

Irish Foodservice **Channel Insights**

NOVEMBER 2016

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

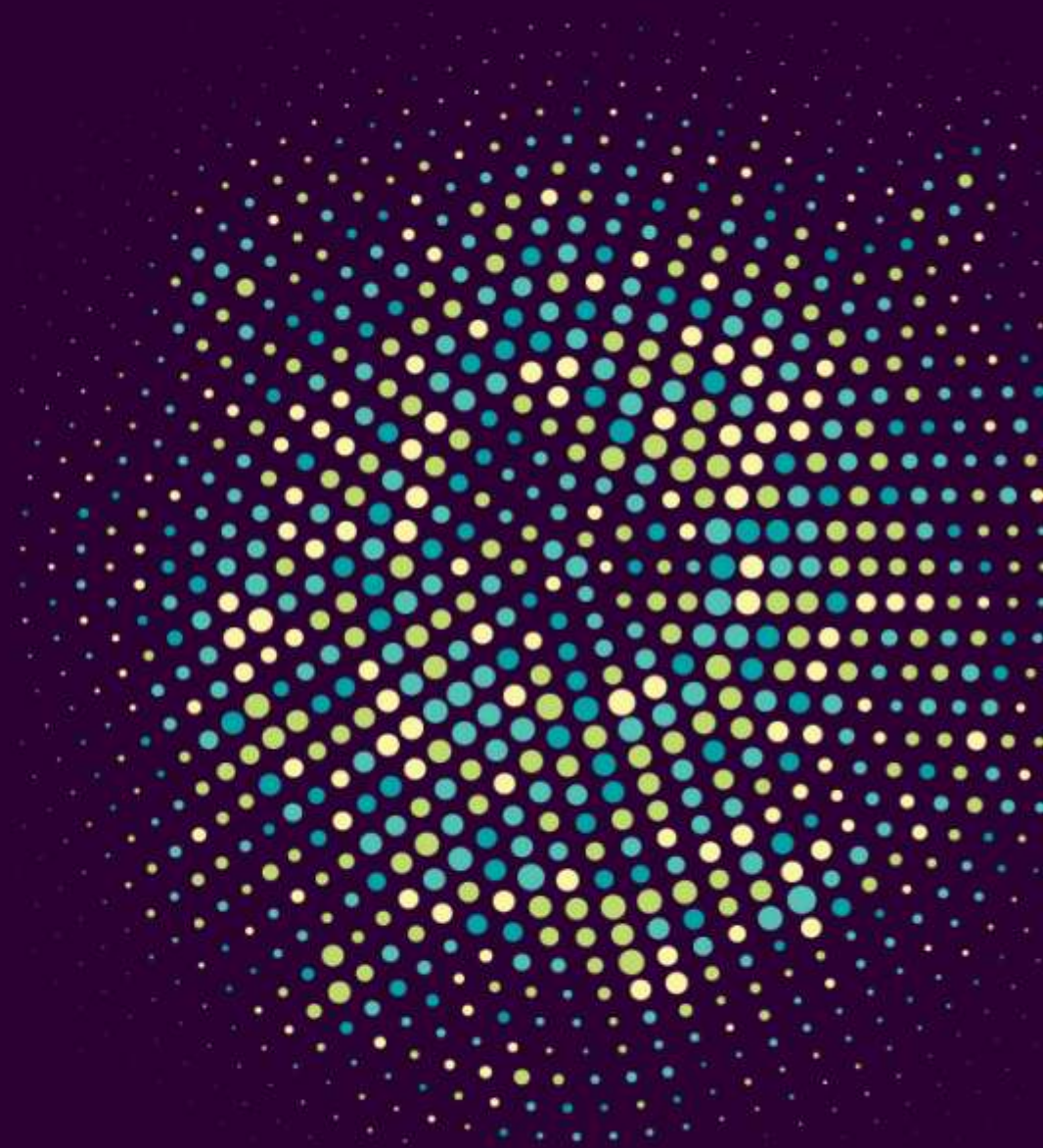
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INTRODUCTION

Irish Foodservice
Channel Insights



About the Research

Technomic has partnered with Bord Bia to provide a broad assessment of the entire foodservice market, along with insights on specific units and chains, similar to the Channel Insights report created in 2014. Technomic has a large, experienced staff covering the foodservice industry and actively conducts research in numerous international markets. The process undertaken in this collaboration included a large range of in-depth interviews within the trade to reveal insights from numerous perspectives.



Approach

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

For the development of this study, Bord Bia collaborated closely with Technomic to deliver insights necessary to develop detailed market strategies and to highlight potential opportunities.

Technomic used a robust, multi-step methodology to collect and synthesise information and to develop new insights on the foodservice market in Ireland, including:

- One-on-one trade interviews
- Data collection from numerous secondary sources, Technomic industry studies and Knowledge Center, Technomic international tracking and published materials.

The combination of these sources allowed the Technomic team to better obtain industry performance metrics, understand the size and condition of the market in Ireland, detect issues and challenges, and identify future trends, drivers and predicted growth rates.

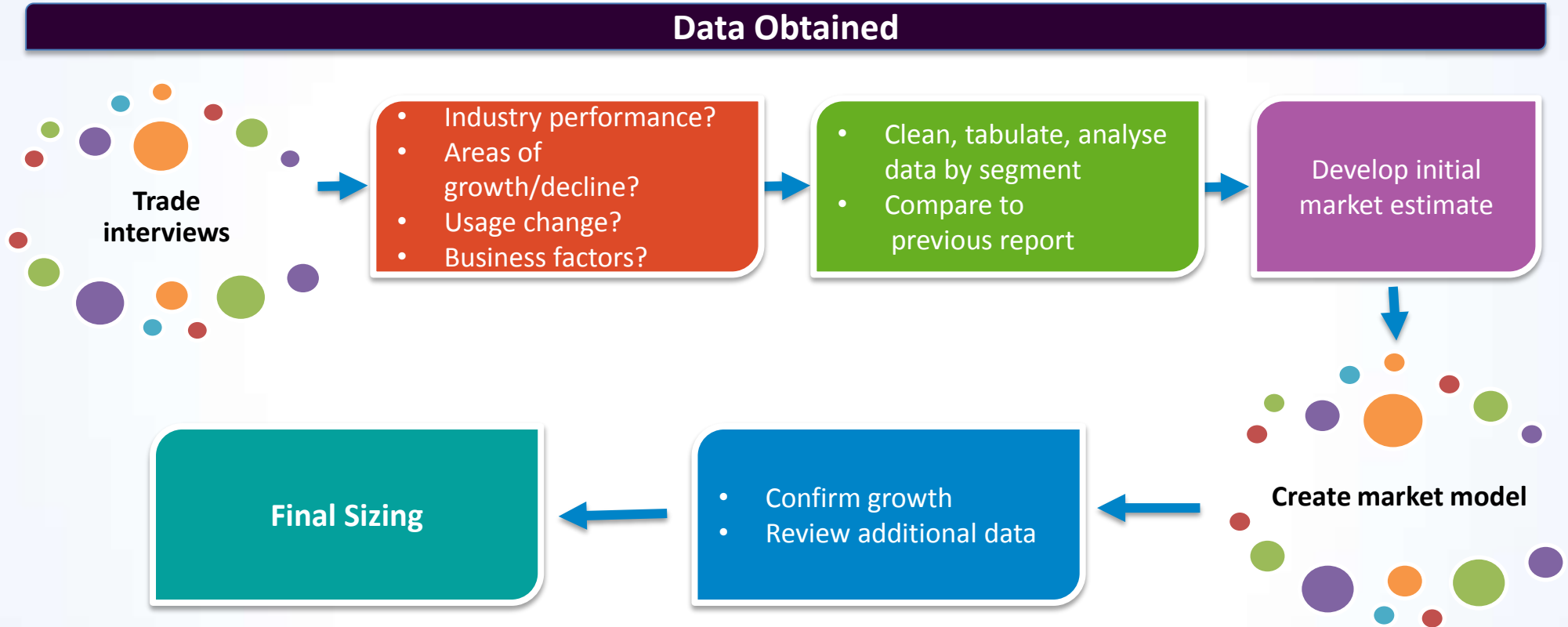
In-Depth Interview Methodology

This research included robust primary research coupled with an extensive review of available secondary information on the Irish foodservice industry and its players, as well as broader macro trends in the ROI and NI markets. To complete market sizing, segmentation, trend identification and forecasting, Technomic utilised numerous resources including:

- In-depth interviews with foodservice operators, including both profit sector and major cost sector players
- In-depth interviews with foodservice wholesalers and distributors
- In-depth interviews with key Trade Associations
- In-depth interviews with major manufacturers and suppliers
- Technomic subject matter experts
- Various trade groups and available government data

Market Sizing Methodology

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



Importantly, Technomic's review process of previous market sizing revealed certain market segments that were undervalued, both in terms of consumer spending and in terms of operator purchases. Several figures have been re-stated; as such, direct comparisons to previous reports should be avoided.

About Technomic

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

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

As part of Winsight, Technomic is positioned as a leader in multiple facets of the global foodservice industry. Winsight provides customers and audiences access to the most credible source of industry market intelligence with top industry print and digital media assets, world class events, and Technomic's channel-relevant strategic research and insights.

Beyond Technomic, Winsight provides global reach and insights through its media (including Restaurant Business, CSP, Foodservice Director and others) and Events (including the Global Restaurant Leadership Conference, FARE, Outlook Leadership, FSTEC and others).

Glossary of Terms

Term	Definition
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.
Consumer Spending	Consumer spending accounts for spending by diners within all foodservice channels.
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.

Glossary of Terms

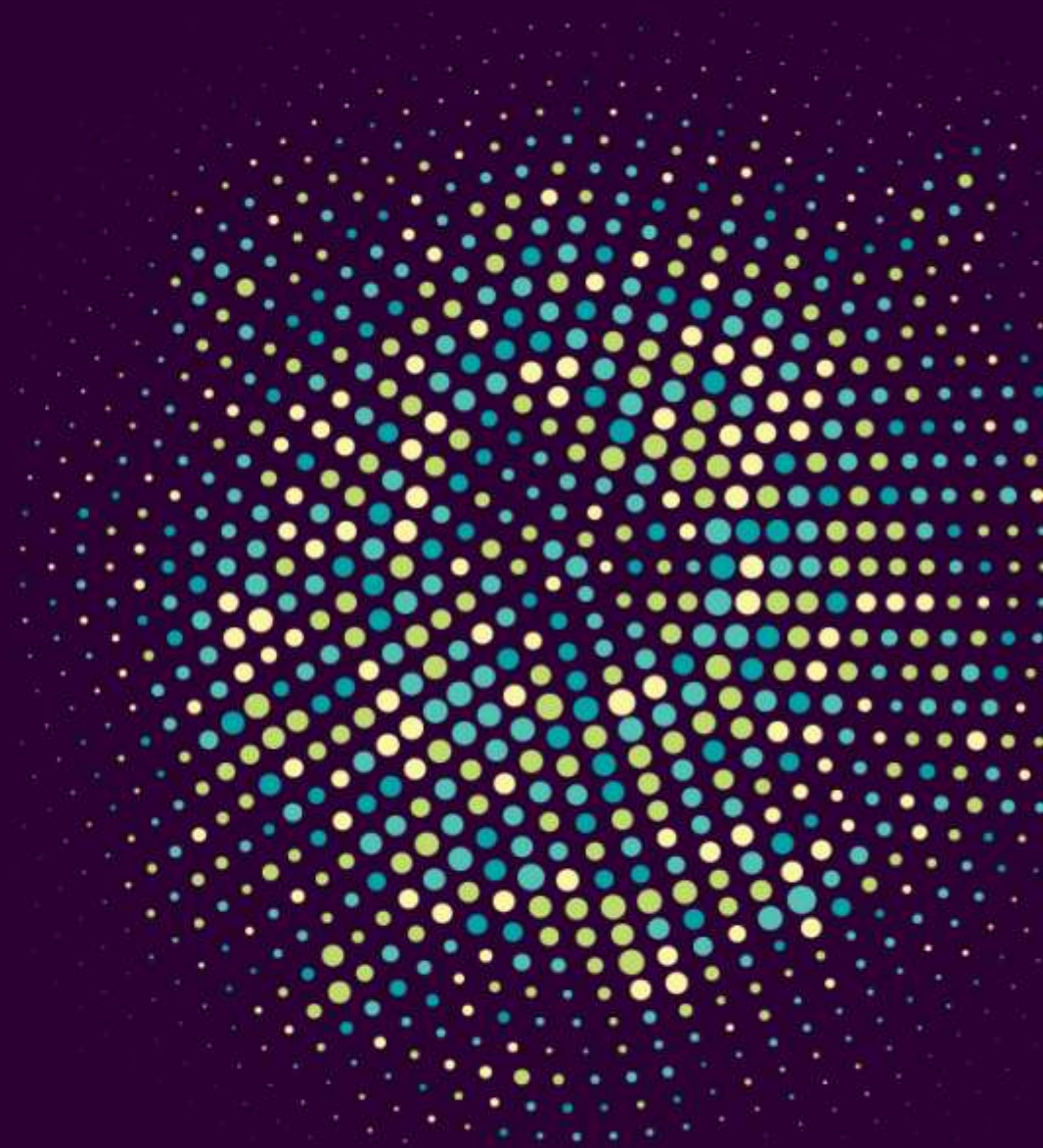
Term	Definition
Fast Food	A subset of quick service, typically described as traditional quick service restaurants, often with value price orientation.
Fast Casual	A subset of quick service restaurants; menus may feature prepared to order items; menu items are typically made with fresh, high-quality ingredients; price point is between quick service and full service venues.
Foodservice channel	The acknowledged grouping of foodservice outlets by type (each of the main channels is defined separately).
Food-to-Go	Includes premade, ready to eat menu items sold through various retail channels and consumed off premises.
Forecourt Convenience	Captive Convenience store operations that are integrated with a fuel forecourt.
Institutional foodservice	Often known as cost catering, channels where catering is a service provided for free or with a subsidy.
IOI	Island of Ireland.
Occasion	The meal reason for visiting a foodservice outlet, e.g. breakfast, lunch, dinner, coffee, snack etc. This can also be referred to as a “ daypart ”.

Glossary of Terms

Term	Definition
Operator	The company or business running the foodservice outlet or chain of outlets.
Operator Purchases	Operator purchases represent the value of distributors' sales to operators, including distributors' margins.
Quick Service Restaurants	Also referred to as QSR, this channel includes the combination of fast food and fast casual restaurants. In general, customers order or select items and pay before eating.
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.

SECTION 1:
EXECUTIVE SUMMARY

Irish Foodservice
Channel Insights



What is Foodservice?

Foodservice or 'Out of Home' is the term used to describe all food consumed out of home. It includes everything from restaurants, pubs, hotels and coffee shops to workplace catering, hospitals, education and vending.

Bord Bia's Foodservice Market Intelligence programme provides services to over 500 suppliers and trade customers.

Irish Foodservice Supplier Development programmes work with an average of 20 food and beverage suppliers annually, helping them to win new business on the domestic market.

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€1.6bn
The Irish foodservice industry will be €1.6bn (or 21% larger) in 2020

Foodservice in Ireland comprises over **33,000** individual outlets!



Ireland's foodservice market has grown from €6.3 billion in 2014 to €7.5 billion in 2016 and is forecast to grow to over €9 billion by end 2020

Over-riding Eating out Trends are:

- Health & Authenticity
- Focus on Value
- Emphasis on Provenance
- Greater culinary expression

Positive Industry Factors:

- Continued strong economic performance
- Strong overseas consumer & business tourism numbers
- Falling unemployment and more disposable income
- Continuation of 9% VAT for hospitality for ROI
- Major cities showing exceptional growth

- 95%** of the growth in the Irish foodservice market up to 2020 will occur in the Commercial channels.
- The value split between Commercial and Institutional Channels is **91% : 9%**
- Majority of spend is taking place in ROI: **€5.4bn or 72%**
- Balance in NI: **€2.6bn or 28%**

Bord Bia
Irish Food Board

Leading Market Factors Impacting Irish Foodservice Market in 2016

The following factors have had a significant influence on Irish foodservice market performance in 2016.

1. *Better than anticipated economic growth and overall GDP performance*

Tourism continues to drive the economy upward and the economy is projected to continue growth at 4.2%. This projection is lower than the Department of Finance's earlier prediction of 4.9% because of the uncertainty associated with the long term effects of BREXIT on Ireland's economy. GDP growth for 2017 is currently projected to be 3.5%.

2. *Buoyant consumer confidence (relative to historic levels) which has encouraged greater spending*

Reflective of the recent assessment of the economy and employment status of Ireland, consumers remain positive but uncertain. According to the Economic and Social Research Institute, compared to past years, more consumers have confidence in their financial well-being than not. While events such as BREXIT have left Irish consumers cautious and unsure of what lies ahead, there has been no dramatic drop in confidence towards spending.

Leading Market Factors Impacting Irish Foodservice Market in 2016

3. *Favourable employment environment*

Compared to the second quarter of last year, Ireland's employment rates continue to increase. In particular, the accommodation and foodservice employment rates are steadily increasing with the industry employing 205,000 people alone. Unemployment is expected to continue decreasing for the remainder of the year but at a slower rate.

4. *Major markets (particularly Dublin) showing exceptional strength*

Major cities in Ireland attract more tourists than their rural counterparts as a result of the high proliferation of pubs and restaurants. For the past few years, the focus for tourism in these major markets has increased and has impacted operator profits positively. Belfast and Dublin especially have received major attention with the Guinness Storehouse and Titanic Belfast attractions winning Top Visitor Attraction in 2015 and 2016. A push for tourism towards rural areas may increase in the year ahead.

5. *Investment in Ireland for restaurant chains is strengthening*

With Ireland's food tourism growing and quickly becoming a scene for global foodies to visit, international and domestic restaurant chains are expanding with more locations in Ireland as well as investing in their menu offerings and interior of their operations. Additionally, investments are being made to address the shortage of trained chefs to further meet the needs of the growing restaurant industry.

Leading Market Factors Impacting Irish Foodservice Market in 2016

6. Tourism and business travel are both up and encouraging inbound visitor counts

Both overseas and domestic tourism has increased, with a 13% increase in overseas tourism alone. However, given the fall in Sterling value, there are concerns for future rates of inbound visitors from the UK. The UK is currently Ireland's primary source of tourism, accounting for over 40% of overseas visitors. The rising level of business travel has led to the majority of hoteliers that cater for meeting and events for business to report an increase in this area.

7. Favourable VAT has boosted foodservice

Since its introduction in 2011, the 9% VAT rate for the food and accommodations channel has been viewed as a driver for inbound tourism to Ireland as well as increased spending within the foodservice channel. The ROI foodservice industry has welcomed the Government's recent decision to continue the 9% VAT, announced in the 2017 Budget.

Overall Assessment of the Foodservice Industry 2016

In 2016, Irish consumers spent €7.5 billion on out of home food & beverage. The bulk of this (91%) was spent in the commercial channels, in locations such as quick service restaurants, full service restaurants, cafés and pubs. The remaining amount was spent in institutional channels, which includes business and industry, education and healthcare, among others.

Recent years have seen extremely strong growth in foodservice, particularly in the Republic of Ireland. Industry executives have noted that business has continued to be strong as Ireland's economy has expanded, and the overall market has grown at an annual rate of over 5% per year over the past several years. The majority of spend is occurring in ROI, responsible for nearly €5.4 billion at consumer spend and €1.8 billion in operator spend. NI accounts for nearly €2.2 billion at consumer spend and €732 million in operator spend (note that these figures represent a conversion from Sterling and show much more volatility than ROI figures).

Nearly 40% of consumer spend in the Commercial channel is found in Limited Service Restaurants (LSRs), with only 13% attributed to Full Service Restaurants (FSRs). Pubs account for 20% of spend (excluding alcohol), with food-led pubs seeing the biggest return. Strongest growth is occurring in the coffee shop/café segment; while still only about 5% of total Commercial spend, it is growing at an annual rate of over 9%. Other segments are also showing significant improvement, notably leisure and travel, which are positively impacted by growing tourism business and spending on leisure activities.

Within institutional foodservice, growth is more subdued, but still healthy. Business and Industry are the category leaders, accounting for 42% of the Institutional market. Healthcare is also a large player in the field, with hospitals and other healthcare facilities accounting for 33% of institutional consumer spend. Education rounds out institutional foodservice, with 20% market share. Other sectors, such as defence and prisons also contribute to institutional foodservice sales, though are not high growth drivers within the channel.

Overarching Trends in the Commercial Channel

The following are overarching key trends throughout the commercial restaurant space:

Focus on value

Operators view value as being more than about price only. Many operators feel that consumers are willing to spend more money on higher quality food and beverage items and speak of “fair” prices as opposed to lowest price. Value creation tends to focus on maximising the experience that consumers have within the restaurant or hotel.

Greater culinary expression

There has been a strong focus on hiring chefs and others with culinary experience. This is true across most channels – particularly among hotels and full service restaurants. In some cases, even QSRs are elevating the culinary role to create a better offer to the consumer.

Emphasis on provenance

Provenance continues to be viewed as a critical determinant of the quality of the item. Consumers want to know who they’re supporting, and “food with a story” is something that operators increasingly market to their customers.

Health & authenticity

While foodservice remains a segment that consumers crave indulgence, increasingly operators are focused on “healthy” offerings, broadly defined. Operators are moving away from lower fat or lower calorie positioning and instead focusing on including specific types of ingredients. Other methods include increasing transparency of the menu and going beyond menu item descriptions such as “natural” to include more details about sourcing. Operators also indicate that menu items that have authentic positioning also correlate with consumer perceptions that the items are healthier.

Key Trends - Commercial Channel

Quick Service

- Economic growth and rising rates of employment encourage consumers to spend more, but carefully. This increase of consumers with on-the-go lives and a need for value and speed fuels the growth of this market.
- Operators are re-investing in their operations - their food and beverage offerings, interiors, and technology. Lines between segments are blurring as a result of this upscaling activity.
- Irish consumers continue to prefer Irish origin products and foods, however the Irish interest in ethnic foods is also emerging.
- Delivery continues to be a central driver for this market.
- Consumers are responding to the national focus on obesity with growing demand for the ability to choose from more health-conscious menu items.

Pubs

- Urban markets continue to find success from tourism, however the need for innovation is ongoing in efforts to differentiate from competitors.
- Operators indicate that they are burdened and struggling under Ireland's heavy alcohol tax, increased minimum wage, cost of insurance, and increased operating costs.
- Consumers are less likely to go for "beverage only occasions," and as a result food-led pubs continue to gain share within the marketplace.
- Pub customers today are not as loyal to brands and are exploring new drinks. This in turn has helped fuel the growth of the craft beer market which has seen the number of microbreweries in Ireland quadruple in the last few years.

Key Trends - Commercial Channel

Hotels and Accommodation

- Both overseas and domestic tourism have increased, with a notable increase in business travel.
- Restaurant meals offered at hotels are often seen more as convenience rather than a destination. Food and beverage programmes are especially a 'pain point' for operators as a result of finding culinary talent and managing labour costs.
- Hotels are continuing to invest in staffing, interiors and new properties to meet the growing needs for accommodation in Ireland's top cities.
- The zero rate travel tax and the 9% tourism VAT rate in ROI continues to support the industry's growth.
- The majority of hotels and guesthouses have seen an increase in business. However, conditions remain challenging for many rural areas.

Full Service

- The shortage of qualified chefs in Ireland continues, however, there has been an increase in the number of programmes and investments to address the issue.
- The Irish restaurant marketplace is becoming more attractive to outside investors and tourists.
- Operators are meeting the demands of an increasing number of health-centric diners with heartier veggie entrees and innovative preparation techniques.
- Similar to other segments, full service restaurants in urban and tourist-centered areas are seeing the most success in comparison to rural restaurants.
- Investments in bar and beverage programmes continue.

Key Trends - Commercial Channel

Coffee Shops and Cafés

- The coffee shop and cafés subchannel is in the middle of the “third wave” of coffee. Interest and awareness in premium products is gaining traction among consumers, and the number of specialty independent cafés and coffee shops is rising as a result.
- Large coffee chains still hold the majority of the market and are improving their food and drink offerings to compete with high street cafes.
- Fair trade and ethical sourcing are taken as “givens” in the coffee market. Additionally, explaining the story and origin of the coffee has helped connect brands to the consumer.
- More and more operators are looking to expand their lunch and later daypart menus alongside their coffee offerings. However, this remains a relatively low share of revenue, as grab-and-go breakfast and coffee items remain the strongest performers within the subchannel.

Other Commercial Locations

- Major international foodservice management firms dominate the market, however, smaller catering groups are growing.
- Investments are being made to meet the evolving needs of the consumers. This includes payment technology and the development of high-quality and ethnic-centric meal offerings.

Overarching Trends in the Institutional Channel

The following are overarching key trends observed throughout the institutional restaurant space:

Flat participation rates

Most institutional operators report flat participation rates (i.e. number of captive patrons that utilise the foodservice area). As such, a big focus has been on driving higher average spend to achieve growth.

Differentiation through food and beverage offerings

In a competitive market, particularly in major urban areas such as Dublin, Cork and Galway, institutional foodservice operators look to provide offerings on par with high street operators and create a differentiated experience on site. Many operators continue to try to recruit and invest in culinary talent to create unique offerings for their customers, and beverage has become an area of focus as well.

Maintain cost parameter while focusing on food quality

Cost remains the critical factor for many institutional operators, as they need to provide high quality meals at rates lower than their commercial counterparts.

More grab-n-go

Fewer diners have time to sit down for meals, and institutional operators are bringing more grab-n-go options in for both meals and snack occasions in an effort to meet the demands on these consumers.

More brands

To boost the overall quality perception of some programmes, institutional operators are bringing in brands that are known to the consumer (this is especially true for coffee and beverage programmes.)

Key Trends - Institutional Channel

Business and Industry

- The increasing demand for better ingredients and higher quality food presents storage, preparation and cost issues.
- The need for more experienced culinary talent is growing as consumers demand innovation and non-traditional items infused with ethnic and seasonal flavors.
- The industry is seeing an increase in business as employment and the economy bounces back.
- This sub-segment is heavily dominated by foodservice facilities management and is very competitive for contract foodservice, given the high saturation of firms in this space.

Healthcare

- While some improvements have been made to programmes among healthcare operators, overall, the quality and freshness of patient food remains a concern in many facilities.
- As the majority of healthcare institutions are self-operated, some of the largest barriers to providing high-quality food relate to the associated costs.
- Visitor dining preferences are expanding to meet the demands for higher quality foods that serve multiple dayparts at different price points.

Key Trends - Institutional Channel

Education

- Secondary school and college students are increasingly demanding higher quality, balanced meals and food-to-go offerings.
- While employment numbers continue to rise in Ireland and more parents are able to give their children lunch money, the vast majority of primary and secondary school children in Ireland still bring food to school in lunchboxes. Some students in NI qualify and participate in the UK catering system.
- Ireland's focus on obesity is leading operators to get more involved in class, in the cafeteria and with after school programmes to encourage healthy eating practices in school and at home.
- Food offerings continue to improve with a focus on including as much local and seasonal items as possible, when feasible.
- Budgetary constraints continue to be a major concern among operators.

Other Institutional Locations

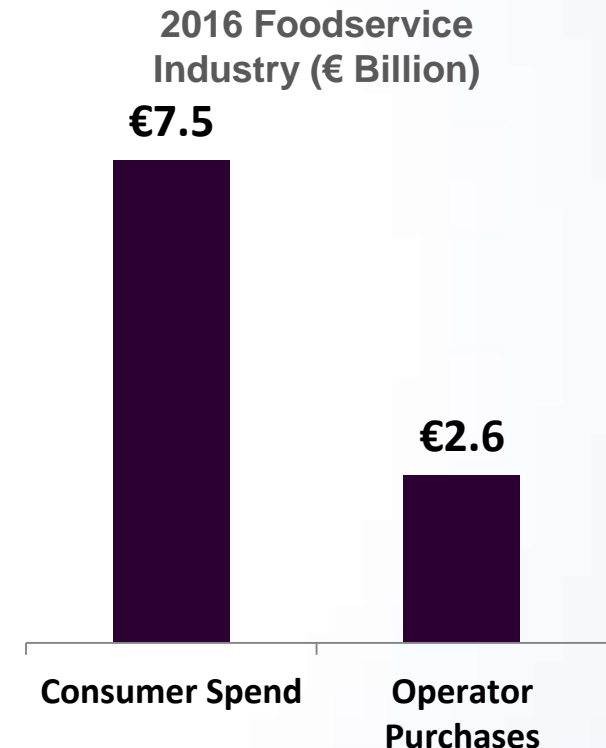
- Procurement and menu options are limited, however some changes have recently been made to provide variety and nutrition, meeting an assortment of dietary needs and preferences.

Total Market - Consumer, Operator and Distributor Spend

The value of the Irish foodservice industry for 2016 is estimated to be €7.5 billion in terms of consumer expenditures and €2.6 billion in terms of operator purchases. As noted, this figure is based on several revisions to earlier purchase and spending estimates and as a result is slightly larger than previously published figures.

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

On an overall basis, operator purchases represent 35% of the value of all consumer expenditures in the IOI foodservice industry.



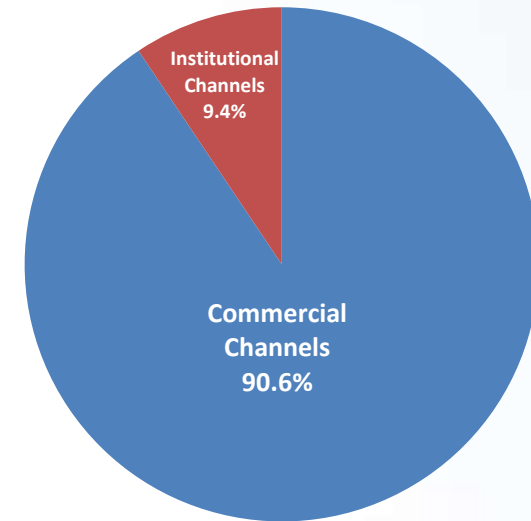
Commercial and Institutional Channels

There are two broad channels within foodservice: Commercial and Institutional channels.

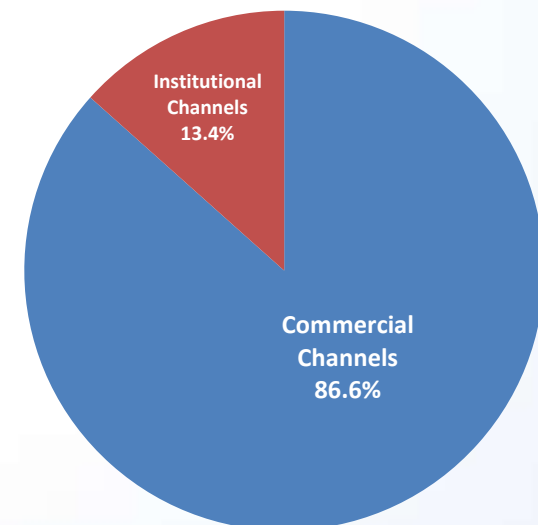
- Commercial channels includes quick service restaurants, full service restaurants, pubs, coffee shops/cafés, hotels and other commercial foodservice establishments such as cinemas, theme parks, amusements, tourist attractions, sport venues and clubs, spas, special events, recreational activities and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

Institutional channels account for 9.4% of total consumer spending and 13.4% of total operator purchases, with the Commercial channels accounting for the remaining 90.6% and 86.6% share.

Share of Consumer Spend



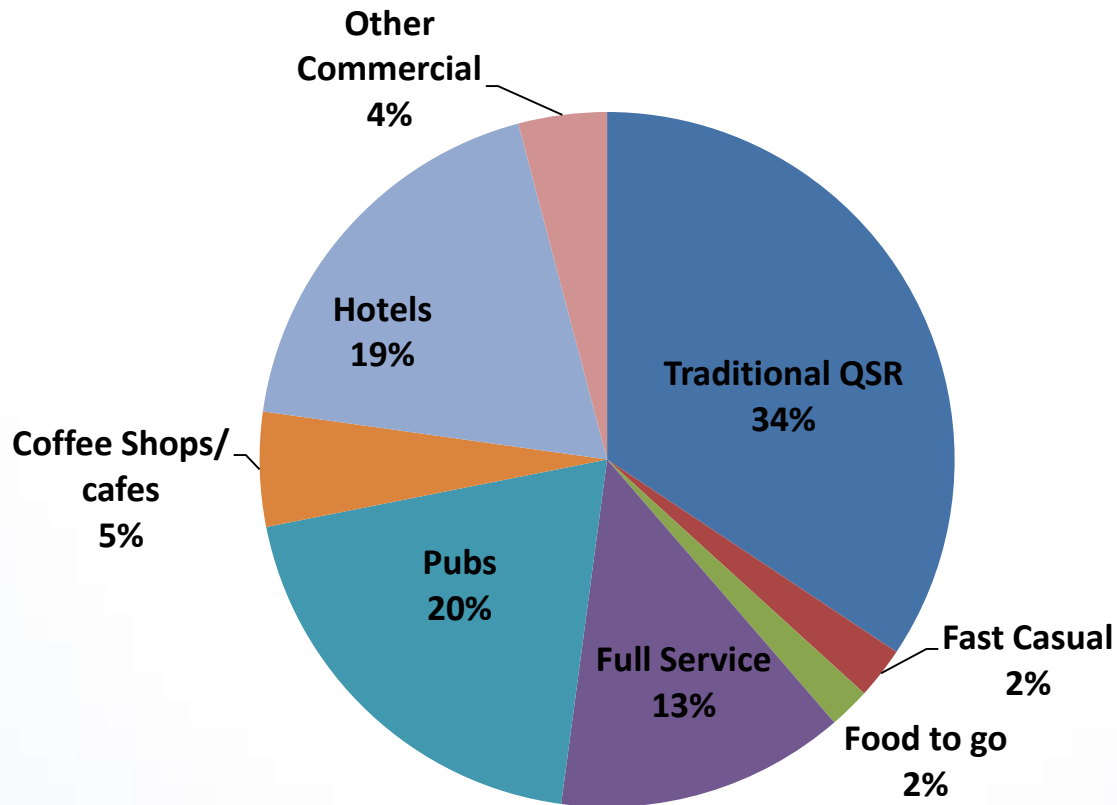
Share of Operator Purchases



Commercial Channels

Traditional Quick Service Restaurants (QSRs), pubs and hotels account for the greatest share of consumer spend in IOI. Collectively, these three channels represent 73% of the total Commercial channel.

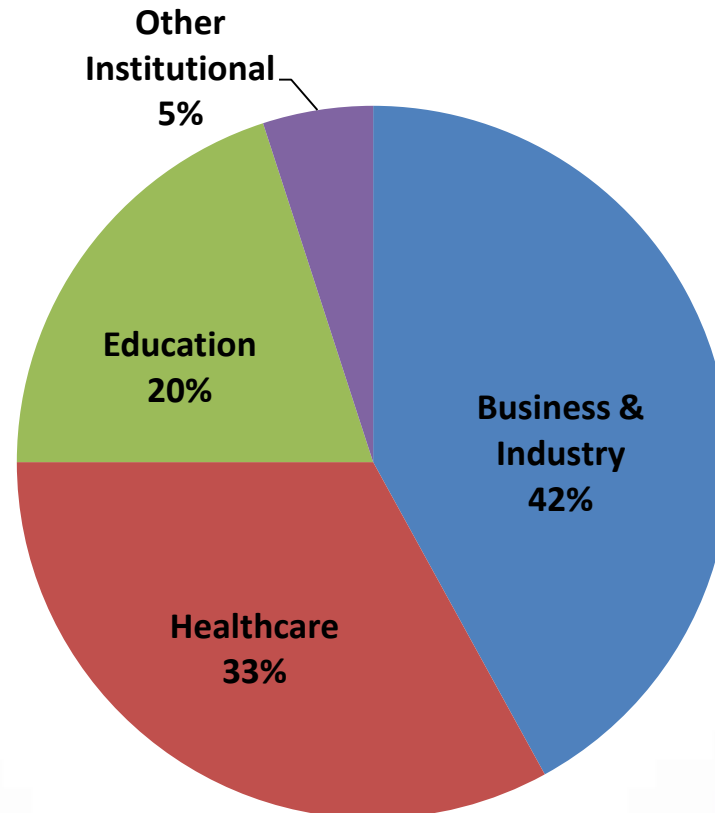
Commercial Channel Share of Consumer Spend



Institutional Channels

Business and Industry is the largest institutional channel, representing over 40% of consumer spending. This is followed by Healthcare, which represents approximately 33% of total consumer spend within the institutional channel.

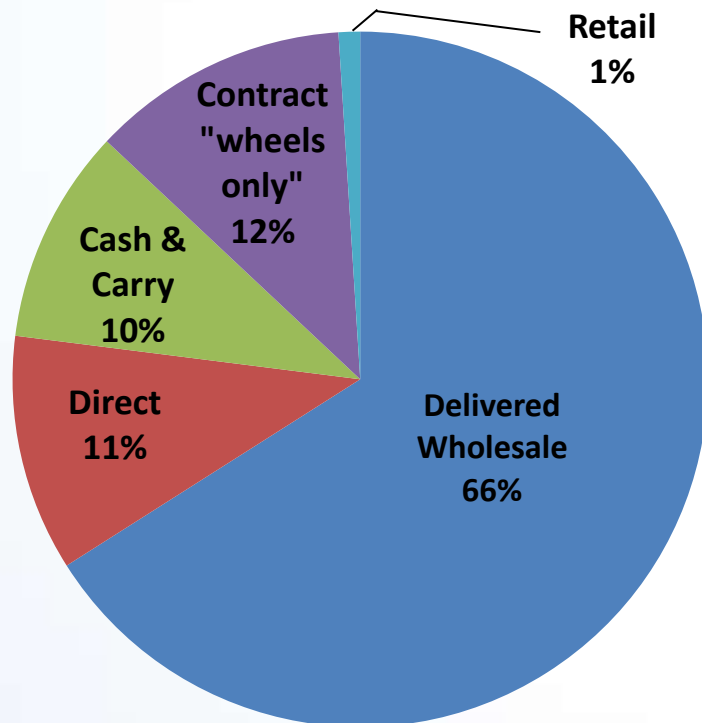
Institutional Channel Share of Consumer Spend



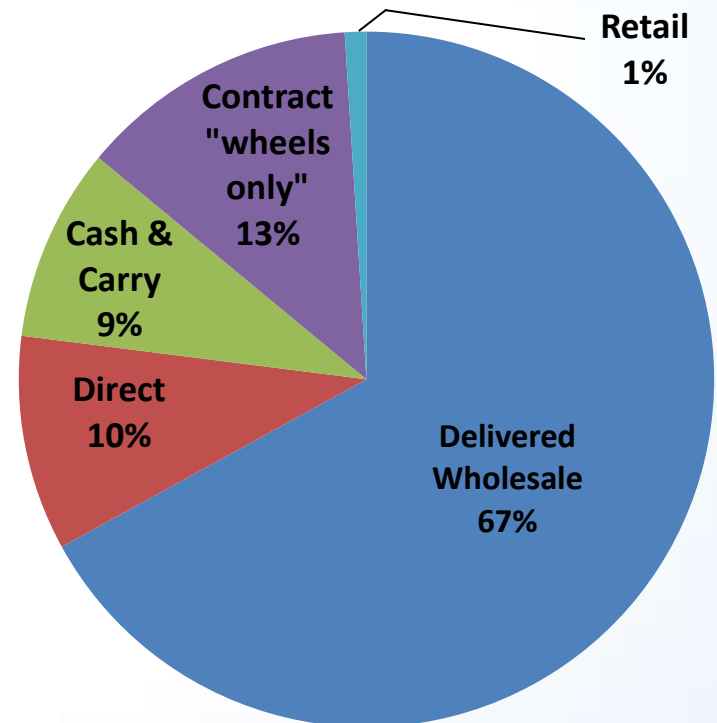
Route to Market

The most prevalent route to market in Irish foodservice is wholesale delivery, which accounts for 67% of operator purchases – up one percentage point from 2014. The contract “wheels only” channel also grew by one percentage point over the review period. This is driven by growth in the chain market.

Share of Operator Purchases 2014



Share of Operator Purchases 2016



2016 Irish Foodservice Market Snapshot

2016 Irish Foodservice Market	2016 Consumer Spending (€M)	2016 Operator Purchases (€M)	2014-16 CAGR	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	€ 2,624	€ 874	5.5%	8,850
Pubs	1,344	390	2.7%	8,400
Hotels & Accommodation	1,271	432	7.5%	1,255
Full Service	913	301	5.6%	3,100
Coffee Shops and Cafes	397	115	9.5%	2,150
Other Commercial	276	97	12.0%	1,050
Total Commercial	€ 6,825	€ 2,209	5.7%	24,805
Business and Industry	297	143	3.4%	2,000
Healthcare	232	118	2.5%	1,140
Education	143	62	2.3%	4,940
Other Institutional	39	20	3.1%	200
Total Institutional	€ 712	€ 343	2.9%	8,280
Total IOI	€ 7,536	€ 2,552	5.5%	33,085
Republic of Ireland	€ 5,374	€ 1,820	6.7%	26,600
Northern Ireland	€ 2,162	€ 732	2.5%	6,485

Growth Outlook 2016 – 2020

2016 Irish Foodservice Market	2016 Consumer Spending (€M)	2020 Consumer Spending (€M)	Projected CAGR* 2017-2020	Change in Value	Share of Growth
Limited Service	€ 2,624	3,185	5.0%	€ 561	35%
Pubs	1,344	1,466	2.2%	122	8%
Hotels & Accommodation	1,271	1,653	6.8%	382	24%
Full Service	913	1,122	5.3%	209	13%
Coffee Shops and Cafes	397	530	7.5%	133	8%
Other Commercial	276	384	8.5%	107	7%
Total Commercial	€ 6,825	€ 8,340	5.1%	€ 1,516	95%
Business and Industry	297	338	3.3%	41	3%
Health	232	256	2.5%	24	2%
Education	143	157	2.3%	14	1%
Other Institutional	39	44	3.0%	5	0%
Total Institutional	€ 712	€ 796	2.8%	€ 84	5%
Total IOI	€ 7,536	€ 9,136	4.9%	€ 1,600	100%
Republic of Ireland	€ 5,374	€ 6,651	5.2%	€ 1,277	80%
Northern Ireland	€ 2,162	€ 2,485	4.0%	€ 322	20%

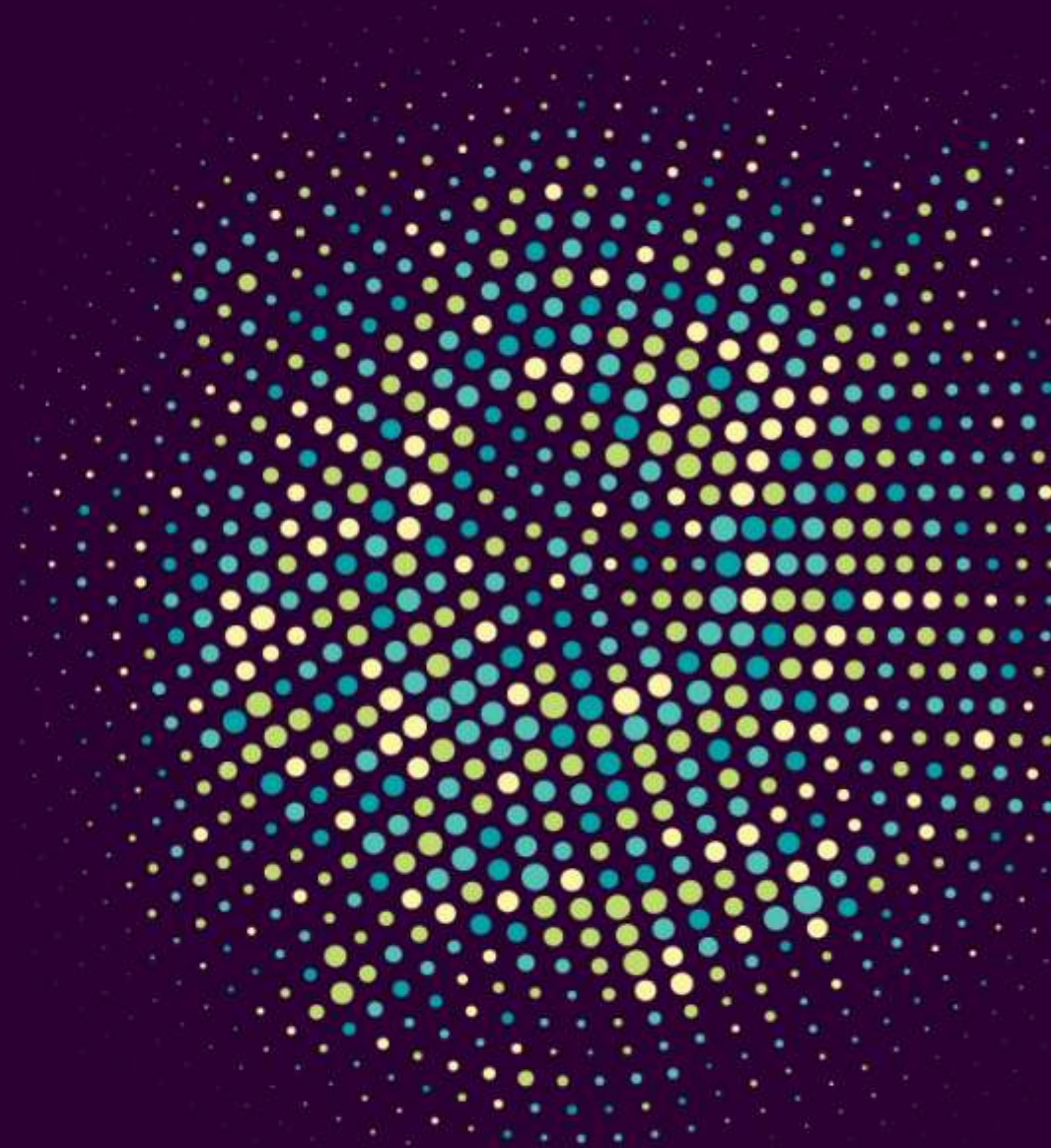
The Irish foodservice industry will be €1.6 billion or 21% larger in value in 2020

95% of the growth in the Irish foodservice market up to 2020 will occur in Commercial channels.

Euro growth forecast; excludes any change in currency valuation for NI

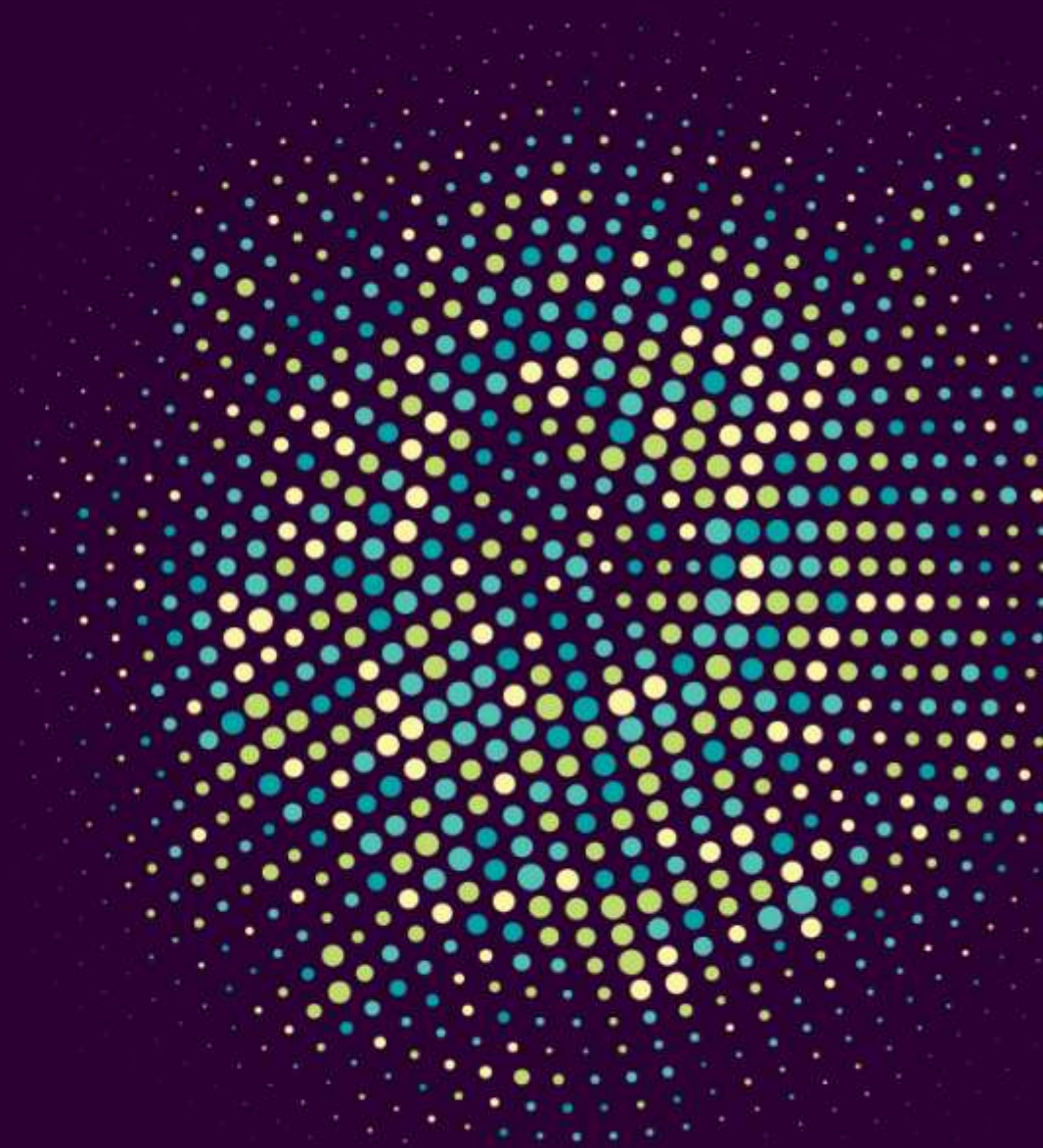
Section 2:
MARKET SUB-CHANNEL
DYNAMICS

Irish Foodservice
Channel Insights



Limited Service Segment Trends and Market Drivers

Irish Foodservice
Channel Insights

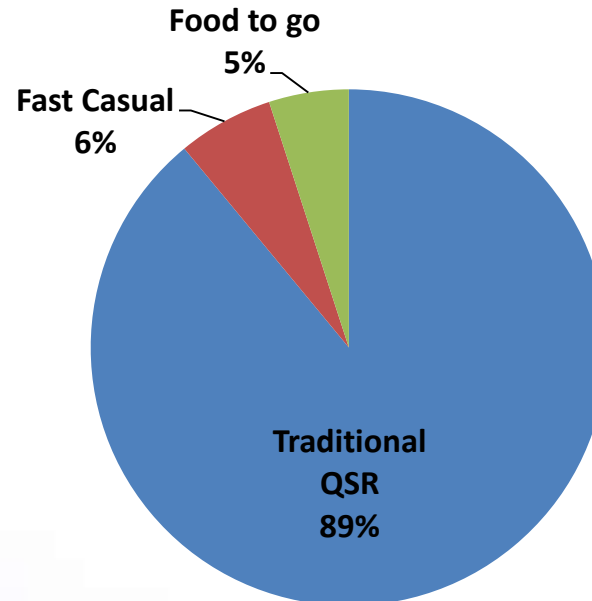


Limited Service Restaurants

The limited service restaurant segment incorporates a number of sub-segments, including traditional quick service restaurants (QSR), fast casual restaurants, and food on the go, which encompasses convenience-driven items for takeaway in forecourt/convenience operators and other grab-n-go found in retail operations.

The total Limited Service segment is €2.6 billion in consumer spending, with a value of €874 in operator purchases. The following pages explore this segment in more detail.

Limited Service Restaurants Share of Consumer Spend



Traditional QSR/Fast Food Restaurants

Traditional Fast Food restaurants are limited service and are primarily characterized by quick service. The segment typically refers to food sold in a restaurant or store with preheated or precooked ingredients. Limited service sub-segments are distinguished in the foodservice market by counter service, limited menus sold in large quantities, lower price points against other channels, systematised operation requiring low skill levels and culinary expertise on the part of staff, and aggressive marketing strategies.

The total size for the Traditional Fast Food segment in IOI for 2016 is €2.3 billion in terms of consumer spending and €780 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Traditional Fast Food segment is €1,703 million.
- In NI, the value of consumer spending is €630 million in value.

QSR/Fast Food Restaurants 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR* 2017-2020
Total	2,333	780	6,200	4.9%
Republic of Ireland	1,703	569	4,800	5.2%
Northern Ireland	630	211	1,400	4.5%

Euro growth forecast; excludes any change in currency valuation for NI

Quick Service Restaurants - Trend and Market Drivers in 2016

The following **operational trends** have been pivotal in terms of impact on the Quick Service sub-channel in 2016.

1. Quick Service restaurants are the obvious targets for criticism regarding the national focus on obesity and health concerns. The potential mandatory inclusion of calorie counts on menus as well as a tax on sugar sweetened drinks coming into effect in 2018 puts pressure on operators to consider healthier menu items that are cohesive with their concept.
2. Quick and easy payment solutions are welcome in QSRs, and we see more and more restaurants implementing this technology as well ordering technology to further enhance the efficiency and customisation of their operation offers.
3. Economic growth and rising rates of employment encourage consumers to spend more, but carefully. Irish consumers' willingness to eat out for everyday meals is a valuable opportunity for QSRs to grow. Convenience and price remain the main purchase drivers in this sub-segment. While value is still enjoyed at these operations, the ambiance boosts consumers perception of upscale.
4. Ethnic food operations continue to proliferate the market, matching the consumer taste for non-domestic menu offerings. Operators are implementing these trends when possible.
5. In response to the increasing growth of fast casual operations, many fast food chains are investing in interior upgrades as well as improvements towards the freshness and quality of their food to.

Quick Service Restaurants - Trend and Market Drivers in 2016

The following **consumer trends** have been pivotal in terms of impact on the Quick Service sub-channel in 2016.

1. Irish labelled and marketed foods attract Irish customers. “Local” and “homemade” menu items continue to be a strong trend in this market. McDonalds has benefitted from this with their McMór sandwich, with a focus on Irish ingredients. Customer demand encouraged McDonalds to bring the sandwich back on their menu for further Limited Time Offer.
2. Consumers that visit these operations desire easy on-the-go food items that travel well. Portability and hand-held qualities are important aspects to consider while creating an on-the-go menu and its packaging.
3. Delivery continues to be a central driver for this market. This is in-line with the Irish consumer’s appetite for online and mobile technology and the increasing number of on-the-go consumers. Delivery services such as Deliveroo and Just Eat continue to add more venues to their growing lists of restaurants they deliver. Similarly, new improvements and online ordering applications have been developed for the manufacturing community as well.
4. Consumers want more health-conscious items. This includes beverage options outside of soft drinks as well as lower-calorie items and vegetable and fruit entrees and sides.

Quick Service Restaurants Spotlight - Investing in Technology



Traditional Fast Food operators are focused on innovation to keep up with the tech-savvy, on-the-go Irish consumer.

Domino's continues to expand across the UK and Ireland and experience growth in sales. Nearly half of Domino's sales result from their delivery app. Additionally, Domino's furthers their focus on easy, fast ordering with "The Easy Order" Button and Facebook messenger.

For the Fast Food channel, this translates into:

- Operators partnering with delivery services such as Deliveroo and Just Eat.
- Increasing operational efficiency and simplifying the process for consumers to order.
- Investing in online ordering capabilities.

Quick Service Restaurants Spotlight - Staying relevant to the Consumer

“Our main challenge is to remain relevant to the consumer. Ensuring our menu is on-trend, our quality is consistent and the experience is the best it can be have all been our focus this year.”

- QSR operator

Fast Casual Restaurants

Fast Casual restaurants are also limited service but are generally more upscale, investing more in the design and ambiance of the operation. Similar to QSRs, Fast Casual restaurants are often systemized with limited, focused menus. However, meals are prepared with higher quality ingredients and so customers pay more. This sub-segment includes operations that sell premade, ready to eat items sold through various retail channels and consumed off premises.

The total size for the Upscale/Fast Casual segment in IOI for 2016 is €164 million in terms of consumer spending and €54 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Upscale/Fast Casual segment is €120 million.
- In NI, the value of consumer spending is €44 million in value.

Fast Casual Restaurants 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR* 2017-2020
Total	164	54	400	7.5%
Republic of Ireland	120	40	300	7.8%
Northern Ireland	44	14	100	7.2%

Euro growth forecast; excludes any change in currency valuation for NI

Fast Casual Spotlight - Focus on Healthy Menu Additions



F R E S H L Y
CHOPPED
the healthy food company

Fast casual operators are adding healthier options to their menus in response to the national interest in combatting obesity.

Chopped, a popular Dublin-based salad bar, is capitalising on this trend.

For the Fast Casual channel, this translates into:

- Operators considering healthy menu additions and sides, and evaluating whether these will benefit the existing menu.
- Conducting consumer research and utilising manufacturer and distributor trend information to adjust offerings.
- Collecting guest feedback on potential menu changes.

Food On-the-Go

This segment includes convenience stores, supermarkets, and petrol stations with forecourt convenience stores. Convenience stores fill the demand for easy and portable meal solutions, such as sandwiches or baked goods. Trips to convenient stores are either routine or impulse stops by consumers. Supermarket prepared foods are becoming increasingly popular, especially for individuals seeking quick meal solutions during the afternoon and evening dayparts. Forecourt convenience stores have historically not been seen as a food destination; however, guests today can usually grab a quick snack or beverage during routine visits.

The total size for the Food On-the-Go segment in IOI for 2016 is €126 million in terms of consumer spending and €40 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Food On-the-Go segment is €96 million.
- In NI, the value of consumer spending is €30 million in value.

Food-to-Go 2016				
	Consumer Spending (€MM)	Operator Purchases (€MM)	Units 2016	Projected CAGR* 2017-2020
Total	126	40	2,250	2.7%
Republic of Ireland	96	30	1,850	2.8%
Northern Ireland	30	10	400	2.7%

Euro growth forecast; excludes any change in currency valuation for NI

Food On-the-Go - Trend and Market Drivers in 2016

The following **operational** trends have been pivotal in terms of impact on food on-the-go in 2016.

1. Customers continue to choose high-quality healthy options and visit health-centric restaurants. The consumer's search for high-quality foods on-the-go continues. Freshii and Applegreen have partnered to meet this demand for convenient, fast, good-for-you foods.
2. Forecourts are modernising. Speed, cleanliness, and efficient technology are the focus in recent investments.
3. Continued efforts are being made to provide innovative, high-quality product selections. This can include fresh bakery goods, a broader selections of spirits, or barista-style coffee. Operators can fine-tune their selections based on local consumer preferences.
4. Margins on petrol and diesel continue to be small, and operators are choosing to focus more on their retail food-to-go offerings. Maxol, Ireland's leading family-owned oil and forecourt convenience company, offers their own food brand *Moreish* as well as different franchises.
5. International operators are expanding into the Irish market. Canadian brand, Alimentation Couche-Tard Inc., has just acquired CST in the US, making it the largest convenience store operator in the country. Couche-Tard recently acquired Topaz in Ireland, with reported plans to rebrand the convenience stores into Circle Ks at a future stage.

Food On-the-Go - Trend and Market Drivers in 2016

The following **consumer** trends have been pivotal in terms of impact on the Food-On- sub-channel in 2016.

1. The number of those working with on-the-go lives continues to increase and fuel the expansion of forecourts. Applegreen reports growth, and Supermac plans to open new locations on motorways.
2. Traditionally popular non-food items are declining in sales, creating an opportunity for forecourts and c-stores to invest in their food items. For example, less and less people are buying cigarettes for health and cost reasons. Additionally, the majority of lottery and newspaper sales have gone online.
3. Irish consumers continue to prefer Irish origin products and foods. Kantar Worldpanel's Brand Footprint study for 2016 found that half of Ireland's top 50 brands are Irish. These are brands that are bought most frequently. Operators should weigh these brands more heavily while working with suppliers to choose their food and drink selection.

Food On-the-Go Spotlight - Race for Modernity



Topaz, a top rated forecourt in Ireland, continues to build and open state of the art locations. Its most recent investment of €6.5m towards sites in Ballysimon, Co. Limerick and Citywest, Co. Dublin financed a range of barista coffees as well as enhanced fresh and local food and beverage offerings.

Modernity translates into quality in the forecourt space. Cleanliness and efficiency are top factors customers are looking for when choosing to shop at a forecourt or c-store. As for food-on-the go items, this translates into:

- Operators considering higher-quality retail and pre-ready food items.
- Investing in hot or cold-holding equipment that maintain food freshness, or more appealing display boxes.
- Expanding hot and cold beverage offerings.

Food On-the-Go Spotlight - Snacking occasions on the rise

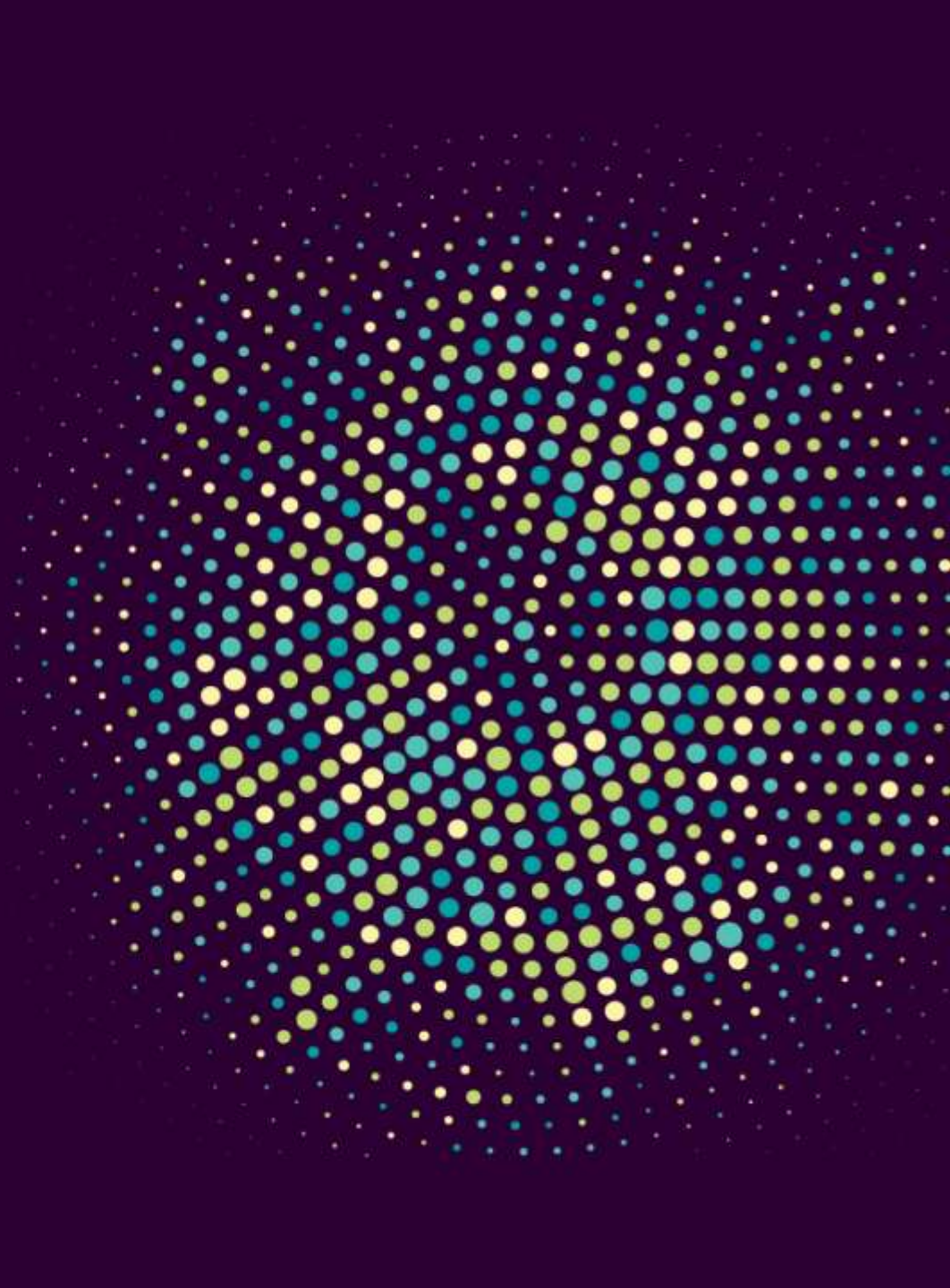
“Snacking is up while soft drinks are down. The customer is changing what they want when they eat away from home.”

- Foodservice Distributor

Pubs

Trends and Market Drivers

Irish Foodservice
Channel Insights



Pubs

Licensed pubs includes drinking establishments that are outlets built specifically for (and largely dependent on) the sale of alcohol for on premise consumption. Traditionally they would have had a limited food offering, and in many pubs the food offering still remains basic. Pubs are characterised by a bar service and are often seen as social meeting places, rather than a place of pure consumption.

The total size for the Pubs segment in IOI for 2016 is €1,344 million in terms of consumer spending and €390 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Pubs segment is €954 million.
- In NI, the value of consumer spending is €390 million in value.

Pubs 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR* 2017-2020
Total	1,344	390	8,400	2.2%
Republic of Ireland	954	277	7,200	2.3%
Northern Ireland	390	113	1,200	1.9%

Euro growth forecast; excludes any change in currency valuation for NI

Pubs - Trends and Market Drivers in 2016

The following **operational** trends have been pivotal in terms of impact on the pub sub-channel in 2016.

1. The rising number of tourism has helped Ireland's well-known bars in tourist-prone areas and cities to enjoy increased sales.
2. As the major cities of Ireland become more saturated with new restaurants and bars, bars and restaurants providing multiple concepts under one roof are increasingly finding success. These venues benefit from their ability to attract multiple groups of people who are looking for different scenes. Concepts include cafes, nightclubs, and gastropubs.
3. Operators are burdened by Ireland's heavy alcohol tax, increased minimum wage, cost of insurance, and increased operating costs. According to research conducted by Begbies Traynor, nearly one quarter of bars in Northern Ireland state they are under significant financial distress.
4. The popularity of craft beer continues to rise. The number of microbreweries in Ireland has more than quadrupled since 2012 to 90, with 2/3 of these producing beer on their own premises and the remainder marketing and selling products beer produced by outside breweries. Revenue of €40 million was recorded for 2015, with a projected €59 million for 2016. Of the total amount of beer consumed in 2015, 2.5% of it was craft beer and this is predicted to increase to 3.4% in 2016.

Pubs - Trends and Market Drivers in 2016

The following **consumer** trends have been pivotal in terms of impact on the pub sub-channel in 2016.

1. Drinkers today are not as loyal to brands and are exploring new drinks. More pubs are seeing sales increase with broader menus with different types of whiskey, craft beers, and gins.
2. Consumers continue to look for better quality food offerings at gastropubs.
3. Unemployment levels are decreasing in Ireland, allowing a higher frequency in visits to pubs.
4. Consumers are less likely to go for “beverage only occasions,” and as a result food-led pubs continue to open. Food led pubs have performed very well as a result of the value the food menus offer these establishments, encouraging consumers to stay longer and spend more. These types of establishments create a “blurring of lines” between full service restaurants (that are increasingly focused on building a bar business) and pubs.
5. Consumers respond more positively to outlets with a strong ambiance and design, whether that be a genuine Irish pub or a modern gastropub.

Pubs Spotlight - Expanding Drink and Food Menus

L . MULLIGAN . GROCER.

Venues that offer strong food and drink menus continue to find success.

L. Mulligan. Grocer., based in Dublin, offers its guests a bar serving multiple types of whiskey and craft beers, as well as a restaurant serving up local and seasonal ingredients.

For the Pub channel, this translates into:

- Considering different menus and drinks for each daypart or as monthly deals.
- Addressing the consumers' shift towards a food-focused environment.
- Working with local breweries and distilleries to bring new drinks onto the menu.

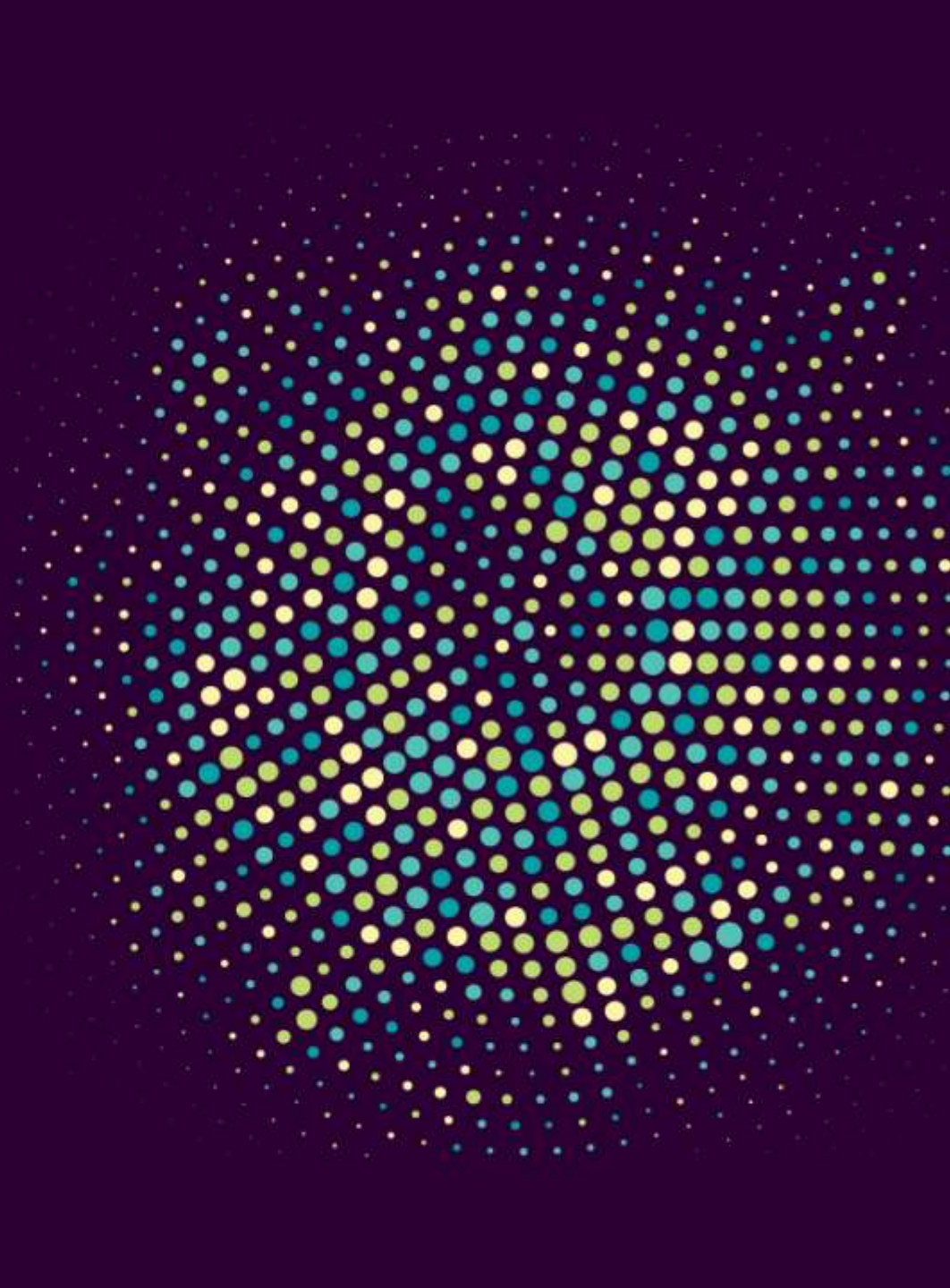
Pubs Spotlight - Consumer trends

“The younger consumers are drinking differently – they start at home and don’t go to the pub like they used to. More and more competition from other types of operators are also creating challenges.”

- Pub operator

**Hotels and
Accommodation**
Trends and Market Drivers

Irish Foodservice
Channel Insights



Hotels and Accommodation

Foodservice in the hotel and accommodation channel is heavily focused on the hotel channel, which accounts for 95% of the market. Other accommodation forms, such as guest houses, are included but only where they are large enough (10 rooms or more) and these are few in number. Meetings, banquets and conferences that take place in hotels are also accounted as part of the broader hotel channel. B&Bs are not covered, as their foodservice needs are usually only breakfast items that they obtain through cash and carry or direct from retail.

The total size for the Hotels and Accommodation segment in IOI for 2016 is €1,271 million in terms of consumer spending and €432 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Hotels and Accommodation segment is €928 million.
- In NI, the value of consumer spending is €343 million in value.

Hotels and Accommodation 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR* 2017-2020
Total	1,271	432	1,255	6.8%
Republic of Ireland	928	315	1,030	7.0%
Northern Ireland	343	117	225	6.2%

Euro growth forecast; excludes any change in currency valuation for NI

Hotel and Accommodation - Trends and Market Drivers in 2016

The following **operational** trends have been pivotal in terms of impact on the hotel and lodging sub-channel in 2016.

1. The Irish Hotels Federation (IHF) reports 90% of hotels and guesthouses have seen an increase in business. However, conditions remain challenging for many rural areas, and 30% of hoteliers are still concerned about their ability to continue profits into 2017 due to local authority rates, labour costs, and utility costs.
2. Both overseas and domestic tourism have increased. Overseas tourism has seen a 13% increase overall in all major target markets so far this year. However, according to IHF, 95% of hoteliers are concerned how BREXIT will affect visitor numbers from the UK.
3. Hotels are continuing to invest. IHF reports that many have increased staffing levels this year and 73% are planning to hire more in the months ahead, compared to 57% last year. Additionally, many properties are being refurbished or rebranded, and many new properties are in the pipeline.
4. Challenges for operators include labour costs - finding experienced chefs and paying higher wages. Many are coping by cost cutting with “speed scratch,” or combining value added ingredients with already prepared ingredients together on site.
5. Dublin and other tourism hotspot cities are reportedly seeing room rates at and above 90%, however occupancy levels outside of traditional tourism hotspots continue to be much lower.
6. Fáilte Ireland warns that there will continue to be an accommodation shortage in Dublin while the city races to invest and build over the next two years to meet the growing needs.

Hotel and Accommodation - Trends and Market Drivers in 2016

The following **consumer** market drivers have been pivotal in terms of impact on the hotels and lodging sub-channel in 2016.

1. Businesses are still holding more meetings and events at hotels with catering. IHF reports a 60% increase in this area.
2. The number of business travelers to Ireland is continually rising. However, there is a particular shortage of serviced apartments in Dublin. Many aparthotels are in the pipeline to meet this increasing demand.
3. With travel interest from overseas markets increasing, hotel restaurants need to cater to international tastes.
4. The zero rate travel tax and the 9% tourism VAT rate in ROI continues to support the industry's growth.
5. Breakfast is a key day part to sell consumers and hotels are continuing to focus on providing healthier and better quality breakfast options. Restaurant meals offered at hotels are often seen more as convenience rather than a destination.
6. Irish consumer sentiment is improving alongside the economic recovery. According to IHF, 66% of hoteliers in IOI report an increase in domestic business. This business is most important to properties outside of tourist-prone cities.

Hotel and Accommodation Spotlight - Servicing Business Travelers

There is a high demand for aparthotels that can service the increasing levels of business travel and its accompanying needs.

Staycity is an award-winning aparthotel business based in Dublin, with 1,400 units across the UK and other European countries. Staycity has 200 units in Ireland alone. The company has stated it is on target to expand to 15,000 units by 2020.

For the Hotel and Accommodation sub-channel, this translates into:

- Incorporating high quality food retail into operations if travelers book rooms with kitchens.
- Expanding on catering services to meet the demands for large and small meetings and business events.
- Considering international menus to help guests feel “at home.”



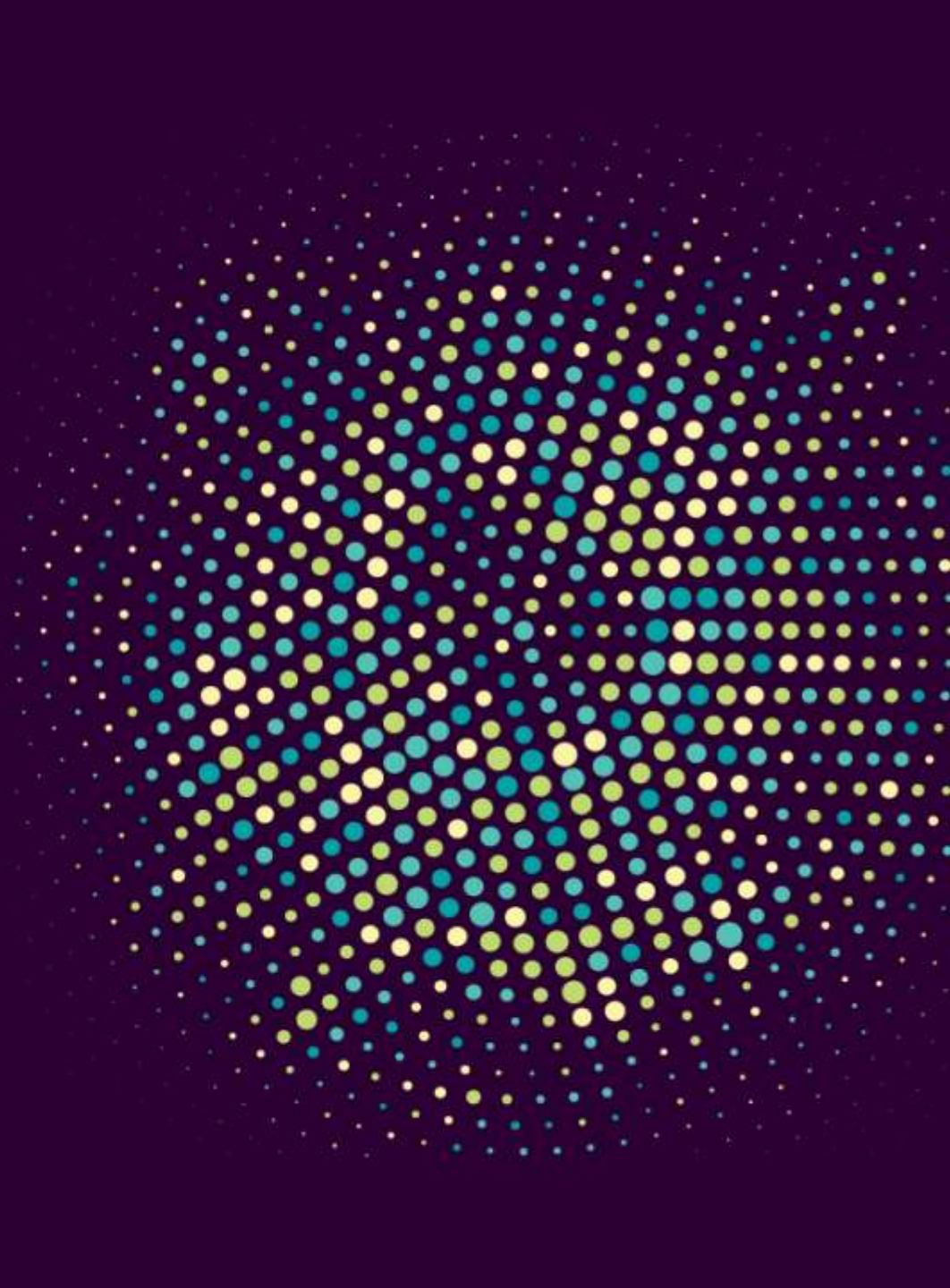
Hotel and Lodging Spotlight - Greater Emphasis on Food Quality and Variety

“Managing margins remains critical, but there is strengthening interest to increase the quality of food that is served in hotels.”

- Hotelier

Full Service Restaurants Trends and Market Drivers

Irish Foodservice
Channel Insights



Full Service Restaurants

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

The total size for the Full Service Restaurant segment in IOI for 2016 is €913 million in terms of consumer spending and €301 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Full Service Restaurants segment is €616 million.
- In NI, the value of consumer spending is €297 million in value.

Full Service Restaurants 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR* 2017-2020
Total	913	301	3,100	5.3%
Republic of Ireland	616	203	2,400	5.5%
Northern Ireland	297	98	700	5.0%

Euro growth forecast; excludes any change in currency valuation for NI

Full Service Restaurants - Trends and Market Drivers in 2016

The following **operational** market drivers have been pivotal in terms of impact on the full service sub-channel in 2016.

1. The Restaurant Association of Ireland has previously highlighted that the shortage of qualified chefs in Ireland had reached a crisis level. In response, there has been an increase in the number of programmes and investments made in chef training and professional development, such as the Chef Network, to help meet the immediate need for 5,000 chef trainees each year.
2. The segment is growing, with an increase in new locations from both international and national brands. The Irish restaurant scene is becoming more attractive to outside investors.
3. The possible calorie count mandate could increase the need for innovation and creativity, as well as cost management if implemented. This may require assistance from suppliers to re-build menus.
4. Full service restaurants in urban and tourist-centered areas have benefitted from higher growth rates. Rural restaurants have not benefitted as much and remain more challenged from a sales and profitability perspective.
5. Full service restaurants are investing more in bar and beverage programs. “Craft” beer and cocktail programmes are being emphasised as a driver for incremental growth in average spend and to offer a more unique, differentiated experience.

Full Service Restaurants – Trends and Market Drivers in 2016

The following **consumer** trends have been pivotal in terms of impact on the full service sub-channel in 2016.

1. There is stronger consumer interest in ethnic menu items. Several new Italian restaurant concepts have opened in the last year, and interest in Mexican foods grows considerably with restaurant chains.
2. Special events and food-focused tourism are encouraging growth in this sub-channel. NI's Year of Food and Drink is celebrating locally produced foods and allows local businesses to promote themselves throughout the year-long event.
3. Alongside special events, overseas tourism to Ireland continues to grow. The first quarter of 2016 saw an increase of 17% alone, and the first half of 2016 finished with a growth of 13%, with the increase of 500,000 visitors compared to the same period last year.
4. Health and wellness continue to drive consumer tastes. More and more vegetarian and health-focused restaurants are emerging with heartier veggie entrees. More meat-eating customers are curious to explore and try these new concepts.

Full Service Restaurants Trend Spotlight - FSR Growth Driven by Tourism



Northern Ireland is quickly becoming a center for food-tourism. Belfast's food scene thrives off of Ireland's home-grown ingredients, and the global eater is taking notice.

Northern Ireland has set the stage for a year-long celebration of all things local. Monthly themes and associated events will be hosted to highlight the virtues of eating and cooking in Ireland.

What does this mean for full service restaurants?

- Consider ingredients from local suppliers and highlight these ingredients and their locality.
- Take advantage of opportunities to connect with tourists, create partnerships with hotel concierges.

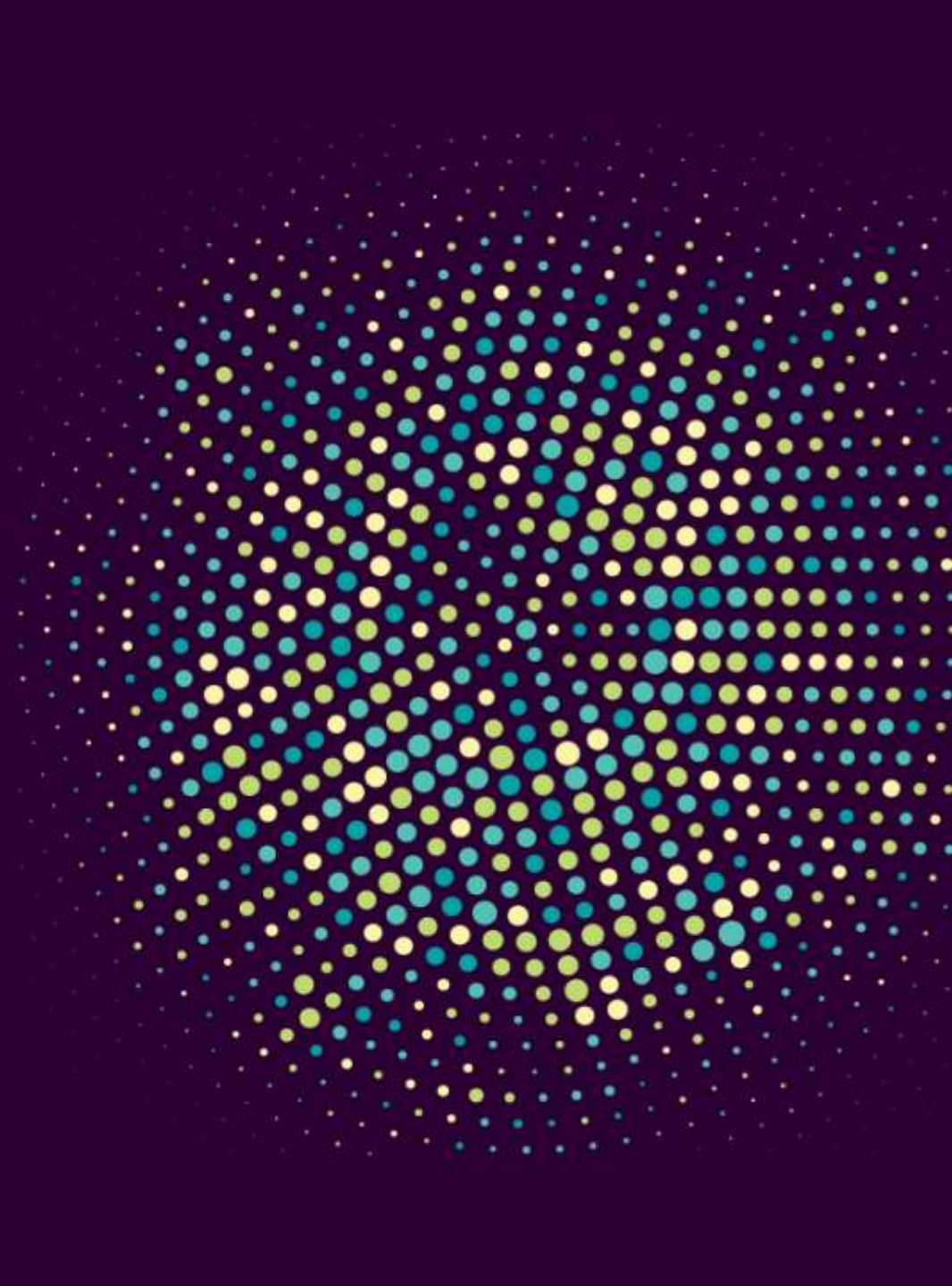
Full Service Restaurants Spotlight - Focus on Drinks

“As pubs increasingly get into food, restaurants are going more into the drinks business. Local craft breweries and distilleries are increasingly finding customers among local restaurant groups.

- Full service restaurant operator

Coffee Shops and Cafés
Trends and
Market Drivers

Irish Foodservice
Channel Insights



Coffee Shops and Cafés

Coffee shops are casual restaurants without table service that emphasise coffee and other hot beverages. Typically there is a limited selection of cold and hot foods such as pastries, sandwiches, and breakfast items on offer. 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.

The total size for the Coffee Shops and Cafes segment in IOI for 2016 is €397 million in terms of consumer spending and €115 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Coffee Shops and Cafes segment is €286 million.
- In NI, the value of consumer spending is €111 million in value.

Coffee Shops 2016				
	Consumer Spending (€MM)	Operator Purchases	Outlets 2016	Projected CAGR* 2017-2020
Total	397	115	2,150	7.5%
Republic of Ireland	286	83	1,850	7.7%
Northern Ireland	111	32	300	6.8%

Euro growth forecast; excludes any change in currency valuation for NI

Coffee Shops and Cafés - Trends and Market Drivers in 2016

The following **operational** market drivers have been pivotal in terms of impact on the coffee shops and café sub-channel in 2016.

1. More and more operators are looking to expand their lunch and later daypart menus alongside their coffee offerings. However, this remains a relatively low share of revenue.
2. The number of specialty independent cafés and coffee shops is rising. At the same time, coffee chains such as Starbucks and Insomnia still hold the majority of the market, and are improving their food and drink offerings to compete with high street cafes.
3. Within major urban locations, growth has been strong and there is some concern that a “saturation” point will be reached soon as units expand and other non-cafes continue to expand their coffee offerings.
4. Interest and awareness in premium products is gaining traction among consumers. More and more consumers are searching out education and café experiences that allow them to indulge in this interest.
5. Trained baristas are important to make recommendations and drive revenue within the coffee shops and cafés. Expertise fuels sales and consumers’ perception of the product and experience they are receiving.
6. This sub-segment is in the middle of the “third wave” of coffee, driving the demand for independent shops that cater to consumers who consider coffee an artisanal product, like wine, and expect premium quality.

Coffee Shops and Cafés - Trends and Market Drivers in 2016

The following **consumer** market drivers have been pivotal in terms of impact on the coffee shops and café sub-channel in 2016.

1. Consumers are increasingly interested in higher quality coffee. More and more specialty coffee shops such as 3FE are emerging. However, there is still a general lack of consumer knowledge on specialty coffees.
2. New forms of coffee, including nitro coffee and cold brew coffee, are just beginning to gain awareness among customers. Many expect these to see strong growth going forward as more consumers experience and demand these “on trend” types of coffee.
3. Fair trade and ethical sourcing are taken as “givens” in the coffee market, but explaining the story and provenance of the coffee has helped connect brands to the consumer.
4. Ireland is emerging as a major player in the global coffee market. The World of Coffee conference took place in Dublin this year with thousands of people from over 100 countries in attendance.
5. Coffee drinkers are more likely to buy sweet baked goods or breakfast items with their coffee than any other food items.
6. While ambiance is very important, more Irish are working with on-the-go lives, so grab-and-go coffee offerings will still remain a strong product to sell.

Coffee Shops and Cafés Spotlight - Local Expertise

Roasters in Ireland are evolving and gaining attention in the market.

Bailies is a roaster in Northern Ireland offering their coffee beans wholesale, in addition to barista equipment and training.

For the Coffee Shop and Café channel, this translates into:

- Considering subscriptions to smaller roasters and offering these seasonal blends as LTOs.
- Expanding on coffee and barista education for consumers and operators alike.
- Working with coffee experts to design food menus that pair well with the coffees offered.



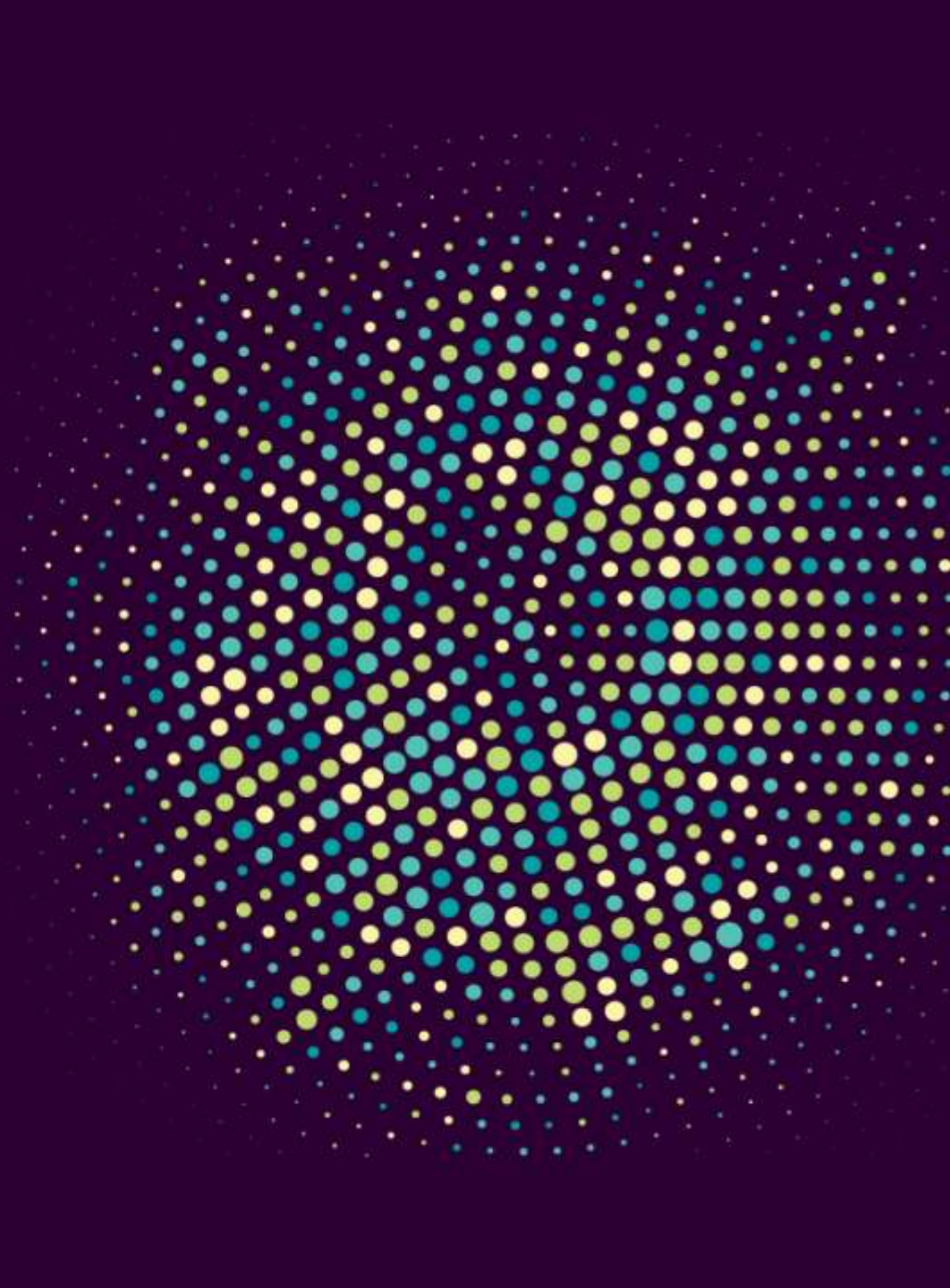
Coffee Shops and Cafés Spotlight - Focus on Provenance

“The third wave coffee shops, in particular, put an emphasis on where the coffee is from – it’s ingrained in the consumer.”

- Irish coffee shop operator

Other Commercial Trends and Market Drivers

Irish Foodservice
Channel Insights



Other Commercial

This channel contains two dynamic channels which, while still small in terms of sales value, hold opportunities for suppliers to both the leisure and travel channels. 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. The travel channel includes on board and terminus catering for flights, trains, ferries and buses.

The total size for the Other Commercial segment in IOI for 2016 is €276 million in terms of consumer spending and €97 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Other Commercial segment is €210 million.
- In NI, the value of consumer spending is €66 million in value.

Other Commercial 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR* 2017-2020
Total	276	97	1050	8.5%
Republic of Ireland	210	74	750	8.6%
Northern Ireland	66	23	300	7.0%

Euro growth forecast; excludes any change in currency valuation for NI

Other Commercial - Trends and Market Drivers in 2016

The following **operational** trends have been pivotal in terms of impact in the transportation and leisure food sub-channels in 2016.

1. Many of the major international catering brands, such as Aramark and Compass, continue to win contracts with larger sports arenas. However, smaller catering groups are also growing.
2. Dublin has risen 6 places among the Internal Congresses and Conventions Association (ICCA) rankings and is now in the global top 20, based on meetings held in 2015. Other regional venues in Galway, Limerick, and Cork were featured in lower ranking.
3. Investments are being made to install payment technology and online ordering at venues and as part of catering services.
4. Investments in the chef community extend into the commercial catering segment. Examples include Sodexo Ireland's annual *Salon Culinaire* featuring a number of competitions, demonstrations, and supplier exhibitions to further train and reward the culinary community in this segment.

The following **consumer** trend has been pivotal in terms of impact in the transportation and leisure food sub-channels in 2016.

1. Consumers continue to demand better inflight and events foodservice. In response, airline, event, and venue caterers are offering domestic and international menu offerings designed by professional chefs.

Other Commercial Spotlight - Food Pairs Well with Leisure & Travel



Food and drink is just as important to consumers as the sports games they're attending, the movies they're watching, and the tourist attractions they're exploring.

Prioritising food alongside a venue's entertainment has helped both the Guinness Storehouse and Titanic Belfast to be recognised as Europe's Leading Tourist Attractions in 2015 and 2016 respectively.

The Guinness Storehouse offers its visitors two bars and three café/restaurants to choose from.

For the Travel and Leisure sub-channel, this translates into:

- Expanding on foodservice to meet interests of domestic and international visitors.
- Working with suppliers or expert chefs to design menu and retail offerings that fit your concept and customers' preferences.

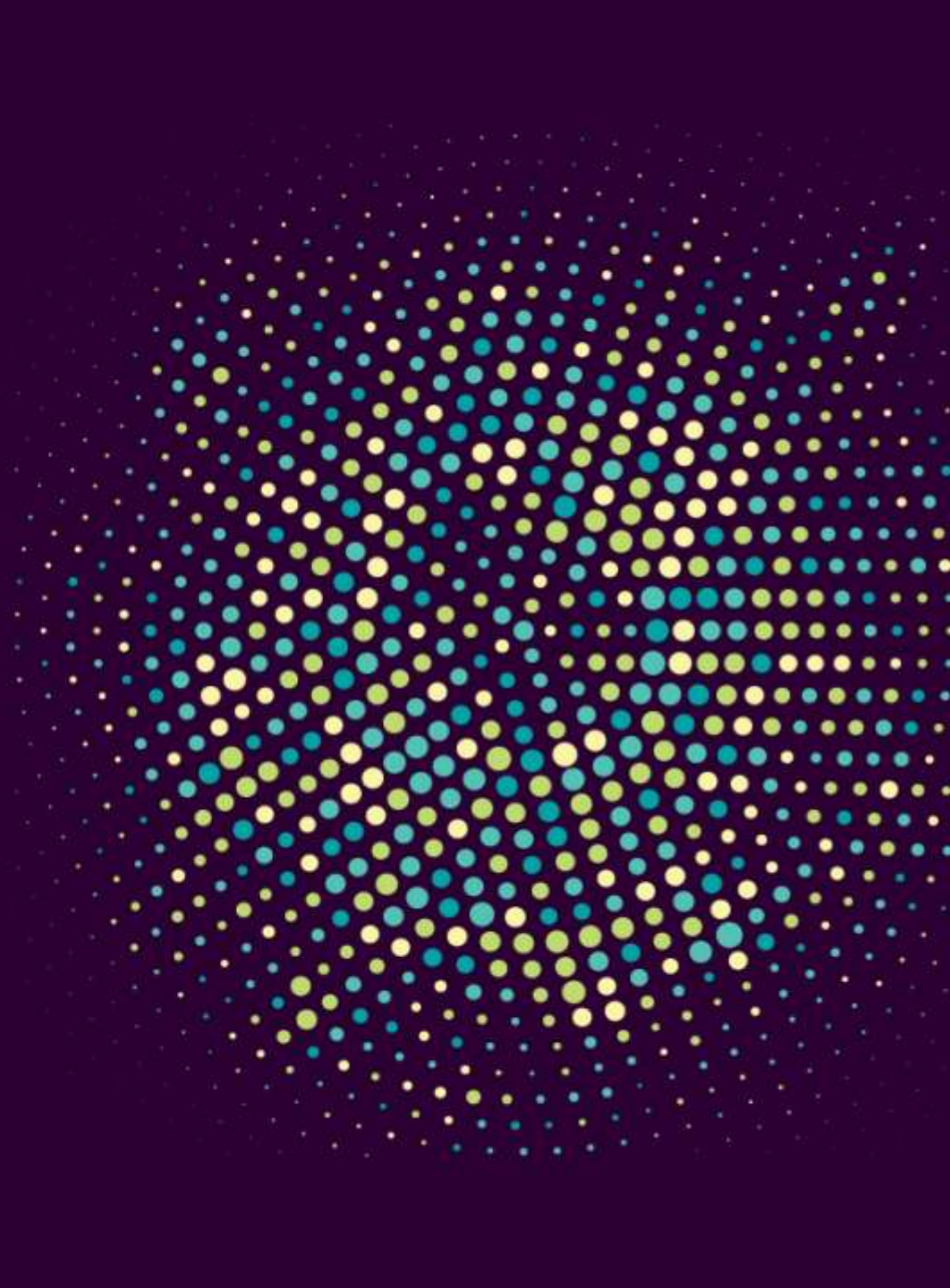
Other Commercial Spotlight - Consumer Spending

“Business is very good in our arena and race course business. It’s driven by attendance and tourism, but there’s also a willingness to spend at these events that we don’t see in other areas.”

- Foodservice operator

Business & Industry
Trends and Market Drivers

Irish Foodservice
Channel Insights



Business and Industry

Business and Industry (B&I) is defined as catering to the workforce. Offices, factories and remote sites are in the key location segment. Menus are generally offered in three formats: fixed menus (mostly in factories), self-service menus offering choice (mainly in office catering units and canteens/cafeterias), and grab-and-go or vending operations offering predominantly beverages adjacent to their place of work.

The total size for the Business and Industry segment in IOI for 2016 is €297 million in terms of consumer spending and €143 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Business and Industry segment is €205 million.
- In NI, the value of consumer spending is €92 million in value.

Business and Industry 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR 2017-2020
Total	297	143	2,000	3.3%
Republic of Ireland	205	99	1,500	3.8%
Northern Ireland	92	44	500	2.5%

Euro growth forecast; excludes any change in currency valuation for NI

Business and Industry - Trends and Market Drivers in 2016

The following **operational** market drivers have been pivotal in terms of impact on the Business and Industry sub-channel in 2016.

1. Storage and sourcing challenges continue to present issues for caterers carrying and preparing fresh items.
2. The industry is seeing an increase in business. Dublin is quickly becoming a hub for new tech startups as well as established companies, all with needs for innovative and fresh food solutions for their canteens and corporate events.
3. The business and Industry sub-segment is heavily dominated by foodservice facilities management (FSM). Majority of businesses rely on these catering companies to supply their needs rather than operate their own services. There is also limited interest in third party brands such as Insomnia and Starbucks.
4. This segment is very competitive for contract food service, given the high saturation of FSM in this space. Because of this, many caterers have lower margins to stay competitive.
5. Many FSMs in this segment struggle to retain staff and hire good staff, especially chefs. These issues can stunt in-house abilities.

Business and Industry - Trends and Market Drivers in 2016

The following **consumer** market drivers have been pivotal in terms of impact on the Business and Industry sub-channel in 2016.

1. Demand for better ingredients and higher quality food continues to encourage corporate caterers to innovate. While sandwiches and salad bars have long been a standard offering in corporate catering, consumers want spreads that include non-traditional items infused with ethnic and seasonal flavors.
2. Caterers and businesses are collaborating more to offer unique meals for every event with impressive customer service and presentation.
3. Meeting and conference business is doing very well with the continual increase in employment and economic bounce back.
4. Participation from employees has remained consistent, however consumers are spending more on average.

Business and Industry Spotlight - Meeting Client Expectations for Quality



Corporate catering is evolving away from mundane towards exciting. More and more caterers are focusing on the details, meeting their clients' unique food and presentation requests, and above all else, providing high quality food and experiences.

Gourmet Food Parlour is a leading caterer in Ireland, serving clients such as Alltech, AIG, and Universal with varied food and beverage menus.

- Consider healthy food options outside of the usual salad and sandwich offerings.
- Aim to increase contract purchases for key commodities to reduce cost variability.

Business and Industry Spotlight - Role of Nutrition Growing

“We are dedicated to serving our customers’ needs, but we’ve had more influence now from dietitians compared to in the past.”

- B&I Operator

Business and Industry Spotlight - Catering to More Localised Needs

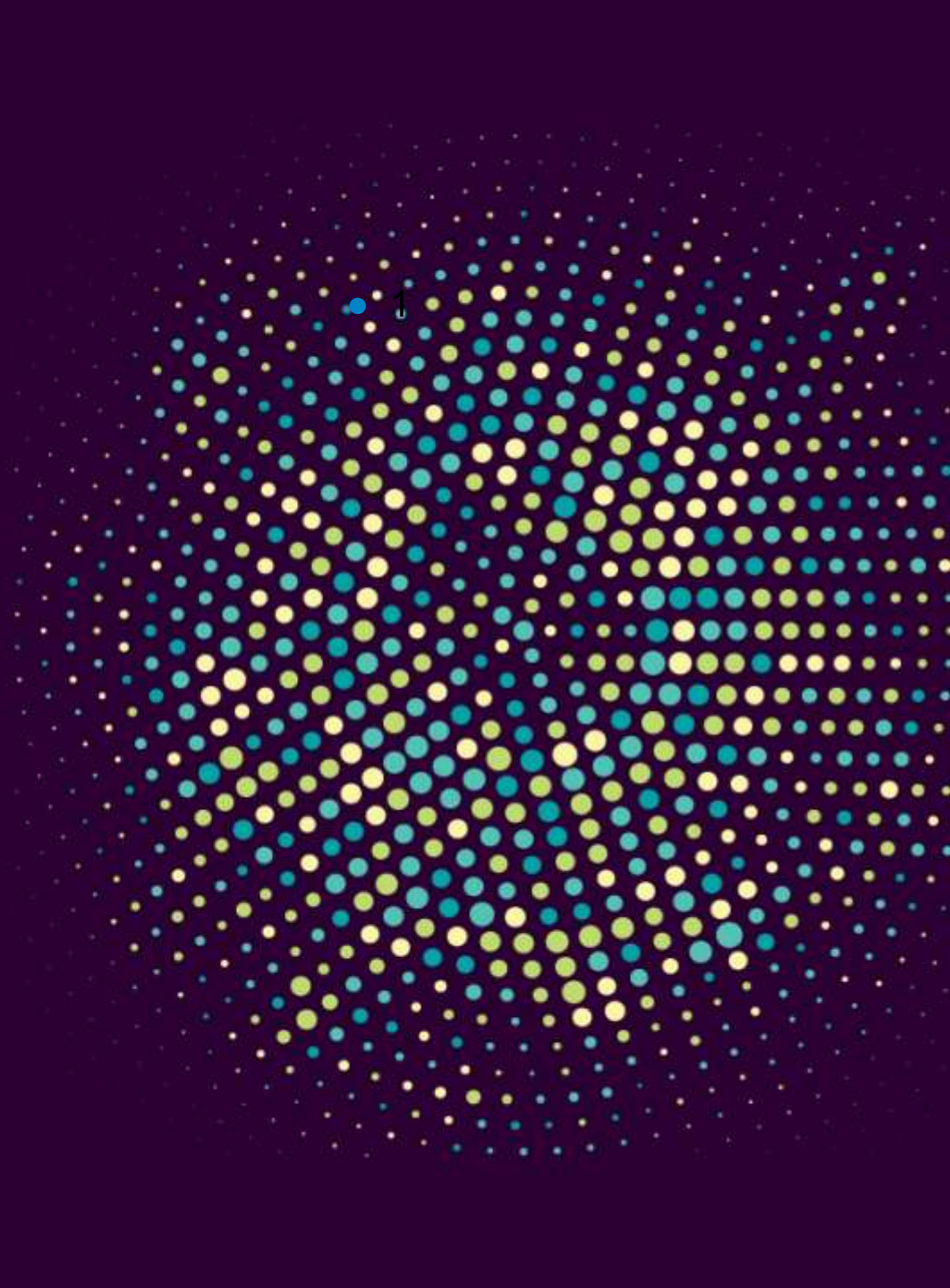
“We’re focused much more on adapting to the local market. This means that we serve more variety.”

- B&I Operator

Healthcare

Trends and Market Drivers

Irish Foodservice
Channel Insights



Healthcare

Hospitals are institutions that serve and feed patients undergoing some sort of medical care, their guests, and the staff. This segment includes hospitals, rehab clinics, and retirement homes. It 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.

The total size for the Healthcare segment in IOI for 2016 is €232 million in terms of consumer spending and €118 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Healthcare segment is €139 million.
- In NI, the value of consumer spending is €93 million in value.

Health 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR 2017-2020
Total	232	118	1,140	2.5%
Republic of Ireland	139	71	655	2.7%
Northern Ireland	93	47	485	2.4%

Euro growth forecast; excludes any change in currency valuation for NI

Healthcare - Trend and Market Drivers in 2016

The following **operational** market drivers have been pivotal in terms of impact on the Healthcare sub-channel in 2016.

1. Patient food remains a concern for many patients and visitors. An ongoing nationwide study by the Health Information and Quality Authority found that 86% of patients surveyed were happy with the food served, but still wanted improvements.
2. One of the largest barriers to providing high-quality food is food costs. Working with suppliers to offer the right variety of offerings at a viable cost is important. Many operators utilise buying groups and have switched to private label offerings in order to save on costs and focus on quality.
3. Another barrier is the frequency and number of meals that need to be made – often with unique dietary restrictions – around the clock. Keeping food fresh, that it not overcooked (to ensure nutrients and vitamins remain) is a concern increased by the financial burden it entails, with staff and operational costs.
4. Many healthcare facilities have improved their ordering process and menus with health information, detailed dish descriptions, and images to help patients choose what they want and when they want.
5. Much of this segment is self-operated and generally, healthcare facilities struggle with retention of staff and finding culinary talent.

Healthcare - Trend and Market Drivers in 2016

The following **consumer** market drivers have been pivotal in terms of impact on the Healthcare sub-channel in 2016.

1. Many visitors bring food into facilities while visiting, sometimes for the patients too. While consumers are willing to pay for higher quality offerings when desired the most, a demand for budget-friendly prices still exist.
2. Coffee and grab-and-go food items remain the focus at many facilities.
3. A lack of ethnic-focused meals, drinks, and snacks still remains in the majority of healthcare facilities. Along with this, different cultures present different dietary restrictions.
4. Patients and non-patient customers continue to be concerned over the temperature of their food and how fresh it is when served.
5. Visitors to healthcare facilities sometimes visit often or for long periods of time. Foodservice and vending machines need to offer a variety of higher quality foods that serve multiple dayparts and at different price points.

Healthcare Spotlight - Innovative Offerings Taking Center Stage

“While some hospital foodservice operations are dealing with overcrowding issues, others are more innovative and are trying to bring in high street brands and expand what’s on offer for grab-and-go, coffee and other beverages.”

- Healthcare Operator

Healthcare Spotlight - Seeking Outside Ideas/Concepts

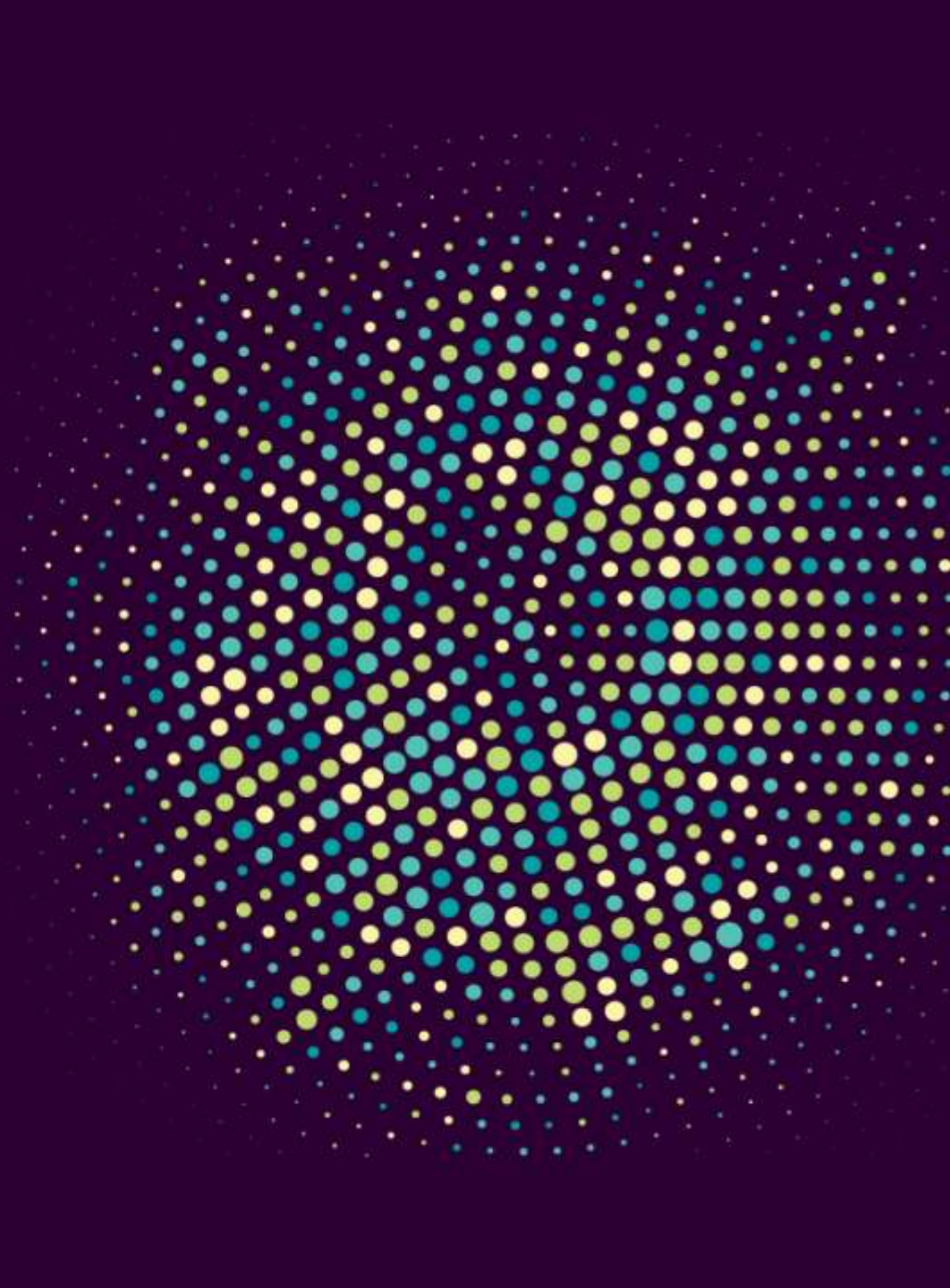
“In healthcare, managing menu rotations is a challenge. We want to incorporate what’s trending. We’ve seen a lot more along the lines of pop-up shops in other operations and wonder if they would work in a hospital environment.”

*- Contract Management
Firm*

Education

Trends and Market Drivers

Irish Foodservice
Channel Insights



Education

Primary schools, secondary schools and universities make up the three key operator segments. They are in the business of providing food and beverage services to students in their place of learning. Menus are generally offered in two main formats: fixed menus or cafeteria/self-service. The channel covers state, religious and privately funded and owned institutions.

The total size for the Education segment in IOI for 2016 is €143 million in terms of consumer spending and €62 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Education segment is €87 million.
- In NI, the value of consumer spending is €56 million in value.

Education 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR 2017-2020
Total	143	62	4,940	2.3%
Republic of Ireland	87	37	4,140	2.4%
Northern Ireland	56	25	800	2.3%

Euro growth forecast; excludes any change in currency valuation for NI

Education - Trend and Market Drivers in 2016

The following **operational** market drivers have been pivotal in terms of impact on the Education sub-channel in 2016.

1. With the intense national focus on Ireland's obesity crisis, many universities and schools are being pushed into doing more for the students they service. Operators are going beyond the enforced health regulations and mandates, and setting personal health standards for their facilities. Additionally, as part of the national obesity policy and action plan, schools continue to get more involved in class, in the cafeteria, and with after school programmes to encourage healthy eating practices in school and at home.
2. Dinner, lunch, and food-to-go offerings continue to improve with a focus on including as much local and seasonal goods as possible. Budgetary constraints continue to be a major concern among operators.
3. Competition off-campus is encouraging contract caterers to improve hiring, customer service, ambiance, and overall experience of the facilities they manage.
4. QSR and coffee chains continue to gain contracts in colleges and university. While students are generally brand loyal, we see larger catering companies partnering with smaller chains in favor of their artisan or healthy food and drink offerings.
5. With students spending less time in bars and more time in the libraries, high-end coffee shops and cafés remain a major focus for university catering partners.

Education - Trend and Market Drivers in 2016

The following **consumer** market drivers have been pivotal in terms of impact on the education sub-channel in 2016.

1. Parents are not the only ones demanding healthy foods for their children anymore. Educational programmes directed at students are coming to fruition with secondary school and college students demanding higher quality, balanced meals and food-to-go offerings.
2. While employment numbers continue to rise in Ireland and more parents are able to give their children lunch money, the vast majority of primary and secondary school children in Ireland still bring food to school in lunchboxes, and some students in NI qualify and participate in the UK catering system.
3. Lifestyle survey results report college students are taking their studies more seriously than past generations, and consequently they are drinking less alcohol and eating healthier, to further ensure their focus on the things that are important to them.
4. Consumer preference for health 'halo' food and drink offerings, as well as an interest in trying new ethnic foods continues. This trend is especially strong with Millennials who want to try the latest products.
5. Consumers in this segment, along with their Guardians, expect any and all allergies and food-preferences to be catered to.

Education Spotlight - College Catering Utilising Resources for On-Campus Farming



With competition coming from all angles, college foodservice management firms need to innovate. Part of that innovation can include working with clients to take advantage of resources already available to them.

Kylemore Services Group (KSG) recently partnered with University College Cork for a farm to fork initiative. KSG helped UCC utilise its extra land to build a farm and grow fresh produce to be used in the college's canteen. Reportedly, 300kg of fresh produce is taken every week from the farm to be used at the university.

For the Education channel, this translates into:

- Offering additional services to students to remain a relevant resource for health and nutrition.
- Considering self-sustainable practices such as farming and gardening on campus.
- Working with local suppliers to use local, fresh, seasonal products as much as financially possible.

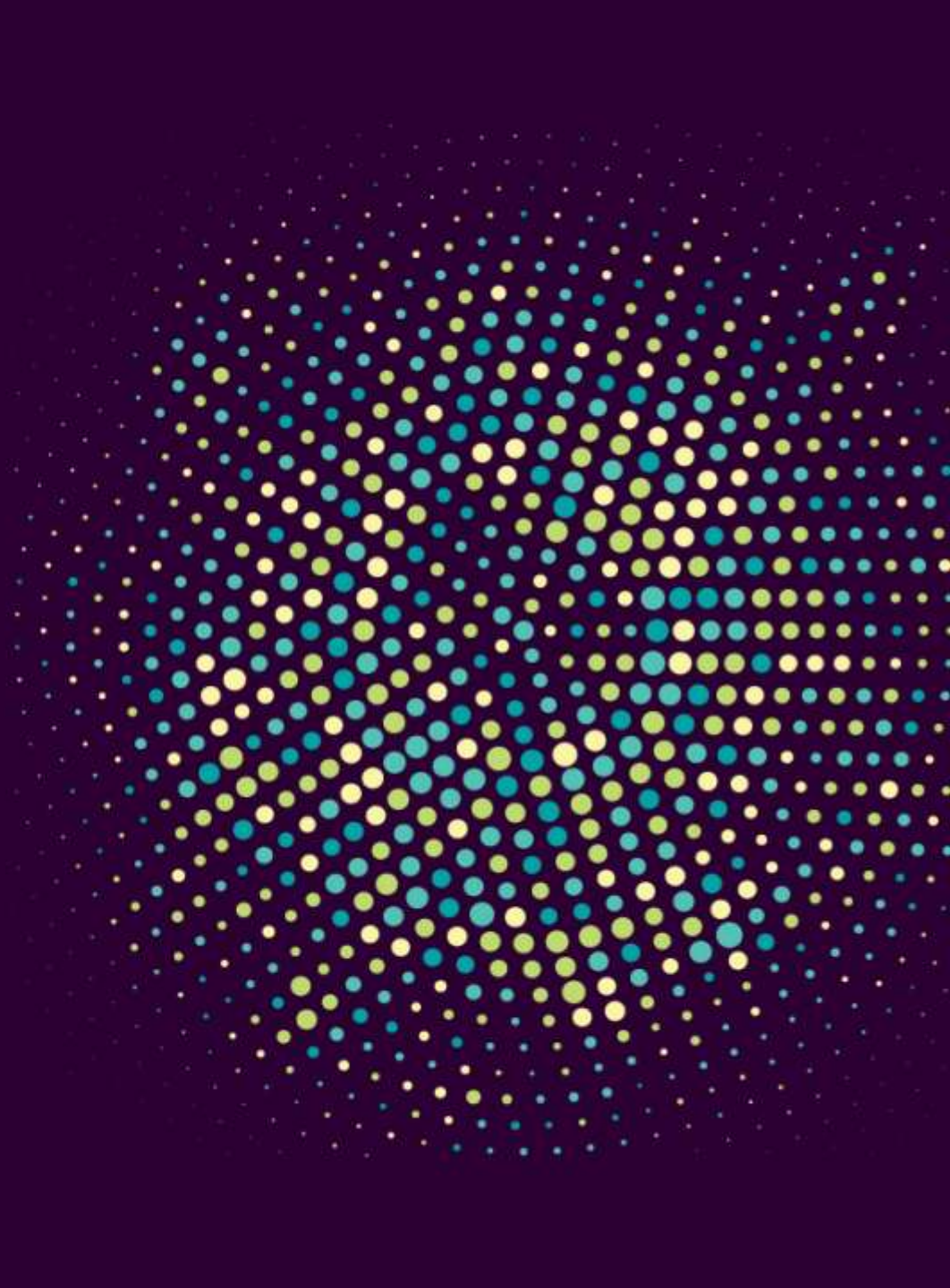
Education Spotlight - Leveraging Innovative Brands to Keep Students on Campus

“The goal is to keep them on campus. We’re doing this by focusing on keeping concepts fresh, including chains like Freshii and Chopped.”

*- College/University
Operator*

Other Institutional Trends and Market Drivers

Irish Foodservice
Channel Insights



Other Institutional

This channel includes Government organisations and in particular prisons and armed forces (military messes, in-field canteens and soup kitchens). Both prisons and the armed forces have large manpower at their disposal and view catering as an efficient use of it.

The total size for the Other Institutional segment in IOI for 2016 is €39 million in terms of consumer spending and €20 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Other Institutional segment is €30 million.
- In NI, the value of consumer spending is €9 million in value.

Other Institutional 2016				
	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2016	Projected CAGR 2017-2020
Total	39	20	200	3.0%
Republic of Ireland	30	15	125	3.2%
Northern Ireland	9	5	75	2.9%

Euro growth forecast; excludes any change in currency valuation for NI

Other Institutional - Trend and Market Drivers in 2016

The following **operational** market drivers have been pivotal in terms of impact on the Government sub-channel in 2016.

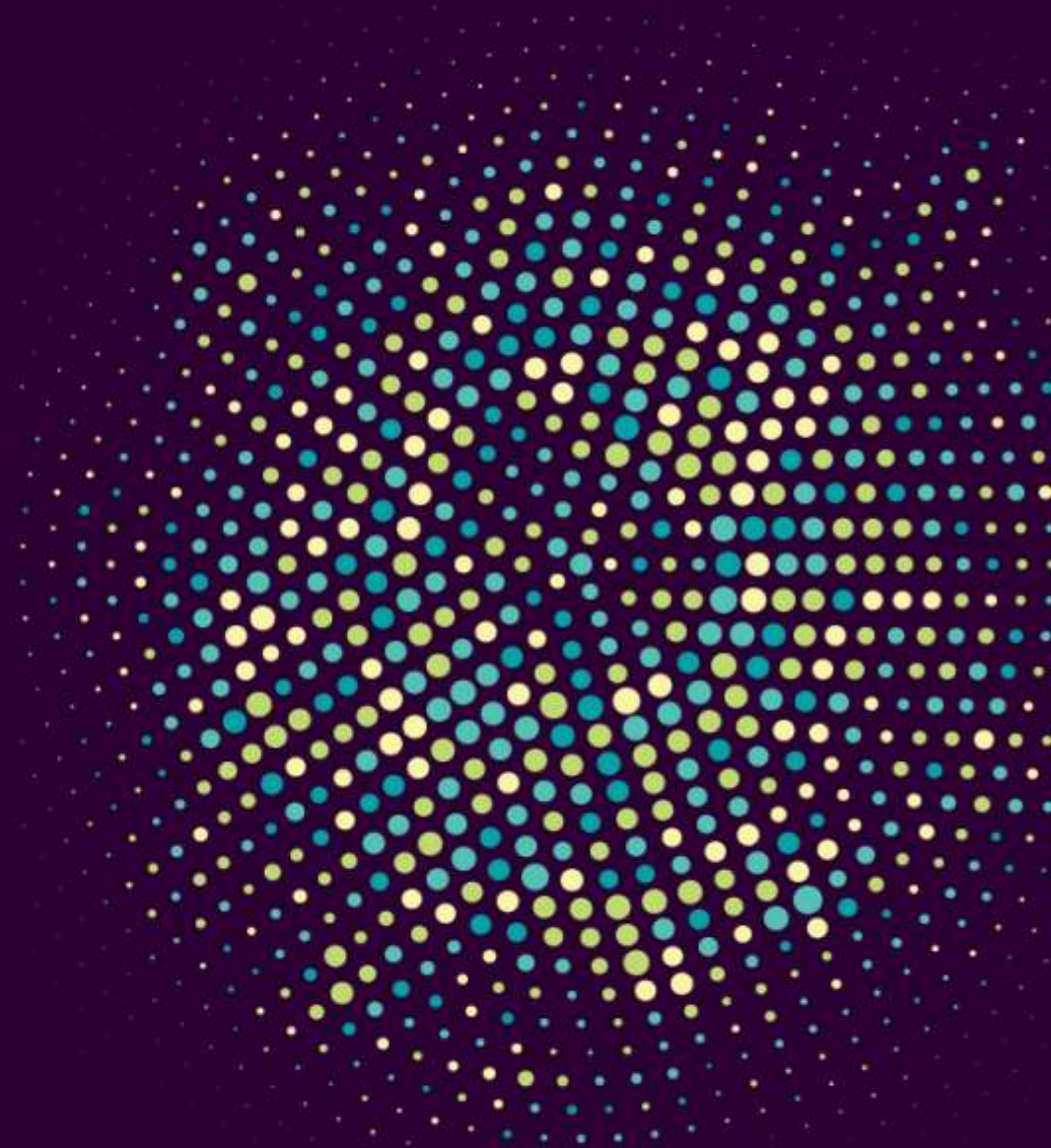
1. Menus have been recently updated by the Prison Service to provide variety and nutrition.
2. These changes maintain the budget laid out in these facilities where all food costs are covered by subsidy. According to numbers released under the Freedom of Information Act, the food spend has fallen from €8.7 million in 2014 to €7.6 million in 2015.
3. Procurement and menu options are limited, however creativity and innovation are welcome in this channel from nutrition and diet consultants.

The following **consumer** market drivers have been pivotal in terms of impact on the Government sub-channel in 2016.

1. To meet institutional consumer demands and needs, vegetarian, halal, and diabetic-friendly meals are now being offered.

Section 3:
PRODUCT INSIGHTS

Irish Foodservice
Channel Insights



Overarching Foodservice Product Trends

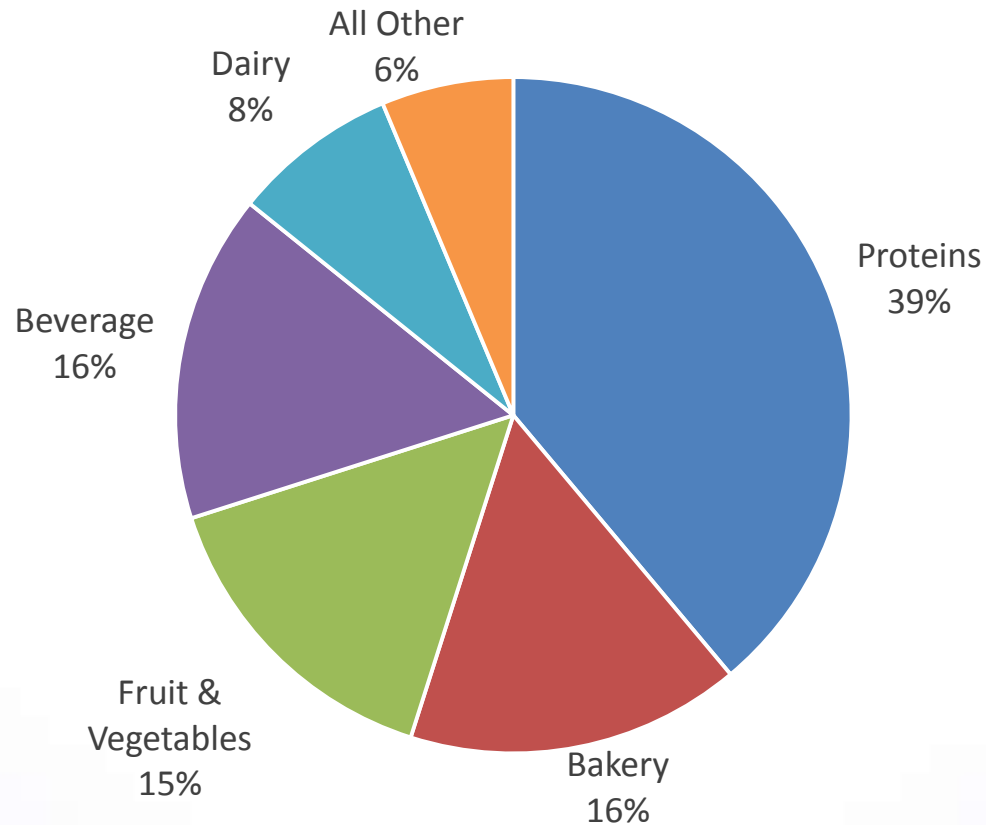
Overarching foodservice product trends identified in the research include:

- Operators are more highly focused on product quality compared to the past and many indicate that they are willing to pay more to achieve a positive quality differential.
- There is a movement towards “selectively sourcing” local Irish products. In terms of managing costs, operators are more focused on identifying which products are most important to source from Ireland (with respect to their consumers).
- Growth of food-to-go items continues to outpace growth of other foodservice products, driven by broadening availability and increased consumer demand.
- Greater emphasis is being placed on expanding the range of “authentic ethnic” foodservice products and ingredients. This is a result, in part, of higher degrees of consumer awareness about more food types.
- Non-commercial purchasing of foodservice products is becoming more complex as many non-commercial operators work to compete against commercial operators.
- BREXIT could negatively impact sourcing of select products from ROI/UK given the current currency swings.

Product Category Segmentation

Proteins account for the greatest share of operator food purchases (39%). Bakery, fruit and vegetables, and beverages represent the next leading shares. Operator purchases are broken down by further detail on the following page.

Share of Operator Purchases



Foodservice Product by Value

Fruit, vegetables, poultry, beef and bread/bakery (non-sweet) account for nearly half of operator purchases.

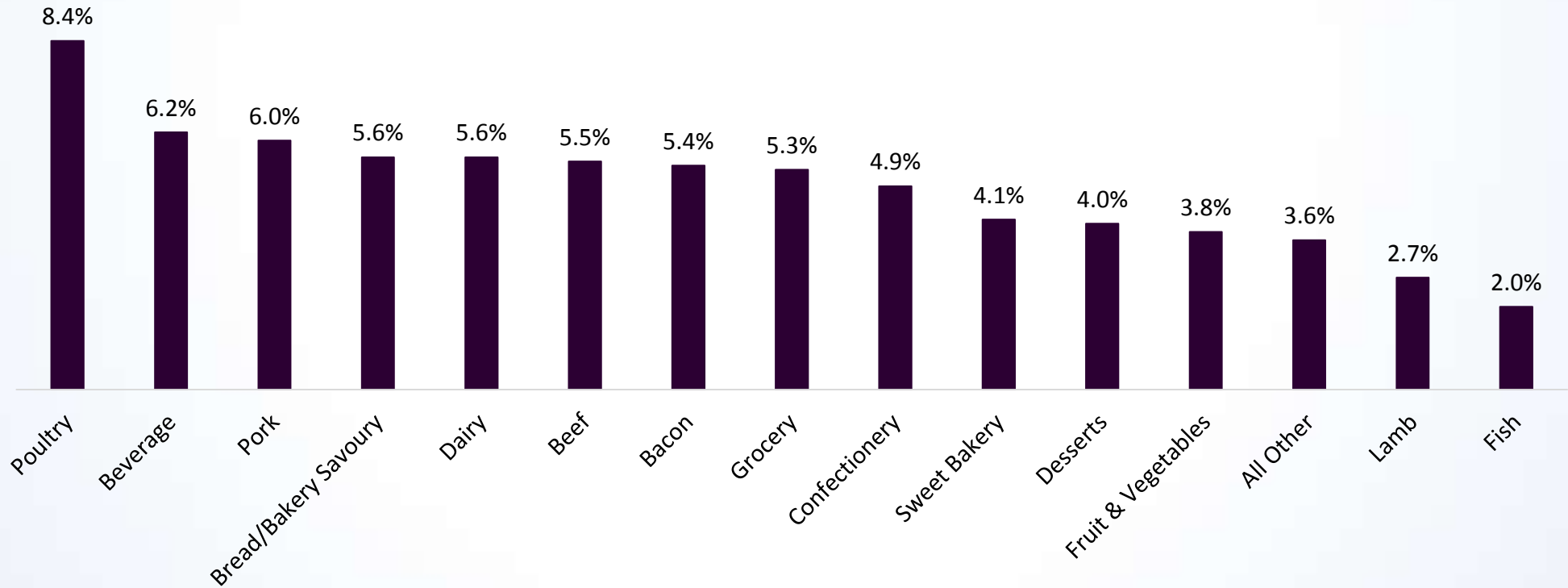
Product Category	2016 Operator Purchases (€ millions)	Share of total (%)
Fruit & Vegetables	€ 387	15%
Poultry	298	12%
Beef	279	11%
Bread/Bakery Savoury	269	11%
Bacon	209	8%
Dairy	202	8%
Sweet Bakery	140	5%
Pork	102	4%
Seafood	82	3%
Grocery	42	2%
Confectionery	30	1%
Desserts	31	1%
Lamb	21	1%
Beverage	400	16%
All Other	58	2%
TOTAL	€ 2,551	100%

Product Growth Dynamics

Poultry continues to outpace the growth of other proteins by a significant margin, due to increased menuing by operators and growing demand among consumers.

Overall, the majority of product categories are growing at a rate faster than 5%.

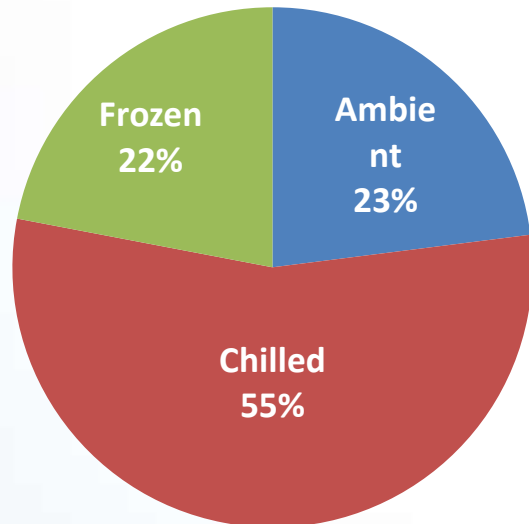
**Annual Growth in Purchases
2014-16**



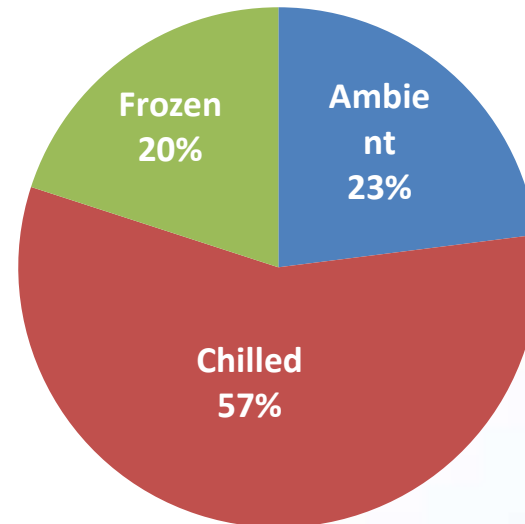
Food/Beverage Mix

A gradual shift in the share of chilled food and beverage purchases by operators has been observed. Between 2014 and 2016, the share of chilled product has grown by two percentage points. This growth has been at the expense of frozen format products. Ambient products (which includes beverages) has remained unchanged at 23%.

Share of Operator Purchases 2014

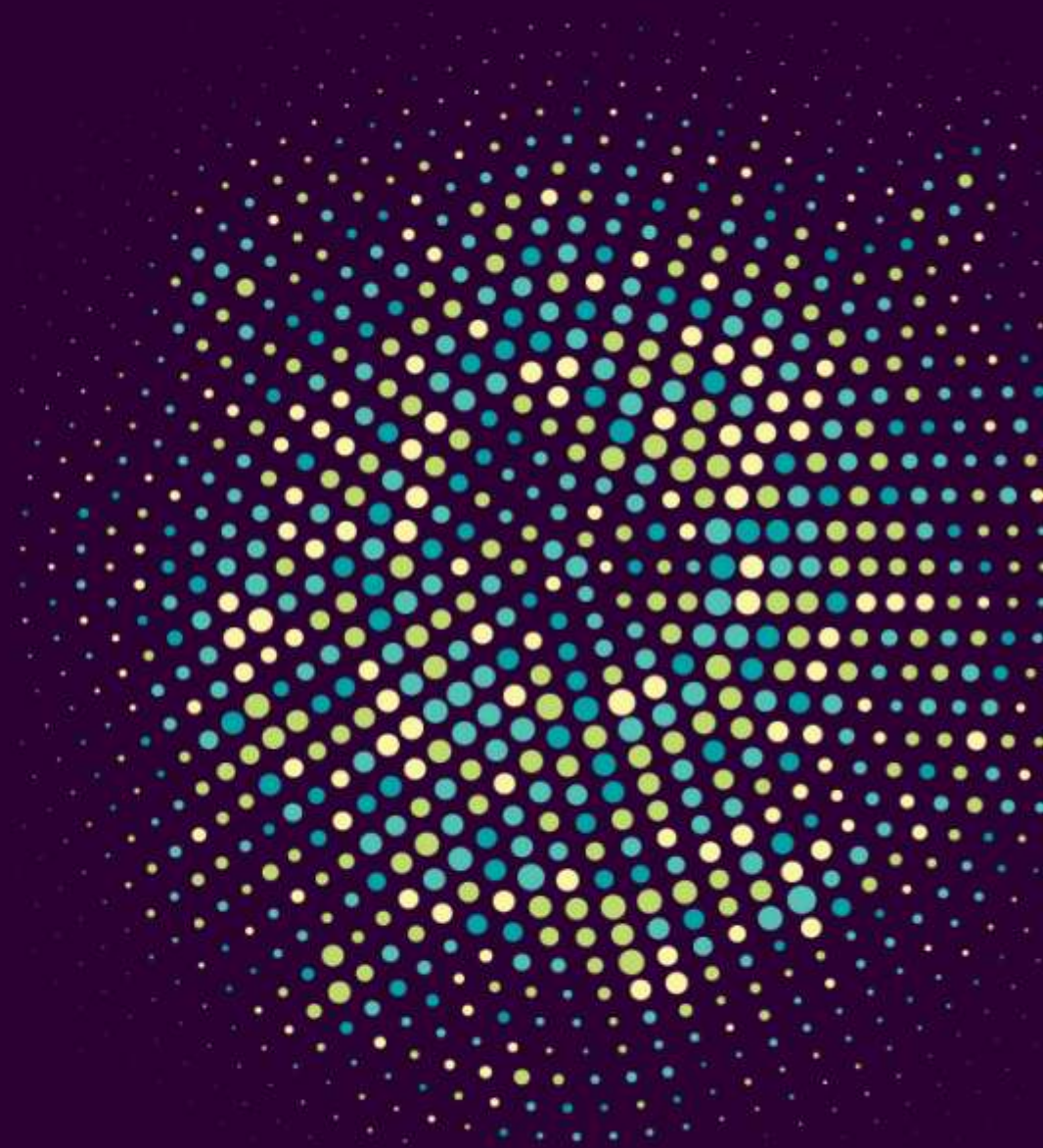


Share of Operator Purchases 2016



Section 4:
GLOBAL INSIGHTS

Irish Foodservice
Channel Insights



Global Foodservice Industry

In 2015, the global foodservice industry was valued at USD \$2.9 trillion (€2.64 trillion) in consumer spending. Europe represents approximately one quarter of total spending, with Asia accounting for one-third and North America accounting for just under 30%.

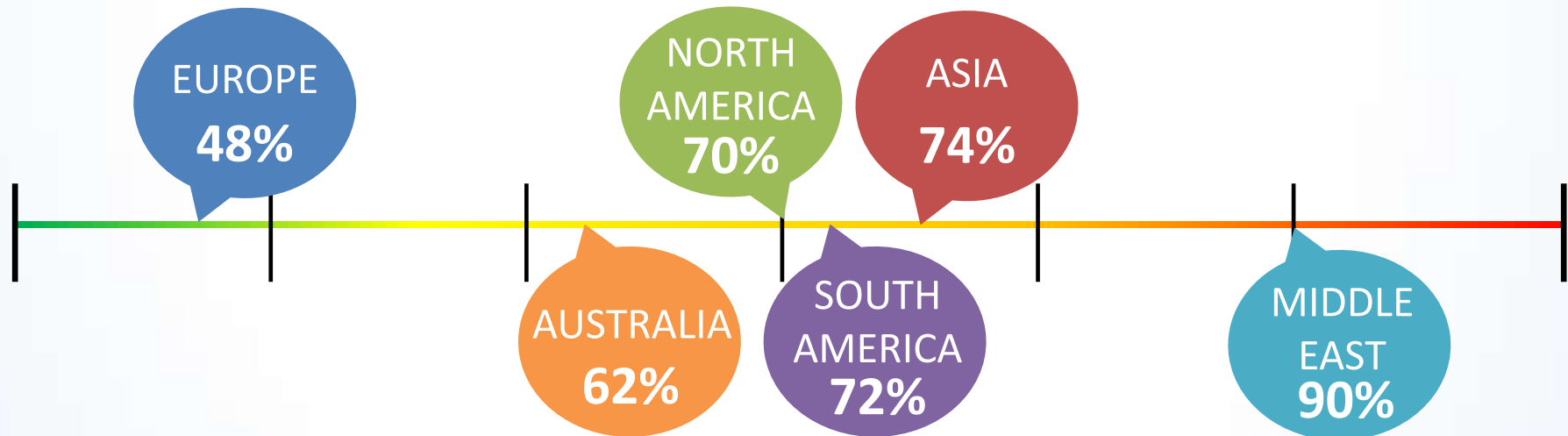
Much of the future growth in the global industry will come from areas that are currently underpenetrated: Africa/Middle East and Latin America. Much of the foodservice in North America and Europe is fairly mature and is unlikely to grow at levels outpacing GDP growth.



Away-From-Home Occasions

Based on Technomic's global consumer research, the Middle East has the largest incidence of high frequency dining away from home—this is due in part to the high degree of economic development in the region, as well as availability of fresh prepared meals and meal components from marketplace vendors. Similar dynamics are evident in the Asian and South American markets.

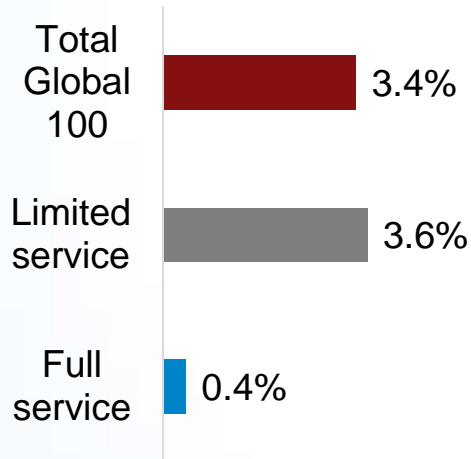
Share Dining Out Once a Week or More Often



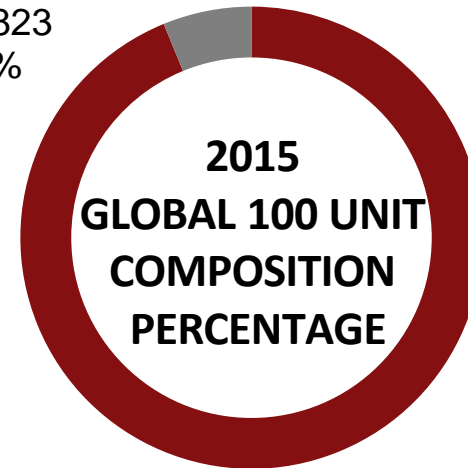
Limited Service Chains Lead Global Growth

Among the Top 100 chains worldwide, limited service operators are the leading players driving growth and account for 94% of locations. Starbucks, Subway, Domino's, Burger King and KFC are the fastest growing brands globally. Among non-US based chains, Paris Baguette, Costa Coffee, Tim Hortons, Café Coffee Day and Jollibee are growing the fastest.

2015 UNIT GROWTH



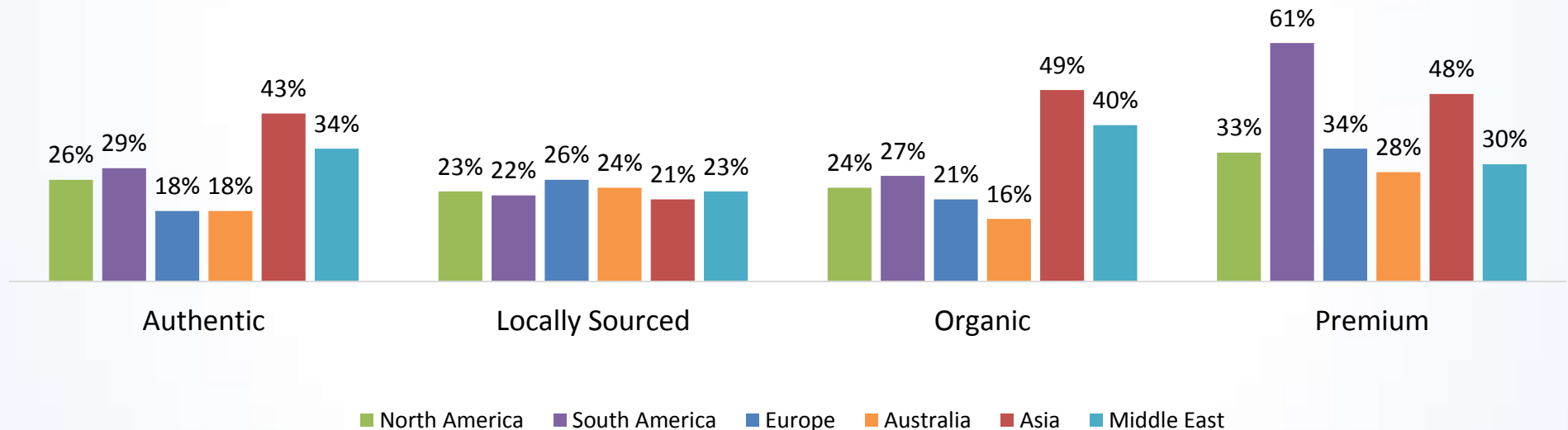
Full service
(24 Chains)
18,823
6%



Limited service
(76 Chains)
285,954
94%

Global Megatrend #1 - Eye on Ingredients

Authentic, locally sourced and organic items are positioned as premium ingredients worldwide. However, the degree to which global foodservice consumers are willing to pay more for these premium items varies by global region, as indicated below. Consumers are increasingly concerned about transparency as it relates to ingredients, with growing interest around the inclusion of artificial additives and ingredient origin.

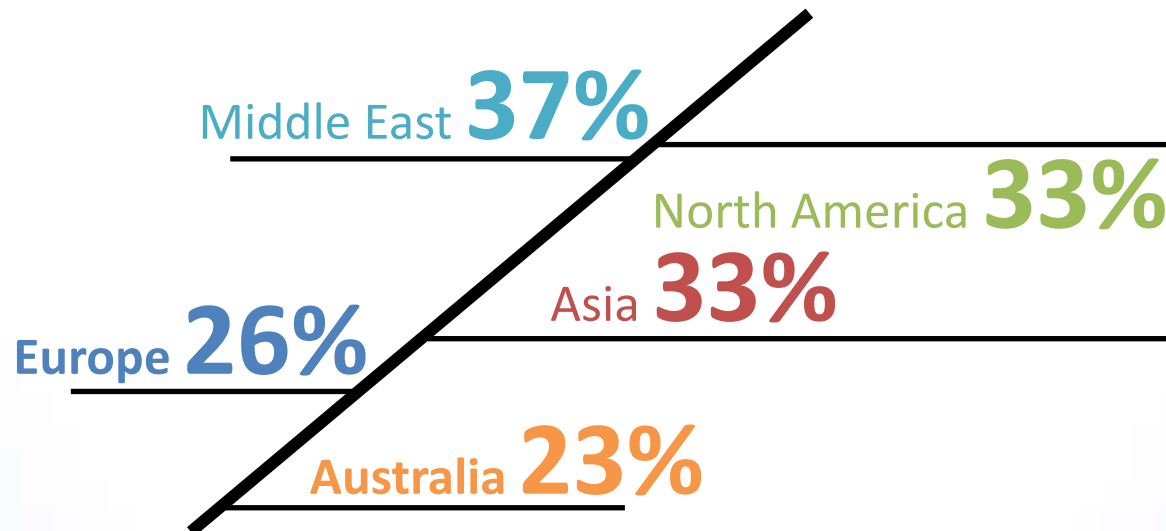


Q: How do the following attributes included in menu descriptions affect your food and beverage purchases at restaurants or other foodservice locations?

Global Megatrend #2 - Value Beyond Price

Consumers view customisation as means for adding value beyond price within restaurant operations. Overall, 62% of global foodservice customers expect restaurants to accommodate requests for customisation. However, the share of meals that are actually customised is lower and varies by global region .

32% of meals are customized



Global Megatrend #2 - Value Beyond Price

What consumers value most in each market is not universal, as shown in the table below. The tick marks indicate that the attribute is of leading importance (relative to other factors) to consumers within each market.

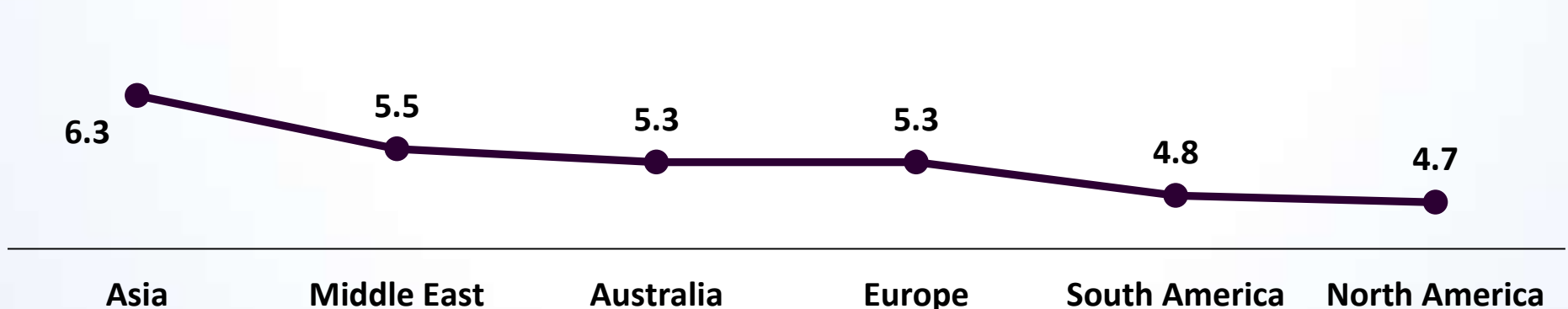
	North America	South America	Europe	Australia	Asia	Middle East
Quality		√	√			
Health					√	√
Variety	√	√	√	√		
Quiet & relaxing		√	√	√		
Family friendly					√	√
Variety of seats	√					
Unit design		√		√		
Freshness	√	√	√	√	√	√

Global Megatrend #3 - Healthy Evolution

Across all global regions, consumers indicate that they use several strategies to accomplish healthy eating objectives.

- 46% order an item described as healthy
- 44% consider an item's nutritional content
- Roughly two-fifth cut back on desserts (41%), drinks (41%) or apps (39%)
- 36% substitute a healthier side
- Three-tenths eat less by splitting meals (31%)

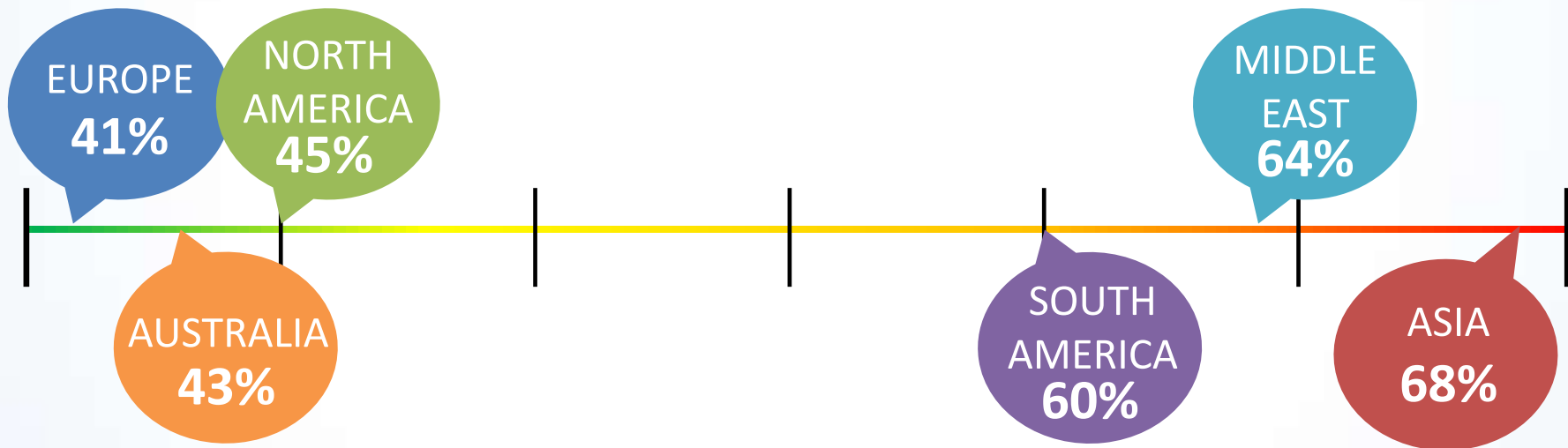
The overall incidence of ordering “healthy” meals from restaurants is lowest in North America and highest in Asian countries. The chart below details the average number of meals of the last 10 purchased by consumers that they consider to be healthy.



Global Megatrend #4 - Tech-Enabled Experiences

Asia is the leading market in terms of demand for tech-integrated ordering. This region tends to be the earliest adopters of new mobile technologies—which are increasingly a part of the consumers' ordering process.

“I would like more restaurants to integrate tech into the ordering process”

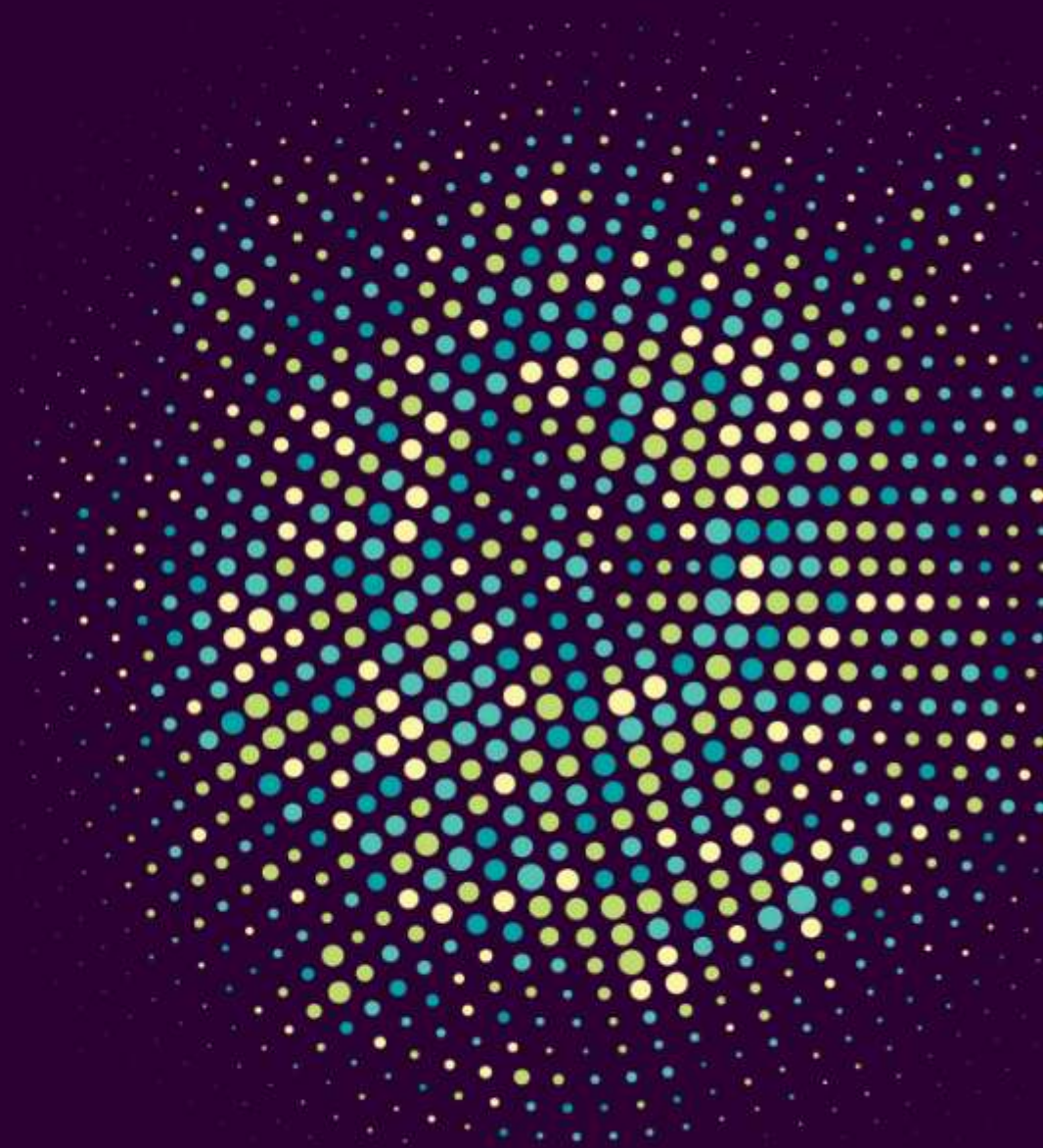


Overarching Global Takeaways

1. The “west” stresses menu and dining variety, while the “east” places importance on health and natural ingredients.
2. Restaurants should be more transparent about the types of ingredients they use and where those ingredients come from.
3. Organic ingredients are expected to grow in terms of their presence in foodservice, although at different levels across global markets.
4. South American and Asian consumers are most likely to pay more for premium offerings.
5. The Middle East and Asia consider technology to be of the utmost importance, but is growing emphasis globally.
6. Strong opportunity exists for global chain growth in less mature markets.
7. Freshness resonates across global markets.

Section 5:
CONCLUSIONS AND
RECOMMENDATIONS

Irish Foodservice
Channel Insights



Overarching Conclusions

The following conclusions draw from the entirety of the research programme:

- Economic recovery has opened up new opportunities for innovation within the foodservice sector.
- Commercial and non-commercial operators are making investments in both back-of-house and front-of-house, leading to an upgrading effect across the industry.
- Fast casual is emerging and is impacting consumer expectations and, as a result, demand.
- Technology continues to be a driver within the sector.
- Quality remains at the forefront and is seeing enhancements across all areas of the trade.
- With much anticipation still looming around the impact of BREXIT, foodservice channel representatives (both in ROI and NI) are still waiting to more clearly understand how the change will impact their business and profitability overall.

Industry Specific Conclusions

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

1. **While the market is accelerating, the Irish foodservice market is also maturing**

Foodservice remains a strong growth industry, but there are concerns that many parts of the business are saturating. Growth pockets do remain in a number of segments. It will be increasingly important that suppliers understand drivers for growth and where the trends are moving the marketplace, as it is likely that there will be uneven growth as the market continues to mature.

2. **Consolidation remains a concern**

The industry is rapidly consolidating leading to fears that the market will be controlled by a small number of large operator groups and serviced by a smaller group of distributors and suppliers. This may in turn lead to less competition and higher prices.

3. **Global trends reaching Ireland**

While Irish produced food and beverages remain popular, there are increasing signs that Ireland is responding to global trends. New ethnic food trends and global brands are increasingly found in Ireland, and consumers (particularly in major urban areas) are much more globally cosmopolitan than they were 5-10 years ago. Manufacturers can develop closer ties with operators by working closely to understand and respond to these emerging needs.

4. **Provenance remains a key driver within IOI foodservice market.**

While global trends are being seen more frequently, it's still true that many decision makers in IOI seek opportunities to source domestically – though profitability is often the ultimate driver in the long run. Where possible, manufacturers can seek to strengthen the bond that operators have with domestically sourced foodservice products.

Conclusions (*continued*)

5. **Understanding BREXIT impact.**

Throughout IOI and in Dublin and other metro areas, the impact of tourism continues to drive much of the growth. There is some concern that tourism could be negatively impacted by BREXIT given the large share of tourism that comes from the UK. BREXIT could also have an impact on sourcing and purchasing practices. Manufacturers must monitor this situation and work with customers to develop cost effective, on-trend items that will provide operators with differentiation in an increasingly global marketplace.

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

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

- Renewed emphasis on quality, with natural ingredients and clean labels.
- “Selective sourcing” of local Irish products.
- Growth of food-to-go items, including sandwiches and other handheld items.
- “Authentic ethnic” foodservice products and ingredients.
- Specialty coffee beverages and filter coffee (as well as Impulse items to accompany order).
- Chicken and pork, especially in a refrigerated/non-frozen format.

Recommendation #1 - Invest in Growth Areas

The Irish foodservice industry is healthy, and growth is expected to remain fairly robust. However, there are certain areas that are expected to outperform the market, and these numerous growth areas can be found in both commercial and non-commercial operations.

1. Emerging fast casual chains.
2. Concepts that emphasise fresh ingredients.
3. Culinary-driven institutional facilities, particularly in Education and B&I.
4. More nutritious options for employee feeding.
5. New platforms in food-to-go/grab-n-go foodservice operations.

Recommendation #2 - Manage Innovation with the End User in Mind

Examples of innovation are evident across all channels in the Ireland foodservice market. Those with the greatest efficiency appear to be innovations that exhibit:

- A clear understanding of the customer;
- Specific objectives for growth;
- Clarity on what positioning is most important to the customer;
- Long-term vision about future product line/item extensions and variations.

Increasingly, there are fewer “one size fits all” solutions and the importance of maintaining a competitive edge is on the rise. Operators require menu items and ideas that fit with their specific concepts. Thus, it is important to be proactive and work directly with operator customers on new ideas and to understand the operator’s position and operational needs.

Recommendation #3 - Exercise Prudence in Expansion

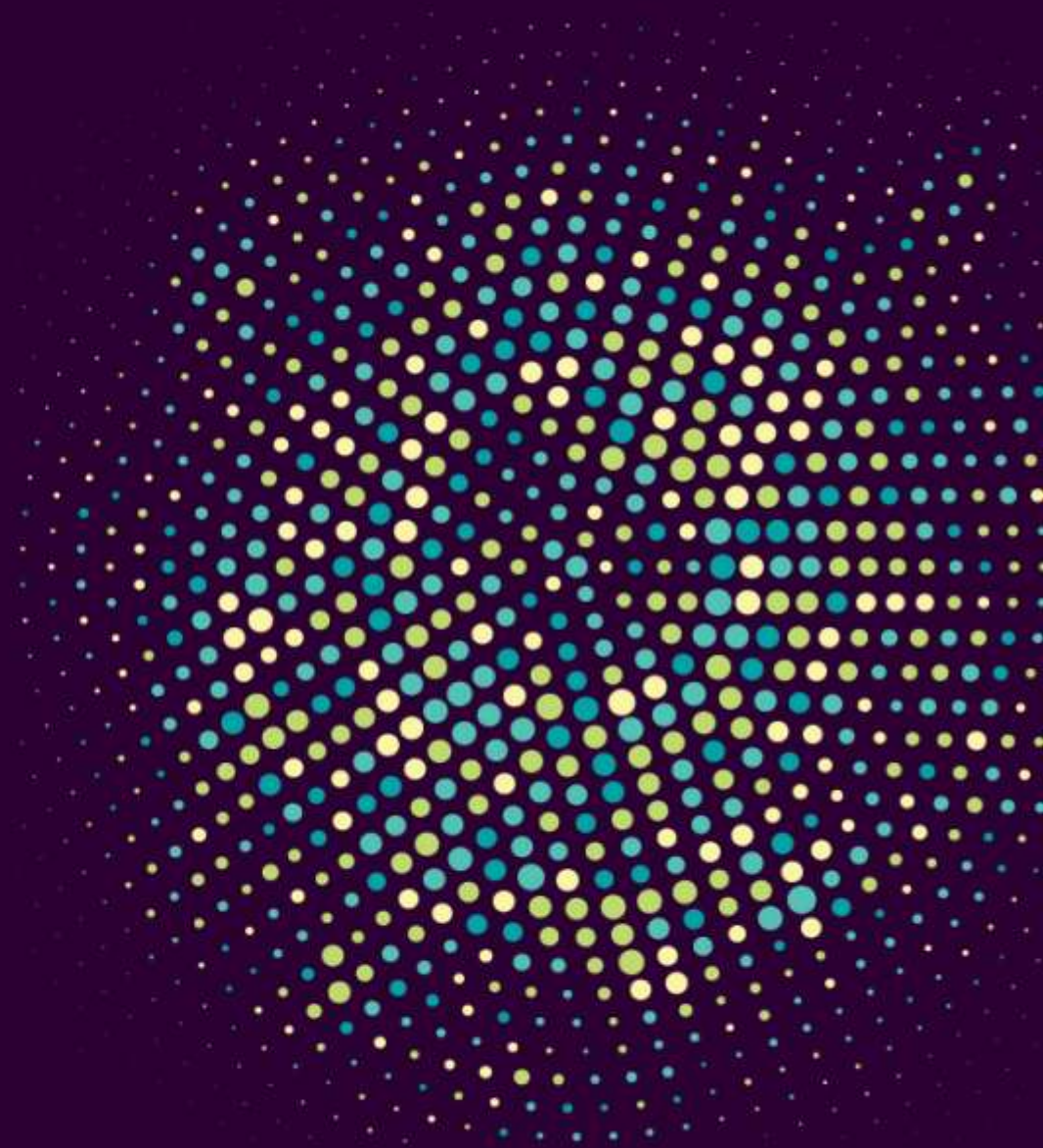
During times of accelerated growth, it is common to see overbuilding within chains and across commercial sub-segments. However, many interviewed for this programme are also concerned that the economy may not sustain its strength, particularly in light of BREXIT and some of the broader global challenges that remain. As a result, growth plans should be tempered with the reality of a possible slowdown.

Some important considerations include the following:

- Monitoring the expansion plans of competitors is essential to avoid direct duplication within markets.
- Understanding “post-honeymoon” phase demand is critical to gauging long-term demand.
- Establishing checks and ongoing review are key steps to ensure that expansion plans are executed optimally in light of ongoing changes.
- Target specific opportunities (versus more generalised opportunities) in strategic planning and account for subtle differences between markets.

Section 6:
MACRO ECONOMIC
INDICATORS

Irish Foodservice
Channel Insights



Macroeconomic Factors

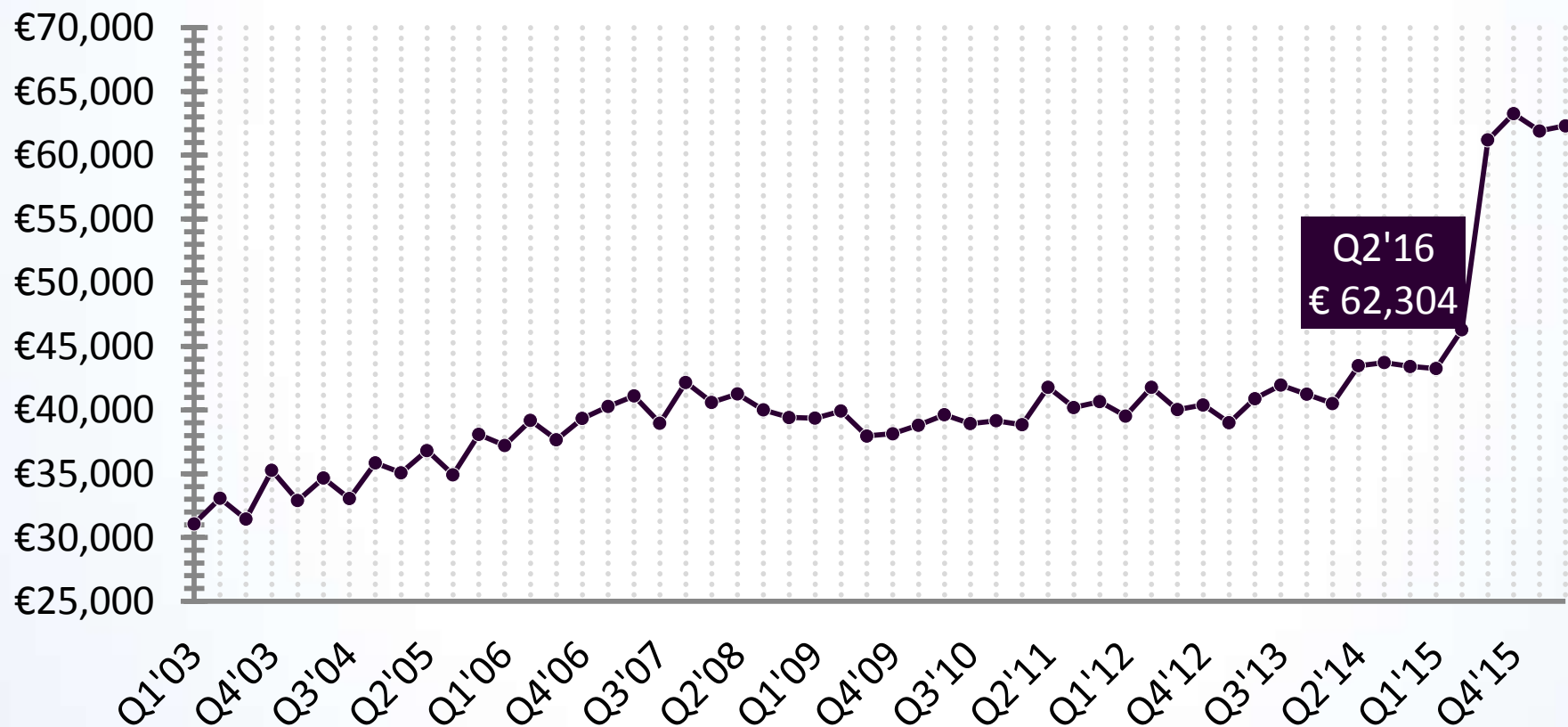
The following macroeconomic factors are important indicators for foodservice market performance and are discussed in this section.

- **Gross Domestic Product (GDP).** The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory. GDP is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living.
- **Employment – All Industries.** Represents the share of the labour force that is employed. The employment rate is one of the economic indicators that economists examine to help understand the state of the economy.
- **Employment – Accommodation and Foodservice.** Represents the share of the labour force that is employed within the accommodation and foodservice channels.
- **Consumer Price Index (CPI) – All Items.** An index of the variation in prices paid by typical consumers for retail goods and other items.
- **Consumer Price Index (CPI) – Food and Non-alcoholic Beverages.** An index of the variation in prices paid by typical consumers for food and non-alcoholic beverages.
- **Consumer Price Index (CPI) – Restaurants and Hotels.** An index of the variation in prices paid by typical consumers for foodservice items purchased at restaurants and hotels. .
- **Industrial Price Index – Food.** An indicator that measures the variation in prices paid by food manufacturers for inputs and resources.

GDP

GDP at Constant Factor Costs (Chain linked annually ref to 2013)

Euro (€MM)

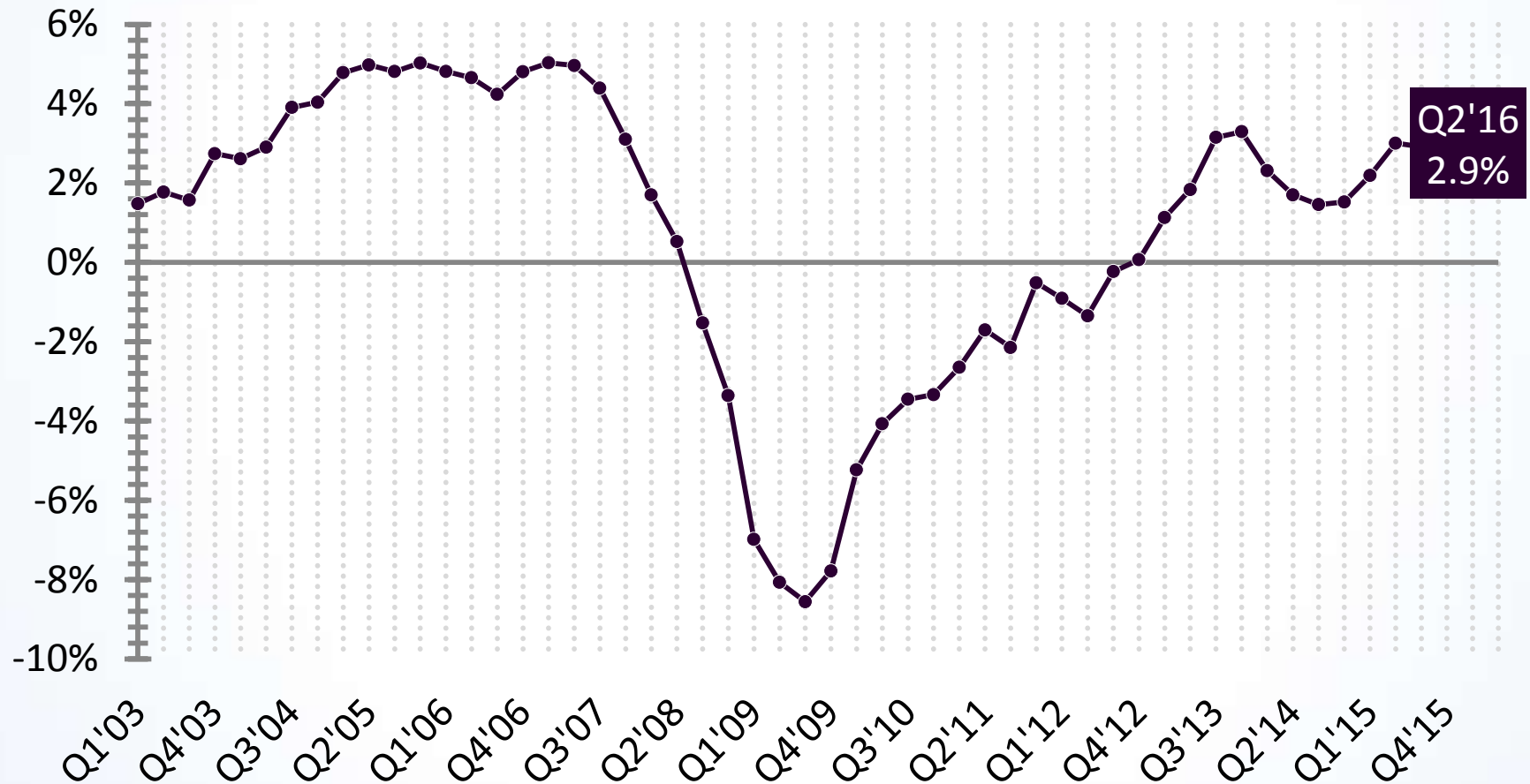


Source: Central Statistics Office

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Employment – All Industries

Percent Change v Prior Year

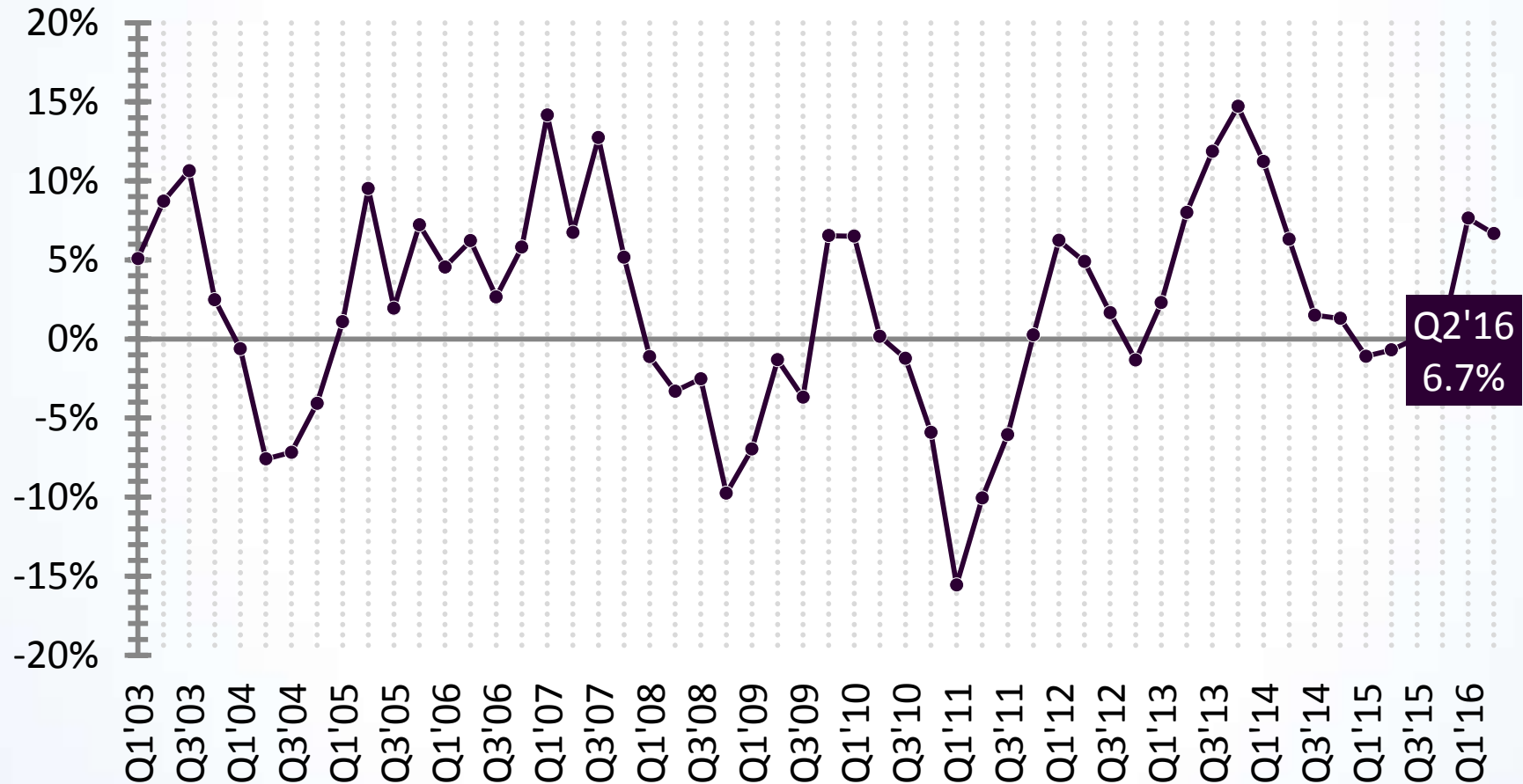


Source: Central Statistics Office

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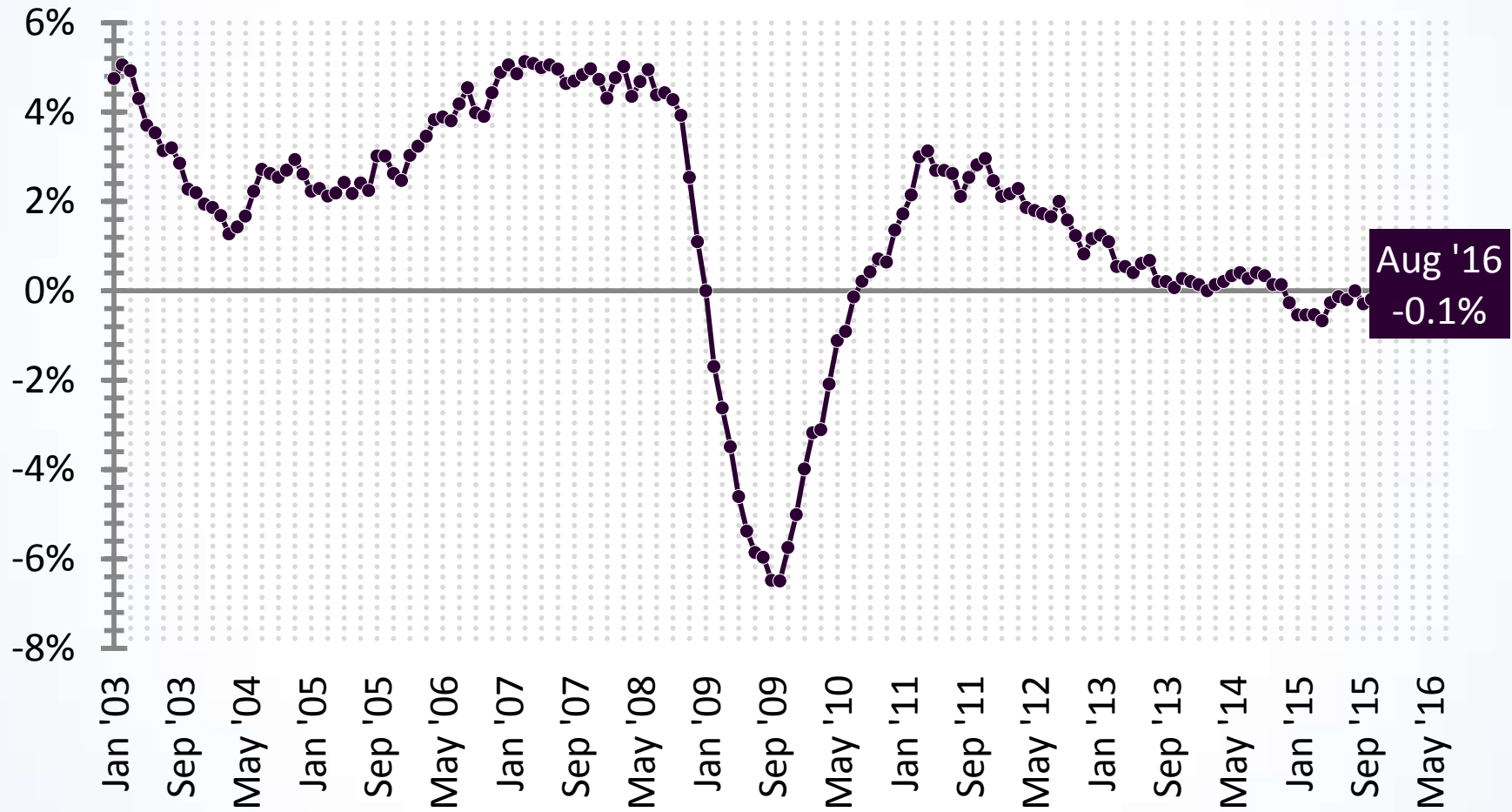
Employment – Accommodation & Foodservices

Percent Change v Prior Year



CPI – All Items

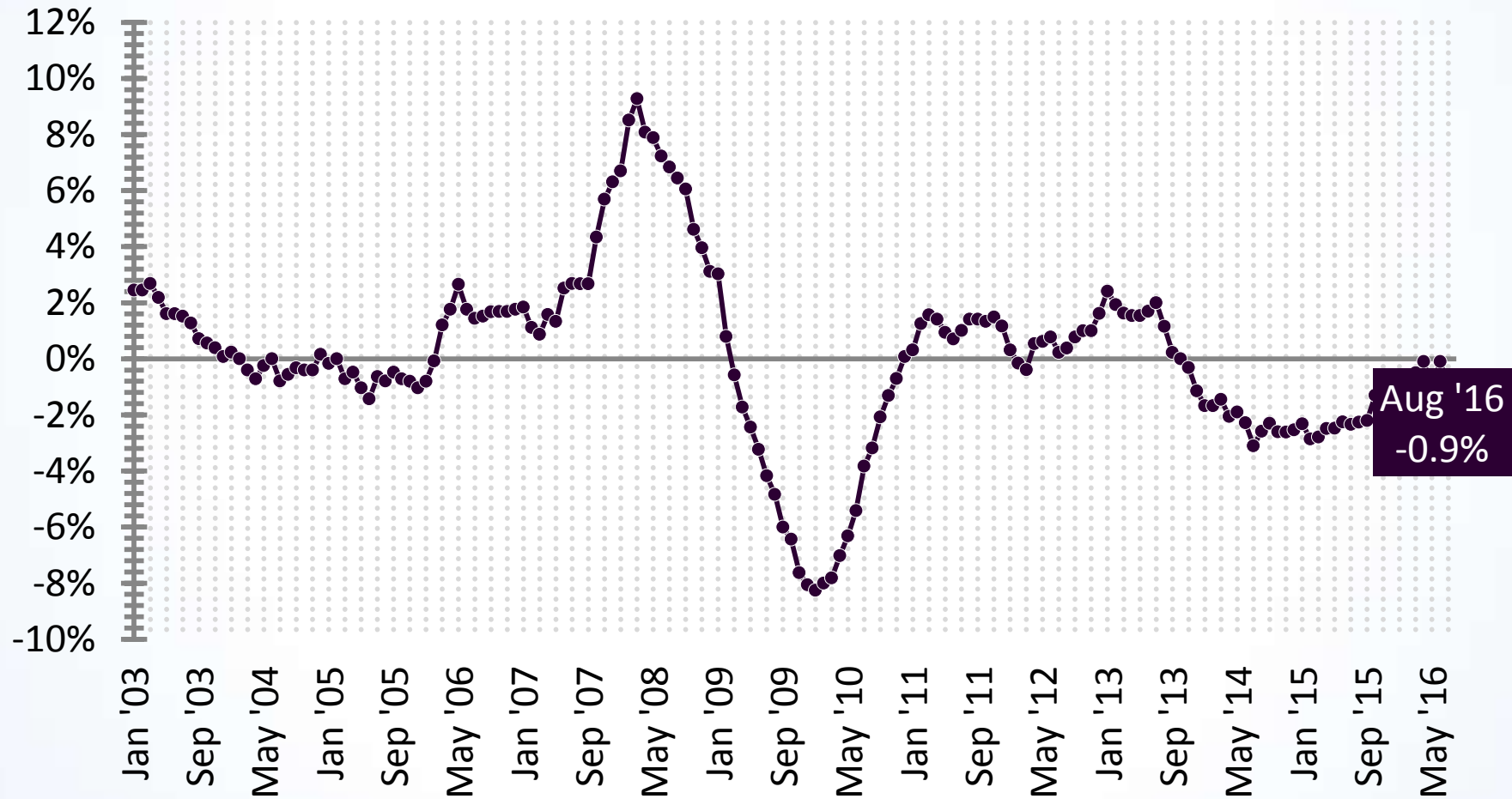
Percent Change v Prior Year



Base: 100 = 1996
Source: Central Statistics Office

CPI – Food and non-alcoholic beverages

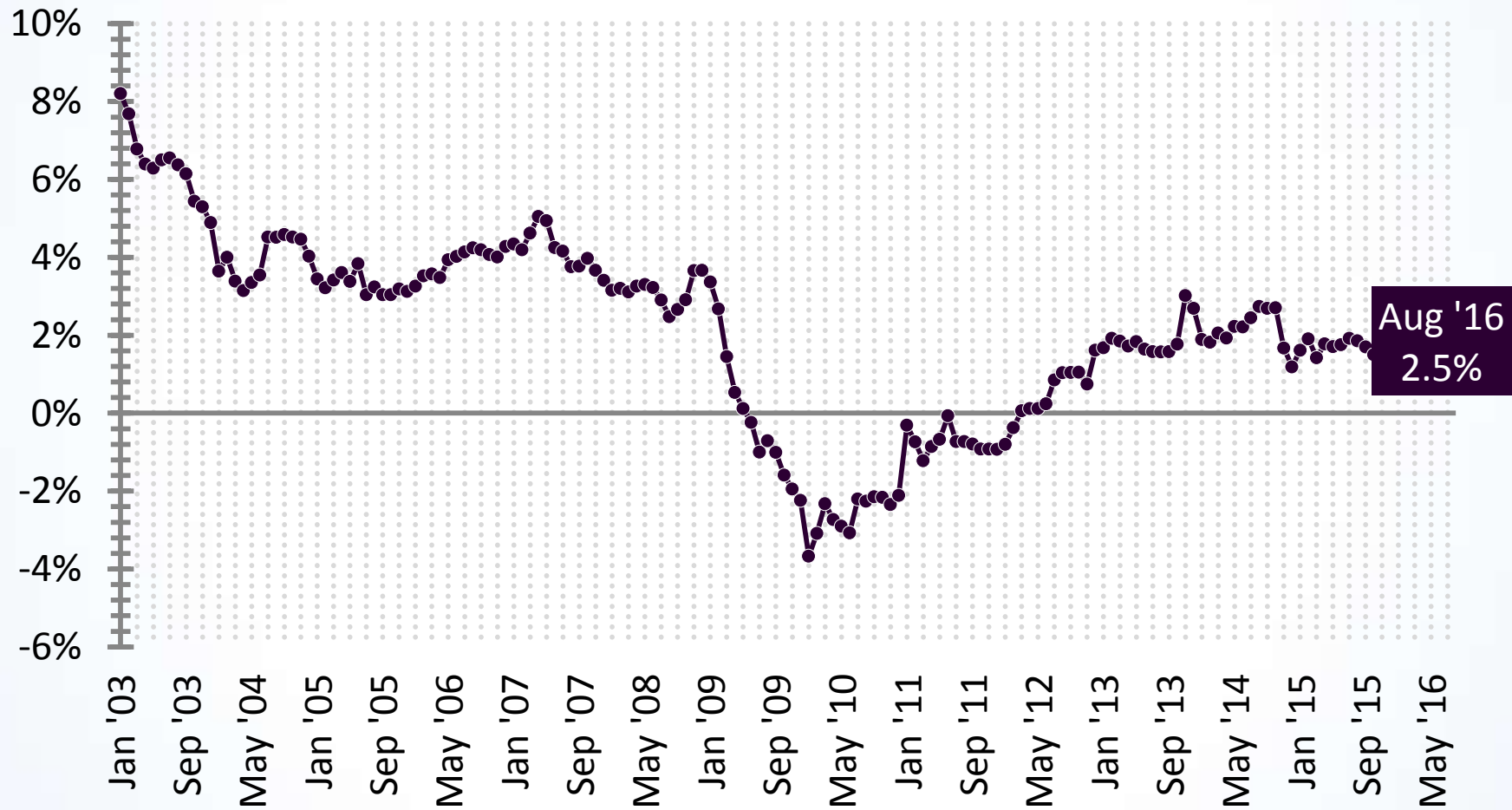
Percent Change v Prior Year



Base: 100 = 1996
Source: Central Statistics Office

CPI – Restaurants and hotels

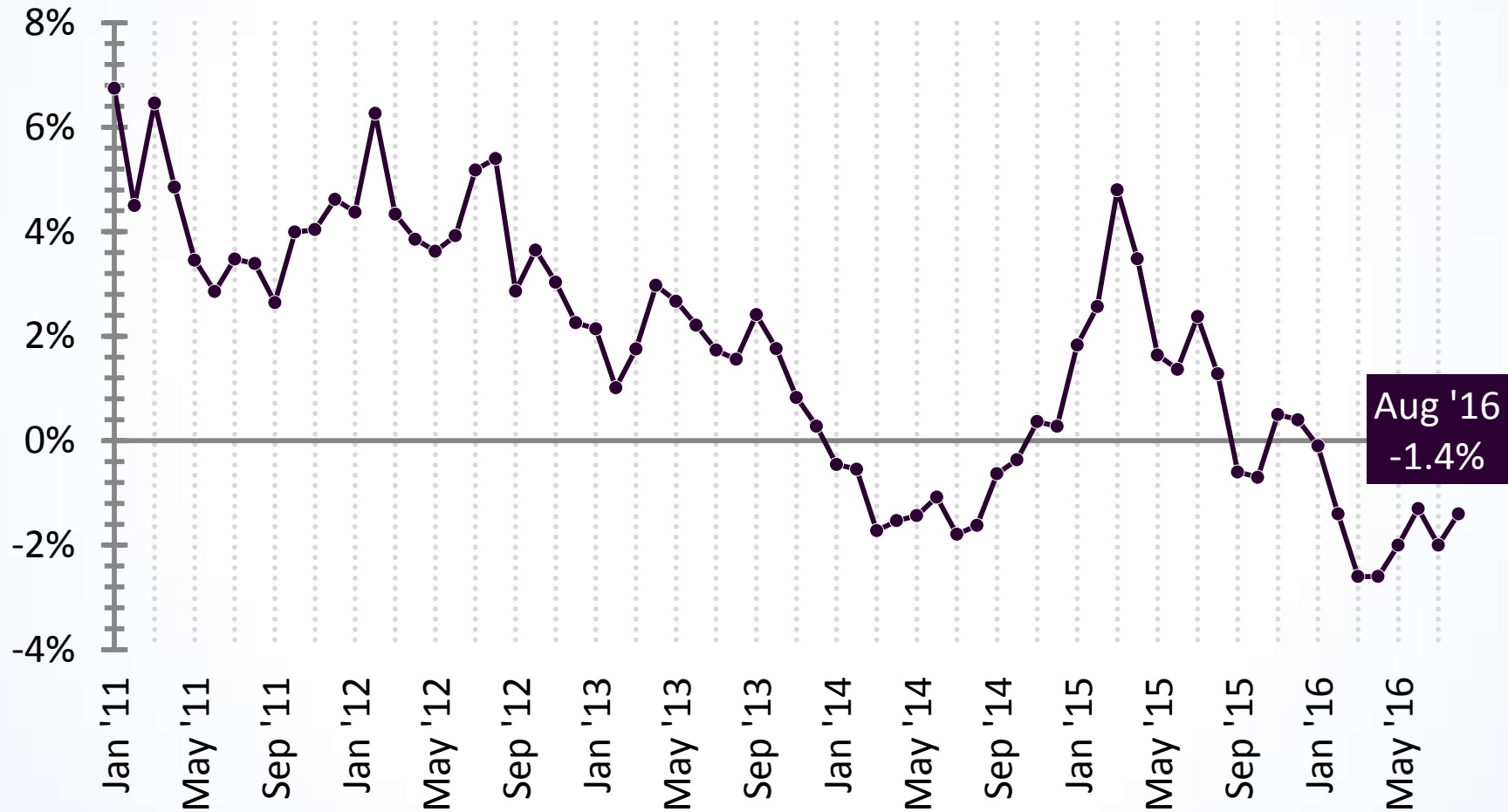
Percent Change v Prior Year



Base: 100 = 1996
Source: Central Statistics Office

Industrial Price Index – Food

Percent Change v Prior Year



Base: 100 = 2010
Source: Central Statistics Office

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