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COVID-19 and the Impact on the Global Restaurant Industry

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The COVID-19 pandemic is having a dire impact on the global economy, and most economists are forecasting a global recession lasting well into 2021. As the economic losses mount, one of the hardest hit sectors within many countries is hospitality, including restaurants, bars and other foodservice establishments.

Technomic tracks 25 markets as part of its ongoing global restaurant research. As part of our continuous insights

provided for companies that have an interest in this industry, Technomic has developed a more thorough modeling that conveys the likely impact COVID-19 will have on this vital but vulnerable part of the global economy.

While acknowledging the clear and ongoing damage to the industry, it's also important to begin thinking about how the industry ultimately opens up and what a post-pandemic playbook looks like. What does the restaurant industry look like when this is over? How long will it take to recover? What steps are being taken now by international restaurant companies, and how likely are current initiatives to remain in place as the pandemic recedes?

The goal of this hot-topic analysis is to evaluate those potential changes and to help global suppliers, operators, distributors and others serving the industry to start developing strategies around the longer-term ramifications of the COVID-19 disaster. As always, Technomic will continue to update our thinking on the outlook for this industry as the situation evolves.

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Economic Contraction Through the End of the Year

Globally, the International Monetary Fund (IMF) is a trusted source for global economic forecasts and one that Technomic tends to use as the source to understand underlying economic trends that will impact restaurant spending and growth. In April 2020, the IMF released updated economic forecasts for major regions (and countries) around the globe. World output is expected to dip 3% this year in real terms after having grown by nearly 3% in 2019. IMF may make further revisions as the economic impact becomes clearer to the global economy.

Importantly, the IMF (and many other experts Technomic consults on economic matters) are currently forecasting that economic growth will return in 2021, although some of this growth may not occur until the second quarter of 2021 or even later in some markets.

Latest World Economic Outlook Growth Projections (Real GDP, Annual Percent Change, April 2020)

	2019	Projections 2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Restaurants Will Decline Precipitously in 2020

Based on its ongoing tracking within the key 25 markets, Technomic has modeled the outlook for full- and limited-service restaurant growth in each market. These figures represent the midpoint of a “middle course,” which takes into account both optimistic and pessimistic outlooks, and are based on all current industry reporting and research; recent announcements from restaurants, distributors and other entities; and government and economic forecasts for the remainder of 2020 (as noted above).

Overall, Technomic expects the global restaurant business to lose nearly USD \$600 billion in consumer spending (based on constant conversion rates) in 2020. This is a loss of 25%-30% of total restaurant sales compared to 2019 levels. Note that full-service restaurants (inclusive of bars and pubs for the purposes of this analysis) are expected to see a much more severe impact than the limited-service sector in most major foodservice markets across the globe. One likely impact is that major global chains may continue to take share from smaller, more local players and accelerate the “globalization” of the industry (particularly in the limited-service space).

While these figures should be considered midpoints, it’s important to note that these are a blending of “best case” and “worst case” scenarios. The situation remains very fluid, and Technomic continues to monitor each country and may revise should conditions change.

Global Restaurant Industry	2019 Sales (USD)	2020 Projected Loss*	2020 Loss in \$USD-M
Total	\$2,105B	-28%	-\$550-600 B
Limited Service	\$804B	-16%	-\$100-150 B
Full Service	\$1,300B	-35%	-\$425-475 B

Overview by Major Region (Among Markets Tracked by Technomic)

Market/ Region	2019 Sales (in USD)	Midpoint of Range Forecast for 2020	Estimated Lost of Sales (in USD)	Comments/Rationale
Asia	\$870B	-25%	-\$200B- \$225B	<ul style="list-style-type: none"> Many Asian economies addressed the COVID-19 issue earlier in 2020 and took hits in the first and second quarters Some flare-ups still occurring in certain Asian markets (e.g., Japan, Singapore, etc) but restaurants have performed better here than in other parts of the world
Latin America	\$153B	-40%	-\$60B-\$65B	<ul style="list-style-type: none"> A number of economies in Latin America were already struggling pre-COVID-19 and/or facing high inflation Tourism-dependent markets likely not to see rebound in 2020 Infrastructure and supply chain issues will be exacerbated by this crisis, leading to slower recovery Less government support offered in most markets than in North America and Europe
North America	\$678B	-22%	-\$140B- \$160B	<ul style="list-style-type: none"> U.S. generally more able to rely on drive-thru and off-premise sales Canada was shut down earlier than the U.S.; will likely reopen later than the U.S. Government aid has allowed many restaurants in North America to remain solvent, at least through June
Europe	\$341B	-40%	-\$130B- \$150B	<ul style="list-style-type: none"> Many European countries hit hard initially; led to complete shutdown of most restaurant activity All types of restaurants experienced less success in surviving through delivery only than in Asia or North America Tourism in the summer and into fall 2020 will likely be significantly lower, leading to further challenges even as the industry begins to reopen Government support is available in most markets through early summer
Middle East	\$28B	-28%	-\$7B-\$10B	<ul style="list-style-type: none"> Some impact to economies but less of a spike in overall COVID-19 cases Ramadan fell during April 2020; normally a slower time for restaurants and thus less of an impact
Australia	\$32B	-20%	-\$6B-\$8B	<ul style="list-style-type: none"> Earlier “flattening of the curve” and less severe restaurant closures have dampened the overall impact
South Africa	\$4B	-47%	-\$1B-\$2B	<ul style="list-style-type: none"> Enacted one of the world’s strictest lockdowns; looks to start easing restrictions but unemployment may near 40% in 2020. Some economic softness and slower growth had been expected even before COVID-19 impact

Note: Forecasts are midpoints of “best case” and “worst case” scenarios for each market
Source: Technomic, Inc.

How Are Restaurants Responding?

As noted, most restaurant industries in major markets around the globe are facing significant sales declines. Given that many markets remain closed to dine-in service, restaurants have had to get creative on promotions and menu innovation, as well as finding incremental revenue opportunities. In its ongoing monitoring of these markets, Technomic has identified a number of initiatives that have played out throughout the world.

Initiative	Examples
Delivery/Takeaway Innovation	<ul style="list-style-type: none"> • In Singapore, McDonald's partnered with a local taxi service to offer delivery • KFC has added custom catering and delivery in China • Leon offers home meal and grocery delivery in the U.K. • TGI Fridays rolled out its own in-house delivery service in Australia • Crepes & Waffles rolled out soups, sauces and pantry items for delivery in Colombia • Dodo Pizza is evaluating a collective delivery aggregation for other independent restaurants in Russia
Delivery-Only Kitchens	<ul style="list-style-type: none"> • BonChon is offering direct delivery from its central commissary in the Philippines • Denny's opened a delivery-only restaurant in Japan to serve as a hub for its other restaurants • Paul converted its central kitchen to a bread market in the U.K.
Meal/Grocery Kits	<ul style="list-style-type: none"> • McDonald's is offering "cook-it-yourself" frozen chicken products in the Philippines • Kyochon rolled out DIY kimchi fried rice kits for delivery in Malaysia • Burger King offers DIY Whoppers at Carrefour in France and also offers them in Japan • Shake Shack is offering DIY burger meal kits in Mexico • Coffee Club in Australia is offering "care kits" with bread and milk, along with coffee • Steak House offers meal kits with its Butcher Shoppe steak and burger boxes in Saudi Arabia
Grocery Items Offered in the Store	<ul style="list-style-type: none"> • McDonalds offers an Essentials program including milk and eggs in Australia • Punch Pubs is selling groceries and essentials in many of its pubs in the U.K. • Earls is offering groceries in its restaurants in Canada • Pizza Hut is selling raw steaks for at-home preparation in China • In Colombia, Tostao is stocking groceries from local retailers at its stores that have remained open • In India, Domino's Essentials program has partnered with ITC Foods to have groceries
Cooperation/Support With Other Types of Businesses	<ul style="list-style-type: none"> • Burger King is allowing other small businesses to put ads on its mobile ordering app in Russia • McDonalds and Aldi have an employee sharing program in Germany. The chain also offers free food safety and other courses to small businesses in Brazil • Tostao is sharing some of its employees with pharmacies in need of workers in Colombia
COVID-19-Related Promotions	<ul style="list-style-type: none"> • Big Apple Donuts has its own branded line of sanitizing wipes in Malaysia • Habib's in Brazil offers branded hand sanitizer packets with food purchases • In Malaysia, KFC has offered an interactive cookbook • McDonalds offers branded face masks in Indonesia • Wagamama has launched cooking classes to stay engaged with customers in the UAE • McDonalds is using a new slogan in China: "Because of Love, Do Your Best"

The Process of Reopening

It's clear that the global restaurant industry will see significant declines in sales in 2020. And, while Technomic has yet to conduct a longer-term outlook analysis, it will likely take years for restaurants to recover. However, there will be a recovery and Technomic has identified four phases that the industry will go through on its way to recovery. It's important that restaurant operators, suppliers, distributors and others are ready to understand and identify the markers that will indicate when each phase is set to begin. Technomic views the process of getting the industry back on track as one involving four phases, which we've described below as the "Four S" process of recovery. We believe this framework for analysis should be considered as a starting point for any company building a recovery plan for their business. This process will play out at a different pace in different markets, but we believe it is relevant for all who are involved in the global restaurant business:

	Phase 1. Survival (Containment and Minimization of Damage)	Phase 2. Start (Tiered Reopening)	Phase 3. Strengthen (Industry Recovery)	Phase 4. Surge (Investment and Growth)
Description of Phase	<ul style="list-style-type: none"> Containment and minimization of damage Continued enforcement of shelter in place throughout the country as COVID-19 cases plateau and begin to decline 	<ul style="list-style-type: none"> Restaurants allowed to reopen as part of broader economic opening Restaurant and hospitality likely to be toward the end of various industries that are cleared to open 	<ul style="list-style-type: none"> Total lifting of all physical distancing measures and a return to "normal" operations Most other industries also reopen and beginning to function normally 	<ul style="list-style-type: none"> Evaluation of damage done to industry and investment for growth
What the Industry Should Expect	<ul style="list-style-type: none"> Nonessential businesses remain closed. Likewise, education and travel/leisure segments closed as well, providing a near full lockdown in most markets (Asia has been a partial exception) Closures of operations that are marginally successful or that financially aren't able to maintain business Low consumer confidence Government programs in many markets to provide restaurants with financial support 	<ul style="list-style-type: none"> Slow return to normal operations; many restaurants required to limit dine-in capacity Some release of pent-up demand Likely physical distancing within restaurants and other establishments will limit both FOH and BOH opportunities Supply chain working with customers to identify products needed for opening Price orientation for most customers 	<ul style="list-style-type: none"> Consumer confidence returns to visiting restaurants Stabilization of declines and some return to growth (in certain segments) Stabilization of supply chain Customers begin some return to pre-pandemic behavior, including some return to travel for both business and leisure 	<ul style="list-style-type: none"> Move from mindset of "firefighting" to one of "rebuilding" Reorganize and restructure operations, supply chain to match new realities Need for diversification of business to create resilience in the face of new pandemic/outbreak New and potentially unforeseen consumer demands regarding service, product, etc.
Actions for the Industry to Take	<ul style="list-style-type: none"> Ensure safety of all workers and customers Continued focus on takeout and delivery options Menu streamlining and/or rationalization Evaluate other incremental revenue opportunities to create a bridge toward the next phase 	<ul style="list-style-type: none"> Reassurances to consumers on the safety of the restaurant industry Restaffing, including rehiring and retraining workers previously laid off or furloughed Ensure product availability in the supply chain required for opening Menu revitalization 	<ul style="list-style-type: none"> Promotion and outreach to customers to encourage pre-pandemic behavior Menu optimization Evaluate how emergencies actions can/should be incorporated into permanent business practices 	<ul style="list-style-type: none"> Obtain a more thorough understanding of current customer attitudes and behaviors—changes that have developed due to the pandemic and are likely to become permanent Menu reinvention

Source: Technomic, Inc.

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Country-Specific Outlook

	2019 Sales (USD)	Midpoint of Range Forecast for 2020	Estimated Lost of Sales (USD)
Argentina	\$6.1B	-36%	-\$2-\$3B
Australia	\$32.0B	-20%	-\$5-\$7B
Brazil	\$120.4B	-41%	-\$47-\$52B
Canada	\$50.6B	-26%	-\$10B-\$15B
Chile	\$5.0B	-35%	-\$1B-\$2B
China Hong Kong	\$15.0B	-24%	-\$3B-\$5B
China Mainland	\$431.5B	-23%	-\$95B-\$100B
Colombia	\$3.4B	-36%	-\$1B-\$2B
France	\$78.6B	-42%	-\$30B-\$35B
Germany	\$55.3B	-40%	-\$20B-\$25B
India	\$62.9B	-31%	-\$17B-\$22B
Indonesia	\$39.4B	-37%	-\$10B-\$15B
Japan	\$168.0B	-27%	-\$45B-\$50B
Malaysia	\$21.5B	-35%	-\$7B-\$10B
Mexico	\$18.0B	-34%	-\$5B-\$7B
Philippines	\$12.0B	-33%	-\$4B-\$5B
Russia	\$28.5B	-28%	-\$7B-\$9B
Saudi Arabia	\$22.0B	-31%	-\$6B-\$8B
Singapore	\$7.4B	-18%	-\$1B-\$2B
South Africa	\$3,5B	-47%	-\$1B-\$2B
South Korea	\$82.8B	-20%	-\$15B-\$20B
Spain	\$106.2B	-42%	-\$47B-\$52B
Thailand	\$29.8B	-15%	-\$4B-\$5B
United Arab Emirates	\$5.8B	-16%	<\$1B
United Kingdom	\$71.9B	-41%	-\$27B-\$35B
United States	\$627.5B	-22%	-\$157B-\$152B

Source: Technomic

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Since 1966, we have produced in-depth research focused on the foodservice industry.

We provide insights into consumer, industry and menu trends in the U.S., Canada and 23 countries around the world. Our team of experts helps leaders in the industry make complex business decisions, set strategy and stay ahead of the curve.