

Irish Foodservice Channel Insights

NOVEMBER 2017



Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

www.bordbia.ie

Report Organisation

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INTRODUCTION



Irish Foodservice **Channel Insights**

About the Research

Over the past three years, Bord Bia has commissioned Technomic to deliver new research and insights on the Irish foodservice marketplace. Deep dive insights on the QSR and food-to-go market were published in 2015 and a broader assessment of the entire foodservice market was published in 2014 and 2016.

In 2017, a full update on the island of Ireland foodservice market was requested, examining the likely direction of each foodservice channels and the implications in terms of product and service requirements.

The process undertaken in this collaboration included a large range of in-depth interviews coupled with existing secondary data.



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, a global food consultancy with 50+ years of expertise in the out of home channel, 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:

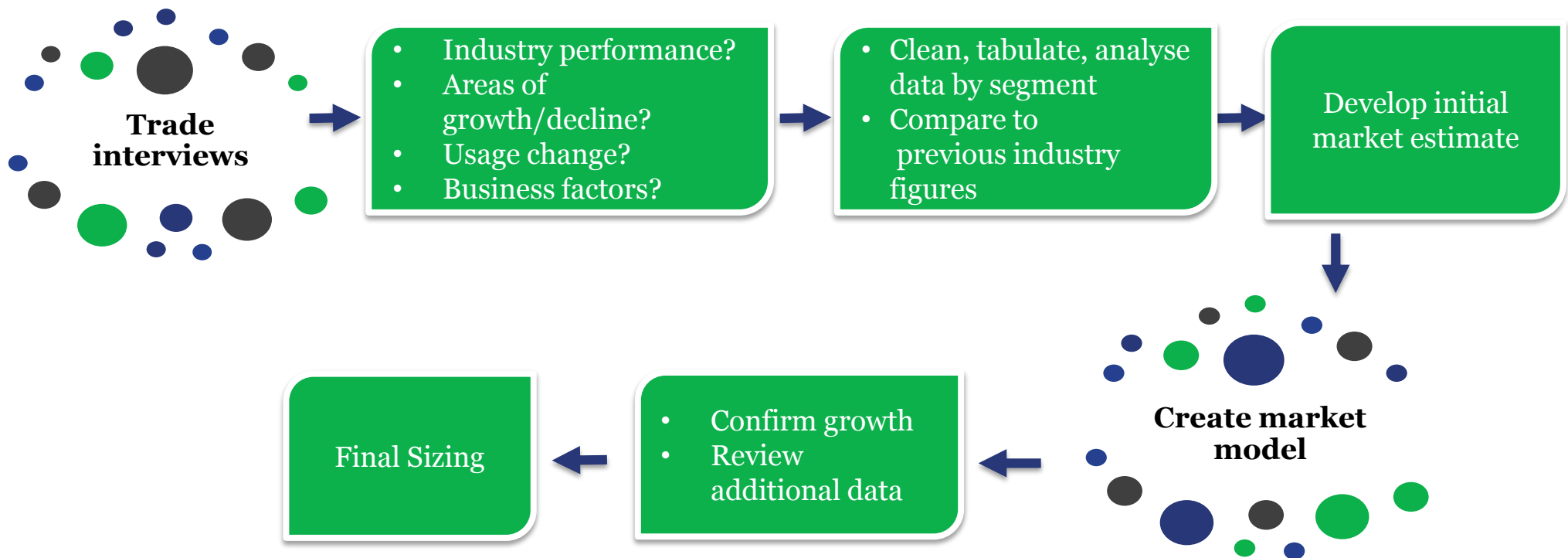
- One-on-one trade interviews with knowledgeable persons in companies throughout the foodservice supply chain
- Data collection from numerous secondary sources, Technomic industry studies and Knowledge Center, Technomic international tracking and published materials.

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.

Market Sizing Methodology

The illustration below outlines key steps in Technomic's market sizing and forecasting process as it relates to the foodservice industry and specific segments in both the Republic of Ireland as well as Northern Ireland.

Data Obtained



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).



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A Winsight Company

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



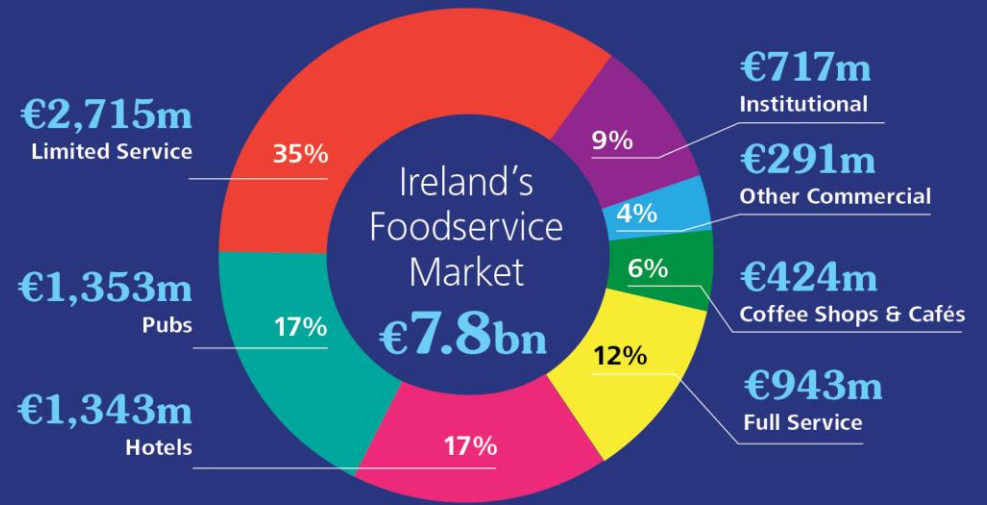
Irish Foodservice **Channel Insights**



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.

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

Over-riding Eating out Trends are:

- International brands continue to enter the Irish market
- Expectation for higher quality foods at an affordable price
- Take away and grab-and-go concepts are driving foodservice growth
- Healthier foods are trending and influencing menu ideation
- Provenance is often associated with 'better for you' items
- Brexit's negative impact on UK tourism has had most effect on the pub and hotel industry

- 4.9%** Is the total market compound growth rate forecast between now and end 2020. 5.8% for the Republic of Ireland and 4% for Northern Ireland.
- The value split between Commercial and Institutional Channels is **91% : 9%**
- Balance in NI **€2.1bn or 27%**
- Majority of spend is taking place in ROI **€5.7bn or 73%**

Positive Industry Factors:

- Growth in foodservice has mirrored strong increases in employment and economic activity.
- Although there has been a drop in UK tourists, US and European visitors are up with overall single digit growth.
- Favourable VAT rate of 9% continues to encourage out-of-home spending.
- The two segments showing biggest share gain are coffee shops and hotels.

Leading Market Factors Impacting Irish Foodservice Market - 2017

1. Continued strong economic performance

Economic performance within the Irish economy has continued to contribute to strong employment growth, rising consumer income, and positive consumer confidence, all key indicators for a healthy foodservice industry.

2. Generally strong tourism statistics

Coupled with a strong economy, the island of Ireland continues to be a magnet for people of many nationalities. Tourism has grown in ROI again in 2017, and Northern Ireland is starting to become a destination (particularly Belfast). There has been some decline in travel to ROI from the UK, but US and other European tourists have continued to flock to ROI. According to Tourism Ireland, Ireland experienced a +2.5% growth in overseas visitors in the first eight months of 2017.

3. Continued growth in employment and exceptional growth in the tech sector

Dublin in particular has become a magnet for the European and international financial and tech sectors. This has led to a revitalisation of many parts of the urban landscape and an investment in new buildings has changed the city's landscape. Companies such as Google and LinkedIn have created thousands of high paying jobs.

4. Uncertainty over the ultimate impact of Brexit

While the Irish economy is strong, there is some concern about the long-term ramification of Brexit, particularly on currency exchange rates, the possible imposition of a hard border, and on travel and tourism.

5. Tight labour markets create shortages and challenges in staffing

The strong economy comes with a challenge: many positions go

unfilled and companies seek qualified labour. Retention is also a challenge as employees are often moving from job to job.

6. Favourable VAT rate continues to encourage out-of-home spending

One of the biggest factors that helped accelerate out of home spending was the 9% VAT for the ROI hospitality sector, that made foodservice much more affordable. The continuation of this policy into 2017 and beyond has continued to yield positive results.

7. Food inflation creates profitability challenges

Food costs, primarily in the North but also in ROI, are increasing faster than operators' ability to raise prices. This has created some pressure on overall operator profitability.

Overall Assessment of the Foodservice Industry 2017

In 2016, Irish consumers spent €7.8 billion on out of home food & beverage. Most consumer spending (approximately 91%) occurs in commercial segments, including quick service restaurants, coffee shops and cafes, full service restaurants and pubs. A lesser amount (approximately 9%) is spent in the non-commercial segment, which includes business and industry, education and healthcare, among others.

Growth in foodservice has mirrored strong increases in employment and economic activity, and foodservice within the Republic of Ireland has continued to expand as underlying economic conditions remain positive. Current growth of 5.8% in the Republic for all of foodservice confirm that the industry remains healthy and robust, and the €5.7 billion spent in consumer spending is the highest level reached over the past several years.

In past studies, Northern Ireland underperformed relative to the South, and while growth in the North remains somewhat soft, figures developed for this study indicate that there has been an acceleration in foodservice in the North, particularly as the economy and tourism in large markets such as Belfast have accelerated. Growth is estimated to be 3.9% (in its home currency of Sterling) in Northern Ireland, a much improved figure relative to several years ago. Industry turnover in the North is projected at £1.8 billion Sterling, which due to a unfavourable exchange rate with the Euro translates to €2.1 billion in Euro turnover.

Over 1/3 (35%) of consumer spend in the Commercial channel is found in Limited Service Restaurants (LSRs), with only 12% attributed to Full Service Restaurants (FSRs). Pubs account for 17% of spend (excluding alcohol). The two segments showing the biggest share gain are the coffee shop/cafe

segment; accounting for 5% of total Commercial spend, and the hotel segment, accounting for 17% of total foodservice consumer spending. 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 32% 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.

Commercial Channels

Overarching trends

- 1. International brands continue to enter the Irish market,** creating additional competition for home-grown brands and introducing new cuisines and variety into the Irish diet. Despite the rise in popularity of new cuisine, such as Thai, and the expansion of international brands, like Starbucks, Irish consumers remain supportive and loyal to local businesses and Irish brands.
 - 2. Large broadline distributors are capturing more market share.** Large commercial chains gravitate to these “one-stop shop” distributors - rather than multiple local suppliers - to meet their high volume needs in one shipment.
 - 3. Due to previous economic hardships and the rising number of well-travelled Irish consumers, there is an expectation for higher-quality foods at an affordable price.** The Irish market has seen a rise in fast-casual concepts, which fill these needs, in addition to chef-driven, casual dining operations.
 - 4. Takeaway and grab-and-go concepts are driving the foodservice market.** Their convenience is favoured among younger consumers and business travellers on the go. Third party delivery is also causing some disruption and has seen strong growth, particularly in major urban centres.
 - 5. Healthier foods are trending and influencing menu ideation.**
 - 6. Brexit’s negative impact on UK tourism has effected the pub and hotel industry the most.** These channels are the most effected by the decreased weekend trips and holiday visits to Ireland that English travellers traditionally take. With the pound Sterling falling against the EURO, UK visitors are also spending less when in the Republic of Ireland. Conversely, Northern Ireland has benefitted from increased tourism and consumer spending from visitors.
- New chains are finding success with labelling menu items as “fresh” and “local,” and focus on provenance is often associated with “better for you” items. In addition, this health trend is taking on a holistic approach with operators upgrading the quality of ingredients.

Key Trends – Commercial Channels

Quick Service Restaurants

- Takeaway is growing considerably with heavy influence from urban, 25-34 years-old males
- Consumers increasingly expect elevated experiences at value-driven prices
- Irish consumers seek out both indulgent and guilt-free fast food
- Technology and online ordering apps fuel the market
- Healthier menu items continue to rise in prevalence in the fast food segment
- International brands continue to proliferate the Irish market

Fast Casual

- Irish consumers' taste for premium ingredients in a casual setting continues
- Consumers increasingly prefer ordering via mobile phones
- Interest in ethnic cuisines continues, evolving to include

new menu items from all over the globe

- Consumers push for more plant-centric, vegan and vegetarian dining
- Healthier concepts growing to dominate the fast-casual space
- Beverages are diversifying
- International fast-casual restaurants find success in Ireland
- Similar to the quick-service channel, technology drives growth for fast casual restaurants

Pubs

- Pubs feel the affects of decreased UK tourism
- While drink led pubs are making a comeback, gastropubs maintain momentum
- The unemployment rate continues to fall, leading to increased disposable income
- Pubs are frequented for more than just drinking

- Increasing interest in craft spirits among consumers
- While craft beers are trending, consumers remain loyal to their favourite alcohol beverage brand

Full Service Restaurants

- Sustainability and mindful operations are becoming more prevalent
- Deliveroo and other delivery services drive business
- Fluctuating product prices will shape menus
- Consumer seek out offerings beyond traditional Irish cuisines
- Menus increasingly call out nutritional content and “local” labels

Key Trends – Commercial Channels

Coffee Cafes

- Small, local coffee shops and 3rd wave independents are competing with global brands
- While baristas are still prominently used, semi-automatic, bean-to-cup machines may become more common as labour issues intrude
- Businesses adjusting operations and offer according to shop location (geography, high street vs. suburban, etc). While city centre locations must cater to Irish consumers and tourists, suburban locations can place a bigger focus on further developing in-house food and beverage capabilities
- Coffee is perceived as an affordable luxury among consumer
- Health trends begin to shape coffee orders with consumers seeking out alternative milks
- Flat whites are this year's trending coffee beverage

Food On The Go

- Upgrades and investments continue, with a focus on fresh foods and made-to-order offers.
- New concepts and formats are being added
- Large foodservice brands and forecourt stations are aligning
- Forecourts and convenience stores are finding success with their younger customers
- Breakfast leads as an important daypart for consumer visits
- Consumers want healthier options in both retail and foodservice
- Employment levels are up, encouraging purchasing confidence

Hotels & Accommodation

- Optimism carries into 2017 and business travel maintains momentum from 2016
- Operators note that Brexit has slowed UK travel
- Refurbishments continue with a focus on creating modern, social

- spaces centered around foodservice
- The usage of local ingredients maintains momentum into the hotel industry
- Increase in consumer expectation for higher quality dining experiences equivalent to upscale, full-service restaurants in lower-scale or limited-service establishments
- Guests want higher quality grab-and-go and coffee options
- Consumer propensity for takeaway is forcing hotel operators to consider new service models

Institutional Channels

Overarching trends

- 1. Consumers are bringing their expectations for higher quality** from the commercial channels into institutional operations. Quality is translated into fresh ingredients, local suppliers, scratch-made preparation and creative recipes for both dining-in concepts and takeaway.
- 2. With new regulation on school menus and mandates on calorie counts**, it's especially important for institutional operations to keep pace with consumers' needs for healthy and allergen-sensitive dining
- 3. With many of these institutions being government funded, operators often times find budgets to be challenging.** Operators are seeking out ways to cut costs, reduce waste and save on labour.
- 4. Operators are challenged with the negative consumer perception of institutional foodservice.** Alongside upgrades to food and beverage, operators will need to invest in marketing and communication to change their consumers' minds.
- 5. Operators in this channel are placing more emphasis on their foodservice as they begin to view their food and beverage programmes as an asset.** Competing with high street cafes and restaurants is putting new pressure on operators to update and improve offerings.
- 6. There's been a significant increase in the number of branded restaurants and cafes** being built into institutional properties. This comes in response to the consumer trend for more well-known brands.
- 7. Broadline distributors are emerging as an the preferred sourcing solution to larger institutional operations.** Despite the push for provenance and support for local suppliers, the ease of working with one large supplier is attracting operators.

Institutional Channels

Key trends

Business & Industry

- The B&I channel is seeing a continued growth led by a surge in jobs and growth in Ireland's tech industry
- Companies use their foodservice as an amenity to attract new employees
- Operators aspire for fresh and scratch-made
- Contract caterers note that the defining competitive basis remains price
- Operators are seeking out ways to address the evolution of dining preferences in B&I
- Healthy and plant-based options grow in popularity
- Operators that are trying to upgrade their foodservice with better quality ingredients are challenged by consumers viewing canteen foods negatively and still expecting lower price points

Healthcare

- Limited government funding restricts and shapes menus and purchases
- Shortage and retention of skilled labour remains a defining challenge
- Visitors to these healthcare operations are attracted to familiar brands in healthcare settings
- Improvements in grab-and-go and vending options are being emphasised
- In addition to healthier options, consumers seek out more diet-accommodating foods.

Education

- Produce plays a larger role in the new Nutrition Standards for School Meals State programme
- Foodservice is playing a larger role in attracting university students to campus
- Sustainability and product provenance are building momentum
- There is increased pressure on operators as students and their families push for healthier options at schools
- Students seek a balance of international and Irish cuisine
- Higher demand for snacking options
- Branded concepts are increasingly being added to university campuses

SIZE AND SEGMENTATION OF THE IRISH FOODSERVICE INDUSTRY



Irish Foodservice **Channel Insights**

Total IOI Foodservice Industry

Consumer and operator spend

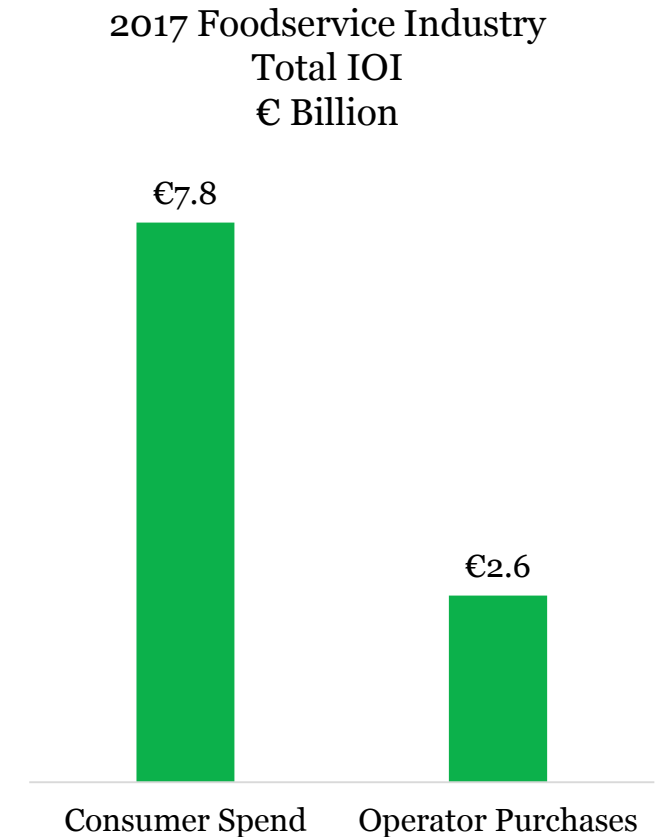
The value of the Irish foodservice industry for 2017 is estimated to be €7.8 billion in terms of consumer expenditures and €2.6 billion in terms of operator purchases. This includes both the value of the Republic of Ireland and the converted value of the Northern Ireland foodservice market.

Importantly, when defining “consumer spending,” there are several ways to account for the this. In general, 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 34% of the value of all consumer expenditures in the IOI foodservice industry.



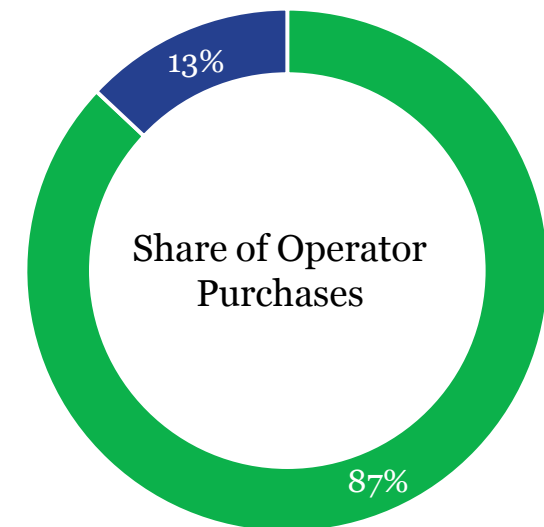
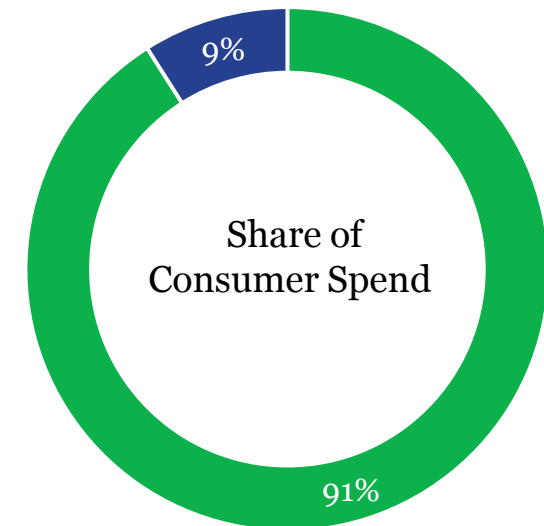
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017.

Commercial and Institutional Channels

Within the foodservice market, there are two broad channels: Commercial and Institutional.

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

In 2017, Commercial channels accounted for 91% of the value of total consumer spending and 87% of the total value operator purchases, while Institutional channels account for the remaining 9% of total consumer spending and 13% of total operator purchases.

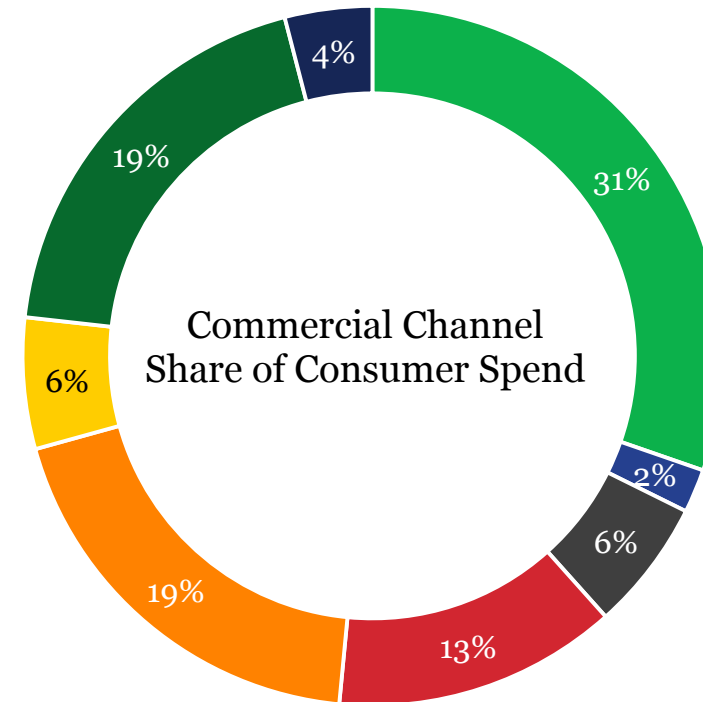


■ Commercial ■ Institutional

Commercial Channels 2017

As noted, the Commercial channels represent the vast majority of the value spent in within the Irish foodservice channel.

Digging deeper within Commercial, Traditional Quick Service Restaurants (QSRs), pubs and hotels account for the greatest share of consumer spend in IOI. Collectively, these three channels represent nearly 70% of the total Commercial channel.

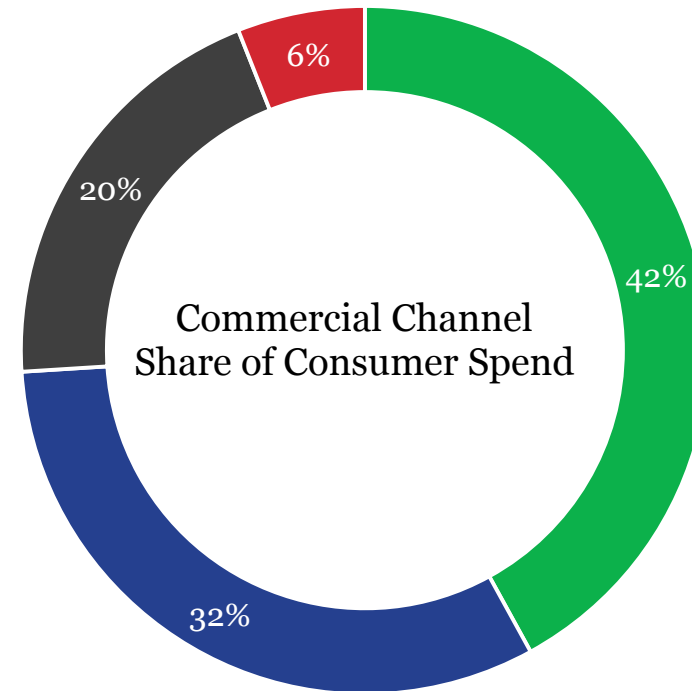


- Traditional QSR
- Pubs
- Fast Casual
- Coffee Shops/cafes
- Food On-the-Go
- Hotels
- Full Service
- Other Commercial

Institutional Channels 2017

Institutional foodservice represents 9% of the total value of consumer spending.

Business and Industry is the largest institutional channel, representing over 40% of consumer spending. This is followed by healthcare, which represents approximately 32% of total consumer spend. The education channel represents 20% of Institutional spending, while all other channels make up the remaining 6%.



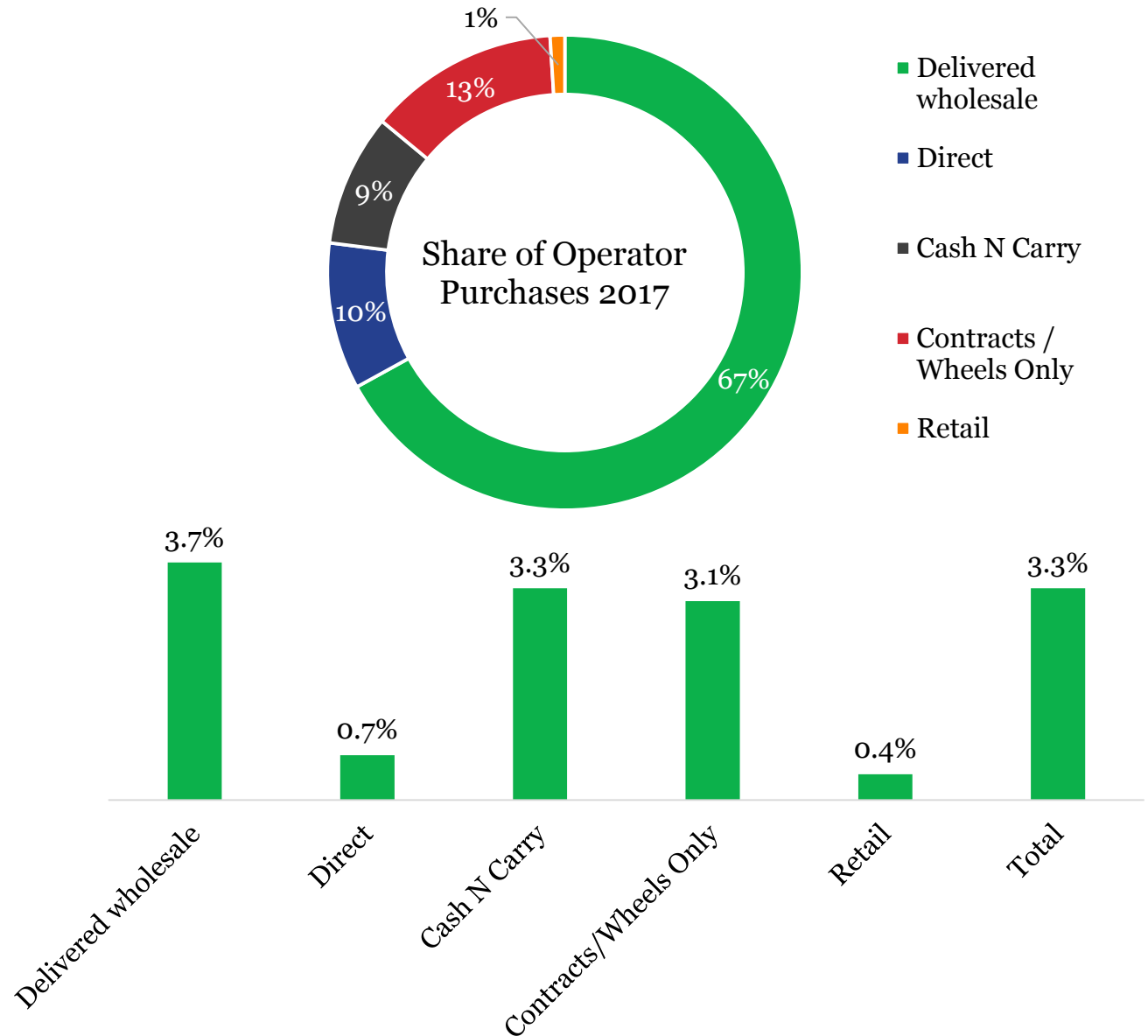
■ Business and Industry ■ Health ■ Education ■ Other Institutional

Route to Market 2017

The most prevalent route to market in Irish foodservice is wholesale delivery, which accounts for 67% of operator purchases. This reflects a 3.7% change from 2016 (which reflects total growth plus currency changes within Northern Ireland).

The Cash N Carry segment represents approximately 9% of the total value of purchases delivered and grew approximately 3.3%.

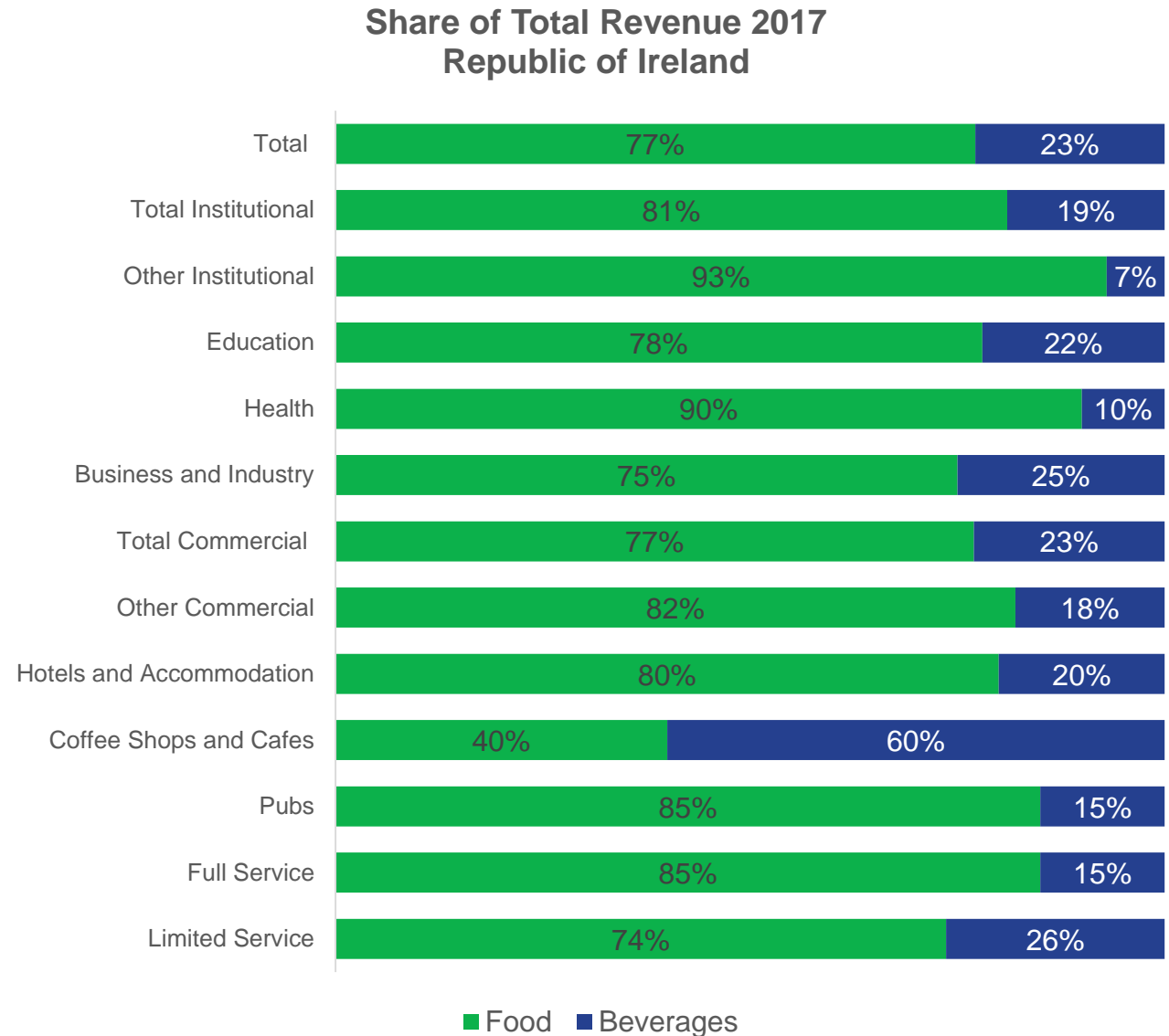
The contract “wheels only” channel grew by just over 3% over the review period. This is driven by growth in the chain market.



Food and Beverage Split Revenue

In evaluating the sources of revenue for the Irish foodservice industry, 77% of turnover is derived from food, with the remaining 23% coming from beverage (non-alcohol only).

The share of beverage revenue is higher in the Commercial channel, where Coffee Cafes and Limited Service (which includes takeaway and Food-To-Go) drive that percentage higher.



Irish Foodservice Market Snapshot

Total IOI

2017 Irish Foodservice Market	2017 Consumer Spending (€M)	2017 Operator Purchases (€M)	2016-7 CAGR	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	€ 2,715	€ 904	3.5%	8,905
Full Service Restaurants	€ 943	€ 311	3.4%	3,175
Pubs	€ 1,353	€ 392	0.7%	8,400
Coffee Shops and Cafes	€ 424	€ 123	6.9%	2,275
Hotels & Accommodation	€ 1,343	€ 457	5.7%	1,275
Other Commercial	€ 291	€ 102	5.1%	1,050
Total Commercial	€ 7,070	€ 2,289	3.6%	25,080
Business and Industry	€ 302	€ 145	1.6%	2,075
Healthcare	€ 231	€ 118	-0.1%	1,140
Education	€ 144	€ 62	0.4%	4,940
Other Institutional	€ 40	€ 20	1.8%	200
Total Institutional	€ 717	€ 345	0.8%	8,355
Total IOI	€ 7,787	€ 2,635	3.3%	33,435
Republic of Ireland	€ 5,683	€ 1,916	5.8%	26,845
Northern Ireland	€ 2,104	€ 718	-2.7%	6,590

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017.

Irish Foodservice Market Snapshot

Republic of Ireland

2017 ROI Foodservice Market	2017 Consumer Spending (€M)	2017 Operator Purchases (€M)	2016-7 CAGR	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	€ 2,028	€ 675	5.7%	6,985
Full Service Restaurants	€ 653	€ 216	6.0%	2,450
Pubs	€ 982	€ 285	2.9%	7,200
Coffee Shops and Cafes	€ 315	€ 91	10.1%	1,950
Hotels & Accommodation	€ 1,004	€ 341	8.2%	1,040
Other Commercial	€ 226	€ 79	7.2%	750
Total Commercial	€ 5,206	€ 1,687	6.0%	20,375
Business and Industry	€ 214	€ 103	4.2%	1,550
Healthcare	€ 143	€ 73	2.7%	655
Education	€ 89	€ 38	3.0%	4,140
Other Institutional	€ 31	€ 15	3.5%	125
Total Institutional	€ 477	€ 230	3.5%	6,470
Total ROI	€ 5,683	€ 1,916	5.8%	26,845

Irish Foodservice Market Snapshot

Northern Ireland

2017 NI Foodservice Market	2017 Consumer Spending (£M)	2017 Consumer Spending (€M)	2017 Operator Purchases (€M)	2016-7 CAGR	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	£598	€ 687	€ 229	4.1%	1,920
Full Service Restaurants	£253	€ 290	€ 96	4.5%	725
Pubs	£323	€ 372	€ 108	1.8%	1,200
Coffee Shops and Cafes	£96	€ 110	€ 32	5.5%	325
Hotels & Accommodation	£295	€ 339	€ 115	5.6%	235
Other Commercial	£57	€ 66	€ 23	5.3%	300
Total Commercial	£1,621	€ 1,864	€ 602	4.1%	4,705
Business and Industry	£77	€ 88	€ 42	2.2%	525
Healthcare	£77	€ 89	€ 45	2.1%	485
Education	£47	€ 55	€ 23	2.9%	800
Other Institutional	£8	€ 9	€ 5	2.9%	75
Total Institutional	£209	€ 241	€ 116	2.3%	1,885
Total NI	£1,831	€ 2,104	€ 718	3.9%	6,590

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017

Growth is based on industry growth in Northern Ireland home currency of the Sterling

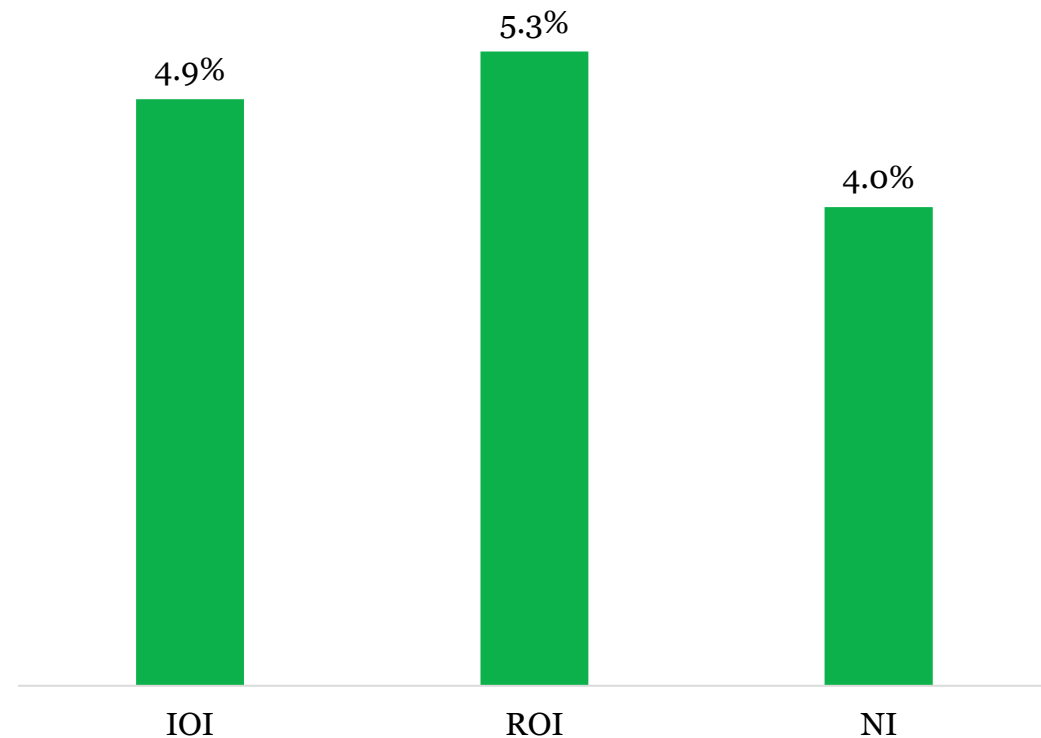
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3 Year Growth Outlook 2018-2020

The foodservice industry is expected to continue strong performance over the next three years. Within ROI, growth of over 5% is to be expected, although there may be some slight deceleration in the pace of growth relative to what has been seen in recent years. Total annual growth expectations are currently 5.%, with higher growth occurring in the Commercial segments.

Within Northern Ireland, the industry is expected to grow at 4% per year over the next three years, which is a slight acceleration relative to current growth, but still well below the forecasted growth for ROI. Improving industry conditions driven by tourism and investment should help buoy the Northern foodservice landscape. (Note that the growth for NI is forecasted in Sterling and does not account for currency conversion issues.)

2018-2020 Forecasted Growth in Foodservice
Turnover
(Consumer Spend)



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

Growth Outlook 2018-2020

Total Island of Ireland

2017 IOI Foodservice Market	2017 Consumer Spending (€M)	2020 Forecasted Consumer Spending (€M)	Projected CAGR* 2018-2020	Change in Value	Share of Growth
Limited Service	€ 2,715	€ 3,146	5.0%	€ 432	36%
Full Service	€ 943	€ 1,100	5.3%	€ 157	13%
Pubs	€ 1,353	€ 1,448	2.3%	€ 95	8%
Coffee Shops and Cafes	€ 424	€ 520	7.0%	€ 96	8%
Hotels and Accommodation	€ 1,343	€ 1,650	7.1%	€ 307	25%
Other Commercial	€ 291	€ 356	6.9%	€ 65	5%
Total Commercial	€ 7,070	€ 8,220	5.2%	€ 1,151	95%
Business and Industry	€ 302	€ 333	3.3%	€ 31	3%
Health	€ 231	€ 249	2.4%	€ 17	1%
Education	€ 144	€ 154	2.4%	€ 10	1%
Other Institutional	€ 40	€ 43	2.8%	€ 3	0%
Total Institutional	€ 717	€ 780	2.8%	€ 62	5%
Total ROI	€ 7,787	€ 9,000	4.9%	€ 1,213	100%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017

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

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Impact of Brexit on Irish Foodservice

Hard borders and trade regulations are a leading concern

Irish operators, distributors and suppliers are unsure of what legislature to expect when Brexit takes effect. For now, the Irish foodservice industry is taking a reactive approach and waiting to see how Brexit affects their business before planning responsive strategies.

While there has been “scenario planning” undertaken by some, most in the industry have carried on with their overall business and have taken a “wait and see” attitude to more fully understand what will, and won’t, happen.

Those involved in the foodservice industry express key concerns:

- 1. Hard borders would complicate trade**

The possible implication of a hard border between Northern Ireland and the Republic of Ireland could create additional transportation check points, likely to involve increased transportation time and costs to import and export goods from Ireland. The effects could disrupt current routes to market, company revenue and supplier contracts.

- 2. Increased price of goods**

This year, the Irish foodservice industry has experience the effects of increased butter and dairy prices, and many believe Brexit will increase further the costs of goods with possible hard borders, trade barriers or tariffs

put in place. Food inflation, particularly in Northern Ireland, has risen particularly fast over the past year, impacting overall operator profitability.

Any new trade legislature will have a direct effect on foodservice operations, menus and costs. The majority of operators report that any additional costs will likely be passed on to the consumer, although this can be challenging to do in practice.

Impact of Brexit on Irish Foodservice

Brexit could bring more jobs to Ireland

3. **An increasing number of companies headquartered in the UK may move to the Ireland**

Operators, supplier and distributors have reported an influx of companies establishing offices in the ROI since the news of Brexit.

Some operators believe the company migration trend could continue as a result of both Brexit and the ROI's proximity to the United States market. Operators hope this will have a resulting positive effect on the Irish economy and create a large number of jobs in Ireland.

4. **Migration of businesses and consumers across the Irish border**

The disparity between Sterling and Euro has resulted in an increase in Irish consumers shopping north of the border. Intertrade Ireland reported in their 2016 Q3 data nearly 57% of cars in Northern Ireland shopping centers were Republic of Ireland-registered. This is the highest reported number since 2009.

5. **Higher food inflation, particularly in the North**

Currently, and potentially going forward, the fluctuations in the conversion ratio with the Euro has caused many food and other

input costs to become more volatile, and there was been a high degree of food inflation in the North. Some expressed concern that this could continue to be a problem as the process toward Brexit continues.

6. **Decrease in UK tourism**

Tourism Ireland reports a decline in UK tourism (-7.1%) in the first eight months of 2017. Due to the decreased value of Sterling, many UK citizen can no longer afford to frequent Ireland for holiday and weekend trips as often as before. Today, those that do visit Ireland from the UK are also spending less per trip.

Section 2: CONCLUSION AND RECOMMENDATIONS



Irish Foodservice **Channel Insights**

Overarching Conclusions

The following conclusions have been drawn from the entirety of the research programme:

- 1. Continued economic prosperity in ROI**, plus better conditions in the North, have contributed to a relatively strong and healthy foodservice industry.
- 2. While still strong, the industry in ROI is reaching maturity**, particularly in urban markets such as Dublin. While strong growth rates are likely to continue, it may start to decelerate to some degree.
- 3. Ireland (particularly ROI) has started to become known as a “food destination”** and much of the investment operators have made in quality and service upgrades have helped fuel growth.
- 4. Coffee shops and cafes maintain their position as the fastest growing sector**, and the investment in beverage has been seen across all segments as operators strive to provide High Street level coffee and beverage programmes to their guests.
- 5. Technology is a foodservice-enabler** and in turn has led to strong growth in delivery (particularly third party delivery from the likes of Deliveroo and Just Eat) that has provided new avenues for growth.
- 6. Institutional foodservice operators remain more growth-challenged** and in turn continue to invest in brands and better quality to improve participation and customer retention rates.
- 7. With much anticipation still looming around the impact of Brexit**, there remains very much a “wait and see” attitudes from the industry. Operators, distributors and suppliers (both in ROI and NI) are still waiting to more clearly understand how the change will impact their business and profitability overall.
- 8. The speed of change is increasing** and Irish adaption of global foodservice trends is occurring much faster than in the past. The industry will need to become more nimble in order to react.
- 9. Commercial segments will drive the vast majority of growth.** While Institutional segments are not expected to decline, the real growth and activity can be found among restaurants, hotels and other commercial operators.

Recommendations

1. Invest in Scenario Planning for Brexit

Throughout the course of the research, it was clear that Brexit was a critical concern for the industry, and yet had not done much planning around specific actions to be taken upon Brexit.

Despite this uncertainty, it is prudent to define likely scenarios and conduct contingency planning for outcomes such as hard borders, higher costs and labour and tightening tourism numbers. Prudence in expansion at this point is also a sound strategy.

2. Ensure that your business has a point of differentiation

The industry is consolidating and many large players continue to take share in the industry; this is true for operators, distributors and suppliers to the industry.

At the same time, consolidation has created opportunity for nimble, responsive players that have a strong point of differentiation and who can give their customers something unique (product, service, experience, etc.)

3. Remain focused on innovation

Innovation remains a critical success factor in foodservice. Labour challenges require increased focused on innovation to increase operational efficiency and cut waste while still meeting increasingly higher consumer expectation for quality.

4. Recognise the next generation of disruptors

Takeaway, delivery (especially 3rd party delivery) and technology are all causing changes in the global foodservice landscape and have started to be felt in Ireland. These will be key drivers of industry change going forward.

**Section 3:
MARKET SUB-CHANNEL
DYNAMICS**



**Irish Foodservice
Channel Insights**

Limited Service Restaurants

Trends and Market Drivers



Irish Foodservice
Channel Insights

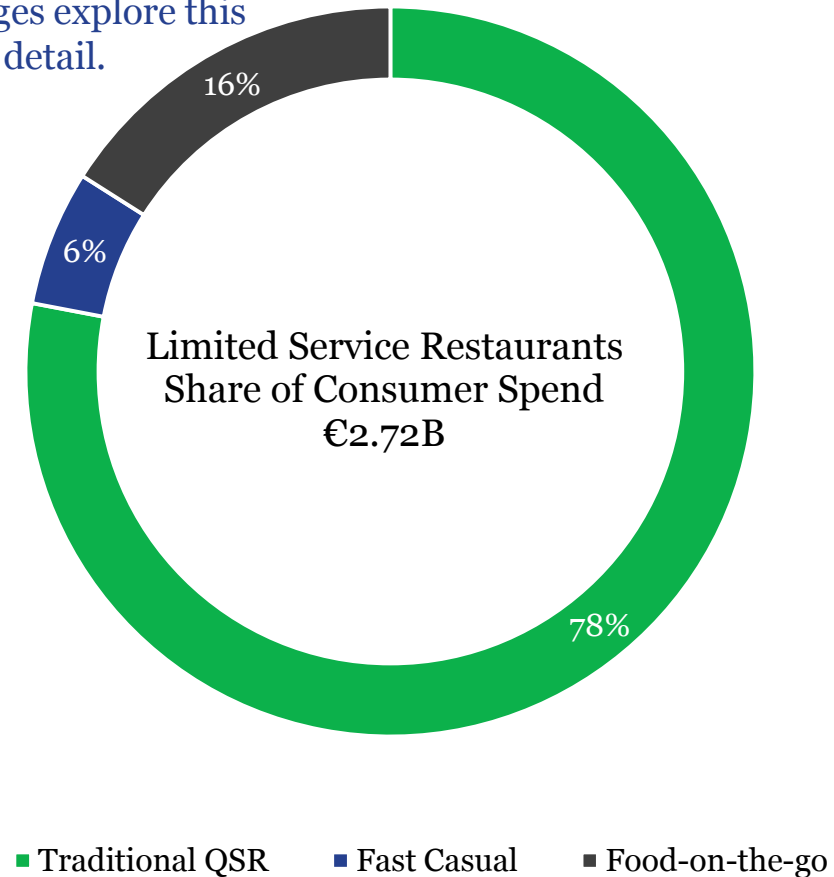
Limited Service Restaurants

Overall

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 €2.7 billion in consumer spending, with a value of €904 million in operator purchases. Traditional quick service restaurants (QSRs) account for over three-quarters of total consumer spending, with food-on-the-go making up 16% and fast casual accounting for 6%.

The following pages explore this segment in more detail.



Quick Service Restaurants (QSR)

Quick Service restaurants are limited service and are primarily characterised by offering counter service and/or drive thrus. 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 operations requiring low skill levels and culinary expertise on the part of staff, and aggressive marketing strategies.

The total size for the Quick Service segment in IOI for 2017 is €2.1 billion million in terms of consumer spending and €702 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Traditional Fast Food segment is €1.5 billion.
- In NI, the value of consumer spending is €574 million in value.

Quick Service

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 2,108	€ 702	6,200	4.8%
Republic of Ireland	€ 1,534	€ 511	4,800	5.2%
Northern Ireland	€ 574	€ 191	1,400	3.8%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Quick Service Restaurants

Operational trends and market drivers

1. **Technology and online ordering apps fuel the market**

Mobile and online ordering have had a huge, positive impact on quick-service and fast-casual channels. Delivery apps like Just Eat and Deliveroo help build awareness and sales for both large chain and independent limited-service restaurants. While operators, especially low volume independents, are concerned with the fees these services are collecting from each takeaway spend, consumers' appetite for takeaway propels forward. Expect to see alternatives to takeaway, collection and delivery-focused services emerge as restaurant operators seek out ways to improve takeaway profit margins.

2. **Quick-service channel is evolving and upgrading to compete with fast-casual**

Fast-casual restaurants naturally meet the need for value and quality, and they are growing at a strong rate. In response, quick-service outlets continue to elevate their menus, upgrade interiors and adopt technology to compete effectively for their evolved consumers' euro spend.

3. **Healthier menu items continue to rise in prevalence in the fast food segment**

Alongside the addition of healthier items, certain items labelled unhealthy, such as sugary soft drinks, are trending down. In the quick-service channel, this translates into the addition of lower calorie and lower sugar menu items.

4. **International brands continue to proliferate the Irish market**

Irish consumers are provided with an increasing-selection of international fast-food operations. The growth of chains such as Dominos, McDonalds and Burger King is expected to continue. However, local Irish eateries also compete strongly in today's market as consumers remain very supportive of local business.

Quick Service Restaurants

Consumer trends and market drivers

1. **Takeaway is growing considerably with heavy influence from urban, 25-34 years-old males**

According to research produced by DKM Economic Consultant, significant purchasing patterns for takeaway were found among certain demographic groups. Consumers that dwell in bustling urban areas such as Dublin account for more than half of the takeaway market. Expectedly, younger working Irish consumers between 25-34 years of age are found to be the heaviest purchasers of takeaway. Men order takeaway considerably more than women in Ireland. Finally, delivery services such as Deliveroo and Just Eat have invested heavily in growth in the Irish restaurant market.

2. **Consumers increasingly expect elevated experiences at value-driven prices**

In the past year, unemployment has fallen to its lowest since the economy crashed in 2012. While consumers are more confident in their ability to spend, the recent recession has changed the way they spend. Irish consumers are still seeking out value-driven dining experiences but with much higher expectations for the quality of food and ambiance of restaurants.

3. **Irish consumers seek out both indulgent and guilt-free fast food**

Despite the increase in consumer demand for healthy foods, the quick-service channel remains dominated by pizza, burgers, chips and fried fish.

Irish consumers still enjoy the unhealthy indulgences served up in traditional quick service. This is especially true for eateries servicing late-night diners.

Quick Service Spotlight

Blending indulgent cravings with better-for-you options



Supermac's is a local Irish fast food chain that has long met cravings for burgers and fries. It has over 100 locations across Ireland with an overall turnover in excess of €82m. Its involvement in the community and its local support have made the chain a household name in Ireland. The restaurant chain has maintained its momentum over the years because of its continued focus on evolving with the Irish consumer.

Meeting the needs of today's Irish consumers involve offering items that are both delicious and good-for-you. For Supermac's, that translated into the addition of brioche bun burgers with 100% Irish beef patties, all natural chicken sandwiches and a veggie

burger to its main lineup.

As for beverages, Supermac's has added a handful of juices as an alternative to soft drinks and milkshakes. However, Supermac's traditional Irish indulgences remain on the menu for diners craving a 7.5 oz. burger or a bucket of sausages.

In addition to Supermac's dedication to meeting its consumers' needs, it also focuses on sourcing responsibly. The brand promotes 100% traceability and Irish farm-produced meat, and plans to increase their usage of Irish poultry as grilled chicken sandwich sales increase.

Voice of the Industry

Blending indulgent cravings with better-for-you options

“Irish love their pizza and burgers. They still want to indulge sometimes; they will always want their fast food. We’re just focusing on using better ingredients now.”

— Quick Service Restaurant 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 systemised with limited, focused menus. However, meals are prepared with

higher quality ingredients and so spend averages tend to be higher.

The total size for the Fast Casual segment in IOI for 2017 is €172 million in terms of consumer spending and €57 million for operator purchases (the value of distributors' sales to operators).

- Consumer spending within ROI for the Fast Casual segment is €128 million.
- In NI, the value of consumer spending is €44 million in value.

Fast Casual 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 172	€ 57	435	6.7%
Republic of Ireland	€ 128	€ 43	325	7.0%
Northern Ireland	€ 44	€ 15	110	6.0%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Fast Casual Restaurants

Operational trends and market drivers

1. **Similar to the quick-service channel, technology drives growth for fast casual restaurants**

Operations-focused technology and consumer-facing technology are both on the rise in the fast-casual channel. Online ordering and delivery services continue to aid this segment's momentum. More and more restaurants look to technology to reduce waste, cut down on labour and improve kitchen efficiency in order to keep up with their growing businesses.

2. **Healthier concepts growing to dominate the fast-casual space**

With Ireland placing a greater emphasis on healthier eating as a whole, the restaurant industry is being forced to evolve. Resultingly, healthier fast-

casual concepts are opening up as a solution to provide healthier food in a tasty and quick way. Concepts such as Sprout and Chopped are gaining support in Ireland due to their plant-centric menus promoting the use of local and sustainable produce. At the same time, the possibility of mandatory calorie counts on future menus is receiving disapproval from independent restaurateurs who believe it will be pricey and difficult to implement.

3. **Beverages are diversifying**

Alongside the growing demand for healthier food, soft drinks are trending down in restaurants. As a result, fast-casual restaurants are taking the opportunity to diversify their drink offerings to better align with their menu strategy, whether that be local, craft or

healthy. For example, bottled juices, vitamin waters and protein milks are gaining popularity. An increasing number of fast-casual restaurants are adding alcohol beverages to their menus. This is most often seen in the form of beers from local breweries and wine sold either by the glass or bottle.

4. **International fast-casual restaurants find success in Ireland**

Freshii and Five Guys are just some of the overseas chains operating in the market. As economic growth maintains momentum, more international restaurant chains are expected to expand into the Irish market into 2018.

Fast Casual Restaurants

Consumer trends and market drivers

1. **Irish consumers' taste for premium ingredients in a casual setting continues**

Consumers are becoming more educated on where good food comes from and what good food tastes like. However, they still want fast service, price-sensitive options in a laid back environment. As a result, fast casual is growing very quickly in Ireland with restaurants such as Bunsen Burger excelling.

Despite the slowdown in “better burger” restaurants, Bunsen is finding success in Dublin and soon Belfast by scratch making its own buns and preparing its own designer patties.

2. **Consumers increasingly prefer ordering via mobile phones**

Deliveroo and Just Eat's success are fuelled by Irish consumers'

need for on-demand foodservice at their fingertips. Now, consumers are seeking out technology that can help them get their food even faster. Flipdish is meeting this need by creating custom ordering apps for operators. These apps allow consumers to order and prepay in advance so they can skip the queue and quickly collect their takeaway at their convenience.

3. **Interest in ethnic cuisines continues, evolving to include new menu items from all around the globe**

Irish consumers' cravings for Mexican food has given way to include more Asian influences such as Vietnamese, Thai, Korean and Filipino as well as Hawaiian and African. With Klaw Poke's successful opening this year, Ireland can expect to

see more fast-casual concepts opening soon that explore new ethnic varieties.

4. **Consumers push for more plant-centric, vegan and vegetarian dining**

There is an opportunity for more fast-casual restaurants to go beyond healthier eating and focus on veganism and vegetarianism. However, having protein options available on the menu such as seafood can still help operators attract a wider variety of diners.

Fast Casual Spotlight

Takeaway with healthy, global influences



Healthy, global cuisine and technology intersect at Camile Thai. Serving up French inspired Asian cuisine since 2010, this Irish-born takeaway focuses on authenticity and scratch-made prepared foods. Camile Thai has been awarded healthiest takeaway in 2014 as well as best Thai in 2015 and 2016.

Camile Thai has grown from its roots as an online delivery restaurant to include its fast casual Village Restaurant concept. With locations primarily in Dublin, Camile Thai has established itself as a quality foodservice operation for those in the Republic of Ireland.

The restaurant brings together Thai-chef cooking with vegan and fresh ingredients that serve the consumer need for healthy, high quality pan-Asian food. In addition, Camile Thai serves up specialty beverages such as rice milk, local coffee in some locations and vitamin waters along with wine and beer.

Voice of the Industry

Serving more educated, health-focused consumers

“Healthy eating is growing in Ireland, especially in the South, with healthy concepts continuing to come in. Consumers are much more educated now and care about what they are eating.”

— Supplier



Food On-the-Go

This segment includes convenience stores, supermarkets, and petrol stations with forecourt convenience stores. Traditionally, the food offer in this channel have been pre-packaged but there has been movement toward fresh prepared foods.

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 2017 is €434 million in terms of consumer spending and €145 million for operator purchases.

- Consumer spending within ROI for the Food On-the-Go segment is €365 million.
- In NI, the value of consumer spending is €69 million in value.

Food On-the-Go 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 434	€ 145	2,270	5.4%
Republic of Ireland	€ 365	€ 122	1,860	5.5%
Northern Ireland	€ 69	€ 23	410	5.0%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Food On-the-Go

Operational trends and market drivers

1. **Forecourts and convenience stores are the fastest growing segment within limited service**

As forecourt operators continue to diversify their offerings in retail and foodservice, they are becoming a central part of the communities they operate in. Forecourts have the unique opportunity to become a part of consumers' daily routine, whether that's for breakfast before work, a lunch break or grocery shopping. As a result, both independent, family-owned forecourts and large nationally branded forecourts continue to gain the support of their communities.

2. **Increased focus on labour and training**

To meet the growing need for trained employees, efforts are being made in this channel to attract labour, including bespoke operator recruitment fairs. In order to meet consumer need for elevated experiences, operators are investing in skilled labour such as baristas, bakers and deli counter staff to make foods and beverages fresh every day.

3. **New concepts and formats are being added**

Operators are diversifying their traditional grab-and-go and fast food offerings with more fast casual concepts. Build-your-own burger and salad bars are being added to meet the growing expectation for customisation. Operators are also starting to

seek out opportunities in technology allowing customers to order food ahead.

4. **Large foodservice brands and forecourt stations are aligning**

Brands such as Papa John's, Insomnia, Costa Coffee and Supermacs are being added as foodservice options alongside retail and grab-and-go offerings. Topaz has also launched its own authentic Mexican restaurant brand - Cantina.

Food On-the-Go

Consumer trends and market drivers

1. **Forecourts and convenience stores are finding success with their younger customers**

This is especially true for those located near colleges or workplaces with a younger demographic. Convenience remains top of mind for this consumer group when they dine out. As such, these outlets provide the right service format and grab-and-go offerings sought after by younger consumers.

2. **Breakfast leads as an important daypart for consumer visits**

Forecourts and convenience stores are often visited by consumers in the morning before they start their day. As a result, breakfast is an important opportunity for these operators to build loyalty.

Consumers are looking for high quality as well as a variety of breakfast foods to choose from. Operators also see an increasing number of consumers visit during lunch break.

3. **Consumers want more healthy options in both retail and foodservice**

The Irish consumer increasingly looks for healthy, fresh, clean labels and enhanced offerings. Operators are responding with fresh produce stands, salad bars, healthier menu upgrades as well as a line-up of enhanced snacks and bottled beverages promoting health benefits.

4. **Employment levels are up, encouraging purchasing confidence**

Unemployment in Ireland had reached its lowest in 2017 since its peak in 2012. Consumers are more confident in their purchasing power as well as their comfort in spending discretionary income. Items that consumers did not want to spend money on before are now being bought more freely. Consumers are treating themselves to smaller luxuries they could not afford a few years ago such as indulgent and impulsive snacks at forecourts.

Food On-the-Go Spotlight

Forecourts investing in healthy and sustainable



Applegreen, a top rated forecourt in Ireland, continues to acquire and build new locations.

Applegreen's focus on healthy and local offerings is increasingly becoming evident in its forecourt stations. The forecourt chain has aligned its brand with Freshii, a synonymous name with fresh and healthy food in Ireland. These fast-casual restaurants can be seen in some of Applegreen's more recently built service sites.

The forecourt claims 100% traceable Irish chicken, grass-fed beef, sustainable seafood, and fresh and local produce in their branded grab-and-go foods.

Foods free from MSG, artificial flavours, colours and gluten can also be found on their shelves.

Applegreen reports provenance as an important piece of their foodservice, especially their deli with a range of local brands such available in their forecourts.

Voice of the Industry

Forecourts investing in healthy and sustainable

“People’s dining habits have changed – they want convenience on-the-go. We’ve seen major growth in forecourts and filling stations because of this.”

— Forecourt Operator



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 pubs were known to have 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. However, as drinking has declined in Ireland, more pubs have invested in upgrading the food offer.

The total size for the Pubs segment in IOI for 2017 is €1.4 billion in

terms of consumer spending and €392 million for operator purchases.

Consumer spending within ROI for the Pubs segment is €982 million.

- In NI, the value of consumer spending is €372 million in value.

Pubs 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 1,353	€ 392	8,400	2.3%
Republic of Ireland	€ 982	€ 285	7,200	2.5%
Northern Ireland	€ 372	€ 108	1,200	1.7%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Pubs

Operational trends and market drivers

1. Pubs feel the affects of decreased UK tourism.

Historically, UK tourists frequent Ireland for weekend trips or for a nearby holiday destination. However, as an effect of Brexit, the conversion rate between sterling and euro has increased. Resultingly, Ireland has seen a decrease in UK tourists along with a further decrease in euros spent during UK visits. Operators report pubs as one of the channels most affected by the decline in UK tourist numbers.

2. While drink led pubs are making a comeback, gastropubs maintain momentum

Before the economy improved, pubs began adding additional food offerings to their menus in the hopes of attracting more business. Today, during a strong economy, drink led pubs are also making their return to the market. At the same time, gastropubs and other pubs serving food are emerging as competitors to traditional restaurants.

3. In 2016, Dublin had an active real estate market

In 2016, a reported 35 Dublin pubs were sold for a combined €62 million for a 43% increase from the previous year. The 2016 sales numbers mark an renewed interest in the pub channel.

4. Abolishment of the Good Friday ban

In 2017 the government announced a movement to abolish the 90-year old ban on Good Friday alcohol sales. The regulation is reported to be lifted for 2018, creating an opportunity for pubs to generate additional business on the holiday.

Pubs

Consumer trends and market drivers

1. The unemployment rate continues to fall, leading to increased disposable income

During the downturn of the economy, consumers opted to drink at home rather than visit their local pub. Now, with the Irish economy on the rise and unemployment on the decline, consumers have extra disposable income to return to the pub.

2. Pubs are frequented for more than just drinking

Consumers continue to be less likely to visit a pub for “drink only occasions.” As a result, the channel continues to see a need for gastropubs and pub menus featuring higher quality, more diverse selections of food.

3. Increasing interest in spirits among consumers

This increased interest in spirits is celebrated by pubs due to the positive effect on sales and opportunity spirits create for menu innovation.

4. While craft beers are trending, consumers remain loyal to their favourite alcohol beverage brand

Despite the growing landscape of local breweries, whiskeys and alcohol beverage brands, consumers are more likely to ask for their preferred brand when at a pub. While pubs are a segment with one of the highest sales of craft beers, these sales often account for less than 10% of total revenue.

Pubs Spotlight

Evolving beyond “drink-only” establishments to “super-pubs”



In April 2017, JD Wetherspoon received approval to move forward with their new “super-pub” and hotel concept in the old Camden Hall building in Dublin’s city centre. The “super-pub” plan illustrates the evolution of the Irish pub market beyond a “beverage-only” operation to more hybrid concepts offering lodging, food and beverages.

Initially, the Dublin City Council opposed the pub’s plans, raising concerns about the size of the operation. However, the original plans were given the green light.

The pub is JD Wetherspoon’s largest Irish investment to date, costing a reported €15 million and will feature an increased focus on the food and dining experience. The two story pub will not only have an attached 98-room hotel, but will also feature a 244 sq. metre dining area and courtyard dedicated to outdoor seating. Construction is scheduled for February 2018, with an early 2019 opening.

Voice of the Industry

Pubs become more than an establishment to drink in

“Pubs are becoming quasi-restaurants and some restaurants are becoming like bars. There’s a blurring of these two segments”

— 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 part of the 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 2017 is €1.3 billion in terms of consumer spending and €457 million for operator purchases.

- Consumer spending within ROI for the Hotels and Accommodation segment is €1.0 billion.
- In NI, the value of consumer spending is €339 million in value.

Hotels and Accommodation 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 1,343	€ 457	1,275	7.1%
Republic of Ireland	€ 1,004	€ 341	1,040	7.4%
Northern Ireland	€ 339	€ 115	235	6.2%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Hotels and Accommodation

Operational trends and market drivers

1. Optimism carries into 2017
2016 was a record year for many hoteliers with Dublin hosting some of the highest European occupancy rates. The momentum continued into 2017, with nine out of ten hoteliers seeing an increase in business in January. Belfast in particular saw a sizeable increase in occupancy rates in the first seven months of 2017, making it one of the UK's top cities to visit. Now, Dublin is seeing room rates hit an all-time high this fall. The supply shortage in the hotel industry is also expected to ease up by 2019 aided by substantial development in Dublin. Lastly, overseas travel to Ireland maintains momentum with 2.5% growth in the first half of the year as new airline routes have been added.

US and Australia tourism to Ireland remains very strong.

2. However, Brexit has slowed UK travel

While tourism is up overall, Brexit is starting to have a noticeable impact on UK travellers which are down 7.1% for the first eight months of 2017. With sterling falling against the euro, British travellers are decreasing in numbers as travel to Ireland is becoming more expensive. In the spring of 2017, nearly a third of hotel operators saw a decrease in UK tourists.

3. Refurbishments continue with a focus on creating modern, social spaces centered around foodservice

The industry continues to be in growth mode with new properties being built and more in the pipeline. Additionally, with competition increasing from AirBnB, properties are upgrading their spaces to be more social, with the lobby openly connected to the dining and bar areas. The objective of these spaces is to encourage both guests and non-guests to dine in and drink on the properties.

4. The usage of local ingredients is met with challenges but maintains popularity

While many independent hotel operators are successfully sourcing from multiple local suppliers, larger hotel chains prefer to work with one supplier for many locations to ensure the same food and beverage standards are met throughout.

Hotels and Accommodation

Consumer trends and market drivers

1. **Business travel maintains momentum from 2016**

Dublin continues to attract large technology and financial companies looking to relocate or expand into the Irish market. As a result, there is an influx of business travellers looking for hotels to stay in. Ireland's largest cities, such as Dublin, are benefitting the most. Business travellers increasingly expect amenities such as free Wi-Fi, premium on-the-go cafe options and meeting spaces that cater to both dining and presentation needs.

2. **Increase in consumer expectation for dining experiences equivalent to full-service restaurants**

As Irish foodservice consumers increasingly experience new trends and better quality, hotels

are pushed to upgrade their foodservice menus and spaces to compete with the high street restaurants, bars and cafes. As a result, trends such as local sourcing, sustainability and clean labels are becoming more prevalent in hotel foodservice. Additionally, the industry is seeing modernised menus emphasising produce, seafood and international cuisines.

3. **Guests want higher quality grab-and-go and coffee options**

Along with an overall expectation for higher quality dining experiences, guests specifically desire improved grab-and-go offerings, especially for coffee, breakfast and snacks. Whether a leisure or business traveller, hotel guests are focused on exploring Ireland

outsides of their hotel rooms. As such, providing guests easy access to high-quality, portable food and drink options is critical to capture additional business.

4. **Consumer propensity for takeaway is forcing hotel operators to consider the impact of delivery on foodservice**

Traditionally, operators have had to compete with guests leaving their properties to find food and beverage options elsewhere. Currently, however, more operators are challenged with competition from outside food being brought on-premise. This is especially relevant to urban hotel properties as delivery services are more popular in cities.

Hotels and Accommodation Spotlight

Competing with dining options outside of the hotel



Recently having undergone a €3.5 million refurbishment, the Maldron Hotel on Pearse Street presents a modern hotel experience to Dublin visitors. The hotel is located in the centre of Dublin allowing its guests prime access to iconic venues and tourist attraction as well as a wide array of dining options. However, the Maldron hotel aims to compete with the restaurants, bars and cafes in Dublin through its own dining experiences.

Convenience is key to keeping hotel guests dining onsite. Each of the 115 newly refurbished guest bedrooms feature a coffee and tea station for guests to easily make a complimentary cup each morning of their stay.

Creating an open, inviting space for guests to comfortably socialise and dine in was an important piece of the hotel's upgrades. As soon as guests walk in, they are a few steps away from the Grain & Grill Bar, Red Bean Roastery and Vitality Breakfast. This set up encourages both guests and non-guests alike to enjoy a meal or a drink at anytime of the day.

In addition, the hotel is located near many large business including Google and Facebook. To better serve the business traveller and the growing business events needs in Dublin, Maldron hotel features five modern meeting rooms.

Voice of the Industry

Competing with dining options outside of the hotel

“The number one focus for hotels right now is keeping guests onsite. It’s important to make it as easy as possible for guests to dine in with us, whether that’s for breakfast, a quick snack or a drink with friends.”

— Hotel Operator



Full Service Restaurants Trends and Market Drivers



Irish Foodservice **Channel Insights**

Full Service Restaurants

Full service restaurants generally 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: restaurants that serve 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 2017 is €943 million in terms of consumer spending and €311 million for operator purchases.

- Consumer spending within ROI for the Full Service Restaurants segment is €653 million.
- In NI, the value of consumer spending is €290 million in value.

Full Service 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 943	€ 311	3,175	5.3%
Republic of Ireland	€ 653	€ 216	2,450	5.5%
Northern Ireland	€ 290	€ 96	725	4.7%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Full Service Restaurants

Operational trends and market drivers

1. Sustainability and mindful operations

In conjunction with supporting local suppliers, many full-service restaurant operators are focusing on sustainability and waste reduction. Many full service operators are motivated to participate in these initiatives so that they can save money and promote sustainable growth.

2. Deliveroo and other delivery services drive business

The growth of the delivery service market has positively impacted sales for full-service restaurants. Consumers are gravitating towards the convenience of delivery systems, and as a result, at home consumption has increased.

To adapt to the trend, restaurants are opting to contract with delivery services to create a new path to the consumer. Despite the boom in delivery systems, like Deliveroo and Just Eat, restaurant operators believe these platforms have not yet peaked.

3. Fluctuating product prices will shape menus

Foodservice operators are routinely subjected to fruit and vegetable price fluctuations and this year has specifically seen an increase in prices. As of September, butter prices have experienced a 94% rise compared to 2016. Many operators report that products would need to be substituted or dropped from a menu if prices were to high. Due to the uncertainties of Brexit - and its possible trade implications - operators could face additional product cost increases. This can lead to menu changes and possible elimination of more expensive products from menus.

Full Service Restaurants

Consumer trends and market drivers

1. **Consumer seek out offerings beyond traditional Irish cuisines**

The restaurant channel has witnessed an influx of Asian and ethnic flavours, reflecting the evolving tastes of consumers. Cities like Dublin, Belfast, Cork and Galway are at the centre of the movement, catering to both today's well-travelled Irish consumers with higher disposable income and foreign tourists.

2. **Menus increasingly call out nutritional content and "local" labels**

Healthy eating is a leading trend in Ireland influencing menu items and item descriptions. Today, calorie counts are included on some menus and consumers are increasingly interested in additional

nutritional information like sodium and fat content. In addition, consumers are increasingly attracted to "local" offerings. Restaurant operators report the importance of local inclusions and call outs on menus for Irish dairy, meats, vegetables and potatoes.

3. **Health and wellness shaping menus**

Consumers are increasingly focused on health and wellness. Due to this, consumer focus has shifted towards additional vegetables and fruits inclusions. Full-service restaurants have begun rethinking the centre-of-the-plate and innovating menus to increase the volume of vegetables and fruits in their dishes.

4. **Increased international tourism drives full service restaurants**

Despite decreased UK tourism, the increased number of international travellers from the U.S., Australia and Europe hold a positive perception of Ireland's full service channel. Traveling "foodies" and those looking to experience Ireland's food culture increasingly look to fine dining and full-service restaurants to experience some of the best culinary experiences Ireland has to offer.

Full Service Spotlight

Sustainability, local sourcing



LOAM

Today's leading full-service restaurants are supporting local Irish producers. Operators are choosing to dedicate menus to local, seasonal sourcing and supporting sustainability.

Galway's Loam focuses its waste reduction efforts on purchasing whole animals and butchering them in-house.

Enda McEvoy, owner and head chef of Loam runs his restaurant mindfully, choosing to rotate and plan menus based on the availability of local produce, meat and fish. Loam has a special focus on sourcing from the West of Ireland and Galway as much as possible. The fish and meat are

100% Irish origin.

Along with a rotating base menu, Loam offers daily local cheese and charcuterie selections as well.

Loam is a Michelin-star restaurant and has achieved the highest (three-star) rating from the UK Sustainable Restaurant Association (SRA) and was considered by the SRA for their Food Made Good Business' 2017 award for the most sustainable foodservice business.

Voice of the Industry

Moving beyond traditional Irish cuisines

“I have seen growth in Asian flavours, specifically with Asian sauces and spices gaining popularity.”

— Full-service Restaurant Operator



Coffee Shops and Cafes Trends and Market Drivers



Irish Foodservice **Channel Insights**

Coffee Shops and Cafes

Coffee shops and Cafes are quick service 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 2017 is €424 million in terms of consumer spending and €123 million for operator purchases.

- Consumer spending within ROI for the Coffee Shops and Cafes segment is €315 million.
- In NI, the value of consumer spending is €110 million in value.

Coffee Shops and Cafes 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 424	€ 123	2,275	7.0%
Republic of Ireland	€ 315	€ 91	1,950	7.5%
Northern Ireland	€ 110	€ 32	325	5.6%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Coffee Shops and Cafes

Operational trends and market drivers

1. **Small, local coffee shops and 3rd wave operators competing with global brands**

With the booming Irish coffee shop and cafe market, there is an increasing number of competitors in Ireland – both smaller local shops and international chains. In large cities with saturated markets, such as Dublin, local coffee shops have to differentiate themselves through personal service and specialised offerings. In response to uniform, global brands moving into Ireland, the market has seen a rise in 3rd wave coffee shops offering a stripped back appearance and specialised focus on unique coffee offerings (e.g. type of bean).

2. **While baristas are still prominently used, semi-automatic bean to cup machines may become more common**

Traditionally, coffee shops and cafes have used skilled labour (i.e. baristas) to create made-to-order beverages. In other foodservice channels, operators use semi-automatic, bean-to-cup machines to reduce labour costs and training. With a shortage of skilled labour and high living costs plaguing populated cities, semi-automatic machines may be a way for operators to address business expenses and labour challenges while increasing product output.

3. **Businesses need to adjust operations according to shop location**

Consumers visiting coffee shops and cafes on high streets have different needs than consumers living outside large cities. Operators need to adjust their operations according to geographic demands. For example, many cafes outside of cities often have the advantage of larger layouts with additional space not seen in urban locations. Also, many city cafes and coffee shops encounter a large number of international consumers and need to offer a larger range of products (e.g. cold brew coffee) to accommodate more diverse preferences.

Coffee Shops and Cafes

Consumer trends and market drivers

1. **Coffee is perceived as an affordable luxury among consumer**

Coffee shop and cafe operators report steady sales throughout the economic downturn, confirming the channel did not suffer the economic repercussions like restaurants and other foodservice operations. The reason being that coffee is seen as an affordable luxury to consumers who could continue to indulge even on a tight budget. Now, in today's thriving economy, consumers increasingly frequent coffee shops and cafes to continue their indulgence in coffee.

2. **Health trends begin to shape coffee orders with consumers seeking out alternative milks**

Healthy eating is a large trend in Ireland that affects nearly all channels. In the coffee shop and cafe channel specifically, operators report increasing requests for coffee products using alternative milks (e.g. soy, almond) in place of traditional cows milk.

3. **Flat whites are this year's trending coffee beverage**

While there is opposition to large-scale adoption of cold brew outside of large cities and tourist areas, all areas of Ireland (outside and inside large cities) have experienced an increased demand for Flat Whites (a milk-based coffee product).

Coffee Shops and Cafes Spotlight

Expanding beyond traditional offerings and beans



District Coffee, located in Belfast, offers a variety of healthy food items ranging from avocado on sourdough toast with dukkah and chili and mango relish to beetroot hummus sandwiches with halloumi and pickles. This year, District partnered with chefs James Devine and Jonny Davison to create special vegan menus for District's Supper Club. Menus have included dishes such as: Roast asparagus, garlic polenta, peas and truffle.

The cafe and deli also offers an extensive menu of health focused beverages offerings in addition to traditional coffee beverages. Cold, non-coffee beverages include fresh orange juice, homemade

lemonade and a variety of San Pellegrino flavours. District places a large focus on their tea offerings, including the Belfast brew, peppermint, chai, red berry, pink grapefruit, apple loves mint, green tea ginseng and oolong orange blossom.

While traditional coffee beverages remain a staple in the establishment, District goes beyond traditional beans, offering microlot filtered brews, made from beans that can be traced back to a single farm and field. All coffee beverages, teas and lattes can be created with traditional milk or non-dairy varieties (oat, almond or soy).

Voice of the Industry

The market is becoming saturated

“For the last couple of years the cafe market has been booming. We are only just now reaching maturity. As a result, many operators are seeking out more city locations, but they can’t get them.”

— Cafe 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. 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 2017 is €291 million in terms of consumer spending and €102 million for operator purchases.

- Consumer spending within ROI for the Other Commercial segment is €226 million.
- In NI, the value of consumer spending is €66 million in value.

Other Commercial 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 291	€ 102	1,050	6.9%
Republic of Ireland	€ 226	€ 79	750	7.5%
Northern Ireland	€ 66	€ 23	300	5.0%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Other Commercial

Operational and consumer trends and market drivers

1. **Consumers desire a greater variety of healthy foods**

With the rise of Freshii and Freshly Chopped, it's clear consumers are interested in healthier cuisine options. While this interest does not yet fully extend into the sports and entertainment space as consumers are often seeking out indulgent food and experiences, it does however extend into the travel sector. Travellers are increasingly looking for healthier and fresher foods they can eat while on-the-go and travelling.

2. **Operators are faced with meeting rising consumer expectations**

The entire foodservice industry has begun upgrading in order to better serve the evolving Irish foodie, entertainment and travel

consumers. For leisure focused operations, this translates into exploring ways to creatively upgrade the indulgent foods consumers traditionally enjoy in entertainment settings. Whereas, travel operators remain focused on providing high-quality, on-the-go options through ingredients and packaging premiumisation.

3. **Usage of local ingredients is on the rise, especially in travel focused operations**

In addition to exploring cuisines around the world, airports and other travel centres are serving up food and beverage options native to Ireland to showcase the island as a food destination. Cork Airport has recently invested in its newly renovated food court, cafes and bistro bar. The airport's primary focus was

to celebrate these county-grown products.

4. **Operations are investing in technology**

Travel and leisure operations often serve high volumes of guests. As labour continues to challenge operators, players seek out new technology to improve operational efficiency, cut costs and increase the speed guests are served.

5. **Efforts towards Ireland's tourism sector intensifying**

The Association of Visitor Experiences and Attraction (AVEA) was recently launched to unite tourist-centred entertainment venues and events.

Other Commercial Spotlight

Celebrating Ireland's local foods



Recently awarded the Airport Food Hall of the Year award, Dublin Airport's foodservice presents the best of Ireland's food and beverage trends in the travel channel.

The airport's Marquette Food Hall is operated by the Michael JF Wright Hospitality Group, a contract caterer with a strong focus on provenance and authenticity. As a result, Marquette's menus are seasonal and sourced from local suppliers. Freshness is also a top priority for the food hall which houses a bakery on-site operated by a team of bakers and pastry chefs.

Travelers can choose to either dine in the dining area or take food to go with them on their flights.

Marquette's Food on the Fly counter provides a range of pre-packed grab-and-go foods in signature packaging.

The airport also serves up a range of freshly prepared local and ethnic dishes as well as a variety of vegetarian items at the Hot Food Counter. The Salad and Deli self-serve counters provide trays and pots for guests to easily fill up with salads, fruits and other healthy foods.

As for alcohol beverages, the airport's bar has craft beer, artisan spirits and organic wine on offer. Lastly, the coffee programme includes both self-service coffee machines and barista-made coffees at the bar.

Voice of the Industry

Celebrating Ireland's local foods

“We see a definite demand for more local offerings. Airports provide an opportunity to represent the food served in the surrounding area.”

— Contract Caterer



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 2017 is €302 million in terms of consumer spending and €145 million for operator purchases.

- Consumer spending within ROI for the Business and Industry segment is €214 million.
- In NI, the value of consumer spending is €88 million in value.

Business and Industry 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 302	€ 145	2,075	3.3%
Republic of Ireland	€ 214	€ 103	1,550	3.8%
Northern Ireland	€ 88	€ 42	525	2.2%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Business and Industry

Operational trends and market drivers

1. The B&I channel is seeing a continued business increase led by a surge in jobs and growth in Ireland's tech industry

As employment levels in Ireland continue to reach new heights, so too does the sector's foodservice needs. While business growth is generally flat in the North, Dublin's growth is being boosted by Ireland's tech scene as companies continue to relocate there. As new buildings are being developed, more focus is placed on foodservice conceptualisation and innovation in employee feeding.

2. Companies use their foodservice as an amenity to attract new employees

Food and beverage programmes are increasingly being used to attract and retain talent. As

such, companies are relying more on contract caterers to provide services and offerings that can compete with both high street operations as well as other businesses. Additionally, subsidised accounts are gaining momentum, requiring contract caterers to adapt and tailor new concepts and payment structures. These offerings can range from free coffee services to 100% free foodservice.

3. Operators aspire for fresh and scratch-made

As much as possible, operators are seeking out ways to serve fresh food, either prepared in their kitchens or purchased from local bakeries and commissaries. However, labour and food costs pose a major threat to operators in accomplishing their goal. The

industry is working on high tech solutions to alleviate some of these challenges. Tabit, a new tech start-up, is working with businesses to help lower food costs when employees are out of office.

4. Price competitive industry

Generally, contract caterers are competing for three to five year contracts. They feel pressure to constantly lower prices and shrink margins in order to win contracts. Many fear it's a competitive race to the bottom in which smaller caterers will be squeezed out and only the larger global companies will survive.

Business and Industry

Consumer trends and market drivers

1. Operators are seeking out ways to address the evolution of dining preferences in B&I

Employers and the contract caterers they work with are exploring ways to address consumers' attraction to takeaway. There is special interest in providing evening takeaway, improving to-go packaging and exploring third-party services. Additionally, as consumers continue to dine and snack outside of traditional dayparts, operators are exploring ways to address the growing opportunity for constant foodservice within the workplace.

2. Healthy and plant-based options grow in popularity

Chips and fried food are losing their influence within

workplaces as more consumers educate themselves on healthier diets. As a result, vegan, vegetarian and plant-based diets are growing in popularity. Creativity and variety are necessary to grow these menu options in workplaces.

3. Operators are challenged by consumers viewing B&I food negatively

Despite investments made by operators into their foodservice programs, operators still report being challenged by consumers' negative perception of canteen dining. It is important that operators not only invest in their food and beverage but also in the marketing and communication for it. In order for companies to effectively use foodservice as an asset, they will need to explore creative ways to

both educate and engage their employees in their foodservice programme.

4. Lunch and coffee are most important to employees

While all-day snacking is on the rise, employees still utilise their companies' canteens most during the lunch daypart, with breakfast following close behind. Operators are exploring new concepts, such as food halls, to provide more variety during lunch in order to maintain employee canteen participation as often as possible. Lastly, as employee demand for high quality coffee continues, more companies are investing in their coffee programme with trained baristas and branded coffee shops.

Business and Industry Spotlight

Feeding Ireland's growing business community



A new division of Apleona, FoodSpace is a catering initiative aimed at providing contemporary and locally sourced foodservice to businesses such as Abbott Healthcare across the UK and Ireland.

The recently launched foodservice management group focuses on working closely with the community surrounding its clients. The group has set out to accomplish this with its '50-mile Menu' initiative and has partnered with the Sustainable Restaurant Association to support and guide them in their efforts. Before selling a contract with a new client, FoodSpace seeks out ingredient suppliers that are

within 50 miles of the client location, or within 100 miles for urban-dwelling clients in London.

Sustainability also plays a large role in their sourcing ideals. FoodSpace only uses fish outlined as sustainable by the Marine Conservation Society's 'Good Fish Guide.' Additionally, the group only uses compostable packaging and is continuing to seek out ways to improve its waste management.

Lastly, Foodspace aims to provide its clients with healthy menu options that meet a number of specialty dietary requirements, including a growing number of meat-free menu items.

Voice of the Industry

Feeding Ireland's growing tech community

“We aim to keep people in the office and dining with us. Our ultimate goal is to build employee satisfaction with our food and beverage programme.”

— Business and Industry 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 2017 is €231 million in terms of consumer spending and €118 million for operator purchases.

- Consumer spending within ROI for the Healthcare segment is €143 million.
- In NI, the value of consumer spending is €89 million in value.

Healthcare 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 231	€ 118	1,140	2.4%
Republic of Ireland	€ 143	€ 73	655	2.6%
Northern Ireland	€ 89	€ 45	485	2.1%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017.
Euro growth forecast; excludes any change in currency valuation for NI

Healthcare

Operational trends and market drivers

1. **Limited government funding restricts and shapes menus and purchases**

In many non-commercial segments, tight budgets and high costs influence operations and menus. As a result, in order for hospitals to source pricier items (e.g. select fruits, vegetables and butter), operators will often purchase private label products.

2. **Increasing efforts to reduce waste**

Contract caterers and healthcare facilities have begun to target waste-reduction as a primary solution to relaxing budgets and increasing sustainable practices. This year, food waste in the healthcare sector is reported to be as high as 30% at some facilities. Many hospitals look to

revamp their distribution procedures to reduce product spoilage. Efforts include attempts towards reducing travel time and product mishandling from suppliers.

3. **Like restaurants, healthcare facilities are focusing on healthier offerings**

Healthcare facilities have renewed their focus on patient feeding menus. They are increasing efforts to offer nutrient-dense foods. In addition to serving “better-for-you” food, operator initiatives include portion control and offering attractive menus to patients.

4. **Shortage and retention of skilled labour**

Healthcare operators and contract caterers face two main labour challenges: obtaining and retaining skilled labour. Healthcare facilities require foodservice staff to maintain a certain level of performance, and with frequent employee turnover, retention of these standards are often problematic.

Healthcare

Consumer trends and market drivers

1. Consumers are attracted to familiar brands in healthcare settings

In the UK, there has been an increase in the number of restaurant and coffee chains opening retail outlets in hospitals. This trend is driven by the fact that families and friends of patients often favour familiar brands in hospital settings. This year, Compass Group UK & Ireland announced plans to create a retail area featuring Costa Coffee, Subway and Little Fresh in Milton Keynes University Hospital in England. While retail areas are predominantly trending in the UK, the trend may soon move to Ireland.

2. Improving grab-and-go and vending options

Like other channels, healthcare's consumers are increasingly looking for healthy grab-and-go options or vending options. This is especially important in a healthcare setting, as consumers expect to see healthier options. Providing high quality, healthy, on-the-go options is helping to meet visitor needs.

3. In addition to healthier options, consumers seek out more diet-accommodating foods.

While the healthcare segment is focused on improving healthy menus, facilities are beginning to place a stronger emphasis on providing offerings that accommodate a wide variety of diets (e.g. halal, kosher, vegetarian/vegan, allergy-free).

Healthcare Spotlight

Meeting healthy food demands



**Galway
University
Hospitals**

Ospidéal na h-Ollscoile Gaillimh
UNIVERSITY HOSPITAL GALWAY
MERLIN PARK UNIVERSITY HOSPITAL

The restaurant at Galway University Hospitals, run by Aramark, has retained the Happy Heart award, in addition to achieving an Irish Heart Health Eating GOLD award.

The achievement recognizes the strides made by the hospital's catering team toward offering healthier, more balanced foods. In order to achieve a GOLD standard, hospitals must display calorie counts on menus, offer low fat and high fibre options and offer a larger selection of fruit and vegetables. Additional criteria, such as 50% of beverage offerings being healthier options (i.e. water, diet beverages) is also required.

Galway University Hospitals and Aramark are committed to continuing work with the HSE to improve offerings and ensure healthier food choices are available to staff and consumers.

Voice of the Industry

Improving patient feeding menus

“We are improving the system by retooling the menu, rethinking the plate, and placing an emphasis on making food more attractive.”

— Healthcare Operator



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 2017 is €144 million in terms of consumer spending and €62 million for operator purchases.

- Consumer spending within ROI for the Education segment is €89 million.
- In NI, the value of consumer spending is €55 million in value.

Education 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 144	€ 62	4,940	2.4%
Republic of Ireland	€ 89	€ 38	4,140	2.4%
Northern Ireland	€ 55	€ 23	800	2.3%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Education

Operational trends and market drivers

1. **Produce plays a larger role in the government's new Nutrition Standards**

Highlighting the revised food pyramid, vegetables and fruits will play the largest role in all meals and snacks offered in primary and secondary schools. In addition, any usage of food or beverage high in fat, salt and sugar in school foodservice will not be funded by the government. The Department of Employment Affairs and Social Protection' employs these Nutrition Standards in its School Meals programme.

2. **Childhood obesity rates remain a concern**

Recent findings from the NCD Risk Factor Collaboration state that nearly a third of Irish children are overweight, with nine percent of girls being obese

and 10 percent of boys. There is an increase in the number of initiatives and organisations aimed at educating and encouraging families, children and schools to take action. One of these initiatives is the Food Dudes programme managed by Bord Bia, which helps primary school children eat more fruits and vegetables.

3. **Foodservice is playing a larger role in attracting college students**

Similar to business and industry operators, colleges are placing more importance on their foodservice programmes as an asset to attract students. As college students belong to the age group that often values technology and trends most, it is important for colleges to continuously research and

evolve. Conducting research on campus to gain student feedback is becoming crucial in order to stay on top of trends.

4. **Sustainability and product provenance are building momentum**

Education operators are participating in sustainability and provenance trends in unique ways. The University of Limerick holds a weekly farmers' market on campus for its students to purchase produce and other items from local suppliers. A number of programmes directed at primary and secondary schools are designed to teach students about growing their own vegetables and healthy eating. Prime examples include Incredible Edibles, Living Classroom and GIY Sow & Grow.

Education

Consumer trends and market drivers

1. **Increased pressure on operators as students and their families push for healthier options at schools**

In response to the obesity epidemic in Ireland, families are taking a much closer look at their families' diets as well as focusing on allergens and additional dietary restrictions. These efforts extend outside of the family and into schools. However, consumers continue to consume and enjoy indulgent foods. Operators will need to continue monitoring students' preferences in order to find the right balance of indulgent and healthy offerings.

2. **Students seek a balance of international and Irish cuisine**

College students crave the local Irish foods they grew up on but

also want to explore international cuisines. Operators are targeting food hall concepts as a possible solution to providing students with diverse menus in a convenient, college-friendly format.

3. **Higher demand for snacking options**

Colleges are seeing a shift in students eating outside of traditional day parts. Operators are finding that grab-and-go dining conveniently meets the need for around-the-clock student eating. Grab-n-go offerings are especially important during the breakfast and lunch dayparts as students are often travelling to or between classes. Additionally, an increase in late-night snacking will push operators to face challenges such as staffing late-

night foodservice. Expect to see takeaway technology and offerings expand on campuses.

4. **Branded concepts increasingly being added to university campuses**

Both international brands and Irish brands are popping up alongside campus-run operations. Starbucks, Subway, Freshii and Costa Coffee are among a number national brands penetrating the university channel.

Education Spotlight

Staying relevant to younger consumers with healthy options



Dublin City University's three campuses offer its students a number of canteens, restaurants and cafes. The university's foodservice is focused on creating fresh, healthy, allergen-friendly and local dishes.

For its healthy initiatives the school works closely with its nursing students to meet the criteria set forth by the Irish Heart Foundation. As a result, the school provides a number of healthy alternatives to its menus across campus that involve less salt, sugar and fat. It's healthy eating concept, *Fig Tree Cafe*, is entirely focused on providing healthy options for students. The college also has make-your-own smoothie stations at the *Zest Bar* where students can customize their

drinks with a number of fresh fruits and juices.

DCU also invests special attention in allergens and dietary restrictions. For example, the university provides Halal meats and meals for students. As for allergens, all potential allergens present in a dish are clearly labelled. The school also makes sure to uphold food safety standards by keeping allergens like nuts separated from other food storage.

Lastly, the university focuses on using local and fresh ingredients whenever possible, and this includes using seasonal ingredients. All beef and lamb are 100% Irish and traceable, and the fish is from guaranteed sustainable sources.

Voice of the Industry

Staying relevant to younger consumers with healthy options

“We are putting more of an emphasis on bringing in brands that appeal to college students - brands that are fresh and healthy.”

— Contract Caterer



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 2017 is €40 million in terms of consumer spending and €20 million for operator purchases.

- Consumer spending within ROI for the Other Institutional segment is €31 million.
- In NI, the value of consumer spending is €9 million in value.

Other Institutional 2017

	Consumer Spending (€M)	Operator Purchases (€M)	Outlets 2017	Projected CAGR* 2018-2020
Total	€ 40	€ 20	200	2.8%
Republic of Ireland	€ 31	€ 15	125	3.0%
Northern Ireland	€ 9	€ 5	75	2.2%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017. Euro growth forecast; excludes any change in currency valuation for NI

Other Institutional

Operational and consumer trends and market drivers

1. Broadening variety to accommodate consumer need for diet variety

Governmental organisations are continuing to diversify their menus to provide food for a variety of diets (e.g. halal, vegetarian, etc.). As a result, they need suppliers that can provide a variety of products in order to meet these needs.

2. Costs are one of the biggest obstacles to improvement

The foodservice programmes in institutional facilities, like prisons and governmental buildings, are solely funded by government. This often means smaller budgets. To combat, operators have a renewed focus on waste-reduction practices. These facilities are also sourcing private label distributor products and streamlining the distribution process to facilities.

3. Increased use of large distributors

For operators with a large number of facilities, use of one broadline distributor is becoming a more common practice. Operators in the institutional channel say using one distributor for all food and non-food products provides logistical advantages. Having a single contract with one distributor can be easier to manage and can also deliver consistency of products across all facilities.

Voice of the Industry

Focus on fresh, healthy foods in institutional segment

“Healthy foods and offering a wide variety of foods are trending in Ireland, even making it’s way into our prison system.”

— Supplier



Section 4: PRODUCT INSIGHTS



Irish Foodservice **Channel Insights**

Overarching Foodservice Product Trends

1. Food inflation is causing some pain

This is mostly true in the North, but operators in all parts of Ireland note that commodity price increases have had a significant impact on their overall profitability.

2. Increasing desire to source Irish products

Operators continue to cite provenance and Irish sourcing as a key driver for purchasing. However, in some categories pricing, availability or consistency (all critical elements for the foodservice industry) are lacking and causing operators to look elsewhere

3. Value-added items remain important to operators

Particularly with the labour challenges identified, taking “prep work” out of the kitchen is something operators are increasingly looking to do.

4. Looking beyond the UK as a product source

Given the looming Brexit scenario and the uncertainty that comes with it, operators and distributors note that they are increasingly looking toward continental Europe and other areas as possible alternatives to replace UK-sourced items.

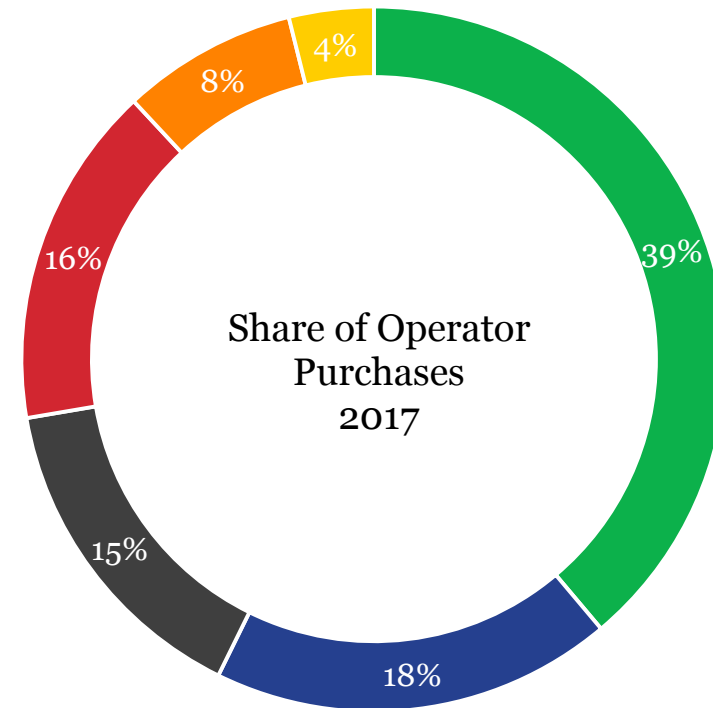
5. More purchases of chilled foods

Given the movement toward “fresh” and increasing investment by many segments (such as forecourts and quick service restaurants) in on-site production and offering grab-and-go items, chilled purchases have expanded at a rate faster than either ambient or frozen products.

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 in further detail on the following page.



■ Proteins ■ Bakery ■ Fruit/Veg ■ Beverage ■ Dairy ■ All Other

Foodservice Product by Value

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

Product Category	2017 Operator Purchases (€ millions)	Share of total (%)
Fruit & Vegetables	€ 396	15%
Poultry	€ 310	12%
Beef	€ 287	11%
Bread/Bakery Savoury	€ 277	11%
Bacon	€ 217	8%
Dairy	€ 212	8%
Sweet Bakery	€ 145	6%
Pork	€ 106	4%
Seafood	€ 83	3%
Grocery	€ 43	2%
Confectionery	€ 31	1%
Desserts	€ 32	1%
Lamb	€ 22	1%
Beverage	€ 415	16%
All Other	€ 59	2%
TOTAL	€ 2,635	100%

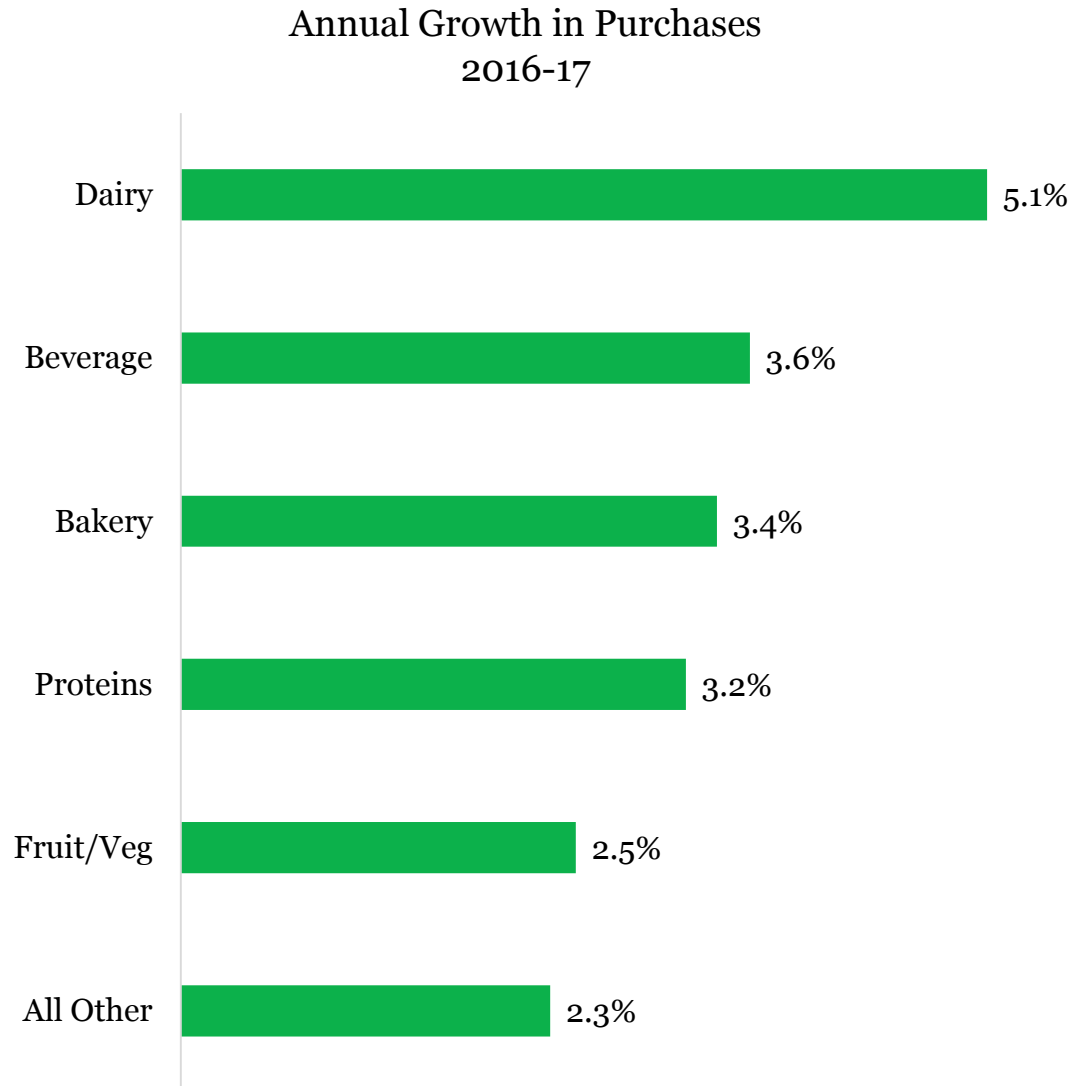
Source: Trade Interviews/Central Statistics Office

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2017.

Product Growth Dynamics

Dairy showed strong growth in purchases (partially due to an increase in commodity costs for dairy). Many other categories grew in excess of 3% per year, including beverage, bakery and proteins.

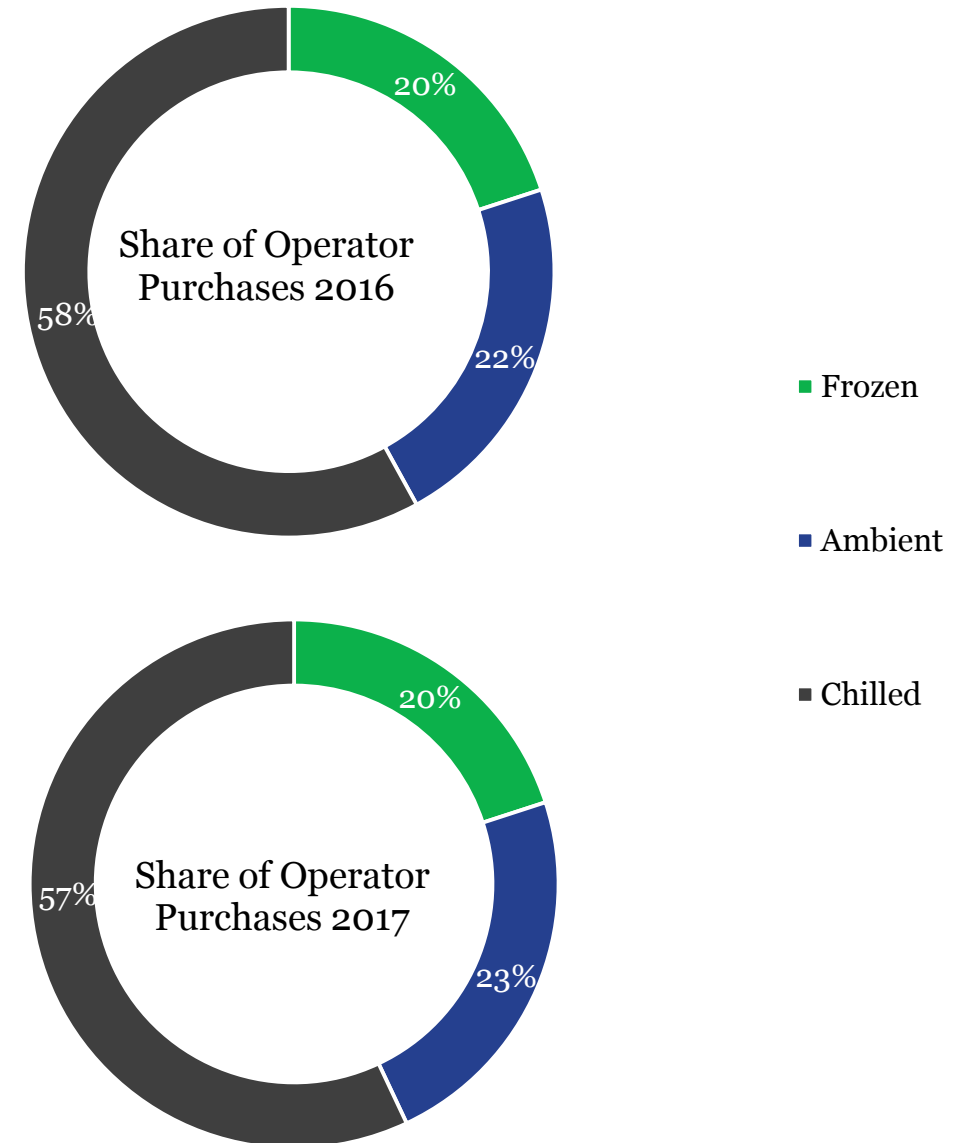
Note that these figures are based on the Euro currency and include Northern Ireland purchases which have been converted from Sterling to Euro.



Temperature Mix

A gradual shift in the share of chilled food and beverage purchases by operators has been observed. Over the past year, the share of chilled has grown by 1 percentage point (which equates to an annual growth of 4.6%), while frozen has remained relatively constant and ambient has declined by a percentage point.

Note that these figures are based on the Euro currency and include Northern Ireland purchases which have been converted from Sterling to Euro.



Section 4: GLOBAL INSIGHTS



Irish Foodservice **Channel Insights**

Global Foodservice Industry – New Rules for Competing in a Global World

Technomic has been analyzing global trends taking place in the foodservice industry and has identified 10 “new rules” for competing in the global foodservice industry. Many of these are directly relevant to both the Republic of Ireland and Northern Ireland and can provide the industry with a roadmap for successful growth within a market that is becoming increasingly globally competitive.

Throughout the research process, it has become clear that Ireland is much more responsive to global trends, and many of these can be seen both in this report and the identified trends:

1. **Emphasise experience**

Globally, 2/3 of consumers say that dining out is a form of entertainment, and consumers are more “experience-driven” than ever before. Successful

global operators have realised that the total experience must be memorable and has been a means to creating a potent point of differentiation.

2. **Take a stand**

Foodservice consumers are increasingly taking a stand, and want to support foodservice brands that also take a stand and align with their values. This trend is driven by the fact that consumers today are more active investigators and have a stronger understanding of social, environmental and political issues that impact their world. Much of this has to do with sustainability, menu transparency, and corporate social responsibility

3. **Keep it local**

Big brands have been challenged, and consumers

increasingly want to support local business. Ireland in particular has shown a strong propensity to focus on Irish sourcing, but this is increasingly a global phenomenon.

4. **Consumers want and expect food in new formats**

Globally, foodservice is becoming an “on demand” industry and consumers not only want but expect food whenever and wherever they are. Operators and suppliers cannot think in terms of “traditional” foodservice anymore and increasingly need to be where the consumer is via new formats – delivery, grab-and-go, non-traditional locations. This also means flexibility within the menu and being willing to offer snack options and broader daypart offerings.

Global Foodservice Industry – New Rules for Competing in a Global World

5. **Make tech your friend**

Much of the consumer desire to personalise and customise experiences has been driven by technology. Kiosk, mobile ordering via apps, increased integration with social media – all of these technology initiatives are meant to bring the experience closer to the consumer.

6. **Make ingredients the hero**

As noted, clean menus and sustainability are highly important to foodservice consumers globally. High quality, fresh ingredients are nearly always one of the top 1-2 traffic drivers across multiple country research. Telling a story that involves transparency in food sourcing and real ingredients resonates with foodservice consumers.

7. **Bend the healthy rules**

“Real” resonates strongest as a “health halo” term globally, with 74% of global consumers rating this important. Rather than tout low-calorie, low-fat items as “healthy,” operators and suppliers are featuring more language on menus that underscores real, natural, fresh and “free-from” qualities for food and drink.

8. **Make it personal**

Consumers want to be able to tailor their dining experience to their own preferences. Customisation and personalization are key.

9. **Be authentic for real**

This is true not only for ethnic operators that tout “authentic” preparation styles, but for all operators. Authenticity can be

around an item, an ingredient or a concept/process.

10. **Know your competition**

Foodservice increasingly competes for share of stomach from a diverse array of offerings, and it cannot be assumed that a restaurant’s competition is just the other restaurants down the street. Food-to-go among retailers is growing strong, non-traditional sources like recipe boxes, food halls and food trucks are all increasingly part of the global foodservice landscape.

Keys To Success – Globally and in Ireland

These “new rules” for competing in a global foodservice industry have implications for operators and suppliers – particularly in Ireland. These implications include the following:

1. Learn The customers’ value equation

Truly understanding the core customer and what they value about the experience or value is critical. Every company needs to have a unique point of difference.

2. Determine the strategies that align with core brand identity

Building strategies around that unique point of difference to align with brand identity is critical to success.

3. Be genuine in any approach and ensure a clear, consistent message

Customers can tell when companies aren’t genuine and are simply trying to “sell” them. Having a genuine message and consistently reinforcing that message through word and deed is important.

4. Don’t try to be everything to everybody

Major global restaurant operators have often tried to do too much in expanding, and have moved away from their core business. Truly understanding the point of difference and executing against that may mean that a company can’t be all things to all potential customers.

Section 5: MACRO ECONOMIC INDICATORS



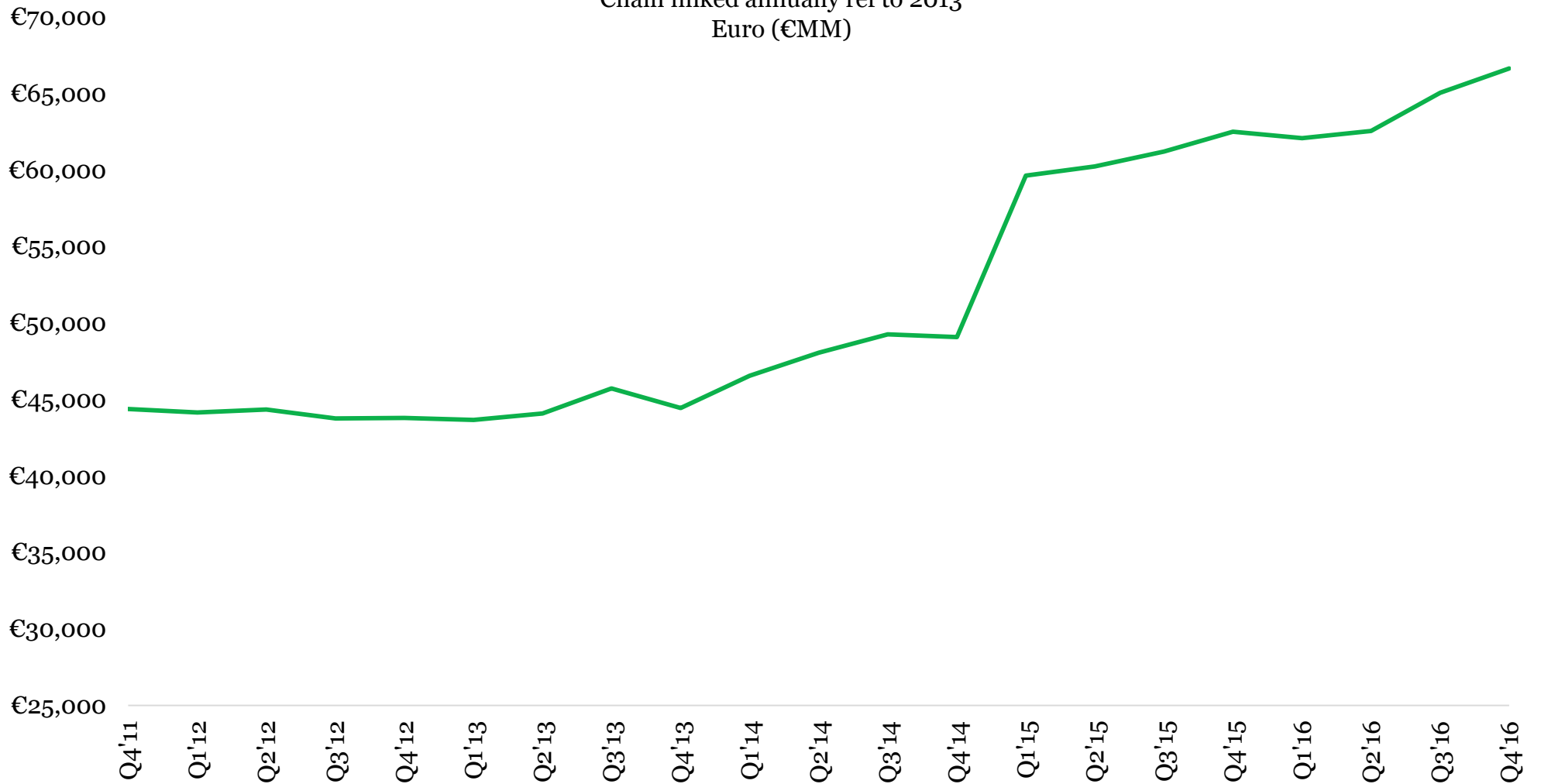
Irish Foodservice **Channel Insights**

Macroeconomic Factors

Term	Definition
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

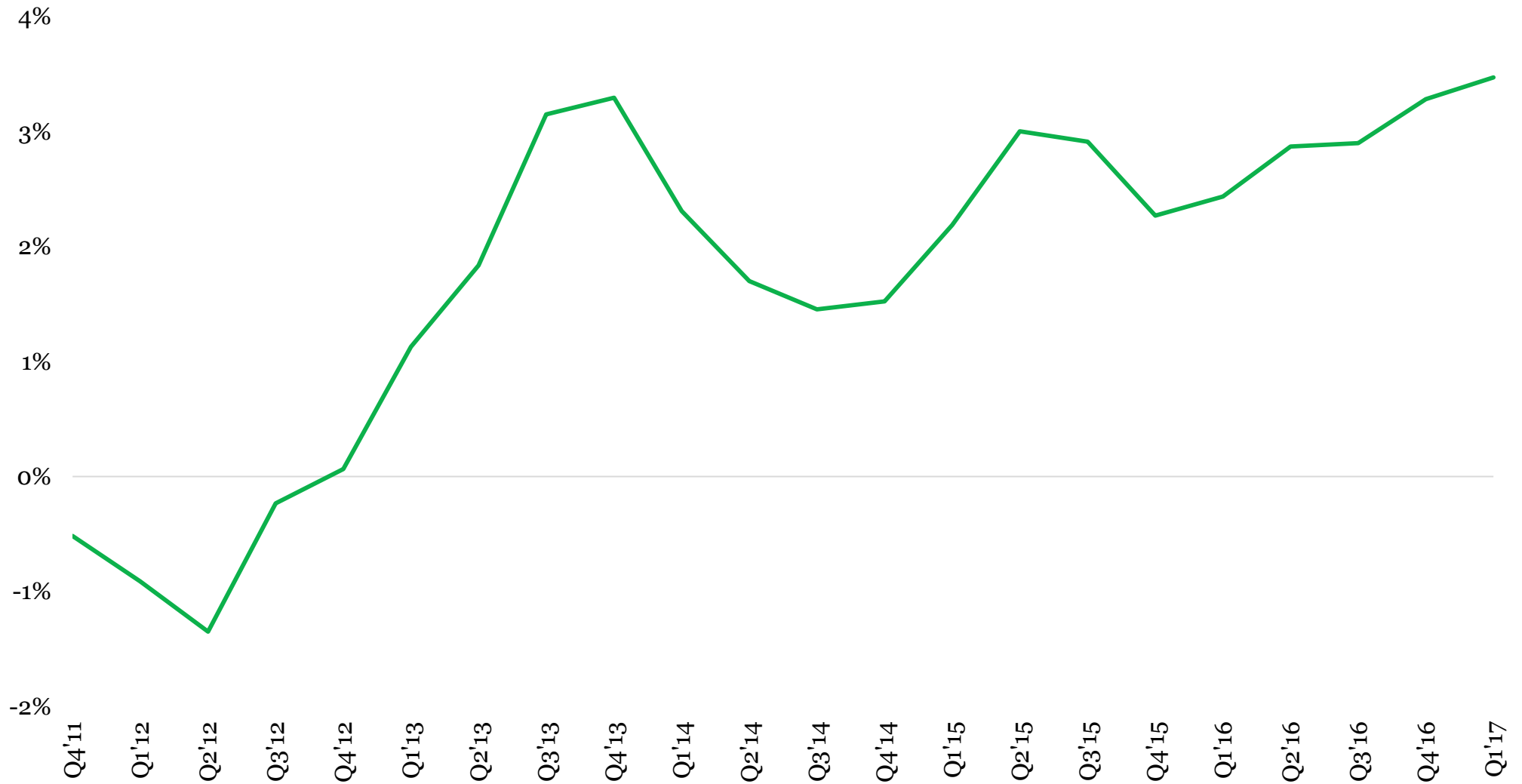
GDP at Constant Factor Costs
Chain linked annually ref to 2013
Euro (€MM)



Employment

All industries

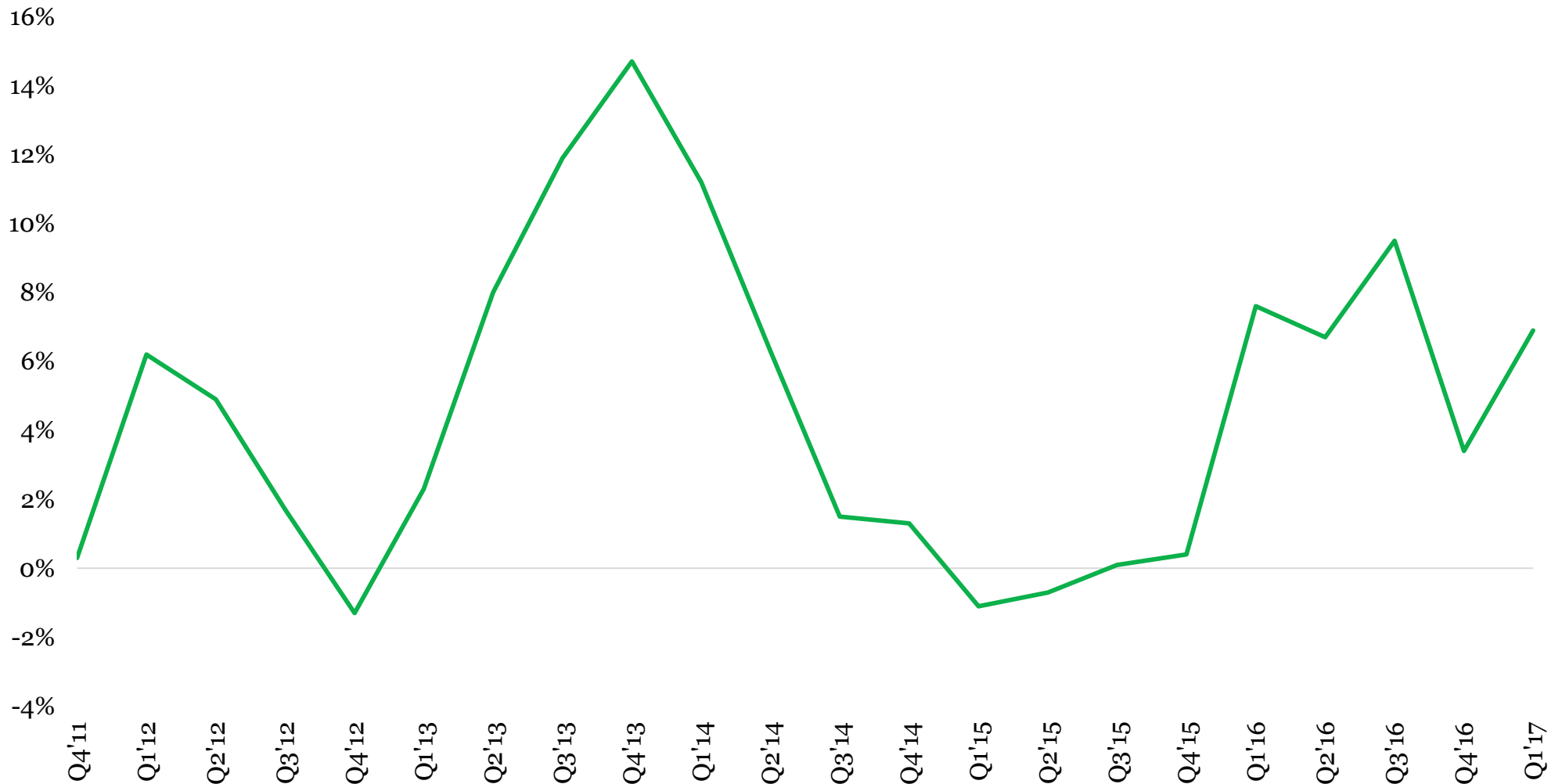
Percent Change v. Prior Year



Employment

Accommodation & foodservices

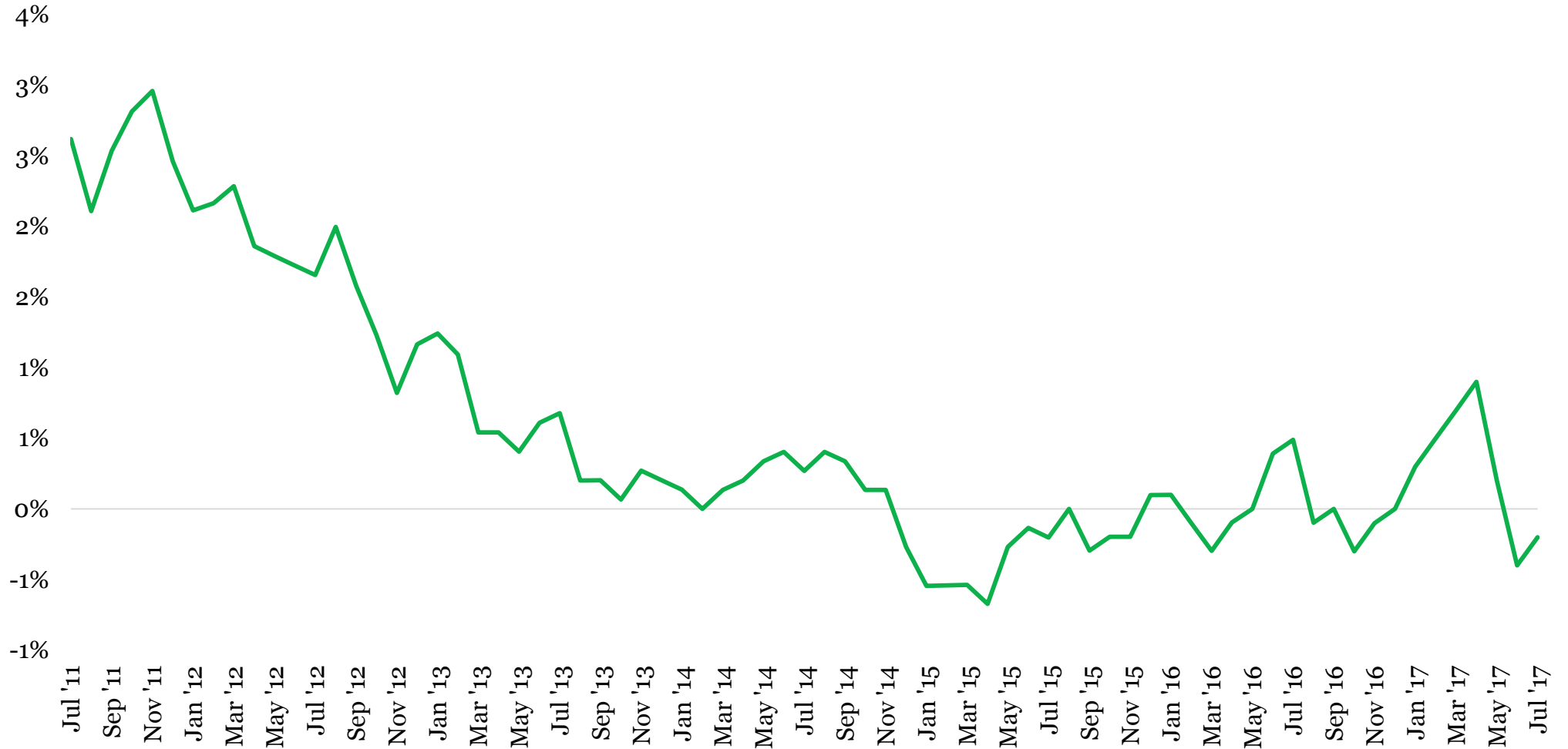
Percent Change v. Prior Year



CPI

All items

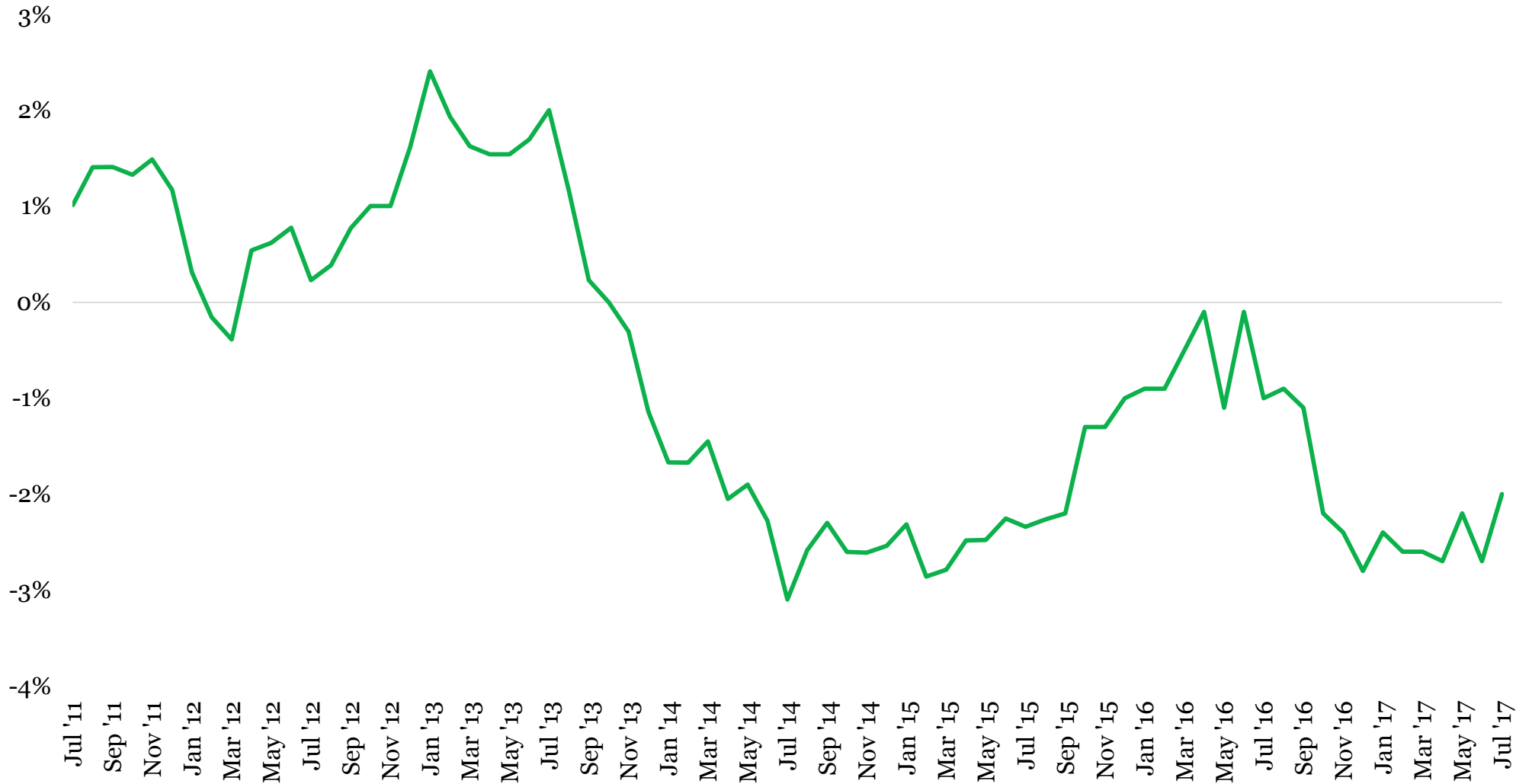
Percent Change v. Prior Year



CPI

Food and non-alcohol beverages

Percent Change v. Prior Year

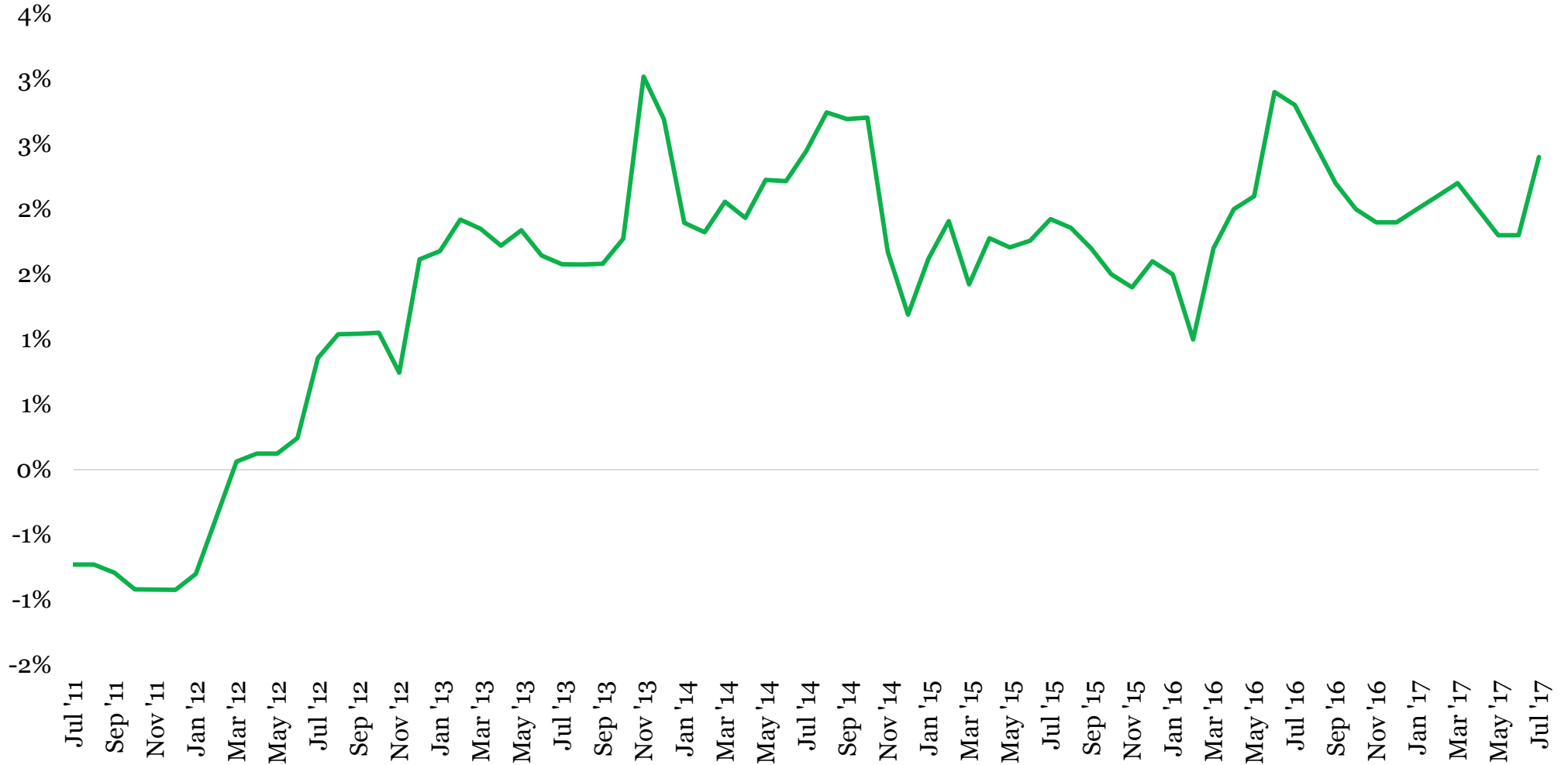


Base: 100 = 1996
Source: Central Statistics Office
© 2017 Technomic Inc.

CPI

Restaurants and hotels

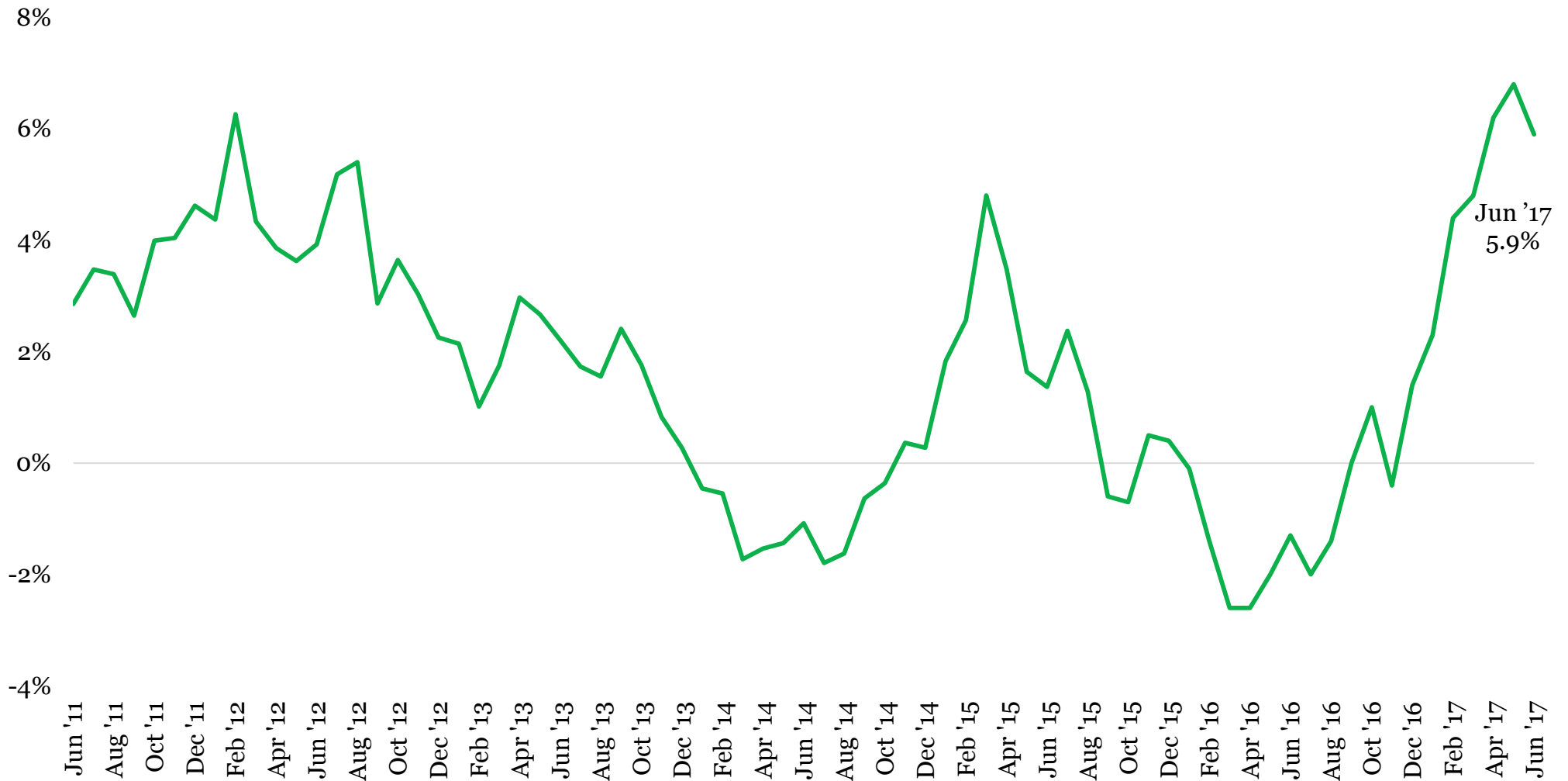
Percent Change v. Prior Year



Industrial Price Index

Food

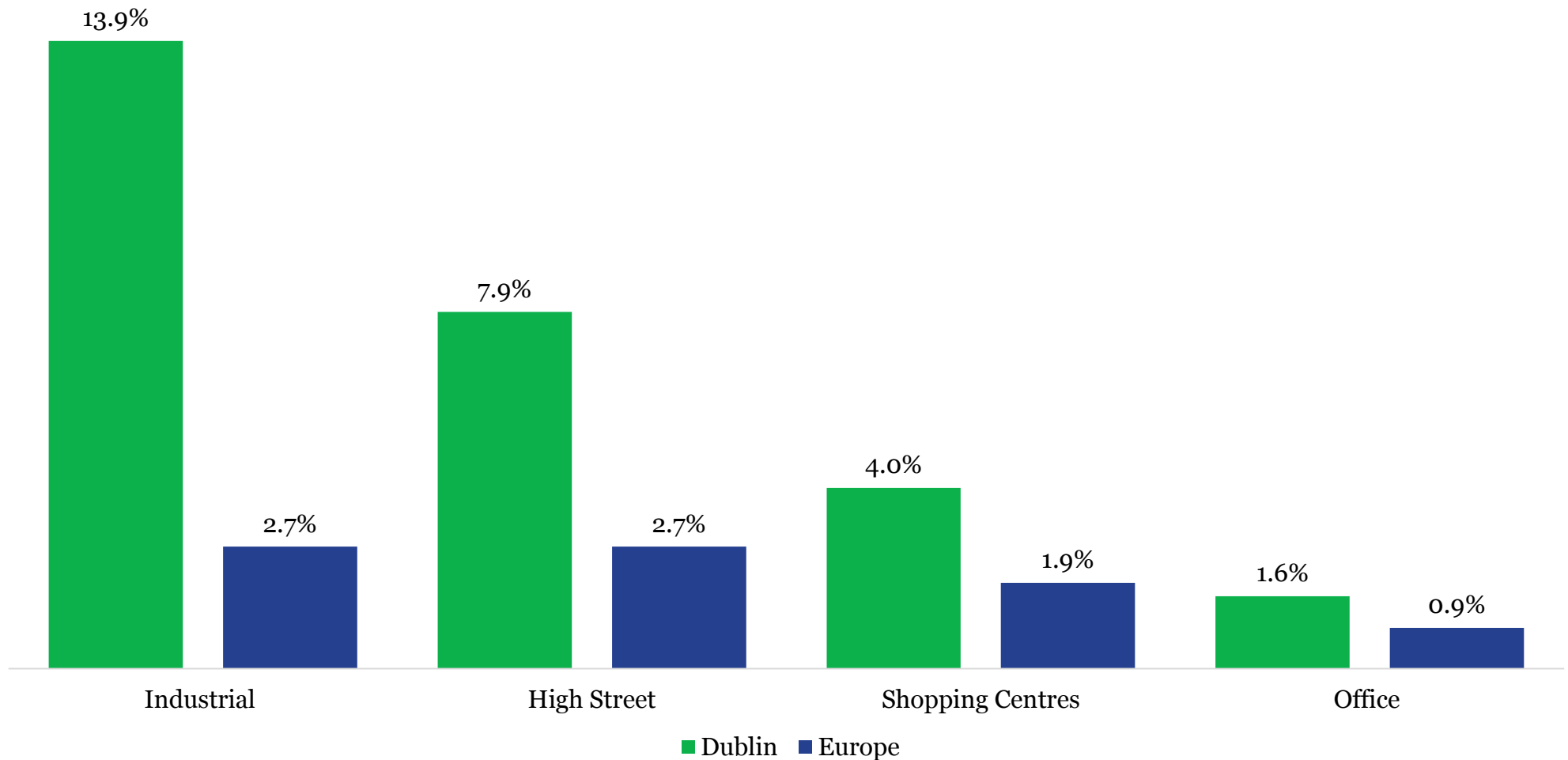
Percent Change v. Prior Year



Prime Rental Growth Forecasts

2017

Dublin v. Europe



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