September 2021

The New Battle for Lunch

Peter Backman.

food. service vision

INTRODUCTION

Using examples from the UK and France, we share our recommendations for those businesses around the world that want to benefit from the "Battle for Lunch" in the post-covid context.

In this white paper we consider the implications of changing lunchtime meal occasions. We have defined "lunch" as meals eaten in the middle of the day by working people during the working week – we have not covered meals eaten on "leisure" occasions.

"Lunch" meals are eaten in a variety of locations, including full-service and quick-service restaurants, pubs, and in B&I (Business and Industry) workplace locations; "lunch" also includes delivered meals and food-to-go meals purchased in outlets such as petrol forecourts, retail outlets and at specialist food-to-go operators.

SECTION 1

The Post-covid Landscape

Since the onset of covid, the sectors covered in this white paper have lost millions of meal occasions - **in the UK, during the first 15 months of covid, they lost lunchtime sales of £12.2 billion, and in France about €8.6 billion**.

Lunch has historically been the most important day part. In the UK, **prior to covid, lunch accounted for 42% of meals eaten in restaurants.** Dinner accounted for most of the balance, while breakfast, although it is of importance to work- and travel-related food to go outlets, in overall terms was, and still is, less important than the other day parts.

The post covid world is likely to be one in which people will want to recover what they have lost in terms of being able to socialise and have great experiences. Dinner, and lunchtime meals at weekends, are well positioned to come back to their former levels because they cater for just those occasions.

But lunch, as we have defined it for this white paper, is in **a precarious position for a variety of reasons, and it is the occasion which will be the most fought over as covid recedes**. As we discussed in our previous white paper "Foodservice in Tomorrow's City Centres", changing work and travel patterns have led to the likelihood that more people will struggle to come back to their normal place of work, while others will be working at home for a day or more each week.

These people constitute a major lunchtime constituency. **Their absence will lead to a 20% reduction, perhaps even more, in lunchtime meal occasions at work, in city-centre restaurants and in travel related locations.**

SECTION 2

A New Battle Field

During covid, while restaurants were shut and work patterns were reconfigured, lunchtime meal opportunities were similarly reordered. Consumers, being forced to socially distance themselves, turned to ordering food for delivery or click & collect.

In France, bakeries and retailers, recognising that they were the only source of away from home lunchtime feeding, refocused their offer to these new opportunities. Many added a lunchtime offer – cooked food and drinks – to their menu turning themselves into direct competitors to restaurants when those reopened. Both in France and in the UK, full-service restaurants ramped up their delivery and pickup ordering channels and started competing with food-to-go outlets.

Now we are in the middle of a reopening process on which some operators would like the world to return to where it was, while others want to embrace the changes. As for consumers, they have learned new habits, especially working from home, and although many would very much like this to continue, it limits their opportunities for eating out at lunchtime.

A key takeaway from this is that lunchtime eating habits are changing, and operators should welcome the flexibility that will put them on the front foot for the forthcoming battle.

In this new world there will be changes in the competition for lunch; those who benefited from the changes wrought by covid want to maintain, and build, on those habits. In France, for example, companies want their lunch providers to think creatively about serving the customer in this new, post-covid world – and contract caterers are working on initiatives such as smart fridges (refrigerators to hold freshly prepared food for pickup by customers). In both France and the UK, contract caterers are growing and enhancing their click and collect models for lunchtime feeding in the workplace. And established food-to-go are developing new or currently under-used serving solutions, such as drive thrus, to benefit from their customers newly acquired travelling habits.

And in the area of newly acquired habits, **the spotlight must fall on delivery which was given a massive boost during covid.** In order to accommodate this expansion, many restaurants and other operators have re-engineered their business to create dark kitchens, distinct from their bricks and mortar sites, to capture new patterns of lunchtime (and dinner) feeding.

Other reactions by traditional operators to this new level of competition have already ranged from offering special low-price lunch meals to closing at lunch time. Further changes are bound to follow.

How lunchtime has been changed by covid both in France and UK

During covid, for example...
- **Nestor**, provider of 'smart fridges' in France, was acquired by Elior, the contract caterer.
- Contract caterer **Compass** launched Popote, its in-house brand of 'smart fridges' and 'cantine corners' .
- UK sandwich and coffee chain **Prêt à Manger** has become omni-channel during covid; opened its first dark kitchen in North London; and developed an offer for retailers.

SECTION 3

The changing Lunch Heat Map

During covid, city centres suffered a loss of lunchtime traffic of about 30% in both the UK and France, whereas suburban and rural locations saw a increase of about 10%. As economies open up, some regions and localities will do better than others. For example, centres of major cities – the City of London and La Défense especially - will take a long time to return to former lunchtime patterns, while other centres will revert more quickly. Suburban and rural areas will return fastest to pre-covid levels.

These, and similar nuances, should be taken into account when reviewing post-covid activity.

Sector	Pre-covid	During covid	Post-covid
“Traditional” Restaurants (Menu du jour)	Lunchtime accounted for perhaps 30% or more of meal occasions	Lunchtime business was lost. Replaced with delivery and/or click & collect - or restaurant closure	City centres and business areas will lose substantial business – suburban and rural areas will gain
Bakeries	Accounted for 14% of the turnover made on lunchtime occasions in France	In France, bakeries performed better than other segments because, for quite a while, together with retail, they were the only practical options for lunch	Will probably maintain the lunch offer they designed during the crisis; will energetically attempt to retain their market share gains
QSR	Accounted for 52% of all lunchtime occasions in the UK	QSRs offering delivery, click & collect and drive thru were kept alive by these offers	Will revert to more traditional patterns but delivery will remain important
Food to Go – Fast Casual (Cojean, Prêt À Manger, Jour, etc)	Mainstream lunch venues for workers and travellers	Sales fell as a result of fewer workers in their catchment areas, and fewer travellers	Will continue to face challenges on relocation strategies, in-store experience etc.
Mainstream retailers (M&S, Carrefour Market… etc)	In France, 15% of lunches taken at work consisted of ready to eat meals bought from retailers	Mainstream retailers benefitted from covid because, in France for example, they were the only practical source of lunchtime meals	Will work hard to maintain their lunchtime gains but will come under pressure from more mainstream foodservice offers
C-stores, petrol stations, etc	A regular source of lunch meals especially for those on the move	Sales fell as a result of fewer travellers – both business and leisure	Sales will climb towards pre-covid levels, but the rate of growth will be slow so long as travelling levels remain depressed
B&I	B&I accounted for 15-20% of lunchtime sales in both France and the UK	Sales fell because far fewer people were working at their place of work – and were working from home instead	On-site trading will remain below pre-covid levels for a long time as working from home, for some of the time, becomes a practical long-term proposition.
Delivery	Medium term growth of 15-20% in France and UK	Growth rates more than doubled during covid	Growth is very likely to slow down in the short term, but will come back at higher levels than before covid

CONCLUSION

Our Experts' Opinion

• During the last year and a quarter of covid, the numbers of lunchtime meals fell - by about 30% in the UK

• This "lost" business is unlikely to be entirely re-captured in the medium term

• Lunchtime trading in some localities – notably suburbs and rural locations where people work from home – will benefit even in the long term

• In other localities, especially those frequented by white collar workers, and people on-the-go – will take longer to return to pre-covid levels; and some may never return to those levels

• Thus, the future pattern of lunchtime meals will be substantially different from the pre-covid world

• Competitors are already seen in retail, delivery, food to go and from operators who have re-engineered their offer - this will grow

• And that means, in the post-covid world, operators will have to face up to dealing with competitors different from those they knew before

• The lunchtime pie will be smaller and its slices – measured by location, locality, type of offer, meal price – will change

• The battle for lunch, in this new world, will favour those who are flexible and who embrace the many changes that the future will bring.

Next Steps - Operators

Rethink the heat map

- Confirm your overall strategy for lunchtime meal occasions
- Map the trends (places, habits, uses …)
- Evaluate the potential of each trend and prioritise the ones to address
- Revisit your location strategy and be prepared to move to where your customers are (be prepared to move to new areas if necessary)
- Identify the new competitors (dark kitchens, dark stores, operators of 'smart fridges' …)

Rethink your customer strategy

- Identify / re-evaluate the types of customers you want to serve
- Adapt your offer to the new habits and needs of your customers
- Rethink / strengthen your digital strategy
- Rethink / strengthen your CRM strategy

Rethink your offer

- Identify the new drivers of your customers' behaviour
- Review your competitors' offers
- Evaluate / strengthen your omni-channel strategy (food-to-go, delivery, retail …)
- Implement key customer driver strategies (value, choice, experience …)
- Identify whether to have a lunchtime delivery offer – and the partners you want to work with
- Evaluate the benefits of developing a virtual brand strategy
- Where relevant, develop the global experience for delivery / click & collect (recipes, packaging …)
- Be open to partnerships with start-ups and others offering new ways of doing lunchtime business

CONCLUSION

Next Steps - Suppliers

Rethink the Heat map

- Identify the role and range of emerging trends (places, habits, uses...)
- Analyse the impact of these new trends on your customers
- Identify and analyse the potential of the actors that emerged during covid
- Identify the likely winners (those with enthusiasm, novel approaches ...)
- Be prepared to adapt to customer's evolution – and possible rapid changes of direction
- Ensure you have the logistics to follow the location changes of your customers

Rethink your customer strategy

- Re-evaluate your customer segmentation- it has probably changed
- Reassess priority customer segments and prioritise efforts for each customer segment

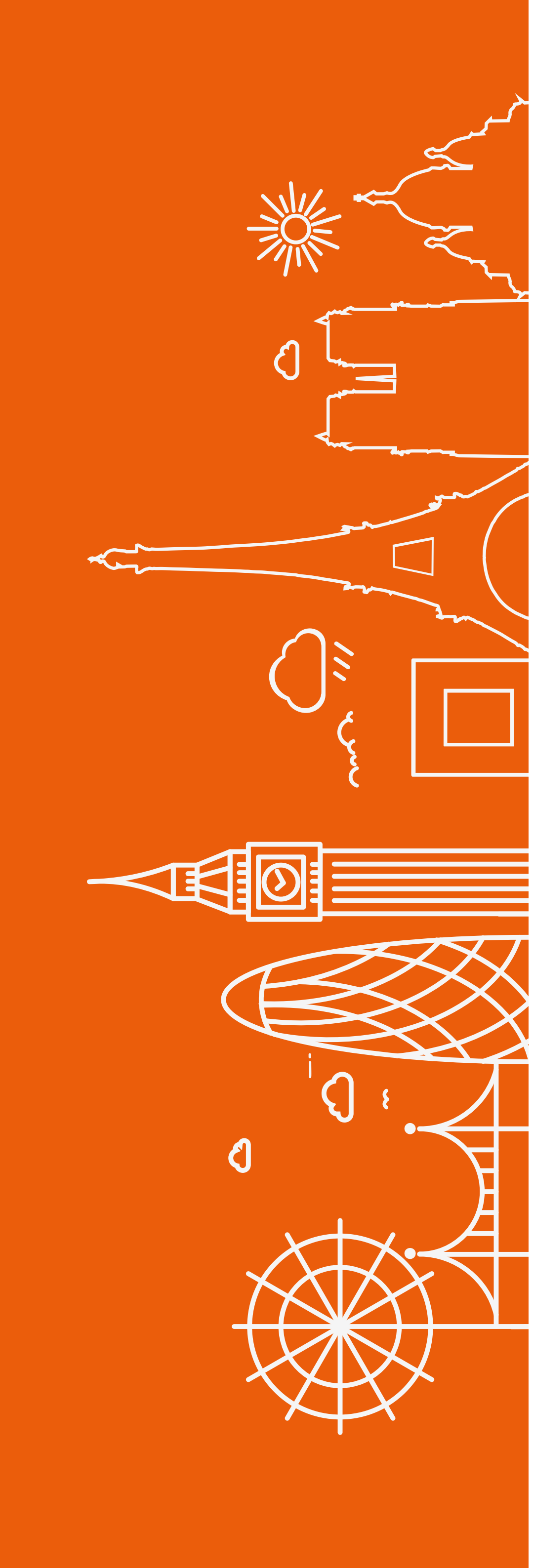
Rethink your offer

- Adapt your offer to the new needs of your existing customers
- Adapt your offer to the needs of emerging new types of customer
- Review you offer in light of your competitors' offers

Next Steps - Investors

Rethink the Heat map

- Identify the changes that play to your investment strategy
- Identify re-engineered and newly emerging operators as potential prospects
- Revisit your investment strategy in light of newly emergent patterns of trading (localities, meal occasions ...)



Contacts

Peter Backman

peterbackmanfs.com
+44 7785 242 809
peter@peterbackmanfs.com

@PeterBackman

@PeterBackmanFS

Peter Backman helps operators, suppliers and investors in the foodservice sector make better decisions by enlightening them about the size and nature of opportunities. He is a recognised international authority on the foodservice sector in Europe, US, India and Middle East.

François Blouin

foodservicevision.fr
+33 6 16 17 53 92
f.blouin@foodservicevision.fr

@FrançoisBlouin

@FSV_Fr

Food Service Vision is the leader in foodservice consulting and market research in France. We accompany the growth and strategic decision-making of key players in France and internationally. Our approach combines expertise in the foodservice value chain and cutting-edge methodologies.