

# Channel opportunities in the Irish foodservice sector

June 2010

Prepared for Bord Bia

By



Growing the success of Irish food & horticulture

**Bord Bia**  
Irish Food Board

Growing the success of Irish food & horticulture



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# Management Summary

## Management Summary

Bord Bia commissioned this study from Pro-Intal to establish a better understanding of channel developments in the foodservice sector in the island of Ireland. It is intended that food and drink suppliers be given a clear understanding of the dynamics of the market and the attributes needed to supply it in the future.

Pro-Intal is a leading specialist foodservice consultancy which works with many major global food manufacturers such as Nestlé, Unilever and Kraft.

To complete the study two research methods were used:

**Quantitative:** Data supplied by national associations and industry surveys.

**Qualitative:** 25 interviews with key operators, wholesalers and contract caterers in the Irish foodservice sector.

## Overall findings

The Irish foodservice market grew by 22% from 2003 through to 2008 and was valued at €7.22 billion at consumer prices and €2.34 billion at operator buying prices. Supplier selling price is 10%-35% less, depending on product category and individual arrangements.

From the beginning of the recession in 2008 to the end of 2009 the market fell by circa 10% and a further drop of 3% is anticipated in 2010.

The market breaks down by value as follows:

- Commercial Catering: 88%, Institutional (Cost) Catering: 12%
- Independent Operators: 86%, Chain (Organised) Operators: 14%
- Food: 73%, Non Alcoholic beverages: 13%, Alcoholic Beverages: 14%

There are two routes to market:

- Traditional: via wholesale (particularly delivered) circa 85% of supply.
- Emerging: operators buy direct and contract logistics circa 15% of supply.

Overall, meat accounts for 40% of operator purchases, bakery and fruit/veg 20% each and dairy 10%.

# Management Summary

## Trends across channels

### Commercial Catering

#### **QSR** (Fast Food)

- Channel Size 2009: €2.176 billion at consumer prices
- Structure and Trends: Chains account for 68% of value. Operators increasingly buying direct.
- Dynamics: Fast growth to 2008, best performing channel in recession, good growth anticipated to 2014.

#### **FSR** (Full Service Restaurants)

- Channel Size 2009: €859 million at consumer prices
- Structure and Trends: Independents account for 95% of value. Delivered wholesale critical to supply.
- Dynamics: Fast growth to 2008, rapid decline in recession, slow growth anticipated to 2014.

#### **Pubs/Coffee Shops**

- Channel Size 2009: Pubs €2.061 billion, Coffee shops €103 million at consumer prices.
- Structure and Trends: Independents account for 92% of value in pubs, but only 18% in Coffee Shops. Delivered wholesale critical to supply pubs. Coffee shops moving to direct purchase.
- Dynamics: Pubs - steady growth to 2008, rapid decline in recession, slow growth anticipated to 2014. Coffee shops - dynamic growth to 2008, retrenching in recession, modest growth anticipated to 2014.

#### **Hotels**

- Channel Size 2009: €415 million at notional consumer prices.
- Structure and Trends : Chains account for 70% of value. Central supplier listing, but chefs purchase via delivered wholesale.
- Dynamics: Rapid growth to 2008, rapid decline in recession, good growth anticipated to 2014.

# Management Summary

## ***Other Commercial Channels*** (Leisure, Travel)

- Channel Size 2009: €150 million at consumer prices. Leisure €108 million, Travel €42 million.
- Structure and Trends: Contract caterers and delivered wholesale important in Leisure. Travel dominated by airlines and global suppliers.
- Dynamics: Good growth to 2008, rapid decline in recession, good growth anticipated to 2014.

## **Institutional (cost) catering**

### ***Business and Industry***

- Channel Size 2009: €357 million at notional consumer prices.
- Structure and Trends: Contract caterers and delivered wholesale important.
- Dynamics: Good growth to 2008, rapid decline in recession, slow growth anticipated to 2014.

### ***Health***

- Channel Size 2009: €241 million at notional consumer prices.
- Structure and Trends: Centralised direct supply model emerging in ROI. Delivered wholesale important in NI.
- Dynamics: Good growth to 2008, steady in recession, slow growth to 2014.

### ***Education***

- Channel Size 2009: €140 million at notional consumer prices.
- Structure and Trends: Different in ROI and NI. Primary schools important in NI. Contract caterers important in further education.
- Dynamics: Good growth to 2008, static in recession, slow growth to 2014.

### ***Other institutional (Prisons, Military)***

- Channel Size 2009: €40 million at notional consumer prices.
- Structure and Trends: Tender contracts for prisons (3 years in ROI). Delivered wholesale of fresh ingredients is key.
- Dynamics: Slow growth to 2008, static in recession, slow growth to 2014.



# Management Summary

## Conclusions

- **Consumer is king:** Changed behaviour will create the future foodservice challenges.
- **Variety:** There are a number of channels of different size, structure and dynamics.
- **Change:** Recession has brought a change in operator requirements, a drive to efficiency in the supply chain and forced a rethink by suppliers.
- **Future direction:** Different channels will grow at different speeds in different ways. Operators will look to suppliers as proactive partners who understand the channel.

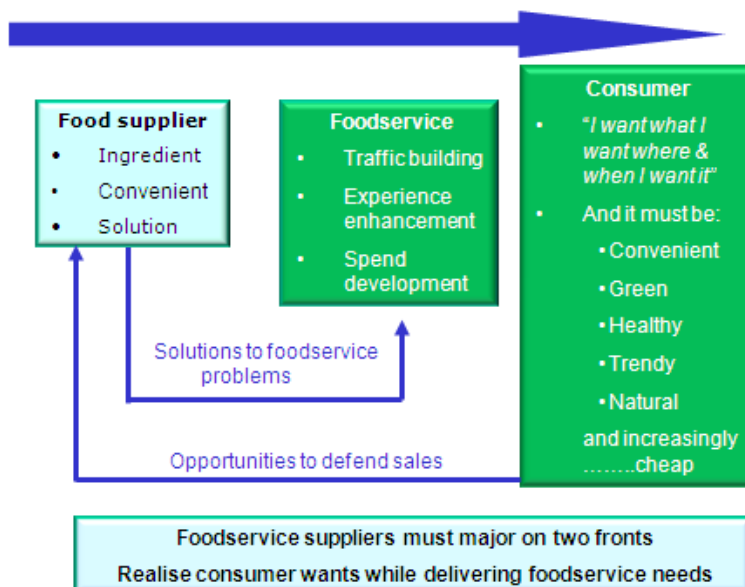
## Implications for suppliers

- Decide the role of foodservice in your business model.
- Understand customers and the dynamics of their business. Equally understand consumers and why they visit certain channels.
- Understand the different value chain to retail. Consumer prices are 4 or 5 times that obtained by suppliers. What are they paying for? How does it change by channel?

### The supplier challenge in recession

**Understand both your customer and his customer**

- Although the causes of the recession are essentially economic, the resultant collapse in consumer confidence will drive the changes in foodservice demand.
- Consumers will not want to change behaviour, but they will need to eat out less frequently or spend less on per occasion.
- Suppliers must understand both "customer" elements of their market.



# Management Summary

## Key implications for suppliers

### Recession is no place or time for “fuzziness” in thinking or actions:

- Confusion or uncertainty means increased risk in a risk laden environment and spells *death*.
- Absolute clarity and focus is essential for survival.

### Areas to focus on

Review the three key fundamentals, introduce absolute direction and then communicate it. The three fundamentals are:

- **Why are you in foodservice? What are your objectives?**
- **Understand your key decision making customer (the foodservice operator) and your customer proposition.**
- **Understand your customer's customer – the consumer.**

Review your relationship with intermediaries, the role they play in the market and your business and how these could change in times of difficulty.

Knowledge is key. Without fact based market insight and understanding you will not survive.

## Recommendations for suppliers

Understanding the channel, its consumers and structure is the basis to move forward.

**Focus:** Decide the channels, products and customers that are key to your business (Your “must win battles”). Identify channels and products which can expand your business.

**Focus:** Align the product, servicing and pricing specifically for foodservice and the channels and customers you have identified.

Don't delay or someone else will beat you to it!

# Management Summary

## Summary recommendations

- **Analyse your business portfolio**
  - Identify what sells well and what is difficult.
- **Work to secure the element that performs well and remove dilutive products**
  - Apply the 80/20 rule – typically 20% of SKU's = 80% of turnover.
  - If you don't the wholesaler will - and could choose incorrectly.
  - Communicate your decisions to partners – RTM & customers.
- **Screen all indirect costs** – that is any cost not directly linked to either the product or servicing the customer.
- **Review your cost of goods** – do a recipe analysis and switch to cheaper ingredients without impacting quality.
  - In recessionary France and Germany wholesalers immediately sought a 5% reduction in price.
- **Examine NPD for relevance** – think for every new product you may have to scrap two existing products.
- **Identify customers/channels** who will be most resistant to recession
  - For example those with a range of the following - loyal customer base, strong brands/franchise, embryonic growth sectors with critical mass, lower cost channels....
  - Focus your activities on these
    - For example your sales activity and market spend/support

### Once this evaluation is complete, prepare:

A new mid term strategic plan for the recession based on these conclusions  
AND an initial long term plan for managing post recession.

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# Background to Research

## Objectives

This research has been undertaken to build on Bord Bia's "*Operator and Distributor profiles: Irish Foodservice Market*" published in November 2009. It aims to establish a better understanding of channel developments within the Irish Foodservice sector with a view to:

- Valuing each channel,
- Understanding recent and future developments,
- Highlighting how needs vary across channels,
- Examining strategies to help manufacturers in each channel.

The output of this research aims to provide food and drink manufacturers with a clear and concise understanding of the dynamic in each channel and assist them in identifying and servicing their target market.

## Study Coverage

The study examines developments in both the **Republic and Northern Ireland** with a focus on:

- Channel dimensions,
- Effects of recession and likely future developments.

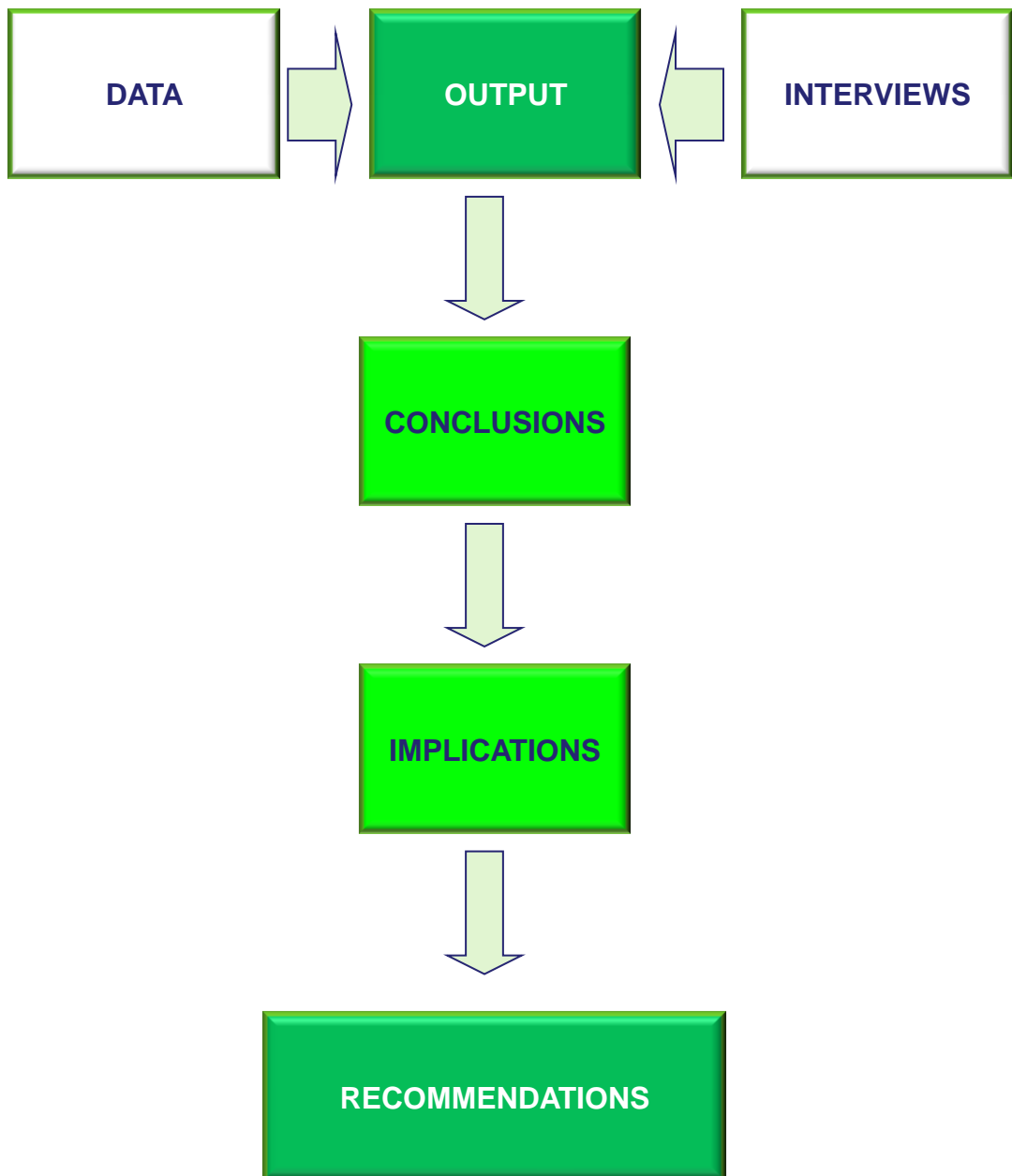
Throughout the document, "ROI" refers to Republic of Ireland, "NI" to Northern Ireland and "IOI" refers to island of Ireland.

## Channel Information

For each channel the following information is mapped:

- Food/beverage importance,
- Key players and share,
- Average spend data,
- Development of Routes To Market (RTMs),
- Key product categories,
- Changing product formats.

## Methodology used



This research project involved a combination of data gathering and interviews with key players within the Irish foodservice sector.

Pro-Intal specialises in research in the foodservice sector and conducts multi country projects on behalf of global companies such as Nestlé, Kraft and Unilever, as well as Bord Bia. The Pro-Intal database consists of country data accumulated by Pro-Intal over their 30 years experience in foodservice projects conducted all over the world.

## Sources of Information

In preparing this report, a number of different sources were used to gather information. These included:

### Data supplied by National Associations

- RAI (Restaurant Association of Ireland)
- BHA (British Hospitality Association)
- IHF (Irish Hotels Federation)
- ITB (Irish Tourist Board)
- NITB (Northern Ireland Tourist Board)

### Interviews with operators, wholesalers and contract caterers

In total 25 interviews with operators, wholesalers, contract caterers and institutional catering bodies were undertaken to obtain their views on the effects of the recession on the specific channel in which they operate.

### Market quantification

Quantification of the foodservice market is notoriously difficult due to its fragmentation and lack of universal agreement on definitions and parameters of channels in the industry.

Values for channels are always at retail selling price (RSP). In cases where food has no retail price (e.g. hospitals), or is subsidised, a fair notional market value is ascribed.

While we take note of industry surveys from Euromonitor, CHD, Datamonitor and Mintel, there is substantial divergence of market figures between them. Pro-Intal policy is always to form its own views and consensus, rather than relying on any single one of these reports.



## Summary of channel definitions

At the start of each section dealing with specific channels, a full definition is included on what this research defines as being included within that channel. Generally, the channels examined can be defined as the following:

### Commercial Channels

- **QSR:** Quick Service Restaurants often called Fast Food.
- **FSR:** Full Service Restaurants, where orders are taken at the table.
- **Pubs/Coffee shops:** Pubs, Bars, Cafés with seating and Coffee Shops.
- **Hotels:** Catering in hotels, guesthouses.
- **Leisure:** Catering at venues for sport, entertainment or other events.
- **Vending:** Automatic machines offering food and beverages whether free or by payment.
- **Travel:** Catering at stations, airports, in-flight or on trains
- **Retail:** Store restaurants, particularly department stores.

### Institutional Channels

- **B&I:** (Business and Industry) catering to the workforce in offices and factories.
- **Health:** Catering to patients in hospitals, clinics, care and rest homes.
- **Education:** catering to pupils in schools, colleges and universities.
- **Government:** Catering for Prisons and Armed Forces.

## What is Foodservice?

For the purposes of this report, foodservice is essentially “food consumed away from home.”

The foodservice market on the island of Ireland is generally less developed than the western European model. It:

- Represents around 25% of food spend on the island of Ireland compared to an average of 33% across western Europe.
- Accounts for around 10% of eating occasions in Ireland compared with 14% in western Europe.
- The market was valued at €6.5 billion at consumer prices in 2009. It represents 1-2% of the western European market (at 2008 values and exchange rates).

The market encompasses a range of consumer occasions, motivations, channels and outlets. It is diverse and varies by

- Channel and sub channel – *the most common segmentation,*
- Route to market – *wholesalers often confused with “customers”,*
- Food and drink category,
- Consumption occasion,
- Level of segment development.

It is poorly defined, measured and understood. Definitions vary and tend to be company driven.

In times of economic wellbeing most competent foodservice suppliers are successful. The successful suppliers are those that understand and cater for their specific segment. For all players understanding, insight, segmentation and focus are key.

This understanding needs to go beyond distributor or even channel:

**Location:**

- Place of purchase
- Place of consumption

**Consumer motivation**


- On-the-go, indulgence, fuel, celebration, convenience...

**Occasion**

- Breakfast, lunch, dinner, between meals....

**Operation**

- Chain or independent
- Commercial or non-commercial (social)



BUT most supplier thinking begins and ends with distribution

You also need to know and relate to your end market

**What drives foodservice customers?**

Foodservice operator profitability is driven by:

**Traffic**

They seek food, beverages, experiences, ambiance, service that attract customers and enhance traffic.

**Occasion**

The longer an outlet is “open” the more they seek foods that build traffic at under utilised times.

**Spend per occasion**

Foods and beverages that maximise consumer spend at each occasion.

**These are the key metrics by which the main operators measure the performance of their business.**

Operators need/seek help from their suppliers. They look for solutions and those suppliers that provide them have a competitive advantage.

## Glossary of terms used in report

The following terms and acronyms are used in this report:

- **AFH:** Away from Home (food consumption) as opposed to retail, which is food bought in shops for home preparation and consumption.
- **Broadline distributor:** a delivered wholesaler who carries all foodservice supplies rather than specialising in one product category.
- **Cash and Carry:** A large outlet where foodservice operators and small retail traders themselves come to purchase.
- **Commercial Foodservice:** channels where catering for profit is the prime motive.
- **Contract:** The direct supply of products to chains of outlets who buy centrally. Also known as “*wheels only*” in view of the role of wholesalers who provide the logistics support (delivery), but do not buy or sell.
- **Contract caterers:** Companies to whom the management of facilities such as foodservice is outsourced: mainly in the Institutional and Leisure channels.
- **C Store;** convenience store where hot food is sold to eat in and take away. C-Stores are included in this survey and those of Euromonitor and Mintel, but sometimes excluded from definitions of foodservice.
- **Customer:** the person to whom the supplier sells, usually the wholesaler or the operator.
- **Delivered wholesale:** Supply of product to outlets via delivery vans, often on a daily basis.
- **Direct:** Where operators buy from markets or farmers direct rather than through intermediaries such as wholesalers.
- **Foodservice channel:** the acknowledged grouping of foodservice outlets by type (each of the main channels is defined separately).
- **Institutional Foodservice:** often known as cost catering, channels where catering is a service provided free or with a subsidy.
- **Operator:** the company running the foodservice outlet or chain of outlets.
- **RTM:** Route to Market; How to get the product to the end consumer. To whom potential suppliers sell, logistics involved.

# Trends in Irish Foodservice Market

Historically growth in the Irish foodservice market has been traffic and volume driven, essentially more people eating out and increased regularity of eating out. Of the commercial foodservice growth between 2003-2008:

- More came from increased traffic generally,
- Driven by lower priced channels such as pubs/coffee shops and QSR,
- Less came from price gains,
- Largely in more premium channels such as FSR and hotels.

The Institutional foodservice market in Ireland has been largely stable but even more cost driven.

## Market Dynamics

From 2003 to 2008 the market grew by 22% and was valued at:

- € 7.22 billion at consumer prices.
- € 2.34 billion at operator purchasing prices.

In 2009, the middle market lost traffic as consumers ate/drank out less frequently or down-graded with price reductions exacerbating the situation. QSR, on-the-go and take-away gained in traffic through down trading.

- In the first half the market started to slide.
- By the end of 2009 it had fallen by circa 10% to:
- € 6.54 billion at consumer prices.
- € 2.21 billion at operator purchasing prices.

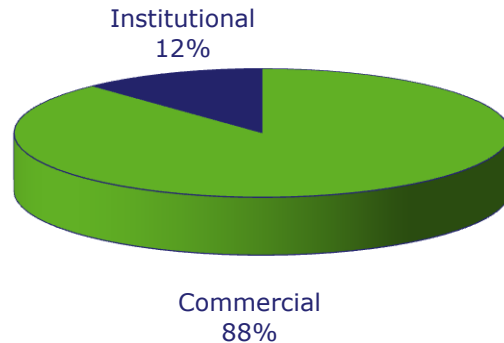
Over 2009 the picture varied by market position:

- Sales in up-market and middle market outlets declined most,
- Lower cost operators remained in growth albeit at a lower rate,
- Chains have generally performed better than independent outlets,
- The state sector maintained volumes, but tightened margins.

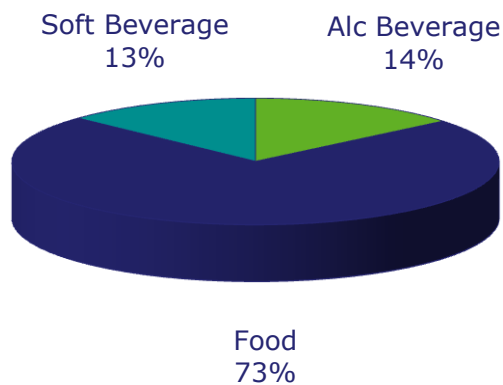
In 2010, a further contraction in value of around 3% is anticipated. Middle and premium markets are feeling increased pain.

# Main foodservice market breakdown: island of Ireland

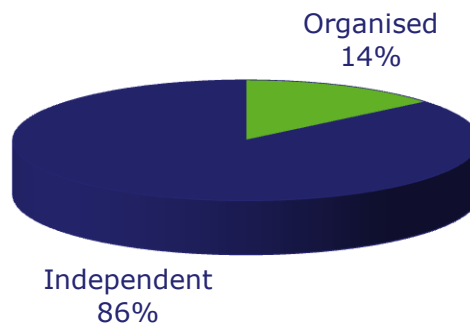
## Breakdown by channel overall



## Food/Beverage split by value



## Breakdown by outlet ownership



- Chains account for 14% of outlets.
- Sales value per chained outlet is double that of independents for the Pubs/Coffee shops and 2.4 times in the QSR channel.
- Chains are less important in FSR and Pubs/Coffee shops.
- Most growth has come historically in commercial channels.
- Institutional channels account for just 12% of market value, but closer to 25% of volume.
- Contract caterers and wholesalers do not dominate the institutional market as they do in the UK.

## Irish Foodservice Market, 2003-2009 (€m @ RSP)

Channel	Value 2003	Value 2008	Change %	Value 2009	Change %
<b>QSR</b>	1,651	2,187	33%	2,176	(1%)
<b>FSR</b>	824	957	16%	859	(10%)
<b>Pubs/Coffee shops</b>	2,257	2,548	13%	2,164	(15%)
<b>Hotels</b>	333	505	52%	415	(18%)
<b>Other Commercial*</b>	170	193	14%	150	(22%)
<b>Total Commercial</b>	5,235	6,390	21%	5,764	(10%)
<b>B&amp;I</b>	347	425	22%	357	(16%)
<b>Health</b>	206	241	17%	241	-----
<b>Education</b>	128	140	9%	140	-----
<b>Other Institutional**</b>	38	40	5%	40	-----
<b>Total Institutional</b>	719	846	18%	778	(8%)
<b>TOTAL IOI</b>	5,954	7,236	22%	6,542	(10%)
<b>TOTAL ROI</b>	4,415	5,390	22%	4,740	(12%)
<b>TOTAL NI</b>	1,539	1,846	20%	1,802	(2%)

Percentage change figures in brackets denote a decline.

\* Other Commercial = Leisure, Events and Travel.

\*\* Other Institutional = Catering for Prisons and Armed Forces.



## Irish Foodservice Market, 2010 forecast (€m @ RSP)

Channel	Value 2009	Forecast 2010	Change %
QSR	2,176	2,200	1%
FSR	859	820	(5%)
Pubs/Coffee shops	2,164	2,020	(7%)
Hotels	415	395	(5%)
Other Commercial*	150	142	(5%)
<b>Total Commercial</b>	<b>5,764</b>	<b>5,577</b>	<b>(3%)</b>
B&I	357	341	(5%)
Health	241	241	-----
Education	140	141	1%
Other Institutional**	40	40	-----
<b>Total Institutional</b>	<b>778</b>	<b>763</b>	<b>(2%)</b>
<b>TOTAL IOI</b>	<b>6,542</b>	<b>6,340</b>	<b>(3%)</b>
<b>TOTAL ROI</b>	<b>4,740</b>	<b>4,585</b>	<b>(3%)</b>
<b>TOTAL NI</b>	<b>1,802</b>	<b>1,755</b>	<b>(3%)</b>

Percentage change figures in brackets denote a decline.

\* Other Commercial = Leisure, Events and Travel.

\*\* Other Institutional = Catering for Prisons and Armed Forces.

## Irish Foodservice Market, forecasts to 2014 (€m @ RSP)

Channel	2010 forecast	Value 2014	Change %
<b>QSR</b>	2,200	2,534	15%
<b>FSR</b>	820	869	6%
<b>Pubs/Coffee shops</b>	2,020	2,205	9%
<b>Hotels</b>	395	460	16%
<b>Other Commercial*</b>	142	190	34%
<b>Total Commercial</b>	5,577	6,258	12%
<b>B&amp;I</b>	341	373	9%
<b>Health</b>	241	247	3%
<b>Education</b>	141	147	4%
<b>Other Institutional**</b>	40	42	5%
<b>Total Institutional</b>	763	809	6%
<b>TOTAL IOI</b>	6,340	7,067	12%
<b>TOTAL ROI</b>	4,585	5,146	12%
<b>TOTAL NI</b>	1,755	1,921	10%

Percentage change figures in brackets denote a decline.

\* Other Commercial = Leisure, Events and Travel.

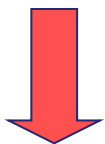
\*\* Other Institutional = Catering for Prisons and Armed Forces.

# Route To Market breakdown: foodservice IOI 2009

Purchase value at operator purchasing prices



64%



Delivered Wholesale

- Musgrave
- Pallas
- Allied Foods
- Odaios
- O'Kanes/Brakes
- Crossgar/3663

15%



Cash & Carry

- Musgrave
- Gilmartins
- BWG
- Cox
- Makro

8%



Contract  
"wheels only"

- Musgrave
- Pallas
- Total Produce
- O'Kanes/Brakes
- Crossgar/3663

10%



Direct

3%



Retail

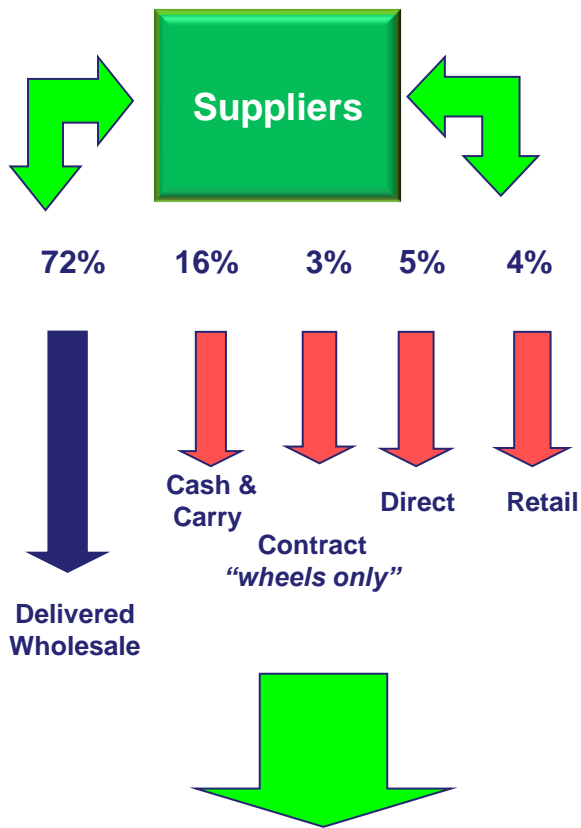
For detailed company profiles, refer to Bord Bia "Operator and Distributor profiles: Irish Foodservice Market" Published: November 2009

# Foodservice Route To Market

Typically, two routes to market are evident in the Irish foodservice sector, namely;

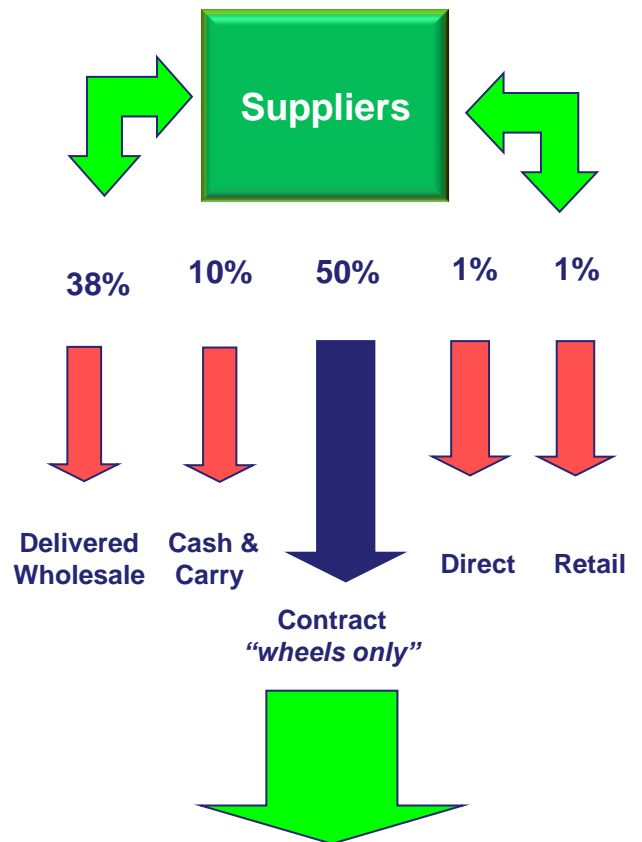
## Traditional supply chain

(circa 85% supply)



## Emerging supply chain

(circa 15% supply)



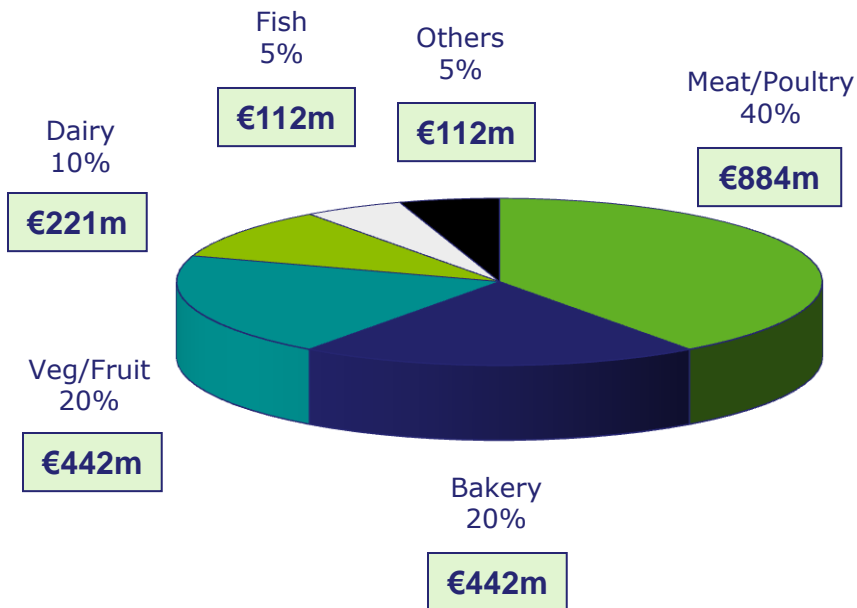
**Dominant supply route in FSR, Pubs, Independent Operators**

**Emerging supply route in QSR, Hotels, Health, Chains and Contract Caterers**

The traditional supply chain, heavily dependent on delivered wholesalers is slowly being replaced by more direct negotiation between operators and suppliers.

The traditional wholesaler's role is now to provide logistics ("wheels only") rather than buying and selling themselves, thus cutting cost in the chain.

## Foodservice product breakdown by value (Operator buying prices)



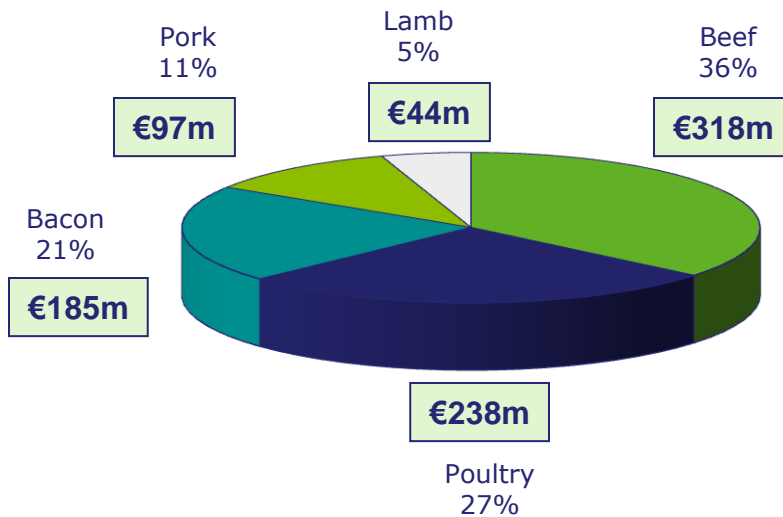
The foodservice market in IOI is worth about €2.21 billion at operator purchase prices. At supplier selling prices this is less when they sell through a wholesaler who require their own margin, which varies from 10%-35%, depending on the product category.

Fresh product tends to have the lowest wholesale margin. Meat, the largest individual product category accounts overall for 40% of purchases by value.

This product mix is driven by menu content and therefore broadly applies to foodservice operators across most commercial channels (except coffee shops where bakery and dairy are very important) and all institutional channels.

Food/drink splits are broken down by individual channel in the relevant sections of this report.

## Foodservice meat breakdown by value (Operator buying prices)



The Irish foodservice market for beef is still the most valuable in the meat category. At supplier selling prices this is less when they sell through a wholesaler who requires their own margin, which varies from 10%-35%, depending on the product category.

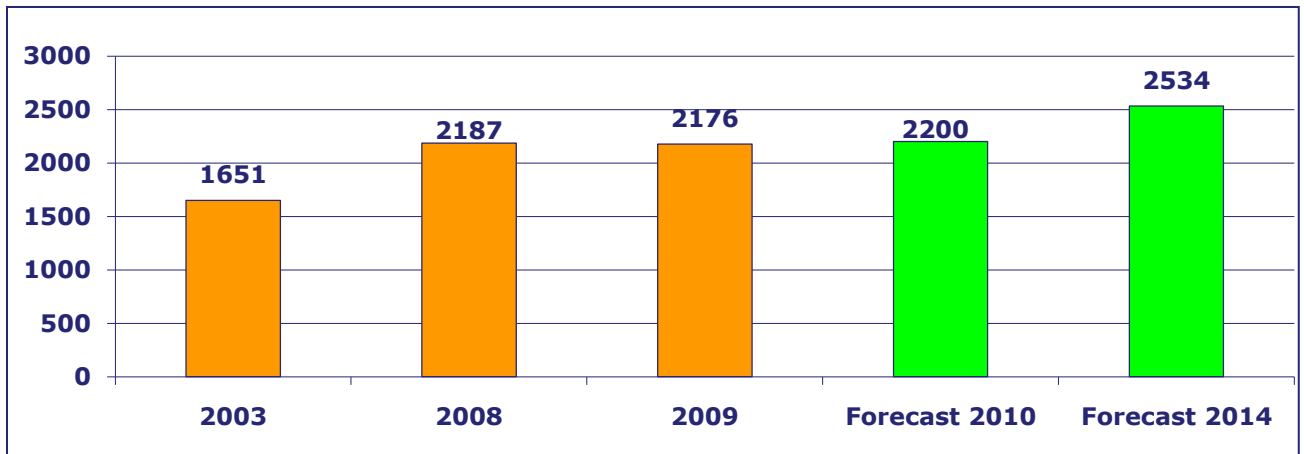
As well as supplying the domestic foodservice market, Irish meat producers are important to international chains such as McDonalds.

Poultry (chicken specifically), is rapidly growing it's share in the recession. While only accounting for 27% of value in Irish foodservice, it makes up nearly 40% of volume purchased by operators. Given most chicken is imported, this has potentially negative consequences for Irish meat suppliers.

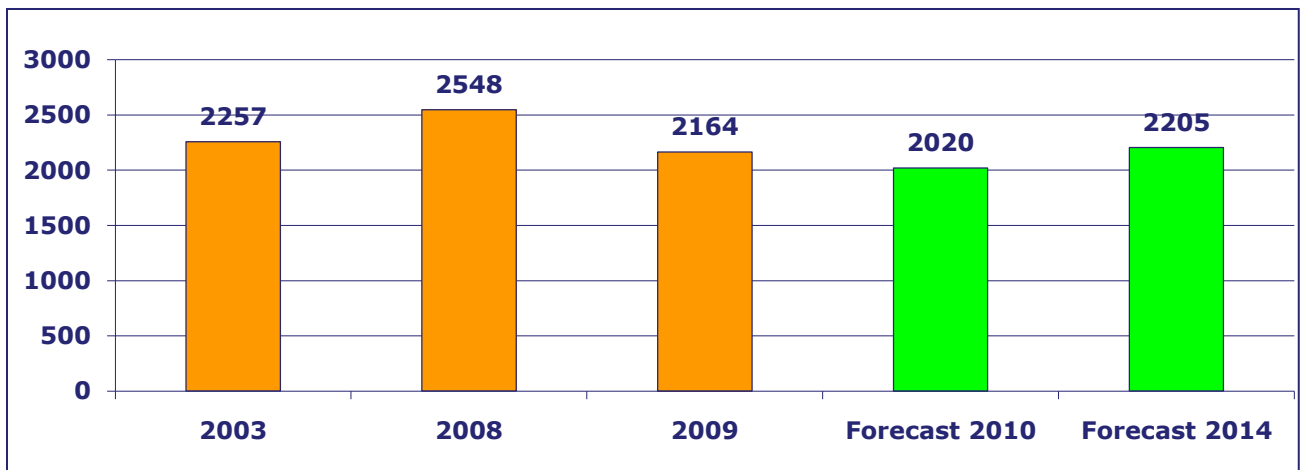
Beef prices have risen in 2010 and operators in price competitive areas such as FSR are switching even more emphasis from burgers to chicken to maintain competitive "meals deals" for price-conscious consumers.

## Sales by Commercial foodservice channel, 2003-2014 (€m @ RSP)

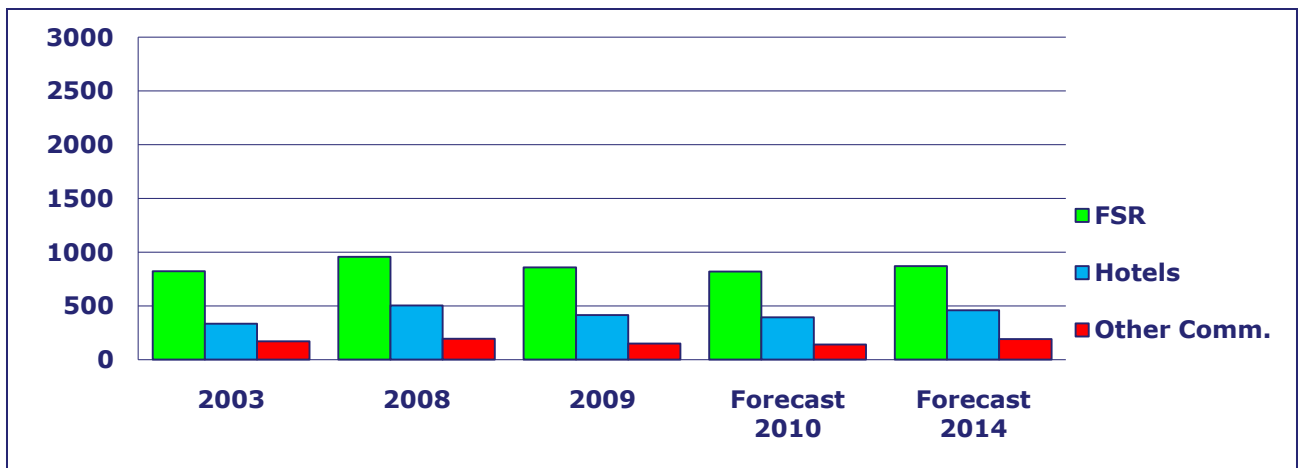
### QSR



### Pubs/Coffee shops

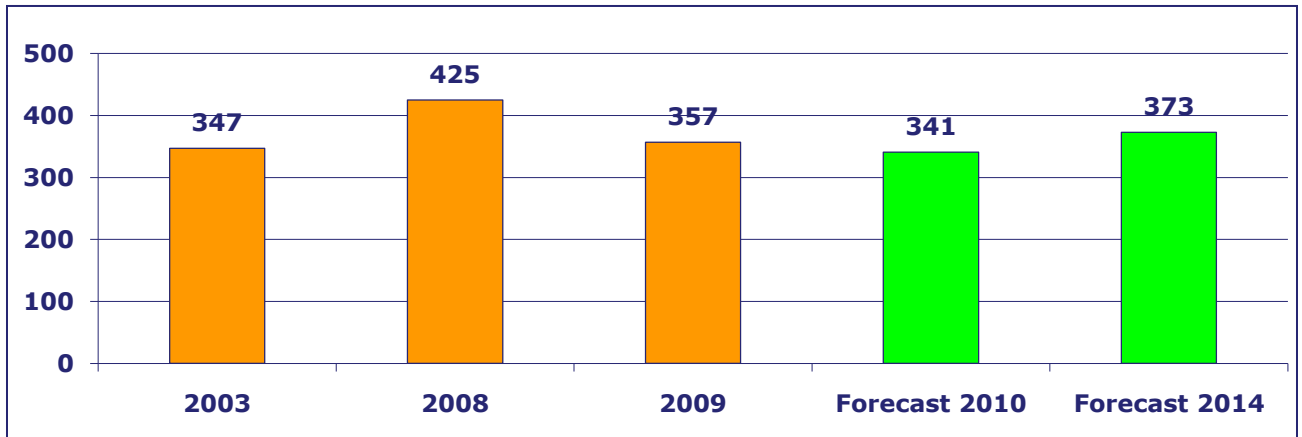


### FSR, Hotels and Other Commercial

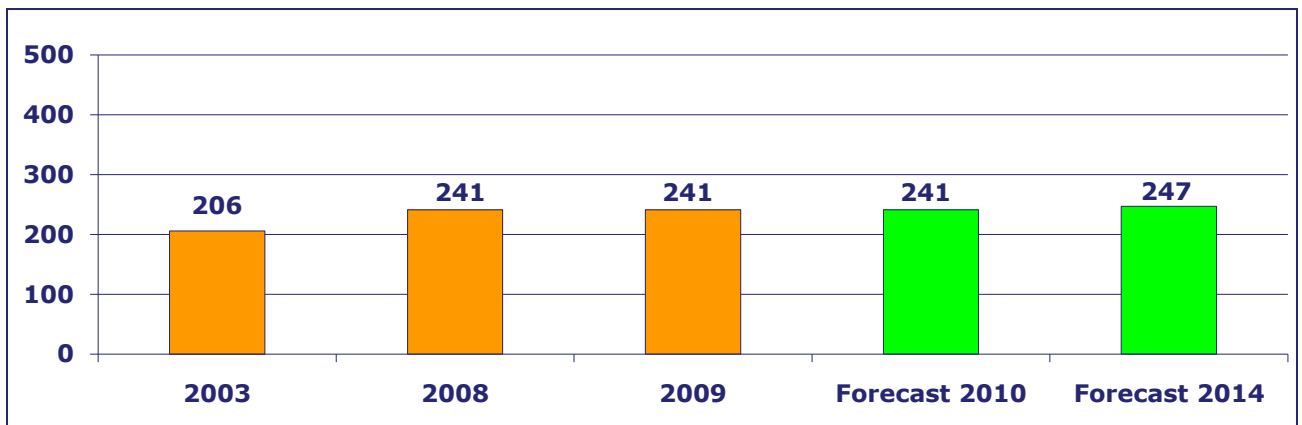


# Sales by Institutional foodservice channel, 2003-2014 (€m @ notional RSP)

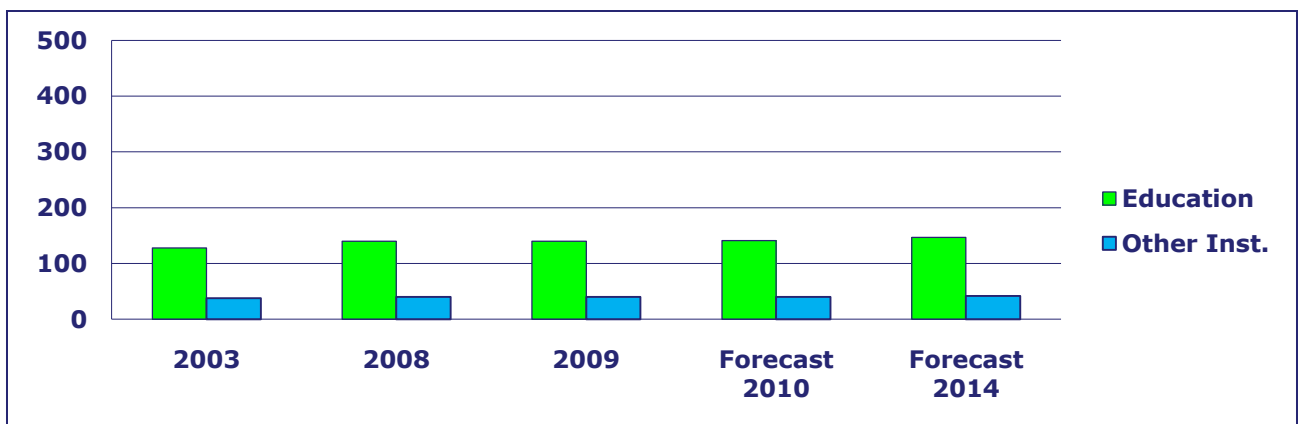
## Business & Industry



## Health



## Education and Other Institutional





# Developments by Channel

Growing the success of Irish food & horticulture



# Commercial Channels

-QSR

-FSR

-Pubs/Coffee Shops

-Hotels

-Other Commercial channels

(Leisure/Events, Travel)

Growing the success of Irish food & horticulture



# QSR

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

*Who are the leading players?*

*How is the market reached?*

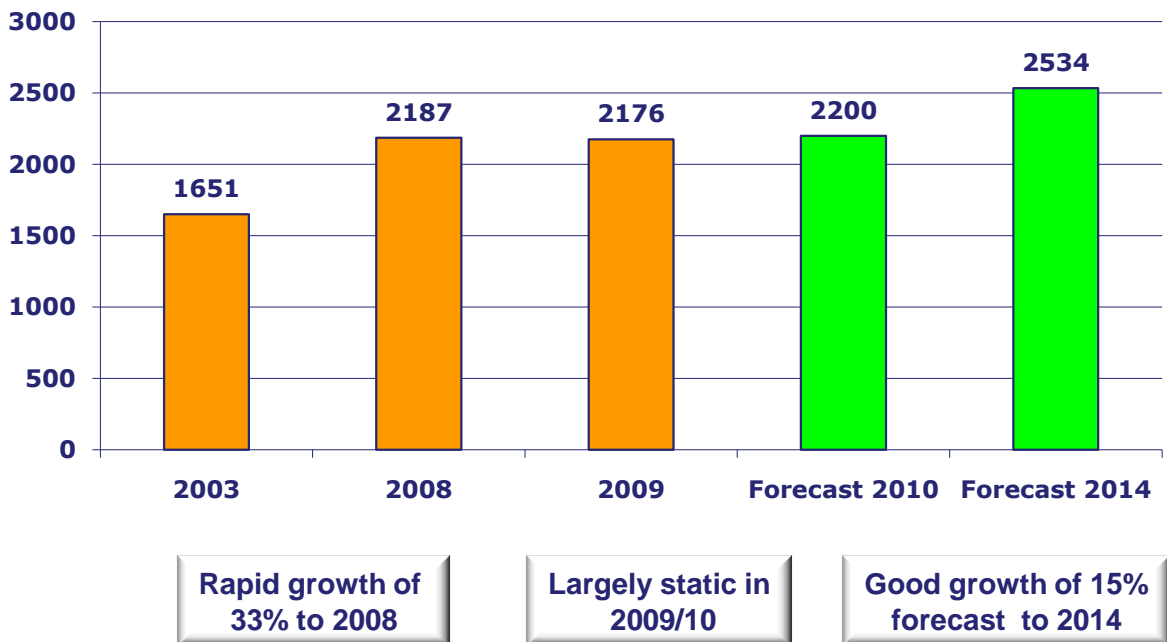
*What are the drivers?*

# What is QSR ?

QSR (better known as Fast Food) is distinguished within the foodservice market by:

- Counter service (as opposed to table service in full service restaurants),
- Limited menus sold in large quantities,
- Low price points against other channels,
- Systematised operation requiring low skill levels and culinary expertise on the part of staff,
- High levels of cost control throughout the operation including purchasing,
- Aggressive marketing strategies,
- Increased migration to other channels (Retail, Travel and Leisure).

## OUTLINE PERFORMANCE (Sales €m at Notional RSP)

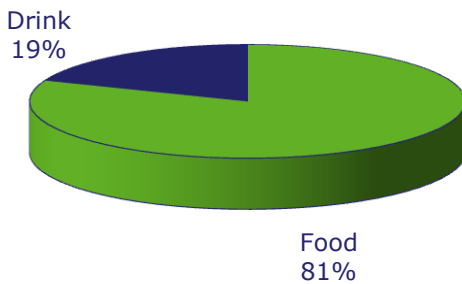


- QSR was the best performing channel during the recession 2008-2009.
- It appeared to benefit from a fall in disposable income generally resulting in trading down from FSR and Pub Bistros to cheaper alternatives.
- Chains dominate the dynamics of QSR (unlike other channels). They were quick to react to the downturn.
- €1 and €2 menus were offered by McDonalds, Burger King and KFC.
- While average bill size necessarily declined as a result, overall traffic was up and overall sales slightly increased.

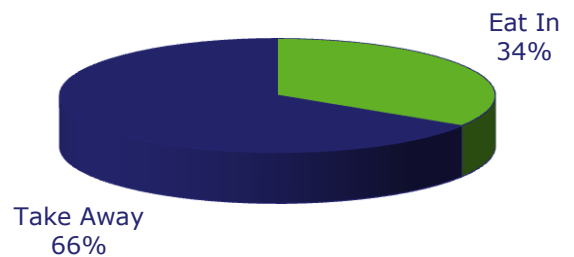
## How big is QSR in Ireland ?

**Total Value 2009**  
**€2.176 Billion @RSP**

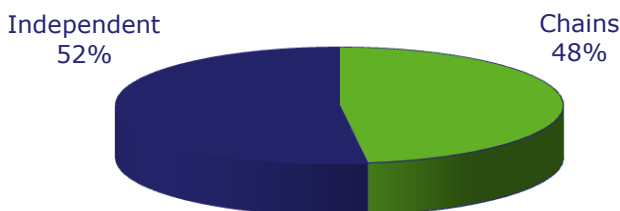
### Food/Drink



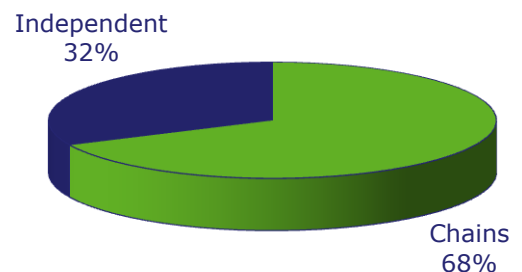
### Eat In/Take Away



### Outlets



### Value



- QSR is heavily biased towards food, drink is inevitably non alcoholic.
- Take-away facility is dominant over eating in (although McDonalds is changing this).
- While chains have fewer than half the outlets, they have more than two-thirds of sales.

## How big is QSR in Ireland? (€m @ RSP)

QSR Channel	Sales 2009 € million	Sales % Chains	Outlets 2009	Average Outlet Sales p.a. Chains € 000	Average Outlet Sales p.a. Independent € 000
<b>Bakery/Gen</b>	747	36%	1,572	724	399
<b>Burger</b>	532	94%	368	1,620	550
<b>Chicken</b>	74	82%	60	1,452	722
<b>Fish</b>	120	9%	684	769	164
<b>C Store</b>	616	96%	1,157	539	419
<b>Others</b>	87		67		
<b>Total</b>	2,176	68%	3,908	787	338

The largest sector by value is bakery which commonly includes pizza as well.

C Stores (Convenience stores) are usually classed as QSR as many have hot food facilities (inevitably take-away).

Fish & Chip shops have the fewest chains. Burgers account for the most by value.

Sales per outlet are greatest in chain burger outlets, although it is not uncommon for a McDonalds outlet to have turnover in excess of €2 million per year (€50,000 per week).



## QSR growth to 2008 by segment (€m @ RSP)

QSR Channel	Sales 2003 € million	Sales 2008 € million	Increase %	€ Value per bill, 2003	€ Value per bill, 2008
<b>Bakery/Gen</b>	528	735	39%	5.93	6.50
<b>Burger</b>	313	522	67%	5.82	7.42
<b>Chicken</b>	24	68	183%	5.93	6.38
<b>Fish</b>	143	133	(7%)	7.45	7.51
<b>C Store</b>	566	633	12%	5.65	5.26
<b>others</b>	78	96	23%	5.57	6.19
<b>Total</b>	1651	2187	33%	5.90	6.29

Percentage change figures in brackets denote a decline.

The engines of growth from 2003 -2008 were burgers and bakery while fish & chips declined.

Burgers were able to increase the average bill by 27%, but the average bakery bill only increased 10%. The highest priced meal in 2003 was fish & chips and this contributed to the overall decline in sales in the fish & chip category, where average bills only increased slightly in the period.

## QSR 2008 to 2009 by segment (€m @ RSP)

QSR Channel	Sales 2008 €million	Sales 2009 €million	Increase/ Decrease %	€ Value per bill 2008	€ Value per bill 2009
<b>Bakery/Gen</b>	735	747	2%	6.50	6.50
<b>Burger</b>	522	532	2%	7.42	7.36
<b>Chicken</b>	68	74	9%	6.38	6.37
<b>Fish</b>	133	120	(10%)	7.51	7.04
<b>C Store</b>	633	616	(3%)	5.26	5.30
<b>others</b>	96	87	(10%)	6.19	5.78
<b>Total</b>	2187	2176	(1%)	6.29	6.27

Percentage change figures in brackets denote a decline.

Overall QSR had to discount to show a slight decline in sales. However, the different sub-segments reacted very differently to recession:

- Bakery maintained average spend and increased sales,
- Burgers and chicken reduced average spend to increase sales,
- Fish & chips saw both a reduction in average spend and in overall sales.

## QSR growth outside freestanding sites 2003-2008 (€m @ RSP)

QSR Channel	Sales 2003 € million	Sales 2008 € million	Increase %	Outlets 2003	Outlets 2008	Increase %
<b>Freestanding</b>	1379	1804	31%	2712	3116	15%
<b>Leisure</b>	65	75	16%	179	221	24%
<b>Retail</b>	117	172	47%	248	319	29%
<b>Travel</b>	90	135	50%	221	285	29%
<b>Total</b>	1651	2187	32%	3360	3941	17%

As high-traffic freestanding sites became harder to find from 2003 to 2008, so QSR operators planted their concepts into sites in leisure, retail and travel. While growth in freestanding sites was less than other venues, non-freestanding each generated lower marginal values.

## QSR venue performance 2008 – 2009 (€m @ RSP)

QSR Channel	Sales 2008 € million	Sales 2009 € million	Increase %	Outlets 2008	Outlets 2009	Increase %
<b>Freestanding</b>	1804	1774	(2%)	3116	3056	(2%)
<b>Leisure</b>	75	75	(1%)	221	226	2%
<b>Retail</b>	172	177	3%	319	333	4%
<b>Travel</b>	135	141	4%	285	293	3%
<b>Total</b>	2187	2167	(1%)	3941	3908	(1%)

Percentage change figures in brackets denote a decline.

The recession saw less freestanding QSR sites as a few uneconomic ones closed. More QSR sites were opened in leisure, retail and travel sites. Retail and travel sites saw both sales and outlets increase.

## QSR: the leading players in ROI

Brand	Owner	Market Share % 2009	Sales € million @RSP
<b>Centra</b>	Musgrave Gp Ltd	10.2	222
<b>Spar</b>	Int. Spar BV	9.9	215
<b>Mc Donalds</b>	Mc Donald's Corp	8.8	191
<b>Londis</b>	ADM Londis plc	7.7	168
<b>Supermac's</b>	Supermac's Ltd	4.6	100
<b>O Briens</b>	Abrakebabra Ltd	3.7	80
<b>Eddie Rockets</b>	Eddie Rockets City Diner Ltd	3.1	67
<b>Burger King</b>	Burger King Holdings Inc	2.2	48
<b>KFC</b>	Yum Brands	2.0	44
<b>Apache Pizza</b>	Good Food Co Ltd	1.8	39
<b>Abrakebabra</b>	Abrakebabra	1.5	33
<b>Subway</b>	Doctors Associates	1.5	33
<b>Other Chains</b>		11.0	239
<b>Total Chain Value</b>		68%	1480
<b>Independents</b>		32%	696
<b>Total Value</b>		100%	2176

Chains increased sales by 42% in the 5 years to 2008, while independent outlets only increased by 13%. This pattern is expected to remain in the future.

McDonalds, Burger King and KFC have significant presence in both ROI and NI.

## Forecast: QSR 2009 to 2014 by segment (€m @ RSP)

QSR Channel @RSP	Sales 2009 € million	Sales 2010 € million	Increase/Decrease %	Sales 2014 € million	Increase/Decrease %
<b>Bakery/Gen</b>	747	759	2%	898	18%
<b>Burger</b>	532	541	2%	654	21%
<b>Chicken</b>	74	76	3%	90	18%
<b>Fish</b>	120	118	2%	110	(7%)
<b>C Store</b>	616	618	-	694	12%
<b>others</b>	87	88	1%	88	-
<b>(Independents)</b>	696	691	(1%)	710	3 %
<b>Chains</b>	1480	1,509	2%	1824	21 %
<b>Total</b>	2176	2,200	1%	2534	15%

Percentage change figures in brackets denote a decline.

Overall QSR is forecast to grow only 1% in 2010, but by over 3% per year to 2014. Within this though, there are significant divergences.

The fastest growing channel segments will be burger, chicken and bakery, the fastest contraction will be fish and chips.

The lions share of the gains will go to chains rather than independents and chains will drive channel growth.

## Route To Market breakdown: QSR Summary

The market to supply QSR is valued at around €690 million at operator buying prices.

Chains dominate this channel and increasingly are looking to purchase direct from a supplier, rather than via a wholesaler.

The traditional wholesale delivery role is being replaced by a “wheels only” arrangement where the wholesaler acts only as a logistics provider.

International chains purchase on a Pan European basis: 20% of all beef used in Europe by McDonalds is supplied by Irish farms, equating to a contract worth €80m annually.

The chain customer dictates the format of delivery, and to eliminate wastage, there is a larger prevalence of frozen product supplied in this channel as against others.

## QSR in the recession: “quotes from the sharp end”

Feedback from interviews during the research highlighted the following developments:

### Delivery format?

*“Pre prepared always. Frozen mainly (inc bakery), consistent rigid (worldwide) standards. Dairy is chilled.”*

### Will the format change?

*“Not at all, the system would never allow it.”*

### Channel in the recession?

*“I do not know too much about other channels but I know we gained share in our channel and our channel gained share against more expensive or formal restaurants.”*

### Sharing chain pain?

*“Commodity prices fell so things were not that bad and margins were maintained.”*

### Suppliers pro-active?

*“Very. We have an “open book” anyway and there is no shortage of potential meat suppliers”. We are aware of commodity prices as you would expect...other chains must be too.”*

### Long term post recession supply?

*“Not really...we source globally...maybe more competitive.”*

## **QSR in the recession: “quotes from the sharp end”**

### **Hard hit channel?**

*“We reacted quicker, were more aggressive with deals and, I think we are coming out better.”*

### **Credit issues?**

*“We have standard terms and these have not altered during the recession.”*

### **Evolution of supplier relationship?**

*“I think we came together even more, but then we see it as a partnership anyway, not a contest.”*

### **Specific channel opportunities?**

*“There are always opportunities within our range, but not really as a result of the recession.”*

### **Attributes of future successful suppliers?**

*“These have not changed. We give a spec and it must be adhered to with absolute consistency. Price remains competitive. Any commodity price gains are handed on by suppliers. We do not need suppliers to be proactive in product as these innovations we dictate. Demonstrate an interest in us and our customers...be aware of what is going on.”*

*“The key is to fit to our system as we will not fit yours.”*



# FSR

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

*Who are the leading players?*

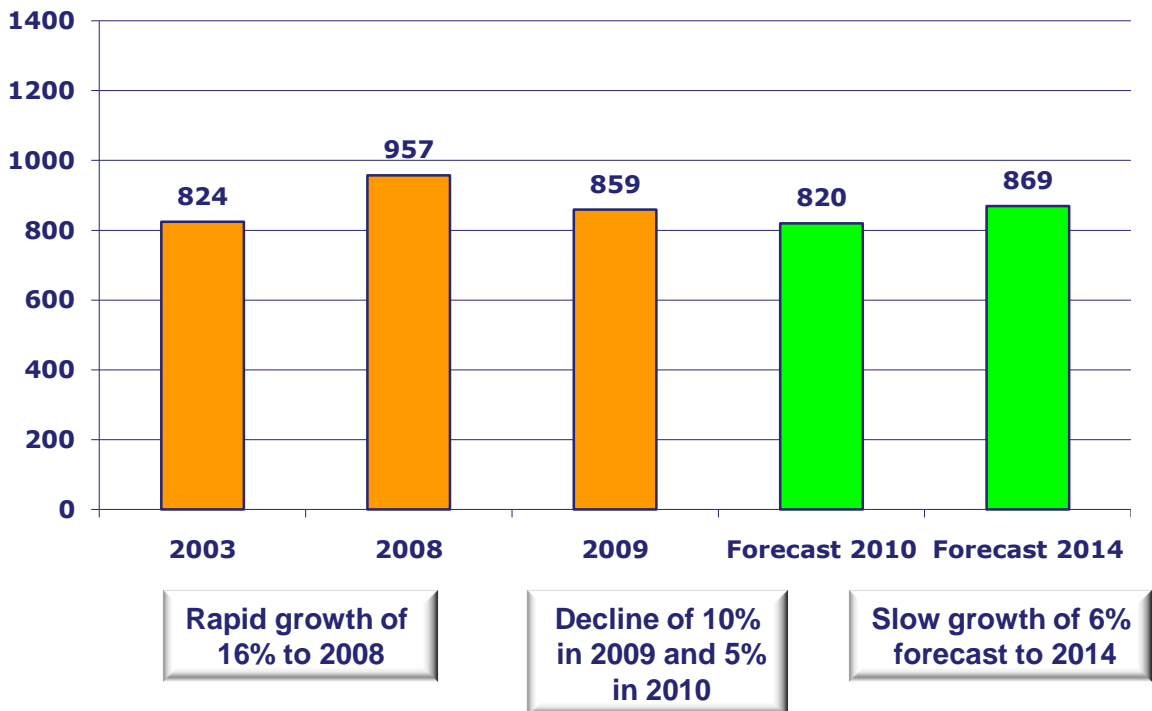
*How is the market reached?*

*What are the drivers?*

## What is FSR ?

Covers 'conventional' formal restaurants, casual and quick casual restaurants characterised by sit-down table service and extensive food preparation and wide choice of dishes on offer; casual dining chains (e.g. TGI Fridays) tend to have a central theme either in terms of menu or in-house atmosphere.

### OUTLINE PERFORMANCE (Sales €m at Notional RSP)



## FSR in Ireland traditionally

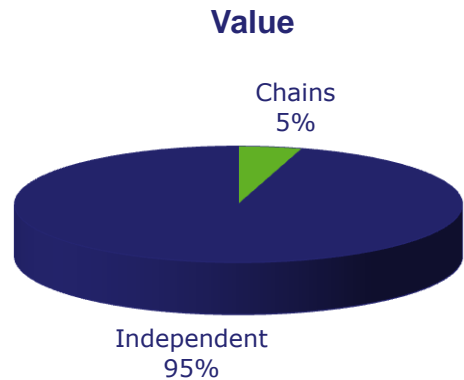
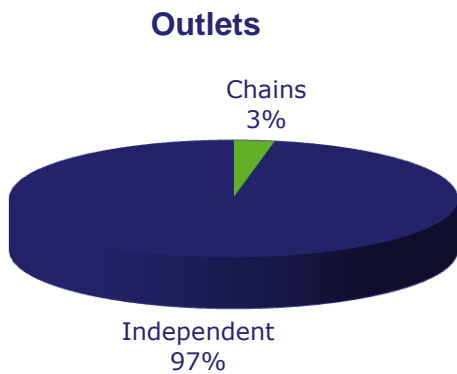
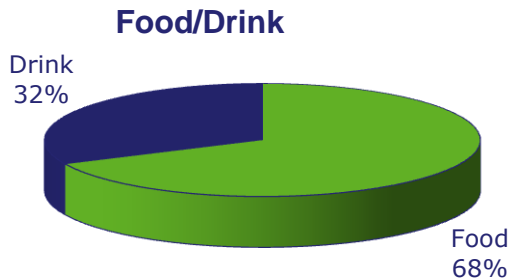
- Full service restaurants in most of Europe are in long term decline as fast foods and eating at home with high levels of home entertainment becomes the norm.
- The channel has tried to arrest this decline with newer more casual formats which appeal to diners with time available.
- Pizza restaurants in particular have benefited from this trend.
- FSR grew rapidly in Ireland from 2003 to 2008 which, compared to the rest of Europe, had high restaurant prices anyway. This combination of increased traffic and high prices drove the channel.
- It also encouraged many new independent operators to start up and chains such as TGI Fridays and Gourmet Burger Kitchen to open.
- Ireland also had many very premium restaurants which relied heavily on business custom.
- High tourism levels augmented this position even more.
- Thus the channel was highly leveraged against increasing consumer expenditure and ill-equipped to counter a downturn.

## FSR in Ireland in the recession

- FSR has been one of the poorest performing channels in Irish foodservice during the recession.
- While there was steady growth to 2008, the recession saw sales values slump by 10% in 2009 and current evidence suggests the position may fall by a further 5% in 2010.
- Some formats suffered worse than others and, in general, up-market outlets and those relying on business custom fared worst of all.
- Discount menus, fixed price meals and early bird specials have characterised the channel's attempts to maintain some volume.
- Volume and custom are critical to cover large fixed overheads (property and labour) and the failure to attract custom has seen an undue number of closures over the past year.

## How big is FSR in Ireland ?

Total Value 2009  
€859million @RSP



FSR is heavily biased to independent outlets. Chains have little impact on the dynamics of the channel.

Many restaurants are opened, but the failure rate is very high and it is thought that more than 50% of new FSR openings have closed or changed ownership in the first year of operation.

Drink plays a greater role than in QSR, particularly alcohol. More outlets are offering take away facilities as Home Meal Replacement becomes an accepted meal option.

## How big is FSR in Ireland? (€m @RSP)

FSR Channel	Sales 2009 € million	Sales % Chains	Outlets 2009	Average Outlet Sales p.a. Chains € thousand	Average Outlet Sales p.a. Independent € thousand
<b>European</b>	569	5%	1,966	393	285
<b>Asian</b>	200	1%	912	240	218
<b>Other</b>	90	3%	333	302	261
<b>Total</b>	859	4%	3,211	377	264

FSR restaurants are increasingly difficult to segment as menus become more varied, more internationally influenced and more adventurous.

European restaurants in FSR are comparatively more Irish in menu style than mainland UK, but have developed more Continental European slants to their menus over the last decade. European style FSR restaurants take on average 32% more than their Asian counterparts.

Asian restaurants encompass Chinese, Indian as the main styles but more Japanese and Korean barbeque have opened, particularly in Dublin.

Chains are a very minor part of the market which is very fragmented.

Chain FSR restaurants take, on average, 43% more than independents.

The split is broadly the same in ROI and NI, although there are a few more chain outlets in NI.

## FSR sales 2003 to 2009 by segment (€m @ RSP)

FSR Channel	Sales 2003 € million	Sales 2008 € million	Increase %	Sales 2009 €million	Increase/ (Decrease) %
<b>European</b>	571	639	12%	569	(11%)
<b>Asian</b>	201	218	8%	200	(8%)
<b>Other</b>	52	100	92%	90	(10%)
<b>Total</b>	824	957	16%	859	(10%)
<b>ROI</b>	610	730	20%	638	(13%)
<b>NI</b>	214	227	6%	221	(2%)

Percentage change figures in brackets denote a decline.

The engines of growth in the FSR segment to 2008 were mostly new formats such as American and Mexican.

ROI benefited particularly from an expanding economy and increased tourism.

The recession in 2008/2009 saw value in the channel fall by over 10%.

The decline was felt slightly less overall in Asian formats, although the decline per outlet in European and Asian formats was similar.

Discount meal offers and fewer courses taken by customers were common to stem a drop in traffic across the board.

## FSR: leading players

Unlike QSR, there are few chains in FSR. This mirrors the position in UK and all other European countries.

The nature of a successful restaurant depends heavily on micro-management and attention to detail at the outlet level. This therefore negates many of the advantages of rigid systems which are so successful in QSR.

FSR is also a favoured channel for entrepreneurs who wish to open their own restaurant and it is always important for them to stamp their own style and personality on the operation.

The sector is also internally volatile with a good proportion of start up restaurants not being economically viable. This volatility has been exacerbated in the recession.

The principal chains therefore (Fitzers and FXB in ROI) have little impact in this channel.

Other notable chains are Pizza Hut (Yum Brands), but this is mainly run as a franchise, Gourmet Burger Kitchen and TGI Fridays.

=====

For the above reasons, it is delivered wholesale that have the best view of the market as a whole since they supply most individual outlets.

Suppliers should regard market intelligence coming from these delivered wholesalers as crucial in understanding the needs.

## Forecast: FSR 2009 to 2014 by segment (€m @ RSP)

FSR Channel	Sales 2009 € million	Sales 2010 € million	Decrease %	Sales 2014 € million	Increase/Decrease %
<b>European</b>	569	542	(5%)	573	6%
<b>Asian</b>	200	194	(3%)	207	7%
<b>Other</b>	90	84	(7%)	89	6%
<b>Total</b>	859	820	(5%)	869	6%

Percentage change figures in brackets denote a decline.

Overall FSR is forecast to decline further in 2010 and grow only slowly to 2014. There is forecast to be further decline in all sectors for the next year until the economy picks up. While volumes pick up, it is likely that values will be depressed and operators believe discounting and fixed price menus will be a permanent feature of the channel for the foreseeable future.

The lion's share of any of the gains will go to the small number of chains rather than independents. Asian restaurants with their "all you can eat" format are forecast to do better than others.

### Route To Market breakdown: FSR Summary

The market to supply FSR is valued at around €275 million at operator buying prices.

As wholesalers are the main route to market, the actual supplier price will be 10% to 35% lower than this. This reflects the wholesalers margin which varies according to product type, with fresh product generally having the lowest and fully prepared/ready meals, the highest.

This traditional wholesale delivery role of a broadline distributor will always be important since the economics of the route to market hinge on the efficiency of the last mile delivery.

The wholesaler dictates the format of delivery, but fresh and chilled are important and therefore daily deliveries may not disappear in the short term and frozen product supplied in this channel is primarily a back-up (chips, veg. etc).

It is also important when considering the wholesaler route to market to remember that they will service other outlet types from the same delivery schedule and therefore a product applicable to Pubs/Coffee Shops as well as FSR would be more attractive to them.



## **FSR in the recession: “quotes from the sharp end”**

Feedback from interviews during the research highlighted the following developments:

### **Delivery format?**

*“Nearly all from scratch and this has not changed. Mostly fresh. Frozen as a back up.”*

### **Will the format change?**

*“Has not changed and will not...rely on local and fresh/chilled suppliers.”*

### **Channel in the recession?**

*“People are demented about value for money. Monday to Thursday are dead. People are just not going out. Average spend down, sharing starters, starter as main course. €25 menu has become standard...but we still manage to get €35-40 as a tab with drinks.”*

### **Sharing chain pain?**

*“Yes, our supplier (distributor) has been very supportive.”*

### **Suppliers pro-active?**

*“Local suppliers have been slower to realise things have changed...”*

### **Long term post recession supply?**

*“People have more of a “Deal” mentality in foodservice...they are pushing it. I think elements of this will never go away now.”*

## **FSR in the recession: “quotes from the sharp end”**

### **Hard hit channel?**

*“We have both Café Bars and Restaurants. No doubt the bars of the restaurants have been worst hit, they only really operate on Saturday.”*

### **Credit issues?**

*“I know the suppliers are very wary with a large amount of long credit and bankruptcies....but what can they do...they either try to live with it or see them go under.”*

### **Evolution of supplier relationship?**

*“We have found our suppliers mostly helpful as we are all in it together...I think in future we must recognise it is a partnership, not a boxing match.”*

### **Specific channel opportunities?**

*“Local small suppliers that can produce quality and consistency....we all want to buy local and Irish to help the economy recover.”*

### **Attributes of future successful suppliers?**

*“Consistency of quality and supply. Recognise need for forward menu planning. Accept reasonable payment terms. Understand our business and if local and small, that we still need consistency.”*

# Pubs/Coffee Shops

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

*Who are the leading players?*

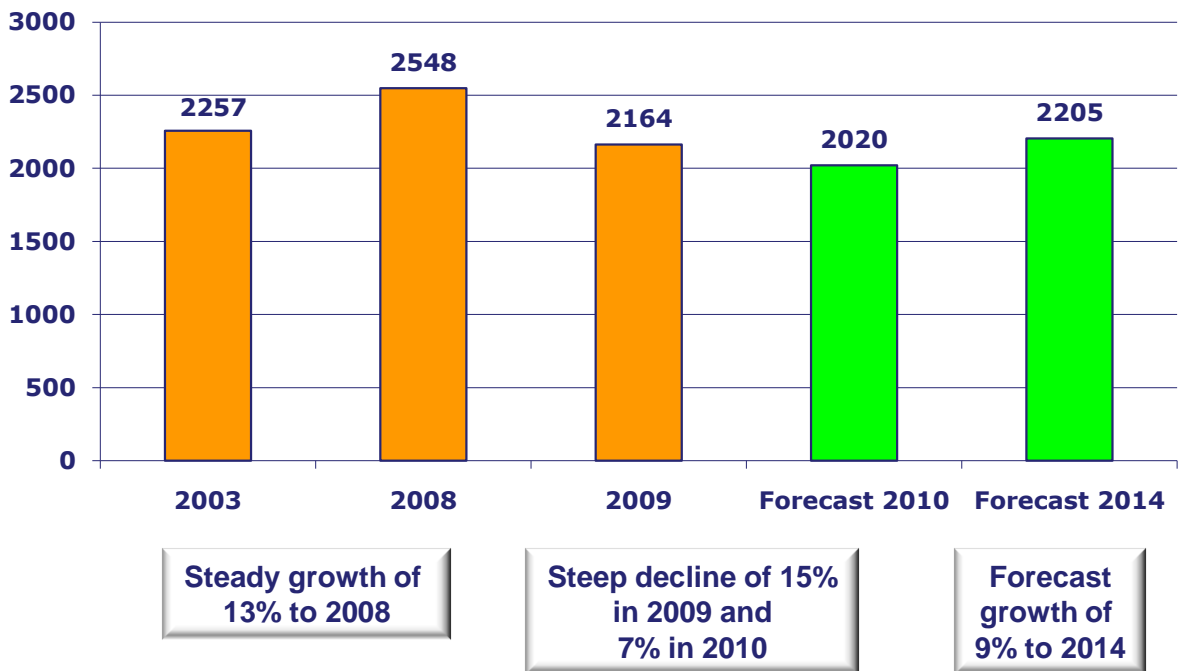
*How is the market reached?*

*What are the drivers?*

## What is Pubs/Coffee Shops?

Pubs/Coffee Shops within the foodservice market covers cafeterias, bars, clubs, coffee shops (Starbucks style and traditional coffee shop outlets), tearooms and ice-cream parlours with table service and self-service offerings as well as bakeries that offer snacks, mini-meals and drinks for on-premise or on-the-go consumption.

### OUTLINE PERFORMANCE (Sales €m at RSP)



## Pubs/Coffee Shops in Ireland traditionally

- As the biggest channel, pubs have played a central role in the development of foodservice in Ireland.
- The channel is still dominated by the pubs and bars sector which, with traditional cafes, accounts for 95% of sales value. However, there has been a long term decline in many pubs' drinks revenue caused by:
  - The smoking ban,
  - The closure of many uneconomic outlets,
  - High on-trade prices and cheap supermarket prices for alcohol throughout the IOI.
- While growth was good in the channel in the 5 years to 2008, it tailed off towards the end of the period due to the smoking ban and sales were broadly flat from 2007 to 2008, even before the recession began.
- The dynamic sector within this channel has been coffee shops. Outlet numbers doubled in the 5 years to 2008 and sales per outlet even outstripped that figure.

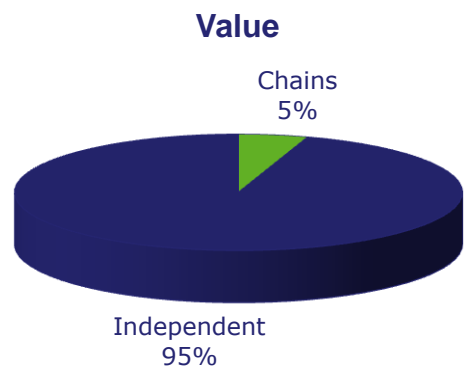
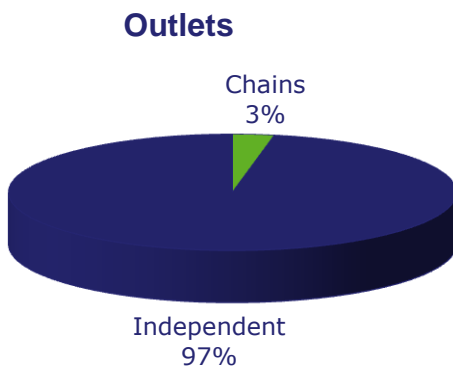
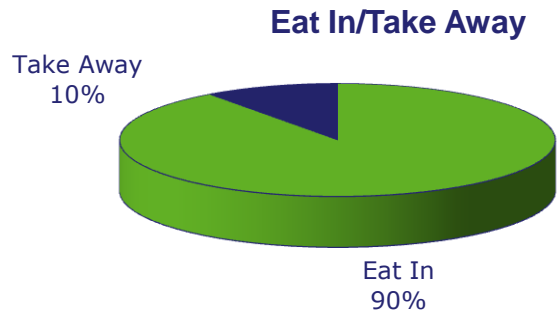
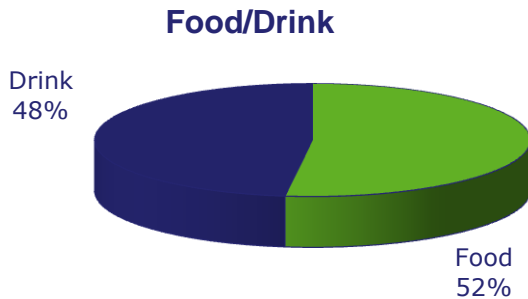
## Pubs/Coffee Shops in Ireland in the recession

- Recession however hit pubs particularly hard. Pubs that had enjoyed lunchtime sales saw it suddenly disappear in mid 2008. This loss of trade has resulted in a crisis in the licensed trade.
- Licensed Vintners Association confirmed to this study (May 2010) that over a quarter of their members reported a yearly sales drop in excess of 30%. Most of the talk in the trade centres around survival, with few looking long term.
- Those that are, see a value food offering and cooperation with suppliers as crucial.
- The previously burgeoning coffee shop chains were also hit. Those who were getting €8-9 for a coffee and muffin or snack saw trade collapse as consumers stopped "treating themselves".
- They have had to bring in €3 specials of coffee plus snack and claim to have maintained overall footfall and sales.

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# How big is Pubs/Coffee Shops in Ireland ?

Total Value 2009  
€2.164 Billion @RSP



Chains have minimal impact in this channel overall, unlike UK mainland where chains dominate. Chains (such as Insomnia) do dominate coffee shops.

Food is now more important than drink in sales terms for pubs.

## How big is Pubs/Coffee Shops in Ireland? (€m @ RSP)

Pubs/Coffee Shops Segment Channel	Sales 2009 € million	Sales % Chains	Outlets 2009	Outlet Sales p.a. Chains € thousand	Outlet Sales p.a. Indep. € thousand
<b>Pubs</b>	2,061	2%	8,588	935	233
<b>Coffee Shops</b>	103	82%	300	406	204
<b>Total</b>	2,164	5%	8,888	475	232
<b>ROI</b>	1,501	5%	5,900		
<b>NI</b>	663	5%	2,988		

There are only two segments in the Pubs/Coffee Shops channel: Pubs/Bars and Coffee Shops.

The chains in Pubs/Bars take four times as much as the independents. However this is a function of their concept (stand-up bars in major cities which attract volume custom).

Chain coffee shops take on average twice the amount of an independent outlet.

Pub outlets in ROI have tended to take more on average than in NI, however with many closures in 2009/10, this situation could change.

## Pubs/Coffee Shops 2003 to 2009 by segment (€m @ RSP)

Pubs/Coffee Shops Channel	Sales 2003 € million	Sales 2008 € million	Increase %
<b>Pubs</b>	2209	2445	11%
<b>Coffee Shops</b>	48	103	140%
<b>Total</b>	2257	2548	13%

Sales 2009 €million	Decrease %
2061	(16%)
103	-----
2164	(15%)

Percentage change figures in brackets denote a decline.

Overall in the five years to 2008 the channel averaged 2.4% per annum growth in sales value.

From 2003 to 2008, pubs compensated for declining drinks revenue by an increased emphasis on food which now accounts for 52% of turnover in the channel. Within this however, the volume of customers in pubs declined but prices, on the back of up-graded menus, outstripped inflation to increase average bill size.

### Pubs/Coffee Shops: leading players

As with FSR, there are few chains in pubs. However coffee shops are dominated by chains. There are a few chains in pubs, but they have found the going tough in the recession.

As with FSR, pubs tend to rely heavily on the individual bar owner or manager. The nature of a successful bar depends heavily on personality, micro-management and attention to detail at the outlet level.

=====

For the above reasons, as with FSR, in servicing the pubs channel, it is best to regard delivered wholesale (e.g. Musgrave, Pallas, Allied Foods) as having the best view of the market as a whole since they supply most individual outlets.

Suppliers should regard market intelligence coming from these delivered wholesalers as crucial in understanding the needs of the channel.



## Forecast: Pubs/Coffee Shops 2009 to 2014 by segment (€m @ RSP)

Pubs/Coffee Shops Channel	Sales 2009	Sales 2010	Increase/Decrease %	Sales 2014	Increase/Decrease %
	€ million	€ million		€ million	
<b>Pubs</b>	2,061	1,916	(7%)	2,090	9%
<b>Coffee Shops</b>	103	104	1%	115	11%
<b>Total</b>	2,164	2,020	(7%)	2,205	9%

Percentage change figures in brackets denote a decline.

Overall the Pubs channel is forecast to continue its decline in 2010 and show only very slight growth to 2014.

Within this, Coffee Shops are already reporting better trade in 2010 although this is on the back of heavily discounted “meal deals”.

The encouragement for food suppliers should be the fact that pubs are recognising they have to continually upgrade their food offering to attract drink custom in the future.

## Route To Market breakdown: Pubs/Coffee Shops Summary

The market to supply pubs/coffee shops is valued at around €715 million at operator buying prices.

As wholesalers are the main route to market for the pubs, which are the dominant segment, the actual supplier price will be 10%-35% lower than this.

This reflects the wholesalers margin which varies according to product type with fresh product generally having the lowest margin and fully prepared and ready meals having the highest.

The coffee shop chains will buy centrally and increasingly the international chains are beginning to purchase on a pan-European basis.

This traditional wholesale delivery role of a broadline distributor will always be important for the pubs and bars since, like FSR, the economics of the route to market hinge on the efficiency of the last mile delivery.

The wholesaler dictates the format of delivery, but fresh and chilled are important and therefore daily deliveries may not disappear in the short term and frozen product supplied in this channel is primarily a back-up (chips, veg. etc).

It is also important when considering the wholesaler route to market to remember that they will service many other outlet types from the same delivery schedule and therefore a product applicable to FSR as well as pubs would be more attractive to them.

## **Pubs/Coffee Shops in the recession: “quotes from the sharp end”**

Feedback from interviews during the research highlighted the following developments:

### **Delivery format?**

**Pubs:** “Mostly fresh...little storage space and mostly get product from the Cash & Carry that they do not get locally.”

**Coffee Shops:**“All bakery is fresh...”

### **Will the format change?**

**Pubs:** “I do not think frozen will benefit as such as people prefer fresh.”

**Coffee Shops:**“Not going to change at this stage...other things to worry about.”

### **Channel in the recession?**

**Pubs:** “It hit in 2008 with footfall down. Lunchtimes were, and are, very bad...people bring packed lunches rather than go to the pub. Evenings and Sunday lunch has held up, but turnover is considerably down.”

**Coffee Shops:** “2007 was a poor comparison (poor summer) so 2008 was not spotted early...footfall fell 13%-14% but we did not see it as a recession at first. The average spend went down...€8 down to €5.”

### **Sharing chain pain?**

**Pubs:** “Yes...they have seen they must act and respond.”

**Coffee Shops:** “They have had 10 good years and now joined us for the pain.”

### **Suppliers pro-active?**

**Pubs:** “Yes our wholesaler has been helpful...lower priced own label has been helpful.”

**Coffee Shops:** “Started to outsource sandwiches and started to introduce deals with suppliers joining.”

## **Pubs/Coffee shops in the recession: “quotes from the sharp end”**

### **Long term post recession supply?**

***Pubs:** “Most are looking to narrow the supply base. Even to one drop.”*

***Coffee Shops:** “Suppliers see customers have had value now and will not let it go.”*

### **Hard hit channel?**

***Pubs:** “Pubs have been hit badly, particularly in the country.”*

***Coffee Shops:** “We were initially hard hit as a high price luxury outlet, but now we are positioned as a convenience and value priced snack.”*

### **Credit issues?**

***Pubs:** “The banks have been quick to close up credit lines.”*

***Coffee Shops:** “We realise everyone has to survive and we depend on our suppliers, so we cannot squeeze them dry.”*

### **Evolution of supplier relationship?**

***Pubs:** “We both must recognise a fundamental shift to value and try to lower all costs.”*

***Coffee Shops:** “We had to get volume and volume suits them in Bakery...our needs are aligned.”*

### **Specific channel opportunities?**

***Pubs:** “Always lower cost value food ideas.”*

***Coffee Shops:** “We and the suppliers really analysed our cost base down to items like paper and delivery schedules.”*

### **Attributes of future successful suppliers?**

***Pubs:** “It’s more than just product: its training, service, offers for consumers and low cost menu ideas.”*

***Coffee Shops:** “We choose a supplier based on the quality and value they offer and whether they understand our business. This will not change.”*

# Hotels

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

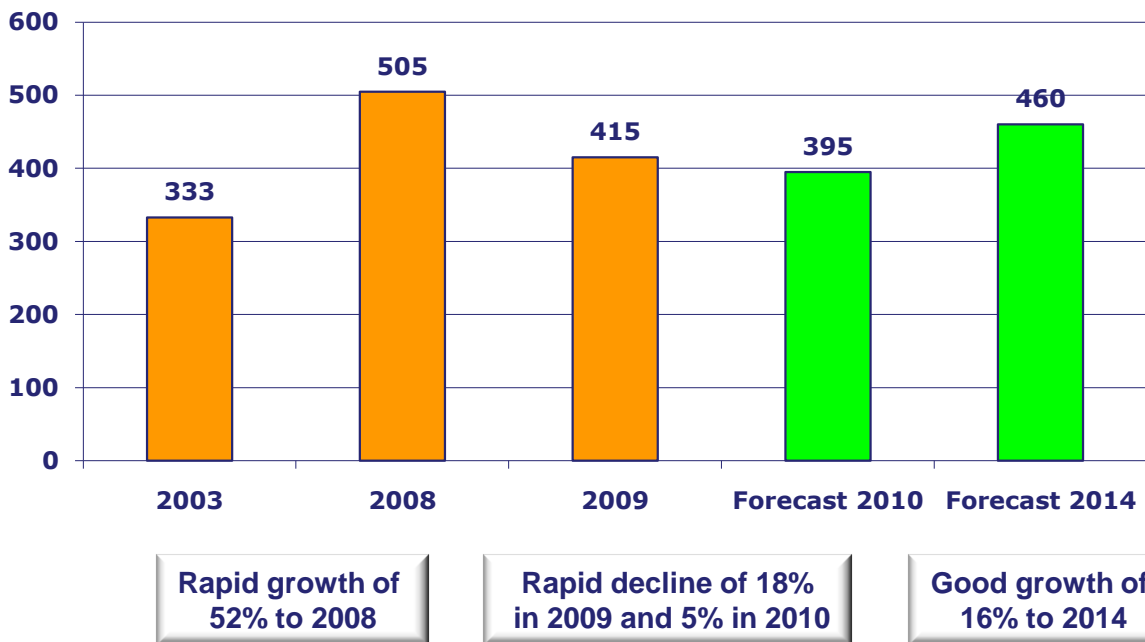
*How is the market reached?*

*What are the drivers?*

## What is the Hotels channel?

The hotels channel in foodservice includes hotel chains and independents, other accommodation forms such as guest houses; covers foodservice offerings in hotel restaurants, hotel cafes/foyers and room service as well as event catering (meetings, conferences, banqueting etc).

### OUTLINE PERFORMANCE (Sales €m at Notional RSP)



## Hotels in Ireland traditionally

- The years to 2008 were very good to hotels in Ireland, both ROI and NI, due to an increase of in-bound tourism (particularly post peace-process in NI) plus greater domestic tourism (weekend breaks etc.) and an ageing population with more leisure time meant high sales increases of room revenue.
- Hotels are driven by room occupancy. The measure is known as Revenue per available room (REVPAR) and is the key metric throughout the industry.
- Room occupancy is the key target for all hotels and food income generally follows occupancy.
- The other major source of income is conferences, banquets and meetings where food is often the main revenue generating element.
- Food in hotels is often included with accommodation and not a directly charged item (e.g. breakfast) and therefore more difficult to quantify. Additionally hotel food facilities apart from breakfast are in direct competition with standalone outlets.
- Food sales therefore showed impressive growth rates around 8% per annum for the period 2003-2008 throughout IOI.

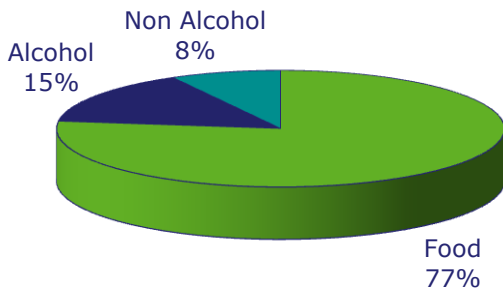
## Hotels in Ireland in the recession

- The recession hit Irish hotels (and those in ROI particularly hard). NI was less hard hit.
- REVPAR declined in 2009 in ROI by 15%+ due to a combination of overcapacity and lower demand. In NI the room occupancy rate declined by 6%.
- The IHF (Irish Hotels Federation) estimated that there is 30% overcapacity in the ROI. The figure in NI is not far short of this as there was a similar hotel building boom.
- While attracting more guests has been difficult, hotels have tried to expand their foodservice custom with similar strategies to other channels; meal deals, early birds and pure discounts being very common.
- The result, it appears, has been that the decline in foodservice revenue in hotels has been as severe as that of REVPAR generally.

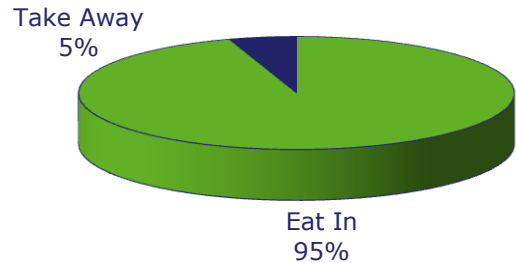
## How big is Hotels in Ireland ?

Total Value 2009  
€415 million @RSP

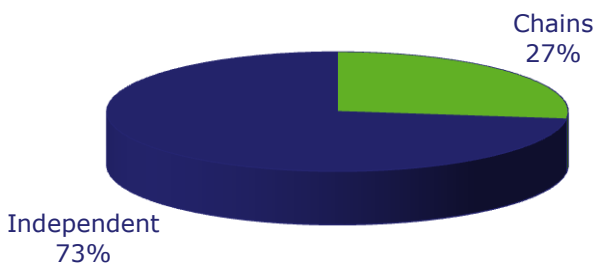
### Food/Drink



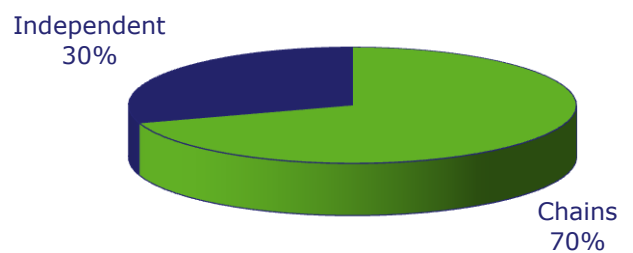
### Eat In/Take Away



### Outlets



### Value



Hotel foodservice is biased towards food while drink is more alcoholic than soft.

The take-away facility is negligible.

While chains have around a quarter of the outlets, they have more than two-thirds of sales.

This is because chains are concentrated in the upper end of the market (3\*, 4/5\*).



## How big is Hotels channel in Ireland? (€m @ RSP)

Rating	Outlets	Foodservice Revenue € Million @RSP	Average Foodservice Revenue €'000	Chain Outlets	Chain Revenue
<b>4/5 *</b>	<b>301</b>	<b>181</b>	<b>601</b>	} <b>27%</b>	} <b>70%</b>
<b>3 *</b>	<b>468</b>	<b>174</b>	<b>372</b>		
<b>2 * minus</b>	<b>273</b>	<b>40</b>	<b>146</b>		
<b>Guesthouse</b>	<b>420</b>	<b>20</b>	<b>48</b>		
<b>TOTAL</b>	<b>1462</b>	<b>415</b>	<b>284</b>		
<b>ROI</b>	<b>1050</b>	<b>305</b>	<b>290</b>	<ul style="list-style-type: none"> <li>• B&amp;Bs, Campsites, YHA etc not included.</li> <li>• Larger Guesthouses only</li> </ul>	
<b>NI</b>	<b>412</b>	<b>110</b>	<b>267</b>		

Chains are very important in the Hotels channel accounting for 70% of foodservice revenue, while only having about a quarter of the outlets.

Chains concentrate in the higher rated hotels where average revenues are boosted by meetings, banquets and conferences.

Guesthouses tend only to serve breakfast.

Budget chains from the UK are entering the market and there are 11 Travelodge now in IOI.

## Hotels growth to 2008 by segment (€m @ RSP)

Rating	2003 FS revenue € Million	2008 FS revenue € million	Increase € million	% Increase
4/5 *	111	223	112	201%
3 *	160	213	53	133%
2 * minus	41	46	5	12%
Guesthouse	21	23	2	10%
<b>TOTAL</b>	<b>333</b>	<b>505</b>	<b>172</b>	<b>52%</b>
<b>ROI</b>	<b>243</b>	<b>391</b>	<b>148</b>	<b>61%</b>
<b>NI</b>	<b>90</b>	<b>114</b>	<b>24</b>	<b>27%</b>

2003 to 2008 was a boom time for hotels in IOI. Foodservice revenue followed room sales, although at a lag and many new restaurants and bar concepts were built.

The rapid growth in capacity (60% were 4\*/5\*) has been accompanied by a huge growth in the indebtedness of hotels. There were 26,802 new rooms added in ROI in 1999-2008, with an estimated total investment of €5.2 billion and debt of €4.1 billion.

This debt relates primarily to new hotels and in particular to hotels developed after 2004.

## Hotels 2008 to 2009 by segment (€m @ RSP)

Rating	2008 Foodservice Revenue € million	2009 Foodservice Revenue € Million	Decrease %
4/5 *	223	181	(19%)
3 *	213	174	(18%)
2 * minus	46	40	(13%)
Guesthouse	23	20	(13%)
<b>Total</b>	<b>505</b>	<b>415</b>	<b>(18%)</b>

In aggregate, the hotel sector in ROI has been insolvent since 2008 given the level of debt and asset values based on current profitability. With lower room revenue, most look to hang on via better foodservice offerings and revenues.

Overall REVPAR in ROI declined by about 20% in 2009 and has been the subject of crisis talks between Irish Hotels Federation and the Government to alleviate the problem. Over capacity and discounting have been inherent problems.

In contrast, in NI, the combination of weak sterling and a lighter recession saw a fall of 5% in room occupancy, with an estimated fall in food revenue of around 3%.

## Hotels: leading players

Ireland		
Hotel	sites	* rating
Quality/Maldron	16	4/5/budget
Clarion/Choice/Quality	12	4/5
Carlton	9	4/5
White	8	4/5
Mc'Eniff	6	3/4
Moran & Bewleys	6	3/4
Lynch	6	4/5
Hastings	6	4/5
O'Callaghan	4	4/5
Doyle Collection	3	4/5
FBD	4	4/5
Quinn	4	4/5
Mooney	3	3/4
International		
Rezidor	13	4/5
Travelodge	8	budget
Days Inn/Wyndham	7	budget
Hilton	5	4/5
Premier Travel Inn	4	budget
Starwood	3	4/5

Chains in hotels are characteristically small, many with 2 or 3 sites, and concentrate at the luxury end. Ireland has a number of small family-owned groups who are committed to local sourcing of food.

For full company profiles refer to Bord Bia "Operator & Distributor profiles: Irish Foodservice Market. November 2009."

## Forecast Hotels growth to 2014 by segment (Foodservice revenue, €m @ RSP)

Rating	2009 € million	2010 € million	Increase/ Decrease %	2014 € million	Increase %
4/5 *	181	169	(10%)	206	22%
3 *	174	167	(4%)	188	13%
2 * minus	40	39	(2%)	44	13%
Guesthouse	20	20	---	22	10%
<b>Total</b>	<b>415</b>	<b>395</b>	<b>(5%)</b>	<b>460</b>	<b>16%</b>

Percentage change figures in brackets denote a decline.

Spending in foodservice in the hotels category is forecast to decline in 2010 but then rise by about 16% in the years from 2010 to 2014. 2010 is still expected to show substantial sales declines in foodservice in most outlets particularly at the high end due to continued discounting, but foot traffic appears to have levelled off.

Growth to 2014 will come mainly at the upper end of the scale, but is unlikely to come from new outlets given the current chronic overcapacity of hotel rooms in IOI. Even with a growth rate of 16%, foodservice sales will still only return to circa 80% of 2008 levels.

### Route To Market breakdown: Hotels Summary

The market to supply hotels is valued at around €152 million at operator buying prices.

This is a higher proportion at supplier prices of notional retail value since items such as breakfast are costed on an inclusive basis with accommodation.

Chains are important in this channel and direct contact from suppliers will increasingly be the key to success for suppliers to this channel. However, in the short term, the wholesaler route will continue to dominate.

The chef is an important decision-maker in the channel, but only within the confines of supply arrangements and deals pre-agreed with central purchasing in chains.

The wholesaler with central purchasing, dictates the format of delivery, but fresh and chilled are important and therefore daily deliveries may not disappear in the short term and frozen product supplied in this channel is primarily a back-up (chips, veg etc.), or to cope with unexpected large parties.

## Hotels channel in the recession: “quotes from the sharp end”

Feedback from interviews during the research highlighted the following developments:

### Delivery format?

*“Nothing pre-prepared, mainly fresh with a few frozen bits (chips and peas etc.) but that’s about it.”*

### Will the format change?

*“No change is likely, cost of storage and space available.”*

### Channel in the recession?

*“Summer 2008 it hit really, felt the pinch mainly in corporate clients with much fewer conferences etc. and those that did happen generally just used the space and no longer stayed over night. Tourism and weddings also down, with the strong US dollar resulting in a lack of American tourists.”*

### Sharing chain pain?

*“Had to renegotiate our position with most of our clients and suppliers, but everyone was generally in the same boat so happy to help each other.”*

### Suppliers pro-active?

*“Particularly wholesalers. Very pro-active. We have a fairly long running partnership with most of our suppliers so they were quite happy to help.”*

### Long term post recession supply?

*“Long term fewer suppliers and a more efficient chain, we’ve cut out lots of fat and there will be more to come.”*

## **Hotels channel in the recession: “quotes from the sharp end”**

### **Hard hit channel?**

*“It has been very very challenging”.*

*“Everything will stay as it is now really, even if we come out of recession. People will always look for value now. Even if a boom comes back, people will still be cautious.”*

### **Credit issues?**

*“Well yes, it’s tight all round!”*

### **Evolution of supplier relationship?**

*“Some suppliers had to be forced....give me this or you’re out, but generally we are much more of a partnership now.”*

### **Specific channel opportunities?**

*“Nothing specifically Irish suppliers could go for. Most are tackling these gaps already, I think they realised they might have missed the boat during the good times, so are more on top of things now.”*

### **Attributes of future successful suppliers?**

*“Want suppliers to be flexible, willingness to adapt, good product development, variety, a stress on Irish sourced produce.”*

*“We like a partnership approach, not just someone who drops off boxes – we have enough people dropping boxes as it is.”*

# Other Commercial Channels

Leisure/Events

Travel

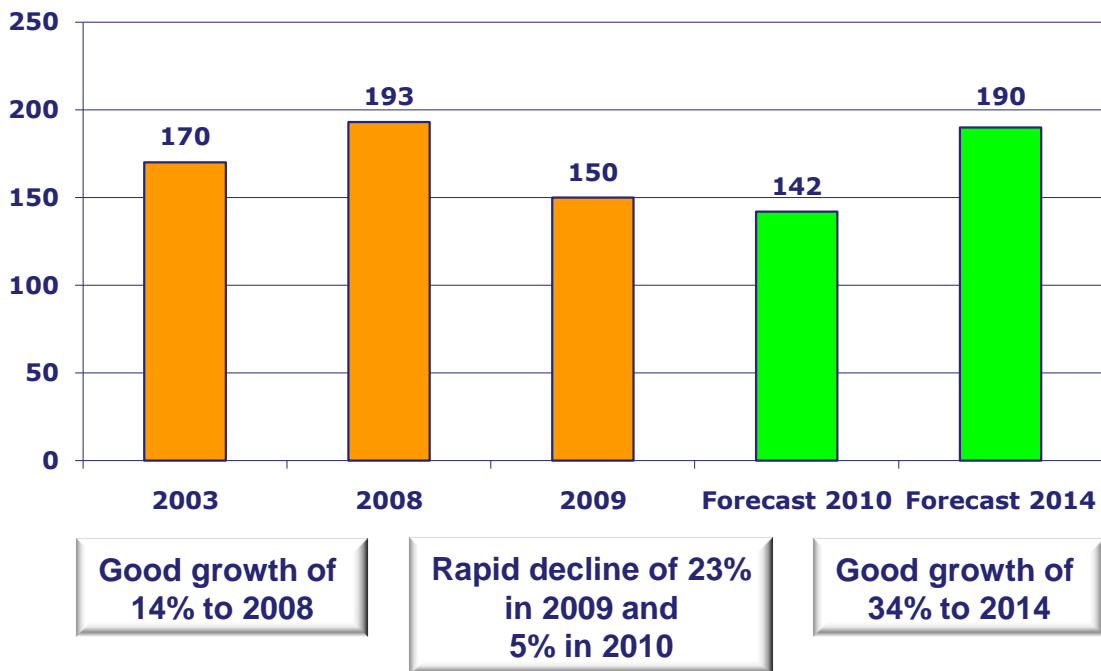


## What are other commercial channels?

**Leisure:** comprises cinemas, theme parks, amusements, tourist attractions, sports venues and clubs, spas, special events, recreational areas, cruises etc.

**Travel:** includes on-board and terminus catering for flights, trains, ferries, buses; terminus covers airports, train stations, subway and bus stations; travel also includes road-side services.

### OUTLINE PERFORMANCE (Sales €m at Notional RSP)



## Other Commercial in Ireland

### Leisure

- Catering for leisure is a broad category encompassing events and entertainment. It is heavily influenced by the state of the economy with events being organised in good times and cancelled in bad. Within this, the level of spend per person is heavily influenced by the state of the economy.
- Company conferences, for example, traditionally involved overnight stays and evening dinners. These have typically been replaced by day conferences with snack catering.

### Travel

- Unlike much of Europe, travel catering on airlines and at the roadside is not a major channel.
- Catering on airlines was a large growth area, but the advent of cheap carriers has severely curtailed the airline meal. Airline food suppliers tend to work with the airlines direct on menu planning in conjunction with the major global airline caterers (LSG and Gate).

### Other Commercial 2003 to 2009 by segment (€m @ RSP)

Other Commercial Channels	Sales 2003 € million	Sales 2008 € million	Increase %	Sales 2009 €million	Decrease %
<b>Leisure</b>	132	149	13%	108	(27%)
<b>Travel</b>	38	44	16%	42	(5%)
<b>Total</b>	170	193	14%	150	(23%)
<b>ROI</b>	133	152	14%	118	(22%)
<b>NI</b>	37	41	11%	32	(22%)

Percentage change figures in brackets denote a decline.

Overall in the five years to 2008 the channel averaged 3% per annum growth in sales value.

From 2003 to 2008, leisure boomed as entertainment and events thrived with high attendances and high average spend. Over the same period, travel catering boomed, but then started to decline as cheap, no frills airlines forsook the traditional airline fare.

The recession saw immediate and deep cuts in business conferences, meetings and events generally, both in number and in average spend. The recession in Ireland coincided with a strong Euro against the US dollar and sterling which affected travel catering.

### Other Commercial : Forecast 2009 to 2014 by segment (€m @ RSP)

Other Commercial Channels	Sales 2009 €million	Sales 2010 € million	Decrease %	Sales 2014 €million	Increase %
Leisure	108	102	(9%)	145	42%
Travel	42	40	(5%)	45	13%
<b>Total</b>	150	142	(5%)	190	34%

Percentage change figures in brackets denote a decline.

Overall the other commercial channels category is forecast to have dropped a further 5.3% in 2010 on the back of further cut-backs in business meetings and the effects of the “Ash Cloud” on travel.

Thereafter leisure and events are forecast to rise to 2014 with the economy recovering, but will still not have reached the values of 2008.

In travel, the revival of tourism in the longer term and the rise of “staycations” in the recession should be augmented by the opening of motorway areas on the new roads to the South and West.

Growing the success of Irish food & horticulture



# Institutional Channels

Business & Industry

Health

Education

Other institutional



# Business & Industry

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

*How is the market reached?*

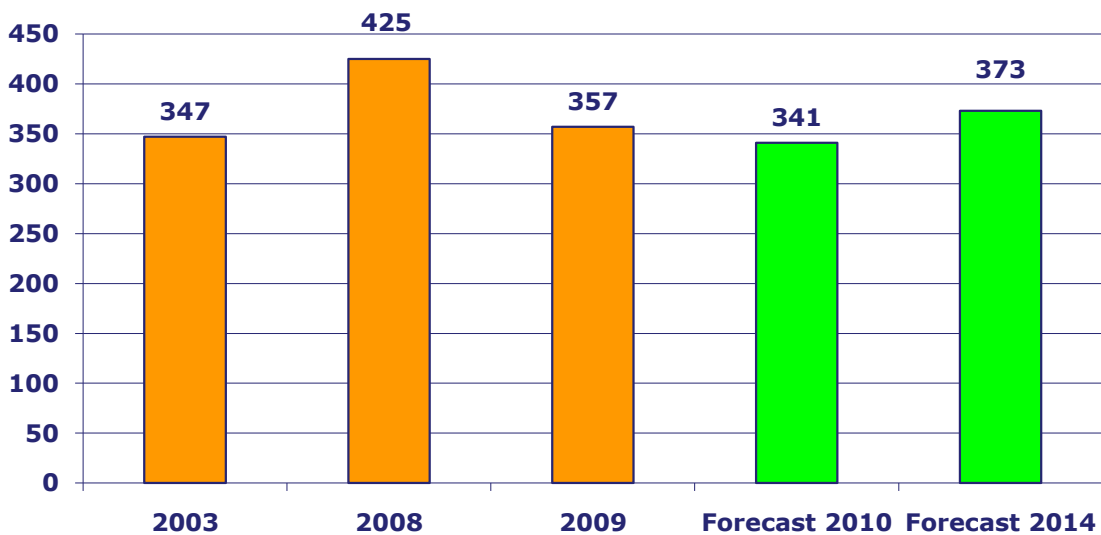
*What are the drivers?*

# What is the B & I channel?

## The Business & Industry (B & I) channel in foodservice:

- B & I is 'catering for the workplace', be this a factory, an office or a remote site; includes meals and drinks consumed on-site, i.e. in canteens, restaurants, at desks, during meetings and through vending machines; it is generally considered as part of the non-commercial foodservice market, which is broken down into in-house catering and contract catering; contract catering is a provision of catering services on an on-going (contract) basis.
- Traditionally this category was split by offices and factories but over the last 20 years, the market segmentation criteria has to account for the demise of blue collar and rise of white collar job.

## OUTLINE PERFORMANCE (Sales €m at Notional RSP)



Good growth of 22%  
to 2008

Rapid decline of 16%  
in 2009 and 5%  
in 2010

Slow growth,  
9% to 2014



## B & I in Ireland traditionally

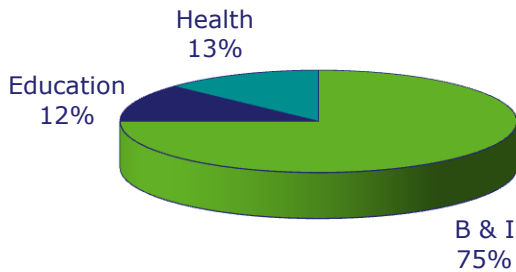
- There was a marked split historically on IOI with heavy engineering in the North, however this has been replaced by white collar such that the industry profile for foodservice is similar across IOI.
- There is also a potential split, (now mainly historic) between canteens for the mass of the workforce and dining rooms (for Management and Directors). The average foodservice spend is higher in the dining rooms, but the volume is now relatively small (around 5% of total and declining).
- The recognised split therefore is into small units (less than 50 employees), medium-sized units (50 to 250 employees) and large units (above 250 employees).
- Often contract caterers (Compass, Sodexo, Aramark etc) will contract for a number of services, (including, for example, facilities management) as well as foodservice. Commonly also, this is an all embracing fixed price contract negotiated over a one to three year period.
- The contract caterers therefore act as a single point of purchase for foodservice suppliers. Most act in conjunction with delivered wholesale, but Compass recently introduced their own direct sourcing system with the intention of opening up their purchasing to more smaller suppliers.

## B & I in Ireland in the recession

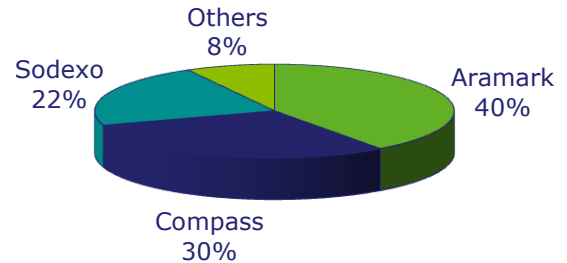
- B & I has been hit particularly hard in the recession. Plant and office closures have reduced average numbers to be catered for at work. Unemployment in ROI doubled in 2009 (12.7%), short-time working was common.
- Alongside this, there has been great pressure (particularly on contract caterers) to cut costs from their suppliers. The premium end has been very badly hit which has affected values disproportionately. Suppliers have been asked “to halve costs.”
- While many expected workers to change habits and use workplace meals (often subsidised) as their main meal of the day, this seems not to have happened everywhere.
- There are mixed signs; workers opting for snacks brought in which further reduced the value of the workplace catering segment, but also choosing in house meals over more expensive high street options.
- The value of food in the B&I channel appears to have declined more than the economy as a whole in 2008/2009. Around 19% in ROI and 8% in NI.
- Taking all these factors together, the value of foodservice element of B & I was estimated to have contracted by 16% in ROI in 2009.

## Contract Caterers, B&I and the recession

Contract caterers business share



Contract caterers market share In Institutional channels



- Contract catering has successfully penetrated B&I (Business and Industry) in both ROI and NI and B&I now makes up 75% of their business. Unlike mainland UK, Education is only important as a channel in NI.
- The 3 main global players Aramark/Campbell Catering, Compass (Eurest) and Sodexo have more than 90% of the contract catering market by value.
- Most prepare and cook on site but use suppliers via centrally-negotiated deals and delivered wholesale of both specialist (meat) and broadline is common to the actual workplace, rather than centrally.
- In the recession, while the value of food consumed in the workplace has declined greatly, the contract caterers seem to have been more resilient.
- This may be ascribed to the fact that they have longer fixed price contracts, rather than daily deliveries and they provide other services such as janitorial. Delivered wholesale seems to have been particularly badly hit though.
- In essence, the value of food supplied has seemingly declined more than the overall contract business of which it is part.

## How big is B & I channel in Ireland? (€m @ notional RSP)

<b>B &amp; I Channel</b>	<b>Sales 2009 € million</b>	<b>Outlets 2009</b>	<b>Outlet sales 2009 p.a.</b>
<b>Small Businesses</b>	8	326	24
<b>Medium Businesses</b>	78	1079	78
<b>Large Businesses</b>	271	591	521
<b>TOTAL</b>	357	1996	200
<b>ROI</b>	247		
<b>NI</b>	110		

The total B& I market in IOI was worth €357m in 2009 at notional consumer prices (including subsidy). Within this figure however, the market for foodservice is dominated by large businesses who account for 29% of outlets, but 77% of sales.

Average spend per meal is around €3.20 in NI against slightly under €3 in ROI. The level of subsidy varies by outlet.

Average spend per meal does not however significantly vary between small, medium or large businesses.

## B & I growth to 2009 by segment (€m @ notional RSP)

B & I Channel	Sales 2003 € million	Sales 2008 € million	Increase %	Sales 2009 € million	Decrease %
<b>Small Businesses</b>	8	10	25%	8	(20%)
<b>Medium Businesses</b>	75	90	20%	78	(13%)
<b>Large Businesses</b>	258	325	26%	271	(17%)
<b>TOTAL</b>	347	425	22%	357	(16%)

Percentage change figures in brackets denote a decline.

In the five years to 2008, foodservice in B&I grew with the economy, though at a slower rate than the economy as a whole.

The greatest volume and % increase came with larger firms where the value of foodservice offered grew on average by 5% p.a.

However, small firms showed an increase nearly as great and it was these same small firms who were the first to cut back on their foodservice offering as the recession hit in 2009.

Large businesses did cut back, but not so much in the value of what was offered, but in the prices they were prepared to pay to suppliers.

## Forecast B & I growth to 2014 by segment (€m @ notional RSP)

B & I Channel	Sales 2009 € million	Sales 2010 € million	Increase/ Decrease %	Sales 2014 € million	Increase %
<b>Small Businesses</b>	8	7	(12%)	8	12%
<b>Medium Businesses</b>	78	77	(1%)	79	3%
<b>Large Businesses</b>	271	257	(5%)	286	11%
<b>TOTAL</b>	357	341	(5%)	373	9%

Percentage change figures in brackets denote a decline.

Spending in the B&I channel is forecast to show only a slight increase in the years to 2014 of less than 2% per annum. Initial indications show that 2010 will continue to show a decline with some growth on the back of economic recovery thereafter.

Medium businesses are unlikely to expand their foodservice offering greatly post-recession.

Growth in larger companies will come from feeding more employees.

Tighter central controls and tendering will balance this with price reductions from suppliers and overall cost containment in the channel.

The importance of caterers in the channel means the actual values in the sector will be harder to distinguish, particularly if contractors include other services in addition to food provision.

## Route To Market breakdown: B & I Summary

The market to supply B & I foodservice is valued at around €180 million at operator buying prices.

Contract caterers are a critical conduit to reach this market since they concentrate on the larger businesses who make up over 75% of value in this segment.

The traditional wholesale delivery role of a broadline distributor is still important since most contract caterers work with these distributors.

The wholesaler dictates the format of delivery and on-site cooking is still dominant, therefore fresh and chilled are important and daily deliveries may not disappear in the short term. Frozen product supplied in this channel is primarily a back-up (chips, veg. etc).

Compass have introduced a different system of direct “de-coupled” supply chain. They have changed the system radically with suppliers and are now only 25% wholesale and are working towards 0%. They use O’Kanes/Brakes as a “wheels only” contractor and deal with suppliers directly.

## The B & I channel in the recession: “quotes from the sharp end”

Feedback from interviews during the research highlighted the following developments:

### Delivery format?

*“Majority is fresh/ambient.”*

### Will the format change?

*“We have multi-temp vans delivering every day if necessary.”*

### Channel in the recession?

*“2008/9 fewer people, sites closing, changing to part time servicing or vending. It seems to have stabilised now, only a slight decline this year.”*

*“Actually have performed very well through the recession. Where businesses were looking to cut costs etc, we offered good deals, benchmarking etc and so picked up this business.”*

*“B&I is hardest hit together with corporate events. Some clients asked us to halve costs.”*

### Sharing chain pain?

*“They have struggled to understand the changes that are happening and the margins we need. The manufacturers feel they are the most hard done by in the chain.”*

*“Most suppliers have been with us for some time and so have seen the companies grow and have confidence that they can all ride out the recession.”*

### Suppliers pro-active?

*“We have approached customers pro-actively to suggest cost savings.”*

*“I cannot say anyone was pro-active.”*

*“Good relationship with suppliers who have been very proactive.”*



# The B & I channel in the recession: “quotes from the sharp end”

## Long term post recession supply?

*“Efficiency and cost cutting measures (consolidating suppliers, training staff in purchasing methods and 'taking a logical strategy to our delivery') have been useful and will remain.”*

## Hard hit channel?

*“Did pick up a number of B&I contracts where before a company had been providing catering in-house and was now looking to outsource. However, these proved undesirable as contracts due to the 'ridiculous margins they were looking for', we've been stung by a number of these contracts actually costing us money.”*

## Credit issues?

*“60% of supply chain is paid by direct debit and we're therefore very quick with no rollover invoices or borrowing necessary.”*

## Evolution of supplier relationship?

*“Relationship will remain strong. In order to get through the harder times, we know we need the suppliers and they need us, so we look after each other. Improved efficiency measures will remain important also.”*

## Specific channel opportunities?

*“Not as such, they just need to keep providing quality service at a competitive price.”*

## Attributes of future successful suppliers?

*“Suppliers need to be more pro-active and involved, offer more special offers, give product information and recipe tips to the chefs, generally getting involved with the supply chain further down the line. Work on value etc. (not just price).”*

# Health

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

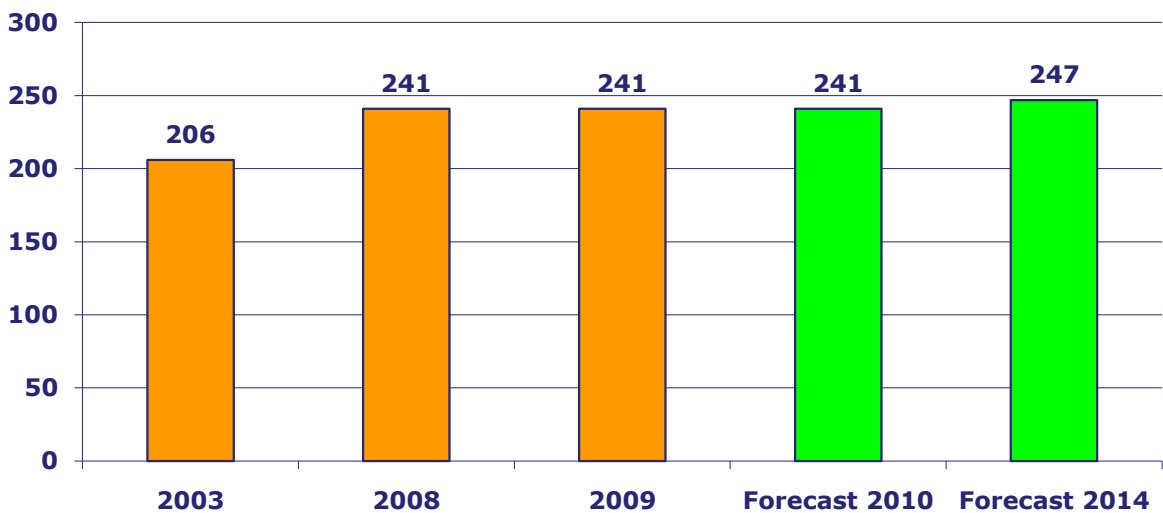
*How is the market reached?*

*What are the drivers?*

## What is the Health channel?

- Includes hospitals, clinics, nursing homes, elderly/retirement homes and welfare institutions such as orphanages both public and privately funded. Covers meals, drinks and services provided to patients, staff and visitors.
- Food is provided on a cost plus basis, but non-patient food is sold and provides a varying level of subsidy.

### OUTLINE PERFORMANCE (Sales €m at Notional RSP)



Good growth of 17.0%  
to 2008

Static in 2009  
and 2010

Very slow growth of  
3% to 2014

## Health in Ireland traditionally

- Health, long an unfashionable channel in foodservice, has become a magnet for food companies, as the recession hits other sectors.
- The public sector is the largest volume purchaser in ROI in many food categories and within this Health is a key player. Margins are tight which historically deterred many suppliers.
- The old system of purchasing involved eight local Health Boards who exercised some centralised control, but was also fragmented.
- Individual hospitals and homes prepare most meals from scratch and use a majority of fresh ingredients requiring daily deliveries.
- Those suppliers who serviced the sector mainly saw it as incremental sales at low margin.
- The other main attractions were steady but good volume and regular certain payment. These are the factors that make it so attractive in the recession.

## Health in Ireland in the recession

- To add to its traditional attractions of volume and steady payment, the route to market is in the process of being made more accessible.
- The situation in the Health channel is changing where purchasing is being simplified and where possible being made easier for small suppliers to qualify.
- Centralised contracts are being expanded with regular tenders.
- The channel is working towards helping SMEs enter the channel and compete effectively.
- In logistics, the current distribution model in the channel is:
  - being centralised and streamlined,
  - offering a more efficient external route into the market.
- From being a Cinderella channel, Health is now an attractive option.
- However, the heightened level of competition has meant a general lowering of prices and consequently margins.

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## How big is health channel in Ireland? (€m @ notional RSP)

ROI 2009	Outlets	Spend € m	NI 2009	Outlets	Spend € m
Hospitals	134	67	Hospitals	55	36
Homes and Welfare*	550	79	Homes and Welfare	471	59

\*HSE approved

All Ireland 2009	Outlets	Spend € m
Hospitals	189	103
Homes and Welfare	1021	138
<b>All Health</b>	<b>1210</b>	<b>241</b>

Total spend on food/ beverage in the health channel was a notional €241 million at RSP in 2009.

Per capita spend is slightly higher in the North.

ROI has 4.3 hospital beds per 100 population which places it above average for EU.

Average meal cost is €2.80 across Ireland, with the North showing a slightly higher figure. Both sums will come under pressure from expected budget cuts.

The main segments are Hospitals and Homes. The characteristics of catering in both segments are similar, with a predominance of on-site kitchens, cooking from scratch.

Caterers are much more important in the North, but may make inroads in the South in future.

## Health growth to 2009 by segment (€m @ notional RSP)

Health Channel	Sales 2003 € million	Sales 2009 € million	Increase %
Hospitals	91	103	13%
Homes and Welfare	115	138	20%
Total	206	241	17%

The health channel grew to 2008 as the economy grew and patient expectations in food quality rose with it. In the five years to 2009 spending in the channel grew at an average rate of 2.5% pa in hospitals and close to 3.5% pa in homes for the elderly.

Latest spend per patient day on food/beverage is around €7-8 in hospitals and homes. Unlike UK, in ROI there is minimal sales to non patients which subsidise the food cost generally.

## Forecast health growth to 2014 by segment (€m @ notional RSP)

Health Channel	Sales 2009	Sales 2010	Increase %	Sales 2014	Increase %
	€ million	€ million	%		
Hospitals	103	103	-----	106	3%
Homes and Welfare	138	138	-----	141	2%
Total	241	241	-----	247	3%

Spending in the health channel is forecast to be static in 2010 but show only a slight increase in the five years to 2014.

Factors such as an ageing population will increase volumes, but tighter central controls and tendering will balance this with price reductions from suppliers and overall cost containment in the channel.

The probability is that there will be central purchasing but If the market moves to using Caterers in the channel, the actual values in the sector will be harder to distinguish, particularly if contractors include other services in addition to food provision.

# The health channel in the recession: “quotes from the sharp end”

Feedback from interviews during the research highlighted the following developments:

## Delivery format?

*“While moving to a national system there is a problem on multi-temp delivery as many locations have big storage issues and therefore fresh deliveries regularly are important.”*

## Will the format change?

*“No change will be envisaged here since the constraining factor with us is storage in many cases, which means frozen or chilled cannot easily be accommodated in many locations. Flexibility is very important, lots of small drops on a regular basis of fresh produce.”*

## Channel in the recession?

*“Actually this channel does better in a recession as volumes remain stable and therefore it attracts suppliers who see it as a safe haven in troubled times.”*

## Sharing chain pain?

*“The procurement system is changing and will become much more competitive anyway. The suppliers have reduced their prices by 12%-15% already and we think there is more to come. It is not so much a sharing of pain as us being more commercial and realising we can improve purchase prices.”*

## Suppliers pro-active?

*“There has been a complacency among current suppliers, but this will come back to bite them as we know we can find value and identify savings. There are lots of new suppliers in the market and this brings pressure on prices and big decreases so far.”*

## Long term post recession supply?

*“Long term there could be more suppliers, but definitely different ones and a more efficient system. Unlikely to come from the North: our system will be geared around transaction centres within the Republic.”*

# The health channel in the recession: “quotes from the sharp end”

## Hard hit channel?

*“We are not hard hit as volumes remain stable. But of course prices are lower and margins thinner.”*

## Credit issues?

*“A great plus of this market is payment which is guaranteed, stable and predictable, this is one of the things that is drawing new suppliers in.”*

## Evolution of supplier relationship?

*“It will not be the same, the cosy relationships and complacency are already going and will not return, even as the economy picks up. It will be more of a partnership with many faces, dieticians being more involved for example and special menus and initiatives such as lower salt.*

*The tendering process will be key to this: contracts awarded over 2 years, lower bars to encourage small firms but of course HACCP, Health and Safety etc. are key initial criteria.”*

## Specific channel opportunities?

*“Dietary foods at reasonable rates will become more important, local fresh suppliers can access the new chain structure more easily.”*

## Attributes of future successful suppliers?

*“Suppliers must join our new structure and be happy operating inside it. We are welcome to new ideas and always look to lower prices/better value.”*



# Education

## Channel dimensions

*What is it?*

*How big is it?*

*What is changing?*

*What are the main segments?*

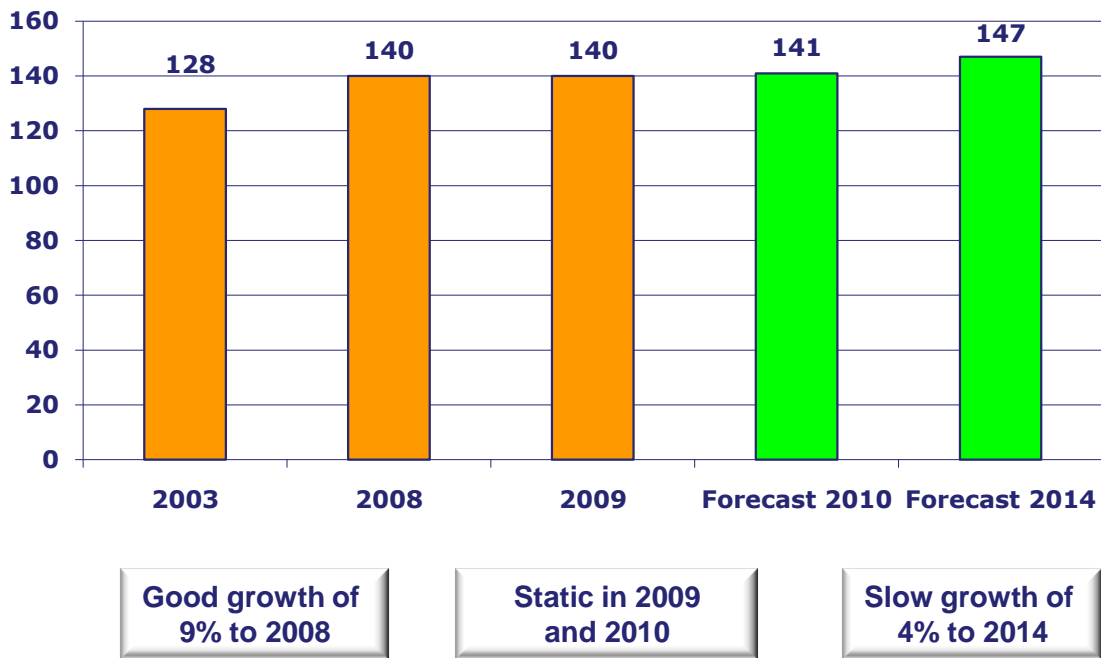
*How is the market reached?*

*What are the drivers?*

## What is the Education channel?

The Education channel in foodservice includes primary, secondary and tertiary institutions with canteens and kiosks; covers State and privately funded and owned institutions.

### OUTLINE PERFORMANCE (Sales €m at Notional RSP)



## Education foodservice in Ireland traditionally

- There is a fundamental difference between ROI and NI in the provision of foodservice to educational establishments.
- In the North, provision of school meals in primary schools is mandatory, for example via education and library boards in the maintained schools sector.
- In NI, there are five boards, each of which negotiates with potential suppliers and produces a list of nominated suppliers which is circulated to schools.
- Most maintained schools produce from scratch in their kitchens and some produce on behalf of neighbouring smaller schools.
- Contract caterers such as Compass and Sodexo are used in the grant-maintained sector and also in colleges and universities.
- In ROI, catering in education is a much smaller sector comparatively and confined to private schools at the primary and secondary level.
- Throughout IOI catering at the college and university level is much more the domain of the contract caterers who typically work with delivered wholesalers.

## Education foodservice in Ireland in the recession

- Where contract caterers are involved, a common arrangement is the fixed price contract which is negotiated over one or more years.
- The contract caterer takes responsibility for meals and the staff who prepare them.
- Where there is no contract caterer involved, food supply is organised by the outlet themselves or by districts (particularly in schools in NI).
- Unlike many other channels, the volume of meals taken in the education sector (particularly in ROI) has actually increased in the recession.
- *“Volumes in Education actually went up as more people stayed on at college with no work in prospect”.*
- This however was counterbalanced by a squeeze on costs which caused some caterers to consider withdrawing from contracts.
- *“We were squeezed so hard that there was just no money left in it.”*

## Growth of the Education channel in Ireland (€m @ notional RSP)

Education Channel	Sales 2003 € million	Sales 2008 € million	Increase %
<b>TOTAL</b>	128	140	9%
<b>ROI</b>	77	85	10%
<b>NI</b>	51	55	8%

Sales 2009 € million	Decrease %
140	-----
86	1%
54	(2%)

Percentage change figures in brackets denote a decline.

The market is comparatively higher in NI due to the provision of school meals at the primary stage. There was steady (if unspectacular) growth to 2008 throughout IOI. 2009 saw a static sales position rather than decline and volumes actually increased.

For suppliers, an increasingly important area of concern in this channel is nutrition. Standards are laid down for the nutritional content of meals and it is an area of high public concern.

Nutritional advisers are increasingly used by local authorities and contract caterers and these often heavily influence purchasing decisions.

## Forecast education growth to 2014 by segment (€m @ notional RSP)

Education Channel	Sales 2010 € million	Sales 2014 € million	Increase %
<b>TOTAL</b>	141	147	4%
<b>ROI</b>	87	91	5%
<b>NI</b>	54	56	4%

Spending in the education channel is forecast to show only a slight increase in the five years to 2014.

Factors such as an increased college population will increase volumes, but tighter central controls and tendering will balance this with price reductions from suppliers and overall cost containment in the channel.

As with Health, if the market moves to using caterers in the channel, the actual values in the sector will be harder to distinguish, particularly if contractors include other services in addition to food provision.

# Other Institutional Channels

## Channel dimensions

*What are they?*

*How big are they?*

*What is changing?*

*What are the main segments?*

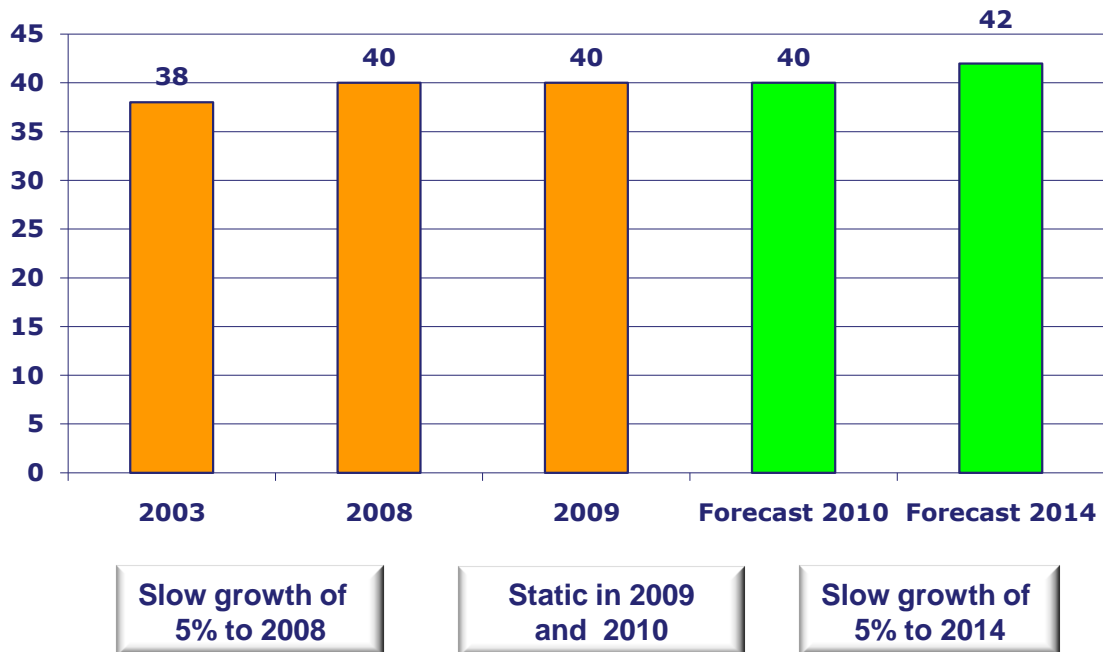
*How is the market reached?*

*What are the drivers?*

## What are Other Institutional channels?

Other Institutional/Government: includes prisons and armed forces (military messes, in-field canteens and soup kitchens).

### OUTLINE PERFORMANCE (Sales €m at notional RSP)





## Other Institutional foodservice in Ireland

- Prisons and the military, though small channels in themselves have similar characteristics which set them apart from other foodservice channels.
- Labour costs are not an issue and therefore most meals are prepared from scratch.
- Indeed both prisons and the military consider it a prime duty to train men and women for catering careers when they are discharged.
- *“At any one time in Northern Ireland around 400 prisoners are enrolled on courses leading to recognised qualifications and prison catering teams serve up about 1,500,000 meals annually.”*
- Foodservice purchasing decisions for prisons in ROI are planned on a monthly basis though centralised support and training. Supplier accreditation comes from the Irish Prison Service.

### Other Institutional foodservice 2003 to 2009 (€m @ notional RSP)

Other Institutional Channels	Sales 2003 € million	Sales 2008 € million	Increase %	Sales 2009 €million	Decrease %
<b>TOTAL</b>	38	40	5%	40	-----
<b>ROI</b>	29	30	3%	30	-----
<b>NI</b>	9	10	11%	10	-----

Spending on foodservice in prisons (particularly in ROI) has steadily increased for the past decade. Food is immensely important in prison and the military. The quality of the food on a plate is at the heart of effective prisoner and military management.

The drivers for securing the increased resources in ROI prisons included the developing of statutory requirements in catering and the cost savings which could be generated through central purchasing and waste management.

The Irish Prison Service boasts the achievement of a wide range of prestigious and independently accredited National and International standards and awards.

## Other Institutional foodservice: forecast 2010 to 2014 (€m @ notional RSP)

Other Institutional Channels	Sales 2010 € million	Sales 2014 € million	Increase %
<b>TOTAL</b>	40	42	5%
<b>ROI</b>	30	32	5%
<b>NI</b>	10	10	5%

Overall the other institutional channels category is forecast to be static in 2009 and 2010 with slow growth as the prison population rises.

The military will be largely static as troop numbers are unlikely to increase post recession.

Greater attention to costs will undoubtedly squeeze supplier prices, but the benefits attributed to good diet in prisons and the military have been proven and will not be easily given up by the institutions involved.

# Conclusions, implications and recommendations

## What are Consumers doing?

The recession in the Irish economy and the associated change in consumer behaviour has resulted in operators and their suppliers having to contend with the following three basic consumer responses:

- **Eat out but spend less** – the desire by consumers to reduce their level of spend when they eat out has led to some significant changes in terms of their behaviour, including;
  - Less alcohol – no wine with the meal.
  - Fewer courses - often only one dish with starters with desserts and cheese cut out.
  - Increased take-out, home delivery and home meal replacement.
  - Movement to low cost alternatives such as QSR and on-the-go.
  - Increase in work-place eating.

### The challenge

Help operators either attract more people and/or get them to spend more per visit.

- **Eat out less frequently** – a concerted drive by a large proportion of consumers to eat out of home less frequently than in the past.
  - Spend tends to be the same per occasion, but fewer occasions
    - *“We are still seeing the same customers, but whereas they might have come three times a week, they are now coming twice.”* (Manger of a pub group).
    - *“Weekends are as busy as ever, but Monday to Thursday, we’re seeing less people.”* (Manager of restaurant group).

### The challenge

Help operators to increase visit frequency, particularly at times of light traffic.

Preferably without sacrificing price.

- **Stop eating out** - tends to be those with the least income or the highest debt.
  - Either lure back with super cheap offerings at quiet times,
  - Or focus on the other consumer sectors.

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## What are Operators doing?

In response to the pressure on their business, the series of interviews undertaken with operators and distributors indicates that the main responses of operators have been:

### Marketing driven

- Meal deals.
- Special menus – organic, ethnic, ethical, seafood.
- Loyalty plans.
- Increased advertising.
- Increased “on-the-go”.
- Cut menu prices – in highly competitive channels.

### Asset driven

- Sweat the overheads.
- Leverage assets by utilising all potential meal occasions.

### Cost driven

- Reduce internal costs.
- Move to prepared and ready to heat/eat food solutions to cut labour costs.
- Move to lower cost ingredients.

### Price driven

- Chains tended to lower prices quickly in the early downturn. They tend to look for increased traffic.
- Independents tended to act slower, but had to cut prices as well. The heaviest market fallout is in the independent sector.

## What are Wholesalers doing?

Wholesalers will want immediate cuts in prices – they will demand a specific reduction and then negotiate depending upon the value of your range to them. *“You must analyse the profitability of each product to reduce price to customers. Where it is marginal, change the recipes, change the packaging to lower costs or cut the product.”*

They will seek to prune their catalogues/ranges. In a recession, wholesalers rationalise their catalogues twice as regularly. Do this for them by pruning your range and cutting or replacing weak products. New products will only be accepted as replacements for existing products in the pruned catalogue.

They will enhance their low cost own brand ranges and sell this in preference to supplier brands. Although these are generally lower quality they are also lower price and many operators will switch and try them in the recession and then switch back. However, this means an additional short term hit in a time of falling volumes.

They do not welcome new products because they introduce complication and risk. *“Any NPD must replace existing SKUs. They must not cannibalise sales across product.”*

Cash & Carry does well in a recession. They tend to offer a number of advantages, including;

- The restaurant can carry less stock.
- The chef/buyer can see stock at first hand.
- Outlet purchasing is more flexible – it can be done on the day in response to bookings.

# Implications for supplier?

## Decide why you are in foodservice

You need to be absolutely clear on why you are operating in the Irish foodservice market and what it should deliver to your business. In most cases, there are three possible reasons for being in the foodservice sector, namely;

1. Foodservice is a core operation and generates money/profits.
2. Foodservice is a self funding advertising media. It is a shop window through which manufacturers can market/increase the exposure of their products and brands to consumers.
3. Foodservice adds volume to an operation. It allows manufacturers to run plants at capacity and reduce unit cost in their core market – retail.

You must be clear on which of the three your company is focusing on – the other two can then be seen as “bonuses” if they deliver.

### Once the objective is clear

- Set targets for foodservice, you cannot establish a successful strategy in a newly challenging environment until you have absolute understanding of what constitutes success.
- Analyse and evaluate the validity of the key hypothesis underpinning your operations.
- Evaluate your key competencies and areas of competitive advantage – your products, brands, added value elements, service levels, relationships... Include both hard and soft competencies.

# Understand your key customer

## Who is your key customer?

The answer to this basic question varies dramatically from supplier to supplier.

- For some it is their distributor,
- For others it is wholesale,
- For those going direct it is the foodservice operator,
- Rarely is it the consumer.

## Who should you see as your key customer?

- The key decision maker in the foodservice supply chain (to the consumer) is the foodservice operator. They have the power to buy your products, or not.
  - Product is/can be pulled through the supply chain by operators,
  - Operators respond to consumer needs and wants.
- Distribution – distributors, wholesalers, logistics – are either your route to customers (that is market) or are increasingly gatekeepers.
  - Product is *at best* pushed through the supply chain by distribution, but more typically they respond to operator demand.
  - For 43% of the market (that is, operator chains) the wholesaler plays a more “limited” role and frequently with the bigger chains supplies a “wheels only” service.
- Your route to market determines your flexibility of action. The more direct the contact with the ultimate customer, the more you control your destiny and the greater your security.

## What does the customer really want?

- Remember in good times you can sell almost anything. In bad times the customer will only purchase what he/she really wants – which might not be what you make.
  - One branded supplier trying to gain entry to McDonalds refused to provide a crumbled version of their product - “we make count lines, not crumble”. A competitor was more flexible and is now a major supplier.
- You need to invest time and resource in finding out what customers really want.

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Today's foodservice mantra is "add value to foodservice operators by providing solutions to his problems". In recession, the concept of adding value when price is under pressure is difficult.

- Focus on the opportunities not the problem.
- Solutions are important "but only at the right price," you must unequivocally demonstrate the "added value," and market it to the right people.
  - *"In chains purchasing is made by the purchasing department who look at the price/value combination. And in times like this it is price that wins. If a product is more expensive but saves on labour costs it will need to be sold to operations management, finance and purchasing – which is a hard sell."*

But the right solution in the right place does add value:

- *"Restaurants in times of crisis have to cut labour costs and move to lower quality, less skilled people. So labour saving solutions or solutions for the less skilled will be looked at. But buyers will always look first for average product at a good price in these times."*
- Pubs in particular will be driven to reduce back-of-house costs.

Today's foodservice mantra is think value chains not supply chains. In times of recession costs are key. See the supply chain as a cost chain and squeeze out all surplus costs and margins.

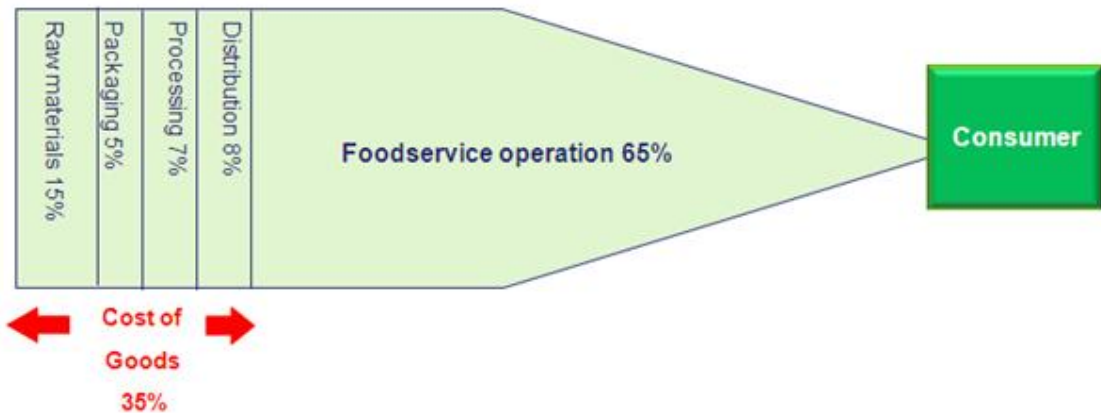
## Understand the value chain

The foodservice operator is the key player in the whole foodservice value chain:

- They control your route to market – to the consumer – and take circa 65% of the market value.
- Understand what the individual operator supplies extra to justify a 65% premium (or a circa 185% mark-up on his purchase price). It is more than just sustenance.
  - Sustenance is a traffic builder, it is the delivery system for operator added value which may be convenience, supreme quality, differentiation, ambience, indulgence experience ....
- Food companies supply a basic ingredient to the foodservice added value.
  - If you understand the operator's proposition, if you understand his added value and react on it you can become both indispensable and win a larger share of the consumer price.
  - Consumers claim to be prepared to spend between 20-35% more for the same meal in return for high standards of service, food and atmosphere.

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### A typical foodservice value chain (% of consumer price)



The share of the value chain held by foodservice operators can vary from, circa 70% in hotels to circa 60% in business and industry and circa 50% in education.

## Recommendations for suppliers

### Knowledge is crucial to survival

Foodservice is one of the worst documented consumer markets

- It is poorly researched.
- Data conflicts abound.
- The supply chain and customer base is fragmented.
- Information is *“hoarded not shared.”*
- *“Even Nestlé has difficulty finding out what happens beyond the wholesaler.”*
- *“We sell through wholesale, but we also have a separate direct sales division. They had superb market information through their direct contacts, but they would not share it with us because they said we compete.”*

Yet all our interviews with senior managers throughout Europe emphasise the importance of good market intelligence.

- *“You cannot make good decisions if you do not know what is happening. In a recession if you do not make good decisions you do not survive. The margin for error is very narrow.”*
- *“It can be difficult to understand the market without good intelligence. Are your sales going down because the market is going down or because wholesale is pushing different or competitor products or their own brand products?”*

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## Recommendations for suppliers

How you use information and who you share it with is crucial in a crisis. Developing effective partnerships with distributors, wholesalers and operators and sharing information is difficult, but the most cost effective way of understanding what is happening.

- *“We decided to build a partnership with \*\*\* (a major C&C operation in France). He had very good insight into the market because he was in direct contact with foodservice operators and could analyse the situation.”*
- *“The wholesaler will teach you how your competition is dealing with the crisis.”*

## Begin by addressing the basic questions

The most successful companies in both a recessionary period and also in post recession are those that do their homework and address the difficult questions, such as;

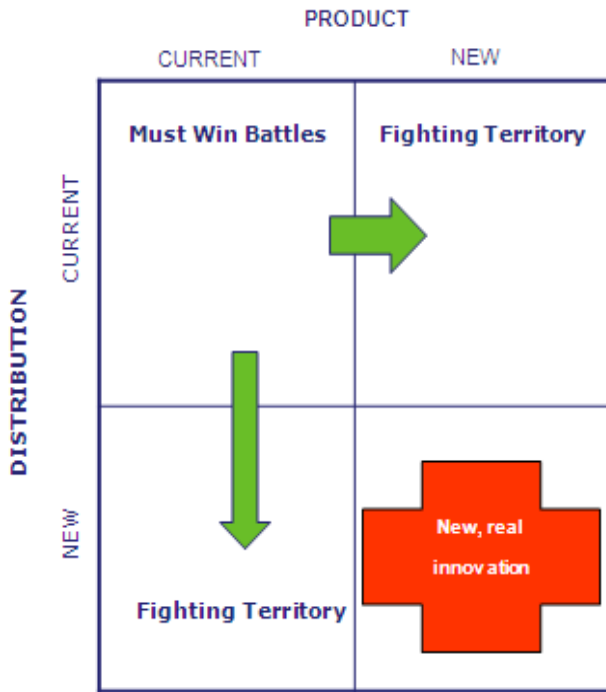
- **How do we best align our strategy to that of our best clients?**
  - Are they looking to cut cost?
  - Are they extending their offering to attract new customers?
  - Are they looking for new occasions?
  - Are they hurting, surviving or growing?
- **How can we reduce costs with simpler products and a simplified product range?**
  - Review your offering and your recipes
- **What can we do about additional costs due to recession driven volume losses?**

The majority of the required actions are not rocket science, they are the application of common sense in a systematic way.

BUT they also require tough decisions – prevarication cannot be on the menu!

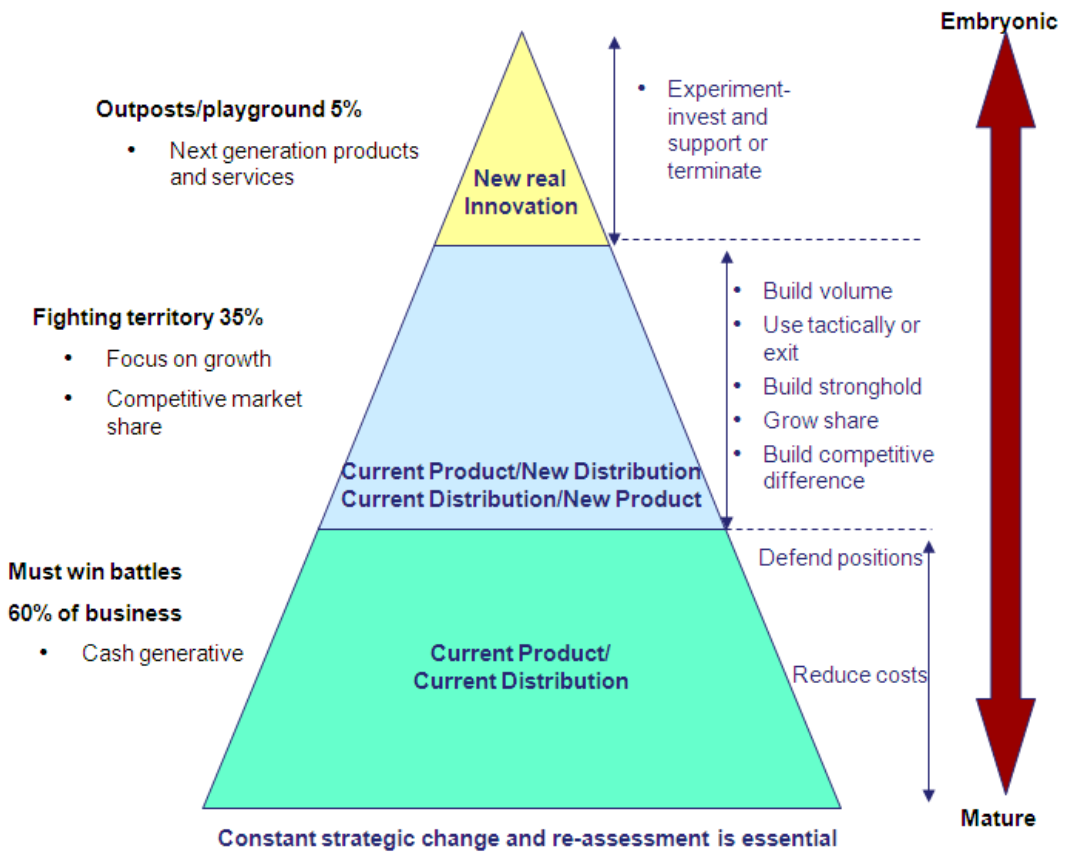
**The first step is to QUESTION everything!**

# Customer/Business Analysis



Start with the current products supplied through current distribution routes to current foodservice channels; these are the key areas of the business, the “must win battles” and must be defended. Using the triangle diagram below, map out your strategy and emphasis:

- Where are my “must win battles?”
- Where is my fighting territory and what are the opportunities?
- Can I risk new real innovation?



## Act Quickly!

- Suppliers are always the first target in times of falling sales. Cutting buying costs and transferring the problem elsewhere is easier than operators increasing prices.
  - It is better to be first and be pro-active rather than reactive.
  - Drive the decisions rather than just suffer from them.
- Planning horizons are reduced – decisions are taken more quickly. Lead times disappear.
- Make sure you apply the basic rules of good management:
  - Prepare in advance,
  - Benefit from what has happened,
  - Keep informed and do research,
  - Be realistic, accept things that could be uncomfortable,
  - Plan for different outcomes,
  - Keep close to customers,
  - Build relationships/partnerships.

## Look for potential shared benefits

The foodservice sector remains challenging for everyone involved, especially during the recessionary times evident over the last two years. However, in some ways it can result in more openness across the supply chain to build relationships. For suppliers this should lead to a focus on establishing “win-win” relationships in relation to;

- Distribution
- Customers

For example, differentiate your offering from what is available in retail so the consumer cannot compare price. “We made our foodservice products look artisanal, hand made, totally different from the retail offering and the chefs loved them. It provided a solution to two of their problems – they saved on labour with ready to heat and they looked unique”.

**Consider exclusive agreements.** *“We gave the product exclusively to foodservice chains for six months before going into retail. That way consumers could not compare supermarket volume and foodservice prices for the period. The foodservice operator benefited and we built sales and consumer exposure.”*

**Consider shared resource.** *“We put one of our people into a major client’s marketing department for a year. They got free resource and we found out what they wanted and how they worked, then developed new concepts we knew they would go for. It reduced our risk at a risky time.”*

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## Customer relationships

Try to form partnerships with key players in the supply chain for your combined benefit.

- “*Transfer the sales relationship into – it’s difficult for both of us, how can we make it better and both gain.*”
- Start retrospectives at sales maintenance levels rather than growth.
- Exchange information – find out what the competition is doing.
- Have regular meetings, keep informed of marketing budgets, identify opportunities, develop new products in consultation.
- Remember that it is a difficult time for everyone!

Examine the latest development in retail – where it has moved from *category captains* to *category partners* and *vender managed categories*.

- Explore their viability – they will be adopted as concepts by the leading chains, contract caterers and wholesalers – it is better to be on the inside than the outside of the loop.

## Manage working capital

Manage your business for cash in addition to profit. Cash flow problems kill businesses faster than loss of profits. All links in the chain will try to pass costs and functions backwards, particularly financial costs.

- Manage creditors tightly.
- Review customer viability regularly.
- Assess the benefits against the cost and risk.

Related to this is the need to manage supply chains. This requires;

- Getting your information systems up to speed. Information is power and money in supply chains.
- Reducing stocking levels and delivery times as far as is feasible.
- Developing demand and production planning processes further.
- Where possible share risks with your own suppliers and partners.

## And finally....

### Focus, focus and then focus again

Surviving let alone succeeding in recession is about getting the detail right and focusing on where you can make a difference. If you cannot make a difference with an action, do not do it.

- **Focus on business stability not growth**
  - Maintaining sales level in recession is difficult enough.
  - Growing through recession *“is like pushing water uphill.”*
- **Focus on the do-able wins**
  - Focus all your marketing effort on your key product range – *“the 20% that delivers 80%.”*
- **Focus on your key existing customers**
  - Do not dilute your resource on lost or unlikely causes.
    - Chasing new clients is uncertainty.
    - Selling more to existing clients is more probable.
    - Competitors will try to win your customers – defend them first and foremost!
- **Focus and target your resource**
  - *“In our company we had a rule that for every euro of marketing support we put in we needed to be sure that we would get 2 euro back in either additional business or better prices.”*
  - You will need to make everything count.
- **Focus on profitability and cash**
  - *“The key question in recession is profitability – for us, for wholesalers and for operators. Push products with the best profitability (margin plus retrospective). Always think about EBITDA.”*
    - Monitor EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) and make it a key success target.