



Out-of-home food and drinks landscape

COVID-19 impact and the road to recovery

Issue 3 | November 2020



'Ordering in' is the new Out-of-Home opportunity

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Impact, recovery and change

With most of the world having been in lockdown at some point during 2020, OOH consumption has been hit hard. The question is, exactly how hard has it been hit?

Impact, recovery and change

OOH value sales between January and August this year were down 30% compared with the same period in 2019. And

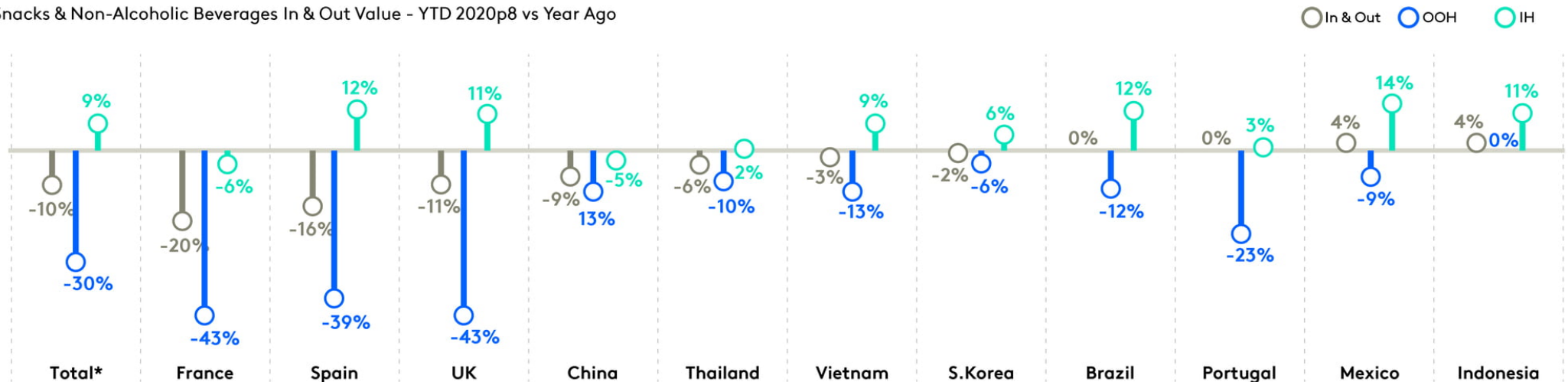
despite a 9% growth in In-Home spend, the result was an 10% decrease in the combined value of the Snacking and Beverages

categories, a loss of \$13 billion. In April, when most of Europe was in full lockdown, combined spend on In- and Out-of-Home declined by 18%. OOH sales in this month fell by more than half, equating to a loss of \$3 billion. Losses of over \$2 billion were also seen in May and June.

Europe was most impacted by the mandatory lockdowns, with France, Spain and the UK all experiencing around a 40% decrease in OOH value sales. Penetration of OOH also dropped in these markets, falling from 75-90% to 20-40% during April. Where these countries

differ is in how fast shoppers have returned. By July more than 80% of Spanish consumers had returned to purchasing OOH, whereas in France and the UK the figure was just over 60% – and even by early August penetration was still well below 80%.

Snacks & Non-Alcoholic Beverages In & Out Value - YTD 2020p8 vs Year Ago



Total figures based on UK, Spain, France, China, Thailand, Indonesia, Vietnam, Brazil and Mexico
Source: Kantar, OOH Purchase Panels

The rise of In-Home fails to bolster value

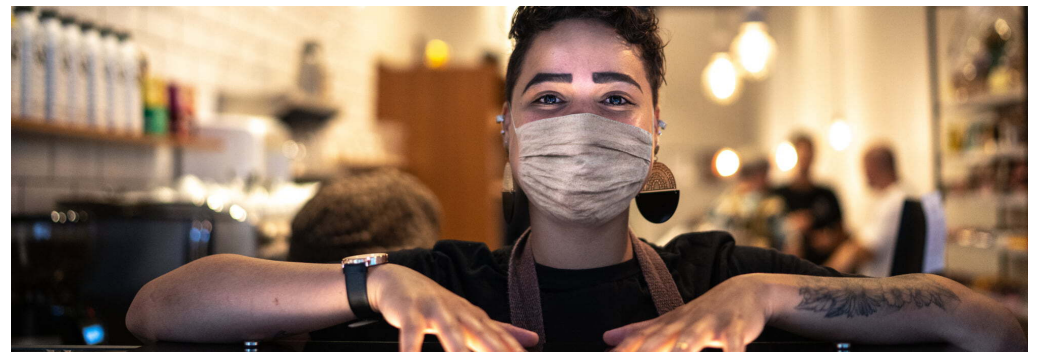
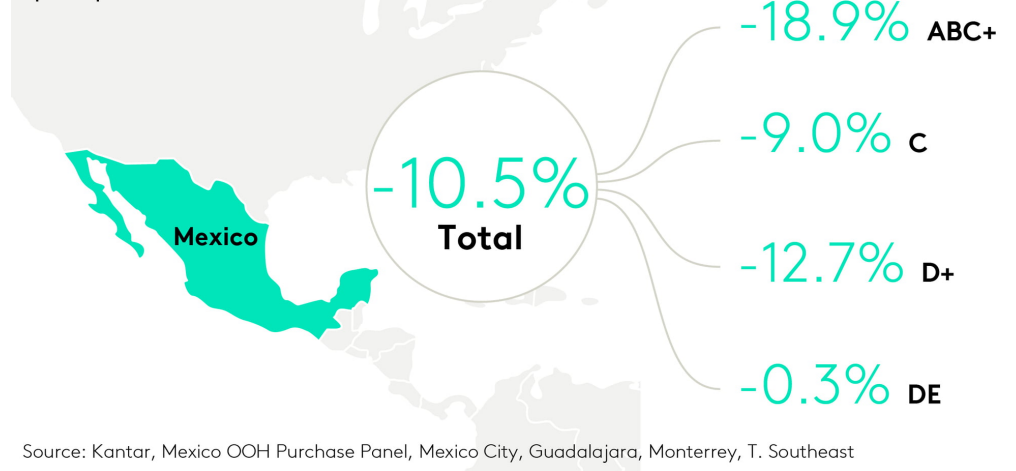
In most markets, the switching of spend to In-Home consumption has not been sufficient to make up for the losses from OOH, where double-digit decline is the norm. Net declines have been seen across most of Asia, for example.

Only in Indonesia and Mexico has the growth of In-Home been enough to compensate for OOH losses, due to these markets being more Snacking orientated. The price gap between In- and Out-of-Home is much lower for Snacking products in these markets, compared to Beverages. We'll explore this further on the next page.

Local lens

In Mexico, an interesting trend emerged around how lockdown impacted the OOH spending of consumers at different social-economic levels. Consumers in the highest levels followed non-mandatory lockdown rules more closely, with many staying at home, driving a 19% decline in spend. The lowest social-economic households were less likely to be able to work at home, and their OOH spend remained flat as a result.

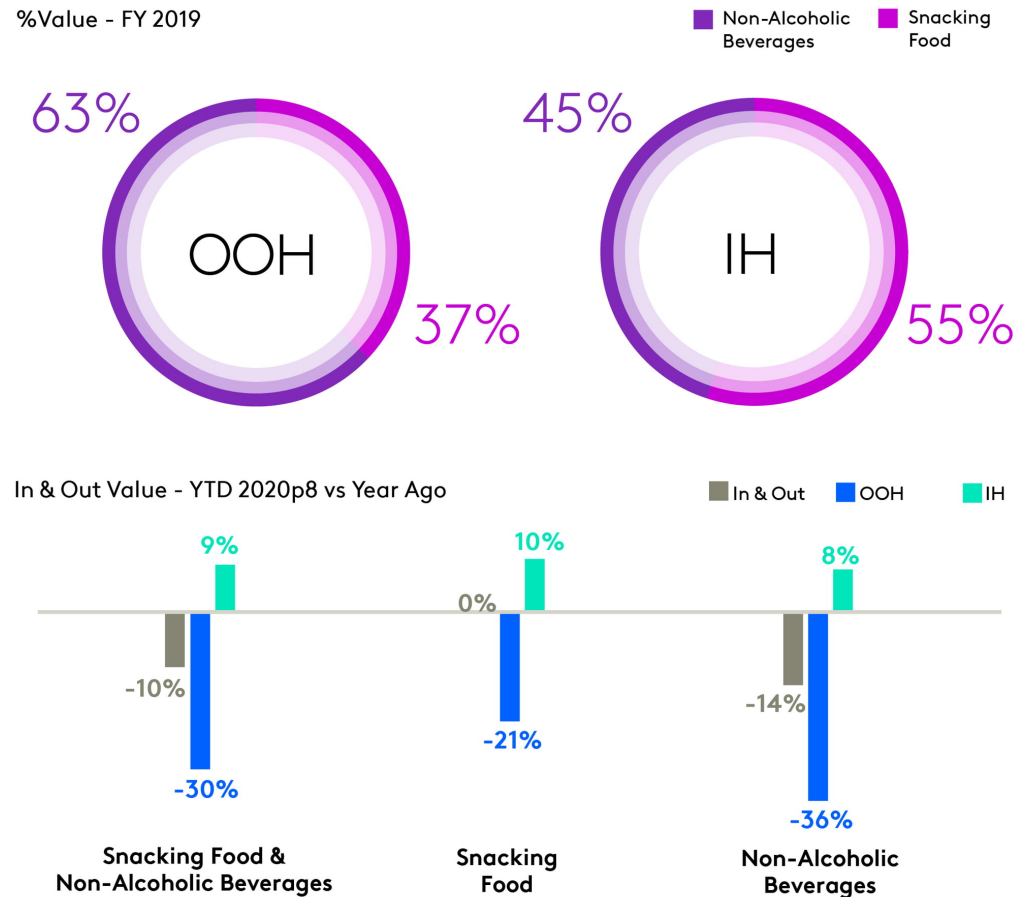
Mexico Snacks and Non-Alcoholic Beverages
YTD August 2020 vs. Year Ago
Spend per HH



Drinks have been harder hit than snacks

Exploring the split between Snacking products and Non-Alcoholic Beverages provides us with a vital lens through which to understand OOH performance. In 2019, Beverages accounted for 63% of OOH spend. More reliant than Snacking on OOH sales, it is this part of the OOH landscape which has declined fastest, with a year-on-year drop in value of 36%, compared with 21% for Snacking.

This means that Beverages accounted for 75% of the total decline in OOH spend.



Source: Kantar, Purchase Panels

Comparatively, Snacking also saw faster In-Home growth and as a result total value sales remained flat in 2020.

As well as being more reliant on OOH sales, Beverages also declined at over 60% in March (vs 40% for Snacking) and has since been much slower to recover. By August, Beverages was still seeing a monthly decline of 45%, while the Snacking decline halved to 22%.

We can see clear evidence that Beverages will continue to decline in value, even if all OOH occasions switch to In-Home.

In Spain, for example, the category is much more reliant on the Horeca (hotels, restaurants, cafés) channel, with 82% of OOH spend coming from here, versus 55% for Snacking. This has a direct impact on the cost per occasion – with the gap between OOH and In-Home being +1€ for Beverages and half that (+0.50€) for Snacking.

Digging deeper into these numbers, the average Beverages cost per occasion is 1.20€ OOH vs 0.20€ In-Home, meaning that a shopper needs to enjoy a drink six times in their home to contribute as much in value terms as buying one drink outside their home.

For Snacking, the average cost per occasion is 1.10€ OOH vs 0.55€ In-Home, meaning consumers only need to snack twice as often at home, a frequency **that was easily reached during lockdown,** which triggered six more at-home meal occasions each week, with snacking moments seeing the biggest uplift at home (+50%).



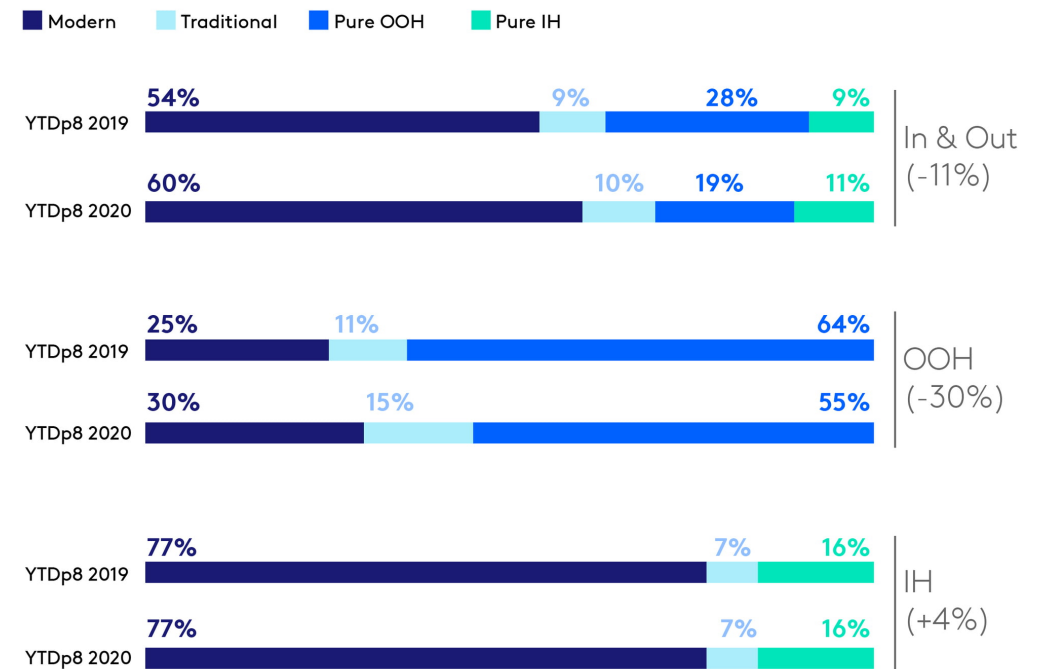
The channel view

There are four key channels within the OOH market: Modern trade (Hypermarkets, Supermarkets and Convenience stores), Traditional trade, and two which are pure OOH – Horeca and Impulse (vending machines, street vendors, gas stations). These pure OOH channels represent 69% of OOH spend, but 81% of the decline, equating to a \$13 billion fall in spending.

This disproportionate fall has led to Modern trade winning five value share points from the other channels, moving from 25% of the market in 2019 to 30% in the year to date.

Big, sustained shifts within the channel landscape are not a trend within every market: only the Chinese Mainland and the UK experienced drastic change. At the other end of the spectrum, while there was a substantial drop in OOH sales in France, Spain and Portugal there was only a low level of channel change as spending started to recover. Pre-COVID OOH habits prevailed in these countries, with shoppers returning to the same channels they used before the pandemic.

Snacks & Non-Alcoholic Beverages - %value sales by channel



Source: Kantar, Purchase Panels

The changing shape of OOH

As stated on the previous page, the UK has seen significant changes take place within its channel structure during the pandemic, in particular the Horeca channel. Value sales within Coffee Shops – the market's leading sub-channel – almost halved during the first months of lockdown, but bounced back to pre-pandemic levels as OOH recovered.

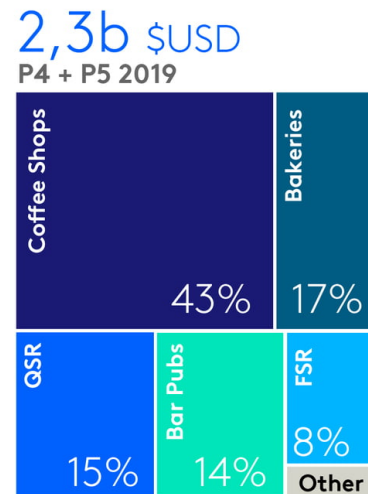
The next biggest sub-channels – Quick Service Restaurants and Bakeries – were the biggest winners, growing their sales during April and May. These continued to do well in July and early August, even as people returned to their favourite coffee shops. Bars, Pubs and Full-Service Restaurants have suffered most during both lockdown and recovery, with year-on-year spend still 40% lower in July and August.

The Modern Trade channel has seen a change in terms of the products people are purchasing to consume Out-of-Home. This has been driven by a significant drop in OOH penetration, from close to 15% per month to 5%, amongst buyers visiting the workplace or education establishments.

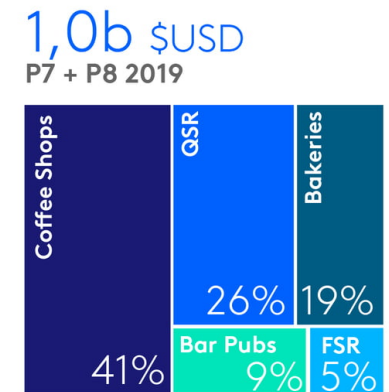
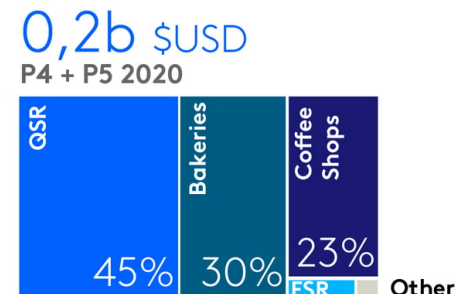
This has directly impacted the shape of OOH within Modern Trade, which relied heavily on workers and students purchasing food and drink to consume during the day. The result has been a fall in share of Hot Drinks and Meals, and a rise in Cold Drinks and

Snacks. Retailers within this channel need to adapt their product range to respond to the increased importance of this type of OOH occasion.

Snacks & Non-Alcoholic Beverages – %OOH UK value sales in Horeca



Source: Kantar, UK OOH Purchase Panel
QSR = Quick Service Restaurants - FSR = Full Service Restaurants



Three possible scenarios for the remainder of 2020

We have quantified three potential scenarios for each market.

Three possible scenarios for the remainder of 2020

What does the rest of 2020 have in store? We have quantified three different potential scenarios, based on the OOH performance we've seen in the year to date.

1. The OOH market will rebound

– with value sales returning to the same level as 2019 for the remaining months of 2020.

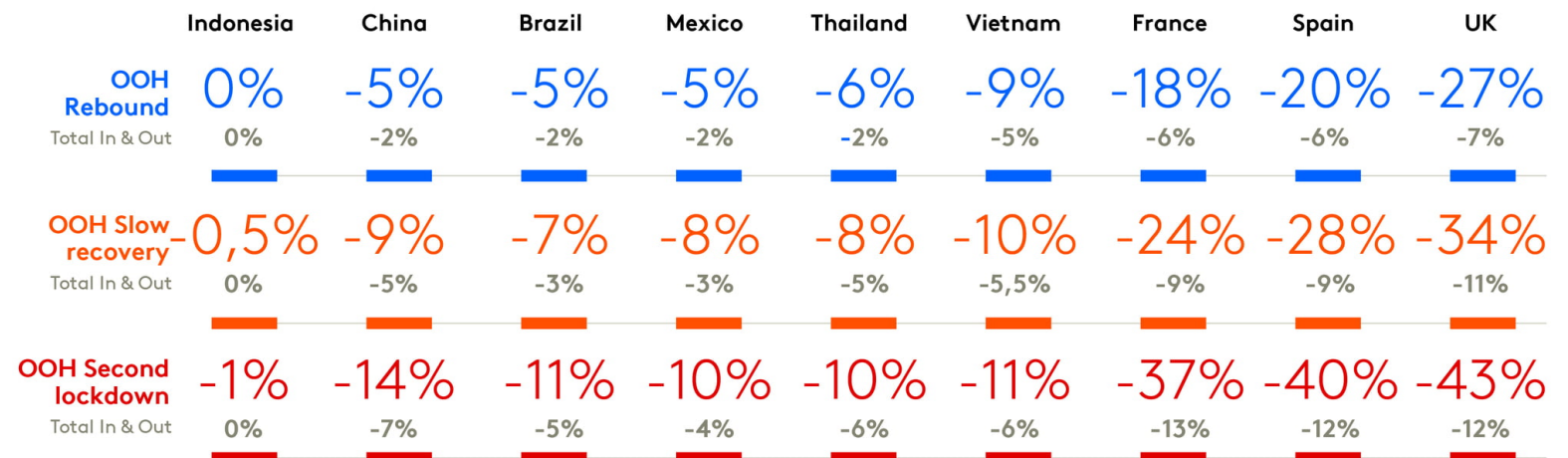
2. The OOH market will recover slowly

– with the performance we've witnessed during July and August replicated across the remaining months of 2020 .

3. The OOH market will be negatively impacted by further lockdown restrictions – based on the possibility of a second lockdown slowing the pace of recovery for the remainder of 2020.



Covid-19 impact on OOH has already compromised total spend of 2020



Source: Kantar, Purchase Panels

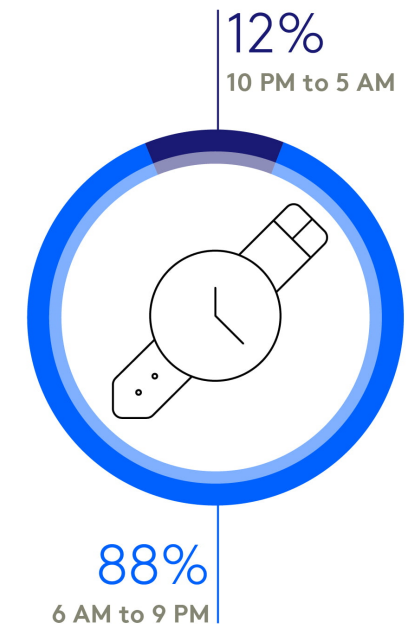


The damage is already done

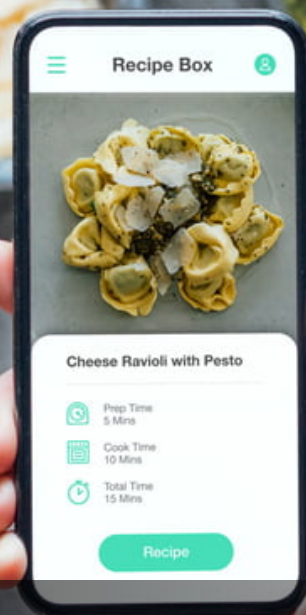
Even if OOH rebounds, an overall year-on-year decline in combined spend with In-Home is already forecast for all markets except for Indonesia. At the time of writing Europe is currently experiencing a second COVID-19 outbreak, with increased restrictions already in place, so the most likely scenario is the third one.

In the UK, even before the November lockdown, all establishments had to close by 10 pm. The potential impact of this was a reduction in OOH spend of approximately 12% per day. But with the full lockdown now in place, it is even more likely that OOH will see at least 40% decline by the end of 2020 in the UK. The question will be what closing time restrictions will be implemented as restrictions begin to ease to help claw back some of this lost spend.

UK OOH value by time of day



Source: Kantar, UK OOH Purchase Panel



Home Meal Delivery: the saviour of OOH?

If we look beyond Snacking and Non-Alcoholic Beverages to include Meals, we can see evidence that Home Meal Delivery is helping to combat the OOH decline.

Home Meal Delivery: the saviour of OOH?

If we look beyond Snacking and Non-Alcoholic Beverages to include data on Meals, we can see evidence that Home Meal Delivery is helping to combat the OOH decline. Within this expanded scope, Main Meals (lunch and dinner) – both delivered and purchased OOH – account for more than two-thirds of total OOH spend in France, Spain and the UK.

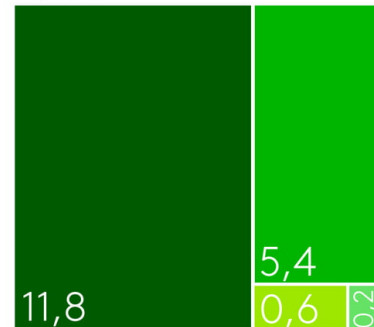
Total In & Out Value (Snacking Food + Non-Alcoholic Beverages + Meals) – UK

■ TH: Take Home purchases ■ OOH: On premise Out-of-Home purchases ■ TA: Take away ■ MD: Meal delivery

17,2b \$USD

Av. 4 weeks

FY2019



15,6b \$USD

Av. 4 weeks

P4 + P5 2020



16,3b \$USD

Av. 4 weeks

P7 + P8 2020



Source: Kantar, UK OOH Purchase Panel



The data shows that the rapid expansion of Home Meal Delivery during COVID-19 lockdowns reduced the negative impact on combined In-Home and OOH spend.

In the UK, for example, total spend only declined 9% in April and May, despite OOH seeing a 76% year-on-year decline. Home Meal Delivery value sales quadrupled in April through to August, predominantly driven by a three-fold increase in shoppers, rather than a rise in consumption. Early signs indicate that this is a habit that will stick, as the level of Home Meal Delivery spend remained consistent even as restrictions eased and OOH spending started to recover.



Local lens

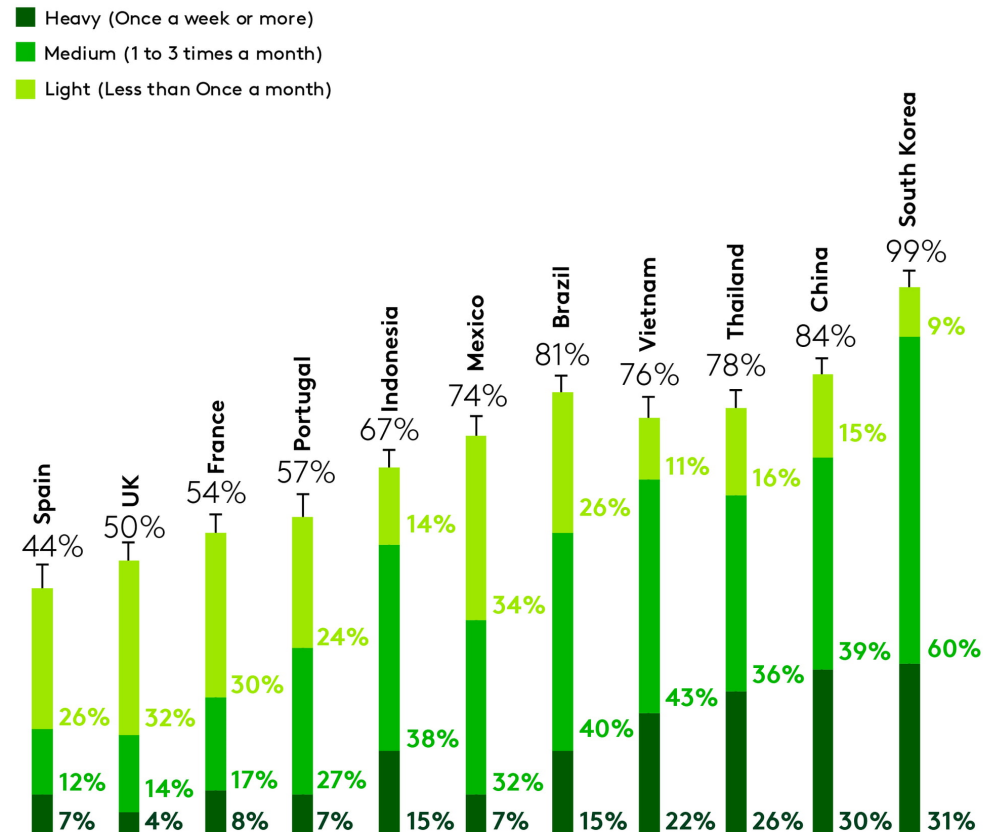
In Spain, the rapid growth of Home Meal Delivery brought benefits to all types of restaurant that use this type of service to reach consumers. Organised Horeca (quick service restaurants and chains), which has a 35% share of total Home Meal Delivery spend, grew value sales by 170%. Independent Horeca (traditional non-chain bars and restaurants), with a 42% share, grew by 200%. Food-to-go Stores (those selling hot dishes such as roast chicken), which have a 21% share, grew 330%.

Room to grow in penetration and frequency

With the strong growth of Home Meal Delivery in Europe driven by increased penetration, progress looks set to continue as there are still plenty of shoppers available to convert. Across Brazil, Mexico and Asia the penetration level is generally above 70%, highlighting the opportunities that exist for Europe.

In most Asian markets, Home Meal Delivery is used once a week or more by 20% of people. This shows the growth potential that lies in other markets where there's room to increase frequency of use.

Penetration of Home Meal Delivery



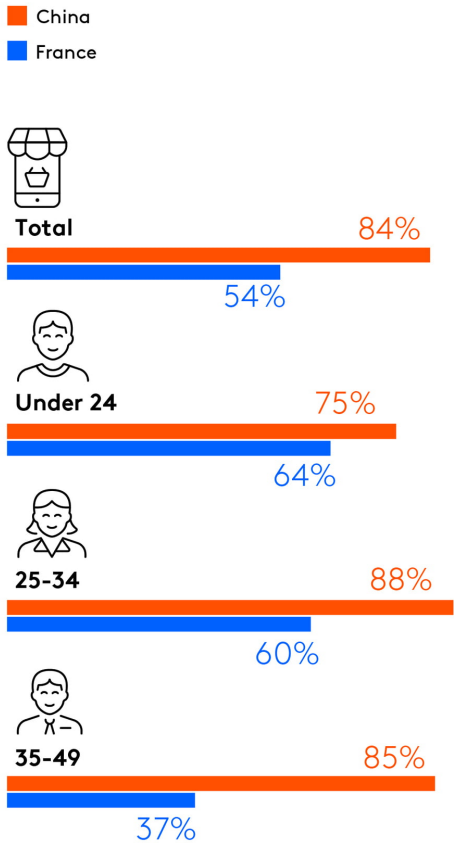
Source: Kantar, Urban Thailand + Spain (Madrid & Barcelona) France (Paris), UK (London), Portugal (Lisbon), Mexico (CDMX), Brazil (GSP), China (Key), Vietnam (HCMC)

Fieldwork: April to June 2020; panel data UK & Spain to MATq2 2020



If we look at penetration by age in established markets versus developing markets, we see a contrasting picture. In China, Home Meal Delivery has a very balanced penetration across all ages, whereas in France it is clearly favoured by the under 24s, where penetration is 27% points higher than that of the over 35s. This gives markets where the service is less mature a clear indication of which segments should be targeted in order to drive further growth.

% Yearly Penetration
(Urban only, under 49 yo)
Home Meal Delivery



Source: Kantar, Meal Delivery Questionnaire to OOH Panels
Fieldwork: April to June 2020



Is enjoyment or convenience the key driver?

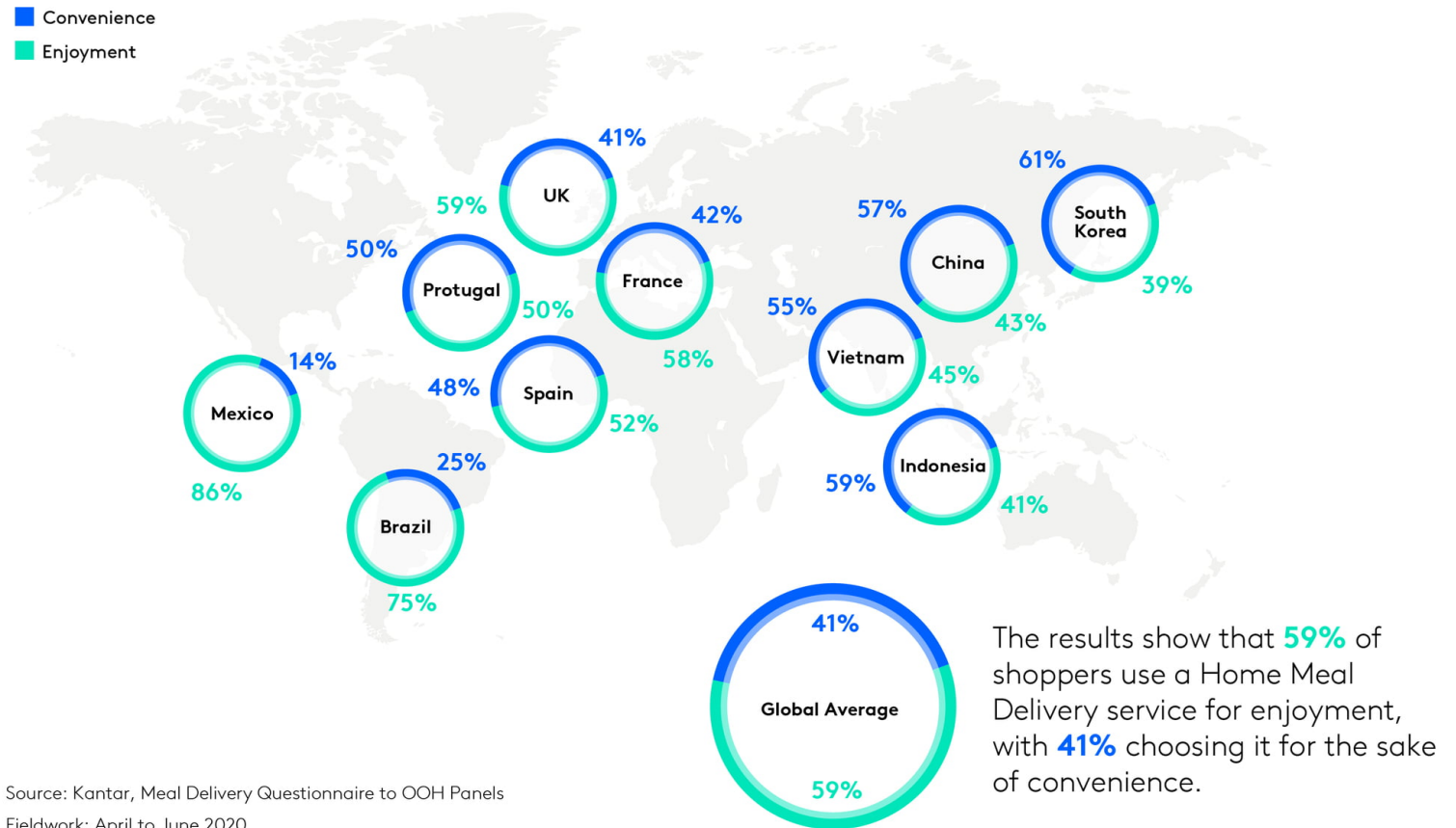
To understand people's key motivators for ordering Home Meal Delivery, we asked 'What were the reasons for ordering meals at home before coronavirus?' with the answers given grouped under 'enjoyment' or 'convenience'.

The responses we classified as being about enjoyment included: 'To try something new', 'I deserved a treat or reward' or 'It's a family routine (favourite moment)'.

On the other hand, 'Can't be bothered to cook', 'I order meals that I do not know how to cook', 'I didn't have enough food in my fridge' or 'Rather stay at home' were classed as driven by a desire for convenience.

What were the reasons for ordering meals at home (before Coronavirus)?
%responses

■ Convenience
■ Enjoyment



Source: Kantar, Meal Delivery Questionnaire to OOH Panels
Fieldwork: April to June 2020

The results show that **59%** of shoppers use a Home Meal Delivery service for enjoyment, with **41%** choosing it for the sake of convenience.

There's a clear distinction between Asia – where ordering meals for home delivery is already a well-established habit – and the rest of the world. In Asia, across all markets, at least 55% of people state convenience as their reason for using the service, which correlates with the higher penetration and frequency levels in the region.

Enjoyment as the driver is particularly high in Brazil (75%) and Mexico (86%). This is due to the relatively low proportion of heavy users, who order once a week or more: in Brazil most users only order once a month, while in Mexico this is even less frequent.

There's an opportunity to drive frequency of use in markets such as

these by motivating consumers to use Home Meal Delivery during the week. Currently only 33% of occasions take place on weekdays in Mexico, compared to 50% in the UK.

Delivery platforms can drive an increase in mid-week consumption by using information on what consumers prefer to eat, and when, to shape their marketing communications.

Looking more closely at what Mexican consumers order, for example, the food that tops the list is Pizza, followed by Burgers, Tacos and Fried Chicken. When we consider what they eat at home for lunch, however – whether it's been prepared at home or not – Soups, Rice and Beans are the foods of choice.



How do you feel about meal delivery right now, because of COVID-19?

When we asked this question, across all markets, more than 60% of shoppers said that Home Meal Delivery will never replace going out to a restaurant, despite the convenience. This suggests that some of the short-term growth achieved during lockdown will be at risk, once going out to restaurants becomes routine once again. However, it can also be seen as further confirmation that Home Meal Delivery is seen as a different occasion to going out to eat, and that the habit is here to stay.



The rise of Food Tech

To understand the development of Home Meal Delivery globally, we need to look closely at how people place their orders.

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In Asia, the prominence of third party aggregators that serve both organised and independent restaurants – is clear, with at least 80% of consumers using this format. In Latam and Europe the percentage of people using third party aggregators is half what it is in Asia. Consumers in France, Mexico, Brazil and Portugal still prefer to order by phone, while restaurants' own websites or apps have the highest penetration in Spain and the UK.

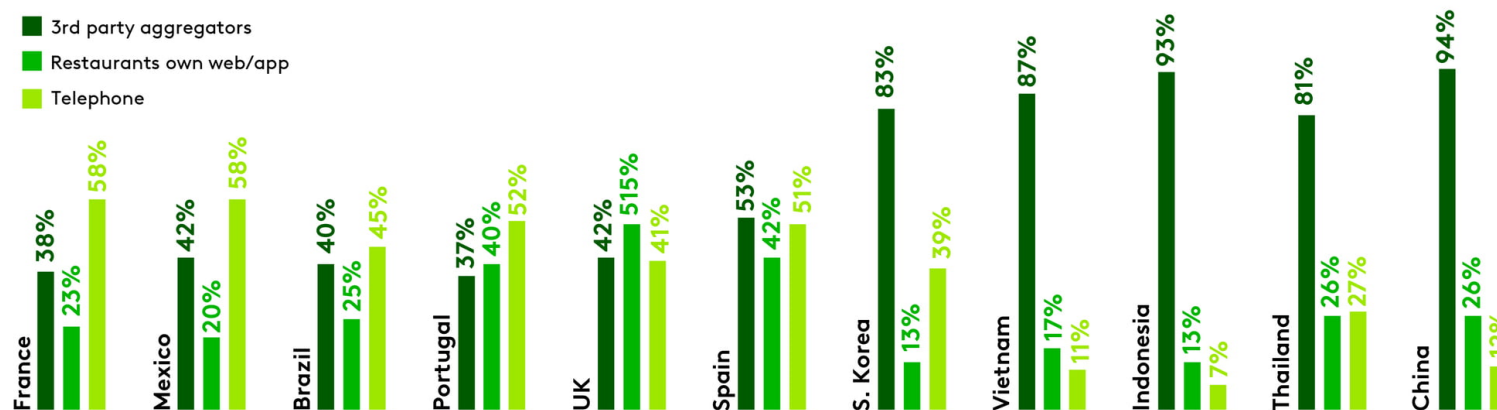
This gap illustrates how much potential exists for this type of Food Tech, and indicates that it may well prove to be the key driver that will turn light Home Meal Delivery users into heavy ones.

Local lens

In Vietnam, the main reason for the popularity of Food Tech is low price and good value. People appreciate the promotions and free or discounted delivery offered by platforms, and believe them to be cheaper than going directly to the food provider. Lessons can be learnt from Vietnam in how to drive frequency of use by leveraging value. This will be key in the next six to 12 months as recessionary pressures impact household expenditure.

% Buyers of Meal Delivery

■ 3rd party aggregators
■ Restaurants own web/app
■ Telephone



Source: Kantar, Urban Thailand + Spain (Madrid & Barcelona) France (Paris), UK (London), Portugal (Lisbon), Mexico (CDMX), Brazil (GSP), China (Key), Vietnam (HCMC)
Fieldwork: April to June 2020; panel data UK & Spain to MATq2 2020

The Beverages delivery opportunity

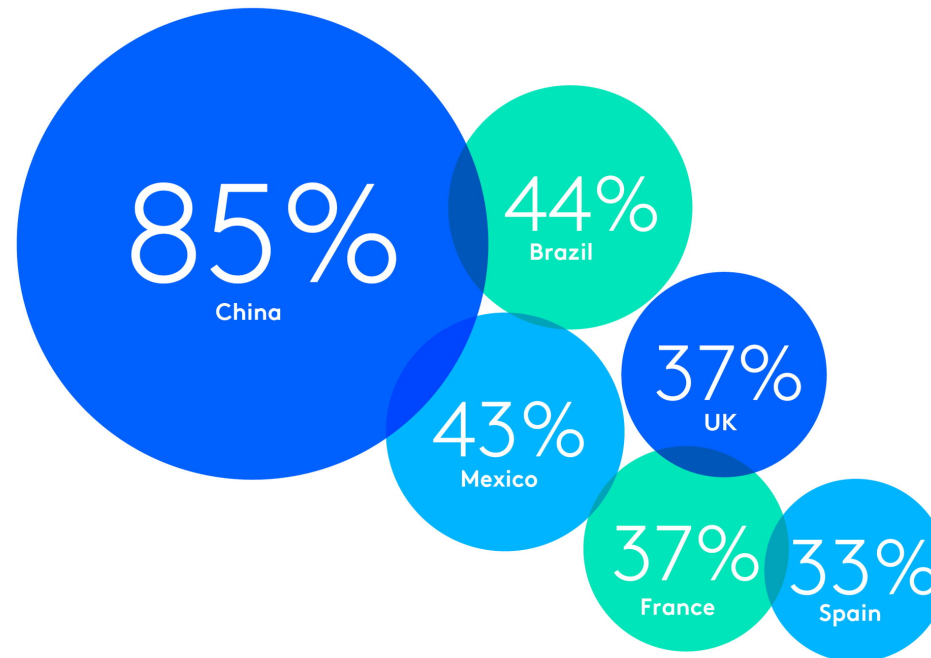
When looking at how many meal deliveries also included a non-alcoholic beverage, we unearthed a huge cross-purchase opportunity for this sector. Looking at Mainland China, where Home Meal Delivery is most established, 85% of buyers also ordered a drink with their meal.

Across most other markets, however, the proportion of buyers ordering meals without a drink was over 50%, highlighting an opportunity for delivery platforms and food providers to upgrade meals.

There is also an opportunity to drive Beverages-only delivery, which is particularly popular in Vietnam. Companies that are already well-established in this area, such as Phuc

Long, have invested heavily in growing the use of their service through an array of offers such as free delivery, free upsizing ad loyalty schemes.

% Meal Delivery buyers that also order non-alcoholic beverages



MX, CN: fieldwork April to June 2020 + ES, FR, UK, BR: OOH panel MATq2 2020





The continued importance of Out-of-Home

Prior to the events of 2020 the importance of OOH was clear. But abrupt changes in channel structure caused by COVID-19 has brought new habits for consumers and competitive scenarios for manufacturers.

The continued importance of Out-of-Home

Prior to the events of 2020 the importance of OOH to the snacking and non-alcoholic beverages sector was clear. It accounted for 44% of value sales in the sector, as well as helping to drive total OOH value, with growth consistently above that of purchases for In-Home consumption.

But, as we have shown, OOH value has been hit hard due to restrictions over the course of 2020, with spend down 30%. Combined with In-Home spending, the total value of these sectors has decreased 11%, representing a loss of \$13 billion. And with some markets returning to lockdown, we forecast that total In-Home and OOH sales for 2020 will decline between 2% and 7%.

Given how vital OOH spending is, it is imperative that the industry works to minimise the impact of further decline by revisiting range and channel strategies. With Beverages the part of OOH that's suffering the most, we see two different ways to drive value back into this sector:

1. Ensure the habit & driving new OOH occasions – one example of this is Pret a Manger's new subscription service, which for a set fee offers consumers unlimited coffee. This will drive subscribers back into store, having a positive impact on the rest of its offerings.

2. Winning share of In-Home occasion and driving value – Starbucks launched coffee pods at the end of 2019, which are widely available across retailers, with the

hope of keeping the brand top-of-mind whether In-Home or OOH.





'Ordering in' is the new Out-of-Home opportunity

The silver lining for the whole sector has been the continued rapid expansion of Home Meal Delivery, offering consumers the possibility of replicating an OOH experience in the home. This had a positive impact in the UK, for example, where total food and drink spend (including main meals) only declined 9%, despite a 75% fall in OOH value sales in April and May.

Home Meal Delivery and the use of Food Tech will keep growing fast -

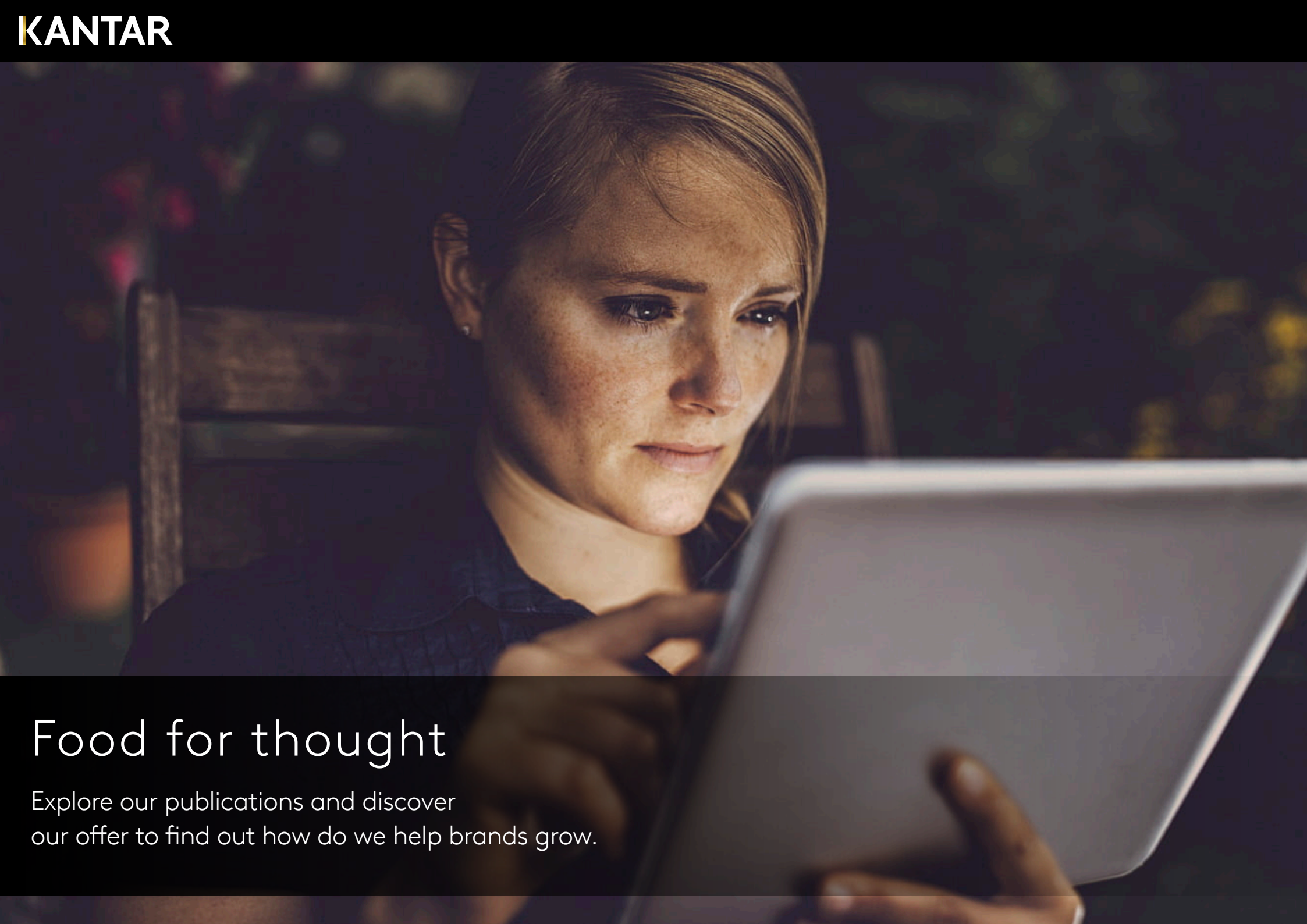
and with the development of these services at different stages around the world, the optimal solution to growth will vary between continuing to drive penetration, drive frequency, or to drive value.

In Europe, where it is very much in its infancy, there are many

shoppers still to go after. Home Meal Delivery will be increasingly seen as a direct competitor to retailers, as 'ordering in' becomes a direct replacement for cooking at home on a regular basis. In Mexico and Brazil, where enjoyment is the reason most current customers use the service, turning light users into more regular ones by targeting more occasions during the week is the obvious growth opportunity.

Bring it home beyond meals -

consumers are looking to replicate other out-of-home experiences in-home. There is the opportunity to expand delivery from meals-only to include complementary elements such as desserts and drinks. As well as the opportunity of the 'drinks-only' delivery as seen in Vietnam.



Food for thought

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Food for thought



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**How COVID-19 is impacting
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