October 2019 Report

**Business Intelligence Report**

<table>
<thead>
<tr>
<th>Cashless Transactions</th>
<th>Plastic Pollution</th>
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<tbody>
<tr>
<td>Upskilling</td>
<td>Diversity &amp; Inclusion</td>
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<tr>
<td>Plant-based Foods</td>
<td>Meal Delivery</td>
</tr>
</tbody>
</table>
Executive Summary

In this Business Intelligence report, the National Restaurant Association and High Lantern Group zoom in on six issues of particular interest to restaurants, including:

**Cashless Transactions** 5
A hot-button, trending issue, with increased activist and policymaker attention. With U.S. cities passing bills banning cashless transactions, the debate is evolving rapidly and a key one to watch.

**Upskilling** 7
The “future of work” debate is largely positive, generating excitement over the potential to increase efficiency and eliminate mundane tasks. Yet, many influencers argue more retraining is needed to narrow future skills gaps.

**Plant-based Foods** 10
Interest in plant-based proteins has surged over the past year. Restaurants are adding plant-based menu items to capitalize on emerging trends for healthy, sustainable, and “flexitarian” choices.

**Plastic Pollution** 13
A top environmental debate of 2018, plastic pollution led dozens of industries to commit to reducing use. While the debate to date has primarily focused on straws, other single-use plastics are in the crosshairs.

**Diversity & Inclusion** 15
Many companies are seeking to attract and retain the best talent by improving workplace diversity. This report identifies several best practices to help operators foster a diverse and safe workplace.

**Meal Delivery** 18
Shifting consumer preferences are driving an explosion in meal delivery. This issue has the potential to morph quickly, meaning that restaurants will need to monitor labor and safety risks closely.
Issue Analytics helps shape corporate reputation through data-driven issues management

Issue Analytics leverages cutting-edge data science techniques to track 130+ reputational issues debated by the most influential voices. This helps to better protect and enhance restaurant industry reputation by:

1. Countering emerging threats, and
2. Identifying areas to advance strategic priorities.

Unstructured Data from Influencers
Collects millions of data points each month from more than 3,000 elite stakeholders, including major influencers, federal policymakers, & top activist groups.

Natural Language Processing
Feeds this unstructured data into an NLP engine designed to remove noise, tag and sort into more than 200 reputational issues affecting business.

Issues Prioritization
Uses a custom scoring and analytics system to rank issues across a number of key indicators like likelihood to impact your industry.

Issues Strategy
Identifies and analyzes key inflection points to prioritize issues of today and plan for the future.
Issue Analytics Approach & Method

Issues Management

Issues management is a discipline that helps clients see their landscape more clearly, identify risks and opportunities and develop strategies to build reputation.

**Identify threats** to institutional reputation before they metastasize.

**Evaluate decisions** in the context of public expectations and risks.

**Formulate strategies** and plans to more effectively respond, preempt or influence the issues that matter most.

**Shape the external environment** so the institution can grow and thrive.

Elite Stakeholders Drive Industry Reputations

We currently monitor the social media accounts of 3,000+ carefully curated, elite stakeholders:

**U.S. Policymakers** including every nationally elected congressperson, executive branch (president and full cabinet), congressional committees, mayors from the 50 most populous cities and all 50 governors.

**Influencers** including opinion/editorial pages for elite newspapers like the NYTimes and WSJ, top 40 think tanks, big 4 consultancies, influential voices like Bill Gates or Edward Snowden, and major international institutions like the UN, OECD, and the World Economic Forum.

**Activists** including the largest issue-specific activists (working on the environment, food, guns, labor, supply chain, and more), and multi-issue pressure groups such as the ACLU, Heritage Action, and FreedomWorks.

**Media** including top 50 national media outlets according to web traffic, TV pundits by highest ratings, as well as industry-specific, regional and local media/journalists relevant to existing client areas in health, retail, hospitality, restaurants, gaming, and CPG spaces.

**Corporate** including a vast majority of Fortune 1000 companies and their CEOs (though most are not on Twitter), top 100 brands, and largest 50 trade associations by revenue.
Issue One

Cashless Transactions
War on cash? Cashless transactions debate remains lively
This debate has remained strong over the past six months, as several restaurant and retail stores have explored accepting digital-only payments. Operators considering such a move should monitor this rapidly shifting issue, as policymakers and activists express concerns about the impacts of such policies on those without access to credit/debit accounts.

Combined, these concerns have led to recent local and state regulatory action. Building upon Massachusetts’ 1978 ban on cashless stores, Philadelphia, New Jersey, and San Francisco have recently passed cashless transaction bans with unanimous or near-unanimous votes. Major U.S. cities like New York City, Chicago, and Washington, D.C. are all considering similar bills, while Congressional Democratic lawmakers have introduced federal legislation mandating cash acceptance.

Industry begins pivot back to cash
In response to activist criticism and increased policymaker interest, several companies have walked back from cashless operations.

- Salad chain Sweetgreen announced it will begin accepting cash at all locations by the end of 2019, following three cashless years.
- Amazon has also announced it will begin accepting cash at its Amazon Go locations.

The National Restaurant Association supports the right of restaurants to choose the operational model that best serves their communities. Restaurants know their customers – and their customers’ preferred form of payment – best. Our members will pick the forms of payment most appropriate to their clientele’s preferences and usage. Each form of payment has its own pluses and minuses in terms of cost to the merchant and the speed of service.

Policymakers & activists raise equity concerns
Opponents of cashless transactions worry about its discriminatory effects for the unbanked, underbanked, and elderly populations, arguing they may lack access to or familiarity with digital forms of payment. Others claim such frictionless payments will lead people to spend beyond their means.

Chart shows resonance for Cashless Transactions since summer 2018. Resonance scores represent the size and intensity of an issue debate using engagement metrics among the 3000+ actors we track (Activists, Policymakers, Influencers, Media, & Companies). Resonance scores range from 0 – 10.
Issue Two

Upskilling & Automation
Excitement on automation, yet concern given need for massive retraining

Think tanks, major media, policymakers, and unions are all weighing in on the future of work, given excitement regarding the potential for robots and automation to increase business efficiency and improve the customer experience. Yet, concerns persist that worker retraining will not keep pace with the speed of automation; the OECD estimates jobs in food prep and hospitality to be among those most vulnerable to automation (see chart).

Amidst this potential, there is a growing consensus that more will need to be done to retrain employees for future roles and responsibilities. According to the WEF, 54% of all employees will require significant upskilling by 2022 to close widening skills gaps.

Restaurants distinguished for investing in employee retraining

In the face of a changing labor market, companies across industries are investing in workers through:

- Upskilling programs training employees in technical skillsets through apprenticeships and certifications,
- Full or partial debt forgiveness programs,
- College affordability initiatives offering tuition assistance and education pathways.

Restaurants are the #1 industry associated with college affordability & upskilling programs, demonstrating heightened industry advantage on the issue.

How can restaurants adapt their upskilling investments to meet retraining needs?

The World Economic Forum reports the future of work will see greater demand for proficiency in:

- Operating and maintaining new technologies,
- Human skills such as creativity, critical thinking, problem-solving, emotional intelligence, and service orientation.

Restaurants should consider how to adapt/develop programs focused on these particular skills through:

1. New and existing education assistance programs,
2. Creation of new industry-specific certifications that will prepare staff for future roles; and
3. High-skill apprenticeship programs.

Automation Risk By Job Type

Restaurants The #1 Industry Associated With Employee Retraining

[Automation Risk By Job Type chart adapted from: The Economist. April 2018. A study finds nearly half of jobs are vulnerable to automation.

2. OECD. March 2018. Automation, skills use, and training.
The National Restaurant Association is dedicated to educating the employer community and policymakers about the issues surrounding technology-induced displacement of employees (TIDE), and maximizing the economic and social benefits of TIDE for America’s companies and workers while minimizing its disruptive costs for workers and companies.

The Association is actively engaged with the Emma Coalition, directly engaging policymakers, educating them on the importance of confronting TIDE and attempting to shape policy through thought leadership and advocacy. In addition, the Coalition engages with employers themselves to establish recommended practices and create training programs designed to provide employers with workers possessing the skills needed to compete in the post-TIDE economy.

A strong majority (71%) of restaurant managers and executives think it is important to invest in their employee’s education

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</tr>
<tr>
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<td>7%</td>
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Source: Morning Consult
Plant-based proteins are no flash-in-the-pan trend
Interest in plant-based proteins has surged over the past 12 months, as various restaurant chains and food retailers offer plant-based protein burgers, dairy alternatives, and more. Rising debate resonance and market research underscore the emerging market opportunity these offerings present for the restaurant industry.

Nielsen market research finds:
• 30% sales growth of plant-based protein 2017 – 2018
• 39% US consumers actively trying to eat more plant-based foods
• 38% US consumers associate plant proteins with positive health effects.

Traditional meat producers and sellers embrace plant-based proteins
The market for plant-based proteins has expanded significantly over the past year:
• Impossible Foods and plant-based burger rival, Beyond Meat, both aggressively raised capital and scaled up production as many restaurants have added plant-based burgers to their menus.
• Recently, Tyson Foods announced a new plant-based protein brand that will begin offering “chicken” nuggets and burgers to consumers this summer.
• Investments in plant-based egg substitutes are on the rise with companies like JUST Inc. and Spero hoping to tap into the $7 billion traditional egg business.

Strong And Growing Plant-Based Proteins Debate

Chart shows resonance for Plant-based Foods since early 2018. Resonance scores represent the size and intensity of an issue debate using engagement metrics among the 3000+ actors we track (Activists, Policymakers, Influencers, Media, & Companies). Resonance scores range from 0 – 10.
Media elevates a largely positive public discourse

Media and activists account for 95% of the plant-based foods debate. News or accolades for new products, investments, or plant-based menu items dominate discussion.

Activists in support of plant-based foods claim benefits for:
- animal welfare,
- the environment with reduced water use and potential supply chain emissions,
- human health.

The animal welfare argument is the most often cited, propelled by groups such as PETA and Mercy for Animals.

Opportunity to capitalize on consumer health demands through plant-based menu investment

Euromonitor cites the “conscious consumer” as one of 2019’s top ten global consumer trends. Investing in plant-based menu options can meet growing consumer preferences for flexitarian, healthy, sustainable, and transparent dining choices.

Menu names can help to drive sales

As restaurants take advantage of shifting consumer preferences, the World Resource Institutes’ Better Buying Labs suggests how best to boost sales of meatless options by carefully considering names and descriptions:
- Avoid describing menu options as meatless, meat-free, vegan, vegetarian, or healthy.
- Highlight the provenance of an item, using terms like field-grown or garden, or specifying a geographic area.
- Emphasize the flavor, look, and feel of the product, using descriptors like creamy, smooth, slow-roasted, or buttery.

Some states, such as Arkansas, Louisiana, Mississippi, Missouri, South Dakota, and Wyoming have passed laws restricting the labeling of plant-based food offerings, often preventing the terms “beef” or “meat” to be applied to food items not derived from harvested production livestock or poultry.
Issue Four

Plastic Pollution
Top environmental debate spurs government bans and backlash

Plastic pollution has been a top environmental debate over the past year. Straw bans drove much of the city, state, and international regulatory discussion. At the same time, some states have prohibited local plastic bans, arguing for consumer choice and against increased cost of alternatives. While the debate peaked last summer, it remains a top issue activists use to pressure corporations.

Industries respond with major waste reduction commitments

New and potential regulations have prompted dozens of major restaurant and retail brands to commit to reducing plastics. Despite widespread commitments to go strawless, scrutiny is already shifting to encompass all single-use plastics (take-out containers, bottles, & plasticware) as pressure to reduce ocean plastic and landfill waste continues.

Due to such pressure:
- Many restaurants only provide plastic straws upon request.
- Soft drink companies are committing to phase out non-recyclable bottles.
- Coffee chains are exploring more sustainable single-use cups.

How can restaurants proactively reduce plastic waste?

Activist and government scrutiny on the issue is likely to remain resilient throughout 2019 and to meet consumer demands for reductions in plastic waste, the National Restaurant Association suggests these guidelines if restaurants want to reduce operational waste:
- Conduct an internal assessment to better understand the impact of your plastic use (e.g. what is the total quantity of each plastic item you use every month and what is the overall cost of using those plastic items?).
- If you decide that you want to reduce plastic in your operations, create a plastic reduction plan, focusing on the top 2-3 single-use plastic items used. Consider packaging options that are recyclable or compostable, reduce the quantity given away and consider ways to eliminate packaging, replace with multi-use options, or switch to recyclable products.
- Update your official purchasing policies and measure results.
Diversity & Inclusion in the Workplace
Equality & diversity drive today’s largest debates
Of 200+ national debates HLG Analytics tracks, 6 of the top 20 are equality issues.
Activists, media and policymakers are calling attention to equality concerns and applauding efforts from companies committed to address these issues.

Diversity & inclusion debate impacts all industries
Workplace diversity debate affects a wide range of industries from tech to air freight to restaurants.
By their very nature, these issues are sensitive and tough to address. While some companies face criticism or even legal action, many companies are proactively taking steps to improve diversity and inclusion.

Diverse businesses outperform peers in talent and financial returns
Companies with diverse workforces are 35% more likely to financially out-perform their peers, with greater diversity associated with top talent recruitment and employee satisfaction. Employees who feel their voice is heard are 4.6 times more likely to feel empowered to perform their best work. Employees who believe their company provides equal opportunities are 3.8 times more likely to express pride in working there.

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Equality Debates Comprise 6 of Top 20 Issues

| No. 1  | Border Security          |
| No. 2  | Healthcare Reform        |
| No. 3  | Climate Change           |
| No. 4  | Family Planning          |
| No. 5  | Gun Control              |
| No. 6  | Gender Equality          |
| No. 7  | LGBT Equality            |
| No. 8  | Trade Barriers           |
| No. 9  | Living Wage              |
| No. 10 | Tax Reform               |
| No. 11 | Race Equality            |
| No. 12 | Active Shooter           |
| No. 13 | Lobbying                 |
| No. 14 | Fossil Fuels             |
| No. 15 | Industry Economics       |
| No. 16 | College Affordability    |
| No. 17 | Sexual Harassment        |
| No. 18 | Wealth Inequality        |
| No. 19 | Free Speech              |
| No. 20 | Religious Equality       |

Top 10 Industries Discussed Within Workplace Diversity Debate

- Tech
- Media
- Air Freight & Logistics
- Restaurants 6%
- Automobiles
- Internet Retail
- Textiles, Apparel & Luxury Goods
- Telecom
- Specialty Retail
- Entertainment

Chart shows industry mentions as percent share of Workplace Diversity debate over the past year.

Ranking based on average resonance of today’s largest debates over the past 90 days.
How can restaurants maintain a diverse, inclusive workplace?

Restaurants face a unique array of challenges but also benefit from one of the most diverse talent pools of any industry. The Multicultural Foodservice & Hospitality Alliance (MFHA) provides culturally intelligent solutions on how restaurants can improve diversity & inclusion efforts to realize talent and provide optimal customer service to ALL patrons. MFHA recommends a holistic approach to address workforce diversity:

- Evaluate your entire hiring process from sourcing to interviewing talent.
- Implement Unconscious Bias diversity training through live workshops and the “Understanding Unconscious Bias” eLearning modules for front line employees and manager.
- Ensure internal pulse surveys are conducted annually to measure the impact and value of internal diversity and inclusion programs.

A majority of restaurant managers believe it is important to recruit and maintain a diverse workforce

Source: Morning Consult
Restaurants invest in third-party partnerships and delivery
Restaurants find themselves in the midst of a rapidly changing landscape as some national chains partner with third-party services, others create or expand delivery internally, and still more explore delivery-only formats. Regardless of mechanism, restaurants are exploring and garnering media attention for innovative meal delivery services.

- $3.5 billion invested in food & grocery delivery services, primarily apps, in 2018.¹
- 50%+ of delivery customers order directly from a restaurant, suggesting opportunity for internal delivery services.²
- New technologies and formats such as ghost kitchens enable the delivery-only restaurant.

Booming trend may present future operational and regulatory risks
Restaurants should follow this emerging issue and its associated risks closely, particularly:

- **Labor concerns**: Labor activists are targeting Instacart and DoorDash for low delivery driver pay, calling for unionization and boycotts. Could this impact costs for third-party apps which are then passed on to restaurant operators?

- **Financial tensions**: As restaurants leverage delivery to expand to new areas, some operators struggle to break even due to third-party app commissions. Given such financial pressures, how can restaurants best handle these costs?

- **Food safety**: More restaurants are handing over control of food delivery to third-party carriers and gig-economy drivers, and activist concerns over chemicals in take-out packaging are rising. How will restaurants ensure food safety and regulatory compliance?

- **Autonomous vehicles and drone delivery**: Autonomous delivery bots are becoming more popular on college campuses. Domino’s will soon begin using self-driving vehicles to deliver pizzas. Uber has announced plans to test food delivery drones. How will the risks associated with labor automation, autonomous vehicles, and drones compound with meal delivery?

- **Potential changes in third-party delivery driver classification.** A recent California Supreme Court case, Dynamex Operations West v. Superior Court, could potentially change how the employees of third-party delivery companies are classified by re-defining the requirements for labeling an employee an independent contractor. While the implications of this court decision for third-party delivery companies remain unclear, changing the status of delivery drivers to a regular employee as opposed to, an independent contractor is bound to create changes in the operating structure for these companies.

Would you describe the impact of Third-Party delivery systems for your business operations as positive or negative? (i.e. UberEATS, PostMates, GrubHub, DoorDash, Seamless)

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Nearly half (47%) of restaurant managers and executives believe third party delivery systems have been mostly positive for business operations. Noticeably, 31% are unsure.

How concerned, if at all, are you about potential food safety concerns using Third-party delivery systems?

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<td>21%</td>
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<td>10%</td>
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<td>12%</td>
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More than half of managers and executives are concerned about the potential food safety concerns of using third-party delivery systems.

Source: Morning Consult