REDC

November 2023

Bord Bia
Inflationary Impact on Foodservice

BORD BIA Thinking House

Report Contents

BORD BIA Thinking House

The research approach was made up of 2 key elements to help understand market dynamics, factors of influence and perceptions & behaviours

1. QUANTITATIVE RESEARCH:

Research was conducted online amongst a sample of approx. n=1,000 adults aged 18+ in 3 markets: Ireland, UK and Germany.

All respondents currently (or used to) eat out at least once per month, regardless of foodservice outlet type.

Quota controls were placed on the sample across gender, age and region to ensure representativeness.

Interviewing took place in October 2023.

2. QUALITATIVE RESEARCH:

(i) Video pre-task: Capturing moods and reflections to camera once consumers have considered survey questions in detail

(ii) Consumer Depth Interviews: 45 minute online interviews amongst a sample of 5 respondents in each of the 3 markets; Ireland, UK and Germany.

Interview	Life stage (QB)	Gender (QA)
1	Single with no dependents	Male
2	Younger family (with younger kids, likely to be 25-40)	Female
3	Older family (with older kids, likely to be 41-55)	Male
4	Empty Nester (no kids at home, likely to be 56-65)	Female
5	ANY	ANY

- All to be eating out less nowadays (with 1 eating out the same)
- All to eat out/takeaway at least once a month
- Mix of establishments included

1. Executive Summary

BORD BIA
Thinking House

Executive Summary - I

IMPACT OF COST OF LIVING CRISIS (COLC) ON BEHAVIOURS

There is a striking degree of commonality across all three markets, with the Germans being nonetheless more conservative in all their evaluations.

1. COLC has impacted hugely on household budgets and even better-off consumers are having to trim costs and discretionary spend.

2. Benchmark food and drink products are visibly increasing in price; in response, consumers are eating out much less, often reducing their normal frequency.

3. Consumers are more likely to have a budget in mind when eating out, rather like doing the groceries with a shopping list. As a result, spontaneity is weakening.

4. Menu choices are substantially affected as well- consumers are gravitating towards cheaper options
    1. Avoiding alcohol;
    2. Skipping or sharing dessert, or starters/ordering only one course meal;
    3. Choosing lunch time menu more often.

5. There are also impacts on venues - consumers are choosing more mainstream rather than high end restaurants and QSR is increasing in significance for feeding a family.

Executive Summary - II

CONSUMER CHOICE DRIVERS

Consumers are strongly motivated by a number of factors, namely quality - by far the most important - as well as cost efficient options, then service, atmosphere and choice.

- Good quality, consistent food is fundamental;
- Monetary value is very important;
- Service is seen as the make-or-break feature which can turn a purchase into an experience;
- Atmosphere likewise is critical to creating a positive encounter.

MACRO FOODSERVICE OUTLETS (FSO) INITIATIVES

Most consumers rationally appreciate FSOs taking a lead/communicating their sustainability credentials, but it is not a motivating factor in deciding where to eat

'Local' generates widespread conceptual appeal, but not everyone acts on it. If local supports the better food quality requirement, then this is a positive, but for some local is shorthand for more expensive. This is why there are two segments - local passives and local actives.

There is a conflict for some consumers between service and technology, but (in particular for younger consumers) the latter can play its part in delivering convenience and speed.

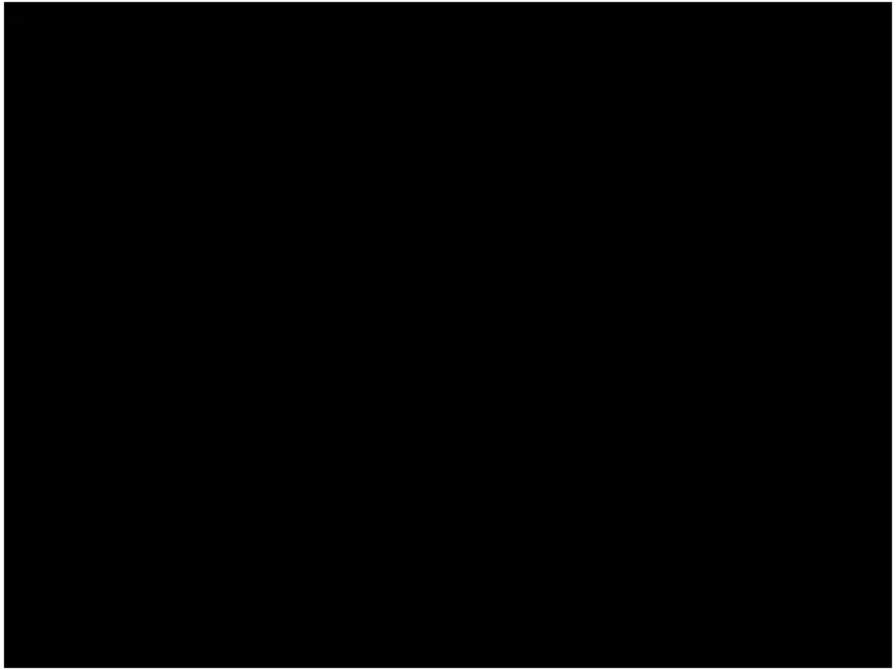
ACTUAL & DESIRED RESPONSE FROM FSOs

There is widespread appreciation that FSOs are under immense inflationary pressure and having to pass on their costs. However, for most consumers there is still a frustration that there are not many visible initiatives in cost savings or non-price based initiatives

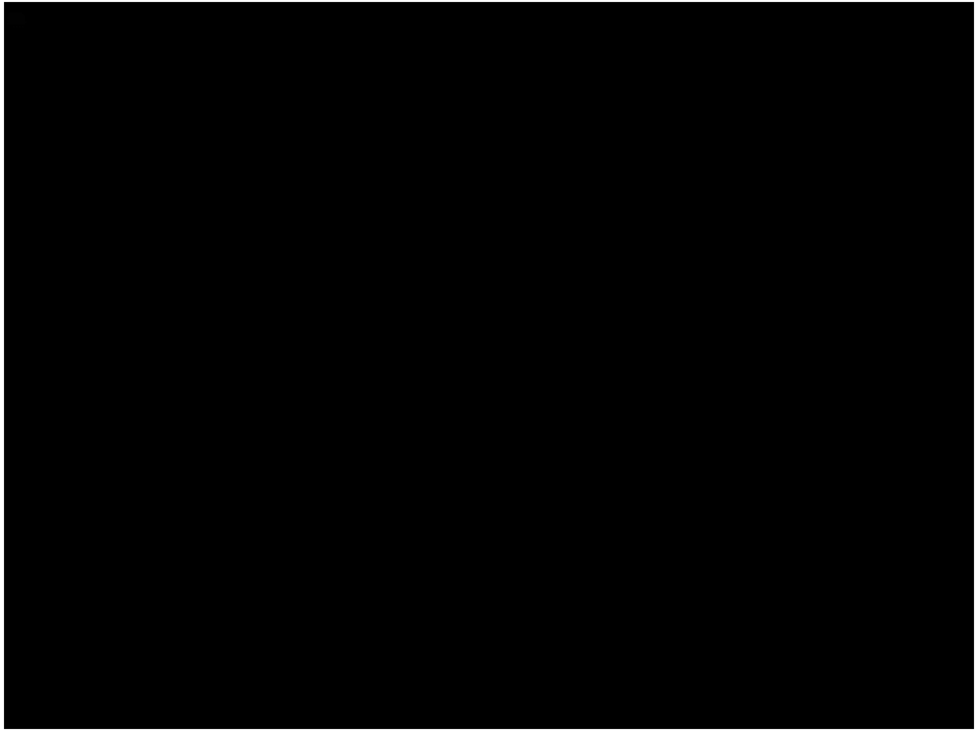
There is a clear prescription for FSOs to deliver on price initiatives such as loyalty schemes, extended early bird menus or varying portion sizes for differential pricing.

Non-price-based interventions revolve around strong service - which is attentive and friendly above all else - great atmosphere, and consistent quality.

What consumers are actually saying…

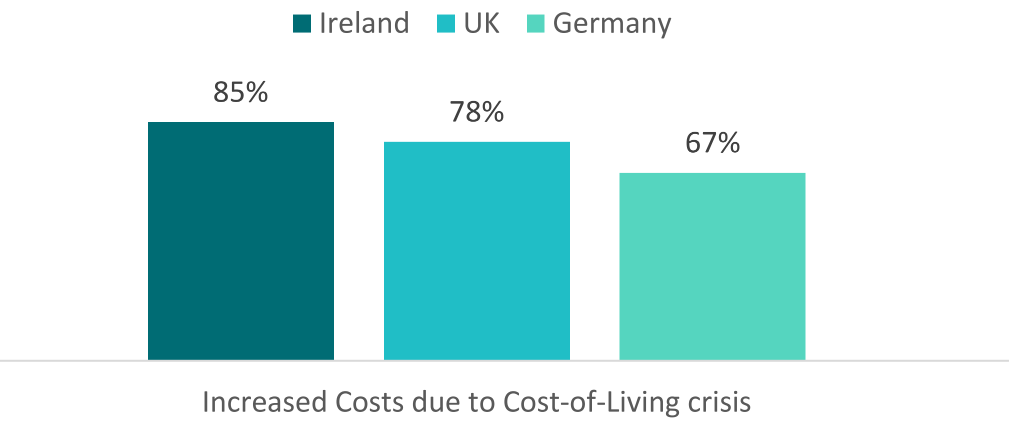


What consumers are actually saying…



2. Cost of Living Crisis – General Impacts

Irish and UK residents are more likely to feel the burden of the cost-of-living crisis



But similar groups in each country are most likely to be feeling the pinch

Lower Income	94%	
18-24s	93%	
Females	92%	
Lower Income	90%	
35-44s	88%	
Females	84%	
Lower Income	83%	
25-34s	78%	
Females	73%	

COLC is impacting consumers across the board, most heavily on low social grades, but even higher socio-economic groups are making cuts where feasible

Consumers describe the need to micro-manage budgets

- They are changing utilities 'all the time', looking at deals when grocery spending, cutting back on discretionary spend.

Inflation is a very visible trend

- This is the case for all consumers as key products and services increase in price. Rent, mortgages and energy are all up.

COLC Manifests itself in three main ways:

Benchmark Products

- *'Pint of lager is now €9 in Dublin'* (IRE)
- *'Cost in baby formula has risen €3 in the last 2 years'* (IRE)
- *'Cost of cake and coffee has doubled' (UK)*

Benchmark Outlays

- *'Massive increase in the cost of weekly shop'*
- Less likely to do a big shop and just buy things as and when they need them to reduce waste and save money .

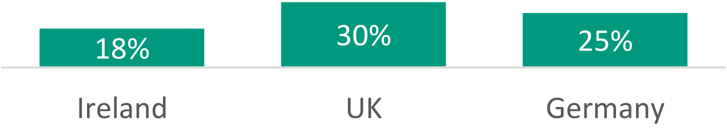
Benchmark Behaviours

- Washing: some made a conscious effort to do more laundry on a Sunday. (IRE)
- Showering: at different times to save money.
- Brand selection: More conscious how much more branded items cost compared to own-brand.
- Eating at home - Evidence of making more weekend meals at home *'for ¼ of the price of a meal out'* (UK)

Ireland residents are most likely to feel their finances have depreciated over the last year, while also being the most pessimistic that their financial wellbeing will improve over the coming 12 months

% who feel household finances have gotten worse over past 12 months

% who feel household finances will improve over next 12 months



More optimistic

18-34 y.o., High income, Slightly more men

18-34 y.o.

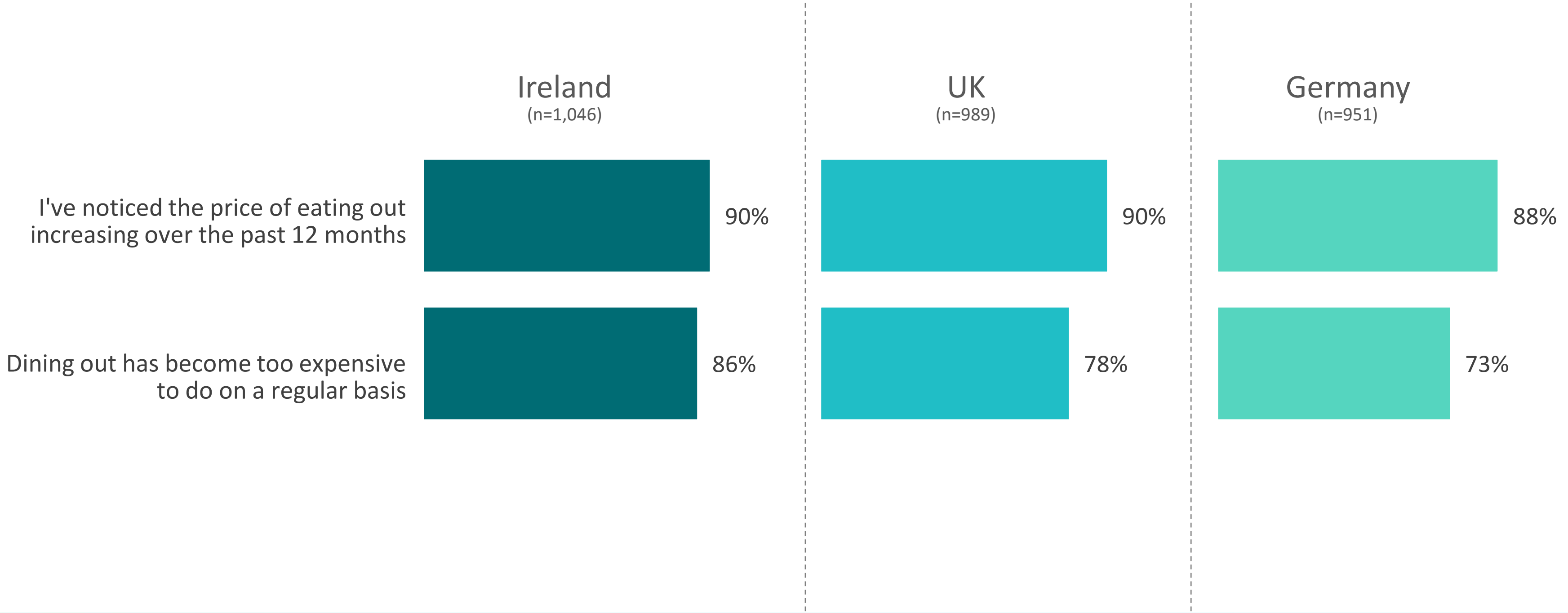
BORD BIA Thinking House

'We are definitely feeling the pinch in our house over the last number of months' (IRE)

'I can't see things picking up anytime soon, so we'll continue to budget as we have been' (UK)

3. Cost of Living Crisis – Eating out Impacts

Consumers from all countries have noticed that eating out is becoming more expensive



Ireland and the UK have cut back on eating out, whereas in Germany it is flagged as an *increased* spend, as consumers there strive to keep quality experiences

Decreased spend with eating out

43% in Ireland

43% in the UK

25% in Germany

For Irish and UK residents, eating out is one of the main spends they've cut, at parity with entertainment outside home.

Germans are less likely to decrease spend in general. In contrast to Ireland and UK consumers, eating out is one of the top activities to increase spend, after energy, fuel and groceries. Eating out in Germany seems to be a less frequent, but higher involvement activity.

BORD BIA Thinking House

The impact of COLC on eating out habits is pervasive

1. Before COLC, consumers would have eaten out much more frequently. Consumers now have to plan when to do this, rather than acting spontaneously *“3-4 years ago we didn’t think about it too much, but now we will think this will cost £/€100 – shall we really do it?”*
2. It’s also the case that eating out is much more occasion-led now: consumers are making more conscious choices of when they eat out, prioritising occasions more than before.
3. Consumers are increasingly looking for a family friendly bar/restaurant that isn’t perceived to be as expensive.

BORD BIA Thinking House

‘A lot of the places where you got 3 courses, you now get 2, some places have stopped doing it. Or gone to a carvery system’ (UK)

‘Coffee and a treat used to be max. €5, now it is at least €6-7’ (DE)

‘Takeaways such as a Chinese have increased their prices. A set meal for 2 used to be €19, now 2 mains are almost €30.’ (IRE)

There are four principal responses to the Cost of Living Crisis:

1. FREQUENCY

2. MENU CHOICE

3. BUDGET

4. VENUE

BORD BIA
IRISH FOOD BOARD

Frequency of eating out/takeaways has shifted notably as consumers make more conscious and informed decisions about when to eat out

1. FREQUENCY

COLC has dramatically impacted eating out frequency for most consumers.

1. For most consumers it has decreased. *" I was eating out a couple of times a week pre COVID, but now this has dropped to once a month." (UK)*
2. Shifted from regular dining-out experiences to occasional date nights or special occasions, such as good grades or friends visiting.
3. Takeaway volume has fallen off as well. In some cases, it's used as a substitute for eating out. *'Price of main course in a restaurant is price of takeaway for whole family. (IRE)*
4. But there are some consumers for whom eating out in a restaurant is still preferable to takeaways – they are buying 'better, but less'.

Consumers have adapted their behaviours - for example pushing back on spontaneous suggestions for eating out, replacing them instead with afternoon walks in the park, or trips to the cinema etc

Venue, spend and menu choice are also being considered more, compared to before COLC kicked in

2. MENU CHOICE

MENU CHOICE

Consumers are cutting back:

- Instead of ordering an expensive steak, for example, they are choosing cheaper menu options like pasta or vegetarian.
- Some have cut out alcohol altogether

The beer is so expensive in some pizza chains that I won't drink and will drive instead. (UK)

- Some consumers are opting for lunch menus that are often more budget-friendly.

2-course set menu has risen by around €8 to €23.

- Some are ordering just a main course when eating out, sharing a starter, or sharing dessert, or skipping both entirely.

3. BUDGET

BUDGET

- Consumers are much more conscious of their budget when eating out.

You figure out what you have to spend and try to get it to fit that.

- They are increasingly gravitating towards early-bird menus (DE)
- Evidence of bargain hunting, for example through a pizza app, which gives a tenth meal for free. (IRE)

I can book a flight for a short city trip away for €150, which is the cost of a night out for two with drinks.

BORD BIA Thinking House

'The era of food or drink together is over, unless it's a christening or communion, where there are more than 5 or 10 people' (IRE)

Venue, spend and menu choice are also being considered more now than before COLC kicked in

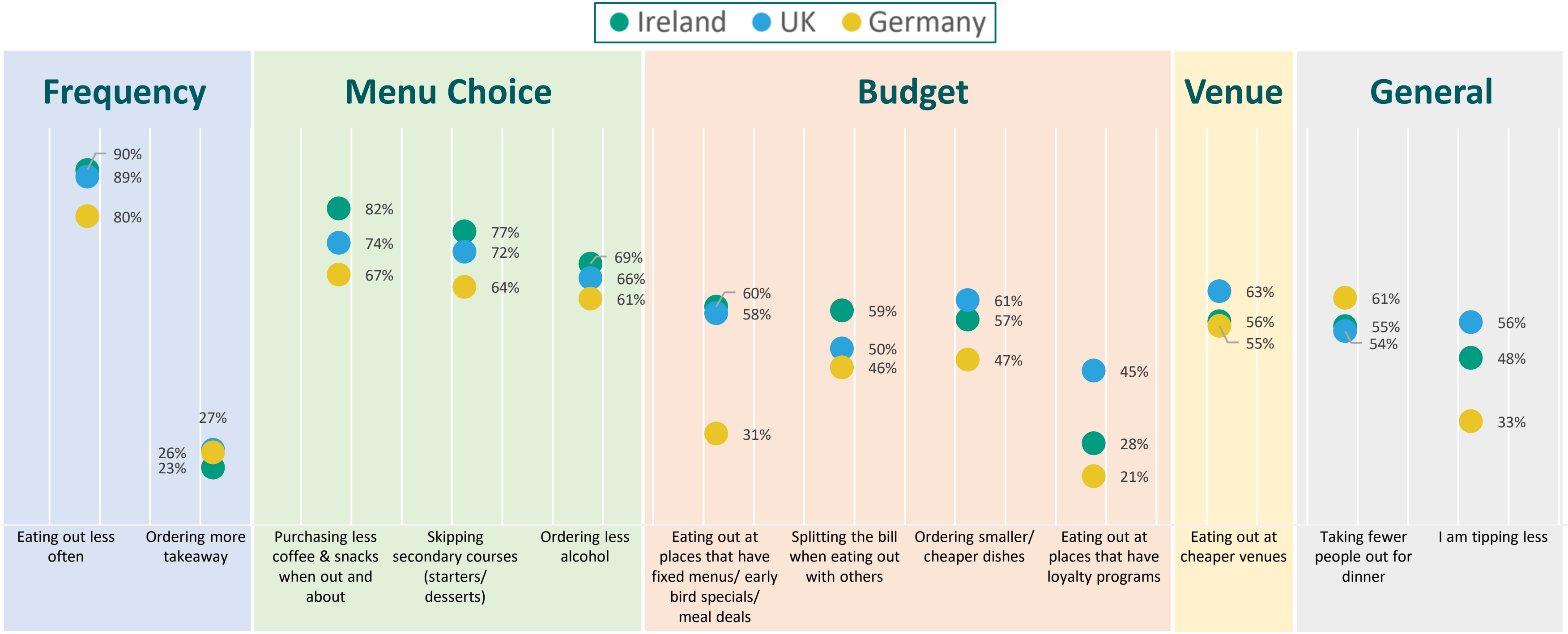
4. VENUE

VENUE
Consumers are changing venues: • Keeping a good restaurant in reserve for when a special occasion; • Reverting to 'ordinary' mid-range restaurants overall; • An increase in ethnic restaurants such as Mexican and Chinese (perceived better value). (IRE) • Choosing an outlet for breakfast/ lunch when tea/coffee is included. (UK) • Family-friendly and more affordable dining options, such as pubs or smaller, local, family-run establishments, instead of high-end restaurants,

BORD BIA Thinking House

'I ate in Poland in the summer at a five-star restaurant for price of a normal restaurant at home.'

The quant study corroborates these discoveries: decreasing frequency, cutting back on what to order, where to eat and what to spend



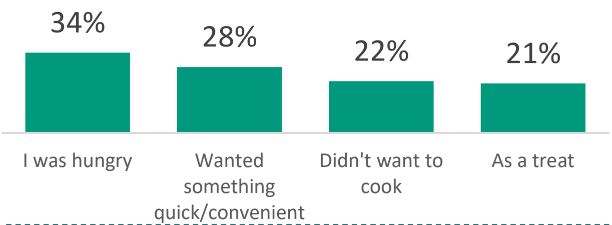
BORD BIA Thinking House

Summary table - NET: Agree

On their last occasion ordering food/drinks, Irish consumers did so because they wanted something quick and convenient to satisfy hunger or to have a treat

They are also more likely to have ordered takeaway during the week and for dinner, ordering just one course and eating with a partner, family or alone, spending just short of €23 on average

Why did they want to eat/drink?



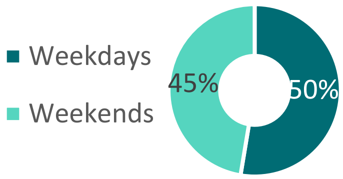
Where did they eat/drink?

27% Home Delivery/ Takeaway

21% Fast Food

16% Café/Coffee Shop

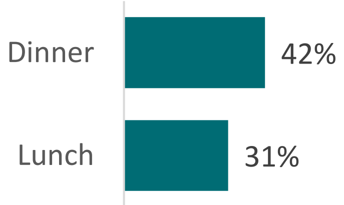
What time of the week did they eat/drink?



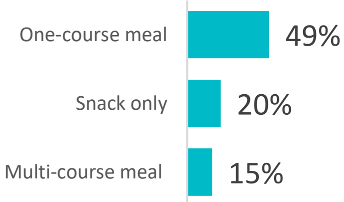
How often?

5.6 times/ month

What kind of meal they had?



What did they eat/drink?



With whom?

31% With a partner

29% Alone

20% With family

How much did they spend on average?

€23

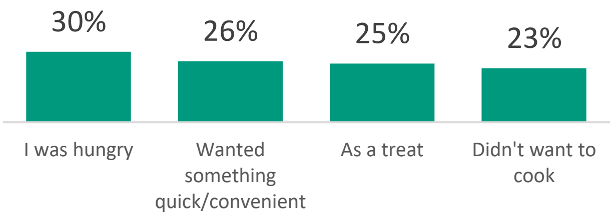
BORD BIA Thinking House

Last occasion

UK consumers likely to look for something quick and convenient to satisfy hunger or for a treat, eating at a fast-food location for either lunch or dinner

Most ordered just a single course and were eating with a partner, family or alone, spending around £22 on average

Why did they want to eat/drink?



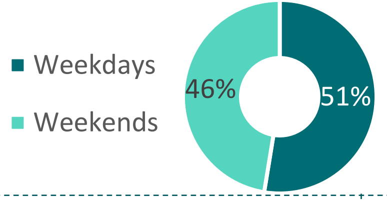
Where did they eat/drink?

29% Fast Food

23% Home Delivery/ Takeaway

18% Café/Coffee Shop

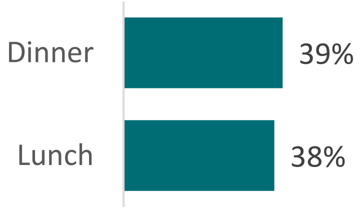
What time of the week did they eat/drink?



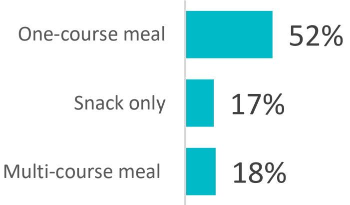
How often?

5.2 times/ month

What kind of meal they had?



What did they eat/drink?



With whom?

38% With a partner

23% Alone

23% With family

How much did they spend on average?

£22

BORD BIA Thinking House

Last occasion

Eating out for Germans is seen more of an indulgence, with most eating at a casual eat-in establishment during the weekend

This was most likely for dinner and for a single course meal with their significant other or family and friends, spending on average €41

Why did they want to eat/drink?

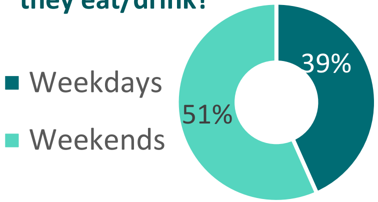
Where did they eat/drink?

28% Casual Eat-in

20% Fast Food

18% Home Delivery/ Takeaway

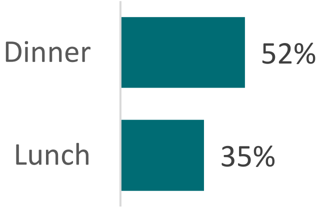
What time of the week did they eat/drink?



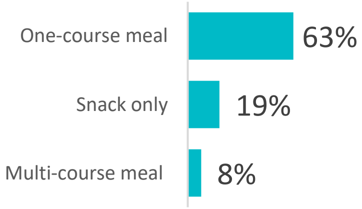
How often?

3.7 times/ month

What kind of meal they had?



What did they eat/drink?



With whom?

38% With a partner

20% With family

15% With a small group of friends

How much did they spend on average?

€41

Last occasion

Beside good quality food, cost, experience and variety are primary drivers

'Good Quality Food' is the most important driver of choice for food outlets for eating out across Ireland, UK and Germany. Below are additional key drivers by market.

Primary drivers	Secondary drivers	Niche drivers
Budget friendly options	Appeal to the group***	Unique experience
Variety of choices*	Surrounding of the venue***	Technology
Staff & service*	Sustainability	Vegan options
Atmosphere and vibe	Healthy food	Trendy & fashionable
To be a real treat**	Local food	

BORD BIA Thinking House

*Lower importance for DE

**Higher importance for DE and UK

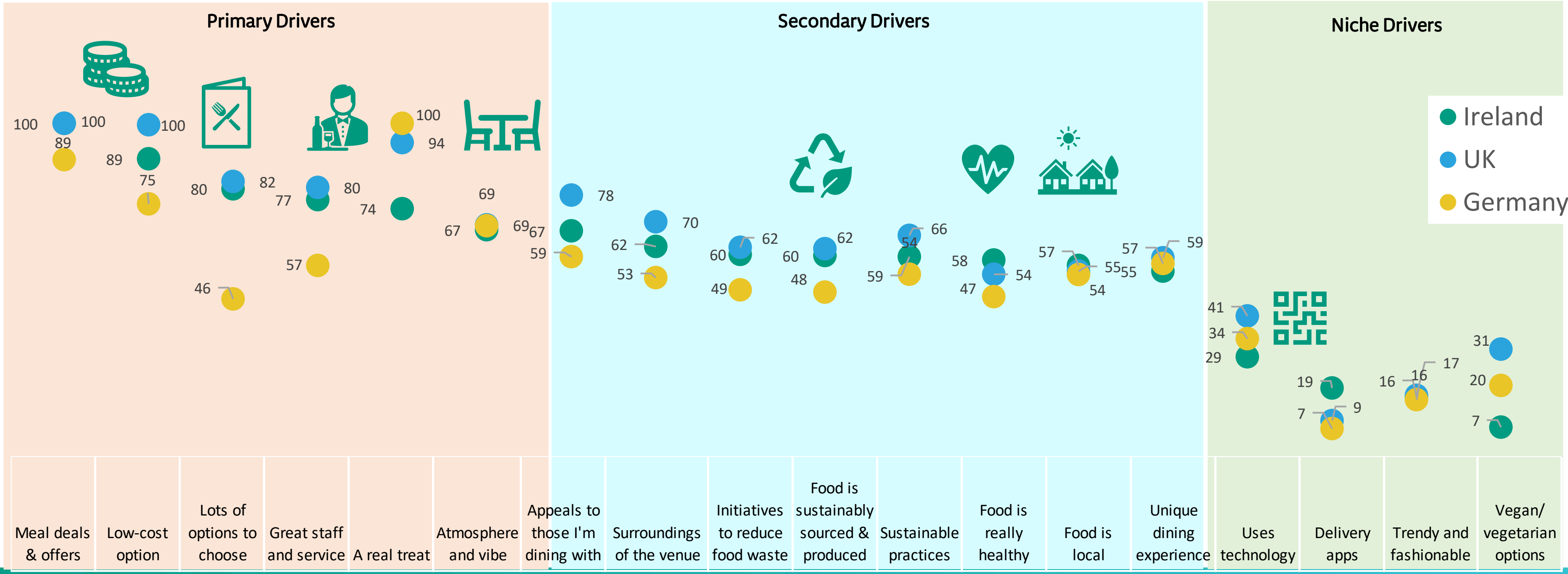
***Higher importance for UK

Importance of drivers (Maxx Diff Lite analysis)

Beside good quality food, cost, experience and variety are primary drivers

#1

'Good Quality Food' is the primary driver of choice for food outlets for eating out across Ireland, UK and Germany. Below are additional key drivers by market.



BORD BIA Thinking House

Importance of drivers (Maxx Diff Lite analysis)

This is reflected in the qual

Beyond price, consumers tend to have three major motivations when it comes to Foodservice outlets:

QUALITY

1. Good food is a fundamental part of the service encounter.
2. Consumers are looking for quality but also consistency. The latter is an area where fast food restaurants excel.
3. Vegetables in season, proper cooked chips (from potatoes, not frozen), fresh ingredients, food cooked from scratch – these kinds of qualities stand out now more than ever.

"I accept the price has gone up, so I want the quality at least to be great, then I can accept it better. (IRE)

SERVICE/EXPERIENCE

1. Politeness and speed are key: being attentive to customers, responding quickly to requests and bringing food promptly.
2. Consumers don't want to see or feel the stress or strain waiting staff might be under – it takes away from the experience. However, there is a recognition that the industry is under pressure from a labour point of view.
3. Friendliness is seen as something which can almost compensate for average food- because consumers are looking for a total experience.

"You can go to a standard high street chain and have a really good experience – chatty waitress, timely, quality food, being made to feel welcome. It's really important" (UK)

ATMOSPHERE

1. Ambience is a critical driver of restaurant choice and repeat visits.
2. Some describe the ideal outlet as one where they could linger for several hours in a relaxed environment.
3. Several criticised the busyness of outlets- tables were too proximate and conversations could be overheard.

"You want it not too crowded so you can build up a rapport with server- they are otherwise stressed."

"I want an experience when I eat out, beyond just eating good quality food." (DE)

BORD BIA Thinking House

4. Other dimensions and drivers

In the current climate, communicating sustainability needs to be handled carefully - some consumers see it as a secondary factor to price, venue, menu etc.

Secondary driver

• **Sustainability is not a *conscious* motivation for many**: It was characterised by several as *'details round the edges' (IRE),* although sustainability aspects are more important for 18-24s across all markets.	• **Sustainability is more visible in work canteens or coffee shops** than restaurants (e.g. paper packaging, take out coffee cheaper with reusable cup, segregation of recycling waste).
• **Sustainability can sometimes feel like effort,** so it needs to be positioned carefully as something that fits with a leisure experience.	• **Some sustainability initiatives are noticed and approved of,** like vegan options, compostable takeaway cups, recyclable take away cartons. Some used their own cups with coffee shop chains for a discount.
• There is a segment of consumers who **assume that sustainability comes with an additional cost.**	Using local ingredients ultimately has to deliver dishes that are attractive to customers. *"The place up the road does 2 courses for £15 with ingredients within 15 miles. I'd like sustainability to play a role in our food choices, but we looked at their menu online and what was on there didn't grab our attention"* (UK)
• Even though consumers to varying extents associate food production with climate change, **not everyone expects restaurants to be making sustainability claims on menus.**	Consumers are open to more positive affirmations suggesting that **buying local** is good for the environment: positive communication can work.

Secondary driver

Local carries strong conceptual appeal, but doesn't always translate into behaviour

Local Passives

Buying local is not necessarily a decisive purchase habit - it's something that most consumers like, but don't always pursue. Local is a cost deterrent for some.

Local Actives

For some, local is a conviction - they are motivated by locally sourced fresh fish, meat and veg - and a perceived cultural protectionism to support local jobs.

LOCAL BENEFIT

Most consumers are motivated conceptually by local on the basis that it's often fresher and therefore better. Local is not necessarily cheaper, but it enriches the eating out experience.

,

People need a clear "reason why" for local e.g. that it can be fresher, healthier, better quality, supporting communities, more sustainable.

QUANT: Local benefit seems to resonate more with older cohorts (55+ in Germany and 65+ in Ireland).

'Where the meat is from is important, I'm a food snob, I like to be from butchers, and supporting local farms.' (DE)

'I check if it's from the region and ideally that it's organic. I need to know it's fresh.' (DE)

Technology is not seen as a response to COLC, but is nonetheless noticed as an initiative; reactions are mixed

Some consumers value app innovation

- Just East app real time updates on an order are 'handy'- '*People like to know more 24/7'* (IRE)
- *The app lets you stipulate when you want to eat your food at a restaurant, which is a marked improvement on current system.*
- In any event, the app is much better than takeaway time-windows; *"if you are ringing up for a takeaway, then you are told it will be ready in 'up to an hour', which is vague and unstructured".*
- Technology can also help with budgeting, bargain hunting.

Most consumers had noticed QR codes in some restaurants and at airports

- Some were wary of it because it can sometimes remove the contact with the server – and service is such a fundamental part of the dining out experience.
- QR codes can be perceived as driven by cost-cutting, rather than a desire to enrich the consumer experience.
- There's a belief that it also feels like work, trying to order a meal.
- *" put me off going there again."* (UK)

There's also the issue of **dietary requirements -** there's low confidence that remote ordering can handle exceptions efficiently.

Some **younger people** saw the benefit in technology such as QR codes for quick ordering and where there is no desire to speak to anybody.

There's a distinct sense that **technology has a time and a place.**

BORD BIA Thinking House

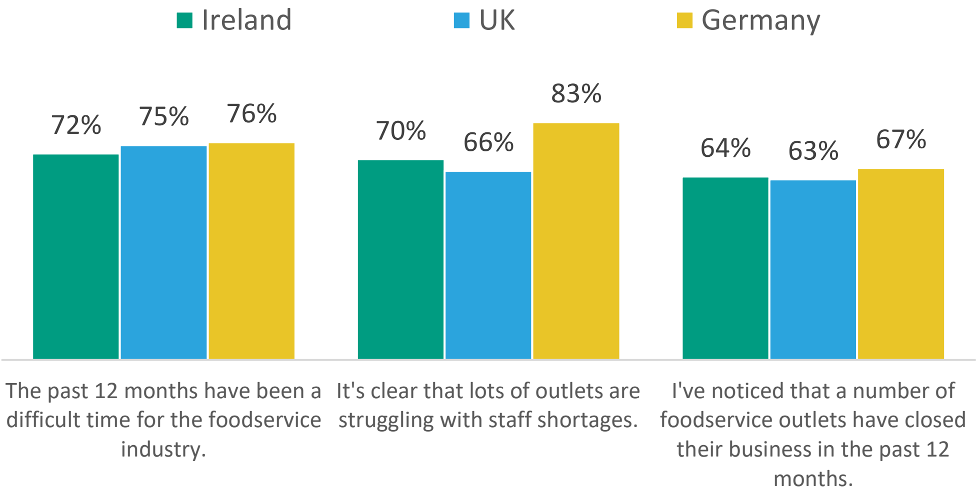
QUANT: Technology is more appealing to young people (18-34 y.o.)

5. The Foodservice Outlets' Perspective

BORD BIA Thinking House

Difficulties faced by foodservice sector are acknowledged by all consumers

QUAL



There's a belief, especially in Germany, that **service and staff has deteriorated post COVID**, a period which coincides with COLC.

There is empathy with these challenges: staff seem to be in short supply; those that remain are under severe pressure.

It also appears that some **staff aren't as well trained** in the basics, resulting in a sub-optimal service when eating out.

Consumers are understanding of price increases. But they want transparency about them and a reaction from the foodservice industry that can go beyond price reductions.

NET Agree

Considering the scale of the challenges faced by the sector, customers are willing to support FSOs

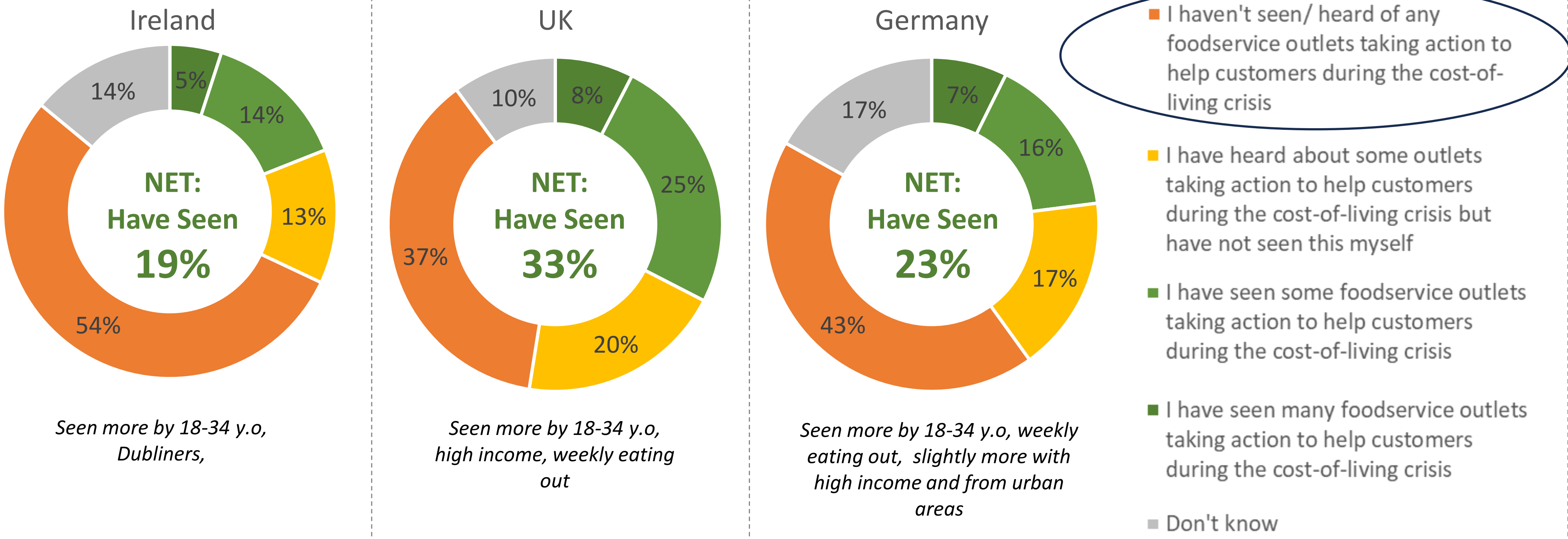
However, consumers see it as a reciprocal relationship, expecting the FSO support in return.
Higher expectations are recorded in UK and ROI.

			
It is important to try to support the foodservice industry whenever we can	62%	69%	57%
The FSOs are responsible to make their products and services more affordable during the COLC.	62%	61%	39%

NET Agree

However, consumers are not universally aware of actions taken by FSOs

But the message is getting through to some:
UK customers seem to be more exposed to foodservice outlets actions to help customers.
Younger people (18-34) and those eating out weekly are more aware of FSOs actions.

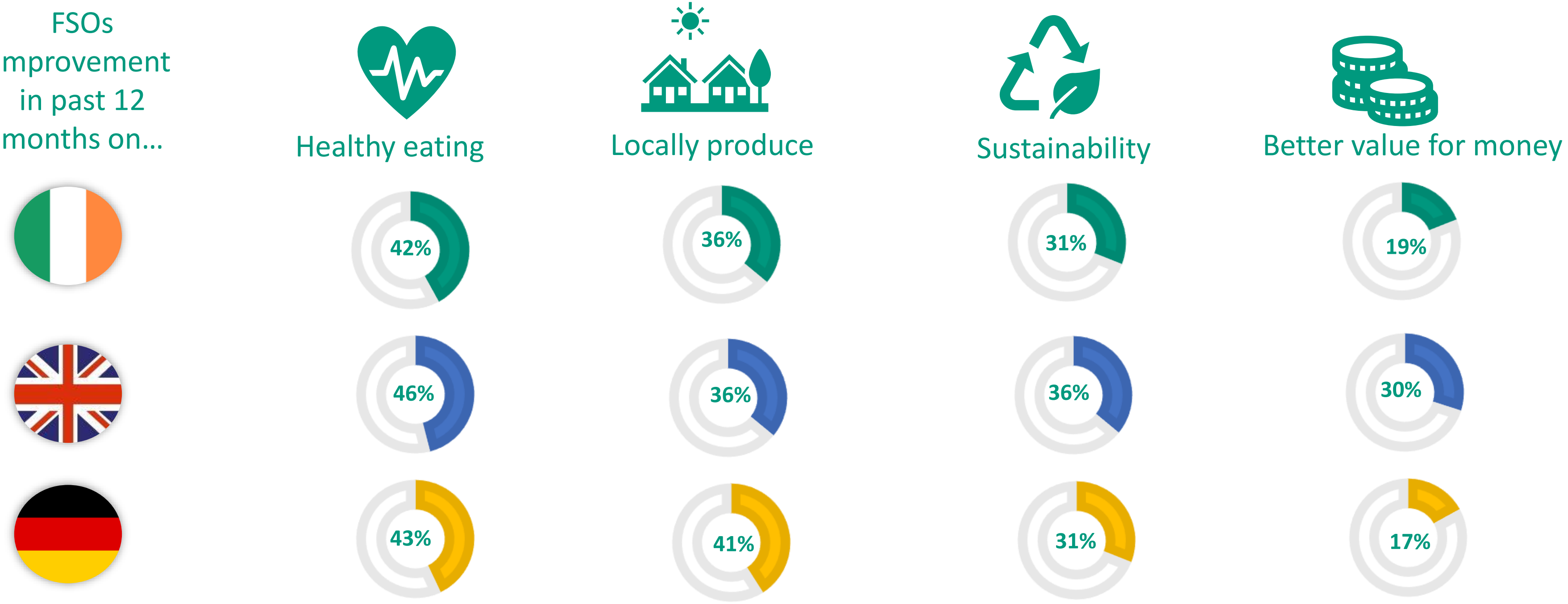


Seen more by 18-34 y.o, Dubliners,

Seen more by 18-34 y.o, high income, weekly eating out

Seen more by 18-34 y.o, weekly eating out, slightly more with high income and from urban areas

There are modest scores on action taken from FSOs across different areas, the lead category being healthy eating



NET Agree

Price-based initiatives carry strong appeal

Consumers rationally **understand that outlets have had to increase their prices**, but some expect something added to the meal that wouldn't necessarily cost the restaurant much.

"I now ask for extra toast with my breakfast when I go out". The expectation is for something in return, such as a loyalty discount.

QSRs chains are often called out as a value champion:

- *"The offerings are well priced, especially for families: they are delivering value through their apps and give exclusive offers each week."*

When FSOs offer discounts, these are noticed and appreciated. Consumers are much more likely to return to those establishment providing perceived value.

COLC-targeted price-based interventions are less apparent

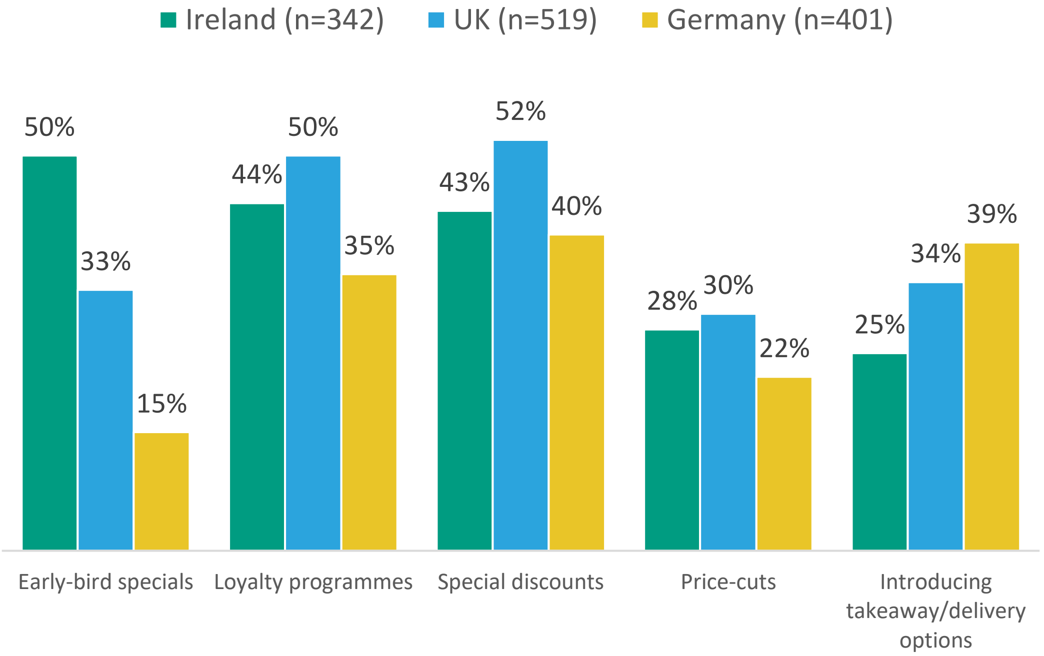
Early-bird specials are more visible, but are not seen as offers especially geared to the COLC- they exist in spite of it.

QUAL

There is a recognition that in some outlets there are deals available, such as early birds and lunchtime set menus, but these are seen as ongoing offers, rather than a tactical response to the COLC.

QUANT

Monetary value is top driver for all, and more prominent among:
IE &UK: women, low income, 18-24 & 35-44 yo.
DE: low income



BORD BIA Thinking House

6. Moving Forward

BORD BIA Thinking House

1. Quality of food is critical

Given that quality plays a pivotal role in customer preference, foodservice establishments should maintain a *consistent* level of quality. Although customers are willing to accept price hikes, they expect value in return, and quality remains their top priority. Food and beverage suppliers can support the commitment to quality earlier in the value chain.

2. Beyond price, service is also vital

Customers value human interaction and personalised service. They prefer outlets that retain a personal touch and don't rely solely on automated systems for ordering. Technology has its place as a driver of efficiency, but is not universally valued.

3. Enhance Cost-Conscious Promotions

Consumers understand the severe upwards pressure on prices, but they also appreciate promotions and discounts as a response to price increases. Extending early bird menus, creating promotions such as free tea/coffee/dessert, offering midday lunch deals and loyalty cards for regular customers are all important initiatives. Where possible and appropriate, F&B suppliers can support FSOs in the drive to cost management.

4. Provide an experience and atmosphere

Foodservice establishments need to offer customers a dining experience that extends beyond cost by creating a welcoming ambiance and an overall enjoyable visit. For F&B suppliers, supporting local and sustainable options can create a richer narrative around the end food experience, which in turn directly impacts consumer enjoyment.

THANK YOU

BORD BIA
IRISH FOOD BOARD

REDC

For any queries on this report, please contact:

Alecsandra Fulga
Director

Robin McGhee
Director

Jane Dunleavy
Director

RED C Research & Marketing Ltd
Ground Floor, Block G,
East Point Business Park, Clontarf
Dublin 3, Ireland
D03 H2N1
T / +353 1 818 6316
E / Alecsandra.fulga@redcresearch.ie
E / robin.mcghee@redcresearch.ie
W / **www.redcresearch.ie**