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Exploring opportunities in the UK Market

UK Foodservice Market – Overview and Trends

Presented by Peter Backman

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I enlighten.

Operators

1

Investors

2

Suppliers

3

At these levels

- C Suite
- Strategy
- Investors

National and international

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Key topics

- Overview of foodservice in the UK:
  - Size
  - Structure
  - Routes to market
  - Trends
- Demonstrate what is available:
  - Data
  - Insight
  - Understanding

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Foodservice in the food selling context

Total Food and Drink: £155 billion in 2014

Foodservice

- Restaurants
- Quick Service Restaurants
- Pubs
- Hotels
- Leisure
- Staff Catering
- Health Care
- Education
- Services

Institutions

- Schools
- Hospitals
- Universities
- Military
- Prisons

Retail

- Mults
- Independents
- C-Stores
- Off Licences

Source: IGD, Market Structure and Trends 2014

Different sectors - different customer needs

	Customer need	Sector
	• Destination outlet – Primary need for customers going there to eat	• Quick Service Restaurants • Pubs • Restaurants
	• Eating is not main reason for visit - Secondary need is to eat whilst there	• Hotels • Leisure
	• Eating is not main reason for visit – Tertiary need. Low costs are a key driver	• Staff Catering • Health Care • Education • Services

Contract Catering – an overview

Contract caterers

sodexo · aramark · ISS · elior · Delaware North · baxterstorey · CH&Co. · COMPASS GROUP

Leisure

Examples
- Attractions
- Wimbledon

Staff Catering

Examples
- Canteens
- Government

Health Care

Examples
- Hospitals
- Care homes

Education

Examples
- Schools
- Universities

Services

Examples
- Armed Forces
- Prisons

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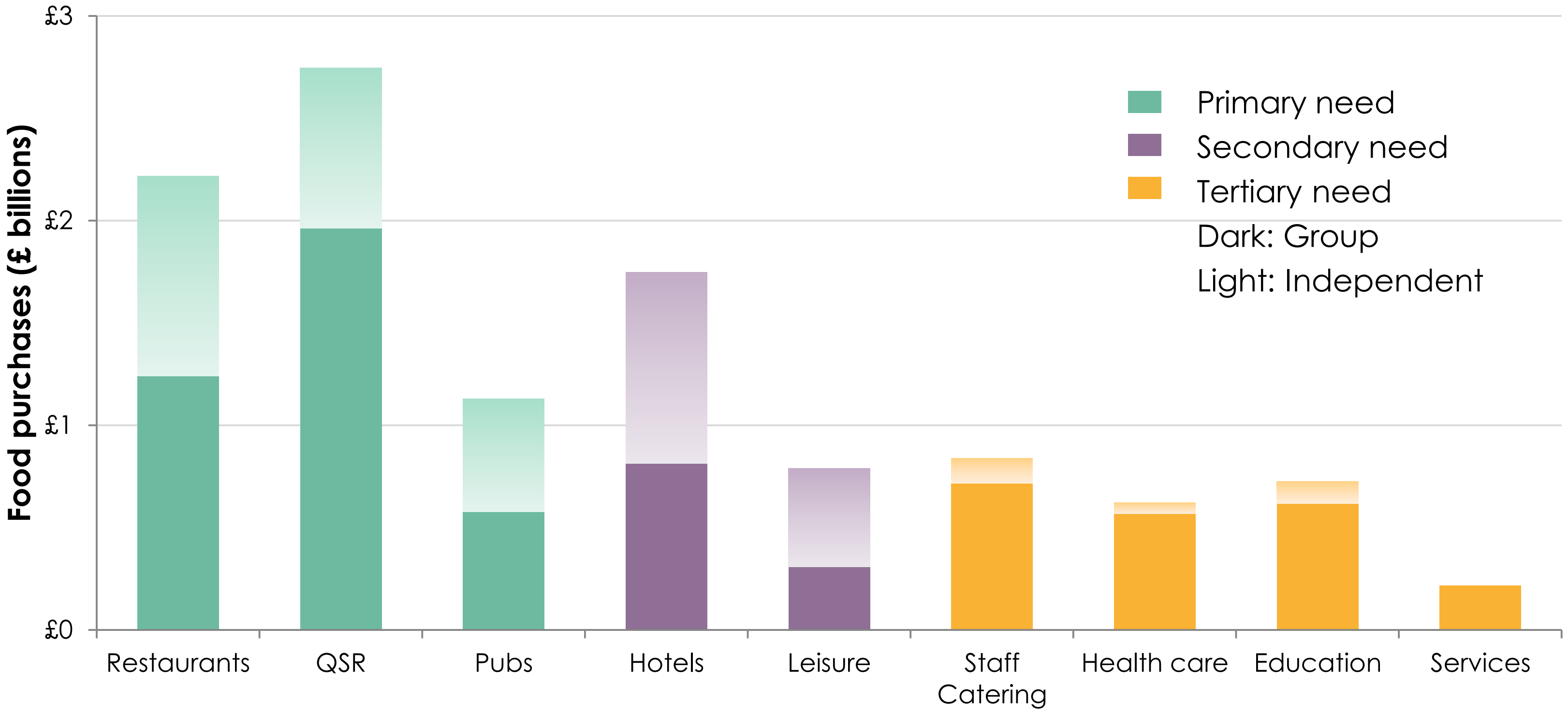
The UK foodservice market – Food purchases



Peter Backman. Source: Market Structure and Trends

The Top 15 Players

- These companies represent 36% of the F&B sales of the total market
- Global players dominate with 5 players
- UK Pub Groups follow with 4 players

Peter Backman. Source: Key Brands

Fastest growing small brands

% growth in estate numbers – 2014-2017

What is a One To Watch brand?

- Restaurant/QSR
- 5-25 sites
- >20% growth over past 3 years

Rank (Nov 2016 in grey)		Brand	Type of offer	Estate - Number of outlets				Growth rate (% change in outlet numbers 2014-2017)
				2017	2016	2015	2014	
1	15	Black Sheep	Coffee shop	19	13	4	2	850%
2	42	7Bone	American barbecue casual	8	2	2	1	700%
3	3	Mi Casa Burritos	Mexican burrito quick service	6	6	4	1	500%
	8	Synge & Byrne	Coffee shop	6	6	3	1	500%
5	4	Thaikun	Thai casual dining	11	8	6	2	450%
6	5	Sprinkles Gelato	Ice cream quick service	16	11	6	3	433%
7	7	Bea's	Patisserie quick service	5	5	1	1	400%
	13	Taco Bell	Mexican burrito quick service	20	11	7	4	400%
9	9	Patty & Bun	Burger fast casual	9	6	3	2	350%
10	20	Churchill's Fish & Chips	Fish & chips quick service	13	8	3	3	333%

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Who decides? Who influences?

- Customers
  - Individual
  - Party
- Independent operators
  - Chef
  - Owner
  - Cash & carry visitor
- Group operators
  - Unit? Head office?
  - Development chef
  - Ops
  - Marketing
  - Buyers
  - Committee? Individual?

- Contract caterers
  - Contractor
  - Purchasing consultant
  - Client
  - Customer
- Cost sector
  - Chef
  - Head teacher
  - Parents
  - Pupils/Patients/Prisoners
  - Buying consortia
- Distributors
  - Buyers
  - Marketing
  - Sales
  - Logistics

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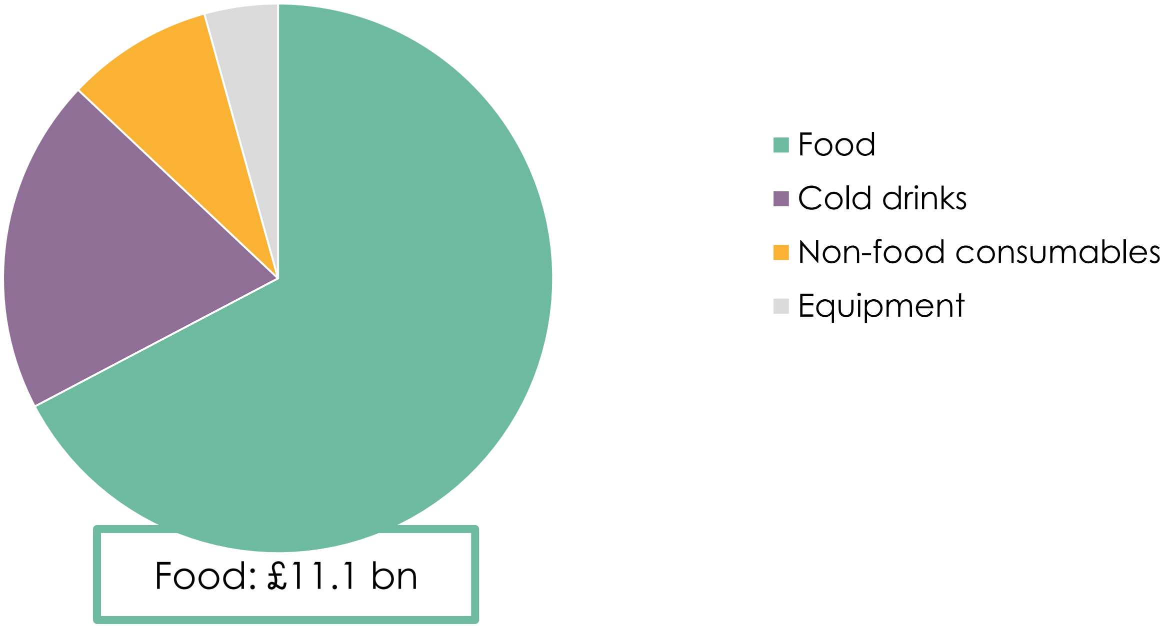
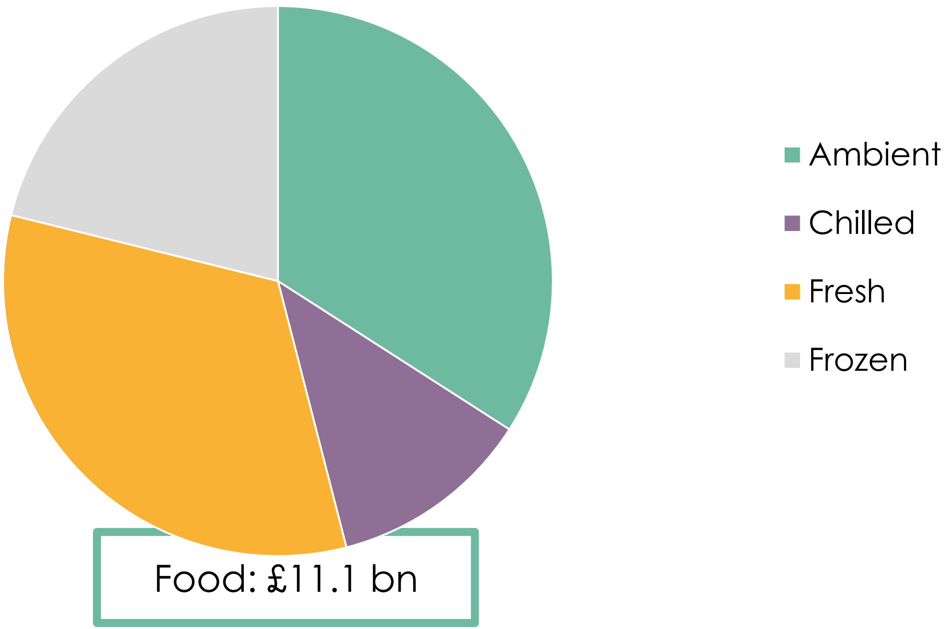
Operators spend £17 billion each year on ...



* Flash estimates

Peter Backman. Source: Market Structure and Trends

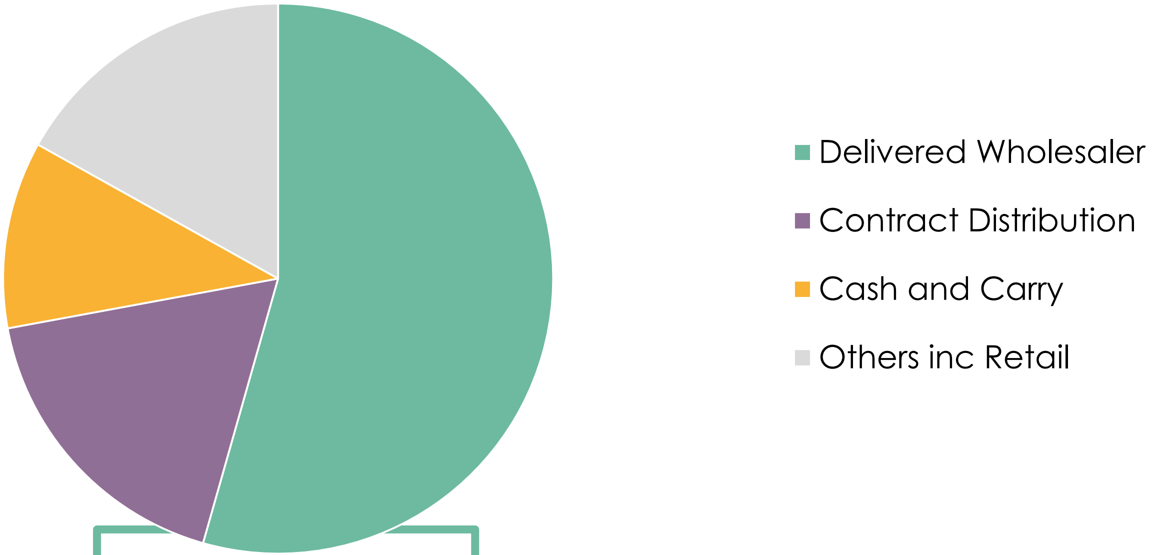
At what temperatures do operators buy food?



* Flash estimates

Peter Backman. Source: Market Structure and Trends

Where do operators buy their food?

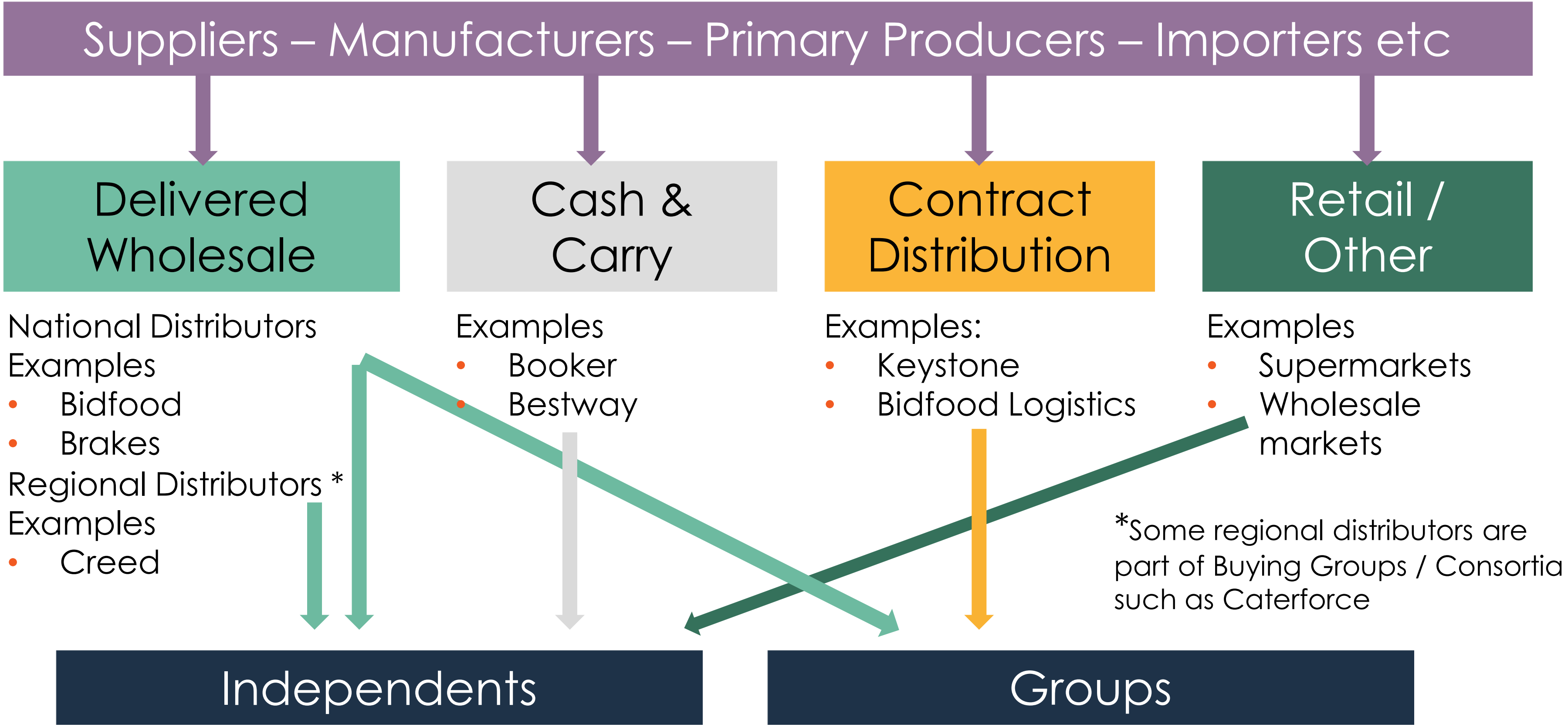


Food: £11.1 bn

* Flash estimates

Peter Backman. Source: Market Structure and Trends

Routes to Market – a summary



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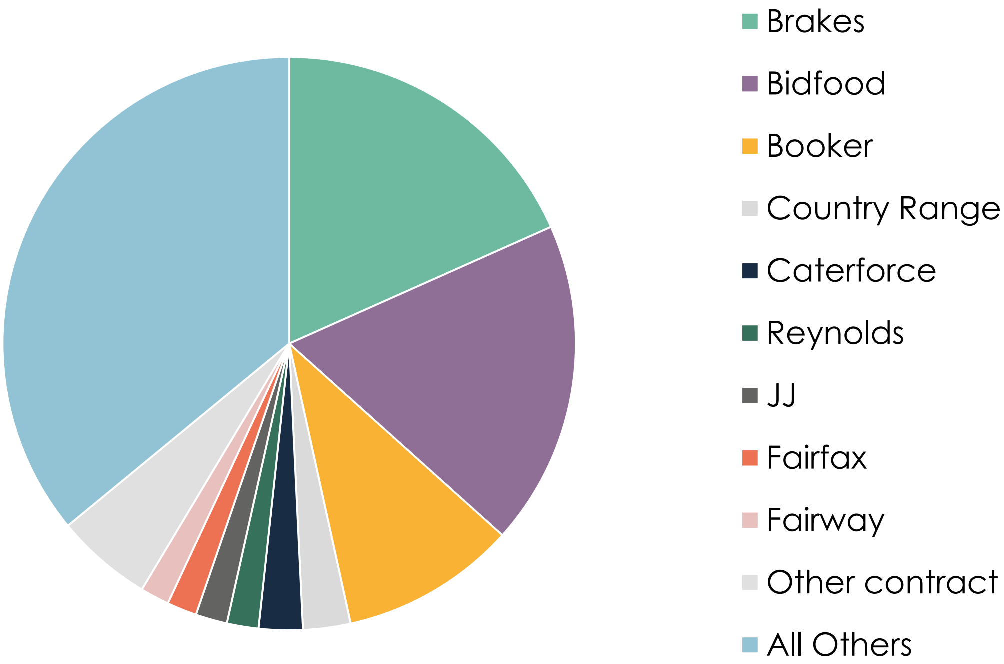
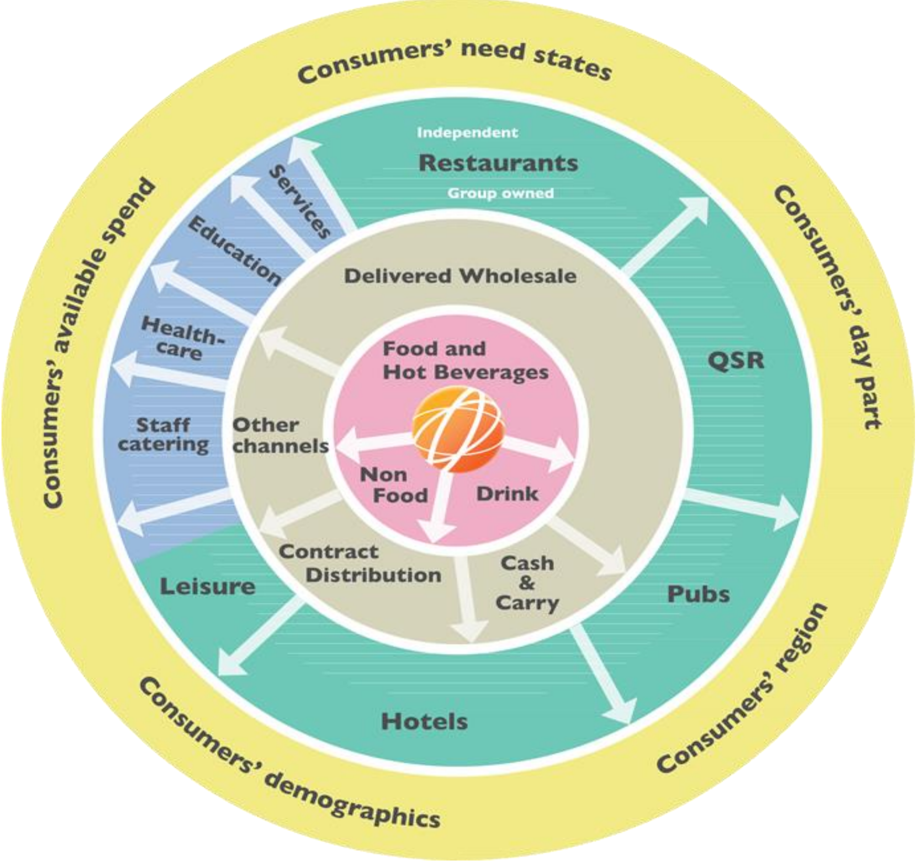
The major players in food distribution



- Fragmented
  - Top 3 have 48%
    - Brakes
    - Bidfood
    - Booker
  - The next 6 have 13%
- But
  - Sector/temperature concentration

Source: Market Structure and Trends

The Foodservice Universe



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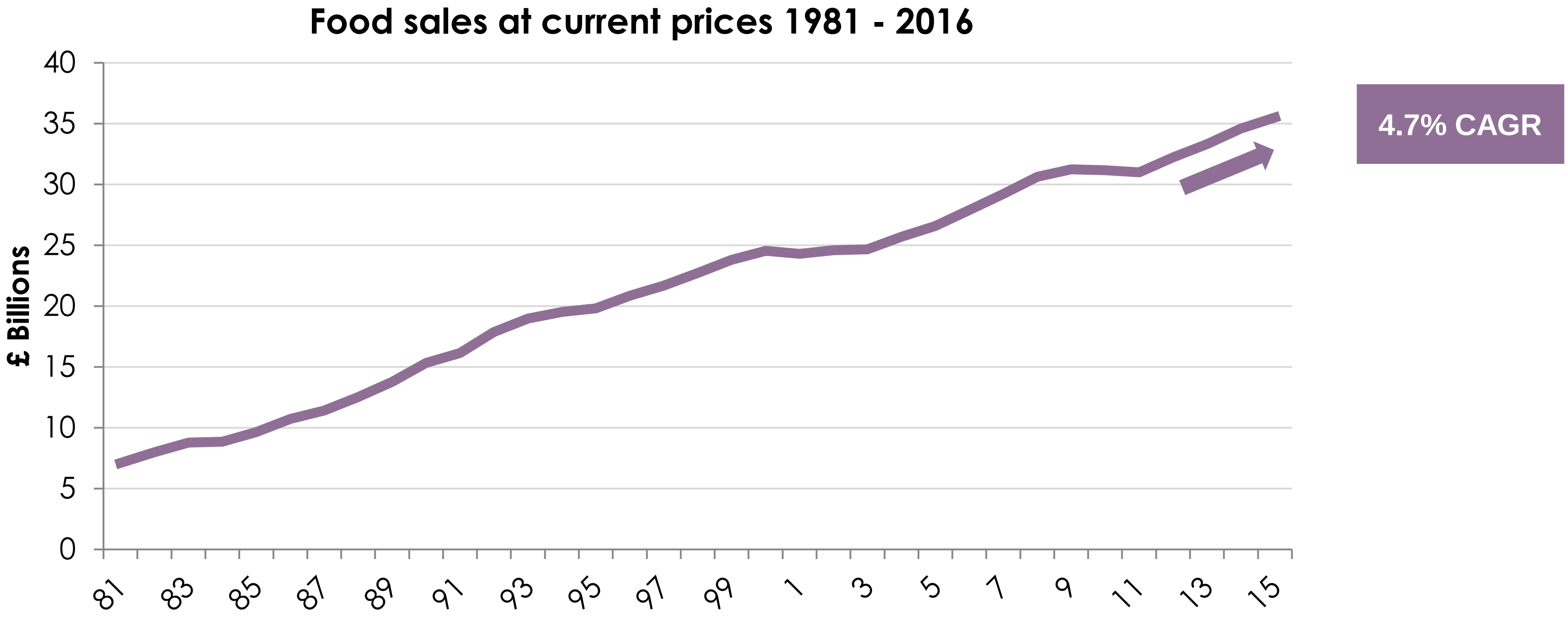
Top Trends to look out for

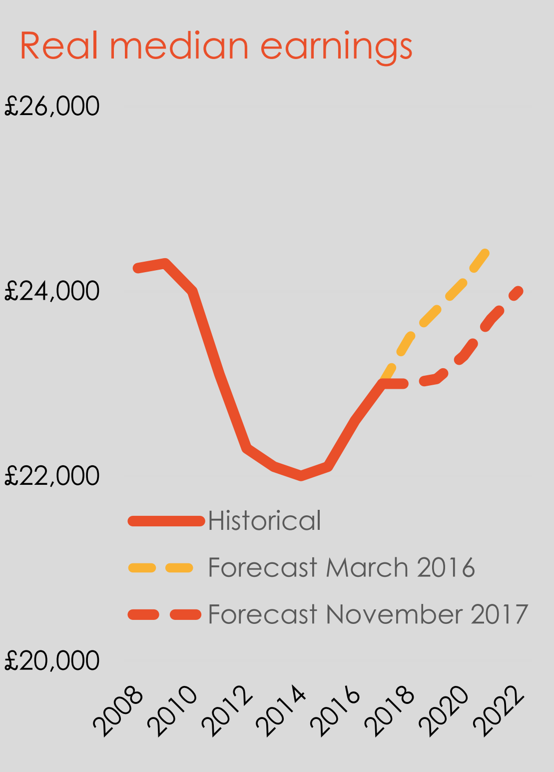
- Street food
- Breakfasts
- Coffee (not just in coffee shops!)
- Lunchtime price points
- Meal Deals
- Personalisation
- Grab ‘n’ go
- Fast service techniques
- ‘Health/lifestyle’ options, especially Free From and Provenance
- Vegan, vegetarian
- Use of technology for marketing, service etc.
- Delivery

Almost unbroken upward trend in food sales value



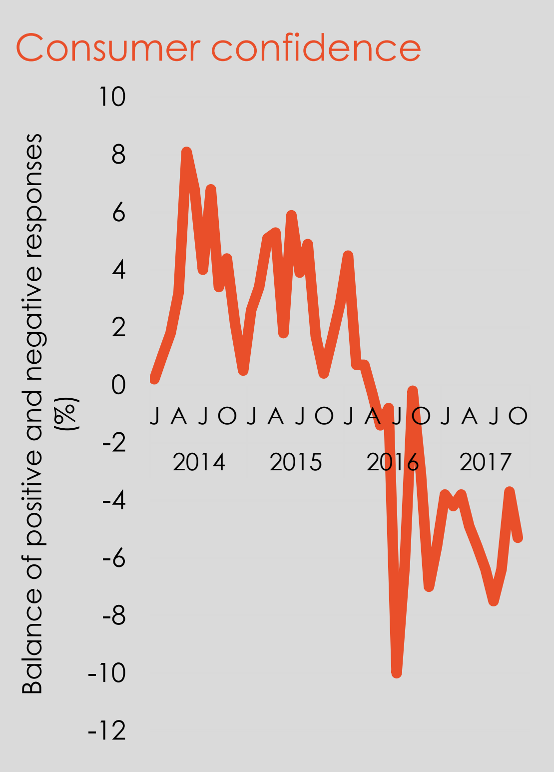
Peter Backman. Source: Market Structure and Trends

The consumer is reluctant



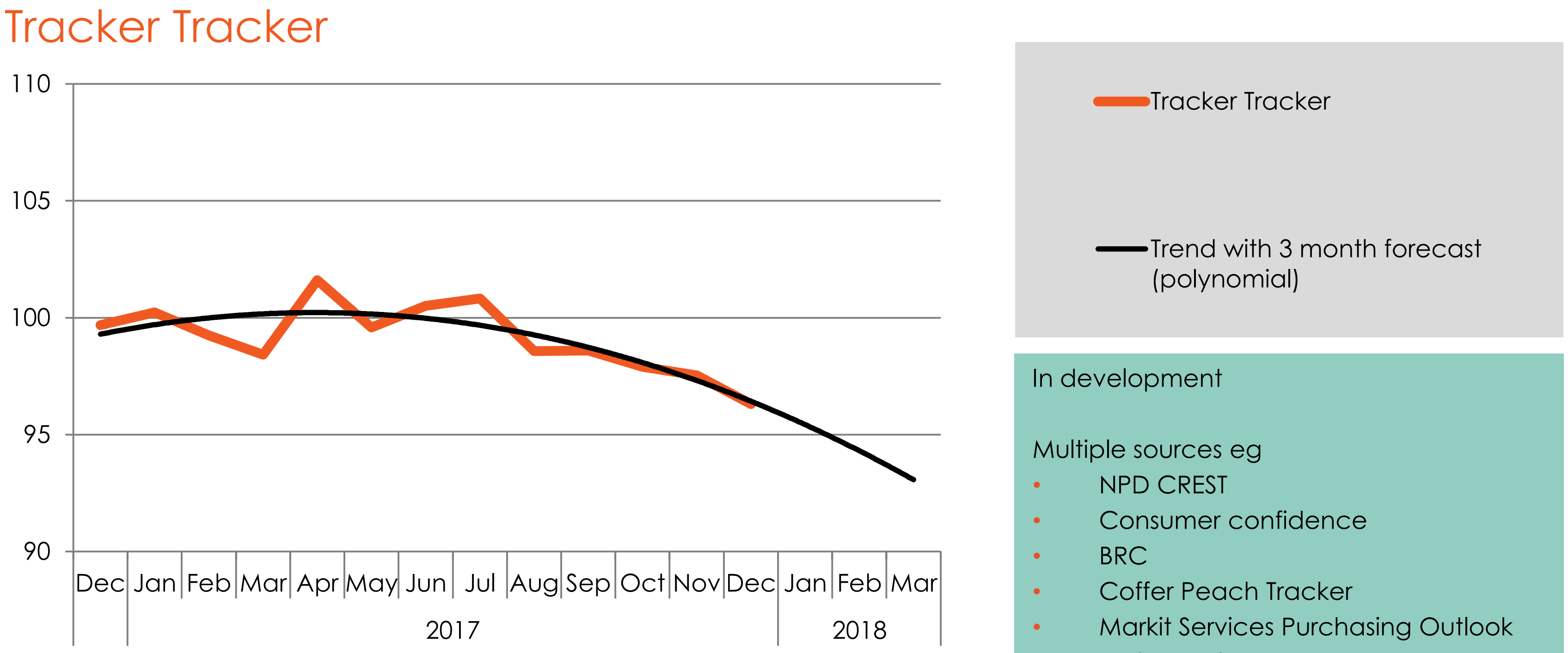
Less to spend

Less confident



Peter Backman. Sources: Eurostat, OBR, IFS

Overall eating out – pointing downward



In development

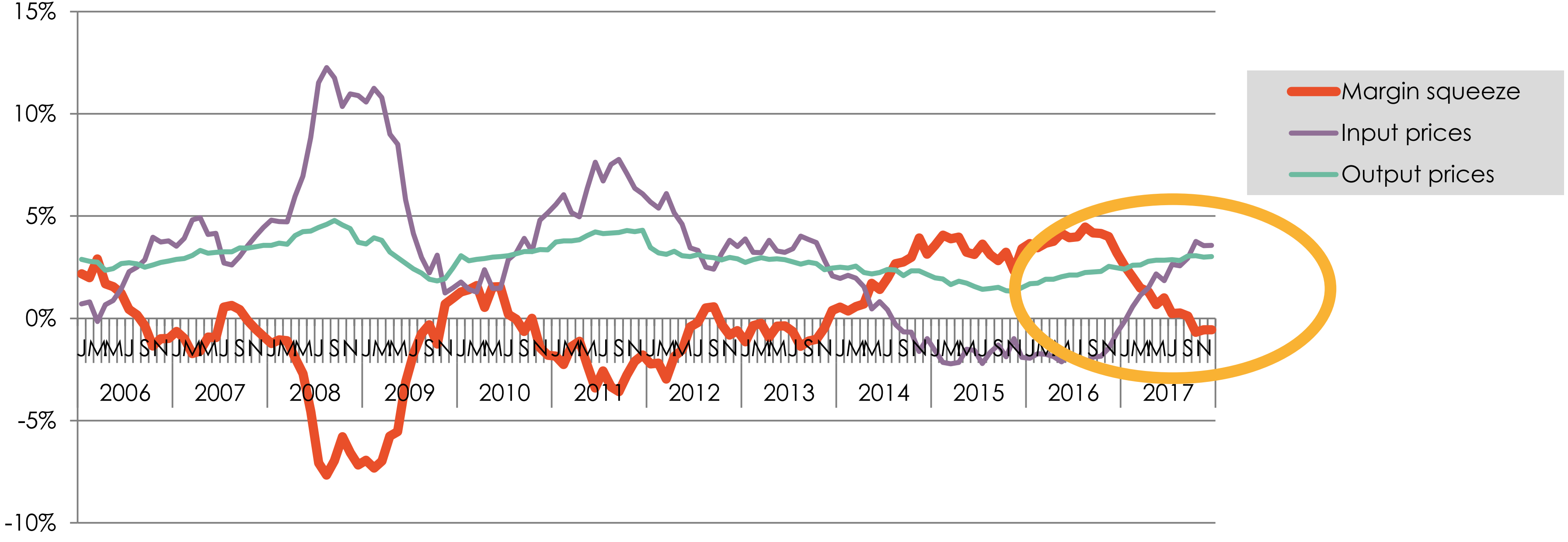
Multiple sources eg

- NPD CREST
- Consumer confidence
- BRC
- Coffer Peach Tracker
- Markit Services Purchasing Outlook
- Asda Tracker
- Etc

Peter Backman. Source: Peter Backman

Margins are being squeezed – returning to 2010

Margin Squeeze



Peter Backman. Source: ONS, Peter Backman

Some growth sectors

Casual dining

Breakfast

Coffee Shops

Lunch

Healthy

Fast casual

Delivery – a 2 way disrupter

Changes to operating patterns

- Reduced need for restaurant space
- Distribution becomes efficient
- More "Dark kitchens"

Losing contact with the customer

- "Man on a bike with a bag"
- Not "like real life"
- Not always "immediate"
- Impact on the brand?

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Delivery in total … and share of total foodservice

Market size in 2017

£6.7 billion

Growth since 2011

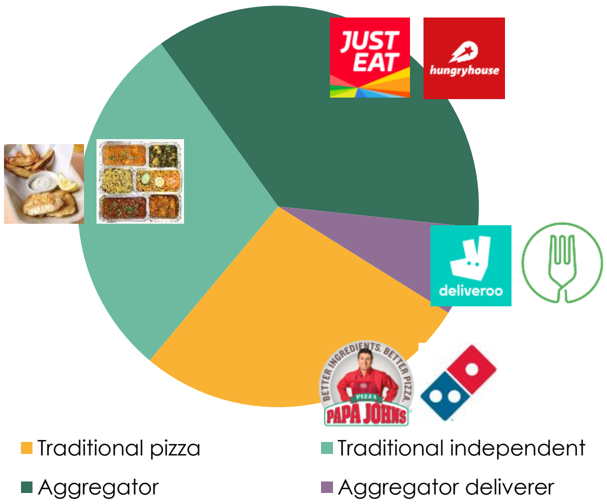
+8% CAGR

Forecast market size in 2018

£7.5 billion

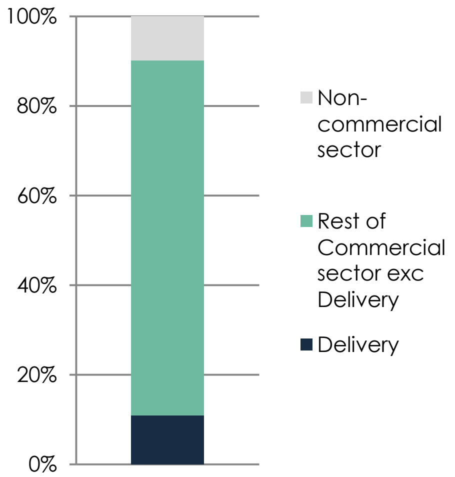
Note: Values are at nominal operator selling / consumer buying prices, or aggregator sales prices

4 models: Share of system sales 2017



Note: Brand logos are shown as examples only

Delivery share of total value of foodservice: 2017



Note: Commercial sector: restaurants, quick service, pubs, hotels, leisure. Non-commercial: staff feeding, institutions

* Flash estimates

Source: Peter Backman

How will Brexit play out in foodservice?

"No battle plan survives contact with the enemy"
Helmuth von Moltke

The unexpected – is very likely

Danger of arguing from "known knowns"

- Time scale
- Medium term to March 2019:
  - Brexit negotiations
- Long term:
  - The next 15 years

What happens to:

- Immigration
- Falling / volatile £
- Consumer confidence
- Brexit-induced effects on the UK economy
- Government investment
- Trade arrangements
- Changes in food law / regulations
- Changes in duties / taxes
- Private sector investment in foodservice
- London
- Foodservice trading

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Opportunities for exporters

- Offer advantages:
  - Price
  - Quality
  - Consistent supply
- Take advantage of new taste / product trends
- Follow your national restaurant chains into the UK
- Bring another “dimension” of understanding – new ideas

Thank you

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