

Irish Foodservice Market Insights

NOVEMBER 2018



Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

www.bordbia.ie

Report Organisation

Section 1: Introduction	4	Section 6: Critical Strategic Issues Facing the Industry	58
Section 2: Executive Summary	12	Issue #1: Boom times drive growth, but create major challenges	62
Recommended Action Steps	20	Issue #2: Foreign investment changing the nature of competition in Irish foodservice	70
Section 3: Size and Segmentation of the Irish Foodservice Industry (IOI)	22	Issue #3: Channels blur as food becomes point of differentiation	76
Section 4: Channel Analysis	34	Issue #4: Today's Irish consumer has new demands	82
Limited Service Restaurants	37	Issue #5: The Pros and woes of Ireland's growing on demand foodservice culture	88
Pubs	41	Issue #6: Adopting the Millennial state of mind: Tech forward, automated	96
Hotel and Accommodation	42	Issue #7: Diets re-defined: The changing palate of the Irish consumer	106
Full Service Restaurants	43	Issue #8: Operating with a conscience is the expectation, not the exception	114
Coffee Shops/Cafes	44	Issue #9: Approaching Brexit, uncertainty is the only constant	122
Other Commercial Foodservice Operations	45	Appendix: Macro Economic Drivers	128
Business & Industry	47		
Education	48		
Healthcare	49		
Other Institutional Foodservice Operations	50		
Section 5: Product Insights	52		

Section 1: Introduction



Irish Foodservice
Market Insights

About the Research

Bord Bia, the Irish Food Board, has commissioned Technomic to deliver new research and insights on the Irish foodservice marketplace. Deep dive insights on the Quick Service Restaurant (QSR) and food-to-go market were published in 2015 and a broader assessment of the entire foodservice market was published in 2014, 2016 and 2017.

Given the strong industry performance observed over the past number of years, it was decided that the 2018 report would not only update key metrics for the foodservice industry, but would also take a closer look at the critical strategic issues that are impacting the success of manufacturers, distributors and operators throughout the island of Ireland.

The process undertaken in this collaboration included a large range of in-depth interviews coupled with existing secondary data to develop the insights required for this report.



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 beverage 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 industry, to deliver insights necessary to assist in the development of market strategies and to highlight potential opportunities.

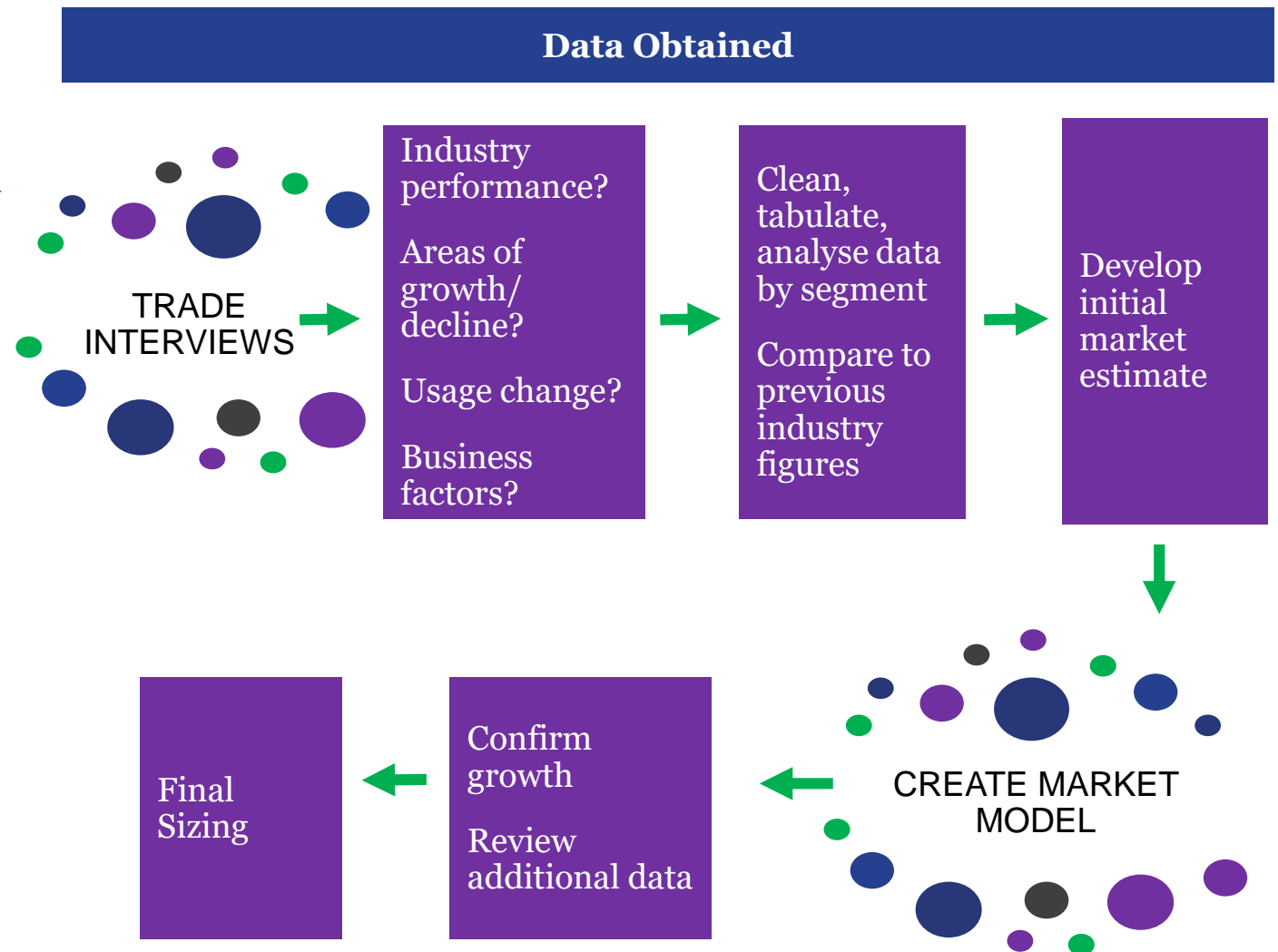
Technomic used a robust, multi-step methodology to collect and synthesise information and to develop new insights on the foodservice market in Ireland, including:

- 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 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.



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. Technomic's global monitoring, beyond the work for Bord Bia, includes ongoing coverage of 25 foodservice markets globally and is an integral part of Winsight's *Global Restaurant Leadership Conference* that takes place every Autumn.

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). Recently Winsight acquired the rights to the *National Restaurant Show* that takes place every May in Chicago.



Technomic[®]
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 distributors 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 distributor 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 (cont.)

Term	Definition
Fast Casual	A subset of limited 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	Convenience store operations that are integrated with a fuel forecourt.
Full Service Restaurant	Restaurants that offer table service and waiting staff.
Institutional foodservice	Often known as cost catering, channels where catering is a service provided for free or with a subsidy.
IOI	Island of Ireland.
Limited Service Restaurant	Restaurants offering counter service where customers generally order or select items and pay before eating.

Glossary of Terms (cont.)

Term	Definition
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”.
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 is a subset of limited service restaurants, often with value price orientation.
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 2: Executive Summary



Irish Foodservice
Market Insights

2018

What is Foodservice?

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

www.bordbia.ie



Source: 2018 Irish Foodservice Market Insights Report

9 Critical Issues Facing Foodservice in Ireland:



4.4%

Is the total market compound growth rate forecast between now and end 2020. 4.7% for the Republic of Ireland and 3.7% for Northern Ireland.



The value split between Commercial and Institutional Channels is

91% : 9%

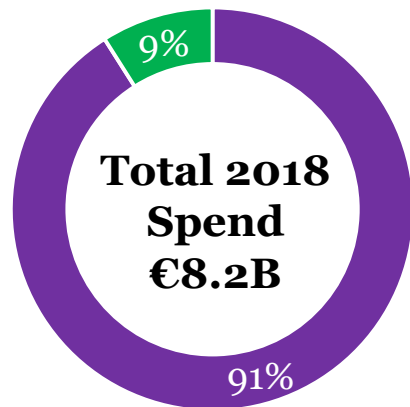
Balance in NI
€2.16bn
or 26%

Majority of spend is taking place in ROI

€6.03bn
or 74%

Overall Assessment of the Irish Foodservice Industry 2018

In 2018, Irish consumers will spend €8.2 billion on out of home food & beverage. Most consumer spending (approximately 91%) occurs in commercial segments, including quick service restaurants, hotels, 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.



■ Commercial ■ Institutional

As the economy has grown, so too has the foodservice industry.

Industry executives note that the strong growth in income and employment, coupled with strong tourism figures, have been key contributors to the overall health of the foodservice industry. This has been especially true in major cities such as Dublin and Cork, but additionally other parts of urban and rural Ireland appear to be performing at levels unseen in many years. Overall growth from 2017 to 2018 in the Republic of Ireland for the total foodservice industry was 6.1% in total spending.

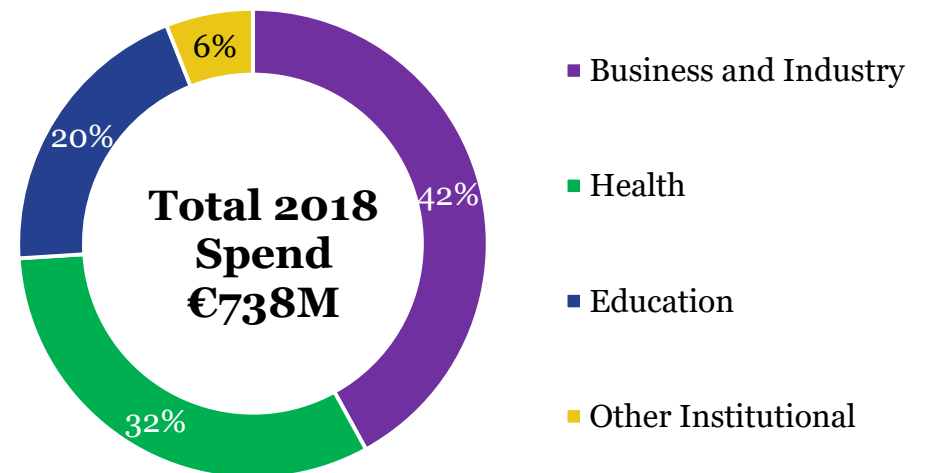
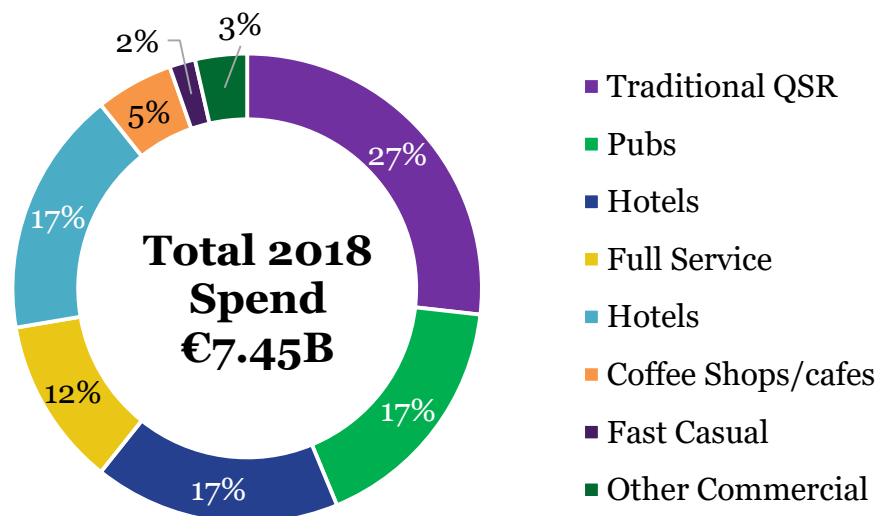
Northern Ireland's growth has traditionally been slower than the Republic of Ireland, but in 2018 the North has seen healthy growth. Taken in local currency (Sterling), Northern Ireland's foodservice industry has grown 4%, with strong urban performance (particularly in Belfast which continues to benefit from investment and tourism growth).

Overall Assessment of the Irish Foodservice Industry 2018 (cont.)

Nearly 40% (38%) of consumer spend in the Commercial channel is found in Limited Service Restaurants (LSRs), with 13% attributed to Full Service Restaurants (FSRs). Pubs account for 19% of Commercial foodservice spend (excluding alcohol). The fastest growing segment in the Commercial space are coffee shops (up 8.6% in ROI and 5.8% in stg£ in Northern Ireland) and hotels (up 8.6% in ROI and 6.1% in stg£ in NI).

Within Institutional foodservice, growth remains lower than Commercial foodservice, but is still healthy. Business and Industry are the category leaders, accounting for 42% of the Institutional market. This is also the area seeing the highest growth, as tech firms continue to invest in their foodservice offer.

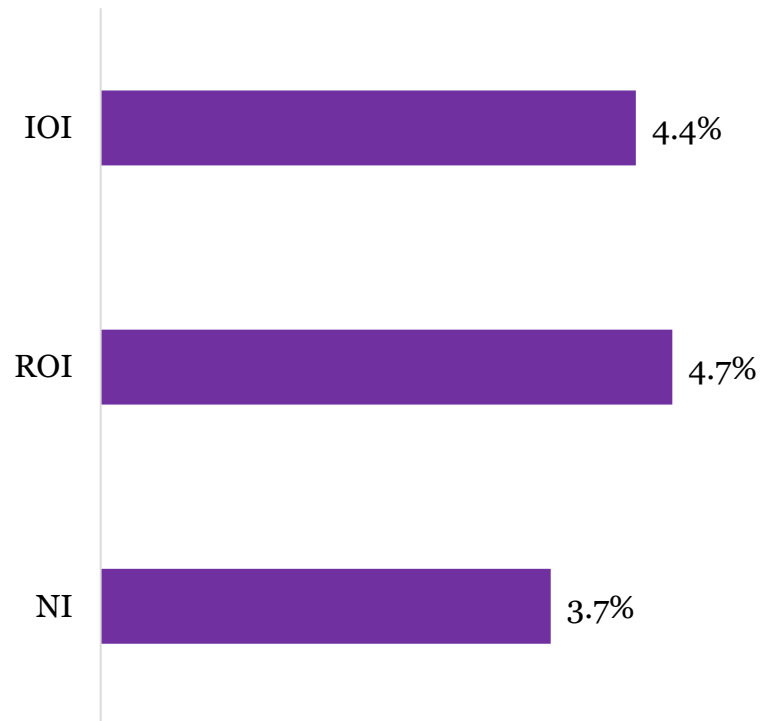
Healthcare is also a large player in the field, with hospitals and other health facilities accounting for 32% of institutional consumer spend. Education rounds out institutional foodservice, with 20% market share. Other sectors, such as defence and prisons also contribute to institutional foodservice sales, though are not high growth drivers within the channel.



Overall Assessment of the Irish Foodservice Industry 2018 (cont.)

Uncertainties and saturation mean slightly slower growth going forward. Expectations for the next three years are slightly lower (but still positive), the Republic of Ireland is forecasted to grow 4.7% in spending per year, while Northern Ireland is expected to grow 3.7% (as measured in Sterling).

2019-2021 Forecasted Growth in Foodservice Turnover (Consumer Spend)



Critical Strategic Issues Facing Foodservice

While current industry performance remains strong, all participants throughout the industry must understand the underlying dynamics and the longer term outlook for what will drive (or inhibit) growth going forward.

Throughout the research, there were a number of consistent themes emerging as critical strategic issues facing the Irish foodservice industry - each of these has key implications for industry players.

These are explored in more detail in **Section 6** of this report. We have also included a single page summary in advance of each Critical Strategic Issue, with supporting information that examines the drivers behind the issue and outlines recommendations for addressing and dealing with each issue.

The nine Critical Strategic Issues are as follows:

**1
Boom Times Drive Growth, but Create Major Challenges**

**2
Foreign Investment Changing the Nature of Competition in Irish Foodservice**

**3
Channels Blur as Food becomes a Point of Differentiation**

**4
Today's Irish Consumer has New Demands**

**5
The Pros and Woes of Ireland's Growing On-Demand Foodservice Culture**

**6
Adopting the Millennial State of Mind: Tech Forward, Automated**

**7
Diets Redefined: The Changing Palate of the Irish Consumer**

**8
Operating with a Conscience is the Expectation, not the Exception**

**9
Approaching Brexit, Uncertainty is the only Constant**

Recommended Action Steps

The Irish foodservice industry continues to exhibit strength and show robust growth. However, some cautionary signs on are on the horizon, and with that in mind the following recommendations should be evaluated:

1 **Continue to monitor and plan for Brexit**

Despite the uncertainty around Brexit, it is clear that there will be a negative impact on the foodservice industry in one form or another. Contingency planning and developing strategic sourcing options is prudent.

2 **Invest in socially responsible packaging**

Packaging (particularly composable cups but also plastics) will likely be have a major change, and the industry must

have options. This also includes packaging from the manufacturer to the operator; all types of packaging are under scrutiny.

3 **Have a strong focus on cost control**

Nearly every major critical issue identified indicates that costs will continue to grow at a rapid pace. All parts of the industry must have a strong focus on maintaining and controlling costs.

4 **At the same time, invest in differentiation in all aspects of the business**

Maintaining a strong focus on costs does not mean that operators, distributors and manufacturers should not invest in their business. On the contrary, investing to establish and grow differentiation –

through products, technology, value-added services and the like – is more critical today than ever before.

5 **Incorporate critical strategic issues into long-term planning processes**

This research identified nine critical strategic issues that will continue to have long-term impacts on the Irish foodservice industry. These should be addressed within the strategic planning process to ensure that companies remain competitive and ahead of macro trends shaping the industry in the years to come.

Section 3: Size and Segmentation of the Irish Foodservice Industry (IOI)



Irish Foodservice
Market Insights

Total IOI Foodservice Industry: Consumer and Operator Spend

The value of the Irish foodservice industry for 2018 is estimated to be €8.2 billion in terms of consumer expenditure and €2.8 billion in terms of operator purchases. This includes both the value of the Republic of Ireland and the converted value (from Sterling to Euro) of the Northern Ireland foodservice market.

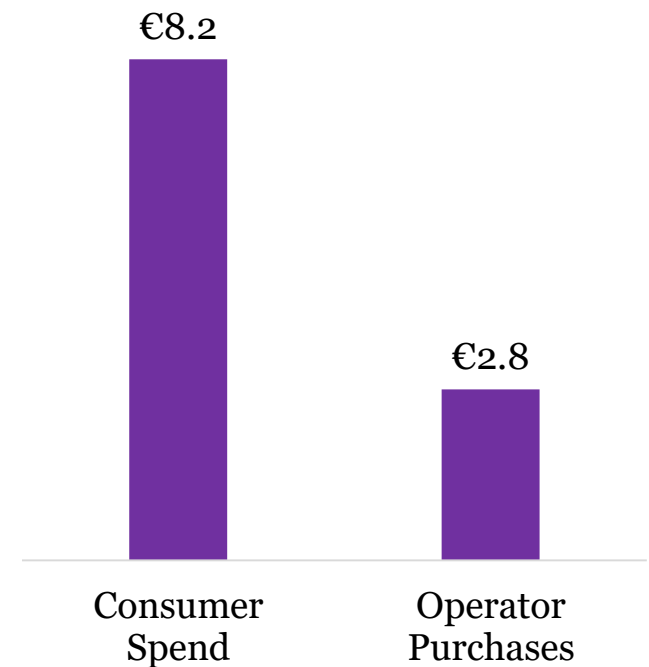
Note that when this report defines 'consumer spending', there are several ways to account for the this. In general, this report refers to actual consumer spending by diners within all foodservice channels.

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.

**2018 Foodservice Industry
Total IOI (€ Billion)**

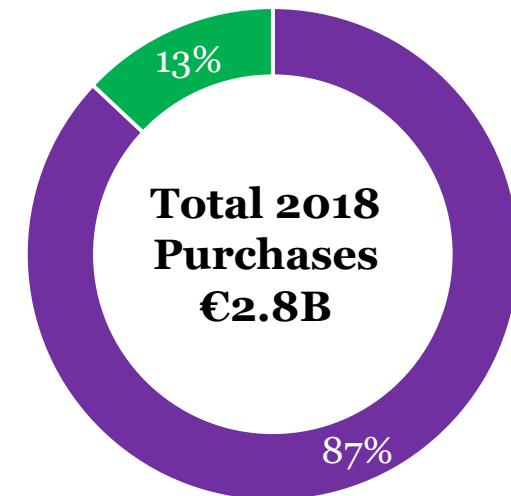
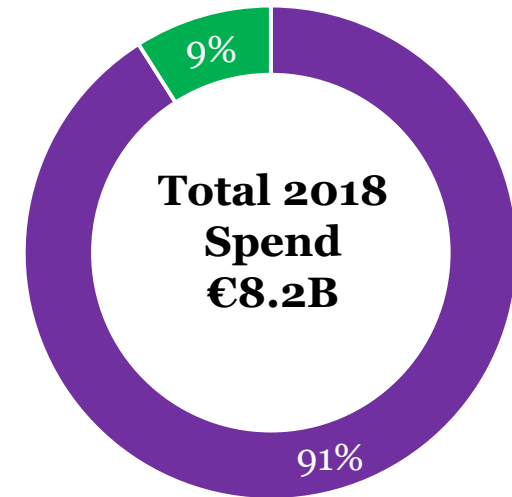


Commercial and Institutional Channels: Total island of Ireland

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.

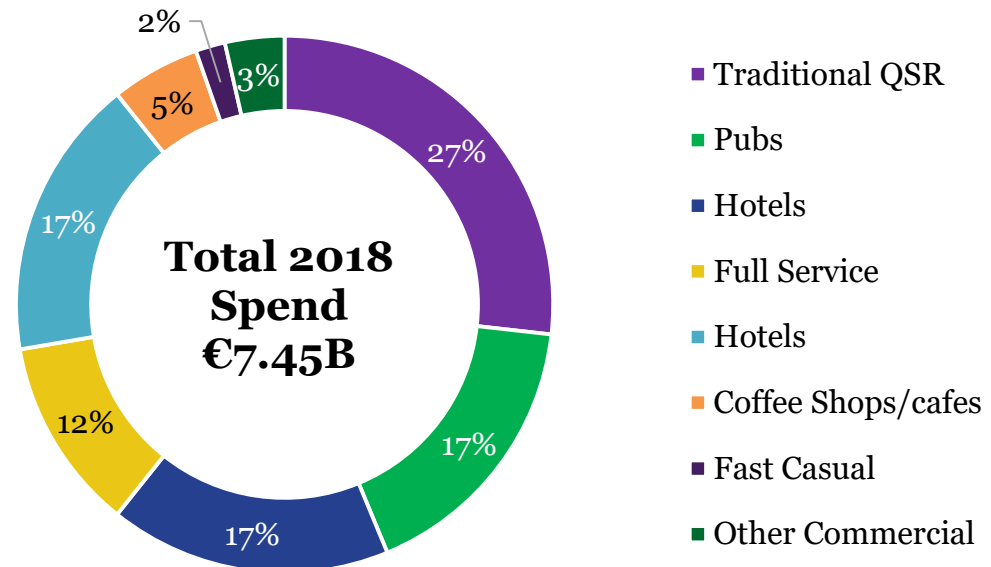
In 2018, Commercial channels accounted for 91% of the value of total consumer spending and 87% of the total value operator purchases, while Institutional channels account for the remaining 9% of total consumer spending and 13% of total operator purchases. These figures have not significantly changed since the last update in 2017.



■ Commercial ■ Institutional

Commercial Channels 2018

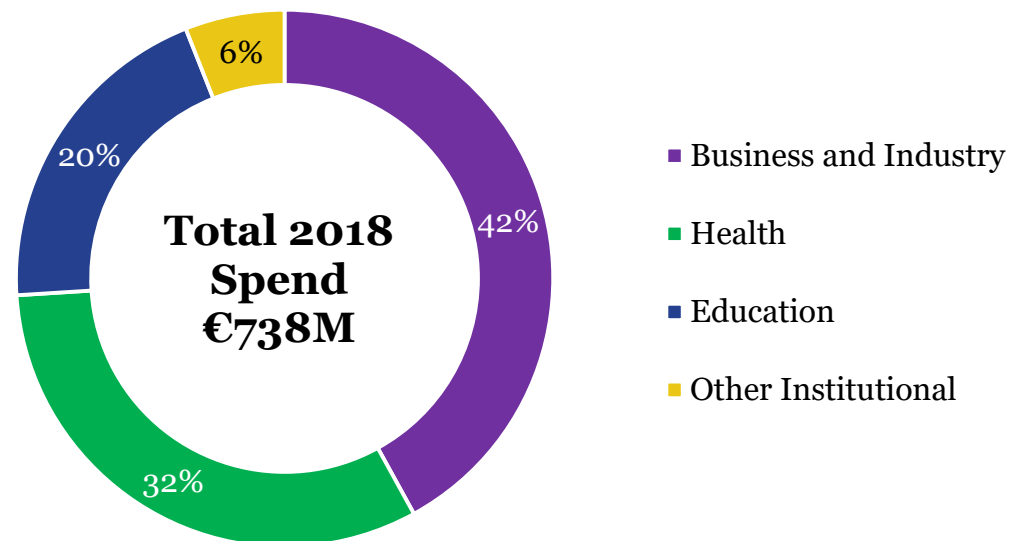
- Commercial channels within IOI represent the vast majority of the value spend within the Irish foodservice channel.
- Digging deeper within Commercial, traditional Quick Service Restaurants (QSRs), pubs and hotels account for the greatest share of consumer spend in IOI. Collectively, these three channels represent nearly 70% of the total Commercial channel.
- Overall Commercial foodservice on the island of Ireland has grown 5.3% from 2017 into 2018.



2018 Irish Foodservice Market	2017-18 CAGR
Limited Service (QSR, fast casual, food to go)	5.2%
Full Service Restaurants	5.3%
Pubs	2.4%
Coffee Shops and Cafes	7.5%
Hotels & Accommodation	7.6%
Other Commercial	6.7%
Total Commercial	5.3%

Institutional Channels 2018

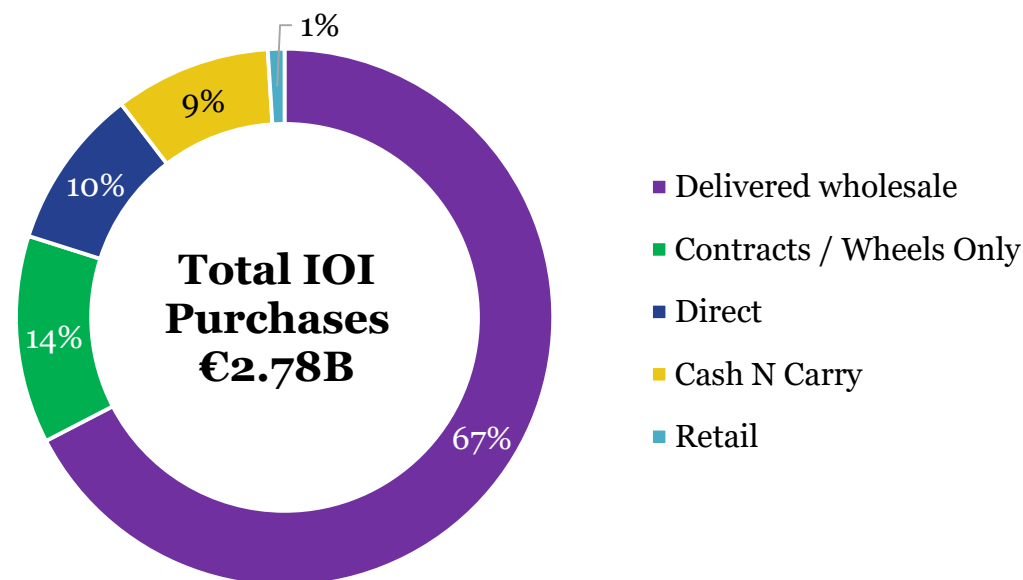
- Institutional foodservice represents 9% of the total value of consumer spending on the island of Ireland.
- Business and Industry is the largest institutional channel, representing over 40% of consumer spending. This is followed by healthcare, which represents approximately 32% of total consumer spend. The education channel represents 20% of Institutional spending, while all other channels make up the remaining 6%.



2018 Irish Foodservice Market	2017-18 CAGR
Business & Industry	3.8%
Health	1.9%
Education	2.5%
Other Non-Commercial	3.0%
Total Non-Commercial	2.9%

Route to Market 2018

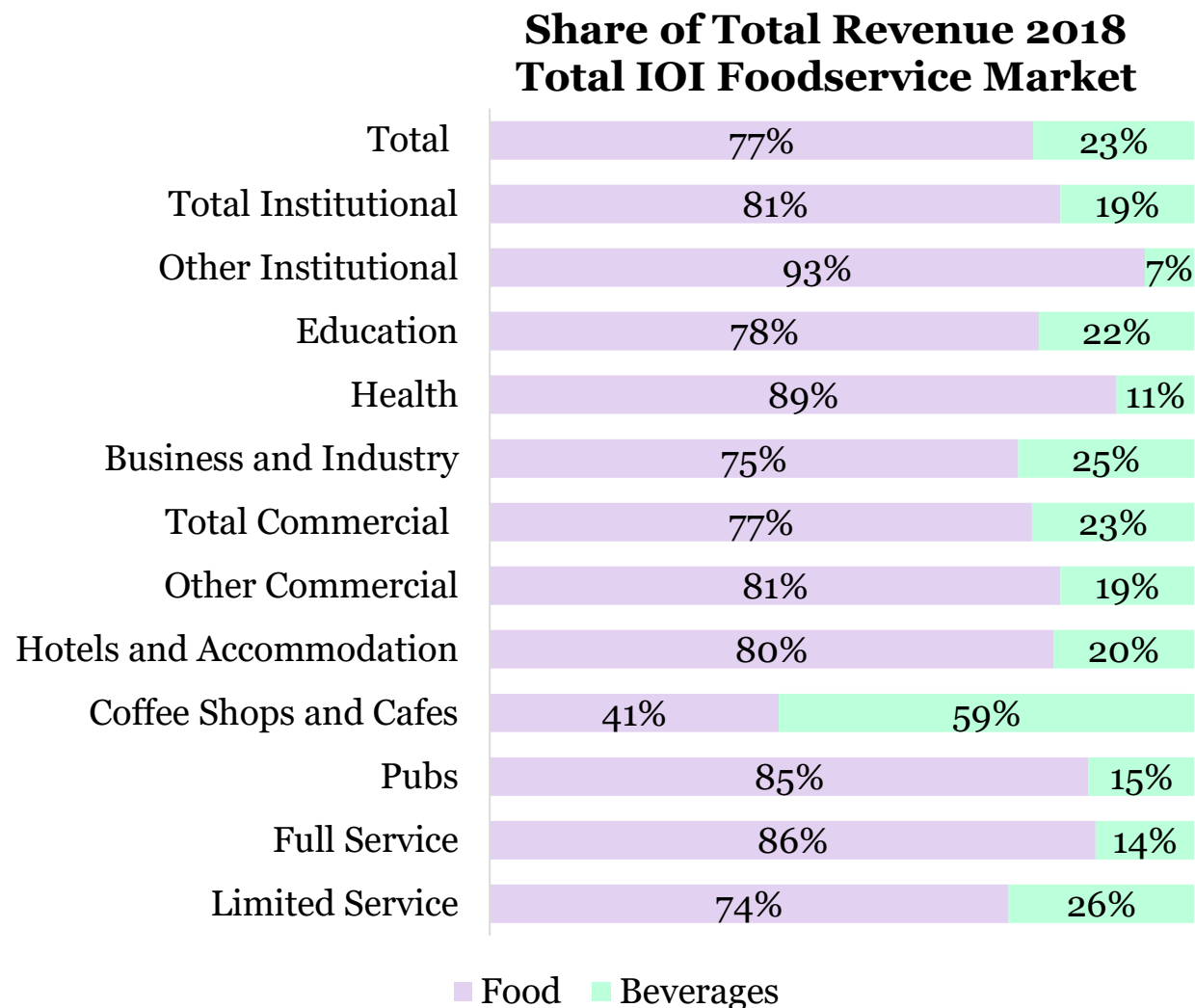
- The most prevalent route to market in Irish foodservice is wholesale delivery, which continues to account for 67% of operator purchases. From 2017 to 2018, this portion of the market grew 6.4% in value (which reflects total growth, plus currency changes within Northern Ireland).
- The Cash & Carry segment represents approximately 9% of the total value of purchases delivered and grew approximately 4.3% .
- The contract “wheels only” channel grew by just under 4% over the review period. This is driven by growth in the chain market.



2018 Irish Foodservice Route To Market	2017-18 CAGR
Delivered Wholesale	6.4%
Direct	2.8%
Cash N Carry	4.3%
Contracts/Wheels Only	3.6%
Retail	2.5%
Total	5.4%

Food and Beverage Split Revenue

- In evaluating the sources of revenue for the Irish foodservice industry (total IOI), 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 island of Ireland

2018 Irish Foodservice Market	2018 Consumer Spending (€M)	2018 Operator Purchases (€M)	2017-8 CAGR (in %)	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	€ 2,856	€ 955	5.2%	8,905
Full Service Restaurants	€ 994	€ 328	5.3%	3,250
Pubs	€ 1,386	€ 402	2.4%	8,250
Coffee Shops and Cafes	€ 456	€ 132	7.5%	2,385
Hotels & Accommodation	€ 1,445	€ 491	7.6%	1,325
Other Commercial	€ 311	€ 109	6.7%	1,050
Total Commercial	€ 7,448	€ 2,418	5.3%	25,165
Business and Industry	€ 313	€ 152	3.8%	2,085
Healthcare	€ 236	€ 123	1.9%	1,140
Education	€ 148	€ 65	2.5%	4,940
Other Institutional	€ 41	€ 21	3.0%	200
Total Institutional	€ 738	€ 360	2.9%	8,365
Total IOI	€ 8,186	€ 2,778	5.1%	33,530
Republic of Ireland	€ 6,030	€ 2,040	6.1%	26,935
Northern Ireland	€ 2,156	€ 738	2.5%	6,595

Irish Foodservice Market Snapshot 2018

Republic of Ireland

2018 ROI Foodservice Market	2018 Consumer Spending (€M)	2018 Operator Purchases (€M)	2017-8 CAGR (in €)	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	€ 2,151	€ 720	6.1%	6,985
Full Service Restaurants	€ 694	€ 229	6.3%	2,500
Pubs	€ 1,014	€ 294	3.3%	7,100
Coffee Shops and Cafes	€ 342	€ 99	8.7%	2,050
Hotels & Accommodation	€ 1,090	€ 371	8.6%	1,075
Other Commercial	€ 242	€ 85	7.5%	750
Total Commercial	€ 5,534	€ 1,798	6.3%	20,460
Business and Industry	€ 225	€ 109	5.1%	1,555
Healthcare	€ 147	€ 76	2.8%	655
Education	€ 92	€ 41	3.3%	4,140
Other Institutional	€ 32	€ 16	3.6%	125
Total Institutional	€ 496	€ 242	4.0%	6,475
Total Republic of Ireland	€ 6,030	€ 2,040	6.1%	26,935

Irish Foodservice Market Snapshot 2018

Northern Ireland

2018 NI Foodservice Market	2018 Consumer Spending (£M)	2018 Consumer Spending (€M)	2018 Operator Purchases (€M)	2017-8 CAGR (In Sterling)	2017-8 CAGR (in €)	Total Outlet Count
Limited Service (QSR, fast casual, food to go)	£623	€ 705	€ 235	4.2%	2.7%	1,920
Full Service Restaurants	£265	€ 299	€ 99	4.7%	3.1%	750
Pubs	£329	€ 372	€ 108	1.7%	0.2%	1,150
Coffee Shops and Cafes	£101	€ 114	€ 33	5.8%	4.2%	335
Hotels & Accommodation	£313	€ 355	€ 121	6.1%	4.5%	250
Other Commercial	£60	€ 68	€ 24	5.5%	3.9%	300
Total Commercial	£1,691	€ 1,914	€ 619	4.3%	2.7%	4,705
Business and Industry	£78	€ 89	€ 43	2.2%	0.7%	530
Healthcare	£79	€ 89	€ 46	1.9%	0.4%	485
Education	£49	€ 55	€ 24	2.8%	1.3%	800
Other Institutional	£8	€ 9	€ 5	2.7%	1.2%	75
Total Institutional	£214	€ 242	€ 118	2.2%	0.7%	1,890
Total Northern Ireland	£1,905	€ 2,156	€ 738	4.0%	2.5%	6,595

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018

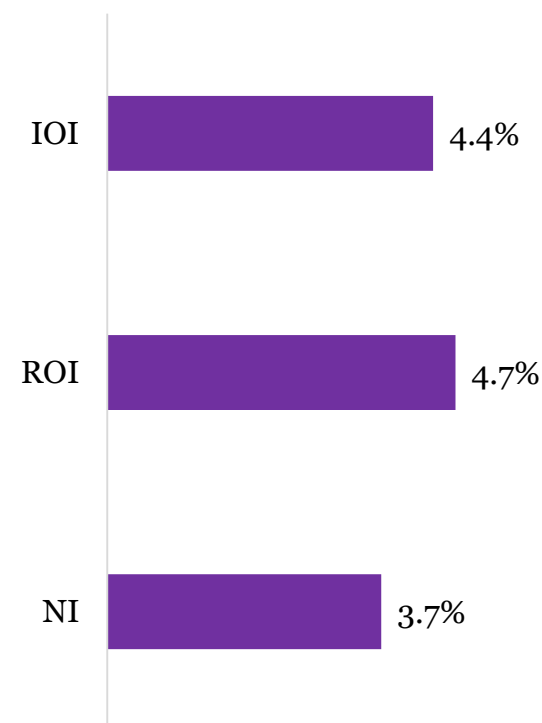
Growth is shown in both local currency (Sterling) and in Euros (based on conversion rates).

Source: Technomic Inc.

3 Year Growth Outlook 2019-2021

- The foodservice industry is expected to see continued growth over the next three years. However, given the VAT increase and the uncertainty over Brexit, the growth may not be quite as robust as what has been seen over the previous several years.
- Within ROI, growth of just under 5% is to be expected. The Commercial segments will continue to drive the overall industry, but there will likely be some deceleration across all segments of the business.
- Within Northern Ireland, the industry is expected to grow at slightly less than 4% per year over the next three years. Concerns over Brexit are different in the North but still impactful, and an overall slowdown in the UK economy will have some slowing impact on the foodservice industry. Growth in tourism and other investment looks likely to continue over the next several years, however. (Note that the forecast is shown in Sterling and does not account for currency conversion issues.)

2019-2021 Forecasted Growth in Foodservice Turnover (Consumer Spend)



Growth Outlook 2019-2021

Total island of Ireland

2018 IOI Foodservice Market	2018 Consumer Spending (€M)	2021 Forecasted Consumer Spending (€M)	Projected CAGR* 2019-2021	Change in Value	Share of Growth
Limited Service	€ 2,856	€ 3,258	4.5%	€ 402	35%
Full Service	€ 994	€ 1,142	4.7%	€ 148	13%
Pubs	€ 1,386	€ 1,456	1.6%	€ 69	6%
Coffee Shops and Cafes	€ 456	€ 552	6.6%	€ 96	8%
Hotels and Accommodation	€ 1,445	€ 1,750	6.6%	€ 306	27%
Other Commercial	€ 311	€ 371	6.1%	€ 60	5%
Total Commercial	€ 7,448	€ 8,530	4.6%	€ 1,082	95%
Business and Industry	€ 313	€ 343	3.1%	€ 30	3%
Health	€ 236	€ 252	2.2%	€ 16	1%
Education	€ 148	€ 157	2.1%	€ 9	1%
Other Institutional	€ 41	€ 44	2.4%	€ 3	0%
Total Institutional	€ 738	€ 796	2.6%	€ 58	5%
Total ROI	€ 8,186	€ 9,326	4.4%	€ 1,140	100%

Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Section 4: Channel Analysis



Irish Foodservice
Market Insights

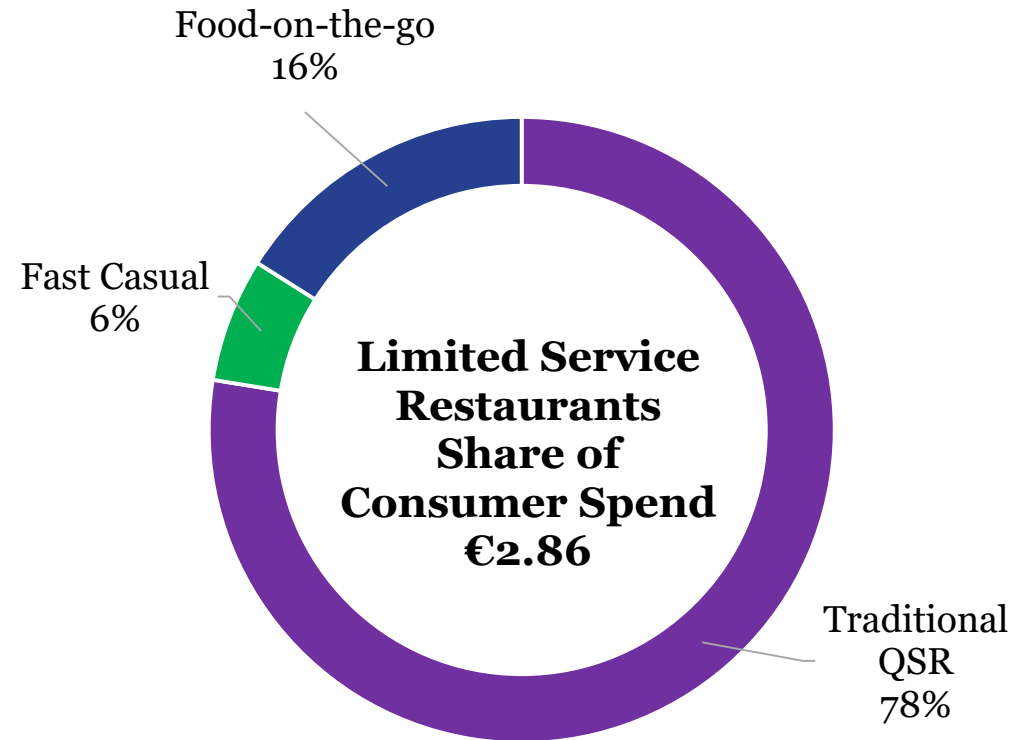
Commercial Channels



Irish Foodservice
Market Insights

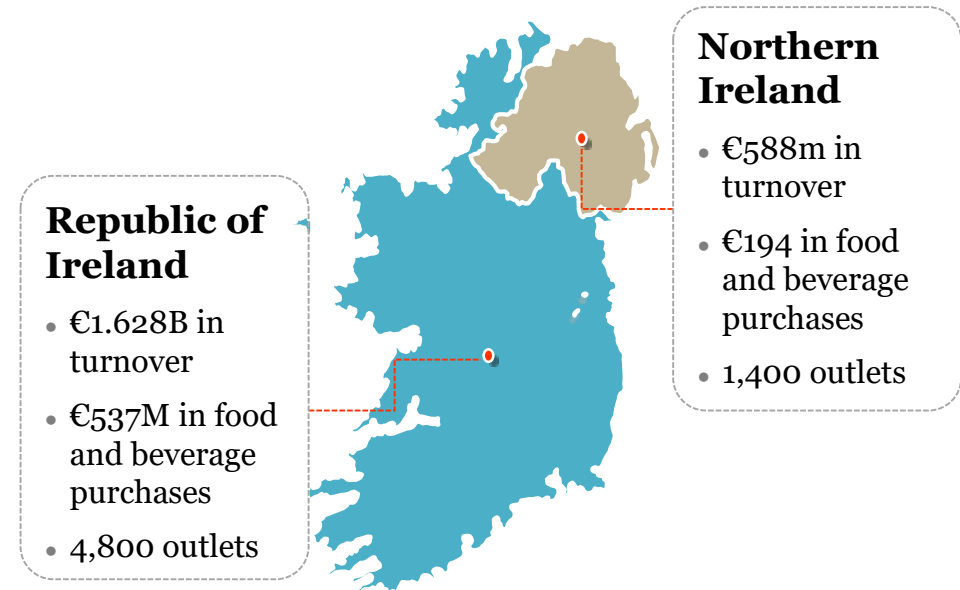
Limited Service Restaurants

- The limited service restaurant segment incorporates a number of sub-segments, including traditional **quick service restaurants (QSR)**, **fast casual restaurants**, and **food on the go** (which encompasses convenience-driven items for takeaway in forecourt/ convenience operators and other grab-n-go found in retail operations).
- The total Limited Service segment is valued at **€2.9 billion** in consumer spending in 2018, with a value of €955 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 show more detail on each of the sub-segments of Limited Service and differences between the Republic of Ireland and Northern Ireland.

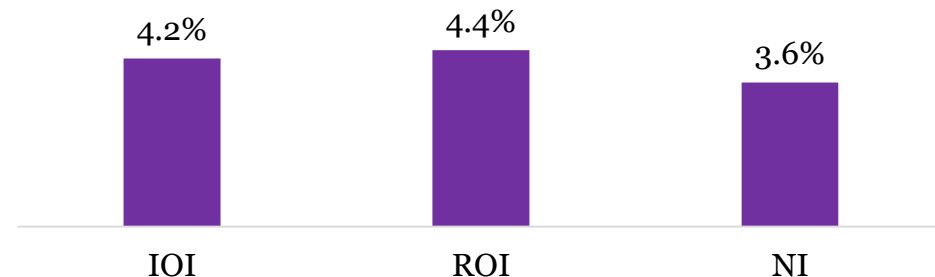


LSR Sub-Segment: Quick Service Restaurants (QSR)

- Traditional quick service restaurants (QSRs) are limited service in nature and are primarily characterised by offering counter service and/or drive thru. The segment typically refers to food sold in a restaurant or store with preheated or precooked ingredients.
- The total size for the Quick Service segment in IOI for 2018 is valued at €2.9 billion in terms of turnover/consumer spending and €731 million in operator purchases (the value of distributors' sales to operators).
- Consumer spending within ROI for the Traditional Fast Food segment is €1.6 billion.
- In NI, the value of consumer spending is €588 million in value.



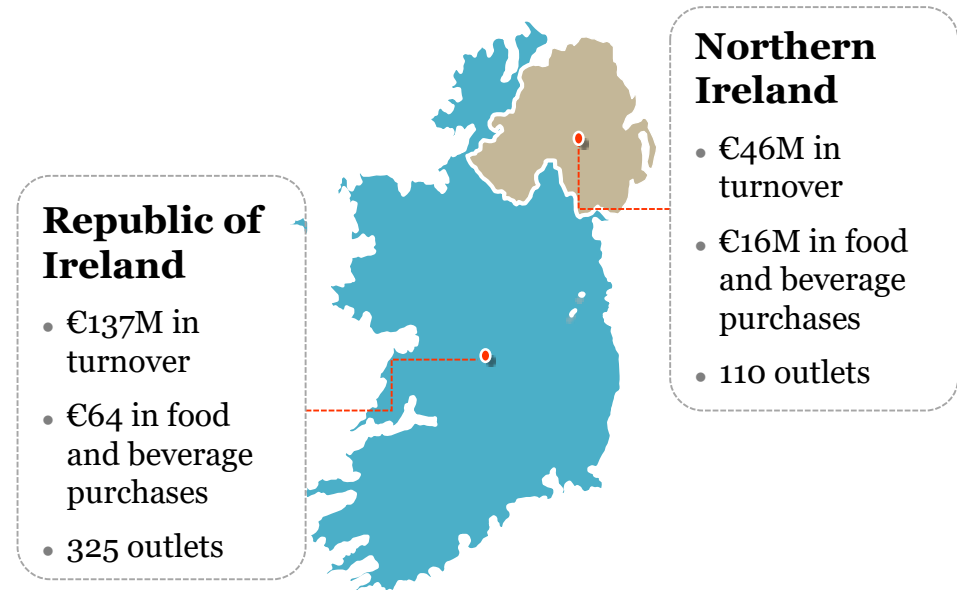
2019-2022 Forecasted Growth in Quick Service Restaurant (Consumer Spend)



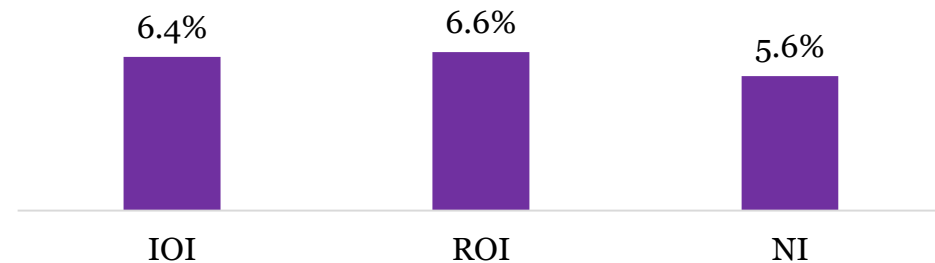
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

LSR Sub-Segment: Fast Casual

- Fast Casual restaurants are also limited service, but are generally more upscale, investing more in the design and ambiance of the operation. Food quality is generally perceived to be higher, and the price points tend to be €8 or higher per person. Similar to traditional QSRs, Fast-Casual restaurants are often systemised with limited, focused menus.
- The total size for the Fast Casual segment in IOI for 2018 is €183 million in terms of consumer spending and €64 million for operator purchases (the value of distributors' sales to operators).
- Consumer spending within ROI for the Fast Casual segment is €137 million.
- In NI, the value of consumer spending is €46 million in value



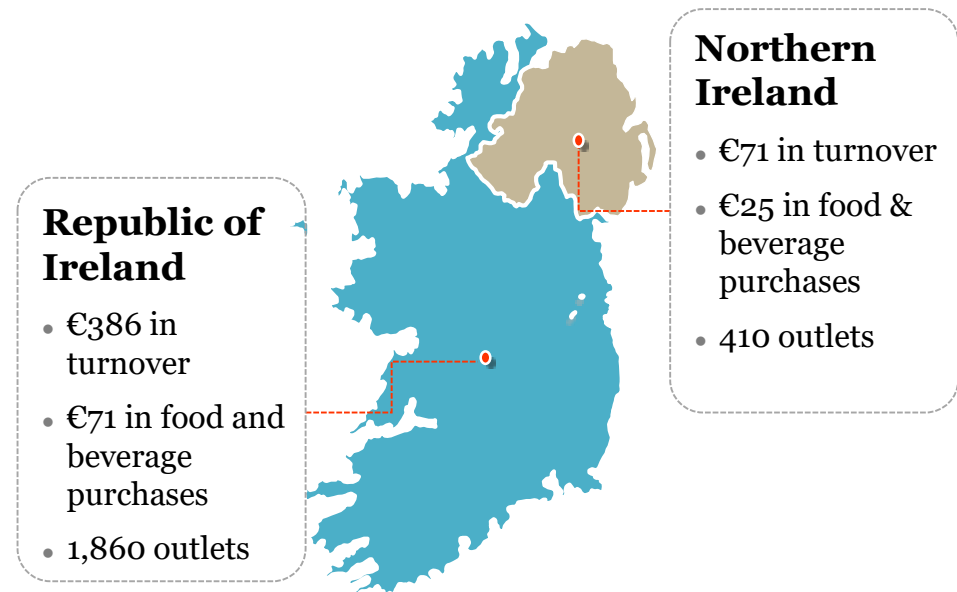
**2019-2022 Forecasted Growth in
Fast Casual Restaurant (Consumer Spend)**



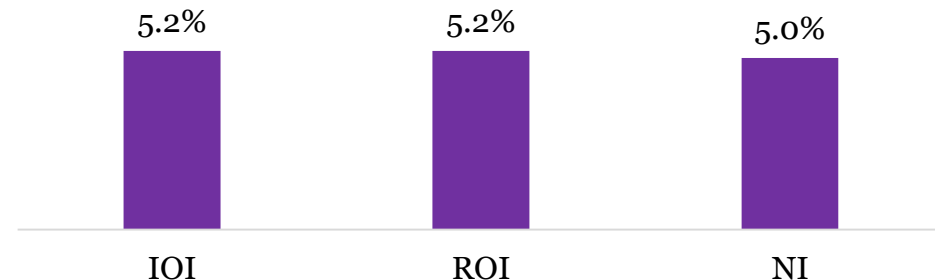
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

LSR Sub-Segment: 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 a big area of focus has been to add additional prepared food offerings, and coffee and other hot beverages have been strongly emphasised here as well.
- 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 2018 is €458 million in terms of consumer spending and €160 million in operator purchases.
- Consumer spending within ROI for the Food On-the-Go segment is €386 million. In NI, the value of consumer spending is €71 million in value.



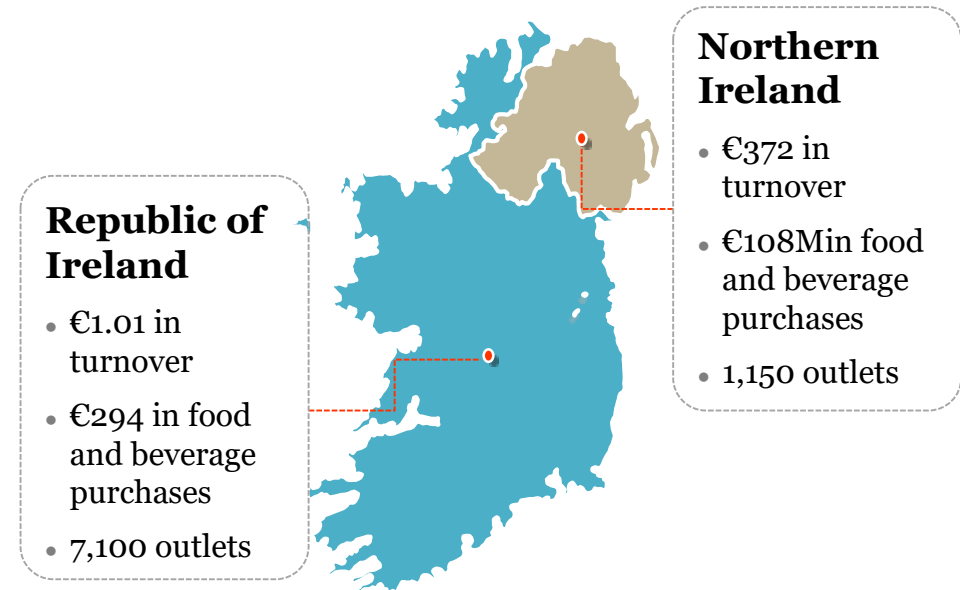
2019-2022 Forecasted Growth in Food On-the-Go(Consumer Spend)



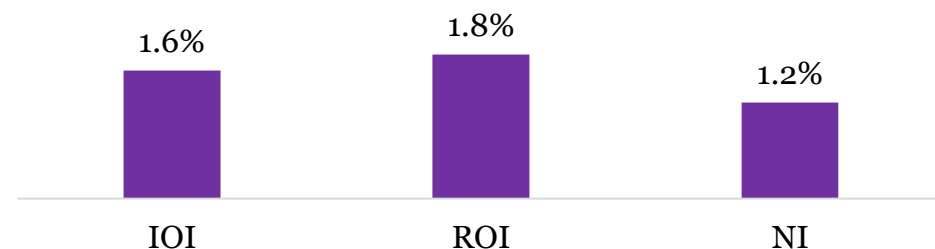
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Pubs

- Licensed pubs includes drinking establishments that are outlets built specifically for (and largely dependent on) the sale of alcohol for on premise consumption. Pubs are characterised by a bar service and are often seen as social meeting places, rather than a place of pure consumption.
- Traditionally pubs were known to have a limited food offering, and in many pubs the food offering still remains basic. However, as drinking has declined in Ireland, more pubs have invested in upgrading the food offer, and food-led pubs are increasing in both numbers and importance and are driving much of the foodservice growth in this sector.
- The total size for the Pubs segment in IOI for 2018 is €1.4 billion in terms of consumer spending and €402 million for operator purchases.
- Consumer spending within ROI for the Pubs segment is €1.0 million.
- In NI, the value of consumer spending is €372 million in value.



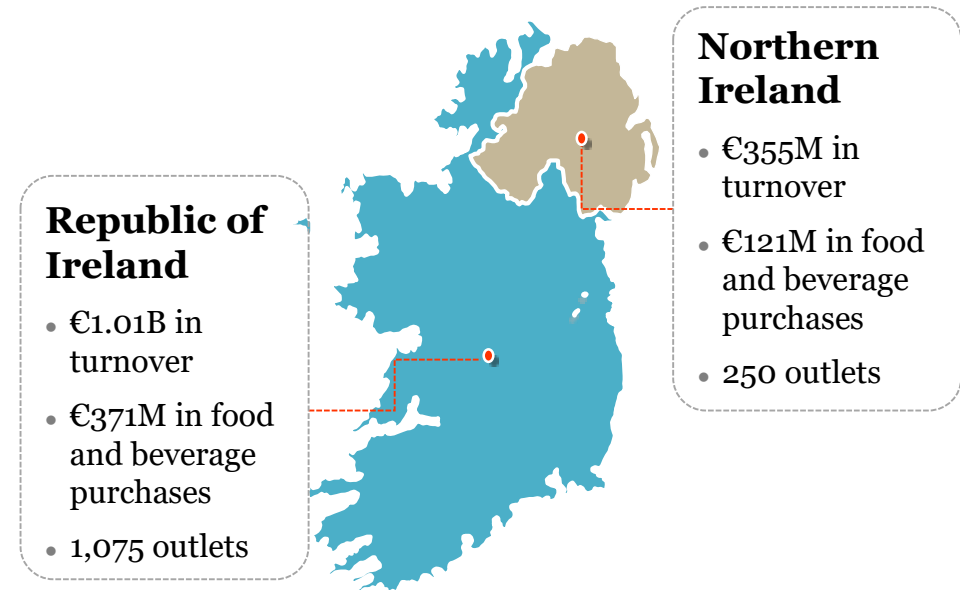
2019-2022 Forecasted Growth in Pubs (Consumer Spend)



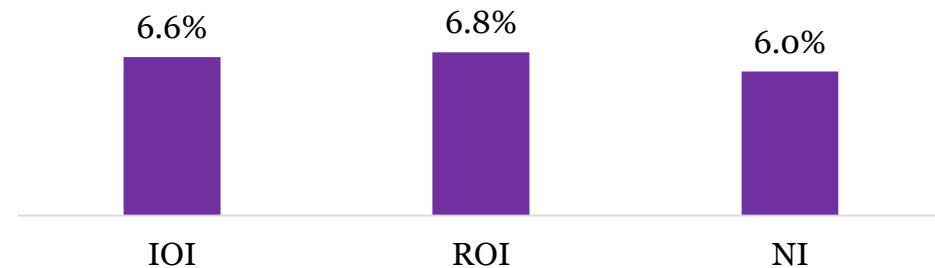
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Hotel and Accommodation

- Food and beverage programs in the hotel and accommodation channel are 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.
- Catered business, to include meetings, banquets and conferences that take place in hotels, are also accounted as part of the broader hotel F&B business.
- 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 2018 is €1.4 billion in terms of consumer spending and €491 million for operator purchases.
- Consumer spending within ROI for the Hotels and Accommodation segment is €1.1 billion.
- In NI, the value of consumer spending is €355 million in value.



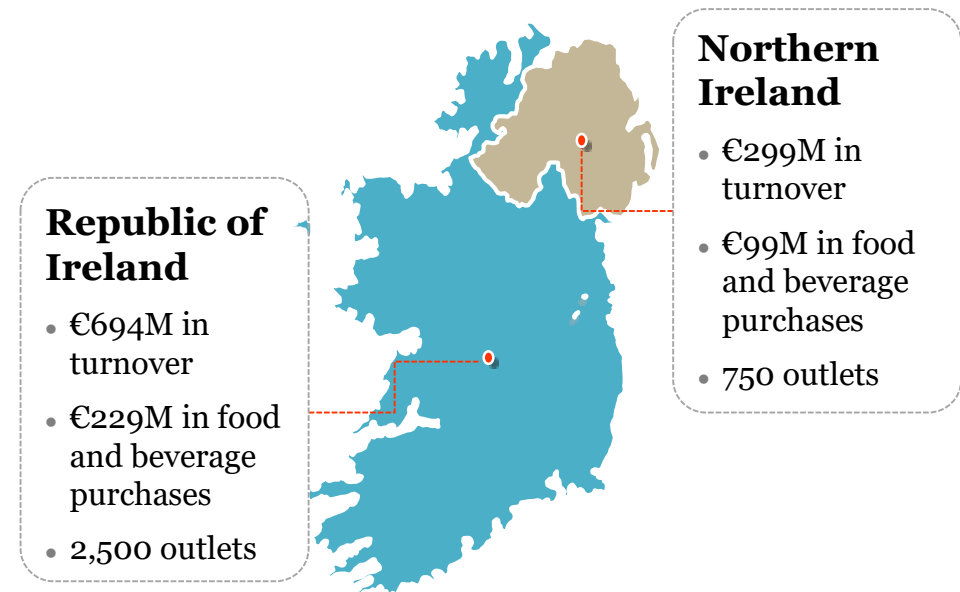
2019-2022 Forecasted Growth in Hotel and Accommodations F&B (Consumer Spend)



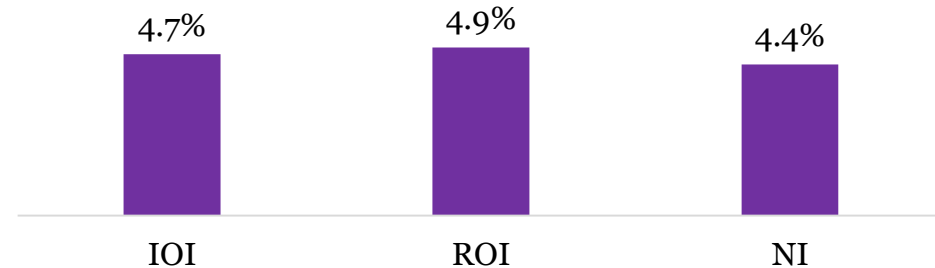
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Full Service Restaurants (FSR)

- 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. Meals are often 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 €994 million in terms of consumer spending and €328 million for operator purchases.
- Consumer spending within ROI for the Full Service Restaurants segment is €694 million.
- In NI, the value of consumer spending is €299 million in value.



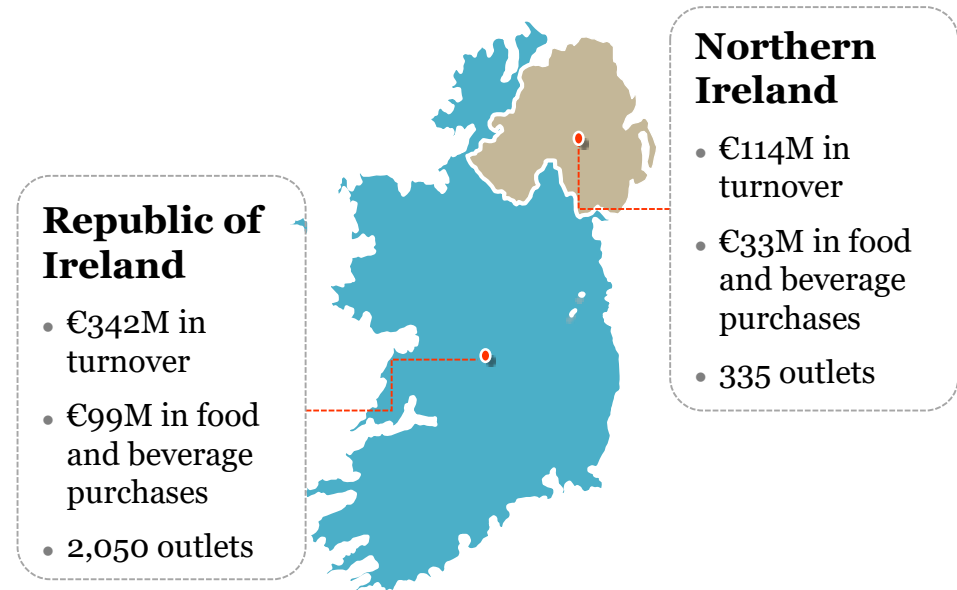
2019-2022 Forecasted Growth in Full Service Restaurants (Consumer Spend)



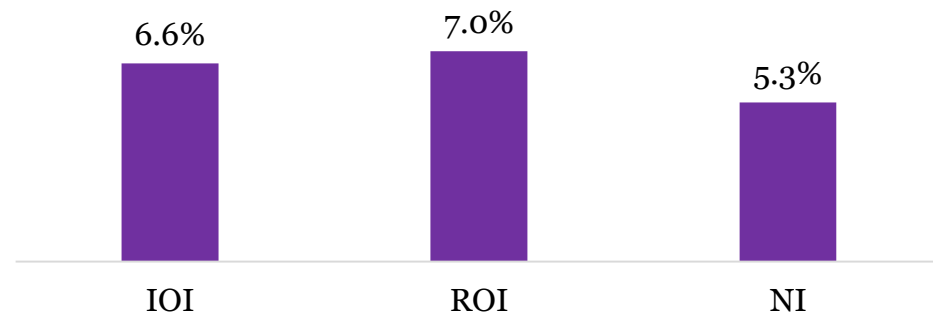
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Coffee Shops/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 2018 is €4565 million in terms of consumer spending and €132 million for operator purchases.
- Consumer spending within ROI for the Coffee Shops and Cafes segment is €342 million.
- In NI, the value of consumer spending is €114 million in value.



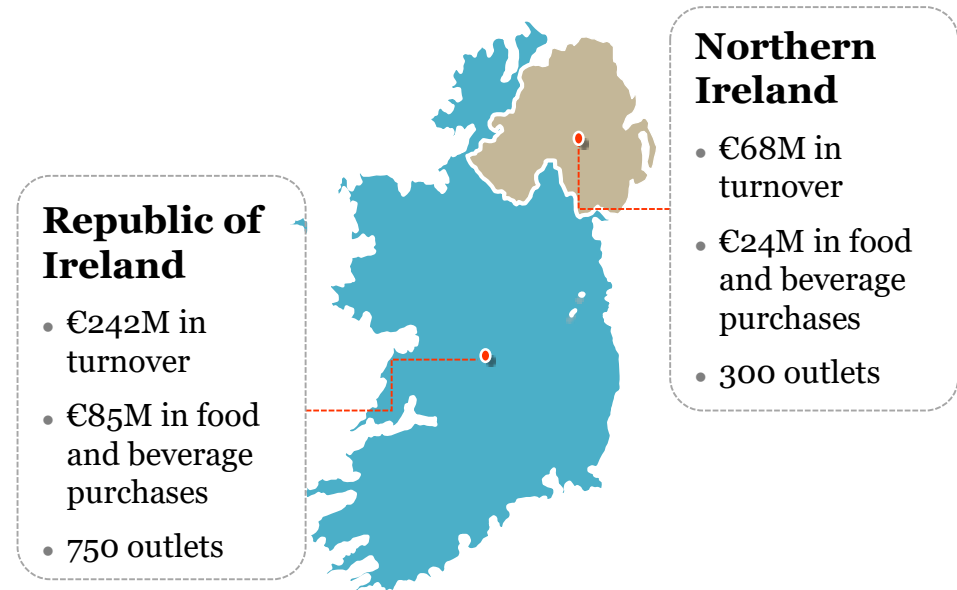
2019-2022 Forecasted Growth in Coffee Shops/Cafes (Consumer Spend)



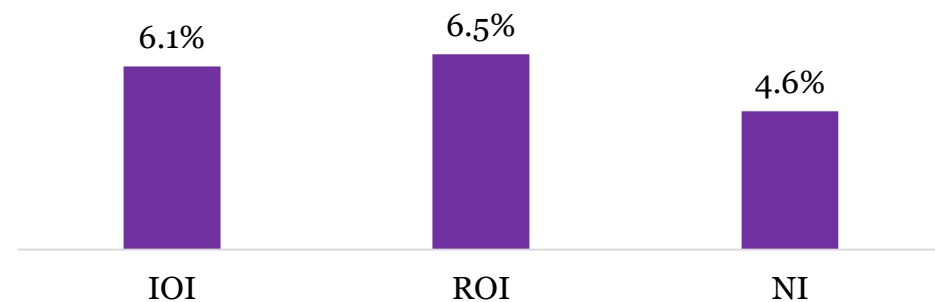
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Other Commercial Foodservice Operations

- This 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 channel is represented by **sporting events**; the other key sub-segment is the **travel** channel which includes on board and terminus catering for flights, trains, ferries and buses.
- The total size for the Other Commercial segment in IOI for 2018 is €311 million in terms of consumer spending and €109 million for operator purchases.
- Consumer spending within ROI for the Other Commercial segment is €242 million.
- In NI, the value of consumer spending is €68 million in value.



2019-2022 Forecasted Growth in Coffee Shops/Cafes (Consumer Spend)



Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

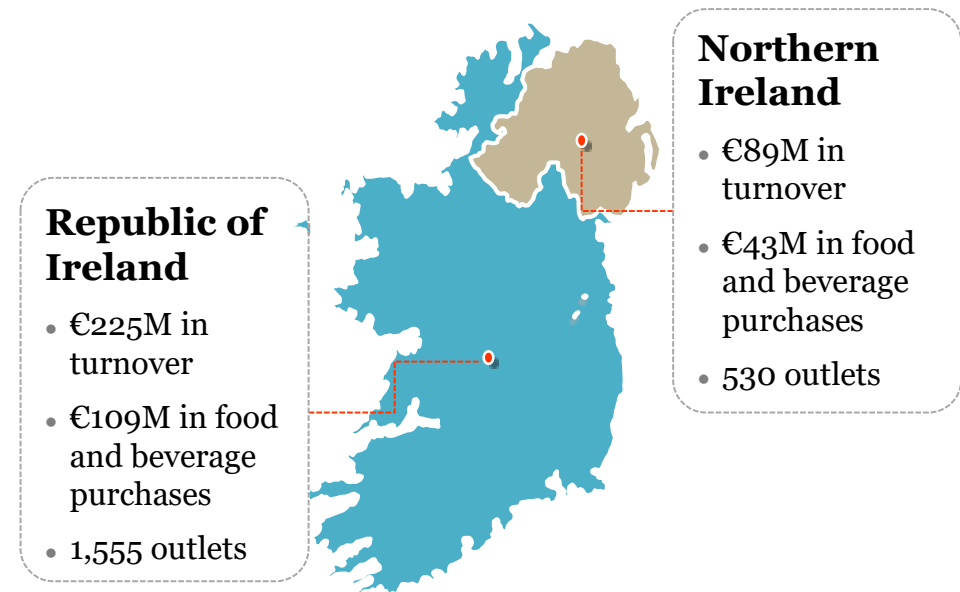
Institutional Channels



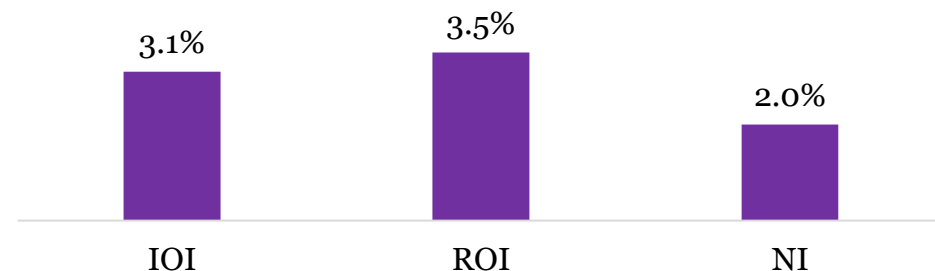
Irish Foodservice
Market Insights

Business and Industry

- Business and Industry (B&I) is defined as catering to the workforce and includes food offered within offices, factories and remote sites.
- 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.
- Increasingly, this also includes “free” food and beverage offer, usually offered in a tech-oriented office environment. The value of this offer is included in these figures.
- The total size for the Business and Industry segment in IOI for 2018 is €313 million in terms of consumer spending and €152 million for operator purchases.
- Consumer spending within ROI for the Business and Industry segment is €225 million. In NI, the value of consumer spending is €89 million in value.



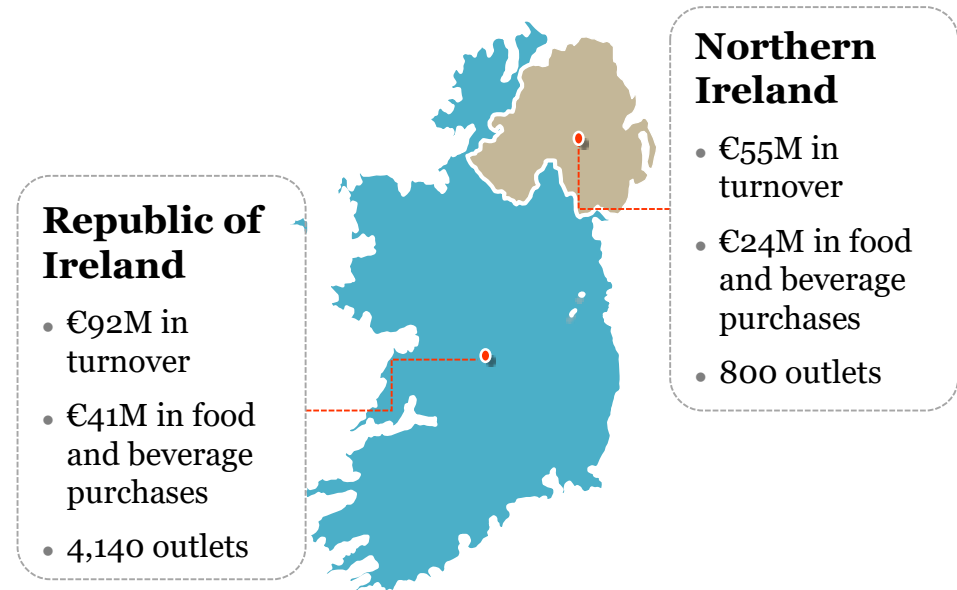
2019-2022 Forecasted Growth in Business and Industry(Consumer Spend)



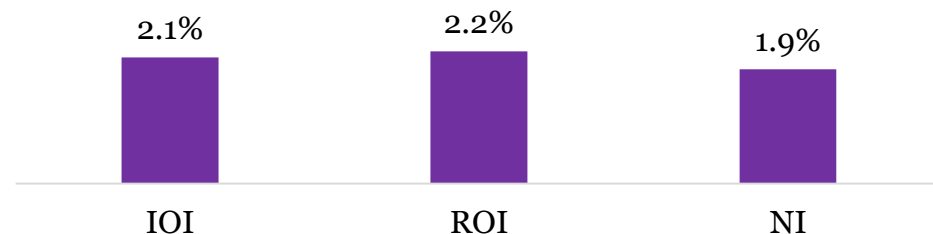
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

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 and faculty in their place of learning. Menus are generally offered in two main formats: fixed menus or cafeteria/self-service, although ala carte operations are also included.
- The channel covers state, religious and privately funded and owned institutions.
- The total size for the Education segment in IOI for 2018 is €148 million in terms of consumer spending and €65 million for operator purchases.
- Consumer spending within ROI for the Education segment is €92 million.
- In NI, the value of consumer spending is €55 million in value.



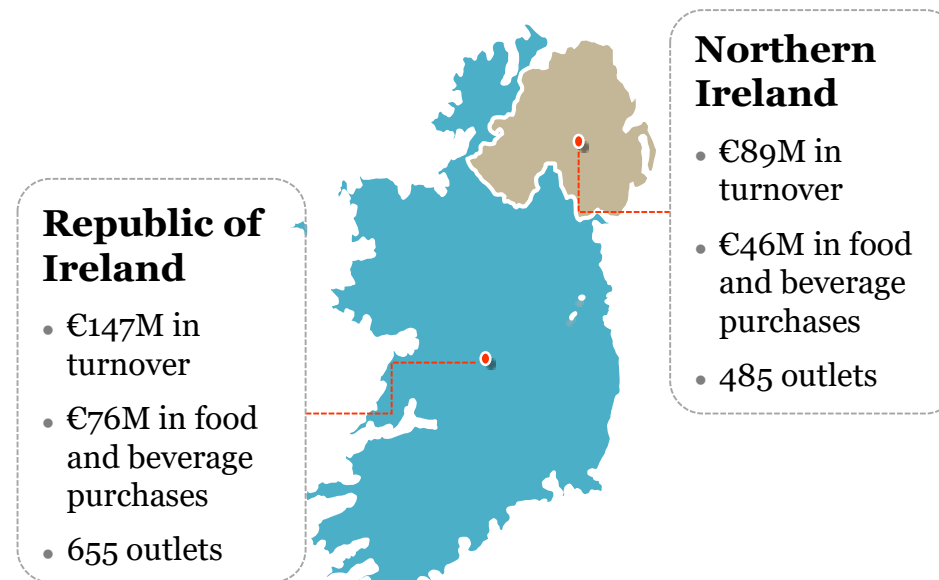
2019-2022 Forecasted Growth in Education (Consumer Spend)



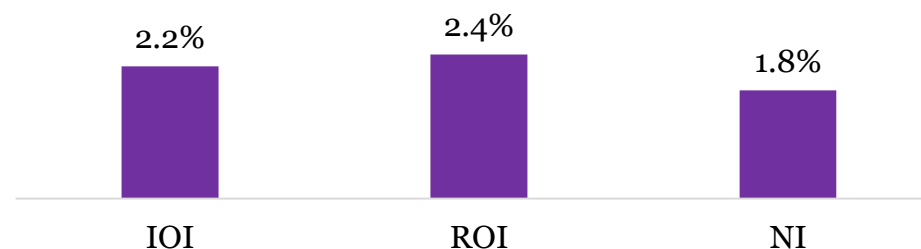
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

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 2018 is €236 million in terms of consumer spending and €123 million for operator purchases.
- Consumer spending within ROI for the Healthcare segment is €147 million.
- In NI, the value of consumer spending is €89 million in value.



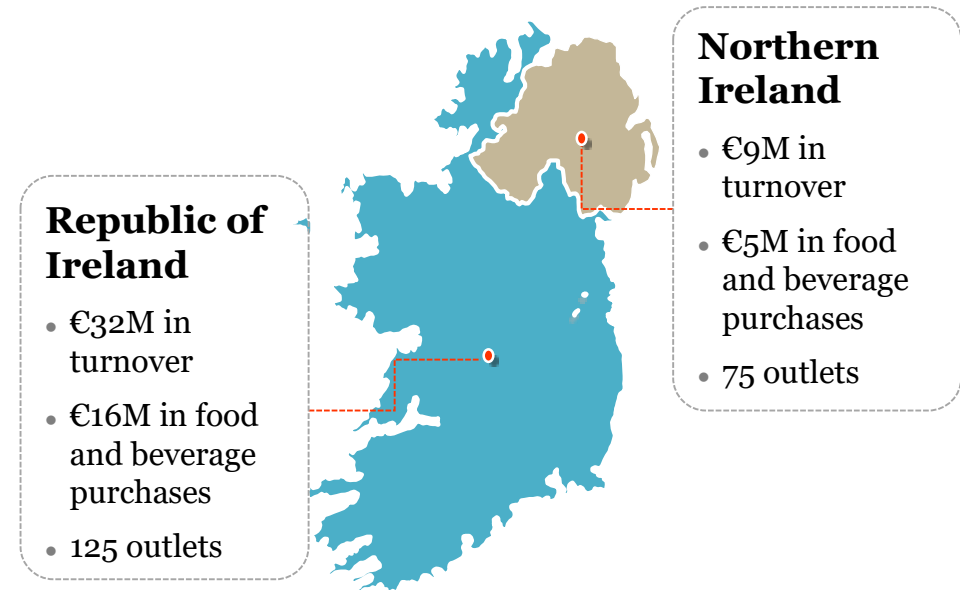
2019-2022 Forecasted Growth in Healthcare (Consumer Spend)



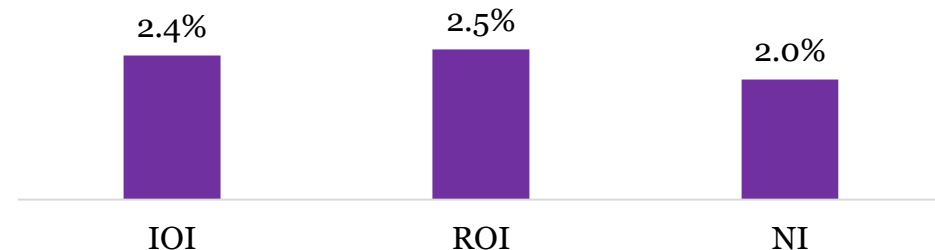
Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Other Institutional Foodservice Operations

- 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 €41 million in terms of consumer spending and €21 million for operator purchases.



2019-2022 Forecasted Growth in Other Institutional Foodservice
(Consumer Spend)



Northern Ireland value figures have been converted from Sterling and reflect the average exchange rate as of September 2018.
Euro growth forecast; excludes any change in currency valuation for NI
Source: Technomic Inc.

Section 5: Product Insights



Irish Foodservice
Market Insights

Overarching Foodservice Product Trends

1. Food inflation driving price increases, margin pressure

Much of this has been driven by the uncertainty created by Brexit (and food inflation tends to run higher in the North). With this increase in overall input prices, operators are not always able to pass these on through price increases to the consumer, and as a result margins continue to be pressured.

2. Continued desire to source Irish products

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

3. Items that promote labour savings in demand

Given the lack of qualified labour and difficulties in recruiting, taking “prep work” out of the kitchen is something operators are increasingly looking to do. Value-added items or those that promote “speed scratch” cooking remain in demand.

4. Looking beyond the UK to Europe (or elsewhere) for sourcing

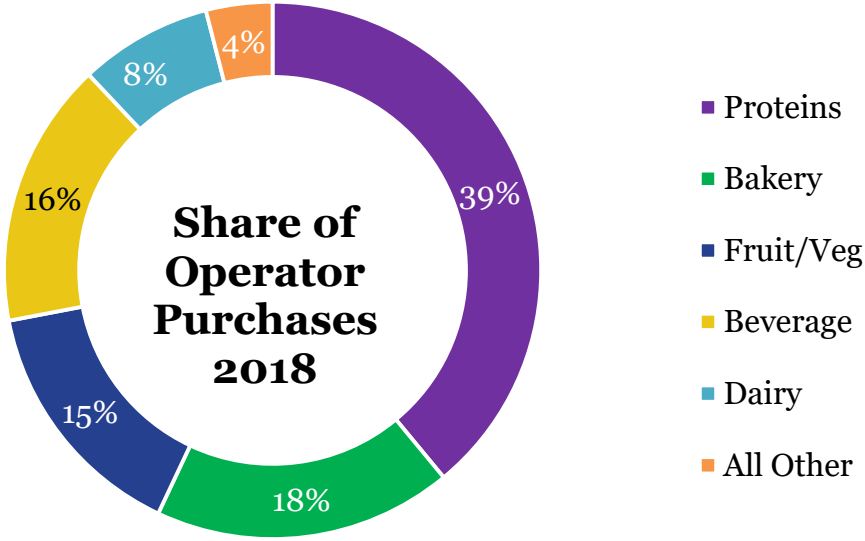
Given the looming Brexit scenario and the uncertainty that comes with it, operators and distributors note that they are increasingly looking toward continental Europe and other areas as possible alternatives to replace UK-sourced items.

5. Growth in purchases of chilled foods

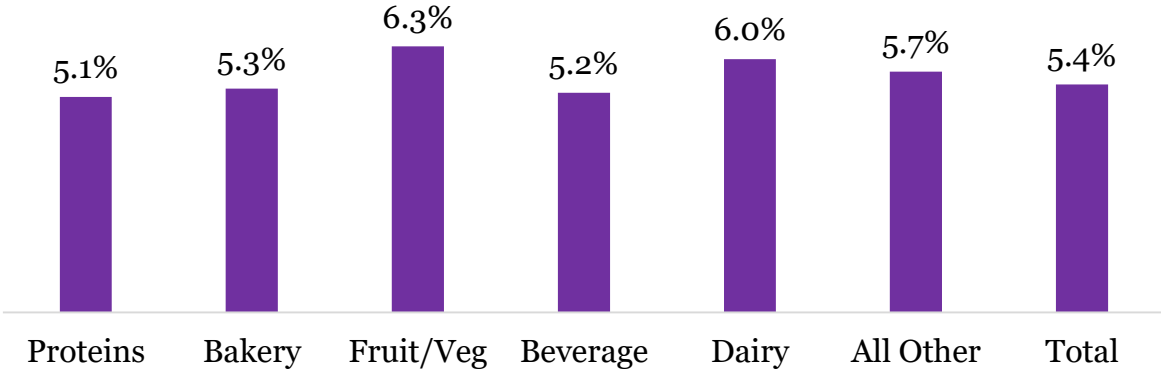
With the continued demand by consumers for “fresh” and increasing investment by many segments (such as forecourts and quick service restaurants) in on-site production and grab-and-go offerings, chilled purchases have expanded at a rate faster than either ambient or frozen products.

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.
- Overall growth has been over 5% for purchases, driven largely by higher food inflation and commodity price increases. This also includes purchases made in Northern Ireland and converted to Euro.



2017/18 Growth in Operator Purchases



Foodservice Product by Value

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

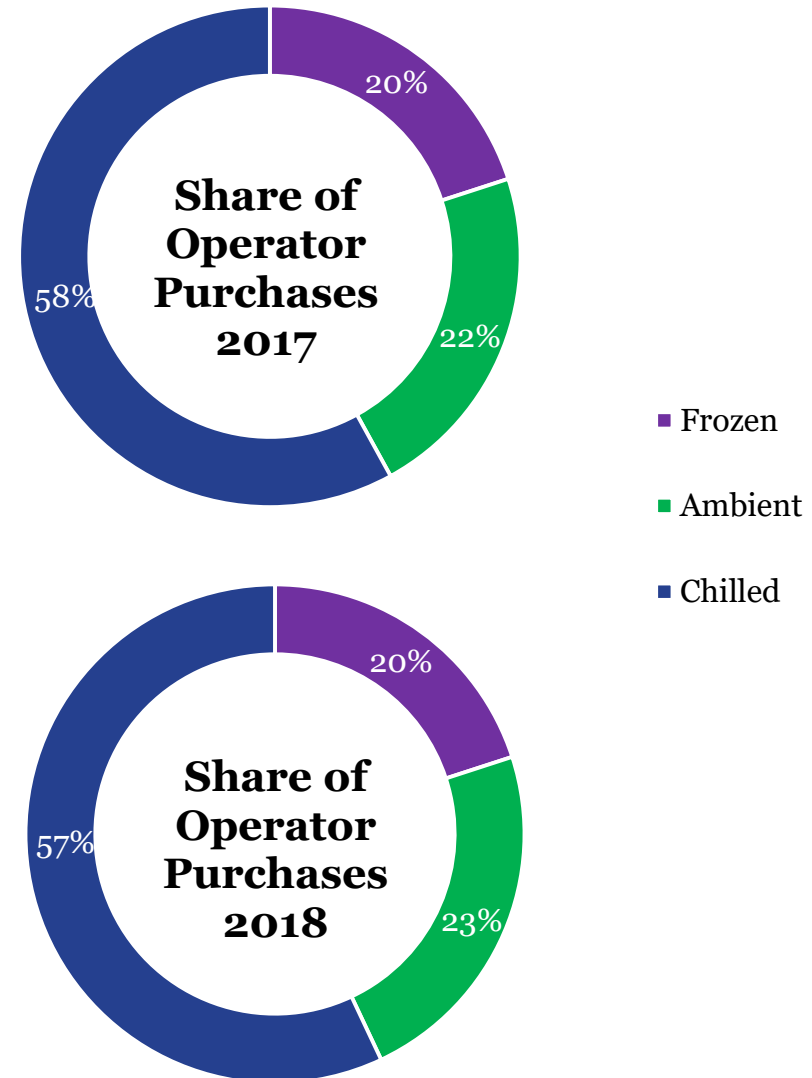
Product Category	2018 Operator Purchases (€ millions)	Share of Total (%)
Fruit & Vegetables	€ 422	15%
Poultry	€ 325	12%
Beef	€ 300	11%
Bread/Bakery Savoury	€ 293	11%
Bacon	€ 231	8%
Dairy	€ 225	8%
Sweet Bakery	€ 152	5%
Pork	€ 111	4%
Seafood	€ 87	3%
Grocery	€ 46	2%
Confectionery	€ 32	1%
Desserts	€ 35	1%
Lamb	€ 23	1%
Beverage	€ 434	16%
All Other	€ 63	2%
Total	€ 2,778	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 2018.

Source: Technomic Inc.

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 6: Critical Strategic Issues Facing the Industry



Irish Foodservice
Market Insights

Critical Strategic Issues Facing Foodservice

While current industry performance remains strong, all participants throughout the industry must understand the underlying dynamics and the longer term outlook for what will drive (or inhibit) growth going forward.

Throughout the research, there were a number of consistent themes emerging as critical strategic issues facing the Irish foodservice industry - each of these has key implications for industry players.

These are explored in more detail in the following Section. We have also included a single page summary in advance of each Critical Strategic Issue, with supporting information that examines the drivers behind the issue and outlines recommendations for addressing and dealing with each issue.



Critical Strategic Issue #1
**BOOM TIMES DRIVE GROWTH,
BUT CREATE MAJOR
CHALLENGES**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Saturation issues</p> <p>A strong economy has led to continued investment in new outlets, particularly in the city centres.</p> <p>This is particularly acute for QSR and coffee cafes, but all segments are seeing more competition.</p>	<p>Many city centres are reaching the maximum number of outlets within city center. This saturation will likely inhibit continued strong growth in urban markets.</p> <p>Expect to see further development in outlying areas, and greater competition and costs to operator in major urban areas.</p>	<p>Cost control is critical for profitable operator expansion, and the entire industry will need to be focused on maintaining profitable expansion.</p> <p>Strong industry growth is likely to slow as saturation permeates various markets; urban areas will see volatility in the market and a reduced ability to open outlets.</p>
<p>Labour struggles and shortages</p> <p>A tightening labour market has led to shortages in finding and keeping qualified staff.</p> <p>Turnover continues to be high as skilled workers are able to find new opportunities</p>	<p>With continued economic growth expected, all areas of the industry will be forced to compete for qualified labour.</p> <p>Higher wages are a likely outcome, and ongoing shortages are likely to continue into the foreseeable future.</p>	<p>There is a need for greater training and mentoring to create the next generation of leaders. Changing the perception of the foodservice industry as an “industry of choice” may be necessary.</p>
<p>Growth in tourism</p> <p>Year over year increases in tourist numbers over the past several years has driven strong growth in foodservice establishments that cater to tourists.</p>	<p>Tourism has been a huge boost for foodservice; most tourism experts expect North American tourism to continue to grow and thrive.</p> <p>Tourism from the United Kingdom may see a slowdown as Brexit implications become clearer.</p>	<p>Many commercial segments will continue to benefit from an influx of foreign visitors to Ireland.</p> <p>Recent changes to the VAT rate have the potential to make Ireland less competitive and more costly for tourists; this may ultimately lead to some slowdown further down the road.</p>

Economic Forecasts bring Operational Challenges

The Irish economy has been the fastest growing economy within the EU for the past number of years and in 2017 alone grew three times faster than the wider euro area. This has resulted in Ireland become an attractive country for multinational companies and the economic strength has had a major impact on the foodservice industry.

Ireland's healthy labour market approaches zero unemployment

According to Trading Economics, Ireland's unemployment rate dropped to 5.4% in September 2018. This is the lowest the unemployment rate has reached since February 2008 and a stark contrast to the 16% unemployment rate Ireland experienced in early 2012.

"The Irish economy is more buoyant and employment levels are better today than in the past."

—Distributor

The challenges of a healthy labour market on foodservice

The foodservice industry is likely to feel the biggest side effects of a low unemployment rate, as the demanding nature of the industry becomes a less attractive option to those searching for work.

"The labour issues are not going away. Rents are higher and more affluent teens are not looking to work in foodservice when the economy reaches full employment. The hard work of foodservice is less attractive."

—Quick Service Restaurant

The new jobs created from a healthy economy creates a pool of job options, many with more favorable hours and wages than that of foodservice. Many working the foodservice industry report current shortages of skilled labour in back-of-house, and if the economy

continues to rise, shortages are poised to effect additional unskilled positions. In addition, the rise of residential rent rates in major cities—also resulting from a thriving economy—provides an additional obstacle to attracting employees to work for foodservice wages.

"The biggest challenge is finding people. Urban rents makes it hard for people to live near outlets, and we are competing against convenience retailers for labour."

—Quick Service Restaurant

"Labour issues are highly relevant in ROI and in the North. We are back to recruitment headaches as the economy hits full employment. Access to labour is worse than ever before."

—Distributor

Economic Forecasts bring Operational Challenges (cont.)

The effect of an increased hospitality VAT

Irish operators are concerned about the future of the Hospitality sector as the 2019 Budget reveals the restoration of the special 9% Hospitality VAT rate back to 13.5%. With Brexit taking effect in 2019, the industry has labeled the 50% increase as detrimental to Ireland's thriving tourism economy, hotel industry and foodservice industry.

Publicans are said to be at high risk, as many pubs are currently challenged with profitability, and the channel, as a whole, moves away from drink-only establishments.

Operators throughout the hospitality sector are unlikely to absorb all costs related to the increased VAT, and as a result, some costs will likely be passed on to the consumer come January 2019.

Ireland's Healthy Tourism has been a Boon to Economic Growth

Ireland is a global destination

In today's booming Irish economy, tourism has seen close to +8% growth in overseas visitors from January-August resulting in 520,500 additional travelers visiting Ireland year-over-year during this 8-month period. Specifically, tourism from North America has shown strong growth with a +13.2% increase as well as tourism from Mainland Europe with is up +10.5% from last year.

Ireland has experienced close to +2.5% increase from Britain. However, many are wary to conclude that this upward trend will remain steady, based on continued weakness of stg£ and the uncertainty associated with Brexit.

“Ireland's tourism numbers are extremely good. We are benefiting from North American via Ireland into Europe.”

“About 18% go through Ireland into other parts of the EU, and the country benefits from that. If you add access routes into the country, tourism should increase.”

—Trade Association

Tourism increases are felt in the North

Northern Ireland has also seen an increase in tourism, especially from the ROI. NI experienced a +11% growth year over year during the first quarter of 2018, with ROI citizens contributing stg£21.5m spend to the NI economy. More Irish citizens view the North as a holiday destination, as tourism from the south has experienced +29% YoY growth in overnight holiday trips in Q1 of 2018. While many use these trips to visit friends and families, the NI has grown as an attractive holiday destination for ROI citizen for its close

proximity and preferable currency conversion rate. Tourism Northern Ireland reports record double digit growth for holidays and other trips during Q1 2018. Overseas tourism is also displaying a strong performance, as foreign tourists spend grew by +9% in 2018 to £248m, according to Irish News.

Ireland's Healthy Tourism has been a Boon to Economic Growth (cont.)

Hotel occupancy rates have also increased

In 2017, Northern Ireland hotels experienced an average 73% occupancy rate with nearly 2.1 million rooms booked throughout the year. This year, the ROI has also experienced growth with 90.5% occupancy rate in Dublin in May 2018 (+1.2%) and 80.2% (+5.3%) outside of Dublin. In addition to the raising occupancy rates, room rates have also risen a reported +12.7% in Ireland to an average of €144.55 per night. As of May, Hospitality Ireland reports hotel rates in Dublin average €162.36 per night and €115.62 per night outside the capital.

“The level of growth in the hotel sector is faster than pub and restaurant sector. The price of staying in a hotel in the city is more and more expensive, and there are less rooms available.”

It's driving the acceleration of growth in regional locations and filtering out from high demand and low availability in city centre. Galway and the west coast saw the highest level of growths.”

—National Bank

What this means for foodservice

Ireland's booming tourism industry has played a major role in the improved health of the national economy as millions in additional spend is taking place at Irish businesses. Sectors that closely interact with tourists have seen great profit and growth. As a result, foodservice and hospitality business are able to invest in bricks and mortar expansions, new technology and additional staff.

Healthy economies often result in low unemployment rates—as Ireland is currently experiencing—and an increase

in consumer disposable income. This in turn, allows more Irish consumers to partake in more foodservice occasions and hospitality offerings throughout Ireland, and as a result, reinvest in Ireland's hospitality sector.

Increased foodservice occasions directly benefits Irish operators, distributors and suppliers, but also creates an attractive marketplace and a resulting increase in competition.

Economic Success has led to a Fight for Differentiation in a Saturated Market

Ireland's current economic landscape creates an inviting environment for international chains to enter Irish foodservice and encourages locals to create businesses and expand throughout Ireland.

Major Irish cities, such as Galway and Belfast, have seen an increase in foodservice openings, however Dublin has experienced the most saturation. This is especially true with coffee shops, as the third wave of coffee has nearly saturated the Dublin market and begun spreading across the country. With saturation comes an increased challenge for operators to capture consumer spend and differentiate their service and offering in a busy marketplace.

Operators can differentiate themselves through offerings or services

Concepts offering unique cuisine, such as Thai or Vietnamese, already stand out in the marketplace for their offerings. For operators of concepts such as coffee shops and pizza takeaway restaurants, however, this challenge will only increase as more players move into their markets and attempt to steal share.

“Hospitality has grown in Dublin, and there has been a massive increase in outlets, which raises concerns in terms of a saturation point. You also see a different use of foodservice as retail has begun moving into the space. Casual restaurants are middle of market, and competition is very tough.

Even the good operators say its tough. I can see more deals and promotions coming back because of the competition.”

—Trade Association

Economic Success has led to a Fight for Differentiation in a Saturated Market (cont.)

Other sectors enter foodservice

Additionally, more businesses outside of restaurants are beginning to focus on their food offerings as a tool of growth. These new entries also contribute to saturation of the market and the number of options consumers have to choose from.

BWG Retail recently announced their new €25million strategic plan which prioritises a move towards digital and the expansion of in-store dining. Changes have already taken effect at the newly renovated Spar outlet at Millennium Walkway. Updates include an expanded deli section featuring BWG's proprietary concepts, Pitta Project and I-Scream concepts.

Distributors and suppliers can make the difference

Irish food and beverage manufacturers and distributors have an opportunity to become best-in-class and help operators stand out among competition. This can be done through menu ideation and adding attractive offerings to menus or through the introduction of new services, such as click and collect or kiosk ordering.

Critical Strategic Issue #2

**FOREIGN INVESTMENT CHANGING
THE NATURE OF COMPETITION IN
IRISH FOODSERVICE**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Foreign Investment Continues</p> <p>The strong Irish foodservice economy has brought continued investment into all parts of the foodservice industry, from foreign full and limited service operators, forecourt operators and also distributor and supplier organisations.</p>	<p>Ireland remains an attractive location for investment; expect continued investment from multi-national chain operators, distribution companies, and food and beverage manufacturers.</p> <p>Foreign investment and consolidation is likely to continue as distributors and operators become larger and more powerful – ultimately this could result in a challenging environment for smaller, local suppliers.</p>	<p>Competition will become fiercer, and maintaining a unique point of difference will be increasingly important.</p> <p>Many sourcing decisions may eventually move outside Ireland as procurement becomes more “global”.</p> <p>Maintaining and promoting a company’s “Irishness” will be a strong competitive position for many looking to compete against international companies.</p>
<p>Distributor Consolidation</p> <p>With large investments in the Irish distribution industry by foreign investors, there has been a wave of consolidation within foodservice distribution.</p> <p>Many broadline distributors are acquiring competition to grow their distribution footprint and to offer a wider range of products to the industry.</p>	<p>The industry is likely to ultimately have a small number of “mega” distributors alongside smaller specialty distributors. In order to compete, mid-sized distributors are likely to either acquire or become part of an acquisition themselves.</p> <p>This will lead to a concentrated industry among large distributors and a fragmented distribution industry below that.</p>	<p>Greater importance will be placed on distribution strategies by both manufacturers and operators.</p> <p>The basis for competition in distribution will increasingly be based on value-added services and other ways in which distributors can stand out.</p> <p>Margins structures for suppliers will likely change as big distributors bring more purchasing power to the industry.</p> <p>Operators will face fewer options for sourcing products.</p>

Distributor Consolidation

The foodservice industry has seen an increase in consolidation as large business have benefited from strong bottom line results in recent years to fuel additional growth through acquisition. Consolidation has been the most prevalent within the distribution sector.

Distributors acquiring to expand range and enter new markets

Rather than consolidation amongst competitors, distributors are choosing to acquire new businesses in efforts to expand their portfolios and extend their reach across new segments.

In addition, distributors are using acquisitions to broaden their product ranges and add new product tiers to their portfolio.

The future of Irish distribution

Additional consolidation is predicted to take place as the economy continues to grow. Some within the foodservice foresee future Irish distribution consisting of a small number of national broadliners supported by a wider range of specialty distributors. Mid-sized distributors are thought to be the prime targets for broadline acquisition and may become a rarity in the foodservice landscape.

“I would not like to see consolidation go too far. This normally leads to a very stagnant market with significantly reduced innovation and differences between competitors. Ireland is a relatively easy country to distribute in. Too much consolidation will just drive medium to large manufacturers to do their own.”

—Forecourt Convenience

“Distributor consolidation will result in less competition and higher prices. It will also result in more innovative distributors, so there may be more solution-based services that would mitigate the price aspect.”

—Independent Operator

“Distribution – over time we could see there only being 5-6 big guys. Small ones have the flexibility – there is a role for the really small guys that are flexible, but mid size will be squeezed.”

—Manufacturer

International Chains Move into Ireland's Booming Market

As the Irish industry continues to evolve and offer a variety of cuisine types, international chains are looking for a piece of the booming foodservice industry. These international chains are looking to set up shop in Ireland's majority cities, further saturating the market with foodservice options. Tourism also has a hand in making Ireland an attractive market to international business, as there will be a portion of tourists familiar with the international brand.

“Underlying economic factors are a concern. There are too many new entrants in Dublin, so our slice of the pie is getting smaller. There are additional business cost concerns due to new entrants. Access to finance and higher rents are concerns. International concepts have fewer barriers.”

—Independent Restaurant

“Pizza growth has been driven by tourism. Some success comes from having a global brand, helped by surge of American tourists. High profile outlets have been successful - motorways, etc. - where pizza is a preferred product.”

—Quick Service Restaurant

Influence on rents & effects on local operators

In addition to future saturation in the foodservice market, international chains enter the Irish market at a financial advantage compared to local Irish independents. As a result, these international chains are able to outbid independents and small chains for high priced commercial property. This is frequently the case for city center storefront property.

Response from Irish consumers

Younger Irish consumers appear to be more excited about international chains entering the market than their older counterparts. This may be due to younger consumers, as a whole, being more adventurous eaters and less brand loyal. Older consumers are more likely to hold onto more traditional Irish habits and frequent their favorite local establishments.

Spotlight: International Chains Recent & announced entries into Ireland

Brewdog

In July 2018, BrewDog announced plans to expand into Ireland within the next year, including a BrewDog pub in Dublin. The Scottish based craft brewing company has experienced a 55% jump in half-year revenues due to its recent expansion of locations and sales of their craft beers.

The company currently has 50 pubs around the world and is planning to open additional locations in London and Iceland.



Spotlight: International Chains Recent & announced entries into Ireland

Krispy Kreme

US-based doughnut chain Krispy Kreme recently opened its first shop in Ireland. The Blanchardstown location was met with such excitement that news outlets in Ireland and in the US have reported, using words like “chaos,” “frenzy,” and “mayhem” to describe the line of cars waiting for drive-through doughnuts.

As a result, the brand released a statement on Twitter apologising for any inconveniences to locals.



Critical Strategic Issue #3

**CHANNELS BLUR AS FOOD
BECOMES POINT OF
DIFFERENTIATION**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>More operators use food as a tool to compete</p> <p>Segments like pubs are increasingly focusing on food as consumer demands shift away from alcohol; other segments like hotels, catering at travel hubs and recreational facilities also putting more emphasis on food as a driver of profitability and guest satisfaction.</p>	<p>Operators will continue to invest in food (and beverage) as the incremental profitability and growth remain attractive.</p> <p>Food offers will increasingly be front and center of promotional activities among “non-traditional” channels looking to generate consumer interest.</p>	<p>“One size fits all” solutions no longer workable as each type of operator seeks a unique solution for their own challenges. Custom approaches from distributors and manufacturers will be requested.</p>
<p>New channels emerge</p> <p>Segments that were not traditionally major foodservice competition are now becoming more active and prominent.</p> <p>Forecourt operators continue to invest in food as a point of differentiation; food to go is a major growth area for retailers that are struggling to build grocery sales.</p>	<p>Continued evolution by these more nimble food to go players will raise the bar on the foodservice offer for all types of operators.</p> <p>Much of this competition is found in the “Food to Go” segment, which will continue to flourish as consumers seek out convenient options.</p>	<p>“Traditional” foodservice operators face increasing competitive threats from operators providing convenient options.</p> <p>More takeaway and delivery options are likely to be implemented by operators of all types.</p> <p>Distributors and manufacturers will need to provide new solutions for operators that are providing new foodservice solutions to the consumer.</p>

“Non-Traditional” Segments

Increasingly use Food to Compete

Operators are increasingly targeting food offerings as a way to differentiate themselves from competition. This tact is largely deployed among channels that have not traditionally offered strong food selections.

Pubs

With an increased focus on eradicating drink driving, publicans have reported a decrease in overall alcohol consumption. To find success in today’s culture, industry experts and publicans alike say food offerings will help drive consumer traffic back into pubs. Today, consumers can find a range of foodservice offerings across many of Ireland’s pubs from heat and eat meals to Michelin Star menus using local ingredients.

“Membership is stable – publicans are a resilient bunch. We are seeing good guys doing well, but a lot more can be

doing better. As alcohol sales are flat, we see food sales growing. Food can account for 80% of a business (on the high end). They are doing food well, and it’s dominating their business.”

—Trade Association

Coffee shops

With high volumes of competition in Ireland, coffee shop operators see food as a secondary offering to their coffee, but a primary tool to differentiate themselves from neighbouring coffee shops. Like pubs, coffee shops across Ireland largely offer the same range of beverages to consumers, making it difficult to form brand loyalty and discourage consumers from visiting other coffee shops down the street. Today, consumers can find a range of food offerings in coffee shops, including traditional cakes and morning pastries, ranges of sandwiches and salads made

with local ingredients and dedicated vegan and gluten-free menus.

“About 30% of our business is food, 65% hot beverage and the rest is retail. Our foodservice has totally evolved. We offer prepared sandwiches and have recently added vegan options to the range.”

—Coffee shop

“Non-Traditional” Segments

Increasingly use Food to Compete (cont.)

Forecourt Convenience stores

Today’s c-stores have moved beyond a petrol stop to serve as a destination for breakfast, lunch or dinner. C-stores have invested in the creation of their own in-store brands and many have partnered with popular QSR brands to provide consumers with a variety of familiar foodservice options on their way home from work or during a morning coffee run. Forecourts are also investing in higher-quality, consumer-facing coffee brands with the addition of branded counters and kiosks featuring top of the line bean-to-cup machines and baristas that provide a coffee shop experience.

“We have continued to grow in food and coffee performance, traditional convenience is under pressure while categories we have invested in heavily have performed incredibly well.”

—Forecourt Convenience

“Our strategy for revamping our stores is focusing on seating, fresh food and staff. We are bringing in a branded coffee offering and investing in a five-person innovation team.”

—Forecourt Convenience

Retail

Retail outlets and supermarkets are also entering foodservice as a growth strategy. In particular on the high street, where retailers are experiencing less foot fall. As a result, more are turning to foodservice investment as a point of differentiation from competition and also as a driver of incremental foot traffic.

Offering available grab-and-go options at retail provides a convenient solution for consumers already on a shopping trip.

Spotlight: Focus on Food

The Wild Honey Inn

The pub received Ireland's first Michelin Star awarded to a pub in 2018.

Chef and owner Aidan McGrath uses local produce and product from the Wild Atlantic Way in his signature bistro style, light bistro fare, based on French cuisine.

“Everybody knows that the wet sales in pubs, in rural Ireland in particular, are not as good as they used to be ... I think publicans need to reinvent what they're doing. When I say they're missing a trick, I think they should probably focus on food.”

—Aidan McGrath



Spotlight: Focus on Food

Applegreen

Over the past five years, Applegreen has targeted foodservice as a vehicle for growth in an evolving world. Chief Operations Officer, Joe Barrett, explains, “People don’t need to stop as often because cars are getting more efficient. So what we need to do is find another source of product we can sell to our customers and food is key.”

Applegreen currently partners with international brands such as Freshii and Subway and have grown their own *Bakewell* brand. Additionally, coffee has become a focus, with barista bars being added to locations and partnerships developed with Lavazza and Costa Coffee.



Critical Strategic Issue #4

**TODAY'S IRISH CONSUMER HAS
NEW DEMANDS**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Convenience is the key driver</p> <p>Consumers are looking to source food anytime, anywhere, and foodservice has benefitted from this. Operators across all segments are investing in tools to provide convenient solutions.</p>	<p>A continued emphasis on convenient options – including takeaway and delivery- will drive growth not only in QSR and other Limited Service segments, but will spread to other segments that traditionally don't cater to off-premise solutions (full service restaurants, even hotels and some non-commercial segments).</p>	<p>Every aspect of the consumer experience, from packaging, store design, order systems, menu formulation, must be evaluated to ensure that they are meeting the convenience needs of the consumer.</p>
<p>Irish consumer becoming younger... and older</p> <p>Tech-enabled solutions appeal to younger consumers, while older consumers tend to be more traditional in their usage of restaurants and foodservice.</p>	<p>Younger consumers will demand more tech-enabled and convenience driven solutions. Still, "traditional" restaurant and foodservice occasions will continue to be demanded by older consumers.</p>	<p>Being "all things to all consumers" is increasingly challenging. Foodservice operators must understand who the consumer is and the types of occasions being catered.</p>
<p>Dayparts blur and traditional ways of dining are disappearing</p> <p>Three meals per day is no longer "the norm" and consumers want food whenever and wherever they are.</p>	<p>Snacking and late night occasions will grow in importance as consumers look to source food at any time.</p> <p>On the go dining will continue to grow.</p>	<p>Solutions must address grazing habits of consumers as well as focus on creating an experience that consumers value.</p>
<p>Consumers are looking for more experiences when eating out</p> <p>Restaurants and foodservice are increasing seen as "entertainment" and "events" and consumers are willing to spend on something that is unique and different.</p>	<p>Occasions will increasingly be divided into those that are convenience driven and those in which consumer demand "something unique."</p>	<p>Understanding consumer occasions and how/why they utilise various foodservice segments will better help target the needstates of consumers in those occasions.</p>

The Evolving Irish Consumer

Irish consumers are becoming more tech savvy as a whole. As Millennials and Gen Zers advance in their careers and acquire additional disposable income, younger generations are becoming more prominent consumers in the foodservice industry.

“The mainstream will be tech-savvy in the future because its not just “youths” that will be driving it. This is a big implication for foodservice.”

—Independent Restaurant

Busier schedules drive the need for more convenient foodservice solutions

According to the 2016 Morgan McKinley Working Hours Survey, nearly three-quarters of Irish employees reported working longer hours than they are contracted to in 2016. Of those surveyed, just over two-fifths (41.6%) reported working six hours or more over their contracted hours each week.

The increase in work hours for the majority of Irish employees has undoubtedly contributed to the rise in takeaway and delivery occasions. Foodservice operators have begun to supply solutions such as order ahead, click and collect and third-party delivery to answer consumers’ growing need for convenient meals. In addition, retailers, c-stores and pubs have recently added or improved their foodservice offerings in attempts to satisfy this growing consumer needstate.

As consumers become increasingly tech savvy, operators will need to keep up

As generations age, the number of tech savvy consumers will increase and their expectations of fast, convenient food will further become the norm. These younger tech savvy generations have grown up with smartphone culture and are more likely to be supporters of restaurants that allow ordering to take place at their

finger tips through online portals and third-party delivery apps. Operators further catering to the convenience-driven lifestyle have also invested in time saving instore amenities such as designated pick up area for online orders. Operators that are unwilling to adapt to the times are likely to face challenges in the future.

“I anticipate that—in line with the UK and US—we will start to see a move away from shopping centres and town centres and retailers that deliver on experience will win. In forecourt terms – experience could be as simple as good wifi, parking, seating and toilets but these will become the new minimums.”

—Forecourt Convenience

The Evolving Foodservice Experience

According to the 2016 census, Central Statistics Office reports growth of +1.9% (399,815) of single-person households across Ireland since the 2011 census. Due to smaller households and longer work weeks, today's consumers are using foodservice differently than in the past.

More consumers are partaking in non-traditional dayparts, as snacking occasions rise

With the rise in Irish coffee culture, more consumers are accustomed to visiting cafes outside of typical breakfast and lunch hours, where food offerings are increasingly present. In addition, with Irish workers having busier schedules, more are finding time to eat during alternative hours between meetings and work tasks.

“Quality snacking options are our biggest opportunity.”

—Forecourt Convenience

Dining on-premise has become more of an event

Consumers making time to dine in at restaurants are now expecting more from their investment. Atmosphere and entertainment is increasingly becoming important at full-service restaurants and pubs as a way to differentiate from competing restaurants and give diners an experience beyond food.

“There's a change in the consumer that doesn't want to visit a dark pub anymore. They want to go to lively restaurants.”

—Trade Association

Pub culture is dying off as consumers expect more from on-premise atmosphere

Consumers are moving away from the traditional drink-lead pubs to those that offer a food menu and a more lively atmosphere for socialisation. Largely, consumers have shifted to favouring pubs that function more like restaurants in offerings and ambience.

“What we have seen is a continued change in the pub space. It is now more food and events driven.”

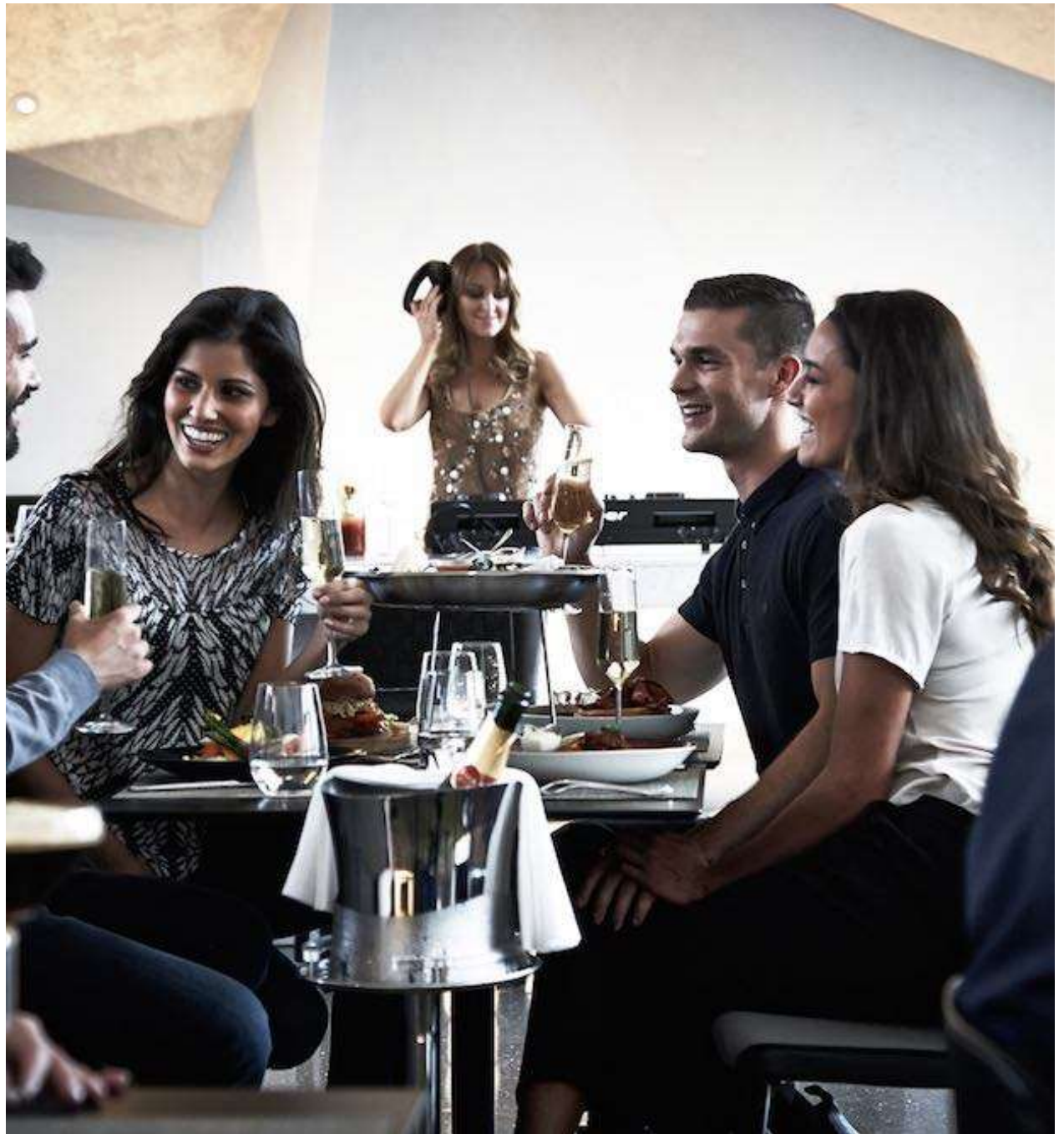
—Trade Association

Spotlight: Adding Entertainment to the Dining Experience

Le Drunch

Marker Hotel Dublin's Le Drunch offers consumer a hybrid meal between lunch and dinner. The menu includes sharable dishes and retro desserts. Le Drunch was awarded the "Best Hotel Restaurant in Dublin" by RAI.

In addition to food offerings, Le Drunch features an in-house DJ to help set the mood for a relaxing afternoon with friends.



Spotlight: Adding Entertainment to the Dining Experience

The Brazen Head

The Brazen Head may have been built in 1754, but that doesn't mean it is out of touch with contemporary consumer demands. Ireland's oldest pub appeals to consumers they want their dining experiences to be coupled with entertainment - they offer live music, and story telling events as well as both contemporary and traditional foods.



Critical Strategic Issue #5

**THE PROS AND WOES OF
IRELAND'S GROWING ON DEMAND
FOODSERVICE CULTURE**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Cashless transactions becoming more popular</p> <p>Many of the emerging fast casual players are moving to cashless as a way to smooth the overall transaction process and eliminate the challenges of handing cash.</p>	<p>Not all segments will go cashless, but more operators will switch to cashless to make transactions more seamless and to reduce handling costs and increase safety at the operator level.</p>	<p>Speed of service and convenience are becoming increasingly important in multiple segments and occasions; cashless will spur increased sales velocity in certain segments that are able to use this as a point of difference.</p>
<p>Click and collect moving from retail into foodservice</p> <p>Consumers have gotten used to ordering in advance and picking items up from retail operations; this, while still in its infancy, is gaining momentum in restaurants and foodservice.</p>	<p>Click and collect is a convenient option and increasingly found in other countries in QSR, convenience and fast casual outlets – as well as certain non-commercial segments such as colleges and Business & Industry.</p>	<p>Successfully implementing this requires a shift in operational abilities and requires a strong technology infrastructure.</p>
<p>Third party delivery growing in prevalence</p> <p>Possibly the biggest disruptor to the industry as technology provides app-enabled ordering with delivery by 3rd parties such as Deliveroo and Just-Eat.</p> <p>The success of delivery is based on the incrementality of the purchase; most operators involved in 3rd party delivery note that the sale is one that wouldn't otherwise be made.</p>	<p>Delivery has always been a driver for growth in certain QSR segments, but this is increasingly growing into segments that haven't traditionally delivered.</p> <p>Expect more involvement from full service restaurants and even pubs.</p> <p>Delivery-only kitchens are starting to appear in other countries and will likely be an area of focus for delivery companies in Ireland.</p>	<p>While traditional QSR segments are adept at off-premise food, segments that traditionally have been on-premise focused will need assistance.</p> <p>Decisions around menu items to be included in delivery and packaging are necessary.</p>

In-house Services Catering to On Demand Culture

Irish consumers' increasingly busy lives are driving the rise in off-premise occasions (e.g. takeaway, delivery), and a shift in consumers lifestyle and expectations. This shift creates new opportunities for foodservice operators to create new paths to purchase, invest in better technology and reach a new consumer base.

Trending Towards Cashless Transactions

There is much debate across the foodservice industry regarding the emergence of cashless locations. While the majority continues to make transactions in both cash and card, technology such as mobile pay and the speed of transaction when tapping a credit card, has led to the popularity of card use across sectors.

“Cashless will become the norm, or largely dominant in foodservice.”

—Independent Restaurant

The Advent of Click and Collect

Mobile and web-based ordering platforms are becoming more commonplace in the market, with standing limited-service restaurants adopting the technology and new entries into the marketplace offering the services. Click and collect allows operators keep control of their food and transactions, as consumers order through the operator's own online platform and pick up their orders in-store from staff.

“Convenience is a buzz word in our business. We have seen 20% year over year growth in delivery and click and collect. We also have the seen our business with Deliveroo substantially increase.”

—Fast Casual Restaurant

Many operators have created special designated queues for click and collect orders, making for more convenient pick

up. These queues are also used to separate traffic flow of online and instore business.

Some operators have experienced such an increase in online orders, that they have invested in a separate line in back-of-house dedicated to processing these orders. In most cases, online orders are received in back-of-house via a computer tablet, separate from the operator's POS systems. However, some technology providers have the ability to ingrate online orders into an operator's POS system.

In-house Services Catering to On Demand Culture (cont.)

How Faster Transactions Benefit Foodservice

Bottlenecked traffic flow is a scenario that is sure to aggravate consumers and slow down the turnover of product and profit. While cashless operating, online ordering and click and collect are large investments on the operator's end, the technology is kept in-house, allowing each operator to have more control over their profits and execution of each service. Proper execution of these services can allow for faster traffic flow in-store, which can in turn increase the number of transactions possible per hour.

“We will see more operators engage with technology and search for simpler solutions to delivering orders quickly and adjust to new payment methods.”

—Forecourt Convenience

Growth and Challenges Related to Third-party Delivery

Ireland's emerging third-party delivery market

Third-party delivery is emerging as a prominent player in the market, and similar to the US, is slowly becoming a service consumers are expecting operators to offer. This year, UberEats announced their entry into the Northern Ireland market, which illustrates the growth and opportunities third-party delivery providers see in the Irish market.

“There will be a lot of benefit in UberEats entering the Belfast market and competing with Just Eat. It's a real growth channel.”

—Fast Casual Restaurant

Operators See Challenges in Partnering with 3rd Party Delivery

Many operators—especially small independents—are alarmed at the rates

third-party delivery providers charge, claiming the service does not appear to be a profitable option. With delivery providers charging up to 30% of the cost of the meal for their services, smaller operators may find investment in online ordering and click and collect as more beneficial to their business.

“Third-party delivery is not for us now. It dilutes our brand and the price structure is not attractive.”

—Local Independent

Third-party delivery is an opportunity to extend consumer reach

Operators utilising a third-party delivery service, tend to view the business garnered as incremental to their current business and note that the service attracts new consumers to their restaurants. Consumers using third-

party delivery are more often loyal to the third-party provider than to the restaurant they are ordering from. In addition, providers say consumers largely utilise third-party delivery as a tool to discover new restaurants. Third-party providers report consumers commonly using proximity and cuisine (e.g. Italian, Mexican, Thai, etc.) filters to find an appealing restaurant

“Third-party delivery can be a significant portion of our business and so can our click and collect because it allows us to reach people at home and people on the go. Consumer behaviour has changed, however our instore business has continued to grow without being cannibalised by delivery.”

—Fast Casual Restaurant

Spotlight: Successful Delivery

Domino's

The pizza chain credit's its year over year growth in Ireland to the country's healthy economy and its digital operations. As of August, Domino's reported online sales grew 28.8% in 2018 and currently account for 56.9% of the restaurant's total sales.

Due to it's success, Domino's plans to extend its supply chain to serve more locations in the ROI and NI.



Spotlight: Tapping into Younger Consumer Needs

Boojum

Boojum is reaching younger consumers by focusing on convenient and speedy service. Their 'click and collect' programme allows customers to order online or by app and pick up in store. Because Boojum has a separate line in back of house for online orders, click and collect customers' wait time is minimised from start to finish.

For those customers that want an extra level of convenience, Boojum also partners with Deliveroo.



Spotlight: Third-party Delivery Entry

UberEats

The third-party delivery service entered the Ireland market in 2018, competing with the likes of Deliveroo and Just Eat. This year, UberEats launched delivery operations in Belfast with McDonald's and Krispy Kreme.

In September, news broke of UberEats negotiating with Deliveroo for a partnership or full takeover of the London-based delivery app which may effect Ireland's delivery market.

At the time of writing, UberEats has not announced plans to expand into Dublin or the ROI.



Critical Strategic Issue #6

**ADOPTING THE MILLENNIAL STATE
OF MIND: TECH FORWARD,
AUTOMATED**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Tech-enabled solutions appearing</p> <p>Online and app-enabled ordering starting to appear, but operators report mixed success with these to date.</p>	<p>While adaption has been slow, younger consumers are increasingly asking for tech solutions such as app-based, kiosk-based or online ordering. Expect to see continued demand by consumers and investment from foodservice operators.</p>	<p>Much of the “front of house” experience between consumers and the operator could ultimately be automated.</p> <p>Continued investment in service levels and overall experience will be necessary to maintain overall perceptions of “hospitality” within the industry.</p>
<p>Overall productivity increasing throughout the supply chain</p> <p>Technology is increasingly driving productivity gains, in warehouses, in procurement and in overall cost control.</p>	<p>Technology will contribute positively to profitability and margin growth throughout distribution and manufacturing.</p>	<p>As consolidation continues, larger entities will be better able to invest in technology; smaller companies will be challenged to stay current.</p>
<p>Tech enabling more compliance with government mandates</p> <p>As nutritional labeling and other mandates drive compliance costs, operators look to technology and software to assist.</p>	<p>This software will increasingly be integrated into ordering and point of sale systems, allowing operators greater transparency into costs, nutritional info, sourcing and other critical issues important to operators (and other entities upstream from the operator).</p>	<p>As future regulations are enacted, technology will be increasingly required by operators to ensure they are compliant with the demands from the Government.</p>

Optimising Operations through Technology

Investing in the correct technology can boost output from production lines, optimise operations and make difficult adjustments easier.

Technology improves speed of production and quality control for manufacturers

More manufacturers producing handmade products are seeing the benefit in automating the majority of their production line, allowing only the finishing touches to be handmade. This move increases production and in turn, helps them grow their business. Aside from improved speed of production, new equipment on the market features live diagnostics features, providing the equipment manufacturers with the ability to remotely monitor machines and better identify issues before they cause efficiency problems.

“We have automated most of our dessert production line. Lots of our production equipment is linked back to equipment manufacturer, so they can see what is happening on our line before we have to contact them about an issue.”

—Manufacturer

Optimising Operations through Technology (cont.)

Inclusive management platforms allow operators, suppliers and distributors to better track stock and inventory as well as employees

More operators, especially chain operators, are investing in all inclusive management solutions to optimise their business in a range of areas. Some technology providers offer a range of products today that helps to assist in product inventory as well as employee management—including tracking of clocking in and clocking out times as well as pay and time off.

“We have a staff check-in and time management program. We are looking to upgrade to an iPad system for this.”
—Coffee shop

Some of these platforms also integrate with distributor online ordering platforms to capture product data from every purchase while cross referencing stock and product usage to help reduce product waste. Operators have also reported that the technology has helped them reduce their number of purchased SKUs. Often this technology makes operators aware of the quality and types of products they are purchasing across suppliers and can help identify areas they can consolidate purchases.

“Our procurement platform gives us a central hub of data to review our purchasing behavior. This one-stop-shop is a key component of our operation and will only increase in importance.”

—Independent Restaurant

Technology Can Aid Compliance with Government Mandates and Regulations

A push towards nutritional transparency and healthier diets can provide operational challenges

The implementation of mandatory allergy information and future calorie count requirements on menus presents operators with challenges beyond redesigning menu boards.

Getting quick, accurate allergy and calorie count values for main menu items, in addition to LTOs, can prove troublesome without technological aid. Today, a range of products on the market allow operators to upload their menus or easily calculate nutritional information based on the product portions used in each menu item.

While many operators have to provide some inputs (such as portion sizes and product information) into systems, this technology is advancing to provide solutions that integrate product brand and nutritional information from online orders into the system seamlessly.

“We provide a suite of modules, so when a new product is purchased, it will automatically update in their recipe section.”

—Technology Provider

“Adding calorie counts scares everyone. We are talking to a provider with software solution for calories, allergens, and more.”

—Forecourt Convenience

Better Understanding Your Customers

Technology can further assist in optimising operations and growing foodservice when paired with transactional and regulated consumer data.

Operators can understand their consumer's needs, favorites and most ordered items better than ever before.

The popularity of online ordering, click and collect and third-party delivery not only caters to the growing culture of on-demand food, but provides operators with a library of consumer and transactional data to use in decision making processes. As long as operators own their ordering platform, POS system and other areas of transaction, this data is free and accessible to them. Some of the ways this data can be used is in identifying top selling menu items and ingredients to inform LTO ideation and

future marketing promotions. In addition, looking at performance by daypart can help operators adjust staffing during peak hours of operations.

“Moving forward I think there will be a bigger push towards easy solutions. The race to deliver orders will mean a change in how products are paid for and prepared for customers.”

—Forecourt Convenience

“My goal is to have an integrated loyalty platform that traps data regardless of the route to market.”

—Independent Operator

“We are on a journey to create one app that controls all of our customer interaction including loyalty, payment and ordering.”

—Forecourt Convenience

Operators that are highly invested in, and utilising data have taken investment a step further and are now purchasing integrated systems where purchase data is aggregated across platforms (e.g., in-store orders, online orders, delivery orders). An integrated system is the best way to have a comprehensive look at all paths to purchase and the overall business.

“We are working on in-store kiosks and need them to be connected to the tills. These also need to be connected to our online app for integration.”

—Quick Service Restaurant

Better Understanding Your Customers (cont.)

Collecting consumer data under the General Data Protection Regulation (GDPR)

Operators must make sure collection and use of all consumer data is within the regulations set forth by the new GDPR. A summary of the act includes requirements such as the collection of information that is only necessary for the transaction to take place – order, name and credit card information.

In addition, operators must ensure their customer loyalty programmes contain clear and transparent information regarding the intention of data collection and future use in an easy-to-understand, concise form. Internal use of collected data, such as order information by location, when used in aggregate stands to greatly benefit operators in decision making processes.

“GDPR is an ongoing project. We have so much data and are adding resources to handle all of the regulations.”

—Distributor

“GDPR - data collection/usage has changed; anything collected has to be put in from the consumer themselves.”

—Quick Service Restaurant

Spotlight: Tracking Nutritional Content

Nutritics

Nutritics is a cloud-based software that is accessible from any computer with an internet connection. It uses national data sources that users can access by selecting their location. This feature makes it useful for adhering to national nutrition labeling mandates.

Currently, the database includes 250,000+ foods and continues to grow. It has use across industries, including healthcare, sports, education and foodservice.



WELCOME TO NUTRITICS v4.0



Spotlight: Capturing Consumer & Operational Data

Synergy Suite

Synergy Suite is a cloud-based restaurant management software that integrates a range of essential back office operations: point-of-sale, accounting, payroll, and vendor systems.

The software creates operational efficiency, but also has capabilities for sales analysis meant to further enhance profitability.



Critical Strategic Issue #7

DIETS RE-DEFINED:

**THE CHANGING PALATE OF THE
IRISH CONSUMER**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Fresh and local are increasingly table stakes for consumers</p> <p>Operators and distributors report strong growth in “fresh” items that are perceived as healthy.</p> <p>Locally sourced items meet the needs not only of “health and wellness” but also for sustainable business practices, something that is continuing to grow in importance.</p> <p>Sourcing from Ireland is increasing in demand as well.</p>	<p>This trend will accelerate, driven by both younger consumers that are more sophisticated and are seeking out natural items, and older consumers that are increasingly facing health issues as they age.</p> <p>Irish provenance has proven a strong differentiator and, as globalisation continues, will be something that Irish consumers see as unique and important to their decision making process.</p>	<p>Fresh sourcing has a major impact on distribution that will require more refrigerated transport and warehouse space.</p> <p>“Speed scratch” or the ability to create a seemingly hand-crafted menu item from value-added products, will grow in importance.</p> <p>Supply chain issues, particularly with Brexit, may increase the attractiveness of sourcing from Irish suppliers.</p>
<p>Plant-based diets no longer fringe</p> <p>While the percentage of consumers that are vegan or vegetarian remains small, consumers are generally looking for alternatives to meats – perhaps not at every meal occasion, but there is an increasingly demand for this as an option.</p>	<p>Expect to see more consumer demand for vegetarian and vegan options.</p> <p>This is particularly driven by Gen Z and Millennials, and will grow in importance as those generations age.</p>	<p>More restaurant and foodservice operators, even those that have a strong meat focus on their menu, will need to create vegan and vegetarian options for their consumers.</p>

Promotion of Fresh, Local Produce and Move Towards 'Free From'

The promotion of fresh produce also promotes use of local Irish farms

In order to provide truly fresh produce while maximising shelf life in-store, operators and processors are increasingly driven to source within Ireland for their fruit and veg. While the Irish have always been proud to support their local farmers, the evolving Irish diet that focuses on fresh produce further encourages partnerships between farmers and foodservice operators.

Although the Irish climate does not provide the ideal canvas for year round growing, techniques such as the use of thermal or foam blankets and hydroponic farming can help provide consistency in the Irish produce supply chain and allow operations to use more Irish product year round.

“We like to source from local farmers whenever we can, to keep that relationship with the town we’re in. Everyone knows everyone, so they notice.”

— Quick Service Restaurant

Promotion of Fresh, Local Produce and Move Towards ‘Free From’ (cont.)

Departure from meat and dairy

There is a continued movement beyond the heavy inclusion of meat and dairy products in local diets.

“Protein is still the key driver, but vegetarian/vegan is trending. Restaurants need to have an offering there. Gluten-free is still growing, and we have grown our ‘Free from’ product range. There is a huge push on fresh produce as well.”

—Broadline Distributor

One of the leading trends operators are seeing today is the push towards vegetarian and vegan offerings, with many operators in Ireland’s major cities offering at least one vegan offering. However, in actual practice, this movement is largely taking form as a shift to more plant-based offerings throughout the country.

“Where millennials set new trends, everyone else follows today. The move towards healthier options and a much more balanced diet is happening as quickly as we have seen smoking habits change – this will only accelerate.”

—Forecourt Convenience

In recent years, this trends is prominently displayed in the opening of successful local salad chains such as Sprout and Freshly Chopped, along with the entry of international salad concepts into the market. Salad Box, which currently operators in more than 10 countries across the globe, opened their first location in Cork this year with further expansion planned for 2019.

This trend is also evident at manufacturer level, as more manufactures are developing dairy-free offerings in addition to offerings cater to allergy sensitivity and diet restrictions.

“We are creating a non-dairy dessert that checks all the boxes, including dairy allergies and non-gluten. The development was driven by the sustainability and health trends we are seeing .”

—Manufacturer

Government & Businesses Get Involved

Beyond menu offerings, Government and foodservice associations have a hand in promoting the adoption of healthier, plant-based diets in Ireland. Some of these efforts include:

Restaurant Association of Ireland's Incredible Edibles Project



Almost 1,300 schools across Ireland participated in the Incredible Edibles Project. The programme aimed to teach children about healthy eating, connecting them to the origins of produce through a course of five interactive tasks that had them producing vegetables in their new school gardens.

Healthy Ireland 2018 Campaign



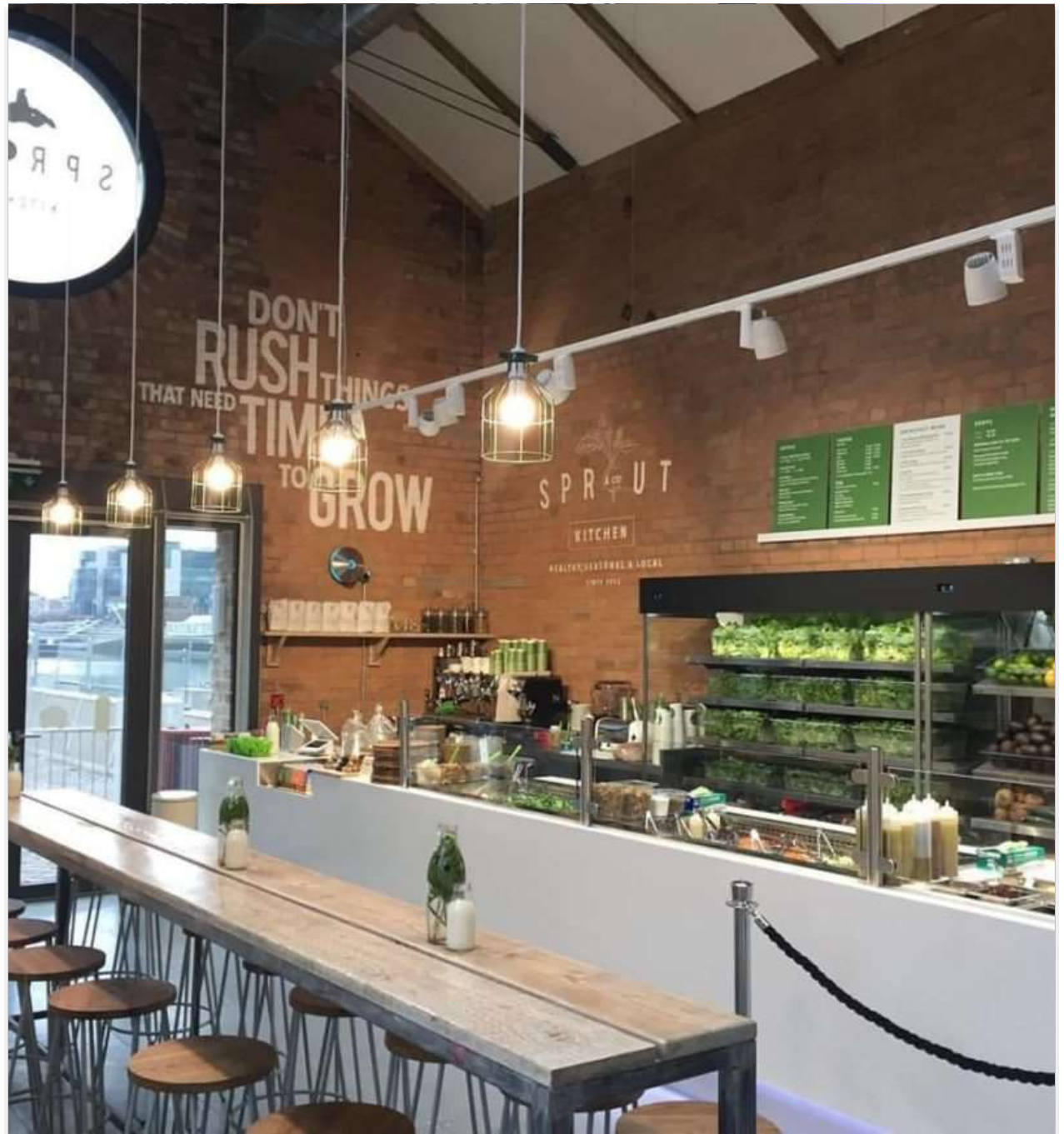
In early 2018, the Irish Government launched their Healthy Ireland campaign to provide the public with support and access to information to make better choices for a healthy mind and body. The initiative includes new healthy eating guidelines and food pyramid promoting 5-7 servings of vegetables a day.

Spotlight: Seasonal & Local

Sprout

Sprout's focus on "healthy, seasonal, local" foods includes a veggie-forward menu including signature salads, build-your-own protein bowls and sweet and savory breakfast options. In the summer of 2018 they started growing their own organic leaves on 3.5 acres of land in Co. Kildare and now supply 100-120kg of greens daily to their chain of seven restaurants.

The menu includes gluten-free and vegan options, as well as alternative proteins such as spicy tofu and sweet potato & beetroot falafel. The 'Free From Everything' vegan porridge is made with coconut milk and sweetened naturally with maple syrup.



Spotlight: Plant-focused Menus

Stacks Healthy Kitchen

Coming soon to Belfast City Centre, Stacks Healthy Kitchen will offer a variety of menu options for the plant-based consumer, including Spiced Sweet Potato Cakes, Vegan Curry and a Spiced Sweet Potato Chickpea Burger.

Other menu items include a variety of protein shakes, smoothies, salads and sandwiches. Even items that are typically more indulgent– like pancakes, brownies and ice cream– are made diet-friendly with added protein.



STACKS HEALTHY KITCHEN

Critical Strategic Issue #8

**OPERATING WITH A CONSCIENCE
IS THE EXPECTATION, NOT THE
EXCEPTION**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Reducing food waste is a key concern</p> <p>Operators expressed concern in the amount of waste generated by the industry and are working to reduce it.</p>	<p>Food waste will be a critical issue for the industry to address – not only to reduce costs but also to build upon other sustainable practices already in place in the restaurant industry.</p>	<p>All parts of the industry – not only operators – will be tasked with helping reduce overall food waste and creating more sustainable business practices.</p>
<p>Compostability has exploded as an issue in a short amount of time</p> <p>Seemingly overnight, operators that are involved in takeaway (specifically around coffee) are working to identify environmental solutions to the waste generated by paper cups.</p>	<p>Packaging is a key part of a sustainable message and operators are working to reduce packaging in as many ways as possible.</p> <p>While the focus has been on the coffee cup, the issue is likely to spread to plastics and broader packaging (both consumer-facing and back-of-house).</p>	<p>Costs are likely to be higher for packaging as compostable and environmentally-friendly packaging becomes more common.</p> <p>This will likely require longer term implementation as supply currently lags behind demand for compostable and environmentally friendly packaging.</p>
<p>Consumers demand “something” be done but are often poorly informed</p> <p>The industry notes that few consumers understand the broader infrastructure needs to recycle or compost foodservice waste.</p>	<p>The industry has responded well to the existing demand. However, consumer expectations tend to be greater than what can be delivered and this will likely not change in the near future. Managing expectations will be critical.</p>	<p>Investment in additional means of composting and recycling should be supported by the industry.</p> <p>Educating the consumer on the actions taken by the industry is also required.</p>

Re-examining Operational Impacts & Packaging

Operators continue to try to tackle food waste

Reducing food waste has remained top-of-mind among Irish operators, as it helps limit product waste and narrows the gap on profit loss. Operators today continue to look for ways to prevent the occurrence of waste, such as investment in better inventory management software, and ethical ways of discarding wasted product.

“Food waste is the biggest challenge. We haven’t cracked the waste code—I don’t think anyone has.”

—Forecourt Convenience

Leading global methods to reduce food waste include donating leftover food at the end of the night and composting scraps and unused product. Manchester health food restaurant, Bosu Body Bar, received praise last Fall for boxing up

leftover meals after close and leaving them packaging outside for the city’s growing homeless population. The restaurant encouraged its social media followers to direct the hungry to their doors.

“The millennial and younger bracket want to be associated with brands that have a certain approach to business. They want to understand your approach to being more eco-friendly. We have had a lot of feedback on this and need to do more.”

—Fast-casual Restaurant

Revamping takeaway cups is target number one for national sustainability efforts

The increase of off-premise occasions and takeaway coffee culture has contributed to efforts within the foodservice industry to provide

consumers with a more environmentally-friendly takeaway cup. As the industry moves in unison towards a sustainable solution, operators are targeting a variety of coffee cup alternatives. Solutions currently on the market can be made from a range of materials such as sugar cane fibre, sustainable paper sources, PLA (made from cornstarch) and CPLA (consisting primarily of PLA and chalk).

“Packaging is a growing category for us. Coffee cup sales are up, and the entire growth is in compostable options.”

—Distributor

Re-examining Operational Impacts & Packaging (cont.)

Plastic packaging could likely be the next target

Once a sustainable solution for takeaway coffee cups becomes the norm in Ireland, operators are likely to focus efforts on reducing the use of plastic packaging and single-use plastic utensils.

Like coffee cups, sustainable packaging can help differentiate operations from their competitors. The leading barriers to this movement's success are public education and development of a proper disposable protocol for new packaging.

“We are changing our packaging. In October, our cups will be biodegradable. We have undertaken additional initiatives, such as reducing the amount of bags going out and reducing burger wrappings. Whatever changes made are welcomed by consumers. They see added value in removing packaging.”

—Quick Service Restaurant

Education and Infrastructure is the Largest Obstacle

Consumers participation in sustainable coffee cup and packaging efforts is paramount to it's success

With Irish operators currently using a variety of bio-degradable, compostable and recyclable takeaway cups of various materials, proper disposable protocol for each variety of cup is not common consumer knowledge.

“We have a compostable cup that has a sleeve on it that you can put in a special bin. We talked to recycling management about the chances of it working on the consumer end [disposing of it properly]. They said the majority wouldn't.”

—Distributor

Operator investment in in-store education, such as signage and employee

engagement, can help ensure cups are discarded in the correct bin on-premise. However, this monitoring leaves the operator's control as soon as a consumer walks out the door with their cup.

“We have a programme where you get a 20 cent discount if you bring in a reusable cup and recently launched a compostable cup. The new cup was a year in the making, but today, it's a given for coffee shops to have it. We put compostable bins instore as well. We have found that there is a bit of an education piece for both consumers and staff.”

—Coffee Shop

Once public awareness is built on proper disposal methods off-premise, consumers need to stay motivated by convenient solutions in order for cups

and packaging to end up at their correct destination for decomposition or processing.

“Most don't understand that you can't put compostable cups in your garden. There is a lot of education needed there.”

—Forecourt Convenience

“The biggest success of our industry is building and growing takeaway sales, but it is also one of the biggest challenges to being better stewards of the environment. We as operators have no control over where our packaging ends up.”

—Quick Service Restaurant

Education and Infrastructure is the Largest Obstacle (cont.)

There is a need for convenient, public bins

In addition, many operators are also calling on waste management and Government to provide consumers with easy access to public bins designated for sustainable cups. Many in the foodservice industry believe that the presence of these specialised public bins in convenient locations will aid in its use and the success of the sustainable movement.

Waste Management Plays the Largest Role

While Ireland is championing efforts to evolve the coffee takeaway cup, many within the industry caution that Ireland's waste management is not yet equipped

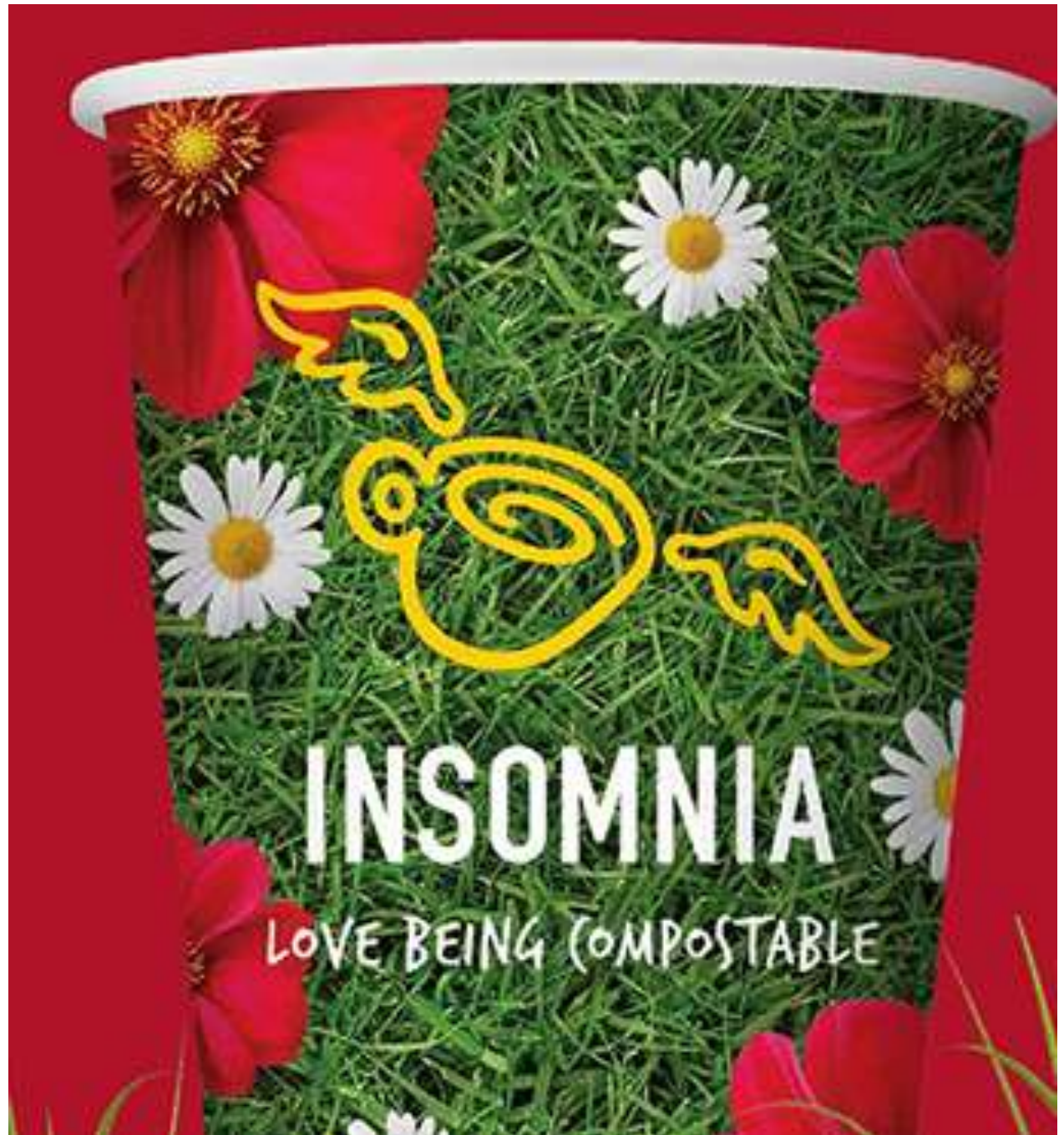
to properly process the number and types of sustainable cup solutions being used. This raises serious concerns that efforts to evolve cups, educate consumers and designate proper disposal bins may fall at the feet of Ireland's existing waste management system.

Spotlight: Mission Compostable

Insomnia Coffee Co.

Insomnia Coffee Chain has introduced a new 100% compostable and 100% biodegradable takeaway cup as a part of their 'Mission Compostable'. The Voyager Coffee cup breaks down within 8-12 weeks of composting, and Insomnia has further assisted this process by adding compost bins to its stores. By 2020, this programme will divert 15 million takeaway coffee cups away from landfills.

Other sustainability goals of 'Mission Compostable' include eliminating all single-use items—including cutlery and straws—in favor of sustainable, biodegradable alternatives.



Spotlight: Plastic Free Cafe

University College Cork

Ireland's first plastic-free cafe opened at University College Cork in September 2018. The cafe uses glass bottles, ceramic mugs, and does not stock food or snacks that uses plastic wrapping. The campus has also installed an extensive recycling and waste management area which has contributed to the cafe's ability to reduce waste by 95% since March 2018.

Produce and other fresh food shipments are plastic-free, too. Shipments arrive in reusable containers that are returned to suppliers each day.



Critical Strategic Issue #9
**APPROACHING BREXIT,
UNCERTAINTY IS THE ONLY
CONSTANT**

Primary Developments Driven By the Critical Strategic Issue	Outlook For the Future	Implication for the Industry
<p>Biggest issue is sourcing and costs</p> <p>The uncertainty around Brexit requires the ability to plan longer term and to make decisions on where products should be sourced.</p>	<p>Regardless of the ultimate outcome of Brexit, most in the industry expect costs to continue to rise.</p> <p>Food inflation, particularly in the North, likely to rise.</p> <p>Sourcing from the European continent is likely to become more of an option.</p>	<p>Focus on cost control and finding alternative sources is necessary, if nothing else as a strategic option.</p>
<p>Logistics delays are a concern</p> <p>Particularly for those that source from the UK, additional complexities due to new logistics requirements could add time and costs to the supply chain.</p>	<p>Companies will need to prepare for more complex trading practices.</p>	<p>Some companies that have expansion plans in both the UK and Europe/Ireland are putting them on hold until ramifications of Brexit are clearer.</p>
<p>Most doing scenario planning, but unclear on overall impact</p> <p>Every company interviewed is working to understand what Brexit may mean, but with so much uncertainty many find it challenging to develop specific strategies.</p>	<p>Continued uncertainty will likely exist up until 2019 when Brexit is scheduled to occur.</p> <p>Even after Brexit, it is likely that uncertainty will exist as political negotiations and changes to the agreement are made.</p>	<p>Developing a sound strategy in the face of Brexit has proven challenging, but many companies feel that they are making better overall decisions for their business based on scenario planning and a deeper review of costs, logistics and sourcing.</p>

Increased Cost of Goods and Operations is the Primary Brexit Effect

The Irish foodservice industry continues to speculate about the future legislature and impacts of Brexit. As of now, the majority of the industry is taking a “wait and see” approach to the matter, however express shared concern about a hard Brexit.

“We have prepared but now share a ‘wait and see’ approach with the rest of Ireland. The reality is that the biggest threat is probably financial market and sterling valuation disruption.”

—Forecourt Convenience

Logistic delays are a Leading Concern

Possible disruption between Ireland and the UK 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.

“Brexit is hard to plan for. A [hard] border will impact delivery, trucks, etc. We hold certain stock in NI and also buy from the UK. While we mostly hold in Dublin and sell in Euros, we have no clarity on the impact. We have to wait and see.”

—Distributor

Increased Costs of Goods will Effect all of Ireland

ROI operations with supply chains linked to the UK will also be subject to the increased costs of transporting goods. Any additional tariffs resulting from Brexit will be in addition to the increased hospitality VAT rate (13.5%) that takes effect from January 2019.

A Change in Sourcing and Supply Chain Allows for New Opportunities

Brexit is likely to cause the industry to focus on sourcing from new areas (with the biggest beneficiary likely to be the rest of the EU).

A possible hard Brexit scenario could direct Irish operators, distributors and suppliers to explore the EU for supplies. Some operators say—in preparation for a hard Brexit—that they have taken the opportunity to create new partnerships within Europe to secure supply.

“Brexit has caused us to look to the broader EU market for product and source of ingredients. It gives us the opportunity to capture the business that would have otherwise gone to British companies.”

—Manufacturer

In addition to the import of goods, Irish foodservice can seize the opportunity to promote and place Irish product in export markets.

Ahead of the official announcement of a Brexit plan, the Irish foodservice industry’s top concern is supply and servicing across borders.

Although the majority of Irish operations that were interviewed as part of this research have not created Brexit contingency plans, many have expressed interest in establishing depots and offices on both sides of the UK border..

Recent cross-border distributor consolidations may be viewed as both an investment in supply chain on both sides of the border.

“Brexit is causing suppliers more sleepless night than us. Manufacturers are looking to re-allocate production.”

—Forecourt Convenience

A Change in Sourcing and Supply Chain Allows for New Opportunities (cont.)

In the case of a hard Brexit, more foreign business will look to Ireland for EU headquarters

In recent years, companies such as Google, LinkedIn and Twitter have favoured Dublin for their EMEA Head Offices. Additional business and banks, such as Barclays, have also announced plans to relocate to Ireland in light of Brexit, with more likely to follow.

Some operators also believe additional supply chains are likely to move through Ireland, as Ireland is the nearest EU nation to the North American market.

“Brexit doesn’t keep me up at night, but if the economy was to tank I’m sure our sales would drop. But are Dublin’s corporate areas going to fall off the cliff? I don’t think so.”

—Fast Casual Restaurant

APPENDIX: Macro Economic Indicators



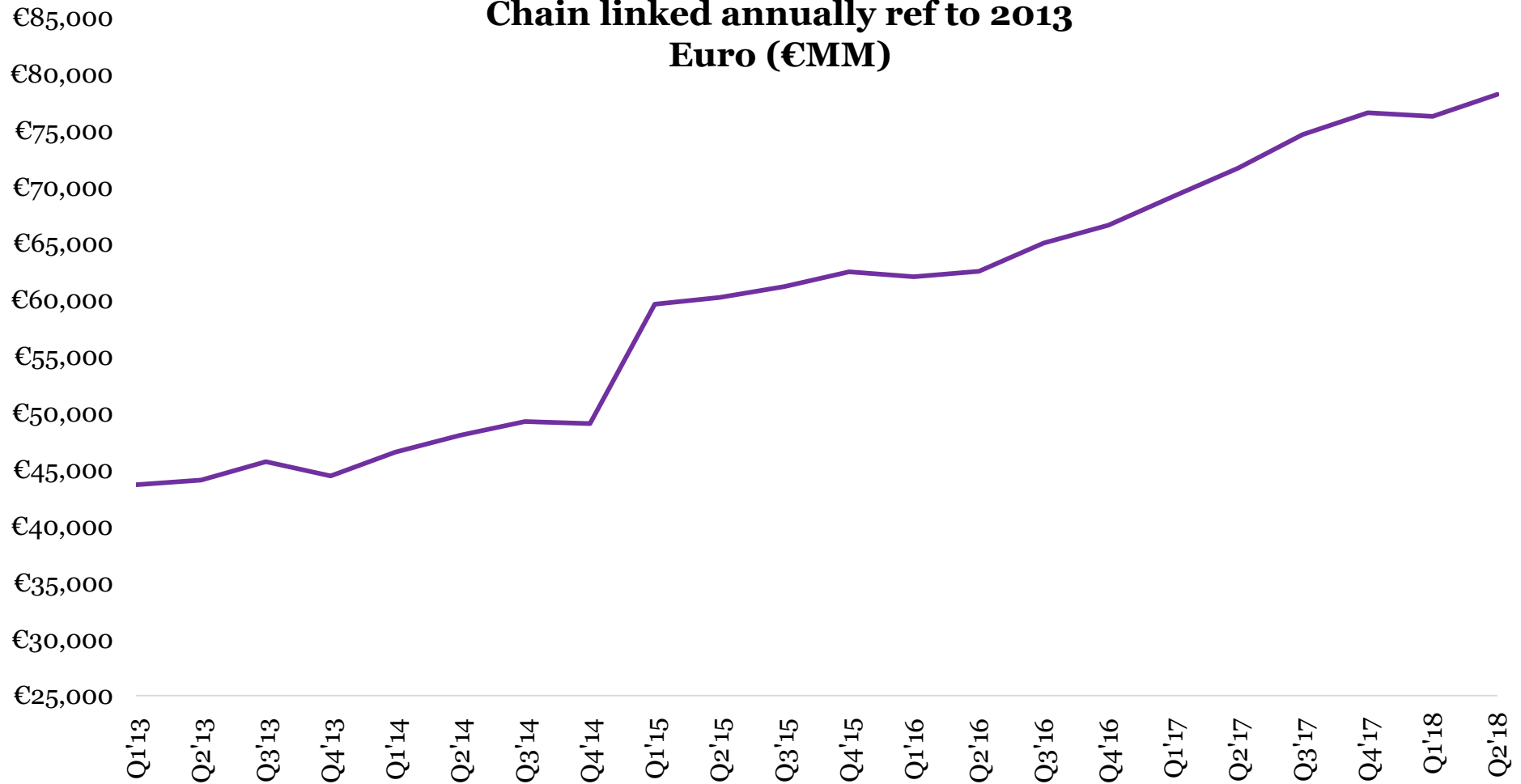
Irish Foodservice
Market Insights

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.

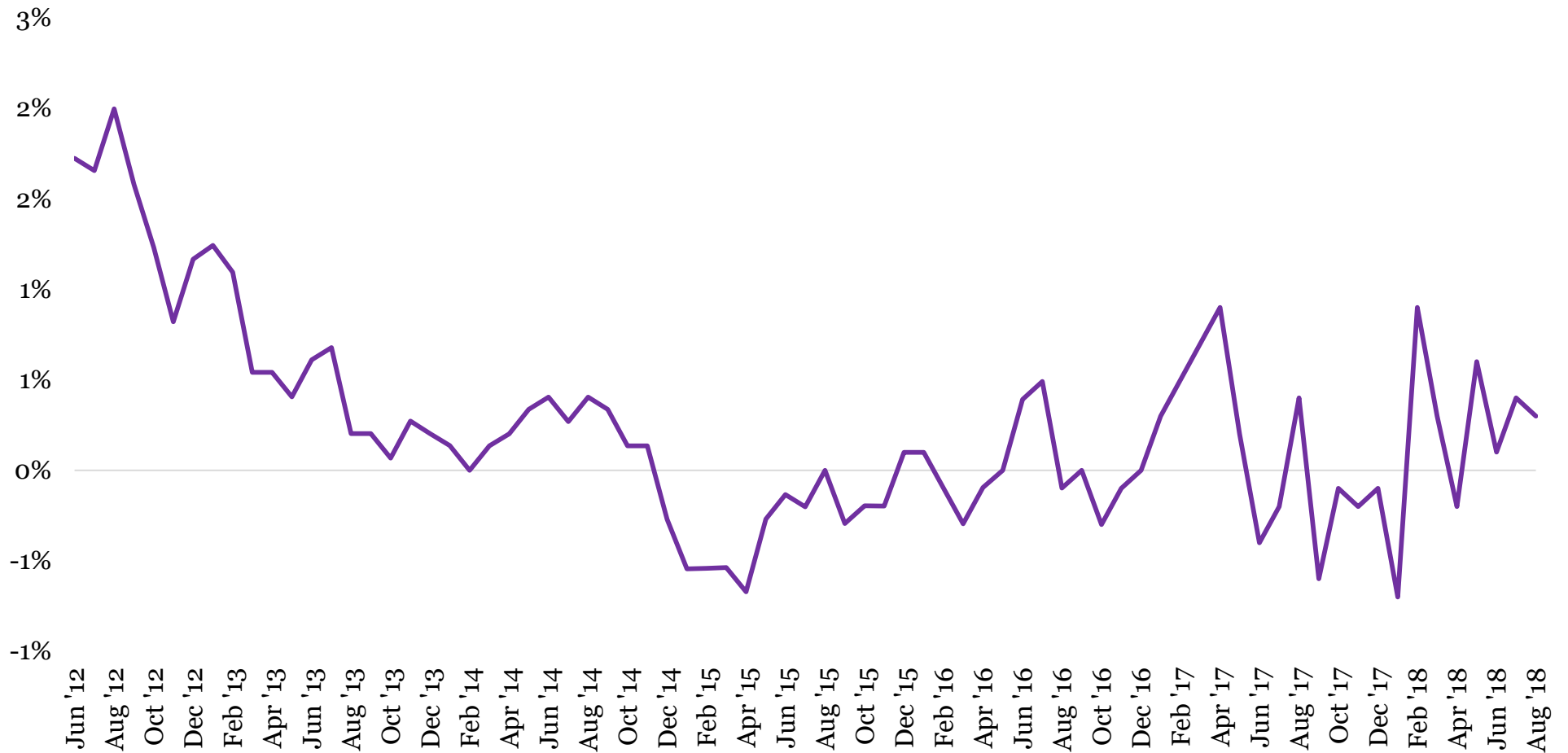
GDP

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



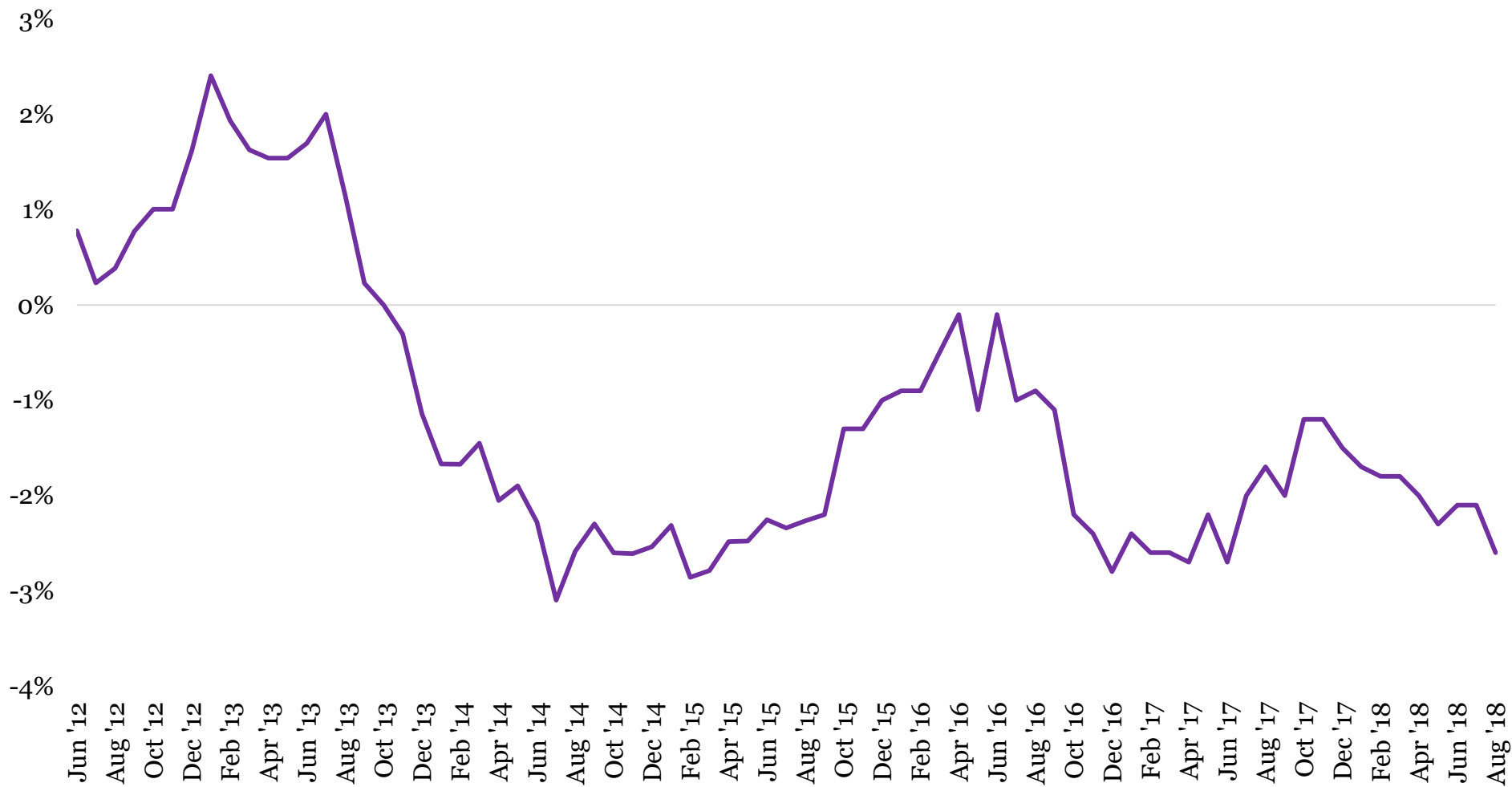
CPI: All Items

Percent Change v. Prior Year



CPI: Food and Non-alcohol Beverages

Percent Change v. Prior Year



CPI: Restaurants and Hotels

Percent Change v. Prior Year

