



Technomic[®]

Industry Insights

A roundup of noteworthy Canadian foodservice findings for the week of March 1, 2021

A&W Challenged by Location Closures

After posting strong sales growth in 2019, the momentum of A&W in Canada was challenged throughout 2020 by ongoing dine-in restrictions and temporary location closures.

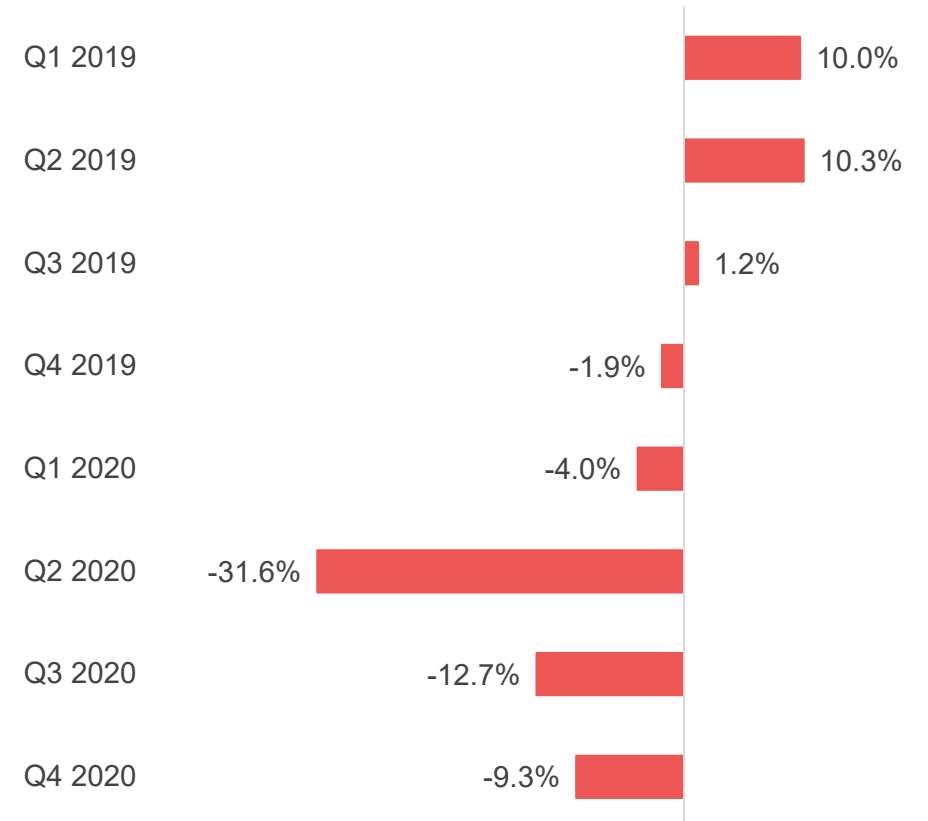
Annual same-store sales for one of Canada's largest burger chains declined by 14.3% in 2020, finishing with a 9.3% decrease during the fourth quarter ending Dec. 31, 2020.

Nearly 24% of A&W's Canada locations closed temporarily in the second quarter. Restaurants that remained in operation were restricted to drive-thru, limited takeout, delivery and mobile ordering.

While dine-in restrictions were eased over the course of the year, A&W still has around 30 restaurants in Canada that have yet to reopen as of February 2021.

Source: Technomic Ignite company news

A&W CANADA SAME-STORE SALES
YEAR-OVER-YEAR CHANGE (%)



Sweet Mashups Offer Double Indulgence

Operators are increasingly offering indulgent dessert mashups, giving consumers the best of both worlds. This makes sense given that 40% of consumers at least somewhat agree they eat indulgent desserts more often now than two years ago.

The ongoing pandemic has consumers prioritizing their cravings, and combining two desserts in one allows for multiple cravings to be met at once. Also, as a bonus for operators, if both dessert products or flavourings are already in kitchens, the mashup allows for new product innovation without the purchase of new SKUs.

Recently, Krispy Kreme Canada launched a limited-time collection of

Mini Dessert Doughnuts, which featured doughnuts mashed up with flavours of birthday cake, chocolate chip cookie dough and strawberry cheesecake. McDonald's Canada also introduced a cookie and doughnut mashup with its Cinnamon and Cream Li'l Donuts, which feature cinnamon cookie crunch. Both operators took doughnuts to the next level by adding an extra dessert component (or the flavour of an additional dessert), making for an even more indulgent treat.

In another example, this month Dairy Queen Canada began offering a limited-time Red Velvet Cake Blizzard, which features vanilla soft serve blended with red velvet cake pieces.



Dairy Queen Canada's Red Velvet Cake Blizzard
Image Source: Dairy Queen Canada website

LSRs Drive Menu Excitement

Menu streamlining has been a priority for many operators as brands continue to optimize menu mixes and focus on off-premise offerings. Consumers are still looking for new and craveable options from foodservice though and offering updated menu items can help to drive traffic.

According to *Technomic's 2020 Canadian Future of LSR Consumer Trend Report*, 21% of consumers at fast-food restaurants and 27% of consumers at fast casuals strongly agree that if a restaurant they typically don't visit offers a unique limited-time offer (LTO), they would be likely to visit and try it.

The LSRs that rated highest for uniqueness and the ability to introduce new and exciting products are known to prioritize and highlight new LTOs regularly. A&W Canada and Dairy Queen Canada are top brands across both metrics because they continually roll out new items with craveable flavours. For instance, A&W Canada recently rolled out its truffle mozzarella burgers.

While menu innovation can include new and unique ingredients, it can also emphasize small or familiar swaps as a way to add new items in a more streamlined manner.

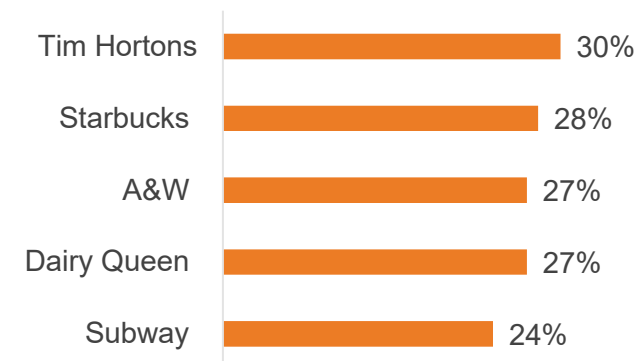
Base: Varies by brand
Source: Technomic Ignite consumer data, Q1 2020–Q4 2020 (top box brand)

TOP LSRS THAT...

...OFFER UNIQUE ITEMS I CAN ONLY GET THERE



...INTRODUCE NEW AND EXCITING PRODUCTS



Sustainability Back in Focus

Put on hold for a short while, suppliers and operators have restarted their sustainability initiatives in recent months as the health of the environment remains a key long-term priority across global markets.

Here are some recent highlights.

Australia

McDonald's new eco-friendly flagship—which marks the brand's No. 1,000 store in the country—features sustainable cutlery and packaging, 100% renewable energy, recycling for used kids meal toys, charging stations for electric vehicles and carbon-neutral delivery service.

Middle East & North Africa

Starbucks rolled out strawless lids across its system in the region as part of its ongoing effort to reduce plastic use at its coffee shops.

Canada

KFC is testing a compostable spork made of bamboo, corn and sugarcane that breaks down into biomass and takes 18 months to decompose.

As operators return attention to sustainability and eco-friendly initiatives, suppliers should promote products that help position their clients as industry leaders.



McDonald's eco-friendly flagship in Australia
Source: McDonald's press release

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