

CHANNEL OPPORTUNITIES IN THE IRISH FOODSERVICE SECTOR

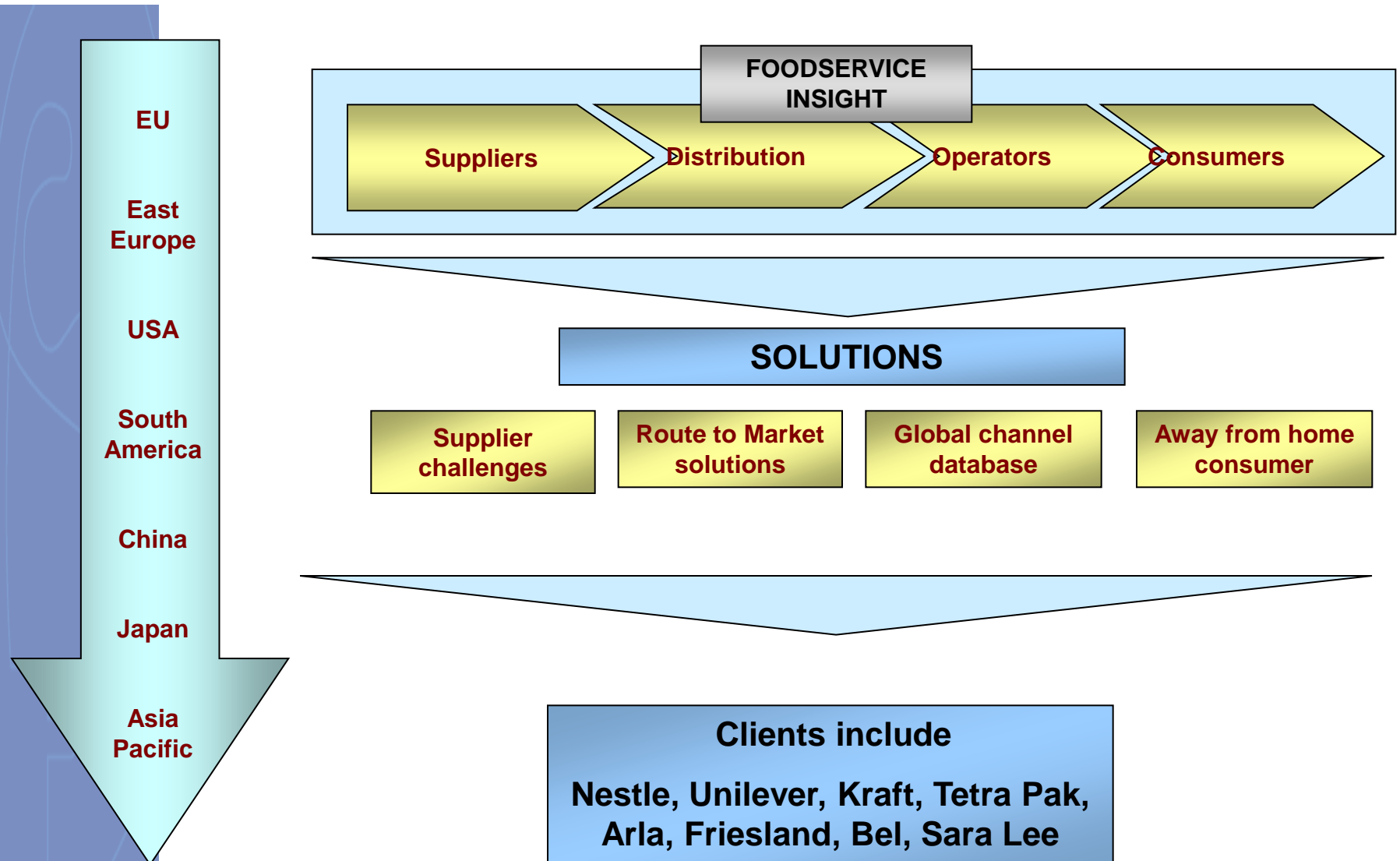
Presentation

June 29th 2010

Prepared for

Bord Bia
Irish Food Board

INTRODUCTION TO PRO-INTAL



Study objectives

- **Providing understanding of Foodservice channel developments**
- **Assisting suppliers to identify opportunities and service their chosen target markets**
- **Actionable conclusions**
- **Practical recommendations**



The Research

Building on



Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Operator and Distributor Profiles
Irish Foodservice Market

November 2008



Commercial

Institutional



What are the implications
of recession ?



Charting a course
for suppliers



The channels in Foodservice

Commercial Channels

QSR:



FSR:



**Pubs/
Coffee shops**



Hotels:



Other commercial includes:

Leisure:



Travel:



Institutional Channels

B&I: (Business and Industry)



Health:



Education:

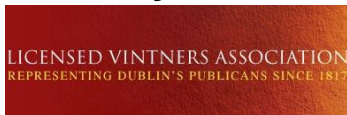


Children from Rutland Street National School
with Mary Hanafin, Minister for Social and Family
Affairs © Maxwell's

Plus: Other Institutional:

How the research was undertaken

Quantitative: Data supplied by national associations and industry surveys: including.



Qualitative: 25 interviews with key Operators in Irish Foodservice, Wholesalers and Contract Caterers: including.



What is foodservice in Ireland?

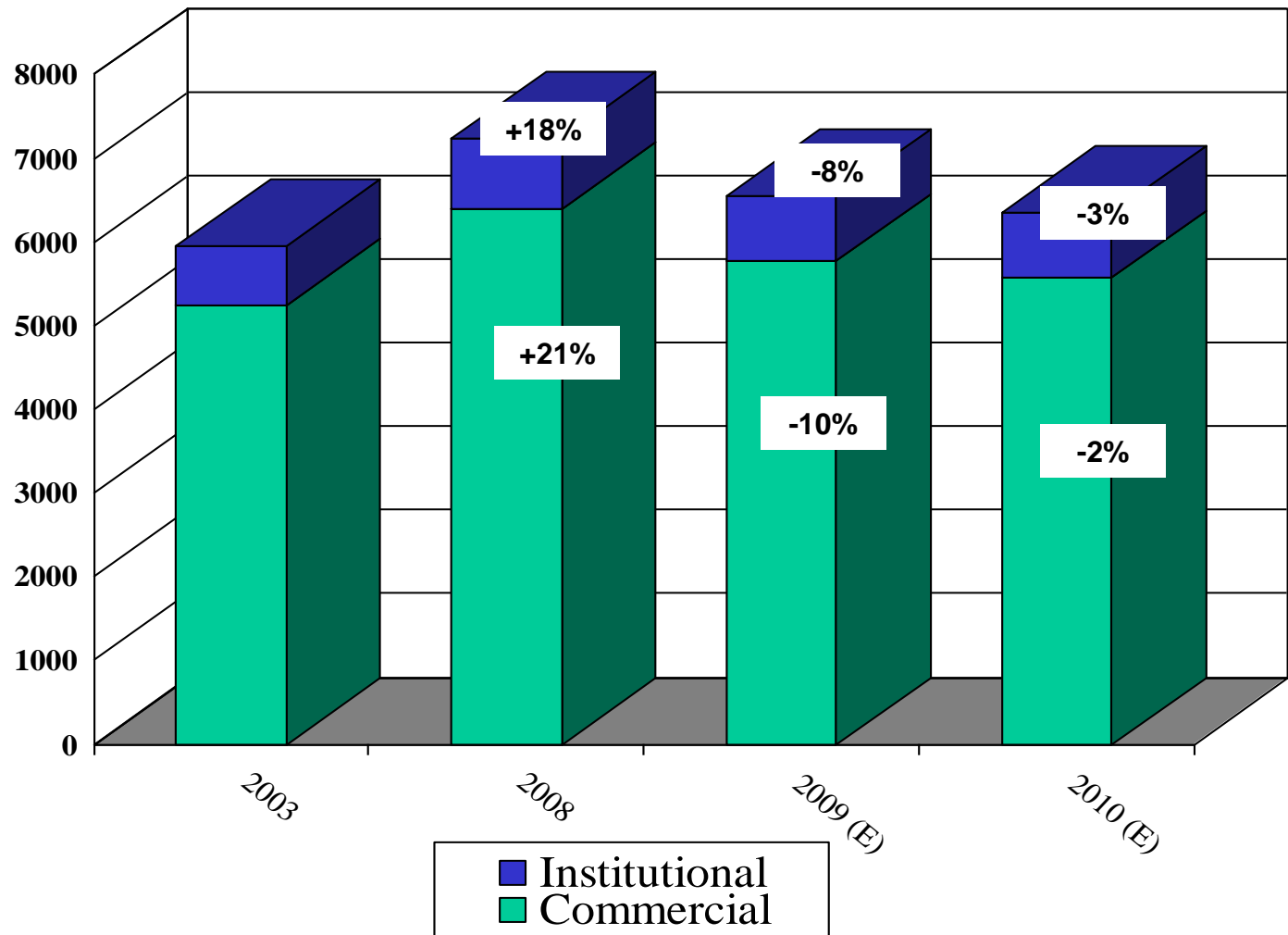
- IOI foodservice market is less developed than west European model:
- It encompasses a range of consumer occasions, motivations, channels & outlets.
- It is poorly defined, measured and understood

BUT most
supplier thinking
begins and ends
with distribution

You also need to
know and relate
to your end
market

Value of Foodservice: IOI @ consumer prices

EURO
Million

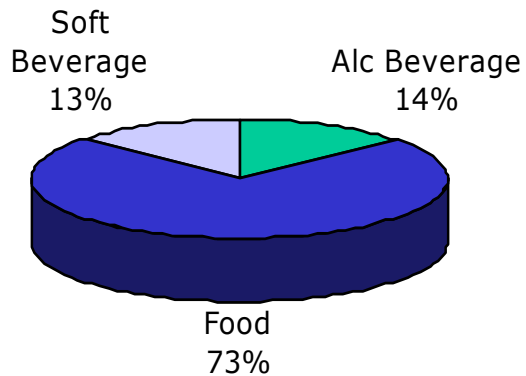


Historically growth has been traffic and volume driven:

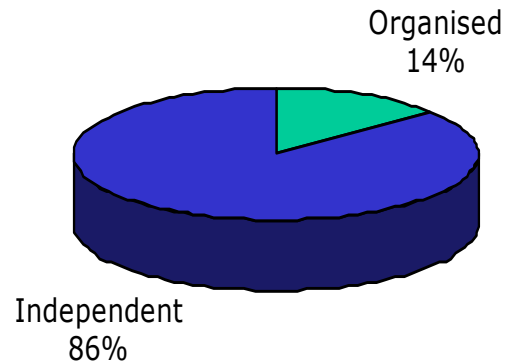
In 2009/10 The middle market lost traffic. Price reductions are exacerbating the situation.

Main market breakdown 2009

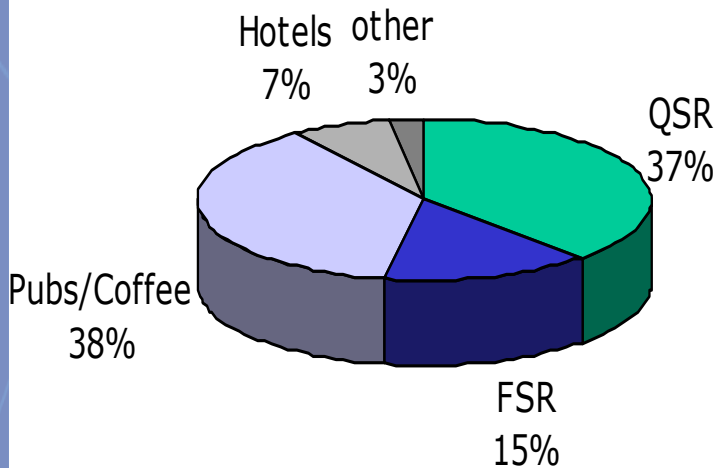
Food/Beverage split by value



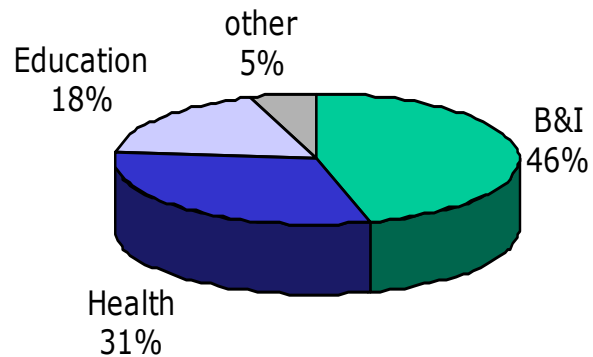
Breakdown by outlet ownership



Commercial Channels €5.764 Billion



Institutional Channels €778 million



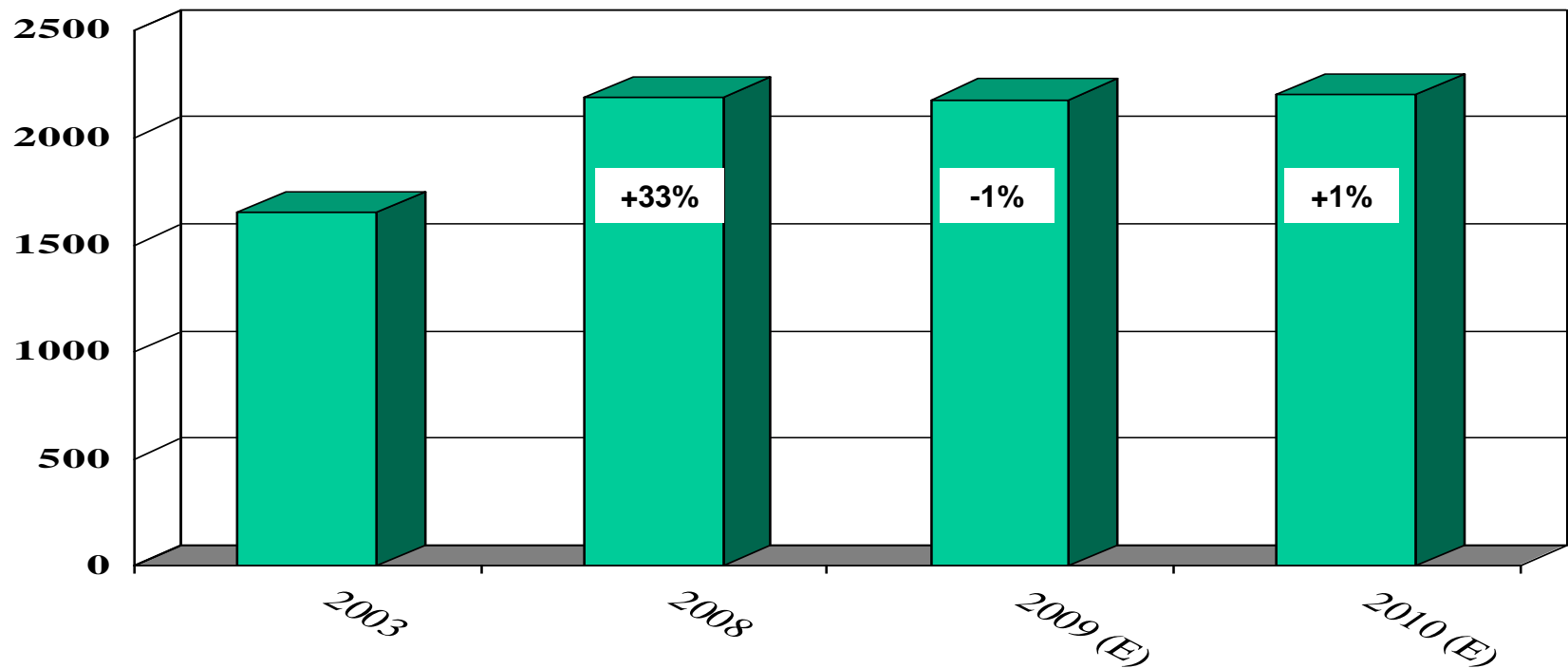
Foodservice in the recession: *"quotes from the sharp end"*

- Delivery format?
- Will the format change?
- Channel in the recession?
- Sharing chain pain?
- Suppliers pro-active?
- Long term post recession supply?
- Hard hit channel?
- Credit issues?
- Evolution of supplier relationship?
- Specific channel opportunities?
- Attributes of future successful suppliers?

Trends by key channels: QSR

EURO
Million

Sales 2003-2010 (E)



- Growth in Burgers, Chicken and Bakery while Fish & Chips declined
- QSR best performing channel.
- Chains dominate

QSR in the recession: *"quotes from the sharp end"*

Delivery format?

"Pre prepared always. Frozen mainly (inc bakery), consistent rigid standards. Dairy is chilled."

Will the format change?

"Not at all, the system would never allow it."

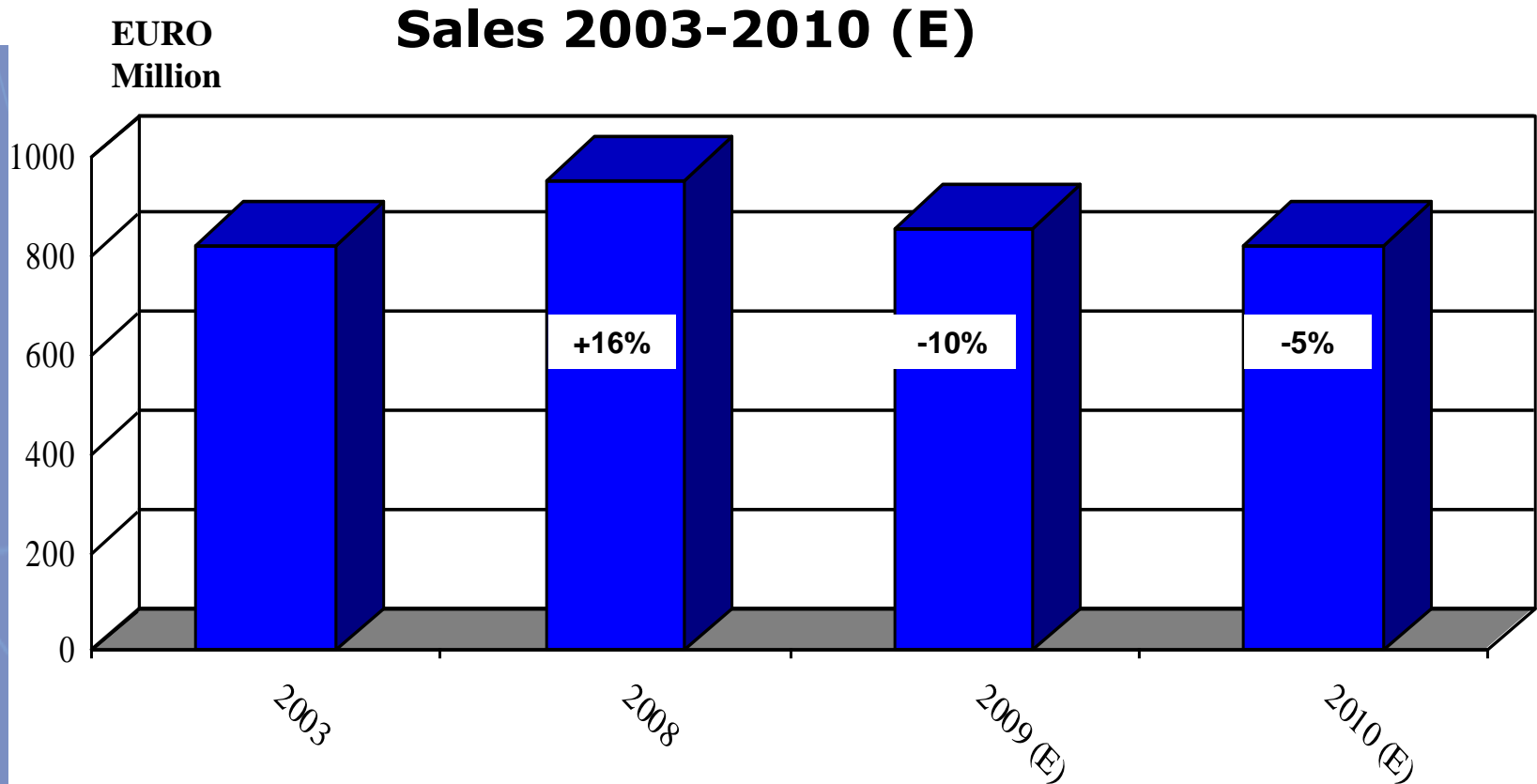
Channel in the recession?

"I do not know too much about other channels but I know we gained share in our channel and our channel gained share against more expensive or formal restaurants."

Attributes of future successful suppliers?

"The key is to fit to our system as we will not fit yours."

Trends by key channels: FSR



- Grew steadily to 2008
- Newer more casual formats.
- One of the poorest performing channels in recession.
- Up-market outlets and those relying on business custom fared worst of all.

FSR in the recession: *"quotes from the sharp end"*

Channel in the recession?

"People are demented about value for money".

Evolution of supplier relationship?

"We have found our suppliers mostly helpful as we are all in it together... I think in future we must recognise it is a partnership, not a boxing match."

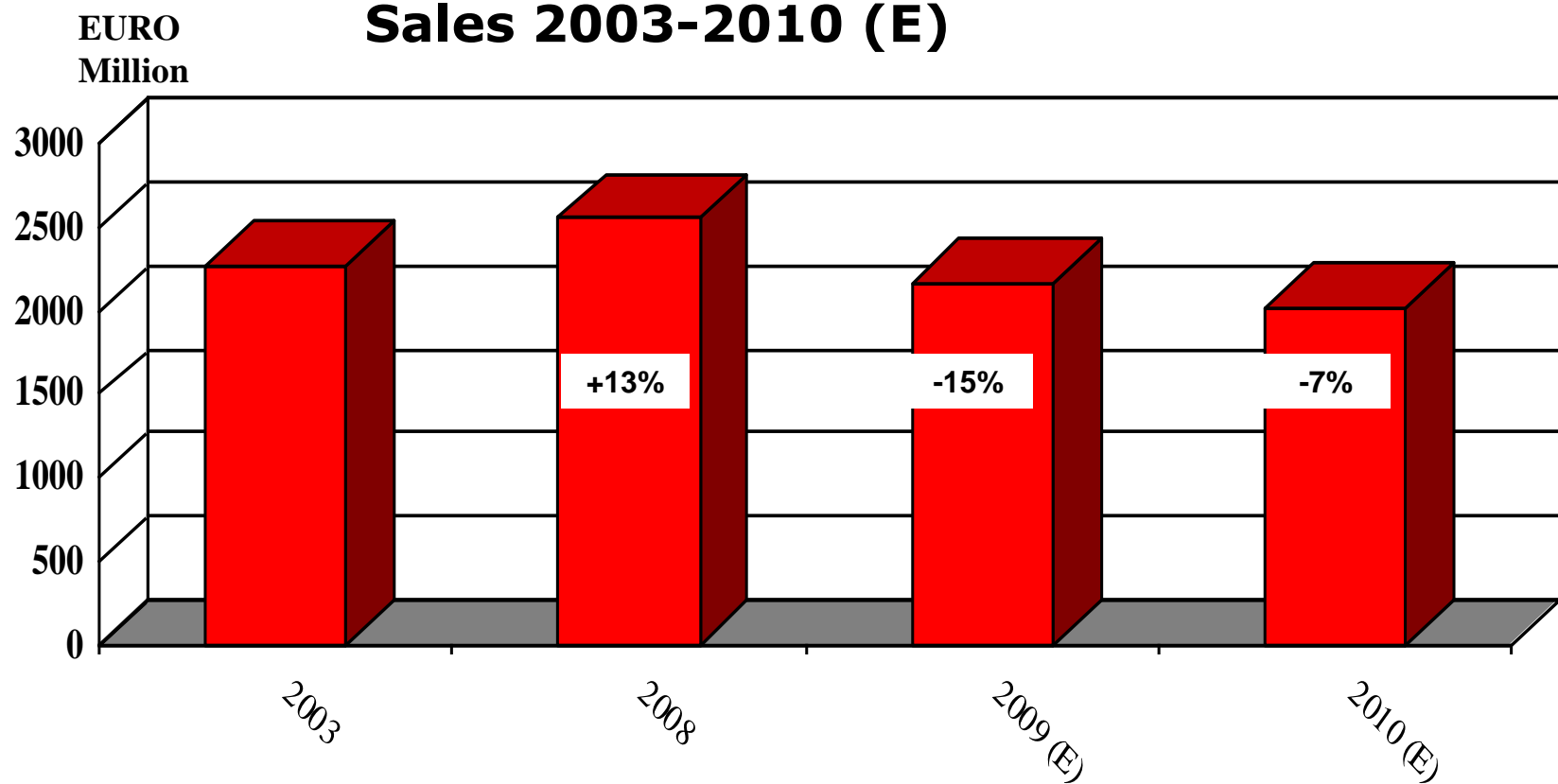
Specific channel opportunities?

"Local small suppliers that can produce quality and consistency....we all want to buy local and Irish to help the economy recover."

Attributes of future successful suppliers?

"Consistency of quality and supply. Recognise need for forward menu planning. Understand our business and if local and small that we still need consistency."

Trends by key channels: Pubs/Coffee Shops



- Growth tailed off due to the smoking ban.
- Coffee shops only represent 5% of value sales but are dynamic
- Recession hit Pubs hard.
- Coffee shop chains claim to have maintained overall footfall and sales.

Pubs/Coffee Shops in the recession: “quotes from the sharp end”

Hard hit channel?

Pubs: *“Pubs have been hit badly, particularly in the country.”*

Coffee Shops: *“We were initially hard hit as a high price luxury outlet, but now we are positioned as a convenience and value priced snack.”*

Long term post recession supply?

Pubs: *“Most are looking to narrow the supply base. Even to one drop”*

Coffee Shops: *“Suppliers see customers have had value now and will not let it go.”*

Attributes of future successful suppliers?

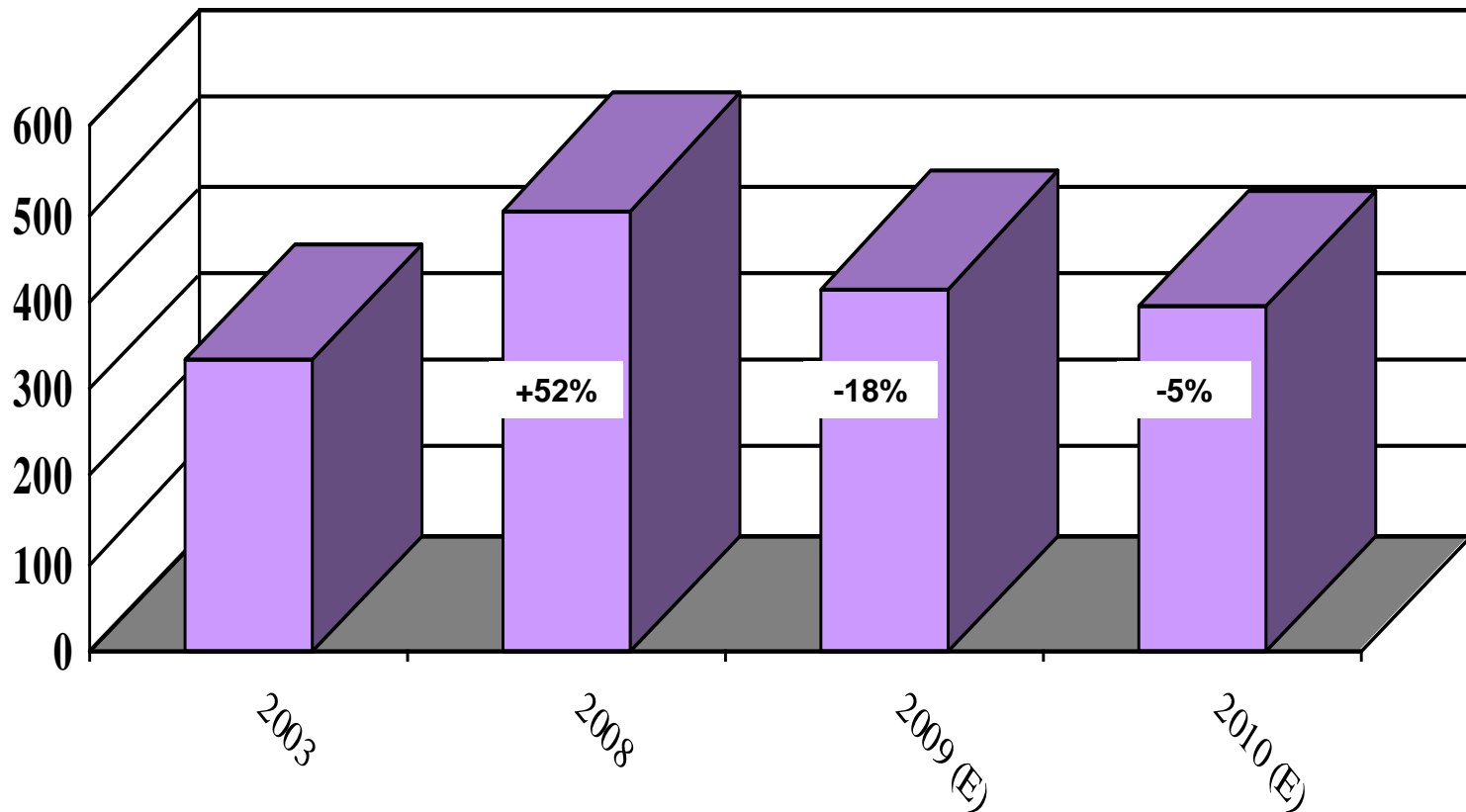
Pubs: *“It’s more than just product: its training, service, offers for consumers and low cost menu ideas.”*

Coffee Shops: *“We choose a supplier based on the quality and value they offer and whether they understand our business. This will not change.”*

Trends by key channels: Hotels

EURO
Million

Sales 2003-2010 (E)



- Impressive growth rates around 8% per annum for the period 2003-2008.
- Declined in 2009 by 15%+
- IHF estimate that there is currently 30% overcapacity in hotels.

Hotels in the recession: *“quotes from the sharp end”*

Channel in the recession?

“Summer 2008 it hit really, felt the pinch mainly in corporate clients with much fewer conferences etc and those that did happen generally just used the space and no longer stayed over night. Tourism and weddings also down, with the strong US dollar resulting in a lack of American tourists.”

Sharing chain pain?

“Had to renegotiate our position with most of our clients and suppliers but everyone was generally in the same boat so happy to help each other.”

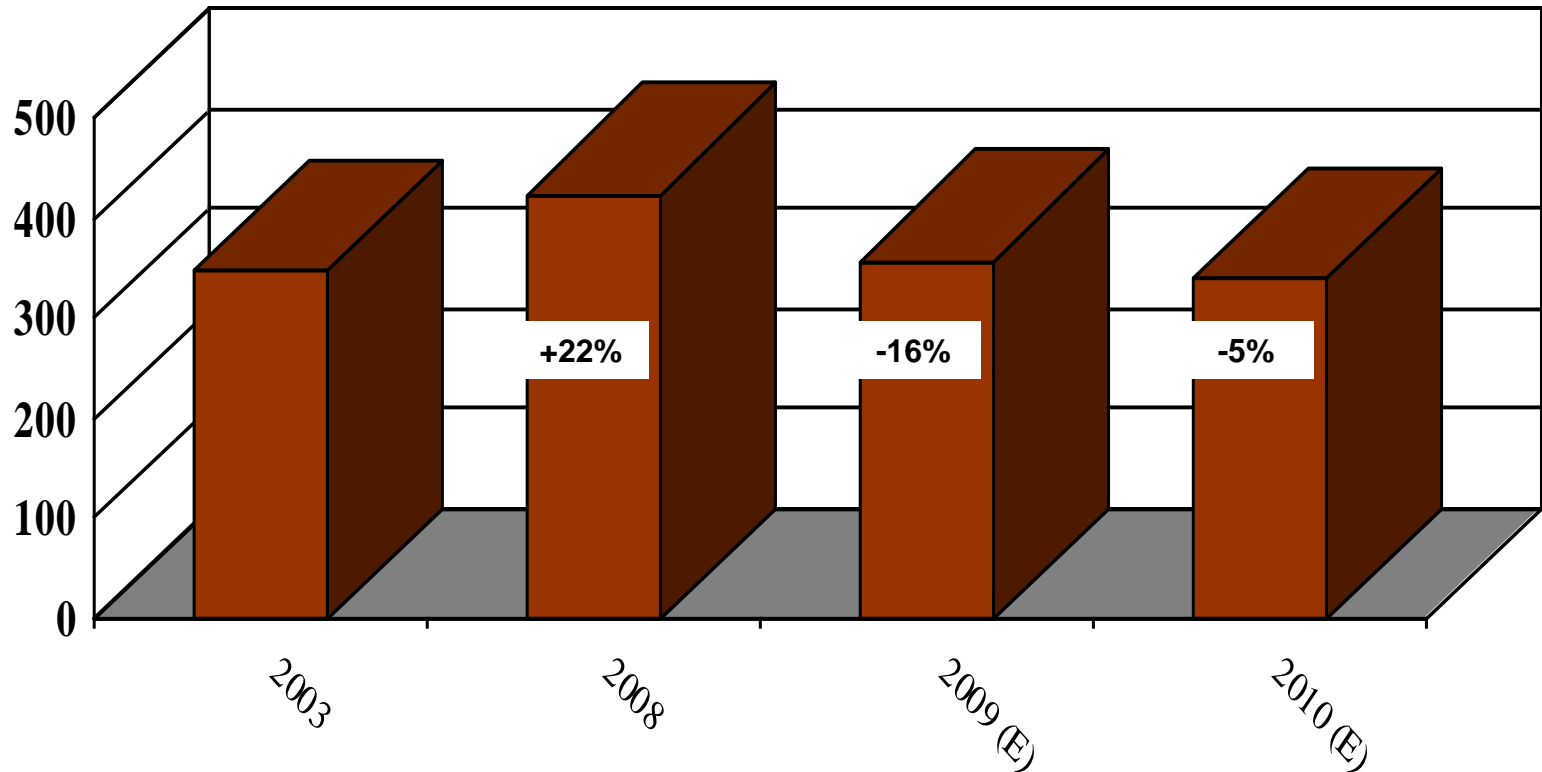
Attributes of future successful suppliers?

“We like a partnership approach, not just someone who drops off boxes – we have enough people dropping boxes as it is.”

Trends by key channels: Business & Industry

EURO
Million

Sales 2003-2010 (E)



- Growth was good in the years to 2008.
- In recession demand for workplace catering declined, value declined even more

B&I in the recession: *"quotes from the sharp end"*

Channel in the recession?

"2008/9 fewer people, sites closing, changing to part time servicing or vending. It seems to have stabilised now, only a slight decline this year."

OR

"Actually have performed very well through the recession. Where businesses were looking to cut costs etc, offered good deals, benchmarking etc and so picked up this business."

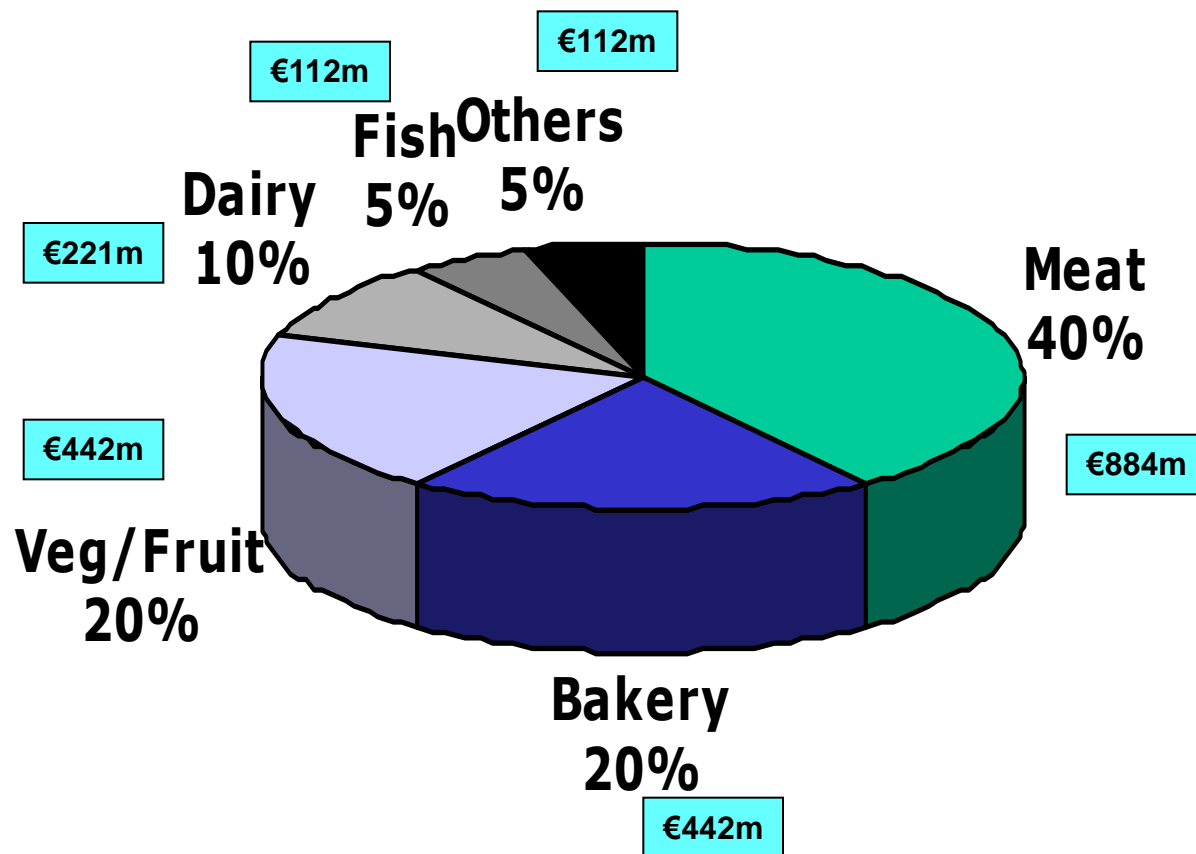
OR

"B&I is hardest hit together with corporate events. Some clients asked us to halve food costs."

Attributes of future successful suppliers?

"Suppliers need to be more pro-active and involved, offer more special offers, give product information and recipe tips to the chefs, generally getting involved with the supply chain further down the line. Work on value etc (not just price)."

Foodservice product breakdown



Total €2.21 billion
Operator purchase prices

Product breakdown: *"quotes from the sharp end"*

Delivery format?

FSR: *"Nearly all from scratch and this has not changed. Mostly fresh. Frozen as a back up."*

Pubs: *"Mostly Fresh...little storage space and mostly get stuff from the Cash and Carry that they do not get locally."*

Coffee Shops: *"All bakery is fresh..."*

Hotels: *"Nothing pre-prepared, mainly fresh with a few frozen bits (chips and peas etc) but that's about it."*

Will the format change?

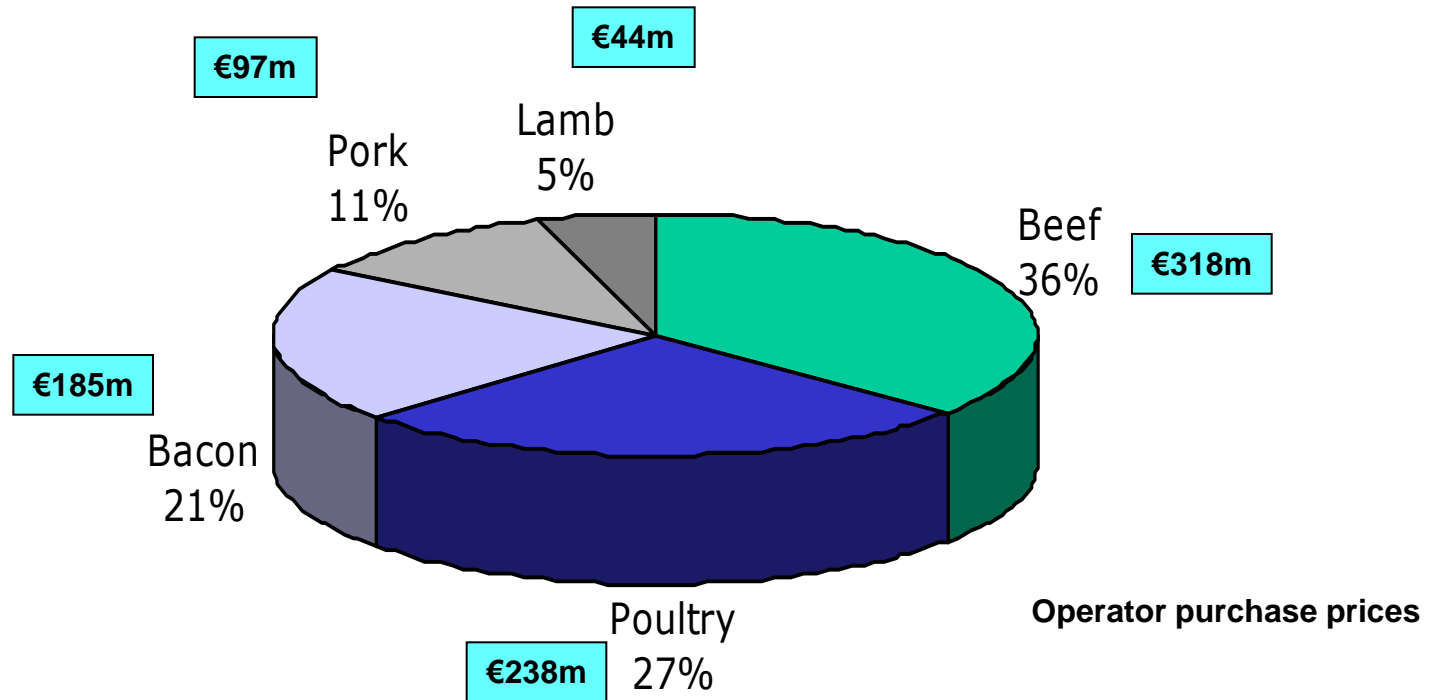
FSR: *"Has not changed and will not...rely on local and fresh/chilled suppliers."*

Pubs: *"I do not think frozen will benefit as such as people prefer fresh."*

Coffee Shops: *"Not going to change at this stage...other things to worry about."*

Hotels: *"No change is likely, cost of storage and space available."*

Meat breakdown by value



- Producers important to international chains.
- Poultry growing its share in the recession.

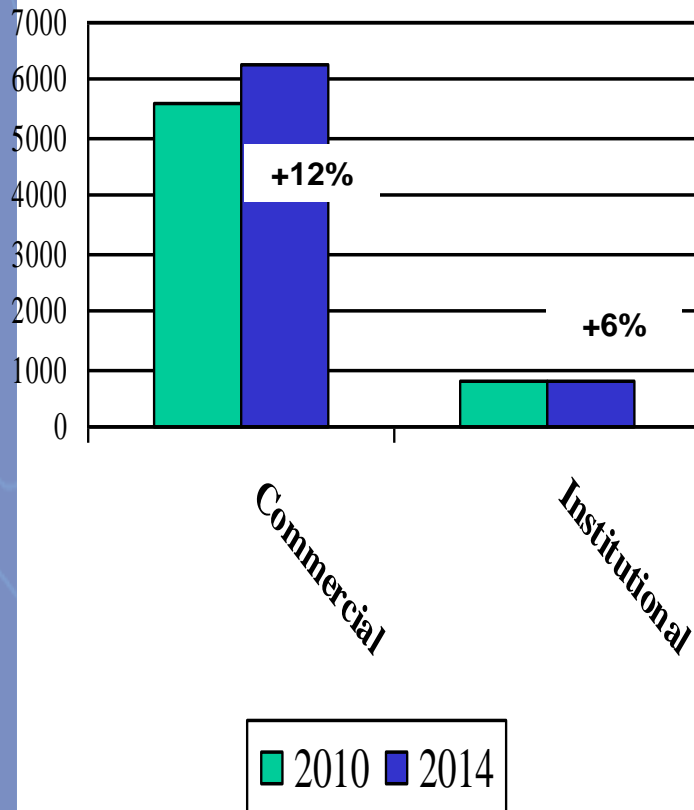
FOODSERVICE GROWTH TO 2014 DYNAMICS AND TRENDS



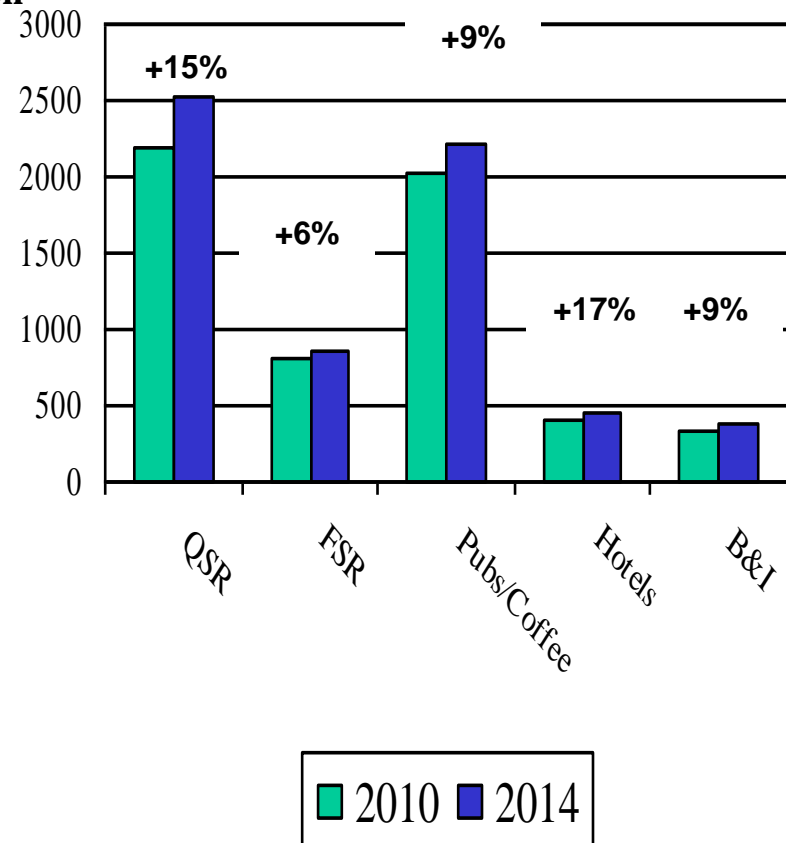
Value of Foodservice: forecast to 2014

Commercial and Institutional channels

EURO
million



Key Channels



- Commercial channels are forecast to grow faster than Institutional.
- QSR forecast fastest growing.
- Recovery in all channels.



UNDERSTANDING CONSUMERS

Developments to 2014

- Future development is a function of the state of the economy.
- Market power will move from operator and wholesaler to the empowered, informed and affluent consumer.
- Foodservice will continue to be driven by customer requirements.
- In the short term consumers will be increasingly price influenced – either trading down in format or eating out less frequently
 - Pressure will be on the middle market outlets/channels
 - Reduction in “luxury” meal components such as wine or desserts
- Health, nutrition and provenance will stall and be static as influences for 2-3 years

Foodservice is increasingly a commodity and a necessity rather than luxury.

Catering Solutions

UNDERSTANDING OPERATORS



Developments to 2014

- Operator and wholesaler consolidation
- Chains to grow fastest
- Emphasis on meal solutions
- Blurring of channel and concept boundaries
- Independent outlet will change gradually
- Ethical values and standards become important

Suppliers must keep up with constant change .

IMPLICATIONS FOR SUPPLIERS

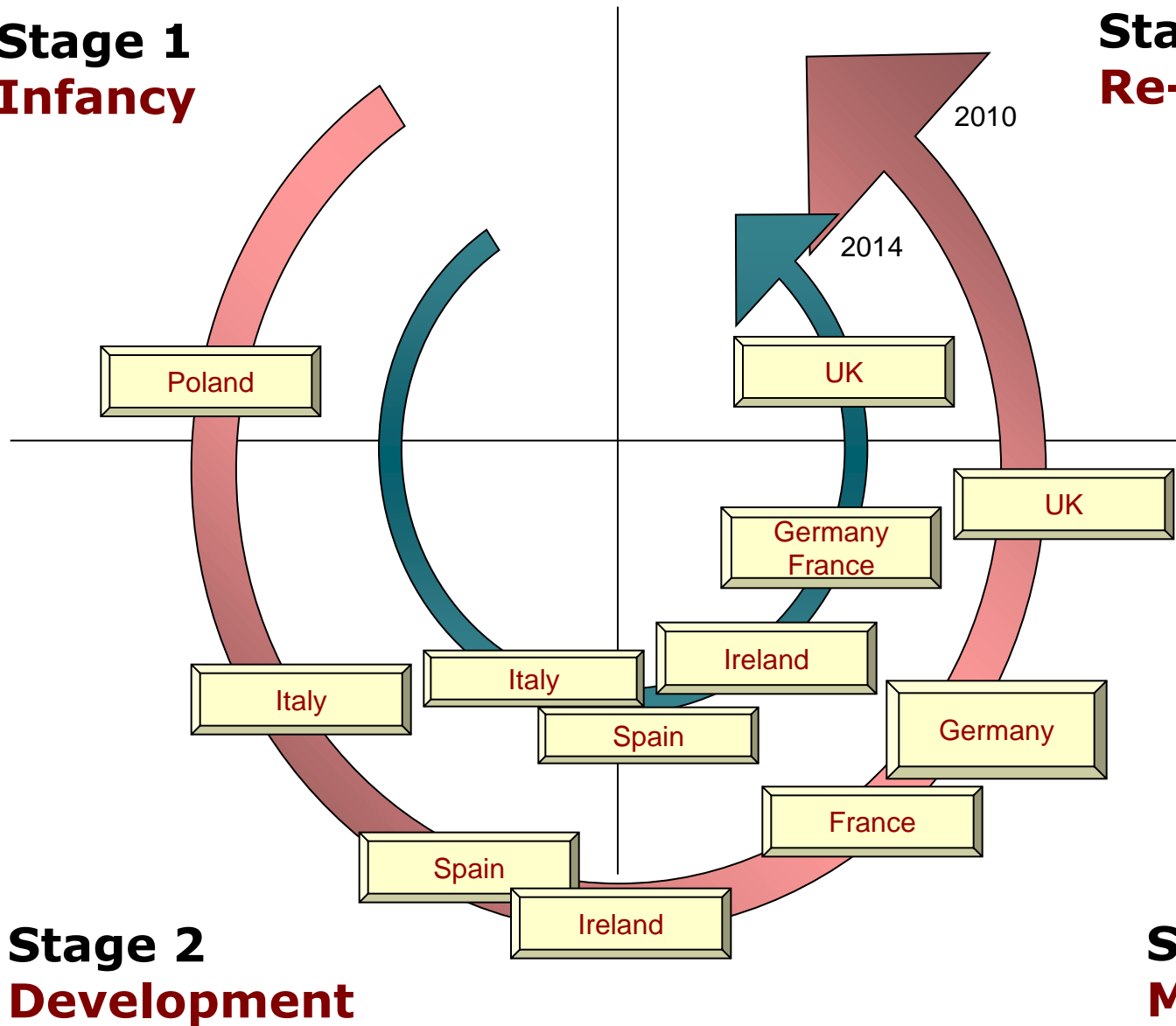
Lessons from elsewhere



Foodservice is 'a coat of many colours' - multi-speed Europe model

Stage 1
Infancy

Stage 4
Re-Invention



Signposts for survival in foodservice

- The impact of recession on foodservice lasts far longer than the recessionary period itself
 - It is necessary to think and plan long not short term
- Recession experience in France and in Germany demonstrate that:
 - Consumers in both countries behaved in a similar manner when faced with financial constraints
 - Operator responses to falling consumer demand were similar
 - Supplier responses were principally similar, but:
 - ✓ In Germany reducing costs was the central issue
 - ✓ In France suppliers applied a greater mix of actions
- Key learnings:-
 - Confusion or uncertainty in thinking or actions spells death
 - Absolute clarity and focus are essential for survival
 - Speed of decision making and actions

Only the fittest, cleverest and most prepared will last the course

Signposts for success in foodservice



- Focus on Travel & QSR channels
- "Fresh thinking for your store"
- "Fresh perfection for higher margins"
- "A fresh approach to merchandising"
- Coffee & banana in one place



Signposts for success in foodservice

- Understand your key customer and customer's customer
- Focus, focus and then focus again. In the economically depressed environment, it means:
 - Focus on business stability and later on growth
 - Focus on the do-able wins
 - Focus on your key existing customers
 - Focus and target your resource
 - Focus on profitability
- Flexibility
- High level of commitment and missionary zeal



Signposts for success in foodservice



... AU PARTENAIRE

Notre ambition

"Le bénéfice pour le point de restauration"

Consommateur

Le Fun, le petit plaisir
La variété "émotionnelle"
Le Bien être
L'exotisme

ÉQUILIBRE

VARIÉTÉ

COÛT SAVEURS

Opérateur

FAIRE ENVIE :
PRODUIT DE QUALITÉ

PRODUIT SERVICE

En salle

CA

UN CERTAIN
BIEN ÊTRE

FIDÉLISE

PLAISIR

ASSURANCE
QUALITÉ

En cuisine

GAIN DE TEMPS,
PRATICITÉ

SERVICE

Signposts for success in foodservice



Signposts for success in foodservice



elle est pas belle la Vie!



- Focus on 3 channels:
 - Travel
 - Event catering
 - Business & Industry
- Highly profitable meal and menu solutions

Signposts for success in foodservice



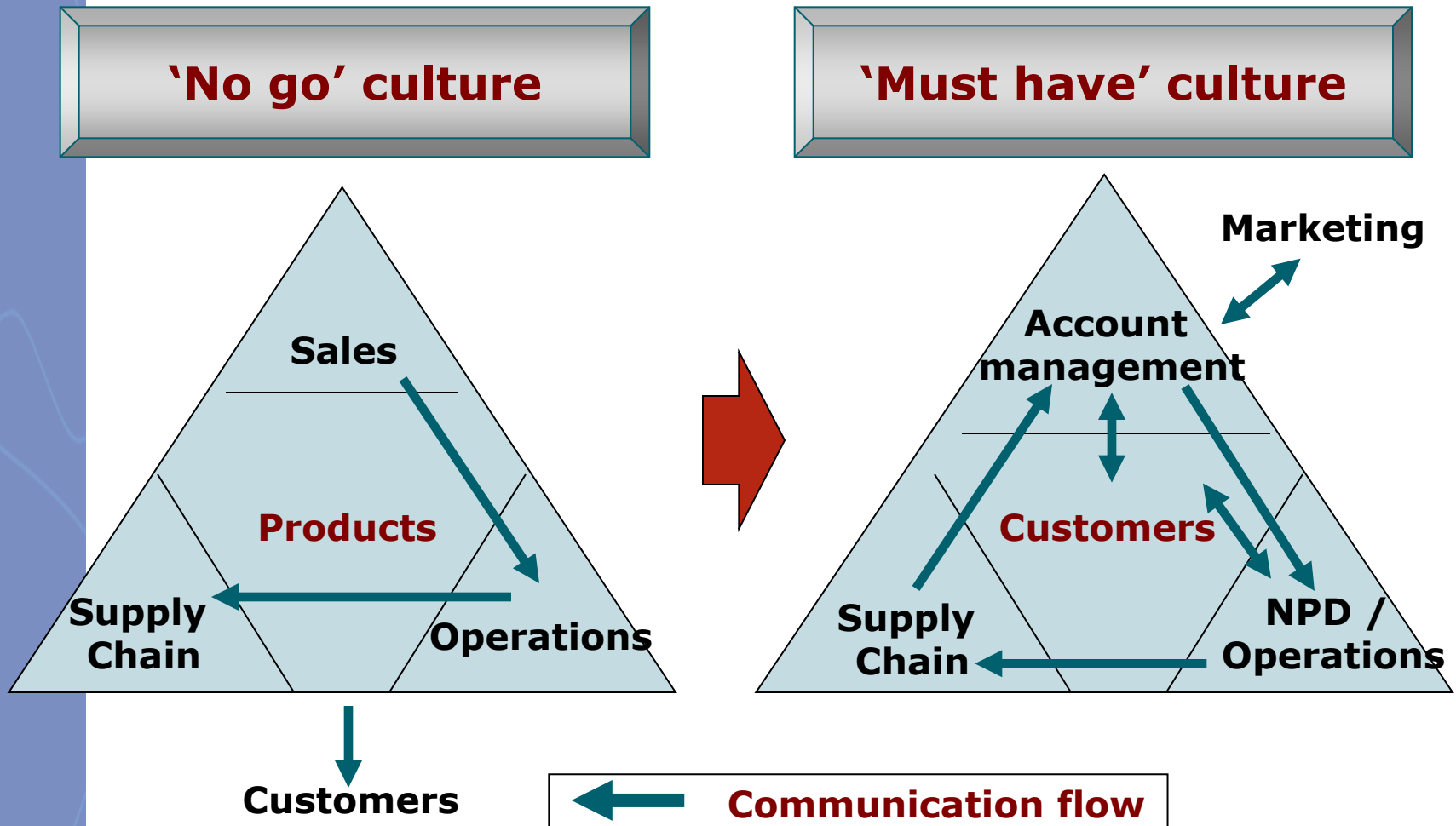
- “We are a family business and we are passionate believers in quality and service. We are proud of our products and the service we provide to airlines. At Frankenberg we call it ‘Eine Passion zur Arbeit’



Signposts for success in foodservice



Developing the right business culture



Developing the right business culture

