

Surviving Lockdown 3.0: An Operator Perspective

Whitepaper / February 2021

INTRODUCTION

What impact has/will Lockdown 3.0 have on the hospitality sector? How reliant are operators on government support? Can they survive if they have to remain closed until May?

The official end to Lockdown 3.0 is yet to be announced, with many predicting that it will remain in place until Spring. Even then, with the tiered system set to take its place on a national scale, it is likely that tight restrictions will remain in place and continue to restrict when hospitality operators can open their doors to the public. As a result, there is the potential that many operators will be forced to remain shut into early Summer. The uncertainty around how and when restrictions will be eased is challenging enough, but the thought of dine-in operators remaining closed until sometime in Summer will pose significant challenges.

In this whitepaper, we use insight from our weekly Hospitality Leaders Poll (run in partnership with MCA News, Big Hospitality and Morning Advertiser), which surveys board level operators running pubs, restaurants and food to go operations across the UK, together with data from the [Lumina Intelligence Eating & Drinking Out Panel](#) to highlight the potential impact of Lockdown 3.0 on hospitality operators. How reliant are operators on government support? Can they survive if they have to remain closed until May? And, upon reopening, what impact would even tighter restrictions have on operators?

Using this information, we are able to contextualise the new market that suppliers will be dealing with.

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The current reality for many operators

Government schemes are providing a lifeline to operators, with many having to take on additional borrowing. However, despite the challenges, many continue to invest in their businesses.

When asked about the possibility of an extended lockdown, eight in ten operators said that their survival was dependent on support from government schemes. The Lumina Intelligence Hospitality Leaders Poll also found that just 5% of operators would be able to survive without government support if the shutdown lasts until May. Unfortunately, 7% of operators said that they would not be able to survive, even with government support.

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Following the enforcement of the latest lockdown, the government announced that businesses in the retail, hospitality and leisure sectors will receive a one-off grant worth up to £9,000. Whilst this will come as welcome news, it will not get close to the revenue losses experienced over the festive period for the vast majority of operators – a view that seems to be echoed by business leaders, with only 13% indicating that the grant will significantly help. 76% said that it will provide some help, but 11% said that it would provide no help at all.

Over half of hospitality operators stated that they had already had to borrow money, with a further 16% saying that they will need to borrow money to survive. With 15% of operators unsure if they will need to borrow going forward, that leaves just 16% who believe that they will be able to survive without taking on additional borrowing.

It's clear then that due to the length of the pandemic (and continued uncertainty as to when they will be able to reopen), operators are becoming more reliant on government support and borrowing in order to survive. The next few months will be critical. If operators are forced to keep their dine-in operations closed until the summer, then it feels inevitable that we will see more casualties.

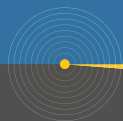
Despite the challenges faced, many hospitality operators are investing in their businesses in some way. One in six (16%) are investing at least £10,000, with 27% investing between £1,000 and £10,000 and 21% investing less than £1,000. Investment will be key to business growth, with key areas including outdoor space and digitalisation.

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In our [Lumina Intelligence UK Pub Market Report 2020](#) we highlighted key areas of investment that pub operators were focusing on in 2021. Outside space was the most popular investment area. Outdoor space is set to become increasingly important in 2021, particularly if the end of lockdown is followed by restrictions around group sizes and locations for meeting with others. Consumers will be keen to meet with friends and return to the hospitality industry - and operators must be ready.

79% of hospitality operators unable to survive until May without government support

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What would be the impact of further government restrictions?

Lockdown 3.0 has seen a ban on takeaway alcohol, with a further ban on collection altogether also being rumoured. What impact has this had on operators and how would tighter restrictions change things?

In contrast to previous restrictions, takeaway alcohol is banned during this current lockdown, following criticism that this was encouraging people to congregate outside venues. For brewers and pubs that are unable to offer delivery, this could leave them with excess stock that will go to waste. In fact, 15% of operators said that this change has significantly affected their business and a further 27% saying that it somewhat impacted them.

It is clear that the government is trying to limit the opportunities to bend the rules, but with alcohol easily accessible through the supermarkets, those that intend to break the rules and drink in public with friends are, arguably, still likely to do so. This poses the question – did the ban on takeaway alcohol have the desired impact? It certainly had a negative impact on operators since 84% of respondents to the Hospitality Leaders Poll said that delivery would not be a viable option for them, leaving them no choice but to close completely.

Recent data from [Lumina Intelligence's Eating & Drinking Out Panel](#) highlights the opportunity that click & collect and on-site purchases to take away offer to hospitality businesses in the UK. Throughout November and December 2020, click & collect accounted for 16% of all out of home food and drink order and on-site purchases to take away accounted for 56%.

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What does the future hold?

**When will Lockdown 3.0 come to an end? Will this coincide with the reopening of hospitality venues?
Will demand for foodservice delivery remain strong?**

Of course, this is the question that everyone wants the answer to and the reality is that it is incredibly hard to predict. With Lockdown 2.0 given a clear timeframe (November) and Lockdown 3.0 indicated to last 6 weeks, taking us to mid-February, with an initial expectation that we then would return to some iteration of the tier system. However, with the announcement that schools will not reopen until at least 9 March, there is an increasing expectation that this lockdown will drag on. This is echoed by operators, with 66% saying they do not believe that they will be able to open their dine-in operation before April and 21% are unsure.

In the meantime, it is key to understand how consumers have responded to the limited options currently available by looking at what has happened in previous lockdowns and identifying opportunities for operators and suppliers alike. The [Lumina Intelligence Eating & Drinking Out panel](#) now covers not only on-premise dining and food-to-go, but also takeaway and click & collect so we are perfectly placed to help you understand this – and to track what happens in terms of this channel balance on re-opening.

For instance, over a quarter of eating & drinking 'out' occasions (i.e. food sourced from outside the home) in November 2020 were delivery (ordered online or via phone and delivered). A further 16% were click & collect (orders placed online or via phone and collected from the venue). With an increasing acceptance of this channel in the grocery sector, it seems consumers are also open to using it for foodservice. This is good news for operators given it is significantly less complex than delivery and can offer better margins. The delivery aggregators are increasingly offering

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'pick up' as an option, which could increase awareness of the service – and the business – but will come at a fee for operators.

The remaining occasions reported in November were largely ordered and purchased on site, so for instance a hot drink purchased at a coffee shop and taken away, or a fast food meal ordered in store or via drive thru. In more 'normal' times, this would also include on-premise dining, but for most of the time period covered, this was not an option.

“16% of eating & drinking 'out' occasions in November were click & collect”

In line with the [Lumina Intelligence Foodservice Delivery Report 2019/20](#), the profile of the delivery consumer is younger, over-indexing strongly amongst consumers aged 18-44. Click & collect has a similar profile in terms of age, with a strong bias towards younger consumers, although it does have a slightly higher uptake amongst those aged 45+.

'Treating' was an important motivation for all three channels during lockdown 2, which makes sense given the limited activities available due to the restrictions. It was the number one motive for delivery, accounting for over a fifth of occasions, closely followed by 'didn't want to cook'.

The key difference between delivery and click & collect vs. foodservice purchased in venue was the presence of others, with spending time with a partner or family an important reason for those using delivery and click & collect. This is confirmed by the group composition, with 40% of occasions where food was purchased on site being consumed alone, vs. 20% for delivery and 28% for click & collect.

Drinks-only occasions remain a key opportunity for delivery as just 8% of occasions comprised only beverages, with the majority food-only (49%) and the

remainder featuring both food and drink. Conversely, almost 30% of occasions where items were purchased on site comprised only a drink.

“Drinks-only occasions remain a key opportunity for delivery”

Delivery has returned to the top of the menu – at least for the short term. Consumers are undoubtedly looking for modest treats to keep them going through another enforced lockdown. Delivery will continue to act as a lifeline for restricted channels and provide some much-needed variation for consumers stuck at home.

The UK is at a crossroads in its fight against the pandemic – the vaccine provides hope, but whilst the rate of infections and deaths remain high, murky waters lie ahead. This uncertainty will continue to wreak havoc across the supply chain, with wholesalers effectively guessing their way through demand planning and operators poised to reopen just as soon as they can.



Discover the difference Lumina Intelligence can make to your business

Get a full picture of out of home food & drink consumption in the UK. Understand consumer behaviour, trends, drivers of change and key perceptions across all UK eating and drinking out channels.

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