Attitudes towards Pub Catering: Inc Impact of COVID-19 - UK - July 2020

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This report looks at the following areas:

As a result, pubs/bars need to cater to more purpose-driven consumers than ever before, including creating "zones" for different occasions, and the development of more established dining areas in pubs to offer what many people see as "the best of both worlds" – pub food and drink with a restaurant-quality dining experience.

What you need to know

Mintel's Global COVID-19 Tracker showed that going out for a meal or drinks were among the top things Brits were most looking forward to post-lockdown, however only 24% would feel comfortable going to an indoor restaurant/bar and just 35% would feel comfortable going to an outdoor restaurant/bar as of 16-22 July 2020.

Pub goers visit pubs to socialise over food and drink so these "crowded by design" venues continue to be hit hard by the pandemic. Some food-led pubs have pivoted to delivery to stay open, however the industry will desperately need confidence in visiting indoor pubs to return in time for the winter when garden areas will be less attractive to consumers.

The government's Eat Out to Help Out scheme will help to kick-start the pub catering market as consumers are incentivised to visit these venues for a meal during August 2020 (from Mondays to Wednesdays). Meanwhile, the VAT cut on food and non-alcoholic drinks will help to keep prices down and ensure more pubs stay afloat.

As alcoholic drinks are exempt from the tax cut, it will be the catalyst for an even greater focus on food within pubs. Meanwhile, the younger generation continue to drive the alcohol moderation trend as health and wellbeing moves into greater focus, which will be spurred on by COVID-19. Whilst this threatens wet-led pubs, establishments that offer a strong menu combined with a varied range of low/no alcohol drinks stand a better chance of turning a profit. As

"COVID-19 will change consumers' motivations for eating out. When people choose to eat out in future, they will do so as a special treat and not as a quick and convenient meal solution."
– Trish Caddy, Senior Foodservice Analyst – July 17, 2020

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more consumers seek out food and drink with specific health or wellness benefits, pubs should consider listing these items on their menus to retain appeal.

Key issues covered in this Report

- **The impact of COVID-19 on the pub sector, with a focus on pub catering.**
- **Consumers' pub/bar visiting habits and how these are likely to be impacted by the COVID-19 outbreak.**
- **Improvements that consumers would like to see made to pubs/bars and their food offerings.**
- **Consumers' attitudes towards the value and quality of pub food and drink.**

Products covered in this Report

Pub catering is defined as covering freshly prepared meals sold in public houses. Drinks and packaged snack products (eg crisps, nuts, pork scratchings) are discussed in the Report where relevant. This Report also includes COVID-19's impact on pub visiting and catering, as well as opportunities toward meeting changing consumer needs.

All pubs (public houses) and bars have on-trade licences to serve alcoholic drink for consumption on the premises. These licences may also be granted to other outlets, such as hotels or cinemas, but a pub has at least some traditional characteristics that differentiate it from other bars.

Licensed restaurants are excluded from Mintel's definition of pub restaurants, as are hotels for which drinks form only a part of the overall business. Other premises, which may have full on-licences but are not generally open to the public, including licensed clubs, a variety of leisure venues and college bars, are also excluded.

Some important terms connected with the pub business are:

- **Tenanted or leased pubs are run as businesses by independent publicans who pay rent to the owner of the property and also contract to take supplies from the property owner's company. The supplies mainly only involve beer, with this system dating back to the origin of most pubs as 'tied' houses controlled by brewers. The modern multiple pub-owning company (a 'pubco') usually has no formal connection to a brewer.**
- **Managed houses are pubs that are owned and managed by the same company; not leased out to an independent publican. Most pub restaurants that operate as part of a group of such pubs are managed houses, often still owned by brewers or by ex-brewing companies (eg Whitbread, one of the many brewers that sold its breweries in 2001).**
- **A free house has no contract to a specific pubco or brewer, and is run as an entirely independent business.**
- **Gastropub is an unofficial term for a pub that employs a chef and aims to compete directly with restaurants on innovative cuisine.**

- **Wet sales refers to the proportion of a pub's turnover from drinks (sometimes confined to alcohol), while the term dry sales refers to food turnover.**

COVID-19: Market context

This update was prepared on 17 July.

The first COVID-19 cases were confirmed in the UK at the end of January 2020 with a small number of cases in February. The government focused on the 'contain' stage of its strategy, with the country continuing to operate much as normal. As the case level rose significantly, the government ordered the closure of hospitality venues such as pubs and restaurants (except for takeaway) on 20th March 2020.

A wider lockdown requiring people to stay at home except for essential shopping, exercise and work 'if absolutely necessary' followed on 23rd March. Initially, a three-week timeframe was put on the measures, which was extended in mid-April for another three weeks.

On 10 May 2020, the Prime Minister announced revised guidance, recommending that people who could not work from home should return to the workplace, and giving people more scope to spend time out of the home. Further relaxations to lockdown rules were announced in the week of the 23rd May, including gradual re-opening of non-essential retailers, and increased opportunities for social interaction across households.

On 23 June the government announced that pubs, restaurants, hotels & other holiday accommodation and hairdressers would be allowed to re-open in England from 4 July. The guidelines on social distancing were modified from 2.0 metres to '1.0 metre-plus' – from 4 July people in England were advised to keep two metres apart where possible, but where not possible to keep one metre apart while taking 'mitigating measures'. The guidelines for pubs also included:

- **Maintaining social distancing between staff and customers when taking orders and minimising customer self-service of food, cutlery and condiments, which could mean using screens or tables at tills and counters.**
- **Prioritising contactless payments.**
- **Avoiding clusters of people waiting for or collecting takeaways within a venue.**

In Scotland, pubs were allowed to open beer gardens from 6 July, and could welcome indoor trade from 15 July, when the 2.0 metre rule was reduced to'1.0 metre-plus' for public transport, hospitality and retail. In Wales, pubs and restaurants were allowed to open outdoors-only from 13 July, while the 2.0 metre rule currently remains in place but is under review. The Welsh government will consider whether pubs can open indoor areas from 3 August at its next formal review on 30 July.

Economic and other assumptions

Mintel's economic assumptions are based on the Office for Budget Responsibility's central scenario included in its July 2020 Fiscal Sustainability Report. The scenario suggests that UK GDP could fall by 12.4% in 2020, recovering by 8.7% in 2021, and that unemployment will reach 11.9% by the end of 2020, falling to 8.8% by the end of 2021. The current uncertainty means that there is wide variation on the range of forecasts however, something reflected in the OBR's own scenarios. In its upside scenario, economic activity returns to pre-COVID-19 levels by Q1 2021. The OBR's more negative scenario, by contrast, would mean that GDP doesn't recover until Q3 2024. We are working on the assumption that a vaccine will be available by mid-2021, but that there will be continued disruption to both domestic and global markets for some time after.

As long as there is not a second wave of infections, social distancing measures should be gradually relaxed over 2020, but we don't expect industries such as hospitality, travel and live entertainment to return to any kind of normality until a vaccine is introduced.

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Table of Contents

OVERVIEW

- **What you need to know**
- **Key issues covered in this Report**
- **Products covered in this Report**
- **COVID-19: Market context**
- **Economic and other assumptions**

EXECUTIVE SUMMARY

- **The market**
- **Pubs finally given the green light to re-open**
  Figure 1: Consumers' comfort level eating out of home, July 16-22, 2020
- **Government support to help the recovery of food-led pubs/bars**
- **COVID-19 has given takeaway/home delivery services new sense of urgency**
- **The impact of COVID-19 on pub catering**
  Figure 2: Expected impact of COVID-19 on pub catering, in short, medium and long term, 17 July 2020
- **Companies and brands**
- **Some operators grew sales despite reduced outlet numbers in 2019**
- **Slowing down of outlet expansion in the short term**
- **COVID-19 has forced pub sector to embrace technology**
- **The consumer**
- **The rise of breakfast, brunch and snacking occasions**
  Figure 3: Pub meal occasions, 2018-2020
- **More can be done to promote house-made snacks**
  Figure 4: Types of snacks eaten in pubs, March 5-18 2020
- **Millennials leading the charge toward moderation**
  Figure 5: Types of drinks consumed with a meal/snack in pubs, March 5-18 2020
- **Healthy pubs chime with younger consumers**
  Figure 6: Behaviours related to drinks in pubs/bars, March 5-18 2020
- **Value for money differs between younger and older consumers**
  Figure 7: Most popular menu options when visiting a pub/bar to eat, March 5-18 2020
- **Reduce meat-free prices to gain traction**
- **Date nights for parents offer an opportunity**
  Figure 8: Attitudes towards pubs/bars, March 5-18, 2020

What's included

- Executive Summary
- Full Report PDF
- Infographic Overview
- Powerpoint Presentation
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Did you know?

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- Desire to support local, but unwilling to pay more
  Figure 9: Qualities of an ideal pub/bar, March 5-18 2020
- What we think

THE IMPACT OF COVID-19 ON PUB CATERING

- The market
- Pubs finally given the green light to re-open
- Government support to help the recovery of food-led pubs/bars
- COVID-19 has given takeaway/home delivery services new sense of urgency
- The consumer
- Pub menus will be forced to react to greater focus on health and wellbeing
- More will turn to "pub grub" delivery
- Desire to support local, but unwilling to pay more
- Improving value proposition to win back financially-strapped consumers
- Companies and brands
- COVID-19 crisis will spur on further mergers and acquisitions
- Investing in food franchising may help wet-led pubs/bars stay afloat during COVID-19
- Slowing down of outlet expansion in the short term
- COVID-19 has forced pub sector to embrace technology
- COVID-19: Market context

ISSUES AND INSIGHTS

- Understanding TeePartialism and flexitarian lifestyles
- The facts
- The implications
- Help consumers reduce stress
- The facts
- The implications
- The good-better-best pricing strategy
- The facts
- The implications

THE MARKET – WHAT YOU NEED TO KNOW

- Pubs finally given the green light to re-open
- Government support to help the recovery of food-led pubs/bars
- Low-/no-alcohol matters
- Plastic waste in the pandemic

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MARKET DRIVERS

- **Pubs finally given the green light to re-open**
  Figure 10: Consumers' comfort level eating out of home, July 16-22, 2020
- **Pub catering recovered swiftly in last recession**
  Figure 11: Pub catering market size and forecast, 2007-12
- **Unprecedented government support**
- **Bank loans**
- **Guidelines**
  Figure 12: JD Wetherspoon's safety guidelines, July 4 2020
- **Meal vouchers and VAT cut**
  Figure 13: Eat Out to Help Out scheme: promotional materials
- **Slowing down of outlet expansion**
- **Low-/no-alcohol matters**
- **Plastic waste in the pandemic**

COMPANIES AND BRANDS – WHAT YOU NEED TO KNOW

- **Some operators grew sales despite reduced outlet numbers in 2019**
- **COVID-19 crisis will spur on further mergers and acquisitions**
- **COVID-19 has forced pub sector to embrace technology**
- **"Pub grub" delivery during COVID-19**

PERFORMANCE OF SELECTED LEADING COMPANIES

- **Some operators grew sales despite reduced outlet numbers in 2019**
  Figure 14: Turnover of selected leading managed pub operators in the UK, 2014/15-2018/19
  Figure 15: Turnover of selected tenanted/leased operators in the UK, 2014/15-2018/19
- **Major mergers and acquisitions started before COVID-19**
  Figure 16: Selected leading pub operators in the UK, by outlet numbers, 2014-19

LAUNCH ACTIVITY AND INNOVATION

- **New customer experiences**
- **Snacks and drink pairings**
- **Pub "grub" delivery**
- **Virtual experiences**
- **Digital order and pay**
  Figure 17: PayPal app feature that allows customers to pay a merchant by scanning a QR code
- **Thoughtful usage and consumption**

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- **Repurposing ethanol**
- **Recyclable packaging**
  Figure 18: 100% plastic free soft punch range, by Punchy Drinks

BRAND RESEARCH

- **Brand map**
  Figure 19: Attitudes towards and usage of selected brands, April 2020
- **Key brand metrics**
  Figure 20: Key metrics for selected brands, April 2020
- **Brand attitudes: Harvester possesses strong wellness association**
  Figure 21: Attitudes, by brand, April 2020
- **Brand personality: Slug & Lettuce most exclusive**
  Figure 22: Brand personality – macro image, April 2020
- **Harvester, Beefeater, Hungry Horse the most kid-friendly venues**
  Figure 23: Brand personality – micro image, April 2020
- **Brand analysis**
- **Slug & Lettuce is considered exclusive**
  Figure 24: User profile of Slug & Lettuce, April 2020
- **JD Wetherspoon is a household name**
  Figure 25: User profile of JD Wetherspoon, April 2020
- **Harvester successful at attracting an affluent crowd**
  Figure 26: User profile of Harvester, April 2020
- **Hungry Horse attracts Baby Boomers and Millennials**
  Figure 27: User profile of Hungry Horse, April 2020
- **Beefeater needs to improve brand experience**
  Figure 28: User profile of Beefeater, April 2020

THE CONSUMER – WHAT YOU NEED TO KNOW

- **The rise of breakfast, brunch and snacking occasions**
- **More can be done to promote house-made snacks**
- **Millennials leading the charge toward moderation**
- **Value for money differs between younger and older consumers**
- **Reduce meat-free prices to gain traction**
- **Date nights for parents offer an opportunity**
- **Desire to support local, but unwilling to pay more**

PUB MEAL OCCASIONS

- **The rise of breakfast, brunch and snacking occasions**
  Figure 29: Pub meal occasions, 2018-2020
- **Pivot to delivery to retain usage**

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POPULAR FOOD FORMATS

- **Hot foods are comforting**
  Figure 30: Types of meals eaten in pubs, March 5-18 2020
- **More can be done to promote house-made snacks**
  Figure 31: Types of snacks eaten in pubs, March 5-18 2020

DRINKS TRENDS

- **Millennials leading the charge toward moderation**
  Figure 32: Types of drinks consumed with a meal/snack in pubs, March 5-18 2020
- **Moderation will boost soft drinks sales**
- **Pub visitors want stress-free experiences**
  Figure 33: Behaviours related to drinks in pubs/bars, March 5-18 2020

MOST POPULAR MENU OPTIONS

- **Value for money across age groups**
  Figure 34: Most popular menu options when visiting a pub/bar to eat, March 5-18 2020
- **Tiered pricing caters to different value perceptions**

ATTITUDES AND BEHAVIOURS TOWARDS PUBS OR BARS

- **Reduce meat-free prices to gain traction**
  Figure 35: Attitudes towards pubs/bars, March 5-18 2020
- **City-based family-friendly pubs/bars should offer healthful choices**
- **Pub diners are not opposed to eating out of a packet – CHAID analysis**
  Figure 36: Pub catering – CHAID – tree output, March 5-18 2020

PUB CATERING PURCHASE DRIVERS

- **Three priorities for pub dining in the wake of COVID-19**
  Figure 37: Purchase drivers when choosing a pub/bar to eat at, March 5-18 2020
- **Date nights for parents offers an opportunity**
- **Technology helps shift towards contactless experience**
- **Brand communication integral to dining experience**

IDEAL QUALITIES OF A PUB OR BAR

- **Desire to support local goods...**
  Figure 38: Qualities of an ideal pub/bar, March 5-18 2020
- **... but unwilling to pay more**
- **Three ways to help consumers feel less lonely**

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- Executive Summary
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- Infographic Overview
- Powerpoint Presentation
- Interactive Databook
- Previous editions

- **Support the local community**
- **Create zones for smaller groups**
- **Organise live and virtual events simultaneously**

APPENDIX – DATA SOURCES, ABBREVIATIONS AND SUPPORTING INFORMATION

- **Abbreviations**
- **Consumer research methodology**
- **CHAID analysis methodology**

  Figure 39: Pub catering – CHAID – table output, March 5-18 2020

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