EXECUTIVE SUMMARY

FAST FOOD RESTAURANTS
UK, 2021

MINTEL

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THE PANDEMIC HAS CHANGED THE WAY CONSUMERS CONSUME FAST FOOD. INSTEAD OF RELYING SOLELY ON SPONTANEOUS VISITS FROM CONSUMERS SEEKING A CONVENIENT MEAL SOLUTION WHILE THEY ARE ON THE MOVE, FAST FOOD OPERATORS ARE NOW MEETING CONSUMER DEMAND FOR A FAST FOOD TREAT WITH A SENSE OF OCCASION.

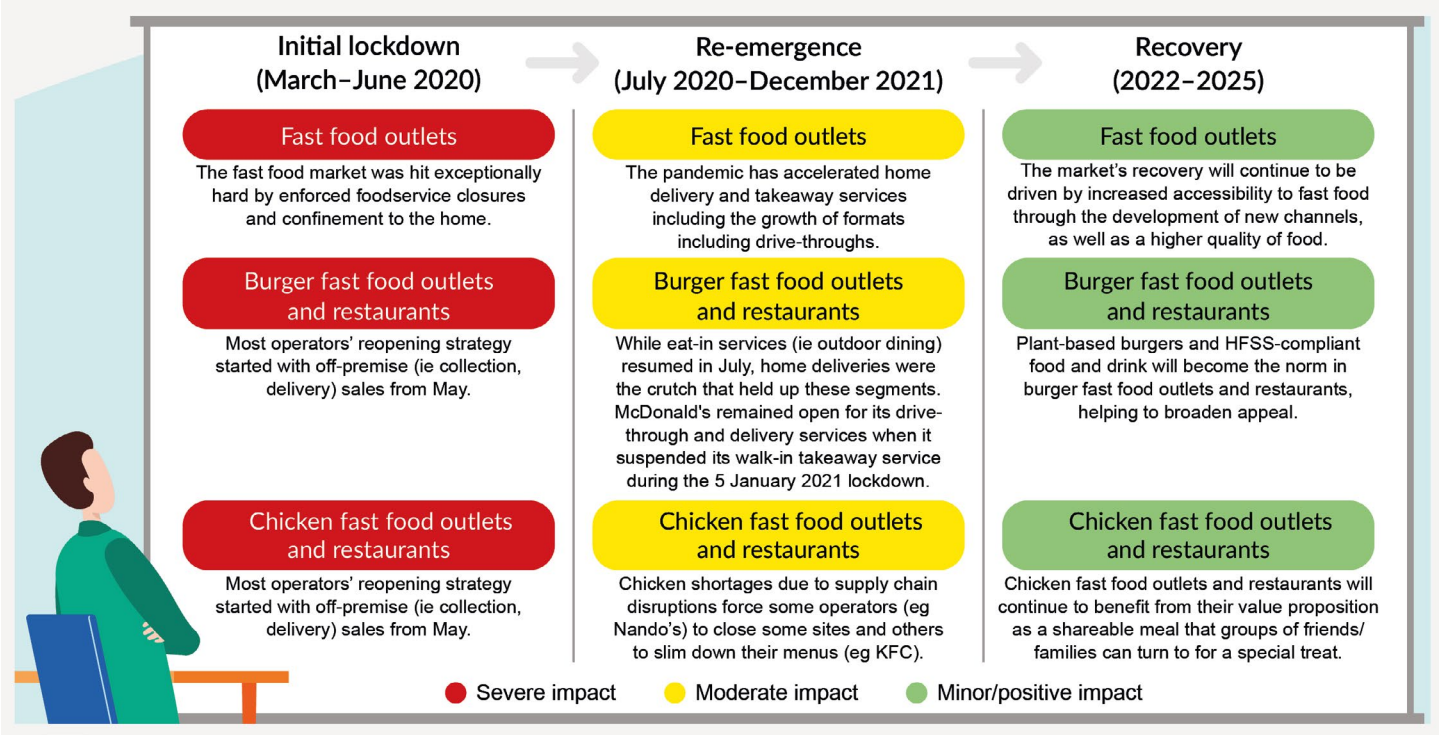
Trish Caddy, Senior Foodservice Analyst

Impact of COVID-19 on fast food outlets

Figure 1 provides an analysis of the impact of COVID-19 on the fast food category, as well as the expected impact on the broader category. It draws on Mintel's expertise in the market, our COVID-19 consumer tracking studies and our learnings from previous periods of market disruption.

Areas highlighted in red are expected to be particularly hard hit, yellow reflects an expectation of significant but largely manageable disruption and green shows that we believe the market will face only minor negative impact, or that it could stand to benefit from the changes in consumer behaviour.

FIGURE 1: SHORT, MEDIUM AND LONG-TERM IMPACT OF COVID-19 ON FAST FOOD OUTLETS, BURGER AND CHICKEN FAST FOOD OUTLETS AND RESTAURANTS, 2021



Source: Mintel, August 2021

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The market

Burger fast food and restaurant value expected to be 22% short of its 2019 sales level in 2021

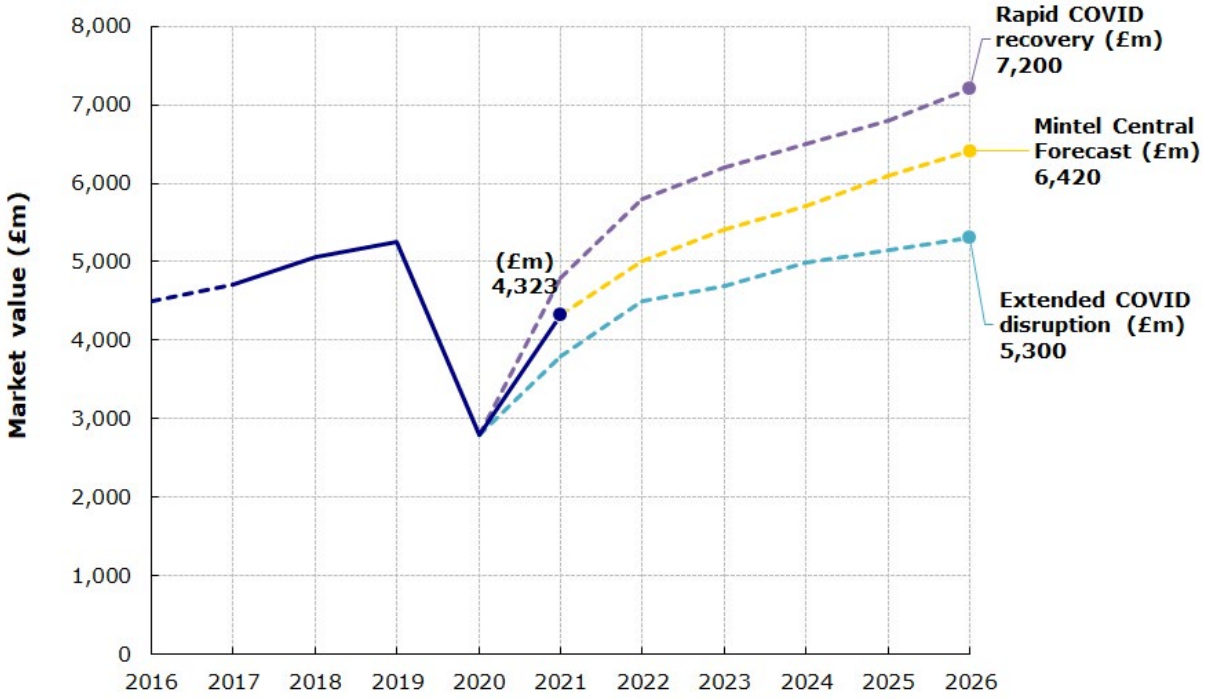
Burger fast food outlets and restaurants continue to benefit from their value-for-money positioning and ability to meet the demand for convenience food. Yet the market's 2020 value is still expected to be 22% short of its 2019 sales level, largely due to enforced closures and lockdown restrictions throughout the year.

Despite consistent year-on-year growth expected from 2021-26, even in our **central scenario** we do not expect burger fast food outlet and restaurant sales to return to 2019 levels until 2023, partly due to changes in British lifestyles, working patterns and financial uncertainty in the mid- to long term.

If the emergence of new, vaccine-resistant strains of COVID-19 means that the UK faces a series of regional or national lockdowns, for example, then we'd expect significant deviation from our core forecast. In this more negative scenario covering the impact on **extended COVID disruption**, we'd expect burger fast food outlet and restaurant sales to only reach £3.8 billion in 2021, compared to our core forecast of £4.3 billion.

The **rapid COVID recovery** scenario doesn't deviate as widely from our core forecast: the vaccine rollout is already proceeding more rapidly than anyone could have reasonably expected in the early days of COVID, meaning that most of the risks are on the downside. However, the difference between our central and upside forecast still translates to a possible £500 million in additional sales (to reach £4.8 billion) over the course of 2021.

FIGURE 2: COVID-19 SCENARIO FORECASTS FOR THE BURGER FAST FOOD OUTLETS AND RESTAURANTS MARKET, 2016-26



The underlying data in the figures above, as well as scenario forecasts for the value of burger fast food outlets and restaurants, can be found in the Appendix.

Source: Mintel, August 2021

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The value of chicken fast food outlets and restaurants still expected to be 16% shy of its 2019 level in 2021

The chicken fast food outlet and restaurant segment faces challenges as the shifts in consumer needs (eg remote working, cooking at home) and economic headwinds (eg inflation, unemployment rate) intensify.

Meanwhile, chicken shortages due to supply chain disruptions in August 2021 forced some operators (eg Nando's) to close some of their sites and others to slim down their menus (eg KFC).

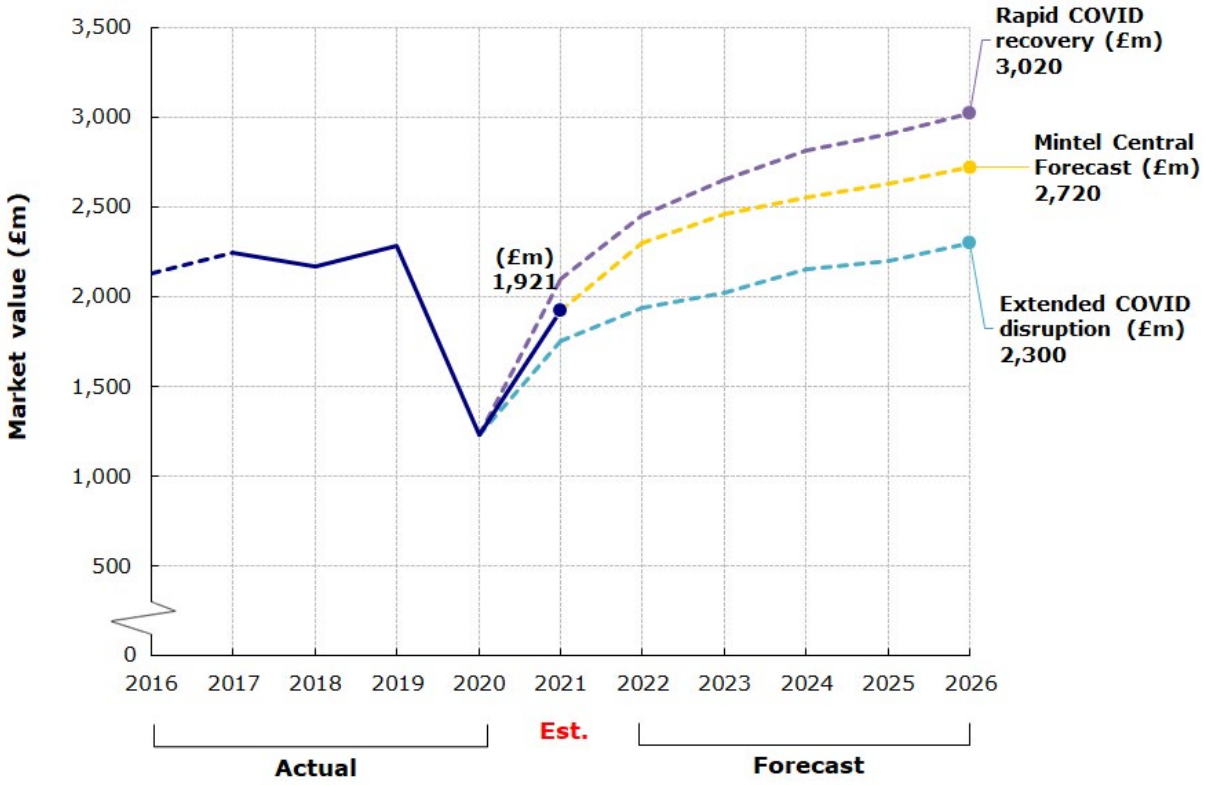
Despite this, we expect the chicken fast food outlet and restaurant sector to make a strong recovery in 2021, with sales expected to rise by 56% in 2021, bringing the value of the segment to more than £1.9 billion. This will be driven mostly by chicken fast food outlets and restaurants' value proposition, providing groups of friends/families with shareable meals for special occasions, as typified by KFC's range of "For Sharing" meals.

In the event of **extended COVID disruption**, we'd expect chicken fast food outlet and restaurant sales to only reach £1.75 billion in 2021, compared to our core forecast of £1.9 billion.

A quick return of consumer confidence in eating out at chicken fast food outlets and restaurants will have a significant positive impact on the recovery, with value forecast to recover in the **rapid COVID recovery** scenario to a possible £179 million in additional sales (to reach £2.1 billion) over the course of 2021.

See the COVID-19 Scenario Performance section of this Report for a full definition of Mintel's scenarios.

FIGURE 3: COVID-19 SCENARIO FORECASTS FOR THE CHICKEN FAST FOOD OUTLETS AND RESTAURANTS MARKET, 2016-26



The underlying data in the figures above, as well as scenario forecasts for the value of chicken fast food outlets and restaurants, can be found in the Appendix.

Source: Mintel, August 2021

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Companies and brands

Brand awareness high across fast food brands

The selected brands in this research enjoy a strong degree of consumer recognition, with the big three – McDonald's, KFC and Burger King – achieving almost total brand recall, and relatively new entrants Five Guys and Taco Bell reaching two thirds of Britons each. Even though itsu, UK's chain of pan-Asian fast food outlets established in 1997, lags behind the other brands in this research, it has managed to reach half of the British population in brand awareness.

Subway leads the fast food market

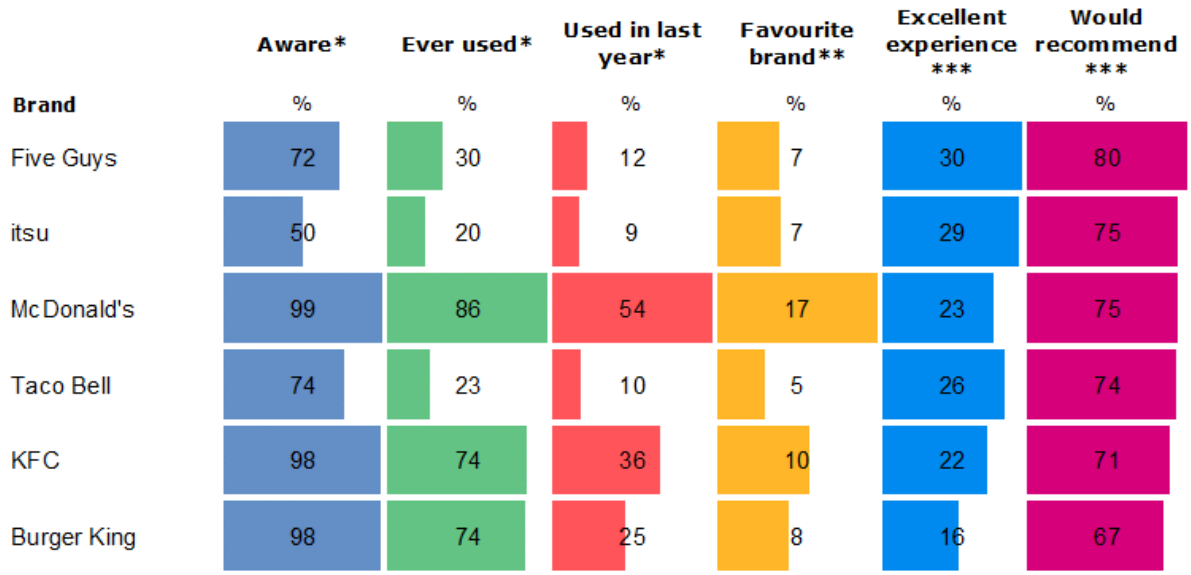
Subway is the biggest player in the fast food market in terms of site numbers, surpassing McDonald's by more than 800 outlets in 2021. While the made-to-order sandwich chain is somewhat unique and a healthy option in the fast food market, usage of sandwich shops/delicatessens has lagged behind other fast food concepts.

Impact of HFSS on fast food advertising

As part of the government's obesity strategy to get the nation fit and healthy, a total ban advertising of HFSS products being shown on TV before 9pm and online will come into force at the end of 2022.

This is likely to nudge fast food brands to shift their marketing focus onto their websites, mobile apps and social media accounts, resulting in a further decline in ATL advertising spending in the long term. Alternatively, these HFSS restrictions may well spur creativity in ATL advertising, which could see advertising centred around the fast food brand and its services, rather than tantalising "junk food".

FIGURE 4: KEY METRICS FOR SELECTED BRANDS, 2021



* Base: 2,000 internet users aged 16+

** Base: internet users aged 16+ who have heard of the brand

*** Base: internet users aged 16+ who have ever used the brand

Source: Lightspeed/Mintel, June 2021

FIGURE 5: SELECTED FAST FOOD RESTAURANT CHAINS, BY OUTLET NUMBERS, 2019 AND 2021

	2019	2021*
Subway	2,150	2,229
McDonald's	1,361	1,367
KFC UK & Ireland	926	935
Burger King	503	520
Five Guys	92	123
Taco Bell	44	64

* as of July 2021

Source: Company reports/Mintel estimates

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The consumer

Many are still cautious about dining out

Consumers' spending on dining out and ordering takeaways/home delivery has not changed drastically even in the period following further easing of restrictions on 19 July (ie 'Freedom Day'). The proportion of Britons spending more on dining out continues to be in single-digit percentages, whilst 22% of Britons were spending more on takeaways/home delivery as of 22-29 July 2021.

Although many fast food operators are likely to concentrate on servicing dine-in customers, those pulling away from the takeaway market will miss out on significant opportunities, and therefore would be wise to keep their home delivery service as a powerful business growth strategy.

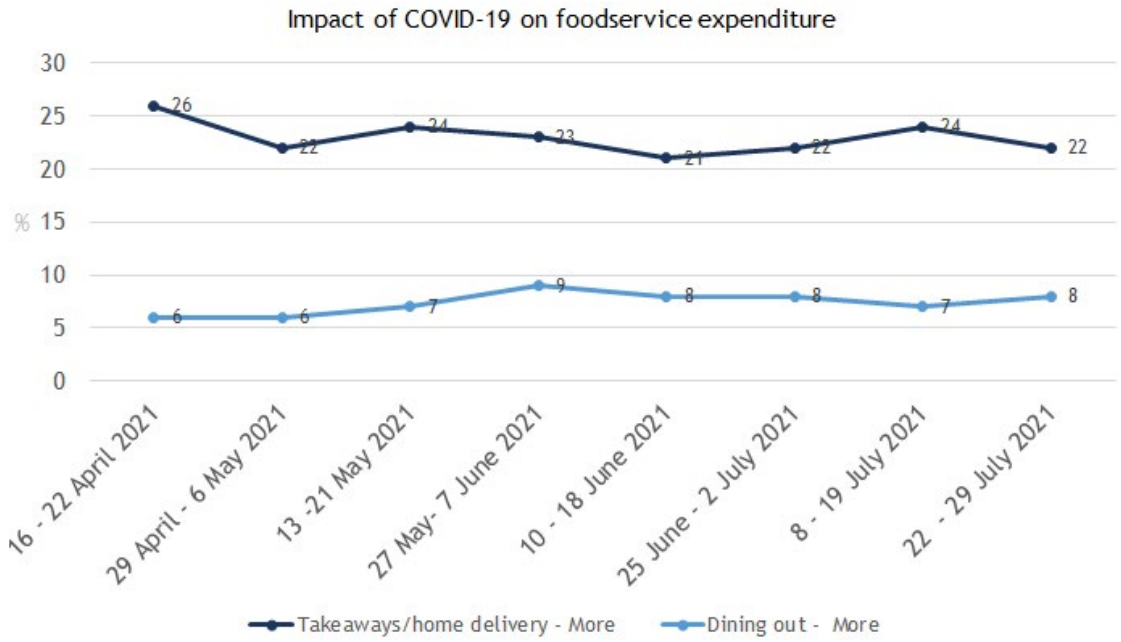
Takeaway services have held up the fast food market through the pandemic

77% of Britons ordered takeaways from fast food outlets, versus only 24% who ate in at fast food outlets. Usage in the last 12 months was driven by 16-34 year olds who were the core users of fast food outlets; 92% of them ordered a takeaway and 35% ate in at a fast food outlet.

Given that most fast food outlets are centred around food-to-go, coupled with the challenges of COVID-19, it is unsurprising that takeaway and home delivery services have been the crutch that held up the fast food market through the pandemic.

FIGURE 6: IMPACT OF COVID-19 ON FOODSERVICE EXPENDITURE, 2021

"Compared to before the COVID-19 outbreak, do you think you are spending more, about the same or less on the following?"

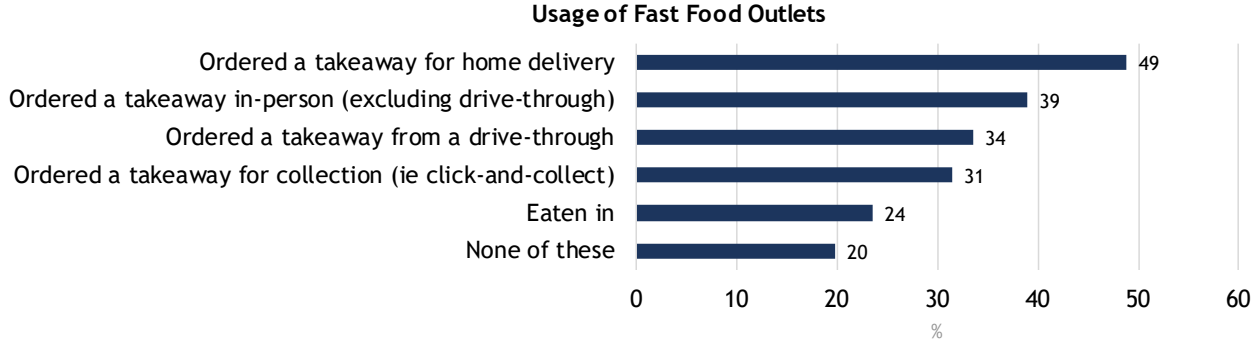


Base: 1,000 internet users aged 16+

Source: Lightspeed/Mintel, 16 April-29 July 2021

FIGURE 7: USAGE OF FAST FOOD OUTLETS, 2021

"Which of the following have you done in the last 12 months at a fast food outlet? Please select all that apply." – NET



Base: 2,000 internet users aged 16+

Source: Lightspeed/Mintel, June 2021

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Almost half intend to eat in at fast food outlets more often

There is reason to be optimistic for recovery in eat-in participation due to pent-up demand for dining out, as 45% of eat-in consumers plan to eat in at fast food outlets more in the 12 months following June 2021 (compared to the previous 12 months).

Older consumers more likely to use fish and chip shops than other types of outlets

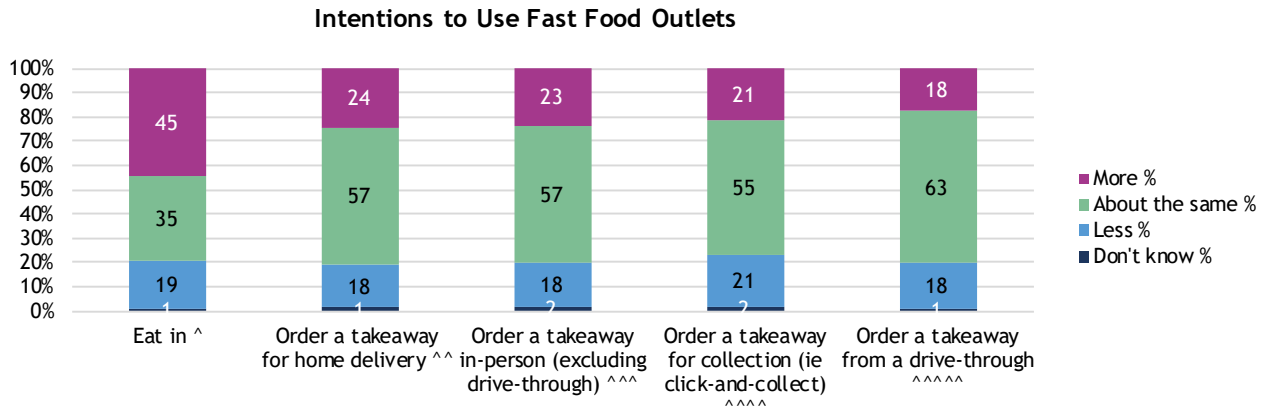
Older consumers played a big role in usage of fish and chip shops; 65% of over-55s (vs 58% of total) have eaten in or bought a takeaway from a fish and chip shop in the last 12 months.

This is not to say that younger consumers are rejecting fish and chips; 53% of 16-44 year olds have also used a fish and chip shop in the same time period. However, younger consumers are far more likely to use other types of fast food outlets than their older cohorts.

16-34 year olds, in particular, prefer burgers and pizzas; 68% of them have used a burger outlet (vs 60% of all) and 62% have used a pizza outlet (vs 50% of total) in the last 12 months.

FIGURE 8: INTENTIONS TO USE FAST FOOD OUTLETS, 2021

"Do you plan to do more, the same amount or less of the following in the next 12 months compared to the last 12 months at fast food outlets?"

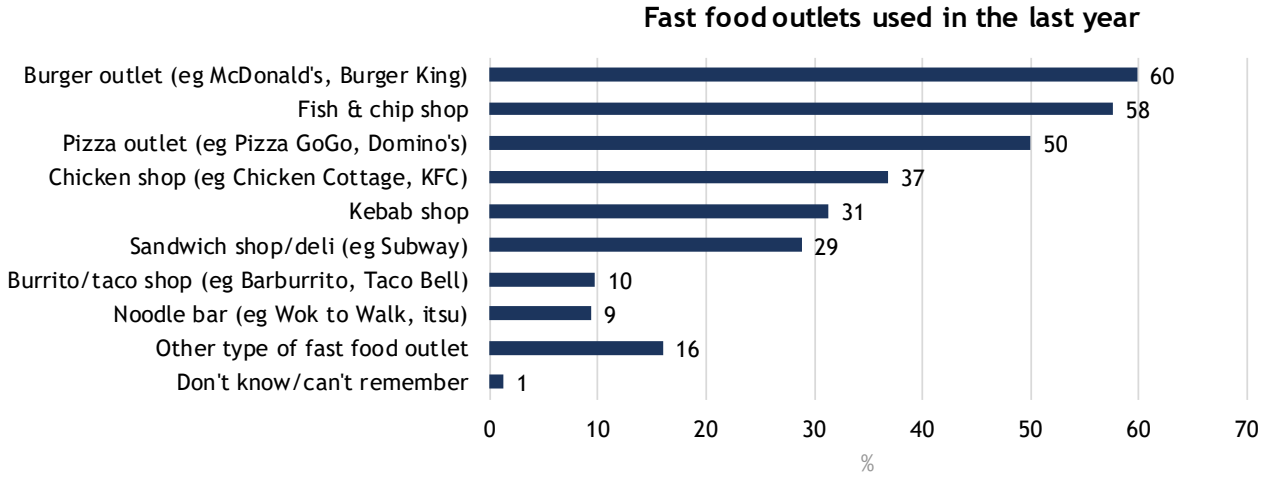


Base: ^ 471 internet users aged 16+ who have eaten in in the last 12 months, ^^ 977 internet users aged 16+ who have ordered a takeaway for home delivery in the last 12 months, ^^^ 779 internet users aged 16+ who have ordered a takeaway in-person (excluding drive-through) in the last 12 months, ^^^^ 629 internet users aged 16+ who have ordered a takeaway for collection (ie click-and-collect) in the last 12 months, ^^^^^ 671 internet users aged 16+ who have ordered a takeaway from a drive-through in the last 12 months

Source: Lightspeed/Mintel, June 2021

FIGURE 9: FAST FOOD OUTLETS USED IN THE LAST YEAR, 2021

"Which type of fast food outlet have you eaten in or bought a takeaway from in the last 12 months? Please select all that apply."



Base: 1,604 internet users aged 16+ who have eaten in or ordered takeaway from a fast food outlet in the last 12 months

Source: Lightspeed/Mintel, June 2021

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Full-time workers most likely to eat fast food dinners

Most fast food consumers prefer to use these outlets in the evening (77%), and therefore they are likely to be eating fast food for dinner. Some consumers are using fast food outlets as a quick meal solution or as a 'reward' after finishing work as 80% of those in full-time employment have eaten in or ordered takeaway from a fast food outlet in the evening in the last 12 months.

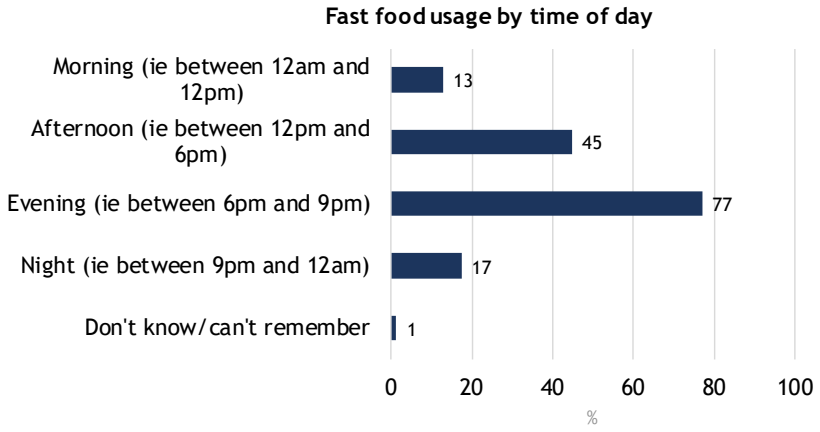
Value for money in a polarised consumer environment

The fast food segment continues to be polarised; consumers are divided between the 'haves' and 'have-nots', with those in full-time employment more likely than others to have paid £10-£14.99 (33% vs 30% of total) as well as £15 or more (30% vs 26% of total) for an individual evening meal from a fast food outlet in the last 12 months.

On the flipside, those not working were far more likely to have limited their evening meal expenditure at a fast food outlet to £5-£9.99 than those in full-time employment (40% vs 32%). Meaning, those not working were unlikely to trade up or add extra sides and desserts to their regular meal.

FIGURE 10: FAST FOOD USAGE, BY TIME OF DAY, 2021

"Which times of day have you eaten in at or ordered takeaway from fast food outlets in the last 12 months? Please select all that apply."

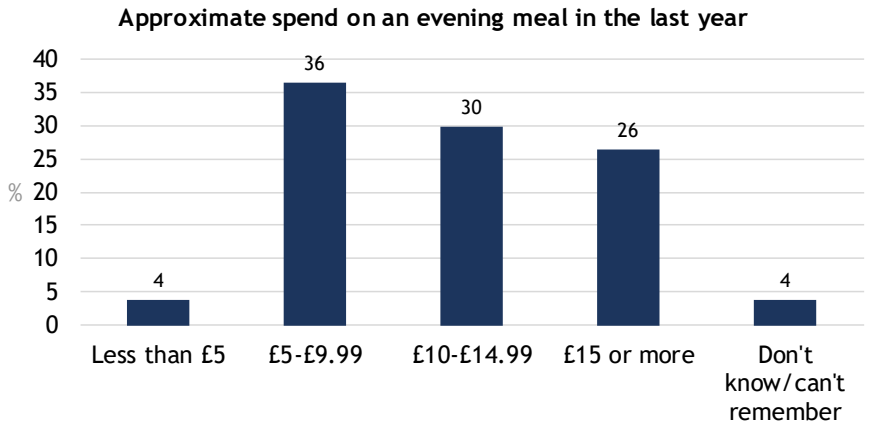


Base: 1,604 internet users aged 16+ who have eaten in or ordered takeaway from a fast food outlet in the last 12 months

Source: Lightspeed/Mintel, June 2021

FIGURE 11: APPROXIMATE SPEND ON AN EVENING MEAL IN THE LAST YEAR, 2021

"Approximately how much have you typically spent on an evening meal for yourself from fast food outlets in the last 12 months?"



Base: 1,234 internet users aged 16+ who have eaten in or ordered takeaway from a fast food outlet in the last 12 months in the evening

Source: Lightspeed/Mintel, June 2021

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Almost half expect fast food outlets to reduce food waste

Food waste is top-of-mind for 46% of fast food consumers. Over-45s, in particular, are most concerned about food waste; 51% of them expect fast food outlets to prioritise reducing food waste (vs 42% of 16-44 year olds).

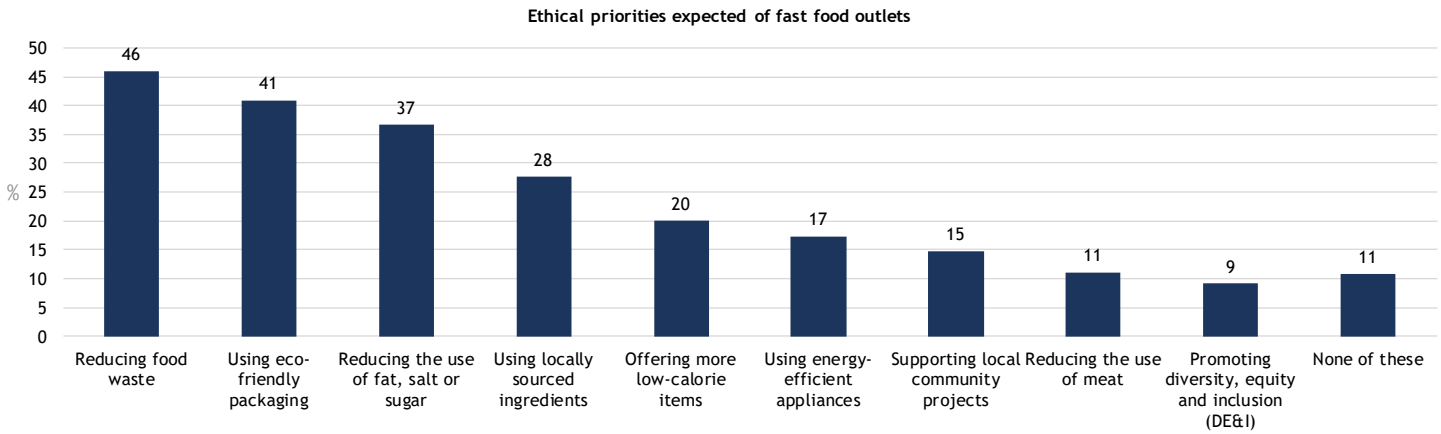
Fast food with a sense of occasion

Eating fast food, for the most part, features strongly in everyday life. Three fifths of fast food consumers eat fast food as part of a day out (62%) and another three fifths enjoy catching up with friends/family over a fast food meal (62%).

In comparison with the other fast food occasions explored in this research, eating fast food on the go is less common; only 45% of consumers do so. Instead of relying solely on spontaneous visits from consumers seeking a convenient meal solution while they are on the move, fast food operators should tap into consumers' desire for a treat with a sense of occasion.

FIGURE 12: ETHICAL PRIORITIES EXPECTED OF FAST FOOD OUTLETS, 2021

"Which of the following issues should fast food outlets most prioritise? Please select up to 3."

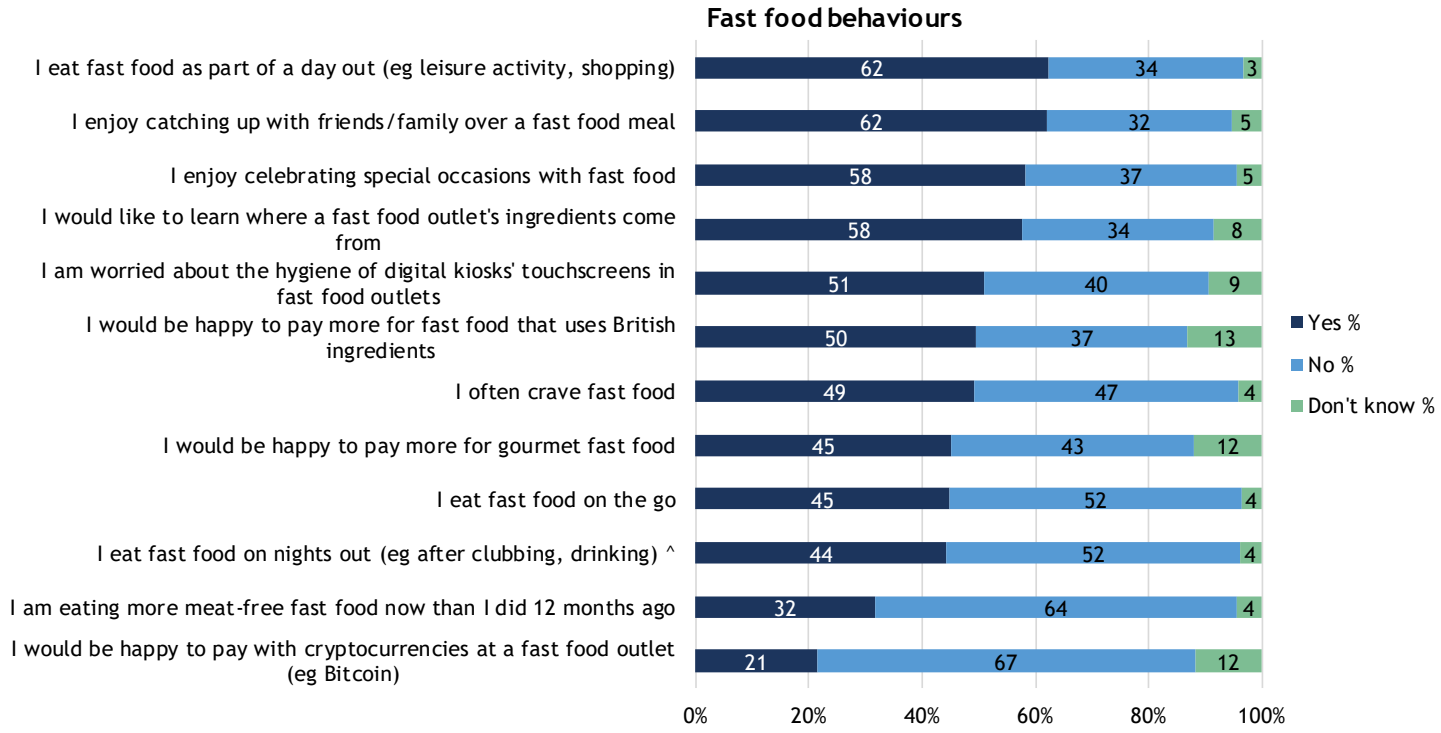


Base: 1,604 internet users aged 16+ who have eaten in or ordered takeaway from a fast food outlet in the last 12 months

Source: Lightspeed/Mintel, June 2021

FIGURE 13: FAST FOOD BEHAVIOURS, 2021

"Do the following statements apply to you?"



Base: 1,604 internet users aged 16+ who have eaten in or ordered takeaway from a fast food outlet in the last 12 months, ^ 1,562 internet users aged 18+ who have eaten in or ordered takeaway from a fast food outlet in the last 12 months

Source: Lightspeed/Mintel, June 2021

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