



COVID-19

Perspectives in Europe

Foodservice Europe

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Foodservice Europe

The Situation in Europe

Different perspectives in different countries

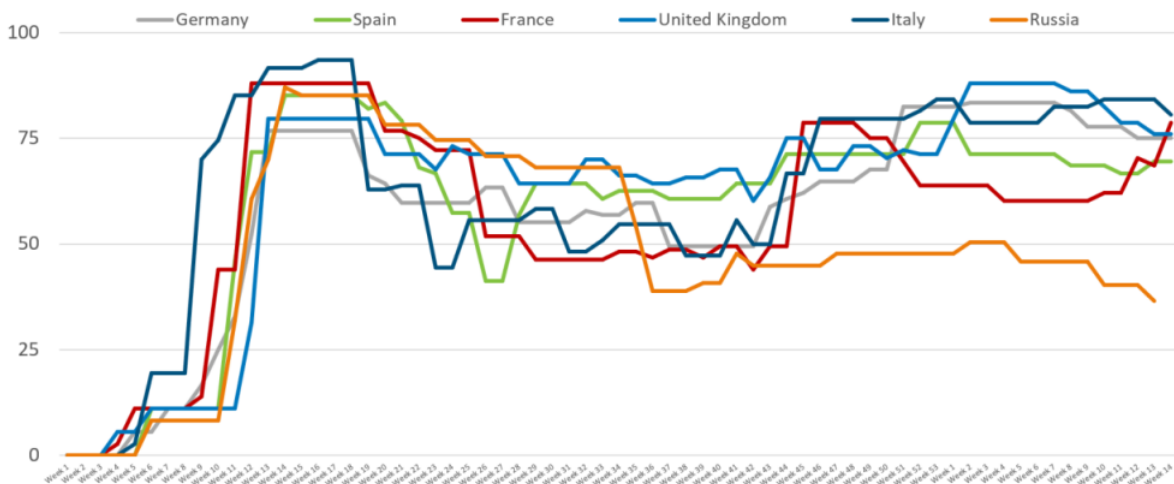
Across all European countries except Russia and very recently UK, there are still tight restrictions in place that were implemented by governments before Christmas. And where the overall Government Stringency Index, as measured by Oxford University, was lowered after December, it has been tightened due to new waves hitting many countries. In much of Europe, it may get tougher before more sustainable easing.

The exceptions to this are the U.K. and Russia. In the U.K., outside seating areas opened in early April, and there is at least a roadmap for further openings in light of successful vaccination programs. In Russia, dine-in options have been basically open without any interruptions.

Right now, across the Big 5 Western European countries, the Government Stringency Index shows a similar level for all countries at around 75; therefore, there are still very tough policies and restrictions in place. Takeout and delivery are mostly possible, which is different from the first lockdown earlier in 2020.

The Oxford University COVID-19 Government Response Tracker has quantified the stringency of government responses around the world. The tracker assigns a point value of 0 to 4 for government containment policies regarding school closings, workplace closings, public event or gathering restrictions, public transport closings, stay-at-home orders, internal movement restrictions, and international travel controls. An additional point is given if a policy is for the entire population and not just certain groups or areas. This project provides a calendar of when each government began to ramp up restrictions.

Government Stringency Index Weekly



Source: Oxford COVID-19 Government Response Tracker

Vaccination provides some hope

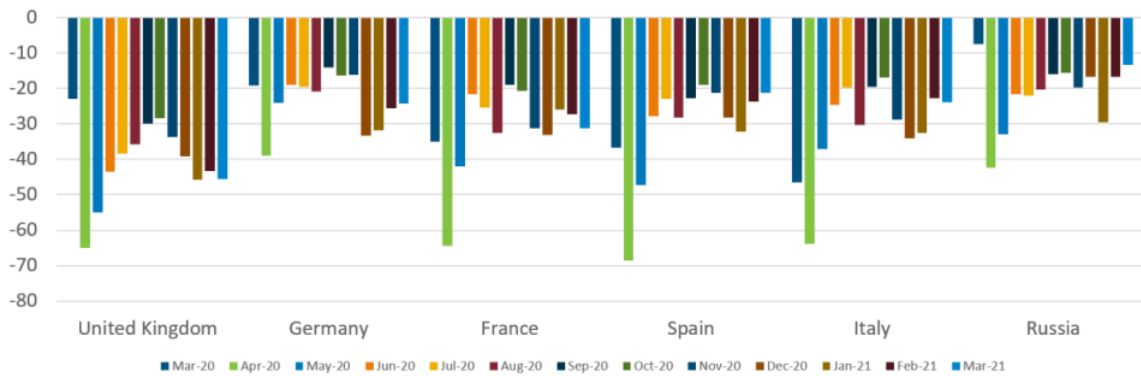
There seems to be universal disappointment at the rollout of vaccines across Europe, with the exception of the U.K. While vaccination programs have yet to get going across all European countries, East Asia, and Australia, they are well underway in the U.K. More than half the adult population in the U.K. has had at least one dose of a COVID-19 vaccine, and we saw the reopening of outdoor/al fresco eating and drinking in Week 15.



Consumer mobility remains low

People still aren't going back to places where they would generate incremental visits for restaurants. Despite ongoing restrictions, there is a much higher level of mobility now compared to what we saw during the first closing, starting in March 2020. However, it is still a very reduced number of people returning to their workplaces, with far lower levels in the U.K. compared to continental Europe; even in Russia a reduced number of people have returned.

Google Mobility Index 'Workplace'

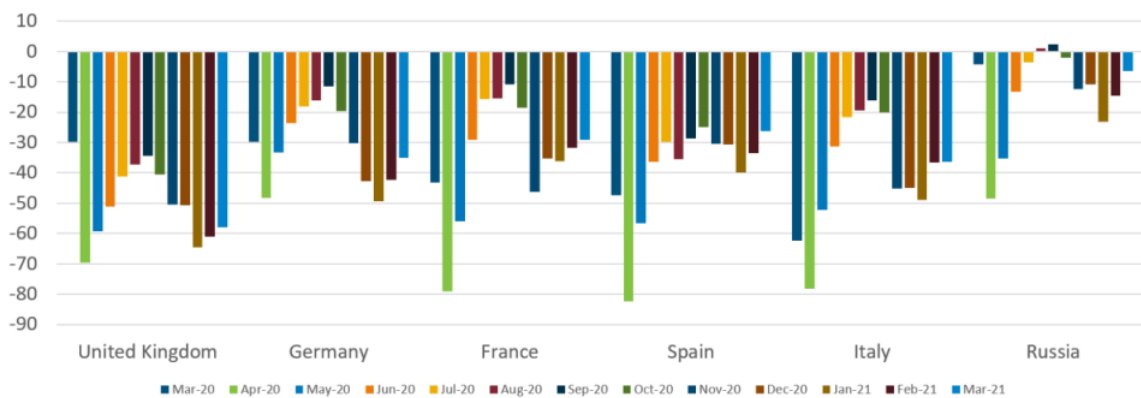


<https://www.google.com/covid19/mobility/>

Source: March Week 1 download of Google Mobility Tracker

There are still fewer consumers at transit locations, such as train and bus stations and airports, which puts even more pressure on locations connected to these travel hubs.

Google Mobility Index 'Transit'



<https://www.google.com/covid19/mobility/>

Source: March Week 1 download of Google Mobility Tracker

In its Mobility Index, Google collects anonymized location data from users. The data shows movement trends across different countries and provides the percentage change in visits to location categories compared to a pre-pandemic baseline, indicating how far movement has dropped.



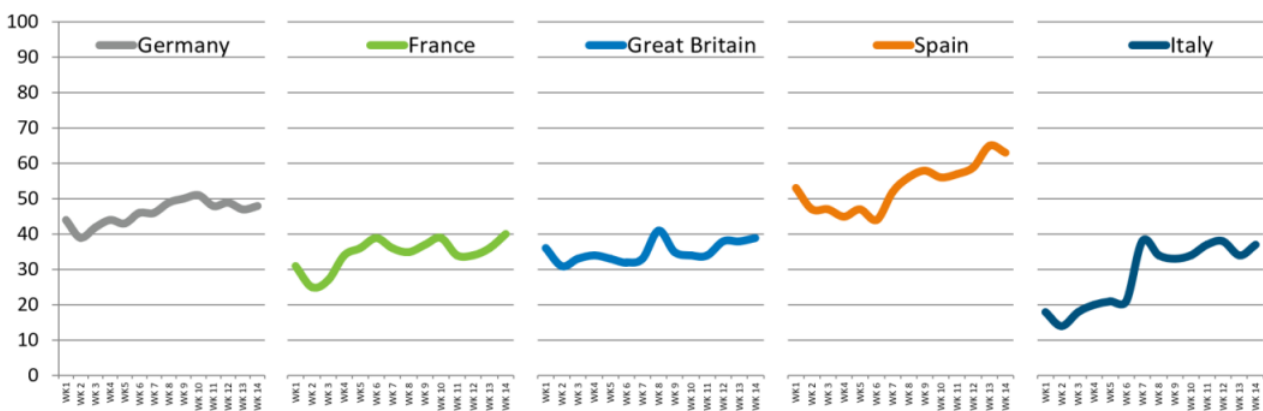
Where Europe Stands

Small signs of improvement

The year 2021 got off to a very tough start across the Big 5 Western European countries. Four of the five countries generated less than half of the Foodservice spend they normally would at this time of the year. Our weekly CREST® Flash results show that only from mid-February on, and only in Spain, the industry performed above this mark.

Market Spend Index to Pre-COVID-19

Weekly Consumer Spend Index by Country – 2021 to Date



Source: The NPD Group/CREST®

In **Germany**, restaurant restrictions have not changed, but the easing of some rules for retailers and services that were allowed to open under certain conditions led to baby-step improvements over the quarter. They mostly reflected further increases in service types booming already, such as click & collect, delivery, drive-thru, and curbside pickup.

France still shows an index of around 40 only without any substantial upward moves, similar to the situation in **Great Britain**. In both countries, dine-in is completely closed, so there is no on-premises business. Drive counters and delivery offers have grown more important and led to improvements in QSR and retail channels, whilst workplace and full service remain low. The reopening of outdoor seating will potentially benefit the about 40% of outlets in **Great Britain** that have outdoor space.

As mentioned, the market in **Spain is** running at the highest level, generating around 60% of pre-pandemic revenue. Spain has been recovering constantly over recent weeks to reach this level, especially during the Easter holiday, when some mobility restrictions were softened. QSRs and the gastronomic service from retailers have been increasing their revenues, but full-service restaurants—and therefore on-premise consumption — also have gradually contributed to the increase.

Italy has finally stepped up from its very low levels at the beginning of the quarter to at least a good third of its normal value. This was driven by the increased use of restaurant services for consumption at home, which benefited from takeaway, delivery, and drive-thru solutions.

All in all, we do not see a recovery yet; it is more an improved adaptation to the circumstances, leading to baby-step increases across the Western European countries.

What to Expect for the ‘New Reality’

Changes in social lives

To understand what the ‘new reality’—a time when COVID-19 will be under control and essential restrictions lifted—will look like for the foodservice industry, it is necessary to understand what consumers and society will look like at that time.

- A fair portion of working from home and home-schooling will stay, because both employees and employers like it. This will lead to decreased mobility.
- Meeting clients, business partners, and vendors online has proven to work well, and some of it is likely to stay, leading to less business travel.
- On the other hand, the absence of social connections during work life is expected to lead to more social connections outside work and in specific co-working spaces.
- During the pandemic period, the share of online retailing has doubled and is expected to stay at this level.
- Also during this time, people cooked more at home and invested in their kitchens (appliances such as bread-baking machines, sandwich makers, and air fryers), home working areas (chairs, screens, headsets), and living rooms (home entertainment, video and music subscriptions). After lockdowns, we expect people will certainly reduce the use of these new devices/subscriptions. Countries farther along in recovery than those in Europe show that some of the cooking and entertaining at home will stay.
- The older population may seek more security and act more cautiously even when pandemic precautions have eased.
- Consumers will have developed a stronger connection to their communities.

What it means for the shape of the market

In one of my earlier ‘Perspectives’, I shared that in order to predict the speed of market recovery and the size and shape of the new reality, we must look into the need states, or visit situations, in which consumers require the restaurant industry because they cannot prepare something themselves, for convenience or experience reasons.

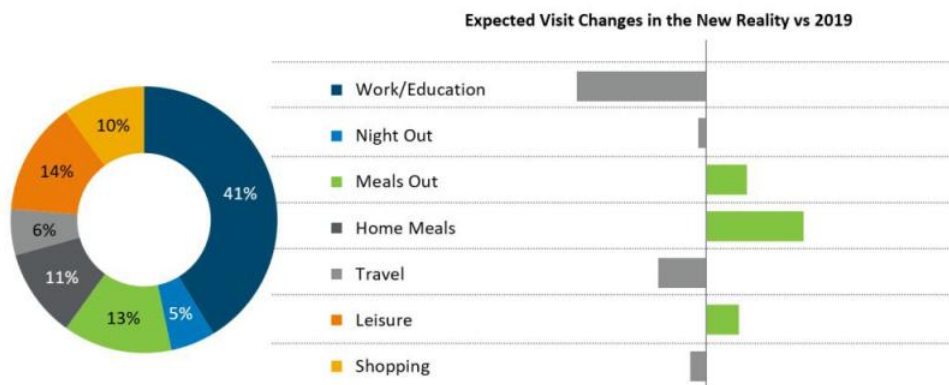
We split the market into seven different situations:

- With 41% of all visits before the pandemic (2019), **work/education** is by far the most important reason for us to use the foodservice industry. It includes anything we eat and drink that is connected to us being at the workplace or school/university, including the trip there, and our lunch, coffee, and afternoon breaks.
- **Night out** represents transactions after dinner when we hang out with friends or family, mostly for drinks or snacks in bars, cafés, and entertainment places. This accounted for 5% of all visits in Europe in 2019.
- Going out with friends, a partner, or family and having an on-premises dinner or lunch (**meals out**) represented 13% of visit situations pre-pandemic.
- Before any stay-home requirements, 11% of visits across Europe were consumed at home and therefore fall into **home meals**.

- **Travel**—whether private or business—accounted for 6% of eating occasions prior to COVID-19.
- A **leisure** activity such as going to the pool, beach, cinema, or a theme park often includes foodservice purchases. It represented 14% of the situations in which people needed restaurants to feed them.
- And eating and drinking during errands or a **shopping** trip made up another 10% of all foodservice visits across the Big 6 European countries.

Visit Situations in the New Reality

Home Meals, Meals Out, and Leisure are Expected to Grow in Demand



Big 6 Europe – Total Market - Visits in % - 2019 and Expectation for New Reality



Source: The NPD Group/CREST®

Increased rates of working from home after the pandemic will lead to the **work/education** situation strongly decreasing in importance. On the other hand, **home meals**—and therefore all the different service modes that support people in getting restaurant food and beverages home—present the biggest growth opportunity. We expect that as soon as **leisure** facilities fully reopen and dining rooms are available for **meals out**, consumers will storm these facilities and make up for the long periods without opportunities to socialize and enjoy life outside the home. Most consumers will have enough money available to afford these treats.

A similar recovery is expected for private **travel**. Bookings for tourist destinations are expected to be back very quickly once they are available and considered safe. However, the travel situation is nevertheless expected to remain below pre-COVID-19 levels because of long-lasting reductions in business travel: videoconferencing has been established during the past months, business travelers don't miss travel, and for companies it is an excellent opportunity to manage their expenses.

For **shopping** and **night out**, we expect small declines compared to pre-COVID-19 levels. Many shopping trips moved from malls and brick-and-mortar stores to online shops and therefore do not require a coffee or snack in between. The night out facilities may take longer to be considered safe; we expect the highest rate of outlets going out of business as more of the teens' and tweens' entertainment moves to PlayStation and Netflix.

Future Opportunities in QSR

In 2019, across six of the largest foodservice markets that NPD tracks in Europe (Great Britain, France, Germany, Italy, Spain, and Russia), consumer spend for quick service restaurants (QSR) increased twice as fast as the total market. QSR had been able to offer options focused on long-term market growth areas such as breakfast, demand at travel hubs due to increased mobility, and a growing demand for delivery. They had also learned ways to better leverage digitization through apps and aggregators.

In 2020, during the pandemic, QSR lost 24% of its consumer spend, but the segment was much more resistant to the pandemic than the total market, which declined 38%. That segment is the most off-premises oriented and, therefore, was not hit as hard as the dine-in driven segments. In addition, they managed to quickly switch to new, requested service modes like delivery and click & collect. In Europe, QSR had been an area of constant growth before the pandemic (since many of the growth drivers fall into the QSR space) and remained more stable during the pandemic because it could more easily adapt to the demanding situations. The pandemic has caused the QSR industry to adapt at lightning speed over the course of one year. Following are some of my key takeaways from 2020.

Good locations for QSRs must be redefined

We may have to completely rethink what a good location is, both now and after the pandemic. Before the pandemic, QSRs and fast casual players fought for locations at travel hubs, large office areas, and mall/shopping locations. Those days are gone. Today, residential areas have been growing in importance, which isn't surprising given the changes to consumers' private and work lives. New 'good locations' are areas where the community comes together: suburban centers that will become more lively places after the pandemic. Trust, loyalty, and connection to the community will become stronger drivers for future decision-making among consumers.

Coffee bars/bakeries need new visit situations

The importance of coffee bars and bakeries differs greatly from one country to another. Overall, across the Big 6 European countries, coffee bars represent 13% of QSR spend, varying from 1% in France to 40% in Italy. The same applies to bakeries, where their importance for QSR and the overall eating-out market has been 11% (France) and 12% (Germany) vs. 3%–4% in Spain and Italy.

Coffee bars and bakeries have suffered more during the pandemic, with some operators losing almost twice the ratio compared to QSR in total. The reason is obvious: decreased mobility, especially with consumers working and shopping more from home, which has reduced the need and demand for these places. Their traffic will return to normal as soon as people return to their workplaces and go back to shopping in brick-and-mortar stores.

The future for these businesses will be tough if they don't develop new situations to overcome shortfalls due to expected changes in consumers' work lives. No other QSR segment is so dependent on people going to work or school, so no other segment is more negatively impacted by some of the changes that are expected to survive the pandemic: work from home/home schooling, less business travel, and more online shopping. Future growth can come from two areas: 1) offering 'the third place' to socialize for consumers living in the neighborhood, especially for those who are tired from working from home in isolation; 2) open up and offer coworking spaces and informal meeting points. In both cases, the on-premises experience and convenience will be key success factors.

Delivery has further growth opportunities!

Over the years, delivery has constantly outperformed the development of total QSR. But during the pandemic, delivery spending grew 32% in 2020 vs. 2019. Operators specializing in delivery collected more than half of the delivery spend back in 2015. With an increasing number of QSRs, and also full-service restaurants offering delivery, the 'specialists' only showed a 43% spend share. In other words, growth is driven by those developing this new delivery service type. So far, coffee bars have not been taking advantage of that.

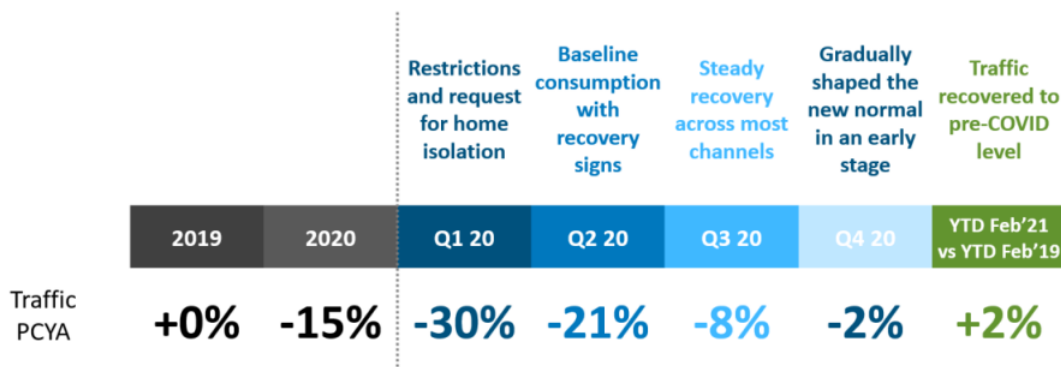
While digital orders drive industry growth, phone orders are still important. Almost half of delivery orders are still placed over the phone. Across the six countries, Russia has the highest share of digital orders (76%), followed by Great Britain at 67%. Digital order adoption is slower in Italy, where two out of three delivery orders are placed over the phone. Aggregators (such as UberEats, Just Eat, and Deliveroo) help to drive the growth; not only is delivery traffic more digital, it is also more strongly driven by aggregators. Whilst aggregators represent 39% of all delivery spend, they collect almost three out of four euros consumer spend digitally for delivery.

NPD's CREST research shows that, across the big six countries in Europe, consumers spent 34% more for delivered food and beverages from restaurants in 2020 compared to 2019. Even though delivery to workplaces has taken a big hit over the past year, one quarter of deliveries still go to workplaces. This presents another opportunity for growth in foodservice.

China is Back on Track

The Chinese foodservice market is back at its pre-COVID-19 level! The first two months of 2021 showed +2% visit growth compared to the same months in 2019. The foodservice market in the country experienced different stages of recovery post-COVID-19: from a mostly restricted period in Q1, recovery kicked in at Q2, and then gradually shaped to a new normal in its early stage in Q4.

Foodservice Market Performance in China



Source: The NPD Group/CREST® China, 22 cities

It is necessary to note that, unlike in the European countries, there was no second wave of the coronavirus after the first wave. The Chinese economy recovered overall, and GDP is back to growth. And employees were asked to go to their offices and not work from home.

What is different from the old normal

Despite the Chinese market being almost back to pre-COVID-19 levels at the end of 2020, the on-premises business is still down double digits. On the other hand, takeaway and delivery options continue to grow and increased their growth rate in Q4 compared to more restricted times.

The importance of lunch and snacking occasions has increased in the Chinese new reality, but the breakfast business was still suffering, down double digits compared to pre-COVID-19 levels.

Two segments are ahead of the curve and started growing again: retail, with its food and beverage offerings for immediate consumption, and the Western type of fast food. During the pandemic, retailers that have been able to remain open all the time have benefited from closures of other places, and it seems they have been able to convince these trial customers to continue to grab their meals and snacks there. And many of the Western fast-food chains have been very effectively introducing digital ways to order and contactless ways to get meals. On top of that, they have supported their communities and now benefit from these efforts.

And there were interesting changes in the reason's consumers choose particular restaurants. The availability of convenient ordering and servicing methods has been one of the fastest-growing motivations for people to pick a certain place, but the price-value relationship also has also grown in importance for consumer decisions.

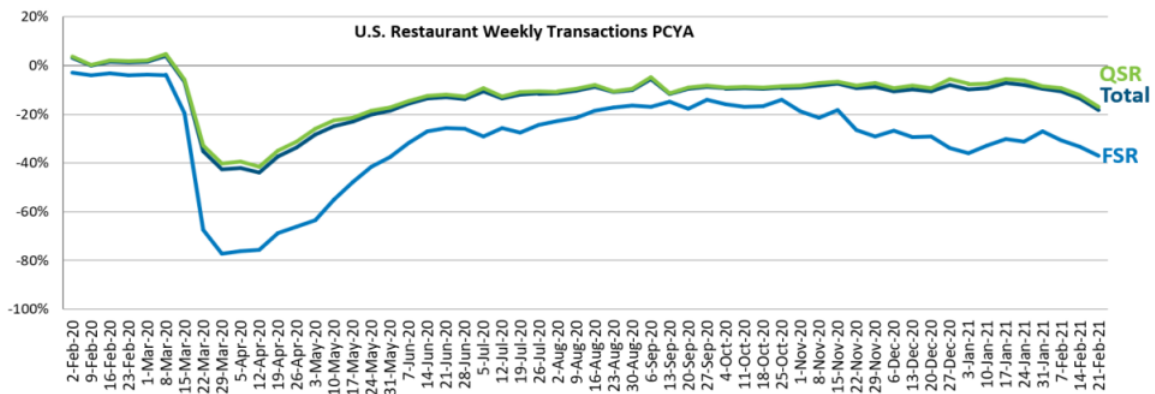


U.S. Had a Rough Start in 2021

Severe weather in many parts of the U.S. hampered the softening of customer transaction declines at major U.S. restaurant chains in the last few months of 2020 and January 2021. CREST Performance Alerts — which provides a rapid weekly view of chain-specific transactions and share trends for 75 quick service, fast casual, midscale, and casual dining chains, representing 53% of the commercial restaurant traffic in the U.S. — reported that major restaurant chain customer transactions declined -13% vs. year ago, compared to a -9% decline in January. Record-shattering cold, snow, and rain affected a large swath of the U.S. in

U.S. Restaurant Transactions

Restaurant transactions declined 18% in the week ending February 21.



Source: The NPD Group/CREST® Performance Alerts

February.

Customer transactions at major full-service restaurant chains, which have been challenged throughout the pandemic by mandated dine-in restrictions and shutdowns, decreased by -33% in February vs. year ago. Major quick service restaurant chains, which represent the bulk of restaurant industry transactions, had a -12% decline in customer transactions in February compared to year ago.

“Aside from any unforeseen events or severe weather in major parts of the country, we should see customer transaction declines improving in the months to come,” said David Portalatin, NPD food industry advisor and author of Eating Patterns in America. “The next several months will help us plot the course for the U.S. restaurant industry’s recovery.”

Although total U.S. restaurant traffic was down across dayparts for most of last year and through February 2021, late afternoon and after-dinner snack visits increased. Consumer visits to restaurants during the p.m. snack period, which ranges from 3 p.m. to 5 p.m. and 9 p.m. to 5 a.m., increased by +5% in January and +3% in February compared to same months year ago. The p.m. snack daypart also gained 3% in share of occasions in the last calendar quarter of 2020, while every other daypart posted declines. The top growing reasons consumers give for visiting during the p.m. snack period are the quality of food and desire for a treat. “The kids like it there,” “regularly go there,” and “had a special taste or craving” were all on par as reasons for a p.m. snack visit. Their restaurants of choice tend to be quick service restaurant chains. More substantial meal offerings, like pizza and burgers, have been performing best at p.m. snack.



Where this information comes from

Our CREST consumer panel tracks foodservice markets across 13 geographies worldwide every day. Our representative samples allow us to understand size, structure, and trends in the market and its channels and chains. CREST reveals who eats and drinks what, how, why, and at what price. We normally release CREST data monthly; however, during these challenging times, we analyze raw CREST results by week with complete, projected, and more detailed analysis for the month and quarter. In addition, our receipt-tracking tool, SnapMyEats, allows us to better understand markets in Great Britain and France. SnapMyEats delivers granular insights by capturing data about food and beverage purchases from thousands of scanned receipts every day.

We will continue to update you with information based on our proprietary data assets and foodservice industry expertise. Remember that your account team is committed to helping you navigate through this uncertain time. If you have questions, or if we can support your business in any way, please connect with your account representative or contact me at jochen.pinsker@npdgroup.com.

What is new on our end?

We have added new analysis tools for our clients and partners, including a scenario-planning tool to understand anticipated performance of the market, its segments, and product groups during the months ahead. It aims to identify what will be important during the next phases of business recovery and how the market may look when we reach the new normal. Some of the driving factors that impact the scenarios are featured in this Perspectives write-up.

In addition, we have implemented weekly CREST Flash Reports that measure how markets and specific segments are recovering on a weekly basis. Understanding the occasions, motivations, and feelings on the road to recovery is the objective.

To feed our understanding of when and how consumers will return to the market in the weeks and months to come, we have also run consumer sentiment studies in the European markets we cover.

How to manage the months ahead

We want to help you understand what you need to know, to be prepared for what is to come, acknowledging that many aspects are still uncertain. We would be pleased to talk you through our expectations, what it all means for you, and how you can leverage our insight to come out of the crisis in a strong position. Let us know if you would like to schedule a conversation.

Stay safe!

