

2022

MIDYEAR UPDATE

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At the close of 2021, Technomic forecasted 2022 as the “Year of the Climb,” and since that time we’ve witnessed the industry’s forward push toward resurgence and success. High-performing restaurant segments, innovative product solutions and a focus on flavor uniqueness are all contributing to an industry that is still climbing.

How has our 2022 forecast borne out over the past six months? Read on to discover where we stand today.

Industry Bright Spots and Hurdles Persist

Looking ahead to 2022, Technomic projects that industry recovery will continue. The first quarter of 2022 will reveal a particularly strong year-over-year performance from 2021, when the industry was still in the throes of the pandemic and its impact. The good news is that, on a nominal basis, the industry will surpass its 2019 sales level, with a 10.4% increase in sales forecasted for 2022. It should be noted, however, that menu price inflation has driven and will drive a significant portion of sales growth in 2021 and 2022,

respectively. From a segment perspective, senior living facilities, supermarket foodservice and limited-service restaurants will continue to fuel this upsurge, while the full-service segment will take a slower road to resurgence due to a plethora of issues, including the soft performance of business and leisure travel. Next year, the top priority for operators will be to offset the primary pain points related to prices, labor and product availability.

Midyear Status: Industry performance remains on the upswing, despite the lingering obstacles that still challenge foodservice operations. Our midyear outlook now reveals that on a nominal basis, the total restaurant and bar industry stands to grow sales by 6.1%.*

This growth will be largely driven by persistent inflation, as well as the strong showing of the industry's Top 500 restaurant chains, which we recently projected will increase sales by 8.6% in 2022.** Fast-casual chains will continue to be key performers in 2022; limited-service chicken, pizza and burger brands will be top players; and the full-service steak segment will heat up as business travel returns.

All in on Prep

Persistent supply chain woes will force operators to innovate with unique and varied preparations of ingredients already on hand, allowing for expanded menus without adding new SKUs. Picture operators roasting or grilling items that are typically served raw for new textures, blistering or aging fare for added flavor dimensions, and pickling, jamming or fermenting ingredients to extend their shelf life and bring forth new taste experiences. Why reserve buttermilk-braising solely for chicken? Why only serve radishes and lettuce raw? The sky's the limit for showcasing nontraditional ingredient preparations in the coming year.

Midyear Status: As restaurants have continued to raise prices, reaching their highest rate in 40 years in January according to federal data, they've needed to get creative with ingredients at

hand. Adorn Bar & Restaurant in Chicago is a great example of this, where new texture experiences are coming from aerating and freeze drying; cocktails are revealing new taste experiences, including curry and other traditional food ingredients making their way into the glass; and ingredients are moving across dayparts, such as in breakfast Bolognese. Expect these unique and varied preparations of traditional ingredients to continue at least until inflation eases.

The Fight for Labor

The desperate scramble for adequate staffing has led restaurants to address recruitment and retention challenges with new and creative strategies designed to improve the image of restaurants as desirable places to work. The next year will bring a surge in the number of restaurant companies hosting virtual hiring events, upping hourly wages systemwide, offering referral and signing bonuses, implementing 401(k) and healthcare benefits, dropping educational requirements for managerial roles and providing emergency child care, all in an effort to snag workers from the retail sector, gig jobs and other highly competitive channels.

Midyear Status: Staffing constraints are still a top-of-



Restaurants will be looking to snag workers from other highly competitive channels

mind concern for restaurant companies, but the news is not all bad. Recent statements made by major restaurant chains like McDonald's and BJ's Restaurant & Brewhouse indicate that the labor crisis is generally improving, particularly in markets where top chains are heavily investing in higher wages and employee benefits. Throughout 2022, look for restaurants to double down on initiatives designed to draw and retain employees, from competitive wages to an enhanced workplace culture that factors in schedule flexibility and workers' health and wellness.

Proteins in Play

The pandemic has opened the door to new and unexpected types of protein penetrating menus. For operators, expanding protein options helps address supply chain shortages and rising



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product costs. For consumers, protein is prominent in both trendy diets and comfort fare and is often significant to the value equation. Expect further exploration into plant-based fish and seafood, bacon, milks and more, as well as a greater emphasis on nuts and seeds and the global cuisines that prominently feature these items, such as Mesoamerican, Western African and Western Asian. Operators will implement protein swaps to either highlight affordable yet flavorful cost-savers, such as replacing chicken breasts and wings with thighs, or to simply excite diners, such as fish or seafood meatballs and ragu, chicken-based osso buco and chicken-fried vegetables and waffles.

Midyear Status: Thus far in 2022, protein swaps have occurred in the form of non-steak au poivre preparations, with parsnip at

Helen in Birmingham, Ala., salmon at Joe's Seafood, Prime Steak & Stone Crab in Chicago and tuna at Quality Meats in New York City, Buffalo Brussels sprouts at Comfort Kitchen in Boston, and non-pork mortadella with rabbit at Yolán in Nashville. Plant-based milks have found interesting menu placement, including pecan milk in a granola at The Grey in Savannah, Ga. And nuts and seeds including alfajor (sweet made of a paste of almonds, nuts, breadcrumbs and honey) and tigernuts (chewy marble-sized tubers that taste similar to almonds or pecans) are popping up in new forms.

Weighing Comfort vs. Experience

In any normal year, the foodservice consumer is a fast-moving target. But in this not-yet-post-pandemic world, consumers' evolving behaviors will be more challenging than ever for operators to meet. While consumers are currently upping their spending in restaurants and enjoying a return to the on-site experience, a surge in new delta variant cases illuminates how fickle consumers' comfort levels are, requiring operators to be nimble in their service approach. The ongoing dual need for comfort and experience will have a clear and direct impact on how restaurant companies

forge ahead in their operations. Restaurants will have to grapple with how to balance the desire for interactive, fun, communal experiences on-premise while continuing to emphasize delivery, takeout-only formats and other off-premise services that strengthen consumers' comfort and safety perceptions.

Midyear Status: Mask mandates are lifting, pandemic restrictions have eased and consumers are anticipating a full-on back-to-normal lifestyle throughout 2022. As restaurant guests become increasingly comfortable with gathering for dining occasions, expect "eatertainment" concepts, food halls and other communal spaces to experience a renaissance as consumers gravitate back to these spaces as the year goes on. However, despite the widespread return to dine-out experiences, operators will still invest in off-premise service amenities to meet the needs of consumers who remain cautious about dining out—or who simply favor a convenient, at-home dining occasion.

Ready for Robotics

The foodservice industry has been buzzing about the promising future of robotics for years, but will 2022 be the year that automation becomes more mainstream? Some signs are pointing in that direction, as kitchen robots are now poised

to both revolutionize service models and increasingly ease the burdens of the labor shortage. Robotic solutions will more widely emerge as worthy back-of-house investments, for everything from food prep to cleaning floors and equipment. For front of house, more tech companies will roll out smart robots that are equipped to function for table service, filling the gap that restaurants currently have for experienced waitstaff. Look for top quick-service chains to lead the way for the automation trend in 2022; automated voice ordering and robotic drive-thru service have been recently put into play at select McDonald's, Domino's and KFC locations.

Midyear Status: Automation technology continues to capture the imagination of the foodservice industry, even as sky-high commodity and

labor costs hamper restaurant companies' ability to truly invest in robotics. But for those brands with the capacity to explore this technological opportunity, automation will still be central to innovation. Consider the recent strategy implemented by Jack in the Box to test kitchen robots at a single location in San Diego, Calif., with the possibility of expanding the test into a rollout into other stores in 2022.

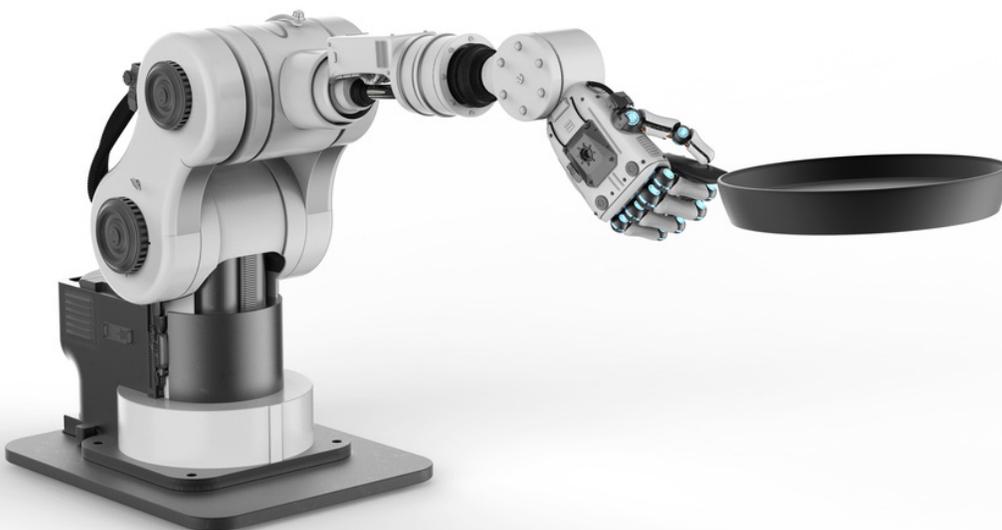
Take With a Grain of Salt

Salt is the new fat—an indulgent flavor enhancer sought after for its craveable comfort capabilities. As the trend of comfort-plus expands, operators will increasingly look to salt and salty flavors to enrich their

menus. Finding momentum are naturally salty ingredients, such as purslane or seaweeds; salt-cured meats and fish (also a preservation technique); salt-forward sauces, condiments and spice blends, including gomashio and koshos; and cocktails incorporating salt water and other salted ingredients. And some of these naturally salty ingredients are creatively subbing for table salt on menus, such as cocktail glasses rimmed with Tajin or togarashi spice blends or fries seasoned with furikake or za'atar.

Midyear Status: Salt truly is becoming the basic taste of the year. We're seeing salty desserts, including matcha kakigori with salted cream at Hestia in Austin; salty drinks, such as a beef broth-infused Bloody Mary from JG Melon in New York City; and specialty salts, such as 600-degree Himalayan sea salt in a pork chops dish at Lyra in Chicago. New naturally salty ingredients, such as sugar kelp (marine algae), arare (bite-sized Japanese cracker made from glutinous rice and flavored with soy sauce) and basturma (seasoned, air-dried cured beef popular in Balkan and Middle Eastern cuisines) are popping up as well.

Will 2022 be the year that automation becomes more mainstream?



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