



INDUSTRY INSIGHTS

in Food and Beverage





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MARKET DEFINITION

1.1 Scope of the Market

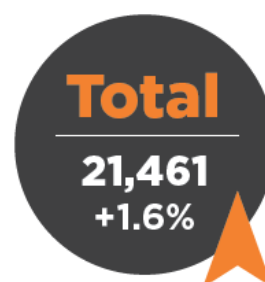
- Food and beverage (F&B) represent one of the **largest hospitality industry segments**.
- Hoteliers in 2020 were faced with the increasing challenge of **diversifying** their offerings.
- Travellers are greatly influenced by a hotel's F&B offering, with as many as **44% of British travellers** choosing a hotel that places a significance on F&B.

Chain growth – the pre-COVID-19 story

(numbers of group-owned and managed locations* as of March 2020, and YoY growth/decline)

Food pub	4,380	+2.2%
Casual dining restaurant	4,047	-0.2%
Hotel	2,926	+3.9%
High street pub	2,221	-0.4%
Community pub	1,790	+1.4%
Restaurant	1,732	+7.6%
Bar restaurant	1,271	+4.9%

*Main categories only



Independents – how many can survive?

(numbers of independently-owned and operated 'free trade' locations as of March 2020, and YoY growth/decline)

Drink-led



40,478
-1.5%

Food-led



26,437
-2.6%

Accommodation-led



7,356
-8.8%

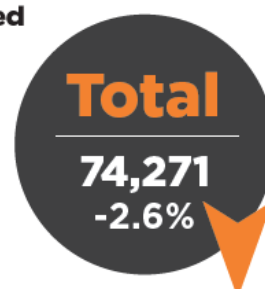


Image source:
https://www.alixpartners.com/media/15012/cga_alixpartners-market-recovery-monitor-may-2020.pdf

Large towns, which collectively have seen a 3.4% decline in sites in the past year, have fared worse than city centres (down 1.2%) and small towns (down 2.5%). The locations are already under pressure pre-COVID and look to have the biggest challenges.

(Eighty Days, 2020)

City and town trends by type of business (numbers as of March 2020, and YoY growth/decline)

City	Drink-led sites	18,563	-1.7%
	Food-led sites	17,172	-0.6%
	Accommodation-led sites	2,522	-1.6%
Large Town	Drink-led sites	21,835	-2.9%
	Food-led sites	13,846	-2.2%
	Accommodation-led sites	4,514	-8.8%
Small Town/Area	Drink-led sites	20,830	-2.7%
	Food-led sites	12,108	-1.7%
	Accommodation-led sites	3,717	-3.9%

-1.2%
DECLINE
IN SITES IN CITY CENTRES

-3.4%
DECLINE
IN SITES IN LARGE TOWNS

-2.5%
DECLINE
IN SITES IN SMALL TOWNS

115,108 number of licensed premises
in Britain, a **2.4%** reduction on
March 2019



Images source:
https://www.alixpartners.com/media/15012/cga_alixpartners-market-recovery-monitor-may-2020.pdf

(AlixPartners, 2020)

1.2 Major Players

- The Restaurant Group Plc is listed on the London Stock Exchange and operates restaurants and pub restaurants. The group employs more than 22,000 people.
- The companies holding the largest market share in the Pubs & Bars sector in the UK industry include JD Wetherspoon Plc, Mitchells & Butlers Plc and Greene King Plc.
- The companies holding the largest market share in the Nightclubs in the UK industry include The Deltic Group Ltd, The Brighton Pier Group Plc and the A3D2 Ltd.
- The companies holding the largest market share in the Cafes & Coffee Shops in the UK industry include Costa Ltd, Pret A Manger (Europe) Ltd, Starbucks Coffee Company (UK) Limited and Caffè Nero Group Holdings Ltd.
- The companies holding the largest market share in the Juice & Smoothie Bars in the UK industry include Krush Global Ltd, Joe & the Juice UK Ltd, Boost Juice Bars (UK) Limited and Fuel Juice Bars Ltd.
- The companies holding the largest market share in the Takeaway & Fast-Food Restaurants in the UK industry include McDonald's Restaurants Limited, Subway International BV, Yum! Restaurant Holdings and Domino's Pizza Group Plc.

(IBIS World,2020)



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MARKET INSIGHTS

2.1 Current Market Scenario

Business leaders from the eating and drinking out sector in the UK **expected 85%** of hotels to re-open after the lockdown. They were less optimistic with regards to the late-night sector, **expecting 69%** of establishments to re-open.

The average share of sites across the hospitality industry is predicted to re-open after the coronavirus (COVID-19) lockdown in the United Kingdom (UK) in 2020

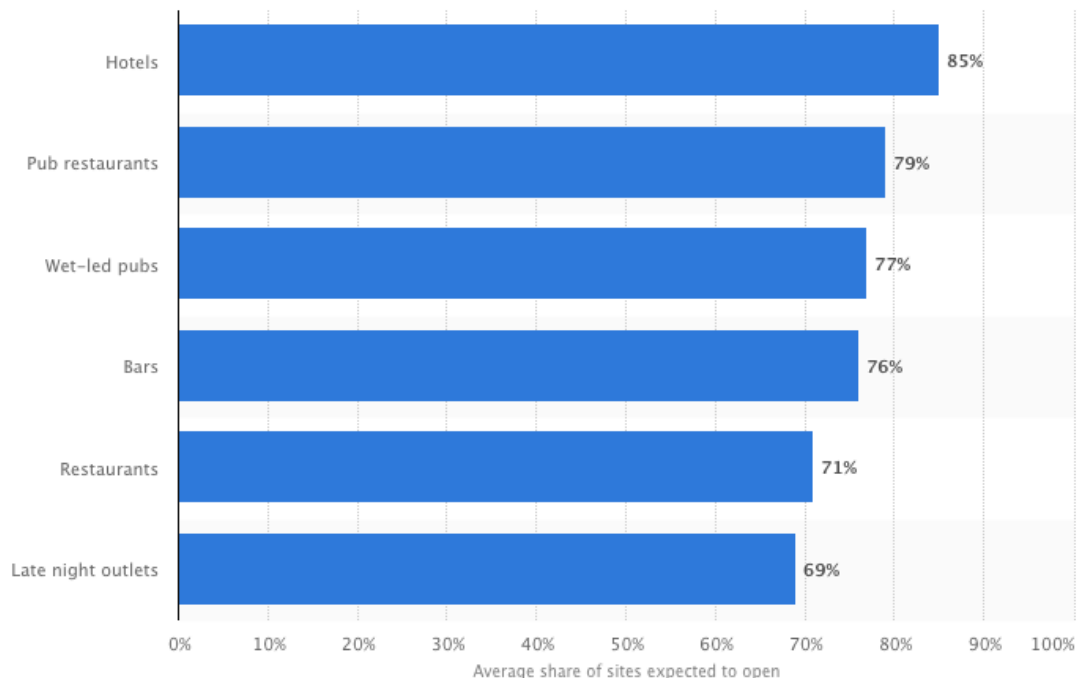


Image source:
<https://www.statista.com/statistics/1118834/forecast-uk-hospitality-sector-re-opening-post-covid-19/>

Release date:	May 2020
Region:	United Kingdom
Survey time period:	April 17-24, 2020
Number of respondents:	123 respondents
Special properties:	Leading industry figures from the eating and drinking out sector

Sales of pub and restaurant groups all fell in the United Kingdom in the week before the Government's warning to avoid them, due to the growing threat of coronavirus (COVID-19).

Restaurant groups experienced the biggest fall in like-for-like sales in the week before the announcement at 21%, while bar sales dropped by 14%. Managed pubs fared only slightly better with a 12% decline.

The following week, it was announced that pubs, bars and restaurants had to close to customers, other than for delivery or takeaway.

Percentage change in like-for-like sales of pub, bar and restaurant groups during coronavirus (COVID-19) pandemic in the United Kingdom (UK) in March 2020

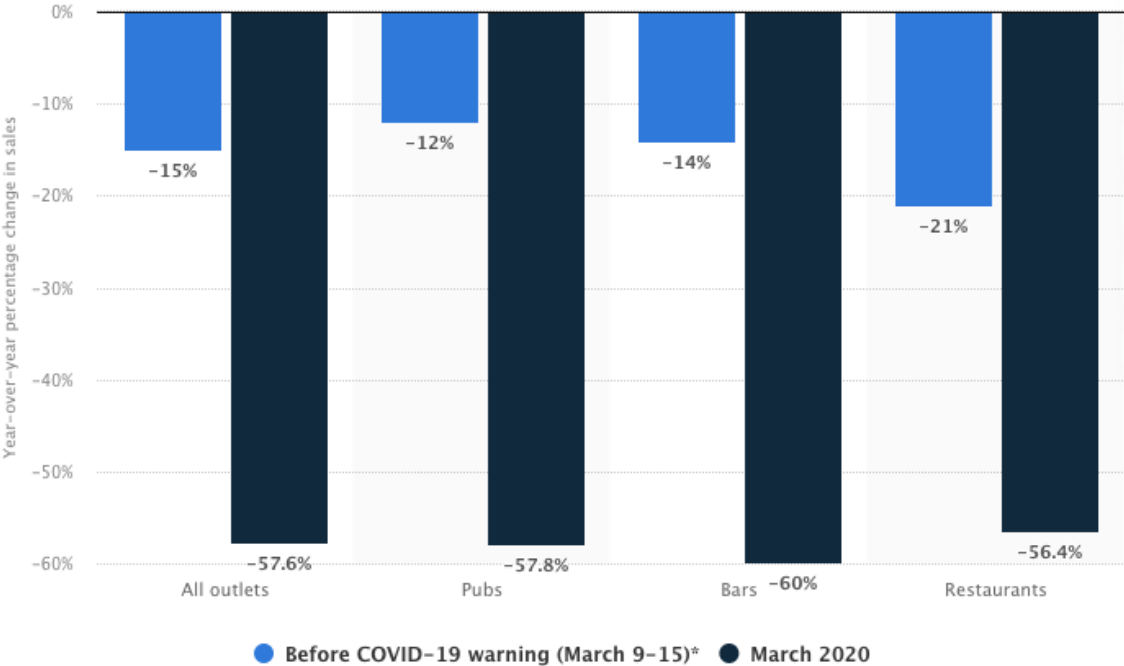


Image source:
<https://www.statista.com/statistics/1105174/uk-pub-and-restaurant-sales-fall-due-to-covid-19/>

Release date: April 2020
Region: United Kingdom
Survey time period: March 2020
Special properties: The data refers to sales from March 9 to 15 of restaurant groups (chains) and managed pubs and bars.

Increase in food delivery usage due to COVID-19

A few days prior to the UK Government's lockdown due to the coronavirus outbreak, consumers were already beginning to use delivery services more frequently to order takeaway food and drinks. According to the following snap poll on **18 March, 2020, 60% of 18-24-year olds** surveyed had already increased their usage of delivery services. The 35 to 54-year-old age group had the biggest likelihood to increase frequency, with 40% saying they would do so.

Share of people who plan to increase their use of food delivery services due to the coronavirus (COVID-19) pandemic in Great Britain in March 2020, by age

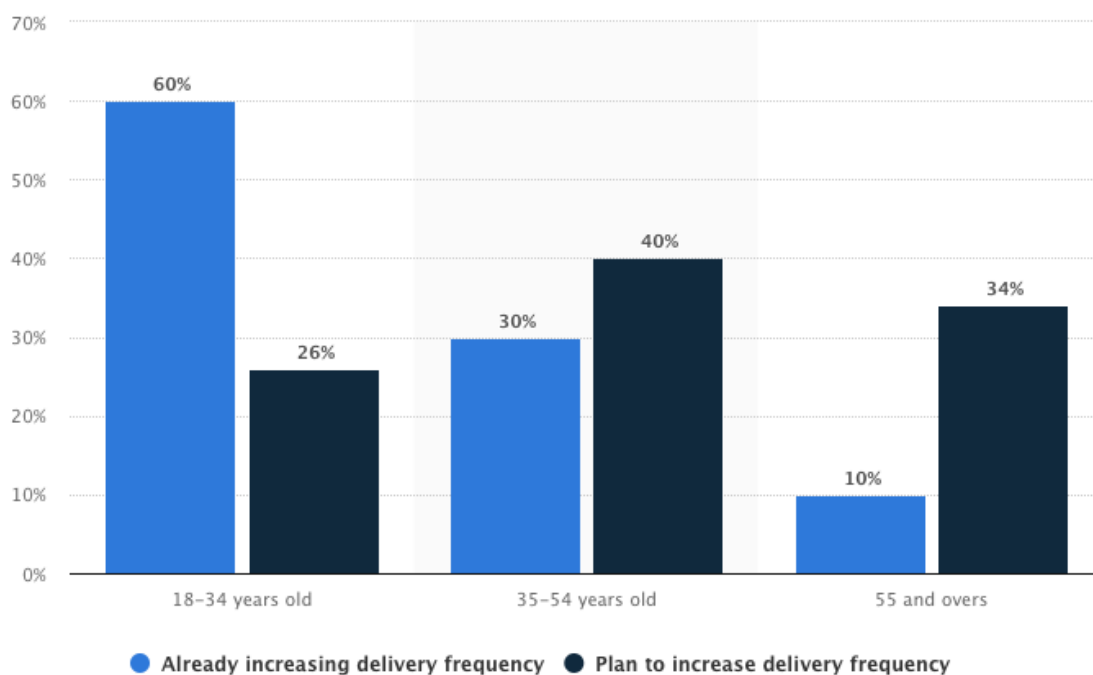


Image source:
<https://www.statista.com/statistics/1107212/covid-19-food-delivery-frequency-in-great-britain/>

Release date:	March 2020
Region:	United Kingdom (Great Britain)
Survey time period:	March 18, 2020
Number of respondents:	731 respondents
Special properties:	GB adults; representative sample (based on age, gender and region)

AlixPartners poll, conducted at the end of April 2020, revealed that the vast majority (81%) of operators are already planning for recovery, most considering a range of different scenarios. Still, almost all expect to see a much-reduced market in the future.

(Statista,2020) (AlixPartners,2020)

2.2 Technological Innovations

Most popular solutions:

- Bluetooth temperature sensors
- Optimised schedule makers/scheduling software
- Virtual reality onboarding
- Digital inventory tracking
- Automated purchasing tool
- Kiosks/tabletop tablets
- Digital table/reservation manager

Business owners are also seeking technology to gather data. Their data sources include booking forms, social media, reservation systems, feedback requests and point of sale platforms, but much of this data is held on separate databases and not used to its full potential. Increasingly, hotels are realising the value in this information and combining data to build profiles of their customers, which allows for better personalisation during their stay.

Hotels should be careful to keep data refreshed on their system. GDPR and security should be central to any database creation, with hefty fines and penalties for data breaches or failures.

According to the findings of a research by YouGov Plc - commissioned by SevenRooms:

- 53% of Brits would like the option to have a fully personalised menu when dining out
- 48% of Brits are willing to hand their data to restaurants in exchange for more personalised service
- 44% of customers say their biggest complaint is waiting too long to pay the bill
- 20% of customers would like card-less payment options like Apple Pay or Venmo

(Big Hospitality,2020) (Fastcasual,2020) (RSMUK,2020)

2.3 Government Regulations and Initiatives

A summary of the measures introduced by the Government to combat COVID-19 that will impact fast food outlets, cafes, coffee shops and restaurants and the financial assistance from the Government available for these types of businesses:

a. Lockdown situation

Regulations came into force at **2 pm on 21 March 2020** requiring all restaurants and cafes not to sell food or drink for consumption on the premises.

These restrictions have been reviewed 28 days from the date the regulations came into force. They allowed takeaway and delivery from restaurants and cafes.

The Prime Minister stated to ensure compliance with the Government's instruction to stay at home, close all shops selling non-essential goods, including clothing and electronic stores and other premises including libraries, playgrounds and outdoor gyms. Further restrictions included closing places of worship, stopping all gatherings of more than two people in public – excluding people you live with, and stopping all social events, including weddings, baptisms, and other ceremonies, however excluding funerals.

Government guidance states that people can continue to enter premises to access takeaway services, including delivery drivers. However, social distancing is mandatory (two meters between customers and shop assistants, small groups only and queue control).

b. Government aid for employees

New Coronavirus Job Retention Scheme (“furlough grant”)

All UK employers will be able to access support to continue paying part of their employees’ salary for those employees that would otherwise have been laid off during this crisis. To qualify for the furlough grant, employees must have been on the payroll on 28 February 2020. Employees that are full time, part-time, and on flexible/zero hours contracts qualify. **“Furlough”** means on leave of absence and not carrying out any work for the organisation. The minimum length an employee can be furloughed for to make a claim is three weeks. **This covers up to 80% of the salary (up to £2,500/month)**, plus the associated Employer NIC and minimum Employer Auto-Enrolment Pension contributions of anyone not working (but retaining job) as a result of Covid-19.

For variable/zero-hours contracts where pay varies, there are prescribed methods for calculating the monthly pay that they can claim for wages backdated to **1 March 2020** for the initial period of 3 months from 1 March 2020, but extended if necessary. It will be in the form of a grant (not a loan) provided by HMRC, though exact details are to be announced. The scheme is expected to be up and running by the end of April.

Statutory Sick Pay “SSP” for Small or medium-sized businesses

SSP is payable to qualifying employees and is now active from day 1 for those who self-isolate or are unwell because of COVID-19 (the first three days are normally unpaid). The current rate of SSP is £94.25 per week.

HM Treasury has announced that small and medium-sized employers (those with fewer than 250 employees) may recover this cost where SSP has been paid due to COVID-19 from 13 March for a maximum of two weeks’ sickness per employee.

Other adjustments include:

- Increasing the Universal Credit standard allowance, for the next 12 months, **by £1,000/year**.
- Increasing the Working Tax Credit basic element, for the next 12 months, **by £1,000/year**.

c. Government support for hospitality business

COVID Commercial Financing Facility (CCFF) for large companies

The Bank of England is launching a new scheme to help companies make a material contribution to the UK economy to bridge Coronavirus disruption to their cash flows through loans.

Coronavirus Business Interruption Loan Scheme (CBILS) for small businesses

CBILS is a new scheme, announced by **The Chancellor at Budget 2020**, that can provide up to £5m for smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cash flow. This scheme is currently established for businesses with a turnover of up to £45m (up from £41m). The Lending scheme is from £1,000 up to £5m (increased from up to £1.2m) per company through the British Business Bank, with the Government meeting interest costs for the first 12 months. Finance terms are three months up to 10 years for term loans and asset finance and up to three years for revolving facilities and invoice finance.

The scheme provides the lender with a Government-backed guarantee against 80% of the outstanding facility balance, potentially enabling a 'no' credit decision from a lender to become a 'yes'. **NB** – the borrower always remains 100% liable for the debt.

Grants for retail, hospitality and leisure businesses

A £25,000 grant will be provided to retail, hospitality and leisure businesses in England operating from smaller premises, with a rateable value between £15,000 and £51,000. Funding will be provided via local authorities and it is suggested contacting an Economic Development Officer at each relevant local authority.

Rates Relief

All property occupiers in the retail, leisure and hospitality sectors, including restaurants, will receive 100% rates relief between 1 April 2020 and 31 March 2021 with no limit to Rateable Values. Relevant occupiers don't need to take any action. The local council will apply it in the April Business Rates invoice.

Support for businesses that pay little or no business rates ("small companies")

The Government will provide additional funding for local authorities to support small businesses that already pay little or no business rates because of small business rate relief (SBRR). This will provide a one-off grant of £10,000 to businesses currently eligible for SBRR or rural rate relief to help meet their ongoing business costs.

Funding for the scheme will be provided to local authorities by the Government in early April 2020.

Time to Pay arrangements "TTP"

TTP has been available to businesses for over a decade, but HM Treasury has announced a stepping up of resources and a specific COVID-19 helpline that businesses can call. TTP allows a business to defer current (as opposed to prospective) tax debts (principally corporation/income tax, payroll taxes and VAT – but theoretically any other tax or duty) by converting settlement to instalments over a 3-12 months period.

Any business is theoretically eligible to apply. It is, however, critical to ensure supporting facts (and documentation) are available to evidence cash flow concerns.

Deferral of VAT

VAT payments due from businesses between 20 March 2020 and the end of June 2020 will be deferred.

No VAT registered business will have to make a VAT payment normally due with their VAT return to HMRC in this period. Payment of VAT will be deferred to the end of the tax year it is assumed that there will be no need to apply, and all UK VAT registered businesses will defer payment until their VAT return period ending 31 March, 30 April or 31 May.

Grants through the coronavirus Self-employed Income Support Scheme

This is a self-employed support scheme that gives self-employed workers a taxable grant of up to 80% of average monthly earnings for the next three months. To qualify, they must have trading profits of less than £50,000 and more than half of their income must come from self-employment, and they must have submitted a tax return for the tax year 2019/20. The grant will be paid in one instalment,

and this payment is expected to be in early June. HMRC will contact directly those eligible for the scheme and invite them to apply online. Self-employed individuals who have not yet submitted their tax returns for the tax year 2018/2019 have until 23 April 2020 to do so and still be eligible for this support.

d. Government support for commercial tenants

Commercial tenants who cannot pay their rent because of COVID-19 will be protected from eviction. These measures mean no business will automatically forfeit its lease and be forced out of its premises. This is not a rental holiday. All commercial tenants will still be liable for their rent but are protected from eviction if they cannot pay their rent.

The practical effect of this measure is to remove the immediate cash flow pressure of quarter rent day. Still, the Government has made clear that the negotiation is now with the lessee and landlord to solve payment.

(Government Digital Service, 2020)



3

MARKET DYNAMICS

3.1 Drivers

a. Sustainability

Consumers want fresh local foods. British people are more concerned about climate change than ever before. One-fifth of consumers would choose brands with a clear sustainability vision over others.

This “**shop local**” trend ensures that people eat the freshest ingredients. In addition, it helps reduce carbon emissions linked to climate change.

b. Zero-waste and eco-friendly initiatives have become more popular.

Many businesses have banned disposable straws, plastic water bottles, and single-use coffee cups.

c. Evolution of in-room F&B

Customers now expect to see hotel developed apps that make ordering food and drink direct to rooms frictionless and quick instead of using the minibar.

d. Cash-less payments

The UK is ranked 1st by JLL Global **with 21.27 (£BN)** among European countries for cashless payment transactions.

(JLL Global, 2020) (Epicor,2020) (RSMUK,2020)

3.2 Restraints / Industry Challenges

Industry estimates of the scale of closures vary widely, from below 10% to as high as 30% of total sites. The challenge for business owners, directors and planners – as well as industry investors and suppliers – will be to understand which will be the worse hit areas, what type of businesses are most under pressure and how individual sites will pivot to new styles of operation, according to CGA group.

Numerically the independent sector remains the largest segment of the market, with 74,271 sites, almost two-thirds of the total. The future of those largely small businesses, alongside almost 41,000 group-owned sites, is now under threat due to the COVID crisis.

a. In April 2020, almost half of the nighttime economy sector businesses in the UK expected their company to close within three months under COVID-19 measures, at 45% of respondents. Only 17% believed their business would survive for more than six months.

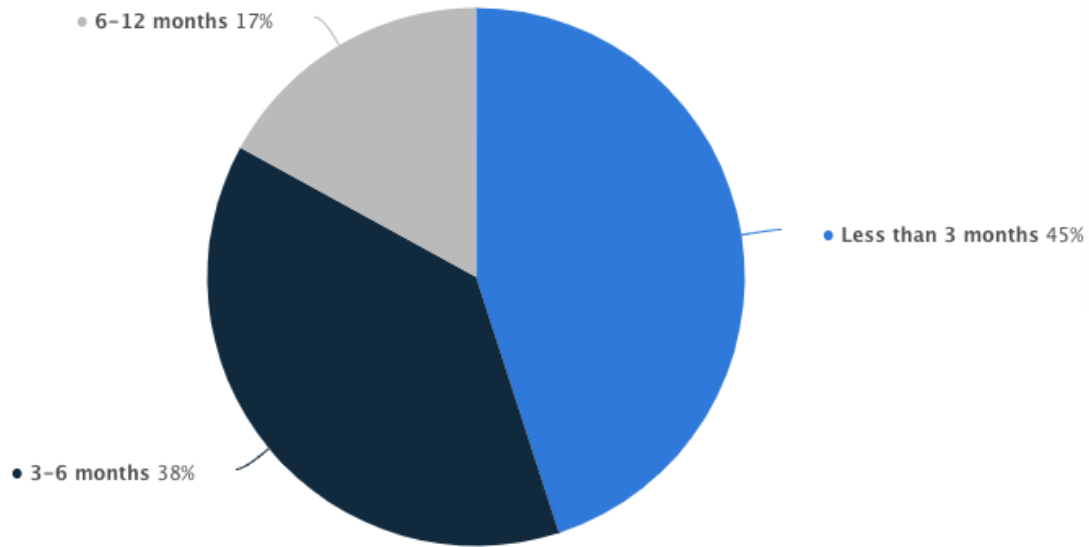
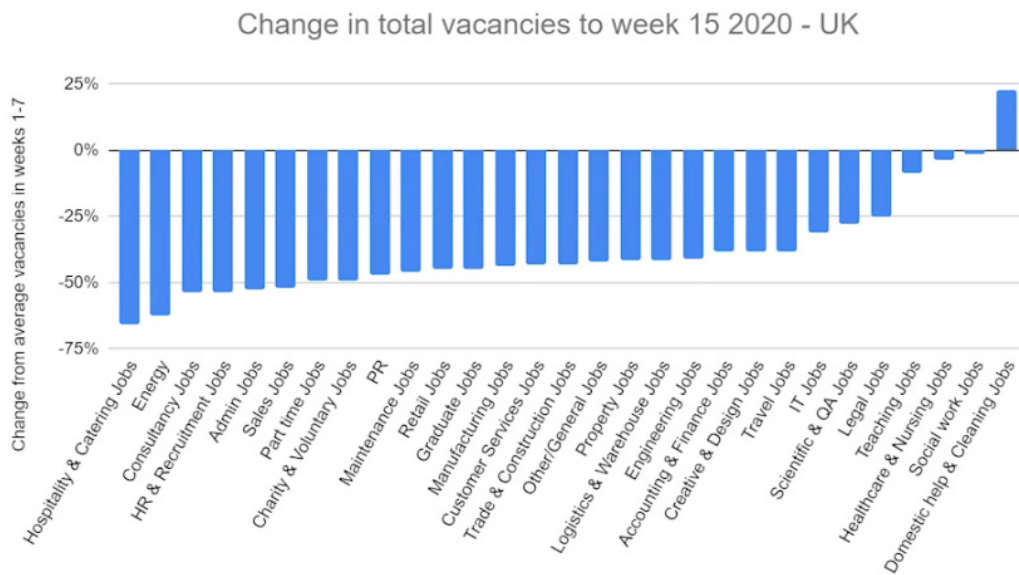


Image source:
<https://www.statista.com/statistics/1117005/nighttime-business-survival-during-coronavirus-uk/>

Release date:	April 2020
Region:	United Kingdom
Survey time period:	April 2020
Number of respondents:	1,154 surveys
Special properties:	Nighttime economy businesses

b. The closure of restaurants, pubs, and bars

As part of the battle against the spread of the coronavirus - has led to the decline of open vacancies from 51,998 to 18,645 across the country this year, the analysis by job search engine Adzuna found.



Change in total job vacancies 2020. (Adzuna)

Source:
<https://uk.finance.yahoo.com/news/coronavirus-travel-and-hospitality-hardest-hit-as-covid-19-continues-to-ravage-uk-job-market-111320487.html>

c. Highly competitive industry.

Coffee shops, brands and businesses can create differentiation by having a purpose with a social impact, participating in charity events and show their support by participating while increasing brand awareness and improving their brand image.

d. Creating a unique experience and growing revenue due to lockdown.

Since businesses turned in promoting their food delivery services, most of their contact with clients was through their social media channels, making it more difficult to maintain their customer retention rate and engage with customers.

e. Inability to pay rent.

Most employers had no support from their business' landlords.

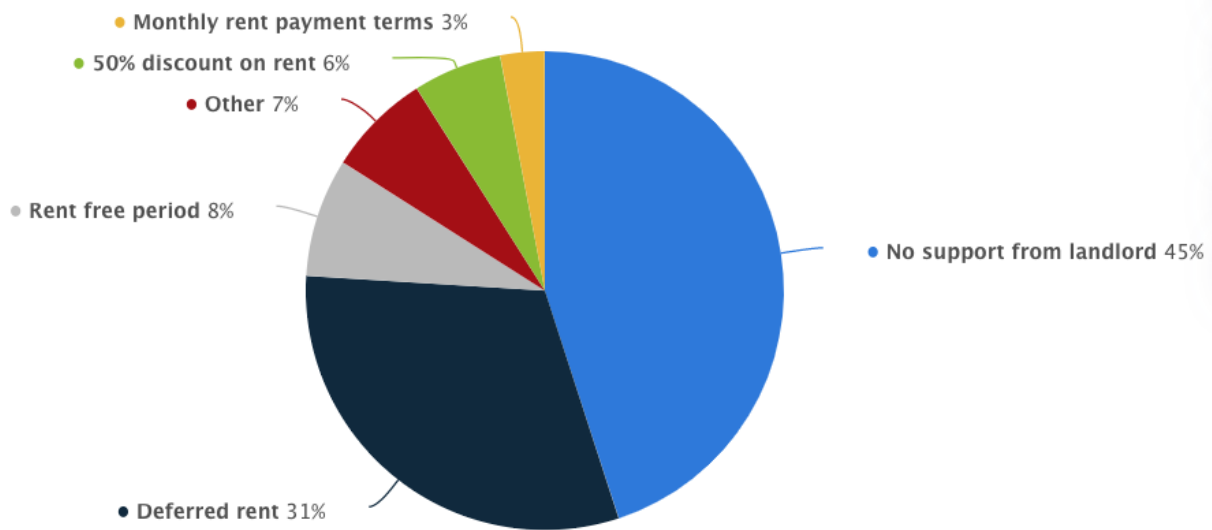


Image Source:
<https://www.statista.com/statistics/1116975/rent-relief-during-for-bars-and-clubs-coronavirus-uk/>

Release date:	April 2020
Region:	United Kingdom
Survey time period:	April 2020
Number of respondents:	1,154 surveys
Special properties:	Nighttime economy businesses

Supplementary notes:

The source adds the following methodology:

1,154 Surveys were completed - from the Nighttime Economy Sector Businesses.

355 Surveys were analysed - Based on SME Operations across the UK – Under 250 Employees. They were representing **over 3000 Businesses** & **over 150,000 Employees**.

f. The rise of veganism is also a challenge for restaurants and pubs chefs have to include a more vegan option in their menu.

g. Organisations are expected to continue to focus on energy efficiency and waste reduction.

The emphasis on plastic reduction is also expected to drive cafeteria and bar owners to invest in sustainable or recyclable food and drink packaging alternatives.

h. Wellness trend

Consumers are increasingly looking for wellness-focused products and services as they shoehorn 'wellness' into aspects of their busy lifestyles either with CBD mocktails and charcoal moisturisers or by trying to find small moments in their day to focus on their wellbeing, by buying an 'energy boosting' smoothie or practising mindfulness. This wellness trend is being met with more flexible formats in food service such as yoga brunches or lunchtime classes in communal eating spaces.

i. Innovative drinks

Younger generations are looking for ways to step away from traditional flavours when it comes to drinks. Consumers are looking for innovative, unique and playful solutions that make a difference.

j. Eating as an experience

When people go out to eat, they don't go out just to enjoy a good meal. They also want to have a particular type of experience and for the meal to be memorable.

k. Share-worthy dishes

Every dish that leaves the kitchen should be just as share-worthy so that customers will take the initiative to post them on their social media accounts.

(CGA, 2020) (Statista, 2020) (Bidfood, 2020) (IBIS World, 2021)

3.3 Opportunities / Investments

Hotels have continued to perform strongly for all the challenges facing the retail and dining sectors brought about by changing habits and consumer uncertainty. The UK is still seen as a safe place to invest, with a robust legal system and property prices held up during the recent economic downturn. With hotels generally performing in line with GDP over the last century, operators' damaging Brexit has been a concern. However, the continued weak pound is expected to provide insulation for the sector, keep prices down for foreign tourists visiting the UK, and ensure many British holidaymakers opt for "staycations" to save money.

- Food and Beverage (F&B) is becoming a major contributor to a hotel's positioning in the market. Consumers are not only looking for a place to stay. Demand for and spending on F&B has been growing, allowing the industry to net extra revenue. There are big opportunities to grow F&B and contribute to added value.
- In 2020, Stonegate was highlighted as the most active purchaser, having bought sites from Fever Bars and Novus in addition to its 2.97-pound purchase of Ei Group's 4,000-strong estate.
- Both Greene King and Stonegate are expected to sell packages of tenanted pubs in the second half of the year as they complete estate reviews.
- Overseas investment into well-operated and established companies still looks attractive. Operators now focus on structured growth as the submarkets consolidate.
- There were encouraging signs that there will be a return of acquisition-focused pub companies (managed and tenanted) seeking individual free house operations this year.
- The average freehold sale price has increased to 589,262 pounds – up by 32% from last year.
- The overall average leasehold sale price in 2019 was 51,500, an increase of 35% on the previous year, with the average price in the north dipping by 5% to 31,000 pounds while the average in the south rose by 27% to 63,000 pounds.

Restaurants and Bars

In November 2019, it was announced that Brighton's Shelter Hall is to be transformed into a seafront food hall. The multi-million-pound project, led by Dan Warne (previously MD at Deliveroo) and Graham Turner, is backed by Imbiba. The food hall is expected to open this year.

- According to the Times and Mergermarket, Honest Burgers, the high-quality burger operator with 34 sites across the UK, launched discussions with potential investors in November.
- The founders of Rosa's Thai Café acquired Ceviche, a 6-site Peruvian-inspired brand, out of administration in November 2019.
- In December 2019, The Potting Shed Trading, the UK-based bar group, was acquired by an undisclosed bidder after being put into administration.
- At the end of 2019, BK UK, the Bridgepoint backed company that controls the master franchise for Burger King in the UK, increased its company-owned estate to 135 restaurants following 34 sites from Kout Food Group. There are 517 Burger King restaurants, operated by both BK UK and franchisees, in the UK.
- In January, The Handmade Burger Co, a UK-based burger restaurant chain, entered administration following a 50% decline in the company's sales over the last few years. The company struggled to compete against other brands in the highly competitive burger market.
- McDonald's announced that it plans to invest £1bn in UK and Ireland business over the next three years, as part of its strategy to update the look and feel of restaurants and develop its digital proposition. The company was also targeting 60 new store openings in the UK in 2020.
- On 20th February, HungryPanda, a UK-based online food delivery platform that specialises in Asian restaurants, announced it had secured USD 20m in funding from a pool of investors, with 83North and Felix Capital leading the round. The investment will allow the company to invest in technology, grow its team and accelerate its global expansion.
- Farmer J, an all-day food market concept backed by Imbiba, announced in February that they are looking to open four more sites in London over the next year. At the end of last summer, Imbiba invested a further £2.5m into Farmer J.
- The Restaurant Group announced that it would be closing up to 90 Frankie & Benny's and Chiquito sites by 2021. The closures will reduce the number of restaurants in the group's leisure portfolio from 350 to c.260. However, up to 12 of the sites will be converted to its more successful Wagamama brand.
- Tapas Revolution director and former La Tasca group operations director James Picton launched Independent Spanish Restaurant Company (ISRC), which acquired four La Tasca sites from Casual Dining Group. ISRC is expected to make a number of further acquisitions to develop a portfolio of high-quality Spanish restaurants across the UK.
- Island Poké announced it would commence its international expansion as part of plans to open 40 sites over the next five years. The White Rabbit Fund-backed concept will begin with France, Belgium and Luxembourg and is also looking to expand across the UK during the coming years.

Pubs and Brewers

- In November 2019, Camerons Brewery, a UK-based brewery and pub group, acquired its domestic counterpart, Bar Soba. The additional 5 UK venues will see the brewer grow its retail-managed pub estate to 34 sites.
- Richard Caring sold a 25% stake in his hospitality empire Caprice Holdings, to the former prime minister of Qatar, Hamad bin Jassim Al Thani, for £200m.
- On 4th November, it was announced that Admiral Taverns Limited, the UK-based pub owner and operator, had agreed to acquire a portfolio of 137 pubs from Marston's Plc to consider £44.9m.

- In early December, NewRiver acquired North-West based community pub group Bravo Inns Limited for c.€18m, representing an EBITDA multiple of 6.8x, according to Propel. Bravo Inns has established a high-quality and well-managed pubs portfolio, which complements Hawthorn Leisure's existing 660 community pub portfolio.
- In January, Stonegate Pub Company acquired Bar Fever and 17 sites from Novus for £60m while reporting a 1.7% increase in like-for-like sales. The Stonegate Pub Company is the largest pub group in the UK after buying Ei Group in March 2020 for £3 billion.
- On 24th January, it was announced that Hawthorn Leisure, the pub operations arm of NewRiver, has acquired a portfolio of 29 English and Welsh pubs from Marston's for an undisclosed sum.
- Robinsons Brewery, the UK-based brewer and pub operating company, has acquired Individual Inns, the UK-based operator of pubs and restaurants, for an undisclosed consideration. The acquisition will grow their managed pub estate and align with Robinsons Brewery's investing strategy in training and pub refurbishments. **(RSMUK,2020) (BDO, 2020) (Morning Advertiser, 2019)**

4. Competitive Landscape

- The Full-Service Restaurants industry has a low market share concentration, with the top four companies accounting for approximately 14.3% of revenue.
- Market share concentration in the Pubs and Bars industry is low.
- Nightclubs have lost their competitive advantage because late-night revellers can now stay in pubs or bars, many of which offer a wider selection of drinks, lower prices and a more relaxed atmosphere.
- The Cafes and Coffee Shops industry has a low market share concentration, with the top four companies expected to account for 39% of revenue.
- The industry exhibits a moderate level of market share concentration. Aggressive expansion from the major players means that the top four companies have a monopoly on their services.

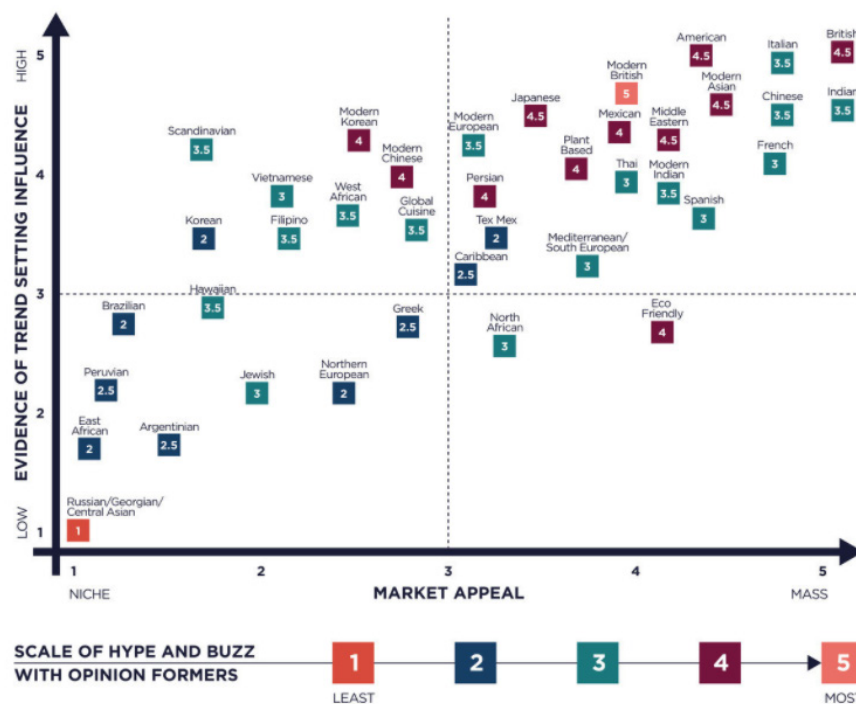


Image source:
<https://thefoodpeople.co.uk/infographics/food-and-beverage-trends-2020-uk>

(The Food People, 2020) (IBIS World,2020)

5 RECRUITMENT CHALLENGES & FACTS

- Around 25% of the hospitality workforce comes from the EU, making up around 25% of chefs and around 75% of waiting staff.
- Average wages for restaurant managers in the North West have gone up 8.1% compared to last year.
- In Youth Employment's survey, most employers agreed there is a belief that the sector must collectively tackle negative perceptions of hospitality careers and increase industry visibility for all job seekers.
- Employers have to deal with low retention rates. Most hospitality job seekers do not consider a long-term opportunity but a short-term solution until they find a better and most prominent job. Employers to attract and retain employees are investing in life-long learning solutions and are trying to promote long-term careers planning.
- It is vital that the sector emphasises the multiple career paths available in the industry beyond the traditional roles, which many people mistakenly believe are the only routes to employment in the industry. More information is needed on back-office roles (for example, HR, accountancy and business management), which are integral to the hospitality industry.
- UKHospitality Cymru received feedback from a wide variety of businesses such as hotels, B&Bs, pubs and catering services from across Wales. These businesses vary in size ranging from micro-businesses with a turnover of up to £250,000 to businesses with a large turnover of over £10 million.
- Across the board, businesses highlighted that they are looking to recruit new staff over the next five years, with figures ranging from 5 to 900 staff. This shows that the growth and potential of the industry are particularly strong in Wales. Businesses noted that the industry in Wales is dependent on European workers, with respondents listing European workers as making up between 20% - 80% of their workforce.
- The industry is already finding it hard to recruit staff, including housekeeping, front of the house, chefs and high-skilled back-office workers. For most respondents, a key concern was the negative perception of the industry and the lack of awareness of the multiple career pathways available to students.
- Most argued that more should be done to promote the industry through careers advice and building stronger relationships with the education sector. In addition, it was suggested that there should focus on the importance of transferable skills and getting speakers (real-life hospitality ambassadors) from the industry into schools.
- Respondents also noted that a number of tourism management courses have been dropped in Wales (Pembrokeshire) and that Wales does not grasp the importance of the industry in the same way that other countries do.

- In its first year, the Apprenticeship Levy, which came into force in April 2017, in its first year, released only £108 million of the money available through the collection of the Levy 4. Broadly welcomed by the industry as an opportunity to increase the number of apprenticeships nationwide, the Commission heard how the Levy disproportionately impacts SMEs, which make up more than 90% of the hospitality industry.
- Under the Levy, small businesses are unable to afford to fund apprentices. The Yummy Pub Co. highlighted that prior to the introduction of the Levy, the company had 12 apprentices but now has none due to increased costs. Of note, this was not due to the lack of want but due to already thin margins being further eroded. Witnesses called for the Apprenticeship Levy transfer fund cap to be expanded from 10% to 50% to help support SMEs. This could enable larger companies, who can't or don't want to use their Levy, to gift it to an employer or relevant SME who can use it. For example, a large pub chain could gift it to their tenants to pay for any relevant apprenticeship training for the tenant's staff.
- Another issue is the costs associated with apprenticeships beyond the Levy payment. Witnessed suggested that the required 20% off-the-job training and development could be split between the employer's time and the apprentice's own time. This would reduce the cost implications for employers whilst allowing apprentices to take further responsibility for their learning.
- The hospitality industry is best placed to provide flexible working programmes. With the industry employing more women than men and coupled with the flexible nature of its work, it offers suitable career pathways for many parents. On average, 62% of requests for flexible hours come from women seeking to fit work around their childcare arrangements after maternity leave.

(Reed Global, 2020) (Youth Employment, 2020)



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KEY FINDINGS SUMMARY

- Large towns, which collectively have seen a 3.4% decline in sites in the past year, have fared worse than city centres (down 1.2%) and small towns (down 2.5%).
- The vast majority (81%) of operators are already planning for recovery, most considering a range of different scenarios. Still, almost all expect to see a much-reduced market in the future.
- In 2020, Stonegate was highlighted as the most active purchaser, having bought sites from Fever Bars and Novus in addition to its 2.97-pound purchase of Ei Group's 4,000-strong estate.

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