

The logo for 'ez cater' is positioned in the top left corner. The word 'ez' is in white lowercase letters inside a green square, and 'cater' is in white lowercase letters to its right. The background of the entire page is a dimmed photograph of a group of people sitting at a long table, eating from white takeout containers. The people are seen in profile, looking towards the right. The table is filled with various food items, including salads, fried items, and other prepared dishes. The overall atmosphere is casual and social.

ez cater

The Catering Opportunity

Understanding a \$60+ Billion Market



Challenges Exist, But So Do Large Rewards

Within foodservice, restaurants and bar revenue surpassed \$600 billion in 2018, yet overall growth has slowed year over year. In-store traffic has continued to slow in many segments, but off-premises growth continues to be a bright spot in the industry. Considering its size and growth trajectory, catering stands out in the U.S. foodservice industry: a \$60+ billion market growing at 6% annually, outpacing industry growth by 50%.

The purpose of this report is to provide foodservice operators with the data they need to understand the state of the catering market and insights to help them capture their share of the \$60+ billion opportunity it represents. It is based on data from two sources:

- *a 2019 survey of over 450 restaurant leaders overseeing more than 45,000 U.S. locations conducted by Technomic, the leading foodservice industry research firm*
- *millions of catering transactions made on the ezCater online marketplace over the past 11 years*

90% of restaurant leaders surveyed stated that catering is strategically important to their business. However, 70% reported flat catering sales for 2018, and 64% expect similar performance in 2019. This is despite industry projections for continued growth in catering revenues.

So why don't more leaders expect to capture their share of this growing market? Many cited concerns over rising costs, local competition, access to prospective customers, potential disruption to overall business and lack of financial resources as factors clouding their optimism.





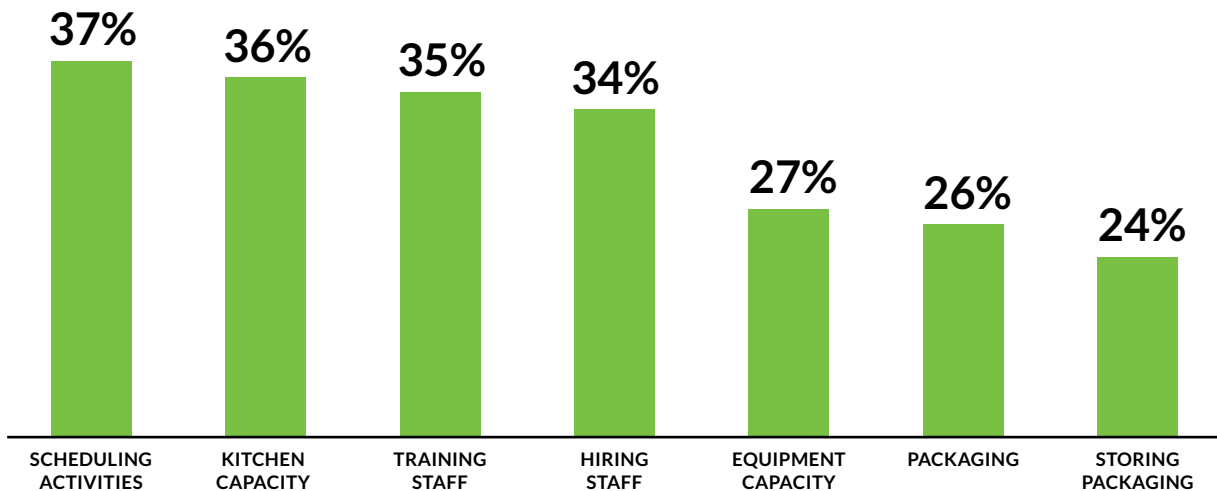
“You can do a P&L of a typical catering order and show what the percentage of profit is versus in-store. I’ve never worked in a brand yet where it’s not higher because of the large order value and the cost efficiencies you get.” – Ed Keller, Director of Off-Premises Business Development, Corner Bakery

Specifically, managing and scheduling for catering orders, physical space inside the restaurant, a lack of employees trained to fulfill catering orders and unique packaging needs were the challenges most frequently reported by restaurant leaders.

Delivery is an important consideration as well. Many operators are uncertain how they should approach delivery pricing and execution in order to remain competitive. At the same time, they recognize how important it is that their food reaches its destination at a quality level that delivers the best customer experience.

Some brands are overcoming these challenges with incredible success, and there are patterns in the investment strategies of those who are. Restaurant leaders who reported growing catering businesses cite investments in three key areas: people, marketing, and technology.

TOP CHALLENGES WITH CATERING



Catering Is Big. Catering Is Growing. Catering Is Different.

Catering is an occasion in which six or more individuals are served off premises via pickup or delivery. By and large, this is what comprises the \$60+ billion annual catering market.

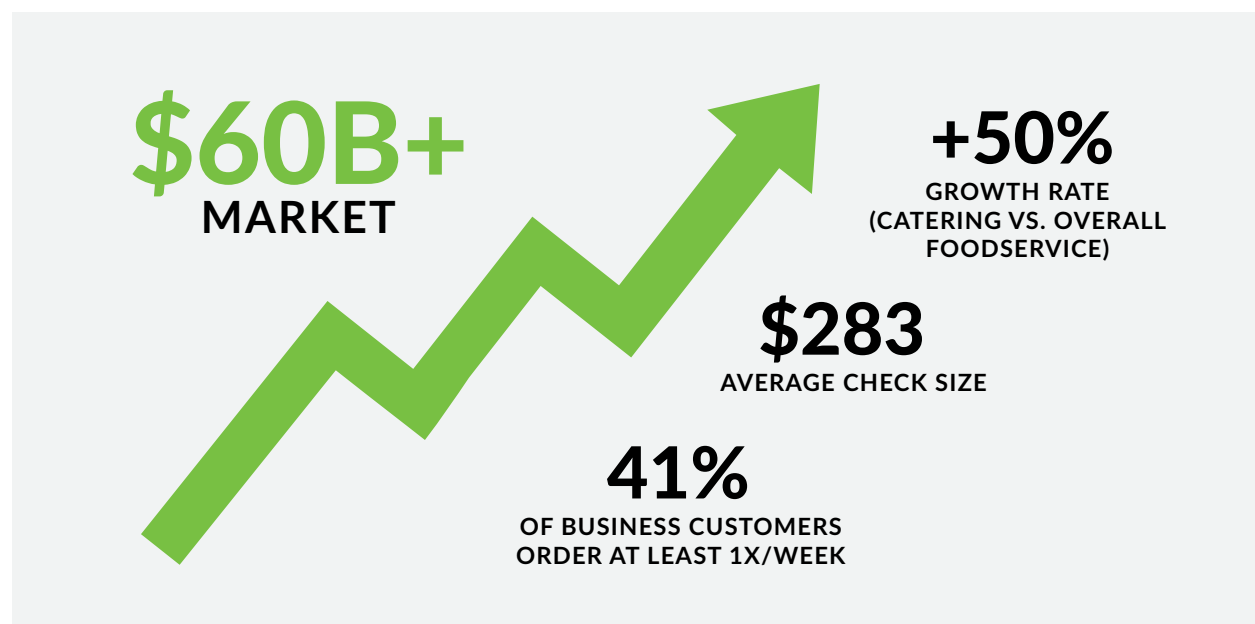
Business catering is consumed at workplaces or off-site work events – board meetings, sales presentations, lunch and learns, etc. It is the fastest-growing catering segment.

Social catering is consumed at social events – birthday parties, graduation celebrations, weddings, and the like.

The high-stakes nature of these occasions means that these orders can't just be treated as larger versions of normal consumer orders.

Catering is different in many ways:

- *Catering is bigger:* The average check size is \$283.
- *Catering is more profitable:* It drives efficiencies in labor and food costs (fewer different items to prepare) and delivery cost (one large order to one location).
- *Catering is a powerful marketing tool:* Food is ordered by one person but enjoyed by dozens and sometimes hundreds of people, so there is incremental brand exposure.
- *Catering is higher stakes:* Ordering for large groups can be difficult for customers, and these important orders come with higher expectations and service requirements. Whether for a large social gathering or important business meeting, accuracy and reliability are everything.





“Catering is different. You can’t execute catering the same way you execute day to day operations. You have to create a whole new set of standards and strategy to support and grow your catering business.” – Kendall Ware, President & COO, Orange Leaf

Everyone Says Catering Is Important

How do restaurants see catering as fundamentally different from on-premises dining, standard consumer delivery, and takeout? How are those attitudes affecting the perception of catering as a growth driver for their business?

Analysis of survey results reveals a mixed, sometimes paradoxical bag.

When asked, “How important is catering to your organization’s overall success strategy?”,

- 58% said somewhat important
- 32% said very important

So 90% of restaurant leaders agree that catering is important. Furthermore, of those that cater, 86% have some form of dedicated staff for catering, which averages 18% of their revenue. With catering growth outpacing the overall industry, and nearly everyone understanding the importance of the catering market, it would follow that most restaurants are capturing their fair share of the growth opportunity.

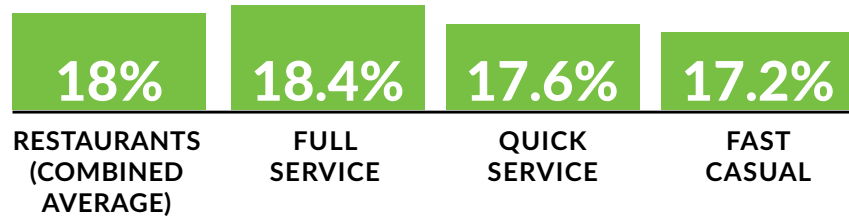
But that is not the case. While very few restaurant leaders reported declining catering sales, 69% reported flat year-over-year catering sales, and only 6% experienced double-digit growth. That means only a small number of brands are capturing a significant portion of the growth in catering. What are these brands doing differently to create success?

*Based on average order size, catering as a percentage of self-reported overall sales and other factors.

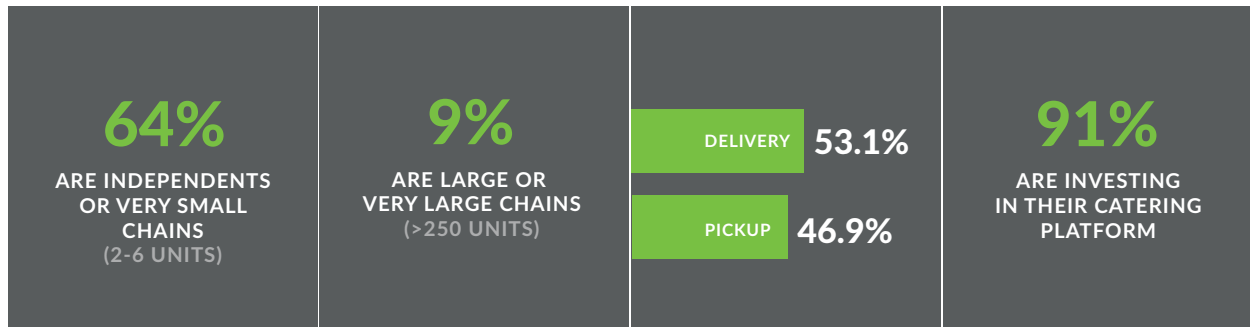
IMPORTANCE OF CATERING



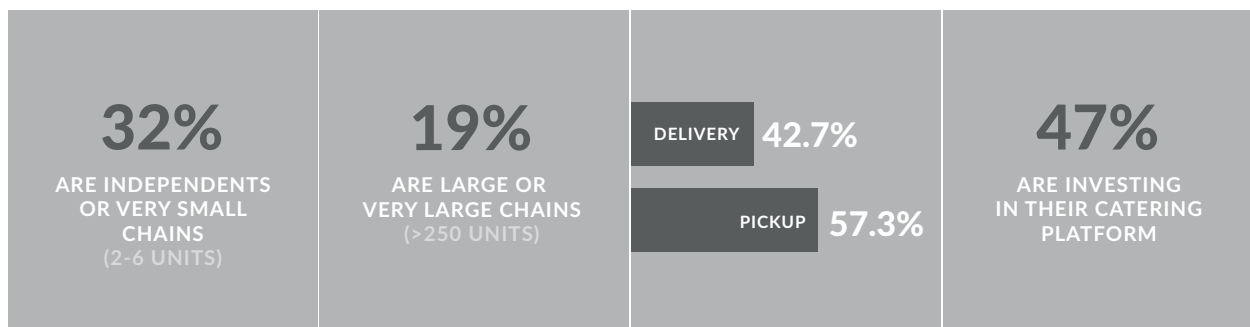
CATERING AS AVERAGE % OF TOTAL SALES



CHARACTERISTICS OF LOCATIONS WITH GROWING CATERING SALES



CHARACTERISTICS OF LOCATIONS WITH FLAT CATERING SALES



Investments in Catering are Paying Off

While 90% of restaurant leaders say catering is important to their business, almost 30% admit to not making investments to grow their catering operations. Looking ahead, 50% don't expect their investment levels in catering to change, and this number increases to almost 70% for large chains.

Restaurants that are growing their catering sales are doing so because they are actively investing in that portion of their business. In fact, 91% of restaurant leaders that said their catering businesses are growing are investing in them. Those investments are helping them overcome operational challenges to become more effective at catering.

Key challenges identified in the survey include scheduling, kitchen and equipment capacity, and team staffing and training.

For those without enough kitchen capacity or enough of the right equipment, it is difficult to overcome these constraints to grow their catering business. The rise of options like ghost kitchens may help resolve these issues without needing to overhaul in-store operations.

34% of restaurant leaders said they are investing in people for catering, making it the largest area of investment. Rising labor costs and turnover makes staffing a complex issue, but one of the benefits of focusing labor on catering is that the efficiencies help offset the cost burden. It's less work to make one large catering order compared to the same dollar amount worth of different individual orders. Additionally, catering orders are prepared outside of the typical breakfast and lunch rushes, keeping employees focused on revenue-generating activities throughout the day.

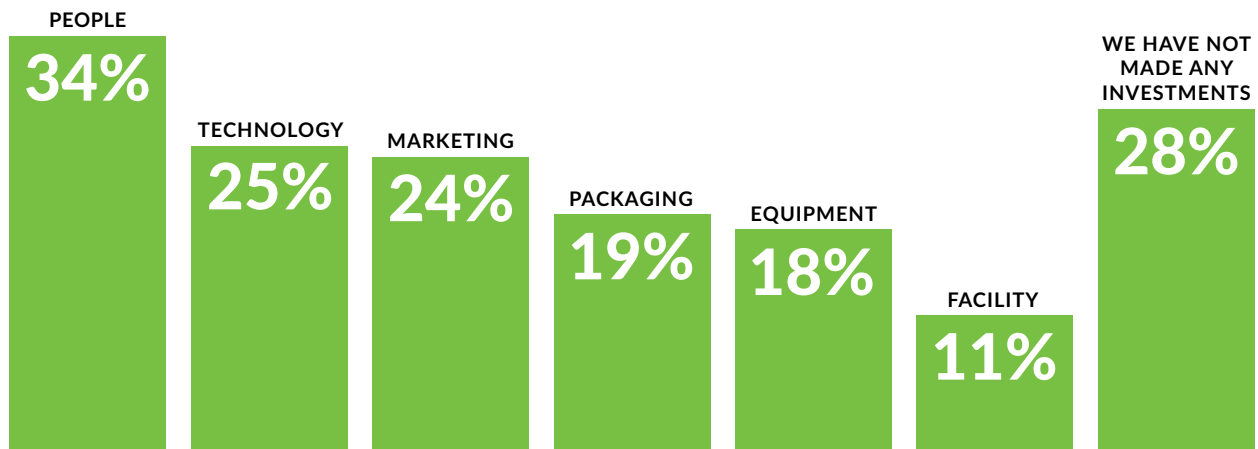


Technology is the second-largest area of investment. While 13% of restaurant leaders are investing in catering management software (CMS) to help alleviate scheduling issues, the lion's share of technology investment is going to online ordering. 42% stated they are investing in online ordering, which is three times larger than any other tech investment type.

While online ordering is being prioritized, the pace of deployment lags customers who increasingly want to order online:

- 32% of customers polled by Technomic in 2018 said they want to order online (up from 26% in 2017), and
- 44% of catering orders now arrive digitally to locations that offer online ordering, however
- only 44% of Technomic's top 1,500 restaurants offer a fully functional online catering menu with real-time transactions (not a PDF or online form that generates an email)

WHAT INVESTMENTS HAS YOUR ORGANIZATION MADE TO SUPPORT THE GROWTH OF YOUR CATERING PROGRAM?



“One of the first mistakes I think that organizations make is they believe that because someone has occasionally asked them for catering, they have a catering business. That’s totally reactive, and you need to get proactive in developing [that arm of business].” – Sandy McElfresh, Vice President of Catering, P.F. Chang’s

Delivery: Perceptions & Dynamics

Catering delivery requires an elevated level of service compared to other orders, and is becoming a must-have option for customers, especially business customers. However, there is a gap between customers' expectations for delivery and restaurants' perceptions of their delivery activities.

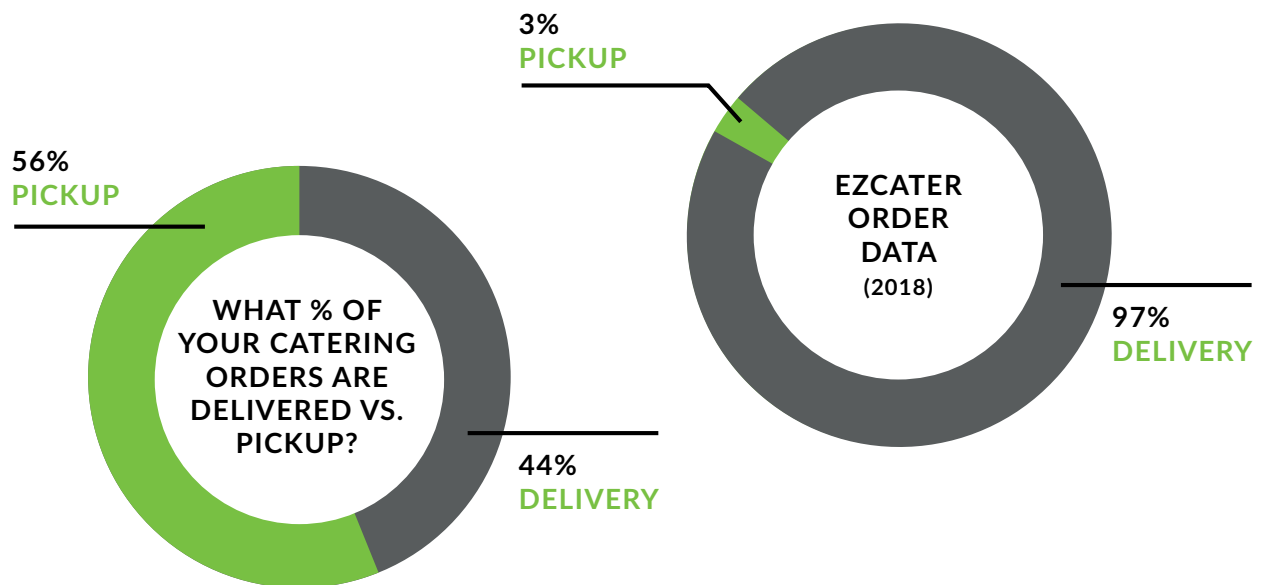
This "perception versus reality" finding is based on three key facts:

- 70% of business customers want delivery, and
- 97% of ezCater orders are delivered, however
- 44% of catering orders are delivered.

Why the disconnect?

Consumer orders are prepared for pick-up more often, but given the mix of orders among businesses and consumers, it's highly unlikely that fact would fully explain why restaurants deliver only 44% of orders. What's more likely is that restaurants are missing out on potential orders because of delivery constraints. They may be turning away orders that require delivery, or may deliver only in close proximity to the restaurant, or may not offer the option at all.

This is supported by the fact that the top reason for restaurants canceling orders they receive from ezCater is an inability to provide delivery. Furthermore, restaurant leaders also reported that catering delivery can be challenging.



Restaurant leaders cite three main challenges to successfully executing delivery:

- team and vehicle capacity (especially during peak times)
- getting timing right (travel and on-site)
- creating a satisfying customer experience (pleasant interactions with people, food presentation and quality)

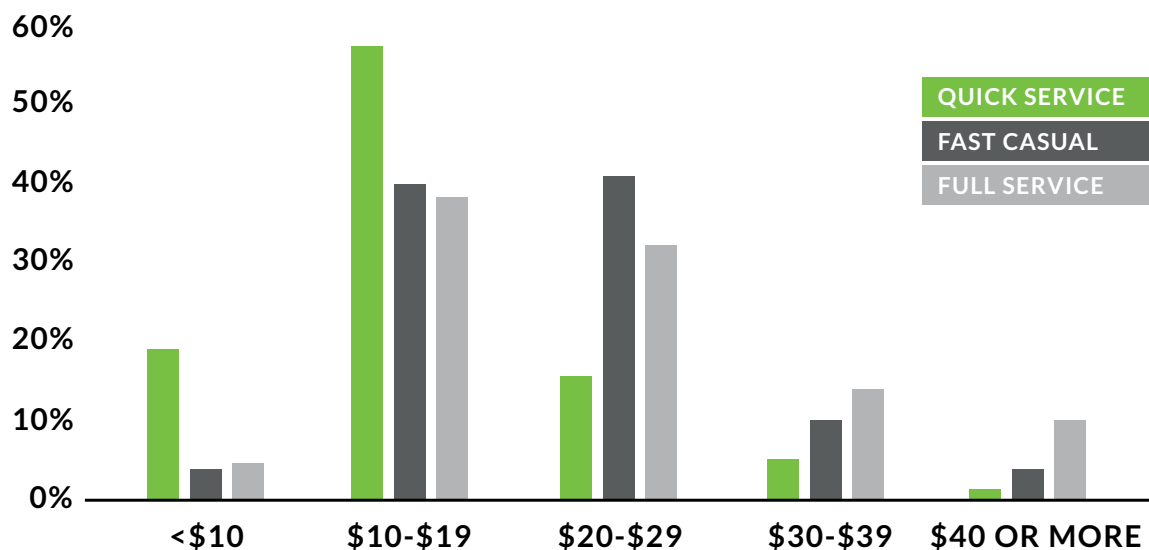
While outsourcing delivery can help alleviate these issues – especially capacity – the same restaurants that have embraced third-party delivery for smaller orders can have reservations about tapping them for large orders.

That is because larger orders may come with higher stakes. Executing perfectly for dozens or even hundreds of people, and trusting others to make a statement about their hard-earned reputations, were among restaurant leaders' chief concerns.

As for delivery pricing, the vast majority of those who deliver catering reported opting for a fixed, tiered delivery fee rather than charging a percentage of order cost, a fee per mile traveled or some other variable calculation. This keeps messaging simple and consistent for those ordering.

The range for most tiered delivery fees is \$10-\$30, generally increasing in \$5 increments.

DELIVERY FEE DISTRIBUTION



Understanding the Catering Customer

ezCater has served millions of customers in the last 11 years, helping them find and order reliable local catering for any business or office need.

Understanding who they are, what they order, when, and why, is critical in evaluating and developing any catering business plan. This includes menu development and ensuring menu items can be fulfilled in order to meet customer lead times.

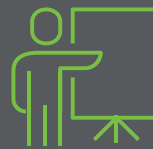
TWO KEY CUSTOMER PROFILES



ADMINISTRATIVE ASSISTANTS EXECUTIVE ASSISTANTS OFFICE MANAGERS

Location: Typically at a single office, ordering for that location

Events: Team meetings, happy hours, lunch and learns, off-site events



SALES EXECUTIVES TRAINERS

Location: On the road, ordering for multiple locations

Events: Sales meetings, presentations, trainings

WHERE BIG SPENDERS ARE



ADVERTISING/PR



CONSTRUCTION



CONSULTING



FINANCE



HEALTHCARE



IT/TECHNOLOGY

DEVICES THEY USE TO ORDER



DESKTOP/LAPTOP
>50%



MOBILE WEBSITE



IPHONE APP



IPAD APP

SANDWICHES



31%

TOP-ORDERED CUISINES

MEXICAN



12%

ITALIAN



9%

AMERICAN



7%

MEDITERRANEAN



7%

BREAKFAST



6%

PIZZA



5%

BBQ



4%

CHICKEN



4%

ASIAN



3%

MEAL AND PEAK ORDER TIMES



81%

LUNCH



BREAKFAST



DINNER



AM/PM
SNACK

19%

67%

OF ORDERS ARE FOR THE MIDWEEK
PEAK: TUESDAY THROUGH THURSDAY

44%

OF SEARCHES ARE 24 HOURS
OR LESS FROM EVENT TIME

THE AVERAGE ORDER

3.5

UNIQUE
ITEMS

46%

INCLUDE
BEVERAGES

27%

INCLUDE
DESSERT

21

PEOPLE
SERVED

\$13.10

SPEND PER
PERSON

In Summary

- Off-premises business continues to be a bright spot for sales growth in the foodservice industry, and catering is a significant driver off to that growth.
- Catering is a profitable growth strategy when treated as a strategic focus with unique needs compared to dine-in, takeout, and small consumer delivery orders.
- Delivery is a concern for catering customers and restaurants alike:
 - Restaurants need to offer delivery at a price that ensures profitability and supports a great guest and food experience.
 - Customers value the basics the most: receiving their hot food hot and their cold food cold, and getting their order delivered on time.
- Uncertainty in the labor market and rising labor costs create real questions for caterers' businesses, brands, and profitability. Chief among those are how to staff the front of house, how to organize catering delivery (in-house vs. outsourced), and how to staff up for larger catering occasions.
- Brands that are growing their catering businesses are focusing on:
 - *technology*, especially investments in online ordering
 - *marketing*, to drive demand, evolve their brand and communicate their menu offering
 - *people*, to provide the best food experience and bring an inside-the-restaurant-experience outside to offices, homes and other locations on a large scale
 - *emerging trends*, to delight consumers with the food want, when they want it, how they want it
- Restaurants can anticipate the needs of business catering customer:
 - less seasonality in order volume than social catering
 - frequent beverages and dessert purchases, making it important for restaurants to consider constructing their catering menus as complete packages
 - decreasing lead times (including the fact that 44% of searches today are made 24 hours or less ahead of the event time), making it vital to balance brand promise of food quality with ability for quick preparation when constructing menus and thinking about capacity



About ezCater

Established in 2007, ezCater is the world's largest online catering marketplace. ezCater's online ordering, on-time ratings and reviews, and award-winning customer service help businesspeople from organizations of all sizes and industries, including 97% of the Fortune 500, make meetings more successful and employees happier.

Over 60,000 restaurants and caterers use ezCater's fully integrated catering marketplace and software platform to grow and manage their catering business. Restaurants use the ezCater Marketplace to acquire customers, ezOrdering to take catering orders on their website, ezManage to manage catering sales, customers, and orders, and ezDispatch to source reliable catering delivery providers.

For more information, please visit ezcater.com.

