

A background graphic consisting of a network of thin, light-colored lines connecting various circular nodes. Some nodes are solid black dots, while others are hollow circles. The network is dense and spans the entire width and height of the page, with a color gradient from dark blue on the left to green on the right.

Irish Foodservice **Channel Insights**

NOVEMBER 2014

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

www.bordbia.ie

A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles, connected by thin, light-colored lines. Some nodes are solid black, while others are hollow white circles. The connections form a complex, web-like structure across the entire page.

Introduction

Irish Foodservice
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About the Research

Bord Bia partnered with Technomic Inc. to develop this 2014 analysis of the Irish foodservice market. Technomic has a large, experienced staff covering the foodservice industry and actively conducts research in numerous international markets. The process undertaken in this collaboration included a large range of in-depth interviews within the trade to reveal insights from numerous perspectives.



Approach

As part of its dedicated Ireland Market Foodservice Programme, Bord Bia has operated a Market Intelligence programme since 2009 - delivering resources to both client companies (Irish food and drink manufacturers) and customers (domestic foodservice buyers) alike.

For the development of this study, Bord Bia collaborated closely with Technomic to ensure that the end report would provide timely information to equip members with insights necessary to develop detailed market strategies and to optimise potential opportunities.

In addition to a thorough primary and secondary review of the entire industry landscape, Bord Bia and Technomic used a robust research methodology to obtain data not otherwise available regarding the foodservice market in Ireland. A combination of interviews with knowledgeable personnel throughout the foodservice supply chain took place to better understand both channel and product category dynamics.

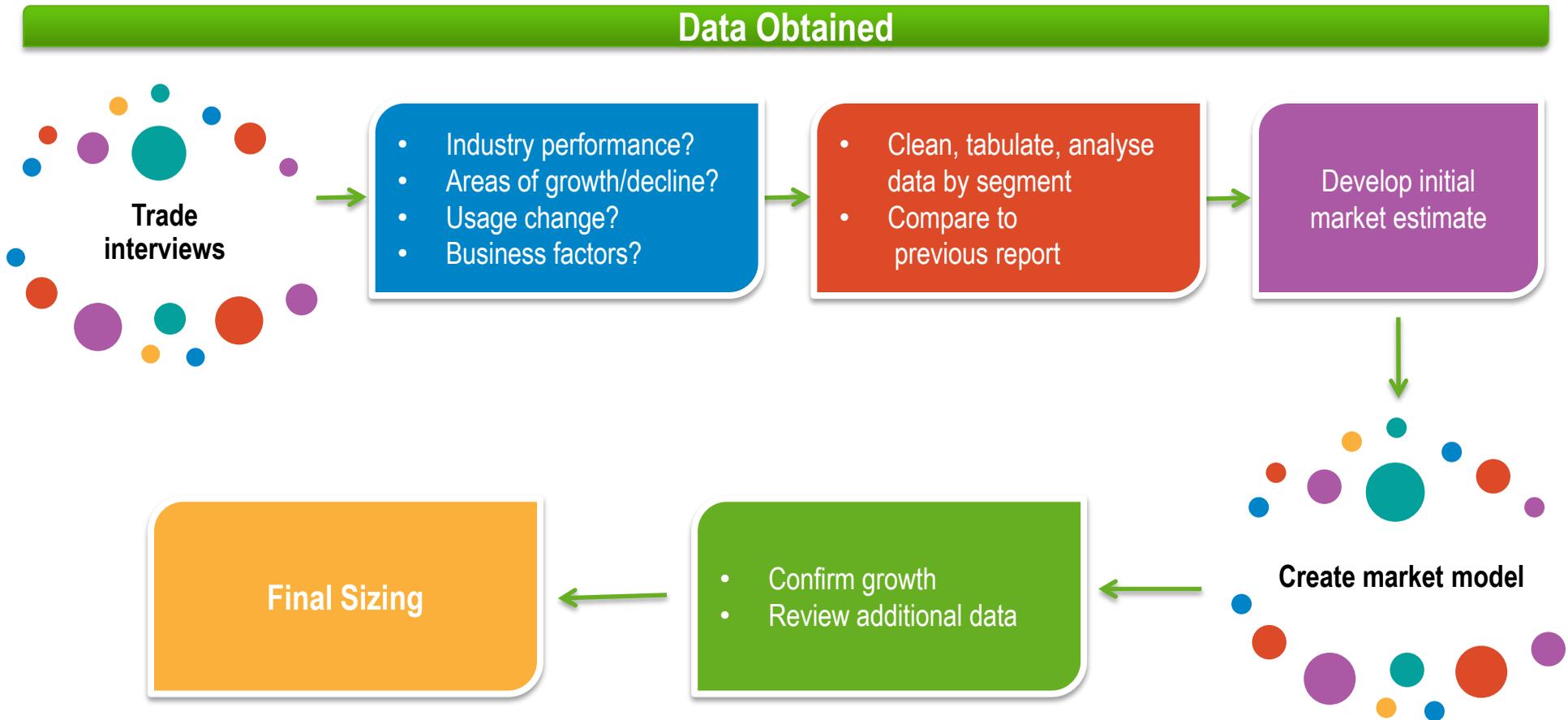
In-Depth Interview Methodology

To complete market sizing, segmentation, trend identification and forecasting, Technomic utilised numerous resources including:

- In-depth interviews with both commercial and institutional operators
- In-depth interviews with foodservice distributors
- In-depth interviews with key Trade Associations
- In-depth interviews with contract caterers/foodservice management firms
- Technomic industry studies and Knowledge Center
- Technomic subject matter experts
- Technomic international tracking
- Published materials

Market Sizing Methodology

The illustration below outlines key steps in Technomic's market sizing and forecasting process.



Qualifications

Technomic is uniquely qualified to conduct this assignment. For almost 50 years, Technomic has been assisting clients with interests in the food industry obtain a better understanding of the marketplace and potential opportunities.

Technomic is considered to be the leading research and consulting firm specialising in the foodservice or Out of Home (OOH) industry. Technomic's broad based expertise and second-to-none knowledge of the OOH channels and categories positions them as an industry leader in this growing marketplace.

Technomic is active in numerous international OOH markets.

Glossary of Terms

Term	Definition
CAGR	<ul style="list-style-type: none"> Compound Annual Growth Rate: The average sales increase over a specified number of years incorporating compound growth.
Cash and carry	<ul style="list-style-type: none"> A large outlet where foodservice operators and small retailers can come to purchase supplies.
Commercial foodservice	<ul style="list-style-type: none"> Channels where catering for profit is the prime motivation.
Consumer Spending	<ul style="list-style-type: none"> Consumer spending accounts for spending by diners within all foodservice channels.
Contract	<ul style="list-style-type: none"> The direct supply of products to trade customers that buy centrally. Also known as “wheels only” in view of wholesalers that provide logistic support (delivery) but do not buy or sell.
C Store	<ul style="list-style-type: none"> Convenience store where hot food or food-on-the-go is sold to eat and take away.
Customer	<ul style="list-style-type: none"> The person to whom the supplier sells, usually the wholesaler or the operator, although the ultimate customer is the consumer.
Delivered Wholesale	<ul style="list-style-type: none"> Supply of product to outlets via wholesaler delivery vans, often on a daily basis.
Direct	<ul style="list-style-type: none"> Where operators buy from markets, producers or farmers direct rather than through intermediaries such as wholesalers.

Glossary of Terms

Term	Definition
Foodservice channel	<ul style="list-style-type: none"> The acknowledged grouping of foodservice outlets by type (each of the main channels is defined separately).
Institutional foodservice	<ul style="list-style-type: none"> Often known as cost catering, channels where catering is a service provided for free or with a subsidy.
IOI	<ul style="list-style-type: none"> Island of Ireland.
Occasion	<ul style="list-style-type: none"> The meal reason for visiting a foodservice outlet, e.g. breakfast, lunch, dinner, coffee, snack etc. This can also be referred to as a “daypart”.
Operator	<ul style="list-style-type: none"> The company or business running the foodservice outlet or chain of outlets.
Operator Purchases	<ul style="list-style-type: none"> Operator purchases represent the value of distributors’ sales to operators, including distributors’ margins.
Route to market	<ul style="list-style-type: none"> How to get the product to the end consumer. Involves distribution and logistics.
Traffic	<ul style="list-style-type: none"> The number of consumers visiting a foodservice outlet. Also known as footfall, it is a key operator metric.
Transaction spend per occasion	<ul style="list-style-type: none"> The average spend per person per foodservice visit.
White table cloth	<ul style="list-style-type: none"> White table cloth restaurants, a sub segment of the full service restaurant channel representing the more traditional and premium restaurant outlets.



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Executive Summary

Irish Foodservice
Channel Insights

2014 Irish Foodservice Market Snapshot

2014 Irish Foodservice Market	2014 Consumer Spending (€M)	2014 Operator Purchases (€M)	2017 Consumer Spending (€M)	2017 Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Quick Service	€2,337	€981	€2,561	€1,075	3.6%	3.1%
Full Service	687	240	731	255	2.0%	2.1%
Pubs	1,552	403	1,543	401	-2.6%	-0.2%
Coffee Shops and Cafes	345	145	372	156	2.2%	2.5%
Hotels and Accommodation	390	117	422	127	2.4%	2.7%
Other Commercial	139	53	144	55	0.7%	1.1%
Total Commercial	€5,450	€1,939	€5,773	€2,069	1.4%	1.9%
Business and Industry	283	136	289	139	-0.2%	0.7%
Health	224	114	229	116	-1.0%	0.7%
Education	138	59	146	62	1.6%	1.8%
Other Institutional	38	19	39	20	0.8%	1.0%
Total Institutional	€683	€328	€703	€337	0.0%	1.4%
Total IOI	€6,133	€2,267	€6,476	€2,406	1.2%	1.9%
Republic of Ireland	4,242	1,571	4,501	1,672	1.2%	2.0%
Northern Ireland	1,891	696	1,975	734	1.3%	1.5%

Leading Market Factors Impacting Irish Foodservice Market in 2014

The following factors have had a significant influence on Irish foodservice market performance in 2014.

1. **Disposable income improving.**

On average, the spending power of Irish consumers was down approximately €3,500 from previous levels following the economic downturn. Disposable income consists of earnings (including social welfare) and subtracts social insurance and tax contributions. In 2014, increases for select regions (primarily Dublin) indicate a slow, but upward trend which is a positive indicator for foodservice.

2. **Consumer confidence continues to trend positive.**

Consumer confidence is on the rise in Ireland according to the KBC Bank/ESRI Consumer Sentiment Index. The index has remained above 80 for most months in 2014 (peaking at 89.4 in July). The index reflects the most positive outlook among Irish consumers since December 2006. Economists have connected the increase to signs of a strengthening economy, growing employment opportunities and improvements in the property market. When consumers are more optimistic, they tend to spend more on discretionary foodservice occasions.

3. **Several chains view Irish market as a growth market.**

Several chains are experiencing growth in Ireland. After adding 16 units last year, Subway continues to execute its plan to open 40 new locations in Ireland in 2014 and 180 units by 2020. UK specialist coffee retailer Caffé Nero is planning to open 40 stores over the next five years, at a rate of eight – 10 stores per year. JD Wetherspoon opened its first ROI pub in Dublin in July 2014, with future plans to open up to 30 outlets.

Leading Market Factors Impacting Irish Foodservice Market in 2014

4. **Favorable VAT connected to foodservice spending.**

Since its introduction in 2011, the 9% VAT rate for the food and accommodations channel has been viewed as a driver for inbound tourism to Ireland as well as increased spending within the foodservice channel. The ROI foodservice industry has welcomed the Government's recent decision to continue the 9% VAT, announced in the 2015 Budget.

5. **Dublin is leading a “three speed economic recovery”.**

Foodservice performance in Dublin is being driven by greater tourist numbers, an established 'value offering' and a domestic consumer that has more disposable income. Other cities such as Cork, Galway and Belfast and high tourism areas such as Kerry and Kilkenny are following in a 'middle tier' and outpacing the rest of the country.

6. **Consumers tastes are changing.**

While mainstream cuisine remains important to core foodservice offerings, consumer interest in ethnic cuisines is growing and is opening up new opportunities for operators to broaden their menus. Additionally, this shift has resulted in opportunities for new restaurant concepts, ranging from burrito outlets to Pan Asian restaurants.

Foodservice Market Assessment

In 2014, Irish consumers spent €6.1 billion on out of home food & beverage. The bulk of this (88.9%) was spent in the commercial channels, in locations such as quick service restaurants, full service restaurants, cafes and pubs. The remaining 10.1% was accounted for by the institutional channels, which includes business and industry, education and healthcare.

Ireland's out of home food and beverage spend has increased and is expected to continue to grow. The compound annual growth rate (CAGR) is expected to reach 1.9% and continue through 2017. The majority of spend is occurring in ROI, responsible for €4.2 billion at consumer spend and €1.9 billion in operator spend. NI accounts for €1.6 billion at consumer spend and €696 million in operator spend.

Nearly half of consumer spend in the commercial channel goes into Quick Service Restaurants (QSRs), with only 13% attributed to Full Service Restaurants (FSRs). Although the decline of Pubs in Ireland has been well documented, this channel still accounts for more than a quarter (28%) of consumer spend. While relatively small in channel size, coffee shops and cafes are continuing to capture sales and it is predicted that they will continue to grow. Other segments are also showing significant improvement, notably leisure and travel, which are positively impacted by growing tourism business and spending on leisure activities.

Within institutional foodservice, Business and Industry are the category leaders, capturing 41% of the market. Healthcare is also a large player in the field, with hospitals and other healthcare facilities accounting for 33% of institutional consumer spend. Education rounds out institutional foodservice, with 20% market share. Despite the lower consumer spend, there is still high growth potential in the institutional channel - it has a CAGR of 1.6%. Other sectors, such as defence and prisons also contribute to institutional foodservice sales, though are not high growth drivers within the channel.

Key Trends

Commercial Channel

Quick Service

- Consumers that frequent QSRs are looking for value, but also want a meal that is high quality. They aren't looking for rock-bottom prices, but good food at a good price. Increasingly, good food means creating menus that include ethnic options, and some "theatre" through front-of-house exhibition cooking. Signature foods made with local and artisan ingredients encourage repeat business to a specific restaurant, although experiential dining with upscale ingredients increases food costs and labour spend.
- Operators are seeing more competition in the form of food trucks and rising expectations around delivery and mobile technology. While operators are focused on increasing average spend, their customers are still cost focused, yet expecting artisan products such as barista style coffee that is locally sourced.

Full Service

- The average consumer is becoming more adventurous and educated when it comes to food. Consumer prices have remained relatively stable, so operators have begun to differentiate themselves by creating innovative offerings. Small plates and healthier menu items allow for more experimentation and a guilt-free dining experience. Social media has played a large role in capturing new customers, as have special events and food tourism.
- As food-to-go grows and innovative new concepts develop within the channel, operators are reporting on a shortage of chefs. Attracting, training and keeping skilled staff is a growing challenge. Operators are depending more on suppliers to assist in menu building and developing a customer base. Operators are reaching out to customers by expanding hours to include lunch business and bundling meals to include beverages.

Key Trends

Commercial Channel

Pubs

- Many consumers have reduced drinking at pubs, reflecting a growing concern with health and wellness and price consciousness. Food in pubs has grown to offer a strong value proposition, and focus has shifted towards the “gastro-pub”. While gastro-pubs do not fall into the traditional definition of a pub, as the majority of revenue is from food, they fill a need, as consumers crave high-quality offerings in a relaxed atmosphere.
- Pub operators, who are now balancing food and beverage offerings are also changing their beverage mix to cater to all needs. Pubs with food are seeing more growth than those without, offering locations for informal gatherings for small groups, which are increasingly important for pub business.

Coffee Shops & Cafes

- Ambiance, specialty beverages, and sweet and savory food items are all crucial for this channel. While hot beverages are the core offerings, cold specialty beverages are an important growth item, although they still only account for a small share of sales. Consumers are more likely to purchase sweet foods in this channel, but diverse savoury offerings, such as hot and cold sandwiches with premium ingredients, are important. Loyalty programmes are increasing in this channel in order to sustain footfall.
- Operators are utilising Irish sourced products by showcasing local brands in display cases and are aggressively opening new locations as channel competition increases. Less than half of consumers purchase food at coffee shops, but operators are focused on extending their offerings to tempt customers to make impulse purchases, which account for up to 10% or more of coffee shop and café revenue.

Key Trends

Commercial Channel

Hotels and Accommodation

- Special programming and the continuation of the 9% VAT have contributed to the rising number of overseas visitors to ROI, which is up nearly 10% from last year. Both of these factors create an opportunity for greater spending in the channel. As consumers spend more on higher quality offerings, operators are focusing on value which remains an important decision driver.
- According to Crowe Horwath's Q2 Hotel, Tourism and Leisure Channel Review, 90% of hoteliers anticipate higher revenues for their business in 2014 and travel officials are exploring opportunities to drive tourism outside the most popular destinations, such as Dublin. The sheer number of tourists results in gains for hotels and restaurants, and hotels are investing in re-branding restaurants and refurbishing facilities to attract more business.

Other Commercial Locations

- Consumers are seeking high quality foodservice offerings within all aspects of travel. Whether they are inflight, at an event, or wandering the streets, the demand for premium offerings is always present. Airlines are emphasising locally-sourced brands, events are offering a wider variety of meals, and street food continues to expand.
- Maintaining high quality and reasonable prices, despite rising food costs continues to be a challenge for operators.

Key Trends

Institutional Channel

Business and Industry

- Consumers are looking for better ingredients and higher quality offerings. In response, operators are creating sandwiches with different breads, offering specialty coffee beverage and redesigning salad bars to showcase more innovative ingredients. With limited time at lunch, grab-and-go offerings are particularly popular.
- Operators in the channel are still very cost conscious and trying to replace existing offerings, such as mass produced sandwiches, with fresher items made with upscale ingredients. The challenge for these operators is balancing costs against potentially higher price points.

Healthcare

- Hospital visitors and employees are cost-conscious and are looking for value-oriented offerings. However, customers are often willing to pay a higher price for high quality offerings or convenience, such as grab-and-go products.
- Healthcare facilities maintain an ongoing focus on providing healthy foods and nutritionally balanced menus. Healthcare foodservice has remained quite steady, however food costs are critical due to ongoing budget constraints. Long-term contracts and central production help to keep operational costs down.

Key Trends

Institutional Channel

Education

- Health regulations have created major changes across education campuses. Operators are more aware of allergens, sugar, and calories and are crafting more healthy offerings. It is expected that the number of vending machines will diminish. Operators believe there are opportunities for expansion of QSRs and coffee chains, especially since breakfast has high potential for growth and students hold strong brand loyalty to a number of existing branded operators.
- Across all education levels, healthy eating is the most top-of-mind trend, as young consumers have a higher level of awareness about the origin and composition of their food from a nutritional standpoint, which is shaping their demand.
- The rise in online courses in Irish higher education and the corresponding reduction in on-site student numbers creates further pressures on catering operations in this channel.

Other Institutional Locations

- Within some institutional facilities, such as prisons, where spend cannot increase, efforts are being made to increase quality of food offerings.
- Food budgets continue to challenge operators in the face of rising food costs. Some operators are mimicking the healthcare and education model of participating in collective buying programmes.
- Operators continue to switch from branded to private label offerings in an effort to control costs.

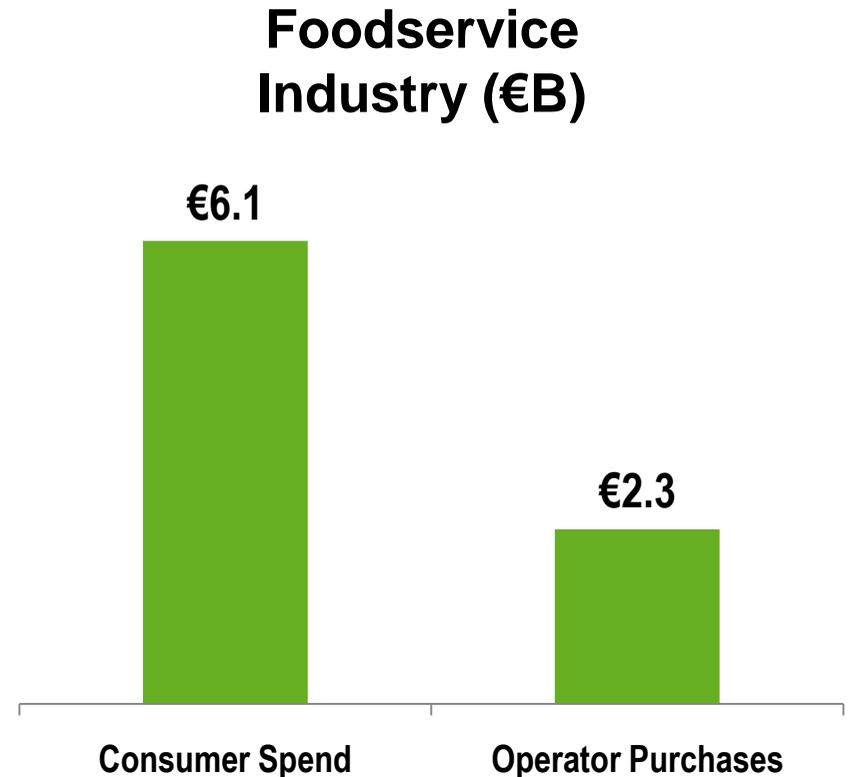
Total Market

Consumer, Operator and Distributor Spend

The value of the Irish foodservice industry for 2014 is estimated to be €6.1 billion in terms of consumer expenditures and €2.3 billion in terms of operator purchases.

- Consumer spending accounts for spending by diners within all foodservice channels. In noncommercial channels such as an education or healthcare, a retail sales equivalent value is assessed so that these channels can be directly compared to commercial restaurant sales.
- Operator purchases represent the value of distributors' sales to operators, including distributors' margins. These purchase values are derived at the channel level by using food cost ratios, which vary by foodservice channel.

On an overall basis, operator purchases represent 37% of the value of all consumer expenditures in the IOI foodservice industry.

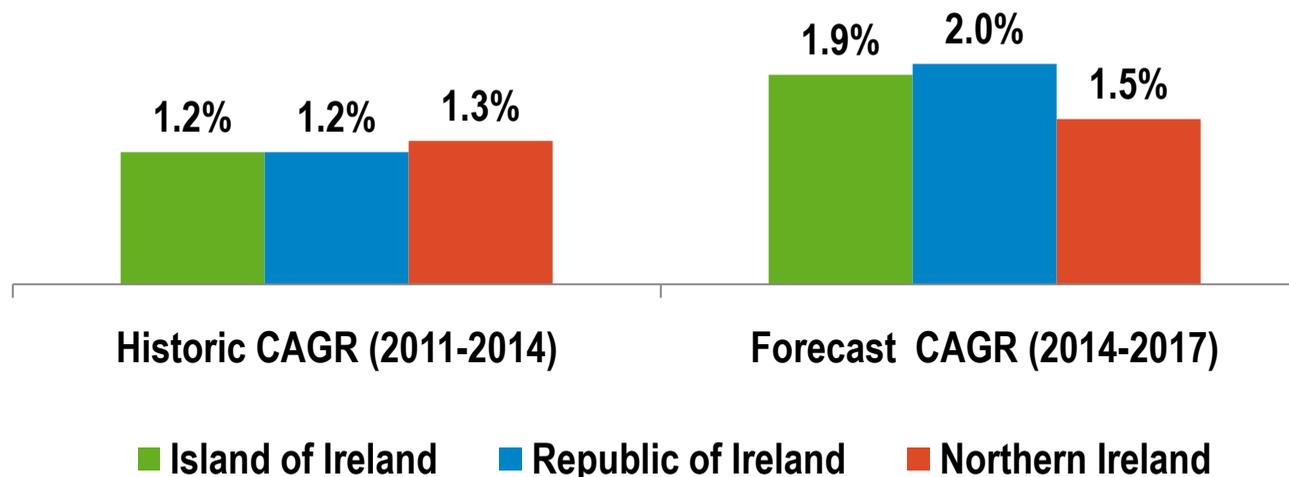


Historic Growth and Forecast

While improvements have been moderate in 2014, the outlook for the foodservice market in Ireland is trending positive overall, with growth in spending expected to be up 1.9% on a compound annual growth (CAGR) basis through 2017.

- Growth is expected to be strongest in ROI, rising from historic CAGR of 1.2% over the last three years to 2.0% over the next three years. Much of this growth is driven by foodservice in and around Dublin.
- For NI, growth will increase by a factor of 0.2% - a more moderate outlook than ROI by comparison.

Foodservice Industry Compound Annual Growth Rate (CAGR)

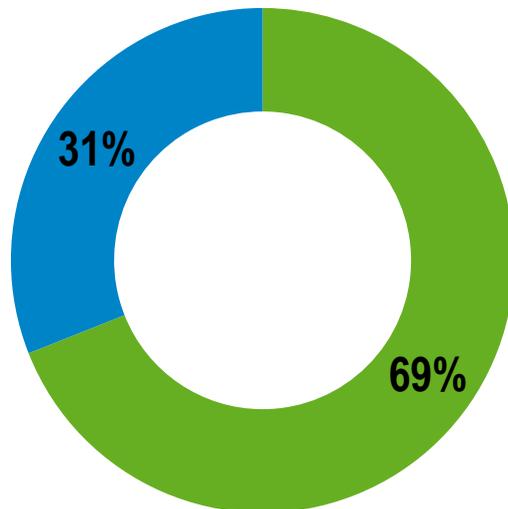


Market Composition

The share of total consumer spending for foodservice accounted for by ROI is 69% - against a population of 72%, with the remaining 31% accounted for by NI expenditure – against a population of just 28%. This over index in the NI market is driven by several factors, including population density, cost of living differences and the strong State presence in NI, supporting a more stable Institutional Sector.

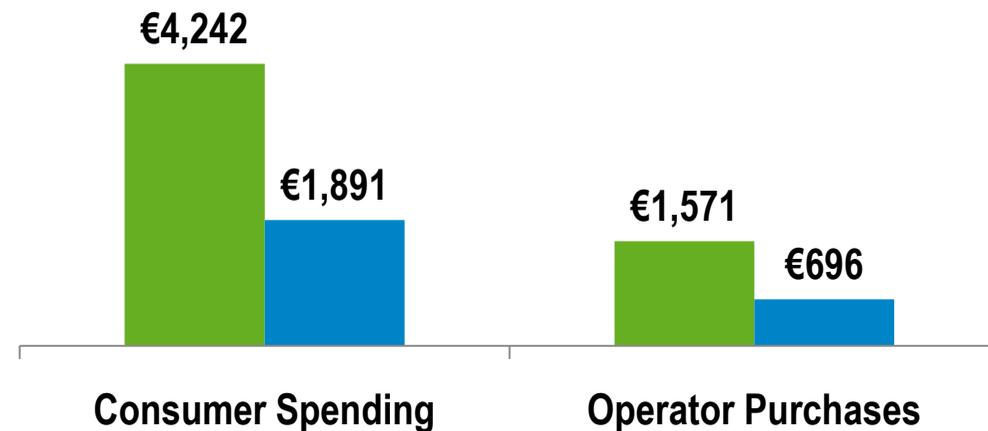
In total, foodservice in ROI represents more than €4.2 billion in consumer expenditures and nearly €1.6 billion in operator purchases. By comparison, the consumer market for NI is valued at €1.9 billion in spending and €696 million in purchases from operators.

Share of Consumer Spend



■ Republic of Ireland ■ Northern Ireland

Foodservice Comparison: ROI vs. NI (millions)



■ Republic of Ireland ■ Northern Ireland

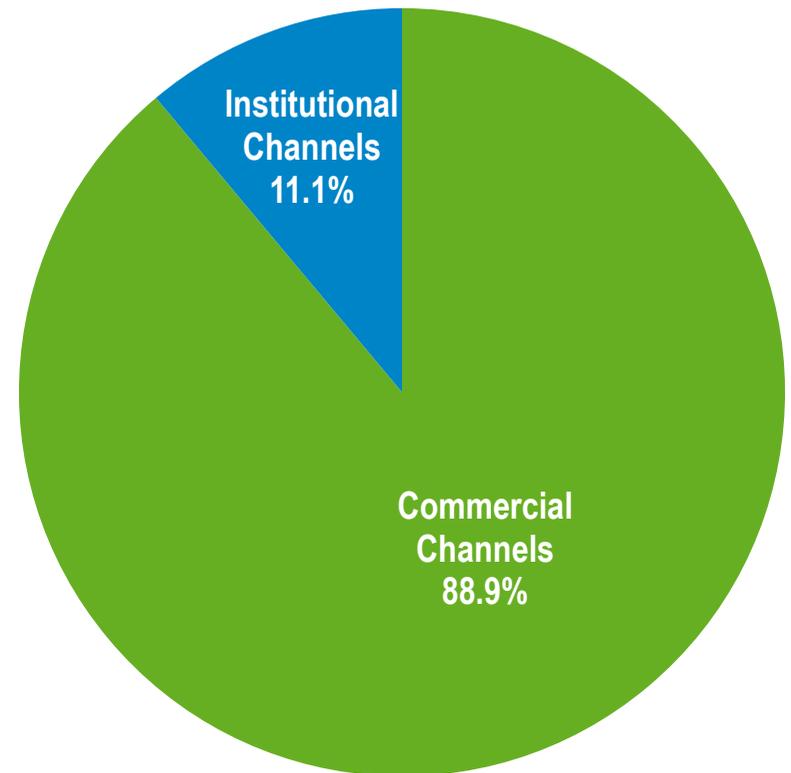
Commercial and Institutional Channels

The Irish foodservice market is segmented into Commercial and Institutional channels.

- Commercial channels includes quick service restaurants, full service restaurants, pubs, coffee shops/cafes, hotels and other commercial foodservice establishments such as cinemas, theme parks, amusements, tourist attractions, sport venues and clubs, spas, special events, recreational activities and cruises.
- Institutional channels include business and industry locations, healthcare facilities, educational institutions and other institutional foodservice establishments including government organisations, prisons and armed forces.

The Commercial channels account for the majority of the Irish foodservice market with an 88.9% share of consumer spending. By comparison, the Institutional channels represent only 11.1% of spending.

Share of Consumer Spend



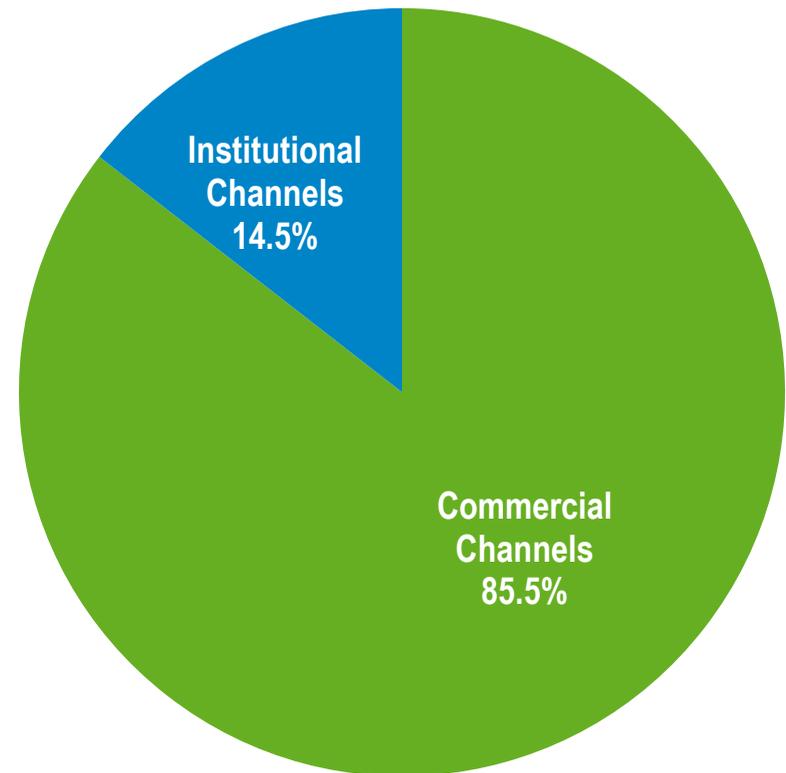
Commercial and Institutional Channels

Due to differences in the food costs and price mix, the Institutional channels account for a greater share of operator purchases compared to its share of revenues from consumers.

The Institutional channels represent 14.5% of operator purchases (the value of distributors' sales to operators).

By comparison, operators in the Commercial channels account for an 85.5% share of operator purchases.

Share of Operator Purchases

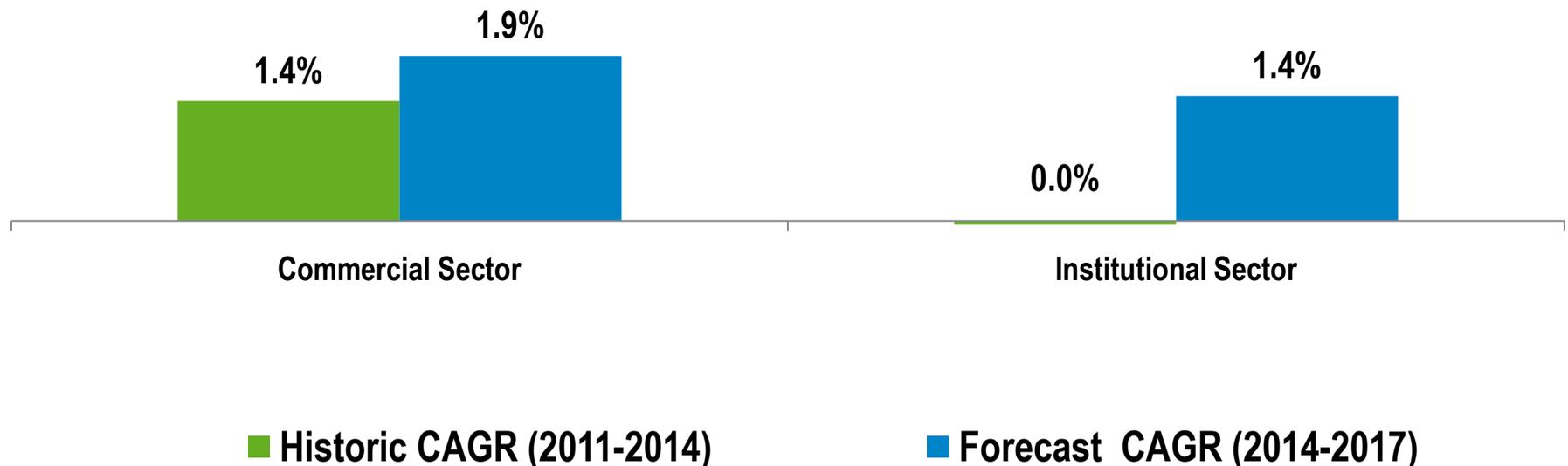


Commercial and Institutional Channels

The Commercial channels have benefited from increased consumer spending and grew at a compound annual growth rate (CAGR) of 1.4% from 2011 through 2014 with forecasts to grow at a CAGR of 1.9% through 2017.

The Institutional channels displayed flat growth over the last three years, but are expected to rise on a more positive economic outlook, with growth of 1.4% expected between 2014 and 2017.

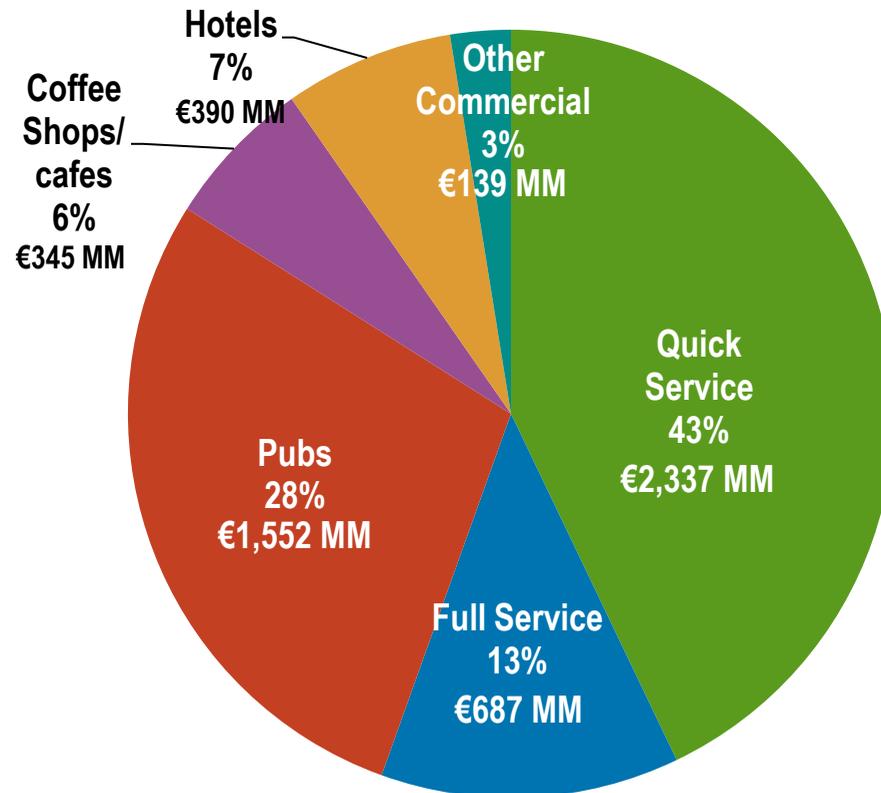
Historic/Future Growth



Commercial Channels

Consumer spending with the Commercial channels is distributed by operator type below. The top three channels (quick service, pubs and full service restaurants) account for 84% of consumer spending at commercial establishments. Smaller, though highly important channels represent the remaining 16% of spending and include hotels, coffee shops/cafes and other commercial operators such as cinemas, sport venues and a variety of other establishments.

Commercial Channel Share of Consumer Spend

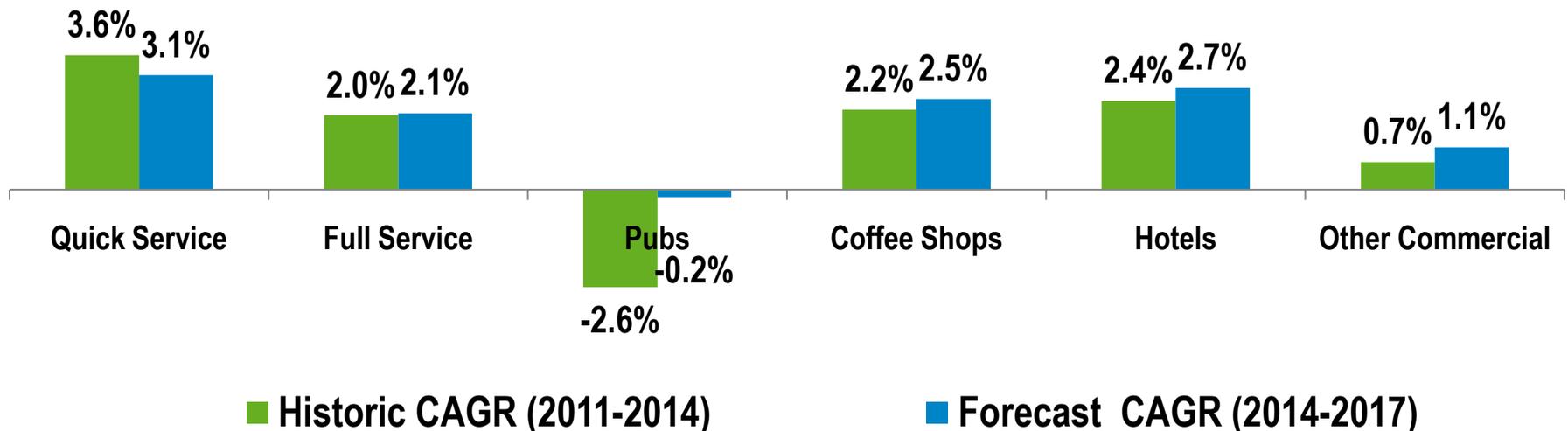


Commercial Channels

The Quick Service channel has grown the fastest of any Commercial channel and is expected to continue with a strong pace of growth through 2017. The Coffee Shop/Cafes and Hotel channels are also expected to grow strongly over the review period. At restaurant and hotel locations in general, increased tourism has provided a significant boost. For Quick Service and Coffee Shop/Café locations specifically, this growth has been driven by greater investment and unit openings from chains as well as increased activity among independents.

Resulting from a period of closures and struggling performance, the Pubs channel has experienced noteworthy declines over the last three years. While some improvement is expected, a declining annual growth rate of -0.2% is forecast through 2017.

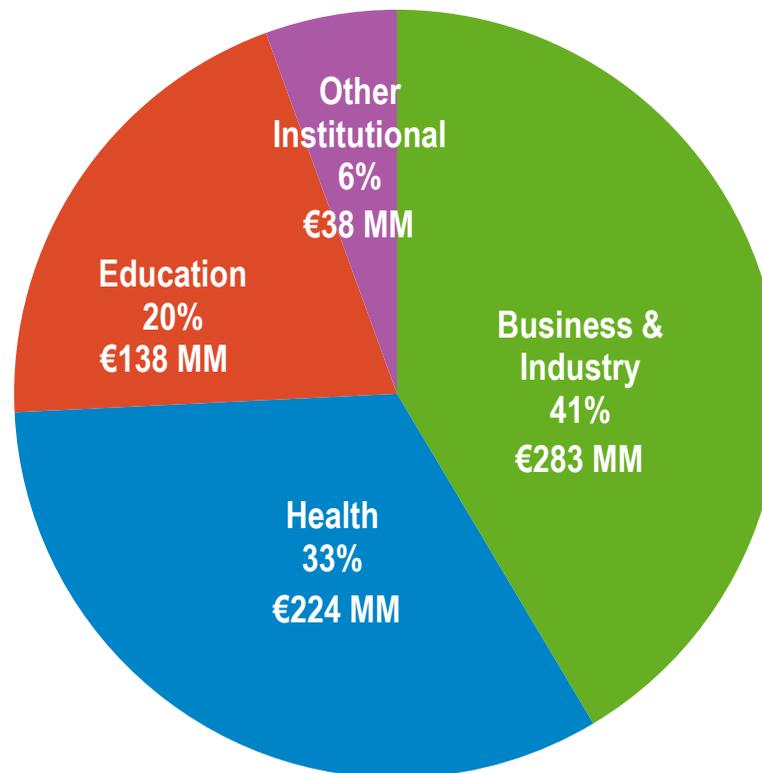
Commercial Channel Historic/Future Growth



Institutional Channels

Business and Industry accounts for the greatest share (41%) of consumer expenditure within the Institutional Channel. This is followed by Healthcare (33%) and Education (20%) respectively. Other Institutional foodservice, which accounts for 6% of sales, includes a range of government offices, military and prison foodservice. Note that a retail sales equivalent value is applied to these channels, as many meals are subsidised or offered at a reduced cost to consumers.

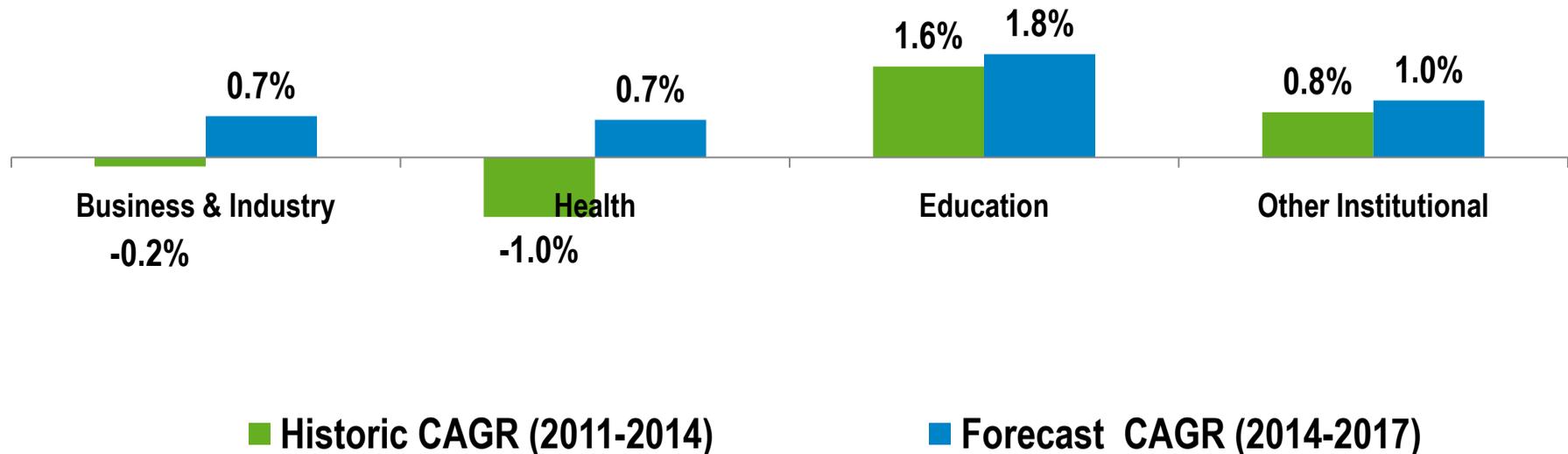
Institutional Channel Share of Consumer Spend



Institutional Channels

Within the Institution channels, the most consistent growth has come from the Education channel, which grew at a compound annual growth rate (CAGR) of 1.6% from 2011 through 2014 and is forecast to grow 1.8% annually through 2017. Much of this growth is attributed to the demographic composition within Ireland. Both the Health and Business & Industry channels have shown significant improvement and are expected to grow positively over the next three years, compared to 0.2% and 1.0% declines respectively, in the previous three year period. Improved economic conditions is the leading factor for the improved outlook within these channels.

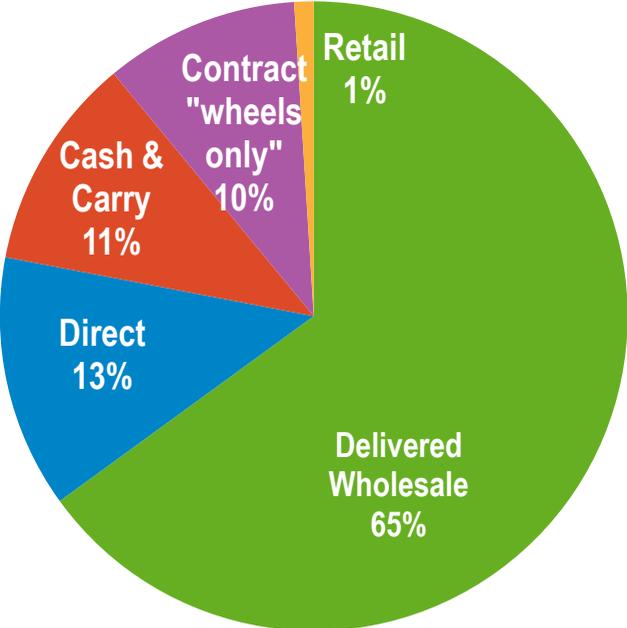
Institutional Channel Historic/Future Growth



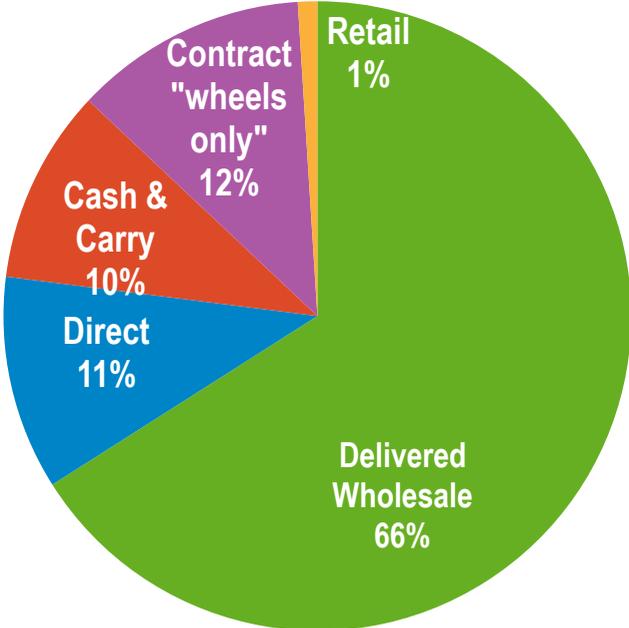
Route to Market

In 2014, the most prevalent route to market in Irish foodservice is wholesale delivery, which accounts for 66% of operator purchases – up one percentage point from 2013. Given growth in the chain market over the last 12 months, the contract channel has also grown by a factor of two percentage points and represents 12% of purchases in 2014.

Share of Operator Purchases 2013



Share of Operator Purchases 2014



A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles, connected by thin, light-colored lines. The nodes are scattered across the frame, with some clusters and many isolated points. The overall pattern suggests a complex, interconnected system.

Product Insights

Irish Foodservice
Channel Insights

Overarching Foodservice Product Trends

Overarching foodservice product trends identified in the research include:

- Information regarding source and origin is becoming highly important and is increasingly passed along to consumers. Local artisan suppliers are expected to grow in conjunction with the end of austerity. These suppliers will be increasingly featured on menus.
- Products that are sourced from Ireland and have such connections are sought out where possible. Distributors' willingness to work with small Irish suppliers will be a critical aspect to help them participate meaningfully in the Irish foodservice market. Currently, many smaller producers operate on a direct basis.
- To meet the needs of new nutrition and allergen labeling regulations, some debate exists over whether calorie labeling or product categorisation (by "healthfulness") is a better approach for helping consumers make choices about food and beverage.
- Increased competitiveness among distributors is expected, potentially leading to more favourable pricing for operators.
- Operators, particularly within the institutional channel, continue to switch from branded to private label offerings in an effort to control costs.
- The expansive range of offerings from street food vendors is encouraging a more diverse palette, particularly in urban areas. These venues offer consumers an opportunity to sample new and interesting menu items at reasonable prices.

Foodservice Product by Value

Most key foodservice product categories experienced moderate growth between 2013 and 2014.

Product Category	2013 Operator Purchases (€ millions)	2014 Operator Purchases (€ millions)
Fruit & Vegetables	355	359
Poultry	251	254
Beef	248	251
Bread/Bakery Savoury	238	241
Bacon	186	188
Dairy	181	181
Sweet Bakery	127	129
Pork	89	91
Fish	78	79
Grocery	36	38
Confectionery	27	27
Desserts	27	29
Lamb	7	7
All Other	396	393
TOTAL	2,246	2,267

Foodservice Product Category Performance

Bakery

- Strong consumer demand for bagels and wraps is moderating, as more innovative sandwich offerings are coming to market.
- Within bakery, the share of “brown” breads is increasing in place of “white” breads. Flat breads are also gaining momentum in some quick service and full service venues.
- Muffins and other pastries are being made with healthier ingredients and specialty ingredient designations that promote healthiness.
- Par-finished and pre-prepared foodservice products are improving in quality and are often more cost effective than scratch preparation. More solutions for operators that can be “finished” with good presentation quality will change preparation requirements for some operators. These are driven by capabilities from specialty equipment such as Turbochef ovens.
- While not dominant in the market, gluten free is garnering demand from consumers.
“Sandwich shops are doing really well as people look for some kind of healthy indulgence when they visit. Many consumers associate gluten free with healthier dining. Everything is going gluten free as a result.” (Trade Association)
- Interest in healthy offerings is intensifying and is expected to remain strong. A focus on reducing carbs still exists and some carb heavy items are expected to be replaced by alternatives with fewer carbs.

Foodservice Product Category Performance

Fruit & Vegetables

- Some experimentation is being seen with micro-nutrients, such as seaweeds and algae, however, this has been rather limited to date.
“Once consumers begin feeling comfortable about spending again, there are greater opportunities for unique and niche products. They are more willing to experiment.” (Foodservice Distributor)
- Some hotel restaurants are developing ‘on site’ vegetable gardens and poly-tunnels as part of the ‘Grow Your Own’ initiative – allowing them to feature homegrown produce on menus.
- In addition to a lift from overall improvement in the foodservice business, growth of vegetables is driven, in part, by health factors and related applications such as salads and vegetable-based sides.

Beverage

- For juices, an emerging trend is the growth of raw cold pressed vegetable juices – as well as a move toward vitamin enriched drinks.
- The quality of the coffee is increasing, driven by higher adoption of filter brewing across a range of venues beyond coffee shops, including hotels, catering and restaurants.
“Consumer tastes have changed. Coffee is becoming an everyday luxury, so quality is critical. It is also a very social product, consumers have a strong connection to it.” (Coffee Shop Operator)
- Specialty coffee beverages and other specialty coffees are seeing higher sales than in the past, driven, in part, by a greater prevalence of coffee shop locations.

Foodservice Product Category Performance

Beverages (continued)

- Low calorie/low sugar is experiencing growth across numerous drink categories, including natural flavoured waters, smoothies and juices. This is at the expense of fizzy drinks and juices that are high in carbs.
- More enhanced beverages (featuring vitamins and other nutritional elements) are expected within foodservice channels.

Meat & Protein

- Vegetarian food is growing, but not entirely driven by vegetarians. Some consumers are opting for better quality vegetable ingredients as alternatives.
- Classic cooking techniques such as pit cooking and slow cooking are gaining momentum, elevating applications like ribs and less expensive forequarter meat cuts.
- Among users of beef and lamb, operators are increasingly seeking out better quality meats to satisfy consumer demand.
- Chicken and pork are gaining favour as prices for these items have maintained greater stability.
“Chicken greatly benefited as a result of beef price volatility.” (Foodservice Distributor)
- Many operators are switching to different cuts and varieties of meats in an effort to combat rising protein costs, particularly due to the fact that menu prices charged to consumers have remained relatively flat.

Foodservice Product Category Performance

Sandwiches & Handhelds

- Healthier sandwich offerings are gaining popularity and are promoted by independent coffee shops offering “healthy indulgence” to customers.
- With greater availability of ethnic concepts, there is growing interest in Mexican dishes and burritos, as well as falafel and other Middle Eastern offerings.
“The potential for ethnic is really significant. Mexican is becoming a bigger part of QSR and will eventually be a standard.” (Contract Caterer)
- Customised offerings and grab-n-go handhelds are taking on a culinary flare, with greater emphasis on chef-inspired cuisine.

Desserts

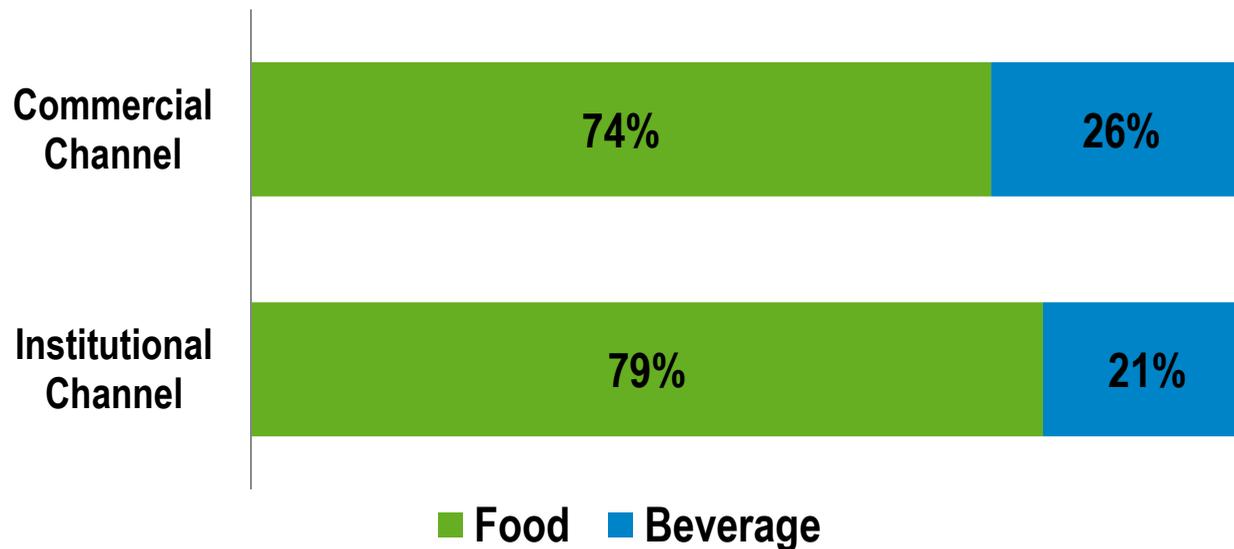
- Desserts featuring fruit as a core ingredient are gaining popularity in some full service restaurants and other venues.
“Fruit pies are growing as well as hand cut fruit salads served as desserts. Health focus is very strong, even for desserts.” (Full Service Restaurant)
- Sugar is gaining more negative attention than in the past. As a result, some expect a growth of natural sweeteners such as honey.
- Innovation in the desserts category is yielding lighter, but still indulgent offerings. A greater number of dairy-free desserts are available now compared to the past.

Food/Beverage (Excluding Alcohol) Mix

The mix of consumer spending on food and beverage is notably different in the Commercial and Institutional channels. Meal sourcing in the Institutional channel is more functional in nature and includes fewer occasions where consumers are meeting on a social basis. By comparison, the Commercial channel caters more so to these instances (particularly coffee shops and cafes), such as meeting for coffee or other beverage-centric occasions.

- Beverage excludes alcoholic drinks.

Share of Consumer Spend



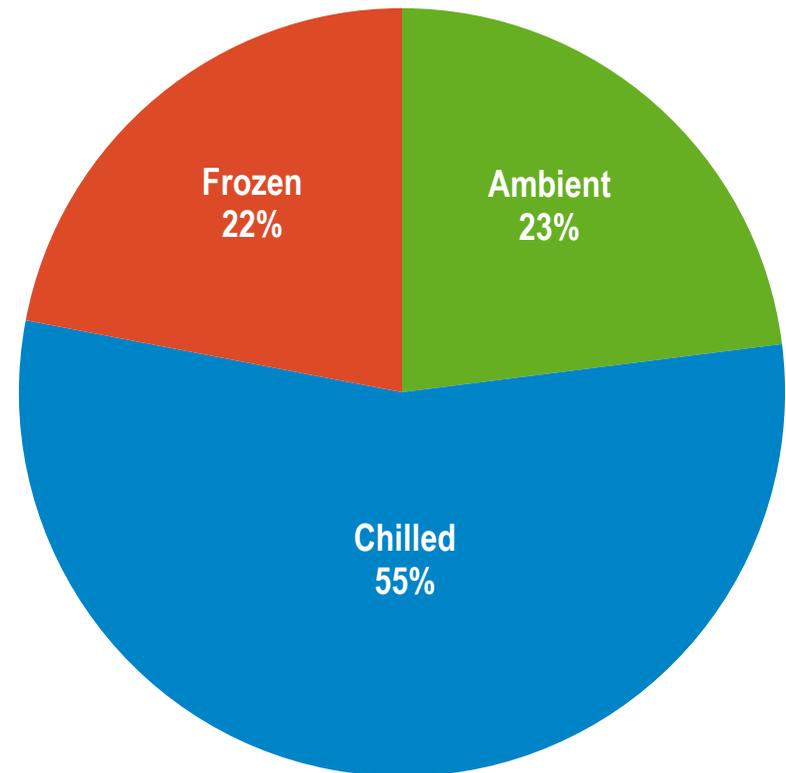
Food/Beverage Mix

In 2014, the overall share of food and beverage purchased by operators is shifting somewhat from prior years.

- Ambient products account for 23% of operator purchases, marking a one percentage point decline from the previous year. This decline is due to growing operator interest in higher quality alternatives in other formats.
- Frozen purchases have lost some ground to chilled products. Frozen is also down one percentage point and accounts for 22% of value.
- With more operators shifting to chilled formats, the category is up two percentage points over the prior year.

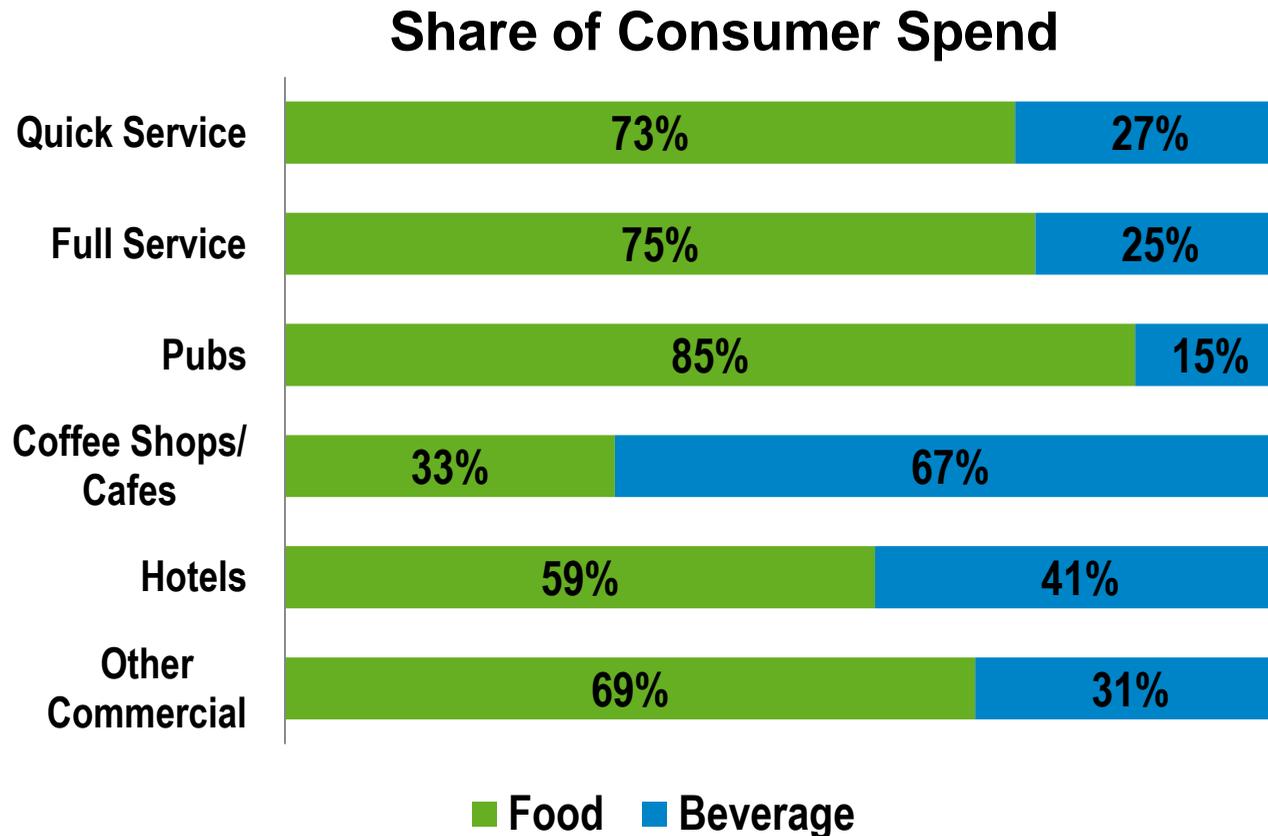
Generally speaking, as conditions improve, operators become more willing to purchase higher quality offerings – many of which are offered in chilled product formats.

Share of Operator Purchases



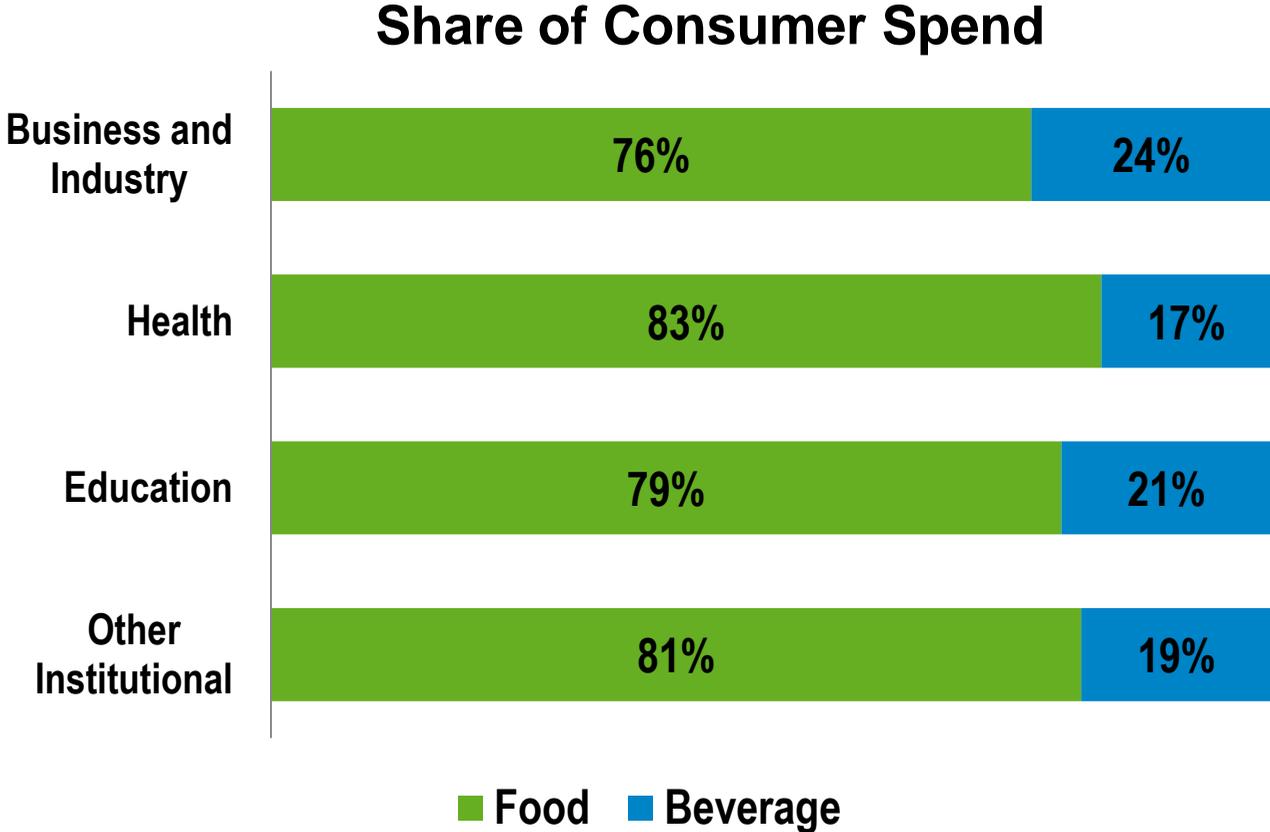
Commercial Channel Food vs. Beverage

The Commercial channel segments are generally led by food. For example, 73% of consumer spending in the Quick Service segment is for food. A slightly higher share is found in the Full Service segment at 75%. By comparison, Coffee Shop/Cafes are led by beverage sales, accounting for 67% of revenues, respectively.



Institutional Channel Food vs. Beverage

All four operator channels within the Institutional channel are led by food sales. The Business and Industry channel has seen somewhat of a shift toward beverage sales due to increased popularity of coffee and other beverage concepts. The mix of food and beverage in the Health and Education segments has remained relatively stable over the last number of years.



A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles, some of which are solid black and others are hollow white. These nodes are interconnected by a complex web of thin, light-colored lines, creating a dense, interconnected network structure.

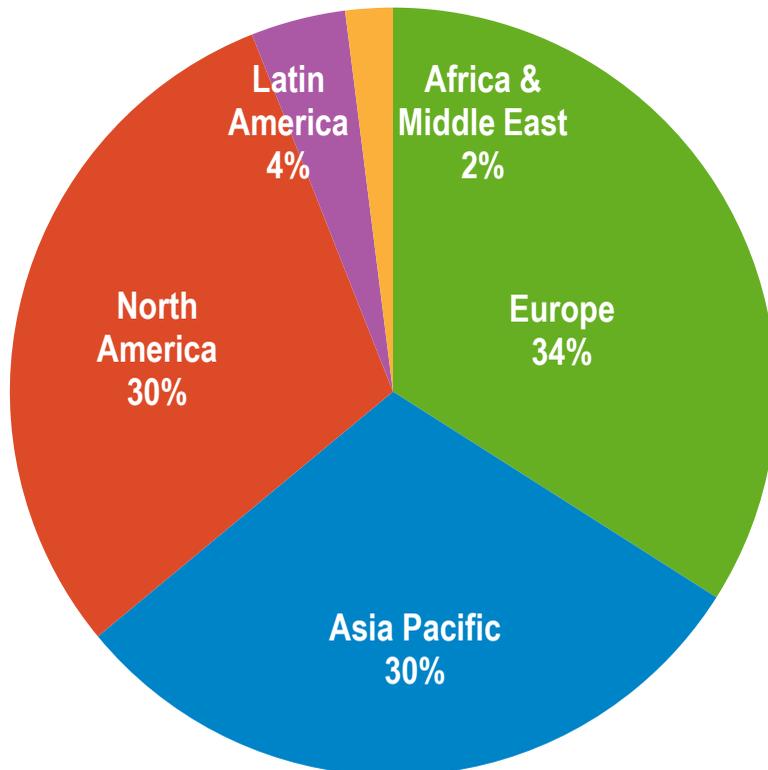
Global Insights

Irish Foodservice
Channel Insights

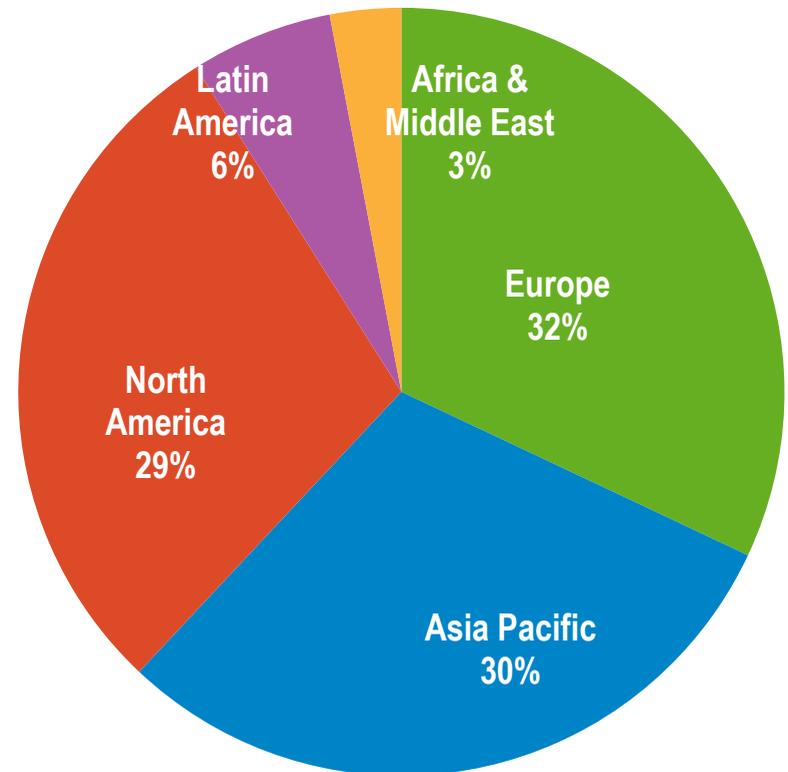
Global Foodservice Market Shift

Over the last decade, several global foodservice markets have experienced significant growth (e.g. Middle East and Latin America), which has altered the share of major geographic regions. Europe's share of the global foodservice market has fallen from 34% in 2004 to 32% in 2014. The share for North America is also down. Note that these changes in share are largely a result of growth in emerging markets, rather than long term decline in more established markets.

**Global Foodservice Market
2004**



**Global Foodservice Market
2014**



Trend Scan

Developed Global Regions (Including BRIC)

Based on analysis of global consumers, menu and concept level activity, the following summary shows both shifts in consumer demand (in terms of menu applications that are increasing in demand in multiple global markets) as well as operational changes and new ways for doing business. Supporting information is subsequently provided for each of these trends.

Global Trend Scan	
Shifts in Consumer Demand	Operational
<ul style="list-style-type: none"> Premium proteins (e.g. better burgers) Vegan/vegetarian Barbeque concepts Breakfast handhelds Ethnic seasonings in traditional concepts Snack sized menu items Wraps across dayparts Coffee and indulgent menu items 	<ul style="list-style-type: none"> Transparency and Food Safety Ingredient co-branding front-of-house Mobile Payment Nostalgia infused marketing Expanding takeaway/food-to-go formats New alternatives for those with dietary restrictions Expanded customisation opportunities for diners Focus on new dayparts

Trend Scan

Developed Global Regions (Including BRIC)

Global Consumer Trends

- **Premium proteins**
This trend began with better burgers but has grown across market segments. Upscale or alternative proteins are used to create memorable burgers, pizza toppings and sandwiches.
- **Vegan/vegetarian**
There has been definite growth in the demand for vegan and vegetarian products. More consumers are following a vegan or vegetarian diet for ethical, political, or health reasons. In addition, meat consumers are purchasing more vegetarian products in an attempt to eat a more balanced diet.
- **Barbeque concepts**
The art of barbeque, with its slow-cooked proteins and complex sauces, has recently taken hold in foodservice. Seasoned chefs are lending their expertise to make barbeque a high-end culinary endeavor.
- **Breakfast handhelds**
Coffee to-go has become a breakfast staple, it's no surprise that grab-and-go breakfasts are rising in popularity as well. Operators across channels have identified the potential of the breakfast market and have been creating and marketing more breakfast offerings. Consumers, still rushed on their way to work, have begun purchasing more breakfasts away-from-home, but favour handheld products.

Trend Scan

Developed Global Regions (Including BRIC)

Global Consumer Trends

- **Ethnic seasonings in traditional concepts**
Consumers have developed more of a global palate and are craving more ethnic cuisines. Even in traditional dining concepts, or varied menu restaurants, consumers are eager to try new flavour profiles or experiment with an ethnic appetiser or small plate.
- **Snack sized menu items**
Increasingly, every dining occasion is a snacking occasion. Consumers with hectic schedules are purchasing more snack-sized meals, especially for on-the-go consumption. With more innovation around appetisers and small plates, customers are purchasing these products for group outings or one of several small meals throughout the day.
- **Wraps across dayparts**
Consumers are consuming less gluten and are purchasing more products for on-the-go consumption. Wraps, easily handheld with fewer carbs, are the ideal solution and demand is growing. As operators pursue breakfast offerings, egg and cheese wraps are rolling out across segments. Lunch time offerings have always been popular, but are still seeing some growth, and hot or pressed wraps are emerging for dinner.
- **Coffee and indulgent menu items**
Similar to the trends observed in the Irish market around premiumisation, bakery cafes and coffee shops continue to rise in popularity worldwide. Coffee and a sweet or savory treat is an irresistible combination and, while consumers are often trying to make healthier decisions, there are still plenty of moments for indulgence.

Trend Scan

Developed Global Regions (Including BRIC)

Global Operator Trends

- **Transparency and Food Safety**
Consumers are becoming more interested in where their food comes from. There has been demand around clean labels and transparent food practices. As interest in fresh, natural products continues to rise, so will desire for information about operational practices.
- **Ingredient co-branding front-of-house**
Operators have always favoured using nationally branded products for front of house applications, such as condiments or soft drinks. However, more recently, operators have started identifying brands in menu descriptions also. These are largely artisan or specialty brands that add caché to the product descriptions.
- **Mobile Payment**
Millennials and Gen Z'ers have grown up around technology and incorporate it into most aspects of their lives. Even older consumers have become very familiar with mobile technology and appreciate the convenience that it can offer. It also saves on wait time, which is beneficial, especially to quick service restaurants that have low employee interaction.
- **Nostalgia infused marketing**
Comfort food got it's name for a reason – everyone enjoys food that reminds them of home or happy times in their life. Infusing marketing with nostalgic images, music, or pictures of food helps boost the emotional attachment and encourages customers to come and enjoy a meal, and relive fond memories.

Trend Scan

Developed Global Regions (Including BRIC)

Global Operator Trends

- **Expanding takeaway/food-to-go formats**
Consumers are living an increasingly hectic lifestyle and with increasing commutes, time is a very limited resource. Whether busy individuals are eating on the go or families picking up dinner to enjoy at home, demand for takeaway and food-to-go options is increasing.
- **New alternatives for those with dietary restrictions**
Allergens are a concern for customers, particularly in non-commercial foodservice locations, and manufacturers and operators are trying to produce allergen-free offerings. While some consumers suffer from gluten allergies, many customers are avoiding gluten for the perceived health benefits. Regardless of the reasoning, operators and suppliers are seeing a rising need to create a menu with options for those with dietary restrictions.
- **Expanded customisation opportunities for diners**
Customisation is playing a larger role than ever in foodservice. “Have it your way” was once a differentiating slogan by Burger King, now restaurants across segments are allowing customers to create their own meal. The Chipotle-model has spread to pizza, Mediterranean, burger concepts and more.
- **Focus on new dayparts**
Operators are expanding their offerings to include new dayparts – most notably breakfast and snacks. As coffee continues to grow, it’s no surprise that operators are eager to up the basket price by encouraging a purchase of a sandwich or wrap. Additionally, operators are trying to capture consumers mid-day and late-night by offering smaller portion sizes for snackers. Overall, operators are attempting to grow beyond their existing offerings to capitalise across dayparts.

Top Global Market Factors to Watch

The market factors below include trends that are, to varying degrees, broadly applicable across global foodservice markets.

1. Rising food ingredient costs.
2. Continued focus on providing greater value.
3. Greater disposable income in BRIC and other emerging markets.
4. Strengthening interest in local origin products.
5. Intensifying chain competition, particularly driven by North American and European brands.
6. Better global sourcing practices.
7. Health and wellness positioning in foodservice is becoming more relevant to aging populations in developed areas.
8. More diverse, non-traditional ethnic concepts finding their place with mainstream consumers.
9. Transparency is playing a more important role in purchasing decisions.
10. Foodservice distributors adopting a more global perspective.

A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles, some of which are solid black and others are hollow white. These nodes are interconnected by a complex web of thin, light-colored lines, creating a dense, interconnected network structure.

Channel Insights

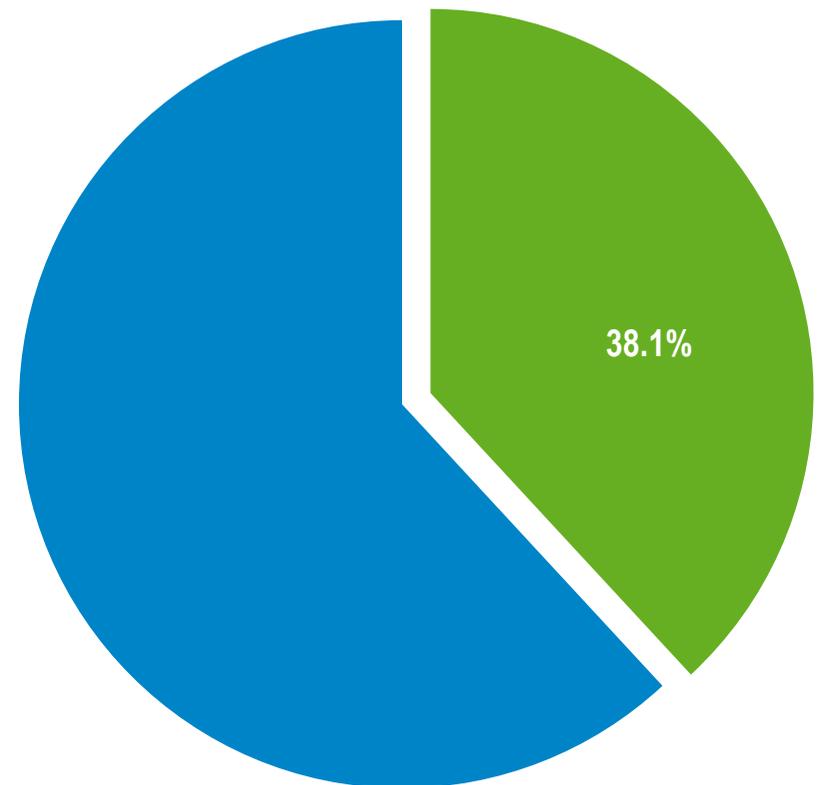
Irish Foodservice
Channel Insights

Quick Service Restaurants

QSR (also known as fast food) is the term given to food that can be prepared and served very quickly. The term typically refers to food sold in a restaurant or store with preheated or precooked ingredients. It is distinguished in the foodservice market by:

- Counter service (as opposed to table service in full service restaurants)
- Limited menus sold in large quantities
- Low price points against other channels
- Systematised operation requiring low skill levels and culinary expertise on the part of staff
- Aggressive marketing strategies

Share of Consumer Spend



Quick Service Restaurants

The total size for the Quick Service segment in IOI for 2014 is €2,337 million in terms of consumer spending and €981 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the spending within the segment has grown at a compound annual growth rate (CAGR) of 3.6%.

- Consumer spending and operator purchases within ROI for the Quick Service segment are €1,691 million and €710 million, respectively.
- In NI, the value of consumer spending is €646 million; operator purchases represent €271 million in value.

Consumer spending for the Quick Service segment for IOI is forecast to grow 3.1% annually and will reach nearly €2.6 billion by 2017. Growth of 3.4% is forecast for ROI and 2.3% for NI.

Quick Service 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	2,337	981	3.6%	3.1%
Republic of Ireland	1,691	710	3.8%	3.4%
Northern Ireland	646	271	3.1%	2.3%

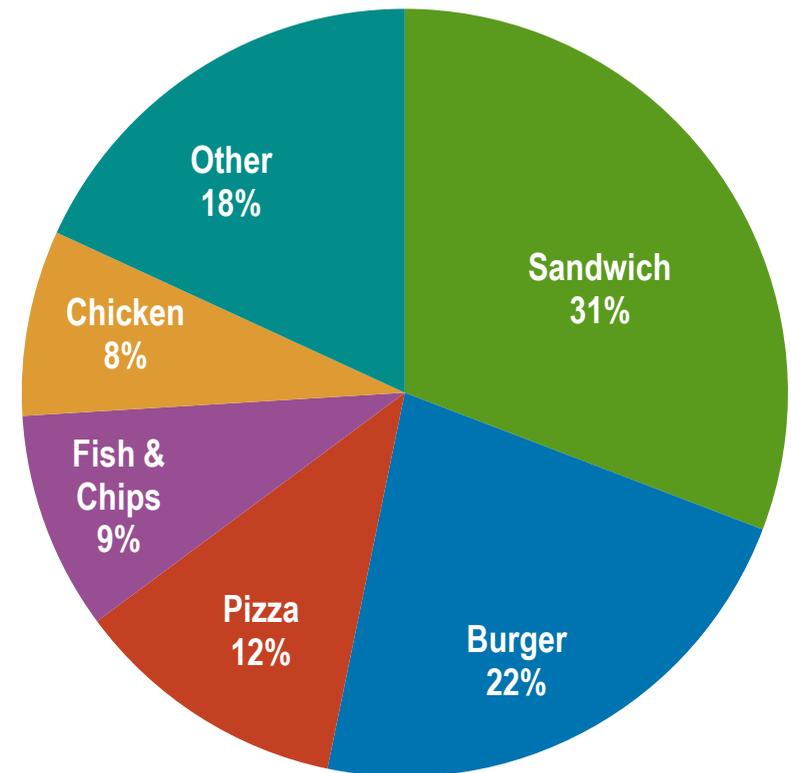
Quick Service Restaurants

The sandwich and burger sub-segments account for a combined market share of 53%. Pizza, Fish & Chips and Chicken are the next largest segments.

Compared to 2013, the following growth trends were observed in terms of share of consumer spending:

- Sandwich grew on par with QSR overall
- Burger growth slowed somewhat due to increased competition from other concept formats
- Pizza grew on par with QSR overall
- Fish & Chips experienced a slight decline
- Chicken grew at a higher rate than QSR overall

Quick Service Share of Consumer Spend



Quick Service Restaurants Trends & Market Drivers

Consumer Trends Impacting

- Consumers in the QSR channel demand both good value and high quality. Operators have been mindful of quality in an effort to avoid a “race to the bottom,” which has made menu price adjustments a challenge for the value-minded consumer.
- There is stronger consumer interest in ethnic menu items, including “experimental” and fusion cuisine.
- Consumers are drawn to more culinary skills on display front-of-house through exhibition cooking and preparation. However, this adds to labour cost and is a challenge in terms of implementation.
- Uptake of specialty “signature” sandwiches (those exclusively available at individual restaurants) is encouraging repeat visits to specific restaurants within the channel.
- Consumers are increasingly drawn to “artisan foods,” “local” and “homemade” menu item positioning.

Quick Service Restaurants Trends & Market Drivers

Operational Trends Impacting

- During recent years, consumers have become very cost focused, which is - on an overall basis - a plus for QSR.
- Operators in the channel are concerned about new competition from food trucks and other mobile foodservice concepts.
- More operators are expected to offer home delivery, particularly within the QSR channel.
- New payment technologies are coming online, which will afford QSR operators greater speed in servicing patrons.
- Non-coffee shop QSR operators are beginning to offer barista style coffee and are collaborating more with local roasters to make locally sourced coffee an integral part of their operation.
- Operators are highly focused on increasing average spend per visit.

Quick Service Trend Spotlight

Consumers No Longer Complacent

“The consumer wants more. Technology is helping them discover new items faster and shift their behavior more quickly. This is driving a need for more frequent limited time offers.”

- Quick Service Operator

With many Irish consumers seeing a rise in discretionary income, combined with an increasingly “connected” marketplace through mobile devices and social networks, Irish operators in the Quick Service channel confirm that consumer demands are becoming more diverse.

For the Quick Service channel, this translates into:

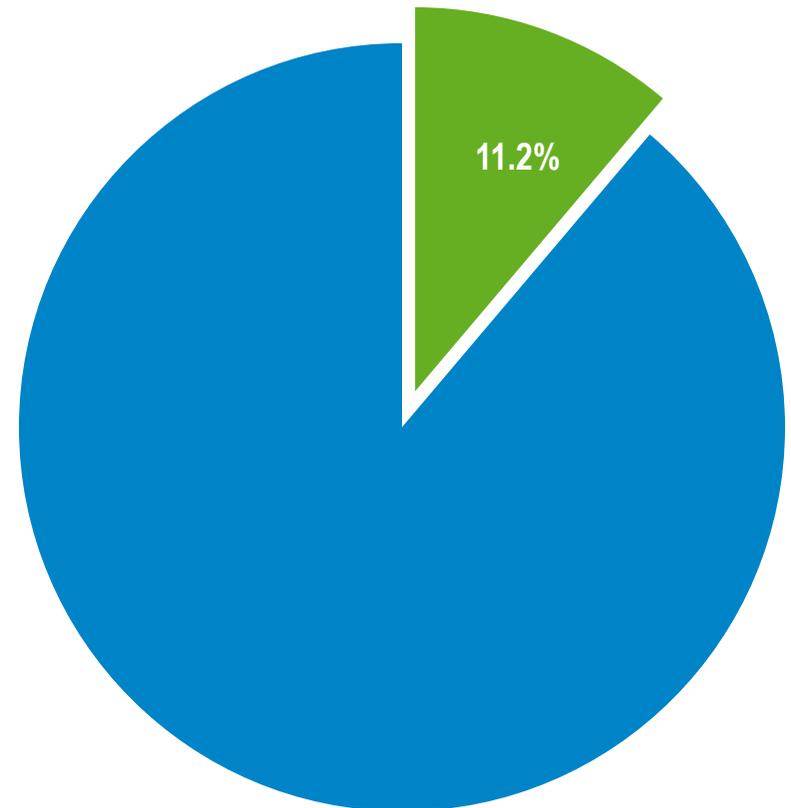
- Greater need for diversity in menu items.
- More competition from ethnic and nontraditional establishments.
- A more frequent (and potentially diverse) approach to limited time offers.

Full Service Restaurants

Full service restaurants (FSR) are in the business of feeding, servicing and entertaining customers at lunch or dinner. Sub-channels include both casual dining and white table cloth restaurants.

- Menus offer a complete range of items often using fresh ingredients – appetisers, soups, main courses and desserts are accompanied by a wine or beverage list.
- Casual restaurants are defined as: a restaurant that serves moderately-priced food in a casual atmosphere. Except for buffet-style restaurants, casual dining restaurants typically provide table service
- Pop-up restaurants are a recent addition to the restaurant channel - restaurants that occupy premises for a finite time period only.

Share of Consumer Spend



Full Service Restaurants

The total size for the Full Service segment in IOI for 2014 is €687 million in terms of consumer spending and €240 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 2.0%.

- Consumer spending and operator purchases within ROI for the Full Service segment are €458 million and €160 million, respectively.
- In NI, the value of consumer spending is €229 million; operator purchases represent €80 million in value.

Consumer spending for the Full Service segment for IOI is forecast to grow 2.1% annually and will reach €730 million by 2017. Growth of 2.2% is forecast for ROI and 1.8% for NI.

Full Service 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	687	240	2.0%	2.1%
Republic of Ireland	458	160	1.9%	2.2%
Northern Ireland	229	80	2.3%	1.8%

Full Service Restaurants Trends & Market Drivers

Consumer Trends Impacting

- Because consumer prices have remained relatively stable over recent years (in order to attract and grow business), operators have increased their level of innovation in order to manage food costs while also maintaining the attention of their customers.
- Social media has had a significant impact in terms of driving consumers to new places and to engage in special promotions and events.
- Consumers are increasingly interested in food prepared front-of-house. Food “theatre” is of growing importance and places new demands on chefs.
- Health will continue to be a key driver in terms of what consumers order, as more people move away from traditional menu items with meat center-of-the-plate, to alternative dishes.
- Numerous FSRs are predicted to benefit from special events and food tourism. The growth will come from meals driven by tourists (and some corporate events) who are engaging in “event based dining,” which often includes an additional activity based around a learning objective.
- Consumers are increasingly seeking out smaller portions of food and small plates, often featuring healthier or simpler menu items.

Full Service Restaurants Trends & Market Drivers

Operational Trends Impacting

- A shortage of qualified chefs is reported. Attracting, training and keeping skilled wait staff is a growing challenge within the channel. Greater competition from other industries and occupations is expected as the economy improves.
- Food to go is growing in demand and operators in the FSR channel are exploring ways to participate.
- New, innovative concepts are expected as this channel recovers. As these new businesses develop, they may require assistance from suppliers and other trading partners to build menus, develop a customer base and build reputation in the local market.
- Many dinner-focused operators are expanding efforts to grow lunchtime and other day-part business.
- Some FSR operators are bundling beverages (similar to QSR combo meals). For example, showing menu item prices that include a glass of house wine.

Full Service Restaurants Trend Spotlight

Greater Purchasing of Specialised Ingredients

“Your mainstream full service restaurants are incorporating ingredients like ancient grains and wild rice much more than in the past.”

- Foodservice Distributor

Mainstream operators within the Full Service channel are showing an emerging interest in ingredients that are more commonly found in fine dining establishments.

For the Full Service channel, this translates into:

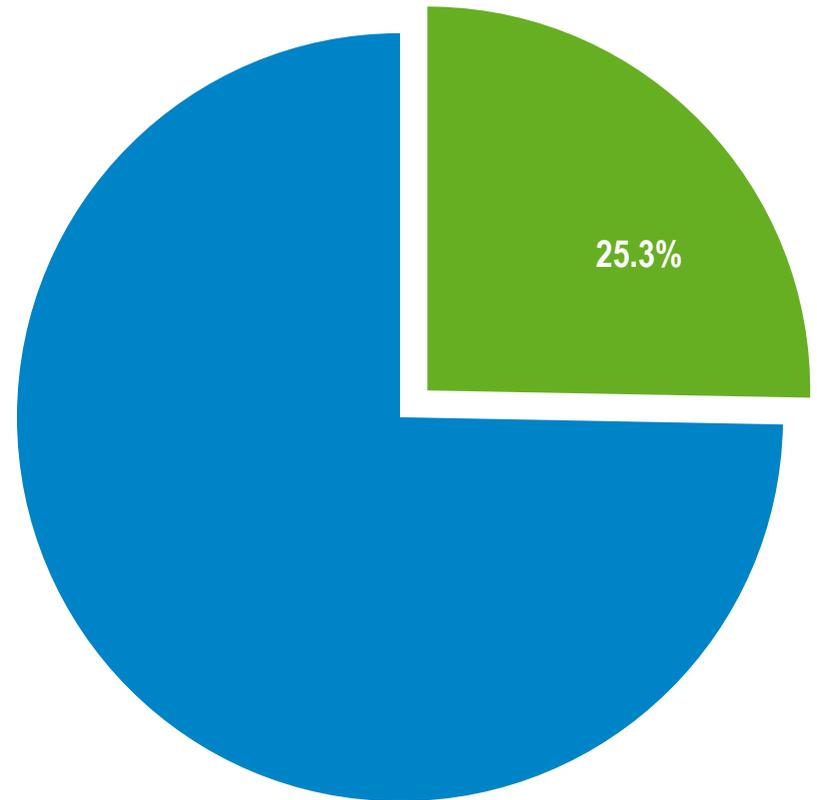
- Reduced usage of core flavorings and ingredients like salt and sugar.
- Stronger interest from operators in terms of menu innovation support.
- Opportunities to educate operators about new and specialised ingredients.

Pubs

Licensed pubs includes drinking establishments that are outlets built specifically for (and largely dependent on) the sale of alcohol for on premise consumption.

- Traditionally they would have had a limited food offering, and in many pubs the food offering still remains basic. Pubs are characterised by a bar service and are often seen as social meeting places, rather than a place of pure consumption.

Share of Consumer Spend



Pubs

The total size for the Pubs segment in IOI for 2014 is €1,552 million in terms of consumer spending and €403 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of -2.6%.

- Consumer spending and operator purchases within ROI for the Pubs segment are €1,035 million and €269 million, respectively.
- In NI, the value of consumer spending is €517 million; operator purchases represent €134 million in value.

Consumer spending for the Pubs segment for IOI is forecast to decline -0.2% annually and will fall to €1.46 billion by 2017. Decline of -0.3% is forecast for ROI and 0% for NI.

Pubs 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	1,552	403	-2.6%	-0.2%
Republic of Ireland	1,035	269	-3.3%	-0.3%
Northern Ireland	517	134	-1.3%	0.0%

Pubs

Trends & Market Drivers

Consumer Trends Impacting

- Food in pubs has focused in recent years on offering a strong value proposition to consumers, as it is not the primary revenue driver for these establishments.
- Consumer interest in “gastro-pubs” is shifting focus and demand to establishments with more extensive food offerings. Gastro pubs do not as closely fit the traditional pubs definition, as the majority (approximately 75%) of revenue is from food. This trend also closely aligns with the craft beer movement.
- Many consumers have reduced drinking at pubs. Several factors have contributed to this, including health/wellness, a greater share drinking at home (for cost purposes) and concerns over drink driving laws.

Operational Trends Impacting

- Pubs with food on offer are generally seeing better lift in performance than those without.
- Informal gatherings and small events are important areas for growth for some pubs, though not all locations have the facilities and food on offer to support.
- To cater to customers who are both cost and quality conscious, pub operators have changed the mix of beverages available in some instances. The prevalence of food pairings is also on the rise at pubs. For example, some pubs now offer better quality wines being served by the glass. Operators in the channel are also responding with a more robust assortment of craft beers, specialty drinks and seasonal menus.

Pubs Trend Spotlight

Food Offerings Gaining Attention

“Pubs must reinvent themselves. Many have begun changing their food offer, including more extensive menus. Pairings of wines and classic drinks are also on the rise.”

- Foodservice Distributor

To cater to customers who are both cost and quality conscious, pub operators have changed the mix of beverages available in some instances. The prevalence of food pairings is also on the rise at pubs. For example, some pubs now offer better quality wines being served by the glass. Operators in the channel are also responding with a more robust assortment of craft beers, specialty drinks and seasonal menus.

For the Pubs channel, this translates into:

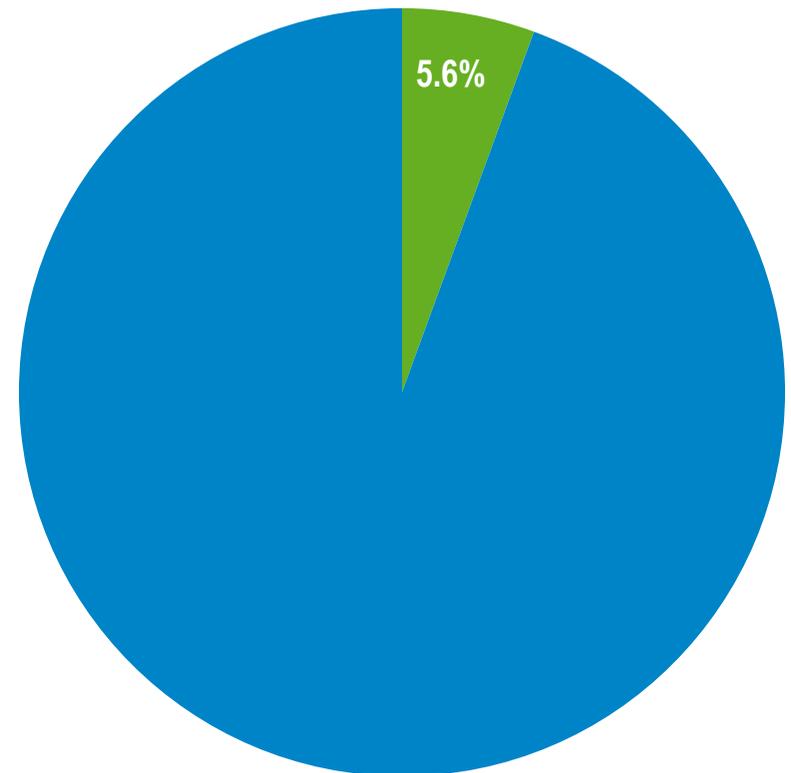
- Support and guidance from trading partners in terms of adopting best practices for expanding the range of food and drink offerings on the menu.
- Re-educating the consumer in terms of “upgraded” food offerings.
- Addressing the needs of a more diverse and food-focused customer base.

Coffee Shops and Cafés

The coffee shops and cafes channel is defined as follows:

- **Coffee shops** - are casual restaurants without table service that emphasise coffee and other hot beverages. Typically a limited selection of cold foods such as pastries and sandwiches are offered. Their distinguishing feature is that they allow customers to relax, work and socialise on their premises for long periods of time, without the pressure to leave promptly after eating and are thus frequently chosen as sites for meetings.
- **Cafés** - are informal restaurants offering a range of hot meals and made-to-order sandwiches. Many cafés are open for breakfast and serve full hot breakfasts. In some areas cafés offer outdoor seating.

Share of Consumer Spend



Coffee Shops and Cafés

The total size for the Coffee Shops and Cafés segment in IOI for 2014 is €345 million in terms of consumer spending and €145 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 2.2%.

- Consumer spending and operator purchases within ROI for the Coffee Shops and Cafés segment are €239 million and €100 million, respectively.
- In NI, the value of consumer spending is €106 million; operator purchases represent €45 million in value.

Consumer spending for the Coffee Shops and Cafés segment for IOI is forecast to grow 2.5% annually and will reach €371 million by 2018. Growth of 2.0% is forecast for ROI and 1.9% for NI.

Coffee Shops 2014				
	Consumer Spending (€B)	Operator Purchases (€B)	2011-2014 CAGR	2014-2017 CAGR
Total	345	145	2.2%	2.5%
Republic of Ireland	239	100	2.2%	2.0%
Northern Ireland	106	45	2.0%	1.9%

Coffee Shops and Cafés

Trends & Market Drivers

Consumer Trends Impacting

- Hot beverages remain core to this channel. However, cold specialty beverages, while representing a much smaller share of sales in this channel, are important for operators to have available, particularly during warmer months. Demand for tea is considered to be relatively stable.
- The ambiance of coffee shops and cafés are key drivers for consumers. Many establishments have a greater share of dine-in business (versus takeaway) and therefore afford larger seating areas.
- Consumers are more likely to purchase sweet versus savory food items within this channel. Pastries, cakes and muffins are also staples in most outlets.
- Premium ingredients and specialty breads are of high interest for sandwiches sold within the channel.
- Premiumisation for coffees is also a key trend within the channel and is driven by higher consumer awareness of different brewing techniques, such as filter and French press. Examples of this trend include a selection of “Third Wave” coffee outlets in Dublin and elsewhere.
- A focus on loyalty programmes is on the rise. With greater competition in the channel (particularly among coffee chains), coffee shops are launching loyalty cards in order to sustain continued patronage from their customers – as many visit shops multiple times per week.

Coffee Shops and Cafés

Trends & Market Drivers

Operational Trends Impacting

- Though less than half of consumers make food purchases at coffee shops, this is a growing area of focus for operators. For those chains with extensive food items on offer, the capture rate can exceed 40% and thereby contribute significantly to revenue performance.
- Impulse purchases can represent 10% or more of a coffee shop or café revenue and accordingly an important part of the product mix management.
- Using Irish sourced products is viewed by operators as a means to connect with consumers and serves as a competitive advantage. Because of the retail dynamics in coffee shops, it is possible to promote these brands in display cases for consumers when they order.
- Competition within the channel is intensifying. Several coffee shops chains are aggressively opening new locations, including units beyond the urban city centres and in smaller markets.
- Chain coffee houses will continue to expand the variety of locations that they serve. For example, branded offerings in hospitals, universities, convenience stores and self-service coffee machines in other retail venues.
- Chain operators continue to drive out independent operators in this channel.

Coffee Shops Trend Spotlight

Coffee Shop Competition is Intensifying

“The market is growing, but remains very competitive as there are minimal barriers to entry. Competition for the right locations is now fierce as major brands are entering the market.”

- Coffee Shop Operator

Competition within the channel is intensifying. Several coffee shops chains are aggressively opening new locations, including units beyond the urban city centres and in smaller markets.

For the Coffee Shop/Cafe channel, this translates into:

- Greater demand for premium coffee products (e.g. filtered and espresso-based products).
- A stronger focus on “snackable” items and related menu offerings.
- The need for suppliers that can serve chains nationally.

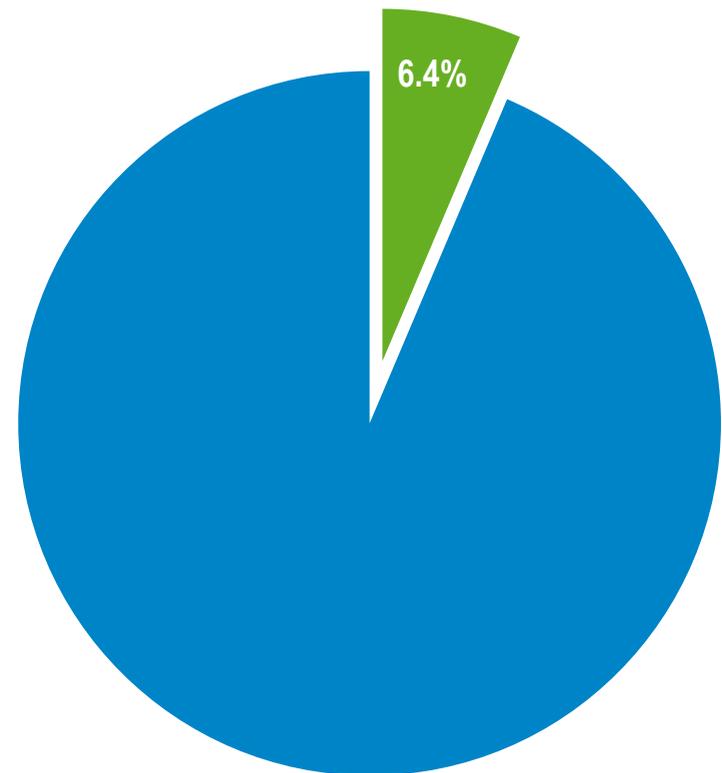
Hotels and Accommodation

Foodservice in the hotel and accommodation channel is heavily focused on the hotel channel, which accounts for 95% of the market.

Other accommodation forms, such as guest houses, are included but only where they are large enough (10 rooms or more) and these are few in number. Meetings, banquets and conferences that take place in hotels are also accounted as part of the broader hotel channel.

B&Bs are not covered, as their foodservice needs are usually only breakfast items that they obtain through cash and carry or direct from retail.

Share of Consumer Spend



Hotels and Accommodation

The total size for the Hotels and Accommodations segment in IOI for 2014 is €390 million in terms of consumer spending and €117 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 2.4%.

- Consumer spending and operator purchases within ROI for the Hotels and Accommodations segment are €281 million and €84 million, respectively.
- In NI, the value of consumer spending is €109 million; operator purchases represent €33 million in value.

Consumer spending for the Hotels and Accommodations segment for IOI is forecast to grow 2.7% annually and will reach €423 million by 2017. Growth of 3.0% is forecast for ROI and 2.1% for NI.

Hotels and Accommodation 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	390	117	2.4%	2.7%
Republic of Ireland	281	84	2.8%	3.0%
Northern Ireland	109	33	1.2%	2.1%

Hotels and Accommodation Trends & Market Drivers

Consumer Trends Impacting

- Over the last number of years, menu offerings have become more value oriented compared to the past. This trend is shifting somewhat as spending increases and consumers are more willing to trade up – though value will remain a strong driver for tourism spending.
- Total visitors to ROI are growing strongly. For the first half of 2014, the number of overseas visitors were up 9.9% compared to the previous year. The greatest increase was from Australia and Developing Markets. This growth has been assisted by Tourism Ireland's global advertising campaign (with estimated exposure to 200 million prospective visitors worldwide in 2014).
- There is growing importance to accommodate the tastes of the long haul traveller. With over one-fifth of overseas visitors coming from destinations outside of Europe, a need for more diverse cuisine offerings is required in the hotels and accommodation channel.
- The continuation of the 9% VAT is regarded as a positive factor that will continue to drive tourism to ROI.
- Special programmes, such as the American Football series and international concerts, are regarded as key drivers for tourism and contribute significantly to hotel foodservice sales.

Hotels and Accommodation Trends & Market Drivers

Operational Trends Impacting

- The overall outlook in the hotels and accommodation channel is positive. Crowe Horwath's Q2 Hotel, Tourism and Leisure channel Review found the 90% of hoteliers anticipate higher revenues for their hotel in 2014.
- Travel officials are exploring regional development opportunities for tourism outside of leading districts (e.g. Dublin and Cork), in an effort to reshape the degree of concentration in large urban centres. Such programmes include the Wild Atlantic Way and Limerick City of Culture.
- Positive signals for foodservice at hotels include a rise in REVpar (up 14.5% over the two years ending 2013) and room occupancy up 7%, this greater degree of footfall continues to provides gains for hotel and accommodation channel participants.
- Hotels are focused on building strong relationships with chefs, particularly as business improves and opportunities for their existing culinary staff become greater.
- With an improved outlook and higher spending, hotels are investing in re-branding/upscaling restaurants and refurbishing facilities (e.g. ballrooms, meeting rooms) to take advantage of expected growth in the banquet business. Much of this investment has been postponed for several years due to the economic downturn.

Hotels & Accommodation Trend Spotlight

Culinary Talent Increasing in Value

“The increase in quality and service that we’re seeing is a reaction to increased competition. To stay competitive, we are working hard at building good relationships with chefs.”

- Hotel Operator

Hotels are focused on building strong relationships with chefs, particularly as business improves and opportunities for their existing culinary staff become greater.

For the Hotels & Accommodation channel, this translates into:

- A growing need to be able to source new and unique ingredients from existing trading partners.
- Greater demands for culinary support.
- An intensified focus on product quality.

Other Commercial

This channel contains two dynamic channels which, while still small in terms of sales value, hold opportunities for suppliers to both the leisure and travel channels.

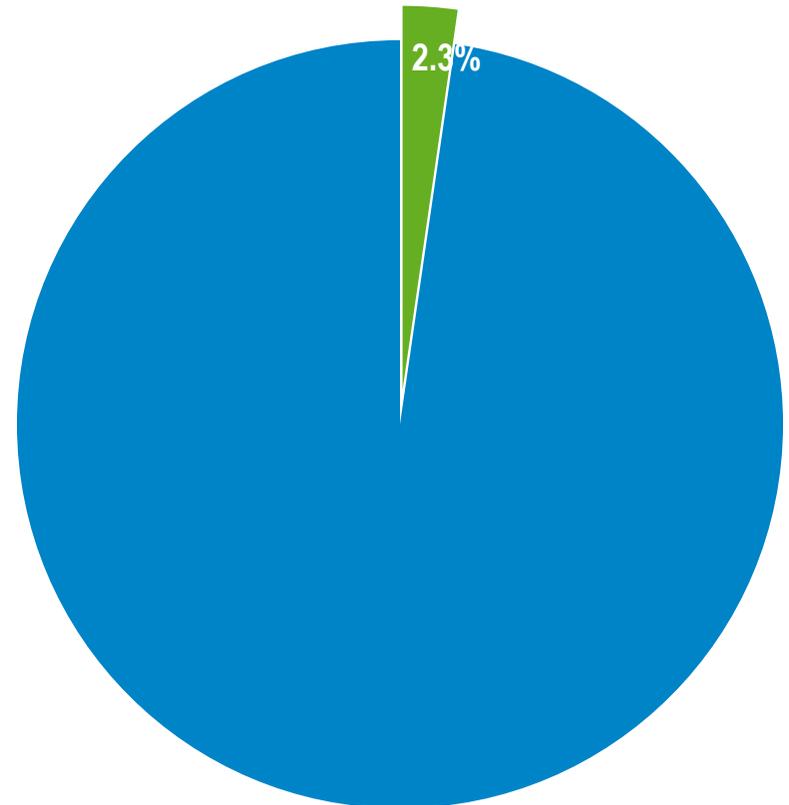
Leisure

- The **leisure** channel is diverse and comprises cinemas, theme parks, amusements, tourist attractions, sport venues and clubs, spas, special events, recreational activities and cruises. The largest sub channels are sporting events such as those at Aviva stadium and race track catering such as Leopardstown.

Travel

- The **travel** channel includes on board and terminus catering for flights, trains, ferries and buses.

Share of Consumer Spend



Other Commercial

The total size for the Other Commercial segment in IOI for 2014 is €139 million in terms of consumer spending and €53 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 0.7%.

- Consumer spending and operator purchases within ROI for the Other Commercial segment are €105 million and €40 million, respectively.
- In NI, the value of consumer spending is €34 million; operator purchases represent €13 million in value.

Consumer spending for the Other Commercial segment for IOI is forecast to grow 1.1% annually and will reach €144 million by 2017. Growth of 1.1% is forecast for ROI and 1.3% for NI.

Other Commercial 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	139	53	0.7%	1.1%
Republic of Ireland	105	40	0.6%	1.1%
Northern Ireland	34	13	1.3%	1.3%

Other Commercial Trends & Market Drivers

Consumer Trends Impacting

- Consumers are seeking premium offerings for inflight foodservice. To respond to demand for premium, some carriers are emphasising locally-sourced foods for inflight meals occasions.
- In the Events business, providers are upping their game to bring restaurant quality food to the table in a mass catering environment. These upscale offerings include healthier menu items, slow cooked items, special attention to presentation and an improved coffee offering.
- Sales from street food and village market vendors will continue to grow, catering to new and evolving tastes.

Operational Trends Impacting

- For inflight foodservice, demand planning is playing a larger role as airlines offer consumers new options for dining en-route. To make the process more efficient, pre-flight ordering is now available to consumers.
- Maintaining food quality despite challenges related to food costs and variable demand is a key factor operators cite in terms of growing the business.

Leisure & Travel Trend Spotlight

Greater Emphasis on Premium

“Many adjustments are being made for in-flight dining. Restaurants influence the types of menu innovations that we are doing. Our goal is to go beyond crisps and offer more specialty, locally sourced foods.”

- In-flight Catering

Consumers are seeking premium offerings for inflight foodservice. To respond to demand for premium, some carriers are emphasising locally-sourced foods for inflight meals occasions.

For the Leisure and Travel channel, this translates into:

- A need for greater expertise around logistics for keeping commissary prepared items fresh in transit.
- Just-in-time delivery capabilities that allow for daily production and delivery scheduling.
- A stronger competency for suppliers about the unique needs within the travel channel.

Business and Industry

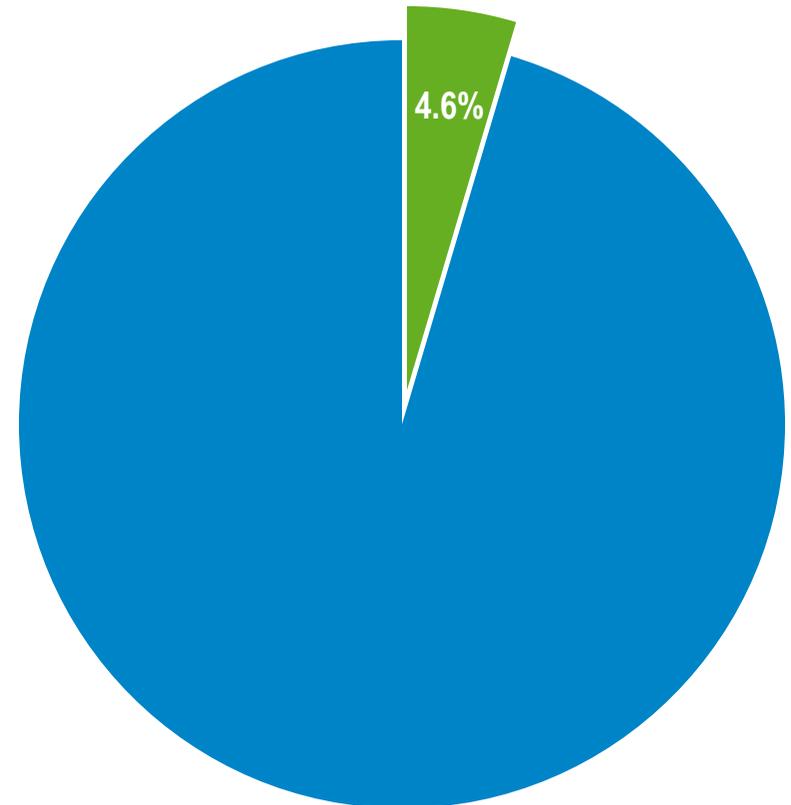
Business and Industry (B&I) is defined as catering to the workforce. Offices, factories and remote sites are in the key location segment. Menus are generally offered in three formats:

- Fixed menus (mostly in factories),
- Self-service menus offering choice (mainly in office catering units),
- Grab-and-go and vending operations offering predominantly beverages adjacent to their place of work.

This channel is characterised by cafeteria-style service with employees accustomed to paying before consumption. Other divisions of the channel are:

- **Canteen/Cafeterias:** They are mainly in the business of feeding people quickly at lunch during working hours. Guests are served directly at counters and then carry their meal on a tray to the table (self-service).
- **Table Service:** This segment behaves similarly to white table cloth restaurants, with the difference being that meals are served in an office facility, either managed by the company in-house or outsourced to a contract caterer.

Share of Consumer Spend



Business and Industry

The total size for the Business and Industry channel in IOI for 2014 is €283 million in terms of consumer spending and €136 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of -0.2%.

- Consumer spending and operator purchases within ROI for the Business and Industry segment are €195 million and €94 million, respectively.
- In NI, the value of consumer spending is €88 million; operator purchases represent €42 million in value.

Consumer spending for the Business and Industry segment for IOI is forecast to grow 0.7% annually and will reach €289 million by 2017. Growth of 1.0% is forecast for ROI and 0.2% for NI.

Business and Industry 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	283	136	-0.2%	0.7%
Republic of Ireland	195	94	-0.3%	1.0%
Northern Ireland	88	42	0.2%	0.1%

Business and Industry Trends & Market Drivers

Consumer Trends Impacting

- In corporate catering environments, greater demand is emerging for better ingredients and higher quality food.
- Consumers are increasingly seeking grab-n-go offerings as an alternative to going to a restaurant meal.
- The sandwich market has seen strong and steady growth in the Business & Industry channel, with more premium offerings available. Consumers are looking for different breads, hot sandwiches, New York Deli style sandwiches, both pre-made and made to order.
- Salad bars are ubiquitous in Business & Industry, with some operators switching up traditional offerings to more unique, innovative ones.
- Consumers are looking for specialty coffee beverages within business feeding establishments – similar to the variety and quality on offer at high street coffee shops.
- Some business channels are performing better than others and are thereby driving greater growth in foodservice offerings. For example, the IT channel, pharmaceutical and some export industries are experiencing good growth and driving up sales within the channel.

Business and Industry Trends & Market Drivers

Operational Trends Impacting

- Mass produced sandwiches have long been a standard in this channel. Some caterers are working to develop improved offerings in the areas of freshness and high quality sandwich components (e.g. breads, meats, dressings, etc.).
- Though still highly cost conscious, there are some indications for 2014 of less stringent emphasis on controlling costs. Examples include additional focus on high spend categories such as meats.
- Operators are seeking ways to include more fresh offerings within the channel, which requires a shift in the types of products purchased. In addition to cost factors, other issues such as storage and sourcing present challenges.

Business & Industry Trend Spotlight

Keeping Costs in Check

“Our workplace clients are still looking for cost management and commodities are really difficult to manage these days.”

- Contract Caterer

Though still highly cost conscious, there are some indications for 2014 of less stringent emphasis on controlling costs. Examples include additional focus on high spend categories such as meats.

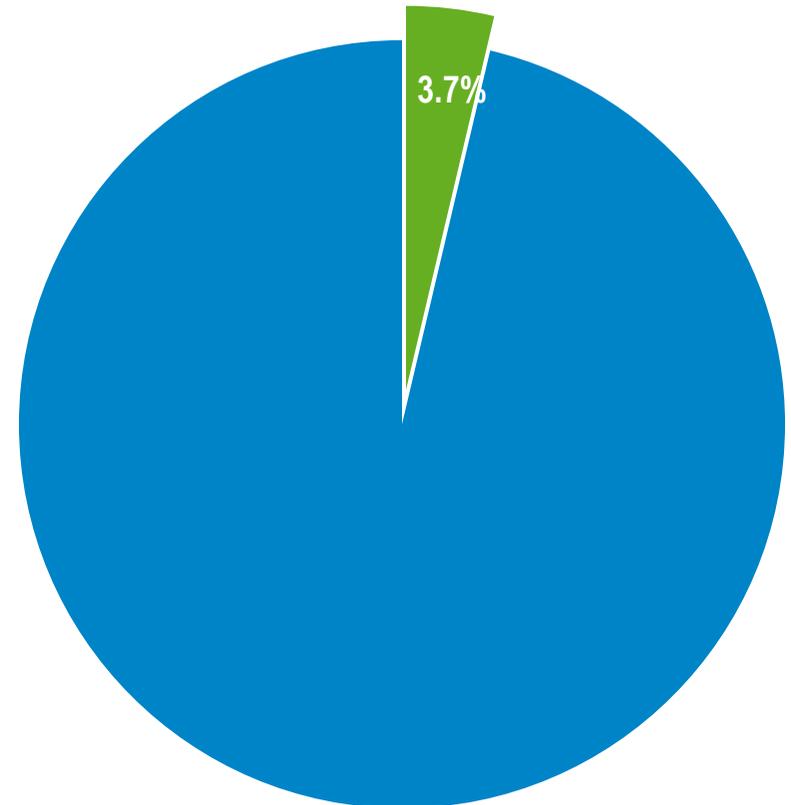
For the Business & Industry channel, this translates into:

- A need for tools and resources to assist in costing and long term planning.
- Alternatives for proteins and other commodities that are volatile in terms of pricing.
- Increase in contract purchases for key commodities to reduce cost variability.

Health

- **Hospitals** are institutions that serve and feed patients undergoing some sort of medical care, their guests and staff. This segment is classified into private or public hospitals which, depending on the rating will offer different culinary experiences ranging from a single set meal in their patient's room/ward, to a white table cloth restaurant experience. Additionally, they offer customised menu alternatives for specific diets.
- **Rehab clinics** are institutions that serve food to patients undergoing rehabilitation either from surgery or an addiction. As in hospitals, these establishments are classified either as public or private. Depending on the grading, patients can either have lunch/dinner in their rooms, or in a buffet-style or even full service restaurant environment.
- **Retirement homes** are institutions that provide retirees with an appropriate meal in a retirement community. This segment behaves similarly to a hotel where residents can easily enjoy a seated lunch and/or dinner at a food and beverage outlet inside the home.

Share of Consumer Spend



Health

The total size for the IOI Health channel for 2014 is €224 million in terms of consumer spending and €114 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 1.1%.

- Consumer spending and operator purchases within ROI for the Health segment are €128 million and €65 million, respectively.
- In NI, the value of consumer spending is €96 million; operator purchases represent €49 million in value.

Consumer spending for the Health segment for IOI is forecast to grow 0.7% annually and will reach €228 million by 2017. Growth of 0.7% is forecast for ROI and 0.6% for NI.

Health 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	224	114	-1.0%	0.7%
Republic of Ireland	128	65	-2.6%	0.7%
Northern Ireland	96	49	1.1%	0.6%

Health

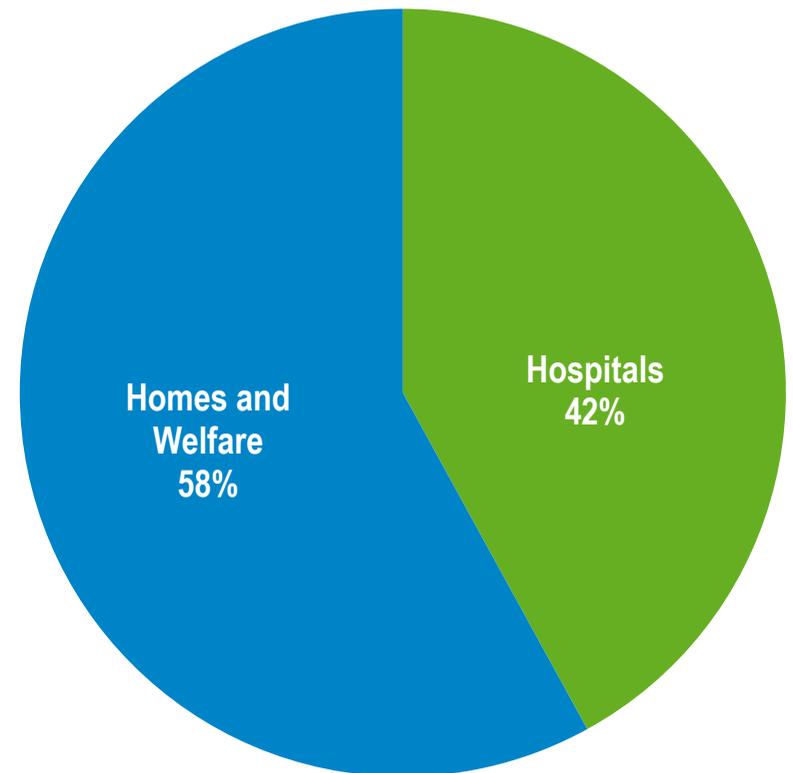
The Health segment is comprised of hospitals and homes and welfare.

- Hospitals represent 42% in spending
- Homes and welfare locations account for 58%

Overall, this channel is slow to change, though hospitals are growing at a slightly lower rate than the homes and welfare sub-segment – primarily driven by an aging population in Ireland.

Both hospitals and homes and welfare also face ongoing budgetary challenges which places negative pressure on the market.

Health Share of Consumer Spend



Health Trends & Market Drivers

Consumer Trends Impacting

- For visitors and employees (non-patient feeding), value is a key driver, however, these consumers are willing to pay for higher quality offerings when priced reasonably.
- Operators are seeking ways to expand grab-n-go offerings. This helps with round-the-clock feeding demands.

Operational Trends Impacting

- Healthcare has remained a fairly level business in recent years, due in part to heavy use of contracts for sourcing.
- Food costs are a critical component to nearly all sourcing decisions in this channel. In some instances, operators are switching from branded to private label offerings in order to achieve greater cost effectiveness. Additionally, buying groups continue to play an important role in the channel.
- Healthcare food is increasingly moving from being produced onsite to central production units in an effort to save costs.

Health Trend Spotlight

Different Approaches to Cost Management

“A trend we see continuing is the role of buying groups in the Health channel. While certainly a benefit to the customer, they put relationships to the test and erode margins.”

- Foodservice Distributor

Food costs are a critical component to nearly all sourcing decisions in this channel. In some instances, operators are switching from branded to private label offerings in order to achieve greater cost effectiveness. Additionally, buying groups continue to play an important role in the channel.

For the Health channel, this translates into:

- Limited range in terms of participating trading partners.
- Purchasing constraints in terms of variety due to limited assortment of private label items available to the operator.
- Growing power of buying groups as more operators go to tender with their business.

Education

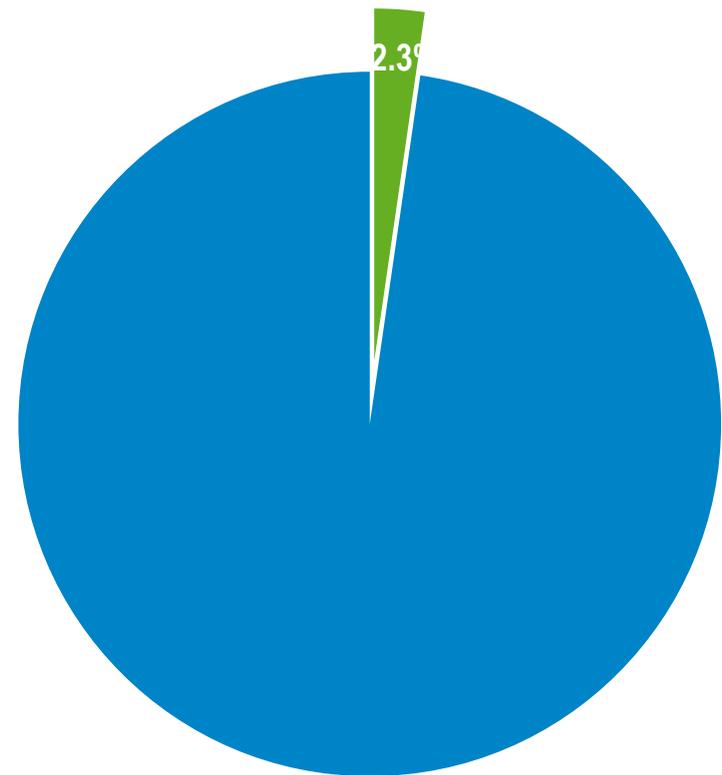
In the education channel, primary schools, secondary schools and universities make up the three key operator segments. They are in the business of providing food and beverage services to students in their place of learning. Menus are generally offered in two main formats: fixed menus or cafeteria/self-service. Three trends are significant:

- A balanced nutritional food offering, as well as food safety is becoming more relevant, especially in the school segment.
- Grab and go is beginning to enter the channel and breakfast provision is an important element.
- QSR operators are beginning to enter the channel.

The channel covers state, religious and privately funded and owned institutions.

As in Health, there has been widespread publicity on the quality and the content of school meals. Nutritional guidelines are now given to schools and colleges by which they are expected to abide.

Share of Consumer Spend



Education

The total size for the Education segment in IOI for 2014 is €138 million in terms of consumer spending and €59 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 1.6%.

- Consumer spending and operator purchases within ROI for the Education segment are €82 million and €35 million, respectively.
- In NI, the value of consumer spending is €56 million; operator purchases represent €24 million in value.

Consumer spending for the Education segment for IOI is forecast to grow 1.8% annually and will reach €146 million by 2017. Growth of 1.6% is forecast for ROI and 2.1% for NI. A key driver for the difference in NI is a result of State catering for schools.

Education 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	138	59	1.6%	1.8%
Republic of Ireland	82	35	1.4%	1.6%
Northern Ireland	56	24	1.9%	2.1%

Education Trends & Market Drivers

Consumer Trends Impacting

- Healthy eating is a bigger part of the school curriculum than in the past and is in turn changing the mindset of the next generation. Younger consumers are being taught more about where food comes from and have a greater understanding of the importance of healthy eating. This higher level of awareness is reshaping demand for foodservice offerings in schools.
- Home and online learning has somewhat hampered some footfall in third level education dining facilities. To counter this trend, catering organisations, in collaboration with their educational institution clients, are introducing a more diverse assortment of offerings designed to encourage students that are on site from going off-campus for meals. Increasingly, third level education dining facilities are upgrading to provide more “restaurant style” offerings.
- Foodservice spending per student has been stagnant for many institutions, due to increased “brown-bagging” and fewer funds available from parents.

Education

Trends & Market Drivers

Operational Trends Impacting

- Health regulations are causing operators to increase monitoring of calories, allergens, sugar, fat and other nutritional components.
- Though there have been some reductions in the number of vending machines in schools, further reductions are anticipated, in response to growing childhood obesity rates.
- Contract caterers view college/university as a key area for expansion for QSR and coffee chain operator branded concepts (e.g. Subway, Starbucks). Overall, consumers within the channel are 'brand loyal' and view these additions favourably. While initial reports indicate that branded concepts perform well, the most significant challenge with this expansion is due to the fact that business is strong during 12-week periods in which classes are in session, but then tapers off significantly when classes are not.
- Breakfast is viewed as a potential area of focus for operators in the channel. One reason for this is that operators have seen increased competition from offerings off-campus, as well as a higher share of students "trading down" and sourcing food from home for the breakfast daypart.

Education Trend Spotlight

Operator Response to Health Regulations

“Maintaining a focus on healthy eating trends is absolutely necessary for us. Our efforts extend from our chef training to procurement.”

- Contract Caterer

Health regulations are causing operators to increase monitoring of calories, allergens, sugar, fat and other nutritional components

For the Education channel, this translates into:

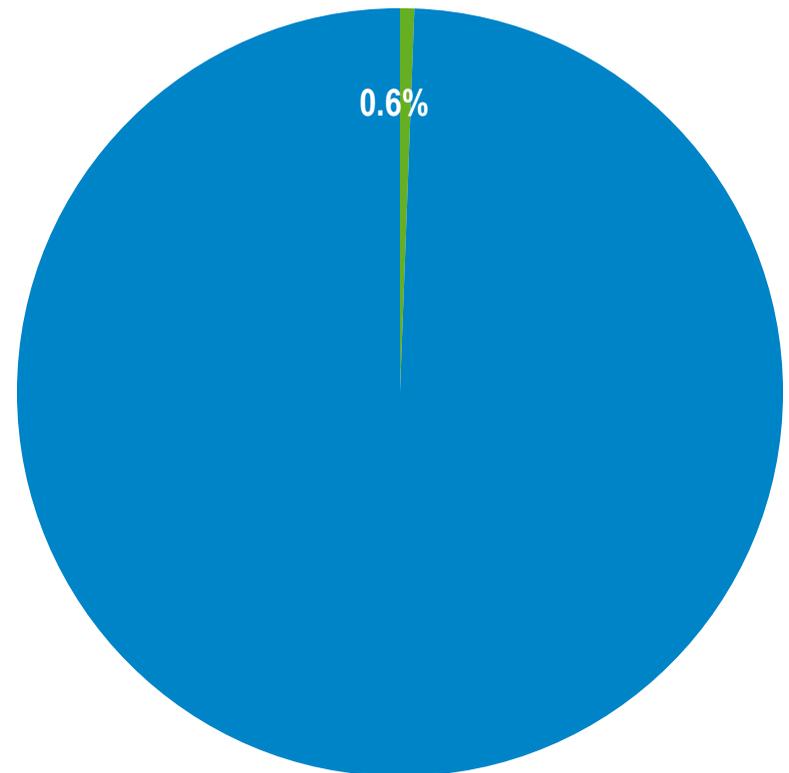
- A greater need for menu development support and culinary ideas.
- Nutritional support services and detailed information on products.
- The potential for reformulations and a shift in product purchases.

Other Institutional

This channel includes Government organisations and in particular prisons and armed forces (military messes, in-field canteens and soup kitchens).

Both prisons and the armed forces have large manpower at their disposal and view catering as an efficient use of it.

Share of Consumer Spend



Other Institutional

The total size for the Other Institutional segment in IOI for 2014 is €38 million in terms of consumer spending and €19 million in terms of operator purchases (the value of distributors' sales to operators). Over the last three years, the segment has grown at a compound annual growth rate (CAGR) of 0.8%.

- Consumer spending and operator purchases within ROI for the Other Institutional segment are €28 million and €14 million, respectively.
- In NI, the value of consumer spending is €10 million; operator purchases represent €5 million in value.

Consumer spending for the Other Institutional segment for IOI is forecast to grow 1.0% annually and will reach €39 million by 2017. Growth of 0.6% is forecast for ROI and 2.1% for NI. Indicators suggest that funding for Government services (and, as a result, foodservice within the Other Institutional channel) in NI will be stronger relative to ROI over the coming years.

Other Institutional 2014				
	Consumer Spending (€M)	Operator Purchases (€M)	2011-2014 CAGR	2014-2017 CAGR
Total	38	19	0.8%	1.0%
Republic of Ireland	28	14	0.4%	0.6%
Northern Ireland	10	5	0.2%	2.1%

Other Institutional Trends & Market Drivers

Consumer Trends Impacting

- While spend per meal cannot be increased, in some other institutional facilities, such as prisons and other channels, efforts are being made to improve specifications in order to increase quality.
- Vegetarian and halal meals are generally offered within the Other Institutional channel, including prison foodservice.

Operational Trends Impacting

- Keeping within budget as a result of rising food costs is an ongoing operational challenge, particularly in facilities where all food costs are covered by subsidy only.
- Increased collaboration within the State sector has occurred as part of a Joint Procurement initiative.
- Most food decisions are controlled by an internal group of purchasing, nutritionists and kitchen staff. However, support from outside trading partners would be welcome in the channel, as resources are often stretched thin.
- Operators continue to switch from branded to private label offerings in an effort to control costs.

A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles, connected by thin, light-colored lines. Some nodes are solid black, while others are hollow white or light blue. The connections form a complex, web-like structure across the entire page.

Conclusions & Recommendations

Irish Foodservice
Channel Insights

Conclusions

The following conclusions apply generally to manufacturers and suppliers active in the Irish foodservice market.

- 1. Irish foodservice market has a mixture of fast, moderate and slow growing channels.**
Manufacturers must analyse their business in terms of key accounts at channel level. With growth for example, in quick service and casual dining and declining sales in pubs, it is critical to understand where potential long-term opportunities and risks may exist within current and future trading partners.
- 2. Distribution partnerships are critical to long term success.**
With shifts in the distribution environment underway, manufacturers should monitor and gauge the effectiveness of their relationships with leading distributors in ROI and NI.
- 3. Moderating interest in traditional cuisine making way for new concepts.**
As the number and assortment of ethnic concepts grow in IOI (particularly Dublin), foodservice consumers are increasingly interested in, and demanding more innovative cuisine. Manufacturers can develop closer ties with operators by working closely to understand and respond to these emerging needs.
- 4. Provenance remains a key driver within IOI foodservice market.**
Generally speaking, decision makers in IOI seek opportunities to source domestically – though profitability is often the ultimate driver in the long run. Where possible, manufacturers can seek to strengthen the bond that operators have with domestically sourced foodservice products.

Conclusions *(continued)*

5. **Understanding tourism impact.**

Throughout IOI and in Dublin and other metro areas, the rebound of tourism will boost several commercial operations. Spending patterns and preferences for food and drink among this global audience will shape operator demands as tourism returns to its previous levels. Manufacturers can help meet this demand by being cognizant of the operators located in tourism districts and others that are positively impacted by the tourism foodservice spending.

6. **Responding to new product opportunities.**

As indicated in the Product Insights section of this report, several product opportunities exist for manufacturers in IOI. Some examples include:

- Specialty coffee beverages and filter coffee (as well as Impulse items to accompany order)
- Chicken and pork as substitutes for beef and lamb
- More fruit and vegetables in response to demand for healthier offerings
- Growing demand for brown breads, flatbreads and other new varieties (including par-baked products)
- Better-for-you sweeteners and alternatives to artificial sweeteners
- Innovative, made-to-order sandwiches
- Lighter desserts (e.g. dairy free, reduced calorie and fruit-based options)

Recommendations

Based on the findings of this report, the following recommendations are offered to manufacturers for consideration:

- Because several food and beverage trends may result in the potential for reformulations and a shift in product purchases, manufacturers should be prepared to work closely with key accounts to help make adjustments where needed.
- Given new requirements around nutritional support services and detailed information on products, manufacturers should seek and adopt best practices within their individual product categories in an effort to “stay ahead of the curve” on nutritional regulations.
- Manufacturers should monitor the impact that buying groups are having on their business and seek ways to minimise potential future impact on margins.
- For commodity suppliers, executing more contract purchasing arrangements with key accounts may reduce the potential downside associated with cost variability – for example, product switching and substitution among operators.
- In general, operators (particularly independents and institutional) indicate that they need better tools, resources and processes for cost management. To the extent feasible, manufacturers may be able to assist with long term planning and cost control for operators through dedicated support programmes.

Recommendations (*continued*)

- Improvements in the logistics capabilities of manufacturers can strengthen relationships with trading partners and is highly valued by both distributors and operators. Exploring logistical enhancements (e.g. just-in-time delivery capabilities) is a potential source of competitive advantage.
- Communicating product quality is obviously key. However, manufacturers should work to understand the terms that operators use to define quality in order to ensure that the quality message is being communicated effectively.
- A focus on “snackable” items and small plates is emerging in the industry and should be monitored by suppliers as a source of innovation ideas for concept development work.
- Beverage suppliers should take note of technologies and processes being used by coffee and QSR chains entering the IOI market in order to stay on top of category specific trends.
- As is relevant, manufacturers can benefit by addressing the needs of a more diverse and food-focused customer base.
- Providing support and guidance to trading partners in terms of menu optimisation is a useful route for establishing long-term relationships with key accounts.

Recommendations *(continued)*

- To the extent that a “local” or “made in Ireland” positioning can be used, it can provide a meaningful point of differentiation.
- With growing interest in ingredients, manufacturers should be sure to be completely transparent about ingredient declarations and should also promote the virtues of any clean label products in their portfolio. Labeling, nutritional and sourcing information must be front and center for manufacturers.
- With operators more willing to take on premium items, it remains critical for manufacturers to show that operators will derive a strong return from investment on premium food and beverage products.
- As the number and assortment of ethnic concepts grow in IOI (particularly Dublin), foodservice consumers are increasingly interested in, and demanding more innovative offerings. Manufacturers can develop closer ties with operators by working collaboratively to understand and respond to these emerging needs.

A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles in various shades of blue and green, connected by thin, light-colored lines. The nodes are scattered across the frame, with some clusters and many isolated points, creating a complex web-like structure.

Macroeconomic Factors

Irish Foodservice
Channel Insights

Macroeconomic Factors

The following macroeconomic factors are important indicators for foodservice market performance and are discussed in this section.

- **Gross Domestic Product (GDP).** The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory. GDP is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living.
- **Household Disposable Income.** The amount of money that households have available for spending and saving after income taxes and other taxes have been accounted for.
- **Employment – All Industries.** Represents the share of the labour force that is employed. The employment rate is one of the economic indicators that economists examine to help understand the state of the economy.
- **Employment – Accommodation and Foodservice.** Represents the share of the labour force that is employed within the accommodation and foodservice channels.
- **Unemployment Rate.** A measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labour force. During periods of recession, an economy usually experiences a relatively high unemployment rate.

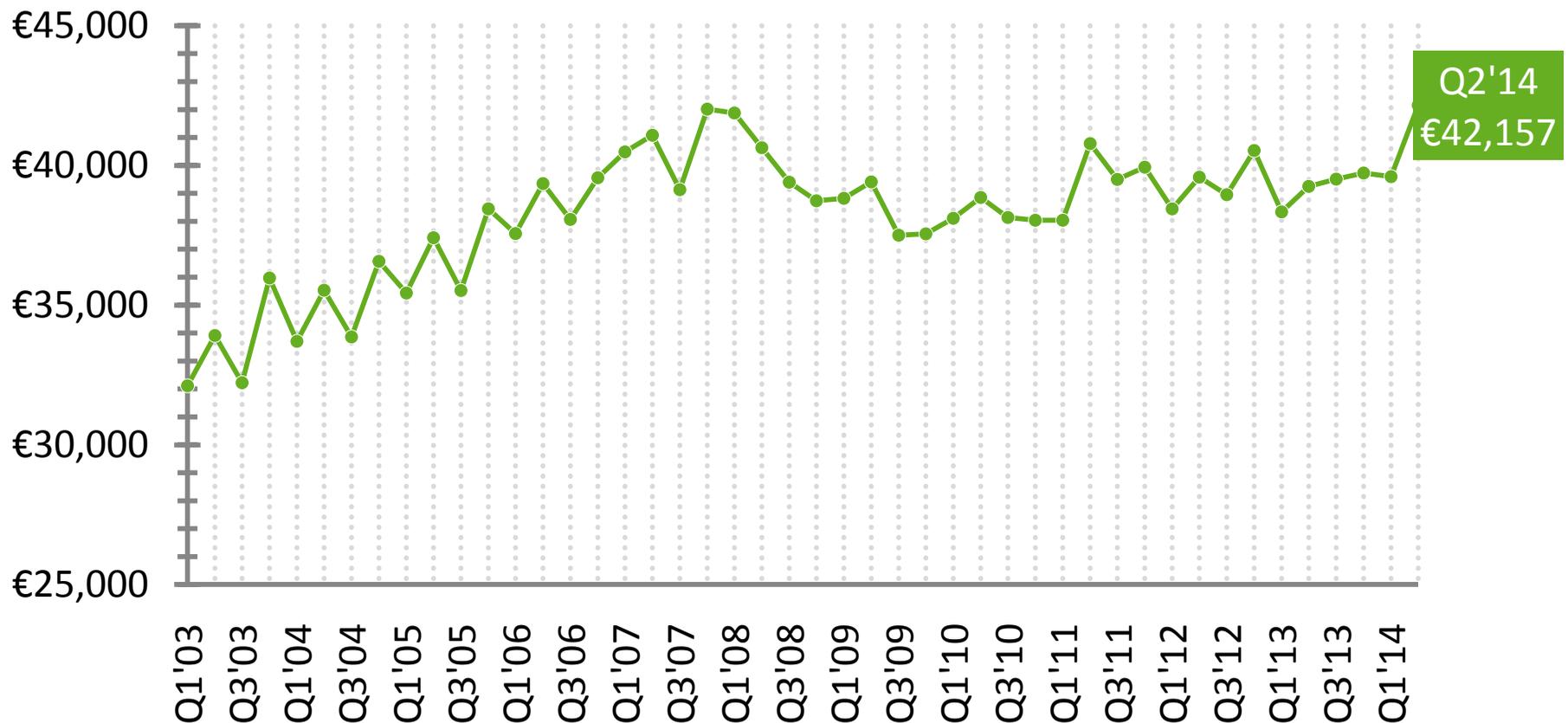
Macroeconomic Factors

Continued.

- **Consumer Price Index (CPI) – All Items.** An index of the variation in prices paid by typical consumers for retail goods and other items.
- **Consumer Price Index (CPI) – Food and Non-alcoholic Beverages.** An index of the variation in prices paid by typical consumers for food and non-alcoholic beverages.
- **Consumer Price Index (CPI) – Restaurants and Hotels.** An index of the variation in prices paid by typical consumers for foodservice items purchased at restaurants and hotels. .
- **Industrial Price Index – Food.** An indicator that measures the variation in prices paid by food manufacturers for inputs and resources.
- **Retail Sales Index – Food & Beverage Stores.** A measurement of all goods sold by food and beverage retailers based on a sampling of retail stores of different types and sizes. The retail sales index is often taken as an indicator of consumer confidence.
- **Retail Sales Index – Bars.** A measurement of bar sales based on a sampling of bars, pubs and drinking establishments.

GDP at Constant Factor Costs (Chained Values)

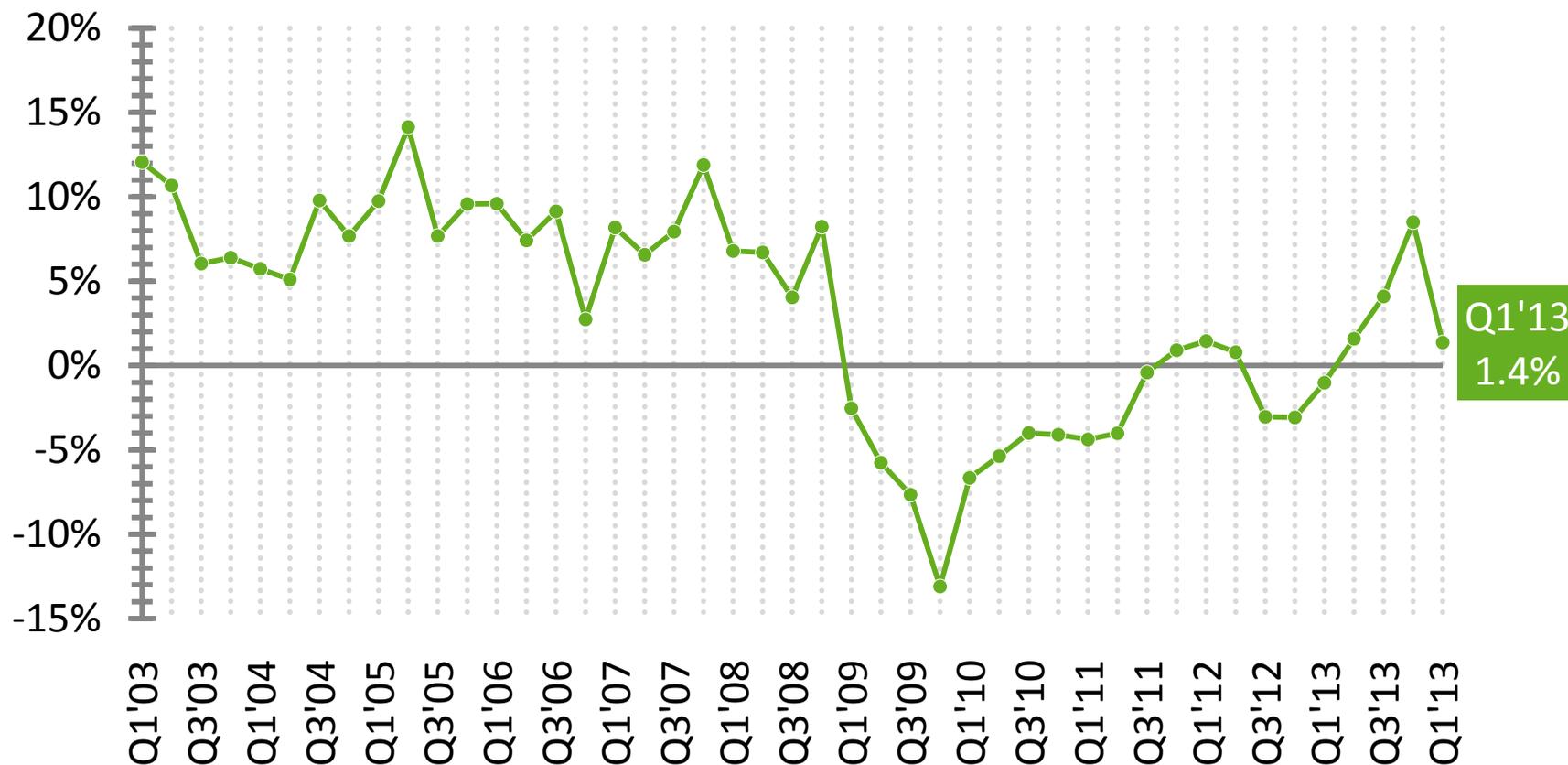
Gross domestic product (GDP) serves as a benchmark for gauging economic health and is an indicator for standard of living. In ROI, GDP shows signs of acceleration, with a significant uptick in the second quarter of 2014. While GDP does not directly impact foodservice sales, this is a positive indicator of economic growth.



Source: Central Statistics Office

Household Disposable Income Percent Change vs. Prior Year

Growth in household disposable income is a key indicator to consumer foodservice spending. As shown below, Irish consumers suffered greatly in terms of their spending ability following the steep decline in 2008. While disposable income is on the rise, the fact that growth is still quite variable in 2014 is an indicator that consumers remain cautious about non-essential purchases, including food away from home.

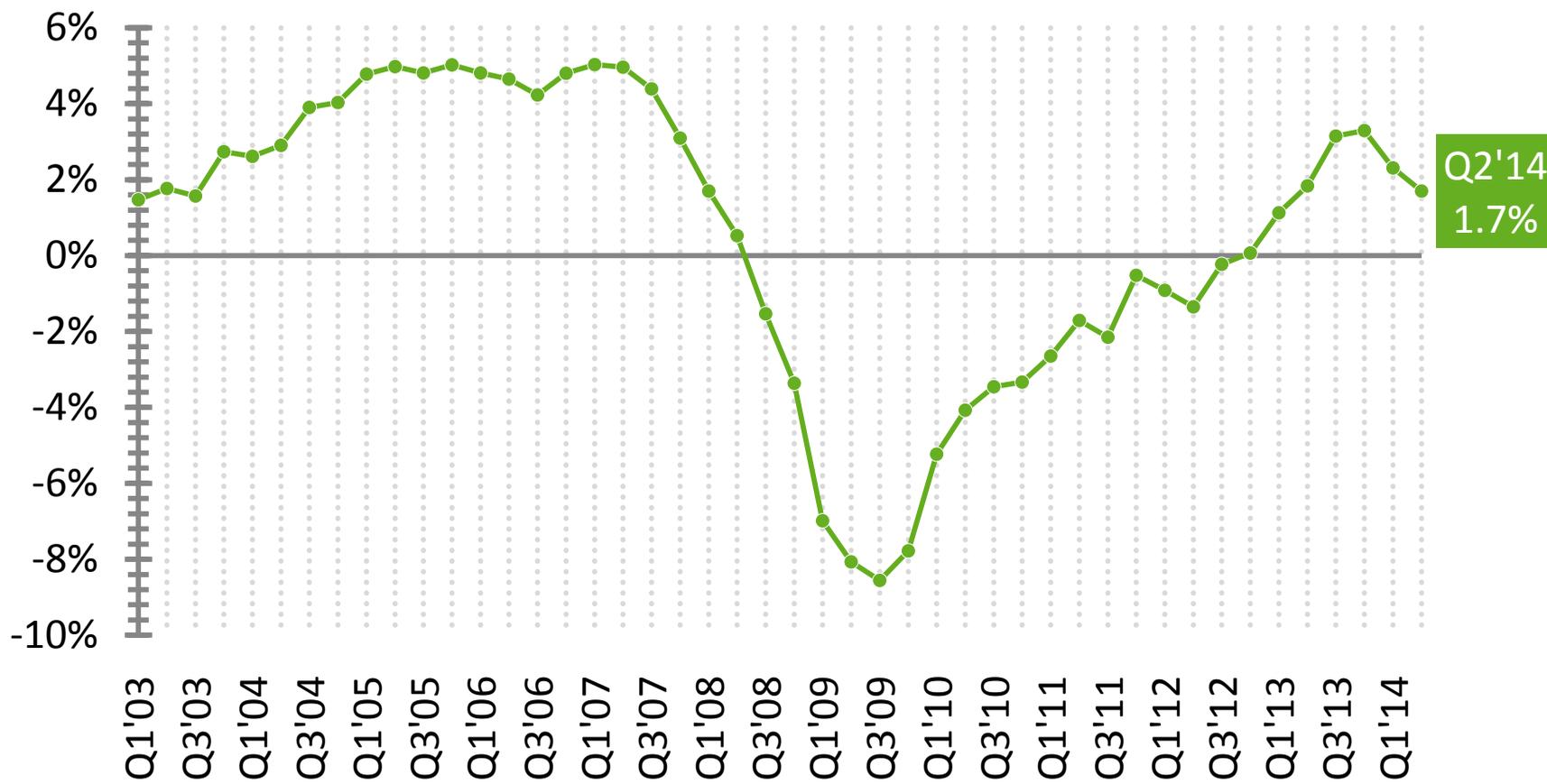


Source: Central Statistics Office

Employment – All Industries

Percent Change vs. Prior Year

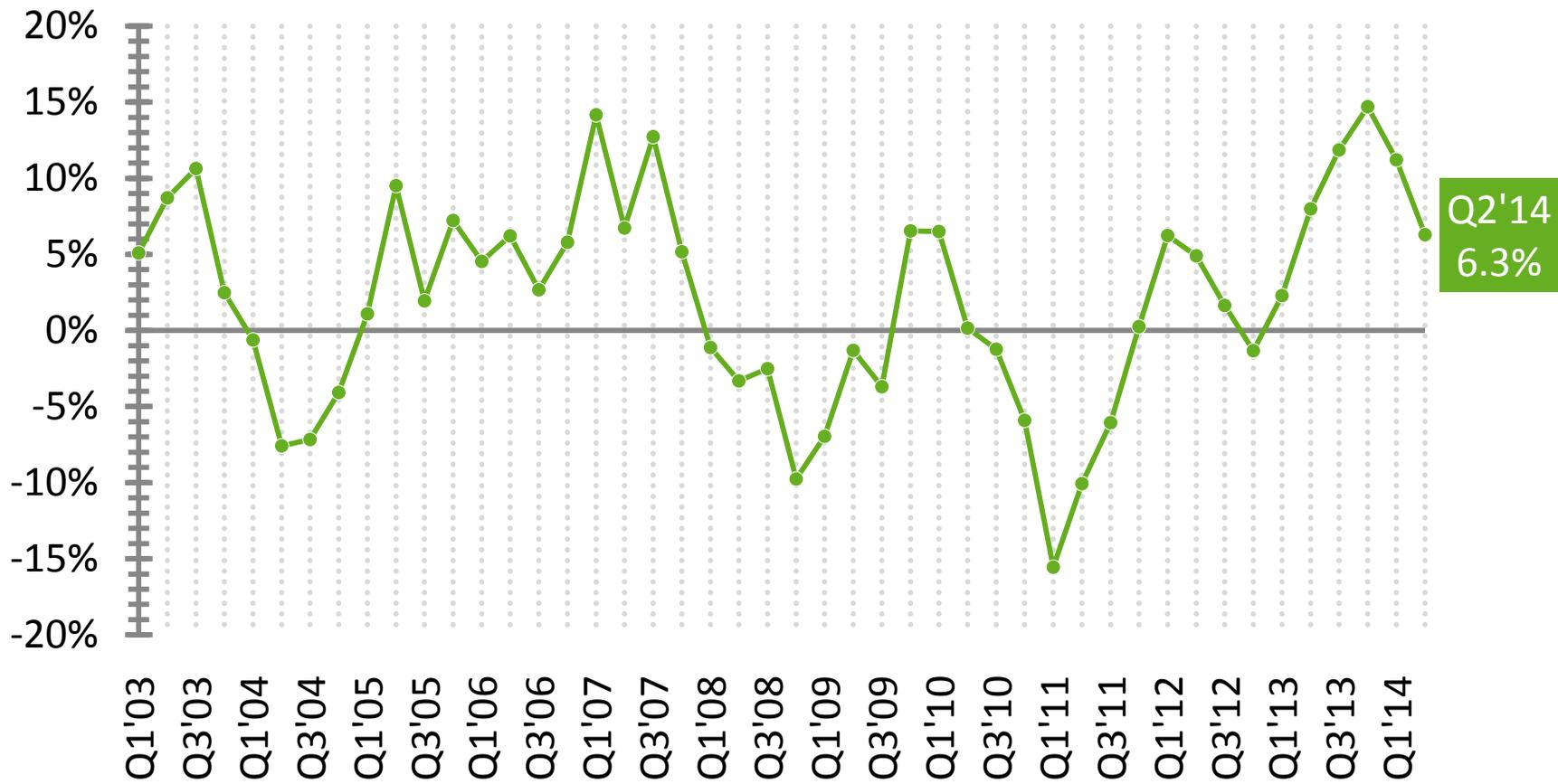
The overall employment situation in Ireland is a critical component to foodservice growth. Employment growth translates into greater spending on foodservice meals (both commercial and institutional). As shown below, employment growth has been positive for over a year, though growth has slowed in the last two quarters.



Source: Central Statistics Office

Employment – Accommodation & Foodservice, % Change vs. Prior Year

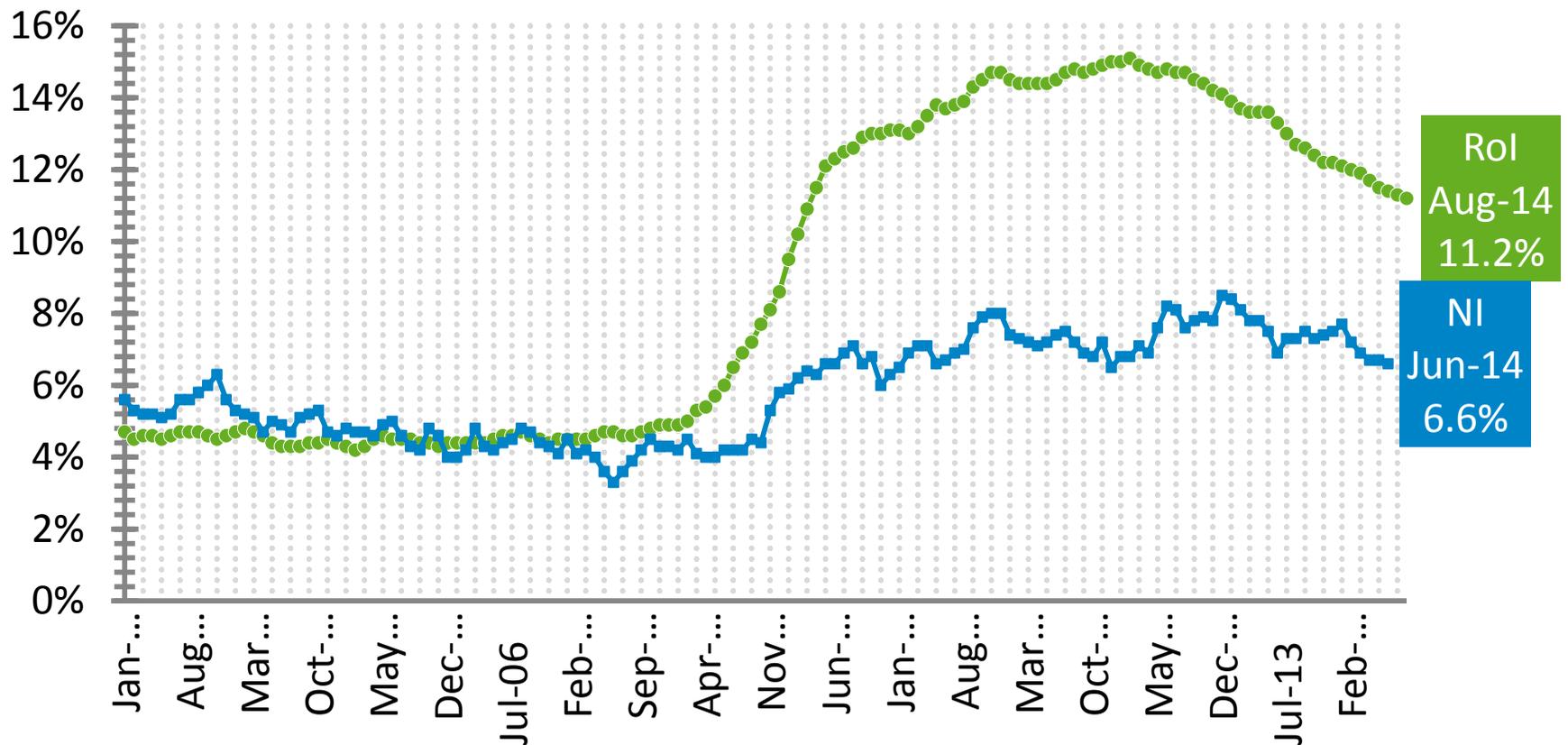
Employment in the accommodation and foodservice channels correlates to overall foodservice industry performance. Increased staffing within the channel generally follows growth in demand from consumers, which is an indicator that – despite moderation of growth in recent quarters – foodservice is trending positively.



Source: Central Statistics Office

Unemployment Rate Seasonally Adjusted

The unemployment rate in both ROI and NI is trending down, which is a positive indicator for the economy and foodservice channel in general. As shown below, the unemployment rate in ROI has had a greater impact compared to NI. Overall, this difference indicates that ROI has more room for improvement (from an employment standpoint) than NI.

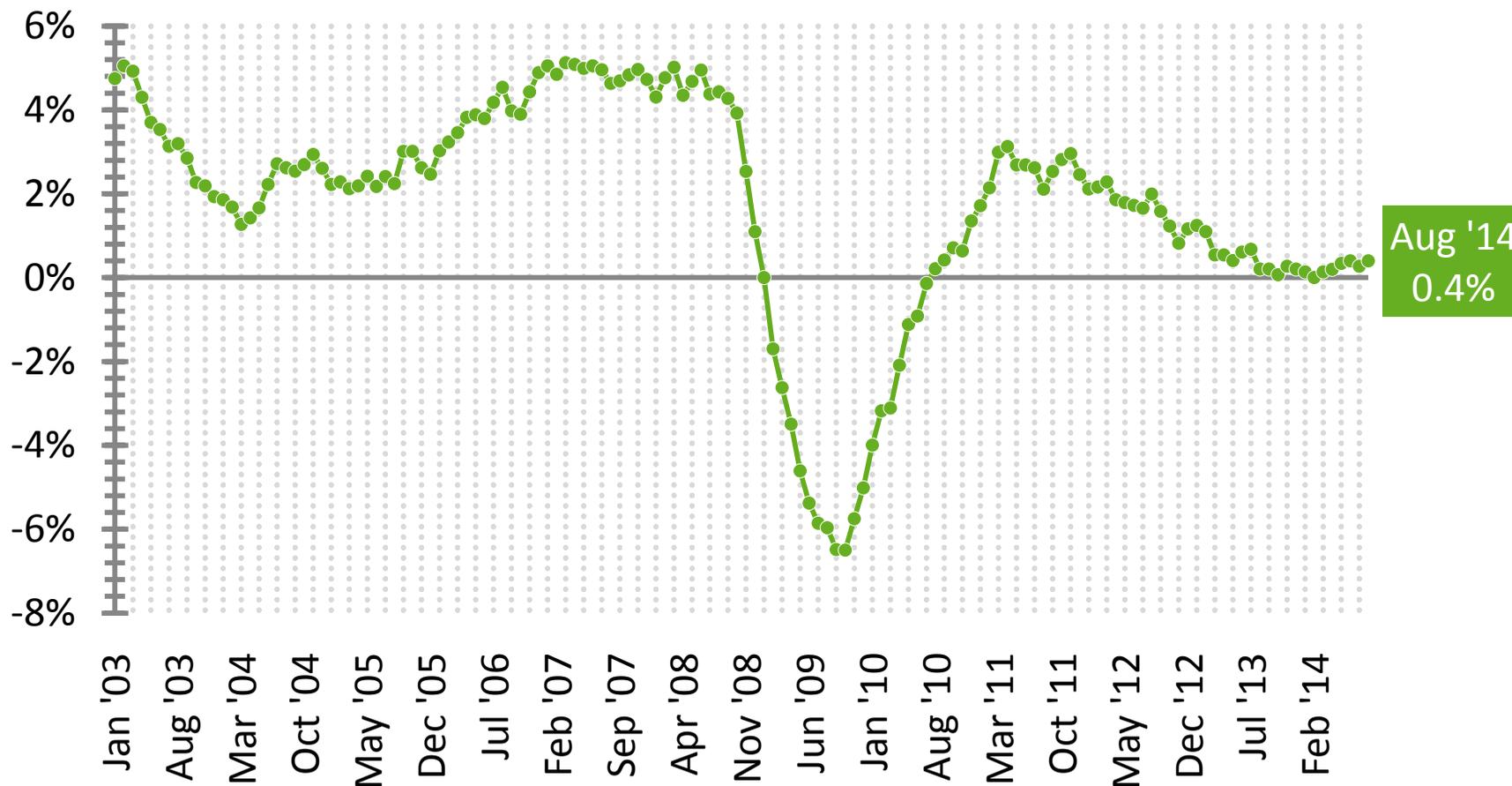


Source: Central Statistics Office

CPI – All Items

Percent Change vs. Prior Year

The consumer price index (CPI) for “all items” provides insight about the variation in prices paid by typical consumers for retail goods and other items. As shown below, the index shows moderation in price increases, which is a positive sign for consumers and the Irish economy.

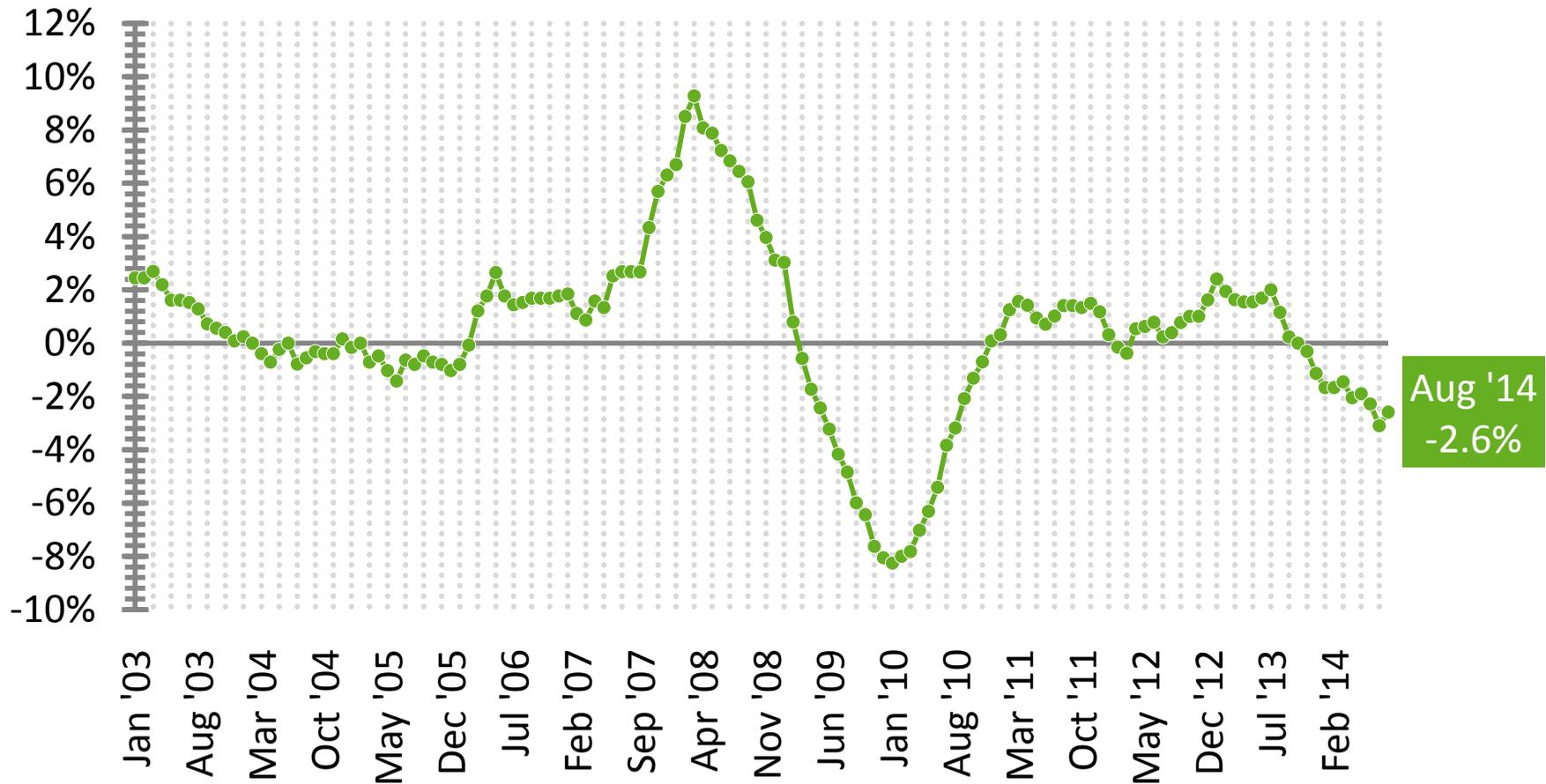


Base: 100 = 1982
Source: Central Statistics Office

CPI – Food and non-alcoholic beverages

Percent Change vs. Prior Year

Looking specifically at the CPI for food and non-alcoholic beverages purchased in grocery stores, the situation over the last 24 months shows a decrease in prices, which may reflect more competitive pricing within the food and beverage marketplace.

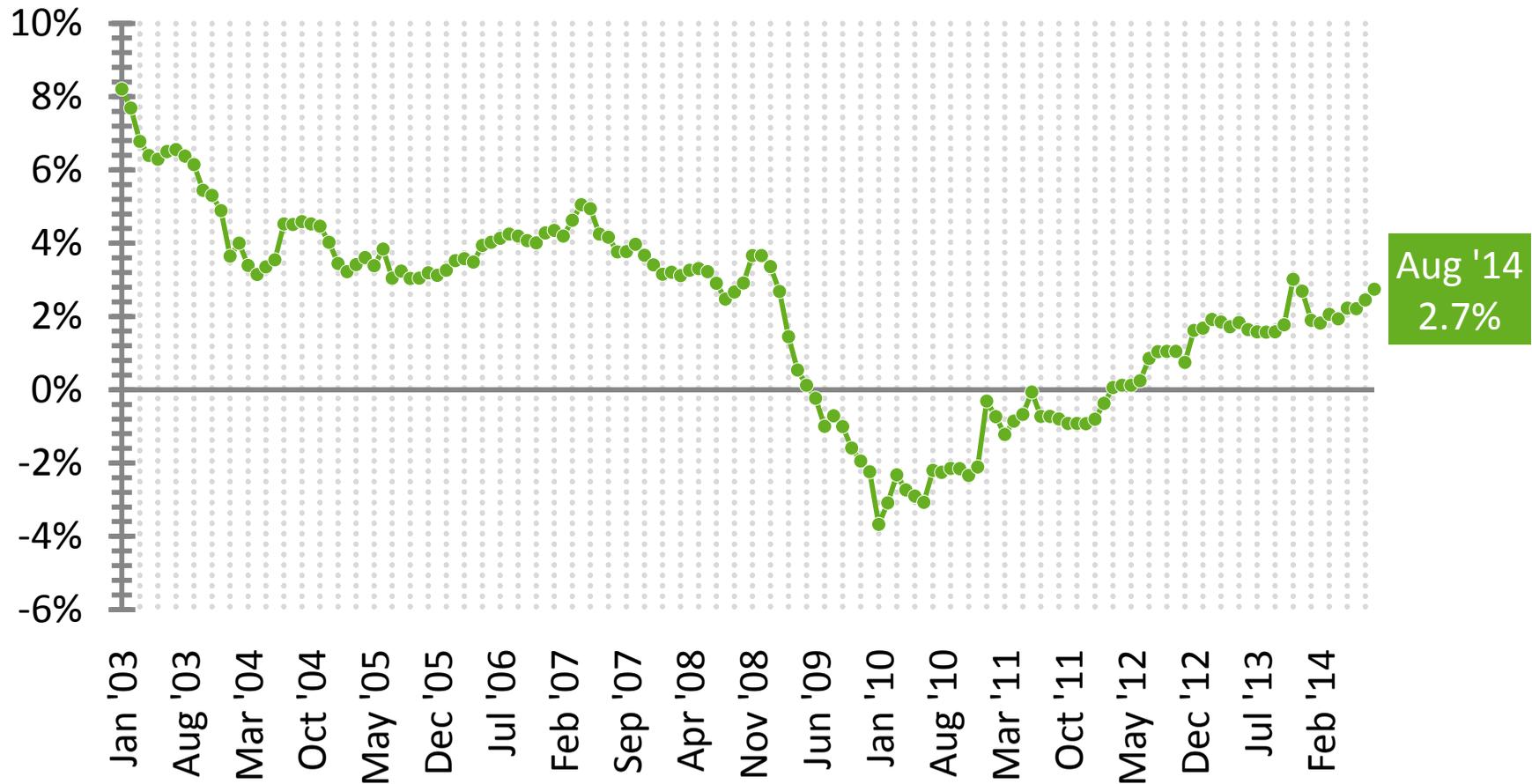


Base: 100 = 1996
Source: Central Statistics Office

CPI – Restaurants and hotels

Percent Change vs. Prior Year

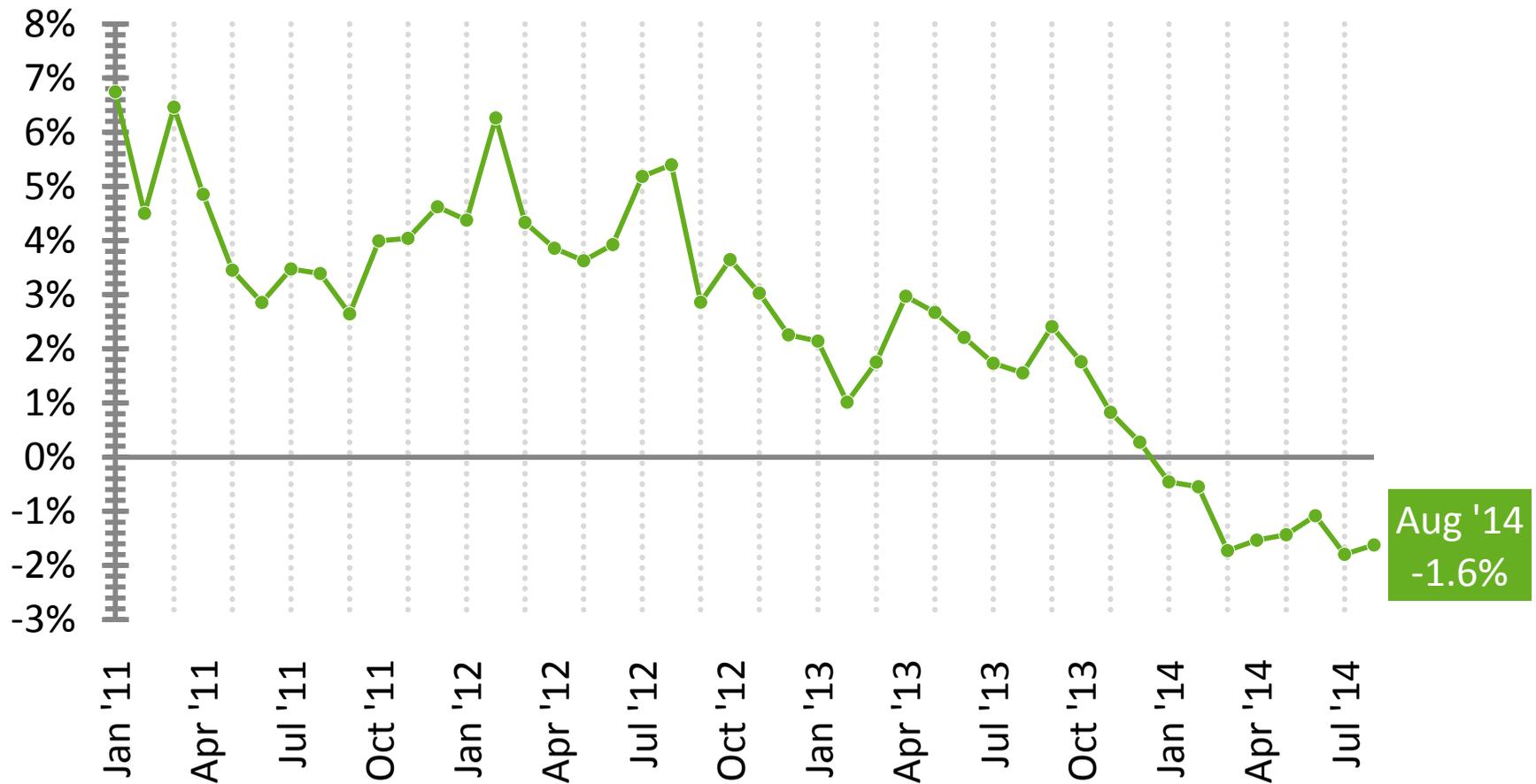
Menu prices and room rates at hotels have remained fairly competitive in an effort to drive business during the economic downturn. As shown below, the data indicate a gradually rising increase in prices starting in 2012, which is an indicator that restaurant and hotel owners are seeing greater demand.



Base: 100 = 1996
Source: Central Statistics Office

Industrial Price Index – Food Percent Change vs. Prior Year

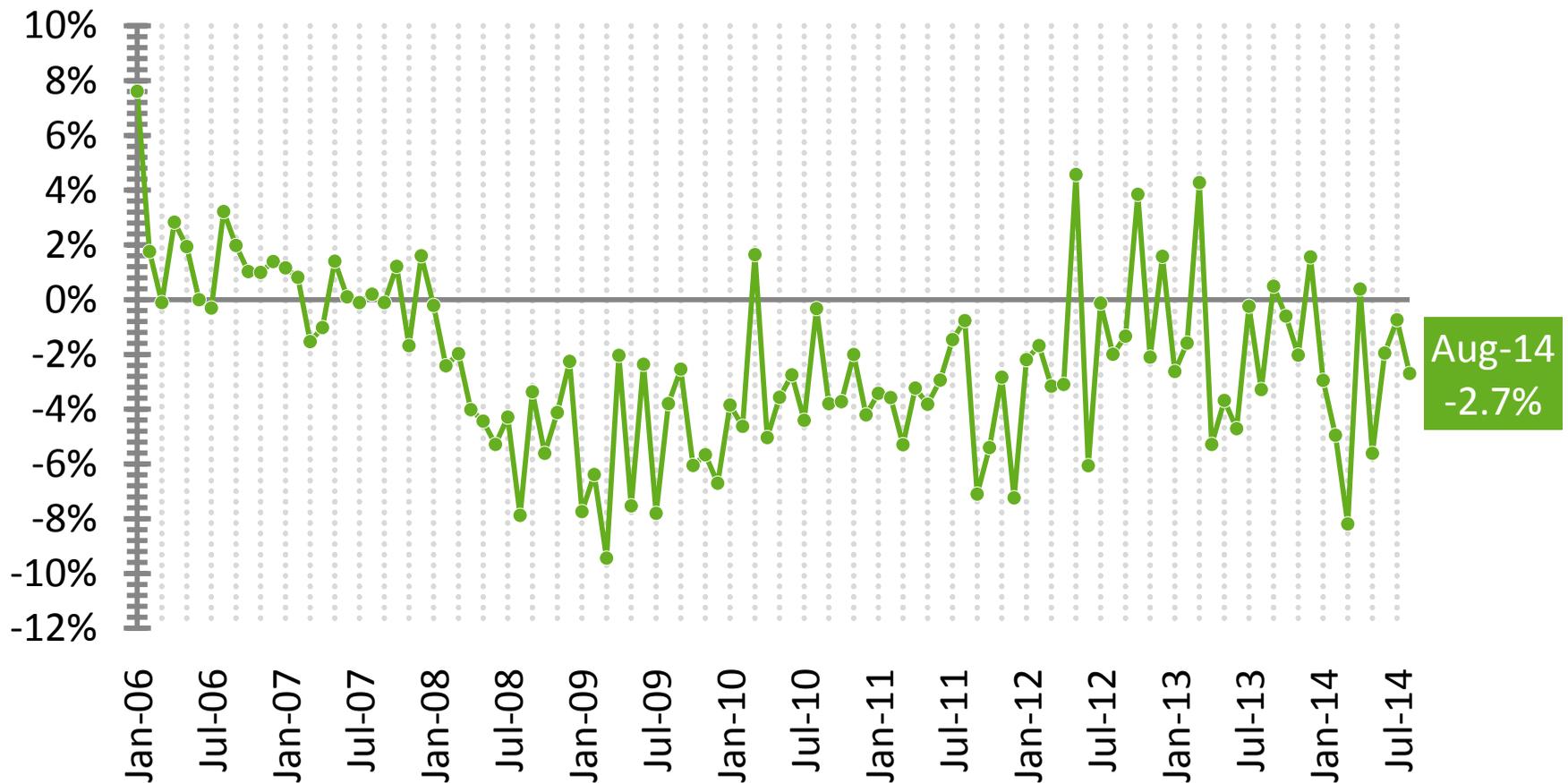
Clearly, the cost of inputs, resources and ingredients that food manufacturers pay significantly impacts overall foodservice industry prices and operator profitability. As shown by the trend data below, the rise in prices paid by food manufacturers has moderated in 2014 following multiple quarters of high increases.



Base: 100 = 2010
Source: Central Statistics Office

Retail Sales Index – Food & Beverage Stores Percent Change vs. Prior Year

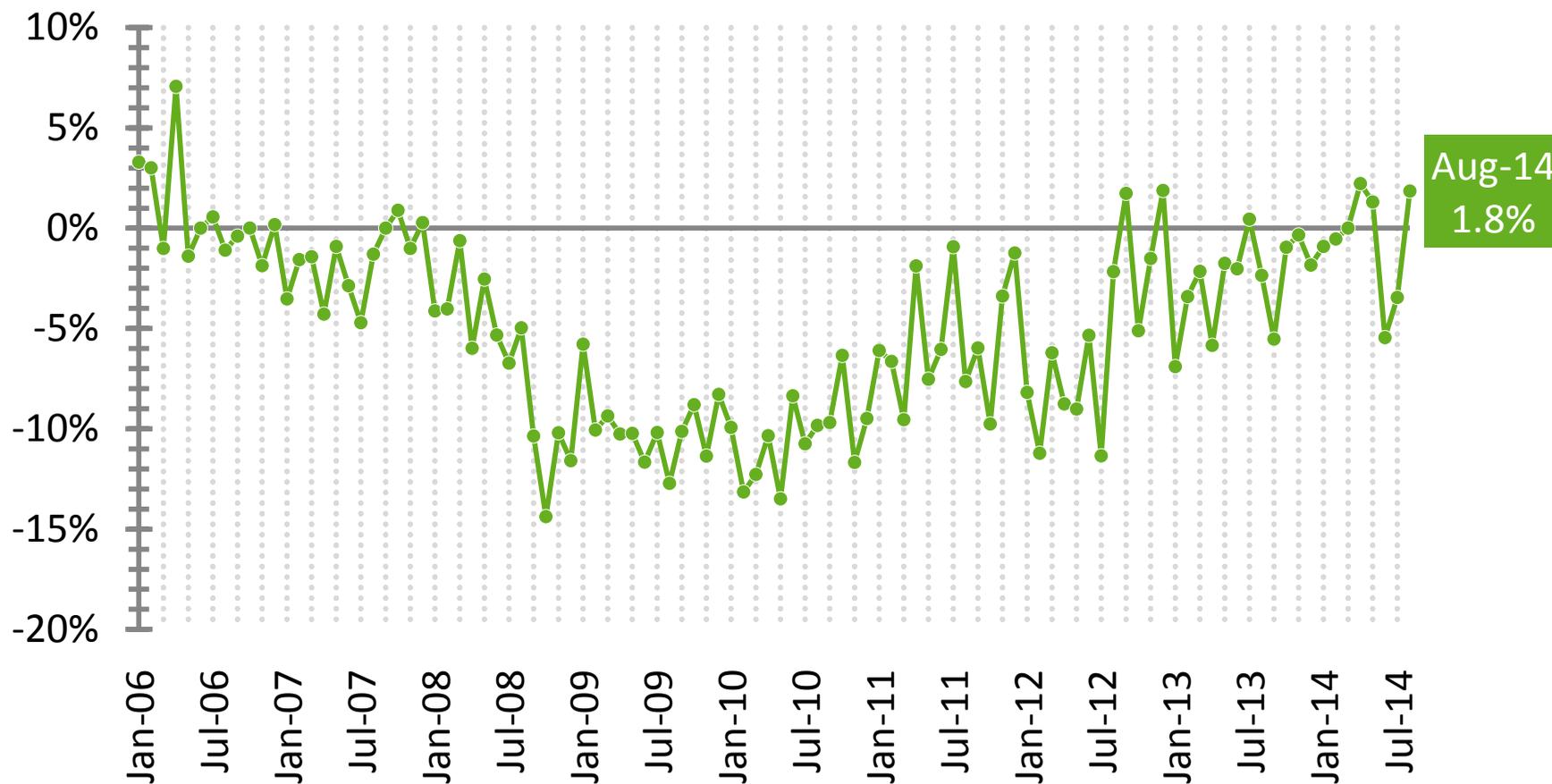
The retail sales index for food and beverage provides a look at overall food and beverage retailer performance. As shown below, the retail sales index is quite variable and has been declining in recent quarters. This infers that, despite rising consumer confidence, Irish consumers are still somewhat cautious.



Base: 100 = 2005
Source: Central Statistics Office

Retail Sales Index – Bars Percent Change vs. Prior Year

For bars, pubs and drinking places, the retail sales index is generally trending positive. This indicates that consumers are spending more at drinking places than in the past, which correlates with overall willingness to spend on food away of home.



Base: 100 = 2005
Source: Central Statistics Office

A background network diagram with a blue-to-green gradient. It features numerous nodes, represented by small circles, connected by thin, light-colored lines. Some nodes are solid black, while others are hollow white circles with a light blue outline. The connections form a complex, web-like structure across the entire page.

Supporting Data - Appendix

Irish Foodservice
Channel Insights

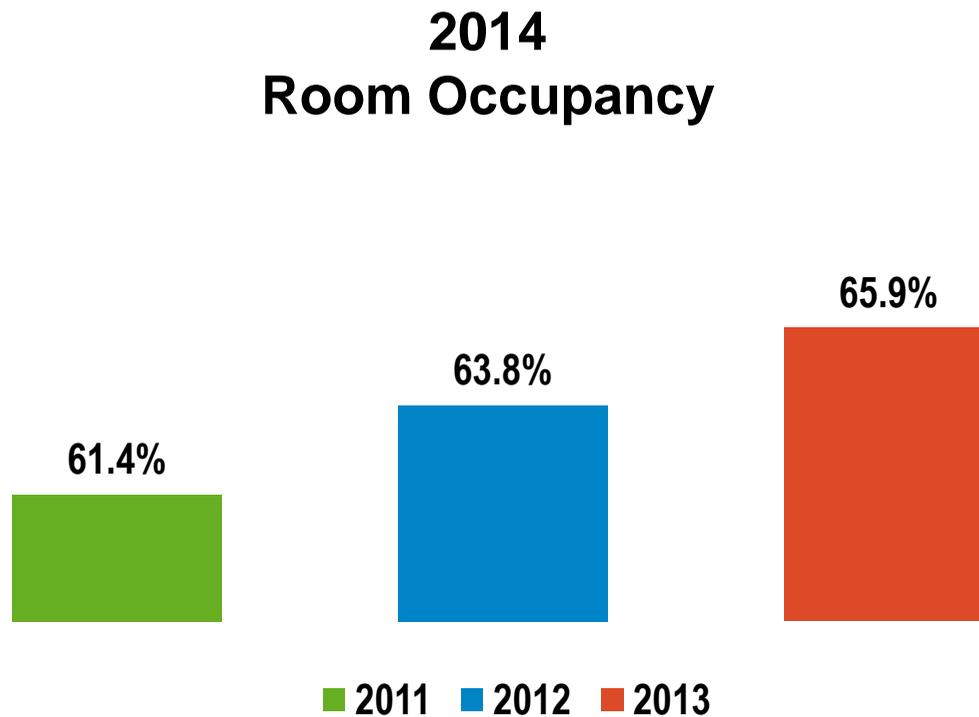
Population of Ireland, by Age Group

Age Group	Republic of Ireland (000s)					Northern Ireland (000s)				
	2006	2011	2016 ^P	2021 ^P	2026 ^P	2006	2011	2016 ^P	2021 ^P	2026 ^P
0-19	1,156	1,243	1,377	1,497	1,572	483	481	481	487	494
19-24	348	321	301	317	335	123	125	117	109	104
25-34	723	870	885	801	759	234	246	250	246	231
35-44	620	713	844	971	966	262	253	240	241	247
45-54	520	587	655	741	866	220	250	262	250	238
55-64	404	468	522	586	652	184	211	212	241	254
65+	462	537	649	775	918	224	248	300	335	382
Total	4,233	4,738	5,233	5,688	6,068	1,730	1,814	1,862	1,909	1,950

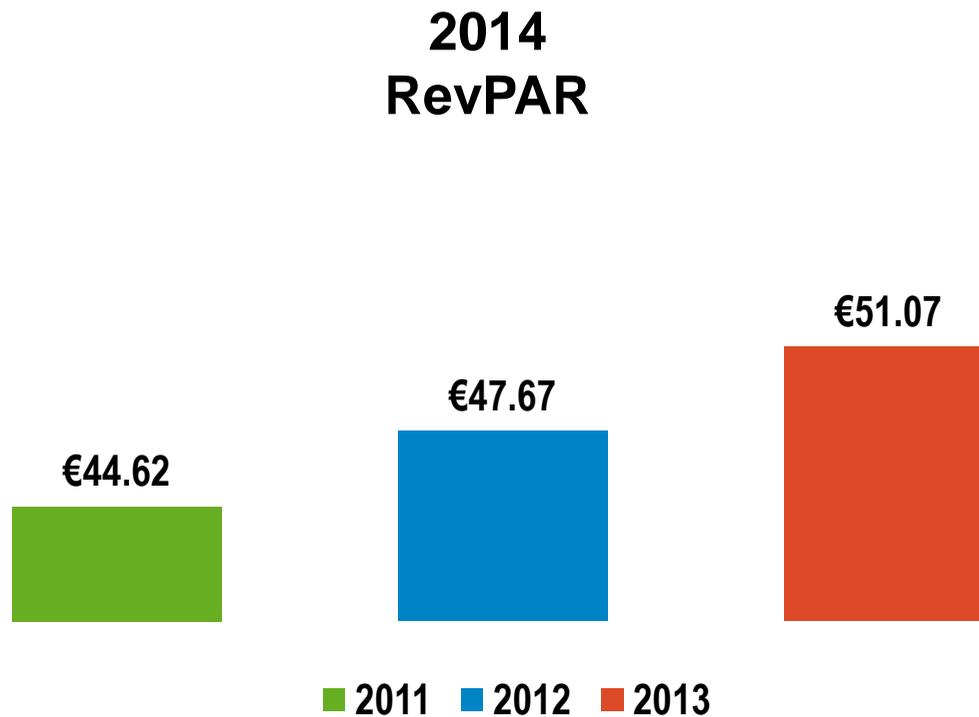
^(P)Projection

Source: Central Statistics Office & Northern Ireland Statistics and Research Agency

Irish Hotel Segment Room Occupancy



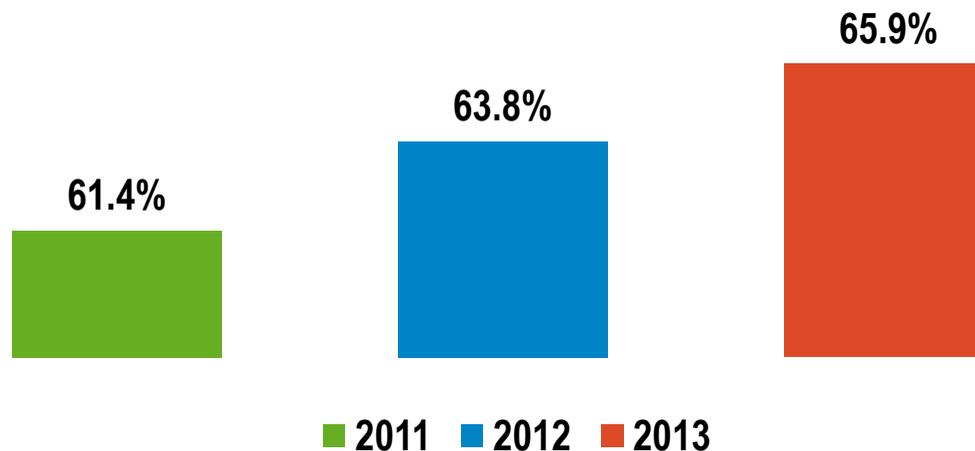
Irish Hotel Segment RevPAR



Note: RevPAR = revenue per available room
Ireland Hotel Industry Survey 2014

Irish Hotel Segment Profitability

2014 Profit Before Tax per Room (%)



Note: RevPAR = revenue per available room
Ireland Hotel Industry Survey 2014

Hotels & Guest Houses, Number of Locations

	Republic of Ireland	Northern Ireland
Accommodation Type	Number of Premises	Number of Premises
One Star Hotels	32	1
Two Star Hotels	131	4
Three Star Hotels	366	46
Four/Five Star Hotels	306	39
Unclassified Hotels		48
Guest Houses	253	106
Bed & Breakfasts	1,616	581
Total	2,704	825

Sources: Failte Ireland & Northern Ireland Tourist Board

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