State and Trends in the Foodservice Industry after the End of the COVID-19 Pandemic

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Abstract

The publication examines the current state, development, and trends of the foodservice industry. Analysing the main indicators of the industry is an important tool for revealing opportunities for development and investment stimulation in the sector. Quantitative and qualitative indicators of the foodservice industry such as volume of foodservice sector, its territorial structure, type structure, and forms of ownership management at global, regional, and national levels are analysed to achieve the objective. The research period covers the last six years, intending to trace the dynamics of the restaurant supply before, during, and after the COVID-19 pandemic. The analysis of the studied indicators reveals that the foodservice sector has recovered both internationally and nationally after the COVID-19 pandemic. However, the indicators have not yet reached the levels of the year before the pandemic.

Keywords: food service industry, food service sales, food service market shares, restaurant companies

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Introduction

The foodservice industry is one of the major tourism activities, but it has much broader parameters than, for example, the hotel industry, which is an integral part of the tourism system. The foodservice industry as a general concept includes both the outlets located in tourist areas (stand-alone or as part of a hotel complex) and those in the settlements, institutions, shopping and transport centres, etc. All this determines the complex nature of the foodservice industry, whose superstructure includes numerous and diverse outlets, with different categories, capacities, management, locations, operating periods, specificity and theme, furniture, and equipment. The foodservice sector is constantly evolving and improving. Its absolute number and type of diversity are increasing both globally and within individual countries and tourist destinations (Dabeva & Lukanova, 2019). The complexity and dynamics in the development of the foodservice industry make it difficult to study. In addition, there is a lack of reliable, objective, and comprehensive information worldwide. In some regions and countries, mostly developed ones with greater financial resources, research is conducted and results are published, but it is not widespread. In Bulgaria, no reliable and comprehensive statistics are kept either at a national or local level (as is the case for the hotel sector), nor do industry organizations collect and process data on restaurant outlets. One of the few sources of information is the National Tourist Register, but the data it contains is dated and does not allow for tracking the dynamics in the industry's development. And any business should be able to rely on data to drive investment. In this regard, the main objective of the author in the present study is to trace the state, changes, and development trends of the foodservice industry after the end of the COVID-19 pandemic.

1. Thesis statement

In recent years, the foodservice industry has encountered numerous challenges, including the COVID-19 pandemic, supply chain disruptions, geopolitical conflicts, and economic crises. The war in Ukraine, periodic blockages in Asian markets, logistics issues, and cautious consumer spending are all factors that contribute to the slow recovery of the industry. According to Euromonitor International (2023), activity is not expected to return to pre-pandemic levels until the end of 2025. The foodservice industry is experiencing rising operating costs and consumer prices due to high inflation. Assuming that inflationary processes slow down, the foodservice industry will be able to expand more quickly by offering greater variety and higher levels of service. To cope with unprecedented challenges, businesses should focus on adapting operations to changing consumer preferences, adopting sustainable practices, implementing innovative technological solutions, and promoting loyalty-building initiatives.

2. Methodology and experimental methods

The study analyses quantitative and qualitative indicators of foodservice activity, including the volume of foodservice sector, its territorial and type structure, and forms of ownership management at global, regional, and national levels. To gather information, primary and secondary sources such as corporate websites of the largest restaurant companies and chains, independent marketing and financial research companies (Euromonitor International, 2023; Statista, 2023), the National Statistics Institute, the Ministry of Tourism, etc., were investigated. The research period covers the last six years, intending to trace the dynamics of the foodservice supply before, during, and after the COVID-19 pandemic.

3. Results and discussion

Development of the international foodservice industry

The development of the international foodservice industry has been impacted by the global economic recovery that began in the second half of 2020. However, this recovery has been uneven and unsustainable (Figure 1). The foodservice industry is a significant contributor to the global economy, generating an estimated $2.74 trillion in revenue worldwide in 2022. However, despite the growth rates observed over the past two years, the pre-pandemic figures, when global consumer foodservice volumes declined by 25%, have not yet been attained. Based on recent trends, it is predicted that the growth of this indicator will continue and reach 4.43 trillion dollars by 2028 (Euromonitor International, 2023; Statista, 2023).

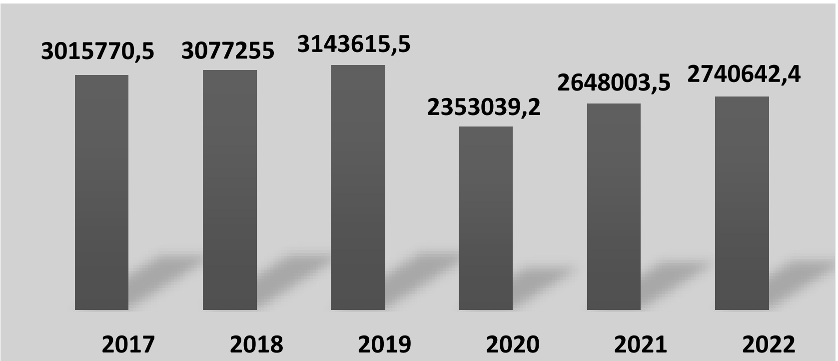

Figure 1. Global foodservice sales (USD millions)

Source: Euromonitor International. (2023). *Consumer Foodservice.*

It is important to acknowledge that a considerable portion of the restaurant industry's recovery can be attributed to the increase in global inflation and the exchange rates of certain countries against the US dollar. Figure 2 depicts the changes in the total number of restaurant establishments from 2017 to 2022. In terms of in-kind volume, the global restaurant industry is exhibiting a similar trend, albeit at a relatively lower rate. This is not surprising, as the majority of outlets are downsizing or temporarily ceasing operations, rather than permanently closing. The highest volume of the foodservice sector was in 2019, following a decline in the absolute number of outlets during the pandemic of nearly 9%. Global restaurant capacity has seen a slight increase over the past two years, although the value of this indicator remains closer to its pandemic level than its pre-pandemic level.

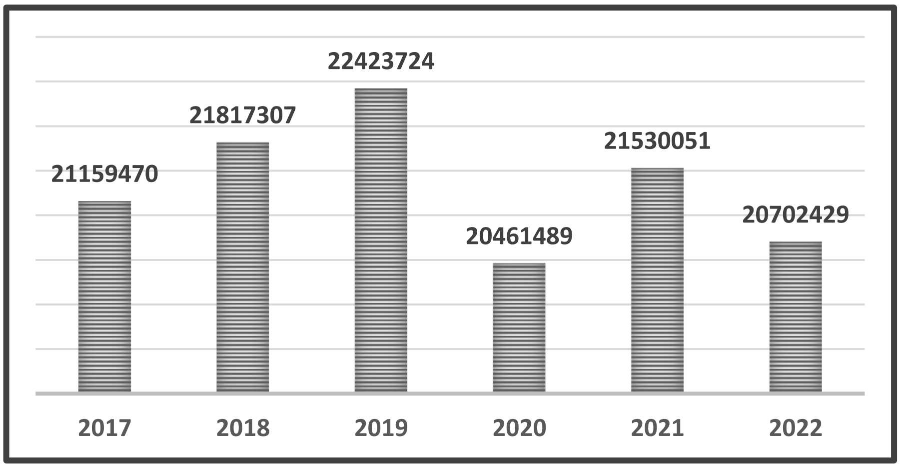

Figure 2. Total number of restaurant outlets worldwide

Source: Euromonitor International. (2023). *Consumer Foodservice.*

Figure 3 shows that the distribution of foodservice supply is uneven. Due to its large population, Asia is leading the global foodservice industry with China being the largest market. North America, Western Europe, South America, Eastern Europe, and Australia follow in that order.

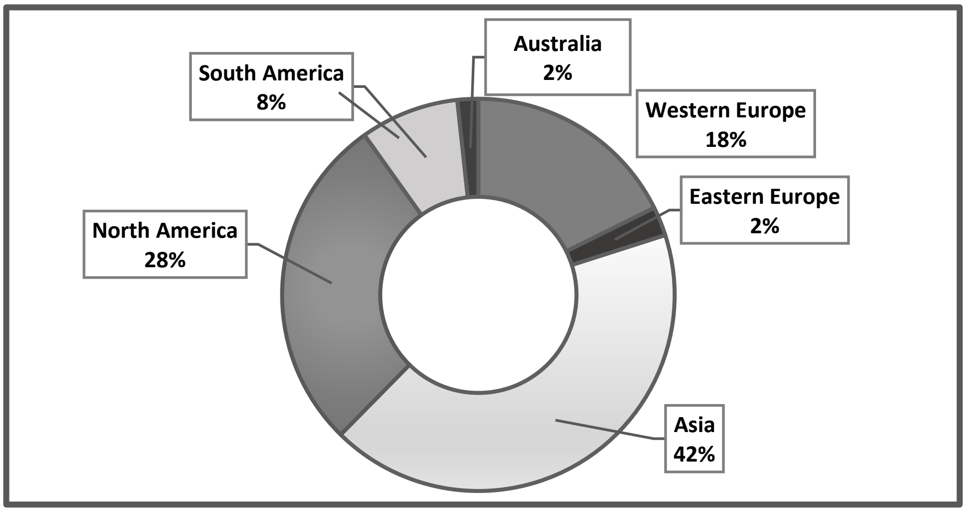

Figure 3. Territorial structure of the foodservice industry (market shares)

Source: Euromonitor International. (2023). *Consumer Foodservice.*

Street stalls/kiosks, which include "small, sometimes mobile, foodservice providers characterised by a limited product offering and by low prices" (Euromonitor International, 2023), have recovered most rapidly. Their sales volume has increased by one-third from pre-panic levels (refer to Table 1). Limited-service restaurants also experienced positive sales growth. This is quite understandable as this group includes quick-service restaurants as well as outlets that operate solely through home delivery and do not offer on-site consumption facilities.

The other categories of establishments, such as cafés/bars, full-service restaurants, and self-service cafeterias, have not yet fully recovered and reached pre-pandemic sales volumes.

Table 1. Volume of sales by types of foodservice establishments (USD billions)

Consumer Foodservice	2019	2022	Increase/ decrease
Cafés/Bars	462.9	400	-14%
Full-Service Restaurants	1 494.8	1 273	-15%
Limited-Service Restaurants	849.6	887	4%
Self-Service Cafeterias	30.9	23	-26%
Street Stalls/Kiosks	119.7	157	31%
Total	2 958	2 740	-7%

Source: Euromonitor International. (2023). *World Market for Consumer Foodservice.*

Figure 4 illustrates the development of foodservice supply based on outlet location. Standalone outlets are the most prevalent globally, and their relative share has remained relatively stable over the past six years with a slight upward trend. The figure shows that the relative share of standalone outlets peaked during the pandemic, not because of an increase in the absolute number of outlets, but due to a significant decrease in the share of other locations. Following this are establishments located in retail outlets such as malls, hypermarkets, supermarkets, and shops. Their share is also relatively stable, with no drastic increases or decreases. Restaurants that are part of a hotel complex occupy the third place. As shown in the figure, their relative share is more dynamic, with a marked decline during the pandemic years and a gradual recovery over the past year, approaching the pre-pandemic level. The relative share of foodservice establishments located in travel locations including motorway service stations or fuel stations, airports, railway stations, and coach stations, follows a similar trend. Foodservice establishments in leisure locations, including museums, cinemas, theatres, theme parks, and sports stadiums, are at the lower end of the spectrum. These establishments are also following the same recovery trend as hotel venues.

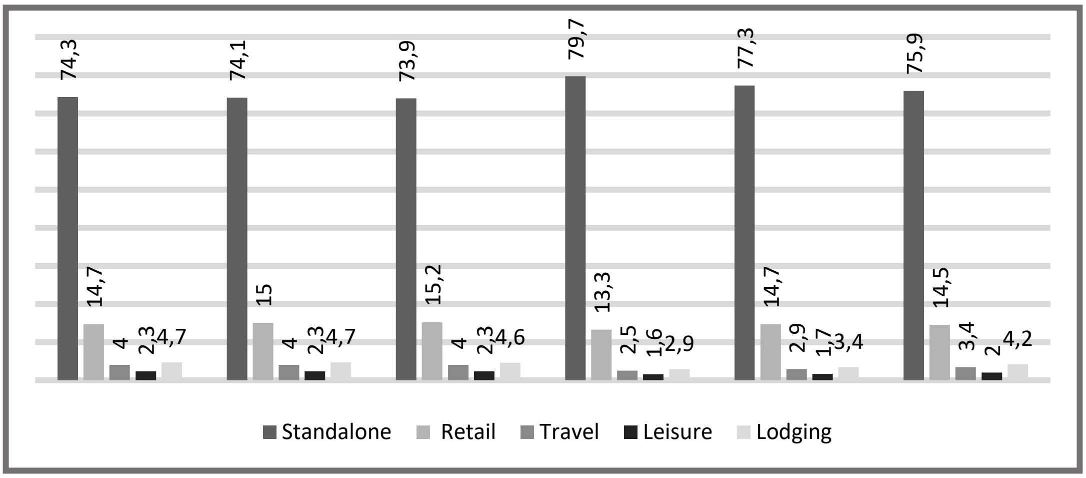

Figure 4. Structure of the foodservice industry according to the location

Source: Euromonitor International. (2023). *World Market for Consumer Foodservice.*

In terms of ownership, independent restaurants are the most common in the industry. However, in the past three years, their relative share has decreased in favour of chain restaurants.

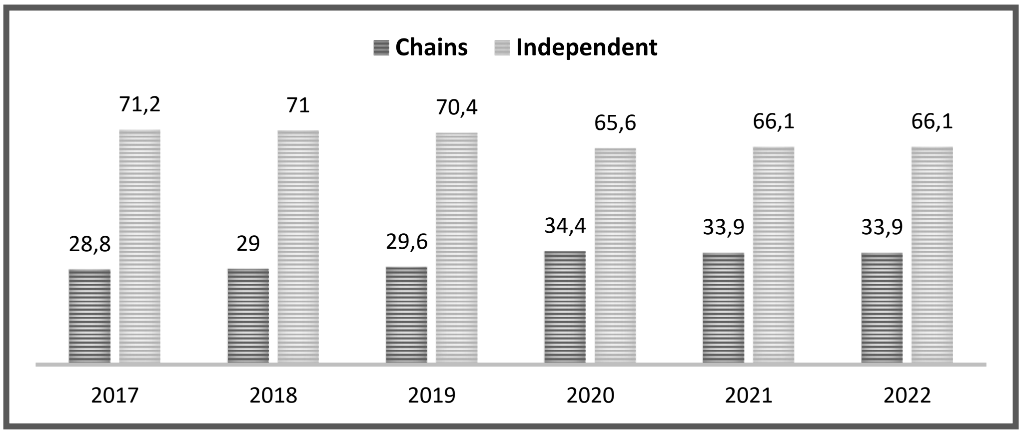

Figure 5. Distribution of chains and independent outlets
Source: Euromonitor International. (2023). *World Market for Consumer Foodservice.*

According to Investopedia's 2022 ranking of the world's largest restaurant companies, Starbucks ranks first in terms of revenue, while McDonald's remains the leader in terms of profit (Reiff, 2023).

Table 2. World Top Restaurants Companies, 2022

№	COMPANY	Headquarters Country	Annual Revenue in USD million	Annual Net Income in USD million	Units
1	**Starbucks Corporation Mcdonald's Corporation**	USA	32.3	3.3	35000
2	**Compass Group PLC**	UK	31.9	1.4	55000
3	**Mcdonald's Corporation**	USA	23.3	5.9	38000
4	**Darden Restaurants** (Olive Garden, LongHorn Steakhouse, Bahama Breeze, Seasons 52, Yard House, Cheddar's Scratch Kitchen, Red Lobster Eddie V's Prime Seafood and The Capital Grille)	USA	10.0	0.9	n/a
5	**YUM China Holdings** (Pizza Hut, Taco Bell and KFC in China, as well as local chains - Eastern sunrise, Small sheep, Huang Ji Huang and COFFii & JOY)	China	9.8	0.86	n/a
6	**Chipotle Mexican Grill**	USA	8.4	0.8	3100
7	**YUM! Brands** (KFC, Pizza Hut, Taco Bell, The Habit Burger Grill, WingStreet)	USA	6.7	1.3	53000
8	**Restaurant Brands International** (Tim Hortons - donuts, coffee, tea; Burger King – burgers; Popeyes - chicken)	USA	6.4	0.95	29000
9	**Domino's Pizza**	USA	4.5	0.45	19000
10	**Bloomin' Brands** (Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, and Fleming's Prime Steakhouse & Wine Bar)	USA	4.4	0.1	1500

The ranking of the ten largest restaurant companies shows a clear advantage for North American corporations, with eight from the US, one from Canada, and only one from Asia (Table 2). The ranking includes companies from both the commercial foodservice and contract catering industries. The largest restaurant companies for 2022 have a diverse type structure, including chains of quick service restaurants, cafeterias, and restaurants.

To track contemporary changes in the foodservice industry, it is of interest to examine the ratio of online to offline sales (Fig. 6). The relative share of online sales has shown a clear upward trend, increasing by 17% over the last six years. During the lockdown period, their share doubled, and this upward trend has persisted even after the end of the pandemic.

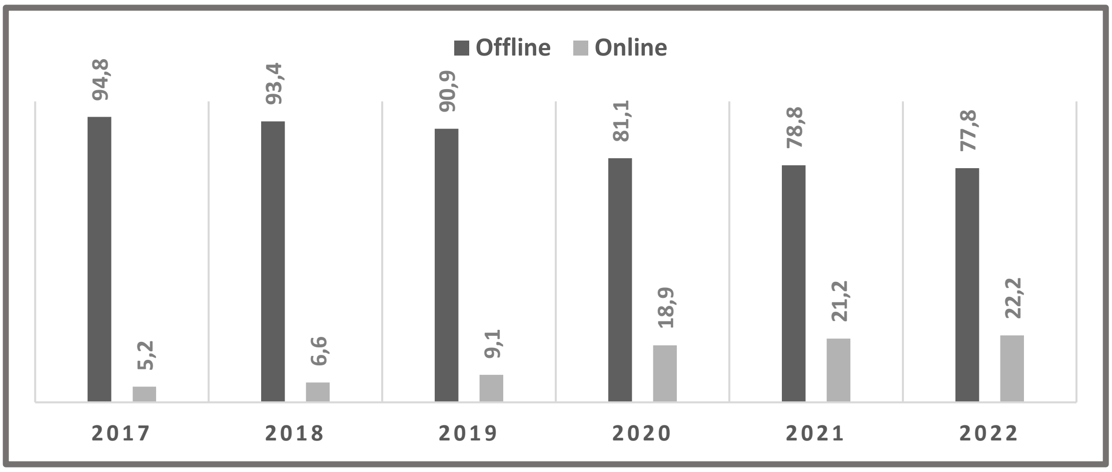

Figure 6. Offline and online sales in the foodservice industry
Source: Euromonitor International. (2023). *World Market for Consumer Foodservice.*

Development of the foodservice industry in Europe

The European foodservice industry has followed the global trend in the last six years. According to Mordor Intelligence (2023), the market size is estimated to be USD 0.78 trillion in 2023 and is projected to reach USD 1.36 trillion by 2029, with an average annual growth rate of 9.60% during the forecast period.

Table 3 shows that in 2022, the largest restaurant companies in Europe experienced a significant increase in turnover compared to the previous year. The rankings and data were presented at the 24th European Foodservice Summit in Zurich. According to the report, the leading European foodservice companies generated a total net turnover of €136.5 billion. However, the results in the period under review were less significant than in previous years. The foodservice industry in Europe has faced several challenges over the past three years, including inflation, pandemic restrictions, currency fluctuations, and military conflicts. These factors have negatively impacted both individual turnover and growth figures. The comparison with the lockdown-dominated 2021 also shows extremely high relative growth figures in some cases. However, one-third of the largest restaurant chains in Europe have not yet reached their pre-pandemic performance levels. The ranking is dominated by two large segments: quick service (5 companies) and contract catering (4 companies). All of the quick service chains among the 10 largest in Europe are American, while the 4 contract catering companies are European. The available information suggests that the quick-service restaurant market in Europe is growing positively. This is supported by the information about the presence of restaurant companies in European countries - American quick-service restaurant companies have facilities in the largest number of European countries. The UK, France, and Sweden are the largest European markets for quick-service restaurant chains (IBIS World, 2023). The turnover volume difference between the leader and other participants in the ranking is significant. The largest restaurant chain not only on the European market but also in the world, has practically generated 23% of the turnover of the 99 largest restaurant companies in Europe according to the European Foodservice Summit in 2023.

Table 3. Europe Top Restaurants Companies, 2022

Group	Brands	Main sector	Country of origin	Presence in European countries	Sales '22 (EUR, mln)	'22/'21	'22/'19
McDonald's	McDonald's, McCafé	QSR	USA	39	31,500	15.4%	18.9%
Sodexo	Sodexo	Contract catering	France	22	7,774	11.0%	-4.4%
Yum! Brands	KFC, Pizza Hut, Taco Bell	QSR	USA	51	7,653	2.0%	23.0%
Burger King	Burger King	QSR	USA	27	7,110	18.0%	23.9%
Compass Group	Eurest, Scolarest, Medirest, etc.	Contract catering	GB	21	6,962	32.3%	1.4%
Elior	L'Alsacienne, Elior, Arpège, Serunión, etc.	Contract catering	France	4	4,451	20.6%	-9.6%
Domino's Pizza	Domino's Pizza	QSR	USA	34	3,800	0%	27.9%
WSH	Baxter Storey, Caterlink, Benugo, etc.	Contract catering	GB	6	3,456	133.8%	16.0%
Mitchells & Butlers	Harvester, Vintage Inns, Toby Carvery, Sizzling Pubs, Alex, etc.	Pubs	GB	2	2,590	107.3%	-1.3%
Starbucks	Starbucks	QSR	USA	30	2,500	21.1%	2.9%

Source: European Foodservice Summit. (2023). Europe's foodservice companies on the upswing again.

Development of the foodservice industry in Bulgaria

The foodservice industry in Bulgaria is recovering from the impact of the COVID-19 pandemic in 2022, albeit at a slower pace than in 2021 (Figure 7). The number of establishments has grown positively for the first time since 2019, but it still has a long way to go before returning to pre-pandemic levels.

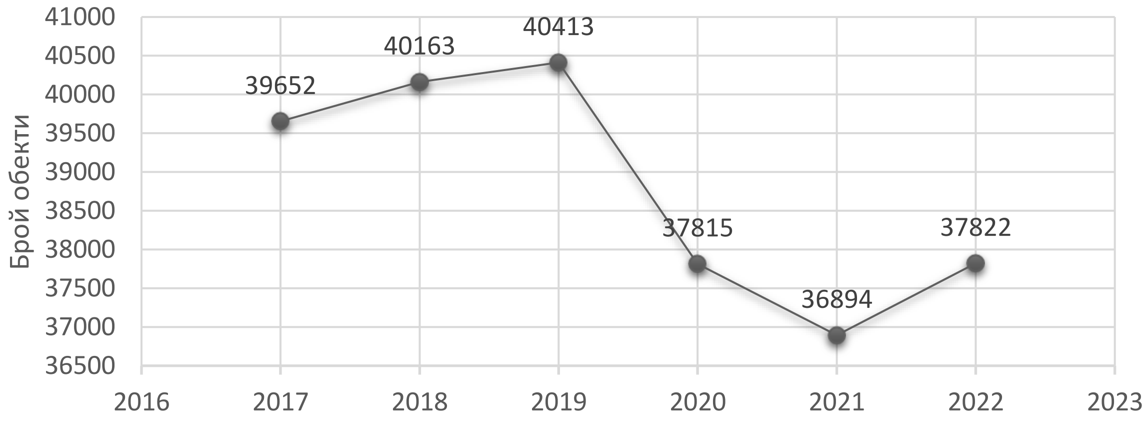

Figure 7. Total number of restaurant outlets in Bulgaria

Source: Euromonitor International. (2023). *Consumer Foodservice in Bulgaria*.

At present, transaction volume and sales value are gradually approaching pre-pandemic levels after two years of robust growth. It is expected that these indicators will recover to 2019 levels by the end of 2023 (Figure 8).

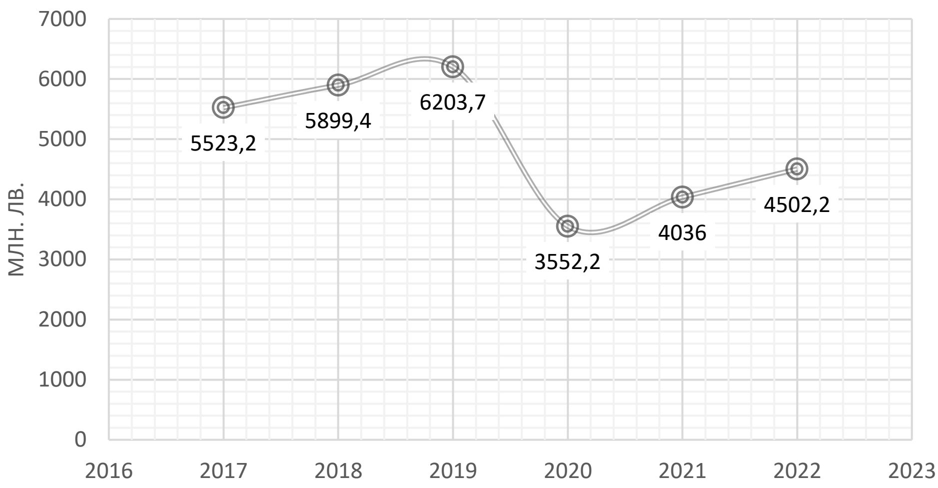

Figure 8. Sales volume, 2017 – 2022 (BGN, mln)
Source: Euromonitor International. (2023). *Consumer Foodservice in Bulgaria*.

The underperformance of the sector in terms of the number of outlets suggests increasing market concentration, as many independent operators struggle with rising overheads. In the past year, chain restaurants have slightly increased their share at the expense of independent ones (see Fig. 9). Meanwhile, in Bulgaria, the potential for multinational companies to expand is restricted due to the small market size and concentrated demand in major cities and resort areas (bur seasonal).

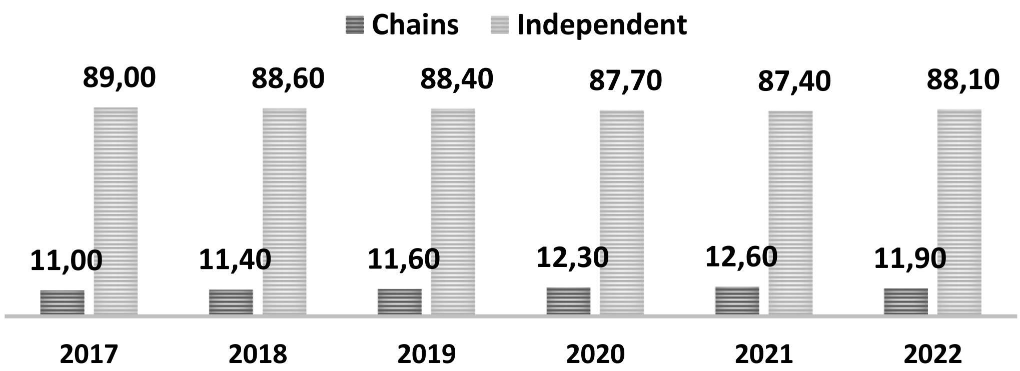

Figure 8. Distribution of chains and independent restaurants
Source: Euromonitor International. (2023). *Consumer Foodservice in Bulgaria*.

This structure reflects the low penetration of restaurant chains in Bulgaria. According to Euromonitor, only 3% of the total number of restaurants are still part of a Bulgarian or international restaurant chain. In comparison, the penetration rate of chain restaurants in the US is 30 and in Europe it is 10 (Dabeva & Lukanova, 2019).

Table 3. Market share of the largest restaurant brands in Bulgaria, 2019 – 2022

Brand	Company	2019	2020	2021	2022
Happy Bar&Grill	Happy Ltd	19,9	18,3	18,7	20,1
Fornetti	Aryzta AG	13,4	13,5	13,1	13,3
McDonald's	McDonald's Corp	10,9	12,5	12,0	11,3
Domino's Pizza	Domino's Pizza Inc	6,9	8,3	8,3	7,5
KFC	Yum! Brands Inc	6,4	6,6	6,7	6,9
Aladin Foods	Aladin Foods OOD	6,0	5,8	5,1	5,7

Brand	Company	2019	2020	2021	2022
Nedelya	Nedelya OOD	4,9	5,0	5,2	5,0
OMV Viva	OMV Tankstellen AG	4,7	4,5	5,0	4,8
Subway	Doctor's Associates Inc	3,4	3,3	3,5	3,3
Eko	Hellenic Petroleum SA	3,3	2,9	3,3	3,3
Go Grill	Go Grill OOD	2,8	2,6	2,8	2,8
Starbucks	Starbucks Corp	1,7	2,0	1,9	1,8

Source: Euromonitor International. (2023). *Consumer Foodservice in Bulgaria*.

From 2019 to 2022, the market share of chains has remained stable and, despite a slight decline, has been trending upward over the last two years. The business predicts new operators entering the Bulgarian market as competition is generally moderate. Chains are increasingly offering new products that respond to the growing consumer awareness of healthy eating. Overall, the potential for restaurant chains in Bulgaria is underdeveloped. The relative share of outlets involved does not exceed 3%. However, the foundations are in place, and the practice is already known. There are significant opportunities, especially for national restaurant chains.

Based on the results of the situational analysis, the following conclusions could be drawn:

- The foodservice sector has recovered both internationally and nationally after the COVID-19 pandemic.
- Growth rates are uneven and fluctuating, so it is not yet possible to infer a sustainable upward trend in the values of the indicators examined.
- Despite the foodservice sector's upward trend in volume and value over the last two years of the study period, it has not yet reached pre-pandemic levels.
- Mobile outlets and smaller, limited-service outlets are recovering faster than other groups such as cafés/bars, full-service restaurants, and self-service cafeterias, which have yet to fully recover and reach pre-pandemic sales volume levels.
- Although the relative share of independent restaurants is considerably higher, there has been an increasing trend towards consolidation and proliferation of transnational restaurant chains in the last five years.
- The largest restaurant companies in the world and in Europe are American, particularly in the quick service restaurant sector. The contract catering sector is also well-represented in Europe;
- Over the past six years, there has been a consistent increase in the proportion of online sales. This trend has continued even after the pandemic.
- The restaurant sector in Bulgaria generally follows international trends, albeit at a slightly slower pace.

Conclusion

Due to the limited nature of this publication, the study is restricted to tracking mostly quantitative changes in foodservice industry at international and national levels. Despite the limited access to statistical information, a relatively broad picture of the current state of the foodservice sector at global and national levels is obtained. Tracing the dynamics of the development of the foodservice indicators studied over the last six years makes it possible to highlight the main contemporary changes in the sector, which would serve as a kind of motivation and incentive to invest in the business. The study of developments and trends in the foodservice sector could be extended to focus on changes in consumer characteristics, preferences, and behaviour, from which the main qualitative changes imposed on the foodservice sector could be derived.

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