



**Association for Cultural Enterprises
Report on Contract and Other Catering Activity - Covid-19
and Beyond**

Prepared for:

Association for Cultural Enterprises Board

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1. Background and Methodology

This report has been commissioned by the Association for Cultural Enterprises (the Association) and provides the results of research into the current status of contract and other catering operating within the cultural venues sector. The findings are drawn from desk research (trade press, contractor and industry websites, annual reports, and other publicly available financial and general information) in addition to telephone/online interviews with representatives of catering contractors. A number of Association members were also interviewed, some of whom operate catering in-house. The report comments on how catering businesses have responded to the Covid-19 pandemic and takes a view on the future resilience of catering contractors to continue to trade once lockdown measures are eased and cultural venues reopen to the public.

The document also highlights areas for consideration during remobilisation, relating to both contracted and in-house operations. A template for remobilisation is supplied as an Appendix to the report.

2. Contract Catering Marketplace

Contract caterers within the marketplace fall into three categories – the ‘big four’, small and medium sized enterprises (SMEs) and other smaller independent caterers.

The first category includes the four largest catering organisations, whose presence is widespread across the UK and who also conduct business in many other countries around the world. These are Compass Group (UK), Sodexo (France), Eloor (France) and Aramark (US).

Significant SMEs operating in the sector are WSH Holdings (incorporating BaxterStorey, Benugo and Searcys), CH&Co (incorporating Company of Cooks), Rhubarb, Amadeus and Delaware North. There are also a large number of SMEs and other independent caterers operating on a regional and local basis. Many of these are events caterers operating across multiple venues.

The table at Appendix 1 details key statistics and features of the main operators in the sector – turnover, number of staff, areas of business and contracts held in the cultural venues sector.

3. Impacts of Pandemic on Contract Caterers and Other Operators

3.1 Business Closure - Caterers

Compass Group	55% of UK business closed All business in culture and stadia closed – this represents 13% of Compass’ total revenue Healthcare, Defence, Offshore only remain fully operational Education and Business and Industry (B&I) at 25% capacity
Sodexo	All cultural/venue/stadia business closed Business still operational in Oil and Gas, B&I, and other business areas including FM
Aramark	All cultural/venue business closed Around 22% of total business still operational in Oil and Gas, B&I, Defence, Healthcare
Elior	All cultural/venue/stadia business closed – this represents around 15% of total turnover Around 20% of total business still operational in Oil and Gas, B&I including Bank of England North American business least affected – number of Defence and Security contracts
WSH/BaxterStorey	All Benugo, Searcys and BaxterStorey business in cultural and leisure venues closed; Benugo has limited presence in B&I At w/c 11 May Benugo advised that takeaway business in Royal Parks and London Zoo can reopen BaxterStorey operating around 20% of business in other sectors predominantly B&I; some growth areas e.g. Amazon contract
CH&Co	All ‘commercial’ business closed i.e. cultural and leisure venues – this represents around 20% of total turnover Operating on limited basis within B&I (call centres, Vodaphone, Sky) and Education Healthcare (Nightingale Hospitals out of London) 100%

3.2 Staff and Management

All businesses consulted have utilised the Government’s Job Retention Scheme to furlough salaried staff. Not all contractors are ‘topping up’ the government contribution – Sodexo being a notable exception via their Global Employee Relief Programme. WSH and Sodexo confirmed that they have been able to furlough casuals/zero hours staff.

Association members operating catering inhouse have also furloughed staff, with most topping up the government contribution while this remains at 80%.

All participants noted that while the scheme has been invaluable, labour costs remain high due to obligations around NI, pensions and other benefits.

Several WSH/BaxterStorey senior personnel have reduced salaries by 40% and some Compass senior staff by 25-30%. A number of Elior personnel not on furlough have opted into a 4-day week for the foreseeable future. And, on the flip side, Compass have awarded a bonus of 8 to 17% additional pay to 7,800 employees supporting the NHS.

Contractors and inhouse operators are limiting use of overtime, freelancers and temporary workers.

There has been a level of redeployment to other business areas by the large contractors, most notably Compass who has placed workers in NHS hospitals as well as in the wider public sector national infrastructure. Sodexo and Elior have also redeployed staff into other business areas.

At the time of writing, redundancies have been limited but all contractors were expecting to begin staff consultation processes on the basis of projected business volumes and considering that the government furlough contribution is likely to change.

Association members operating catering inhouse, with some exceptions in local authority funded environments, anticipate that efficiencies will need to be considered over the coming weeks.

3.3 Cashflow and Profit Impacts

Cashflow management is a major challenge, with all operators experiencing a level of 'cash burn'. Across the board expectations are, at best, of a minimal profit or break-even position for the current financial year.

Compass Group has scrapped plans to recommend an interim or final dividend for the current year (*Stock Market Wire 23-04-20*). There have also been reports of Compass planning to sell shares in a fundraising bid (*The Times 17-05-20*).

Sodexo has warned that global revenues will be down by up to £2.4b as a result of the pandemic and have introduced cost management measures and postponement of all capital expenditure to mitigate this. (*The Caterer 09-04-20*).

Mergers and acquisition activity has been paused by large caterers consulted, although is expected to pick up in 2021. The failure of some catering companies to survive the crisis will present opportunities for acquisition.

The 'big 4' consider themselves resilient and well-positioned to continue to trade following the crisis. Both Compass and Elior in press and interviews stressed their 'solid liquidity'. All those consulted are working to stabilise their positions and have teams and working parties consistently working on scenario planning and reforecasting as government guidance evolves. The larger catering companies are also able to consult with colleagues in other sectors, and globally where lockdown has been lifted, with a view to learnings on redefinition of food offer and service models.

Other SMEs and caterers are privately funded or independently owned. Both CH&Co and BaxterStorey/WSH noted in discussions that their funders were supportive and had recently reinvested to support the businesses through the current situation.

Smaller independent caterers, specifically those from the events and private restaurant sectors, are most at risk at this time. It is also challenging to assess the financial viability of these smaller companies due to the limited level of financial detail available from Companies House - as these businesses are exempt from posting full accounts. That said, a sample of smaller companies' accounts examined indicated most had high levels of liabilities and creditors exceeding assets.

Inhouse caterers are also facing significant shortfalls in turnover, impacting heavily on the wider organisation. Scenario planning is ongoing. Association members report that applications for loans and grant funding is a feature of lockdown activity, with mixed success indicated.

3.4 Events

Caterers and inhouse operators consulted have been able to move diary dates for most corporate and private events until 2021, with some international clients moving event dates up to 2024. Cancellations have been minimal. The reality of being able to eventually deliver these events will depend largely on social distancing regulation.

There was no expectation that large public events (concerts, fairs and festivals) would be a feature of cultural venues activity until 2021. This has particularly impacted on opportunities for 'dry hire' and is a significant income loss for cultural venues consulted.

3.5 Other Catering Activities and Innovation

The crisis has, often of necessity, created innovation and good examples of pivoting business concepts to support communities and generate PR. Examples from across the board are:

- Foodbuy, Compass' procurement business, provided free food boxes for employees
- Compass has donated food to Fareshare as well as food banks and other charity and community providers
- Lexington, part of Elixir, has linked up with several charities to deliver meals and is also delivering food to NHS Trusts
- CH&Co employees are taking part in vaccination trials
- Sodexo staff are supporting drive in virus test centres across the country

Smaller, local and events caterers have been swift to pivot business and marketing concepts, just a few examples below:

- Takeaway bakery goods, coffees; shopping pick ups
- Call order/online ordering restaurant/bar meals

- Community meals delivery; meals for homeless; food for families eligible for free school meals
- Pop up and street food offers at NHS locations
- Home meals deliveries
- Social media competitions offering free weddings, events to NHS staff in 2021
- Demonstrations and other online experiences –cheese tastings, cookery lessons etc.

4. Remobilisation – Interim Measures/New Normal

Caterers indicated a period of 2-3 weeks would be needed to remobilise catering operations. Contract caterers are generally known for speedier mobilisation periods. However the availability (and price) of PPE, deep cleaning and maintenance will impact on this, with demand on these services from a number of sources at the same time. Where infrastructure changes are required or equipment needs to be installed e.g. plexiglass screens or cashless technologies, this will take time. Training will also be more extensive and there will be new risk assessments and safe systems of work to be established. The caterers consulted are already speaking with clients as to remobilisation plans and have issued remobilisation packs. In house caterers are also preparing to remobilise, with some outdoor/park-based catering possible from early June in parts of the UK.

The areas below were noted in discussions with both contractors and those operating catering in house as worthy of consideration in planning reopening:

4.1 Food and Menu Offers

- Menus will need to be simplified and limited – kitchens are generally small and will need to manage social distancing
- Individual physical menus are best removed with blackboard and screen-based menus used instead
- All foods should be pre-packed; disposable crockery and cutlery (at least in initial phases)
- Creating menus that have a bias towards longer-life ingredients will better survive a temporary supply issue or downturn in footfall
- Caterers with central production units are more likely to make use of these than onsite kitchens
- Tailor menu offers to changed audiences, mainly domestic

4.2 Volumes

- Clients and caterers should be ready for ongoing volume variability and potentially stop-start operations
- Customer numbers will be unpredictable and vary day by day according to new behaviours

4.3 Technology and Equipment

- Contactless payment will be the norm - removing cash is a positive signal to the customer of a healthy environment
- Phone-based payment apps should be facilitated
- Perspex or similar screens and floor markings will support social distancing in queuing and service points – caterers report a variety of technologies already in use in business already operating, from ‘talking robots’ and holograms in some B&I locations to taped-on floor markings

4.4 Cleaning; Health and Safety

- Pre-mobilisation deep cleaning and maintenance regimes
- Review flow of work and cross-traffic for changes that need to be made – a clear customer journey will be necessary
- Reconfiguration of seating areas to support social distancing
- Catering employees to be asked to confirm they are fit and able to work
- Temperature checking (some clients using thermal imaging)
- Provision of handwashing/hand-sanitiser stations with instructions for customer use
- Provision of appropriate PPE for catering personnel – masks, visors, gloves etc.
- Frequent and regular cleaning for front and back-of-house – be seen to clean
- Catering team members instructed not to congregate and be role-models for social distancing
- Checklists and safe systems of work in place
- Pre-mobilisation and ongoing training for catering staff
- Some staff previously catering may be redirected to cleaning duties

It should be noted that caterers’ health and safety and food safety systems already support good hygiene practices. Remobilisation will focus on and strengthen these via training.

4.5 Communication

- The perception of being in control is critical
- Clients and caterers must clearly communicate behaviour expectations to staff and visitors e.g. social distance, personal hygiene requirements and health verification requirements
- Displaying noticeably clear and simple ‘1,2,3...’ instructions for customers so they know how to use catering in the new environment will provide reassurance and practical advice
- A ‘one team’ approach across venues, with a uniform approach to managing queues and social distancing
- Awareness of individual team member needs including mental health impacts
- Sharing of initiatives and intelligence among venues, particularly in a specific geographic area

5. Likely Future Impacts for Cultural Venues' Catering Operations

There are a number of factors impacting 'new normal' and 'recovery' scenarios – notably continuing government support for the industry, consumer behaviour and progress towards vaccine and immunity.

For the cultural sector and catering partners, there will need to be some change to business and contract models. Business models successful before the pandemic are unlikely to be as successful afterwards.

Catering is a high-volume business with associated high staffing and overhead costs and narrow margins. The pandemic has caused major disruption to global supply chains. Prices of numerous categories are expected to be volatile in the coming year. Disposable goods and PPE will be in demand, with expected increases in price. (*CGA Prestige March 2020*). However, from a positive perspective, the crisis has encouraged greater use of 'bottom up' local supply chains and improved partnerships among wholesalers. All businesses consulted expect this to continue.

The impact of the virus on international tourism markets, in addition to social distancing measures, means that volumes will be a fraction of those 'bid' against and key performance indicators will be less meaningful. Most venues are expected to be operating at 25-50% of capacity. From a catering perspective, this means a reduction in staffing (with associated redundancies). To achieve break-even, catering generally requires to be operating at 70% occupancy. Pivoting a seated restaurant offer to takeaway only will not generate close to the levels of income forecast and some caterers have indicated that it would not be viable to trade on this basis. This was in contrast to some inhouse operators who were keen to 'get something going' and maintain a catering presence. Additionally, some kitchens may close, with food alternatively brought in from a central production unit. Association members are looking at all available space to extend trading opportunities; outdoor space/outside the pay barrier being most advantageous.

Communication is key in understanding how clients and caterers can navigate this challenging period and indeed Association members consulted are already in routine and regular discussions with contractors. Contracts are likely to be re-negotiated. Minimum guarantees in particular will be challenging to achieve and are likely to be set aside at least for the initial phase of recovery/remobilisation. Fixed concession rates may instead be placed on a sliding scale linked to volumes. In terms of capital investment, depreciation will need to be discussed, related to extending contract terms.

All caterers will be seeking a commercial dialogue with clients, if they have not already done so. Most consulted expect this to be challenging. Ongoing contact with catering partners is recommended at all times, and particularly now. While important for all contractual relationships, where the contractor is not one of the larger organisations this is more significant as the company may be facing financial challenges that will impact on their ability to resume trading. The 'war chests' of the larger caterers are inevitably fuller than smaller operators. As discussed earlier, some of the independents may not survive and/or may be acquired by larger businesses.

No matter the size of the contractor, some operators may also use this opportunity to exit less favourable contracts. Counter to this, some cultural venues may decide not to offer catering for a period of time and end contracts accordingly. Some Association members will be coming to the end of contract terms and would be wise to extend at this point if possible, rather than going to market.

In the longer term, all caterers are likely to be more risk averse in bidding venue contracts. New models may be more prevalent, with a greater sharing of risk on client side, for example profit share or joint venture-based models. Of all Association members interviewed, only one operates this type of contract at the moment.

In summary, Association members should:

- Communicate with catering partners where possible – be an ‘intelligent client’ and understand challenges. In in house scenarios, this applies to supplier relationships also
- Prepare for re-mobilisation with a one-team approach; looking to joint opportunities to add value to the customer experience and build loyalty among visitors
- Expect variations to forecast financial returns and contract models
- Regularly review performance and operational approaches in coming months – adapting as lockdown eases
- For inhouse operators, a level of investment may be needed to look at new concepts and adapted offers

The research work and interviews took place between the period 27 April – 19 May 2020 and reflects government guidance and caterer activities during and just prior to this period. Sandra Reid can be contacted on sandra@fareconsulting.co.uk for any clarifications or further information.

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Association for Cultural Enterprises - Members

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Rachel Crewes, Harewood House Trust

Douglas Gilmore, The National Gallery

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Phil Smith, SS Great Britain

Sara Sweetland, Rothschild Waddesdon Limited

Caterers

Ben Warner, Benugo

Phil Cass, Benugo (Historic Environment Scotland)

Jeremy Wood, BaxterStorey

Mark Miller, Sodexo/Heritage Portfolio

Nick Clegg, CH&Co

(3 other independent caterers were interviewed and requested to remain anonymous)

Appendix 1 – Contract Caterer Activity UK

Financial data sourced via Alix Partners/EP Foodservice Growth Report 2019

Company name and sub-brands	Turnover latest full year	Number of employees (UK)	Contracts in cultural/leisure sector	Other sectors	Recent acquisitions and investment
Compass UK (inc. Levy, Restaurant Associates)	£25b UK turnover not published separately	56,570	Hatfield House, RZSS, Whipsnade Zoo, Imperial War Museums Group, EICC, SECC, Somerset House, Twycross Zoo	Healthcare Defence Offshore B&I Education Justice Support Services (cleaning and facilities)	Dine 2019 London Stock Exchange listed; FTSE 100
Sodexo (inc. Heritage Portfolio Ltd, Peyton and Byrne, Prestige and Centerplate)	£24b UK turnover £2.4b	47,237	RAF Museum Royal Botanic Gardens Scotland National Portrait Gallery National Galleries Scotland V&A Dundee	Healthcare Defence Offshore B&I Education Justice Support Services (cleaning and facilities)	HPL/Centerplate 2018 Peyton and Byrne 2017
Aramark	£16.2b UK turnover £457m	8,592	Harry Potter World Guinness Experience Birmingham Botanic Gardens Aerospace Bristol	Healthcare Defence Offshore B&I Education Justice Support Services (cleaning and facilities)	

Elior	£4.9b UK turnover £262m	10,000	St Albans Cathedral National Museums Wales We the Curious BT Murrayfield SS Great Britain	Healthcare Defence Offshore B&I Justice Education	Lexington 2018
WSH/Baxter Storey (inc. Benugo, Searcys)	£877.4m	8,500	Natural History Museums, Royal Parks, British Museum, Durham Cathedral, Ashmolean, National Museum of Scotland, V&A South Kensington Holborn Museum, Historic Environment Scotland, Westminster Abbey	Healthcare Defence Offshore B&I Justice Education	Private investment from Clayton, Dubilier and Rice 2019
CH&Co (inc. Harbour and Jones, Company of Cooks, Gather and Gather and Creative Events)	£286.5m	10,000	RHS Wisley, Kew, Historic Royal Palaces Royal Opera House Events panel caterer multiple locations	Healthcare B&I Education	Private investment from Equistone Partners Europe 2019
Delaware North	£88.8m	250	Wembley Stadium, Ricoh Stadium, Emirates Stadium, Stratford	B&I Other sectors in US	

Rhubarb	£55.5m		Events panel and bars caterer multiple locations – Royal Albert Hall, HRP, Saatchi Gallery, Science Museum Group		
Amadeus	£47m		Compton Verney Art Gallery, Belfast Zoo, Library of Birmingham	Stadia (NEC)	Wholly owned by NEC Group
Proper Food and Drink Company	£38.3m			B&I	Privately funded; turnover includes Fresh Direct food wholesaling
Thomas Franks	£35.3m		Events panel caterer multiple locations	B&I Education	
Crown Partnership (inc. Kudos)	£27.2m	450	Floral Pavilion and Theatre Liverpool, Penshurst Place Brighton Centre Cheltenham Trust	B&I	
Eventist inc. Food by Dish, Tapenade, Zafferano	£27.1m		Events panel caterer multiple locations		Events management primarily
Green and Fortune	£11.7b		Central Hall, Westminster Sea Containers Thames Kings Place Events panel caterer multiple locations	B&I	