THE KNOWLEDGE BANK

Delivered by
Scotland Food & Drink Partnership

Foodservice State of the Nation: April 2021

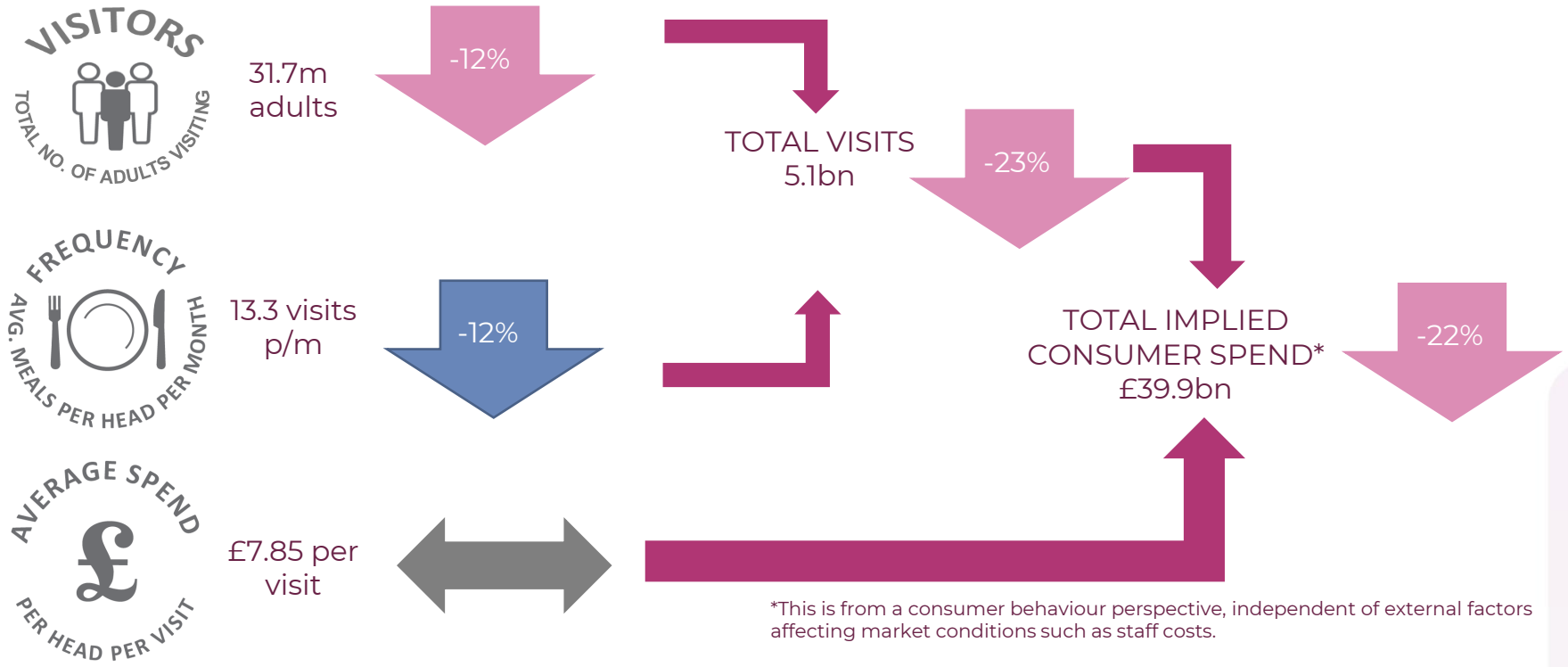
Key learnings from 2020

- Market overview
- Channel performance
- Consumer missions and needs
- Consumer and industry confidence
- Market forecast scenarios

Foodservice was highly impacted by coronavirus lockdown

Visitors declined by -21% during 2020 due to dine-in closures

Total meals & snacks, Y/E October 2019 vs. Y/E October 2020

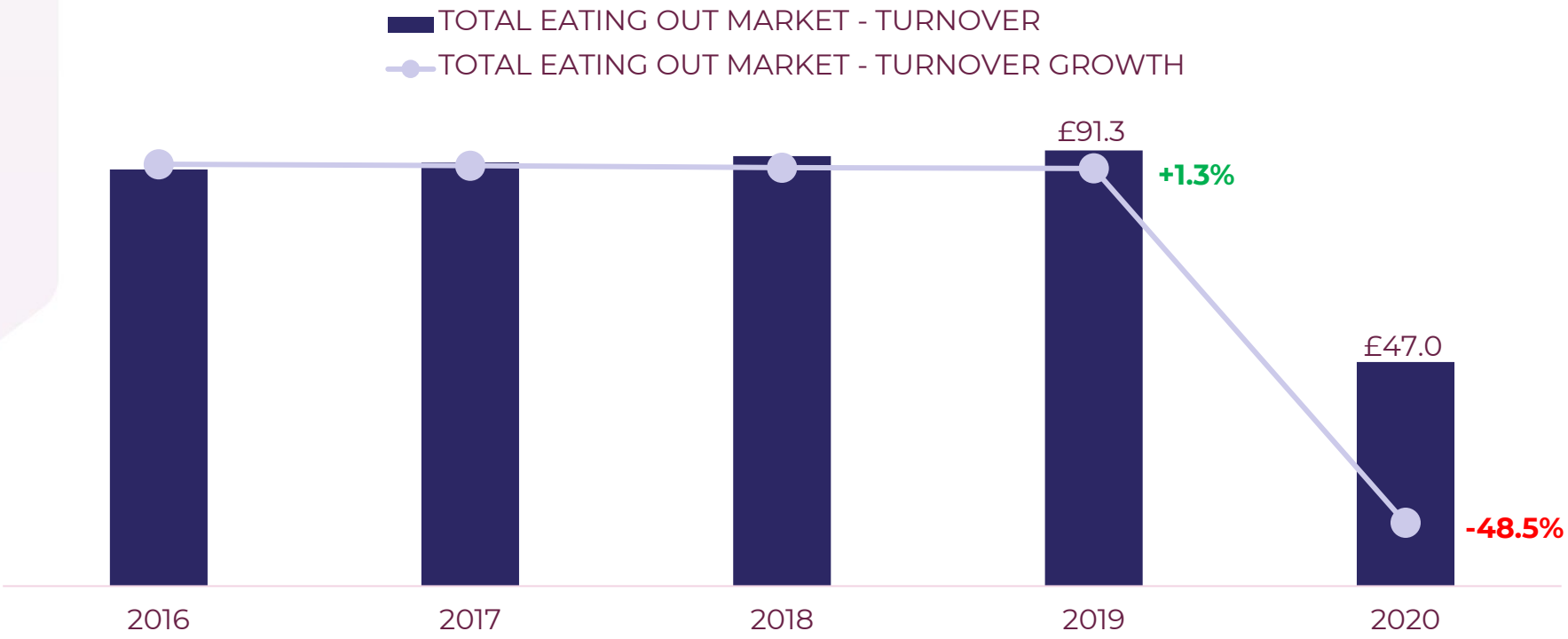


*This is from a consumer behaviour perspective, independent of external factors affecting market conditions such as staff costs.

Source: Lumina Intelligence Market Sizing

Total Eating Out market declined by half in 2020

Leading segments including pubs and restaurants faced strict measures

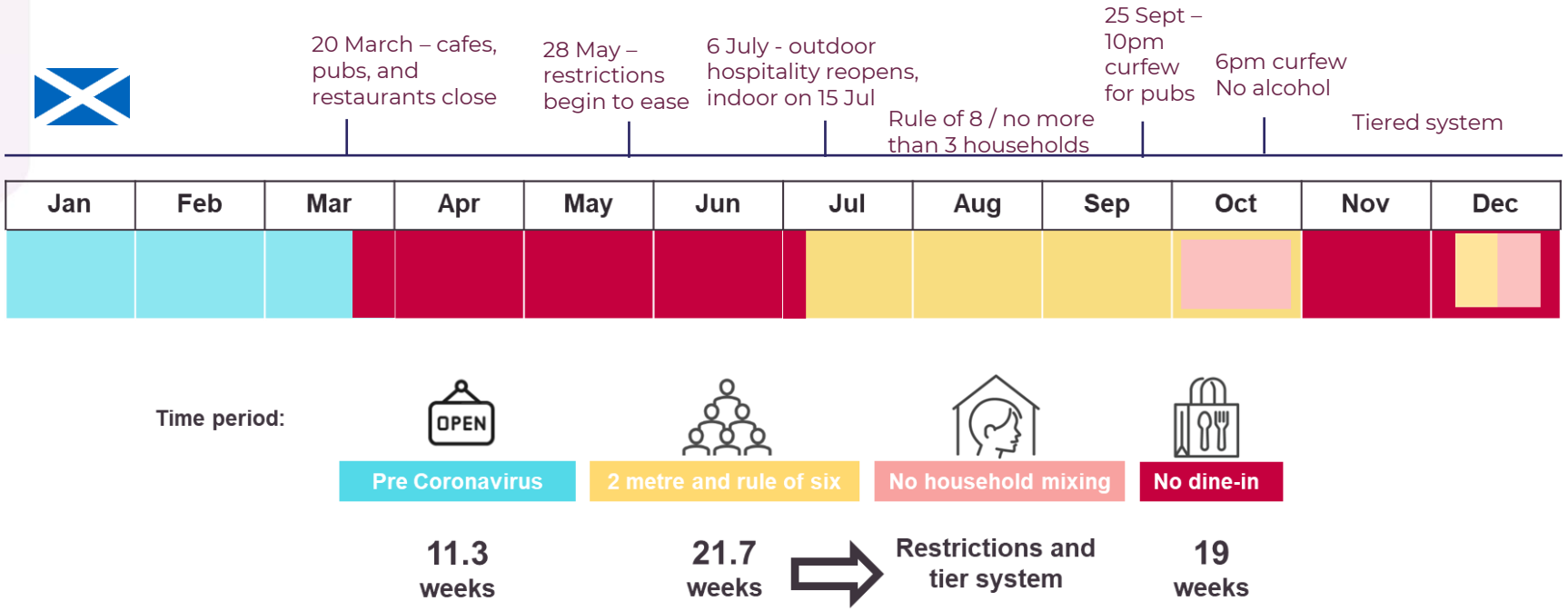


Unprecedented closures in the sector in 2020 - as the nation went into lockdown in a bid to supress the spread of the coronavirus - led to significantly reduced trading during the first half of the year. Moving into post lockdown, the sector has had to negotiate heightened risk aversion from consumers and limited trading opportunities, with government restrictions coming in the form of local lockdowns, curfews and capacity limitations.

Source: Lumina Intelligence Market Sizing

Restrictions result in just 11 weeks of 'normal' trading in 2020

Followed by over 40 weeks of varying restrictions and dine-in closures

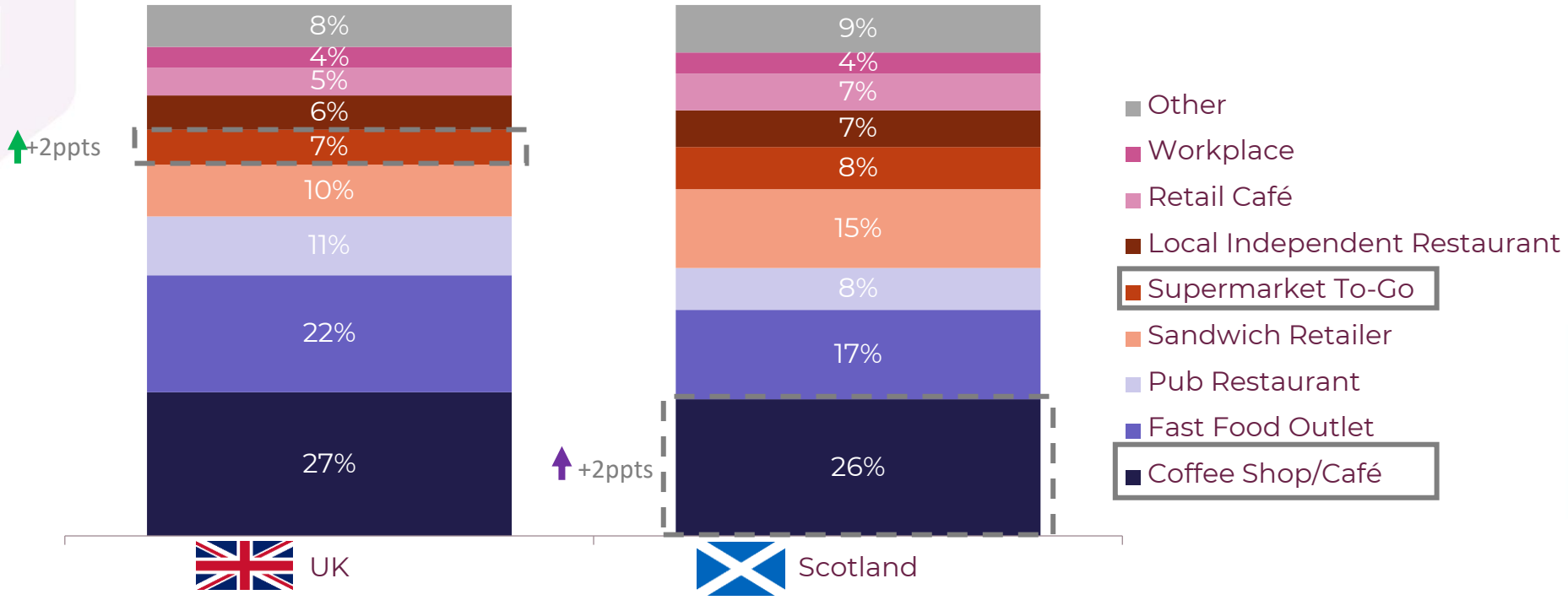


Source: Lumina Intelligence

In UK, supermarket to-go grew share of breakfast visits by +2ppts

Coffee shops increased share of breakfast occasions in Scotland

Channels – % share of **Breakfast** visits
October 2020

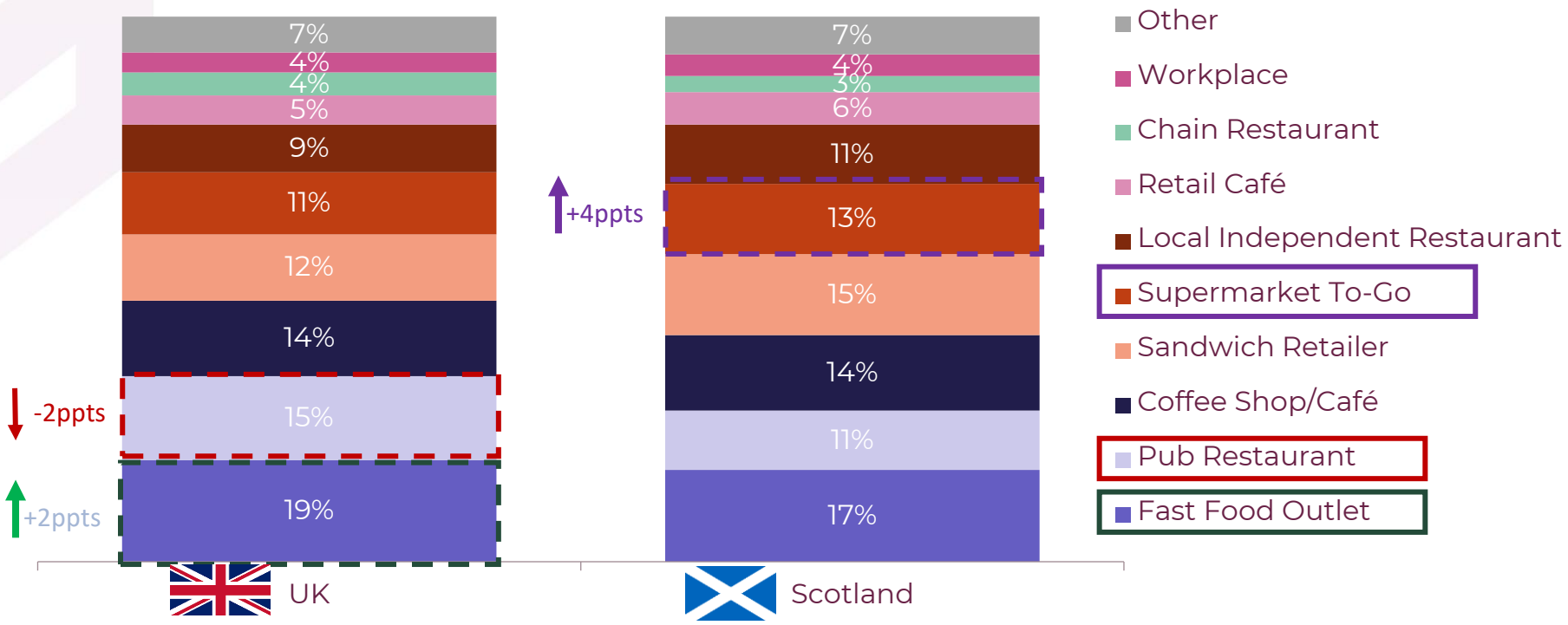


Source: Lumina Intelligence Eating and Drinking Out Panel

Food to go-led venues proved successful at lunch across UK

Supermarket to go grew strongly in Scotland

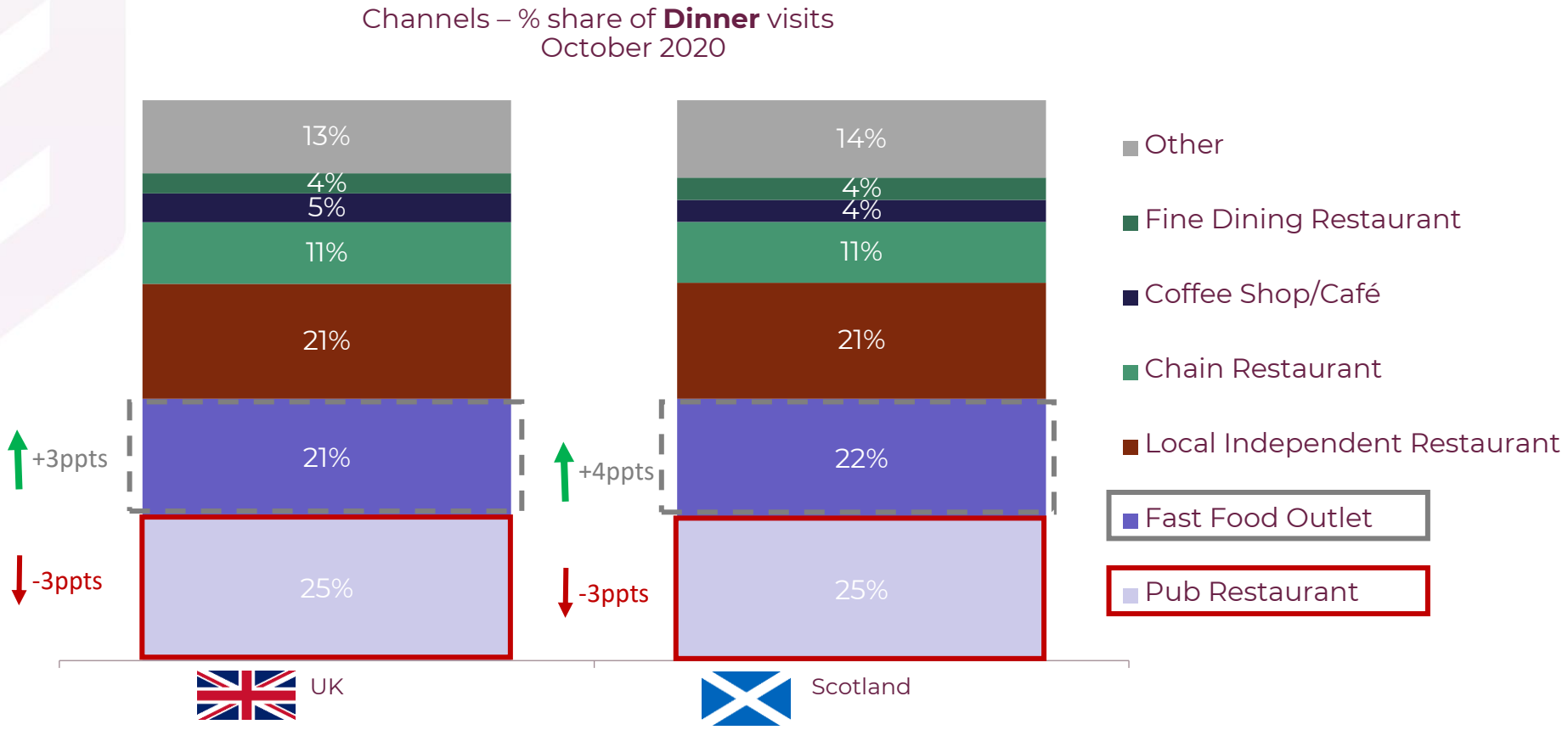
Channels – % share of **Lunch** visits
October 2020



Source: Lumina Intelligence Eating and Drinking Out Panel

Sit down dinners a rare occasions during 2020

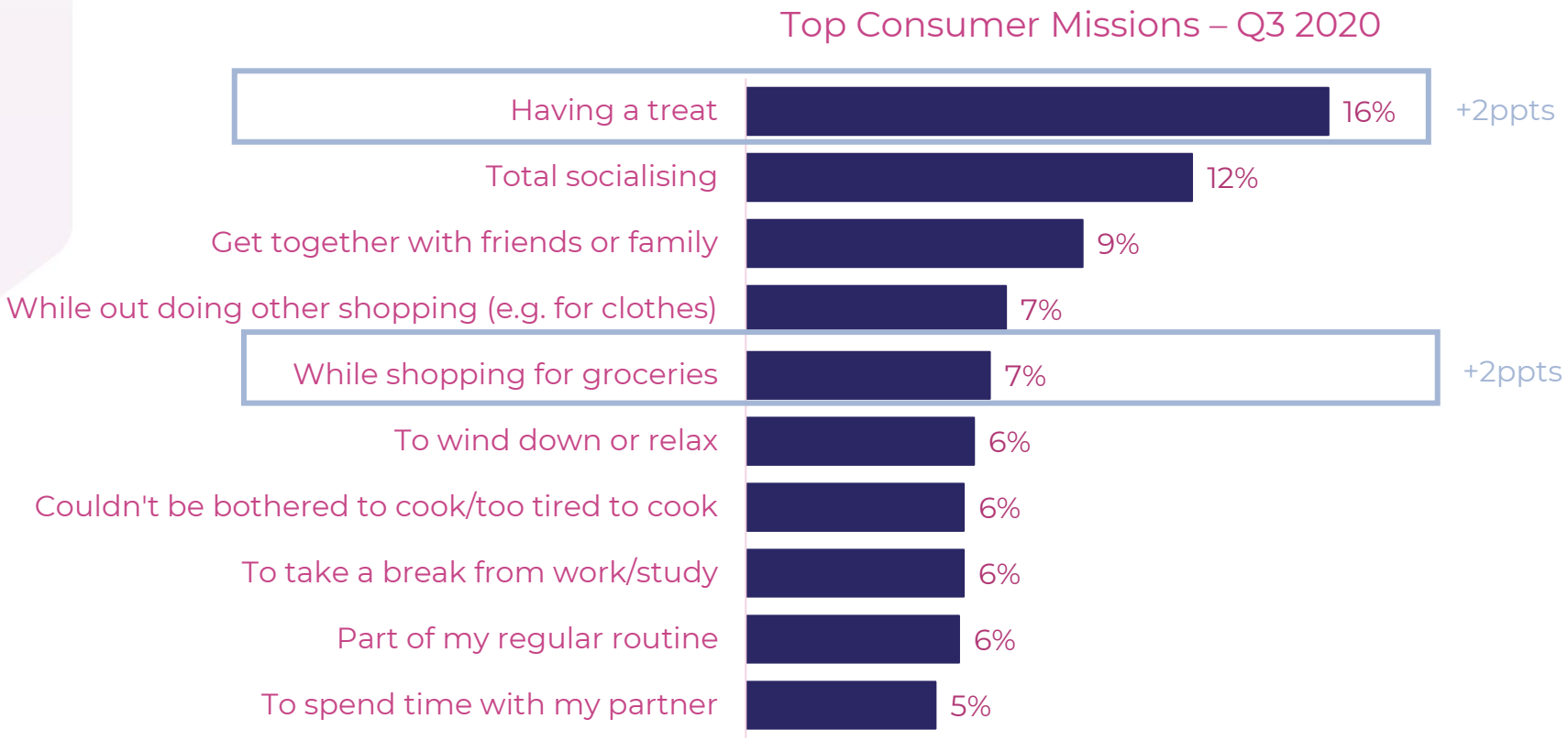
Share of dinner visits at pub restaurants declined by -3ppts



Source: Lumina Intelligence Eating and Drinking Out Panel

Eating out was driven by treat-led missions during 2020

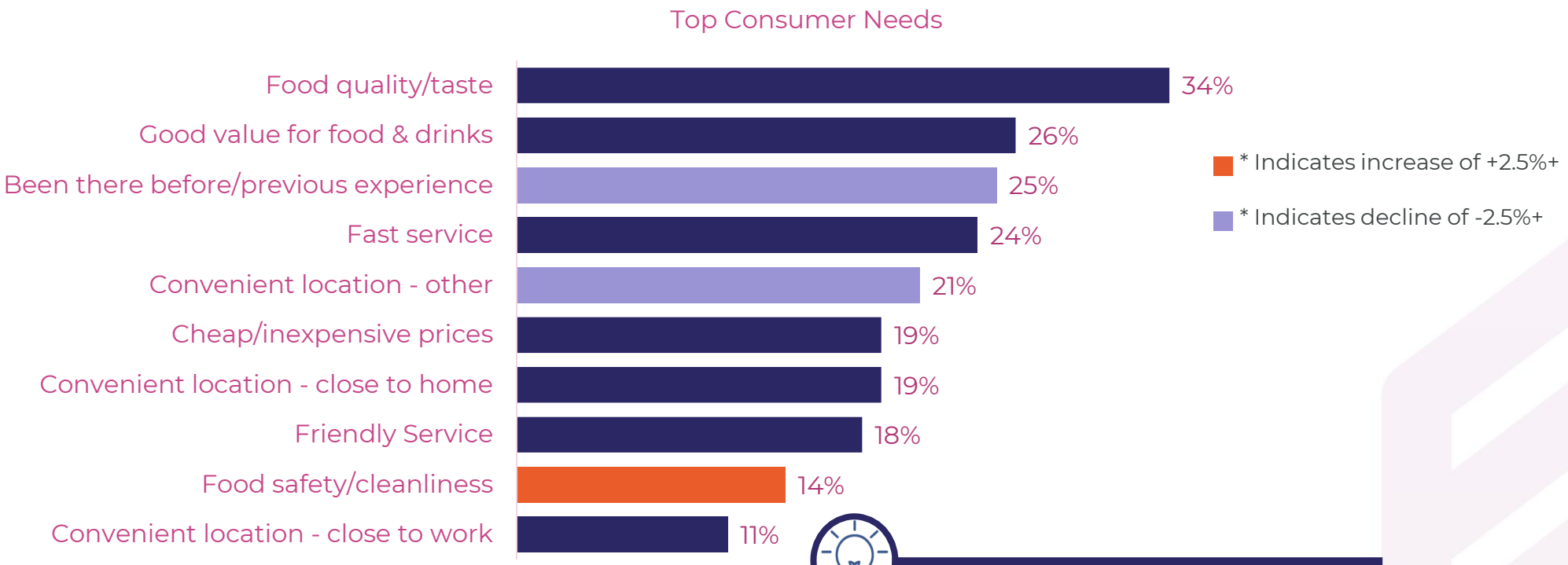
Treat / socialising are the primary drivers to in eat out of home outlets



Source: Lumina Intelligence Eating and Drinking Out Panel

Most eating out decisions are based on food quality/taste

Location needs declined in importance between Q3 2019-Q3 2020

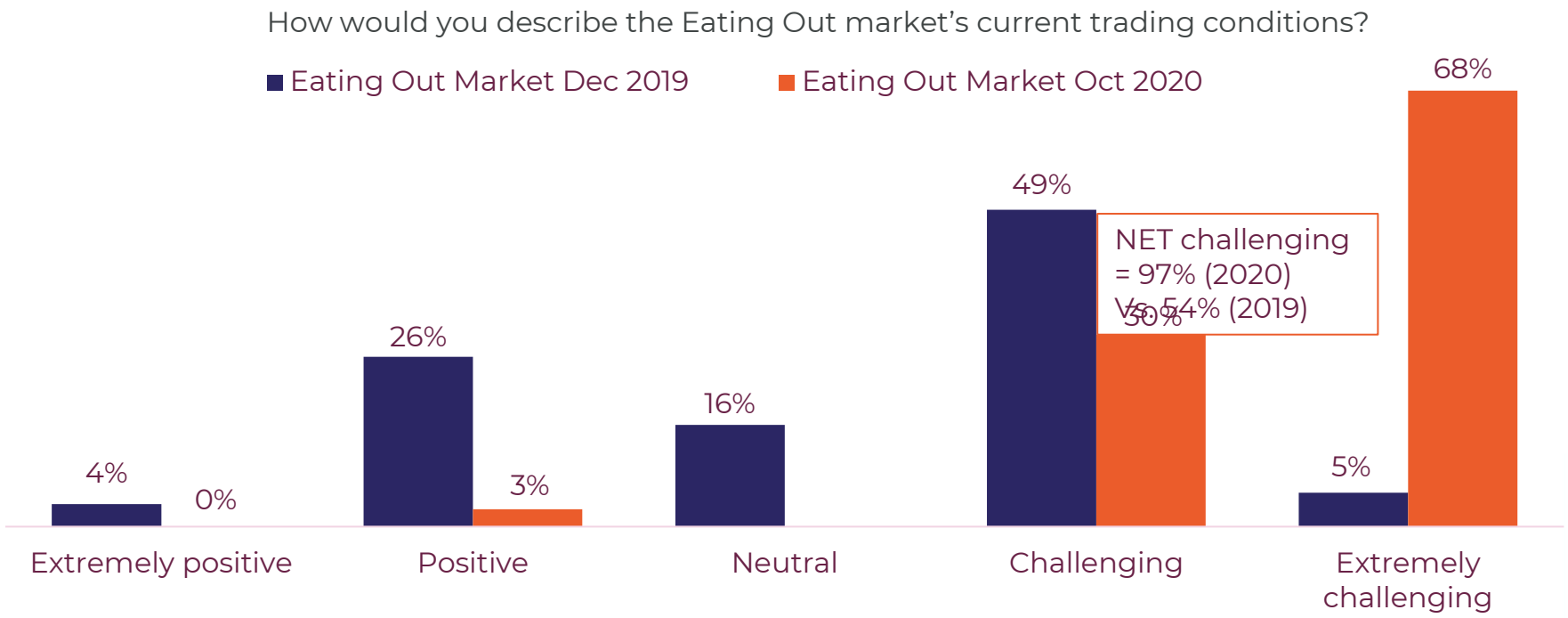


The pandemic drove a shift in consumer needs last year, including increased concern directed towards safety standards. This will continue to be important, creating a new responsibility for operators to reassure customers that food and drink is prepared in a covid-secure environment.

Source: Lumina Intelligence Eating and Drinking Out Panel

Operators reported a challenging year in 2020

97% of eating out market professionals report a challenging year



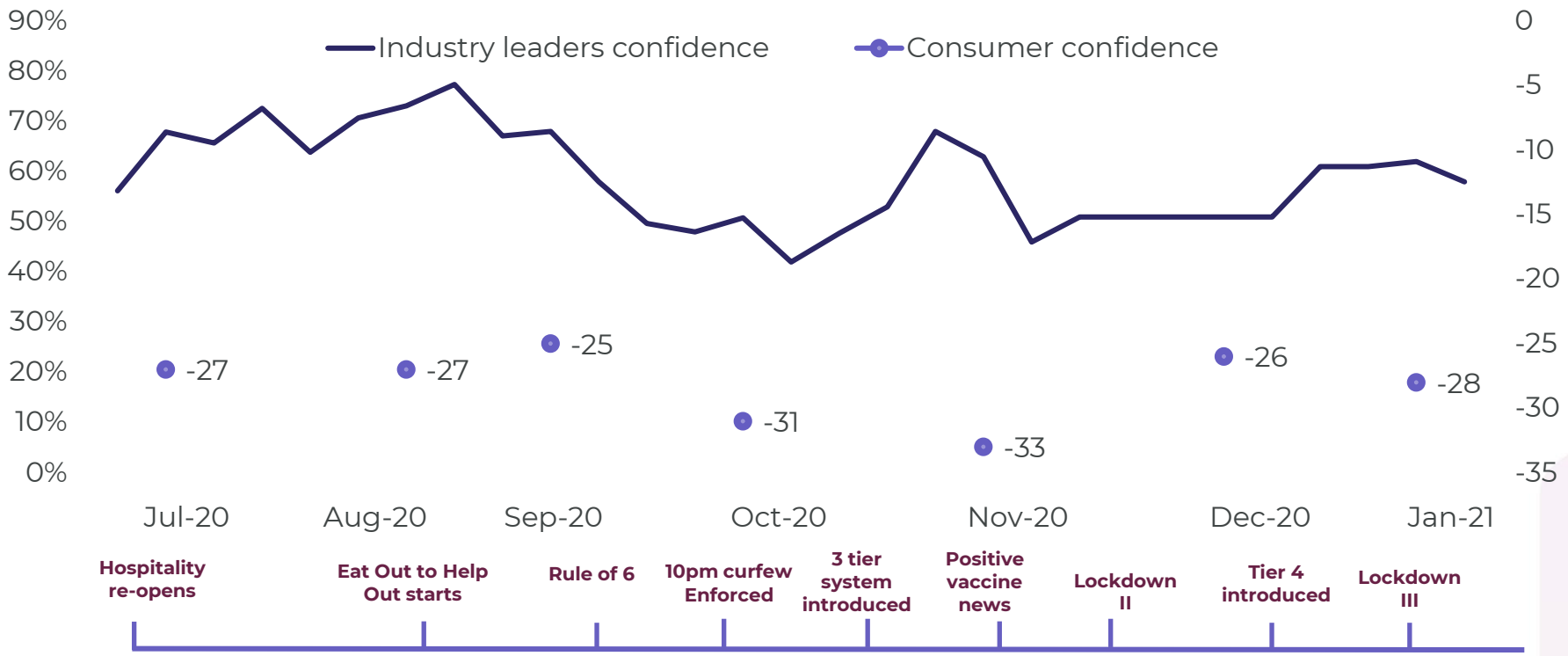
In October last year, 97% of hospitality operators described the current trading environment as difficult, representing a +43ppt net increase and a figure much higher than during the 2008 financial crisis. 47% of leaders expected conditions to further deteriorate in 2021, however there was a +12ppt increase in those anticipating an improvement.

Source: Lumina Intelligence Top of Mind Report, November 2020

Industry confidence aligned to consumer sentiment

Confidence saw a modest uptick during summer months

How confident are you about the future of your business?

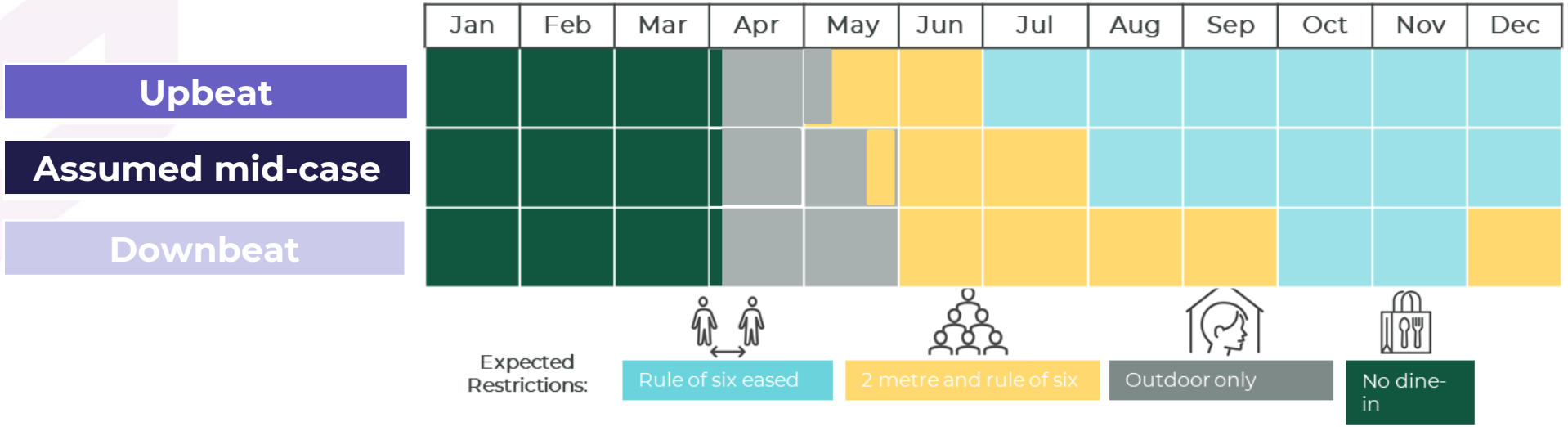


Buoyed by government initiatives including Eat Out to Help Out, consumer confidence saw a modest uptick in the summer months before a November trough. Business confidence from industry leaders follows a similar pattern, although recent vaccine developments have not driven the same uptick in consumer confidence.

Source: Lumina Intelligence Hospitality Leaders Survey – conducted in partnership with MCA News, Big Hospitality and the Morning Advertiser and GFK Consumer Confidence Index, no data was collected throughout December.

Lumina Intelligence 2021 forecast scenarios

Based on differing government restrictions

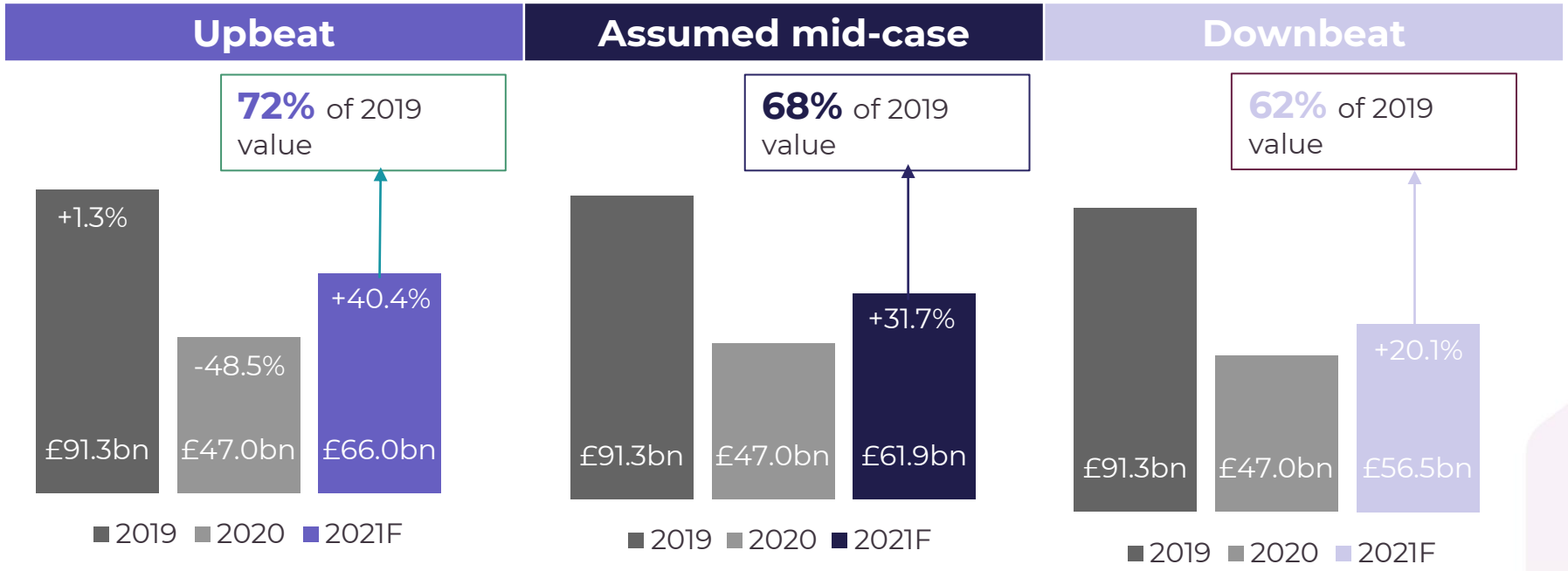


Leading impacting factors include the efficiency and uptake of the vaccine rollout as well as further government support to kick start consumer spending post lockdown. The assumed mid-case would see hospitality reopened for outdoor dining from 12 April followed by indoor opening from late May. The threat posed from new variants of the virus as well as a winter decrease in immune function are behind the autumn restriction assumptions.

Source: Lumina Intelligence Market Sizing

Lumina Intelligence 2021 forecast scenarios

Based on differing government restrictions



The upbeat forecast includes assumptions around a mid May opening for indoor hospitality and a stronger second half of the year with few restrictions on household mixing.

The mid-case scenario is assuming hospitality remains closed for indoor until late May and restrictions relaxed from August.

The downbeat scenario is a worst case scenario for the hospitality industry with restrictions easing by October but some needing to be reintroduced by December.

Source: Lumina Intelligence Market Sizing

Scenario A
Outdoor hospitality re-opening on 12th April

£66.0bn
Predicted total market value

+40.4%
Predicted value change 2021 vs 2020

Channel	2021 Forecast Scenario A	2021 Recovery vs. 2019
Pubs	£15.0bn	65.4%
Fast food	£13.7bn	86.1%
Service-led restaurants	£11.7bn	61.9%
Hotels	£6.5bn	66.7%
C-store & Supermarket to go	£5.8bn	76.0%
Sandwich & Bakery	£4.1bn	82.0%
Coffee shops/cafes	£3.3bn	72.9%
Contract catering	£2.9bn	67.6%
Travel	£1.9bn	82.7%
Department store/Supermarket cafes/Restaurants/Garden centres	£0.6bn	80.6%
Leisure	£0.3bn	70.9%

Brand collapses in the Hotels & Restaurant sector have been more widespread in 2020 with this segment more exposed to the restrictions on dine-in. Going forward it is expected that consumers will be looking to reign in discretionary spending and to cut down on frequency of higher ticket occasions. Retail, Travel & Leisure is more cushioned, traditionally low ticket, convenience led and to-go.

Source: Lumina Intelligence Market Sizing

Scenario B

Indoor dining to re-open in mid May but restrictions back in Autumn

£61.9bn
Predicted total market value

+31.7%
Predicted value change 2021 vs 2020

Channel	2021 Forecast Scenario B	2021 Recovery vs. 2019
Pubs	£14.0bn	60.7%
Fast food	£13.1bn	82.5%
Service-led restaurants	£11.0bn	58.1%
Hotels	£5.8bn	63.4%
C-store & Supermarket to go	£5.4bn	72.1%
Sandwich & Bakery	£4.0bn	75.5%
Coffee shops/cafes	£3.2bn	65.5%
Contract catering	£0.3bn	61.2%
Travel	£1.8bn	78.7%
Department store/Supermarket cafes/Restaurants/Garden centres	£0.6bn	78.2%
Leisure	£0.3bn	66.9%

The longer lead time for removal of social distancing, rule of six etc. all disproportionately impact pubs, hotels and service-led restaurants - whilst fast food, cafés etc. will be less effected provided consumers are still allowed to go out, therefore this scenario provides slightly reduced performance for pubs and restaurants

Source: Lumina Intelligence Market Sizing

Scenario C
Worst case scenarios mirrors 2020

£56.5bn
Predicted total market value

+20.1%
Predicted value change 2021 vs 2020

Channel	2021 Forecast Scenario C	2021 Recovery vs. 2019
Fast food	£12.9bn	81.5%
Pubs	£12.1bn	52.7%
Service-led restaurants	£9.4bn	49.8%
C-store & Supermarket to go	£5.2bn	66.8%
Hotels	£5bn	59.6%
Sandwich & Bakery	£3.7bn	73.5%
Coffee shops/cafes	£2.9bn	56.2%
Contract catering	£2.6bn	55.4%
Travel	£1.7bn	72.0%
Department store/Supermarket cafes/Restaurants/Garden centres	£0.6bn	72.9%
Leisure	£0.3bn	62.9%

In this worst case scenario the segments to see a stronger recovery are those with less reliance on trade through dine-in, including fast food, sandwich & bakery and coffee shop/cafés, which managed to offset some of the impact of the coronavirus restrictions through trading via takeaway and delivery.

Source: Lumina Intelligence Market Sizing

Pandemic wipes £46bn off Eating Out market value

Total eating out market value declined by -48.5% in 2020

The pandemic has disproportionately affected the hospitality market, which saw restrictions on trade for much of last year.

Outlet counts fell by -1.1% during 2020. Pub restaurants and chain restaurants both saw a decline in share of dinner occasions in 2020, as dine-in occasions were a rarity. Fast food outlets grew share, as consumers placed increased importance on fast and non-contact service.

Low ticket and quick service channels will win in the market

Consumer confidence fell to its lowest point since 2008 in April 2020, as the pandemic severely impacted consumer finances. Going forward, consumers will cut back on discretionary spending which will result in lower frequency of higher ticket occasions.

This will benefit traditionally low ticket, convenience led and to-go channels, as consumers seek value for money offerings from quick service channels.

Most upbeat outlook sees sales return to 72% of 2019 level

In scenario A, the most optimistic outlook, the hospitality market value will decline by -38%.

Whilst there is evidence of pent up consumer demand, market recovery will be dependent on dine-in reopening and what restrictions follow with all roadmap milestones subject to change.

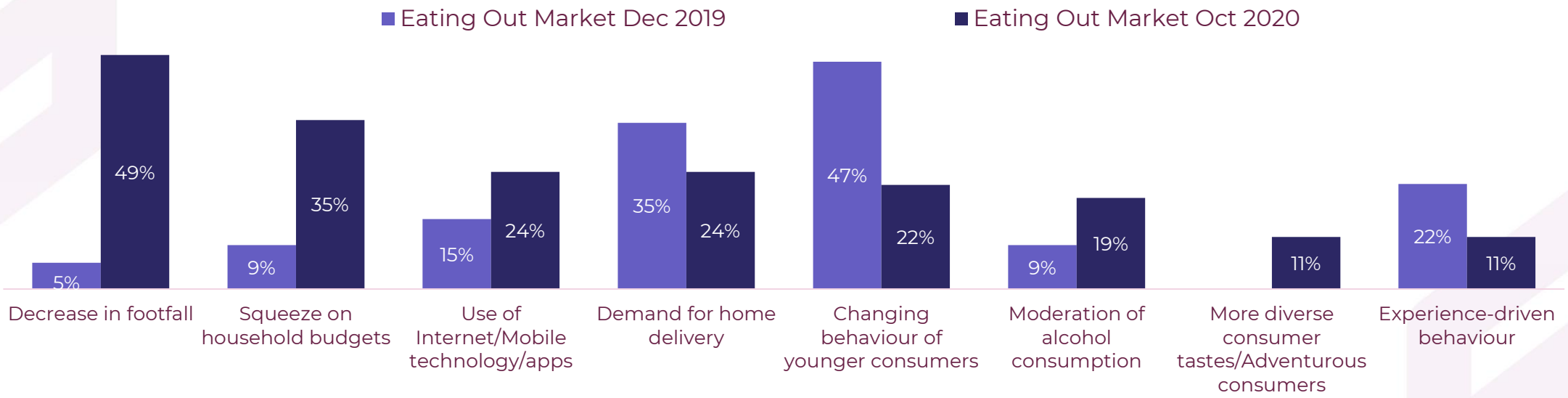
Trends to stick post 2021

- Operator perspective on trends
- The mature megatrends – Health, Technology, Sustainability and Provenance
- The lasting legacies – Suburban Migration, Advancing Analogues, Beyond the Blurring of Channels, Expanding Avenues and Recession Revivals

Declining footfall seen as the most important long-term trend

Cited by half of Eating Out Market operators

Eating Out Operators: Three most important long-term consumer trends affecting the Eating Out market



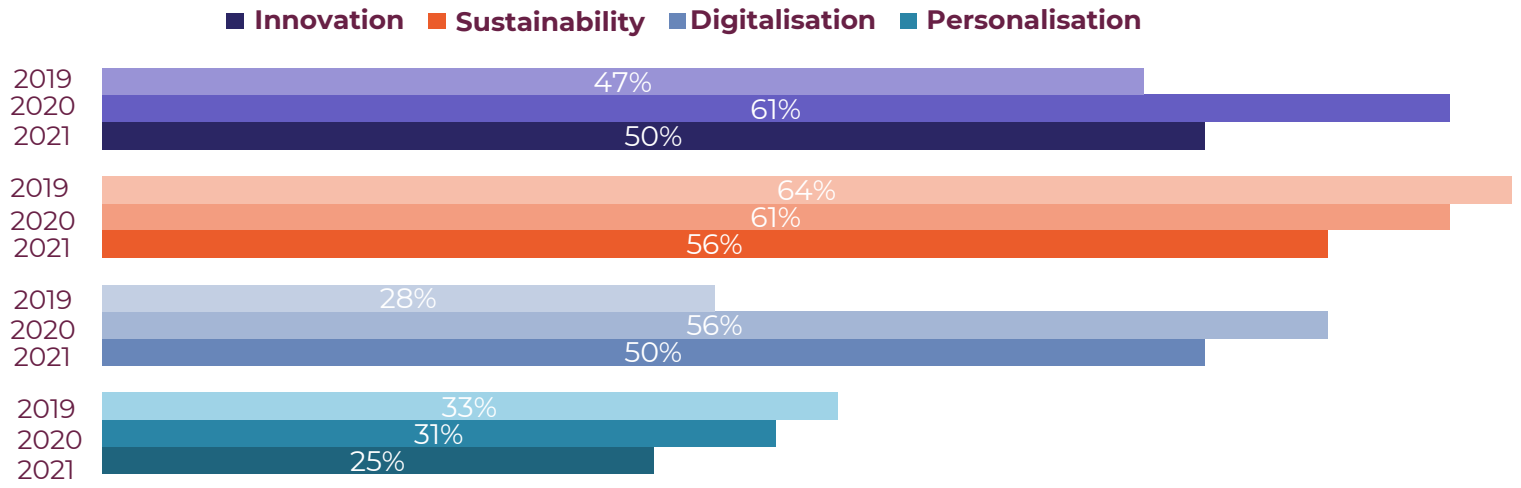
Lockdowns, home working and risk aversion have contributed to declining footfall in the Eating Out Market, with city centre locations particularly affected. Hospitality business leaders expect this challenge to continue, as well as a squeeze on households budgets as consumers keep a close eye on their discretionary spend. Ensuring consumers feel safe to return to foodservice will be vital going forward, with technology an enabler for contactless service and payment.

Source: Lumina Intelligence Top of Mind Report, November 2020

Pandemic has driven digital investment

Digitalisation the heaviest investment for Eating Out Market operators

Eating Out Operators: Three most important long-term consumer trends affecting the Eating Out market



Investment in innovation and digitalisation came to the forefront in 2020 as operators invested in new safety measures and payment methods. Eating out business leaders - recovering from a challenging 2020 - expect a lower level of investment in 2021. Sustainability initiatives - a key trend in recent years - have paused in 2020, as food safety concerns result in high use of single use packaging.

Source: Lumina Intelligence Top of Mind Report, November 2020

The mature megatrends influencing consumer behaviour

Four trends which remain important but have evolved through the pandemic

The pandemic has led to consumers placing even greater importance on their health, as the Government introduced a new health-kick campaign as part of their new Obesity Strategy.

Technology continues to streamline services and improve efficiency in the market, but now must be implemented in unison with social interaction.

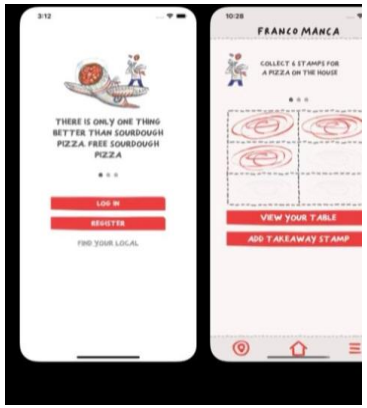
A trend that continues to pick up speed and grow in importance. This year consumers place greater focus on food waste as many single-use initiatives are paused with the prioritisation of hygiene.

Having had to 'stay at home' for a prolonged period, consumers are more conscious of where their food comes from, seeking transparency and British produce, especially as Brexit takes effect.

Source: Lumina Intelligence Future of Convenience Report, January 2021

2020 drives an influx of new apps and utilisation of QR codes

Driving efficiency in the market, as well as adhering to new regulations



Franco Manca developed its own industry leading app as well as a efficient virtual queuing system using a QR code system.

Table ordering and payment,
Fullers, Holborn, London

Nando's entered into an exclusive partnership with Deliveroo in 2020. In an industry first, Deliveroo's ordering technology has been integrated into Nando's own website under a new "brought to you by Deliveroo" service.

The data and intelligence yielded from technological solutions will allow services to become more automated and efficient, with the vision being investment now to minimise costs in the future.

Source: Lumina Intelligence

Sustainability focus turns to food waste

Just under three in ten consumers have tried to cut down on food waste

Which of the following have you done in the last 6 months?

Adam Handling, owner of Frog, has announced he is opening a **sustainability-focused pub restaurant.** Key features: eco pub garden, vegetable garden, an orchard and an area for composting biodegradable waste.

Open kitchen café is opening in Manchester's People's History Museum. The café is a **'food waste café',** using food that would have otherwise gone to waste and sourcing additional ingredients from a sustainable supply chain.

The sustainability trend has been paused as the pandemic leads to prioritisation of cleanliness over single-use plastic. Sustainability still remains important to consumers and with more time spent cooking at home, consumers have become more aware of reducing food waste, increasing the importance for operators to be transparent about what they are doing to reduce their own.

Source: Lumina Intelligence Channel Pulse, data collected w/c 19.10.20

Brexit & lockdown put a greater focus on locally sourced produce

Highlighting an opportunity for operators to champion the best of British

Hosanna is a London-based concept offering fresh and seasonal meals developed by Michelin Star acclaimed Chef Hervé Deville. The company uses ethically sourced ingredients sourced from British farmers. The concept's packaging is 97% plastic free and is set to achieve 100% by the end of 2021.

The Wild Rabbit in the Cotswolds uses organic ingredients from Daylesford farm, picked fresh each morning, alongside forged and locally sourced produce. The menu changes according to what's in season and available.

Brompton Cross in London uses farm-grown ingredients to create burgers, pizzas and salad bowls. Produce is only picked when ripe. operates a zero-waste policy, too. All packaging is recyclable, reusable or compostable and any leftover food is sent to a food waste charity.

'Farm to restaurant' initiatives are becoming more commonplace, as consumer demand for local produce increases. These restaurants place focus on seasonal produce and follow zero waste initiatives, targeting consumers who prefer to support sustainable businesses.

Source: Lumina Intelligence, April 2021

Lasting legacies of the coronavirus pandemic

Five new trends born in 2020

Promoting mental health and recognising diversity and inclusion is now a necessity for retailers and suppliers.

The coronavirus pandemic saw a rise in home-working, local-living and a 'chase for outdoor space' as there was a max exodus from cities.

2020 accelerated new routes to market with consumers shifting to online.

Having an omnichannel presence became more important for grocery and foodservice brands in 2020. Hospitality dine-in closures saw "makeaway" kits explode in the market, whilst increased home working forced a repositioning of food to go.

The UK entered a recession for the first time in 11 years in August 2020. Retailers and suppliers will have to contend with savvier shopping behaviours whilst also trying to retain newly acquired shoppers.

Source: Lumina Intelligence Future of Convenience Report, January 2021

Pandemic has worsened the mental health crisis

Operators have responded with initiatives to support customers

25%

Agree 'maintaining good mental health is important to me' (higher than eating healthy food)

75+

+26%

More likely to agree

Consumers living alone

+21%

More likely to agree

Women

+3%

More likely to agree

Starbucks offered all frontline key workers a free coffee in December to say 'thank you' for their sacrifices during 2020.

A new **mental health café** (r) opened in Manchester In October 2020. All staff are mental health first aiders and the owners utilise social media to provide useful tips on how to manage your mental health.

Despite a difficult year for the industry, several operators last year ran special deals for key workers as a gesture to say thank you for their work during the pandemic. The worsening mental health of the nation has spurred on new hospitality spaces which are dedicated to helping people within a community environment.

Source: Lumina Intelligence Future of Convenience Report, January 2021

Community spirit has been strong during the pandemic

Operators have an opportunity to leverage this post-pandemic

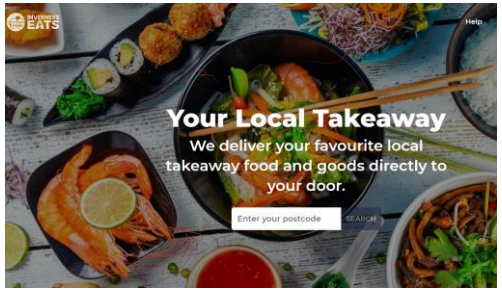
Foodservice

4.6

Average overall visit satisfaction for **independent restaurants** (rated out of 6.0)

4.2

Average overall visit satisfaction for **branded restaurants** (rated out of 6.0)



Inverness Eats is a new food delivery app with local businesses and community groups at its hear. 50% of the profits go to local groups and charities and the other 50% invested into marketing the firms listed on the app/website.

Lussmanns, a small independent restaurant group in Hertfordshire, is operating a pop-up BBQ

Greggs' new sustainability pledge takes a strong community angle, by promising to help tackle obesity, providing free breakfasts to school children and giving surplus food to those most in need.

Independent restaurants lead the way for consumer satisfaction, especially for food quality and venue locality. Consumers will want to continue to support local businesses as pandemic restrictions ease, meaning operators should focus on higher food quality and champion local credentials through collaborations with local producers and listing where ingredients have been sourced

*

Source: Lumina Intelligence Food to Go Market Report, March 2021

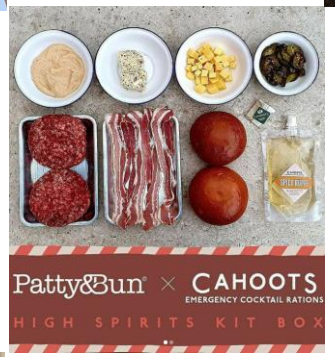
Branded restaurants find new route to market - “Makeaway” kits

This has helped operators bring the brand experience in-home

D.I.FRY
Mother Clucker

Frying Pan
Pizza Kit,
Pizza Pilgrims

DIY kits
Pizza Express



High spirits kit box,
Patty & Bun and
Cahoots

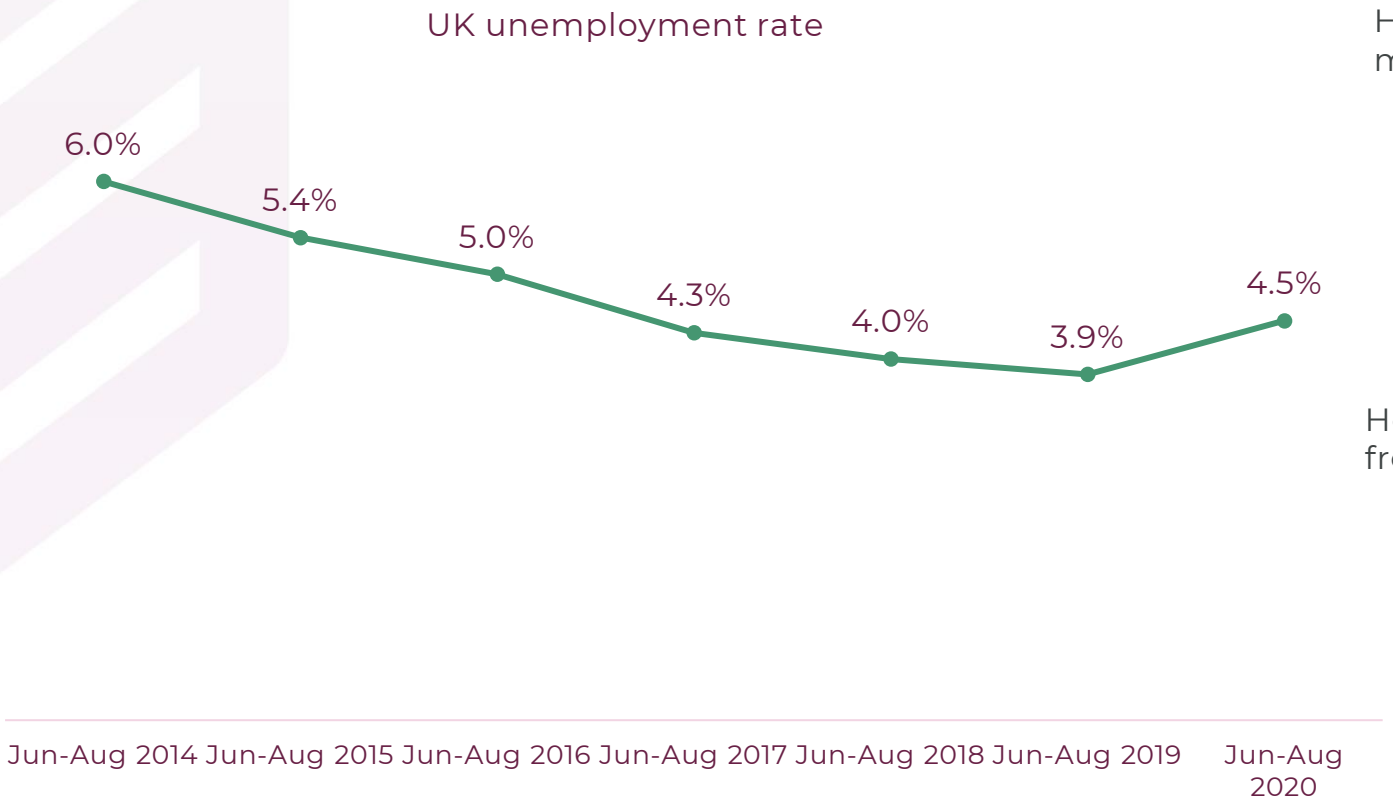
Hawksmoor At
Home,
Hawksmoor

BENEFITS OF MAKEAWAY KITS
Brands can outsource the creation of the kits while monitoring quality – resulting in less risk of negative consumer experience and negative brand reviews.
Less risk than delivery where packaging and temperate variables can impact final quality
Supplier opportunity to partner with a brand and offer products alongside ingredients e.g. alcohol
Aligns with experience economy with consumers able to share stories of creation, adding value
Aligns with consumer trend of home cooking and aspiration for high quality cooking

Source: Lumina Intelligence Restaurant Market Report, February 2021

Pandemic and resulting unemployment has impacted finances

Value scrutiny will increase as consumers become money savvy



How is your disposable income now compared to six months ago? June 2020

'Worse' + 'much worse'	'Better' + 'Much better'
34%	18%

How do you think your disposable income will be six months from now? June 2020

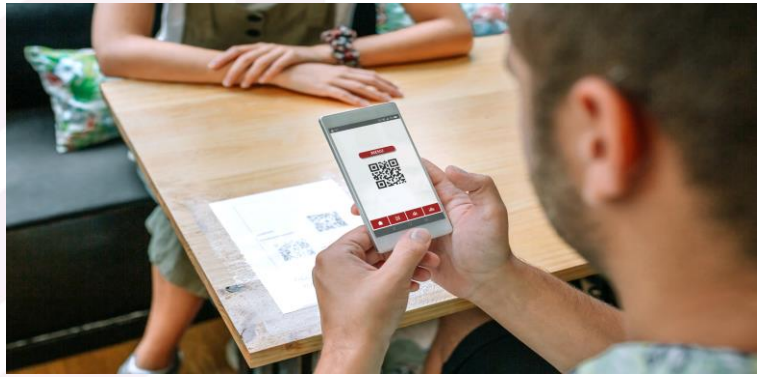
'Worse' + 'much worse'	'Better' + 'Much better'
28%	19%

The pandemic pushed the UK into the deepest recession on record. By October 2020, 9.6 million jobs had been furloughed and the unemployment rate still remains high. This has squeezed household incomes which means consumers will cut back on discretionary spend, impacting higher ticket channels in the Eating Out market.

Source: Lumina Intelligence Channel Pulse, data collected w/c 29.06.20

Pandemic accelerates and pauses key consumer trends

Pandemic drives digitalisation investment



The pandemic has revolutionised payment methods in the market and driven digitalisation investment. Consumers have become more accustomed to using technology with 60% preferring to pay with contactless.

Investing in technology has a dual purpose for operators, easing consumer anxiety and allowing operators to collect valuable data to personalise experiences.

Sustainability focus moves to food waste

Sustainability remains an important megatrend but the pandemic has paused focus on plastic and re-shifted it towards food waste. Nearly 3 in 10 consumers have been trying to cut down on their food waste.

Consumers have an expectation for operators to clearly publicise what they are doing to reduce their own food waste, exemplified by the popularity of 'Farm to restaurant' establishments.

Pandemic realities create new growth opportunities

Having an omnichannel presence became essential in 2020

Operators have found an innovative new route to market through "makeway" kits . Recent Barclaycard spending data shows that 24% of consumers who have been ordering them, expect to continue to do so even once hospitality re-opens, highlighting the robustness of the new makeaway market trend.

Key areas of opportunity

- Food to go
- Foodservice delivery
- Menu and food trends
- Technology & innovation

Meal equation: Pre-coronavirus

Operators have 90 opportunities per month to appear on consumers' plates

Pre-COVID

With the typical adult eating three meals per day, food and beverage operators have 90 opportunities per month to appear on consumers' plates.

=

Grocery instore

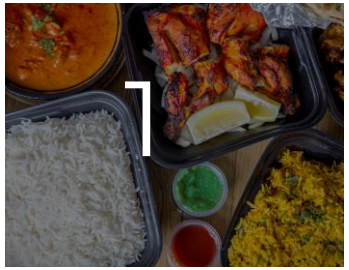
With the enforced closure of hospitality for much of 2020, the grocery retail channel benefited from the increase in at-home consumption.

Grocery online

The channel benefited from lockdown as a stay at home message was enforced and retailers ramped up capacity to deal with the increase in demand.

Dine-in foodservice

Foodservice delivery



Delivery acted as a lifeline for hospitality during periods of lockdown and led to many operators launching a delivery proposition.

Meal boxes

Meal boxes are a new trend and consumers turned to the channel during lockdown as ingredients became hard to find and meal boxes provided inspiration for more time spent at home cooking.

Source: Lumina Intelligence, April 2021

Operators innovate in delivery with increased occasions

Growth of meal kits as boxes provided inspiration for home cooking

	Pre-COVID	Grocery instore	Grocery online	Dine-in	Foodservice delivery	Meal boxes
	90	= 69	10	10	1	0
Lockdown 3	90	= 63	18	2	6	1

With the enforced closure of hospitality for much of 2020, the grocery retail channel benefited from the increase in at-home consumption.

The channel benefited from lockdown as a stay at home message was enforced and retailers ramped up capacity to deal with the increase in demand.

Delivery acted as a lifeline for hospitality during periods of lockdown and led to many operators launching a delivery proposition.

As a new trend and consumers turned to the channel during lockdown as ingredients became hard to find and meal boxes provided inspiration for more time spent at home cooking.

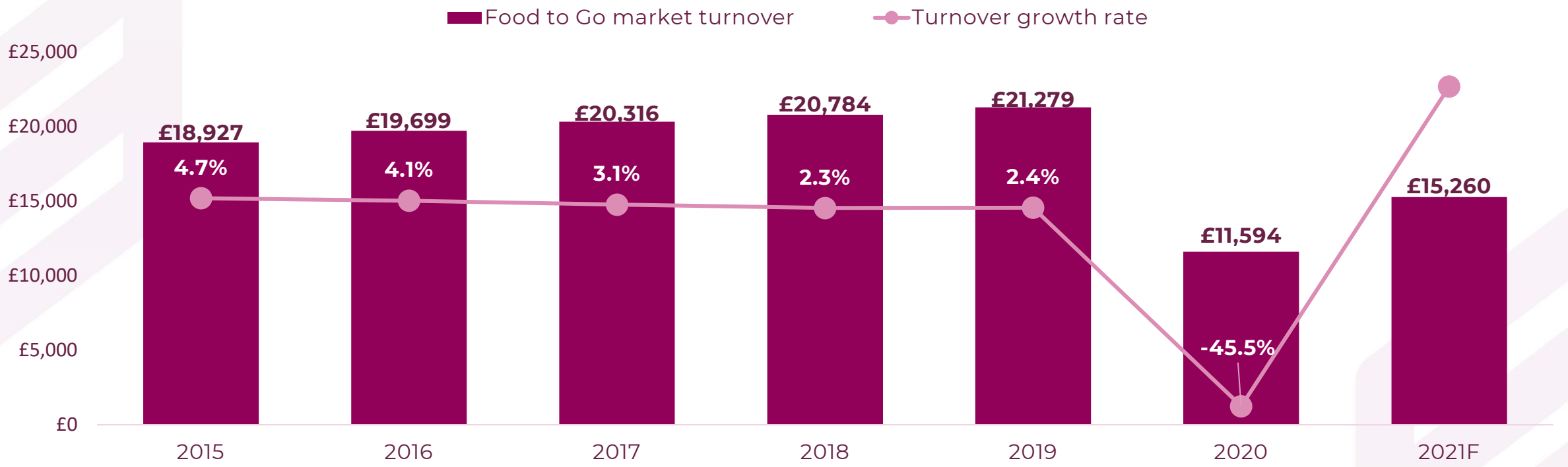
In home: 79 vs. 81

Out of home: 11 vs. 9

Source: Lumina Intelligence, April 2021

Coronavirus wipes almost £10 billion off food to go market value

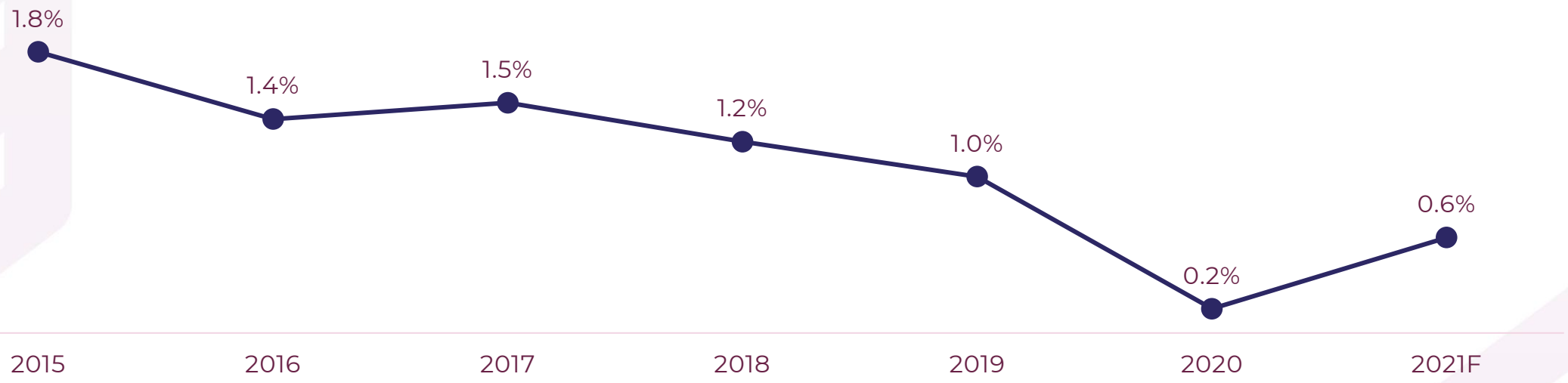
The market is expected to recover to 72% of its 2019 value in 2021



The UK food to go market declined by -45.5% in 2020 as operators contended with restrictions for much of the year. Working from home became the norm, and travel and tourism slowed, which severely impacted city centre footfall and in turn, food to go demand.

Source: Lumina Intelligence Food to Go Market Report, March 2021

Food To Go market continues to expand by outlets
Modest expansion is expected in 2021 with the addition of +929 sites



145,106	147,082	149,238	151,055	152,559	152,794	153,723

Following dampened expansion in 2020, operators in leading food to go channels including Greggs and Costa are continuing to expand whilst evolving their property strategies to suit changing consumer needs. Drive-thru and out of town sites have been the focus of a number of coffee shop and sandwich & bakery players over the last few years. Changes in work patterns are set to drive operators to put an even greater focus on suburban, high street and neighbourhood sites.

Note: Food To Go outlets defined as total outlets of Eating Out segments where FTG sales make up 10%+ of turnover, including: branded traditional and contemporary fast food, independent fast food, coffee shops, sandwich/bakery, supermarkets, c-stores, supermarket cafes and department store/garden centre cafes, roadside & MSA, airports, railway & train stations, boat/ferry cruises & ports, petrol forecourts, street food & mobile street vans, event & mobile catering & contract catering

Source: Lumina Intelligence Food to Go Market Report, March 2021

2021 Food to go growth opportunities

With location, technology and product trends influencing the sector

Location-based

City centre revival

Treat-led occasions and changing spaces

Suburban migration

Food to-go home and championing local

New occasions

Shifts in socialisation as a result of the pandemic

Technology

Technology and service models

Delivery, apps and subscription models

Operational developments

Streamlining processes and the role of robots and artificial intelligence

Product

Omnichannel offerings and partnerships

Omnichannel trading and new types of partnerships

Product development

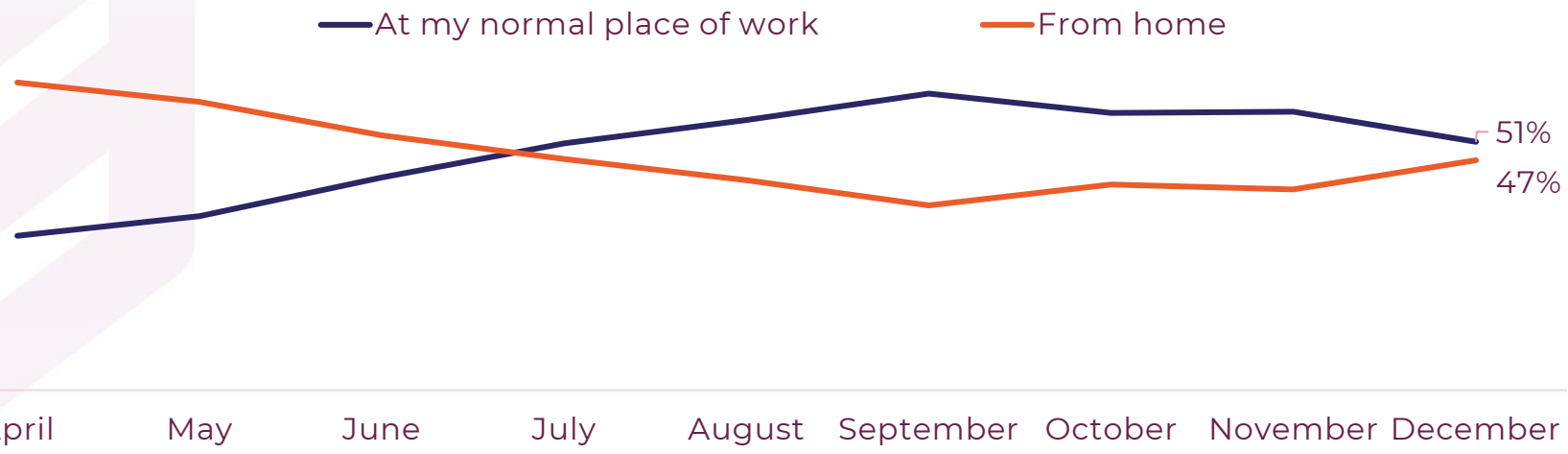
Healthy lifestyles, exotic flavours and customisation

Source: Lumina Intelligence Food to Go Market Report, March 2021

Working from home drives shift to food to ‘go home’

Less travel and working from home has impacted city centre footfall

Where are you currently working?



% who have bought food to-go to ‘heat at home’ since the start of 2020

Study Total	18-24	25-34	35-44	45-54	55-64	65+
23%	24%	26%	27%	14%	18%	18%

Innovation in food to go home ranges will be particularly important in suburban locations where more consumers are working from home and looking for convenient meal deals and solutions to ease ‘lunch fatigue’.

Heat at home soup
Pret A Manger.

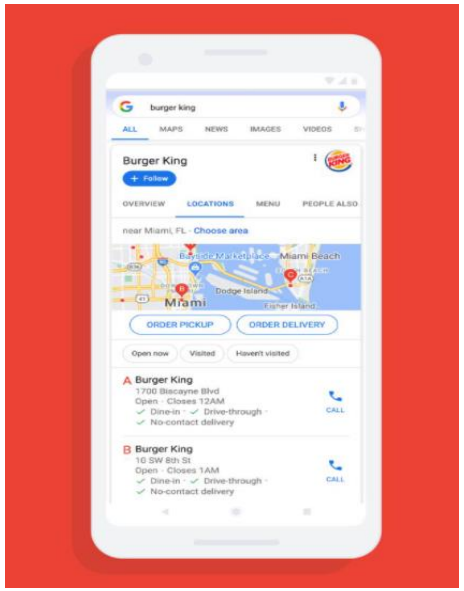
Heat at home toastie
Costa Coffee.

Source: Lumina Intelligence Food to Go Market Report, March 2021

Delivery and click & collect an opportunity to expand coverage

An increasing proportion of operators have launched delivery

Pret a Manger's new delivery menu is targeting the dinner occasion



Burger King now allows customers to order delivery directly through Google

Costa has extended its partnership with Deliveroo to 500 stores nationwide

Greggs began delivery and click & collect services across the UK last year.

Continued restrictions have driven operators to re-evaluate existing business models. With footfall reduced, delivery and click & collect models allow food to go players to get their range to their customers, wherever they are, as well as expanding their geographical reach to a wider customer base. It can also open up the possibility of tapping into to a wider variety of meal occasions, including dinner.

Source: Lumina Intelligence Food to Go Market Report, March 2021

Omnichannel trading an opportunity to boost transactions

Omnichannel trading is changing access-points for food to-go

Eat17 plans to expand through franchising and is offering its model to pubs and restaurant owners.

Pret frozen croissant range will be available across 700 Tesco stores nationwide. The operator is hoping to win a new customer base, ahead of openings in suburban locations.

Yo! Sushi has extended its partnership with Co-opt to roll out its Yo! To Go range to 160 stores nationwide.

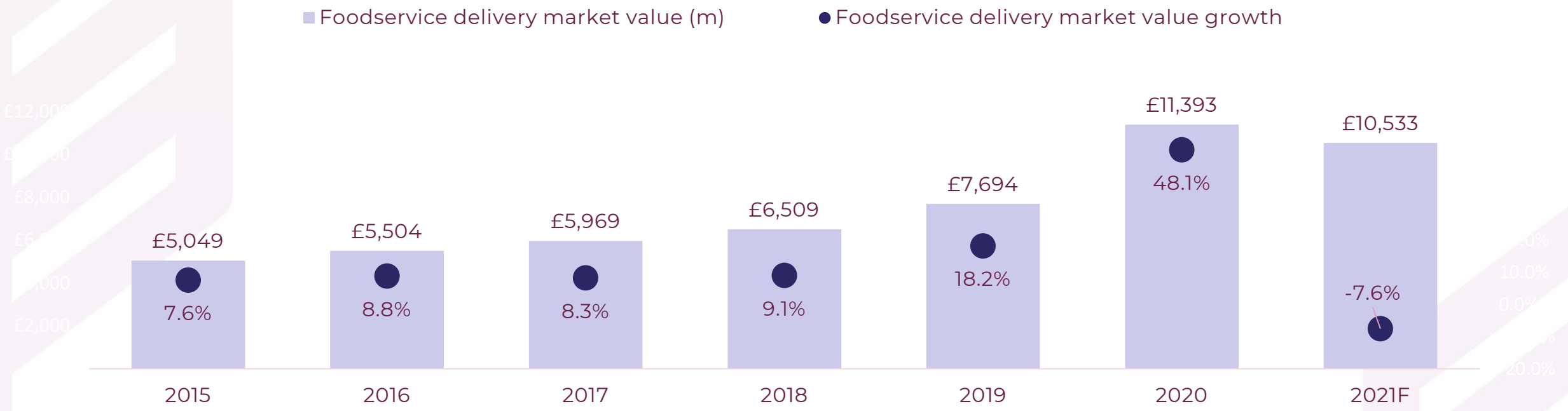
Bakery chain Paul is driving nationwide expansion through a franchise model with three distinct store concepts – Café, Express and Kiosk.

Paul's bakery chain is adapting its franchise model based on location, with café sites a focus in town and city centre locations where footfall is expected to pick up and dwell time expected to increase. Partnerships between foodservice brands and retailers are beneficial for the former by utilising and boosting brand awareness and the latter driving footfall through more specialised food to go solutions.

Source: Lumina Intelligence Food to Go Market Report, March 2021

Foodservice delivery market to total £10.5 billion in 2021

Majority of the pandemic induced value boost will be sustained in 2021



The foodservice delivery market has seen exceptional growth from 2015, growing by almost a fifth in 2019 as a result of delivery aggregators namely Just Eat, Deliveroo and Uber Eats expanding throughout the UK and foodservice giants including McDonald's and KFC growing delivery footprints. From 2019-2021 the market is expected to have grown by £2.8 billion in value with consumer delivery behaviour becoming more habitual throughout 2020.

Source: Lumina Intelligence Foodservice Delivery Market Report, March 2021

Note: Foodservice delivery market value includes 3.5% added for delivery fees and 15% VAT added

Foodservice delivery growth drivers, 2020-2021

The pandemic has opened the door for rapid expansion of delivery

Higher importance

Internal

- Growth in variation of operators joining the market and developing offerings
- Greater experience in creating positive, high quality and consistent delivery experiences
- Increasing number of kitchens and delivery only restaurants in consumer dense locations
- Strong range of continued promotions to attract new users and reward current users
- Increased analysis and support abilities from software-driven delivery operators
- Expansion of healthier and dietary requirement ranges boosting attractiveness across population

External

- Consumer demand for exciting meal solutions with other avenues including dine-in restricted
- Consumer uptake of technology including delivery apps and digital ordering solutions
- More home working boosting opportunities for delivered breakfast and lunch occasions
- 'On-demand economy' existing in lifestyles from consumer goods to grocery and food delivered
- Busier lifestyles increasing demand for delivery
- Less structured eating patterns driving growth in convenience-based channels

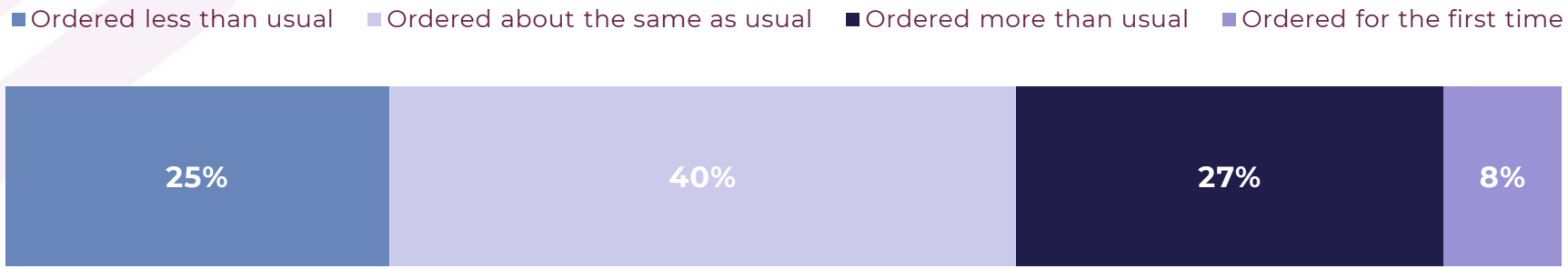
Lower importance

Source: Lumina Intelligence Foodservice Delivery Market Report, March 2021

New users joined the delivery channel during the pandemic

Just under 1 in 10 consumers ordered for the first time during the last year

How much have your takeaway delivery ordering habits changed in the past 12 months?



Demogs with highest over-index for 'order for the first time'

65+	10.8%	(+43%)
35-44	10.1%	(+32%)
ABC1	9.4%	(+23%)

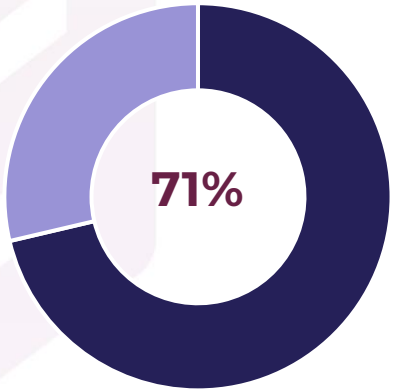
Whilst foodservice delivery usage is heavily skewed towards younger consumers, lockdown has enabled the channel to reach new customers. Consumers aged 65 and over are the most likely (+43%) to have ordered delivery for the first time during the past 12 months.

Source: Lumina Intelligence Foodservice Delivery Market Report, March 2021

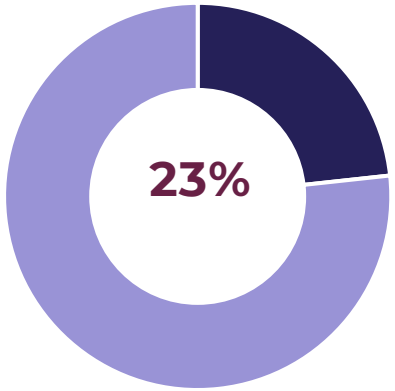
7 in 10 will continue to order even when restrictions are lifted

Whilst over half regard delivery as safer than visiting a restaurant

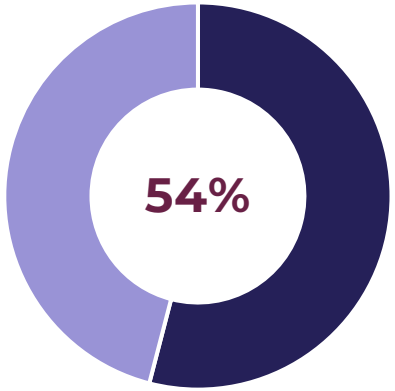
'Strong agree' or 'Agree' with the following statements



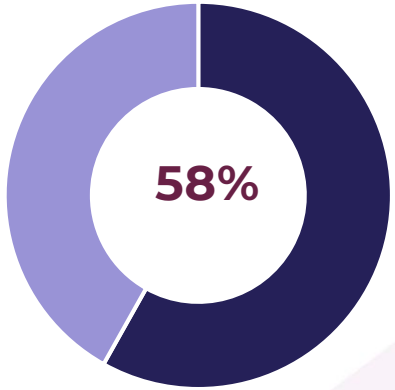
"I will continue to order takeaway delivery even when all coronavirus restrictions are eased or lifted in my area"



"I will no longer order takeaway delivery when all coronavirus restrictions are eased or lifted in my area"



"I order takeaway delivery as I think it is safer than visiting restaurants, even when restrictions are lifted"



"I have no problems visiting restaurants again when all coronavirus restrictions are eased or lifted in my area"

Nearly three quarters of current users plan to still order delivery when the restrictions are lifted. This behaviour is partially influenced by a nervousness about returning to on-premise sites, highlighting the importance of continuing to operate and develop a delivered proposition.

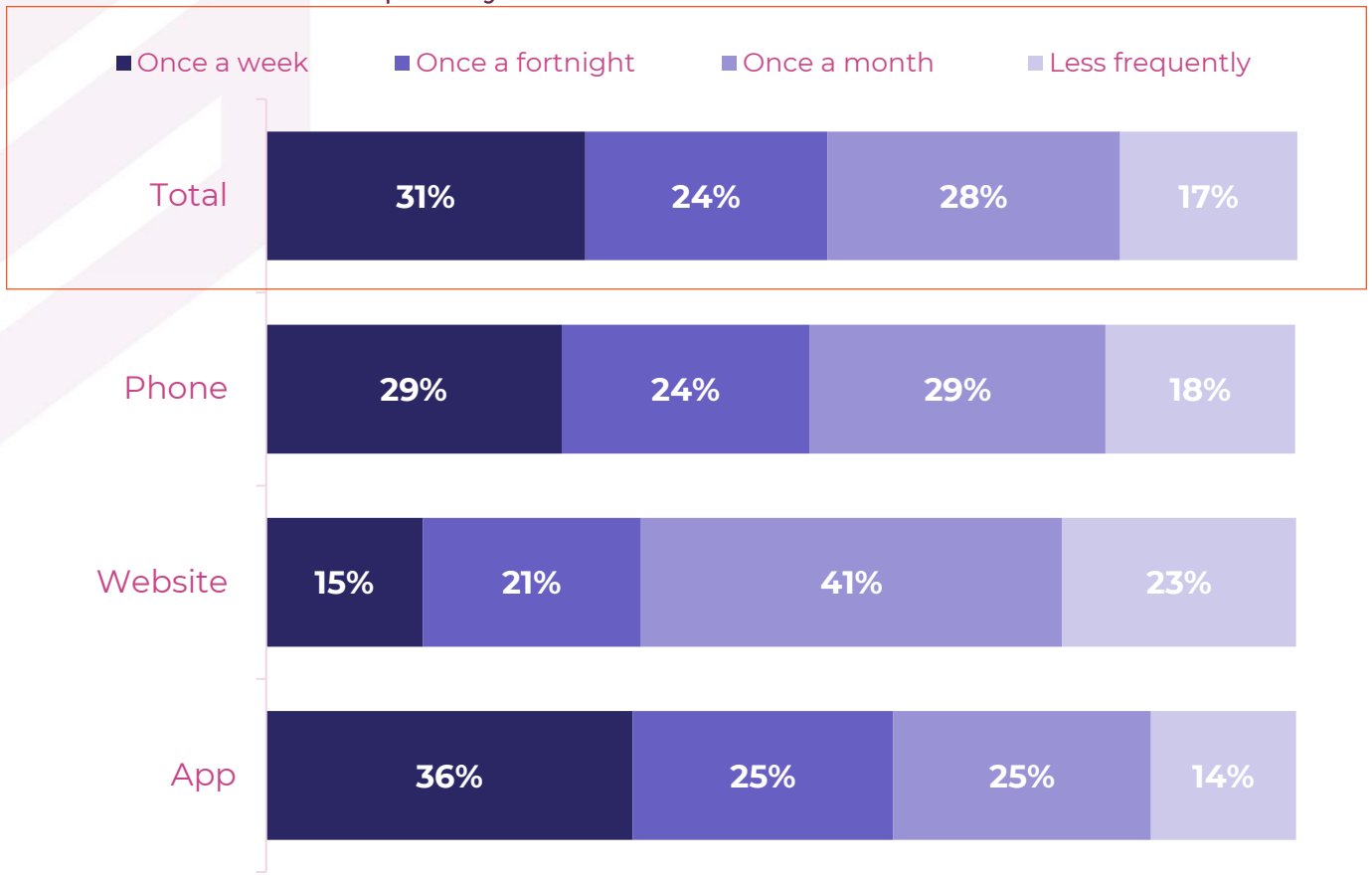
Source: Lumina Intelligence Foodservice Delivery Market Report, March 2021

App users are 15% more likely to order at least once a week

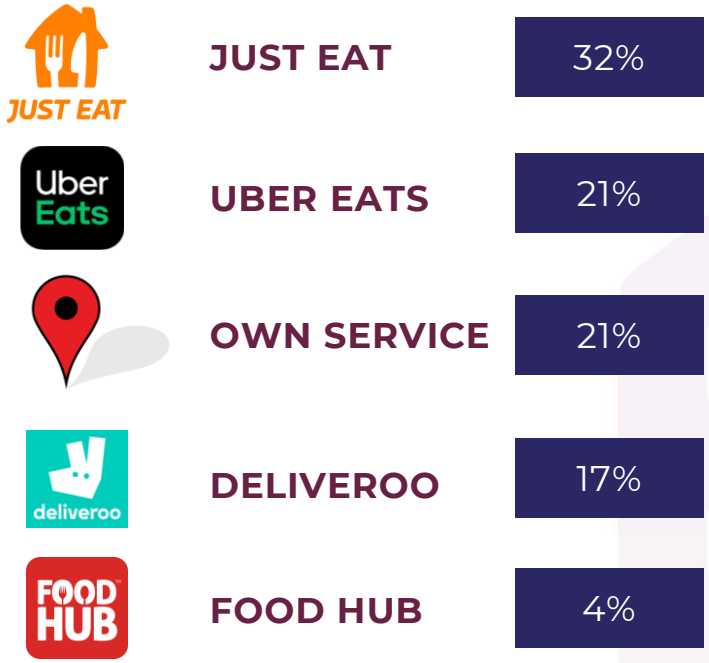
Partnership with a well-known delivery platform can be effective

How often do you order takeaway delivery?

Frequency based on channel used to order



Delivery operator used



Source: Lumina Intelligence Foodservice Delivery Market Report, March 2021

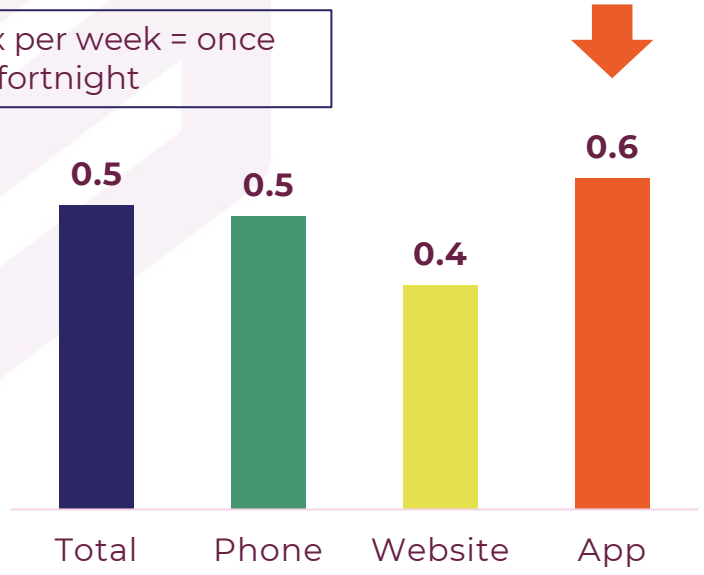
Increase spend on app - and frequency on phone and web

The higher order frequency drives up size of the prize

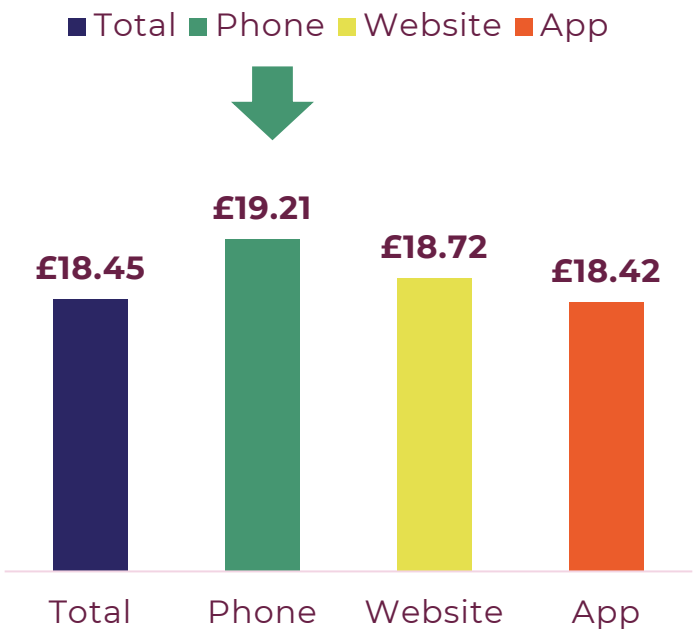
Foodservice Delivery: Value metrics

Order frequency
= avg number of orders per week

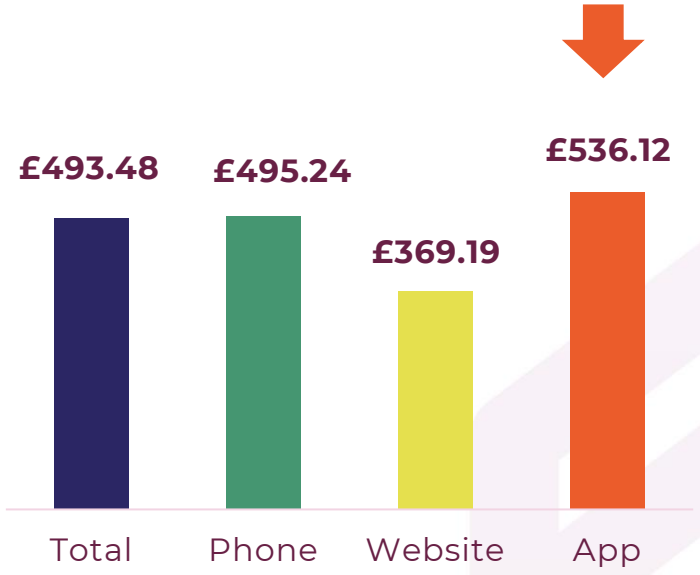
0.5 x per week = once per fortnight



Order spend



Annual Size of the prize
(Order spend x Order frequency x 52)



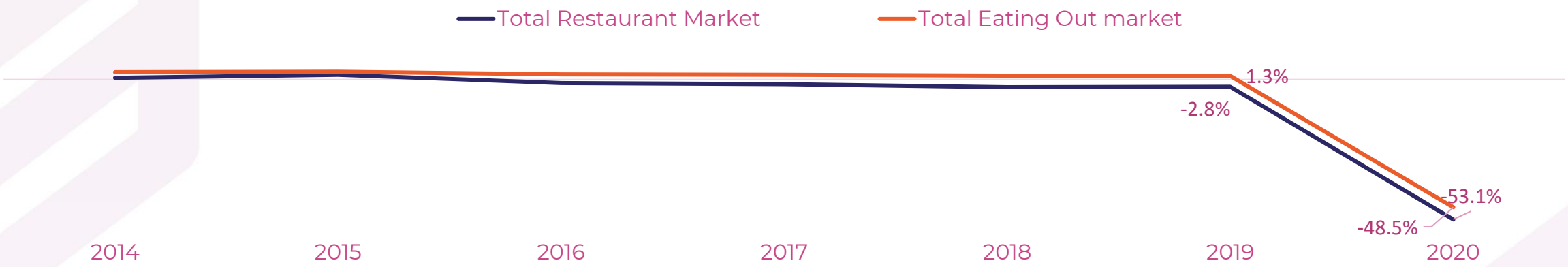
Encouraging impulse purchases on app, for example through bundle meal deals, can increase spend and grow the size of the prize. Phone and web over-index on order spend but under-index on order frequency. Low frequency is a particular issue for website ordering, resulting in a low size of the prize for web orders. Operators offering delivery via web should consider loyalty schemes to drive up usage.

Source: Lumina Intelligence Foodservice Delivery Market Report, March 2021

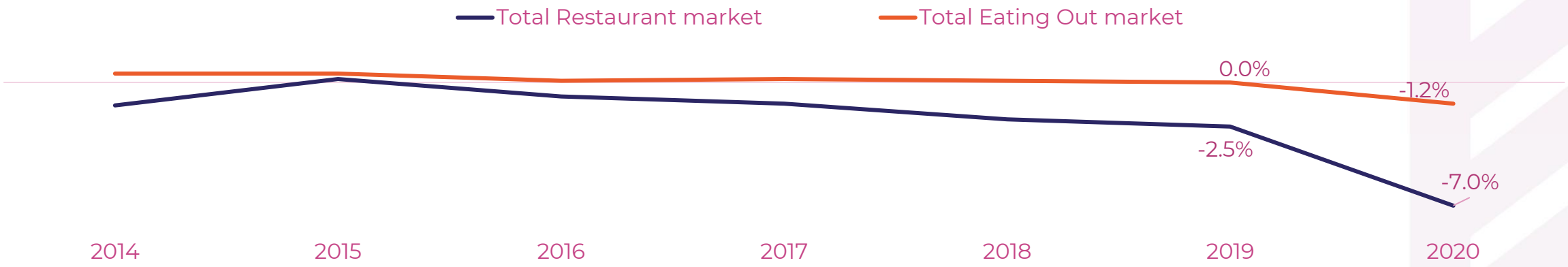
Restaurants underperform eating out market

Existing property challenges exacerbated through pandemic

Turnover percentage growth rate, 2014-2020



Outlet percentage growth rate, 2014-2020

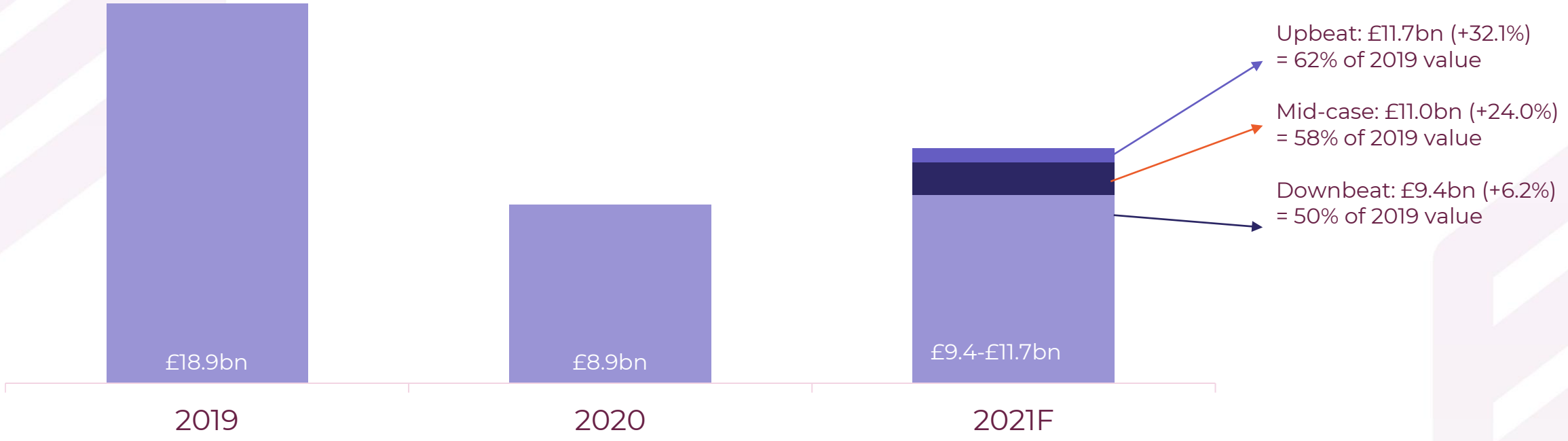


Source: Lumina Intelligence Channel Pulse, data collected w/c 27.07.20

Restaurant market expect to grow +24% in 2021

Roadmap dictates speed of recovery

Restaurant market sales 2019-2021F: 3 scenarios

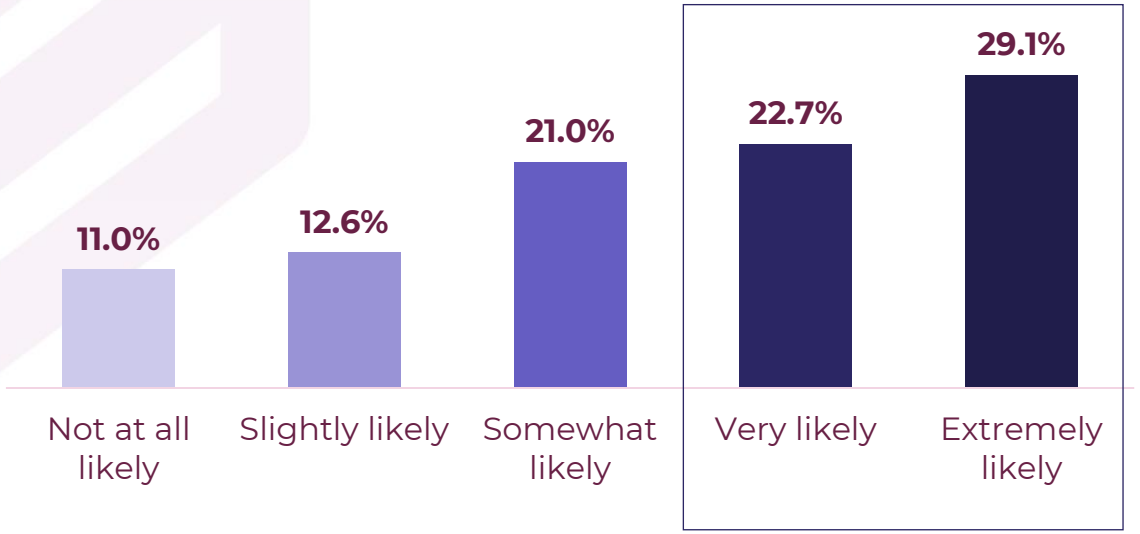


Source: Lumina Intelligence Channel Pulse, data collected w/c 27.07.20

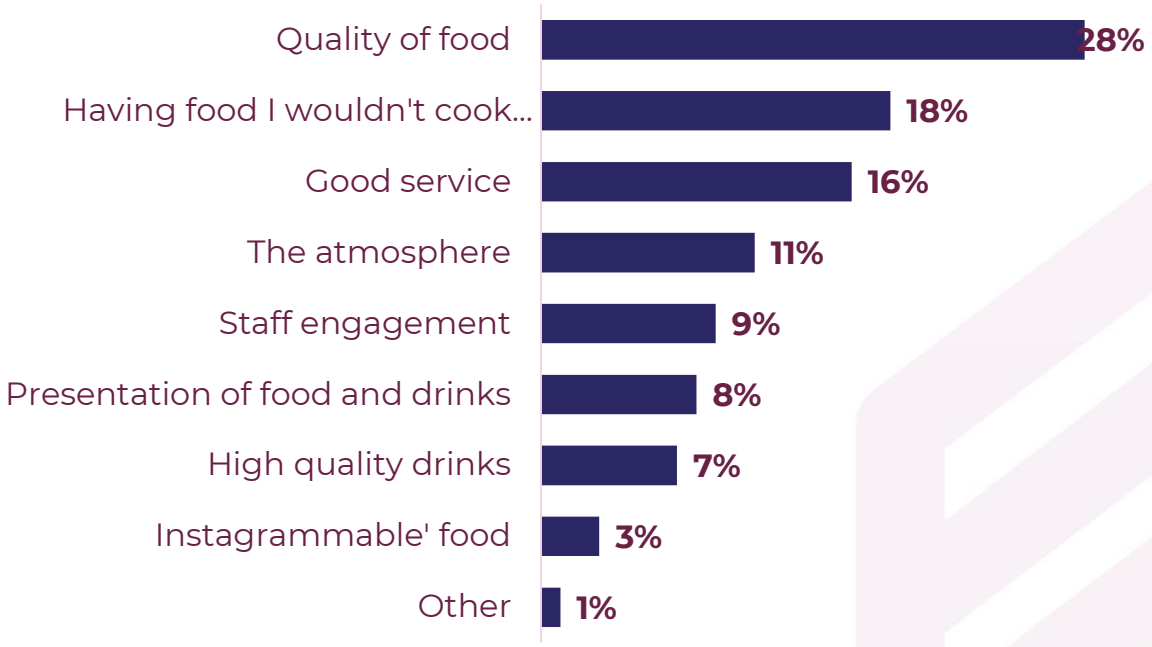
Consumers are looking forward to returning to restaurants

52% are very or extremely likely to visit in the coming months

Assuming no lockdown or tiered restrictions are in place, how likely are you to visit a restaurant in the next 6 months?



Which of the following will contribute the most to a great eating out experience?



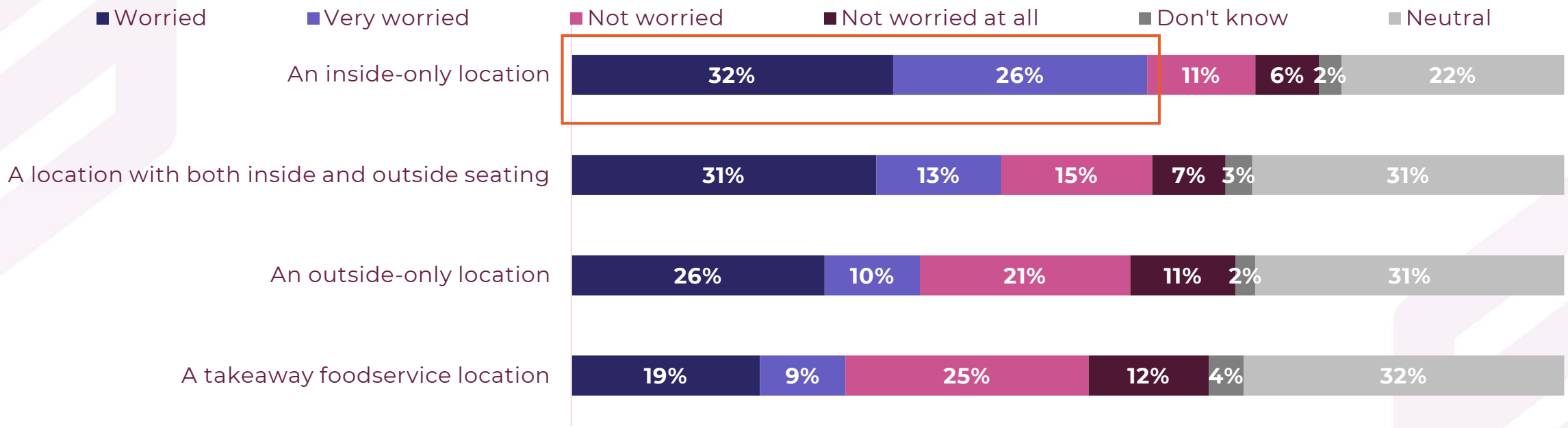
A year of restrictions on hospitality means that consumers will be craving the on-premise experience again. It's important for operators to create an experience which consumers can't replicate at home. Operators can achieve this through focusing on high quality, premium foods as consumers treat themselves to make up for lost time.

Source: Lumina Intelligence Channel Pulse, data collected w/c 27.07.20

Returning to inside-only locations a source of anxiety last year

58% were worried about returning to an inside-only location

How do you feel about returning to each of the following types of establishments?



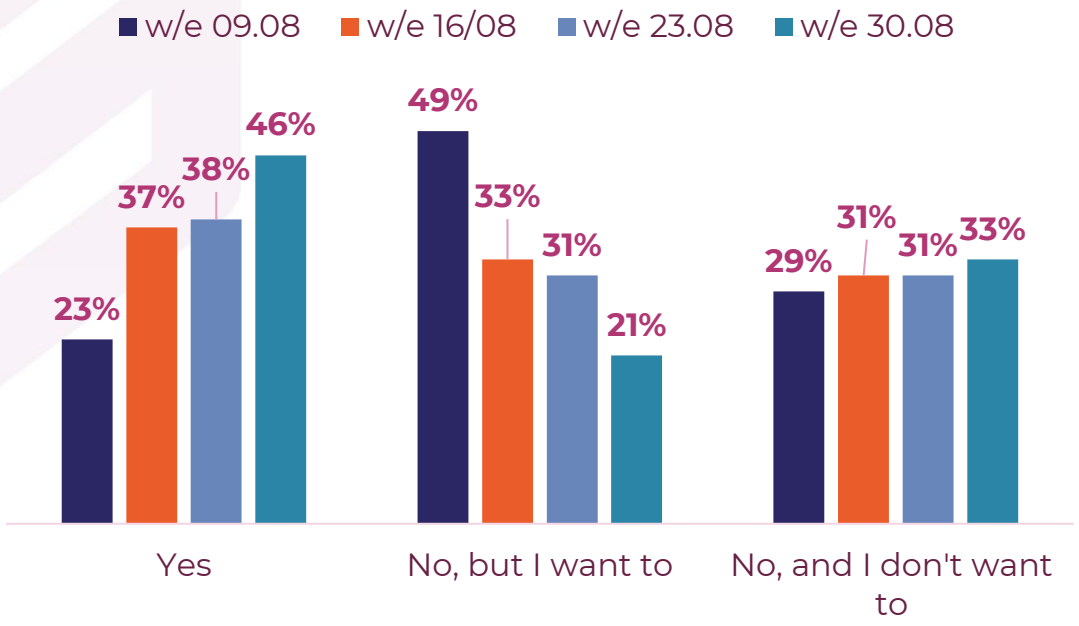
Consumers were anxious about returning to on-premise sites last year, particularly inside-only locations. Upon re-reopening, outdoor space - where possible - will help ease nervousness and being creative with these outdoor spaces can help operators differentiate themselves and create an 'Instagrammable' experience for diners.

Source: Lumina Intelligence Channel Pulse, data collected w/c 22.06.20

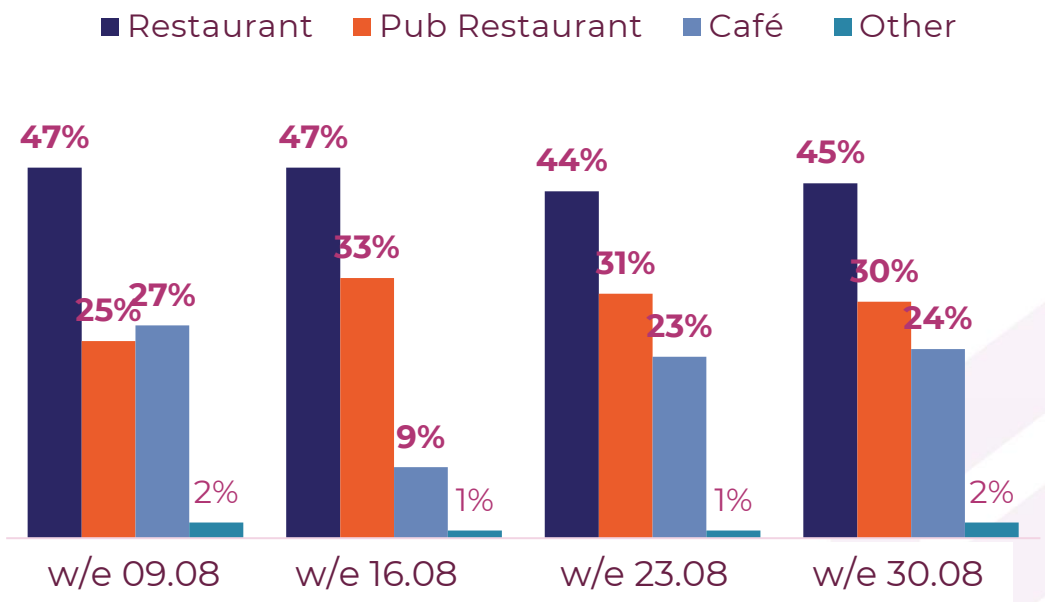
Just under half used the Eat Out to Help Out Scheme last year

Restaurants attracted the largest participation in the scheme

Have you used the Eat Out to Help Out Scheme?



What type of establishment did you use it at?



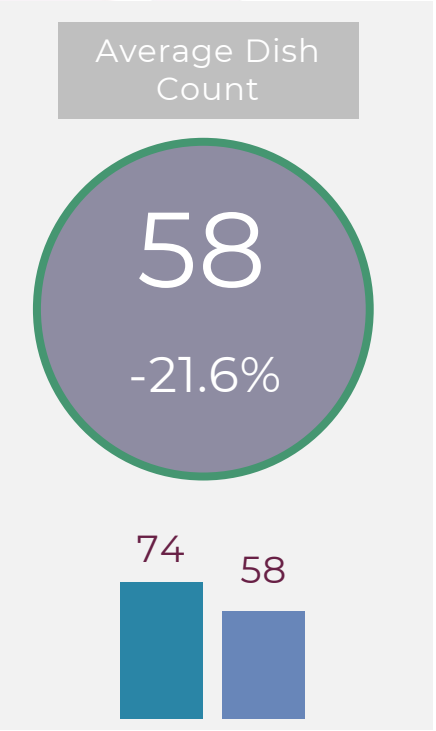
Pent up demand last year as a result of lockdown was evident in the success of the Government's Eat Out to Help Out Scheme which 46% of consumers used by the last week of August. The success of this scheme highlights the effectiveness of using discount schemes to get consumers back through the doors. Whilst discounts may not be feasible for all operators, having a loyalty scheme where consumers are rewarded for their return will still be effective.

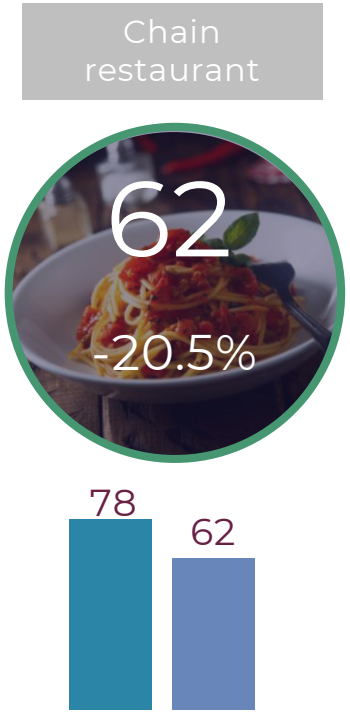
Source: Lumina Intelligence Channel Pulse, data collected August 2020

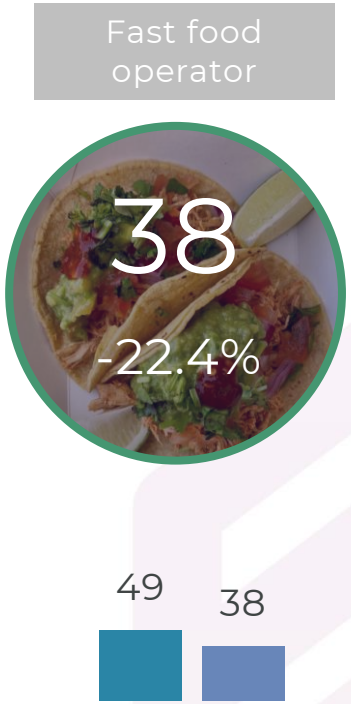
Menu sizes declined in 2020 to cater for reduced trade

The average menu size in the Eating Out market declined by -21.6%

Average dish count per menu, **Spring/Summer 2019** to **Spring/Summer 2020**







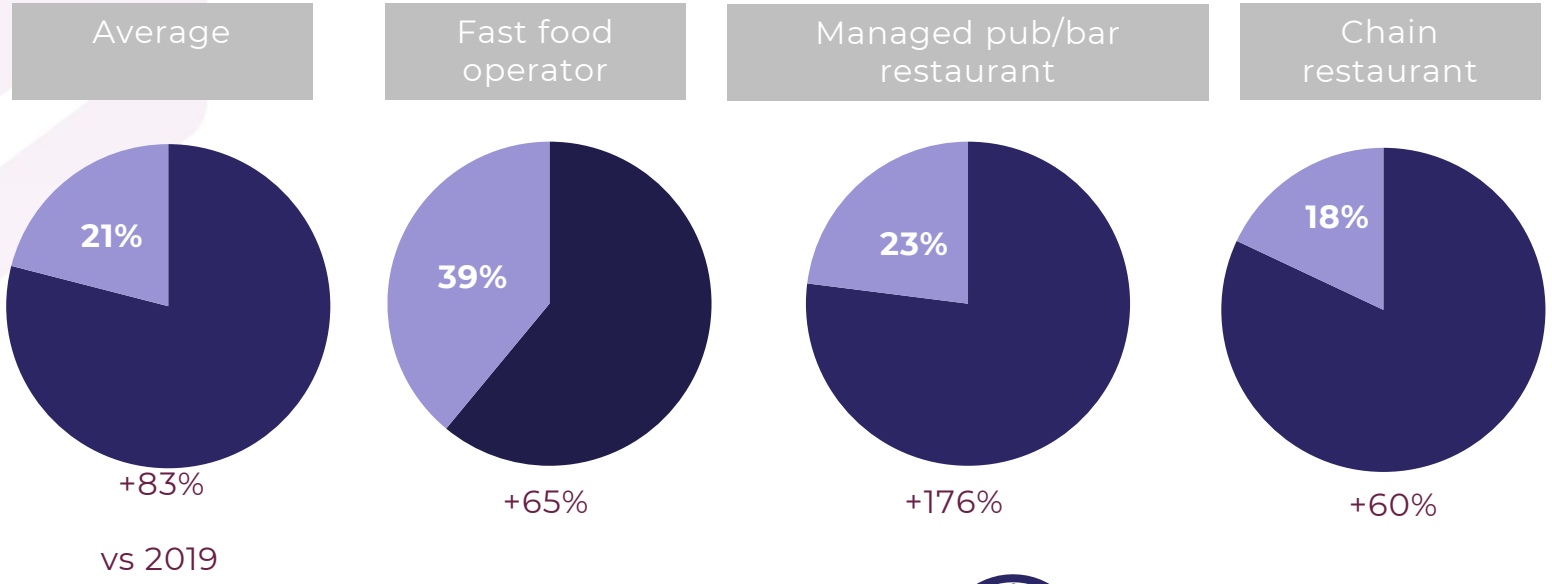
Operators have widely reduced menu options in Spring/Summer 2020 in response to the effects of the coronavirus pandemic. Upon reopening, smaller menus have allowed operators to adhere to strict safety measures whilst retaining high quality and consistency levels.

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Customisation increases on menus, despite smaller size

There was an 83% increase in customisable dishes in Spring/Summer 2020

Proportion of all dishes on menus that are advertised as customisable by channel, Spring/Summer 2020 with % change from 2019



Dishes that are easily customisable or adaptable can cater for the increased consumer demand for personalisation, which can help operators cater for other key trends such as plant based.

Top 3 customisable dishes, Spring/Summer 2020

1. **Burger**

2. **Pizza**

3. **Burrito/ wrap**

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Menu and food trends – 5 Key Trend Umbrellas

LIFESTYLE TRENDS

EXPERIENCE-LED TRENDS

CUISINE-LED TRENDS

PRODUCT TRENDS

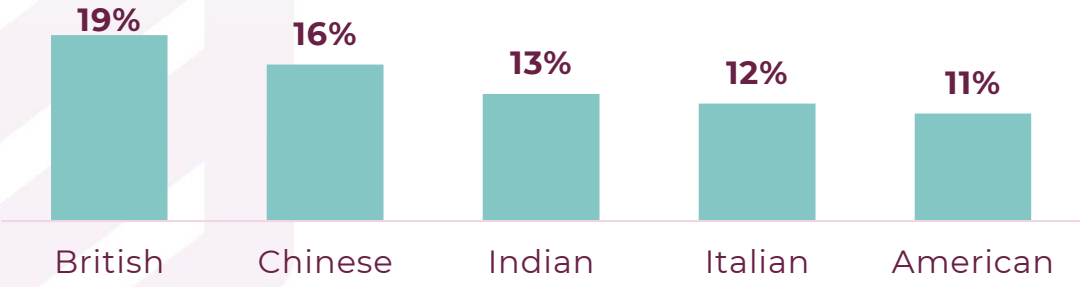
DRINK TRENDS

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

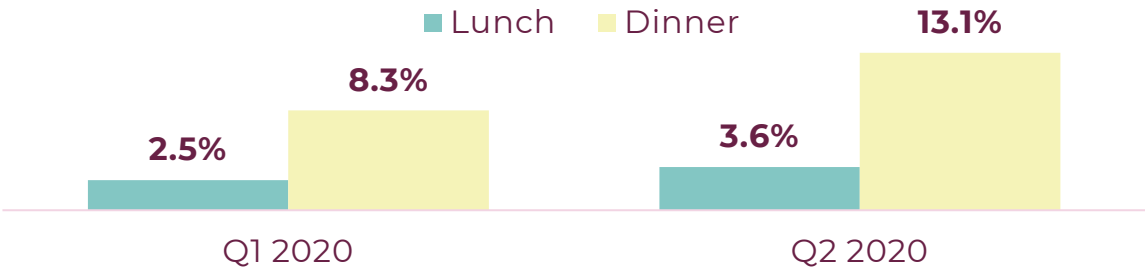
Menu and food trends – Cuisine

British and specialist Italian continue to grow in popularity

Top 5 most popular cuisines for delivery (May-Oct)



Pizza - % share of lunch and dinner visits



Townsend is a **modern British** dining room and café which focuses on evolving seasonal dishes. The restaurant created a delivery offer, providing customers all the ingredients to make British staples at home.

Nuno Mendes lunchtime pizza menu. Four flavours on offer which are topped like a sandwich and folded.

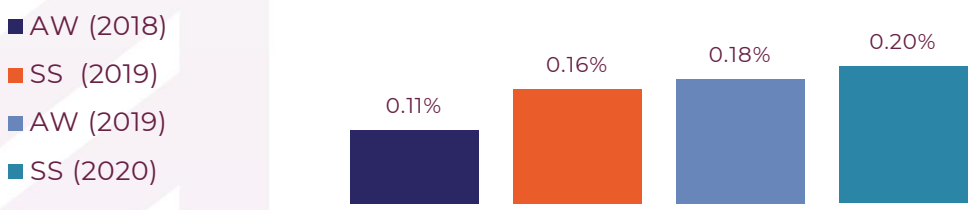
Zia Luccia uses 4 different types of dough and there is a range of craft beers paired with each dough.

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Menu and food trends – Product

Seitan nearly doubles in share of menu dishes

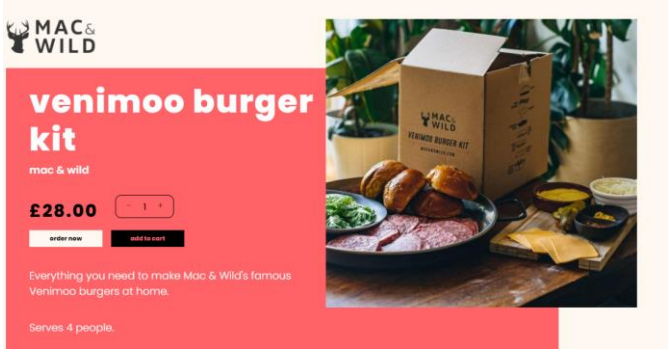
Dishes containing seitan



Seitan has proven to be a popular protein alternative in foodservice, with a steady growth almost doubling in share of restaurant menu dishes over two years.

Temple of Seitan

Joint ventures between operators and suppliers and other businesses has emerged as a winning strategy during the pandemic in order to keep a brand relevant and active during national lockdown.



Mac & Wild venison meat burger meal kit

Wild meats are becoming more accessible, as they are being added to more restaurant menus but also included in meal kits, introducing such meats to consumers and making them less alienating to cook for less experienced cooks.

The Knot Churros

Indulgent and instagrammable desserts have continued growing from strength to strength and becoming menu items people will travel especially for.

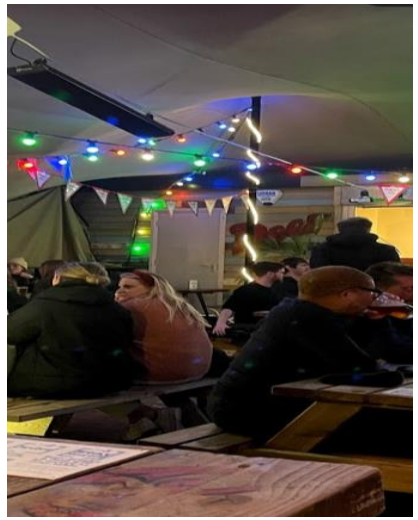
Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Menu and food trends – Lifestyle

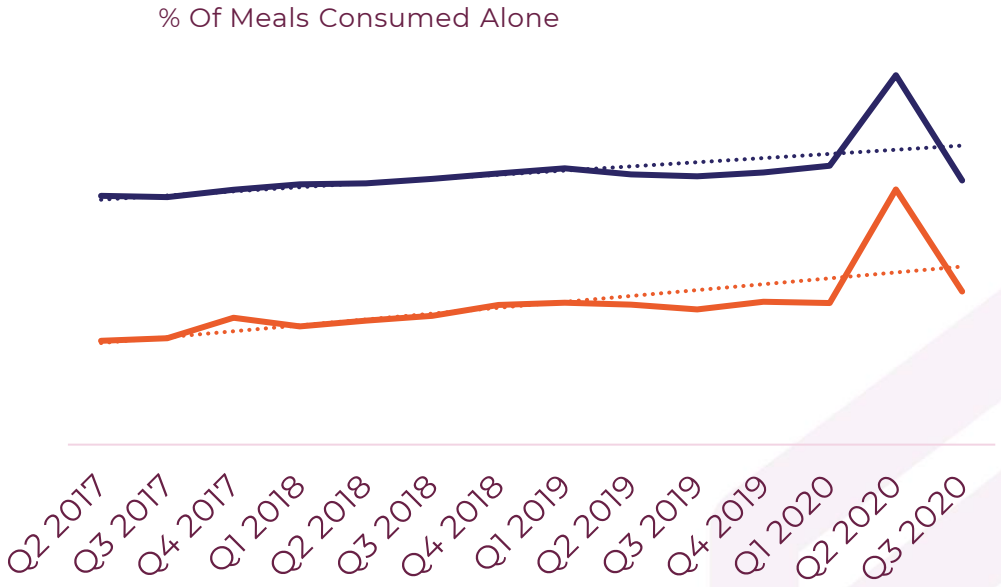
Innovative home meal kits have catered for increased time spent at home

2 x 3 course "Weekender" Box by Tommy Banks (The Black Swan, Oldstead)

Frying pan pizza by Pizza Pilgrims



Beer garden yurt/tents at People's Park Tavern, London



Nationwide, home delivery kits have been launched from some of the most successful up and coming foodservice brands such as Pizza Pilgrims, Bao, Smokestak, Padella and Dishoom.

Outdoor spaces will be critical in the coming year, with 45% of operators investing most in their outdoor seating in 2021 (+25pp vs 2018-2019)

With lockdown measures making consumers rethink large groups, **solo dining** will last long into 2021. Eating alone has seen an upward trend over the last 3 years, with likelihood to eat dinner alone averaging an increase of +6% each quarter since 2017.

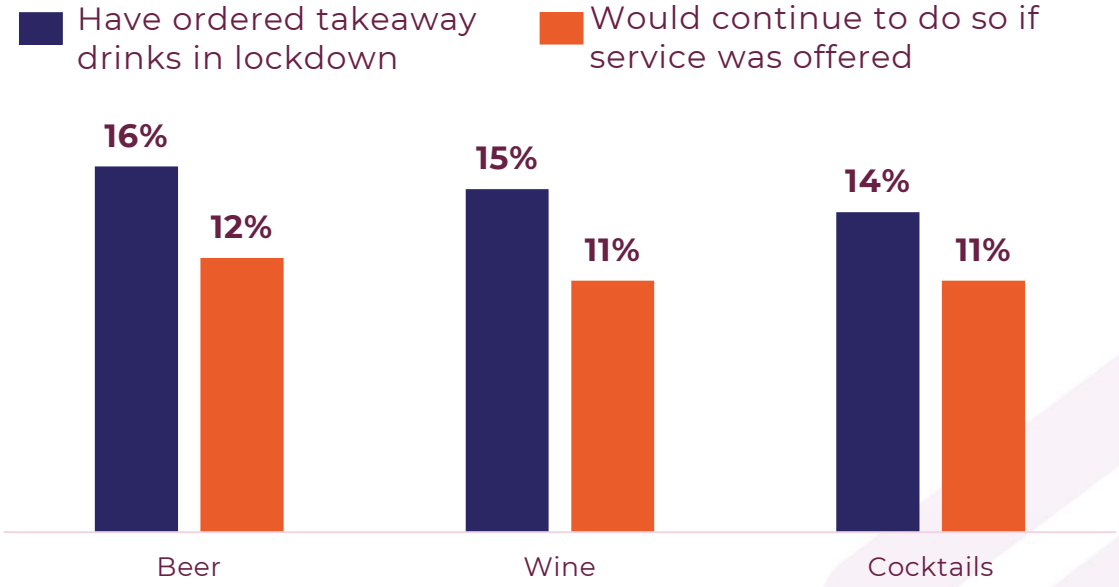
Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Menu and food trends – Drinks

Hard Seltzers explode onto the market in 2020

Hard Seltzers have been the subject of leading drink brand innovation in 2020 with White Claw, Kopparberg and BrewDog launching ranges. BrewDog launched its own hard seltzer brand in 2020, Clean & Press. Hard seltzers are growing in popularity with consumers offering a healthier alternative to fruity drinks with the average can less than 100 calories.

Low 2 no spirits remain relatively new to foodservice but retail has seen growth in offerings throughout 2020 as consumers look to reduce alcohol consumption. Alcohol free spirits are often paired with premium mixers, offering an opportunity to drive spend.



Takeaway cocktails are a new trend as a result of the 10pm curfew and other restrictions imposed on pubs and bars last year. London-based premium bar group, Inception Group, offered consumers "one for the road", a bottled cocktail to purchase on-site to takeaway.

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Menu and food trends – Experience

Experiential dining allows operators to provide added value to experience

Afternoon Punk Tea,
Baltic Social, Liverpool

Sports bar,
ETM Group, Greenwood, London

Casual seating
Bokeh Bar, Lancaster Gate

Fish & chips in brown paper
Randal & Aubin, Manchester

Afternoon tea and bottomless brunch are emerging and established experience-led trends offering consumers an entertainment and event-led meal outside of typical dining occasions. Operators are already innovating around these events and taking them one step further with live music and unique food offerings.

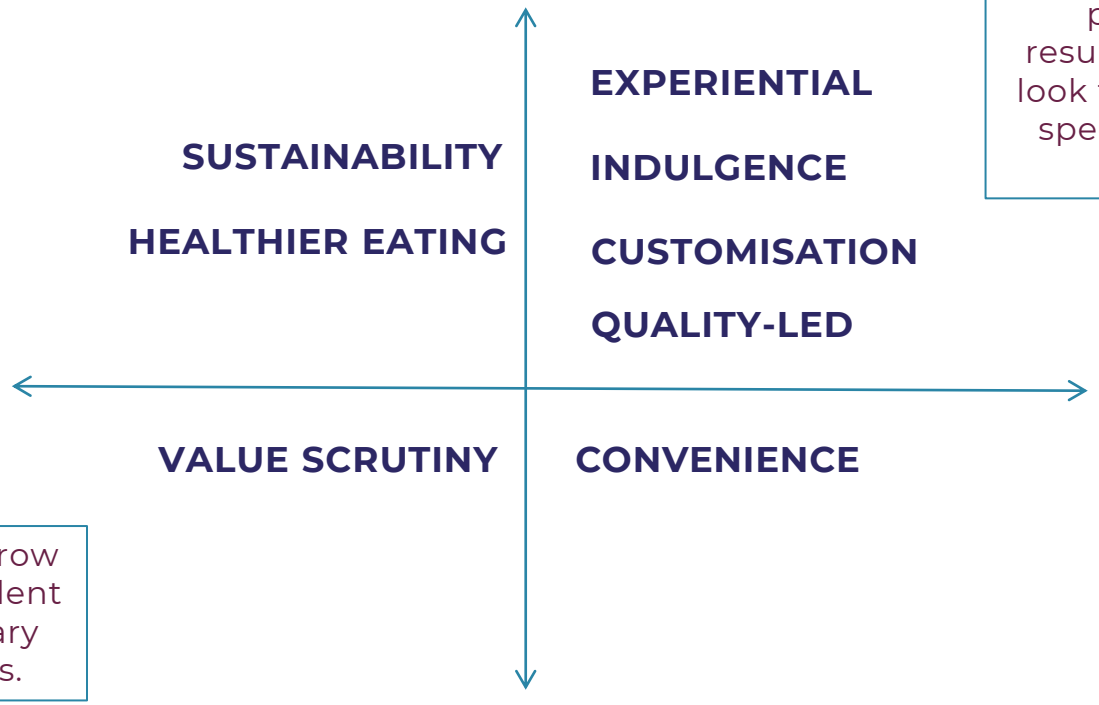
Sports bars are growing in the UK with operators including ETM Group focusing more on offering consumers a premium and experiential sports viewing venue. Operators can offer consumers a premium sports viewing experience.

Informality 2.0 is a growing trend off the back of informality which has been established for several years. Informality 2.0 involves more premium offers using informal seating and presentation to boost consumer feelings of ease and comfort.

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Foodservice market development 2021 expectation

Consumer trend importance will depend on market recovery



Experiential and indulgence are poised to see a continued resurgence in 2021 as consumers look to make up for lost time with special eating and drinking out occasions.

Value scrutiny is expected to grow as a driver in 2021 as less confident consumers reduce discretionary spending and limit purchases.

On the one hand, latent consumer demand is anticipated to drive the eating out market in 2021, especially in the summer months as seen in summer 2020. However restricted confidence and reduced consumer discretionary spend is expected to stifle 2021 recovery

Source: Lumina Intelligence Menu and Food Trends Report, January 2021

Lasting legacies will spur on new opportunities

Food to go repositions as food to 'go home'

The pandemic, and resulting shift towards working from home, has severely impacted city centre footfall, driving food to go market value down by -45.5% in 2020. This has repositioned the food to go category as food to 'go home'.

This occasion will continue to be important as hybrid working becomes the norm, making it increasingly important for operators to target suburban and high street locations.

Pandemic dries shift towards delivered channels

The pandemic has driven a shift towards delivered channels as on-premise dining remained restricted for much of 2020. The Lumina Intelligence meal equation shows that foodservice delivery accounted for six meals per month during lockdown III.

Maintaining and developing a delivery proposition is still highly valuable for operators as 71% of consumers say they will still use it post-lockdown.

61% of consumers missed the experience of eating out in 2020

28% cited high quality food as the top contributor to a great experience when eating out at a restaurant following lockdown last year, highlighting the opportunity to target treat-led and premium occasions.

Consumers are similarly seeking experiences which they cannot replicate at home. Diversifying offerings will become more important, both as a way to target these consumers and to help operators differentiate themselves when dine-in re-opens.

Implications for Scottish manufacturers

HOSPITALITY HAS BEEN HARD HIT, BUT WILL RECOVER

- In short term, lower ticket, low contact channels will win
- Pent up demand for experience: pubs, restaurants
- Delivery will dip but will remain greater than pre-pandemic value
- Omnichannel / new routes to market (makeaway kits, meal boxes, retail lines) offer opportunity

THERE ARE CONSUMER PRIORITIES TO CONSIDER…

- Desire for a treat (number 1 consumer mission when eating out): quality and experience that cannot be replicated at home
- Cleanliness and food safety assurance remain extremely important
- Sustainability: paused not gone; focus on food waste. Talk about what you are doing here
- Ongoing demand for local sourcing, shout about these credentials

THE KNOWLEDGE BANK

Delivered by
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Thank you

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