



Foodservice USA: Strategic Insights for Irish Meat Producers

PREPARED FOR:

Bord Bia
Irish Food Board

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Channel Size and Key Segments



U.S. Foodservice Industry Statistics

Food & Beverage Revenue = \$703 billion

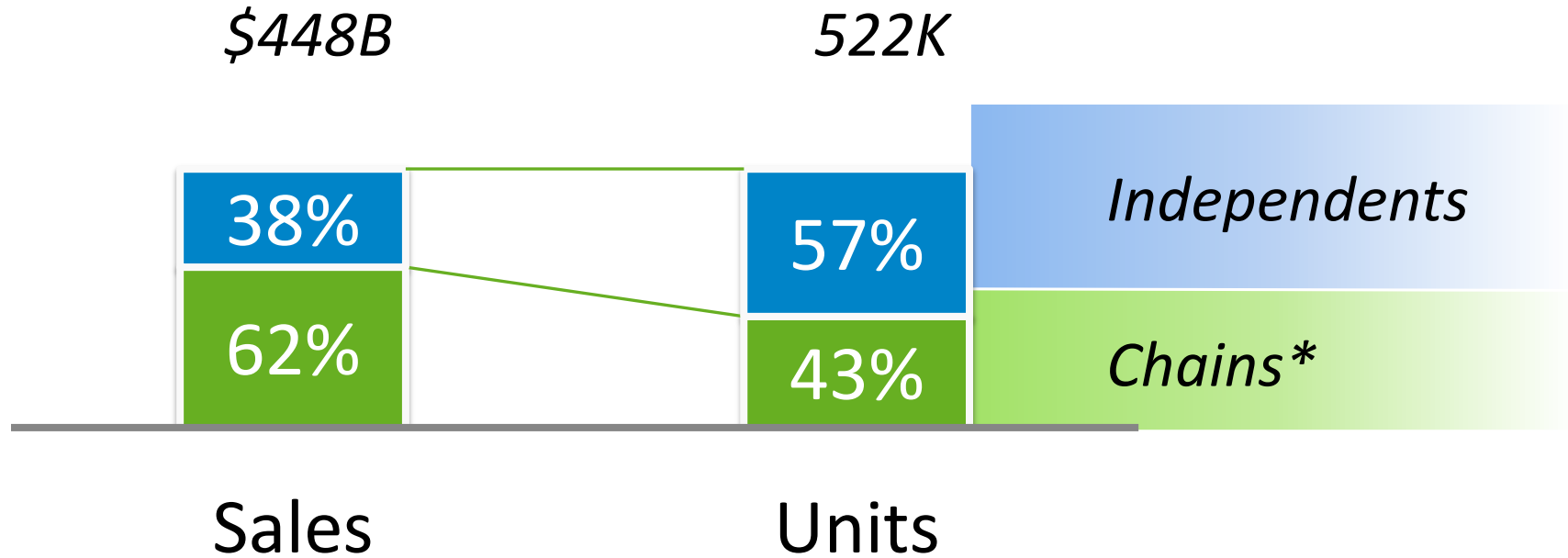
- 68% is Restaurants & Bars = \$478 billion
- 10% is Travel & Leisure = \$ 67 billion
- 22% is Other Segments = \$158 billion

Food/Beverage Outlets = 1,136,000

- Restaurants & Bars = 572,000
- Travel & Leisure = 88,000
- Other Segments = 476,000

2014 Restaurant Market

Excluding Bars



Full Service Restaurants

Full Service Revenue (38% share) = \$ 266 billion

- Restaurant industry dominated by “fast food,” a.k.a. “QSR” or “LSR”

Full Service Venue Locations = ~300,000

- Includes hotels, and some travel and leisure
- 69% of FSRs are “**independents**” €
- Top chains are Applebee’s, Olive Garden, Chili’s

Why FSRs vs. LSRs?



- Different consumer “need states”
- LSRs mostly “assemble” food
- FSRs actually “cook”
- FSRs appreciate and value “quality”
- FSRs able to pass along higher costs

FSR Share of the Independent Market

82%



Sales

69%



Units

FSR Sub-Segments

Four Types

- Family/Mid-Scale Dining (no alcohol)
- Traditional Casual Dining
- Upscale Casual Dining
- Traditional Fine Dining

Premium Meat focus: Casual, Upscale, and Fine

- Affluent/discerning urbanites are heavy users
- Operators desperately seeking differentiation €

Foodservice Operator Purchases

Total Food & Beverage Purchases = \$ 251 billion

- Total Red Meat Purchases = \$ 42 billion

- **FSR Red Meat Purchases = \$ 15 billion**

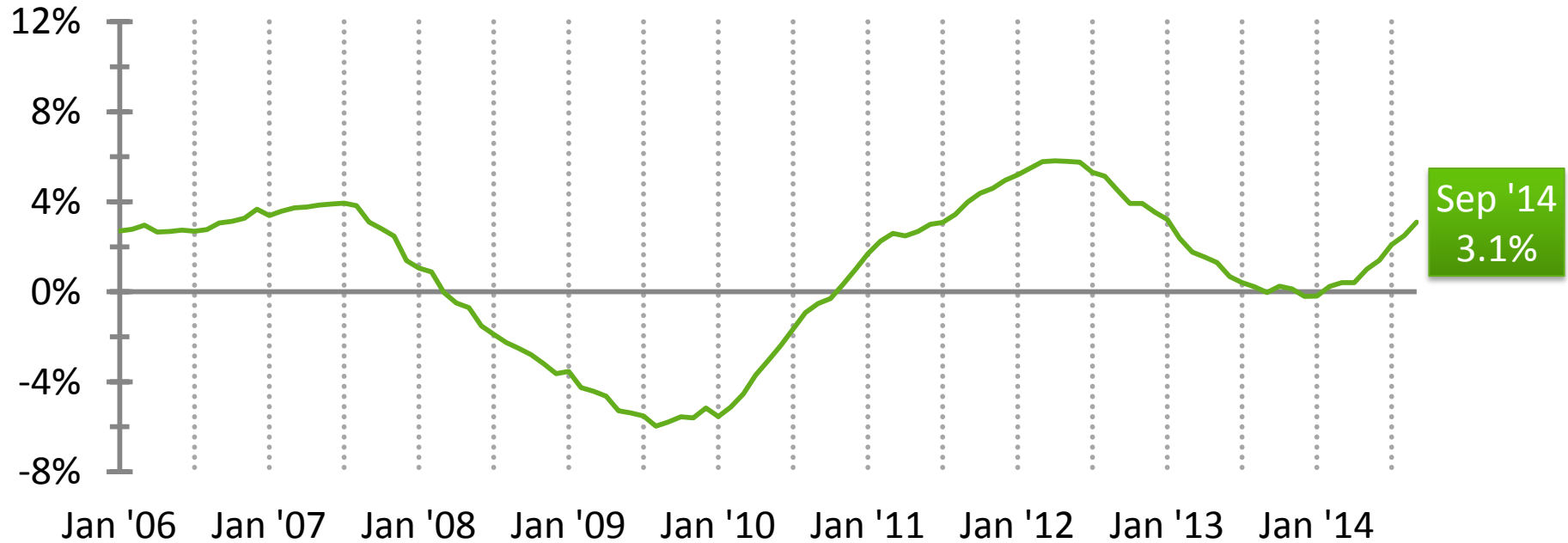
- Beef volume = ~2.6 billion lbs.

- Pork volume = ~1.7 billion lbs.

- Average user price/cost = \$3.50/lb.

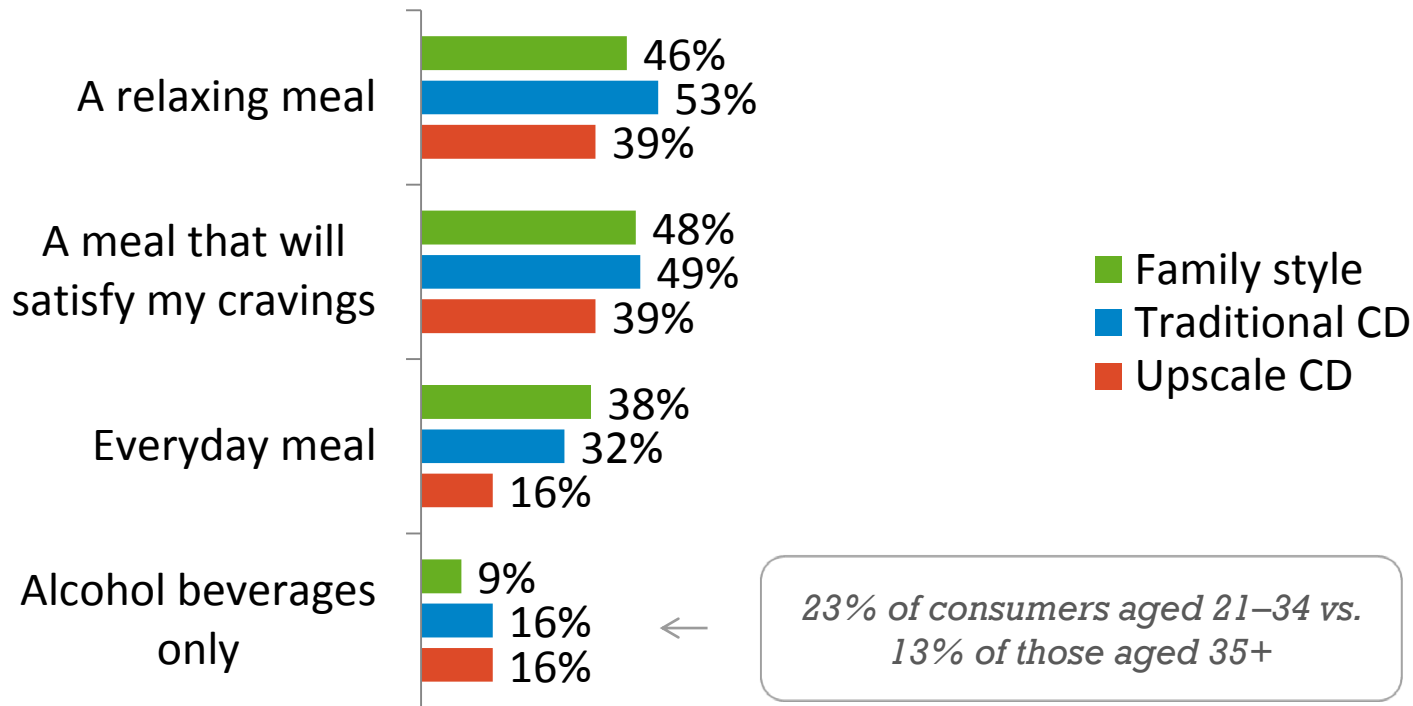
FSR Growth – Real

% Change vs. Prior Year



Family-style Concepts Stand Out for Everyday Meals and Traditional Casual-dining for Relaxing Meals

“How likely or unlikely are you to visit these restaurants for the following occasions?”
(Top two box = likely and extremely likely)



Base: 500/482 (family style), 500/482 (traditional CD) and 500/483 (upscale CD) consumers aged 18+/21+ who visit these restaurants
Consumers indicated their opinion on a scale of 1–6 where 6 = extremely likely and 1 = not at all likely

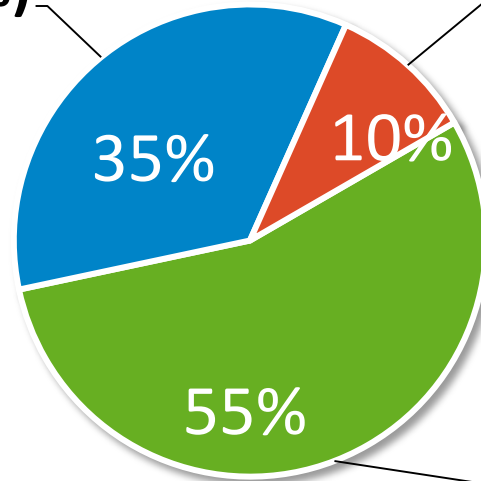
Independent Market Composition

by Annual Sales (000)



<\$500
(35%)

>\$1,000
(10%)



\$500-
1,000
(55%)

Success Factors*



Critical

- Consistent food quality
- Consistently good service
- Being on the floor
- Reputation



Very Important

- Service time
- Fair prices
- Good manager(s)
- Environment/décor
- Menu variety
- Cash flow management

Top Business Challenges

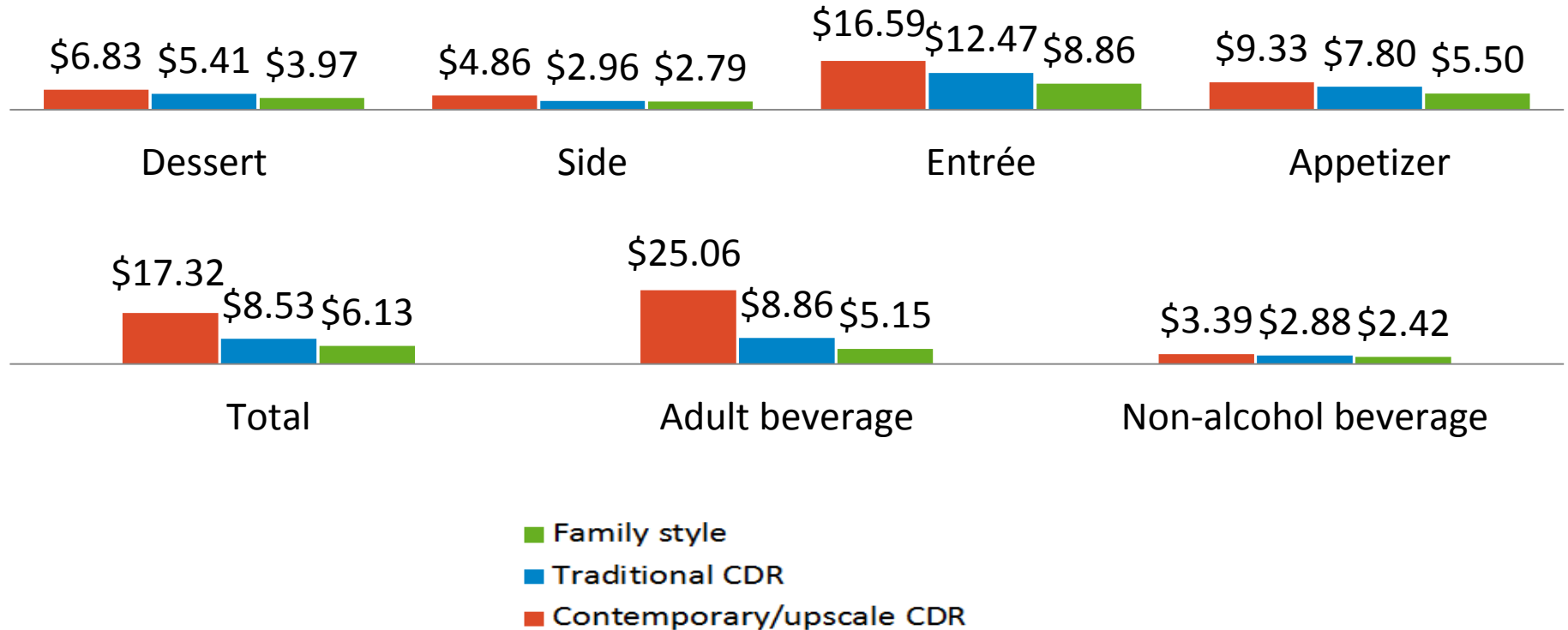
- Food costs
- Labor costs
- Chain competition
- Other costs (overhead)
- Price sensitive consumers
- Keeping skilled labor
- Finding skilled labor



Menu and Consumer Insights



Average Menu Prices by Mealpart



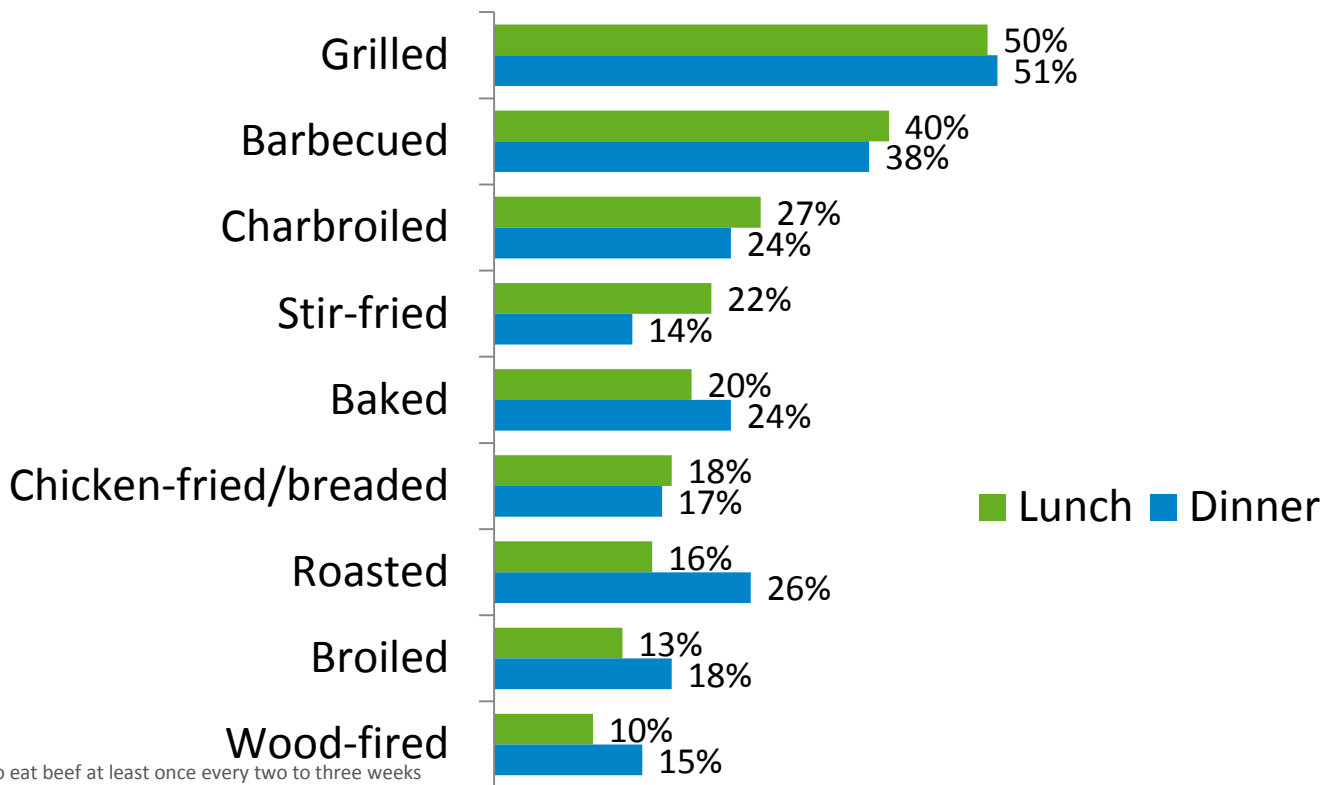
Beef Offerings Are the Third Most Frequently Listed Type of Entrée on Top 500 FSR Menus, Behind Sandwiches and Salads

Exhibit 4: Entrées (Top 500 Full-Service Restaurants)						
	Number of Menu Items		Chains Offering		Average Price	
	2011	2012	2011	2012	2011	2012
Sandwich	1,666	1,650	189	194	\$9.21	\$9.34
Salad Main Dish	1,203	1,199	213	211	10.73	10.84
Beef Dish	1,053	1,032	193	192	20.00	20.19
Burgers	1,020	1,013	178	182	9.27	9.59
Mexican	883	907	95	96	10.96	11.20
Chicken Dish	864	864	208	212	12.60	13.19
Fish Dish	741	799	184	188	17.67	17.93
Pasta/Noodles	599	605	121	120	12.88	13.23
Shellfish Dish	579	556	165	160	18.96	19.91
Mixed Grill	544	521	145	139	19.86	21.14
Pizza	484	480	50	49	12.86	12.70
Combo Plates	447	506	152	150	9.46	10.38
Sushi/Sashimi/Nigiri	372	382	12	6	8.97	8.85

Source: Technomic MenuMontior, July-Sept 2011, 2012

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Survey: “As a lunch or dinner entrée, which beef preparation style do you prefer?” Choose up to THREE for each meal.



Base: 1,445 consumers aged 18+ who eat beef at least once every two to three weeks

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The Protein Side/Extra Category Is a Mealpart that Features Pork within the Breakfast Daypart

Top 500 Full-Service Restaurants

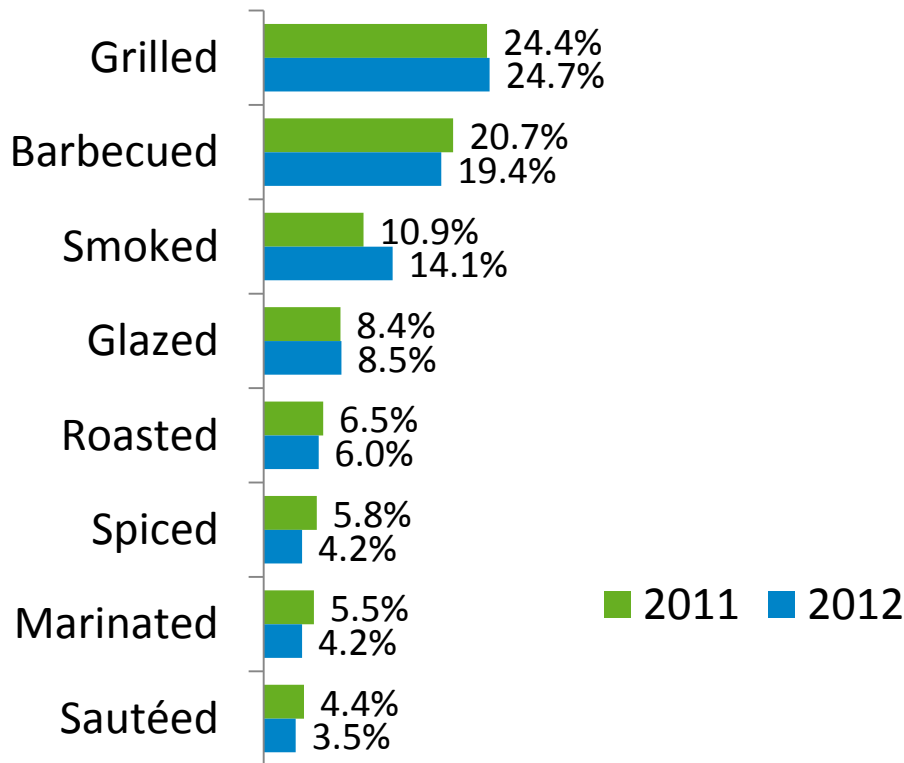
Exhibit 15: Breakfast Items with Pork (Top 500 Limited- and Full-Service Restaurants)						
	Number of Menu Items		Chains Offering		Average Price	
	2011	2012	2011	2012	2011	2012
Pizza	5	4	4	3	11.69	12.96
Salad Main Dish	1	3	1	2	9.50	7.32
Other Protein Dish	1	1	1	1	10.15	10.45
Beef Dish	0	4	0	2	NA	11.07
Side/Extra	159	151	48	46	3.23	3.18
Protein Side/Extra	153	142	45	42	3.20	3.21
Breads	3	3	3	3	3.82	2.14
Other Potato	2	4	2	3	4.10	2.94
Other Sides/Condiments	1	1	1	1	3.19	2.99
Fries	0	1	0	1	NA	3.99
Kid's Menu	69	78	30	33	4.32	4.09
Senior Menu	44	58	12	15	6.25	5.87
Add-on	29	27	19	20	1.49	1.29
Total	1,284	1,309	106	103	\$5.81	\$5.84

Menu data based on MenuMonitor's "Pork" tag which includes a number of different types of pork such as "ham," "bacon" and "sausage"

Source: Technomic MenuMonitor; July-Sep 2011, 2012

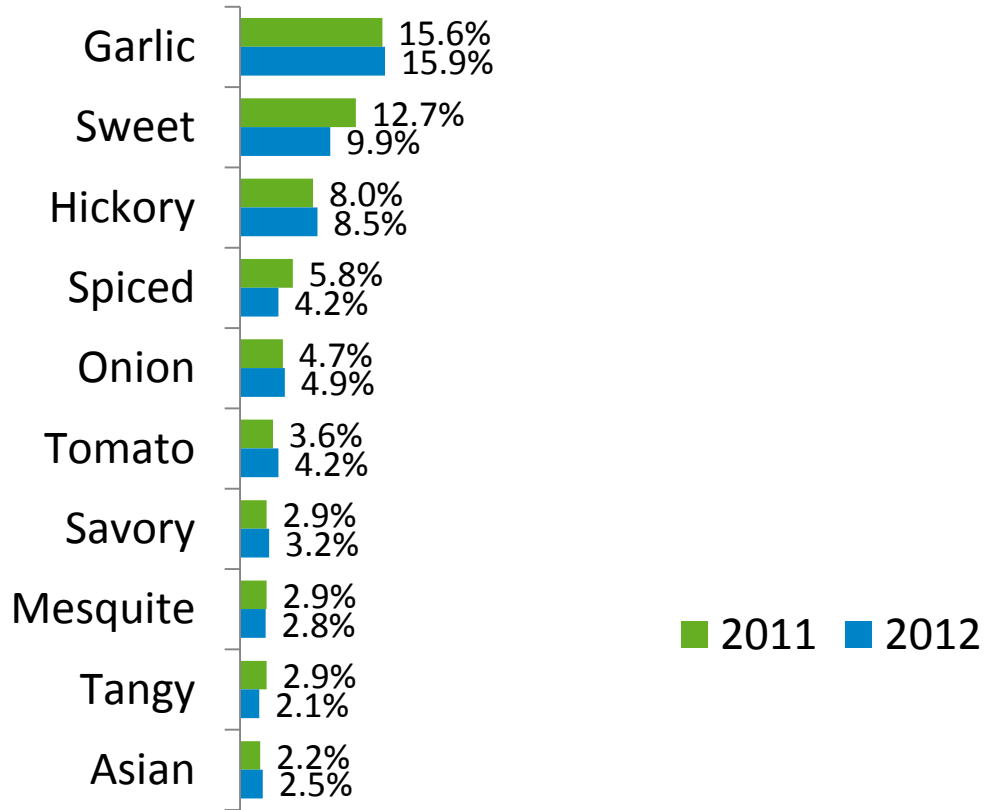
Full-service Restaurants Particularly Gravitate toward Grilled Pork Preparation Styles

Leading Pork Preparation Styles
Top 500 Full-Service Restaurants



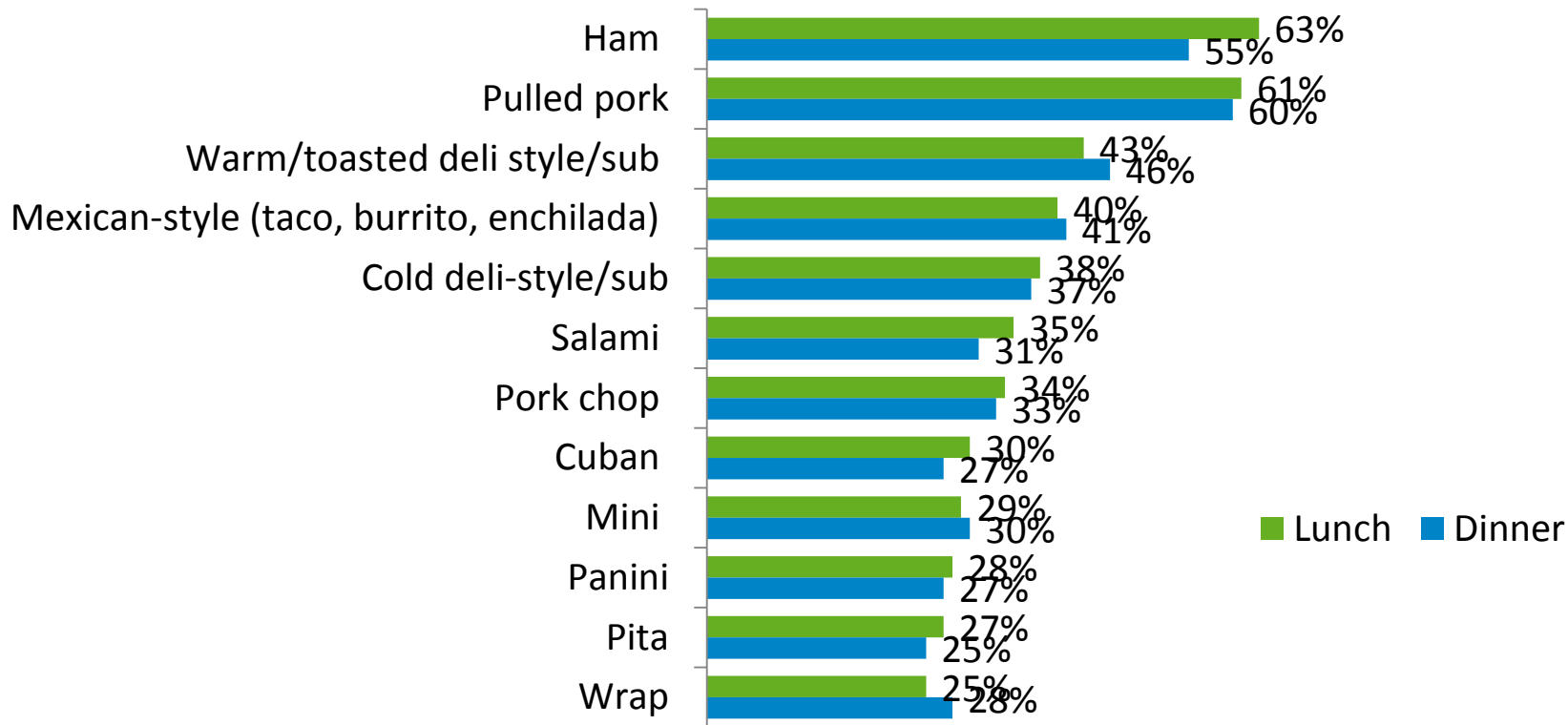
The Leading Pork Flavors within the Full Service Restaurant Segment Are Garlic, “Sweet” and Hickory

Leading Pork Flavors Top 500 Full-Service Restaurants



Survey: “How likely are you to eat the following types of pork sandwiches?”

Top 2 Box = Likely and Extremely Likely

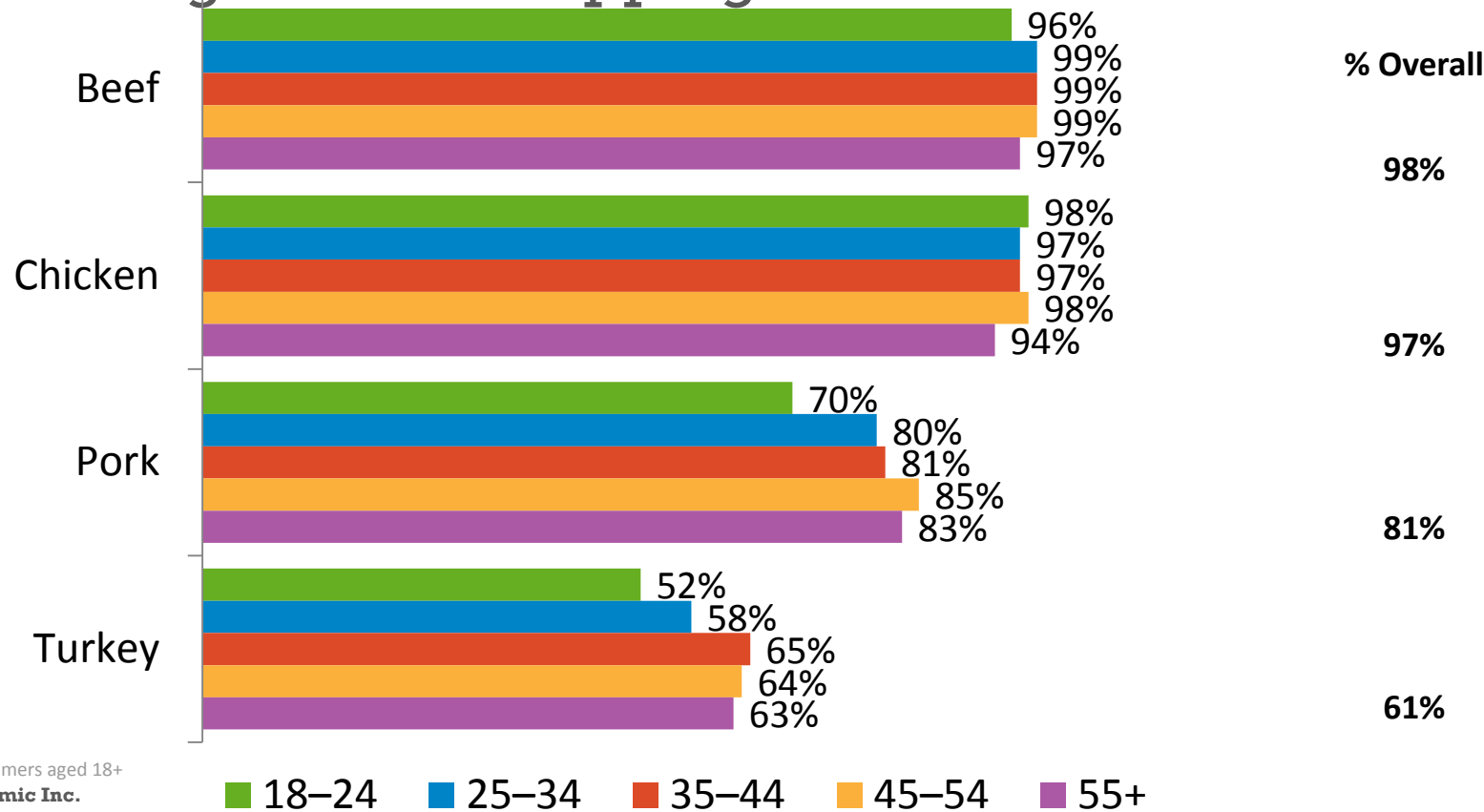


Base: Approximately 300 consumers aged 18+ who eat pork sandwiches.

Respondents indicated their opinion on a scale of 1–6 where 1 = not at all likely and 6 = extremely likely

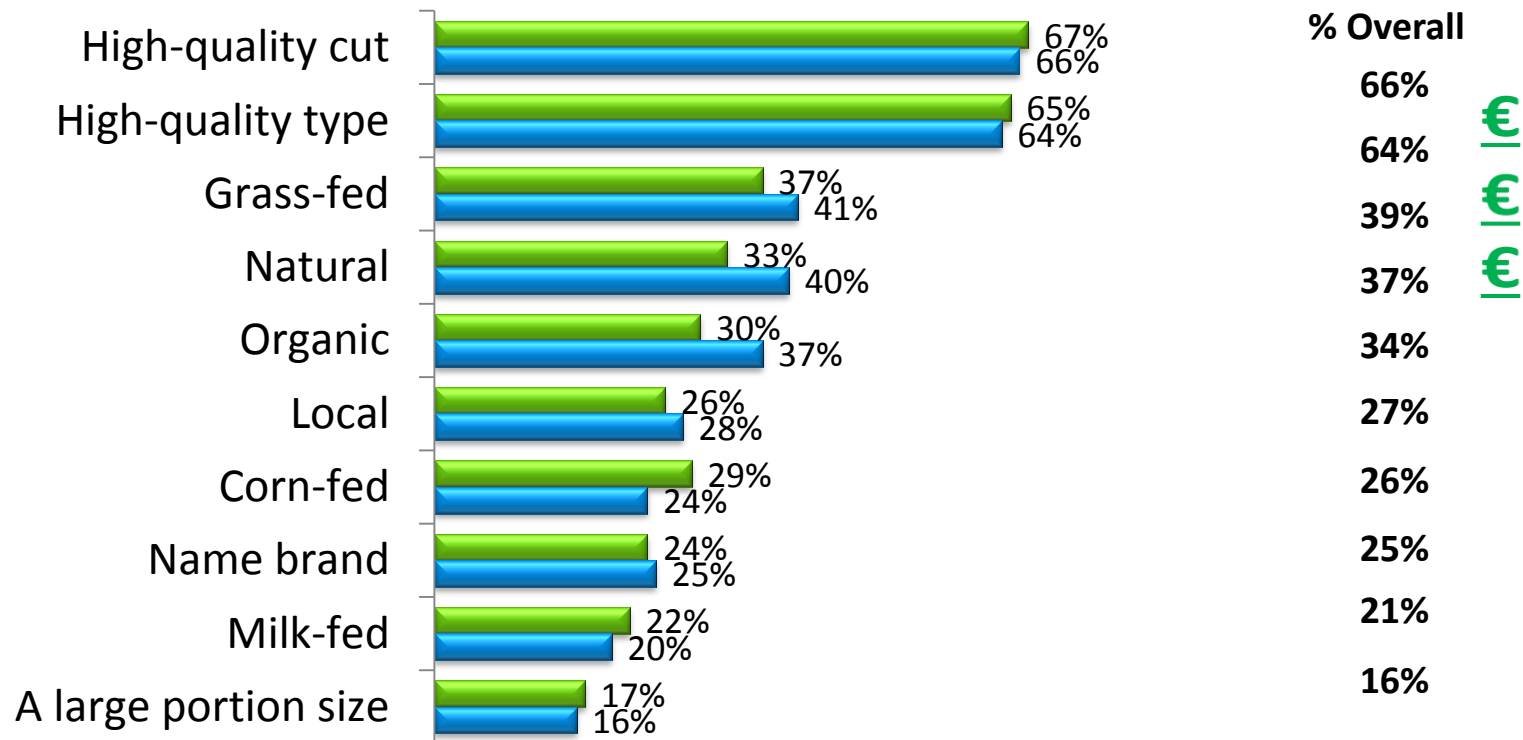
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Survey: “Which of the following do you eat occasionally (at least once every 90 days), either as an entrée, an entrée ingredient or topping?”



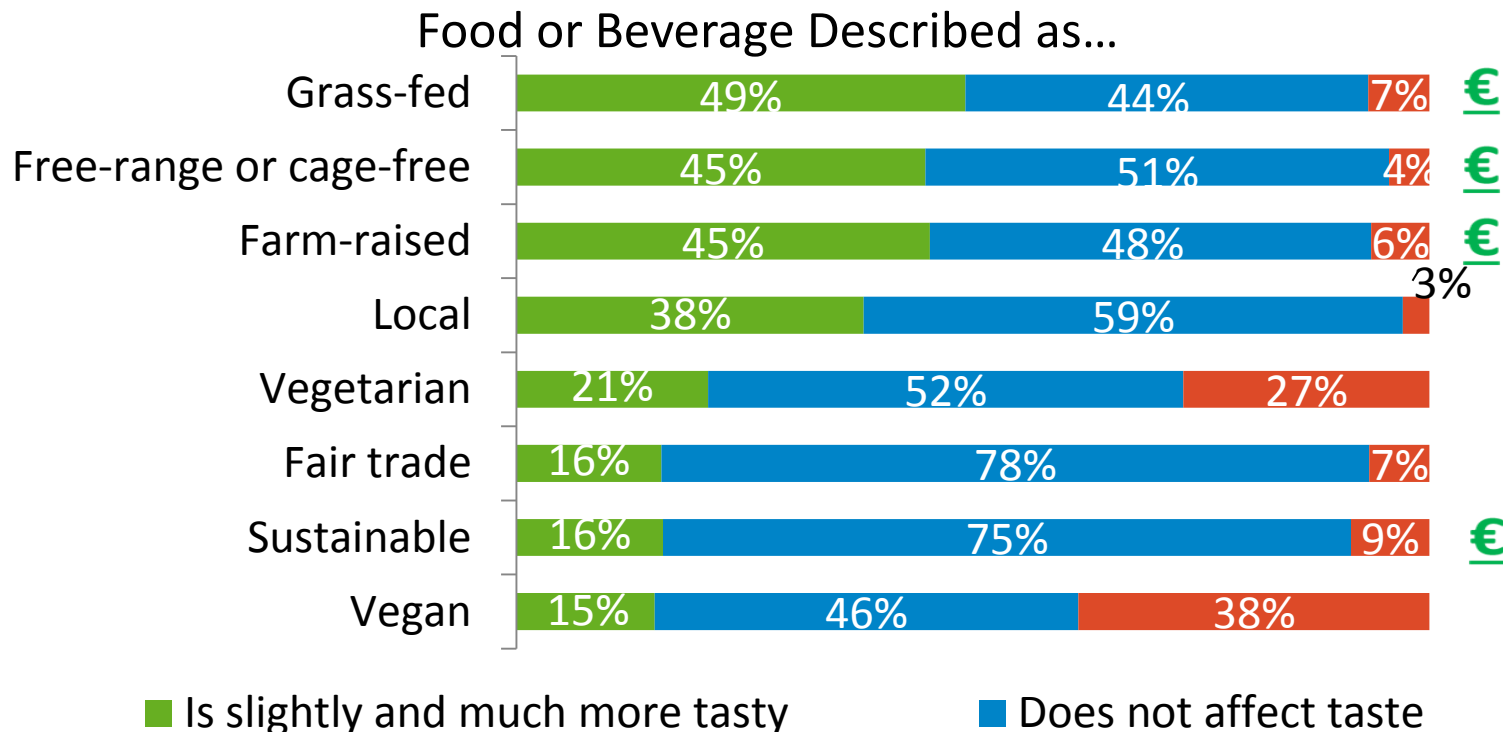
Survey: Indicate extent to which following attributes make beef “premium.”

Top 2 Box = Agree and Agree Completely)



Base: 1,445 consumers aged 18+ who eat beef at least once every two to three weeks
Respondents indicated their opinion on a scale of 1–6 where 1 = disagree completely and 6 = agree completely
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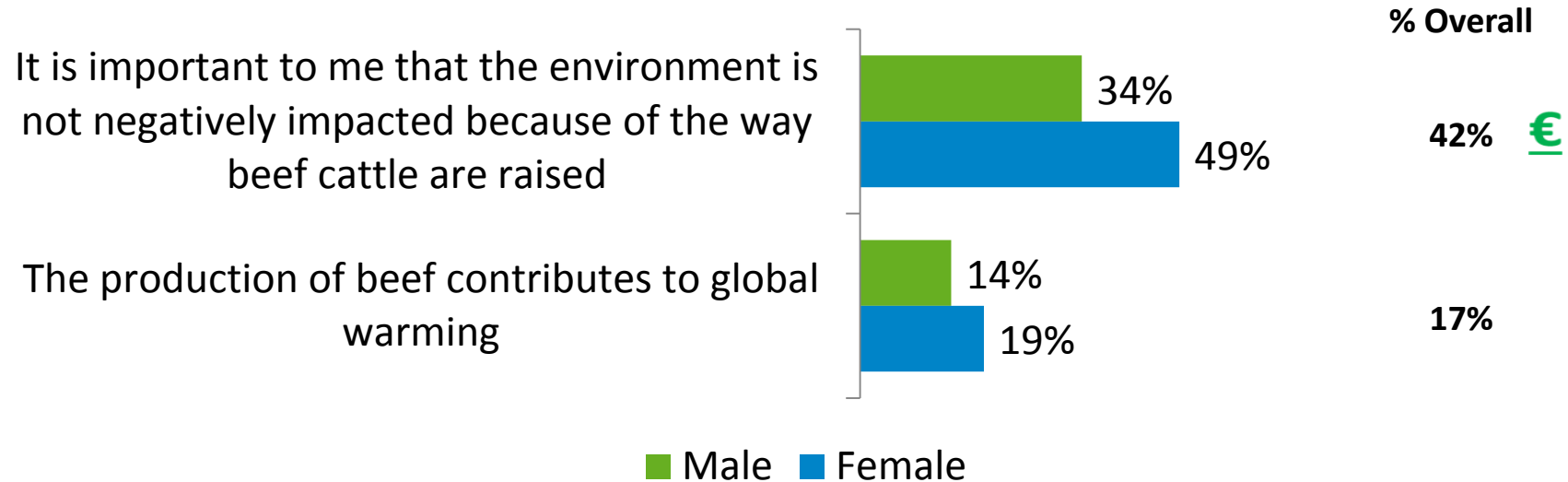
Nearly Half of Consumers Surveyed Say Grass-fed, Free-range and Farm-raised Attributes Enhance Taste



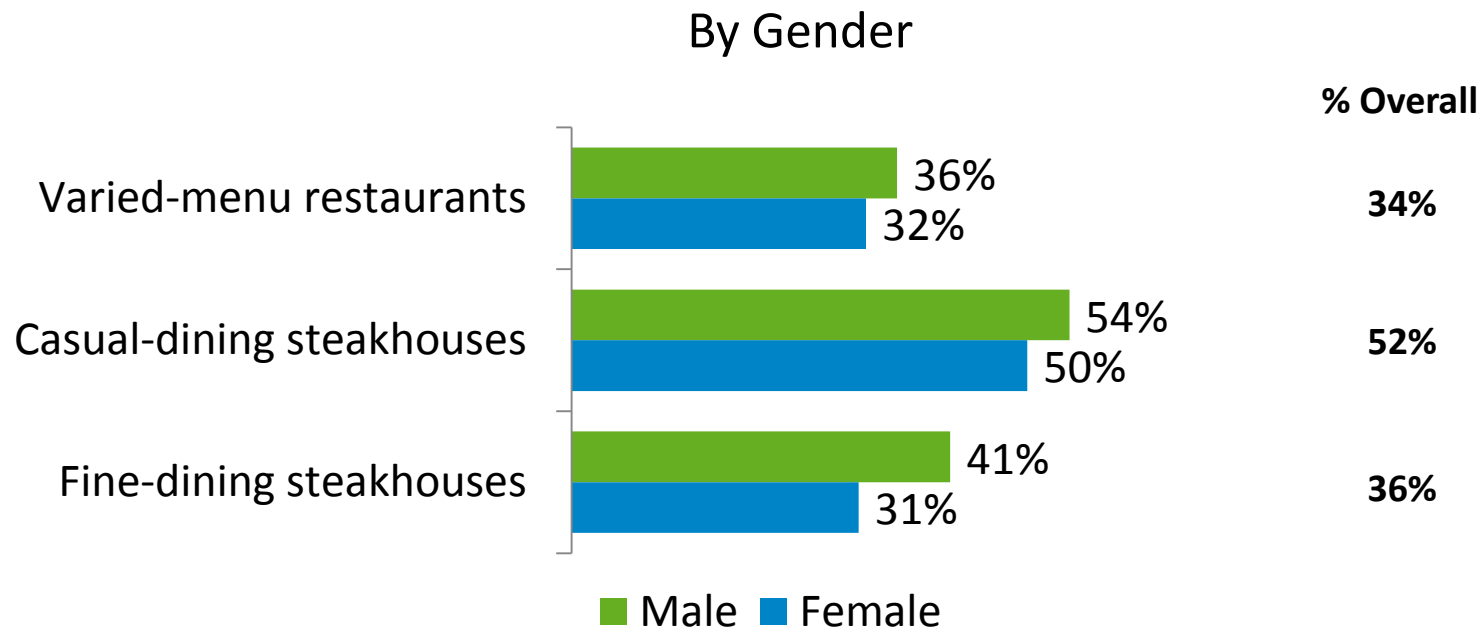
Base: Approximately 375 consumers aged 18+; base varies slightly as attributes were randomly rotated
Consumers indicated their opinion on a scale of 1–5 where 1 = much less tasty and 5 = much more tasty
Percentages may not equal 100% due to rounding

Survey: Indicate your agreement with the following statements.

Top 2 Box by Gender = Agree and Agree Completely

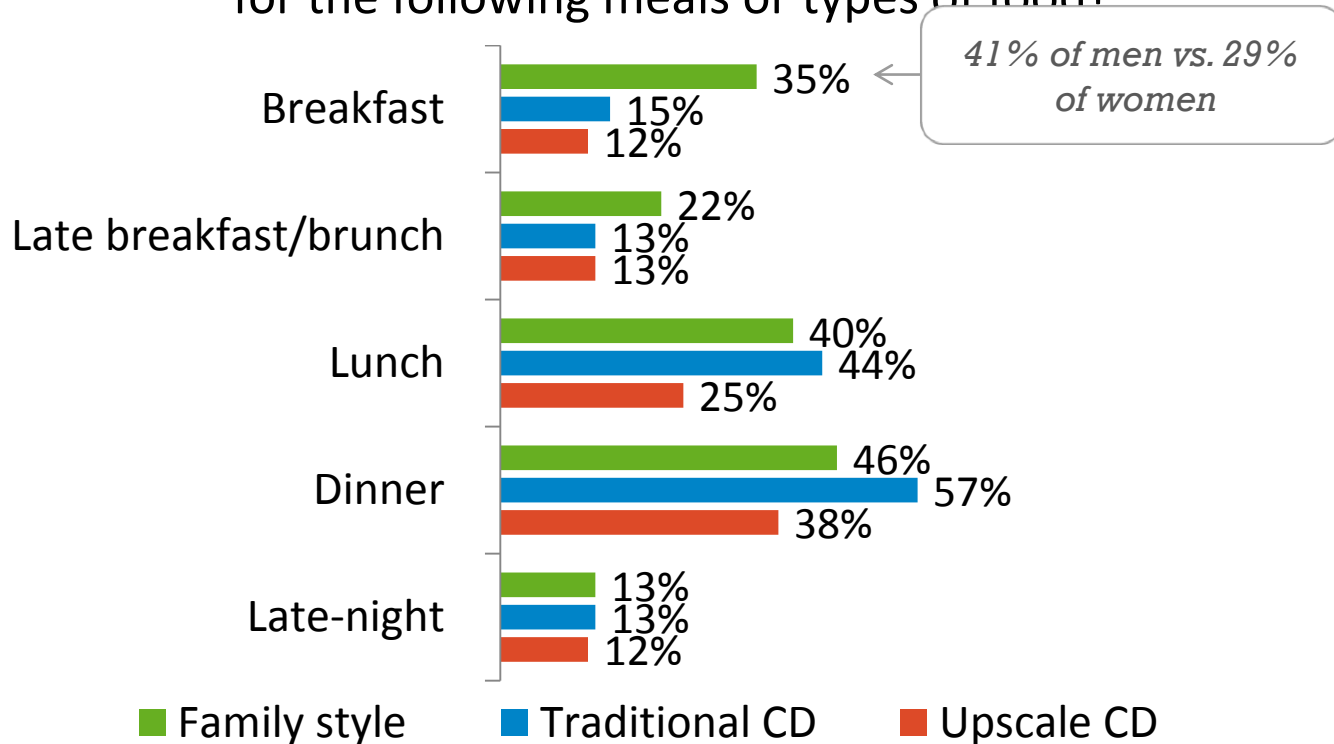


Survey: “Considering all your visits to the following restaurant types, on what percentage of occasions do you order steak?”



Traditional Casual-dining Restaurants, Followed by Family-style Restaurants, Win by a Wide Margin At Dinner

Survey: “How often do you visit these restaurants for the following meals or types of food?”

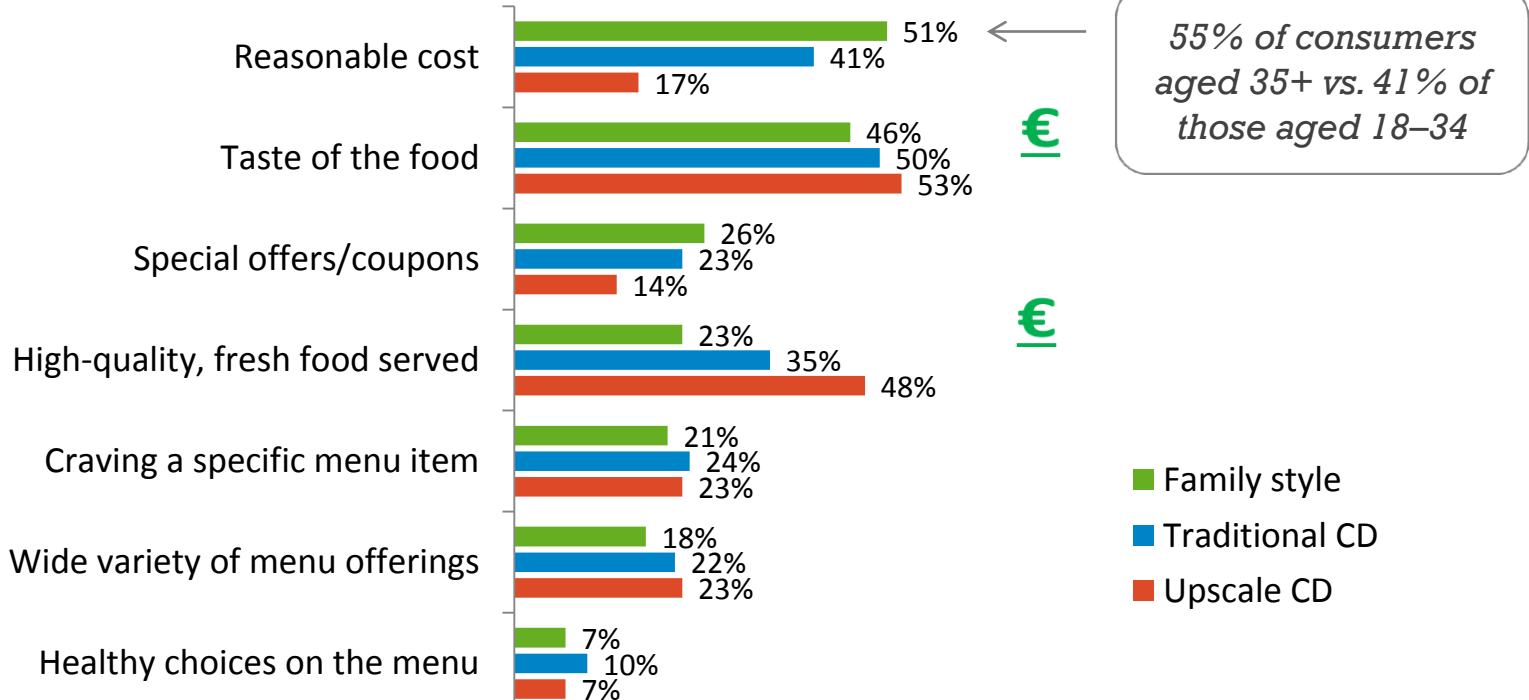


Base: 500 (family style), 500 (traditional CD) and 500 (upscale CD) consumers aged 18+ who visit these restaurants

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Food Quality and Freshness Are Stronger Drivers of Loyalty at Casual-dining Than Family-style Restaurants

Survey: “What are the top reasons you ultimately choose to visit your primary full-service restaurant most often?” Select up to five.

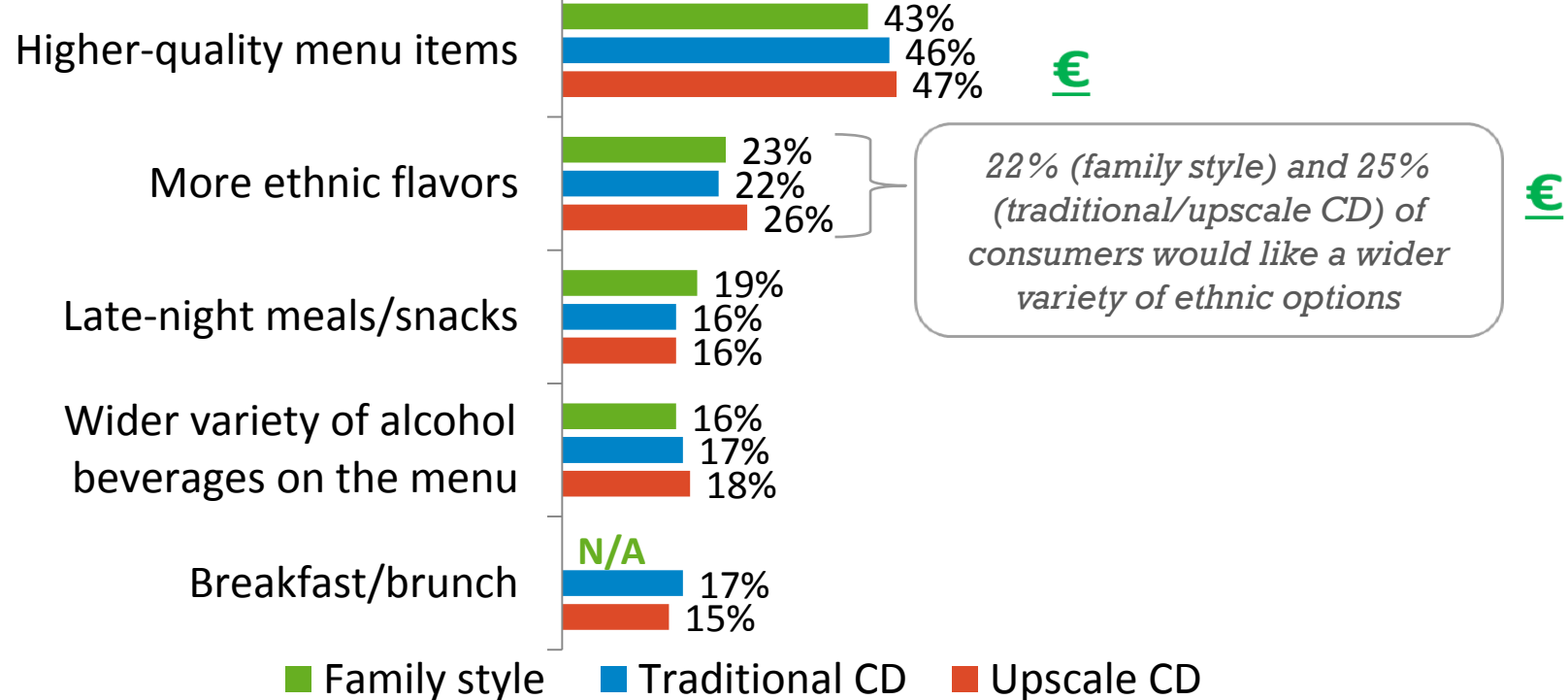


Base: 500 (family style), 500 (traditional CD) and 500 (upscale CD) consumers aged 18+ who visit these restaurants

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Offering Higher-quality Menu Items Is Key to Increasing Traffic and Sales at Family-style and Casual-dining Restaurants

Survey: How likely would you be to visit or purchase food from these restaurants MORE often if they offered the following? (Top two box = likely and extremely likely)



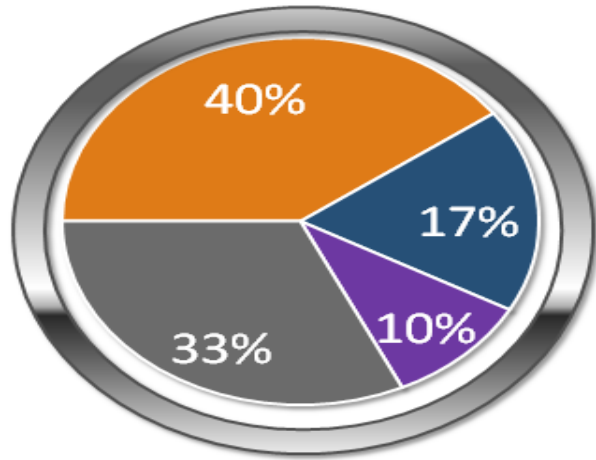
Base: 482/500(family style), 482/500 (traditional CD) and 483/500 (upscale CD) consumers aged 18+/21+ who visit these restaurants
Consumers indicated their opinion on a scale of 1–6 where 6 = extremely likely and 1 = not at all likely

Foodservice Supply Chain



Broadline “Power Distributors”

Foodservice Distribution Market
U.S. Market = \$231 Billion



- Power distributors
- Custom distributors
- Club and cash-n-carry
- All other

67% of
U.S. Market

Key “Path to Market” for Successful FSRs

Broadline Power Distributors

- **Sales = \$92B**
- **40% of U.S. market**
- **21 firms over \$250MM**
- **6% growth vs. 2012**

“The BIG get BIGGER”

Leading Firms	Market Share	Growth vs. 2012
Sysco	14.4%	5%
US Foods	9.6	1
Performance FS	5.1	14
Reinhart	2.4	10
Gordon	2.4	6
Ben E. Keith	1.1	6
Shamrock	1.0	12
FSA	0.9	1
Cheney	0.5	3
Labatt	0.4	4
Other	2.2	6
Total	40.0%	6%

Redistributors Enable Market Reach

Re-D Structure = All Categories to
All Types and Size of Distributors



Implications



Moon and planets aligned?

- By all appearances, timing couldn't be much better.
- Go-to-market strategy is key.
- Premium niche for discerning operators and consumers.
- “Green” protein demand
 - Grass-fed is “hot” and sustainability resonates
 - “Family” vs. “Factory” farms
- Consumers demanding flavor
 - Fresh and good tasting food
 - New prep/flavoring methods
- FSRs seeking differentiation
 - Beef and pork are “safe” plays
- High US domestic prices
 - Serendipitous point of entry

Questions?



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