QikServe

WHITEPAPER

The rise and rise of food halls

Why food halls are the biggest trend of 2021

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With a roadmap out of lockdown now proposed, the hospitality sector and supporting markets can finally look to the future and set concrete plans into action for the second half of the year.

The question on the lips of industry observers will now be, what will the market look like once the first layers of dust have settled? That there will be gaps on the high street isn't up for debate, but while the individual brands that will take their place is yet to be determined, we expect food halls to take up a chunk of the empty space.

Food halls before 2020

Three years ago, we wrote about the rise of food halls, predicting that the multi-brand venues would quickly accumulate, becoming the 'next big thing' in food and drink. Young consumers, with little memory of their food court forebears, were being drawn to the unique experience these multi-vendor settings promised.

Even those that could remember shopping centre food courts, once dominated by chain brands like McDonalds, KFC and Spud-U-Like, could note the clear difference between those plastic chaired, ambience-lacking spaces. Designed thoughtfully, with an emphasis on independent brands, socialising and without a Walmart or Dorothy Perkins in sight, these new food halls evoked a sense of togetherness and fun that the food court never could.

Their popularity was further driven by a demand for flexibility, choice and convenience. The new breed of food hall was about as flexible as you can get when it comes to a sit down, dining-out experience. Tables weren't usually booked, people tended to 'grab a space' where available and then venture out to explore the various food stall offerings. They were often open day and night so were ideal for a casual lunch, or a big night out with friends, and there was no need to stick with just one food type. People didn't then, and still won't want to be restricted to eating Italian or Chinese with friends. A food hall means each person can satisfy their individual desires and access tens of flavours, all under one roof

At the time, Simon Anderson, CEO of Market Halls said:

"We've done research into why people come here: First is location, second is vibe. Interestingly, specific traders come low [down], and although we're more guarded about the money we spend – I'd rather give £10 to a street food stall than a chain – value-for-money isn't a massive draw."

It's little surprise that the number of food halls grew at a rapid rate. Research from Cushman & Wakefield's, looking at food halls across the United States since 2016, pointed out 223 open and operating food hall projects, pre-COVID-19, and over 165 that were in development.

In the UK it's been estimated that there are around 40 food halls, from large, noteworthy venues such as Seven Dials Market in central London to smaller ones in market towns. This number may not consider some of the localised outdoor foodie spaces which replicate the format and atmosphere. Whatever the figure, we do know is that by 2019, there were food halls being proposed across the country – and not just in the cities. With Market Halls taking its fair share of headlines; councils, developers and food operators were keen to learn from their success and apply the template in their towns.

In the USA, and the UK to a lesser extent, the initial trend towards food halls, housing independent brands, was seen as a natural extension of the food truck movement that came before. Food trucks rose in popularity as rising rent and staffing prices created a barrier for new brands looking to enter the restaurant market. With a low cost of entry, they represented an excellent way for start-ups, not just to test their food with consumers, but to try out different locations and demographics. Food halls followed on, emerging as brands looked for smarter ways to gain a stronghold in an increasingly competitive and expensive market.

The way that a food hall charges the brands in residence is different from a typical landlord; typically, each 'stall' has been charged a percentage of the money it makes (between 15% and 30%). For this, they have been given access to a kitchen-retail unit, refrigeration, power, till, utilities and waste removal for a set period, between 3 and 12 months. While the brand is then in charge of kitting out its unit, it will still spend thousands less than it would renting on the high street. Furthermore, the marketing power of a brand within a food hall is strengthened by its positioning alongside other operators – as well as marketing output of the food hall developer itself.

The challenges brought on by COVID

COVID-19 put a temporary hold on industry plans to grow the food hall estate. As with most food and hospitality brands, spaces were closed or restricted from serving customers onsite. Yet, despite the challenges posed, and unlike many other markets, interest and investment in space remained.

In July 2020, Shelter Hall Raw opened in Brighton, becoming the UK's first socially distanced food hall. Its Chief Executive, Dan Warne, a former managing director of Deliveroo was able to raise capital for the launch from investors that saw "clear trends in the market".

In commenting one why food halls managed to draw positive attention and investment despite the difficult circumstances, Warne said:

"We've seen a huge increase in people wanting to support local and ensure the businesses they love survive....Our food halls give an opportunity for small food businesses to expand without the usual risk of finding a premises."

His comments are supported by data from Tyl by Natwest. It revealed that in 2020, £7.2bn was spent at local independent businesses; 84% of consumers claimed to be actively supporting local independent businesses in 2020. A fifth, meanwhile, said they planned to increase spending at indie shops "significantly". It's a distinct switch from pre-COVID, where supporting local, independent businesses was a 'nice to do' but not a primary reason for visiting a food hall.

Still the 'problem' remains for food halls, as it does many food businesses, how can they successfully trade - even after COVID-19 has receded – while social distancing remains front of mind, and crowds are avoided by consumers?

A digital solution...

Even before COVID, the drawback to a food hall was the queuing. When your group found a table, you took it in turns to explore and buy your food of choice (you didn't want to lose your precious seating space by all going at once). The lines could be long and by the time you'd purchased your food, your friends would be desperate to buy theirs. You didn't have time to queue at multiple vendors, even though you wanted to sample different foods from different brands, so you'd head back to your group. You tucked in – albeit slowly – but by the time they got back, you'd finished yours. The chance to eat together had been missed and nearly an hour had been spent queueing and eating in relay.

Added to this issue now is the desire for social distancing; venues will have to stay mindful of this – offering solutions to waylay their concerns. The public has become used to seeing their favourite restaurants and takeaways using ordering technology for this very reason. They will continue to expect digital services from these brands once the world returns to 'normal', so why not food halls also?

Food halls are intended to give customers a more flexible dining experience; imagine how much better that experience could be if the awkward food relay – and the scrabble for cash/cards - was negated?

On the face of it, digital ordering technology at a food hall may not seem as straightforward as for a single site; it must encompass multiple brands all with their own menus, promotions and business accounts. Certainly, not every platform in the market could manage it effectively – but QikServe's QikOrder product can – and does. Our loyalty card option can also be applied, driving customer loyalty and repeated footfall, which will be essential as businesses continue to recover from the pandemic.

With QikOrder, customers at food halls around the world (when allowed to open) are already able to browse food choices on their mobiles, placing orders and collecting them without the hassle of queuing. Or, if they want to choose with their nose, they can navigate the halls, deciding what takes their fancy and then sitting down with their friends, ordering food from their mobile app and enjoying the chance to socialise. They then get alert when their food is ready to head over and collect. This means the customers maximise the time spent with their friends and can avoid uncomfortable crushes.

Why they now have a bright future

The bricks and mortar retail sector has been struggling against the rise of ecommerce for a number of years, however the pandemic accelerated the downturn causing some of the world's biggest retailers to close their doors forever. From historic department stores like JCPenney in the USA and Debenhams in the UK, Brooks Brothers to the Arcadia Group, the casualties have been numerous – and the rescues scarce.

As these behemoths of retail closed their doors, they left behind huge retail spaces. Thousands of square feet need to be occupied yet few brands have the money, confidence or even ability to fill them. Could food halls be the answer? While not all spaces can work for food halls, many would, and we're not alone in thinking so. In February an article appeared in the i calling for the spaces left by the closing of Debenhams and out large retail outlets to be replaced with food halls. As it argued, their construction could prove a lifesaver for the high street:

"...Not only do they create huge economic advantages for their local areas and provide a sustainable business model for landlords, but they also create a sense of security for the retailers and outlets involved who can join together as co-operatives."

Whether taking up old retail space, or derelict warehouses, the development of food halls will be beneficial for the wider business community as it recovers from the pandemic. Landlords, suppliers, food operators and local governments are all in the same financial predicament, and by coming together to develop new food hall concepts, they work towards a common goal.

Details of new food halls in development are already emerging. The Queensberry Group owners of Liverpool's Metquarter building

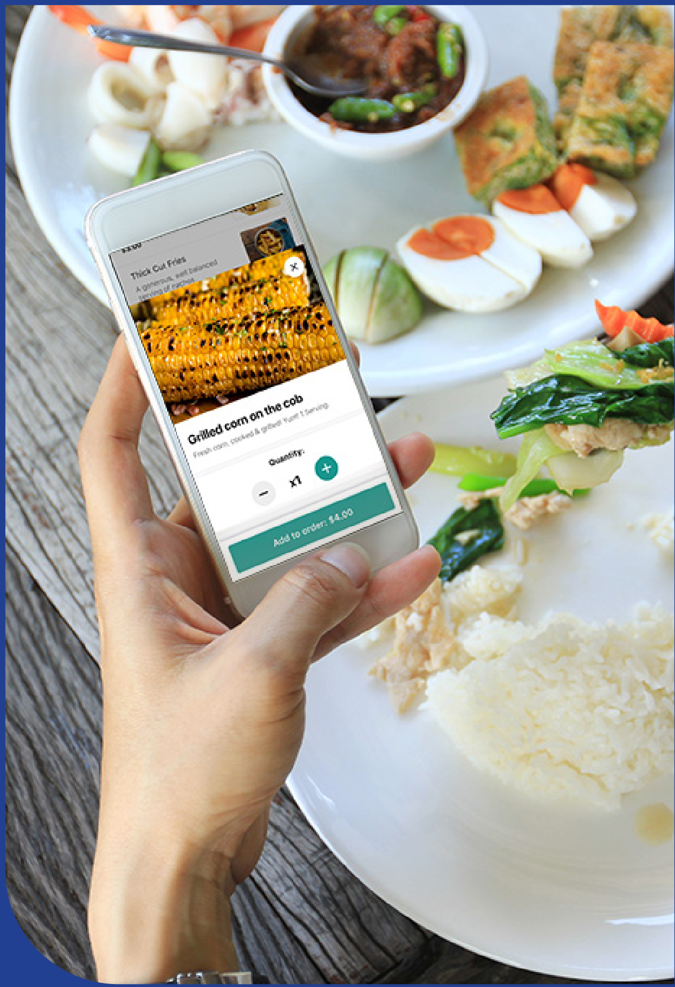
have announced they are to open the largest food hall in the UK city. Meanwhile the Budd Dairy Food Hall will open April 6 in Italian Village; the latest addition to the Cameron Mitchell Restaurants portfolio has been in the works since 2018, but construction delays and the Covid-19 pandemic postponed the project

So why is there more confidence that this niche food sector can help the high street? Compared to a retail operation, a food hall is a safe investment for the market; rather than placing all eggs in one basket, involved parties are spreading their interest across several smaller businesses, making it significantly less likely that they will fail. What's more, there's no end of independent companies available and willing to take up a permanent residence without the costly overheads that come with leasing a standalone venue; the National Restaurant Association says 90% of restaurants are small businesses. In short, if the restaurant ecosystem comes together to support food hall growth, the risk to each party is less than betting on a single, large brand.

For food brands and hall operators, the benefits go beyond affordability and risk aversion. The halls foster a closer relationship than might be seen between a traditional landlord and food brand tenant. The operators have open dialogue with the traders about the food on offer – everything, from social media to menu design and pricing is discussed to ensure synergy between all brands on-site. These conversations include technology; Time Out Markets is one operator that supplies each of its traders with a position on its mobile ordering platform. The brands benefit from a position on the Time Out Markets app through which they can receive orders in advance, reducing on-site queues and streamlining operations. Food halls have a reputation for being fun and fashion-forward; having an ordering technology in place helps them cement this position.

The halls are the ideal environment for creativity to assert itself; they are places in which brands can experiment – whether they're new to the market or already well established. The demographic to whom a food hall appeals tends to be on the younger side. Customers are attracted as much by the social aspects of the space as the food itself. They then promote the foods they eat on their social media profiles, a quick search of Instagram shows more than 433 millions posts tagged as #Food. The attention vendors receive from these consumer advocates can be marketed and used to propel their brand and business growth.

The developer is also able to experiment with the physical space on offer, changing their layout and trading model around to test out new revenue opportunities such as performance spaces, without any dramatic financial outlay. This is common in food halls throughout Europe where food halls take on the role of an entertainment destination, featuring events, markets and music sets alongside food and even some retail.



According to an article in The Guardian in February 2021, there is the potential for at least 120 new community food halls in the UK. These will be smaller than the spaces created by brands like Time Out Markets or Market Halls but will feature unique community aspects such as cinema screens or even co-working areas. The idea is one that has been put forward by real-estate consultancy, P-Three. Their co-founder, Thomas Rose, explains:

"These community hubs will give people pride in their town centres again...This move towards being a loyal supporter of your high street is not going to go away. We have spoken to a handful of private equity groups who are looking to invest in this type of concept because they see the consumer wants this...Local authorities love the concept too."

The future for food halls is digital

Once food halls reopen, and as new ones launch, their customers will return to them, drawn to the flexibility, convenience, choice and community they provide. But they'll also be looking for safety if they are to return frequently. Overcrowding can be an issue and developers/managers will need to invest to protect their traders and visitors; takeout and delivery offerings in addition to eat-in will become more common.

Time Out Markets sets a perfect example for others. Its sites make use of large vivid signage setting out rules, while its long communal tables have now been separated with plexiglass dividers and the outdoor space and been optimised; advanced air circulation and filtration system use UV light to further improve sanitation. And then there's the food hall app. With it customers can then track the progress of their order through email, text or push notifications.

For customers, the combination of street food with a health and safety aperitif and side dish of digital ordering will be the perfect post-pandemic combination.

QikServe

About QikServe

QikServe is the enterprise platform for guest self-service in hospitality. Using any channel from kiosks and tablets to web and mobile apps, hospitality operators can provide powerful in-store and off-premise solutions from ordering to payment, giving guests the convenience to order and pay for their food and drinks whenever and however they want.

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