

Top of Mind Bitesize Report

July 2021



THE TRUSTED SOURCE FOR FOOD, DRINK AND NUTRITION MARKET INSIGHT SOLUTIONS

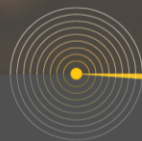
The experts in market and consumer insight across the food, drink and nutrition markets

Deep actionable insights, powered by the world's best analytics technology

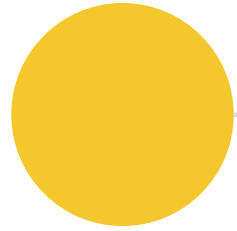
Every measure of consumer and shopper behaviour, from planning a shop to choosing where to eat or drink

Part of William Reed, providing inspiration, insight and connections to power the global food & drink industry

Lumina Intelligence is the new name and new solution from HIM and MCA Insight

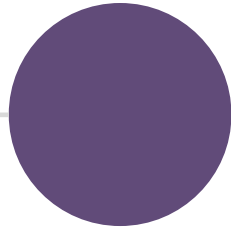


OUR CORONAVIRUS LABELLING



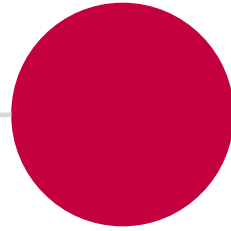
Pre Coronavirus

Pre-2020



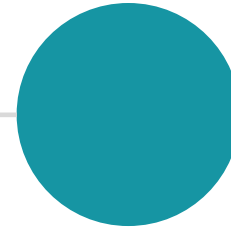
Pre Coronavirus Uncertainty

January-February 2020
At this time little had happened in the UK and Europe regarding the outbreak.



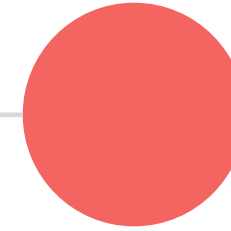
Peak Coronavirus Lockdown

Mar-May 2020 (I)
Nov 2020 (II)
Dec-Mar 2021 (III)
The height of the pandemic. Government intervention led to widespread home working, school closures and reduced public transport. Public encouraged to avoid non-essential travel and implement social distancing.



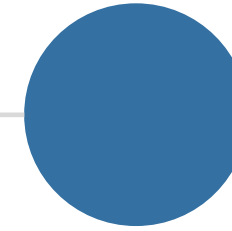
Post Lockdown

May-Nov 2020 (I)
Nov-Dec 2020 (II)
Apr 2021-present (III)
Intermittent periods of time directly following Lockdown I-III. This is predicted to be a minimum period of six months with continuing risk aversion mindsets.



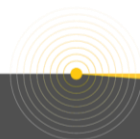
Recessionary Impact

Future (months)
Period when the UK feels the economic impact that the virus will leave. This period is set to be defined by cautionary consumer spending and notable operator causalities.



Market Recovery Adjusted Normality

Future (years)
Expected to be in around 3-5 years. The competitive landscape of the food and drink market will be very different, with Lumina Intelligence expecting some lasting legacies from both consumers and operators going forward.



Contents

Objectives & Methodology

Executive Summary

Trading environment

Market trends

Challenges and opportunities



OBJECTIVES

The **Lumina Intelligence Top of Mind Report – July 2021** provides business leaders with valuable insight into key market developments and the most critical business challenges and issues currently facing the UK Eating Out market and Grocery Retail market. With the aim to help validate and benchmark internal perspectives.

Key focus areas:

- **What** is the state of the current business climate?
- **How** are trading environments expected to develop in the next 12 months and what expectations are behind this?
- **What** are the key long term consumer trends impacting both markets?
- **What** initiatives are being prioritised within businesses?
- **What** are the main business challenges?
- **How** is Brexit impacting businesses?
- **What** will the lasting legacies of the coronavirus pandemic be?
- **Who** are the most admired brands?

Report key:

Slides vary from focusing on either the Grocery Retail or Eating Out market or both, use the below key to understand the slides focus:

Grocery Retail

Eating Out

METHODOLOGY

Top Of Mind Business leaders survey



- Lumina Intelligence Top of Mind business leaders survey is an online questionnaire targeted at industry professionals across the eating out and grocery retail markets, focused on understanding the current trading environment, challenges and growth opportunities.
- It is based on responses from c.60 leaders working in senior management positions.
- The survey was carried out from June-July 2021 and data has been compared to the last wave, collected in October 2020.

Supporting data sources

Lumina Intelligence Bespoke Survey

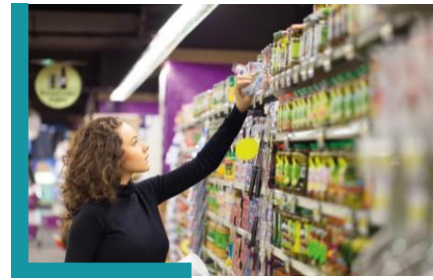


Lumina Intelligence's Bespoke Survey 2021 explored consumer attitudes around eating out

Nationally representative sample of 1,000 consumers

03-07 May 2021

Convenience Tracking Programme (CTP)



Lumina Intelligence's UK Convenience Tracking Panel (CTP) - Interviews with shoppers & non-shoppers at an annual sample size of 40,000+ weekly data collection in all major UK convenience groups. Continuous data captured online and in-store

2020-present

ODC Bespoke Survey



Lumina Intelligence's On Demand Convenience survey explored consumer attitudes to convenience delivery and digital solutions

Online study of 3,000 Nat rep UK adults, data collected

14-26 May 2020

EXECUTIVE SUMMARY

Staffing is a key challenge exacerbated by Brexit



- Pre-existing recruitment challenges - particularly in the hospitality market - have been worsened by Brexit with over half of surveyed professionals impacted by Brexit-related staff shortages. There is overwhelming demand for more EU workers.
- Over half of surveyed professionals named import/export administrative efforts - as well as supply chain difficulties as a result of Brexit - as having the biggest impacts on business. Across grocery and hospitality there is demand for a better informed government amid fears that decision makers are unaware of the nuances and implications of current agreements and processes.

Source: Lumina Intelligence, July 2021

The online opportunity will grow through delivery and DTC



- The coronavirus pandemic has seen an acceleration of digitalisation in businesses across grocery retail and hospitality with demand for home delivery the number one consumer trend.
- In grocery, a pandemic-driven shift to online has seen the emergence of new routes to market including direct to consumer (DTC) as well as an increased use of delivery services which the majority agree will be a permanent change.
- Delivery and digitalisation have been key for hospitality businesses in the past 18 months offering a crucial income stream as well as more efficient operations with managing costs a leading challenge.

Brands admired for adaptation to and alignment with consumer trends



- Realignment with current consumer needs has been an outcome of the pandemic for many businesses across grocery retail and hospitality, with sustainability and innovation being prioritised in the next 12 months.
- Established players; McDonald's, Pret A Manger, Coca-Cola and Tesco; are among admired brands with clear strategies centring around innovation and alignment with consumers despite notable headwinds.
- There is admiration for new players directly targeting consumer trends including reduced alcohol consumption (Lucky Saint) and ethical consumerism (Tony's Chocolonely).

Trading environment

Executive Summary

Trading environment

Market trends

Challenges and opportunities

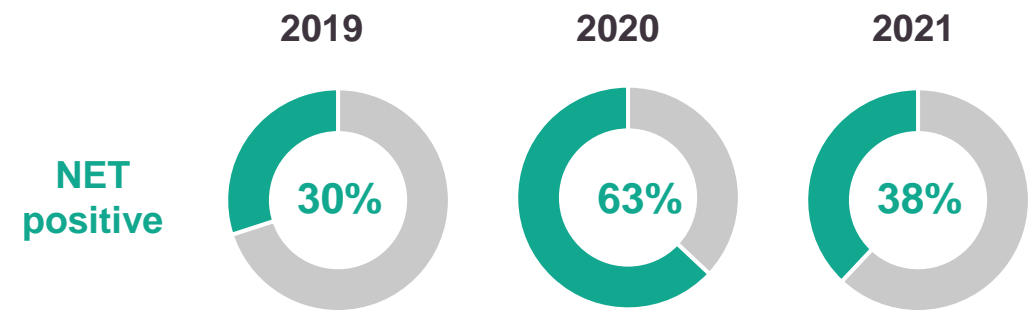
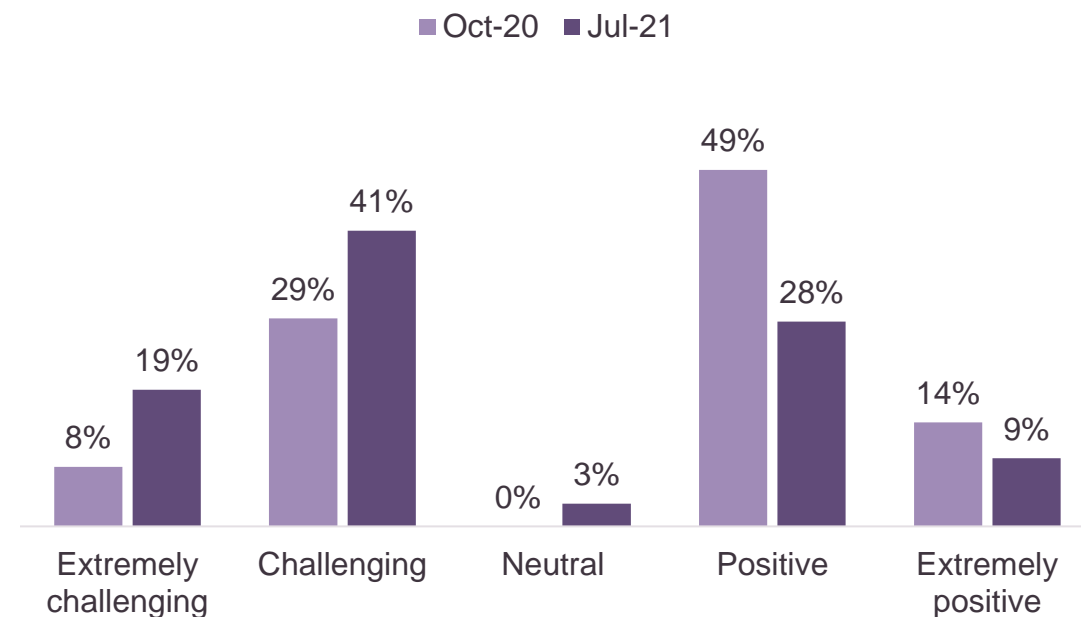
Appendix



POSITIVITY DOWNSWING IN THE GROCERY RETAIL MARKET

Positive sentiment led by a pandemic-induced trading boom has been short lived for the grocery retail market; with challenges around labour, supply chains and Brexit currently impacting the industry. Sentiment surrounding the current trading environment is largely negative, with three in five reporting the environment as either challenging or extremely challenging.

Q. How would you describe the current trading environment in the? – Grocery retail market

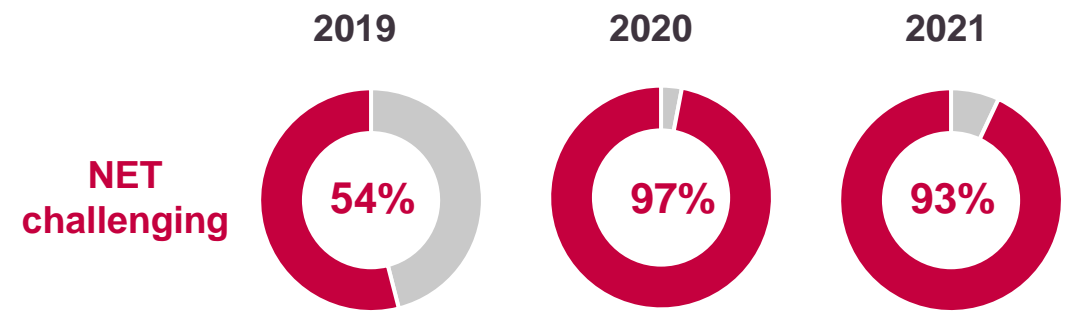
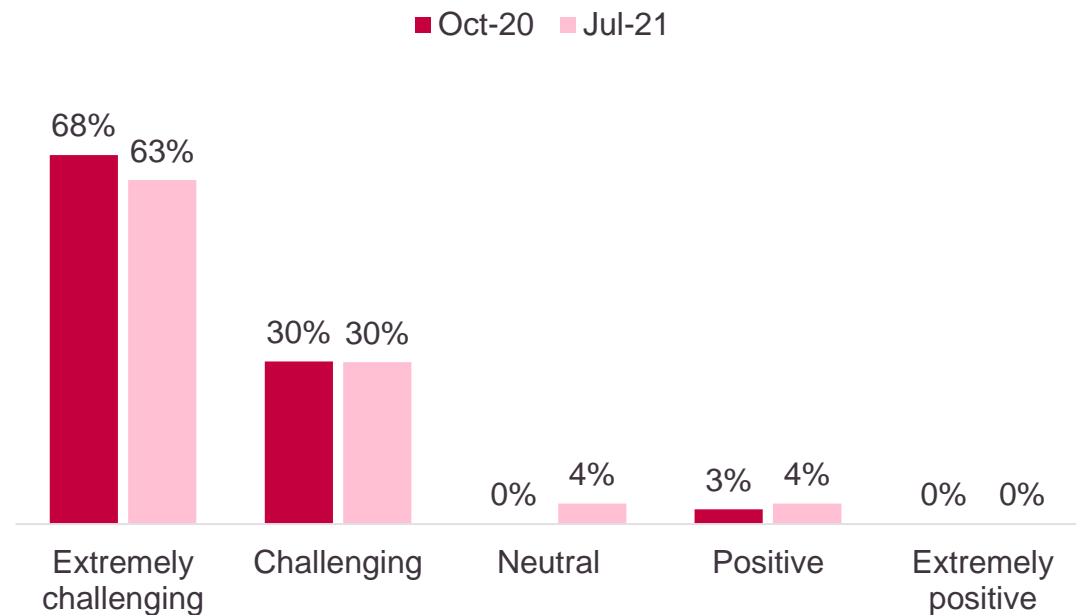


Source: Lumina Intelligence, July 2021

IMPACT OF EASED RESTRICTIONS YET TO BE FELT FOR HOSPITALITY

surveyed eating out market professionals have overwhelmingly reported extremely challenging trading conditions with the impact from all legal coronavirus restrictions being lifted yet to be observed. The government eased the remaining coronavirus restrictions on the 19 July, allowing hospitality venues to remove all social distancing practises, capacity limits, table service and mask wearing - if they so wish.

Q. How would you describe the current trading environment in the? – Eating out market



Source: Lumina Intelligence, July 2021

10

Market trends

Executive Summary

Trading environment

Market trends

Challenges and opportunities

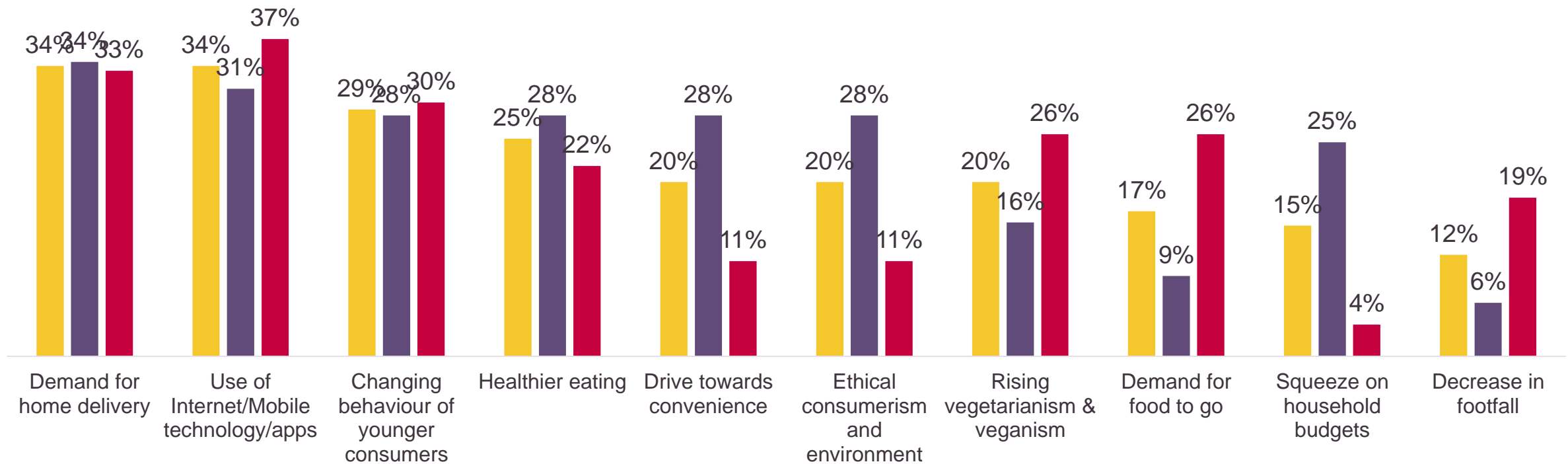


THE TOP 10 MOST IMPACTFUL LONG TERM CONSUMER TRENDS

Q: Which of the following are the most important long-term consumer trends affecting the [Eating Out / Grocery Retail Market]? Please choose at most 3 answers.

Key: Grocery Retail **Eating Out**

■ Total ■ Grocery Retail Market ■ Eating Out Market



Source: Lumina Intelligence, July 2021

12

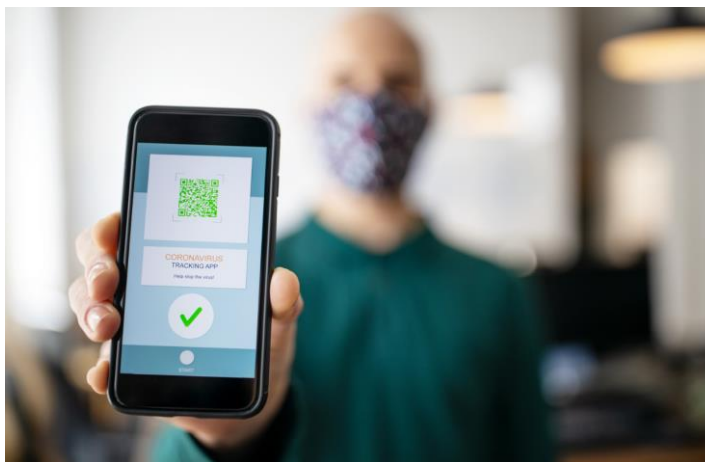
TOP 3 TRENDS CONSISTENT ACROSS GROCERY & HOSPITALITY

A shift in lifestyles has meant both the grocery and hospitality market is adjusting to consumer demand for more **delivery and tech-led solutions**. Surveyed grocery and eating out professionals listed same top three consumer trends impacting markets. Eating out professionals were more likely to consider technology as an important driver than grocery retail professionals with key demographics within key eating out channels including bars and restaurants more likely to be younger.



Demand for home delivery

34% 34%



Use of internet/mobile technology/apps

31% 37%



Changing behaviour of younger consumers

28% 30%

Q: Which of the following are the most important long-term consumer trends affecting the [Eating Out / Grocery Retail Market]? Please choose at most 3 answers.

Key: **Grocery Retail** **Eating Out**

Source: Lumina Intelligence, July 2021

OPERATOR REACTIONS TO DELIVERY & TECH USAGE

Grocery operators have expanded delivery services in partnership with third party aggregators including Appy Shop and Deliveroo.



Unitas Wholesale is opening up its partnership with rapid delivery provider, **Appy Shop**, to all its members and retailers.



Waitrose has announced it will create up to 4,000 new store roles to handle **Deliveroo** orders following a significant expansion of its partnership with the delivery platform.



Sainsbury's has extended its **Deliveroo** deal for another two years to deliver groceries from 100 of its stores. It has also extended with **Uber Eats** to cover the same number of stores.

Hospitality businesses have capitalised on the growth of foodservice delivery by developing virtual brands which operate through existing company kitchens as well as aggregator-owned dark kitchen units.



Punch Pubs is rolling out its virtual burger brand **Bull & Bird** across its estate. Developed in partnership with Deliveroo, the offering was first trialled in November 2020, and aimed to give local Punch pubs an income stream during lockdown.

Digital ordering and payment options have allowed hospitality operators to minimise contact between staff and consumers

Byron has ramped up its investment in new technology and is moving to a digitally led format. The brand is launching order and pay at table within the next month and has made a permanent switch from physical menus to QR codes.

SUSTAINABILITY AND INNOVATION ARE TOP PRIORITIES

Local living, food poverty, waste and shortage awareness has shined a light on sustainability in 2021. Particularly for eating out professionals, sustainability is being prioritised. Innovation is also set to be key in the next year with 89% of surveyed eating out professionals listing it as an initiative being prioritised.

Are any of these initiatives being prioritised in your business in the next 12 months?



Source: Lumina Intelligence, July 2021

15

Challenges and opportunities

Executive Summary

Trading environment

Market trends

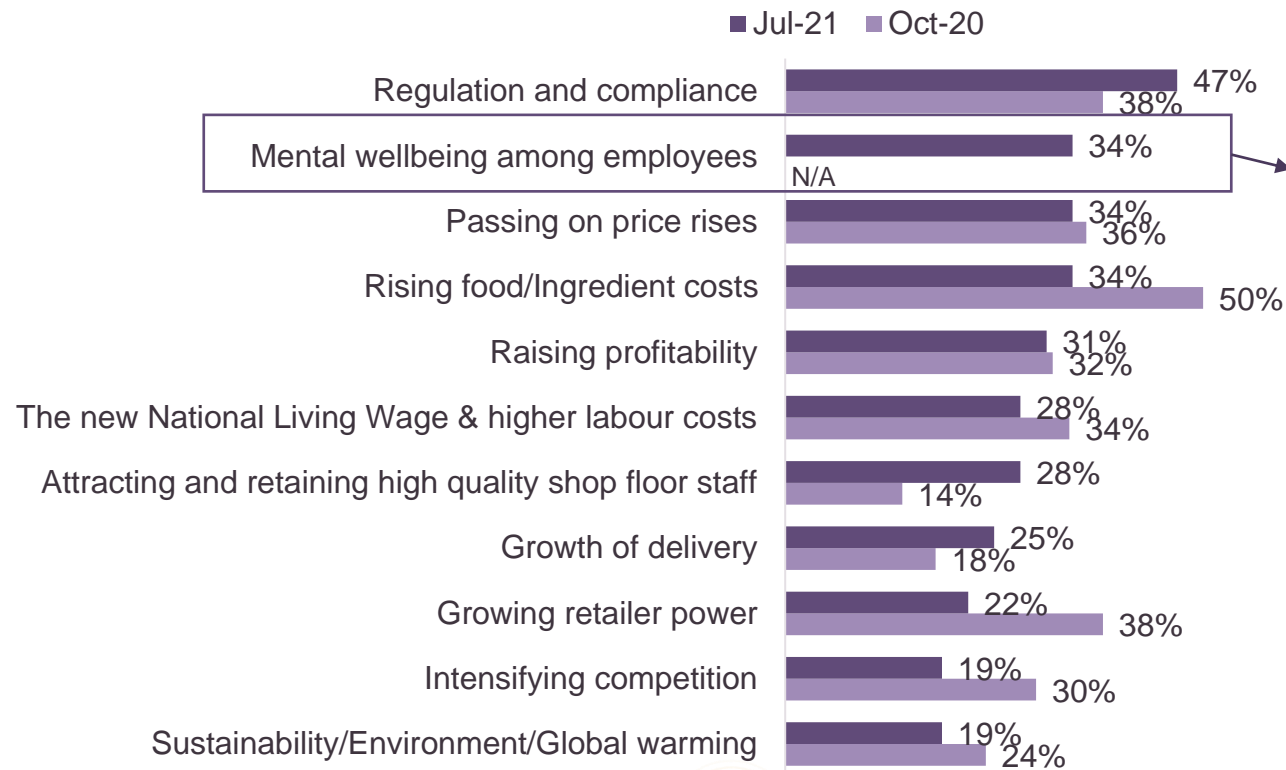
Challenges and opportunities



LEGISLATION & STAFFING GROW AS GROCERY CHALLENGES

Regulation and compliance has been selected as the most important current business challenge by surveyed grocery professionals, up from 2020. Attracting and retaining high quality shop floor staff has also seen growth as a challenge in the past year with coronavirus related absences and limitations on EU workers stretching a work force facing exceptional demand.

In your view, what are the most important business challenges facing your organisation currently? – Grocery retail market



- The grocery industry has been facing a formidable challenge around employee mental health amid the task of keeping the country's food supply on course throughout a pandemic.
- Several businesses have been shining a light on the importance of mental health awareness.
- **Aldi** partnered with **Mental Health UK** in May 2020 in order to enhance support for its 33,000 UK staff including practical tools and a wellness programme.
- In March 2021, Federation of Wholesale Distributor organisation, **Women in Wholesale**, teamed up with training organisation **Aiding Mental Health** to offer a cut-price mental health first aid course.



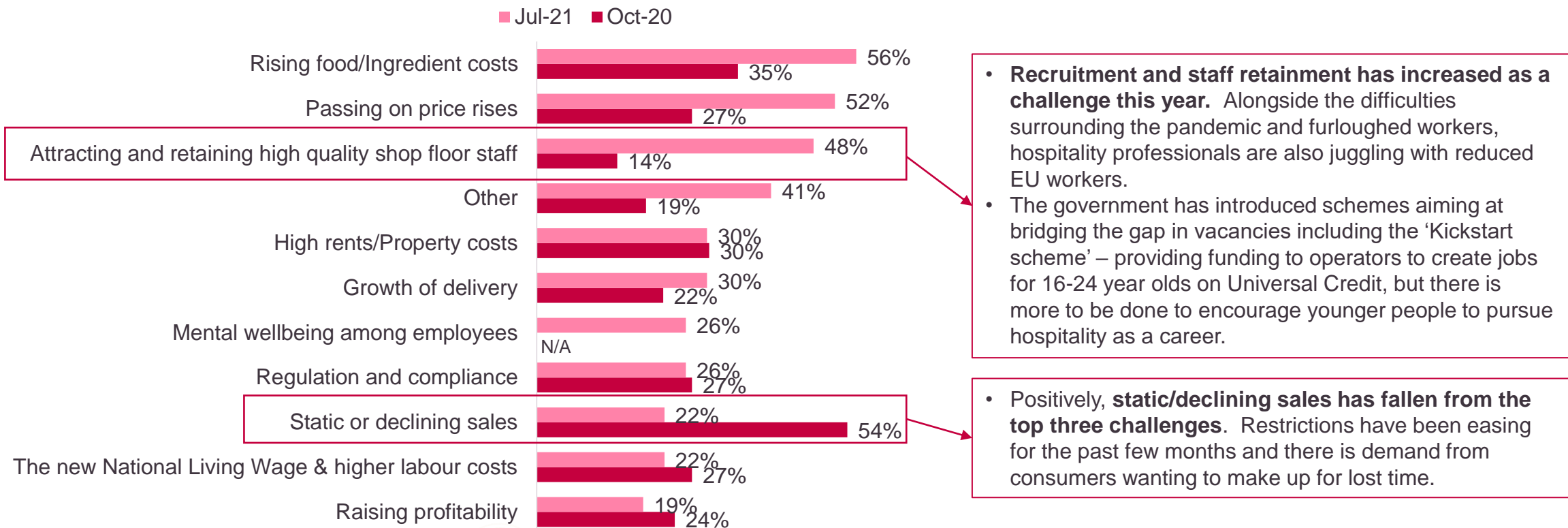
Source: Lumina Intelligence, July 2021

17

MANAGING COSTS THE LEADING CHALLENGE IN HOSPITALITY

Inflating food costs and passing on those increases are the most important challenges faced by surveyed eating out professionals. Disruption to production, labour and transport as a result of Brexit transitions and the pandemic will continue to impact food costs. B2C businesses will need to utilise menu engineering practises and streamline operations to manage costs and boost profitability.

In your view, what are the most important business challenges facing your organisation currently? – Eating out market



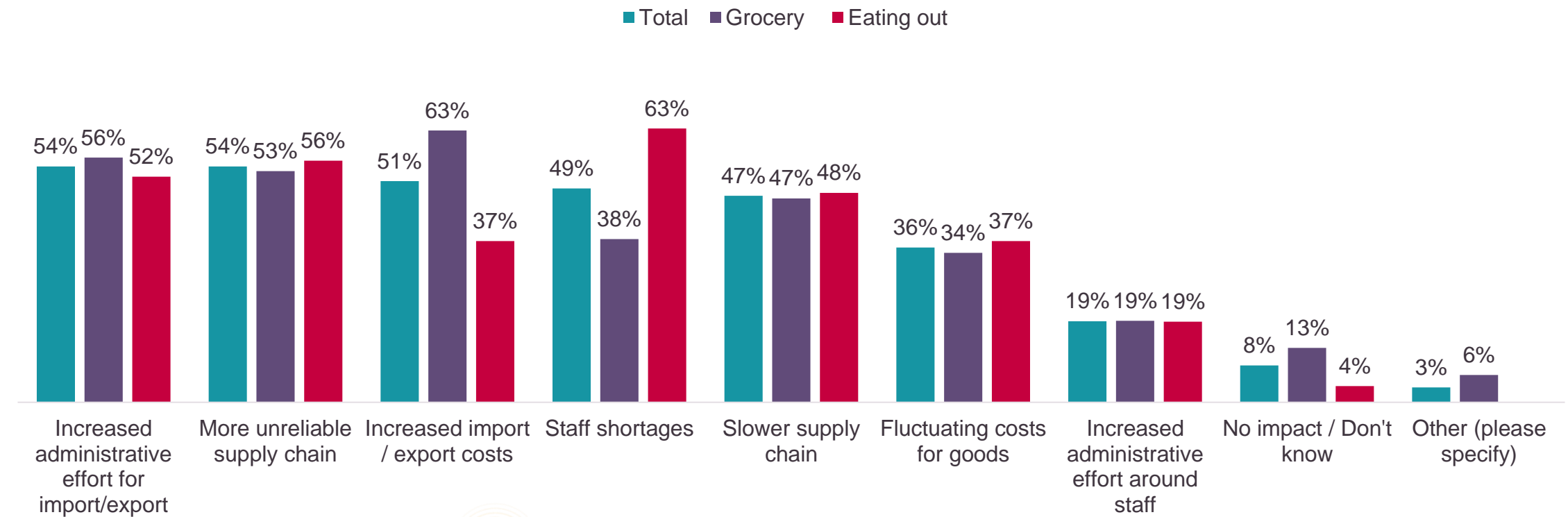
Source: Lumina Intelligence, July 2021

18

IMPORTS/EXPORTS AND STAFFING BIGGEST BREXIT IMPACTS

Over half of surveyed professionals named import/export administrative efforts as well as supply chain difficulties as a result of Brexit as having the biggest impacts on business. Staff shortages has been an impact felt more by hospitality leaders, applicable to almost two thirds of those surveyed. Almost two thirds of surveyed grocery retail professionals said that increased import/export costs have impacted their business.

What have been the biggest impacts on your business from Brexit, if any?



Source: Lumina Intelligence, July 2021

19

ONLINE IS THE FUTURE FOCUS FOR GROCERY RETAIL

Surveyed grocery retail professionals have expressed a pandemic-driven acceleration towards online processes throughout the supply chain including delivery direct to consumers.

What do you think will be the most significant legacy impact on your business following coronavirus?

Online Acceleration

Demand for online services and delivery in the grocery market has been a leading development of the pandemic. Demand for the service has forced businesses to make it a focus.

“The shift towards online shopping and its impact throughout the entire supply chain”

“Increase in delivered services”

“Our ability to be more agile in our response to customer and consumer demand”

“Acceleration to online and e-sellers as customers”

*Direct to consumer

Alternative RTM's

The DTC* RTM was a short-term fix for those struggling with the loss of hospitality custom. DTC is expected to out-live the pandemic with benefits around brand loyalty and costs.

“Increase in direct to consumer channel”

The online opportunity

88%

of surveyed grocery retail professionals **agree or strongly agree** that increased use of grocery delivery services will be a permanent change

Delivery shoppers buy and spend more on average in convenience*. Retailers can drive spend through offering bundle deals targeted at specific events and missions, such as Londis offering a customisable big night in deal for the Euros in June 2021.

Big Night In



Customise >

Euros Bundle



Customise >

Source: Lumina Intelligence, July 2021, *Lumina Intelligence Convenience Tracking Programme, July 2021

20

DIGITALISATION AND DELIVERY KEY FOR HOSPITALITY

The pandemic accelerated many hospitality businesses journeys into digitalisation and delivery and is expected to continue to be crucial in fostering organic sales growth.

What do you think will be the most significant legacy impact on your business following coronavirus?

Digitalisation

There has been considerable acceleration of digitalisation throughout businesses led by the need to boost efficiencies and prioritise consumer safety.

Delivery

The pandemic boosted delivery availability and uptake from both supply and demand sides. For many hospitality businesses delivery provided a crucial lifeline across the past 18 months.

“The need to diversify and use technology to greater effect”

“Delivery and convenience is here to stay, and we are well set up for it”

“Increased speed of digitisation”

“Rapid home delivery aggregator adoption by consumers”

“The way in which we have restructured to support the growth of new business and have become more digitally focussed (both internally and externally)”

The digital opportunity

52%

are more likely to go to a restaurant that has contactless ordering and payment options*

Digitalisation across businesses can boost efficiency, profitability and consumer spending when done effectively. Initiatives such as QR codes and digital menus are beneficial for managing costs around physical menus and can allow for operators to make adjustments to menus without the need for re-prints.



Source: Lumina Intelligence, July 2021 *Lumina Intelligence Bespoke Consumer Survey, January 2021

21

LATEST & UPCOMING LUMINA INTELLIGENCE INSIGHT

Here are some of our latest and upcoming reports and events which may be of interest – contact us to find out more

Lumina Intelligence UK Pub & Bar Market Report 2021



- The **Lumina Intelligence UK Pub & Bar Market Report 2021** to be launched in September 2021 is a comprehensive overview of the UK Pub & Bar market by value and outlets, key competitors and brands as well as recent consumer attitudes and behaviours in the sector.

Lumina Intelligence Q3 Food Strategy Forum



- The **Lumina Intelligence Food Strategy Forum Q3 Debrief** will take place virtually on 20 September 2021.
- Join us for detailed insight from the latest market and consumer updates as well as discussion from eating out market professionals.

Lumina Intelligence Menu & Food Trends Market Report 2021



- The **Lumina Intelligence Menu & Food Trends Market Report 2021** to be released in December 2021 is a deep dive into the latest consumer and lifestyle trends impacting operators across the eating out market.

Get in touch

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