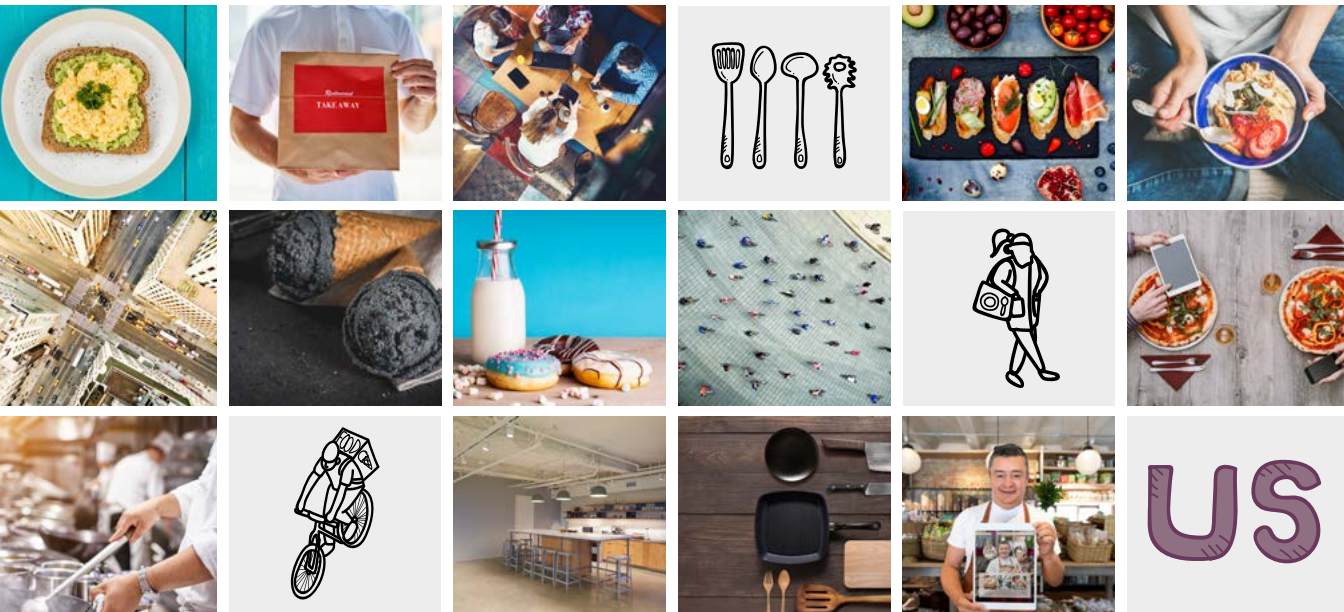


FOODSERVICE TRENDS 2018



EDITOR'S NOTE

Welcome to Mintel's US Foodservice Trends for 2018, our predictions for the trends that we believe will define the foodservice industry in the coming year.



Amanda Topper
Associate Director,
Foodservice Research

From pop-up restaurants and kiosks to food halls and “fast-fine” establishments, the dining out landscape is in a state of continual evolution. “Blurred” is the word when it comes to the junction of retail, foodservice, and social media, as well as health and indulgence.

What is clear is that Americans want to enjoy quality food and beverage anywhere and anytime, and restaurants are meeting these expectations. Operators across segments are shifting to meet diners' various needs as speed, innovation, and category competition become more pressing in 2018 than ever before.

Best wishes for the year ahead!

04

CO-OP CUISINE

The high cost of entry for new restaurants will drive chefs to concept test in shared spaces.



16

FOODCEUTICALS

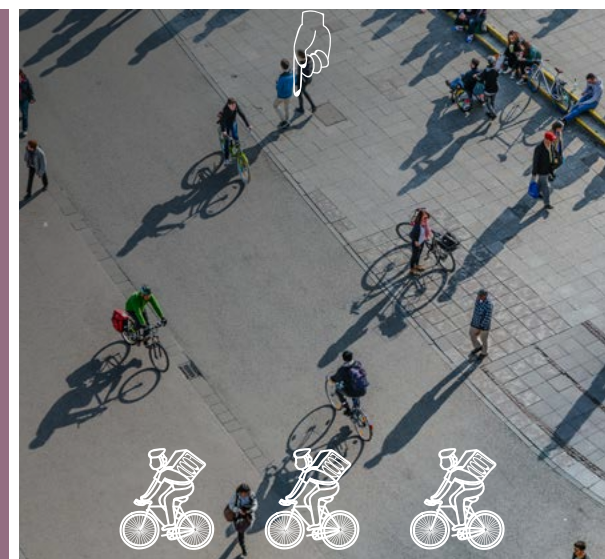
The intersection of food and function will become more apparent as menu items focus on consumers' well-being from the inside out.



10

THE NEED FOR SPEED

Time-strapped diners value convenience and affordability more than ever and operators will respond by leveraging technology advances, all in the name of food—fast.



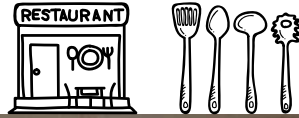
20

FEED THE FEED

The blurred line between social media aspiration and reality will challenge foodservice operators to create a menu that can live up to both expectations.



CO-OP CUISINE



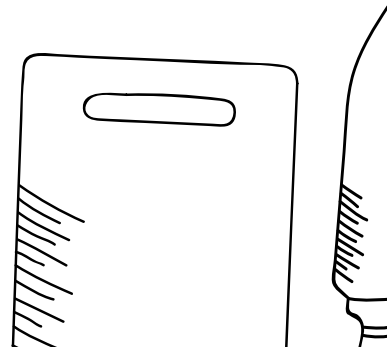
The high cost of entry for new restaurants will drive chefs to concept test in shared spaces.

WHAT'S HAPPENING IN 2018?

Opening a brand new restaurant is no easy feat; a great deal of capital is needed, menu development can take months, and once everything is up and running the concept may fall flat with consumers. These costs and risks are causing more chefs to utilize food incubators before opening a brick-and-mortar restaurant. Incubators such as R. House in Baltimore allow chefs to test and refine concepts at a fraction of the price of opening a restaurant.

As first discussed in Mintel's 2017 US Foodservice Trend 'The Experience Dichotomy,' food halls are springing

up around the nation as chefs use shared spaces as a launching pad. In fact, more than one in 10 US consumers have ordered food from a food hall, according to Mintel research. Similarly, restaurants are using pop-up stores to concept test. This trend is also happening in retail with food and drink brands using both pop-ups and food incubators as a source for acquisitions or new product launches.



WHY CONSUMERS WILL BUY INTO THIS

Food incubators lower the entry bar, making it easier for new restaurant concepts to make it into the market. More than half of Americans consider themselves to be foodies and these concepts are driving the foodie movement forward and allowing for faster innovation and testing.

Additionally, 79% of consumers are open to trying new types of cuisines they have not had before.

FoodWorks is a food incubator in Brooklyn, NY that provides resources and mentorship opportunities for those wanting to start food companies or restaurants. Manufacturers are taking note of these upstarts. In 2017, famed chef José Andrés opened ThinkFoodLab, a concept testing restaurant developed by his company ThinkFoodGroup. The company uses the space to debut and refine new restaurants. ThinkFoodLab's inaugural restaurant was a fast casual sandwich concept called Pepe.



FoodWorks provides resources and mentorship opportunities for those wanting to start food companies or restaurants.



79% of consumers are open to trying new types of cuisines they have not had before.”

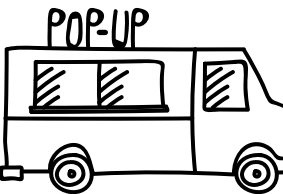


Pepe is a fast casual sandwich concept launched by ThinkFoodLab. Source: Instagram @pepefoodtruck



Pop-ups are emerging across the country. In April 2017, South Korean rice burger chain BonGousse took over the kitchen of a restaurant in California for one day only. The Italian food hall Eatly features rotating pop-up concepts with seasonal or regional Italian cuisine. For instance, in summer 2017 Eatly Chicago opened

the pop-up La Costa. The concept served cuisine and drinks typically found off the coasts of Italy. A Whole Foods location in Chicago launched a third party poke bowl restaurant called Pokē Bowl Co. The restaurant uses existing space within the store, but has its own branding and website.





Poké Bowl Co. is a third party poke bowl restaurant launched by a Whole Foods location in Chicago. Source: Instagram @pokebowlco

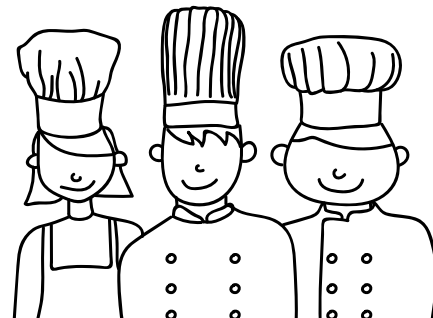
WHERE NEXT?

Restaurant incubators and shared kitchen spaces will only continue to grow as the price of opening a restaurant remains high. As food halls expand, consumers will increasingly demand the concept in their local areas, fueling the opportunity for those wanting to develop their own restaurant. Highlighting opportunity for growth, the retail food and drink industry

will see even more large companies sponsoring their own incubators. Foodservice companies and restaurant groups will also develop their own incubators as a way to both attract new chefs and increase revenue.

Looking at the year ahead, shared kitchens and small spaces will give chefs the ability to let their creativity flourish. Expect to see food trends develop even faster as barriers to entry are removed.

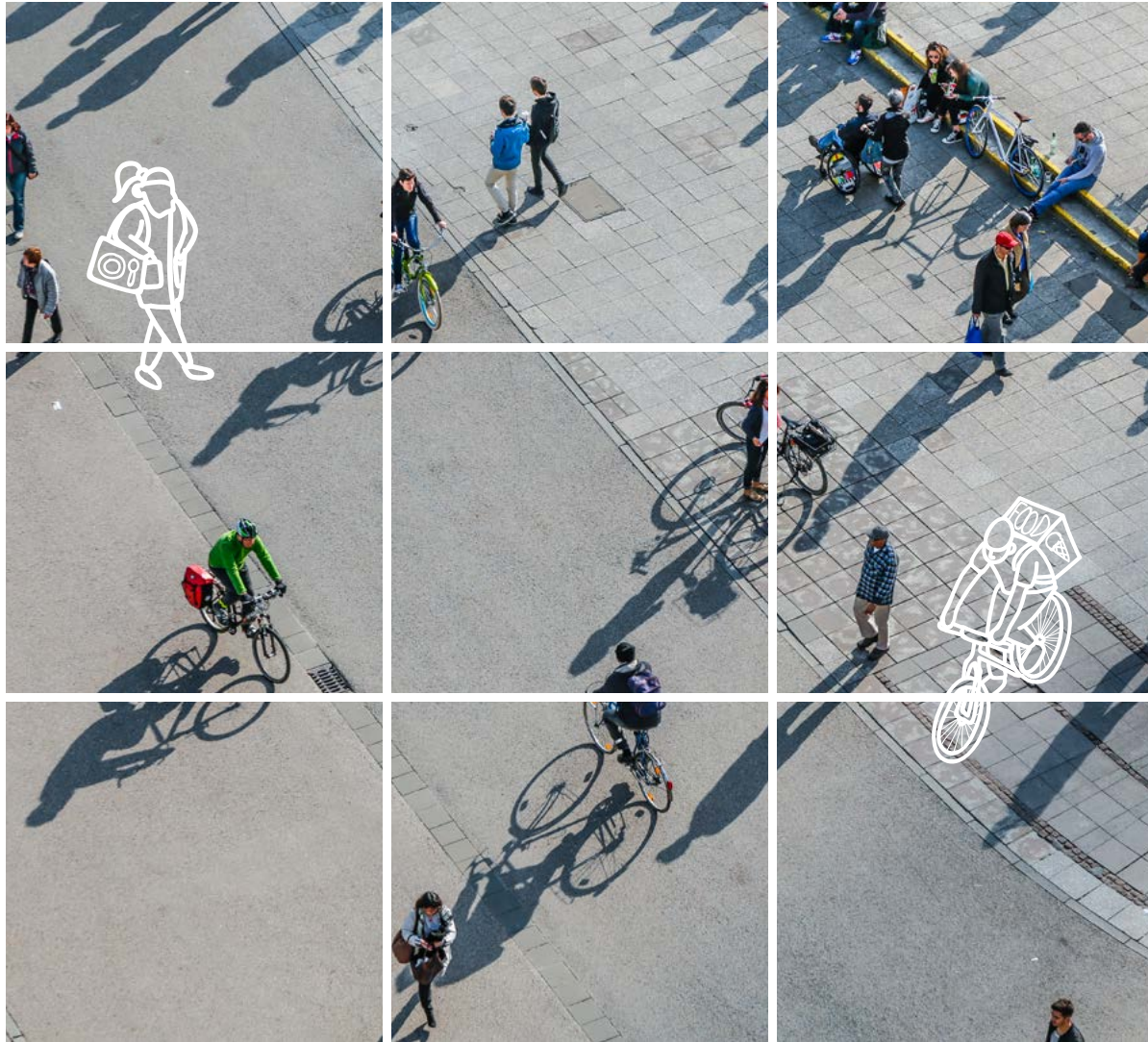
 Consumers will increasingly demand the food hall concept in their local areas, fueling the opportunity for chefs at every level to let their creativity flourish.”



With thousands of menu items, calorie information, descriptions, flavors, preparation, pricing, and menu and ingredient claims, Mintel Menu Insights can keep you ahead of the game.

Find out more: mintel.com

THE NEED FOR SPEED

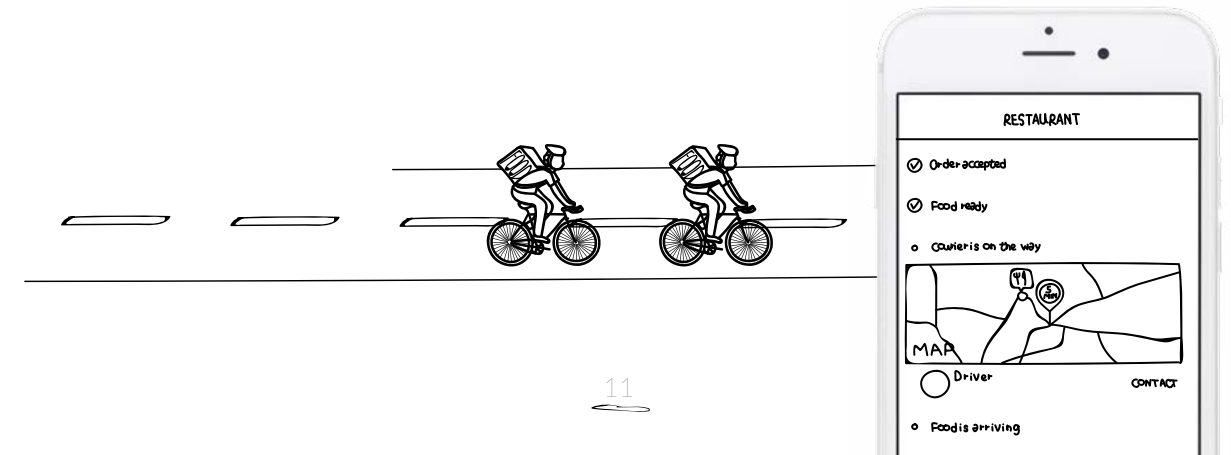


Time-strapped diners value convenience and affordability more than ever and operators will respond by leveraging technology advances, all in the name of food—fast.

WHAT'S HAPPENING IN 2018?

At the same time that Americans are becoming more time-strapped, they're also leading more flexible lives, impacting the types of foodservice concepts required to meet their needs. Traditional office environments are being traded in for remote work

environments as consumers swap their cubicle for a coffee shop couch. According to the US Department of Labor Bureau of Labor Statistics, in 2016 more than one in five employed Americans did some or all of their work at home; this represents a 3% increase since 2003. Furthermore, nearly one in 10 consumers report dining out to work remotely. As a result, many operators are recognizing the value in offering all-day dining and delivery to meet diners' various needs.




While the quick-service restaurant (QSR) segment is known for offering a quick and affordable meal—appealing to the 25% of Americans who dine out because they don't have time to prepare meals at home—other foodservice operators recognize consumers' desire for fast and frugal eats, creating cross-segment competition. Convenience store foodservice is ramping up with customizable frozen yogurt bars and cold brew coffee, while virtual restaurants and vending machines are proving you don't need bricks and mortar to stay on trend.

As discussed in Mintel's 2017 US Foodservice Trend 'Automated Nation,' technology, including kiosks and mobile ordering, certainly improves the dining experience, whether on- or off-premise. And while it allows for greater customization and efficiency, it will not eliminate the need for human interaction.

 Traditional office environments are being traded in for remote work environments as consumers swap their cubicle for a coffee shop couch."



 leCupboard has placed mobile vegan vending machines throughout San Francisco.

WHY CONSUMERS WILL BUY INTO THIS

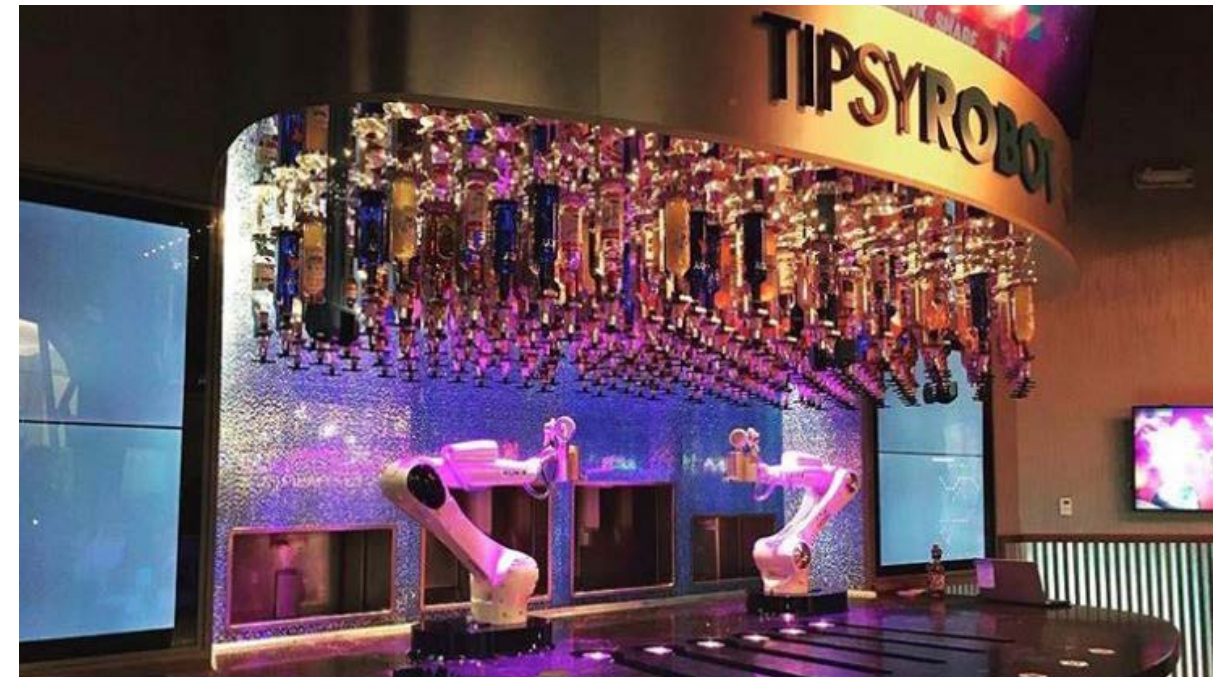
Diners already desire automated ordering, whether on-premise or off, and restaurants across segments are improving their level of automation. According to Mintel research, 25% of consumers want restaurants to offer

mobile ordering via an app, while one in eight diners agree self-serve kiosks for ordering would encourage them to visit or order foods from fast casuals more often.

At the same time that consumers are becoming more aware of and comfortable with foodservice technology, the technology is expanding its reach to more cuisine types. From ice cream to poke bowls, nothing is off-limits for mobile ordering or delivery.



Tipsy Robot features an automated bartender that creates cocktails based on user-submitted preferences. Source: Instagram @thetipsyrobot



Out west, leCupboard, a storefront vegan restaurant in San Francisco, is expanding with mobile vegan vending machines placed throughout the city and Topsy Robot is an automated bartender in Las Vegas that creates cocktails based on user-submitted preferences. Users select their base spirit, preparation, and ingredients, all via a tablet. ASAP Poke is a chef-driven delivery-only concept in Chicago offering on-trend customizable and signature poke bowls.

National chains are upping their technology investments as well. McDonald's is expanding its "Experience of the Future" (EOTF) stores to 2,500 locations by the end of 2017. These locations will feature kiosk ordering and tableside food delivery. The fast food giant has also heavily invested in mobile ordering and delivery via UberEATS. Pizza chain Little Caesars is testing a "Reserve-N-Ready" option that allows customers to order and pay via their mobile device and pick up their pizza from a self-service heated area.

ASAP Poke is a delivery-only concept in Chicago offering on-trend customizable and signature poke bowls. Source: Christina Slaton



WHERE NEXT?

Fast and cost-effective meals will remain important as consumers decide whether to spend their dining dollars at home or away. And while automation can make dining out an easier process, it won't be taking the place of human labor in the near term. Rather, it will be used to improve diners' experience and boost quality and speed. There will continue to be a crucial need for human interaction, but automation will shift

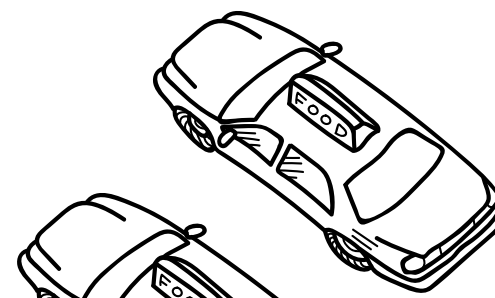
Fast and cost-effective meals will remain important as consumers decide whether to spend their dining dollars at home or away."

employees' current roles, assisting them in maintaining a balance of efficiency and customer service. The expectation for good food fast will only grow as mobile ordering and delivery capabilities are improved and adopted by more operators.

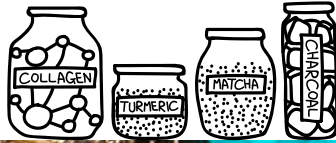
In 2018 and beyond, as Americans become more comfortable with restaurant technology, they will inevitably become more reliant on it. Operators across segments will adopt varying levels of technology while still emphasizing a high quality experience and customer service.



"Reserve-N-Ready" from Little Caesars features the Pizza Portal™, a heated, self-service mobile order pick-up station.



FOODCEUTICALS



The intersection of food and function will become more apparent as menu items focus on consumers' well-being from the inside out.

WHAT'S HAPPENING IN 2018?

Self-care is becoming increasingly important, especially for the youngest generations who are making an effort to embrace their sense of self. As more Americans view the food they eat as a reflection of who they are, consumers are becoming more mindful of their food and beverage choices. However, eating well doesn't have to mean eating dull. Consumers are looking for items that pack a punch of health and flavor and Mintel research shows that 83% of diners agree healthy food can taste delicious.

Menu items are sprinkling in functional ingredients, such as collagen and activated charcoal. But functional ingredients aren't limited to use in healthy offerings; an activated charcoal ice cream cone

can be found alongside a collagen smoothie. A focus on functionality is also happening in the retail space with rising consumer interest in clean label and functional claims on everything from cookies to kombucha. Whatever the format, foods and beverages are making it easier for Americans to incorporate healthy habits into their lifestyles.





☞ Werewolf Coffee in Chicago offers a Charcoal Latte made with activated charcoal. Source: Instagram @werewolfcoffeebar

WHY CONSUMERS WILL BUY INTO THIS

While Americans aspire to lead healthy lives, putting that plan into action can seem daunting at times. Given that two in five diners try to eat healthy but find it too difficult when dining out, and a third say nutrition concerns prevent them from dining out more often, promoting tangible health benefits of specific ingredients can aid diners in making healthier choices.

With nearly three in five diners saying they like when healthy beverages provide a functional benefit (eg protein, digestion aid), offerings like Jamba Juice's Poolside Fit smoothie boosted with collagen seems to fit the bill. The smoothie is said to produce glowing skin and healthy joints. Werewolf Coffee in Chicago offers a Charcoal Latte made with activated charcoal. The beverage is said to be "the perfect detoxifier and stress reliever for the body," according to the cafe. Balancing both health and indulgence, Little Damage, a soft serve ice cream shop in Los Angeles, sells activated charcoal frozen yogurt and cones. However, familiarity isn't always required as 51% of diners are more willing to try an unfamiliar ingredient if it offers a health benefit.

WHERE NEXT?

While we may see interest in collagen and charcoal, in the coming year, the next functional food is likely to pop up everywhere from Instagram to Instacart. What won't change, however, is the general desire for good health. Given the constant struggle for some to maintain a healthy lifestyle, operators that make it seamless for diners to meet

their wellness goals, as well as communicate efficacy and flavor expectations, will resonate with consumers. Nevertheless, it will remain important for restaurants to balance indulgent offerings with healthful ones in order to appeal to diners' various need states.

As Americans prioritize self-care in 2018, they will become more mindful of their food and beverage choices. Restaurants that offer menu items that are both functional and flavorful, healthy and indulgent will rise to the top.



☞ Little Damage is a soft serve ice cream shop in Los Angeles that sells activated charcoal frozen yogurt and cones. Source: Instagram @little.damage



☞ The next functional food is likely to pop up everywhere from Instagram to Instacart."

FEED THE FEED



The blurred line between social media aspiration and reality will challenge foodservice operators to create a menu that can live up to both expectations.

WHAT'S HAPPENING IN 2018?

If food is ordered but it isn't posted on Instagram, did it really get eaten?

Food trends like avocado toast, Starbucks' Unicorn Frappuccino, and over-the-top milkshakes represent different levels of indulgence, but they also set the standard for a lifestyle defined by social media guiding the ordering process. In fact, more operators are adding branded elements to food and beverages with the knowledge that the item will likely be photographed. This trend is largely being driven by iGeneration (aged 11-23 in 2018) and Millennial (aged 24-41 in 2018) consumers, the generations most engaged on social media; however, with traditional

media publications often reporting on viral social media trends, the brand awareness can reach consumers that go beyond typical social media users. The impact can also result in consumers paying higher margins for a dish simply because of its social media halo.



WHY CONSUMERS WILL BUY INTO THIS

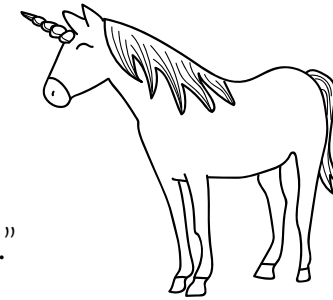
Mintel research reveals 93% of Americans are social media users. Even when this vast majority are not directly engaging on social media, they're still scrolling through different networks and taking note of new restaurants, pictures of food, and noteworthy food trends. This is especially the case among younger generations with 63% of Millennials agreeing they enjoy taking pictures of their food.



The Unicorn Frappuccino® blended beverage from Starbucks was available across the US, Canada, and Mexico for a limited time in April 2017.

Food trends like avocado toast, Starbucks' Unicorn Frappuccino, and over-the-top milkshakes represent different levels of indulgence, but they also set the standard for a lifestyle defined by social media guiding the ordering process.”

Two in five iGeneration and one in four Millennial consumers agree social media exposes them to types of food they previously never heard of.”



Famed for their near obsession with and affinity for social media, America's younger generations are using social networks not simply as tools for connection and communication, but also to broaden their horizons: two in five iGeneration and one in four Millennial consumers agree social media exposes them to types of food they previously never heard of.

Black Tap in New York (which became Instagram famous due to its launch of Crazy Shakes), leveraged National Doughnut Day (June 2) to increase its own exposure and drive demand. From 2015 to 2017, social media posts for National Doughnut Day increased 104%. Taking advantage of this, Black Tap partnered with New

York City's The Doughnut Project to release a one day only shake called the Rainbow Donut Shake. Black Tap's Instagram post of the shake received more than 10,000 likes.

The routine nature of coffee, as well as trendy, limited time offerings, such as Unicorn Frappuccino and Pumpkin Spice Lattes, drive substantial online buzz and help operators turn the everyday act of drinking coffee into something aspirational. With 54% of social media users visiting coffee shops at least once a week, compared to 35% of non-social media users, it's clear to see that coffee and social media pair well together.

Avocado toast is one dish that has become—and will continue to be—so ubiquitous across segments that major chains including Houlihan’s and The Cheesecake Factory have put their own spin on it. Furthermore, consumers are willing to pay various price points for the dish, ranging from \$8 to \$16, showcasing that even simple ingredients can create widespread appeal.



Avocado toast continues to be so ubiquitous across segments that major chains including Houlihan’s have put their own spin on it. Source: Gabe Hopkins of Hopkins Photography



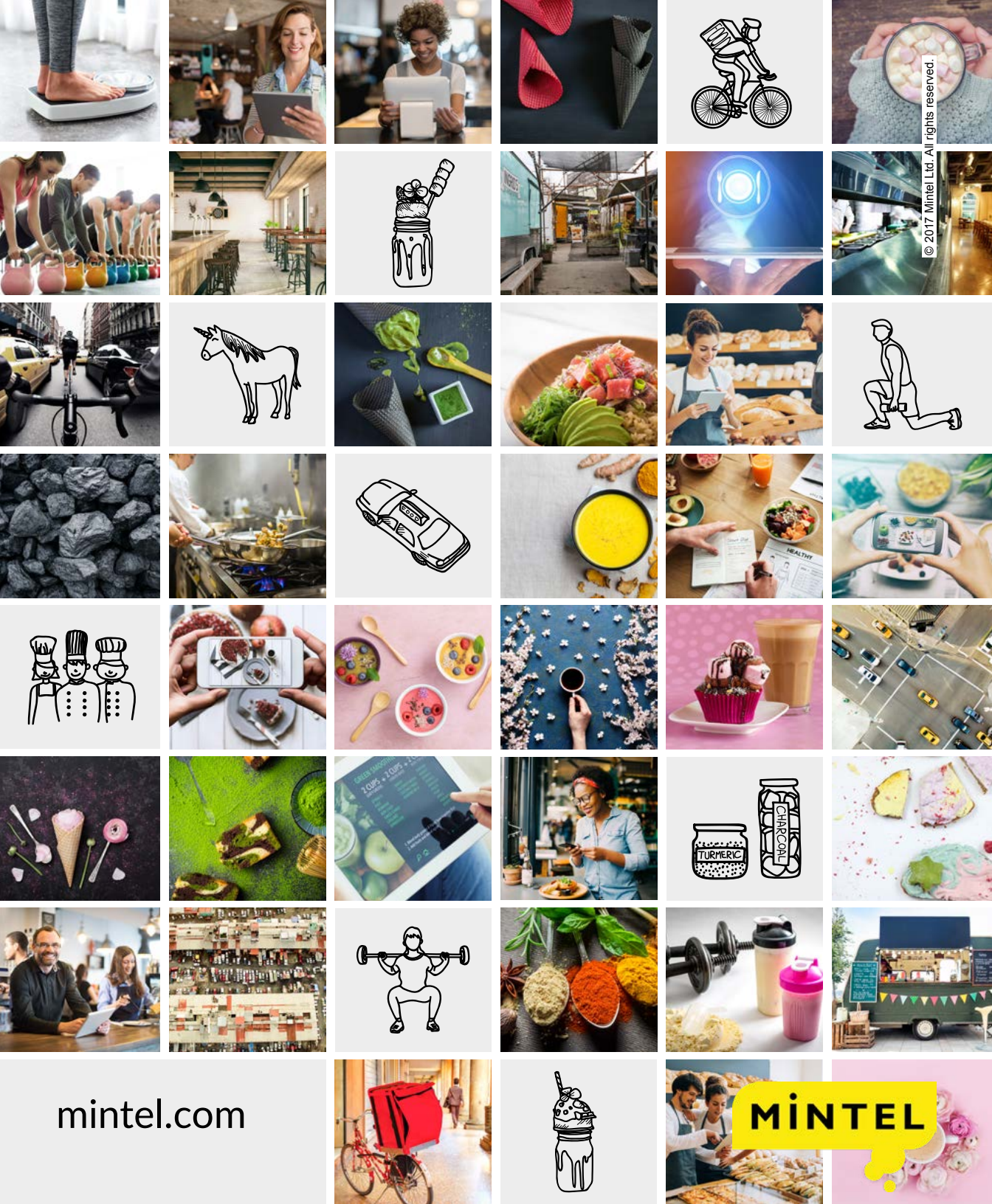
WHERE NEXT?

As food waste continues to be a topic of discussion around the world, in particular the sustainability of over-the-top foods and beverages that often result in waste, we will eventually see a breaking point in favor of more moderate menu items. In the meantime, the artistic and visual representation of food will remain a key area of importance for menu development as consumers have permanently adjusted to eating with their eyes before they even take a bite.

Looking ahead, as increased options for on-demand delivery will meet consumer cravings, restaurants will face more pressure to make the actual dine-in experience, from the ambience to the food presentation, something to be desired—and photographed. As the routine use of social media and the digital landscape evolves, the impact it has on food presentation and innovation will continue to unfold in the coming years.



Black Tap in New York teamed up with The Doughnut Project to create the Rainbow Donut Shake. Source: Instagram @blacktapnyc



© 2017 Mintel Ltd. All rights reserved.

mintel.com

MINTEL