

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** COVID-19 Triggers Structural Changes in the German Restaurant Sector

**Country:** Germany

**Post:** Berlin

**Report Category:** Agriculture in the News, Food Service - Hotel Restaurant Institutional, Market Development Reports, Market Promotion/Competition

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**Report Highlights:**

Propelled by COVID-19, Germany's restaurant sector is undergoing structural change. Five trends can be identified: 1) Delivery services will gain importance; 2) Chain restaurants invest in digitalization (apps for customers); 3) Automation in the kitchen and reduction of staff; 4) Chains will raise prices to invest; and 5) Small and independent businesses will be losers of this structural change.

With the onset of the COVID-19 pandemic, the restaurant industry in Germany has seen some changes in business operations. During the lockdown phase, FAS Berlin witnessed that small and independent restaurants opened for a limited time per day with a lower-price and higher-volume simple menu, selling out of their shops' windows for instance. Also, many opened up online shops to sell readymade products, as well as cooking boxes for consumers to recook at home. Hereby, social media channels functioned as their communicator to circulate the menu and opening hours.

Now businesses have fully opened back up and monetary help in the form of federal stimuli is in place, e.g. a reduction in VAT on food items from 19 percent to seven percent from June 2020 until June 2021. Germany currently has the virus under control and life is gradually resuming back to what it was before. However, people are still going less often to restaurants than before the virus reached the country. The industry is adapting to this change.

Pre-pandemic, Germans would spend 1.6 billion Euro (approximately 1.83 billion USD) per week for restaurants and food services. That number has halved. German chain restaurants like Maredo (steak restaurant chain) and Vapiano (Italian food restaurant chain) are insolvent and Nordsee (fast food fish and seafood restaurant chain) asked for governmental help to navigate around insolvency.

Meanwhile, chains such as McDonald's, with their drive-through and delivery options, are better equipped. In Germany, the percentage of revenue that McDonald's made per day with drive-through doubled, from 30 to 60 percent. For delivery services such as Lieferando (owned by Dutch takeaway.com), business is booming since COVID-19, but they are now facing competition from McDonald's and others. Burger King is already testing their own in-house delivery options. The German pizza restaurant chain L'Osteria already underwent the change and is now delivering themselves, including their own app and software.

Restaurant chains are investing more and more in digitalization. The German Californian-Mexican cuisine chain restaurant Sausalitos wants to build a social and lifestyle platform via app. Instead of just finding the nearest location and reserving a table, Sausalitos wants users to see the other guests' profiles, interact, and even buy beverages, etc. for home delivery.

Another systemic change will be the reduction in staff. Product and staff make up 65 percent of the costs for McDonald's in Germany. Politicians and unions are rallying for higher wages while the company sees their profits sustaining only by reducing those 65 percent. The solution will be in technology. McDonald's bought up start-ups such as Apprente and Dynamic Yield. They deliver the technology to detect license plates at the drive-through to recognize the customer and customize their menu and offers via app, as well as detect all languages and dialects, thus replacing the waiter at the drive-through window to take the order. McDonald's will roll out this technology in Germany in 2021.

Chain restaurants will likely raise prices and reduce staff to invest in technology. Small and independent restaurants and businesses will be the losers of this structural change, as they will not be able to invest in the same way chain businesses can. They will depend on delivery services and their price dictation.

**Attachments:**

No Attachments.