

GB Food To Go Trade Intelligence

With Simon Stenning, Gavin
Rothwell, Steve Gotham

Tuesday 17th November 2020 10am

BORD BIA 
**Thinking
House**



Agenda:

10:00 Introductions – Roisin Keane Market Specialist GB and Margaret McCarthy Sector Manager, Bord Bia



10:05 Food to Go GB Market

Current FTG Market – Simon
Effects of Covid – Simon
Outlook for FTG – Steve
Opportunities for Irish Suppliers – Gavin



11:15: Q&A, Bord Bia Support

11:30 Close

The research project

Objectives:

- to deliver trade intelligence on the GB FTG market
- and identification of opportunities for Irish suppliers
- through interviews with FTG retailers, buyers and wholesalers
- and site visits to capture FTG developments

Conducted by:

- Simon Stenning – strategic advisor to foodservice, supported by:
 - Gavin Rothwell – FTG market expert
 - Steve Gotham – Foodservice market intelligence expert

Interviewees from:

a.f. blakemore
& son ltd



Bidfood
Inspired by you

BOOTH'S
THE GOOD GROCERS

brakes
a Sysco company



Coffee#1

HARRIS+HOOLE
BETTER COFFEE

FSC
Fresh thought for
food on the move

LEON
NATURALLY FAST FOOD

McColl's



Scotmid
co-operative

simplyfresh
your neighbourhood store...

Sainsbury's

wsh
Restaurants, delis,
coffee bars &
hospitality

SSP
The Food
Travel Experts

SPAR Appleby Westward

sodexo

THE WESTMORLAND FAMILY

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Site Visits to FTG Retailers:



Wild Bean Cafe



Co-Op



Shell



Marks & Spencer

Site Visits to FTG Retailers:



Pret A Manger



Boots



Caffe Nero



Greggs



Waitrose



Costa Coffee

Agenda:

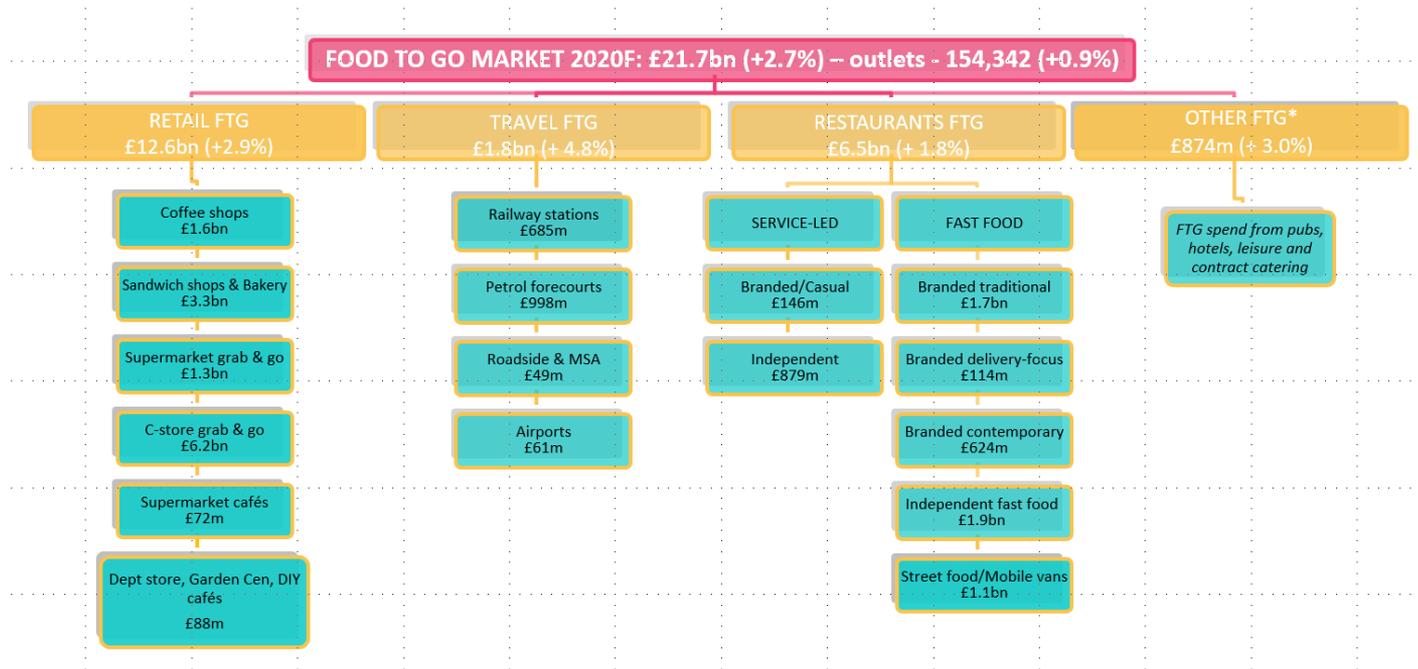
1. Introduction – Simon
2. **Current FTG Market – Simon**
3. Effects of Covid-19 – Simon
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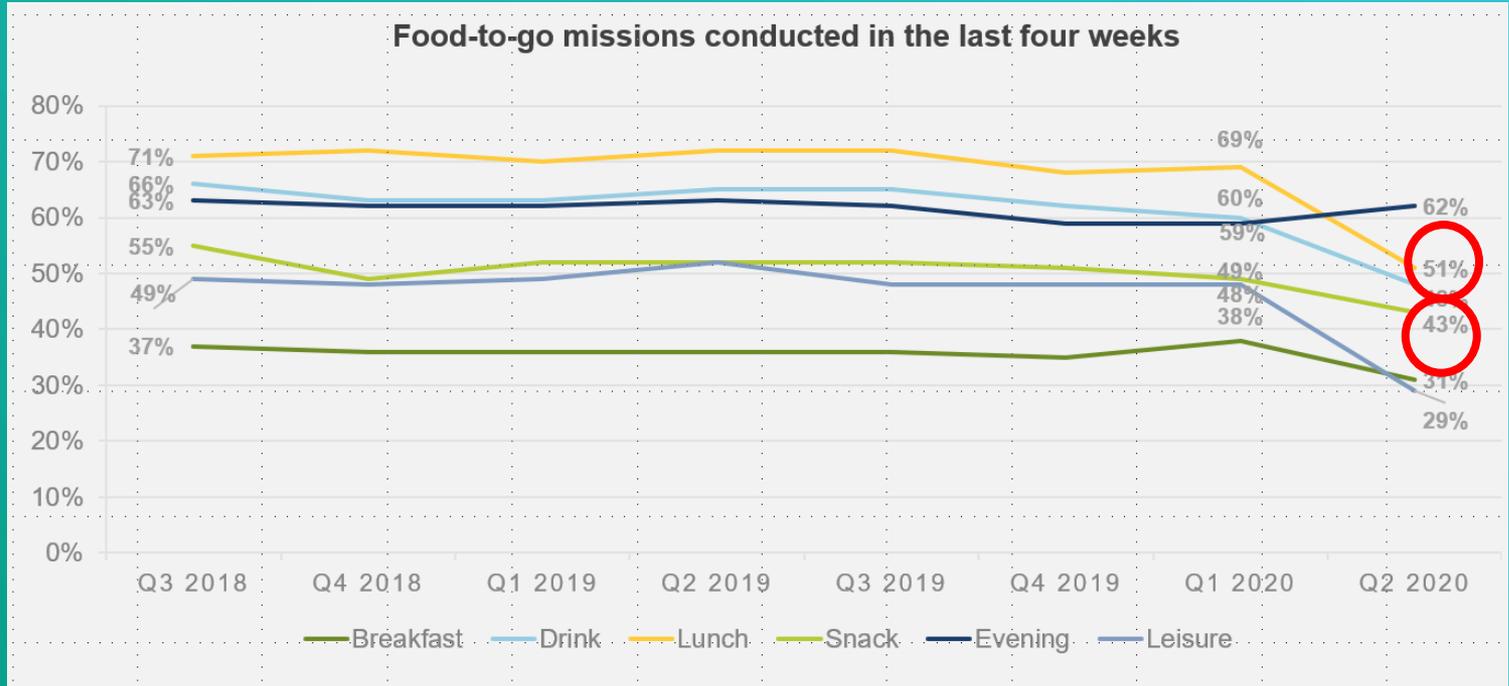


FTG market overview:

Prior to Covid-19, annual growth of 2.7% was predicted in 2020, taking total spending to close to £22bn.



FTG market overview: Significant impact of Covid-19 on FTG missions during Q2 2020



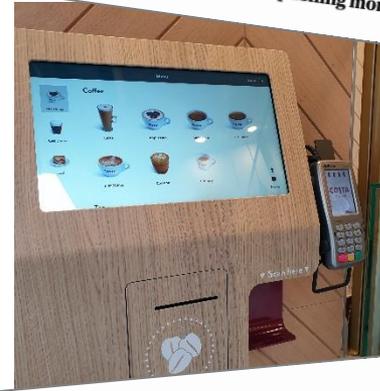
FTG market overview:
Market performance in 2020 – Forecast to only achieve 60% in 2HY

Current FTG trading - Insight from Interviews

- **The Covid crisis has radically reshaped the FTG market**, causing a significant downturn in value
- **Foodservice oriented operators are hunkering down to core principles**; With some examples of adapting new ways of working
- **Locational shifts in demand have brought about change**; with a population that, for the most part, continues to work from home.
- **There remains significant optimism**; With good examples of businesses that have effectively pivoted in response to a new trading environment and focused on getting product to consumers

**Pret a Manger cuts almost 2,900 UK jobs
as sales plummet**

*Chain hit by loss of passing trade, with Covid pushing more people
to work from home*



News > Politics

**Coronavirus and remote working:
40% of UK employees still shunning
the office to work from home, poll
shows**

EXCLUSIVE

Current FTG trading - Insight from Interviews



Coffee#1



“Food sales have been more heavily hit than coffee sales, as consumers stop the coffee shop meet-up for lunch, but don’t give up on regular coffees.”



“Suburban stores have recovered far quicker than city centre ones, and are now trading at levels only just short of 2019; these stores do have a lower revenue model than city centre ones however.”

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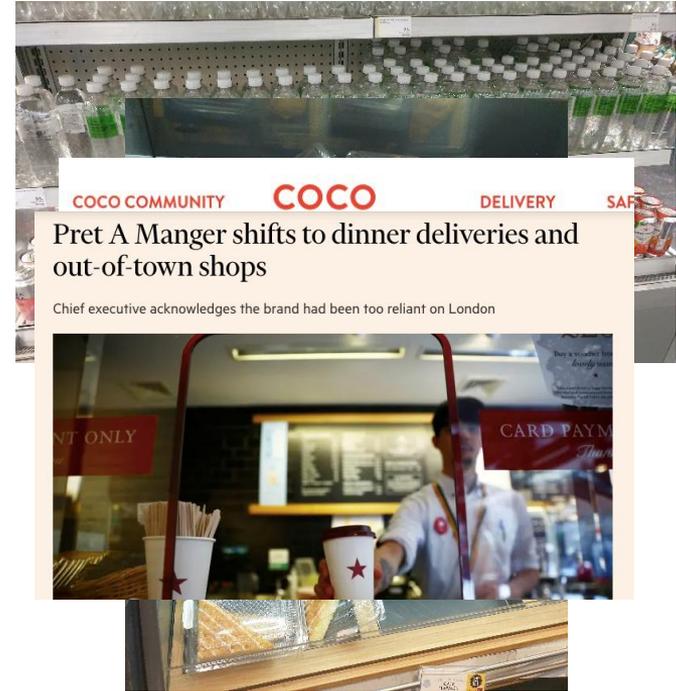
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Effects of Covid-19 – Insight from Interviews:

- **Rationalisation of range.** The concept of a minimum credible range came into play. And while ranges now are being gradually expanded, few have restored the breadth of proposition found in pre-Covid times.
- **Wrapping and a focus on pre-packaged solutions.** Loose, unattended product has become seen as a risk.
- **Keeping sites closed where demand hasn't returned.** City centres have been hit hardest – particularly office zones, where recovery and reopening still feels a long way off for many.
- **Targeting new routes to reach customers.** Different missions (evening and morning), new online solutions and delivery partners, hampers, grocery products, subscriptions etc.



“There is an expectation that foodservice businesses will increasingly move towards a blended channel approach of High St restaurants, Delivery, and Grocery stores.”

Effects of Covid-19 – Channel developments: COFFEE SHOPS

KEY FTG DEVELOPMENTS:

- **Current curtailment of food ranges due to Adelle failure** and reduced revenues has created a vicious circle whereby consumers are not enticed to purchase a simpler, reduced range
- **Drive-thru sales** are more focused on sweet snack and bakery items, rather than the full menu
- **Previous reluctance to stock non-own label** products is being dropped, with brands such as Kind and Grenade protein bars, Deliciously Ella now featuring.
- **Hot food is becoming more of a focus**, but is hampered by the lack of equipment, Back of House facilities and the labour model; Caffe Nero, out of the top 3 brands, have moved most to develop their offer, as they do have 'accelerated cooking' ovens on each site.



Effects of Covid-19 – Channel developments: CONVENIENCE STORES

KEY FTG DEVELOPMENTS:

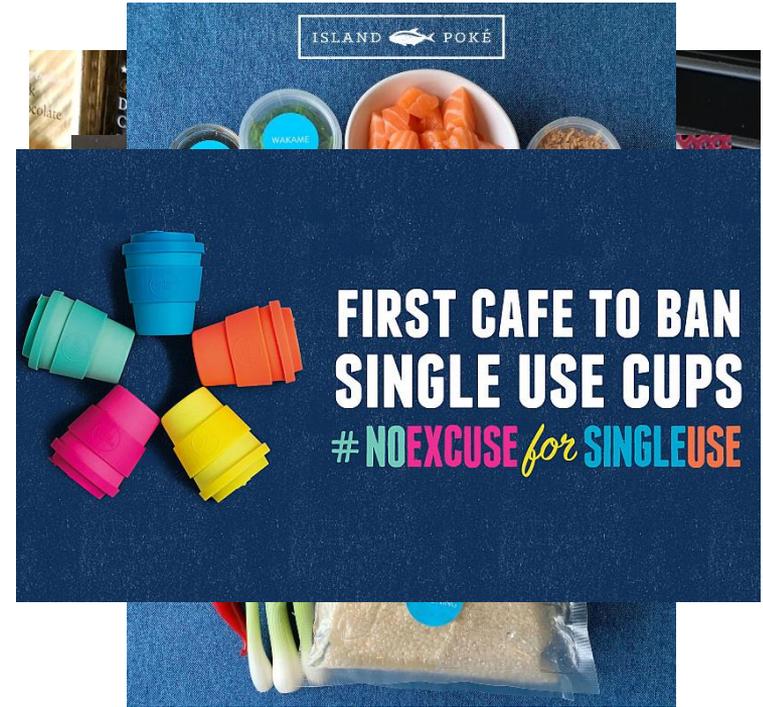
- **Growing recognition that FTG is critical** to the future prospects of many stores. The more innovative and aspirational are already embracing this and will continue to look for new opportunities. But there is a long tail of convenience stores who are more cautious, and who have yet to see the benefits of investing in growing FTG.
- **Hot food is an opportunity**, largely from self serve units, though a growing number are looking at how counter-based solutions can grow their appeal.
- **Coffee is an area of focus and opportunity**, key to expand food-to-go appeal, especially with the breakfast mission. Costa Express leads the way as a vended solution.



Effects of Covid-19 – Channel developments: FTG SPECIALISTS

KEY FTG DEVELOPMENTS:

- The product offer at the leading chains remains **highly skewed towards own label products**, limiting the scope for niche and emerging brands.
- **Hot food has become more of a focus**, though remains more skewed towards snacks and smaller meal options.
- **Asian influences** have been an important growth area, reflecting attraction of adventurousness, healthiness and tastiness of the food.
- FTG specialists have had to **raise their sustainability credentials** regarding the environmental friendliness of their product packaging and this has increased focus on reusable cups in particular. Post-Covid, this will attract renewed attention.



Effects of Covid-19 – Channel developments: SUPERMARKET FTG

KEY FTG DEVELOPMENTS:

- **FTG concessions in-store** shows a growing focus on broadening the offer and grasping the FTG opportunity. Sushi Gourmet and Sushi Daily have been key enablers to this, but now we are seeing more activity in this space from a broadening array of players.
- **Strengthening capabilities in-house**, eg Morrisons Market Kitchen concept.
- **Collaborations are also emerging**, such as Sainsbury's and Crussh, Asda and Yo!
- Adding more **hot FTG into the offer**; a recognition that this is a great way to meet different daypart needs and compete with FTG specialists.



Effects of Covid-19 – Channel developments: TRAVEL (ROAD, RAIL)

KEY FTG DEVELOPMENTS:

- **Replacing the sandwich;** supplanted by a broader range of hot FTG products such as savoury bakery products and products to compete with fast food
- **Healthier snacks** have become more commonplace in travel locations, with brands such as Graze, or protein bars such as Grenade
- **Value-added meat products** have also seen increased availability, as consumers on the go look for greater variety in their meals and snacks
- **Gregg's has succeeded in roadside locations** due to its value-driven offer, when often MSA brands tend to be more expensive
- **SSP's franchise of West Cornwall Pasty Company** has enabled an expansion of hot, hand-held savoury bakery products into the travelling consumer's repertoire, and in turn the traditional Pasty range has been broadened to include a strong breakfast offer to stretch the appeal through the day



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Outlook for the FTG market – Key factors shaping future growth

- Length and severity of Covid-19
- Balance of home- vs office-working
- Depth and duration of recession
- Nature of Brexit
- Ability of FTG to tap into delivery
- Locational flexibility of FTG specialists

FTG market outlook: 2020, 2021 and 2022 onwards ...

2020 – Survival



2021 – Recovery



2022/23 – Growth



FTG outlook by channel – COFFEE SHOPS

- UK Consumer demand for the **coffee shop experience** is set to continue growing in the long term, as coffee purchases have become habitual and part of everyday spending.
- The **emphasis on food** is going to continue at pace, as the commercial coffee shop model has low average transaction values and misses out on increased basket spend.
- Further **development of services** aimed at remote working are also expected, with ideas such as monthly subscription costs for desk space, including free coffee refills and enhanced loyalty initiatives.

FTG retailers to watch – SOHO COFFEE COMPANY

WHY?

- A flexible format concept, adaptable to differing locations, with a core focus on food, despite the name. They sell a wide range of hot food, including pies and jacket potatoes, helping them to stand out against the major chains.



FTG outlook by channel – CONVENIENCE STORES

- This is very much dependent on location right now, but for most of the channel, **the outlook appears a very positive one.**
- Over recent months, **more consumers have reconnected with their local stores** – and continue to spend more of their time close to them, given the continuing focus on homeworking.
- For some this presents the opportunity to **target additional missions**, such as an enhanced lunchtime offer in neighbourhood locations.
- Meanwhile for those with the **right credentials and location**, there will be an opportunity to target evening and breakfast missions as well, both via store and online ordering.

FTG retailers to watch – CO-OP

WHY?

- Co-op has been developing at pace in the convenience market over recent years, honing its focus on convenience and within that, significantly strengthening in food-to-go, in line with the growing opportunity in this space.
- Co-op has also been innovating in city centre formats around an even stronger focus on food-to-go.



FTG retailers to watch – SAINSBURY'S ON THE GO

WHY?

- Sainsbury's remains best known for its larger formats but is increasingly looking at how it can elevate its convenience proposition, in particular through expanding its focus on food-to-go in central business districts.



FTG outlook by channel – FTG SPECIALISTS

- FTG channel performance is intrinsically linked to volumes of footfall and traffic - and will inevitably be shaped by the pace and extent of recovery in these.
- The prospect of more home working and reduced commuting is a major problem, and will focus attention on **more diversification strategies**, including expanding home delivery capabilities, developing retail partnerships and accelerating suburban store format development.
- **The food offer will be expanded** to better address evening day-parts, cover more meal solutions and include more hot food.

FTG retailers to watch – GREGGS

WHY?

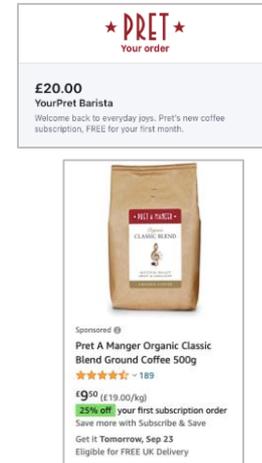
- Greggs has evolved their format to take account of changing consumer tastes and trends, moving from being a Bakery store selling some sandwiches, to a hybrid FTG specialist/Fast Food-style retailer meeting consumer needs for hot and cold food on the go quickly and affordably.



FTG retailers to watch – PRET A MANGER

WHY?

- Pret has always been at the forefront of innovation ever since opening in 1986, and has pushed this further with NPD and format changes including a move into grocery retail and opening vegetarian-only Veggie Pret stores to appeal to consumers' growing demand for plant-based products.



FTG outlook by channel – SUPERMARKETS

- There is a widespread recognition that food-to-go can provide a key pillar of growth – and footfall – going forward. However, **food-to-go's fortunes in supermarkets are currently in the balance.**
- While it will become an even more important differentiator in driving footfall to stores, pushing deeper into food-to-go right now requires boldness and confidence – many will inevitably revert to a **core value offer and a focus on basics.**
- Rewards will exist however, for those better able to leverage **trend-led innovation and premiumisation** strengths, as well as those targeting greater **experience and added convenience.**

FTG retailers to watch – M&S

WHY?

- While the clothing and home side of the business has struggled, food has continued to strengthen at M&S over recent years, now accounting for the majority of the retailer's sales.
- Its strategy of innovating around more premiumised products, emerging food trends and new store format is standing it in good stead.



FTG retailers to watch – MORRISONS MARKET KITCHEN

WHY?

- Morrisons has an established reputation in preparing food in-store. Over the past 12 months there has been increasing focus on its position as a 'Food Maker'. Its two Market Kitchen formats have been important step forwards on better meeting a wider range of food-on-the-move solutions.



FTG outlook by channel – TRAVEL

- Air travel will return during the course of 2021, as will rail, although the numbers of consumers **commuting daily will be lower** (than 2019 levels) for many years.
- Whilst environmental concerns have been trying to restrain car usage, this is likely to continue growing through 2021.
- The switch to electric cars does mean that forecourts and MSA's will need to provide services that suit longer stays, e.g. casual dining.
- **MSA's can potentially become destinations** in their own right if the offer develops and meets consumer trend expectations.

FTG retailers to watch – EURO GARAGES

WHY?

- Euro Garages has forged high-profile relationships with nationally and globally recognised retail and convenience brands and is committed to providing strong customer service, good value products and a wide range of facilities.



Outlook for the FTG market – Operator/Retailer responses, strategies & tactics:

Response type	Operator responses
Securing the core market	<ul style="list-style-type: none">• Retaining competitive prices – on key everyday lines• Ensuring good availability of core ranges
Boosting customer loyalty	<ul style="list-style-type: none">• Enhanced customer loyalty rewards• Development of product subscription services• Strengthened customer digital marketing and relationship building

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So...

More than its fair share of recent challenges, but still plenty of opportunities to go for.

What strengths are Irish suppliers known for in the UK?

A reputation for quality and provenance

Domestic food-to-go reputation and track record

Good standing in UK food-to-go, strong reference points

Flexibility and innovative mindset

An understanding of the UK trading environment and its key players

Where do GB retailers need help?



Meeting non-core missions



Improving & updating snacking appeal



Standing out from key competitors

What are key watch outs?

Factor in a longer supply chain
to shelf-life & packaging
solutions

Different retailers & symbol
groups are at very different
stages of development

Supply chains can differ sharply
by product and type of
operator

What are the key product level trends to be aware of?

Protein.



What are the key product level trends to be aware of?

Health.

And increasingly, added health benefits

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What are the key product level trends to be aware of?

Hot

Hot food.

Notably, how to create standout in grab & go



What are the key product level trends to be aware of?

Plant-based...
or plant-led

Alongside free
from



Key mission opportunities

Innovating in lunch



Growing snacking appeal, developing affordable treats



Expanding breakfast, on a budget

Dinners by Pret



Pushing into food-for-later

Key considerations in your approach

Identify the fit
with the
retailer

Show which
unmet need
you are
meeting

Consider how
you can drive
uniqueness

Show your
sourcing

Make it
standout

How to win?

Identify your target channel – and the relevant supply chain

Know and follow the benchmarks – Pret, Greggs – and understand how they influence

Collaborate to create solutions

Demonstrate your preparedness for Brexit

Stay on top of global solutions and innovation

What are the opportunities to develop further?

The current UK
food-to-go
market remains
full of
opportunity

But it's been
altered in many
ways by covid

It will take time
to recover

.. and Brexit
complicates

Irish suppliers
have a strong
platform to build
on in UK food-to-
go

What are the opportunities to develop further?

Leverage provenance & proximity

Show what you bring beyond value – flexibility is a key asset and solution-led approaches will win out

Protein & healthier options are opportunities, but not the only ones

Sustainability will only grow in importance – be clear on your plan & roadmap

The landscape is changing fast: keep on top of developments

BE FANTASTIC.
REDUCE PLASTIC.

As a customer, you can help reduce plastic waste by choosing products with less packaging, using reusable containers, and buying in bulk. Small changes can make a big difference.

BRING A X

2
FILL IT



Upcoming Webinars and Workshops

Webinars:

- Insight Study: Chilled Ready Meals UK
Wednesday 25th November at 10am

Workshops:

- Customs Readiness Programme
Limited places left: 17th, 24th November and 1st December
- Supply Chain Workshops / Mentoring
- Brexit Action Plan

Reports of interest for the UK Market



Future Proofing Toolkit (November 2020)



Feeling the Pinch (November 2020)



Brexit Consumer Pulse (October 2020)

Thank You

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