

BAUM + WHITEMAN

INTERNATIONAL FOOD + RESTAURANT CONSULTANTS

OUR MID-YEAR SURVEY OF HOT FOOD & BEVERAGE TRENDS IN RESTAURANTS AND HOTELS FOR 2015: THE WHITEMAN REPORT

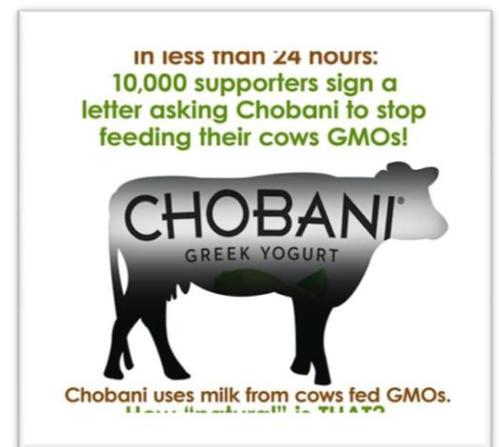
Two "big issues" affecting everyone: Banishing chemicals -- the "healthification" of fast food; and how "Uberizing" food delivery will disrupt the hospitality industry. Plus four important trendlets.

[Baum+Whiteman](#) creates high-profile restaurants around the world for hotels, restaurant companies, museums and other consumer destinations. Based in New York, their projects include the late Windows on the World and the magical Rainbow Room, five of New York's three-star restaurants and the world's first food courts.

18 June 2015: It's time for our mid-year summary of 2015's most important dining-out trends. We've divided this report into: Two "Big Issues" that may disrupt how restaurants do business ... and four here-and-now trends that are affecting menus and consumer ordering decisions.

TWO BIG ISSUES:

#1. Free-from ... After years of consumer pressure, big restaurant companies are all-of-a-sudden and all together dumping some artificial (and other bad-for-you) ingredients from their menus. And leaning on growers and processors to get the stuff out of their products. Suddenly we're looking at the "healthification" of fast- and fast-casual food. A recent survey found that 36% of consumers worried about "chemicals" in their food ... in another survey, 40% of consumers report it's "very important" that foods use all-natural ingredients, free of GMOs and artificial flavors or colors (*see activist campaign, right, that has nothing to do with Chobani's yogurt quality*).



This is a "here-and-now" trend ... and a big one:

- Chipotle Mexican Grill is purging genetically modified ingredients. Its animals still feed on GMO corn or soybeans (90% of which are GMO in this country) ... and their tortillas still contain preservatives and dough conditioners but they're working feverishly on that.
- Panera Bread listed more than 150 artificial colors, flavors, sweeteners and preservatives that it will send into exile by the end of 2016.
- McDonald's, under siege from Wall Street to Main Street, is ridding its chickens of antibiotics used by humans. Tyson Foods, one of McD's big suppliers, will do so by 2017 ... then turn attention to other meat products. Purdue long ago accomplished this with its chickens. Chick-fil-A will take until 2019. Panera's and Chipotle's chickens are already free from antibiotics. Au Bon Pain just dumped them, too. Those antibiotics ... cheap ways of fattening animals ... reduce their effectiveness in humans. McD also began selling milk without the controversial growth hormone rbST.
- Subway will no longer use azodicarbonamide in its bread ... a dough conditioner used in yoga mats and shoe rubber. Dunkin Donuts will give the heave-ho to titanium dioxide, a whitening agent used in paints.
- Noodles & Co. plans to remove artificial colors, flavors and preservatives from its soups, sauces and dressings later this year. Pizza Hut will yank artificial flavors and colors from some pizzas by the end of July. Taco Bell hopes to remove all artificial flavors and colors by year's end, replacing them with natural alternatives ... (not counting drinks and Dorito-flavored items).

Odd that most of this is taking place among fast food and fast casual chains ... with little word from sitdown restaurants, or from hotels that still make a big deal of rooftop beehives. But getting rid of selected no-nos is no mere fad, so others are compelled to follow ... as are their suppliers of (mostly) processed food. Everyone will scramble to "sanitize" their menus.

A USDA program will let food manufactures add non-GMO labels to retail packages ... thus ramping up consumer awareness. Interestingly, more consumers get their food information from news and social media than from government reports or from manufacturers ... indicating a certain lack of trust with official sources.

There's lots of wiggle-room regarding additives! Most restaurants pushing for "clean" food haven't tackled oceans of chemicals and colorings in soft drinks.

And replacing "artificial" additives with "natural" additives means they're still using additives: "natural raspberry flavor" shares no genes with real raspberries ... but it makes for good headlines. That's why none of these restaurant companies whispers the word ... "organic."

#2. Delivery -- Amazoning and Urberizing the Restaurant Business: The year's half-gone and we're confident that delivery will be the industry's Big Disrupter for 2015. New tech-driven delivery concepts are changing the face of food retailing and food service. There's a startup-a-week aiming to capture the ultimate consumer convenience ... food brought quickly and accurately to homes, offices and (why not?) hotel guests. Pizzerias, Chinese restaurants and urban delis have done it forever ... but now delivery affects everyone from McDonald's to your favorite white tablecloth emporium. Forget carry-out ... Smartphoners who've latched onto the ease of locating a restaurant, placing an order, paying for it, and getting loyalty points ... without ever speaking to a human being ... are driving this revolution.



Our own research suggests that in urban areas 40%-50% of office workers eat at their desks on any given day ... from the lowest stockboy to the CEO. In the burbs, why drive to the pizza emporium to pick up dinner when delivery is more efficient?

Look who's muscling into the world of high-speed food delivery.

uberEats ... Uber's restaurant delivery service in Toronto, Chicago, LA, Barcelona and New York ... offers a highly limited daily menu from a rotation of restaurants. In certain zipcodes, food will arrive in ten minutes using third-party drivers. Chipotle is partnering with Postmates to

deliver in 67 U.S. cities ... also with third-party drivers; Chipotle thinks delivery can capture 10% of sales. McDonald's also uses Postmates' delivery app in New York City ... for an upcharge ... while plenty of McD's in NY are on Seamless where delivery costs zippo if the bill is over \$10. Panera has nearly 30 delivery "hubs" around the country, using their own and third-party drivers. Others are following suit.



Same thing's happening in grocery stores. Amazon Prime's customers in certain

New York zipcodes get groceries ... and prepared meals ... delivered from supermarkets and gourmet shops in an hour for an extra \$7.99. For two-hour service, delivery is free. Same day delivery is free in a dozen other major metro areas.

It gets even more complicated: Last year, Yelp, the on-line consumer-driven restaurant review site, bought Eat24 for \$134 million. Using an app, Eat24 delivers food from restaurants around the country ... so consumers looking for a restaurant can riffle through Yelp, book a table ... or have their meal delivered. Payment company Square bought food-delivery service Caviar for \$90 million and then bought FastBite, which offers abbreviated daily menus to selected areas of San Francisco. David Chang's involved in Maple, a small New York startup similar to FastBite.

Others are playing this game, too ... all directed to growing numbers of couch potatoes.

Google now lets users order food from five companies ...Seamless/Grubhub, Eat24, Delivery.com, BeyondMenu, and MyPizza.com ... directly from Google's search results. Facebook is working on a "buy" button. And Amazon is developing its own private-label food delivery.

More than half-a-billion venture capital dollars went into food delivery startups last year. It looks as if consumers will have access to the world's largest (virtual) drive-thru window without ever leaving home! Implications of all this are enormous:

- Suppose you're in the mood for barbecued ribs ... and sites like Amazon or Uber or Google gave you a dozen places near your zip code ... and suppose they include professional reviews of your restaurant, and suppose it ranks rib restaurants according to some mysterious algorithm that works against your particular restaurant? Poof! You've lost your marketing control of your business.
- Even more complicated ... whose customer is it ... the restaurant's? ... or owners of the on-line website? Hotels have lost control of their reservations business to sites like Expedia and Kayak ... who now know more about travelers' habits and preferences than many big lodging companies. That information is worth billions of bucks ... and allows Google or Amazon or Uber to communicate directly with a restaurant's customers.
- Note that Amazon and Google won't care whether consumers order rotisserie chicken dinners from Boston Market or Kroger or Dean & DeLuca or a local food truck ... so the battle for food dollars among various distribution channels will intensify.
- Delivery fees and commissions could rise for restaurants ... just as they've done as online-travel sites acquire one another, shrinking competition. Consolidation among delivery competitors is inevitable as they scramble for national distribution and economies of scale.
- Note that Facebook is adding professional reviews ... from Bon Appetit, Eater, San Francisco Chronicle, New York and Conde Nast Traveler ... to its site (and others probably will follow) ... suggesting that complete "ecosystems" are emerging that will give consumers one-stop places for consolidated reviews, menus, online ordering, payment, tracking ... and delivery.
- There's the issue of outsourcing restaurant deliveries to the technology industry. By itself this is no bad thing ... remember that food service firms have long outsourced food production to large manufacturers ... and outsourced operations to franchisees ... so one wonders whether there's a next step to this.
- *Or ... we could be looking through the wrong end of the telescope. Perhaps ApplGoogleAmazoFace really plans a big food world invasion ... by handling logistics and outsourcing all the grunt work and capital costs to restaurants and retail shops!*

Finally, check the rear-view mirror because another disruptor is sucking up venture capital: Meal Kits ... dinners-in-a-box containing precise portions of every ingredient delivered by subscription to consumers' doors. People might start cooking again, especially midweek, using trendy ingredients, without the bother of trudging through a food market. See Blue Apron, Chefday, The Purple Carrot, Plated, Hello Fresh, Peach Dish. At about ten bucks a head, these meals may be cheaper than order takeout. *Prediction: Look for star chefs' names attached to these meal kits; look for restaurants to start developing their own dinners-in-a-box; and look for meal kits tailored for specific diets.*



THREE ATTENTION-GRABBING OFF-THE-WALL TRENDLETS

#1. Jerky ... a Perfect Storm: All forms of Jerky are hot ... but not in restaurants. Sales of

jerky and related dried-meat snacks (largely in C-stores) enjoy year-on-year double-digit increases. This explains why sugar-dominated Hershey acquired Krave, the purveyor of Jeff's Famous Jerky, with flavors like sweet teriyaki, cranberry jalapeno ... and now branching into honey-jalapeno bacon and buffalo chicken jerky. Beef Jerky Outlet ... a franchisor ... offers 200 varieties including alligator and kangaroo. All this ruckus stems from consumers' obsession with protein, with snacking, with energy food, with gluten-free products and a quest for portability ...



and never mind big doses of salt and chemical preservatives in most brands. It is a perfect storm. Do we see this in restaurants? We do not ... yet. Can we foresee various forms of umami-rich jerky on pizza ... banh mi ... hamburgers ... julienned into pasta carbonara ... minced into steak sauce? Indeed we can ... and will.

#2. Burning Your Food: Some chefs think you accentuate the flavor of a vegetable or protein by burning it to death, pulverizing it, and then combining the residue into salts, flavored oils, sauces and seasoning mixes. We're not talking about familiar surface charring of, say, a strip steak ... no, we're talking about purposely incinerating leeks, onions, cauliflower, asparagus and the like in order to add layers of flavor: charred peas in pasta dough ... scorched onions in your dinner roll ... severely burnt carrots in your risotto. The trend's been smoldering for years, but is now catching fire. Perhaps we can blame it on the chap who first made a grilled Caesar salad.

Other chefs show mildly more restraint by blackening ... but not burning ... vegetables on griddles, planchas and iron pans ... inducing caramelization that adds contrast to their inherent flavors. Either way, we're talking about bitter against sweet, crisp against soft ... and smoke that binds them all together. This technique gives the illusion of open-fire cooking even when there are no live flames in the kitchen, and adds a extra dimension of flavor.



The medical profession cringes since charring of certain foods may be carcinogenic ... but the trend gathers steam just the same. Scallion ash in your hollandaise? Smoldering rosemary in your bloody mary? Pulverized mesquite embers in your salt? Sure, go ahead.

#3. BuzzFeed- Does this Trend Have Legs?: We get calls from journalists all the time, and their hot topic this year is: Crickets! They're years ahead on this ... but what we call "Next-Wave Food" is moving beyond dismal veggie burgers and off-putting tofu as mass-market consumers increasingly seek out alternate sources of proteins. There's more media hype than reality here ... but make no mistake: consumers are being fed lots of propaganda about saving the planet by eating insects ... including caterpillars, crickets, mealworms and grasshoppers ... all high in protein. These critters need less land and water and emit fewer greenhouse gases than most livestock.



But consumers aren't yet ready to swap beef for bugs, and for sure fast food chains aren't putting them into tacos and burger buns ... although the chickens they serve may have feasted on them ... but several dozen small outfits in the US are making snacks, cookies and power bars based on insect flour. Asheville, NC, provides an interesting example: At the hot Mexican restaurant *Limones*, the rim of your "Mayan margarita" is crusted with chalapin salt ... "chalupin" made of dried, ground crickets. And down the street at a farmers market, The Cricket Girl sells cricket-based protein bars and is aiming for veggie packed smoothies thickened with her insect protein-flour combination. Toto ... we're not in Brooklyn anymore.

#4. Seaweed Beyond Sushi Wrappers: This trend that never happens ... but rabid optimists think seaweed is the next kale. Nordic chefs have used seaweed for centuries ... and the Japanese. Rich in minerals and bursting with umami from



glutamic acid (*think MSG*), seaweed is being touted by as the next super-food. High in protein ... kelp, especially ... seaweed should appeal to vegetarians and to those avoiding red meat but too squeamish to crunch on crickets. Most Americans recall seaweed as the funky-rotting aroma during low tide at the seashore. But in the last few years seaweed has leapt from sleepy shelves of health-food stores and into supermarket aisles ... as well as Whole Foods and Trader Joe's ... where it is incorporated into profusions of hot-selling packaged snacks. So if supermarkets have primed the consumer, can restaurants be far behind? Don't expect Red Lobster to jump on this ... but adventurous chefs are charring various forms of seaweed and using the ash as a flavor enhancer (*see #2, Burning Your Food, above*). Topping halibut with seaweed butter sounds like a winner, as does seaweed coleslaw. Seaweed-flecked breadsticks are popular in some quarters, and it is finding favor in trendy juice bars. As you read this, someone in Holland is biting into a Dutch Weed Burger, made of seaweed, with seaweed in the bun and in the "special sauce."

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They also run F&B seminars for major hotel and restaurant companies.

Contact:
Michael Whiteman
718 622 0200
mw@baumwhiteman.com
www.baumwhiteman.com