

Trading remains tough but innovation survives, says Horizons

While sales in the UK's foodservice sector have plateaued, restaurant, bar and café operators are keeping customers eating out by introducing new brands, changing their menus and broadening their food and drink offering.

This was the conclusion reached by Peter Backman, Managing Director of foodservice consultancy Horizons, at a breakfast briefing organised by the company on Friday [23 September] at London's Barber-Surgeons' Hall. Backman told the audience of industry executives that the outlook for foodservice was at best one of limited growth, but more realistically one of no growth for the foreseeable future.

‘The foodservice market is still in the doldrums, foodservice share of food spend has dipped below 30% and although consumers are spending more money when they eat out they have cut down on the frequency of eating out occasions. This situation is likely to continue well into 2012 and beyond as the economic outlook is unlikely to improve, although I am confident this will start to grow in the longer term,’ he said.

‘Sales of food and beverage for out of home consumption have shown a rise since 2003 but that rise has now reached a plateau and if you take into account the impact of inflation, this represents a decline. The value of sales in the UK's foodservice sector is currently £42bn – a figure that has remained the same in real terms since 2008.’

Backman said that the first half of 2011 had shown some sales growth with a total value of £20.7 bn, up from £19.9 bn in 2010, but this was largely accountable by the rise in inflation and the VAT hike and comparison with a snow-stricken January the previous year.

Economist Philip Shaw of Investec painted a slightly more upbeat picture of the economy as a whole and the fact it had shown 2.5% growth over the past year, employment was rising and corporate profits were up. ‘This was a nasty recession as it was triggered by a banking collapse and therefore the recovery will tend to be more fragile,’ he said. ‘I don't think there is going to be a double dip recession in the UK, but more likely will be a period of slow growth over the next year or so after which the recovery will then gain more momentum.’

Backman identified the key issues that are creating a massive margin squeeze for foodservice operators – that selling prices to the consumer were dropping due to the prevalence of special offers and meal deals, and the fact that the cost of food was continuing to rise. ‘The economy is causing patterns of divergence with a split between the trading results of chains and the independents. This is happening most notably in the pub sector and the restaurant sector,’ he said.

‘What we are also seeing is operators concentrating on doing what they do well and so some are pulling away from things they didn't do that well. This is creating gaps in the market which have opened up opportunities for smaller, more entrepreneurial companies that are better placed to grab those opportunities.’

Backman said that QSR (quick service restaurant) chains had converged on a price point concentrating at the lower end, which had created an opportunity for operators to offer more upmarket QSR concepts, prompting the emergence of a fast casual sector within QSR with healthy, Mexican and Japanese themes doing particularly well. This emerging sector, with average spend of £5-10, saw sales worth £6.8bn in 2010.

Horizons' Director of Services Paul Backman outlined some of the new concepts and brands coming into the market. ‘Most of the new concepts are quick service operations merging contemporary styling and healthy food with a fast, fun and young feel. They are appealing to a new urban, health-conscious, budget-conscious consumer who would rather eat out than cook at home but doesn't want to spend too much doing so,’ he said.

‘Health-based convenience concepts such as Bill's, Chop'd, Pod and Tossed are showing strong growth as are quick service Japanese outlets such as Itsu, Wasabi and Samurai. Mexican is another area of growth with food to go brands such as Chilango, Tortilla

Mexican Grill and Barburrito,? added Backman.

?Despite the fact that foodservice sales overall have plateaued we are still seeing a high degree of innovation in the sector and this is helping to keep customers interested. Many of the large operators are keeping their offer fresh by changing their menus on a more frequent basis and revamping their interiors. Some are introducing designated areas in their restaurants such as somewhere to sit if you want just a coffee or breakfast, somewhere to meet friends or hold a meeting ? it's all about tailoring your offer to meet whatever your customer needs at whatever time of day,? added Paul Backman.

Horizons took the opportunity at the briefing to unveil a new corporate image for the company. The new Horizons logo is supported by a new-look website. See www.hrzns.com.

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Editor's Note

Horizons helps its clients make better business decisions by providing accurate and detailed information about the foodservice market, its trend, and opportunities. The company provides consultancy services, workshops and statistical information based on its model of the sector and database of key accounts across Europe.

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