



3 steps to F&B recovery

The food and beverage (F&B) industry has been hit hard by COVID-19 and is now in a period of rapid adjustment and adaptation, with operators reorganising their restaurant offers and expanding their click & collect, kerbside and delivery options. In this special report, we talk to a range of leading F&B companies about food and beverage trends in 2020 and how they see the future of dining and what it will take to survive, stay open and succeed.



IF YOU CAN'T STAND THE HEAT...

Few sectors have been as badly hit or fundamentally changed by COVID-19 as the food and beverage industry. Initially forced to close in-store dining during a raft of lockdowns across Europe, more recently F&B operators have been juggling the need to create a great user experience but remain COVID-safe. For many in the food & beverage industry this has meant embracing trends in the food and beverage industry that were already apparent - including click & collect, App-ordering, kerbside collection and delivery.

The pandemic has meant a huge acceleration of these changes and required a rapid response to ensure that new F&B business models make F&B operators fit for business as quickly as possible. Coupled with changes in consumer requirements, the F&B sector is also experiencing the consequences of all the other lifestyle changes, with working from home largely emptying Europe's city centres and downtowns and the recent announcement of cinema closures a blow to the many F&B operators which base their business around a movie theatre.

There have also been countless small, pragmatic changes made, from the obvious elements such as masks, sanitising gel, physical distancing, etc, through to a steep increase in the use of digital menus, in-App ordering and contactless payment.

"I don't think the model has changed by choice but was rather forced by simply following the same health and safety protocols we are following as individuals," says Mickael Coutin, partner at Paris-based advisor AK Consulting. "In the physical space this has been by changing the restaurant layout and making the best use of their outside space, thanks to the city. F&B operators have also achieved this by reaching out to their customers rather than welcoming them into their physical space - increasing delivery, click & collect and takeaway options and connecting with their customer base via Apps, newsletters, Instagram and other social media feeds. Basically, this is about keeping the habits they developed during lockdown."

Having introduced or enhanced many of these elements, the challenge now for F&B operators is to improve and optimise these systems and to shift their business model towards the growth channels of their income streams. At the same time, they may face further changes, from flexing their offers for local lockdowns and restrictions to ongoing considerations about where and what their real estate should look like and where it should be located.

Particularly hard hit has been the travel food and beverage industry, where F&B operators reliant on footfall across airports, train stations and public transport hubs have seen the collapse of traveller numbers.

In this report we look
at the first three steps to recovery.

STEP ONE

ADAPTING TO COVID-19

The first step for F&B operators in recovery from the pandemic has been to tackle the immediate impact of COVID-19, adapting their outlets for safe in-store dining and improving digital ordering, pick-up and delivery services.



“In our case, we had been doing our homework well for a few years, and although the lockdown situation has been dramatic, issues such as self-ordering through QR codes, through App or via the web were already in full operation before the pandemic,” says Jordi Quilez, business development director of Barcelona-based Udon. “The lockdown helped us to promote and publicise new, more secure channels for customer orders, as well as keeping minimum contact. We have adapted the units to the regulations and we stipulated new procedures in the preparation and handling of our dishes. The result was that the client felt more secure without affecting their experience at Udon.”

Eric Wauthier-Wurmser, international franchise director, Groupe Le Duff – which operates a quick-service style restaurant brand and a full table-service restaurant brand – adds: “The challenges are different for these two brands. As a first step we had to introduce the necessary hygiene protocols to secure our customer’s journey. This included one-way journeys in our stores as well as pre-packed goods and to perfect staff behaviour to reassure our customers. These protocols are now a core part of our restaurants design books.”

Johan Stahl, head of franchising EMEA, Max Burger, says that the company was fortunate that home base Sweden did not go into lockdown and that Poland, its second market, only closed shopping centres briefly. He sees several food and beverage trends for 2020.

“Of course our mall stores and downtown locations were hit by people working from home and changing their habits. Shopping patterns completely changed,” he says. “Because we stayed open, we had to respond very quickly and within two or three weeks we had revisited our processes and had put a lot more emphasis on working with our delivery partners, improving our App to make it easier to use, and enabling kerbside pick-up for online ordering and kiosks for in-person ordering. Although our restaurants were open, this meant that people could order and collect without having to interact with staff and had minimal need to go in-store if they didn’t want to.”

Barthelemy de Callatay, chief development, design & legal officer of restaurant chain Exki, believes the key right now for F&B operators is flexibility and adaptability to a situation which is also rapidly changing. “For us the



Exki



Manolo bakes



Lagardère



José Antonio del Castillo Martínez



challenge is to find the fair balance between ensuring that the health issues are in place and at the same time making the experience as pleasant as possible. It's something we review every week, especially for our two main markets in Paris and Brussels," he says.

He adds: "When COVID-19 first arrived and we thought it would be a matter of weeks, we allowed the stores to execute the changes. But as it became clear that this would last months or even years, we centralised our response and started to make equipment available, including high-grade sanitiser, to professionalise our approach. The municipalities in our main bases of Paris and Brussels were very helpful in doing things like allowing us to have more outdoor seating."

Of course, doubly hit are the travel-based F&B operators, which are reliant on traveller footfall for their business. Melanie Guillo, executive vice president foodservice global, Lagardère Travel - a world-leading operator with three main retail businesses, duty free, travel essentials and food service - says of the impact of COVID-19: "Our business model has completely changed since the beginning of the pandemic. First we are still partly closed - only 60-70% of our outlets and restaurants have reopened over the 39 countries where we operate - and our turnover has decreased by 60% versus last year. Our industry being also based on traffic and volume, our business model has hence to be reinvented. Not to be too technical but we have to renegotiate all our contracts, most of them having variable but also fixed rents that we cannot afford anymore."

She says of the initial response: "We also try not to open all our units but only the essentials one from a customer point of view, such as Relay, to manage our costs as much as we can."

"In June, Areas started progressively reopening the point of sales to a new normal, implementing measures to ensure

health and safety across the customer journey, including the highest standards of hygiene, social distancing measures and a contactless experience with the use of technology to minimise touchpoints and increase speed of service," says Areas concepts & standards director, Mathieu Herrero. "Areas has adjusted the menu offering across different brands and concepts to the new traffic dynamics and consumer behaviour, with a stronger healthy orientation and convenience grab & go offers, a focus on smaller product ranges to improve productivity and a strong communication and marketing campaign to attract customers, increase average ticket size and retain clients with loyalty programmes."

Some F&B operators have found themselves in a slightly better position because of their offer and have had to adapt less, despite the COVID-related trends in the food and beverage industry.

"We've adapted our operations to meet the new capacities and safety standards established by the local authorities in the five cities where we currently have stores, but we don't feel it is a change in our business model," says Jose Antonio del Castillo, general director of Spanish-based Manolo bakes. "For example, we have always offered our product in the main delivery apps, which has been an innovation for many businesses during the pandemic. From the beginning of the reopening, we were pleasantly surprised to learn that our customers - or 'manolovers' - and teams were extremely co-operative and understanding in implementing the new measures."

And Justine Chabrol, strategy and development director, Cote Sushi, adds: "Cote Sushi's business model is focused on take-away and delivery - that's why, even if our shops remained closed to the public during lockdown, we noticed a big increase in our sales during this period. After reopening, we had to adapt our shops to comply with new government directives."

STEP TWO

RIGHT-SIZING F&B REAL ESTATE

With changing consumer behaviour and shifting priorities, F&B operators are re-examining their store portfolios and redefining them to ensure they are fit for purpose in a COVID world, while supporting all their customer channels across the food and beverage industry.

“You have three different types of approach. First, brands who have stopped their expansion plans, withdrawn - or are trying - from signed agreements, and are in the process of disposing of some of their less profitable locations,” says AK Consulting’s Coutin of food and beverage trends in 2020. “Many of these brands were not in good shape before the COVID crisis, and were most likely heading for CVAs. Confinement and the long recovery road ahead have only exacerbated the issue.

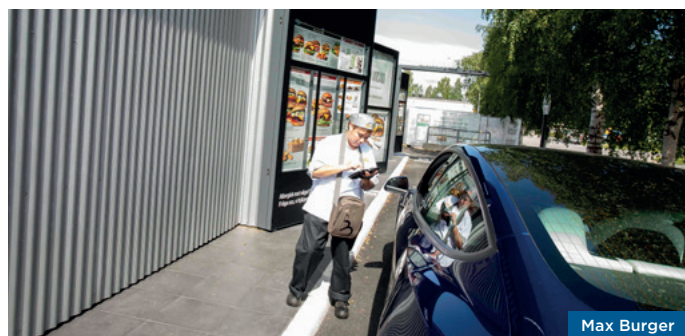
“Second, brands who are staying put. No new investment, no development strategy, but no portfolio downsizing either. They are focusing on their current operations and waiting for better days,” he adds. “Third, brands who see this crisis as an opportunity to grow; taking on new locations. The crisis is also giving additional leverage to all operators ready to expand, when it comes to landlord negotiations. These brands are either at the early stage of their expansion, with the back-up of capital risk-takers, or they are sufficiently established and cash rich enough to wait for the rebound while keeping an opportunistic approach when it comes to real estate.”

In France, Coutin believes that for F&B brands willing to expand, the focus is on the largest cities in France outside the top five - but if in the top 10 cities then in number one locations only - plus mixed scheme projects and city centre locations with a large terrace, stand-alone units on city outskirts, retail parks and outdoor outlets.

“These provide freedom when it comes to hours of operation, implementation of delivery services and Drive Thru, plus lack enclosed scheme-inducing anxiety or high service charges,” he says.

The potential of Drive Thru is picked up upon by Max Burger’s Stahl, who says: “In terms of our outlets, the biggest change has been an increased focus on Drive Thru locations, because these have proven very popular during the pandemic. We already intended to expand this format, but COVID-19 has accelerated that plan because we believe it will remain popular and also because we can buy the land, so we don’t have leases and can acquire these sites for the long term.”

Quiloz adds of Udon’s approach to expansion as an F&B operator: ““We have always been a very conservative brand, minimising risks. Our development has been based





on strengthening each location and studying the new areas and locations very well. Currently with more than 70 units in Spain, we are focused on international development, we continue with the very defined model adapting the format to each unit and evaluating the market of each country. Since the lockdown, we have improved our operations and the customer experience. This leap, especially technical, has allowed us to evaluate other formats and adjust our units to factors as important as delivery.”

Del Castillo says of Manolo bakes: “We had a very ambitious expansion plan before the pandemic, which we have kept unchanged. We just had to pause during the worst months of the crisis, but even then we managed to open two new stores in Valencia and a third one will be inaugurated in the Mediterranean city in October - that makes 21 altogether. For 2021 we plan to expand in three new cities in Spain and open 12 new stores all in all. We are delighted to report very healthy figures, which lead us to remain projecting our expansion as before the crisis.”

And Cote Sushi’s Chabrol adds: “We planned to continue our French geographic expansion targeting medium-sized cities out of Paris. As deliveries still increase, downtown locations and retail area sizes are no longer the most important factors in our decision. We actually focus on downtown second zone locations with less expensive rentals and with a large production area.”

Areas’ Herrero says: “In the current uncertain times, Areas, and the sector in general, face great challenges to continue developing the business. It is an excellent opportunity to improve efficiency, develop new formats and accelerate the use of new technologies in our restaurants. Adaptation to new traveller needs with a new menu offering, digitisation and sustainability will be part of the main challenges that we will be facing in the medium and long term, while dealing with the progressive reopening of outlets. We have adjusted the menu offering, but serving every pocket with basic products, local recipes, seasonal products, etc and reinforcing our grab & go offer to capture every occasion. Facing an unpredictable demand, we are also adjusting layouts and exploring new formats which may require less investment and provide more flexibility.”

Different elements of the food and beverage industry will require different solutions, says Wauthier-Wurmser, who says that as Groupe Le Duff bespoke approaches have been

taken by F&B brand, emphasising that food and beverage trends for 2020 are not one-size-fits-all.

“Our QSR brand Brioche Doree has emphasised the digital solutions to create more link with its customer base. The takeaway option was already available, and was a preferred solution after the ease of the lockdown,” he says. “Delivery and click & collect are also a growing part of the revenue. A streamlined products range allowed us as well to adapt the offer width to a variable flow of customers. Our full-service restaurant brand Ristorante Del Arte has introduced delivery and click & collect options in most of the units at the end of the lockdown period. Our core products of pizza and pasta were suitable for delivery, yet this was not our DNA. The experience has been improving and our brand is now shifting part of its traditional customers to this new solution.”

For Brioche Doree, Groupe Le Duff will drive a selective development plan in high-traffic locations, with a priority for small footprints. A full-service restaurant brand is now developing new retail formats with a fast casual orientation. A first unit will open in 2021 and will “allow the brand to investigate new opportunities such as high traffic locations, including travel retail stores with much smaller footprints,” he says. Nevertheless, 20 new openings under the current full service format will have taken place in 2020, as these were planned.

Guilldou says of travel retail that when Lagardere reopened it launched its Pick & Go initiative, aimed at limiting the time spent by customers in its shops and food outlets, gathering all the F&B products in the same place. “The goal was also to provide customers with a ready-to-eat solution that could also be an alternative to in-flight catering, not available at that time. It helped also to have a positive communication towards our teams, our customers and our landlords,” she says.

“What we believe in is that we may have to optimise and strengthen this brand portfolio. We will maybe need to focus on our main preferred partner brands, for example for the coffee shop segment to focus on one main partner’s brands instead of working with 10+ brands,” says Guilldou. “We also believe that our own brands will be a good answer to the crisis, allowing more flexibility as offers that we can adapt easily to the situation instead of having too strict standards with partner brands, as well as more profitability through achieving faster break-even.”

STEP THREE

F&B INNOVATION AND INSPIRATION

Despite, or perhaps because of, huge industry disruption, food and beverage companies are having to come to market with new offers and different ways of doing things. Innovation will be at the heart of adapting the F&B sector.

“This economic crisis is a catalyst for the restaurant industry. All the changes that were to occur in the coming years have to be accelerated. Our brands have been on the marketplace for the last 40 years,” says Groupe Le Duff’s Wauthier-Wurmser.

“The multiple disruptions in progress in our industry, be it on the delivery segment, on the App options to order, pay and collect have been integrated understandably by the digital-native restaurant brands that have appeared on the market. The health crisis for many reasons has favoured these disruptions, creating a match between digital options and safe and healthy experiences in restaurants,” he adds. “Every contactless option has become a healthy one - QR code menus, payment Apps, home delivery are changing the customer experience, even when eating at our full-service restaurants. Given these main customer experience shifts, the next competition will not anymore be to gain visibility on the retail side to capture traffic but to build a strong customer database and to create a loyal digital community, that is offered a different kind of experiences.”

“Personally I don’t see the revolution that everyone is expecting in the F&B industry following the pandemic. In my opinion the COVID crisis has only accelerated some changes which had become or will become inevitable in our future,” says Coutin. That being said, I don’t imagine our industry will move to a 100% ‘dematerialised experience’. I don’t believe click & collect and delivery will become the norm and the physical location the exception.

“Yes, we will have impressive growth in the dark kitchen sector; and soon a fleet of drones will deliver our food! Yes, we will continue to improve access and volume to all digital material our favourite restaurant has to offer. AI and robotics will play a major role in the F&B industry, reducing drudgery and making our consuming experience even more seamless.”

He believes that although F&B may move toward a digital world, the F&B industry is “first and foremost about people and physical interaction. Just look at the collective of restaurants fighting to stay open in Marseille and the city behind them.”

At Udon both “internal and external clients must feel safe, relaxed and ready to experience Udon”, says



Quilez. “All our efforts are based on this, our mantra is, ‘people-product-planet’ and in these times it must be given even more importance. Our proximity product, respectful of the planet, generates trust in people so that, with a safe environment like Udon’s, they can enjoy the experience of our food. We continually reinvent ourselves within a changing world where new technologies help us to fully personalise our clients’ tastes. We are able to make the experience so personal that we can suggest to the client what to ask for, before they do.”

Guilldou says that Lagardere has adapted its offer and will continue to innovate: “Regarding the health concerns we are currently launching our label Stay Safe, aiming at reassuring customers about all the health and safety processes we have put in place. This label will be available for the countries and outlets having put in place all the Group policies on these topics. It will come with a QR Code giving more information about what is done locally,” she says. “Regarding our business strategies, we strongly believe in our industry and its rebound within the next months and years and we will prepare for this. In the meantime, we are also looking for new growth engines to support our resilience.”

Similarly, Stahl says that at Max Burger - although the company stopped activity in the first weeks of COVID - it has increased its marketing and promotion spend more recently as it is seeing the current time as a good opportunity for the burger brand.

“Although COVID has not really changed anything for us, it has definitely accelerated consumer trends and behaviours and although I think that developments such as kerbside,



Manolo Bakes



Exki



Lagardère



Côté Sushi

Drive Thru and delivery would all have become more important, the change has come now," he says. "Our job is to build a business model for this future and to continue to improve our digital offer to make the most of these opportunities."

"Areas has launched a global campaign under the slogan 'We care about you', including a series of initiatives," says Herrero. "Since we are living in difficult times and we need to care about customer's pockets, Areas offered best-seller products at great prices during the summer. In particular, Areas focused its efforts on reinforcing its business strategies to maximise conversion rates and average ticket value, promoting the menu offering with active selling at the point of sale, trying to sell more products, larger formats and more premium products, simplifying recipes and implementing new digital initiatives such as contactless payment, digital screens, QR Menus and click and collect."

De Callatay says that at Exki the main concern has been about getting footfall back to its outlets but he says that restaurants are not the only channel. "While we have offered e-commerce, delivery and click & collect, we have really focused on developing these. We quickly developed our App and now we're looking at improving it and making it easier to use," he says. "Exki started 20 years ago, when healthy food wasn't really a topic. But that had changed before COVID-19 and become much more mainstream. Perhaps the pandemic will boost that interest in healthy eating further, because people are thinking about their health and well-being."

"For us there is a lot of thinking to do about how we adapt. We are very passionate and what I would say is that perhaps ideas that were off the table before COVID are now within limits, because nothing is set in concrete about future directions."

"Since the beginning of Manolo Bakes, we have always worked with an extremely agile approach that has proven successful these past months," says Del Castillo. "The whole team is adopting the new legal measures and recommendations straight away as they are being announced, while keeping our clients at the forefront of all our operations. Our main concern at the beginning of this was to keep the experience as unchanged as possible, so we implemented all the safety changes in a very friendly way: from the stickers to mark the social distance, to the rules or the masks, everything has been designed to keep the 'manolovers' comfortable and at ease while at the store. Having said this, our business strategy is and will be the same: to offer excellent coffee and delicious sweet and savoury snacks at affordable prices for people to 'taste, share & enjoy' [the brand tagline]."

Chabrol adds: "Cote Sushi has built a strong brand identity based on a blend of Peruvian and Japanese cuisines and offers colourful and tasty recipes with a great visual impact. It is quite important when you make your choice based on a picture on an App. Creativity remains at the heart of our concept. We want our clients to discover new flavours and create a surprise effect."

As for the F&B company's next challenge, she says it is environmental sustainability. "The COVID-19 crisis has reinforced customer expectations in terms of social and environmental responsibility," says Chabrol. "This point is even more crucial if we increase deliveries. As a first step, we have decided to change our scooters to use electric ones, but we want to go further."

GRANDI STAZIONI RETAIL: RETHINKING THE STATION OFFER



Sebastien de Rose, COO Grandi Stazioni Retail, outlines the Italian rail operator's strategy for consolidation and growth.

The major priority of all our activities is traveller safety, for customers and business partners. Grandi Stazioni Retail has launched a restart plan in different phases; we have created a dedicated team to support our tenants and we shared the business plan with all our partners in a webinar. Our strategies and activities aim at simplifying the station experience and making customers feel safe, thanks to dedicated paths, floor graphics for safety distances and simple and clear communication.

Moreover, Grandi Stazioni Retail (GSR) has launched its first App for all stores, to make the relationship between the customer and the store easier through click & collect. Thanks to this, each traveller can shop in our stations safely and simply, booking remotely from the train, home, or work, then collect at the station. Purchases are delivered in a closed transparent bag: so that the brand maintains its image and the customer is sure to collect a protected purchase. Our business model is adapting to the changes in the market and in traveller behaviour.

Recent statistics about stations show an increased conversion rate and an increase in the average ticket value, despite lower travel numbers. This has led to an increase in brand awareness of the offer, which is also important for future development.

GSR believes that this is just a temporary slowdown in business and, for this reason, we have confirmed all

our investments. We are investing in a new Food Hall in Napoli Centrale which, in the coming months, will be showcasing typical Campania food. Investments are also confirmed for a new Food Hall in Turin Porta Nuova and at Roma Termini we are starting a full refurbishment at a location that already hosts a fantastic Food & Lounge. Most of the operators are still strongly committed, such as McDonald's, with a recent opening in Rome Tiburtina station, or KFC with the opening, last July, of a first store in Puglia, at Bari Centrale station.

What we are experiencing is a new starting point for travel retail, food and fashion formats. The great challenge facing retail will need considerable flexibility and innovation from everyone, while the values linked to sustainability and the opportunities offered by digital are becoming increasingly important for consumers. For example, the click & collect service launched via the new App is also available for station coffee shops and restaurants.

Grandi Stazioni Retail is also exploiting its power of communication thanks to the advertising systems available in our stations, helping us to improve the conversion of travellers in transit. We are currently running a new advertising campaign to support tenants in the station and drive conversion at our stores.