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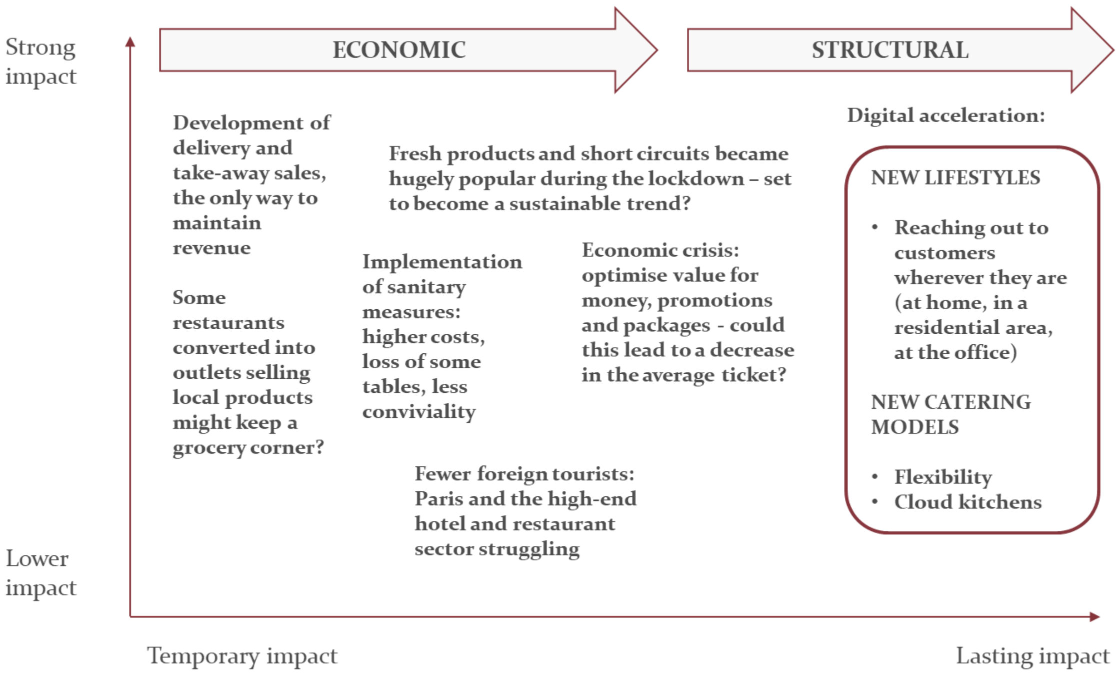
Unigrains – In Brief
The Covid crisis, an accelerator of change in foodservice



Foodservice is one of the sectors hardest hit by the Covid-19 crisis. While a new raft of restrictive measures are being introduced to limit the magnitude of the second epidemic wave, the cumulative loss of revenue in the foodservice sector over the period January to August 2020 already amounts to 40 % in the United Kingdom, Spain and Italy, 37 % in France and 32 % in Germany.

But this crisis is also an accelerator for change. It is transforming the sector. In order to better understand the current trends, the above chart provides a mapping of the changes linked to the crisis according to their impact, more or less strong, and to their temporary or more lasting nature.

The lockdown in the spring of 2020, a massive but short-lived shock, had the following consequences:

- The development of delivery and take-away sales, the only way to maintain revenue.
- The conversion of some restaurants into points of sale for local products; some of them might keep a grocery corner in the future.

In June, the reopening was accompanied by hygiene measures which led to higher costs and, for some restaurants, to a revenue mechanically slashed by the reduction in the number of seats. Restaurant owners were also faced with another challenge: preserving a congenial atmosphere in their establishments despite the restrictive measures.

Foreign tourists, absent in the spring due to border closures, remained scarce during the summer. Paris and high-end hotels and restaurants were the most impacted by the loss of foreign customers. While the lockdown affected the whole of France, the picture by region was very mixed during the summer: the south-west and a large north-east quarter picked up well, while Corsica and the Provence-Alpes-Côte d'Azur region, highly dependent on

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foreign travellers, suffered, as did Normandy. Paris was the hardest hit with Parisians leaving the capital for their summer holiday, continued teleworking and the absence of foreign visitors.

At the national level, from a financial point of view, the professionals struggling most are the recently established self-employed who have not had time to amortise their investments, as well as a number of chains that were already highly leveraged before the crisis (table service restaurants in particular). Conversely, those that had made the shift to digital did well and some major players are continuing to invest. Generally speaking, large establishments (more than €40,000 in monthly revenue) are weathering the crisis better than small ones.

The economic crisis added to the health crisis will impact the sector for several years to come. In all likelihood, some of the players in the foodservice industry will seek to optimise value for money and develop formulas and promotions to ensure sufficient footfall. The average ticket size could go down.

Structurally, digital acceleration remains one of the most striking points of this crisis. It is digital technologies that have enabled the rapid deployment of teleworking, delivery and click & collect. Years of development have been gained in this area in the space of just a few months. The rise of digital means new lifestyles, new places to live and consume, and new business models in foodservice. Increasingly, restaurant owners will have to reach out to customers wherever they are:

- **At home:** If the rise in remote working automatically leads to an increase in home-made food, might it not also be an opportunity for restaurant owners? Some people think so, and are developing lunch offers for teleworkers, a case in point being Sodexo with its "Prêt à partager" (Ready to share) formula launched during the lockdown: ready-made meals for four people, 100 % made in France, with 60 % of short circuits, delivered by Uber Eats and prepared in the group's kitchens along the lines of cloud kitchens. Can we still talk about "out-of-home catering"? The term "foodservice" is becoming preferable.

- **In residential areas**, which could reshuffle the cards in terms of location attractiveness. Premises in bedroom communities may attract renewed interest, although this remains a moot point at this juncture. A structural decline in activity in office districts seems likely.

- **At the office:** An option considered by corporate foodservice is office food delivery. Elior has positioned itself in this market by investing in the Foodles start-up. Their model: connected fridges installed in the offices, where employees can pick up fresh meals whenever they want, and the possibility of ordering hot meals online, delivered the same day from a central kitchen.

This Brief is an excerpt from a study by Lucile Lefebvre, presented at the Unigrains Meetings on 8 October 2020. This study is available with restricted access on our website.