14.8%** (7.37% fully / 7.43% partly)	97.2% GROWTH
STATUS AS OF MAR 31, 2021	**29.2%** (16.33% fully / 12.85% partly)	47.6% GROWTH
STATUS AS OF APR 30, 2021	**43.1%** (30.15% fully / 12.93% partly)	16.3% GROWTH
STATUS AS OF MAY 31, 2021	**50.1%** (40.40% fully / 9.70% partly)	7.2% GROWTH
STATUS AS OF JUN 30, 2021	**53.7%** (46.05% fully / 7.67% partly)	5.7% GROWTH
STATUS AS OF JUL 31, 2021	**56.8%** (48.9% fully / 7.98% partly)	7.3% GROWTH
STATUS AS OF AUG 31, 2021	**61%** (51.69% fully / 9.19% partly)	4.5% GROWTH
STATUS AS OF SEP 30, 2021	**63.7%** (54.89% fully / 8.84% partly)	
STATUS AS OF OCT 15, 2021	**64.9%** (56.09% fully / 8.82% partly)	

Sources:
https://ourworldindata.org/covid-vaccinations?country=USA

Additional information available at:
https://covid.cdc.gov/covid-data-tracker/#vaccinations

Measure 2: Willingness to travel for work

■ **Very willing**   ■ **Somewhat willing**

Month	Very willing	Somewhat willing	Total
JAN 2021	6%	43%	49%
FEB 2021	5%	50%	55%
MAR 2021	9%	46%	55%
APR 2021	12%	53%	65%
MAY 2021	17%	58%	75%
JUN 2021	19%	58%	77%
JUL 2021	24%	53%	77%
AUG 2021	16%	56%	72%
SEP 2021	12%	57%	69%
OCT 2021	30%	48%	78%

Source:
https://www.gbta.org/research-tools/covid-19-member-polls

2 cont.

Party Time Feelings Among American Workers on the Rebound

Global data intelligence company Morning Consult has been tracking weekly survey results of national samples of 2,200 adults since February 2021. Their findings on U.S. employees' comfort levels on a range of work-specific activities – including attending conferences, traveling domestically, and attending an office party or large staff event – confirm that Q3's delta confidence dip is being replaced with cautious optimism.

Want more data around this point?

U.S. employees' comfort levels on a range of work-specific activities
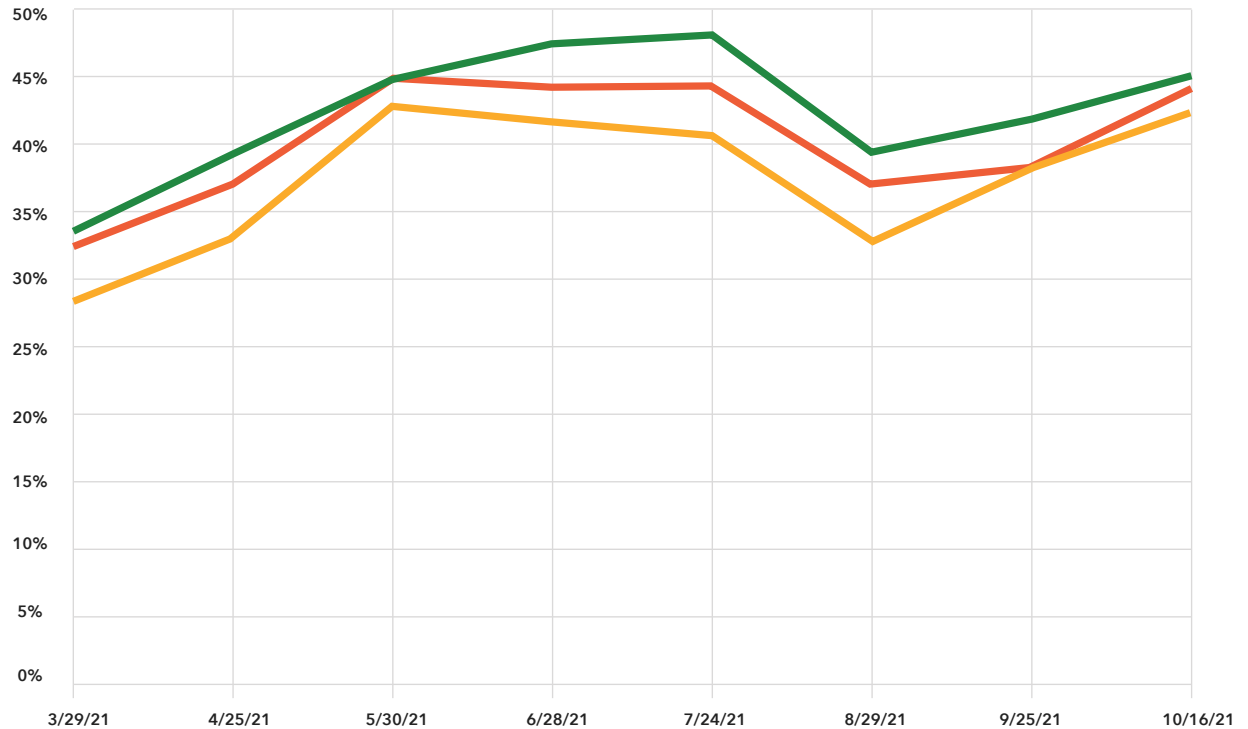
Share of U.S. Adults Comfortable Going to a Work Conference

Share of U.S. Adults Comfortable Traveling Domestically for Work

Share of U.S. Adults Comfortable Going to an Office Party or Large Staff Event

Sources:
https://morningconsult.com/return-to-work/#section-3

3

Business Dining Recovery Variable No. 3:

"Company Readiness"

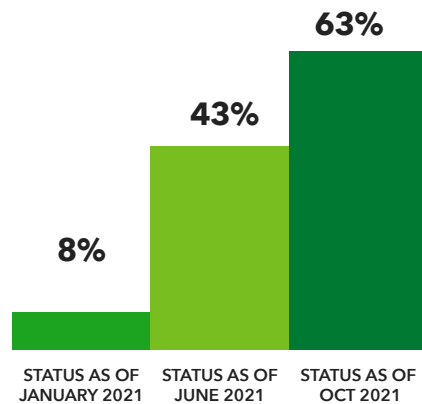OUTLOOK based on "Company Readiness"

Slightly Positive

Among the many unsettling disruptions caused by the delta variant surge, the negative impact to companies' return-to-office plans has some worried about unexpectedly protracted consequences.
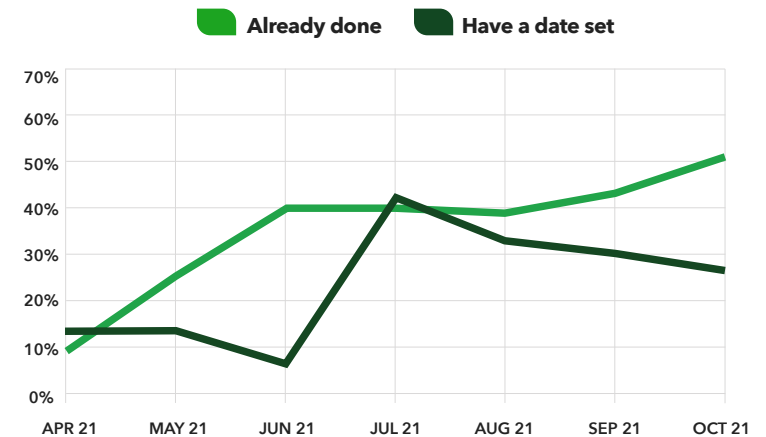
During the worst of the surge, highly publicized office reopening plans scheduled for August and September were pushed back in what is being called 'The Great Wait.' An August PwC Pulse Survey indicated that only one in five U.S. companies would be working from the office this fall, while a Cushman & Wakefield September survey put the number of **companies already back in-office worldwide at roughly only 40% - with just 27% to 40% of employees in the office on any given day**. And although major companies from Google to Disney and Capital One have been citing January 2022 as the new most popular timeframe for return-to-office activities, as soon as the rate of COVID hospitalizations started dropping, public discourse shifted to the toll that constantly pushing back return-to-office goal-lines is taking on employees and employers alike.

Today, in acknowledgement of the ongoing unpredictability of the virus and the importance of the need for certainty when plans for two business-critical (and to our purposes, dining-related) activities, **1) return to office and 2) return to travel**, "Company Readiness" is now trending slightly upward, with 'safe and tiered' replacing 'ubiquitous and unilateral' as more manageable and realistic targets.

Measure 1: Returning to the Office

63%

43%

8%

STATUS AS OF JANUARY 2021   STATUS AS OF JUNE 2021   STATUS AS OF OCT 2021

Source: https://www.gbta.org/research-tools/covid-19-member-polls

Measure 2: Returning to Non-Essential Domestic Travel

■ Already done   ■ Have a date set

APR 21   MAY 21   JUN 21   JUL 21   AUG 21   SEP 21   OCT 21

Source: https://www.gbta.org/research-tools/covid-19-member-polls

Trends

Three Trending Business Topics
and What They Mean for Restaurants

1. Duty of Care

2. Remote Work Flexibility

3. Company Culture

1

Trend No. 1:
Duty of Care Concerns Mean More Scrutiny for Restaurants

Trend Maturity Level:
Advanced

Power Players/Key Influencers:
Corporate Leadership

What is Duty-of-Care?

In essence, duty of care is a legal principle that says companies have an obligation to not knowingly put their employees in harm's way and to provide some level of protection and guidance when major events happen. It means they should be able to anticipate any risks workers might reasonably face and actively take steps to make sure no one is in any danger while doing what they've been hired to do.

As an example, when you go on vacation, any risks you face as part of that trip are your choice, and therefore, your responsibility. When you take a business trip, on the other hand, those risks become your employer's responsibility. After all, you wouldn't be on that plane to Vegas to attend that medical device manufacturer's convention if they weren't paying you to go, right?

To be clear, duty of care has *always* been an important employer responsibility – this didn't suddenly come up because of the pandemic. Any time a company fails in its duty of care responsibility and someone gets hurt, faith in leadership erodes, company culture takes a hit, and the possibility of a lawsuit becomes real.

Covid Has Made Duty-of-Care the Top Priority for All Companies

When COVID struck and there was danger literally everywhere, duty of care took on new urgency. It went from being something that was mainly handled by Safety Engineers and Travel Directors, to becoming a wake- you-up-in-the-middle-of-the-night worry for CEOs all over the world. In addition to simply being the right things to do, closing offices and grounding future travel were both highly responsible duty of care decisions.

And in this area, not even company size matters. A 2021 survey by Oasis, a national professional employer organization (PEO), found that workplace safety had replaced talent acquisition as the top priority for small and medium-sized business owners, too.

Now that office re-openings are imminent and the ramp-up to business travel takeoff is accelerating, companies aren't taking any chances when it comes to reasonable anticipation of risk. Every possible risk exposure for employees is being reviewed and policies are being tightened up. Many large organizations are now requiring vaccines for employees, both to keep their employees safe and to comply with new guidelines from the Occupational Safety and Hazards Administration. **According to a <u>survey from Bloomberg News</u> of 400 large organizations near the end of September, 38% of organizations had either already enacted vaccine mandates or were about to.**

Employers' duty of care concerns aren't likely to lessen anytime soon, either, especially considering that the first wave of COVID-related lawsuits against employers has begun. In a California case dismissed in February, the wife of a construction worker filed a first-of-its-kind suit against her husband's employer, stating that it had failed its obligation to prevent her from becoming infected with COVID. Then, in late June, a federal judge dismissed a flight attendant's negligence suit against her airline employer, which she blamed for her husband's death from COVID. Additional court challenges are expected.
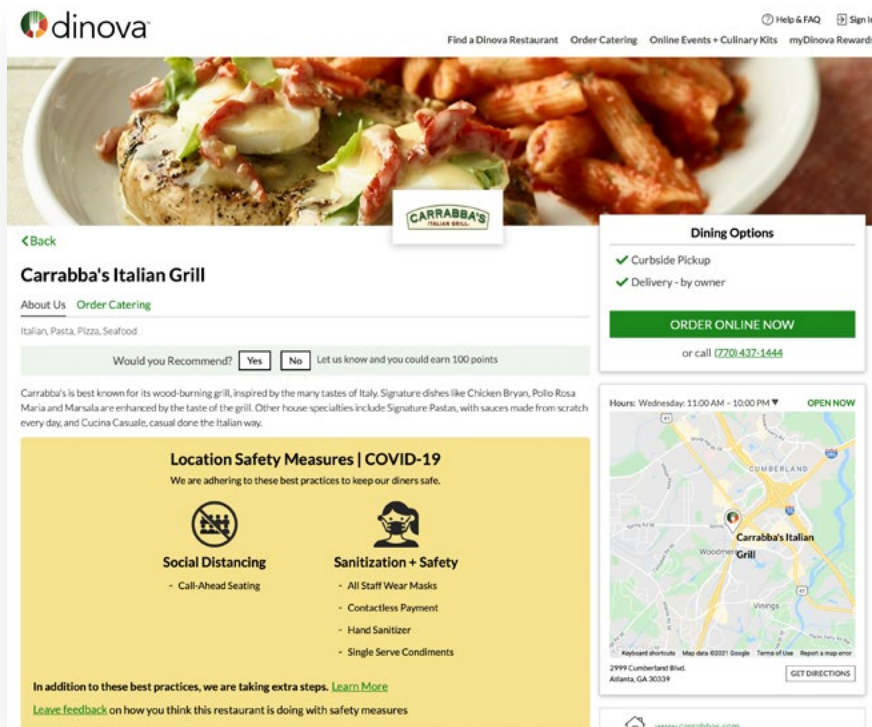

Figure 1. Dinova's Search App Displays Duty of Care Measures

Trend No. 1 cont.

1

Restaurant Takeaways

Restaurants aren't being specifically singled out as risky places to be, but they are being recognized for the integral role they serve in business travel – and are therefore, along with airlines and hotels, becoming subject to more scrutiny than usual from the C-suite.

Restaurants should make sure they're communicating their safety practices in such a way that travel managers can be confident recommending their restaurants to employees.

Business travelers will be researching their options on digital channels, so these details need to be displayed and updated regularly on owned and partnership websites.

The two main areas we've heard our enterprise partners express concern over are **"is there sufficient social distancing?"** and **"what are the sanitization and safety practices?"** Anything restaurants do that can speak to those concerns is helpful.

2

Trend No. 2:

In Support of Remote Work Flexibility, Restaurants Are the New Conference Room

Trend Maturity Level:
Developing

Power Players/Key Influencers:
Remote Workers

# The Delta Variant Delayed Return-to-Office Plans

With the spread of the Delta variant, many companies canceled their Q3 plans to have workers return to the office. **Forty-five percent of full-time U.S. employees worked from home either all (25%) or part of the time (20%)** in Gallup's September update of its monthly employment trends. That number is not expected to change anytime soon. **As of late August, 66% of organizations are delaying office re-openings due to Covid variants**, according to a Gartner survey of 238 executive leaders. Most of those organizations are have pushed back their reopening dates to at least Q1 of 2022 and are also setting much looser targets for reopening dates. After so many delays, organizations are tying their re-openings more to local Covid case rates and vaccinations rather than specific dates.

Employees Hope Remote Work is Here to Stay

The days of assuming that "once the pandemic is over" all employees would head back to the office as usual are long gone. While office re-openings are still major milestones on corporate recovery checklists, the assumption that productive work can only happen in company- controlled environments has been effectively shattered, swept up, and tossed out.

A significant number of 2021 research studies show that employees know this and confirm that, for them, there's no going back. According to Gallup's September report, **91% of workers in the US currently working remotely are hoping that ability persists after the pandemic and 3 in 10 employees say they are extremely likely to quit if their company eliminates remote work**. While organizational leaders want employees in the office, employees want to forgo the commutes and have more control over how they balance work and personal obligations.

Companies, for their part, are recognizing that the remote work/office work question doesn't have to be an all-or-nothing proposition. With many offices not opening until 2022, a hybrid work model – in which only a fraction of a company's workforce will be scheduled to be in-office on any given day – is the approach most often cited as being taken through the end of the year at least.

Working Remotely

45%
25% All
20% Part
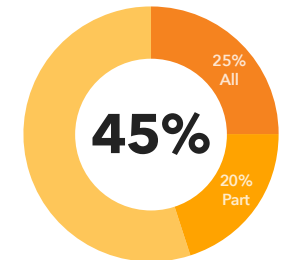
full-time U.S. employees who worked from home either all (25%) or part of the time (20%)

91%
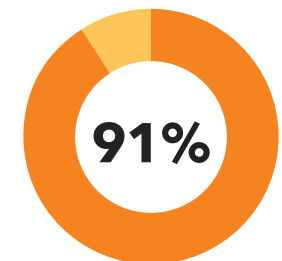
those who work from home want remote work to stay

30%
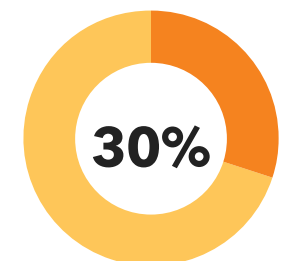
extremely likely to quit if their company eliminates remote work

Without Offices, Restaurants are the New Conference Rooms

They may not want to make those long commutes to the office, but with vaccination rates increasing and almost all restaurant restrictions lifted, employees are signaling they're ready to meet up with customers and teammates again. They are opting to meetup in convenient suburban locations rather than drive into a central office. According to **Global Business Travel Association poll results released in April 2021, forty-four percent of respondents said that as domestic business travel resumes, "more business meetings with clients and customers will be held in non-traditional settings such as restaurants, bars, coffee shops," and so on**.

Our data confirms that business dining has moved away from downtown office areas and traditional business districts and out to the suburbs. As an example, look at the maps of Atlanta below. Atlanta's "business district" is typically described as being inside the I-285 perimeter, indicated by the green circle on the map. The picture on the left shows pre-pandemic business dining spend occurring in and around the perimeter, but the one on the right shows the areas in Atlanta of biggest dining spend recovery. It's clear that business dining in Atlanta has shifted from downtown office parks to convenient closer-to-home suburban locations.
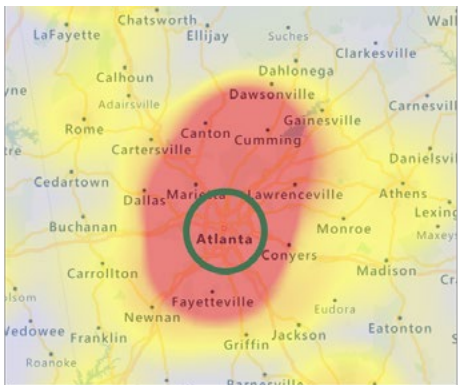

Figure 2.
Atlanta Pre-Pandemic Dining Spend
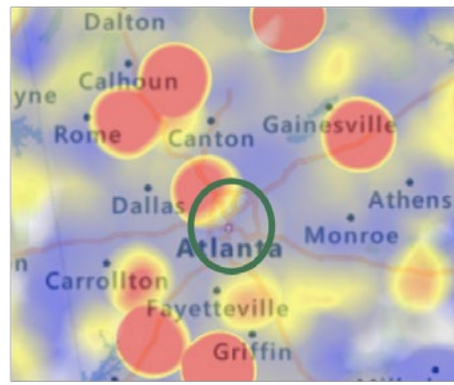Red = *Areas with the Most Dining Spend*

Figure 3.
Atlanta Post-Pandemic Recovery
Red = *Areas with highest BD Index*

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2 **Trend No. 2 cont.**

Restaurant Takeaways

At least for a while, the restaurants-as-meeting-rooms trend may skew more toward the benefit of those in locations not traditionally associated with business centers, in favor of wherever remote workers are located. Even then, some restaurants are better suited to hosting these types of small business dining parties than others.

Four Key Areas that Restaurateurs Who Are Interested in this Trend Need to Consider

- **Safety** (see our overview of the duty of care trend for reference). It's critical to keep safety protocol details up-to-date, and to promote private rooms and patios as social-distancing-friendly options.

- **Reservations.** For restaurant operators who offer reservations or call-ahead seating, tweaking their weekday table request process can subtly connect their restaurants with these business-meeting types of events. Something as simple as asking, "Will this be a business meal?" may help reinforce a location's business-meeting suitability with diners.

- **Sound.** No one wants to have to shout during a sensitive conversation or when trying to impress a colleague. If a restaurant's noise levels are an issue and the owner has the ability to designate a quieter corner of their dining room as business-meeting-friendly, they should absolutely do it - and instruct front-of-the-house staff to mention this when seating guests.

- **Service.** Finally, well-trained staff who provide excellent service without excessive interruptions make a lasting impression with business diners. Any restaurant that earns a reputation for this will have business diners singing their praises.

3

Trend No. 3:
With Company Culture at Risk, Leadership Looks to Virtual Events to Help Keep Teams Connected

Trend Maturity Level:
Developing

Power Players/Key Influencers:
HR Managers, Team Leaders, Meeting Planners

Culture is Critical to Engage and Retain Employees

With the pandemic lasting far longer than almost anyone could have imagined, business leaders are worried about the effects that remote work and overall lack of face-to-face collaboration time have had – and may continue to have – on company culture.

Loosely defined as the set of shared values, beliefs, and goals that characterize an organization, company culture is more than just lip service. According to the employment website Indeed, strong organizational culture makes an impact on: increased employee engagement, decreased turnover, strong brand identity, elevated productivity, transformational power, top performer, effective onboarding, and a healthy team environment. And social connectivity as part of that culture, according to research from BCG, is key to being collaboratively productive.

Remote Work has Eroded Company Culture

Companies sat up and paid attention when Microsoft's first annual Work Trends Index confirmed what HR managers everywhere had feared. Employees' feelings of being connected to their work teams (a critical indicator of company culture) had taken a

Employees' feelings of being connected to their work teams

91%   APR 2020

75%   NOV 2020

80%   MAR 2021

hit, from a high of 91% in April 2020 to a low of 75% in November, before stabilizing around 80% in March 2021. This will continue to be a bigger issue the longer remote work goes on. Microsoft's CEO, Satya Nadella, has pointed out that remote work has been OK so far thanks to the "social capital" that was built up while everybody was in-office together, but now that we are almost two years out from the shift to remote work that capital is all spent. Many workers hired in the past two years have not even met their coworkers. Bob Sutton, an organizational psychologist at Stanford University points out in a recent New York Times article that "If you're in a workplace or a job where there is not the emphasis on attachment, its easier to change jobs emotionally."
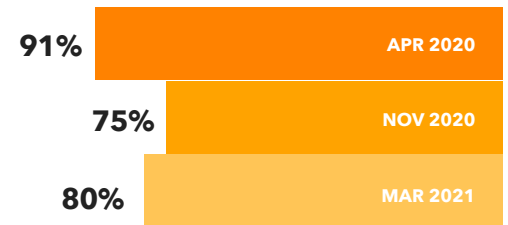
Virtual Events are Great Ways to Build Culture

It is with this backdrop that corporate leaders have acknowledged the critical importance of workplace socializing - and the pandemic's potentially long-term impact on face-to-face gatherings - on company culture and ultimately the ability to retain employees. They're now looking for ways to keep employees socially engaged with their teams, regardless of location. These needs are helping drive creativity and innovation in the area of virtual events.

Culinary Kits / Celebration Boxes

The Pitch:
Not just gift baskets, these are more like DIY experiences built around key elements of a brand

The Classic Example:
An all-around 'cheers-to-you' box, featuring a cocktail shaker, signature drink mix, branded appetizer seasoning, and party-hosting tips

The Details:
Important things to consider for corporate buyers …

Capacity – Restaurants need to be realistic about their limitations, about whether they can accommodate orders of any size, or if there's an ideal maximum/minimum that makes these worth their time, as well as the lead time they need in order to fulfill these orders.

Ordering and Promotion – Will these boxes be available for purchase on owned and/or partner sites, or will orders need to go through a catering or events manager?

Customizability – Is the restaurant able and willing to tweak the contents of their boxes, based on special requests from the customer?

Packaging – The kits with the biggest buzz let the recipient know something special's inside, creating anticipation before they even open the box. It doesn't have to be elaborate, but professionally packaging the contents so they won't be damaged in transit definitely matters, and can be a credibility-killer or reputation-booster with corporate audiences.

Shipping and delivery – Will these be available for pick-up in local areas only, or can the restaurant handle shipping? If so, we recommend charging a flat fee to keep things simpler – for restaurants and customers alike.

The Next Level

Create a short video or additional downloadable content related to the box that only recipients have access to. A greeting from the chef, an exclusive recipe, a tour of a supplier farm, or a peek inside the kitchen – these types of details can lend a box an insider/exclusive vibe.

3

Trend No. 3 cont.

Restaurant Takeaways

The virtual (BYOB) happy hours from the early days of lockdown have evolved along with the needs of corporate America, and online team-building events are opening up new ways for restaurants to engage with corporate diners. While variations on theme are endless, there are two important types of virtual experiences that restaurants that want to be part of this trend should focus on: **kits and classes.**

Classes, Tastings and Demos

The Pitch:
Not just another webinar, these events are built around unique interaction between host and participants.

The Classic Example:
Boqueria's Paella de Chorizo y Piquillo Kit and Class, in which attendees receive are pre-shipped a kit including everything from the sofrito to the chorizo – even the pan. Classes are led by professional Boqueria staff and take place over a private Zoom link.
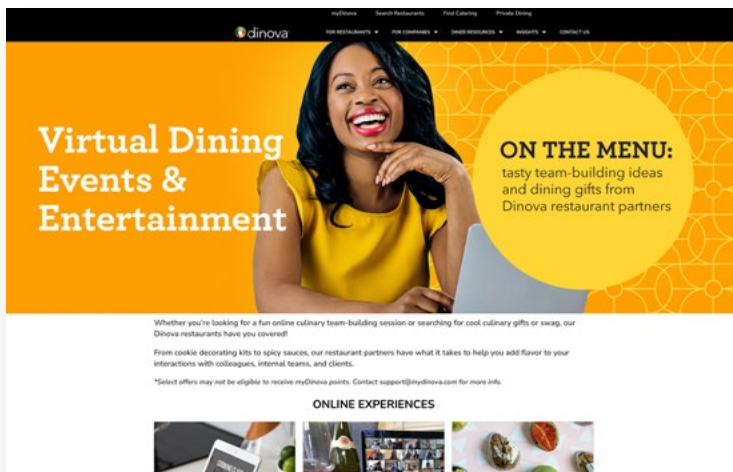

Figure 4. Dinova's Virtual Events Guide let's enterprises and small businesses easily find kits and classes from restaurants that can help with team-building

The Details:
Important things to consider for corporate buyers …

Personality – A good portion of the success involved with these types of events hinges on the host. Restaurants need to ensure whoever their brand ambassador here is comfortable interacting with a variety of groups, and projects a welcoming, yet professional presence. It can also be a good idea to have a second individual available to act as cameraman, sous chef, and/or color commentator.

Setting – In order to pull off these types of events, a restaurant must have an appropriate staging location (low background noise, few interruptions) available at the right time. The main kitchen may be ideal, but not if the event is scheduled during the dinner rush.

Technology – Absolute minimum needs include a stable WiFi connection and a camera with simple but clear resolution. A microphone, camera tripod, and additional lighting are also extremely helpful. Hosts should practice ahead of time to head off any last-minute glitches.

Capacity – Restaurants should establish an ideal class size and how frequently they will be able to offer these classes.

Ordering and Promotion – Will these events be available for sign-up on owned and/or partner sites, or will orders need to go through a catering or events manager? Will these classes be offered to individuals and other private parties, or for corporate groups only?

Content – The goal for content – whether it's walking guests through tips designed to expand their appreciation of a particular specialty (à la wine, cheese, and chocolate tastings) or demonstrating a culinary technique (how to make Chinese dumplings) – should be a blend of entertainment and education, isn't stressful, and is accessible to all skill levels. So long as the class involves engaging back-and-forth, giving team-members the opportunity for positive interaction with each other, they'll consider it worth their group's time and resource investment.

Customizability – Are restaurants able and willing to tweak recipes and demos based on special requests from the customer? How will they handle food allergies and dietary needs?

Price-point options – Some companies – particularly in the healthcare and pharma industry – have price limits on the gifts they are able to give and receive, so restaurants should consider offering both fully-loaded class and kit combos and class-only versions, in which attendees would supply their own tools and ingredients. (For the fully-loaded combos, all of the packaging, shipping, and delivery considerations noted in the previous section still apply.)

The Next Level
For VIP groups, restaurants should consider recording the class session and creating a highlight reel of fun moments or key tips about the recipe. Again, anything "extra" can help strengthen attendees' attachment to the restaurant's brand.

Two Final Dinova Recommendations

Regardless of which virtual event path a restaurant chooses to follow, they should:

1) start small (making sure all logistics are nailed down before expanding); and

2) remember that interactions with corporate event planners should always be polished, professional, and prompt.

Benchmarks

1. Overall
2. SMB vs. Large Enterprise
3. Industry Segments
4. Restaurant Type
5. Menu Type
6. Local Markets

1

Benchmark No. 1:
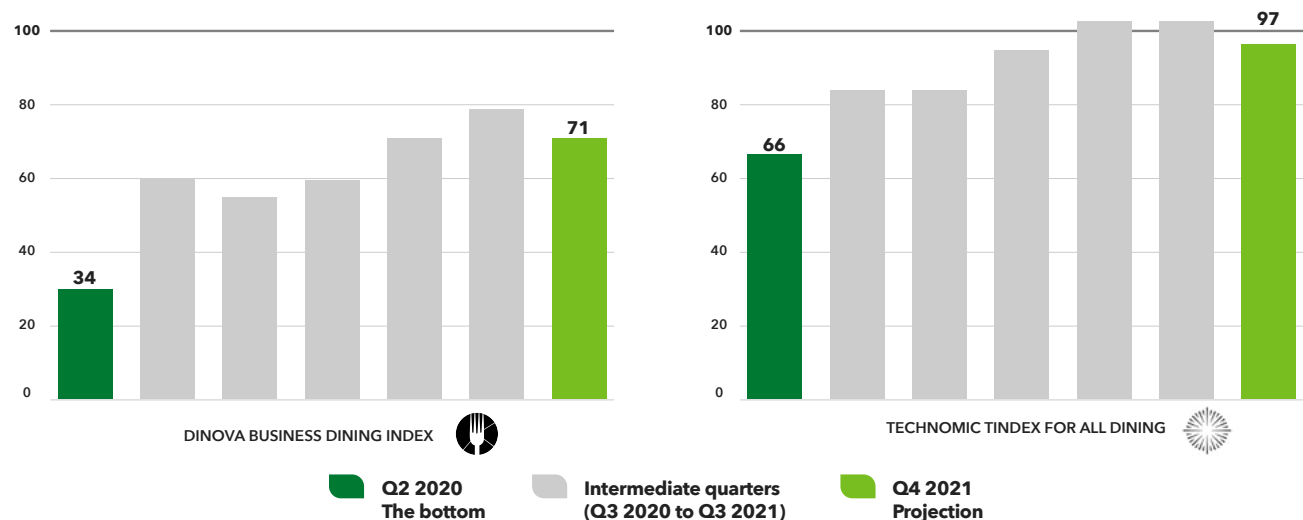## Overall Spend

Food For Thought

As a subset of overall food service industry recovery, the current pace of business dining recovery promises good things to come for restaurants in general. Considering that business dining activities are being throttled by slower than anticipated return-to-office and return-to-travel activities, the fact that they're gaining ground promises an even bigger boost in sales growth once those two critical activities open up.

When it comes to assessing the health of the restaurant industry, the consultants at Technomic represent the gold standard in food service industry data and forecasting insights for all types of dining.

As a measure of dining industry recovery, **Technomic's TIndex is a metric similar to Dinova's BDIndex, with both indices measuring against dining spend for the same period in 2019**. But while Dinova's data and BDIndex specifically address the recovery and outlook for business dining, the TIndex collectively measures and addresses overall dining recovery.

By comparing the BDIndex against the TIndex here, we can see how business dining recovery compares to overall dining recovery.

Business Dining Recovery vs. All Dining Recovery

DINOVA BUSINESS DINING INDEX

TECHNOMIC TINDEX FOR ALL DINING

■ **Q2 2020 The bottom**   ■ **Intermediate quarters (Q3 2020 to Q3 2021)**   ■ **Q4 2021 Projection**

In 2020, business dining activity dropped much further than overall dining activity, almost certainly due to its large coincidence with business travel and in-person meetings and events. In Q2 2020, the low point of the pandemic for all types of dining, the BDIndex fell all the way to 34, while the TIndex only reached 66.

The good news: Despite hitting a lower base in 2020, business dining recovery has achieved a slightly faster rate of recovery than the overall market. Business dining is currently projected to gain 37 index points – versus the total market's 31 index-point gain – in Q4.
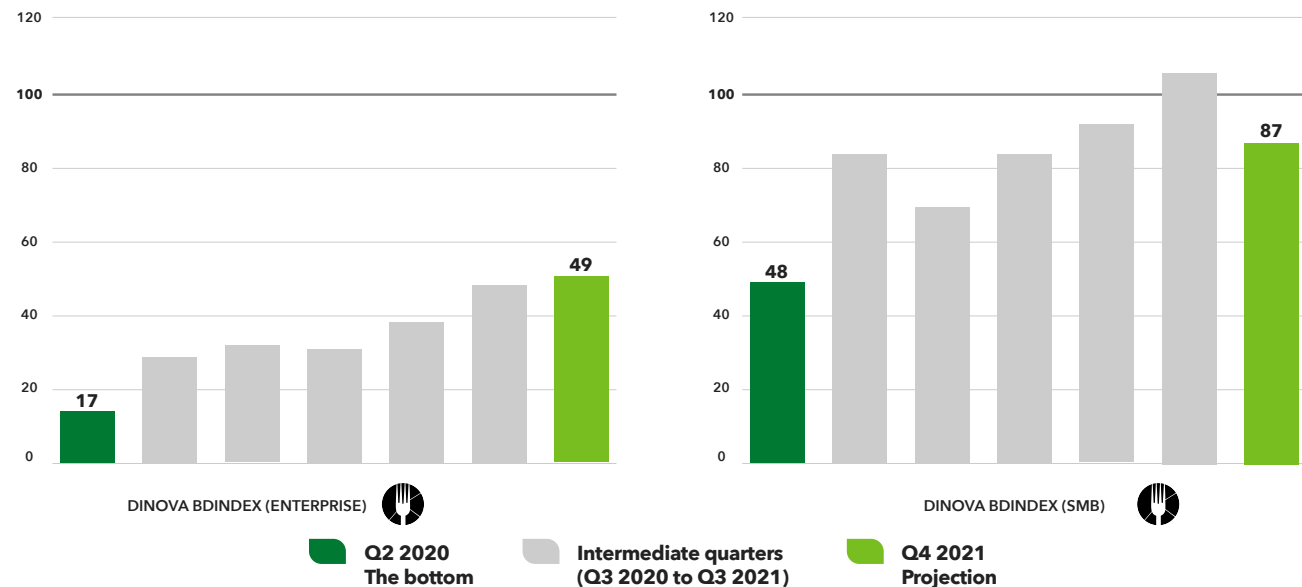
2

Benchmark No. 2:
BDIndex (SMB) vs. BDIndex (Enterprise)

Food For Thought

With large enterprises still operating on a more heavily remote scale than projected earlier in the year, the BDIndex (SMB) positions SMBs as the more COVID-resilient business dining audience.

Despite the robustness of combined dining sales strength, small business diners and large enterprise expense account diners do not always share the same behaviors. By examining each of their transaction streams as a standalone data set, we can better understand where their pandemic experiences have differed – and better interpret how this is now impacting their separate recoveries.

Enteprise vs. SMB Business Dining Recovery

DINOVA BDINDEX (ENTERPRISE)

DINOVA BDINDEX (SMB)

■ **Q2 2020 The bottom**   ■ **Intermediate quarters (Q3 2020 to Q3 2021)**   ■ **Q4 2021 Projection**

Throughout the pandemic, small businesses by and large were afforded no choice but to continue operating, even while large enterprises were being forced to pause. From one perspective, less travel-dependent SMBs held a slight advantage over their large enterprise counterparts during the pandemic: typically focused on a more locally situated customer base, SMBs and their business dining activities clearly continued at a much higher level, regardless of facing the same widespread restaurant restrictions. So, while the BDIndex (Enterprise) dropped to 17 at its low point in 2020, the BDIndex (SMB) at the same time only dropped to 48.

SMBs have also recovered more quickly than Enterprises. While the BDIndex (Enterprise) is not projected to breach 50 this year, the BDIndex (SMB) has already had one quarter with full recovery. We are anticipating a significant pullback in the BDIndex (SMB) in Q4. Growth is still very positive, but the index will be moderated due to a very strong Q4 2019.
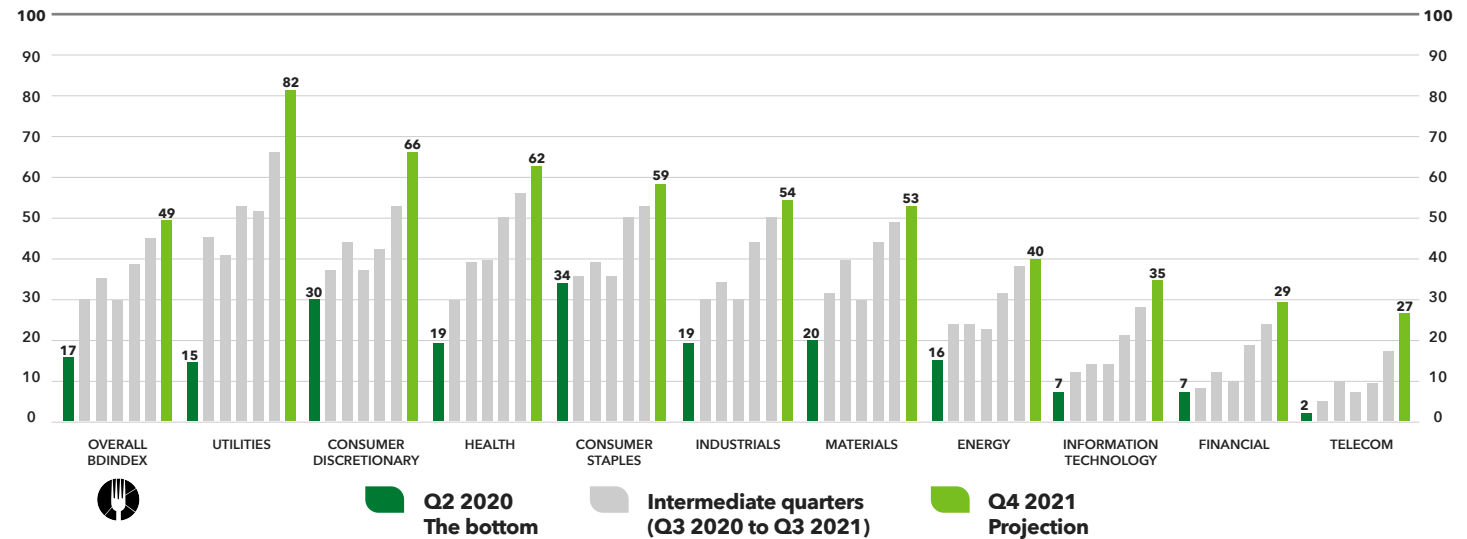
3

Benchmark No. 3:
BDIndex (Enterprise) by Industry

Food For Thought

Differences in operating models mean that some workforces will always have more consistent business dining needs than others. Though the healthcare industry continues to have the highest level of business dining activity, as the U.S. population's COVID immunity increases and companies reopen their offices – to employees and visitors alike, further paving the way for business travel's return – other key industries are likely to experience a surge.

Slicing the BDIndex (Enterprise) into industry sectors offers insights into how employees at different types of corporations continue to have very different pandemic experiences – particularly when it comes to remote work.

Dinova BDIndex (Enterprise) by Industry

Legend:
- **Q2 2020 The bottom**
- **Intermediate quarters (Q3 2020 to Q3 2021)**
- **Q4 2021 Projection**

Data from 450-plus global enterprises across 10 industries (as defined by Global Industry Classification Standard or GICS) shows that the BDIndex (Enterprise) for each sector continues to be heavily impacted by whether or not they 1) are populated primarily by those considered to be essential workers, 2) mainly involve hands-on or on-site job responsibilities, and/or 3) involve significant amounts of business travel:

Healthcare and utilities professionals continue leading the business dining recovery charge. While these industries both recorded significant business dining lows in Q2 2020, each with a BDIndex (Enterprise) of less than 20, these have also consistently achieved the highest business dining recoveries across all sectors.

Retail and consumer services have continued working (and dining), but growth has slowed. The Consumer Discretionary and Consumer Service sectors showed the smallest amount of pandemic impact, with Q2 low points at 30 or above. While projecting relatively strong BDIndices (Enterprise) in Q4 2021, however, each of their paces of recovery is still slower than that of either Healthcare or Utilities.

Software developers, engineers, and financial consultants have been able to work from home – and have been largely foregoing meetings and travel. The Information Technology, Financials, and Communications sectors each had single-digit BDIndices (Enterprise) in Q2 2020; none is expected to achieve a BDIndex (Enterprise) of 40 in Q4 2021.

4

Benchmark No. 4:
BDIndex (Enterprise) by Restaurant Type

In Q2 and early Q3 when vaccinations were widely available and government-imposed restaurant restrictions had lifted, business diners enjoyed returning to a full range of restaurant experiences. Then the delta variant hit, and business dining recovery slowed for some types of restaurants – but not as much as might have been expected.

Dinova BDIndex (Enterprise) by Restaurant Type

Legend:
- **Q2 2020 The bottom** (dark green)
- **Intermediate quarters (Q3 2020 to Q3 2021)** (grey)
- **Q4 2021 Projection** (light green)

Categories and key values:
- OVERALL BDINDEX: 17 ... 49
- QSR: 31 ... 66
- MIDSCALE: 19 ... 55
- FAST CASUAL: 21 ... 51
- FINE DINING: 1 ... 45
- CAUSAL DINING: 9 ... 40
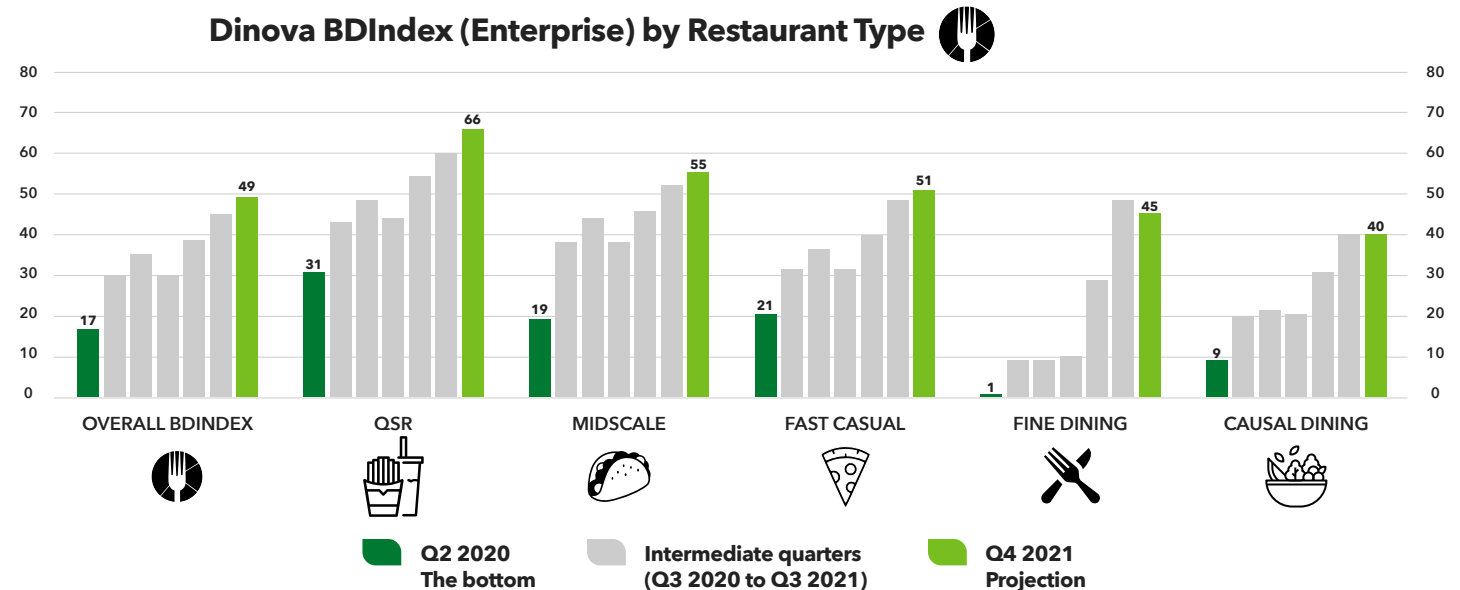
Looking at Enterprise BDIndices across the five primary restaurant types reveals:

Less dependence on on-premise dining has helped quick-service restaurants (QSRs) retain their pandemic popularity. With drive-thrus, to-go ready menus, and systems in place for takeout and delivery, this category of restaurants is still the most well-suited to withstand variant-related fluctuations in business dining needs. QSRs had both the highest low point in Q2 2020 and the highest projected BDIndex (Enterprise) for Q4 2021.

Business diners are ready for Fine Dining. Despite having the lowest bottom in Q2 2020 (with an Enterprise BDIndex of 1), Fine Dining has experienced the largest recovery. The BDIndex (Enterprise) for Fine Dining is now projected to be 45 in Q4 – reflecting a pent-up demand for in-person-focused, connection-building types of business dining.

Fine Dining and Casual Dining are the most vulnerable to variant disruptions. These types of business dining go hand-in-hand with business travel – and they're also the ones that tend to make Enterprise leadership teams the most nervous: sitting down in an enclosed space, masks removed, while interacting with people that may not feel bound to adhere to the same safety protocols sets off warning bells in those with Duty of Care responsibilities. In Q2 2021, vaccine rollouts had employees and companies signaling they were ready to resume travel activities, and both Fine Dining and Casual Dining experienced a recovery boost. While that growth slowed as the delta surge reduced employee and company comfort levels, we expect to see more recovery in these categories as hospitalization levels continue to fall.

4 cont.

Benchmark No. 4:
BDIndex (Enterprise) by Restaurant Type

Food For Thought

Business dining happens across all restaurant types, but business dining sales at fine dining restaurants have shown the most sensitivity to COVID-related conditions. And while business dining dropped more than overall dining did when the pandemic hit, the pace of business dining recovery is starting to catch up.

Business Dining Recovery vs The Overall Market for Restaurant Types

Comparing the BDIndex (Enterprise) for these restaurant types against the Technomic TIndex for all dining can give us some interesting insights into just how business dining behaviors are differing from consumer behaviors. Let's compare the difference in indexes for business dining and all dining in Q2 2020 and Q4 2021. This can tell us which restaurant types were disproportionately impacted by a lack of business dining and which ones are bouncing back the fastest.

Delta Between Dinova BDIndex (Enterprise) and Technomic TIndex

■ Q2 2020 The bottom   ■ Q4 2021 Projection
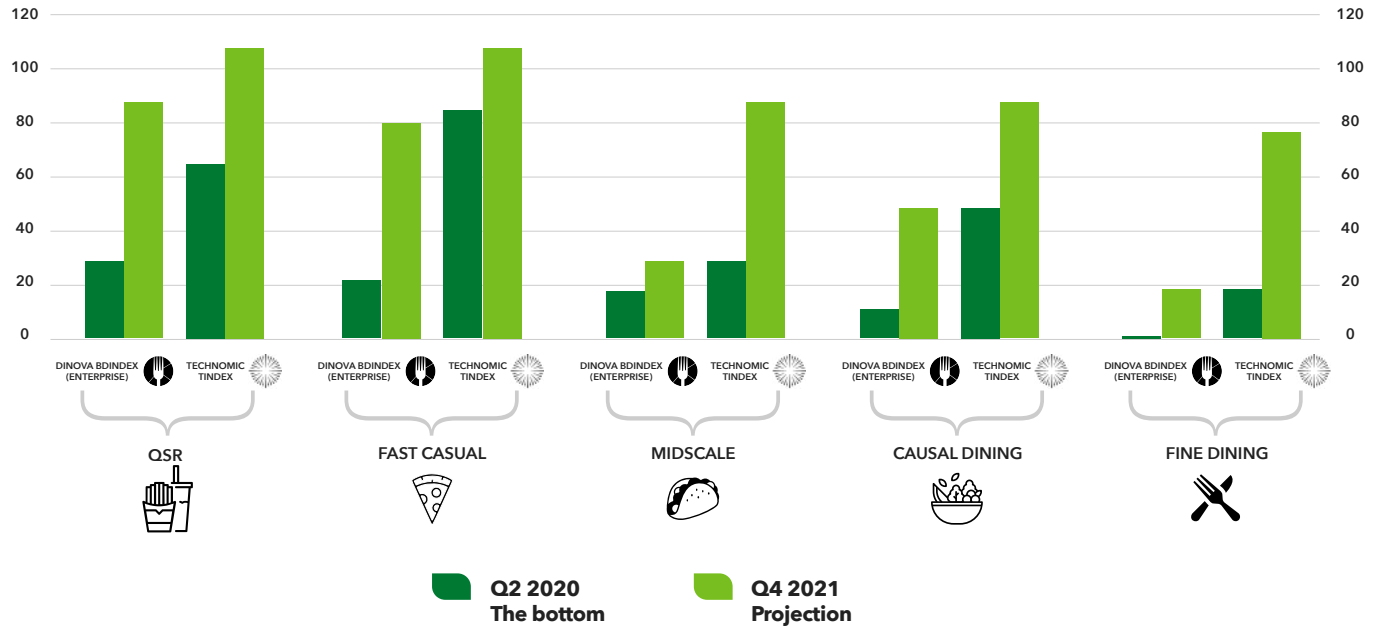
Business dining significantly lags personal dining recovery in Fast Casual, Casual Dining, and QSR. While these segments are each predicted to make a full recovery in overall dining by the end of 2021, slowdowns in the return of business travel and in-office catering activities mean these restaurants aren't enjoying the same levels of recovery on the business dining side. Business dining lagged the overall market by 50+ index points in Q2 2020. The good news is that business dining for these types have been recovering at about since then.

Business dining recovery is critical for Fine Dining restaurants. Across all restaurant segments, fine dining has had one of the slowest overall dining recoveries, but has seen strong momentum in business dining recovery. It also enjoys the smallest gap between all dining recovery and business dining recovery. For Fine Dining to recover as much as more limited-service restaurants, they're going to need significantly more business dining.

5

Benchmark No. 5:
BDIndex (Enterprise) by Menu

Which menus and dining experiences have business diners been most eager to return to in 2021? Here's a breakdown of recovery by menu types for full-service and limited-service restaurants:

Dinova BDIndex (Enterprise) by Menu Type - FSR

Bar chart data (Q2 2020 "The bottom" — green; Intermediate quarters Q3 2020 to Q3 2021 — grey; Q4 2021 Projection — green):

- OVERALL BDINDEX: 17 ... 49
- FAMILY STYLE: 20 ... 52
- SPECIALTY: 15 ... 52
- STEAK: 7 ... 46
- ITALIAN/PIZZA: 15 ... 45
- SPORTS BAR: 12 ... 44
- SEAFOOD: 4 ... 42
- VARIED MENU: 9 ... 38
- ASIAN NOODLE: 3 ... 35
- MEXICAN: 9 ... 34

Legend:
- **Q2 2020 The bottom**
- **Intermediate quarters (Q3 2020 to Q3 2021)**
- **Q4 2021 Projection**

As discussed in the BDIndex (Enterprise) by Restaurant Type benchmark, Full-Service Restaurants (FSRs) enjoyed a recovery leap in Q2, so we saw good recovery for all FSR menus starting then. A couple of things that stand out:

Family Style has been the most resilient menu type for full-service restaurants. Restaurants focused on Family Style menus had the highest bottom for any menu type in Q2 2020 with a BDIndex of 20 and are projected to still have the highest BDIndex in Q4, reaching 52.

Seafood and Steak have seen the biggest recovery. Despite their BDIndices reaching low points in the single digits, they have climbed back with nearly 40 pt increases in BDIndex (Enterprise) projected in Q4.
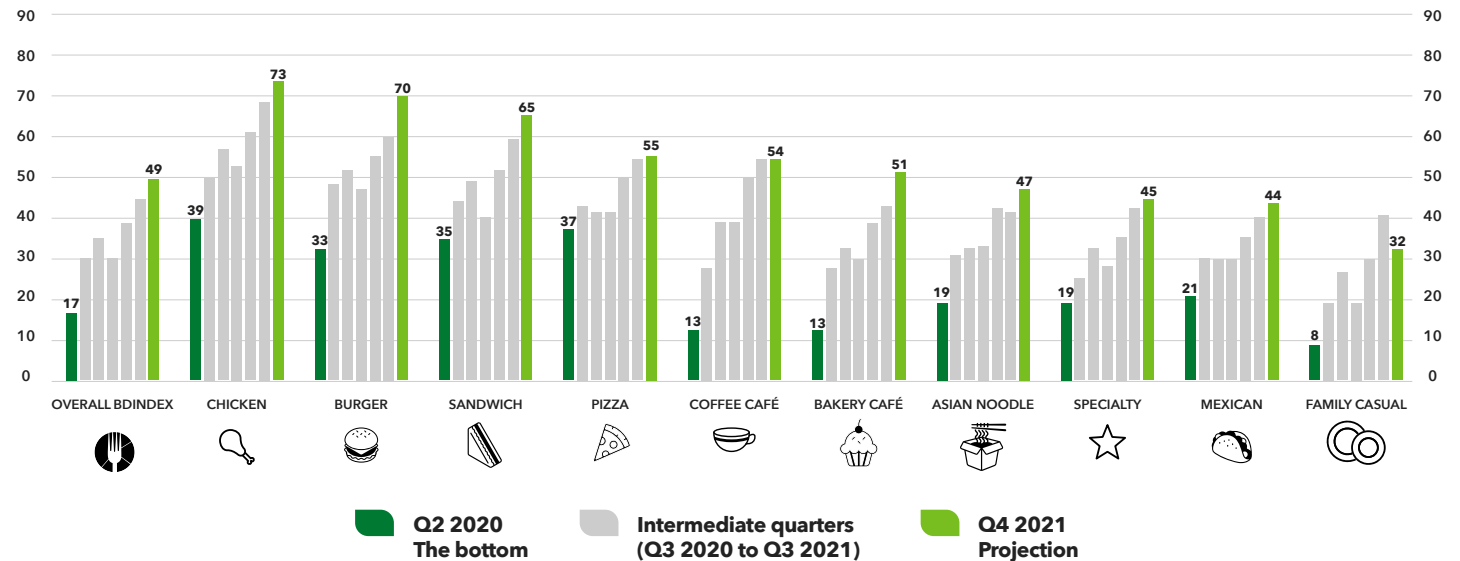
5 cont.

Benchmark No. 5:
BDIndex (Enterprise) by Menu

Food For Thought

Some menu types that thrived pre-pandemic have been more impacted by the change in day-to-day work habits. Pizza, a staple of team meetings, and coffeeshops, the cornerstone of the morning commute and business travel, are two food types that have been slower to recover.

Dinova BDIndex (Enterprise) by Menu Type - LSR

Legend:
- **Q2 2020 The bottom** (dark green)
- **Intermediate quarters (Q3 2020 to Q3 2021)** (grey)
- **Q4 2021 Projection** (light green)

Chart values (Q2 2020 / Q4 2021):
- OVERALL BDINDEX: 17 / 49
- CHICKEN: 39 / 73
- BURGER: 33 / 70
- SANDWICH: 35 / 65
- PIZZA: 37 / 55
- COFFEE CAFÉ: 13 / 54
- BAKERY CAFÉ: 13 / 51
- ASIAN NOODLE: 19 / 47
- SPECIALTY: 19 / 45
- MEXICAN: 21 / 44
- FAMILY CASUAL: 8 / 32

Limited-Service restaurants have recovered much more quickly than Full-Service. Drilling into specific menu types, a few things stand out:

Burger and Chicken-focused restaurants have been the most resilient. Both stayed above a BDIndex (Enterprise) of 30 at the low point and are projected to have BDIndices (Enterprise) above 70 in Q4. These restaurants tended to weather no in-person dining well, because they were already setup with drive-thrus and strong takeout operations.

Pizza is recovering the most slowly. The BDIndex (Enterprise) for Pizza restaurants hit a modest low of 37. Unfortunately, it is only projected to increase 18 points by Q4, giving it the slowest growth of any menu type. In the business dining context, Pizza is both a staple for working lunches and an easily justified morale booster/breakroom bonus, so enterprises' delays in returning-to-office are likely stifling growth in this category.
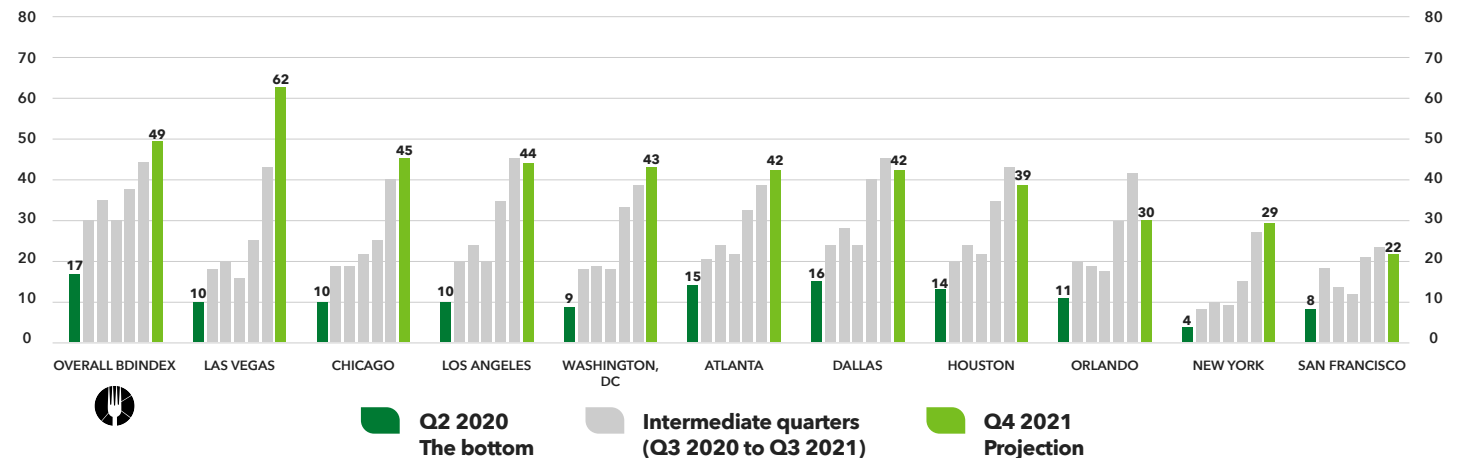
Coffeeshops and bakeries have seen the biggest impact on business dining from the pandemic. No morning commutes and business travel has had a large impact on coffee shops and bakeries. Both categories have only seen average recovery since hitting very low bottoms with a BDIndex (Enterprise) of 13 points in Q2 2020.

6

Benchmark No. 6:
BDIndex (Enterprise) by Market

With wide variances in COVID conditions and related government mandates across the country, major markets continue showing a range of recovery.

Dinova BDIndex by Market

Chart legend:
- **Q2 2020 The bottom** (dark green)
- **Intermediate quarters (Q3 2020 to Q3 2021)** (gray)
- **Q4 2021 Projection** (light green)

Data (Q2 2020 / Q4 2021 Projection values shown):
- OVERALL BDINDEX: 17 / 49
- LAS VEGAS: 10 / 62
- CHICAGO: 10 / 45
- LOS ANGELES: 10 / 44
- WASHINGTON, DC: 9 / 43
- ATLANTA: 15 / 42
- DALLAS: 16 / 42
- HOUSTON: 14 / 39
- ORLANDO: 11 / 30
- NEW YORK: 4 / 29
- SAN FRANCISCO: 8 / 22

There are a couple of key takeaways from these differences in markets:

All big cities took a major hit on business dining. Metropolitan areas were especially susceptible to lulls in business dining. No business travel and empty office buildings meant no workers and no business dining.

Areas with high COVID rates and more stringent public health policies have been slower to bounce back. New York and San Francisco have had the most restrictive dining regulations (spurred by high case rates) and both had low points with BDIndexes in the single digits. New York has had an average recovery, but San Francisco has had one of the slowest and is only projected to reach a BDIndex (Enterprise) of 20 in Q4.

Methodology

In order to offer statistically significant sales insights, Dinova analyzed:

- **Data from $8.2B (2019), $5.0B (2020), $6.3B (2021 projected) in business dining sales by,**

- **Companies that participated in the Dinova program for the period 2019-2021, and dined at**

- **Top 1500 U.S. restaurant brands**

Business Dining Sales Data Analyzed

$8.2B	$5.0B	$6.3B
2019	2020	Projected 2021

Any forward looking predictions are a simple extrapolation of YTD patterns and may be impacted by external factors, including the delta variant.

About Dinova

With a business-grade restaurant network that includes 18,000+ locations nationwide, Dinova helps nourish the connections between restaurants, enterprises, and the business diners they serve every day.

Dinova makes business meals count. As the only total business dining solution, Dinova helps benefit three interconnected parties:

- **Restaurants**, who get a B2B strategy that drives growth;

- **Corporate Enterprises**, who get visibility into a rogue spend category, savings on their third-largest T&E expense, and a popular employee perk program; and

- **Business Diners**, who get an easy way to earn loyalty rewards while spending company money.

To learn how Dinova can help make business meals count for you, visit **Dinova.com** or email us at **marketing@dinova.com**.