

Snacking to rise, but evening meals declining

The UK's foodservice sector will experience long-term growth now the worst of the recession is over, although it will take at least until 2016 to return to food sales levels of 2007.

This was the conclusion of Horizons' managing director Peter Backman, speaking at his company's annual briefing 'Success in Challenging Times' - held yesterday [1 May 2013] at London's Glaziers Hall.

Backman said that although the foodservice market had seen nominal growth of 2.1% in 2012, it had declined by 0.4% once inflation was factored in. Sales of food and drink in the UK's foodservice market are currently worth £44.1bn.

But he warned that as consumer spending and expectation has changed over the past few years operators must adapt to new demands to secure future growth.

'Consumers are not confident at the moment although confidence is stabilising,' he said. 'There are grounds for optimism and some catering sectors are now demonstrating growth. Many operators have responded to trading challenges by looking at new opportunities and serving food throughout the day. The real winners have been snacking and the breakfast market. We think the two will grow considerably over the next few years.'

Backman used the briefing to outline Horizons' latest market structure and trends data. With sales of food alone through the eating out market worth £32.8bn, sales of snacks (currently accounting for 22% of those sales) are expected to rise by 4.4% in 2013, breakfast (currently 9% of sales) likely to rise by the same amount and lunch sales (currently 45% of the market) to rise by 0.6%. Evening dining is expected to decline -2.1% as consumers continue to shift their eating out patterns.

Horizons figures suggest that meal sales through restaurants will show a 2.3% growth this year while hotels will increase sales by 1.3% and the quick service sector will see a 1% growth. Overall the pub sector will experience a fall in meal sales of -1.5% as tenanted outlets continue to decline and more pubs turn into restaurants; but the biggest fall in sales will be seen by staff catering, which will drop by -5.4%.

Four key issues for operators this year, said Backman, would be winning and retaining business, meeting customer expectations, protecting margins and coping with strong comparatives from the Queen's Jubilee and the London Olympics.

'Companies that are financially stretched, dependent on the public sector, are unprepared to adapt and those that are failing to offer value for money, will be the ones to suffer in 2013. These are likely to be independent, tenanted or leased pubs and the healthcare and education sectors,' he added. 'Conversely casual dining, coffee outlets and managed pub restaurants are likely to boost sales this year.'

Chris Watling, CEO & chief market strategist with Longview Economics, opened the annual briefing with an overview of the UK's economic growth prospects. He said that the economy was unlikely to get back to the gangbuster years of 3% growth. However, the outlook for manufacturing and employment had never been better. 'We have about four or five more challenging years ahead, but we will get there in the end,' he said.

Panellist Maurice Abboudi, director at Japanese restaurant chain K10, said the biggest opportunity operators had was within their four walls. 'If we have the execution right, concentrate on food, value and service, it will come good,' he said, citing Ed's Easy Diner, Domino's and TGI Friday's as brands that have motivated their staff and turned themselves around with clever marketing and strong execution. 'It's about consistent execution every single day - the key thing is focus.'

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Editor's Note

Horizons provides fresh insights into the foodservice market, based on longstanding involvement and knowledge about the market and its supply chain. The company provides facts and reports, guidance and learning, workshops and networking for operators, manufacturers, distributors and investors in the UK and across Europe.