Electric vehicle charging on the menu for pubs & restaurants

By Dominic Allport
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The increasing electrification of vehicles on our roads offers a new opportunity for both landlords and hospitality operators. MCA's Insight Editor Dominic Allport looks to the future and investigates the commercial and sustainable aspects of Electric Vehicle (EVs) charging.

The increasingly widespread adoption of electric vehicles (EVs), along with a growing infrastructure and evolving array of charging stations, are combining to offer a new revenue opportunity to hospitality operators and landlords alike.

In addition, by offering electric charging points to customers, there is the chance for many restaurant and pub brands to reinforce their environmental, social, and governance (ESG) credentials while future-proofing their offer. EV chargers could soon become as obligatory as providing free wireless internet to customers.

Increasing numbers of electric vehicles
According to motor industry data from the SMMT, nearly 10% of new car registrations during 2021 have been pure electric vehicles, double the proportion in 2020. These vehicles are powered by electric batteries, making them solely reliant on electric charging points.

Another big push towards electric vehicles is being made in the government's Net Zero Strategy entitled Build Back Greener, with plans to invest £620m in grants for electric vehicles and street charging points, while car companies will be mandated to sell a proportion of electric vehicles each year.

Nick Weir, co-managing director at property agent Shelley Sandzer, and author of a recent MCA **article about the drive in**, drives such an electric vehicle and is quick to point out that range anxiety is currently one of the biggest concerns he encounters because there aren't enough charging points across the country.

His concerns are echoed by many consumer surveys, carried about by Deloitte, JD Powers and others. Figures released in February 2021 from the Department for Transport indicate that, while there are said to be more than 20,000 public electric charging points in the UK, they are currently unevenly distributed.

The situation is changing, however, and the EV charging infrastructure is growing rapidly. According to a forecast by the Climate Change Committee, the number of electric vehicles on the road is expected to increase 60-fold in the next nine years in the run up to the 2030 ban on new petrol and diesel cars, with a ban on new hybrid vehicles following five years later.

As a result, millions of motorists – be they commuters, holiday makers or consumers out shopping - will soon be dependent on the UK's EV charging infrastructure, much of which will be located away from home. As such, this signifies a sizeable commercial opportunity for landlords and hospitality companies alike, and the opening of a new front in the battle for market share.

How is hospitality reacting to this growing opportunity?
"This hasn't happened overnight, but it is obviously gaining pace," says Peter Martin, MCA's contributing editor. "A lot of the trends pre and post the pandemic are green-driven. We are going through a period of massive change, we are not going back to normal post the pandemic, and electric vehicles and charging points are part of this shift."

When asked specifically about the opportunity around EV charging points, **Burger King**'s CEO Alaisdair Murdoch recently told MCA: "We see the opportunity, but the industry is a bit like the Wild West at the moment," indicating that most energy providers were chasing the market, and with market consolidation likely, it was currently difficult to know who to partner with.

According to Marc Balding, Burger King's Development Director, the company has been in trials to determine the best potential solution for EV charging. "There is an awful lot of choice out there. The market, and battery technology, is evolving at an incredible rate. What might be suitable today might not be suitable tomorrow, so we want to test and provide a flexible solution that allows for an upgrade going forward."

Balding mentioned that Burger King is in the process of installing EV chargers in two sites this year, and subject to permission from landlords, and, by encouraging its franchise partners to realise the opportunity, the burger chain intends to eventually roll out EV charging across its entire drive thru estate; both the 150 drive thru sites already in existence, as well as to integrate chargers into any new developments.

"We intend to start with a couple of chargers per site but as the use of electric vehicles grows, there will certainly be a need to add more charging capability and adapt our offer," says Balding. Burger King plans to monitor demand as it develops its EV charging offer. "We will analyse customer usage of these machines, and, over time, that will influence how we segment our estate and where we put the different types of equipment."

One company that decided its approach towards EV charging early was Mitchells & Butlers. In July 2019, after a series of trials, it announced it was partnering with Chargemaster to install 200 rapid car charging points at several of its pub and restaurant locations. Chargermaster is now owned by BP and has rebranded as BP Pulse.

Richard Turner, currently head of maintenance at **Mitchells & Butlers**, but formerly head of supplier management at the company, says, "We have a lot car parks in good locations, so we saw that there was an opportunity here. We saw this as a commercial opportunity, there is a sustainability angle, but it is predominately a commercial opportunity."

The Covid pandemic has interrupted the rollout of this network, but one of the trial locations, the **Harvester** site at Flamstead near Luton, has seen its electric charger used an average of eight or nine times a day since installation, with a standard charge time of around half an hour. "Thirty to thirty-five minutes is the perfect timescale for us as a restaurant," says Turner. "It maximises the opportunity that the public come in and purchase food and drink from us."

On an annual basis these daily figures translate into approximately 3,000 individual charges, with 1,500 hours of associated dwell time.

Assuming that everyone who is charging their electric vehicle spends their time and money in the Harvester - and using Lumina Intelligence's pubs average spend figure of £15.30 - it suggests that 3,000 occasions could generate revenue of almost £46,000 per year for the location. Multiply this

figure by the eventual network within the Mitchells & Butlers estate of 200 charging points and the associated revenue becomes a not inconsiderate £9.2m.

More broadly, Lumina's data indicates that across the eating out market, average on premise spend is twice the amount typically spent on a grab and go occasion.

However, one of the great unknown elements for most, if not all, operators so far, centres around not really knowing how much incremental spend is generated from these occasions. Many consumers might have visited an outlet regardless of the existence of an EV charge point.

This current lack of understanding about whether EV charging points can help an operator gain market share, increase customer frequency, or target a certain demographic could potentially be overcome – subject to data privacy issues - by combining customer data from EV charging companies with that of the hospitality operator itself. It would then be possible to envisage a situation whereby, instead of a free coffee or free burger, a customer could potentially be offered a free EV charge as a way of driving loyalty and spend.

A growing network of charging points

Any first mover advantage could be short-lived as more operators and landlords look to introduce electric charging points on car parks, forecourts, motorway service stations and even disused industrial premises close to trunk roads.

As the EV network develops "it will become normalised," says Balding. "With each new site there is an expectation that, along with other green initiatives, there is some form of EV charger onsite."

InstaVolt is an owner operator of rapid and ultra-rapid electric chargers that aim to provide "meaningful on-the-go charging" to a EV customer within 15-20 minutes. The company is focused

on installing charging points on drive thru sites and those with car parking spaces; and is currently working with QSR and coffee brands such as **McDonald's**, **KFC**, **Starbucks** and **Costa** Coffee.

In the case of McDonald's this could eventually mean charging points on nearly 1,000 sites within its current estate. "Our ultimate ambition," said McDonald's CEO Paul Pomeroy, in 2020, "is to have more EV charging points on our premises than any other company in the UK and Ireland."

According to Adrian Keen, InstaVolt's chief executive officer, the company typically leases car parking spaces from a restaurant or landlord for 15-25 years to recoup its capital costs, which include the charging unit itself and the necessary upgrading of the power supply, all of which involves a fair degree of investment. The owners of a location benefit both from attracting footfall and revenue from EV customers, as well as from rental income from InstaVolt, or other charging point providers.

With the current high levels of interest in drive thru sites from operators, rental values are tracking 30-50% higher than if an out of town/edge of town site is let without a drive thru option, according to Nick Weir from property agent Shelley Sandzer. He points out that once planning has been agreed the additional rental stream from EV charging point providers will help increase the overall capital value of a property for the owner.

The Covid pandemic has introduced new ways of customer ordering, such as curbside, which have been used by McDonald's and other QSR operators. Curbside service could lend itself well to the growing EV charging trend.

In addition to the commercial benefit, says Keen, there is the "ESG sustainability angle." He highlights the possibility of a positive carbon impact for restaurant and pub companies at the corporate level, as well as at the local level. "If a site can bring more EVs and support EVs' contribution to cleaner air in the immediate area then that also ticks a useful box," he says.

InstaVolt currently has 1,000 chargers either active, in construction or in advanced stages of development with plans for ten times this number by 2030. BP Pulse has a public charging network of over 8,000 charging points, and Shell plans to grow its EV charging network to over 5,000 forecourts and other locations by 2025.

EV chargers are already having an impact on the UK's 8,500 forecourts. EV charging units need to be placed some distance away from existing petrol and diesel pumps meaning that forecourts will need to have a large enough footprint to accommodate parked electric vehicles.

In addition, average dwell time in such locations will increase from below five minutes currently to something closer to 20 minutes, dependent on charging rates, as electric vehicles become more commonplace. This will mean forecourts will increasingly offer more retail and hospitality options, with a shift away from grab and go towards higher spend, eat in options. There could also be a place to work, including areas with soundproof booths and WiFi access.

An example of a new generation of electric forecourt is the Gridserve site in Essex. The facility enables up to 36 electric vehicles to charge at the same time, while the extensive retail, hospitality and workspace offer gives the location a modern airport lounge feel.

A different motorway service station experience
All locations that are reachable by car are beginning to adapt to accommodate EV charging. This includes motor service stations such as Moto, that three years ago realised it needed to begin broadening its 'refuelling' offer for motorists.

Moto's chief executive Ken McMeikan says the company is "hugely excited by the EV opportunity," and is conscious there is "a fundamental transformation in the way our customers will be travelling on motorways. Going forward the importance and need to provide sufficient charge points across the motorway network is huge. They are the forecourts of the future."

Moto has forecast – perhaps conservatively, says McMeikan - that by 2030, one in three customers arriving at a motorway service station could be arriving in an electric vehicle, with a potential need for a recharge.

This forecast represents a significant challenge in terms of the upgrade in the power supply that will be needed, but by the end of 2022, all of Moto's 59 sites will have a minimum of six ultra-rapid chargers available, with larger sites having 24 chargers.

Moto opened a new site in Rugby in April this year, which provides a glimpse of the future. Supported by £40 million of investment the site offers 24 ultra-rapid 350kW chargers which have the capability to add up to 100 miles of range within five to 15 minutes, depending on the car's capacity.

"The key here is that you have more dwell time than you did before [compared to a traditional forecourt]. How do you best optimise that dwell time?" asks McMeikan. "Our vision is to transform the UK rest stop experience. We have done a lot research with our customers into the sorts of

brands they would be interested in. And it makes us pretty excited about the opportunity that we have throughout the day if our customers are with us for a longer dwell time."

According to McMeikan the opportunity is not solely about an extended dwell time but also about the increased frequency of visit. Currently, the main opportunity for EV charging is during the middle of the day, but in future, he envisages another peak towards the end of the day as commuters make their way home. McMeikan even talks about a breakfast opportunity, if and when the HGV fleet becomes increasingly electric, which is a likely occurrence in the near-future, according to Peter Martin, as the supply chain moves towards net zero carbon.

With EV adoption and support services growing rapidly, the opportunity around EV charging is gaining pace. For landlords and hospitality operators that are prepared to invest and adapt as the market evolves, the EV-driving public will likely respond favourably to the convenience of refuelling themselves and their vehicle in one stop, potentially leading to long-term market share gains and positive brand perception benefits.