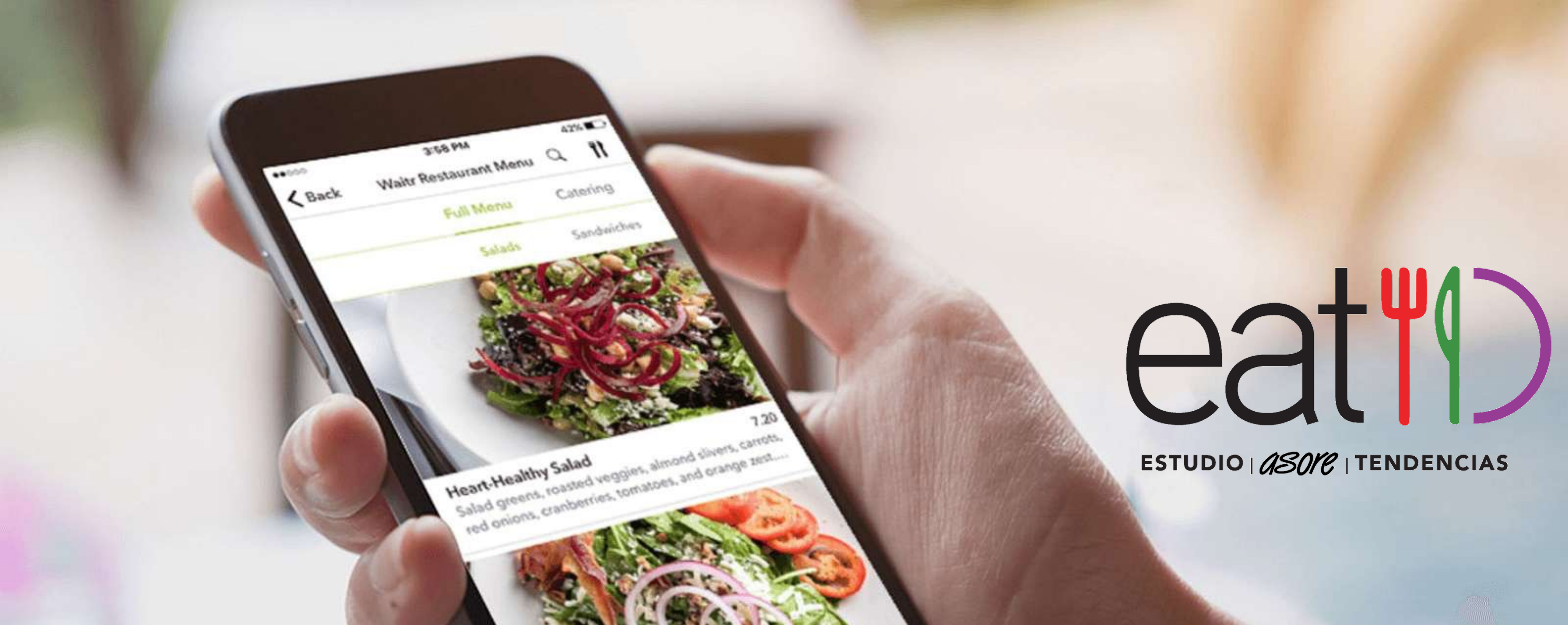

asore
Asociación de Restaurantes de Puerto Rico

The Research Office

Presentation
January 31, 2023

“THE INDUSTRY ENTERS A NEW NORMAL”

Study Background Overview

Design

Personal, face-to-face, house-to-house interviews

Design & Sample

Sampling error

±3.1% for Total sample. Greater for subgroups

Sample

1,000 adults 18-64 in all of PR, all SEL. Past 3 Months users of Limited-Service Restaurants or Past 6 Months users of Full-Service Restaurants

Timing

September 2 – 23, 2021 (except September 17 – 20). A total of 72 interviews were conducted between September 21 and 23, mostly in SJM

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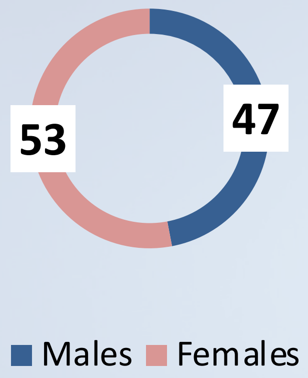
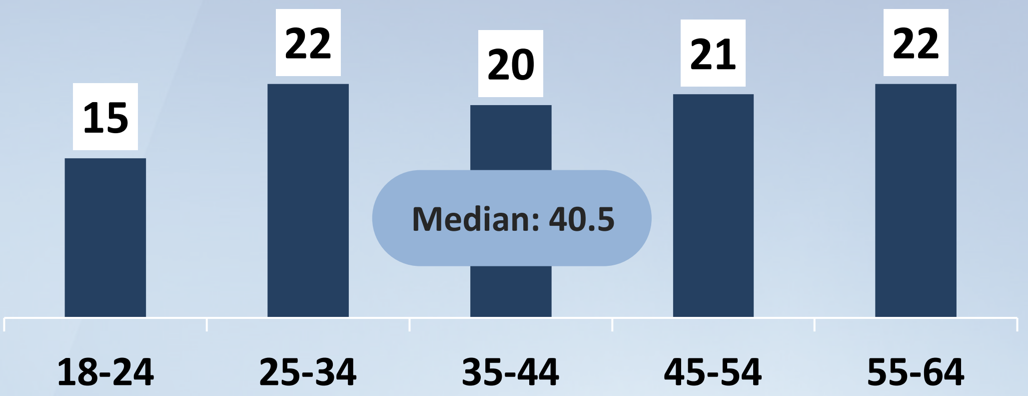
Sample Composition Overview

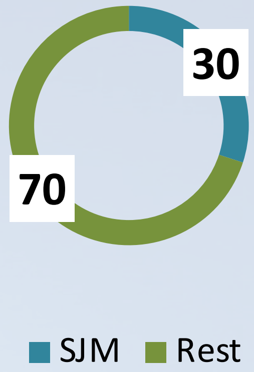
Gender (%)



Age groups (%)



Area (%)

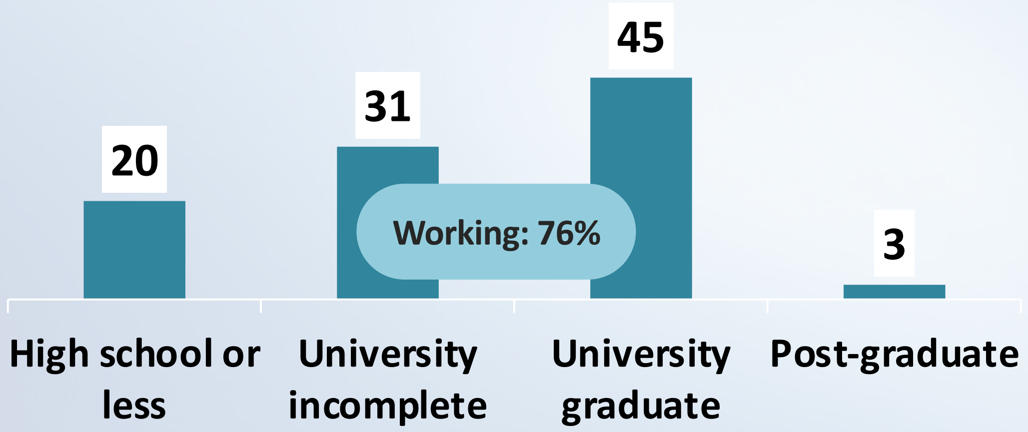


Married or Living together

63%

43% With kids

Level of Education (%)



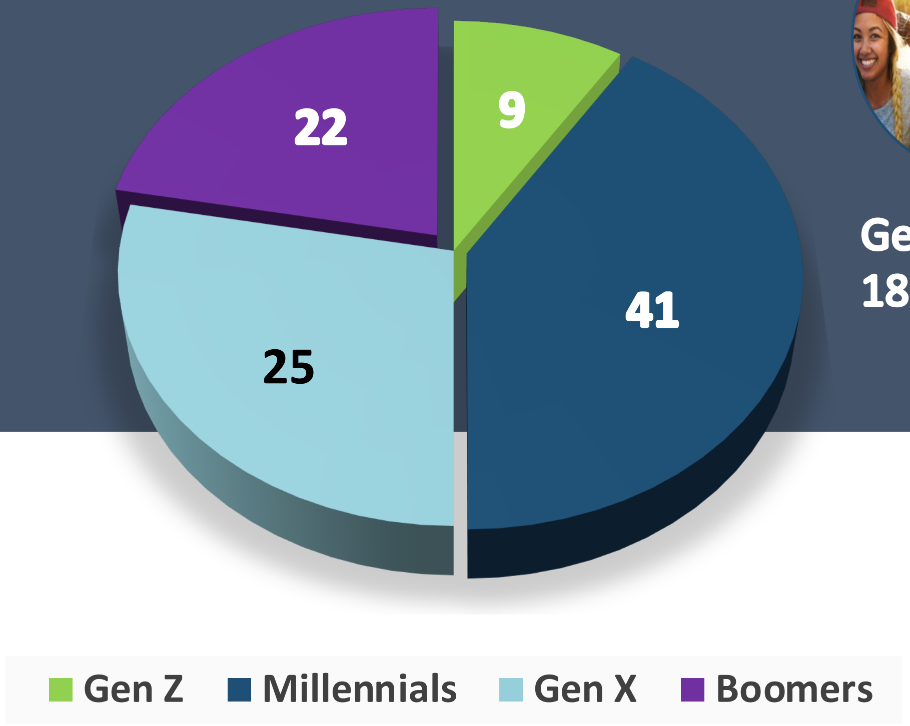
NAP Beneficiaries

54%

100% in D-/E SEL
63% in Non-working
51% in Working

Results by Generations

Throughout this report, there are multiple tables showing results by Generation, specifically Generation Z & Millennials*, Generation X and Baby Boomers. Below are the weights of each Generational segment and their age definitions.



Gen Z:
18 to 22 years old

Millennials:
23 to 40 years old

Generation X:
41 to 54 years old

Baby Boomers:
55 to 64 years old

*Gen Z + Millennials are often presented as one generation, labeled "Gen Z + Millennials" due to the small sample of Gen Z (with a sampling error of ±10%) and its multiple similarities to Millennials across different metrics

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What we had already presented in October 2022

Restaurants in Puerto Rico have survived well the challenges and changes caused by the coronavirus outbreak

Consumers at large have accepted the changes and adapted to the new realities, with greater tolerance than expected

Restaurants provide an emotional reward of socializing with loved ones and making the best of the leisure time

The industry is entering a new normal from a consumer standpoint despite the very challenging conditions for operators

Main Lessons Learned

How Puerto Rican consumers are behaving and perceiving the Restaurant Industry

1

The industry is entering a new normal

With clear behavioral changes after the coronavirus pandemic, including the increase for Off-premise consumption and more technology

2

Challenges faced by operators have not affected Satisfaction

Consumers are aware of the issues, but there is higher tolerance

3

Expenditure has increased to a record-high level

Most of this growth is driven by higher menu prices, higher spending among more affluent consumers and Off-premise usage

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Main Lessons Learned

How Puerto Rican consumers are behaving and perceiving the Restaurant Industry

4 Pent-up demand[1] is higher with takeout and delivery than with dine-in

Showing that consumers are still aware that they can integrate many more Off-premise options into their daily lives

5 Consumers are open to new and more technology

Mostly to improve service, and to make ordering and payment easier. Yet too many tech options is a concern because of the possibility to displace humans

6 Consumers continue to love many things about restaurants

Led by the ability to enjoy time together with friends and family and experience flavor sensations which cannot be easily duplicated at home

[1]**Pent up demand** refers to a situation when **demand** for a service or product is unusually strong

We have more findings to share today

While 2022 was a record year in consumer spending, in particular Q4, consumers are feeling more pessimistic with 2023

With consumers weary of price increases, time will tell if their satisfaction with restaurants, despite slower service, will change

Restaurants must consider adding new technology to crave consumers' appetites and to deal with the labor shortage

Main Lessons Learned

How Puerto Rican consumers are behaving and perceiving the Restaurant Industry

1

Future financial outlook is questionable

The optimism with the personal financial situation one year from now has <u>halved vs. 2019</u>

2

Consumers are being more cautious with their spending habits in general

As fully 4 in 5 have concerns with the economy

3

Price increases in the industry are the norm

More than 1 in 2 believe prices have increased in QSRs and other restaurants

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Main Lessons Learned

How Puerto Rican consumers are behaving and perceiving the Restaurant Industry

4

Farm-to-table concept continues to gain relevance

Offering locally-sourced food is still the leading deciding factor to choose between two similar restaurants

5

The appetite to use technology is greater than ever

Use of technology for restaurant-related activities has grown exponentially vs. 2019

6

Social media widely leads, overall and across all generations

Among all media used to get informed on where to eat, menu items, offers, locations

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The Mood Of Consumers

The Mood Of Consumers

Despite a rebound in the general mood vs. 2019, the optimism on personal finances is stable

How things are going right now in PR

21%

Very good + Good

75%: Bad + Very bad

2018 33%

2019 11%

Evaluation of PR's economy right now

17%

Excellent + Good

81%: Fair + Poor

2018 30%

2019 18%

Evaluation of personal finances right now

24%

47%
in 2021

Excellent + Good

72%: Fair + Poor

2018 32%

2019 22%

The Mood Of Consumers

The biggest decline is seen in the optimistic outlook, one year from now, with personal finances

Current personal financial situation vs. YA

15%

20% in 2021

Better now

57%: Comparable
23%: Worse now

2018 21%

2019 12%

Personal financial situation one year from now

17%

40% in 2021

Better than now

55%: Same as now
21%: Worse than now

2018 30%

2019 31%

Financial outlook for PR in 1 year

18%

Will improve

37%: Will not change
37%: Will worsen

2018 31%

2019 26%

Current Behavior With Personal Expenditures

Two in five are limiting their spending significantly; and another 2 in 5 have a 'wait-and-see' attitude

17%

I'm confident in my current financial situation and am not limiting spending too much

Higher: Upper SEL

38%

I'm very worried about the economy and limiting my spending significantly

Higher: Boomers, Lower SEL

40%

I'm taking a wait-and-see attitude in the coming months and limiting spending until the economy improves

Higher: Gen Xers

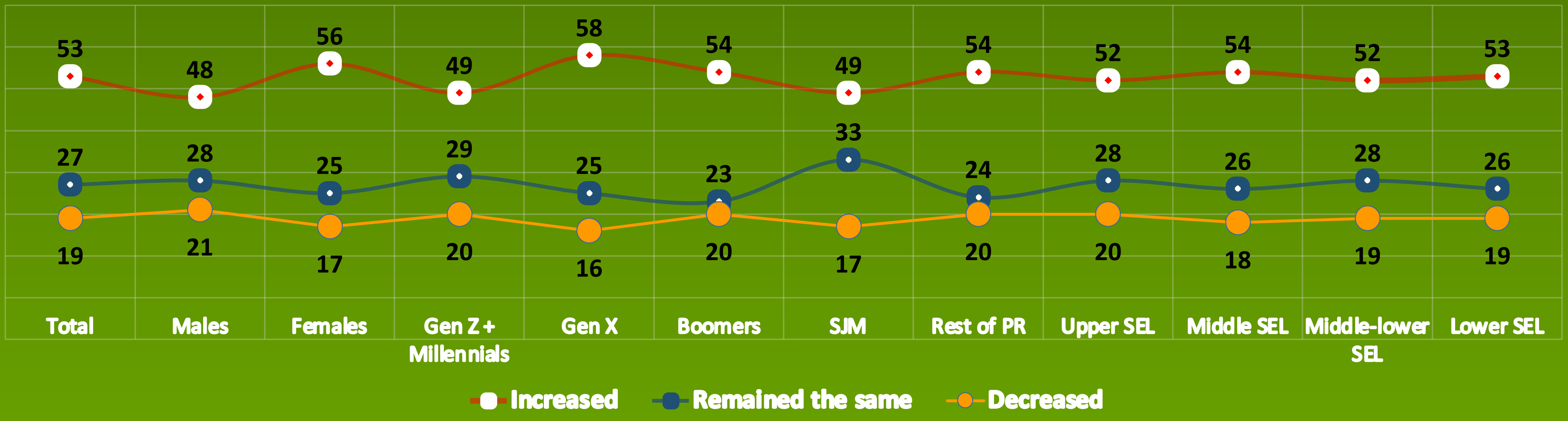
5%

Unsure

Price Perceptions

Price Perceptions In Quick Service Restaurants (%)

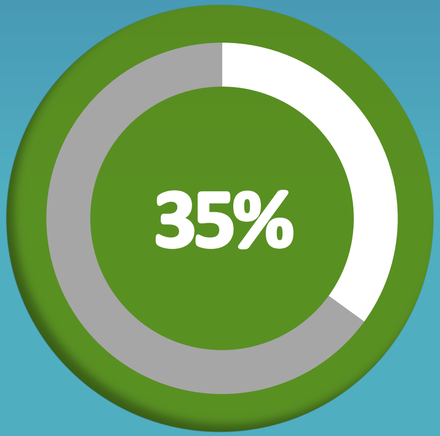
One-half (53%) believes QSR prices have increased, while 1 in 4 (27%) thinks these are stable



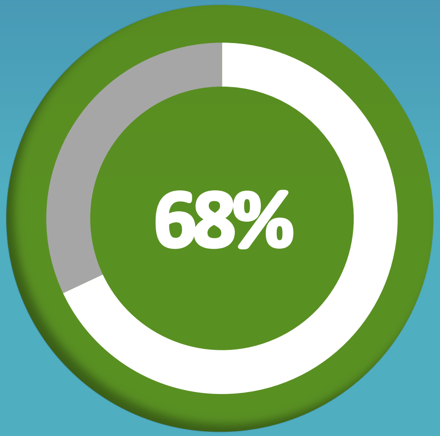
Price Increases in QSRs

Base: 53% think prices have increased / Perceptions and effects on visits and spending

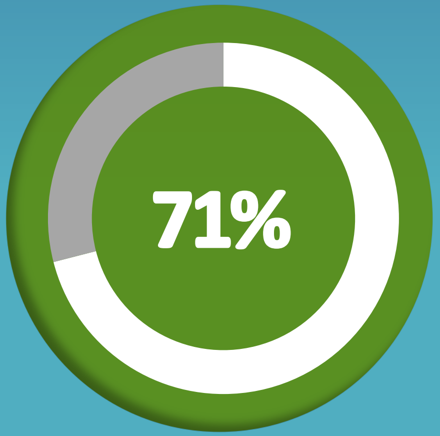
A minority of 1 in every 3 (35%) of those that think that QSR prices are up, find these “reasonable”



Are price increases reasonable?



Have price increases triggered less visits to QSRs?



Have price increases triggered less spending in QSRs?

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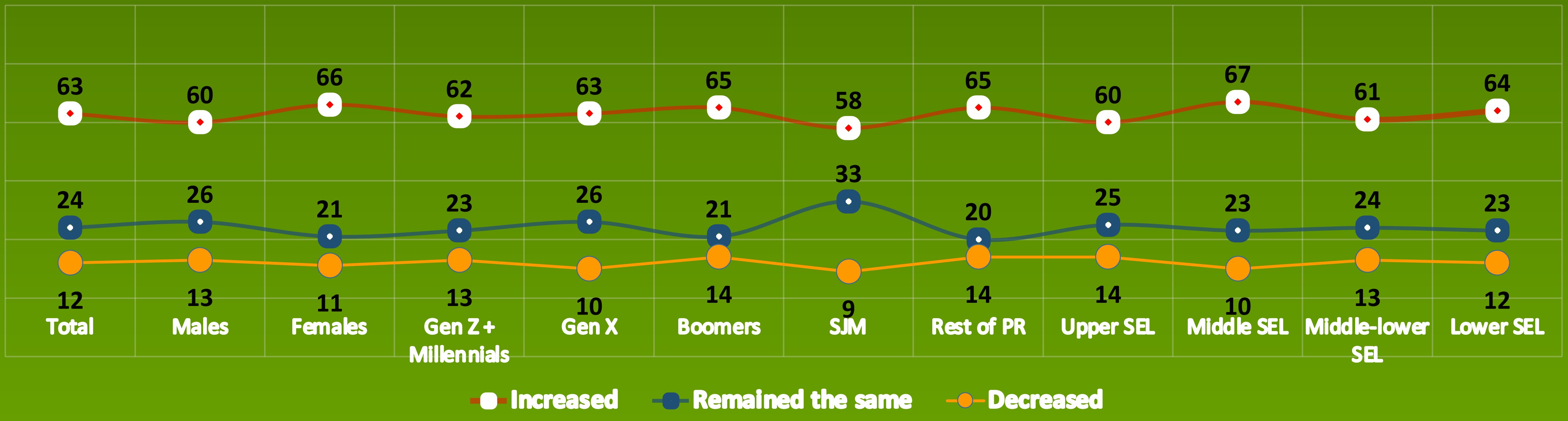
Price Perceptions In All Other Restaurants (%)

Close to 2 in every 3 (63%) believe that prices in all other types of restaurants have increased



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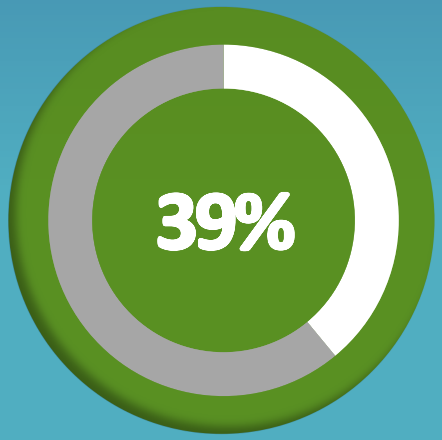
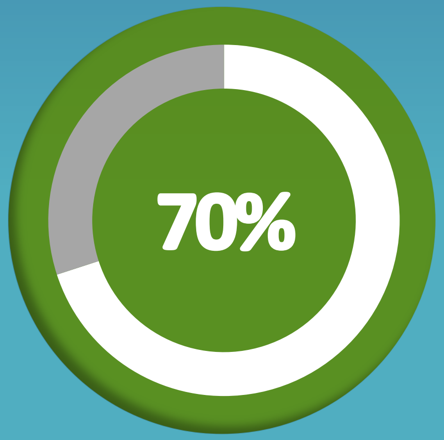
Price Increases in All Other Restaurants

Base: 63% think prices have increased / Perceptions and effects on visits and spending

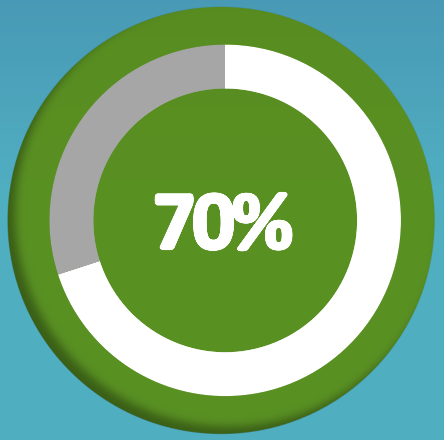
In this subsample, 7 in 10 claim these higher prices have triggered less visits and lower spending



Are price increases reasonable?



Have price increases triggered less visits to other restaurants?



Have price increases triggered less spending in other restaurants?

Deciding Factors

Deciding factors: Puerto Rican consumers expect more

Percent of adults who say these factors would make them more likely to choose one restaurant over another

The most relevant deciding factor between two similar restaurants is the offer of locally-sourced food

1

80%

87% in 2019

Offers locally-sourced food

38%

2

77%

N/A in 2019

Has pop-up specials available via app or social media

71%

3

75%

85% in 2019

Offers healthy menu options

4

75%

N/A in 2019

Offers 3-course meals for carryout and delivery

68%

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US Source: National Restaurant Association, *National Household Survey, 2021*

Deciding factors: Puerto Rican consumers expect more

Percent of adults who say these factors would make them more likely to choose one restaurant over another

Having discounts, either for off-peak times or days, has lost some relevance vs. 2019 levels

5

74%

81% in 2019

Discounts for dining at off-peak times of the day

6

71%

84% in 2019

Discounts for dining on less busy days of the week

7

69%

72% in 2019

Smaller-sized portions for a lower price

8

69%

72% in 2019

Ability to view the menu online beforehand

76%

80%

72%

eat

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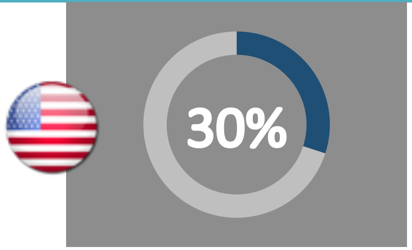
US Source: National Restaurant Association, *National Household Survey, 2021*

Deciding factors: Puerto Rican consumers expect more

Percent of adults who say these factors would make them more likely to choose one restaurant over another

Having the option of online ordering has gained traction in PR vs. 2019, from 60% to 67%

8	10	11	12
69%	68%	67%	66%
68% in 2019	82% in 2019	60% in 2019	64% in 2019
Delivery is available	**Offers environmentally-friendly food**	**Online ordering is available**	**Offers a smartphone app**



US Source: National Restaurant Association, *National Household Survey, 2021*

Deciding factors: Puerto Rican consumers expect more

Percent of adults who say these factors would make them more likely to choose one restaurant over another

Factors related to alcohol beverages, as deciding factors, have more weight in PR than in US

12

65%

67%
in 2019

Ability to read online reviews beforehand

14

64%

N/A
in 2019

Offers locally-sourced alcohol beverages like rum and beer

US: 20%

15

62%

N/A
in 2019

Offers possibility to order alcohol beverages for carryout & delivery

US: 38%

16

61%

80%
in 2019

Customer loyalty and reward program

US: 79%

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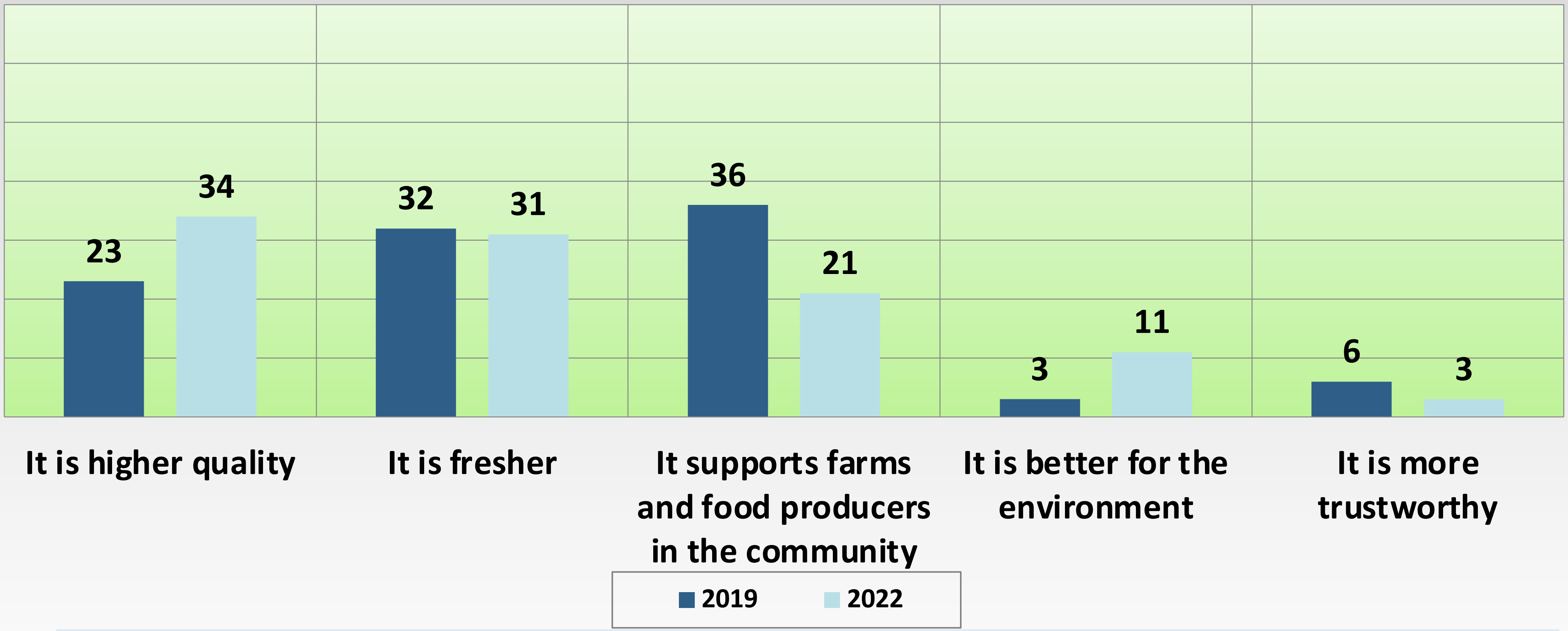
US Source: National Restaurant Association, *National Household Survey, 2021*

Top reason why consumers like locally-sourced food in restaurants* (%)

In 2022, the leading reasons for liking locally-sourced food include 'higher quality' and 'fresher'

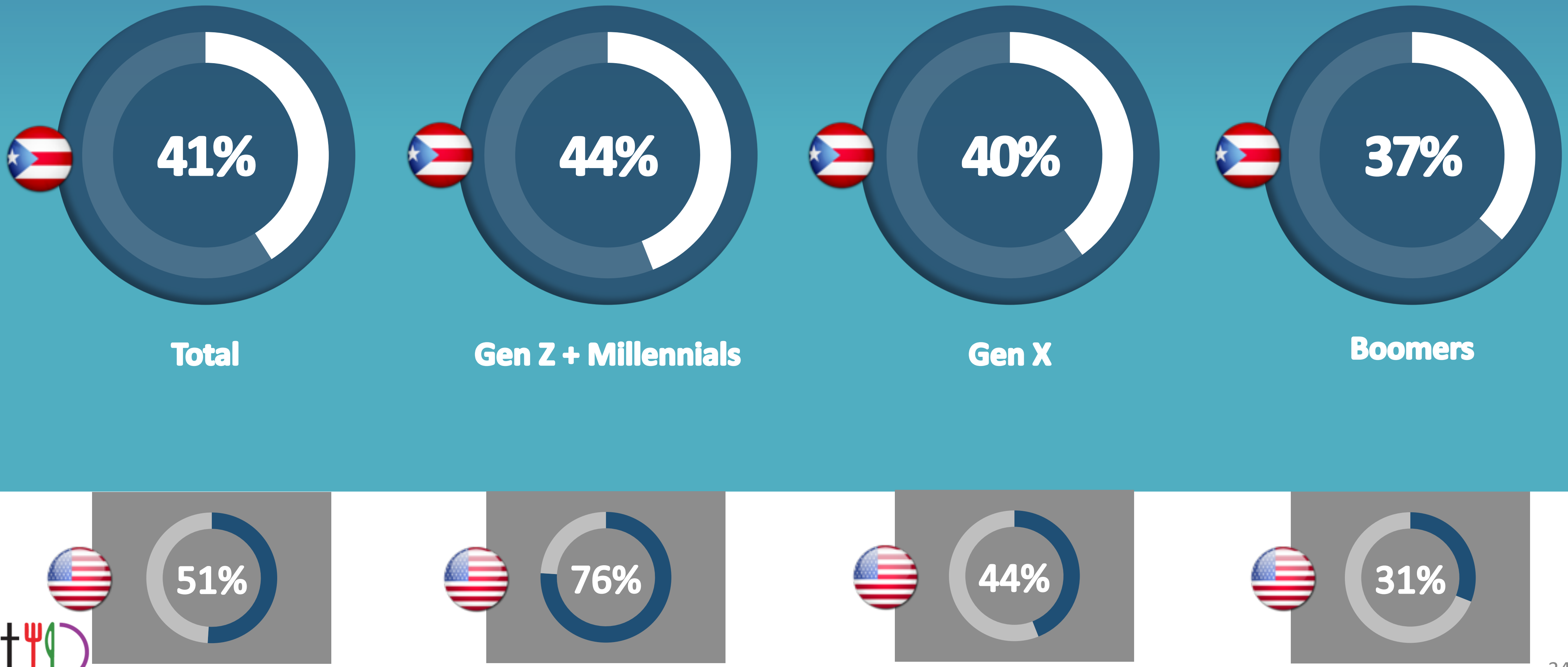


*Base: Respondents who say the availability of locally-sourced food would make them more likely to choose one restaurant over another (80% in 2022)

Interest In Fresh, Uncooked Meals

Percent of adults who say they are more likely to purchase quality fresh, uncooked meals from a favorite restaurant to be cooked at home

Interest in this type of meals still lags the US, 41% vs. 51%, respectively, particularly in younger target



US Source: National Restaurant Association, *National Household Survey, 2021*

Current participation in a customer loyalty and reward program at a restaurant, fast food or coffee shop

One-third (34%) is enrolled in a loyalty and reward program… and 2 in 3 of these feel positively

34% Yes

38% in 2019

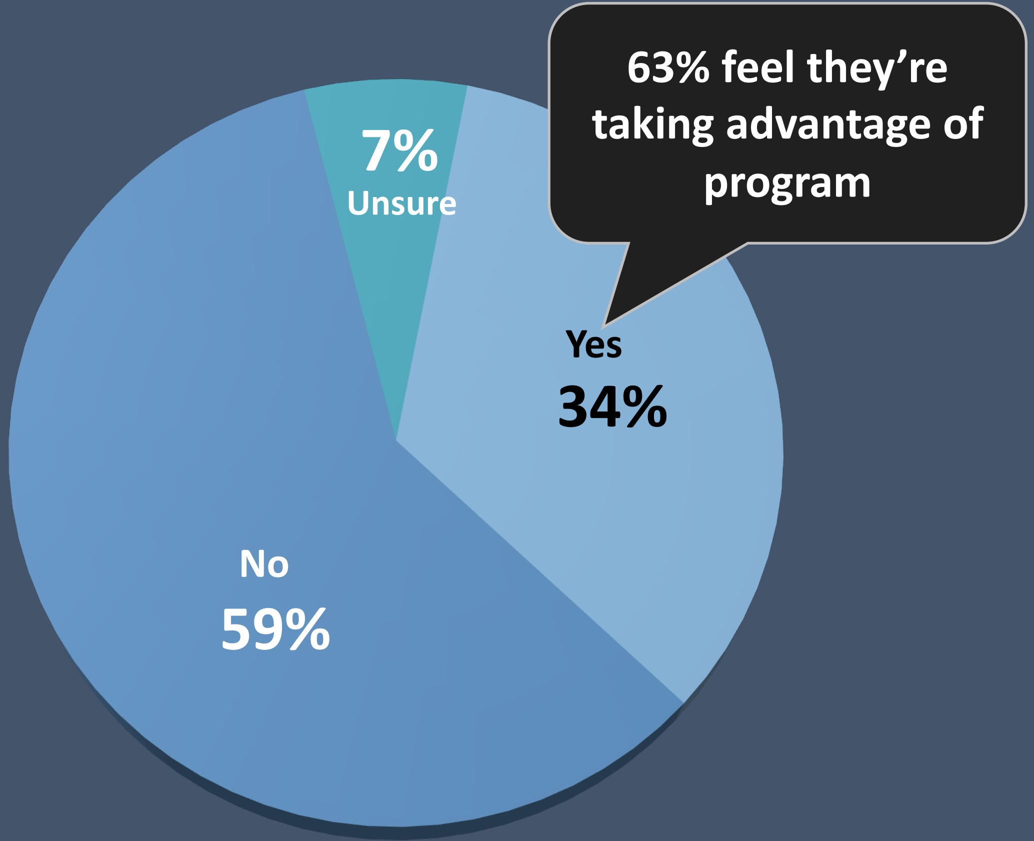
Peaks among Adults 18-24 (40%), Gen Z (42%)

59% No

58% in 2019

Peaks among Adults 55-64 [Boomers] (64%), Middle-lower SEL (63%)

7% Unsure

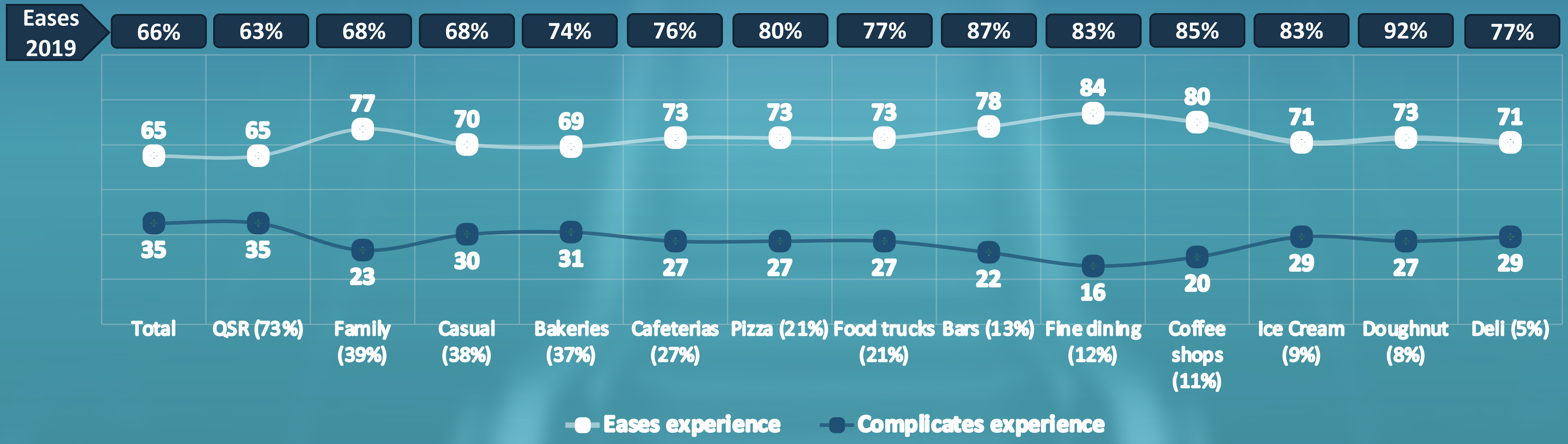


Focus On Technology

Opinion Of Technology In Restaurants (%)

Eases vs. Complicates the experience

The "eases the experience" perception peaks among users of Fine Dining, Coffee shops, Bars, Family



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Factors That Ease Or Complicate Experience (%)

Consumers on either end of this Technology-related perception have strong reasons-why

Reasons for thinking technology eases the restaurant experience (65%)	Yes
Makes dining out more fun (94% in 2019)	91%
Easy-to-use (89% in 2019)	90%
Makes it less dependent on dealing with humans (87% in 2019)	87%
Places me in advantage to other guests not using technology (83% in 2019)	80%
Increases order accuracy (84% in 2019)	79%

Technology Eases The Restaurant Experience (65%)

Nine in ten believe that technology makes dining out more fun, that it is easy to use and that it helps be less dependent on dealing with humans

Reasons for thinking technology makes the restaurant experience more difficult (35%)	Yes
Prefer to deal with humans (90% in 2019)	95%
Too many steps involved (85% in 2019)	83%
Takes too long (85% in 2019)	83%
No clear instructions (77% in 2019)	81%
Don't trust it to work correctly (78% in 2019)	78%
Can't ask questions (73% in 2019)	78%
Not user-friendly (74% in 2019)	76%

Technology Complicates The Restaurant Experience (35%)

Main barriers to use technology include the preference of dealing with humans, having too many steps involved and taking to long to use and complete

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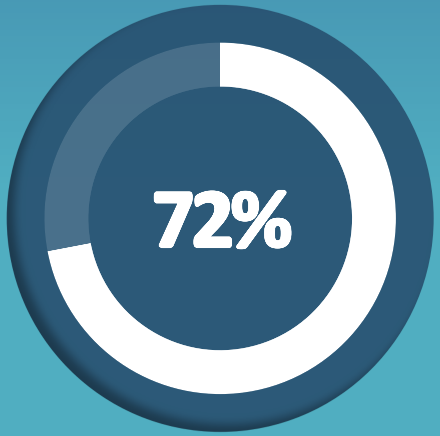
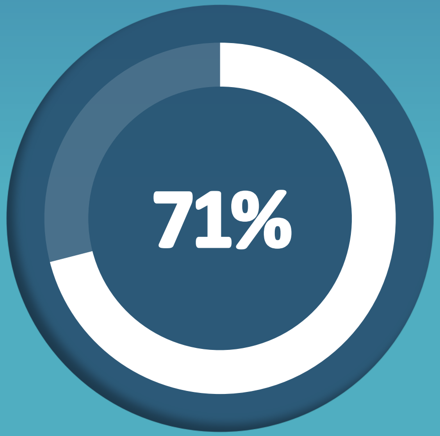
Technological Uses In Puerto Rico

Percent of adults who did these restaurant-related activities in the past year

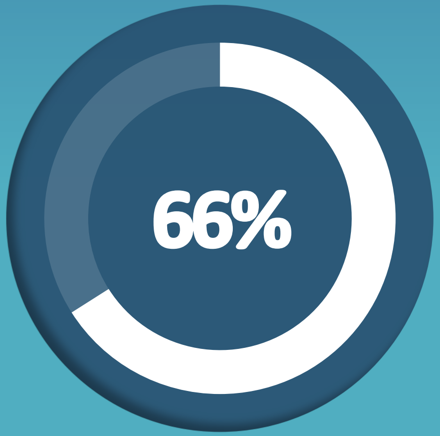
Use of Technology is up vs. 2019 across all aspects measured, without exception



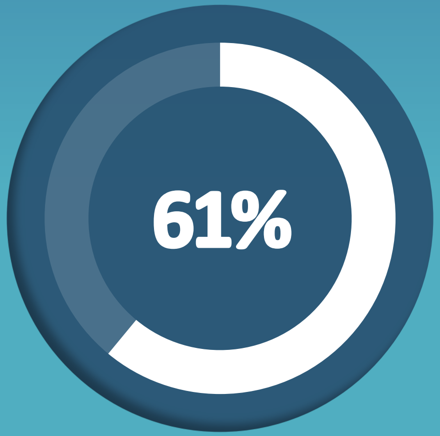
Look up restaurant locations, directions or hours of operation



Paid for food or beverages using mobile platform such as ATH Móvil*

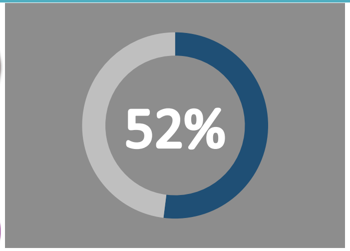


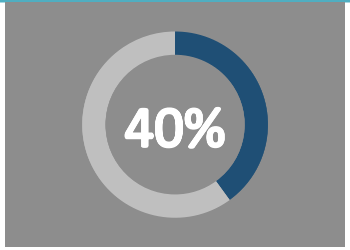
View a restaurant menu online

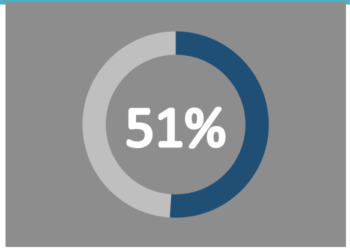


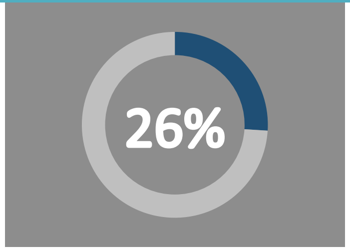
Place an order for takeout or delivery using a restaurant app or website

2019









***Statement also included "ApplePay or Samsung Pay"**

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Technological Uses In Puerto Rico

Percent of adults who did these restaurant-related activities in the past year

Using Technology to make a restaurant reservation online has more than doubled vs. 2019

	Read online reviews of a restaurant	Make a restaurant reservation online	Look up nutrition information for restaurant food online	Follow or interact with a restaurant on a social media platform
	58%	48%	48%	48%
2019	47%	23%	30%	32%

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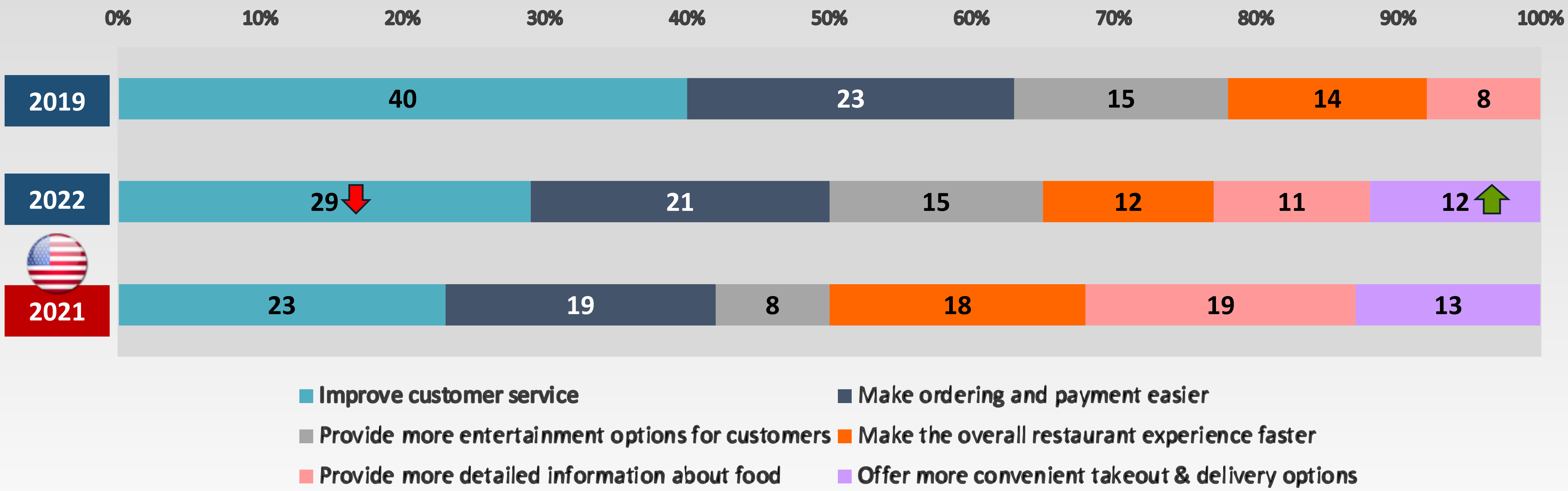
PR Places More Emphasis On Improving Customer Service

Area in which consumers would most like to see restaurants incorporate more technology in the future (%)

PR leads over the US in using Technology to improve customer service, but slipping vs. 2019

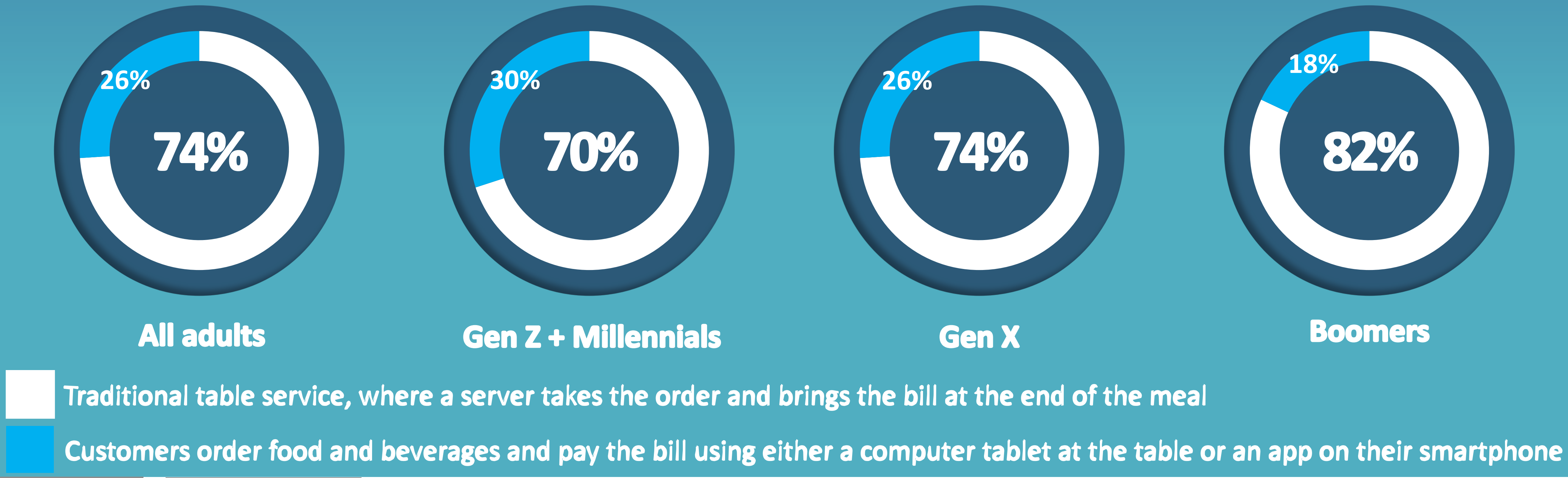


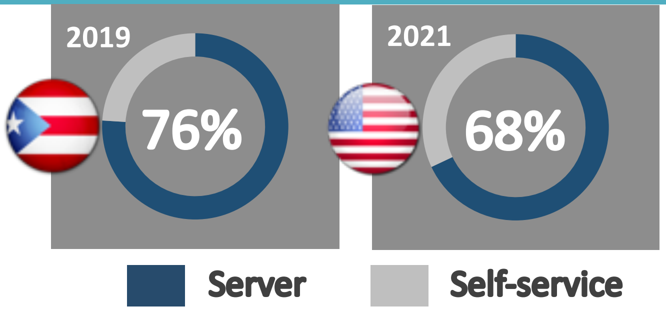
Statistically significant decreases or increases (at the 90% or 95% confidence level) vs. PR 2019 results

US Source: National Restaurant Association, *National Household Survey, 2021*

Consumers’ Preferred Seating Option At A Table service Restaurant: Server vs. Self-service

On average, 3 in 4 (74%) prefer traditional table service, in line with PR 2019 but above US 2021





US Source: National Restaurant Association, *Household Survey, 2021*

Preference Between Restaurant Tablet vs. Own Phone

Base: 26% that prefer Self-service at tableservice restaurant

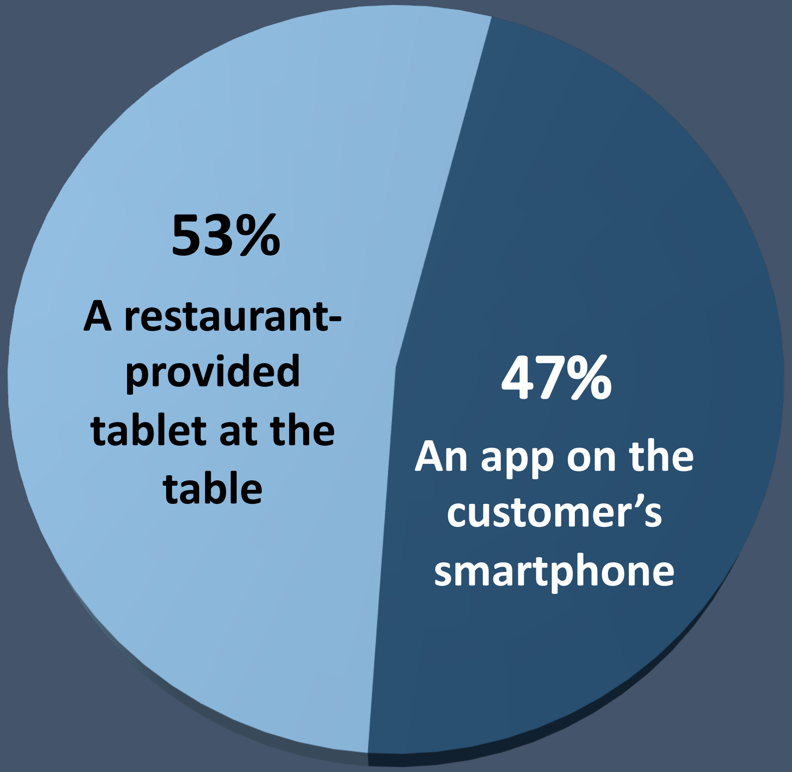
Among those that prefer self-service, opinion is divided with respect to which device to use

53% Restaurant-provided tablet

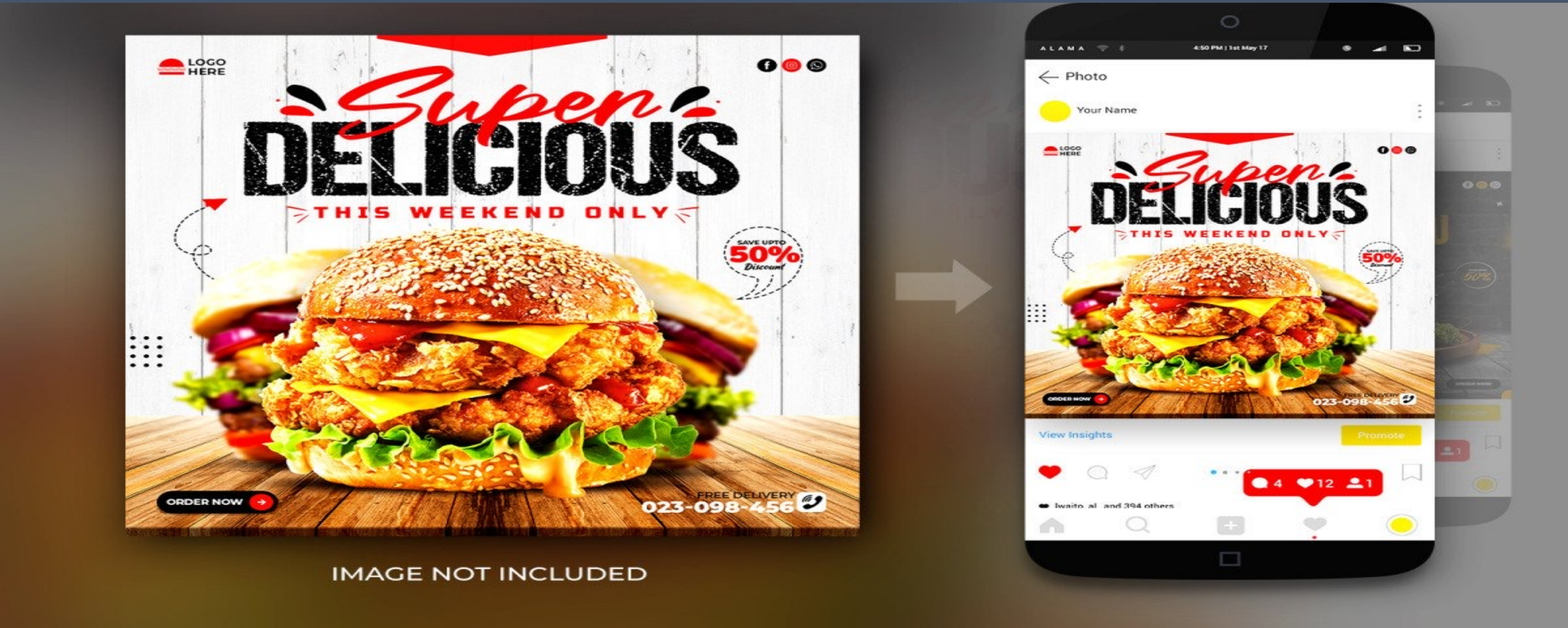
53% 2019

47% App on customer's smartphone

47% 2019



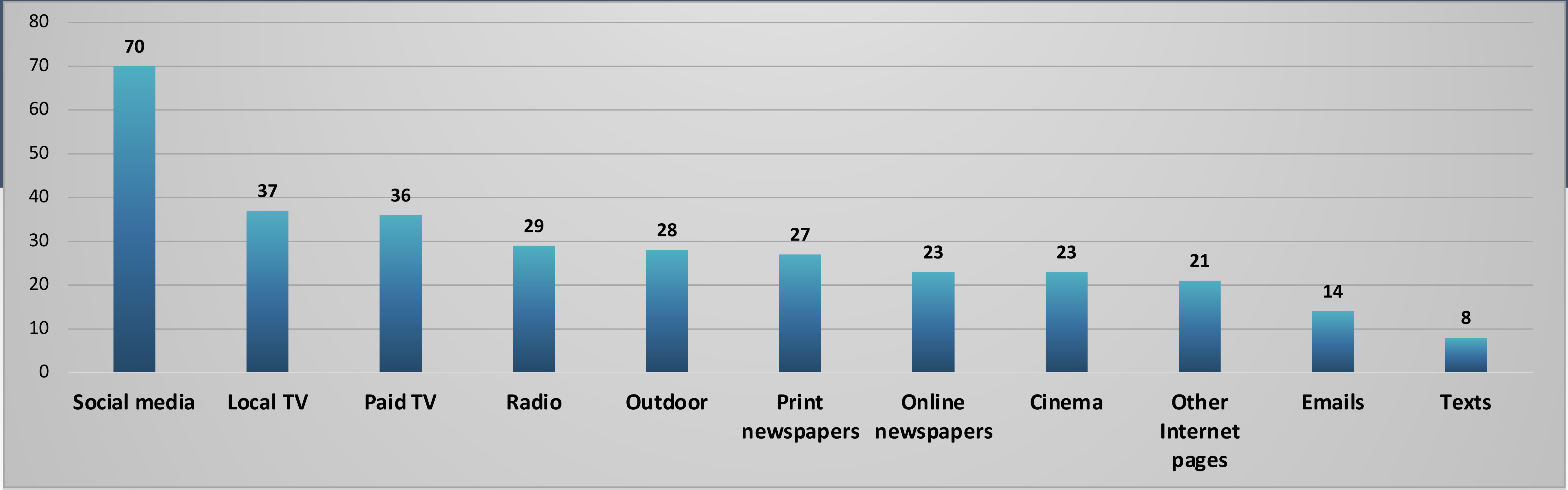
Role of Media



All Media Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Total

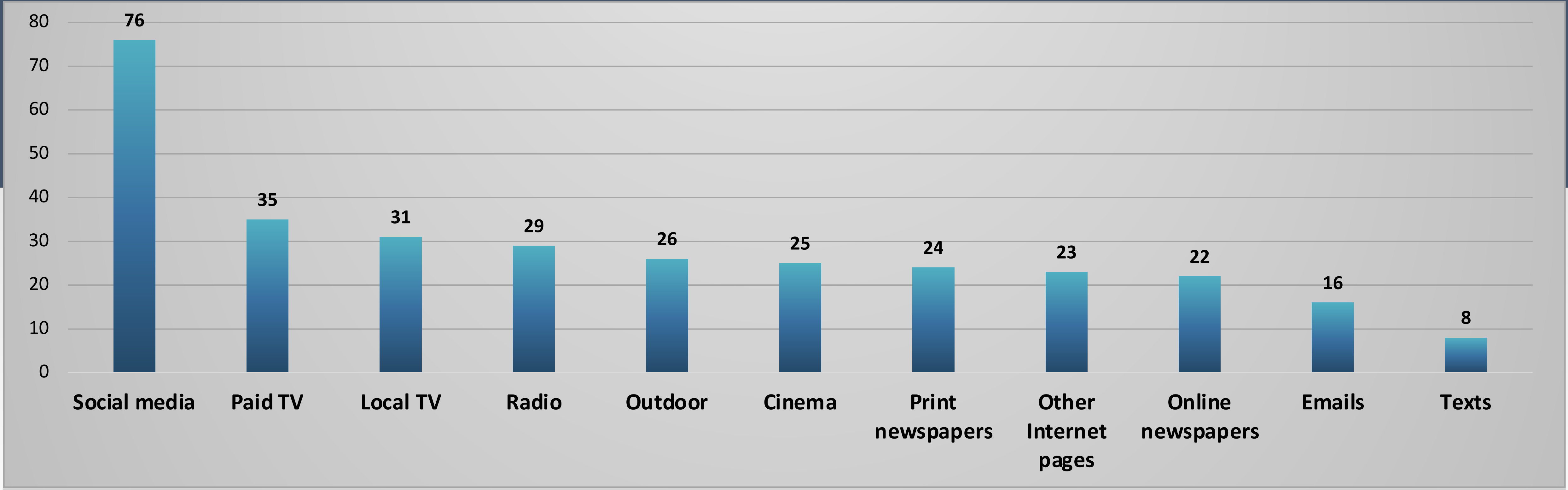
Social media leads among all Adults as medium used to get informed about restaurant aspects



All Media Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Gen Z + Millennials

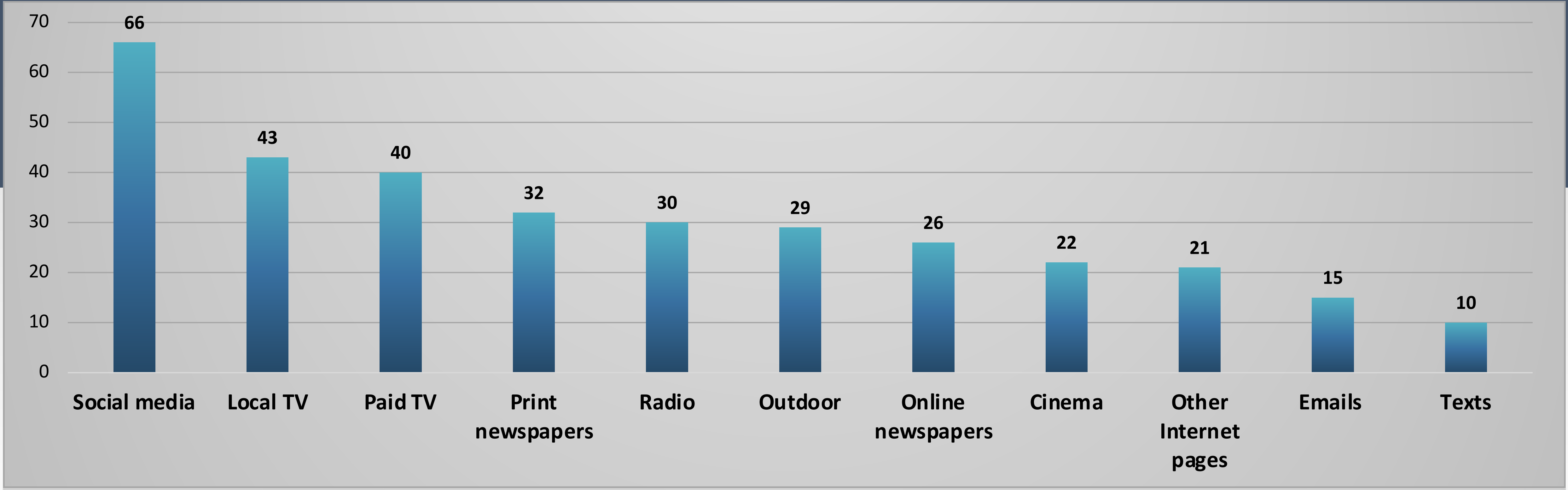
Among Gen Z + Millennials, Social media is even stronger, more than 2-to-1 over next medium



All Media Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Gen X

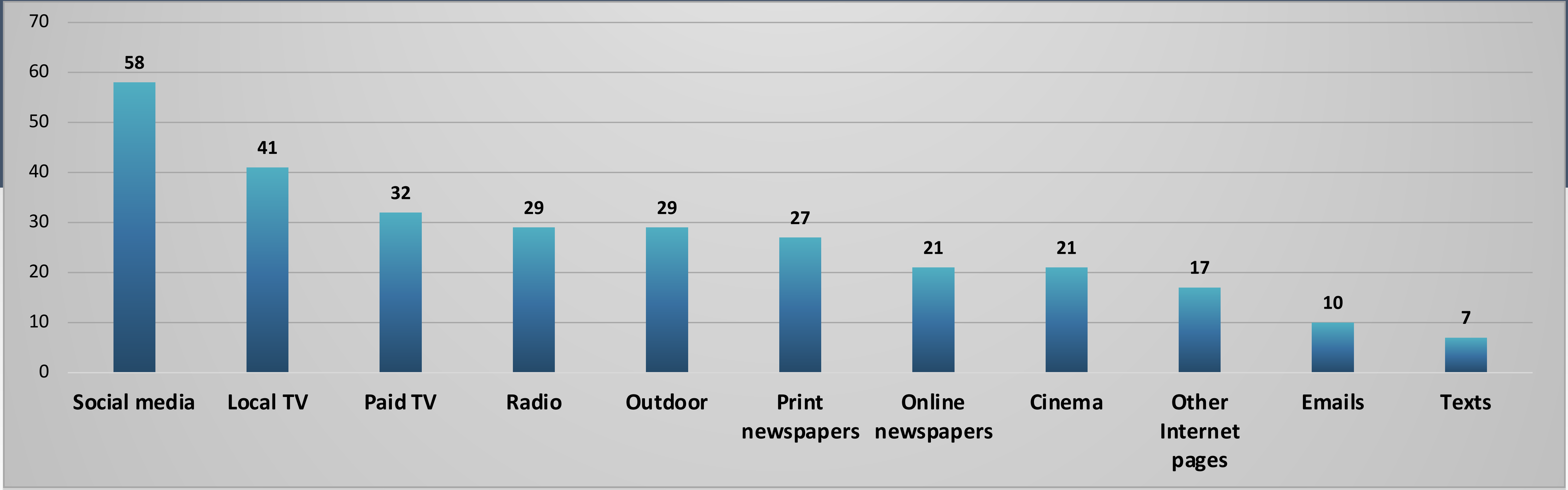
Gen Xers also use Social media as their primary medium, with TV (both Local and Paid) ranking 2nd



All Media Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Boomers

Even among Baby Boomers the use of Social media leads, albeit with a smaller advantage vs. TV



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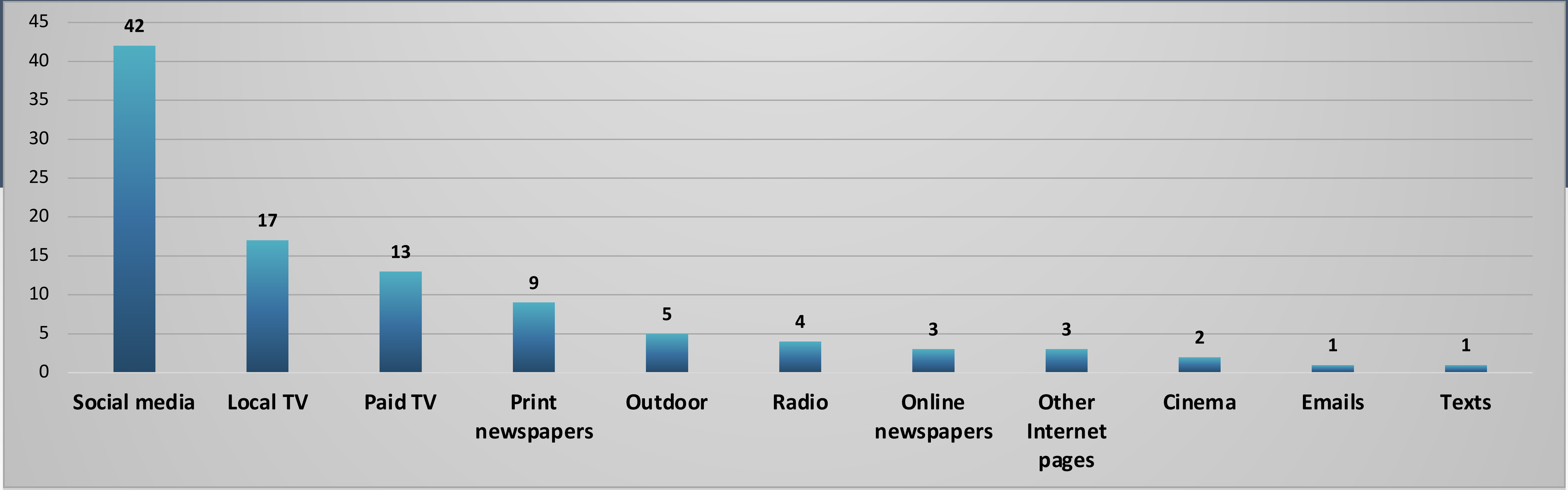
Main Medium Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Total

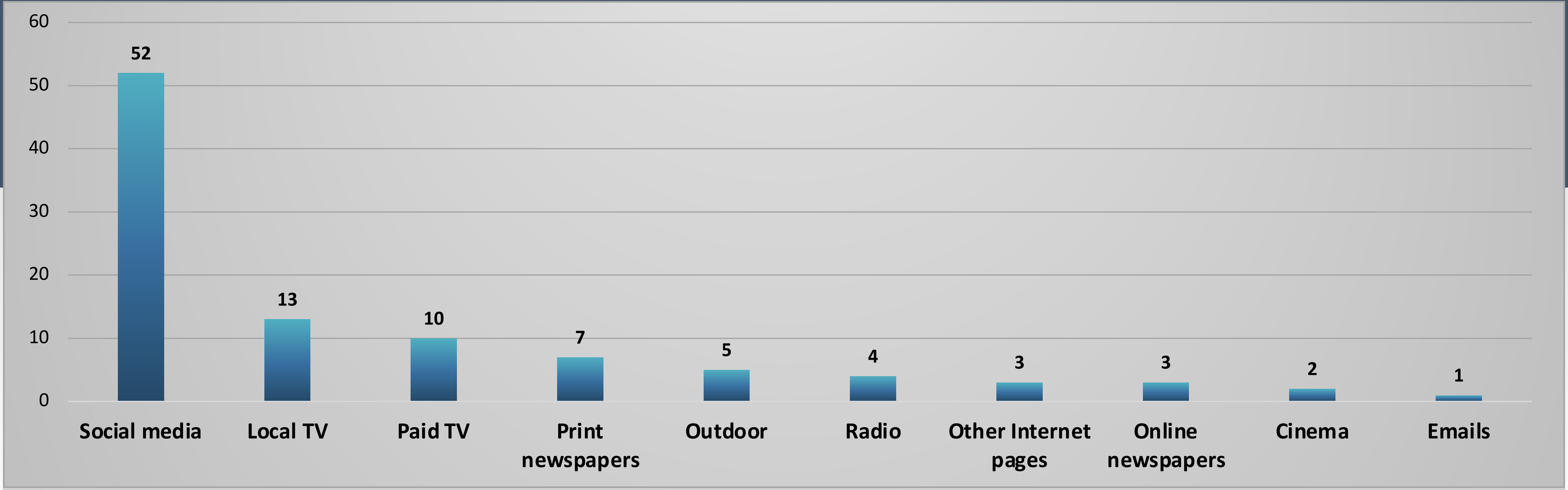
When narrowed down to a single medium that is primarily used, Social media leads with 42% in Total



Main Medium Used To Get Informed (%)

On where to get to eat, menu items, offers, locations and other details / Gen Z + Millennials

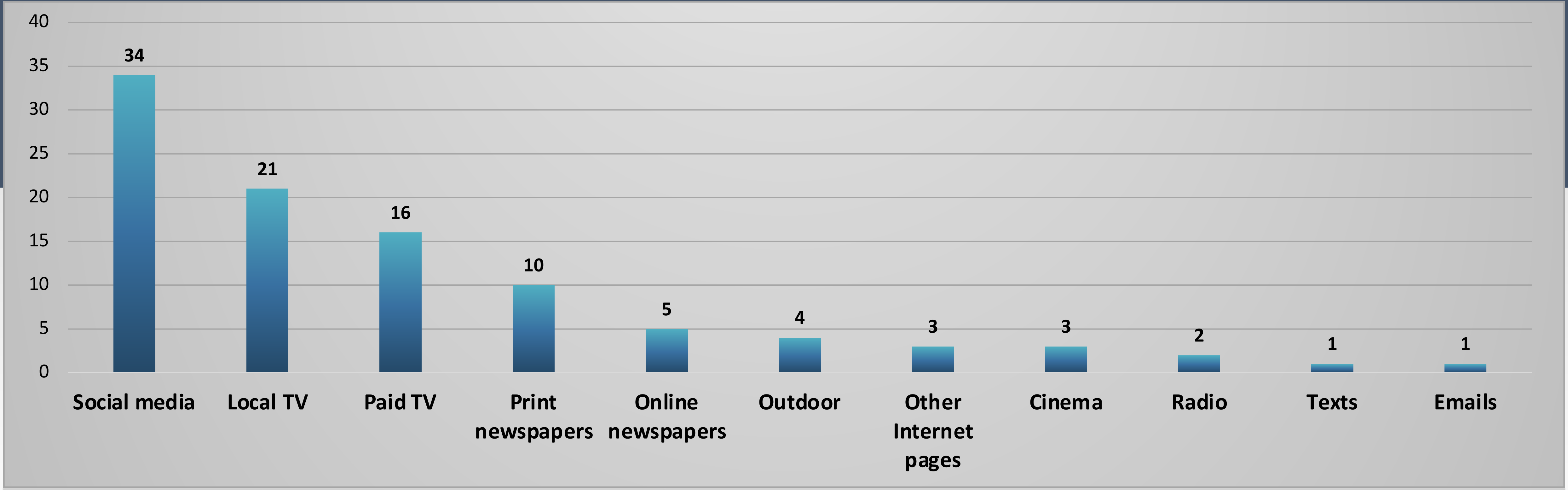
Among Gen Z adults and Millennials, one-half (52%) of these primarily use Social media



Main Medium Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Gen X

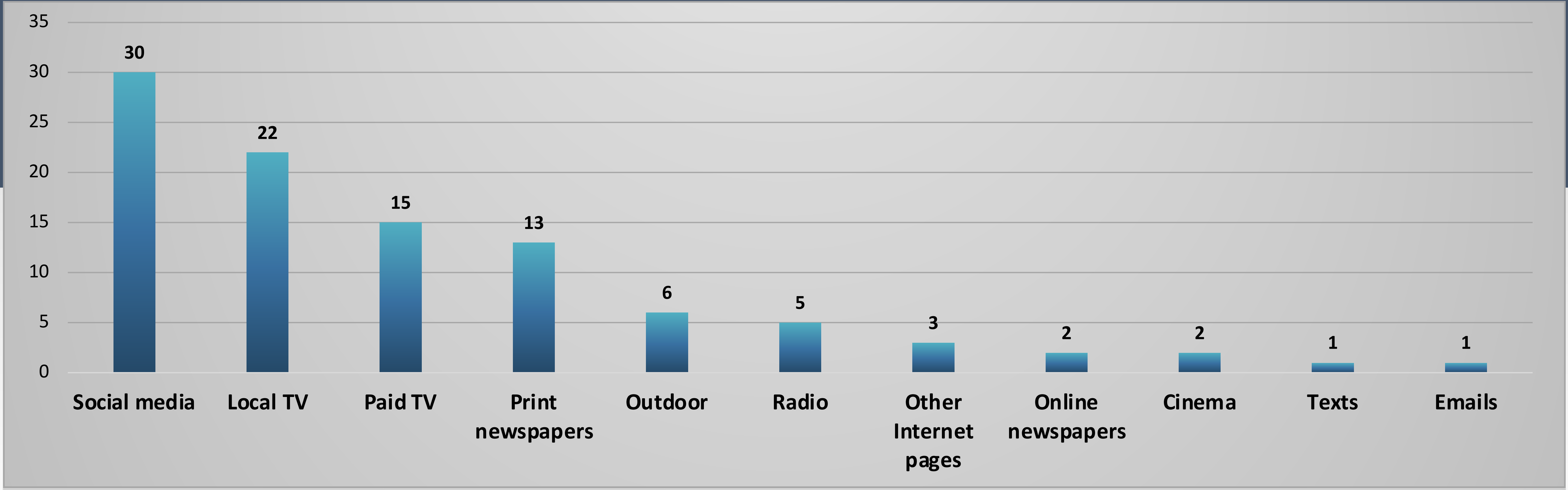
Social media revalidates as main medium used to get informed about restaurants in Gen X users



Main Medium Used To Get Informed (%)

On where to eat, menu items, offers, locations and other details / Boomers

For 30% of Boomers, Social media is their medium of choice, ahead +8 points over Local TV



Closing Thoughts

Restaurants must be vigilant to economic trends and consumer behavior to quickly adapt

To continue delivering <u>superior Value for Money, higher satisfaction</u> with dine-in, delivery, carryout and drive-thru experiences, and fostering <u>loyalty and user retention</u>

Investment in technology should be a top priority for 2023

To offer competitive advantages to stay ahead of the curve, to add value and to ensure high satisfaction in spite of labor challenges

QUESTIONS & ANSWERS

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Call us
787-783-9640

Visit us
asorepr.com

Mail us
gadlebron@asorepr.net