

Foodservice Industry Report 2004 Summary

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May/June 2005

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Key points

Horizons' data undoubtedly has the breadth and depth within the industry. In general Horizons' figures seem to be robust and hold up against competition wherever figures can be compared

Horizons Database is widely regarded as being the broadest and most authoritative report into the UK foodservice industry by trade associations, government bodies and companies operating in the sector. However despite the reputation of Horizons, there still remains to a degree a lack of belief or trust in the information provided by Horizons.

Horizons data is undermined by an assumed plethora of statistics available from a variety of different sources, leading to a mass of conflicting information and figures.

By publishing this report it is hoped that users of Horizons data will have full confidence in its accuracy.

This report has been commissioned and funded by several major delivered wholesalers who account for about a third of the value of food and drink supplied to the foodservice sector.

Their objective was to gain an independent's view of what information is available, to identify and assess the methodology used and finally to validate the results against Horizons' base data.

This report does not seek to rewrite or amend Horizons Database and Annual Report as this is regarded as a much larger piece of work and is viewed as a continuous and on-going project. Instead this report was requested to provide a snapshot of the Annual Report for 2004, using this report as the foodservice benchmark comparing the information against the plethora of other available sources of information.

The report pays particular attention to the absolute figures available, with where possible an assessment of the methodology used in obtaining the figures and finally validation of Horizons benchmark figures.

1. Terms of Reference

One of the major problems within the industry and in compiling this report is that there still remains no agreement of the definition of foodservice and its component parts both within and outside the industry. For the purposes of this report Horizons definition is used as the benchmark and therefore some assumptions have had to be made in trying to assess and validate information from two different organizations.

Due to the information available from other sources this report has narrowed its scope of measurements to the number of outlets, the sales to consumers and purchases by businesses.

A total of fifteen working days has been allocated for the data collection, analysis and delivery of this report. Hence it simply can not cover every piece of information available in the foodservice sector and priority has been given to the more readily available information. Only limited funds were available for the purchase of commercially available materials and thus this report focuses on publicly available data and commercial data available in the public arena.

2. Methodology

Information providers can be generally categorised into four major segments: government data, research companies, trade associations & institutions and commercial investment organisations (Banks etc). Information has been sought from each sector and through a number of individual organisations within each sector. The means of obtaining publicly available information has been from desk base research, although where appropriate contact has been made with trade bodies or government department to either clarify points, obtain more detailed knowledge and understanding or to obtain further information. In addition company data has been sought from a number of major delivered wholesalers. However much of the foodservice data is only available commercially and in this situation has had to be disregarded for this exercise.

The following is a list (not exhaustive) of the organisations from where information has been sought:-

Government	- Companies House, DEFRA, DFES, DTI, ONS, Small Business Service.
Institutes/Trade Associations	- The Publican, Beer & Pub Association, Local Authority Catering Association, Caterer Magazine, Cost Sector Magazine, British Frozen Food, British Holiday & Home Parks Association, BHA, BSA, Chilled Food Association, Seafish.org, CBI, Restaurant Website, Confederation of Hotel and Catering Management, FDF, Catersearch, HCIMA, CIPS, Defence Catering Group, TUCO, HCA, NACC, NFFF, ISC.
Research Organisations	- Mintel, IGD, Keynote, Datamonitor, Euromonitor, GIRA, Promar International, Dewey Boyes (Caterfile), TNS, Henley Centre, PKF, MB&D.
Banks/management consultants	- Credit Suisse, Barclays Bank, WestLB Panmure, McKinsey, PWC.

3. Executive Summary

The foodservice industry as a whole is extremely broad ranging, is vast being one of the largest industry sectors, complex and a highly disparate industry making research in the sector difficult and very challenging. Because of these factors no major research company or companies have been able or possibly wanted to establish an authoritative research capability covering all aspects of foodservice.

Research companies have tended to follow a similar pattern in their report compositions. Government data is used and analysed for an economic perspective and to identify a trend or change in consumer wealth. Trade association information, press articles and company information is used to paint a picture of the structure and health of a given market and also to identify any structural changes. Finally consumer surveys are used in an attempt to reveal the emerging lifestyle choices and trends and therefore identify the 'next big thing' in the sector.

It is often assumed that for particular sector data the main information source would be the relevant Trade association. However these organisations tend to have limited resources and are more focused on protecting or expanding membership numbers through activities such as media communication, government lobbying and operational best practise for members. Many trade bodies are therefore reliant on independent research companies for their structural information. However in some cases trade bodies can provide the occasional piece of information which possibly could be used instead of Horizons current information.

Yet despite all the companies using the same basic information sources there still remains the problem of different results being produced for the same market. This is a result of the following:-

1. Timing issues
2. Definition issues
3. Methodology issues mainly –
 - Lack of quality or depth in the research
 - Focus on the consumer end of the market ignoring the supply chain and category information, thus not closing the circle of information.

The plethora of information is partly due to the fact that research companies have a very narrow focus when it comes to researching a market or sector and do not provide a solution for the entire market. This creates a gap of information which another organisation will attempt to resolve and so a piecemeal view of the market is generated.

Horizons' is the only organisation to report on the entire foodservice sector covering a much larger remit than the other research organisations and trade bodies. However its commercial status has meant it has to compete for its audience with other often larger commercial research organisations. Authority and respect for its data is all too often undermined by the competitive environment and the very nature of the piecemeal research that has emerged within the industry.

£bn	Total Foodservice	Consumer Foodservice	Restaurants	Pubs	QSR	Hotels	Leisure	C&FSM
Mintel		24.4	7	5.5	8	3.9	0	0
Euromonitor		24.3	6.8	7.6	9.9	0	0	0
Keynote	27.7	24	7	3.2	8.1	2.4	3.3	3.8
Horizons	24.6	21.1	4.8	3.3	6.4	4.6	2	3.5
MBD	24.5	20.9	4.6	3.2	6.3	4.8	2	3.6

Government data appears to be inconsistent and somewhat out of tune with itself and with the industry. The main sources of information are the IBDR a record of VAT registered businesses held at SIC code level, the Annual Business Inquiry, a survey of VAT registered businesses by SIC code, Household Expenditure, which is based on the Family Food Survey and the Family Food Survey itself. None of these datasets has the detailed foodservice specific information required within the industry. Therefore too much reliance on the data can lead to misleading trends and understanding about the sector.

4. Headline Forecasts

Four major delivered wholesaler's views were sought about both current state of the marketplace and the companies respect internal performance. The companies who participated in this project were Brakes, 3663, Woodward Foodservice and Blakemore Foodservice. To ensure confidentiality an overview of an aggregated assessment of the market performance and validation against company performance is published.

The industry view is that the forecasts are in line with the four companies perceptions of the marketplace. The foodservice market is growing at its highest rate for years following the depressing effects of terrorist activity and health issues, as a healthy economy fuels individuals desire to eat out more frequently. As with the entire food market health concerns have led to a trend towards more chilled and fresh products, an area being covered by all distribution channels at the expense of frozen items.

5. Government reports

There are five main areas of government data which this report will assess for insight into the market. Three areas, the DFES, IBDR and ABI, give figures for the numbers of outlets and give a valuation of the turnover of companies which are registered for VAT purposes and are classified as restaurants or hotels as their main commercial purpose. The second two areas, Household Expenditure and Family Food Survey are linked and reports on the value of the foodservice market through household spending. At present there is no government agency that has a specific agenda that compiles data for foodservice other than that previously mentioned above.

6. Trade Associations/Press

Virtually each sector of the foodservice industry has at least one trade association or body that has been set up to bring together similar organisations within the sector. These bodies are therefore created to act in the best interests of the membership including a place to meet to be a forum, encourage operational best practise and to help companies comply with government rules and regulations. In addition each sector also has a regular dedicated or general press service associated with the sector. However most trade associations and press organisations do not have the in-house resource to research their own market and therefore tend to have to purchase research reports either commissioned or off-the shelf from companies such as Mintel, Keynote or Horizons to understand the size of the total market place.

The major organisations that publicly state market size figures are detailed as follows:-

- The Publican
- British Beer and Pub Association (BBPA)
- British Hospitality Association
- National Federation of Fish Fryers (NFFF)
- Local Authority Caterers Association (LACA)

7. Market Research Companies

Research companies are commercial enterprises so will only provide research if there are organizations willing to pay for the information. The focus for most stretched marketing research budgets is the end consumer. Hence the majority of foodservice information is geared towards the behaviours, attitudes, trends and lifestyle of the customer. In order to appeal to purchasers or maybe to try to identify hidden trends, research companies have taken different views on segmentation and definition within the industry making it extremely difficult to compare results on a true like for like basis. This is further adding to the research complexity already prevalent within the industry. With research companies having such a narrow focus regarding research in the industry, inevitably gaps have appeared with many companies, organisations and bodies attempting to fill the void leading to the argument that there is a plethora of information. For the purposes of this report the following research companies have been identified; Mintel, Keynote, Euromonitor, Redpoint and MBD.

8. Conclusions

Horizons' data undoubtedly has the breadth and depth within the industry. In general Horizons' figures seem to be robust and hold up against competition wherever figures can be compared

Government data is useful for general trend in the market. Again care must be taken when using the information as the criteria is often based on VAT registered companies thereby dismissing a large proportion of the foodservice operators. Another criteria is company SIC code classification and hence surveys do not capture businesses that provide foodservice as a complementary service to their main business activity.

Trade association and press data is predominately based upon research from marketing intelligence companies. Those organisations that do their own research tend to survey their own membership so the answers whilst covering a large sample do not fully cover the industry and usually the smaller players in the industry.

It is virtually impossible to benchmark or compare two or more sets of data from research companies as the detail behind a definition and the methodology used is unclear and hence confusing. However in some cases some results appear to be relatively similar. There are two possible reasons for this. Either the base data available is transparent and extremely clear so no matter which way the research is conducted the results will always end up the same. Alternatively rather than starting from a new piece of paper the research company has based its initial results on that of another company and adjusts them each year accordingly to their own criteria.

9. Recommendations

Recommendations for Horizons are:

Take action to make the minor changes required by the individual items of data, or new pieces of data, which have been revealed in this report

Horizons' need to strengthen its customer proposition in the light of this report; specifically:

- Set in action a communication plan to highlight the robustness of its data
- **Make all possible efforts to eliminate or reduce the negativity surrounding information within the industry as a whole.**