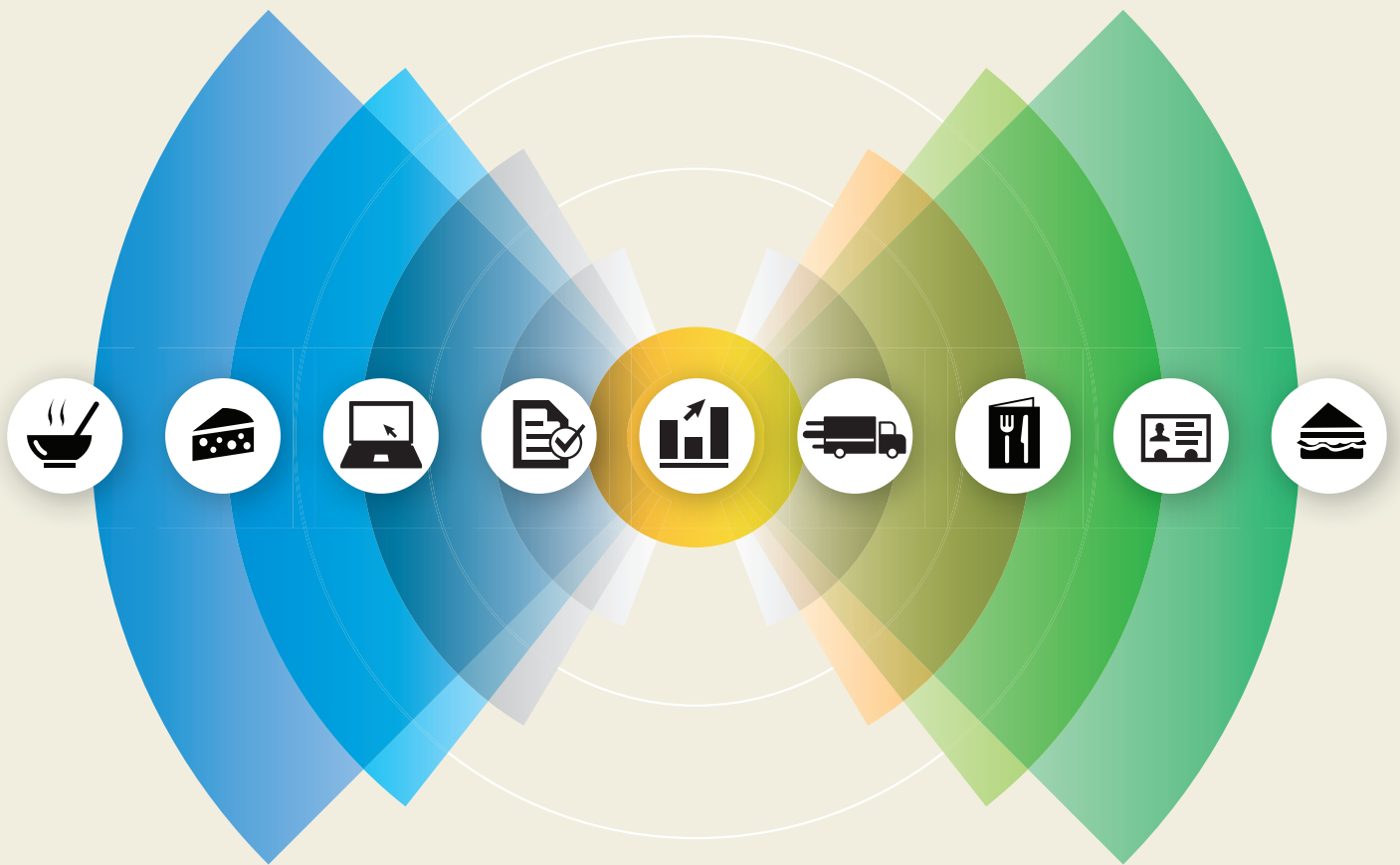


Irish Foodservice Channel Insights

NOVEMBER 2013



Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

www.bordbia.ie

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Management Summary

Management Summary

Introduction

The 2013 Irish Foodservice Channel Insights report has been divided into five principle sections.

Section One highlights the key trends apparent in, and driving foodservice in Ireland. Product category insights are also included to provide an indication of the categories in growth and decline within each channel.

Section Two documents the performance of the main foodservice channels, outlining the key drivers in each channel and highlighting the key implications for suppliers.

Section Three provides consumer insights into commercial (high street) and the workplace catering foodservice channels in Ireland. Findings reveal the most common eating out of home occasions, frequency of engagement within each channel, typical spend per trip and key characteristics associated with the top five channels in both RoI and NI.

Section Four looks at the key global foodservice trends in order to provide insights into possible future developments in the Irish market.

Section Five collates all the research findings and draws out principle conclusions and recommendations.

General trends and characteristics of foodservice

At operator buying prices, the market is currently valued at €1.85 billion. Foodservice sales are dominated by the commercial channels, accounting for 88.6% of the total foodservice market.

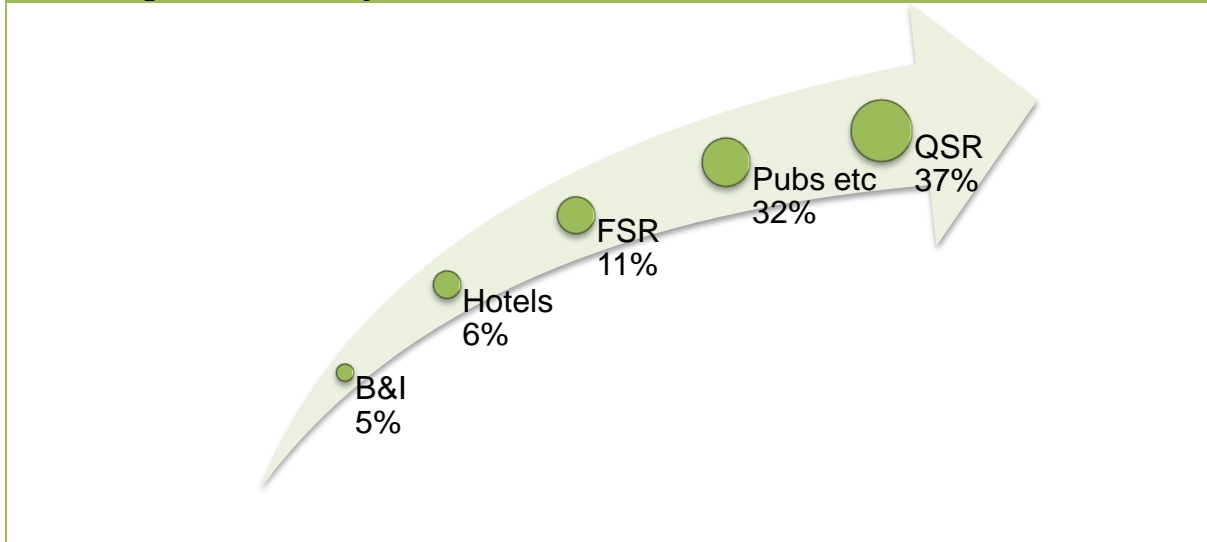
2012 saw a return to growth in four of the five commercial channels, ending a period of decline that began in 2008. Traffic and occasion frequency have increased in the lower priced channels as people have moved away from high spend meal occasions.

Institutional catering has experienced growth in three of the four channels, with the Education channel showing the highest growth levels from 2012-2013. The Health channel is still in decline as a result of dominating cost efficiencies within the channel.

In 2011, the Quick Service Restaurant (QSR) channel replaced Pubs, Cafés and Coffee Shops as the largest Irish foodservice channel and has retained the number one channel position in value terms in 2013. Both these channels account for 69% of foodservice sales by value, highlighting their importance to the overall Irish foodservice market.

The total value of the subsequent four channels accounts for just 26% of the foodservice market. The sixth largest channel is Health with 4% of the market.

The 5 largest channels by value 2013



The good news is that the market is predicted to show growth over the next five years to 2018, averaging a 0.8% increase per annum (CAGR) from 2013 to 2018. This reinforces a slow, but continuous market recovery from a significant period of decline between 2008 and 2011.

Foodservice sales trends

The 2012-2013 headline sales increase in the Irish foodservice market masks differing performance across the various channels. For example, while all other channels posted growth in 2013, the sales value of the Pubs, Cafés and Coffee Shop channel and the Health channels continued to decline.

The on-going decline of out-of-home alcohol consumption in Ireland continued to have a significant negative effect on pubs, reducing the overall Pubs, Cafés and Coffee Shop channel's sales figures and masking an increase in growth in the coffee shop sub-channel.

The Health sector continued to reduce its sales value, primarily driven by public expenditure reductions within RoI. Since the end of 2010, 30% has been taken out of the overall health budget for RoI, reflecting the current emphasis on cost efficiency in this channel.

The key beneficiaries of the growth evident in the foodservice market in 2013 have been hotels, casual dining and QSR (Fast Food).

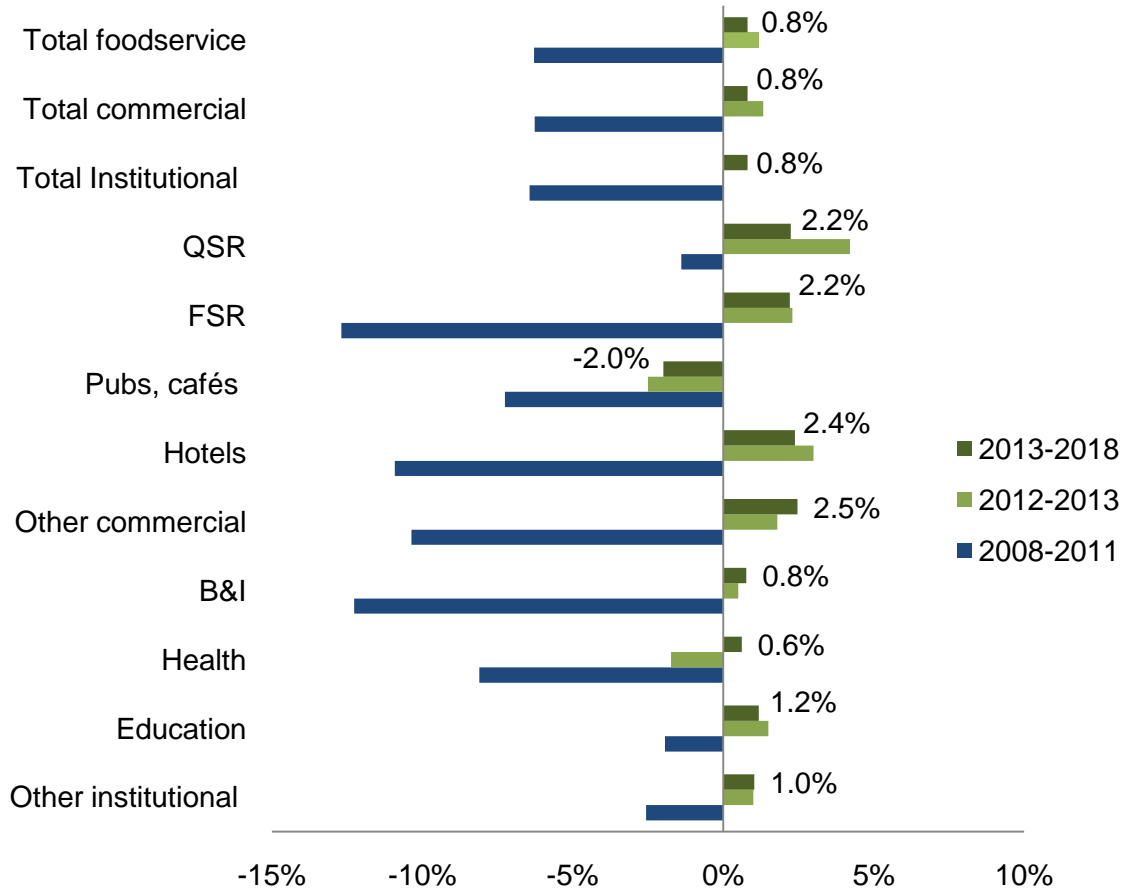
Hotels have seen the largest growth level from 2012-2013 due to an increase in occupancy rates and driven by increased tourism numbers. This is an encouraging sign for the future of the hotel sector in Ireland, coming on the back of a channel that had plummeted in value as the recession deepened.

The dominance of mid-priced hotels in Ireland will show demand focusing on food offerings that do not require highly skilled chefs with simplicity of offerings being a key advantage to this channel. Hotels will also seek to attract non-hotel guests by investing in their food offerings such as deli counters.

QSR continues to grow as a result of providing consumers with low cost meal solutions that suit their reduced spend on eating out-of-home. Health has already emerged as a trend within this category and will gain increased importance as QSR outlets look to overhaul their associations with unhealthy products high in fat, sugar and salt. This reimage will include a stronger premium drink offering as the QSR channel looks to further capitalise on the coffee shop culture that exists within Ireland.

Casual dining restaurants have experienced growth due to consumers' desire for an informal meal occasion and the dominance of value offerings within the sector such as meal deals (food and drink element).

Trends in foodservice sales

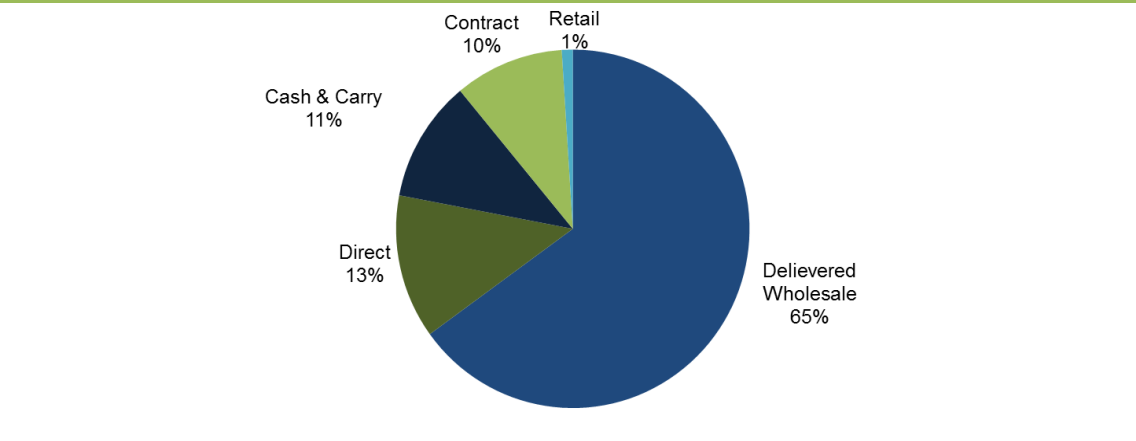


Source: Mintel/Bord Bia

Routes to market

The principle route to market remains delivered wholesale, which accounts for some 65% of the distribution value. Direct sales have also performed well as some operators look to develop relationships with primary producers.

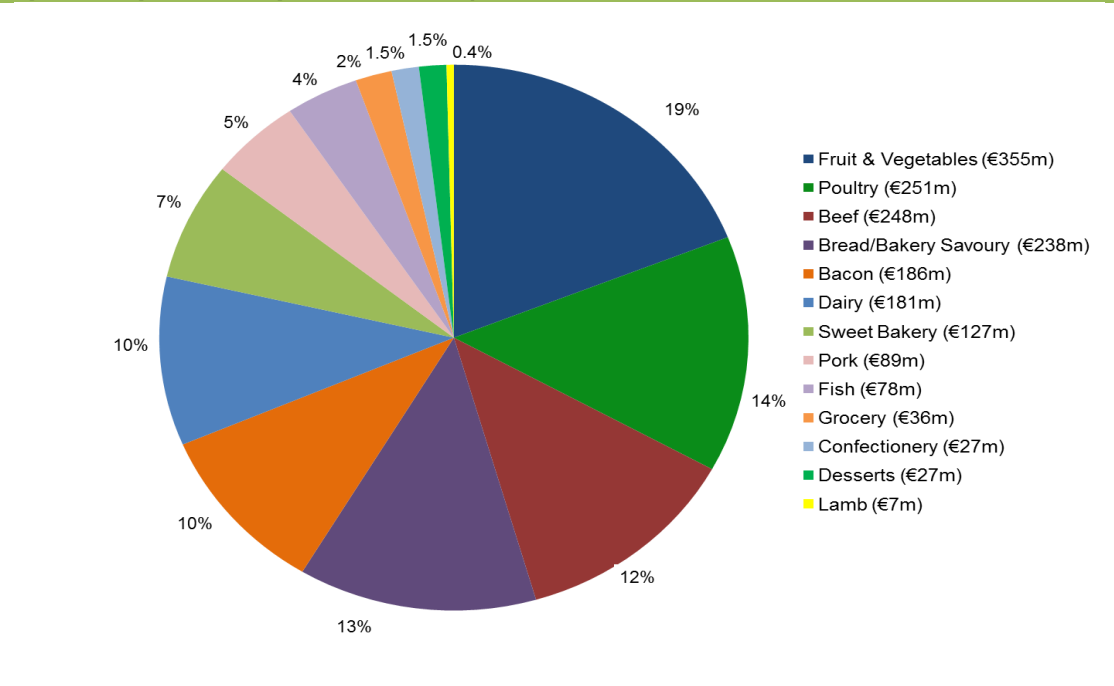
Route to market



Product category insights

Fruit and vegetables are the top category in terms of share and sales value for individual product categories within the Irish foodservice market accounting for 19% (€355m) of the total market in 2013.

Breakdown of foodservice market by key product category (€1.85 billion at operator purchase prices in 2013)



Trade interviews revealed key product categories for future growth are:

- Poultry;
- Savoury bakery/bread,
- Deli style sandwiches/wraps/compartmentalised salad boxes; and
- Kids meals.

Across all product categories there was an emphasis on Irish sourcing, with provenance, transparency and origin identified as a driving trend within the trade.

Categories in decline included fish, beef, lamb, pre-made sandwiches and desserts.

Future trends

Operators need to reinvigorate consumers' willingness to spend on eating out and those that can provide value over and beyond a price point will motivate consumers to spend more. Furthermore, the onus will be on operators to re-ignite consumers' enthusiasm to 'splash out' on higher spend meal occasions in channels such as hotels or FSR by offering unique experiences.

Product innovation is a key strategy to ensure that operators do not lose further share of the 'leisure euro', through putting the excitement back into what is essentially a leisure experience. In addition, an extension of the product development agenda will be offering food and drink that relate to consumers' current moods. This trend has yet to take hold of the market, but will show an increasing presence as 2018 approaches.

There is a wealth of niche food fads, fashions and flavour innovations for mainstream operators to tap into and take advantage of in order to drive footfall and create up-selling opportunities.

Dishes that offer variety (e.g. innovative flavours applied to familiar formats) hold the greatest likelihood of achieving widespread appeal as they balance consumers' increasing sense of menu fatigue with their on-going risk aversion.

The blurring of boundaries between commercial foodservice outlets and the retail sector will present growth opportunities as convenience stores and supermarkets diversify into the food-to-go market.

In addition, there is a move towards multi-channel foodservice offerings as operators expand into new eating occasions. There are opportunities for suppliers to provide product solutions to meet these changing formats.

The ageing population in Ireland is a key demographic that foodservice players need to cater for. There are opportunities for channels that have previously lacked engagement with this demographic to improve their provision of both food and drinks. In particular, the QSR channel will need to increase its engagement with this category if it is to retain its number one channel position within the Irish foodservice market.

Mintel's Inspire database tracks over 8,000 trend observations on an ongoing basis from around the world. Of the top ten global foodservice trends identified within this report, five relate to menu offerings, emphasising the importance of new product development within the future growth of the Irish foodservice market.

Key global foodservice trends relating to menu offerings

Sense of the Intense

Intense physical and sensory experiences give life, brands and products deeper meaning.

The real thing

Consumers are craving products and experiences that come with a stamp of authenticity.

Prove It

Consumers are doing their homework and expecting proof before purchase.

Mood to Order

You feel what you eat. Consumers are turning to ingredients that provide emotional, not just nutritional benefits.

Experience is All

Operators' over-emphasis on speed, convenience and price has led consumers to crave experience more than ever. The location, ambience, layout and service levels of an establishment are increasingly important in today's foodservice environment.

Commissioned consumer survey

As part of this report Bord Bia commissioned a survey to gain an insight into consumer purchase behaviours and attitudes regarding their engagement with foodservice venues throughout Ireland.

The findings were used to ascertain frequency, spend and motivating factors by foodservice channels. The nationally representative online survey was completed with a total of 1,010 RoI and 412 NI consumers aged 18+.

A higher percentage of RoI compared to NI consumers have not eaten out of the home in the last three months (September 2013), reflecting the more cautious spending mentality in RoI.

Breakfast is still an underdeveloped market in terms of foodservice offering due to current consumers behaviour, coupled with the lack of convenient and appropriate food solutions for this eating occasion.

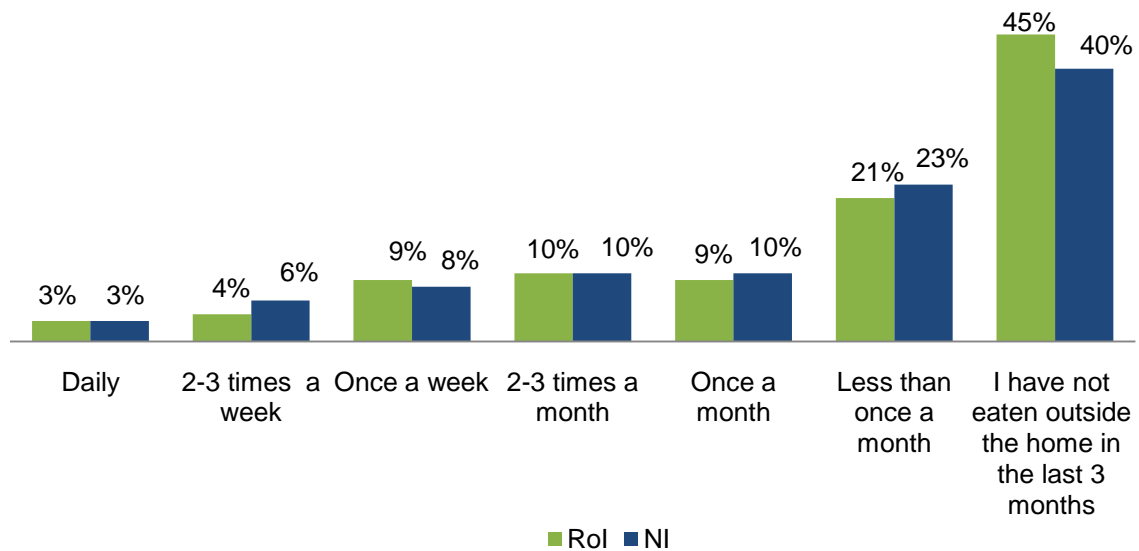
Lunch and/or dinner is typically eaten out-of-home 2-3 times a month (by one quarter of Irish consumers), whereas light snacks are eaten out of the home up to 2-3 times a week (by a fifth of consumers). This illustrates how lower price points are driving spend within the foodservice market at present.

Lunch and snacking occasions are currently the key footfall drivers within coffee shops/sandwich bars, the workplace, convenience stores and street food vendors highlighting that these channels are in direct competition with each other.

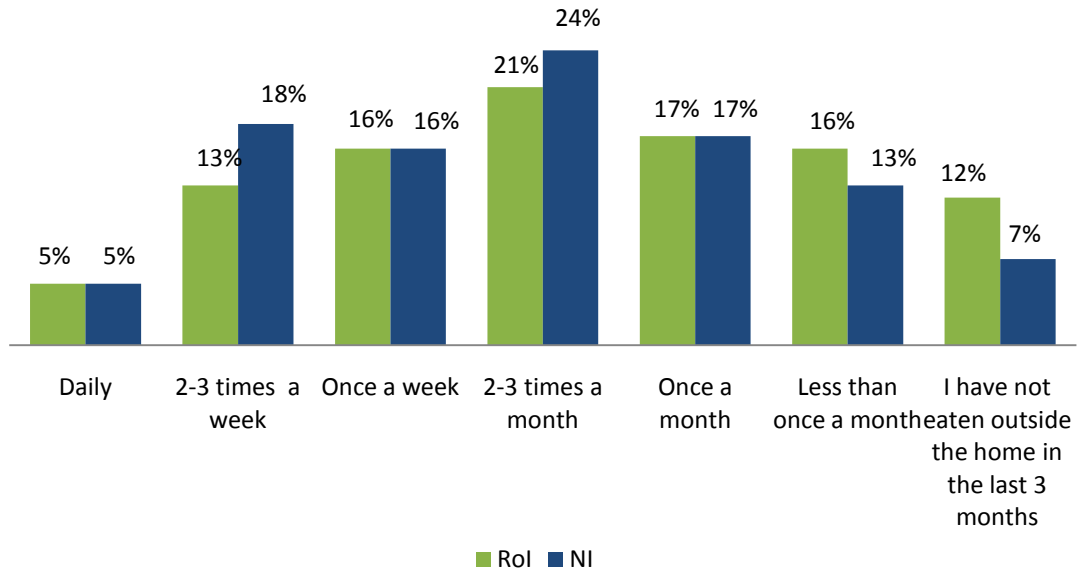
Frequency of eating outside the home in the last three months, RoI & NI, 2013

Base: 1,010 RoI and 412 NI internet users aged 18+

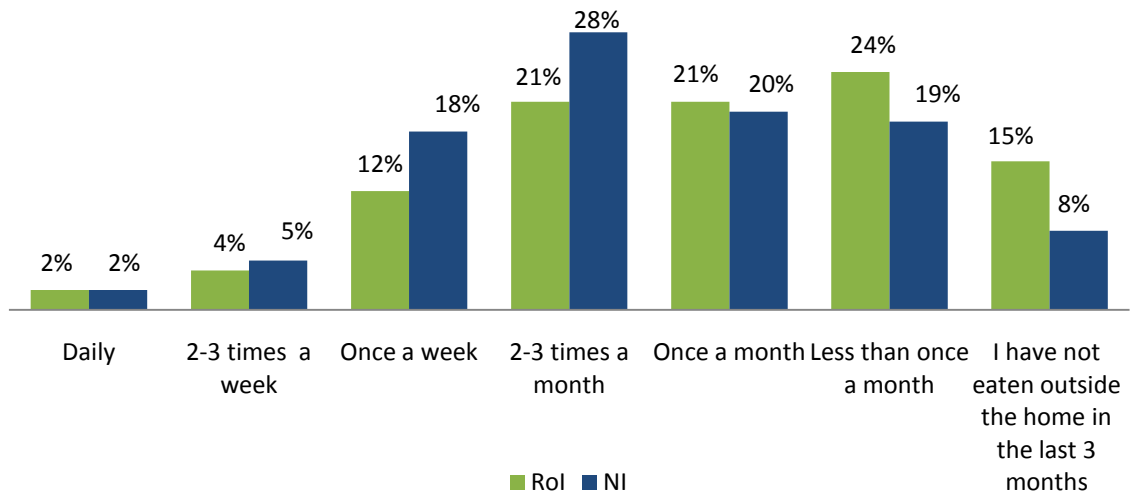
Breakfast



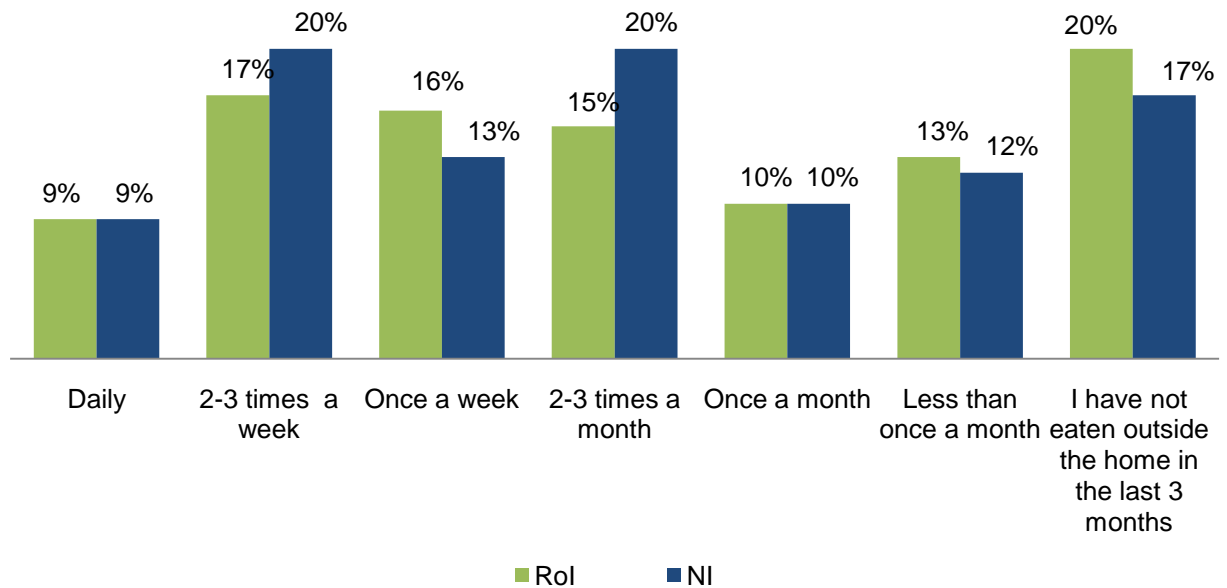
Lunch



Dinner



Light bite/snack



The most popular destination for eating out of home is the coffee shop/sandwich bar, followed by fast food outlets. This reinforces the fact that Irish consumers have traded down in terms of their meal options and that lower transaction spend is motivating venue choice.

It is encouraging to see that over 50% of Irish consumers have eaten in a pub in the three month period up to September 2013. This suggests that an improved food offering in pubs has gained traction with consumers and that increasingly, consumers see pubs as a meal venue choice.

Venues where consumers have eaten at within the last three months, RoI and NI, September 2013

(Base: 970 RoI and 403 NI internet users aged 18+)

Food establishment	RoI %	NI %
Coffee shop/ sandwich bar	63	75
Fast food restaurant (eg McDonalds)	61	56
Pub restaurant for food (table service)	57	58
Deli/ hot food counter in Convenience Store (eg Spar/ Centra)	47	32
Table service restaurant (including a la carte menu)	44	52
Ethnic restaurants (eg Thai, Indian, Chinese)	34	44
Hotel restaurant (table service)	32	40
Pizza/pasta restaurant (eg Pizza Express)	23	28
Workplace (eg canteen)(free biscuits/ snacks or tea trolley services are excluded)*	14	19
American style restaurant (eg TGI Friday's)*	13	20
Sporting event/ concert*	9	15
Street food (hot dog stand)*	8	7

*sample size under 100 in NI

In all of the commercial channels, meal deals and efficient service were the two drivers that consumers were most concerned about when deciding where to eat outside the home. Healthier food choices were stated as the number one influencing factor for consumers who were making decisions to eat at their place of work.

Conclusions

The period of market decline in the foodservice market is over and the future looks more promising, with 0.8% growth forecast in the market to 2018. It is a good time for both suppliers and operators to take stock and look at what they have achieved and how they successfully managed the storm as many of these factors will still be evident in the market over the coming years.

Key players within the supply chain need to realise that consumers will continue to require greater persuasion to spend on eating outside the home. Understanding how and why consumers are behaving will assist in identifying future potential opportunities.

The customer chain



Each element of the customer chain is dependent on the performance of the other key stages. The last few years have seen suppliers; both manufacturers and distributors strengthen their relationships with their foodservice customers.

“We appreciate that our customers (operators) have to do well to keep us in business, so it is in our interests to support our customers and to help them develop their business.”

Distributor

Successful players in the Irish foodservice market to date have been those that have best managed the customer chain and reacted accordingly.

Suppliers that can deliver product offerings that meet the needs of today’s consumer will be best positioned to succeed in this market.

Traditionally, suppliers developed relationships solely with their wholesale distributors, who in turn acted as gatekeepers to foodservice operators and the end consumer.

For all players in the customer chain to succeed, there needs to be greater partnerships between each of the links. Suppliers need to demonstrate to operators that their product offerings can help drive increased footfall and encourage increased consumer spend.

Operators can in turn play their role by pulling the product through the distributors, with suppliers providing the required resources to help push sales from their side.

A long term approach, with more open lines of communications is required to ensure that consumer needs are identified and responded to.

Research Methodology

Background to research

Study Objectives

This study has been undertaken to build on the findings of the 2011 Bord Bia *“Irish Foodservice Channel Insights”* and as a companion to the 2013 *“Irish Foodservice Market Directory”*, also published by Bord Bia.

The primary aim of this report is to provide an updated understanding of the channel size and developments, while also exploring in greater depth product category insights and consumer engagement with the Commercial and Business and Industry (B&I) channels.

The report also seeks to provide a hard base of intelligence to assist operators and suppliers in both their operation and strategic development by extending their knowledge base and providing insights into recent trends and future drivers within the market.

Research overview



Irish Foodservice Channel Insights 2013 is designed as a tool to be used by foodservice players as they move out of a declining market and into a more positive period of growth. It does not seek to provide answers to all situations; instead it sets out to be a working document that will assist in designing routes to solutions, and offer sign-posts to opportunities.

Study scope

This study examines developments in both the Republic of Ireland and Northern Ireland foodservice markets. Throughout the document “RoI” refers to “Republic of Ireland” and “NI” refers to “Northern Ireland”.

The study focuses on the key foodservice channels and seeks to bring broader insights into the importance of the entire supply chain - from supplier to consumer.

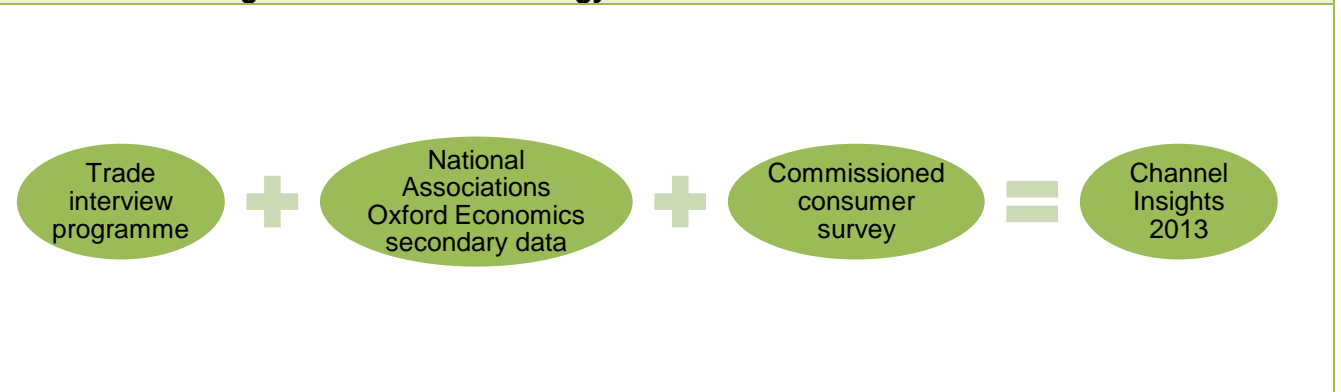
Research methodology

The research process has combined the collection of primary and secondary data (channel sizes and trends), with analysis (insights and understanding) to present a comprehensive overview of the Irish foodservice market.

Quantifying the foodservice market presents measurement challenges due to its fragmentation and lack of universal agreement on definitions and parameters of channels within the sector. A combination of research methods have been used within this study to facilitate cross checking and verification of findings. The 2011 channel figures presented in Bord Bia’s 2011 *Irish Foodservice Channel Insights* report were used as a baseline for all subsequent forecasts within each channel.

The principle sources of information for this study were: trade interviews, National Association data, commissioned consumer survey results and secondary data including forecasts.

The channel insight research methodology



The following is a summary of each data collection stage of the research:

1. Foodservice interviews

In total, 26 in-depth interviews were undertaken with foodservice operators, wholesalers, contract caterers and institutional catering bodies.

2. National Associations

Data was collected from:

- RAI (Restaurant Association of Ireland)
- Food NI/Taste of Ulster
- IHF (Irish Hotels Federation)
- LVA (Licensed Vintners Association)
- Pubs of Ulster

3. Forecasting Tool

Oxford Economics Forecasting model was used to provide accurate forecasting for the food sector, taking into account macro-economic factors such as population and consumer expenditure to 2018.

4. Commissioned Consumer Survey

A commissioned survey for this study was completed by RED C research. The nationally representative online survey was completed with a total of 1,010 RoI and 412 NI consumers aged 18+ in September 2013.

	NI	RoI	All
All	412	1010	1422
Gender			
Male	194	477	671
Female	218	533	751
Age group			
18-24	27	122	149
25-34	74	227	301
35-44	72	196	268
45-54	80	190	270
55-64	111	150	261
65+	48	125	173
Social class			
ABC1	259	448	707
C2DEF	153	562	715

5. Secondary Research

Numerous secondary resources were used extensively within this research to provide insights into each foodservice channel. Sources included Fáilte Ireland, Northern Ireland Tourist Board and relevant Government departmental publications.

Mintel's Inspire database and Oxygen reports were used to provide trend insights within the foodservice market.

Summary of foodservice definitions

In this study foodservice refers to all food and beverages consumed away from the home. It can be further broken down into the following nine foodservice channels;

Commercial Channels

- **QSR:** Quick Serve Restaurants, also known as Fast Food.
- **FSR:** Full Service Restaurants, where orders are taken at the table.
- **Pubs/Coffee shops:** Pubs, bars, cafés and coffee shops, where drink is the primary driver.
- **Hotels:** catering in hotels and guesthouses.
- **Other Commercial:**
 - **Leisure:** catering at venues for sport, entertainment or other events.
 - **Travel:** onboard and terminus catering for flights, trains, ferries and buses.

Institutional channels

- **B&I:** (Business and Industry) catering to the workforce in offices and factories.
- **Health:** catering in hospitals and the care sector.
- **Education:** catering to pupils in schools, colleges and universities.
- **Other Institutional:** catering for prisons and armed services.

A full channel definition is supplied within each individual channel section of the study

Glossary of terms used in the report

In addition to the channels definitions, the following terms and acronyms are used in this report.

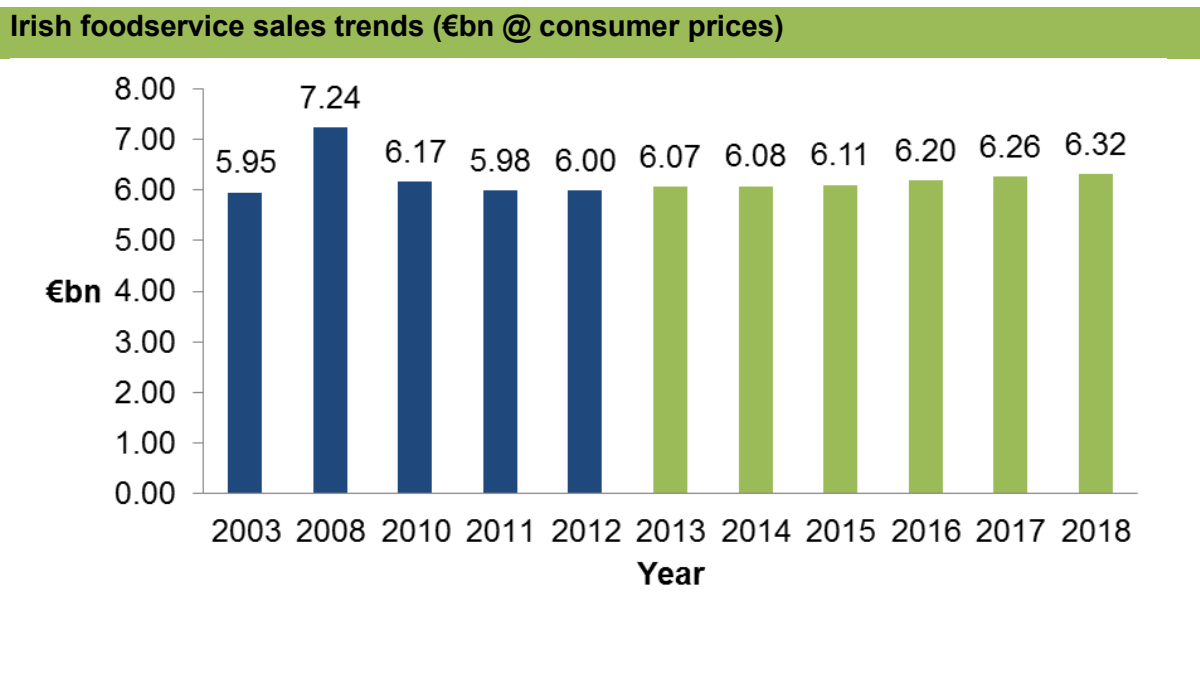
CAGR	Compound Annual Growth Rate: The average sales increase over a specified number of years incorporating compound growth.
Cash and carry	A large outlet where foodservice operators and small retailers can come to purchase supplies.
Commercial foodservice	Channels where catering for profit is the prime motivation
Contract	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	Convenience store where hot food or food on-the-go is sold to eat and take away.
Customer	The person to whom the supplier sells, usually the wholesaler or the operator, although the ultimate customer is the consumer.
Delivered Wholesale	Supply of product to outlets via wholesaler delivery vans, often on a daily basis.
Direct	Where operators buy from markets, producers or farmers direct rather than through intermediaries such as wholesalers.
Foodservice channel	The acknowledged grouping of foodservice outlets by type (each of the main channels is defined separately)
Institutional foodservice	Often known as cost catering, channels where catering is a service provided free or with a subsidy.
IOI	Island of Ireland
Occasion	The meal reason for visiting a foodservice outlet, eg breakfast, lunch dinner, coffee, snack etc. An occasion can include one or a group of people.
Operator	The company or business running the foodservice outlet or chain of outlets.
Route to market	How to get the product to the end consumer. Involves distribution and logistics.
Traffic	The number of consumers visiting a foodservice outlet. Also known as footfall, it is a key operator metric.
Transaction spend per occasion	The average spend per person per foodservice visit.
White table cloth	White table cloth restaurants, a sub segment of the full service restaurant channel representing the more traditional and premium restaurant outlets.

Trends in the Irish Foodservice market

Market dynamics

The foodservice market fared particularly well during Ireland’s ‘Celtic tiger’ years, reaching a value of €7.2 billion in 2008 at consumer prices¹. A myriad of factors such as high wages, business confidence growth, immigration, low unemployment and access to easy credit created a society where disposable incomes were high and consumers ate out regularly. The number of commercial foodservice outlets increased as consumers were in a position to pay a premium for eating outside the home. Consumers enjoyed both the convenience and social aspect of eating out and this became a common leisure activity.

This period saw foodservice outlets within the sector expand rapidly. Furthermore, operators were able to increase their prices due to consumers’ affluence and lack of price consciousness.



Source: Mintel/Bord Bia

The foodservice market is one that is closely connected to the affluence of a nation and directly correlated with household budget for food and leisure spend. As such this market is susceptible to peaks and troughs in line with the general economy. It follows then that the Irish foodservice market followed the wider economy into recession.

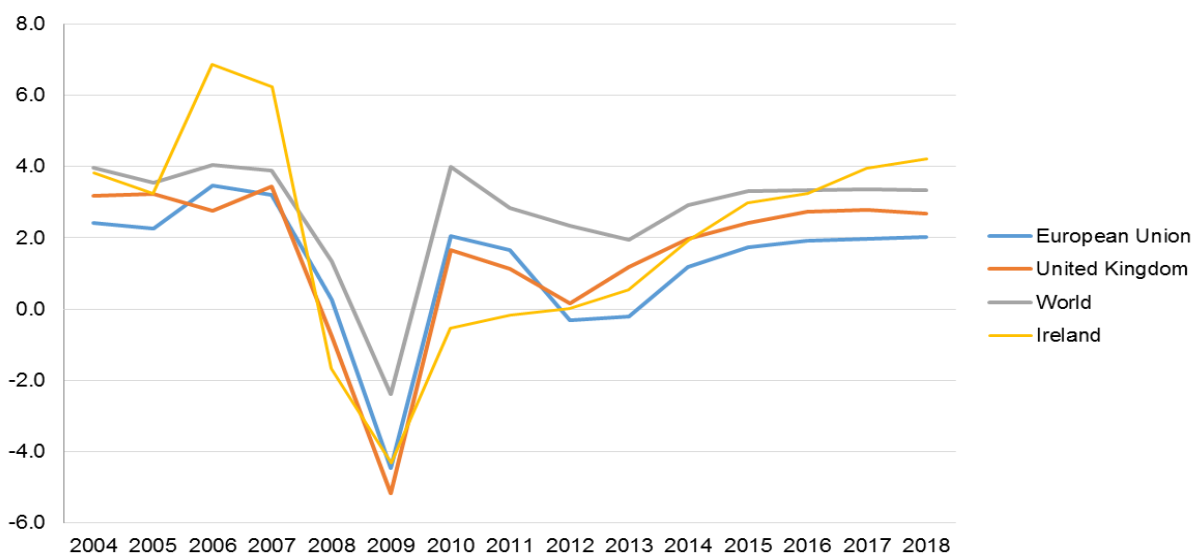
Consumers’ plentiful access to credit and high disposable incomes plummeted as austerity measures were introduced and both countries’ financial situation worsened.

From a peak of €7.24bn in 2008, estimates suggest the market is worth just over €6bn in 2013.

A Long and Slow Recovery

As the recession began, there was a hope and expectation among consumers that it would be short lived and consumers initially continued to engage in their existing eating out habits. However, as GDP growth rates show, the recession in Ireland is currently into its fourth year and recovery is expected to be modest.

Growth rates by GDP, World, European Union, United Kingdom and Ireland, 2004-2018 (%)



Source: Oxford Economics

By 2010, a more cautious consumer had emerged. Consumers were forced to change their habits and reduce their spending, with non-essential items such as eating out suffering the greatest cutbacks.

Consumers started to review their spending priorities and began looking for the best deal when eating out. This change in behaviour prompted an increased engagement with QSR outlets and saw footfall dramatically decrease in hotel and white table cloth restaurants.

The severity of the recession was reflected by the significant rise in the unemployment rate. Unemployment in RoI rose from 6.4% in 2008 to 14.6% by 2011 (CSO Ireland). Unemployment in NI remained lower at 7.4% in 2011, but had risen from 4.1% in 2008 (NISRA).

In addition, wages declined across many sectors between 2008 and 2011 and this was coupled with housing prices falling by over 50% within the same period (Mintel Ireland – Construction, August 2012).

In addition to the sharp declines on the consumer side, institutional food budgets funded by the Government have faced considerable reductions, creating a blueprint for future budget allocations for food procurement policies.

Looking at 2013, the market is showing some positive signs, albeit in a vastly changed context where both operators and consumers have realigned their positions. Operators are focused on maintaining their current position and consumers are driven by the pursuit of value when eating outside the home.

Market value

Between 2008 and 2011 the island of Ireland (IOI) foodservice market value declined sharply (average decline of 6% per annum) representing a significant fall in value and against a market that had been experiencing growth of 4% per annum in the previous five years.

Increased consumer sentiment and a reconnection with eating outside the home in 2012 saw the IOI foodservice market increase to a value of €6 billion at consumer prices. From 2012-2014 the market is expected to show a modest increase in sales value. Looking to 2018, the market value is forecast to increase to €6.3 billion at consumer prices, but growth in sales value will be limited due to increased input costs and more discerning consumers that expect a value proposition as standard.

Breakdown of market size by channel

From 2012-2013 the overall market has shown growth of 1.2%, increasing from 0.3% growth between 2011-12 and reflecting a more positive outlook within the Irish foodservice market.

Institutional channels from 2011 to 2013 have been characterised by cost efficiencies and are finding themselves under increased pressure to achieve efficiencies in their annual spend. This sector fell by 1.1% in value from 2011-12, but the current expectation is that market value can be maintained at around this level.

The sector is characterised by a more competitive tendering process, where increased emphasis on streamlining government procurement has resulted in economies of scale regarding food purchasing trends.

Irish Foodservice: Rol and NI 2012-2018 (at consumer prices)

	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011- 2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013- 2018
QSR (Quick Serve Restaurants)	2,101	2164	3.0%	2255	2519	2.2%
FSR (Full Serve Restaurants)	647	659	1.8%	674	752	2.2%
Pubs/ Coffee Shops	2043	1982	-3.0%	1932	1747	-2.0%
Hotels	367	374	1.9%	385	433	2.4%
Other Commercial	136	137	0.7%	139	157	2.5%
TOTAL COMMERCIAL	5290	5316	0%	5386	5608	0.8%
Business and Industry	287	283	-1.4%	284	295	0.8%
Health	236	230	-2.5%	226	233	0.6%
Education	132	134	1.5%	136	144	1.2%
Other Institutional	37	37	0.0%	38	40	1.0%
TOTAL INSTITUTIONAL	692	684	-1.1%	684	712	0.8%
TOTAL IOI	5,982	6000	0.3%	6070	6320	0.8%
Rol	4165	4154	-0.3%	4197	4407	1.0%
NI	1817	1846	1.6%	1873	1919	0.5%

Source: Mintel/Bord Bia

Commercial channels facilitating growth in the overall market

Aside from Pubs/Coffee Shops (which is addressed later in the report) there has been a marked upturn in the overall performance of commercial channels since 2011, with the overall market for commercial channels forecast to grow by 1.3% from 2012 to 2013.

An increase in overseas tourism from 2012 has provided a welcome boost to commercial channels and has helped drive food spend within the Irish economy amidst a flat domestic foodservice market. In the first six months of 2013, there was a 5.4% increase in overseas visitors to Rol (Fáilte Ireland). Likewise, tourism in NI has improved with figures for 2012 (published in July 2013) showing a 3% increase in overseas visitors (NISRA).

Conversely, domestic consumer demand has been muted by on-going low consumer confidence, particularly within the Rol marketplace. Cautious consumer spending has become the new norm and is viewed as a priority over discretionary spend.

Over 75% of Irish consumers² stated that they 'spend more time looking for special offers and low prices than they used to'

Measures such as the reduction of VAT for the hospitality sector in RoI, from 13.5% to 9% in July 2011, have helped to strengthen the sector that was previously struggling to recover from the recession.

The Restaurant Association of Ireland (September 2011) stated that 94% of their members had passed on the reduction to their customers. The extension of the lower VAT rate into 2013 has further supported growth within the RoI foodservice market.

Growth in the foodservice market in 2013 is further reflected in the 8% increase in employment (seasonally adjusted) in accommodation and foodservice activities over the year to Q2 2013 (CSO – Quarterly National Household Survey, August 2013).

The unemployment rate in NI stood at 7.5% in June 2013 and is below the RoI, UK and EU unemployment rate, supporting growth within the foodservice market in NI.

Increased competitiveness facilitates reducing budgets in institutional channels

Since 2011, institutional channels, with the exception of the Business & Industry (B&I) channel, have benefited from increased competitiveness in the marketplace. Suppliers have targeted this market, perceiving it as stable and secure in comparison to commercial channels. As a result, competition for tender contracts has increased, supported by an existing emphasis on cost reduction in the institutional channel.

Cost reductions in the Health sector in RoI are a primary cause of the decline in the institutional foodservice sector. Decreasing public sector food budgets within RoI, coupled with a cap on food budget allocations in institutional services such as the Defence Forces, highlight the lack of growth opportunities within this sector.

The Business and Industry channel offers the most growth potential within the institutional foodservice sector due to opportunities for increased workplace dining as the economy moves out of a recessionary period. Increased employment through company expansions and investment primarily into RoI between 2014 and 2018 will support growth within this channel.

NI offers a more positive outlook for the institutional spend within the foodservice channel, with hospital food spend increasing per patient from 2010-12 amidst directives to decrease the number of in-patients. In addition, there has been additional funding given to provision of school meals and domiciliary care in NI.

² (Toluna, October 2012). Sample size: 750 NI and 1,250 RoI internet users aged 16+

High food prices continue to put pressure on foodservice market

A higher proportion of consumers' income is spent on food bills as food prices are rising in an economy where wages remain static and unemployment is still high. From December 2011-2012 prices of food and non-alcoholic beverages in RoI rose by 1.6% and by 3.8% within the same period in the UK (CSO Ireland and the Office for National Statistics), reflecting evidence of price inflation within both markets.

High food prices in Ireland and the increase in spend on consumer's food bills at retail level will in turn put pressure on their discretionary income and ability to eat out.

Differing emphasis of food and drink offerings by customer motivations

The below table segments the foodservice market by consumer motivations and provides a snapshot of the differing role of food and beverages by operators. The differing customer motivations and operator needs within foodservice channels highlights that suppliers need to tailor their offerings to meet each channel's specific requirements.

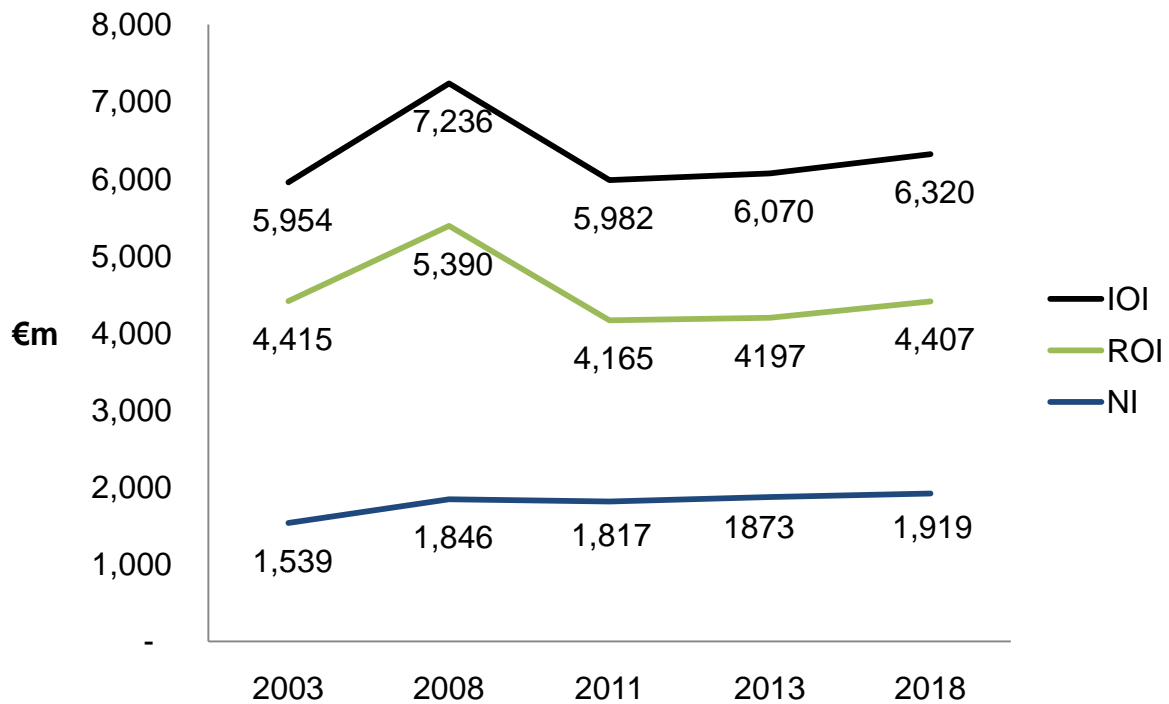
Summary: The role of food and drink by channel

Customer motivation	Mkt Share 2013	Channels	Strategic role of food/drink	Operator perception of "foodservice"	Operator need
Food & drink driven	43%	FSR, Pubs/cafés/coffee shops	Food/drink is core	Core competence	Differentiation, service, quality, value for money
Convenience driven	37%	QSR, in-store, universities, street food	Speed, ease of use and low price point driven	Food has to fit into speed driven service	Convenient solutions, price sensitive
Consumer activity driven	9%	Hotels, leisure/events, in-store	Food/drink an "extra" and secondary to consumers main activity	Food offers a point of differentiation at these venues and is often a social activity	Experience driven, food/drink solutions need to relate to venue
Captive driven	11%	Terminal and on-board travel, B&I, health, education, government	Food/drink primarily a "refuelling activity"	Cost and fit for purpose driven	Cost and quality driven

Irish foodservice market set for growth as 2018 approaches

Looking to 2018, the foodservice market is forecast to reach €6.3 billion at consumer prices (€2 billion at operator purchasing prices). Growth in sales value will be limited due to increased input costs and more discerning consumers that expect a value proposition as standard.

Foodservice market size within Ireland, 2003-2018



Source: Mintel/Bord Bia

Below is a key summary of the performance of the differing channels from 2011 to 2018. QSR is forecast to be the largest channel within the Irish foodservice market in 2018. Within the institutional sector, B&I is forecast to remain the strongest channel.

Channel	% of the market in 2011	% of the market in 2013	% of the market in 2018	CAGR 2013-18	Sales 2018 (€m)
COMMERCIAL					
QSR (Quick Serve Restaurants)	35.1	37.2	39.9	2.2%	2519
Pubs/ Coffee Shops	34.2	31.8	27.6	-2.0%	1747
FSR (Full Serve Restaurants)	10.8	11.1	11.9	2.2%	752
Hotels	6.1	6.3	6.9	2.4%	433
Other Commercial	2.3	2.3	2.5	2.5%	157
INSTITUTIONAL					
Business and Industry	4.8	4.7	4.7	0.8%	295
Health	3.9	3.7	3.7	0.6%	233
Education	2.2	2.2	2.3	1.2%	144
Other Institutional	0.6	0.6	0.6	1.0%	40
TOTAL IOI					6320

The market is predicted to grow at a rate of 0.8% per annum from 2013 - 2018. To achieve this growth, operators will need to motivate consumers to increase their out of home spend by providing service and quality offerings, in addition to value.

Future foodservice sales will also be driven as a result of the blurring of boundaries between the commercial foodservice and retail markets, with convenience stores and supermarkets diversify into the food-to-go market.

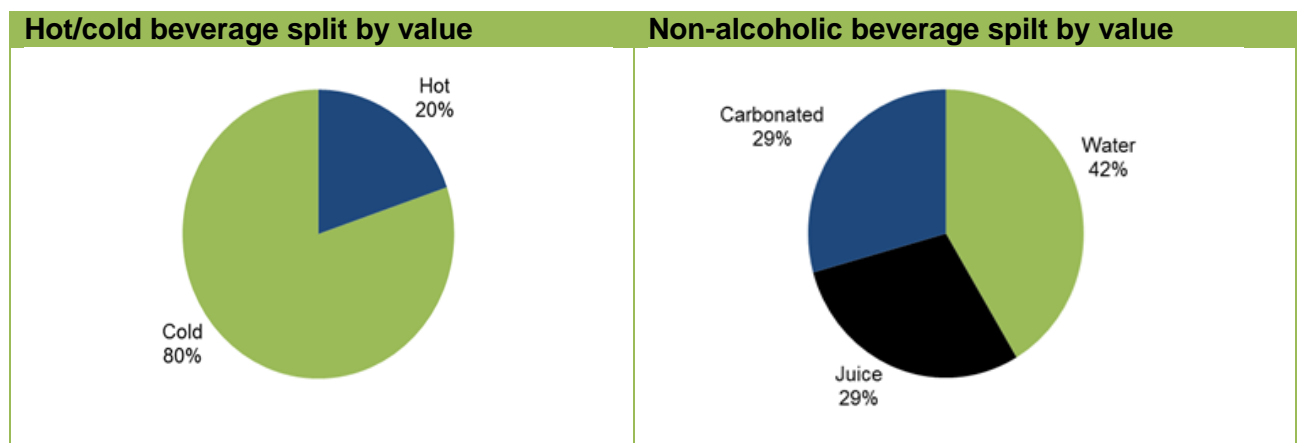
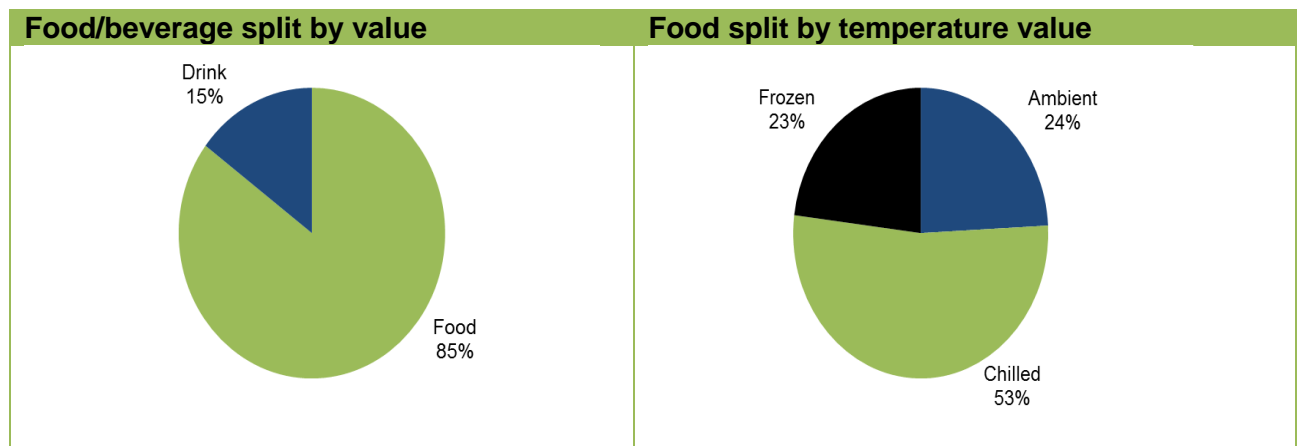
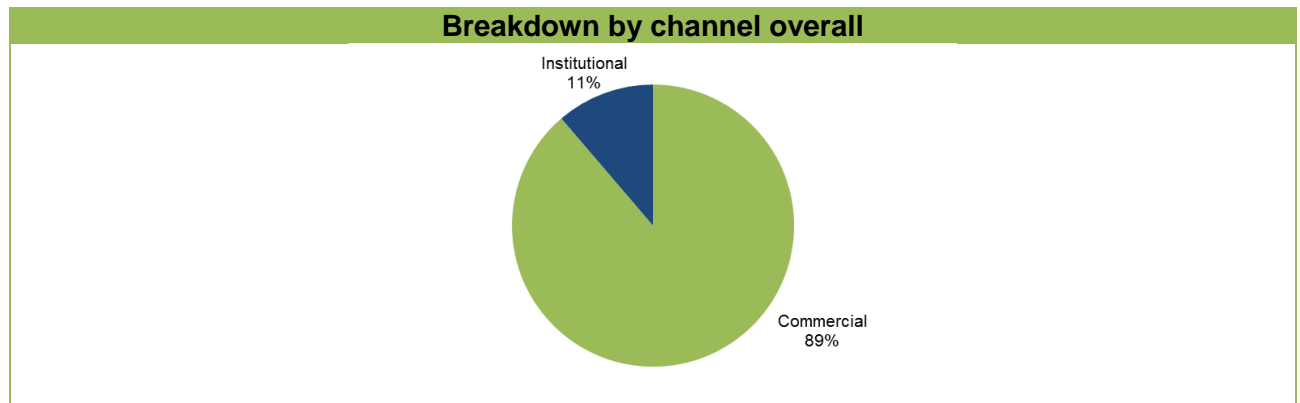
In addition, outlets that traditionally served a particular eating occasion are expanding their offering to open up new eating occasions, for example pubs are now offering mid-morning tea and snack menus to compete alongside coffee shops.

Suppliers that can provide product solutions to meet these changing formats and out-of-home food consumption occasions will be best positioned for sales growth.

Market Characteristics

Commercial channels account for 89% of the overall foodservice value in 2013. This represents a 1% increase since 2010 (Bord Bia 2011). Institutional channels have experienced a contraction in budgets since 2011 and their market share has fallen by 1% accordingly.

Main market breakdown: Foodservice IOI 2013



The chilled category is experiencing growth and as a result the frozen category is contracting. There is a perception that frozen product is of an inferior standard to chilled product.

“The majority of operators still will not go near frozen, even though it can make more sense. There is less waste involved and operators would probably get a more consistent product, however there is still a reluctance to move towards it.”

Operators are increasing their purchases of chilled products to reflect the growing consumer demand for freshness and flavour. The importance of the chilled category to the overall foodservice market is also reflected by a number of distributors stating that a key priority for their business was to develop their chilled product portfolio.

Commercial sales by channel 2008-2018 (in € million at RSP)



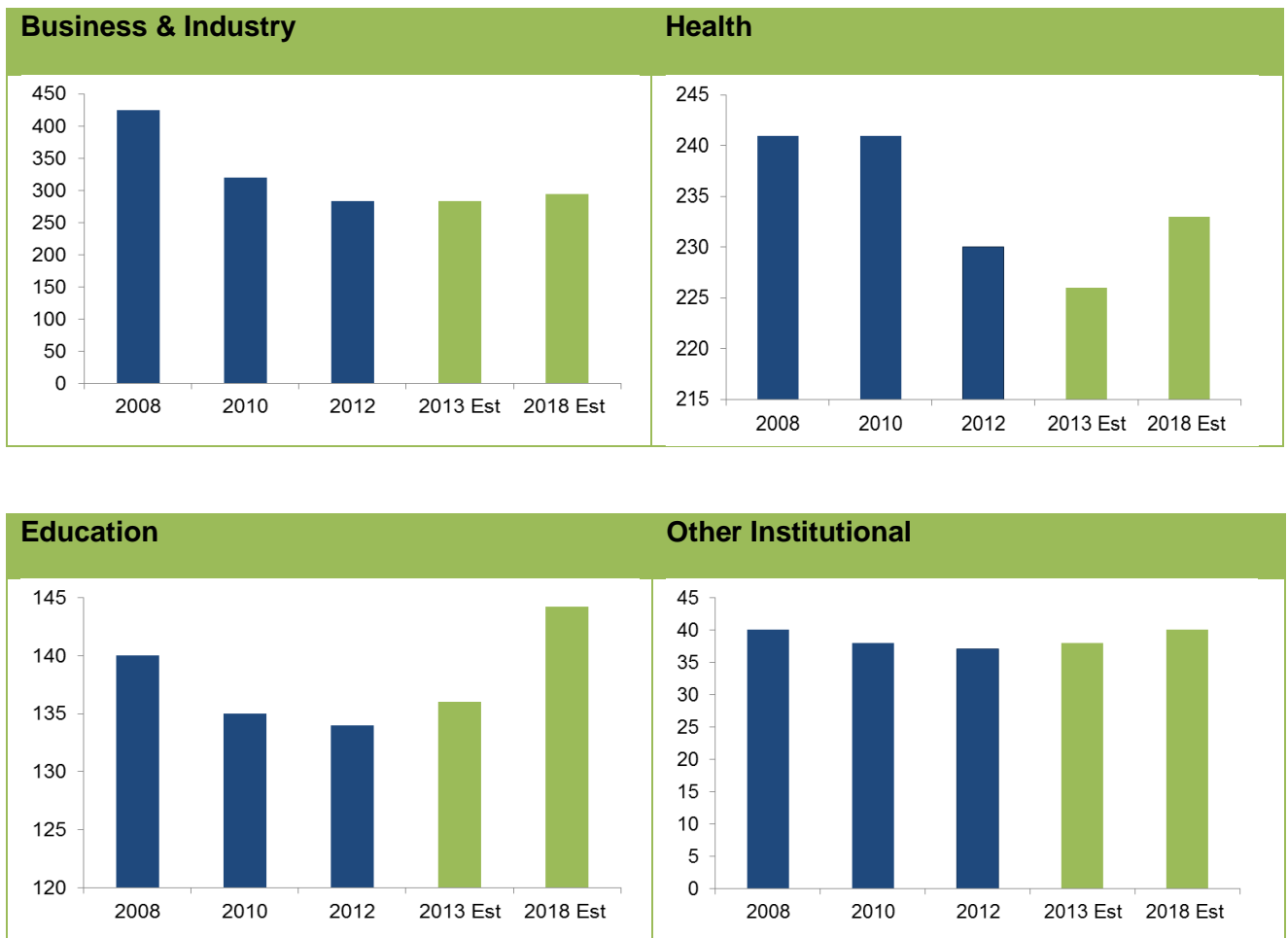
Key implications for suppliers

QSR is the key growth channel.

Growth is forecast from 2013-2018 for the FSR and hotel channels, following a harsh recessionary environment.

The pubs/coffee shop channel will continue to struggle as pubs outside key cities are challenged to gain increased footfall.

Institutional Sales by channel 2008-2018 (in € million at notional RSP)



Key implications for suppliers

Business and Industry has been slow to recover from the recession, but will grow as the NI and RoI economies strengthen.

The Health sector is still in a period of cost reduction, particularly in RoI. However, an aging population will increase demand for hospitals and care home services boosting the value of the channel post 2015.

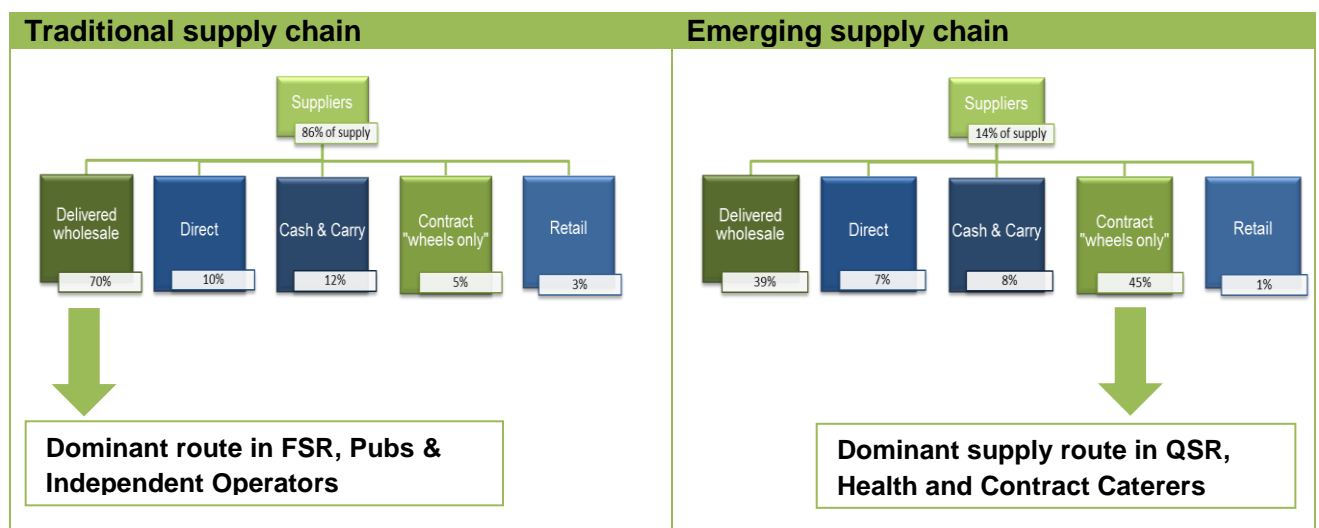
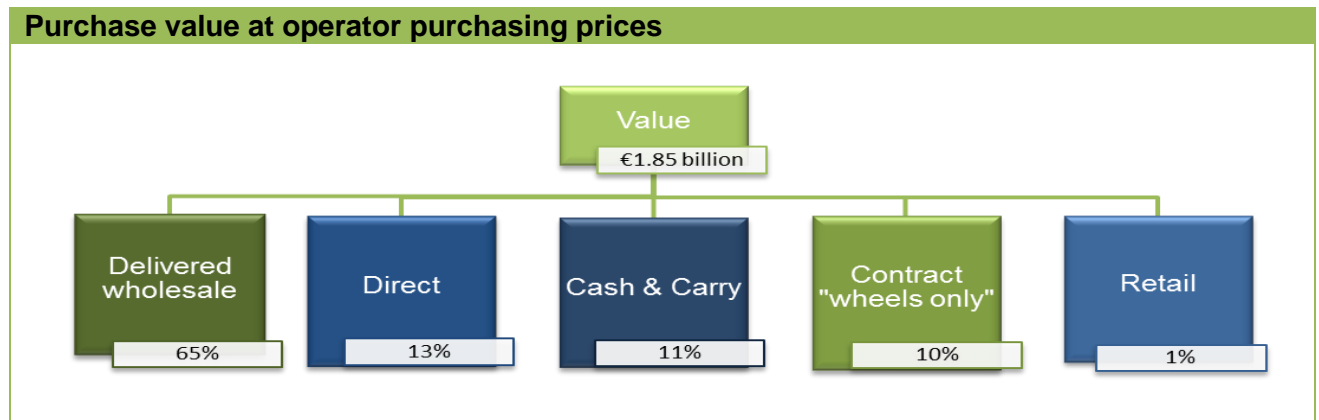
Growth within the Education channel is forecast due to an increasing birth rate and an increase in outsourced catering solutions.

The 'Other Institutional' channel will remain relatively stable as Defence and Prison requirements remain flat. Food inflation will drive growth in this channel.

Routes to Market

The traditional supply chain, heavily dependent on the delivered wholesale through distributors remains the dominant route to market for commercial channels.

Route to Market Breakdown: Foodservice IOI 2013



Distributors have had to work hard to further increase market share since 2011 due to increased competitiveness within each of the differing routes to market. They have focused on working in partnership with operators to look at how their ranges can enhance margin, moving away from discounts as the primary sales driver.

Within commercial channels, delivered wholesale enables operators to lessen back office work and offers time efficiencies when ordering and delivering stock. In addition, delivered wholesale providers are increasing their engagement with technology solutions to support operators. The emergence of apps that enable chefs to order products online is one example of the 'value added' service that delivered wholesalers can provide.

In addition, distributors commented that non-food ranges such as tableware are also a growth area and such developments will further support them acting as a one stop shop for operators' needs.

Delivered wholesale is also important in institutional channels due to their regional coverage and wide range of stock requirements. Distributors will also look to further increase their engagement with commercial and institutional channel operators by offering smaller case sizes to ease cash flow issues and to support operators' quest to reduce waste. Distributors will also look to strengthen their own-brand ranges in order to offer a broader value range to their customers.

Contract "wheels only" has increased its presence in the emerging supply chain from 2010, driven by the growth in the QSR channel and also due to the fact that it is a significant route to market within the health and B&I sector. Large chains in the QSR channel use wheels only as the predominant route to market and their expansion in terms of outlet numbers has seen this route to market grow. Likewise, the health sector is typified by tender contracts that involve "wheels only" provision.

"Wheels only" offers future growth in the hotel and B&I channels, with contract caterers likely to further adopt this route to market where they can avail of cost efficiencies. However, it is unlikely that "wheels only" will become as significant a route to market as it currently is within the UK foodservice market.

The direct route to market has increased its presence since 2010, gaining 3% of the market with operators in the FSR, hotels and pubs channels increasing their direct involvement with suppliers. Product quality, service and personal relationships are attributed to the increase in this route to market.

Distributors have also realised the importance of developing strong customer relationships and are moving away from a culture of selling on price alone, to fostering long term relationships.

Product Category Insights

Trade interviews revealed product category insights by foodservice channel and provided insights into categories experiencing growth/decline within each channel. A breakdown of the foodservice market is presented by key product categories below. This is followed by an overview of the growing/declining product categories by channel.

Product categories by value

The foodservice market in IOI in 2013 is worth approximately €1.85 billion at operator prices. The table below details foodservice product by value and is broadly reflective of foodservice operators in commercial channels (with the exception of coffee shops, where bakery, confectionery and desserts represent a higher proportion of sales).

Vegetables and fruit are the top category in terms of percentage value and overall sales for individual product categories within the Irish foodservice market.

Summary: Foodservice product by value (Operating buying prices) 2013

Product Category	% of total market	Value (€m)
Fruit & Vegetables	19.0	355
Poultry	14.0	251
Beef	12.5	248
Bread/Bakery Savoury	13.1	238
Bacon	10.0	186
Dairy	10.0	181
Sweet Bakery	7.0	127
Pork	5.0	89
Fish	4.0	78
Grocery	2.0	36
Confectionery	1.5	27
Desserts	1.5	27
Lamb	0.4	7

Source: Trade interviews/CSO/Office for National Statistics

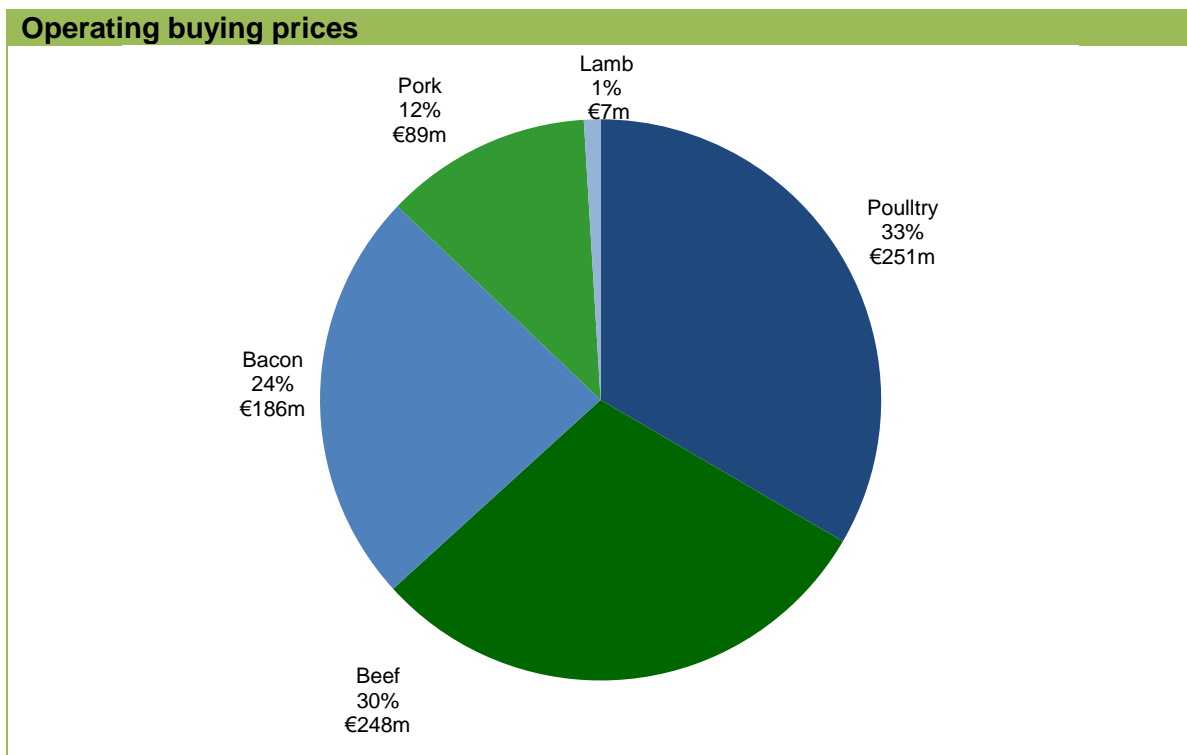
Poultry is the second largest product category within the foodservice market. The sharp increase in beef (average increase of 9% between 2011 to 2013) has seen operator demand, fall moving instead to supporting growth within the poultry category.

As a relatively low cost protein option, it has proved popular with consumers looking for value offerings. It's versatility as a main ingredient has also driven operator demand for poultry based dishes.

Lamb sales remain low due to consumer engagement and the associated cost factor.

Sizeable bacon sales reflect its wide usage within foodservice market.

Summary: Meat breakdown by value (Operating buying prices) 2013

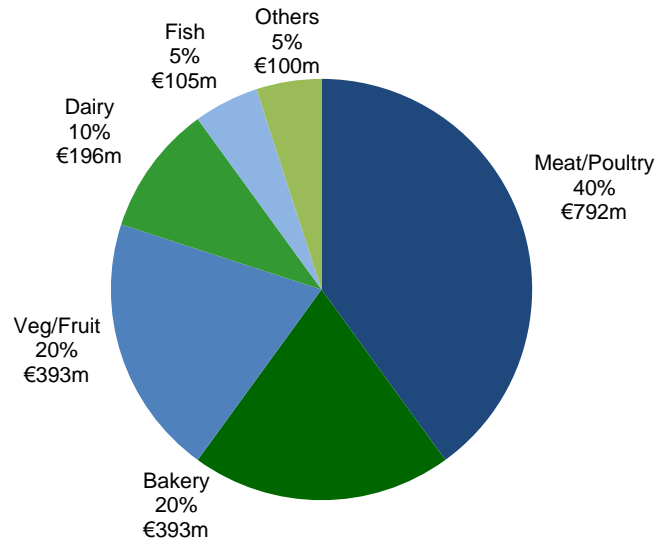


The overall operator value of the foodservice market in 2013 is lower than 2010 with a value of €1.85 billion in 2013 compared to €1.97 billion in 2010. This has resulted in all product categories in 2013 having a lower sales value compared to 2010.

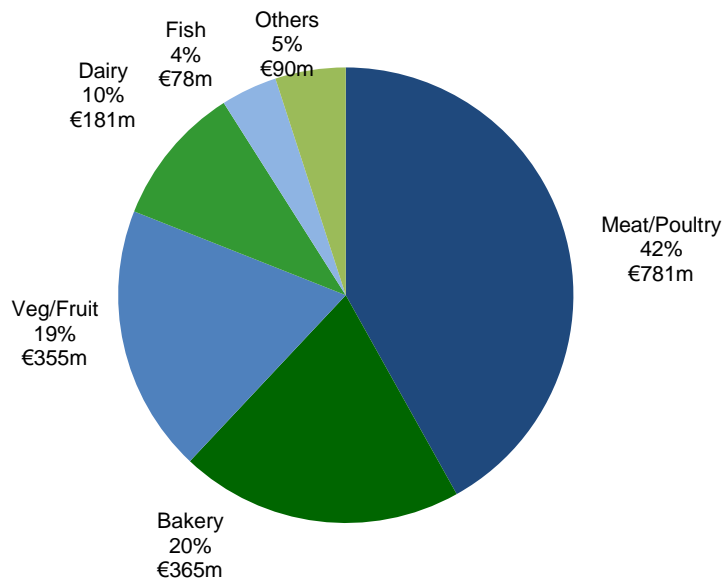
Since 2010, the protein category has experienced 2% growth in terms of its overall share of the foodservice market. There has been a decrease in fish and beef sales since 2010, with operators switching to lower cost protein alternatives.

Operating buying prices 2010 and 2013

2010 (€1.97 billion at operating prices)



2013 (€1.85 billion at operating prices)



There has been a marginal decrease in the size of the dairy and vegetable/fruit categories due to operators' emphasis on shaving costs from their food purchases.

Within the bakery category, sweet bakery sales have fallen due to consumers changing consumption patterns. There has been a decrease in mid-morning sweet pastry purchases and sweet pastry sales are driven by smaller sized afternoon pastry purchases.

However, this decline has been offset by increasing sales within the savoury bakery category. This has resulted in the overall bakery category marginally increasing its market share from 20% in 2010 to 20.1% in 2013.

The 'other' category which includes grocery items, desserts and confectionery have increased by 1% between 2010 and 2013 due to price inflation.

Growth evident in multiple product categories

Although there is a continued emphasis on value, there is also an industry drive to support new concepts. Operators are more outward looking and innovation has resurfaced as a result of more positive performance within the sector. Growth in product categories is dependent on products delivering value, quality and uniqueness. Below is a summary of opportunities (identified through trade interviews) that exist for suppliers within the foodservice market. Protein and bread were two significant areas cited as growth categories.

Product category growth opportunities in the Irish foodservice market, September 2013

Channel	Growth Categories
Quick Serve	Premium sandwiches/frappe drinks/smoothies.
Full Service and Casual Dining	Beef, poultry, sandwiches, sweet bakery, healthy snack foods.
Coffee Shops	Sweet bakery.
Hotels	Beef, fruit and vegetables, dairy, granola, cooking stocks.
Leisure/Events	Poultry, bread, bakery and healthier alternatives to mainstream products (including salads and pulse based options).
Travel	Salads, products with a sense of place/identity.
Business and Industry	Fish, poultry, fruit and vegetables, sweet bakery, premium tea & coffee, sandwiches, compartmentalised sandwiches, fruit based options.
Health	Cooked joints (NI), healthy vending concepts.
Other institutional	Poultry.
Distributors	Beef, poultry, bread, bakery, dairy, desserts, sandwich fillings, ice cream.

Source: Trade Interviews

Protein

- Poultry features as a key growth area across multiple channels, supporting its position as the largest single product category. This is further supported by demand for affordable protein.

“Chicken would be the lion’s share of the protein market at present. You could have chicken on the menu every single day and there will always be a demand for it.”

Distributor

- Trade interviews with distributors revealed that rare/speciality breeds of meat have become more popular as an alternative to mainstream meat products, helping to justify sales of higher cost protein offerings that have experienced decline since 2010.

“There are probably about 15 types of more unusual meats that we’ve started to offer in the last year and a half. Whether it be lamb, beef or rare breed pork, and each of these offerings have resulted in a growth in our business.”

Distributor

- Cooked joints (with the exception of poultry) will continue to be popular within the health services in NI due to their ability to meet HACCP control measures and the fact that they pose a lower risk to micro-biological food outbreaks.
- Although fish sales are low compared to other product categories, there are opportunities for Irish fish suppliers that can offer a quality sustainable product at a competitive price. At present, the price of fish poses a barrier to consumption

“I think fish will grow as a category. People will eat fish when eating out of the home due to their lack of knowledge of how to cook it themselves. However, there needs to be more availability of sustainable Irish fish stocks if this category is to reach its potential and to allow the price to become more attractive to consumers.”

Contract Caterer

Bread

- Within the bread and sweet bakery categories there are opportunities for ‘dry mix’ products that enable a hand finished and consistent quality product.
- Frozen breads are popular due to the time saving element and consistency that can be difficult to replicate when baking from scratch.

“The skill set for making bread from scratch has gone, however, offering operators a dry mix product that can be hand finished enables a quality, rustic, yet simple bread offering.”

Distributor

- In general, the bread category will continue to grow with new types of grain used to produce new textures and flavours.
- Gluten free breads are undeveloped, with a desire for high quality varieties.

Other categories

- The growth in made-to-order sandwiches will prompt growth in sandwich fillers to facilitate on-site preparation at deli counters.
- There has been a drive in sales towards wraps and compartmentalised salad boxes and fruit based mixes for light bites as consumers look for 'breadless' lunch options.
- Within the coffee shop channel there are opportunities for smaller sized products and others that bridge a biscuit and a cake, suitable for both take away and eat in.
- FSRs commented on the need for greater focus on kids meals, with an emphasis on healthy and smaller sized adult meals.
- There is room for an increased array of speciality offerings as an extension of the provenance trend, for example Irish cheeses and cured meats.
- The presence of granola, cheese and yoghurt has increased as traditional Irish breakfasts become less common in hotels.

Overall, Irish provenance was viewed as an important characteristic, having connotations of quality and supporting the local economy.

“There is a very strong appetite for Irish products be it local or national brands, with the largest growth in our food sales stemming from products that are of Irish origin. However, there is still a large amount of produce that we are importing that we would prefer not to be.”

Distributor

Decline evident in protein, desserts and pre-made sandwich offerings

The majority of product categories within the foodservice market in Ireland are experiencing growth. However, there are areas that are in decline as result of raw material price increases and changing consumer purchase patterns.

Sandwiches, sweet bakery and certain proteins (beef and fish) are categories that are experiencing a decline in sales.

Product categories in decline in the Irish foodservice market, September 2013

Channel	Decline Categories
Quick Serve	Beef, core sandwiches.
Full Service and Casual Dining	Desserts.
Coffee Shops	Large sweet bakery products e.g. muffins.
Hotels	Full Irish breakfasts.
Leisure/Events	Fish.
Travel	Sit down meals.
Business and Industry	Fish, desserts.
Health	Lamb, cooked poultry, pre-made sandwiches.
Other institutional	Beef.
Distributors	Fish, beef.

Source: Trade Interviews

Sandwiches

- There has been a marked decline in pre-made sandwiches as growth in made-to-order deli sandwiches has increased. Poor connotations of freshness, compared to made-to-order sandwiches and a growing consumer trend towards customisation have contributed to the decline in this category.

“If we have a 100% sandwich opportunity every day, 10% of them would be pre-made. Made to order is a big growth area accounting for 90% of the market. People now expect to see a wide variety of sandwich fillers and want to see Irish artisan options such as Irish cured meats or relishes. These sell really well and we make a hero of these items. For example Irish cheese, we sell out of this, it’s a really popular kind of food. Traditional ham on white bread sandwiches, are now a thing of the past.”

Contract Caterer

Sweet Bakery

- Within the sweet bakery channel, large product offerings such as muffins are in decline as consumers opt for mini varieties. Mini indulgences such as miniature tray bakes/pastries/cakes are replacing larger offerings as consumers look to lower their transaction spend whilst also wanting to reduce, but not eliminate, their consumption of treat items. This trend is most apparent with female consumers.

“We now offer mini cookies, scones and pastries. This not only suits consumers lower transaction spend, but also offers a treat product without all the calories of a standard sized product. In addition, mini offerings also enable mix and match price promotions where consumers can purchase three mini items for a set price offering. This presents an opportunity to increase transaction spend.” **Contract Caterer**

Protein

- Demand for fish and beef is down, primarily due to the cost of these items, relative to other protein alternatives.
- In addition, the per head consumption of fish in Ireland remains low compared to other European countries³.
- Within the health sector in NI a reduction of spend on processed foods such as burgers is evident due to the increasing obesity problem in the regions.
- Unlike other meats, the purchase of cooked poultry products within hospitals in NI is decreasing due to a higher risk of listeria outbreaks compared to purchasing raw chicken and cooking onsite.

Other categories

- There has been a decrease in the presence of full Irish breakfast offerings, particularly egg and bacon, in a method to reduce costs in 3 star+ hotels. In addition, pastries are also becoming a less common breakfast offering and are being replaced with Healthier alternatives such as granola, yoghurt and cheeses.

³ Seafood consumption in Ireland is low, with fish protein in the diet only accounting for 8% of total protein intake and equating to 22.7kg/annum. In comparison, fish accounts for 12% of the French and 20% of the Spanish diet (Mintel: Poultry, Ireland March 2013 report).

Conclusion

Following a sharp period of decline in recent years, current performance and prospects for the foodservice market appear set to return to a period of growth. In the coming years, value will be a driving trend for consumers and institutions alike.

While the economic context remains a challenge, opportunities exist. Across all commercial channels (with the exception of Pubs/Coffee Shops) growth per annum in the range of c.2.5% is expected.

The economic downturn has also impacted distribution channels. While the traditional supply chain remains the dominant route to market for commercial channels, distributors have had to work hard to further increase market share since 2011 due to increased competitiveness within each of the differing routes to market.

Growth is evident across multiple product categories. The protein category has performed best since 2010, showing an increase of 2% in terms of total market share in 2013. The strength of the poultry category is driving growth within this category.

Growth opportunities will continue to be dependent on suppliers providing a value offering. However, quality and uniqueness are also important product characteristics in a market where operators have become more outward looking and are receptive to innovation as a result of the improved performance of the foodservice sector.

“For the previous two to three years, nobody wanted to know about anything new, that atmosphere has changed. People are now open to new ideas and value is coming from what you’re offering, rather than just the price. Operators now need much more than price, they need a certain calibre of food, a story behind the food and a quality product.”

Distributor

Commercial Channels

- Quick Service Restaurants
- Full Service Restaurants
- Pubs/Coffee Shops
- Hotels
- Other Commercial

Quick Service Restaurants (QSR)

Channel definition

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.

QSR in Ireland

QSR total value 2012

€2.16 billion at consumer prices

The QSR channel is the largest channel in the foodservice market in 2012 representing 36.1% of the total market. When eating out, Irish consumers are increasingly opting to eat in QSRs and their lower price point has been a key factor in this trend.

Furthermore, the convenience associated with QSR outlets, where consumer can access quick and convenient food has further motivated consumers to engage with this channel. Fast food outlets and take-away formats suit consumers' fast-paced lifestyles as more consumers eat meals on the go, looking for hassle-free solutions that are prepared easily and quickly.

Growth in the market is also based on the rise in the 25-34 year age demographic within Ireland.

Population in Ireland by age group, RoI and NI, 2010-2021

RoI					NI				
Age Group	2006 000s	2011 000s	2016 (proj) 000s	2021 (proj) 000s	Age Group	2010 000s	2012 000s	2016 (proj) 000s	2020 (proj) 000s
0-17	1,037	1,131	1,261	1,369	0-17	432	434	438	446
18-24	467	434	418	445	18-24	179	174	166	159
25-34	723	870	885	801	25-34	245	255	262	254
35-44	620	713	844	971	35-44	251	244	238	246
45-54	520	587	655	741	45-54	241	249	255	247
55-64	404	468	522	586	55-64	191	195	210	232
65+	462	537	649	775	65+	260	274	301	327
Total	4,233	4,738	5,233	5,688	Total	1,799	1,823	1,870	1,910

Source: CSO/NISRA

Some 73% RoI and 70% NI consumers aged 25-34s in RoI had eaten in a QSR restaurant in the last three months (RED C commissioned survey, September 2013). This age group are key engagers with the QSR channel. In addition, emigration levels within the 25-34 age group have been falling since 2011 further supporting growth within this category (decrease of 0.7% between 2011-2013, CSO).

Sales within the QSR category have also reflected a widening consumer base. Innovative flavours, increased variety of cuisine and healthier products have helped the QSR channel to move away from its negative health connotations and are appealing to older consumer demographic groupings.

Drivers and trends in the channel 2011-13

Value and convenience are driving spend within this channel.

QSR operators have looked to address the drop in consumption rates with older consumers by expanding their range of premium hot and cold drinks. This strategy is aimed at appealing to older consumers and is attempting to mimic the success of the coffee shops channel.

This approach has also helped to encourage frequency of visits amongst consumers of all ages by prompting visits outside of traditional meal times. QSRs growing consumer base is also supported by claims that 15% of RoI and 10% of NI consumers aged 35-44 years have increased their frequency of eating in QSRs within the last 12 months (RED C commissioned survey, September 2013).

There has been an increased presence of QSR locating outside standalone units and merging into other channels such as convenience stores and food retailers. A recent illustration of this is Subway's partnership with Lidl in the UK.

The QSR channel includes both chain outlets and independent operators. The RoI alone, has 2.62 QSR outlets per 100,000 people (irishhealth.com 2013). However, the number of independent operators within the channel is falling. Independent operators have found it more challenging to adapt to changes within the channel brought on by the recession.

A combination of discount driven promotion, meal deals, fewer customers and rising production and operating costs have resulted in small and independent operators struggling to survive. The size of these operations means that they have been unable to compete with large chain operators that dominate the market.

Larger operators possess the necessary resources to weather the storm by offering consumers attractive ‘meal deals’ and engaging in marketing activity to promote their brands and products. As a result, chains are increasing their presence at the expense of independent operators in the market.

Chain operators are continuing to open new stores, but at a slower rate than in pre-recession years due to lower consumer affluence and lower spend per transaction.

Chain operators’ growth throughout Ireland is reflected by the growth in the QSR channel in both the RoI and NI market since 2011. The market will continue to grow until 2018, with most growth evident in the RoI market. Driving this will be a stronger trend of consumers eating in QSR outlets in RoI (61%) compared to NI (56%) (RED C commissioned survey, September 2013).

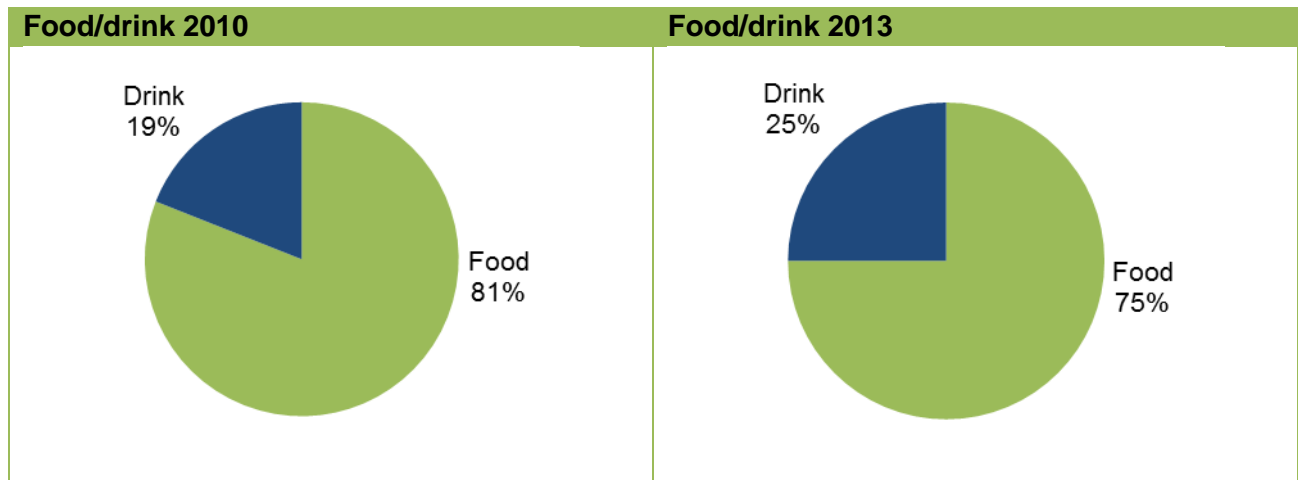
QSR sales 2011 to 2018 (at consumer prices)

QSR channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	2101	2164	3.0%	2255	2519	2.2%
RoI	1512	1558	3.0%	1628	1851	2.6%
NI	589	606	2.9%	627	668	1.3%

Source: Mintel/Bord Bia

In terms of consumer purchase behaviour, QSR outlets have invested in widening their drink offering. This has resulted in an increase in their proportion of sales coming from the drink category in 2013 compared to 2010.

Food and drink ratio in The QSR channel, 2010 compared to 2013



Source: Mintel/Bord Bia

The drink offering in QSRs has evolved and is now more akin to that of a coffee shop, reflecting the strong coffee shop culture present in Ireland. QSR are actively promoting their range of drinks, both hot and cold to encourage sales that were once the sole remit of coffee shops.

Within the QSR category, growth has been evident in the chicken category with sales in 2011 to 2012 increasing by 1.4%. The popularity of chicken is set to continue with growth forecast ahead of the overall category (growth of 6.1% forecast between 2013 and 2018). Consumers' decreasing consumption of red meat, perceptions that poultry is a healthier option and the lower price point of poultry will contribute to further growth within the category.

The 'Other' category includes Asian, Indian, Chinese and convenience outlets (that offer a fast food element within their premise). This category has shown most growth between 2011 and 2013 due to consumers' increased engagement and interest in different cuisines. Trade interviews revealed that this will remain a key category for growth, with distributors stating it would gain increased focus within product lines.

The fish and chip category saw the highest decline in sales between 2011 and 2012. This sector has continued to decline due to the rising cost of fish and increasing number of alternative QSR options within the Irish market.

QSR sales 2011-2018 by segment (at consumer prices)

QSR Channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Sandwiches/Bakery/General	656	654	-0.3%	671	753	2.3%
Burger	482	480	-0.4%	491	539	1.9%
Pizza	243	243	0.0%	251	292	3.1%
Fish & Chips	220	210	-4.8%	206	199	-0.6%
Chicken	153	155	1.4%	164	222	6.2%
Other	342	354	3.7%	381	514	6.2%
Total QSR	2101	2164	3.0%	2255	2519	2.2%
Rol	1512	1558	3.0%	1628	1851	2.6%
NI	589	606	2.9%	627	668	1.3%

Source: Mintel/Bord Bia

Looking to the future, convenience and value will drive sales. However, health will have an increasing influence in this channel, a channel typically associated with less healthy food offerings. Health has already emerged as a trend within this category, with QSR outlets already taking measures to offer healthier food offerings.

For example:

- Burger King have recently launched reduced-fat, reduced calorie chips to their menu;
- KFC now offer grilled chicken;
- McDonalds offer a 'less than' 400 calorie menu;
- In 2012 Subway spent approximately 65% of their promotional budget on healthier eating and launched a new range of low fat flatbreads to replace their wrap product. The flatbread is lower in calories, carbohydrates, fat, saturates, sugar and salt and contains more fibre. To date, Subway is the only QSR chain to have endorsed all 5 nutrition pledges; salt reduction, artificial trans-fat removal, out of home calorie labelling, calorie reduction and increased fruit and vegetables in product range offered.

These improvements support the UK Government's Department of Health Responsibility Deal that was launched in 2011. Product offerings that have reduced sugar, salt and fat content will become more important into the future as Governments increase their efforts to curb obesity rates in Ireland and the UK.

Key implications for suppliers

QSRs focus on low meal prices requires economies of scale and as such, 'wheels only' is the predominant route to market.

The two motivating factors associated with consumer choice in the QSR market are meal deal offerings and efficient service (RED C commissioned survey, September 2013).

Choice of venue is increasingly being influenced by the use of fresh ingredients, suggesting a platform for brands to stand out. Trust in the QSR sector will be built where brands differentiate themselves by focusing on provenance and providing greater supply chain transparency to their customers. Suppliers need to provide more detail on the origins of their products.

There will be an increased emphasis on offering food and drink that relate to consumers current 'moods', with some QSR beginning to explore ways to connect their menu items and general ambience with certain moods. QSR operators will expect to work in partnership with suppliers in this area.

Simple add-ons that promote energy and relaxation offer QSR another method to engage with consumers. A 'guiding choice' approach will also help consumers relate different meal options to their differing moods such as lunchtime products that offer low release energy through high fibre carbohydrate options to re-energise consumers after a morning of work. Suppliers will need to highlight how products could fit into such an approach.

Extended working lives provide opportunities for QSR outlets aimed at the older demographic. Qualities of vitality, energy, nurture and longevity will need to be promoted through food and drink products as ageing employees seek to maintain performance. Supplements, vitamins, healthy snacking and energising and nourishing 'brain food' will grow in appeal and is an area suppliers can look at to provide for an ageing population.

Forecast 2013

QSR represents the only channel that has grown throughout the recession. The QSR channel has thrived in an economy where discretionary income has plummeted as it offers affordable options for consumers to eat outside the home. The emphasis on value has proven popular with increasingly price conscious consumers. Menus have become layered as operators add new product lines such as snack ranges, not only to appeal to a wider audience, but also to create additional pricing tiers and purchase incentives. QSR engagement with health, personalisation, provenance and convenience trends has in turn widened their customer base.

“We see healthier options as an opportunity to help to get consumers through the door. For example, we have increased our healthier range of drinks - consumers feel less guilty about buying a smoothie compared to a coke as they perceive it to be a healthier option.”

Sales and Marketing representative from a chain of QSR outlets

From 2012-2013 this channel is forecast to show growth of 4.2%, rising from 3% between 2011 and 2012 and reinforcing the significance of this channel to the foodservice market.

Forecast 2018

A growth rate of 2.2% is forecast, highlighting that QSR will be a buoyant channel in the Irish foodservice market. QSR will look for opportunities to expand into the retail sector, with foodservice outlets becoming the norm in convenience stores and food retail outlets. Subway is a key player adopting this strategy and it is likely that others will follow suit.

Full Service Restaurants (FSR)

Channel definition

Full service restaurants (FSR) are in the business of feeding, servicing and entertaining customers at lunch or dinner. Channel segments include both casual dining and white table cloth restaurants. Menus offer a complete range of items often using fresh ingredients – appetizers, soups, main courses and desserts are accompanied by a wine or beverage list. Cuisine styles are varied and cover a range of European, North American and Asian cooking styles. Characterised by its set table service, meals are served on china in a relaxed atmosphere and may be subject to a certain preparation time. Patrons pay after having consumed their meals.

Casual restaurants form an increasingly important part of FSR. 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. They have emerged as a result of the oversupply of commercial units post-recession and are typically casual dining restaurants. They form part of strategies to help rejuvenate areas in cities and towns and offer a relatively inexpensive opportunity for test marketing concepts/product offerings.

Trade interviews revealed there are approximately 2,300 restaurants in RoI and 500 restaurants in NI. In 2012, the FSR sector represented 11% of the total foodservice sales on the island of Ireland. This channel in Ireland is independent operator dominated and has a lower percentage of foodservice chains, compared to the QSR and pubs/coffee shop channel.

FSR in Ireland

FSR total Value 2012

€659 million at consumer prices

The FSR channel has begun to demonstrate a rebound from a low point reached in 2011. However, much of the growth in the channel to 2013 has been driven by inflation as consumer demand remains constrained by low levels of consumer confidence.

Operators in rural Ireland are still struggling to attract footfall due to their inability to reduce prices and the heavily seasonal nature of their trade. Dublin and Belfast have shown an increase in trade since 2011, driven by tourism and conference destination activity.

Growth within the FSR channel has been most evident within casual restaurants and increased footfall has been evident within this sub-channel. Chain outlets have driven growth by value offerings including meal deals and although this discounting strategy has negatively impacted on their value sales, it has increased frequency of visits.

“The business spectrum has slightly changed; we are far busier during early evening week days promoted by meal deals and less busy on Sundays, with Friday and Saturday sales remaining constant.”

Manager of a group of chain outlets within the FSR Channel

Independents have set themselves apart from chain outlets by pursuing a different sales strategy; capitalising on niche trends such as premium burgers, tapas food and original types of cuisine.

Lower end FSR and fine dining sub categories have not performed as well as that of the casual dining sub sector. A decline in lower end FSRs have resulted due to stiff competition from QSR and is likely to decline further in the short term as QSR continue to gain momentum throughout Ireland.

The market for fine dining has also contracted, with consumers now associating it with a ‘special occasion’ meal. However, the decline within this channel is slowing, as illustrated by findings from the RED C commissioned survey for this research. A third of RoI and over 50% of NI consumers have maintained their expenditure in table service restaurants (including a la carte) within the last twelve months. The growth evident in the FSR market since 2011 will be further built upon as 2018 approaches.

Channel growth was stronger in the NI economy between 2011 and 2013 due to higher engagement with table service restaurants. Some 44% of RoI compared to 55% of NI consumers have visited a table service restaurant within the last three months, illustrating the fact that NI consumers still see the FSR channel as a wholly viable option when deciding where to eat out of home (RED C commissioned survey, September 2013).

FSR sales 2011 to 2018 (at consumer prices)

FSR channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	647	659	1.8%	674	752	2.2%
RoI	434	441	1.7%	450	510	2.5%
NI	213	217	2.0%	224	242	1.6%

Source: Mintel/Bord Bia

Drivers and trends in the channel 2011-13

Value for money is continuing to drive trade in the FSR channel. Daily deal sites have become a common promotional tool used by restaurants to drive sales. Some 26 million meal deals have been purchased to date on daily deal sites in Ireland.

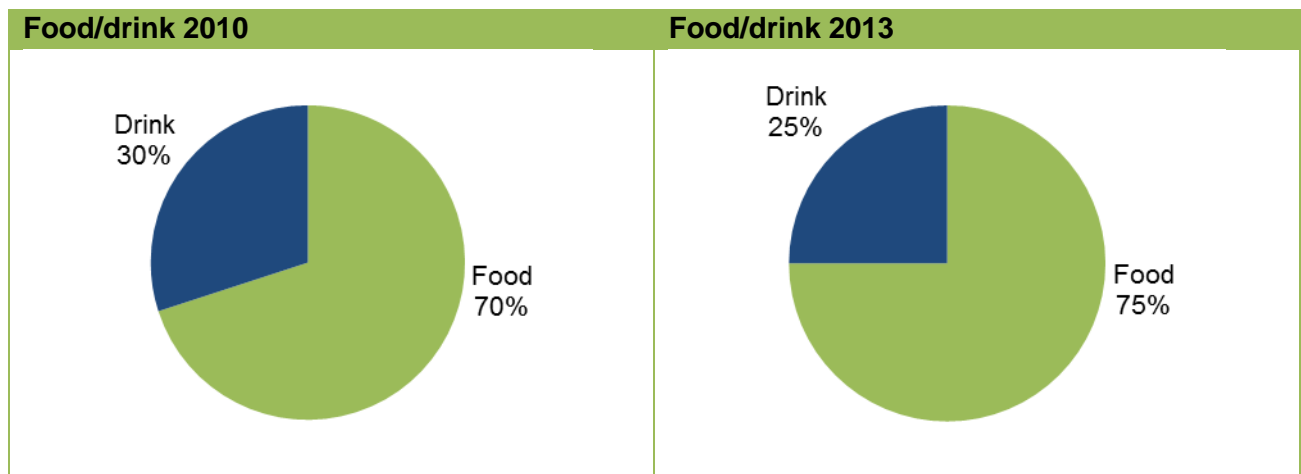
Many restaurants sign up to these sites to gain increased footfall, however, typically restaurateurs lose money in doing so as, not only do they discount the meal price, but they also have to pay high commission rates to the site operators.

Restaurants have tapped into the 'grazing' trend whereby consumers are looking for smaller bite size portions instead of a full meal offering. This offers consumers a lower price point, but still enables diners to enjoy the restaurant experience.

Reduction of the VAT rate to 9% in RoI has helped to boost trade and is viewed as central to the future growth of FSR in RoI.

Consumers that are still engaged with the FSR channel are concerned with minimising their expenditure per trip, making opportunities for up-selling challenging. This is illustrated through the decreasing drink spend in restaurants since 2011, with consumers opting for tap water instead of bottled water, juices or carbonated drinks.

Food and drink split in FSR in 2010 compared to 2013



Source: Mintel/Bord Bia

This trend is reflective of consumers' cost cutting mentality and as such non-alcoholic drink sales have fallen in this channel. The key to up-selling is differentiation. Within the drinks category there has been growth in sales of alcoholic cocktails and craft beers as restaurants look to widen their alcohol offering with less mainstream choices.

Cocktails have also crossed over into dessert offerings, creating an additional opportunity to up-sell. Examples include 'espresso martini' or cocktail flavoured ice creams.

On a general level, restaurants are continually seeking new methods to engage with consumers as another method to differentiate themselves from competitors. Growth in the FSR will stem from how receptive establishments are to providing foods that focus on originality and quality.

Flavour will be the background theme in new concepts and menu developments, though ambience will also be important. Consumers will want to enjoy foods that they would not normally eat at home and the ability of restaurants to create a point of difference will determine their success in a difficult and highly competitive environment.

Mid to high end restaurants within the FSR channel will continue to engage in discounting in the form of price promotions to drive spend in this channel post 2013. Meal deals and online Groupon type offers will remain a key promotional tool for operators. Typical meal deals include a main course and alcoholic beverage or a set price for a two or three course meal and are designed to improve the value perception within the channel.

Consumers aged 55-64 in both RoI and NI are most influenced by price promotions in the form of meal deals, with 19% agreeing this was their primary motivating factor for choosing a table service restaurant (RED C commissioned survey, September 2013).

2013 has seen the Government look at increasing the visibility of healthy eating within foodservice channels through incorporating calorie counts on menus. However, this campaign is being met with resistance from the FSR channel as introducing such a measure is likely to prove more challenging for FSR vis-à-vis QSR due to frequently changing menus and menus based around seasonal food.

Trade interviews revealed that the time and expense it would cost to roll out such an initiative in FSR would prove to be cost prohibitive. Furthermore, there is scepticism about the positive impact such an initiative would have on food choices.

Key implications for suppliers

Delivered wholesale is the key route for FSR to purchase goods. Competitive prices, convenience and reduced paperwork are three of the main incentives for using this approach.

Sustaining tourism numbers in the aftermath of The Gathering will prove challenging, thus the value and quality message will remain of paramount importance to drive trade in the restaurant sector.

Maintaining the 9% VAT rate for restaurants beyond 2014 will be key to growth for the restaurant sector in RoI. Its retention will support jobs and will enable both operators and suppliers to invest in their employees to improve the standard of service and quality of food within the sector. The UK restaurant sector is also lobbying to reduce their VAT rate in a bid to help boost trade in the channel.

Growth within the FSR channel will be centred on casual dining. The casual dining sector is currently embracing the need for new concepts and is creating excitement within the channel. Format and menus are evolving with an increasing emphasis on a relaxed ambience.

Food offerings not only reflect lower disposable incomes, but show an affinity to the casual dining concept. Pulled pork and slow cooked meat options have replaced more expensive cuts of meat and sharing plates emphasise informality within the dining experience. New flavours and meal concepts are an area suppliers can develop to ensure sustained interest in this trend.

The importance of social media will continue to increase within FSR and location-based mobile coupons will bring an element of immediacy to dining discounts. This immediacy will require suppliers to respond to increasing short order to delivery timeframes. Mobile apps that sift through options to deliver the most personally relevant offers (for example, those that align with an individual's preferred cuisines, or are close to their home or workplace) will prove popular.

Forecast 2013

FSR experienced a sharp decline in sales from 2008-2011, however 2011-2012 has shown a return to growth (1.8%) within this channel. Price inflation has contributed somewhat to this growth. In addition, The Gathering tourism initiative has had a positive impact on footfall and has supported growth in this channel with further improvement forecast from 2012 to 2013 (2.3%).

Forecast 2018

Modest growth will continue in the FSR channel, with a forecast CAGR of 2.2% as both economies move out of the shadow of the recession. However, the elongated period of heavy discounting within the foodservice market has dampened consumers' enthusiasm to splash out on expensive FSR meals. The value perception will be an important attribute to ensure continued growth in the channel. Growth will be centred in cities, driven by both domestic and international tourism.

Pubs/Cafés/Coffee Shops

Channel definition

This channel definition has three main and distinct components, namely:

- **Licensed pubs** (also including pubs and bars) are outlets built 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.
- **Cafés** are informal restaurants offering a range of hot meals and made-to-order sandwiches. Many cafes are open for breakfast and serve full hot breakfasts. In some areas cafés offer outdoor seating.
- **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 meeting. They are characterised by Starbucks/Costa Coffee formats.

Pubs, Cafés and Coffee Shops in Ireland

Pubs, Cafés and Coffee shops total value 2012

€1.9 billion @ consumer prices

This channel is diverse and has two contrasting components; pubs and coffee shops/cafés. Performance of coffee shops and cafés has been stronger than that of the pub sector. In 2012 the pubs, cafés and coffee shop channel moved from first to second place representing 33% of the total foodservice sales in Ireland, prompted by the decline in the pub sector.

The pub sector has endured a marked decline, as pubs have been hit by continued economic weakness, severe taxation increases and changing consumer behaviour. Chains are uncommon in the pub sector and it is characterised by independent outlets. This is another factor contributing to the demise of the pub sector within Ireland as independent operators have less knowledge and resources to add branding and marketing expertise to promote their business.

Engagement with the pub will continue to decline as consumers increasingly choose at-home consumption of alcohol over visiting on-trade premises. The Vintners Federation Ireland (2013) stated that since 2005, 1,300 pubs have closed within Ireland with the most marked decline evident in rural Ireland.

“Visit frequency is collapsing. People are just going out less, pick your reason, drink driving, recession, lack of consumer spending power, lack of confidence, saving for the future. If you’re going out less, you are more likely to go into town when you do get out so town and city centre business is picking up all the spend.”

Licensed Vintners Association of Ireland 2013

Although the pub trade is declining in Ireland and showing no major signs of recovery, it is the most prominent sector within this channel. The number of pubs in Ireland at year end 2012 was 7,359 in RoI (Revenue Commissioners 2012) and 1,481 in NI (Licencing NI Order).

Sales within cafés have also fallen, with more and more Irish consumers taking a packed lunch to work where in the past they would have purchased a sandwich from a café.

Coffee shops have been the most resilient sector in this channel and are propping up the performance of the overall channel with consumers being more inclined to pay the affordable luxuries offered in a coffee shop.

“We seem to be a little bit of a luxury that people afford themselves. However, people are machine-gunning towns with coffee shops now so there are a lot of fish in the tank. It’s all about trying to retain customers and providing incentives to come back.”

Owner of a chain of coffee shops

RoI has seen the greatest value decline in this channel since 2011 and will continue to be worst hit due to their significantly higher number of pub establishments compared to NI.

Pubs, cafes and coffee shops channel sales 2011 to 2018 (at consumer prices)

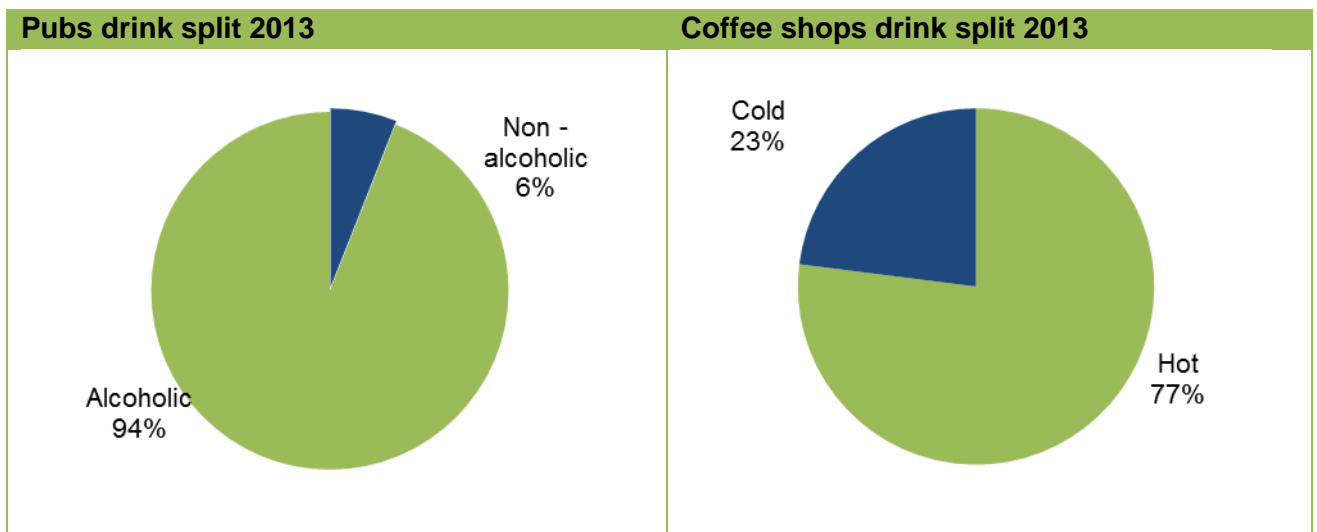
Pubs, cafés and coffee shops channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	2043	1982	-3.0%	1932	1747	-2.0%
RoI	1408	1348	-4.3%	1304	1153	-2.4%
NI	635	634	-0.2%	628	594	-1.1%

Source: Mintel/Bord Bia

The current food to drink split in pubs is the same as coffee shops (30:70) and both sectors are focusing on expanding their non-food range. An improved food offering is viewed by many publicans as key strategy to improve their chances of survival.

The majority of drink sales in pubs is alcohol, with non-alcoholic drink sales only accounting for 6% of sales. Similar to the FSR channel, tap water has a higher uptake than non-alcoholic drinks. This is indicative of consumers' saving mentality.

Drink split in pubs, cafés and coffee shops in 2010 compared to 2013



Source: Mintel/Bord Bia

Within coffee shops, the drink split is over 75% hot drinks. Cold drinks represent a quarter of the market. The predominance of hot drinks highlights the importance of hot beverages to coffee shops and indicates their importance as a key sales driver.

Key drivers and trends in the channel 2011-13

Unlike the pub and café sectors, chains are dominating the coffee shop sector. These chain coffee shops are embracing the provenance trend and are reformulating their offerings to incorporate local suppliers. This trend is most evident in savoury and snack ranges.

Pre-made sandwiches have decreased in popularity as outlets have capacity within their current labour force to prepare made-to-order sandwiches. In addition, consumers' desire for made-to-order sandwiches has increased as the personalisation trend has gained momentum.

Coffee shops and cafés are looking for additional opportunities to up-sell. Breakfast ranges, along with mid-morning and afternoon snacks are increasing offerings.

Pubs are expanding their food offering and are looking for dishes that will complement their alcohol sales.

Gastro pubs are most engaged with the provenance trend and are using it as a destination dining experience by creating a story around their food.

Although coffee shops are the best performing category within this channel, they are not adverse to increased competition. At present, non-specialist operators including pubs are encroaching on coffee shops' traditional market position by offering hot drink ranges to tap into all-day dining trends and widening the use of their outlets.

Coffee shops therefore need to ensure that they are demonstrating their own unique selling points, such as positioning their product offer not simply as drinks, but as catering for a particular need, from a takeaway espresso to invigorate tired commuters in the morning, to indulgent flavoured lattes as a treat to shoppers looking for a relaxing treat.

In addition, pubs are aware of the importance of food to their revenue streams and many are working hard to improve the image, quality and range of their food offering. Some pubs have completely adapted their offering, with food now being their primary focus, leading to the development of the gastro pub. This is an important development as pubs are still the most prominent sector within this channel.

Key implications for suppliers

Delivered wholesale and direct supply are the two main routes for operators to source their food and beverage supplies. Chains predominantly use delivered wholesale, but also rely on direct supply.

A number of smaller chains use direct suppliers for a large percentage of their produce, viewing it as a method to ensure quality and to aid development of their menu offerings. This presents opportunities for suppliers who can demonstrate their ability to work with operators to improve cost control and structure menu offerings.

Coffee shops and cafés are increasing their food offering - bite sized products positioned as a treat item will appeal to cost conscious consumers.

Provenance is gaining momentum, but coffee shop chains will not be prepared to pay a premium for such products.

Food is a new area to many publicans in Ireland, thus there are opportunities for suppliers to develop ready to cook 'pub grub' products that do not require additional kitchen staff. In addition, pre-portioned products will help to achieve efficiencies in any food offering.

Pubs engagement with food tourism initiatives can help establish themselves as a destination dining establishment. Success will be dependent on integrating local produce onto a menu to showcase regional food.

Food and drink matching is an underexploited area in pubs and can offer a point of difference to competitors. Suppliers that offer food and drink matching can simplify this process for operators and will help to establish suppliers as an authority within this area.

Forecast 2013

Poor performance in this channel during 2011-2012 is due to the fragile pub industry within Ireland, reflected by the continuing trend of declining pub numbers throughout the country. The channel declined by 3.0% during this period and a further decline of 2.5% is forecast for 2012 to 2013. High unemployment among the under-25s has hit the leisure industry hard in recent years, having a particular impact on sectors such as nightclubs.

The coffee shop market is more stable, with growth being supported by consumers remaining committed to regular treat occasions. However, although coffee shop chains have reported growth, an increase in their overall turnover has been largely driven by renewed outlet openings, rather than increased consumer spending.

Forecast 2018

This channel will continue to decline in value terms (-2.0% per annum) as decreasing pub trade remains a key concern. Pubs will seek to bolster sales by shifting from drink towards food sales and widening their appeal in the face of increasing at-home drinking trends. In addition, pubs will increasingly tap into the mid-morning/brunch and lunch market to increase their revenue stream.

Consolidation in coffee shop chains and outlet numbers is likely to take place. Smaller operators will struggle to communicate strong points of differentiation when competing against coffee shop chains, resulting in less independents operating within the channel.

Hotels and Accommodation

Channel definition

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

Other accommodation forms such as guest houses are covered, 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 included.

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.

Hotels and Accommodation in Ireland

Hotels and accommodation total value 2012

€374 million at consumer prices

Growth has returned to the hotel channel in Ireland, albeit from a low base compared to pre recessionary levels. The hotel channel represented 6.2% of total sales in the Irish foodservice market in 2012 showing marginal growth from 6.1% in 2011. In 2008, the value of this channel was at its highest and hotels represented 7% of the total foodservice market in Ireland.

The decrease in market share of the hotel channel within the total foodservice market in Ireland since 2008 reflects how consumers' leisure spend on hotels and hotel catering has changed, pre-empted by a drop in disposable income.

With this in mind, it is positive to note that closure of hotels has not occurred to any significant extent between 2010 and 2012, with Fáilte Ireland stating there had only been a 4% reduction in hotel capacity.

Both the RoI and NI market have shown growth in the market between 2011 and 2013. Key results from the hotel sector include:

- The room occupancy rate increased by 7% in RoI between 2011 and 2013 (Ireland Hotel Industry Survey 2013, Ireland and Northern Ireland Hotel Industry Study 2011).
- Statistics published by the Department of Enterprise, Trade and Investment show there was an 8% increase in the average room occupancy rate in NI between June 2011 and June 2013 (NISRA August 2012 & 2013).
- Guesthouse room occupancy also rose an average of 2% within the same period.

- Hotel capacity increased in 2013 in NI. At the end of August 2013 there were 139 hotels operating with 7,882 rooms and 17,612 bed-spaces, an increase of 4% on rooms and 5% on bed-spaces available compared with end August 2012 (NI Tourist Board September 2013).
- Rol's 'GB Path to Growth' campaign aims to grow the number of British holiday makers by 20% by 2016. In the first five months of 2013, there was a 2.8% increase in British tourists to Rol (CSO July 2013).
- Food revenue per available room in hotels between 2011 and 2013 has increased from €13,477 in 2011 to €16,598 in 2013 (Irish Hotels Industry Survey 2013). This represents an increase of 9% in total revenue attributable to food between 2011 and 2013.

Growth within the hotel category has been driven from the high end of the hotel market. From January – June 2013, hotels classified as 4* and above experienced the highest bed and room-space occupancy (66% and 45% respectively) showing an increase of 5 percentage points in room occupancy and 3 percentage points in bed-space occupancy when compared to the same period in 2012 (DETNI August 2013).

Likewise, in Dublin between 2010 and 2012, the luxury hotel category saw the highest increase in room occupancy (9.4%) (Ireland Hotel Industry Survey 2013 & 2011). Higher occupancy rates will result in increased food spend and increased demand from suppliers within luxury hotels. Hotel operators will be receptive to working with suppliers that can provide value breakfast and set menu offerings.

The hotel sector in Rol showed stronger performance from 2010 when compared to Ni due to a larger number of hotels and a larger stock of luxury, first class and mid-priced hotels. The larger proportion of hotel stock in Rol compared to NI will drive growth in the sector to 2018.

Hotel and accommodation channel sales 2011 to 2018 (at consumer prices)

Hotels and accommodation channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	367	374	1.9%	385	433	2.4%
Rol	259	266	2.5%	273	312	2.7%
NI	106	108	1.9%	108	121	2.3%

The split of Irish hotel bedroom stock between the higher end luxury and five star hotels against mid-price and lower grade hotels is approximately 50/50. Hotels at the lower end of the market are seen as a commodity, with guests choosing a provider based on the best available rate. Hotels at the upper end tend to have a more distinct and stronger food offering.

Mid-priced hotels are the largest hotel category throughout Ireland and their occupancy rates have increased on average 4% in RoI since 2010 (Ireland Hotel Industry Survey 2013). Likewise in NI, bed-space occupancy in 3 star hotels (from January to August 2013) in NI experienced a 5 % increase (NI Tourist Board, September 2013).

Competition in the mid-price hotels is keeping profit margins under pressure and as such, operators will look for foodservice solutions that offer cost savings such as pre-portioned desserts, pies and pasta dishes that do not require skilled labour and can help control labour costs.

Hotel and Guesthouses, by number of premises, RoI and NI 2012

		RoI	NI
Accommodation type	Characteristics	Number of premises	Number of premises
Hotels	One Star	32	1
	Two Star	131	5
	Three Star	366	50
	Four Star	272	33
	Five Star	34	3
	Other (ungraded)		47
Guest Houses	10 or more rooms	134	39
	Total	969	178

Source: Fáilte Ireland/NI Tourist Board

Key drivers and trends in the channel 2011-13

Hotels have experienced growth between 2011 and 2013; with increased food and beverage spend per room. An increase in tourism has also bolstered hotel food and beverage revenue. In addition, cruise ships docking in NI brought 80,000 passengers and crew to Belfast in 2012, representing a valuable market for hotel restaurants to target.

All inclusive deals, weekend room rates or money off meal vouchers, along with hotels engaging with daily deal sites are current methods being used to drive sales in the hotel channel. Transaction growth in hotel restaurants is facilitated by offers such as a free glass of wine or dessert with a meal.

There has been investment in coffee docks; lunch time food-to-go and deli counter offerings to increase trade with non-hotel guests.

Hotels are expanding their service offering 'collection services' whereby a hotel will pick up and deliver third party QSR food to guests. This offers QSR opportunities to strengthen their relationship with hotels. For mid/low priced hotels this could prove an attractive proposition to outsourcing elements of their food offering.

Profit margins are being squeezed in the wedding market as customers look for package deals. This is filtering down to suppliers who are being asked to lower prices/offers to retain business within this market.

Listings on e-commerce websites are increasing room occupancy numbers and daily deal sites are used to supplement occupancy rates. Suppliers that work with operators engaging in daily deal sites needs to look at the long term viability of such a relationship due to the low return on investment'.

Corporate spend has significantly reduced and there has been a trend in less formal corporate functions and events. Corporate guests staying in hotels are reluctant to avail of extra services such as minibar dinks or snacks.

Hotels are engaging with the health trend, looking at lower fat, sugar and salt products; however menu changes are only made if the quality and taste can compare with the existing offering.

Looking ahead, hotel margins will be under pressure, particularly within themed price category due to strong competition. Food and beverage hotel costs have risen by 16% in RoI between 2011 and 2013 (Ireland Hotel Industry Survey 2013 and 2011). Controlling costs will be a key concern for operators going forward.

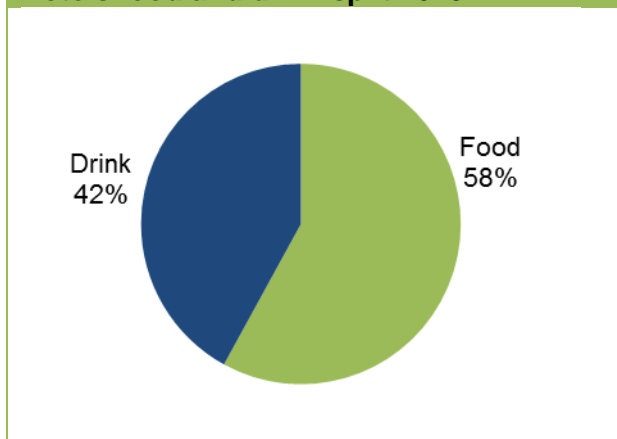
Inflation is expected to increase in categories such as breads and cereals, due to poor global harvests globally and beef and poultry prices continue to remain high. These factors will exacerbate rising food and beverage costs per room.

There are opportunities for hotel restaurants targeted at the youth demographic to embrace the transience of current food fashions in the wider eating out market. Hotels could run more time-limited menus for lunch and dinner occasions allowing them to tap into the popularity of the latest fads such as street food and gourmet fast food.

The food to drink ratio split in hotels presents opportunities for greater engagement with food. Hotel restaurants need to widen their appeal to consumers that are not staying on the premise in order to drive footfall.

Footfall could be increased in hotels through promotion of local produce, meal deal offerings (including food and drink) and efficient service. These three factors were highlighted as the three key motivating factors for consumers visiting table service restaurant/pub serving food/hotel restaurant (RED C commissioned survey, September 2013).

Hotels food and drink split 2013



Source: Mintel/Bord Bia

In addition, tourism has an integral role in the performance of the hotel sector and will be central to the future growth of this channel.

“The sector is looking up, we’ve come from a very difficult couple of years, and it is improving. We need to get better at recovering our overseas reputation and this will be key to attracting overseas visitors. That’s where the growth factor and recovery is going to come from.”

Hotel management group 2013

Key implications for suppliers

Hotels are keen to communicate their value offering which will in turn result in operators looking to reduce food and beverage input costs in a market where food and beverage expenses are rising. Suppliers will need to demonstrate how they can offer value to the operator.

Hotels will continue to rely on both distributors and direct suppliers to provide their food and beverage requirements, with value for money being a key determining factor. Consistent product, service and reliability are as important as price.

Forecast 2013

Since 2011 there has been a significant improvement in the performance of hotels, albeit stemming from a low base due to a stagnant market as the recession forced consumers to cut back on leisure and hospitality spend. The sales value of the hotel channel grew 1.9% between 2011 and 2012.

2013 marks the third consecutive year of growing room occupancy in RoI and has had a direct impact on food and drink spend. Food and drink spend has increased resulting in growth of 3.0% between 2012 and 2013.

Forecast 2018

Average growth of 2.4% between 2013 and 2018 will reflect an increase in trade for hotels, but will largely be reflective of food inflation. Food prices in RoI were on average, 1.2% higher in January 2013 compared with January 2012 (IBEC January 2013).

However, this channel also remains vulnerable to cutbacks due to consumers' continued price-sensitivity, particularly in the short term.

Growth in numbers of both NI and RoI consumers aged 25-44years will support knock-on growth within this channel - a third of this group claimed to have visited a hotel restaurant in the last three months (RED C commissioned survey, September 2013).

The onus will be on operators to re-ignite consumers' enthusiasm for 'splashing out' on food and beverages in hotels, either through providing unique experiences, or through more tailored hotel experiences.

Other Commercial (Leisure and Travel)

Channel definition

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

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.

Other Commercial in Ireland

Other Commercial total value 2012

€137 million at consumer prices

The other commercial channel represented 2.3% of the total sales (€137million) in the foodservice market in Ireland in 2012. The channel has maintained its market share, but lack of increased improvement in consumers leisure spend has stifled growth within this channel.

The travel sector has performed better than the leisure sector; as increasing tourism numbers, both domestic and international, have increased spend within the category, showing a return to growth in visitor numbers after rock bottom tourist levels in 2010.

According to the Dublin Airport Authority (DAA), almost 13.7 million passengers (inbound and outbound) travelled through Dublin Airport in the first eight months of this year, a 6% increase on the same period in 2012 reflecting the increased tourism numbers (Tourism Ireland September 2013).

However, the travel sector is still under pressure due to lower spend per transaction and changing consumer habits. In particular, consumers' engagement with foodservice outlets at airport terminals has changed.

“The dwell time in the airport has changed. Passengers will have timed their security; they’ll maybe pick something up or they’ll run straight to the gate if they know that they have far to go. In general, people are looking for speed and on-the-go offering that they can eat/drink while on the way to their gate, however, for long haul flights opportunities still exist for a sit down offering.” **Airport caterer 2013**

The RoI market has grown slightly, but remains subdued due to low consumer sentiment continuing to impact on consumer spend in the leisure market. The NI market increased during the two year period (2010-12) due to a strong tourism performance in 2012. Looking at the longer term, RoI will show most growth due to rebounding tourism numbers and the forecast increase in consumer’s leisure spend as a proportion of their income prompted by falling unemployment and a stronger economy.

Other Commercial sales 2011 to 2018 (at consumer prices)

Other commercial channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	136	137	0.7%	139	157	2.5%
RoI	103	103	0.0%	104	119	2.7%
NI	33	34	1.1%	34	38	1.9%

Key drivers and trends in the channel 2011-13

A 7% increase in visits to tourist attractions in NI from 2011-12 highlights growth in sales in tourism related food and beverage spend. 5.4% growth in international tourism in RoI in the first 6 months of 2013 has also resulted in increased numbers to tourist attractions.

2013 witnessed a decrease in overall concert numbers, however spend per individual was higher as consumers now view such events as “special occasions”. Menu items cost has impacted on food spending trends at large sporting events, with lower priced items having most uptake.

Food to beverage spend ratio at large sporting events or concerts in RoI has differed depending on the target audience - food sales outweighing beverage sales at events targeted at the youth market.

Sales in airport terminus are down as consumers now spend less time in the terminus before a flight. This trend has been promoted by online check-ins, longer check in time and a general change in consumer behaviour as a result of increased airport security measures. As such, The addition of T2 airport terminal in Dublin has also impacted on sales, with passengers now being spilt between T1 and T2. There is a need for offerings to become more focused to reflect the different consumer profiles by terminal.

Airport outlets are based on current retail models, with fresh local ingredients important in driving sales. Menu options have become more sophisticated and healthier options are now available.

In both the leisure and travel segments, food accounts for approximately 68.5% of sales. The food component has been increasing, representing a 3.5% increase since 2010.

Key implications for suppliers

There are opportunities for better provision of in-flight offerings, with an emphasis on freshness and less of a standard fare. Suppliers that will be successful in this area will be those that are prepared to invest time into NPD within the following areas; recipe formulations, shelf life issues and developing 'fresh concepts'.

Smaller ticket purchases such as grab-and-go offerings tend to be more popular in travel terminus, as they can be eaten on the move and/or brought on board.

Catering for large sports events and concerts will become further segmented to drive spend at events. Suppliers will need to offer a wider range of customised products that support this increased segmentation.

Forecast 2013

Leisure spend is still low within Ireland, however, the good weather during the summer of 2013 has had a positive impact on the sector, resulting in growth of 1.8% between from 2012 to 2013. Growing engagement with this channel has been heavily dependent on rebounding tourism figures.

Forecast 2018

Catering spend in leisure venues will increase as the economy strengthens. A growth rate of 2.5% is forecast to 2018. Higher consumer engagement with 'affordable escapism' at leisure venues, coupled with an increase in on-the-go snacking opportunities in terminus and on-board travel channels will support growth within this channel.

Looking to the future, revitalized railway stations and airports can become social destination hubs for eating and drinking. London's St Pancras International, New York's Grand Central Station and Kyōto Station all do this on a grand, glamorous scale, setting an example of how the quality of bars and restaurants can be raised to reflect the tiered class system that characterises much of our transport.

Institutional Channels

- Business and Industry
- Health
- Education
- Other Institutional

Business and Industry

Channel definition

Business and Industry (B&I) is defined as catering to the workforce. Offices, factories and remote site 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 its cafeteria-style service with employees accustomed to paying before consumption.

Other divisions of the channel are:

Canteen/Cafeteria’s: this segment is part of the B&I channel that behaves in a similar manner to a casual dining restaurant. 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). Generally they involve high volume kitchens serving set menus and meals in a short period of time to a large number of people who need to eat quickly. Meals are often either completely or partially substituted by the employer.

Table Service: is the segment in B&I that is in the business of serving limited menus in a seated environment to office workers – mainly management and visitors. 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.

Traditionally this category has been split by offices and factories, but over the last 20 years, the segmentation criteria has had to account for the demise of blue collar and rise of white collar jobs. In particular, the movement from agricultural rural and manufacturing based employment forms to a service orientated economy has transformed workplace catering. As a result, unit site sizes have become smaller, meal provision has decreased and meal times have become more flexible. Size of workplace is now the key metric.

B&I in Ireland

B&I total value 2012

€283 million at notional retail prices

Business and Industry’s market share represents 4.7% of the total foodservice market throughout the island of Ireland in 2012. 2013 is the first year since 2008 that there has been any growth within the channel, however, the overall share of this channel within the total market has remained constant since 2011. Price constraints from end users and severe competition in the sector have prevented any significant growth within the channel. Instead operators are focused on maintaining their share as companies continue to shun contracts that have become uneconomic in an effort to protect margins.

Pre 2013, growth opportunities have also proved difficult due to the dependence of this category on a limited number of businesses. The high prevalence of micro firms (less than 10 employees) within Ireland also reflects the lack of opportunities for foodservice operations in such firms. Furthermore, commercial foodservice outlets provide strong competition in both the snacking and lunch time markets, again impacting on value sales within the B&I channel.

Breakdown of companies*, by size, RoI and NI 2013

Number of Employees	RoI %	NI %
0-4	82.7	76
5-9	6.3	13.1
10-19	4.0	6.2
20-49	3.5	2.9
50-249	2.4	1.5
250+	1.2	0.3

*Active VAT and/or PAYE registered companies

Source: MINT Europe/NISRA

The challenging market conditions and the continued focus of companies concentrating on core activities, and contracting out non-core services, such as catering, has favoured the development of the contract market, although this has been partly offset by the increasing success of QSR operators in penetrating this sector, gaining concessions in locations that were once the domain of contract caterers.

Operators have had to drive value propositions within the market, whilst also maintaining quality. The reduction of food subsidies since 2008 has resulted in the B&I channel becoming more competitive and 'high street' focused. Similar to commercial channels, operators have had to address a falling spend per visit.

Sales in 2013 have increased but have been driven by food inflation rather than a substantial increase in footfall or new companies investing in in-house foodservice offerings. Any growth that has occurred has been driven by increasing snack and on-the-go options and providing additional spend occasions for consumers such as mid-morning/afternoon mini treat item sales.

B&I sales 2011 to 2018 by segment (at consumer prices)

Business & Industry channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	287	283	-1.4%	284	295	0.8%
Rol	199	195	-1.9%	196	207	1.1%
NI	88	88	0.0%	88	89	0.1%

Looking to 2018, future growth in the B&I channel will be determined by growth in both economic regions in Ireland. The Rol economy will present greatest opportunities for the B&I channel due to its higher percentage of larger companies, compared to NI. This signifies the importance of economic prosperity and employment levels of each region to the B&I channel.

A strong economy will attract increased inward investment from multinational companies requiring new premises and a workforce of 50 plus employees. At present, the lower corporation tax in Rol positions it in a stronger position than NI in attracting foreign and direct investment. Companies in out-of-town business parks will be key to the development of this channel and have access to a more captive market due to lack of commercial offerings in the immediate area.

Key drivers and trends in the channel 2011-13

A key driver within this channel has been lower price point offerings to drive sales amongst employees where salaries remain constant (or in some cases have been cut).

Public sector employee recruitment embargos and wage cuts have heavily impacted on spend and frequency of purchase within the B&I channel.

There are opportunities for suppliers to develop their single portion offerings due to an increase in products that offer a lifestyle choice, with calorie portioned meals appealing to the health conscious consumer. Mini confectionery items appeal to female employees looking for a mini-treat. They have also helped to address falling dessert sales.

Hot grab-and-go food concepts are increasing in popularity and are an area that suppliers could look to extend their existing ranges. The price point of these products is also driving sales, offering a meal solution, but at a lower price than a full sit down meal.

Re-heatable options are popular for shift workers offering meal solutions that can be heated in a microwave or thermocheff.

Deli counters in workplace restaurants are focused on made-to-order sandwich sales, resulting in a significant drop in pre-made sandwiches.

Supplier product offerings need to focus on fresh rather than ambient products. Maintaining freshness and shelf life of chilled products is an important consideration for suppliers. There has been a shift to products made to order on-site as consumers perceive value for fresh offerings.

Increasingly, catering is being scrutinised by companies that are under pressure to reduce costs. The food offering in workplace restaurants has evolved, with more of an emphasis on grab-and go concepts. Contracts are increasingly being influenced by the snacking and hand-held meal trends enabling smaller space allocations to staff restaurants and leading to the introduction of smaller snack bars and deli/café outlets.

This changing format has seen many B&I workplace restaurants compete head-on with high street offerings in terms of ambiance and food quality. Consumers are more knowledgeable about food and the food environment and therefore communication of quality, provenance and health are key value propositions within this channel.

“Today, offerings centre on a value proposition as opposed to, say, 2006/2007, where everything was about branding and image. The logo on the cup was more important than the quality of the coffee. That has totally changed. People now recognise something that is value. If you make something that’s onsite, it’s well made, home produced, then that has an intrinsic value. I don’t think, even if suddenly things picked up in the morning that would change.”

Contract Caterer

Key implications for suppliers

With employment figures falling in recent years and many employees bringing their own packed lunches, operators have had to become more proactive in chasing consumer spend. There is revenue potential for caterers to tap into by expanding their menus to cater to alternative 'day parts' food offerings.

Despite consumers cutting back, there is still a market for treat products promoted as 'permissible indulgences' and offered at a lower price point.

As health increases in importance, there will be a greater emphasis on functional benefits of foods. In addition, detox and healthy eating ranges will appeal to consumers that are looking for guidance and hassle-free products that can be eaten as part of a healthy diet. Opportunities exist for suppliers to work with contract caterers to provide meal solutions that fit into on-trend diets and help simplify food choices for consumers.

Suppliers that provide products that fall into the health, convenience and indulgence trends will support growth in eating occasions outside breakfast, lunch and dinner.

Workplace restaurants are being upgraded to new formats that offer a more efficient service. Labour costs are being taken out of serving food and there are more "grab and go" offerings. Suppliers need to tailor their offering to meet the increased emphasis on hand held snacks.

Forecast 2013

The Business and Industry channel has been hit hard by cutbacks among employers during the recession and there has been a further fall in sales between 2011 and 2012. Operators have had to work hard to maintain margins within this period.

Traditionally operators worked off a 50% GP mark-up in this channel however, this mark-up is being squeezed as the sector looks to drive sales. Food inflation, lower price points, continued product development and improved service offering have resulted in a forecast growth of 0.5% from 2012-2103.

Forecast 2018

A forecast CAGR of 0.8% is predicted between 2013 and 2018. Improving efficiencies in operations will be a central strategy for foodservice providers operating within this channel. Growth in the B&I channel will mirror national GDP and employment growth.

Additional investment by companies in Ireland resulting in new premises or expanding existing premises will further support growth within this channel. NI and RoI are both heavily investing resources to target foreign and direct investment and inward investment growth is forecast in both economies between now and 2018.

Health

Channel definition

Health in foodservice terms is the channel providing dining services to patients, facility staff and visitors in hospitals, retirement homes and clinics.

- In foodservice terms, **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.
- In foodservice terms, **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. In some markets rehab clinics do not offer food and beverage facilities and food is only available from a vending machine.
- In foodservice terms, **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.

In hospitals, foodservice operations are segmented into three categories: patients, visitors and staff.

- **Patient** feeding offers a limited, nutritionally-adapted menu range.
- **Visiting family and personnel** feeding features self-service cafeterias offering broader menus as well as “grab and go” and vending operations. With the exception of patient feeding, consumers are accustomed to paying before consumption. Separate facilities are usually provided for visitors and staff.

Government purchasing is centralised in RoI and NI. Reform, in terms of procurement purchasing for catering provision is on-going within RoI.

On-site preparation is the norm within this channel.

Health in Ireland

Health total value 2012

€230 million @ notional retail prices

Health accounted for 3.8% of the total foodservice market in 2012 and reflected a decrease of 0.1% in its total market share from 2011. This is illustrative of an environment of cost reductions and, like other departmental expenses, has been subject to review in order to improve efficiencies within the sector.

Cost reduction within the catering budget has been most apparent in RoI where there has been a significant decrease in food spend since November 2010. These cost efficiencies within the HSE coincided with the national model for procurement that was implemented throughout public sector bodies in RoI.

“The HSE is in a period of transition, 30% has been taken out of the budget since the national model was introduced in 2010.” **Food procurement manager, RoI, 2013**

The Health and Social Care Trust (HSC) NI, are maintaining current spend levels with no significant drive to reduce spend evident.

“At present the emphasis is on justifying spend rather than decreasing spend. There is no drive to decrease spend.” **Food procurement manager, NI, 2013**

Cost reduction has been visible in initiatives implemented to lower hospital patient numbers in both health services in Ireland. This has resulted in length of stay per patient decreasing and has therefore reduced the number of meals per patient stay in hospital. In addition, staff numbers have decreased in both RoI and NI, impacting on the catering budget in hospitals.

Looking at the value of the health channel, the RoI market has significantly contracted since 2011, showing a decrease of 8.4% in the value within this two year period.

Health sales 2011 to 2018 by segment (at consumer prices)

Health channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Hospitals	101	98	-3.0%	96	97	0.2%
Homes and Welfare	136	132	-2.9%	130	135	0.8%
Total	236	230	-2.5%	226	233	0.6%
RoI	143	136	-5.1%	131	136	0.8%
NI	93	94	0.8%	95	97	0.5%

Conversely, spend per head in hospitals has increased in NI since 2011 and the increase in patient numbers has counteracted the decrease in available beds and shorter length of patient stay in hospital. This has prevented a decline in value in the health channel within NI.

Furthermore, spend has increased in NI within categories such as meat where increasingly, cooked meat and joints are being purchased in response to increased safety controls to prevent listeria and E-coli outbreaks.

The future focus of spending within both health sectors will be on community care, increasing the demand for domiciliary care services such as meals-on-wheels. Spend within home and welfare will increase more than in the hospital sector as additional resources are put into community healthcare. The rise in the elderly population, from 2011 to 2018 (1.2% increase in RoI and 1.1% in NI) will result in increased spend on food provisions for homes and welfare.

Key drivers and trends in the channel 2011-13

Patient time spent in hospitals is decreasing, with an increased emphasis on community care in both NI and RoI. This will continue to present opportunities for meals-on-wheels providers.

An increase in suppliers tendering was evident from 2011, due to the fact that the health sector was recognised as a more stable channel than other commercial channels where bad debt was common place. This increased competition has supported the HSE's and the HSC NI's strategy to lower food costs through tighter controls on food spend and wastage.

Suppliers will need to demonstrate their value for money attributes. Regional contracts in NI that service hospitals and community care homes have resulted in increased competitiveness from economies of scale.

Increasing commodity prices will put pressure on the feasibility of further reduction of food costs within the health service. In addition, cost efficiencies cannot impact on the quality of food served. Suppliers need to offer quality products at a competitive price.

Menu cycles (typically a three week cycle) are committed to a varied and nutritionally balanced diet, therefore purchasing trends have continued to span across all key categories.

At present in NI, tenders are awarded on a supplier's ability to meet all the outlined specifications, and unlike Great Britain, there is no criteria set for local produce on contracts.

There are significant purchasing changes on the agenda for the HSE and HSC NI. Purchasing within the HSE at present is predominantly through regional contracts with contracts across all 26 counties. However, the proposed establishment of six Hospital Trusts will see a change in the purchasing model, where contracts will be based on serving all hospitals in the trust.

Changes in the split between hospital and homes/welfare in NI will be significant in the future with the proposed decision to close state nursing homes as part of current reform projects. The “Transforming your Care” initiative, places more emphasis on care in the community and decreasing length of hospital stay, and future community care budgets will increase to accommodate this reform.

The move to community care will see a change in purchasing requirements in terms of packaging size, labelling of products and deliveries per week. Unlike hospitals, domiciliary care services do not have large areas to hold stock and this will impact on the required number of deliveries per week.

Key implications for suppliers

Purchase requirements in terms of pack size, labelling, cooking instructions and delivery requirements will change as meal provision within the community care channel increases.

The ageing population will create increased demand for food specifically catering to the nutritional requirements of the elderly. This will be a key area for growth activity in the home and welfare category.

Within RoI, there is proposed further streamlining of catering costs through the development of a central agency that will hold responsibility for food purchasing across all public sector bodies. If this proposed strategy goes ahead, it will result in stronger purchasing power and greater cost efficiencies.

Logistic costs for deliveries to hospitals will be key areas for review. The completion of a national distribution centre for the HSE that will service nine transactional points may include a section for food storage and if so, would change the foodservice delivery system servicing hospitals. This would facilitate an increase in wheels-only contracts within the health sector.

Within the HSC there is likely to be a drive to reduce food supplements and increase food intake to aid recovery. In addition, greater engagement with patients and dieticians could see less generic menus available for patients within long term illnesses.

There will be a move to standardised documentation for product specifications due to existing regional variances. This will be implemented across all counties in RoI.

The National Action Plan on Green Procurement in RoI will see Green Procurement gaining importance within the tender process.

Streamlining of procurement services is the main objective within the HSE and, as such, costs continue to be key criteria for suppliers who operate within this category.

There are opportunities for ‘healthy’ vending within hospitals, however the HSE has yet to clarify whether or not this will include full meal options. In the short term, suppliers should focus on snack products positioned as healthy alternatives for vending options.

Forecast 2013

Health sector spend decreased 2.5% between 2011 and 2012 and a further fall of 1.7% is forecast for 2013.

The health sector in RoI is currently undergoing significant changes to address the need for further cost reductions throughout the HSE. Food catering spend has already undergone a significant reduction between 2011 and 2013, emphasising the importance of addressing efficiencies within central procurement for food purchasing.

In NI, increased spend per patient was granted in 2010-2011 and 2011-2012. At present the NI health service catering budget is in contrast to a less positive outlook in RoI where austerity is still at the forefront of the health agenda.

Forecast 2018

Between 2013 and 2018 there will be a CAGR of 0.6% increase in spend within the health sector. Cost saving and efficiencies will continue to prevail in this five year period within RoI.

Increased demand for services resulting from an ageing population will see an increase in allocation of the total budget to community care in both health services. Budgets will need to stretch further as nutrition moves to the forefront of purchasing requirements, driven by the need for fresh and nutritionally balanced meals.

As public sector bodies strive to lower their carbon footprint, environmental criteria will become more prominent in public sector food procurement, resulting in opportunities for local products in successful tender admissions.

Education

Channel definition

In the education channel, primary schools, secondary schools and universities are in the three key segments. This is 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” and vending concepts are 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.

There are differences in the scope of this channel in NI and RoI. NI adopts the UK model, where foodservice is almost universal in primary schools and administered on a regional basis by the education and library boards, whereas in RoI primary school foodservice is limited mainly to private schools.

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.

Education in Ireland

Education total value 2012

€134 million @ notional retail prices

The education sector accounted for 2.2% of the total Irish foodservice market in 2012. There is a growth trend within the channel, with spend on education increasing 1.5% from 2011 to 2012.

Growth has been evident in both the RoI and NI market since 2011. Within NI there has been an increase in the number of school meals taken due to rising numbers of school aged children. The NI market is more important per head of population as it includes primary school meals. In addition, there has been an increase in the number of pupils entitled to free school meals in NI, further supporting an increase in the uptake of school meals.

The rise in the percentage of pupils entitled to free school meals in primary schools is attributed to the change in entitlement criteria introduced in 2010/11 that was then extended in 2011/12 (NISRA 2013). The NI school Meal Census (2013) revealed that 56.3% of pupils from grant aided primary and post primary education took school meals compared to 55.5% in 2011/12. This increase in uptake of school meals has resulted in an increased catering budget.

Forecast: Education foodservice sales 2011 to 2018 by segment (at consumer prices)

Education channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	132	134	1.5%	136	144	1.1%
Rol	79	80	1.3%	81	90	2.1%
NI	53	54	2.0%	55	60	1.8%

In Rol, the School Meal Programme including the Urban School Meals Scheme and the School Meals Local Projects Scheme was maintained in 2011 and 2012 and an additional budget of €2million was provided for in 2013, further supporting growth within the education channel (Department of Social Protection 2012).

Looking at third level education, university admissions from NI students increased from 2011-2013 (NISRA 2013). Growth in admission levels is due to lower fees compared to other parts of the UK and a lower cost of living. However, intake rates showed a marginal decrease (-0.2%) in 2013 and will contribute to the restrained growth in the NI education channel in 2013.

Student levels in Rol have also increased, but spend is low with limited student finances dictating spend on food and resulting in decreased meal opportunities at universities. Growth within the Rol market has been mainly due to food inflation.

Key drivers and trends in the channel 2011-13

The 'School Food Top Marks' guide, introduced in 2008 presents guidelines for NI schools that wish to support healthy eating. These standards were introduced to ensure that all food and drinks provided throughout the school setting make a significant contribution to childhood and adolescent nutrition. Breakfast school clubs and tuck shops were highlighted as two areas that required improvements.

The need for healthier menu choices intensified due to Jamie Oliver's promotional campaign to improve school meals. However, the ability of school meals to improve their healthy credentials lies with individual school chefs, as state schools fall under Library Board tender contracts. Suppliers will only be able to influence menus when working with private schools that outsource menu solutions.

'Food & Nutrition Guidelines for Primary Schools' also exist in RoI, produced by the Health Promotion Unit of the Department of Health Children. Suppliers need to ensure that products supplied adhere to these guidelines providing healthy offerings for children/adolescents.

Breakfast options have increased as pre-school clubs have become more commonplace, resulting in a knock-on demand for breakfast items including cereal and fruit.

Smoothies, cereal bars, fruit portions and other healthy snacks will replace more traditional vending concepts. School meals have improved their provision of allergen free foods to cater for children with special dietary requirements. Gluten free and nut free products are two areas that are under-represented within this channel.

Looking to the future, suppliers will need to increasingly engage with dietary guidelines for schools, particularly suppliers that are servicing private schools.

Cost efficiencies will be the key driver in the future growth of the education channel. Education establishments will be looking to reduce costs in terms of labour and raw material. Outsourced solutions will in many cases replace internal meal provision.

Trade interviews revealed that an increased number of private schools in RoI are looking to address rising foodservice costs by outsourcing their food operations. Opportunities will present themselves for providers that can offer cost based solutions to their current foodservice operations.

In both NI and RoI, nutritional requirements in primary and secondary level education will remain a key part of the supply chain. Fresh, nutritionally balanced meals will be expected without having to pay a price premium. Improved solutions that combine fresh and nutritionally balanced concepts will appeal to key decision makers within the education channel.

Key implications for suppliers

The increasing school age population in both NI and RoI will see the overall spend within the category increase.

Outsourcing catering will become more common as education establishments look to reduce their costs and make further efficiencies. This will likely change the food landscape in schools as the food offering becomes more akin to a high street offering.

QSR operators will look to increase their presence in the education channel, supporting an affordable price point. However, success in this area will be centred on QSRs that are perceived as providing fresh and healthy product ranges.

Suppliers that are centred on outsourced solutions will need to demonstrate how they are committed to the provision of healthy meals for students.

Suppliers' ability to demonstrate how they can provide cost efficiencies to the client will be central to securing new business in both NI and RoI.

Suppliers will see an increasing emphasis on chilled product requirements to support this trend. Innovative concepts that support healthy eating will also provide opportunities for foodservice providers.

Forecast 2013

The education channel has shown growth of 1.5% from 2011 to 2012, with the same level of growth forecast for 2012 to 2013.

Growth in the education channel has been driven by an increase in meals served in NI from 2011-13, reflecting rising pupil numbers and a rise in the uptake of meals. Rising growth in school aged children in RoI, along with increased state funding for school meal programmes in 2013 have facilitated growth in the RoI market in 2013.

Forecast 2018

Between 2013 and 2018 a CAGR growth of 1.1% is forecast as institutions focus on cost efficiencies. Short term growth in the sector will be muted by new targets within the five Education and Library Boards in NI, each having to decrease their current catering budget by £1 million from 2013. However, a 16% increase in the 0-24 age group in RoI (between 2011 and 2021, CSO Ireland) will facilitate growth within the primary, secondary and third level education sectors in this region as 2018 approaches.

New contracts for private colleges and schools in RoI will also open up new opportunities within the education sector, supporting an increase in the value of the channel.

Other Institutional

Channel definition and scale

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

While there is potential for suppliers in the channel, the predominant focus of food and beverage sourcing is by local sites and for basic ingredients. This is not anticipated to change.

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

In addition, training of both servicemen and prison inmates is focused on preparing them with a skill (such as catering) that may be utilised once they are discharged.

Other Institutional market in Ireland

Other Institutional total value 2012

€37 million @ notional retail prices

Sales within the 'other institutional' channel remained constant and the channel's market share of the total Irish foodservice market was maintained (0.6%) from 2011-2012. Net comprehensive expenditure in the NI prison services increased 12% from 2011 to 2012 as a result of prisoner numbers increasing by 2.7% (Northern Ireland Prison Service 2013).

Forecast: Other Institutional foodservice sales 2011 to 2018 by segment (at consumer prices)

Other Institutional channel	Sales 2011 (€m)	Sales 2012 (€m)	CAGR 2011-2012	Sales 2013 (€m)	Sales 2018 (€m)	CAGR 2013-2018
Total	37	37	0.0%	38	40	1.0%
Rol	28	27	-3.6%	28	29	0.7%
NI	9	10	5.6%	10	11	1.9%

Unlike NI, prisoner numbers in Rol have decreased by 1.7% between 2011 and 2012 (Irish Prison Service, 2012). However, prisoner related variable costs including catering costs have increased since 2011 preventing a larger fall in this channel for Rol between 2011 and 2012 (Irish Prison Service, 2012).

The continued budget reductions in Rol resulted in the Irish Defence Forces budget decreasing since 2011 with the daily ration spend falling by 12.5%. In addition, spend has also been driven down by a reduction in numbers within the Irish army since 2011. Although this figure is unlikely to reduce further due to the level of food requirement and continued price inflation, it highlights the significant emphasis on catering spend in this channel within Rol.

Key drivers and trends in the channel 2011-13

Sourcing of food and beverages is carried out via a tender process with both national and peripheral service agreements.

Longer term contracts with suppliers are becoming more common as they enable the purchasing department to gain a competitive price in addition to building supplier relations. Contracts in excess of a year also result in administration efficiencies for the purchaser. This trend is likely to continue into the future, with suppliers having to set prices over longer periods.

There is an increasing trend for a reduction in food waste that has filtered down to food purchasing decisions.

The increasing younger demographic within the Defence Forces has resulted in a shift away from more traditional menu options.

From 2013, growth in both Rol and NI will mirror price inflation (approximately 1%), showing little real growth within the channel. Instead, value will remain stable with increases in volumes, particularly within NI.

Key implications for suppliers

Value for money will continue to be a key consideration in the tender process as Government Departments look to reduce their catering spend. Suppliers will need to offer more in terms of service provision, price and quality to secure contracts.

In the future, suppliers should be aware there is likely to be increased weighting for sustainability criteria within the tender process as National Action Plans on Green Procurement gain momentum throughout Europe. However, this will be dependent on the implementation of practical guidelines as part of the tender process.

Forecast 2013

The Other Institutional channel did not experience any growth between 2011 and 2012, however this channel saw 1% growth from 2012 to 2013 due to price inflation. The value of the market has been maintained due to food inflation and the increased number of prisoners in NI, counteracting the marginal drop in the number of RoI prisoners between 2011 and 2012.

Forecast 2018

CAGR growth of 1% is forecast between 2013 and 2018, being largely attributable to price inflation and a cap on spending in public sector departments. Increased cost controls and efficiency measures across all public sector departments within this channel will prevent substantial growth.

Foodservice Insights: Commissioned Survey

– 1,010 RoI and 412 NI consumers

Introduction

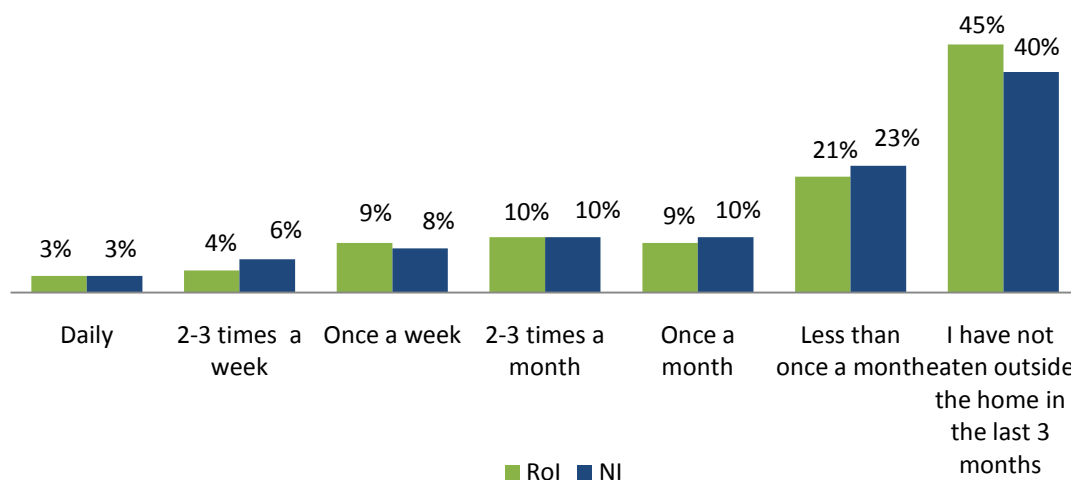
A commissioned survey for this research was carried out by RED C/Mintel on behalf of Bord Bia in order to gain an insight into consumer purchase behaviours and attitudes regarding their engagement with foodservice venues throughout Ireland.

The findings were used to ascertain frequency, spend and motivating factors by foodservice channels. The nationally representative online survey was completed during September 2013 with a total of 1,010 ROI and 412 NI consumers aged 18+.

Consumers' engagement with eating outside the home

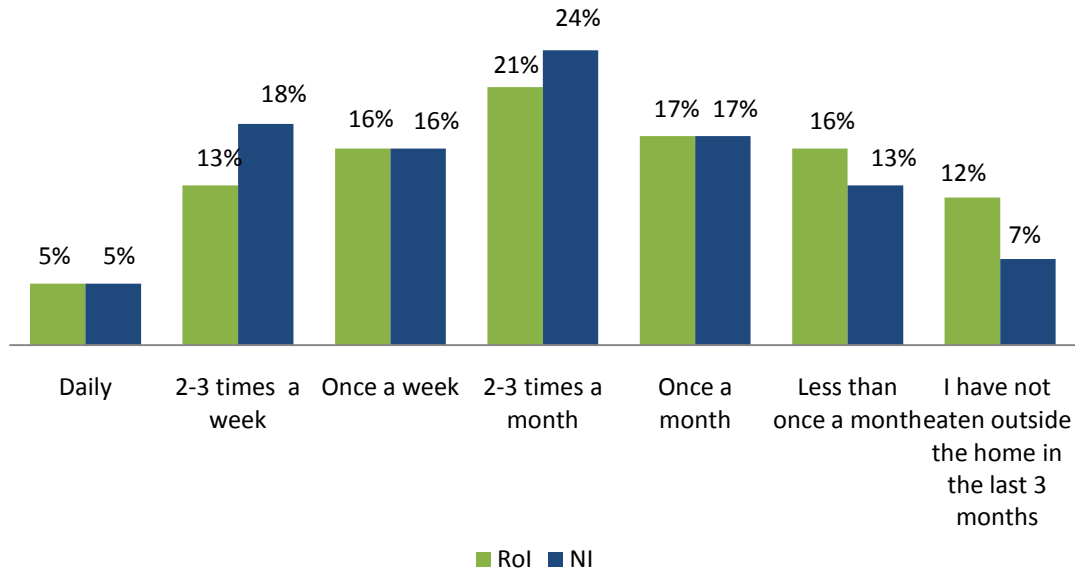
Frequency of eating breakfast outside the home in the last three months, ROI & NI. Base: 1,010 ROI and 412 NI internet users aged 18+

Irish consumers show low engagement with eating breakfast outside the home, as can be seen above. This presents opportunities for foodservice providers with greatest potential for growth being in places of work. Barriers such as accessibility and product format will impact on uptake levels.



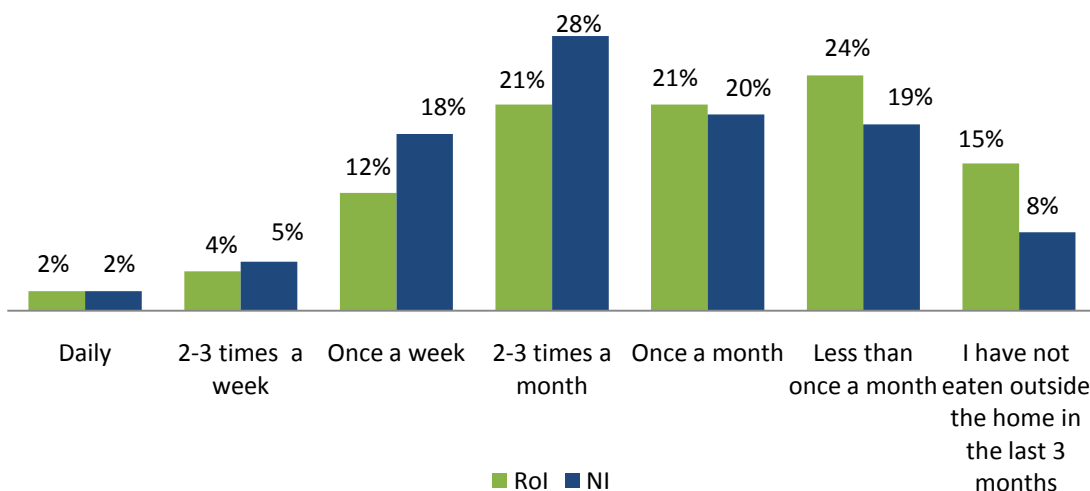
Frequency of eating lunch outside the home in the last three months, ROI & NI
Base: 1,010 ROI and 412 NI internet users aged 18+

A fifth of ROI and a quarter of NI consumers have eaten lunch outside the home 2-3 times a month in the last three months. The lunch trade has suffered as consumers have opted to bring their own lunch to work in a bid to reduce their lunch spend.



Frequency of eating dinner outside the home in the last three months, ROI & NI
Base: 1,010 ROI and 412 NI internet users aged 18+

Dinner is the key eating out of home occasions for both ROI and NI consumers. NI consumers have a higher frequency of eating dinner outside the home compared to their ROI counterparts. Some 28% of NI consumers eating dinner out 2-3 times a month, compared to 24% of ROI consumers eat dinner outside the home less than once a month. This suggests that NI consumers are less concerned about their discretionary spend on food.

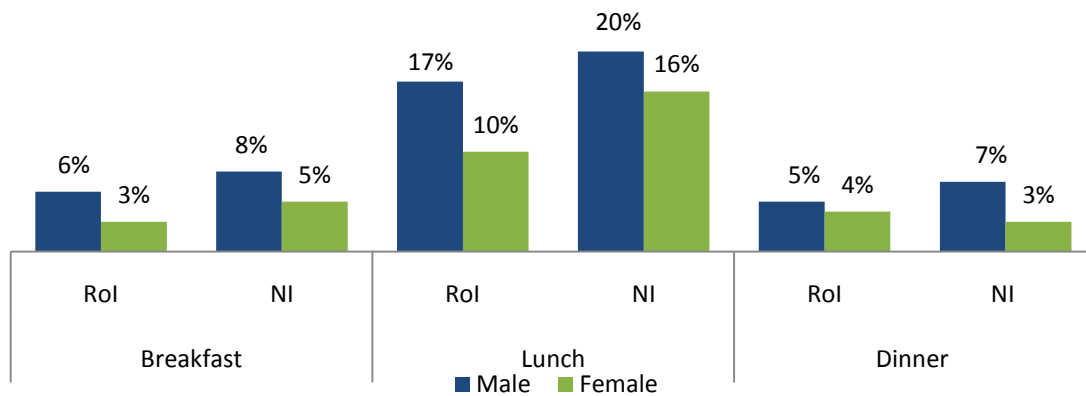


Men show highest engagement with eating out of the home

Base: 1,010 ROI and 412 NI internet users aged 18+

Engagement with eating outside the home is likely to be higher for men than women due to their tendency to purchase convenience products, particularly within the lunch time market. The higher figure for men compared to women also suggests that men are less price conscious when eating outside the home.

Products ought to show relevance to the male consumer, due to their higher frequency to eat outside the home 2-3 times a week.

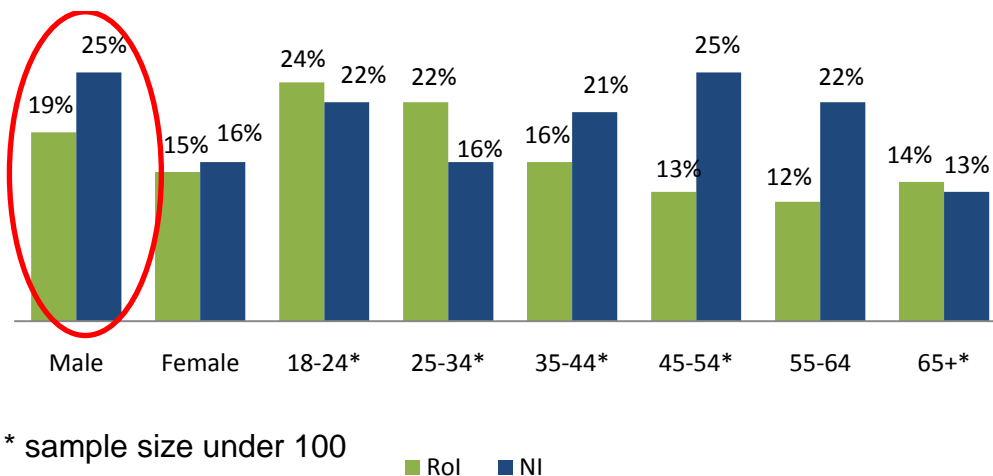


Eating snacks/light bites outside the home, by gender, ROI & NI, 2013

Base: 1,010 ROI and 412 NI internet users aged 18+

Snacks/light bites are the most common eating occasion with ROI consumers. In NI, snacking is as popular as eating lunch outside the home.

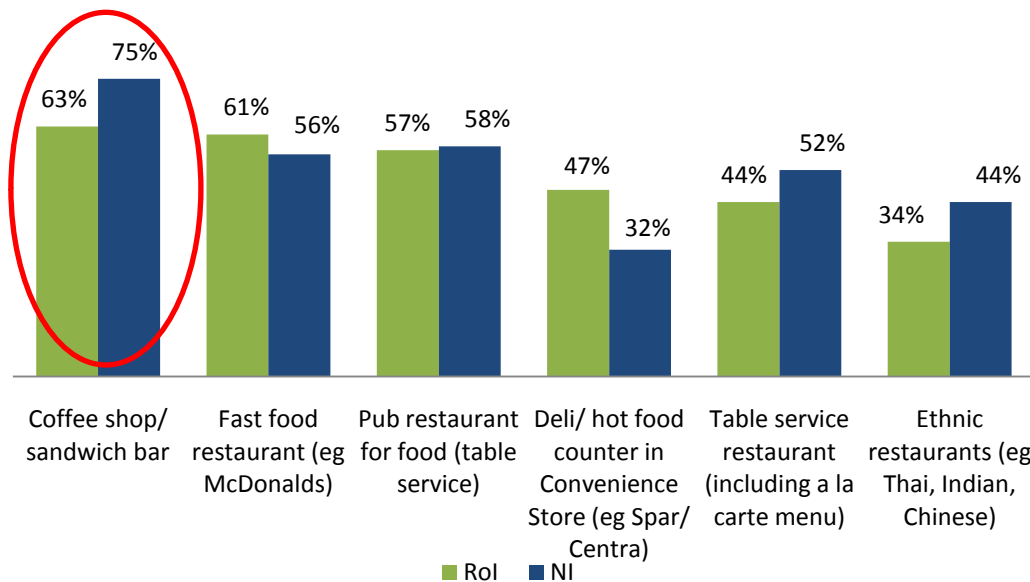
Men are the highest engagers with snacking/light bites and a quarter of men in NI eat a snack/light bite 2-3 times per week outside the home. Snacking is most popular with 18-24s in ROI and in NI older consumers are most engaging with the snacking/light bite trend.



Venues consumers have eaten at within the last three months, ROI & NI, September 2013. Base: 970 ROI and 403 NI internet users aged 18+

Coffee shops are the most popular venue that Irish consumers ate in in the three month period to September 2013. The lower average spend per visit compared to venues that serve full meal options is a primary factor in its popularity with Irish consumers. In terms of venues that offer complete meal provision, fast food outlets were the number one choice in ROI (compared to a pub restaurant in NI), with price driving fast food sales in ROI.

The two main areas where venue choice differed between ROI and NI were convenience stores and ethnic restaurants. Convenience stores are more popular with ROI consumers, whereas ethnic restaurants are more popular with NI consumers.



Top 5 venues ROI consumers have eaten at within the last three months, September 2013. Base: 970 ROI internet users aged 18+

With the exception of convenience stores and fast food outlets, older consumers show the highest frequency for eating outside the home. Deli/hot food counter offerings and fast food outlets have greater appeal to younger consumers due to their product offering.

Older consumers are prepared to spend a longer time in a venue when eating out compared to younger consumers as highlighted by ageing demographics showing a preference for table service restaurants.

Younger demographics favour fast food outlets and convenience stores due to the lower price point and speed of service.

Deli/hot food counter offerings in convenience stores do not feature in the top five out of home venues for eating out of the home in NI, suggesting that the convenience store offering is a stronger market in ROI compared to NI.

	Coffee shop/ sandwich bar %	Fast food restaurant %	Pub restaurant for food %	Deli/ hot food counter in convenience store %	Table service restaurant %
All	63	61	57	47	44
18-24	55	71	46	61	42
25-34	64	73	57	58	40
35-44	61	73	51	56	33
45-54	67	61	54	44	45
55-64	59	40	61	37	55
65+	67	33	73	15	60

Top 5 venues consumers have eaten at within the last three months, by location, NI, September 2013. Base: 403 NI internet users aged 18+

Similar trends to RoI exist in NI regarding younger and older consumers' choice of foodservice venue.

Unlike RoI, ethnic restaurants (e.g. Chinese, Indian, Thai food) feature in the top five venue choices for consumers' in NI.

Some 37% of urban consumers in ROI, compared to 45% of urban consumers in NI had eaten in an ethnic restaurant within the last three months.

Similarly, the proportion of rural consumers in RoI that had eaten in this venue within the last three months was lower when compared to rural consumers in NI (28% compared to 41% respectively). One explanation for this difference is that RoI consumers are purchasing take-away ethnic food instead of eating in the restaurant as it offers a more economical alternative.

	Table service restaurant %	Coffee shop/ sandwich bar %	Pub restaurant for food %	Fast food restaurant %	Ethnic restaurants %
All	52	75	58	56	44
18-24	58	62	38	85	54
25-34	49	67	63	70	45
35-44	44	72	44	69	56
45-54	43	85	61	62	44
55-64	60	78	65	41	41
65+	64	77	64	23	21

Consumer spend reflects a cautious attitude

On average, a third of RoI and 42% of NI consumer spend on eating outside the home has remained static compared to the last 12 months. This poses a challenge to food operators as food inflation increases amidst a culture of cautious consumer spending.

Food channels that serve full meal options, particularly table service restaurants, fast food outlets and casual restaurants are facing a struggle to increase spend per trip, with approximately a third of consumers having decreased their spend in these channels in the last 12 months. RoI, has been most affected, with approximately 40% of consumers having decreased their spend within these three channels.

How the amount spent at differing food venues has changed compared to the previous 12 months, Rol, September 2013

One third of Rol consumers maintained/decreased their spend

Above average decrease in consumer spend was evident in one out of two channels in Rol. The table service channel (restaurants/pubs/hotels) saw the largest decrease with 49% of consumers having decreased their spend within the last 12 months. However, in six out of eight channels an average of 32% of consumers maintained their spending levels as per 2012. Five out of eight channels showed above average increase in the percentage of consumers who were spending more than in the previous 12 months. The proportionately higher number of consumers that have reduced/maintained their spend has counteracted the consumers that have increased their spend.

Base: 907 Rol internet users aged 18+

Type of food establishment	Increased %	Stayed the same %	Decreased %	Do not eat in this venue %
Coffee shop	13	43	35	9
Workplace	12	32	17	38
Fast food restaurants	9	37	38	16
Table service restaurant/pub restaurant /hotel restaurant	9	37	49	6
Convenience store	9	38	29	24
Casual restaurant (ethnic/pizza/pasta/American style)	7	34	38	21
Sporting event/concert	4	20	26	50
Street food	2	16	15	67
Average	8	32	31	29

Source: RED C/Mintel

How the amount spent at differing food venues has changed compared to the previous 12 months, NI, September 2013

Over 40% of NI consumers are maintaining their eating out of home food spend

Within NI, four of eight channels saw an excess of 40% of consumers maintain their eating out of home spend, however four out of eight categories also saw over 24% of consumers decrease their spend in the last 12 months.

Similar to the RoI market, increasing spend is minimal compared to those that have maintained/decreased their spend. In contrast to RoI, maintaining previous levels of spend is significantly higher than those that have decreased their spend per visit.

Base: 403 NI internet users aged 18+

Type of food establishment	Increased %	Stayed the same %	Decreased %	Do not eat in this venue %
Coffee shop	14	59	22	6
Table service restaurant/pub restaurant /hotel restaurant	10	51	34	4
Workplace	9	30	18	42
Casual restaurant (ethnic/pizza/pasta/American style)	7	52	28	13
Fast food restaurants	6	46	31	17
Convenience store	4	41	23	32
Sporting event/concert	3	30	20	47
Street food	1	23	16	60
Average	7	42	24	28

Source: RED C/Mintel

Low price points dominate across all channels

Table service restaurants and hotel restaurants in RoI are unable to command a higher price point than casual restaurant channels or pubs due to consumer spend typically falling into the same price band (€12.00-€17.99). In NI, table service restaurants can command a slightly higher price point than casual restaurants and pubs, £15.00-£19.99 compared to £10.00-£14.99. In NI, a quarter of consumers are willing to pay £20.00-£24.99 for a meal within a hotel.

Daily deal sites have strengthened consumers' expectations for value within these channels. Looking at the typical spend in a table service restaurant/hotel it will be increasingly difficult to maintain these price points amidst food inflation and decreasing spend per visit compared to 2012, particularly within the RoI market. This is likely to further support growth in the casual dining and QSR channels.

Looking at spend in fast food restaurants in RoI, the differentiation in terms of price point when compared to casual dining restaurants such as pizza/pasta/American style restaurants is decreasing. In contrast, pizza/pasta and American style restaurants in NI can command a higher price in comparison to fast food outlets.

Consumers typically have the same spend per visit in coffee shops/sandwich bars, the workplace, convenience store and street food vendors, suggesting that these four channels are in direct competition with one another and highlighting the need to extend their value proposition beyond price point in order to drive footfall. Lunch and snacking opportunities will continue to be two key footfall drivers within these channels.

Typical spend by most common price band, Rol consumers on each type of food venue, Rol, September 2013

Type of food establishment	Price band	% of consumers	Base
Convenience store	Up to €5.99	83	740
Street food	Up to €5.99	82	320
Work canteen	Up to €5.99	64	307
Coffee shop	Up to €5.99	57	855
Fast food restaurant	€6.00-€11.99	55	814
American style restaurant	€6.00-€11.99	25	768
	€12.00-€17.99	25	
Sporting event/concert	€6.00-€11.99	50	481
Pizza/pasta restaurant	€6.00-€11.99	25	768
Pub serving food	€12.00-€17.99	42	916
Ethnic restaurant (eg. Indian/Chinese)	€12.00-€17.99	5	768
Table service restaurant	€12.00-€17.99	28	916
Hotel restaurant	€12.00-€17.99	23	916

Source: RED C/Mintel

Typical spend by most common price band NI consumers on each type of food venue, September 2013

Type of food establishment	Price band	% of consumers	Base
Street food	Up to £4.99	86	162
Convenience store	Up to £4.99	83	276
Work canteen	Up to £4.99	59	150
Coffee shop	Up to £4.99	58	380
Fast food restaurant	Up to £4.99	52	333
Sporting event/concert	£5.00-£9.99	52	215
Ethnic restaurant (eg. Indian/Chinese)	£5.00-£9.99	37	350
Pub serving food	£10.00-£14.99	41	386
Pizza/pasta restaurant	£10.00-£14.99	36	350
American style restaurant	£10.00-£14.99	33	350
Table service restaurant	£15.00-£19.99	28	386
Hotel restaurant	£15.00-£19.99	25	386
	£20.00-£24.99	25	

Source: RED C/Mintel

Factors influencing foodservice destination

Consumers were asked to state what was most important to them when visiting different types of food establishments. Below is the list of options consumers were presented with:

- Local produce on the menu
- Food establishments signing up to online meal promotion websites (eg Groupon)
- Meal deals that includes a meal with food and drink
- Healthier food choices (eg meals that are less than 3g fat, dishes made with reduced fat dressings)
- Options for kids
- Helpful staff
- Efficient service
- Bigger portions
- Free wifi
- Entertainment (eg live music)

Within RoI and NI, meal deals and efficient service were the drivers that consumers were most concerned about when choosing where to eat outside the home in all channels (except for the workplace). Healthier food choices are the number one factor influencing consumers' decisions to eat at their place of work.

The prominence of meal deals as a motivating factor in venue choice for consumers emphasises the need to convey value to the consumer in all commercial foodservice channels. This trend has been heavily influenced by lower disposable income and a cautious consumer mentality with regards to spending.

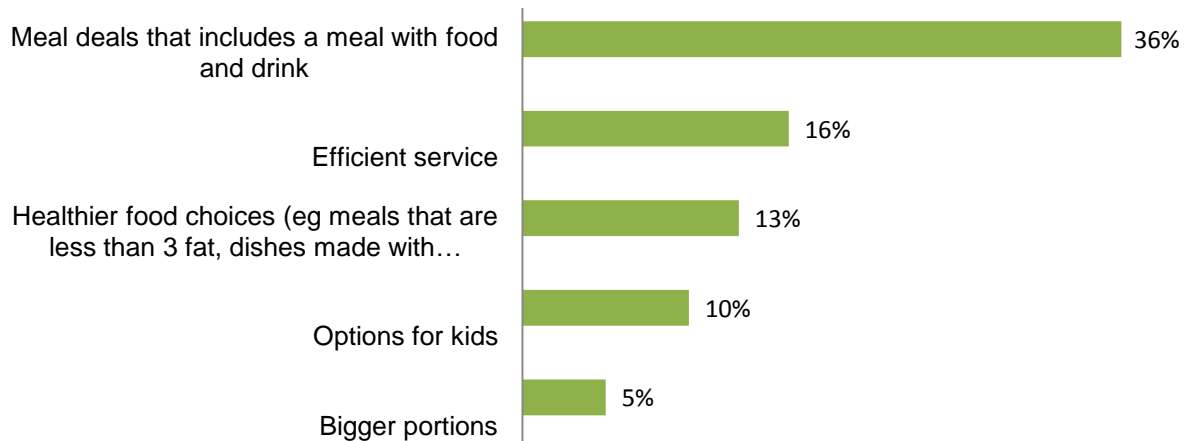
Consumers' desire for efficiency has been prompted by developments in technology and a society centred on instant access to information. This has filtered into foodservice channels as demonstrated by the importance of efficient service when dining out across the fast food, coffee shop, casual and table service categories. The emphasis consumers place on efficient service also highlights the need for operators to invest in staff training.

The importance of healthier food options on workplace menus suggests that offerings within this channel were traditionally perceived as unhealthy. Workplace menus need to reflect wider dietary trends such as low carbohydrates, low fat, reduced sugar and salt and natural products to reinforce their role within a healthy balanced diet.

Top five influencing factors when deciding on outlet choice, RoI, September 2013

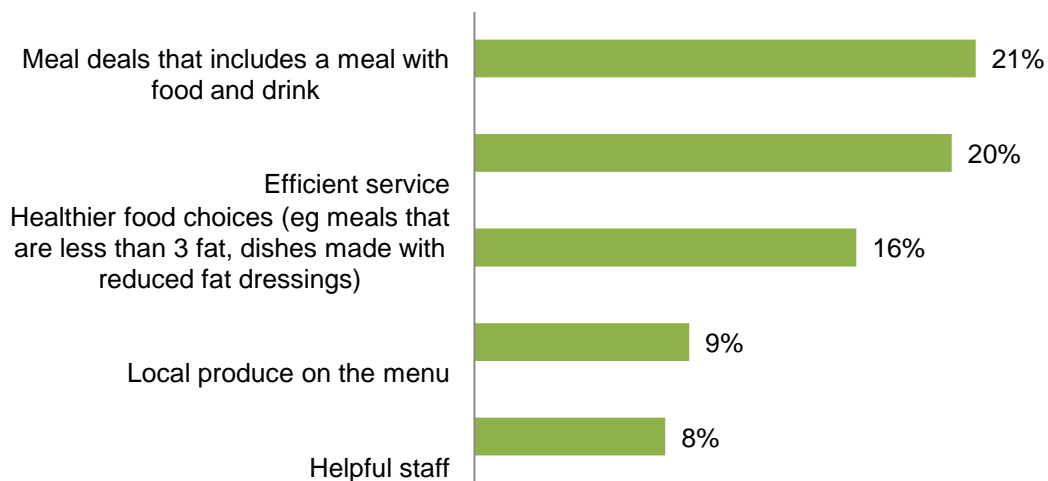
1. Fast Food Outlets

Base: 814 RoI internet users aged 18+



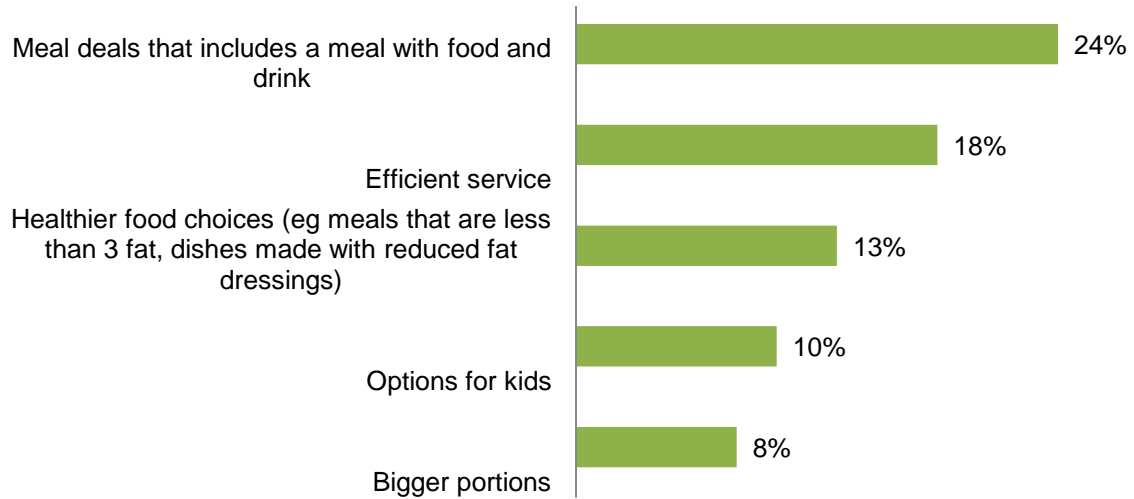
2. Coffee Shop/Sandwich Bars

Base: 885 RoI internet users aged 18+



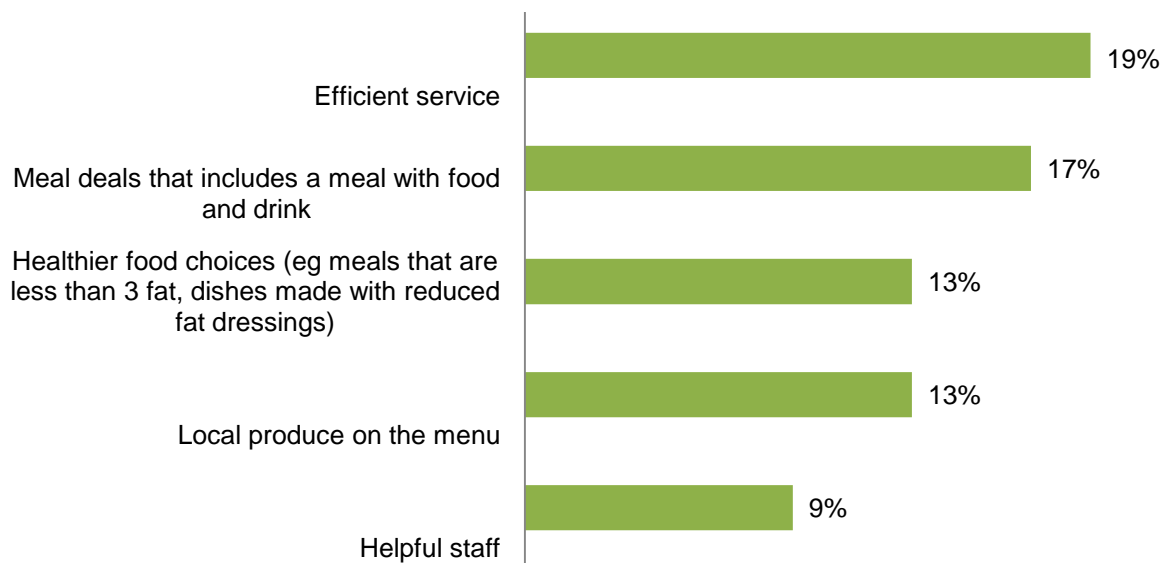
3. Casual Restaurants (ethnic/pasta/American)

Base: 768 RoI internet users aged 18+



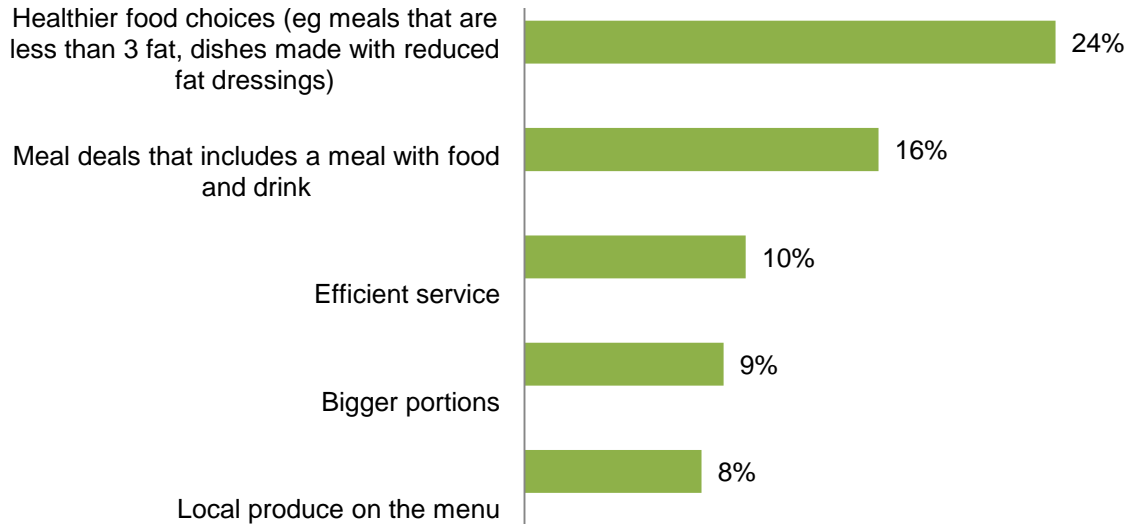
4. Table Service restaurants, pubs, hotels

Base: 916 RoI internet users aged 18+



5. Workplace

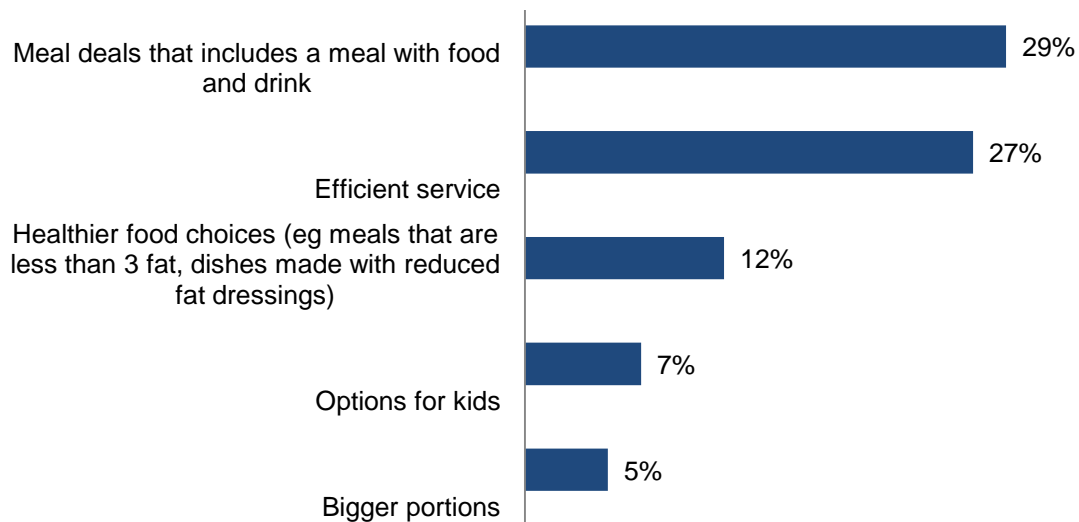
Base: 307 Rol internet users aged 18+



Top five influencing factors when deciding on outlet choice, NI, September 2013

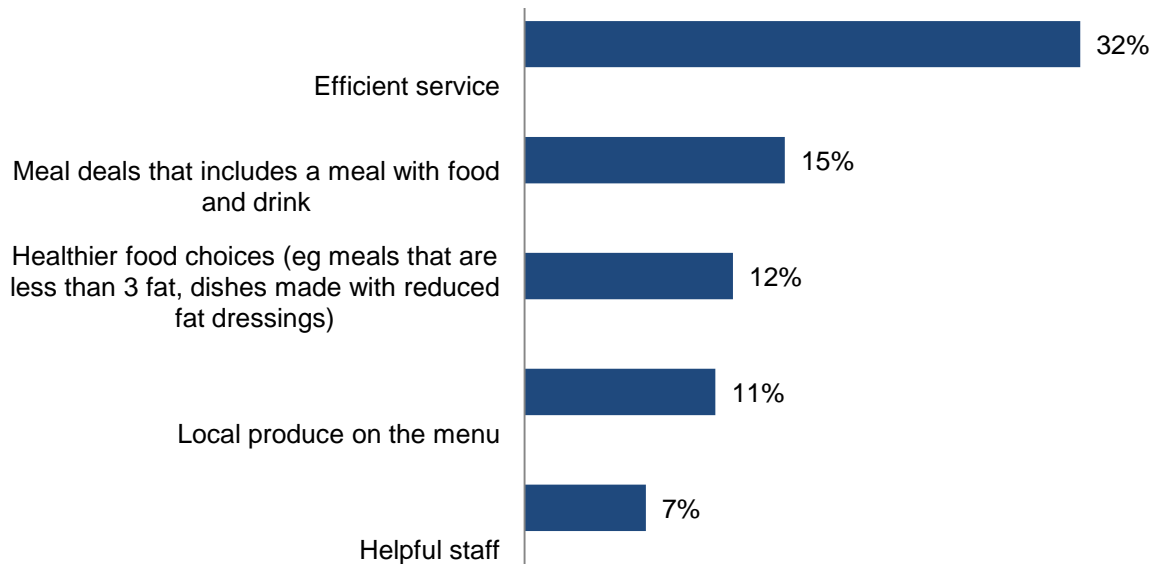
1. Fast Food outlets

Base: 333 NI internet users aged 18+



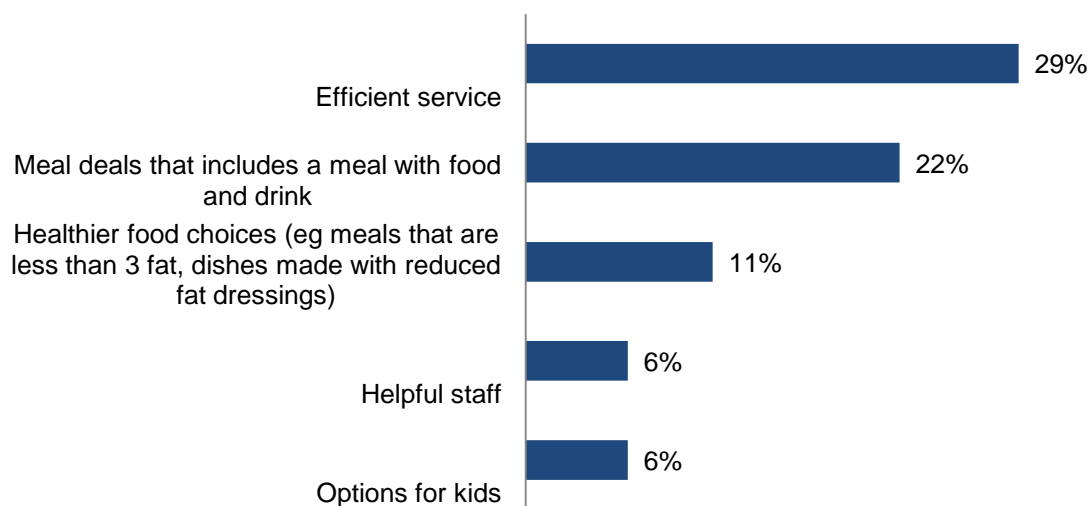
2. Coffee Shop/Sandwich Bars

Base: 380 NI internet users aged 18+



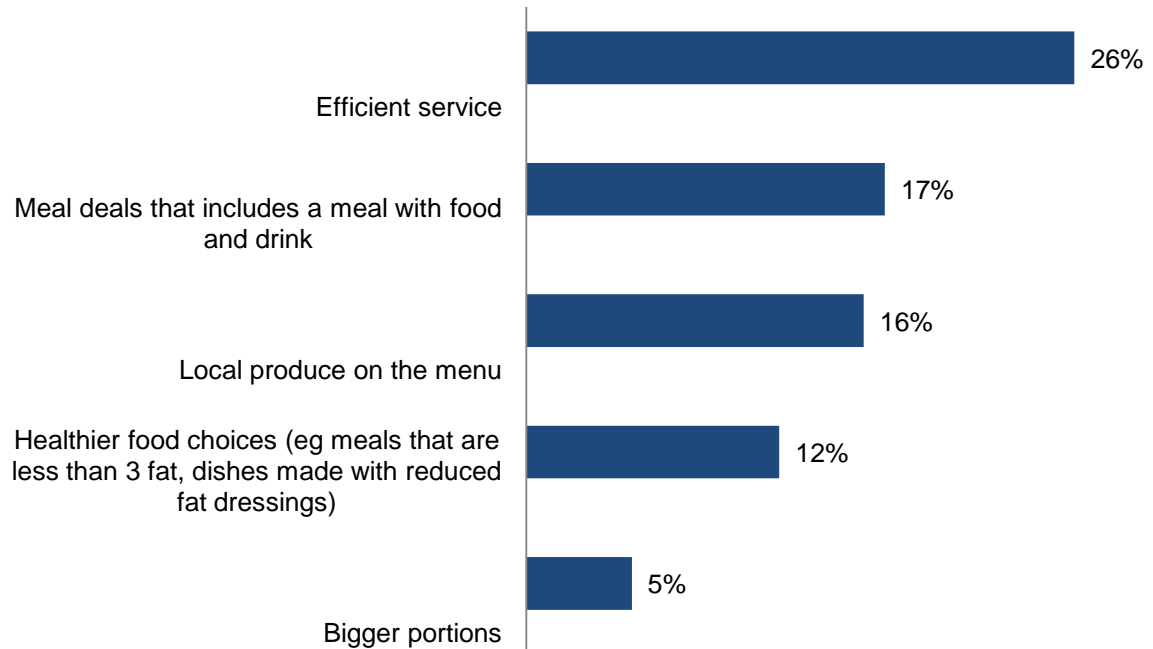
3. Casual Restaurant (ethnic/pasta/American)

Base: 350 NI internet users aged 18+



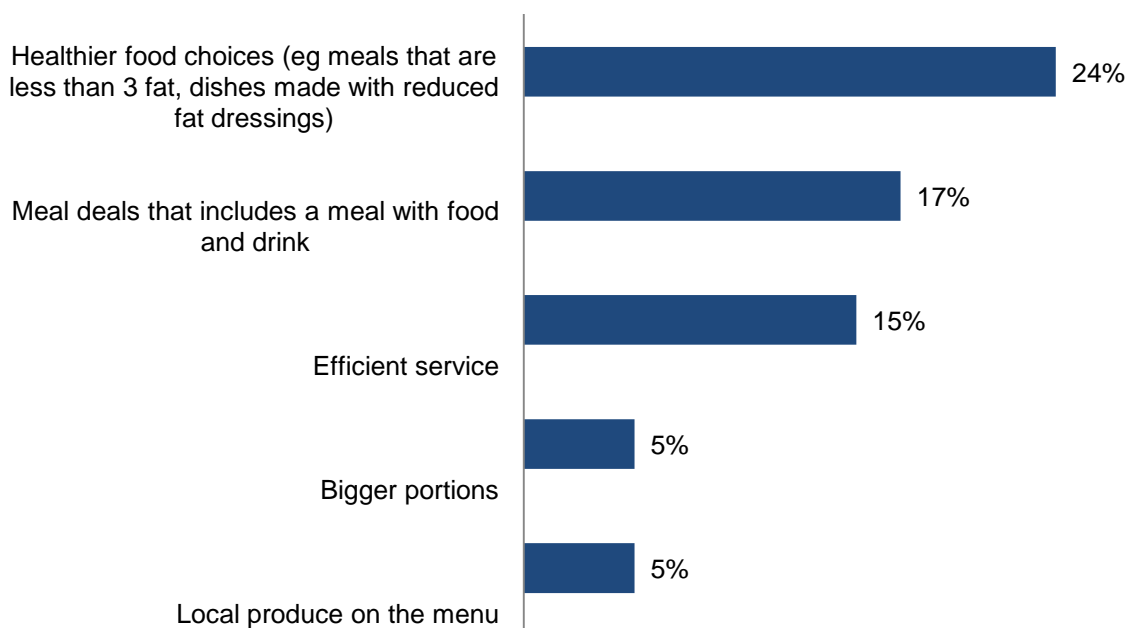
4. Table Service restaurants, pubs, hotels

Base: 386 NI internet users aged 18+



5. Workplace

Base: 150 NI internet users aged 18+



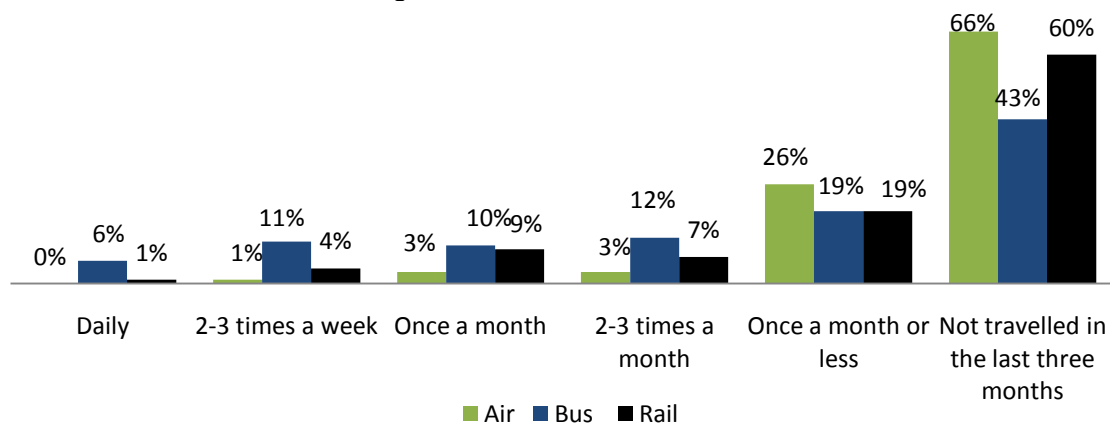
Travel and its influences on foodservice sales

Low engagement with travel on a quarterly basis impacts on foodservice sales

Two thirds of ROI and 49% of NI consumers had not travelled by air within the last three months. Rail is also not a popular means of transport, with 60% of Irish consumers not having travelled by rail within the last three months. Bus travel is the most popular type of travel for both ROI and NI consumers on a monthly basis.

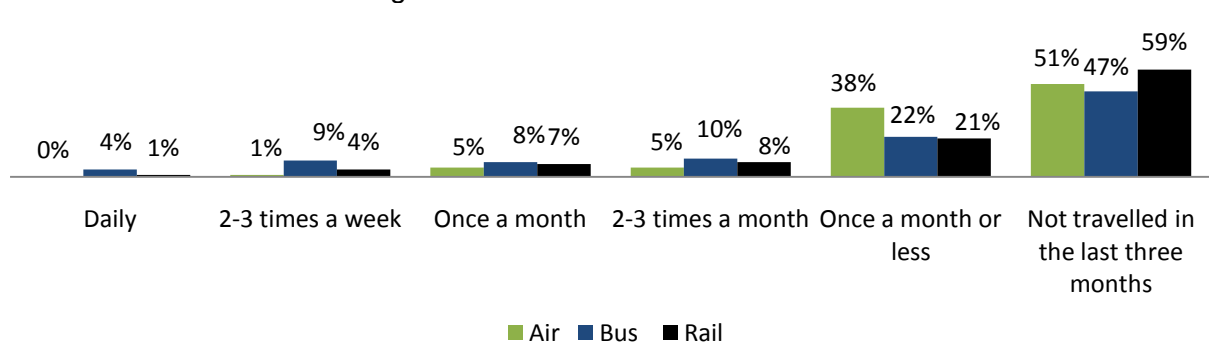
Thinking about travelling, how often have you travelled by the following methods in the last three months, ROI, September 2013

Base: 1,010 ROI internet users aged 18+



Thinking about travelling, how often have you travelled by the following methods in the last three months, NI, September 2013

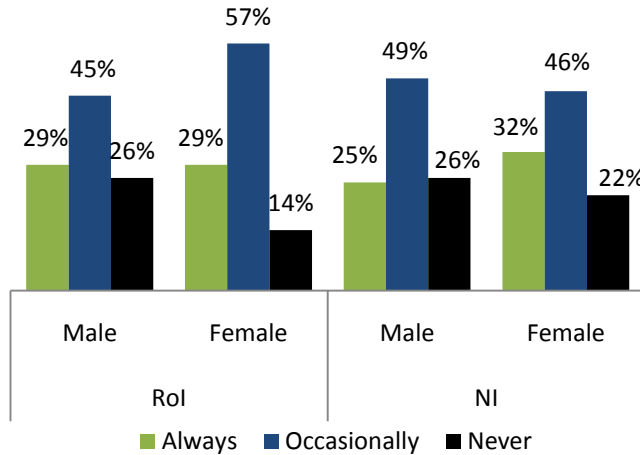
Base: 412 NI internet users aged 18+



Consumers are most likely to purchase food (either at terminus or onboard) when travelling by air

Frequency of purchasing food when travelling by air (at terminus or on-board), ROI and NI, September 2013

Base: 399 ROI and 200 NI internet users aged 18+



29% of both men and women in ROI always purchase food when travelling by air.

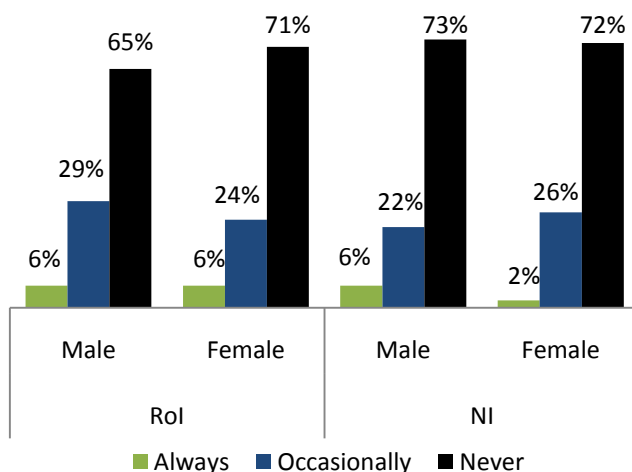
32% of women compared to 25% of men in NI always purchase food on a flight.

Females in ROI are the highest occasional purchasers of food on a flight.

*NI Male sample size below 100

Frequency of purchasing food when travelling by bus (at terminus or on-board), ROI and NI, September 2013

Base: 399 ROI and 200 NI internet users aged 18+



Over two thirds of Irish consumers never purchase food when travelling by bus.

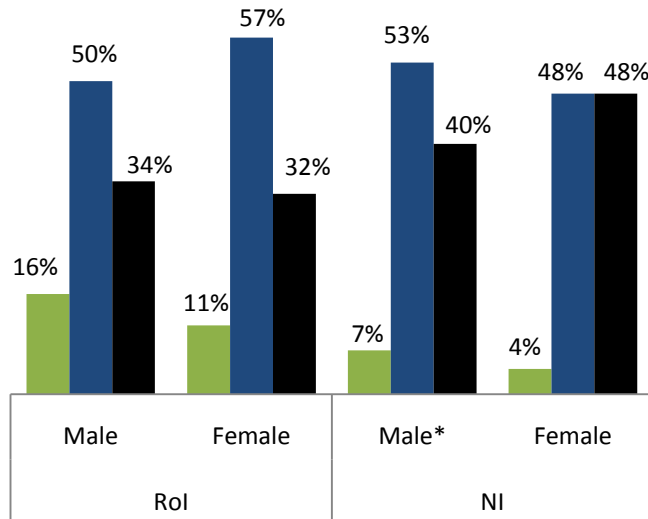
29% of men in ROI are occasional purchasers of food when travelling by bus.

In NI, women are the highest occasional purchasers of food, 26% compared to 22% of men.

Frequency of purchasing food when travelling by rail (at terminus or on-board), ROI and NI, September 2013

399 ROI and 200 NI internet users aged 18+

16% of men in ROI always purchase food when travelling by rail.



Some 50% of Irish consumers occasionally purchase food when travelling by rail.

A third of ROI consumers compared to over 40% in NI never purchase food on a train.

■ Always ■ Occasionally ■ Never

*sample size below 100

Air travel can command higher spend per trip, compared to bus and rail travel

Typical spend by most common price band ROI consumers on each type of food venue, September 2013

Travel type	Price range	% of consumers	Base
Air	€6.00-€11.99	59	273
Bus	Up to €5.99	68	184
Rail	Up to €5.99	55	269

Source: RED C/Mintel

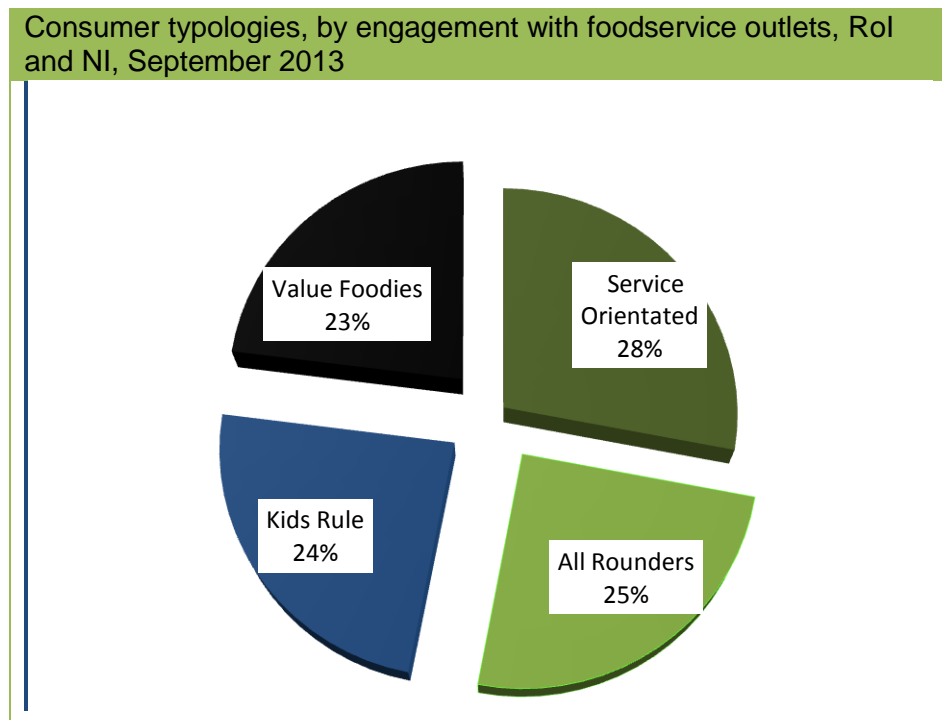
Typical spend by most common price band NI consumers on each type of food venue, September 2013

Travel type	Price range	% of consumers	Base
Air	£5.00-£9.99	61	152
Bus*	Up to £4.99	69	61
Rail*	Up to £4.99	51	95

*sample size below 100

Consumer typologies

Four consumer typologies have been developed based on responses received by ROI and NI consumers. The typologies identify choice of foodservice venues and demographic characteristics and aim to gain insights into the attitudes/motivations of each of the consumer groups.



Source: RED C/Mintel

Service Orientated (28%)

Food establishment characteristics of Service Orientated

Over a quarter of *Service Orientated* consumers have had a meal in a table service restaurant, pub, hotel or casual restaurant within the last three months.

Who are Service Orientated?

- Men or women
- 55-65+
- Self-employed/full time education/retired
- Single
- No children in household

Understanding Service Orientated

The service level in a food establishment is the primary motivating factor for choice of venue. These consumers expect a high service level as evident by food establishments with table service being their venue of choice.

All Rounders (25%)

Food establishment characteristics of All Rounders

Over a third of *All Rounders* have visited every type of food outlet in the last three months and over 50% had been to an ethnic, American style and pizza/pasta restaurant in the same period. Some 34% of *All Rounders* have eaten in a work restaurant within this period, representing the highest consumer grouping that eat at their place of work.

Who are All Rounders?

- Men or women
- 18-34
- Employee full time/part time
- Urban
- Single
- ABC1

Understanding All Rounders

Eating out is an integral part of an *All Rounders* lifestyle. These consumers view food as an extension of their lifestyle and food is part of their social activities, with some 55% having purchased food at a sporting event/concert.

All Rounders absence of dependents facilitates their above average spend on eating outside the home.

They enjoy different types of cuisine and are open to trying new dishes and concepts as illustrated through their high engagement (over 50%) with ethnic, American and pizza/pasta food types. Bigger portions and online meal promotions are two motivating factors to further increase their engagement with differing foodservice channels.

Kids Rule (24%)

Food establishment characteristics of Kids Rule

Fast food outlets are the most popular establishment with *Kids Rule* consumers (38% have visited a fast food outlet in the three month period ending in September 2013).

Who are Kids Rule?

- Men or women
- 18-44
- Employee full time/retired
- 2 children in household

Understanding Kids Rule

As the name suggests *Kids Rule* are consumers with children living in the household and as such their purchase decisions are driven by children. Decisions on where to eat outside the home are driven by suitability of venue for their children.

Some 61% of *Kids Rule* consumers stated the presence of kids' meal options on a menu was their primary motivating factor when looking at which venue to visit. Family orientated restaurants will have most appeal to this consumer grouping.

Free Wi-Fi and larger portions were two secondary factors that influenced purchase decisions.

Value Foodies (23%)

Food establishment characteristics of Value Foodies

A quarter of *Value Foodies* have eaten in a table service restaurant, coffee shop/sandwich bar, pub or hotel in the three month period up to September 2013.

Who are Value Foodies?

- Women
- 55-65+
- C2DEF
- No children in household

Understanding Value Foodies

Food establishments are a form of entertainment for *Value Foodies* and they place emphasis on helpful staff.

Visibility of local produce is important to 76% of *Value Foodies* however, they do not expect to pay a premium for inclusion of local produce on a menu.

Their price consciousness is evident as 45% of *Value Foodies* are motivated to visit an establishment by meal deal offerings that include a meal deal with food and drink.

In addition, 40% of *Value Foodies* use online meal promotion websites and stated this was a motivating factor in their decision making process on where to eat out.

This reflects their savvy nature and quest for a quality meal at an affordable price. These consumers are also health conscious and would like to see healthier choices on menus.

Global Foodservice trends

Trends that are currently influencing the foodservice market are increasingly diverse and centre on key themes such as connectivity, authentic experiences, transparency and emotional and physical wellbeing, in addition to environmental/community impact.

Mintel's Inspire database tracks over 8,000 trend observations on an ongoing basis from around the world. Top trends include observations and blogs from Mintel's trend analysts and are updated monthly. The following ten global foodservice trends are intended to provide insights into opportunities for both suppliers and operators.

Of these ten global foodservice trends, the ones that are most apparent within the Irish foodservice market at present are:

- The real thing
- Prove it
- Moral brands

The increased emergence of street food within the Irish market is reflective of '**The real thing**' trend. This trend is centred on consumers' interest in different cuisines and a desire to taste authentic foods. Farmers markets were the primary catalyst in creating an authentic food experience in Ireland over the last decade and provided consumers with an intimate environment where they could taste Irish street food.

Farmers markets laid down the foundations for the recent emergence of street food that offers various cuisines including Mexican and Asian. Although still in its infancy, the street food concept will likely gain further support as it taps into the casual dining and on-the-go food trends that are experiencing growth within Ireland at present.

Both the '**Prove it**' and the '**Moral Brands**' trends presence in the Irish market reflect the importance of provenance and transparency. This supports trade interview findings with distributors and operators that revealed growth in products of Irish origin. Suppliers and manufacturers should invest in developing the story behind their products that are of Irish origin to gain from current distributor, operator and consumer support for these trends.

Key global foodservice trends that show most applicability to further developing the Irish foodservice market are:

- FAST HYPER
- Sense the Intense
- Mood to Order
- Experience is All

The **FAST HYPER** trend looks at how Irish foodservice operators can further tap into consumers' desires for convenience and speed when looking for meal solutions.

Operators' connection with different mediums of technology to support pre-ordering of food is an area that can be developed. Such technology also is applicable within the operator environment, with apps for chefs enabling them to place orders or to gain additional information and recipes surrounding a product. Technology is central to this trend as a method to gain instant access to food solutions.

'Sense the intense' and **'Mood to Order'** trends both relate to developing the sensory food experience when eating out and to creating an experience that is difficult for consumers to replicate at home.

The **'Experience is All'** trend looks at the further development of food as a source of entertainment. Creating a sense of theatre, excitement and conversation when eating out are all characteristics of this trend.

Trend title	Why this trend is in the top 10?
<p>FAST HYPER The breakneck speed of life has consumers demanding instant access and instant gratification.</p>	<p>Eating out may become a more commonplace necessity, replacing home meals to a degree. Venues can offer consumers convenience, a social dimension, or a place to work. Whilst some customers will see eating as just one component in a multitasking approach to life, others will want to focus on the experience itself. We may see a growth in faster-paced dining. In the meantime, traditional sit-down restaurants may want to consider offering to-go options or ‘express meals,’ and allowing consumers to order ahead of time via mobile apps.</p>
<p>Sense of the Intense Intense physical and sensory experiences give life, brands and products deeper meaning.</p>	<p>There is potential for consumers to have a closer, more sensory relationship with their food when dining out. Part of the appeal of African and Middle Eastern cuisine is that it is eaten by hand, but all restaurants might benefit from a format where customers get closer to the preparation, cooking and consumption of food, maximizing feel and flavour. Open kitchens, for example, go a long way toward creating a more immersive ambience, bringing new scents and sounds to the dining experience.</p>
<p>The real thing Consumers are craving products and experiences that come with a stamp of authenticity.</p>	<p>The popularity of food trucks in the US is indicative of how much consumers crave authentic foods, and how open they are to obtaining them in non-traditional formats. Meanwhile, continued interest in regional cuisine (South Indian, Oaxacan) shows how much appreciation there is for meals that haven’t been Westernized, ‘fusionized’ or otherwise watered down from their original form. This has created a growth in restaurants that celebrate a national or regional identity.</p>
<p>Prove it Consumers are doing their homework and expecting proof before purchase.</p>	<p>With consumers more concerned than ever about what exactly they’re eating, foodservice operators are recognizing the need for farm-to-menu transparency. That means disclosing where a particular ingredient came from (especially if it’s an animal product), how it was manufactured and preserved, how it breaks down nutritionally, as well as ethical and environmental issues such as an item’s water footprint. The good news is now that social media plays such a significant role in consumers’ ‘research process,’ brands live up to their promises will reap exponential rewards.</p>
<p>Hungry Planet ‘Feed the World’ was once a rallying cry for charitable action. Now food and water shortages are hitting the West.</p>	<p>Changes to menus or sourcing will require a positive marketing spin that promotes the benefits to local providers or the environment. For instance Japanese Feng Sushi restaurants in London have removed unagi eel from the menu and are promoting sustainable sourcing of British fish instead.</p>

Trend title	Why this trend is in the top 10?
<p>Mood to Order You feel what you eat. Consumers are turning to ingredients that provide emotional, not just nutritional, benefits.</p>	<p>We're starting to see more restaurants—from high-end to quick-service—explore ways to connect either their menu items or their general ambience with certain moods. Foodservice operators can take a cue from Jamba Juice's 'boosts' and offer simple add-ons that deliver energy, relaxation, etc. There's also an opportunity to take a "Guiding Choice" approach and recommend meals based on the diner's current or preferred mood. Restaurant operators should keep an eye on the growing study of how certain scents, sounds, and even lighting affect the way we perceive taste.</p>
<p>Moral Brands Consumers don't need to spend time or money being ethical when the moral brand can do it on their behalf.</p>	<p>Provenance and localism are already informing the marketing campaigns of major fast food chains and ethical sourcing, employment and labour practices will grow in importance. Following coffee chains, more restaurants can be expected to promote fair trade and ethical sourcing on their menus. Sandwich chains already donate food to the homeless and restaurants may start incorporating 'charity service charges' into bills for receptive diners.</p>
<p>Experience is All Retailers' over-emphasis on speed, convenience and price has led consumers to crave experience more than ever.</p>	<p>Restaurants have to counter the 'home as venue' and home cooking trends by offering a Unique Selling Point beyond merely 'having it cooked and served for you.' Beyond points of differentiation like quality and expertise, restaurants can look at degrees of interaction with chefs and staff, customization of dishes and dining environment. The conventions of eating out must be challenged and blurred with other leisure sectors. Eating out can become an entertainment event in its own right, where consumers can taste and experience things they never would or could at home.</p>
<p>Middle Class Heros The rapidly emerging consumer classes of Asia and Latin America are here to save the day.</p>	<p>Like holidays and cars, restaurants become a symbol – and a frequent social expression – of middle class status. Of course premium players already exist in domestic markets, but – as in fashion – foreign brands and chains have a certain allure for aspirational consumers. Growing appetites for meat and convenience culture present some obvious opportunities for Western brands in overseas markets, but they need to look carefully at whether to export cultural authenticity or reposition their offerings for the new market.</p>

Source: Mintel Inspire

Sub themes

Discounting will remain a feature in the foodservice market; however, operators will need to ensure that price promotions stand out in a crowded marketplace by making them more engaging.

For example, Italian chain, Strada, experimented with rolling discounting in May 2013, with the launch of a time-limited 'Pop-In Pass' that gave customers 25% off the food bill on their first visit, 30% on their second and 35% on their third visit. A different approach was taken in June/July 2013 when the brand launched a 'stop the clock' promotion – diners could initially save 30% off food, but the promotion dropped by 1% every day until the launch of its new summer menu.

Menu innovation will be a key element in operator's future strategies to create excitement within the foodservice market. The opportunity exists for operators to make dishes more of an experience in themselves. For example, think of family-style sharing desserts such as a whole apple pie delivered to the table for diners to serve themselves, complete with a range of sides such as custard, ice cream and crème anglaise to meet different preferences.

The self-service element of this family-style of dining would add a sense of theatre to the dining occasion. The price bundling approach of such a format would also appeal to consumers' price sensitivity as consumers increasingly order from set menus to control their spend.

Conclusions & Recommendations

Conclusions

The Irish foodservice market is in a recovery phase following a significant downturn between 2008 and 2011. The immediate legacy of the downturn is that the industry is now characterised by operators that are more adapt at implementing cost efficiency measures, without significantly impacting on their performance. The last few years have taught operators the importance of focusing on their profitability and targeting their resources and this mantra will remain as they look to further strengthen their position.

The trend for cost efficiencies will still be an important influence in operator menu offerings in the coming years. Casual and on-the-go product offerings will continue to rise, not only due to consumer demand, but also due to the associated lower labour costs.

Trade interviews revealed that a key emerging trend in the foodservice landscape is the growing cross-over between retail and foodservice markets, particularly in the area of food-to-go.

“Our competitors are the high street, not what’s happening in our own market place. When we go into a site we do a market analysis and it’s about going out and looking at all the places in the surrounding areas that sell food, every shop, and every garage.”

Operators need to extend their competitive analysis to include food-to-go retail offerings available in convenience stores and Multiples, to ensure they are fully aware of the threats to their business.

A key area of differentiation for foodservice outlets is conveying their intangible points of difference compared to purchasing food in a retail outlet. This includes promoting the ambience, service and facilities associated with establishments.

Consumer spending is not anticipated to significantly increase in the short term – however, the next five years will see improvement in overall sales. Consumer footfall within commercial channels will not show any further decline; rather it is forecast to rise as both economies move out of the shadows of the recession. Looking at institutional channels, growth is expected to continue, driven by two key demographic factors - an increasing school age population and ageing consumers.

Casual dining and on-the-go eating are two key trends that will feature in the foodservice market to 2018 and will drive frequency and spend. Frequency in dining out will continue to be driven by casual dining, with growth forecast for QSR, and coffee shops and casual FSR and hotel restaurants.

Growth in the casual dining sector will also include the B&I channel, with increased frequency in workplace dining as both economies strengthen.

Frequency of on-the-go consumption will be driven by the leisure and travel channel. While lunch and snacking will continue to dominate, opportunities also exist to achieve growth in the breakfast and dinner on-the-go consumption market. This will demand an increased focus on product and, in particular, packaging innovation to facilitate convenient products that can be eaten while on the move.

The importance of foodservice players remaining focused and engaged with their key markets is reinforced through the continued consolidation in the short term as vulnerable players exit the market. This trend will be most apparent in the pub channel that will continue to show year on year decline to 2018.

Amongst operators, the market will continue to be competitive and discounting looks set to remain a factor in the commercial and B&I channels to try and prompt consumer spend. Consumers now expect value as standard and product offerings will need to strengthen their value proposition to focus on a wider remit of attributes.

“We have come to a stage now where price is a given and you have to offer value for money. We really have to look beyond price if we’re to move on and I think we are starting to think that way as an industry.”

“When we are selling to our customers, we focus on other attributes rather than price - we feel there are a lot more motivating factors for operators to choose to purchase our products other than price.”

Distributor

Product innovation, standards of service and quality of product offering are all areas foodservice operators need to focus on to increase spend per transaction.

“Consumers will pay for innovative things, if we are offering something really new and different, then you’ll find that you can get people to raise their spend.”

Contract Caterer

Snapshot overview of key channels

The QSR channel is attuned to modern living and will continue to remain popular with consumers.

- Chicken and 'Other' sub-category including Asian, Indian, Chinese and convenience outlets have outperformed other categories such as burger and traditional fish and chips. Consumers' increased interest in different cuisines suggests that Asian, Chinese and Indian cuisine is a key future growth area.
- Drink sales are accounting for a larger proportion of sales in QSR as operators tap into the café culture present in Ireland.
- Health is becoming a footfall driver within the QSR channel and smoothies, lower fat/reduced fat options are used as a purchase trigger for wider demographic engagement with this channel.

On-the-go is an important trend within the foodservice market and is evident in the coffee shop, leisure and travel and B&I channels. Within all of these categories growth has been evident in mini indulgences and hand held light snacks, primarily due to lower transaction spend.

The trend for informality in foodservice channels has resulted in growth in the casual dining within the FSR channel. Pubs are also tapping into the casual dining trend with many improving their food offering, seeing food as the key strategy for survival amidst a declining alcoholic beverage trade.

"Food is the growth area for pubs, if you're a publican and don't have a strong food offering you are going to struggle to survive. Drinking occasions are less, but they are still eating out and pubs have a big advantage in that they have a casual, quick and convenient environment thus tapping into the casual dining trend"

Licensed Vintners Association of Ireland 2013

Pubs providing gastro/casual restaurant service will require suppliers to invest time in recipe development and staff training to ensure their transition from publican to restaurateur is a smooth one, rather than a daunting experience.

White table cloth restaurants are now viewed as special occasion venues and consumers need to be persuaded to visit. Creating excitement centred on menu innovation will be key to driving footfall. Therefore, suppliers need to present new ideas and show restaurateurs how they can incorporate current food trends onto their menus whilst also being mindful of the need to retain a value perception within the category.

Hotels are recovering from a declining market due to increased levels of tourism. However, they will need to continue to focus on cost efficiencies to ensure margins are maintained. Mid-range hotels present the greatest opportunities for suppliers. With demands focusing on food offerings that do not require highly skilled chefs, simplicity of offerings will be a key advantage in this channel. Hotels will continue to challenge themselves in terms of their food offering investing in food offerings that will attract non hotel guests such as coffee docks or deli counters.

Channels such as Health and Education will continue to be perceived as more stable than the like of commercial channels, further reinforced by the increase in spend forecast within these two institutional markets

In the Health channel, sales levels have continued to fall, prompted by drives towards cost efficiencies in the public sector. As the economy moves through to a sustained recovery, the sector is expected to benefit from an increase in spend in the next five years.

Looking to the future, health spend in the hospital category will decline further due to an increasing emphasis on community care throughout Ireland, however, this will result in increased spend in the home and welfare category. The increase in food for the home and welfare category will require suppliers to invest in single portioned meals.

Recommendations

Consumers ultimately influence the foodservice channels that will prosper and those that will experience decline. Failing to address consumer expectations will in turn impact on operator performance.

Changes in the foodservice market in the last five years reflect how the recession has resulted in a long term change in consumer behaviours when eating outside the home.

The following table identifies the key take-ways from this piece of research for suppliers/manufacturers, distributors and operators.

Headline Messages for key players within the foodservice customer chain

	Suppliers/Manufacturers	Distributors	Operators
Eating at venues outside the home	<p>Provenance and 'Irish' origin is a key purchase driver in the supply chain at present.</p> <p>The protein category dominates foodservice sales, with fruit and vegetables and bread also being key categories.</p> <p>Health is becoming an increasingly important trend in the QSR channel reflecting the need to offer products that reflect this trend eg. reduced fat, lower sat content.</p> <p>Non-alcoholic beverage sales such as smoothies, premium teas and coffee are increasing, while alcoholic beverage sales continue to decline.</p>	<p>Further developing customer relationships are a key area for future development, with operators expecting an added value service above and beyond the delivery of goods.</p> <p>Partnerships with external specialist category suppliers will be crucial to increase areas of expertise and to further support menu development.</p> <p>Unit weight and case size are two areas that distributors can focus on to help operator's manager their cash flows.</p> <p>Operators are expanding their product offering to include an increased range of eating occasions. This presents opportunities to service operators' multi-channel foodservice offerings.</p>	<p>The value concept needs to extend beyond price to include service and quality of the product offering.</p> <p>Meal deals and efficient service are the two main drivers that consumers are most concerned about in commercial channels at present.</p> <p>Casual dining concepts are a key growth area driven by consumers' receptivity to informal dining experiences.</p> <p>Operators need to look at methods of integrating new food trends into current food offerings to create excitement, whilst maintaining a sense of familiarity.</p> <p>Hotels and higher end restaurants need to provide more unique experiences through making their food offering a source of entertainment. This will help to further increase consumers' enthusiasm for engaging with these channels.</p>
On-the-go Snacking	<p>Simplicity is key for product concepts and this extends to the packaging format.</p> <p>Poultry, Asian and ethnic products are the key growth areas in savoury product categories.</p> <p>Currently there is a trend for mini snacks, this is dominant in the sweet bakery category but has scope to expand into other product categories,</p>	<p>Price points are important for on-the-go snacking and distributors that can offer complete product solutions will appeal to operators who need to control costs.</p> <p>In addition, complete product solutions will help to reduce onsite labour costs.</p> <p>Both hot and cold drinks are an important aspect of the on-the-go snacking trend. Distributors that can provide machinery and training for staff for delivering premium drinks such as smoothies, frappes and coffees is an area that offers expansion opportunities for distributors.</p>	<p>Lunch and snacking are the key eating opportunities within the on-the-go category.</p> <p>The boundaries between retail and commercial foodservice offerings are becoming more blurred. There is a need for operators to continually assess the retail market and where possible, establish linkages to increase their visibility in the food to go category.</p> <p>There is low consumer engagement with the purchase of food and drink at terminus or on board when travelling by air, rail and bus. This presents opportunities for operators to identify improved offerings that will increase frequency of purchase in this channel.</p>

In Summary

Operators' overreliance on heavy discounting has contributed to low retention rates, in many instances making diners more promiscuous with their venue choice.

Price is still a venue differentiator, rated in the top two motivating factors for venue choice within the top five foodservice outlets visited in the last three months in RoI and NI (Red C consumer survey, September 2013).

However, focusing on price is not enough - squeezed budgets and cautious consumer sentiment will see consumers become increasingly apathetic towards mediocre meals out-of-home that deliver low prices, but not necessarily a value-for-money experience.

The re-emergence of growth in the Irish foodservice market, albeit small, across multiple channels in 2013 reflects the future opportunities that exist for players within the market. The ability of channels to increase their spend per occasion will be dependent on how successfully they address key consumer trends and needs.

The resilient foodservice channels and sub channels

- The need for convenience: QSR
- The need for hand held hot and cold offerings: On-the-go, leisure & travel
- The need for daytime treats: Coffee shops, B&I
- The need for informality and meal deals: Casual dining
- The need for excitement and innovation: FSR, hotels
- The need for nutritionally balanced foods that meet set meal budgets: Education, Defence Forces

Further growth of the foodservice market will rely on operators reigniting consumers' enthusiasm for spending on eating out by injecting excitement back onto menus, revitalising the overall dining out experience and positioning eating out of the home as an integral activity when engaging in leisure activities.