THE KNOWLEDGE BANK

Delivered by
Scotland Food & Drink Partnership

Out of Home in 2021
What can we expect?

March 2021

Winners and Losers in 2020

According to IGD The UK food and drink market declined by 12% during 2020

Lockdown restrictions caused UK consumers to eat more at home, and spend shifted from foodservice to retail, **reducing foodservice's share of the market from 36% to 19%.**

Online grocery retail was the overall winner

Online sales expanded hugely with more people (mainly older age groups) shopping online for the first time.

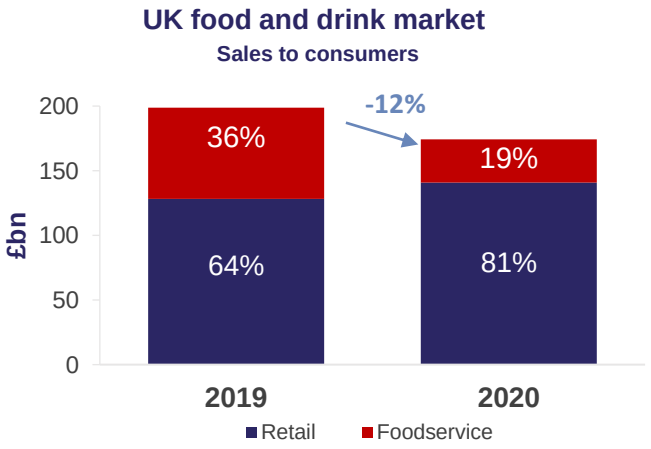
Click & collect became widely used to reach more households

Going into 2021, retailers are focussing on making this channel more profitable.

The Quick Service Restaurant model proved most resilient in foodservice

The convenience, value and social distancing aspects of takeaway, drive thru and delivery, enabled **QSRs to benefit from COVID restrictions.**

Pubs, hotels, leisure and staff catering were hardest hit by restrictions and least able to pivot to new income streams.



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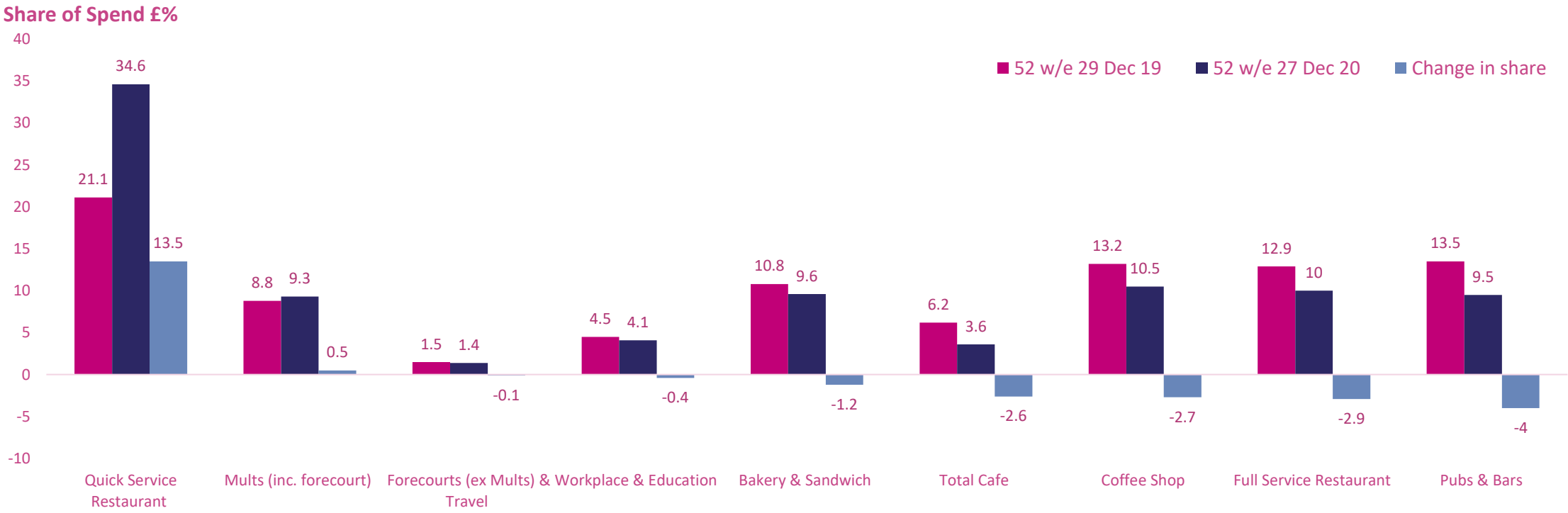
Source: IGD

The shape of the out of home market changed fundamentally in 2021 driven by what was physically available to consumers. At it's lowest point at the beginning of the first lockdown, spend dropped by 73% and many of our social occasions disappeared overnight.



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Source: Kantar Out of Home | Channels | Share of Spend £% | 52 w/e 27th Dec 20 v. YA

Where are we now?

Quarter 1

- National Lockdown
- Roll out of vaccine
- Brexit effects
- Grocery open
- Ecommerce continues to grow along with click & collect
- Non Essential Retail Closed
- Foodservice mainly closed apart from QSR, Delivery and Takeaways
- Schools remain closed

Quarter 2

- Lockdown begins to ease – expected mid to end April
- Schools begin to return full time
- Non-essential retail re-opens
- Grocery stores annualise sales v's 2020
- Vaccine roll out gives certain shoppers confidence to return to stores
- Easter – but don't go on holiday (unless you live in Wales)
- End Q2 we should see Foodservice restrictions begin to lift

Quarter 3

- Hospitality should begin to re-open, but with restrictions (and regionally)
- Foodservice begins to grow and may impact on grocery sales
- Summer holidays may be an option for some but likely staycations will be the choice for the majority
- Some work places may begin to re-open

Quarter 4

- Business support likely to have stopped and will have an impact on jobs
- All adults who want to be vaccinated will have been, boosters begin
- Consumers moving about more freely, albeit hygiene, social distancing and mask wearing might still be priorities
- Christmas celebrations will be enjoyed by all at home and out of home

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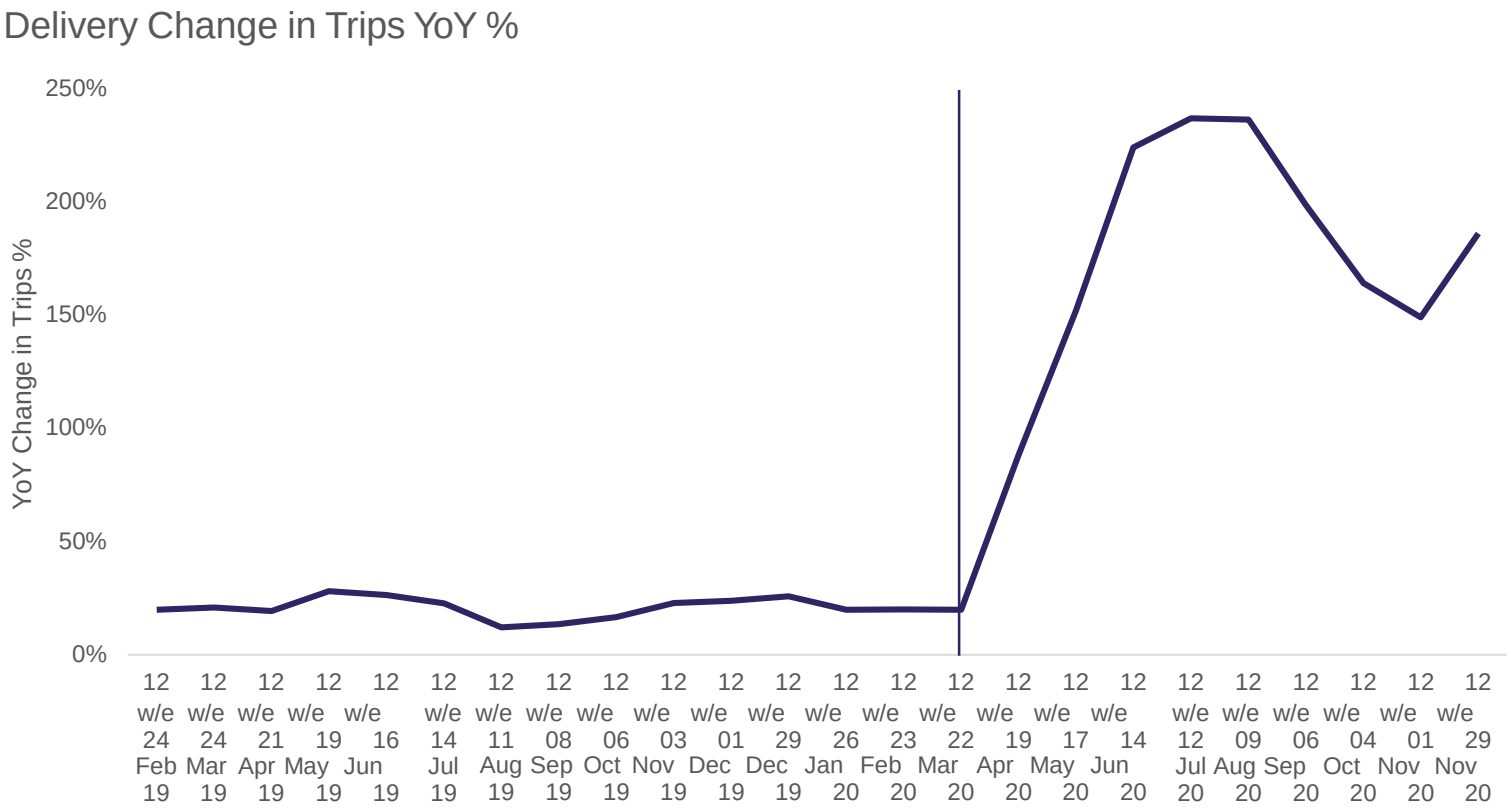
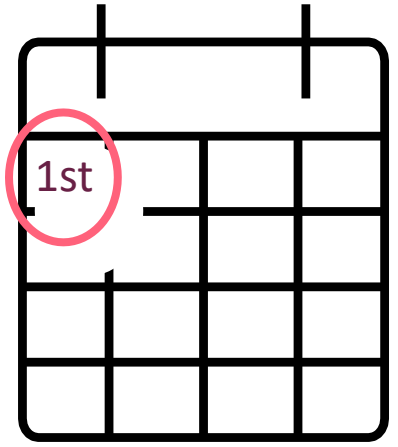
The home delivery market has exponentially grown during Covid, now worth £5.9bn (+£3.5bn) and we expect the sector to continue to perform. With penetration sitting at 43%, there is plenty of head room to grow



£1.6m
on average, more spent on delivery in January than compared to the rest of the year



Dominoes reported 9.8% sales increase in Oct 2020

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KWP Out of Home Purchase | Delivery | Trips YoY Change % | rolling 12 w/e 29th November 2020 Link Q survey Wave 3 and IBISWorld

Consumers suggest that they are likely to take these habits with them into their post-lockdown lives

Of those who ordered delivery for the first time or more often than usual...

61%

would continue their frequency of ordering delivery from restaurants

37%

are likely to order delivery from pubs and bars in the future, if available

70%

would continue their frequency of ordering delivery from takeaways

Of those who are using delivery in the second lockdown

23%

are doing so weekly

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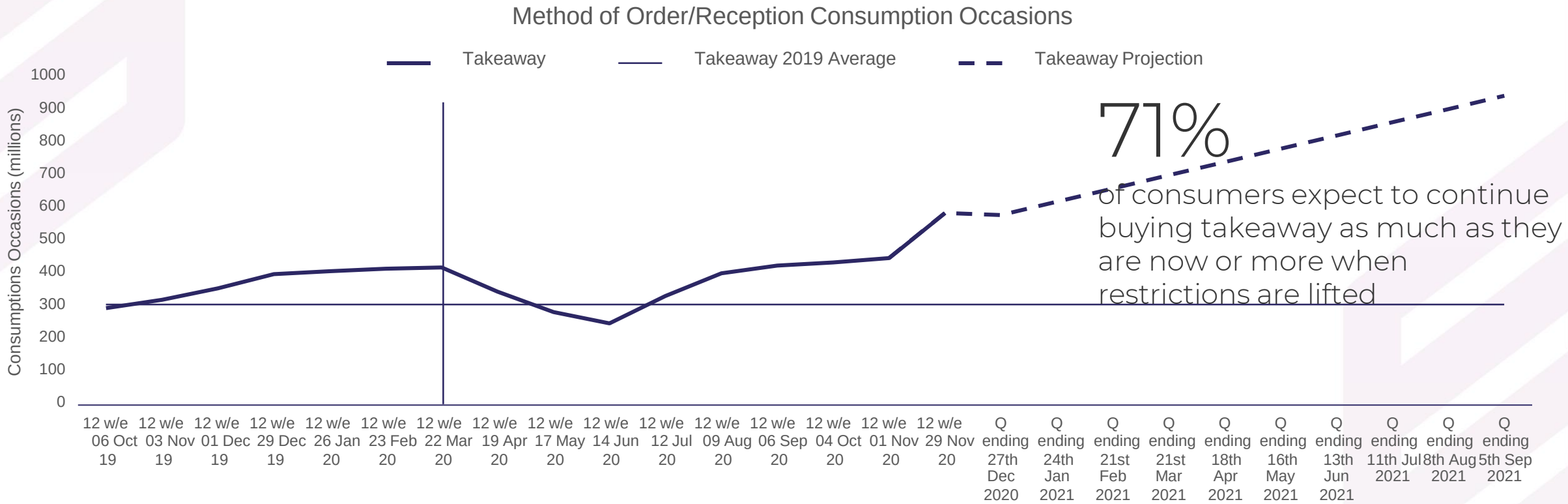
Source: CGA BrandTrack April – COVID-19

Takeaway, including collection, drive-thru, and delivery, has been such a huge part of how we adapted during COVID, that if our consumption patterns from July onward were to continue into next year, we would never sink back down to 2019 norms.



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Source: KWP Out of Home Usage | Consumption Occasions | How Ordered | rolling 12 w/e 29th November 2020; linear projection from 12 w/e 12th Jul 2020

With 48% of consumers spending less on dining out and 21% spending more on take away, restaurants have had to pivot their offering to protect income and their business.

DELICIOUS FRESH DISHES PREPARED DAILY

Three course meals and more delivered to your home

RESTAURANT HOME DELIVERY EDINBURGH

The last year has been the most challenging in all our lives and we've really considered how we can deliver our restaurant experience, for you at home, without compromising the quality and service you expect from us.

We hope 'Contini at Home' will meet and exceed your dining and cooking needs. We're offering our authentic flavours at great value prices that we very much hope you will enjoy.

Delicious restaurant quality food in the safety of your own home.

We're trusting you to do a little more finishing cooking at home but don't worry, we include detailed instructions with your delivery.

Your comments and feedback are so lovely. Thank you so very much. Victor is loving seeing your faces when we does the deliveries. The little catch ups, they can't be too long because he's got lots to do, so don't encourage him too much with the chat! But truthfully your words mean so much.

You're missing us as much as we're missing you all. He's just so thankful to see you and see your beautiful smiling faces. It truly keeps us going.

It's Our Dough, Your Go!

Available nationwide, pizza kits are now ready to order! Choose from Margherita, American Hot or 50/50, our kits include all the ingredients you need to make our thinnest, crispiest Romana pizzas, starting from £14 for 2 people. So you can enjoy the full restaurant experience in the comfort of your own home.

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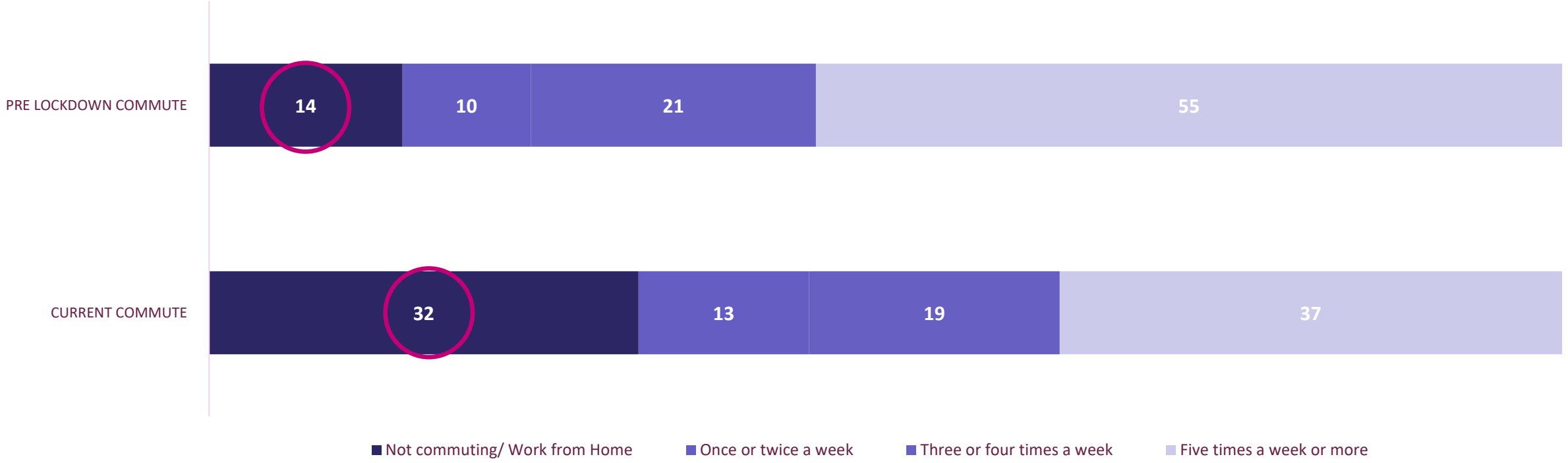
Source: Menu Trends UK – January 2021

The proportion of consumers now working from home has more than doubled since the start of lockdown

"Thinking about your current routine, how often are you commuting to and from work?"

Working - % Buyers



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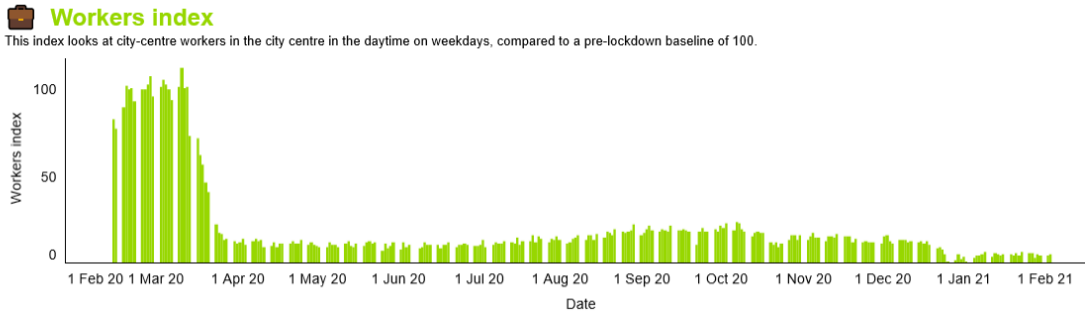
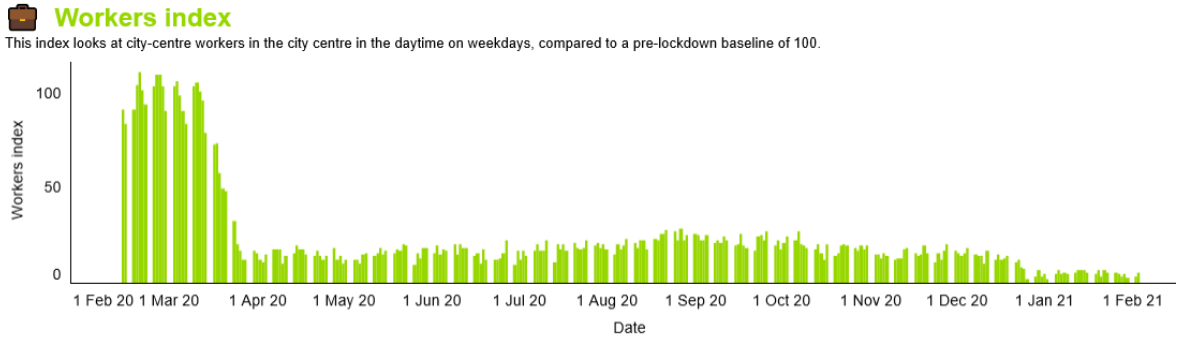
Source: Kantar Out of Home Purchase: OOH LinkQ: October 2020

The impact of Covid on Scottish City Centres has had a dramatic effect on the number of workers in the city centre compared to the pre-lockdown numbers

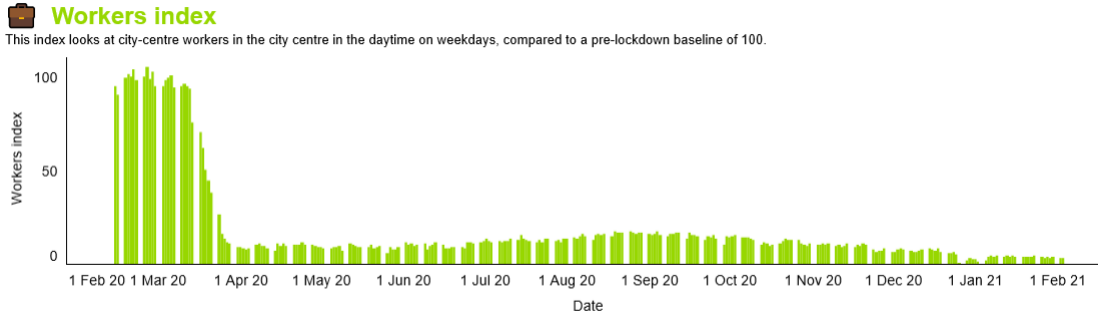
Edinburgh



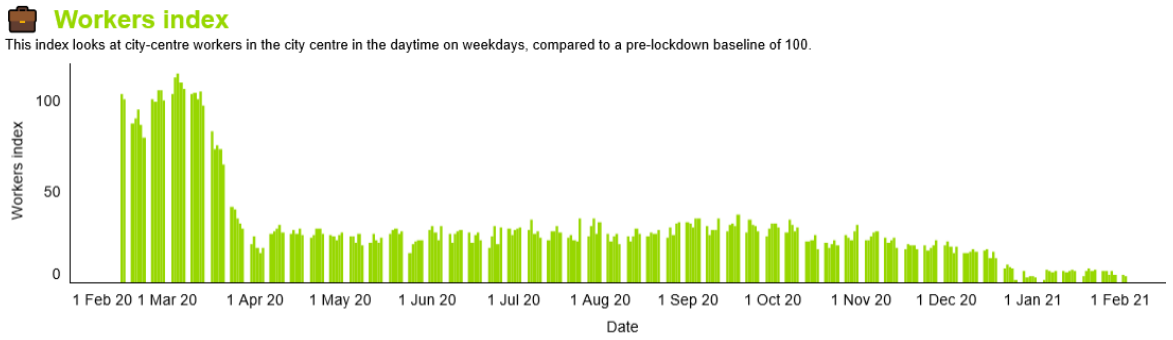
Dundee



Glasgow



Aberdeen



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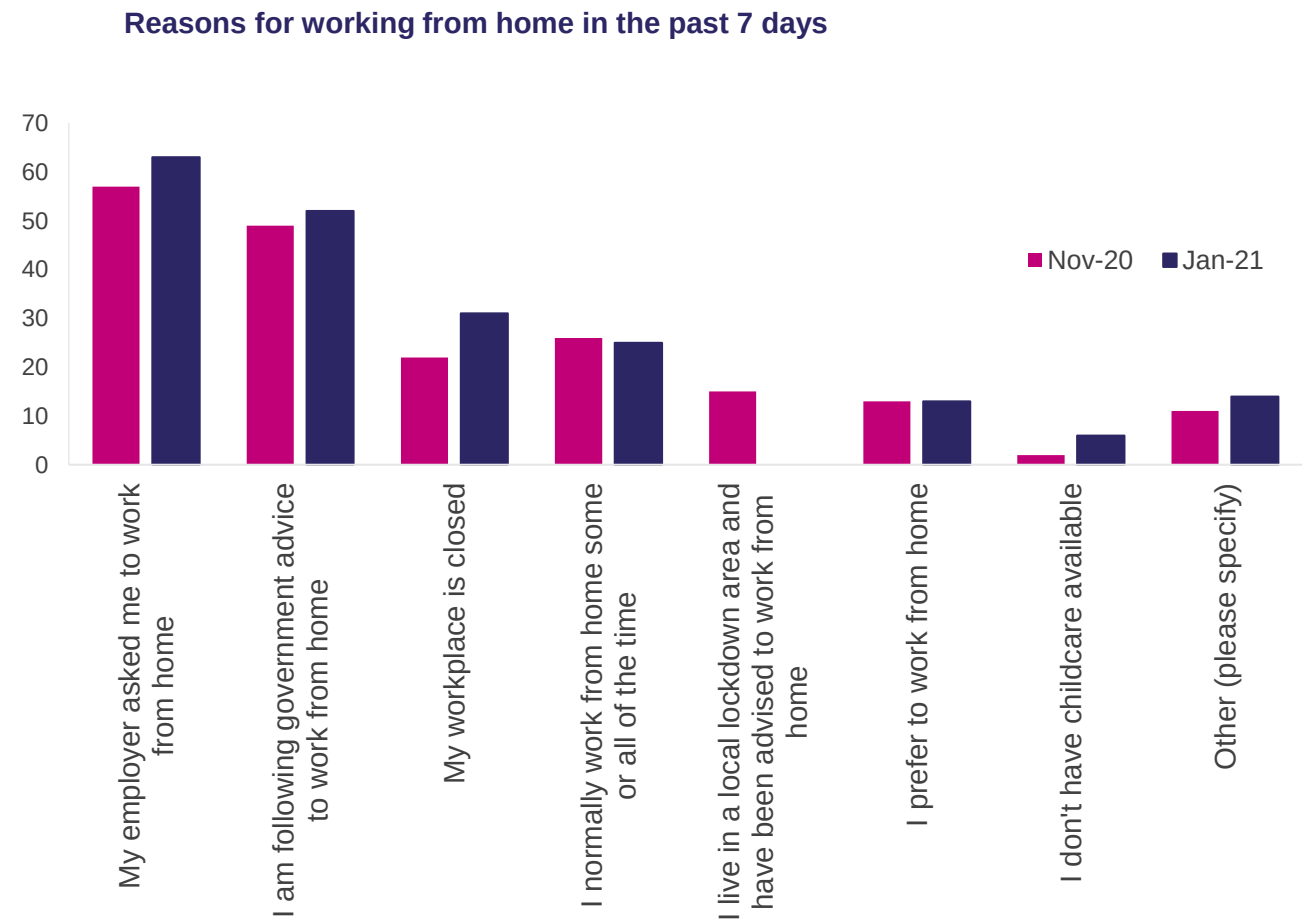
Source: Centre For Cities – High Streets Recovery Tracker – Feb 2021

Working from Home will become more prevalent both from an employer and an employee perspective. A lot of employees have now experienced the benefits of working from home and it is anticipated that not all will want a return to pre-covid habits.



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Source: *ShopperVista*, IGD Research, November 2020 Base: >1,000 GB shoppers per month, balanced sample; Source: *Coronavirus and the Social Impacts on GB*, ONS, 29 January 2021/20 November 2020 Base: those reporting working from home in that period - variable

Covid has created a shock for the foodservice sector who have had to innovate to survive

Dark Kitchens

Outdoor Dining

Drive Thru

New locations for socialising

Working from home locally

Retail diversification

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Source: Eating Out Review December 2020

Generally the harsher the restrictions, the more reliant on the go becomes on working class consumers; type of employment is more important than employment itself to on the go

On the Go Buyer Share & Change

	pre COVID 52 w/e 23rd Feb 2020	First Lockdown 4 w/e 17th May 2020	Re-opening and EOTHO 4 w/e 6th Sep 2020	Some tiers in place 4 w/e 1st Nov 2020	Second Lockdown 4 w/e 29th Nov 2020
Under 25s 15.5% buyers		+4.3pp	+3pp	+2.6pp	+3.2pp
FTEs 47.6% buyers		+4.9pp	+0.9pp	+2.1pp	+0.9pp
Class C1 40.8% buyers		-1.2pp	-2.3pp	-0.8pp	-2.3pp
Class C2 19.1% buyers		+5.1pp	+4.1pp	+2.3pp	+4.1pp

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Source: KWP Out of Home Usage | On the Go | Demog Share of Buyers % | 4 w/e 29th Nov 2020

Working from home will mean consumers stay closer to home

- Less footfall in city centres will mean operators will need to attract consumers back
- Opportunity for local operators to focus on quality of their offering as consumers have more quality time
- Pop ups/ghost kitchens will be a new way to attract new customers
- Grocery retail diversification/innovation to target home workers
- Delivery of all meal solutions will continue its growth
- New partnerships developed
- New out of home solutions for home workers become more prevalent

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Food-to-go

- Food to go sector has been hit by Covid with many city centre locations closing or seeing a dramatic fall in business

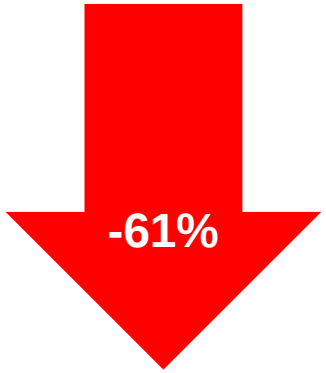
- Food to go is re-emerging as a dynamic sector now straddling foodservice and retail sectors presenting challenges and opportunities

- Innovation, new formats and concepts will be key to success

We have already seen a huge boost in treat-led occasions, in correlation with people working more from home, and saving money while doing so. With the roll out of the vaccine, and lockdown easing there will be an increase in trips

Since Lockdown began…

Workplace & Education



217m occasions

"Treat"-led occasions

126m **occasions**

£867

The amount of money the average person working from home has saved over lockdown, according to SaveOnEnergy

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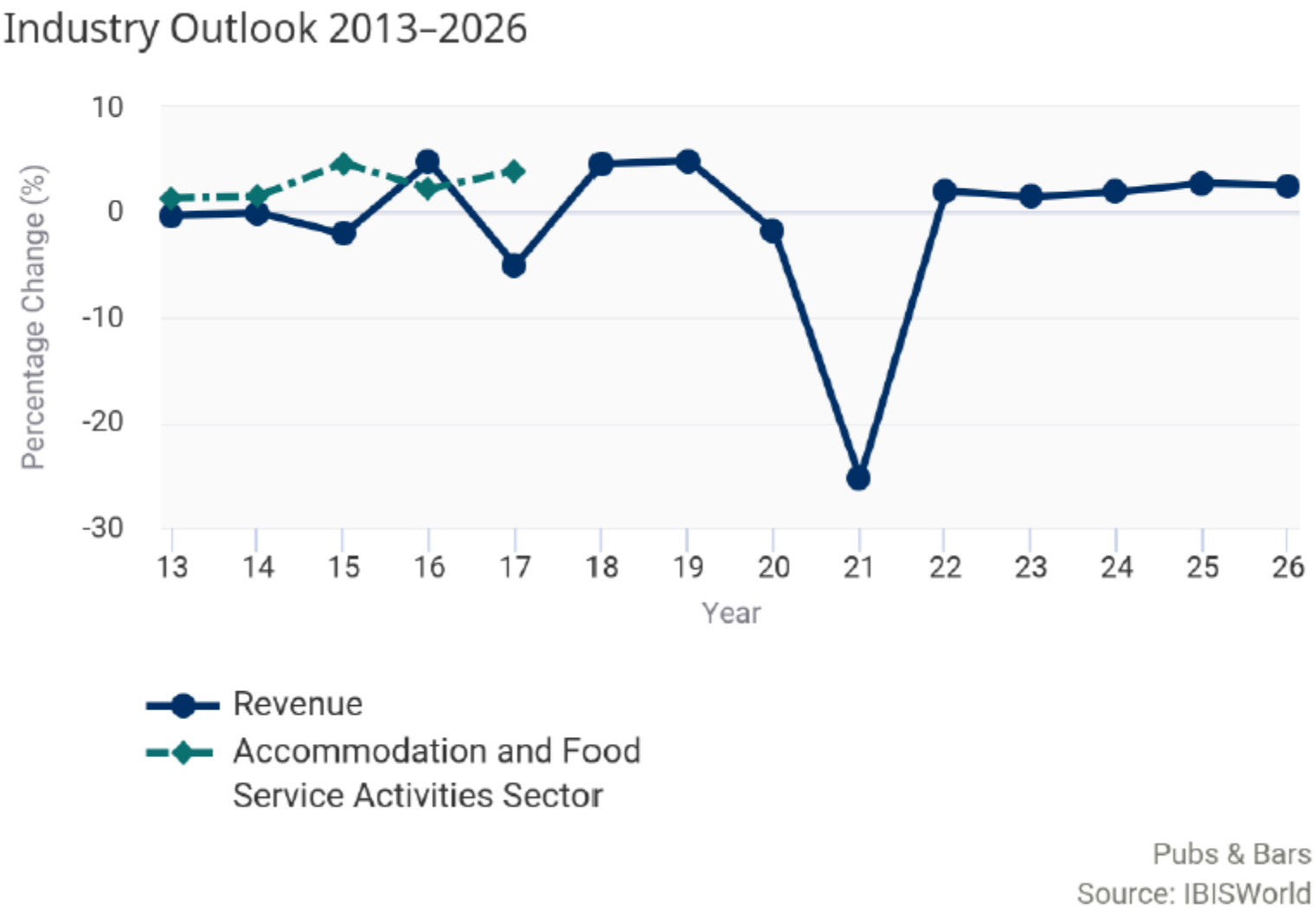
Source: Kantar: Total OOH / OOH Usage | Occasions | 6 Months Sep 20 vs. 6 Months prior and SaveOnEnergy | Survey n - 3573

Pubs and Bars have been hit dramatically by Covid imposed closures



- Food accounts for 28% of turnover in pubs and bars - £4.5bn
- Many have not been able to pivot to offer other services
- Forecast is that the sector will recover, albeit against the backdrop of ongoing falling consumer alcohol consumption

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Consumers are keen to go out and eat and drink once hospitality re-opens. There is also confidence in the sector for strong trading opportunities as the new normal emerges.

44%

of business leaders plan to open new sites in 2021

CGA Business Confidence Q4 2020

38%

Of consumers plan to go out within the first week of reopening - 8% of whom plan to go out on the day of reopening

CGA Consumer Pulse – 9/11/20 – 11/11/20

76%

Of consumers plan to go out when venues reopen

24% of whom will be first time visitors back to the market since COVID-19

CGA Consumer Pulse – 9/11/20 – 11/11/20

41%
Restaurants

23%
Pubs

15%
Café/coffee shops

8%
Other leisure venues

5%
Bars

5%
Fast food outlets

3%
Late night bars / nightclubs

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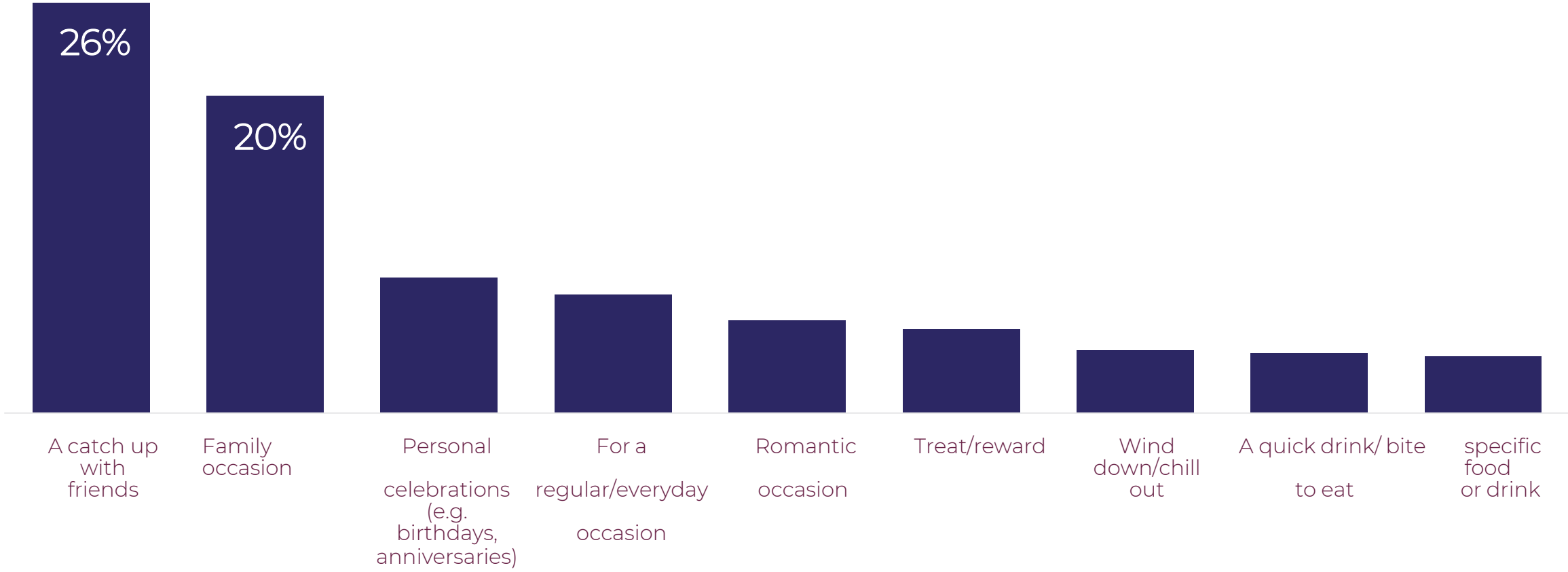
Source: CGA 2021 Hospitality Consumer Forecast

21%

of GB consumers strongly agree that they plan to *"treat themselves"* when they go out to eat or drink again

Which of the following occasions are you most looking forward to going out for?



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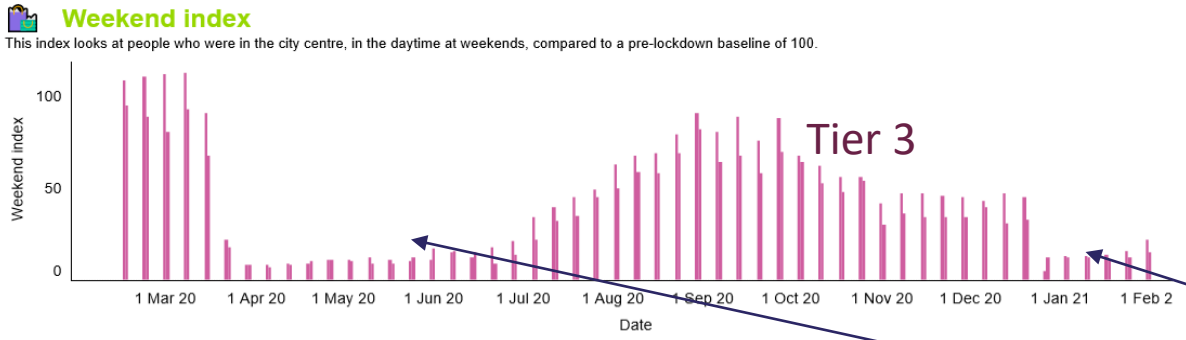
Source: CGA 2021 Hospitality Consumer Forecast

Weekend traffic in Scotland's major cities over the summer period show the opportunity for a return to pre-covid levels. Tier restrictions impact footfall.

Edinburgh



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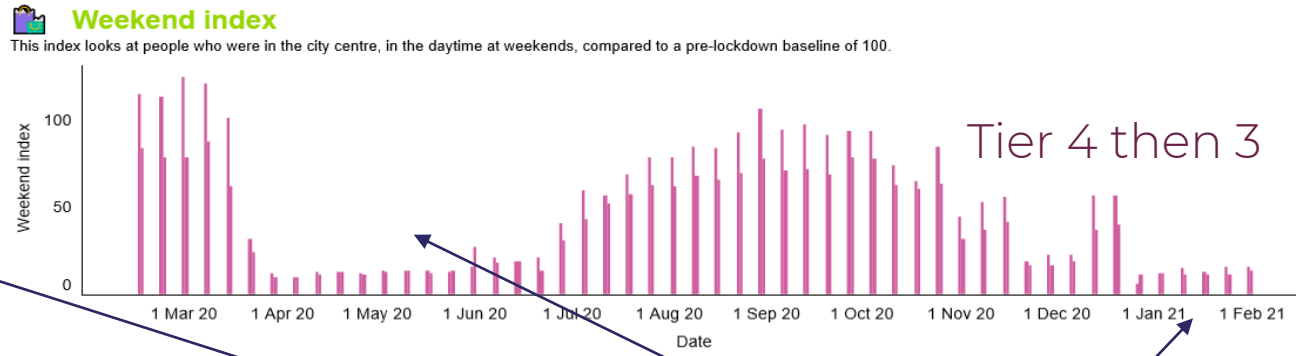

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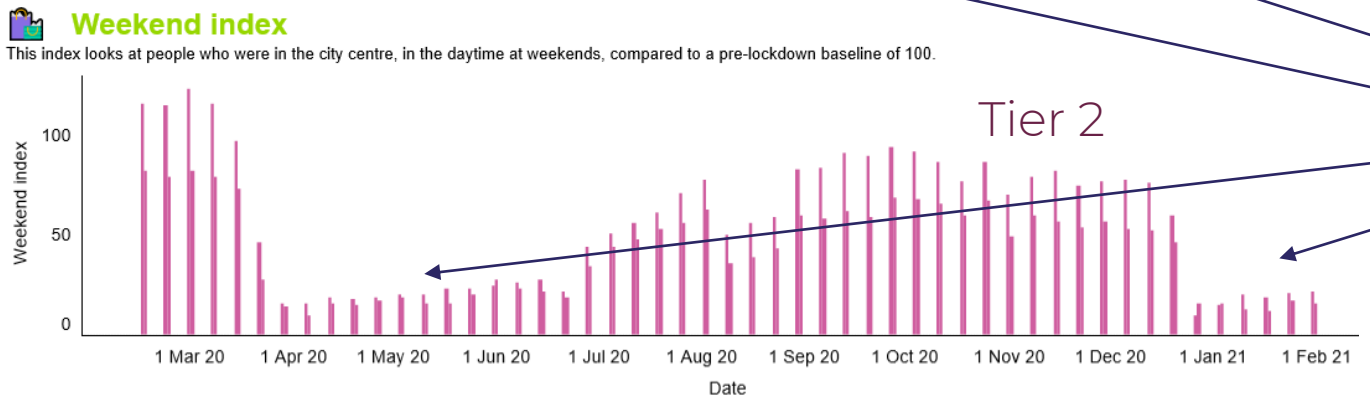

National Lockdown

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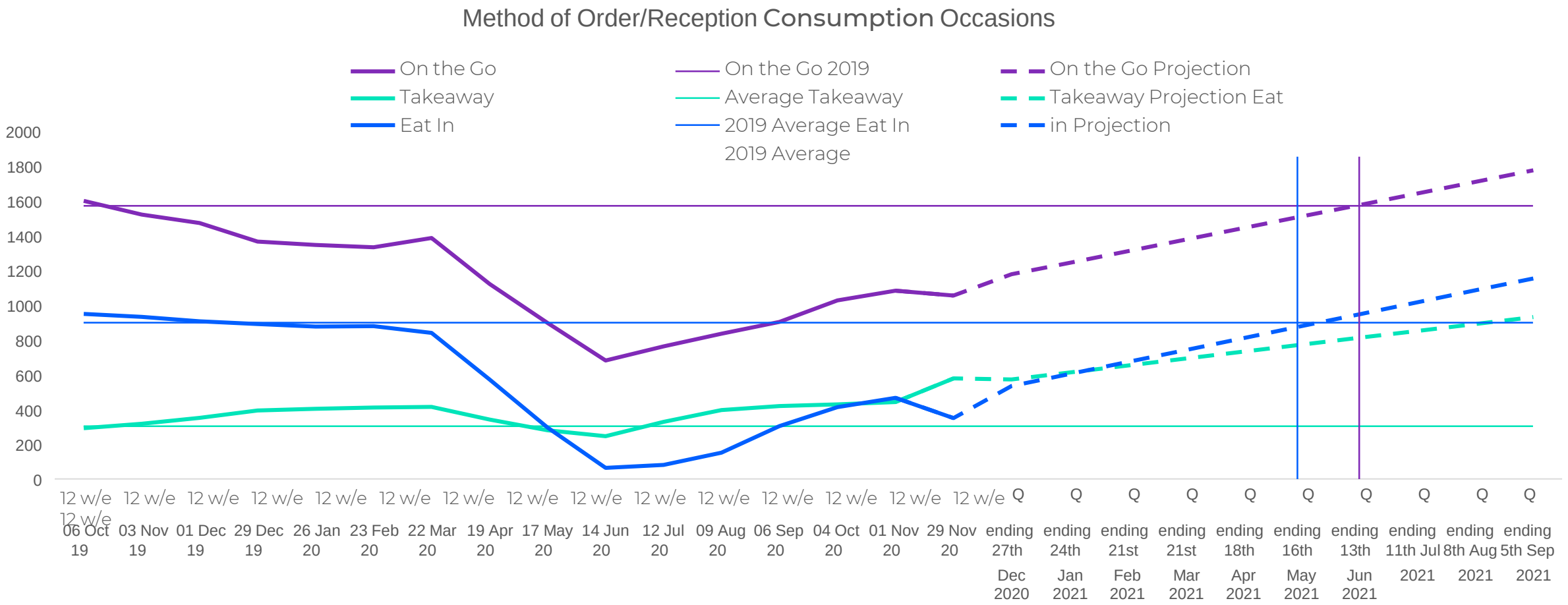
Source: Centre for Cities – High Streets Recovery Tracker February 2021

Occasions reliant on commuters and office workers will be particularly slow to return. If we were to continue our behaviour patterns from July onwards, into the future, we'd expect takeaway to remain larger than it's ever been. There is clearly an appetite to return to dine in, with more reluctance around OTG occasions



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Source: KWP Out of Home Usage | Consumption Occasions | Where Consumed v. How Ordered | rolling 12 w/e 1st November 2020 plus linear trend from July

How are consumers likely to behave in the short to medium term?

- The need for multiple meal solutions will continue
- Working from home will mean consumers will look for local food solutions
- When re-opening arrives, consumers will want reassurance that venues are safe
- Venues with outdoor areas and food to go offerings that can be consumed in open spaces will be popular choices
- Whilst there will be initial euphoria when hospitality re-opens, restricted budgets and those with less cash will effect how some consumers interact
- Consumers will seek out value proposition - Restaurant chains that offer value and good service execution will be popular
- Digital solutions – ordering, paying, reviewing will be the norm

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Eating out in 2021 – what might it look like?

- The market will not return to normal in 2021, Q3 & 4 might start to look like the new normal, forecasts suggest it could be 2025
- Consumers will want to treat themselves and make up for lost time and the lack of socialising – this will offer an opportunity for the sector
- Some venues may have to wait longer to re-open. It is expected that initially cafes and restaurants will receive the highest proportion of visitors
- Delivery and Takeaways will remain part of a consumer's repertoire
- De-urbanisation will see a move from city centres to residential areas and retail parks
- Business reliant on commuters and office workers will be particularly slow to return as working from home continues to be the new norm
- Travel hubs will continue to be effected in the short to medium term
- Later in the year we will see some pre-covid trends begin to return – health, sustainability, plastics
- Innovation will be key as the sector settles into the new normal

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Scotland Food & Drink Partnership

Thank you

Amanda Brown

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