

Adapting to the new normal

What does this mean for the food service industry?

May 2020

COVID-19 had clearly hit this sector hard, and there are likely to be more **casualties** before we return to some kind of normality, however, with the lockdown soon to be relaxed **operators** must be thinking about how to re-emerge and adapt to the '**new normal**'.

There is pent up demand for coffee shops, restaurants and pubs to reopen, however **footfall will be lower** than pre-COVID meaning business needs to **act now** in order to survive. To remain viable, and operate at an **acceptable margin**, operators must **manage costs, simplify operations** and potentially take some unprecedented steps to **increase revenues**. The new normal may **provide the permission** for this, but will this be enough, and can all businesses achieve this?

The impact of COVID-19 on the food service industry

COVID Impacts

50-60% of tables would have to be removed, capping revenue

More cautious customers, returning in small 'family groups' further limits revenue

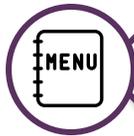
Many outlets, especially modularised QSRs, lack space BOH to socially distance staff

Reduced supply chain volumes, impacting the current COGS and distribution rates

So what does this mean for the industry?



Manage margin: greater focus on cost, including COGS, distribution, indirects and waste. EBITDA was tight before, but what margin can operators sustainably operate at, and for how long..?



Limit menus: reducing choice will channel volumes through core SKUs, helping to simplify kitchen operations but also simplify the supply chain and help defend against price increases



Supplier management: the relationship between buyer and supplier will be increasingly important; in order to both survive they will need to work together and compromises will be made

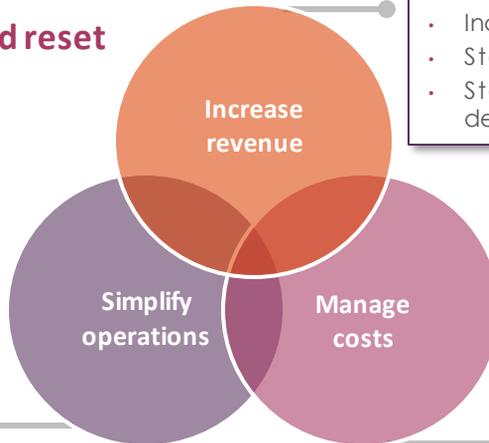


Dine-in vs takeaway: does social distancing remove the industry's raison d'être to socialise, and does the reduced dine-in capacity mean takeaway the only cost-effective solution? But takeaway does not suit all parts of this sector.

60% of Britons feel uncomfortable about going out to bars, restaurants, or sporting events once lockdown is lifted. How will this impact the sector?

Does the 'new normal' reset the rules...?

Three levers to rebalance and reset



- Simplify menus, reducing SKUs and improving buying leverage
- Takeaway vs dine-in
- Online ordering
- Process design
- Staffing optimisation

- Increase, or normalise prices
- Stop or recalibrate promos
- Start or dial-up takeaway and delivery services

- Defend against COGS increases
- Optimise distribution
- Improve supplier management to sustain and co-exists
- Reduce or turn off indirect costs

There is only so much that can be done to **manage costs**, and in the case of distribution costs are likely to increase in the short term. If EBITDA is to be protected operators must also consider **simplifying operations** and potentially increasing prices and reviewing the role of promotions to **increase revenues**. But, in this new normal might consumers be willing to **pay more for the privilege** to eat out...?

How can we help

4C are a specialist procurement and supply chain consultancy, supporting organisations across the hospitality sector to deliver maximum value from their supply chains.



Our **profit maximisation** methodology takes an end to end approach to cost reduction; reviewing your entire cost to serve and identifying change opportunities to sustainably, and dramatically improve your supply chain profitability, without deteriorating quality.



With decades of experience in managing external supplier relationships we are in an enviable position to help you with **assessing, managing and moving your supply chain partners** – may it be distributors, co-manufactures, franchisees or concessionaires.



Our **supply chain transformation** methodology works across your supply chain to review strategy, scope, structure, people, processes and technology; enabling you to deliver sustainable value from your supply chain.

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