



Spanish market leader Burger King grew its network by 3.1% in 2020.

# QSR and delivery weather the crisis

Even though fewer restaurants are being closed and sales declines have been lessening since March 2021, the summer business Spanish restaurateurs had been eagerly anticipating did not bring with it the revival they had hoped for. What held true for previous lockdowns holds true also for the fifth Coronavirus wave and that is that it is foodservice chains in general and quick service restaurants in particular that suffer least from the crisis. Delivery turned out to be a lifeline for many players.

After the state of alert was declared in Spain in March 2020, foodservice sales in the country nosedived by between 90.3% in April and 32.4% in September compared with the same months in 2019. In March 2021, sales declined by 30.2% over March 2019, in April sales were down by 29%. These figures, however, are average figures, sales declines differed greatly across the country, seeing that each of Spain's seventeen autonomous regions adopted different measures to contain the pandemic (see the example of Madrid on page 29). Measures included quarantine restrictions, the "cierro perimetral", resulting in the shutdown of individual districts for a specific period of time according to the number of Covid-19 cases, or the "toque de queda" night-time curfew.

Many a (chain store) restaurateur was frustrated if not exhausted because every region had completely different regulations. Sergio Rivas, CEO of Beer & Food, which owns brands like Gambrinus and Tony Roma's, said that sales at stores in Catalonia dropped by 80%, while stores in Madrid were down by only 20% because the city had different regulations. José Luis Yzuel, president of Spanish Hospitality Industry Association, released a rough estimate for the summer business of 2021, stating that sales fell by 30% to 40% compared with business in the summer of 2019, amounting to lost sales of €10 bn. In 2020, sales in regions that depend heavily on tourism plummeted by 80%.

Many foodservice operators say that payment deferrals and loans that must be paid back are not enough, so it comes as no surprise that calls for support and immediate aid packages are getting louder. To date, the EU has pledged to pay out roughly €3 bn, "only", says "Juntos con la Hostelería", which reckons that the industry needs at least €8.5 bn and warns that one million people have already lost their jobs or are on short time work. By the end of April 2021, the group formed by foodservice associations Hostelería de España, FIAB and AECOC expects one in five employees to be without a job.

According to consulting company UVE Solutions, 261,800 of the 306,700 foodservice stores that were open in June 2020 were still in business in June 2021, a decline of 14% or almost 45,000 stores. Other sources forecast the loss of up to 100,000 stores. All sources agree that it is mainly small independent restaurants, bars and discotheques that are brought to their knees by the crisis. Only foodservice chain brands reported a quantitative increase of 0.5%. Figures released by market researcher Alimarket show a net addition of 127 new stores, in total, 640 stores opened and 513 closed.

**Food retailers were the clear winners** in the pandemic. According to Spain's Ministry of Agriculture, Fisheries and Food, spending in the hospitality sector dropped by 38% to an estima-

ted €23.3 bn in 2020, while spending in the food retail sector was up by 11%. Working from home led to cooking at home. The same, fortunately for restaurateurs, as did takeaway and delivery. Figures from NDP Group show that, in terms of value, in-store business accounted for 78.1%, takeaway for 17.4% and delivery for 4.5%. Fourteen months later, the respective figures were 61.5%, 27.6% and 10.9%. "Off-premise consumption has consolidated itself as an option for people in Spain," said NDP Group.

Other sources reveal that several new customers tapped into takeaway and delivery during the lockdowns and months of working from home. Before 2020, 42% of the Spanish population were familiar with delivery and pick-up services and used them, in 2020 it was 53%. Some 40% of users

ordered their food and drinks on big platforms such as Glovo, Just Eat, Deliveroo and Uber Eats, which are expected to come up with new structures soon, considering that riders will be employed in the future rather than having to work as freelancers. Restaurants that have their own delivery services accounted for the remaining 60% of deliveries.

**Pizza, burgers, Chinese food** and sushi are and remain delivery bestsellers, in exactly that order. Again, it is the foodservice chains that profit from the trend thanks to their established processes. Players such as Burger King and Telepizza are reporting sales increases of up to 11%. But medium-sized foodservice chains like Goiko Grill are also faring well as are independent restaurateurs, who have successfully switched to the take-

## Spain: Top 10 restaurant chains by units in 2020

R	Chain	HQ country	Cuisine	Units	Change vs 2019
1	<b>Burger King</b>	United States	Burger	825	3.1%
2	<b>Telepizza</b>	Spain	Pizza	697	-5.7%
3	<b>McDonald's</b>	United States	Burger	535	1.5%
4	<b>Domino's</b>	United States	Pizza	337	5.0%
5	<b>100 Montaditos</b>	Spain	Spanish	315	0.6%
6	<b>La Tagliatella</b>	Spain	Italian/Pizza	233	-2.1%
7	<b>Foster's Hollywood</b>	Spain	Varied Menu	225	-1.7%
8	<b>Lizarran</b>	Spain	Spanish	200	0.0%
9	<b>KFC</b>	United States	Chicken	188	5.0%
10	<b>The Good Burger</b>	Spain	Burger	155	-3.1%

Source: Technomic Global Navigator 2021

### Model chains

Of the Top 25 chains in Spain in 2020, Taco Bell's growth was the strongest with sales up 15.2%. Llaollao, which specializes in frozen yogurt, was the second-fastest growing chain in the Top 25 with sales growth of 9.2%. Pizza Hut, another US chain, was in third position with sales increasing by 8.2% in 2020.

### Background information

The pandemic and the resulting lockdowns in Spain had an enormous impact on the restaurant industry in 2020, with operational restrictions on dine-in services negatively affecting full-service operators in particular. Despite the challenging conditions, the large chains that form the Top 10 in Spain weathered the storm and did not close a significant number of locations. Broadly speaking, chains with limited services performed better in 2020 than full-service chains, largely because many already had established off-premise channels and services such as digital ordering and delivery services. Of all limited-service chains, pizza brands fared rather well while large sandwich chains saw unit declines.

### Consumer insights

90% of consumers in Spain visit a restaurant or foodservice location at least once a month, slightly more than the global average of 89% but down from 94% prior to the pandemic. Both takeaway and delivery managed to increase market share while the share of dine-in chains fell from 45% before the pandemic to 36% afterwards. In the wake of the pandemic, 48% of consumers in Spain are ordering grab-and-go meals that are ready to eat, 31% are purchasing heat-and-serve meals and 27% are ordering family meals.



## Big deal: Cinven buys Burger King

It was the biggest deal in the Spanish foodservice landscape to date. British private equity group Cinven acquired a majority stake in Restaurant Brands Iberia (RB Iberia) for more than €1 bn. RB Iberia, which was founded in 1981, has been the master franchisee of US quick service brand Burger King in Spain since 2016, in Portugal since 2017. The group is also the master franchisee for Canadian chain Tim Horton's and added Popeyes Louisiana Kitchen to its portfolio in 2019. At the end of 2020, sales of RB Iberia's 1,002 locations had dropped by 23%. According to Cinven, the key reasons for the takeover were RB Iberia's solid position in the market, the relevance of its brands, with Burger King running 300 more stores than McDonald's in Spain, and its strong resilience to market dynamics. "The investment represents an important catalyst to our growth plan," added Gregorio Jiménez Blasquez, founder and president of RB Iberia. The new partners plan to turn RB Iberia into the leader in innovative and sustainable solutions in the Southern European market.

away and delivery sales channels thanks to dark kitchens. The delivery model helped many a casual or high-end dining restaurateur cash in average checks of €18. A good example is three-starred Michelin restaurateur Dani García, who offers nine different menus for delivery in six cities on its [www.lagranfamiliamediterranea.com](http://www.lagranfamiliamediterranea.com) site, including Japanese, Mexican and Italian menus. David Muñoz and his Goxo chain are in the same league, while QSR chains account for average checks of about €8.

**The sector that managed to grow** in spite of the pandemic, in quantity as well as value, was the quick service sector, even though the number of stores opened in this sector declined by a considerable 65% over 2019. Burger King opened 26 new locations, Malvón, the Argentinian empanadas specialist, opened 20. Pizza brands Pizza Hut, Telepizza and Pomodoro Pizza Pasta Burritos were in a better mood for expansion than burger brands and opened 17, 11 and 10 new units respectively. The reasons for

the solid performance of quick service operators were that it was rather easy for them to respect hygiene and social distancing rules, that customers stayed in their stores only for a short time and that they had perfect processes and delivery structures in place as well as tried and tested apps. Companies operating in shopping centres could only dream of such momentum considering that shopping centres were closed for much longer than high street stores in the lockdown. The background is that 3,500 of the 13,700 food chain stores in Spain, most of them being quick service stores, are located in shopping centres, which had to stay closed for 30% of weekdays in 2020, leading to an average sales decline of 29%.

**Coffee bars and bakery concepts** in travel locations were similarly hard hit. Chains like Yogurtería Llao Llao, Manolo Bakes, Muerde la Pasta and Pepe Taco, however, remained on their expansion path, with Yogurtería LlaoLlao opening 16, Pepe Taco and Manolo Bakes opening seven and Muerde la Pasta opening six new stores. And neither did the operators of shopping centres cease to glimpse to the future with optimism. Despite everything, six new centres opened in 2020 and more are in the works. Difficult times often result in new alliances or even takeovers. With the financial support of GED Iberian Pri-

mate Equity, Comess Group, for instance, acquired the Pomodoro Pizza Pasta Burritos brand with their 117 locations in Spain and Portugal as well as bakery concept Levadura Madre. And financial investor Cinven paid €1 bn for a majority stake in Restaurant Brands Iberia (RB Iberia), which is the master franchisee of Burger King, Popeyes and Tim Hortons in Spain. The deal was the biggest takeover in Spain's foodservice landscape to date, considering that Burger King is a QSR heavyweight in Spain, with 851 locations open at the end of March. Competitor McDonald's had 537 locations.

**According to experts**, the pandemic revealed that decisions made by restaurateurs to expand in the past were often rash and their actions unprofessional. They also say that the closing of loss-making stores was part of a sad but often necessary market shakeout. What they say is even sadder is that Spain's politicians are failing companies in the process because they are not providing financial aid or retraining measures. In short, Spain, with its bureaucratic peculiarities and slowness, is still Spain, the Spanish way of life clashes with the restrictions implemented to contain the virus and prospects are uncertain. Only hope springs eternal.

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The Canadian QSR chain Tim Hortons opened its first unit in Spain in 2017. Like Burger King, it is part of Restaurant Brands Iberia.



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# Madrikenian exceptionalism

**A**fter the state of alert in Spain was declared on 14th March 2020, each of Spain's 17 autonomous regions chose its own way to fight the pandemic when the first restrictions were lifted. Isabel Díaz Ayuso (42), president of Madrid's regional government since August 2019, kept almost all restaurants, pubs, cinemas, museums and other leisure centres open during the pandemic, a decision both criticised and praised. Ayuso was well aware that the roughly 30,800 food-service companies operating in the Community of Madrid accounted for 5% of the region's BIP, achieved sales of up to € 12 bn and employed some 270,000 people. She was convinced that there had to be a middle way between protecting the health of the population and the health of the economy. The conservative leader of Partido Popular claimed that the lockdown restrictions introduced by the Socialist-led central government were partially responsible for Spain's high unemployment, which passed the four-million mark again in 2020, for the first time since 2016.

## So Ayuso decided to do it her way.

While she kept Madrid open, she invested in beds and treatment possibilities in existing clinics and mandated the opening of a big field hospital on Madrid's exhibition grounds. She only closed districts in the city that had a particularly high number of Covid-19 cases. As a matter of fact, there were streets with restaurants open on one side of the street while they were closed on the other side. Hygiene and social distancing rules applied in all venues. In addition, serving over the counter was banned, there was a limit to the number of guests and it was "lights-out" for business at 11pm. All these measures, however, could not eliminate the economic impact of the crisis entirely. According to Juan José Bardon, general director of Asociación Empresarial de Hostelería de Madrid



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For many Madrikenian restaurateurs, Ayuso has become a hero and saviour. They printed labels for bottled beer featuring the politician's portrait or named meals after her.

(AEHM), some 6,000 companies have failed in the pandemic months so far, 35,000 employees lost their jobs and a further 15,000 are currently on short time work. Sales plummeted by up to 50%, AEHM reports, with the nightlife and event industries and foodservice operations in airports and railway stations and cultural institutions being hardest hit. The mortality rate in the Spanish capital has been higher than in most other parts of the country, with the death toll standing at 221 in 100,000 inhabitants at the end of the fourth wave (21st April, 2021) compared to a 162.9 average for Spain as a whole. However, it was not the highest rate in the country (Castilla La Mancha: 284/100,000; Castilla y León 256) and the Covid figures did not diminish popular support for Ayuso's decisions.

**"Hardly anyone dares to say it out loud,** but we, who survived, survived because we operate in Madrid," said Sergio Rivas, CEO of Beer & Food. What is more is that it was Ayuso's solution that made sure that there was a feeling of normality, social life and even optimism in Madrid, he believes. The term "madrikenian" was coined. A term that stands for strolling, promenading and stopping for a bite somewhere despite Covid-19, what worked as a magnet for (young) people from other countries: Europeans, who were fed up with Covid-19, in particular French people, travelled to Madrid to

escape from limitations in their own countries as if the city were an oasis in a cultural desert ruled by restrictions. In Madrid, they could drink wine and beer in the open and talk to people at the neighbouring tables. Everything they missed at home was possible in Madrid.

**Ayuso, now and again hailed** by bosses of foodservice companies as a hero or saviour, postulated "ir de cañas" (going for a drink) as the very essence of the Madrikenian way of life. Others countered that Ayuso's actions initiated a form of "booze tourism". Within the Comunidad de Madrid, praise, however, outweighed criticism. Many a restaurateur, especially those in city centre locations, printed posters bearing messages like "We are all Ayuso. Thanks for looking after us". Others printed labels for bottled beer featuring the politician's portrait or named meals after her. Regions like Castilla y León, Castilla-La Mancha and Cantabria wanted to have "our own Ayuso". Naturally, there was opposition, with comments like one on social media reading that "The French are living the high life in Madrid while many Spaniards haven't been able to see their relatives for months". For Ayuso, keeping Madrid open has paid off: in the early regional elections in May, she took 65 seats in Madrid's 136 assembly making it possible to rule again with the support of the Vox party. Ayuso called her victory "Madrid's vote for freedom". ♦