



COVID-19

Perspectives in Europe

Foodservice Europe

February 11, 2021

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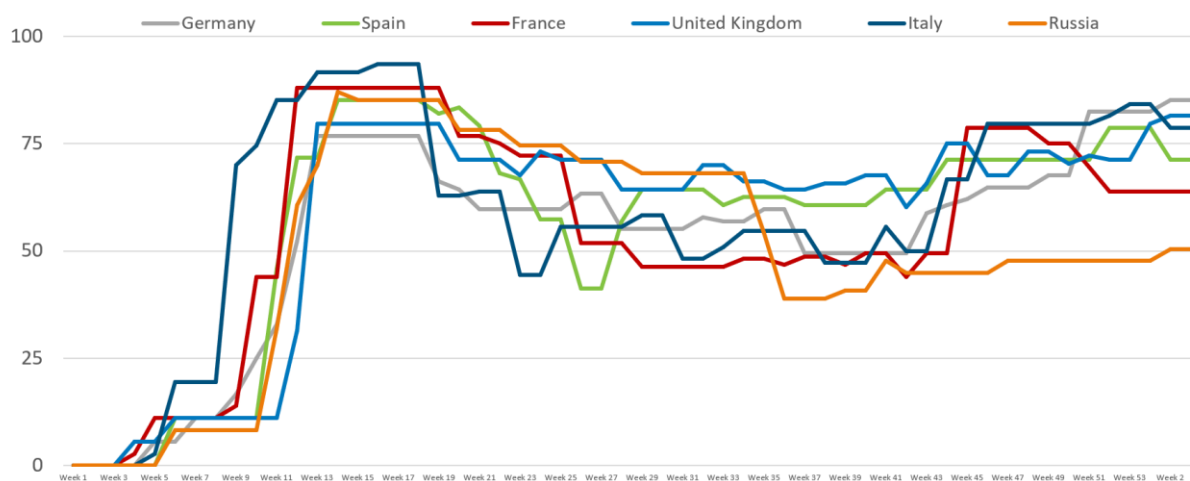
The Situation in Europe

Not Much Ease in Sight

After the introduction of tighter restrictions in most of the European countries way ahead of Christmas, many of us in the old world are — as of today— very limited when it comes to foodservice offerings, especially with dine-in options. On the other hand, take-out and delivery are mostly possible — different from the first lockdown earlier in 2020. Among the European countries that we cover with CREST®, Russia is truly the exception, with fewer restrictions for consumers and as the only country where dine-in was possible before and after Christmas.

Still, what has been observed is a much higher level of mobility during the fall/winter lockdown waves compared to what we have seen during the first closing, starting in March 2020. It is mostly impacted by more people going to their workplaces — a point that impacts the current revenue levels we can report.

Government Stringency Index Weekly



Source: Oxford COVID-19 Government Response Tracker

Vaccination Provides Some Hope

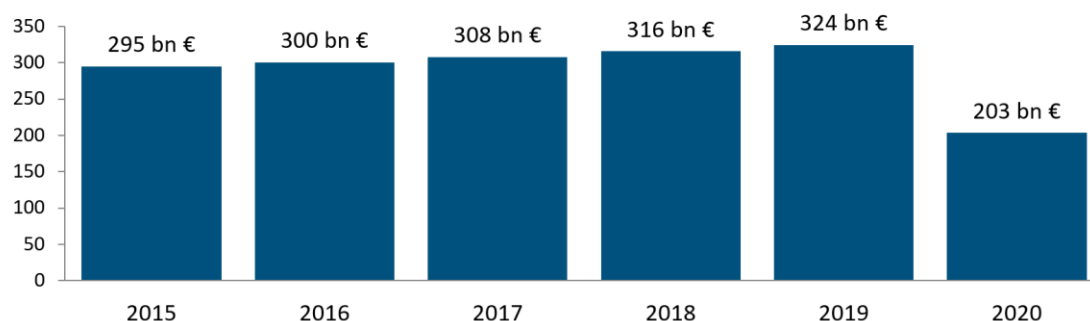
At the same time, many countries began administering their vaccination programs. The U.K. got started in early December, and most other European countries kicked off vaccinations at the end of December or in early January. (Australia, Japan, and South Korea all plan to start vaccinations in early 2021.) One hopes broad vaccinations will trigger an easing of restrictions and a return to daily routines, both of which would promote more frequent use of restaurants and QSRs.

The Year 2020 in Review

It took the restaurant industry four years to grow its size by 30 bn Euro across its six largest markets (Great Britain, France, Germany, Italy, Spain, and Russia). In 2019, 324 bn Euro was spent for “ready-prepared meals, snacks, and beverages purchased for immediate consumption.”

Within just one year, the pandemic made consumers reduce their spend by four times that increase. Just a little above 200 bn Euro is what we measured through our CREST consumer panels for the year 2020. Way more than a third (-37%)—more than 120 bn Euro—disappeared.

Total Market Spend – Big 6 Europe



Total Market
Annual Consumer Spend in bn Euro –
1 GBP = 1,12 Euro – 1 RUB = 0,012 EUR

Russia: projected to reflect total country
Source: The NPD Group/CREST®

Pre-COVID-19 Growth Factors

Looking at what helped increase consumer spend until 2019, we see many of these drivers still being good contributors during the pandemic.

Take delivery, an area of growth since 2015, because people spent more and more time at home —especially the younger ones — and we purchased more and more of our stuff online. In addition, technology helped delivery, and especially aggregators, build business and leverage digitization. COVID-19 has been an incubator for further growth.

Next we'll look at pre-order for pick up, or “click & collect.” We saw large double-digit visit growth in 2018 and 2019 because it has so many additional benefits over and above those connected to hygiene and security (e.g., not waiting in line). Consumers still look for quality and they are ready to spend more for it; more and more retailers see opportunity with “to-go consumption” and focus their offers more on ready-prepared meals and snacks.

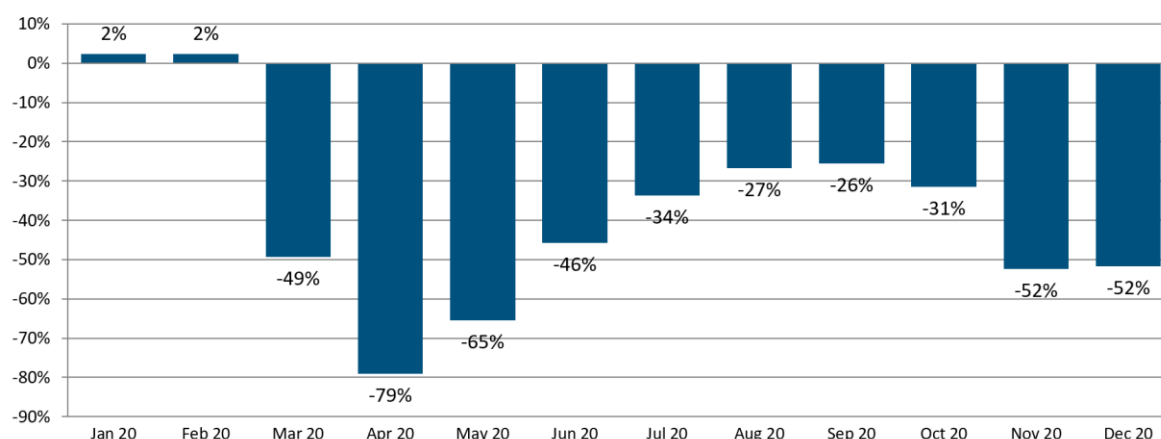
But two of these trends were disrupted by COVID-19: Breakfast used to be the most strongly growing daypart, stopped now since lots of consumers didn't return to their workplaces. And travel hubs are no longer a growth engine due to people's lack of mobility.

The 2020 Rollercoaster Ride

Overall, consumer spend on the foodservice industry in Europe was down by -37% in 2020. But hardly one month was like the other; it was a rollercoaster ride throughout the year.

Total Market Spend Trends in Europe

During lockdown periods, markets lost more than half their value.



Monthly Consumer Spend Trend PCYA EU BIG 5

Source: The NPD Group/CREST®

The industry had a jumpstart into 2020. Momentum from 2019 continued into 2020, and the growing demand for meals, snacks, and beverages from restaurants just continued at the same pace during January and February.

March became a hybrid month, starting relatively normally in most countries before lockdowns kicked in over the course of the month across all countries. Italy and Spain started with full closure of dining rooms on March 11; Russia was the last one, on March 28.

In April 2020, the market reached its lowest point to date with only one-fifth of the normal amount spent on the industry. Take-out had a share of more than 60% of the remaining spend; almost 30% went to delivered foods and beverages. May 2020 can be described as the month when, across most countries, there were still tight restrictions, but operators adapted their offerings to what was allowed and what would generate revenue: starting take-out offers, click & collect, launching delivery, etc.

From June 2020 on, the first restrictions ended and business started to recover, although slowly. Back in June, the concern was mostly around the question of whether people felt comfortable, safe, and secure using dining rooms again. Many did not — they were okay to sit outside on terraces or in beer gardens, but not yet ready to sit inside.

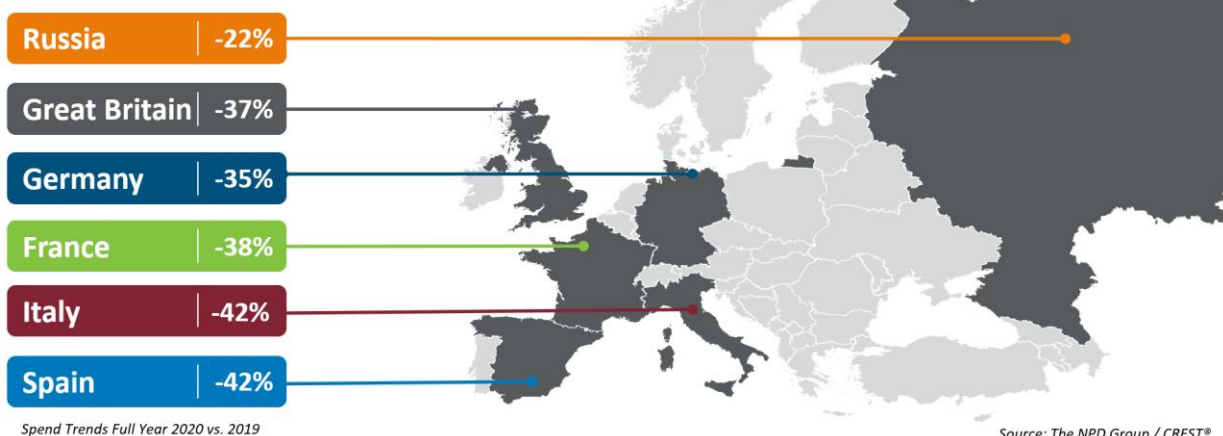
Things continued to improve until the summer season ended in September. With business down “only” a quarter compared to the prior year, September turned out to be the least impacted month. Then the industry went into another downhill ride on the rollercoaster. The loss of a good half of the business in November and December — a more moderate decline compared to April — was due to less severe restrictions and also restaurants’ immediate ability to switch back to the lockdown mode.

Country Differences

Looking into how strongly markets were impacted, the countries show relatively wide differences. Overall, European countries were hit harder than those we track outside Europe. High numbers of infections, and mostly long and strong lockdowns, led to the hardest-hit countries all being in Europe. In comparison, the least impacted countries — of the 13 we are tracking with CREST—were South Korea (-9%) and Australia (-10%), followed by the U.S. (-11%).

Consumer Spend in Europe 2020 vs. 2019

Markets with the longest and strongest consumer restrictions lost the most.



What Drove the Differences by Country?

A few factors determined the level of decline:

- The length and strength of restrictions that were implemented were key factors. Spain and Italy, for example, implemented very long and very strict rules for people to basically not leave the house for a number of weeks, and governments also put tight restrictions on our industry.
- A second determining factor was the on- vs. off-premises orientation of a market. Again, especially in Southern Europe, a significant percentage of restaurant visits are on-premises. Even for quick service restaurants, the business is more dine-in oriented. On the other hand, a very c-store-driven market, such as South Korea, or a QSR-led country like the U.S., would be hit less strongly.
- Third is the penetration and availability of delivery services and digital ordering. If those were widely used before the pandemic, it was easier for restaurants to switch purchases to these services and platforms.
- And lastly, much depended on the degree to which people were working from home, engaged in short-term work programs, and in some countries, feeling the effects of the first layoffs. Consumers at their workplace are a large and important source of volume for our industry, whether it is the commute to and from office or factory, the work lunch, or a coffee or snack during the workday. Not working — or working from home — means these visits do not happen.

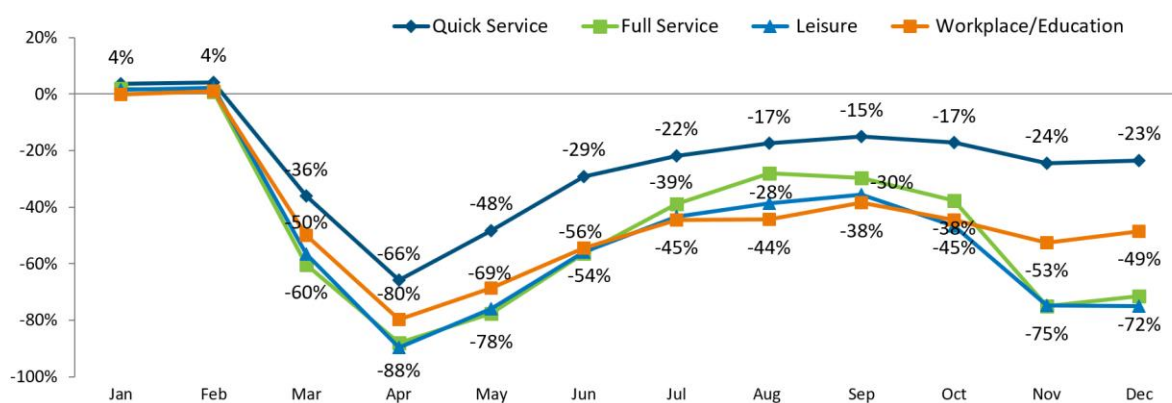
In each of the countries CREST tracks, foodservice performance heavily depended on location. Travel hubs and locations close to offices and workspaces faced more difficulties than stores close to residential areas.

Segment View

The restrictions to limit the spread of COVID-19 have put widely varying pressures on the different segments of the foodservice industry. And at the end of the year, there was no winning segment and the level of losses varied strongly.

Development by Segment in Europe

Whilst quick service benefits from its off-premise orientation and had the smallest decline, full service shows the sharpest recovery, but workplace is still in big trouble.



Monthly Consumer Spend Trend PCYA – Big 5

Source: The NPD Group/CREST®

During the lockdown phases, mostly in April/May as well as in November/December, both full service restaurants and the leisure segment suffered most. Restrictions on dining rooms, either to a full mandatory closure or significant limitations in capacity to ensure social distancing, hit these segments very hard. However, during opening times in summer, when people were able to sit outside on terraces or in beer gardens, these segments saw the strongest recovery, though never to previous years' levels.

The workplace and education segments (student and B&I canteens and cafeterias) continued to perform at a low level from the beginning of on the COVID-19 period. Workers and employees working from home, short hours, or not working not at all led to a much smaller pool of people working on-site compared to normal. And home schooling did the same for the education side of this segment. Whilst during lockdowns these parts of the market remained more stable, their mid- to long-term prospects are tougher. Even after the crisis, there may be fewer people employed, and more of those who still have a job may be expected to work from home.

The quick service segment, most resistant to COVID-19's impact, performed better than the rest of the market, even with significant double-digit losses since March. Flexible offerings, a focus on take-out and delivery, sometimes equipped with drive counters, cheaper options, or a focus on comfort food helped the segment. When people are not out and about, they also don't need as the same convenient offerings to feed them during the day.

U.S. With Hope for Recovery in 2021

The U.S. restaurant industry closed one of the most unpopular years in history, trying to head out of the steepest declines the industry has experienced since the Great Recession.

Customer transaction declines at major restaurant chains in December were down -10% compared to the same period a year ago. That was a 27-point improvement from April, the height of the shelter-at-home and restaurant dine-in closure mandates. During that time, transactions declined by -37% from a year ago, shown by our [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 54% of the commercial restaurant traffic in U.S.

Full service restaurant chains, which primarily rely on dine-in customers and had few, if any, off-premises services when the dine-in restrictions went into effect, bore the brunt of the transaction declines throughout the pandemic in 2020. In April, the segment's customer transactions declined by -70% compared to year ago and improved its declines to -30% in December. Many full service restaurant chains quickly pivoted to offer more off-premises services by turning parking lots into drive-thru stations, offering curbside pick-up, and enhancing delivery options. For full service restaurants now, it's about government restrictions. In more restrictive states, full service restaurant chain transactions are down -60% to -70%. In less restrictive states, there isn't as much of a gap between quick service and full service restaurants.

Major quick service restaurant chains, which represent the bulk of restaurant industry transactions, learned to expand their already high capacity for off-premises volumes. The chains' carry-out, drive-thru, and delivery orders soared throughout the pandemic as consumers looked for relief from preparing most of their meals at home. Quick service customer transaction declines bottomed out in April with a decline of -35% versus year ago, but quickly improved as shelter-at-home orders were lifted. In December, quick service restaurant chain customer transaction declines were down -8% versus 2019.

"The struggles of the restaurant industry are well documented and we acknowledge that some operators have not survived the pandemic," said [David Portalatin, NPD food industry advisor and author of Eating Patterns in America](#). "But history has shown that consumers will always value the convenience, quality, and experience of restaurant meals, and the operators that deliver against these expectations have proven it's a winning formula in good or bad times. Our industry is resilient, and consumer demand for restaurants remains strong."

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 analyse 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?

To support your business during this unprecedented time, we have added new analysis tools for our clients and partners. We have built 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, in order 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!

