

Thinking Outside the Box



CONTRIBUTOR

Charles Walder, Director, Consumer

Restaurants have never faced such a challenging operating environment with the combined risks to the health and wellbeing of their staff and customers, along with purely seeking to get through this period of uncertainty to live to fight another day. Sales have fallen off a cliff and while operators are taking steps to address their input costs (e.g., laying off staff, communicating that rent will not be paid to landlords, etc.), the government may take swift and decisive steps to support all operators in the near term with initiatives that have a real and immediate impact.

For those restaurants that are considering remaining open and focusing solely on off-premise sales (whether drive-thru, to-go or delivery), there are some other potential initiatives which restaurants might be able to implement to try and fill the void from the loss of dine in consumers and sales. These all revolve around the question, "Apart from our usual menu items, what else can I provide to my consumer?" This question is further contextualized by the backdrop of consumer social distancing, grocery chains frantically working to keep shelves stocked as they are overwhelmed with customers as soon as they open their doors, and many restaurant operators already having an in place delivery network given the evolution of the delivery ecosystem in recent years. The restaurant industry has a well-developed supply chain in place that could be leveraged to help drive incremental sales, as well as get consumers what they need.

Items for Restaurants to Consider Adding to their "Menu":

Consumer staples which the customer may otherwise need to visit a grocery chain for (e.g., bread, milk, eggs, etc.).

One off items or ingredients which customers can cook or prepare at home (e.g., pizza bases for pizza restaurants, cuts of meat, etc.)

Whole meal kits of ingredients for items on the restaurant's menu which customers can prepare themselves at home

Other products that can be sourced through the restaurant's supply chain which it can then sell to their customers (e.g., toilet paper, hand sanitizer, etc.)

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Each restaurant can decide how bespoke they want to go – do they want to just offer products in bulk or do they want to break it down in an effort to offer smaller, more personalized baskets of products for customers. Assuming this is a path operators decide to go down, can they also leverage their loyalty programs to market the additional products they plan to stock and offer? With all of the above, the operator would need to make sure they are adhering to local and federal rules, regulations and laws.

Capital Structure Implications

Lincoln's Capital Advisory Group is available to assist you address any and all capital markets implications from the ongoing disruption to your business. We understand what debt investors are focused on and the implications to company's capital structures. In particular, we have experience assisting leveraged companies with short dated maturities or near-term liquidity needs where the impact of the capital market dislocation is most acute. We can assist you navigate these challenging times from a capital markets perspective, allowing operators to focus on being nimble and thinking outside the box so they can navigate this period until we return to a more normalized environment and can re-visit more typical growth-oriented strategic initiatives.



Charles has extensive experience advising companies in the consumer sector for clients focused on the restaurant and pet industries. His experience includes domestic and cross-border mergers and acquisitions (M&A), capital raising, restructuring and other strategic advisory assignments. Charles has a rich understanding of the dynamics and trends driving change and creating value in the constantly evolving consumer sector. He has experience working with restaurant companies across a broad range of sub-verticals and business models and has developed strong relationships across the sector with key strategic buyers, financial investors, owner-entrepreneurs and lenders.

Contact Charles at cwalder@lincolninternational.com.

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